

# Message from the CEO

To Our Shareholders,

After successfully enduring a second year of the COVID-19 pandemic, we are reminded of the importance of connecting deeply with people, especially during a crisis, and building an organization that is purpose-driven, with employees motivated and inspired to go above and beyond. At Tricon, we empower our teams to provide our residents with exceptional service and to positively impact the local communities where we operate. We believe that by taking care of our employees we create greater alignment within the organization, reaffirm our common purpose, elevate each other and our residents and position the company for growth. In these regards, we can be truly proud of the results we have achieved over the past year.

By all accounts, 2021 was a breakout year for Tricon Residential as we harnessed powerful demand trends to deliver on our business plan and implement bold strategic initiatives. De-urbanization, de-densification and work-from-home trends accelerated by the COVID-19 pandemic led to a surge in demand for “all things housing” and ushered in what may be a “golden decade” for residential assets. Our core single-family rental (SFR) business has been a massive beneficiary of these drivers – record operating metrics and capital inflows have accelerated the institutionalization of the industry, probably by years. Consider some remarkable facts that offer evidence of these exceptional demand trends: in any given week, Tricon has only 200 to 300 homes available for rent but receives up to 10,000 leasing inquiries; Tricon raised more private capital in 2021 than in its previous 32 years of operations combined; and in the past fiscal year, Tricon’s market capitalization more than doubled to \$4.2 billion (C\$5.3 billion).

Our story is one of entrepreneurship, business transformation and capital finding opportunity that didn’t previously exist. But our story is even more compelling because this opportunity arose in the largest and most fragmented asset class in the world, and the product – a turnkey or “hotel ready” home with round-the-clock maintenance support – if delivered and serviced properly, is highly desirable. That is why we intend to use our strengthened balance sheet, deeper access to capital and tech-enabled operating platform to nearly double our SFR portfolio to 50,000 homes by the end of 2024.



**2021 was a breakout year for Tricon Residential as we harnessed powerful demand trends to deliver on our business plan and implement bold strategic initiatives.**



NOTICE TO READER: This document contains forward-looking statements and information relating to expected future events and the Company’s financial and operating results and projections. This document also presents financial measures and key performance indicators used by the Company to measure its performance that are not recognized under International Financial Reporting Standards (“IFRS”). Please refer to the sections entitled “Non-IFRS Measures” and “Forward-Looking Statements”, and sections 4 and 6 and Appendix A of the Company’s Management’s Discussion and Analysis for the year ended December 31, 2021, which can be found on the company’s website, for further information and disclaimers concerning these forward-looking statements and for the required definition, calculation and reconciliation of non-IFRS measures. All financial information is presented in U.S. dollars and as of December 31, 2021 unless otherwise indicated.

However, if that is all we accomplish, it could be considered a failure, because we have long realized that our business success depends not only on creating value by balancing the needs of our employees, residents, shareholders, partners and the communities in which we operate, but also by focusing on the broader environmental, social and economic context. And so, as we look ahead, we plan to use this golden opportunity to make our business a platform to do good, to elevate the lives of our employees and residents and inspire the broader industry to do the same.

## Don't Give Up

Many of our achievements in 2021 were the result of an internal project we launched two years ago with the aim of maximizing shareholder value. We knew how to make money in real estate but creating a desirable public company had proven more elusive. We called this “Project Genesis” – not only a reference to new beginnings in the biblical sense, but also a nod to the British rock band that spawned successful solo careers for its front men Phil Collins and Peter Gabriel. Looking at our portfolio of residential businesses, we asked our senior management team and advisors to consider whether we were better off “breaking up” or “keeping the band together.” The team conducted a systematic examination of the trade-offs between scale and efficiency on the one hand and customization and simplicity on the other. We ultimately decided not to separate our business lines; however, at the same time, we identified and executed on several meaningful steps to simplify the business and create a more agile organization. This led us to prioritize and accelerate our growth in SFR, improve our balance sheet and ultimately prepare for a U.S. initial public offering (IPO). The strong environment for rental housing enabled us to execute Project Genesis to perfection, but what surprised us was how quickly it all came together, culminating in our U.S. IPO on October 7, 2021.



LISTED ON THE  
**NYSE**  
OCTOBER 7, 2021

Tricon's U.S. IPO is the culmination of a decade-long transformation from a small asset management company invested in for-sale housing to a tech-enabled rental housing company focused on the growth of the single-family rental industry.

## Simplifying the Story

Our first big move was to collapse our somewhat complicated investment entity structure, adopt consolidated accounting and rebrand as a single company called Tricon Residential. By aligning our people, processes and systems, we simplified our business and enabled our team to operate as a unified company rather than as separate entities with different names (Tricon American Homes, Tricon Lifestyle Communities, etc.). Our team also rallied around our new purpose statement – Imagine a world where housing unlocks life’s potential – to go above and beyond for our residents and deliver consistent and compassionate service during the darkest days of the pandemic. We truly believe that putting our people and our residents first is the “invisible touch” that drives our success.

Our next big decision was to focus on SFR as our core business. In hindsight and with the benefit of the high demand for SFR, this decision seems obvious; however, it was complicated by our exposure to several different housing businesses, including our \$1.3 billion U.S. apartment portfolio. Spinning off SFR or taking our (formerly named) Tricon American Homes subsidiary public might have given the market the assets it wanted, but it would have split the management team and left our shareholders with an undesirable “remainco.” Rather than let the tail wag the dog, we decided to make SFR our core business and prioritize its growth while limiting the remaining adjacent businesses to less than 10% of our balance sheet.

These adjacent businesses continue to contribute significant value to Tricon. Moreover, we maintain a valuable option to capture synergies between SFR and the adjacent businesses (for example, convert land in our master planned communities to build-to-rent communities and explore cross-portfolio property management efficiencies), and monetize the adjacent businesses at the appropriate time so we can redeploy the capital back into SFR. In declaring our legacy for-sale housing and multi-family businesses to be adjacent businesses, we were not downplaying them or undermining their significant value, but rather emphasizing our long-term focus on SFR.



**We believe that quality rental housing can unlock life’s potential, and this drives our thinking and our actions every day.**



## Strengthening our Balance Sheet

As a landlord, giving our residents what they want has always been fundamental to our success. By extension, as a public company, we follow the same philosophy and seek to give shareholders what they want, provided it aligns with our resident-first approach and does not lead to short-term thinking. In addition to pursuing a path to business simplification, it was clear that our shareholders wanted us to improve our balance sheet, so deleveraging took center stage in Project Genesis.

With our common shares trading below what we viewed as fair value, we initiated the deleveraging process in August 2020 by raising \$300 million in convertible preferred equity at a conversion price that mitigated dilution to our common shareholders. And with BREIT, Blackstone's non-traded REIT, as our lead investor, we not only made a significant dent in our leverage but also found a strong partner that validated our strategy in the eyes of many investors. We then syndicated an 80% interest in our U.S. multi-family portfolio in March 2021 to two major global investors, raising \$425 million in net proceeds that we used to pay down debt. These transactions, along with our operational success, led to a significant increase in our share price, facilitating a C\$200 million Canadian equity offering in July 2021, which, together with the redemption of our outstanding convertible debentures in September, brought our leverage down to roughly 10x net debt to EBITDAre\* – within striking distance of our target of 8–9x, which we ultimately achieved during our U.S. IPO process. This target represents a vast improvement compared to 16x when we started Project Genesis, and while it does leave room for improvement over time, it gives us the flexibility to embark on a period of accelerated growth in our SFR business in the near term.



Tricon was a top-performing residential stock in Canada in 2021.

## Adding Visibility to our Growth

Over the better part of a decade, we have developed strong relationships with some of the largest institutional investors in the world, which have led to the creation of several investment partnerships that helped us supercharge our growth in SFR and capitalize our adjacent businesses largely off-balance sheet. Importantly, these partnerships give added clarity to our growth trajectory and sources of capital while allowing us to improve our operating efficiency.

In SFR, we created three joint ventures to acquire existing homes, new homes and completed build-to-rent communities, and to develop build-to-rent communities ourselves. These ventures provided Tricon with nearly \$7.5 billion of gross buying power (including Tricon's ~\$600 million equity co-investment and assumed leverage) and will enable us to nearly double our SFR portfolio to roughly 50,000 homes by the end of 2024. In Canada, we entered a strategic venture with CPP Investments to increase our Toronto-based multi-family build-to-core portfolio to approximately 6,500 units, providing us with the scale to consider future strategic alternatives.

Having a growth plan is one thing; having the capital and operational capacity to execute on that plan is another, and we are fortunate to have all these pieces in place to provide substantial visibility for our shareholders.

## Rounding out our Governance

In preparation for our U.S. IPO, we bolstered our Board of Directors by adding three American members with significant experience in residential real estate, as well as unique skills and priorities. Camille Douglas, Senior Managing Director at LeFrak, is an advocate for prop-tech, and quietly pushes us to revolutionize the customer experience and create a residential brand. Frank Cohen, Chairman and CEO of BREIT, oversees more real estate transactions than just about anyone, and is committed to helping Tricon get to the next level and improve shareholder value. Our newest Board member, Renée Glover, is an expert in building communities and affordable housing, and is passionate about ESG.



SFR companies are increasing the supply of accessible, high-quality housing options for Americans.<sup>1)</sup>

## The Arrival

With a simplified and differentiated business strategy – a focus on SFR, the low turnover middle market and the fast-growth U.S. Sun Belt; access to private growth capital; and an improved balance sheet – we were ready to tackle the U.S. market and launch our U.S. IPO. In a choppy and uncertain market, our story of growth, innovation and sustainable business practices resonated with U.S. investors, enabling us to increase the offering and successfully complete one of the largest U.S. real estate IPOs and Canadian follow-on offerings in history. We used the net proceeds of the offering to improve our net debt to EBITDAre metric to 8.5x, which, as discussed earlier, was nearly half of what it was when we initiated Project Genesis. As a result of the combination of a good strategic plan and a very well-executed transaction, our NYSE stock price ended the year 23% above our U.S. IPO price in less than three months and our TSX-listed stock delivered a 72% total return in 2021.

Our interest in providing background on Project Genesis and the decision-making process that led to our U.S. IPO is intended to give shareholders, especially those new to Tricon, more visibility into how we think and approach issues. It also signals our willingness to engage investors and communicate transparently. At a time when much of the public has lost faith in governments and is skeptical of large corporations, we believe it is more important than ever to demonstrate trust by listening, communicating, doing what we say and balancing the needs of all stakeholders.

## How We Got Here: A Short History of the Single-Family Rental Industry

Over the past decade, the U.S. SFR industry has matured from a largely mom-and-pop cottage business to a professionally managed, institutional-caliber asset class that fills a much-needed gap in the U.S. housing continuum. Still, it is also a business that began with a perceived “black eye” given that many of the early acquisitions were foreclosure sales, and this stigma admittedly continues in certain circles today.

In the aftermath of the Great Recession, hundreds of thousands of single-family homes wound up in foreclosure and the supply of vacant properties outweighed the demand for owner-occupied homes. By purchasing and renovating these homes, large and small investors alike reduced vacancy rates in neighborhoods with many abandoned houses, created local jobs and helped put a floor on home prices, enabling the U.S. housing market to slowly recover. Since then, large SFR companies have introduced technology, best practices and professional management – similar to what occurred in the multi-family business – to transform and modernize the industry.



**Tricon  
successfully  
completed one  
of the largest U.S.  
real estate IPOs  
and Canadian  
follow-on  
offerings in  
history.**



## Fair and Equal Access to Housing

Single-family rentals can help solve housing affordability issues by providing an alternative to homeownership, enabling Americans to live in a quality, well-maintained single-family home that they may otherwise be unable to afford or obtain a mortgage to purchase. SFR also provides many of the non-financial benefits of single-family homeownership, including access to more space, safer neighborhoods and better schools with the added convenience of a professionally managed home and maintenance services.

Many of the homes that large SFR companies buy require renovations, which they can usually execute faster and more efficiently than an owner-occupant, helping to improve the quality of the housing stock and increase the supply of rental housing in the process. By deploying cutting-edge property management technology and investing in local maintenance and operation teams, institutional landlords have successfully scaled their businesses to provide viable options for high-quality and relatively affordable housing in neighborhoods that should be accessible to everyone.



## Doing Our Part to Solve America's Housing Shortage

Today's housing affordability issues and rapid home price appreciation are being fueled by a lack of available inventory. New supply continues to be severely restricted by environmental restrictions, not-in-my-backyard (NIMBY) politics, a shortage of qualified trades and most recently supply chain bottlenecks that have lengthened build cycles and increased construction costs. Even though single-family housing starts have increased meaningfully since the Great Recession, when measured on a population adjusted basis, they are lower today than in 1991 – one of the worst real estate and housing recessions on record. Simply put, a combination of under-supply of 3.8–5.5 million homes, and government policy response to the pandemic (notably monetary easing), along with powerful nesting trends, have stimulated housing demand and unleashed record home price appreciation, putting housing further out of reach just as the Millennials (America's largest demographic cohort) entered their primary years of household formation. To suggest that institutional landlords are responsible for extreme home price appreciation, as some have insinuated, is not only a form of scapegoating but also irresponsible in that it fails to address America's inverted housing supply-demand fundamentals.

It is also worth noting that there is as much a shortage of homes in the rental housing market as there is in the home buying market, perhaps more so. According to the U.S. Census Bureau, over the last five years, the amount of owner-occupied housing in the U.S. has increased 10% while the amount of rental housing has increased just 1%. America's Rental Housing 2022 report from Harvard University's Joint Center for Housing Studies reported that 16% of single-family rental homes, or nearly two million units in 2017, became owner-occupied in 2019. Thus, a meaningful slice of rental stock is being converted into owner-occupied single-family housing. In 2020 alone, the total quantity of rental housing declined by more than 275,000 homes, an amount nearly equal to the total number of homes owned nationwide by large institutional landlords.

While the sub-prime mortgage crisis and related Great Recession created an excessive and temporary over-supply of homes which the large SFR companies helped alleviate, there is ample room for the industry to continue growing. According to Green Street, less than 2% of the country's approximately 16 million SFR homes are owned by institutional investors. Large SFR companies accounted for fewer than one-tenth of 1% of net home purchases in 2020, a year when more than 7.6 million homes were purchased in the United States – higher than any of the previous 14 years, according to the National Rental Home Council. Most individual homebuyers in markets across the country will never encounter a large SFR company when purchasing a home, much less compete against one.

Given the broader housing scarcity and rising demand for single-family rentals, Tricon and other participants in the SFR industry are actively trying to address the housing shortage by building new rental communities rather than only acquiring existing homes to meet demand. These build-to-rent single-family communities (BTR) are designed exclusively for rent with amenity packages that frequently rival those of multi-family properties. In addition to increasing the affordable housing stock, BTR benefits the labor market by creating local jobs in construction, leasing, management, landscaping and maintenance. Tricon is playing a leading role in BTR, with a current development pipeline of over 3,000 rental units in 23 new home communities across the Sun Belt. We are on track to have over 600 new homes available for rent by the end of 2022 and the current pipeline substantially completed by the end of 2024.

To sum up, large SFR companies are not adversely impacting today's housing market as some would suggest. SFR companies are increasing the supply of accessible, high-quality housing options for Americans and bringing much-needed capital, liquidity and professional property management expertise to the rental housing market.

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## We're All in this Together

As leaders in this burgeoning business, it is incumbent upon us to be good corporate citizens and responsible landlords by prioritizing the well-being of our employees and residents and safeguarding the long-term viability of this incredibly attractive industry. Ultimately, we believe that the winners in the SFR industry will be those landlords who provide the best customer service to their residents.

Throughout the pandemic, we responded to widespread financial hardship by temporarily halting evictions, waiving late fees and offering flexible rental payment plans to residents who had fallen on hard times. We also worked closely with our residents to help them access and collect over \$9 million in governmental rental assistance. In addition, in 2021, Tricon doubled the investment in our Resident Emergency Assistance Fund, which provided residents with access to grants of as much as \$2,500 to cover hardships associated with COVID-19.

A unique aspect of our resident-first approach is our voluntary self-governing on renewal rents, whereby Tricon caps annual rent increases for existing residents at rates typically below market. We are building on this initiative with our recently announced Tricon Vantage program, which we're excited to be rolling out in 2022. Tricon Vantage gives our residents access to tools, resources and services to help them achieve their financial goals. This includes financial literacy workshops, one-on-one coaching and guided group sessions tailored to their financial objectives. Tricon Vantage also offers residents access to a credit builder program to help them improve their credit scores and a home purchase program that gives qualifying residents the first opportunity to purchase the home they are renting if Tricon elects to sell it. We are also introducing a down payment assistance initiative in 2022 to help make homeownership a reality for residents who wish to pursue this goal. This program will reward long-term residents in financial good standing and help them with a crucial step toward homeownership – funding the down payment.

When families have the stability necessary to achieve financial freedom, entire communities can prosper. At Tricon, we believe that this compassionate approach to serving our residents is not only the right thing to do, but also the primary reason for our high occupancy, low turnover rate and leading resident satisfaction scores.



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## Let's Elevate One Another

Looking back at our accomplishments over the past few years, I am filled with awe and admiration for our employees. Tricon is now among the leaders in the SFR business. We could not have reached this point without our employees' hard work and dedication to going above and beyond every day to serve our residents. I would also like to express my gratitude to our Board of Directors and our many long-standing shareholders, investors and capital market partners for their ongoing support throughout our journey.

I want to acknowledge Larry Johnson, founder and CEO of Johnson Development Corp. (JDC), pioneer of the master-planned community (MPC) business, a leader in Houston's business community and partner and friend to Tricon, who passed away in January. Larry started JDC about 45 years ago. The company now manages 18 active master-planned communities throughout Texas and sells more lots to homebuilders than any other developer in Houston – one of the largest homebuilding markets in the country. Larry was an inspiration to me and to so many others and will always be remembered for his optimistic mindset, hard work, leadership and commitment to doing what was right, not what was easy. His great legacy will live on through his family, the company, Johnson MPCs and the business community he continues to inspire.

As I look to the future, I'm struck by our opportunity to create an effective platform for doing good. When times are hard, it calls for the best in us. For Tricon, that means upholding our commitment to enriching our residents' lives and building strong communities. Our values-based approach to business is essential in times beset by economic uncertainty, affordability pressures, healthcare and climate change issues. This approach is imperative for our industry. After all, the future doesn't just happen. It's something we need to believe in first, and then build together. To create a brighter, more inclusive and more prosperous future for everyone, we must lead by example and be the change we want to see.

As Henry David Thoreau said, "I know of no more encouraging fact than the unquestionable ability of man to elevate his life by conscious endeavor."

Let's strive to elevate one another each and every day.



*Gary Berman*

Gary Berman  
Director, President and Chief Executive Officer

