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Insurance coverage blunts short-term pain for single-family rental REITs

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Insurance policies held by single-family rental real estate investment trusts are expected to cover most of the damage caused to their properties by hurricanes Harvey and Irma.

The REITs have two types of insurance that will help them weather hurricane-related costs: one that covers home damage, with a deductible that is typically 5% of the home's value, and another that covers lost rent while tenants are displaced or homes are repaired, Mizuho Securities analyst Haendel St. Juste said, adding that the securitization of many of the REITs' homes requires them to be comprehensively insured.

US single-family housing REIT peer comparison

Company (ticker)	Market capitalization (\$M)	Dividend yield (%)	Premium (discount) to NAV (%)	Year-to-date total return (%)	Number of properties Q2'17	Occupancy rate Q2'17 (%)
Invitation Homes Inc. (INVH)	7,064.6	1.4	-3.1	14.2*	47,725	95.0
American Homes 4 Rent (AMH)	6,126.8	0.9	-4.4	7.3	48,982	95.2
Starwood Waypoint Homes (SFR)	4,698.6	2.4	5.2	28.8	34,379	86.4
Altisource Residential Corp. (RESI)	575.2	5.6	-38.2	-0.3	11,391	96.3^
Reven Housing REIT Inc. (RVEN)	54.3	NA	NA	-6.3	754	97.5

Data as of Sept. 18, 2017.

NA = not available

* Reflects total return since the company's IPO on Feb. 1, 2017.

^ Reflects leases in force in which the tenant is in place and occupying the property and leases in force in which the tenant is expected to move in shortly, as a percentage of the company's properties that are leased or available for lease.

Sources: Altisource Residential Corp.'s second-quarter 10-Q filing; S&P Global Market Intelligence

"Assume a home is worth \$150k, with \$1k of monthly rent, and suffers \$50k of damage and three month's lost rent," St. Juste wrote in a note to investors. "In this case, the REIT would be reimbursed \$45,500, reflecting \$50k of damage less the deductible and three months rent."

The cost of the hurricanes to the single-family rental sector is currently more clear in Houston than in Florida, Credit Suisse analyst Doug Harter said.

Harter estimated that single-family rental companies with operations in Florida and Georgia would have a better assessment of the damages to their properties in two weeks.

Of the five publicly traded single-family REITs covered by SNL, [Reven Housing REIT Inc.](#), which had a market cap of \$54.3 million as of Sept. 18, has the greatest exposure to affected areas by percentage of portfolio, with 35.0% of its properties in Houston and 33.8% in Jacksonville, Fla.

Reven Chairman and CEO Chad Carpenter said in a press release that he was confident the company would be able to handle deductibles and expenses not covered by its insurance policies for its homes in Jacksonville and Houston with its current cash reserves.

[Invitation Homes Inc.](#), which is in the process of merging with Starwood Waypoint, said its Florida and Atlanta offices are open and leasing activity has resumed. Most of the damage at its properties is related to roofing, fencing and landscaping. The company does not own any properties in Texas, but 11.7% of its portfolio is in South Florida; 10.3% is in Tampa, Fla.; and 7.8% is in Orlando, Fla.

In Houston, [Starwood Waypoint Homes](#)

US single-family housing REIT exposure to Florida and Texas

Company (ticker)	Number of properties	Percentage of total portfolio (%)	Occupancy rate (%)
Altisource Residential Corp. (RESI)			
Texas	1,878	16.5	93.0*
Florida	1,285	11.3	95.0*
American Homes 4 Rent (AMH)			
Dallas-Fort Worth	4,341	8.9	94.4
Houston	3,151	6.4	91.7
Tampa	1,850	3.8	92.8
Jacksonville	1,797	3.7	90.0
Orlando	1,575	3.2	95.0
San Antonio	1,004	2.0	93.4
Austin	701	1.4	95.0
Miami	260 [^]	0.5	NA
Corpus Christi	223 [^]	0.5	NA
Fort Myers	6 [^]	0.0	NA
Invitation Homes Inc. (INVH)			
South Florida	5,591	11.7	93.8
Tampa	4,900	10.3	95.2
Orlando	3,707	7.8	95.3
Jacksonville	1,958	4.1	95.3
Reven Housing REIT Inc. (RVEN)			
Houston	264	35.0	98.5
Jacksonville	255	33.8	94.9
Starwood Waypoint Homes (SFR)			
Tampa	3,913	11.4	90.0
Miami	3,734	10.9	91.6
Houston	2,615	7.6	95.2
Dallas	2,158	6.3	94.3
Orlando	1,950	5.7	95.0

Data as of June 30, 2017, and compiled Sept. 18, 2017.

NA = not available

Includes portfolios in the states of Texas and Florida that were reported individually in public filings.

* Reflects occupancy rate of stabilized portfolios.

[^] Number of properties as of Dec. 31, 2016.

Sources: Altisource Residential Corp. investor presentation on Aug. 8, 2017; S&P Global Market Intelligence

said it was looking at less than \$10 million in repair costs to its homes. The company said 135 properties experienced major flooding and 625 houses had minor roof or water damage.

Starwood Waypoint said the process of inspecting its homes in Florida would take several weeks to complete. The company has more exposure there, with 11.4% of its properties in Tampa, 10.9% in Miami and 5.7% in Orlando.

Credit Suisse's Harter said 25% of Starwood Waypoint's Houston portfolio was affected by Harvey, about 2.5% of their total portfolio.

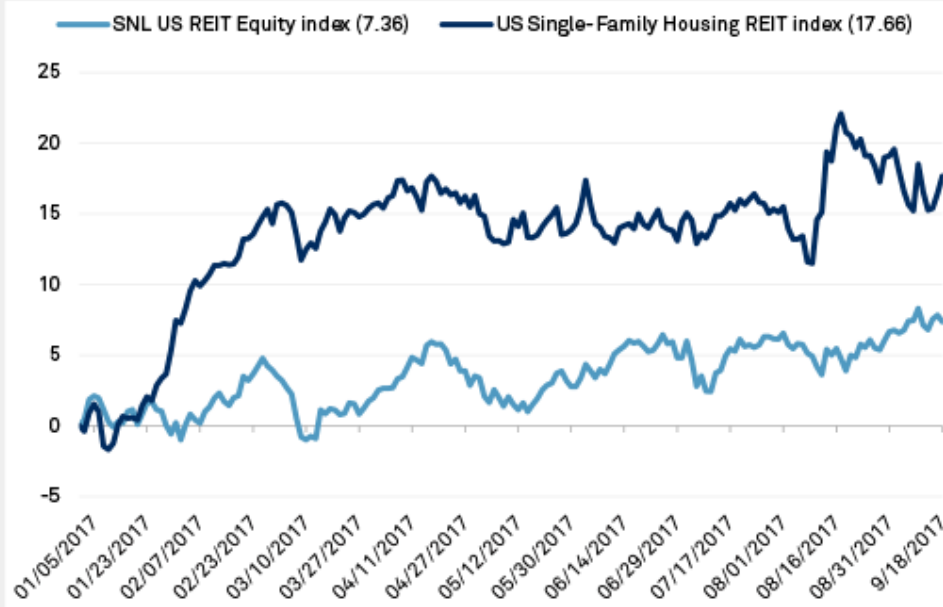
"In totality it's fairly small," Harter said. "In terms of Houston, it's a sizable impact."

Harter said the effects of Hurricane Harvey could result in Starwood Waypoint reducing its exposure to Houston or keeping it at its current level.

On the flip side, St. Juste said that Hurricane Harvey presented an opportunity for *American Homes 4 Rent* to expand in Houston.

"AMH has a liquid balance sheet and eager to buy," St. Juste said, adding that under-insured or distressed sellers or residents who want to leave Houston could present a buying opportunity.

Year-to-date total return comparison (%)



Data as of Sept. 18, 2017.
U.S. Single-Family Housing REIT index includes single-family housing REITs headquartered in the United States.
Source: S&P Global Market Intelligence

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