Terms & Definitions for the Single-Family Rental Industry

September 2016

This report was developed through an engagement with the Advisory & Consulting Group of Green Street Advisors. This is not a Green Street Advisors research report.

www.RentalHomeCouncil.org

Table of Contents

Sections

Introduction

Defining a New Industry	• The single-family rental (SFR) industry is evolving rapidly, and investors in the public and private markets are looking for more and better insights into how to understand the SFR industry. • SFR's relative investment appeal versus traditional sectors is a natural comparison, and reporting information in a transparent, consistent manner will help investors.
Outlining Best Practices	• The NRHC engaged the Advisory & Consulting Group of Green Street Advisors to help identify and articulate NRHC members' views on best practices with respect to how key disclosure metrics should be defined and calculated. • The Advisory & Consulting Group of Green Street Advisors provided feedback on disclosure best practices from other property sectors to help frame and inform NRHC members' discussions. • Provided in this report is a summary of the NRHC's non-binding recommendations with respect to best practices for the definition and calculation of selected key disclosure metrics.
Consistency Matters	• Consistency and transparency of disclosure helps support investor confidence, and investor confidence contributes to the reduction of the cost of capital for any industry. • SFR investors want to understand the industry's basic performance and valuation measures, and providing the necessary information to educate investors is one of the NRHC's guiding principles. • For the SFR industry and the member companies of the NRHC, the standardization of disclosure metrics is a critical step in the ongoing evolution of the industry. • While the best practices outlined in this publication are non-binding upon NRHC members, the NRHC recommends that its member firms adopt the guidelines in this report.
Definition Considerations	• The definitions and calculation methodologies included herein are intended to provide guidelines for NRHC members to follow when reporting financial and operational metrics. These guidelines are not designed to, nor do they, capture every possible scenario, and additional judgment may be required on the part of NRHC members and investors. • All of the definitions herein assume GAAP financial reporting where applicable, unless otherwise noted.

I. Portfolio Definitions

Portfolio Definitions: Occupied vs Unoccupied

Term & Usage

- The term **Occupied** is used to describe the physical status of a property at a specific point in time. Occupied space is viewed as a source of existing revenue, while unoccupied reflects a source of potential revenue.

Best Practice Definition

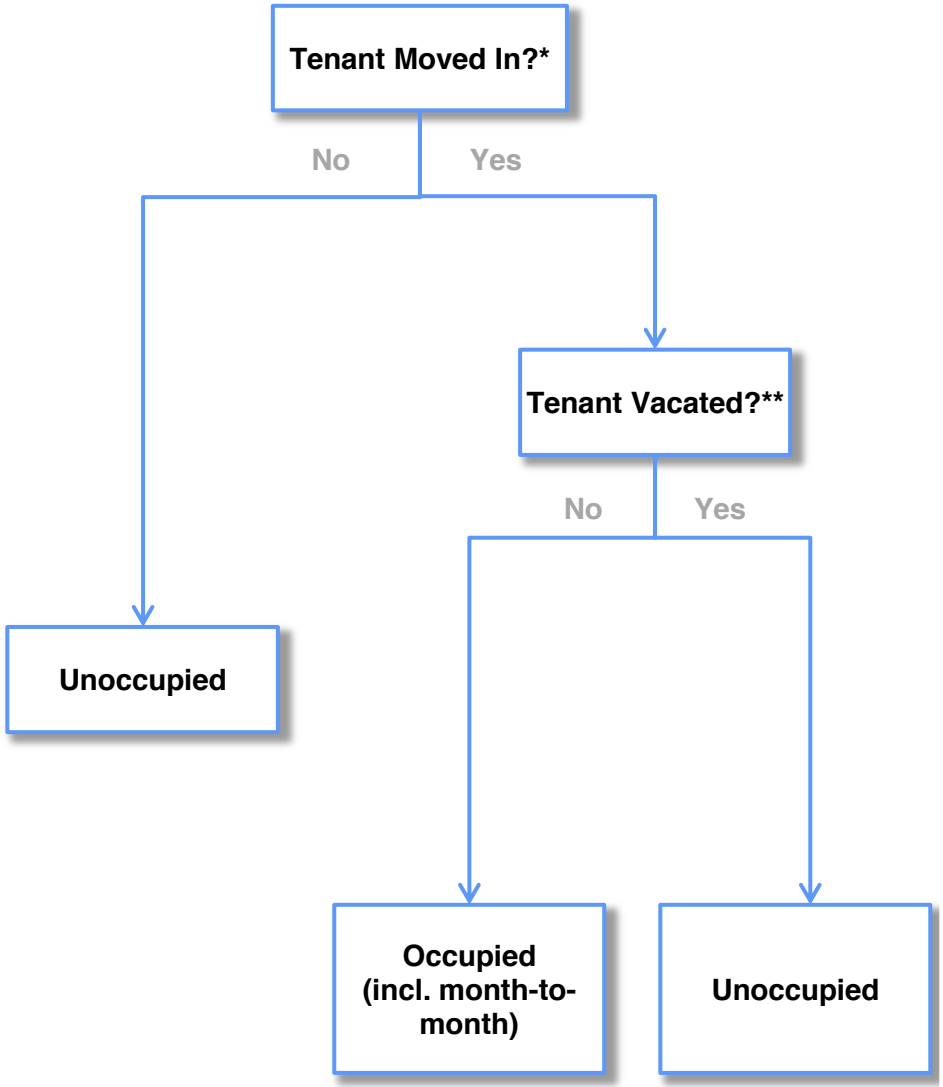
- **Occupied Property:** An asset where a tenant has moved in, and has not yet vacated as of the specified date.

Additional Considerations & Notes

- Occupied and unoccupied are terms typically used for a single asset, while occupancy and vacancy are used to describe a set of properties (e.g., same-store, stabilized, core).

* Earlier of the day the tenant moves in, or has paid to occupy the property.

** Reflects the latter of the day the tenant moves out, or stops paying to occupy the property.



Portfolio Definitions: Leased vs Unleased

Term & Usage

- The term **leased** is used to describe the economic status of a property at a specific point in time. Leased properties will include leases not yet commenced, providing a modest, but important, distinction vs "occupied property."

Best Practice

- **Leased Property:** An occupied home, or an unoccupied home, with a signed lease (regardless of whether the tenant has moved in as of a specified date).

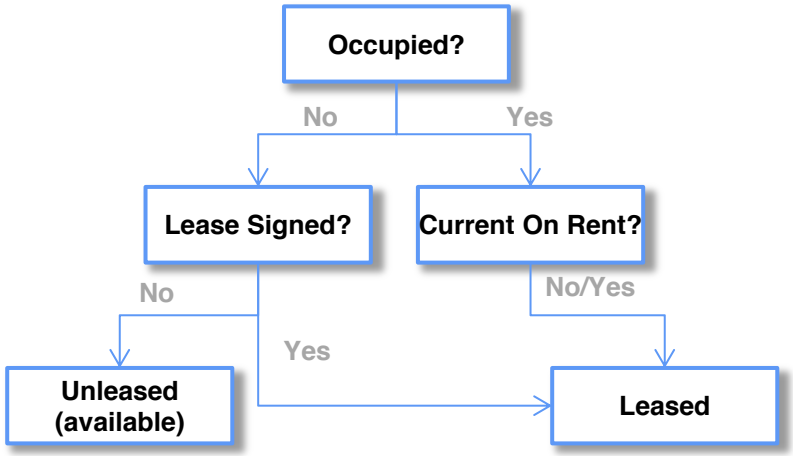
Additional Considerations & Notes

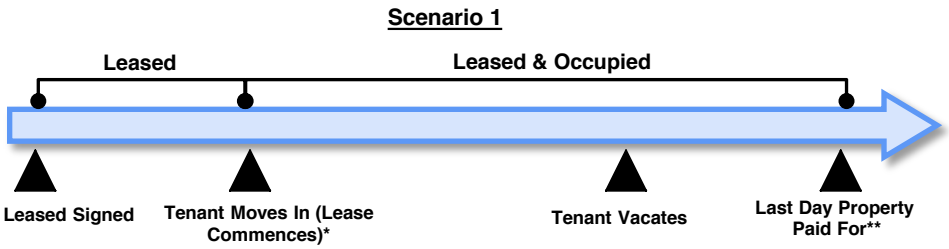
- An occupied property should be considered leased regardless of whether the in-place tenant is current on rent.

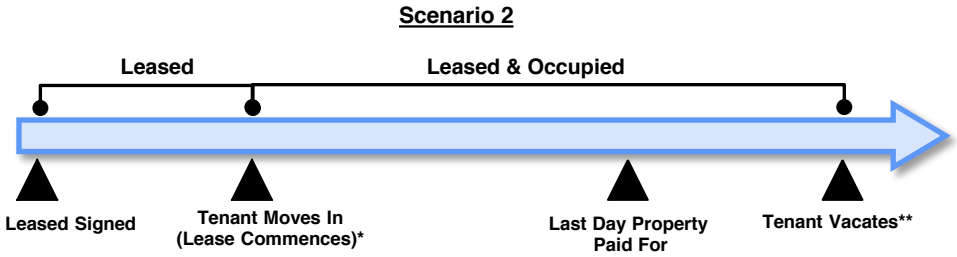
- Leased properties are typically discussed for a specific set of properties (e.g., same-store, stabilized, core).

* Earlier of the day the tenant moves in, or has paid to occupy the property.

** Reflects the latter of the day the tenant moves out, or stops paying to occupy the property.







Portfolio Definitions: Core Portfolio

Term & Usage

- The **core portfolio** helps investors understand which homes are intended to be held for the long-term vs. those intended to be sold.

Best Practice

- **Core Portfolio:** Portfolio of homes that are expected to be held for at least one year.

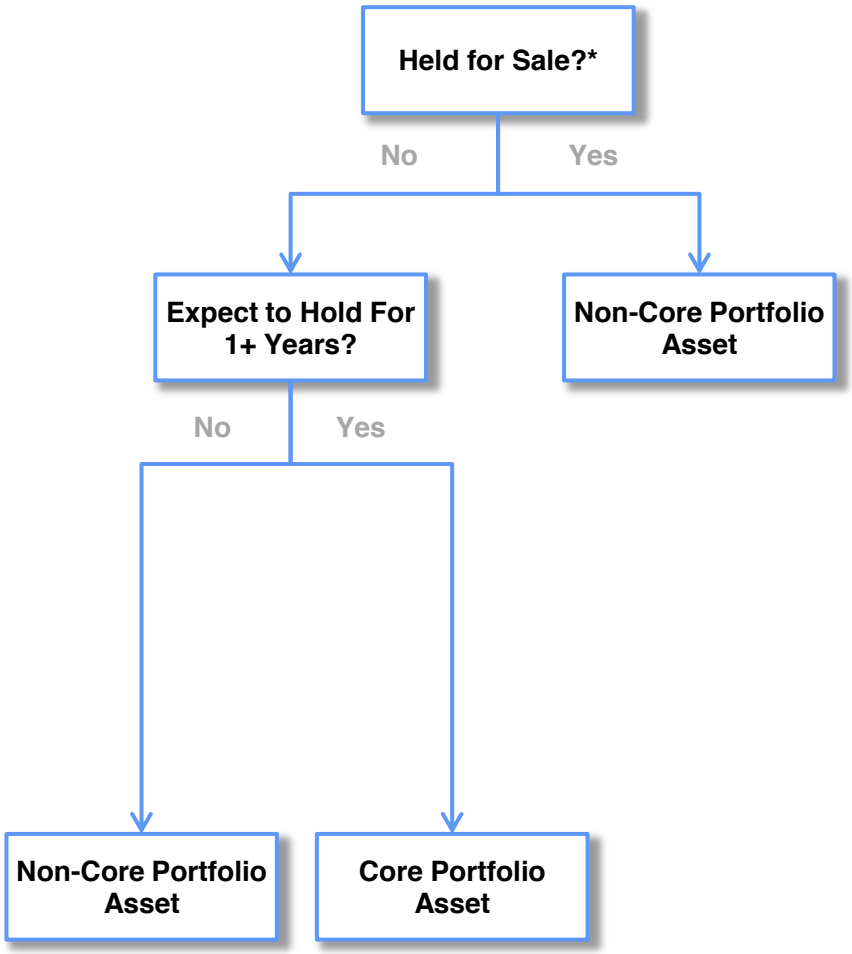
Additional Considerations & Notes

- Many metrics (occupancy, average rent, average age, etc.) should be focused on the core portfolio to avoid distortions from properties that aren't intended to be long-term assets.

- A property that is not expected to be held for at least one year should be excluded from the core portfolio.

- See page 33 in the appendix for a detailed illustration on portfolio segmentation.

* Held for sale should be determined in accordance with GAAP.



Portfolio Definitions: Stabilized vs Unstabilized

Term & Usage

- Properties included in the **stabilized portfolio** have typically completed initial renovations and have been leased at least one time.

Best Practice

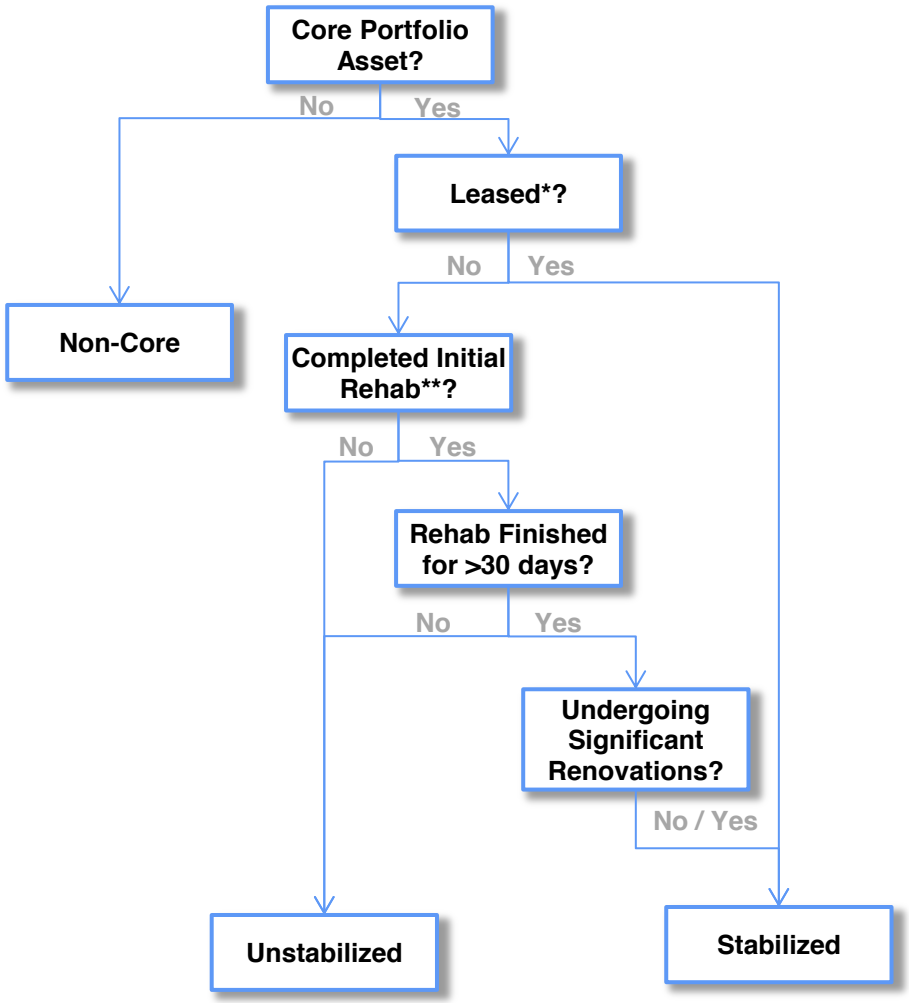
- **Stabilized Portfolio:** Core portfolio homes that have undergone initial rehab and are either leased or have been available for lease for 30 days or more. Homes included in the stabilized portfolio should not be removed from that category unless held for sale.

Additional Considerations & Notes

- A **Stabilized Portfolio** should not be confused with a stabilized asset which will typically be referred to as a leased property.
- Once a property is placed into the stabilized portfolio, it should not be removed from that category unless sold. An exception may be appropriate in the event of a mass impairment (e.g., natural disaster).
- A property acquired leased may be added to, or withheld from, the stabilized portfolio based on management discretion. However, these assets are typically considered stabilized.

* A property acquired leased may be added to, or withheld from, the stabilized portfolio based on management's discretion.

** Or if the property is deemed to not be in the need of an up-front renovation.



Portfolio Definitions: Same-Store Portfolio

Term & Usage

- The **same-store portfolio** (a.k.a. same-property portfolio) is a consistent set of assets designed to eliminate the operational and earnings impact from acquisitions and dispositions.

Best Practice

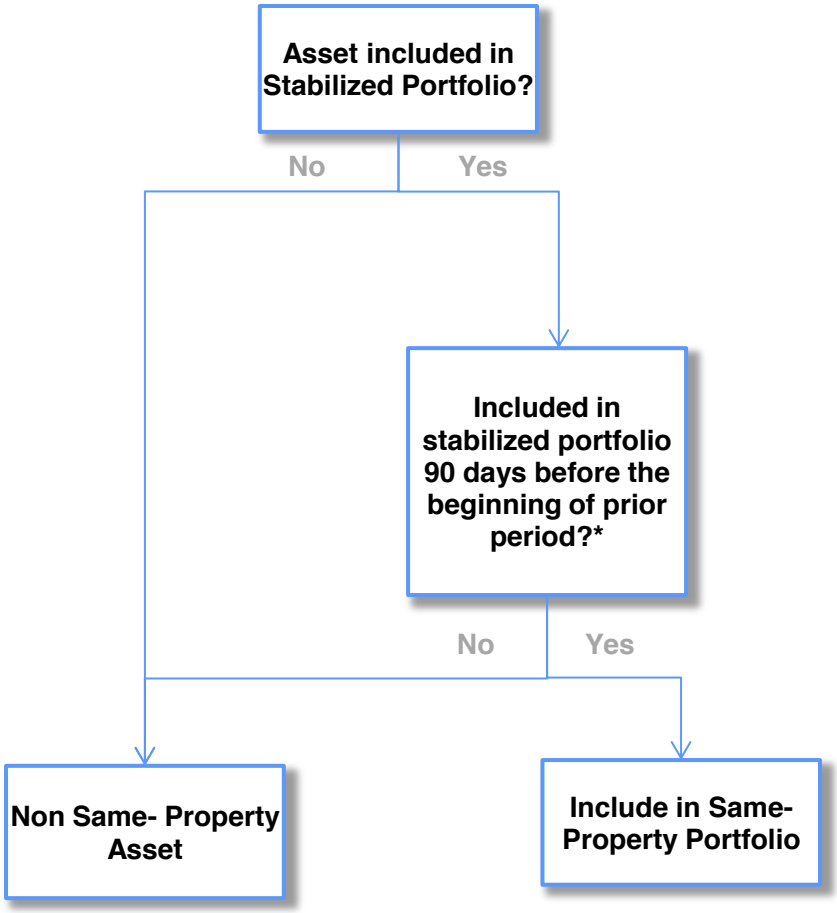
- **Same-Store Portfolio:** Homes that were stabilized 90 days prior to the beginning of the corresponding period in the prior year.

Additional Considerations & Notes

- Typically, once a property is entered into the same-store portfolio it should not be removed unless held for sale.

- See page 33 in the appendix for a detailed illustration on portfolio segmentation.

* Stabilized 90 days prior to the beginning of the corresponding period in the prior year. See detailed illustration in Appendix.



II. Leasing Definitions

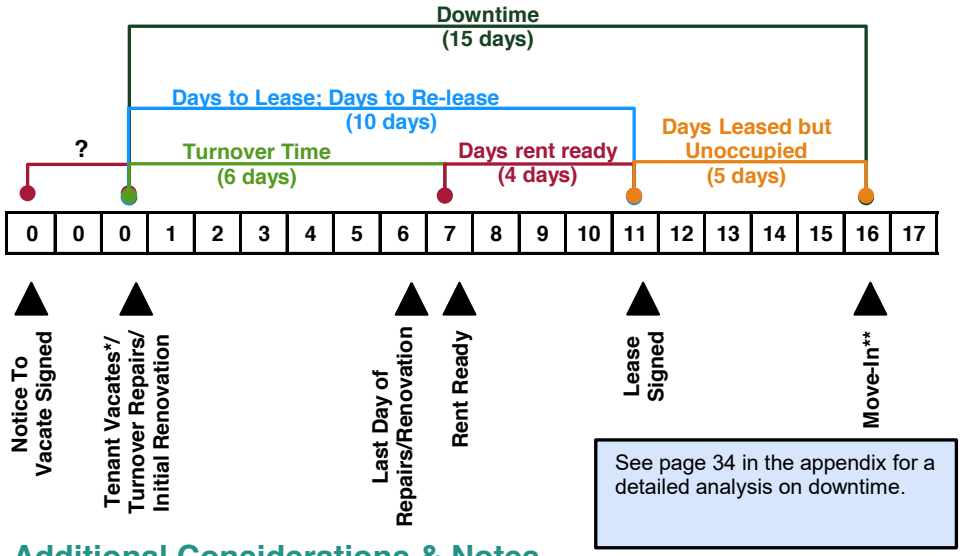
Leasing Definitions: Downtime

Term & Usage

- Downtime can be measured a number of different ways, with components that include **days to lease** (and components thereof), **days to re-lease**, and **turnover time.**

Best Practice

- **Days to Lease:** The days between acquisition and the date the first lease is signed (i.e., the number of days the property was unleased, including the period during which up-front rehab is underway).
- **Days to Re-lease**: The days between the date a tenant vacates and a new lease is signed (i.e., like days to lease, measures the number of days the property was unleased).
- **Downtime:** The days between the date a tenant vacates and a new tenant moves in. Downtime represents the number of days a property is unoccupied.
- **Turnover Time:** The number of days in which a property is undergoing rehab.
- **Days Rent Ready:** The number of days in which a property is rent ready before a lease is signed.
- **Unoccupied Days Leased:** The number of days in which a property has a signed lease but remains unoccupied.



See page 34 in the appendix for a detailed analysis on downtime.

Additional Considerations & Notes

- Days to Re-lease could be negative if an asset is re-leased before a tenant vacates. This suggests that an alternative measure may be from the date a notice to vacate is received.
- Days to Lease is another measure of downtime which represents the days between purchase and initial move-in. This is a one-time occurrence after the acquisition of a property.
- See page 34 in the appendix for a detailed analysis on downtime.

* Reflects the latter of the day the tenant moves out, or ceases to pay to occupy the property.

** Earlier of the day the tenant moves in, or has paid to occupy the property.

Leasing Definitions: Occupancy & Leasing

Term & Usage

- **Occupancy** is typically measured for a specific group of assets at a specific point in time.

Best Practice

- **Occupancy:** For a specific group of assets (e.g., core, stabilized, same-store), occupancy reflects the percentage of assets that are occupied (per definition on page 5).

Additional Considerations & Notes

- Occupancy measures should be limited to strictly defined pools of assets.
- Leasing measures use the same definitions and calculations, but replace "Occupied assets" with "Leased assets."

* Portfolio measures should be for a defined set of assets (e.g., core portfolio, stabilized portfolio, and same-store portfolio) over a specific period of time.

** Excluding pending move-outs that have been pre-leased.

Occupancy Portfolio Measures

% Occupied

$$\frac{\textit{Occupied Assets (see page 5)}}{\textit{Total Portfolio*}} = \textit{Portfolio Occupancy}$$

% Leased

$$\frac{\textit{Leased Assets (see page 6)}}{\textit{Total Portfolio*}} = \textit{Percentage Leased}$$

% Available

$$\frac{\textit{Un-leased Assets (see page 6)} + \textit{Pending Move-outs**}}{\textit{Total Portfolio*}} = \textit{\% Available}$$

Leasing Definitions: Average Occupancy

Term & Usage

- Measures of **average occupancy** are used to describe occupancy for a specific group of assets over a specified period of time. This contrasts with occupancy which is at a specific point in time.

Best Practice Definition

- **Average Occupancy:** Occupancy for a specific group of assets (e.g., core, same-store, etc.) over a specific period of time (e.g., 1Q15), weighted by either the number of assets or potential rent.

Additional Considerations & Notes

- Gross Potential Rent should include market rents that are net of leasing concessions.
- Physical occupancy measures the proportion of units occupied during a period. This contrasts with economic occupancy, which measures the ratio of collected rent to gross potential rent.

* Net Effective Rent is a non-GAAP measure as defined on page 19.

** To limit assumptions, rent estimates may use net effective rent collected on the prior lease for previously occupied assets, and/or net effective asking rent for other un-occupied assets.

Average Occupancy Measures

Physical Occupancy

$$\frac{\textit{Total Occupied Days in Period}}{\textit{Total Potential Days in Period}} = \textit{Avg. Physical Occupancy for period}$$

Economic Occupancy

$$\frac{\textit{Net Effective Rent Collected during period*}}{\textit{Gross Potential Rent during period}} = \textit{Average Economic Occupancy for period}$$

Where:

$$\textit{Gross Potential Rent} = \textit{Net Effective Rent* (occupied assets)} + \textit{Rent Estimate** (unoccupied assets)}$$

Leasing Definitions: Turnover and Tenant Retention

Term & Usage

- **Tenant Retention** is measured in a number of different ways including **renewal rate, retention rate, and turnover rate.**

Best Practice

- **Turnover Rate:** The number (or percentage) of instances that a property becomes un-occupied over a specific period of time, divided by the number of assets in a defined portfolio.

Additional Considerations & Notes

* In calculating turnover rate, the denominator should be for a defined set of assets (e.g., core portfolio, stabilized portfolio, and same-store portfolio) over a specific period of time. This measure is most useful when calculated for a 12-month period.

Turnover Rate

$$\frac{\textit{Number of instances a property becomes un-occupied}}{\textit{Total Portfolio*}} = \textit{Turnover Rate}$$

Leasing Definitions: Rent Averages

Term & Usage

- **Average rent** is a measurement used to show investors the effective rent achieved on a specified group of properties at a specific point in time.

Best Practice

- **Average Rent Per Home:** The average rental rate per home for all occupied homes. Monthly rent should be quoted on a net effective basis for the current month in question.

Additional Considerations & Notes

- Average rent calculations should include only occupied homes (i.e., exclude assets that are leased but not yet occupied).

* Net Effective Rent is a non-GAAP measure as defined on page 19.

Rent Averages

Average Rent Per Home

$$\frac{\textit{Total Net Effective Rent For Occupied Homes*}}{\textit{Total Occupied Homes}} = \textit{Average Monthly Rent Per Home}$$

Average Rent Per Square Foot

$$\frac{\textit{Total Net Effective Rent for Occupied Homes*}}{\textit{Total Occupied Square Feet}} = \textit{Average Rent Per Square Foot (monthly)}$$

Leasing Definitions: Renewal Spread

Term & Usage

- **Renewal spread** is used to measure the percentage or dollar change in rent for new leases commenced for existing tenants.

Best Practice

- **Renewal Spread (%):** The percentage difference between the net effective rent on the new lease, and the net effective rent on the prior lease.
- **Renewal Spread ($):** The dollar difference between the net effective rent on the new lease, and the net effective rent on the prior lease.

Additional Considerations & Notes

- Re-Leasing spreads are generally a better reflection of market rent changes as it is usually easier to adjust rent to a new market level for a new resident.

* Net Effective Rent is a non-GAAP measure as defined on page 19.

Renewal Spread ($, %)

Renewal Spread (%)

$$\frac{\textit{Net Effective Rent on New Lease*}}{\textit{Net Effective Rent on Prior Lease*}} - 1 = \textit{Renewal Spread (\%)}$$

Renewal Spread ($)

$$\textit{Net Effective Rent on New Lease*} - \textit{Net Effective Rent on Prior Lease*} = \textit{Monthly Renewal Spread (Nominal, \$)}$$

Leasing Definitions: Re-Lease Spread

Term & Usage

- **Re-lease spread** is used to measure the percentage or dollar change in rent for a new lease commenced for a new tenant after a period of vacancy.

Best Practice

- **Re-Lease Spread (%):** The percentage difference between the net effective rent on a new lease for a new tenant, and the net effective rent on the prior lease for the prior tenant.
- **Re-Lease Spread ($):** The dollar difference between the net effective rent on a new lease for a new tenant, and the net effective rent on the prior lease for the prior tenant.

Additional Considerations & Notes

- Re-Leasing spreads are generally a better reflection of market rent changes as it is usually easier to adjust rent to a new market level for a new resident.

* Net Effective Rent is a non-GAAP measure as defined on page 19.

Re-Lease Spread ($, %)

Re-Lease Spread (%)

$$\frac{\textit{Net Effective Rent on New Lease*}}{\textit{Net Effective Rent on Prior Lease*}} - 1 = \textit{Re-Lease Spread (\%)}$$

Re-Lease Spread ($)

$$\textit{Net Effective Rent on New Lease*} - \textit{Net Effective Rent on Prior Lease*} = \textit{Monthly Re-Lease Spread (Nominal, \$)}$$

III. Income Definitions

Income Definitions: Net Effective Rent

Term & Usage

- **Net Effective Rent** is used to measure the cash received by the landlord from an in-place lease, net of costs incurred to generate the lease.

Best Practice Definition:

- **Net Effective Rent:** A non-GAAP definition used to measure net rent collected over the life of the lease adjusted for concessions associated with generating the lease.

Additional Considerations & Notes

- Costs associated with leasing commissions may have different affects depending on whether leasing is outsourced or managed internally.
- All renewal measures should account for changes in net effective rent.
- Only concessions upon lease commencement should be considered. Remedial concessions should be excluded.

* Net Effective Rent is used for calculations on pages 13,15,16, and 17.

Net Effective Rent
Contracted Base Rent
+ Rent bumps (amortized over the life of the lease)
= Gross Rent
− Leasing concessions (amortized over life of the lease)
= Net Effective Rent*

Income Definitions: Net Operating Income

Term & Usage

- **Net Operating Income (NOI)** is a non-GAAP measure used to calculate the income generated by a specific group of assets over a period of time after taking into account revenue and expenses incurred from operations.

Best Practice

- **Net Operating Income:** Reflects the operating income generated at the property level after accounting for revenue and expenses associated with owning the asset. Core NOI excludes tenant recoveries and associated expenses.
- **NOI Margin:** Reflects the operating margin calculated by dividing NOI by total net revenue.

Additional Considerations & Notes

- Management fees can vary significantly from operator to operator with a corresponding offset to G&A. Standardizing a management fee (e.g., 3% of revenue) may make sense.

* Other expenses may include other G&A costs specific to a property (e.g., legal expenses allocated to an individual property).

Net Operating Income

Rental Revenue (incl. other rental income)

+ *Other non-rental income*

= ***Total Revenue***

− *Bad debt expense*

= ***Net Revenue***

− *Property operating expenses*

- *Real estate taxes*
- *Insurance*
- *Utilities*
- *Property Mgmt. Expense*
- *Turnover expenses*
- *Leasing & marketing expenses*
- *Repairs & maintenance*
- *HOA fees*
- *Other property-level expenses**

= ***Net Operating Income***

Net Operating Income Margin

$$\frac{\text{Net Operating Income}}{\text{Net Revenue}} = \text{NOI Margin}$$

Core NOI Margin

$$\frac{\text{Net Operating Income}}{\text{Net Revenue} - \text{Tenant Recoveries}} = \text{Core NOI Margin}$$

Income Definitions: Same-Store NOI Growth

Term & Usage

- **Same-Store NOI Growth** is one of the most widely used performance metrics to assess management's ability to operate its core portfolio.

Best Practice

- **Same-Store NOI Growth (%):** Percentage change in NOI (per definition on page 20) for properties that have been in the stabilized portfolio (per definition on page 8) for the entirety of the two comparable periods, including a 90 day lag period.

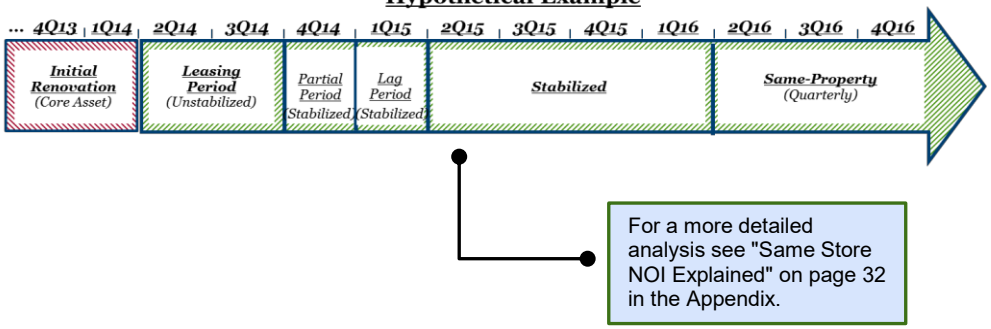
Same-Store NOI Growth

NOI For Same-Store Assets Held in Current Period — NOI For Same-Store Assets Held in Prior Period

NOI For Same-Store Assets Held in Prior Period

= *Same-Store NOI Growth*

Hypothetical Example



Income Definitions: Funds From Operations (FFO)

Term & Usage

- **Funds From Operations (FFO)** is a REIT-specific non-GAAP term used to define cash flow from operations. REITs typically follow NAREIT's definition of FFO, but may report additional measures such as Core FFO and Adjusted FFO (AFFO) which are designed to adjust for one-time expenses and capitalized expenditures.

Best Practice

- **Funds From Operations (FFO):** Should be calculated in accordance with NAREIT.
- **Core FFO:** Primarily adjusts NAREIT's definition of FFO for share-based compensation expense, one-time charges, and non-cash items.
- **AFFO:** Adjusts Core FFO to account for capitalized expenditures (see page 23).

Additional Considerations & Notes

- FFO as defined by NAREIT is to all equity shareholders (including preferred equity), it is best practice to label FFO appropriately:
  - FFO attributable to Company X
  - FFO attributable to Common Shareholders
  - FFO attributable to Operating Partnership

  This distinction is unnecessary for per share reporting as presumption is that FFO is attributable to common shareholders.
- Core FFO accounts for material items such as equity compensation, non-recurring expenses, and straight-line rent adjustments.

* For core portfolio properties only.

Core FFO

NAREIT Defined FFO

\+ *Share Based Compensation*

\+ *Non-recurring expenses*
- *Acquisition fees*
- *Write-offs & Impairments**
- *Impacts of currency fluctuations*
- *Severance expense*
- *Non-cash fair value adjustments*
- *Other non-recurring expenses as appropriate*

— *Straight-line rent adjustment*

— *Non-cash revenues*

\+ *Non-cash expenses*

= ***Core FFO attributable to Company X***

— *Preferred Dividends*

= ***Core FFO attributable to common shareholders***

Income Definitions: Adjusted Funds From Operations (AFFO)

Term & Usage

- **Adjusted Funds From Operations (AFFO)** is a non-GAAP financial measure used to capture the large and real costs that landlords incur to maintain their properties over long holding periods (i.e., cap-ex) that is not reflected in FFO or Core FFO.

Best Practice

- **Adjusted Funds From Operations (AFFO):** Makes adjustments to Core FFO to account for normalized capital expenditures.

Additional Considerations & Notes

- Unlike FFO, which is defined by NAREIT, there is no industry standard definition for AFFO.

* Unlike FFO, AFFO accounts for recurring capitalized expenditures.

Adjusted FFO
Core FFO
— *Actual Recurring cap-ex* (see page 24)*
= ***Adjusted Funds From Operations (AFFO)***

Income Definitions: Cap-Ex

Term & Usage

- **Cap-ex (recurring)** refers to the costs associated with maintaining a property's physical quality over the long-term. Recurring cap-ex does not include expenses that increase the rentable area within a portfolio (e.g., acquiring assets).

Best Practice

- **Recurring Cap-ex:** Improvements required to maintain current revenues, including second-generation rehab costs. Excludes repairs, maintenance, turnover costs, and leasing commissions that are expensed.
- **Non-Recurring Cap-ex:** Primarily for acquisitions, development, and significant upgrades that add GLA to existing portfolio assets.
- **Revenue Enhancing Cap-ex:** A subset of recurring and non-recurring which includes investments that increase the overall revenue potential of the property (e.g., kitchen and bath upgrades).

Additional Considerations & Notes

- Turnover costs that exceed a reasonable dollar amount (e.g., appliances, cabinetry, and exterior painting) should be capitalized and amortized over the useful life of the asset. Otherwise, most turnover costs should be accounted for as an expense under repairs and maintenance.

* Significant installations should be limited to major upgrades rather than replacements.

Cap-ex

Recurring Cap-ex

Capitalized Repairs and Replacement of:

Appliances
+ *Cabinetry*
+ *Exterior Painting*
+ *HVAC*
+ *Roofing*
+ *Floor coverings*
+ *Other recurring expenditures exceeding a reasonable dollar amount*
= ***Recurring Cap-ex***

Non-Recurring Cap-ex

Acquisitions
+ *Development*
+ *Initial renovation*
+ *Recurring Cap-ex up to 90 days after first post-rehab lease start date*
+ *Significant installations / upgrades (e.g., HVAC installation)**
+ *Other non-recurring expenditures that increase portfolio size*
= ***Total non-recurring cap-ex***

IV. Asset Value Definitions

Asset Value Definitions: Cost Basis

Term & Usage

- **Average cost basis** or **average investment** per home is used to measure the total dollar amount spent on each home for a defined set of assets.

Best Practice

- **Average Cost Basis:** Total gross capitalized costs through initial rehab in accordance with GAAP.
- **Average Investment Per Home:** Total gross capitalized costs to date in accordance with GAAP.

Additional Considerations & Notes

- Total investment per home is a running total, and is effectively equivalent to the undepreciated book value. It differs from Asset Cost Basis, which measures initial costs to acquire, renovate and stabilize the asset.

Cost Basis

Average Cost Basis Per Home

$$\frac{\textit{Combined Total Cost Basis for a specific group of Assets}}{\textit{Total Number of Assets in the Group}} = \textit{Average Cost Basis per Home}$$

Average Investment Per Home

$$\frac{\textit{Combined Total Investment for a specific group of Assets}}{\textit{Total Number of Assets in the Group}} = \textit{Average Total Investment per Home}$$

Asset Value Definitions: Yield

Term & Usage

- Yields are measured in a number of different ways. The most common are **Gross Yields** and **Net Yields,** which are designed to measure an asset's return on investment.

Best Practice

- **Gross Yield:** Measures gross income return on cost basis.
- **Net Yield:** Measures the achieved yield on a given asset. Calculated as NOI based on existing leases (or est. market leases for unleased assets) divided by cost basis.

Additional Considerations & Notes

- Portfolio averages do not include an estimate of market rent. Asset level yields, by contrast, will include an estimate of market rent for Unstabilized assets.

- With most operators having a few years of history, the industry should place more emphasis on net yield, and significantly less emphasis on gross yield.

* Asset level yields assume 100% occupancy at the asset level.

** Portfolio level yields account for bad debt and vacancy at the portfolio level.

Asset Level Yield*

Gross Yield

$$\frac{\textit{Gross Potential Rent}}{\textit{Cost Basis}} = \textit{Gross Yield (\%)}$$

Net Yield

$$\frac{\textit{Gross Potential Rent} - \textit{Operating Expenses}}{\textit{Cost Basis}} = \textit{Net Yield (\%)}$$

Portfolio Level Yield**

Portfolio Gross Yield

$$\frac{\textit{Total Net Revenue (for specific pool of assets)}}{\textit{Total Cost Basis (for specific pool of assets)}} = \textit{Avg. Gross Yield (\%) (for specific pool of assets)}$$

Portfolio Net Yield

$$\frac{\textit{Net Operating Income (for specific pool of assets)}}{\textit{Total Cost Basis (for specific pool of assets)}} = \textit{Avg. Net Yield (\%) (for specific pool of assets)}$$

Asset Value Definitions: Measures of Value

Term & Usage

- A variety of different measures of value are used for real estate including **market value**, **net asset value**, and **replacement cost.** These measures are designed to estimate the intrinsic value of an asset or portfolio.

Best Practice

- **Market Value:** Estimated/actual price at which an asset will/did sell in the open market.
- **Net Asset Value:** Estimated market value of assets minus the estimated market value of liabilities including working capital. A company's NAV is frequently referred to on a per share basis.
- **Replacement Cost:** Estimated development costs to construct an equivalent asset including land costs.

Additional Considerations & Notes

- Replacement costs will typically overstate the value of an asset since the asset will be brand new compared to the existing asset that may have deferred maintenance.

Measures of Value
Net Asset Value

Pro Rata Market Value of Real Estate Assets

\+ *Other Tangible Assets*

— *Debt (pro rata; marked-to-market)*

— *Other Tangible Liabilities*

= ***Net Asset Value attributable to equity holders***

— *Market Value of Preferred Equity*

= ***Net Asset Value attributable to operating partnership***

Net Asset Value Per Share

$$\frac{\textit{Net Asset Value Attributable to Operating Partnership}}{\textit{Total Common Shares \& Operating Partnership Units}} = \textit{NAV per Share}$$

V. Appendix

Appendix: Additional Terms and Considerations

Term	Usage and Intended Meaning	Consideration and Substitute
Home Price Appreciation	Change in the market value of a home over a defined period of time.	A variety of different methods are used to determine fair market value. There is no single best method.
New Lease Rental Rate	Reflects either the percentage or dollar difference between a new lease and an old lease.	Term replaced with "Renewal Spread" and/or "Re-lease Spread."
Purchase to Move-in	Number of days between date of purchase and initial move-in.	This definition is analogous to "Downtime" (defined on page 11).
Rent-Ready Property	A property that has completed an initial rehab, or post-vacancy renovation, and is available for lease.	In practice, a property that has been rent ready for 30+ days will be reflected in the "Stabilized Portfolio."
Total Physical Cost to Maintain	All-in costs for maintaining a property.	The total of recurring cap-ex, repairs/maintenance expenses, and turnover expenses.
Turnover Cost	Total cash costs to prepare a home for a new tenant following a vacancy, whether expensed or capitalized.	This is discussed alongside "Recurring Cap-ex."
Turn 1 and Turn 2	Generally used to represent either the initial renovation (Turn 1) or a subsequent rehab following a vacancy (Turn 2).	To avoid ambiguity, Turn 1 and Turn 2 should be avoided. The concepts of initial renovation and turnover costs should be substituted.

Appendix: Additional Terms and Considerations (cont.)

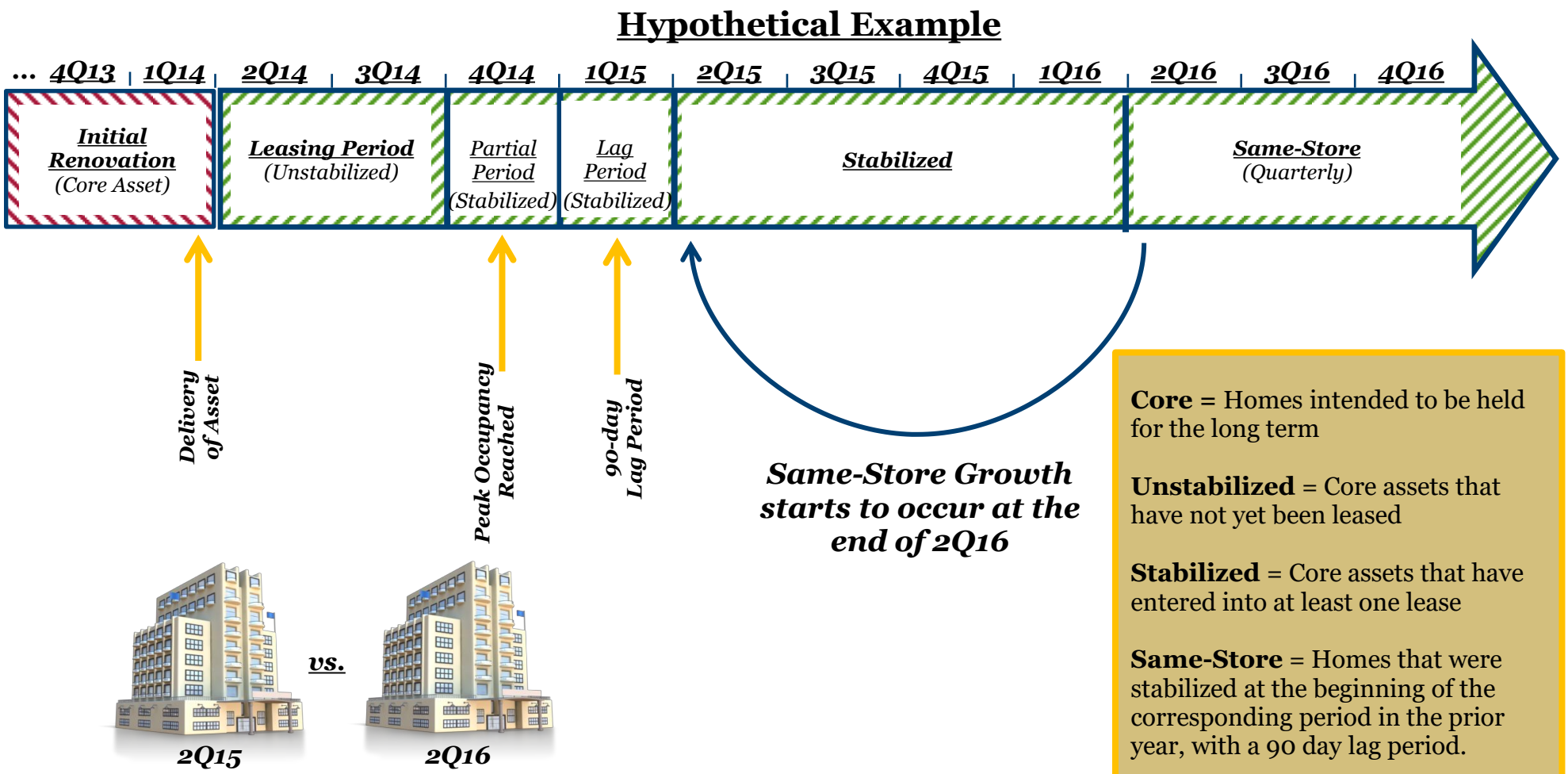
Term	Usage and Intended Meaning	Consideration and Substitute
Vacancy to Move-in	The days between the date a tenant vacates and a new tenant moves in.	This term is synonymous with "Downtime."
Retention Definitions	Used to measure the percentage of tenants that were retained during the period.	• **Renewal Rate:** The number of leases renewed during a specified period for a defined group of assets, divided by the total number of scheduled move-outs during the period. • **Retention Rate:** The number of leases renewed during a specified period for a defined group of assets, divided by total number of scheduled move-outs and early move-outs during the period. • **Retention Rate:** The complement to Turnover Rate (i.e., 1-Turnover Rate = Retention Rate) excluding early terminations:

$$1 - \left(\frac{\text{Number of instances a property becomes un-occupied} - \text{Early terminations}}{\text{Total portfolio} - \text{Homes that experienced early terminations}} \right)$$

Appendix: Same-Store NOI Explained

- Same-store performance is one of the single most widely used performance metrics to assess management's ability to operate its core portfolio.

- The same-store portfolio refers to properties that have been owned and stabilized for the entirety of two comparable periods, including a 90-day lag period.



Core = Homes intended to be held for the long term

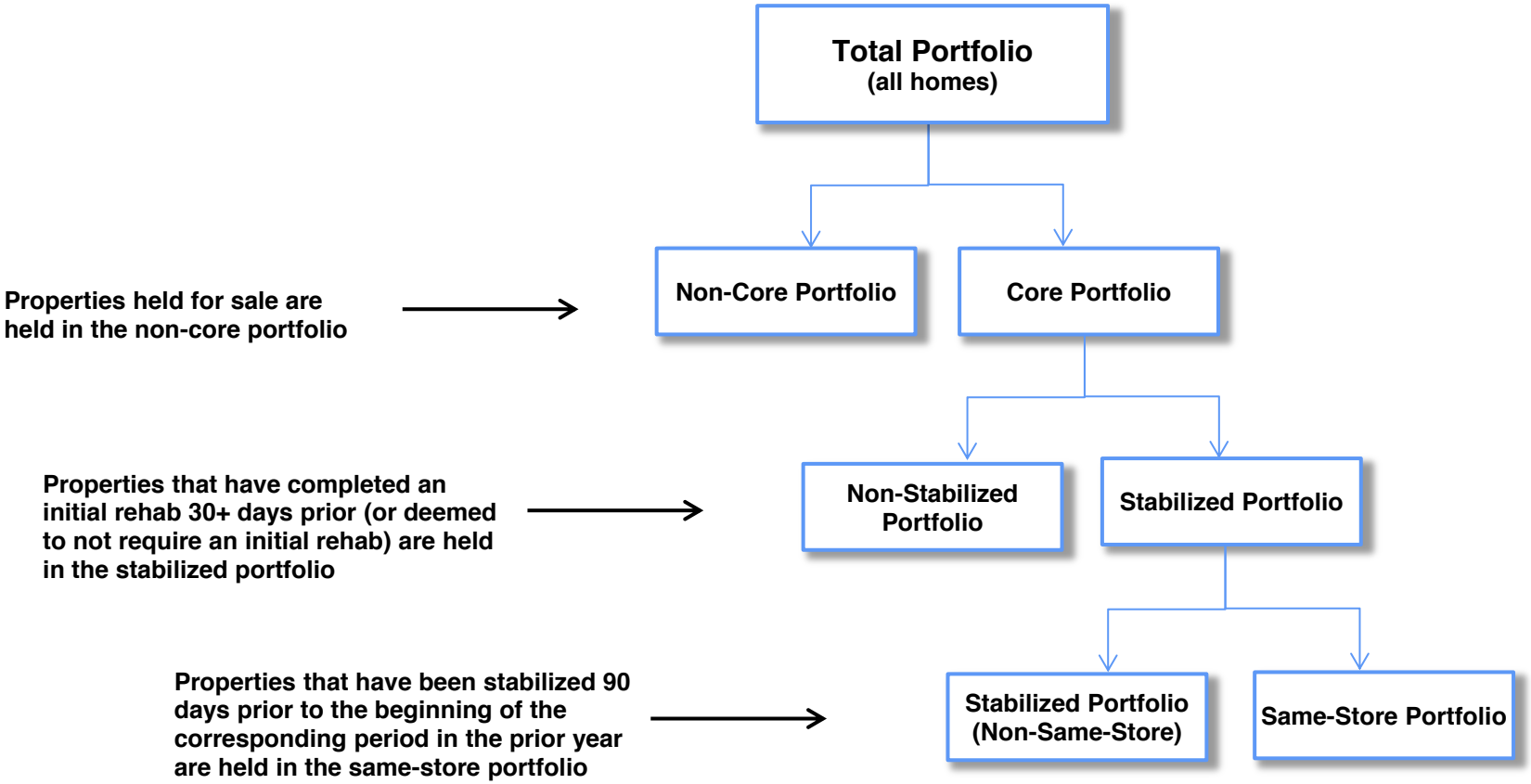
Unstabilized = Core assets that have not yet been leased

Stabilized = Core assets that have entered into at least one lease

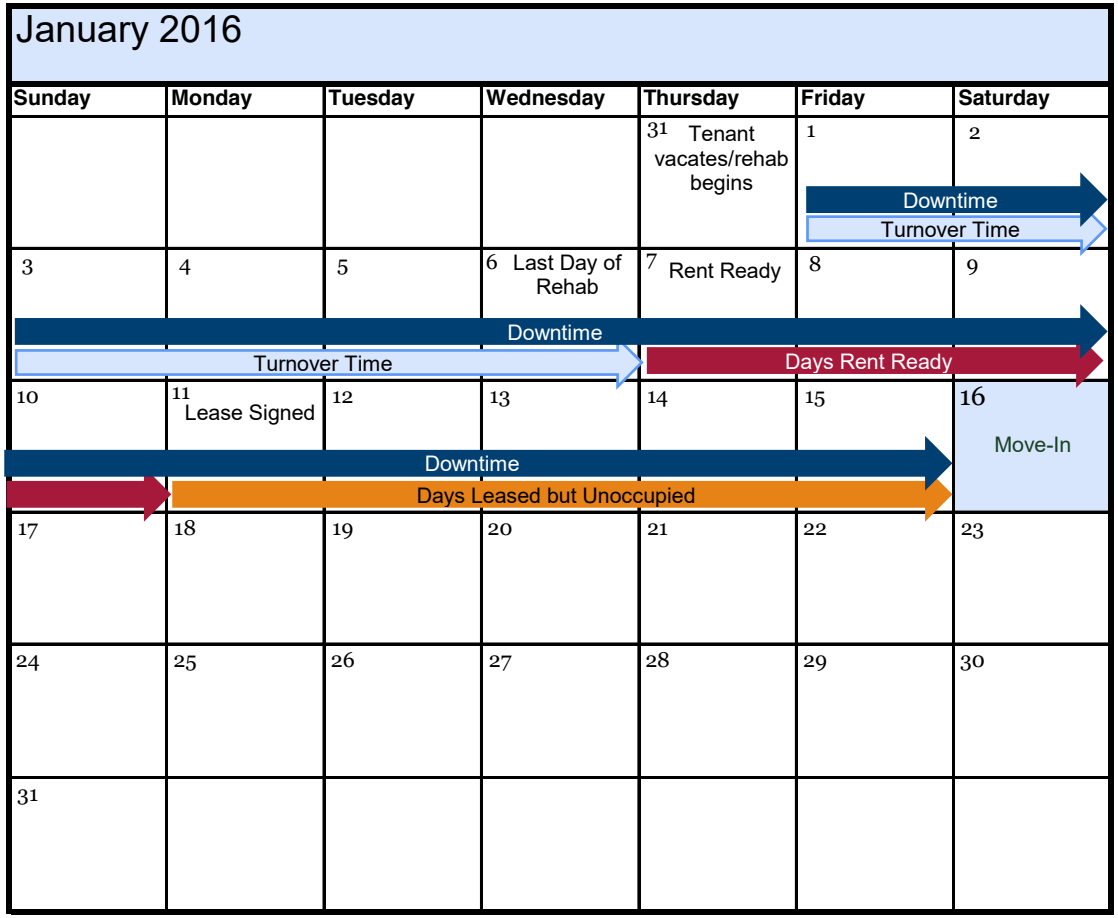
Same-Store = Homes that were stabilized at the beginning of the corresponding period in the prior year, with a 90 day lag period.

Appendix: Portfolio Definitions

- The total portfolio of homes can be divided into a number of different categories (e.g., core, stabilized, same-store). These segmentations help investors evaluate operational performance and potential upside for the portfolio.



Appendix: Example Downtime Calculations



Downtime Excel Calculations:
(Subsequent Event - Trigger Event) - 1 = # of Days

Turnover Time:

12/31/2015 — 1/7/2016 — 1 = 6 Days

Days Rent Ready:

1/6/2016 — 1/11/2016 — 1 = 4 Days

Days to Lease/Re-lease (not illustrated):

12/31/2015 — 1/11/2016 — 1 = 10 Days

Days Leased but Unoccupied:

1/10/2016 — 1/16/2016 — 1 = 5 Days

Downtime:

12/31/2015 — 1/16/2016 — 1 = 15 Days

1. Tenant vacates and turnover repairs (or initial renovation) begins
2. Last day of repairs (or renovations)
3. Property becomes rent ready
4. Lease is signed on the property