

A New Spin on Housing Affordability:

Rethinking Single Family Rental Housing's
Evolution and Role

SF Rental Housing Market Overview



Presented on:
November 6, 2013

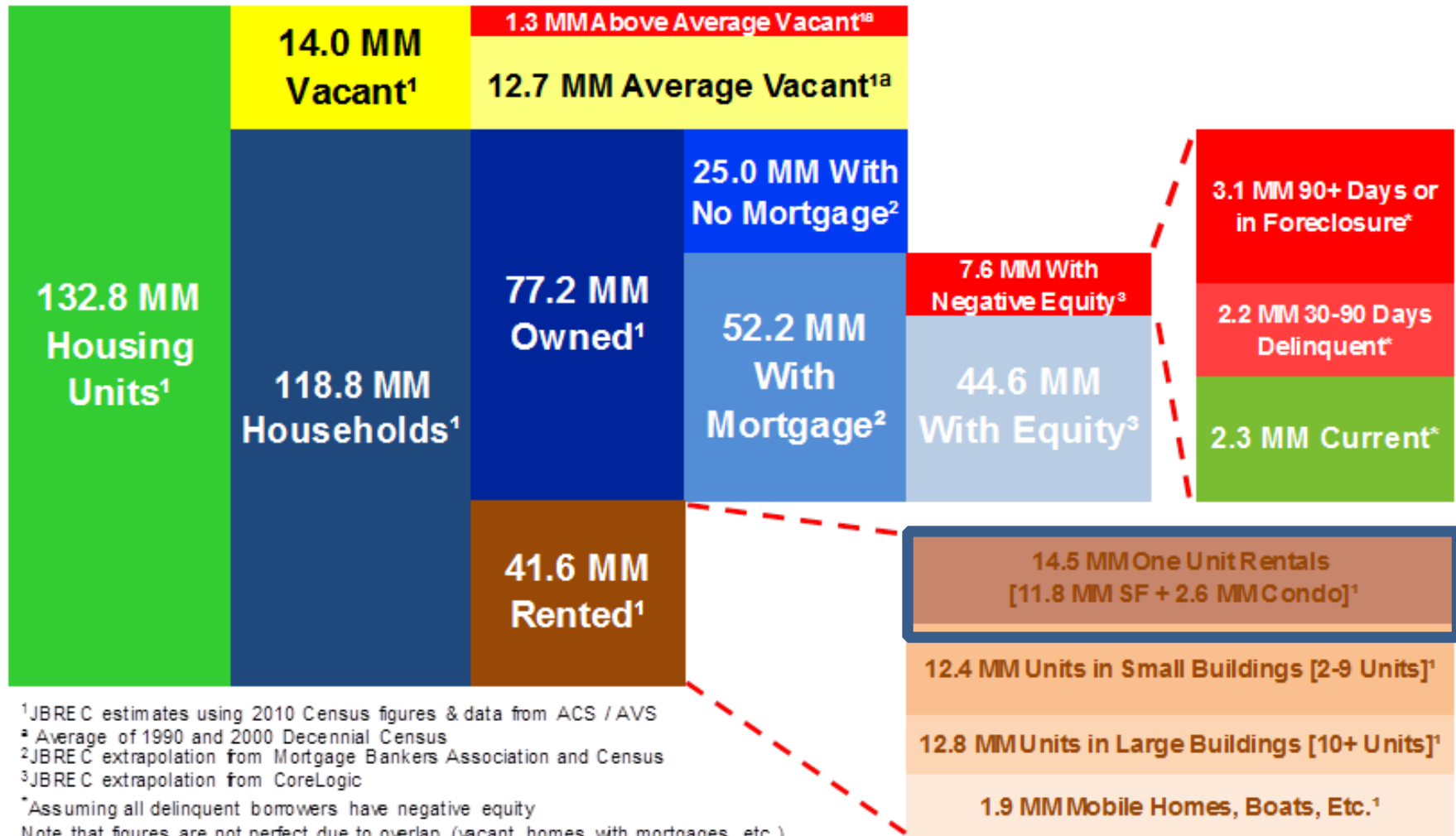
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JOHN BURNS
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Trusted Analysis for Executive Decisions

11% of the US housing stock is rental homes and condominiums.



¹JBREC estimates using 2010 Census figures & data from ACS / AVS

^a Average of 1990 and 2000 Decennial Census

²JBREC extrapolation from Mortgage Bankers Association and Census

³JBREC extrapolation from CoreLogic

^{*}Assuming all delinquent borrowers have negative equity

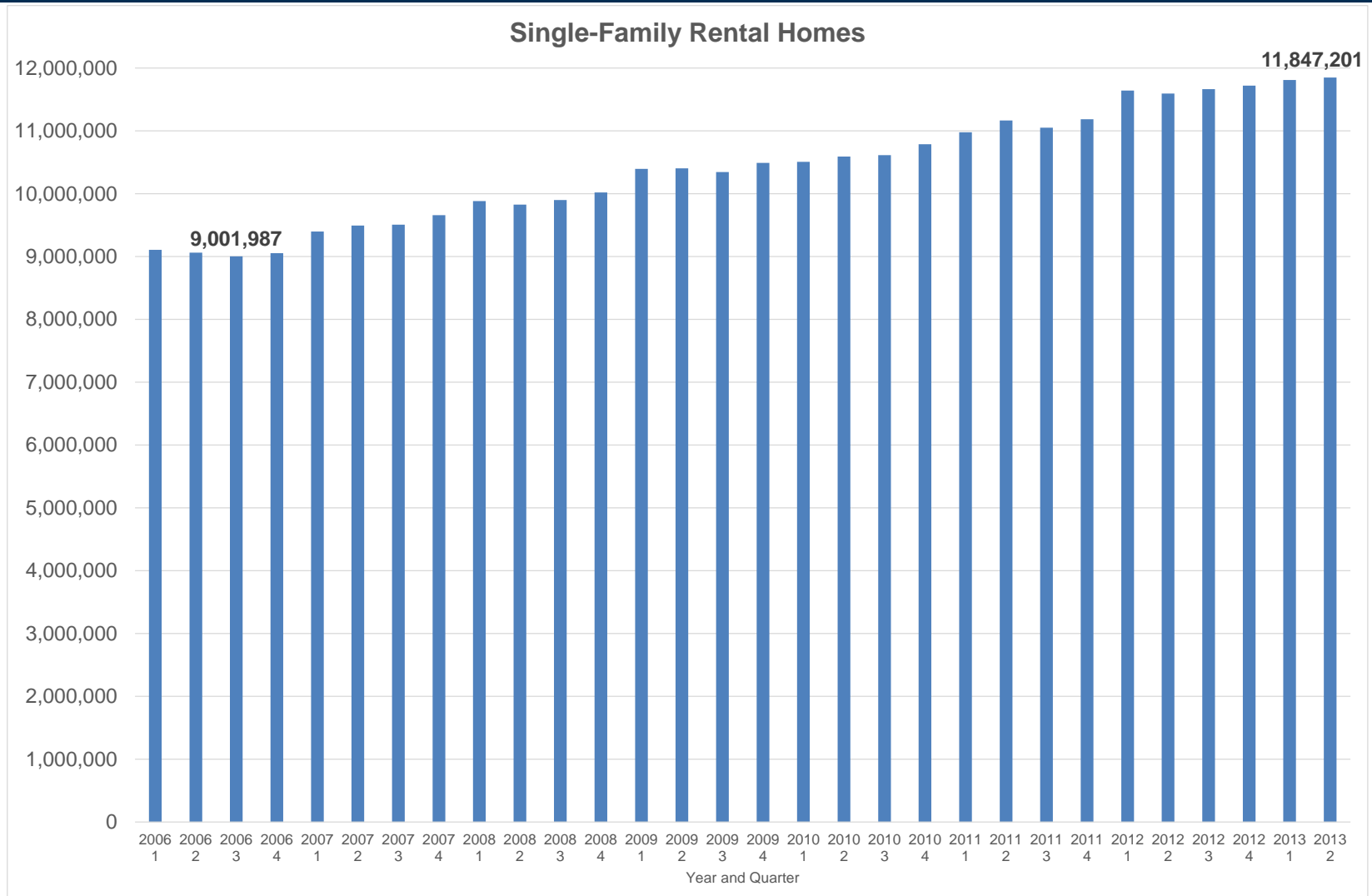
Note that figures are not perfect due to overlap (vacant homes with mortgages, etc.).

Source: JBREC (U.S. Housing Analysis and Forecast Report)

Data: Q2-2013, Pub: Oct-13

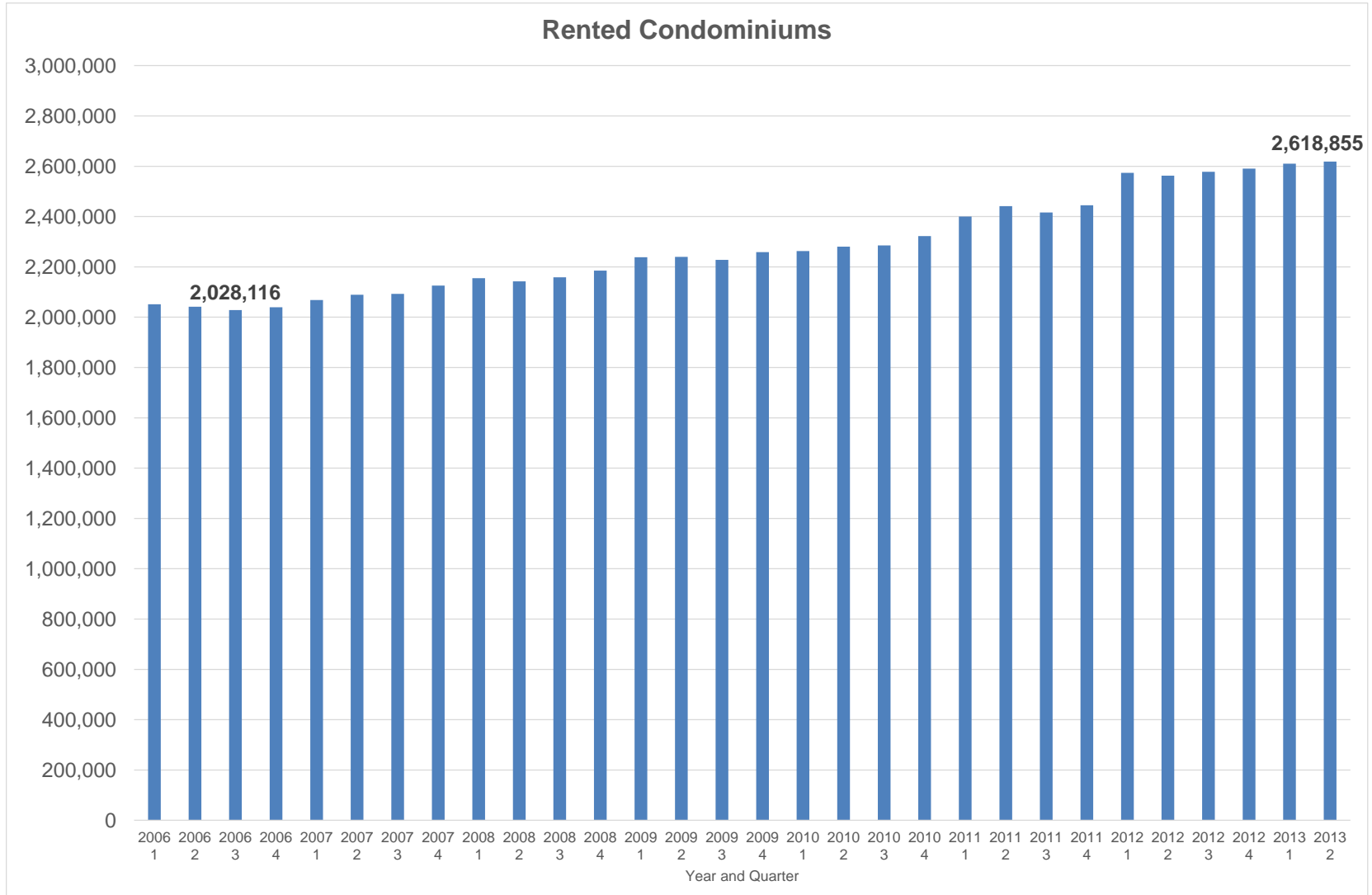
Source: John Burns Real Estate Consulting. Use of this info without permission not allowed.

2.8 million SF Rental Homes (31% growth) Added in the last 7 years.



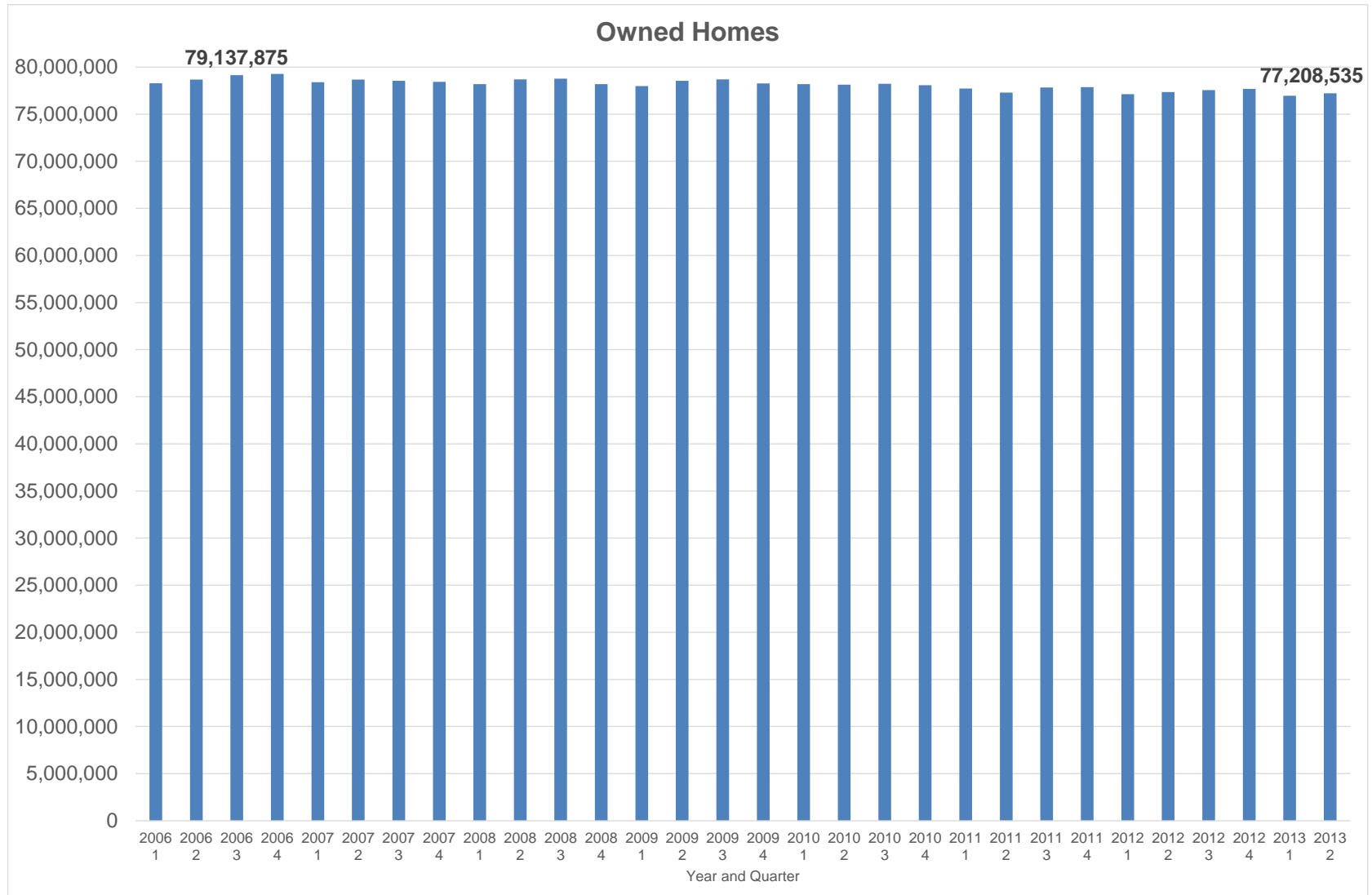
Source: John Burns Real Estate Consulting. Use of this info without permission not allowed.

600K Rental Condos (14% growth) Added in the last 7 years.



Source: John Burns Real Estate Consulting. Use of this info without permission not allowed.

1.9 Million Fewer Homeowners than 7 years ago.

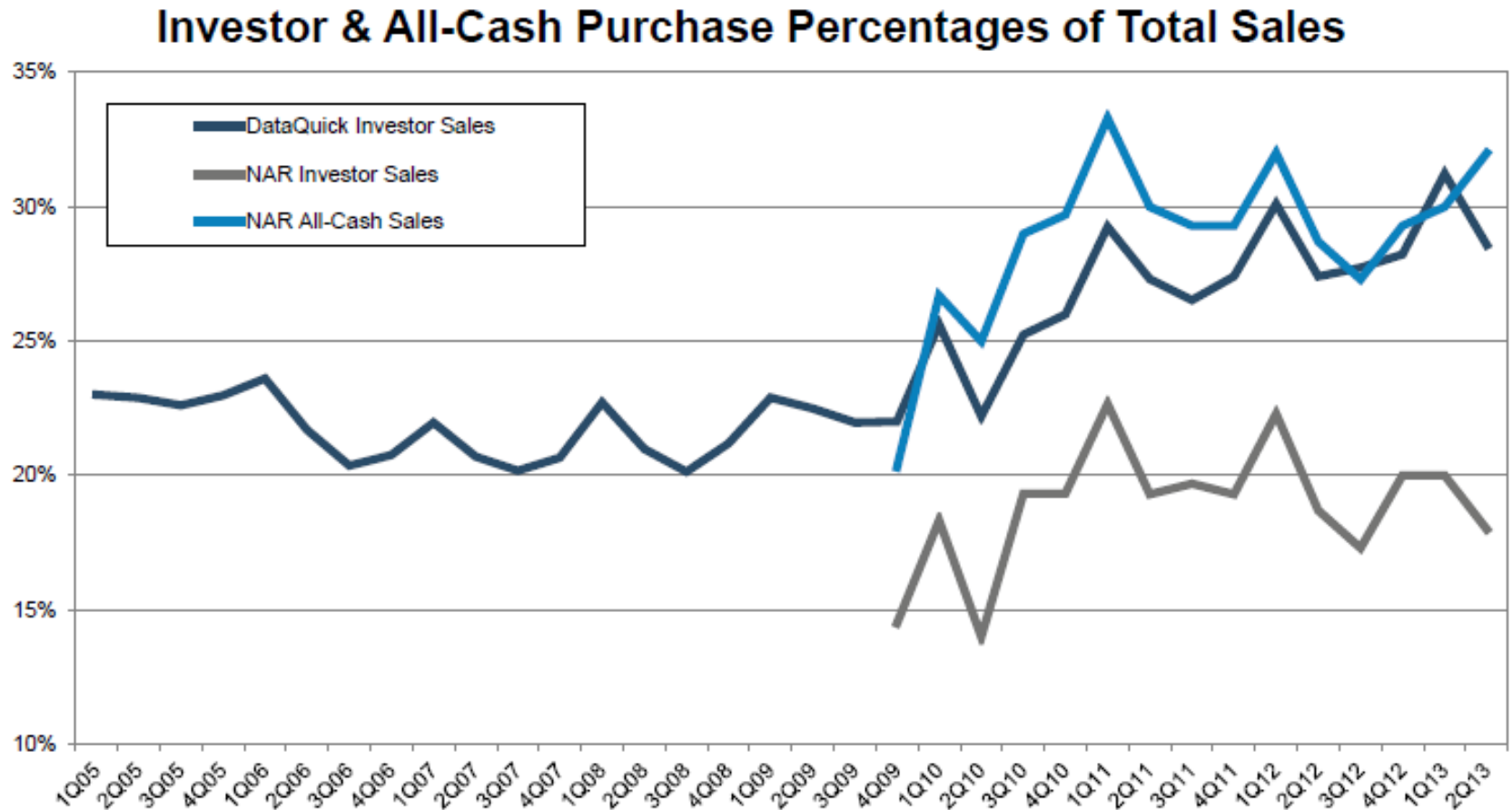


Source: John Burns Real Estate Consulting. Use of this info without permission not allowed.

Opportunity funds and Investors from all over the world see SAFETY and OPPORTUNITY in U.S. housing



Investor sales hit an all-time high this year. Q3 data will show that they declined.

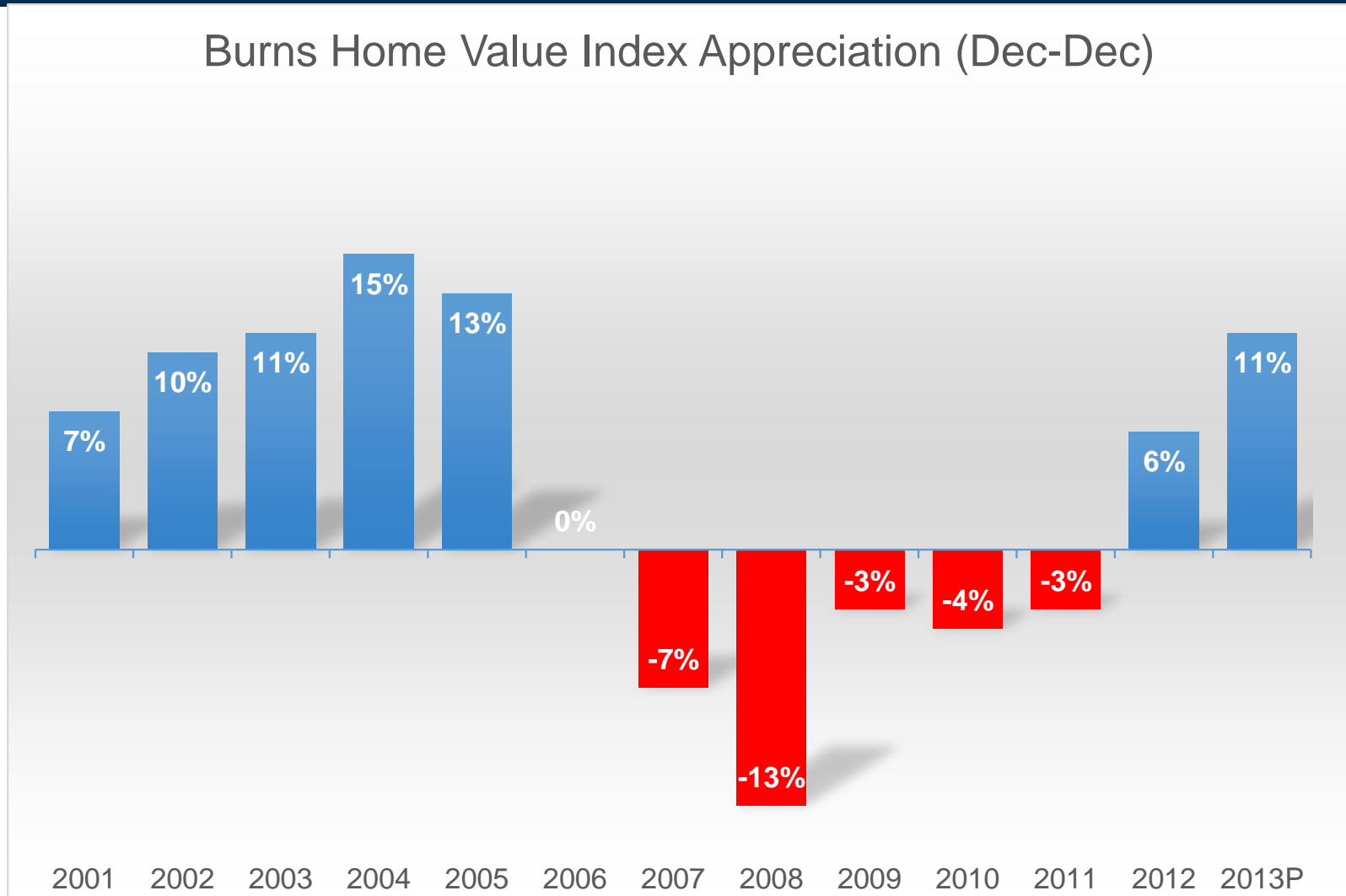


Source: John Burns Real Estate Consulting - Metro Analysis & Forecast, 167 Markets, (Pub: Sept-2013)

* Metropolitan Division

Source: John Burns Real Estate Consulting Regional Analysis and Forecast, October 2013

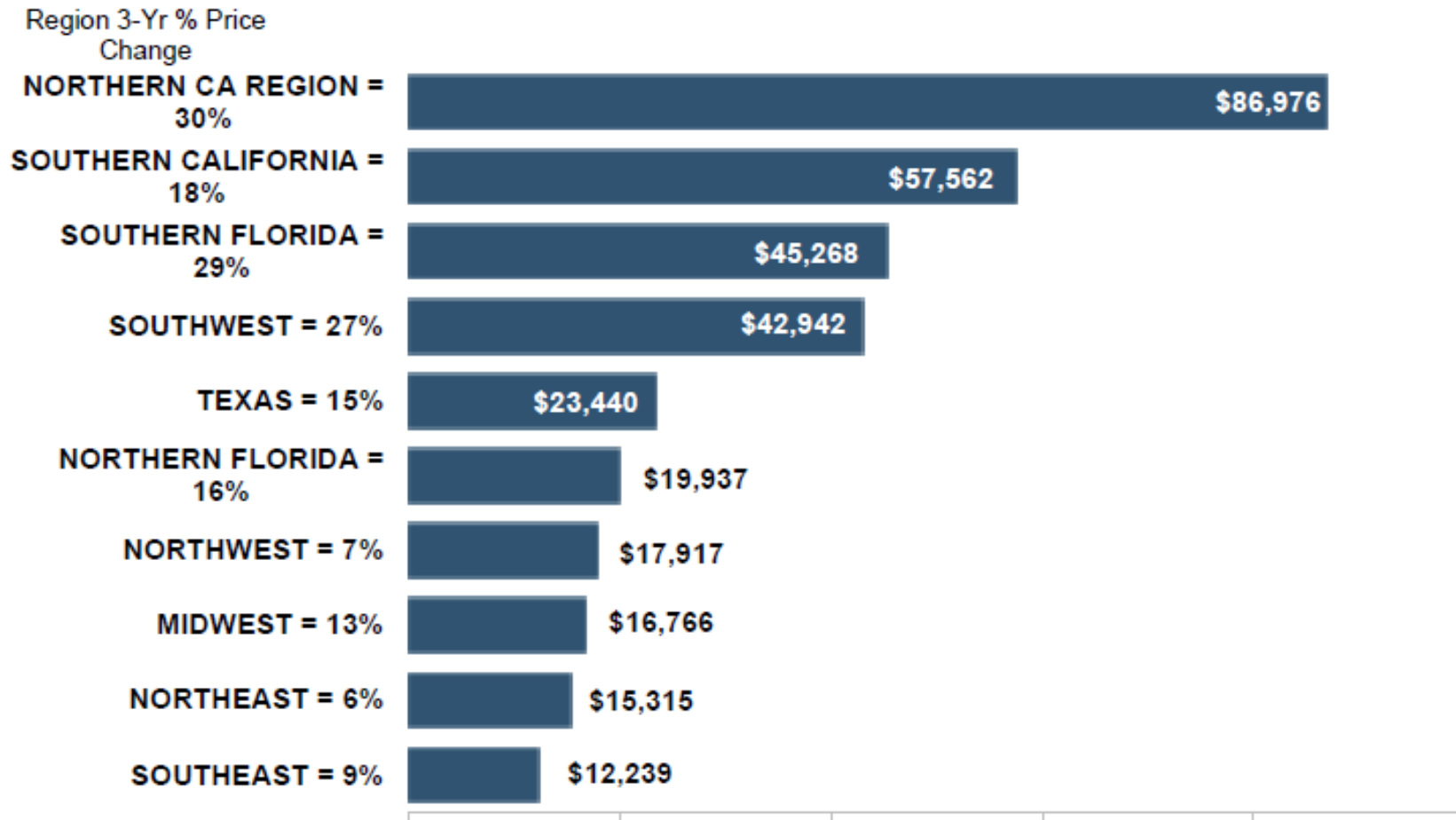
US Home Values Fell 27% from 2007–2011 but have risen 17% in 2 years.



Source: John Burns Real Estate Consulting US Housing Analysis and Forecast, Oct 2013. Use of this info without permission not allowed.

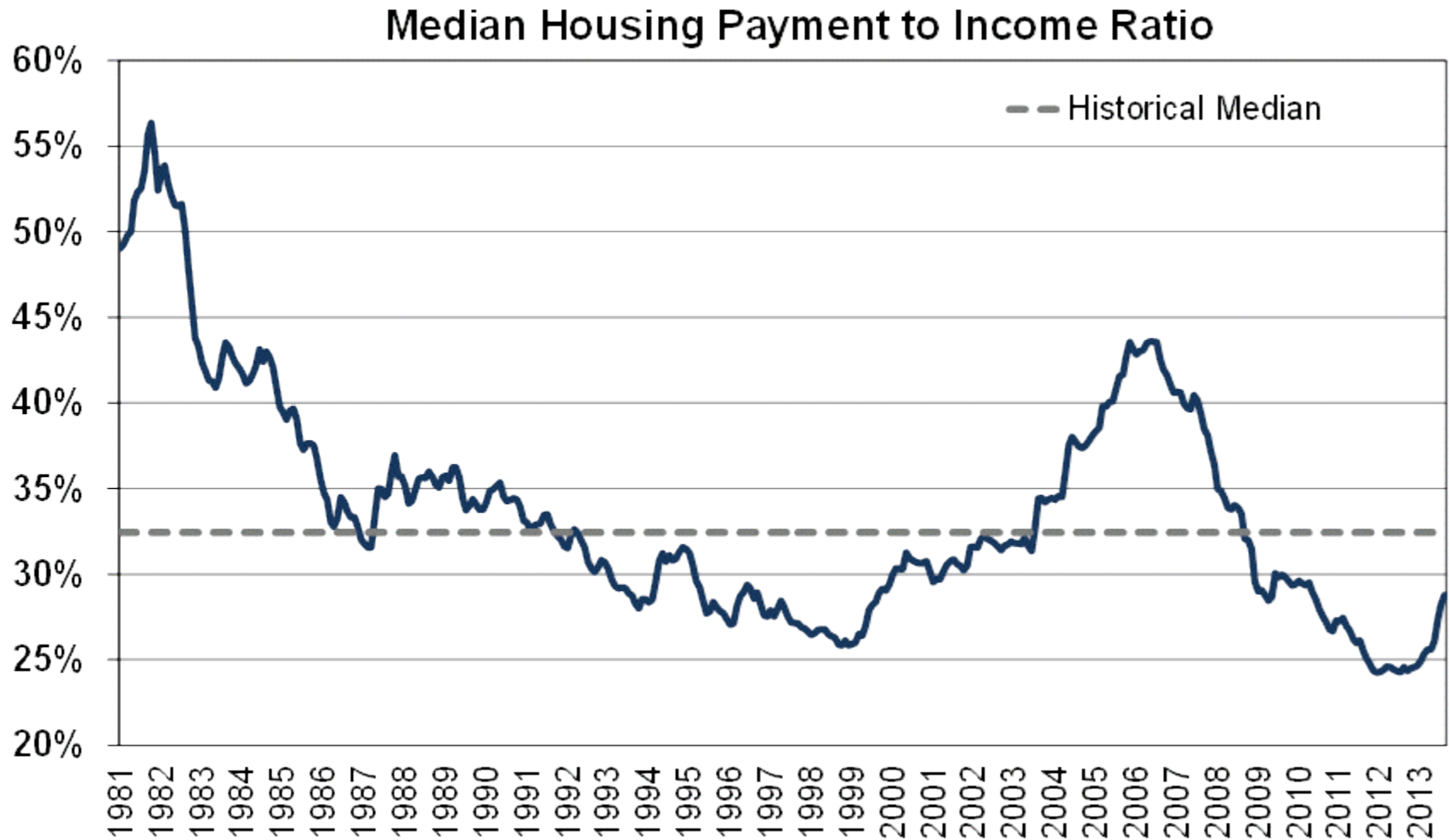
The Result has been a lot of price appreciation in the last 3 years!

3-Year Wtd. Avg. Resale Price Growth/Decline by Region



Source: John Burns Real Estate Consulting Regional Analysis and Forecast, Sept. 2013

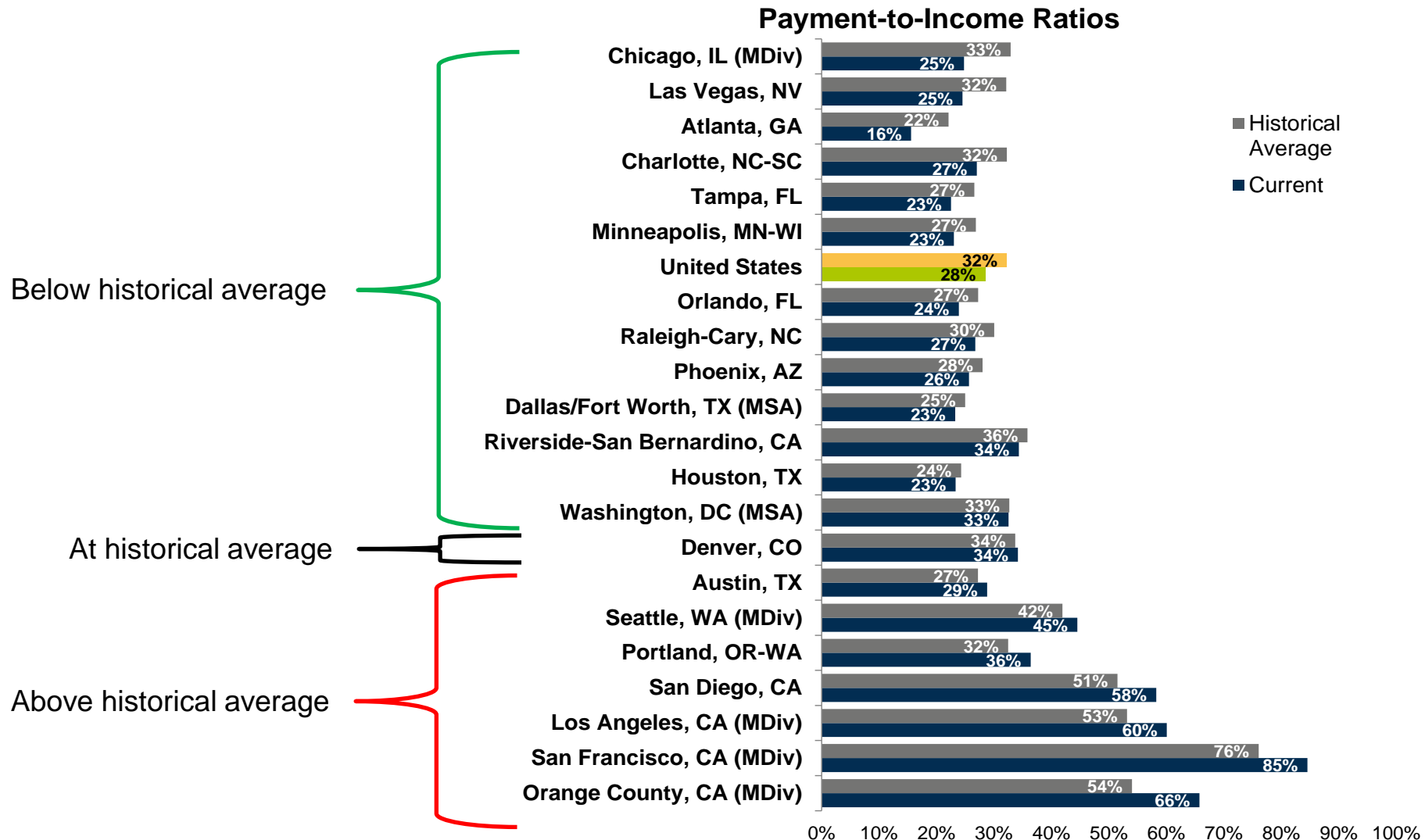
This Will Be a Payment Driven Recovery – payments were 23% of income, and are now 29% (34% is the norm).



Source: JBREC BHVI, updated through Aug 2013; 28.8% based on 4.5% mortgage rates

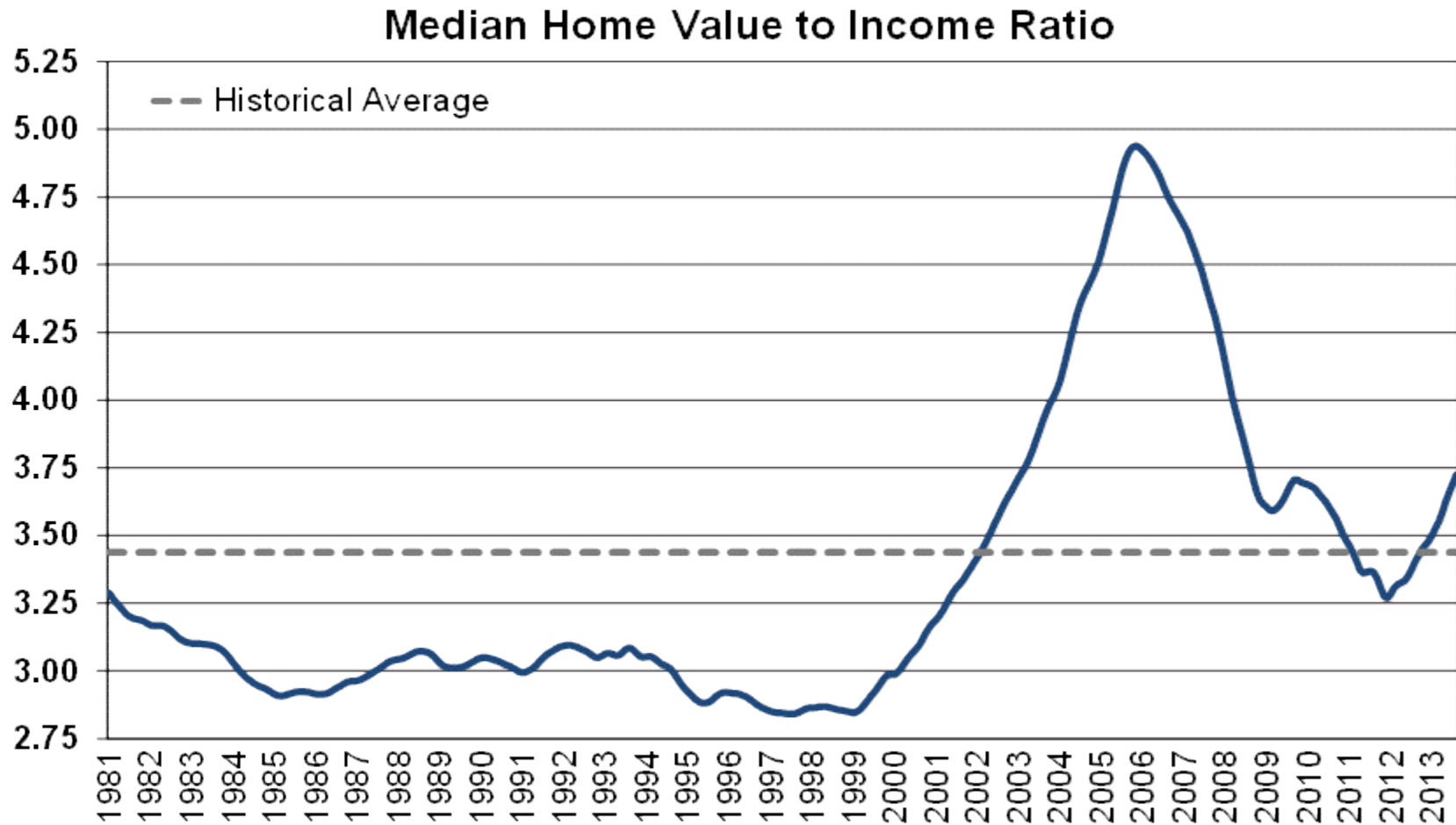
Source: John Burns Real Estate Consulting US Housing Analysis and Forecast, Sept. 2013

Payments Are Still Affordable and Payment-to-Income Ratios Are Below Average in Most Markets



Source: John Burns Real Estate Consulting, LLC (Published Oct. 2013)

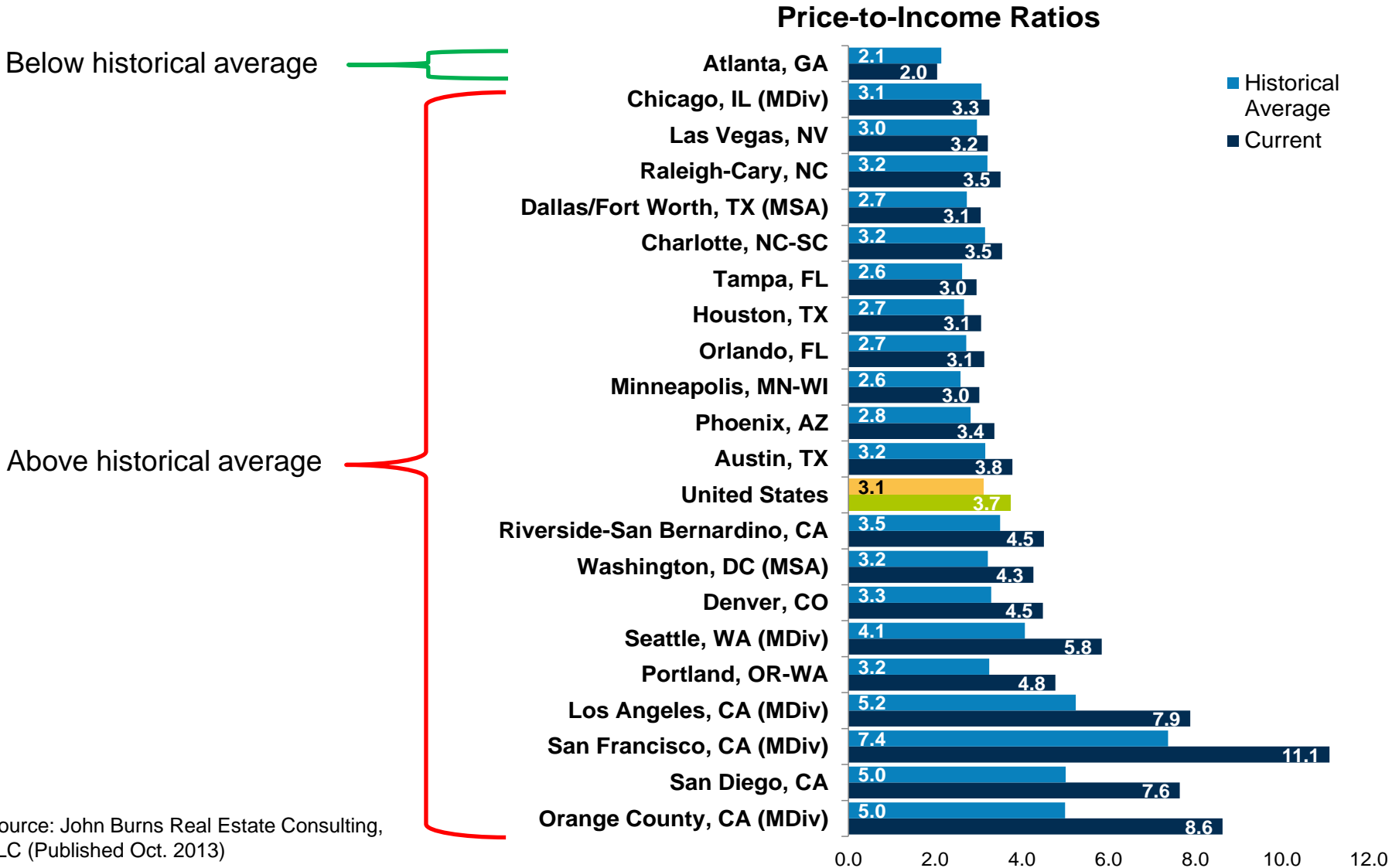
More than a *Price Driven Recovery* – prices are clearly above the norm



Source: JBREC BHVI, updated through Aug 2013; 3.72

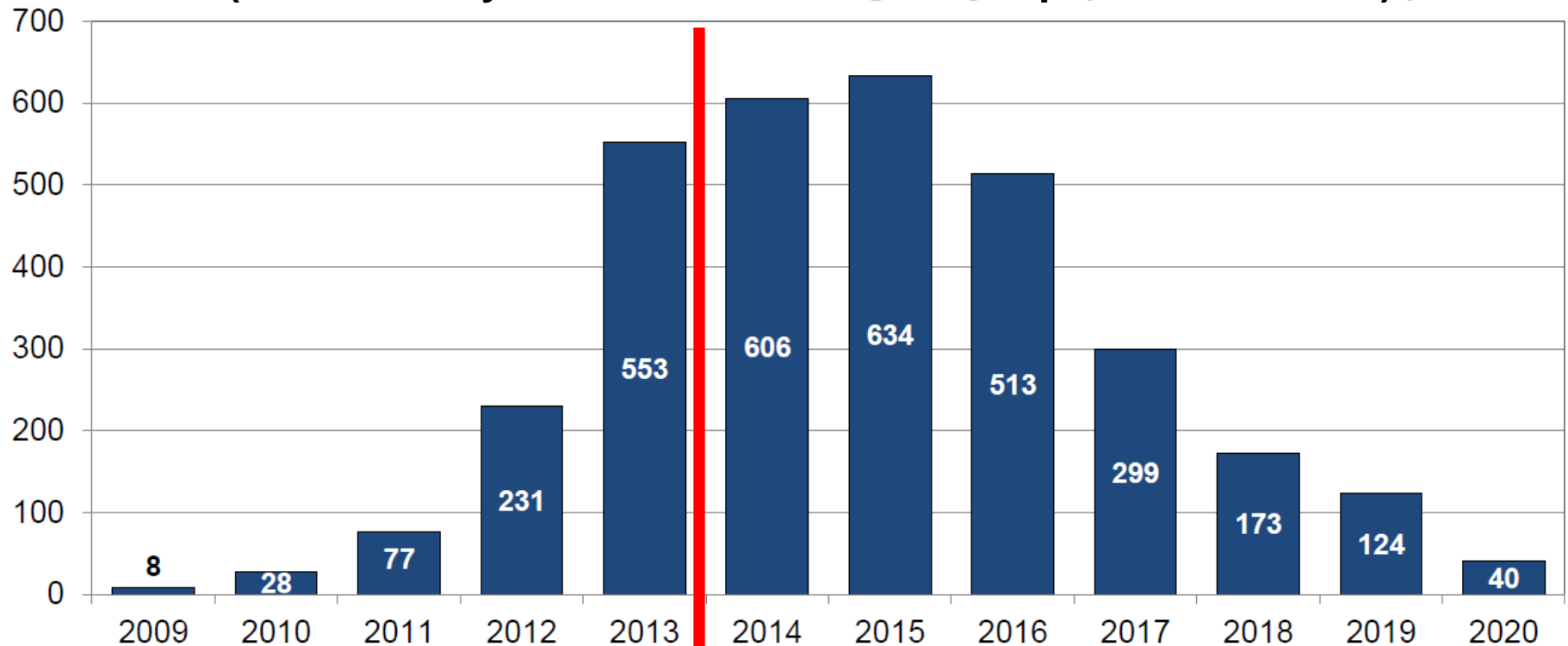
Source: John Burns Real Estate Consulting US Housing Analysis and Forecast, Sept. 2013

Prices are High and Price-to-Income Ratios Are Now Above Average in 19 of the Top 20 Markets



A huge portion of the recovery should be driven by those who lost their home to foreclosure.

Projected Boomerang Buyers
(includes only those who lost their home prior to Jan. 2013)



Source: John Burns Real Estate Consulting Note: Figures include only 2007–2012 boomerang buyers. Totals will be greater in 2015–2020.

Source: “Boomerang Buyers Flying Back into the Market,” John Burns Real Estate Consulting. White paper with all markets published February 2013. Use of this info without permission not allowed.

26% of our Estimated 3.3 million Boomerang Buyers will come from 10 MSAs.

Metro Area	Total Boomerang Buyers	% of US Boomerang Buyers
Riverside-San Bernardino, CA	133,600	4.1%
Los Angeles, CA (MDiv)	118,100	3.7%
Phoenix, AZ	116,500	3.6%
Chicago, IL (MDiv)	81,700	2.5%
Atlanta, GA	77,500	2.4%
Las Vegas, NV	69,100	2.1%
Washington D.C. (MDiv)	68,600	2.1%
Sacramento, CA	62,200	1.9%
Oakland, CA (MDiv)	57,800	1.8%
Houston, TX	57,000	1.8%

Source: "Boomerang Buyers Flying Back into the Market," John Burns Real Estate Consulting. White paper with all markets published February 2013. Use of this info without permission not allowed.

Three key questions to ponder as the Professional SF Rental model emerges.

1. Now that Price/Income ratios exceed historical norms, are distressed homes still a great trade for institutional investors promising high teen returns?
2. Will the Boomerang buyer return to homeownership, reducing SF rental occupancy or putting downward pressure on rents, or continue to rent?
3. Could a future downturn be exacerbated by investor owners?

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CURRENT SFR PORTFOLIO DEBT TRENDS

	Hard Money	Community Banks	Regional Banks	Money Center Banks	Institutional Non-Bank / MBS
Size	\$500K to \$10MM	\$1MM to \$5MM	\$1MM to \$25MM	\$100MM+	\$3MM to \$100MM
Rate	8.0% to 14.0%	4.25% to 6.5%	4.5% to 6.5%	3.5% to 5.0%	5.0% to 6.5%
Rate Type	Fixed	Fixed	Fixed	Floating	Varies
Term	1 to 2 Years	3 to 5 Years	3 to 5 Years	3 to 5 Years	5 to 10 Years
LTV	Up to 75%	Up to 65%	Up to 65%	Up to 65%	Up to 80%
Pre-Pay Penalty	No	No	No	Yes	Yes
DSCR	0 – 1.25	1.20	1.25	1.25	1.25
Recourse	Varies	Yes	Yes	Yes	No
Advantages	Speed Acquisitions No Pre-Pay	Rate No-Pre-Pay	Rate No Pre-Pay	Rate Geography	Size Proceeds Speed Geography Non-Recourse
Constraints	Size Rate Geography	Geography Recourse Proceeds Speed	Recourse Proceeds Speed	Recourse Proceeds Speed	Pre-Pay Penalty

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