Letter to Shareholders

To Our Shareholders,

During what can only be described as an unprecedented year in the financial markets, Tricon Residential remained steadfast in its mission and guiding principles, while delivering outstanding financial results. At our core, we strive to be a “people first” housing provider by making high-quality rental homes and inspired customer service accessible to everyday families. Our Company culture prizes doing what is right – not what is easy – for the people and communities we serve. And we believe that our purpose – imagine a world where housing unlocks life’s potential – is a calling for our more than 1,000 employees to create better outcomes for our residents and their families.

In 2022, we continued to show that providing a best-in-class experience for residents goes hand in hand with operational excellence, and in turn leads to financial excellence. We achieved record Core FFO per share, which increased by 33% year-over-year to $0.76, as well as record growth in same home net operating income (“NOI”), up 10.4% year-over-year. While we typically speak to these investor metrics, it’s the operational metrics and customer experience that ultimately drive our headline results. We are extremely proud to report that we maintained an industry-low single-family rental (“SFR”) same home turnover rate of 15% in 2022, achieved the highest resident satisfaction in the SFR industry as measured by Google reviews, and completed nearly all work orders for repairs within 72 hours. We attribute this success to our dedicated employees who go above and beyond for our residents every day.

We also responded to the significant demand for single-family rental housing by acquiring, renovating and leasing a Company record of 7,227 homes in 2022. In a much higher interest rate environment, we were able to dynamically flex our buying program and increase our acquisition cap rates so that we maintained a positive spread between the going-in yield (including fees we earn for managing capital on behalf of third-party investors) and financing cost. However, we elected to slow our acquisition program as the year progressed in response to the deteriorating cost of capital and in anticipation of better opportunities to come once the capital markets stabilize. If we had unlimited resources or the ability to raise equity in an accretive manner, we would have bought many more homes, but take pride in knowing that we provided quality housing to 7,227 more American families who can now raise their children in a safe environment with good schools, and enjoy a low-maintenance lifestyle.

33%

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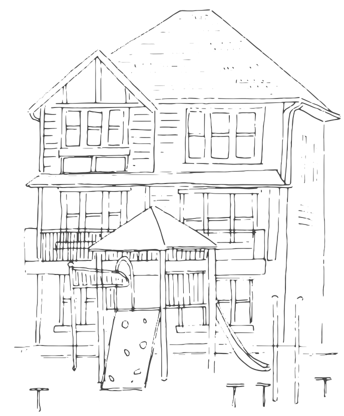
One of the advantages of Tricon's business model that has become increasingly apparent as the Federal Reserve has become more hawkish is that we have one foot in the public market and one in the private market. Our deep relationships with some of the world's largest private institutional investors allowed us to grow our core SFR business at a time when the public equity market was in "risk off" mode. The private real estate market is roughly twenty times larger than the U.S. public market and has a steadier return profile. This is partly driven by the decision of institutions to increase their allocations to alternative strategies such as real estate in the last couple of decades and to make longer-term commitments to managers, increasing investment hold periods in the process. As such, Tricon, with its private investor relationships in tow, can look past the temporary tumult in the market and take a longer-term perspective.

The dichotomy between the public and private markets, particularly around valuations, was on full display in the second half of 2022. While our stock started the year well and closed the gap with our larger SFR peers, by the end of the year it was down considerably and trading at a significant discount to consensus net asset value ("NAV"). At the same time, we produced record earnings over the course of the year and enjoyed the best property fundamentals in our careers. We weren't alone – U.S. multi-family REITs were trading at an implied 6% cap rate at the time we sold our U.S. multi-family portfolio for a 4.4% cap rate. While some public market investors questioned our ability to grow in the current environment, our private investors expressed an interest for us to carry on! For instance, Arizona State Retirement System ("ASRS") backed our second SFR build-to-rent investment vehicle with a $400 million commitment when the public markets were reeling. The Canada Pension Plan Investment Board ("CPPIB") approached us to recapitalize our existing Canadian build-to-core multi-family joint venture with an all-equity capital structure so they could deploy more capital faster, effectively increasing their commitment by C$1 billion. With the ability to invest over a longer time horizon, our private investors understood that the volatility in the public market and the interest rate curve didn't change the reality on the ground – that hardworking families required more rental housing – and were prepared to invest more with Tricon to satisfy the growing supply-demand imbalance in housing.



7,200+

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Wheel in the sky keeps on turnin'.

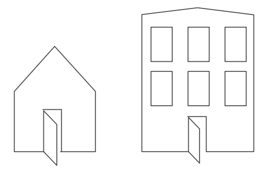
As the year progressed and clouds of uncertainty cast an ominous shadow across the macroeconomic landscape, we reaffirmed our commitment to our thriving single-family rental business and focused on paring back our balance sheet exposure to adjacent businesses. Harvard Business School professor Michael Porter's advice remained top of mind: "In a period of economic downturn, the overwhelming instinct is to pare back, cut costs, and lay off. If you do that, do so with your strategy in mind. The worst mistake is to cut across the board. Instead, reconnect and recommit to a clear strategy that will distinguish yourself from others."[1] With this in mind, and in our most significant transaction of the year, we sold our U.S. multi-family business in October. The sale generated gross proceeds of $315 million, sufficient capital to pay down our revolving credit facility, buy back some stock, and self-fund our SFR acquisition program at a time when our stock price was depressed; but perhaps most importantly, the disposition enabled us to refocus on single-family rental and simplify our business in the process.

Our decision to sell the U.S. multi-family portfolio centered on an evaluation of capital allocation and return opportunities in a post-pandemic world and the realization that it was going to be significantly easier and more profitable to grow our core SFR business over time. The onset of the COVID-19 pandemic forced institutional investors to rethink their capital allocation decisions. The result was a surge of capital for so-called "beds and sheds" strategies, which have largely been beneficiaries of the suburban migration trend and sustained desire to work from home. With multi-family being the largest of the residential institutional asset classes and the easiest to allocate capital to, it had become incredibly competitive to acquire multi-family properties and grow our portfolio. After evaluating several avenues to recapitalize our stake in the business, we ultimately decided on a full exit, and our timing was fortuitous; completing the transaction at the tail end of a seller's market allowed Tricon to generate a 21% internal rate of return ("IRR") on its investment since inception and our joint venture partners to earn a 50% net IRR. The transaction also leaves us remarkably well prepared to ride out 2023 with an inflation-protected core business in SFR along with nearly $3 billion of equity capital (including unfunded third-party commitments) to invest when the financing markets stabilize.

[1] Michael Porter is a professor and management authority in the field of competitive strategy and the Bishop William Lawrence University Professor at Harvard Business School (HBS).

However, if our account of our U.S. multi-family exit only considered valuation and capital allocation decisions, we would be overlooking the substantial effort and learning experiences that went into the integration of our single- and multi-family businesses. We called the U.S. multi-family disposition process “Project Journey” in reference to the roundtrip we went on to buy the portfolio, syndicate an 80% interest to two global institutional investors, internalize operations, and then recap and exit our position – all within three years and largely during the pandemic. In keeping with last year’s Project Genesis (a deleveraging process culminating in our U.S. IPO), we continued with the music theme and related our own trials and tribulations to the band Journey’s arduous search to find a lead vocalist after Steve Perry retired, including the latest and unlikely signing of Arnel Pineda in 2007. Journeys can be hard, they can push one to the limit, reveal things we don’t know about ourselves, and take twists and turns – but they are equally, if not more, satisfying than the final destination.

If there’s one key revelation that came out of this journey, it is that single-family rental is – with the aid of proprietary technology and optimization of operational processes – an easier business for Tricon to manage than multi-family in the U.S. In our experience, the U.S. multi-family industry is prone to high levels of asset turnover, which in turn leads to higher levels of employee turnover and lower levels of resident satisfaction. Our single-family rental employees, on the other hand, typically view their work and contributions as part of a career. The typical resident in a U.S. multi-family rental is more transient, with turnover rates often close to 50% compared to 30% in single-family rental (Tricon’s SFR turnover rate is below 20%). A high level of turnover, among both residents and employees, makes U.S. multi-family a much harder business in which to drive culture and, as a result, to operate.[1] For Tricon, as a people-first company where “culture eats strategy for breakfast”[2], U.S. single-family rental is a much better fit than U.S. multi-family, and a business where we have developed and carved out a competitive advantage.



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[1] This is in strong contrast to our Canadian multi-family business where we have taken a novel, mission-driven approach to purpose-built rental apartments. By developing the highest-quality portfolio of multi-family apartments and award-winning communities in Toronto – one of North America’s fastest-growing cities – we have built an operations culture with passion and energy that rivals our U.S. single-family rental business.

[2] Quote attributed to Peter Drucker in Business Strategy: An Introduction by David Campbell, David Edgar, and George Stonehouse, Third Edition, Quote Page 263, Palgrave Macmillan, London.

You can reinvent [the] world. Any time you like.

I am thankful each day to be leading a company that not only has a wonderful culture and distinct competitive advantage, but also presents a solution to a pervasive problem. Today, new entry-level housing supply is at a five-decade low. It is this chronic undersupply of housing, both for-sale and rental, that underpins our strong conviction in our future and desire to increase our investment in providing more families with housing options, even during a time of uncertainty and higher interest rates. During the 2010s, which we have referred to before as "the lost decade for housing", the U.S. produced an average of 55,000 starter homes per year. That rate was less than one-fifth of the entry-level homes constructed per year in the late 1970s and early 1980s, even though the population in 2015 was 54% higher than in 1975. Studies conducted by Freddie Mac show that the U.S. housing shortage grew by approximately 1.3 million homes between 2018 and 2020 alone, with a total estimated housing shortage of 3.8 million homes at the end of 2020. The dearth of supply also applies to Canada, where we are developing multi-family properties, and which ranks lowest among all G7 nations for per capita housing stock. Canada is currently building ~250,000 homes per year, but needs more than 1.8 million additional homes just to reach the average of its G7 peers.

While it's easy to play Monday morning quarterback, central bank decisions to implement unprecedented levels of monetary stimulus during the pandemic exacerbated pre-existing problems and seem misguided from a housing policy perspective. Households and investors did not need a financial incentive to buy homes – demand was never the problem. Record-low mortgage rates through 2021 and into early 2022 only stoked prices and worsened affordability. With inflation roiling by mid-2022, and home prices and rents increasing at record levels, the Fed responded by slamming on the brakes and increasing interest rates quickly to quell demand, which in turn forced homebuilders to cut production and intensified the supply shortage. And so, we are back to where we started – builders challenged to add supply, first-time homebuyers priced out of the market and millions of American families needing quality and accessible single-family housing. Needless to say, this market dynamic presents an opportunity for well-capitalized single-family rental companies like Tricon to play a helpful role, but it's important that we use our pricing power responsibly and develop build-to-rent communities where possible so we become part of the solution to America's decades-long housing shortage. We have not only a business imperative, but also a social responsibility, to increase the supply of housing for hardworking families.

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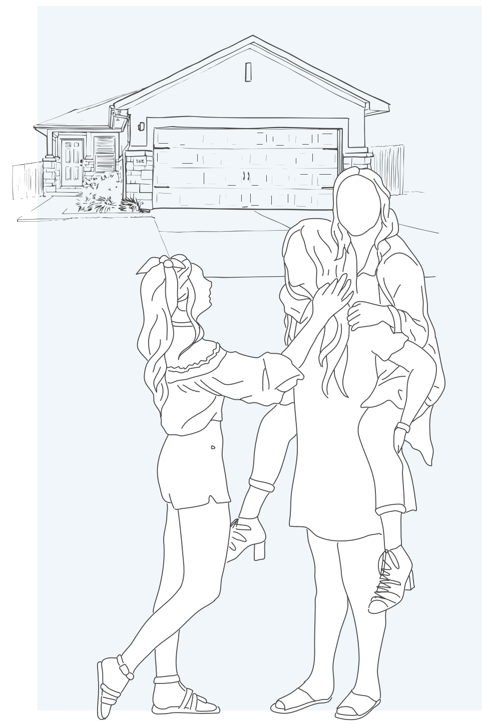
Tricon's SFR business allows families to live in desirable homes and neighborhoods by eliminating the wealth barrier that, for far too long, has prevented many middle-income families from accessing these communities, and our financial success stems from remaining focused on who we serve: the large swath of the population that is either unable to buy homes or prefer to rent. As interest rates soared to combat inflationary pressures, the value of what Tricon offers to more than 35,000 families across America became increasingly clear. With home prices continuing to appreciate well above inflation, and mortgage rates more than doubling, it has become significantly more affordable to rent rather than purchase a single-family home. Notwithstanding our higher cost of capital, we find ourselves in the enviable position of having an offering – a turnkey single-family home with a low-maintenance and no-mortgage lifestyle – that is highly desirable for an increasing number of American families.



As our goal of housing 50,000 families draws closer, we continue to build a bigger and better platform to support the residents we serve. For one, our industry-leading Tricon Vantage program has been designed to allow our residents to achieve financial independence and plan for the future in a stable living environment. The signature component of Tricon Vantage is our commitment to self-govern on rent renewals, whereby we typically set rents below market rates. By imposing our own form of rent control, we allow our residents to live in our homes without financial anxiety, which lowers our turnover. Self-governing on renewals is also good for business because by lowering turnover, we lower our turn cost, and in the process, build in "loss to lease", which we capture on new lease growth when the resident vacates the home. It turns out that through a combination of lower turnover and higher new lease growth, we can drive similar same home NOI growth as our peers, while our residents benefit from lower renewal rent – creating a win-win arrangement for residents and investors.

Further, our Tricon Vantage program also enables our residents to plan for home ownership if that is something they are interested in achieving. In a healthy and well-functioning society, we believe that families should have multiple housing alternatives, including the option to rent or own, depending on their stage of life, desire for flexibility, and financial situation. This is why we have partnered with Operation HOPE to allow our residents to benefit from financial planning courses, including one-on-one training with financial advisors, and established a credit builder program whereby rent payments are submitted to rating agencies to improve residents' credit scores. We have also introduced a First Look program, where we provide qualifying residents with the first opportunity to buy their home should we elect to sell it.

In 2022, more than 30 Tricon residents became home owners through this program. Finally, in the last quarter of 2022, we unveiled a Down Payment Assistance Program under Tricon Vantage that provides a grant of $5,000 to qualifying long-term residents (five years plus) to buy a home if that is what they choose when they move out. A $5,000 grant could be worth one-third to one-half of the down payment required under an FHA loan, and make the financial difference necessary for some of our residents to become first-time home owners. Supporting our residents financially and operationally with our best-in-class responsiveness and innovative programs is not just good for them – it's good for our Company and our investors.

In 2022, Tricon helped 1,875 households receive rental assistance payments or benefit from our Resident Emergency Assistance Fund. While the total monetary value of this assistance exceeded $14.5 million, the impact of our operations teams – who are members of the communities in which we operate – goes far beyond what can be quantified. While I have had the privilege of hearing countless heart-warming stories of what our operations teams have accomplished this year, one in particular stood out for me. Late last year, one of the most tragic events that could happen to any family occurred to a Tricon resident family – a young adult with a promising future took his own life in the home he shared with his parents and younger siblings. When our local operations team in Arizona was informed of what had happened, they did everything that we hope a community would do to look after their own, and more. Everyone at our local office – from our Maintenance Coordinator to our Operations Manager – thought about how they could support the family during this incredibly difficult time. Some members provided in-person support, while another stayed late to fill out and submit a Resident Emergency Assistance Fund application on the family's behalf to ensure that they did not have to worry about how to pay the next month's rent while they were mourning the loss of their eldest son. This did not require endless levels of management approval – our team is empowered to do what is right for residents in any circumstance. Our team continues to check in with the family on a weekly basis to ensure that they have the required support to pick up the pieces and move forward as best they can.

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After renting with Tricon Residential for almost a decade, I feel incredibly excited to be the first recipient of the Tricon Residential Down Payment Assistance Program. The Tricon team did an exceptional job helping me navigate the opportunity, as they were flexible and responsive, for which I felt much gratitude. Receiving $5,000 towards the closing costs of my first home purchase made me feel extremely blessed. I hope that many others can take advantage of the same opportunity.

KELCEE
Resident, Atlanta

It makes me incredibly proud and emotional, even today, to think about how our team responded to this tragic incident. Our team's sense of community is what sets us apart from other housing providers. Our team members live and raise their families in the same communities our residents call home: they are our residents' neighbors, our residents' friends, and members – often pillars – of the communities in which we operate. Serving our residents is not a "job", but a calling.

This is why we believe that the very best way to safeguard our reputation and our shareholders' capital is to empower and inspire our employees so that they can go above and beyond for our residents. When our residents are fulfilled, they stay with us longer, treat our properties like their own, and refer us to other residents – and this delivers quality business outcomes for our investors. We have followed up this business philosophy with a ground-breaking Resident Bill of Rights, which promises our residents a quality single-family rental home and caring, genuine customer service. The Resident Bill of Rights is like a constitution for our residents and includes a Right to Shelter (Tricon will waive base rent and help with alternative accommodation if a resident's home is not ready on the move-in date or becomes unlivable in certain circumstances), a Right to Renewal (which prevents non-renewal of qualifying residents as a form of de facto eviction), a Right to Advance Notice, a Right to Moderated Rent Increases, and a Right to Respect, among other rights. We want our residents to know that they are our "raison d'être" and that treating them well is the foundation of our success.

Don't Stop Believin' (and Dreamin')!

Every crisis leads to an inflection point and the COVID-19 pandemic has been no exception, as we have learned that our homes provide much more to families than simply a place to live. For millions of Americans, new digital technologies changed the meaning of the home during the pandemic, transforming it into a place where they can also work, shop, learn, socialize, entertain and even get medical treatment. So the question becomes: how do we build on this so that we become more than just a housing provider?

Renters across America have always wanted to pay their bills or request a repair as quickly and as easily as possible. Today, that means with the click of a button. As part of our effort to reimagine housing, we're working to make that possible – and much more. Tricon is in the early stages of building a first-to-market single-family rental app that will ultimately enable our residents to enjoy a product that transcends their physical home. In addition to employing easy-to-use functions for paying rent, making a maintenance request or controlling the indoor climate of a home, the app will allow residents to reap the benefits of living in a virtual community, with positive networking effects. We want this app to go beyond the existing perks afforded to our Smart Home residents.

Imagine features or programs that enable our residents to host a block party, participate in virtual events, enjoy curated content, save money through loyalty programs, plan for home ownership, or receive storm notifications. Imagine an Uber-like maintenance feature whereby service requests are automatically dispatched to local technicians, and residents can track the location of our trucks, or conveniently remain at work by providing technicians with permission to enter their home via smart locks. While providing quality housing and caring customer service to the workforce is a noble enterprise, we must continuously innovate and use our economies of scale and technological capabilities to make our residents' lives better.

Perhaps most importantly in an inflationary environment, we would be remiss not to point out that technology has the ability to make housing more affordable. The single-family rental industry has pioneered technology and logistics solutions to effectively manage scattered site property operations, providing accessible suburban housing to thousands of American families, particularly as home ownership becomes increasingly out of reach. The technologies propelling single-family rental have also facilitated other business models that enable us to use our homes more efficiently, including home-sharing or short-term rental apps. It's conceivable that one day soon we will use 3D printing to construct our build-to-rent communities and lower production costs, with those savings passed on to residents in the form of lower rent. Similarly, in the not-too-distant future, emerging technologies will enable us to play an important role in energy consumption and cost management for our residents more broadly. Virtual power plants – when done right – will harness power from the solar panels on our homes and other renewable energy sources to reduce the demand from carbon-emitting power plants, and deliver meaningful energy cost savings to our residents and communities. Tricon remains steadfastly committed to creating a future where housing unlocks life's potential. This means not only utilizing, but also defining, how leading-edge technologies can be leveraged for the benefit of our residents and communities.

The Real Journey is Just Beginning

I want to express my deep appreciation and gratitude to our Board of Directors and our 1,011 Tricon team members for their passion and dedication to our residents and the communities in which we operate. Together, we are building a company that can provide a rewarding career for its employees, an incredible rental experience for its residents, a long-term solution to our housing supply crisis, and attractive returns for our shareholders and private capital partners. We remain committed to this vision as we navigate the current period of economic uncertainty in pursuit of the bright future that awaits us. I welcome you to join us on this journey.

Gary Berman

Gary Berman
President and Chief Executive Officer, Director