Roofstock
CAPITAL MANAGEMENT

Build-to-Rent Investment Primer

Delivering accessible single-family housing

November 2024

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Introduction

Build-to-rent ("BTR") is a subset of the single-family rental ("SFR") property type, and generally refers to purpose-built, dedicated single-family rental communities where all the homes are part of a housing subdivision and rented out to residents similar to a rental apartment community. BTR is playing an increasingly vital role in solving the entry-level housing crisis and improving housing options for families and those seeking suburban single-family living. As we highlighted in our paper, Housing America, SFR is benefiting from strong demand tailwinds and limited supply.

Favorable demographics, limited household savings, tight residential lending, lack of affordable options to purchase a home, desire for financial and geographic flexibility, and shifting lifestyle and workplace trends are all factors driving demand for SFR. Meanwhile, single-family construction has been grossly inadequate to satisfy demand, existing homeowners have been tied to their homes by higher mortgage rates, and what little single-family supply is available has been scooped up by eager owner-occupiers, limiting single-family rental options for families. In this paradigm, BTR has emerged as a critical solution for families looking to rent a single-family lifestyle.

Much as new construction was needed to satisfy strong demographic demand in the apartment sector over the previous decade and a half, the shifting demand landscape and aging demographic cohorts mean new single-family homes – and new single-family rental options in particular – will remain in demand in the years ahead. Institutions have been a vital capital source for fueling new apartment construction and creating modern, well-designed, and professionally managed communities across the country. The opportunity is significant for institutional capital to play a similar role in adding more SFR options through purpose-built communities. These BTR projects will bring energy efficient, high-quality new construction to a housing segment that has been chronically undersupplied.

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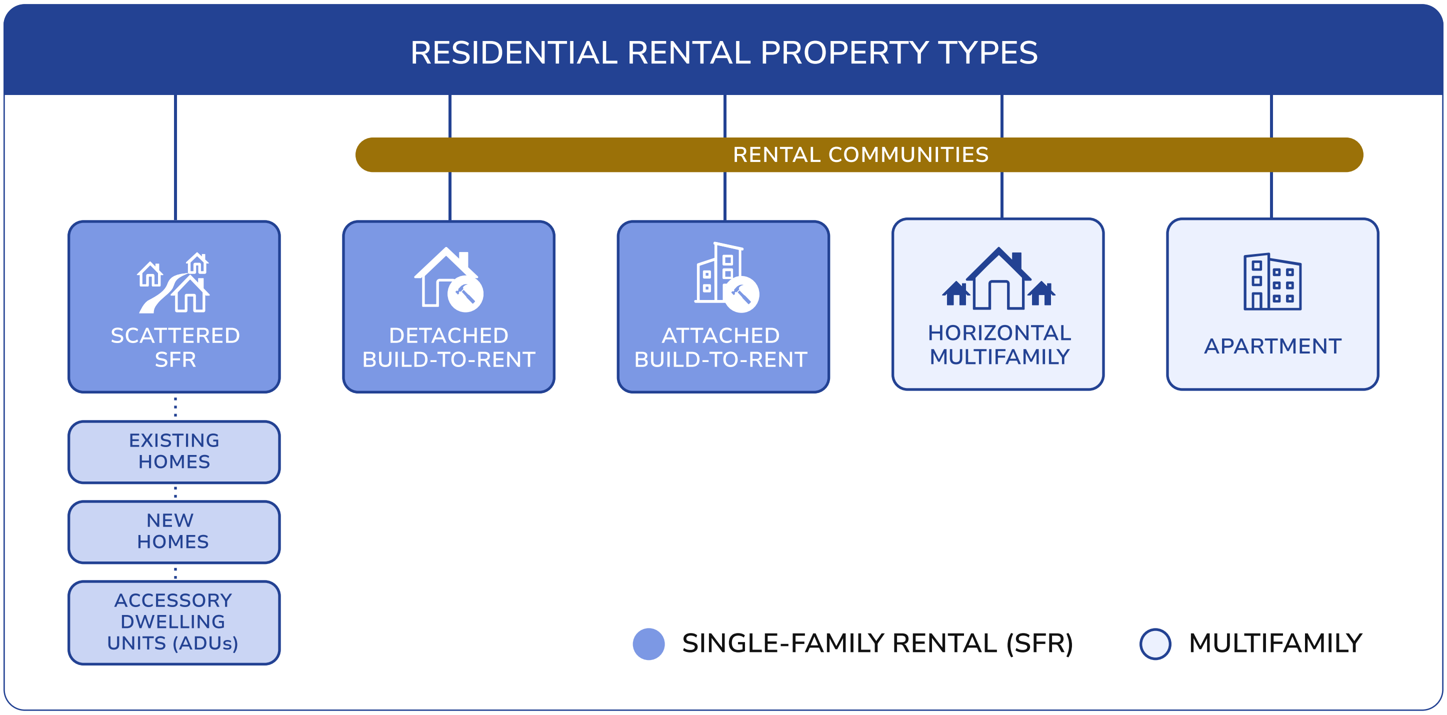
In this paper we will take a deeper look at the residential demand and supply imbalances that BTR communities can help cure and the opportunities that exist for investors who allocate capital to this property sector. But first, we will spend some time defining the sector and explaining how it differs from multifamily housing and scattered-site single-family rental (scattered SFR).

1. Defining BTR

The common characteristic of the overwhelming majority of BTR is that the homes are built in a contiguous community format and operated as such. Homes can be either attached, such as in a townhome or duplex format, or detached within these communities. Notably, while attached homes may adjoin others along a vertical wall, they do not have other homes above them or below them within a single physical structure. Investors should be aware that a significant portion of what is often referred to as BTR is better characterized as horizontal multifamily. These communities may have the appearance of BTR at first glance, but higher density, lower bedroom counts (i.e., a heavy weighting to one- and two-bedroom homes), smaller square footage, and a lack of attached garages make these homes much more competitive with multifamily. These investments are less likely to benefit from the demand tailwinds and supply constraints enjoyed by traditional single-family BTR.

Photo: Bluebonnet Trails Dallas, TX

More detail on BTR community and home types is provided in the visual below:



	Detached BTR	Attached BTR	Horizontal Multifamily
Community Description	Community with shared roads, amenities, and open space		
Homes	Detached single-family homes	Homes connected along at least one vertical wall; homes are not stacked, usually traditional townhome style	Closely clustered, detached cottage-like homes
Unit Mix	Mix of larger 3-5- bedroom homes	Typically a mix of 2-4-bedroom homes	Mimic institutional apartment communities in terms of unit mix – skewing to 1- and 2-bedroom units with typically ~10% 3-bedrooms
Garages	Attached garages adjacent to or on first floor are common	Attached garages on first floor are common	Shared surface parking
Density/Lots	4-8 homes per acre; lots typically 30-50 feet wide; typically private backyards, sometimes with fencing	8-11 homes per acre; lots typically 18-22 feet wide; mix of private and shared backyards	11-16 units per acre, often with a small 8x15 fenced yard for each unit

Scattered new homes and accessory dwelling units (ADUs) exist as options for investors, but these homes deviate from true BTR in that they are not part of a contiguous dedicated rental community and do not have the shared features and amenities or community-wide professional management of attached and detached BTR communities. Scattered new homes and ADUs can have an edge over BTR communities in terms of location as it is easier to construct smaller numbers of homes in infill locations than it is to build communities, but this is not always the case. Scattered new homes and ADUs require property management expertise and scale similar to scattered existing SFR homes.

It is also important to identify the scale of the SFR sector, and the critical role it already plays in U.S. housing infrastructure. Per U.S. Census Bureau American Community Survey data as of 2023, 14.2 million households rent attached or detached single-family homes. This is nearly twice the level of households renting apartments in communities with at least 50 units. Renting a single-family home is very common in the U.S., but the scale of the sector is often overlooked due to its extremely fragmented and non-institutional ownership.

> ...14.2 million households rent attached or detached single-family homes

Institutional investors allocate a significant portion of their private equity real estate portfolios to rental housing. But this allocation is heavily skewed to large apartment communities. Using data from NCREIF's Expanded NPI as of the second quarter of 2024, we see that 25.6% of the value of these real estate portfolios is in the apartment sector, and nearly all of that (96.2%) is invested in apartment communities with 50+ units. While Census data show us that SFR is nearly twice as large as this segment of the apartment sector, SFR is just 0.6% of the value of the Expanded NPI or about 2.4% of the value of the apartment sector. BTR represents about 57% of the SFR allocation within the Expanded NPI.

2. Capitalizing on Single-Family Demand

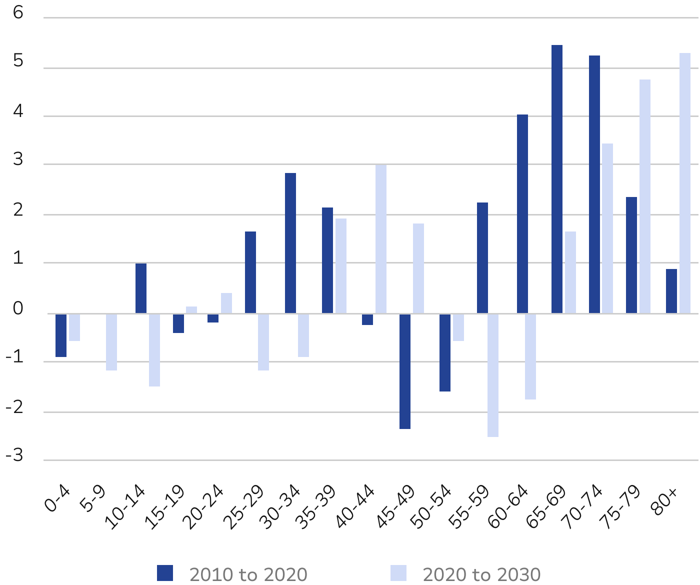
We have provided significant detail on demand drivers for SFR in Housing America and will summarize those forces here. There are a myriad of demographic, affordability, and lifestyle factors that will keep the massive single-family sector growing and BTR will be a major source of that growth given the scarcity of affordable for-sale single-family homes.

On the demographic side, the current age distribution of the U.S. population implies steady growth at ages where single-family homes would be in greater demand. This includes growth in 35–44-year-olds over the next five years that is expected to be three times faster than overall population growth, according to Moody's Analytics' forecast. There will also be large swathes of the population reaching "empty nester" status and likely looking for ways to extract equity from their homes while retaining enough space to entertain their children and grandchildren. These demographic trends are highlighted in the charts below.

Demographic Shifts Will Continue to Favor Single-Family Housing

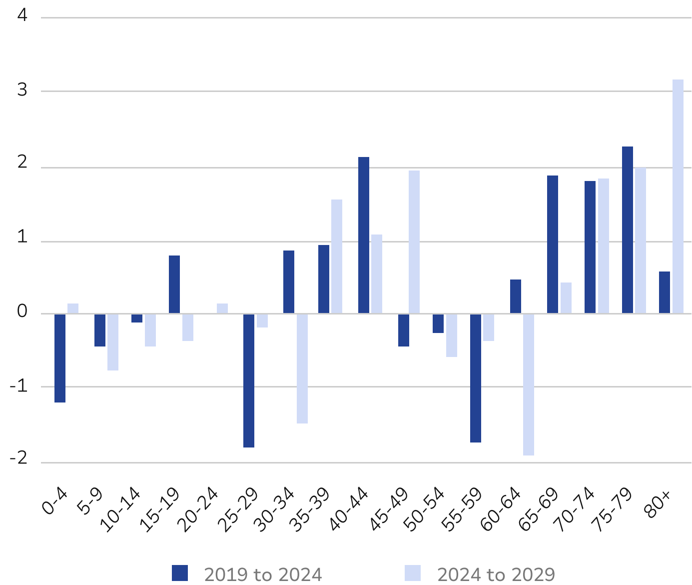
SECTION 2 CHART 1

Population Change by Age Cohort (millions)



SECTION 2 CHART 2

Population Change by Age Cohort (millions)



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

Home purchase affordability has been steadily eroded by home price appreciation, high mortgage rates, and rising costs of ongoing ownership such as spiking insurance premiums and general maintenance and materials costs. Price appreciation has been resilient to higher mortgage rates due to a dearth of new single-family home supply, particularly at the entry level and at price points affordable to median income consumers, and a lack of existing homes for sale. The large gap between the interest rate of in-place mortgages and the rate on a new mortgage has resulted in the so-called mortgage lock-in effect, where borrowers with low-rate mortgages are discouraged from selling their existing homes due to the large increase in interest they will be forced to absorb. Adding to this supply constraint, 34 million, or nearly 40%, of owner-occupied homes are now owned free and clear.

There are also practical reasons why households may not (and perhaps even should not) buy a home. We recently wrote here that it typically takes more than a decade for homeownership to make financial sense for the buyer. High transaction costs are a big part of that math, and households that expect to move geographically or to move up into a different home within a handful of years after purchase are often best served to rent. Further, having the ability to rent a home may be the only way some families can access more aspirational neighborhoods, which studies show contribute positively to health, education, and economic outcomes. For example, Opportunity Insights, a research group out of Harvard University has done detailed work on this topic, which can be found here.

Single-Family Rental Demand Drivers Highlighted in *Housing America*:

Key single-family renter demographics are expanding

Higher prices and mortgage rates reducing purchase affordability

Pent up demand from delayed life events such as marriage and starting families

Age of first-time homebuyers rising

Increased levels of work-from-home and hybrid work require more space

Lifestyle factors have also delayed the creation of households that would seek to make the transition to single-family housing (although cost-of-living and housing availability/affordability are certainly factors here). Individuals are staying home with their parents longer and getting married and having children later. But as they reach these life milestones, scattered SFR and BTR can often be a desirable or necessary housing option. More space for children and pets, safe neighborhoods, and quality schools can be a draw to single-family housing.

Remote and hybrid work trends are also noteworthy. Adults working from home (the share of which remains elevated per the BLS and other market data such as Kastle Systems) require more space, and ideally quiet space, to work from. This is best accomplished in a single-family home, not an apartment. Purpose-built BTR communities are typically designed with spaces that accommodate these lifestyle shifts.

Renting provides more free time due to reduced need for maintenance, lowers operating costs for the occupants, eliminates capital investment costs, often gives access to desirable community amenities, and increases geographic mobility and financial flexibility. Reduced maintenance and operating costs are particularly true for BTR, which holds an edge over scattered SFR in this regard. These benefits are likely to resonate with younger households who have demonstrated a greater affinity for renting not only housing, but also cars, furniture, and even clothing.

SECTION 2 CHART 3

BTR Community Amenities Are a Draw For Some Renters

Source: John Burns Research and Consulting, LLC (as of August 2024)

3. BTR Helps Alleviate Entry-Level Single-Family Housing Supply Shortfalls

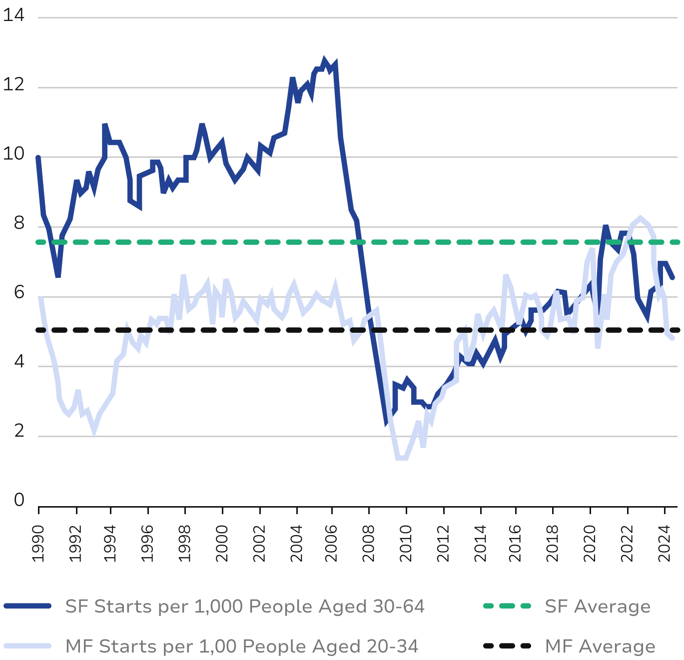
The U.S. has experienced an undersupply of housing for years, particularly entry-level single-family homes. Institutional capital fueled apartment construction as the Millennial generation entered the workforce, but with demographics now shifting that demand towards single-family housing, more homes will be needed. The charts below show both how single-family was undersupplied relative to population, and how builders have targeted larger homes to maximize profits.

Not only has single-family home construction relative to population ages 30-64 run well-below trend since the Global Financial Crisis, the target customer for more and more of what was built was not the entry-level homebuyer. Census Bureau data for 2023 do finally show a material uptick in the share of homes completed that are less than 1,800 sf, aided by growth in townhome, BTR, and horizontal multifamily product, but the share of these homes is still little more than a quarter of all new homes completed.

Single-Family Construction Has Fallen Behind Demand, Particularly at the Entry-Level

SECTION 3 CHART 1

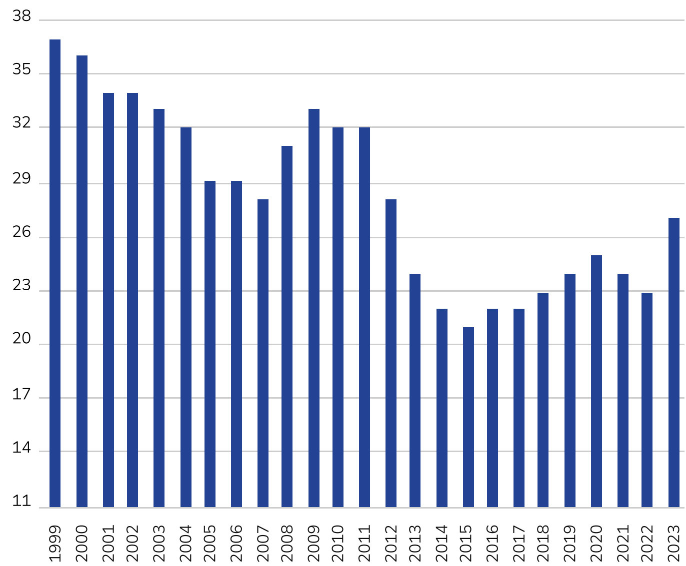
Starts Per 1,000 People



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

SECTION 3 CHART 2

Homes <1,800 sf Share of Single-Family Completions (%)



Source: U.S. Census Bureau, Roofstock Research

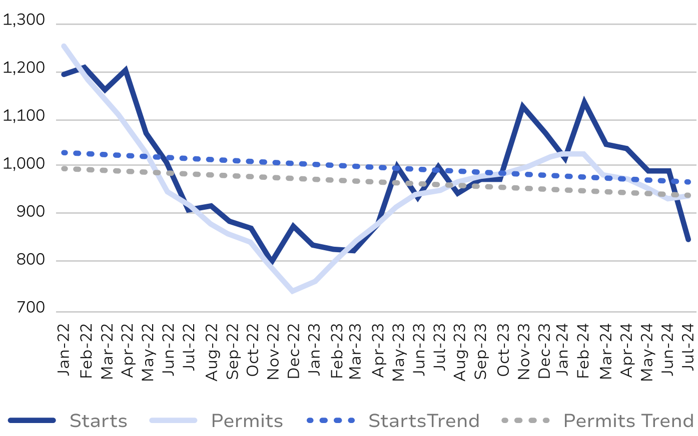
Moody's Analytics estimates that the U.S. has a housing stock deficit of approximately 1.3 million homes based on an analysis of current housing vacancy relative to trend. This value is equal to about a year of housing starts. The number of homes needed is unquestionably higher than 1.3 million as lack of availability and affordability issues have reduced household formation, creating pent-up demand for homes. Additionally, homes are lost every year due to demolition, conversion, and disaster so starts would need to overshoot the current deficit in order to completely make up the gap.

Housing starts and permits show no signs that builders are on a path to rectify this shortfall in the foreseeable future. Total housing starts averaged 1.35 million on a seasonally-adjusted annualized basis during the six months ending in July 2024, per the U.S. Census Bureau. Both starts and permits have been trending lower since the end of 2021 for overall housing and single-family specifically, as builders struggle with high interest rates and construction costs and stretched homebuyers. Single-family starts and permits both averaged an annualized 945,000 during the three months ending in July 2024. During 1996–2005 single family starts and permits averaged 1.4 million and 1.3 million per year, respectively.

SECTION 3 CHART 3

No Indication That U.S. Single-Family Housing Shortage Will Be Fixed Soon

Single-Family Homes (000s, SAAR)



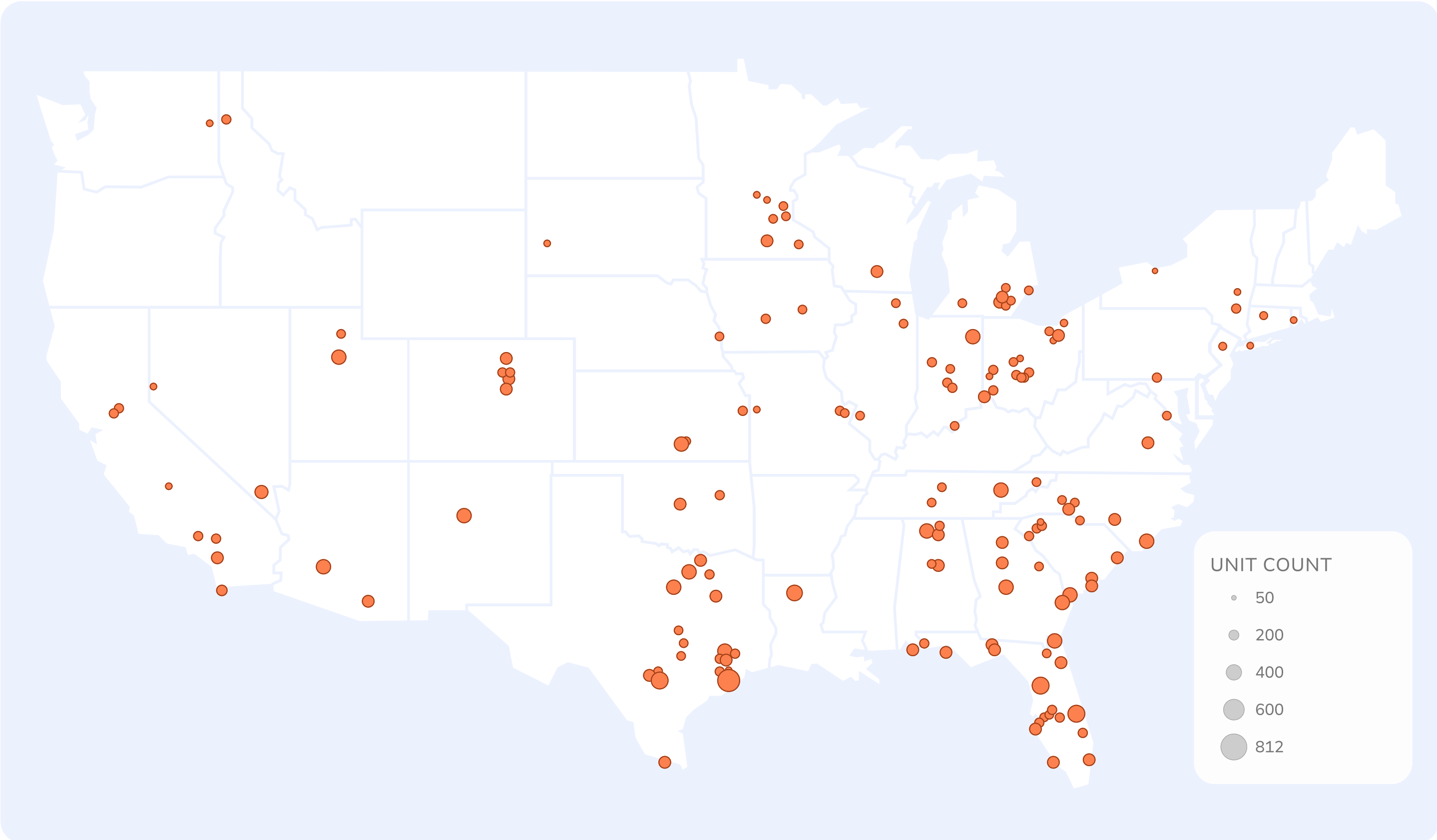
Source: U.S. Census Bureau, Roofstock Research

As we noted in Housing America, U.S. capacity to build large numbers of new homes has been dramatically eroded, increasing the difficulty to fulfill the supply need. The country simply lacks the labor to build dramatically more homes. Land and materials availability and cost are also obstacles. Both the Republican and Democrat 2024 candidates for president have intentions to ease the housing shortage, but the solution is not as easy as throwing money at the problem and flipping a switch, and some aspects of their plans may exacerbate problems by creating additional demand and buying power.

BTR faces similar supply constraints, and to date it has only contributed a fraction of U.S. homebuilding. However, the property type can and should grab a larger share of homebuilding over time even if overall home supply does not increase meaningfully. Yardi Matrix was tracking just over 72,200 BTR homes and horizontal multifamily under construction nationally as of July 2024 (which would be expected to deliver over the next two years). For context this would be about 7% of annualized single-family starts so far this year. Compared to multifamily activity, Yardi Matrix shows single-family rental completions totaling roughly 6% of multifamily completions during 2024–25 suggesting development in this residential sector has significant room to grow.

Including horizontal multifamily, Yardi is forecasting just over 80,000 BTR homes will be completed nationally during 2024–26, equating to a tracked single-family rental inventory expansion of about 0.5%. Much of this activity is concentrated in the Sunbelt, led by Phoenix where Yardi projects completions will approach 9,500 homes during 2024–26, growing inventory by 2.6%. Notably, approximately 70% of projects in Phoenix are horizontal multifamily and not targeting traditional 3- and 4-bedroom family accommodations. The next most active market, Dallas, is projected to have 6,200 homes completed, or about 1.0% of inventory.

BTR Communities Underway Heavily Weighted to the Sunbelt



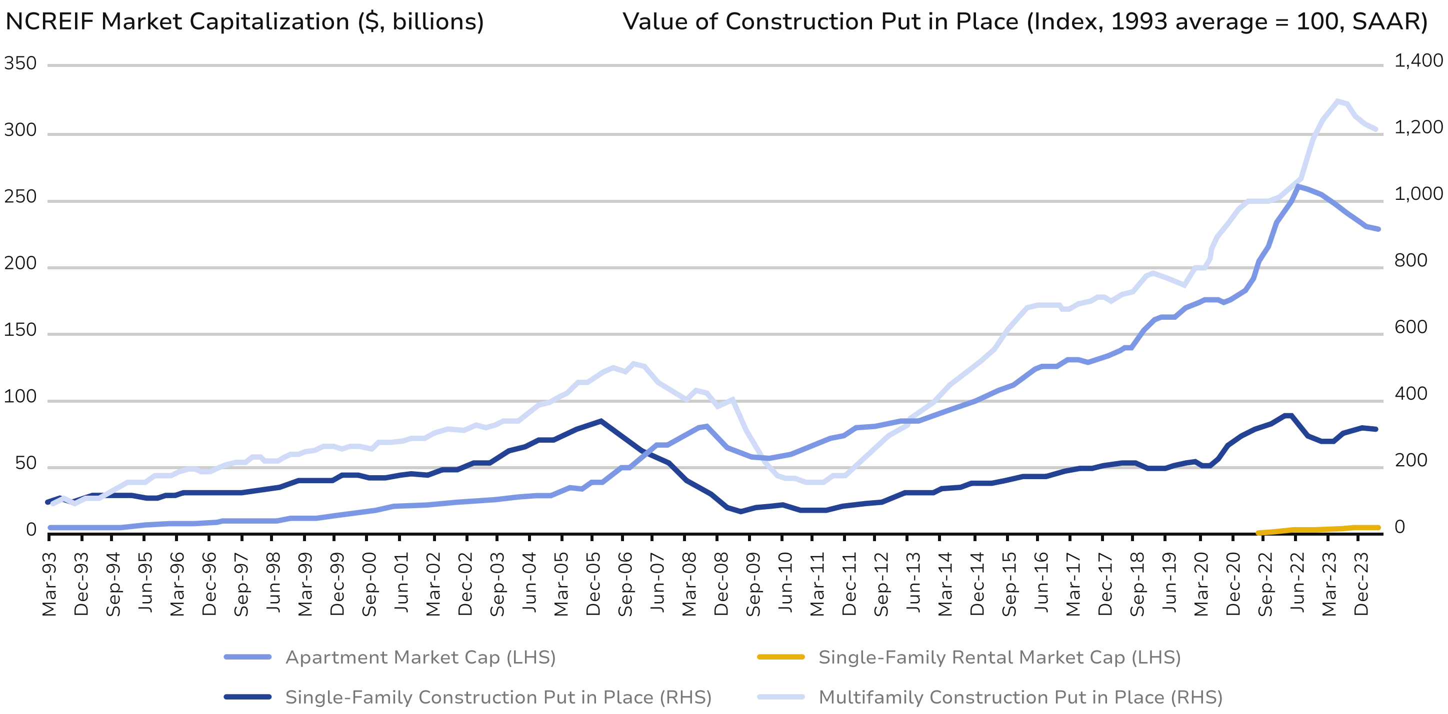
Source: Yardi Matrix (communities underway as of 9/12/24), Roofstock Research

SFR REITs have tried to expand their portfolios through BTR, but that activity has also backed off recently. Based on Roofstock Capital Management's review of quarterly earnings reports, Invitation Homes has a current development pipeline, including homes to be delivered by third party builders at a future date, of less than 2,700 homes. AMH has a much larger development pipeline of more than 12,500 homes, but near-term deliveries will fall well short of that mark. The company estimates 2024 deliveries of around 2,300 homes.

Large institutional investors have provided the capital to fuel apartment supply expansion for decades. More recently, these development strategies have resulted in record apartment construction completions and a new supply overhang. Many apartment landlords are experiencing occupancy and rent declines as markets slowly absorb new apartments. This should not be overly concerning for BTR investors as apartments are not a perfect substitute for single-family homes and the BTR pipeline is relatively small. That said, construction risks should be evaluated at the submarket and investment level.

SECTION 3 CHART 4

Institutional Investors Can Significantly Impact Supply



Source: U.S. Census Bureau, NCREIF, Roofstock Research

Additionally, as we previously mentioned, we believe BTR investors should engage with investment managers that are thoughtful about a range of issues from construction/delivery planning, sequencing, and phasing; to homeowners' association (HOA)/covenants, conditions and restrictions (CC&R) governance; to unit mix, site density and home design to ensure they are not creating communities that may compete with apartments due to home sizes, bedroom counts, and layouts. Roofstock Capital Management is an experienced investor, advisor, and manager in BTR and brings insights and expertise to this less mature property type. From a bigger picture perspective, Roofstock Capital Management thinks the apartment sector provides an example of the meaningful impact institutional capital can have on solving affordable housing issues in the U.S. There is a significant need for this capital to fund new single-family supply.

4. Investing in BTR

Earlier we identified the different types of BTR as well as related options such as scattered new homes and ADUs, but it is also important to consider strategies for how to invest in this sector. As with most real estate property sectors, BTR investments can have varying risk/return profiles. Investors may choose to develop, make a forward commitment to acquire communities from a builder or developer at certificate of occupancy, acquire homes that have already been built (and possibly originally earmarked for sale), or even purchase partially or fully stabilized BTR communities.

SECTION 4 CHART 1

Risk/Return Profile Can Vary Across BTR Strategies

Source: Roofstock Research (risk/return placement for visualization purposes only)

Successful investment across this spectrum of strategies requires an array of internal capabilities and external partnerships in order to gain access to deal flow, assess the merits of each opportunity, and effectively execute on the right ones. Some investment groups may have vertically integrated development and construction capabilities. Others may have broad networks of industry partnerships that give them visibility into a variety of property types and investments. Lastly, research, analytical, and property and asset management capabilities are critical to assess and appropriately underwrite new opportunities. Roofstock Capital Management incorporates the best of all of these disciplines to ensure successful execution on behalf of our clients.

Varying levels of development, construction, leasing, and financing risk can significantly impact investment risk/return profiles. Investors need to adopt strategies that match their risk tolerance and return requirements. Selecting the right investment manager can help, as some groups have purview into an array of deal types and can develop a strategy best-suited for the investor. Alternatively, investors can participate in a fund structure where the investment manager has discretion to create the strategy they see as optimal within BTR at different points in the cycle, within the confines of certain agreed upon parameters.

BTR communities are unique, with phased construction alongside phased leasing, a departure from other property types that often lease space within a single building or structure. Leasing strategies vary widely based on unit counts, unit mix, and community common areas. And, in our experience, one-third of resident prospect interactions occur outside of 9-5 weekday hours.

We believe that appropriately underwriting and managing BTR insurance costs takes a unique skill set. Similar to the owner-occupied single-family market, insurance costs can vary home by home. But shared amenity spaces create an added complexity.

Today, some builders may be stressed by higher carry costs due to the interest rate environment, and potentially the pace of selling or leasing homes. These builders/developers may welcome reducing that financial stress to keep themselves in business or gain liquidity to move onto the next project by selling all or a portion of a community at an attractive basis. Builder confidence per the National Association of Homebuilders (NAHB) Housing Market Index declined for four consecutive months through August 2024, reaching its lowest level since December 2023. The index ticked up in September in anticipation of the Fed's rate cut, but it remained well-below 50, indicating builder sentiment remains low. Traffic from potential buyers remains relatively weak.

Investors can seek out stressed or distressed developers and builders, or communities that may be struggling to lease for various reasons, in order to gain favorable pricing. Experienced investment managers like Roofstock Capital Management can separate the attractive opportunities from those with little upside or where the upside does not offset the risk. This is not true of all investment managers in this nascent property sector. It is also vital to cultivate strong long-term relationships with homebuilders to ensure consistent access to high quality product through cycles. BTR partnerships should be desirable for homebuilders as they create a variety of benefits including giving the builder a single customer to sell to, reducing overhead costs related to broker commissions and marketing, and lowering construction costs and build times by allowing homes to be more standardized, among other benefits.

For the investor, these partnerships are vital for successful strategy execution and access to deal flow. They allow for efficient and transparent acquisition processes that can be easily duplicated across opportunities and give the investor some influence over what gets built and how it is built. Undoubtedly investors can also hunt for opportunities to acquire communities from unaffiliated builders or developers in their desired target markets, where homes meet their preferred physical criteria and are attractively priced.

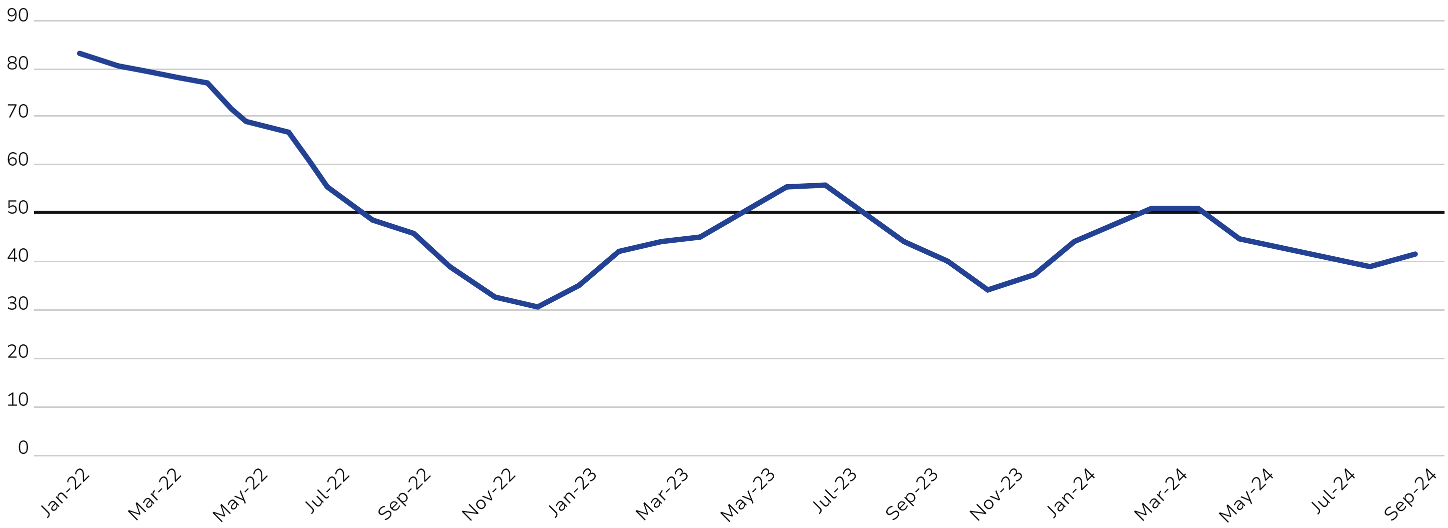
At Roofstock Capital Management we value programmatic relationships with builders that achieve mutual success and provide capital solutions. These relationships allow us to participate across the spectrum of risk and investment types (i.e. equity, preferred equity, and even debt) to calibrate the risk/return profile of our strategies, while maintaining access to new opportunities with tested and proven partners.

This approach also allows us to influence the construction process, which can have knock-on effects for operational efficiency and future liquidity, and reduces drag from owning land or projects too early in the construction phase that are not producing income.

SECTION 4 CHART 2

Homebuilder Sentiment Remains Low

NAHB/Wells Fargo Housing Market Index (HMI)



Source: National Association of Homebuilders (NAHB), Wells Fargo, Roofstock Research

5. Financing & Operating BTR

BTR brings financing and operating benefits that reflect some of the best aspects of apartment and scattered SFR investments. Like apartments, BTR, if designed and planned appropriately, is generally eligible for financing from the government-sponsored enterprises (GSEs) or government agencies. These types of loans support liquidity in the sector and usually benefit borrowers in the form of more favorable terms (e.g. lower interest rates, higher LTVs, and longer amortization periods). While scattered SFR has its own benefits from a capital perspective, agency debt is not available and borrowers are left to pursue other debt sources such as insurance companies and banks or go through a securitization process.

The types of financing a community may be eligible for have a significant impact on the community's value and long-term liquidity. A complex mosaic of factors come into play in determining GSE/agency financing eligibility, including the physical layout of the community and roads, private versus public accessibility of amenities and roads, and potentially even the tax platting of homes. In our experience some investors get this formula wrong and/or make bad assumptions and acquire a community not eligible for these more attractive sources of debt. Beyond financing, these issues can also influence whether a community has the optionality to be sold as a single investment or as one-off home sales. Getting these critical underwriting assumptions correct can be the difference between having a successful investment outcome or not. Experienced investment managers should have the ability to make this determination.

Operating BTR communities requires a blend of skill sets from both apartments and scattered SFR. Leasing tends to be more phased than an apartment community given the structure of the homes and staggered completion dates, but is more concentrated in terms of time, geography, and overlapping unit type than scattered SFR. Apartment communities usually require on-site leasing and maintenance creating material labor costs for the operator. Scattered SFR landlords tend to centralize the leasing and maintenance functions and utilize technology to facilitate these functions. BTR is a hybrid of these two approaches, utilizing both onsite staff and a centralized platform. Below we summarize differences across these sectors.

SECTION 5 EXHIBIT 1

BTR Blends Some of the Best Aspects of Multifamily and Scattered SFR

	Multifamily Communities	Build-to-Rent Communities	Scattered SFR
Financing / Refinancing	Generally GSE / Agency eligible Insurance Companies Bank Debt	Generally GSE / Agency eligible Insurance Companies Bank Debt	Insurance Companies Bank Debt Securitizations
Lease-up / Absorption	Bullet leasing; all inventory available at once	Phased leasing as homes delivered in tranches	Uncorrelated leasing / vacancy home-to-home
Leasing / Maintenance	On-site leasing and maintenance; primarily available during business hours	Hybrid of on-site and centralized leasing and maintenance; self-touring tech available 24/7	Centralized leasing and maintenance; self-touring tech available 24/7

6. Capital Flows to BTR

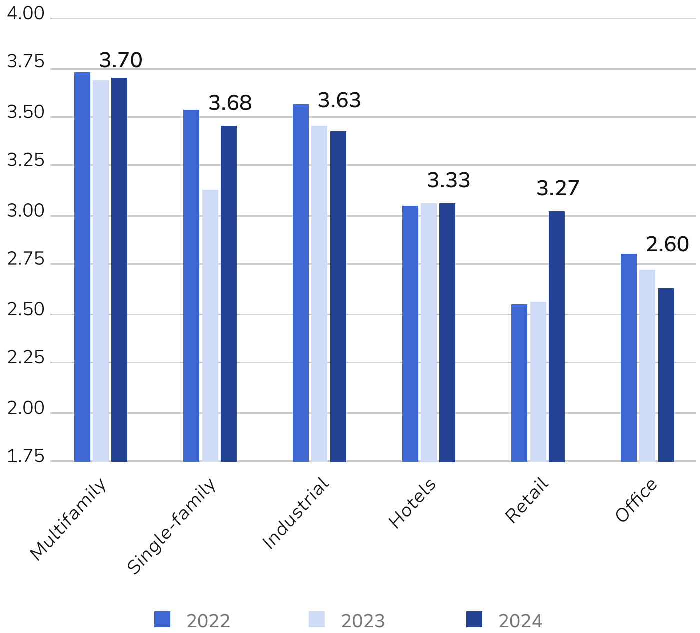
Scattered SFR and BTR are still in the early innings in terms of their presence in institutional quality private equity real estate portfolios. As we highlighted earlier, these sectors represent just 0.6% of NCREIF's Expanded NPI as of the second quarter of 2024, with BTR representing about 57% of that value. Apartments in the Expanded NPI are nearly 42 times larger by value than scattered SFR and BTR combined, making up nearly 26% of the index. The lack of institutional investor penetration to date stands out when you consider twice as many households rent single-family homes than they do apartments in communities with at least 50 units. Through a combination of acquisitions, development, and asset appreciation, the value of scattered SFR and BTR in the Expanded NPI grew by 60% over the past year alone.

ULI's 2024 Emerging Trends in Real Estate Surveys show single-family trailing only multifamily for top investment prospects with a score of 3.68 versus 3.70 for multifamily. Industrial was third at 3.63. But single-family led all sectors for development prospects (3.58), beating out second place industrial (3.43) and third place multifamily (3.39). ULI's 2023 survey had single-family development prospects in third place behind industrial and multifamily.

Single-Family Receives High Marks for Investment & Development Prospects

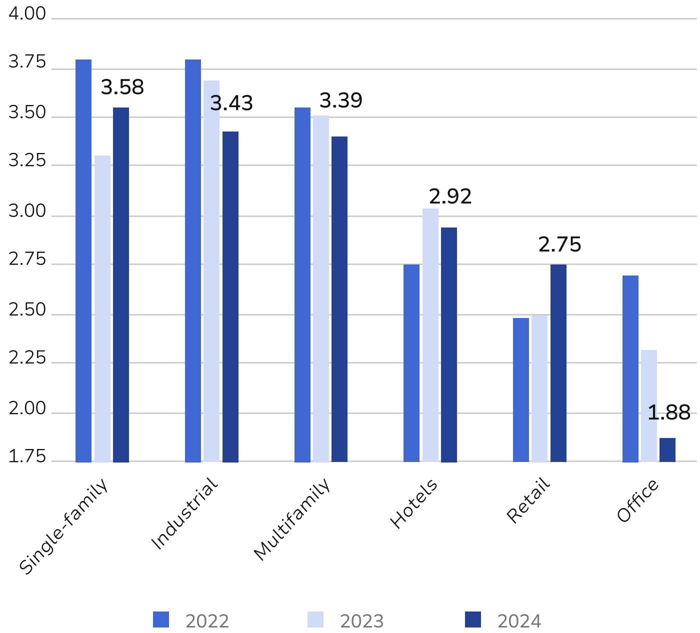
SECTION 6 CHART 1

Investment Prospects*



SECTION 6 CHART 2

Development Prospects*



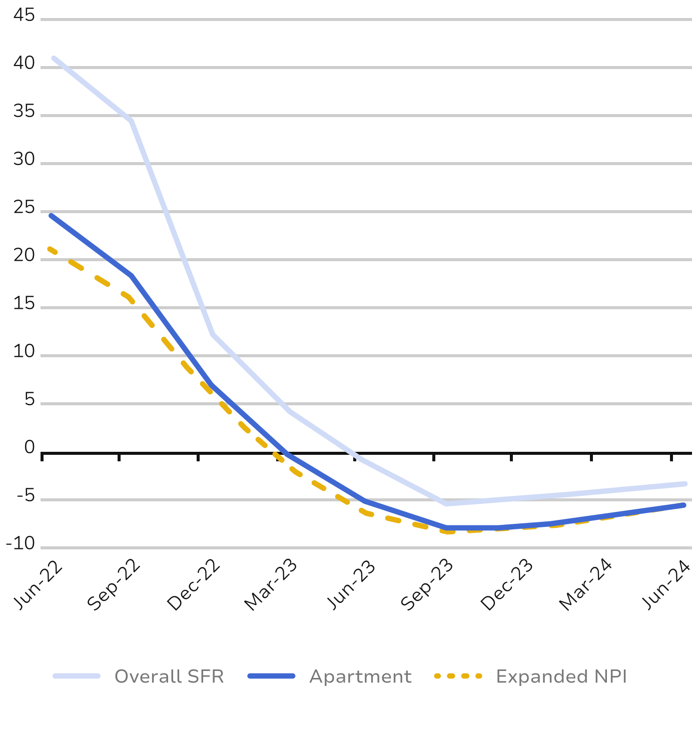
Source: ULI 2024 Emerging Trends in Real Estate

* Survey respondents score each sector's prospects on the following scale: 1 – abysmal, 2 – poor, 3 – fair, 4 – good, 5 – excellent.

Relatively strong performance in the NCREIF data and a very strong track record in the public markets are helping to pull more capital into this sector. NCREIF data show the combined scattered SFR and BTR sector has consistently outperformed the Expanded NPI and apartment sector over the past two years. NAREIT data provide a long-term view that single-family REIT total returns have outshined all of the major sectors, save industrial, from December 2015 to July of 2024. Single-family REITs posted an 11.9% average annual return during that period versus just a 5.4% average annual return for apartment REITs.

Private Equity SFR Returns Have Outperformed the Expanded NPI and Apartment Sector

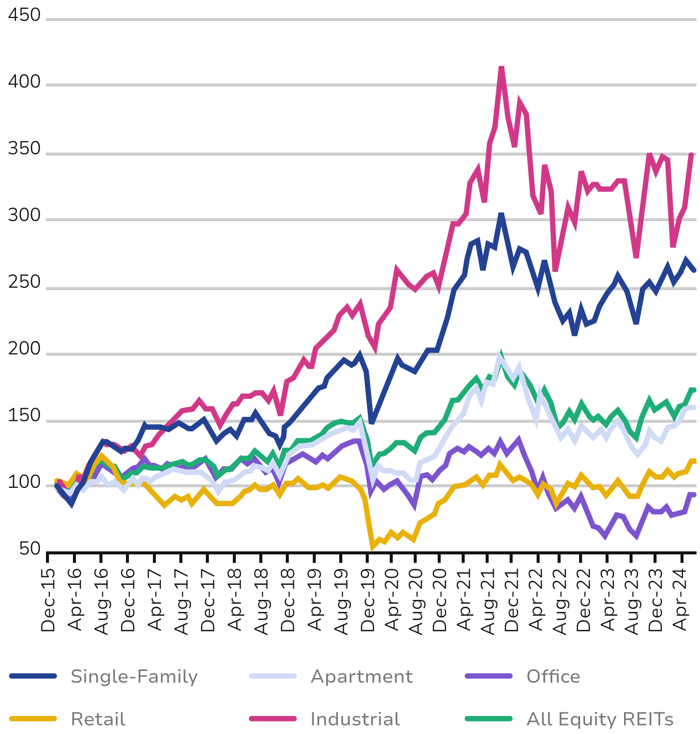
SECTION 6 CHART 3



Source: NCREIF, Roofstock Research

SFR REIT Performance Has Surpassed Most Major Property Sectors

SECTION 6 CHART 4



Source: NAREIT, Roofstock Research

Looking Ahead

Institutions have been active investors in the multifamily sector through both acquisitions and development for decades, achieving healthy returns while creating badly needed new supply across the country. With demographic, lifestyle, and affordability factors generating strong demand for single-family rental homes, BTR is a compelling sector for these institutional investors to shift to. This is particularly true given the aging existing single-family home stock in the U.S. and acute shortage of single-family homes, especially at the entry-level. BTR is insulated from a common, albeit inaccurate, narrative that SFR investment is hurting housing affordability by removing inventory from the owner-occupier market. Investing in BTR helps spur the creation of new single-family inventory.

In the process of helping to alleviate the affordable housing shortfall in the U.S., BTR investors will also benefit from the assemblage of modern portfolios of communities that are efficient to operate and have more limited need for capital expenditures versus acquiring existing homes. For households, this efficiency is part of the value proposition along with having the opportunity to rent an attractive home in a desirable community rather than being forced to buy one. BTR brings lifestyle benefits in the form of fewer maintenance obligations, access to desirable communities with recreational and other amenities, and the social benefits of living in a community where many residents may share similar priorities and phase of life experiences. Single-family homes can also better accommodate the larger space requirements of individuals working from home. Greater financial flexibility and geographic mobility are also huge benefits of renting a home rather than purchasing one.

We see BTR as an attractive way for investors to enter the SFR sector and a critical piece of the puzzle for solving the affordable housing crisis in the U.S. Institutional capital is badly needed to support the improvement of existing homes and the creation of new homes. Demographic and lifestyle factors will remain a tailwind for SFR in the years ahead, meanwhile demographics are less favorable for multifamily housing and that sector is seeing rent growth tempered by new supply. There are a variety of ways for investors to access BTR, but strong partnerships, rigorous asset selection, thoughtful design, and efficient lease-up and operations are vital to success. Roofstock Capital Management and the broader Roofstock platform are well-positioned to support investors in successfully allocating capital to this exciting sector.

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