



TRICON RESIDENTIAL (TCN): BUYING THE AMERICAN DREAM AT A SUBSTANTIAL DISCOUNT

OCTOBER 2023



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Decades of Expertise in the REIT Industry

Firm Background

- Land & Buildings Investment Management, LLC (together with its affiliates, “Land & Buildings” or “L&B”) is an SEC-registered investment advisor founded in 2008 and located in Stamford, Connecticut
- Invests in the publicly traded shares of global Real Estate Investment Trusts (“REITs”) and real estate-related companies

Investment Strategy

- Long-term investment horizon
- Invests primarily in companies with discounted valuations and high growth
- Maintains and nurtures constructive relationships with portfolio companies
- L&B has completed 35 active engagements over the past decade-plus

Deep Sector Expertise

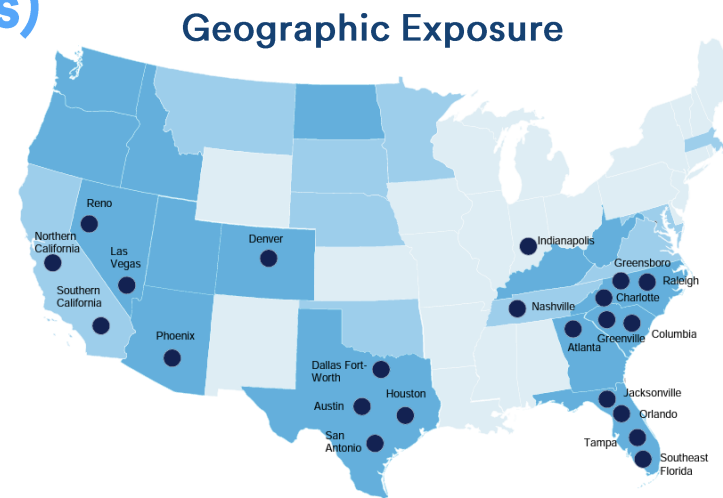
- Founder and Chief Investment Officer Jonathan Litt has researched, analyzed and invested in public and private real estate for 30 years
- Litt was recognized by Institutional Investor Magazine as the top property analyst for a substantial portion of his 14 years at Citigroup, PaineWebber and Salomon Brothers



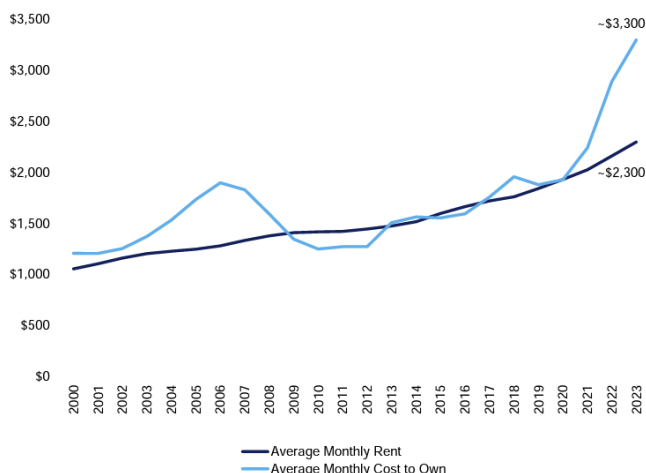
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Tricon Residential Inc. (TCN; Single-Family Rentals)

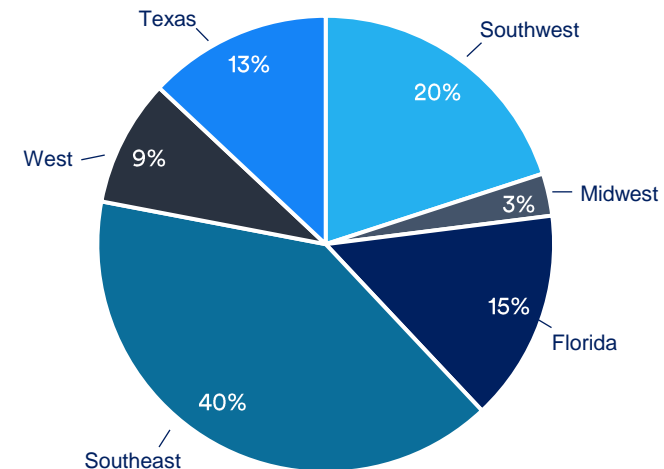
- Tricon owns and operates over 36,000 single-family rental homes (SFR) primarily in the U.S. Sunbelt
- Tricon’s homes cater to middle-income consumers:
 - Average household income of \$97k
 - Average tenant age of 39
 - Average rent-to-income ratio of 23%
- SFR likely to generate strong rent growth over next several years
 - Secular demand from outsized population growth of millennial generation is driving a surge in single-family housing demand
 - SFR providing attractive economic alternative to owning a home



Cost to Rent is \$1,000/Month Less than Buying Starter Home



Same Store NOI Composition by Region



Source: Company Filings, John Burns Consulting, Land & Buildings

Substantially Undervalued Owner of Single-Family Rental Homes



One of the largest single-family rental home operators in the US

Stock Price (as of 10/13/2023)	\$7.00
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Equity Market Cap	\$1.9 billion
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Dividend Yield	3.3%
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Upside to NAV	~65%
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Why we are here

- Poor revenue management causing in-place rents to be well below market rents
- Excessive overhead costs depressing earnings
- Weak alignment of interests
- TCN has declined more than 55% since early 2022, substantially underperforming SFR peers, causing it to trade at steep discount to net asset value (NAV)

Catalysts to unlock value

- 20%+ earnings upside from marking rents to market
 - Market rents 13% above Tricon's in-place rents
- 30%+ earnings upside from reducing excessive overhead toward SFR peer levels
 - Tricon's G&A costs at least 3x SFR peers on a per home basis
- Selling cheapest cost of capital assets (Canadian apartments) to pay down debt
 - Canadian apartments sales at ~4.5% cap rates can drive earnings accretion

~65% upside to L&B NAV (private market real estate value)

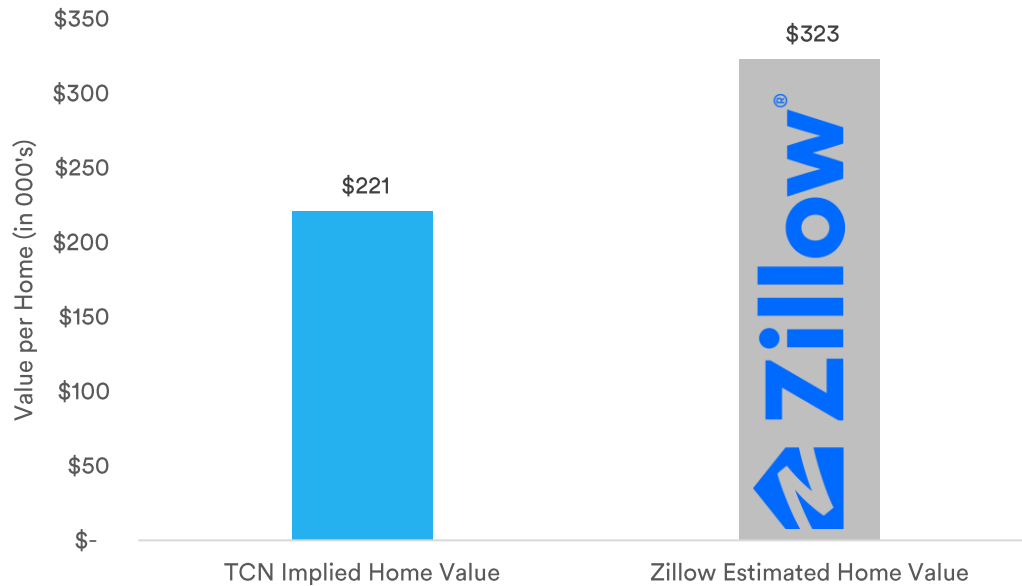
- TCN is substantially undervalued, trading at a 7% implied cap rate, a 150-250bps discount to public SFR peers and recently reported transaction activity
- TCN is trading at an estimated implied value of \$221k per home, below Tricon's purchase price and substantially below Zillow's estimated home values

Source: Company Filings, Land & Buildings; Note: Figures throughout the presentation are in USD; SFR peers are defined as AMH (NYSE: AMH) and Invitation Homes (NYSE: INVH). Logos are protected trademarks of their respective owners and Land & Buildings disclaims any association with them and any rights associated with such trademarks.

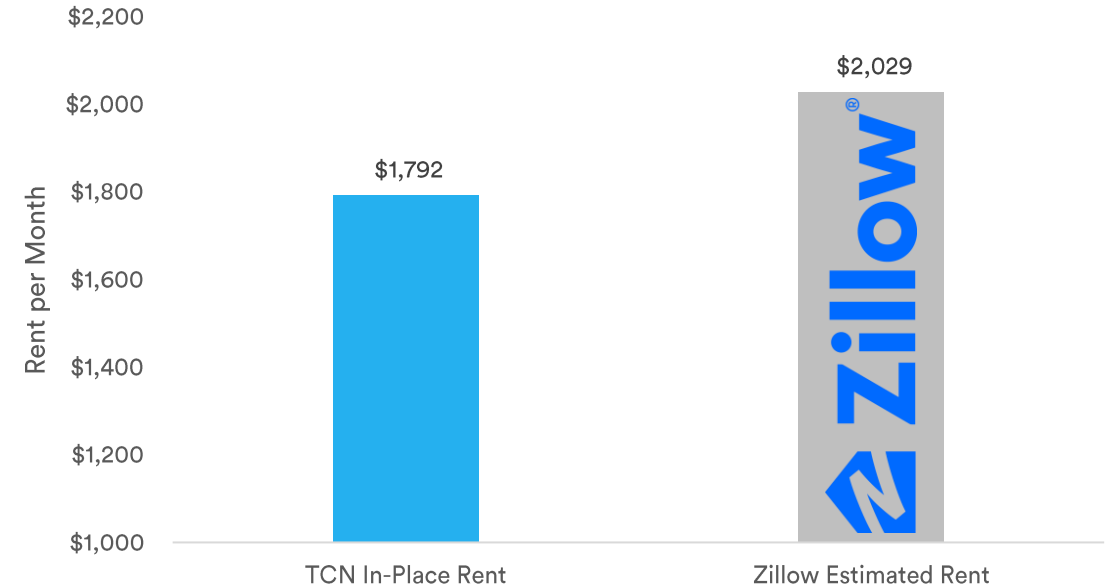
Market Rents for the Company's Properties are 13% Above In-Place Rent

- Zillow Zestimates:
 - \$2,029 monthly rent illustrating the opportunity to drive earnings higher by 20% plus if rents are marked to market
 - \$323,000 value per home is 46% above Tricon's implied price per home
 - Corroborates management's own estimates of rent and value
- Tricon trades at an implied price per home of \$221k, which is 11% below its average cost basis per home

Zillow Estimated TCN Home Values 46% Above Implied Value



Zillow Estimated Market Rents 13% Above TCN In-Place Rents



Source: Company Filings, Bloomberg, Zillow, Land & Buildings; Note: Logos are protected trademarks of their respective owners and Land & Buildings disclaims any association with them and any rights associated with such trademarks. Represents Zillow estimates for ~23,000 Tricon homes.

Recent Comparable SFR Portfolio Sales Highlight Discounted TCN Valuation

- Two single-family for rent portfolio transactions totaling over \$2 billion were reported at purported cap rates of 4.5-5.0% over the summer
- Leading independent real estate research firm Green Street estimates a 4.7% cap rate for SFR in Tricon's markets well below TCN's 7% implied cap rate
- *L&B TCN estimated NAV assumes a 5.5% applied cap rate*



Invitation Homes Nears a Deal for 2,000 Starwood Rentals

For Invitation Homes, the deal further illustrates the return of Wall Street firms to the SFR market, as highlighted by HousingWire in [June](#). The publicly traded company had more than \$1.3 billion in unrestricted cash and undrawn credit facilities at the end of March, which could be enough to complete a deal without seeking new debt or equity, Bloomberg reported.

Pretium to Pay \$1.5 Billion to Biggest Home Builder for 4,000 Rental Homes

New York investment firm agrees to pay D.R. Horton for homes scattered across the South

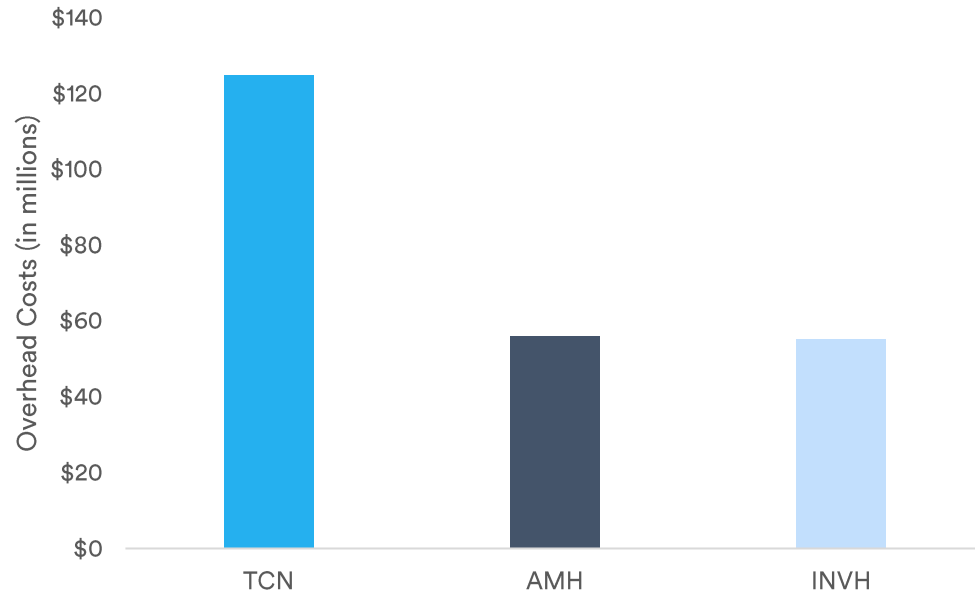
By [Will Parker](#) [Follow](#)
June 1, 2023 3:00 pm ET

Source: Company Filings, Bloomberg, Green Street, The Wall Street Journal; Note: Logos are protected trademarks of their respective owners and Land & Buildings disclaims any association with them and any rights associated with such trademarks.

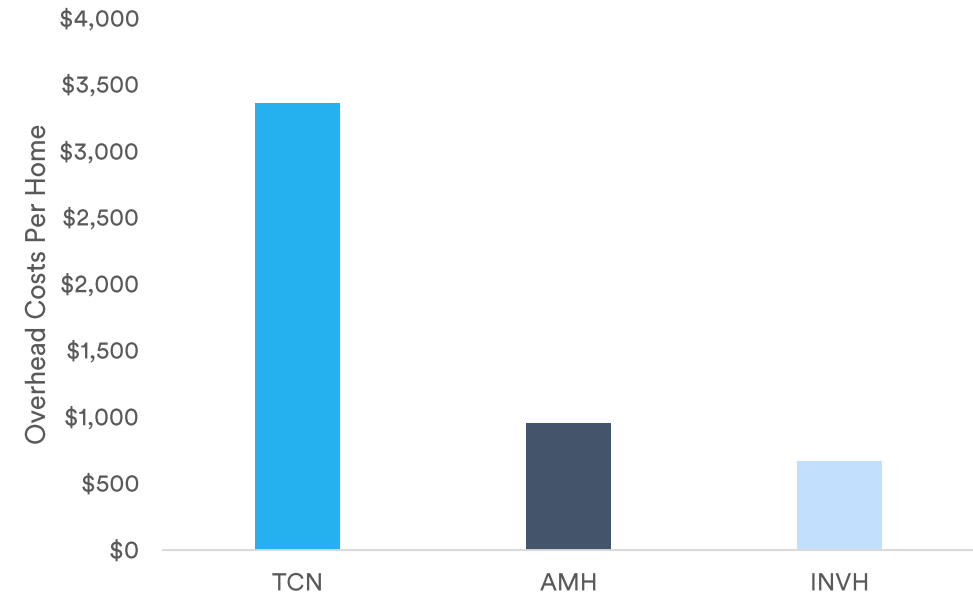
High Overhead Costs are a Drag on Financial Performance

- Tricon's overhead costs are more than triple its SFR peers on a per home basis
- A reduction in overhead costs towards SFR peer levels could drive a 30% or greater increase in earnings

Tricon's Total Overhead Costs Are More than Double Peers



Tricon's Overhead Costs Per Home Are At Least Triple Its Peers



Source: Company Filings, INVH Filings and AMH Filings; Note: Overhead costs represent first half of 2023 annualized figures. TCN overhead costs represent figures disclosed in company's proportionate Core FFO summary. AMH overhead costs represent general and administrative expense net of share-based compensation. INVH overhead costs represent general and administrative expense adjusted for share-based compensation and severance expense. Homes owned reflects total homes owned for each company.

Shareholders Demonstrated Frustration Voting Against 3 Directors at 2023 AGM

- TCN has underperformed peers the past 1, 3 and 5 years
- Underperformance stems from poor balance sheet management, excessive overhead costs, underperforming revenue management, and lack of alignment of interests with shareholders
- Proxy advisory firm Institutional Shareholder Services (“ISS”) recommended to withhold support for three directors due to excessive executive compensation at Tricon’s 2023 Annual Meeting (“AGM”)
- ISS has issued TCN the **highest risk** QualityScore (10 out of 10), indicating significant and alarming deficiencies in corporate governance

Tricon Has Materially Underperformed its SFR Peers

Total Shareholder Returns	Trailing 5 Years	Trailing 3 Years	Trailing 1 Year
Tricon Residential (TCN)	0%	-14%	-14%
TCN Performance vs. SFR Peers	-79%	-37%	-22%

“[T]here appears to be a misalignment between CEO pay and shareholder value creation... As such, a WITHHOLD vote is warranted for the continuing compensation committee members.”

– ISS, 2023 Annual Meeting Recommendation Report

Source: Company Filings, ISS, Bloomberg; Note: Total returns through October 13, 2023.

Blackstone Made Substantial Investment and Took a Board Seat in 2020

Transaction Details

- Blackstone Real Estate Income Trust (BREIT) invested \$240 million in a new Tricon convertible preferred in 2020
- Frank Cohen, Chairman of the Board and Chief Executive Officer of BREIT, is on the TCN board
- Blackstone has purchased ~\$80 million in common shares at an average price of ~\$12 per share since its convertible preferred investment in 2020, ~70% above TCN's current share price
- Blackstone has a ~12% interest in Tricon assuming preferred shares are converted

Blackstone Has Grown its Investment in SFR

- Blackstone purchased a \$6 billion portfolio of SFR in 2021 at a mid-3% cap rate

Blackstone REIT-Led Syndicate Makes \$300 Million Investment in Tricon Residential

A syndicate of investors led by Blackstone Real Estate Income Trust, a publicly registered non-traded REIT sponsored by an affiliate of private equity giant The Blackstone Group (NYSE: BX), has agreed to make a \$300 million preferred equity investment in Tricon Residential Inc.

August 31, 2020

Blackstone Bets \$6 Billion on Buying and Renting Homes

Deal for Home Partners of America, owner of over 17,000 houses in U.S., is latest sign Wall Street believes housing market will stay hot

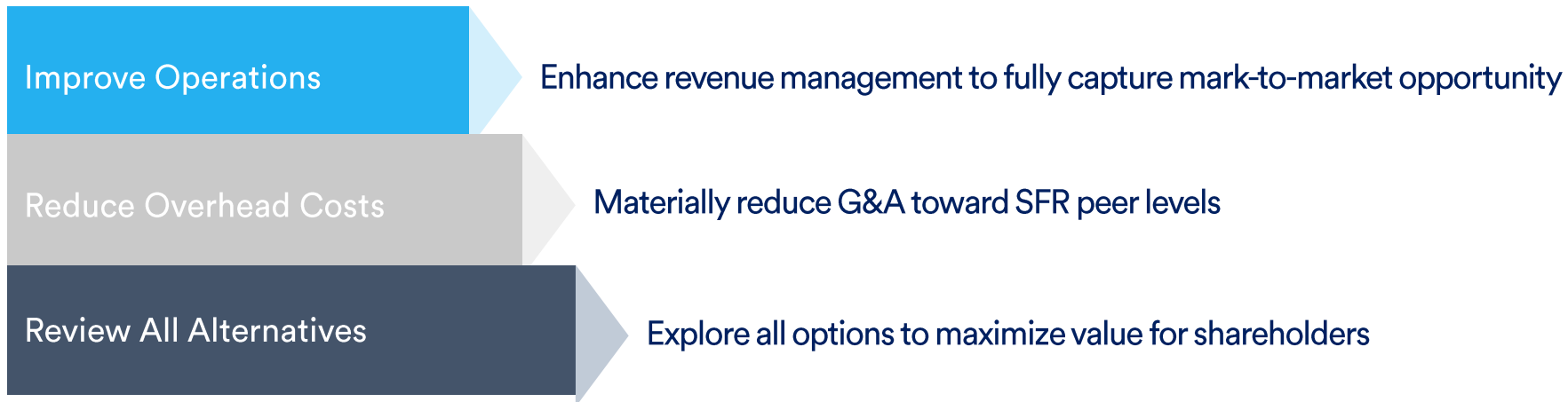
By [Peter Grant](#) [Follow](#)

Updated June 22, 2021 11:35 am ET



Clear Strategy to Unlock Value for Shareholders

- L&B is excited to work with Tricon's board and management to close the substantial discount to fair value, which we believe could unlock the ~65% upside to real estate value



Source: Company Filings, Bloomberg, Land & Buildings

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