Section 1: 10-Q (10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-38004

Invitation Homes Inc.

(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	**90-0939055** (I.R.S. Employer Identification No.)
1717 Main Street, Suite 2000 **Dallas, Texas** (Address of principal executive offices)	**75201** (Zip Code)

(972) 421-3600
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common stock, $0.01 par value	**INVH**	**New York Stock Exchange**

As of May 3, 2019, there were 524,990,955 shares of common stock, par value $0.01 per share, outstanding.

INVITATION HOMES INC.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which include, but are not limited to, statements related to our expectations regarding the anticipated benefits of the merger with Starwood Waypoint Homes (“SWH”), the performance of our business, our financial results, our liquidity and capital resources, and other non-historical statements. In some cases, you can identify these forward-looking statements by the use of words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “could,” “seeks,” “projects,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties, including, among others, risks associated with achieving expected revenue synergies or cost savings from the merger, risks inherent to the single-family rental industry and our business model, macroeconomic factors beyond our control, competition in identifying and acquiring properties, competition in the leasing market for quality residents, increasing property taxes, homeowners’ association (“HOA”) and insurance costs, our dependence on third parties for key services, risks related to the evaluation of properties, poor resident selection and defaults and non-renewals by our residents, performance of our information technology systems, and risks related to our indebtedness. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include, but are not limited to, those described under Part I. Item 1A. “Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2018 (the “Annual Report on Form 10-K”) as such factors may be updated from time to time in our periodic filings with the Securities and Exchange Commission (the “SEC”), which are accessible on the SEC’s website at http://www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included elsewhere in this Quarterly Report on Form 10-Q, in the Annual Report on Form 10-K, and in our other periodic filings. The forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q, and we expressly disclaim any obligation or undertaking to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except to the extent otherwise required by law.

DEFINED TERMS

On November 16, 2017 (the “Merger Date”), Invitation Homes Inc. (“INVH”), Invitation Homes Operating Partnership LP (“INVH LP”), IH Merger Sub, LLC, a Delaware limited liability company and direct wholly owned subsidiary of INVH, SWH, and Starwood Waypoint Homes Partnership, L.P., a Delaware limited partnership and a subsidiary of SWH, (“SWH Partnership”) effectuated a series of transactions which resulted in SWH and SWH Partnership being merged into INVH and INVH LP, respectively, with INVH and INVH LP being the surviving entities (the “Mergers”). “Legacy SWH” and “SWH,” as the context requires, refer to the business practices and operations of SWH prior to the Mergers, including the homes owned by SWH. “Legacy IH” refers to the business practices and operations of INVH prior to the Mergers, including the homes owned by INVH. THR Property Management L.P., a wholly owned subsidiary (the “Manager”), provides all management and other administrative services with respect to the properties we own.

Unless the context suggests otherwise, references in this Quarterly Report on Form 10-Q to “Invitation Homes,” the “Company,” “we,” “our,” and “us” refer to INVH and its consolidated subsidiaries including INVH LP and all subsidiaries acquired in the Mergers.

In this Quarterly Report on Form 10-Q:

- “average monthly rent” represents average monthly rental income per home for occupied properties in an identified population of homes over the measurement period and reflects the impact of non-service rent concessions and contractual rent increases amortized over the life of the related lease;
- “average occupancy” for an identified population of homes represents (i) the total number of days that the homes in such population were occupied during the measurement period, divided by (ii) the total number of days that the homes in such population were owned during the measurement period;
- “Carolinas” includes Charlotte, NC, Greensboro, NC, Raleigh, NC, and Fort Mill, SC;
- “days to re-resident” for an individual home represents the number of days between (i) the date the prior resident moves out of a home, and (ii) the date the next resident is granted access to the same home, which is deemed to be the earlier of the next resident’s contractual lease start date and the next resident’s move-in date;
- “in-fill” refers to markets, MSAs, submarkets, neighborhoods or other geographic areas that are typified by significant population densities and low availability of land suitable for development into competitive properties, resulting in limited opportunities for new construction;
- “Metropolitan Statistical Area” or “MSA” is defined by the United States Office of Management and Budget as a region associated with at least one urbanized area that has a population of at least 50,000 and comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting;
- “net effective rental rate growth” for any home represents the percentage difference between the monthly rent from an expiring lease and the monthly rent from the next lease and, in each case, reflects the impact of non-service rent concessions and contractual rent increases amortized over the life of the related lease. Leases are either renewal leases, where our current resident chooses to stay for a subsequent lease term, or a new lease, where our previous resident moves out and a new resident signs a lease to occupy the same home;
- “Northern California” includes Sacramento-Arden-Arcade-Roseville, CA, San Francisco-Oakland-Hayward, CA, Stockton-Lodi, CA, Vallejo-Fairfield, CA, and Yuba City, CA;
- “PSF” means per square foot;
- “Same Store” or “Same Store portfolio” includes, for a given reporting period, homes that have been stabilized and seasoned (whether under Invitation Homes ownership or Legacy SWH ownership), excluding homes that have been sold, homes that have been identified for sale to an owner occupant and have become vacant, homes that have been deemed inoperable or significantly impaired by casualty loss events or force majeure, and homes acquired in portfolio transactions that are deemed not to have undergone renovations of sufficiently similar quality and characteristics as the existing Invitation Homes Same Store portfolio. Homes are considered stabilized if they have (i) completed an initial renovation and (ii) entered into at least one post-initial renovation lease. An acquired portfolio that is both leased and deemed to be of

sufficiently similar quality and characteristics as the existing Invitation Homes Same Store portfolio may be considered stabilized at the time of acquisition. Homes are considered to be seasoned once they have been stabilized for at least 15 months prior to January 1st of the year in which the Same Store portfolio was established. We believe presenting information about the portion of our portfolio that has been fully operational for the entirety of a given reporting period and its prior year comparison period provides investors with meaningful information about the performance of our comparable homes across periods and about trends in our organic business;

- "Southeast United States" includes our Atlanta, Carolinas, and Nashville markets;
- "South Florida" includes Miami-Fort Lauderdale-West Palm Beach, FL, and Port St. Lucie, FL;
- "Southern California" includes Los Angeles-Long Beach-Anaheim, CA, Oxnard-Thousand Oaks-Ventura, CA, Riverside-San Bernardino-Ontario, CA, and San Diego-Carlsbad, CA;
- "total homes" or "total portfolio" refers to the total number of homes we own, whether or not stabilized, and excludes any properties previously acquired in purchases that have been subsequently rescinded or vacated. Unless the context otherwise requires, all measures in this Quarterly Report on Form 10-Q are presented on a total portfolio basis;
- "turnover rate" represents the number of instances that homes in an identified population become unoccupied in a given period, divided by the number of homes in such population. To the extent the measurement period shown is less than 12 months, the turnover rate may be reflected on an annualized basis; and
- "Western United States" includes our Southern California, Northern California, Seattle, Phoenix, Las Vegas, and Denver markets.

PART I

ITEM 1. FINANCIAL STATEMENTS

INVITATION HOMES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except shares and per share data)

	March 31, 2019	December 31, 2018
Assets:	(unaudited)	
Investments in single-family residential properties:		
Land	$ 4,532,848	$ 4,561,441
Building and improvements	13,639,736	13,668,533
	18,172,584	18,229,974
Less: accumulated depreciation	(1,662,708)	(1,543,914)
Investments in single-family residential properties, net	16,509,876	16,686,060
Cash and cash equivalents	130,896	144,940
Restricted cash	220,522	215,051
Goodwill	258,207	258,207
Other assets, net	734,118	759,170
Total assets	$ 17,853,619	$ 18,063,428
Liabilities:		
Mortgage loans, net	$ 7,029,768	$ 7,201,654
Term loan facility, net	1,491,582	1,490,860
Revolving facility	—	—
Convertible senior notes, net	559,575	557,301
Accounts payable and accrued expenses	193,495	169,603
Resident security deposits	150,672	148,995
Other liabilities	207,159	125,829
Total liabilities	9,632,251	9,694,242
Commitments and contingencies (Note 14)		
Equity:		
Stockholders' equity		
Preferred stock, $0.01 par value per share, 900,000,000 shares authorized, none outstanding as of March 31, 2019 and December 31, 2018	—	—
Common stock, $0.01 par value per share, 9,000,000,000 shares authorized, 524,989,775 and 520,647,977 outstanding as of March 31, 2019 and December 31, 2018, respectively	5,250	5,206
Additional paid-in capital	8,685,058	8,629,462
Accumulated deficit	(439,737)	(392,594)
Accumulated other comprehensive loss	(110,655)	(12,963)
Total stockholders' equity	8,139,916	8,229,111
Non-controlling interests	81,452	140,075
Total equity	8,221,368	8,369,186
Total liabilities and equity	$ 17,853,619	$ 18,063,428

The accompanying notes are an integral part of these condensed consolidated financial statements.

INVITATION HOMES INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except shares and per share data)
(unaudited)

	For the Three Months Ended March 31,	
	2019	**2018**
Rental revenues and other property income	$ 435,500	$ 423,669
Expenses:		
Property operating and maintenance	160,346	160,767
Property management expense	15,160	17,164
General and administrative	26,538	27,636
Interest expense	93,983	92,299
Depreciation and amortization	133,609	144,500
Impairment and other	5,392	6,121
Total expenses	435,028	448,487
Other, net	3,125	1,736
Gain on sale of property, net of tax	17,572	5,502
Net income (loss)	21,169	(17,580)
Net (income) loss attributable to non-controlling interests	(347)	311
Net income (loss) attributable to common stockholders	20,822	(17,269)
Net income available to participating securities	(106)	(222)
Net income (loss) available to common stockholders — basic and diluted (Note 12)	$ 20,716	$ (17,491)
Weighted average common shares outstanding — basic	521,440,822	519,660,998
Weighted average common shares outstanding — diluted	521,817,494	519,660,998
Net income (loss) per common share — basic	$ 0.04	$ (0.03)
Net income (loss) per common share — diluted	$ 0.04	$ (0.03)

The accompanying notes are an integral part of these condensed consolidated financial statements.

INVITATION HOMES INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(unaudited)

	For the Three Months Ended March 31,	
	2019	**2018**
Net income (loss)	$ 21,169	$ (17,580)
Other comprehensive income (loss)		
Unrealized gains (losses) on interest rate swaps	(87,868)	59,900
(Gains) losses from interest rate swaps reclassified into earnings from accumulated other comprehensive income	(10,863)	271
Other comprehensive income (loss)	(98,731)	60,171
Comprehensive income (loss)	(77,562)	42,591
Comprehensive (income) loss attributable to non-controlling interests	1,271	(753)
Comprehensive income (loss) attributable to common stockholders	$ (76,291)	$ 41,838

The accompanying notes are an integral part of these condensed consolidated financial statements.

INVITATION HOMES INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the Three Months Ended March 31, 2019
(in thousands, except share and per share data)
(unaudited)

	Common Stock							
	Number of Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Non-Controlling Interests	Total Equity
Balance as of December 31, 2018	520,647,977	$ 5,206	$8,629,462	$ (392,594)	$ (12,963)	$ 8,229,111	$ 140,075	$ 8,369,186
Capital distributions	—	—	—	—	—	—	(1,175)	(1,175)
Net income	—	—	—	20,822	—	20,822	347	21,169
Dividends and dividend equivalents declared ($0.13 per share)	—	—	—	(67,965)	—	(67,965)	—	(67,965)
Issuance of common stock — settlement of RSUs, net of tax	768,505	8	(6,731)	—	—	(6,723)	—	(6,723)
Share-based compensation expense	—	—	5,607	—	—	5,607	—	5,607
Total other comprehensive loss	—	—	—	—	(97,113)	(97,113)	(1,618)	(98,731)
Redemption of OP Units for common stock	3,573,293	36	56,720	—	(579)	56,177	(56,177)	—
Balance as of March 31, 2019	524,989,775	$ 5,250	$8,685,058	$ (439,737)	$ (110,655)	$ 8,139,916	$ 81,452	$ 8,221,368

The accompanying notes are an integral part of these condensed consolidated financial statements.

INVITATION HOMES INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (continued)
For the Three Months Ended March 31, 2018
(in thousands, except share and per share data)
(unaudited)

	Common Stock							
	Number of Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Non-Controlling Interests	Total Equity
Balance as of December 31, 2017	519,173,142	$ 5,192	$8,602,603	$ (157,595)	$ 47,885	$ 8,498,085	$ 151,790	$ 8,649,875
Capital distributions	—	—	—	—	—	—	(1,037)	(1,037)
Net loss	—	—	—	(17,269)	—	(17,269)	(311)	(17,580)
Dividends and dividend equivalents declared ($0.11 per share)	—	—	—	(57,432)	—	(57,432)	—	(57,432)
Issuance of common stock — settlement of RSUs, net of tax	786,457	8	(6,606)	—	—	(6,598)	—	(6,598)
Share-based compensation expense	—	—	9,498	—	—	9,498	—	9,498
Total other comprehensive income	—	—	—	—	59,107	59,107	1,064	60,171
Redemption of OP Units for common stock	405,037	4	6,615	—	(74)	6,545	(6,545)	—
Balance as of March 31, 2018	520,364,636	$ 5,204	$8,612,110	$ (232,296)	$ 106,918	$ 8,491,936	$ 144,961	$ 8,636,897

The accompanying notes are an integral part of these condensed consolidated financial statements.

INVITATION HOMES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	For the Three Months Ended March 31, 2019	For the Three Months Ended March 31, 2018
Operating Activities:		
Net income (loss)	$ 21,169	$ (17,580)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	133,609	144,500
Share-based compensation expense	5,607	9,498
Amortization of deferred leasing costs	2,579	2,844
Amortization of deferred financing costs	10,150	3,995
Amortization of debt discounts	2,364	2,254
Provisions for impairment	3,253	603
Gain on sale of property, net of tax	(17,572)	(5,502)
Change in fair value of derivative instruments	2,351	2,246
Other noncash amounts included in net income (loss)	419	(1,153)
Changes in operating assets and liabilities:		
Other assets, net	304	(23,390)
Accounts payable and accrued expenses	25,002	10,920
Resident security deposits	1,677	3,513
Other liabilities	2,271	(2,668)
Net cash provided by operating activities	193,183	130,080
Investing Activities:		
Amounts deposited and held by others	(1,173)	(1,557)
Acquisition of single-family residential properties	(55,458)	(48,486)
Initial renovations to single-family residential properties	(9,644)	(16,820)
Other capital expenditures for single-family residential properties	(29,492)	(31,233)
Proceeds from sale of residential properties	142,562	51,105
Purchases of investments in debt securities	—	(45,832)
Repayment proceeds from retained debt securities	8,441	114
Other investing activities	(209)	(9,289)
Net cash provided by (used in) investing activities	55,027	(101,998)
Financing Activities:		
Payment of dividends and dividend equivalents	(67,965)	(57,432)
Distributions to non-controlling interests	(1,175)	(1,037)
Payment of taxes related to net share settlement of RSUs	(6,723)	(6,598)
Proceeds from mortgage loans	—	916,571
Payments on mortgage loans	(180,812)	(873,269)
Proceeds from revolving facility	20,000	—
Payments on revolving facility	(20,000)	(20,000)
Deferred financing costs paid	—	(11,770)
Other financing activities	(108)	(361)
Net cash used in financing activities	(256,783)	(53,896)
Change in cash, cash equivalents, and restricted cash	(8,573)	(25,814)
Cash, cash equivalents, and restricted cash, beginning of period (Note 4)	359,991	416,562
Cash, cash equivalents, and restricted cash, end of period (Note 4)	$ 351,418	$ 390,748

INVITATION HOMES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(in thousands)
(unaudited)

	For the Three Months Ended March 31, 2019	For the Three Months Ended March 31, 2018
Supplemental cash flow disclosures:		
Interest paid, net of amounts capitalized	$ 83,316	$ 87,797
Cash paid for income taxes	866	671
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	1,326	N/A
Noncash investing and financing activities:		
Accrued renovation improvements at period end	$ 5,361	$ 5,747
Accrued residential property capital improvements at period end	7,906	5,849
Transfer of residential property, net to other assets, net for held for sale assets	94,474	59,173
Change in other comprehensive income (loss) from cash flow hedges	(101,049)	57,516
Right-of-use assets obtained in exchange for operating lease liabilities	1,721	N/A
Capital leases	N/A	2,209

The accompanying notes are an integral part of these condensed consolidated financial statements.

Note 1—Organization and Formation

Invitation Homes Inc. ("INVH"), a real estate investment trust ("REIT"), conducts its operations through Invitation Homes Operating Partnership LP ("INVH LP"). INVH LP was formed for the purpose of owning, renovating, leasing, and operating single-family residential properties. Through our wholly owned subsidiary, THR Property Management L.P. (the "Manager"), we provide all management and other administrative services with respect to the properties we own.

In preparation for our initial public offering ("IPO"), INVH was incorporated in the State of Delaware on October 4, 2016. From inception through the date of the IPO, INVH did not engage in any business or activity. Additionally, INVH LP and its general partner Invitation Homes OP GP LLC (the "OP General Partner") were formed on December 14, 2016, and INVH LP began negotiating and entering into certain debt and hedge instruments upon its inception in anticipation of our IPO.

On February 6, 2017, INVH completed the IPO, changed its jurisdiction of incorporation to Maryland, and amended its charter to provide for the issuance of up to 9,000,000,000 shares of common stock and 900,000,000 shares of preferred stock, $0.01 par value per share. In connection with certain pre-IPO reorganization transactions, INVH LP became (1) wholly owned by INVH directly and through INVH's wholly owned subsidiary, the OP General Partner, and (2) the owner of all of the assets, liabilities, and operations of certain pre-IPO owners. These transactions were accounted for as a reorganization of entities under common control utilizing historical cost basis.

Our organizational structure includes several wholly owned subsidiaries that were formed to facilitate certain of our financing arrangements (the "Borrower Entities"). These Borrower Entities are used to align the ownership of our single-family residential properties with certain of our debt instruments. Collateral for certain of our individual debt instruments may be in the form of equity interests in the Borrower Entities or in pools of single-family residential properties owned either directly by the Borrower Entities or indirectly by their wholly owned subsidiaries (see Note 6).

References to "Invitation Homes," the "Company," "we," "our," and "us" refer, collectively, to INVH, INVH LP, and the consolidated subsidiaries of INVH LP. References to "SWH" refer to Starwood Waypoint Homes and its subsidiaries.

Merger with Starwood Waypoint Homes

On November 16, 2017 (the "Merger Date"), INVH, INVH LP, IH Merger Sub, LLC, a Delaware limited liability company and direct wholly owned subsidiary of INVH, SWH, and Starwood Waypoint Homes Partnership, L.P., a Delaware limited partnership and a subsidiary of SWH, ("SWH Partnership") effectuated a series of transactions which resulted in SWH and SWH Partnership being merged into INVH and INVH LP, respectively, with INVH and INVH LP being the surviving entities (the "Mergers").

In connection with the Mergers, each outstanding SWH common share was converted into shares of our common stock and each outstanding unit of SWH Partnership was converted into common units of limited partnership interests in INVH LP ("OP Units"). As of March 31, 2019, INVH owns a 99.0% partnership interest in INVH LP and has the full, exclusive, and complete responsibility for and discretion over the day to day management and control of INVH LP.

Note 2—Significant Accounting Policies

Basis of Presentation

The accompanying interim condensed consolidated financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and with the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with our audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018.

These condensed consolidated financial statements include the accounts of INVH and its consolidated subsidiaries. All intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements. In the opinion of management, all adjustments that are of a normal recurring nature considered necessary for a fair presentation of our interim financial statements have been included in these condensed consolidated financial statements. Operating results for the three months ended March 31, 2019 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2019.

We consolidate entities when we own, directly or indirectly, a majority interest in the entity or are otherwise able to control the entity. We consolidate variable interest entities ("VIEs") in accordance with Accounting Standards Codification ("ASC") 810, *Consolidation*, if we are the primary beneficiary of the VIE as determined by our power to direct the VIE's activities and the obligation to absorb its losses or the right to receive its benefits, which are potentially significant to the VIE. A VIE is broadly defined as an entity with one or more of the following characteristics: (a) the total equity investment at risk is insufficient to finance the entity's activities without additional subordinated financial support; (b) as a group, the holders of the equity investment at risk lack (i) the ability to make decisions about the entity's activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) the equity investors have voting rights that are not proportional to their economic interests, and substantially all of the entity's activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights.

As described in Note 5, as a result of the Mergers we acquired an investment in a joint venture with the Federal National Mortgage Association ("FNMA"), which is a voting interest entity. We do not hold a controlling financial interest in the joint venture but have significant influence over its operating and financial policies. Additionally, FNMA holds certain substantive participating rights that preclude the presumption of control by us; as such, we account for our investment using the equity method. In connection with the Mergers, we initially recorded this investment at fair value in connection with purchase accounting and have subsequently adjusted for our proportionate share of net earnings or losses and other comprehensive income or loss, cash contributions made and distributions received, and other adjustments, as appropriate. Distributions of operating profit from the joint venture are reported as part of operating cash flows while distributions related to a capital transaction, such as a refinancing transaction or sale, are reported as investing activities.

Non-controlling interests primarily represent the interests in INVH LP held by a third party as a result of the Mergers. Non-controlling interests are presented as a separate component of equity on the consolidated balance sheets as of March 31, 2019 and December 31, 2018, and the condensed consolidated statements of operations for the three months ended March 31, 2019 and 2018 include an allocation of the net income (loss) attributable to the non-controlling interest holders. OP Units are redeemable for shares of our common stock on a one-for-one basis or, in our sole discretion, cash, and redemptions of OP Units are accounted for as a reduction in non-controlling interests with an offset to stockholders' equity based on the pro rata number of OP Units redeemed.

Reclassifications

Certain reclassifications have been made to prior periods to conform with current reporting on the condensed consolidated statements of operations. We combined other property income of $27,877 for the three months ended March 31, 2018 into rental revenues and other property income. We reclassified interest expense of $92,299 for the three months ended March 31, 2018 into total expenses. We also no longer present loss from continuing operations and have reclassified gain on sale of property, net of tax of $5,502 for the three months ended March 31, 2018 accordingly. These reclassifications did not have any effect on the total reported net loss for the three months ended March 31, 2018.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, (the "New Lease Standard"), which requires lessees to recognize assets and liabilities on the condensed balance sheets for the rights and obligations created by all leases with terms of more than one year. Lessor accounting remains similar to previous GAAP, while aligning with ASC 606, *Revenue from Contracts with Customers* ("ASC 606").

We adopted the New Lease Standard using the optional transition approach as of January 1, 2019. As such, previously reported financial information was not updated, and additional disclosures required under the New Lease

Standard are not provided for periods prior to January 1, 2019. Additionally, we elected the practical expedient package related to lease identification, lease classification, and initial direct costs. As such, we have not reassessed our existing contracts and leases for these items. We did not elect the hindsight practical expedient, which permits entities to use hindsight in determining lease term and assessing impairment.

As a lessor, our leases with residents are classified as operating leases under the New Lease Standard, and thus the pattern of recognition of rental revenue and other property income remains unchanged from previous lease accounting guidance as adjusted by ASC 606. Rental revenues and other property income are recorded net of any concessions and uncollectible amounts for all periods presented.

As a lessee, adoption of the New Lease Standard resulted in the recognition of right-of-use ("ROU") assets and lease liabilities for operating leases on our condensed consolidated balance sheet; however, our accounting for finance leases remains substantially unchanged. On January 1, 2019, we recorded the cumulative effect of adoption of the New Lease Standard on our condensed consolidated balance sheet which resulted in an increase in other assets and other liabilities of $14,118 and $14,118, respectively.

In August 2018, the SEC issued Securities Act Release No. 33-10532, *Disclosure Update and Simplification*, which amends certain of its disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. The *Disclosure Update and Simplification* requires us to disclose and analyze changes in stockholders' equity for the current quarter and year to date interim periods as well as the comparative periods of the prior year. We have conformed the presentation of our condensed consolidated statements of equity with this requirement for all periods presented.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. These estimates are inherently subjective in nature and actual results could differ from those estimates.

Accounting Policies

There have been no changes to our significant accounting policies that have had a material impact on our condensed consolidated financial statements and related notes, compared to those policies disclosed in our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018 other than our adoption of the New Lease Standard as disclosed below.

Revenue Recognition and Resident Receivables

Rental revenues and other property income, net of any concessions and uncollectible amounts, consists primarily of rents collected under lease agreements related to our single-family residential properties. We enter into leases directly with our residents, and our leases typically have a term of one to two years. We elected the practical expedient not to separate the lease and nonlease components of these operating leases with our residents. Our lease components consist primarily of rental income, pet rent, and smart home system fees. Nonlease components include resident reimbursements for utilities and various other fees, including late fees and lease termination fees, among others. The lease component is the predominant component in these arrangements, and as such, we recognize rental revenues and other property income in accordance with the New Lease Standard for the three months ended March 31, 2019, and in accordance with previous GAAP for the three months ended March 31, 2018.

Variable lease payments consist of resident reimbursements for utilities, and various other fees, including late fees and lease termination fees, among others. Variable lease payments are charged based on the terms and conditions included in the resident leases. For the three months ended March 31, 2019, rental revenues and other property income includes $21,330 of variable lease payments. Sales taxes and other similar taxes assessed by governmental authorities that we collect from residents are excluded from our rental revenues and other property income.

(dollar amounts in thousands)

Leases Entered Into as a Lessee

We lease our corporate and regional offices, related office equipment, and a fleet of vehicles for use by our field associates. As of January 1, 2019, these leases are accounted for pursuant to the New Lease Standard (see Note 5 and Note 14).

We account for leases for our corporate and regional offices as operating leases. In addition to monthly rent payments, we reimburse the lessors of our office spaces for our share of operating expenses as defined in the leases. Such amounts are not included in the measurement of the lease liability but are recognized as a variable lease expense when incurred. At this time, it is not reasonably certain that we will exercise any of the renewal or termination options on these leases, and the measurement of the ROU asset and lease liability is calculated accordingly.

We have elected the practical expedient under which the lease components of our office and vehicle fleet leases are not separated from the nonlease components. We have elected the short-term lease recognition exemption for our office equipment leases and therefore do not record these leases on our condensed consolidated balance sheets. These office equipment leases are not material to our condensed consolidated financial statements.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which changes how companies will measure credit losses for certain financial assets, excluding receivables arising from operating leases. This guidance requires an entity to estimate its expected credit loss and record an allowance based on this estimate so that it is presented at the net amount expected to be collected on the financial asset. The new standard will be effective for annual reporting periods beginning after December 15, 2019, and interim periods within that reporting period, with early adoption permitted beginning after December 15, 2018 and interim periods within that reporting period. We do not anticipate that the adoption of this standard will have a material impact on our condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement,* which changes the fair value disclosure requirements for certain financial instruments. This guidance reduces the need for certain disclosure language related to our financial instruments and adds additional support for unobservable inputs used in the calculation of fair values. This new standard will be effective for annual reporting periods beginning after December 15, 2019, and interim periods within that reporting period. We do not anticipate that the adoption of this standard will have a material impact on our condensed consolidated financial statements.

Note 3—Investments in Single-Family Residential Properties

The following table sets forth the net carrying amount associated with our properties by component:

	March 31, 2019	December 31, 2018
Land	$ 4,532,848	$ 4,561,441
Single-family residential property	13,000,866	13,026,317
Capital improvements	522,912	525,670
Equipment	115,958	116,546
Total gross investments in the properties	18,172,584	18,229,974
Less: accumulated depreciation	(1,662,708)	(1,543,914)
Investments in single-family residential properties, net	$ 16,509,876	$ 16,686,060

(dollar amounts in thousands)

As of March 31, 2019 and December 31, 2018, the carrying amount of the residential properties above includes $118,985 and $120,438, respectively, of capitalized acquisition costs (excluding purchase price), along with $65,019 and $66,449, respectively, of capitalized interest, $25,540 and $25,670, respectively, of capitalized property taxes, $4,721 and $4,694, respectively, of capitalized insurance, and $2,769 and $2,779, respectively, of capitalized homeowners' association ("HOA") fees.

During the three months ended March 31, 2019 and 2018, we recognized $132,520 and $126,661, respectively, of depreciation expense related to the components of the properties, $0 and $16,447, respectively, of amortization related to in-place lease intangible assets, and $1,089 and $1,392, respectively, of depreciation and amortization related to corporate furniture and equipment. These amounts are included in depreciation and amortization in the condensed consolidated statements of operations. Further, during the three months ended March 31, 2019 and 2018, impairments totaling $3,253 and $603, respectively, have been recognized and are included in impairment and other in the condensed consolidated statements of operations.

Note 4—Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on the condensed consolidated balance sheets that sum to the total of such amounts shown in the condensed consolidated statements of cash flows:

	March 31,		December 31,	
	2019	2018	2018	2017
Cash and cash equivalents	$ 130,896	$ 134,893	$ 144,940	$ 179,878
Restricted cash	220,522	255,855	215,051	236,684
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows	$ 351,418	$ 390,748	$ 359,991	$ 416,562

Pursuant to the terms of the mortgage loans described in Note 6, we are required to establish, maintain, and fund from time to time (generally either monthly or at the time borrowings are funded) certain specified reserve accounts. These reserve accounts include, but are not limited to, the following types of accounts: (i) property tax reserves; (ii) insurance reserves; (iii) capital expenditure reserves; and (iv) HOA reserves. The reserve accounts associated with the mortgage loans are under the sole control of the loan servicer. Additionally, we hold security deposits pursuant to resident lease agreements that are required to be segregated. We are also required to hold letters of credit as required by certain of our insurance policies. Accordingly, amounts funded to these reserve accounts, security deposit accounts, and other restricted accounts have been classified on our condensed consolidated balance sheets as restricted cash.

The amounts funded, and to be funded, to the reserve accounts are subject to formulae included in the mortgage loan agreements and are to be released to us subject to certain conditions specified in the mortgage loan agreements being met. To the extent that an event of default were to occur, the loan servicer has discretion to use such funds to either settle the applicable operating expenses to which such reserves relate or reduce the allocated loan amount associated with a residential property of ours.

(dollar amounts in thousands)

The balances of our restricted cash accounts, as of March 31, 2019 and December 31, 2018, are set forth in the table below. As of March 31, 2019 and December 31, 2018, no amounts were funded to the insurance accounts as the conditions specified in the mortgage loan agreements that require such funding did not exist.

	March 31, 2019	December 31, 2018
Resident security deposits	$ 151,057	$ 150,346
Property taxes	31,586	26,163
Collections	26,472	26,677
Standing and capital expenditure reserves	4,807	5,269
Letters of credit	3,449	3,444
Special and other reserves	3,151	3,152
Total	$ 220,522	$ 215,051

Note 5—Other Assets

As of March 31, 2019 and December 31, 2018, the balances in other assets, net are as follows:

	March 31, 2019	December 31, 2018
Investments in debt securities, net	$ 358,246	$ 366,599
Held for sale assets[(1)]	160,211	154,077
Investment in unconsolidated joint venture	56,438	56,622
Derivative instruments (Note 7)	37,650	75,405
Rent and other receivables	33,534	33,117
Prepaid expenses	27,639	30,970
ROU lease assets — operating and finance, net	16,978	N/A
Corporate fixed assets, net	9,654	11,792
Deferred leasing costs, net	6,238	6,316
Amounts deposited and held by others	5,587	1,010
Deferred financing costs, net	4,542	5,134
Other	17,401	18,128
Total	$ 734,118	$ 759,170

(1) As of March 31, 2019 and December 31, 2018, 700 and 738 properties, respectively, are classified as held for sale.

(dollar amounts in thousands)

Investments in Debt Securities, net

In connection with certain of our Securitizations (as defined in Note 6), we have retained and purchased certificates totaling $358,246, net of unamortized discounts of $2,905, as of March 31, 2019. These investments in debt securities are classified as held to maturity investments. As of March 31, 2019 and December 31, 2018, there were no gross unrecognized holding gains or losses, and there were no other than temporary impairments recognized in accumulated other comprehensive income. As of March 31, 2019, our retained certificates are scheduled to mature over the next six months to eight years.

Investment in Unconsolidated Joint Venture

We own a 10% interest in a joint venture with FNMA to operate, lease, and manage a portfolio of properties primarily located in Arizona, California, and Nevada. A wholly owned subsidiary of INVH LP is the managing member of the joint venture and is responsible for the operation and management of the properties, subject to FNMA's approval of major decisions. As of March 31, 2019 and December 31, 2018, the joint venture owned 734 and 754 properties, respectively.

Rent and Other Receivables

We lease our properties to residents pursuant to leases that generally have an initial contractual term of at least 12 months, provide for monthly payments, and are cancelable by the resident and us under certain conditions specified in the related lease agreements.

ROU Lease Assets — Operating and Finance, net

The following table presents supplemental information related to leases into which we have entered as a lessee as of March 31, 2019:

	March 31, 2019	
	Operating Leases	**Finance Leases**
Other assets	$ 15,379	$ 1,599
Other liabilities	16,465	1,599
Weighted average remaining lease term	4 years	3 years
Weighted average discount rate	4.0%	4.0%

Deferred Financing Costs, net

In connection with our Revolving Facility (as defined in Note 6), we incurred $9,673 of financing costs during the year ended December 31, 2017, which have been deferred as other assets, net on our condensed consolidated balance sheets. These deferred financing costs are being amortized as interest expense on a straight-line basis over the term of the Revolving Facility. As of March 31, 2019 and December 31, 2018, the unamortized balances of these deferred financing costs are $4,542 and $5,134, respectively.

Note 6—Debt

Mortgage Loans

Our securitization transactions (the "Securitizations" or the "mortgage loans") are collateralized by certain homes owned by the respective Borrower Entities. We utilize the proceeds from our securitizations to fund: (i) repayments of then-outstanding indebtedness; (ii) initial deposits into Securitization reserve accounts; (iii) closing costs in connection with the mortgage loans; (iv) general costs associated with our operations; and (v) distributions and dividends.

(dollar amounts in thousands)

The following table sets forth a summary of our mortgage loan indebtedness as of March 31, 2019 and December 31, 2018:

					Outstanding Principal Balance[2]	
	Origination Date	**Maturity Date**	**Interest Rate[1]**	**Range of Spreads**	**March 31, 2019**	**December 31, 2018**
CSH 2016-2[3]	November 3, 2016	December 9, 2019	4.35%	133-423 bps	$ 369,665	$ 442,614
IH 2017-1[4]	April 28, 2017	June 9, 2027	4.23%	N/A	995,913	995,826
SWH 2017-1[3]	September 29, 2017	October 9, 2019	4.04%	102-347 bps	762,294	764,685
IH 2017-2[3][5]	November 9, 2017	December 9, 2019	3.84%	91-306 bps	770,744	856,238
IH 2018-1[3][5]	February 8, 2018	March 9, 2020	3.73%	76-256 bps	906,408	911,827
IH 2018-2[3]	May 8, 2018	June 9, 2020	3.88%	95-230 bps	1,028,832	1,035,749
IH 2018-3[3]	June 28, 2018	July 9, 2020	3.91%	105-230 bps	1,291,669	1,296,959
IH 2018-4[3]	November 7, 2018	January 9, 2021	3.90%	115-225 bps	957,229	959,578
Total Securitizations					7,082,754	7,263,476
Less: deferred financing costs, net					(52,986)	(61,822)
Total					$ 7,029,768	$ 7,201,654

(1) Except for IH 2017-1, interest rates are based on a weighted average spread over the London Interbank Offered Rate ("LIBOR"), plus applicable servicing fees; as of March 31, 2019, LIBOR was 2.49%. Our IH 2017-1 mortgage loan bears interest at a fixed rate of 4.23% per annum, equal to the market determined pass-through rate payable on the certificates including applicable servicing fees.

(2) Outstanding principal balance is net of discounts and does not include deferred financing costs, net.

(3) The initial maturity term of each of these mortgage loans is two years, individually subject to three to five, one-year extension options at the Borrower Entity's discretion (provided that there is no continuing event of default under the mortgage loan agreement and the Borrower Entity obtains and delivers a replacement interest rate cap agreement from an approved counterparty within the required timeframe to the lender). Our CSH 2016-2 mortgage loan has exercised the first extension option. The maturity dates above are reflective of all extensions that have been exercised.

(4) Net of unamortized discount of $2,905 and $2,993 as of March 31, 2019 and December 31, 2018, respectively.

(5) On April 9, 2019, we made voluntary prepayments of $12,800 and $57,200 on IH 2017-2 and IH 2018-1, respectively (see Note 15).

Securitization Transactions

For each Securitization transaction, the Borrower Entity executed a loan agreement with a third party lender. Except for IH 2017-1, each mortgage loan consists of six to seven components. The components are floating rate except with respect to certain components we were required to retain in connection with risk retention rules. The two-year initial terms are individually subject to three to five, one-year extension options at the Borrower Entity's discretion. Such extensions are available provided there is no continuing event of default under the respective mortgage loan agreement and the Borrower Entity obtains and delivers a replacement interest rate cap agreement from an approved counterparty within the required timeframe to the lender. IH 2017-1 is a 10-year, fixed rate mortgage loan comprised of two components. Certificates issued by the trust in connection with Component A of IH 2017-1 benefit from FNMA's guaranty of timely payment of principal and interest.

Each mortgage loan is secured by a pledge of the equity in the assets of the respective Borrower Entities, as well as first-priority mortgages on the underlying properties and a grant of security interests in all of the related personal property. As of March 31, 2019 and December 31, 2018, a total of 41,482 and 41,644 homes, respectively, were pledged pursuant to the mortgage loans. We are obligated to make monthly payments of interest for each mortgage loan.

Transactions with Trusts

Concurrent with the execution of each mortgage loan agreement, the respective third party lender sold each loan it originated to individual depositor entities (the "Depositor Entities") who subsequently transferred each loan to Securitization-specific trust entities (the "Trusts"). The Depositor Entities for our Securitizations currently outstanding are wholly owned subsidiaries. We accounted for the transfer of the individual Securitizations from the wholly owned Depositor Entities to the respective Trusts as sales under ASC 860, *Transfers and Servicing*, with no resulting gain or loss as the Securitizations were both originated by the lender and immediately transferred at the same fair market value.

As consideration for the transfer of each loan to the Trusts, the Trusts issued certificate classes which mirror the components of the individual loan agreements (collectively, the "Certificates") to the Depositor Entities, except that Class R certificates do not have related loan components as they represent residual interests in the Trusts. The Certificates represent the entire beneficial interest in the Trusts. Following receipt of the Certificates, the Depositor Entities sold the Certificates to investors and used the proceeds as consideration for the loans sold to the Depositor Entities by the lenders. These transactions had no effect on our condensed consolidated financial statements other than with respect to Certificates we retained in connection with Securitizations or purchased at a later date.

The Trusts are structured as pass-through entities that receive interest from the Securitizations and distribute those payments to the holders of the Certificates. The assets held by the Trusts are restricted and can only be used to fulfill the obligations of those entities. The obligations of the Trusts do not have any recourse to the general credit of any entities in these condensed consolidated financial statements. We have evaluated our interests in certain certificates of the Trusts held by us (discussed below) and determined that they do not create a more than insignificant variable interest in the Trusts. Additionally, the retained certificates do not provide us with any ability to direct the activities that could impact the Trusts' economic performance. Therefore, we do not consolidate the Trusts.

Retained Certificates

Beginning in April 2014, the Trusts made Certificates available for sale to both domestic and foreign investors. With the introduction of foreign investment, sponsors of the mortgage loans are required to retain a portion of the risk that represents a material net economic interest in each loan. These requirements were further refined in December 2016 pursuant to Regulation RR (the "Risk Retention Rules") under the Securities Exchange Act of 1934, as amended. As such, loan sponsors are now required to retain a portion of the credit risk that represents not less than 5% of the aggregate fair value of the loan as of the closing date.

To fulfill these requirements, Class G certificates for CSH 2016-2 were issued in an amount equal to 5% of the original principal amount of the loans. Per the terms of the mortgage loan agreements, the Class G certificates were restricted certificates that were made available exclusively to the sponsor, as applicable. We retained these Class G certificates during the time the related Securitization was outstanding, and they were principal only, bearing a stated interest rate of 0.0005%.

For IH 2017-1, the Class B certificates are restricted certificates that were made available exclusively to INVH LP in order to comply with the Risk Retention Rules. The Class B certificates bear a stated annual interest rate of 4.23%, including applicable servicing fees.

For SWH 2017-1, IH 2017-2, IH 2018-1, IH 2018-2, IH 2018-3, and IH 2018-4, we retained 5% of each certificate class to meet the Risk Retention Rules. These retained certificates accrue interest at a floating rate of LIBOR plus a spread ranging from 0.76% to 3.47%.

The retained certificates total $358,246 and $366,599 as of March 31, 2019 and December 31, 2018, respectively, and are classified as held to maturity investments and recorded in other assets, net on the condensed consolidated balance sheets (see Note 5).

Loan Covenants

The general terms that apply to all of the mortgage loans require us to maintain compliance with certain affirmative and negative covenants. Affirmative covenants with which we must comply include our, and certain of our affiliates', compliance with (i) licensing, permitting and legal requirements specified in the mortgage loan agreements, (ii) organizational requirements of the jurisdictions in which we, and certain of our affiliates, are organized, (iii) federal and state tax laws, and

(dollar amounts in thousands)

(iv) books and records requirements specified in the respective mortgage loan agreements. Negative covenants with which we must comply include our, and certain of our affiliates', compliance with limitations surrounding (i) the amount of our indebtedness and the nature of our investments, (ii) the execution of transactions with affiliates, (iii) the Manager, and (iv) the nature of our business activities. As of March 31, 2019, and through the date our condensed consolidated financial statements were issued, we believe we are in compliance with all affirmative and negative covenants.

Prepayments

For the mortgage loans, prepayments of amounts owed by us are generally not permitted under the terms of the respective mortgage loan agreements unless such prepayments are made pursuant to the voluntary election or mandatory provisions specified in such agreements. The specified mandatory provisions become effective to the extent that a property becomes characterized as a disqualified property, a property is sold, and/or upon the occurrence of a condemnation or casualty event associated with a property. To the extent either a voluntary election is made, or a mandatory prepayment condition exists, in addition to paying all interest and principal, we must also pay certain breakage costs as determined by the loan servicer and a spread maintenance premium if prepayment occurs before the month following the one or two year anniversary of the closing dates of each of the mortgage loans except for IH 2017-1. For IH 2017-1, prepayments on or before December 2026 will require a yield maintenance premium. For the three months ended March 31, 2019 and 2018, we made voluntary and mandatory prepayments of $180,812 and $873,269, respectively, under the terms of the mortgage loan agreements. During the three months ended March 31, 2018, prepayments included full repayment of CAH 2014-1 and CAH 2014-2 mortgage loans.

Term Loan Facility and Revolving Facility

On February 6, 2017, we entered into a credit agreement with a syndicate of banks, financial institutions, and institutional lenders for a credit facility (the "Credit Facility"), which was amended on December 18, 2017 to include entities and homes acquired in the Mergers. The Credit Facility provides $2,500,000 of borrowing capacity and consists of a $1,000,000 revolving facility (the "Revolving Facility"), which will mature on February 6, 2021, with a one-year extension option, and a $1,500,000 term loan facility (the "Term Loan Facility"), which will mature on February 6, 2022. The Revolving Facility also includes borrowing capacity available for letters of credit and for short-term borrowings referred to as swing line borrowings, in each case subject to certain sublimits. The Credit Facility provides us with the option to enter into additional incremental credit facilities (including an uncommitted incremental facility that provides us with the option to increase the size of the Revolving Facility and/or the Term Loan Facility by an aggregate amount of up to $1,500,000), subject to certain limitations. Proceeds from the Term Loan Facility were used to repay then-outstanding indebtedness and for general corporate purposes. Proceeds from the Revolving Facility are used for general corporate purposes.

The following table sets forth a summary of the outstanding principal amounts under the Credit Facility as of March 31, 2019 and December 31, 2018:

	Maturity Date	Interest Rate(1)	March 31, 2019	December 31, 2018
Term Loan Facility	February 6, 2022	4.19%	$ 1,500,000	$ 1,500,000
Deferred financing costs, net			(8,418)	(9,140)
Term Loan Facility, net			$ 1,491,582	$ 1,490,860
Revolving Facility	February 6, 2021	4.24%	$ —	$ —

(1) Interest rates for the Term Loan Facility and the Revolving Facility are based on LIBOR plus an applicable margin. As of March 31, 2019, the applicable margins were 1.70% and 1.75%, respectively, and LIBOR was 2.49%.

Interest Rate and Fees

Borrowings under the Credit Facility bear interest, at our option, at a rate equal to a margin over either (a) a LIBOR rate determined by reference to the Bloomberg LIBOR rate (or comparable or successor rate) for the interest period relevant to such borrowing, or (b) a base rate determined by reference to the highest of (1) the administrative agent's prime lending rate, (2) the federal funds effective rate plus 0.50%, and (3) the LIBOR rate that would be payable on such day for a LIBOR rate loan with a one-month interest period plus 1.00%. The margin is based on a total leverage based grid. The margin for the Revolving Facility ranges from 0.75% to 1.30% in the case of base rate loans, and 1.75% to 2.30% in the case of LIBOR rate loans. The margin for the Term Loan Facility ranges from 0.70% to 1.30% in the case of base rate loans, and 1.70% to 2.30% in the case of LIBOR rate loans. In addition, the Credit Facility provides that, upon receiving an investment grade rating on its non-credit enhanced, senior unsecured long term debt of BBB- or better from Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., or Baa3 or better from Moody's Investors Service, Inc. (an "Investment Grade Rating Event"), we may elect to convert to a credit rating based pricing grid.

In addition to paying interest on outstanding principal under the Credit Facility, we are required to pay a facility fee to the lenders under the Revolving Facility in respect of the unused commitments thereunder. The facility fee rate is based on the daily unused amount of the Revolving Facility and is either 0.35% or 0.20% per annum based on the unused facility amount. Upon converting to a credit rating pricing based grid, the unused facility fee will no longer apply; and we will be required to pay a facility fee ranging from 0.125% to 0.300%. We are also required to pay customary letter of credit fees.

Prepayments and Amortization

No principal reductions are required under the Credit Facility. We are permitted to voluntarily repay amounts outstanding under the Term Loan Facility at any time without premium or penalty, subject to certain minimum amounts and the payment of customary "breakage" costs with respect to LIBOR loans. Once repaid, no further borrowings will be permitted under the Term Loan Facility.

Loan Covenants

The Credit Facility contains certain customary affirmative and negative covenants and events of default. Such covenants will, among other things, restrict, subject to certain exceptions, our ability and that of the Subsidiary Guarantors (as defined below) and their respective subsidiaries to (i) engage in certain mergers, consolidations or liquidations, (ii) sell, lease or transfer all or substantially all of their respective assets, (iii) engage in certain transactions with affiliates, (iv) make changes to our fiscal year, (v) make changes in the nature of our business and our subsidiaries, and (vi) incur additional indebtedness that is secured on a pari passu basis with the Credit Facility.

The Credit Facility also requires us, on a consolidated basis with our subsidiaries, to maintain a (i) maximum total leverage ratio, (ii) maximum secured leverage ratio, (iii) maximum unencumbered leverage ratio, (iv) minimum fixed charge coverage ratio, (v) minimum unencumbered fixed charge coverage ratio, and (vi) minimum tangible net worth. If an event of default occurs, the lenders under the Credit Facility are entitled to take various actions, including the acceleration of amounts due under the Credit Facility and all actions permitted to be taken by a secured creditor. As of March 31, 2019, and through the date our condensed consolidated financial statements were issued, we believe we were in compliance with all affirmative and negative covenants.

Guarantees and Security

The obligations under the Credit Facility are guaranteed on a joint and several basis by each of our direct and indirect domestic wholly owned subsidiaries that own, directly or indirectly, unencumbered assets (the "Subsidiary Guarantors"), subject to certain exceptions. The guarantee provided by any Subsidiary Guarantor will be automatically released upon the occurrence of certain events, including if it no longer has a direct or indirect interest in an unencumbered asset or as a result of certain non-recourse refinancing transactions pursuant to which such Subsidiary Guarantor becomes contractually prohibited from providing its guaranty of the Credit Facility. In addition, INVH may be required to provide a guarantee of the Credit Facility under certain circumstances, including if INVH does not maintain its qualification as a REIT.

The Credit Facility is collateralized by first priority or equivalent security interests in all the capital stock of, or other equity interests in, any Subsidiary Guarantor held by us and each of the Subsidiary Guarantors. The security interests granted under the Credit Facility will be automatically released upon the occurrence of certain events, including upon an Investment Grade Rating Event or if the total net leverage ratio is less than or equal to 8.00:1.00 for four consecutive fiscal quarters.

(dollar amounts in thousands)

Convertible Senior Notes

In connection with the Mergers, we assumed SWH's convertible senior notes. In July 2014, SWH issued $230,000 in aggregate principal amount of 3.00% convertible senior notes due 2019 (the "2019 Convertible Notes"). Interest on the 2019 Convertible Notes is payable semiannually in arrears on January 1st and July 1st of each year. The 2019 Convertible Notes will mature on July 1, 2019. On December 28, 2018, we notified note holders of our intent to settle conversions of the 2019 Convertible Notes in shares of common stock.

In January 2017, SWH issued $345,000 in aggregate principal amount of 3.50% convertible senior notes due 2022 (the "2022 Convertible Notes" and together with the 2019 Convertible Notes, the "Convertible Senior Notes"). Interest on the 2022 Convertible Notes is payable semiannually in arrears on January 15th and July 15th of each year. The 2022 Convertible Notes will mature on January 15, 2022.

The following table summarizes the terms of the Convertible Senior Notes outstanding as of March 31, 2019 and December 31, 2018:

						Principal Amount	
	Coupon Rate	Effective Rate(1)	Conversion Rate(2)	Maturity Date	Remaining Amortization Period	March 31, 2019	December 31, 2018
2019 Convertible Notes	3.00%	4.92%	54.3097	July 1, 2019	0.25 years	$ 229,991	$ 229,993
2022 Convertible Notes	3.50%	5.12%	43.7694	January 15, 2022	2.80 years	345,000	345,000
Total						574,991	574,993
Net unamortized fair value adjustment						(15,416)	(17,692)
Total						$ 559,575	$ 557,301

(1) Effective rate includes the effect of the adjustment to the fair value of the debt as of the Merger Date, the value of which reduced the initial liability recorded to $223,185 and $324,252 for each of the 2019 Convertible Notes and 2022 Convertible Notes, respectively.

(2) The conversion rate as of March 31, 2019 represents the number of shares of common stock issuable per $1,000 principal amount (actual $) of Convertible Senior Notes converted on such date, as adjusted in accordance with the applicable indentures as a result of cash dividend payments and the effects of the Mergers. On December 28, 2018, note holders of the 2019 Convertible Notes were notified of our intent to convert in shares of common stock. As of March 31, 2019, the 2022 Convertible Notes do not meet the criteria for conversion. We have the option to settle the 2022 Convertible Notes in cash, common stock, or a combination thereof.

Terms of Conversion

As of March 31, 2019, the conversion rate applicable to the 2019 Convertible Notes is 54.3097 shares of our common stock per $1,000 principal amount (actual $) of the 2019 Convertible Notes (equivalent to a conversion price of approximately $18.41 per common share — actual $). The conversion rate for the 2019 Convertible Notes is subject to adjustment in some events, but will not be adjusted for any accrued and unpaid interest. In addition, following certain events that occur prior to the maturity date, we will adjust the conversion rate for a holder who elects to convert its 2019 Convertible Notes in connection with such an event in certain circumstances. At any time prior to January 1, 2019, holders were able to convert the 2019 Convertible Notes at their option only under specific circumstances as defined in the indenture agreement, dated as of July 7, 2014, between us and our trustee, Wilmington Trust, National Association ("the Convertible Notes Trustee"). As a result of the completion of the Mergers, the 2019 Convertible Notes were convertible for a 35 trading day period, which expired January 8, 2018. On or after January 1, 2019 and until maturity, holders may convert all or any portion of the 2019 Convertible Notes at any time. On December 28, 2018, we notified note holders of our intent to settle conversions of the 2019 Convertible Notes in shares of common stock. The "if-converted" value of the 2019 Convertible Notes exceeded their principal amount by $73,909 as of March 31, 2019 as the closing market price of the Company's common stock of $24.33 per common share (actual $) exceeded the implicit conversion price. For the three months ended March 31, 2019 and 2018, interest expense for the 2019 Convertible Notes, including non-cash amortization of discounts, was $2,803 and $2,752, respectively.

(dollar amounts in thousands)

As of March 31, 2019, the conversion rate applicable to the 2022 Convertible Notes is 43.7694 shares of our common stock per $1,000 principal amount (actual $) of the 2022 Convertible Notes (equivalent to a conversion price of approximately $22.85 per common share — actual $). The conversion rate for the 2022 Convertible Notes is subject to adjustment in some events, but will not be adjusted for any accrued and unpaid interest. In addition, following certain events that occur prior to the maturity date, we will adjust the conversion rate for a holder who elects to convert its 2022 Convertible Notes in connection with such an event in certain circumstances. At any time prior to July 15, 2021, holders may convert the 2022 Convertible Notes at their option only under specific circumstances as defined in the indenture agreement, dated as of January 10, 2017, between us and the Convertible Notes Trustee. As a result of the completion of the Mergers, the 2022 Convertible Notes were convertible for a 35 trading day period, which expired January 8, 2018. On or after July 15, 2021 and until maturity, holders may convert all or any portion of the 2022 Convertible Notes at any time. Upon conversion, we will pay or deliver, as the case may be, cash, common stock, or a combination of cash and common stock, at our election. The “if-converted” value of the 2022 Convertible Notes exceeded their principal amount by $22,394 as of March 31, 2019 as the closing market price of the Company’s common stock of $24.33 per common share (actual $) exceeded the implicit conversion price. For the three months ended March 31, 2019 and 2018, interest expense for the 2022 Convertible Notes, including non-cash amortization of discounts, was $4,217 and $4,158, respectively.

General Terms

We may not redeem the Convertible Senior Notes prior to their maturity dates except to the extent necessary to preserve our status as a REIT for United States federal income tax purposes, as further described in the indentures. If we undergo a fundamental change as defined in the indentures, holders may require us to repurchase for cash all or any portion of their Convertible Senior Notes at a fundamental change repurchase price equal to 100% of the principal amount of the Convertible Senior Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The indentures contain customary terms and covenants and events of default. If an event of default occurs and is continuing, the Convertible Notes Trustee, by notice to us, or the holders of at least 25% in aggregate principal amount of the outstanding Convertible Senior Notes, by notice to us and the Convertible Notes Trustee, may, and the Convertible Notes Trustee at the request of such holders shall, declare 100% of the principal of and accrued and unpaid interest on all the Convertible Senior Notes to be due and payable. In the case of an event of default arising out of certain events of bankruptcy, insolvency or reorganization in respect to us (as set forth in the indentures), 100% of the principal of and accrued and unpaid interest on the Convertible Senior Notes will automatically become due and payable.

Debt Maturities Schedule

The following table summarizes the contractual maturities of our debt as of March 31, 2019:

Year	Mortgage Loans[(1)]	Term Loan Facility	Revolving Facility	Convertible Senior Notes	Total
Remainder of 2019	$ 1,902,703	$ —	$ —	$ 229,991	$ 2,132,694
2020	3,226,909	—	—	—	3,226,909
2021	957,229	—	—	—	957,229
2022	—	1,500,000	—	345,000	1,845,000
2023	—	—	—	—	—
Thereafter	995,913	—	—	—	995,913
Total	7,082,754	1,500,000	—	574,991	9,157,745
Less: deferred financing costs, net	(52,986)	(8,418)	—	—	(61,404)
Less: unamortized fair value adjustment	—	—	—	(15,416)	(15,416)
Total	$ 7,029,768	$ 1,491,582	$ —	$ 559,575	$ 9,080,925

(1) The maturity dates of the obligations are reflective of all extensions that have been exercised.

(dollar amounts in thousands)

Note 7—Derivative Instruments

From time to time, we enter into derivative instruments to manage the economic risk of changes in interest rates. We do not enter into derivative transactions for speculative or trading purposes. Designated hedges are derivatives that meet the criteria for hedge accounting and for which we have elected to designate them as hedges. Non-designated hedges are derivatives that do not meet the criteria for hedge accounting or which we did not elect to designate as accounting hedges.

Designated Hedges

We have entered into various interest rate swap agreements, which are used to hedge the variable cash flows associated with variable-rate interest payments. Currently, all swaps are designated for hedge accounting purposes and changes in the fair value of these swaps are recorded in other comprehensive income and are subsequently reclassified into earnings in the period in which the hedged forecasted transactions affect earnings. Prior to January 31, 2017, all swaps were accounted for as non-designated hedges as the criteria for designation had not been met at that time.

In addition, in connection with the Mergers, we acquired various interest rate swap instruments, which we designated for hedge accounting purposes. On the Merger Date, we recorded these interest rate swaps at their aggregate estimated fair value of $21,135. Over the terms of each of these swaps, an amount equal to the Merger Date fair value will be amortized and reclassified into earnings.

The table below summarizes our interest rate swap instruments as of March 31, 2019:

Agreement Date	Forward Effective Date	Maturity Date	Strike Rate	Index	Notional Amount
December 21, 2016	February 28, 2017	January 31, 2022	1.97%	One-month LIBOR	$ 750,000
December 21, 2016	February 28, 2017	January 31, 2022	1.97%	One-month LIBOR	750,000
January 12, 2017	February 28, 2017	August 7, 2020	1.59%	One-month LIBOR	1,100,000
January 13, 2017	February 28, 2017	June 9, 2020	1.63%	One-month LIBOR	595,000
January 20, 2017	February 28, 2017	March 9, 2020	1.60%	One-month LIBOR	325,000
June 3, 2016	July 15, 2018	July 15, 2019	1.12%	One-month LIBOR	450,000
January 10, 2017	January 15, 2019	January 15, 2020	1.93%	One-month LIBOR	550,000
April 19, 2018	January 31, 2019	January 31, 2025	2.86%	One-month LIBOR	400,000
February 15, 2019(1)	March 15, 2019	March 15, 2022	2.23%	One-month LIBOR	800,000
April 19, 2018	March 15, 2019	November 30, 2024	2.85%	One-month LIBOR	400,000
April 19, 2018	March 15, 2019	February 28, 2025	2.86%	One-month LIBOR	400,000
June 3, 2016	July 15, 2019	July 15, 2020	1.30%	One-month LIBOR	450,000
January 10, 2017	January 15, 2020	January 15, 2021	2.13%	One-month LIBOR	550,000
April 19, 2018	January 31, 2020	November 30, 2024	2.90%	One-month LIBOR	400,000
May 8, 2018	March 9, 2020	June 9, 2025	2.99%	One-month LIBOR	325,000
May 8, 2018	June 9, 2020	June 9, 2025	2.99%	One-month LIBOR	595,000
June 3, 2016	July 15, 2020	July 15, 2021	1.47%	One-month LIBOR	450,000
June 28, 2018	August 7, 2020	July 9, 2025	2.90%	One-month LIBOR	1,100,000
January 10, 2017	January 15, 2021	July 15, 2021	2.23%	One-month LIBOR	550,000
November 7, 2018	March 15, 2022	July 31, 2025	3.14%	One-month LIBOR	400,000
November 7, 2018	March 15, 2022	July 31, 2025	3.16%	One-month LIBOR	400,000

(1) On February 15, 2019, we terminated an interest rate swap instrument and simultaneously entered into a new interest rate swap instrument with identical economic terms, except that the strike rate increased 2 bps, from 2.21% to 2.23%, and collateral posting requirements were removed.

(dollar amounts in thousands)

During the three months ended March 31, 2019 and 2018, such derivatives were used to hedge the variable cash flows associated with existing variable-rate interest payments. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. During the next 12 months, we estimate that $26,384 will be reclassified to earnings as a decrease in interest expense.

Non-Designated Hedges

Concurrent with entering into certain of the mortgage loan agreements and in connection with the Mergers, we entered into or acquired and maintain interest rate cap agreements with terms and notional amounts equivalent to the terms and amounts of the mortgage loans made by the third party lenders. To the extent that the maturity date of one or more of the mortgage loans is extended through an exercise of one or more of the extension options, replacement or extension interest rate cap agreements must be executed with terms similar to those associated with the initial interest rate cap agreements and strike prices equal to the greater of the interest rate cap strike price and the interest rate at which the debt service coverage ratio (as defined) is not less than 1.2 to 1.0. The interest rate cap agreements, including all of our rights to payments owed by the counterparties and all other rights, have been pledged as additional collateral for the mortgage loans. Additionally, in certain instances, in order to minimize the cash impact of purchasing required interest rate caps, we simultaneously sold interest rate caps (which have identical terms and notional amounts) such that the purchase price and sale proceeds of the related interest rate caps are intended to offset each other. The purchased and sold interest rates caps have strike prices ranging from approximately 3.24% to 5.12%.

Tabular Disclosure of Fair Values of Derivative Instruments on the Condensed Consolidated Balance Sheets

The table below presents the fair value of our derivative financial instruments as well as their classification on the condensed consolidated balance sheets as of March 31, 2019 and December 31, 2018:

	Asset Derivatives			Liability Derivatives		
		Fair Value as of			Fair Value as of	
	Balance Sheet Location	March 31, 2019	December 31, 2018	Balance Sheet Location	March 31, 2019	December 31, 2018
Derivatives designated as hedging instruments:						
Interest rate swaps	Other assets	$ 37,599	$ 74,929	Other liabilities	$ 154,246	$ 90,527
Derivatives not designated as hedging instruments:						
Interest rate caps	Other assets	51	476	Other liabilities	48	440
Total		$ 37,650	$ 75,405		$ 154,294	$ 90,967

(dollar amounts in thousands)

Offsetting Derivatives

We enter into master netting arrangements, which reduce risk by permitting net settlement of transactions with the same counterparty. The tables below present a gross presentation, the effects of offsetting, and a net presentation of our derivatives as of March 31, 2019 and December 31, 2018:

	March 31, 2019					
				Gross Amounts Not Offset in the Condensed Statement of Financial Position		
	Gross Amounts of Recognized Assets/ Liabilities	Gross Amounts Offset in the Condensed Statement of Financial Position	Net Amounts of Assets/ Liabilities Presented in the Condensed Statement of Financial Position	Financial Instruments	Cash Collateral Received	Net Amount
Offsetting assets:						
Derivatives	$ 37,650	$ —	$ 37,650	$ (15,018)	$ —	$ 22,632
Offsetting liabilities:						
Derivatives	$ 154,294	$ —	$ 154,294	$ (15,018)	$ —	$ 139,276

	December 31, 2018					
				Gross Amounts Not Offset in the Condensed Statement of Financial Position		
	Gross Amounts of Recognized Assets/ Liabilities	Gross Amounts Offset in the Condensed Statement of Financial Position	Net Amounts of Assets/ Liabilities Presented in the Condensed Statement of Financial Position	Financial Instruments	Cash Collateral Received	Net Amount
Offsetting assets:						
Derivatives	$ 75,405	$ —	$ 75,405	$ (30,374)	$ —	$ 45,031
Offsetting liabilities:						
Derivatives	$ 90,967	$ —	$ 90,967	$ (30,374)	$ —	$ 60,593

(dollar amounts in thousands)

Tabular Disclosure of the Effect of Derivative Instruments on the Condensed Consolidated Statements of Operations

The tables below present the effect of our derivative financial instruments in the condensed consolidated statements of operations for the three months ended March 31, 2019 and 2018:

	Amount of Gain (Loss) Recognized in OCI on Derivative		Location of Gain (Loss) Reclassified from Accumulated OCI into Net Income (Loss)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Net Income (Loss)		Total Amount of Interest Expense Presented in the Condensed Consolidated Statements of Operations	
	For the Three Months Ended March 31,			For the Three Months Ended March 31,		For the Three Months Ended March 31,	
	2019	2018		2019	2018	2019	2018
Derivatives in cash flow hedging relationships:							
Interest rate swaps	$ (87,868)	$ 59,900	Interest expense	$ 10,863	$ (271)	$ 93,983	$ 92,299

	Location of Gain (Loss) Recognized in Net Income (Loss) on Derivative	Amount of Gain (Loss) Recognized in Net Income (Loss) on Derivative	
		For the Three Months Ended March 31,	
		2019	2018
Derivatives not designated as hedging instruments:			
Interest rate caps	Interest expense	$ (33)	$ 253
Total		$ (33)	$ 253

Credit-Risk-Related Contingent Features

The agreements with our derivative counterparties which govern our interest rate swap agreements contain a provision where we could be declared in default on our derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to our default on the indebtedness.

As of March 31, 2019, the fair value of certain derivatives in a net liability position was $139,276. If we had breached any of these provisions at March 31, 2019, we could have been required to settle the obligations under the agreements at their termination value, which includes accrued interest and excludes the nonperformance risk related to these agreements, of $149,207.

As of December 31, 2018, we had not posted any collateral for our interest rate swap agreements as the conditions specified in the derivative agreements that require such funding did not exist. As of March 31, 2019, none of our derivative agreements contain provisions that require us to post collateral deposits.

Note 8—Equity

Stockholders' Equity

As of March 31, 2019, we have issued 524,989,775 shares of common stock to the public, the pre-IPO owners, and in settlement of restricted stock units ("RSUs," see Note 10). In addition, we issue OP Units from time to time which are redeemable for shares of our common stock on a one-for-one basis or, in our sole discretion, cash and are reflected as non-controlling interests on our condensed consolidated balance sheets and statements of equity.

During the three months ended March 31, 2019, we issued 4,341,798 shares of common stock, comprised of 768,505 shares of common stock in net settlement of 1,071,590 fully vested RSUs and 3,573,293 shares of common stock in exchange for the redemption of the same number of OP Units. As of March 31, 2019, 5,463,285 OP Units remain outstanding and redeemable.

(dollar amounts in thousands)

Dividends

To qualify as a REIT, we are required to distribute annually to our stockholders at least 90% of our REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and to pay tax at regular corporate rates to the extent that we annually distribute less than 100% of our net taxable income. We intend to pay quarterly dividends to our stockholders, which in the aggregate are approximately equal to or exceed our net taxable income in the relevant year. The timing, form, and amount of distributions, if any, to our stockholders, will be at the sole discretion of our board of directors.

The following table summarizes our dividends declared from January 1, 2018 through March 31, 2019:

	Record Date	Amount per Share(1)	Pay Date	Total Amount Declared
Q1-2019	February 13, 2019	$ 0.13	February 28, 2019	$ 67,965
Q4-2018	November 14, 2018	0.11	November 30, 2018	57,518
Q3-2018	August 16, 2018	0.11	August 31, 2018	57,563
Q2-2018	May 15, 2018	0.11	May 31, 2018	57,559
Q1-2018	February 13, 2018	0.11	February 28, 2018	57,432

(1) Amounts are displayed in actual dollars and are paid on a per share basis. On May 2, 2019, our board of directors declared a dividend of $0.13 per share to stockholders of record on May 15, 2019, which is payable on May 31, 2019.

Note 9—Related Party Transactions

Management Services

One of our wholly owned subsidiaries, as the managing member of a joint venture with FNMA (see Note 5), earns a management fee based upon the venture's gross receipts. For the three months ended March 31, 2019 and 2018, we earned $736 and $707, respectively, of management fees which are included in other, net in the accompanying condensed consolidated statements of operations.

Note 10—Share-Based Compensation

Prior to completion of the IPO, our board of directors adopted, and our stockholders approved, the Invitation Homes Inc. 2017 Omnibus Incentive Plan (the "Omnibus Incentive Plan") to provide a means through which to attract and retain key personnel and to provide a means whereby our directors, officers, employees, consultants, and advisors can acquire and maintain an equity interest in us, or be paid incentive compensation, including incentive compensation measured by reference to the value of our common stock, and to align their interests with those of our stockholders. Under the Omnibus Incentive Plan, we may issue up to 16,000,000 shares. Time-vesting RSUs are participating securities for earnings (loss) per common share ("EPS") purposes, and performance or market based vesting RSUs ("PRSUs") are not. For detailed discussion of RSUs and PRSUs issued prior to January 1, 2019, refer to our Annual Report on Form 10-K for the year ended December 31, 2018.

Share-Based Awards

The following summarizes our share-based award activity during the three months ended March 31, 2019.

Annual Long Term Incentive Plan ("LTIP"):

- *Annual LTIP Awards Granted:* During the three months ended March 31, 2019, we granted 529,901 RSUs pursuant to LTIP awards (together with previously granted annual LTIP awards, "LTIP Awards"). Each award includes components which vest based on time-vesting conditions, market based vesting conditions, and performance based vesting conditions, each of which is subject to continued employment through the applicable vesting date. The time-vesting RSUs granted during the three months ended March 31, 2019 vest in three equal annual installments based on an anniversary date of March 1, 2019. The PRSUs granted during the three months ended March 31, 2019 may be earned based on the achievement of certain measures over a three-year performance period. The number of PRSUs earned will be determined based on performance achieved during the performance period for each measure at certain threshold, target, or maximum levels and corresponding payout ranges. In general, the LTIP PRSUs are earned after the end of the performance period on the date on which the performance results are certified by our compensation and management development committee (the "Compensation Committee").

(dollar amounts in thousands)

All of the LTIP Awards are subject to certain change in control and retirement eligibility provisions that may impact these vesting schedules.

- *PRSU Results:* During the three months ended March 31, 2019, the Compensation Committee certified performance achievement with respect to Tranche 2 of our 2017 LTIP Awards. Certain PRSUs vested and achieved performance in excess of the target level, resulting in the issuance of an additional 23,392 shares of common stock. Such awards are reflected as an increase in the number of awards granted and vested in the table below. Certain other PRSUs did not achieve performance criteria, resulting in the cancellation of 52,896 awards. Such awards are reflected as an increase in the number of awards forfeited/canceled below.

Summary of Total Share-Based Awards

The following table summarizes the non-vested time-vesting RSUs and PRSUs during the three months ended March 31, 2019:

	Time-Vesting Awards		PRSUs		Total Share-Based Awards	
	Number	Weighted Average Grant Date Fair Value (Actual $)	Number	Weighted Average Grant Date Fair Value (Actual $)	Number	Weighted Average Grant Date Fair Value (Actual $)
Balance, December 31, 2018	1,595,644	$ 21.63	888,733	$ 22.09	2,484,377	$ 21.79
Granted	185,708	22.79	367,585	24.26	553,293	23.77
Vested[(1)]	(923,040)	(21.41)	(38,304)	(21.81)	(961,344)	(21.43)
Forfeited / canceled	(48,680)	(21.75)	(215,614)	(21.58)	(264,294)	(21.61)
Balance, March 31, 2019	809,632	$ 22.14	1,002,400	$ 23.05	1,812,032	$ 22.64

(1) All vested share-based awards are included in basic EPS for the periods after each awards vest date. During the three months ended March 31, 2019, 923,040 time-vesting RSUs and 38,304 PRSUs with an estimated fair value of $26,081 fully vested. During the three months ended March 31, 2019, vested awards include the acceleration of 286,156 RSUs pursuant to the terms and conditions of the Omnibus Incentive Plan and related award agreements.

(dollar amounts in thousands)

Grant-Date Fair Values

The grant-date fair values of the time-vesting RSUs and PRSUs with performance condition vesting criteria are generally based on the closing price of our common stock on the grant date. However, the grant-date fair values for PRSUs with market condition vesting criteria are based on Monte-Carlo option pricing models. The following table summarizes the significant inputs utilized in these models at the grant date for PRSUs with market condition vesting criteria issued during the three months ended March 31, 2019:

	For the Three Months Ended March 31, 2019
Expected volatility[1]	17.4%
Risk-free rate	2.42%
Expected holding period	2.84 years

(1) Expected volatility for awards granted during the three months ended March 31, 2019 was estimated based on the historical volatility of INVH's realized returns and the applicable index.

Summary of Total Share-Based Compensation Expense

During the three months ended March 31, 2019 and 2018, we recognized share-based compensation expense as follows:

	For the Three Months Ended March 31,	
	2019	2018
General and administrative	$ 4,920	$ 7,554
Property management expense	687	1,944
Total	$ 5,607	$ 9,498

As of March 31, 2019, there is $21,000 of unrecognized share-based compensation expense related to non-vested RSUs which is expected to be recognized over a weighted average period of 2.16 years.

Note 11—Fair Value Measurements

The carrying amounts of restricted cash, certain components of other assets, accounts payable and accrued expenses, resident security deposits, and other liabilities approximate fair value due to the short maturity of these amounts. Our interest rate swap agreements and interest rate cap agreements are the only financial instruments recorded at fair value on a recurring basis within our condensed consolidated financial statements. The fair values of our interest rate caps and swaps, which are classified as Level 2 in the fair value hierarchy, are estimated using market values of instruments with similar attributes and maturities. See Note 7 for the details of the condensed balance sheet classification and the fair values for the interest rate caps and swaps.

(dollar amounts in thousands)

The following table displays the carrying values and fair values of financial instruments as of March 31, 2019 and December 31, 2018:

		March 31, 2019		December 31, 2018	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Assets carried at historical cost on the condensed consolidated balance sheets:					
Investments in debt securities[(1)]	Level 2	$ 358,246	$ 357,754	$ 366,599	$ 365,196
Liabilities carried at historical cost on the condensed consolidated balance sheets:					
Mortgage loans[(2)]	Level 2	$ 7,082,754	$ 7,073,030	$ 7,263,476	$ 7,235,685
Term Loan Facility[(3)]	Level 3	1,500,000	1,500,345	1,500,000	1,500,773
Convertible Senior Notes[(4)]	Level 3	559,575	558,552	557,301	544,249

(1) The carrying values of investments in debt securities are shown net of discount.
(2) The carrying values of the mortgage loans are shown net of discount and exclude $52,986 and $61,822 of deferred financing costs as of March 31, 2019 and December 31, 2018, respectively.
(3) The carrying value of the Term Loan Facility excludes $8,418 and $9,140 of deferred financing costs as of March 31, 2019 and December 31, 2018, respectively.
(4) The carrying values of the Convertible Senior Notes include unamortized discounts of $15,416 and $17,692 as of March 31, 2019 and December 31, 2018, respectively.

The fair values of our investment in debt securities and mortgage loans, which are classified as Level 2 in the fair value hierarchy, are estimated based on market bid prices of comparable instruments at the end of the period. The fair values of our Term Loan Facility and Revolving Facility, which are classified as Level 3 in the fair value hierarchy, are estimated using a discounted cash flow methodology based on market interest rate data and other market factors available at the end of the period. The fair values of the Convertible Senior Notes, which are classified as Level 3 in the fair value hierarchy, are estimated by discounting contractual cash flows at the interest rate we estimate the notes would bear if sold in the current market and exclude the value associated with the conversion feature (see Note 6).

Our assets measured at fair value on a nonrecurring basis are those assets for which we have recorded impairments. The assets for which we have recorded impairments, measured at fair value on a nonrecurring basis, are summarized below:

	For the Three Months Ended March 31,	
	2019	2018
Investments in single-family residential properties, net held for use (Level 3):		
Pre-impairment amount	$ 240	$ —
Total impairments	(30)	—
Fair value	$ 210	$ —

	For the Three Months Ended March 31,	
	2019	2018
Investments in single-family residential properties, net held for sale (Level 3):		
Pre-impairment amount	$ 19,024	$ 3,225
Total impairments	(3,223)	(603)
Fair value	$ 15,801	$ 2,622

For additional information related to our single-family residential properties as of March 31, 2019 and December 31, 2018, refer to Note 3.

Note 12—Earnings per Share

Basic and diluted EPS are calculated as follows:

	For the Three Months Ended March 31,	
(in thousands, except share and per share data)	2019	2018
Numerator:		
Net income (loss) available to common stockholders — basic and diluted	$ 20,716	$ (17,491)
Denominator:		
Weighted average common shares outstanding — basic	521,440,822	519,660,998
Effect of dilutive securities:		
Incremental shares attributed to non-vested share-based awards	376,672	—
Weighted average common shares outstanding — diluted	521,817,494	519,660,998
Net income (loss) per common share — basic	$ 0.04	$ (0.03)
Net income (loss) per common share — diluted	$ 0.04	$ (0.03)

Incremental shares attributed to non-vested share-based awards are excluded from the computation of diluted EPS when they are anti-dilutive. For the three months ended March 31, 2019, 87,043 incremental shares attributed to share-based awards are excluded from the denominator as their inclusion would have been anti-dilutive. For three months ended March 31, 2018, 1,335,768 incremental shares attributed to non-vested share-based awards are excluded from the computation of diluted EPS because we had a net loss for the period.

(dollar amounts in thousands)

For the three months ended March 31, 2019 and 2018, the OP Units have been excluded from the computation of EPS because all income (loss) attributable to the OP Units has been recorded as non-controlling interest and thus excluded from net income (loss) available to common stockholders.

For the three months ended March 31, 2019, 12,490,742 potential shares of common stock contingently issuable upon the conversion of the 2019 Convertible Notes, calculated using the "if-converted" method, are excluded from the computation of diluted EPS as they would be anti-dilutive. For the three months ended March 31, 2019, 15,100,443 potential shares of common stock contingently issuable upon the conversion of the 2022 Convertible Notes are also excluded from the computation of diluted EPS. Additionally, no adjustment is included to the numerator for the interest expense related to the Convertible Senior Notes for the three months ended March 31, 2019. For the three months ended March 31, 2018, we asserted our intent and ability to fully settle the Convertible Senior Notes in cash and as a result, the Convertible Senior Notes did not impact diluted EPS during that period. See Note 6 for further discussion about the Convertible Senior Notes.

Note 13—Income Tax

We account for income taxes under the asset and liability method. For our taxable REIT subsidiaries ("TRS"), deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using the enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. We provide a valuation allowance, from time to time, for deferred tax assets for which we do not consider realization of such assets to be more likely than not.

As of March 31, 2019 and December 31, 2018, we have no deferred tax assets and liabilities or unrecognized tax benefits recorded. We do not anticipate a significant change in unrecognized tax benefits within the next 12 months.

We have sold assets that were either subject to Section 337(d) of the Internal Revenue Code of 1986, as amended, or were held by TRSs. These transactions resulted in $761 and $394 of current income tax expense for the three months ended March 31, 2019 and 2018, respectively, which has been recorded in gain on sale of property, net of tax in the condensed consolidated statements of operations.

Note 14—Commitments and Contingencies

Leasing Commitments

The following table sets forth our fixed lease payment commitments as a lessee as of March 31, 2019, for the periods below:

	Operating Leases	Finance Leases
Remainder of 2019	$ 3,202	$ 468
2020	4,552	617
2021	4,169	537
2022	2,713	41
2023	1,565	—
Thereafter	1,835	—
Total lease payments	18,036	1,663
Less: imputed interest	(1,571)	(64)
Total lease liability	$ 16,465	$ 1,599

(dollar amounts in thousands)

The components of lease expense for the three months ended March 31, 2019 are as follows:

	For the Three Months Ended March 31, 2019
Operating lease cost:	
Fixed lease cost	$ 981
Variable lease cost	343
Total operating lease cost	$ 1,324

Future minimum rental revenues under leases existing on our single-family residential properties as of March 31, 2019 are as follows:

	Lease Payments to be Received
Remainder of 2019	$ 773,942
2020	187,402
2021	7,676
2022	—
2023	—
Thereafter	—
Total	$ 969,020

Insurance Policies

Pursuant to the terms of our Credit Facility and the mortgage loan agreements (see Note 6), laws and regulations of the jurisdictions in which our properties are located, and general business practices, we are required to procure insurance on our properties. As of March 31, 2019, there are no material contingent liabilities related to uninsured losses with respect to our properties.

Legal Matters

We are subject to various legal proceedings and claims that arise in the ordinary course of our business. We accrue a liability when we believe that it is both probable that a liability has been incurred and that we can reasonably estimate the amount of the loss. We do not believe that the final outcome of these proceedings or matters will have a material adverse effect on our condensed consolidated financial statements.

Note 15—Subsequent Events

In connection with the preparation of the accompanying condensed consolidated financial statements, we have evaluated events and transactions occurring after March 31, 2019, for potential recognition or disclosure.

Voluntary Mortgage Loan Prepayments

On April 9, 2019, we voluntarily prepaid a combined total of $70,000 of outstanding borrowings with unrestricted cash on hand, including $12,800 against the outstanding balance of IH 2017-2 and $57,200 against the outstanding balance of IH 2018-1.

Acquisition of Single-family Residential Properties

On April 26, 2019, we completed the bulk acquisition of 463 single-family residential properties for $115,000.

Outperformance Equity-Based Awards

Pursuant to the Omnibus Incentive Plan, on May 1, 2019, the Compensation Committee approved one-time equity based awards with an aggregate maximum value of $36,200 that may be earned upon on the achievement of outsized total shareholder return. On May 1, 2019, we granted $32,600 of such awards in the form of PRSUs and OP Units with market based vesting conditions (“Outperformance OP Units”). The PRSUs and Outperformance OP Units have an aggregate grant date fair value of $11,800 and may be earned based on the achievement of rigorous absolute total shareholder return objectives and relative total shareholder return outperformance goals over a three-year performance period. Earned awards will vest 50% at the end of the performance period and 25% on each of the first and second anniversaries of the end of the performance period.

Dividend Declaration

On May 2, 2019, our board of directors declared a dividend of $0.13 per share to stockholders of record on May 15, 2019, which is payable on May 31, 2019.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the information appearing elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K. This discussion and analysis contains forward-looking statements based upon our current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Part I. Item 1A. "Risk Factors," in our Annual Report on Form 10-K.

Capitalized terms used without definition have the meaning provided elsewhere in this Quarterly Report on Form 10-Q.

Overview

Invitation Homes is a leading owner and operator of single-family homes for lease, offering residents high-quality homes in sought-after neighborhoods across America. With more than 80,000 homes for lease in 17 markets across the country as of March 31, 2019, Invitation Homes is meeting changing lifestyle demands by providing residents access to updated homes with features they value, such as close proximity to jobs and access to good schools. Our mission statement, "Together with you, we make a house a home," reflects our commitment to high-touch service that continuously enhances residents' living experiences and provides homes where individuals and families can thrive.

We operate in markets with strong demand drivers, high barriers to entry, and high rent growth potential, primarily in the Western United States, Florida, and the Southeast United States. Through disciplined market and asset selection, as well as through the Mergers, we designed our portfolio to capture the operating benefits of local density as well as economies of scale that we believe cannot be readily replicated. Since our founding in 2012, we have built a proven, vertically integrated operating platform that enables us to effectively and efficiently acquire, renovate, lease, maintain, and manage our homes.

We invest in markets that we expect will exhibit lower new supply, stronger job and household formation growth, and superior net operating income ("NOI") growth relative to the broader United States housing and rental market. Within our 17 markets, we target attractive neighborhoods in in-fill locations with multiple demand drivers, such as proximity to major employment centers, desirable schools, and transportation corridors. Our homes average approximately 1,850 square feet with three bedrooms and two bathrooms, appealing to a resident base that we believe is less transitory than the typical multifamily resident. We invest in the upfront renovation of homes in our portfolio in order to address capital needs, reduce ongoing maintenance costs, and drive resident demand. As a result, our portfolio benefits from high occupancy and low turnover rates, and we are well-positioned to drive strong rent growth, attractive margins, and predictable cash flows.

Our Portfolio

The following table provides summary information regarding our total and Same Store portfolios as of and for the three months ended March 31, 2019 as noted below:

Market	Number of Homes(1)	Average Occupancy(2)	Average Monthly Rent(3)	Average Monthly Rent PSF(3)	% of Revenue(4)
Western United States:					
Southern California	8,242	95.6%	$2,354	$1.39	13.4%
Northern California	4,489	95.9%	2,031	1.32	6.6%
Seattle	3,395	94.1%	2,151	1.13	5.2%
Phoenix	7,583	95.5%	1,322	0.81	7.2%
Las Vegas	2,680	96.3%	1,568	0.79	3.0%
Denver	2,237	92.2%	1,948	1.09	3.1%
Western United States Subtotal	28,626	95.2%	1,901	1.11	38.5%
Florida:					
South Florida	8,899	94.2%	2,161	1.17	13.2%
Tampa	8,277	95.0%	1,645	0.89	9.6%
Orlando	5,942	94.4%	1,623	0.88	6.7%
Jacksonville	1,890	94.7%	1,649	0.83	2.2%
Florida Subtotal	25,008	94.5%	1,823	0.98	31.7%
Southeast United States:					
Atlanta	12,239	95.4%	1,484	0.72	12.6%
Carolinas	4,716	95.5%	1,563	0.72	5.1%
Nashville	797	93.8%	1,821	0.85	1.1%
Southeast United States Subtotal	17,752	95.3%	1,520	0.73	18.8%
Texas:					
Houston	2,351	93.7%	1,544	0.79	2.5%
Dallas	2,194	93.4%	1,764	0.83	2.7%
Texas Subtotal	4,545	93.5%	1,650	0.81	5.2%
Midwest United States:					
Chicago	3,269	90.2%	1,969	1.20	4.3%
Minneapolis	1,161	95.8%	1,863	0.94	1.5%
Midwest United States Subtotal	4,430	91.6%	1,941	1.12	5.8%
Total/Average	80,361	94.7%	$1,781	$0.96	100.0%
Same Store Total / Average	73,704	96.5%	$1,784	$0.96	93.2%

(1) As of March 31, 2019.
(2) Represents average occupancy for the three months ended March 31, 2019.
(3) Represents average monthly rent for the three months ended March 31, 2019.
(4) Represents the percentage of rental revenues and other property income generated in each market for the three months ended March 31, 2019.

Factors That Affect Our Results of Operations and Financial Condition

Our results of operations and financial condition are affected by numerous factors, many of which are beyond our control. See Part I. Item 1A. "Risk Factors" in our Annual Report on Form 10-K for more information regarding factors that could materially adversely affect our results of operations and financial condition. Key factors that impact our results of operations and financial condition include market fundamentals, rental rates and occupancy levels, turnover rates and days to re-resident homes, property improvements and maintenance, property acquisitions and renovations, and financing arrangements.

Market Fundamentals: Our results are impacted by housing market fundamentals and supply and demand conditions in our markets, particularly in the Western United States and Florida, which represented 70.2% of our rental revenues and other property income during the three months ended March 31, 2019. In recent periods, our Western United States and Florida markets have experienced favorable demand fundamentals with employment growth, strong household formation rates, and favorable supply fundamentals such as the rate of new supply delivery. We believe these supply and demand fundamentals have driven favorable rental rate growth and home price appreciation for our Western United States and Florida markets in recent periods, and we expect these trends to continue in the near to intermediate term.

Rental Rates and Occupancy Levels: Rental rates and occupancy levels are primary drivers of rental revenues and other property income. Our rental rates and occupancy levels are affected by macroeconomic factors and local and property-level factors, including market conditions, seasonality, resident defaults, and the amount of time it takes to prepare a home for its next resident and re-lease homes when residents vacate. An important driver of rental rate growth is our ability to increase monthly rents from expiring leases, which typically have a term of one to two years.

Turnover Rates and Days to Re-Resident: Other drivers of rental revenues and property operating and maintenance expense include the length of stay of our residents, resident turnover rates, and the number of days a home is unoccupied between residents. Our operating results are also impacted by the amount of time it takes to market and lease a property. The period of time to market and lease a property can vary greatly and is impacted by local demand, our marketing techniques, the size of our available inventory, economic conditions, and economic outlook. Increases in turnover rates and the average number of days to re-resident reduce rental revenues as the homes are not generating income during this period.

Property Improvements and Maintenance: Property improvements and maintenance impact capital expenditures, property operating and maintenance expense, and rental revenues. We actively manage our homes on a total portfolio basis to determine what capital and maintenance needs may be required, and what opportunities we may have to generate additional revenues or expense savings from such expenditures. Due to our size and scale both nationally and locally, we believe we are able to purchase goods and services at favorable prices.

Property Acquisitions and Renovations: Future growth in rental revenues and other property income may be impacted by our ability to identify and acquire homes, our pace of property acquisitions, and the time and cost required to renovate and lease a newly acquired home. Our ability to identify and acquire single-family homes that meet our investment criteria is impacted by home prices in targeted acquisition locations, the inventory of homes available for sale through our acquisition channels, and competition for our target assets. The acquisition of homes involves expenditures in addition to payment of the purchase price, including payments for acquisition fees, property inspections, closing costs, title insurance, transfer taxes, recording fees, broker commissions, property taxes, and HOA fees (when applicable). Additionally, we typically incur costs to renovate a home to prepare it for rental. The scope of renovation work varies, but may include paint, flooring, carpeting, cabinetry, appliances, plumbing hardware, roof replacement, HVAC replacement, and other items required to prepare the home for rental. The time and cost involved in accessing our homes and preparing them for rental can significantly impact our financial performance. The time to renovate a newly acquired property can vary significantly among homes for several reasons, including the property's acquisition channel, the condition of the property, and whether the property was vacant when acquired. Due to our size and scale both nationally and locally, we believe we are able to purchase goods and services at favorable prices.

Financing Arrangements: Financing arrangements directly impact our interest expense, mortgage loans, term loan facility, revolving facility, and convertible debt, as well as our ability to acquire and renovate homes. We have historically utilized indebtedness to fund the acquisition and renovation of new homes. Our current financing arrangements contain financial covenants, and certain financing arrangements contain variable interest rate terms. Interest rates are impacted by market conditions, and the terms of the underlying financing arrangements. See Part I. Item 3. "Quantitative and Qualitative

Disclosures about Market Risk” for further discussion regarding interest rate risk. Our future financing arrangements may not have similar terms with respect to amounts, interest rates, financial covenants, and durations.

Components of Revenues and Expenses

The following is a description of the components of our revenues and expenses.

Revenues

Rental Revenues and Other Property Income

Rental revenues, net of any concessions and uncollectible amounts, consist of rents collected under lease agreements related to our single-family homes for lease. These include leases that we enter into directly with our residents, which typically have a term of one to two years.

Other property income is comprised of: (i) resident reimbursements for utilities, HOA fines, and other charge-backs; (ii) rent and non-refundable deposits associated with pets; and (iii) various other fees, including late fees and lease termination fees, among others.

Expenses

Property Operating and Maintenance

Once a property is available for its initial lease, which we refer to as “rent-ready,” we incur ongoing property-related expenses, which consist primarily of property taxes, insurance, HOA fees (when applicable), market-level personnel expenses, utility expenses, repairs and maintenance, leasing costs, marketing expenses, and property administration. Prior to a property being “rent-ready,” certain of these expenses are capitalized as building and improvements. Once a property is “rent-ready,” expenditures for ordinary maintenance and repairs thereafter are expensed as incurred, and we capitalize expenditures that improve or extend the life of a home.

Property Management Expense

Property management expense represents personnel and other costs associated with the oversight and management of our portfolio of homes. All of our homes are managed through our internal property manager.

General and Administrative

General and administrative expense represents personnel costs, professional fees, and other costs associated with our day-to-day activities. General and administrative expense also includes merger and transaction-related expenses that are of a non-recurring nature.

Share-Based Compensation Expense

All share-based compensation expense is recognized in our condensed consolidated statements of operations as components of general and administrative expense and property management expense. We issue share-based awards to align our employees’ interests with those of our investors. We also assumed share-based awards in connection with the Mergers.

Depreciation and Amortization

We recognize depreciation and amortization expense primarily associated with our homes and other capital expenditures over their expected useful lives.

Impairment and Other

Impairment and other represents provisions for impairment when the carrying amount of our single-family residential properties is not recoverable and casualty losses, net of any insurance recoveries.

Interest Expense

Interest expense includes interest payable on our debt instruments, payments and receipts related to our interest rate swap agreements, related amortization of discounts and deferred financing costs, unrealized gains (losses) on non-designated hedging instruments, and noncash interest expense related to our interest rate swap agreements.

Other, net

Other, net includes interest income, third party management fee income, equity in earnings from an unconsolidated joint venture, and other miscellaneous income and expenses.

Gain on Sale of Property, net of tax

Gain on sale of property, net of tax consists of net gains and losses resulting from sales of our homes.

Results of Operations

Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

The following table sets forth a comparison of the results of operations for the three months ended March 31, 2019 and 2018:

	For the Three Months Ended March 31,			
($ in thousands)	**2019**	**2018**	**$ Change**	**% Change**
Rental revenues and other property income	$ 435,500	$ 423,669	$ 11,831	2.8 %
Expenses:				
Property operating and maintenance	160,346	160,767	(421)	(0.3)%
Property management expense	15,160	17,164	(2,004)	(11.7)%
General and administrative	26,538	27,636	(1,098)	(4.0)%
Interest expense	93,983	92,299	1,684	1.8 %
Depreciation and amortization	133,609	144,500	(10,891)	(7.5)%
Impairment and other	5,392	6,121	(729)	(11.9)%
Total expenses	435,028	448,487	(13,459)	(3.0)%
Other, net	3,125	1,736	1,389	80.0 %
Gain on sale of property, net of tax	17,572	5,502	12,070	219.4 %
Net income (loss)	$ 21,169	$ (17,580)	$ 38,749	220.4 %

Portfolio Information

As of March 31, 2019 and 2018, we owned 80,361 and 82,509 single-family rental homes, respectively, in our total portfolio. During the three months ended March 31, 2019 and 2018, we acquired 208 and 190 homes, respectively, and sold 654 and 251 homes, respectively. During the three months ended March 31, 2019 and 2018, we owned an average of 80,665 and 82,545 single-family rental homes, respectively.

We believe presenting information about the portion of our total portfolio that has been fully operational for the entirety of a given reporting period and its prior year comparison period provides investors with meaningful information about the performance of our comparable homes across periods, and about trends in our organic business. To do so, we provide information regarding the performance of our Same Store portfolio.

As of March 31, 2019, our Same Store portfolio consisted of 73,704 single-family rental homes.

Rental Revenues and Other Property Income

For the three months ended March 31, 2019 and 2018, total portfolio rental revenues and other property income totaled $435.5 million and $423.7 million, respectively, an increase of 2.8%, driven by an increase in average monthly rent per occupied home, an increase in average occupancy, and an increase in utilities reimbursements.

Average occupancy for the three months ended March 31, 2019 and 2018 total portfolio was 94.7% and 94.5%, respectively. Average monthly rent per occupied home for the total portfolio for the three months ended March 31, 2019 and 2018 was $1,781 and $1,704, respectively, a 4.5% increase. For our Same Store portfolio, average occupancy was 96.5% and 95.7% for the three months ended March 31, 2019 and 2018, respectively, and average monthly rent per occupied home for the three months ended March 31, 2019 and 2018 was $1,784 and $1,713, respectively, a 4.1% increase.

To monitor prospective changes in average monthly rent per occupied home, we compare the monthly rent from an expiring lease to the monthly rent from the next lease for the same home, in each case, net of any amortized concessions, to calculate net effective rental rate growth. Leases are either renewal leases, where our current resident stays for a subsequent lease term, or new leases, where our previous resident moves out and a new resident signs a lease to occupy the same home.

Renewal lease net effective rental rate growth for the total portfolio averaged 5.2% and 4.9% for the three months ended March 31, 2019 and 2018, respectively, and new lease net effective rental rate growth for the total portfolio averaged 3.6% and 2.5% for the three months ended March 31, 2019 and 2018, respectively. For our Same Store portfolio, renewal lease net effective rental rate growth averaged 5.2% and 4.9% for the three months ended March 31, 2019 and 2018, respectively, and new lease net effective rental rate growth averaged 3.6% and 2.5% for the three months ended March 31, 2019 and 2018, respectively.

The annual turnover rate for the Same Store portfolio for the three months ended March 31, 2019 and 2018 was 25.7% and 31.0%, respectively. For the Same Store portfolio, an average home remained unoccupied for 54 days between residents for each of the three months ended March 31, 2019 and 2018.

Utilities reimbursements increased as more utilities remained in our name compared to prior year. Additionally, the terms of new leases require residents to reimburse us for those costs.

Expenses

For the three months ended March 31, 2019 and 2018, total expenses were $435.0 million and $448.5 million, respectively. Set forth below is a discussion of changes in the individual components of total expenses.

Property operating and maintenance expense decreased to $160.3 million for the three months ended March 31, 2019 from $160.8 million for the three months ended March 31, 2018, driven by decreases in controllable expenses created by continued process improvements, lower turnover, and property-level synergies from the Mergers. These decreases were offset by an increase in noncontrollable expenses, primarily related to HOA assessments.

Property management expense and general and administrative expense decreased to $41.7 million for the three months ended March 31, 2019 from $44.8 million for the three months ended March 31, 2018, primarily due to a decrease in share-based compensation expense of $3.9 million.

Interest expense was $94.0 million and $92.3 million for the three months ended March 31, 2019 and 2018, respectively. The increase in interest expense was primarily driven by an increase in the average one-month London Interbank Offered Rate (“LIBOR”) rate of 85 bps from 1.65% during the three months ended March 31, 2018 to 2.50% during the three months ended March 31, 2019. Various prepayments and refinancing on the mortgage loans subsequent to March 31, 2018, resulted in a decrease in the average debt balance outstanding during the three months ended March 31, 2019 as compared to the three months ended March 31, 2018, which along with a lower weighted average spread (inclusive of servicing fees) over LIBOR resulting from refinancing activity partially offset the increase in LIBOR.

Depreciation and amortization expense decreased to $133.6 million for the three months ended March 31, 2019 from $144.5 million for the three months ended March 31, 2018, primarily due to $16.4 million of amortization of in-place leases during the three months ended March 31, 2018 that were fully amortized during 2018 and a decrease in the average number of homes owned during three months ended March 31, 2019 as compared to three months ended March 31, 2018.

Impairment and other expenses decreased to $5.4 million for the three months ended March 31, 2019 from $6.1 million for the three months ended March 31, 2018, primarily due to changes in the primary driver of these costs between years. We incurred impairment losses related to our single-family residential properties of $3.3 million during the three months ended March 31, 2019 compared to $0.6 million during the three months ended March 31, 2018. During the three months ended March 31, 2018, damages related to Hurricanes Irma and Harvey totaled $4.2 million.

Gain on Sale of Property, net of tax

Gain on sale of property was $17.6 million and $5.5 million for the three months ended March 31, 2019 and 2018, respectively. The primary driver for the difference was an increase in the volume of home sales for the three months ended March 31, 2019 of 654 homes as compared to 251 homes for the three months ended March 31, 2018.

Liquidity and Capital Resources

Our liquidity and capital resources as of March 31, 2019 and December 31, 2018 included unrestricted cash and cash equivalents of $130.9 million and $144.9 million, respectively, a 9.7% decrease. We use excess cash flows for the repayment of outstanding indebtedness and strive to minimize the level of cash held for working capital requirements. Additionally, our $1,000.0 million revolving credit facility (the “Revolving Facility”) remained undrawn as of March 31, 2019.

Liquidity is a measure of our ability to meet potential cash requirements, maintain our assets, fund our operations, make distributions and dividend payments to our stockholders, and meet other general requirements of our business. Our liquidity, to a certain extent, is subject to general economic, financial, competitive, and other factors beyond our control. Our near-term liquidity requirements consist primarily of: (i) renovating newly-acquired homes; (ii) funding HOA fees (as applicable), property taxes, insurance premiums, and the ongoing maintenance of our homes; (iii) interest expense; and (iv) payment of dividends to our equity investors. Our long-term liquidity requirements consist primarily of funds necessary to pay for the acquisition of, and non-recurring capital expenditures for, our homes and principal payments on our indebtedness.

We intend to satisfy our long-term liquidity needs through cash provided by operations, long-term secured and unsecured borrowings, the issuance of debt and equity securities, and property dispositions. We believe our rental income net of total expenses will generally provide cash flow sufficient to fund operations, and dividend payments on a near-term basis. Our real estate assets are illiquid in nature. A timely liquidation of assets may not be a viable source of short-term liquidity should a cash flow shortfall arise, and we may need to source liquidity from other financing alternatives, such as the Revolving Facility which had an undrawn balance of $1,000.0 million as of March 31, 2019.

As a REIT, we are required to distribute to our stockholders at least 90% of our taxable income, excluding net capital gain, on an annual basis. Therefore, as a general matter, it is unlikely that we will be able to retain substantial cash balances from our annual taxable income that could be used to meet our liquidity needs. Instead, we will need to meet these needs from external sources of capital and amounts, if any, by which our cash flow generated from operations exceeds taxable income.

The following describes the key terms of our current indebtedness.

Mortgage Loans

Our securitization transactions (the "Securitizations" or the "mortgage loans") are collateralized by certain homes owned by wholly owned subsidiaries that were formed to facilitate certain of our financing arrangements (the "Borrower Entities"). We utilize the proceeds from our securitizations to fund: (i) repayments of then-outstanding indebtedness; (ii) initial deposits into Securitization reserve accounts; (iii) closing costs in connection with the mortgage loans; (iv) general costs associated with our operations; and (v) distributions and dividends.

The following table sets forth a summary of our mortgage loan indebtedness as of March 31, 2019 and December 31, 2018:

($ in thousands)	Maturity Date	Maturity Date if Fully Extended[1]	Interest Rate[2]	Range of Spreads	Outstanding Principal Balance[3] March 31, 2019	Outstanding Principal Balance[3] December 31, 2018
CSH 2016-2[4]	December 9, 2019	December 9, 2021	4.35%	133-423 bps	$ 369,665	$ 442,614
IH 2017-1[5]	June 9, 2027	June 9, 2027	4.23%	N/A	995,913	995,826
SWH 2017-1[4]	October 9, 2019	January 9, 2023	4.04%	102-347 bps	762,294	764,685
IH 2017-2[4][6]	December 9, 2019	December 9, 2024	3.84%	91-306 bps	770,744	856,238
IH 2018-1[4][6]	March 9, 2020	March 9, 2025	3.73%	76-256 bps	906,408	911,827
IH 2018-2[4]	June 9, 2020	June 9, 2025	3.88%	95-230 bps	1,028,832	1,035,749
IH 2018-3[4]	July 9, 2020	July 9, 2025	3.91%	105-230 bps	1,291,669	1,296,959
IH 2018-4[4]	January 9, 2021	January 9, 2026	3.90%	115-225 bps	957,229	959,578
Total Securitizations					7,082,754	7,263,476
Less: deferred financing costs, net					(52,986)	(61,822)
Total					$ 7,029,768	$ 7,201,654

(1) Represents the maturity date if we exercise each of the remaining one-year extension options available, which are subject to certain conditions being met.

(2) Except for IH 2017-1, interest rates are based on a weighted average spread over LIBOR, plus applicable servicing fees; as of March 31, 2019, LIBOR was 2.49%. Our IH 2017-1 mortgage loan bears interest at a fixed rate of 4.23% per annum, equal to the market determined pass-through rate payable on the certificates including applicable servicing fees.

(3) Outstanding principal balance is net of discounts and does not include deferred financing costs, net.

(4) The initial maturity term of each of these mortgage loans is two years, individually subject to three to five, one-year extension options at the Borrower Entity's discretion (provided that there is no continuing event of default under the mortgage loan agreement and the Borrower Entity obtains and delivers a replacement interest rate cap agreement from an approved counterparty within the required timeframe to the lender). Our CSH 2016-2 mortgage loan has exercised the first extension option. The maturity dates above are reflective of all extensions that have been exercised.

(5) Net of unamortized discount of $2.9 million and $3.0 million as of March 31, 2019 and December 31, 2018, respectively.

(6) On April 9, 2019, we made voluntary prepayments of $12.8 million and $57.2 million on IH 2017-2 and IH 2018-1, respectively.

Securitization Transactions

For each Securitization transaction, the Borrower Entity executed a loan agreement with a third party lender. Except for IH 2017-1, each mortgage loan consists of six to seven components. The components are floating rate except with respect to certain components we were required to retain in connection with risk retention rules. The two-year initial terms are individually subject to three to five, one-year extension options at the Borrower Entity's discretion. Such extensions are available provided there is no continuing event of default under the respective mortgage loan agreement and the Borrower

Entity obtains and delivers a replacement interest rate cap agreement from an approved counterparty within the required timeframe to the lender. IH 2017-1 is a 10-year, fixed rate mortgage loan comprised of two components. Certificates issued by the trust in connection with Component A of IH 2017-1 benefit from the Federal National Mortgage Association's guaranty of timely payment of principal and interest.

Each mortgage loan is secured by a pledge of the equity in the assets of the respective Borrower Entities, as well as first-priority mortgages on the underlying properties and a grant of security interests in all of the related personal property. As of March 31, 2019 and 2018, a total of 41,482 and 41,644 homes, respectively, were pledged pursuant to the mortgage loans. We are obligated to make monthly payments of interest for each mortgage loan.

Transactions with Trusts

Concurrent with the execution of each mortgage loan agreement, the respective third party lender sold each loan it originated to individual depositor entities (the "Depositor Entities") who subsequently transferred each loan to Securitization-specific trust entities (the "Trusts"). The Depositor Entities for our Securitizations currently outstanding are wholly owned subsidiaries.

As consideration for the transfer of each loan to the Trusts, the Trusts issued certificate classes which mirror the components of the individual loan agreements (collectively, the "Certificates") to the Depositor Entities, except that Class R certificates do not have related loan components as they represent residual interests in the Trusts. The Certificates represent the entire beneficial interest in the Trusts. Following receipt of the Certificates, the Depositor Entities sold the Certificates to investors and used the proceeds as consideration for the loans sold to the Depositor Entities by the lenders. These transactions had no effect on our condensed consolidated financial statements other than with respect to Certificates we retained in connection with Securitizations or purchased at a later date.

The Trusts are structured as pass-through entities that receive interest from the Securitizations and distribute those payments to the holders of the Certificates. The assets held by the Trusts are restricted and can only be used to fulfill the obligations of those entities. The obligations of the Trusts do not have any recourse to the general credit of any entities in these condensed consolidated financial statements. We have evaluated our interests in certain certificates of the Trusts held by us (discussed below) and determined that they do not create a more than insignificant variable interest in the Trusts. Additionally, the retained certificates do not provide us with any ability to direct the activities that could impact the Trusts' economic performance. Therefore, we do not consolidate the Trusts.

Retained Certificates

Beginning in April 2014, the Trusts made Certificates available for sale to both domestic and foreign investors. With the introduction of foreign investment, sponsors of the mortgage loans are required to retain a portion of the risk that represents a material net economic interest in each loan. These requirements were further refined in December 2016 pursuant to Regulation RR (the "Risk Retention Rules") under the Securities Exchange Act of 1934, as amended. As such, loan sponsors are now required to retain a portion of the credit risk that represents not less than 5% of the aggregate fair value of the loan as of the closing date.

To fulfill these requirements, Class G certificates for CSH 2016-2 were issued in an amount equal to 5% of the original principal amount of the loans. Per the terms of the mortgage loan agreements, the Class G certificates were restricted certificates that were made available exclusively to the sponsor, as applicable. We retained these Class G certificates during the time the related Securitization was outstanding, and they were principal only, bearing a stated interest rate of 0.0005%.

For IH 2017-1, the Class B certificates are restricted certificates that were made available exclusively to INVH LP in order to comply with the Risk Retention Rules. The Class B certificates bear a stated annual interest rate of 4.23%, including applicable servicing fees.

For SWH 2017-1, IH 2017-2, IH 2018-1, IH 2018-2, IH 2018-3, and IH 2018-4, we retained 5% of each certificate class to meet the Risk Retention Rules. These retained certificates accrue interest at a floating rate of LIBOR plus a spread ranging from 0.76% to 3.47%.

The retained certificates total $358.2 million and $366.6 million as of March 31, 2019 and December 31, 2018, respectively, and are classified as held to maturity investments and recorded in other assets, net on the condensed consolidated balance sheets.

Loan Covenants

The general terms that apply to all of the mortgage loans require us to maintain compliance with certain affirmative and negative covenants. Affirmative covenants with which we must comply include our, and certain of our affiliates', compliance with (i) licensing, permitting and legal requirements specified in the mortgage loan agreements, (ii) organizational requirements of the jurisdictions in which we, and certain of our affiliates, are organized, (iii) federal and state tax laws, and (iv) books and records requirements specified in the respective mortgage loan agreements. Negative covenants with which we must comply include our, and certain of our affiliates', compliance with limitations surrounding (i) the amount of our indebtedness and the nature of our investments, (ii) the execution of transactions with affiliates, (iii) the Manager, and (iv) the nature of our business activities. As of March 31, 2019, and through the date our condensed consolidated financial statements were issued, we believe we are in compliance with all affirmative and negative covenants.

Prepayments

For the mortgage loans, prepayments of amounts owed by us are generally not permitted under the terms of the respective mortgage loan agreements unless such prepayments are made pursuant to the voluntary election or mandatory provisions specified in such agreements. The specified mandatory provisions become effective to the extent that a property becomes characterized as a disqualified property, a property is sold, and/or upon the occurrence of a condemnation or casualty event associated with a property. To the extent either a voluntary election is made, or a mandatory prepayment condition exists, in addition to paying all interest and principal, we must also pay certain breakage costs as determined by the loan servicer and a spread maintenance premium if prepayment occurs before the month following the one or two year anniversary of the closing dates of each of the mortgage loans except for IH 2017-1. For IH 2017-1, prepayments on or before December 2026 will require a yield maintenance premium. For the three months ended March 31, 2019 and 2018, we made voluntary and mandatory prepayments of $180.8 million and $873.3 million, respectively, under the terms of the mortgage loan agreements. During the three months ended March 31, 2018, prepayments included full repayment of CAH 2014-1 and CAH 2014-2 mortgage loans.

Term Loan Facility and Revolving Facility

On February 6, 2017, we entered into a credit facility (the "Credit Facility"), which was amended on December 18, 2017 to include entities and homes acquired in the Mergers. The Credit Facility provides $2,500.0 million of borrowing capacity and consists of the $1,000.0 million Revolving Facility, which will mature on February 6, 2021, with a one-year extension option, and a $1,500.0 million term loan facility (the "Term Loan Facility"), which will mature on February 6, 2022. The Revolving Facility also includes borrowing capacity available for letters of credit and for short-term borrowings referred to as swing line borrowings, in each case subject to certain sublimits. The Credit Facility provides us with the option to enter into additional incremental credit facilities (including an uncommitted incremental facility that provides us with the option to increase the size of the Revolving Facility and/or the Term Loan Facility by an aggregate amount of up to $1,500.0 million), subject to certain limitations. Proceeds from the Term Loan Facility were used to repay then-outstanding indebtedness and for general corporate purposes. Proceeds from the Revolving Facility are used for general corporate purposes.

The following table sets forth a summary of the outstanding principal amounts under the Credit Facility as of March 31, 2019 and December 31, 2018:

($ in thousands)	Maturity Date	Interest Rate[(1)]	March 31, 2019	December 31, 2018
Term Loan Facility	February 6, 2022	4.19%	$ 1,500,000	$ 1,500,000
Deferred financing costs, net			(8,418)	(9,140)
Term Loan Facility, net			$ 1,491,582	$ 1,490,860
Revolving Facility	February 6, 2021	4.24%	$ —	$ —

(1) Interest rates for the Term Loan Facility and the Revolving Facility are based on LIBOR plus an applicable margin. As of March 31, 2019, the applicable margins were 1.70% and 1.75%, respectively, and LIBOR was 2.49%.

Interest Rate and Fees

Borrowings under the Credit Facility bear interest, at our option, at a rate equal to a margin over either (a) a LIBOR rate determined by reference to the Bloomberg LIBOR rate (or comparable or successor rate) for the interest period relevant to such borrowing, or (b) a base rate determined by reference to the highest of (1) the administrative agent's prime lending rate, (2) the federal funds effective rate plus 0.50%, and (3) the LIBOR rate that would be payable on such day for a LIBOR rate loan with a one-month interest period plus 1.00%. The margin is based on a total leverage based grid. The margin for the Revolving Facility ranges from 0.75% to 1.30% in the case of base rate loans, and 1.75% to 2.30% in the case of LIBOR rate loans. The margin for the Term Loan Facility ranges from 0.70% to 1.30% in the case of base rate loans, and 1.70% to 2.30% in the case of LIBOR rate loans. In addition, the Credit Facility provides that, upon receiving an investment grade rating on its non-credit enhanced, senior unsecured long term debt of BBB- or better from Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., or Baa3 or better from Moody's Investors Service, Inc. (an "Investment Grade Rating Event"), we may elect to convert to a credit rating based pricing grid.

In addition to paying interest on outstanding principal under the Credit Facility, we are required to pay a facility fee to the lenders under the Revolving Facility in respect of the unused commitments thereunder. The facility fee rate is based on the daily unused amount of the Revolving Facility and is either 0.35% or 0.20% per annum based on the unused facility amount. Upon converting to a credit rating pricing based grid, the unused facility fee will no longer apply; and we will be required to pay a facility fee ranging from 0.125% to 0.300%. We are also required to pay customary letter of credit fees.

Prepayments and Amortization

No principal reductions are required under the Credit Facility. We are permitted to voluntarily repay amounts outstanding under the Term Loan Facility at any time without premium or penalty, subject to certain minimum amounts and the payment of customary "breakage" costs with respect to LIBOR loans. Once repaid, no further borrowings will be permitted under the Term Loan Facility.

Loan Covenants

The Credit Facility contains certain customary affirmative and negative covenants and events of default. Such covenants will, among other things, restrict, subject to certain exceptions, our ability and that of the Subsidiary Guarantors (as defined below) and their respective subsidiaries to (i) engage in certain mergers, consolidations or liquidations, (ii) sell, lease or transfer all or substantially all of their respective assets, (iii) engage in certain transactions with affiliates, (iv) make changes to our fiscal year, (v) make changes in the nature of our business and our subsidiaries, and (vi) incur additional indebtedness that is secured on a pari passu basis with the Credit Facility.

The Credit Facility also requires us, on a consolidated basis with our subsidiaries, to maintain a (i) maximum total leverage ratio, (ii) maximum secured leverage ratio, (iii) maximum unencumbered leverage ratio, (iv) minimum fixed charge coverage ratio, (v) minimum unencumbered fixed charge coverage ratio, and (vi) minimum tangible net worth. If an event of default occurs, the lenders under the Credit Facility are entitled to take various actions, including the acceleration of amounts due under the Credit Facility and all actions permitted to be taken by a secured creditor. As of March 31, 2019, and through the date our condensed consolidated financial statements were issued, we believe we were in compliance with all affirmative and negative covenants.

Guarantees and Security

The obligations under the Credit Facility are guaranteed on a joint and several basis by each of our direct and indirect domestic wholly owned subsidiaries that own, directly or indirectly, unencumbered assets (the "Subsidiary Guarantors"), subject to certain exceptions. The guarantee provided by any Subsidiary Guarantor will be automatically released upon the occurrence of certain events, including if it no longer has a direct or indirect interest in an unencumbered asset or as a result of certain non-recourse refinancing transactions pursuant to which such Subsidiary Guarantor becomes contractually prohibited from providing its guaranty of the Credit Facility. In addition, INVH may be required to provide a guarantee of the Credit Facility under certain circumstances, including if INVH does not maintain its qualification as a REIT.

The Credit Facility is collateralized by first priority or equivalent security interests in all the capital stock of, or other equity interests in, any Subsidiary Guarantor held by us and each of the Subsidiary Guarantors. The security interests granted under the Credit Facility will be automatically released upon the occurrence of certain events, including upon an Investment Grade Rating Event or if the total net leverage ratio is less than or equal to 8.00:1.00 for four consecutive fiscal quarters.

Convertible Senior Notes

In connection with the Mergers, we assumed SWH's convertible senior notes. In July 2014, SWH issued $230.0 million in aggregate principal amount of 3.00% convertible senior notes due 2019 (the "2019 Convertible Notes"). Interest on the 2019 Convertible Notes is payable semiannually in arrears on January 1st and July 1st of each year. The 2019 Convertible Notes will mature on July 1, 2019. On December 28, 2018, we notified note holders of our intent to settle conversions of the 2019 Convertible Notes in shares of common stock.

In January 2017, SWH issued $345.0 million in aggregate principal amount of 3.50% convertible senior notes due 2022 (the "2022 Convertible Notes" and together with the 2019 Convertible Notes, the "Convertible Senior Notes"). Interest on the 2022 Convertible Notes is payable semiannually in arrears on January 15th and July 15th of each year. The 2022 Convertible Notes will mature on January 15, 2022.

The following table summarizes the terms of the Convertible Senior Notes outstanding as of March 31, 2019 and December 31, 2018:

						Principal Amount	
($ in thousands)	Coupon Rate	Effective Rate(1)	Conversion Rate(2)	Maturity Date	Remaining Amortization Period	March 31, 2019	December 31, 2017
2019 Convertible Notes	3.00%	4.92%	54.3097	July 1, 2019	0.25 years	$ 229,991	$ 229,993
2022 Convertible Notes	3.50%	5.12%	43.7694	January 15, 2022	2.8 years	345,000	345,000
Total						574,991	574,993
Net unamortized fair value adjustment						(15,416)	(17,692)
Total						$ 559,575	$ 557,301

(1) Effective rate includes the effect of the adjustment to the fair value of the debt as of the Merger Date, the value of which reduced the initial liability recorded to $223.2 million and $324.3 million for each of the 2019 Convertible Notes and 2022 Convertible Notes, respectively.

(2) The conversion rate as of March 31, 2019 represents the number of shares of common stock issuable per $1,000 principal amount (actual $) of Convertible Senior Notes converted on such date, as adjusted in accordance with the applicable indentures as a result of cash dividend payments and the effects of the Mergers. On December 28, 2018, note holders of the 2019 Convertible Notes were notified of our intent to convert in shares of common stock. As of March 31, 2019, the 2022 Convertible Notes do not meet the criteria for conversion. We have the option to settle the 2022 Convertible Notes in cash, common stock, or a combination thereof.

Terms of Conversion

As of March 31, 2019, the conversion rate applicable to the 2019 Convertible Notes is 54.3097 shares of our common stock per $1,000 principal amount (actual $) of the 2019 Convertible Notes (equivalent to a conversion price of approximately $18.41 per common share — actual $). The conversion rate for the 2019 Convertible Notes is subject to adjustment in some events, but will not be adjusted for any accrued and unpaid interest. In addition, following certain events that occur prior to the maturity date, we will adjust the conversion rate for a holder who elects to convert its 2019 Convertible Notes in connection with such an event in certain circumstances. At any time prior to January 1, 2019, holders were able to convert the 2019 Convertible Notes at their option only under specific circumstances as defined in the indenture agreement, dated as of July 7, 2014, between us and our trustee, Wilmington Trust, National Association ("the Convertible Notes Trustee"). As a result of the completion of the Mergers, the 2019 Convertible Notes were convertible for a 35 trading day period, which expired January 8, 2018. On or after January 1, 2019 and until maturity, holders may convert all or any portion of the 2019 Convertible Notes at any time. On December 28, 2018, we notified note holders of our intent to settle conversions of the 2019 Convertible Notes in shares of common stock. The "if-converted" value of the 2019 Convertible Notes exceeded their principal amount by $73.9 million as of March 31, 2019 as the closing market price of the Company's common stock of $24.33 per common share (actual $) exceeded the implicit conversion price. For the three months ended

March 31, 2019 and 2018, interest expense for the 2019 Convertible Notes, including non-cash amortization of discounts, was $2.8 million and $2.8 million, respectively.

As of March 31, 2019, the conversion rate applicable to the 2022 Convertible Notes is 43.7694 shares of our common stock per $1,000 principal amount (actual $) of the 2022 Convertible Notes (equivalent to a conversion price of approximately $22.85 per common share — actual $). The conversion rate for the 2022 Convertible Notes is subject to adjustment in some events, but will not be adjusted for any accrued and unpaid interest. In addition, following certain events that occur prior to the maturity date, we will adjust the conversion rate for a holder who elects to convert its 2022 Convertible Notes in connection with such an event in certain circumstances. At any time prior to July 15, 2021, holders may convert the 2022 Convertible Notes at their option only under specific circumstances as defined in the indenture agreement, dated as of January 10, 2017, between us and the Convertible Notes Trustee. As a result of the completion of the Mergers, the 2022 Convertible Notes were convertible for a 35 trading day period, which expired January 8, 2018. On or after July 15, 2021 and until maturity, holders may convert all or any portion of the 2022 Convertible Notes at any time. Upon conversion, we will pay or deliver, as the case may be, cash, common stock, or a combination of cash and common stock, at our election. The "if-converted" value of the 2022 Convertible Notes exceeded their principal amount by $22.4 million as of March 31, 2019 as the closing market price of the Company's common stock of $24.33 per common share (actual $) exceeded the implicit conversion price. For the three months ended March 31, 2019 and 2018, interest expense for the 2022 Convertible Notes, including non-cash amortization of discounts, was $4.2 million and $4.2 million, respectively.

General Terms

We may not redeem the Convertible Senior Notes prior to their maturity dates except to the extent necessary to preserve our status as a REIT for United States federal income tax purposes, as further described in the indentures. If we undergo a fundamental change as defined in the indentures, holders may require us to repurchase for cash all or any portion of their Convertible Senior Notes at a fundamental change repurchase price equal to 100% of the principal amount of the Convertible Senior Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The indentures contain customary terms and covenants and events of default. If an event of default occurs and is continuing, the Convertible Notes Trustee, by notice to us, or the holders of at least 25% in aggregate principal amount of the outstanding Convertible Senior Notes, by notice to us and the Convertible Notes Trustee, may, and the Convertible Notes Trustee at the request of such holders shall, declare 100% of the principal of and accrued and unpaid interest on all the Convertible Senior Notes to be due and payable. In the case of an event of default arising out of certain events of bankruptcy, insolvency or reorganization in respect to us (as set forth in the indentures), 100% of the principal of and accrued and unpaid interest on the Convertible Senior Notes will automatically become due and payable.

Certain Hedging Arrangements

From time to time, we enter into derivative instruments to manage the economic risk of changes in interest rates. We do not enter into derivative transactions for speculative or trading purposes. Designated hedges are derivatives that meet the criteria for hedge accounting and for which we have elected to designate them as hedges. Non-designated hedges are derivatives that do not meet the criteria for hedge accounting or which we did not elect to designate as accounting hedges.

Designated Hedges

We have entered into various interest rate swap agreements, which are used to hedge the variable cash flows associated with variable-rate interest payments. Currently, all swaps are designated for hedge accounting purposes and changes in the fair value of these swaps are recorded in other comprehensive income and are subsequently reclassified into earnings in the period in which the hedged forecasted transactions affect earnings. Prior to January 31, 2017, all swaps were accounted for as non-designated hedges as the criteria for designation had not been met at that time.

In addition, in connection with the Mergers, we acquired various interest rate swap instruments, which we designated for hedge accounting purposes. On the Merger Date, we recorded these interest rate swaps at their aggregate estimated fair value of $21.1 million. Over the terms of each of these swaps, an amount equal to the Merger Date fair value will be amortized and reclassified into earnings.

The table below summarizes our interest rate swap instruments as of March 31, 2019 ($ in thousands):

Agreement Date	Forward Effective Date	Maturity Date	Strike Rate	Index		Notional Amount
December 21, 2016	February 28, 2017	January 31, 2022	1.97%	One-month LIBOR	$	750,000
December 21, 2016	February 28, 2017	January 31, 2022	1.97%	One-month LIBOR		750,000
January 12, 2017	February 28, 2017	August 7, 2020	1.59%	One-month LIBOR		1,100,000
January 13, 2017	February 28, 2017	June 9, 2020	1.63%	One-month LIBOR		595,000
January 20, 2017	February 28, 2017	March 9, 2020	1.60%	One-month LIBOR		325,000
June 3, 2016	July 15, 2018	July 15, 2019	1.12%	One-month LIBOR		450,000
January 10, 2017	January 15, 2019	January 15, 2020	1.93%	One-month LIBOR		550,000
April 19, 2018	January 31, 2019	January 31, 2025	2.86%	One-month LIBOR		400,000
February 15, 2019(1)	March 15, 2019	March 15, 2022	2.23%	One-month LIBOR		800,000
April 19, 2018	March 15, 2019	November 30, 2024	2.85%	One-month LIBOR		400,000
April 19, 2018	March 15, 2019	February 28, 2025	2.86%	One-month LIBOR		400,000
June 3, 2016	July 15, 2019	July 15, 2020	1.30%	One-month LIBOR		450,000
January 10, 2017	January 15, 2020	January 15, 2021	2.13%	One-month LIBOR		550,000
April 19, 2018	January 31, 2020	November 30, 2024	2.90%	One-month LIBOR		400,000
May 8, 2018	March 9, 2020	June 9, 2025	2.99%	One-month LIBOR		325,000
May 8, 2018	June 9, 2020	June 9, 2025	2.99%	One-month LIBOR		595,000
June 3, 2016	July 15, 2020	July 15, 2021	1.47%	One-month LIBOR		450,000
June 28, 2018	August 7, 2020	July 9, 2025	2.90%	One-month LIBOR		1,100,000
January 10, 2017	January 15, 2021	July 15, 2021	2.23%	One-month LIBOR		550,000
November 7, 2018	March 15, 2022	July 31, 2025	3.14%	One-month LIBOR		400,000
November 7, 2018	March 15, 2022	July 31, 2025	3.16%	One-month LIBOR		400,000

(1) On February 15, 2019, we terminated an interest rate swap instrument and simultaneously entered into a new interest rate swap instrument with identical economic terms, except that the strike rate increased 2 bps, from 2.21% to 2.23%, and collateral posting requirements were removed.

During the three months ended March 31, 2019 and 2018, such derivatives were used to hedge the variable cash flows associated with existing variable-rate interest payments. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. During the next 12 months, we estimate that $26.4 million will be reclassified to earnings as a decrease in interest expense.

Non-Designated Hedges

Concurrent with entering into certain of the mortgage loan agreements and in connection with the Mergers, we entered into or acquired and maintain interest rate cap agreements with terms and notional amounts equivalent to the terms and amounts of the mortgage loans made by the third party lenders. To the extent that the maturity date of one or more of the mortgage loans is extended through an exercise of one or more of the extension options, replacement or extension interest rate cap agreements must be executed with terms similar to those associated with the initial interest rate cap agreements and strike prices equal to the greater of the interest rate cap strike price and the interest rate at which the debt service coverage ratio (as defined) is not less than 1.2 to 1.0. The interest rate cap agreements, including all of our rights to payments owed by the counterparties and all other rights, have been pledged as additional collateral for the mortgage loans. Additionally, in certain instances, in order to minimize the cash impact of purchasing required interest rate caps, we simultaneously sold interest rate caps (which have identical terms and notional amounts) such that the purchase price and sale proceeds of the related interest rate caps are intended to offset each other. The purchased and sold interest rates caps have strike prices ranging from approximately 3.24% to 5.12%.

Purchase of Outstanding Debt Securities or Loans

As market conditions warrant, we and our equity investors, and members of our management, may from time to time seek to purchase our outstanding debt, including borrowings under our credit facilities and mortgage loans or debt securities that we may issue in the future, in privately negotiated or open market transactions, by tender offer or otherwise. Subject to any applicable limitations contained in the agreements governing our indebtedness, any purchases made by us may be funded by the use of cash on our condensed balance sheet or the incurrence of new secured or unsecured debt, including borrowings under our credit facilities and mortgage loans. The amounts involved in any such purchase transactions, individually or in the aggregate, may be material. Any such purchases may be with respect to a substantial amount of a particular class or series of debt, with the attendant reduction in the trading liquidity of such class or series. In addition, any such purchases made at prices below the "adjusted issue price" (as defined for United States federal income tax purposes) may result in taxable cancellation of indebtedness income to us, which amounts may be material, and in related adverse tax consequences to us.

Cash Flows

Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

The following table summarizes our cash flows for the three months ended March 31, 2019 and 2018:

	For the Three Months Ended March 31,			
($ in thousands)	**2019**	**2018**	**$ Change**	**% Change**
Net cash provided by operating activities	$ 193,183	$ 130,080	$ 63,103	48.5 %
Net cash provided by (used in) investing activities	55,027	(101,998)	157,025	153.9 %
Net cash used in financing activities	(256,783)	(53,896)	(202,887)	(376.4)%
Change in cash, cash equivalents, and restricted cash	$ (8,573)	$ (25,814)	$ 17,241	66.8 %

Operating Activities

Our cash flows provided by operating activities depend on numerous factors, including the occupancy level of our homes, the rental rates achieved on our leases, the collection of rent from our residents, and the amount of our operating and other expenses. Net cash provided by operating activities was $193.2 million and $130.1 million for the three months ended March 31, 2019 and 2018, respectively, an increase of 48.5%. The increase in cash provided by operating activities was driven by improved operational profitability and an increase in net working capital created by changes in operating assets and liabilities.

Investing Activities

Net cash provided by (used in) investing activities consists primarily of the acquisition costs of homes, capital improvements, proceeds from property sales, and purchases of investments in debt securities and the receipt of repayment proceeds from investments in debt securities. Net cash provided by (used in) investing activities was $55.0 million and $(102.0) million for the three months ended March 31, 2019 and 2018, respectively, an increase of $157.0 million. The increase in net cash provided by (used in) investing activities primarily resulted from an increase in proceeds from the sale of homes during the three months ended March 31, 2019 compared to the three months ended March 31, 2018 and an increase in net cash flows from our investments in debt securities from period to period. Proceeds from sales of homes increased $91.5 million from the three months ended March 31, 2018 to the three months ended March 31, 2019 due to a significant increase in the number of homes sold from 251 to 654, respectively, and an increase in the average proceeds per home sold. Net cash flows from our purchases of investments in debt securities and receipt of repayment proceeds from investments in debt securities increased by $54.2 million from the three months ended March 31, 2018 to the three months ended March 31, 2019, primarily due to refinancing of one of our mortgage loans during the three months ended March 31, 2018.

Financing Activities

Net cash used in financing activities was $256.8 million and $53.9 million for the three months ended March 31, 2019 and 2018, respectively. During the three months ended March 31, 2019, proceeds from home sales and operating cash flows were used to repay $180.8 million of our mortgage loans, including partial repayments on CSH 2016-2 and IH 2017-2, and for dividend payments which totaled $68.0 million. For the three months ended March 31, 2018, proceeds from our IH 2018-1 mortgage loan of $916.6 million, along with proceeds from home sales and operating cash flows, were used to repay $873.3 million of our mortgage loans, including full repayment of the CAH 2014-1 and CAH 2014-2 mortgage loans, $20.0 million of our Revolving Facility, to fund $11.8 million of deferred financing costs associated with the IH 2018-1 mortgage loan, and for dividend payments which totaled $57.4 million.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

Contractual Obligations

Our contractual obligations as of March 31, 2019, consisted of the following:

($ in thousands)	Total	2019(1)	2020-2021	2022-2023	Thereafter
Mortgage loans, net(2)(3)	$ 8,797,448	$ 213,413	$ 936,002	$ 1,266,688	$ 6,381,345
Term Loan Facility, net(2)	1,682,090	48,010	127,620	1,506,460	—
Revolving Facility(2)(3)(4)	10,140	2,673	7,107	360	—
Convertible Senior Notes(5)	614,666	239,478	24,150	351,038	—
Derivative instruments(6)	98,299	3,362	26,208	40,328	28,401
Purchase commitments(7)	135,941	135,941	—	—	—
Operating lease liabilities	18,036	3,202	8,720	4,279	1,835
Finance lease liabilities	1,663	468	1,154	41	—
Total	$ 11,358,283	$ 646,547	$ 1,130,961	$ 3,169,194	$ 6,411,581

(1) Includes estimated payments for the remaining nine months of 2019.

(2) Includes estimated interest payments on the respective debt based on amounts outstanding as of March 31, 2019 at rates in effect as of such date; as of March 31, 2019, LIBOR was 2.49%.

(3) Represents the maturity date if we exercise each of the remaining one-year extension options available, which are subject to certain conditions being met. See Part I. Item 1. “Financial Statements — Note 6 of Notes to Condensed Consolidated Financial Statements” for a description of maturity dates without consideration of extension options.

(4) Includes the related unused commitment fee.

(5) Represents the principal amount of the Convertible Senior Notes and interest obligations which are calculated using coupon rates of the Convertible Senior Notes. The 2019 Convertible Notes principal amount of $230.0 million is included in 2019 maturities presented above. On December 28, 2018, we notified note holders of our intent to settle conversions of the 2019 Convertible Notes in shares of common stock.

(6) Includes interest rate swap and interest rate cap obligations calculated using LIBOR as of March 31, 2019, or 2.49%.

(7) Represents commitments to acquire 543 single-family rental homes, of which 463 are part of a bulk acquisition, as of March 31, 2019.

Critical Accounting Policies and Estimates

Critical accounting policies are those accounting policies that management believes are important to the portrayal of our financial condition and results and require management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We believe that our critical accounting policies pertain to the following: (i) our investments in single-family residential properties, including acquisition of real estate assets, related cost capitalization, provisions for impairment, and single-family residential properties held for sale; and (ii) derivative financial instruments. These critical policies and estimates are summarized in Part II. Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K. There were no material changes to our critical accounting policies during the three months ended March 31, 2019.

For a discussion of recently adopted accounting standards, see Part I. Item 1. "Financial Statements — Note 2 of Notes to Condensed Consolidated Financial Statements."

Segment Reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance. Our CODM is the Chief Executive Officer.

Under the provision of ASC 280, *Segment Reporting*, we have determined that we have one reportable segment related to acquiring, renovating, leasing, and operating single-family homes as rental properties, including single-family homes in planned unit developments. The CODM evaluates operating performance and allocates resources on a total portfolio basis. The CODM utilizes NOI as the primary measure to evaluate performance of the total portfolio. The aggregation of individual homes constitutes the total portfolio. Decisions regarding acquisitions and dispositions of homes are made at the individual home level.

Non-GAAP Measures

EBITDA, EBITDAre, and Adjusted EBITDAre

EBITDA, EBITDA*re*, and Adjusted EBITDA*re* are supplemental, non-GAAP measures often utilized to evaluate the performance of real estate companies. We define EBITDA as net income or loss computed in accordance with accounting principles generally accepted in the United States ("GAAP") before the following items: interest expense; income tax expense; and depreciation and amortization. The National Association of Real Estate Investment Trusts ("Nareit") recommends as a best practice that REITs that report an EBITDA performance measure also report EBITDA*re*. We define EBITDA*re*, consistent with the Nareit definition, as EBITDA, further adjusted for gain / loss on sale of property, net of tax and impairment on depreciated real estate investments.

Adjusted EBITDA*re* is defined as EBITDA*re* before the following items: share-based compensation expense; merger and transaction-related expenses; severance; casualty losses, net; acquisition costs; and interest income and other miscellaneous income and expenses. EBITDA, EBITDA*re*, and Adjusted EBITDA*re* are used as supplemental financial performance measures by management and by external users of our financial statements, such as investors and commercial banks. Set forth below is additional detail on how management uses EBITDA, EBITDA*re*, and Adjusted EBITDA*re* as measures of performance.

Our management uses EBITDA, EBITDA*re*, and Adjusted EBITDA*re* in a number of ways to assess our condensed consolidated financial and operating performance, and we believe these measures are helpful to management and external users in identifying trends in our performance. EBITDA, EBITDA*re*, and Adjusted EBITDA*re* help management identify controllable expenses and make decisions designed to help us meet our current financial goals and optimize our financial performance, while neutralizing the impact of capital structure on results. Accordingly, we believe these metrics measure our financial performance based on operational factors that management can impact in the short-term, namely our cost structure and expenses.

We believe that the presentation of EBITDA, EBITDA*re*, and Adjusted EBITDA*re* provides information useful to investors in assessing our financial condition and results of operations. The GAAP measure most directly comparable to EBITDA, EBITDA*re*, and Adjusted EBITDA*re* is net income or loss. EBITDA, EBITDA*re*, and Adjusted EBITDA*re* are not used as measures of our liquidity and should not be considered alternatives to net income or loss or any other measure of financial performance presented in accordance with GAAP. Our EBITDA, EBITDA*re*, and Adjusted EBITDA*re* may not be comparable to the EBITDA, EBITDA*re*, and Adjusted EBITDA*re* of other companies due to the fact that not all companies use the same definitions of EBITDA, EBITDA*re*, and Adjusted EBITDA*re*. Accordingly, there can be no assurance that our basis for computing these non-GAAP measures is comparable with that of other companies.

The following table presents a reconciliation of net income (loss) (as determined in accordance with GAAP) to EBITDA, EBITDA*re*, and Adjusted EBITDA*re* for each of the periods indicated:

	For the Three Months Ended March 31,	
($ in thousands)	**2019**	**2018**
Net income (loss) available to common stockholders	$ 20,716	$ (17,491)
Net income available to participating securities	106	222
Non-controlling interests	347	(311)
Interest expense	93,983	92,299
Depreciation and amortization	133,609	144,500
EBITDA	248,761	219,219
Gain on sale of property, net of tax	(17,572)	(5,502)
Impairment on depreciated real estate investments	3,253	603
EBITDA*re*	234,442	214,320
Share-based compensation expense[(1)]	5,607	9,498
Merger and transaction-related expenses[(2)]	2,795	4,367
Severance	6,969	2,659
Casualty losses, net[(3)]	2,139	5,518
Other, net[(4)]	(3,125)	(1,736)
Adjusted EBITDA*re*	$ 248,827	$ 234,626

(1) For the three months ended March 31, 2019 and 2018, $4,920 and $7,554 was recorded in general and administrative expense, respectively, and $687 and $1,944 was recorded in property management expense, respectively.

(2) Includes merger and transaction-related expenses included within general and administrative.

(3) Includes $0 and $4,183 for losses/damages related to Hurricanes Irma and Harvey for the three months ended March 31, 2019 and 2018, respectively.

(4) Includes interest income and other miscellaneous income and expenses.

Net Operating Income

NOI is a non-GAAP measure often used to evaluate the performance of real estate companies. We define NOI for an identified population of homes as rental revenues and other property income less property operating and maintenance expense (which consists primarily of property taxes, insurance, HOA fees (when applicable), market-level personnel expenses, repairs and maintenance, leasing costs, and marketing expense). NOI excludes: interest expense; depreciation and amortization; general and administrative expense; property management expense; impairment and other; acquisition costs; gain on sale of property, net of tax; and interest income and other miscellaneous income and expenses.

We consider NOI to be a meaningful supplemental financial measure of our performance when considered with the financial statements determined in accordance with GAAP. We believe NOI is helpful to investors in understanding the core performance of our real estate operations. The GAAP measure most directly comparable to NOI is net income or loss. NOI is not used as a measure of liquidity and should not be considered as an alternative to net income or loss or any other measure of financial performance presented in accordance with GAAP. Our NOI may not be comparable to the NOI of other companies due to the fact that not all companies use the same definition of NOI. Accordingly, there can be no assurance that our basis for computing this non-GAAP measure is comparable with that of other companies.

We believe that Same Store NOI is also a meaningful supplemental measure of our operating performance for the same reasons as NOI and is further helpful to investors as it provides a more consistent measurement of our performance across reporting periods by reflecting NOI for homes in our Same Store portfolio.

The following table presents a reconciliation of net income (loss) (as determined in accordance with GAAP) to NOI for our total portfolio and NOI for our Same Store portfolio for each of the periods indicated:

	For the Three Months Ended March 31,	
($ in thousands)	**2019**	**2018**
Net income (loss) available to common stockholders	$ 20,716	$ (17,491)
Net income available to participating securities	106	222
Non-controlling interests	347	(311)
Interest expense	93,983	92,299
Depreciation and amortization	133,609	144,500
General and administrative[(1)]	26,538	27,636
Property management expense[(2)]	15,160	17,164
Impairment and other[(3)]	5,392	6,121
Gain on sale of property, net of tax	(17,572)	(5,502)
Other, net[(4)]	(3,125)	(1,736)
NOI (total portfolio)	275,154	262,902
Non-Same Store NOI	(14,863)	(20,290)
NOI (Same Store portfolio)[(5)]	$ 260,291	$ 242,612

(1) Includes $4,920 and $7,554 of share-based compensation expense for the three months ended March 31, 2019 and 2018, respectively.
(2) Includes $687 and $1,944 of share-based compensation expense for the three months ended March 31, 2019 and 2018, respectively.
(3) Includes $0 and $4,183 for losses/damages related to Hurricanes Irma and Harvey for the three months ended March 31, 2019 and 2018, respectively.
(4) Includes interest income and other miscellaneous income and expenses.
(5) The Same Store portfolio totaled 73,704 homes for the three months ended March 31, 2019 and 2018.

Funds from Operations, Core Funds from Operations, and Adjusted Funds from Operations

Funds From Operations ("FFO"), Core FFO, and Adjusted FFO are supplemental, non-GAAP measures often utilized to evaluate the performance of real estate companies. FFO is defined by Nareit as net income or loss (computed in accordance with GAAP) excluding gains or losses from sales of previously depreciated real estate assets, plus depreciation, amortization and impairment of real estate assets, and adjustments for unconsolidated partnerships and joint ventures.

We believe that FFO is a meaningful supplemental measure of the operating performance of our business because historical cost accounting for real estate assets in accordance with GAAP assumes that the value of real estate assets diminishes predictably over time, as reflected through depreciation and amortization. Because real estate values have historically risen or fallen with market conditions, management considers FFO an appropriate supplemental performance measure as it excludes historical cost depreciation and amortization, impairment on depreciated real estate investments, gains or losses related to sales of previously depreciated homes, as well non-controlling interests, from net income or loss (computed in accordance with GAAP). By excluding depreciation and amortization and gains or losses on sales of real estate, management uses FFO to measure returns on its investments in homes. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of the homes that result from use or market conditions nor the level of capital expenditures to maintain the operating performance of the homes, all of which have real economic effect and could materially affect our results from operations, the utility of FFO as a measure of our performance is limited.

Management also believes that FFO, combined with the required GAAP presentations, is useful to investors in providing more meaningful comparisons of the operating performance of a company’s real estate between periods or as compared to other companies. The GAAP measure most directly comparable to FFO is net income or loss. FFO is not used as a measure of our liquidity and should not be considered an alternative to net income or loss or any other measure of financial performance presented in accordance with GAAP. Our FFO may not be comparable to the FFO of other companies due to the fact that not all companies use the same definition of FFO. Accordingly, there can be no assurance that our basis for computing this non-GAAP measures is comparable with that of other companies.

We believe that Core FFO and Adjusted FFO are also meaningful supplemental measures of our operating performance for the same reasons as FFO and are further helpful to investors as they provide a more consistent measurement of our performance across reporting periods by removing the impact of certain items that are not comparable from period to period. We define Core FFO as FFO adjusted for noncash interest expense related to amortization of deferred financing costs, loan discounts, noncash interest expense for derivatives, share-based compensation expense, offering related expenses, merger and transaction-related expenses, severance expense, casualty losses, net, and acquisition costs, as applicable. We define Adjusted FFO as Core FFO less recurring capital expenditures that are necessary to help preserve the value, and maintain the functionality, of our homes. The GAAP measure most directly comparable to Core FFO and Adjusted FFO is net income or loss. Core FFO and Adjusted FFO are not used as measures of our liquidity and should not be considered alternatives to net income or loss or any other measure of financial performance presented in accordance with GAAP. Our Core FFO and Adjusted FFO may not be comparable to the Core FFO and Adjusted FFO of other companies due to the fact that not all companies use the same definition of Core FFO and Adjusted FFO. No adjustments were made to the Core FFO and Adjusted FFO per common share — diluted computations for contingently issuable shares of common stock related to the Convertible Senior Notes. Accordingly, there can be no assurance that our basis for computing this non-GAAP measures is comparable with that of other companies.

The following table presents a reconciliation of net income (loss) (as determined in accordance with GAAP) to FFO, Core FFO, and Adjusted FFO for each of the periods indicated:

	For the Three Months Ended March 31,	
(in thousands, except shares and per share data)	**2019**	**2018**
Net income (loss) available to common stockholders	$ 20,716	$ (17,491)
Add (deduct) adjustments from net income (loss) to derive FFO:		
Net income available to participating securities	106	222
Non-controlling interests	347	(311)
Depreciation and amortization on real estate assets	132,520	143,108
Impairment on depreciated real estate investments	3,253	603
Net gain on sale of previously depreciated investments in real estate	(17,572)	(5,502)
FFO	139,370	120,629
Noncash interest expense related to amortization of deferred financing costs, loan discounts, and noncash interest expense from derivatives	14,865	8,495
Share-based compensation expense[1]	5,607	9,498
Offering related expenses[2]	1,543	—
Merger and transaction-related expenses[3]	2,795	4,367
Severance expense	6,969	2,659
Casualty losses, net[4]	2,139	5,518
Core FFO	173,288	151,166
Recurring capital expenditures	(25,111)	(25,393)
Adjusted FFO	$ 148,177	$ 125,773
Net income (loss) available to common stockholders		
Weighted average common shares outstanding — diluted[5][6][7][8]	521,817,494	519,660,998
Net income (loss) per common share — diluted[6][7][8]	$ 0.04	$ (0.03)
FFO		
Numerator for FFO per common share — diluted[6]	$ 142,173	$ 120,629
Weighted average common shares and OP Units outstanding — diluted[5][6][7]	543,717,533	530,314,568
FFO per common share — diluted[6][7][8]	$ 0.26	$ 0.23
Core FFO and Adjusted FFO		
Weighted average common shares and OP Units outstanding — diluted[5][6][7]	531,226,791	530,314,568
Core FFO per common share — diluted[6][7][8]	$ 0.33	$ 0.29
AFFO per common share — diluted[6][7][8]	$ 0.28	$ 0.24

(1) For the three months ended March 31, 2019 and 2018, $4,920 and $7,554 was recorded in general and administrative expense, respectively, and $687 and $1,944 was recorded in property management expense, respectively.

(2) Includes expenses associated with a secondary offering of common stock completed during the three months ended March 31, 2019 included within other, net.

(3) Includes merger and transaction-related expenses included within general and administrative.

(4) Includes $0 and $4,183 for losses/damages related to Hurricanes Irma and Harvey for the three months ended March 31, 2019 and 2018, respectively.

(5) Weighted average common shares outstanding — diluted is calculated in accordance with GAAP and is used in the calculation of net income (loss) per common share — diluted.

(6) On December 28, 2018, we notified note holders of our intent to settle conversions of the 2019 Convertible Notes in shares of common stock. The 2019 Convertible Notes have no impact on net income per common share — diluted as inclusion of the contingently issuable shares of common stock would be anti-dilutive to such computation for the three months ended March 31, 2019 calculated in accordance with the "if-converted" method. The impact of the 2019 Convertible Notes is reflected in the FFO per common share — diluted computation above in accordance with the "if-converted" method consistent with Nareit's guidance for calculating FFO per share. For the three months ended March 31, 2019, the numerator for FFO per common share — diluted is adjusted for interest expense on the 2019 Convertible Notes of $2,803, including non-cash amortization of discounts. The denominator is adjusted for 12,490,742 potential shares of common stock contingently issuable upon the conversion of the 2019 Convertible Notes. No such adjustments were made to Core FFO and AFFO per common share — diluted for the 2019 Convertible Notes. For the three months ended March 31, 2019, 15,100,443 potential shares of common stock contingently issuable upon the conversion of the 2022 Convertible Notes are also excluded from the computation of net income or loss, FFO, Core FFO, and AFFO per common share — diluted. For the three months ended March 31, 2018, we asserted our intent and ability to fully settle the Convertible Senior Notes in cash; and as a result, the Convertible Senior Notes did not impact net loss, FFO, Core FFO, and AFFO per common share — diluted for that period.

(7) Incremental shares attributed to non-vested share-based awards totaling 376,672 shares are included in the denominator for net income per common share — diluted for the three months ended March 31, 2019. For the three months ended March 31, 2018, incremental shares attributed to non-vested share-based awards do not impact the denominator for net loss per common share — diluted since we had a net loss and inclusion of such incremental shares would be anti-dilutive to such computation. For the computations of FFO, Core FFO, and AFFO per common share — diluted, common share equivalents of 1,097,383 and 1,292,963 for the three months ended March 31, 2019 and 2018, respectively, related to incremental shares attributed to non-vested share-based awards are included in the denominator.

(8) Units of partnership interests in INVH LP ("OP Units") have been excluded from the computation of net income (loss) per common share — diluted for the periods above because all net income (loss) attributable to the OP Units has been recorded as non-controlling interest and thus excluded from net income (loss) available to common stockholders. Weighted average OP Units of 8,688,586 and 9,360,607 for the three months ended March 31, 2019 and 2018, respectively, are included in the denominator for the computations of FFO, Core FFO, and AFFO per common share — diluted.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows, and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in interest rates, seasonality, market prices, commodity prices, and inflation. The primary market risks to which we are exposed are interest rate risk and seasonality. We may in the future use derivative financial instruments to manage, or hedge, interest rate risks related to any borrowings we may have. We may enter into such contracts only with major financial institutions based on their credit ratings and other factors.

Interest Rate Risk

A primary market risk to which we believe we are exposed is interest rate risk, which may result from many factors, including government monetary and tax policies, domestic and international economic and political considerations, and other factors that are beyond our control. We may incur additional variable rate debt in the future, including additional amounts that we may borrow under the Credit Facility. In addition, decreases in interest rates may lead to additional competition for the acquisition of single-family homes, which may lead to future acquisitions being more costly and resulting in lower yields on single-family homes targeted for acquisition. Significant increases in interest rates may also have an adverse impact on our earnings if we are unable to increase rents on expired leases or acquire single-family homes with rental rates high enough to offset the increase in interest rates on our borrowings.

As of March 31, 2019, our outstanding variable-rate debt was comprised of borrowings on our mortgage loans of$6,086.8 million and Term Loan Facility of $1,500.0 million, for a combined total of $7,586.8 million. We effectively converted 85.9% of these borrowings to a fixed rate through interest rate swap agreements. Additionally, all borrowings bear interest at LIBOR plus the applicable spread. Assuming no change in the outstanding balance of our existing debt, the projected effect of a 100 bps increase or decrease in LIBOR on our annual interest expense would be an estimated increase or decrease of $9.2 million or $10.5 million, respectively. This estimate considers the impact of our interest rate swap agreements, interest rate cap agreements, and any LIBOR floors or minimum interest rates stated in the agreements of the respective borrowings.

This analysis does not consider the effects of the reduced level of overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, we may consider taking actions to further mitigate our exposure to the change. However, because of the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in our capital structure.

Seasonality

Our business and related operating results have been, and we believe that they will continue to be, impacted by seasonal factors throughout the year. In particular, we have experienced higher levels of resident move-outs during the summer months, which impacts both our rental revenues and related turnover costs. Further, our property operating costs are seasonally impacted in certain markets by increases in expenses such as HVAC repairs, costs to re-resident, and landscaping expenses during the summer season.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain a set of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) designed to ensure that information required to be disclosed in reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. The design of any disclosure controls and procedures is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2019. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2019, the design and operation of our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Changes in Internal Control

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

The Company currently is not subject to any material litigation nor, to management's knowledge, is any material litigation currently threatened against the Company other than routine litigation and administrative proceedings arising in the ordinary course of business.

ITEM 1A. RISK FACTORS

For a discussion of our potential risks or uncertainties, you should carefully read and consider risk factors previously disclosed under Part I. Item 1A. "Risk Factors" of our Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sale of Unregistered Securities

Pursuant to the Amended and Restated Agreement of Limited Partnership of INVH LP, dated as of August 9, 2017, affiliates of SWH were admitted as limited partners and issued OP Units, which are redeemable for shares of our common stock on a one-for-one basis or, in our sole discretion, cash. On March 14, 2019, Starwood Capital Group Global, LP tendered notices of redemption for 572,293 OP Units. An equal number of shares of our common stock were issued. The issuance of such shares of common stock was not registered under the Securities Act, because the shares were offered and sold in a transaction by the issuer not involving any public offering exempt from registration under Section 4(a)(2) of the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit number	Description
3.1	Charter of Invitation Homes Inc., dated as of February 6, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 1-38004) filed on February 6, 2017).
3.2	Amended and Restated Bylaws of Invitation Homes Inc., dated as of February 6, 2017 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 1-38004) filed on February 6, 2017).
10.1	Separation Agreement dated January 16, 2019, by and between the Company and Mr. Frederick C. Tuomi (incorporated by reference to Exhibit 10.48 to the Company's Annual Report on Form 10-K (File No. 001-38004) filed on February 28, 2019).†
10.2	Form of Award Notice and Restricted Stock Unit Agreement (2019 LTIP Equity Award) (filed herewith).†
31.1	Certificate of Dallas B. Tanner, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of Ernest M. Freedman, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certificate of Dallas B. Tanner, President and Chief Executive Officer, pursuant to Section 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certificate of Ernest M. Freedman, Executive Vice President and Chief Financial Officer, pursuant to Section 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

† This document has been identified as a management contract or compensatory plan or arrangement.

Certain agreements and other documents filed as exhibits to this Quarterly Report on Form 10-Q contain representations and warranties that the parties thereto made to each other. These representations and warranties have been made solely for the benefit of the other parties to such agreements and may have been qualified by certain information that has been disclosed to the other parties to such agreements and other documents and that may not be reflected in such agreements and other documents. In addition, these representations and warranties may be intended as a way of allocating risks among parties if the statements contained therein prove to be incorrect, rather than as actual statements of fact. Accordingly, there can be no reliance on any such representations and warranties as characterizations of the actual state of facts. Moreover, information concerning the subject matter of any such representations and warranties may have changed since the date of such agreements and other documents.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Invitation Homes Inc.

By: /s/ Ernest M. Freedman
Name: Ernest M. Freedman
Title: Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
Date: May 7, 2019

By: /s/ Kimberly K. Norrell
Name: Kimberly K. Norrell
Title: Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)
Date: May 7, 2019

(Back To Top)

Section 2: EX-10.2 (EXHIBIT 10.2)

Exhibit 10.2

EXECUTION VERSION

AWARD NOTICE
AND
RESTRICTED STOCK UNIT AGREEMENT
(2019 Annual LTIP Award Agreement)

INVITATION HOMES INC.
2017 OMNIBUS INCENTIVE PLAN

The Participant has been granted Restricted Stock Units ("RSUs") with the terms set forth in this Award Notice, and subject to the terms and conditions of the Plan and the Restricted Stock Unit Agreement entered into by and between the Participant and the Company to which this Award Notice is attached. Capitalized terms used and not defined in this Award Notice shall have the meanings set forth in the Restricted Stock Unit Agreement and the Plan, as applicable.

Participant: [•]
Date of Grant: March 1, 2019
Vesting Start Date: March 1, 2019
Time Vesting RSUs Granted: [•]
Performance Vesting (Target) RSUs Granted: [ ], consisting of:
[•] Tranche I Performance Vesting (Target) RSUs
[•] Tranche II Performance Vesting (Target) RSUs

1. **Time Vesting RSUs**. The Time Vesting RSUs shall vest in equal installments on each of the first three anniversaries of the Vesting Start Date, subject to the Participant's continued employment through the applicable vesting date; provided, that if the number of RSUs specified above is not evenly divisible by three, then no fractional units shall vest and the installments shall be as equal as possible with the smaller installments vesting first.

2. **Performance Vesting RSUs**. The Performance Vesting RSUs will become earned ("Earned RSUs") based on the achievement of the Performance Conditions set forth below with respect to the Performance Period specified below.

(a) Performance Conditions. The number of Performance Vesting RSUs in each tranche that become Earned RSUs shall be based on the achievement of the Performance Conditions set forth below applicable to such tranche, with the number of Performance Vesting RSUs earned in respect of such tranche equal to (x) the target number of Performance Vesting RSUs in such tranche multiplied by (y) the applicable Percentage of Award Earned for such tranche (calculated in accordance with 2(b)), rounded down to the nearest whole share. Notwithstanding the foregoing, if INVH TSR (i.e., total shareholder return) for the Performance Period is negative, the Tranche I Performance Vesting RSUs shall not vest at a level greater than target.

Tranche	Performance Condition	Performance Period	Threshold Level of Achievement	Target Level of Achievement	Maximum Level of Achievement
Tranche I	INVH TSR Relative to RMS Index CAGR	January 1, 2019 - December 31, 2021	[•]	[•]	[•]
Tranche II	Same Store NOI Growth CAGR	January 1, 2019 - December 31, 2021	[•]	[•]	[•]

(b) Calculation of Number of Earned Units. Following the last day of the Performance Period, the Committee shall calculate the Percentage of Award Earned with respect to each tranche, based on the percentages specified below. If actual performance with respect to any tranche is between "Threshold" and the "Target" or the "Target" and "Maximum" levels of achievement, the Percentage of Award Earned shall be determined using linear interpolation (and rounded to the nearest whole percentage point) between such numbers. In the event that actual performance does not meet the Threshold Level of Achievement with respect to any tranche, the "Percentage of Award Earned" with respect to such tranche shall be zero. All determinations with respect to whether and the extent to which a Performance Condition has been achieved shall be made by the Committee in its sole discretion and the applicable Performance Conditions shall not be achieved and the applicable Performance Vesting RSUs shall not become Earned RSUs until the Committee certifies in writing the extent to which such Performance Conditions have been met.

Level of Achievement	Percentage of Award Earned
Below Threshold	0%
Threshold	50%
Target	100%
Maximum	200%
Above Maximum	200%

(c) Unvested RSUs Forfeited. Any Performance Vesting RSUs which do not become Earned RSUs based on actual performance during the Performance Period shall be forfeited as of the last day of the Performance Period, except to the extent set forth in the Restricted Stock Unit Agreement.

3. Vesting of Earned RSUs.

(a) Any Performance Vesting RSUs that become Earned RSUs shall become vested on the Determination Date for the Performance Period.

(b) Vested RSUs shall be settled in accordance with the terms of the Restricted Stock Unit Agreement.

4. Definitions. For the purposes of this Award Notice:

(a) "Beginning Share Price" with respect to the Performance Period shall mean the 20 day trailing average closing stock price as of (but excluding) the first day of the Performance Period (subject to adjustment in accordance with Section 14 of the Plan).

“CAGR” shall mean compounded annual growth rate, and shall be expressed as a percentage (rounded to the nearest tenth of a percent 0.1%) and shall be calculated for a performance period using the following formula:

$$\boxed{\text{CAGR} \quad \left(\frac{\text{ending performance measure}_{n}}{\text{beginning performance measure}_{2018}} \right)^{1/3} \quad -1}$$

(a) “Determination Date” shall mean, with respect to the Performance Period, the date the Performance Conditions for such Performance Period are certified by the Committee in writing.

(b) “Ending Share Price” with respect to the Performance Period shall mean the 20 day trailing average closing stock price through (and including) the last trading day of a Performance Period.

(c) “INVH TSR” shall be calculated as the CAGR, expressed as a percentage (rounded to the nearest tenth of a percent (0.1%)), in the value per Share during the Performance Period due to the appreciation or depreciation in the price per Share and dividends paid during the Performance Period, assuming dividends are reinvested on their respective ex-dividend dates, and calculated using the Beginning Share Price and the Ending Share Price.

(d) “INVH TSR Relative to RMS Index CAGR” in respect of the Performance Period shall mean the INVH TSR for the Performance Period, less the RMS Index CAGR for the Performance Period. For the avoidance of doubt, the intent of the Committee is that RMS Index CAGR over the Performance Period be calculated in a manner designed to produce a fair comparison between the INVH TSR percentage and the RMS Index CAGR for the purpose of determining INVH TSR Relative to RMS Index CAGR.

(e) “RMS Index CAGR” shall be calculated as the CAGR, expressed as a percentage (rounded to the nearest tenth of a percent (0.1%)), in the value of the MSCI US REIT Index during the Performance Period due to the appreciation or depreciation in the index during the Performance Period, but using (x) the 20 day trailing average closing price of the index as of (but excluding) the first day of the Performance Period and (y) the 20 day trailing average closing price of the index through (and including) the last trading day of a Performance Period.

(f) “Same Store NOI Growth” means net operating income for an identified population of homes as set forth in the Company’s annual and quarterly reports filed with the SEC in respect of the actual Performance Period.

RESTRICTED STOCK UNIT AGREEMENT
(2019 GRANT)

INVITATION HOMES INC.
2017 OMNIBUS INCENTIVE PLAN

This Restricted Stock Unit Agreement, effective as of the Date of Grant (as defined below), is between Invitation Homes Inc., a Maryland corporation (the "Company"), and the Participant (as defined below).

WHEREAS, the Company has adopted the Invitation Homes Inc. 2017 Omnibus Incentive Plan (as it may be amended, the "Plan") in order to provide additional incentives to selected officers, employees, consultants and advisors of the Company Group; and

WHEREAS, the Committee (as defined in the Plan) responsible for administration of the Plan has determined to grant RSUs to the Participant as provided herein and the Company and the Participant hereby wish to memorialize the terms and conditions applicable to such RSUs.

NOW, THEREFORE, the parties hereto agree as follows:

1. **Definitions**. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan. The following terms shall have the following meanings for purposes of this Agreement:

(a) "Agreement" shall mean this Restricted Stock Unit Agreement including (unless the context otherwise requires) the Award Notice and Appendix A.

(b) "Award Notice" shall mean the notice to the Participant with respect to the RSUs granted under this Agreement.

(c) "Constructive Termination" shall have the meaning set forth in any employment agreement, or if no such agreement exists, the meaning set forth in any other agreement providing for severance benefits (including a participation notice under the Company's Executive Severance Plan) entered into by the Participant and a member of the Company Group, as may be amended, modified or supplemented from time to time, or, if no such agreement exists at the time of a termination of employment or service, (i) a material reduction in the Participant's total compensation opportunity (measured as base salary, target annual bonus opportunity, and target long-term cash incentive opportunity in the aggregate) other than in connection with an across-the-board reduction of compensation which does not exceed 10% of the Participant's base salary and that is applied to all senior executives of the Company; or (ii) a relocation of the Participant's principal place of employment by more than 50 miles; provided that any event described in clause (i) or (ii) above shall not constitute a Constructive Termination unless the Company fails to cure such event within 30 days after receipt from the Participant of written notice of the event which otherwise would constitute Constructive Termination; and provided, further, that "Constructive Termination" shall cease to exist for an event on the 60th day following the Participant's knowledge thereof, unless the Participant has given the Board written notice thereof prior to such date.

(d) "Date of Grant" shall mean the "Date of Grant" listed in the Award Notice.

(e) "Detrimental Activity" shall mean the Participant's (i) willful or repeated failure or refusal to perform such duties which results in demonstrable material harm to the Company Group, following written notice from the Committee and ten days opportunity to cure; (ii) conviction of, or plea of guilty or no contest to, (A) any felony; or (B) any other crime that results in, or could reasonably be expected to result in, material harm to the business or reputation of the Company or any other member of the Company Group; (iii) fraud or misappropriation, embezzlement or misuse of funds or property belonging to the Company or any other member of the Company Group; or (iv) act of personal dishonesty that involves personal profit in connection with the Participant's employment or service to the Service Recipient.

(f) "Participant" shall mean the "Participant" listed in the Award Notice.

(g) "Qualifying Termination" shall mean the Participant's employment or service, as applicable, with the Company Group is terminated by the Company Group without Cause, or is terminated by the Participant following a Constructive Termination.

(h) "Restrictive Covenant Violation" shall mean the Participant's breach of the Restrictive Covenants listed on Appendix A or any covenant regarding confidentiality, competitive activity, solicitation of the Company's vendors, suppliers, customers, or employees, or any similar provision applicable to or agreed to by the Participant.

(i) "Retirement" shall mean the Participant's voluntary resignation from employment, other than while grounds for "Cause" exist, when (x) the Participant's age is at least 55 years old, (y) the Participant's Years of Service is at least ten years, and (z) the sum of the Participant's age and years of service is at least 65.

(j) "RSUs" shall mean that number of Restricted Stock Units listed in the Award Notice as "Restricted Stock Units Granted."

(k) "Shares" shall mean a number of shares of the Company's Common Stock equal to the number of RSUs.

(l) "Years of Service" shall mean the number of full months (converted to years) of employment and other business relationships with the Company and its predecessors.

2. **Grant of Units**. The Company hereby grants the RSUs to the Participant, each of which represents the right to receive one Share upon vesting of such RSU, subject to and in accordance with the terms, conditions and restrictions set forth in the Plan, the Award Notice, and this Agreement.

3. **RSU Account**. The Company shall cause an account (the "Unit Account") to be established and maintained on the books of the Company to record the number of RSUs credited to the Participant under the terms of this Agreement. The Participant's interest in the Unit Account shall be that of a general, unsecured creditor of the Company.

4. **Vesting; Settlement**. The RSUs shall become vested in accordance with the schedule set forth on the Award Notice. The Company shall deliver to the Participant one share of Common Stock for each RSU (as adjusted under the Plan) which becomes vested in a given calendar year, pursuant to Section 13, below, and such vested RSU shall be cancelled upon such delivery.

5. **Termination of Employment**.

(a) In the event that the Participant's employment or service, as applicable, with the Company Group terminates for any reason, any unvested RSUs shall be forfeited and all of the Participant's rights hereunder with respect to such unvested RSUs shall cease as of the effective date of termination (the "Termination Date") (unless otherwise provided for by the Committee in accordance with the Plan or this Agreement).

(b) Notwithstanding the foregoing, in the event of a Qualifying Termination, subject to the Participant's execution and non-revocation of the Company's standard form of release of claims:

(i) The next installment of Time Vesting RSUs which could become vested in accordance with the Award Notice, and all Earned RSUs outstanding under this Agreement, shall become vested and settled in accordance with this Agreement.

(ii) With respect to any Performance Vesting RSUs for which the Performance Period has not been completed, a prorated portion of the Performance Vesting RSUs will remain outstanding and eligible to vest based on actual performance on the last day of the Performance Period, with such proration based on the number of days the Participant was employed during the Performance Period, relative to the total number of days in the Performance Period. Any Performance Vesting RSUs which become Earned RSUs following the Determination Date shall become vested and settled in accordance with Section 4 as soon as practicable following the Determination Date.

(c) Notwithstanding the foregoing, in the event the Participant's employment or service with the Company Group is terminated by the Company Group following the Participant's death or during the Participant's Disability, subject to the Participant's or executor's execution and non-revocation of the Company's standard form of release of claims:

(i) the Time Vesting RSUs and any Earned RSUs outstanding under this Agreement shall become vested as of the Termination Date and settled as soon as practicable following the Termination Date.

(ii) With respect to any Performance Vesting RSUs for which the Performance Period has not been completed, a prorated portion of the Performance Vesting RSUs will remain outstanding and eligible to vest based on actual performance on the last day of the Performance Period, with such proration based on the number of days the Participant was employed during the Performance Period, relative to the total number of days in the Performance Period. Any Performance Vesting RSUs which become Earned RSUs following the Determination Date shall become vested and settled in accordance with Section 4 as soon as practicable following the Determination Date.

(d) Notwithstanding the foregoing, in the event of a Participant's Retirement following written notice at least six months prior to the date of the Participant's resignation:

(i) The Time Vesting RSUs outstanding under this Agreement shall remain outstanding and eligible to vest so long as no Restrictive Covenant Violation occurs, as determined by the Committee, or its designee, in its sole discretion, prior to the applicable vesting date.

(ii) Earned RSUs outstanding under this Agreement shall remain outstanding and eligible to vest so long as no Restrictive Covenant Violation occurs, as determined by the Committee, or its designee, in its sole discretion, prior to the applicable vesting date.

(iii) A prorated number of Performance Vesting RSUs shall remain outstanding and eligible to become Earned RSUs, notwithstanding the Participant's Retirement, based on the extent to which the Performance Conditions are satisfied following the completion of the Performance Period, with such proration based on the number of days the Participant was employed during the Performance Period, relative to the total number of days in the Performance Period. Any Performance Vesting RSUs which become Earned RSUs pursuant to this Section 5 (c) shall become vested in accordance with Section 5(c)(ii).

(e) The Participant's rights with respect to the RSUs shall not be affected by any change in the nature of the Participant's employment or service, as applicable, so long as the Participant continues to be an employee or service provider, as applicable, of the Company Group. Whether (and the circumstances under which) the Participant's employment or service, as applicable, has terminated and the determination of the Termination Date for the purposes of this Agreement shall be determined by the Committee (or, with respect to any Participant who is not a director or "officer" as defined under Rule 16a-1(f) of the Exchange Act, its designee, whose good faith determination shall be final, binding and conclusive; provided, that such designee may not make any such determination with respect to the designee's own employment for purposes of the RSUs). As a pre-condition to a Participant's right to continued vesting following Retirement, the Committee, or its designee, may require the Participant to certify in writing prior to each applicable vesting date that no Restrictive Covenant Violation has occurred.

6. **Change in Control**.

(a) Treatment of Performance Vesting RSUs.

(i) Calculation of Change in Control Earned RSUs. In the event of a Change in Control during the Participant's employment and prior to the completion of the Performance Period, the Performance Vesting RSUs will become Earned RSUs based on:

(A) the INVH TSR and the RMS Index CAGR as measured through the date of the Change in Control based on the closing price of a Share of the Company on the last trading day immediately prior to the Change in Control (or, if the Company's shares are not publicly traded immediately prior to the Change in Control, based on the value of a Share as determined by the Committee based on the actual or implied price paid in the Change in Control) relative to the performance criteria set forth in the Award Notice, and

(B) the Company's actual Same Store NOI Growth CAGR measured through the most recently completed fiscal quarter relative to the performance criteria set forth in the Award Notice.

The number of Earned RSUs calculated in accordance with the foregoing (the "Change in Control Earned RSUs") shall not be prorated based on the number of completed days in the Performance Period.

(ii) Vesting of Change in Control Earned RSUs. Any Performance Vesting RSUs which become Change in Control Earned RSUs shall become vested as to 50% of such Change in Control Earned RSUs as of the date of the Change in Control, and as to the remaining 50% of the Change in Control Earned RSUs on the first anniversary of the date of the Change in Control.

(b) Certain Terminations Following a Change in Control. Notwithstanding Section 5(a) of this Agreement, in the event of a Qualifying Termination during the 24-month period immediately following a Change in Control, any unvested Time Vesting RSUs, Earned RSUs, and Change in Control Earned RSUs shall become vested as of the Termination Date, and shall thereafter be settled in accordance with this Agreement.

(c) Assumption of Awards. In the event of a Change in Control, in connection with which the successor to the Company fails to assume, convert or replace the RSUs, the Time Vesting RSUs, Earned RSUs, and the Change in Control Earned RSUs, to the extent not assumed, will become vested as of immediately prior to the Change in Control.

7. **Dividends**.

(a) Upon the declaration by the Company of dividends to holders of its Common Stock, the Participant shall be entitled to receive dividend equivalent payments ("Dividend Equivalents") in respect of all of such Participant's Time Vesting RSUs and any Earned RSUs, whether unvested or vested and not yet settled, as of the record date for such dividend. The Dividend Equivalents shall be delivered to the Participant on the regular payment date that such dividend is made to all holders of the Company's Common Stock and in the same form as are delivered to holders of the Company's Common Stock (i.e., in either cash, without interest, or in shares of Common Stock which Common Stock will not be not subject to any vesting conditions).

(b) Unearned Performance Vesting RSUs shall be entitled to be credited with dividend equivalent payments (upon the payment by the Company of dividends on Shares), which shall accrue in cash without interest and shall be delivered in cash (unless the Committee in its sole discretion, elects to settle such amount in Shares having a Fair Market Value as of the settlement date equal to the amount of such dividends). Accumulated dividend equivalents shall be payable at such time the Performance Vesting RSUs become Earned RSUs. For the avoidance of doubt, dividends accrued in respect of Performance Vesting RSUs shall only be paid to the extent the underlying Performance Vesting RSU becomes an Earned RSU, and to the extent any Performance Vesting RSUs are forfeited and not earned, the Participant shall have no right to such dividend equivalent payments.

8. **Restrictions on Transfer**. The Participant may not assign, alienate, pledge, attach, sell or otherwise transfer or encumber the RSUs or the Participant's right under the RSUs to receive Shares, except other than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any of its Affiliates; provided, that the designation of a beneficiary (if permitted by the Committee) shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

9. **Repayment of Proceeds; Clawback Policy**. In the event of a Restrictive Covenant Violation or if the Participant engages in Detrimental Activity prior to the fourth anniversary of the Date of Grant, the Participant shall be required, in addition to any other remedy available (on a non-exclusive basis), to pay to the Company, within 10 business days of

the Company's request to the Participant therefor, an amount equal to the aggregate after-tax proceeds the Participant received upon the sale or other disposition of, or distributions in respect of, the RSUs (including any Dividend Equivalents previously paid) and any Shares issued in respect thereof. In addition, in the event of a restatement of the Company's financial results (other than a restatement caused by a change in applicable accounting rules or interpretations), the result of which is that the number of RSUs that became Earned RSUs would have been a lower amount had it been calculated based on such restated results, and the Committee determines that the Participant engaged in fraud or intentional illegal conduct which materially contributed to the need for such restatement, the Company shall be entitled to recoup from the Participant, an amount equal to the excess of the compensation received by the Participant over the amount the Participant would have been entitled to if calculated based on the restated financial results. The amount of any request for clawback or recoupment shall take into account all amounts of tax that would be recoverable upon a claim of loss for payment of such proceeds in the year of repayment. The RSUs and all proceeds of the RSUs shall be subject to the Company's clawback policies, if any, and as in effect from time to time, to the extent any such policy is required by law.

10. **No Right to Continued Employment or Engagement**. Neither the Plan nor this Agreement nor the Participant's receipt of the RSUs hereunder shall impose any obligation on the Company or any of its Affiliates to continue the employment or engagement of the Participant. Further, the Company or any of its Affiliates (as applicable) may at any time terminate the employment or engagement of the Participant, free from any liability or claim under the Plan or this Agreement, except as otherwise expressly provided herein.

11. **No Rights as a Stockholder**. The Participant's interest in the RSUs shall not entitle the Participant to any rights as a stockholder of the Company. The Participant shall not be deemed to be the holder of, or have any of the rights and privileges of a stockholder of the Company in respect of, the Shares unless and until such Shares have been issued to the Participant in accordance with Section 13.

12. **Adjustments Upon Change in Capitalization**. The terms of this Agreement, including the RSUs, the Participant's Unit Account, any Dividend Equivalents, and/or the Shares, shall be subject to adjustment in accordance with Section 14 of the Plan. This paragraph shall also apply with respect to any extraordinary dividend or other extraordinary distribution in respect of the Company's Common Stock (whether in the form of cash or other property). In the event of an equity restructuring, the Committee shall adjust any Performance Condition to the extent it is affected by such restructuring in order to preserve (without enlarging) the likelihood that such Performance Condition shall be satisfied. The manner of such adjustment shall be determined by the Committee in its sole discretion. For this purpose, "equity restructuring" shall mean an "equity restructuring" as defined in Financial Accounting Standards Board Accounting Standards Codification 718-10 (formerly Statement of Financial Accounting Standards 123R).

13. **Settlement and Issuance of Shares; Tax Withholding**.

(a) The Company shall, as soon as reasonably practicable (and in any event within two and one-half months of the applicable vesting date or such earlier time provided in Section 4), issue the Share underlying such vested RSU to the Participant, free and clear of all restrictions, less a number of Shares equal to or greater in value than the minimum amount necessary to satisfy federal, state, local or foreign withholding tax requirements, if any (but which may in no event be greater than the maximum statutory withholding amounts in the Participant's jurisdiction) (the "Withholding Taxes") in accordance with Section 16(d) of the Plan (except to the extent the Participant shall have a written agreement with the Company or any of its Affiliates under which the Company or an Affiliate of the Company is responsible for payment of taxes with respect to the issuance of the Shares, in which case the full number of Shares shall be issued). To the extent any Withholding Taxes may become due prior to the settlement of any RSUs, the Committee may accelerate the vesting of a number of RSUs equal in value to the Withholding Taxes, the Shares delivered in settlement of such RSUs shall be delivered to the Company, and the number of RSUs so accelerated shall reduce the number of RSUs which would otherwise become vested on the next applicable vesting date. The number of RSUs or Shares equal to the Withholding Taxes shall be determined using the closing price per Share on the New York Stock Exchange (or other principal exchange on which the Shares then trade) on the trading day immediately prior to the date of delivery of the Shares to the Participant or the Company, as applicable, and shall be rounded up to the nearest whole RSU or Share.

(b) The Company shall pay any costs incurred in connection with issuing the Shares. Upon the issuance of the Shares to the Participant, the Participant's Unit Account shall be eliminated. Notwithstanding anything in this Agreement to the contrary, the Company shall have no obligation to issue or transfer the Shares as contemplated by this Agreement unless and until such issuance or transfer shall comply with all relevant provisions of law and the requirements of any stock exchange on which the Company's shares are listed for trading.

14. **Award Subject to Plan**. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The RSUs granted hereunder are subject to the Plan. The terms and provisions of the Plan, as it may be amended from time to time, are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

15. **Severability**. Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

16. **Governing Law; Arbitration and Venue**.

(a) This Agreement shall be governed by and construed in accordance with the internal laws of the State of Maryland applicable to contracts made and performed wholly within the State of Maryland, without giving effect to the conflict of laws provisions thereof.

(b) Any controversy or claim arising out of or relating to this Agreement or the breach of this Agreement (other than a controversy or claim arising with respect to the matters set forth in Appendix A, to the extent necessary for the Company (or other member of the Company Group, where applicable) to avail itself of the rights and remedies referred to therein) that is not resolved by Participant and the Company (or other member of the Company Group, where applicable) through good-faith negotiations shall be submitted to arbitration in Dallas, Texas and the employment arbitration rules and procedures of the American Arbitration Association, before an arbitrator experienced in employment and compensation disputes who is licensed to practice law in the State of Texas. The determination of the arbitrator shall be conclusive and binding on the Company (or other member of the Company Group, where applicable) and Participant (or its heirs, beneficiaries or assigns, where applicable) and judgment may be entered on the arbitrator(s)' award in any court having component jurisdiction. Each of the Participant, the Company, and any transferees who hold RSUs pursuant to a valid assignment hereby irrevocably waives (a) any objections which it may now or hereafter have to the laying of the venue of any suit, action, or proceeding arising out of or relating to this Agreement brought in any court of competent jurisdiction in the State of Maryland; (b) any claim that any such suit, action, or proceeding brought in any such court has been brought in any inconvenient forum; and (c) any right to a jury trial.

17. **Successors in Interest**. Any successor to the Company shall have the benefits of the Company under, and be entitled to enforce, this Agreement. Likewise, the Participant's legal representative shall have the benefits of the Participant under, and be entitled to enforce, this Agreement. All obligations imposed upon the Participant and all rights granted to the Company under this Agreement shall be final, binding and conclusive upon the Participant's heirs, executors, administrators and successors.

18. **Data Privacy Consent**.

(a) General. The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data as described in this Agreement and any other RSU grant materials by and among, as applicable, the Participant's employer or contracting party (the "Employer") and the Company for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that the Company may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, work location and phone number, date of birth, social insurance number or other identification number, salary, nationality, job title, hire date, any shares of stock or directorships held in the Company, details of all awards or any other entitlement to shares awarded, cancelled, exercised, vested, unvested or outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan ("Personal Data").

(b) Use of Personal Data; Retention. The Participant understands that Personal Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, now or in the future, that these recipients may be located in the Participant's country or elsewhere, and that the recipient's country may have different data privacy laws and protections than the Participant's country. The Participant understands that the Participant may request a list with the names and addresses of any potential recipients of the Personal Data by contacting the Participant's local human resources representative. The

Participant authorizes the recipients to receive, possess, use, retain and transfer the Personal Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that Personal Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that the Participant may, at any time, view Personal Data, request additional information about the storage and processing of Personal Data, require any necessary amendments to Personal Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Participant's local human resources representative.

(c) Withdrawal of Consent. The Participant understands that the Participant is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's employment status or service and career with the Employer will not be adversely affected; the only consequence of the Participant's refusing or withdrawing the Participant's consent is that the Company would not be able to grant RSUs or other equity awards to the Participant or administer or maintain such awards. Therefore, the Participant understands that refusing or withdrawing the Participant's consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, the Participant understands that the Participant may contact the Participant's local human resources representative.

19. **Restrictive Covenants**. The Participant acknowledges and recognizes the highly competitive nature of the businesses of the Company and its Affiliates, that the Participant will be allowed access to confidential and proprietary information (including, but not limited to, trade secrets) about those businesses, as well as access to the prospective and actual customers, suppliers, investors, clients and partners involved in those businesses, and the goodwill associated with the Company and its Affiliates. Participant accordingly agrees to the provisions of Appendix A to this Agreement (the "Restrictive Covenants"). For the avoidance of doubt, the Restrictive Covenants contained in this Agreement are in addition to, and not in lieu of, any other restrictive covenants or similar covenants or agreements between the Participant and the Company or any of its Affiliates.

20. **Limitation on Rights; No Right to Future Grants; Extraordinary Item of Compensation**. By accepting this Agreement and the grant of the RSUs contemplated hereunder, the Participant expressly acknowledges that (a) the Plan is established voluntarily by the Company, it is discretionary in nature and may be suspended or terminated by the Company at any time, to the extent permitted by the Plan; (b) the grant of RSUs is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted in the past; (c) all determinations with respect to future grants of RSUs, if any, including the grant date, the number of Shares granted and the applicable vesting terms, will be at the sole discretion of the Company; (d) the Participant's participation in the Plan is voluntary; (e) the value of the RSUs is an extraordinary item of compensation that is outside the scope of the Participant's employment contract, if any, and nothing can or must automatically be inferred from such employment contract or its consequences; (f) grants of RSUs, and the income and value of same, are not part of normal or expected compensation for any purpose and are not to be used for calculating any

severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments, the Participant waives any claim on such basis, and for the avoidance of doubt, the RSUs shall not constitute an "acquired right" under the applicable law of any jurisdiction; and (g) the future value of the underlying Shares is unknown and cannot be predicted with certainty. In addition, the Participant understands, acknowledges and agrees that the Participant will have no rights to compensation or damages related to RSU proceeds in consequence of the termination of the Participant's employment for any reason whatsoever and whether or not in breach of contract.

21. **Award Administrator**. The Company may from time to time designate a third party (an "Award Administrator") to assist the Company in the implementation, administration and management of the Plan and any RSUs granted thereunder, including by sending award notices on behalf of the Company to Participants, and by facilitating through electronic means acceptance of RSU Agreements by Participants.

22. **Section 409A of the Code**.

(a) This Agreement is intended to comply with the provisions of Section 409A of the Code and the regulations promulgated thereunder. Without limiting the foregoing, the Committee shall have the right to amend the terms and conditions of this Agreement in any respect as may be necessary or appropriate to comply with Section 409A of the Code or any regulations promulgated thereunder, including without limitation by delaying the issuance of the Shares contemplated hereunder.

(b) Notwithstanding any other provision of this Agreement to the contrary, if a Participant is a "specified employee" within the meaning of Section 409A of the Code, no payments in respect of any RSU that is "deferred compensation" subject to Section 409A of the Code and which would otherwise be payable upon the Participant's "separation from service" (as defined in Section 409A of the Code) shall be made to such Participant prior to the date that is six months after the date of the Participant's "separation from service" or, if earlier, the Participant's date of death. Following any applicable six-month delay, all such delayed payments will be paid in a single lump sum on the earliest date permitted under Section 409A of the Code that is also a business day. The Participant is solely responsible and liable for the satisfaction of all taxes and penalties under Section 409A of the Code that may be imposed on or in respect of the Participant in connection with this Agreement, and the Company shall not be liable to any Participant for any payment made under this Plan that is determined to result in an additional tax, penalty or interest under Section 409A of the Code, nor for reporting in good faith any payment made under this Agreement as an amount includible in gross income under Section 409A of the Code. Each payment in a series of payments hereunder shall be deemed to be a separate payment for purposes of Section 409A of the Code.

23. **Book Entry Delivery of Shares**. Whenever reference in this Agreement is made to the issuance or delivery of certificates representing one or more Shares, the Company may elect to issue or deliver such Shares in book entry form in lieu of certificates.

24. **Electronic Delivery and Acceptance**. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

25. **Acceptance and Agreement by the Participant**. By accepting the RSUs (including through electronic means), the Participant agrees to be bound by the terms, conditions, and restrictions set forth in the Plan, this Agreement, and the Company's policies, as in effect from time to time, relating to the Plan. The Participant's rights under the RSUs will lapse forty-five (45) days from the Date of Grant, and the RSUs will be forfeited on such date if the Participant shall not have accepted this Agreement by such date. For the avoidance of doubt, the Participant's failure to accept this Agreement shall not affect the Participant's continuing obligation sunder any other agreement between the Company and the Participant.

26. **No Advice Regarding Grant**. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant is hereby advised to consult with the Participant's own personal tax, legal and financial advisors regarding the Participant's participation in the Plan before taking any action related to the Plan.

27. **Imposition of Other Requirements**. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the RSUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

28. **Waiver**. The Participant acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by the Participant or any other participant in the Plan.

29. **Counterparts**. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together with the Award Notice constitute one in the same agreement.

[*Signatures follow*]

INVITATION HOMES INC.

By: ______________________________________

Name:

Title:

Acknowledged and Agreed
as of the date first written above:

____

Participant Signature

____

Date:

[*Signature Page to Restricted Stock Unit Agreement*]

APPENDIX A
Restrictive Covenants

1. Non-Competition; Nonsolicitation.

(a) The Participant acknowledges and recognizes the highly competitive nature of the businesses of the Restricted Group (as defined below) and accordingly agrees as follows:

(i) During the Participant’s employment or service, as applicable, and for a period equal to one year following the date the Participant ceases employment or service, as applicable, for any reason (the “Restricted Period”), the Participant will not, without the prior written consent from the Company regarding the specific solicitations, engagements, or actions proposed, and such consent to be delivered in its sole, good faith discretion, whether on the Participant’s own behalf or on behalf of or in conjunction with any person, firm, partnership, joint venture, association, corporation or other business organization, entity or enterprise whatsoever (“Person”), directly or indirectly solicit or assist in soliciting in competition with the Restricted Group in the Business the business of any then current or prospective client or customer with whom the Participant (or the Participant’s direct reports) had personal contact or dealings on behalf of the Company and its Subsidiaries during the one-year period preceding the Participant’s termination of employment or service, as applicable.

(ii) During the Restricted Period, the Participant will not, without prior written consent from the Company regarding the specific engagement, employment, or investment proposed, and such consent to be delivered in its sole, good faith discretion, directly or indirectly:

(A) engage in the Business in any geographical area that is within 20 miles of any geographical area where the Restricted Group engages in the Business (or has plans to engage in the Business during the Restricted Period);

(B) enter the employ of, or render any services to, a Competitor, except where such employment or services do not relate to the Business; or

(C) acquire a 10% or greater financial interest in a Competitor, directly or indirectly, as an individual, partner, shareholder, officer, director, principal, agent, trustee or consultant.

(iii) Notwithstanding anything to the contrary in this Appendix A, the provisions of this Section 1 shall not restrict acquisition or ownership of any number of single family homes for personal use by the Participant or up to one hundred additional single family homes as personal investments.

(iv) During the Restricted Period, the Participant will not, whether on the Participant's own behalf or on behalf of or in conjunction with any Person, directly or indirectly:

(A) solicit or encourage any employee of the Restricted Group to leave the employment of the Restricted Group; or

(B) hire any employee of the Restricted Group who provided services to the Restricted Group as of the date of the Participant's termination of employment or service or terminated employment within six months prior to the termination of the Participant's employment or service, as applicable.

Except that Participant shall not be precluded from employing or contacting (1) any such employee who has been terminated by the Restricted Group (including, but not limited to, any employee terminated by the Company in connection with the merger of Starwood Waypoint Homes with the Company), or (2) any person a result of general solicitations not specifically directed at either the Restricted Group or its respective employees.

(v) For purposes of this Appendix A:

(A) "Business" shall mean the business of acquiring controlling investments in, owning, developing, leasing, operating or managing one unit residential real properties for rent, including single-family homes in planned unit developments and individual single family townhomes and individual residential condominium units in a low-rise or high-rise condominium project, where such properties are located in the United States but excluding, for the avoidance of doubt, (1) any activities undertaken with the prior written consent of the Company sought in accordance with sub-sections (a)(i) or (a)(ii), and (2) acting as a broker with respect to leasing and sale transactions.

(B) "Competitor" shall mean any Person engaged in the Business in direct competition with the Company and its Subsidiaries, but excluding any Person for which less than 10% of its revenue during its most recent fiscal year is derived from activities similar to the Business.

(C) "Restricted Group" shall mean, collectively, the Company and its Subsidiaries.

(b) It is expressly understood and agreed that although the Participant and the Restricted Group consider the restrictions contained in this Section 1 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Appendix A is an unenforceable restriction against the Participant, the provisions of this Appendix A shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Appendix A is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

(c) The period of time during which the provisions of this Section 1 shall be in effect shall be extended by the length of time during which the Participant is in breach of the terms hereof as determined by any court of competent jurisdiction on the Company's application for injunctive relief.

(d) The provisions of this Section 1 shall survive the termination of the Participant's employment or service for any reason

(e) Notwithstanding anything herein to the contrary, Sections 1(a)(i) and 1(a)(ii) shall not apply to the Participant if the Participant's principal place of employment or the state in which the Participant provides services, in each case on the Date of Grant, is located in the State of California.

2. Confidentiality; Intellectual Property.

(c) Confidentiality.

(i) The Participant will not at any time (whether during or after the Participant's employment or engagement, as applicable) (x) retain or use for the benefit, purposes or account of the Participant or any other Person; or (y) disclose, divulge, reveal, communicate, share, transfer or provide access to any Person outside the Company and its Affiliates (other than its professional advisers who are bound by confidentiality obligations, lenders and partners or otherwise in performance of the Participant's employment or engagement duties), any proprietary and non-public/confidential information (including without limitation trade secrets, know-how, research and development, software, databases, inventions, processes, formulae, technology, designs and other intellectual property, information concerning finances, investments, profits, pricing, costs, products, services, vendors, customers, clients, partners, investors, personnel, compensation, recruiting, training, advertising, sales, marketing, promotions, government and regulatory activities and approvals) concerning the past, current or future business, activities and operations of the Restricted Group ("Confidential Information") without the prior written authorization of the board of directors of the Company; provided, however, that the conscious awareness of any Confidential Information (as opposed to the physical possession of documentary Confidential Information) by the Participant, and the Participant's consideration of such information in connection with the Participant's pursuit or evaluation of, involvement with or participation in, any project or activity that is not prohibited by this Appendix A shall be deemed not to constitute a breach of Section 2(a)(i)(x) or Section 2(a)(iv)(x) in any manner whatsoever, unless such Participant's use of such Confidential Information has an objective and detrimental impact on the business of the Company and its Subsidiaries.

(ii) "Confidential Information" shall not include any information that is (x) generally known to the industry or the public other than as a result of the Participant's breach of this covenant; (y) made legitimately available to the Participant by a third party without breach of any confidentiality obligation of which the Participant has knowledge (it being understood that any information made available by an employee, officer or director of the Company Group shall not be protected by this exclusion); or (z) required by law to be disclosed; provided, that with respect to subsection (z) the Participant shall give prompt written notice to the Company of such requirement and reasonably cooperate with any attempts by the Company to obtain a protective order or similar treatment.

(iii) Except as required by law, the Participant will not disclose to anyone, other than the Participant's family (it being understood that, in this Appendix A, the term "family" refers to the Participant, the Participant's spouse, minor children, parents and spouse's parents) and legal or financial advisors, the existence or contents of this Agreement; provided, that the Participant may disclose to any prospective future employer the provisions of Sections 1 and 2 of this Appendix A; provided, further, that any such employer agrees to maintain the confidentiality of such terms. This Section 2(a)(iii) shall terminate if any member of the Company Group publicly discloses a copy of the Restricted Stock Unit Agreement or this Appendix A (or, if any member of the Company Group publicly discloses summaries or excerpts of the Subscription Agreement or this Appendix A, to the extent so disclosed).

(iv) Upon termination of the Participant's employment or service for any reason, the Participant shall (x) except as otherwise provided herein, cease and not thereafter commence use of any Confidential Information or intellectual property (including without limitation, any patent, invention, copyright, trade secret, trademark, trade name, logo, domain name or other source indicator) owned or used by any member of the Restricted Group; (y) immediately destroy, delete, or return to the Company, at the Company's option and expense, all originals and copies in any form or medium (including memoranda, books, papers, plans, computer files, letters and other data) in the Participant's possession or control (including any of the foregoing stored or located in the Participant's office, home, laptop or other computer, whether or not Company property) that contain Confidential Information, except that the Participant may retain only those portions of any personal notes, notebooks and diaries that do not contain any Confidential Information; and (z) notify and reasonably cooperate with the Company regarding the delivery or destruction of any other Confidential Information of which the Participant is or becomes aware.

(d) Intellectual Property.

(i) If the Participant creates, invents, designs, develops, contributes to or improves any works of authorship, inventions, intellectual property, materials, documents or other work product (including, without limitation, research, reports, software, databases, systems, applications, presentations, textual works, content, or audiovisual materials), either alone or with third parties, at any time during the Participant's employment or engagement and within the scope of such employment or engagement and with the use of any the Company's resources (the "Company Works"), the Participant shall promptly and fully disclose the same to the Company and hereby irrevocably assigns, transfers and conveys, to the maximum extent permitted by applicable law, all rights and intellectual property rights therein (including rights under patent, industrial property, copyright, trademark, trade secret, unfair competition and related laws) to the Company to the extent ownership of any such rights does not vest originally in the Company.

(ii) The Participant shall take all requested actions and execute all requested documents (including any licenses or assignments required by a government contract) at the Company's expense (but without further remuneration) to assist the Company in validating, maintaining, protecting, enforcing, perfecting, recording, patenting or registering any of the Company's rights in the Company Works. If the Company is unable for any other reason, to secure the Participant's signature on any document for this purpose, then the Participant hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as the Participant's agent and attorney in fact, to act for and in the Participant's behalf and stead to execute any documents and to do all other lawfully permitted acts required in connection with the foregoing.

(iii) The provisions of Section 2 hereof shall survive the termination of the Participant's employment or engagement, in either case, for any reason.

(e) Protected Rights. Nothing contained in this Agreement or any other plan, policy, agreement, or code of conduct or similar arrangement of the Company Group, limits Participant's ability to (i) disclose any information to governmental agencies or commissions as may be required by law, (ii) file a charge or complaint with, or communicate or cooperate with, any U.S. federal, state, or local governmental agency or commission (a "Governmental Entity"), or otherwise participate in any investigation or proceeding that may be conducted by a Governmental Entity with respect to possible violations of any U.S. federal, state or local law or regulation, or otherwise make disclosures to any Governmental Entity, in each case, that are protected under the whistleblower provisions of any such law or regulation, provided that in each case all such charges, complaints, communications and disclosures are consistent with applicable law, or (iii) receive an award from a Governmental Entity for information provided under any whistleblower program, including the Participant's right to seek and obtain a whistleblower award for providing information relating to a possible securities law violation to the Securities and Exchange Commission.

3. Specific Performance. The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of Section 1 or 2 of this Appendix A may be inadequate and the Company may suffer irreparable damages as a result of such breach. In recognition of this fact, the Participant agrees that, in the event of a Restrictive Covenant Violation, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to seek equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

(Back To Top)

Section 3: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Dallas B. Tanner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Invitation Homes Inc. for the quarterly period ended March 31, 2019;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Dallas B. Tanner

Dallas B. Tanner
President and Chief Executive Officer
(Principal Executive Officer)
May 7, 2019

(Back To Top)

Section 4: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Ernest M. Freedman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Invitation Homes Inc. for the quarterly period ended March 31, 2019;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Ernest M. Freedman

Ernest M. Freedman
Chief Financial Officer
(Principal Financial Officer)
May 7, 2019

(Back To Top)

Section 5: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Invitation Homes Inc. (the "Company") for the quarterly period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dallas B. Tanner, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Dallas B. Tanner

Dallas B. Tanner
President and Chief Executive Officer
(Principal Executive Officer)

May 7, 2019

A signed original of this certification required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

(Back To Top)

Section 6: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Invitation Homes Inc. (the "Company") for the quarterly period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ernest M. Freedman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Ernest M. Freedman

Ernest M. Freedman
Chief Financial Officer
(Principal Financial Officer)

May 7, 2019

A signed original of this certification required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

(Back To Top)