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CAPITAL MANAGEMENT

Housing America

Single-Family Rental's Critical Role In U.S. Housing Infrastructure

April 2024

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Executive Summary

U.S. housing supply continues to be a critical issue, exacerbated by insufficient housing development since the Global Financial Crisis and a particularly acute shortfall in single-family homebuilding. The single-family rental (SFR) sector is a large and critical component of the nation's housing infrastructure. U.S. Census Bureau data from the American Community Survey as of 2022 show more than 14 million households rent attached or detached single-family homes. This figure is not far off the roughly 16 million households that rent apartments in buildings with at least ten units. Despite this relative parity, developers have been disproportionately focused on multifamily construction in recent years as the large Millennial generation fueled demand for rental units.

However, lifecycle and lifestyle factors are driving increased demand for single-family housing options as Millennials are aging, starting families, and availing themselves of remote work options. The increase in work-from-home alongside growing households means that millions of households need more space than the typical urban multifamily unit can offer. The demographic wave that has benefited multifamily investors is now swelling into the 35-44-year-old age bracket, which tends to prefer single-family housing. Notably, the ranks of this pivotal age bracket will continue to grow significantly over the balance of the decade. Older households that are looking for the types of financial and geographic flexibility associated with SFR homes will further solidify the demand side of the SFR housing equation.

Alongside the persistent undersupply of housing, availability and affordability have been further eroded by rapid growth in home prices and a significant increase in mortgage rates since 2022. Despite this, U.S. homeownership has also been increasing, which has served to deplete the number of single-family homes that are available for rent. With mortgage rates on new loans approaching twice the median rate of all existing residential debt, owners with an existing mortgage rightfully feel (and act) as if they are locked into their homes. Sales volume has dried up and households that would like to buy are challenged to find a home, especially at the entry-level of the market where the supply shortfall has been more acute. These conditions are keeping home prices on an upward trend despite the steep rise in interest rates. Renting a home has never been less expensive versus buying one than it is today.

...the nation is in dire need of more entry-level single-family housing.

As a result of these trends, the nation is in dire need of more entry-level single-family housing to meet the growing tide of demand for affordable and flexible options as households transition to a single-family lifestyle. SFR's already important role in fulfilling this demand will continue to grow and institutions will be a significant source of capital for the expansion of this critical housing option. In addition to building new single-family housing, institutions are also likely to provide much of the capital required to modernize, preserve, and protect the aging housing stock in the U.S. The existing stock is increasingly absorbing damaging impacts related to climate risks, which increase its vulnerability and associated operating costs. We believe that large institutional investors will step in to help supply professionally managed and maintained single-family rental homes, just as they have in the multifamily sector for decades.

1. The Supply-Side Shortfall

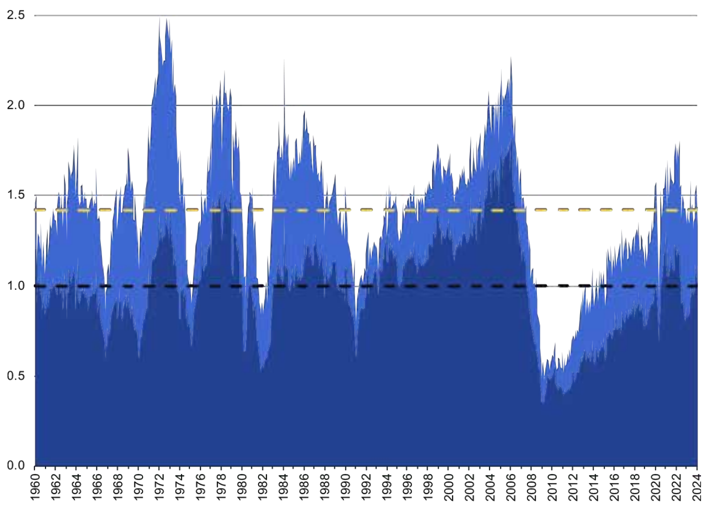
High construction costs, economic cycles, NIMBYISM, and the pandemic have all tempered new home construction. Market analysts have estimated the U.S. has a housing shortfall equal to roughly a year's supply on the low-end (e.g., Moody's Analytics) to several years' worth of supply on the high end (e.g., Realtor.com). Not only has the country not built enough housing supply overall, but single-family starts have represented a markedly smaller share of homebuilding over the past decade (68%), than they did during the 20 years prior to that (79%), per data from the U.S. Census Bureau through January 2024.

Developers have been building the type of housing best suited for the needs and desires of the large Millennial generation – multifamily – and have neglected single-family homebuilding as a result. Capital availability played a role here too as large institutions sought exposure to multifamily housing in their portfolios. Now that Millennials are reaching a stage in their lives when single-family homes will better meet their needs, the significant shortfall in single-family homebuilding has become even clearer.

SECTION 1 CHART 1

Significant shortfall in homebuilding for more than a decade

Housing Starts (millions, SAAR)



Single-Family

Multifamily

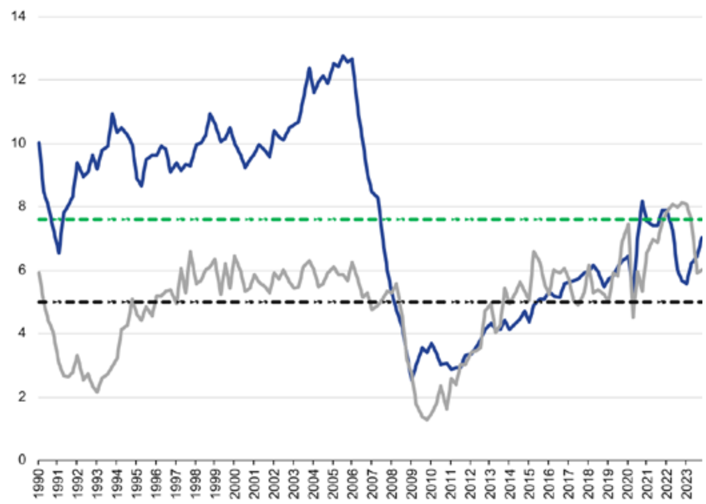
Single-Family Historical Avg

Total Housing Historical Avg

SECTION 1 CHART 2

Developers have placed greater emphasis on multifamily

Starts Per 1,000 People



SF Starts Per 1,000 People Aged 30-64

MF Starts Per 1,000 People Aged 20-34

SF Average

MF Average

Source: U.S. Census Bureau (January 2024), U.S. Department of Housing and Urban Development, Roofstock Research

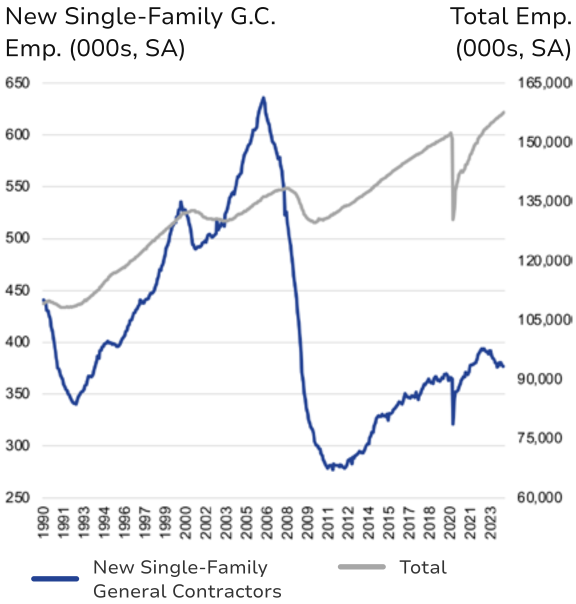
On a nominal basis, the data shows that recent new single-family home construction is on a par with the average number of homes built annually since 1960. So, the level of activity has actually been quite low relative to today's much larger population. For a better relative picture, Chart 2 showing starts relative to the size of certain population segments, reflects how single-family starts have run below trend since the Global Financial Crisis (GFC), while multifamily starts have been running near or above trend for the past decade. The data show housing development overemphasized multifamily in recent years, and failed to make the pivot to single-family even as the demographic trends were clear.

The economic consequences of the GFC on homebuilding were considerable and amplified by capital flowing to multifamily construction in the years that followed. According to the U.S. Bureau of Labor Statistics, single-family general contractors, a group that far outnumber multifamily general contractors, employed 27%, or 138,000, fewer workers in 2023 than they did on average in the 2000s. By comparison, multifamily general contractor employment was up over 61%, albeit from a much smaller base.

The employment story speaks to the country's diminished capacity to build new single-family residences. With unemployment still below 4.0% overall as of February 2024, finding workers will be challenging. Relief may come from decreasing construction activity in other areas, including multifamily housing, but geographic and skills mismatches mean this is not a switch that can suddenly flip.

SECTION 1 CHART 3

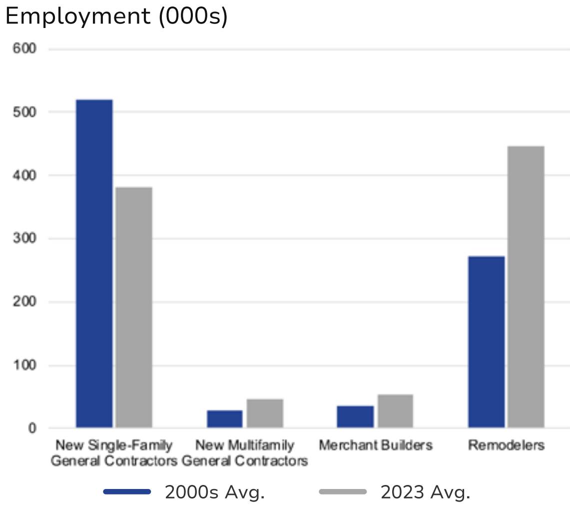
The GFC devastated single-family general contractors; employment has yet to recover



Source: U.S. Bureau of Labor Statistics (January 2024), Moody's Analytics, Roofstock Research

SECTION 1 CHART 4

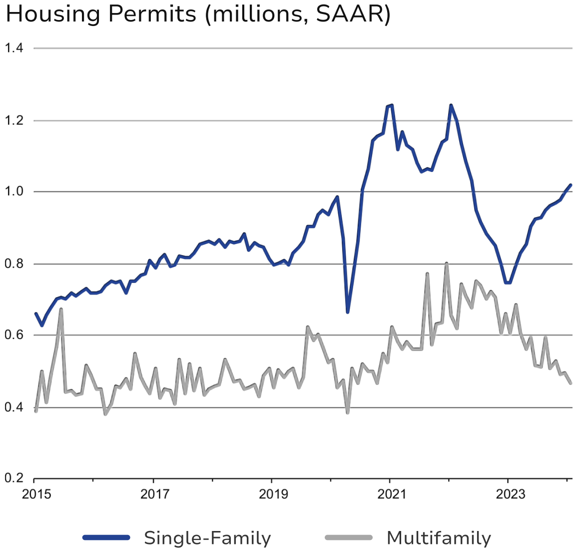
Remodeling, not new home construction has been the primary job creator within residential construction



Source: U.S. Bureau of Labor Statistics (January 2024), Moody's Analytics, Roofstock Research

SECTION 1 CHART 5

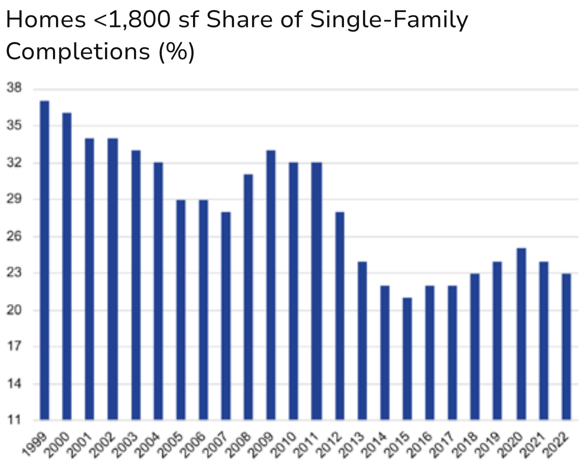
Permit data show overall housing construction unlikely to ramp up



Source: U.S. Census Bureau (January 2024), U.S. Department of Housing and Urban Development

SECTION 1 CHART 6

Builders have shunned entry-level homes as they seek to maximize profits



Source: U.S. Census Bureau

Permitting activity suggests construction is pivoting towards single-family, but the rise in single-family permits is not as pronounced as it would need to be to satisfy unmet demand. Dwindling multifamily permits indicate that overall residential construction will not see much of an uptick. As a result, housing will remain in short supply for the foreseeable future. Institutional capital targeting allocations to SFR investments can play a role in reversing this trend of undersupply by making investments in build-to-rent projects, but so far this capital has had limited impact at the national level.

It is noteworthy that entry-level supply has been even more constrained as homebuilders have focused on building larger homes. There has been a downward trend in the share of homes completed that are under 1,800 sf over the past two decades. These homes were just 23% of completions in 2022 versus over 35% of completions during 1999-2000. First-time homebuyers have felt this skew towards higher-end homes acutely as there has been very little new, entry-level product available for purchase.

Housing availability and affordability go hand in hand and new supply, particularly at the entry-level, is the only real solution here. This is especially true given the demographics we previously discussed. Younger households will want entry-level options as they make the pivot to single-family housing. Indirectly, lack of supply is also discouraging more current homeowners from selling as there are limited options to move. This is amplified by the lock-in effect created by the ultra-low mortgage rates in the years preceding the Fed's 525 basis point rate hike cycle that began in March of 2022. We take a closer look at home prices and affordability later in this paper, but first let us examine the demand side of the equation.

2. Ownership Demand & Demographics Heightening the Scarcity of SFR

SFR, and single-family housing generally, have experienced strong occupancy over the past decade. High occupancy conditions in SFR are owed to both a rebound in homeownership, which took homes out of the rental inventory, growth in population at ages that typically coincide with a preference towards single-family housing, and limited new construction. In fact, U.S. Census Bureau data from the American Community Survey show fewer renters of detached single-family homes in 2022 than in 2012. Generally speaking, the data show ownership has been favored in recent years, supported by ultra-low borrowing rates.

Consider the U.S. Census Bureau Housing Vacancies and Homeownership Survey, which shows owner households increased 8.6% or 6.9 million over the past five years (as of the fourth quarter of 2023), while renter households, including those in multifamily properties, increased by just 4.4% or 1.9 million during that time. Low interest rates certainly played a role here, although that tailwind has flipped to a headwind recently as higher mortgage rates have reduced affordability.

The data may come as a surprise to multifamily investors, who have enjoyed strong demand and rent growth over the past decade. But a closer examination shows that, while rentership overall did not see robust growth, the story was vastly different for large multifamily. The number of households renting in structures with 10+ units increased by 26% from 2012 to 2022, while households renting detached single-family homes declined as the number of homeowners grew.

This skew towards multifamily was owed to both demographic trends and the flow of institutional capital seeking to capture this demand growth. The arrival of the massive Millennial generation into the workforce and their desire for a more urban lifestyle was a boon to multifamily demand, rewarding the owners of these assets. But now that demographic-driven demand is expected to shift to single-family housing.

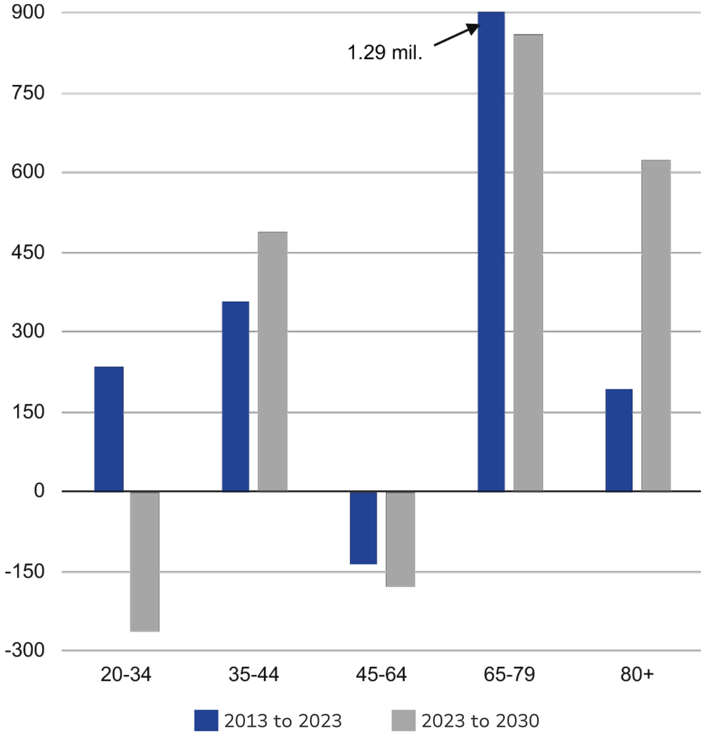
Population data show solid growth in 20–34-year-olds and 35–44-year-olds from 2013 to 2023. But over the balance of this decade the 20–34-year-old age cohort will shrink, while the 35–44-year-old age cohort will continue to grow both in absolute terms and as a percentage of the total population. We see this on balance as a significant positive for SFR demand, particularly as households have delayed major life events that tend to lead to occupancy of single-family homes.

Chart 1 also shows the "silver tsunami" that benefited multifamily demand in recent years. This was not so much a pivot to multifamily by older households, rather it was primarily the law of large numbers. We saw more households age 65+ rent because there were so many Americans in that age cohort. We expect on the margin that the high growth in older households will benefit SFR in the years ahead as these households look for increased geographic and financial flexibility while still desiring a home that can accommodate visits from their children and grandchildren.

SECTION 2 CHART 1

Strong growth in key SFR population cohorts set to continue

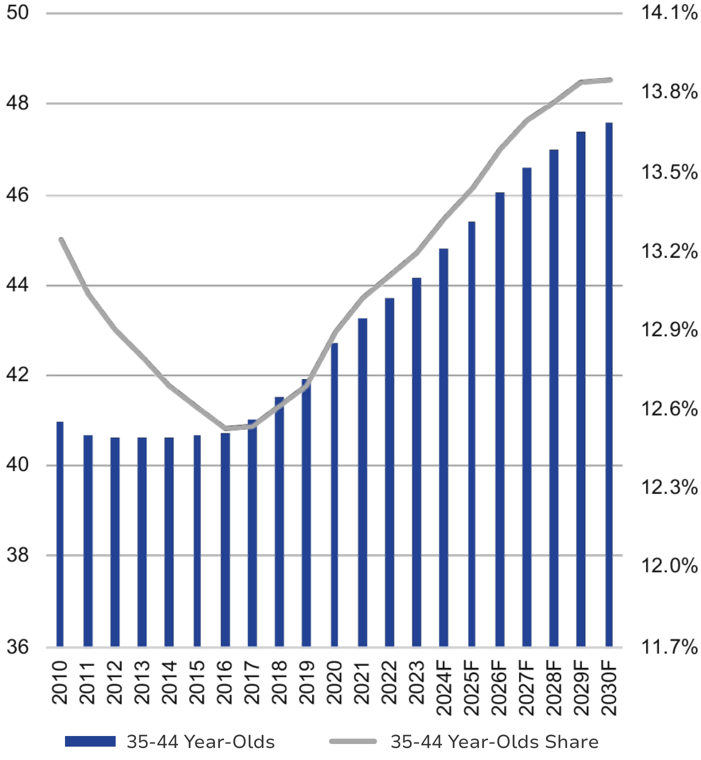
Avg. Annual Population Change by Age Cohort (000s)



SECTION 2 CHART 2

35-44-year-old share of population will rise through the end of the decade

Population (millions) Share of Total Population



Source: U.S. Census Bureau, Moody's Analytics, Roofstock Research

3. Lifecycle & Lifestyle Drive Demand

While the appeal of an active urban lifestyle had considerable allure for Millennials in the early years of their careers, their needs are changing as they age. The oldest Millennials are now in their early 40s and the largest one-year age group turns 34 in 2024. First-time homeownership, marriage, and raising families are all on the horizon for many in this generation. A material percentage will look to affordable and flexible housing options that let them slowly wade into a more suburban lifestyle and SFR will fill that void.

Safety, schools, recreational amenities, and places for the children to play are becoming a higher priority for this group. Many also need housing that accommodates a meaningful amount of work-from-home time. Importantly, as they seek more space for their growing households, the multifamily housing stock, which is predominantly one- and two-bedroom units, will not suffice.

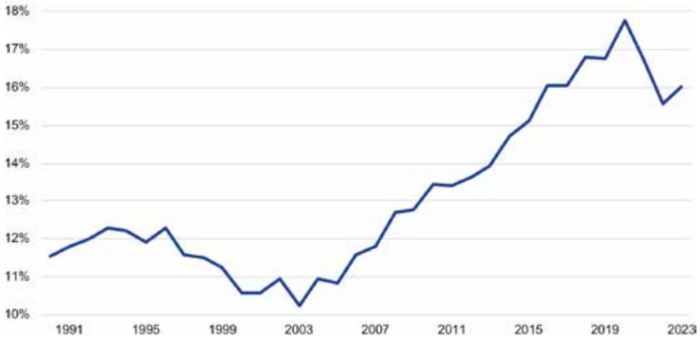
> Not only are there more people in key target SFR age cohorts, but many younger people have deferred milestone life events, meaning their impact on single-family housing demand has yet to be felt.

We see this transition in housing needs as a significant catalyst for demand growth in the years ahead. Not only are there more people in key target SFR age cohorts, but many younger people have deferred milestone life events, meaning their impact on single-family housing demand has yet to be felt. For starters, the share of adults ages 25-34 living at home with their parents has decreased from peak levels during the pandemic, but 16% of these individuals still lived with their parents in 2023, about three percentage points more than the average over the previous 30 years (see Chart 1). There were nearly 1.3 million more people ages 25-34 living at home with their parents in 2023 than is typical based on historical behavior.

SECTION 3 CHART 1

Young adult living arrangements should begin to trend back to historical norms

25-34 Year-Olds Living With Parents (%)

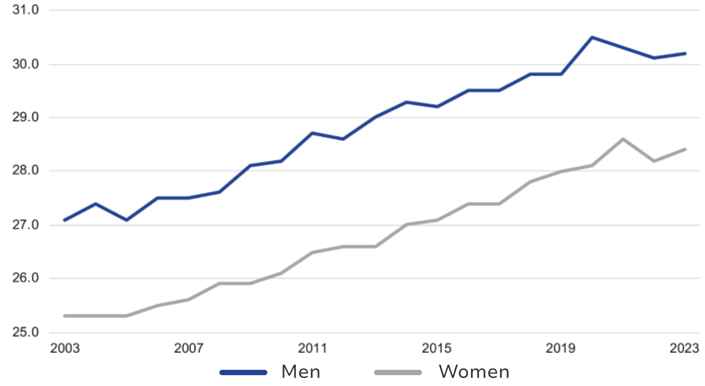


Source: U.S. Census Bureau, Current Population Survey

SECTION 3 CHART 2

Delayed marriages mean pivot to single-family housing on the horizon for many

Median Age At First Marriage



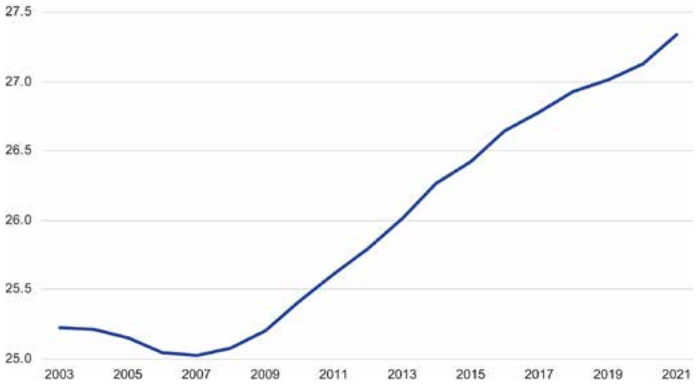
This data compounds into marriage and childbirth. Census data show the median age at first marriage has increased by 1.2 years for men and 1.8 years for women over the past decade to 30.2 and 28.4, respectively (see Chart 2). According to the CDC, the average age of first-time mothers increased by 1.7 years from 2011 to 2021 to 27.3 years of age.

Not surprisingly, the average age of first-time homebuyers has also risen, jumping from 31 years-old in 2012 to 36 years-old in 2022, per data from Self. All these deferred events result in a higher concentration of younger adults having yet to reach a point in life where single-family housing is seriously considered, and even desired. We will explore this further in the next section of the paper, but low home purchase affordability is expected to bolster demand to rent these types of homes. Some individuals will also worry about the long-term financial commitment and geographic mobility anchor created by homeownership.

SECTION 3 CHART 3

Many couples just getting to the stage where neighborhood safety and school quality is paramount

Avg. Age of First-Time Mothers

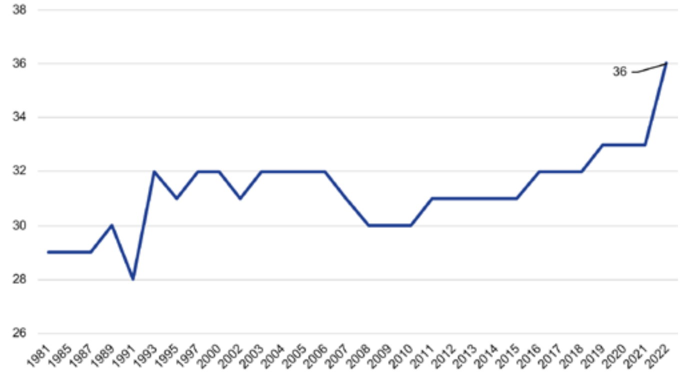


Source: U.S. Centers for Disease Control and Prevention (CDC)

SECTION 3 CHART 4

Delayed life events and reduced affordability have greatly increased the age of first-time buyers

Avg. Age of First-Time Homebuyers



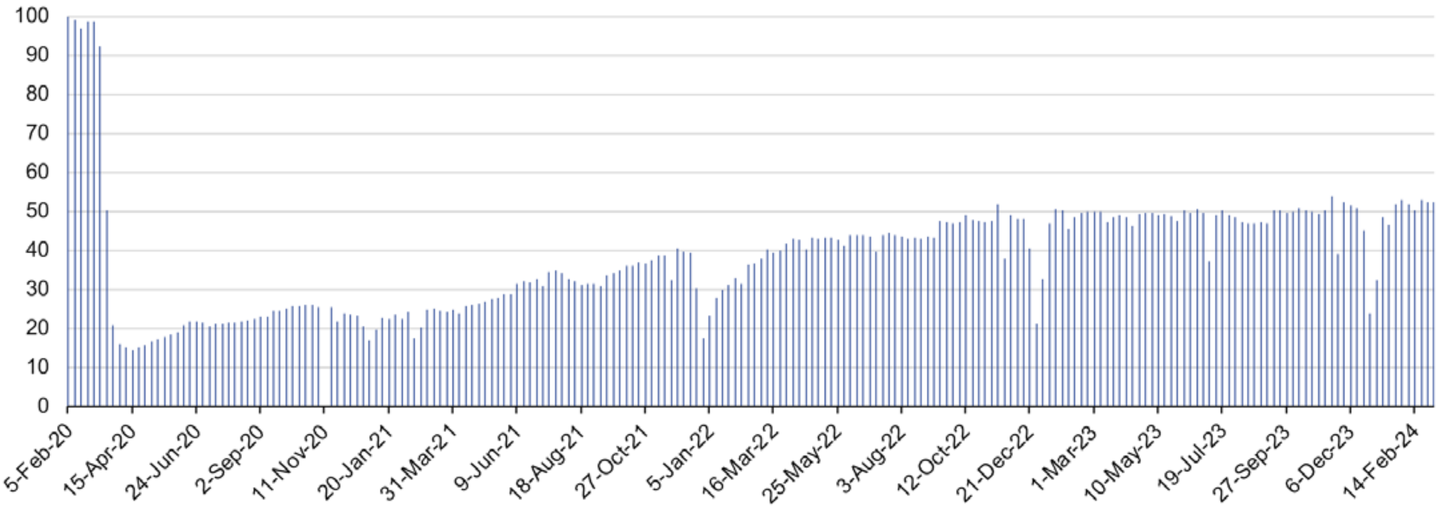
Source: Self, Zillow

More flexible work schedules and a higher share of people working from home post-pandemic are also making the suburban lifestyle more palatable and these workers need extra space for their home office. Kastle Systems data measuring physical occupancy in 10 major U.S. markets relative to levels prior to the pandemic shows that office occupancy has returned to about 50% of pre-pandemic levels. The data also indicate a large variance in occupancy over the course of the week, peaking at 58.9% on Tuesdays and bottoming at 34.1% on Fridays. With as much as two-thirds of the office workforce at home on certain days of the week, the need for living situations to accommodate remote work is clear. Locational preferences may also shift somewhat given the trend of fewer workers commuting to the office five days a week.

SECTION 3 CHART 5

Return to office appears to be plateauing

% of Cardholders Who Swiped Into An Office (Avg. Top 10 Markets, NSA)



Source: Kastle Systems, Moody's Analytics

4. Home Purchase Affordability Has Plummeted

Contrary to many headlines, there has not been a crisis of declining ownership in the U.S. There have never been more homeowners in the country than there are today. The homeownership rate is up about a percentage point over the past five years (as of 23Q4) and is nearly three percentage points higher than the post-GFC low reached in the second quarter of 2016. As mentioned previously, Census data also show that owner households have increased by 8.6% or 6.9 million over the past five years, while renter households have increased by just 4.4% or 1.9 million.

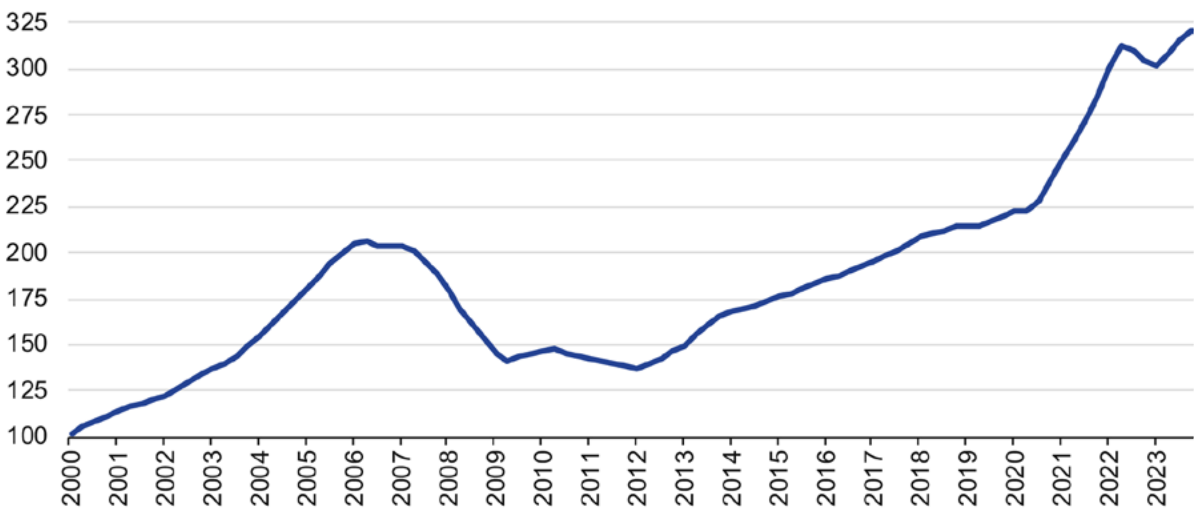
With the commencement of the Fed rate hike cycle in 2022 signaling the potential end of a massive run in home prices driven by cheap debt, it appeared home prices were set to peak in the second quarter of 2022. Would-be buyers felt pressure to go out and buy a home while rates were still low. But the speed and magnitude of rate hikes quickly stomped out this activity, and home prices, as tracked by the S&P Core Logic Case-Shiller 20-Metro Composite index, declined in the third quarter of 2022.

It turned out that decline would be short-lived, lasting into the first quarter of 2023, and home prices would rebound. By the third quarter of 2023 the price index had reached a new all-time high and rose again in the final quarter of the year. Prices were up 5.5% year-over-year as of the fourth quarter of 2023, and the magnitude of growth over longer periods has been stunning (see Chart 1). Home prices increased nearly 50% over the past five years and nearly 94% over the past decade.

SECTION 4 CHART 1

Home prices have weathered the significant increase in mortgage rates

S&P Core Logic Case-Shiller Home Price Index (20-Metro Composite)



Source: S&P Dow Jones Indices LLC, CoreLogic, Inc.

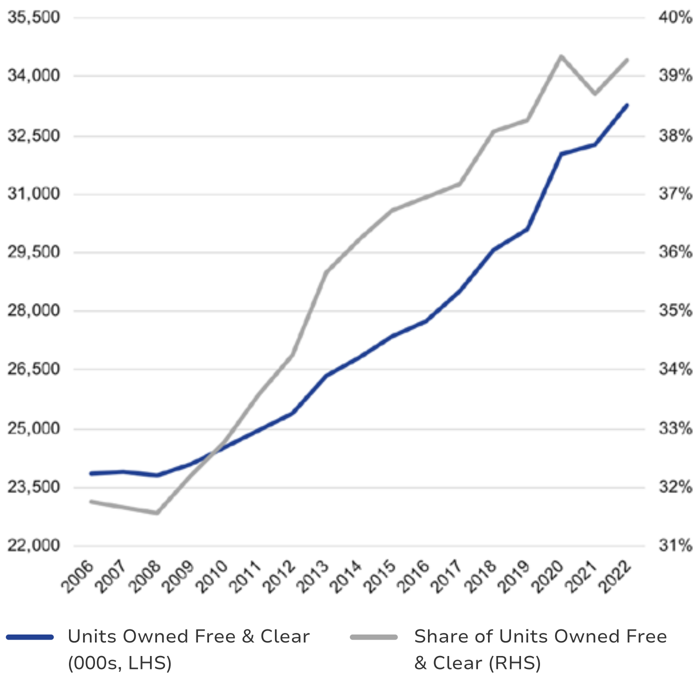
Beyond a lack of supply and favorable demographic trends, the solid financial footing of U.S. homeowners has contributed to the resiliency of home prices and the strength of the housing market generally. In addition to the substantial home equity created by dramatic price increases, Census data through 2022 show a record number of homes owned free-and-clear of debt. Some of this is owed to demographics as the large Baby Boom generation has been in their homes for a long period of time and paid down their debt.

The data also show that households took advantage of lower rates and locked them in through fixed-rate mortgages. Notably, for a two-and-a-half-year period beginning in the third quarter of 2019 through the end of 2021, the interest rate on new 30-year fixed rate mortgages was below the prevailing rate on all residential debt outstanding. Additionally, over 95% of all new mortgages completed during the two-year period beginning in the second quarter of 2020 and ending in the first quarter of 2021 had fixed interest rates.

Chart 3 shows the conditions creating the so-called “lock-in effect.” After taking on long-term, low interest rate, fixed-rate debt, many owners feel locked into their current residences. According to the Joint Center for Housing Studies (JCHS), 60% of borrowers had a mortgage rate below 4.0% in mid-2023. By the end of 2023, the spread between the interest rate on a new 30-year mortgage and the effective mortgage rate on outstanding residential debt was 350 basis points – wider than at any point since 1982. Expressed as a ratio, the rates on new loans were 1.92x the rate on outstanding residential debt – a record high. Households are far less inclined to move with interest costs essentially doubling. Low-rate mortgages have become an asset, tying households to their current

SECTION 4 CHART 2

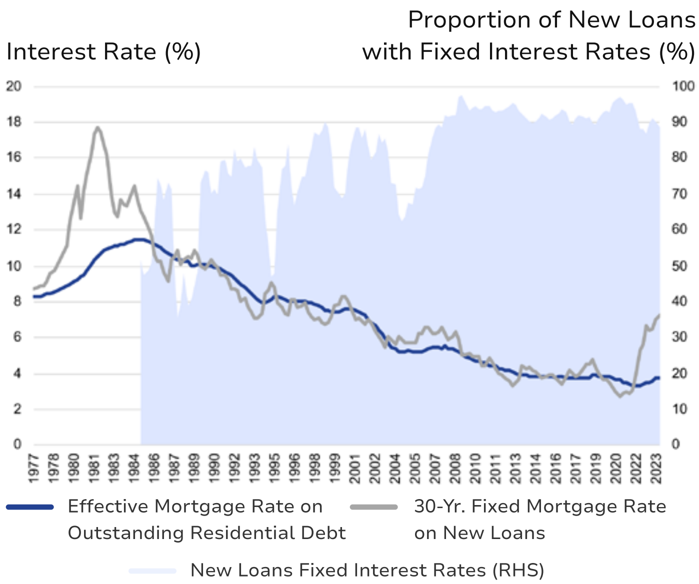
A record number of homes were owned free and clear in 2022



Source: U.S Census Bureau, American Community Survey

SECTION 4 CHART 3

Consumers locked in cheap debt while rates were low and are loath to leave these loans

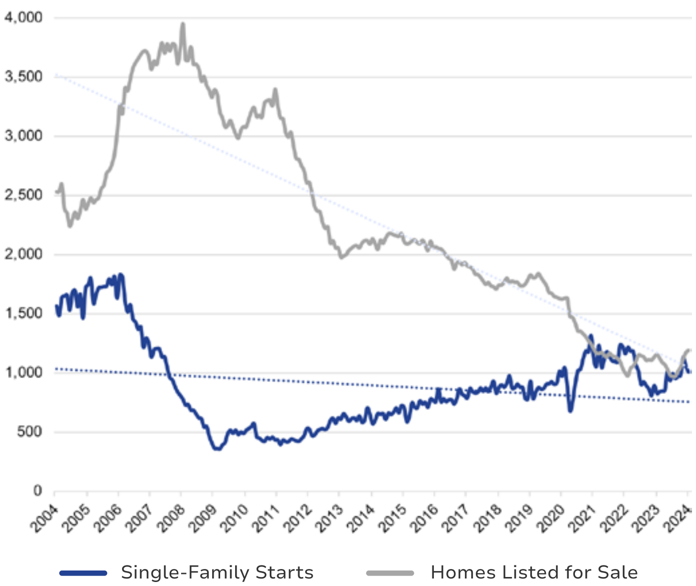


Source: U.S. Bureau of Economic Analysis, Freddie Mac, U.S. Federal Finance Agency (FHFA) (December 2023)

SECTION 4 CHART 4

Lack of homes listed for sale has compounded the supply problem

Starts (SAAR, 000s), Homes Listed for Sale (000s)

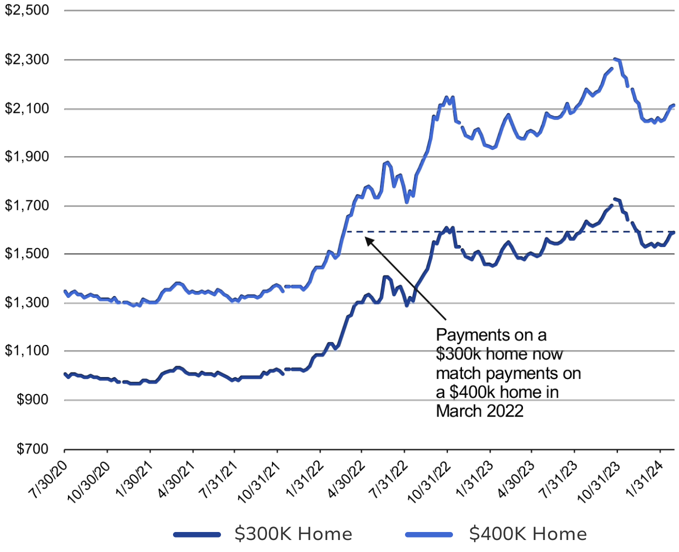


Source: U.S. Census Bureau, National Association of Realtors, Moody's Analytics

SECTION 4 CHART 5

Mortgage rates have reduced the affordable price point of homes

Principal & Interest Payment (30-yr. mortgage, 20% down payment)



Source: Freddie Mac, Roofstock Research

homes and compounding the issues created by insufficient new construction.

Economic conditions are helping existing and would-be home buyers participate in the market and contributing to low mortgage delinquency rates. Unemployment has been below 4% for the longest stretch in 40 years and wages are rising. But the lack of supply, price growth, and higher mortgage rates have caused affordability to plummet.

Using the current 30-year mortgage rate and assuming a 20% down payment, the monthly mortgage payment on a $300,000 house today is the same as the mortgage payment for a $400,000 home in March of 2022. Moody's Analytics' affordability index shows that in mid-2020 the typical household could afford 187% of the mortgage on a typical home (an index level of 187). That figure dropped to 101% (or an index level of 101) by the end of 2023, its lowest level since the early 1980s. By this metric, the typical household has just enough income to afford the mortgage payment on the typical home. This also assumes that the typical household can make a 20% down payment on the home, which is a non-starter for many households.

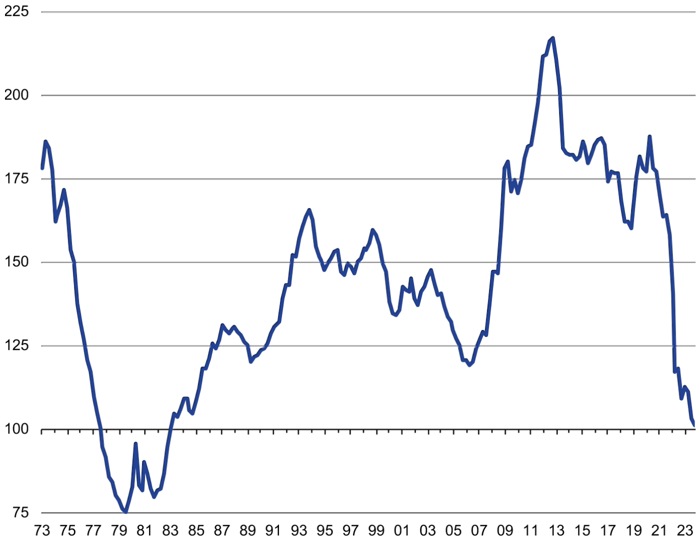
The current supply/demand imbalance is not easily solved and ultimately will drive more households to rent homes. High quality, professionally managed SFR provides this more affordable option. The cost to rent is also nearly 30% lower than the monthly cost to purchase an entry-level home, according to data from John Burns Real Estate Consulting. Single-family rent is more affordable versus buying today than at any point in the past 40 years. Renting also allows young households to test neighborhoods and the associated lifestyle change, avoids the long-term financial commitment that purchasing a home entails, and preserves geographic mobility.

Short of a significant Fed interest rate policy misstep (i.e., keeping interest rates too high for too long) or an unforeseen exogenous shock, it seems unlikely that economic conditions will deteriorate significantly enough to change the affordability dynamic within the for-sale housing market. Without a large drop in home values and a material reduction in interest rates, many households will continue to seek out high quality rental options.

SECTION 4 CHART 6

Ownership Affordability has fallen to its lowest level in over 40 years

Housing Affordability Index

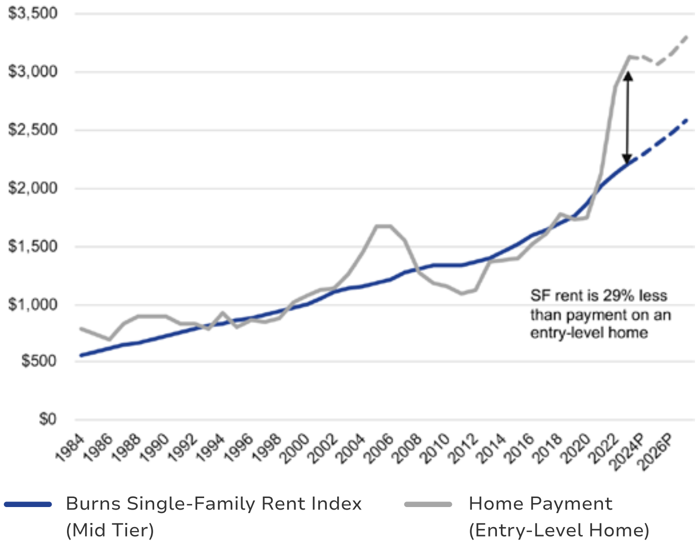


Source: National Association of Realtors, U.S. Census Bureau, U.S. Bureau of Economic Analysis, Moody's Analytics

SECTION 4 CHART 7

Relative affordability of rent has increased dramatically

Monthly Rent/Home Payment



Source: John Burns Real Estate Consulting (March 2024)

5. Providing & Preserving Quality Housing Options

Affordability, socioeconomic diversity, energy efficiency, and environmental resilience can all be enhanced by a healthy, well-functioning SFR market. Just as has been evident in the multifamily sector, investors, particularly large institutional ones, can provide and preserve high-quality rental housing.

Housing costs are blocking families from the neighborhoods they would like to live in and preventing essential workers from living in the communities they serve. As we noted in the previous section, renting a single-family home typically costs almost 30% less than buying one does today. A lack of rental options within neighborhoods, "…. reinforces inequities and contributes to socioeconomic segregation," according to the latest report by the JCHS.

Ownership can be too expensive or simply not the right financial or time of life choice for many households. The conclusion should not be to limit access to housing because of these situations. Instead, communities should welcome SFR as an affordable, high-quality housing option that can help households build their financial health and work towards ownership if they desire to do so.

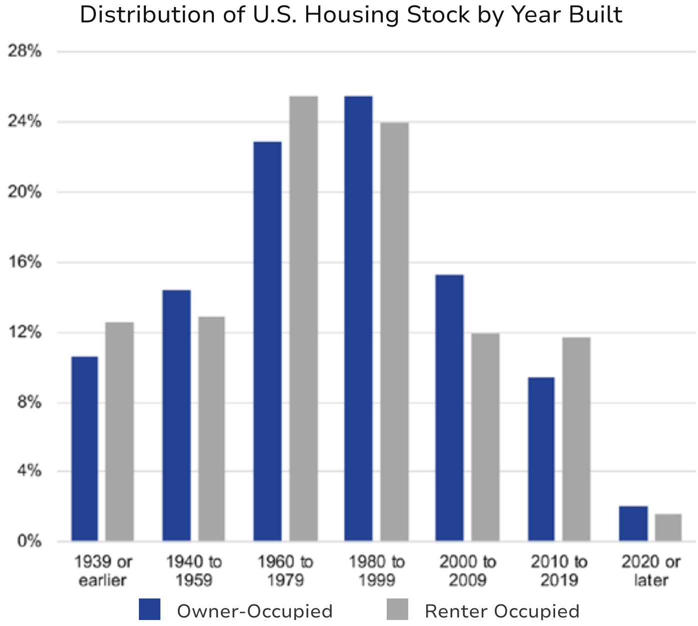
The aforementioned JCHS report also calls out some important issues for the U.S. housing stock – age and susceptibility to climate related events. The report emphasizes the 44-year-old median age of U.S. rental housing and the growing need for capital investment in the nation's housing stock. Quoting a report from the Federal Reserve Bank of Philadelphia, the JCHS noted that $51.5 billion (as of 2022) was needed to address physical deficiencies in the existing renter-occupied housing stock. Another $97.9 billion was needed for the owner-occupied housing stock.

These issues are accentuated by the exposure of a significant portion of U.S. housing supply to climate related events. The JCHS noted that 41%, or 18.2 million rental units, were in high-risk areas for environmental hazards. This percentage was even higher for single-family rentals, at 45%. Institutional investment can help solve the capital needs of the existing housing stock while improving home efficiency and resiliency to climate-related events. The NOAA's National Centers for Environmental Information 2023 Billion-Dollar Disaster report showed that the count of billion-dollar climate disasters in the U.S. set a record last year at 28, eclipsing the previous record of 22 set in 2020.

Climate risks are manifesting themselves through physical damage to homes, reduced health and well-being of residents, significant maintenance and capital expenditures, and high and rising utility and insurance costs. The upward trend in such events highlights the importance of involving long-term investors with access to capital in the single-family market. Not only can these investors offer households an attractive rental option, they can also make the improvements necessary to modernize the nation's critical housing infrastructure and ensure that it remains resilient to climate-related risks.

SECTION 5 CHART 1

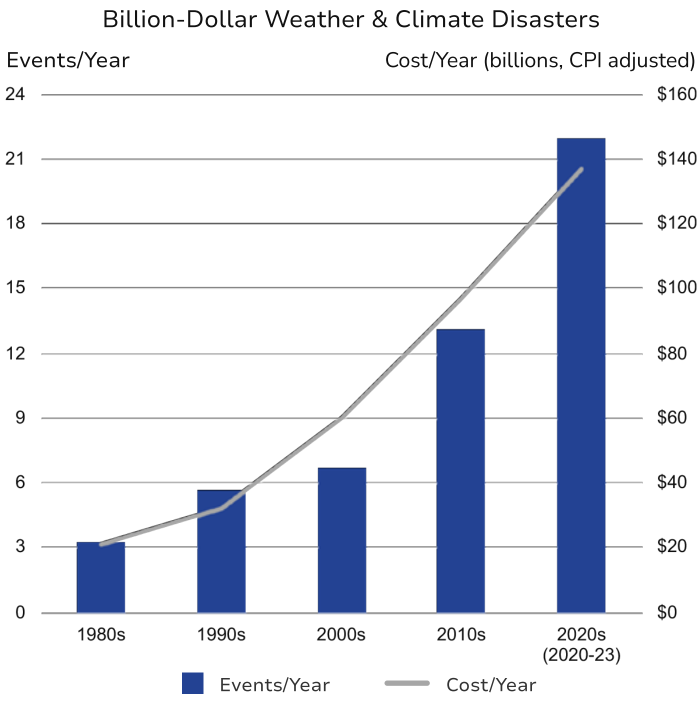
Half of U.S. homes were built before 1980



Source: U.S. Census Bureau, American Community Survey (2022)

SECTION 5 CHART 2

Climate-related disasters growing in frequency and cost



Source: NOAA National Centers for Environmental Information (NCEI), Roofstock Research

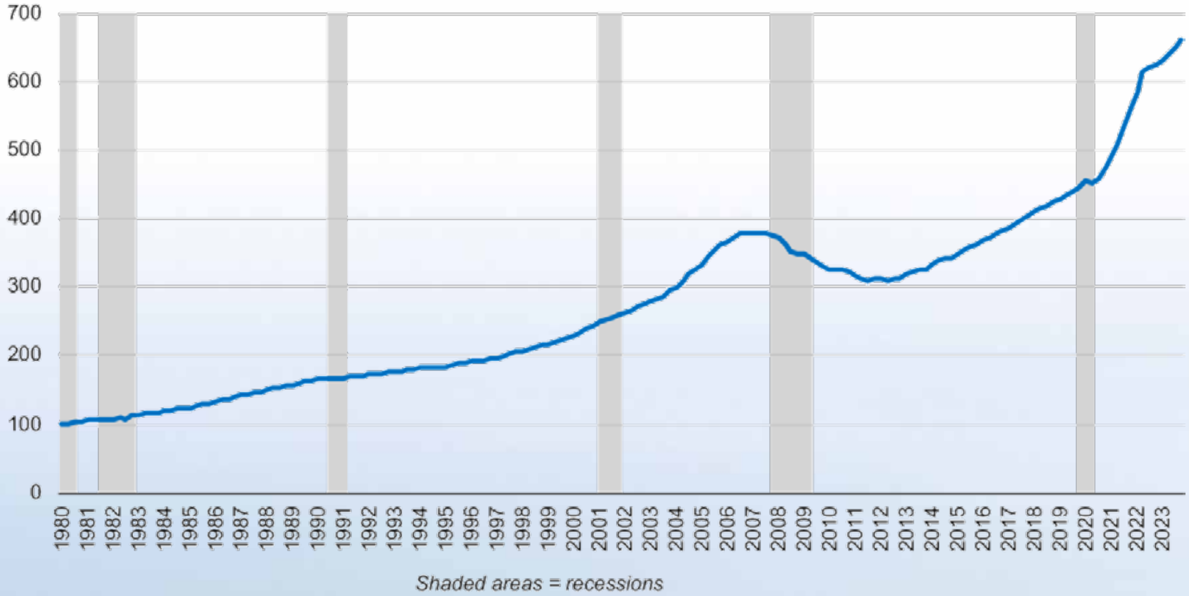
6. A Long-Term View on Home Values & Single-Family Rents

While there are local and regional differences, home prices typically rise over time and weather recessions well. Since 1980, the National Bureau of Economic Research (NBER) has flagged 26 quarters as recessions. The average change in home prices using the FHFA's single-family home price index for all transactions (purchase and refinance) was 0.4% during those quarters. Prices rose in 15 of 26 recession quarters. Excluding the GFC, the average quarterly change in home prices during recessions since 1980 has been 1.1%. This performance is owed to the necessity-based nature of housing, responsiveness of homebuilding to economic cycles, and accommodative monetary policy that aids households via lower interest rates.

SECTION 6 CHART 1

Home prices have been resilient to recessions and rate hikes

FHFA Single-Family Home Price Index (1980Q1=100, SA)



Source: National Bureau of Economic Research, FHFA (2023Q4)

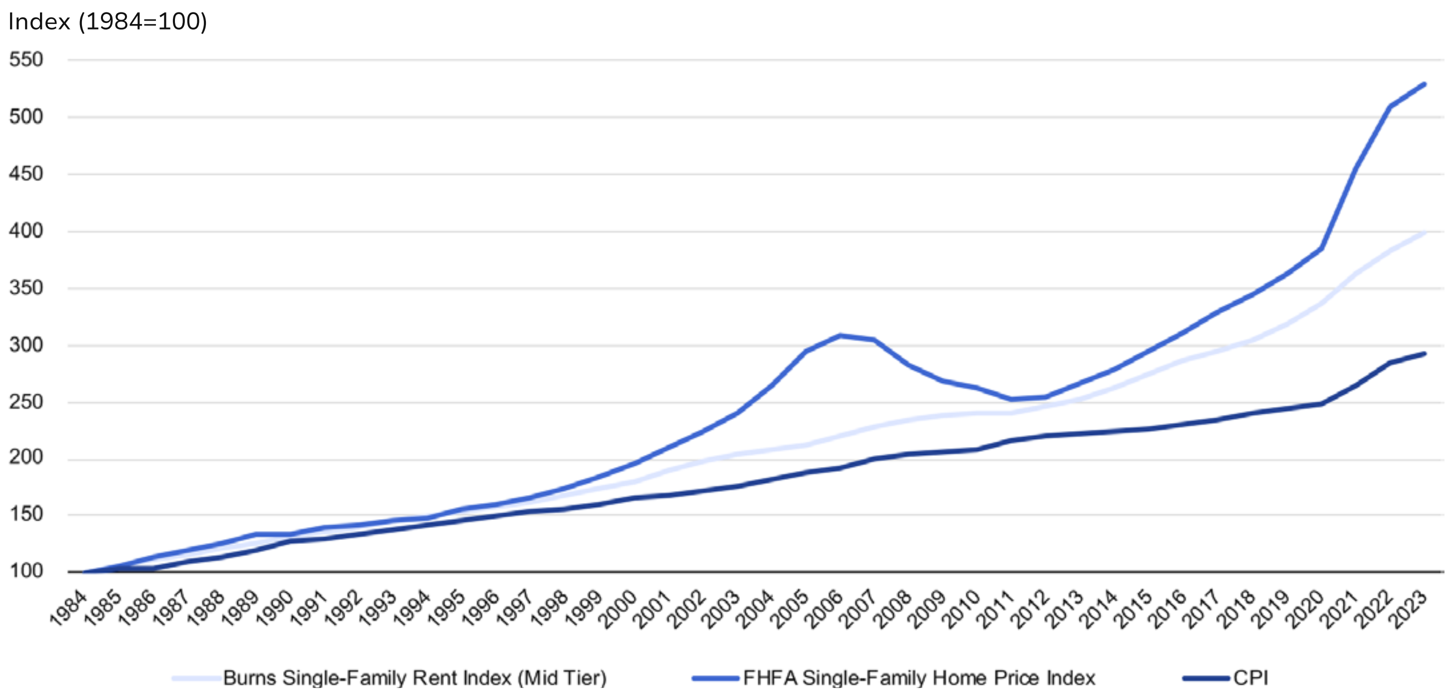
Housing is a necessity in short supply that is viewed as a home, not an investment, by most owners. This characteristic tends to result in growth through all phases of the business cycle. The housing bust that was the driving force behind the 2008 GFC is a notable exception to this rule and home prices did not bottom for more than two years after that recession officially ended. Similar comments about the resilience of home prices can be made as it pertains to periods of rising interest rates, as we see most notably with prices rising despite increases in rates both during the early 1980s and today.

This value growth is also one aspect of the sector's inflation-hedging characteristics as values have appreciated faster than CPI. Over the past 30 years, CPI has increased by 2.5% annually versus 4.4% for home values. SFR landlords have also enjoyed rent growth in excess of inflation, with data from John Burns Real Estate Consulting showing average annual rent growth of 3.4% over the past 30 years.

Resilience through cycles and attractive growth and inflation-hedging characteristics provide compelling investment rationale for institutions considering an allocation to SFR. But there are certainly other considerations such as its correlation to other asset classes and property sectors and relative liquidity versus other types of CRE. Additionally, the public markets show SFR REITs' strong track record in terms of absolute performance. We will tackle the sector's ability to enhance portfolio performance more directly in a follow-on paper.

SECTION 6 CHART 2

Single-family values and rents have grown faster than inflation



Source: John Burns Real Estate Consulting, FHFA, U.S. Bureau of Labor Statistics, Roofstock Research

Conclusion

Housing availability and affordability are critical issues in the U.S. and show no signs of easing. SFR investment can and should play an important role in providing and preserving high-quality housing options for families. The ongoing lack of housing supply stems from the significant shortfall in homebuilding, and especially entry-level homebuilding, since the GFC. Renting is an important option for households that either cannot afford to purchase a home or who prefer to rent for any myriad of financial, economic, lifestyle, or lifecycle reasons. Ownership is also a long-term financial commitment that many households are not prepared to make.

Shifting demographics favor SFR as large numbers of households join age brackets where single-family housing is preferred. Meanwhile, at the older end of the age spectrum, renting a home may be a much more attractive option for households looking for greater financial and geographic freedom. We also expect that the prevalence of work from home/flexible schedules will boost SFR demand as households look for options with more space to accommodate this lifestyle.

A large and thriving SFR market is a critical component that provides much needed balance to U.S. housing infrastructure. Roofstock's Rental Genome™, tracks an inventory of more than 14 million single-family rental homes with a total asset value of roughly $5 trillion. Ownership of these homes is diffuse, with around 10 million unique owners of SFR. While we expect more consolidation in ownership to larger groups that have the capital and capability to professionally manage, modernize, and maintain these homes, we also expect "mom and pop" investors will continue to own the majority of SFR assets for years to come. But just as multifamily has blossomed into a widely accepted institutional investment option, we see SFR's supply/demand fundamentals and strong track record of value and rent growth drawing in the types of investors who will be committed to their communities and the idea of providing safe, clean, and desirable homes for families.

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