AMERICAN RESIDENTIAL PROPERTIES, INC.
NYU STERN CENTER FOR REAL ESTATE RESEARCH
THE SINGLE FAMILY RENTAL BUSINESS & SECURITIZATION
OCTOBER 2014
The Opportunity & Future Growth
WHAT ARE THE OPPORTUNITIES FOR FUTURE GROWTH?

Robust Investment Pipeline, Growing Rental Demand & Potential Housing Shortage

LONG-ESTABLISHED COMPONENT OF U.S. HOUSING MARKET

- 1 in 8 occupied single-family homes are rentals \(^1\)
- ~35% of the total rental market is SFR (~$2.7 trillion)
- Opportunity may dwarf multi-family public REIT market
- Highly fragmented ownership
- “Mom & pop” and regional owners / operators

ROBUST SUPPLY PIPELINE

- Foreclosure inventory - Over 4 MM non-performing mortgages \(^1\)
- Consolidation - Sub-scale SFR operators with limited capital access
- Existing SFR market - 35% of total rental market (~$2.7 trillion)\(^1\)

SOLID AND INCREASING DEMAND

- Financial crisis - Housing crash created 6 MM+ potential rental households
- Credit challenges -Families unable to afford down payment or obtain mortgage financing
- Millennials –Prefer flexibility of renting for job mobility and maintenance services
- Housing Shortage – New inventory (2008-2013) has not kept pace with population growth

### OCCUPIED HOMES\(^1\)

<table>
<thead>
<tr>
<th>Type</th>
<th>Homes (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner Occupied</td>
<td>77.1</td>
</tr>
<tr>
<td>Multi-Family Rental</td>
<td>27.4</td>
</tr>
<tr>
<td>Single-Family Rental</td>
<td>14.7</td>
</tr>
<tr>
<td>Vacant</td>
<td>14.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>133.2</strong></td>
</tr>
</tbody>
</table>

\(^1\) John Burns Real Estate Consulting, LLC, August 2014.
**Sample Profile of ARPI Residents**

Average Resident is part of a two-income household with stable income

- Average tenure at current job is six years
- Typically two-income household
- Average head of household is in late 30s
- Average of two children per household
- Rental rate as percentage of household income approximately 19%

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### Sample Resident Profile (1)

- Average Rental Rate
- Average Rental Price/SF
- Average ARPI Household Income (2)
- State Median Household Income (3)
- Ratio of ARPI Household Income to State Median Household Income (2)
- Average ARPI Income to Rent Ratio (2)
- Average ARPI Rent to Income Ratio (2)
- Average Renewal Rent Increase

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### Region Statistics

<table>
<thead>
<tr>
<th>Region</th>
<th>Southwest</th>
<th>South-Central (4)</th>
<th>Midwest</th>
<th>Southeast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample Resident</td>
<td>AZ</td>
<td>CA</td>
<td>NV</td>
<td>TX</td>
</tr>
<tr>
<td>Average Rental Rate</td>
<td>$1,036</td>
<td>$1,304</td>
<td>$1,033</td>
<td>$1,430</td>
</tr>
<tr>
<td>Average Rental Price/SF</td>
<td>$0.61</td>
<td>$0.75</td>
<td>$0.67</td>
<td>$0.72</td>
</tr>
<tr>
<td>Average ARPI Household Income (2)</td>
<td>$62,493</td>
<td>$69,461</td>
<td>$59,656</td>
<td>$87,388</td>
</tr>
<tr>
<td>State Median Household Income (3)</td>
<td>$54,000</td>
<td>$61,752</td>
<td>$54,545</td>
<td>$54,762</td>
</tr>
<tr>
<td>Ratio of ARPI Household Income to State Median Household Income (2)</td>
<td>1.16</td>
<td>1.12</td>
<td>1.09</td>
<td>1.60</td>
</tr>
<tr>
<td>Average ARPI Income to Rent Ratio (2)</td>
<td>5.03</td>
<td>4.44</td>
<td>4.81</td>
<td>5.09</td>
</tr>
<tr>
<td>Average ARPI Rent to Income Ratio (2)</td>
<td>19.89%</td>
<td>22.53%</td>
<td>20.78%</td>
<td>19.64%</td>
</tr>
<tr>
<td>Average Renewal Rent Increase</td>
<td>3.13%</td>
<td>3.64%</td>
<td>3.14%</td>
<td>2.67%</td>
</tr>
</tbody>
</table>

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1. The averages/ratios are based on information derived from only that portion of leases in ARP’s portfolio entered into between approximately May 2013 to June 30, 2014 and does not reflect any lease entered into prior to such date or any lease of a property where such property was acquired by ARPI in a portfolio acquisition.
2. Figures include only leases underwritten by ARPI. These figures do not reflect inherited leases where there is a tenant in place at time of acquisition.
4. Excludes Colorado (< 5 properties).
What Are the Current Levels of Home Prices and Rental Vacancies?

Nationally, home prices are still at a 9% discount to the long-term trend, while in many major markets, rental vacancies continue to decline.


Vacancy Rate for 3- and 4-Bedroom Single-Family Rental Homes in the Phoenix-Mesa-Scottsdale MSA

(1) Source: S&P Dow Jones Indices, LLC
(2) Source: RentRange, LLC
HOW DOES THE SIZE OF SFR OWNERS COMPARE WITH THE MULTIFAMILY MARKET?

Top 50 Apartment Owners & Top 5 Single-Family Rental Owners

Sources: National Multifamily Housing Council; Keefe, Bruyette & Woods; AMH, ARPI & SWAY 2013 Annual Reports
Note: Properties pictured throughout the presentation are sample properties included in the ARPI’s portfolio, but not necessarily representative of all properties in the portfolio.