Initiating Coverage of Single-Family Rental REITs with Favorable View - Buy SFR

Favorable Demand, Growth and Value

Company	Symbol	Price (2/07)	Rating Prior	Rating Curr	PT
American Homes 4 Rent	AMH	$22.59	–	Neutral	$23.00
Colony Starwood Homes	SFR	$31.37	–	Buy	$35.00

Source: Bloomberg and Mizuho Securities USA

Summary

We think the single-family rental REIT sector is one of the more compelling investment ideas in REITs today. We are initiating coverage with a positive view given the favorable demand, growth and value attributes. While outperformance in 2016 and YTD 2017 has closed the valuation gap, we see a multi-year runway for growth, internally and externally, as well as a built-in hedge against inflation and rising interest rates. We are launching on two stocks: AMH (Neutral: $23.00 PT) and SFR (Buy: $35.00 PT).

Key Points

The Big Picture. We see several favorable attributes benefiting the single-family rental sector, including:

• **Numerous demand tailwinds,** including economic and demographic (driving household formations), a declining home ownership rate, higher interest rates (less affordability) and tight mortgage credit (mortgage inaccessibility) should support demand and pricing power for landlords. Further, rising inflation and home values should benefit portfolio values.

• **Significant growth potential,** from both internal (cost efficiencies and pricing power) and external sources (industry consolidation), should help generate above-average ssNOI and earnings growth in ’17 & ’18 (18.2% / 14.0%).

• **Valuation.** The s/f rental REITs outperformed the RMZ in 2016 (8% vs 0%) and now trade at the upper end of their brief historical trading range. Despite this, we think the sector can work given comparable valuation vs multifamily (92% vs 93% NAV and 23x vs 21x 2017 AFFO) and all REITs (96% NAV and 19.6x 2017 AFFO), the aforementioned demand & growth tailwinds, and improved investor sentiment that should support higher valuations.

Favor SFR. We forecast 7% NTM upside for our coverage, including dividends. We favor SFR given sizable discount to AMH (higher leverage), despite comparable portfolio quality and better margins. We also rate AMH’s team / platform highly and note its above-avg n/t growth and superior b/s.

Key Risks include changes to the economic backdrop, interest rates and / or the sector’s cost and availability of capital. Industry-specific risks include competition for investor wallet / mindshare given skepticism over the sector as a l/t public investment vehicle and recent Invitation Homes IPO, which should draw capital and attention to the space, but likely be a s/t drag on AMH and SFR.

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Executive Summary

The single-family rental REIT sector has undergone significant growth in recent years, expanding home counts, improving margins and gaining investor mindshare and walletshare. And last year, for the first time since their inception, the sector finally outperformed their multifamily REIT "cousins" as well as the RMZ. Looking ahead, we see a continued runway for the sector to outperform in the near-term given favorable demand dynamics, as well as significant potential growth and favorable valuations. We balance these benefits against potential concerns, including macro (homeownership rate, housing policy, and interest rates), the recent Invitation Homes IPO and uncertainty surrounding long-term cap-ex requirements for the sector. We also factor in our Mizuho "House view" on interest rates that rates will remain range-bound, if not lower, for the foreseeable future.

We conclude that while we are favorable on both AMH and SFR over the intermediate and longer-term, we think that SFR screens more attractively on valuation and n/t growth, but do acknowledge AMH's superior balance sheet and ability to source external growth n/t as key favorable attributes. We outline key investment highlights for each company below:

Colony Starwood Homes (SFR: Buy: $35 PT: 12% upside to PT).

- SFR has designed its portfolio to focus on above-average quality assets in the "right" neighborhoods (good schools, proximity to jobs, etc.) Today, SFR's top 10 markets reflect 90% of its owned homes, implying operating efficiency upside potential; note that SFR has higher NOI and EBITDA margins than AMH. We also see SFR as a leader in the innovation and roll-out of technological initiatives that have also benefitted margins / efficiency.
- With 19% YOY AFFO growth in 2017e and trading at 85% of NAV (our price target), SFR offers a compelling combination of growth and value.
- That said, SFR trades at a discount to peer AMH largely due to its higher financial leverage (debt / EBITDA >10x), though we believe management is also open to opportunistic ways to lower the leverage (perhaps over-equitizing a large acquisition?). We also think Colony Capital's ~15% stake in SFR could be an additional reason.

American Homes 4 Rent (AMH: Neutral: $23 PT: 2% upside to PT).

- At 48k homes, AMH is the second largest public single-family rental REIT, but trails peer SFR on NOI and EBITDA margins. We see this as upside potential as AMH rolls out its "in-house maintenance program" over the next couple years, which should enhance margins and cash flow.
- AMH has the lowest leverage and lowest cost of capital among the public single-family rental REITs, giving it a clear advantage in sourcing growth. We also think an investment grade rating is in the company's near-term future, which will bring further improvement in its cost and access to capital.

- At 103% of NAV and with 18% YOY AFFO growth in 2017, we think AMH is fairly valued today. That said, we expect the company to be among the long-term winners in this emerging sector and look for a better entry point (low-$20s).

Mizuho PT and stock rating methodology comments. Our price target methodologies are based on a 50/50 blend of premium to NAV basis (cash flow based) and mark-to-market methodology (asset value based) for the portfolios of each company. Our mark-to-market values are derived by grossing up the value of the homes based on home price appreciation achieved since the time of purchase; we acknowledge the risks of under- or over-valuing each company's portfolio as our methodology depends heavily on the purchasing acumen (or lack thereof) of each company and also that this approach may under-estimate the value created through the renovation process. That said, the two approaches yield increasingly similar results in recent years as portfolios have stabilized and suffer from less "leakage" given slowing / stopped acquisition activity.

The remainder of this report is divided into three sections:

- **First**, we discuss the single family rental sector overall, detailing the sector's roots, its evolution over the past five years and an assessment of where the sector is heading, within the overall U.S. housing picture.
- **Second**, we provide a more detailed discussion of the two stocks we are initiating coverage of (including models, estimates and valuation) – presented in a head-to-head format based on 9 key investment topics.
- **Third**, please see pp 44 – 47 for our 2-page, company-specific tear-sheets for each mall REIT providing insight into key portfolio, operating and balance sheet metrics.

Exhibit 1: Summary of Initial Ratings, Price Targets, and NAV, FFO and AFFO Estimates

								NAV				
Company	Ticker	Stock Rating	Closing Price 2/7/2017	Market Cap	Price Target	Upside to PT	Dividend Yield	MSUSA Est.	Implied Cap Rate	Applied Cap Rate	Warranted Premium	Price to NAV
American Homes 4 Rent	AMH	Neutral	$ 22.59	$ 5,427	$ 23.00	2%	0.9%	$ 22.00	5.2%	5.3%	5%	103%
Colony Starwood Homes	SFR	Buy	$ 31.37	$ 3,219	$ 35.00	12%	2.8%	$ 37.00	5.7%	5.3%	-5%	85%
Altisource Residential*	RESI	NR	$ 12.85	$ 690	NR	na	4.7%	$ 20.23	na	na	na	64%
Silver Bay Realty Trust*	SBY	NR	$ 17.84	$ 650	NR	na	2.9%	$ 24.48	6.1%	na	na	73%
Invitation Homes*	INVH	NR	$ 20.80	$ 8,099	NR	na	na	na	na	na	na	na
Single Family Rental REITs Wtd. Avg.				**$ 18,084**		**5%**	**1.9%**		**5.4%**			**92%**

	MSUSA Estimates												
	FFO			AFFO			Price/FFO		Price/AFFO		FY17 / FY16 Growth		FY17 PEG
Company	2016	2017	2018	2016	2017	2018	2016	2017	2016	2017	FFO/sh	AFFO/sh	Ratio
American Homes 4 Rent	$0.89	$1.08	$1.23	$0.81	$0.95	$1.09	25.4x	20.8x	27.8x	23.7x	22.0%	17.5%	1.3
Colony Starwood Homes	$0.83	$1.53	$1.74	$1.19	$1.42	$1.60	37.7x	20.5x	26.4x	22.1x	83.7%	19.4%	1.1
Altisource Residential*	$0.21	$0.75	$0.93	($2.86)	($0.05)	$0.47	na	na	na	na	na	na	na
Silver Bay Realty Trust*	$0.80	$0.90	$0.99	$0.45	$0.74	$0.83	22.2x	19.8x	39.9x	24.0x	12.5%	65.9%	0.4
Invitation Homes*	na	na	na	na	na	na	na	na	na	na	na	na	na
Single Family Rental REITs Wtd. Avg.							**29.5x**	**20.7x**	**28.2x**	**23.2x**	**42.7%**	**21.6%**	**1.2**

Note: SBY, RESI and INVH are not covered by MSUSA. We include consensus estimates for comparison.

Source: Company reports, SNL Financial, Mizuho Securities USA estimates.

Single-Family Rental Sector Overview

The U.S. Housing Picture

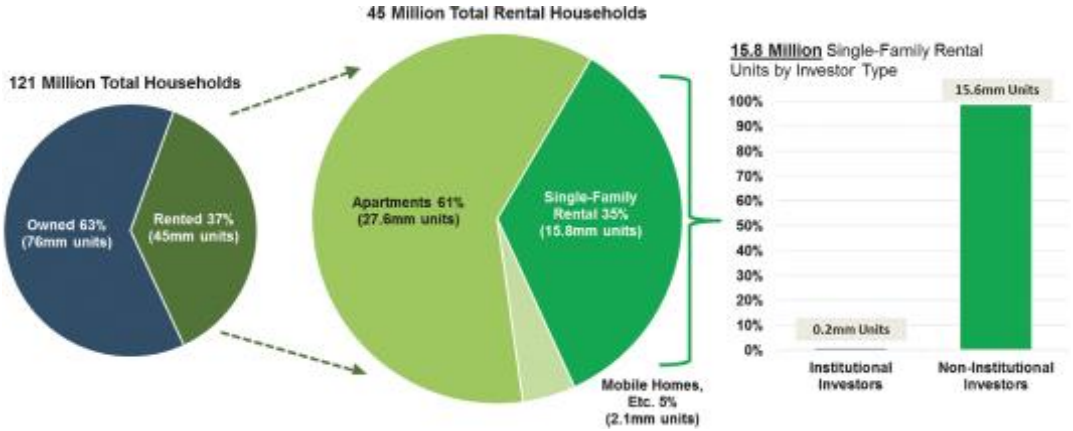
Residential housing is the largest asset class in the U.S., with a total of size of 120M housing units with a total value of $22T, according to the Federal Reserve Flow of Funds report (2Q16). According to the latest (Jul 2016) census estimate, there are just over 323M people in the U.S. comprising about 117M households.

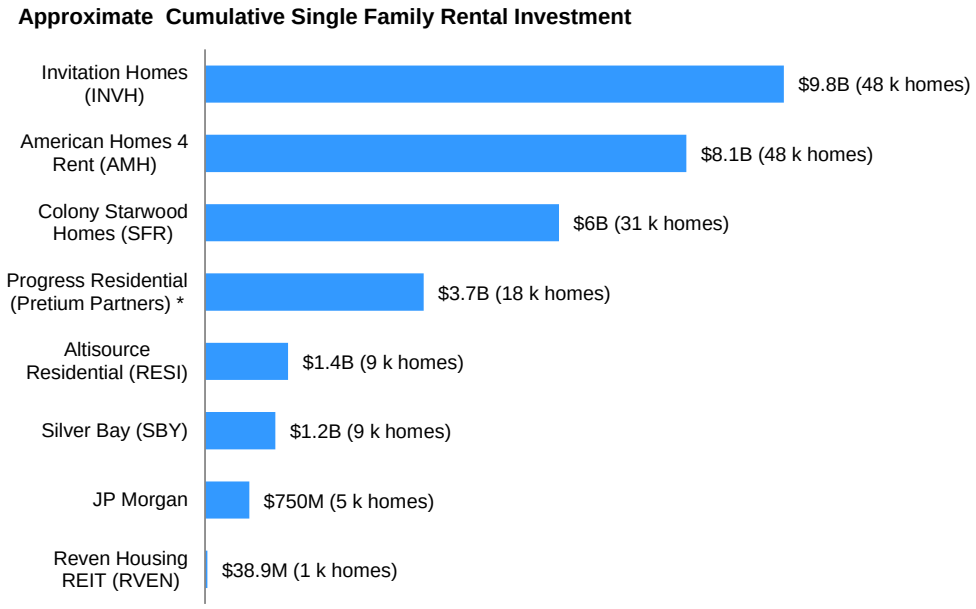
Of the total households, ~63% (76M units) represents owned housing units with ~90% of the owned units representing single-family homes; condos and manufactured comprise the remaining 10% of owned housing.

The rental piece of the U.S. housing picture comprises ~37% of total housing units, with multifamily (61%, or 27.6M units) making up the largest piece of the rental pie, while single-family rental units come in at 35%, or 15.8M units.

The single-family rental market has grown meaningfully in recent years, as the homeownership rate declined in the aftermath of the great recession. From 2006 to 2016, the number of single-family rental units has increased 35% from 11.7M to 15.8M, or 4.1M units, per John Burns Real Estate Consulting. That said, the driving force in the market remains the individual or small buyers, who have added the lion's share of units during that time period. Despite the headlines and their recent acquisitiveness, it is estimated that institutional owners own just 1% of all single-family rental units in the U.S. (~200K homes), compared to non-institutional investors at just under 16M homes.

Exhibit 2: U.S. Housing Overview



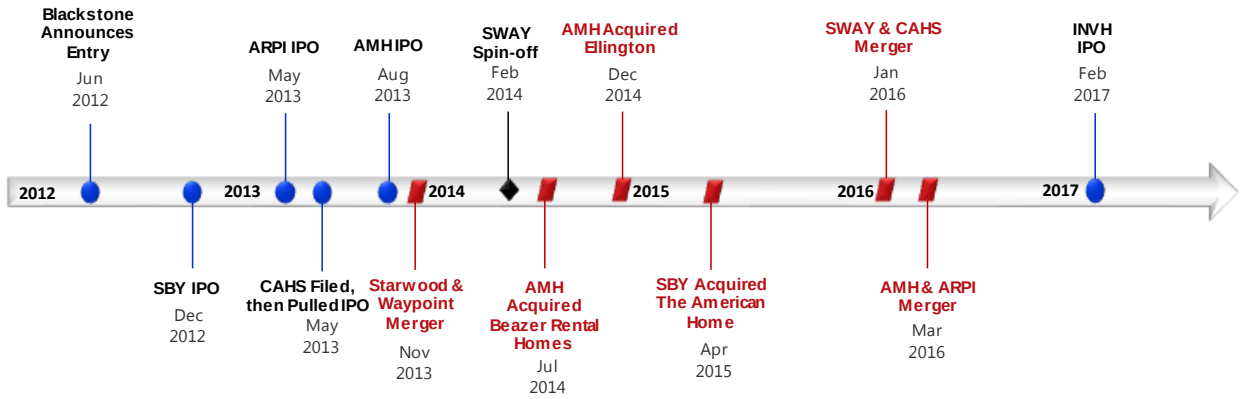


* Company Data as of 09/30/16; Progress Residential (Pretium Partners) data is provided as of 06/30/16.

Source: Company reports, Mizuho Securities USA estimates.

The Institutionalization of Single-Family Rental Sector

Exhibit 3: Evolution of Single-Family Rental Sector



Source: Company reports, Mizuho Securities USA estimates.

U.S. Housing Crash (2006-11). The recent housing crash, coupled with technological advancements, opened the door for the institutionalization of the single-family rental sector. Prior to the housing crash, single family rental investor / operators were almost exclusively the investment grounds of inefficient individual ("mom & pop") investors who did not seek or benefit from building regional or national platforms and did not approach the investment with the same investment discipline (yields / returns-oriented) of institutions. The "mom & pops" instead focused on occupancy, in other words keeping homes full and not maximizing revenue. However, the 30%+ average U.S. home declines resulted in "sufficiently attractive" return potential (gross yields 10-12%+, high teens levered IRRs) and attracted institutional capital looking to bet on an expected home price recovery.

The Great Pie-Eating Contest (2011-13). The single family rental sector has grown materially since 2010, in the aftermath of the U.S. housing crash, adding ~2M rental housing units to its ranks. The flood of institutional capital into the single-family rental sector, or "The Great Pie-Eating Contest" as we like to call it, saw institutional purchase of 528k homes (~$68B) from 2011 – YE2014, based on RealtyTrac data; institutional transactions are typically defined as purchases of 10 or more homes. Per the National Rental Housing Council (NRHC), an affiliate of the National Multi-Housing Council (NMHC), its member companies (larger, institutional platforms) acquired only ~160k homes from 2008-15 (~1% of stock), supporting our view that non-institutional players are still the lion's share of single family rental investors.

As for the buying, institutional investor home purchases were initially focused in markets where prices declined the most like Phoenix and Las Vegas. After those markets saw home prices spike and inventories depleted, the buying then moved

across the Sunbelt to markets like Atlanta and Dallas, and more recently has spread to higher-yielding markets like Columbus, Indianapolis, and North Carolina. Almost all homes in institutional investor portfolios are ~$100-250k "starter homes", as that represents the investment "sweet spot" (minimum investment / maximum *risk-adjusted* return), and located in targeted sub-markets marked by strong school systems, low crime and proximity to employment centers, which should generate superior relative returns over time.

Rise of the SFR REITs (2014 – beyond). Starting in late 2011 / early 2012, many institutional investors, including the AMH (2011), INVH (2011), and SFR's various predecessor (2011-12) entities, identified the once in a generation opportunity to invest in the single-family rental home market and formed investment vehicles to capitalize. While the early work of forming the predecessor entities was done in the 2011-12, the buying was most active in 2012-14. At their peak in 2013, institutional investor home purchase activity accounted for almost 1/3 of existing-home sales, per Moody's Analytics (mostly by "smaller institutional buyers").

However, a combination of forces combined to slow the pace of acquisitions, including: 1. the funding of the early buyers dried up, driving a number of these early investors to seek additional growth avenues; 2. rising home values (+10%+ alone in 2013); and 3. the need to develop effective operating platforms to manage the amassed portfolios.

First on the capital investing side, many of the early investment vehicles raised additional capital as their initial capital was allocated, while others pursued IPOs; the first two IPOs in the sector were Silver Bay (December 2013) and American Residential Properties (April 2014). AMH was next in August 2014, while SFR joined the public fray in January 2016 following a series of mergers (Starwood-Waypoint in 2014, and then the combination of Starwood –Waypoint with Colony American Homes platform in early 2016.

Today the eight largest identified single family investment vehicles (public and private) own close to 170,000 homes across the country, with the public REITs representing six of this group of eight. While acquisition activity has slowed, the public companies are still acquiring homes. For instance, in 2016 AMH acquired 10k homes, while SFR acquired 20k, largely via entity-level transactions. In 2017, we look for AMH to invest an additional ~$320M (implying ~2k homes) and for SFR to acquire ~$300M (~1.6k homes).

On the technology side, the inherent challenge of managing thousands of individual homes across the country is self-evident and has historically been a significant barrier to entry for institutional investors, wary of the challenges and perceived inefficiencies. However, improvements in technological capabilities over the past decade or so have allowed for efficient leasing and operating systems, allowing for relatively attractive net yields (after cap-ex) of about 5-6%; see Exhibit 15 and 16 (pp 19) for more details.

Both AMH and SFR have both made significant investments in the management, property and asset management systems. And notably these systems have been designed to be scalable, suggesting little incremental cost to operate (much) larger portfolios, especially for SFR given its smaller portfolio. One example is SFR's "Smart Home Technology" platform which helps residents lower home heating and lighting costs by up to 15%, while providing ancillary revenue to the company; SFR charges tenants $18/month, well above its cost of $6/month and has so far signed up about half of its tenants (~15k residents times $12/month "spread" implies$180k/month, or $2.2M/year ($0.02/sh) of additional revenue) to SFR per year with lots of upside. Further, the "Smart Home" platform provides a digital platform for SFR to provide access to and management of the home, lowering turn times and operating costs. AMH meanwhile is in the process of rolling out its "in-house maintenance program", designed to enhance its ability to control home maintenance costs; the program was launched in 3Q16 and its benefits are "not likely to be realized for another 12-18 months", per management.

Looking ahead, we believe the single-family rental sector still has a long runway for acquisitions, with ~2.0M REO / foreclosed homes (see Exhibit 12) still remaining, the abundance of MLS / individual asset purchases offering consistent access through a reliable acquisition channel, and the highly fragmented nature of the industry that we see as ripe for consolidation and market share gain. As we lay out below, we also believe that the larger institutional players with strong operating platforms can generate sustainable high single-digit unlevered returns over the long-term, which we view as critical in attracting capital from large, institutional platforms, which should drive a slow, steady consolidation of the industry.

Single Family Rental REIT Investment Considerations

Single Family Rental REITs outperformed in 2016. Single-family rental REITs were a standout performer in 2016 (up 23% vs -1% for RMZ), narrowing the sector's valuation gap to its multifamily REIT cousins. A number of factors worked in the sector's favor, including concerns over deceleration in several of the larger real estate sectors (multifamily, retail, industrial), supply and tenant related concerns in several other real estate sectors (multifamily, health care), and rising interest rates.

Can they outperform again in 2017? We think 'yes.' Coming into 2017, this has been one of the most popular questions we've faced from investors; YTD, the single family rental REITs are up ~8%, while the RMZ is flat and multifamily REITs are down ~3%. We think "yes" the favorable combination of secular tailwinds (demographics, mortgage affordability / rising interest rates and mortgage "inaccessibility") support demand, coupled with an improving macro picture (job and household formation growth), supplemented by internal (cost efficiencies and pricing power) and external growth potential (industry consolidation); see detailed discussion below. With the stocks generally trading at discounts to NAV, we further re-rating potential.

On the asset side, we also see the potential for cap rate compression as the sector becomes more 'accepted", from margin expansion as it benefits from operating leverage (as revenue growth outpaces expense growth)

Below we outline key headwinds and tailwinds for the SFR sector, as well as assess valuation and key risks to the space.

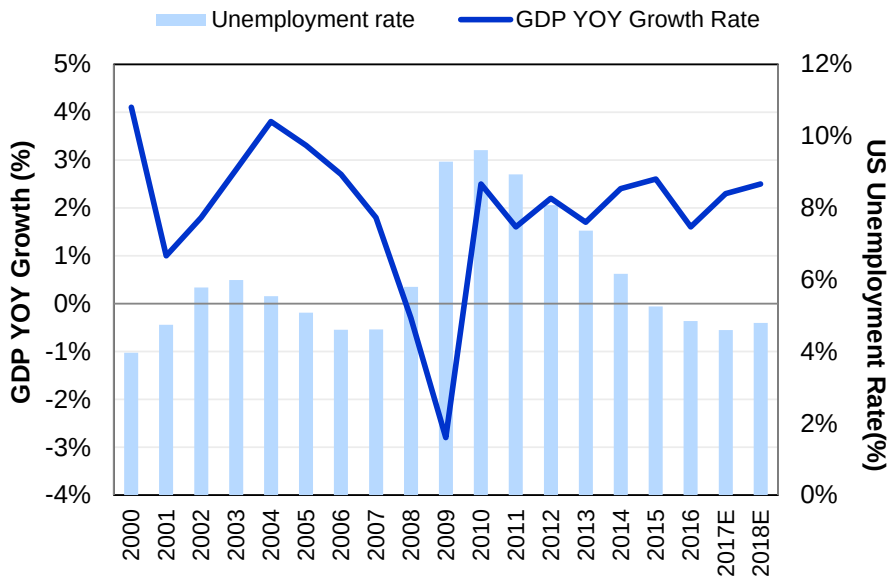
I. Numerous Demand Tailwinds

Growing Economy and Household Formations

The U.S. economy has continued its improvement trend, generating approximately 13M jobs from 2011through YE2015 over that time period, averaging 216k jobs per month and resulting in ~1.8% annual growth and reduction in the unemployment rate to ~5% from ~9%. Looking ahead, Mizuho Securities U.S. Economist Steve Ricchiuto expect the economy to continue to expand with expectations of +2.3% US GDP growth in 2017e and 2.5% for 2018e, driven by continued gains in employment, improved consumer sentiment and spending. Ricchiuto's economic forecast calls the unemployment rate to end 2017 and 2018 at 4.6% and 4.8%, respectively.

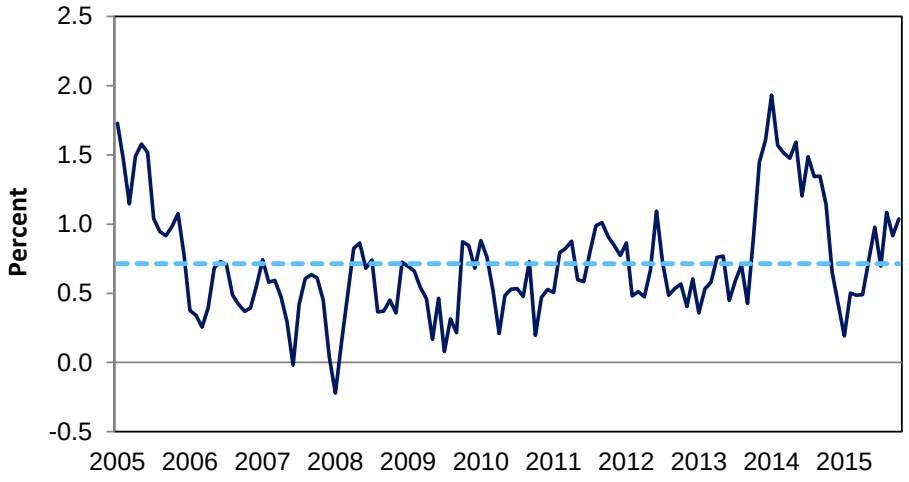
This relatively healthy economic outlook provides a solid base for household formations, the key driver of housing demand. Since 2010, household formations have grown by 8.3M households with another 4.8M households expected to be created from 2017-2020, per John Burns Real Estate Consulting (JBREC).

Exhibit 4: GDP & Unemployment Rate



Source: Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Mizuho Securities

Exhibit 5: Change in Number of Household (YOY %)

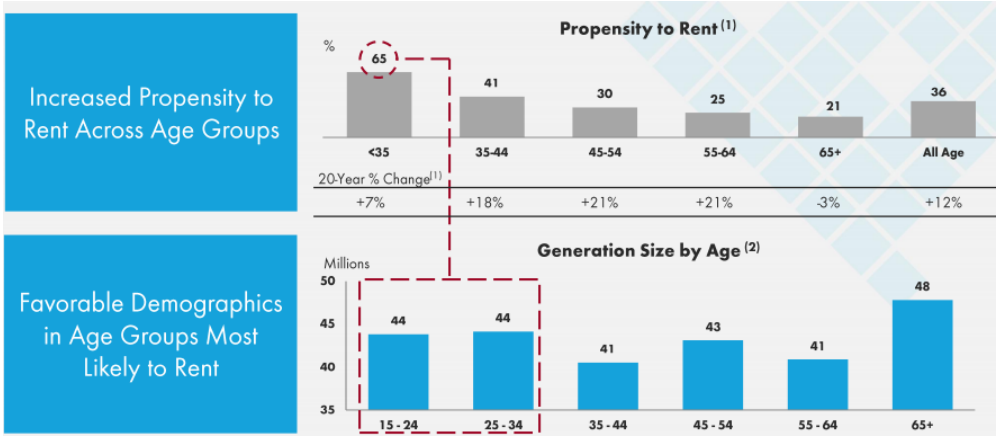


Source: U.S. Census Bureau, Mizuho Securities USA, Inc.

Demographics

Demographic trends provide another tailwind. Millennials (aged 20-34 years old), the largest generation from a headcount perspective, are entering the part of their life characterized by rapid household formation and is emerging as a significant source of demand in the housing market. Further, young adults (in this case, the Millennials have historically had the highest propensity to rent vs. own (65%+ propensity to rent), which should accrue disproportionately to the benefit of the multifamily sector, but also benefit single-family rentals.

Exhibit 6: Demographics Support Demand

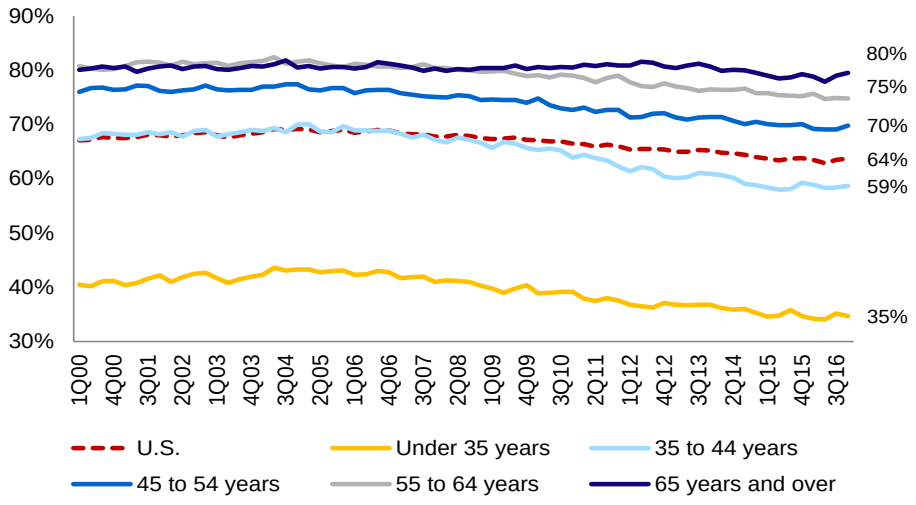


Source: SFR Company Presentation (November 2016), Mizuho Securities USA, Inc.
1. Based on % change from 1995 to 2015
2. U.S. Census Bureau projections

Declining Homeownership

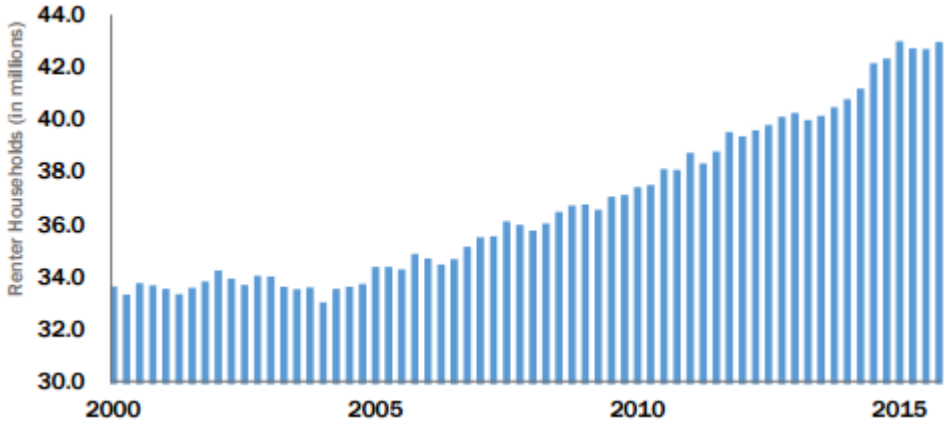
Homeownership declines. The U.S. homeownership rate has fallen over 500bps to 63.7% from its pre-recession peak of 69.2% in 2005 and now below trailing 25-year average of 65%. The decline implies growth of over 7M *new* renter households; every 1% decline creates 1-1.25M new renters. Initially the decline in the homeownership rate was driven by a spike in foreclosure activity, but more recently the rate has been influenced by the aforementioned demographic trends that favor renting, as well mortgage accessibility and other factors discussed below. That said, the rate of decline has slowed in recent quarters / years, suggesting the homeownership rate is close to finding equilibrium or a bottom. However, neither we, nor our Economist nor our clients expect meaningful near-term appreciation in the rate of homeownership given the numerous ownership headwinds.

Exhibit 7: Homeownership in Steady Decline Since Early 2000s



Source: U.S. Census Bureau, Mizuho Securities USA, Inc.

Exhibit 8: Renter Households Growing over Same Time Period



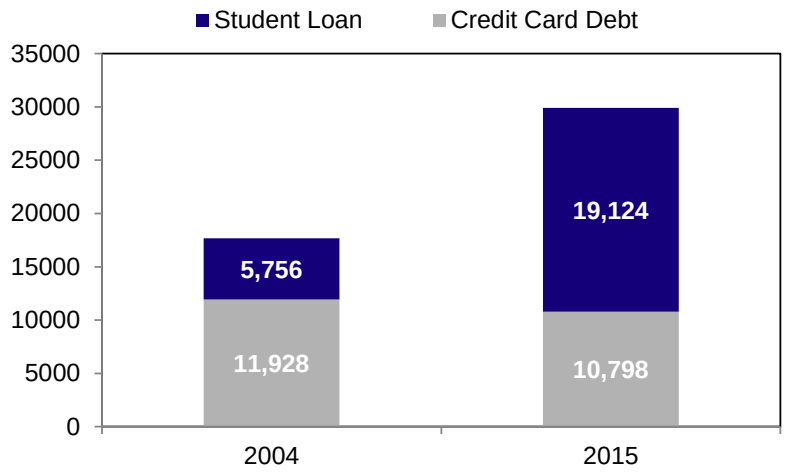
Source: AMH Company Presentation (November 2016), Mizuho Securities USA, Inc.

Rising Debt Burdens

The increasingly burdensome level of credit card and student loan debt of the emerging Millennial cohort is an unfortunate macro trend (forgive our idealism here) that should benefit demand for rental housing. While the average level of credit card debt per person has remained largely consistent with levels back in the early 2000s (~$11k), the average level of student debt per person has *grown by nearly 4x* to just

under $20k. This burden is notable as it makes the accumulation of a down payment for home purchase more difficult and impacts borrower credit scoring.

Exhibit 9: Debt Balance per Capita Increasing (25-34 Year Old)



Source: National Rental Home Council presentation (June 2016), Mizuho Securities USA, Inc.

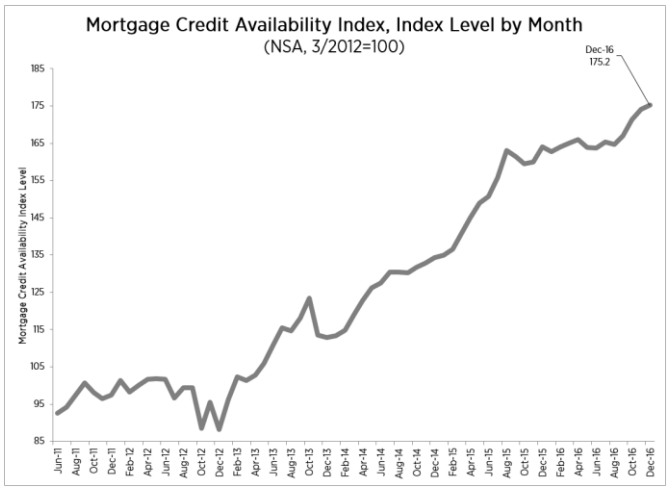
Mortgage "Inaccessibility"

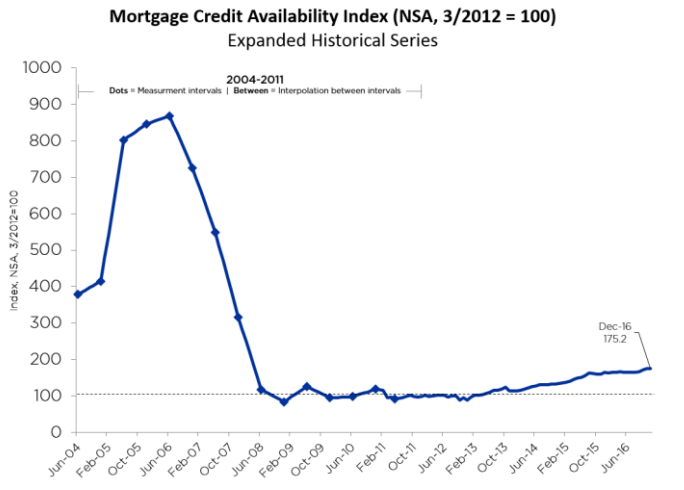
Mortgage availability is at post-recession highs, per the MBA's credit availability index, but remains well below pre-recession levels particularly at the low end of the credit spectrum, which also tends to be the lower end of the income spectrum (more likely to be renters). We see this is an unsurprising consequence of still–lingering overhang of mortgage litigation from the financial crisis on banks as well as being affected by regulatory changes in residential mortgage landing.

Looking ahead, rising home values, an improving economy, and still low interest rates *should* collectively lead to improved credit availability. However, mortgage credit loosening has proven elusive thus far and not likely to change materially near-term without meaningful changes in housing policy, a risk we highlighted earlier in our report.

For 2017, Fannie Mae forecasts sequential mortgage volume decline, with 2017 volumes expected to be ~$1.65 trillion, compared to 2016's $2.0 trillion and 2015's $1.75 trillion.

Exhibit 10: Mortgage Availability Rising But Only to a Fraction of Pre-Crisis Level





Source: Mortgage Bank Association, Mizuho Securities USA, Inc.

Rising Interest Rates

Rising interest rates (mortgage "unaffordability") should limit potential homebuyers' purchasing power (particularly lower income households) and restrict a number of households to rentership for longer. We also highlight that historically the health of the U.S. economy has had a greater impact on home values than changes in mortgage rates. This is because demand has historically been created by a growing economy (increased jobs, income and consumer confidence) which has historically offset the increased cost of housing caused by rising mortgage rates. Lastly, it is also important to note that while rising rates increase the cost of ownership, rising rates have not historically been linked to or been identified as the cause of home price declines, especially during periods of economic growth and rising incomes.

New Supply a Non-Factor

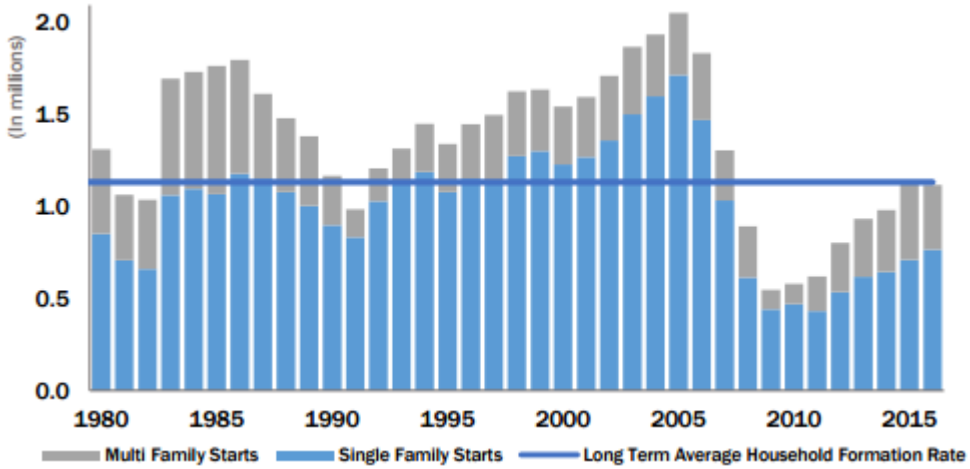
New housing supply has remained low since the onset of the housing crash in 2007 with an average of 0.8% of existing stock (~1M total housing units) added annually since 2007, ~40% below the ~1.5M average from 1980-2015, per the US Census. The decline in new home supply has been caused by a myriad of factors, on both the demand and supply side. These headwinds include limited debt / equity capital financing for new construction, rising interest rates and construction costs (land, labor, materials) and modest demand by historical standards.

Looking ahead, we see low supply risk as: 1) total new housing permits (single and multifamily) for the United States in 2016 is expected to total ~1.1 - 1.2M units, or ~1% of total households, a relatively healthy figure, and down from the long-term trailing average of 1.3% from 1980-2015, per the US Census Bureau data; and 2) with very little new ground up development, the majority of new single family rental

supply will reflect foreclosure conversions, whose pace has decelerated materially in recent years; see Exhibit 12.

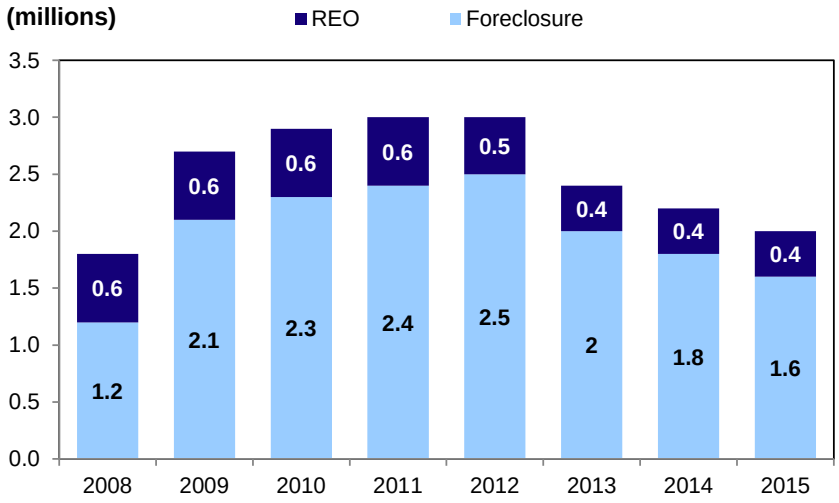
This muted new single family rental construction and normalized foreclosure / short sale volume offers a unique supply constraint among residential REIT sectors. And this limited growth in new single family rental inventory in conjunction with favorable demand drivers should create a meaningful opportunity for professionally managed platforms like AMH and SFR to gain share and improve operational efficiency over the next couple years.

Exhibit 11: Household Formations Outpacing New Housing Supply



Source: AMH Company Presentation (November 2016), Mizuho Securities USA, Inc.

Exhibit 12 Shadow Inventory Shrinking, But Still Sizable



Source: U.S. Census Bureau, Federal Reserve, Mizuho Securities USA, Inc.

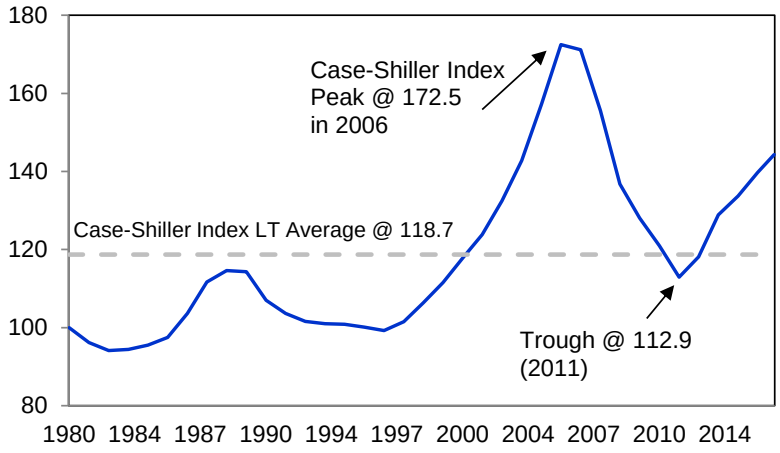
II. Attractive Asset Level IRRs

As an asset class, we think the single-family rental sector offers attractive asset-level total return potential. While skeptics point to initial net yields below the weighted average cost of capital (WACC), implying that institutional investors are destroying value, we believe investments in the asset class must be evaluated on a total return basis combining initial yield, home price appreciation (HPA) and rent growth / margin expansion, although we'd point out that HPA is expected to play a meaningful, though less important role in single family investment returns near-term given HPA deceleration. On a total return basis, we estimate an unlevered IRR of ~7% (11% levered) on a typical single-family rental home investment over a ten-year hold period; see Exhibits 14 through 16, which outlines a typical SFR investment and expected returns.

Home price appreciation (HPA) slowing but still a tailwind. Average U.S. single-family home prices fell >30% nationally, on average, from July 2006 to March 2012, per the Case-Shiller Index. While home prices have yet to fully recover from their peak to trough declines, they have rebounded ~28%, implying they are still ~20% below prior peaks.

While we do **not** expect home prices to recover to prior highs (as the levels were a bit exuberant / irrational), we do see a multi-year runway for more steady home price recovery along the lines of its long term inflationary trend. For instance, HPA averaged ~10% in 2013, slowing to ~5% in 2015, per Case-Shiller.

Exhibit 13: Home Values Continue Their Steady Recovery



Source: S&P Global, Mizuho Securities USA, Inc.

Margin expansion increasingly the driver of long-term returns. As HPA decelerates and reverts to its longer term growth profile (inflation + / - 1%), cash flow yields will become an increasingly important piece of the total return pie. And

while we continue to expect that asset level total returns will exceed WACCs in the long-run, with help from a bit of upside to margins. With long-term expectations of ~3% annual revenue growth and ~2% annual expense growth (which we believe is a bit conservative), we see average ~32 bps of margin expansion per year, which would drive economic NOI yields from 5.6% to 7.6% over the next ten years; see Exhibit 14 - 15.

Enhanced by lower cost of leverage. By our analysis, the public single-family rental REIT equity prices are trading below their NAVs (AMH is trading at / near NAV), implying equity capital is not the ideal source of funding for growth. That said, the dramatic improvement in the cost and availability of debt capital (e.g., securitization debt, the emergence of unsecured lines of credit and the recently announced news of Fannie Mae agreeing to guarantee the debt of an institutional owner of single-family rental homes) has enhanced the sector's return potential. We now estimate unlevered IRRs in the high-single digits (~7%), with levered returns in the low-teens (assuming 40% leverage), far surpassing returns available in other major real estate food groups. Further the lower cost of debt (~4% for securitizations and bank loans) helps institutions SFR investors offset the rise in home values. Said differently, the initial net yields (mid-5%) may not be that appealing in the absence of home price appreciation. But when those yields and HPA are combined and then levered, they result in a more appealing total return calculus.

Exhibit 14: Walking Through a Typical SFR Investment

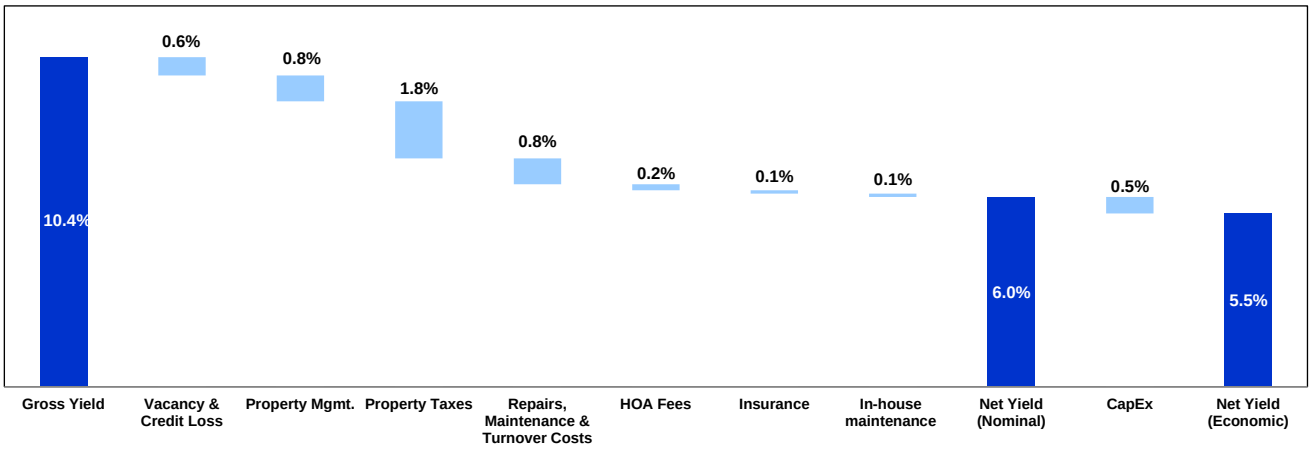
Invested Capital	Based on 2000 sq ft homes (3Br / 2Ba)	
Purchase		
Purchase Price	$159,948	$100 psf
Renovation		
Paint	$2,400	$1.2 psf
Floor	$2,800	$1.4 psf
Appliances	$1,800	Full Package
Landscaping	$1,500	Full Package
Cleaning	$500	$0.25 psf
General Repairs	$4,000	$2 psf
Total Renovation	$13,000	**8.1% of purchase price**
Total Investment	$172,948	$108 psf

Income / Cashflow (Per AMH 3Q16 Same-home Data)

	Montly	Annualy	
Revenue			
Gross Rent	$1,496	$17,952	10.4% of gross yield
Vacancy	($66)	($797)	4.4% of gross rent
Credit Loss	($16)	($195)	1.1% of gross rent
Effective Gross Rent	**$1,413**	**$16,959**	**94.5% of gross rent**
Expenses			
Property Management	($117)	($1,405)	7.8% of gross rent
Property Taxes	($259)	($3,111)	1.8% of investment
Repairs, Maintenance & Turnover	($118)	($1,414)	0.8% of investment
HOA Fees	($27)	($330)	0.2% of investment
Insurance	($15)	($176)	0.1% of investment
In-house maintenance	($2)	($184)	0.1% of investment
Total Expenses	($536)	($6,620)	**3.8% of investment**
NOI (Nominal)	$877	$10,339	**6.0% yield (nom.)** **57.6% margin (nom.)**
CapEx	($75)	($905)	0.5% of investment
NOI (Economic)	$801	$9,434	**5.5% net yield (econ.)** **52.5% margin (econ.)**

Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 15: ~10% Gross Yields (Unlevered) Result in ~5-6% NOI Yields (Economic)



Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 16: We Estimate a ~7% Unlevered IRR & ~11% Levered IRR Over a 10-year Hold Period

	Y_0	Y_1	Y_2	Y_3	Y_4	Y_5	Y_6	Y_7	Y_8	Y_9	Y_{10}	
Capital Invested	172,948	172,948	172,948	172,948	172,948	172,948	172,948	172,948	172,948	172,948	172,948	
Equity Invested	103,769	103,769	103,769	103,769	103,769	103,769	103,769	103,769	103,769	103,769	103,769	40% Leverage
Revenue												
Gross Rent		17,952	18,491	19,045	19,617	20,205	20,811	21,436	22,079	22,741	23,423	10.4% of Capital Invested; 3.0% CAGR
Gross Yield - Unlevered		10.4%	10.7%	11.0%	11.3%	11.7%	12.0%	12.4%	12.8%	13.1%	13.5%	
Gross Yield		17.3%	17.8%	18.4%	18.9%	19.5%	20.1%	20.7%	21.3%	21.9%	22.6%	
Vacancy & Credit Loss		(993)	(1,017)	(1,047)	(1,079)	(1,111)	(1,145)	(1,179)	(1,214)	(1,251)	(1,288)	5.5% of Gross Rent
Effective Gross Rent		16,959	17,474	17,998	18,538	19,094	19,667	20,257	20,864	21,490	22,135	
Expenses												
Property Mgmt.		(1,405)	(1,442)	(1,486)	(1,530)	(1,576)	(1,623)	(1,672)	(1,722)	(1,774)	(1,827)	7.8% of Gross Rent
Non-revenue Linked Expenses		(5,215)	(5,319)	(5,426)	(5,534)	(5,645)	(5,758)	(5,873)	(5,990)	(6,110)	(6,232)	3.0% of Capital Invested; 2.0% CAGR
Total Expenses		(6,620)	(6,761)	(6,911)	(7,064)	(7,221)	(7,381)	(7,545)	(7,712)	(7,884)	(8,059)	
NOI (Nominal)		10,339	10,712	11,087	11,474	11,873	12,286	12,712	13,152	13,606	14,076	
NOI Yield (Nominal)- Unlevered		6.0%	6.2%	6.4%	6.6%	6.9%	7.1%	7.4%	7.6%	7.9%	8.1%	
NOI Yield (Nominal)		10.0%	10.3%	10.7%	11.1%	11.4%	11.8%	12.3%	12.7%	13.1%	13.6%	
NOI Margin (Nominal)		57.6%	57.9%	58.2%	58.5%	58.8%	59.0%	59.3%	59.6%	59.8%	60.1%	
CapEx		(905)	(923)	(942)	(961)	(980)	(1,000)	(1,020)	(1,040)	(1,061)	(1,082)	2.0% CAGR
NOI (Economic)		9,434	9,789	10,145	10,513	10,893	11,286	11,692	12,112	12,546	12,994	
NOI Yield (Economic)- Unlevered		5.5%	5.7%	5.9%	6.1%	6.3%	6.5%	6.8%	7.0%	7.3%	7.5%	
NOI Yield (Economic)		9.1%	9.4%	9.8%	10.1%	10.5%	10.9%	11.3%	11.7%	12.1%	12.5%	
NOI Margin (Economic)		52.5%	52.9%	53.3%	53.6%	53.9%	54.2%	54.5%	54.9%	55.2%	55.5%	
Interest Expense		(2,767)	(2,767)	(2,767)	(2,767)	(2,767)	(2,767)	(2,767)	(2,767)	(2,767)	(2,767)	4.0% Interest Rate
Cash Flow after Interest Expense		6,666	7,022	7,378	7,746	8,126	8,519	8,925	9,345	9,779	10,227	
Cash Flow Yield		6.4%	6.8%	7.1%	7.5%	7.8%	8.2%	8.6%	9.0%	9.4%	9.9%	
Home Value	172,948	179,866	185,262	190,820	196,544	202,441	208,514	214,769	221,212	227,849	234,684	3.0% Long-term HPA
Home Price Appreciation		4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Equity Value of Homes	103,769	114,586	118,179	121,869	125,672	129,590	133,627	137,787	142,072	146,488	151,037	
Home Equity Value Appreciation		10.4%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	
Total Return on Investment		9.5%	8.4%	8.5%	8.5%	8.5%	8.6%	8.6%	8.6%	8.7%	8.7%	
Unlevered IRR	7.0%											
Levered IRR	10.8%											

Source: Company reports, Mizuho Securities USA, Inc.

III. Significant Acquisition Opportunity Remains

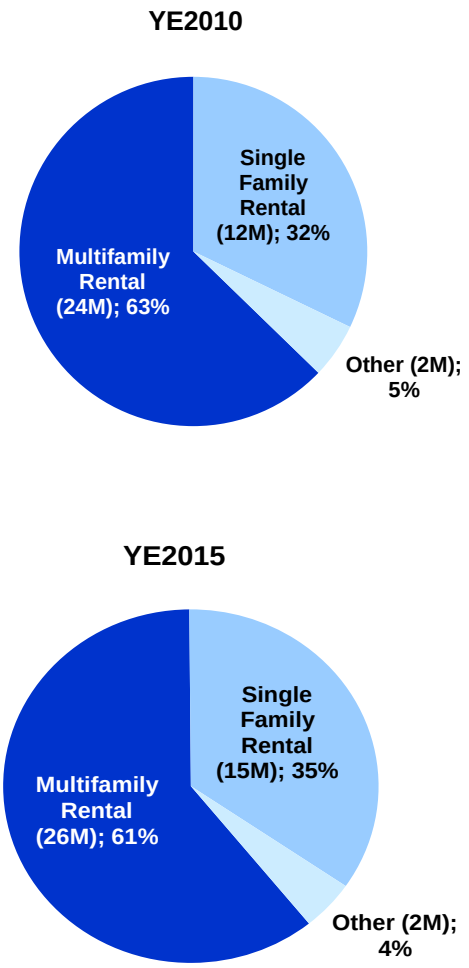
Sizable, Multi-channel Acquisition Opportunity

Unlike traditional real estate classes which rely on one source of acquisitions (an "open market"), single-family rental investors can access acquisitions through a number of sources including MLS (one asset at a time), portfolio acquisitions and access to bank-owned real estate owned (REO) and foreclosure assets. The sector also has access to acquisitions from select homebuilders (build to rent) and entity level transactions (consolidation / M&A).

As the level of distressed home inventory has shrunk considerably in recent years (due to HPA, bank loan modifications and foreclosure transactions), institutions have relied on more traditional acquisition channels, like MLS /one-off and small portfolio acquisitions. However, the opportunity to acquire distressed, REO assets remains available. Today we estimate there are still ~2M REO / foreclosed homes, down from 3.0M in 2012; see Exhibit 12.

As mentioned earlier, while the early buying activity focused on the southwest, or "sand states", the buying has migrated east through TX and FL and is migrating into more Southeast and Midwest states (given attractive going-in yields, but less HPA potential). We have also seen continued buying in select "judicial" states, where foreclosure proceedings can take up to two to three years (i.e., FL, NJ, NY). To be clear, the public SFRs have not made a push to buy into the Northeastern region of the country given higher home prices / less total return potential.

Exhibit 17: Single Family Rental Sector Has Gained Share Since 2010



Source: U.S. Census Bureau, Mizuho Securities USA, Inc.

Enhanced Internal Growth Potential

As touched on in "Attractive Asset Level IRRs", we think the key to generating attractive long-term returns is tied to margin expansion (both rent growth and expense cuts). While the operating margins of the public REITs have grown from low-50s to mid-60s in the past three years, we still see a meaningful opportunity for the larger institutional and public platforms to enhance internal growth by their improving margins and operating efficiency further; by comparison, single-family rental REITs averaged 61% NOI margins in 2016 vs 65% and 69% for multifamily and all REITs, respectively. While difficult to quantify, we think the opportunity to further improve margins and enhance efficiencies is real and includes: 1) Reducing turn times (less time between tenants); 2) Optimizing revenue, not focusing on

occupancy retention like smaller "mom & pop" operators; 3) Lowering personnel-related costs by bringing certain functions in-house and utilizing variable rate models to staff more efficiently; and 4) Leveraging their purchasing power to reduce insurance and cost of goods.

The upside potential of improved margins is meaningful; for instance, an operating margin improvement of 100 and 500bps would benefit AMH 2017 FFO / sh by $0.02/sh and $0.09/sh and SFR's by $0.03/sh and $0.17/sh, respectively.

IV. Valuation

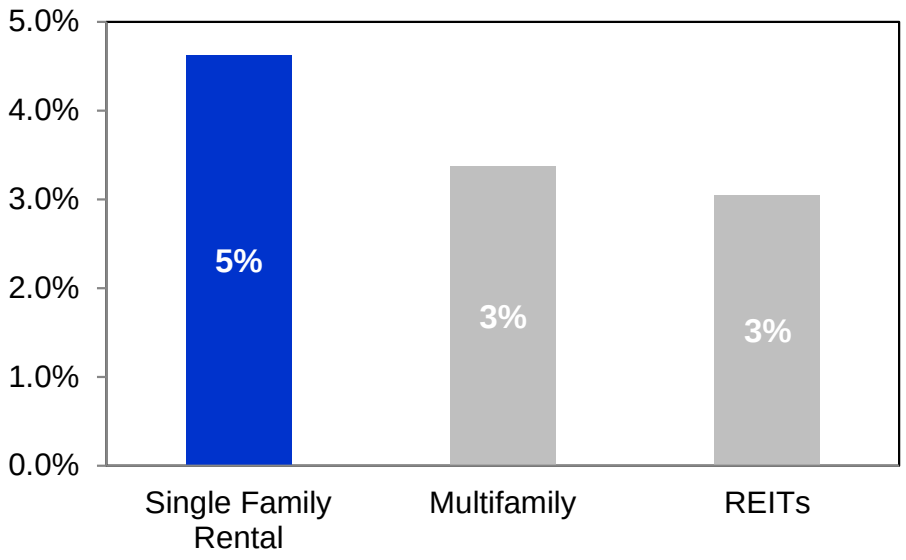
Single-family Rental REITs offer Value and Growth. We compared the Single-Family Rental REITs to Multifamily REITs and to all REITs on a wide range of fundamental and valuation factors, ranging from operating margins and near-term ssNOI growth to implied cap rates, FFO multiples and P/NAV. While the analysis is far from comprehensive, it does support our positive view that the sector screens well on a range of absolute and relative valuation measures vs the multifamily REITs (and vs all REITs).

(Data below for our coverage only)

- **Operating margins:** SFRRs 61% / Multifamily 68% / REITs 69%
- **2017e ssNOI Growth:** SFRRs 5% / Multifamily 3% / REITs 3%
- **2017e YOY FFO/sh growth:** SFRRs 14% / Multifamily 4% / REITs 5%
- **2017 FFO multiples:** SFRRs 19x / Multifamily 19x / REITs 17x
- **Implied cap rates:** SFRRs 5.4% / Multifamily 5.2% / REITs 6.5%
- **P/NAV:** SFRRs 92% / Multifamily 92% / REITs 96%

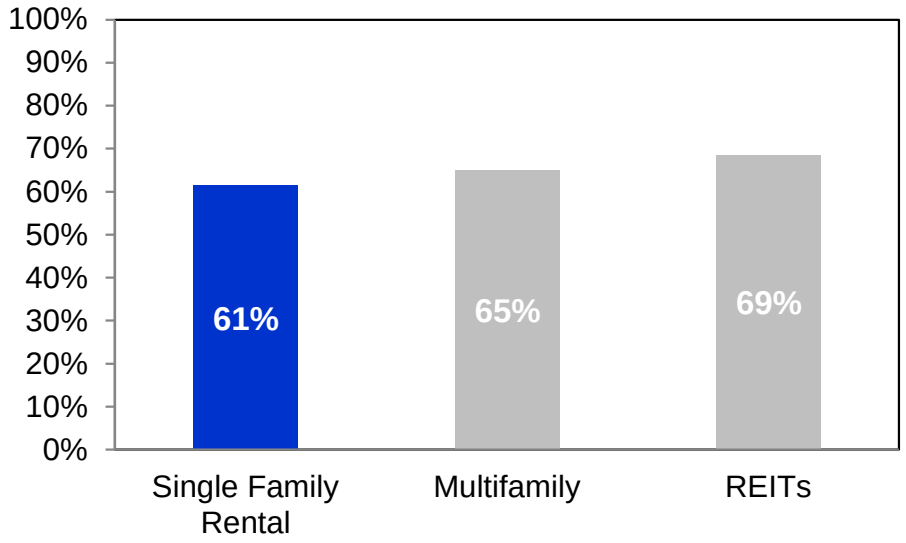
While we see a multi-year runway for the sector (demand, earnings growth, dividend growth) that should support the sector over the intermediate term (12-24 months), we do expect choppiness near-term given expected intermittent reminders of interest rate risk (as 10-year is expected to rise to 3% by mid-year, before settling back to low-to-mid 2% range by YE 2017, per the view of our U.S. Economist Steve Ricchiuto (see Global REITs: Weaker Together or Great Again?).

Exhibit 18: Single Family Rental REIT Should Lead in 2017e ssNOI…



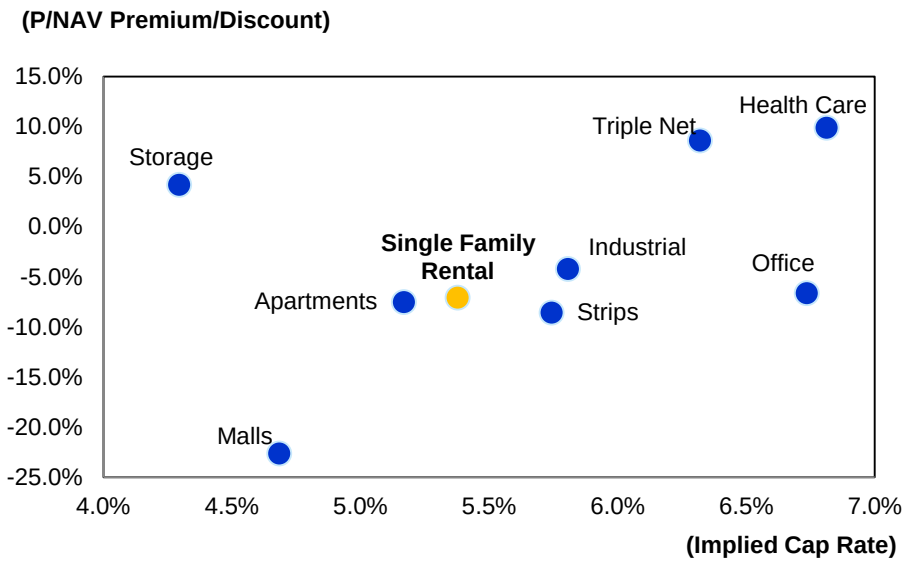
Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 19: …With Meaningful Margin Upside Potential (FY16A)



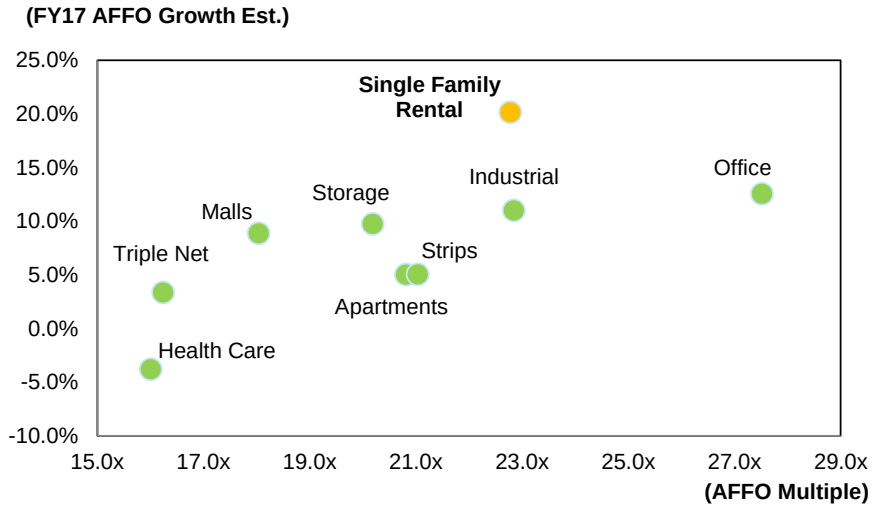
Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 20: Implied Cap Rates vs P/NAV



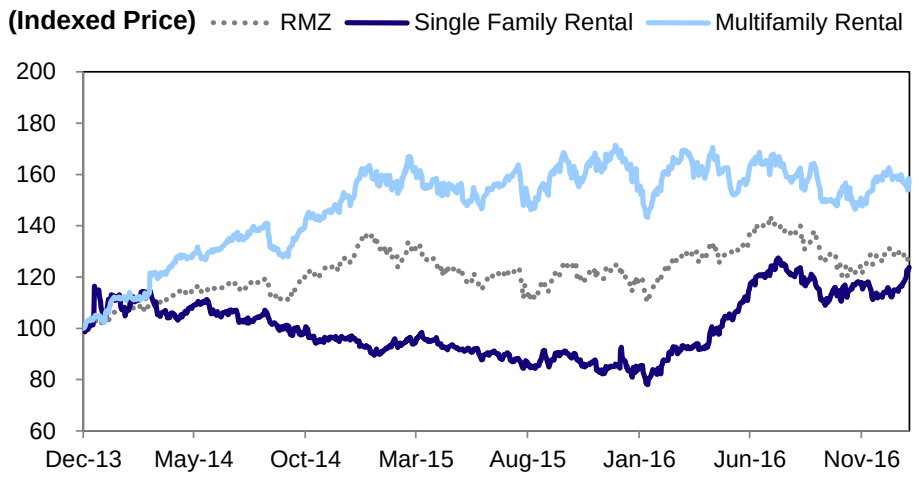
Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 21: 2017e AFFO/sh Growth vs AFFO Multiples ("PEG Ratio")



Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 22: SFRs Have Lagged Multifamily & RMZ Since Inception



Source: FactSet, SNL Financial, Mizuho Securities USA, Inc.

IV. Where We Could Be Wrong / Potential Risks

Despite our favorable view on the near-term supply demand dynamics of the sector, we think there are some potential risks worth monitoring. We outline a few of the more prominent ones below:

Homeownership Rebound?

One of the most prominent risks we hear from investors regarding the sector is over a potential rebound in the homeownership rate. We see this as a low risk given demographic and tight mortgage credit headwinds discussed earlier. We see a potential rebound in housing further limited by ownership headwinds outlined above including demographic trends, relatively weak wage growth in recent years, tough underwriting standards, as well as delayed major life events, the added burden of higher student debt loads and the psychological burden of potential buyers witnessing the housing crash. See "Declining Homeownership" discussion above for more detail.

Housing Policy Risk

Another prominent risk is housing policy risk, or more specifically, the potential for the Trump administration to implement some form of housing-related stimulus to spur homeownership demand (potential new policy initiatives aimed at improving mortgage credit availability). We see don't see this is as a significant near-term risk; our Economist believes this may be an avenue for the Trump administration to spur economic growth.

Invitation Homes IPO

We also see risk in the recent IPO (Feb 1, 2017) of Blackstone's large single-family rental platform, Invitation Homes (INVH), as a key risk. We think the INVH IPO will draw investor capital and attention to the space, but likely be a short-term drag on AMH and SFR given the size of the INVH platform. INVH sold 77M shares in its recent IPO, with Blackstone to retain a 70% ownership initially (implying retention of ~260M shares), and will likely methodically liquidate its investment over the next few years, as has been its recent playbook following its recent IPOs of Hilton Worldwide, Brixmor, La Quinta Inns & Suites and Extended Stay America. See "Company-Specific Commentary" below for more discussion of Invitation Homes.

The Great Cap-Ex Debate

Another risk is the uncertainty over the long-term costs of maintaining a home and keeping it "competitive", commonly referred to as capital expenditures (cap-ex). While we see upside to the sector's net yields on margin expansion, we acknowledge the risk that the public companies are underestimating maintenance and cap ex levels as institutional single family home rental investment is still in its relative infancy and has not yet been tested over a full operating cycle. As such, while yields may look solid in spreadsheets and in the limited couple of years that the "experienced" single-family operators have had, we may not know the true level of maintenance & cap ex required until year four and beyond as the early data on turnover suggests that the average tenant stays in the home for 3-4 years (70%-ish retention); recall that a lot of cap ex is "pulled forward" through upfront renovations after acquisitions, typically averaging ~10% of the purchase price of the home.

Macroeconomic / Geopolitical

Lastly, broader risks to our views include changes in either the macro-economic and geo-political backdrop, rising interest rates or market dislocation that may put demand rental and home values at risk. Industry-specific risks include tenant credit quality, new supply and increased competition for acquisitions.

VI. Company-Specific Commentary

We are initiating coverage of the single-family rental REITs with ratings and price targets as follows. Our two names, both Buy-rated, offer not only favorable relative valuations, but also compelling upside (+7% average).

- **American Homes 4 Rent (AMH: $23 PT: 2% upside to PT).** AMH was founded by Wayne Hughes, founder of Public Storage (PSA) and Public Store Business Parks (PSB), in 2012 and the company completed its IPO in August 2013. The company has completed several M&A combinations in its short history, including its acquisition of Beazer Pre-Owned Homes (~1,300 homes in August 2014), Ellington Homes (~900 homes in December 2014) and American Residential Properties (~9000 homes in March 2016). Today owns over 48k homes (in 22 states) with a value of ~$8B, making it the 2nd largest owner of single-family rental homes that we are aware of and a clear leader in the single-family home rental industry. Lastly, AMH is internally managed, pays a $0.20/sh annualized dividend and is 11.5% owned by management and insiders.

- **Colony Starwood Homes (SFR: $35 PT: 12% upside to PT).** Colony Starwood's path to the public markets was a bit more circuitous that AMH's, starting with a stand-alone potential IPO for Colony America Homes (founded by Colony Capital and legendary investor Tom Barrack) that was pulled in the spring of 2013 due to market conditions (in the aftermath of Ben Bernanke's famous "tapering" commentary). Colony American Homes then proceeded alone for the next few years before completing its merger with Starwood Waypoint Residential Trust in January 2016, which also provided SFR's entry to the public market; for its part, Starwood's (founded by legendary investor Barry Sternlicht) history included a 2013 merger with Waypoint Homes. Today, SFR owns over 31k homes and is the third-largest single-family rental REIT and the third-largest institutional owner that we are aware of. Lastly, SFR is internally managed, pays a $0.88/sh annualized dividend and is 16.5% owned by management and insiders. Colony Capital also owns ~15% of SFR's outstanding shares.

Exhibit 23: Public Single Family Rental REITs Side by Side Comparison

	AMH	SFR	SBY	INVH
Homes Owned	48,153	31,010	8,837	48,431
Top Markets*	Dallas (9%) Atlanta (8%) Houston (7%)	Atlanta (18%) Miami (12%) Tampa (12%)	Atlanta (18%) Phoenix (12%) Tampa (12%)	Atlanta (16%) Phoenix (12%) South Florida (12%)
Current Occupancy	94.4%	93.7%	96.8%	94.6%
Stabilized Occupancy	94.8%	95.4%	97.0%	96.1%
Avg. Investment/Home	$171,382	$189,199	$134,655	$204,000
Avg.Monthly Rent	$1,496	$1,536	$1,202	$1,623
Avg. Sqft	1,959	1,831	1,645	1,850
Avg Age of Home	13.5	28	26.6	n/a
Management Structure	Internal	Internal	Internal	Internal

* % of Number of Homes

Source: Company Data, Mizuho Securities USA, Inc.

Before turning to our company specific comments (later in this section), we wanted to share some high level thoughts on select key items affecting our thinking on the two stocks, the industry, and our ratings. We also encourage you to see pp 44 – 47 for individual single-family rental REIT snapshots, providing key financial and operating measures for each company.

General portfolio comments: AMH and SFR (as well the recently IPO's Invitation Homes) own good quality, generally newer homes across the country concentrated in stronger economic MSAs, particularly in the Sunbelt. These MSAs tend to have better population, household formation and employment growth and also characterized by lower levels of new home construction; See Exhibit 24. As a result, these markets have and ***should*** continue to outperform the broader U.S. housing and rental market in rent growth and home price appreciation. As measured by the October 2016 Case-Shiller Index, national HPA has averaged ~3% YTD, compared to ~5% for FY2015 and ~4% for FY2014. HPA growth in the Sunbelt states, where the vast majority of SFRR portfolios are concentrated has remained well ahead of national averages in recent years, a trend we expect to continue. Further, within the target markets (where their portfolios are concentrated), AMH and SFR have employed rigorous underwriting criteria and focused on highly desirable in-fill locations with multiple demand drivers, such as proximity to major employment centers, attractive schools and transportation corridors. As a result, demand (less downtime, less turnover), pricing power and margins for AMH and SFR's assets should be better than peer averages over the longer-term.

Specific Invitation Homes comments: Although this initiation piece offers no specific investment view on Blackstone's recent IPO (2/1/17) of its single-family rental platform, Invitation Homes, we wanted to take this moment to offer a few comments on the INVH management team and portfolio, given our familiarity with the SFRR sector and the INVH platform specifically.

- **First**, we view INVH as an advantaged operator with an internally-managed platform (preferred structure) benefitting from economies of scale as the largest identified owner of single family homes in the U.S., with a portfolio of 48k homes concentrated in 13 markets (vs AMH's 48k homes in 28 markets and SFR's 31k in 18 markets).
- **Second**, INVH has an experienced management team, led by CEO John Bartling (ex CEO of Walden Residential and CFO Ernest Freedman (ex CFO of AIMCO), who are both familiar to REIT investors.
- **Third**, INVH's portfolio is stabilized, with margins and operating metrics similar to AMH and SFR.
- **Lastly**, we think INVH will be a real and perceptual benefit for the SFR sector drawing additional attention and investors to the space and creating additional liquidity for institutional investors. That said, we do see the potential risk of INVH being a short-term "drag", but a long-term positive for the space. In the short-run, INVH likely acts as a drag on the SFRR sector, drawing capital away from the existing public companies, especially the larger, more liquid single-family rental REITs (AMH / SFR). Longer-term, having a third, large, liquid name in the space with the Blackstone "stamp of approval" should draw additional attention, capital and liquidity to the sector and be a net positive.

1. Views from 35,000 Feet

Transitioning the report now to the companies, we specifically chose the AMH and SFR as the single-family rental REITs we wanted to cover first as we see them as being established leaders in the market (along with Invitation Homes) and long-term winners in the single-family rental landscape. We view both platforms as sufficiently sized / scaled at 48k and 31k homes, respectively, with formidable operating platforms (allowing for efficient operations and ability to add more assets in the growth) and led by capable, competent management teams. AMH is the larger of the two and sports a less levered, more liquid balance sheet while many (including us) give SFR the edge on technology / operations (not their higher margins and fully-rolled out operating system), while both have relatively similar market concentration (# of homes in target markets), which positively benefit operating margins; we do note that SFR has a higher percentage of its homes in its top 10 markets, giving it a slight leg up. While the equity markets have given a clear valuation edge to AMH (we think because of its stronger balance sheet and ability to fund growth), both stocks offer investors a good way for investors to enjoy the favorable secular demand tailwinds expected to benefit the sector for the next several years.

Using a shared set of seven considerations (below), we provide supportive company specific commentary to our earlier macro and industry level analysis in a head-to-head forma. Our initial "35k foot" view is followed by a comparative discussion of portfolios / markets, organic growth factors, external growth strategies, and financial considerations, including dividends, balance sheets, earnings forecasts and valuation. We then present our single-family rental industry thesis, company specific reports and models, as well as 2-page company snapshots highlighting key portfolio and balance sheet attributes of each company.

2. *Portfolio*

Both AMH and SFR have refined their portfolios in recent years, winnowing down the number of markets they operate in and weeding out homes that don't fit their long-term portfolio profile. As of this writing, AMH owns 48k homes in 28 markets (~1.7k / market), while SFR owns 31k in 18 markets (~1.7k / market). This local density and scale allow for greater operational efficiency and local market insights. Unsurprisingly, the list of markets that each company has chosen to focus on is largely concentrated within the Sunbelt region of the US, a region that saw the most significant declines in home values. In addition, the Sunbelt has also historically enjoyed above-average population and job growth. Looking ahead, the region is expected to outpace the U.S. average through 2020. Lastly, the Sunbelt contains a sizeable sample set of homes that fit the SFR investment "sweet spot" ($150-250k), where the dollar value of homes is lower and investment returns are higher than higher barrier, higher cost coastal markets.

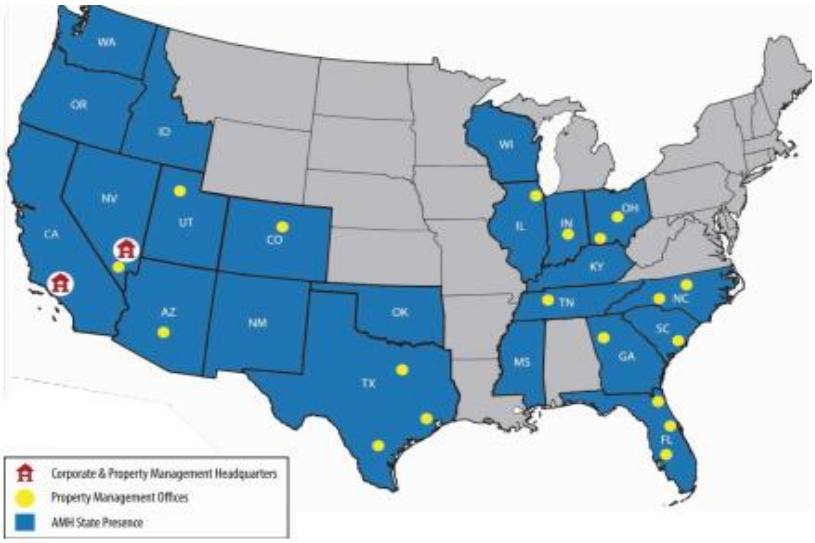
Exhibit 24: Favorable Job and Household Growth Forecasts for AMH & SFR's Markets

Market	AMH	SFR	Employment Growth		Household Growth	
	% of Total Homes	% of Total Homes	'11-'15 % CAGR	'16F-'18F % CAGR	'11-'15 % CAGR	'16F-'18F % CAGR
Southern California	na	9.1%	2.5%	1.4%	0.6%	1.0%
Northern California	na	3.2%	2.5%	1.5%	0.9%	1.6%
Phoenix	5.9%	4.5%	2.7%	2.0%	1.7%	2.6%
Las Vegas	2.2%	5.6%	3.2%	1.9%	1.6%	2.9%
South Florida	na	12.1%	2.9%	1.3%	1.1%	1.9%
Tampa	3.7%	12.1%	2.7%	2.0%	1.1%	1.9%
Orlando	3.3%	6.3%	3.6%	2.7%	2.1%	2.9%
Jacksonville	3.5%	na	2.5%	1.9%	1.4%	2.3%
Atlanta	8.4%	18.2%	2.8%	1.6%	1.3%	2.1%
Charlotte	6.0%	2.9%	3.1%	1.6%	1.6%	2.3%
Chicago	4.4%	2.6%	1.7%	1.0%	0.0%	0.3%
Sub-total	**37.4%**	**76.6%**				
AMH Average			2.8%	1.8%	1.3%	2.1%
SFR Average			2.8%	1.7%	1.2%	2.0%
United States Average			1.8%	1.0%	0.6%	1.0%

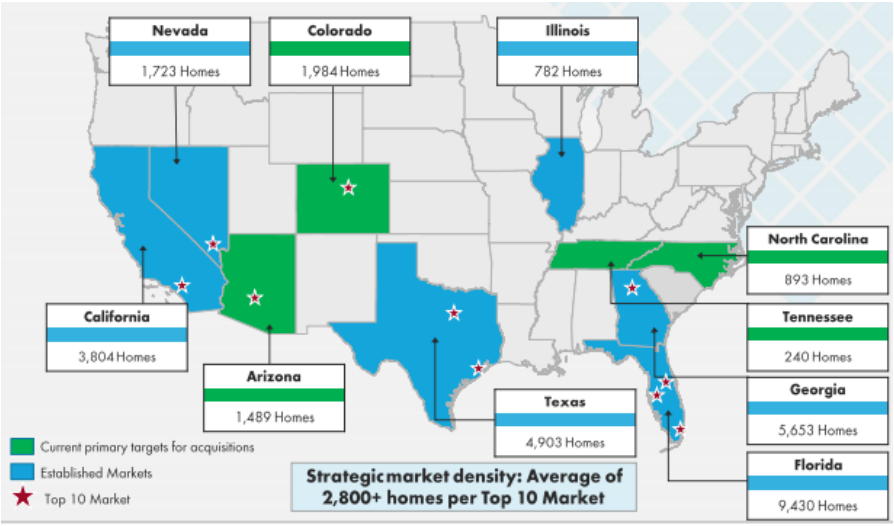
Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 25: Similar Footprints, but SFR More "Concentrated"

American Homes 4 Rent (AMH)



Colony Starwood Homes (SFR)



Top Markets - AMH	% of Total Homes
Dallas-Fort Worth, TX	9.3%
Atlanta, GA	8.4%
Houston, TX	6.7%
Indianapolis, IN	6.2%
Phoenix, AZ	5.9%
Charlotte, NC	6.0%
Nashville, TN	5.1%
Greater Chicago area, IL and IN	4.4%
Cincinnati, OH	4.2%
Raleigh, NC	3.9%
Top 10 Markets - Total	**60.1%**

Top Markets - SFR	% of Total Homes
Atlanta	18.2%
Tampa	12.1%
Miami	12.1%
Southern California	9.1%
Houston	8.9%
Dallas	6.7%
Denver	6.5%
Orlando	6.3%
Las Vegas	5.6%
Phoenix	4.5%
Top 10 Markets - Total	**90.0%**

Source: Company reports, Mizuho Securities USA, Inc.

3. Organic Growth / Operating History

The single-family rental REITs, including AMH and SFR, have increased their operating margins from low-50s to mid-60s in just a handful of years, as occupancies have grown and operating efficiencies enhanced. Despite this, we think there is still a bit more upside (hard to quantify specifically) and believe that improvements in platform management software, repairs / maintenance, turnover costs and cap ex will be the key drivers of margin improvement and point to a similar improvement / evolution that played out in the multifamily REIT sector over the past couple decades, as that sector became more institutionalized and benefitted from technological advancements, including revenue management.

We also see margin benefits as both AMH and SFR selectively prune their portfolios of assets that do not meet their strategic objectives or quality standards, suggesting they are lower growth / lower margin assets. For example, AMH's non-core homes (sales candidates) operated at 57% margins in 3Q16 vs 61% for the entire company). For SFR, non-core asset margins are comparable to margins for the entire company (~65%).

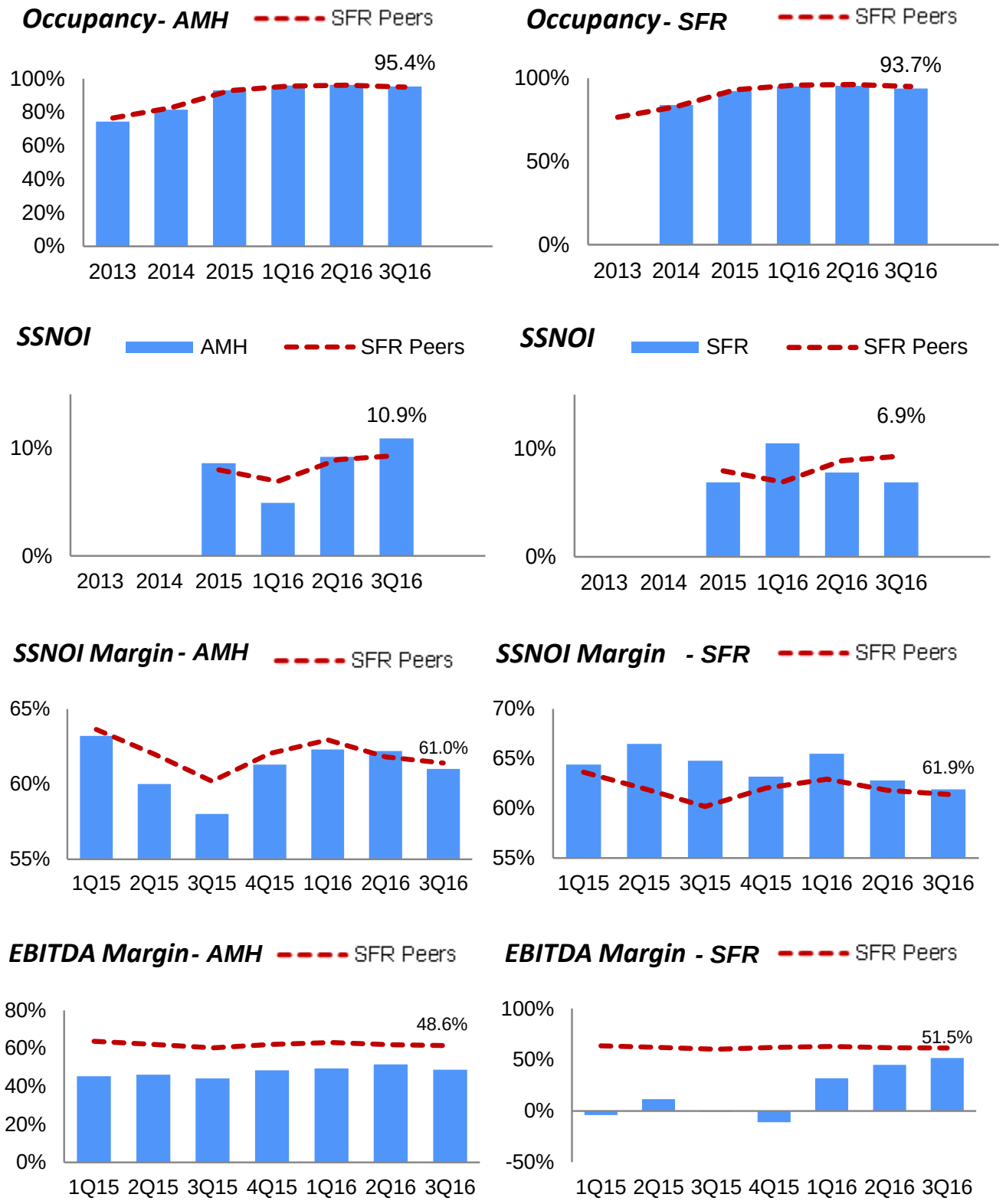
On the revenue side, we see upside potential upside as institutional investors "optimize" revenue, not just focus on occupancy like "mom and pops". We also expect lower turnover given single-family rental tenancies of ~3-4 years, supported by recent results from public single-family rental REITs, (compared to the historical average of ~ 2 years for multifamily). Key drivers of this higher retention include larger residence size / quality and tenant demographics (families with children).

Looking at recent results, AMH produced a 10.9% ssNOI in 3Q16 and 8.3% for the first nine months of 2016. For 2016, the company has previously discussed a 65% margin expectation for FY16.

SFR has generated more robust ssNOI growth of late, with 6.9% 3Q16 and 9.9% for the first nine months of 2016. For 2016, the company has previously discussed a 63.5% margin expectation for FY16. SFR management has previously articulated its expectation of a 65% ssNOI margin for 2017.

The upside potential of improved margins is meaningful, in our view. For instance, an operating margin improvement of 100 and 500bps would benefit AMH 2017 FFO / sh by $0.02/sh and $0.09/sh and SFR's by $0.03/sh and $0.17/sh, respectively.

Exhibit 26: Historical Occupancy and ssNOI Growth



Source: Company reports, Mizuho Securities USA, Inc.

4. Acquisitions

Both AMH and SFR have grown dramatically in recent years, utilizing the full scope of acquisition channels available to them – MLS (single-home), auctions, portfolio acquisitions, as well as entity level / M&A transactions. At current writing, AMH is ~50% larger than SFR with 48,153 total homes vs SFR's 31,101.

AMH's M&A history includes the acquisition of Beazer Pre-Owned Homes (~1,300 homes in August 2014), Ellington Homes (~900 homes in December 2014) and American Residential Properties (~9k homes in March 2016). SFR has also gone through several, entity-level transactions, starting with the merger of Starwood and Waypoint Homes in November 2013 (creating Starwood-Waypoint Homes, or "SWAY"). SWAY then merged with Colony Capital's single-family rental platform (Colony American Homes, or "CAHS") in January 2016 to form Colony Starwood Homes.

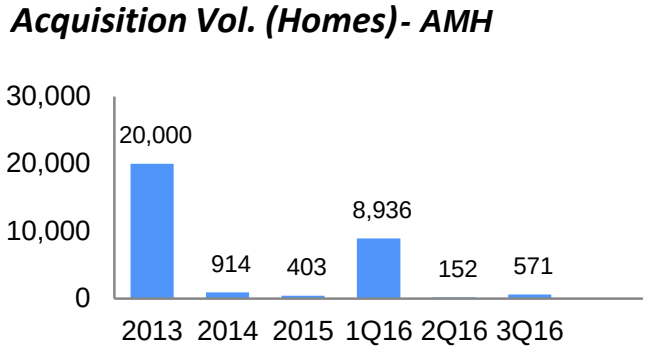
Looking ahead, we expect acquisitions for both companies to slow from their pace in recent years as they focus on optimizing their respective operating platforms. That said, we see AMH as being in a greater position to acquire larger portfolios today given its superior on-hand liquidity ($681M vs SFR's $612M) and lower levered balance sheet (6.5x debt / EBITDA vs SFR's 12.9x). That said, we do not rule out further M&A for SFR, despite its fewer liquidity options, and see its January 2016 merger of the Colony and Starwood single family rental platforms in a deal that saw each company value its respective portfolio (not based on public stock pricing) as a mechanism to adjust for public vs private market discrepancies.

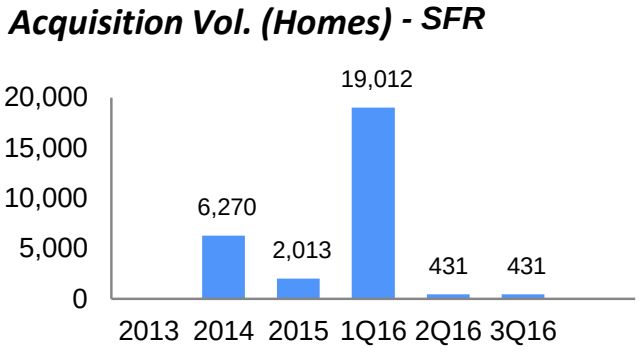
For 2017, we have the following acquisition assumptions (below). We caveat, however, that these forecasts are based in large part on each company's recent activity - and obviously past activity / behavior is just a guide. We also note that both companies are set to report 4Q16 earnings, which will include management 2017 guidance / outlooks. As such, our estimates are subject to change in the very near future, though we don't suspect by a lot. Lastly, we also caveat that M&A (large or small) is notoriously difficult to predict and our estimates to not assume any such activity, though we see a rife opportunity for consolidation within the space and for both AMH and SFR to play a key role in that consolidation.

- **AMH**: $320M, or ~ 2k homes, at 9.5% gross / 5.3% net yields
- **SFR**: $300M, or ~1.6k homes, at 9.5% gross / 5.3% net yields

For more detail, please see Exhibits 27 for each company's historical acquisition, as well as Exhibit 3 for the single-family rental sector's timeline.

Exhibit 27: Acquisition History





Source: Company reports, Mizuho Securities USA, Inc.

5. Dividends

Below we outline key common dividend statistics for each company. Note that neither company paid a dividend initially given the leakage of their operating models; recall that buying empty homes takes up to 3-4 months to renovate, re-tenant and eventual rental payment. AMH initiated its dividend in 2013, while SFR's was initiated in 2014. On its face, SFR has the advantage not only in dividend amount and/ yield, but perhaps also in its ability to attract more yield focused investors in the REIT arena. That said, some may see AMH's lower payout level and lower payout ratio as an advantage in retaining more capital to fund external growth.

Exhibit 28: Dividend Metrics

	AMH	SFR
Annualized Dividend	$0.20	$0.88
Dividend Yield	0.9%	3.1%
FY17 AFFO Payout Ratio	21.0%	62.1%
CAGR Since Inception	0%	21%

Source: Company reports, Mizuho Securities USA, Inc.

6. Balance Sheet

Assessing the leverage and liquidity of each name points to a clear advantage to AMH with debt / EBITDA of 6.6x vs SFR's >12x; SFR management has indicated it expects to reduce debt / EBITDA to ~10x by YE17 (primarily via organic EBITDA growth) and a long-term goal of 6-8x, in line with its investment grade goals. We would also not be surprised to see SFR issue equity specifically to de-lever or indirectly by "over-equitizing" a potential acquisition. By comparison, multifamily REITs debt / EBITDA averages 5.5x, while the REIT sector overall averages 5.4x. On the liquidity side, AMH currently has $681M of cash and line of credit availability, while SFR has $612M.

Neither company has achieved an investment grade rating, given their brief histories as public entities. While investment grade was not a priority for either company a year or two ago, we do think it has become a "top of the agenda" item today. AMH has a clear edge in this race and we think the company's metrics (mid-6x debt / EBITDA for instance) put it in the right zip code and, as such, we would not be surprised if AMH achieved the investment grade status this year or in 1H18.

That said, the lack of investment grade credit rating has not prevented the public companies from benefitting from newer and more advantageous sources of capital in recent years, including securitization financing (Dec 2013) and more recently unsecured lines of credit (Nov 2016) and government-sponsored entity (GSE) guaranteed debt (Jan 2016).

Exhibit 29: Key Balance Sheet Metrics

	AMH	SFR
Total Debt ($M, as of 3Q16)	2,927	3,684
Debt-to-EBITDA	6.6x	12.9x
EBITDA Fixed Charge Coverage Ratio	2.5x	1.9x
Debt&Pref-to-Total Mkt Cap	39%	52%
Variable Rate Debt (% of total debt)	26%	36%
Secured Debt (% of total debt)	89%	88%

Source: Company reports, Mizuho Securities USA, Inc.

7. Models and Estimates

Below we provide snapshots of our NAV models (see company snapshots, pp 44 – 47), as well as earnings forecast models for both AMH and SFR.

Back to our models and estimates, they generally follow the forecasts provided by management during the 3Q16 earnings season; see Exhibit 1 for a summary of our earnings estimates and Exhibits 30 - 33 for the models themselves. For our NAV estimates, we apply 5.25% nominal NOI cap rates for both AMH and SFR. We view these as representative of where institutional acquisitions of single-family rental assets are trading and represent a 25 – 55bp spread to the cap rates applied to our multifamily REITs under coverage Camden Property Trust (CPT: Neutral: $86 PT) and Mid-America Multifamily Communities (MAA; Neutral: $94 PT), both covered by Rich Anderson. We chose CPT and MAA because we see them as the most relevant multifamily REITs for comparative purposes given their predominantly Sunbelt footprints, which is where approximately 2/3 of single-family footprints are concentrated.

We also understand a thesis can be made to suggest lower cap rate assumptions, but we impart some conservatism in our approach given the nascent nature of the public single family rental REIT sector and to avoid "chasing" cap rates off of the last high-

profile transaction. That said, we do believe there could be upside to consensus and our NAV estimates in the future, particularly as greater operating efficiencies, revenue optimization and potential cap rate compression as the sector gains greater institutional acceptance.

8. Valuation

Finally, as we mentioned earlier, the valuation of the sector is attractive on an absolute basis and trades at comparable valuation to the multifamily REITs and the REIT sector overall, despite far greater near-term growth. We provide several valuation and growth details for the group in Exhibit 1, which helps assess and quantify this risk. Of the two names, we see better relative value in SFR, likely reflecting its higher leverage. See Exhibit 1 (pp 4) for relative value of AMH and SFR to the single-family rental sector, including its single-family rental REIT peers AltiSource (RESI: NR), Invitation Homes (INVH: NR) and Silver Bay (SBY: NR), as well as the multifamily REIT sector.

- **AFFO (Cash Flow) multiples:** At an average 2017 AFFO multiple of 22.6x, the single-family rental REITs trades at a "2 turns" premium to multifamily REITs and "3 turns" premium to all REITs; keep in mind, there is still leakage and inefficiencies in the model, suggesting the relative multiple differential should narrow as we move forward; for instance, the AFFO multiple differential between single family rental REITs 2016 AFFO and multifamily is "4 turns" and "7 turns" to all REITs, respectively. Specifically, AMH trades at 24x 2017e AFFO, while SFR trades at 22x, compared to the single-family rental sector average of 23x and all REITs 20x.
- **NAV Premiums / Discounts:** We think the multiple rental related tailwinds will continue to benefit the single-family rental REITs for the next couple years, supporting near-term ssNOI and earnings growth. In fact, we see the sector leading all major REIT sectors in terms of 2017 ssNOI growth and earnings growth; see Exhibit 18 & Exhibit 21. That said, the sector continues to trade at a discount to NAV, for reasons including its relative infancy and ongoing skepticism over the efficiencies of the business model. As such, we do not apply a premium or discount to either name, instead **believe that NAV parity is a fair and reasonable expectation for the time being**. AMH trades near NAV parity (103% P/NAV), while SFR trades at a larger spread to NAV (85% P/NAV)
- **Implied cap rates:** AMH and SFR trade at 5.2% and 5.7% implied cap rates (Exhibit 1), compared to 5.2% for the multifamily REIT sector (6.3% for CPT and 6.2% for MAA specifically).
- **Dividends:** SFR offers a more compelling 3% dividend vs AMH's 1%. Both dividends are well covered by 2017 AFFO, with respective coverage ratios of 21% and 62%. We see relatively limited upside for each company's dividend as the prior today for internally generated FCF is growth (and also debt reduction for SFR).

- **Trading liquidity:** Of the two, AMH is the more liquid trading 2.3m shares per day (~$45M of value based on AMH's recent stock price), an important consideration for larger institutional investors. SFR trades approximately 934k shares per day (~$26M of value).

9. More Disclosure, Please

Before we sign off, we wanted to acknowledge that for a sector still in its relative infancy in the public realm, we have been encouraged by the improved disclosure in the single-family rental sector over the past couple years, starting with AMH issuing the first detailed supplemental schedule in 1Q14. That said, we continue to think that public company disclosure can be further improved and brought much closer to their multifamily REIT "cousins," a popular response from the group of prominent REIT investors we polled recently on their opinion of single family rental REIT disclosure. See below for a small sample set of the responses we received:

- "Better capex disclosure, better info on property locations, better historical operating trends. Hard to know how these do through a cycle because no operating history."
- "It'd be helpful if there was some consistency in how they break out property management expenses, bad debt, property operating expenses, and real estate taxes. Some of these get lumped together in different ways. Also YoY revenue growth by market."
- "Want to see more…same disclosure as multifamily…"
- "Capex, capitalized interest and property management expenses. The companies should normalize the process to better compare".

Exhibit 30: American Homes 4 Rent (AMH) – Earnings Model

Income Statement (000s except per share data)	2013A	2014A	2015A	1Q16A	2Q16A	3Q16A	4Q16E	2016E	1Q17E	2Q17E	3Q17E	4Q17E	2017E	1Q18E	2Q18E	3Q18E	4Q18E	2018E
Rental Revenue																		
Rents from single-family properties	**132,722**	**376,385**	**559,719**	167,995	193,491	197,137	200,301	758,924	204,883	208,770	212,662	216,600	842,916	220,583	224,000	226,207	228,436	899,227
Fees from single-family properties	**3,639**	**5,968**	**7,646**	2,197	2,724	2,898	2,583	10,402	2,679	2,939	3,126	2,793	11,537	2,885	3,154	3,325	2,945	12,309
Tenant charge-backs	**1,588**	**14,931**	**56,546**	21,016	20,253	30,808	28,042	100,119	22,537	21,852	33,234	30,324	107,948	24,264	23,446	35,351	31,981	115,043
Total Rental Revenue	**137,949**	**397,284**	**623,911**	**191,208**	**216,468**	**230,843**	**230,926**	**869,445**	**230,100**	**233,561**	**249,023**	**249,717**	**962,401**	**247,732**	**250,600**	**264,884**	**263,363**	**1,026,579**
Total Operating Expenses	**(73,752)**	**(188,373)**	**(293,239)**	**(85,001)**	**(95,585)**	**(110,412)**	**(102,338)**	**(393,336)**	**(95,739)**	**(100,727)**	**(117,181)**	**(108,735)**	**(422,381)**	**(101,346)**	**(106,137)**	**(122,766)**	**(113,245)**	**(443,494)**
Net Operating Income (Core)	**64,197**	**208,911**	**330,672**	**106,207**	**120,883**	**120,431**	**128,588**	**476,109**	**134,361**	**132,834**	**131,842**	**140,982**	**540,019**	**146,386**	**144,463**	**142,118**	**150,118**	**583,085**
Management fee income	**1,083**	**1,590**	**6,665**	3,985	4,504	5,214	5,216	18,919	4,796	4,860	5,625	5,640	20,920	5,163	5,214	5,983	5,949	22,309
General and Administrative	**(8,845)**	**(21,947)**	**(24,906)**	(8,057)	(7,346)	(7,563)	(7,566)	(30,532)	(7,539)	(7,652)	(8,159)	(8,181)	(31,531)	(8,116)	(8,210)	(8,678)	(8,628)	(33,633)
Noncash share-based compensation expense	**(1,079)**	**(2,586)**	**(3,125)**	(870)	(983)	(891)	(900)	(3,644)	(900)	(900)	(900)	(900)	(3,600)	(900)	(900)	(900)	(900)	(3,600)
Acquisition fees and costs expensed	**(4,799)**	**(22,386)**	**(19,577)**	(5,653)	(3,489)	(1,757)	(2,400)	(13,299)	(2,400)	(2,400)	(2,400)	(2,400)	(9,600)	(2,400)	(2,400)	(2,400)	(2,400)	(9,600)
Advisory Fees	**(6,352)**	**-**	**-**	-	-	-		-					-					-
Other	**-**	**-**	**(2,686)**	(1,253)	(2,087)	(3,142)	(3,142)	(9,624)	(3,142)	(3,142)	(3,142)	(3,142)	(12,568)	(3,142)	(3,142)	(3,142)	(3,142)	(12,568)
EBITDA	**44,205**	**163,582**	**287,043**	**94,359**	**111,482**	**112,292**	**119,796**	**437,929**	**125,176**	**123,599**	**122,866**	**131,999**	**503,641**	**136,991**	**135,025**	**132,980**	**140,996**	**545,992**
Interest expense, net	**(370)**	**(19,881)**	**(89,413)**	(30,977)	(35,481)	(32,851)	(31,902)	**(131,211)**	(31,327)	(31,043)	(30,906)	(30,843)	**(124,119)**	(30,815)	(30,806)	(30,807)	(30,812)	**(123,240)**
Remeasurement of Series E units	**(2,057)**	**(5,119)**	**2,100**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
Remeasurement of preferred shares	**(1,810)**	**(6,158)**	**(4,830)**	(300)	(150)	(2,490)	-	**(2,940)**	-	-	-	-	**-**	-	-	-	-	**-**
Gain on remeasurement of equity method investment	**10,945**	**-**	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
Gain on disposition of single-family properties	**904**	**-**	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
Income from discontinued operations	**104**	**-**	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
Conversion of preferred units	**(10,456)**	**-**	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
Gain on conversion of Series E units	**-**	**-**	**-**	11,463	-	-	-	**11,463**	-	-	-	-	**-**	-	-	-	-	**-**
Loss on early extinguishment of debt	**-**	**-**	**-**	-	-	(13,408)	-	**(13,408)**	-	-	-	-	**-**	-	-	-	-	**-**
FFO Attributable to NCI	**(4,604)**	**264**	**157**	76	145	226	250	**697**	250	250	250	250	**1,000**	250	250	250	250	**1,000**
Dividends on preferred shares	**(1,160)**	**(18,928)**	**(22,276)**	(5,569)	(7,412)	(13,669)	(13,587)	**(40,237)**	(13,587)	(13,587)	(13,587)	(13,587)	**(54,349)**	(13,587)	(13,587)	(13,587)	(13,587)	**(54,349)**
Net loss on sale / impairment of single-family properties	**-**	**-**	**-**	(60)	68	567		**575**					**-**					**-**
Non-RE asset depreciation and amortization	**(2,290)**	**(6,230)**	**(7,846)**	(1,355)	(1,388)	(1,602)	(1,602)	**(5,947)**	(1,602)	(1,602)	(1,602)	(1,602)	**(6,408)**	(1,602)	(1,602)	(1,602)	(1,602)	**(6,408)**
Funds From Operations, NAREIT	**33,411**	**107,530**	**164,935**	**67,637**	**67,264**	**49,065**	**72,954**	**256,920**	**78,910**	**77,617**	**77,021**	**86,217**	**319,765**	**91,236**	**89,279**	**87,235**	**95,245**	**362,995**
Non-recurring items	**8,248**	**36,249**	**25,432**	(4,064)	6,271	20,020	3,300	**25,527**	3,300	3,300	3,300	3,300	**13,200**	3,300	3,300	3,300	3,300	**13,200**
Funds From Operations, Operating	**41,659**	**143,779**	**190,367**	**63,573**	**73,535**	**69,085**	**76,254**	**282,447**	**82,210**	**80,917**	**80,321**	**89,517**	**332,965**	**94,536**	**92,579**	**90,535**	**98,545**	**376,195**
Recurring CapEx	**(10,761)**	**(27,894)**	**(45,204)**	(7,946)	(10,906)	(12,530)	(12,623)	**(44,005)**	(9,210)	(11,613)	(13,434)	(13,580)	**(47,836)**	(9,858)	(12,290)	(14,062)	(14,062)	**(50,273)**
Non Cash Stock Compensation	**(1,079)**	**(2,586)**	**(3,125)**	(870)	(983)	(891)	(900)	**(3,644)**	(900)	(900)	(900)	(900)	**(3,600)**	(900)	(900)	(900)	(900)	**(3,600)**
Adjusted Funds From Operations	**29,819**	**113,299**	**142,038**	**54,757**	**61,646**	**55,664**	**62,731**	**234,798**	**72,100**	**68,404**	**65,987**	**75,037**	**281,529**	**83,778**	**79,389**	**75,572**	**83,583**	**322,322**
Weighted Average Outstanding, Diluted	**149,919**	**250,625**	**264,877**	**273,898**	**294,044**	**293,958**	**295,040**	**289,235**	**295,040**	**295,040**	**295,040**	**295,040**	**295,040**	**295,040**	**295,040**	**295,040**	**295,040**	**295,040**
FFO Per Share, Diluted (NAREIT)	**$0.22**	**$0.43**	**$0.62**	$0.25	$0.23	$0.17	$0.25	**$0.89**	$0.27	$0.26	$0.26	$0.29	**$1.08**	$0.31	$0.30	$0.30	$0.32	**$1.23**
FFO Per Share, Diluted (Operating)	**$0.28**	**$0.57**	**$0.72**	$0.23	$0.25	$0.24	$0.26	**$0.98**	$0.28	$0.27	$0.27	$0.30	**$1.13**	$0.32	$0.31	$0.31	$0.33	**$1.28**
AFFO Per Share, Diluted	**$0.20**	**$0.45**	**$0.54**	$0.20	$0.21	$0.19	$0.21	**$0.81**	$0.24	$0.23	$0.22	$0.25	**$0.95**	$0.28	$0.27	$0.26	$0.28	**$1.09**

Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 31: American Homes 4 Rent (AMH) – Balance Sheet

Balance Sheet	2013A	1Q14A	2Q14A	3Q14A	4Q14A	2014A	1Q15A	2Q15A	3Q15A	4Q15A	2015A	1Q16A	2Q16A	3Q16A
Assets														
Single-family properties, net	3,861,422	4,218,654	4,483,794	5,117,743	5,710,671	5,710,671	6,037,355	6,162,148	6,267,464	6,289,938	6,289,938	7,561,189	7,521,659	7,545,398
Cash and cash equivalents	148,989	103,249	239,075	103,939	108,787	108,787	115,693	90,657	238,417	57,686	57,686	71,438	270,369	106,308
Restricted cash for security deposits	26,430	32,586	46,912	59,212	77,198	77,198	86,446	94,837	106,973	111,282	111,282	132,082	133,996	131,367
Rent and other receivables	6,863	6,180	5,646	5,637	11,009	11,009	11,289	12,184	17,527	13,936	13,936	16,998	19,280	21,818
Asset-backed securitization certificates	0			25,666	25,666	25,666	25,666	25,666	25,666	25,666	25,666	25,666	25,666	25,666
Deferred costs and other intangibles	20,573	18,628	30,365	42,807	54,582	54,582	65,267	62,299	70,670	10,429	10,429	26,854	16,399	15,016
Goodwill	0	120,655	120,655	120,655	120,655	120,655	120,655	120,655	120,655	120,655	120,655	120,655	120,655	120,317
Escrow deposits	120,655					0					0			
Amounts due from affiliates	0					0					0			
Escrow deposits, prepaid expenses and other assets	39,212	24,081	56,110	60,685	118,783	118,783	114,179	118,516	118,444	121,627	121,627	142,828	144,376	120,609
Total Assets	**4,224,144**	**4,524,033**	**4,982,557**	**5,536,344**	**6,227,351**	**6,227,351**	**6,576,550**	**6,686,962**	**6,965,816**	**6,751,219**	**6,751,219**	**8,097,710**	**8,252,400**	**8,086,499**
Liabilities and Equity														
Liabilities														
Accounts payable & accrued expenses	103,397	112,583	117,486	135,789	149,706	149,706	141,382	158,037	234,651	154,751	154,751	200,946	215,307	241,067
Amounts payable to affiliates	0	6,799	6,598	10,170	0	0	2,609	1,863	0	4,093	4,093			
Contingently convertible Series E units liability	66,938	69,694	74,638	71,050	72,057	72,057	70,219	68,076	68,601	69,957	69,957			
Preferred shares derivative liability	28,150	29,849	55,670	57,420	57,960	57,960	57,840	57,260	60,260	62,790	62,790	63,090	63,240	65,730
Debt	375,000	671,000	961,970	1,075,058	1,778,034	1,778,034	2,164,806	2,291,863	2,587,172	2,524,395	2,524,395	3,393,407	3,094,506	2,926,821
Revolving credit facilities	*375,000*	*671,000*	*481,000*	*82,000*	*207,000*	*207,000*	*45,000*	*177,000*	*0*	*0*	*0*	*438,000*	*142,000*	*75,000*
Term loan	*0*					*0*					*0*			*246,575*
Exchangeable senior notes, net	*0*					*0*					*0*	*105,618*	*106,434*	*107,283*
Secured note payable	*0*				*51,644*	*51,644*	*51,417*	*51,200*	*50,980*	*50,752*	*50,752*	*50,522*	*50,295*	*50,065*
Asset-backed securitizations, net			*480,970*	*993,058*	*1,519,390*	*1,519,390*	*2,068,389*	*2,063,663*	*2,536,192*	*2,473,643*	*2,473,643*	*2,799,267*	*2,795,777*	*2,447,898*
Total Liabilities	**573,485**	**889,925**	**1,216,362**	**1,349,487**	**2,057,757**	**2,057,757**	**2,436,856**	**2,577,099**	**2,950,684**	**2,815,986**	**2,815,986**	**3,657,443**	**3,373,053**	**3,233,618**
Equity														
Class A common shares	1,848	1,848	1,848	2,108	2,108	2,108	2,108	2,108	2,074	2,072	2,072	2,389	2,377	2,378
Class B common shares	6	6	6	6	6	6	6	6	6	6	6	6	6	6
Preferred shares	91	95	171	171	171	171	171	171	171	171	171	171	370	370
Additional paid-in capital	2,996,478	3,004,928	3,160,486	3,614,428	3,618,207	3,618,207	3,618,769	3,619,503	3,566,892	3,554,063	3,554,063	3,997,747	4,462,743	4,464,792
Accumulated deficit	(63,479)	(86,430)	(107,956)	(140,277)	(170,162)	(170,162)	(198,526)	(226,797)	(265,988)	(296,865)	(296,865)	(313,364)	(335,684)	(368,795)
Accumulated other comprehensive income (loss)	0		(212)	(196)	(229)	(229)	(229)	(199)	(148)	(102)	(102)	(62)	0	28
Total American Homes 4 Rent stockholders' equity	**2,934,944**	**2,920,447**	**3,054,343**	**3,476,240**	**3,450,101**	**3,450,101**	**3,422,299**	**3,394,792**	**3,303,007**	**3,259,345**	**3,259,345**	**3,686,887**	**4,129,812**	**4,098,779**
Non-controlling interests	715,715	713,661	711,852	710,617	719,493	719,493	717,395	715,071	712,125	675,888	675,888	753,380	749,535	754,102
Total Equity	**3,650,659**	**3,634,108**	**3,766,195**	**4,186,857**	**4,169,594**	**4,169,594**	**4,139,694**	**4,109,863**	**4,015,132**	**3,935,233**	**3,935,233**	**4,440,267**	**4,879,347**	**4,852,881**
Total Liabilities and Equity	**4,224,144**	**4,524,033**	**4,982,557**	**5,536,344**	**6,227,351**	**6,227,351**	**6,576,550**	**6,686,962**	**6,965,816**	**6,751,219**	**6,751,219**	**8,097,710**	**8,252,400**	**8,086,499**

Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 32: Colony Starwood Homes (SFR) – Earnings Model

Income Statement (000s except per share data)	2013A	2014A	2015A	1Q16A	2Q16A	3Q16A	4Q16E	2016E	1Q17E	2Q17E	3Q17E	4Q17E	2017E	1Q18E	2Q18E	3Q18E	4Q18E	2018E
Rental Revenue																		
Rents from single-family properties	16,793	104,830	188,068	130,452	134,442	135,572	136,685	537,151	140,243	143,627	146,945	150,299	581,115	153,691	156,556	158,288	160,040	628,575
Tenant chargebacks, late charges and early-termination charges	311	3,581	6,667	6,044	6,412	7,374	7,518	27,348	6,498	6,850	7,347	7,515	28,210	7,121	7,467	7,914	8,002	30,504
Total Rental Revenue	17,104	108,411	194,735	136,496	140,854	142,946	144,203	564,499	146,741	150,478	154,292	157,814	609,325	160,812	164,023	166,203	168,042	659,079
Operating Expenses																		
Property Operating Expenses	(13,385)	(31,252)	(45,493)	(18,518)	(22,030)	(23,678)	(23,441)	(87,667)	(23,865)	(24,287)	(24,714)	(25,143)	(98,009)	(25,573)	(26,007)	(26,441)	(26,877)	(104,897)
Real estate taxes, insurance and HOA costs	(5,049)	(22,346)	(40,599)	(27,282)	(27,832)	(28,025)	(28,407)	(111,546)	(28,765)	(29,124)	(29,482)	(29,840)	(117,211)	(30,198)	(30,557)	(30,915)	(31,273)	(122,943)
Management company operating expenses	-	-	-	(8,751)	(9,332)	(8,377)	(8,075)	(34,535)	(9,408)	(9,970)	(9,042)	(8,838)	(37,257)	(10,310)	(10,867)	(9,740)	(9,410)	(40,327)
Total Operating Expenses	(18,434)	(53,598)	(86,092)	(54,551)	(59,194)	(60,080)	(59,923)	(233,748)	(62,038)	(63,381)	(63,238)	(63,820)	(252,477)	(66,081)	(67,431)	(67,096)	(67,560)	(268,167)
Net Operating Income	(1,330)	54,813	108,643	81,945	81,660	82,866	84,279	330,750	84,703	87,097	91,055	93,994	356,849	94,731	96,592	99,107	100,482	390,911
Management fee income	-	-	-	2,890	2,979	3,153	3,181	12,203	3,082	3,160	3,240	3,314	12,796	3,377	3,444	3,490	3,529	13,841
Equity in income from unconsolidated joint ventures	-	-	-	197	157	185	185	724	185	185	185	185	740	185	185	185	185	740
Mortgage loan servicing costs	(6,065)	(28,959)	(39,518)	-	-	-	-	-					-					
Non-performing loan management fees and expenses	(3,534)	(10,944)	(11,442)	-	-	-	-	-					-					
General and Administrative	(16,401)	(19,307)	(16,436)	(17,338)	(13,537)	(11,525)	(11,536)	(53,936)	(11,739)	(12,038)	(12,343)	(12,625)	(48,746)	(12,865)	(13,122)	(13,296)	(13,443)	(52,726)
Noncash share-based compensation expense	-	(8,458)	(7,229)	(387)	(711)	(824)	(900)	(2,822)	(900)	(900)	(900)	(900)	(3,600)	(900)	(900)	(900)	(900)	(3,600)
Investment management fees	-	(16,097)	(18,843)	-	-	-	-	-					-					-
Acquisition fees and costs expensed	(945)	(1,301)	(12,972)	(23,482)	(5,073)	(1,503)	(1,440)	(31,498)	(1,350)	(1,350)	(1,350)	(1,350)	(5,400)	(1,350)	(1,350)	(1,350)	(1,350)	(5,400)
Finance-related expenses and write-off of loan costs	-	(7,715)	(4,547)	-	-	-	-	-					-					-
Separation costs	(2,652)	(3,543)	-	-	-	-	-	-					-					-
Other (expense) income, net	-	-	-	(395)	(2,296)	1,312	(800)	(2,179)	(800)	(800)	(800)	(800)	(3,200)	(800)	(800)	(800)	(800)	(3,200)
EBITDA	(30,927)	(41,511)	(2,344)	43,430	63,179	73,664	72,969	253,242	73,180	75,354	79,086	81,818	309,439	82,378	84,050	86,436	87,702	340,566
Interest expense, net	-	(35,223)	(76,800)	(39,360)	(37,984)	(39,296)	(36,590)	(153,230)	(35,680)	(35,501)	(35,917)	(36,604)	(143,702)	(36,956)	(37,649)	(38,488)	(38,920)	(152,013)
Income tax expense	(252)	(460)	(159)	(245)	(81)	(161)	(200)	(687)	(250)	(250)	(250)	(250)	(1,000)	(250)	(250)	(250)	(250)	(1,000)
Realized gain (loss) on non-performing loans, net	5,139	9,770	44,070	(8,598)	-	-	-	(8,598)	-	-	-	-	-	-	-	-	-	-
Realized gain on loan conversions, net	8,624	24,682	33,032	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Realized gain (loss) on sales of investments in real estate, net	1,221	(504)	(6,871)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrealized gain on non-performing loans, net	-	44,593	44,385	-	-	-	-	-					-					-
Loss on derivative financial instruments, net	-	(706)	(319)	-	-	-	-	-					-					-
Impairment of real estate assets	(1,174)	(2,564)	(3,023)	-	-	-	-	-					-					-
Income from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FFO Attributable to NCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-RE asset depreciation and amortization	-	-	-	(246)	(144)	(506)	(506)	(1,402)	(550)	(550)	(550)	(550)	(2,200)	(600)	(600)	(600)	(600)	(2,400)
Funds From Operations, NAREIT	(17,369)	(1,923)	31,971	(5,019)	24,970	33,701	35,673	89,831	36,700	39,053	42,369	44,414	164,736	44,572	45,550	47,098	47,932	187,553
Non-recurring items	3,597	23,167	31,726	48,730	16,888	12,487	11,740	89,845	11,450	11,450	11,450	11,450	45,800	11,450	11,450	11,450	11,450	45,800
Funds From Operations, Operating	(13,772)	21,244	63,697	43,711	41,858	46,188	47,413	179,170	48,150	50,503	53,819	55,864	208,336	56,022	57,000	58,548	59,382	230,953
Recurring CapEx	-	(11,362)	-	(9,239)	(13,507)	(13,082)	(12,295)	(48,124)	(12,528)	(13,170)	(12,950)	(13,120)	(51,768)	(13,374)	(13,883)	(13,469)	(13,469)	(54,195)
Non Cash Stock Compensation	-	(8,458)	(7,229)	(387)	(711)	(824)	(800)	(2,722)	(900)	(900)	(900)	(900)	(3,600)	(950)	(950)	(950)	(950)	(3,800)
Adjusted Funds From Operations	(13,772)	1,424	56,468	34,085	27,640	32,282	34,318	128,324	34,722	36,433	39,970	41,844	152,969	41,699	42,167	44,129	44,963	172,958
Weighted Average Outstanding, Diluted	39,111	38,624	37,950	108,467	107,887	108,122	107,890	108,091	107,890	107,890	107,890	107,890	107,890	107,890	107,890	107,890	107,890	107,890
FFO Per Share, Diluted (NAREIT)	($0.44)	($0.05)	$0.84	($0.05)	$0.23	$0.31	$0.33	$0.83	$0.34	$0.36	$0.39	$0.41	$1.53	$0.41	$0.42	$0.44	$0.44	$1.74
FFO Per Share, Diluted (Recurring)	($0.35)	$0.55	$1.68	$0.40	$0.39	$0.43	$0.44	$1.66	$0.45	$0.47	$0.50	$0.52	$1.93	$0.52	$0.53	$0.54	$0.55	$2.14
AFFO Per Share, Diluted	($0.35)	$0.04	$1.49	$0.31	$0.26	$0.30	$0.32	$1.19	$0.32	$0.34	$0.37	$0.39	$1.42	$0.39	$0.39	$0.41	$0.42	$1.60

Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 33: Colony Starwood Homes (SFR) – Balance Sheet

Balance Sheet	2013A	1Q14A	2Q14A	3Q14A	4Q14A	2014A	1Q15A	2Q15A	3Q15A	4Q15A	2015A	1Q16A	2Q16A	3Q16A
Assets														
Single-family properties, net	739,185	1,099,558	1,425,101	1,727,666	1,937,948	1,937,948	2,081,769	2,132,445	2,222,752	2,226,652	2,226,652	5,705,515	5,602,397	5,655,099
Real estate held for sale, net	10,168	8,353	13,383	17,306	32,102	32,102	52,652	94,293	77,978	79,669	79,669	114,399	48,945	36,942
Cash and cash equivalents	44,613	98,622	17,151	85,644	175,198	175,198	85,178	79,984	109,842	87,485	87,485	199,099	164,800	130,890
Restricted cash	3,331	15,550	35,261	53,965	50,749	50,749	62,309	87,247	91,321	84,542	84,542	158,519	164,844	174,874
Rent and other receivables	6,146	31,235	44,056	42,989	69,424	69,424	57,435	74,061	67,663	57,545	57,545	66,224	40,666	46,597
Asset-backed securitization certificates	-	-	-	-	26,553	26,553	26,553	26,553	26,553	26,553	26,553	60,242	110,538	110,538
Goodwill	-	-	-	-	-	-	-	-	-	-	-	264,037	257,271	259,046
Investments in unconsolidated joint ventures	-	-	-	-	-	-	-	-	-	-	-	35,380	34,915	34,620
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	462,015	115,473
Loans receivable, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NPLs	214,965	298,202	397,108	653,917	644,189	644,189	599,416	579,550	471,739	445,233	445,233	364,930	-	-
Total Assets	**1,018,408**	**1,551,520**	**1,932,060**	**2,581,487**	**2,936,163**	**2,936,163**	**2,965,312**	**3,074,133**	**3,067,848**	**3,007,679**	**3,007,679**	**6,968,345**	**6,886,391**	**6,564,079**
Liabilities and Equity														
Liabilities														
Accounts payable & accrued expenses	22,434	35,834	58,199	54,946	52,457	52,457	50,343	60,121	72,294	58,105	58,105	96,963	91,989	122,274
Resident prepaid rent and security deposits	3,918	8,835	11,742	14,694	17,857	17,857	21,039	22,091	22,809	23,151	23,151	55,332	56,329	57,605
Liabilities related to assets held for sale	0	-	-	-	-	0	-	-	-	-	0	-	260,441	47,397
Other liabilities	0	-	-	-	-	0	-	-	-	-	0	1,987	15,604	5,712
Debt	0	401,686	770,541	1,414,827	1,785,414	1,785,414	1,817,054	1,929,123	1,925,973	1,915,546	1,915,546	4,087,132	3,789,405	3,684,132
Revolving credit facilities	*0*	*401,686*	*770,541*	*1,213,244*	*441,239*	*441,239*	*924,683*	*629,558*	*697,414*	*741,207*	*741,207*	*1,258,920*	*700,000*	*593,552*
Master repurchase agreement					*454,249*		*0*	*404,730*	*331,212*	*274,441*	*274,441*	*267,547*	-	-
Mortgagae loans	*0*				*526,816*	*526,816*	*526,935*	*527,043*	*527,152*	*527,262*	*527,262*	*2,218,953*	*2,742,720*	*2,738,746*
Convertible senior notes	*0*			*201,583*	*363,110*	*363,110*	*365,436*	*367,792*	*370,195*	*372,636*	*372,636*	*341,712*	*346,685*	*351,834*
Secured note payable	*0*													
Total Liabilities	**26,352**	**446,355**	**840,482**	**1,484,467**	**1,855,728**	**1,855,728**	**1,888,436**	**2,011,335**	**2,021,076**	**1,996,802**	**1,996,802**	**4,241,414**	**4,213,768**	**3,917,120**
Equity														
Class A common shares	0					0					0			
Class B common shares	0	391	391	385	378	378	382	381	382	380	380	1,015	1,015	1,015
Additional paid-in capital	1,018,267	1,117,726	1,117,026	1,134,845	1,133,239	1,133,239	1,135,162	1,128,334	1,130,708	1,132,308	1,132,308	2,730,163	2,730,874	2,733,101
Accumulated deficit	(27,848)	(14,387)	(26,503)	(38,742)	(53,723)	(53,723)	(59,154)	(67,999)	(86,501)	(123,626)	(123,626)	(211,227)	(250,752)	(285,491)
Accumulated other comprehensive income (loss)	0				(70)	(70)	(139)	(162)	(170)	(170)	(170)	(4,068)	(16,447)	(6,607)
Total American Homes 4 Rent stockholders' equity	**990,419**	**1,103,730**	**1,090,914**	**1,096,488**	**1,079,824**	**1,079,824**	**1,076,251**	**1,060,554**	**1,044,419**	**1,008,892**	**1,008,892**	**2,515,883**	**2,464,690**	**2,442,018**
Non-controlling interests	1,637	1,435	664	532	611	611	625	2,244	2,353	1,985	1,985	211,048	207,933	204,941
Total Equity	**992,056**	**1,105,165**	**1,091,578**	**1,097,020**	**1,080,435**	**1,080,435**	**1,076,876**	**1,062,798**	**1,046,772**	**1,010,877**	**1,010,877**	**2,726,931**	**2,672,623**	**2,646,959**
Total Liabilities and Equity	**1,018,408**	**1,551,520**	**1,932,060**	**2,581,487**	**2,936,163**	**2,936,163**	**2,965,312**	**3,074,133**	**3,067,848**	**3,007,679**	**3,007,679**	**6,968,345**	**6,886,391**	**6,564,079**

Source: Company reports, Mizuho Securities USA, Inc.

Appendix A: Company Tear-sheets

Exhibit 34: American Homes 4 Rent (AMH)

Company Highlights

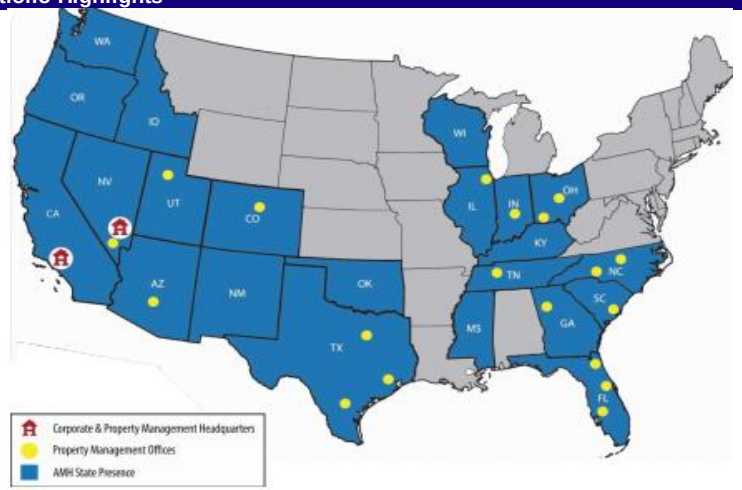
Share price			$22.59
Market capitalization ($m)			5,386
Ann. Dividend			$0.20
Dividend Yield			0.9%
AFFO Payout Ratio			21%
NAV/sh			22.00
Premium/discount to NAV			2.7%
Justified cap rate	5.3%	Implied cap rate	5.1%
Summary Operating Metrics			
SSNOI- MRQ	10.9%	SSNOI - YTD	8.3%
NOI Margin	62.2%	Occupancy	95.4%

NAV & Earnings Estimates Summary

Total real estate value (5.25% nom. cap rate)	10,227,618
CIP	-
Other assets	405,768
Total assets	10,633,386
Total debt	2,926,821
Other liabilities	241,067
Preferred	969,606
Total liabilities	4,137,494
Net asset value	6,495,892
NAV/sh (295,040 shs outstanding)	$22.00

	2013A	2014A	2015A	2016E	2017E	2018E
FFO/sh	$0.22	$0.43	$0.62	$0.89	$1.08	$1.23
AFFO/sh	$0.20	$0.45	$0.54	$0.81	$0.95	$1.09

Portfolio Highlights

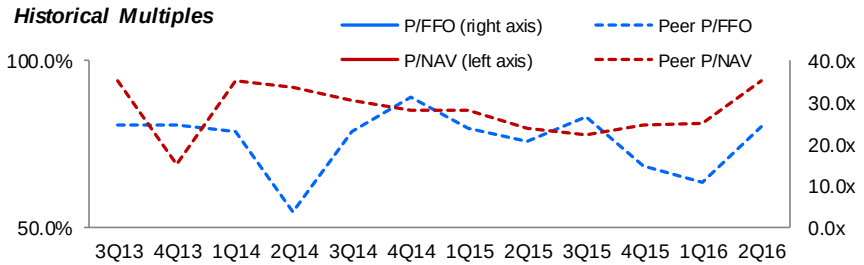


# of homes: 48,153

Trading Summary

	AMH	Peers		AMH	Peers
P/16 FFO	20.8x	44.1x	P/NAV	2.7%	-7.1%
P/17 FFO	18.4x	20.9x	Impl. Cap	5.1%	5.4%

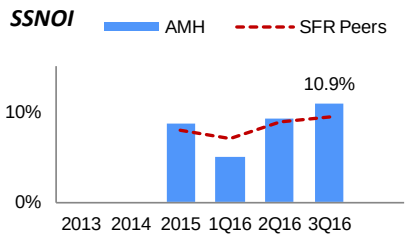
Tot Returns	1-Day	1-Month	1-Year	MTD	QTD	YTD
AMH	0.0%	7.0%	56.7%	1.4%	7.7%	7.7%
NNN Peers	0.1%	7.3%	52.9%	1.5%	8.4%	8.4%

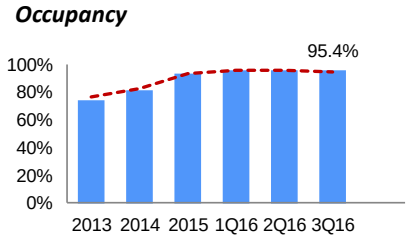


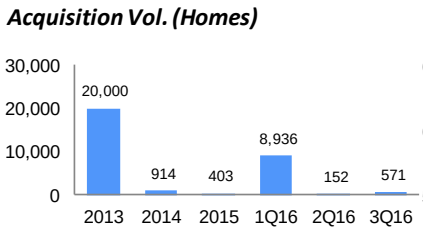
Source: Company reports, Mizuho Securities USA, Inc.

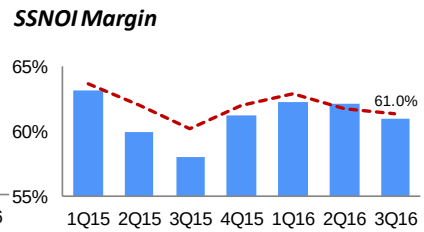
Exhibit 35: American Homes 4 Rent (AMH)

Key Metrics









Markets

Markets	% of Total Properties	Avg. Monthly Rent	Avg. BV per Property
1 - Dallas-Fort Worth, TX	9.3%	$1,599	$161,389
2 - Atlanta, GA	8.4%	$1,403	$163,473
3 - Houston, TX	6.7%	$1,588	$162,284
4 - Indianapolis, IN	6.2%	$1,317	$150,993
5 - Phoenix, AZ	5.9%	$1,172	$161,315
6 - Charlotte, NC	6.0%	$1,447	$173,351
7 - Nashville, TN	5.1%	$1,601	$197,101
8 - Greater Chicago area, IL and IN	4.4%	$1,739	$180,248
9 - Cincinnati, OH	4.2%	$1,481	$171,867
10 - Raleigh, NC	3.9%	$1,407	$175,832
Top 10 Total/Weighted Avg	**60.1%**	**$1,474**	**$167,954**
All Other	39.9%	$1,477	$176,514
Total/Weighted Avg	**100.0%**	**$1,475**	**$171,382**

Debt Profile

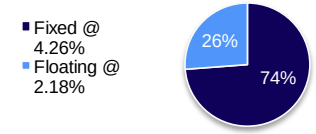
Total Debt ($m): 2,927

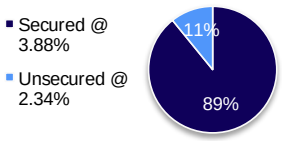
Wtd Avg Interest Rate: 3.72%

Metrics:

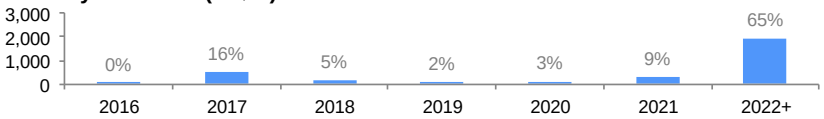
Debt/TTM EBITDA	6.6x	Sec. Debt/Assets	25%
Debt/GAV	28%	Fix Chg Coverage	2.5x

Debt Composition:





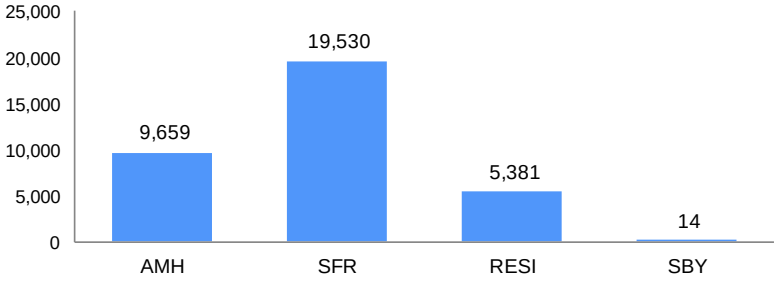
Maturity Schedule (in $m)



Acquisition

YTD Acquisition (# of homes): 9,659

YTD Acquisition Volume (Homes)



Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 36: Colony Starwood Homes (SFR)

Company Highlights

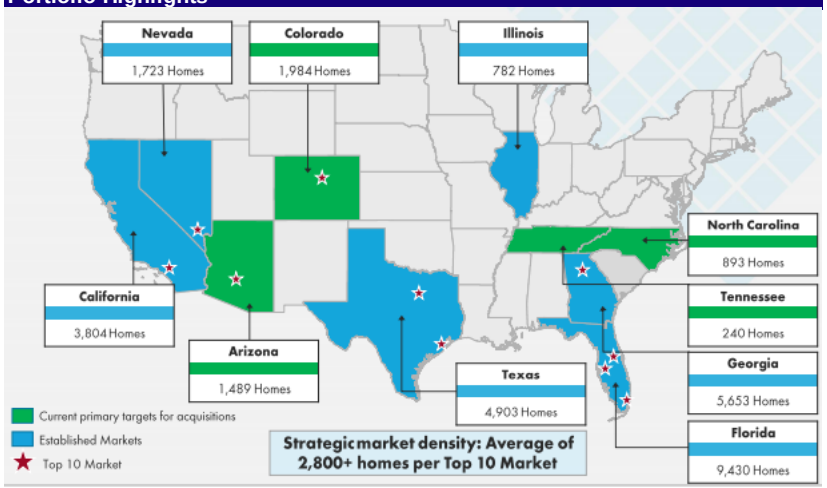
Share price			$31.37
Market capitalization ($m)			3,184
Ann. Dividend			$0.88
Dividend Yield			2.8%
AFFO Payout Ratio			62%
NAV/sh			37.00
Premium/discount to NAV			-15.2%
Justified cap rate	5.3%	Implied cap rate	5.7%
Summary Operating Metrics			
SSNOI- MRQ	6.9%	SSNOI - YTD	9.9%
NOI Margin	61.9%	Occupancy	93.7%

NAV & Earnings Estimates Summary

Total real estate value (5.25% nom. cap rate)	7,215,215
CIP	-
Other assets	578,372
Total assets	7,793,587
Total debt	3,684,132
Other liabilities	122,274
Preferred	-
Total liabilities	3,806,406
Net asset value	3,987,181
NAV/sh (107,890 shs outstanding)	$37.00

	2013A	2014A	2015A	2016E	2017E	2018E
FFO/sh	($0.05)	($0.22)	$0.33	$0.41	$1.93	$2.14
AFFO/sh	$0.04	$0.14	$0.32	$0.39	$1.42	$1.60

Portfolio Highlights

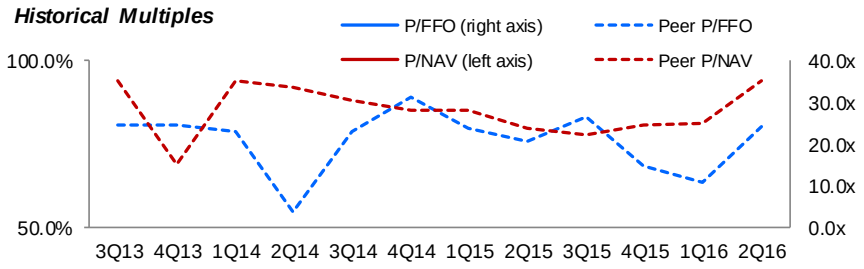


# of homes: 31,010

Trading Summary

	SFR	Peers		SFR	Peers
P/16 FFO	16.2x	44.1x	P/NAV	-15.2%	-7.1%
P/17 FFO	14.7x	20.9x	Impl. Cap	5.7%	5.7%

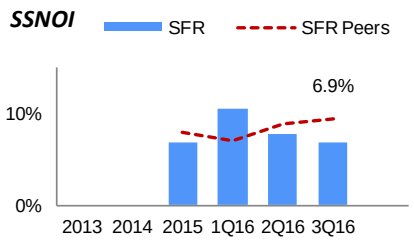
Tot Returns	1-Day	1-Month	1-Year	MTD	QTD	YTD
SFR	(0.1%)	7.7%	52.4%	(0.3%)	8.9%	8.9%
NNN Peers	0.1%	7.3%	52.9%	1.5%	8.4%	8.4%

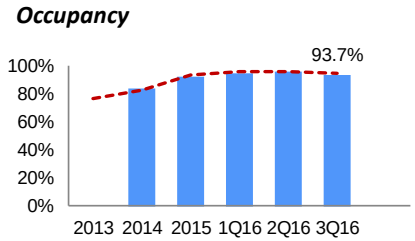


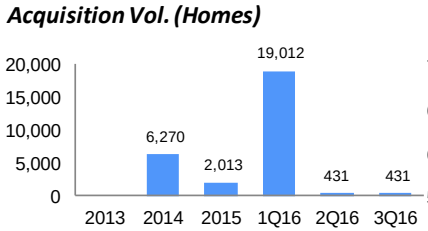
Source: Company reports, Mizuho Securities USA, Inc.

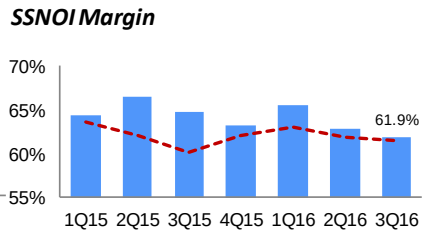
Exhibit 37: Colony Starwood Homes (SFR)

Key Metrics









Markets

Markets	% of Total Properties	Avg Monthly Rent	Avg. Gross BV per Property
1 - Atlanta, GA	18.2%	$1,294	$145,432
2 - Tampa, FL	12.1%	$1,466	$179,979
3 - Miami, FL	12.1%	$1,806	$226,073
4 - Southern California	9.1%	$2,031	$308,030
5 - Houston, TX	8.9%	$1,505	$155,221
6 - Dallas, TX	6.7%	$1,643	$186,792
7 - Denver, CO	6.5%	$1,744	$224,303
8 - Orlando. FL	6.3%	$1,392	$166,936
9 - Las Vegas, NV	5.6%	$1,406	$204,084
10 - Phoenix, AZ	4.5%	$1,166	$155,061
Top 10 Total/Weighted Avg	**90.0%**	**$1,548**	**$192,644**
All Other	10.0%	$1,688	$215,891
Total/Weighted Avg	**190.0%**	**$1,562**	**$194,994**

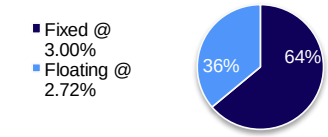
Debt Profile

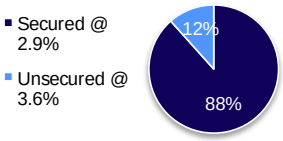
Total Debt ($m):	3,684	Wtd Avg Interest Rate:	3.00%

Metrics:

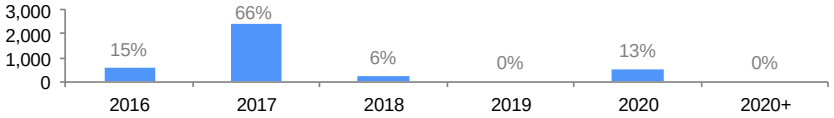
Debt/TTM EBITDA	12.9x	Sec. Debt/Assets	43%
Debt/GAV	47%	Fix Chg Coverage	1.9x

Debt Composition:





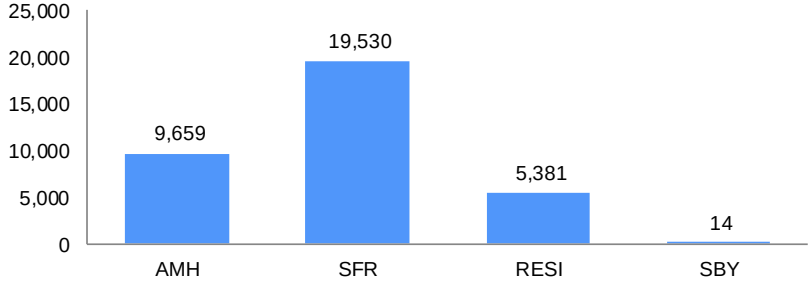
Maturity Schedule (in $m)



Acquisition

YTD Acquisition (# of homes): 19,530

YTD Acquisition Volume (Homes)



Source: Company reports, Mizuho Securities USA, Inc.

Price Target Calculation and Key Risks

American Homes 4 Rent

Our price target of $23/sh equates to our NAV estimate of $22/sh with an applied 5% premium due to formidable operating platform and superior balance sheet. Macro risks include changes to the economic backdrop, interest rates and / or the sector's cost and availability of capital. Industry-specific risk includes competition for investor wallet- and mindshare given skepticism over the sector as a l/t public investment vehicle and the recent Invitation Homes IPO, which should draw more capital and attention to the space, but likely be a short-term drag on AMH and SFR.

Colony Starwood Homes

Our price target of $35/sh equates to our NAV estimate of $37/sh (with 5% discount due to higher leverage, although we rate SFR's team and platform highly and note its high quality portfolio and sector-leading operating margins. Macro risks include changes to the economic backdrop, interest rates and / or the sector's cost and availability of capital. Industry-specific risk includes competition for investor wallet- and mindshare given skepticism over the sector as a l/t public investment vehicle and the recent Invitation Homes IPO, which should draw more capital and attention to the space, but likely be a short-term drag on AMH and SFR.

Companies Mentioned (prices as of 2/07)

American Homes 4 Rent (AMH- Neutral $22.59)
Colony Starwood Homes (SFR- Buy $31.37)
Mid-America Apartment Communities, Inc. (MAA- Neutral $97.37)
Camden Property Trust (CPT- Neutral $84.12)
Invitation Homes Inc (INVH)

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Investment Risks and Valuation Methods can be located in the following section of this research report - Price Target Calculation and Key Risks.

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Underperform:	Stocks for which the anticipated share price falls by 10% or more.
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Rating Distribution

(As of 2/07)	% of coverage	IB service past 12 mo
Buy (Buy)	44.68%	41.27%
Hold (Neutral)	52.13%	39.46%
Sell (Underperform)	3.19%	44.44%

For disclosure purposes only (NYSE and FINRA ratings distribution requirements), our Buy, Neutral and Underperform ratings are displayed as Buy, Hold and Sell, respectively.

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