



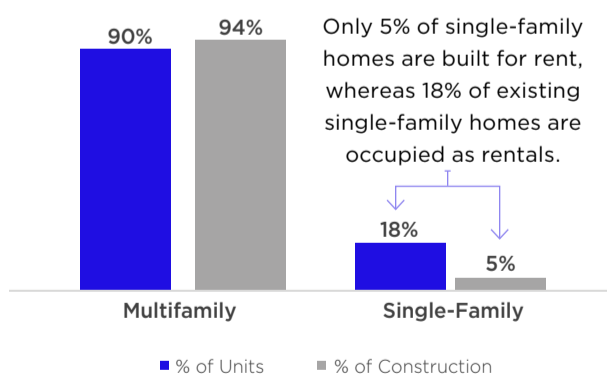
## Expanding build-to-rent construction increases housing supply and preserves rental access

Build-to-rent typically produces smaller, more affordable homes that are in shortest supply

Pretium believes single-family rentals are an essential part of the US housing landscape because they provide access to suburban neighborhoods where opportunities and amenities for residents have historically been most abundant.<sup>1</sup> Unfortunately, the housing market has over time struggled to create enough rentals in single-family neighborhoods. Recent research by Harvard’s Joint Center for Housing Studies finds that rental deserts — neighborhoods with the fewest rental options — tend to be disproportionately found in suburban locations.<sup>2</sup> We believe the primary driver of the shortfall of single-family rental options is that relatively few single-family homes have historically been built as rentals. As shown in Exhibit 1, over the past 10 years only 5% of single-family homes were built as rentals — a much smaller proportion than the 18% of existing single-family homes that serve as rentals. The burden to create single-family rentals thus falls on investors purchasing existing homes; however, as described in Pretium’s October Housing Insights the stock of single-family rentals fell during the pandemic despite increased investor activity.<sup>3</sup> Build-to-rent capital flows have increased in recent years<sup>4</sup> and residential land surveys show increased activity in the build-to-rent sector<sup>5</sup>, but even with this increased activity the percent of homes built for rent in the four quarters ending 3Q22 was just 6%.<sup>6</sup> Overall, the data suggests that there is considerable scope to increase investment in the build-to-rent sector. Not only would this investment broaden access to single-family rentals; but also, it would help to alleviate the long-term housing supply shortage that has worsened housing affordability.

Growth in the build-to-rent sector would be particularly beneficial in terms of creating new housing supply because the sector has consistently built smaller, more affordable units compared to homes that are built for sale/ownership. As shown in Exhibit 2, the existing stock of single-family rentals is both older and smaller than the existing stock of owned homes. Importantly, homes built for rent in 2021 remain similar in size to existing single-family rentals at just over 1,500 sq. ft. By contrast, homes built for sale have become progressively larger over time to the extent that recently built homes for sale are 17% larger than existing owned homes. In other words, even as worsening supply constraints over time have prompted homebuilders to build larger homes for sale, the build-to-rent sector has maintained its focus on creating the affordable home supply that is in greatest need.

**EXHIBIT 1**  
Single-Family vs. Multifamily Rental Homes



**EXHIBIT 2**  
Owned vs. Rented Single-Family Home Characteristics

Single-Family Homes	Average Year Built	Average Sq. Ft.	Average Bedrooms
Owned Homes — All	1976	2,133	3.3
Built for Sale — Recent	2021	2,494	3.4
Rented Homes — All	1968	1,533	2.8
Built for Rent — Recent	2021	1,524	2.6

Source: US Census, American Housing Survey, 2021; Annual Characteristics of New Housing, 2021; Quarterly Starts and Completions by Purpose and Design, as of 3Q22. % of Construction is calculated on a trailing 10-year basis as of 3Q22.

1. Whitney Airgood-Obrycki, "Suburban Status and Neighbourhood Change", Urban Studies, November 2019.
2. Harvard Joint Center for Housing Studies, "Rental Deserts Perpetuate Socioeconomic and Racial Segregation", August 4, 2022.
3. "Investor activity in housing had no discernible impact on homeownership during the pandemic", Pretium Housing Insights, October 2022.
4. John Burns Real Estate Consulting, "The Light: Now Tracking \$50+ Billion of Capital Flooding SFR and BTR Sector", January 28, 2022.
5. John Burns Real Estate Consulting, "3Q22 Residential Land Survey", October 26, 2022.
6. US Census, Quarterly Starts and Completions by Purpose and Design, as of 3Q22.

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