BUY RECOMMENDATION: INVITATION HOMES (INVH)

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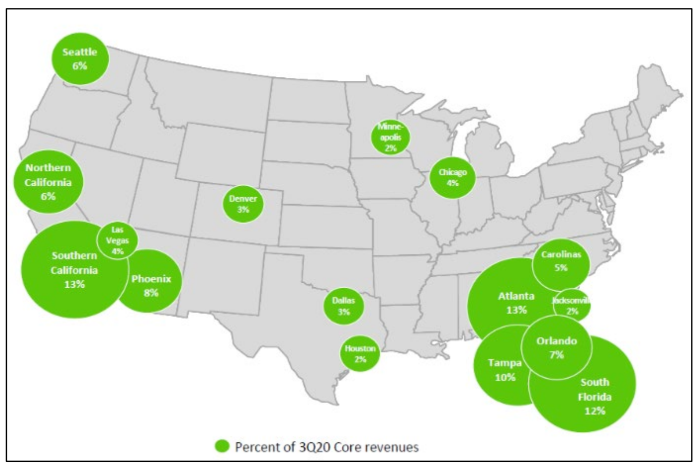
Executive Summary

Invitation Homes (NYSE: INVH) is the largest single-family rental (SFR) operator ($16.4B market cap) with a portfolio of approximately 80k homes in the United States. INVH offers residents homes near strong schools, high-paying jobs, and transportation hubs, placing its properties at the higher end of the single-family rental space. Additionally, the company primarily invests in markets with lagging home supply, high barriers to entry, and high rent growth potential. This approach has allowed the firm to take advantage of the "suburban migration" tailwinds as well as the shift to renting rather than owning. Despite having higher quality tenants, more attractive property locations, stronger margins, and a promising acquisition pipeline, INVH trades at a discount to the industry due to their higher leverage and uncertainty revolving around California rent regulation (20% of INVH portfolio). We believe that INVH's position as a market leader in the profitable SFR space will yield sustainable margin expansion coupled with continued growth, leading to further price appreciation. Our conservative estimates project an implied upside of 25.4% based on the current stock price of $28.58 (11/30/20).

Company Overview

Invitation Homes was founded in 2012 by Blackstone to acquire thousands of single-family homes at depressed valuations following the Great Recession. The company went public in February of 2017 with a portfolio of 50k single-family homes. Shortly after, INVH merged with Starwood Waypoint (30k SFR homes portfolio) in an all-stock merger of equals that made them the largest SFR owner and operator.

While emphasizing desirable locations, management focuses on owning homes in the starter and move-up areas of the market with an average sale price below $300k and less than 1,800 square feet. This allows for a geographically concentrated portfolio that yields strong economies of scale. The diverse portfolio is spread across 16 markets, with nearly 70% of their portfolio in the Western U.S. and Florida; 15 of the 16 markets feature average rents lower than homeownership costs. Furthermore, the higher average income of their clients and the diversity of their portfolio have protected the firm from pandemic-driven operational declines.



Source: INVH November 2020 Investor Presentation

The average INVH renter is approximately 39 years old, with an average household income of $110k. In their mid-20s to early 40s, millennials have embraced renting while postponing large life events, like purchasing a home, relative to older generations. This puts millennials in the sweet spot for INVH, which offers a "step up" in a home with a strong sense of ownership while still allowing them to rent and avoid a large down payment, as many lack the financial standing necessary to purchase a house.

The following is further information on the customer base from INVH's recent survey. 30% of tenants moved into homes in April and May 2020 (from denser urban areas), and 30% were due to COVID-19 causing a shift in tenants' desire to live in single-family homes vs. an apartment or townhouse. Another survey that the company completed was broader in scope and focused on categorizing their tenant base. Results found that 30% of tenants lease due to the need for the space provided in single-family homes, such as the backyard for children and household pets, and the lack of capital to purchase a home. 35% are transitional, meaning that they have a life event occurring such as a new job/marriage/divorce and are testing out a new area before purchasing. The last bucket is preferential, including people who can afford to buy but choose to lease to be down payment-light or use the property as a second home.

During the COVID-19 pandemic, INVH has largely benefitted from the shift of demand to the SFR market (space and location), and INVH’s self-show technology has allowed residents to receive a virtual experience to feel secure throughout the leasing process. Their recent moves to continue capitalizing on this shift includes a joint venture with Rockpoint Group announced in October 2020 that will allow the firm to increase its footprint while avoiding unnecessary balance sheet stress.

Industry Overview and Competitive Landscape

SFR operators own and rent out single-family homes to individuals across the country, particularly in the Sunbelt, Midwest, and West Coast, collecting income through monthly rent payments and ancillary income/fees.

Before delving into the current landscape, below is a brief rundown on SFR's origins, as it is a relatively new institutional space and a niche REIT sector.

SFR Origins

SFR traces its roots to the years immediately following the 2008 recession, where individuals and small private players began to accumulate single-family homes at depressed prices via foreclosure auctions. Often these homes would be rented back to the original foreclosed owner. The space did not attract institutional owners or capital though, until a few years later in 2011-2012, when institutional real estate players began to accumulate larger portfolios in Arizona, California, Florida, Georgia, and Nevada. Despite the entrance of more institutional players like Waypoint, Colony, Americore, and KKR, the space was very fragmented. Of the 13 million 1-unit home rentals in the U.S. in 2012, the largest of these institutional players only owned around 1,500 homes.

However, the space had the underpinnings for growth. More and more institutional real estate players were beginning to enter the space, including large private equity groups, multifamily owners, and self-storage owners who all had experience establishing scaled real estate ownership platforms. These groups created national operating platforms that allowed for scale and standardized operations, providing credibility to the SFR space and signaling that it was more of a business than a one-off trade. An additional tailwind to SFR was the weakened consumer balance sheets and economy following the Great Financial Crisis in 2008. Renting had already been destigmatized by younger generations who lacked the financial security to own, but now it became a necessity for millions of Americans post-crisis.

Additionally, in markets like Phoenix and Atlanta, there were opportunities for groups to establish scale through large real estate owned (REO) inventory auctions and elevated foreclosures and delinquencies.

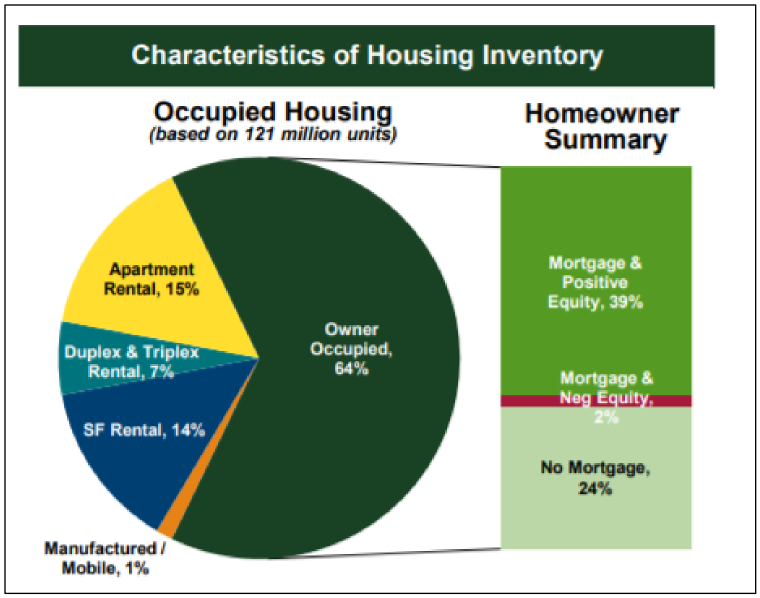
Despite these promising features, the industry faced plenty of challenges. Building scale was very difficult for operators as most, if not all, properties had to be purchased individually or had extenuating circumstances that proved challenging (bankruptcy actions, state of disrepair, etc.). Establishing scale was also tricky as operators needed to rehabilitate and maintain these homes across different geographies. This was further hampered by lenders and government-sponsored enterprises (GSEs) who were unfamiliar with the nascent space and did not have any programs offering favorable financing options.

Another unforeseen issue that platforms ran into was the "double-edged sword" of rising home values. Although rising home values increase the value of the SFR portfolio, and thus the NAV, it also makes it increasingly challenging to grow a portfolio.

Current Industry/Competition

The single-family home rental (SFR) industry has continued to produce bullish outlooks and buck bearish predictions throughout the pandemic. More specifically, higher-end SFR properties have seen rent growth, increased asset values, and collection rates near pre-pandemic averages. Other promising factors include a historical shift to renting amongst the Millennial generation, low inventory alongside high demand, and bullish long-term projections for single-family homes. Other rentals, such as apartments and commercial, have struggled due to COVID-19, while INVH's portfolio proves to be "pandemic resistant."

In a broader sense, the SFR space is poised for continued growth. For the past two years, the ratio of household incomes to median home prices has been at record highs (RCLCO). Thus, household ownership affordability has never been more of a challenge for the average person, and people are increasingly pushed into the rental markets. Research from the National Association of Realtors shows that monthly prices of existing single-family homes have steadily increased since March 2020, with properties in the Western U.S. (where 40% of INVH's portfolio is located) having the highest average price per home. Not only does this push more people to rent, but it also means that the value of INVH's portfolio is steadily increasing.



Source: Green Street Advisors

Many trends are becoming common within SFR such as build-to-rent, a relatively new concept in which a partnership exists between builders, developers, and investors in one professionally managed, highly amenitized SFR community. Developers create a "purpose built" community of only SFR homes that are pre-sold to large SFR owners. American Homes 4 Rent (NYSE: AMH) controls one of these few platforms of scale with land secured to accommodate 6,000 homes, including 1,200 currently under development. ERC HomeBuilders of Florida also launched a Florida-centric business earlier in 2020.

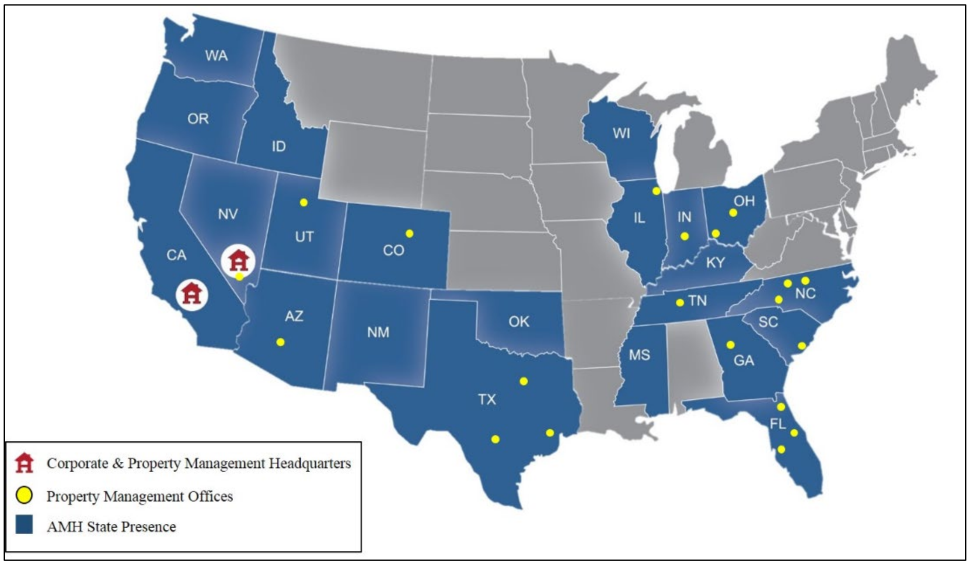
Joint ventures have also been rising among institutional players, especially in large-scale build-to-rent communities. A few of the latest examples are AMH's JV with institutional investors advised by J.P. Morgan, INVH's JV with Rockpoint Group, and Tricon's JV with the Arizona State Retirement System. A primary goal of the partnerships is to focus the development of the SFR market in targeted regions. Furthermore, creativity in housing stock has been booming due to the lack of affordable housing, creating numerous opportunities for real estate investors. Investors are increasing the affordable housing stock through unique methods such as rentable accessory dwelling units (ADUs). California and other states have decreased ADU regulations to address the crisis of affordable housing.

Looking forward, research reports are bullish on single-family homes beyond 2020. The Urban Land Institute forecasts new single-family home construction in 2022 reaching its highest point since 2006. 43

economists and 37 leading real estate organizations expect home prices to grow at 4.1%, which is above the historical average of 3.9%.

Ultimately, the demand for single-family homes and the appetite for renting is high, while inventory is low, and homeownership costs continue to rise. Single-family home construction may soon reach new relative highs with many developments being built-to-rent.

In the competitive landscape, American Homes 4 Rent (AMH) is the closest competitor to INVH. AMH is a REIT that is focused on acquiring, developing, renovating, leasing, and operating attractive, single-family homes as rental properties. Their portfolio consists of 53k single-family properties in major cities within 22 states, such as Phoenix, Seattle, Houston, Las Vegas, Atlanta, and Charlotte.



Source: AMH 3Q/20 Supplemental

More specific comparisons are made to AMH in Thesis Point 2, but at a high level, AMH has a smaller portfolio with weaker margins than INVH yet trades at a premium. AMH targets the leasing of higher-end rentals in desirable metro markets where most tenants have higher-paying jobs and the flexibility to shift to remote work. This, combined with their highly efficient, technology-driven platform and financial flexibility, have been primary reasons for their growth and minimal negative impact during the pandemic. To the right is a chart showing how rents compare in overlapping markets among AMH and INVH.

Overlapping Markets	AMH	INVH
Atlanta, GA	1,671	1,566
Dallas, GA	1,796	1,841
Charlotte, NC	1,652	1,633
Phoenix, AZ	1,515	1,481
Houston, TX	1,685	1,589
Nashville, TN	1,787	2,004
Tampa, FL	1,745	1,721
Jacksonville, FL	1,632	1,733
Chicago, IL	1,916	2,014
Orlando, FL	1,736	1,728
Las Vegas, NV	1,637	1,708
Denver, CO	2,284	2,109
Average	**1,755**	**1,761**

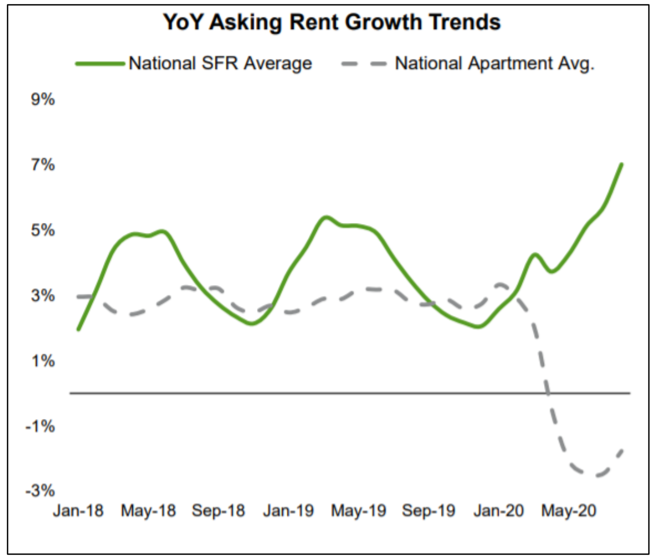
Source: Information from INVH and AMH 3Q/20 Supplementals

AMH's recent moves to access capital included a joint venture with institutional investors advised by J.P. Morgan and unsecured bond offerings. The firm deploys capital through their external growth channels such as National Builder Program, which provides acquisition access to new construction homes and home builders, and their AMH Development Program, which develops land and properties through an internal construction program.

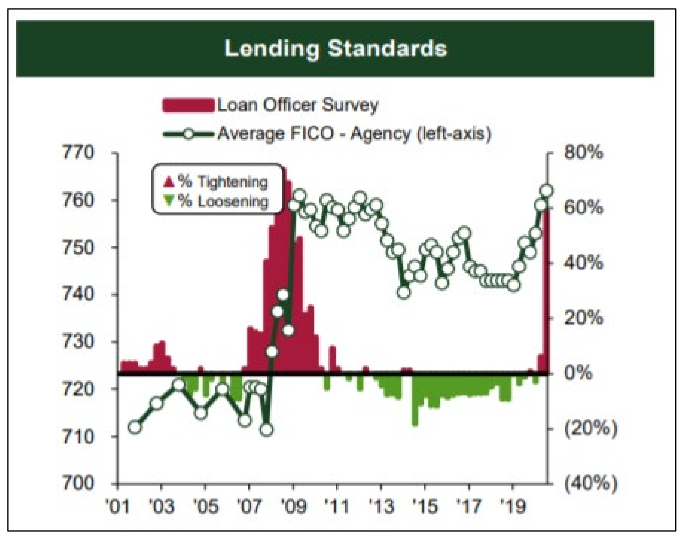
Thesis 1: Strong Tailwinds, Resilient Business Model Provide Strong Growth Avenues for INVH Regardless of Economic Environment

The single-family rental ("SFR") space remains primed to outperform the rest of the REIT space moving forward, benefitting from COVID-19 accelerated tailwinds while providing an opportunity for institutional investors to reap the benefits of the single-family rental space without incurring burdensome costs and debt load. As companies shifted towards remote work following the global pandemic's onset, families began to move towards suburban areas, seeking larger living and working spaces. The suburban migration benefits SFR more than apartments despite the long-standing view of apartments as safer. 2022 NOI is expected to be 10% higher compared to pre-pandemic NOI in the SFR space, while the apartment rental space is expected to see a 4% decline during the same period. In the chart to the right, we see that rent growth in the SFR space has outperformed historically and in 2020, and these trends are expected to continue as more millennials move into suburbs, and house shoppers seek larger spaces to work from home.

Moreover, as lending standards continue to tighten, families will continue turning to renting homes instead of purchasing, leading to positive rent growth prospects and occupation. In the chart to the right, we see that the average FICO lending score has increased to the highest levels since the 2008 recession. This provides another tailwind for the SFR space, as mortgage lenders become increasingly unwilling to provide capital to homebuyers, forcing them to turn to rentals. With the economy expected to remain highly levered for the foreseeable future due to the abundance of cheap credit, we expect lending institutions to continue to tighten, allowing the SFR space to benefit from increases in rental demands.

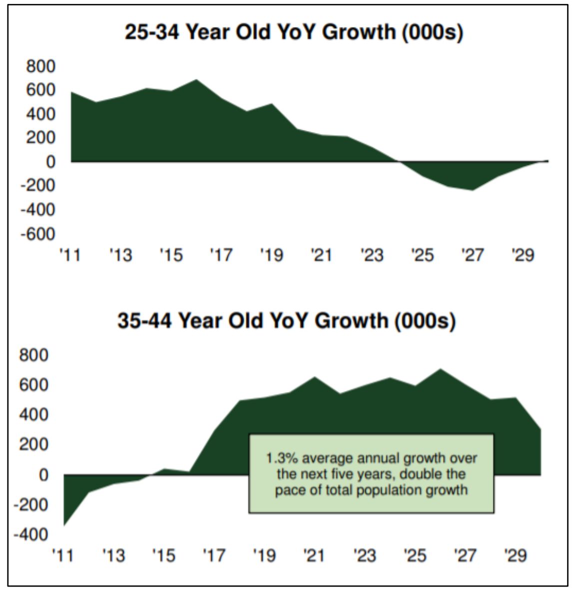


Source: Green Street Advisors



Source: Green Street Advisors

Before the pandemic, individuals had already begun migrating from cities towards suburban areas, largely due to millennials moving away from big cities towards suburban locations as they entered new stages in life. According to U.S. Census Bureau data, 27,000 millennials (aged 25-39) moved away from big cities towards the suburbs in 2018. Given the weak nature of individual millennial balance sheets, burdened by student debt and low savings levels, they are, for the most part, unable to afford the 20% down payments required to purchase a single-family home and are subject to a higher mortgage rate due to perceived default risk. This provides further tailwinds as the millennial population will be forced to rent as they seek out larger living spaces, a tailwind that had begun before the pandemic. Moreover, the population aged between 35 and 44 is expected to grow at a 1.5% annual rate over the next five years, coming out to more than double the amount of total population growth. Given that this population range encompasses the average age of INVH tenants (39 years old on average) and that this segment will be further along in their career and able to meet the financial standards expected of their tenants, it will likely contribute to the strong demand fundamentals we are currently seeing in the SFR space.



Source: Green Street Advisors

The global pandemic has only accelerated the trends noted above. According to Jonathan Miller, president of the appraisal firm Miller Samuel, COVID-19 “compressed five years into about three months of outbound migration,” resulting in significant single-family home supply lag and putting upwards pricing pressure on underlying assets and new leases. As a result of the rapid migration, management has indicated that 4Q/20 is trending towards being the best quarter INVH has seen in over two years, with occupancy and new lease growth sitting at 98.0% and 6.6%, respectively. These trends are expected to continue regardless of the rate at which the economy recovers from the recession, making it a strong “all weather” stock play with a concrete runway for growth.

There are significant indications that companies view offices as burdensome, unnecessary expenses that do not necessarily correlate with improved employee productivity. In fact, about two-thirds of companies surveyed in a recent S&P Global Report indicate that work from home policies will either be long lasting or permanent. With this in mind, we are confident that the tailwinds we are seeing are not one-off events and can benefit INVH for the foreseeable future. Despite these strong tailwinds, the stock continues to trade below pre-pandemic valuations (though around its net asset value). We see a strong runway for growth in underlying asset values and operating performance, making INVH a strong growth at a reasonable price play in the space.

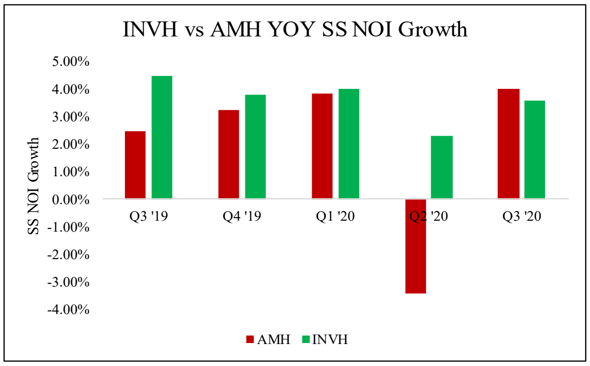
In addition to the strong tailwinds discussed, the single-family home space is highly fragmented with little institutional ownership, providing a strong runway for bigger operators, like INVH, to increase their acquisition rate to meet the growing demand (INVH only serves ~0.5% of SFR demand). Only 3% of current single-family homes are SFRs, equipping providers with a strong opportunity to increase acquisitions. INVH has already begun this initiative following its $375 million joint venture with Rockpoint, to acquire single-family homes that will operate as rental residences. Management has also indicated their desire to be net acquirers, with about $150 million of acquisitions per quarter. This indicates management's proactive approach in strengthening their portfolio to meet increasing demand while improving market share in a space that lacks institutional ownership.

Thesis 2: Strongest Market Position and Fundamentals in Industry

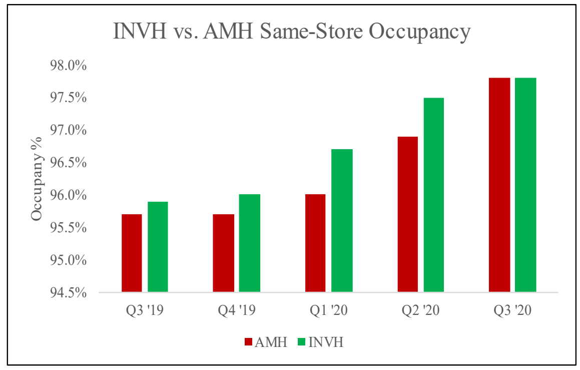
INVH has the largest portfolio within the SFR space with $16.1B as of 3Q/20, nearly twice the size of that of the closest competitor, AMH ($8.1B). The REIT operates in 16 major U.S. markets with 80k homes (~5k homes per market). Specifically, INVH's management team has targeted upscale markets with significant demand drivers due to the properties' proximity to employment centers, desirable schools, and transportation. More broadly, the markets that INVH operates in are focused on the West Coast (40%) and the Sun Belt region (55%). Both markets have ample demand coupled with trailing supply. Due to this lower supply growth, homes in this region have realized significant price appreciation versus the rest of the U.S. On the contrary, AMH lacks any California exposure and therefore does not benefit from the lower supply risk and higher rent growth seen in the market. INVH's rent expansion should continue at a healthier rate than AMH's due to its strong portfolio diversification in areas such as the West Coast.

Focusing on INVH's tenant base reveals that the increased demand the company has seen during the end of 2019 and 2020 is sustainable. Their average properties include low-density housing in suburban areas with 3+ bedrooms and no shared spaces. The mean annual income among tenants is ~$110k, with two wage earners, age of 39 years old, and a rent coverage of ~5x. On the other hand, AMH has a materially weaker tenant base with household incomes averaging $70k-$110k. Therefore, INVH is better insulated against any adverse employment conditions due to its higher margin of safety. The industry has seen a significant pipeline of demand shift towards single-family rentals and expects that trend to continue over the next decade, as the 65 million+ Americans aged 20-34 are a large market that INVH could tap into. SFR housing supply is unlikely to be sufficient to meet the demand created by these demographics, which will drive further price appreciation. COVID-19 is accelerating the shift in preferences towards single-family spaces instead of denser housing options found in urban areas, directly benefitting INVH.

These revenue drivers and a strong tenant base have been partially realized by the significant revenue increase that INVH has seen in 2020. Most recently, the company's revenue grew by 3.6% y/y in 3Q/20. Coupled with same-store operating expenses growing just 0.4%, INVH's SSNOI increased by 3.6% y/y. Due to its attractive supply and demand characteristics, these margins should continue to improve, leading to further profitability. AFFO per share grew 5.8% y/y in 3Q/20, driven by lower recurring capital expenditures. Other metrics also improved in 3Q/20, such as same-store rent growing 3.3% y/y and same-store new lease rent growing 5.5%. INVH is also benefitting from economies of scale when expanding into new properties as rental revenue is outpacing property-level expenses. Looking further at same-store metrics such as occupancy reveals that the company's operations are becoming increasingly efficient, with same-store occupancy at 97.8% (vs. 95.9% y/y). This marks eleven consecutive months of increasing same-store occupancy figures. Collections for INVH have declined to 97% vs. 99% pre-COVID. This is primarily from an increase in bad debt expense to 2.1% vs. 0.4% historically. Despite this bad debt, the company has been incrementally improving its collections with a steady increase from 95% in April.

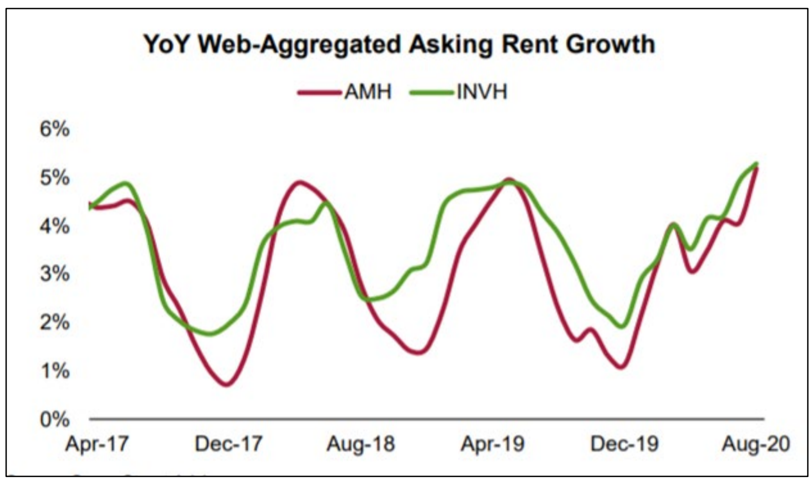


Source: *Information from INVH and AMH 3Q/20*



Source: Information from INVH and AMH 3Q/20

Comparing INVH and AMH along metrics such as same-store occupancy and same-store net operating income (SS NOI) growth yields findings that contradict the FY1 P/FFO multiple that AMH is trading at (25.3x vs. 23.3x for INVH). Across both occupancy and NOI, INVH has higher ceilings coupled with higher floors. From a volatility perspective, INVH is a safer option than AMH, with lower fluctuations quarter to quarter and a steady increasing trend across both categories over the past year. As discussed earlier, this is primarily due to INVH's stronger tenant base and attractive property locations. Further, analyzing the asking rent growth graph displayed to the right between INVH and AMH yields similar insights to that of occupancy and NOI, with INVH sustaining higher growth rates than AMH. For the aforementioned reasons, we disagree with the discount that INVH trades at relative to AMH due to the firm's stronger underlying fundamentals.



Source: Green Street Advisors

Management has indicated that INVH intends to be a net acquirer for 2020 and 2021, meaning that it plans to monitor external growth opportunities. One indication of this interest is the joint venture partnership that INVH entered with Rockpoint Group in October 2020. Together, the firms plan to deploy over $1B to acquire and renovate homes to be operated as single-family rental properties. These future transactions will be capitalized with a total equity commitment of $375m (INVH providing 20%, $75m). Although this transaction will reverse the de-leveraging that INVH has recently engaged in, we do not believe this to be a significant concern considering the $1.56B of liquidity on the firm's balance sheet and an undrawn revolver credit facility ($1.0B capacity). The firm also lacks any debt maturities before 2022 and need not be concerned about breaching any covenants with a fixed charge coverage ratio of 3.3x (vs. 1.5x covenant). Further, INVH will reap increased fee returns through external capital, which will, in turn, benefit their ROE. The JV targets properties located in the Western U.S., Southeast U.S., Florida, and Texas. INVH intends to leverage its proprietary "AcquisitionIQ" technology to source compelling investment opportunities despite limited supply levels in conjunction with its in-house local investment teams. As discussed earlier, INVH intends to acquire properties in markets that they are already present to realize benefits from economies of scale due to reduced maintenance costs. This can be observed quantitatively with the firm's total cost to maintain per home decreasing from $962 in 3Q/19 to $898 3Q/20 (decrease of ~7% y/y). Ultimately, INVH continues to perform well despite an environment that other businesses, including real estate, have found challenging.

Thesis Point 3: Unpriced Increase in Asset Values

Two of the critical measures used in this thesis to justify dislocated asset values are cap rates and implied cap rates. A cap rate is the NOI of a property (property level cash flow non-inclusive of depreciation, corporate expenses, or interest expense) divided by the property's price. It is the inverse of a P/E ratio and the same as an earnings yield or an initial yield. For example, a 20x P/E multiple is equivalent to a 5.0% cap rate. An investor is paying 20x earnings for a company's share and 20x property cash flow for a property.

Implied cap rates are the same concept but used to value the underlying assets for a publicly traded company using the current share price and the NAV. The implied cap rate is calculated by taking the cap rate that was used to calculate the NAV and then multiplying that by the sum of total liabilities and the product of the total shares outstanding and the NAV. This process is multiplying the cap rate by the company's enterprise value at NAV (a proxy for total value of company/real estate). This then provides us with a "company-level" NOI that represents the real estate and other assets. The value is then divided by the company's current enterprise value, which is the liabilities of the company and current market capitalization. To get our final value for implied cap rate, we are dividing a "company" NOI value at NAV by the company's current value based on where the shares are trading.

The implied cap rate can then be compared to the cap rate used in the NAV and can also be compared to other companies within the SFR space. From a value perspective, a large dislocation between the implied cap rate and the cap rate used for the valuation is ideal, implying the market is materially lower on their asset values than your valuation.

Transactions from both a corporate acquisition perspective and an individual asset basis suggest a significant increase in the underlying asset values of SFR companies that had not been priced in.

One of the three main U.S.-based, publicly traded SFR REITs, Front Yard Residential (RESI), entered into an agreement to be acquired by Amherst Residential, a private operator in the SFR space, in February 2020 for $12.50/share (20% premium). Its price at the time represented an implied cap rate of 5.80%, while the acquisition price valued the company at an implied cap rate of 5.50%. This was a particularly noteworthy transaction in the SFR space, as there had not been any major consolidation within the past few years. For background, in the publicly traded SFR space, RESI is the smallest of the three (INVH, AMH, RESI) with the lowest quality portfolio (lowest rents). Due to the global rise of COVID-19, Amherst had to forego the deal due to general market uncertainty and concerns. However, through the pandemic, RESI had even stronger operations, better rent growth, lower turnover, and resilient collections in most of their markets.

On October 19th, RESI announced that Pretium was acquiring it for $13.50/share, a 35% premium to where they were trading when it was announced. These prices would put the company valuation at an implied cap rate of 5.85% (current price) and 5.35% (acquisition price).

This was a significant development for RESI and the SFR space, as it showed that operators are still trying to acquire and scale and that asset values for individual SFR homes are higher than they were pre-pandemic. Both outcomes are extremely favorable for the SFR space and INVH specifically. Since INVH is the market leader and has the largest portfolio out of all the SFR players, public and private, all other players in the space are trying to replicate their model scale. Then more broadly, higher underlying asset values are accretive to NAV and drive it higher.

Green Street, a leading REIT research platform, confirms higher asset values in their own research and estimates that asset values for INVH are 5% higher than pre-pandemic. Higher asset values and higher valuations for companies in the SFR space signify fantastic tailwinds for the SFR space and INVH going forward.

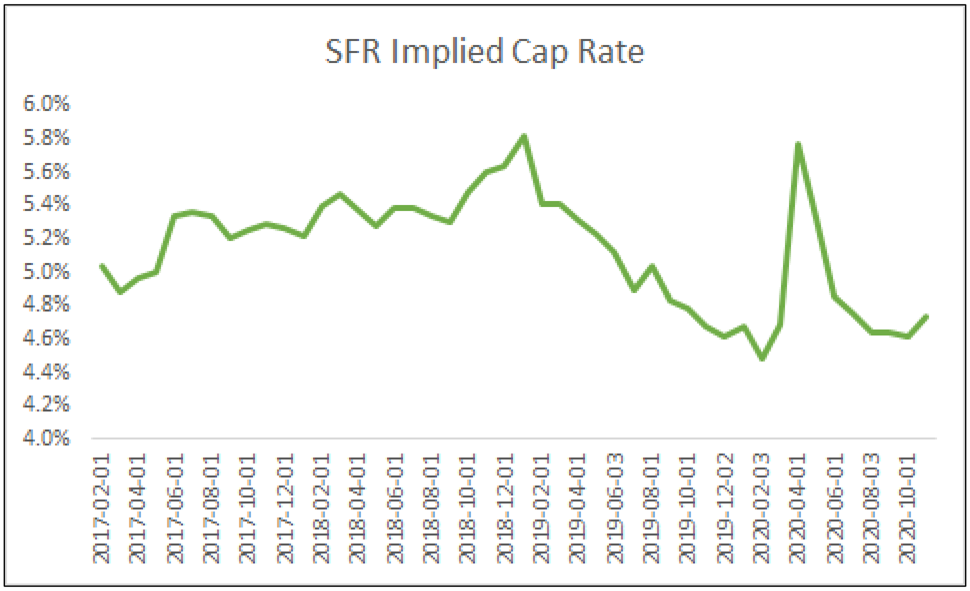
Very recently, on November 23rd, Pretium increased its bid by 20% to $16.25 in response to another party submitting a competing takeover bid for RESI. RESI was approached by the third party with a higher bid and then informed Pretium, who then resubmitted to ensure the acquisition. The new price of $16.25 values the company at an implied cap rate of 5.0%. In the battle for ownership of RESI, both Pretium and this 3rd party buyer signified to the market that they believe the value of RESI's SFR assets are higher than a 5.0% cap.

To the right is a chart showing the current implied cap rates for each of the companies in the SFR space and an estimation of value/home:

	AMH	INVH	RESI
Pro Forma NOI	639,255	1,124,463	123,995
Nominal Cap Rate	4.60%	4.50%	5.50%
Value of Operating Real Estate	13,896,848	24,988,068	2,254,455
Other Assets	1,053,306	1,360,479	202,222
Total Assets	14,950,154	26,348,547	2,456,677
Total Liabilities	4,456,004	9,419,410	1,733,863
Net Asset Value	10,494,150	16,929,137	722,814
Shares Outstanding	353,576	565,656	58,344
NAV/Share	$29.68	$29.93	$12.39
Current Share Price	$28.50	$28.76	$16.25
Premium/(Discount) to NAV	-4.0%	-3.9%	31.2%
Implied Cap Rate	4.73%	4.62%	5.04%
Total Homes	52,416	79,397	14,748
Value/Home	$265,126	$314,723	$152,865
		18.7%	105.9%

From the chart, INVH has a significantly superior asset base relative to RESI and AMH (105% higher and 20% higher, respectively, on a per home basis), yet this premium is not reflected in the implied cap rates and, therefore the valuation. Following the exuberant values paid for RESI, both INVH and AMH need to be valued higher than an implied 4.7% cap rate and at a premium to their NAV, as they have significantly better assets, locations, and tenants. INVH should also be valued at an additional premium to AMH due to their much higher asset values, better locations, better margins, and larger portfolio.

Furthermore, the below chart shows implied cap rates over time in the SFR industry. The market implied cap rates were valuing these companies at increasingly higher multiples and reached 4.5% before COVID. INVH deserves to be valued at least at a 4.5% cap rate as, once again, the operating environment for SFR has a more favorable outlook than it did pre-COVID, asset values are higher than they were, and operating fundamentals have improved.



Source: Green Street Advisors

Risk 1: Credit Profile

INVH is significantly more levered than AMH and most other apartment REITs. INVH's Debt/EBITDA is 8.9x vs. AMH's 5.7x.

In general, REITs are highly leveraged due to large buyout transactions as the cost of debt, and equity issuance is a growth cost. The REIT model is built around growth, so INVH needs external debt and equity investors to grow their business and bring in cash. During 2Q/20, INVH improved its strong liquidity position by issuing and selling 16.7 million shares of common stock for net proceeds of $448 million. By funding acquisitions with equity financing and cash flow from operations, INVH has a leg up to achieve external growth while also de-leveraging its balance sheet. The firm has almost $1.6 billion of unrestricted cash and revolver capacity as of early October 2020. The company does not have any debt maturity before 2022, and over half of its assets are unencumbered.

In addition, it is important to note that INVH is committed to reducing leverage in the future. The $560 million of cash on their balance sheet, along with expected operating cash flow and disposition proceeds, allows for significant leeway to continue funding acquisitions without any additional debt. In 3Q/20, cash was used from a June equity raise to acquire 544 homes for $175 million, while simultaneously disposing of 403 homes that did not fit with the firm's long-term growth strategy. This resulted in $115 million of gross proceeds, highlighting management's intent on continuously cleaning up their portfolio. INVH may also move to get a debt rating from the rating agencies within the next year, which would improve their borrowing costs.

Risk 2: California Regulation Risk

INVH has a 20% exposure to California, which has enacted significant regulation around rent collections and evictions in light of COVID-19. Assembly Bill 3088, in place since September 1st, 2020, prohibits residential evictions based on non-payment of rent and other fees from March 2020 to January 2021 if failure to pay is due to COVID-19-related financial distress. This was an extension of Emergency Rule 1 adopted in April 2020 that froze evictions, excluding those necessary to protect public health and safety. A CDC Order issued in September 2020 also halts residential evictions for tenants who meet specific requirements through December 31st, 2020; most requirements revolve around tenants' inability to pay rent/fees due to COVID-19. However, INVH has not experienced significant impacts regarding rent collections, as their cash collections totaled 97% of monthly billings in 3Q/20 compared to a pre-COVID average of 99%. They have lost out on ancillary revenue, and their bad debt has increased as they have been unable to charge traditional fees and late fees to fully recoup rent obligations. Management has cited this as a concern and is unsure of when collections will normalize. Although these laws are only in place through early 2021, it is unclear whether California will pass more tenant protections in the future.

Additionally, California recently implemented statewide rent control but rejected a bill that would have allowed local governments to impose additional rent control measures. Prior to 1995, local governments were allowed to enact rent control, provided that landlords would receive just and reasonable returns on rental properties. The Costa-Hawkins Rental Housing Act passed in 1995 limited the use of rent control on housing first occupied after February 1st, 1995, so all regulations passed after this date operate within the rules set by this act. In response to gouging rents after wildfires in 2018 and 2019, Governor Newsom signed Assembly Bill 1482 in October 2019. AB1482 caps rent increases statewide at 5% + CPI or 10%, whichever is lower annually, for most rental housing older than 15 years old until 2030. It also bans landlords from evicting tenants without cause, as the rent control applies to rent increases for current tenants, but landlords can increase rent by more than the capped amount when signing with a new tenant. This cap does not apply to housing built within the last 15 years to encourage further development. While this law does affect INVH's properties with an average age of 15-20 years old, most of their properties do not see drastic rent increases, so this rent control policy is not a significant concern. Management also did not discuss rent control in any 2020 earnings calls or releases, indicating that they do not believe rent control to be a significant risk. However, many California cities have local rent control laws, such as in Los Angeles County, which contributes 6.2% to INVH's NOI as its 6th biggest market as of October 2020. These local rent control laws are limited, though, as voters rejected Prop 21 in November 2020, which, if passed, would have permitted local governments to enact rent control measures on housing units on housing older than 15 years old. The rejection of Prop 21 is a positive sign for INVH as any additional rent control laws will not impact the firm's operations.

Valuation

NAV

One of the primary valuation methods was an "As-Is" and forward NAV model for INVH. While a DCF was incorporated into the final price target, the NAV was a more meaningful driver, given that sell-side analysts and REIT research platforms primarily utilize NAV models for valuation. The NAV was driven by a bottom-up projection of rents, NOI margins, and acquisitions per market. Each of the builds has a toggle to run the bear, base, and bull cases based on changes in these rents, margins, and homes. See below build and assumptions:

Rent: Was grown based on historical averages and anecdotal comments from management about positive and negative rent expectations going forward. 2021 assumes that the same COVID and demand tailwinds that buoyed the company will continue, and going forward, rent growth assumptions were tempered so that rents were grown around a conservative 3% per year.

Market	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20	Q3 '20	Q4' 20	2021	2022	2023	2024	2025
Southern California	2,325	2,354	2,397	2,436	2,460	2,482	2,515	2,533	2,584	2,651	2,784	2,923	3,069	3,222
Northern California	2,006	2,031	2,066	2,112	2,139	2,164	2,199	2,209	2,268	2,341	2,481	2,630	2,788	2,955
Seattle	2,127	2,151	2,177	2,216	2,247	2,272	2,302	2,301	2,364	2,428	2,549	2,676	2,810	2,951
Phoenix	1,300	1,322	1,350	1,376	1,399	1,424	1,454	1,481	1,506	1,579	1,674	1,774	1,881	1,993
Las Vegas	1,549	1,568	1,603	1,616	1,643	1,663	1,687	1,708	1,738	1,796	1,903	2,018	2,139	2,267
Denver	1,924	1,948	1,971	2,009	2,029	2,064	2,092	2,109	2,141	2,215	2,314	2,418	2,527	2,641
South Florida	2,145	2,161	2,183	2,196	2,204	2,209	2,221	2,232	2,250	2,271	2,294	2,316	2,340	2,363
Tampa	1,628	1,645	1,660	1,676	1,691	1,698	1,710	1,721	1,745	1,771	1,819	1,869	1,921	1,974
Orlando	1,601	1,623	1,644	1,667	1,684	1,695	1,714	1,728	1,758	1,796	1,863	1,933	2,006	2,081
Jacksonville	1,639	1,649	1,660	1,681	1,697	1,704	1,721	1,733	1,755	1,787	1,840	1,895	1,952	2,011
Atlanta	1,471	1,484	1,498	1,515	1,521	1,539	1,553	1,566	1,575	1,614	1,662	1,712	1,763	1,816
Carolinas	1,556	1,563	1,576	1,591	1,602	1,608	1,623	1,633	1,648	1,674	1,716	1,759	1,803	1,848
Houston	1,819	1,544	1,861	1,564	1,566	1,571	1,583	1,589	1,466	1,483	1,394	1,310	1,231	1,158
Dallas	1,543	1,764	1,550	1,795	1,805	1,820	1,832	1,841	1,990	2,030	2,132	2,239	2,350	2,468
Chicago	1,753	1,969	1,778	1,988	1,997	2,000	2,009	2,014	2,146	2,161	2,269	2,383	2,502	2,627
Minneapolis	1,971	1,863	1,977	1,892	1,904	1,913	1,933	1,951	1,905	1,943	1,923	1,904	1,885	1,866
Nashville (2)	1,849	1,821	1,878	1,879	1,769	2,121	2,157	2,004	1,918	2,288	2,402	2,522	2,648	2,781
Total / Average	1,759	1,780	1,796	1,821	1,835	1,848	1,868	1,880	1,910	1,951	2,020	2,093	2,170	2,252
Same Store Total / Average	1,768	1,784	1,804	1,825	1,839	1,851	1,868	1,881						
Southern California	YOY Change				5.8%	5.4%	4.9%	4.0%	5.0%	4.8%	5.0%	5.0%	5.0%	5.0%
Northern California	YOY Change				6.6%	6.5%	6.4%	4.6%	6.1%	5.9%	6.0%	6.0%	6.0%	6.0%
Seattle	YOY Change				5.6%	5.6%	5.7%	3.8%	5.2%	5.1%	5.0%	5.0%	5.0%	5.0%
Phoenix	YOY Change				7.6%	7.7%	7.7%	7.6%	7.7%	5.7%	6.0%	6.0%	6.0%	6.0%
Las Vegas	YOY Change				6.1%	6.1%	5.2%	5.7%	5.8%	5.7%	6.0%	6.0%	6.0%	6.0%
Denver	YOY Change				5.5%	5.4%	6.1%	5.0%	5.5%	5.5%	4.5%	4.5%	4.5%	4.5%
South Florida	YOY Change				2.8%	2.2%	1.7%	1.6%	2.1%	0.9%	1.0%	1.0%	1.0%	1.0%
Tampa	YOY Change				3.9%	3.2%	3.0%	2.7%	3.2%	3.0%	2.8%	2.8%	2.8%	2.8%
Orlando	YOY Change				5.2%	4.4%	4.3%	3.7%	4.4%	4.2%	3.8%	3.8%	3.8%	3.8%
Jacksonville	YOY Change				3.5%	3.3%	3.7%	3.1%	3.4%	3.4%	3.0%	3.0%	3.0%	3.0%
Atlanta	YOY Change				3.4%	3.7%	3.7%	3.4%	3.5%	3.6%	3.0%	3.0%	3.0%	3.0%
Carolinas	YOY Change				3.0%	2.9%	3.0%	2.6%	2.9%	2.8%	2.5%	2.5%	2.5%	2.5%
Houston	YOY Change				-13.9%	1.7%	-14.9%	1.6%	-6.4%	-4.5%	-6.0%	-6.0%	-6.0%	-6.0%
Dallas	YOY Change				17.0%	3.2%	18.2%	2.6%	10.2%	8.5%	5.0%	5.0%	5.0%	5.0%
Chicago	YOY Change				13.9%	1.6%	13.0%	1.3%	7.4%	5.8%	5.0%	5.0%	5.0%	5.0%
Minneapolis	YOY Change				-3.4%	2.7%	-2.2%	3.1%	0.0%	0.9%	-1.0%	-1.0%	-1.0%	-1.0%
Nashville (2)	YOY Change				-4.3%	16.5%	14.9%	6.7%	8.4%	11.6%	5.0%	5.0%	5.0%	5.0%
					4.0%	4.8%	5.0%	3.7%	4.4%	4.5%	3.3%	3.3%	3.3%	3.3%

Rent Adjuster

Base

Margins: Were determined by looking at market-by-market historical margin trends and assuming a similar growth rate for the remainder of 2020 and 2021. Margins were held flat for all years after. Margins are only "growing" as a result of increased home mix in markets with higher margins.

Market	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20	Q3 '20	Q4' 20	2021	2022	2023	2024	2025
Southern California	67.4%	68.2%	68.9%	67.0%	68.2%	68.7%	67.1%	66.0%	67.8%	67.7%	67.7%	67.7%	67.7%	67.7%
Northern California	69.9%	71.1%	65.1%	66.0%	70.4%	71.1%	71.1%	70.5%	73.2%	69.8%	69.8%	69.8%	69.8%	69.8%
Seattle	71.3%	73.2%	74.1%	72.9%	72.5%	73.4%	71.9%	72.0%	72.1%	72.8%	72.8%	72.8%	72.8%	72.8%
Phoenix	74.7%	74.1%	75.6%	72.7%	75.0%	74.8%	77.0%	75.1%	76.2%	75.1%	75.1%	75.1%	75.1%	75.1%
Las Vegas	73.5%	75.2%	77.2%	73.6%	75.6%	76.8%	77.3%	74.3%	76.7%	75.8%	75.8%	75.8%	75.8%	75.8%
Denver	81.1%	78.0%	80.2%	75.2%	79.7%	81.2%	77.4%	77.1%	79.9%	78.6%	78.6%	78.6%	78.6%	78.6%
South Florida	58.1%	58.9%	57.7%	55.2%	57.0%	57.3%	56.9%	54.7%	56.0%	56.7%	56.7%	56.7%	56.7%	56.7%
Tampa	60.5%	62.1%	59.6%	56.6%	61.9%	61.6%	61.0%	59.0%	63.1%	60.6%	60.6%	60.6%	60.6%	60.6%
Orlando	63.8%	65.0%	62.6%	61.6%	62.8%	64.1%	63.2%	61.0%	62.3%	62.8%	62.8%	62.8%	62.8%	62.8%
Jacksonville	65.3%	63.5%	62.3%	63.3%	65.1%	64.2%	64.1%	61.5%	65.2%	63.7%	63.7%	63.7%	63.7%	63.7%
Atlanta	68.4%	68.3%	67.0%	65.2%	65.9%	67.2%	68.0%	66.5%	65.6%	66.7%	66.7%	66.7%	66.7%	66.7%
Carolinas	71.1%	71.6%	71.4%	68.5%	71.1%	71.3%	72.2%	69.8%	71.6%	70.9%	70.9%	70.9%	70.9%	70.9%
Houston	54.4%	55.8%	56.4%	50.7%	53.4%	54.2%	52.8%	50.8%	51.9%	53.2%	53.2%	53.2%	53.2%	53.2%
Dallas	56.9%	59.9%	58.7%	54.8%	56.3%	59.5%	58.4%	56.5%	56.4%	57.6%	57.6%	57.6%	57.6%	57.6%
Chicago	56.0%	57.4%	56.2%	55.7%	51.9%	54.6%	53.4%	54.9%	40.3%	54.2%	54.2%	54.2%	54.2%	54.2%
Minneapolis	69.2%	68.6%	68.1%	65.2%	66.1%	67.2%	68.0%	64.4%	64.8%	66.5%	66.5%	66.5%	66.5%	66.5%
Same Store Average	66.1%	66.8%	66.1%	63.9%	65.9%	66.6%	66.5%	64.9%	66.1%	66.0%	66.1%	66.2%	66.3%	66.4%
Southern California	YOY Change				80 bps	50 bps	-180 bps	-100 bps	-38 bps	33 bps	bps	bps	bps	bps
Northern California	YOY Change				50 bps	bps	600 bps	450 bps	275 bps	-166 bps	bps	bps	bps	bps
Seattle	YOY Change				120 bps	20 bps	-220 bps	-90 bps	-42 bps	42 bps	bps	bps	bps	bps
Phoenix	YOY Change				30 bps	70 bps	140 bps	240 bps	120 bps	-71 bps	bps	bps	bps	bps
Las Vegas	YOY Change				210 bps	160 bps	10 bps	70 bps	113 bps	-44 bps	bps	bps	bps	bps
Denver	YOY Change				-140 bps	320 bps	-280 bps	190 bps	23 bps	-32 bps	bps	bps	bps	bps
South Florida	YOY Change				-110 bps	-160 bps	-80 bps	-50 bps	-100 bps	49 bps	bps	bps	bps	bps
Tampa	YOY Change				140 bps	-50 bps	140 bps	240 bps	118 bps	-35 bps	bps	bps	bps	bps
Orlando	YOY Change				-100 bps	-90 bps	60 bps	-60 bps	-48 bps	17 bps	bps	bps	bps	bps
Jacksonville	YOY Change				-20 bps	70 bps	180 bps	-180 bps	12 bps	-10 bps	bps	bps	bps	bps
Atlanta	YOY Change				-250 bps	-110 bps	100 bps	130 bps	-32 bps	-11 bps	bps	bps	bps	bps
Carolinas	YOY Change				bps	-50 bps	80 bps	130 bps	45 bps	-28 bps	bps	bps	bps	bps
Houston	YOY Change				-100 bps	-160 bps	-560 bps	10 bps	-153 bps	83 bps	bps	bps	bps	bps
Dallas	YOY Change				-60 bps	40 bps	-30 bps	170 bps	10 bps	-44 bps	bps	bps	bps	bps
Chicago	YOY Change				-410 bps	-280 bps	-280 bps	40 bps	-263 bps	113 bps	bps	bps	bps	bps
Minneapolis	YOY Change				-310 bps	-160 bps	-10 bps	40 bps	-135 bps	46 bps	bps	bps	bps	bps

Rent Adjuster

Base

Net Homes Acquired/Disposed: Management has mentioned multiple times that they are looking to be net acquirers over the next few years despite trimming the portfolio over the past few quarters. This was a result of both COVID and disposing of assets that were of lower quality or in non-target markets. Except for a few markets with constant and outsized dispositions, we assumed that similar levels of historical transaction activity would not hold but that they would become net acquirers. The base case assumes that a net of 600 homes will be added per year, which is in line with the low end of management guidance of $120MM - $200MM of acquisitions per quarter.

Market	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20	Q3 '20	Q4' 20	2021	2022	2023	2024	2025
Southern California	8,293	8,242	8,163	8,116	8,071	8,029	8,000	7,973	8,006	8,071	8,136	8,202	8,267	8,332
Northern California	4,529	4,489	4,449	4,422	4,390	4,339	4,301	4,266	4,307	4,390	4,473	4,555	4,638	4,721
Seattle	3,402	3,395	3,412	3,477	3,531	3,552	3,555	3,604	3,628	3,726	3,823	3,920	4,018	4,115
Phoenix	7,546	7,583	7,592	7,650	7,741	7,843	7,861	7,986	8,068	8,394	8,721	9,048	9,374	9,701
Las Vegas	2,686	2,680	2,963	2,963	2,998	3,006	3,003	2,993	2,995	2,998	3,001	3,005	3,008	3,011
Denver	2,229	2,237	2,240	2,291	2,314	2,305	2,298	2,317	2,318	2,322	2,326	2,330	2,334	2,338
South Florida	8,984	8,899	8,789	8,669	8,567	8,518	8,454	8,387	8,327	8,087	7,847	7,607	7,367	7,127
Tampa	8,359	8,277	8,211	8,172	8,121	8,127	8,107	8,087	8,098	8,121	8,144	8,166	8,189	8,212
Orlando	5,919	5,942	5,943	5,997	6,082	6,131	6,147	6,165	6,193	6,303	6,414	6,525	6,635	6,746
Jacksonville	1,910	1,890	1,877	1,869	1,865	1,861	1,858	1,857	1,860	1,865	1,870	1,876	1,881	1,886
Atlanta	12,250	12,239	12,430	12,474	12,494	12,521	12,501	12,510	12,515	12,537	12,558	12,579	12,601	12,622
Carolinas	4,725	4,716	4,693	4,686	4,702	4,719	4,719	4,826	4,867	5,033	5,198	5,363	5,529	5,694
Houston	2,390	2,351	2,313	2,266	2,229	2,214	2,190	2,166	2,187	2,229	2,271	2,313	2,355	2,397
Dallas	2,187	2,194	2,202	2,270	2,323	2,375	2,376	2,444	2,484	2,646	2,807	2,968	3,130	3,291
Chicago	3,437	3,269	3,095	2,962	2,848	2,770	2,699	2,664	2,603	2,357	2,112	1,867	1,621	1,376
Minneapolis	1,163	1,161	1,153	1,151	1,142	1,135	1,129	1,127	1,132	1,142	1,152	1,162	1,172	1,182
Total	80,009	79,564	79,525	79,435	79,418	79,445	79,198	79,372	79,588	80,221	80,853	81,486	82,119	82,751

Southern California	*Quarter Change*	*(51)*	*(79)*	*(47)*	*(45)*	*(42)*	*(29)*	*(27)*	*33*	*65*	*65*	*65*	*65*	*65*
Northern California	*Quarter Change*	*(40)*	*(40)*	*(27)*	*(32)*	*(51)*	*(38)*	*(35)*	*41*	*83*	*83*	*83*	*83*	*83*
Seattle	*Quarter Change*	*(7)*	*17*	*65*	*54*	*21*	*3*	*49*	*24*	*97*	*97*	*97*	*97*	*97*
Phoenix	*Quarter Change*	*37*	*9*	*58*	*91*	*102*	*18*	*125*	*82*	*327*	*327*	*327*	*327*	*327*
Las Vegas	*Quarter Change*	*(6)*	*283*	*-*	*35*	*8*	*(3)*	*(10)*	*2*	*3*	*3*	*3*	*3*	*3*
Denver	*Quarter Change*	*8*	*3*	*51*	*23*	*(9)*	*(7)*	*19*	*1*	*4*	*4*	*4*	*4*	*4*
South Florida	*Quarter Change*	*(85)*	*(110)*	*(120)*	*(102)*	*(49)*	*(64)*	*(67)*	*(60)*	*(240)*	*(240)*	*(240)*	*(240)*	*(240)*
Tampa	*Quarter Change*	*(82)*	*(66)*	*(39)*	*(51)*	*6*	*(20)*	*(20)*	*11*	*23*	*23*	*23*	*23*	*23*
Orlando	*Quarter Change*	*23*	*1*	*54*	*85*	*49*	*16*	*18*	*28*	*111*	*111*	*111*	*111*	*111*
Jacksonville	*Quarter Change*	*(20)*	*(13)*	*(8)*	*(4)*	*(4)*	*(3)*	*(1)*	*3*	*5*	*5*	*5*	*5*	*5*
Atlanta	*Quarter Change*	*(11)*	*191*	*44*	*20*	*27*	*(20)*	*9*	*5*	*21*	*21*	*21*	*21*	*21*
Carolinas	*Quarter Change*	*(9)*	*(23)*	*(7)*	*16*	*17*	*-*	*107*	*41*	*165*	*165*	*165*	*165*	*165*
Houston	*Quarter Change*	*(39)*	*(38)*	*(47)*	*(37)*	*(15)*	*(24)*	*(24)*	*21*	*42*	*42*	*42*	*42*	*42*
Dallas	*Quarter Change*	*7*	*8*	*68*	*53*	*52*	*1*	*68*	*40*	*161*	*161*	*161*	*161*	*161*
Chicago	*Quarter Change*	*(168)*	*(174)*	*(133)*	*(114)*	*(78)*	*(71)*	*(35)*	*(61)*	*(245)*	*(245)*	*(245)*	*(245)*	*(245)*
Minneapolis	*Quarter Change*	*(2)*	*(8)*	*(2)*	*(9)*	*(7)*	*(6)*	*(2)*	*5*	*10*	*10*	*10*	*10*	*10*
									216	633	633	633	633	633

Rent Adjuster

Base

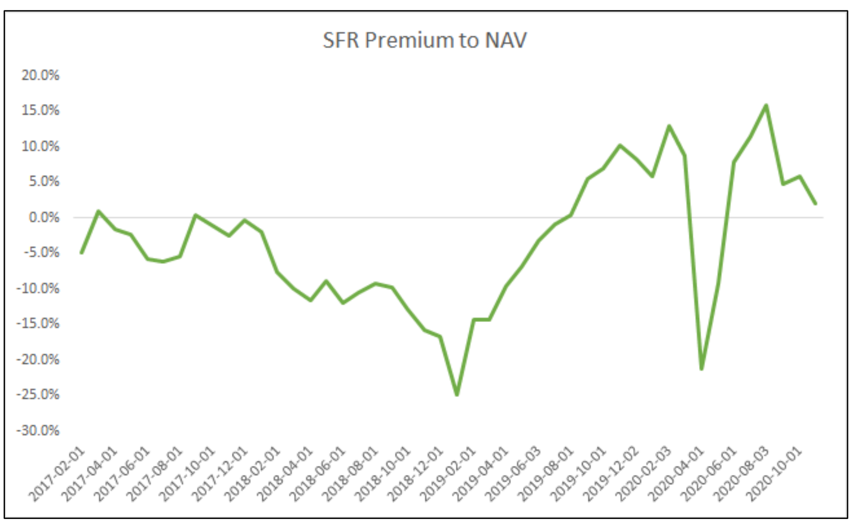
These bottoms up assumptions then roll into a forward projecting NOI model over the next 5 years:

	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20	Q3 '20	Q4' 20	2021	2022	2023	2024	2025
Total Homes	80,807	80,361	80,322	80,232	79,505	79,525	79,256	79,397	79,613	80,246	80,878	81,511	82,144	82,776
Net Change in Homes		-446	-39	-90	-727	20	-269	141	216	633	633	633	633	633
SS Homes	70,799	72,707	72,261	71,810	70,799	72,707	72,261	71,810	71,652	72,221	72,791	73,360	73,929	74,409
	88%	90%	90%	90%	89%	91%	91%	90%	90%	90%	90%	90%	90%	90%
Total Portfolio														
Total Core Rev	417,886	418,954	423,416	423,992	425,929	429,748	429,598	435,509	443,790	1,818,858	1,901,558	1,995,569	2,128,097	2,225,030
YOY Chng					1.9%	2.6%	1.5%	2.7%	4.2%	4.6%	4.9%	4.9%	6.6%	4.6%
Total Expenses	144,470	143,800	148,408	156,157	149,228	146,875	146,845	154,322	153,301	628,673	655,630	686,362	730,179	761,620
	34.6%	34.3%	35.1%	36.8%	35.0%	34.2%	34.2%	35.4%	34.5%	34.6%	34.5%	34.4%	34.3%	34.2%
Total NOI	273,416	275,154	275,008	267,835	276,701	282,873	282,753	281,187	290,489	1,190,185	1,245,928	1,309,207	1,397,918	1,463,410
Same Store														
SS Core Rev	370,744	385,123	388,335	388,221	386,674	402,294	395,962	397,528	399,411	1,636,972	1,711,402	1,796,012	1,915,287	2,002,527
SS Expenses	126,408	128,408	132,706	140,734	133,125	135,269	134,442	141,233	135,549	555,918	579,568	606,539	645,055	672,619
SS NOI	244,336	256,715	255,629	247,487	253,549	267,025	261,520	256,295	263,862	1,081,054	1,131,835	1,189,473	1,270,233	1,329,908
Core SS NOI Margin	*65.9%*	*66.7%*	*65.8%*	*63.7%*	*65.6%*	*66.4%*	*66.0%*	*64.5%*	*66.1%*	*66.0%*	*66.1%*	*66.2%*	*66.3%*	*66.4%*
Non Same Store														
NSS Rev	47,142	33,831	35,081	35,771	39,255	27,454	33,636	37,981	44,379	181,886	190,156	199,557	212,810	222,503
NSS Expenses	18,062	15,392	15,702	15,423	16,103	11,606	12,403	13,089	17,752	72,754	76,062	79,823	85,124	89,001
NSS NOI	29,080	18,439	19,379	20,348	23,152	15,848	21,233	24,892	26,627	109,131	114,093	119,734	127,686	133,502
NSS NOI Margin	*61.7%*	*54.5%*	*55.2%*	*56.9%*	*59.0%*	*57.7%*	*63.1%*	*65.5%*	*60.0%*	*60.0%*	*60.0%*	*60.0%*	*60.0%*	*60.0%*
Average Occupancy	96.0%	96.5%	96.5%	95.9%	96.0%	96.7%	97.5%	97.8%	97.0%	96.5%	96.5%	96.5%	96.5%	96.5%
SS Monthly NOI/Home	1,150	1,177	1,179	1,149	1,194	1,224	1,206	1,190	1,228	1,247	1,296	1,351	1,432	1,488
SS YOY Chng					3.77%	4.02%	2.30%	3.56%	2.83%	2.92%	3.88%	4.28%	5.97%	3.90%
SS Monthly NOI/Occupied Home	1,198	1,220	1,222	1,198	1,243	1,266	1,237	1,216	1,265	1,293	1,343	1,400	1,484	1,542
SS YOY Chng					3.77%	3.80%	1.26%	1.55%	1.77%	3.72%	3.88%	4.28%	5.97%	3.90%
SS Monthly Revenue/Home	1,746	1,766	1,791	1,802	1,821	1,844	1,827	1,845	1,858	1,889	1,959	2,040	2,159	2,240
SS YOY Chng					4.30%	4.46%	1.96%	2.40%	2.06%	2.46%	3.79%	4.19%	5.82%	3.76%
SS Monthly Revenue/Occupied Home	1,818	1,830	1,856	1,879	1,896	1,907	1,873	1,887	1,916	1,957	2,030	2,114	2,237	2,321
SS YOY Chng					4.30%	4.24%	0.92%	0.47%	1.07%	3.25%	3.73%	4.13%	5.82%	3.76%
SS Average Monthly Rent	1,768	1,784	1,804	1,823	1,838	1,851	1,868	1,881	1,910	1,951	2,020	2,093	2,170	2,252
					3.96%	3.76%	3.55%	3.18%	3.90%	2.18%	3.53%	3.61%	3.68%	3.76%
Fee Income as % of Revenue				3.0%	3.1%	3.0%	0.3%	0.3%	0.3%	0.3%	0.5%	1.0%	3.0%	3.0%

These projected NOI numbers then roll up into a current and forward NAV that uses these projected NOI values and the balance sheet values from the operating model:

INVH NAV (in '000s)	As Is	2021	2022	2023	2024	2025
Pro Forma NOI	1,124,463	1,190,185	1,245,928	1,309,207	1,397,918	1,463,410
Nominal Cap Rate	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Implied Cap Rate	4.62%	4.85%	5.00%	5.25%	5.56%	5.84%
Value of Operating Real Estate	24,988,068	26,448,566	27,687,298	29,093,482	31,064,855	32,520,221
Cash & Equivalents	559,567	404,847	140,570	315,465	333,200	557,370
Restricted Cash	249,341	180,399	137,218	140,570	148,473	248,362
Other Assets	551,571	551,571	551,571	551,571	551,571	551,571
Total Assets	**26,348,547**	**27,585,383**	**28,516,657**	**30,101,088**	**32,098,098**	**33,877,525**
Mortgage Loans	6,094,980	5,964,385	5,859,909	5,888,001	5,888,001	5,888,001
Secured Term Loan	401,040	401,040	401,040	401,040	401,040	401,040
Term Loan Facility	1,495,913	1,495,913	1,495,913	1,495,913	1,495,913	1,495,913
Revolver	0	0	0	0	0	0
Convertible Senior Notes	338,112	338,112	338,112	338,112	338,112	338,112
Accounts Payable	261,355	261,121	276,067	296,064	325,806	337,742
Other Liabilities	828,010	828,010	828,010	828,010	828,010	828,010
Total Liabilities	**9,419,410**	**9,288,581**	**9,199,051**	**9,247,140**	**9,276,882**	**9,288,818**
Preferred Shares	0	0	0	0	0	0
Net Asset Value	**16,929,137**	**18,296,801**	**19,317,605**	**20,853,948**	**22,821,216**	**24,588,706**
Total Shares Outstanding	565,656	571,156	575,556	579,956	584,356	588,756
NAV/Share	**$29.93**	**$32.03**	**$33.56**	**$35.96**	**$39.05**	**$41.76**

The price targets based on the NAV model are YR1 (2021) values for each of the cases with a 15% premium. The 15% premium was determined from Green Street's historical data that show that beginning in mid/late 2019, SFR companies began to trade at a premium to their NAV. This premium fluctuated between high single-digits and low double-digits before reaching a peak of 12.9% right before COVID. A 15% premium is warranted, if not more, as the industry now has a more favorable outlook post-COVID with higher underlying asset values. Below is a chart showing the SFR NAV premium/discount over time:



Source: Green Street Advisors

Discounted Cash Flow Analysis

For our DCF analysis, we chose to utilize a Free Cash Flow to Equity (FCFE) approach utilizing two different calculation methods. Theoretically, Free Cash Flow to Equity and Free Cash Flow to the Firm (FCFF) will yield the same intrinsic value of the firm. Within the REIT industry, FCFE is commonly used due to firms' positive recurring cash flow and stable balance sheets and leverage. On the other hand, FCFF is not as appropriate due to the lack of consideration of debt in the projection. Although the industry typically uses AFFO as a proxy for FCFE, we also chose to use FFO (essentially Net Income - D&A) to derive FCFE by deducting capital expenditures and increases in working capital. Using FFO to derive levered FCF yielded an equity value per share of $38.84 vs. using AFFO as levered FCF yielded a share price of $43.56. Differences between FFO and AFFO came from adjustments to noncash interest expense, share-based compensation expense, and the inclusion of only recurring capital expenditures when calculating AFFO. Due to the industry favoring other valuation methods, namely the NAV method, we decided to assign a 10% valuation contribution from the DCF approach (split evenly between FFO and AFFO methods of calculation).

Assumptions	
Cost of Equity	7.27%
Multiple FY 1 P/FFO	23.3x
Multiples Method Increments	0.5x
Cost of Equity Increments	0.50%
LT Growth Increments	0.25%

Market Data	
Last closing share	$28.58
Date of close	11/30/2020
Latest share count	565,656

Levered Free Cash Flows									
Fiscal year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Funds From Operations (FFO)	168,360	501,519	594,190	667,472	726,211	811,234	910,621	1,048,913	1,180,698
CapEx	(101,081)	(187,421)	(221,681)	(257,949)	(241,670)	(257,767)	(278,090)	(306,827)	(333,838)
Changes in Working Capital	(35,591)	(46,767)	(7,299)	61,047	15,326	16,602	24,188	36,566	21,800
Levered Free Cash Flow	**31,688**	**267,331**	**365,210**	**470,570**	**499,868**	**570,069**	**656,719**	**778,652**	**868,660**
% growth		743.6%	36.6%	28.8%	6.2%	14.0%	15.2%	18.6%	11.6%
Discount Factor				8%	108%	208%	308%	408%	508%
Present Value of Levered FCF				**38,986**	**463,273**	**492,528**	**528,938**	**584,643**	**608,021**

Multiples Approach	
Final forecast year FCF	868,660
P/FFO	23.3x
Terminal Value	27,510,266
Present Value of Terminal Value	19,255,887
Present Value of Explicit Period	2,716,388
Equity Value	**21,972,275**

Per-Share Valuation	
Equity Value	21,972,275
Diluted Shares Outstanding	565,656
Equity Value per share	**$38.84**
Premium/Discount	**35.9%**

Multiples Approach		22.3x	22.8x	23.3x	23.8x	24.3x
Cost of Equity	8.27%	35.74	36.44	37.14	37.83	38.53
	7.77%	36.55	37.26	37.98	38.69	39.41
	7.27%	37.38	38.11	38.84	39.57	40.30
	6.77%	38.24	38.99	39.73	40.48	41.23
	6.27%	39.12	39.88	40.65	41.42	42.18

Assumptions	
Cost of Equity	7.27%
Multiple TTM P/AFFO	27.0x
Multiples Method Increments	0.5x
Cost of Equity Increments	0.25%
LT Growth Increments	0.25%

Market Data	
Last closing share price (USD)	$28.58
Date of close	11/30/2020
Latest share count	565,656

Levered Free Cash Flows									
Fiscal year	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Adjusted Funds From Operations (AFFO)	296,645	501,949	555,007	603,869	661,907	747,308	846,639	984,936	1,116,721
Levered Free Cash Flow	**296,645**	**501,949**	**555,007**	**603,869**	**661,907**	**747,308**	**846,639**	**984,936**	**1,116,721**
% growth		69.2%	10.6%	8.8%	9.6%	12.9%	13.3%	16.3%	13.4%
Discount Factor				8%	108%	208%	308%	408%	508%
Present Value of Levered FCF				**50,029**	**613,435**	**645,629**	**681,857**	**739,461**	**781,563**

Multiples Approach	
Final forecast year FCF	1,116,721
P/AFFO	27.0x
Terminal Value	30,184,386
Present Value of Terminal Value	21,125,242
Present Value of Explicit Period	3,511,974
Equity Value	**24,637,216**

Per-Share Valuation	
Equity Value	24,637,216
Diluted Shares Outstanding	565,656
Equity Value per share	**$43.56**
Premium/Discount	**52.4%**

Multiples Approach		26.0x	26.5x	27.0x	27.5x	28.0x
Cost of Equity	8.27%	40.30	40.96	41.62	42.28	42.93
	7.77%	41.20	41.88	42.55	43.23	43.90
	7.27%	42.13	42.82	43.51	44.21	44.90
	6.77%	43.09	43.80	44.50	45.21	45.92
	6.27%	44.07	44.80	45.52	46.25	46.97

Comparable Company Analysis

Since the SFR space contains primarily three public companies – Front Yard Residential Corp (RESI), AMH, and INVH – we decided to include apartment, student housing, and manufacturing housing REITs as well due to the similar industries, using Mid-America Apartment Communities, Inc. (MAA), American Campus Communities, Inc. (ACC) and Equity Lifestyle Properties (ELS) respectively. RESI has a weaker tenant profile, is a smaller SFR player with ~15k homes, and is focused purely on the Sunbelt region. MAA's portfolio contains mid-level quality homes in similar regions to INVH, but with lower margins due to the apartment space that it operates in. ELS is a large player in the manufacturing housing industry which has similar characteristics to the SFR space. INVH trades at a FY1 P/FFO discount to the median comps (23.3x vs. 25.3x) yielding a bear/base/bull case valuation of $25.46/$31.83/$38.20.

Base (in millions)

Market Valuation		close 11/25			Valuation Metrics (blended fwd)		
Firm	**Ticker**	**Share price**	**Market Capitalization**	**Enterprise Value**	**EV/EBITDA**	**P/FFO**	**FY1 P/FFO**
Front Yard Residential Corp	RESI	$16.44	965.8	2,040.8	94.3x	28.8x	28.3x
American Homes 4 Rent	AMH	$28.53	9,023.0	13,097.6	23.2x	23.3x	25.3x
Mid-America Apartment Communities, Inc.	MAA	$125.03	14,299.7	18,935.9	20.1x	19.2x	19.8x
American Campus Communities, Inc.	ACC	$41.04	5,648.4	9,742.1	20.8x	19.5x	21.1x
Equity Lifestyle Properties	ELS	$59.89	10,913.4	13,388.1	28.6x	26.0x	27.9x
Invitation Homes Inc.	INVH	$29.25	16,395.6	24,231.8	24.1x	22.0x	23.3x
Top Quartile			10,913.4	13,388.1	28.6x	26.0x	27.9x
Mean			8,170.1	11,440.9	37.4x	23.4x	24.5x
Median			9,023.0	13,097.6	23.2x	23.3x	25.3x
Bottom Quartile			5,648.4	9,742.1	20.8x	19.5x	21.1x
Invitation Homes Inc. Diff from Avg			7,372.6	11,134.2	0.8x	-1.3x	-2.0x

Per-Share Valuation	Comparable Companies
Industry FY1 P/FFO Multiple	25.3x
FY1 FFO Forecast	712
Implied FY1 Equity Value	18,005
Net diluted shares outstanding	565.7
Target Premium/(Discount) to Comp. Valuation	0%
Current Price	$28.58
Equity value per share	**$31.83**
Implied P/FFO Multiple	25.3x
Premium/(Discount) on Market Value	**11.4%**

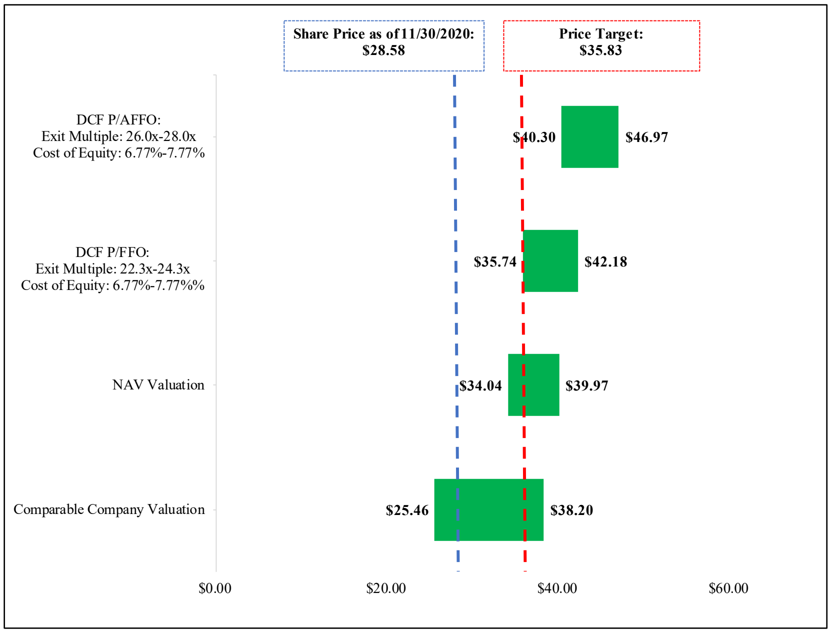
Comparable Companies

Target Premium/ Discount	Comps P/FFO Multiple 23.3x	24.3x	25.3x	26.3x	27.3x
20.00%	35.18	36.69	38.20	39.71	41.22
10.00%	32.25	33.63	35.01	36.40	37.78
0.00%	29.31	30.57	31.83	33.09	34.35
-10.00%	26.38	27.52	28.65	29.78	30.91
-20.00%	23.45	24.46	25.46	26.47	27.48

Assumptions	
Industry FY1 P/FFO Multiple	25.3x
Target Premium/(Discount) to Comp. Valuation	0.0%
P/FFO Increments	1.0x
Premium/Discount Increments	10.0%

Target Share Price

In order of priority for our valuation, the greatest weight was allocated to the NAV method (60%), comparable company analysis ($30%), and then DCF (10%). Due to the industry's common use of using a company's NAV to determine their share price, that category had the highest significance in our valuation. Based on the mispricing that the market reflects with INVH trading at lower multiples than AMH despite stronger fundamentals and growth expectations, we placed the comparable company analysis with the second-highest importance, followed by the DCF. Within the comparable analysis and NAV bear/base/bull cases, greater weightage was placed in the base cases due to our outlook of the increased probability of occurrence with the provided assumptions as discussed earlier. Together, our target share price for INVH is $35.83 – a 25.4% premium to the share price as of 11/30 of $28.58. This estimate is conservative as it does not fully incorporate the potential acquisition benefit recognized with the Rockpoint JV, which will contribute further future upside for INVH. A football field valuation is displayed below for reference:



Conclusion

Ultimately, INVH is a high-quality single-family rental REIT that has continued to not only weather the storm during COVID-19, but has also managed to take advantage of suburban migration enabling institutional investors to reap benefits without burdensome costs and debt loads. With the largest diversified portfolio, its properties will continue to see ample demand coupled with trailing supply leading to material price appreciation. Considering that the firm has improved metrics across the board, such as revenue, NOI, occupancy, and collections as the COVID-19 pandemic endures, we forecast that this growth will continue post-pandemic. With a strong management team that has opportunistically acquired properties at attractive valuations, a proven history of sustainable and steady growth, and an unpriced increase in asset values, we estimate that INVH is worth $35.83 (25.4% upside) to its current price ($28.58 as of 11/30/20).