RCN CAPITAL

INVESTOR SENTIMENT SURVEY

FALL 2024

PRESENTED BY:

C J PATRICK COMPANY

Investor optimism remains strong, as reflected in the Fall 2024 Investor Sentiment Survey and the RCN Capital/CJ Patrick Company Investor Sentiment Index™ (ISI). The ISI saw a notable eight-point rise, driven by the latest RCN Investor Sentiment Survey results, which showed that 71% of investors expect further improvement, while only 9% anticipate a decline. This marks a near doubling of positive sentiment compared to the third quarter of 2023, with the highest percentage of positive responses and the lowest percentage of negative responses since the survey's inception. Factors such as declining financing costs, increased inventory, and a gradual slowdown in price appreciation appear to be fueling this optimism.

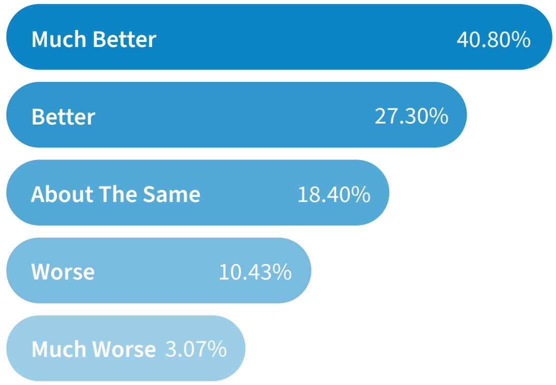
However, concerns persist regarding insurance costs and/or the unavailability of insurance, especially in markets that have been subject to more extreme weather events. Nearly 80% of the respondents said the cost and availability of insurance were a factor in their decision-making about investing in real estate. This was more prevalent in responses from flippers and much more prevalent in states like California and Florida where extreme weather events have caused insurance rates to soar and even prompted some insurance companies to exit those states entirely.

Squatters also were noted as a problem that isn't likely to go away any time soon, with over three-quarters of respondents saying that squatters were a problem in their area and nearly 44% saying they had experienced the problem personally. Again, flippers seemed to be harder hit by this issue and states like California and Florida seemed to have the biggest percentage of respondents reporting squatters as a problem.

In this iteration of the survey, with the U.S. Presidential Elections looming, additional questions were added to see investors' thoughts on the outcome of the race as well as which candidate they thought would usher in the best environment for real estate investing. Investors overall predicted a victory for Kamala Harris in November by a fairly wide margin of 51.4% to 40.5%. Harris was also cited more often, 47.25 to 39.2%, as the candidate that would create a better environment for real estate investors. While there were some surprises and nuances to responses based on investing goals (rental investors vs. flippers) and locations of respondents, it will be interesting to see how the elections ultimately pan out and what effect, either positive or negative, they will have on the real estate investing environment.

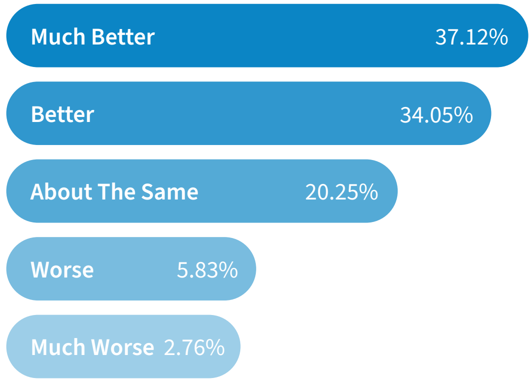
Q1

How does the environment for residential real estate investing compare to one year ago?



Q2

What's your outlook for residential real estate investing over the next 6 months compared to today?

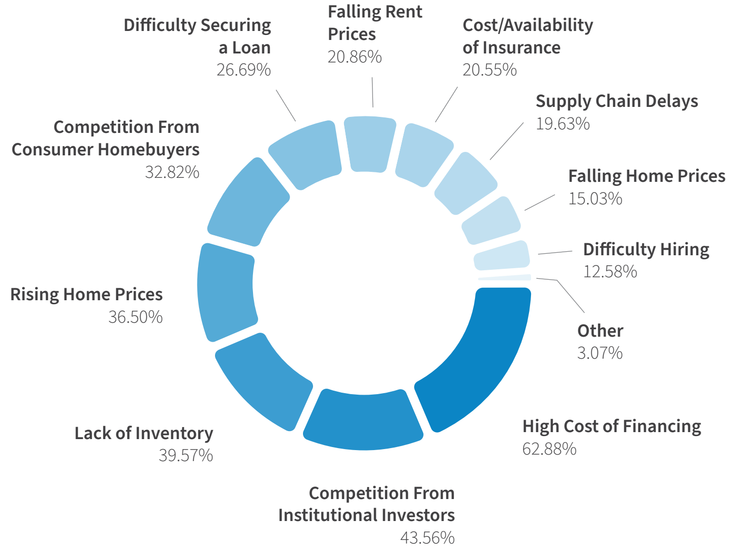


Over 68% of the respondents said conditions were better or much better today than a year ago, and **over 71%** believed that conditions will continue to improve over the next 6 months. **These were the highest positive scores recorded in the series.**

Similarly, **only 13%** viewed the market as worse than last year, and **just 9%** feared that conditions would deteriorate in the next 6 months. **These were the two lowest negative scores since the survey began.**

Q3

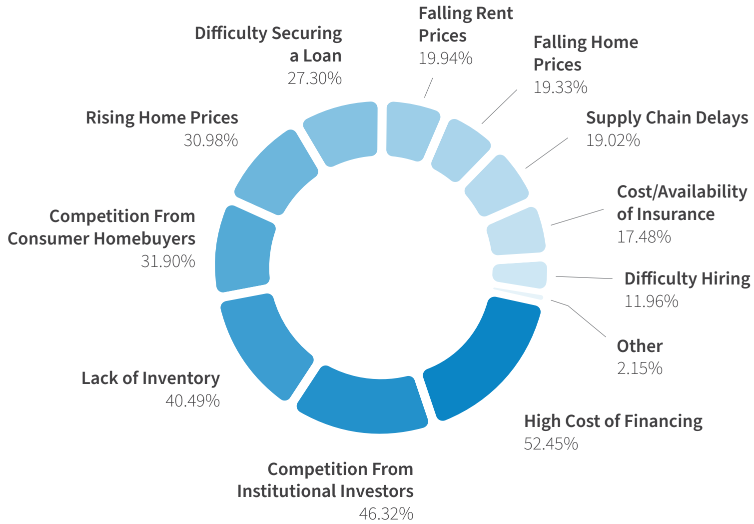
What are the three biggest challenges facing your real estate investing business today?



The high cost of financing continues to be the most frequently cited challenge, as it has been since the inception of the survey, being noted by nearly 63% of the respondents. **Lack of inventory** was cited just under 40% of the time, and **rising prices** cited 36.5%. **Competition from institutional investors** (43.6%) **and consumer homebuyers** (32.8%) rounded out the top five biggest challenges.

Q4

What do you anticipate will be the three biggest challenges facing your residential real estate investing business 6 months from now?



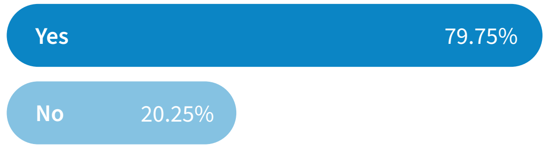
Looking into the future, investors believe that **financing challenges might improve a bit:** 52.5% of the respondents expect the high cost of financing to be among their biggest challenges 6 months from now (a drop of over 15 points). **Competition from large investors is expected to increase,** being cited by 46.3% of the investors. Low inventory (40.5%), competition from homebuyers (32%), and rising home prices (31%) are also expected to be challenges in the future.

Flippers and rental property investors had similar views on challenges both today and in the future, with one notable exception. Rental investors cited cost and availability of insurance as a major challenge today 30.6% of the time (the fourth most cited challenge) compared to only 17% by flippers.

Both noted that the high cost of financing was their biggest challenge today – and would continue to be 6 months from now – and mentioned competition from investors and homebuyers, lack of inventory, and rising home prices as their other major concerns.

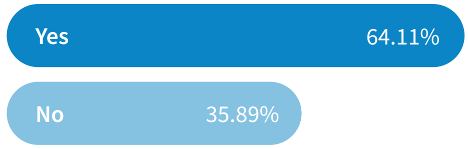
Q5

Are rising insurance costs or the inability to insure properties becoming a factor in your decision to invest in real estate?



Q6

Have rising insurance costs or the inability to insure properties caused you to miss out on an opportunity to buy or sell properties?



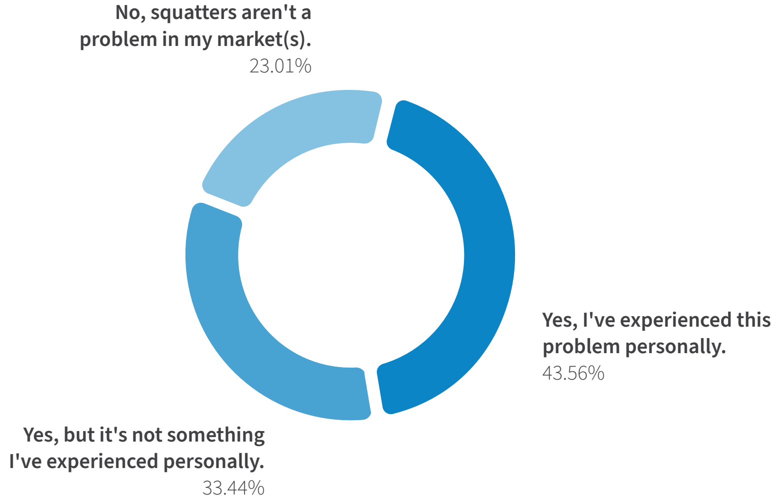
Almost 80% of the respondents said that concerns about the cost and availability of insurance were a factor in their decision-making about investing in real estate. This was more prevalent among flippers (82.9%) than among rental property investors (69.4%). **This could be because insurance issues have caused more flippers (73.3%) than rental investors (45%) to miss out on a deal.**

In states where extreme weather events have caused insurance rates to soar and prompted some insurance companies to exit the state, the responses were even more telling. **Almost 97% of California flippers** and **over 93% of Florida flippers** said insurance issues were a factor in their decision-making. Similarly, over **85% of California rental property investors** and **90% of Florida rental investors** said the same.

California flippers were more likely to have missed out on a deal due to insurance matters than rental investors: 87.5% of flippers lost a deal compared to 50% of rental investors. On the other hand, **60% of both flippers and rental investors** missed out on a deal due to insurance problems in Florida.

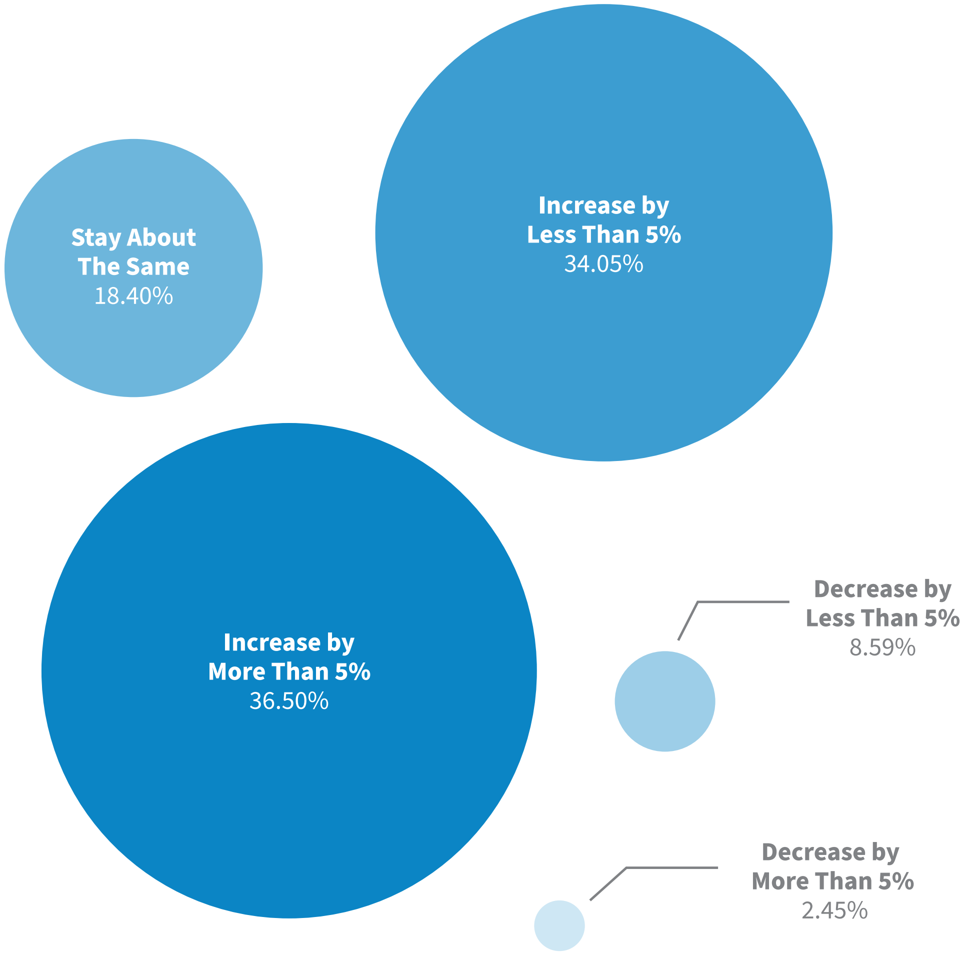
Q7

Are "squatters" an issue in the markets where you invest in residential properties?



Over three-quarters of respondents – 77% – said that squatters were a problem in their area, with 43.6% experiencing the problem personally. The problem appears to be much more severe among flippers (who probably buy more properties that are supposed to be vacant) than rental investors. Almost 88% of flippers cited squatters as a problem compared to 54.9% of rental investors.

The issue is also apparently more commonplace in California than Florida, although it's bigger in both states than it is nationally: 93.8% of California flippers and 70% of California rental investors said squatting is a problem compared to 86.6% and 60% respectively for Florida investors.



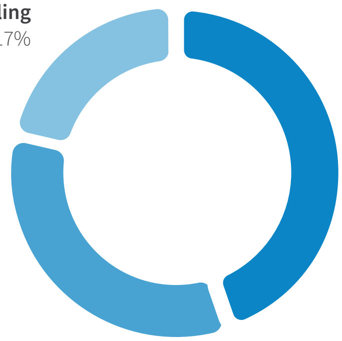
Q8

What do you expect home prices to do over the next 6 months?

Investors overwhelmingly believe that home prices will continue to rise:
70.6% of all respondents, 74.2% of flippers, and 58.5% of rental investors agree.

Q9

What is your primary type of residential real estate investment?

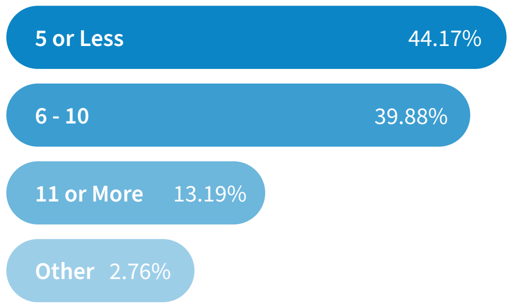


Fix-and-Flip investors were significantly more positive about market conditions than were rental property investors.

Over 80% of flippers believe that market conditions have improved over the past year, and **more than 83%** expect things to continue to improve. Conversely, **under 47% of rental property investors** believe that today's market is better than last year's, and **about 51%** expect conditions to improve over the next 6 months.

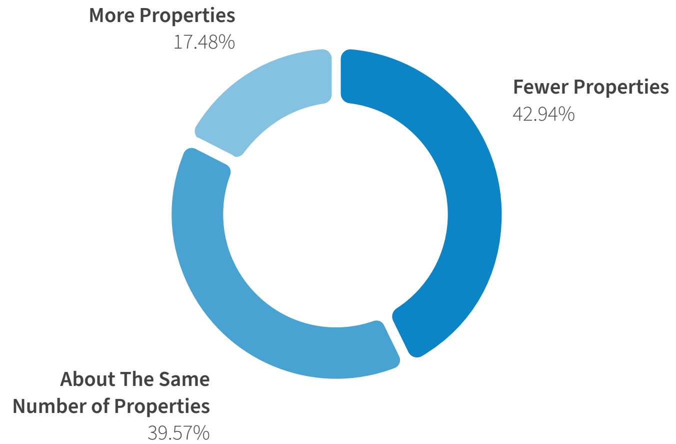
Q10

How many properties do you plan to invest in over the next 12 months?



Q11

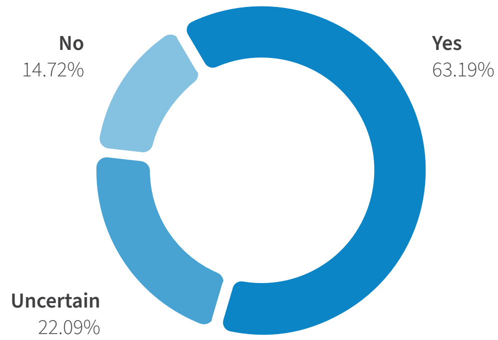
How does this number of properties compare to the number of properties you've invested in over the past 12 months?



About 84% of investors plan to invest in 10 or fewer properties in the next 12 months; for 43% that's fewer properties than a year ago, for 17.5% it's more. Those numbers are similar for both flippers and rental investors: of the latter, 89.2% plan to buy 10 or fewer properties, less than the prior year for 30.6% and more than the prior year for 19.8%. For flippers, 66.6% plan to buy 10 or fewer properties, which is a lower number for 55.5% of them and a higher number for 16.4%.

Q12

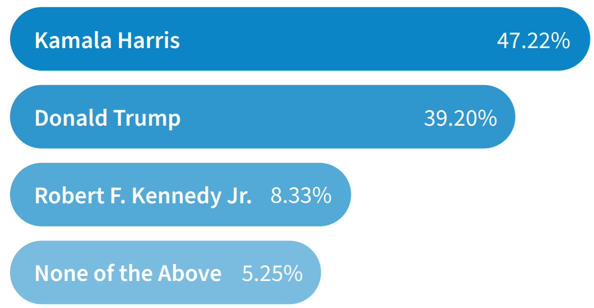
Are you expecting the U.S. economy to enter a recession in 2024?



Most investors believe that the country is likely to enter a recession in 2024, with 63.2% of all respondents answering affirmatively. But there's a stark difference between flippers and rental investors in this category, with only 38.7% of rental investors calling for a recession compared to 74.7% of flippers.

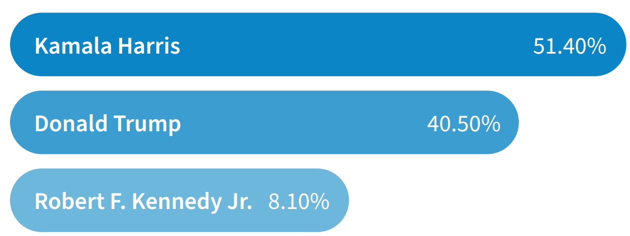
Q13

Which candidate, if elected President, do you believe will create the best environment for real estate investors?



Q14

Which candidate do you believe will win the 2024 U.S. Presidential Election?



Election Takeaways

The investors surveyed predict a victory in November for Kamala Harris by a fairly wide margin, 51.4% compared to 40.5%. When asked which candidate would create the best environment for real estate investing, Harris again was cited more often, 47.2% to 39.2%.

Women who responded to the survey were more inclined to select Harris for both questions. Almost 53% of women believed that Harris would create the best investing environment, compared to 32.8% for Trump. And 57.3% of women predict a Harris victory, compared to 34.2% who believe Trump will win.

The numbers were closer among male respondents: 46% believed that Harris would create a better investing environment than Trump (42.9%); and Harris was expected to win the Presidency by 48.2% to 43.5%.

Harris tended to do best among respondents with household incomes between $75,000-$149,999, and with those with household incomes over $200,000. Trump prevailed among households where the income was between $150,000-$199,999.

Harris was also viewed as the likely winner by most age groups, securing a majority among the 18-24, 30-44, and 45-60 brackets, while Trump was selected by respondents over the age of 60.

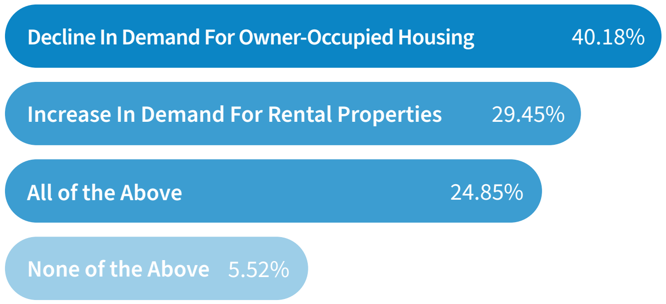
There were some surprises, however, in the underlying data: Investors in California expect a Trump victory in November: Flippers by 62.1% to 34.5%, and rental investors by 70% to 30%. Florida investors are split: Flippers expect a Harris victory 60% vs. 33.3%, while rental investors predict a Trump win 65% to 30%.

Flippers appear more confident in Harris creating the better investing environment than Trump by 56.9% to 32.6%. Florida flippers have almost identical expectations – 60% to 33.3% - but California flippers cite Harris by a narrower margin – 50% to 40%.

Rental property investors are more favorable to the former President, with 45% of the respondents saying Trump would create the best investing environment compared to 39.6% for Harris. Only 25% of Florida's rental investors believe Harris would create the best environment compared to 55% for Trump. And rental investors from Harris' home state of California say Trump would create the better environment for investing 75% to 25%. And while rental investors narrowly give the election to Harris over Trump by 50% to 45.5%, Trump is deemed the likely winner by rental investors in both Florida (65% to 30%) and California (70% to 30%).

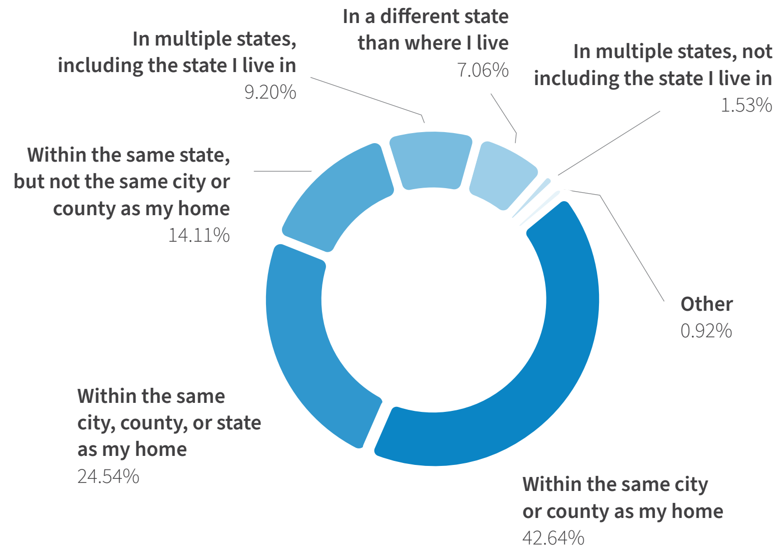
Q15

What has been the impact of today's higher mortgage rates in your market(s)?

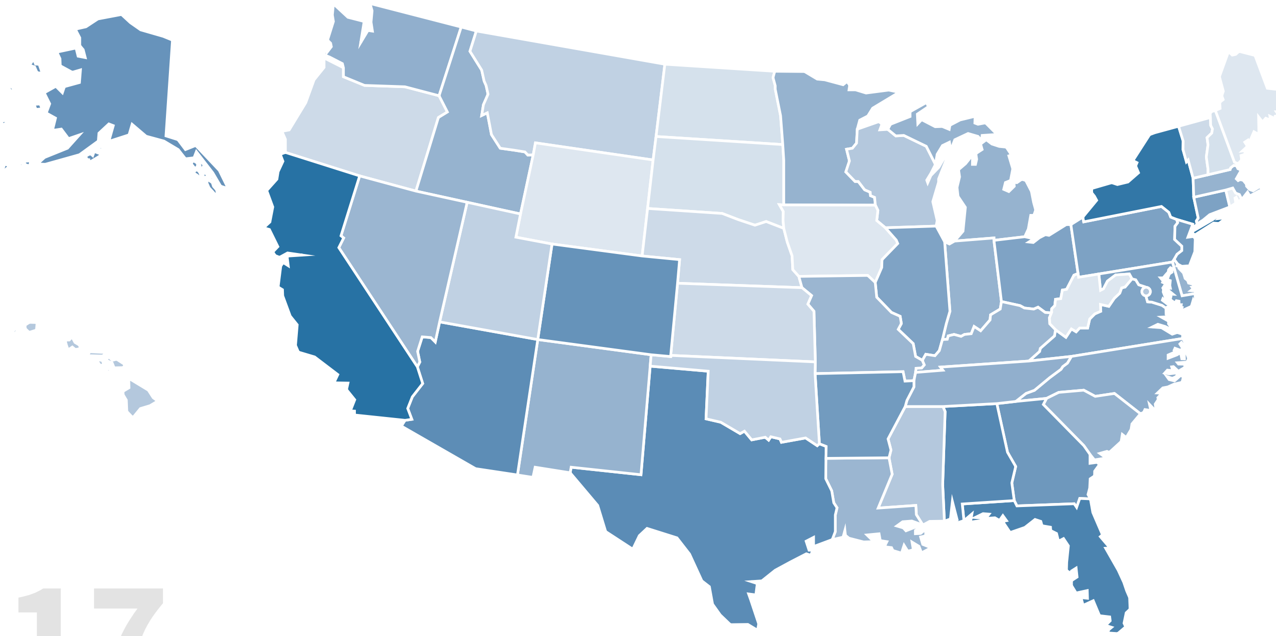


Q16

How near or far away from your home do you do most of your investing?



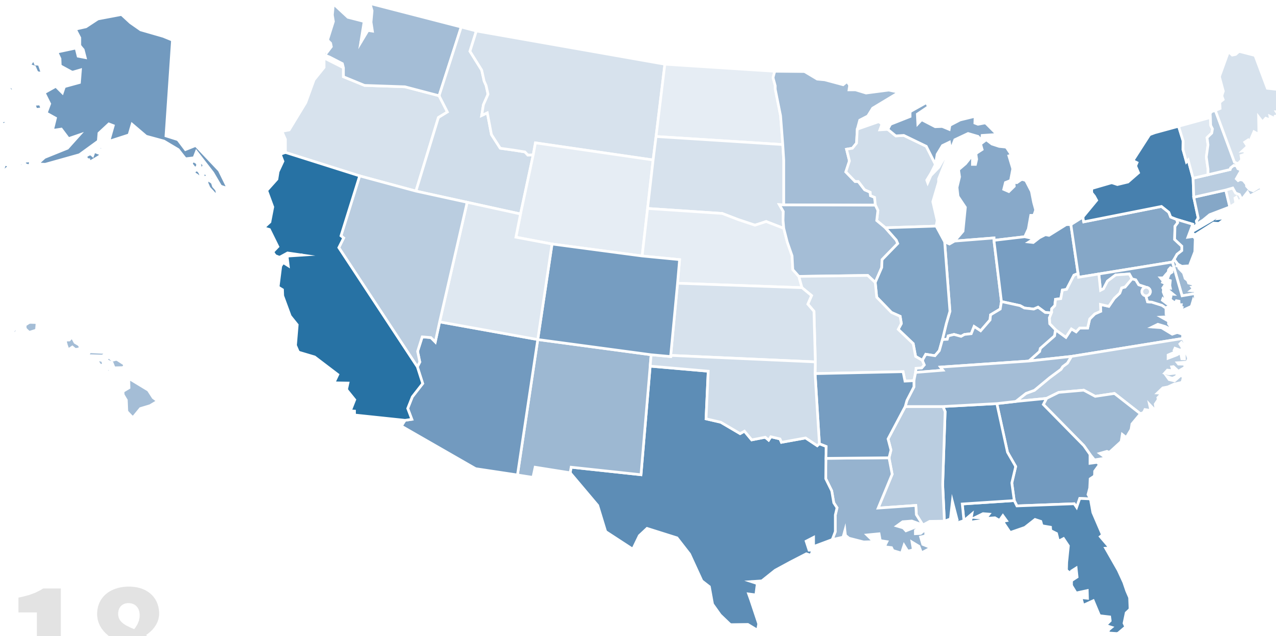
There's very little difference in investors' views on the impact higher mortgage rates have had in their markets – 94.5% of all respondents, 96.6% of flippers, and 89.2% of rental investors believe that rising mortgage rates have resulted in less demand for owner-occupied housing and more demand for rental properties.



Q17

In which state(s) do you do most of your residential real estate investing?

Alabama	12.58%	Kentucky	1.84%	North Dakota	0.61%
Alaska	7.06%	Louisiana	1.84%	Ohio	3.68%
Arizona	10.12%	Maine	0.31%	Oklahoma	1.23%
Arkansas	5.52%	Maryland	3.99%	Oregon	0.92%
California	20.86%	Massachusetts	2.15%	Pennsylvania	3.99%
Colorado	7.36%	Michigan	2.15%	Rhode Island	0.00%
Connecticut	3.99%	Minnesota	2.15%	South Carolina	2.15%
Delaware	2.15%	Mississippi	1.53%	South Dakota	0.61%
District of Columbia	1.53%	Missouri	1.84%	Tennessee	2.45%
Florida	15.34%	Montana	1.23%	Texas	10.74%
Georgia	6.13%	Nebraska	0.92%	Utah	1.23%
Hawaii	1.53%	Nevada	1.84%	Vermont	0.92%
Idaho	2.15%	New Hampshire	0.61%	Virginia	3.37%
Illinois	3.68%	New Jersey	5.21%	Washington	2.45%
Indiana	2.15%	New Mexico	2.15%	West Virginia	0.31%
Iowa	0.31%	New York	19.33%	Wisconsin	1.53%
Kansas	0.92%	North Carolina	2.76%	Wyoming	0.31%



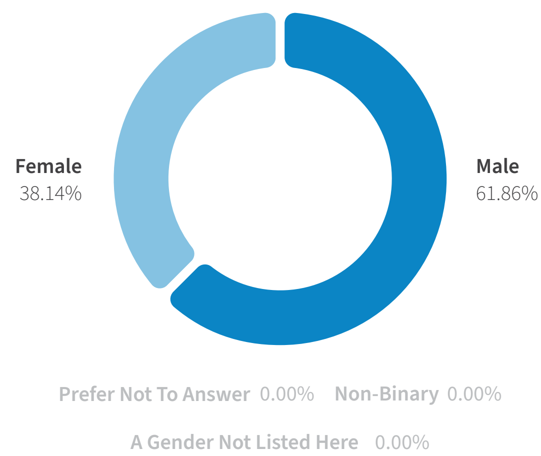
Q18

In which state(s) do you do plan to do most of your residential real estate investing 6-12 months from now?

Alabama	9.82%	Kentucky	3.07%	North Dakota	0.61%
Alaska	6.44%	Louisiana	2.76%	Ohio	5.21%
Arizona	6.44%	Maine	1.23%	Oklahoma	1.53%
Arkansas	5.52%	Maryland	3.68%	Oregon	1.23%
California	20.86%	Massachusetts	1.84%	Pennsylvania	3.99%
Colorado	5.52%	Michigan	3.68%	Rhode Island	0.92%
Connecticut	3.99%	Minnesota	2.15%	South Carolina	2.45%
Delaware	2.45%	Mississippi	1.84%	South Dakota	1.23%
District of Columbia	1.53%	Missouri	1.23%	Tennessee	2.15%
Florida	13.80%	Montana	1.23%	Texas	11.04%
Georgia	6.44%	Nebraska	0.61%	Utah	0.92%
Hawaii	2.15%	Nevada	1.84%	Vermont	0.92%
Idaho	1.53%	New Hampshire	1.84%	Virginia	3.07%
Illinois	4.29%	New Jersey	4.60%	Washington	2.15%
Indiana	3.37%	New Mexico	2.45%	West Virginia	1.53%
Iowa	2.15%	New York	18.71%	Wisconsin	1.53%
Kansas	1.23%	North Carolina	1.84%	Wyoming	0.61%

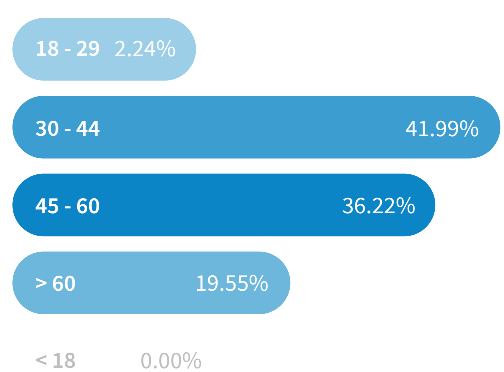
Q19

What is your gender?



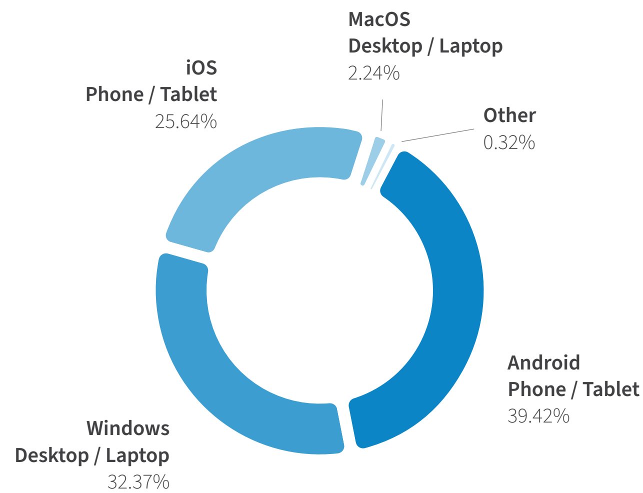
Q20

What is your age?



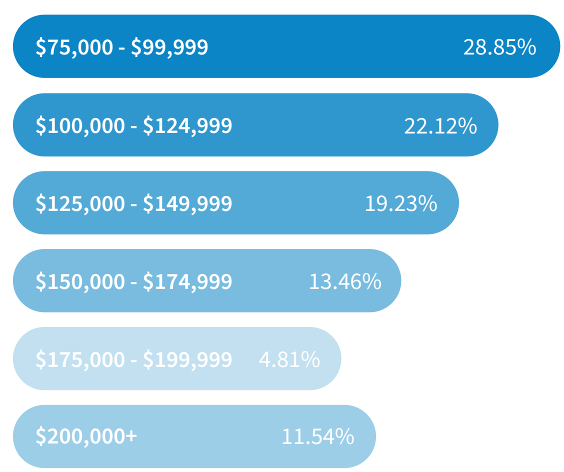
Q21

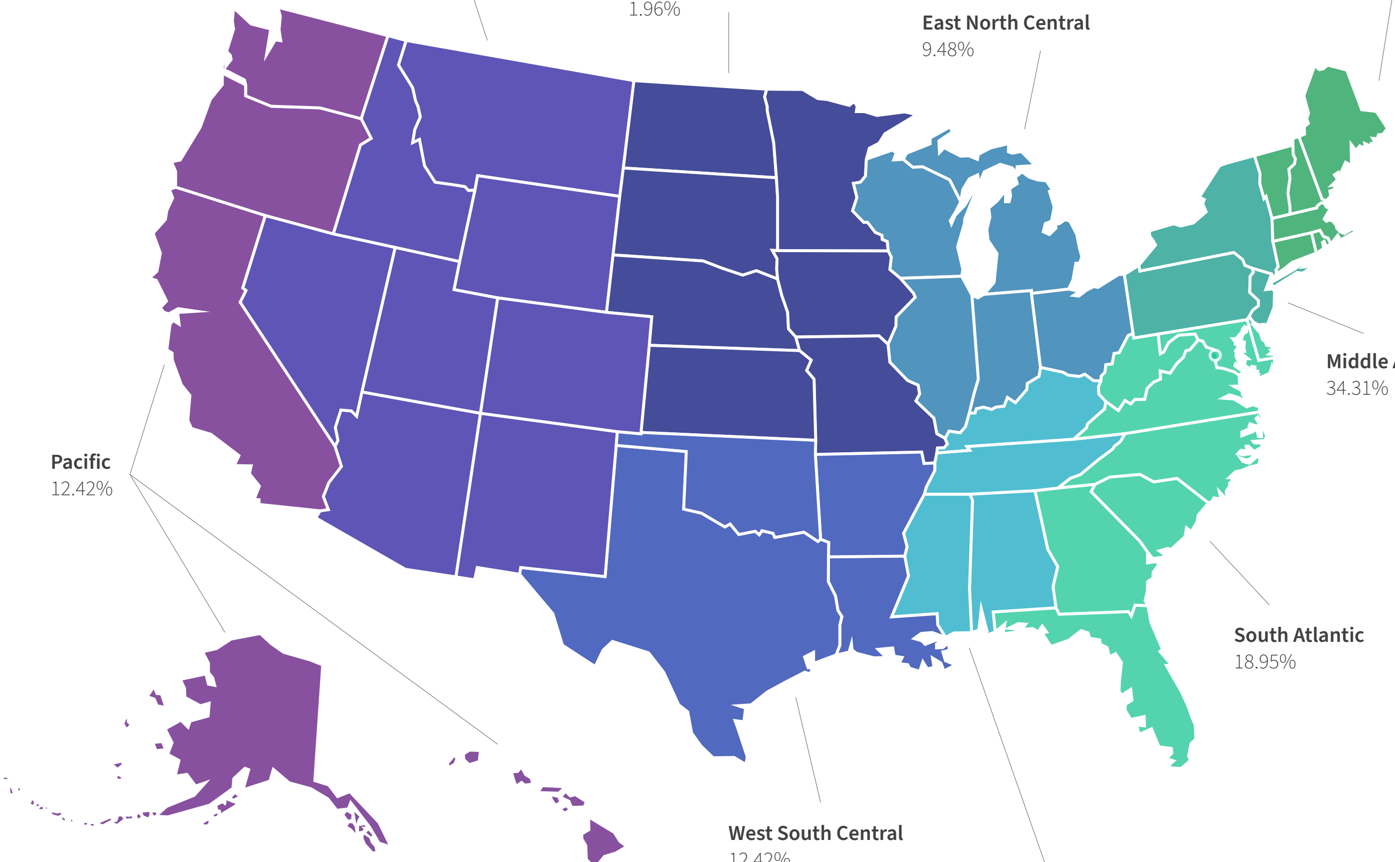
What type of device are you using?



Q22

What is your household income?





Q23

In which major US region do you reside?

Pacific	12.42%	West South Central	12.42%	Middle Atlantic	34.31%
Mountain	3.92%	East North Central	9.48%	South Atlantic	18.95%
West North Central	1.96%	East South Central	5.23%	New England	1.31%

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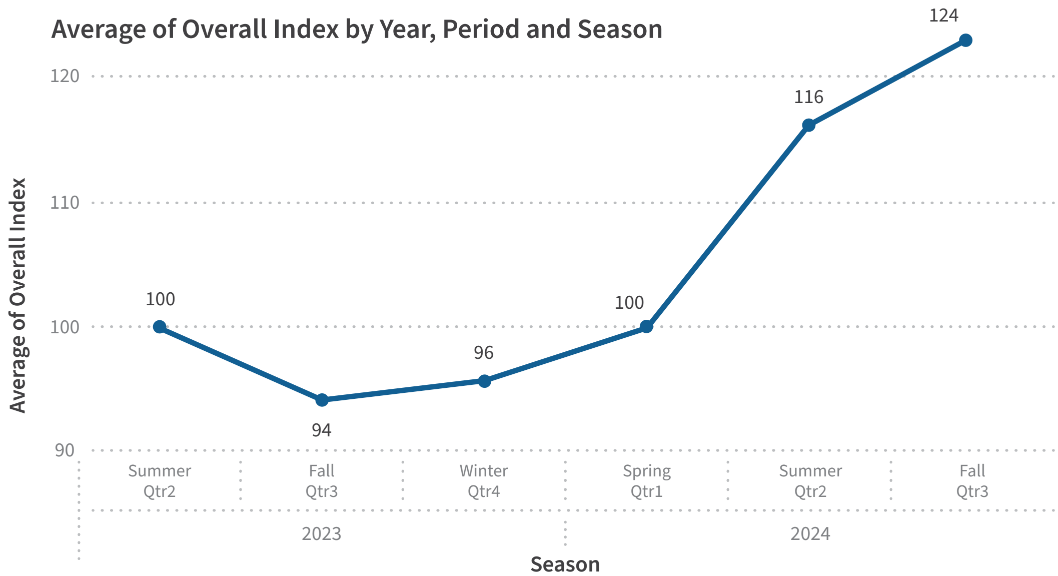
Investor Sentiment Index (ISI)

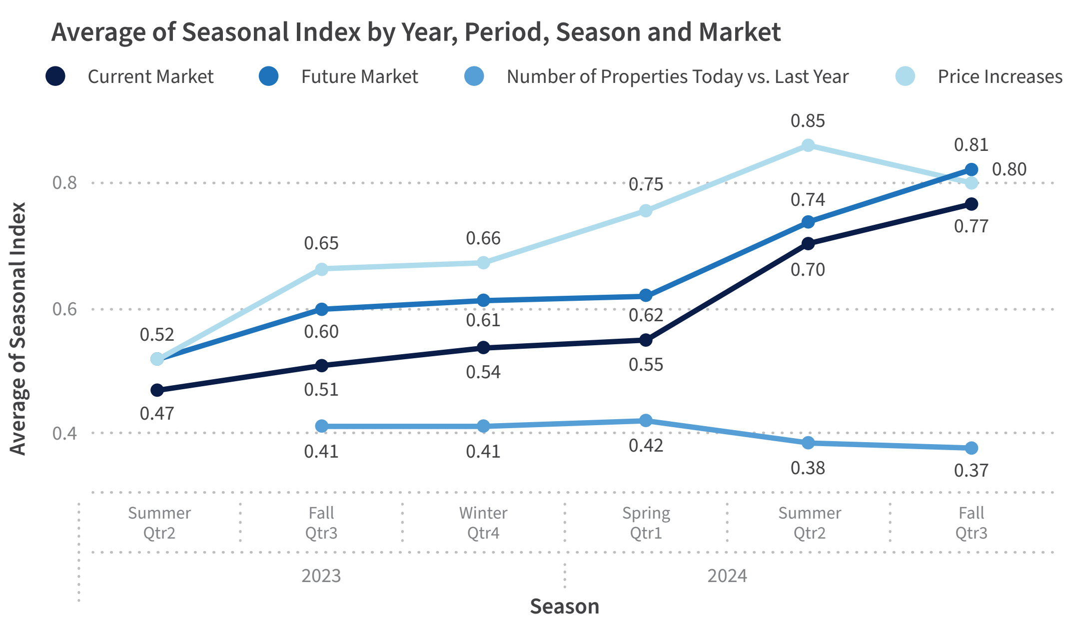
RCN Capital Investor Sentiment Index

The RCN Capital/CJ Patrick Investor Sentiment Index (ISI) was designed to track the pulse of real estate investors across the country and gauge market outlook. The ISI is based on a quarterly survey of residential real estate investors and focuses on their responses to four specific questions:

- **Current Market Outlook -** How does the environment for residential real estate investing compare to one year ago?
- **Future Market Outlook -** What's your outlook for residential real estate investing over the next 6 months compared to today?
- **Expected Home Price Increases -** What do you expect home prices to do over the next 6 months?
- **Number of Properties Compared to Past 12 Months -** How does the number of properties you plan to invest in over the next 12 months compare to the number of properties you've invested in over the past 12 months?

Each quarter, the ISI depicts the overall sentiment of residential real estate investors toward industry conditions starting with a baseline scale of 100. The initial baseline value of 100 was established from the results of the Summer 2023 Investor Sentiment Survey, serving as our reference point when we began the survey. A higher reading (>100) is an indication that the majority of residential real estate investors are confident about the current and near-term outlook for residential real estate investing. Lower readings (<100) signify less optimism among residential real estate investors.



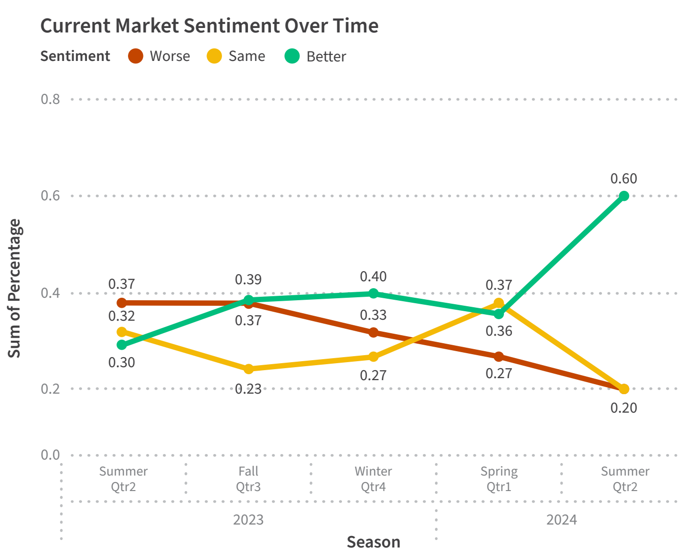


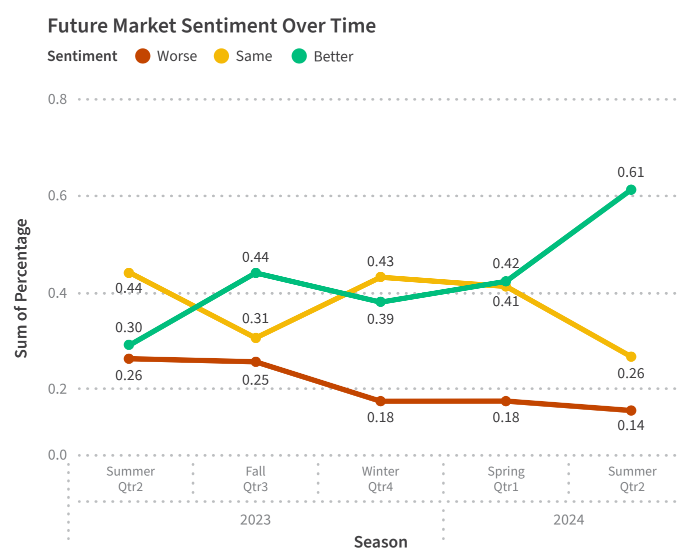
RCN Capital Investor Sentiment Index Methodology

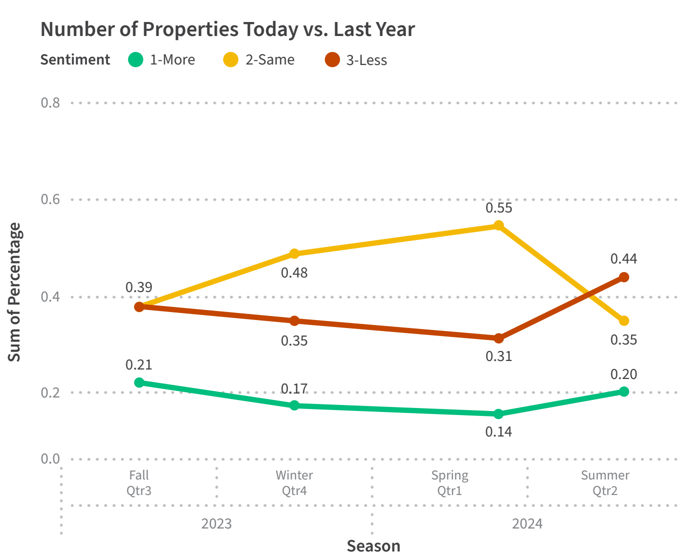
The ISI is a weighted average of four of the components of the quarterly Investor Sentiment Survey: current market outlook, future market outlook over the next 6 months, expected home price increases over the next 6 months, and number of investment property purchases compared to the past 12 months.

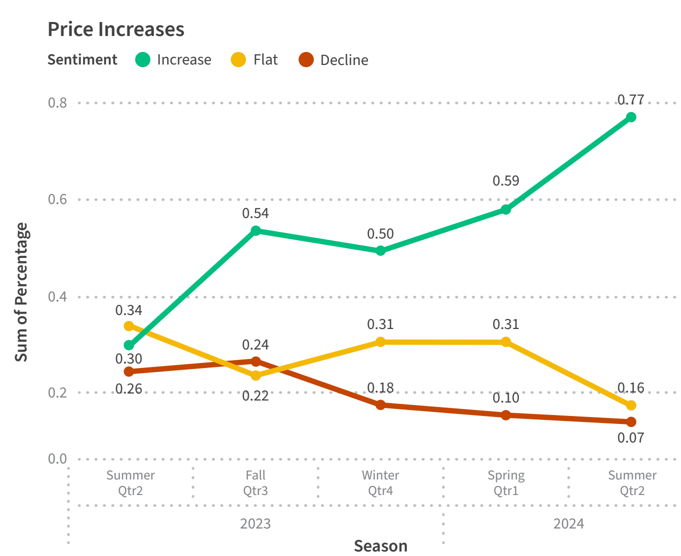
Survey respondents, who are residential real estate investors, rate the first two on a scale of “better”, “same”, or “worse”, the third on a scale of “increase”, “remain flat”, or “decline, and the last on a scale of “more”, “same”, or “less”.

- **The index is calculated for each season by applying these formulas:**
  - Current Market Outlook - “(Better –Worse + 1)/2”
  - Future Market Outlook - “(Better –Worse + 1)/2”
  - Expected Home Price Increases - “(Increase - Decline + 1)/2”.
  - Number of Properties Compared to Past 12 Months - “(More - Less + 1)/2”
- **Subsequently, each resulting index is weighted according to the following percentages to derive the Overall Index for each season:**
  - Current Market Outlook - 40%
  - Future Market Outlook - 25%
  - Expected Home Price Increases - 10%
  - Number of Properties Compared to Past 12 Months - 25%









The index was created this way to make it relatively easy to interpret and easily show market sentiment over time. In particular, the Overall index:

- Lies on a scale of +/- 100
- Is <100 only when respondents say sentiment is less optimistic
- Is >100 only when respondents say sentiment is more optimistic

The survey respondents represent residential real estate investors with diversified investing strategies from all over the United States. The survey is conducted quarterly with varying participants to ensure optimal response rates and balanced participation from residential real estate investors from across the country.

Investor optimism is the highest recorded in the survey's six quarters with an index of 124.