



HR&A

+

VINEBROOK
Homes

VineBrook Homes Impact, Greater Cincinnati

December 2022

An aerial photograph of a suburban neighborhood with numerous houses, streets, and green spaces. A semi-transparent dark blue rectangular overlay is positioned in the upper right portion of the image, containing the text '01'.

01

Executive Summary

ABOUT THE STUDY

As a real estate company focused on affordability, quality, and value of their single-family homes for lease, VineBrook has demonstrated its commitment to providing a variety of housing options and being a good citizen in the communities where it owns homes. HR&A was engaged to evaluate and communicate VineBrook's impacts and contributions in Cincinnati. **HR&A's analysis focused on four areas to demonstrate VineBrook's impact in the community and to respond to criticisms.** Specifically, HR&A analyzed housing market dynamics in the study area and VineBrook's direct investment impact, property quality standards, rental rates and rent escalation, and local community presence.

HR&A'S APPROACH

1. Housing market dynamics

Using publicly available data sources, HR&A analyzed housing market dynamics and trends over the last few decades including housing supply and demand, age of housing stock, and barriers to homeownership.

2. Access to affordable rental housing

HR&A analyzed rents, rent increases, and residents' housing cost burdens as well as VineBrook's financial assistance programs for residents.

3. Responsible property management and maintenance practices

HR&A analyzed VineBrook's upfront and ongoing property management, maintenance expenses, and staff resources.

4. Impact on the local economy and community

HR&A analyzed VineBrook's direct economic impact including job creation and investment in the community (including charitable contributions).

KEY FINDINGS



Housing market dynamics

- VineBrook primarily purchases older homes that are not available for purchase to individual homebuyers. **87% of VineBrook's properties bought between 2018-22 were renter-occupied at the time of purchase.** These transactions did not shift owner-occupied homes to homes for lease and were already investor-owned homes prior to VineBrook's purchase.
- The size of VineBrook's portfolio—**<1% of Hamilton County's housing stock**—is insufficient to shift the homeownership rate.
- Larger market and regulatory forces are responsible for declining homeownership rates. These include **limited new housing development, higher home prices, and high mortgage denial rates.**



Access to affordable rental housing

- Cincinnati MSA rents are an average of **\$330 higher per month** than VineBrook rents. In 2021-22 YTD, **MSA-wide rents increased 17.3% while VineBrook rents increased just 6.6%.** Rather than being a driver of increasing rents, VineBrook provides access to some of the most affordable market rents in the MSA.
- VineBrook has facilitated **\$3.57M in rental assistance to 796 families** including rental subsidies and rent forgiveness.



Responsible property management and maintenance practices

- From 2019–22 YTD, VineBrook spent an **average of \$27,000 per property** to renovate it upon acquisition.
- Since entering the Cincinnati market, VineBrook has spent **\$62.5M in rehabilitation, repairs, and maintenance.** In 2021, average spend per completed rehabilitation was **\$24,000**; in 2022 (YTD), it is **\$28,000.**
- Between 2017 and 2022, VineBrook properties had only **0.2 code violations per year.** The majority of these – **82%** – are minor and require limited action.



Impact on the local economy and community

- Over the last 14 years, VineBrook has grown its team in Cincinnati to **100 staff members, with \$6.55 million wages paid annually.**
- In 2021-22, VineBrook spent over **\$25 million on 413 trusted vendor partners.**



VineBrook is not negatively impacting homeownership



VINEBROOK IS A SMALL PERCENTAGE OF THE COUNTY'S HOUSING MARKET



VINEBROOK PURCHASES OLDER, INVESTOR-OWNED RENTER-OCCUPIED PROPERTIES

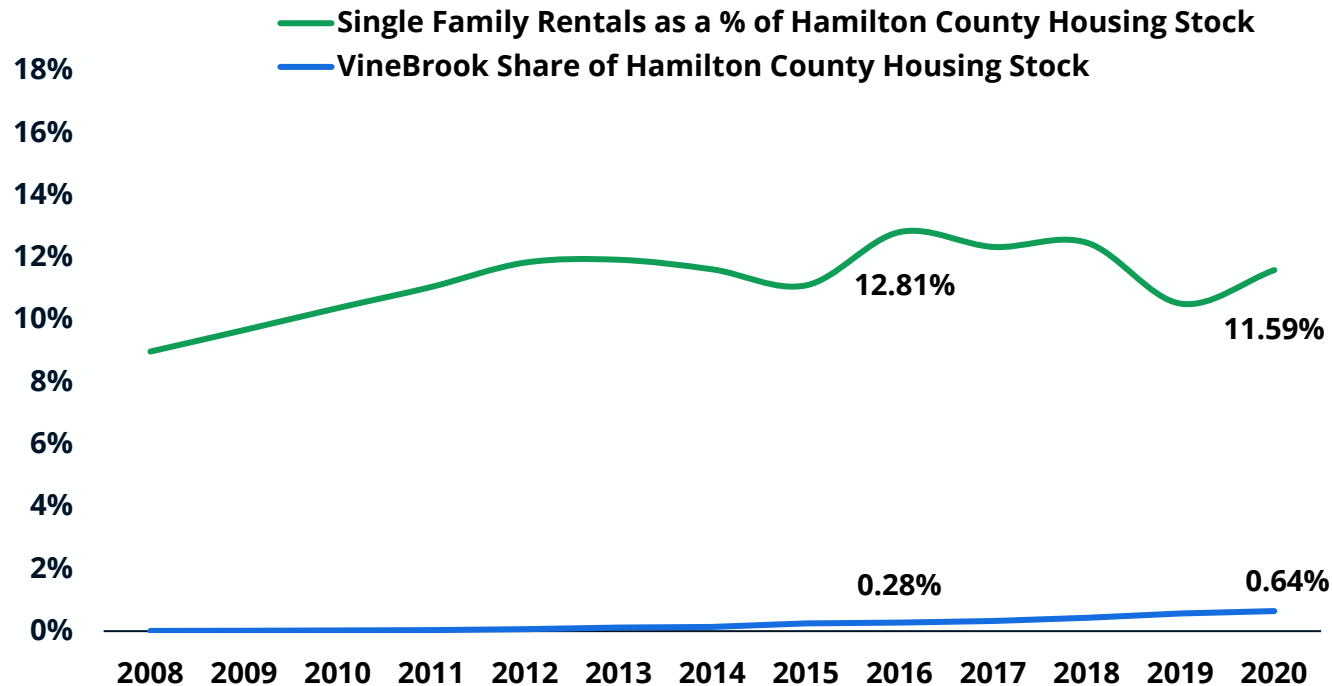


HOMEOWNERSHIP RATES ROSE IN NEIGHBORHOODS WHERE VINEBROOK PURCHASED PROPERTIES

VINEBROOK IN THE MARKET

VineBrook's purchases make up a small fraction of single-family home purchases (1.7%) in Hamilton County and are predominately (75%) bought from existing investor owners.

HAMILTON COUNTY SINGLE FAMILY RENTAL STOCK HAS BEEN DECLINING SINCE 2016



Note: Single-family rentals (SFRs) are single-family homes that are rented out to residents.
Source: ACS 1-Year Estimates & ACS 5-Year Estimates; Hamilton County Auditor Tax Year Information;
VineBrook data

VineBrook's acquisitions constituted

1.7%

of all single-family transactions
from 2016-22

At 3,000 properties, VineBrook owns <1% of the total housing stock in Hamilton County (approx. 320,000 units).

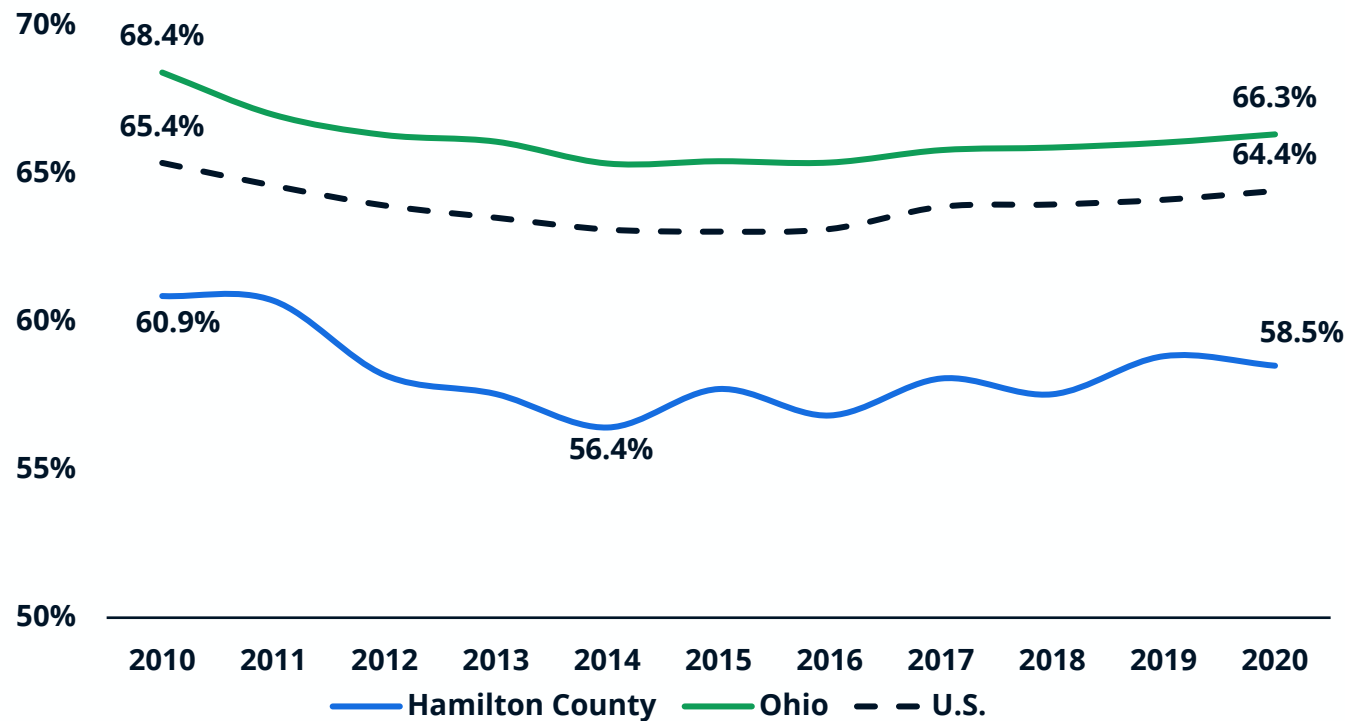
In 2021-22, 75% of these purchases have been from existing investor owners, i.e., these homes were not made available to individual homeowners.

Further, 87% of VineBrook's properties bought between 2018-2021 were renter-occupied at the time of purchase. These purchases represent a change in ownership, but not a decrease in the housing stock available to homeowners.

HOUSING MARKET DYNAMICS | HOMEOWNERSHIP RATE

The homeownership rate has risen and outperformed the County in census tracts where VineBrook owns properties.

HAMILTON COUNTY HOMEOWNERSHIP RATE (2010-2020)



+0.7%

Change in
homeownership
rate in VineBrook
tracts,
2014-2019

-1.1%

Change in
homeownership
rate in Hamilton
County (overall),
2014-2019

The size of VineBrook's portfolio relative to market sales is insufficient to shift the homeownership rate. In the period from 2017 through 2020, VineBrook purchased 1,297 properties compared to 70,000 total single-family transactions over the same period.

Since 2010, homeownership rates in the US, Ohio, and Hamilton County have declined as a result of larger market forces. Counter to these trends, homeownership rates have risen in the census tracts where VineBrook owns homes.



Market dynamics over the last decade have made becoming a homeowner more difficult



INSUFFICIENT NEW HOUSING HAS CONSTRAINED THE AVAILABLE INVENTORY AND RESULTED IN HIGHER HOME PRICES



HIGHER HOME PRICES HAVE RAISED THE INCOME AND DOWN PAYMENT REQUIRED TO BECOME A HOMEOWNER



HIGH MORTGAGE DENIAL RATES IN HAMILTON COUNTY ARE A SIGNIFICANT BARRIER TO FIRST-TIME HOMEBUYERS

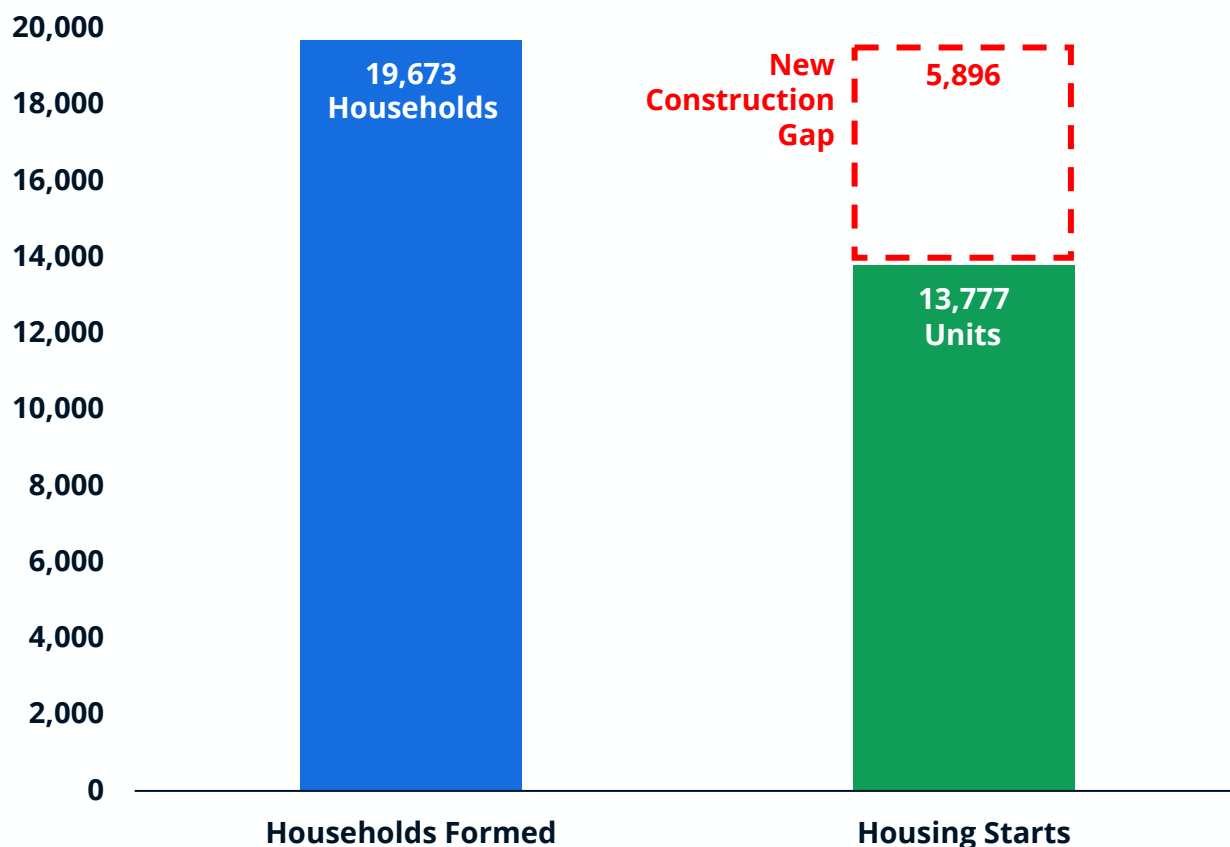


SYSTEMIC RACISM IN THE MORTGAGE ORIGATION PROCESS POSES BARRIERS FOR HOUSEHOLDS OF COLOR

HOUSING MARKET DYNAMICS | HOUSING SUPPLY

New household formation has outpaced housing starts since 2010 leading to low inventory for homebuyers and renters alike in Hamilton County.

HOUSEHOLD FORMATION VS. HOUSING STARTS (2010-2020)



Note: New housing units includes new, privately-owned housing units (rented and owned), excluding "HUD-code" manufactured homes).

Sources: ACS 5-Year Estimates & Building Permits Survey; HUD Office of Policy Development and Research (PD&R); Joint Center for Housing Studies (JCHS) of Harvard University

One of the key barriers to homeownership in Hamilton County is **limited housing supply**. Like much of the US, new housing starts in the County fell after 2008. In the last decade, Hamilton County added 70 new housing units for every 100 new households formed.

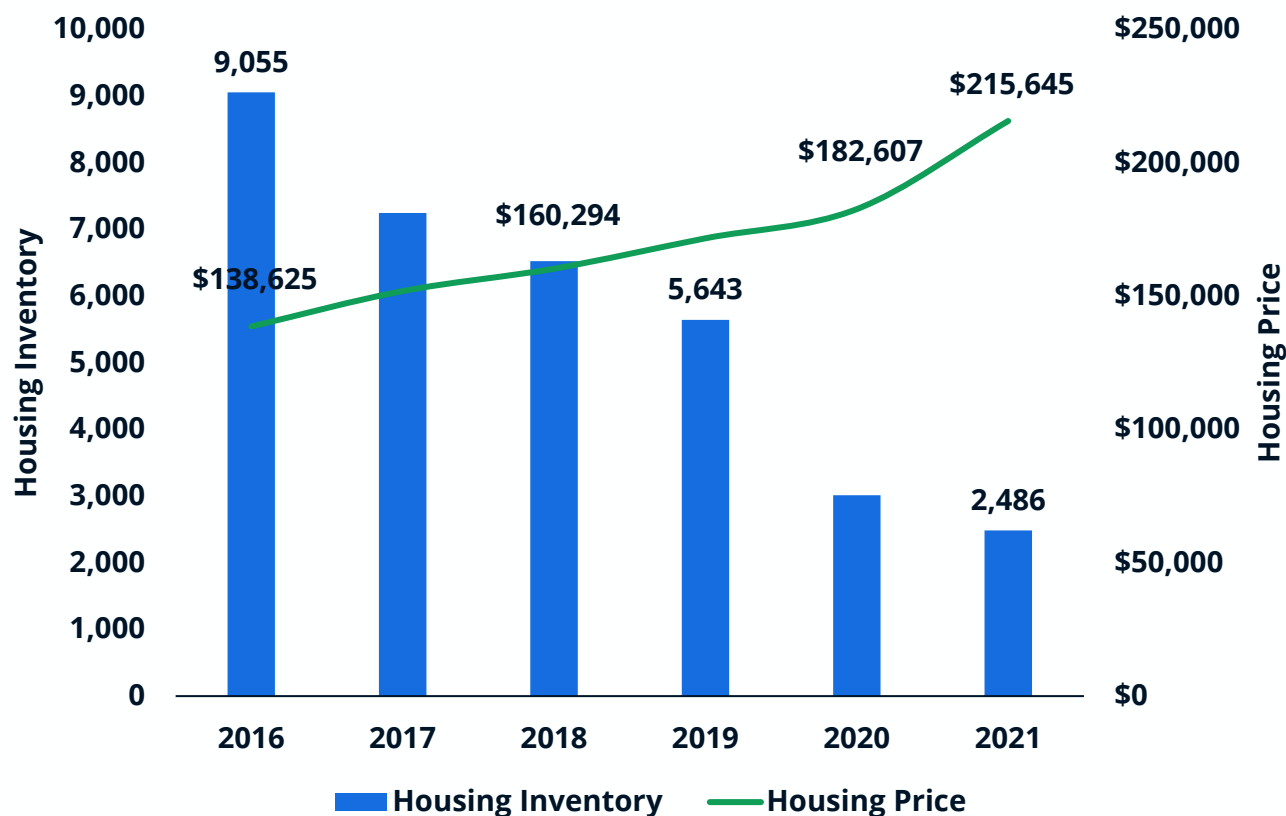
The recommended ratio for housing units to households formed is 1.2 (*Joint Center for Housing Studies, Harvard University*). The margin accounts for the replacement of older housing units, geographic shifts in the population across markets, and a natural vacancy rate required for a well-functioning housing market.

In the same time period, Cincinnati lost 4% – nearly 6,000 – of its housing units, likely a result of its aging housing stock.

HOUSING MARKET DYNAMICS | HOUSE PRICES

The low inventory of homes has increased competition for housing and driven up prices.

**CINCINNATI MSA CHANGE IN HOME PRICES VS. INVENTORY
(2016-2021)**



Note: Housing inventory is defined as the count of active single-family and condo/townhome listings for a given market during the specified month (excludes pending listings)

Source: Zillow ZHVI; FRED Housing Inventory; Redfin City Guide; HUD Office of Policy Development and Research (PD&R); National Association of Realtors (NAR)

1.9 mos.

Supply of inventory (for home sales) in Dec. 2021

8.5 mos.

Supply of inventory (for home sales) in Dec. 2012

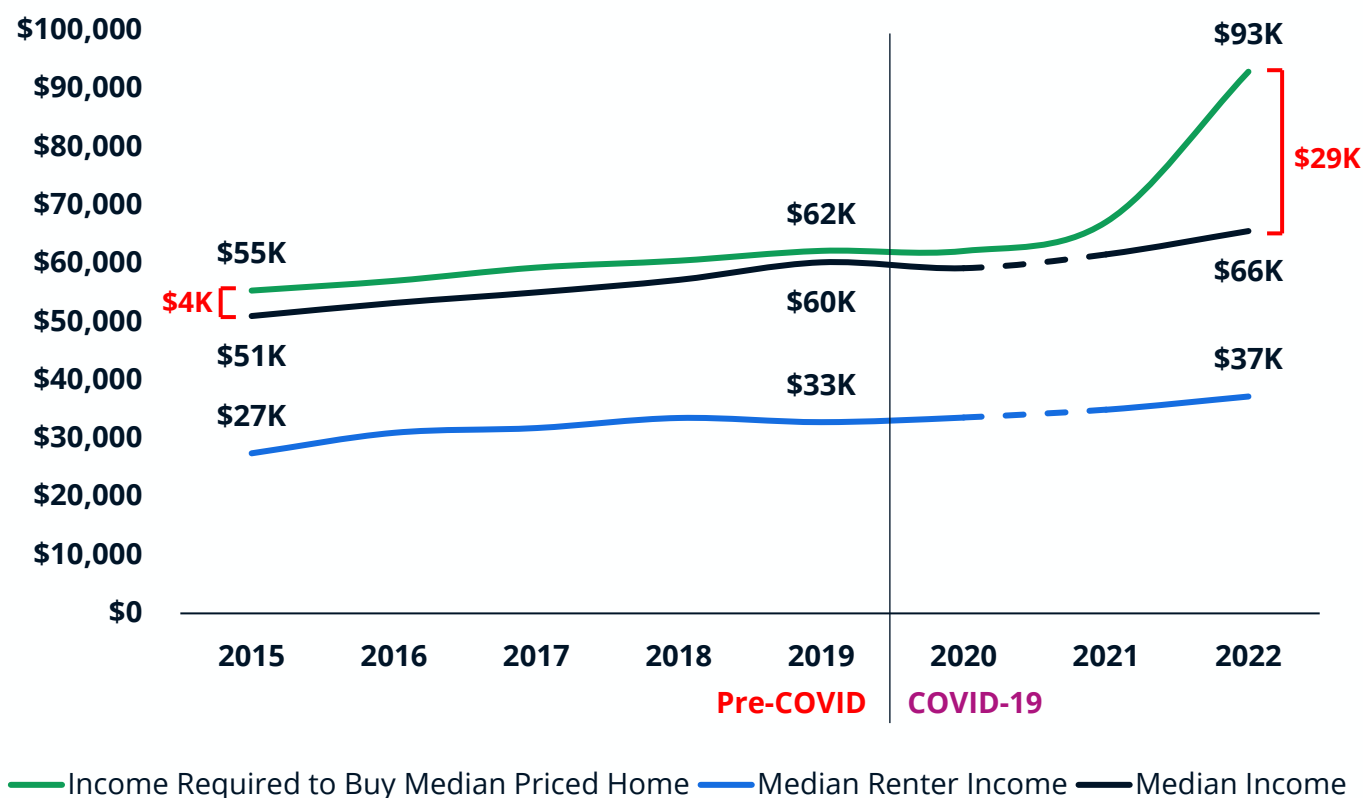
The decrease in housing inventory has exerted upward pressure on home prices. From 2019-21, the median single-family home price in Cincinnati increased 25%, by \$44,000, from \$172,000 to \$216,000.

Further, from 2021-22, building permits for single-family homes decreased 8.8% in Hamilton County, compared to an increase of 7.8% in the US.

HOUSING MARKET DYNAMICS | BARRIERS TO HOMEOWNERSHIP

Higher home prices have led to a drastic increase in income required to buy a median priced home and larger down payments, raising the barrier to becoming a homeowner.

CINCINNATI MSA INCOME REQUIRED TO BUY VS. MEDIAN INCOME**



Another key barrier to homeownership has been that median income rose slower than the median home price. From 2015-22, median income increased by 30% (to \$66,000) while the median home price doubled to \$271,800.

As of November 2022, the income required to buy a median priced home is \$29,000 higher than median household income. This gap jumps to \$57,000 for a median renter.

Higher home prices also translate into higher down payment requirements. To purchase a median priced single-family home, households need \$54,400 in savings to avoid paying mortgage insurance.

Note: ** Assuming incomes increased 4% annually in 2021 and 6.5% in 2022

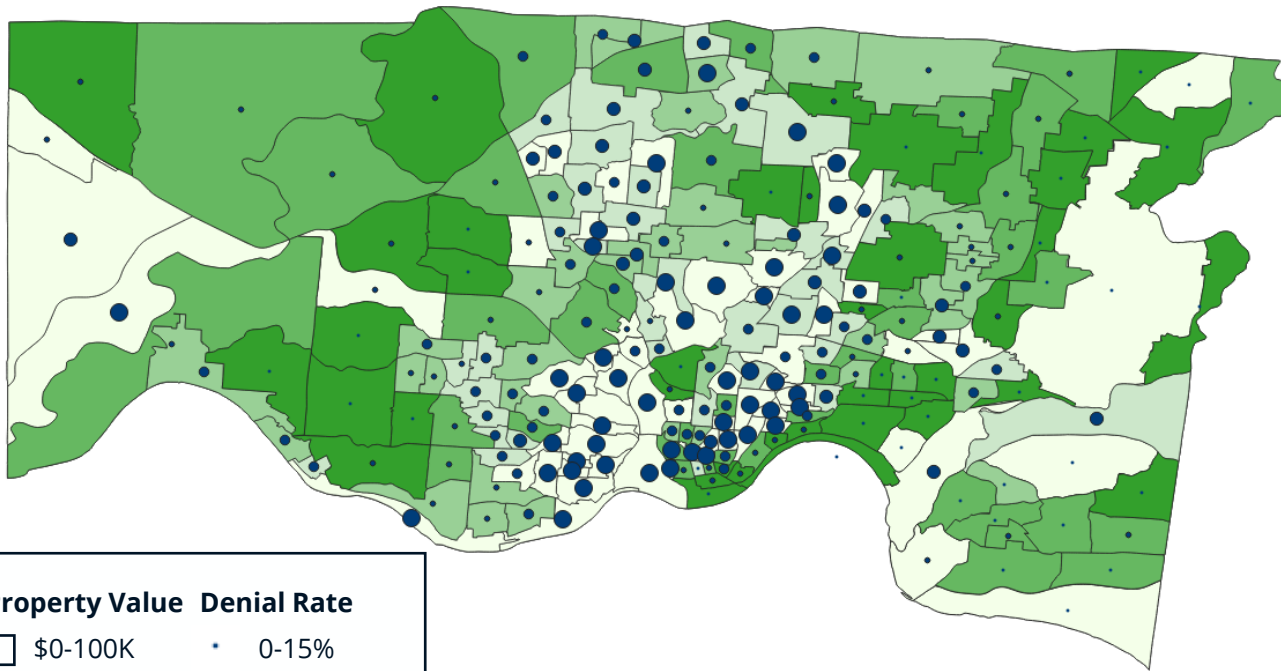
Method: Savings requirement (\$54,360): Assuming 20% down payment on a median priced home (\$271,800) and interest rate of 6.58%

Source: Zillow Single-Family ZHVI; ACS 5-Year Estimates; HUD PD&R Housing Market Profile

HOUSING MARKET DYNAMICS | BARRIERS TO HOMEOWNERSHIP

High mortgage denial rates in Hamilton County limit the number of first-time homeowners.

MORTGAGE DENIAL RATES IN HAMILTON COUNTY CENSUS TRACTS, BY PROPERTY VALUES



Property Value Denial Rate

□ \$0-100K	• 0-15%
□ \$100-125K	• 15-20%
□ \$125-150K	• 20-25%
□ \$150-200K	• 25-30%
□ \$200K+	• 30%+

Note: Homes that are reaching the age of a first roof replacement are considered "older" homes. Roofing typically lasts between 20-30 years.
National Association of Home Builders (NAHB) and Homes.com

There are a number of factors contributing to the high mortgage denial rates in Hamilton County.

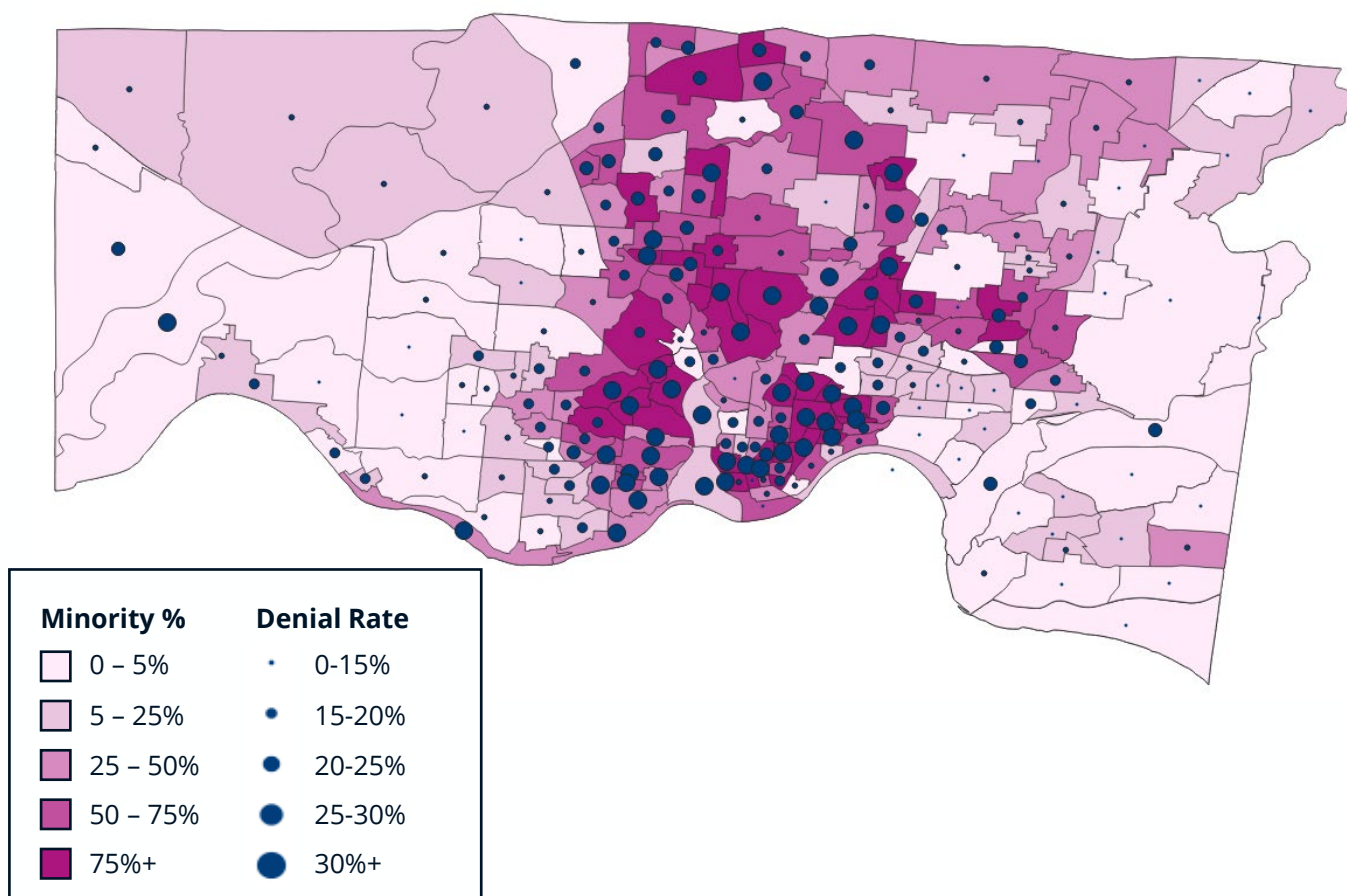
Hamilton County has some of the oldest single-family housing stock in the country. The median age of single-family homes in the County is 65 years, compared to 46 years for across the US. 93% of Hamilton County's housing stock was built before 2000, i.e., are "older" homes. **Older homes often do not meet the property condition requirements for mortgage loans** – handrails, updated electrical, etc. Mortgages are either denied or the homes are sold to cash buyers, usually investors, who can make the repairs and upgrades without a mortgage.

Across Hamilton County, mortgage denial rates have been highest in areas with low property values. Low appraised values make it hard for homebuyers to make competitive offers for properties. Lenders are also less interested in making smaller mortgages, as they are generally less profitable. Between 2009 and 2018, the prevalence of small mortgages, i.e., <\$150,000, fell by 64%.

HOUSING MARKET DYNAMICS | BARRIERS TO HOMEOWNERSHIP

Systemic racism in the mortgage origination process and overall housing market are also significant barriers to homeownership in Hamilton County.

MORTGAGE DENIAL RATES IN HAMILTON COUNTY CENSUS TRACTS, BY PERCENT MINORITY POPULATION



Source: ACS 5-Year Estimates; Hamilton County Auditor; Home Mortgage Disclosure Act (HMDA); Pew Research Center

The low-property value areas, where denials are higher, largely track with higher numbers of households of color. The median property value in majority minority tracts is \$114,300, 40% less than the \$187,550 in a 50th percentile majority White census tract. The lower appraised values make achieving homeownership in these neighborhoods more difficult than in other parts of the county.

Between 2007 and 2017, the mortgage denial rate for Black applicants was twice that for White applicants (35% vs 17% respectively).

This disparity in property values and the well-documented systemic biases in the appraisal process contribute to the lower homeownership rate among households of color and depress Hamilton County's overall homeownership rate. In 2020, Black and Hispanic households had ownership rates of 33% and 40% respectively, compared to 69.5% for White households.

VineBrook provides quality, affordable rental housing



**VINEBROOK RENTS AND RENT INCREASES ARE
BELOW MARKET**



**THE AVERAGE VINEBROOK RESIDENT IS NOT
COST BURDENED**

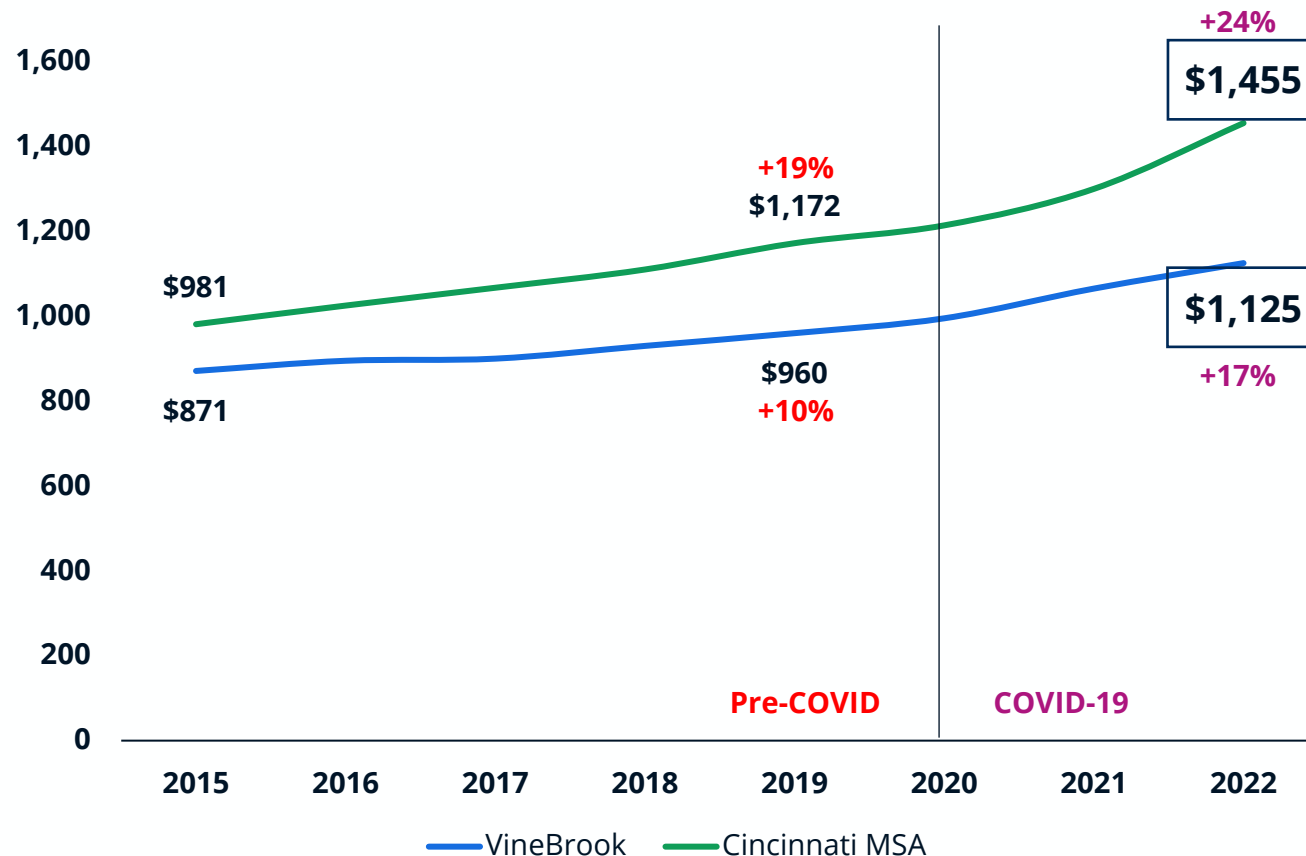


**VINEBROOK PROVIDES ASSISTANCE TO HELP
RESIDENTS MEET SHORT- AND LONG-TERM
FINANCIAL GOALS**

VINEBROOK IMPACT | RENTAL AFFORDABILITY

More affordable than the average rental property in Cincinnati MSA, VineBrook provides access to affordable rental housing that is suitable for families.

AVERAGE SINGLE-FAMILY RENT, CINCINNATI MSA VS. VINEBROOK



17.3%

MSA-wide annual
rent increase,
2021-22 YTD

6.6%

VineBrook annual
rent increase,
2021-22 YTD

VineBrook rents have consistently been more affordable than MSA rents for the last seven years. Today, MSA single-family rents are an average of \$330 higher than VineBrook rents. Since the start of COVID-19, the average MSA single-family rent increased by \$283, whereas VineBrook rent increased by only \$165.

Further, the average VineBrook resident spends 26% of their income on housing costs, i.e., is not rent-burdened. VineBrook residents are considered low-income, making an average of \$68,000 or 80% of the area median income (AMI).

VINEBROOK IMPACT | RESIDENT SUPPORT

VineBrook provides financial assistance to help residents weather short-term hardships...

“

I am a long-term tenant with an expiring lease. I couldn't find a new place due to refusals to show and poor credit...I asked if I could be on a month-to-month lease and was assisted during this difficult time.”

- Long-term VineBrook resident

\$3.57M

Total rental assistance
facilitated to
households

796

Families received
assistance to
weather financial
hardships

During the pandemic, VineBrook established the Hardship Program to help families that could not make full rent payments find alternatives to eviction. VineBrook offers repayment plans that either (i) grant subsidies lowering future payment due, or (ii) forgive rent reducing current rent owed.

Currently, 184 families are receiving rental assistance.

Note: Rental assistance provides protection against penalties for nonpayment (such as eviction and late fees) by temporarily or permanently forgiving rent. VineBrook verifies need for assistance with federal and employer documentation and by contacting nonprofits and local jurisdictions.

VINEBROOK IMPACT | RESIDENT SUPPORT

...and skills training to improve their financial health, paving the path to long-term stability.



800+

VineBrook residents have received financial literacy training through Operation Hope



Budgeting



Renter Rights



Goal-Setting



Credit Literacy



Debt Management

VineBrook provides training to set residents up for long-term financial stability.

In 2021, VineBrook partnered with Operation HOPE and developed the Community Uplift program to help residents weather rainy days safely and plan for whatever future they seek.

The Program offers **free consultations** and resident **workshops** led by an experienced financial wellbeing coach. Individual sessions **help residents set and achieve feasible budgets and attainable goals**, while credit literacy training enables residents to **raise their credit scores** and apply for small business, personal, and mortgage loans.



VineBrook invests in and maintains its properties at a high level of quality



VINEBROOK INVESTS IN UPFRONT REHABILITATION OF ITS PROPERTIES



VINEBROOK INVESTS IN THE ONGOING MAINTENANCE AND REHABILITATION OF ITS PROPERTIES



MOST CODE VIOLATIONS AT VINEBROOK'S PROPERTIES ARE MINOR

VINEBROOK IMPACT | PROPERTY MANAGEMENT

VineBrook invests in properties by substantially improving the living spaces and conditions for their residents.

1299 Bellune Drive

Total Repairs: \$45,788

VineBrook turned the property from vacant, uninhabitable, and with code violations to high-quality with new wood and tile flooring, fixtures, paint, plumbing, electric, and HVAC system, turning a property at-risk of demolition to a new, affordable rental unit.



Note: "Economic Obsolescence" is depreciation of a property's value that exceeds the value of the home.

192 days

Average turnaround from acquisition to lease

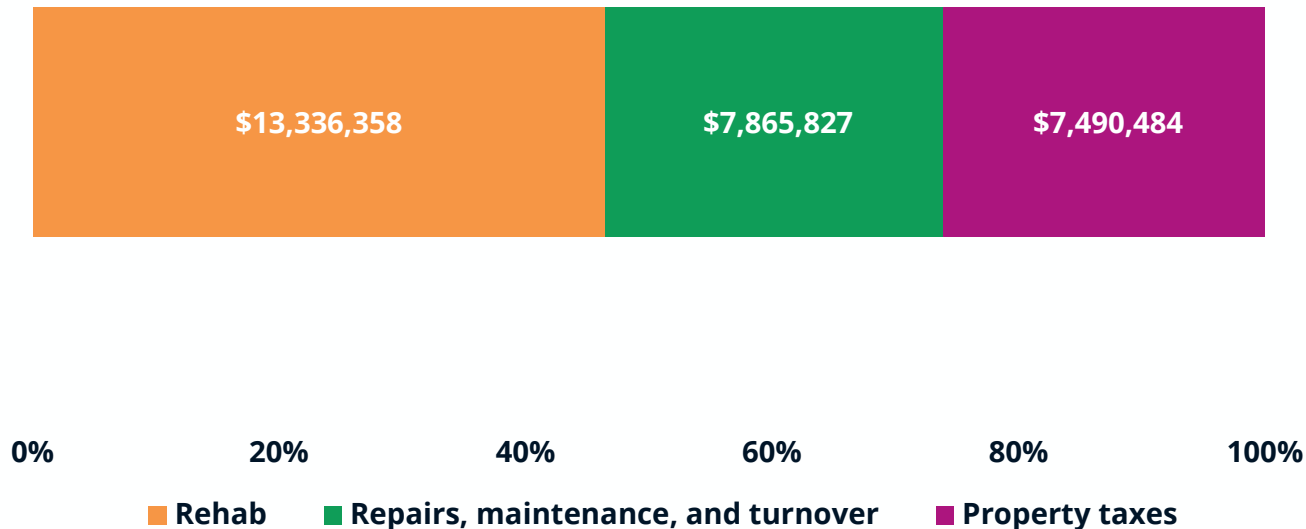
VineBrook invests in upfront property rehabilitation. From 2019–22 YTD, VineBrook has spent an average of \$27,000 to renovate a property upon acquisition, including updating appliances and building systems, and repairing outdated interiors.

When acquiring properties at-risk of abandonment and in need of substantial investment, VineBrook makes the necessary repairs sometimes spending in excess of \$50,000 to create decent and affordable rental units habitable for Cincinnati families. In doing so, VineBrook prevents properties from falling into economic obsolescence. Owner occupants, if they could secure a mortgage for older properties, are unlikely to be able to make the large upfront investment to renovate properties.

VINEBROOK IMPACT | PROPERTY MANAGEMENT

VineBrook rehabilitates old single-family stock by investing in upfront and ongoing repairs and maintenance.

REHAB, REPAIRS, AND PROPERTY TAXES (2021-22 YTD)



\$28.7M

Total expenditure on rehabilitation, repairs, maintenance, and property taxes 2021-22YTD

In addition to upfront investments in its properties, VineBrook also maintains properties over the course of their ownership. In 2021-22, VineBrook spent \$7.8 million on repairs, maintenance, and turnover.

In the same period, \$13.3 million was spent on rehabilitating units at acquisition, for an average of \$24,000 per rehabilitated unit in 2021 and \$28,000 in 2022.

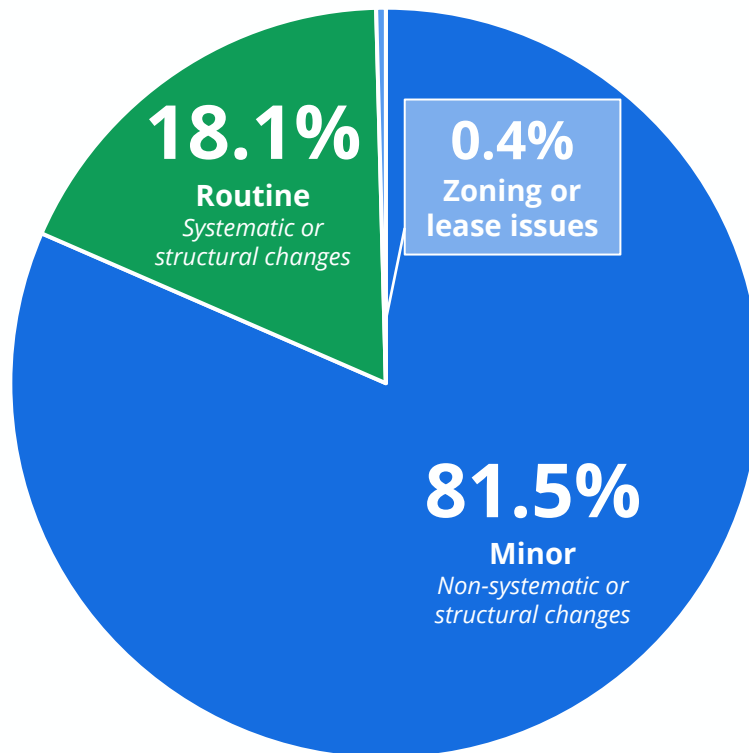
Note: "Rehabilitation" refers to property renovation at the time of purchase; "Repairs, maintenance, and turnover" refers to ongoing repairs and maintenance.

Source: VineBrook Data

VINEBROOK IMPACT | PROPERTY MANAGEMENT

Most code violations (99.6%) on VineBrook's properties are minor and quickly addressed.

CODE VIOLATION RESPONSES



0.2

Number of code violations
per property per year
(2017-22)

The majority – 81.5% - of VineBrook's code violations required limited action, i.e., light landscaping or lighting or an informational response. 18% of their code violations are routine systemic or structural changes, and <0.5% are related to zoning or lease issues.

VINEBROOK IMPACT | PROPERTY MANAGEMENT

VineBrook has a dedicated property management team to respond to resident complaints and maintain properties.

41

dedicated property management staff
ensure quick responses to resident
questions and issues

“

The maintenance department has been quick and effective. Every maintenance request had been resolved quickly and we are so grateful for everything thing you have done thus far.”

- Rica, VineBrook Resident



VineBrook Homes Resident App

“

Simple and easy. Rented here for eight years and never had issues with calling in or paying but love the app! I definitely prefer the ease of using an app over the desktop version.”

- James, VineBrook Resident

VineBrook contributes to Hamilton County by creating jobs and investing in the community



**VINEBROOK HAS CREATED JOBS,
CONTRIBUTING TO THE LOCAL ECONOMY**



**VINEBROOK REHABILITATES AND RETURNS
VACANT AND BLIGHTED HOMES TO THE
MARKET**



**VINEBROOK IS COMMUNITY-FOCUSED AND
SUPPORTS LOCAL CHARITABLE
ORGANIZATIONS**

VINEBROOK IMPACT | LOCAL ECONOMIC GROWTH

In the past decade, VineBrook has grown its employee base creating local jobs and contributing to economic growth in Hamilton County.

VINEBROOK LOCAL EMPLOYEE COUNT



VineBrook is not an out-of-town landlord. The company began its operations in Cincinnati in 2008 and continues to grow its team with almost 100 dedicated property management, development, and support staff members, and 15 positions expected to be filled.

VineBrook contributes greatly to the local economy, with about \$6.55M in wages paid annually to employees, and over \$25M directly spent on among 413 trusted vendor partners as of June 2022. Further, VineBrook pays an average of \$1,900 on annual property taxes per home.

Note: Property management staff covers portfolio management, leasing and retention, and service management. Rehab staff covers construction admin., management, and inspection.

Source: VineBrook Data

VINEBROOK IMPACT | NEIGHBORHOOD STABILIZATION

VineBrook's long-term presence and ongoing property maintenance have a positive impact on neighborhood stability.

CHANGE IN MEDIAN PROPERTY VALUES, 2015-22

VineBrook neighborhoods

+125%

\$82,500



\$186,000

Cincinnati

+75%

\$136,500



\$237,500

VineBrook's long-term presence and property rehabilitation helps stabilize neighborhoods. Since 2008, VineBrook has rehabilitated and brought back 1,742 previously vacant homes into the housing market in Hamilton County. Since inception, VineBrook has invested over \$400M in the market.

Further, VineBrook has owned nearly one-third of its portfolio – 929 homes – for more than six years, indicating the company's intent to be a long-term participant in the market.

Between 2015 and 2022, home value appreciation in VineBrook neighborhoods outpaced that in Cincinnati by 50%.

Note: Neighborhood stabilization includes – (i) the rehabilitation of vacant or foreclosed residential properties, (ii) long-term presence in the community, and (iii) increase in property values.

*VineBrook neighborhoods' refers to neighborhoods where VineBrook owns >10 properties

Source: VineBrook data; Zillow Home Value Index (ZHVI)

VINEBROOK IMPACT | COMMUNITY SUPPORT

VineBrook works with local nonprofits and supports charitable organizations with monetary and in-kind donations.



Greater Cincinnati
Northern Kentucky



**THE CHILDREN'S
HOME** | EDUCATION &
BEHAVIORAL HEALTH

