BIG SHIFTS AHEAD

DEMOGRAPHIC CLARITY FOR BUSINESSES

presented by:
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Goal: Clarity

A New View on Generations

Huge Demographic Shifts

Single-Family Rental Market

Demographic Trends Determine Future Demand

2019

1 YEAR OLDER

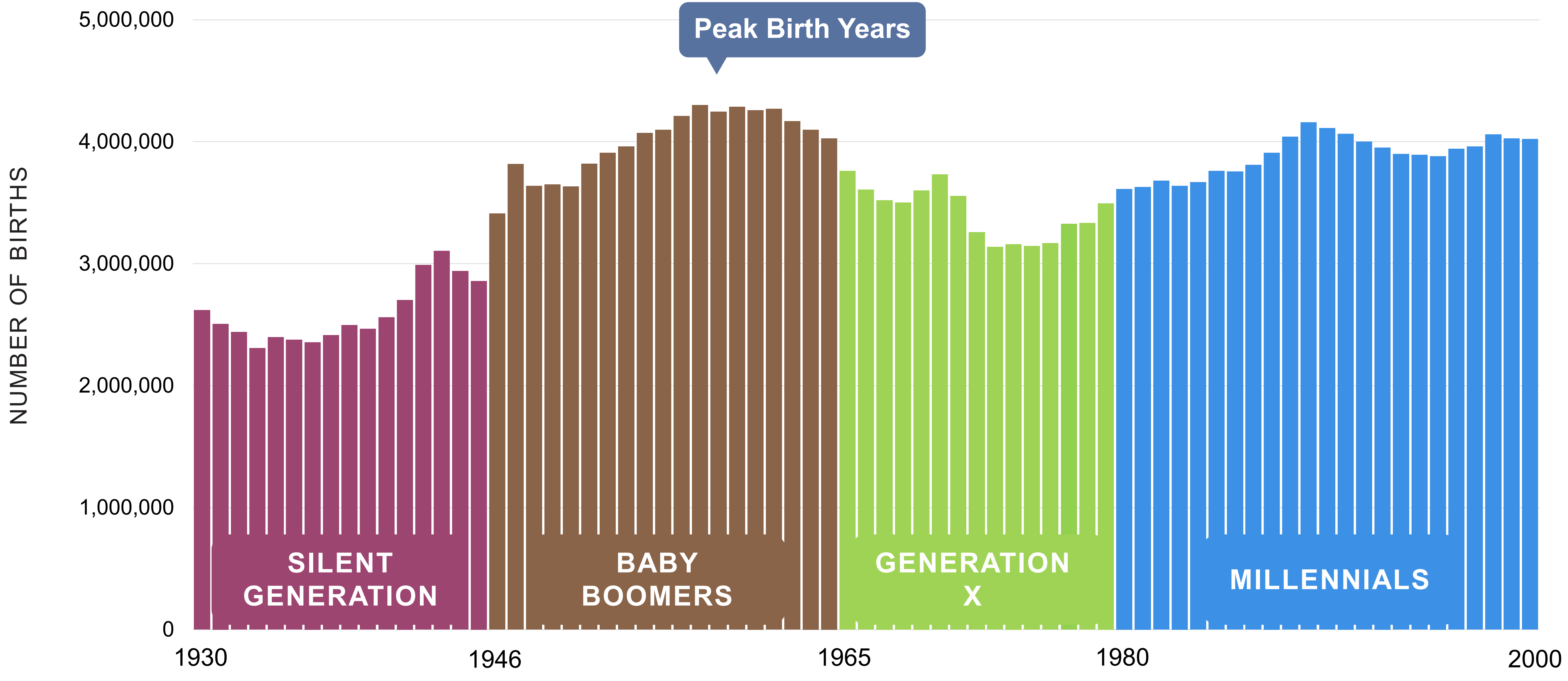
3.8 MILLION
NEWBORNS

2.2 MILLION
MARRIAGES

2.7 MILLION
DEATHS

0.9 MILLION
DIVORCES

Biggest Problem: Generations



Source: Department of Health and Human Services, National Center for Health Statistics and CDC

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What Do These People Have in Common?

72-year-old

58-year-old

1946 — BABY BOOMERS — 1964

What Do These People Have in Common?

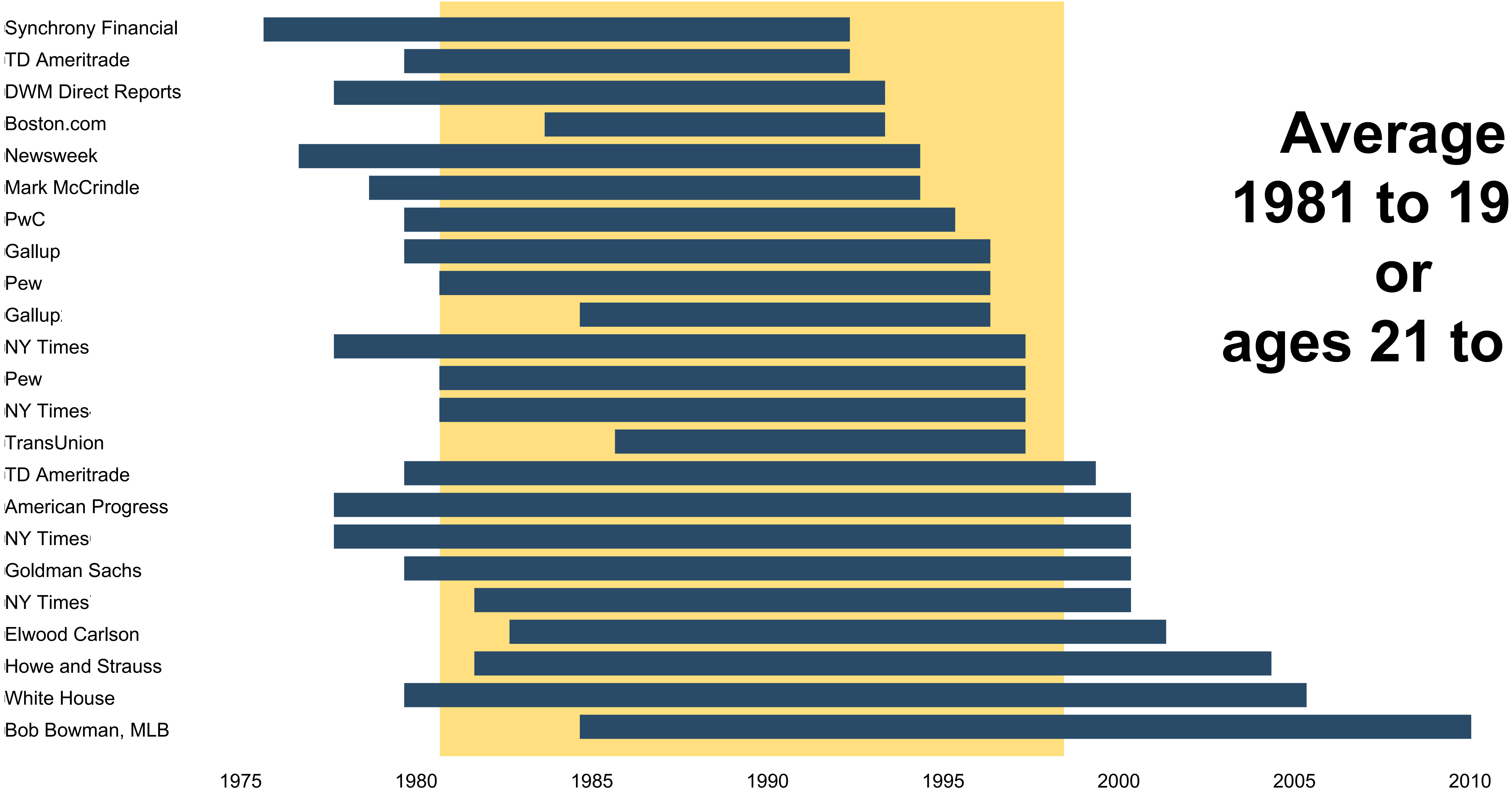
38-year-old

19-year-old

MILLENNIALS

1980 — 2000

“Millennials” Are The Most Widely Debated Generation Definition



Average:
1981 to 1998
or
ages 21 to 38

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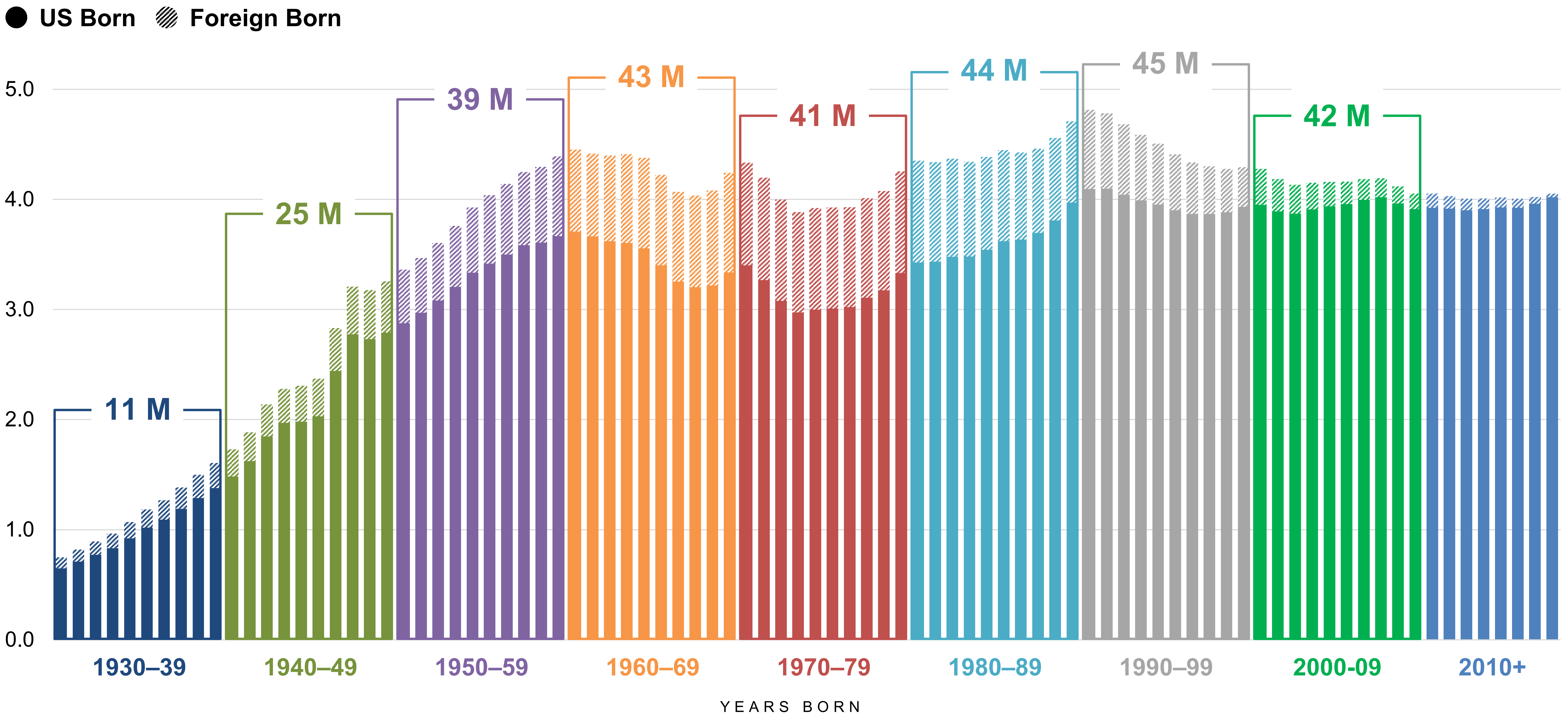
The Solution: More Clarity

Define the Generations by Decade Born to Simplify Your Decision Making

2018 US POPULATION



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections

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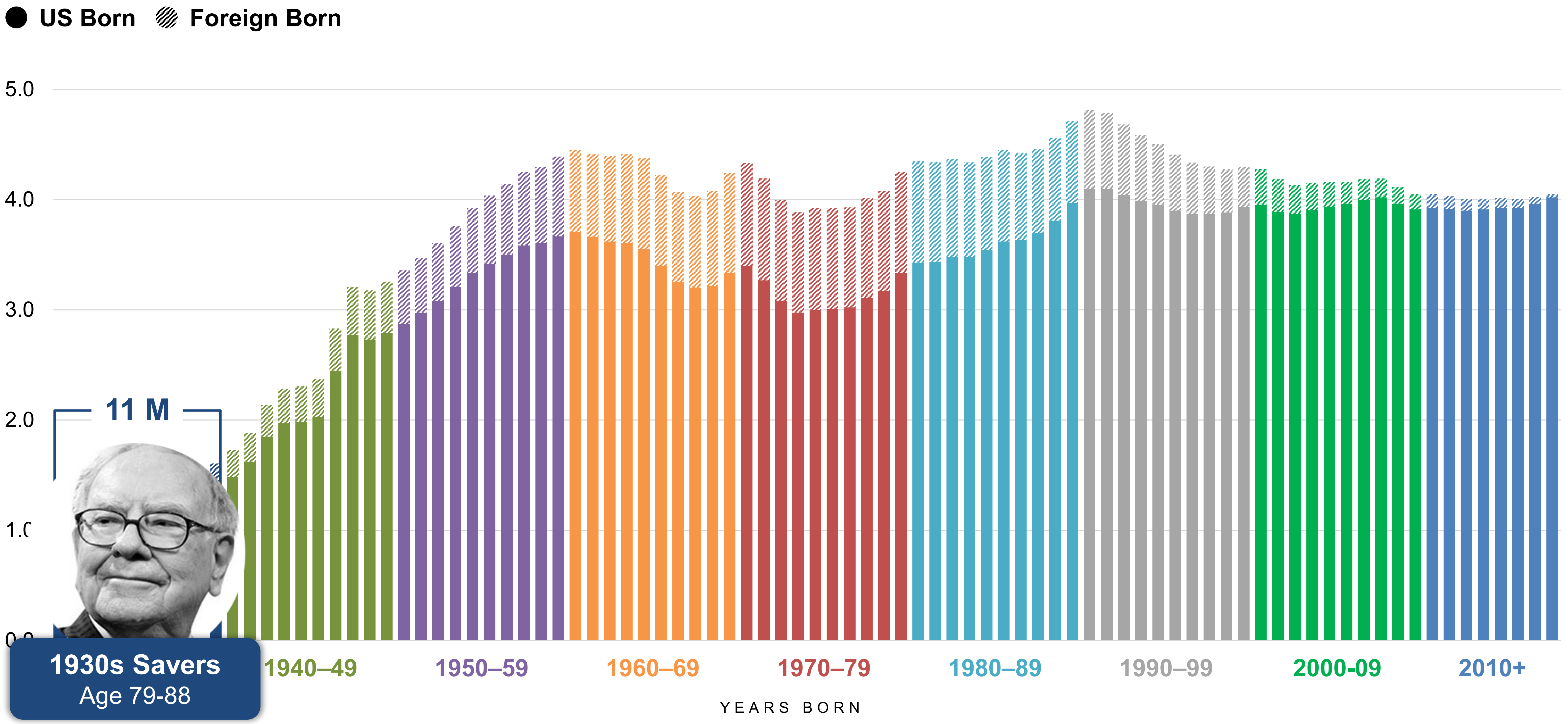
Those Born in the 1930s Learned to Save Early in Life

2018 US POPULATION



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections

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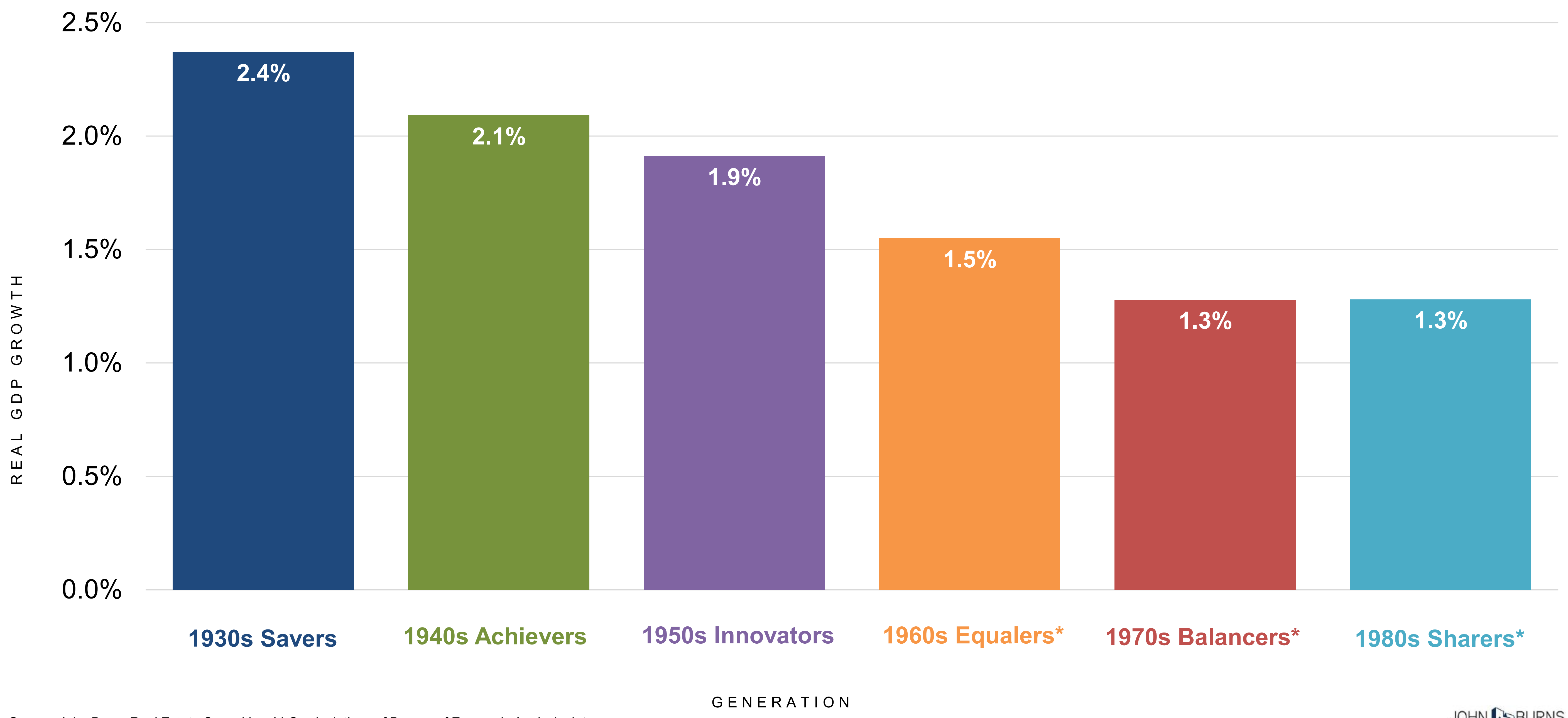
Retirees Had Double the Economic Growth That Their Children Have Had

AVERAGE GDP GROWTH PER PERSON— PRIME WORKING YEARS (25-54)



Source: John Burns Real Estate Consulting, LLC calculations of Bureau of Economic Analysis data
*Prime working years not yet complete

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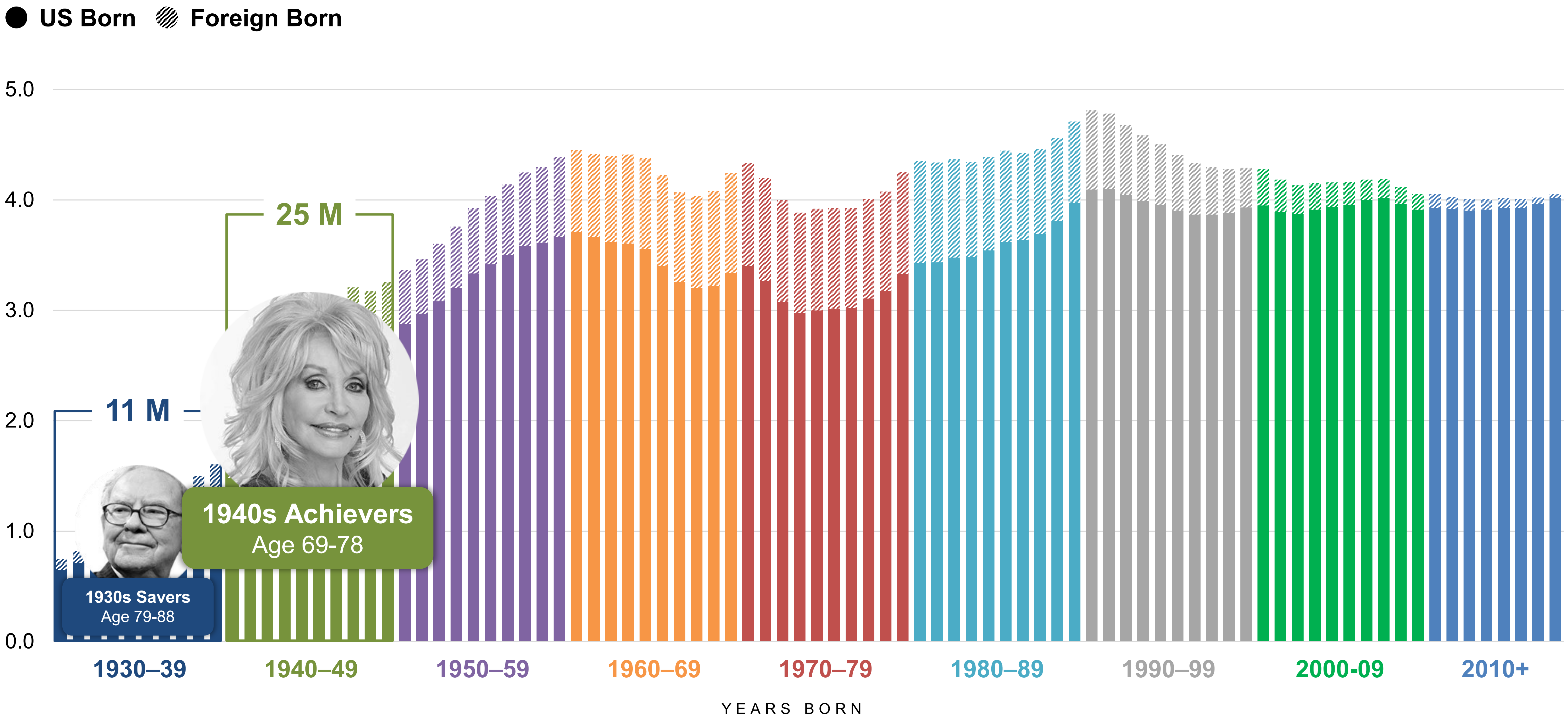
The High-Achieving Earliest Boomers Have Retired

2018 US POPULATION



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections

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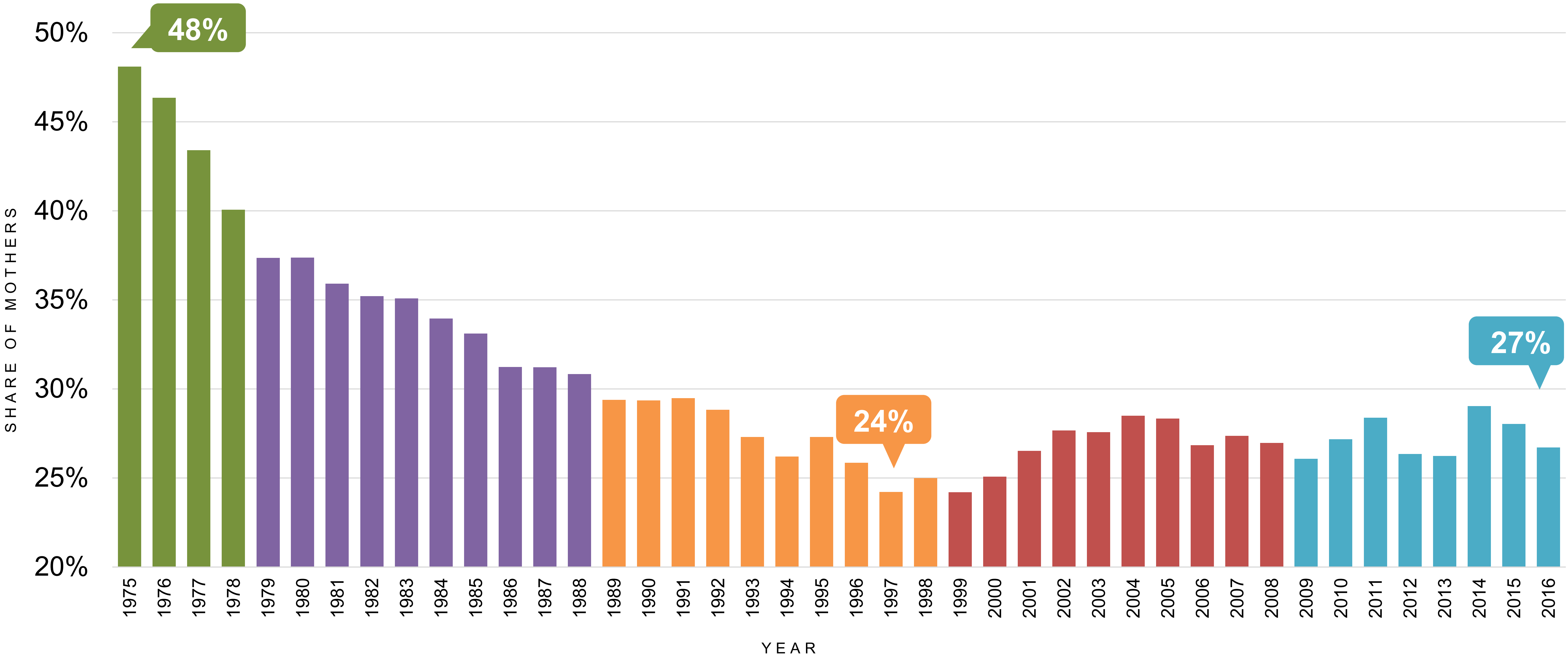
The Achievers Led the Decline in Stay-at-Home Moms

SHARE OF MOMS AGED 25-34 WHO STAY AT HOME FULL-TIME



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau, Current Population Survey, Annual Social and Economic Supplements via IPUMS-CPS; colors based on a 30-year-old mother

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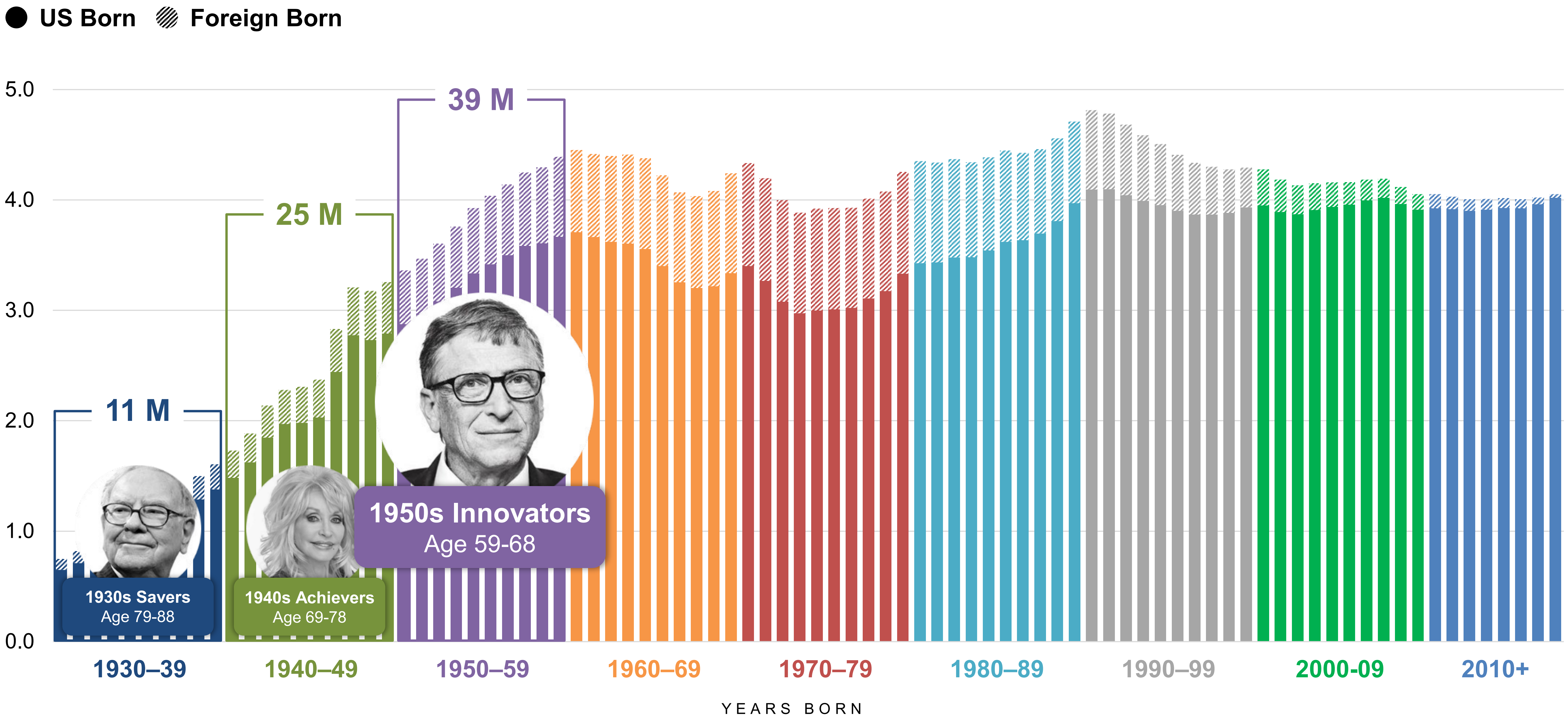
The Innovative Boomers Are Now Retiring in Droves

2018 US POPULATION



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections

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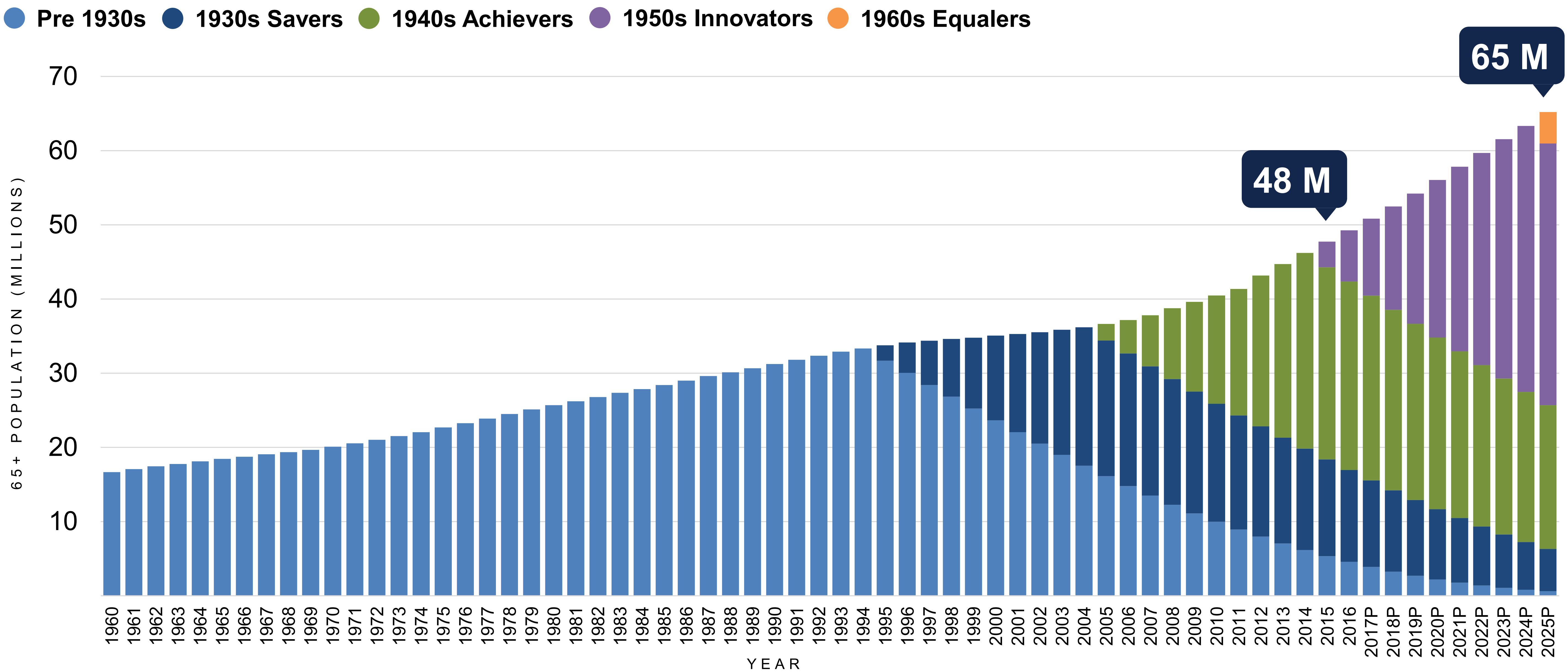
Surging Retirement Will Slow Economy and Create New Types of Home Demand

65+ POPULATION BY DECADE OF BIRTH



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau Population Estimates and 2014 National Projections

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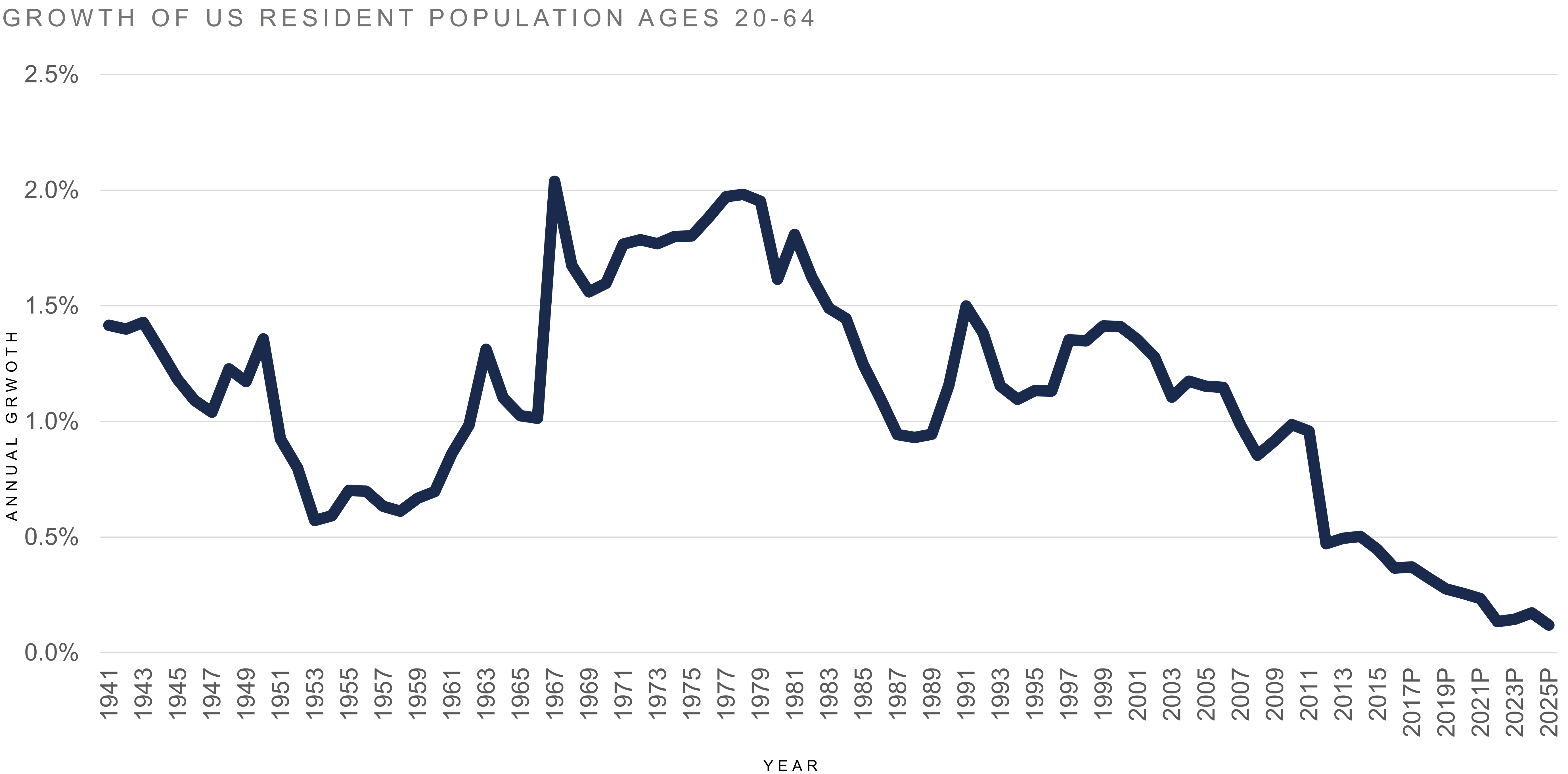
Retirement Surge Will Lead to Slower Rate of Job Creation, Higher Incomes



Source: John Burns Real Estate Consulting LLC calculations using US Census Bureau population estimates (1981–2016) and 2018 national projections (2017–2025)

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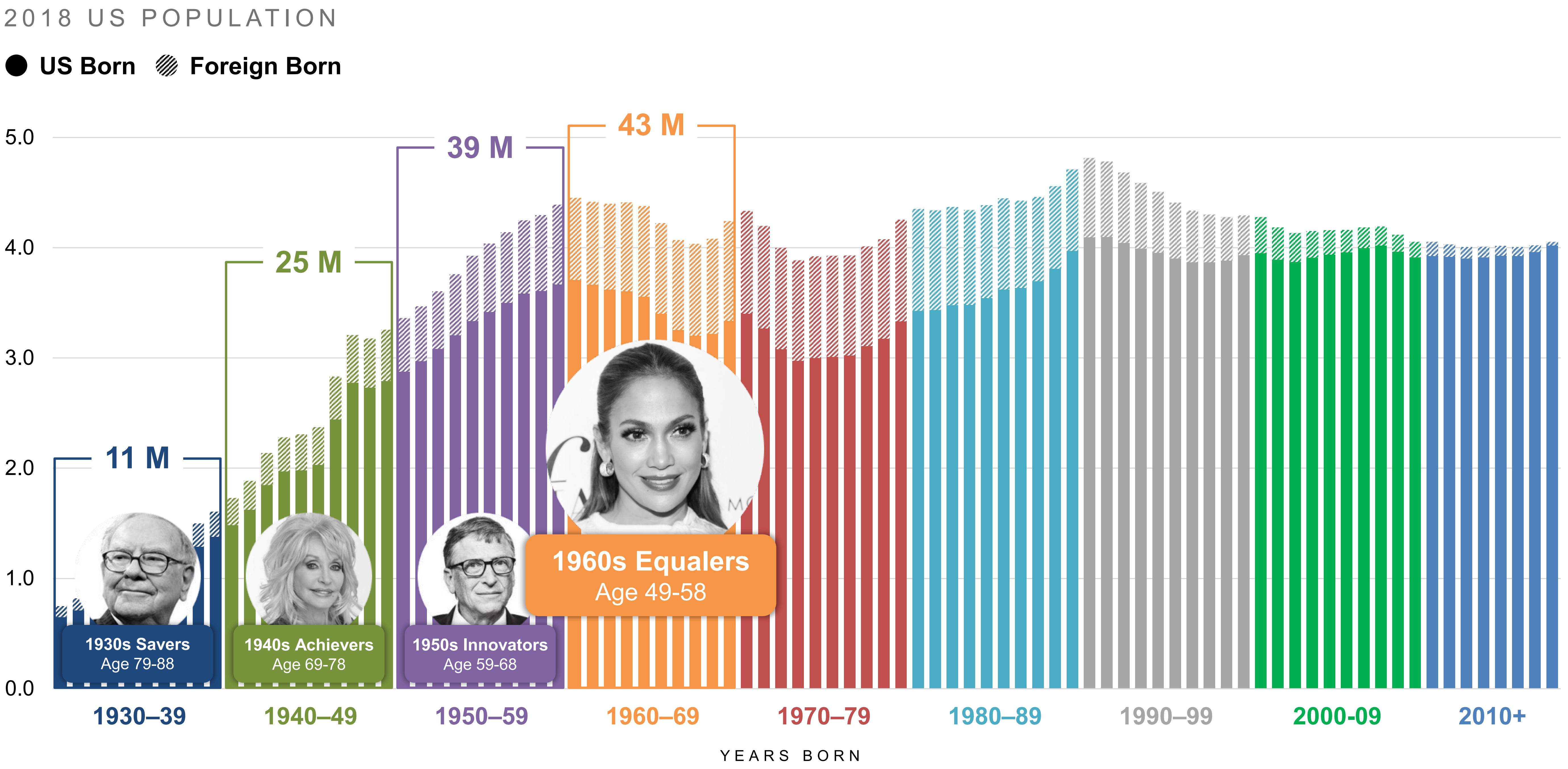
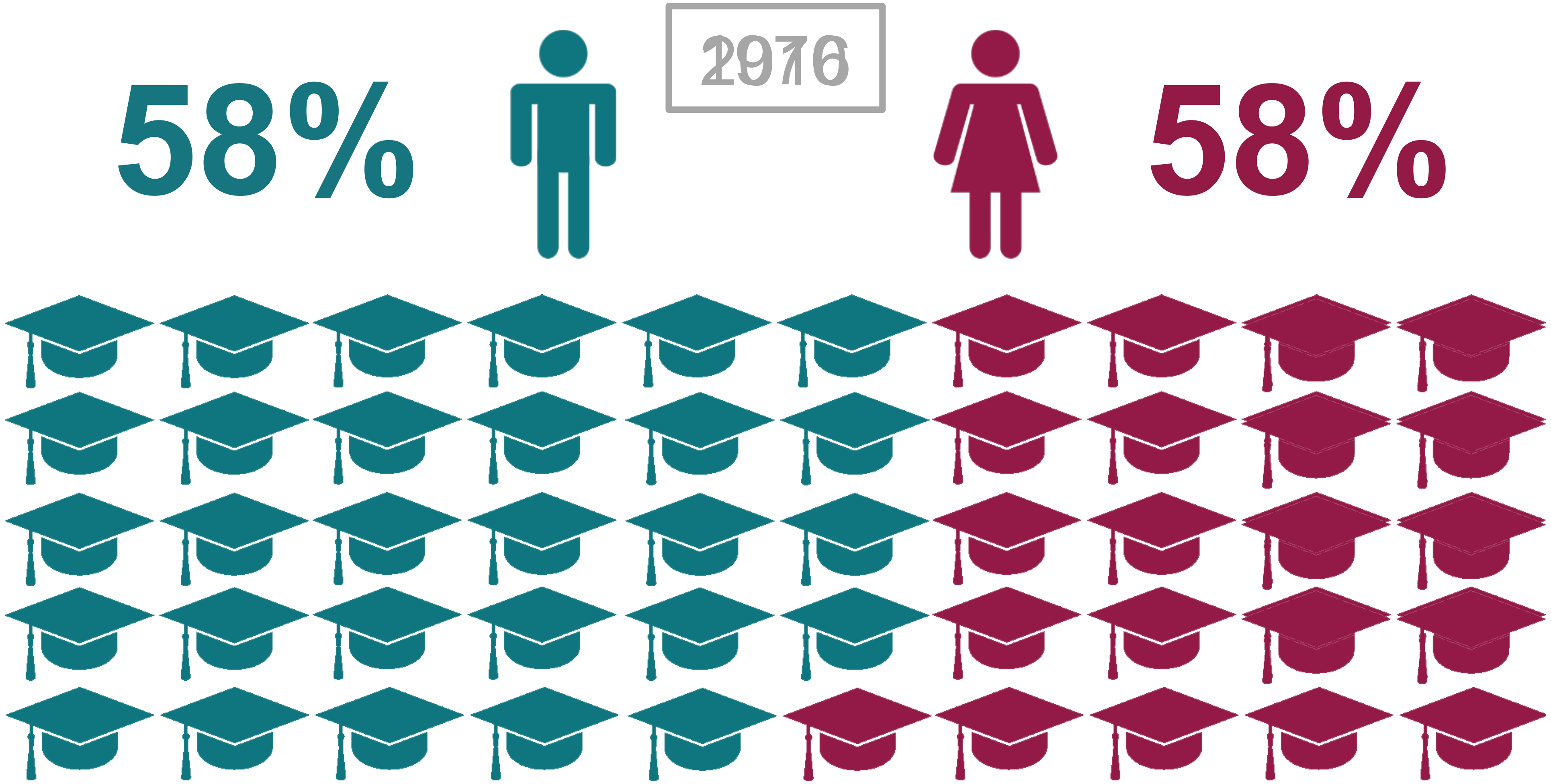
More 1960s-Born Women Graduated College Than Men



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections

Women Earn 58% of All College Degrees Today

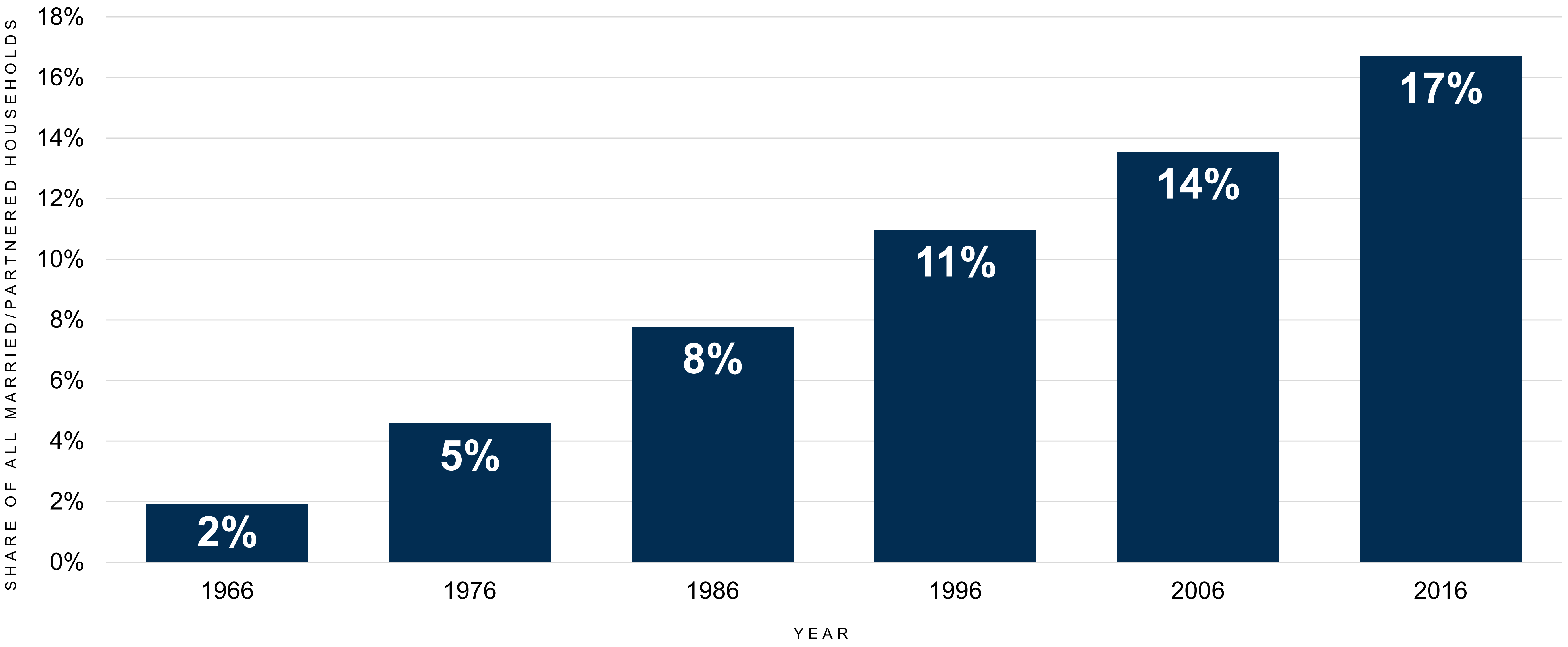
PERCENT OF ALL BACHELOR’S AND MASTER’S DEGREES CONFERRED



Source: John Burns Real Estate Consulting, LLC calculations of National Center for Education Statistics data

Rising DICE – Dual-Income, College Educated

DICE SHARE OF ALL MARRIED/PARTNERED HOUSEHOLDS



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau Current Population Survey ASEC via IPUMS-CPS

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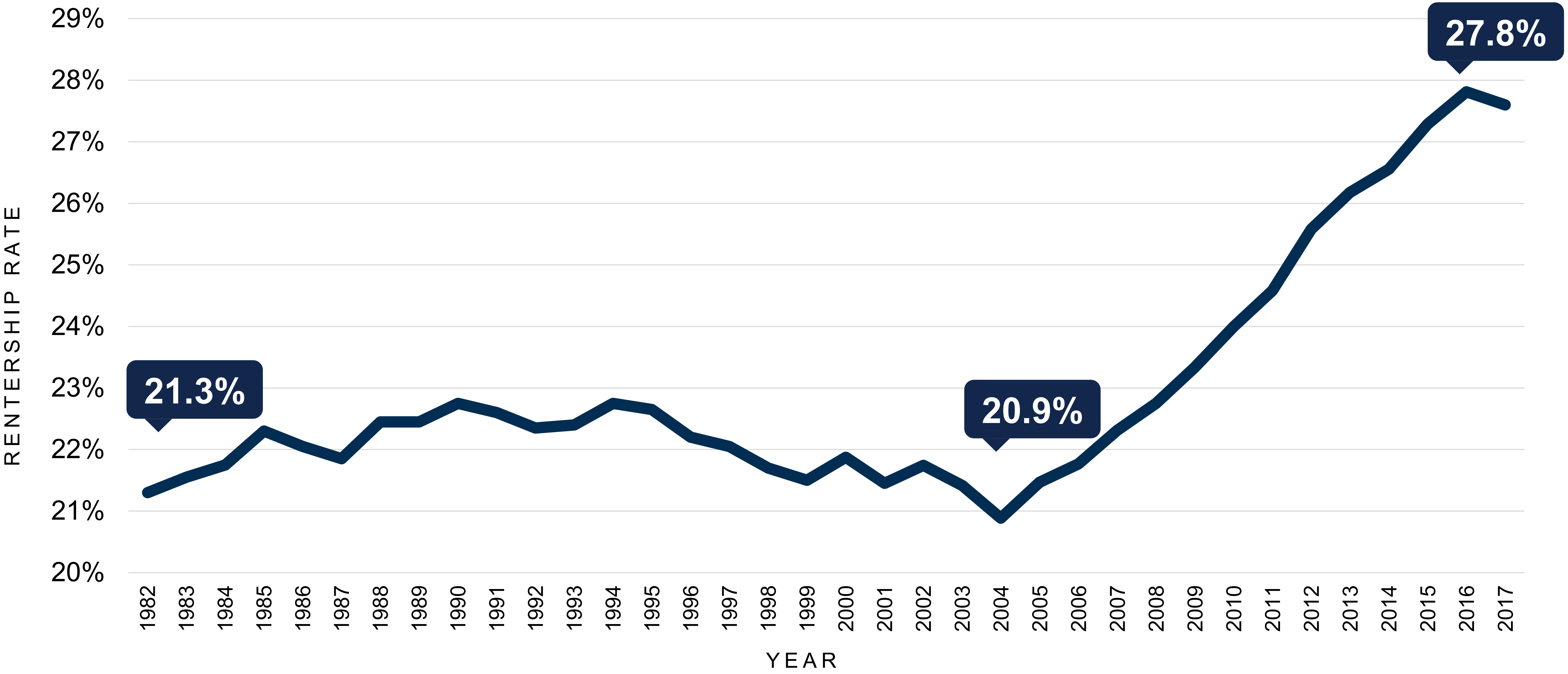
Surprising Societal Shift: Rising Renters for Empty Nesters

RENTERSHIP RATE BY AGE, 45-64



Sources: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey; John Burns Real Estate Consulting, LLC

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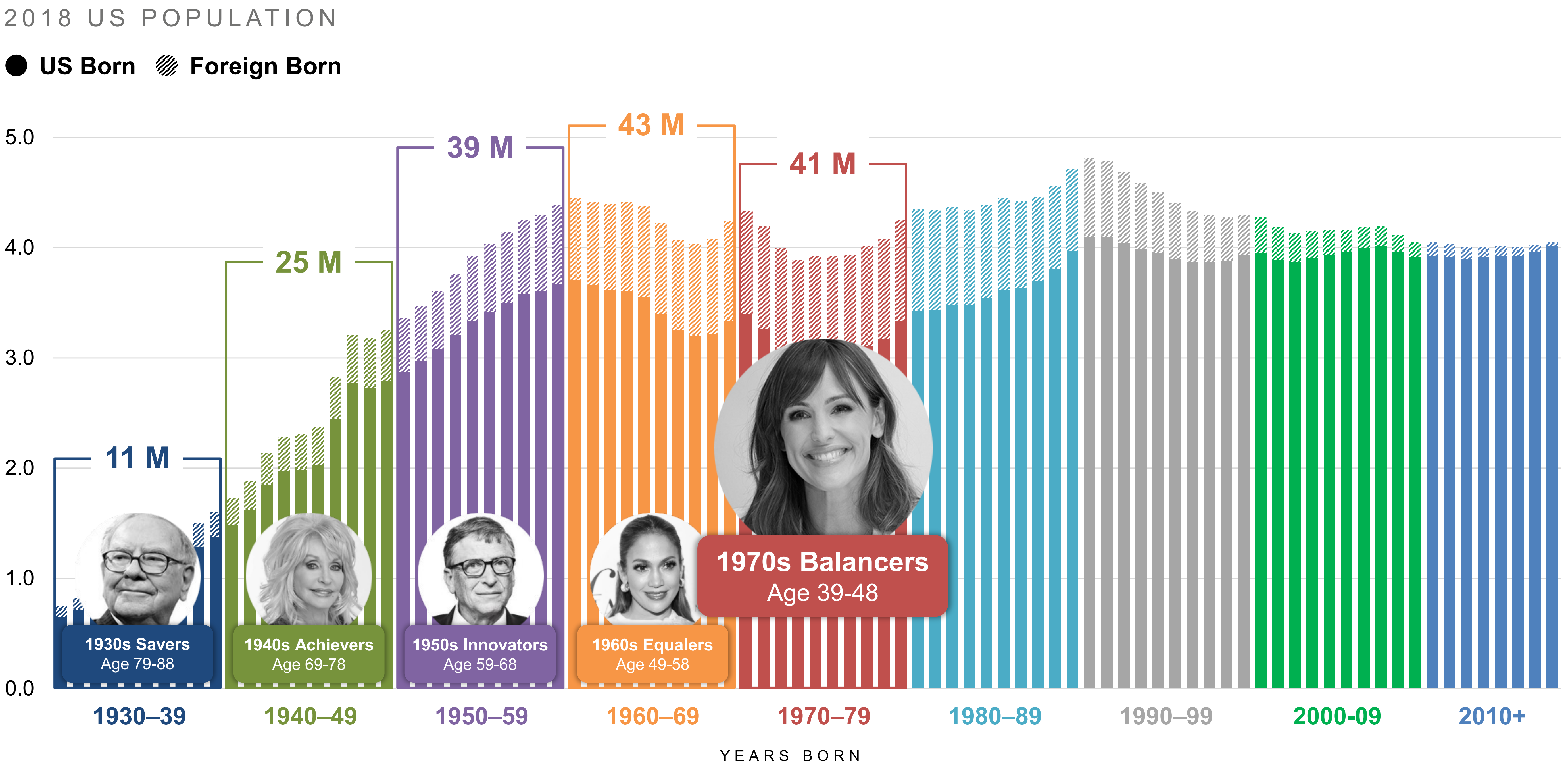
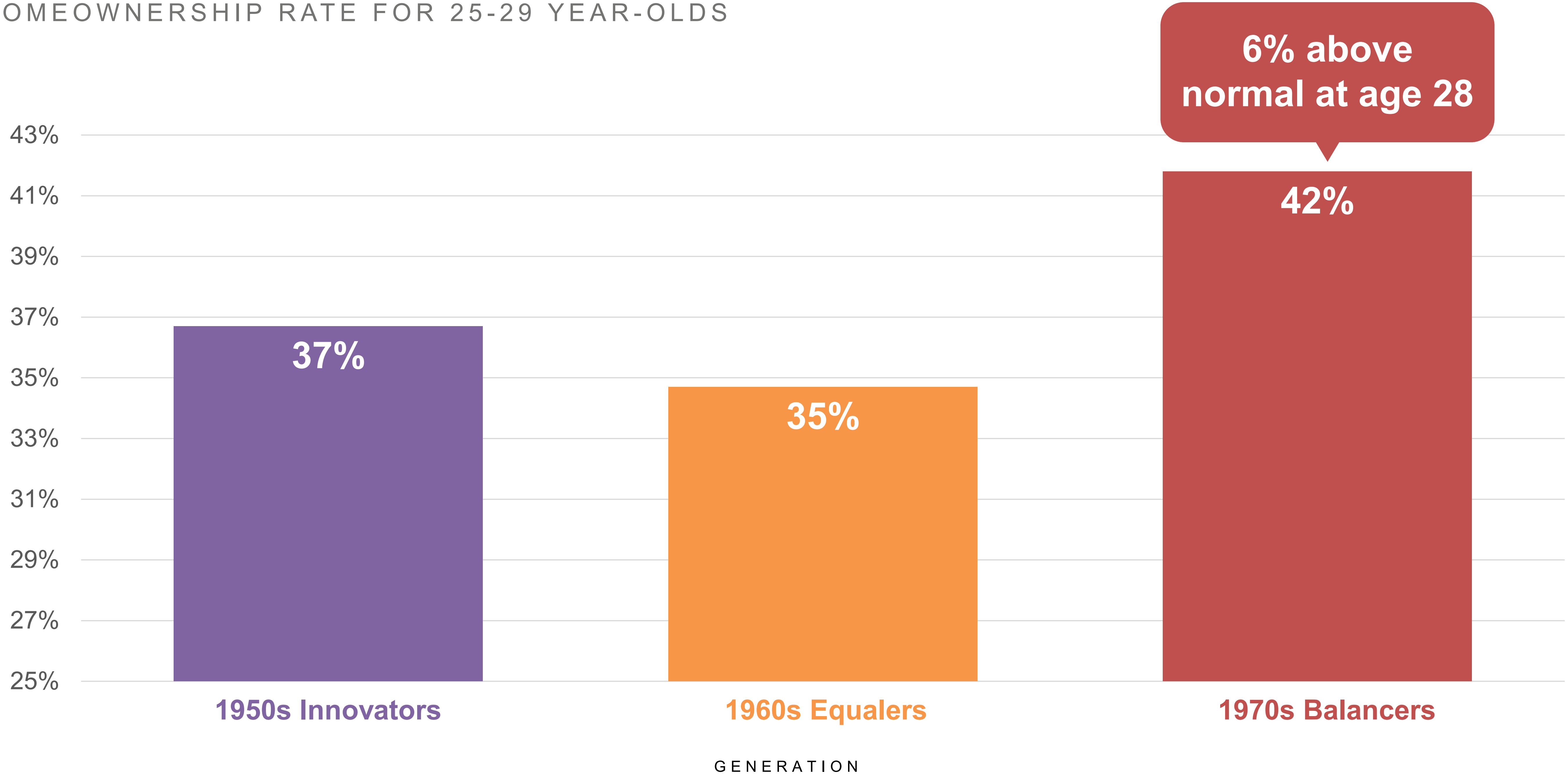
1970s Balancers Shifted the Definition of Success to Include Success at Home



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections

1970s Balancer Homeownership at Their 10-Year High School Reunion

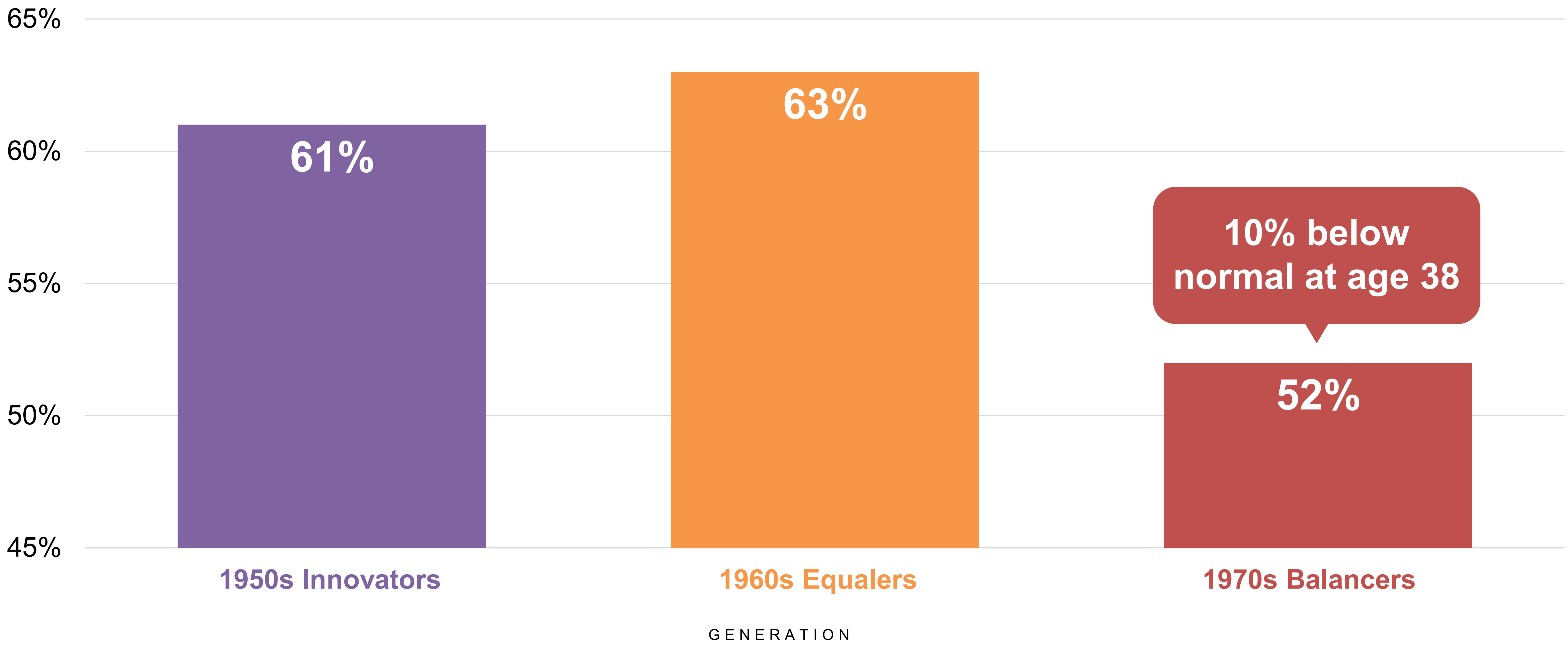
HOMEOWNERSHIP RATE FOR 25-29 YEAR-OLDS



Sources: US Census Bureau Housing Vacancies and Homeownership Survey; John Burns Real Estate Consulting, LLC

1970s Balancer Homeownership at Their 20-Year High School Reunion

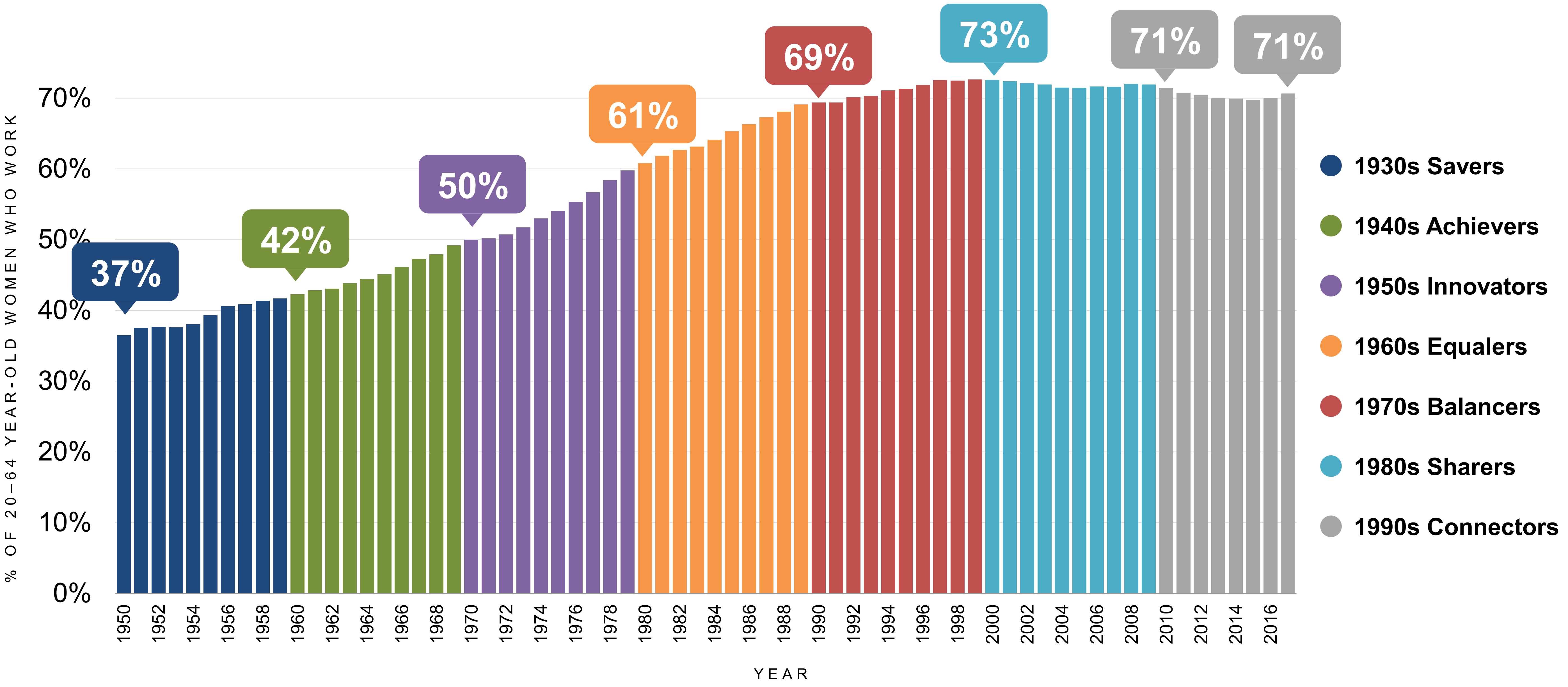
HOMEOWNERSHIP RATE FOR 35-39 YEAR-OLDS



Sources: US Census Bureau Housing Vacancies and Homeownership Survey; John Burns Real Estate Consulting, LLC

Dual-Income Households Peaked in 2000

FEMALE LABOR FORCE PARTICIPATION RATE, AGES 20–64



Source: John Burns Real Estate Consulting, LLC calculations of Bureau of Labor Statistics data; color-coded based on the year a generation turns 20

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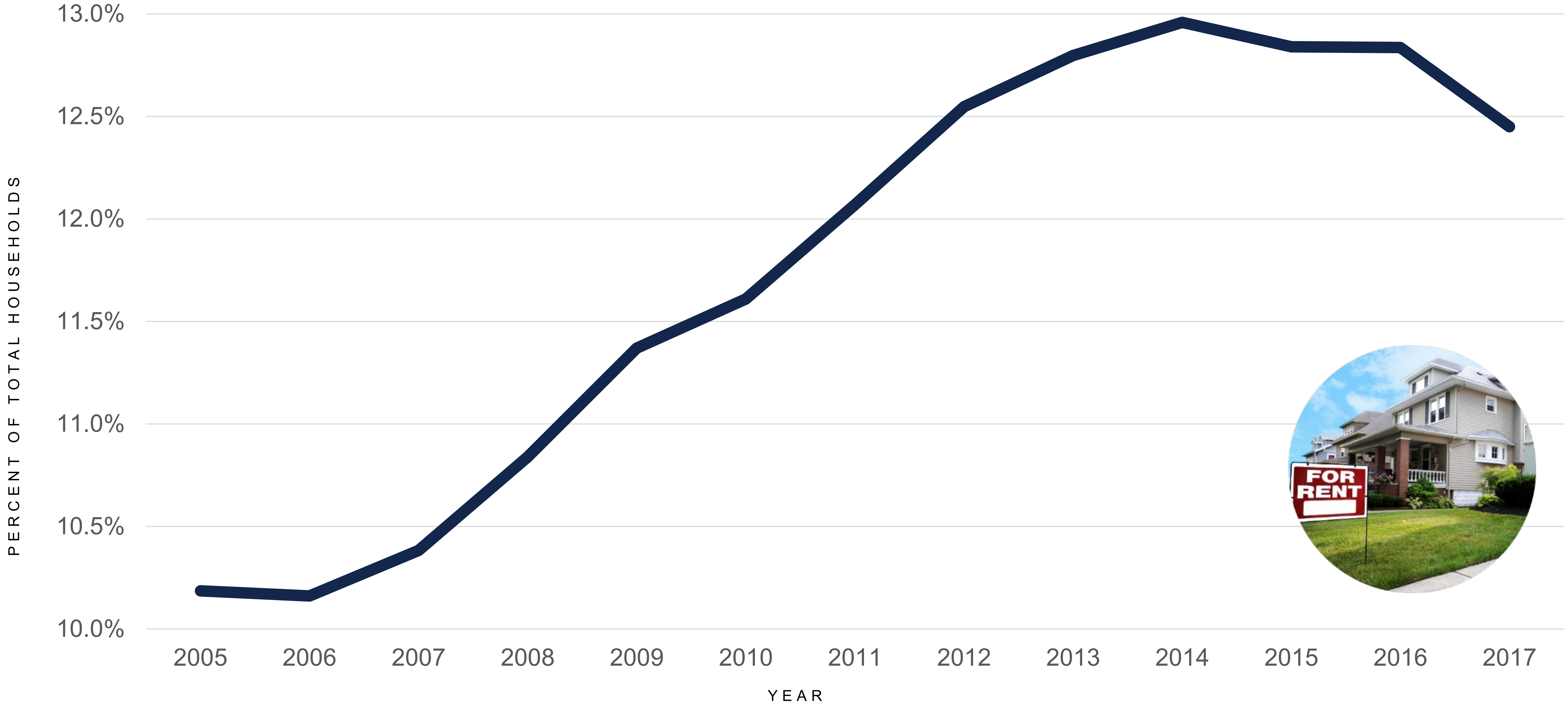
Almost 13% of America Now Rents a Single-Family Home

SINGLE-FAMILY RENTAL HOMES AS A PERCENT OF TOTAL HOUSEHOLDS



Source: John Burns Real Estate Consulting, LLC based on US Census Bureau data from American Community Survey; years are based on Q3

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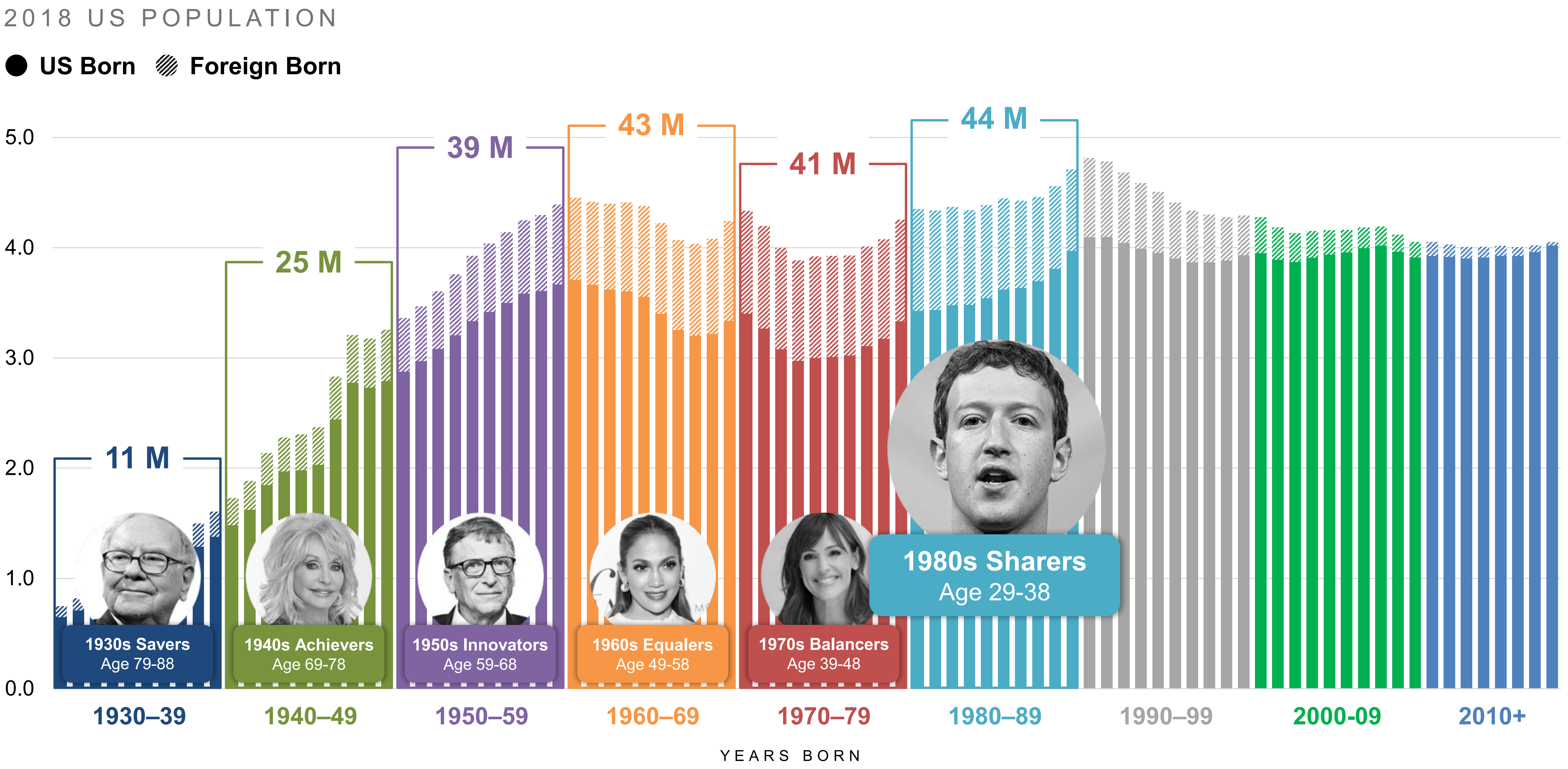
1980s Sharers Have Led the Disruptive Shift to a Sharing Economy



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections

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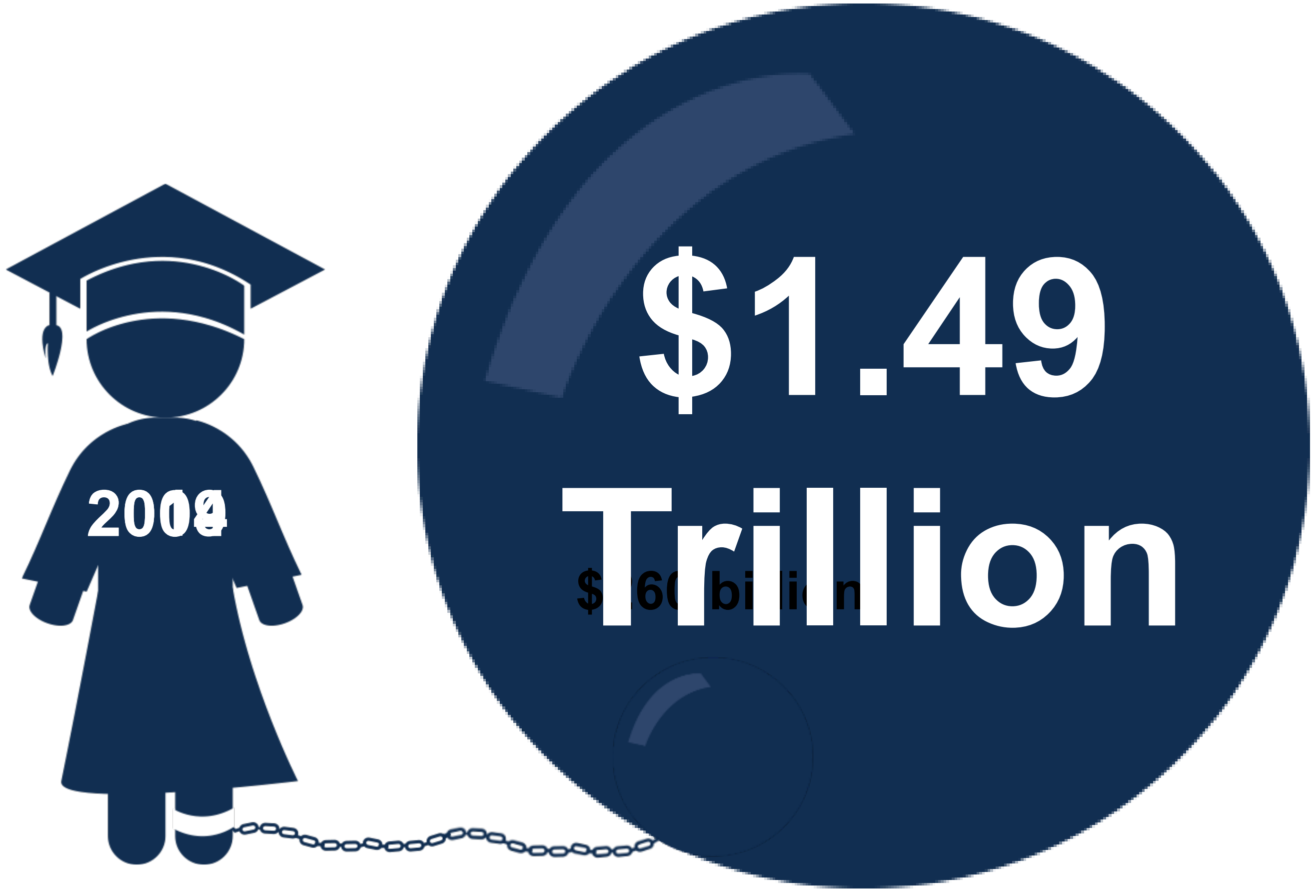
The 1980s Sharers Have Quintupled Student Debt Since 2004

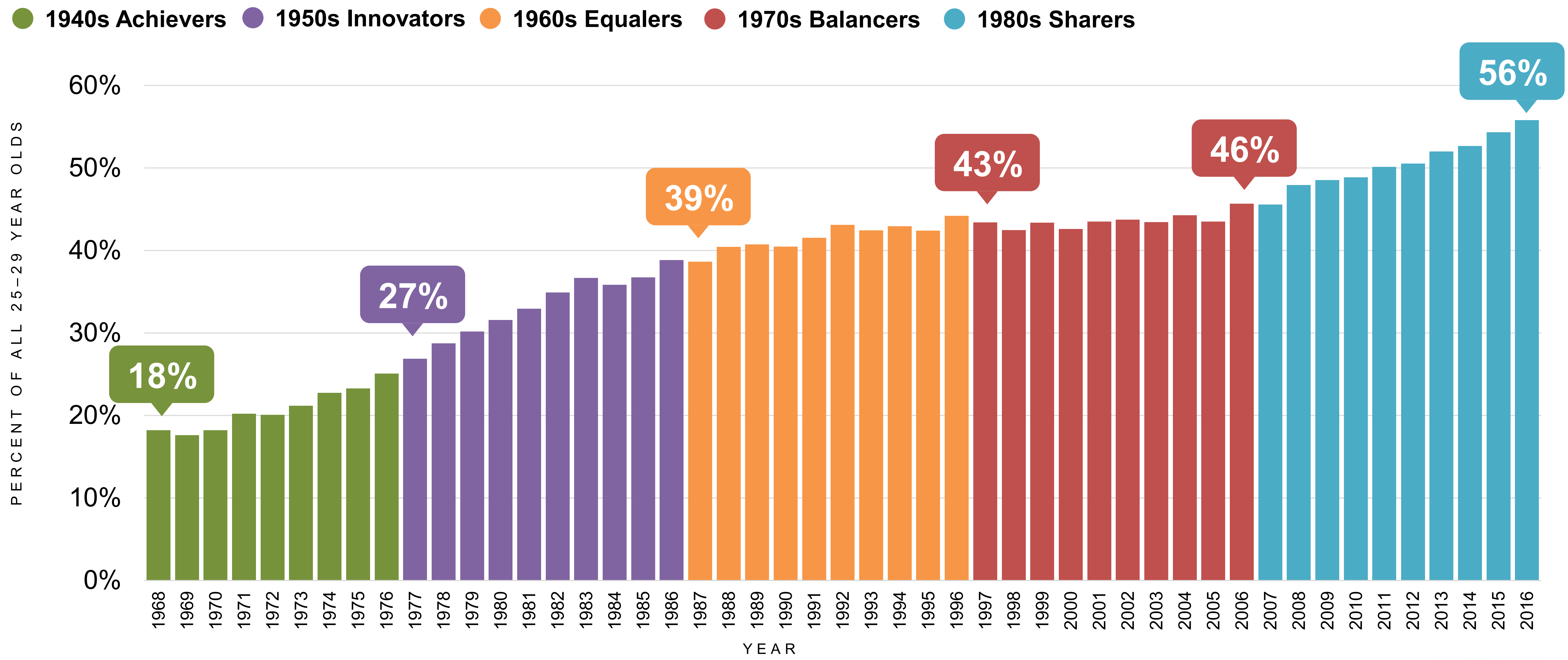
STUDENT LOANS OUTSTANDING (TRILLIONS)



Sources: New York Federal Reserve Consumer Credit Panel/Equifax; John Burns Real Estate Consulting, LLC

Marriage and Kids Continue to Happen Later in Life

PERCENT OF 25–29 YEAR-OLDS SINGLE AND WITHOUT CHILDREN



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau, Current Population Survey, Annual Social and Economic Supplements via IPUMS-CPS

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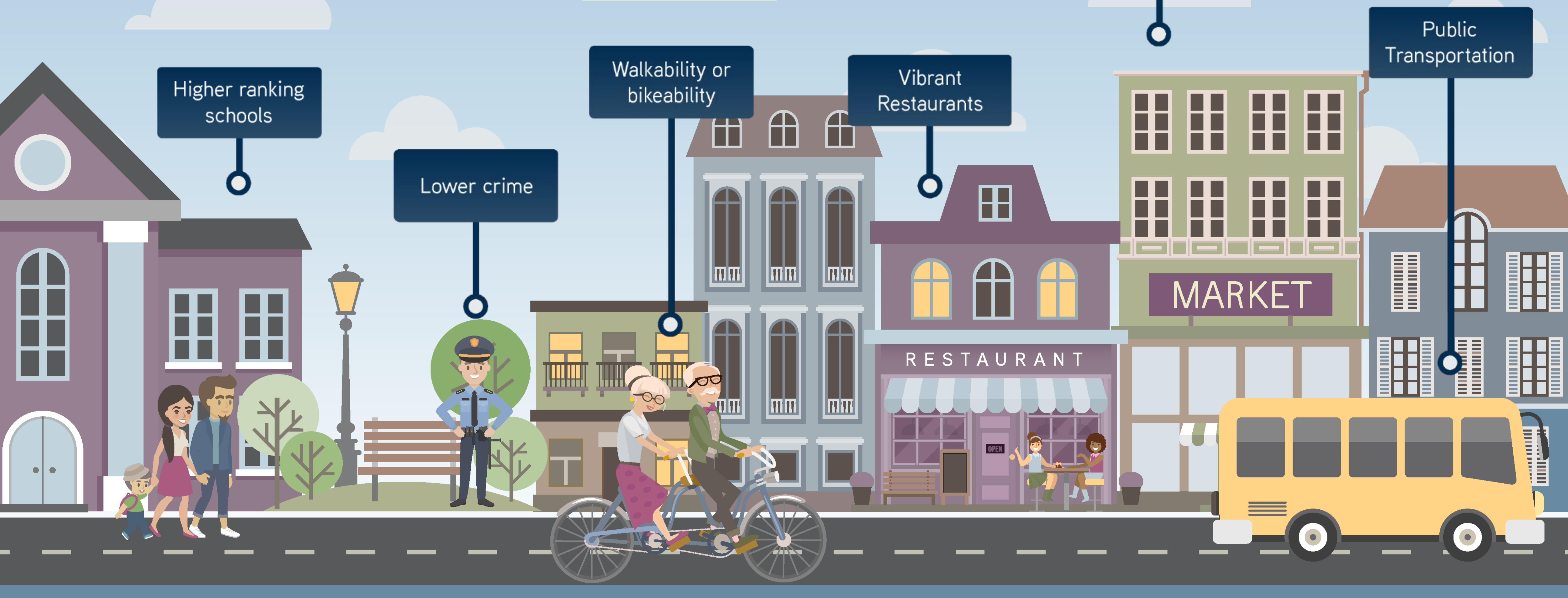
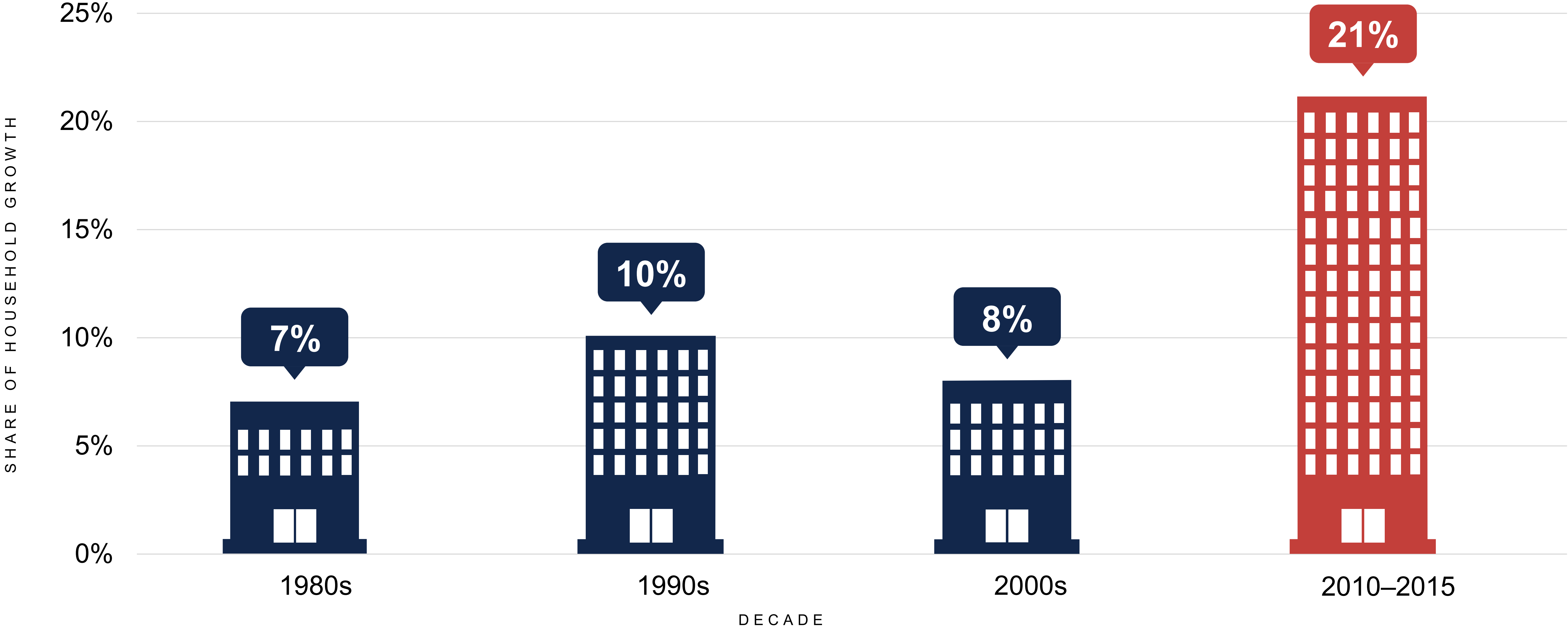
what is SURBAN™?

A suburban area that has the feel of an urban area, containing some or all of the following:



Being Single has Allowed 1980s Sharers to Live Urban

URBAN SHARE OF HOUSEHOLD GROWTH



Source: John Burns Real Estate Consulting, LLC based on US Census Bureau data

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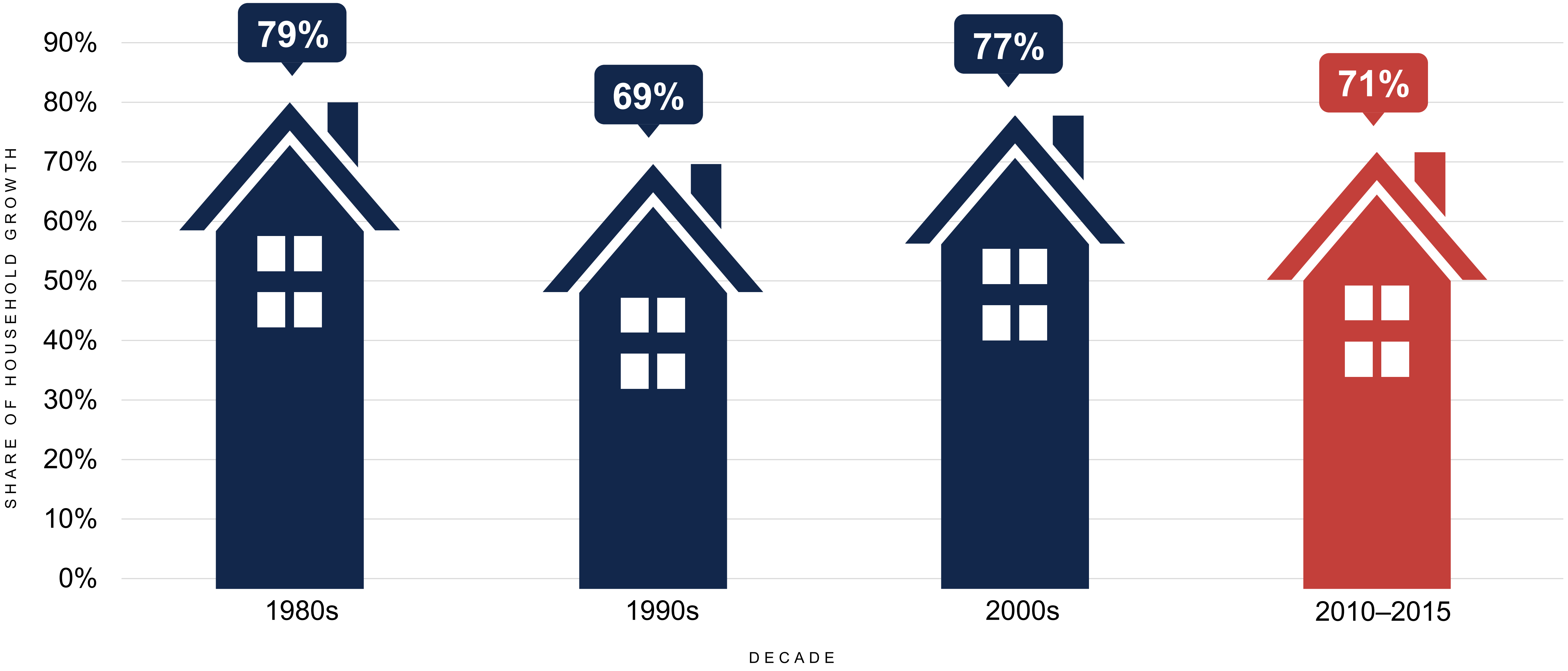
But the Suburbs Still Capture Most of the Growth

SUBURBAN SHARE OF HOUSEHOLD GROWTH



Source: John Burns Real Estate Consulting, LLC based on US Census Bureau data

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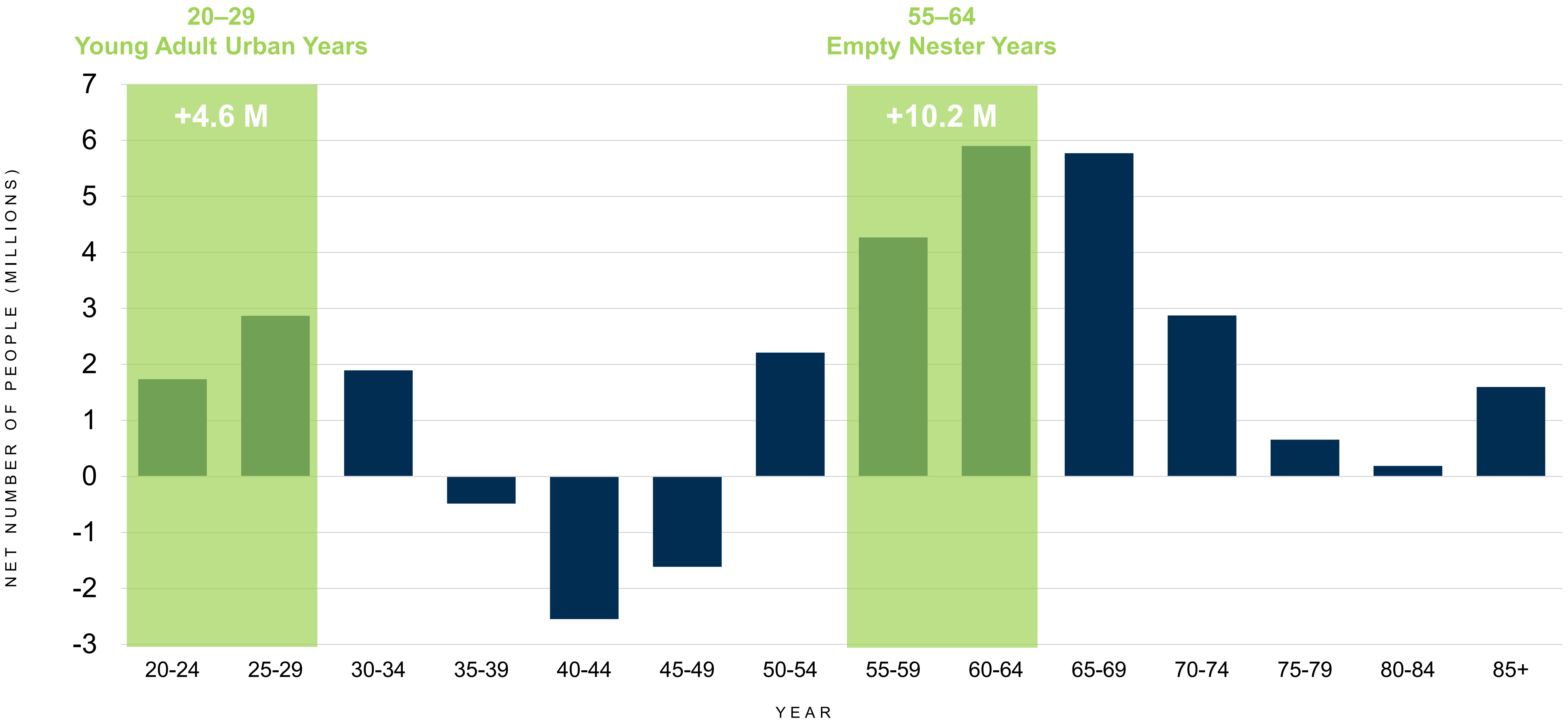
Urban Demand Surged as Young Adult and Empty Nesters Population Grew

RECENT CHANGE IN ADULT POPULATION BY AGE, 2005–2015



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau Population Estimates and 2017 National Projections

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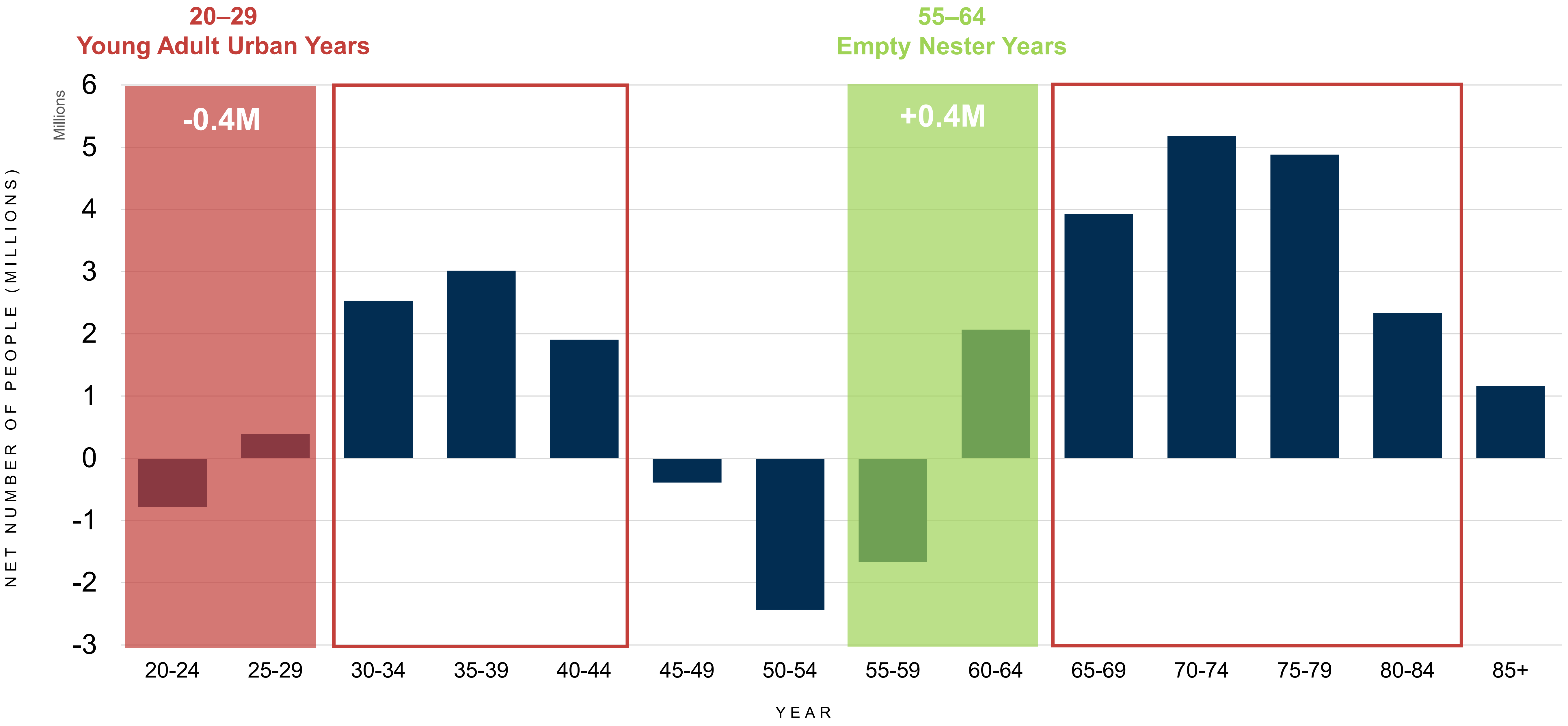
Urban is Slowing as Demand Shifts to Family and Retirement Years

FUTURE CHANGE IN ADULT POPULATION BY AGE 2015–2025



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau Population Estimates and 2017 National Projections

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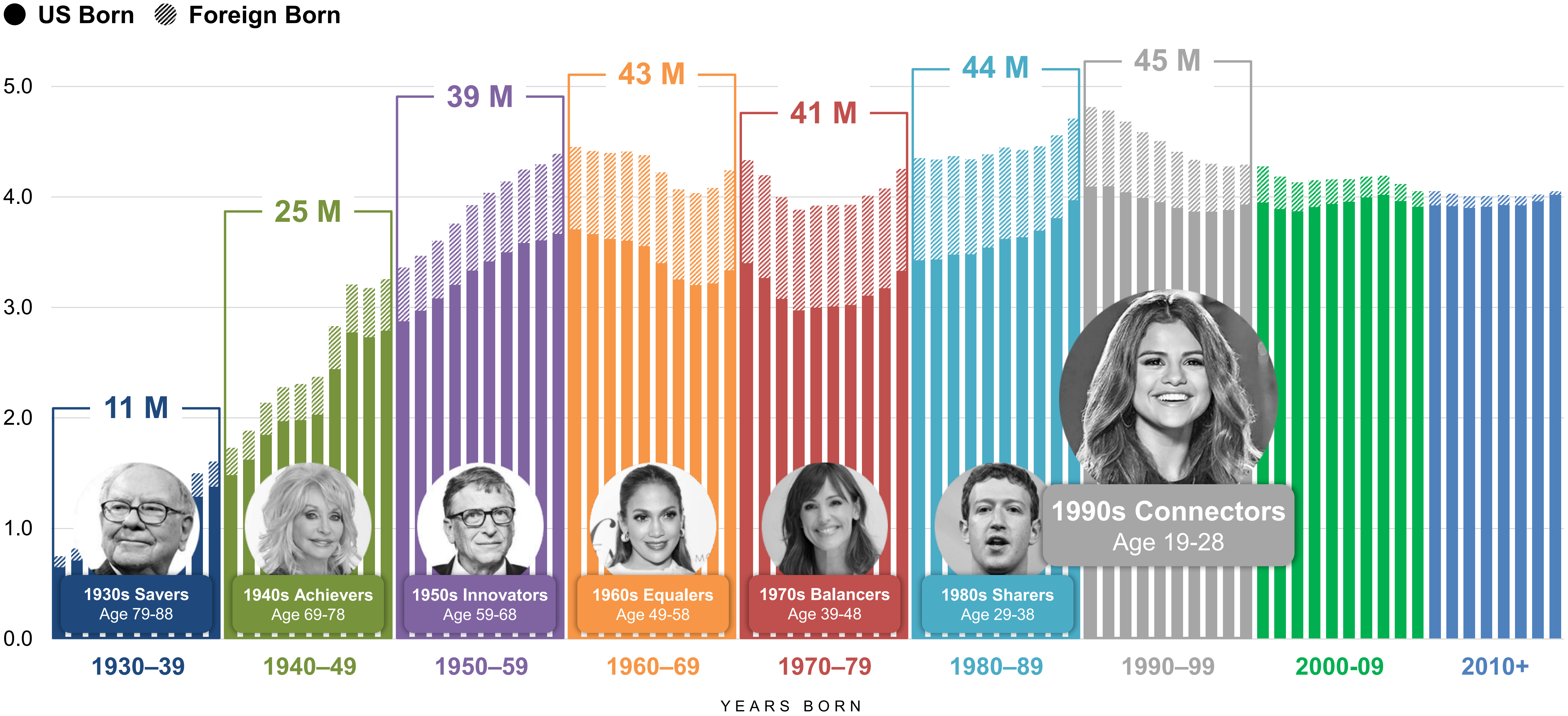
1990s Connectors Use Their Phones Whenever Possible

2018 US POPULATION



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections

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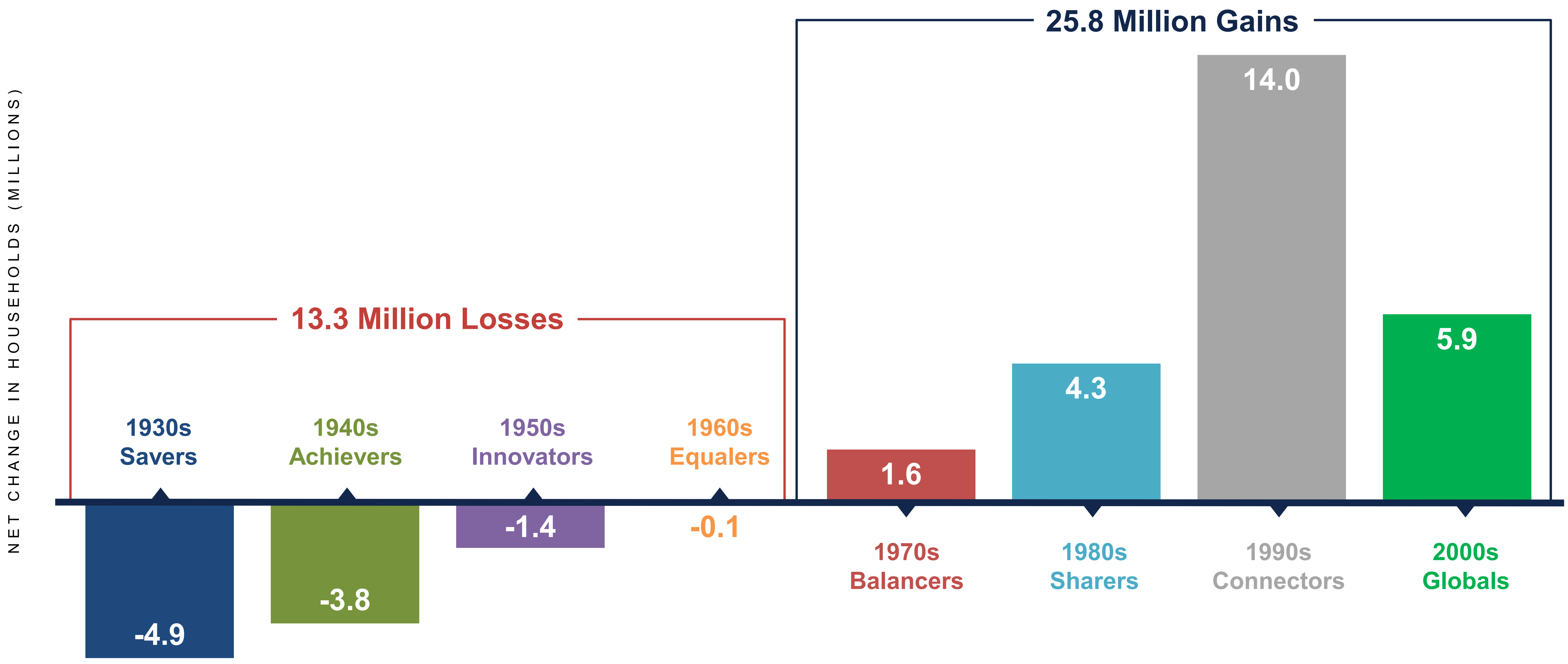
Demographics Easily Support 12.5 Million More Households Over 10 Years

NET CHANGE IN HOUSEHOLDS BY DECADE BORN, 2016–2025 (MILLIONS)



Sources: John Burns Real Estate Consulting, LLC

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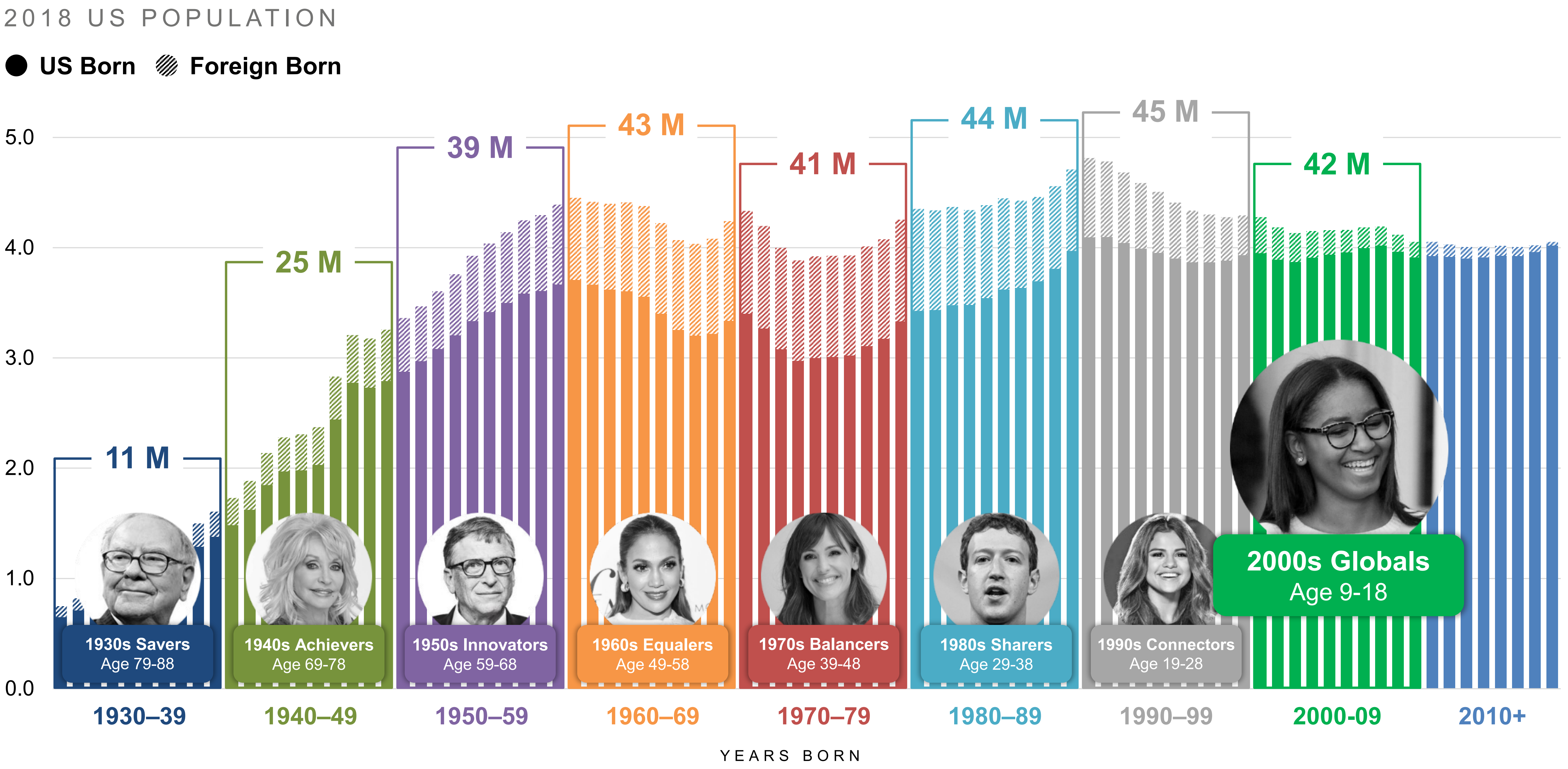
The Oldest 2000s Globals are Just Entering Adulthood



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections

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4

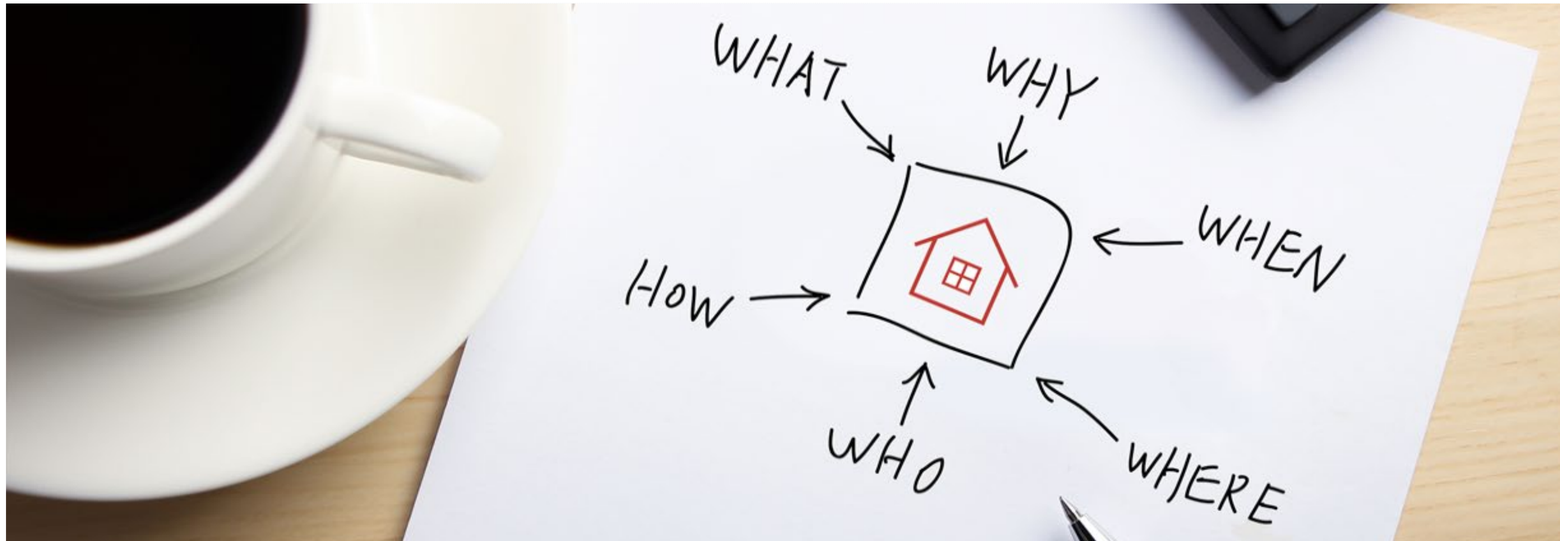
THE 4 BIG INFLUENCERS

5

DURING 5 MAIN LIFE STAGES

6

HELP ANSWER THE 6 KEY HOUSING DEMAND QUESTIONS



The Economy Impacts Each Life Stage Differently

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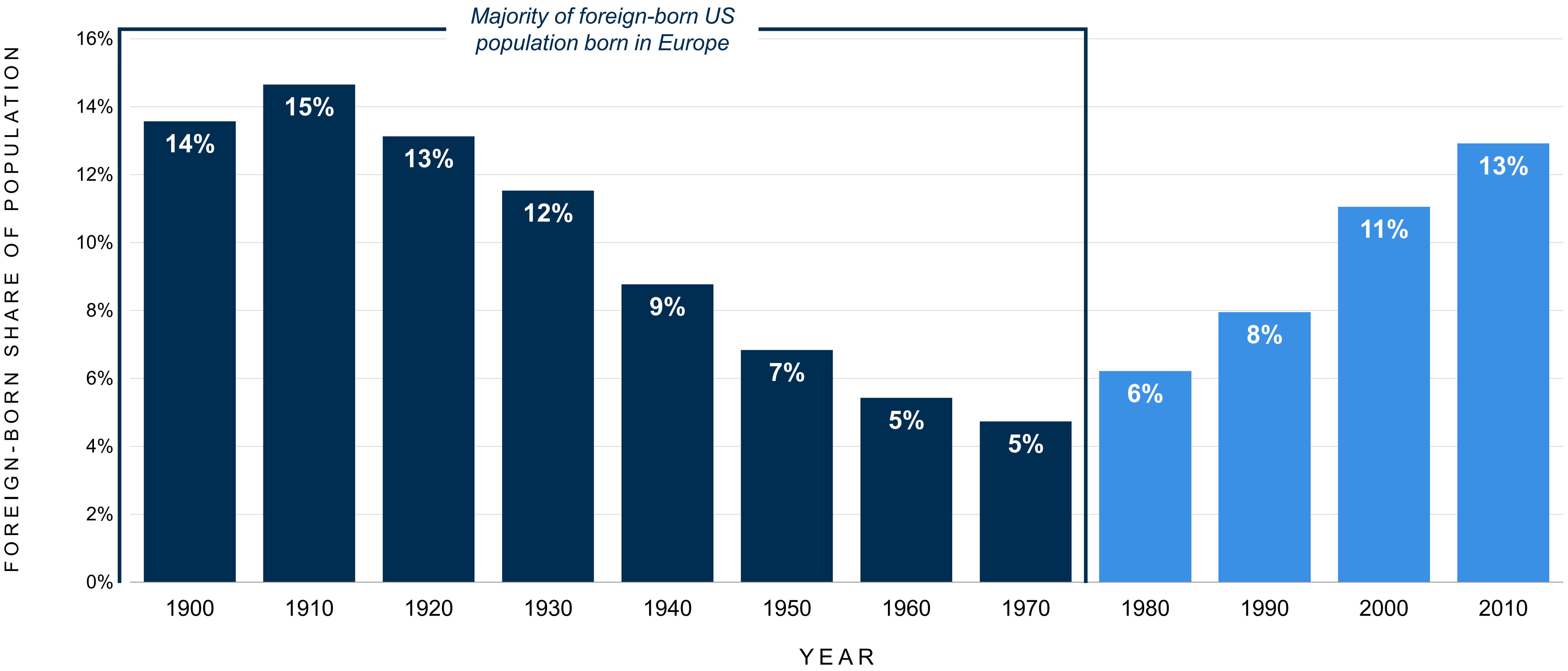
13% of Americans are Immigrants, Impacted by 1980s and 1990s Government Policies

FOREIGN-BORN SHARE OF US POPULATION



Sources: John Burns Real Estate Consulting, LLC calculations of US Census Bureau data

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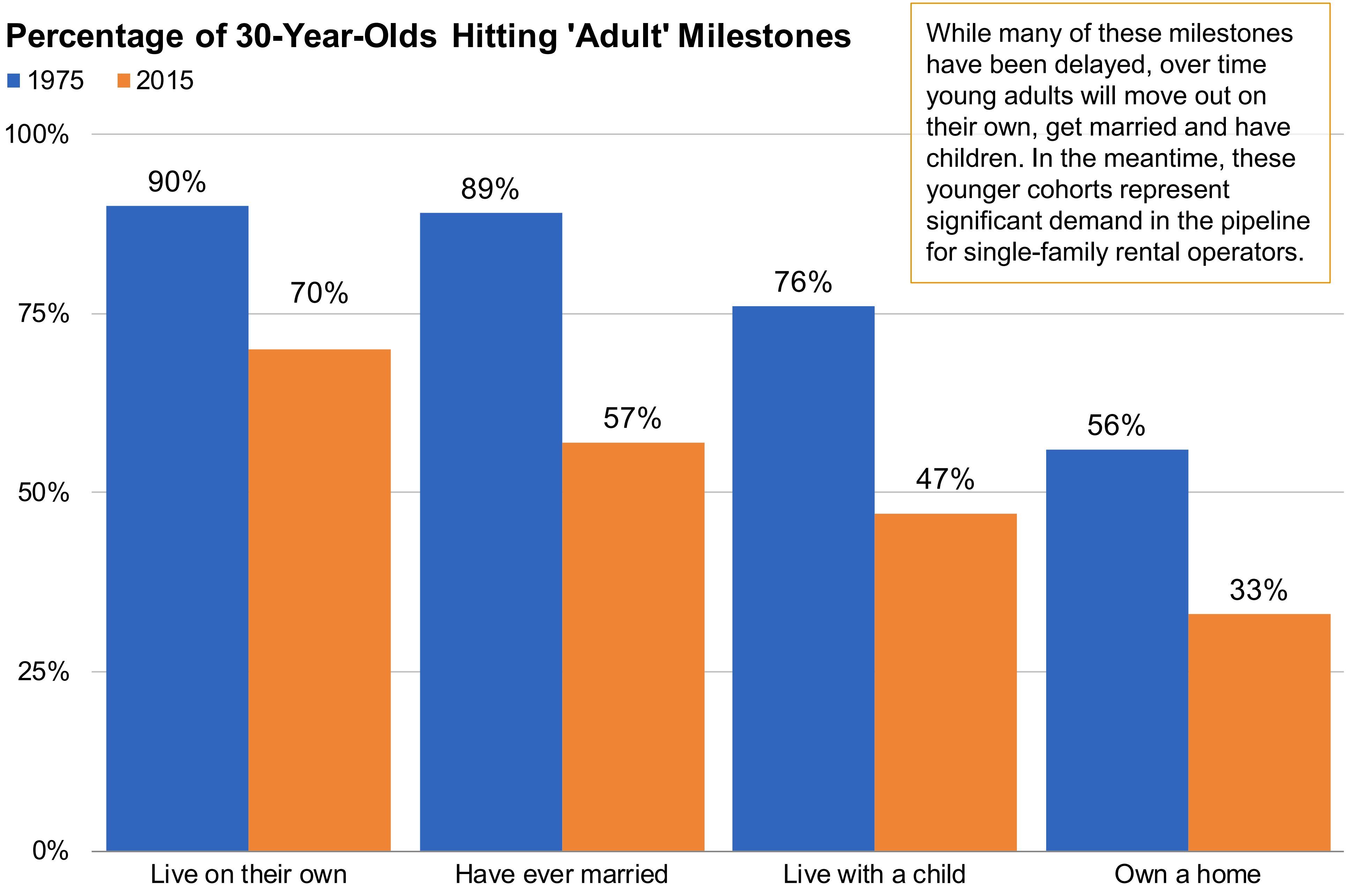
Technologies Impact Each Generation Differently Too

Percentage of 30-Year-Olds Hitting Life-Stage Milestones Has Fallen Precipitously Compared to Past Generations

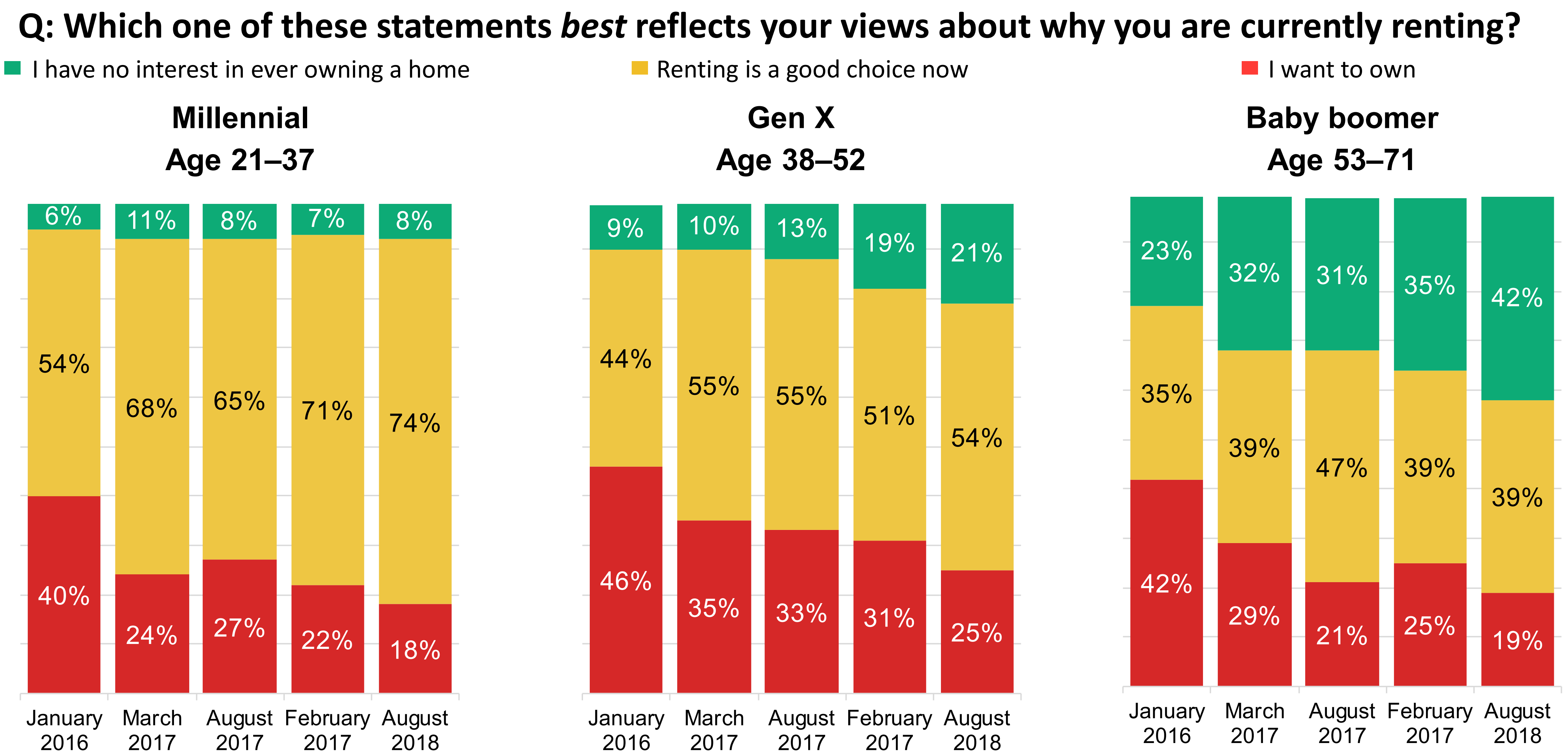


While many of these milestones have been delayed, over time young adults will move out on their own, get married and have children. In the meantime, these younger cohorts represent significant demand in the pipeline for single-family rental operators.

Sources: U.S. Census Bureau; John Burns Real Estate Consulting, LLC (Data: 2015, updated quarterly†)

Boomer and Gen X Renters Report a Spike in Desire to Keep Renting; Millennial Interest in Homeownership Declining

Renters between the ages of 53–71 expressed the least interest in homeownership, with 42% of respondents reporting no interest in ever owning a home, up from 23% in 2016.



Most recent survey base: 365 millennials, 271 Gen Xers, 323 baby boomers; sample includes SF and MF renters.
Sources: Freddie Mac Profile of Today's Renter, Multifamily Renter Research; John Burns Real Estate Consulting, LLC (Data: Aug-18, Pub: Mar-19)

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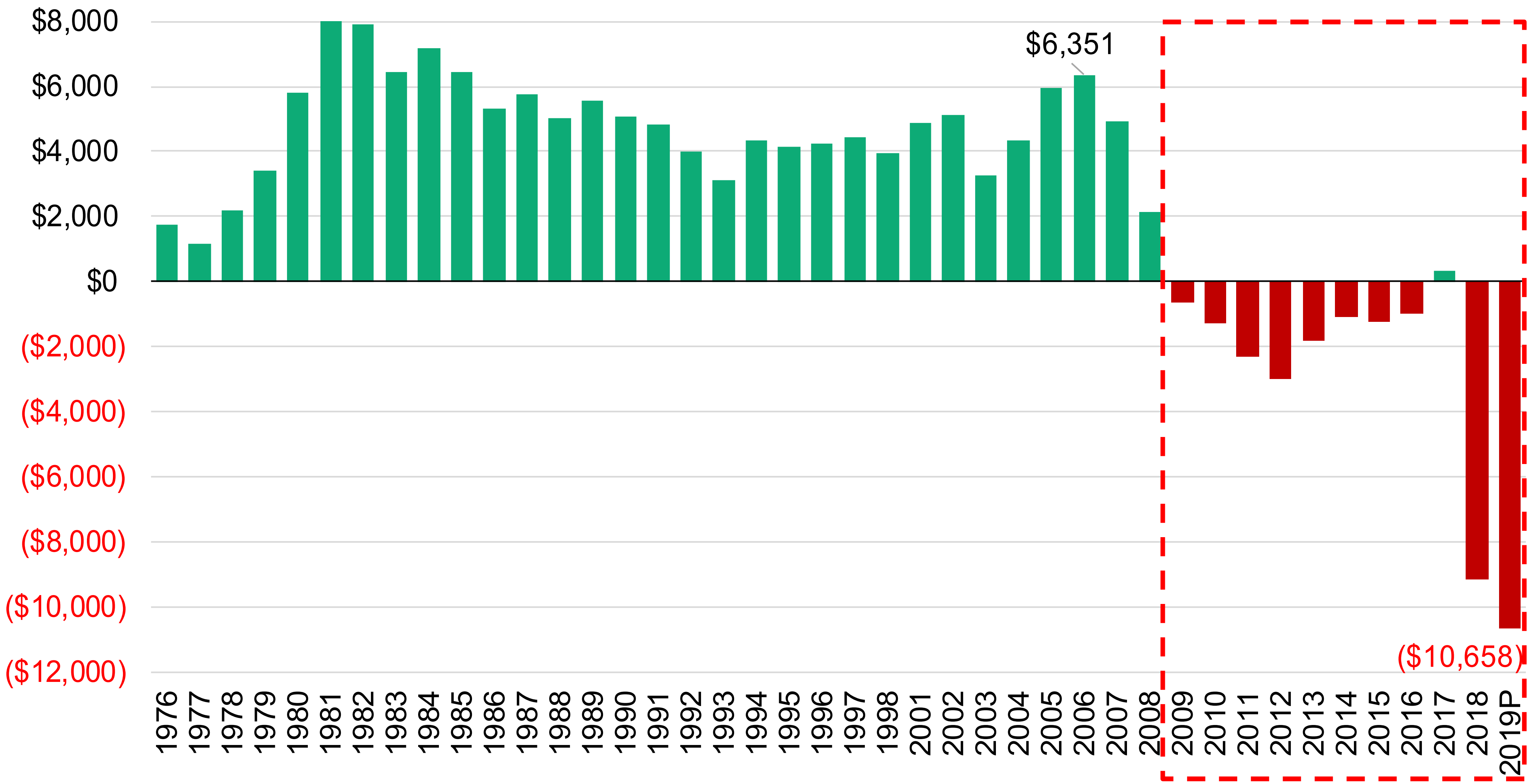
Mortgage Tax Savings No Longer There for Entry-Level Home Buyers

Homeownership does not have the significant tax advantages it once did because of the increasing standard deduction, declining mortgage rates, and the recent tax policy changes. The standard deduction currently exceeds deductions for mortgage interest and property taxes by $10,658.

Mortgage Interest and Property Taxes in Excess of Standard Tax Deduction*

US national



*Assumes a married couple with a mortgage equal to 95% of median home price and a 1.5% property tax rate. 2019 projected value assumes our forecasts of 6% home price appreciation and 4.6% mortgage rate.

Source: John Burns Real Estate Consulting, LLC (Data: 2019, updated quarterly†)

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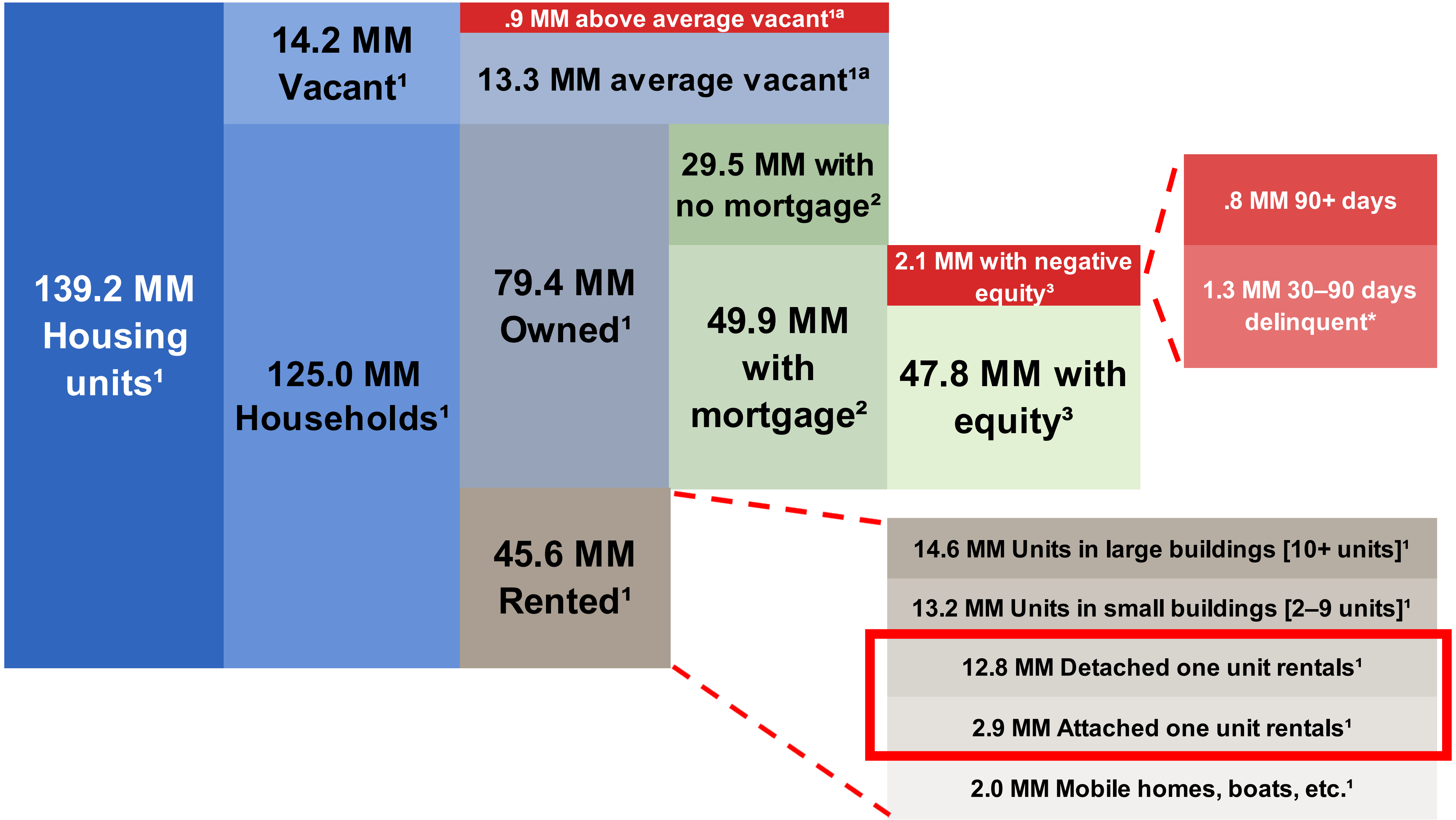
How Big is the Single-Family Rental Market?

The **15.7 million** single-family rental homes represent 34% of all rented homes.

There are more single-family rental homes than apartment units contained in buildings with 10 or more units.



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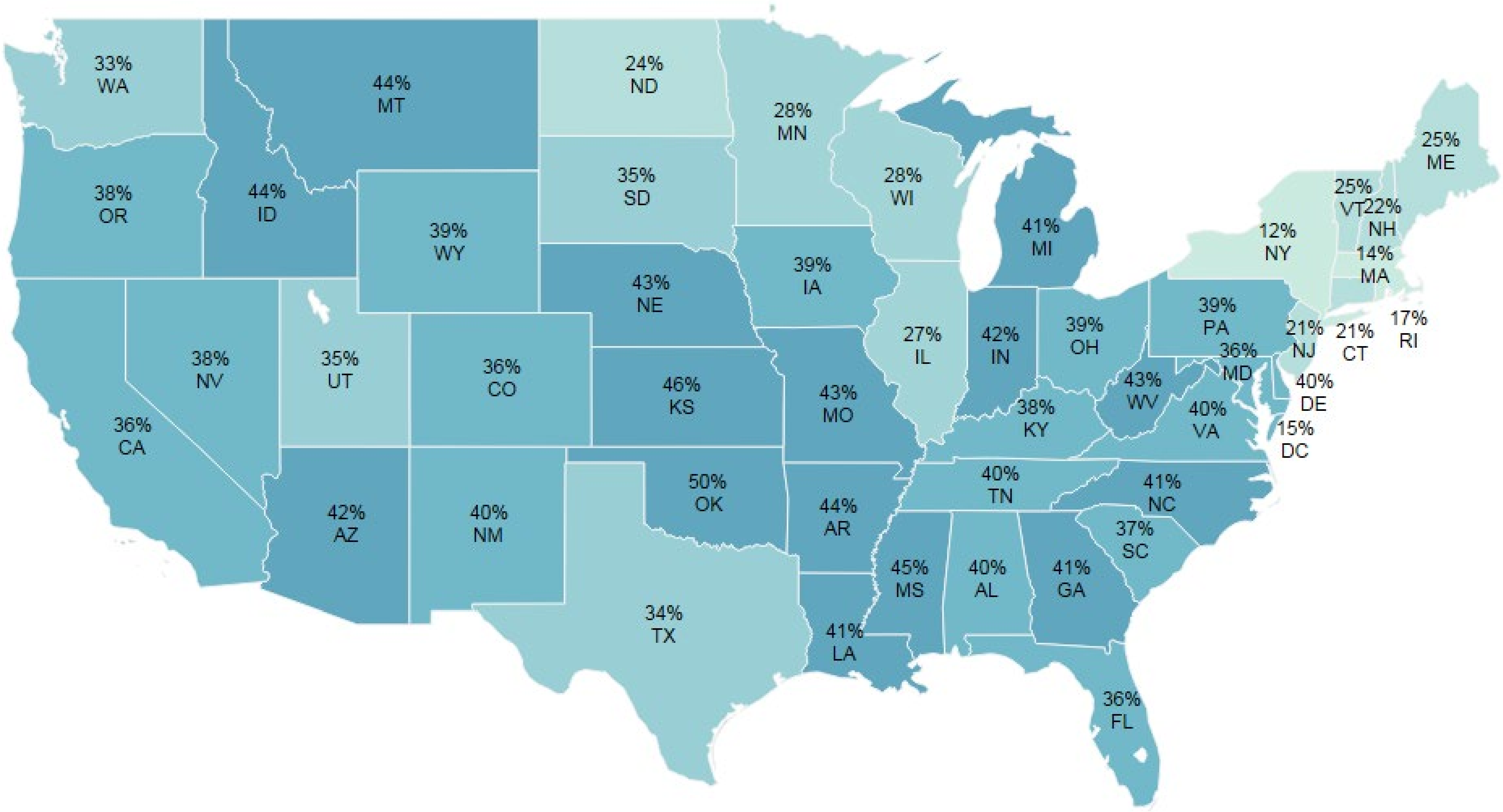
Pub: May-19

Single-Family Rentals as Percentage of Rental Housing Stock by State

Single-family rentals comprise as much as 45%+ of rental housing in Midwestern states such as Oklahoma and Kansas. Northeastern states like New York and Massachusetts see only 12%+.

Single-Family Rentals as % of Total Rental Housing Stock by State



Note: Single-Family includes attached and detached units.

Sources: JCHS tabulations of US Census Bureau, 2016 American Community Survey 1-Year Estimates; John Burns Real Estate Consulting, LLC

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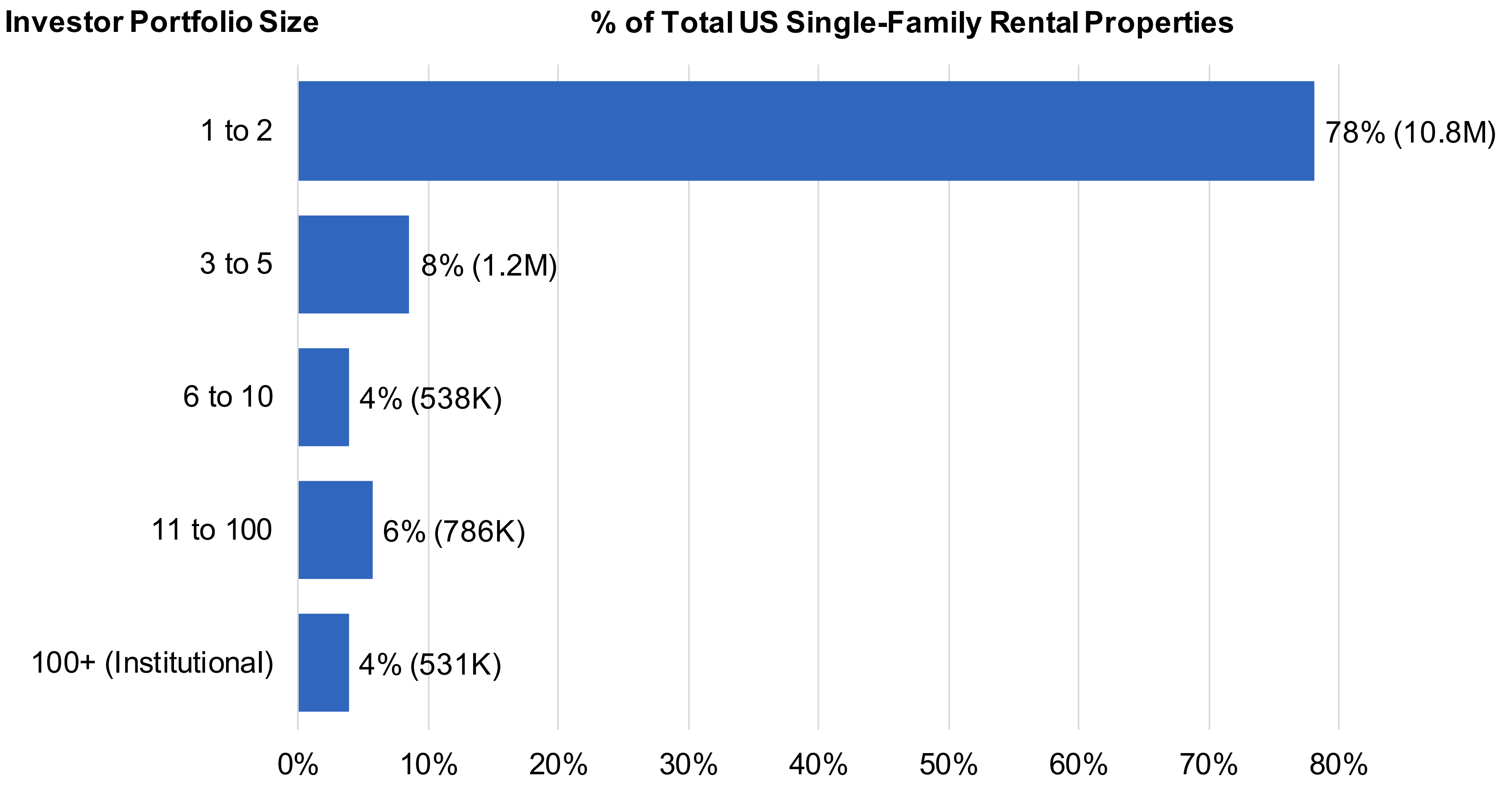
SFR Ownership is Still Dominated by “Mom & Pop” Investors

Institutional owners/developers, those with over 100 units, have a competitive advantage over investors with fewer rental homes. Geographic concentration and technology allows institutional SFR owners to benefit from economies of scale in leasing, managing, and maintaining homes.

National Single-Family Rental Ownership by Property Count

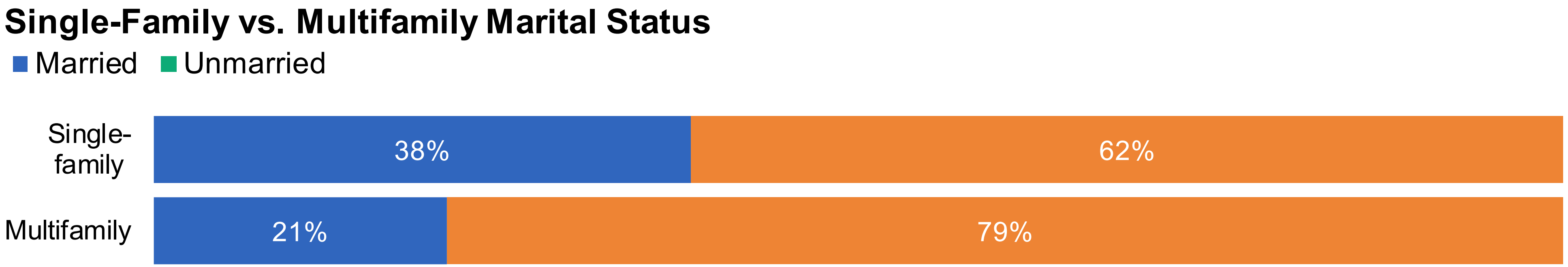


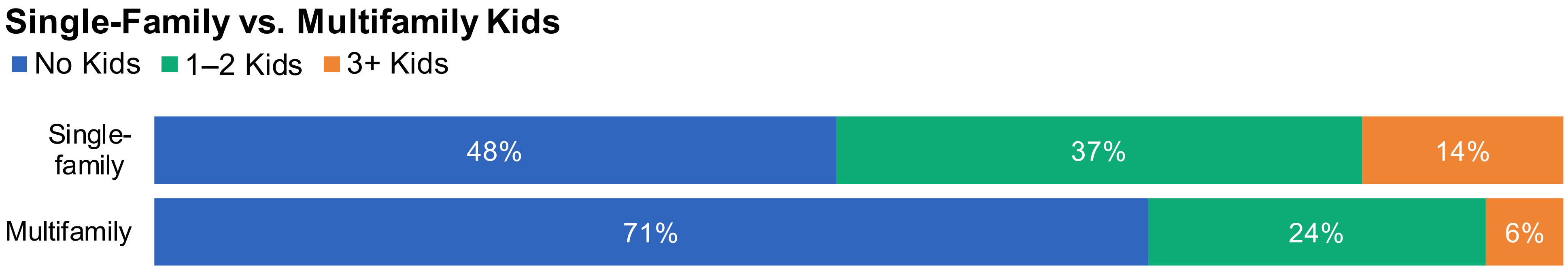
This analysis includes single-family detached residential only, per ATTOM Data Solutions non-owner occupied methodology. Values may include second homes that are not rented and non-owner occupied homes not used as rentals. We estimate the total US properties based on ATTOM’s 900+ market areas where the data was available. Institutional ownership in the 100+ property category is a rollup of those metros where owners own 100+ properties. An institutional owner may own fewer than 100 properties in a metro that is not counted in the national total. As a result, Institutional ownership is slightly understated, as big investors own less than 100 units in some MSAs, and this ownership is not included in the 100+ total. ATTOM programmatically identifies non-owner occupied homes (rental) and owner groupings by reviewing the owner name, zip code, and/or mailing address.

Source: ATTOM Data Solutions (Data: Jan-19, Pub: Feb-19)

Profile Comparisons of Single-Family vs. Apartment Renters

Compared to apartment renters, single-family renters are older and more likely to be married with kids.



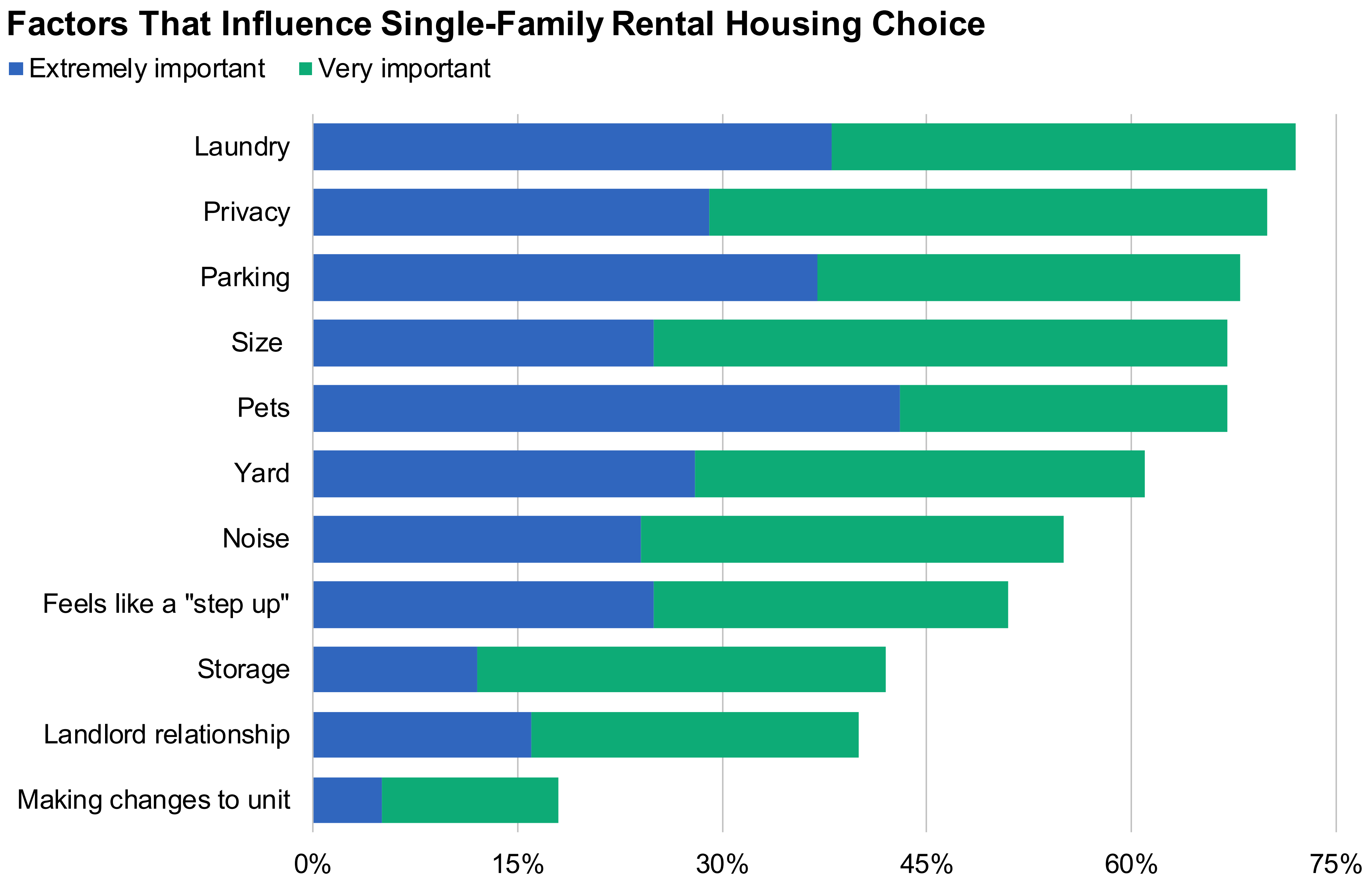


Note: Single-family defined as 1-unit detached and attached (townhome) units. Multifamily defined as 2+ unit structures. Mobile home renters not included.

Sources: US Census Bureau 2017 American Community Survey data via IPUMS-USA

Reasons Tenants Choose to Rent Single-Family Homes

Single-family renters value having private laundry, privacy from neighbors, and ample parking.

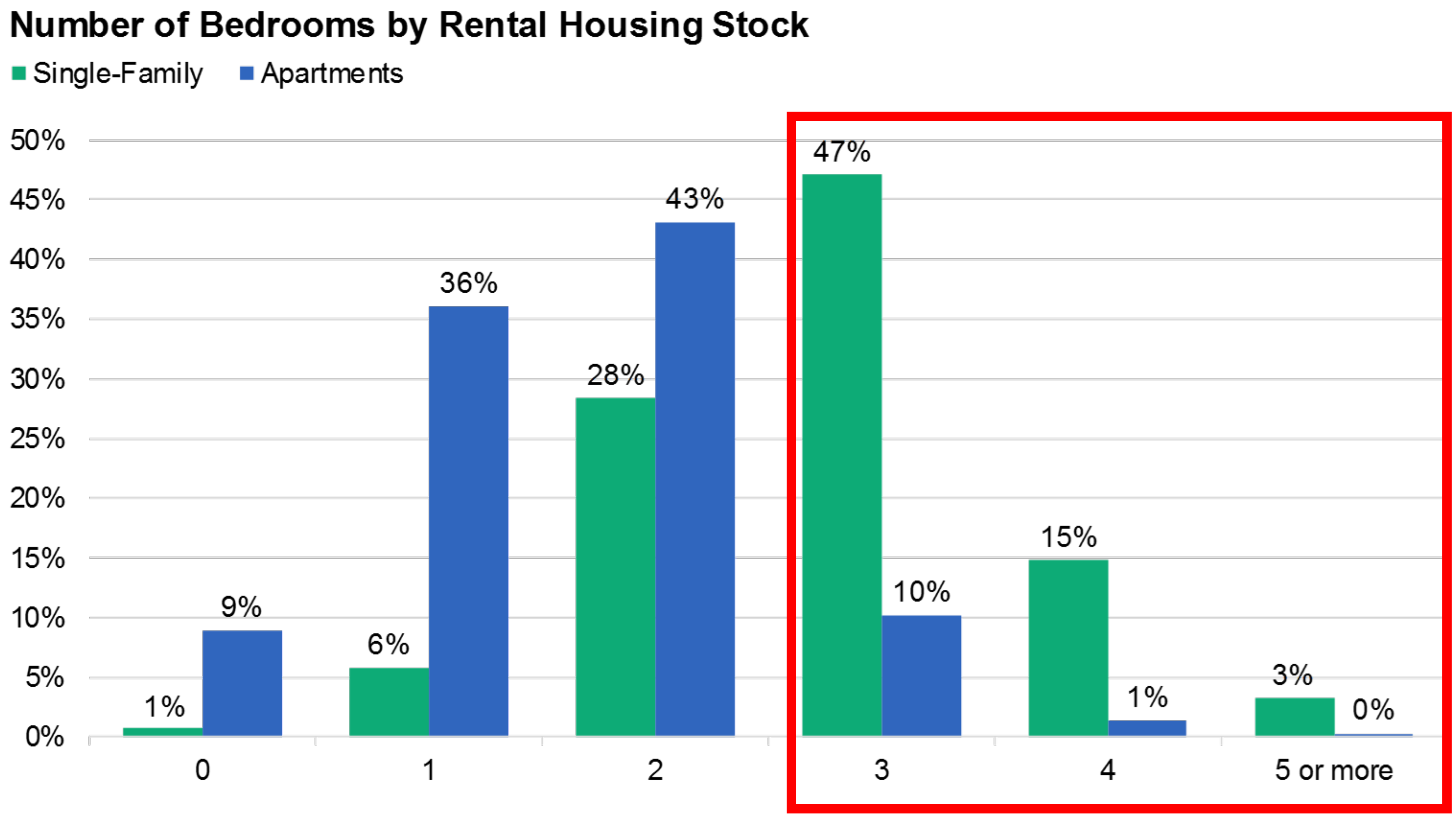


Sources: Terner Center for Housing Innovation; John Burns Real Estate Consulting, LLC (Data: Apr-18, Pub: Mar-19)

Why Single-Family Homes are in Demand

65% of Single-Family Rental Homes Contain Three or More Bedrooms Compared to Just 11% of Apartments

Young families not in a position to own, will overwhelmingly target single-family rental properties over apartments given their life stage and preference for good schools.



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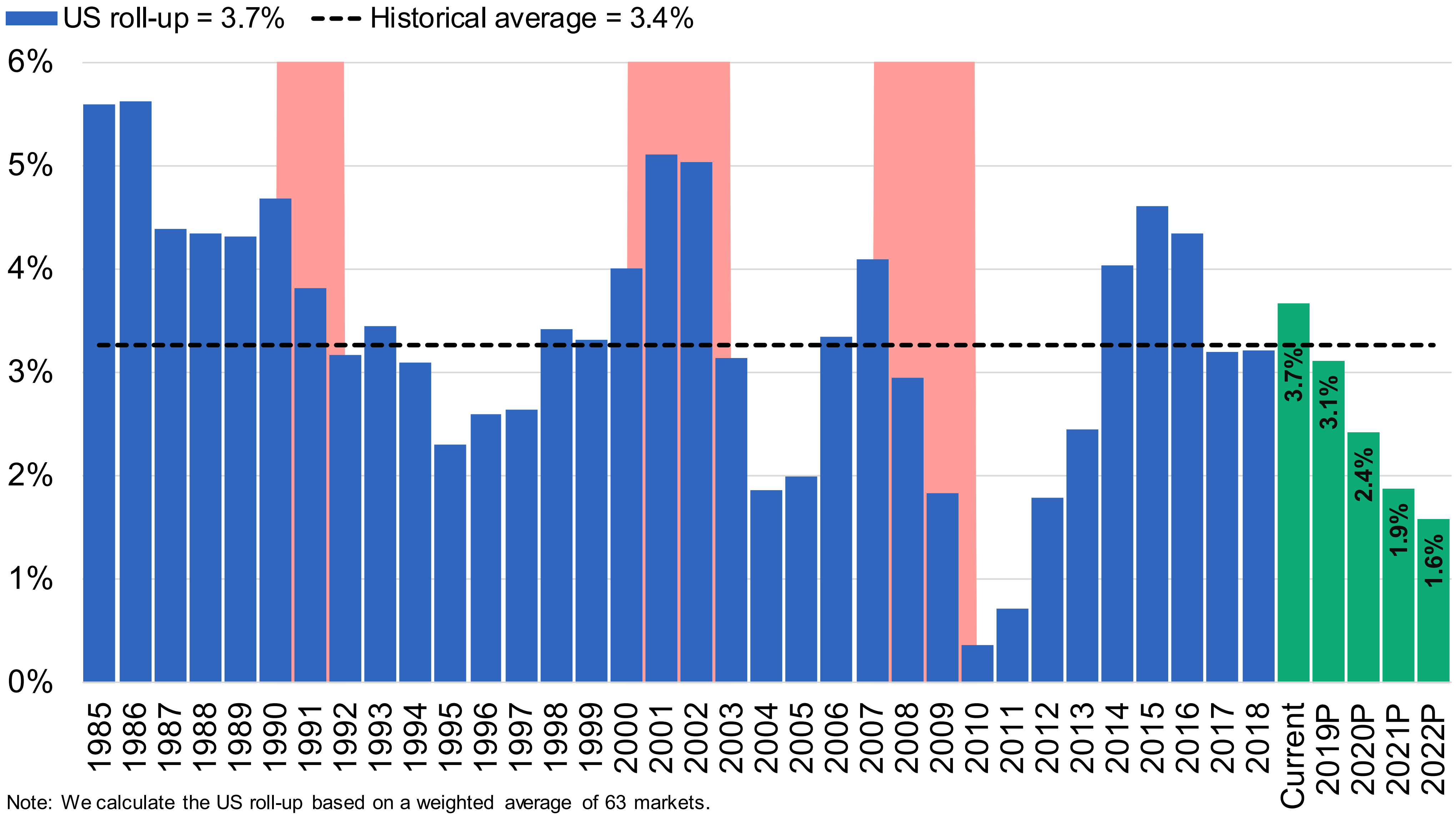
Single-Family Rents Grew 26% from 2011–2018

Rent growth has historically stayed positive, even in recessionary periods (shaded in pink below). We forecast rents will increase another 9% through 2022 as poor homeownership affordability and shift toward renting props up demand.

Burns Single-Family Rent Index™ (YOY %)



Note: We calculate the US roll-up based on a weighted average of 63 markets.

Source: John Burns Real Estate Consulting, LLC (Data: Mar-19; Pub: May-19)

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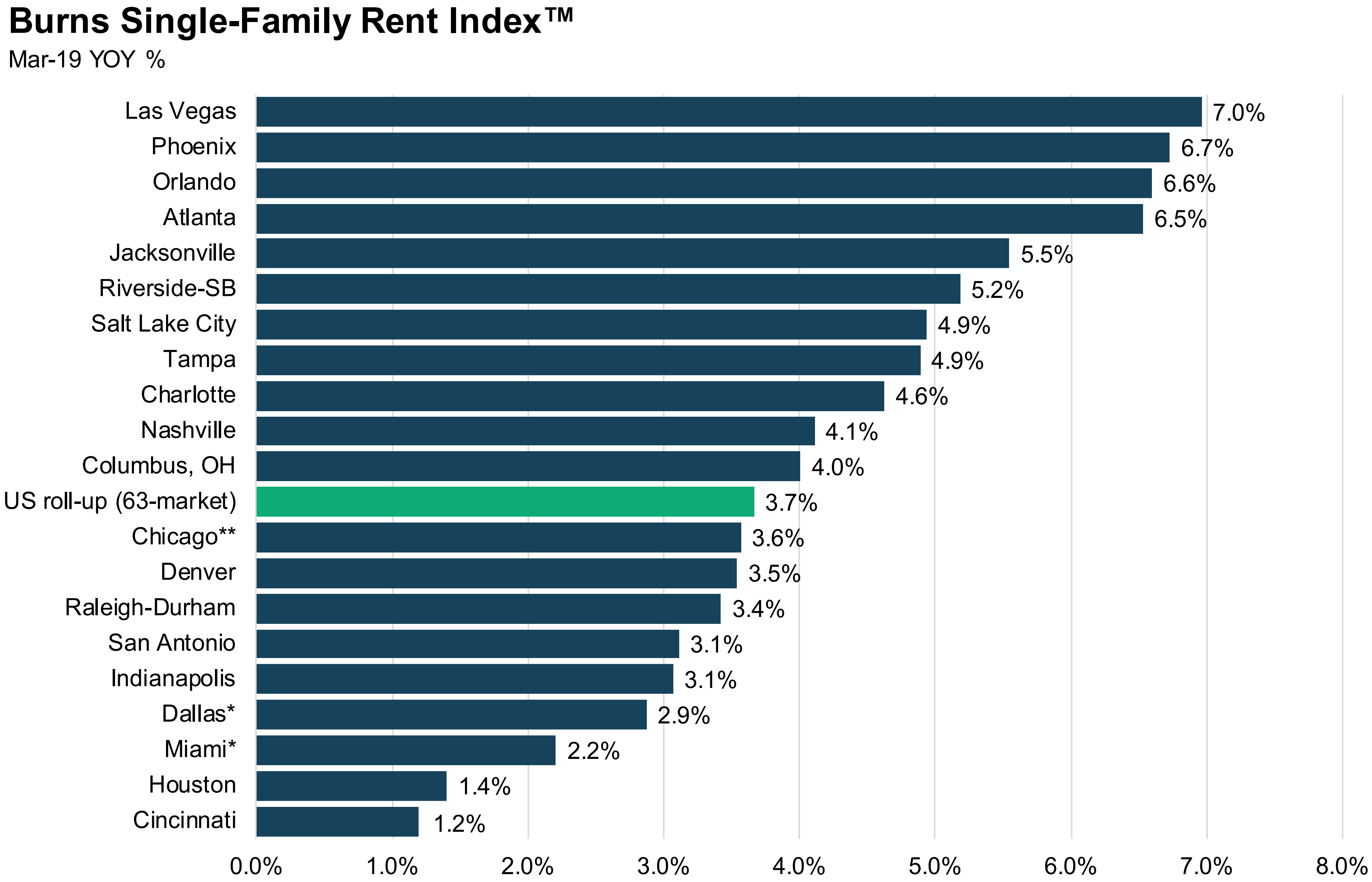
SFR Rents Up 4% YOY Nationally

Strongest Growth in Las Vegas, Phoenix and Orlando (7%); Weakest in Houston and Cincinnati (1%)



Source: John Burns Real Estate Consulting, LLC (Data: Mar-19, Pub: May-19) *Metropolitan division **Combination of metropolitan divisions

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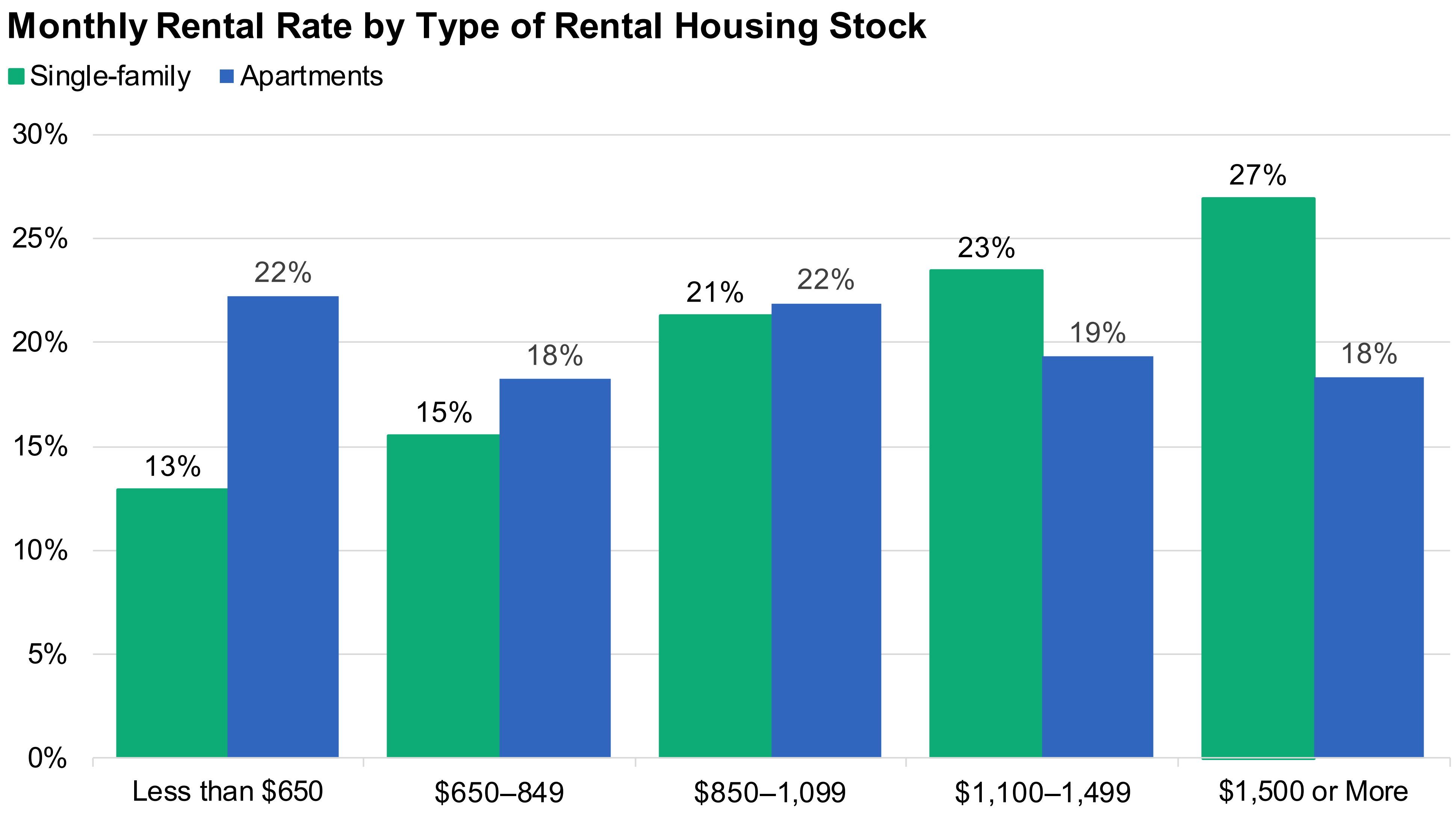
73% of All SFR Rents in the Country Fall below $1,500/ Month; 50% below $1,100/Month

REITs generally operate at higher average rental rates: INVH = $1,768; AMH = $1,591; TAH = $1,361; RESI = $1,261.

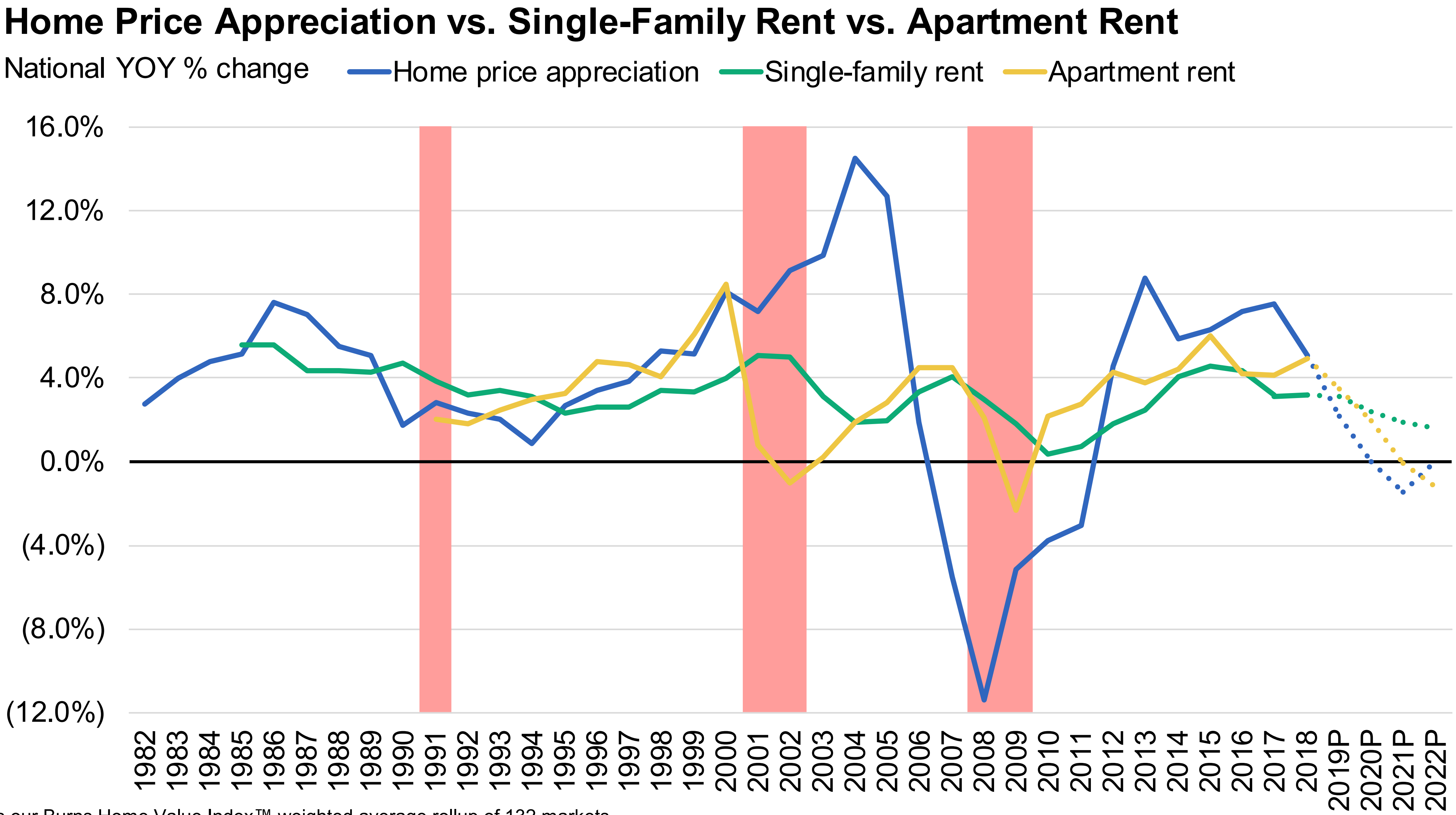


Note: Single-Family includes attached and detached units.

Sources: JCHS tabulations of US Census Bureau, 2016 American Community Survey 1-Year Estimates; JBREC

Single-Family Rents More Stable and Less Responsive to Business Cycle Than Apartment Rents and Home Prices

Single-family rent growth has historically stayed positive even in recessionary periods (shaded in pink).



Resale home price appreciation is our Burns Home Value Index™ weighted average rollup of 132 markets.

Single-family rent is our Burns Single-Family Rent Index™ weighted average rollup of 63 markets.

Apartment rent is Reis Services, LLC 46-market weighted rollup.

Sources: REIS effective rent; John Burns Real Estate Consulting, LLC; JBREC projections (Data: Mar-19, Pub: May-19)

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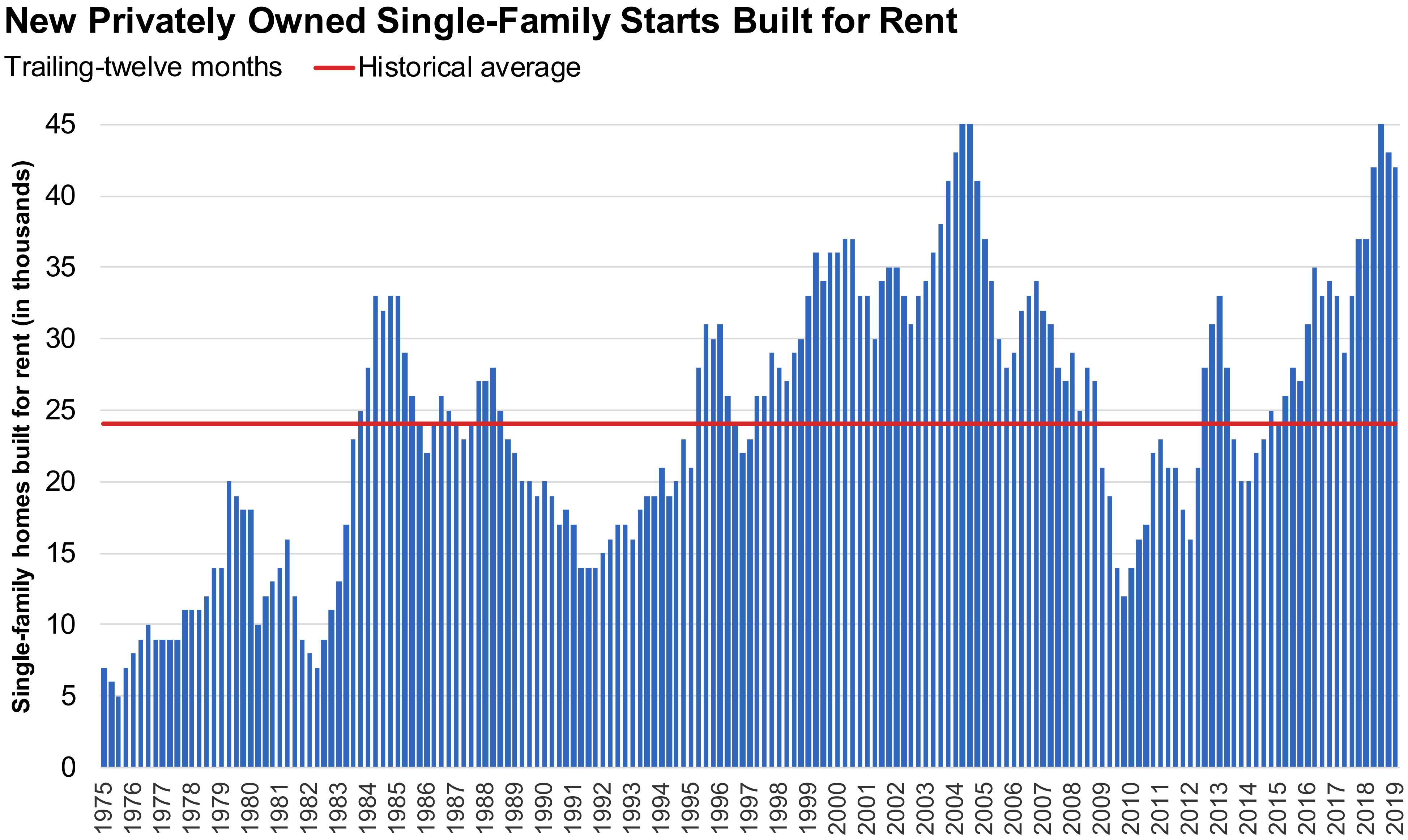
Builders Constructed 42K New Single-Family Attached and Detached Homes for Rent over Past Year; Up 14% YOY



Note: This category includes all houses built on builders' land with the intention of renting the housing unit. A lease-purchase, rent-purchase, or other option to eventually buy the house may exist. The category also includes retirement community units, occupied under a life-lease/continuing-care arrangement. (Occupants pay an up-front fee or small monthly fees for lifelong use.) The Census does not track actions taken after the sale of built-for-sale homes; therefore, the data does not include houses purchased by investors with the intention of renting out the unit.

Sources: U.S. Census Bureau; John Burns Real Estate Consulting, LLC (Data: 1Q19, Pub: May-19)

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Goal: Clarity

A New View on Generations

Huge Demographic Shifts

Single-Family Rental Market

QUESTIONS?

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