

2020 Annual Report



Feel right at home.

While we finished 2020 with sector-leading core funds from operations per share growth and have the best projected growth in the sector for 2021, we are not stopping here. Our 2022 performance, and beyond, is on track for continued accelerated growth. The best is truly yet to come.

Fellow Shareholders of American Homes 4 Rent:

For many in the real estate sector, 2020 was a difficult year, but our business model and platforms set us apart, making 2020 a record-breaking year for American Homes 4 Rent. During the year, we achieved:

- the highest core funds from operations in our history;
- the highest occupancy in our history;
- the strongest rental rate leasing spread growth in our history; and
- delivery of a record number of homes from our in-house development platform.

Accelerating Single-Family Rental Demand

The pandemic forced Americans to find sanctuary in their homes. Homes became our schools, our offices, our vacation destinations, our escapes from long commutes and our safe havens. We, at American Homes 4 Rent, were there to meet the needs of our 200,000 residents. Beyond the immediate tailwinds emerging from the pandemic, there are much broader trends that underpin our success:

- Our country needs more homes. We are building them.
- Our country needs more homes that meet changing lifestyles in which people seek to rent homes for dedicated periods of time rather than own forever. We offer homes specifically to rent.
- Our environment requires more energy- and water-efficient homes made with more durable materials that generate less waste. Our homes are designed and maintained with sustainability in mind.

Today, demand for single-family rental (SFR) homes is stronger than ever before. American Homes 4 Rent has changed the value proposition of the SFR home by introducing professional management. As household formations continue to outpace new housing supply,

we provide a high-quality housing alternative to those seeking flexibility and other unique benefits offered only by an SFR home.

Uniquely Positioned for the Future

As a pioneer in the SFR industry, American Homes 4 Rent has repeatedly introduced industry “firsts.” We were first to develop *Let Yourself InSM*, a proprietary leasing technology that drove our superior leasing performance in 2020. We were first to integrate an SFR in-house maintenance function into our centralized property management platform. And we were the first — and remain the only — SFR company with an investment-grade balance sheet, which provides flexibility for long-term investments and enables growth through all market cycles.

Just being first isn’t enough. We care about having the right systems. Our *Let Yourself InSM* technology and systems for in-house maintenance have resulted in the lowest cost to maintain an SFR home and the highest overall operating margins in the industry.¹

We care about being in the right places. Taking macro trends into account, we seek markets with favorable demographics that offer numerous opportunities for acquisition and development. Today, our diversified portfolio operates in more than 30 markets across 22 states. This mitigates our exposure to risk associated with any one economically impacted area.

And we care about offering the right product. The majority of our homes are occupied by two working adults, with one or more child, and an average annual household income of more than \$100,000. While our residents may have the means to purchase a home, they choose American Homes 4 Rent homes because we offer quality homes and a high-touch, professionally managed customer experience.

GROW. GROW. GROW.

Our future is secured by yet another first. Five years ago, we began building the premier build-to-rent platform, AMH Development. While we continue to add homes through traditional acquisitions and partnerships with national homebuilders, the highest-quality SFR homes with the best economics are the homes that we build ourselves.

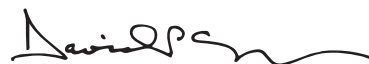
AMH Development delivered 1,647 homes in 2020, which represents a nearly 75% increase year over year. In 2020, we opened a new community nearly every week. In 2021, we expect to increase our deliveries by another 25%. It takes four to five years to go from securing entitled land to delivering a new home. As such, homes that we delivered in 2020 and those we plan to deliver in 2021 are from land that we acquired during our beginning phase of building the AMH Development platform. Since that time, we acquired high-quality land and now control more

than 10,000 lots for future deliveries. This positions us very well for exciting growth in 2022, 2023 and beyond.

While we finished 2020 with sector-leading core funds from operations per share growth and have the best projected growth in the sector for 2021, we are not stopping here. Our 2022 performance, and beyond, is on track for continued accelerated growth. The best is truly yet to come.

Finally, our successes and tremendous performance in 2020 are the result of the efforts of the entire American Homes 4 Rent family: our employees, operating partners, residents, and shareholders. I'd like to offer a special thanks to our residents who remain loyal to our unique value proposition, and to you, our shareholders, for your confidence and continued support.

Best regards,



David P. Singelyn
Chief Executive Officer
March 2021

¹ Defined as Fully-Adjusted EBITDA after capital expenditures divided by consolidated revenues, net of tenant charge-backs and adjusted for unconsolidated joint ventures. Our 2020 Annual Report references certain non-GAAP financial measures. Definitions and reconciliations to the nearest GAAP measures for core funds from operations and Fully Adjusted EBITDA are included in the Form 10-K that is enclosed as part of this 2020 Annual Report.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2020

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

or
For the transition period from _____ to _____
Commission File Number: 001-36013 (American Homes 4 Rent)
Commission File Number: 333-221878-02 (American Homes 4 Rent, L.P.)

**AMERICAN HOMES 4 RENT
AMERICAN HOMES 4 RENT, L.P.**

(Exact name of registrant as specified in its charter)

**American Homes 4 Rent
American Homes 4 Rent, L.P.**

**Maryland
Delaware**

(State or other jurisdiction of
incorporation or organization)

23975 Park Sorrento, Suite 300

Calabasas, California 91302

(Address of principal executive offices) (Zip Code)

(805) 413-5300

(Registrant's telephone number, including area code)

46-1229660

80-0860173

(I.R.S. Employer
Identification No.)

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

Title of each class	Trading symbols	Name of each exchange on which registered
Class A common shares of beneficial interest, \$.01 par value	AMH	New York Stock Exchange
Series D perpetual preferred shares of beneficial interest, \$.01 par value	AMH-D	New York Stock Exchange
Series E perpetual preferred shares of beneficial interest, \$.01 par value	AMH-E	New York Stock Exchange
Series F perpetual preferred shares of beneficial interest, \$.01 par value	AMH-F	New York Stock Exchange
Series G perpetual preferred shares of beneficial interest, \$.01 par value	AMH-G	New York Stock Exchange
Series H perpetual preferred shares of beneficial interest, \$.01 par value	AMH-H	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

American Homes 4 Rent Yes No

American Homes 4 Rent, L.P. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

American Homes 4 Rent Yes No

American Homes 4 Rent, L.P. Yes No

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.

American Homes 4 Rent Yes No

American Homes 4 Rent, L.P. 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).

American Homes 4 Rent Yes No

American Homes 4 Rent, L.P. Yes No

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

American Homes 4 Rent

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

American Homes 4 Rent, L.P.

Large accelerated filer

Non-accelerated filer

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.

American Homes 4 Rent

American Homes 4 Rent, L.P.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

American Homes 4 Rent Yes No

American Homes 4 Rent, L.P. Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

American Homes 4 Rent Yes No

American Homes 4 Rent, L.P. Yes No

The aggregate market value of American Homes 4 Rent's Class A common shares held by non-affiliates of the registrant was approximately \$6.9 billion based on the closing price for such shares on the New York Stock Exchange on June 30, 2020. There is no public trading market for the common units of limited partnership interest of American Homes 4 Rent, L.P. As a result, the aggregate market value of the common units of limited partnership interest held by non-affiliates of American Homes 4 Rent, L.P. cannot be determined.

There were 316,118,533 shares of American Homes 4 Rent's Class A common shares, \$.01 par value per share, and 635,075 shares of American Homes 4 Rent's Class B common shares, \$.01 par value per share, outstanding on February 24, 2021.

Documents Incorporated by Reference

Portions of the Definitive Proxy Statement for our 2021 Annual Meeting of Shareholders are incorporated by reference into Part III of this report. We expect to file our proxy statement within 120 days after December 31, 2020.

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EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2020 of American Homes 4 Rent and American Homes 4 Rent, L.P. Unless stated otherwise or the context otherwise requires, references to “AH4R” or the “General Partner” mean American Homes 4 Rent, a Maryland real estate investment trust (“REIT”), and references to the “Operating Partnership” or the “OP” mean American Homes 4 Rent, L.P., a Delaware limited partnership, and its subsidiaries taken as a whole. References to the “Company,” “we,” “our” and “us” mean collectively AH4R, the Operating Partnership and those entities/subsidiaries owned or controlled by AH4R and/or the Operating Partnership.

AH4R is the general partner of, and as of December 31, 2020 owned approximately 85.9% of the common partnership interest in, the Operating Partnership. The remaining 14.1% of the common partnership interest was owned by limited partners. As the sole general partner of the Operating Partnership, AH4R has exclusive control of the Operating Partnership’s day-to-day management. The Company’s management operates AH4R and the Operating Partnership as one business, and the management of AH4R consists of the same members as the management of the Operating Partnership.

The Company believes that combining the annual reports on Form 10-K of the Company and the Operating Partnership into this single report provides the following benefits:

- enhances investors’ understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

The Company believes it is important to understand the few differences between AH4R and the Operating Partnership in the context of how AH4R and the Operating Partnership operate as a consolidated company. AH4R’s primary function is acting as the general partner of the Operating Partnership. The only material asset of AH4R is its partnership interest in the Operating Partnership. As a result, AH4R generally does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing equity from time to time and guaranteeing certain debt of the Operating Partnership. AH4R itself is not directly obligated under any indebtedness, but guarantees some of the debt of the Operating Partnership. The Operating Partnership owns substantially all of the assets of the Company, including the Company’s ownership interests in its joint ventures, either directly or through its subsidiaries, conducts the operations of the Company’s business and is structured as a limited partnership with no publicly traded equity. One difference between the Company and the Operating Partnership is \$25.7 million of asset-backed securitization certificates issued by the Operating Partnership and purchased by AH4R. The asset-backed securitization certificates are recorded as an asset-backed securitization certificates receivable by the Company and as an amount due from affiliates by the Operating Partnership. AH4R contributes all net proceeds from its various equity offerings to the Operating Partnership. In return for those contributions, AH4R receives Operating Partnership units (“OP units”) equal to the number of shares it has issued in the equity offering. Based on the terms of the Agreement of Limited Partnership of the Operating Partnership, as amended, OP units can be exchanged for shares on a one-for-one basis. Except for net proceeds from equity issuances by AH4R, the Operating Partnership generates the capital required by the Company’s business through the Operating Partnership’s operations, by the Operating Partnership’s incurrence of indebtedness or through the issuance of OP units.

Shareholders’ equity, partners’ capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership. The limited partnership interests in the Operating Partnership are accounted for as partners’ capital in the Operating Partnership’s financial statements and as noncontrolling interests in the Company’s financial

statements. The noncontrolling interests in the Operating Partnership's financial statements include an outside ownership interest in a consolidated subsidiary of the Company, which was liquidated during the second quarter of 2018. The noncontrolling interests in the Company's financial statements include the same noncontrolling interests at the Operating Partnership level, as well as the limited partnership interests in the Operating Partnership. The differences between shareholders' equity and partners' capital result from differences in the equity and capital issued at the Company and Operating Partnership levels.

To help investors understand the differences between the Company and the Operating Partnership, this report provides separate consolidated financial statements for the Company and the Operating Partnership; a single set of consolidated notes to such financial statements that includes separate discussions of each entity's debt, noncontrolling interests and shareholders' equity or partners' capital, as applicable; and a combined Part II, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" section that includes discrete information related to each entity.

This report also includes separate Part II, "Item 9A. Controls and Procedures" sections and separate Exhibits 31 and 32 certifications for each of the Company and the Operating Partnership in order to establish that the requisite certifications have been made and that the Company and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

In order to highlight the differences between the Company and the Operating Partnership, the separate sections in this report for the Company and the Operating Partnership specifically refer to the Company and the Operating Partnership. In the sections that combine disclosure of the Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership is generally the entity that directly or indirectly enters into contracts and joint ventures and holds assets and debt, reference to the Company is appropriate because the Company is one business and the Company operates that business through the Operating Partnership. The separate discussions of the Company and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Company on a consolidated basis and how management operates the Company.

**AMERICAN HOMES 4 RENT
AMERICAN HOMES 4 RENT, L.P.**

TABLE OF CONTENTS

		<u>Page</u>
PART I		
Item 1.	Business	1
Item 1A.	Risk Factors	10
Item 1B.	Unresolved Staff Comments	29
Item 2.	Properties	29
Item 3.	Legal Proceedings	29
Item 4.	Mine Safety Disclosures	29
PART II		
Item 5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	30
Item 6.	Selected Financial Data	33
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	33
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	55
Item 8.	Financial Statements and Supplementary Data	55
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	55
Item 9A.	Controls and Procedures	55
Item 9B.	Other Information	59
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	59
Item 11.	Executive Compensation	59
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	59
Item 13.	Certain Relationships and Related Transactions, and Director Independence	59
Item 14.	Principal Accountant Fees and Services	59
PART IV		
Item 15.	Exhibit and Financial Statement Schedules	60
Item 16.	Form 10-K Summary	64
	Signatures	

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in this document, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. These forward-looking statements may include projections and estimates concerning the timing and success of specific projects and our future operations, revenues, income and capital spending. Our forward-looking statements are generally accompanied by words such as “estimate,” “project,” “predict,” “believe,” “expect,” “intend,” “anticipate,” “potential,” “plan,” “goal” or other words that convey the uncertainty of future events or outcomes. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control.

Currently, one of the most significant factors that could cause actual outcomes to differ materially from our forward-looking statements is the adverse effect of the current pandemic of the novel coronavirus (“COVID-19”) on the financial condition, operating results and cash flows of the Company, our tenants, the real estate market, the global economy and the financial markets. The extent to which the COVID-19 pandemic continues to impact us and our tenants will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, including resurgences, impact of government regulations, the speed and effectiveness of vaccine distribution and the direct and indirect economic effects of the pandemic and containment measures, among others.

These and other important factors, including those discussed under Part I, “Item 1. Business,” Part I, “Item 1A. Risk Factors,” Part II, “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this document may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements.

While forward-looking statements reflect our good faith beliefs, assumptions and expectations, they are not guarantees of future performance, and you should not unduly rely on them. The forward-looking statements in this document speak only as of the date of this document. We are not obligated to update or revise these statements as a result of new information, future events or otherwise, unless required by applicable law.

PART I

ITEM 1. BUSINESS

Overview

American Homes 4 Rent (“AH4R”) is an internally managed Maryland real estate investment trust (“REIT”) formed on October 19, 2012. American Homes 4 Rent, L.P., a Delaware limited partnership formed on October 22, 2012, and its consolidated subsidiaries (collectively, the “Operating Partnership,” our “operating partnership” or the “OP”) is the entity through which the Company conducts substantially all of our business and owns, directly or through subsidiaries, substantially all of our assets. References to the “Company,” “we,” “our,” and “us” mean collectively, AH4R, the Operating Partnership and those entities/subsidiaries owned or controlled by AH4R and/or the Operating Partnership. We are focused on acquiring, developing, renovating, leasing and operating single-family homes as rental properties. We commenced operations in November 2012.

AH4R is the general partner of, and as of December 31, 2020 owned approximately 85.9% of the common partnership interest in, the Operating Partnership. The remaining 14.1% of the common partnership interest was owned by limited partners. As the sole general partner of the Operating Partnership, AH4R has exclusive control of the Operating Partnership’s day-to-day management. The Company’s management operates AH4R and the Operating Partnership as one business, and the management of AH4R consists of the same members as the management of the Operating Partnership. AH4R’s primary function is acting as the general partner of the Operating Partnership. The only material asset of AH4R is its partnership interest in the Operating Partnership. As a result, AH4R generally does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing equity from time to time and guaranteeing certain debt of the Operating Partnership. AH4R itself is not directly obligated under any indebtedness, but guarantees some of the debt of the Operating Partnership. The Operating Partnership owns substantially all of the assets of the Company, including the Company’s ownership interests in its joint ventures, either directly or through its subsidiaries, conducts the operations of the Company’s business and is structured as a limited partnership with no publicly traded equity. One difference between the Company and the Operating Partnership is \$25.7 million of asset-backed securitization certificates issued by the Operating Partnership and purchased by AH4R. The asset-backed securitization certificates are recorded as an asset-backed securitization certificates receivable by the Company and as an amount due from affiliates by the Operating Partnership. AH4R contributes all net proceeds from its various equity offerings to the Operating Partnership. In return for those contributions, AH4R receives Operating Partnership units (“OP units”) equal to the number of shares it has issued in the equity offering. Based on the terms of the Agreement of Limited Partnership of the Operating Partnership, as amended, OP units can be exchanged for shares on a one-for-one basis. Except for net proceeds from equity issuances by AH4R, the Operating Partnership generates the capital required by the Company’s business through the Operating Partnership’s operations, by the Operating Partnership’s incurrence of indebtedness or through the issuance of OP units.

As of December 31, 2020, the Company held 53,584 single-family properties in selected sub-markets of metropolitan statistical areas (“MSAs”) within 22 states, including 711 properties classified as held for sale, and 51,271, or 97.0%, of our total properties (excluding properties held for sale) were occupied. We have an integrated operating platform that consists of 1,447 personnel dedicated to property management, acquisitions, development, marketing, leasing, financial and administrative functions.

We believe we have become a leader in the single-family home rental industry by aggregating a geographically diversified portfolio of high-quality single-family homes and developing “American Homes 4 Rent” into a nationally recognized brand that is well-known for quality, value and tenant satisfaction and is well respected in our communities. Our investments may be made directly or through investment vehicles with third-party investors. We began adding newly constructed “built-for-rental” single-family properties to our portfolio in 2017 through our internal “AMH Development Program” and through

acquisitions from third-party developers via our “National Builder Program.” Our objective is to generate attractive, risk-adjusted returns for our shareholders through dividends and capital appreciation.

We believe that we have been organized and operate in conformity with the requirements for qualification and taxation as a REIT under U.S. federal income tax laws for each of our taxable years commencing with our taxable year ended December 31, 2012, through the current taxable year ended December 31, 2020. We expect to satisfy the requirements for qualification and taxation as a REIT under the U.S. federal income tax laws for our taxable year ending December 31, 2021, and subsequent taxable years.

We believe that the Operating Partnership is properly treated as a partnership for federal income tax purposes. As a partnership, the Operating Partnership is not subject to U.S. federal income tax on our income. Instead, each of the Operating Partnership’s partners, including AH4R, is allocated, and may be required to pay tax with respect to, its share of the Operating Partnership’s income. As such, no provision for U.S. federal income taxes has been included for the Operating Partnership.

Our principal executive office is located at 23975 Park Sorrento, Suite 300, Calabasas, California 91302. Our main telephone number is (805) 413-5300. Our website address is www.americanhomes4rent.com. The information contained on our website is not part of or incorporated by reference in this report.

Our Business and Growth Strategies

Our primary objective is to generate attractive risk-adjusted returns for our shareholders through dividends and capital appreciation by acquiring, developing, renovating, leasing and operating single-family homes as rental properties. We believe we can achieve this objective by pursuing the following strategies:

- ***Maintain early-mover advantage and position us as a dominant owner/operator of single-family rental properties.*** Historically, the single-family home rental market has been extremely fragmented, comprised primarily of private and individual property investors in local markets. Until recently, there have been no large-scale, national market owners/operators primarily due to the challenge of efficiently scaling the development/acquisition and management of many individual homes. With opportunities to cost-effectively develop homes and to continue acquiring homes at attractive prices, we intend to continue to leverage our expertise and experience in rapidly building an institutional-quality, professionally-managed business. We believe that being one of the first in our industry to do so on a large scale has provided us the “early-mover” advantage to continue aggregating a large, geographically diversified portfolio of high-quality properties at prices that provide attractive potential yields and capital appreciation.
- ***Employ a disciplined property acquisition process.*** We have an established acquisition and renovation platform to source properties through a variety of traditional acquisition channels, including broker sales (primarily multiple listing service (“MLS”)) and bulk portfolio sales. We focus on homes with a number of key property characteristics, including: (i) construction after the year 2000; (ii) three or more bedrooms; (iii) two or more bathrooms; (iv) a range of \$200,000 estimated minimum valuation to \$450,000 maximum bid price; and (v) estimated renovation costs not in excess of 25% of estimated value. Our target areas have above average median household incomes, well-regarded school districts and access to desirable lifestyle amenities. We believe that homes in these areas will attract tenants with strong credit profiles, produce high occupancy and rental rates and generate long-term property appreciation. Not all of the homes we acquire through traditional channels meet all of these criteria, especially if acquired as part of a bulk purchase. In addition to our traditional MLS acquisition channel, we continue to acquire newly constructed homes from third-party developers through our National Builder Program.
- ***Expand our one-of-a-kind internal development program.*** We are increasingly focused on developing “built-for-rental” homes through our internal AMH Development Program, which we believe

represents the best investment on a risk-adjusted return basis. Our “built-for-rental” homes will leverage our existing property management platform and are built with the long-term renter in mind, including maintenance resilient features, as well as floor plans, finishes and other features known to be desirable to our residents. Our experienced land acquisition team and our proprietary data analytics enables us to strategically identify ideal land opportunities that are within our existing footprint in our high-growth markets. Our inventory of land holdings and future acquisitions will allow us to sustain our projected stabilized level of development over the next several years.

- ***Maintain a geographically diversified portfolio.*** We monitor and manage the diversification of our portfolio in order to reduce the risks associated with adverse developments affecting a particular market. We currently are focusing on developing and acquiring single-family homes in selected sub-markets of MSAs, with an emphasis on achieving critical mass within each target market. We continually evaluate potential new markets where we may invest and establish operations as opportunities emerge. We select our markets based on steady population growth and strong rental demand, providing for attractive potential yields and capital appreciation. In addition, if we are unable to gain desired critical mass within a market to operate efficiently, then we may pursue ways to exit those markets in a manner designed to maximize shareholder value.
- ***Efficiently manage and operate properties.*** We believe we have created a leading, comprehensive single-family home property management business and that the key to efficiently managing a large number of relatively low-cost properties is to strike the appropriate balance between centralization and decentralization. We believe that in-house property management enables us to optimize rental revenues, effectively manage expenses, realize significant economies of scale, standardize brand consistency and maintain direct contact with our tenants. Our property management platform has local leasing agents and property managers who provide customer service to our tenants. Corporate-level functions are centralized, including management, accounting, legal, marketing and call centers to handle leasing and maintenance calls. These centralized services allow us to provide all markets with the benefits of these functions without the burden of staffing each function in every market. In addition, by having a national property management operation, we have the ability to negotiate favorable terms on services and products with many of our contractors and vendors, including national contractors and vendors. Our property management functions are 100% internalized, which we believe provides us with consistency of service, control and branding in the operation of our properties.
- ***Establish a nationally recognized brand.*** We continue to strive toward establishing “American Homes 4 Rent” as a nationally recognized brand because we believe that establishing a brand well-known for quality, value and tenant satisfaction will help attract and retain tenants and qualified personnel, as well as support higher rental rates. We believe that creating brand awareness will facilitate the growth and success of our company. We have established a toll-free number serviced by our call center and a website to provide a direct portal to reach potential tenants and to drive our brand presence. We believe our brand has gained recognition within a number of our markets.
- ***Optimize capital structure.*** We may use leverage to increase potential returns to our shareholders, but we will seek to maintain a conservative and flexible balance sheet. We believe that preferred shares provide an attractive source of permanent capital. We have also obtained capital through the use of unsecured credit facilities, the issuance of unsecured senior notes, and through asset-backed securitization transactions completed during 2014 and 2015. We also participate in investment vehicles with third-party investors as an alternative source of equity to grow our business. Our executive officers have substantial experience organizing and managing investment vehicles with third-party investors.

Our Business Activities

Property Development, Acquisition, Renovation, Leasing and Property Management

- **Property Development.** We are increasingly focused on developing “built-for-rental” homes through our internal AMH Development Program and acquiring newly constructed homes from third-party developers through our National Builder Program in target markets in selected sub-markets of MSAs. Rental homes developed through our AMH Development Program involve substantial up-front costs, time to acquire and develop land, time to build the rental home, and time to lease the rental home before the home generates income. This process is dependent upon the availability of suitable land assets and the nature of each lot acquired. Rental homes acquired from third-party developers through our National Builder Program are dependent on the inventory of newly constructed homes and homes currently under construction.

For our AMH Development Program, the development timeline varies primarily due to land development requirements. Once land development requirements have been met, on average it takes approximately four to six months to complete the rental home vertical construction process. However, delivery of homes may be staged to account for delays in demand. Our AMH Development Program is managed by our team of development professionals that oversee the full rental home construction process including all land development and work performed by subcontractors. Homes added through our AMH Development Program are available for lease immediately upon or shortly after receipt of a certificate of occupancy. On average, it takes approximately 20 to 40 days to lease a property after its development.

- **Property Acquisition.** We have a disciplined acquisition platform that is capable of deploying large amounts of capital across all acquisition channels and in multiple markets simultaneously. Our acquisition process begins with an analysis of housing markets. Target markets are selected based on steady population growth and strong rental demand, providing for attractive potential yields and potential capital appreciation. Our target markets currently include selected sub-markets of MSAs. Within our target markets, our system allows us to screen broadly and rapidly for potential acquisitions and is designed to identify highly targeted sub-markets at the neighborhood and street levels.

We have and will continue to source property acquisition opportunities through traditional channels, including broker sales (including traditional MLS sales) and portfolio (or bulk) sales. In particular, we have an extensive network of real estate brokers that facilitate a large volume of acquisitions through broker sales. Our team of dedicated personnel identifies opportunities for homes sold in bulk by institutions or competitors. Acquisitions through these channels generally allow more time for underwriting to determine the expected rents, expenses and renovation costs, obtain title insurance and review local covenant conditions and restrictions.

- **Property Renovation.** We have a team of dedicated personnel to oversee the renovation process for homes added through traditional acquisition channels. This team focuses on maximizing the benefit of our investment in property renovation. Once a home is acquired, if it is not occupied, we promptly begin the renovation process, during which the property is thoroughly evaluated. Any resulting work is presented for bid to approved contractors, which we maintain in each of our markets. We have negotiated substantial quantity discounts in each of our markets for products that we regularly use during the renovation process, such as paint, window blinds and flooring. By establishing and enforcing best practices and quality consistency, we believe that we are able to reduce the costs of both materials and labor.

We have found that a rapid response to renovating our homes improves our relationship with the local communities and homeowners’ associations (“HOAs”), enhancing the “American Homes 4 Rent” brand recognition and loyalty. In general, property renovations are completed within approximately 20 to 40 days and properties are typically leased approximately 20 to 40 days after

completing the renovation process. If a home that is acquired remains occupied, the renovation process may be postponed. However, an assessment is made of potential renovation work that must be addressed once the property can be accessed.

- ***Property Management.*** We have developed an extensive in-house property management infrastructure, with modern systems, dedicated personnel and local offices in certain of our markets. In these markets, property managers employed by us execute all property management functions. We directly manage all of our properties without the engagement of a third-party manager.
- ***Marketing and Leasing.*** We are responsible for establishing rental rates, marketing and leasing properties (including screening prospective tenants) and collecting and processing rent. We establish rental rates centrally, using data-driven pricing models, supported by analysis from the local property management teams in each market. Factors considered in establishing the rental rates include a competitive analysis of rents, the size and age of the house, and many qualitative factors, such as neighborhood characteristics and access to quality schools, transportation and services. We advertise the available properties through multiple channels, including our website, online marketplaces, MLS, yard signs and local brokers. Substantially all of our homes are shown using technology-driven “self-guided” showings.

Prospective tenants may submit an application through our website or in person. We evaluate prospective tenants in a standardized manner. Our application and evaluation process includes obtaining appropriate identification, a thorough evaluation of credit and household income and a review of the applicant’s rental history. Although we require a minimum household credit score and income to rent ratio, all factors are taken into consideration during the tenant evaluation process, including an emphasis on rental payment history. On average, household credit scores and income to rent ratios of approved applicants are significantly in excess of our minimum requirements. We are generally able to complete our application and evaluation process the same day the prospective tenant submits a complete rental application. We collect the majority of rent electronically via Automated Clearing House transfer or direct debit to the tenant’s checking account via a secure tenant portal on our website. An auto-pay feature is offered to facilitate rent payment. Tenants’ charges and payment history are available to tenants online through the tenant portal. Tenants who do not pay rent by the late payment date (typically within five calendar days of the due date) will receive notification and are assessed a late fee, in jurisdictions where allowable. Eviction is a last resort, and the eviction process is managed in compliance with local and state regulations. The eviction process is documented through a property management system with all correspondence and documentation stored electronically.

- ***Tenant Relations and Property Maintenance.*** We also are responsible for most property repairs and maintenance and tenant relations. Our tenants can request maintenance through our online website, our 24/7 emergency line to handle after-hours issues, or through our local property management office or call center. As part of our ongoing property management, we conduct routine repairs and maintenance as appropriate to maximize long-term rental income and cash flows from our portfolio, and are increasingly performing this work using in-house employees as opposed to third-party vendors. In addition, our local teams are involved in periodic visits to our properties to help foster positive, long-term relationships with our tenants, to monitor the condition and use of our homes and to ensure compliance with HOA rules and regulations.
- ***Systems and Technology.*** Effective systems and technology are essential components of our process. We have made significant investments in our lease management, accounting and asset management systems. They are designed to be scalable to accommodate continued growth in our portfolio of homes. Our website is fully integrated into the tenant accounting and leasing system. From the website, which is accessible from mobile devices, prospective tenants can browse homes available for rent, request additional information and apply to rent a specific home. Through the tenant

portal existing tenants can set up automatic payments. The system is designed to handle the accounting requirements of residential property accounting, including accounting for security deposits and paying property-level expenses. The system obtains credit information from a major credit bureau, which is used to evaluate prospective tenant rental applications.

Insurance

We maintain property, liability and corporate level insurance coverage related to our business, including crime and fidelity, property management errors and omissions, trustees' and officers' errors and omissions, cyber liability, employment practice liability and workers' compensation. We believe the policy specifications and insured limits under our insurance program are appropriate and adequate for our business and properties given the relative risk of loss, the cost of the coverage and industry practice. However, our insurance coverage is subject to substantial deductibles and carve-outs, and we will be self-insured up to the amount of such deductibles and carve-outs. See "Risk Factors—Risks Related to Our Business—We are self-insured against many potential losses, and uninsured or underinsured losses relating to properties may adversely affect our financial condition, operating results, cash flows and ability to make distributions" and "Risk Factors—Risks Related to the Real Estate Industry—Environmentally hazardous conditions may adversely affect our financial condition, cash flows and operating results."

Competition and Trends in Market Demand

We face competition from different sources in each of our two primary activities: developing/acquiring properties and renting our properties. We believe our primary competitors in acquiring our target properties through individual acquisitions are individual investors, small private investment partnerships looking for one-off acquisitions of investment properties that can either be rented or restored and sold, and larger investors, including private equity funds and other REITs, that are seeking to capitalize on the same market opportunity that we have identified. Our primary competitors in acquiring portfolios of properties or land assets include large and small private equity investors, public and private REITs, other sizeable private institutional investors and other homebuilders. These same competitors may also compete with us for tenants. Competition may increase the prices for properties and land that we would like to purchase, reduce the amount of rent we may charge at our properties, reduce the occupancy of our portfolio and adversely impact our ability to achieve attractive yields. However, we believe that our acquisition platform, our extensive in-house property management infrastructure and market knowledge in markets that meet our selection criteria provide us with competitive advantages. Further, we have benefited from increases in long-term demand primarily due to households accelerating decisions to leave city centers and apartments for suburban, detached single-family homes. As a result of the COVID-19 pandemic, the work-from-home proliferation has driven further demand as employees have less need to live near city centers and also desire larger living spaces to accommodate working from home.

Regulation

General

Our properties are subject to various covenants, laws and ordinances, and certain of our properties are also subject to the rules of the various HOAs where such properties are located. We believe that we are in material compliance with such covenants, laws, ordinances and rules, and we also require that our tenants agree to comply with such covenants, laws, ordinances and rules in their leases with us.

Fair Housing Act

The Fair Housing Act ("FHA") and its state law counterparts, and the regulations promulgated by the U.S. Department of Housing and Urban Development and various state agencies, prohibit discrimination in housing on the basis of race or color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women and people securing custody of children under the age of 18), handicap or, in some states, financial capability. We believe that our properties are in substantial compliance with the FHA and other regulations.

Eviction Moratorium

In response to the COVID-19 pandemic, on September 4, 2020, the Centers for Disease Control and Prevention (the “CDC”) issued a federal eviction moratorium that temporarily halts residential evictions of qualifying tenants for nonpayment of rent during the period from September 4, 2020 to December 31, 2020. On December 27, 2020, the CDC extended the moratorium through January 31, 2021 and on January 29, 2021, the CDC extended the moratorium through March 31, 2021. We believe that we are in compliance with this moratorium. We expect vigorous debate and discussion in a number of areas, including residential housing, fiscal policy, monetary policy and healthcare, to continue over the next few years. However, we cannot be certain if or when any specific proposal or policy might be announced, emerge from committee or be approved by Congress, and, if so, what the effects on us may be.

Environmental Matters

As a current or prior owner of real estate, we are subject to various federal, state and local environmental laws, regulations and ordinances, and we could be liable to third parties as a result of environmental contamination or noncompliance at our properties, even if we no longer own such properties. See “Risk Factors—Risks Related to Our Business—Contingent or unknown liabilities could adversely affect our financial condition, cash flows and operating results” and “Risk Factors—Risks Related to the Real Estate Industry—Environmentally hazardous conditions may adversely affect our financial condition, cash flows and operating results.”

REIT Qualification

AH4R has elected to be taxed as a REIT commencing with our first taxable year ended December 31, 2012. Our qualification as a REIT, and maintenance of such qualification, depends upon our ability to meet, on a continuing basis, various complex requirements under the Internal Revenue Code of 1986, as amended (the “Code”), relating to, among other things, the sources of our gross income, the composition and values of our assets, our distributions to our shareholders and the concentration of ownership of our equity shares. We believe that, commencing with our initial taxable year ended December 31, 2012, we have been organized in conformity with the requirements for qualification and taxation as a REIT.

As a REIT, we generally will not be subject to U.S. federal income tax on our REIT taxable income that we currently distribute to our shareholders, but taxable income generated by any of our taxable REIT subsidiaries (our “TRS”) will be subject to U.S. federal, state and local income tax. Under the Code, REITs are subject to numerous organizational and operational requirements, including a requirement that they generally distribute annually at least 90% of their REIT taxable income, computed without regard to the dividends paid deduction and any net capital gains to their shareholders. If AH4R fails to qualify as a REIT in any taxable year and does not qualify for certain statutory relief provisions, our income would be subject to U.S. federal income tax, and we would likely be precluded from qualifying for treatment as a REIT until the fifth calendar year following the year in which we fail to qualify. Even if AH4R qualifies as a REIT, we may still be subject to certain U.S. federal, state and local taxes on our income and assets and to U.S. federal income and excise taxes on our undistributed income.

Human Capital Management

As of December 31, 2020, we have 1,447 dedicated personnel. None of our personnel are covered by a collective bargaining agreement. Our success depends on our employees providing quality service to our residents. This requires us to attract, retain and grow a skilled and diverse workforce to design and maintain high quality homes. We are committed to creating and maintaining a great place to work with an inclusive culture, competitive benefits, and opportunities for training and growth. Our commitment to human capital development is a focus of not just our senior management, but also our board of trustees. The Human Capital and Compensation Committee of the board of trustees oversees our company’s human capital programs and policies, including with respect to employee retention and development, and regularly meets with senior management to discuss these issues.

Employee Engagement

We recognize employee engagement as a critical factor to our success. We have developed programs designed to attract and retain our talent, and to identify ways to increase employee engagement and satisfaction across the organization. To help build a positive culture and employee experience, each year we appoint members to our company’s Employee Council. This council, led by members of senior management, provides participants with a unique forum to provide feedback from all levels in the organization. Partnering with a third-party engagement survey company, we also periodically survey all employees to measure and assess employee satisfaction. All feedback is anonymous and aggregated in a secure system for analysis.

Another important part of engagement is compensating our employees competitively and providing an attractive benefits package. All full-time employees are eligible for our benefits package including healthcare insurance, a 401(k) retirement plan, paid time off and our employee wellness programs.

During the year ended December 31, 2020, employee turnover was 26.3%.

Diversity, Equity and Inclusion

We champion inclusion and diversity and embrace Valuing Differences as one of our company’s core philosophies. As of December 31, 2020, approximately 50% of our workforce had participated in our 2 Hour Values Differences Seminar. All employees will have participated in this training by June 2021. Our Human Resources department routinely monitors diversity in all employment decisions, including but not limited to hiring and promotions. The data in the table below reflects our employee diversity as of December 31, 2020. We believe that women and minority representation is enhanced through our ongoing human capital programs.

	<u>Women</u>	<u>Minorities</u>
Employees	46%	38%
Management positions	34%	26%
Senior leadership of VP or above	30%	30%

Training and Development

We provide training designed to meet the business and technical skills necessary for our employees to succeed in their roles and to advance their careers in our company. We provide leadership development training to support our managers and executives and to complement our succession planning efforts. We provided approximately 71,900 hours of training to employees, an average of 50 hours per employee, during the year ended December 31, 2020. Meetings with our District and Regional Managers held throughout the year are intentional opportunities to focus on our employee’s leadership and development.

Workplace Safety

The health and safety of our employees is a top priority. We have implemented company-wide policies that address occupational health and safety concerns, and offer programs that address these topics. We provide annual safety training for all employees and every employee in a safety-sensitive position is required to complete additional relevant training. Our OSHA Recordable Incident Rate for 2020 was 1.56.

In response to the COVID-19 pandemic, we established protocols to keep our residents, employees and third-party contractors safe. Our maintenance team instituted a process to ensure a property was safe to enter, and we also communicated with our employees to ensure they had appropriate personal protective equipment. All field employees were outfitted with safety gloves, masks and sanitizer to ensure there was no cross-contamination between properties.

Seasonality

We believe that our business and related operating results will be impacted by seasonal factors throughout the year. We experience higher levels of tenant move-outs and move-ins during the late spring

and summer months, which impacts both our rental revenues and related turnover costs. Further, our property operating costs are seasonally impacted in certain markets for expenses such as HVAC repairs, turn costs and landscaping expenses during the summer season. Additionally, our single-family properties are at greater risk in certain markets for adverse weather conditions such as hurricanes in the late summer months and extreme cold weather in the winter months.

Available Information

Our website address is www.americanhomes4rent.com. We make available free of charge on or through our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after we electronically file the report with or furnish it to the Securities and Exchange Commission (“SEC”). This information is also available in print to any shareholder who requests it, with any such requests addressed to Investor Relations, American Homes 4 Rent, 23975 Park Sorrento, Suite 300, Calabasas, California 91302. We also make available free of charge on our website our Corporate Governance Guidelines, our Code of Business Conduct and Ethics and the charters of the Audit Committee, Human Capital and Compensation Committee and Nominating and Corporate Governance Committee of the Company’s board of trustees. We intend to disclose on our website any changes to, or waivers from, our Code of Business Conduct and Ethics. The information contained on our website shall not be deemed to be incorporated by reference into this or any other report we file with, or furnish to, the SEC. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

ITEM 1A. RISK FACTORS

Set forth below are the risks that we believe are material to our shareholders. You should consider these risks carefully when evaluating our company and our business. The risks described below may not be the only risks we face. Additional risks of which we are currently unaware or that we currently consider immaterial also may impact our business. Some statements in the following risk factors are forward-looking statements. See the section entitled “Cautionary Note Regarding Forward-Looking Statements.”

Risks Related to Our Business

Our company and our business model are relatively new, which may make our business difficult to evaluate.

We commenced operations in 2012, and after our initial public offering in 2013, were among the first public companies to pursue our investment strategy of purchasing, renovating, developing, maintaining and managing a large number of residential properties and leasing them to tenants. The lack of a long-term company and industry track record covering multiple real estate cycles may make it difficult for you to evaluate our potential future performance. In addition, our strategy of developing a significant pipeline of single-family homes for rent is relatively new and unprecedented among public companies which may further complicate evaluating our potential future performance. We may encounter unanticipated problems implementing our investment strategy and operations, which may adversely affect our results of operations and ability to make distributions to our shareholders and cause our share price to decline significantly.

Our future growth depends, in part, on the availability of additional debt or equity financing. If we cannot obtain additional financing on terms favorable or acceptable to us, our growth may be limited.

The execution of our growth strategy will involve the use of debt and equity financing, particularly given that as a REIT we are required to distribute a significant portion of our taxable income which reduces our ability to retain earnings to fund growth. Our inability in the future to obtain additional financing on attractive terms, or at all, could adversely impact our ability to execute our business strategy, which could adversely affect our growth prospects and future shareholder returns.

Our revenue and expenses are not directly correlated, and because a large percentage of our costs and expenses are fixed, we may not be able to adapt our cost structure to offset declines in our revenue.

Most of the expenses associated with our business, such as acquisition costs, repairs and maintenance costs, real estate taxes, HOA fees, insurance, utilities, personal and ad valorem taxes, employee wages and benefits and other general corporate expenses, are relatively inflexible and will not necessarily decrease with a reduction in revenue from our business. Some components of our fixed assets depreciate more rapidly and will require a significant amount of ongoing capital expenditures. Our expenses and ongoing capital expenditures also will be affected by inflationary increases, and certain of our cost increases may exceed the rate of inflation in any given period. By contrast, our rental income is affected by many factors beyond our control such as the availability of alternative rental housing and economic conditions in our target markets. In addition, state and local regulations may require us to maintain properties that we own, even if the cost of maintenance is greater than the value of the property or any potential benefit from renting the property. As a result, we may not be able to fully offset rising costs and capital spending by raising rental rates, which could have a material adverse effect on our results of operations and cash available for distribution.

We are dependent on our executive officers and dedicated personnel, and the departure of any of our key personnel could materially and adversely affect us. We also face intense competition for highly skilled managerial, investment, financial and operational personnel.

We rely on a small number of individuals to carry out our business and investment strategies. Any of our senior management may cease to provide services to us at any time. The loss of the services of any of

our key management personnel, or our inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business and financial results.

In addition, we will continue to need to attract and retain additional qualified personnel but may not be able to do so on acceptable terms or at all. Competition for highly skilled managerial, investment, financial and operational personnel is intense. As additional large real estate investors have entered the single-family rental and related business, we have faced increased challenges in hiring and retaining personnel, and we cannot assure our shareholders that we will be successful in attracting and retaining such skilled personnel. If we are unable to hire and retain qualified personnel as required, our growth and operating results could be adversely affected.

Our investments are, and are expected to continue to be, concentrated in single-family properties and we have a significant number of properties in certain geographic markets, which exposes us to significant risks if there is economic distress in our largest markets or in the single-family home rental sector.

Our investments are, and are expected to continue to be, concentrated in single-family properties. In addition, our strategy is to concentrate our properties in select geographic markets that we believe favor future growth in rents and valuations. For example, 60.5% of our properties are located in Atlanta, GA, Dallas-Fort Worth, TX, Charlotte, NC, Phoenix, AZ, Houston, TX, Nashville, TN, Indianapolis, IN, Tampa, FL, Jacksonville, FL and Raleigh, NC. A downturn or slowdown in the rental demand for single-family housing generally, or in our target markets specifically, caused by adverse economic, regulatory or environmental conditions, or other events, would have a greater impact on our operating results than if we had more diversified investments.

We may not be able to effectively control the timing and costs relating to the renovation of properties, which may adversely affect our operating results and our ability to make distributions.

Nearly all of our properties acquired through traditional channels require some level of renovation immediately upon their acquisition or in the future following expiration of a lease or otherwise. We may acquire properties that we plan to renovate extensively. We also may acquire properties that we expect to be in good condition only to discover unforeseen defects and problems that require extensive renovation and capital expenditures. To the extent properties are leased to existing tenants, renovations may be postponed until the tenant vacates the premises, and we will pay the costs of renovating. In addition, from time to time, in order to reposition properties in the rental market, we will be required to make ongoing capital improvements and replacements and perform significant renovations and repairs that tenant deposits and insurance may not cover.

Our properties have infrastructure and appliances of varying ages and conditions. Consequently, we routinely retain independent contractors and trade professionals to perform physical repair work and are exposed to all of the risks inherent in property renovation and maintenance, including potential cost overruns, increases in labor and materials costs, delays by contractors in completing work, delays in the timing of receiving necessary work permits, certificates of occupancy and poor workmanship. If our assumptions regarding the costs or timing of renovation and maintenance across our properties prove to be materially inaccurate, our operating results and ability to make distributions to our shareholders may be adversely affected.

We face significant competition for acquisitions of our target properties, which may limit our strategic opportunities and increase the cost to acquire those properties.

We face significant competition for attractive acquisition opportunities in our target markets from other large real estate investors, including developers, some of which may have greater financial resources and a lower cost of capital than we do. We also compete with individual private home buyers and small-scale investors. Several REITs and other funds have deployed, and others may in the future deploy, significant amounts of capital to purchase single-family homes and may have investment objectives that

overlap and compete with ours, including in our target markets. This activity has adversely impacted our level of purchases in certain of our target markets. If our business model or a similar model proves to be successful, we can expect competition to intensify significantly. As a result, the purchase price of potential acquisition properties may be significantly elevated, or we may be unable to acquire properties on desirable terms or at all.

We face competition in the leasing market for quality tenants, which may limit our ability to rent our single-family homes on favorable terms or at all.

We depend on rental income for substantially all of our revenues, and to succeed we must attract and retain qualified tenants. We face competition for tenants from other lessors of single-family properties, apartment buildings and condominium units, and the continuing development of single-family properties, apartment buildings and condominium units in many of our markets increases the supply of housing and exacerbates competition for tenants. Competing properties may be newer, better located and more attractive to tenants, or may be offered at more attractive rents. Additionally, some competing housing options, like home ownerships, may qualify for government subsidies or other incentives that may make such options more affordable and therefore more attractive than renting our properties. These competitive factors will impact our occupancy and the rents we can charge.

Our evaluation of acquisition properties involves a number of assumptions that may prove inaccurate, which could result in us paying too much for properties we acquire or our properties failing to perform as we expect.

In determining whether a particular property meets our investment criteria, we make a number of assumptions, including assumptions related to estimated time of possession and estimated renovation costs and time frames, annual operating costs, market rental rates and potential rent amounts, time from purchase to leasing and tenant default rates. These assumptions may prove inaccurate. As a result, we may pay too much for properties we acquire or our properties may fail to perform as anticipated.

Bulk portfolio acquisitions may subject us to the risk of acquiring properties that do not fit our target investment criteria and may be costly or time consuming to divest, which may adversely affect our operating results.

We have occasionally acquired and may continue to acquire properties purchased as portfolios in bulk from other owners of single-family homes. To the extent the management and leasing of such properties has not been consistent with our property management and leasing standards, we may be subject to a variety of risks, including risks relating to the condition of the properties, the credit quality and employment stability of the tenants and compliance with applicable laws, among others. In addition, financial and other information provided to us regarding such portfolios during our due diligence may be inaccurate, and we may not discover such inaccuracies until it is too late to seek remedies against such sellers. To the extent we timely pursue such remedies, we may not be able to successfully prevail against the seller in an action seeking damages for such inaccuracies. If we conclude that certain properties purchased in bulk portfolios do not fit our target investment criteria, we may decide to sell, rather than renovate and rent, these properties, which could take an extended period of time and may not result in a sale at an attractive price. We may also experience delays in integrating the information systems and property and tenant information of the acquired properties which could adversely affect operating results.

Our significant development activities expose us to additional operational and real estate risks, which may adversely affect our financial condition and operating results.

We have a significant development program that involves the acquisition of land and construction of homes. We have a limited track record of building homes for rent. Rental home construction can involve substantial up-front costs to acquire land and to build a rental home or rental community before a home is available for rent and generates income. In addition to the up-front costs, building rental homes and rental communities involve potentially significant new risks to our business, such as delays or cost increases due to changes in or failure to meet regulatory requirements, including permitting and zoning regulations,

failure of lease rentals on newly-constructed properties to achieve anticipated investment returns, inclement weather, adverse site selection, unforeseen site conditions or shortages of suitable land, construction materials and labor and other risks described below. We may be unable to achieve our objective of building new rental homes and rental communities that generate acceptable returns and, as a result, our growth and results of operations may be adversely impacted.

Our success in expanding our development activities depends in large part on our ability to acquire land that is suitable for residential homebuilding and meets our land investment criteria.

There is strong competition among homebuilders for land that is suitable for residential development. The future availability of finished and partially finished developed lots and undeveloped land that meet our internal criteria depends on a number of factors outside our control, including land availability in general, competition with other homebuilders and land buyers for desirable property, inflation in land prices, zoning, allowable housing density, and other regulatory requirements. Should suitable lots or land become less available, the number of homes we could build and lease could be reduced, and the cost of land could increase, perhaps substantially, which could adversely impact our growth and results of operations.

If we experience disruptions, shortages or increased costs of labor and supplies or other circumstances beyond our control, there could be delays or increased costs in constructing new rental homes, which could adversely affect our growth and operating results.

Our ability to build new rental homes may be adversely affected by circumstances beyond our control, including: work stoppages, labor disputes, and shortages of qualified trades people, such as carpenters, roofers, masons, electricians, and plumbers; changes in laws relating to union organizing activity; lack of availability of adequate utility or infrastructure and services; our need to rely on local subcontractors who may not be adequately capitalized or insured or may not, despite our quality control efforts, engage in proper construction practices or comply with applicable regulations; inadequacies in components purchased from building supply companies; and shortages delays in availability, or fluctuations in prices of building materials. Any of these circumstances could give rise to delays in the start or completion of, or could increase the cost of, constructing new rental homes.

We are subject to risks from natural disasters and severe weather.

Natural disasters and severe weather such as earthquakes, tornadoes, hurricanes or floods may result in significant damage to our properties and significant delays to our development projects. The extent of our casualty losses and loss in rental income in connection with such events depends on the severity of the event and the total amount of exposure in the affected area. We have a concentration of homes in areas susceptible to hurricanes, including Florida and our Southeast markets. When we have geographic concentration of exposures, a single catastrophe (such as an earthquake) or destructive weather event (such as a hurricane) affecting a region may have a significant negative effect on our financial condition and results of operations.

We depend on our tenants for substantially all of our revenues. Poor tenant selection and defaults and nonrenewals by our tenants may adversely affect our reputation, financial performance and ability to make distributions.

We depend on rental income from tenants for substantially all of our revenues. As a result, our success depends in large part upon our ability to attract and retain qualified tenants for our properties. Our reputation, financial performance and ability to make distributions to our shareholders would be adversely affected if a significant number of our tenants fail to meet their lease obligations or fail to renew their leases. For example, tenants may default on rent payments, make unreasonable and repeated demands for service or improvements, make unsupported or unjustified complaints to regulatory or political authorities, use our properties for illegal purposes, damage or make unauthorized structural

changes to our properties that are not covered by security deposits, refuse to leave the property upon termination of the lease, engage in domestic violence or similar disturbances, disturb nearby residents with noise, trash, odors or eyesores, fail to comply with HOA regulations, sublet to less desirable individuals in violation of our lease or permit unauthorized persons to live with them. Damage to our properties may delay re-leasing after eviction, necessitate expensive repairs or impair the rental income or value of the property resulting in a lower than expected rate of return. Increases in unemployment levels and other adverse changes in the economic conditions in our markets could result in substantial tenant defaults. In the event of a tenant default or bankruptcy, we may experience delays in enforcing our rights as landlord at that property and will incur costs in protecting our investment and re-leasing the property. In addition, we rely on information supplied by prospective residents in making tenant selections, which may in some cases be false.

Our short-term leases require us to re-lease our properties frequently, which we may be unable to do on attractive terms, on a timely basis or at all.

Substantially all of our new leases have a duration of one year. As these leases permit tenants to leave at the end of the lease term without penalty, we anticipate our rental revenues may be affected by declines in market rents more quickly than if our leases were for longer terms. Short-term leases may result in high turnover, which involves costs such as restoring the properties, marketing costs and lower occupancy levels. Our tenant turnover rate and related cost estimates may be less accurate than if we had more operating data upon which to base such estimates. Moreover, we cannot assure you that our leases will be renewed on equal or better terms or at all. If our tenants do not renew their leases or the rental rates for our properties decrease, our operating results and ability to make distributions to our shareholders could be adversely affected.

We are self-insured against many potential losses, and uninsured or underinsured losses relating to properties may adversely affect our financial condition, operating results, cash flows and ability to make distributions.

We attempt to ensure that our properties are adequately insured to cover casualty losses. However, many of the policies covering casualty losses may be subject to substantial deductibles and carveouts, and we will be self-insured up to the amount of the deductibles and carveouts. There are also some losses, including losses from floods, windstorms, fires, earthquakes, acts of war, acts of terrorism or riots, that may not always be insured against or that are not generally fully insured against because it is not deemed economically feasible or prudent to do so. In addition, changes in the cost or availability of insurance could expose us to uninsured casualty losses.

In the event that any of the properties we acquire incur a casualty loss that is not fully covered by insurance, the value of our assets will be reduced by the amount of any such uninsured loss, and we could experience a significant loss of capital invested and potential revenues in these properties and could potentially remain obligated under any recourse debt associated with the property. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep us from using insurance proceeds to replace or renovate a property after it has been damaged or destroyed. Under those circumstances, the insurance proceeds we receive might be inadequate to restore our economic position on the damaged or destroyed property. Any such losses could adversely affect our financial condition, operating results, cash flows and ability to make distributions. In addition, we may have no source of funding to repair or reconstruct the damaged property, and we cannot assure you that any such sources of funding will be available to us for such purposes in the future.

Contingent or unknown liabilities could adversely affect our financial condition, cash flows and operating results.

We may acquire properties that are subject to contingent or unknown liabilities for which we may have limited or no recourse against the sellers. Unknown or contingent liabilities might include liabilities for or with respect to liens attached to properties, unpaid real estate tax, utilities or HOA charges for which a subsequent owner remains liable, clean-up or remediation of environmental conditions or code

violations, claims of customers, vendors or other persons dealing with the acquired entities and tax liabilities, among other things. Purchases of single-family properties acquired from lenders or in bulk purchases typically involve few or no representations or warranties with respect to the properties. Such properties often have unpaid tax, utility and HOA liabilities for which we may be obligated but fail to anticipate. In each case, our acquisition may be without any, or with only limited, recourse against the sellers with respect to unknown liabilities or conditions. As a result, if any such liability were to arise relating to our properties, or if any adverse condition exists with respect to our properties that is in excess of our insurance coverage, we might have to pay substantial amounts to settle or cure it, which could adversely affect our financial condition, cash flows and operating results.

In addition, the properties we acquire may be subject to covenants, conditions or restrictions that restrict the use or ownership of such properties, including prohibitions on leasing or requirements to obtain the approval of HOAs prior to leasing. We may not discover such restrictions during the acquisition process, and such restrictions may adversely affect our ability to utilize such properties as we intend. Municipalities, counties, or HOAs could also enact new covenants, ordinances, moratoria, or other regulations restricting or prohibiting leasing, which could adversely affect our ability to acquire, develop, or utilize properties.

We are highly dependent on information systems and systems failures and delays could significantly disrupt our business, which may, in turn, adversely affect our financial condition and operating results.

Our operations are dependent upon our resident portal and property management platforms, including marketing, leasing, vendor communications, finance, intracompany communications, resident portal and property management platforms, which include certain automated processes that require access to telecommunications or the Internet, each of which is subject to system security risks. Certain critical components of our platform are dependent upon third-party service providers and a significant portion of our business operations are conducted over the Internet. As a result, we could be severely impacted by a catastrophic occurrence, such as a natural disaster or a terrorist attack, or a circumstance that disrupted access to telecommunications, the Internet or operations at our third-party service providers, including viruses or hackers that could penetrate network security defenses and cause system failures and disruptions of operations. Even though we believe we utilize appropriate duplication and back-up procedures, a significant outage in telecommunications, the Internet or at our third-party service providers could negatively impact our operations.

If our confidential information is compromised or corrupted, including as a result of a cybersecurity breach, our reputation and business relationships could be damaged, which could adversely affect our financial condition and operating results.

A cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data or steal confidential information, including information regarding our residents, prospective tenants, and employees. Information security risks have generally increased in recent years due to the rise in new technologies and the increased sophistication and activities of perpetrators of cyber attacks. In the ordinary course of our business we acquire and store sensitive data, including intellectual property, our proprietary business information and personally identifiable information of our prospective and current tenants, our employees and third-party service providers in our branch offices and on our networks and website. The secure processing and maintenance of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions.

Despite system redundancy, the implementation of security measures, required employee awareness training and the existence of a disaster recovery plan for our internal information technology systems, our systems and systems maintained by third-party vendors with which we do business are vulnerable to damage from any number of sources. We face risks associated with security breaches, whether through

cyber attacks or cyber intrusions over the Internet, malware, computer viruses, attachment to emails, phishing attempts or other scams, persons inside our organization or persons/vendors with access to our systems and other significant disruptions of our information technology networks and related systems. Our information technology networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations. Even the most well-protected information systems remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not to be detected, and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures and thus it is impossible for us to entirely mitigate this risk.

We address potential breaches or disclosure of this confidential personally identifiable information by implementing a variety of security measures intended to protect the confidentiality and security of this information including, among others: (a) engaging reputable, recognized firms to help us design and maintain our information technology and data security stems; (b) conducting periodic testing and verification of information and data security systems, including performing ethical hacks of our systems to discover where any vulnerabilities may exist; and (c) providing periodic employee awareness training around phishing and other scams, malware and other cyber risks. We also maintain cyber risk insurance to provide some coverage for certain risks arising out of data and network breaches. However, there can be no assurance that these measures will prevent a cyber incident or that our cyber risk insurance coverage will be sufficient in the event of a cyber-attack.

Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, the loss of our residents, disruption to our operations and the services we provide to residents or damage our reputation, any of which could adversely affect our financial condition and operating results.

A significant number of our properties are part of HOAs, and we and our tenants are subject to the rules and regulations of such HOAs, which may be arbitrary or restrictive, and violations of such rules may subject us to additional fees and penalties and litigation with such HOAs that would be costly.

A significant number of our properties are part of HOAs, which are private entities that regulate the activities of, and levy assessments on properties in, a residential subdivision. HOAs in which we own properties may have or enact onerous or arbitrary rules that restrict our ability to renovate, market or lease our properties or require us to renovate or maintain such properties at standards or costs that are in excess of our planned operating budgets. Such rules may include requirements for landscaping, limitations on signage promoting a property for lease or sale, or the use of specific construction materials in renovations. The number of HOAs that impose limits on the number of property owners who may rent their homes is increasing. Such restrictions limit acquisition opportunities and could cause us to incur additional costs to resell the property and opportunity costs of lost rental income. Furthermore, many HOAs impose restrictions on the conduct of occupants of homes and the use of common areas and we may have tenants who violate HOA rules and for which we may be liable as the property owner and for which we may not be able to obtain reimbursement from the resident. Additionally, the boards of directors of the HOAs in which we own properties may not make important disclosures about the properties or may block our access to HOA records, initiate litigation, restrict our ability to sell our properties, impose assessments or arbitrarily change the HOA rules. We may be unaware of or unable to review or comply with HOA rules before purchasing the property and any such excessively restrictive or arbitrary regulations may cause us to sell such property at a loss, prevent us from renting such property or otherwise reduce our cash flow from such property, which would have an adverse effect on our returns on these properties.

Joint venture investments that we make could be adversely affected by our lack of sole decision-making authority, our reliance on joint venture partners' financial condition and disputes between us and our joint venture partners.

We have co-invested, and may continue to co-invest in the future, with third parties through partnerships, joint ventures or other entities, acquiring noncontrolling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. As a result, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity which could, among other things, impact our ability to satisfy the REIT requirements. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third-party not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions. Joint venture partners may have economic or other business interests or goals that are inconsistent with our business interests or goals and may be in a position to take actions contrary to our policies or objectives. Such investments also may have the potential risk of impasses on decisions, such as a sale, because neither we nor our partners would have full control over the partnership or joint venture. Disputes between us and our partners may result in litigation or arbitration that would increase our expenses and prevent our officers and/or trustees from focusing their time and effort on our business. Consequently, actions by, or disputes with, our partners might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers. In addition, we may not be able to close joint ventures on the anticipated schedule or at all. Each of these factors may result in returns on these investments being less than we expect and our financial and operating results may be adversely impacted.

We are involved in a variety of litigation.

We are involved in a range of legal actions in the ordinary course of business. These actions may include, among others, eviction proceedings and other landlord-tenant disputes, challenges to title and ownership rights (including actions brought by prior owners alleging wrongful foreclosure by their lender or servicer), disputes arising over potential violations of HOA rules and regulations and issues with local housing officials arising from the condition or maintenance of the property, outside vendor disputes and employee disputes. These actions can be time consuming and expensive and may adversely affect our reputation. For example, eviction proceedings by owners and operators of single-family homes for lease have recently been the focus of negative media attention. While we intend to vigorously defend any non-meritorious action or challenge, we cannot assure you that we will not be subject to expenses and losses that may adversely affect our operating results.

Government investigations or legal proceedings brought by governmental authorities may result in significant costs and expenses and reputational harm and may divert resources from our operations and therefore could have a material adverse effect on our business, financial condition, operating results or cash flows.

From time to time, we are subject to government investigations or legal proceedings brought by governmental authorities. Government investigations and any related legal proceedings may result in significant costs and expenses, including legal fees, and divert management attention and company resources from our operations and execution of our business strategy. If any such proceedings are resolved adversely, governmental agencies could impose damages and fines, and may issue injunctions, cease and desist orders, bars on serving as a public company officer or director and other equitable remedies against us or our directors and officers. The financial costs could be in excess of our insurance coverage or not be covered by our insurance coverage. Any governmental legal proceeding, whether or not resolved adversely, could also negatively impact our reputation.

Our revolving credit facility, unsecured senior notes and securitizations contain financial and operating covenants that could restrict our business and investment activities.

Our revolving credit facility, unsecured senior notes and securitizations contain financial and operating covenants, such as debt ratios, minimum liquidity, unencumbered asset value, minimum debt service coverage ratio, and other limitations that may restrict our ability to make distributions or other payments to the Company's shareholders and the Operating Partnership's ability to make distributions on its OP units and may restrict our investment activities. Our securitizations require, among other things, that a cash management account controlled by the lender collect all rents and cash generated by the properties securing the portfolio. Upon the occurrence of an event of default or failure to satisfy the required minimum debt yield or debt service coverage ratio, the lender may apply any excess cash as the lender elects, including prepayment of principal and amounts due under the loans. These covenants may restrict our ability to engage in transactions that we believe would otherwise be in the best interests of our shareholders. Further, such restrictions could make it difficult for us to satisfy the requirements necessary to maintain our qualification as a REIT for U.S. federal income tax purposes. Failure to meet our financial covenants could result from, among other things, changes in our results of operations, the incurrence of additional debt, substantial impairments in the value of our properties or changes in general economic conditions. If we violate covenants in our revolving credit facility, unsecured senior notes, securitizations or future agreements, we could be required to repay all or a portion of our indebtedness before maturity at a time when we might be unable to arrange financing for such repayment on attractive terms or at all.

Adverse changes in our credit ratings could negatively affect our financing ability.

Our credit ratings may affect the amount of capital we can access, as well as the terms and pricing of any debt we may incur. There can be no assurance that we will be able to maintain our current investment grade credit ratings. In the event that our current credit ratings are downgraded or removed, we would most likely incur higher borrowing costs and experience greater difficulty in obtaining additional financing, which in turn could have a material adverse impact on our financial condition, results of operations, cash flows and liquidity.

We are subject to risks from the global pandemic associated with COVID-19 and we may in the future be subject to risks from other public health crises.

Our business is subject to risks from the COVID-19 pandemic that is currently impacting our tenants, employees and suppliers. The COVID-19 pandemic has spread rapidly, adversely affecting public health, economic activity and employment. The risks to our business from the COVID-19 pandemic include:

- *The COVID-19 pandemic and the measures taken to combat it have resulted in a significant increase in unemployment.* Our operating results depend significantly on the ability of our current and prospective tenants to pay their rent. To the extent our current tenants or prospective tenants experience unemployment, deteriorating financial conditions, and declines in household income, they may be unwilling or unable to pay rent in full on a timely basis or renew or enter into new leases for our homes, and our revenues and operating results could be negatively affected. We have received a number of tenant inquiries regarding rent relief and we continue to work closely with delinquent residents on a case-by-case basis to find the resolution that is best for the resident and the Company. Although minimal to date, workout options have included and may in the future include deferred payment plans which we began offering in June, or, where appropriate, early lease termination. The longer the COVID-19 pandemic continues, the greater the adverse impact may be on our tenants' ability to make timely rental payments, on prospective residents to afford our homes, and ultimately on our occupancy.
- *State, local, federal and industry-initiated efforts in response to the COVID-19 pandemic may continue to adversely affect our business.* Certain government actions have, and future government actions may, restrict our ability to collect rent or enforce remedies for failure to pay rent. In addition,

government restrictions on movement have and may in the future limit the ability of prospective tenants to visit our properties or new tenants to move into our properties. These government efforts to respond to the COVID-19 pandemic may continue to increase possible credit losses and may adversely affect our occupancy levels.

- *Our acquisition and development activities have been slowed.* Our growth may be adversely impacted as our ability to acquire and construct homes has been negatively affected by COVID-19. Due to market uncertainties regarding future asset values at the beginning of the COVID-19 pandemic, we temporarily suspended acquisitions through traditional channels and our National Builder Program but have since resumed acquisitions through these channels. We have continued new home construction, which most states permit as an essential business activity; however, some states where we are constructing new homes, such as Washington, temporarily prohibited residential construction during the early stages of the COVID-19 pandemic and may institute future prohibitions. We have also experienced certain other COVID-19 related construction delays, including government office slowdowns. In addition, adverse impacts on the supply of construction materials and labor may delay or halt our construction activity.
- *Our employees face COVID-19 health risks.* If a significant number of our employees, or if key personnel, are unable to work as a result of COVID-19, this would adversely impact our business and operating results. In addition, during the COVID-19 outbreak, substantially all of our employees are working remotely and depend on Internet and third-party communications vendors that may be unreliable, experience shut-downs or be subject to new cybersecurity risks, adversely impacting operations.
- *COVID-19 may impact our ability to maintain our properties.* Some tenants may be reluctant to request routine maintenance during the COVID-19 pandemic. Deferring routine repairs and maintenance may impact the value and desirability of our rental homes. It may also increase the expense and difficulty of completing these repairs in the future and may delay other needed repairs when the COVID-19 pandemic no longer constrains business activity.

We believe that the degree to which COVID-19 continues to adversely impact our business, operating results, cash flows, ability to make distributions, ability to service our debt and/or financial condition will be driven primarily by the duration, spread and severity of the pandemic, including resurgences, impact of government regulations, and the speed and effectiveness of vaccine distribution, all of which are uncertain and difficult to predict. As a result, we are not able at this time to estimate the effect of these factors on our business, but the adverse impact on our business, results of operations, financial condition and cash flows could be material. Future public health crises could have similar impacts.

Risks Related to the Real Estate Industry

Our performance and the value of our properties are subject to general economic conditions and risks associated with our real estate assets.

If the properties we acquire do not generate income sufficient to meet operating expenses, including debt service and capital expenditures, our ability to make distributions to the Company's shareholders and the Operating Partnership's ability to make distributions to its OP unitholders, including AH4R, could be adversely affected. There are significant expenditures associated with an investment in real estate (such as debt service, real estate taxes, insurance and maintenance costs) that generally do not decline when circumstances reduce the income from the property. Income from and the value of our properties may be adversely affected by numerous factors, including general economic conditions (particularly increases in unemployment), property supply and demand fundamentals and rent control or rent stabilization or other housing laws, which could prevent us from raising rents.

Environmentally hazardous conditions may adversely affect our financial condition, cash flows and operating results.

Under various federal, state and local environmental laws, a current or previous owner or operator of real property may be liable for the cost of removing or remediating hazardous or toxic substances on such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Even if more than one person may have been responsible for the contamination, each person covered by applicable environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages based on personal injury, natural resources or property damage or other costs, including investigation and clean-up costs, resulting from the environmental contamination. The presence of hazardous or toxic substances on one of our properties, or the failure to properly remediate a contaminated property, could give rise to a lien in favor of the government for costs it may incur to address the contamination, or otherwise adversely affect our ability to sell or lease the property or borrow using the property as collateral. Environmental laws also may impose restrictions on the manner in which properties may be used or businesses may be operated. A property owner who violates environmental laws may be subject to sanctions which may be enforced by governmental agencies or, in certain circumstances, private parties. In connection with the acquisition, development and ownership of our properties, we may be exposed to such costs. The cost of defending against environmental claims, of compliance with environmental regulatory requirements or of remediating any contaminated property could materially adversely affect our business, financial condition, results of operations and, consequently, amounts available for distribution to shareholders and unitholders.

Compliance with new or more stringent environmental laws or regulations or stricter interpretation of existing laws may require material expenditures by us. We may be subject to environmental laws or regulations relating to our properties, such as those concerning lead-based paint, mold, asbestos, proximity to power lines or other issues. We cannot assure you that future laws, ordinances or regulations will not impose any material environmental liability, or that the current environmental condition of our properties will not be affected by the operations of residents, existing conditions of the land, operations in the vicinity of the properties or the activities of unrelated third parties. In addition, we may be required to comply with various local, state and federal fire, health, life-safety and similar regulations. Failure to comply with applicable laws and regulations could result in fines and/or damages, suspension of personnel, civil liability and/or other sanctions.

Tenant relief laws, including laws restricting evictions, rent control laws and other regulations that limit our ability to increase rental rates may negatively impact our rental income and profitability.

As landlord of numerous properties, we are involved regularly in evicting tenants who are not paying their rent or are otherwise in material violation of the terms of their lease. Eviction activities impose legal and managerial expenses that raise our costs. The eviction process is typically subject to legal barriers, mandatory “cure” policies and other sources of expense and delay, each of which may delay our ability to gain possession and stabilize the property. Additionally, state and local landlord-tenant laws may impose legal duties to assist tenants in relocating to new housing, or restrict the landlord’s ability to recover certain costs or charge tenants for damage tenants cause to the landlord’s premises. Because such laws vary by state and locality, we and any regional and local property managers we hire will need to be familiar with and take all appropriate steps to comply with all applicable landlord tenant laws, and we will need to incur supervisory and legal expenses to ensure such compliance. To the extent that we do not comply with state or local laws, we may be subjected to civil litigation filed by individuals, in class actions or by state or local law enforcement. We may be required to pay our adversaries’ litigation fees and expenses if judgment is entered against us in such litigation, or if we settle such litigation. Furthermore, rent control laws or other regulations that may limit our ability to increase rental rates may affect our rental income. If rent controls unexpectedly became applicable to certain of our properties, our revenue from and the value of such properties could be adversely affected. Since the onset of the COVID-19 pandemic, there have been

increases in restrictions and other regulations on evictions and rent increases and we believe these increases will continue given the ongoing effects of the pandemic, economic challenges nationally and in many of our markets and increasing political support for these types of regulations.

Class action, tenant rights and consumer demands, litigation and adverse media publicity could directly limit and constrain our operations and may result in significant litigation expenses.

Certain organizations, including tenant rights and housing advocacy organizations have been critical of our business model. We have been and may in the future be a target of legal demands, litigation and adverse media publicity driven by these organizations. While we intend to conduct our business lawfully and in compliance with applicable landlord-tenant and consumer laws, such organizations might work in conjunction with trial and pro bono lawyers in one state or multiple states to attempt to bring claims against us on a class action basis for damages or injunctive relief and to seek to publicize our activities in a negative light. We cannot anticipate what form such actions might take, or what remedies they may seek. Additionally, these organizations may lobby local county and municipal attorneys or state attorneys general to pursue enforcement or litigation against us, may lobby state and local legislatures to pass new laws and regulations to constrain our business operations or may generate unfavorable publicity for our business. If they are successful in any such endeavors, they could directly limit and constrain our operations, adversely impact our business and may impose on us significant litigation expenses, including settlements to avoid continued litigation or judgments for damages or injunctions.

Climate change and related regulatory actions may adversely affect our business.

To the extent that significant changes in the climate occur in areas where our communities are located, we may experience extreme weather and/or changes in precipitation and temperature, all of which may result in physical damage to, or a decrease in demand for, properties located in these areas or affected by these conditions. Should the impact of climate change be material in nature, including significant property damage to or destruction of our properties, or occur for lengthy periods of time, our financial condition or results of operations may be adversely affected. In addition, changes in federal, state and local legislation and regulation based on concerns about climate change could result in delays and increased costs to complete our developments and increased capital expenditures on our existing properties (for example, to improve their energy efficiency and/or resistance to inclement weather) without a corresponding increase in revenue, and, as a result, adversely impact our financial results and operations.

It would be difficult for us to quickly generate cash from sales of our properties.

Real estate investments, particularly large portfolios of properties, are relatively illiquid. If we had a sudden need for significant cash, it would be difficult for us to fund such need quickly through a sale of our properties. Our ability to sell our properties may also be limited by our need to avoid the 100% prohibited transactions tax that is imposed on gain recognized by a REIT from the sale of property characterized as dealer property. In order to ensure that we avoid such characterization, we may be required to hold our properties for a minimum period of time and comply with certain other requirements in the Code or dispose of our properties through a TRS.

Risks Related to Our Ownership, Organization and Structure

AH4R's fiduciary duties as the general partner of the Operating Partnership could create conflicts of interest, which may impede business decisions that could benefit our shareholders.

As the sole general partner of the Operating Partnership, AH4R has a fiduciary duty to the other limited partners in the Operating Partnership, the discharge of which may conflict with the interests of the Company's shareholders. The limited partners of the Operating Partnership have agreed that, in the event of a conflict in the fiduciary duties owed by AH4R to the Company's shareholders and in AH4R's capacity as the general partner of the Operating Partnership to such limited partner, AH4R is under no obligation to give priority to the interests of such limited partner.

In addition, the limited partners have the right to vote on certain amendments to the Agreement of Limited Partnership of the Operating Partnership and to approve certain amendments that would adversely affect their rights. These voting rights may be exercised in a manner that conflicts with the interests of the Company's shareholders.

Our senior management, trustees and their affiliates may have significant voting influence due to their stock ownership.

Members of the Company's senior management, trustees and their affiliates hold significant amounts of the Company's Class A and Class B common shares and Class A units in the Operating Partnership. Each Class A common share is entitled to one vote. Each Class B common share is entitled to 50 votes and converts into Class A common shares on a one for one basis for every 49 partnership units converted. Class A units in the Operating Partnership are nonvoting. The Company's dual class structure was put in place when the Company was organized to provide voting rights to holders of units in the Operating Partnership corresponding with their equity ownership. All members of the Company's senior management, trustees and their affiliates hold Class A common shares and Class B common shares that represent approximately 22.2% of the current voting power of the Company as of December 31, 2020. Assuming the conversion of all of the Class A units held by these individuals into Class A common shares, they would own approximately 32.0% of the voting power of the Company based on the Company's outstanding common shares as of December 31, 2020. The Hughes Family and affiliates own all of the Class B common shares and, together with the Class A common shares they own, hold 22.0% of the voting power of the Company. Our senior management, trustees and affiliates have and are expected to continue to have the ability to significantly influence all matters submitted to a vote of the Company's shareholders, including electing trustees, changing the Company's charter documents and approving extraordinary transactions, such as mergers. Their interest in such matters may differ from other shareholders and may also make it more difficult for another party to acquire or control the Company with their votes.

Provisions of the Company's declaration of trust may limit the ability of a third-party to acquire control of the Company by authorizing the Company's board of trustees to issue additional securities.

The Company's board of trustees may, without shareholder approval, amend its declaration of trust to increase or decrease the aggregate number of the Company's shares or the number of shares of any class or series that the Company has the authority to issue and to classify or reclassify any unissued common or preferred shares, and set the preferences, rights and other terms of the classified or reclassified shares. As a result, the Company's board of trustees may authorize the issuance of additional shares or establish a series of common or preferred shares that may delay or prevent a change in control of the Company, including transactions at a premium over the market price of the Company's shares, even if the Company's shareholders believe that a change in control is in their interest. These provisions, along with the restrictions on ownership and transfer contained in the Company's declaration of trust and certain provisions of Maryland law, could discourage unsolicited acquisition proposals or make it more difficult for a third-party to gain control of the Company, which could adversely affect the market price of the Company's securities.

Provisions of Maryland law may limit the ability of a third-party to acquire control of us by requiring the Company's board of trustees or shareholders to approve proposals to acquire our company or effect a change in control.

Certain provisions of the Maryland General Corporation Law (the "MGCL") applicable to Maryland real estate investment trusts may have the effect of inhibiting a third-party from making a proposal to acquire us or of impeding a change in control under circumstances that otherwise could provide our shareholders with the opportunity to realize a premium over the then-prevailing market price of their shares, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested shareholder" (defined generally as any person who

beneficially owns 10% or more of the voting power of our outstanding voting shares or an affiliate or associate of ours who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then outstanding shares) or an affiliate of any interested shareholder for five years after the most recent date on which the shareholder becomes an interested shareholder, and thereafter imposes two super-majority shareholder voting requirements on these combinations, unless, among other conditions, our common shareholders receive a minimum price, as defined in the MGCL, for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for its shares; and

- “control share” provisions that provide that our “control shares” (defined as voting shares that, when aggregated with all other shares controlled by the shareholder, entitle the shareholder to exercise one of three increasing ranges of voting power in electing trustees) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of issued and outstanding “control shares”) have no voting rights except to the extent approved by our shareholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding shares owned by the acquirer, by our officers or by our employees who are also trustees of our company.

By resolution of the Company’s board of trustees, we have opted out of the business combination provisions of the MGCL and provided that any business combination between us and any other person is exempt from the business combination provisions of the MGCL, provided that the business combination is first approved by the Company’s board of trustees (including a majority of trustees who are not affiliates or associates of such persons). In addition, pursuant to a provision in the Company’s bylaws, we have opted out of the control share provisions of the MGCL. However, the Company’s board of trustees may by resolution elect to opt into the business combination provisions of the MGCL and we may, by amending the Company’s bylaws, opt into the control share provisions of the MGCL in the future.

In addition, the “unsolicited takeover” provisions of Title 3, Subtitle 8 of the MGCL permit the board of trustees of a Maryland REIT, without shareholder approval and regardless of what is currently provided in its declaration of trust or bylaws, to implement certain takeover defenses, including adopting a classified board or increasing the vote required to remove a trustee. Such takeover defenses may have the effect of inhibiting a third-party from making an acquisition proposal for us or of delaying, deferring or preventing a change in control of us under the circumstances that otherwise could provide our common shareholders with the opportunity to realize a premium over the then-current market price. In July 2013, the Company’s board of trustees and the Company’s shareholders approved an amendment to the Company’s declaration of trust under which we elected not to be subject to these provisions. Therefore, any revocation or modification of this opt-out would require an amendment to the Company’s declaration of trust that is first recommended by the Company’s board of trustees and then approved by a majority of all the votes entitled to be cast generally in the election of trustees.

Risks Related to Qualification and Operation as a REIT

Failure to qualify as a REIT, or failure to remain qualified as a REIT, would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distribution to our shareholders.

We believe that we have been organized and have operated in conformity with the requirements for qualification and taxation as a REIT and that our current organization and proposed method of operation will enable us to continue to qualify as a REIT. However, we have not requested and do not intend to request a ruling from the Internal Revenue Service (the “IRS”) that we qualify as a REIT. As a result, we cannot assure you that we qualify or that we will remain qualified as a REIT.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our qualification as a REIT depends upon our satisfaction of

certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis. New legislation, court decisions or administrative guidance, in each case possibly with retroactive effect, may make it more difficult or impossible for us to qualify as a REIT.

If we fail to qualify as a REIT in any taxable year, and we do not qualify for certain statutory relief provisions, we will face serious tax consequences that will substantially reduce the funds available for distributions to our shareholders because:

- we would not be allowed a deduction for dividends paid to our shareholders in computing our taxable income and would be subject to U.S. federal income tax at the regular corporate tax rate (currently 21%); and
- unless we are entitled to relief under certain U.S. federal income tax laws, we could not re-elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT.

In addition, if we fail to qualify as a REIT, we will no longer be required to make distributions to our shareholders and may choose to deploy available cash in a different manner. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and it could adversely affect the value of our preferred and common shares.

Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we qualify as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we distribute to our shareholders in a calendar year is less than a minimum amount specified under the Code, and we could, in certain circumstances, be required to pay an excise or penalty tax (which could be significant in amount) in order to utilize one or more relief provisions under the Code to maintain our qualification as a REIT. Any of these taxes would decrease cash available for distribution to our shareholders. In addition, in order to meet the REIT qualification requirements, or to avert the imposition of a 100% tax that applies to certain gains derived by a REIT from dealer property or inventory, we hold some of our assets through a TRS or other subsidiary corporations that are subject to U.S. federal, state and local corporate taxes. Any of these taxes would decrease cash available for distribution to our shareholders.

Complying with the REIT requirements may cause us to forgo and/or liquidate otherwise attractive investments.

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts that we distribute to our shareholders and the ownership of our shares. To meet these tests, we may be required to take or forgo taking actions that we would otherwise consider advantageous. For instance, in order to satisfy the gross income or asset tests applicable to REITs under the Code, we may be required to forgo investments that we otherwise would make. Furthermore, we may be required to liquidate from our portfolio otherwise attractive investments. In addition, we may be required to make distributions to our shareholders at disadvantageous times or when we do not have funds readily available for distribution. These actions could reduce our income and amounts available for distribution to our shareholders. Thus, compliance with the REIT requirements may hinder our investment performance.

The prohibited transactions tax may limit our ability to engage in sale transactions.

A REIT's income from "prohibited transactions" is subject to a 100% tax. In general, "prohibited transactions" are sales or other dispositions of property other than foreclosure property, held primarily for sale to customers in the ordinary course of business. We may be subject to the prohibited transactions tax equal to 100% of net gain upon a disposition of real property that we hold. Although a safe harbor is available, for which certain sales of property by a REIT are not subject to the 100% prohibited transaction

tax, we cannot assure you that we can comply with the safe harbor or that we will avoid owning property that may be characterized as held primarily for sale to customers in the ordinary course of business. Consequently, we may choose not to engage in certain sales of our properties or we may conduct such sales through our TRS, which would be subject to U.S. federal and state income taxation. In addition, we may have to sell numerous properties to a single or a few purchasers, which could cause us to be less profitable than would be the case if we sold properties on a property-by-property basis. For example, if we decide to acquire properties opportunistically to renovate in anticipation of immediate resale, we will need to conduct that activity through our TRS to avoid the 100% prohibited transactions tax.

The 100% tax described above may limit our ability to enter into transactions that would otherwise be beneficial to us. For example, if circumstances make it not profitable or otherwise uneconomical for us to remain in certain states or geographical markets, the 100% tax could delay our ability to exit those states or markets by selling our assets in those states or markets other than through a TRS, which could harm our operating profits and the trading price of our shares. In addition, in order to avoid the prohibited transactions tax, we may be required to limit the structures we utilize for our securitization transactions, even though the sales or structures might otherwise be beneficial to us.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code may limit our ability to hedge our assets and operations. Under these provisions, any income that we generate from transactions intended to hedge our interest rate risk will be excluded from gross income for purposes of the REIT 75% and 95% gross income tests if the instrument hedges interest rate risk on liabilities used to carry or acquire real estate assets or manages the risk of certain currency fluctuations, and such instrument is properly identified under applicable Treasury Regulations. Income from hedging transactions that do not meet these requirements will generally constitute non-qualifying income for purposes of both the REIT 75% and 95% gross income tests. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRS would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRS will generally not provide any tax benefit, except for being carried back or forward against past or future taxable income in the TRS, provided, however, losses in our TRS arising in taxable years beginning after December 31, 2020, may only be carried forward and may only be deducted against 80% of future taxable income in the TRS.

Our ownership of our TRS is subject to limitations and our transactions with our TRS will cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on arm's-length terms.

The Code provides that no more than 20% of the value of a REIT's assets may consist of shares or securities of one or more TRS. Our TRS earn income that otherwise would be nonqualifying income if earned by us. Our TRS also hold certain properties the sale of which may not qualify for the safe harbor for prohibited transactions described above. The limitation on ownership of TRS stock could limit the extent to which we can conduct these activities and other activities through our TRS. In addition, for taxable years beginning after December 31, 2017, taxpayers, including TRS, are subject to a limitation on their ability to deduct net business interest generally equal to 30% of adjusted taxable income, subject to certain exceptions. However, the Coronavirus Aid, Relief, and Economic Security Act enacted in March 2020 generally increased the 30% limitation to a 50% limitation for any taxable year beginning in 2019 and 2020 for corporate taxpayers. This provision may limit the ability of our TRS to deduct interest, which could increase its taxable income. The Code also imposes a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. There can be no assurance that we will be able to comply with the TRS limitation or avoid application of the 100% excise tax.

You may be restricted from acquiring or transferring certain amounts of our shares.

In order to qualify as a REIT, for each taxable year beginning with our taxable year ended December 31, 2013, five or fewer individuals, as defined in the Code, may not own, beneficially or constructively, more than 50% in value of our issued and outstanding equity shares at any time during the last half of a taxable year. Attribution rules in the Code determine if any individual or entity beneficially or constructively owns our equity shares under this requirement. Additionally, at least 100 persons must beneficially own our equity shares during at least 335 days of a taxable year for each taxable year after 2012. To help insure that we meet these tests, the declaration of trust restricts the acquisition and ownership of our equity shares.

The Company's declaration of trust, with certain exceptions, authorizes the Company's board of trustees to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted by the Company's board of trustees, the Company's declaration of trust prohibits any person, other than the Hughes family, which is subject to the "excepted holder limit" (as defined in the declaration of trust), and "designated investment entities" (as defined in the declaration of trust), from beneficially or constructively owning more than 8.0% in value or number of shares, whichever is more restrictive, of our outstanding common shares and more than 9.9% in value or number of shares, whichever is more restrictive, of any class or series of our preferred shares. The Company's board of trustees may not grant an exemption from these restrictions to any proposed transferee whose ownership in excess of the applicable ownership limit would result in our failing to qualify as a REIT. These restrictions on ownership and transfer will not apply, however, if the Company's board of trustees determines that it is no longer in our best interest to continue to qualify as a REIT. The share ownership restrictions of the Code for REITs and the ownership and transfer restrictions in our declaration of trust may inhibit market activity in our equity shares and restrict our business combination opportunities.

To satisfy the REIT distribution requirements, we may be forced to take certain actions to raise funds if we have insufficient cash flow which could materially and adversely affect us and the trading price of our common or preferred shares.

To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our REIT taxable income each year, computed without regard to the dividends paid deduction and any net capital gains, and we will be subject to corporate income tax on our undistributed taxable income to the extent that we distribute less than 100% of our REIT taxable income each year, computed without regard to the dividends paid deduction. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. In order to satisfy these distribution requirements to maintain our REIT status and avoid the payment of income and excise taxes, we may need to take certain actions to raise funds if we have insufficient cash flow, such as borrowing funds, raising additional equity capital, selling a portion of our assets or finding another alternative to make distributions to our stockholders. We may be forced to take those actions even if the then-prevailing market conditions are not favorable for those actions. This situation could arise from, among other things, differences in timing between the actual receipt of cash and recognition of income for U.S. federal income tax purposes, or the effect of non-deductible capital expenditures or other non-deductible expenses, the creation of reserves, or required debt or amortization payments. Such actions could increase our costs and reduce the value of our common or preferred shares. These sources, however, may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of factors, including the market's perception of our growth potential, our current debt levels, the market price of our common or preferred shares, and our current and potential future earnings. We cannot assure you that we will have access to such capital on favorable terms at the desired times, or at all, which may cause us to curtail our investment activities and/or to dispose of assets at inopportune times, and could materially and adversely affect us and the trading price of our common or preferred shares.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our outstanding common or preferred shares.

The IRS, the United States Treasury Department and Congress frequently review U.S. federal income tax legislation, regulations and other guidance. We cannot predict whether, when or to what extent new U.S. federal tax laws, regulations, interpretations or rulings will be adopted. Any legislative action may prospectively or retroactively modify our tax treatment and, therefore, may adversely affect our taxation or our Company's shareholders. We urge you to consult with your tax advisor with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our stock. Although REITs generally receive certain tax advantages compared to entities taxed as "C" corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be treated for U.S. federal income tax purposes as a "C" corporation.

The "fast-pay stock" rules could apply if we issue preferred shares in a reopening, which could subject our shareholders to adverse U.S. federal income tax consequences.

We have, and may continue to have, series of preferred shares outstanding with respect to which we have the ability to issue additional preferred shares of that series without shareholder approval (referred to as a "reopening" of the preferred shares). We may issue additional series of preferred shares in the future with the reopening feature. If we issue preferred shares in a reopening at a price that exceeds the redemption price of such preferred shares by more than a *de minimis* amount, those shares could be considered to be "fast-pay stock" under Treasury Regulations promulgated under Section 7701(l) of the Code (the "Fast-Pay Stock Regulations").

Under the Fast-Pay Stock Regulations, if stock of a REIT is structured so that dividends paid with respect to the stock are economically (in whole or in part) a return of the stockholder's investment (rather than a return on the stockholder's investment), the stock is characterized as "fast-pay stock," resulting in the adverse tax consequences described below. Under the Fast-Pay Stock Regulations, unless clearly demonstrated otherwise, our preferred shares are presumed to be fast-pay stock if they are issued for an amount that exceeds (by more than a *de minimis* amount, as determined under certain other Treasury Regulations) the amount at which the shareholder can be compelled to dispose of the shares ("Fast-Pay Stock"). Apart from the Fast-Pay Stock Regulations, no meaningful guidance exists regarding the determination of whether a dividend economically constitutes a return of investment for these purposes or how a taxpayer could clearly demonstrate otherwise.

If any of our preferred shares are determined to be Fast-Pay Stock, the U.S. federal income tax treatment of the holders of such Fast-Pay Stock (the "FP Shareholders") and our other shareholders (the "NFP Shareholders") would be as described below:

- The FP Shareholders would be treated as having purchased financing instruments from the NFP Shareholders. Such financing instruments would be deemed to have the same terms as the Fast-Pay Stock.
- Payments made by us on the Fast-Pay Stock would be deemed to be made by us to the NFP Shareholders, and the NFP Shareholders would be deemed to pay equal amounts to the FP Shareholders under the deemed financing instruments.
- Any Fast-Pay Stock would not be fungible for U.S. federal income tax purposes with other preferred shares.
- If an NFP Shareholder sells our shares, in addition to any consideration actually paid and received for such shares, (i) the buyer would be deemed to pay, and such NFP Shareholder would be deemed to receive, the amount necessary to terminate the NFP Shareholder's position in the deemed financing instruments at fair market value, and (ii) the buyer would be deemed to issue a financing instrument to the appropriate FP Shareholders in exchange for the amount necessary to terminate the NFP Shareholder's position in the deemed financing instruments. For any transactions that are

not sales, but that affect any of our shares that are not Fast-Pay Stock, the parties to the transaction must make appropriate adjustments to properly take into account the Fast-Pay Stock arrangement.

While the character of the deemed payments and deemed financing instruments (for example, stock or debt) described above are determined under general U.S. federal income tax principles and depend on all the facts and circumstances, there is a lack of meaningful guidance regarding the consequences to us, the FP Shareholders and NFP Shareholders of the payments deemed made and received. For example, dividends received by the FP Shareholders generally could be treated as (i) additional dividend income to the NFP Shareholders and (ii) ordinary income, in whole or in part, to the FP Shareholders. In addition, the extent to which NFP Shareholders could deduct payments deemed made on the financing instruments and the withholding taxes and information reporting requirements that could apply are uncertain.

Transactions involving fast-pay stock arrangements are treated as “listed transactions” for U.S. federal income tax purposes. Thus, if any preferred shares issued by us are treated as Fast-Pay Stock, we and our shareholders would be required to report our and their participation in the transaction on IRS Form 8886 on an annual basis with our and their U.S. federal income tax returns and also would be required to mail a copy of that form to the IRS Office of Tax Shelter Analysis. Failure to comply with those disclosure requirements could result in the assessment by the IRS of interest, additions to tax and onerous penalties. In addition, an accuracy-related penalty applies under the Code to any reportable transaction understatement attributable to a listed transaction if a significant purpose of the transaction is the avoidance or evasion of U.S. federal income tax. Finally, treatment as a listed transaction would mean that certain of our “material advisors” (as defined under applicable Treasury Regulations) also would be required to file a disclosure statement with the IRS. We and certain of our advisors could decide to file disclosure statements with the IRS on a protective basis to avoid the risk of penalties, even if it is uncertain that our preferred shares are in fact Fast-Pay Stock or that such advisor is a “material advisor.”

Prospective shareholders should consult their own tax advisors as to the application of these rules to their individual circumstances.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

The following table summarizes certain key single-family properties metrics as of December 31, 2020:

Market	Number of Single-Family Properties ⁽¹⁾	% of Total Single-Family Properties	Gross Book Value (millions)	% of Gross Book Value Total	Avg. Gross Book Value per Property	Avg. Sq. Ft.	Avg. Property Age (years)	Avg. Year Purchased or Delivered
Atlanta, GA	4,977	9.4%	\$ 922.2	9.2%	\$ 185,301	2,165	17.4	2015
Dallas-Fort Worth, TX	4,313	8.2%	720.6	7.3%	167,085	2,117	16.7	2014
Charlotte, NC	3,811	7.2%	756.6	7.6%	198,541	2,100	16.2	2015
Phoenix, AZ	3,147	6.0%	566.1	5.6%	179,899	1,837	17.2	2015
Houston, TX	2,979	5.6%	495.2	5.0%	166,244	2,094	15.0	2014
Nashville, TN	2,907	5.5%	634.2	6.3%	218,157	2,109	15.1	2015
Indianapolis, IN	2,813	5.3%	437.7	4.4%	155,613	1,930	18.2	2013
Tampa, FL	2,464	4.7%	501.8	5.0%	203,648	1,945	14.5	2015
Jacksonville, FL	2,424	4.6%	445.5	4.4%	183,807	1,937	14.6	2015
Raleigh, NC	2,118	4.0%	396.7	4.0%	187,288	1,878	15.4	2015
Columbus, OH	2,062	3.9%	361.8	3.6%	175,438	1,870	18.9	2015
Cincinnati, OH	1,982	3.7%	351.7	3.5%	177,441	1,852	18.4	2013
Greater Chicago area, IL and IN	1,730	3.3%	318.6	3.2%	184,161	1,869	19.3	2013
Orlando, FL	1,743	3.3%	324.5	3.3%	186,200	1,903	18.4	2015
Salt Lake City, UT	1,595	3.0%	416.2	4.0%	260,946	2,182	16.9	2015
Charleston, SC	1,238	2.3%	252.9	2.6%	204,280	1,971	12.3	2016
Las Vegas, NV	1,127	2.1%	215.1	2.0%	190,839	1,854	16.5	2013
San Antonio, TX	938	1.8%	153.4	1.5%	163,531	2,023	16.6	2014
Savannah/Hilton Head, SC	917	1.7%	168.7	1.7%	183,967	1,871	12.8	2016
Denver, CO	831	1.6%	249.8	2.5%	300,562	2,103	18.3	2015
All Other ⁽²⁾	6,757	12.8%	1,310.5	13.3%	193,950	1,876	15.8	2015
Total/Average	52,873	100.0%	\$ 9,999.8	100.0%	\$ 189,129	1,987	16.4	2014

(1) Excludes 711 single-family properties classified as held for sale as of December 31, 2020.

(2) Represents 15 markets in 14 states.

For details on material encumbrances on our properties, see “Schedule III—Real Estate and Accumulated Depreciation” included in Part IV, “Item 15. Exhibit and Financial Statement Schedules” of this Annual Report on Form 10-K.

Property and Management

We lease office space in Calabasas, California for our company headquarters, own commercial real estate in Las Vegas, Nevada for our operational headquarters and lease office space in 24 locations in 14 states.

ITEM 3. LEGAL PROCEEDINGS

For a description of the Company’s legal proceedings, see “Note 14. Commitments and Contingencies” to our consolidated financial statements included as a separate section in Part IV, “Item 15. Exhibit and Financial Statement Schedules” of this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our Class A common shares have traded on the New York Stock Exchange (“NYSE”) under the symbol “AMH” since August 1, 2013. Prior to that date, there was no public trading market for our Class A common shares. On February 24, 2021, the last reported sales price per share of our Class A common shares was \$31.70. The Company’s Class B common shares and the Operating Partnership’s Class A units are not publicly traded.

Shareholders / Unitholders

As of the close of business on February 24, 2021, there were approximately 29 holders of record of the Company’s Class A common shares (excludes beneficial owners whose shares are held in street name by brokers and other nominees), one shareholder of record of the Company’s Class B common shares and approximately 11 holders of record of the Operating Partnership’s Class A units (including AH4R’s general partnership interest).

Distributions

The Company’s board of trustees declared total distributions of \$0.20 per Class A and Class B common share during each of the years ended December 31, 2020 and 2019. The Operating Partnership funds the payment of distributions, and an equivalent amount of distributions were declared on the corresponding Operating Partnership units. Future distributions on our Class A and Class B common shares will be determined by and at the sole discretion of the Company’s board of trustees and will be based on a variety of factors, which may include among others: our actual and projected results of operations; our liquidity, cash flows and financial condition; revenue from our properties; our operating expenses; economic conditions; debt service requirements; limitations under our financing arrangements; applicable law; capital requirements; the REIT requirements of the Code; utilization of AH4R’s net operating loss (“NOL”) carryforwards; and such other factors as the Company’s board of trustees deems relevant. To maintain our qualification as a REIT, AH4R must generally make annual distributions to our shareholders of at least 90% of our REIT taxable income for the current taxable year, determined without regard to deductions for dividends paid and any net capital gains. AH4R intends to use its NOL to reduce AH4R’s REIT taxable income and to pay quarterly distributions to our shareholders, and the Operating Partnership intends to pay quarterly distributions to the Operating Partnership’s unitholders, including AH4R, which distributions, in the aggregate, approximately equal or exceed AH4R’s net taxable income in the relevant year. However, our cash available for distribution may be less than the amount required to meet the distribution requirements for REITs under the Code and we may be required to borrow money, sell assets or make taxable distributions of our equity shares or debt securities to satisfy the distribution requirements. No distributions can be paid on our Class A and Class B common shares unless we have first paid all cumulative distributions on our Series D, Series E, Series F, Series G and Series H perpetual preferred shares. The distribution preference of our Series D, Series E, Series F, Series G and Series H perpetual preferred shares could limit our ability to make distributions to the holders of our Class A and Class B common shares.

The following table displays the estimated income tax treatment of distributions on our Class A and Class B common shares and Series D, Series E, Series F, Series G and Series H perpetual preferred shares for the years ended December 31, 2020 and 2019:

	2020				2019		
	Ordinary dividend income ⁽¹⁾	Qualified dividend income	Capital gains ⁽²⁾⁽³⁾	Total	Ordinary dividend income ⁽¹⁾	Capital gains ⁽²⁾	Total
Common Shares	54.9%	1.1%	44.0%	100.0%	59.4%	40.6%	100.0%
Perpetual Preferred Shares:							
Series D	54.9%	1.1%	44.0%	100.0%	59.4%	40.6%	100.0%
Series E	54.9%	1.1%	44.0%	100.0%	59.4%	40.6%	100.0%
Series F	54.9%	1.1%	44.0%	100.0%	59.4%	40.6%	100.0%
Series G	54.9%	1.1%	44.0%	100.0%	59.4%	40.6%	100.0%
Series H	54.9%	1.1%	44.0%	100.0%	59.4%	40.6%	100.0%

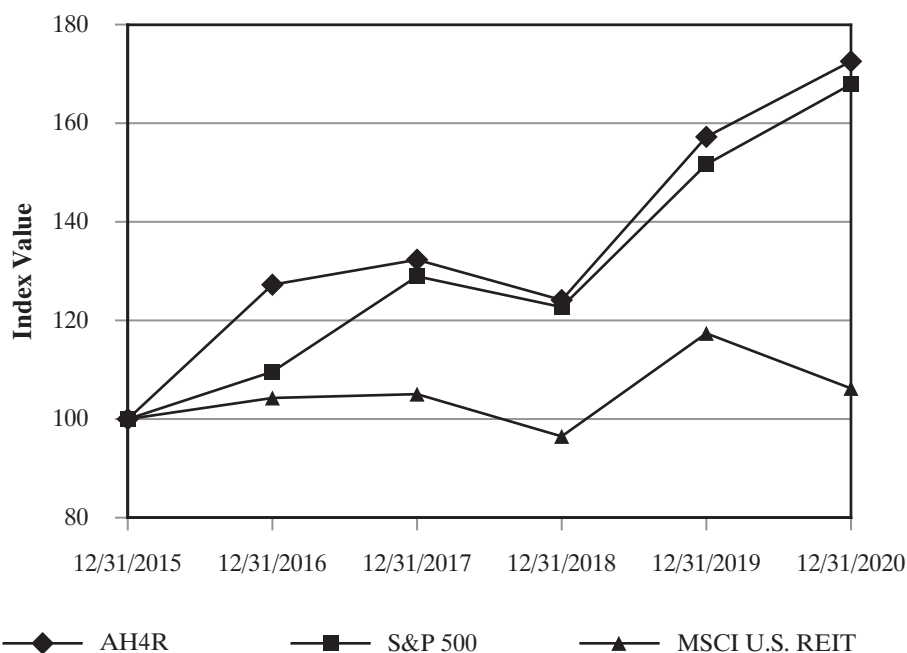
- (1) 100.0% of the ordinary dividend income is treated as Internal Revenue Code (“IRC”) Section 199A qualified REIT dividend income. Treasury Regulation §1.199A-3(c)(2)(ii) requires that shareholders hold their REIT shares for at least 45 days in order for the dividends to be treated as Section 199A dividends.
- (2) Represents our designation to shareholders of the capital gain dividend amounts for the year pursuant to IRC Section 857(b)(3)(B).
- (3) Pursuant to Treasury Regulation §1.1061-6(c), the Company is disclosing additional information related to the capital gain dividends reported on Form 1099-DIV, Box 2a, Total Capital Gain Distributions for purposes of IRC Section 1061. IRC Section 1061 is generally applicable to direct and indirect holders of “applicable partnership interests.” The “One Year Amounts” and “Three Year Amounts” required to be disclosed are both zero with respect to the 2020 distributions, since all capital gain dividends relate to IRC Section 1231 gains. Shareholders should consult with their tax advisors to determine whether IRC Section 1061 applies to their capital gain dividends.

Stock Performance Graph

This performance graph shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities under that Section, and shall not be incorporated by reference into any filing by us under the Securities Act except as expressly set forth in such filing.

The following graph compares the cumulative total return on our Class A common shares from December 31, 2015 to the NYSE closing price per share on December 31, 2020, with the cumulative total returns on the Standard & Poor’s 500 Composite Stock Price Index (the “S&P 500”) and the MSCI U.S. REIT Index. The graph assumes the investment of \$100 in our Class A common shares and each of the indices on December 31, 2015, and the reinvestment of all dividends. The return shown on the graph is not necessarily indicative of future performance.

**Comparison of Cumulative Total Return
Among American Homes 4 Rent, the S&P 500 Index and the MSCI US REIT Index**



The following table provides the same information in tabular form:

<u>Index</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
American Homes 4 Rent	\$100.00	\$127.29	\$132.34	\$124.11	\$157.23	\$172.51
S&P 500	\$100.00	\$109.54	\$128.95	\$122.72	\$151.60	\$167.85
MSCI U.S. REIT	\$100.00	\$104.22	\$105.08	\$ 96.44	\$117.38	\$106.27

ITEM 6. SELECTED FINANCIAL DATA

Intentionally omitted.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. This discussion 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, but not limited to, those set forth under Part I, "Item 1A. Risk Factors" in this report.

This section of this Form 10-K generally discusses the years ended December 31, 2020 and 2019. A discussion of the year ended December 31, 2018 is available at Part II, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2019.

Overview

We are a Maryland REIT focused on acquiring, developing, renovating, leasing and operating single-family homes as rental properties. The Operating Partnership is the entity through which we conduct substantially all of our business and own, directly or through subsidiaries, substantially all of our assets. We commenced operations in November 2012.

As of December 31, 2020, we owned 53,584 single-family properties in selected sub-markets of metropolitan statistical areas ("MSAs") in 22 states, including 711 properties held for sale, compared to 52,552 single-family properties in 22 states, including 1,187 properties held for sale, as of December 31, 2019. As of December 31, 2020, 51,271, or 97.0%, of our total properties (excluding properties held for sale) were occupied, compared to 48,767, or 94.9%, of our total properties (excluding properties held for sale) as of December 31, 2019. Also, as of December 31, 2020, the Company had an additional 1,293 properties held in unconsolidated joint ventures, compared to 808 properties held in unconsolidated joint ventures as of December 31, 2019. Our portfolio of single-family properties, including those held in our unconsolidated joint ventures, is internally managed through our proprietary property management platform.

COVID-19 Business Update

The Company has maintained continuity in business operations since the beginning of the COVID-19 pandemic and produced strong operating results in the fourth quarter of 2020 demonstrating the flexibility of its technology enabled operating platform and the resiliency of its high-quality, diversified portfolio. Comprehensive remote working policies remain in place for most corporate and field offices, and operational protocols have been tailored based on state and local mandates to ensure continuity of services, while protecting employees, residents and their families.

Driven by shifting housing preferences as households migrate away from city centers and apartments, the Company is experiencing record demand levels and reported its highest ever Same-Home portfolio Average Occupied Days Percentages for the fourth quarter of 2020 and January 2021. Additionally, as the Company entered the fourth quarter of 2020, it continued its return to normal operating practices, including the assessment of late fees, in jurisdictions where allowable, and modest renewal increases on expiring leases.

Collections continue to remain resilient throughout the pandemic. We have now received 96.7% of fourth quarter 2020 rental billings, which is consistent with pandemic payment histories within the same time frame. Additionally, collections of January 2021 rental billings continue to remain consistent with

pandemic payment histories within the same time frame. Collections are reported without application of any existing resident security deposits or adjustment for deferred payment plans.

Although the Company has produced strong operating results to date during the COVID-19 pandemic, the extent to which the pandemic will ultimately impact us and our residents will depend on future developments which are highly uncertain. These include the scope, severity and duration of the pandemic, including resurgences, impact of government regulations, the speed and effectiveness of vaccine distribution and the direct and indirect economic effects of the pandemic and containment measures, among others.

For more information on risks related to COVID-19, see Part I, “Item 1A. Risk Factors—Risks Related to Our Business—We are subject to risks from the global pandemic associated with COVID-19 and we may in the future be subject to risks from other public health crises.”

Key Single-Family Property and Leasing Metrics

The following table summarizes certain key single-family properties metrics as of December 31, 2020:

Market	Number of Single-Family Properties ⁽¹⁾	% of Total Single-Family Properties	Gross Book Value (millions)	% of Gross Book Value Total	Avg. Gross Book Value per Property	Avg. Sq. Ft.	Avg. Property Age (years)	Avg. Year Purchased or Delivered
Atlanta, GA	4,977	9.4%	\$ 922.2	9.2%	\$ 185,301	2,165	17.4	2015
Dallas-Fort Worth, TX	4,313	8.2%	720.6	7.3%	167,085	2,117	16.7	2014
Charlotte, NC	3,811	7.2%	756.6	7.6%	198,541	2,100	16.2	2015
Phoenix, AZ	3,147	6.0%	566.1	5.6%	179,899	1,837	17.2	2015
Houston, TX	2,979	5.6%	495.2	5.0%	166,244	2,094	15.0	2014
Nashville, TN	2,907	5.5%	634.2	6.3%	218,157	2,109	15.1	2015
Indianapolis, IN	2,813	5.3%	437.7	4.4%	155,613	1,930	18.2	2013
Tampa, FL	2,464	4.7%	501.8	5.0%	203,648	1,945	14.5	2015
Jacksonville, FL	2,424	4.6%	445.5	4.4%	183,807	1,937	14.6	2015
Raleigh, NC	2,118	4.0%	396.7	4.0%	187,288	1,878	15.4	2015
Columbus, OH	2,062	3.9%	361.8	3.6%	175,438	1,870	18.9	2015
Cincinnati, OH	1,982	3.7%	351.7	3.5%	177,441	1,852	18.4	2013
Greater Chicago area, IL and IN	1,730	3.3%	318.6	3.2%	184,161	1,869	19.3	2013
Orlando, FL	1,743	3.3%	324.5	3.3%	186,200	1,903	18.4	2015
Salt Lake City, UT	1,595	3.0%	416.2	4.0%	260,946	2,182	16.9	2015
Charleston, SC	1,238	2.3%	252.9	2.6%	204,280	1,971	12.3	2016
Las Vegas, NV	1,127	2.1%	215.1	2.0%	190,839	1,854	16.5	2013
San Antonio, TX	938	1.8%	153.4	1.5%	163,531	2,023	16.6	2014
Savannah/Hilton Head, SC	917	1.7%	168.7	1.7%	183,967	1,871	12.8	2016
Denver, CO	831	1.6%	249.8	2.5%	300,562	2,103	18.3	2015
All Other ⁽²⁾	6,757	12.8%	1,310.5	13.3%	193,950	1,876	15.8	2015
Total/Average	52,873	100.0%	\$ 9,999.8	100.0%	\$ 189,129	1,987	16.4	2014

(1) Excludes 711 single-family properties held for sale as of December 31, 2020.

(2) Represents 15 markets in 14 states.

The following table summarizes certain key leasing metrics as of December 31, 2020:

Market	Total Single-Family Properties ⁽¹⁾				
	Avg. Occupied Days Percentage ⁽²⁾	Avg. Monthly Realized Rent per property ⁽³⁾	Avg. Original Lease Term (months) ⁽⁴⁾	Avg. Remaining Lease Term (months) ⁽⁴⁾	Avg. Blended Change in Rent ⁽⁵⁾
Atlanta, GA	96.0%	\$ 1,666	12.0	6.1	3.9%
Dallas-Fort Worth, TX	95.8%	1,796	12.2	6.4	2.8%
Charlotte, NC	96.3%	1,644	12.3	6.4	3.2%
Phoenix, AZ	97.4%	1,509	12.0	6.0	6.5%
Houston, TX	95.2%	1,681	12.4	6.3	2.4%
Nashville, TN	94.5%	1,778	12.0	6.1	3.2%
Indianapolis, IN	96.3%	1,471	12.0	6.0	3.7%
Tampa, FL	95.6%	1,743	12.0	6.3	3.2%
Jacksonville, FL	95.6%	1,626	12.0	6.4	3.4%
Raleigh, NC	95.1%	1,577	12.3	6.5	2.8%
Columbus, OH	97.3%	1,694	12.0	6.1	3.9%
Cincinnati, OH	96.9%	1,654	11.9	6.4	3.9%
Greater Chicago area, IL and IN	96.8%	1,907	12.3	6.5	3.0%
Orlando, FL	95.6%	1,727	12.1	6.4	3.2%
Salt Lake City, UT	96.5%	1,834	12.1	6.5	4.4%
Charleston, SC	95.0%	1,753	12.0	6.5	3.3%
Las Vegas, NV	95.9%	1,632	12.0	6.8	4.7%
San Antonio, TX	95.0%	1,570	12.1	6.7	2.6%
Savannah/Hilton Head, SC	95.5%	1,603	12.0	6.5	3.1%
Denver, CO	95.1%	2,277	12.1	6.3	3.4%
All Other ⁽⁶⁾	96.3%	1,659	12.1	6.4	3.8%
Total/Average	96.0%	\$ 1,683	12.1	6.3	3.6%

(1) Leasing information excludes 711 single-family properties held for sale as of December 31, 2020.

(2) For the year ended December 31, 2020, Average Occupied Days Percentage represents the number of days a property is occupied in the period divided by the total number of days the property is owned during the same period after initially being placed in-service.

(3) For the year ended December 31, 2020, Average Monthly Realized Rent is calculated as the lease component of rents and other single-family property revenues (i.e., rents from single-family properties) divided by the product of (a) number of properties and (b) Average Occupied Days Percentage, divided by the number of months. For properties partially owned during the year, this is adjusted to reflect the number of days of ownership.

(4) Average Original Lease Term and Average Remaining Lease Term are reflected as of period end.

(5) Represents the percentage change in rent on all non-month-to-month lease renewals and re-leases during the year ended December 31, 2020, compared to the annual rent of the previously expired non-month-to-month comparable long-term lease for each property.

(6) Represents 15 markets in 14 states.

We believe these key single-family property and leasing metrics provide useful information to investors because they allow investors to understand the composition and performance of our properties on a market by market basis. Management also uses these metrics to understand the composition and performance of our properties at the market level.

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. Currently, the most significant factor impacting our results of operations and financial condition is the effect of the COVID-19 pandemic, which is discussed above. Other key factors that impact our results of operations and financial condition include the pace at which we identify and acquire suitable land and properties, the time and cost required to renovate the acquired properties, the pace and cost of our property developments, the time to lease newly acquired or developed properties at acceptable rental

rates, occupancy levels, rates of tenant turnover, the length of vacancy in properties between tenant leases, our expense ratios, our ability to raise capital and our capital structure.

Property Acquisitions, Development and Dispositions

Since our formation, we have rapidly but systematically grown our portfolio of single-family properties. Our ability to identify and acquire homes that meet our investment criteria is impacted by home prices in our target markets, the inventory of properties available-for-sale through traditional acquisition channels, competition for our target assets and our available capital. We are increasingly focused on developing “built-for-rental” homes through our internal AMH Development Program and acquiring newly constructed homes from third-party developers through our National Builder Program. Opportunities from these new construction channels are impacted by the availability of vacant developed lots, development land assets and inventory of homes currently under construction or newly developed. Our level of investment activity has fluctuated based on the number of suitable opportunities and the level of capital available to invest. During the year ended December 31, 2020, we developed or acquired 2,103 homes, including 1,158 newly constructed properties delivered through our AMH Development Program and 945 homes acquired through our National Builder Program and traditional acquisition channel, partially offset by 1,047 homes sold and 24 homes contributed to unconsolidated joint ventures.

Our properties held for sale were identified based on sub-market analysis, as well as individual property-level operational review. As of December 31, 2020 and 2019, there were 711 and 1,187 properties, respectively, classified as held for sale. We will continue to evaluate our properties for potential disposition going forward as a normal course of business.

Property Operations

Homes added to our portfolio through new construction channels include properties developed through our internal AMH Development Program and newly constructed properties acquired from third-party developers through our National Builder Program. Rental homes developed through our AMH Development Program involve substantial up-front costs, time to acquire and develop land, time to build the rental home, and time to lease the rental home before the home generates income. This process is dependent upon the nature of each lot acquired and the timeline varies primarily due to land development requirements. Once land development requirements have been met, on average it takes approximately four to six months to complete the rental home vertical construction process. However, delivery of homes may be staged to account for delays in demand. Our internal construction program is managed by our team of development professionals that oversee the full rental home construction process including all land development and work performed by subcontractors. We typically incur costs between \$200,000 and \$400,000 to acquire and develop land, and build a rental home. Homes added through our AMH Development Program are available for lease immediately upon or shortly after receipt of a certificate of occupancy. Rental homes acquired from third-party developers through our National Builder Program are dependent on the inventory of newly constructed homes and homes currently under construction.

Homes added to our portfolio through traditional acquisition channels require expenditures in addition to payment of the purchase price, including property inspections, closing costs, liens, title insurance, transfer taxes, recording fees, broker commissions, property taxes and HOA fees, when applicable. In addition, we typically incur costs between \$15,000 and \$30,000 to renovate a home acquired through traditional acquisition channels to prepare it for rental. Renovation work varies, but may include paint, flooring, cabinetry, appliances, plumbing hardware and other items required to prepare the home for rental. The time and cost involved to prepare our homes for rental can impact our financial performance and varies among properties based on several factors, including the source of acquisition channel and age and condition of the property. On average, it takes approximately 20 to 40 days to complete the renovation process.

Our operating results are also impacted by the amount of time it takes to market and lease a property, which can vary greatly among properties, and is impacted by local demand, our marketing techniques and

the size of our available inventory. On average, it takes approximately 20 to 40 days to lease a property after acquiring or developing a new property through our new construction channels or after completing the renovation process for a traditionally acquired property. Lastly, our operating results are impacted by the length of stay of our tenants and the amount of time it takes to prepare and re-lease a property after a tenant vacates. This process, which we refer to as “turnover,” is impacted by numerous factors, including the condition of the home upon move-out of the previous tenant, and by local demand, our marketing techniques and the size of our available inventory at the time of the turnover. On average, it takes approximately 40 to 60 days to complete the turnover process.

Revenues

Our revenues are derived primarily from rents collected from tenants for our single-family properties under lease agreements which typically have a term of one year. Our rental rates and occupancy levels are affected by macroeconomic factors and local and property-level factors, including market conditions, seasonality and tenant defaults, and the amount of time it takes to turn properties when tenants vacate. Additionally, our ability to collect revenues and related operating results are impacted by the credit worthiness and quality of our tenants. On average, our tenants have household incomes ranging from \$70,000 to \$110,000 and primarily consist of families with approximately two adults and one or more children.

Our rents and other single-family property revenues are comprised of rental revenue from single-family properties, fees from our single-family property rentals and “tenant charge-backs,” which are primarily related to cost recoveries on utilities.

Our ability to maintain and grow revenues from our existing portfolio of homes will be dependent on our ability to retain tenants and increase rental rates. Based on our Same-Home population of properties (defined below), the year-over-year increase in Average Monthly Realized Rent per property was 3.0% for the year ended December 31, 2020 and we experienced turnover rates of 33.1% and 36.9% for the years ended December 31, 2020 and 2019, respectively. In response to the COVID-19 pandemic, we waived month-to-month lease premiums and offered zero percent increases on newly signed renewal leases between April and July 2020 and then began to return to normal operating practices including modest renewal increases on expiring leases.

Expenses

We monitor the following categories of expenses that we believe most significantly affect our results of operations.

Property Operating Expenses

Once a property is available for lease for the first time, which we refer to as “rent-ready,” we incur ongoing property-related expenses which may not be subject to our control. These include primarily property taxes, repairs and maintenance (“R&M”), turnover costs, HOA fees (when applicable) and insurance.

Property Management Expenses

As we internally manage our portfolio of single-family properties through our proprietary property management platform, we incur costs such as salary expenses for property management personnel, lease expenses and operating costs for property management offices and technology expenses for maintaining our property management platform. As part of developing our property management platform, we have made significant investments in our infrastructure, systems and technology. We believe that these investments will enable our property management platform to become more efficient over time, especially as our portfolio grows. Also included in property management expenses is noncash share-based compensation expense related to centralized and field property management employees.

Seasonality

We believe that our business and related operating results will be impacted by seasonal factors throughout the year. We experience higher levels of tenant move-outs and move-ins during the late spring and summer months, which impacts both our rental revenues and related turnover costs. Our property operating costs are seasonally impacted in certain markets for expenses such as HVAC repairs, turn costs and landscaping expenses during the summer season. Additionally, our single-family properties are at greater risk in certain markets for adverse weather conditions such as hurricanes in the late summer months and extreme cold weather in the winter months.

General and Administrative Expense

General and administrative expense primarily consists of corporate payroll and personnel costs, federal and state taxes, trustees' and officers' insurance expenses, audit and tax fees, trustee fees and other expenses associated with our corporate and administrative functions. Also included in general and administrative expense is noncash share-based compensation expense related to corporate administrative employees.

Results of Operations

Net income totaled \$154.8 million for the year ended December 31, 2020, compared to \$156.3 million for the year ended December 31, 2019. This decrease was primarily attributable to increased uncollectible rents and tenant utility reimbursements related to the COVID-19 pandemic, as well as a noncash write-down included in other expenses associated with the liquidation of legacy joint ventures, which were acquired as part of the American Residential Properties, Inc. ("ARPI") merger in February 2016. This decrease was offset in part by growth in the Company's portfolio and higher occupancy, as well as higher rental rates.

As we continue to grow our portfolio with a portion of our homes still recently developed, acquired and/or renovated, we distinguish our portfolio of homes between Same-Home properties and Non-Same-Home and Other properties in evaluating our operating performance. We classify a property as Same-Home if it has been stabilized longer than 90 days prior to the beginning of the earliest period presented under comparison and if it has not been classified as held for sale or taken out of service as a result of a casualty loss, which allows the performance of these properties to be compared between periods. Single-family properties that we acquire individually (i.e., not through a bulk purchase) are classified as either stabilized or non-stabilized. A property is classified as stabilized once it has been renovated by the Company or newly constructed and then initially leased or available for rent for a period greater than 90 days. Properties acquired through a bulk purchase are first considered non-stabilized, as an entire group, until (1) we have owned them for an adequate period of time to allow for complete on-boarding to our operating platform, and (2) a substantial portion of the properties have experienced tenant turnover at least once under our ownership, providing the opportunity for renovations and improvements to meet our property standards. After such time has passed, properties acquired through a bulk purchase are then evaluated on an individual property basis under our standard stabilization criteria. All other properties, including those classified as held for sale or taken out of service as a result of a casualty loss, are classified as Non-Same-Home and Other.

One of the primary financial measures we use in evaluating the operating performance of our single-family properties is Core Net Operating Income ("Core NOI"), which we also present separately for our Same-Home portfolio. Core NOI is a supplemental non-GAAP financial measure that we define as core revenues, which is calculated as total revenues, excluding expenses reimbursed by tenant charge-backs and other revenues, less core property operating expenses, which is calculated as property operating and property management expenses, excluding noncash share-based compensation expense and expenses reimbursed by tenant charge-backs.

Core NOI also excludes (1) gain or loss on early extinguishment of debt, (2) hurricane-related charges, net, which result in material charges to the impacted single-family properties, (3) gain or loss on

sales of single-family properties and other, (4) depreciation and amortization, (5) acquisition and other transaction costs incurred with business combinations and the acquisition or disposition of properties as well as nonrecurring items unrelated to ongoing operations, (6) noncash share-based compensation expense, (7) interest expense, (8) general and administrative expense, (9) other expenses and (10) other revenues. We believe Core NOI provides useful information to investors about the operating performance of our single-family properties without the impact of certain operating expenses that are reimbursed through tenant charge-backs.

Core NOI and Same-Home Core NOI should be considered only as supplements to net income or loss as a measure of our performance and should not be used as measures of our liquidity, nor are they indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions. Additionally, these metrics should not be used as substitutes for net income or loss or net cash flows from operating activities (as computed in accordance with accounting principles generally accepted in the United States of America (“GAAP”)).

Comparison of the Year Ended December 31, 2020 to the Year Ended December 31, 2019

The following table presents a summary of Core NOI for our Same-Home properties, Non-Same-Home and Other properties, and total properties for the years ended December 31, 2020 and 2019 (in thousands):

For the Year Ended December 31, 2020						
	Same-Home Properties ⁽¹⁾	% of Core Revenue	Non-Same- Home and Other Properties	% of Core Revenue	Total Properties	% of Core Revenue
Rents from single-family properties ⁽²⁾	\$ 867,380		\$ 150,442		\$ 1,017,822	
Fees from single-family properties ⁽²⁾	13,350		3,001		16,351	
Bad debt ⁽³⁾	(18,709)		(3,757)		(22,466)	
Core revenues	<u>862,021</u>		<u>149,686</u>		<u>1,011,707</u>	
Property tax expense	152,703	17.7%	27,437	18.3%	180,140	17.8%
HOA fees, net ⁽⁴⁾	16,264	1.9%	3,390	2.3%	19,654	1.9%
R&M and turnover costs, net ⁽⁴⁾⁽⁵⁾	69,429	8.0%	13,707	9.2%	83,136	8.2%
Insurance	7,977	0.9%	1,715	1.1%	9,692	1.0%
Property management expenses, net ⁽⁶⁾	69,500	8.1%	15,485	10.3%	84,985	8.4%
Core property operating expenses	<u>315,873</u>	<u>36.6%</u>	<u>61,734</u>	<u>41.2%</u>	<u>377,607</u>	<u>37.3%</u>
Core NOI	<u>\$ 546,148</u>	<u>63.4%</u>	<u>\$ 87,952</u>	<u>58.8%</u>	<u>\$ 634,100</u>	<u>62.7%</u>
For the Year Ended December 31, 2019						
	Same-Home Properties ⁽¹⁾	% of Core Revenue	Non-Same- Home and Other Properties	% of Core Revenue	Total Properties	% of Core Revenue
Rents from single-family properties	\$ 834,267		\$ 133,142		\$ 967,409	
Fees from single-family properties	11,579		2,256		13,835	
Bad debt	(7,306)		(1,652)		(8,958)	
Core revenues	<u>838,540</u>		<u>133,746</u>		<u>972,286</u>	
Property tax expense	145,946	17.3%	26,836	20.1%	172,782	17.8%
HOA fees, net ⁽⁴⁾	17,232	2.0%	3,236	2.4%	20,468	2.1%
R&M and turnover costs, net ⁽⁴⁾	64,481	7.8%	12,613	9.4%	77,094	8.0%
Insurance	7,576	0.9%	1,447	1.1%	9,023	0.9%
Property management expenses, net ⁽⁶⁾	67,707	8.1%	12,495	9.3%	80,202	8.2%
Core property operating expenses	<u>302,942</u>	<u>36.1%</u>	<u>56,627</u>	<u>42.3%</u>	<u>359,569</u>	<u>37.0%</u>
Core NOI	<u>\$ 535,598</u>	<u>63.9%</u>	<u>\$ 77,119</u>	<u>57.7%</u>	<u>\$ 612,717</u>	<u>63.0%</u>

(1) Includes 44,663 properties that have been stabilized longer than 90 days prior to January 1, 2019.

(2) As a result of the COVID-19 pandemic, rents from single-family properties were impacted by the Company's socially responsible decisions between April and July 2020 to waive month-to-month lease premiums and offer zero percent increases on newly signed renewal leases. Fees from single-family properties were also impacted as the Company waived late fees between April and July 2020.

(3) Includes increased uncollectible rents related to the COVID-19 pandemic of \$12.8 million and \$11.1 million for the total portfolio and Same-Home portfolio, respectively, for the year ended December 31, 2020.

(4) Presented net of tenant charge-backs.

(5) Includes increased uncollectible tenant utility reimbursements of \$2.8 million and \$2.6 million and costs associated with enhanced cleaning and safety protocols related to the COVID-19 pandemic of \$0.5 million and \$0.4 million for the total portfolio and Same-Home portfolio, respectively, during the year ended December 31, 2020.

(6) Presented net of tenant charge-backs and excludes noncash share-based compensation expense related to centralized and field property management employees.

The following are reconciliations of core revenues, Same-Home core revenues, core property operating expenses, Same-Home core property operating expenses, Core NOI and Same-Home Core NOI to their respective GAAP metrics for the years ended December 31, 2020 and 2019 (amounts in thousands):

	For the Years Ended December 31,	
	2020	2019
Core revenues and Same-Home core revenues		
Total revenues	\$1,182,836	\$1,143,378
Tenant charge-backs	(160,807)	(159,851)
Other revenues	(10,322)	(11,241)
Core revenues	1,011,707	972,286
Less: Non-Same-Home core revenues	149,686	133,746
Same-Home core revenues	<u>\$ 862,021</u>	<u>\$ 838,540</u>
Core property operating expenses and Same-Home core property operating expenses		
Property operating expenses	\$ 450,267	\$ 433,854
Property management expenses	89,892	86,908
Noncash share-based compensation—property management	(1,745)	(1,342)
Expenses reimbursed by tenant charge-backs	(160,807)	(159,851)
Core property operating expenses	377,607	359,569
Less: Non-Same-Home core property operating expenses	61,734	56,627
Same-Home core property operating expenses	<u>\$ 315,873</u>	<u>\$ 302,942</u>
Core NOI and Same-Home Core NOI		
Net income	\$ 154,829	\$ 156,260
Loss on early extinguishment of debt	—	659
Gain on sale of single-family properties and other, net	(44,194)	(43,873)
Depreciation and amortization	343,153	329,293
Acquisition and other transaction costs	9,298	3,224
Noncash share-based compensation—property management	1,745	1,342
Interest expense	117,038	127,114
General and administrative expense	48,517	43,206
Other expenses	14,036	6,733
Other revenues	(10,322)	(11,241)
Core NOI	634,100	612,717
Less: Non-Same-Home Core NOI	87,952	77,119
Same-Home Core NOI	<u>\$ 546,148</u>	<u>\$ 535,598</u>

Total Revenues

Total revenues increased 3.5% to \$1.18 billion for the year ended December 31, 2020 from \$1.14 billion for the year ended December 31, 2019. Revenue growth was driven by an increase in our average occupied portfolio which grew to 50,065 homes for the year ended December 31, 2020, compared to 48,687 homes for the year ended December 31, 2019, as well as higher rental rates, partially offset by an increase in uncollectible rents and tenant utility reimbursements related to the COVID-19 pandemic.

Property Operating Expenses

Property operating expenses increased 3.8% to \$450.3 million for the year ended December 31, 2020 from \$433.9 million for the year ended December 31, 2019. This increase was primarily attributable to higher property tax expense and higher repairs and maintenance and turnover costs as a result of growth in our portfolio.

Property Management Expenses

Property management expenses for the years ended December 31, 2020 and 2019 were \$89.9 million and \$86.9 million, respectively, which included \$1.7 million and \$1.3 million, respectively, of noncash share-based compensation expense related to centralized and field property management employees. The increase in property management expenses was primarily attributable to higher personnel costs, partially offset by lower employee travel costs.

Core Revenues from Same-Home Properties

Core revenues from Same-Home properties increased 2.8% to \$862.0 million for the year ended December 31, 2020 from \$838.5 million for the year ended December 31, 2019. This increase is primarily attributable to higher Average Monthly Realized Rent per property, which increased 3.0% to \$1,680 per month for the year ended December 31, 2020 compared to \$1,631 per month for the year ended December 31, 2019, and a rise in the Average Occupied Days Percentage, which increased to 96.3% for the year ended December 31, 2020 compared to 95.4% for the year ended December 31, 2019, partially offset by an increase in uncollectible rents related to the COVID-19 pandemic. Additionally, during the year ended December 31, 2020, core revenues from Same-Home properties were impacted by (i) the Company's socially responsible decisions between April and July 2020 to waive month-to-month lease premiums and offer zero percent increases on newly signed renewal leases and (ii) waived late fees between April and July 2020.

Core Property Operating Expenses from Same-Home Properties

Core property operating expenses from Same-Home properties consist of direct property operating expenses, net of tenant charge-backs, and property management costs, net of tenant charge-backs, and excludes noncash share-based compensation expense. Core property operating expenses from Same-Home properties increased 4.3% to \$315.9 million for the year ended December 31, 2020 from \$302.9 million for the year ended December 31, 2019, primarily driven by annual growth in property tax expense and higher R&M and turnover costs, net, which includes \$3.0 million of incremental costs related to the COVID-19 pandemic including increased uncollectible tenant utility reimbursements and enhanced cleaning costs during the year ended December 31, 2020.

General and Administrative Expense

General and administrative expense primarily consists of corporate payroll and personnel costs, federal and state taxes, trustees' and officers' insurance expense, audit and tax fees, trustee fees and other expenses associated with our corporate and administrative functions. General and administrative expense for the years ended December 31, 2020 and 2019 was \$48.5 million and \$43.2 million, respectively, which included \$6.6 million and \$3.5 million, respectively, of noncash share-based compensation expense related to corporate administrative employees. The increase in general and administrative expense was primarily related to higher noncash share-based compensation expense as well as higher personnel costs to support growth in our business and an increase in state taxes.

Interest Expense

Interest expense decreased 7.9% to \$117.0 million for the year ended December 31, 2020 from \$127.1 million for the year ended December 31, 2019. This decrease was primarily related to additional capitalized interest during the year ended December 31, 2020 and the payoff of the term loan facility in June 2019, partially offset by the unsecured senior notes issued in late January 2019.

Acquisition and Other Transaction Costs

Acquisition and other transaction costs were \$9.3 million and \$3.2 million for the years ended December 31, 2020 and 2019, respectively, which primarily related to overhead and other indirect costs associated with purchases of single-family properties, including newly constructed properties from third-party builders, as well as costs associated with the disposal of certain properties or portfolios of properties.

Our efforts to grow our acquisition program, including an increase in personnel, was the primary driver for the year-over-year increase.

Depreciation and Amortization

Depreciation and amortization expense consists primarily of depreciation of buildings and improvements. Depreciation of our assets is calculated over their useful lives on a straight-line basis over three to thirty years. Our intangible assets are amortized on a straight-line basis over the asset's estimated economic useful life. Depreciation and amortization expense increased 4.2% to \$343.2 million for the year ended December 31, 2020 from \$329.3 million for the year ended December 31, 2019 primarily due to growth in our average number of depreciable properties.

Other Revenues

Other revenues were \$10.3 million and \$11.2 million for the years ended December 31, 2020 and 2019, respectively, which primarily related to interest income, fees from unconsolidated joint ventures, and equity in earnings from unconsolidated joint ventures.

Other Expenses

Other expenses were \$14.0 million and \$6.7 million for the years ended December 31, 2020 and 2019, respectively, which primarily related to impairments on properties held for sale and expenses related to unconsolidated joint ventures. Also included in other expenses for the year ended December 31, 2020 was a \$4.9 million noncash write-down associated with the liquidation of legacy joint ventures, which were acquired as part of the ARPI merger in February 2016, and a net expense of \$2.9 million related to a legal matter involving a former employee.

Critical Accounting Policies and Estimates

Our discussion and analysis of our historical financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could ultimately differ from these estimates. Listed below are those policies that management believes are critical and require the use of judgment in their application. There are other items within the financial statements that require estimation, but they are not considered critical as they do not require significant judgment or are immaterial.

Consolidation and Investments in Unconsolidated Joint Ventures

The consolidated financial statements of the Company include the accounts of AH4R, the Operating Partnership and their consolidated subsidiaries. The consolidated financial statements of the Operating Partnership include the accounts of the Operating Partnership and its consolidated subsidiaries. Intercompany accounts and transactions have been eliminated. The Company consolidates real estate partnerships and other entities that are not variable interest entities ("VIEs") when it owns, directly or indirectly, a majority interest in the entity or is otherwise able to control the entity. The ownership interest in a consolidated subsidiary of the Company held by outside parties, which was liquidated during the second quarter of 2018, is included in noncontrolling interest within the consolidated financial statements.

The Company consolidates VIEs in accordance with Accounting Standards Codification ("ASC") No. 810, *Consolidation*, if it is the primary beneficiary of the VIE as determined by its 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. Entities for which the Company owns an interest, but does not consolidate, are accounted for under the equity method of accounting as an investment in unconsolidated

entity, such as our investments in unconsolidated joint ventures. Investments in unconsolidated joint ventures are recorded initially at cost, and subsequently adjusted for equity in earnings and cash contributions and distributions. Under the equity method of accounting, our net equity investment is included in investments in unconsolidated joint ventures within the consolidated balance sheets, and our share of net income or loss from the joint ventures is included within other revenues in the consolidated statements of operations. Our recognition of joint venture income or loss is generally based on ownership percentages, which may change upon the achievement of certain investment return thresholds. The ultimate realization of the investment in unconsolidated joint ventures is dependent on a number of factors, including the performance of each investment and market conditions. Our investments in unconsolidated joint ventures are reviewed for impairment periodically and we will record an impairment charge when events or circumstances change indicating that a decline in the fair values below the carrying values has occurred and such decline is other-than-temporary. During the year ended December 31, 2020, the Company recognized a \$4.9 million impairment charge in other expenses within the consolidated statements of operations associated with the liquidation of legacy joint ventures, which were acquired as part of the ARPI merger in February 2016.

Investments in Real Estate

Purchases of single-family properties are treated as asset acquisitions and, as such, are recorded at their purchase price, including acquisition costs, which is allocated to land and building based upon their relative fair values at the date of acquisition. Fair value is determined in accordance with ASC 820, *Fair Value Measurements and Disclosures*, and is primarily based on unobservable data inputs. In making estimates of fair values for purposes of allocating the purchase price of individually acquired properties subject to an existing lease, the Company utilizes its own market knowledge obtained from historical transactions, its AMH Development Program and published market data. In this regard, the Company also utilizes information obtained from county tax assessment records to assist in the determination of the fair value of the land and building. The allocation of the consideration to the various components of properties acquired during the year can have an effect on our net income due to the useful depreciable and amortizable lives applicable to each component and the recognition of the related depreciation and amortization expense. For the year ended December 31, 2020, the Company purchased 1,019 single-family properties treated as asset acquisitions for accounting purposes for a total purchase price of \$266.4 million, which was included in cash paid for single-family properties within the consolidated statement of cash flows.

The nature of our business requires that in certain circumstances we acquire single-family properties subject to existing liens. Liens that we expect to be extinguished in cash are estimated and accrued for on the date of acquisition and recorded as a cost of the property.

We incur costs to prepare properties acquired through our traditional acquisition channels for rental. These costs, along with related holding costs, are capitalized to the cost of the property during the period the property is undergoing activities to prepare it for its intended use. We capitalize interest costs as a cost of the property only during the period for which activities necessary to prepare an asset for its intended use are ongoing, provided that expenditures for the asset have been made and interest costs have been incurred. Upon completion of the renovation of our properties, all costs of operations, including repairs and maintenance, are expensed as incurred.

Single-Family Properties Under Development and Development Land

Land and construction in progress for our AMH Development Program are presented separately in single-family properties under development and development land within the consolidated balance sheets. Our capitalization policy on development properties follows the guidance in ASC 835-20, *Capitalization of Interest*, and ASC 970, *Real Estate-General*. Costs directly related to the development of properties are capitalized and the costs of land and buildings under development include specifically identifiable costs. We also capitalize interest, real estate taxes, insurance, utilities, and payroll costs for land and construction

in progress under active development once the applicable GAAP criteria have been met. Determination of when a development project commences and capitalization begins, and when a development project is substantially complete and held available for occupancy and capitalization must cease, involves a degree of judgment.

Impairment of Long-Lived Assets

We evaluate our long-lived assets for impairment periodically or whenever events or circumstances indicate that their carrying amount may not be recoverable. Significant indicators of impairment may include, but are not limited to, declines in home values, rental rates and occupancy percentages, as well as significant changes in the economy. If an impairment indicator exists, we compare the expected future undiscounted cash flows against the net carrying amount. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding anticipated hold periods, future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. If the sum of the estimated undiscounted cash flows is less than the net carrying amount, we record an impairment loss for the difference between the estimated fair value of the individual property and the carrying amount of the property at that date. Because cash flows on properties considered to be long-lived assets to be held and used are considered on an undiscounted basis to determine whether an asset has been impaired, our established strategy of holding properties over the long term directly decreases the likelihood of recording an impairment loss. No significant impairments on operating properties were recorded during the years ended December 31, 2020, 2019 and 2018.

We use the held for sale impairment model for our properties classified as held for sale. The held for sale impairment model is different from the held and used impairment model. Under the held for sale impairment model, an impairment loss is recognized if the carrying amount of the long-lived asset classified as held for sale exceeds its fair value less cost to sell. Because of these two different models, it is possible for a long-lived asset previously classified as held and used to require the recognition of an impairment charge upon classification as held for sale. As of December 31, 2020 and 2019, the Company had 711 and 1,187 single-family properties, respectively, classified as held for sale, and recorded \$2.0 million, \$3.7 million and \$5.9 million of impairment on single-family properties held for sale for the years ended December 31, 2020, 2019 and 2018, respectively, which was included in other expenses within the consolidated statements of operations.

Goodwill

Goodwill represents the fair value in excess of the tangible and separately identifiable intangible assets that were acquired in connection with the internalization of the Company's management function in June 2013, including all administrative, financial, property management, marketing and leasing personnel, including executive management. Goodwill has an indefinite life and is therefore not amortized. The Company analyzes goodwill for impairment on an annual basis pursuant to ASC 350, *Intangibles—Goodwill and Other*, which permits us to assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than the carrying amount as a basis to determine whether an impairment test is necessary. Under the provision of ASC 280, *Segment Reporting*, the Company has determined that it has one reportable segment with activities related to acquiring, renovating, developing, leasing and operating single-family homes as rental properties. The qualitative assessment requires judgment to be applied in evaluating the effects of multiple factors, including macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, other relevant entity-specific events, events affecting the reporting unit, and whether or not there has been a sustained decrease in the Company's stock price. We also have the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the goodwill impairment test. The impairment test compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds the fair value, the impairment loss is determined as the excess of the carrying amount of the goodwill reporting unit over the fair value of that goodwill, not to exceed the

carrying amount. Impairment charges, if any, are recognized in operating results. Based on our assessment of qualitative factors on December 31, 2020, we concluded it was more likely than not that the Company's recorded goodwill balance of \$120.3 million was not impaired and did not perform the quantitative test. No goodwill impairment was recorded during the years ended December 31, 2020, 2019 and 2018.

Revenue and Expense Recognition

We lease single-family properties that we own directly to tenants who occupy the properties under operating leases, generally, with a term of one year. As a result of the adoption of ASU No. 2016-02, *Leases (Topic 842)* ("ASC 842") on January 1, 2019, the Company classifies our single-family property leases as operating leases and elects to not separate the lease component, comprised of rents from single-family properties, from the associated non-lease component, comprised of fees from single-family properties and tenant charge-backs. The combined component is accounted for under the new lease accounting standard while certain tenant charge-backs are accounted for as variable payments under the revenue accounting guidance. Rental revenue, net of any concessions, is recognized on a straight-line basis over the term of the lease, which is not materially different than if it were recorded when due from tenants and recognized monthly as it is earned. Tenant charge-backs, which are primarily related to cost recoveries on utilities, are recognized as revenue on a gross basis in the period during which the expenses are incurred.

Upon adoption of ASC 842, we no longer have an allowance for doubtful accounts. When collectability is not deemed probable, we write-off the tenant's receivables and limit lease income to cash received. Prior to January 1, 2019, we maintained an allowance for doubtful accounts for estimated losses that may have resulted from the inability of tenants to make required rent or other payments. This allowance was estimated based on, among other considerations, payment histories, overall delinquencies and available security deposits.

We accrue for property taxes and HOA assessments based on amounts billed, and, in some circumstances, estimates and historical trends when bills or assessments are not available. The actual assessment may differ from the estimates, resulting in a change in estimate in a subsequent period.

Gains or losses on sales of properties and upon contributions to our unconsolidated joint ventures are recognized pursuant to the provisions included in ASC 610-20, *Other Income*. Under ASC 610-20, we must first determine whether the transaction is a sale to a customer or non-customer. We typically sell properties on a selective basis and not within the ordinary course of our operating business and therefore expect that our sale transactions will not be contracts with customers. We next determine whether we have a controlling financial interest in the property after the sale, consistent with the consolidation model in ASC 810, *Consolidation*. If we determine that we do not have a controlling financial interest in the real estate, we evaluate whether a contract exists under ASC 606, *Revenue from Contracts with Customers*, and whether the buyer has obtained control of the asset that was sold. We recognize a full gain or loss on sale, which is presented in gain on sale of single-family properties and other, net within the consolidated statements of operations, when the derecognition criteria under ASC 610-20 have been met.

Income Taxes

AH4R has elected to be taxed as a REIT for U.S. federal income tax purposes under Sections 856 to 860 of the Code, commencing with our taxable year ended December 31, 2012. We believe that we have operated, and continue to operate, in such a manner as to satisfy the requirements for qualification as a REIT. Provided that we qualify as a REIT and our distributions to our shareholders equal or exceed our REIT taxable income (determined without regard to the deduction for dividends paid and including any net capital gains), we generally will not be subject to U.S. federal income tax.

Qualification and taxation as a REIT depend upon our ability to meet the various qualification tests imposed under the Code, including tests related to the percentage of income that we earn from specified sources and the percentage of our earnings that we distribute to our shareholders. Accordingly, no

assurance can be given that we will continue to be organized or be able to operate in a manner so as to remain qualified as a REIT. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we would be subject to U.S. federal income tax and state income tax on our taxable income at regular corporate tax rates, and we would likely be precluded from qualifying for treatment as a REIT until the fifth calendar year following the year in which we fail to qualify.

Even if we qualify as a REIT, we may be subject to certain state or local income and capital taxes and U.S. federal income and excise taxes on our undistributed REIT taxable income, if any. Certain of our subsidiaries are subject to taxation by U.S. federal, state and local authorities for the periods presented. We made joint elections to treat certain subsidiaries as TRS which are subject to U.S. federal, state and local taxes on their income at regular corporate rates. The tax years from 2016 to present generally remain open to examination by the taxing jurisdictions to which the Company is subject.

We believe that our Operating Partnership is properly treated as a partnership for U.S. federal income tax purposes. As a partnership, the Operating Partnership is not subject to U.S. federal income tax on our income. Instead, each of the Operating Partnership's partners, including AH4R, is allocated, and may be required to pay tax with respect to, its share of the Operating Partnership's income. As such, no provision for U.S. federal income taxes has been included for the Operating Partnership.

ASC 740-10, *Income Taxes*, requires recognition of deferred tax assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. We recognize tax benefits of uncertain tax positions only if it is more likely than not that the tax position will be sustained, based solely on its technical merits, with the taxing authority having full knowledge of all relevant information. The measurement of a tax benefit for an uncertain tax position that meets the more likely than not threshold is based on a cumulative probability model under which the largest amount of tax benefit recognized is the amount with a greater than 50% likelihood of being realized upon ultimate settlement with the taxing authority having full knowledge of all the relevant information. As of December 31, 2020, there were no deferred tax assets and liabilities or unrecognized tax benefits recorded by the Company. We do not anticipate a significant change in unrecognized tax benefits within the next 12 months.

Recent Accounting Pronouncements

See Note 2. Significant Accounting Policies to our consolidated financial statements included as a separate section in Part IV, "Item 15. Exhibit and Financial Statement Schedules" of this Annual Report on Form 10-K for a discussion of the adoption and potential impact of recently issued accounting standards.

Liquidity and Capital Resources

Our liquidity and capital resources as of December 31, 2020 included cash and cash equivalents of \$137.1 million. Additionally, as of December 31, 2020, we had no outstanding borrowings under our revolving credit facility, which provides for maximum borrowings of up to \$800.0 million, of which \$1.5 million was committed to outstanding letters of credit. We have no debt maturities, other than recurring principal amortization, until 2024.

Liquidity is a measure of our ability to meet potential cash requirements, maintain our assets, fund our operations, make distributions to our shareholders and OP unitholders, including AH4R, 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 liquidity requirements consist primarily of funds necessary to pay for the acquisition, development, renovation and maintenance of our properties, HOA fees (as applicable), real estate taxes, non-recurring capital expenditures, interest and

principal payments on our indebtedness, general and administrative expenses, payment of quarterly dividends on our preferred shares and units, and payment of distributions to our common shareholders and unitholders.

We seek to satisfy our liquidity needs through cash provided by operations, long-term secured and unsecured borrowings, issuances of debt and equity securities (including OP units), asset-backed securitizations, property dispositions and joint venture transactions. We have financed our operations, acquisitions and development expenditures to date through the issuance of equity securities, borrowings under our credit facilities, asset-backed securitizations and unsecured senior notes, and proceeds from the sale of single-family properties. Going forward, we expect to meet our operating liquidity requirements generally through cash on hand and cash provided by operations. We believe our rental income, net of operating expenses and recurring capital expenditures, will generally provide cash flow sufficient to fund our operations and dividend distributions. However, our real estate assets are illiquid in nature. A timely liquidation of assets might 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 including drawing on our revolving credit facility.

As discussed above under “COVID-19 Business Update,” the COVID-19 pandemic has had an adverse impact on the economy and our operating cash flows. Since we do not know the ultimate severity and length of the COVID-19 pandemic, and thus cannot predict the impact it will have on our tenants and on the debt and equity capital markets, we cannot estimate the ultimate impact it will have on our liquidity and capital resources.

Cash Flows

The following table summarizes the Company’s and the Operating Partnership’s cash flows for the years ended December 31, 2020 and 2019:

	For the Years Ended December 31,		Change
	2020	2019	
Net cash provided by operating activities	\$ 474,100	\$ 457,887	\$ 16,213
Net cash used for investing activities	(642,925)	(376,866)	(266,059)
Net cash provided by (used for) financing activities	269,783	(92,116)	361,899
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ 100,958</u>	<u>\$ (11,095)</u>	<u>\$ 112,053</u>

Operating Activities

Our cash flows provided by operating activities, which is our principal source of cash flows, depend on numerous factors, including the occupancy level of our properties, the rental rates achieved on our leases, the collection of rent from our tenants and the level of property operating expenses, property management expenses and general and administrative expenses. Net cash provided by operating activities increased \$16.2 million, or 3.5%, from \$457.9 million during the year ended December 31, 2019 to \$474.1 million during the year ended December 31, 2020 primarily as a result of increased cash flows generated from a larger number of occupied properties and increases in rental rates on lease renewals and re-leasing of our single-family properties, partially offset by a decrease in collections on rent and tenant utility reimbursements associated with the COVID-19 pandemic.

Investing Activities

	For the Years Ended December 31,		
	2020	2019	Change
Sources of cash from investing activities:			
Net proceeds received from sales of single-family properties and other	\$ 228,566	\$ 221,930	\$ 6,636
Distributions from joint ventures	129,007	22,561	106,446
Proceeds received from hurricane-related insurance claims	3,705	2,171	1,534
	<u>\$ 361,278</u>	<u>\$ 246,662</u>	<u>\$ 114,616</u>
Uses of cash for investing activities:			
Cash paid for development activity	\$ (564,241)	\$(383,271)	\$(180,970)
Cash paid for single-family properties	(269,273)	(120,487)	(148,786)
Recurring and other capital expenditures for single-family properties	(104,819)	(71,481)	(33,338)
Investment in unconsolidated joint ventures	(29,834)	(13,114)	(16,720)
Renovations to single-family properties	(16,968)	(21,883)	4,915
Other purchases of productive assets	(18,694)	(6,121)	(12,573)
Change in escrow deposits for purchase of single-family properties	(374)	(7,171)	6,797
	<u>\$(1,004,203)</u>	<u>\$(623,528)</u>	<u>\$(380,675)</u>
Net cash used for investing activities	<u>\$ (642,925)</u>	<u>\$ (376,866)</u>	<u>\$ (266,059)</u>

Net cash used for investing activities increased \$266.1 million, or 70.6%, from \$376.9 million during the year ended December 31, 2019 to \$642.9 million during the year ended December 31, 2020, primarily driven by the strategic expansion of our portfolio through traditional acquisition channels, the development of “built-for-rental” homes through our AMH Development Program, and acquiring newly built properties through our National Builder Program. We use cash generated from operating and financing activities and by recycling capital through the sale of single-family properties to invest in this strategic expansion. The Company has continued construction activity, while in compliance with state and local mandates related to COVID-19, on its existing pipeline of “built-for-rental” homes through our AMH Development Program. Recurring and other capital expenditures for single-family properties increased as a result of investments in properties to increase future revenues or reduce maintenance expenditures. The development of “built-for-rental” homes and our property-enhancing capital expenditures may reduce recurring and other capital expenditures on an average per home basis in the future. These increased cash outflows were offset by additional distributions from unconsolidated joint ventures in respect of contributions of land and in-process development projects and additional net proceeds from sales of single-family properties and other.

Financing Activities

Net cash provided by or used for financing activities increased \$361.9 million from \$92.1 million of net cash outflows during the year ended December 31, 2019 to \$269.8 million of net cash inflows during the year ended December 31, 2020 primarily due to the debt and equity activity described below.

Debt

As of December 31, 2020, the Company had outstanding asset-backed securitizations with varying maturities starting in 2024 with an aggregate principal amount of \$1.9 billion and outstanding unsecured senior notes maturing in 2028 and 2029 with an aggregate principal amount of \$900.0 million.

During the year ended December 31, 2020, the Company borrowed and fully repaid \$130.0 million on its revolving credit facility and repaid \$22.5 million on its asset-backed securitizations. During the year ended December 31, 2019, the Company issued \$400.0 million of unsecured senior notes and received \$397.9 million in proceeds, net of a discount, paid off the outstanding amounts on the term loan facility and revolving credit facility of \$100.0 million and \$250.0 million, respectively, and repaid \$21.5 million on its asset-backed securitizations.

For additional information regarding the Company's debt issuances, see Note 7. Debt to our consolidated financial statements included as a separate section in Part IV, "Item 15. Exhibit and Financial Statement Schedules" of this Annual Report on Form 10-K.

Class A Common Share Offering

During the third quarter of 2020, the Company issued 14,950,000 Class A common shares of beneficial interest, \$0.01 par value per share, in an underwritten public offering, raising net proceeds of \$411.7 million after deducting underwriting discounts and before offering costs of approximately \$0.2 million. The Company used the net proceeds from this offering (i) to repay indebtedness the Company had incurred under its revolving credit facility (ii) to develop new single-family properties and communities, (iii) to acquire and renovate single-family properties and for related activities in accordance with its business strategy and (iv) for general corporate purposes. The Operating Partnership issued an equivalent number of corresponding Class A units to AH4R in exchange for the net proceeds from the issuance.

At-the-Market Common Share Offering Program

During the second quarter of 2020, the Company extended its at-the-market common share offering program under which we can issue Class A common shares from time to time through various sales agents up to an aggregate gross sales offering price of \$500.0 million (the "At-the-Market Program"). The At-the-Market Program also provides that we may enter into forward contracts for our Class A common shares with forward sellers and forward purchasers. The Company intends to use any net proceeds from the At-the-Market Program (i) to repay indebtedness the Company has incurred or expects to incur under its revolving credit facility, (ii) to develop new single-family properties and communities, (iii) to acquire and renovate single-family properties and for related activities in accordance with the Company's business strategy and (iv) for working capital and general corporate purposes, including repurchases of the Company's securities, acquisitions of additional properties, capital expenditures and the expansion, redevelopment and/or improvement of properties in the Company's portfolio. The Company may suspend or terminate the At-the-Market Program at any time. During the year ended December 31, 2020, the Company issued 86,130 Class A common shares under the At-the-Market Program, raising \$2.4 million in gross proceeds before commissions and other expenses of approximately \$0.4 million. As of December 31, 2020, 86,130 shares have been issued under the At-the-Market Program and \$497.6 million remained available for future share issuances.

Share Repurchase Program

The Company's board of trustees authorized the establishment of our share repurchase program, authorizing the repurchase of up to \$300.0 million of our outstanding Class A common shares and up to \$250.0 million of our outstanding preferred shares from time to time in the open market or in privately negotiated transactions. The program does not have an expiration date, but may be suspended or discontinued at any time without notice. All repurchased shares are constructively retired and returned to an authorized and unissued status. The Operating Partnership funds the repurchases and constructively retires an equivalent number of corresponding Class A units. During the years ended December 31, 2020 and 2019, we did not repurchase and retire any of our shares. As of December 31, 2020, we had a remaining repurchase authorization of up to \$265.1 million of our outstanding Class A common shares and up to \$250.0 million of our outstanding preferred shares under the program.

Distributions

As a REIT, we generally are required to distribute annually to our shareholders at least 90% of our REIT taxable income (determined without regard to the deduction for dividends paid and any net capital gains) and to pay tax at regular corporate rates to the extent that we annually distribute less than 100% of our REIT taxable income (determined without regard to the deduction for dividends paid and including

any net capital gains). The Operating Partnership funds the payment of distributions. AH4R had an NOL for U.S. federal income tax purposes of an estimated \$60.2 million as of December 31, 2020 and approximately \$189.1 million as of December 31, 2019. We intend to use our NOL (to the extent available) to reduce our REIT taxable income and will distribute approximately all of our remaining REIT taxable income (determined without regard to the deduction for dividends paid and including any net capital gains).

During the years ended December 31, 2020 and 2019, the Company distributed an aggregate \$126.6 million and \$125.7 million, respectively, to common shareholders, preferred shareholders and noncontrolling interests on a cash basis.

Off-Balance Sheet Arrangements

During the third quarter of 2020, one of our unconsolidated joint ventures entered into a loan agreement to borrow up to a \$201.0 million aggregate commitment. During the initial two-year term, the loan bears interest at LIBOR plus a 3.50% margin and matures on August 11, 2022. The loan agreement provides for three one-year extension options that include additional fees and interest. As of December 31, 2020, the joint venture's loan had an \$85.2 million outstanding principal balance. The Company provided a customary non-recourse guarantee that may become a liability for us upon a voluntary bankruptcy filing by the joint venture or occurrence of other actions such as fraud or a material misrepresentation by us or the joint venture. To date, the guarantee has not been invoked and we believe that the actions that would trigger a guarantee would generally be disadvantageous to the joint venture and us, and therefore are unlikely to occur. However, there can be no assurances that actions that could trigger the guarantee will not occur.

We have no other material obligations, assets or liabilities that would be considered off-balance sheet arrangements.

Contractual Obligations

Contractual obligations as of December 31, 2020 consisted of the following (in thousands):

	Total	Payments by Period			
		Less than 1 year	1-3 years	3-5 years	After 5 years
Revolving credit facility ⁽¹⁾	\$ 3,000	\$ 2,000	\$ 1,000	\$ —	\$ —
Asset-backed securitizations ⁽²⁾	1,948,492	20,714	41,428	964,741	921,609
Unsecured senior notes ⁽²⁾	900,000	—	—	—	900,000
Interest on debt obligations ⁽³⁾	662,489	125,718	249,095	181,270	106,406
Operating lease obligations	21,940	2,104	5,395	4,552	9,889
Purchase obligations ⁽⁴⁾	153,982	153,982	—	—	—
Total	\$3,689,903	\$304,518	\$296,918	\$1,150,563	\$1,937,904

(1) Includes the 0.25% annual commitment fee on the principal amount of the commitments of \$800.0 million.

(2) Amounts represent principal amounts due and exclude unamortized discounts and deferred financing costs.

(3) Represents estimated future interest payments on our debt instruments based on applicable interest rates as of December 31, 2020 and assumes the repayment of the AMH 2015-1 and 2015-2 securitizations on their anticipated repayment dates in 2025. The fully extended maturity dates for the AMH 2015-1 and 2015-2 securitizations are in 2045 and the interest rates increase on the anticipated repayment dates in 2025. If the AMH 2015-1 and 2015-2 securitizations are not repaid on the anticipated repayment dates in 2025, our interest on debt obligations above would increase.

(4) Represents commitments to acquire 323 single-family properties for an aggregate purchase price of \$81.7 million, as well as \$72.3 million in land purchase commitments that relate to both third-party developer agreements and land for our AMH Development Program.

As a condition for entering into some of its development contracts, the Company had \$36.7 million in outstanding surety bonds and \$1.5 million in letters of credit as of December 31, 2020 and \$14.5 million in outstanding surety bonds and \$6.2 million in letters of credit as of December 31, 2019.

Additional Non-GAAP Measures

Funds from Operations (“FFO”) / Core FFO / Adjusted FFO attributable to common share and unit holders

FFO attributable to common share and unit holders is a non-GAAP financial measure that we calculate in accordance with the definition approved by the National Association of Real Estate Investment Trusts (“NAREIT”), which defines FFO as net income or loss calculated in accordance with GAAP, excluding gains and losses from sales or impairment of real estate, plus real estate-related depreciation and amortization (excluding amortization of deferred financing costs and depreciation of non-real estate assets), and after adjustments for unconsolidated partnerships and joint ventures to reflect FFO on the same basis.

Core FFO attributable to common share and unit holders is a non-GAAP financial measure that we use as a supplemental measure of our performance. We compute this metric by adjusting FFO attributable to common share and unit holders for (1) acquisition and other transaction costs incurred with business combinations and the acquisition or disposition of properties as well as nonrecurring items unrelated to ongoing operations, (2) noncash share-based compensation expense, (3) hurricane-related charges, net, which result in material charges to the impacted single-family properties, and (4) gain or loss on early extinguishment of debt.

Adjusted FFO attributable to common share and unit holders is a non-GAAP financial measure that we use as a supplemental measure of our performance. We compute this metric by adjusting Core FFO attributable to common share and unit holders for (1) Recurring Capital Expenditures that are necessary to help preserve the value and maintain functionality of our properties and (2) capitalized leasing costs incurred during the period. As a portion of our homes are recently developed, acquired and/or renovated, we estimate Recurring Capital Expenditures for our entire portfolio by multiplying (a) current period actual Recurring Capital Expenditures per Same-Home Property by (b) our total number of properties, excluding newly acquired non-stabilized properties and properties classified as held for sale.

We present FFO attributable to common share and unit holders because we consider this metric to be an important measure of the performance of real estate companies, as do many investors and analysts in evaluating the Company. We believe that FFO attributable to common share and unit holders provides useful information to investors because this metric excludes depreciation, which is included in computing net income and assumes the value of real estate diminishes predictably over time. We believe that real estate values fluctuate due to market conditions and in response to inflation. We also believe that Core FFO and Adjusted FFO attributable to common share and unit holders provide useful information to investors because they allow investors to compare our operating performance to prior reporting periods without the effect of certain items that, by nature, are not comparable from period to period.

FFO, Core FFO and Adjusted FFO attributable to common share and unit holders are not a substitute for net income or net cash provided by operating activities, each as determined in accordance with GAAP, as a measure of our operating performance, liquidity or ability to pay dividends. These metrics also are not necessarily indicative of cash available to fund future cash needs. Because other REITs may not compute these measures in the same manner, they may not be comparable among REITs.

The following is a reconciliation of the Company's net income or loss attributable to common shareholders, determined in accordance with GAAP, to FFO attributable to common share and unit holders, Core FFO attributable to common share and unit holders and Adjusted FFO attributable to common share and unit holders for the years ended December 31, 2020 and 2019 (in thousands):

	For the Years Ended December 31,	
	2020	2019
Net income attributable to common shareholders	\$ 85,246	\$ 85,911
Adjustments:		
Noncontrolling interests in the Operating Partnership	14,455	15,221
Net (gain) on sale / impairment of single-family properties and other	(38,107)	(40,210)
Adjustments for unconsolidated joint ventures	1,352	1,797
Depreciation and amortization	343,153	329,293
Less: depreciation and amortization of non-real estate assets	(9,016)	(7,933)
FFO attributable to common share and unit holders	<u>\$397,083</u>	<u>\$384,079</u>
Adjustments:		
Acquisition, other transaction costs and other ⁽¹⁾	12,223	3,224
Noncash share-based compensation—general and administrative	6,573	3,466
Noncash share-based compensation—property management	1,745	1,342
Loss on early extinguishment of debt	—	659
Core FFO attributable to common share and unit holders ⁽²⁾	<u>\$417,624</u>	<u>\$392,770</u>
Recurring capital expenditures ⁽³⁾	(46,048)	(39,997)
Leasing costs	(4,070)	(4,095)
Adjusted FFO attributable to common share and unit holders ⁽²⁾	<u>\$367,506</u>	<u>\$348,678</u>

- (1) Included in acquisition, other transaction costs and other is a net \$2.9 million nonrecurring expense related to a legal matter involving a former employee during the year ended December 31, 2020.
- (2) Core FFO and Adjusted FFO attributable to common share and unit holders include negative financial impacts associated with the COVID-19 pandemic that relate to (i) the Company's socially responsible decisions between April and July 2020 to waive month-to-month lease premiums and offer zero percent increases on newly signed renewal leases, (ii) waived late fees between April and July 2020, and (iii) \$16.1 million of other negative financial impacts from the COVID-19 pandemic including \$12.8 million of increased uncollectible rents, \$2.8 million of increased uncollectible tenant utility reimbursements and \$0.5 million of increased costs associated with enhanced cleaning and safety protocols during the year ended December 31, 2020. Additionally, due primarily to abnormally high home system usage during stay-at-home orders, we incurred approximately \$3.4 million of incremental capital expenditures within Adjusted FFO attributable to common share and unit holders that primarily related to HVAC and home system replacements during the year ended December 31, 2020.
- (3) As a portion of our homes are recently developed, acquired and/or renovated, we estimate recurring capital expenditures for our entire portfolio by multiplying (a) current period actual recurring capital expenditures per Same-Home Property by (b) our total number of properties, excluding newly acquired non-stabilized properties and properties classified as held for sale.

EBITDA / EBITDAre / Adjusted EBITDAre / Fully Adjusted EBITDAre

EBITDA is defined as earnings before interest, taxes, depreciation and amortization. EBITDA is a non-GAAP financial measure and is used by us and others as a supplemental measure of performance. EBITDAre is a supplemental non-GAAP financial measure, which we calculate in accordance with the definition approved by NAREIT by adjusting EBITDA for the net gain or loss on sales / impairment of single-family properties and other and adjusting for unconsolidated partnerships and joint ventures on the same basis. Adjusted EBITDAre is a supplemental non-GAAP financial measure calculated by adjusting EBITDAre for (1) acquisition and other transaction costs incurred with business combinations and the acquisition or disposition of properties as well as nonrecurring items unrelated to ongoing operations, (2) noncash share-based compensation expense, (3) hurricane-related charges, net, which result in material

charges to the impacted single-family properties, and (4) gain or loss on early extinguishment of debt. Fully Adjusted EBITDAre (formerly known as Adjusted EBITDAre after Capex and Leasing Costs) is a supplemental non-GAAP financial measure calculated by adjusting Adjusted EBITDAre for (1) Recurring Capital Expenditures and (2) leasing costs. We believe these metrics provide useful information to investors because they exclude the impact of various income and expense items that are not indicative of operating performance.

The following is a reconciliation of net income, as determined in accordance with GAAP, to EBITDA, EBITDAre, Adjusted EBITDAre and Fully Adjusted EBITDAre for the years ended December 31, 2020 and 2019 (in thousands):

	For the Years Ended December 31,	
	2020	2019
Net income	\$154,829	\$156,260
Interest expense	117,038	127,114
Depreciation and amortization	343,153	329,293
EBITDA	<u>\$615,020</u>	<u>\$612,667</u>
Net (gain) on sale / impairment of single-family properties and other	(38,107)	(40,210)
Adjustments for unconsolidated joint ventures	1,352	1,797
EBITDAre	<u>\$578,265</u>	<u>\$574,254</u>
Noncash share-based compensation—general and administrative	6,573	3,466
Noncash share-based compensation—property management	1,745	1,342
Acquisition, other transaction costs and other ⁽¹⁾	12,223	3,224
Loss on early extinguishment of debt	—	659
Adjusted EBITDAre	<u>\$598,806</u>	<u>\$582,945</u>
Recurring capital expenditures ⁽²⁾	(46,048)	(39,997)
Leasing costs	<u>(4,070)</u>	<u>(4,095)</u>
Fully Adjusted EBITDAre	<u>\$548,688</u>	<u>\$538,853</u>

(1) Included in acquisition, other transaction costs and other is a net \$2.9 million nonrecurring expense related to a legal matter involving a former employee during the year ended December 31, 2020.

(2) As a portion of our homes are recently developed, acquired and/or renovated, we estimate recurring capital expenditures for our entire portfolio by multiplying (a) current period actual recurring capital expenditures per Same-Home Property by (b) our total number of properties, excluding newly acquired non-stabilized properties and properties classified as held for sale.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

The 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. Decreases in interest rates may lead to additional competition for the acquisition of single-family homes and land for development, which may lead to future acquisitions being costlier and resulting in lower yields on single-family homes targeted for acquisition or land used in our development activities. Significant increases in interest rates may also have an adverse impact on our earnings if we are unable to acquire single-family homes with rental rates high enough to offset the increase in interest rates on our borrowings.

All borrowings under our revolving credit facility bear interest at LIBOR plus a margin of 1.20% until the fully extended maturity date of June 2022. As of December 31, 2020, the Company had no outstanding variable rate debt and therefore a hypothetical 100 basis point increase or decrease in LIBOR would have no effect on our projected annual interest expense. We may incur additional variable rate debt in the future, including additional amounts that we may borrow under our revolving credit facility.

As of December 31, 2020, the Company had approximately \$2.8 billion of fixed rate debt and therefore the fair value of these instruments is affected by changes in market interest rates. The following table presents principal cash flows by scheduled maturity, weighted-average interest rates and the estimated fair value of our fixed rate debt as of December 31, 2020 (in thousands):

	Expected Maturity Date						Total	Estimated Fair Value
	2021	2022	2023	2024	2025	Thereafter		
Fixed rate debt	\$20,714	\$20,714	\$20,714	\$954,439	\$10,302	\$1,821,609	\$2,848,492	\$3,040,579
Weighted-average interest rate	4.43%	4.43%	4.44%	4.51%	4.50%	4.60%	4.48%	

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is included as a separate section in this Annual Report on Form 10-K. See Part IV, “Item 15. Exhibit and Financial Statement Schedules.”

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

American Homes 4 Rent

Evaluation of Disclosure Controls and Procedures

As of December 31, 2020, the Company performed an evaluation, under the supervision of the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. These controls and procedures have been designed to ensure that information required for disclosure is recorded, processed, summarized and reported within the requisite time periods and that such information is accumulated and communicated to its management. Based on the Company’s evaluation, the CEO and CFO concluded that the Company’s disclosure controls and procedures were effective as of December 31, 2020.

Changes in Internal Controls over Financial Reporting

There have been no changes to the Company's internal controls over financial reporting that occurred during the Company's last fiscal quarter of the year ended December 31, 2020, that materially affected, or were reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of the Company's financial reporting for external purposes in accordance with GAAP. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect the Company's transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of Company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of Company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the 2013 framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2020.

Ernst & Young LLP, an independent registered public accounting firm that audited the Company's consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2020, which is presented at the end of this "Item 9A. Controls and Procedures."

American Homes 4 Rent, L.P.

Evaluation of Disclosure Controls and Procedures

As of December 31, 2020, the Operating Partnership performed an evaluation, under the supervision of the general partner's CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. These controls and procedures have been designed to ensure that information required for disclosure is recorded, processed, summarized and reported within the requisite time periods and that such information is accumulated and communicated to its management. Based on the Operating Partnership's evaluation, the general partner's CEO and CFO concluded that the Operating Partnership's disclosure controls and procedures were effective as of December 31, 2020.

Changes in Internal Controls over Financial Reporting

There have been no changes to the Operating Partnership's internal controls over financial reporting that occurred during the Operating Partnership's last fiscal quarter of the year ended December 31, 2020, that materially affected, or were reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Management's Report on Internal Control over Financial Reporting

The Operating Partnership's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Operating Partnership. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of the Operating Partnership's financial reporting for external purposes in accordance with GAAP. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect the Operating Partnership's transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of the Operating Partnership's financial statements; providing reasonable assurance that receipts and expenditures of the Operating Partnership's assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of the Operating Partnership's assets that could have a material effect on the Operating Partnership's financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of the Operating Partnership's financial statements would be prevented or detected.

Management conducted an evaluation of the effectiveness of the Operating Partnership's internal control over financial reporting based on the 2013 framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Operating Partnership's internal control over financial reporting was effective as of December 31, 2020.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees of American Homes 4 Rent

Opinion on Internal Control over Financial Reporting

We have audited American Homes 4 Rent's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, American Homes 4 Rent (the Company) maintained, in all material aspects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of American Homes 4 Rent as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), equity and cash flows for each of the three years in the period ended December 31, 2020 and the related notes and financial statement schedule listed in the Index at Item 15(a) of the Company and our report dated February 26, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Los Angeles, California

February 26, 2021

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item with respect to trustees, executive officers and, to the extent applicable, Section 16(a) compliance will be included in the Company's definitive proxy statement for the 2021 Annual Meeting to be filed with the SEC within 120 days of the fiscal year ended December 31, 2020 (the "2021 Proxy Statement") and is incorporated herein by reference.

The information required by this item with respect to the nominating process, the audit committee and the audit committee financial expert will be included in the 2021 Proxy Statement and is incorporated herein by reference.

The information required by this item with respect to a code of ethics will be included in the 2021 Proxy Statement and is incorporated herein by reference. Any amendments to or waivers of the code of ethics granted to the Company's executive officers or the controller will be published promptly on our website or by other appropriate means in accordance with SEC rules and regulations.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be included in the 2021 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item, other than the table below, will be included in the 2021 Proxy Statement and is incorporated herein by reference.

The following table sets forth information as of December 31, 2020 for the Company's equity compensation plan:

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans</u>
Equity compensation plans approved by security holders ⁽¹⁾	1,090,300	\$17.68	1,417,627
Equity compensation plans not approved by security holders	—	\$ —	—

(1) The Company's equity compensation plan, the 2012 Equity Incentive Plan, is described more fully in Note 10. Share-Based Compensation to the consolidated financial statements included as a separate section in Part IV, "Item 15. Exhibit and Financial Statement Schedules" of this Annual Report on Form 10-K. The 2012 Equity Incentive Plan was approved by the Company's shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item will be included in the 2021 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item will be included in the 2021 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

(a) (1) and (2) Financial Statements and Financial Statement Schedules

The financial statements and financial statement schedule required by this item are included as a separate section of this Annual Report on Form 10-K beginning on page F-1.

	<u>Page</u>
Reports of Independent Registered Public Accounting Firm	F-1
Audited Consolidated Financial Statements:	
American Homes 4 Rent	
Consolidated Balance Sheets as of December 31, 2020 and 2019	F-5
Consolidated Statements of Operations for the Years Ended December 31, 2020, 2019, and 2018	F-6
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2020, 2019, and 2018	F-7
Consolidated Statements of Equity for the Years Ended December 31, 2020, 2019, and 2018 ..	F-8
Consolidated Statements of Cash Flows for the Years Ended December 31, 2020, 2019, and 2018	F-10
American Homes 4 Rent, L.P.	
Consolidated Balance Sheets as of December 31, 2020 and 2019	F-12
Consolidated Statements of Operations for the Years Ended December 31, 2020, 2019, and 2018	F-13
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2020, 2019, and 2018	F-14
Consolidated Statements of Capital for the Years Ended December 31, 2020, 2019, and 2018	F-15
Consolidated Statements of Cash Flows for the Years Ended December 31, 2020, 2019, and 2018	F-17
Notes to Consolidated Financial Statements	F-19
Schedule III—Real Estate and Accumulated Depreciation as of December 31, 2020	F-54

All other schedules are omitted because they are either not required, are not applicable, or the information is included in the consolidated financial statements and notes thereto.

(a) (3) Exhibits

<u>Exhibit Number</u>	<u>Exhibit Document</u>
3.1	Articles of Amendment and Restatement of Declaration of Trust of American Homes 4 Rent (Incorporated by reference to Exhibit 3.1 to Amendment No. 1 to the Company’s Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)
3.2	First Articles of Amendment to Articles of Amendment and Restatement of Declaration of Trust of American Homes 4 Rent (Incorporated by reference to Exhibit 3.2 to Amendment No. 2 to the Company’s Registration Statement on Form S-11 (Registration Number 333-189103) filed July 19, 2013.)
3.3	Articles Supplementary for American Homes 4 Rent 6.500% Series D Cumulative Redeemable Perpetual Preferred Shares (Incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K filed on May 17, 2016.)

Exhibit Number	Exhibit Document
3.4	Articles Supplementary for American Homes 4 Rent 6.350% Series E Cumulative Redeemable Perpetual Preferred Shares (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 22, 2016.)
3.5	Articles Supplementary for American Homes 4 Rent 5.875% Series F Cumulative Redeemable Perpetual Preferred Shares (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 21, 2017.)
3.6	Articles Supplementary for American Homes 4 Rent 5.875% Series G Cumulative Redeemable Perpetual Preferred Shares (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 12, 2017.)
3.7	Articles Supplementary for American Homes 4 Rent 6.25% Series H Cumulative Redeemable Perpetual Preferred Shares (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on September 14, 2018.)
3.8	Amended and Restated Bylaws of American Homes 4 Rent (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 10, 2020.)
4.1	Form of Indenture (Incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-3 (Registration Number 333-221878) filed December 1, 2017.)
4.2	Indenture, dated as of February 7, 2018, between American Homes 4 Rent, L.P. and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed February 7, 2018.)
4.3	First Supplemental Indenture, dated as of February 7, 2018, among American Homes 4 Rent, L.P., American Residential Properties OP, L.P. and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed February 7, 2018.)
4.4	Form of Global Note representing the Notes (Incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed February 7, 2018.)
4.5	Second Supplemental Indenture, dated as of January 23, 2019, among American Homes 4 Rent, L.P. and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed January 23, 2019.)
4.6	Form of Global Note representing the Notes (Incorporated by reference to and included in Exhibit 4.3 to the Company's Current Report on Form 8-K filed January 23, 2019.)
4.7	Description of Securities. (Incorporated by reference to Exhibit 4.7 to the Company's Annual Report on Form 10-K filed on February 28, 2020.)
10.1	Agreement of Limited Partnership of American Homes 4 Rent, L.P. (Incorporated by reference to Exhibit 10.1 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)
10.2	First Amendment to Agreement of Limited Partnership of American Homes 4 Rent, L.P. (Incorporated by reference to Exhibit 10.2 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)
10.3	Amended and Restated Second Amendment to Agreement of Limited Partnership of American Homes 4 Rent, L.P. (Incorporated by reference to Exhibit 10.3 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)

Exhibit Number	Exhibit Document
10.4	Third Amendment to Agreement of Limited Partnership of American Homes 4 Rent, L.P. (Incorporated by reference to Exhibit 10.4 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)
10.5	Fourth Amendment to Agreement of Limited Partnership of American Homes 4 Rent, L.P. (Incorporated by reference to Exhibit 10.5 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)
10.6	Fifth Amendment to Agreement of Limited Partnership of American Homes 4 Rent, L.P. (Incorporated by reference to Exhibit 10.6 to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-191015) filed October 25, 2013.)
10.7	Sixth Amendment to Agreement of Limited Partnership of American Homes 4 Rent, L.P. (Incorporated by reference to Exhibit 10.7 to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-192592) filed December 20, 2013.)
10.8	Seventh Amendment to Agreement of Limited Partnership of American Homes 4 Rent, L.P. (Incorporated by reference to Exhibit 10.8 to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-195575) filed April 24, 2014.)
10.9	Eighth Amendment to Agreement of Limited Partnership of American Homes 4 Rent, L.P. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed September 25, 2014.)
10.10	Ninth Amendment to Agreement of Limited Partnership of American Homes 4 Rent, L.P. (Incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K filed March 2, 2015.)
10.11	Tenth Amendment to Agreement of Limited Partnership of American Homes 4 Rent, L.P. (Incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K filed February 26, 2016.)
10.12	Eleventh Amendment to Agreement of Limited Partnership of American Homes 4 Rent, L.P. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed May 17, 2016.)
10.13	Twelfth Amendment to Agreement of Limited Partnership of American Homes 4 Rent, L.P. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 22, 2016.)
10.14	Thirteenth Amendment to Agreement of Limited Partnership of American Homes 4 Rents, L.P. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 21, 2017.)
10.15	Fourteenth Amendment to Agreement of Limited Partnership of American Homes 4 Rents, L.P. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 12, 2017.)
10.16	Fifteenth Amendment to Agreement of Limited Partnership of American Homes 4 Rent, L.P. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 14, 2018.)

Exhibit Number	Exhibit Document
10.17	Sixteenth Amendment to Agreement of Limited Partnership of American Homes 4 Rent, L.P. (Incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K filed February 22, 2019.)
10.18	Agreement of Limited Partnership of American Residential Properties OP, L.P. (Incorporated by reference to Exhibit 3.3 to American Residential Properties, Inc.'s Amendment No. 1 to Registration Statement on Form S-11 (Registration No. 333-187450) filed April 22, 2013.)
10.19	Loan Agreement dated as of September 19, 2014 between AMH 2014-2 Borrower, LLC, as Borrower and Goldman Sachs Bank USA, as Lender (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 25, 2014.)
10.20	Loan Agreement dated as of November 25, 2014 between AMH 2014-3 Borrower, LLC, as Borrower and Goldman Sachs Bank USA, as Lender (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 2, 2014.)
10.21	Loan Agreement dated as of March 6, 2015 between AMH 2015-1 Borrower, LLC, as Borrower and Goldman Sachs Mortgage Company, as Lender (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 11, 2015.)
10.22	Loan Agreement dated as of September 22, 2015 between AMH 2015-2 Borrower, LLC, as Borrower and Goldman Sachs Mortgage Company, as Lender (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 23, 2015.)
10.23	Property Management Agreement dated June 16, 2014 among American Homes 4 Rent II, LLC, American homes 4 Rent Management Holdings Company, LLC and American Homes 4 Rent, LLC (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed June 19, 2014.)
10.24 †	Amended and Restated American Homes 4 Rent 2012 Equity Incentive Plan (Incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K filed on February 24, 2017.)
10.25 †	Form of Nonqualified Share Option Agreement (Incorporated by reference to Exhibit 10.18 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)
10.26 †	Form of Restricted Share Agreement (Incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K filed March 26, 2014.)
10.27 †	Form of Restricted Share Unit Agreement (Incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K filed March 26, 2014.)
10.28 †	Form of Indemnification Agreement with Trustees and Executive Officers (Incorporated by reference to Exhibit 10.19 to Amendment No. 1 to the Company's Registration Statement on Form S-11 (Registration Number 333-189103) filed June 25, 2013.)
10.29	Amendment Number Seven to the Master Loan and Security Agreement. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 9, 2016.)
10.30	Credit Agreement, dated August 17, 2016, by and among American Homes 4 Rent, L.P., as Borrower, American Homes 4 Rent, as Parent, Wells Fargo Bank, National Association, as Administrative Agent, and the other lending institutions that are parties thereto, as Lenders (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 18, 2016.)

Exhibit Number	Exhibit Document
10.31	Amendment No. 1 to Credit Agreement, dated June 30, 2017, by and among American Homes 4 Rent, L.P., as Borrower, American Homes 4 Rent, as Parent, Wells Fargo Bank, National Association, as Agent, and the other lending institutions that are parties thereto, as Lenders. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 6, 2017.)
21.1	List of Subsidiaries of American Homes 4 Rent and American Homes 4 Rent, L.P. Filed herewith.
23.1	Consent of independent registered public accounting firm of American Homes 4 Rent and American Homes 4 Rent, L.P. Filed herewith.
24.1	Power of Attorney (included on the signature page of this Form 10-K). Filed herewith.
31.1	Certification of Chief Executive Officer of American Homes 4 Rent pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934. Filed herewith.
31.2	Certification of Chief Financial Officer of American Homes 4 Rent pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934. Filed herewith.
31.3	Certification of Chief Executive Officer of American Homes 4 Rent, L.P. pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934. Filed herewith.
31.4	Certification of Chief Financial Officer of American Homes 4 Rent, L.P. pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934. Filed herewith.
32.1	Certification of Chief Executive Officer and Chief Financial Officer of American Homes 4 Rent pursuant to 18 U.S.C. 1350. Filed herewith.
32.2	Certification of Chief Executive Officer and Chief Financial Officer of American Homes 4 Rent, L.P. pursuant to 18 U.S.C. 1350. Filed herewith.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

† Indicates management contract or compensatory plan

ITEM 16. FORM 10-K SUMMARY

None.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees of American Homes 4 Rent

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of American Homes 4 Rent (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), equity and cash flows for each of the three years in the period ended December 31, 2020 and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 26, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Purchase Price Accounting

Description of the Matter For the year ended December 31, 2020, the Company completed the acquisition of 1,019 single-family properties for a total purchase price of \$266.4 million. As explained in Note 2 to the consolidated financial statements, the transactions were accounted for as asset acquisitions, and as such, are recorded at the price to acquire the single-family property, including acquisition costs. The purchase price is allocated to land and building based upon the relative fair values of the acquired land and building which were determined using the Company's own knowledge obtained from published market data such as county tax assessment records and supplemented by the Company's historical cost to construct a home.

Auditing the accounting for the Company's 2020 acquisitions of single-family properties was challenging because the determination of the relative fair values of the acquired land and building involved a higher degree of subjectivity due to the lack of availability of direct comparable land market information.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over management's accounting for acquired single-family properties, including controls over the review of assumptions underlying the purchase price allocation and accuracy of the underlying data used. For example, we tested controls over the determination of the fair value of the land and building assets and underlying assumptions used to develop those estimates. Management's review of the allocated values included use of historical data and current internal construction costs to validate the reasonableness of the allocated land values.

For the 2020 single-family property acquisitions described above, our procedures included, among others, an evaluation of the methods and significant assumptions used by the Company and an evaluation of the sensitivity of changes in the significant assumptions on the purchase price allocation. For a sample of acquisitions, we read the purchase and sale agreements and tested the completeness and accuracy of the underlying data supporting the significant assumptions and estimates. For example, on a sub-market basis, we compared the allocated land and building values to the historical results of single-family properties acquired in the prior years. We also performed a sensitivity analysis to evaluate the impact on the Company's financial statements resulting from changes in allocated land values. In addition, for certain of these asset acquisitions, our valuation specialists performed corroborative calculations to assess whether the conclusions in the valuation were supported by observable market data. Specifically, our valuation specialists utilized alternative data sources to develop a range of independent estimates of the land and building fair values to evaluate the reasonableness of management's allocated land and building values.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2016.

Los Angeles, California

February 26, 2021

Report of Independent Registered Public Accounting Firm

To the Partners of American Homes 4 Rent, L.P.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of American Homes 4 Rent, L.P. (the Operating Partnership) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), capital and cash flows for each of the three years in the period ended December 31, 2020 and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Operating Partnership at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Operating Partnership’s management. Our responsibility is to express an opinion on the Operating Partnership’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Operating Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Operating Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Operating Partnership’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Purchase Price Accounting

Description of the Matter For the year ended December 31, 2020, the Operating Partnership completed the acquisition of 1,019 single-family properties for a total purchase price of \$266.4 million. As explained in Note 2 to the consolidated financial statements, the transactions were accounted for as asset acquisitions, and as such, are recorded at the price to acquire the single-family property, including acquisition costs. The purchase price is allocated to land and building based upon the relative fair values of the acquired land and building which were determined using the Operating Partnership's own knowledge obtained from published market data such as county tax assessment records and supplemented by the Operating Partnership's historical cost to construct a home.

Auditing the accounting for the Operating Partnership's 2020 acquisitions of single-family properties was challenging because the determination of the relative fair values of the acquired land and building involved a higher degree of subjectivity due to the lack of availability of direct comparable land market information.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over management's accounting for acquired single-family properties, including controls over the review of assumptions underlying the purchase price allocation and accuracy of the underlying data used. For example, we tested controls over the determination of the fair value of the land and building assets and underlying assumptions used to develop those estimates. Management's review of the allocated values included use of historical data and current internal construction costs to validate the reasonableness of the allocated land values.

For the 2020 single-family property acquisitions described above, our procedures included, among others, an evaluation of the methods and significant assumptions used by the Company and an evaluation of the sensitivity of changes in the significant assumptions on the purchase price allocation. For a sample of acquisitions, we read the purchase and sale agreements and tested the completeness and accuracy of the underlying data supporting the significant assumptions and estimates. For example, on a sub-market basis, we compared the allocated land and building values to the historical results of single-family properties acquired in the prior years. We also performed a sensitivity analysis to evaluate the impact on the Operating Partnership's financial statements resulting from changes in allocated land values. In addition, for certain of these asset acquisitions, our valuation specialists performed corroborative calculations to assess whether the conclusions in the valuation were supported by observable market data. Specifically, our valuation specialists utilized alternative data sources to develop a range of independent estimates of the land and building fair values to evaluate the reasonableness of management's allocated land and building values.

/s/ Ernst & Young LLP

We have served as the Operating Partnership's auditor since 2017.

Los Angeles, California

February 26, 2021

American Homes 4 Rent
Consolidated Balance Sheets

(Amounts in thousands, except share data)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Assets		
Single-family properties:		
Land	\$ 1,836,798	\$ 1,756,504
Buildings and improvements	8,163,023	7,691,877
Single-family properties in operation	9,999,821	9,448,381
Less: accumulated depreciation	(1,754,433)	(1,462,105)
Single-family properties in operation, net	8,245,388	7,986,276
Single-family properties under development and development land	510,365	355,427
Single-family properties held for sale, net	129,026	209,828
Total real estate assets, net	8,884,779	8,551,531
Cash and cash equivalents	137,060	37,575
Restricted cash	128,017	126,544
Rent and other receivables	41,544	29,618
Escrow deposits, prepaid expenses and other assets	163,171	140,961
Investments in unconsolidated joint ventures	93,109	67,935
Asset-backed securitization certificates	25,666	25,666
Goodwill	120,279	120,279
Total assets	<u>\$ 9,593,625</u>	<u>\$ 9,100,109</u>
Liabilities		
Revolving credit facility	\$ —	\$ —
Asset-backed securitizations, net	1,927,607	1,945,044
Unsecured senior notes, net	889,805	888,453
Accounts payable and accrued expenses	298,949	243,193
Amounts payable to affiliates	4,834	4,629
Total liabilities	<u>3,121,195</u>	<u>3,081,319</u>
Commitments and contingencies (see Note 14)		
Equity		
Shareholders' equity:		
Class A common shares (\$0.01 par value per share, 450,000,000 shares authorized, 316,021,385 and 300,107,599 shares issued and outstanding at December 31, 2020 and 2019, respectively)	3,160	3,001
Class B common shares (\$0.01 par value per share, 50,000,000 shares authorized, 635,075 shares issued and outstanding at December 31, 2020 and 2019)	6	6
Preferred shares (\$0.01 par value per share, 100,000,000 shares authorized, 35,350,000 shares issued and outstanding at December 31, 2020 and 2019)	354	354
Additional paid-in capital	6,223,256	5,790,775
Accumulated deficit	(443,522)	(465,368)
Accumulated other comprehensive income	5,840	6,658
Total shareholders' equity	5,789,094	5,335,426
Noncontrolling interest	683,336	683,364
Total equity	6,472,430	6,018,790
Total liabilities and equity	<u>\$ 9,593,625</u>	<u>\$ 9,100,109</u>

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

American Homes 4 Rent
Consolidated Statements of Operations
(Amounts in thousands, except share and per share data)

	For the Years Ended December 31,		
	2020	2019	2018
Revenues:			
Rents and other single-family property revenues	\$ 1,172,514	\$ 1,132,137	\$ 1,066,675
Other	10,322	11,241	6,180
Total revenues	<u>1,182,836</u>	<u>1,143,378</u>	<u>1,072,855</u>
Expenses:			
Property operating expenses	450,267	433,854	412,905
Property management expenses	89,892	86,908	74,573
General and administrative expense	48,517	43,206	36,575
Interest expense	117,038	127,114	122,900
Acquisition and other transaction costs	9,298	3,224	5,225
Depreciation and amortization	343,153	329,293	318,685
Other	14,036	6,733	7,265
Total expenses	<u>1,072,201</u>	<u>1,030,332</u>	<u>978,128</u>
Gain on sale of single-family properties and other, net	44,194	43,873	17,946
Loss on early extinguishment of debt	—	(659)	(1,447)
Remeasurement of participating preferred shares	—	—	1,212
Net income	<u>154,829</u>	<u>156,260</u>	<u>112,438</u>
Noncontrolling interest	14,455	15,221	4,165
Dividends on preferred shares	55,128	55,128	52,586
Redemption of participating preferred shares	—	—	32,215
Net income attributable to common shareholders	<u>\$ 85,246</u>	<u>\$ 85,911</u>	<u>\$ 23,472</u>
Weighted-average common shares outstanding:			
Basic	<u>306,613,197</u>	<u>299,415,397</u>	<u>293,640,500</u>
Diluted	<u>307,074,747</u>	<u>299,918,966</u>	<u>294,268,330</u>
Net income attributable to common shareholders per share:			
Basic	<u>\$ 0.28</u>	<u>\$ 0.29</u>	<u>\$ 0.08</u>
Diluted	<u>\$ 0.28</u>	<u>\$ 0.29</u>	<u>\$ 0.08</u>

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

American Homes 4 Rent
Consolidated Statements of Comprehensive Income (Loss)
(Amounts in thousands)

	For the Years Ended December 31,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net income	\$154,829	\$156,260	\$112,438
Other comprehensive (loss) income:			
Gain on cash flow hedging instrument:			
Gain on settlement of cash flow hedging instrument	—	—	9,553
Reclassification adjustment for amortization of interest expense included in net income	<u>(963)</u>	<u>(963)</u>	<u>(842)</u>
Other comprehensive (loss) income	<u>(963)</u>	<u>(963)</u>	<u>8,711</u>
Comprehensive income	153,866	155,297	121,149
Comprehensive income attributable to noncontrolling interests	14,315	15,073	5,547
Dividends on preferred shares	55,128	55,128	52,586
Redemption of participating preferred shares	—	—	32,215
Comprehensive income attributable to common shareholders	<u>\$ 84,423</u>	<u>\$ 85,096</u>	<u>\$ 30,801</u>

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

American Homes 4 Rent
Consolidated Statements of Equity
(Amounts in thousands, except share data)

	Class A common shares		Class B common shares		Preferred shares		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income	Shareholders' equity	Noncontrolling interest	Total equity
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount						
Balances at December 31, 2017	286,114,637	\$ 2,861	635,075	\$ 6	—	—	\$ 5,600,256	\$ (453,953)	\$ 75	\$ 5,149,629	\$ 726,195	\$ 5,875,824
Share-based compensation	—	—	—	—	—	—	3,433	—	—	3,433	—	3,433
Common stock issued under share-based compensation plans, net of shares withheld for employee taxes	821,918	8	—	—	—	—	11,939	—	—	11,947	—	11,947
Issuance of perpetual preferred shares, net of offering costs of \$4,022	—	—	—	—	4,600,000	46	110,932	—	—	110,978	—	110,978
Redemptions of Class A units	33,327	—	—	—	—	—	515	—	—	515	(515)	—
Redemption of Series C participating preferred shares into Class A common shares	10,848,827	109	—	—	(7,600,000)	(76)	60,440	(32,215)	—	28,258	—	28,258
Reacquisition of equity component upon settlement of exchangeable senior notes	—	—	—	—	—	—	(20,098)	—	—	(20,098)	—	(20,098)
Repurchase of Class A common shares	(1,804,163)	(18)	—	—	—	—	(34,951)	—	—	(34,969)	—	(34,969)
Liquidation of consolidated joint venture	—	—	—	—	—	—	—	(1,849)	—	(1,849)	1,608	(241)
Distributions to equity holders:												
Preferred shares (Note 9)	—	—	—	—	—	—	—	(52,586)	—	(52,586)	—	(52,586)
Noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(11,069)	(11,069)
Common shares (\$0.20 per share)	—	—	—	—	—	—	—	(58,884)	—	(58,884)	—	(58,884)
Net income	—	—	—	—	—	—	—	108,273	—	108,273	4,165	112,438
Total other comprehensive income	—	—	—	—	—	—	—	—	7,318	7,318	1,393	8,711
Balances at December 31, 2018	296,014,546	\$ 2,960	635,075	\$ 6	35,350,000	\$ 354	\$ 5,732,466	\$ (491,214)	\$ 7,393	\$ 5,251,965	\$ 721,777	\$ 5,973,742
Share-based compensation	—	—	—	—	—	—	4,808	—	—	4,808	—	4,808
Common stock issued under share-based compensation plans, net of shares withheld for employee taxes	803,207	8	—	—	—	—	10,682	—	—	10,690	—	10,690
Redemptions of Class A units	3,289,846	33	—	—	—	—	42,819	—	80	42,932	(42,932)	—
Distributions to equity holders:												
Preferred shares (Note 9)	—	—	—	—	—	—	—	(55,128)	—	(55,128)	—	(55,128)
Noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(10,554)	(10,554)
Common shares (\$0.20 per share)	—	—	—	—	—	—	—	(60,065)	—	(60,065)	—	(60,065)
Net income	—	—	—	—	—	—	—	141,039	—	141,039	15,221	156,260
Total other comprehensive loss	—	—	—	—	—	—	—	—	(815)	(815)	(148)	(963)
Balances at December 31, 2019	300,107,599	\$ 3,001	635,075	\$ 6	35,350,000	\$ 354	\$ 5,790,775	\$ (465,368)	\$ 6,658	\$ 5,335,426	\$ 683,364	\$ 6,018,790

American Homes 4 Rent

Consolidated Statements of Equity (Continued)

(Amounts in thousands, except share data)

	Class A common shares		Class B common shares		Preferred shares		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income	Shareholders' equity	Noncontrolling interest	Total equity
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount						
Balances at December 31, 2019	300,107,599	\$ 3,001	635,075	\$ 6	—	—	\$ 5,790,775	\$ (465,368)	\$ 6,658	\$ 5,335,426	\$ 683,364	\$ 6,018,790
Share-based compensation	—	—	—	—	—	9,834	—	—	—	9,834	—	9,834
Common stock issued under share-based compensation plans, net of shares withheld for employee taxes	577,656	6	—	—	—	—	5,354	—	—	5,360	—	5,360
Issuance of Class A common shares, net of offering costs of \$600	15,036,130	150	—	—	—	413,350	—	—	—	413,500	—	413,500
Redemptions of Class A units	300,000	3	—	—	—	3,943	—	5	—	3,951	(3,951)	—
Distributions to equity holders:												
Preferred shares (Note 9)	—	—	—	—	—	—	—	(55,128)	—	(55,128)	—	(55,128)
Noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(10,392)	(10,392)
Common shares \$0.20 per share	—	—	—	—	—	—	—	(61,906)	—	(61,906)	—	(61,906)
Cumulative effect of adoption of ASU 2016-13 (Note 2)	—	—	—	—	—	—	—	(1,494)	—	(1,494)	—	(1,494)
Net income	—	—	—	—	—	—	—	140,374	—	140,374	14,455	154,829
Total other comprehensive loss	—	—	—	—	—	—	—	(823)	(823)	(823)	(140)	(963)
Balances at December 31, 2020	316,021,385	\$ 3,160	635,075	\$ 6	35,350,000	\$ 6,223,256	\$ 6,223,256	\$ (443,522)	\$ 5,840	\$ 5,789,094	\$ 683,336	\$ 6,472,430

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

American Homes 4 Rent
Consolidated Statements of Cash Flows
(Amounts in thousands)

	For the Years Ended December 31,		
	2020	2019	2018
Operating activities			
Net income	\$ 154,829	\$ 156,260	\$ 112,438
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	343,153	329,293	318,685
Noncash amortization of deferred financing costs, debt discounts and cash flow hedging instrument	7,431	7,457	10,493
Noncash share-based compensation	9,834	4,808	3,433
Provision for bad debt	—	—	8,732
Loss on early extinguishment of debt	—	659	1,447
Remeasurement of participating preferred shares	—	—	(1,212)
Equity in net losses (income) of unconsolidated joint ventures	774	(509)	(546)
Net gain on sale of single-family properties and other	(44,194)	(43,873)	(17,946)
Loss on impairment of single-family properties and other	5,421	3,663	5,858
Other changes in operating assets and liabilities:			
Rent and other receivables	(15,633)	(2,784)	(12,172)
Prepaid expenses and other assets	2,652	(10,170)	(17,447)
Deferred leasing costs	(4,070)	(4,095)	(12,603)
Accounts payable and accrued expenses	14,193	17,408	11,772
Amounts due from related parties	(290)	(230)	(50)
Net cash provided by operating activities	<u>474,100</u>	<u>457,887</u>	<u>410,882</u>
Investing activities			
Cash paid for single-family properties	(269,273)	(120,487)	(489,625)
Change in escrow deposits for purchase of single-family properties	(374)	(7,171)	1,818
Net proceeds received from sales of single-family properties and other	228,566	221,930	106,157
Proceeds received from hurricane-related insurance claims	3,705	2,171	4,522
Investment in unconsolidated joint ventures	(29,834)	(13,114)	(8,400)
Distributions from joint ventures	129,007	22,561	36,917
Renovations to single-family properties	(16,968)	(21,883)	(52,379)
Recurring and other capital expenditures for single-family properties	(104,819)	(71,481)	(54,465)
Cash paid for development activity	(564,241)	(383,271)	(215,797)
Other purchases of productive assets	(18,694)	(6,121)	(3,156)
Net cash used for investing activities	<u>(642,925)</u>	<u>(376,866)</u>	<u>(674,408)</u>
Financing activities			
Proceeds from issuance of Class A common shares	414,100	—	—
Payments of Class A common share issuance costs	(600)	—	—
Proceeds from issuance of perpetual preferred shares	—	—	115,000
Payments of perpetual preferred share issuance costs	—	—	(4,022)
Repurchase of Class A common shares	—	—	(34,969)
Proceeds from exercise of stock options	7,011	11,524	10,707
Payments related to tax withholding for share-based compensation	(1,651)	(834)	(546)
Payments on asset-backed securitizations	(22,501)	(21,517)	(20,847)
Proceeds from revolving credit facility	130,000	—	405,000
Payments on revolving credit facility	(130,000)	(250,000)	(295,000)
Payments on term loan facility	—	(100,000)	(100,000)
Payments on secured note payable	—	—	(49,427)
Proceeds from unsecured senior notes, net of discount	—	397,944	497,210
Settlement of cash flow hedging instrument	—	—	9,628
Payments on exchangeable senior notes	—	—	(135,093)
Distributions to noncontrolling interests	(10,381)	(10,701)	(11,071)
Distributions to common shareholders	(61,067)	(59,832)	(58,370)

American Homes 4 Rent
Consolidated Statements of Cash Flows (Continued)
(Amounts in thousands)

	For the Years Ended December 31,		
	2020	2019	2018
Financing activities (continued)			
Distributions to preferred shareholders	(55,128)	(55,128)	(67,183)
Deferred financing costs paid	—	(3,572)	(5,100)
Net cash provided by (used for) financing activities	<u>269,783</u>	<u>(92,116)</u>	<u>255,917</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	100,958	(11,095)	(7,609)
Cash, cash equivalents and restricted cash, beginning of period (see Note 2)	164,119	175,214	182,823
Cash, cash equivalents and restricted cash, end of period (see Note 2)	<u>\$ 265,077</u>	<u>\$ 164,119</u>	<u>\$ 175,214</u>
Supplemental cash flow information			
Cash payments for interest, net of amounts capitalized	\$ (109,679)	\$ (112,980)	\$ (105,056)
Supplemental schedule of noncash investing and financing activities			
Accrued property renovations and development expenditures	\$ 36,544	\$ 18,276	\$ 1,921
Transfers of completed homebuilding deliveries to properties	322,024	167,652	94,212
Property and land contributions to unconsolidated joint ventures	(132,439)	(20,448)	(40,942)
Note receivable related to a bulk sale of properties, net of discount	—	29,474	—
Redemption of participating preferred shares	—	—	(28,258)
Noncash right-of-use assets obtained in exchange for operating lease liabilities	17,105	6,089	—
Accrued distributions to affiliates	4,834	4,629	71
Accrued distributions to non-affiliates	13,612	13,024	14,173

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

American Homes 4 Rent, L.P.
Consolidated Balance Sheets
(Amounts in thousands, except unit data)

	December 31, 2020	December 31, 2019
Assets		
Single-family properties:		
Land	\$ 1,836,798	\$ 1,756,504
Buildings and improvements	8,163,023	7,691,877
Single-family properties in operation	9,999,821	9,448,381
Less: accumulated depreciation	(1,754,433)	(1,462,105)
Single-family properties in operation, net	8,245,388	7,986,276
Single-family properties under development and development land	510,365	355,427
Single-family properties held for sale, net	129,026	209,828
Total real estate assets, net	8,884,779	8,551,531
Cash and cash equivalents	137,060	37,575
Restricted cash	128,017	126,544
Rent and other receivables	41,544	29,618
Escrow deposits, prepaid expenses and other assets	163,171	140,681
Investments in unconsolidated joint ventures	93,109	67,935
Amounts due from affiliates	25,666	25,946
Goodwill	120,279	120,279
Total assets	\$ 9,593,625	\$ 9,100,109
Liabilities		
Revolving credit facility	\$ —	\$ —
Asset-backed securitizations, net	1,927,607	1,945,044
Unsecured senior notes, net	889,805	888,453
Accounts payable and accrued expenses	298,949	243,193
Amounts payable to affiliates	4,834	4,629
Total liabilities	3,121,195	3,081,319
Commitments and contingencies (see Note 14)		
Capital		
Partners' capital:		
General partner:		
Common units (316,656,460 and 300,742,674 units issued and outstanding at December 31, 2020 and 2019, respectively)	4,928,819	4,474,333
Preferred units (35,350,000 units issued and outstanding at December 31, 2020 and 2019)	854,435	854,435
Limited partner:		
Common units (51,726,980 and 52,026,980 units issued and outstanding at December 31, 2020 and 2019, respectively)	682,316	682,199
Accumulated other comprehensive income	6,860	7,823
Total capital	6,472,430	6,018,790
Total liabilities and capital	\$ 9,593,625	\$ 9,100,109

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

American Homes 4 Rent, L.P.
Consolidated Statements of Operations
(Amounts in thousands, except unit and per unit data)

	For the Years Ended December 31,		
	2020	2019	2018
Revenues:			
Rents and other single-family property revenues	\$ 1,172,514	\$ 1,132,137	\$ 1,066,675
Other	10,322	11,241	6,180
Total revenues	<u>1,182,836</u>	<u>1,143,378</u>	<u>1,072,855</u>
Expenses:			
Property operating expenses	450,267	433,854	412,905
Property management expenses	89,892	86,908	74,573
General and administrative expense	48,517	43,206	36,575
Interest expense	117,038	127,114	122,900
Acquisition and other transaction costs	9,298	3,224	5,225
Depreciation and amortization	343,153	329,293	318,685
Other	14,036	6,733	7,265
Total expenses	<u>1,072,201</u>	<u>1,030,332</u>	<u>978,128</u>
Gain on sale of single-family properties and other, net	44,194	43,873	17,946
Loss on early extinguishment of debt	—	(659)	(1,447)
Remeasurement of participating preferred units	—	—	1,212
Net income	<u>154,829</u>	<u>156,260</u>	<u>112,438</u>
Noncontrolling interest	—	—	(259)
Preferred distributions	55,128	55,128	52,586
Redemption of participating preferred units	—	—	32,215
Net income attributable to common unitholders	<u>\$ 99,701</u>	<u>\$ 101,132</u>	<u>\$ 27,896</u>
Weighted-average common units outstanding:			
Basic	<u>358,603,291</u>	<u>352,460,401</u>	<u>348,990,561</u>
Diluted	<u>359,064,841</u>	<u>352,963,970</u>	<u>349,618,391</u>
Net income attributable to common unitholders per unit:			
Basic	<u>\$ 0.28</u>	<u>\$ 0.29</u>	<u>\$ 0.08</u>
Diluted	<u>\$ 0.28</u>	<u>\$ 0.29</u>	<u>\$ 0.08</u>

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

American Homes 4 Rent, L.P.
Consolidated Statements of Comprehensive Income (Loss)
(Amounts in thousands)

	<u>For the Years Ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net income	\$154,829	\$156,260	\$112,438
Other comprehensive (loss) income:			
Gain on cash flow hedging instrument:			
Gain on settlement of cash flow hedging instrument	—	—	9,553
Reclassification adjustment for amortization of interest expense included in net income	(963)	(963)	(842)
Other comprehensive (loss) income	(963)	(963)	8,711
Comprehensive income	153,866	155,297	121,149
Comprehensive loss attributable to noncontrolling interests	—	—	(259)
Preferred distributions	55,128	55,128	52,586
Redemption of participating preferred units	—	—	32,215
Comprehensive income attributable to common unitholders	<u>\$ 98,738</u>	<u>\$100,169</u>	<u>\$ 36,607</u>

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

American Homes 4 Rent, L.P.
Consolidated Statements of Capital
(Amounts in thousands, except unit data)

	General Partner			Limited Partners			Total partners' capital	Noncontrolling interest	Total capital
	Common capital		Preferred capital amount	Common capital		Accumulated other comprehensive income			
	Number of units	Amount	Amount	Number of units	Amount				
Balances at December 31, 2017	—	\$ 4,248,236	\$ 901,318	55,350,153	\$ 727,544	\$ 75	\$ 5,877,173	\$ (1,349)	\$ 5,875,824
Share-based compensation	—	3,433	—	—	—	—	3,433	—	3,433
Common units issued under share-based compensation plans, net of units withheld for employee taxes	821,918	11,947	—	—	—	—	11,947	—	11,947
Issuance of perpetual preferred units, net of offering costs of \$4,022	—	—	110,978	—	—	—	110,978	—	110,978
Redemptions of Class A units	33,327	515	—	(33,327)	(515)	—	—	—	—
Redemption of Series C participating preferred units into Class A units	10,848,827	186,119	(157,861)	—	—	—	28,258	—	28,258
Reacquisition of equity component upon settlement of exchangeable senior notes	—	(20,098)	—	—	—	—	(20,098)	—	(20,098)
Repurchases of Class A units	(1,804,163)	(34,969)	—	—	—	—	(34,969)	—	(34,969)
Liquidation of consolidated joint venture	—	(1,849)	—	—	—	—	(1,849)	1,608	(241)
Distributions to capital holders:									
Preferred units (Note 9)	—	—	(52,586)	—	—	—	(52,586)	—	(52,586)
Common units (\$0.20 per unit)	—	(58,884)	—	—	(11,069)	—	(69,953)	—	(69,953)
Net income	—	55,687	52,586	—	4,424	—	112,697	(259)	112,438
Total other comprehensive income	—	—	—	—	—	8,711	8,711	—	8,711
Balances at December 31, 2018	296,649,621	\$ 4,390,137	\$ 854,435	55,316,826	\$ 720,384	\$ 8,786	\$ 5,973,742	\$ —	\$ 5,973,742
Share-based compensation	—	4,808	—	—	—	—	4,808	—	4,808
Common units issued under share-based compensation plans, net of units withheld for employee taxes	803,207	10,690	—	—	—	—	10,690	—	10,690
Redemptions of Class A units	3,289,846	42,852	—	(3,289,846)	(42,852)	—	—	—	—
Distributions to capital holders:									
Preferred units (Note 9)	—	—	(55,128)	—	—	—	(55,128)	—	(55,128)
Common units (\$0.20 per unit)	—	(60,065)	—	—	(10,554)	—	(70,619)	—	(70,619)
Net income	—	85,911	55,128	—	15,221	—	156,260	—	156,260
Total other comprehensive loss	—	—	—	—	—	(963)	(963)	—	(963)
Balances at December 31, 2019	300,742,674	\$ 4,474,333	\$ 854,435	52,026,980	\$ 682,199	\$ 7,823	\$ 6,018,790	\$ —	\$ 6,018,790

American Homes 4 Rent, L.P.
Consolidated Statements of Capital (Continued)

(Amounts in thousands, except unit data)

	General Partner		Preferred capital amount		Limited Partners		Accumulated other comprehensive income	Total capital
	Number of units	Amount	Number of units	Amount	Number of units	Amount		
Balances at December 31, 2019	300,742,674	\$4,474,333	\$854,435	\$682,199	52,026,980	\$682,199	\$7,823	\$6,018,790
Share-based compensation	—	9,834	—	—	—	—	—	9,834
Common units issued under share-based compensation plans, net of units withheld for employee taxes	577,656	5,360	—	—	—	—	—	5,360
Issuance of Class A common units, net of offering costs of \$600	15,036,130	413,500	—	—	—	—	—	413,500
Redemptions of Class A units	300,000	3,946	—	(3,946)	(300,000)	(3,946)	—	—
Distributions to capital holders:								
Preferred units (Note 9)	—	—	(55,128)	—	—	—	—	(55,128)
Common units (\$0.20 per unit)	—	(61,906)	—	(10,392)	—	(10,392)	—	(72,298)
Cumulative effect of adoption of ASU 2016-13 (Note 2)	—	(1,494)	—	—	—	—	—	(1,494)
Net income	—	85,246	55,128	14,455	—	14,455	—	154,829
Total other comprehensive loss	—	—	—	—	—	—	(963)	(963)
Balances at December 31, 2020	316,656,460	\$4,928,819	\$854,435	\$682,316	51,726,980	\$682,316	\$6,860	\$6,472,430

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

American Homes 4 Rent, L.P.
Consolidated Statements of Cash Flows
(Amounts in thousands)

	For the Years Ended December 31,		
	2020	2019	2018
Operating activities			
Net income	\$ 154,829	\$ 156,260	\$ 112,438
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	343,153	329,293	318,685
Noncash amortization of deferred financing costs, debt discounts and cash flow hedging instrument	7,431	7,457	10,493
Noncash share-based compensation	9,834	4,808	3,433
Provision for bad debt	—	—	8,732
Loss on early extinguishment of debt	—	659	1,447
Remeasurement of participating preferred units	—	—	(1,212)
Equity in net losses (income) of unconsolidated joint ventures	774	(509)	(546)
Net gain on sale of single-family properties and other	(44,194)	(43,873)	(17,946)
Loss on impairment of single-family properties and other	5,421	3,663	5,858
Other changes in operating assets and liabilities:			
Rent and other receivables	(15,633)	(2,784)	(12,172)
Prepaid expenses and other assets	2,652	(10,170)	(17,447)
Deferred leasing costs	(4,070)	(4,095)	(12,603)
Accounts payable and accrued expenses	14,193	17,408	11,772
Amounts due from related parties	(290)	(230)	(50)
Net cash provided by operating activities	<u>474,100</u>	<u>457,887</u>	<u>410,882</u>
Investing activities			
Cash paid for single-family properties	(269,273)	(120,487)	(489,625)
Change in escrow deposits for purchase of single-family properties	(374)	(7,171)	1,818
Net proceeds received from sales of single-family properties and other	228,566	221,930	106,157
Proceeds received from hurricane-related insurance claims	3,705	2,171	4,522
Investment in unconsolidated joint ventures	(29,834)	(13,114)	(8,400)
Distributions from joint ventures	129,007	22,561	36,917
Renovations to single-family properties	(16,968)	(21,883)	(52,379)
Recurring and other capital expenditures for single-family properties	(104,819)	(71,481)	(54,465)
Cash paid for development activity	(564,241)	(383,271)	(215,797)
Other purchases of productive assets	(18,694)	(6,121)	(3,156)
Net cash used for investing activities	<u>(642,925)</u>	<u>(376,866)</u>	<u>(674,408)</u>
Financing activities			
Proceeds from issuance of Class A common units	414,100	—	—
Payments of Class A common unit issuance costs	(600)	—	—
Proceeds from issuance of perpetual preferred units	—	—	115,000
Payments of perpetual preferred unit issuance costs	—	—	(4,022)
Repurchase of Class A common units	—	—	(34,969)
Proceeds from exercise of stock options	7,011	11,524	10,707
Payments related to tax withholding for share-based compensation	(1,651)	(834)	(546)
Payments on asset-backed securitizations	(22,501)	(21,517)	(20,847)
Proceeds from revolving credit facility	130,000	—	405,000
Payments on revolving credit facility	(130,000)	(250,000)	(295,000)
Payments on term loan facility	—	(100,000)	(100,000)
Payments on secured note payable	—	—	(49,427)
Proceeds from unsecured senior notes, net of discount	—	397,944	497,210
Settlement of cash flow hedging instrument	—	—	9,628
Payments on exchangeable senior notes	—	—	(135,093)
Distributions to common unitholders	(71,448)	(70,533)	(69,441)
Distributions to preferred unitholders	(55,128)	(55,128)	(67,183)
Deferred financing costs paid	—	(3,572)	(5,100)
Net cash provided by (used for) financing activities	<u>269,783</u>	<u>(92,116)</u>	<u>255,917</u>

American Homes 4 Rent
Consolidated Statements of Cash Flows (Continued)
(Amounts in thousands)

	For the Years Ended December 31,		
	2020	2019	2018
Financing activities (continued)			
Net increase (decrease) in cash, cash equivalents and restricted cash	100,958	(11,095)	(7,609)
Cash, cash equivalents and restricted cash, beginning of period (see Note 2)	164,119	175,214	182,823
Cash, cash equivalents and restricted cash, end of period (see Note 2)	<u>\$ 265,077</u>	<u>\$ 164,119</u>	<u>\$ 175,214</u>
Supplemental cash flow information			
Cash payments for interest, net of amounts capitalized	\$(109,679)	\$(112,980)	\$(105,056)
Supplemental schedule of noncash investing and financing activities			
Accrued property renovations and development expenditures	\$ 36,544	\$ 18,276	\$ 1,921
Transfers of completed homebuilding deliveries to properties	322,024	167,652	94,212
Property and land contributions to unconsolidated joint ventures	(132,439)	(20,448)	(40,942)
Note receivable related to a bulk sale of properties, net of discount	—	29,474	—
Redemption of participating preferred units	—	—	(28,258)
Noncash right-of-use assets obtained in exchange for operating lease liabilities	17,105	6,089	—
Accrued distributions to affiliates	4,834	4,629	71
Accrued distributions to non-affiliates	13,612	13,024	14,173

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

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 1. Organization and Operations

American Homes 4 Rent (“AH4R” or the “General Partner”) is a Maryland real estate investment trust (“REIT”) formed on October 19, 2012 for the purpose of acquiring, developing, renovating, leasing and operating single-family homes as rental properties. American Homes 4 Rent, L.P., a Delaware limited partnership formed on October 22, 2012, and its consolidated subsidiaries (collectively, the “Operating Partnership” or the “OP”) is the entity through which the Company conducts substantially all of our business and owns, directly or through subsidiaries, substantially all of our assets. References to the “Company,” “we,” “our” and “us” mean collectively AH4R, the Operating Partnership and those entities/subsidiaries owned or controlled by AH4R and/or the Operating Partnership. As of December 31, 2020, the Company held 53,584 single-family properties in 22 states, including 711 properties classified as held for sale.

AH4R is the general partner of, and as of December 31, 2020 owned approximately 85.9% of the common partnership interest in, the Operating Partnership. The remaining 14.1% of the common partnership interest was owned by limited partners. As the sole general partner of the Operating Partnership, AH4R has exclusive control of the Operating Partnership’s day-to-day management. The Company’s management operates AH4R and the Operating Partnership as one business, and the management of AH4R consists of the same members as the management of the Operating Partnership. AH4R’s primary function is acting as the general partner of the Operating Partnership. The only material asset of AH4R is its partnership interest in the Operating Partnership. As a result, AH4R generally does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing equity from time to time and guaranteeing certain debt of the Operating Partnership. AH4R itself is not directly obligated under any indebtedness, but guarantees some of the debt of the Operating Partnership. The Operating Partnership owns substantially all of the assets of the Company, including the Company’s ownership interests in its joint ventures, either directly or through its subsidiaries, conducts the operations of the Company’s business and is structured as a limited partnership with no publicly traded equity. One difference between the Company and the Operating Partnership is \$25.7 million of asset-backed securitization certificates issued by the Operating Partnership and purchased by AH4R. The asset-backed securitization certificates are recorded as an asset-backed securitization certificates receivable by the Company and as an amount due from affiliates by the Operating Partnership. AH4R contributes all net proceeds from its various equity offerings to the Operating Partnership. In return for those contributions, AH4R receives Operating Partnership units (“OP units”) equal to the number of shares it has issued in the equity offering. Based on the terms of the Agreement of Limited Partnership of the Operating Partnership, as amended, OP units can be exchanged for shares on a one-for-one basis. Except for net proceeds from equity issuances by AH4R, the Operating Partnership generates the capital required by the Company’s business through the Operating Partnership’s operations, by the Operating Partnership’s incurrence of indebtedness or through the issuance of OP units.

Note 2. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the Company include the accounts of AH4R, the Operating Partnership and their consolidated subsidiaries. The consolidated financial statements of the Operating Partnership include the accounts of the Operating Partnership and its consolidated subsidiaries. Intercompany accounts and transactions have been eliminated. The Company consolidates real estate partnerships and other entities that are not variable interest entities (“VIEs”) when it owns, directly or indirectly, a majority interest in the entity or is otherwise able to control the entity. The ownership interest

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 2. Significant Accounting Policies (Continued)

in a consolidated subsidiary of the Company held by outside parties, which was liquidated during the second quarter of 2018, is included in noncontrolling interest within the consolidated financial statements. The Company consolidates VIEs in accordance with Accounting Standards Codification (“ASC”) No. 810, *Consolidation*, if it is the primary beneficiary of the VIE as determined by its 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. Entities for which the Company owns an interest, but does not consolidate, are accounted for under the equity method of accounting as an investment in an unconsolidated entity and are included in investments in unconsolidated joint ventures within the consolidated balance sheets. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and in conjunction with the rules and regulations of the Securities and Exchange Commission (“SEC”). Any references in this report to the number of properties is outside the scope of our independent registered public accounting firm’s audit of our financial statements, in accordance with the standards of the Public Company Accounting Oversight Board. In the opinion of management, all adjustments of a normal and recurring nature necessary for a fair presentation of the consolidated financial statements have been made.

As a result of the expected growth in our joint venture activities, the investments in unconsolidated joint ventures balance has been reclassified into a separate balance sheet line item. This resulted in the reclassification of \$67.9 million as of December 31, 2019, which was previously included in escrow deposits, prepaid expenses and other assets, into investments in unconsolidated joint ventures on the consolidated balance sheets. Certain other amounts in the consolidated financial statements for the prior periods have also been reclassified or presented to conform to the current year presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

AH4R has elected to be taxed as a REIT for U.S. federal income tax purposes under Sections 856 to 860 of the Internal Revenue Code of 1986, as amended (the “Code”), commencing with our taxable year ended December 31, 2012. We believe that we have operated, and continue to operate, in such a manner as to satisfy the requirements for qualification as a REIT. Provided that we qualify as a REIT and our distributions to our shareholders equal or exceed our REIT taxable income (determined without regard to the deduction for dividends paid and including any net capital gains), we generally will not be subject to U.S. federal income tax.

Qualification and taxation as a REIT depend upon our ability to meet the various qualification tests imposed under the Code, including tests related to the percentage of income that we earn from specified sources and the percentage of our earnings that we distribute to our shareholders. Accordingly, no assurance can be given that we will continue to be organized or be able to operate in a manner so as to remain qualified as a REIT. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we would be subject to U.S. federal income tax and state income tax on

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 2. Significant Accounting Policies (Continued)

our taxable income at regular corporate tax rates, and we would likely be precluded from qualifying for treatment as a REIT until the fifth calendar year following the year in which we fail to qualify.

Even if we qualify as a REIT, we may be subject to certain state or local income and capital taxes and U.S. federal income and excise taxes on our undistributed REIT taxable income, if any. Certain of our subsidiaries are subject to taxation by U.S. federal, state and local authorities for the periods presented. We made joint elections to treat certain subsidiaries as taxable REIT subsidiaries which are subject to U.S. federal, state and local taxes on their income at regular corporate rates. The tax years from 2016 to present generally remain open to examination by the taxing jurisdictions to which the Company is subject.

We believe that our Operating Partnership is properly treated as a partnership for U.S. federal income tax purposes. As a partnership, the Operating Partnership is not subject to U.S. federal income tax on our income. Instead, each of the Operating Partnership's partners, including AH4R, is allocated, and may be required to pay tax with respect to, its share of the Operating Partnership's income. As such, no provision for U.S. federal income taxes has been included for the Operating Partnership.

ASC 740-10, *Income Taxes*, requires recognition of deferred tax assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. We recognize tax benefits of uncertain tax positions only if it is more likely than not that the tax position will be sustained, based solely on its technical merits, with the taxing authority having full knowledge of all relevant information. The measurement of a tax benefit for an uncertain tax position that meets the more likely than not threshold is based on a cumulative probability model under which the largest amount of tax benefit recognized is the amount with a greater than 50% likelihood of being realized upon ultimate settlement with the taxing authority having full knowledge of all the relevant information. As of December 31, 2020, there were no deferred tax assets and liabilities or unrecognized tax benefits recorded by the Company. We do not anticipate a significant change in unrecognized tax benefits within the next 12 months.

As a REIT, we generally are required to distribute annually to our shareholders at least 90% of our REIT taxable income (determined without regard to the deduction for dividends paid and any net capital gains) and to pay tax at regular corporate rates to the extent that we annually distribute less than 100% of our REIT taxable income (determined without regard to the deduction for dividends paid and including any net capital gains). The Operating Partnership funds the payment of distributions. AH4R had a net operating loss ("NOL") for U.S. federal income tax purposes of an estimated \$60.2 million as of December 31, 2020 and approximately \$189.1 million as of December 31, 2019. We intend to use our NOL (to the extent available) to reduce our REIT taxable income and will distribute approximately all of our remaining REIT taxable income (determined without regard to the deduction for dividends paid and including any net capital gains).

Investments in Real Estate

Purchases of single-family properties are treated as asset acquisitions and, as such, are recorded at their purchase price, including acquisition costs, which is allocated to land and building based upon their relative fair values at the date of acquisition. Fair value is determined in accordance with ASC 820, *Fair Value Measurements and Disclosures*, and is primarily based on unobservable data inputs. In making estimates of fair values for purposes of allocating the purchase price of individually acquired properties

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 2. Significant Accounting Policies (Continued)

subject to an existing lease, the Company utilizes its own market knowledge obtained from historical transactions, its internal construction program (the “AMH Development Program”) and published market data. In this regard, the Company also utilizes information obtained from county tax assessment records to assist in the determination of the fair value of the land and building. For the year ended December 31, 2020, the Company purchased 1,019 single-family properties treated as asset acquisitions for accounting purposes for a total purchase price of \$266.4 million, which was included in cash paid for single-family properties within the consolidated statement of cash flows.

The nature of our business requires that in certain circumstances we acquire single-family properties subject to existing liens. Liens that we expect to be extinguished in cash are estimated and accrued for on the date of acquisition and recorded as a cost of the property.

We incur costs to prepare properties acquired through our traditional acquisition channels for rental. These costs, along with related holding costs, are capitalized to the cost of the property during the period the property is undergoing activities to prepare it for its intended use. We capitalize interest costs as a cost of the property only during the period for which activities necessary to prepare an asset for its intended use are ongoing, provided that expenditures for the asset have been made and interest costs have been incurred. Upon completion of the renovation of our properties, all costs of operations, including repairs and maintenance, are expensed as incurred.

Single-Family Properties Under Development and Development Land

Land and construction in progress for our AMH Development Program are presented separately in single-family properties under development and development land within the consolidated balance sheets. Our capitalization policy on development properties follows the guidance in ASC 835-20, *Capitalization of Interest*, and ASC 970, *Real Estate-General*. Costs directly related to the development of properties are capitalized and the costs of land and buildings under development include specifically identifiable costs. We also capitalize interest, real estate taxes, insurance, utilities, and payroll costs for land and construction in progress under active development once the applicable GAAP criteria have been met.

Single-family Properties Held for Sale and Discontinued Operations

Single-family properties are classified as held for sale when they meet the applicable GAAP criteria in accordance with ASC 360-10, *Property, Plant, and Equipment—Overall*, including, but not limited to, the availability of the home for immediate sale in its present condition, the existence of an active program to locate a buyer and the probable sale of the home within one year. Single-family properties classified as held for sale are reported at the lower of their carrying value or estimated fair value less costs to sell, and are presented separately in single-family properties held for sale, net within the consolidated balance sheets. As of December 31, 2020 and 2019, the Company had 711 and 1,187 single-family properties, respectively, classified as held for sale, and recorded \$2.0 million, \$3.7 million and \$5.9 million of impairment on single-family properties held for sale for the years ended December 31, 2020, 2019 and 2018, respectively, which was included in other expenses within the consolidated statements of operations. The results of operations of properties that have either been sold or classified as held for sale, if due to a strategic shift that has (or will have) a major effect on our operations or financial results, are reported in the consolidated statements of operations as discontinued operations for both current and prior periods presented through the date of the applicable disposition in accordance with ASC 205-20, *Presentation of*

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 2. Significant Accounting Policies (Continued)

Financial Statements—Discontinued Operations. During the years ended December 31, 2020, 2019 and 2018, none of the properties classified as held for sale met the criteria to be reported as a discontinued operation.

Impairment of Long-lived Assets

We evaluate our long-lived assets for impairment periodically or whenever events or circumstances indicate that their carrying amount may not be recoverable. Significant indicators of impairment may include, but are not limited to, declines in home values, rental rates and occupancy percentages, as well as significant changes in the economy. If an impairment indicator exists, we compare the expected future undiscounted cash flows against the net carrying amount. If the sum of the estimated undiscounted cash flows is less than the net carrying amount, we record an impairment loss for the difference between the estimated fair value of the individual property and the carrying amount of the property at that date. No significant impairments on operating properties were recorded during the years ended December 31, 2020, 2019 and 2018.

Commercial Office Leases

We lease commercial office space from third parties for use in our corporate and property management operations. Commercial office leases are accounted for as operating leases in accordance with ASC 842 which requires us to recognize right-of-use (“ROU”) assets and lease liabilities within the consolidated balance sheets for the rights and obligations created from these leases. Operating lease ROU assets and lease liabilities are recognized based on the present value of future minimum lease payments over the expected lease term at commencement date. As the implicit rate is generally not determinable, the ROU assets and lease liabilities are measured using our incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The expected lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise such options. Lease expense for operating leases is recognized on a straight-line basis over the expected lease term in general and administrative expense within the consolidated statements of operations.

We elected the short-term lease measurement and recognition exemption and do not establish ROU assets or lease liabilities for operating leases with terms of twelve months or less. We also elected the practical expedient allowing us to avoid separating non-lease components from the associated lease component for our commercial office leases. The ROU assets and lease liabilities are presented in escrow deposits, prepaid expenses and other assets and accounts payable and accrued expenses, respectively, within the consolidated balance sheets.

Depreciation and Amortization

Depreciation is computed on a straight-line basis over the estimated useful lives of buildings, improvements and other assets. Buildings are depreciated over thirty years and improvements and other assets are depreciated over their estimated economic useful lives, generally three to thirty years.

Intangible Assets

Finite-lived intangible assets are amortized on a straight-line basis over their estimated economic lives, and the estimated economic life of our database intangible asset is seven years. The Company

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 2. Significant Accounting Policies (Continued)

reviews finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the estimated future cash flows expected to result from the use and eventual disposition of an asset is less than its net book value, an impairment loss is recognized. Measurement of an impairment loss is based on the fair value of an asset. No impairment was recorded during the years ended December 31, 2020, 2019 and 2018.

Goodwill

Goodwill represents the fair value in excess of the tangible and separately identifiable intangible assets that were acquired in connection with the internalization of the Company's management function in June 2013, including all administrative, financial, property management, marketing and leasing personnel, including executive management. Goodwill has an indefinite life and is therefore not amortized. The Company analyzes goodwill for impairment on an annual basis pursuant to ASC 350, *Intangibles—Goodwill and Other*, which permits us to assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than the carrying amount as a basis to determine whether an impairment test is necessary. This qualitative assessment requires judgment to be applied in evaluating the effects of multiple factors, including macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, other relevant entity-specific events, events affecting the reporting unit, and whether or not there has been a sustained decrease in the Company's stock price. We also have the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the goodwill impairment test. The impairment test compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds the fair value, the impairment loss is determined as the excess of the carrying amount of the goodwill reporting unit over the fair value of that goodwill, not to exceed the carrying amount. Impairment charges, if any, are recognized in operating results. Based on our assessment of qualitative factors on December 31, 2020, we concluded it was more likely than not that the Company's recorded goodwill balance of \$120.3 million was not impaired and did not perform the quantitative test. No goodwill impairment was recorded during the years ended December 31, 2020, 2019 and 2018.

Deferred Financing Costs

Financing costs related to the origination of the Company's debt instruments are deferred and amortized as interest expense under the effective interest method over the contractual term of the applicable financing. Financing costs related to the origination of the Company's revolving credit facility are presented net of accumulated amortization and are included in escrow deposits, prepaid expenses and other assets within the consolidated balance sheets. Financing costs related to the origination of the Company's unsecured senior notes and asset-backed securitizations are presented net of accumulated amortization and are netted against the related debt instrument under liabilities within the consolidated balance sheets.

Cash, Cash Equivalents and Restricted Cash

We consider all demand deposits, cashier's checks, money market accounts and certificates of deposit with a maturity of three months or less to be cash equivalents. We maintain our cash and cash equivalents and escrow deposits at financial institutions. The combined account balances typically exceed the Federal Deposit Insurance Corporation insurance coverage, and, as a result, there is a concentration of credit risk related to amounts on deposit. We believe that the risk is not significant.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 2. Significant Accounting Policies (Continued)

Restricted cash primarily consists of funds held related to resident security deposits, cash reserves in accordance with certain loan agreements and funds held in the custody of our transfer agent for the payment of distributions. Funds held related to resident security deposits are restricted during the term of the related lease agreement, which is generally one year. Cash reserved in connection with lender requirements is restricted during the term of the related debt instrument.

The following table provides a reconciliation of cash, cash equivalents and restricted cash per the Company's and the Operating Partnership's consolidated statements of cash flows to the corresponding financial statement line items in the consolidated balance sheets (in thousands):

	December 31,		
	2020	2019	2018
Cash and cash equivalents	\$137,060	\$ 37,575	\$ 30,284
Restricted cash	128,017	126,544	144,930
Total cash, cash equivalents and restricted cash	\$265,077	\$164,119	\$175,214

Escrow Deposits

Escrow deposits include refundable and non-refundable cash earnest money deposits for the purchase of properties. In addition, escrow deposits include amounts paid for single-family properties in certain states which require a judicial order when the risks and rewards of ownership of the property are transferred and the purchase is finalized.

Investments in Unconsolidated Joint Ventures

Investments in unconsolidated joint ventures are recorded initially at cost, and subsequently adjusted for equity in earnings and cash contributions and distributions. Under the equity method of accounting, our net equity investment is included in investments in unconsolidated joint ventures within the consolidated balance sheets, and our share of net income or loss from the joint ventures is included within other revenues in the consolidated statements of operations. Our recognition of joint venture income or loss is generally based on ownership percentages, which may change upon the achievement of certain investment return thresholds. The ultimate realization of the investment in unconsolidated joint ventures is dependent on a number of factors, including the performance of each investment and market conditions. Our investments in unconsolidated joint ventures are reviewed for impairment periodically and we will record an impairment charge when events or circumstances change indicating that a decline in the fair values below the carrying values has occurred and such decline is other-than-temporary. During the year ended December 31, 2020, the Company recognized a \$4.9 million impairment charge in other expenses within the consolidated statements of operations associated with the liquidation of legacy joint ventures, which were acquired as part of the American Residential Properties, Inc. ("ARPI") merger in February 2016.

Notes Receivable, Net

The Company obtained promissory notes in connection with two bulk dispositions of our single-family properties. The promissory note obtained during the second quarter of 2019 matures in the second quarter of 2025 and the promissory note obtained during the first quarter of 2017 matures in the first quarter of 2022. The promissory notes are secured by first priority mortgages on the disposed homes, contain certain covenants and require monthly or quarterly interest payments with the full principal due at maturity.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 2. Significant Accounting Policies (Continued)

Notes receivable are presented net of discounts in escrow deposits, prepaid expenses and other assets within the consolidated balance sheets. Interest income from the notes, including amortization of discounts, is presented in other revenues within the consolidated statements of operations. Upon adoption of ASU 2016-13 on January 1, 2020, we are required to estimate and recognize lifetime expected losses, rather than incurred losses, on these notes receivable, which results in the earlier recognition of credit losses even if the expected risk of credit loss is remote. Beginning January 1, 2020, notes receivable are also presented net of the allowance for expected credit losses, which the Company estimates on a quarterly basis based on (i) credit quality indicators such as the borrower's historical performance, including the borrower's financial results and satisfaction of scheduled payments, (ii) current conditions, including macroeconomic conditions and other conditions affecting the borrower, and (iii) other reasonable and supportable forecasts about the future. As part of the monitoring process, we may meet with a borrower's management to better understand such borrower's financial performance and its future plans on an as-needed basis. A note receivable will be categorized as non-performing if a borrower experiences financial difficulty and has failed to make scheduled payments. Changes to the allowance for expected credit losses are recognized in other expenses within the consolidated statements of operations.

Revenue and Expense Recognition

We lease single-family properties that we own directly to tenants who occupy the properties under operating leases, generally, with a term of one year. As a result of the adoption of ASC 842 on January 1, 2019, the Company classifies our single-family property leases as operating leases and elects to not separate the lease component, comprised of rents from single-family properties, from the associated non-lease component, comprised of fees from single-family properties and tenant charge-backs. The combined component is accounted for under the new lease accounting standard while certain tenant charge-backs are accounted for as variable payments under the revenue accounting guidance. Rental revenue, net of any concessions, is recognized on a straight-line basis over the term of the lease, which is not materially different than if it were recorded when due from tenants and recognized monthly as it is earned. Tenant charge-backs, which are primarily related to cost recoveries on utilities, are recognized as revenue on a gross basis in the period during which the expenses are incurred.

Upon adoption of ASC 842, we no longer have an allowance for doubtful accounts. When collectability is not deemed probable, we write-off the tenant's receivables and limit lease income to cash received. Prior to January 1, 2019, we maintained an allowance for doubtful accounts for estimated losses that may have resulted from the inability of tenants to make required rent or other payments. This allowance was estimated based on, among other considerations, payment histories, overall delinquencies and available security deposits.

We accrue for property taxes and homeowners' association ("HOA") assessments based on amounts billed, and, in some circumstances, estimates and historical trends when bills or assessments are not available. The actual assessment may differ from the estimates, resulting in a change in estimate in a subsequent period.

Gains or losses on sales of properties and upon contributions to our unconsolidated joint ventures are recognized pursuant to the provisions included in ASC 610-20, *Other Income*. Under ASC 610-20, we must first determine whether the transaction is a sale to a customer or non-customer. We typically sell properties on a selective basis and not within the ordinary course of our operating business and therefore expect that our sale transactions will not be contracts with customers. We next determine whether we have

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 2. Significant Accounting Policies (Continued)

a controlling financial interest in the property after the sale, consistent with the consolidation model in ASC 810, *Consolidation*. If we determine that we do not have a controlling financial interest in the real estate, we evaluate whether a contract exists under ASC 606, *Revenue from Contracts with Customers*, and whether the buyer has obtained control of the asset that was sold. We recognize a full gain or loss on sale, which is presented in gain on sale of single-family properties and other, net within the consolidated statements of operations, when the derecognition criteria under ASC 610-20 have been met.

Leasing Costs

As a result of the adoption of Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*, (“ASC 842”) on January 1, 2019, only direct costs incurred due to the execution of a lease are capitalized and amortized over the term of the leases, which generally have a term of one year. Prior to January 1, 2019, both direct and indirect incremental costs incurred to lease properties were capitalized and amortized over the term of the leases.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consists primarily of trade payables, accrued interest, distribution payables, resident security deposits, prepaid rent, construction and maintenance liabilities, HOA fees and property tax accruals as of the end of the respective period presented. It also consists of contingent loss accruals, if any. Such losses are accrued when they are both probable and estimable. When it is reasonably possible that a significant contingent loss has occurred, we disclose the nature of the potential loss and, if estimable, a range of exposure.

Share-Based Compensation

Our 2012 Equity Incentive Plan (the “Plan”) is accounted for under the provisions of ASC 718, *Compensation—Stock Compensation*. Noncash share-based compensation costs related to options to purchase our Class A common shares and restricted stock units (“RSUs”) issued to members of the Company’s board of trustees and employees is based on the fair value of the options and RSUs on the grant date and generally amortized over the service period. Forfeitures are recognized as they occur. In February 2020, the Plan was modified to allow for continued release of awards based on the original vesting schedule, rather than forfeiture, of unvested share-based grants issued in 2020 upon termination of service for employees who meet certain retirement eligibility criteria, including age and years of service. For the 2020 share-based grants, retirement eligible employees on the date of grant became fully vested and employees who will become retirement eligible prior to the end of their grant’s contractual life will become fully vested on the date they meet the criteria for retirement. Full compensation cost is recognized immediately at the date of grant to the extent a participant is retirement eligible and compensation cost is accelerated to the extent that a participant will become retirement eligible prior to the end of the contractual life of their 2020 share-based grants.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in an orderly transaction between two willing parties. Fair value is a market-based measurement, and should be determined based on the assumptions that market participants would use in pricing an asset or liability. The GAAP valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 2. Significant Accounting Policies (Continued)

liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

- *Level 1*—Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets;
- *Level 2*—Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument; and
- *Level 3*—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

See Note 12. Fair Value for our consideration of the fair value of our financial instruments.

Derivatives

From time to time, we may use interest rate cap agreements or other derivative instruments for interest rate risk management purposes. We assess these derivatives at inception and on an ongoing basis for the effectiveness of qualifying cash flow hedges. For derivative instruments that are designated and qualify as a cash flow hedge, the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings as interest expense during the period in which the hedged transaction affects earnings.

Segment Reporting

Under the provision of ASC 280, *Segment Reporting*, the Company has determined that it has one reportable segment with activities related to acquiring, renovating, developing, leasing and operating single-family homes as rental properties. The Company's properties are geographically dispersed and management evaluates operating performance at the market level. The Company did not have any geographic market concentrations representing 10% or more of the total gross book value of single-family properties in operations as of December 31, 2020.

Accounting Pronouncements Adopted January 1, 2020

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, to amend the accounting for credit losses for certain financial instruments by requiring companies to recognize an estimate of expected credit losses as an allowance in order to recognize such losses more timely than under previous guidance that had allowed companies to wait until it was probable such losses had been incurred. In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, which clarifies that receivables arising from operating leases are not within the scope of Topic 326. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, *Leases*. In April 2019, the FASB issued ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, which provides further clarification around some of the amendments in ASU 2016-13. In May 2019, the FASB issued ASU No. 2019-05, *Financial Instruments—Credit Losses (Topic 326) Targeted Transition Relief*, which

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 2. Significant Accounting Policies (Continued)

provides entities that have certain instruments within the scope of Topic 326 with an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis upon adoption of Topic 326. In November 2019, the FASB issued ASU No. 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, which provides further clarification around some of the amendments in ASU 2016-13. The guidance is effective for the Company for annual reporting periods beginning after December 15, 2019, and for interim periods within those annual periods. Early adoption is permitted for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods. An entity will apply the amendments in these ASUs through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. The effect of a prospective transition approach is to maintain the same amortized cost basis before and after the effective date of the guidance. The Company adopted this guidance effective January 1, 2020. An allowance for expected credit losses of \$1.5 million was established with a cumulative-effect adjustment to accumulated deficit in the consolidated statements of equity.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which eliminates, adds and modifies certain disclosure requirements for fair value measurements. Companies will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. Companies will also be required to disclose the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The guidance is effective for fiscal years beginning after December 15, 2019, and for interim periods within those annual periods with early adoption permitted. The amendments on the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The Company adopted this guidance effective January 1, 2020. The adoption of this guidance did not have a material impact on our financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40) Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). Capitalized implementation costs related to a hosting arrangement that is a service contract will be amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. The guidance is effective for fiscal years beginning after December 15, 2019, and for interim periods within those annual periods with early adoption permitted. The amendments in this ASU should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company adopted this guidance effective January 1, 2020. The adoption of this guidance did not have a material impact on our financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 2. Significant Accounting Policies (Continued)

reform on financial reporting. The amendments in this ASU apply only to contracts, hedging relationships and other transactions that reference the London Inter-Bank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued because of reference rate reform but do not apply to contract modifications made or hedging relationships entered into or evaluated after December 31, 2022. The amendments in this ASU allow companies to (i) account for modifications to contracts within the scope of ASC 310, *Receivables*, and ASC 470, *Debt*, prospectively by adjusting the effective interest rate and (ii) account for modifications to contracts within the scope of ASC 842, *Leases*, as a continuation of existing lease agreements. The guidance also provides optional expedients for modifications to contracts within the scope of ASC 815, *Derivatives and Hedging*. The guidance is effective immediately, and entities may elect to apply the guidance as of January 1, 2020 or the beginning of a subsequent interim period, or prospectively from a date beginning January 1, 2020 or in a subsequent interim period up to the date the financial statements are available to be issued. The Company adopted this guidance effective January 1, 2020. The adoption of this guidance did not have a material impact on our financial statements.

In April 2020, the FASB issued staff question and answer (“Q&A”) document *Topic 842 and Topic 840: Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic*. Under ASC No. 842, *Leases*, lease concessions granted by lessors beyond the enforceable rights and obligations contained in the existing lease agreement would generally be accounted for as a lease modification. The staff Q&A document permits lessors to make an election, if certain criteria are met, to account for a lease concession related to the effects of the COVID-19 pandemic as though it were part of the enforceable rights and obligations of the existing lease agreement rather than account for the concession as a lease modification. The Company elects to not evaluate whether a COVID-19-related concession is a lease modification and elects to not apply the lease modification guidance in those circumstances. The effect of these elections did not have a material impact on the Company’s condensed consolidated financial statements.

Accounting Pronouncements Adopted July 1, 2020

In January 2020, the FASB issued ASU No. 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)*, which clarifies the interaction between ASC Topics 321, 323 and 815. ASC 321, *Investments—Equity Securities*, provides a company with a measurement alternative to measure certain equity securities without a readily determinable fair value at cost, minus impairment, if any. If the company then identifies observable price changes in orderly transactions for the identical or a similar investment of the same issuer, it should measure the equity security at fair value as of the date that the observable transaction occurred. The amendments in this ASU clarify that a company should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with ASC 321 immediately before applying or upon discontinuing the equity method. The amendments in this ASU also clarify the accounting treatment of forward contracts and purchased options for securities that will be accounted for under the equity method of accounting upon settlement or exercise. The guidance is effective for fiscal years beginning after December 15, 2020, and for interim periods within those annual periods with early adoption permitted. The amendments in this ASU should be applied prospectively by applying the amendments at the beginning of the interim period that includes the adoption date. The Company adopted this guidance effective July 1, 2020. The adoption of this guidance did not have a material impact on our financial statements.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 3. Real Estate Assets, Net

The net book values of real estate assets consisted of the following as of December 31, 2020 and 2019 (in thousands):

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Occupied single-family properties	\$ 7,957,513	\$ 7,534,627
Single-family properties recently acquired or developed	66,857	88,181
Single-family properties in turnover process	149,684	308,008
Single-family properties leased, not yet occupied	<u>71,334</u>	<u>55,460</u>
Single-family properties in operation, net	8,245,388	7,986,276
Development land	270,767	224,041
Single-family properties under development	239,598	131,386
Single-family properties held for sale, net	<u>129,026</u>	<u>209,828</u>
Total real estate assets, net	<u>\$ 8,884,779</u>	<u>\$ 8,551,531</u>

Depreciation expense related to single-family properties was \$330.2 million, \$313.7 million and \$300.7 million for the years ended December 31, 2020, 2019 and 2018, respectively.

The following table summarizes the Company's dispositions of single-family properties and land for the years ended December 31, 2020, 2019 and 2018 (in thousands, except property data):

	<u>For the Years Ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Single-family properties:			
Properties sold	1,047	1,330	691
Net proceeds ⁽¹⁾⁽²⁾	\$228,495	\$248,199	\$105,394
Net gain on sale ⁽³⁾	\$ 47,187	\$ 43,507	\$ 16,313
Land:			
Net proceeds	\$ 71	\$ 3,205	\$ 763
Net gain on sale	\$ 7	\$ 366	\$ 220

- (1) Total net proceeds for the year ended December 31, 2019 included a \$30.7 million note receivable, before a \$1.2 million discount, which is presented in escrow deposits, prepaid expenses and other assets (see Note 5. Escrow Deposits, Prepaid Expenses and Other Assets).
- (2) Net proceeds are net of deductions for working capital proration.
- (3) Includes gain or loss on transfers to unconsolidated joint ventures.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 4. Rent and Other Receivables

Rents and other single-family property revenues consisted of the following for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	<u>For the Years Ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Rents from single-family properties ⁽¹⁾	\$ 1,172,514	\$ 1,132,137	\$ 908,936
Fees from single-family properties	—	—	10,946
Tenant charge-backs	—	—	146,793
Rents and other single-family property revenues	<u>\$ 1,172,514</u>	<u>\$ 1,132,137</u>	<u>\$ 1,066,675</u>

(1) For the years ended December 31, 2020 and 2019, rents from single-family properties included \$160.8 million and \$159.9 million, respectively, of variable lease payments for tenant charge-backs, which are primarily related to cost recoveries on utilities, and \$16.4 million and \$13.8 million of variable lease payments for fees from single-family properties.

The Company generally rents its single-family properties under non-cancelable lease agreements with a term of one year. The following table summarizes our future minimum rental revenues under existing leases on our properties as of December 31, 2020 (in thousands):

	<u>December 31,</u> <u>2020</u>
2021	\$ 550,012
2022	32,238
2023	130
Total	<u>\$ 582,380</u>

As of December 31, 2020 and 2019, rent and other receivables included \$0.8 million and \$2.7 million, respectively, of insurance claims receivables. During the year ended December 31, 2020, proceeds collected from insurance claims included \$4.0 million related to legal recoveries and \$3.7 million related to hurricane-related insurance claims. During the year ended December 31, 2019, we collected \$3.5 million in proceeds from hurricane-related insurance claims, of which approximately \$1.3 million related to business interruption recoveries, and during the year ended December 31, 2018, we collected \$4.5 million in proceeds from hurricane-related insurance claims.

Note 5. Escrow Deposits, Prepaid Expenses and Other Assets

The following table summarizes the components of escrow deposits, prepaid expenses and other assets as of December 31, 2020 and 2019 (in thousands):

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Escrow deposits, prepaid expenses and other	\$ 51,886	\$ 50,709
Deferred costs and other intangibles, net	4,864	6,840
Notes receivable, net	35,519	36,834
Operating lease ROU assets	18,772	3,836
Commercial real estate, software, vehicles and FF&E, net	52,130	42,742
Total	<u>\$ 163,171</u>	<u>\$ 140,961</u>

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 5. Escrow Deposits, Prepaid Expenses and Other Assets (Continued)

Depreciation expense related to commercial real estate, software, vehicles and furniture, fixtures and equipment (“FF&E”), net was \$8.9 million, \$7.6 million and \$7.0 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Deferred Costs and Other Intangibles, Net

Deferred costs and other intangibles, net, consisted of the following as of December 31, 2020 and 2019 (in thousands):

	December 31, 2020	December 31, 2019
Deferred leasing costs	\$ 3,782	\$ 3,738
Deferred financing costs	11,244	11,244
Database intangible asset	—	2,100
	15,026	17,082
Less: accumulated amortization	(10,162)	(10,242)
Total	<u>\$ 4,864</u>	<u>\$ 6,840</u>

Amortization expense related to deferred leasing costs, the value of in-place leases, and database intangibles was \$4.1 million, \$8.0 million and \$11.0 million for the years ended December 31, 2020, 2019 and 2018, respectively, and was included in depreciation and amortization within the consolidated statements of operations. Amortization of deferred financing costs that relate to our revolving credit facility was \$2.0 million for each of the years ended December 31, 2020, 2019 and 2018 and was included in gross interest, prior to interest capitalization (see Note 7. Debt).

The following table sets forth the estimated annual amortization expense related to deferred costs and other intangibles, net as of December 31, 2020 for future periods (in thousands):

	Deferred Leasing Costs	Deferred Financing Costs	Total
2021	\$ 1,932	\$ 1,964	\$ 3,896
2022	—	968	968
Total	<u>\$ 1,932</u>	<u>\$ 2,932</u>	<u>\$ 4,864</u>

Note 6. Investments in Unconsolidated Joint Ventures

As of December 31, 2020, the Company held 20% ownership interests in three unconsolidated joint ventures. In evaluating the Company’s 20% ownership interests in these joint ventures, we concluded that the joint ventures are not VIEs after applying the variable interest model and, therefore, we account for our interests in the joint ventures as investments in unconsolidated subsidiaries after applying the voting interest model using the equity method of accounting.

During the second quarter of 2014, the Company entered into a joint venture with the Alaska Permanent Fund Corporation (the “Alaska JV”) to invest in homes acquired through traditional acquisition channels.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 6. Investments in Unconsolidated Joint Ventures (Continued)

During the third quarter of 2018, the Company entered into a joint venture with another leading institutional investor (the “Institutional Investor JV”) to invest in newly constructed single-family rental homes, which was subsequently amended and upsized to \$312.5 million during the third quarter of 2019. The initial term of the joint venture with Institutional Investor JV is five years from the effective date of the amended agreement, during which neither member may unilaterally market properties for sale.

During the first quarter of 2020, the Company entered into a \$253.1 million strategic joint venture, which has an evergreen term, with institutional investors advised by J.P. Morgan Asset Management (the “J.P. Morgan JV”) focused on constructing and operating newly built rental homes, which was subsequently upsized to \$625.0 million during the second quarter of 2020.

The following table summarizes our investments in unconsolidated joint ventures (in thousands, except percentages and property data):

<u>Joint Venture Description</u>	<u>% Ownership at December 31, 2020</u>	<u>Completed Homes at December 31, 2020</u>	<u>Balances at December 31, 2020</u>	<u>Balances at December 31, 2019</u>
Alaska JV	20%	363	\$26,020	\$29,326
Institutional Investor JV	20%	743	34,112	33,757
J.P. Morgan JV	20%	187	32,977	—
Other ⁽¹⁾	N/A	N/A	—	4,852
		<u>1,293</u>	<u>\$93,109</u>	<u>\$67,935</u>

(1) Includes legacy joint ventures, which the Company acquired as part of the American Residential Properties, Inc. merger in February 2016, that were liquidated during the first quarter of 2020.

The Company provides various services to these joint ventures, which are considered to be related parties, including property management and development services and has opportunities to earn promoted interests. Management fee and development fee income from unconsolidated joint ventures was \$5.8 million, \$3.6 million and \$1.9 million for the years ended December 31, 2020, 2019 and 2018, respectively, and was included in other revenues within the consolidated statements of operations. As a result of the Company’s management of these joint ventures, certain related party receivables and payables arise in the ordinary course of business and are included in escrow deposits, prepaid expenses and other assets or amounts payable to affiliates in the consolidated balance sheets.

During the third quarter of 2020, Institutional Investor JV entered into a loan agreement to borrow up to a \$201.0 million aggregate commitment. During the initial two-year term, the loan bears interest at LIBOR plus a 3.50% margin and matures on August 11, 2022. The loan agreement provides for three one-year extension options that include additional fees and interest. As of December 31, 2020, the joint venture’s loan had an \$85.2 million outstanding principal balance. The Company provided a customary non-recourse guarantee that may become a liability for us upon a voluntary bankruptcy filing by the joint venture or occurrence of other actions such as fraud or a material misrepresentation by us or the joint venture. To date, the guarantee has not been invoked and we believe that the actions that would trigger a guarantee would generally be disadvantageous to the joint venture and us, and therefore are unlikely to occur. However, there can be no assurances that actions that could trigger the guarantee will not occur.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 7. Debt

All of the Company's indebtedness is debt of the Operating Partnership. AH4R is not directly obligated under any indebtedness, but guarantees some of the debt of the Operating Partnership. The following table presents the Company's debt as of December 31, 2020 and 2019 (in thousands):

	Interest Rate ⁽¹⁾	Maturity Date	Outstanding Principal Balance	
			December 31, 2020	December 31, 2019
AH4R 2014-SFR2 securitization	4.42%	October 9, 2024	\$ 479,981	\$ 485,828
AH4R 2014-SFR3 securitization	4.40%	December 9, 2024	495,392	501,393
AH4R 2015-SFR1 securitization ⁽²⁾	4.14%	April 9, 2045	520,957	526,560
AH4R 2015-SFR2 securitization ⁽³⁾	4.36%	October 9, 2045	452,162	457,212
Total asset-backed securitizations			1,948,492	1,970,993
2028 unsecured senior notes ⁽⁴⁾	4.08%	February 15, 2028	500,000	500,000
2029 unsecured senior notes	4.90%	February 15, 2029	400,000	400,000
Revolving credit facility ⁽⁵⁾	1.34%	June 30, 2022	—	—
Total debt			2,848,492	2,870,993
Unamortized discount on unsecured senior notes			(3,658)	(4,143)
Deferred financing costs, net ⁽⁶⁾			(27,422)	(33,353)
Total debt per balance sheet			<u>\$ 2,817,412</u>	<u>\$ 2,833,497</u>

- (1) Interest rates are as of December 31, 2020. Unless otherwise stated, interest rates are fixed percentages.
- (2) The AH4R 2015-SFR1 securitization has an anticipated repayment date of April 9, 2025.
- (3) The AH4R 2015-SFR2 securitization has an anticipated repayment date of October 9, 2025.
- (4) The stated interest rate on the 2028 unsecured senior notes is 4.25%, which was effectively hedged to yield an interest rate of 4.08%.
- (5) The revolving credit facility provides for a borrowing capacity of up to \$800.0 million, and the Company had approximately \$1.5 million and \$6.2 million committed to outstanding letters of credit that reduced our borrowing capacity as of December 31, 2020 and 2019, respectively. The revolving credit facility bears interest at the London Inter-Bank Offered Rate ("LIBOR") plus 1.20% as of December 31, 2020.
- (6) Deferred financing costs relate to our asset-backed securitizations and unsecured senior notes. Amortization of these deferred financing costs related to our asset-backed securitizations, term loan facility and unsecured senior notes was \$5.9 million, \$5.9 million and \$5.8 million for the years ended December 31, 2020, 2019 and 2018, respectively, and is included in gross interest, prior to interest capitalization.

Early Extinguishment of Debt

During the year ended December 31, 2019, the Company paid off the \$100.0 million remaining outstanding principal on our term loan facility, which resulted in \$0.7 million of charges related to the write-off of unamortized deferred financing costs. During the year ended December 31, 2018, the Company paid off the outstanding principal on the secured note payable of approximately \$48.4 million, which resulted in \$0.5 million of charges related to the early extinguishment of debt. The payoff of the secured note payable also resulted in the release of the 572 homes pledged as collateral and \$2.1 million of restricted cash for lender requirements. Also during the year ended December 31, 2018, the Company paid down \$100.0 million on our term loan facility, which resulted in \$0.9 million of charges related to the write-off of unamortized deferred financing costs. The charges resulting from the early extinguishment of debt and write-off of unamortized deferred financing costs were included in loss on early extinguishment of debt within the consolidated statements of operations.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 7. Debt (Continued)

Debt Maturities

The following table summarizes the contractual maturities of the Company's principal debt balances on a fully extended basis as of December 31, 2020 (in thousands):

	<u>Debt Maturities</u>
2021	\$ 20,714
2022	20,714
2023	20,714
2024	954,439
2025	10,302
Thereafter	1,821,609
Total debt	<u>\$ 2,848,492</u>

Encumbered Properties

The following table displays the number of properties pledged as collateral for the Company's asset-backed securitization loans and the aggregate net book values as of December 31, 2020 and 2019 (in thousands, except property data):

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Number of Properties</u>	<u>Net Book Value</u>	<u>Number of Properties</u>	<u>Net Book Value</u>
AH4R 2014-SFR2 securitization	4,537	\$ 575,634	4,543	\$ 592,203
AH4R 2014-SFR3 securitization	4,581	624,279	4,587	642,189
AH4R 2015-SFR1 securitization	4,695	624,269	4,696	641,595
AH4R 2015-SFR2 securitization	4,172	576,999	4,175	592,900
Total encumbered properties	<u>17,985</u>	<u>\$ 2,401,181</u>	<u>18,001</u>	<u>\$ 2,468,887</u>

Asset-backed Securitizations

General Terms

As of December 31, 2020, the Company has completed multiple asset-backed securitizations, all of which have certain general characteristics in common. The asset-backed securitization transactions resulted in newly-formed special purpose entities (the "Borrowers"), which entered into loans with third-party lenders. The Borrowers are each wholly owned by respective special purpose entities (the "Equity Owners"), which are wholly owned by the Operating Partnership. The loans were represented by promissory notes that were immediately transferred by the third-party lenders to subsidiaries of the Company and then to Real Estate Mortgage Investment Conduit ("REMIC") trusts in exchange for single-family rental pass-through certificates representing all the beneficial ownership interests in the respective loans and trusts. Upon receipt of the certificates, the subsidiaries sold the certificates to investors. The principal amount of each class of certificates corresponds to the corresponding principal amount of the loan components with an additional class to hold the residual REMIC interest. The loans require monthly payments of interest together with principal payments representing one-twelfth of one percent of the original principal amount of the loans.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 7. Debt (Continued)

The loans are secured by first priority mortgages on pools of single-family residential properties transferred to the Borrowers from the Company's portfolio of properties. The Borrowers' homes were substantially similar to the other properties owned by the Company and were leased to tenants underwritten on substantially the same basis as the tenants in the Company's other properties. During the duration of the loans, the Borrowers' properties may not generally be transferred, sold or otherwise securitized and the Company can substitute properties if a property owned by the Borrowers becomes a disqualified property under the terms of the loan or voluntarily with properties eligible for substitution, in limited circumstances, subject to the terms, conditions and limitations provided in the loan agreements. The loans are also secured by a security interest in all of the Borrowers' personal property and a pledge of all of the assets of the Equity Owners, including a security interest in their membership interests in the Borrowers. The Company provides a limited guaranty (i) for certain losses arising out of designated acts of intentional misconduct and (ii) for the principal amount of the loans and all other obligations under the loan agreements in the event of insolvency or bankruptcy proceedings.

The Company has accounted for the transfers of the notes from its subsidiaries to the trusts as sales under ASC 860, *Transfers and Servicing*, with no resulting gain or loss as the notes were both originated by the third-party lenders and immediately transferred at the same fair market value. The Company has also evaluated and not identified any variable interests in the trusts. Accordingly, the Company consolidates, at historical cost basis, the homes placed as collateral for the notes, and the principal balances outstanding on the notes are included in asset-backed securitizations, net within the consolidated balance sheets.

The loan agreements provide that the Borrowers maintain covenants typical for securitization transactions including maintaining certain reserve accounts and a debt service coverage ratio of at least 1.20 to 1.00. The loan agreements define the debt service coverage ratio as of any determination date as a ratio in which the numerator is the net cash flow divided by the aggregate debt service for the 12-month period following the date of determination.

AH4R 2014-SFR2 Securitization

The AH4R 2014-SFR2 securitization, which was completed during the third quarter of 2014, is a fixed-rate loan for \$513.3 million with a 10-year term, maturity date of October 9, 2024, and a duration-adjusted weighted-average interest rate of 4.42%. The loan was originally secured by first priority mortgages on a portfolio of 4,487 single-family residential properties. Also, in addition to the single-family rental pass-through certificates sold to third parties, the Company acquired all of the Class F certificates, which bear no interest, for \$25.7 million. The Company has evaluated the purchased Class F certificates as a variable interest in the trust and has concluded that the Class F certificates will not absorb a majority of the trust's expected losses or receive a majority of the trust's expected residual returns. Additionally, the Company has concluded that the Class F certificates do not provide the Company with any ability to direct activities that could impact the trust's economic performance. The Company does not consolidate the trust and the \$25.7 million of purchased Class F certificates have been reflected as asset-backed securitization certificates in the Company's consolidated balance sheets and as amounts due from affiliates in the Operating Partnership's consolidated balance sheets. Gross proceeds to the Company from the transaction, after purchase of the Class F certificates, were \$487.7 million, before issuance costs of \$12.9 million, and were used to pay down the outstanding balance on the credit facility and for general corporate purposes.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 7. Debt (Continued)

AH4R 2014-SFR3 Securitization

The AH4R 2014-SFR3 securitization, which was completed during the fourth quarter of 2014, is a fixed-rate loan for \$528.4 million with a 10-year term, maturity date of December 9, 2024, and a duration-adjusted weighted-average interest rate of 4.40%. The loan was originally secured by first priority mortgages on a portfolio of 4,503 single-family residential properties owned by the Borrower. Gross proceeds from the transaction were \$528.4 million, before issuance costs of \$12.9 million, and were used to pay down the outstanding balance on the credit facility and for general corporate purposes.

AH4R 2015-SFR1 Securitization

The AH4R 2015-SFR1 securitization, which was completed during the first quarter of 2015, is a fixed-rate loan for \$552.8 million with a 30-year term, maturity date of April 9, 2045, and a duration-adjusted weighted-average interest rate of 4.14%. The loan was originally secured by first priority mortgages on a pool of 4,661 single-family residential properties owned by the Borrower and has an anticipated repayment date of April 9, 2025. Gross proceeds from the transaction were \$552.8 million, before issuance costs of \$13.3 million, and were used to pay down the outstanding balance on the credit facility and for general corporate purposes.

AH4R 2015-SFR2 Securitization

The AH4R 2015-SFR2 securitization, which was completed during the third quarter of 2015, is a fixed-rate loan for \$477.7 million with a 30-year term, maturity date of October 9, 2045, and a duration-adjusted weighted-average interest rate of 4.36%. The loan was originally secured by first priority mortgages on a portfolio of 4,125 single-family residential properties owned by the Borrower and has an anticipated repayment date of October 9, 2025. Gross proceeds from the transaction were \$477.7 million, before issuance costs of \$11.3 million, and were used to pay down the outstanding balance on the credit facility and for general corporate purposes.

Unsecured Senior Notes

During the first quarter of 2019, the Operating Partnership issued \$400.0 million of 4.90% unsecured senior notes with a maturity date of February 15, 2029 (the "2029 Notes"). Interest on the 2029 Notes, which commenced on August 15, 2019, is payable semi-annually in arrears on February 15 and August 15 of each year. The Operating Partnership received net proceeds of \$395.3 million from this issuance, after underwriting fees of approximately \$2.6 million and a \$2.1 million discount, and before offering costs of \$1.0 million. The Operating Partnership used the net proceeds from this issuance to repay amounts outstanding on our revolving credit facility and for general corporate purposes. The 2029 Notes are the Operating Partnership's unsecured and unsubordinated obligation and rank equally in right of payment with all of the Operating Partnership's existing and future unsecured and unsubordinated indebtedness. The indenture requires that we maintain certain financial covenants. The Operating Partnership may redeem the 2029 Notes at any time, in whole or in part, at the applicable redemption price specified in the indenture with respect to the 2029 Notes. If the 2029 Notes are redeemed on or after November 15, 2028 (three months prior to the maturity date), the redemption price will be equal to 100% of the principal amount of the 2029 Notes being redeemed plus accrued and unpaid interest thereon to, but not including, the redemption date.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 7. Debt (Continued)

During the first quarter of 2018, the Operating Partnership issued \$500.0 million of 4.25% unsecured senior notes with a maturity date of February 15, 2028 (the “2028 Notes”). Interest on the 2028 Notes, which commenced on August 15, 2018, is payable semi-annually in arrears on February 15 and August 15 of each year. The Operating Partnership received net proceeds of \$494.0 million from this issuance, after underwriting fees of approximately \$3.2 million and a \$2.8 million discount, and before offering costs of \$1.9 million. The net proceeds from this issuance were used for general corporate purposes, including, without limitation, acquisitions of additional properties, the repayment of outstanding indebtedness, capital expenditures, the expansion, redevelopment and/or improvement of our properties, working capital and other general purposes, including repurchases of securities. The 2028 Notes are the Operating Partnership’s unsecured and unsubordinated obligation and rank equally in right of payment with all of the Operating Partnership’s existing and future unsecured and unsubordinated indebtedness. The indenture requires that we maintain certain financial covenants. The Operating Partnership may redeem the 2028 Notes at any time, in whole or in part, at the applicable redemption price specified in the indenture with respect to the 2028 Notes. If the 2028 Notes are redeemed on or after November 15, 2027 (three months prior to the maturity date), the redemption price will be equal to 100% of the principal amount of the 2028 Notes being redeemed plus accrued and unpaid interest thereon to, but not including, the redemption date. Including the effect of a cash flow hedging instrument settled during the first quarter of 2018 (see Note 12. Fair Value), the 2028 Notes yield an effective interest rate of 4.08%.

Credit Facilities

During the second quarter of 2017, the Company amended our \$1.0 billion credit agreement to expand our borrowing capacity on the revolving credit facility to \$800.0 million and reduce the term loan facility to \$200.0 million. The Company subsequently paid off the term loan facility during the second quarter of 2019. The interest rate on the revolving credit facility is, at the Company’s election, LIBOR plus a margin ranging from 0.825% to 1.55% or a base rate (generally determined according to a prime rate or federal funds rate) plus a margin ranging from 0.00% to 0.55%. The actual margin is determined based on the Company’s credit ratings in effect from time to time. Based on current corporate ratings for LIBOR-based borrowings as of December 31, 2020, the revolving credit facility bears interest at 1-month LIBOR plus 1.20%. In addition, the Company is required to pay a commitment fee in the amount of 0.25% of the principal amount of the commitments, which is also based on the Company’s credit rating. The credit agreement includes an accordion feature allowing the revolving credit facility or the term loan facility to be increased to an aggregate amount not to exceed \$1.75 billion, subject to certain conditions. The revolving credit facility matures on June 30, 2021, with two six-month extension options at the Company’s election upon payment of an extension fee. The credit agreement requires that we maintain certain financial covenants. As of December 31, 2020, the Company had no outstanding borrowings against the revolving credit facility.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 7. Debt (Continued)

Interest Expense

The following table summarizes our (i) gross interest cost, which includes fees on our credit facilities and amortization of deferred financing costs, the discounts on unsecured senior notes and the fair value of the exchange settlement feature of the exchangeable senior notes, and (ii) capitalized interest for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	<u>For the Years Ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Gross interest cost	\$ 137,034	\$ 138,211	\$ 129,571
Capitalized interest	(19,996)	(11,097)	(6,671)
Interest expense	<u>\$ 117,038</u>	<u>\$ 127,114</u>	<u>\$ 122,900</u>

Note 8. Accounts Payable and Accrued Expenses

The following table summarizes accounts payable and accrued expenses as of December 31, 2020 and 2019 (in thousands):

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Resident security deposits	\$ 90,621	\$ 84,832
Accrued property taxes	48,689	44,280
Accrued construction and maintenance liabilities	42,483	20,435
Prepaid rent	24,421	19,970
Accrued interest	23,018	23,090
Operating lease liabilities	19,166	3,916
Accrued distribution payable	13,612	13,024
Accounts payable	432	5,037
Other accrued liabilities	36,507	28,609
Total	<u>\$ 298,949</u>	<u>\$ 243,193</u>

Note 9. Shareholders' Equity / Partners' Capital

When the Company issues common or preferred shares, the Operating Partnership issues an equivalent number of units of partnership interest of a corresponding class to AH4R, with the Operating Partnership receiving the net proceeds from the share issuances.

Class A Common Shares / Units

Class A units represent voting equity interests in the Operating Partnership. Holders of Class A units in the Operating Partnership have the right to redeem the units for cash or, at the election of the Company, exchange the units for AH4R's Class A common shares on a one-for-one basis. AH4R owned 85.9% and 85.2% of the total 368,383,440 and 352,769,654 Class A units outstanding as of December 31, 2020 and 2019, respectively.

During the third quarter of 2020, the Company issued 14,950,000 Class A common shares of beneficial interest, \$0.01 par value per share, in an underwritten public offering, raising net proceeds of \$411.7 million after deducting underwriting discounts and before offering costs of approximately

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 9. Shareholders' Equity / Partners' Capital (Continued)

\$0.2 million. The Company used the net proceeds from this offering (i) to repay indebtedness the Company had incurred under its revolving credit facility (ii) to develop new single-family properties and communities, (iii) to acquire and renovate single-family properties and for related activities in accordance with its business strategy and (iv) for general corporate purposes. The Operating Partnership issued an equivalent number of corresponding Class A units to AH4R in exchange for the net proceeds from the issuance.

At-the-Market Common Share Offering Program

During the second quarter of 2020, the Company extended its at-the-market common share offering program under which we can issue Class A common shares from time to time through various sales agents up to an aggregate gross sales offering price of \$500.0 million (the "At-the-Market Program"). The At-the-Market Program also provides that we may enter into forward contracts for our Class A common shares with forward sellers and forward purchasers. The Company intends to use any net proceeds from the At-the-Market Program (i) to repay indebtedness the Company has incurred or expects to incur under its revolving credit facility, (ii) to develop new single-family properties and communities, (iii) to acquire and renovate single-family properties and for related activities in accordance with the Company's business strategy and (iv) for working capital and general corporate purposes, including repurchases of the Company's securities, acquisitions of additional properties, capital expenditures and the expansion, redevelopment and/or improvement of properties in the Company's portfolio. The Company may suspend or terminate the At-the-Market Program at any time. During the year ended December 31, 2020, the Company issued 86,130 Class A common shares under the At-the-Market Program, raising \$2.4 million in gross proceeds before commissions and other expenses of approximately \$0.4 million. As of December 31, 2020, 86,130 shares have been issued under the At-the-Market Program and \$497.6 million remained available for future share issuances.

Share Repurchase Program

During the first quarter of 2018, the Company's board of trustees re-authorized our existing share repurchase program, authorizing the repurchase of up to \$300.0 million of our outstanding Class A common shares and up to \$250.0 million of our outstanding preferred shares from time to time in the open market or in privately negotiated transactions. The program does not have an expiration date, but may be suspended or discontinued at any time without notice. All repurchased shares are constructively retired and returned to an authorized and unissued status. The Operating Partnership funds the repurchases and constructively retires an equivalent number of corresponding Class A units. During the years ended December 31, 2020 and 2019, we did not repurchase and retire any of our shares. During the year ended December 31, 2018, the Company repurchased and retired 1.8 million of our Class A common shares on a settlement date basis, in accordance with the program, at a weighted-average price of \$19.36 per share and a total price of \$34.9 million. As of December 31, 2020, we had a remaining repurchase authorization of up to \$265.1 million of our outstanding Class A common shares and up to \$250.0 million of our outstanding preferred shares under the program.

Class B Common Shares

Former American Homes 4 Rent, LLC ("AH LLC") members received 635,075 Class B common shares in connection with their contributions of properties and funds to the Company. The Operating Partnership issued an equivalent number of corresponding Class A units to AH4R in exchange for the proceeds and properties contributed in the transaction. Each Class B common share generally entitles the

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 9. Shareholders' Equity / Partners' Capital (Continued)

holder to 50 votes on all matters that the holders of Class A common shares are entitled to vote. The issuance of Class B common shares to former AH LLC members allows former AH LLC members a voting right associated with their investment in the Company no greater than if they had solely received Class A common shares. Additionally, when the voting interest from Class A common shares and Class B common shares are added together, a shareholder is limited to a 30% total voting interest. Each Class B common share has the same economic interest as a Class A common share.

Perpetual Preferred Shares / Units

As of December 31, 2020 and 2019, the Company had the following series of perpetual preferred shares outstanding (in thousands, except share data):

Series	Issuance Date	Earliest Redemption Date	Dividend Rate	December 31, 2020		December 31, 2019	
				Outstanding Shares	Current Liquidation Value	Outstanding Shares	Current Liquidation Value
Series D perpetual preferred shares	5/24/2016	5/24/2021	6.500%	10,750,000	\$268,750	10,750,000	\$268,750
Series E perpetual preferred shares	6/29/2016	6/29/2021	6.350%	9,200,000	230,000	9,200,000	230,000
Series F perpetual preferred shares	4/24/2017	4/24/2022	5.875%	6,200,000	155,000	6,200,000	155,000
Series G perpetual preferred shares	7/17/2017	7/17/2022	5.875%	4,600,000	115,000	4,600,000	115,000
Series H perpetual preferred shares	9/19/2018	9/19/2023	6.250%	4,600,000	115,000	4,600,000	115,000
Total preferred shares				<u>35,350,000</u>	<u>\$883,750</u>	<u>35,350,000</u>	<u>\$883,750</u>

Perpetual preferred shares represent non-voting preferred equity interests in the Company and entitle holders to a cumulative annual cash dividend, based on the respective dividend rate in the table above, which is applied to the liquidation preference at issuance of \$25.00 per share. The Operating Partnership issues an equivalent number of corresponding perpetual preferred units for the given class to AH4R in exchange for the net proceeds from the share issuances. The Company may, at its option, redeem the perpetual preferred shares for cash, in whole or in part, from time to time, at any time on or after the earliest redemption date shown in the table above or within 120 days after the occurrence of a change in control at a redemption price equal to the \$25.00 per share liquidation preference, plus any accumulated and unpaid dividends.

During the third quarter of 2018, the Company issued 4,600,000 6.25% Series H cumulative redeemable perpetual preferred shares in an underwritten public offering, raising gross proceeds of \$115.0 million before offering costs of approximately \$4.4 million, with a liquidation preference of \$25.00 per share. The Operating Partnership issued an equivalent number of the same class of perpetual preferred units to AH4R in exchange for the net proceeds from the share issuance.

Participating Preferred Shares / Units

The Series C participating preferred shares represented non-voting preferred equity interests in the Company and entitled holders to a cumulative annual cash dividend equal to 5.5% of an initial liquidation

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 9. Shareholders' Equity / Partners' Capital (Continued)

preference of \$25.00 per share. The Operating Partnership issued an equivalent number of corresponding participating preferred units to AH4R in exchange for the net proceeds from the share issuance. On April 5, 2018, the Company redeemed all 7,600,000 shares of the outstanding 5.5% Series C participating preferred shares through a conversion of those participating preferred shares into Class A common shares of beneficial interest, \$0.01 par value, in accordance with the conversion terms in the Articles Supplementary. This resulted in 10,848,827 Class A common shares issued from the conversion, based on a conversion ratio of 1.4275 Class A common shares issued per Series C participating preferred share. The Operating Partnership also redeemed its corresponding Series C participating preferred units through a conversion into Class A units on April 5, 2018. The conversion ratio was calculated by dividing (i) the initial liquidation preference on the Series C participating preferred shares, as adjusted by an amount equal to 50% of the cumulative change in value of an index based on the purchase prices of single-family properties located in our top 20 markets (adjusted for a maximum 9.0% internal rate of return), plus unaccrued dividends by (ii) the one-day volume weighted-average price ("VWAP") of the Company's Class A common shares on March 29, 2018, the date the Company delivered the required notice of redemption. As a result of the redemption, the Company recorded a \$32.2 million allocation of income to the Series C participating preferred shareholders in the second quarter of 2018, which represents the initial liquidation value of the Series C participating preferred shares in excess of the original equity carrying value of the Series C participating preferred shares as of the redemption date. The original equity carrying value of the Series C participating preferred shares was net of the initial bifurcated home price appreciation derivative liability and offering costs.

Exchangeable Senior Notes

In the fourth quarter of 2018, the Operating Partnership elected the cash settlement option for settlement of the previously held exchangeable senior notes, which resulted in an aggregate payment of \$135.1 million to the holders of the notes at maturity on November 15, 2018. \$115.0 million of the total \$135.1 million settlement consideration was allocated to the extinguishment of the liability component based on the fair value of the liability component immediately prior to extinguishment, which was equal to the carrying amount of the liability component. The remaining \$20.1 million of settlement consideration was allocated to the reacquisition of the equity component and recognized as a reduction to additional paid-in capital within the Company's consolidated balance sheets and a reduction to general partner's common capital within the Operating Partnership's consolidated balance sheets.

Distributions

As a REIT, we generally are required to distribute annually to our shareholders at least 90% of our REIT taxable income (determined without regard to the deduction for dividends paid and any net capital gains) and to pay tax at regular corporate rates to the extent that we annually distribute less than 100% of our REIT taxable income (determined without regard to the deduction for dividends paid and including any net capital gains). The Operating Partnership funds the payment of distributions. AH4R had an NOL for U.S. federal income tax purposes of an estimated \$60.2 million as of December 31, 2020 and approximately \$189.1 million as of December 31, 2019. We intend to use our NOL (to the extent available) to reduce our REIT taxable income and will distribute approximately all of our remaining REIT taxable income (determined without regard to the deduction for dividends paid and including any net capital gains).

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 9. Shareholders' Equity / Partners' Capital (Continued)

No distributions can be paid on our Class A and Class B common shares unless we have first paid all cumulative distributions on our Series D, Series E, Series F, Series G and Series H perpetual preferred shares. The distribution preference of our Series D, Series E, Series F, Series G and Series H perpetual preferred shares could limit our ability to make distributions to the holders of our Class A and Class B common shares.

The Company's board of trustees declared the following distributions during the years ended December 31, 2020, 2019 and 2018. The Operating Partnership funds the payment of distributions, and the board of trustees declared an equivalent amount of distributions on the corresponding Operating Partnership units.

	For the Years Ended December 31,		
	2020	2019	2018
Class A and Class B common shares	\$ 0.20	\$ 0.20	\$ 0.20
5.500% Series C participating preferred shares	—	—	0.34
6.500% Series D perpetual preferred shares	1.63	1.63	1.63
6.350% Series E perpetual preferred shares	1.59	1.59	1.59
5.875% Series F perpetual preferred shares	1.47	1.47	1.47
5.875% Series G perpetual preferred shares	1.47	1.47	1.47
6.250% Series H perpetual preferred shares	1.56	1.56	0.44

Noncontrolling Interest

Noncontrolling interest as reflected in the Company's consolidated balance sheets primarily consists of the interests held by former AH LLC members in units in the Operating Partnership. Former AH LLC members owned 51,129,990 and 51,429,990, or approximately 13.9% and 14.6%, of the total 368,383,440 and 352,769,654 Class A units in the Operating Partnership as of December 31, 2020 and 2019, respectively. Noncontrolling interest also includes interests held by non-affiliates in Class A units in the Operating Partnership. Non-affiliate Class A unitholders owned 596,990, or approximately 0.2% of the total 368,383,440 and 352,769,654 Class A units in the Operating Partnership as of December 31, 2020 and 2019, respectively.

The following table summarizes the income or loss allocated to noncontrolling interests as reflected in the Company's consolidated statements of operations for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	For the Years Ended December 31,		
	2020	2019	2018
Net income allocated to Class A units	\$ 14,455	\$ 15,221	\$ 4,424
Net loss allocated to noncontrolling interest in a consolidated subsidiary	—	—	(259)
Total noncontrolling interest	<u>\$ 14,455</u>	<u>\$ 15,221</u>	<u>\$ 4,165</u>

Noncontrolling interest as reflected in the Operating Partnership's consolidated statements of capital consisted solely of the outside ownership interest in a consolidated subsidiary of the Operating Partnership, which was liquidated during the second quarter of 2018. Income and loss allocated to the Operating Partnership's noncontrolling interest is reflected in noncontrolling interest within the Operating

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 9. Shareholders' Equity / Partners' Capital (Continued)

Partnership's consolidated statements of operations. The Operating Partnership units owned by former AH LLC members and non-affiliates that are reflected as noncontrolling interest in the Company's consolidated balance sheets are reflected as limited partner capital in the Operating Partnership's consolidated balance sheets.

Note 10. Share-Based Compensation

2012 Equity Incentive Plan

In 2012, the Company adopted the 2012 Equity Incentive Plan to provide persons with an incentive to contribute to the success of the Company and to operate and manage our business in a manner that will provide for the Company's long-term growth and profitability. The Plan provides for the issuance of up to 6,000,000 Class A common shares through the grant of a variety of awards including stock options, stock appreciation rights, RSUs, unrestricted shares, dividend equivalent rights and performance-based awards. The Plan terminates in November 2022, unless terminated earlier by the Company's board of trustees. When the Company issues Class A common shares under the Plan, the Operating Partnership issues an equivalent number of Class A units to AH4R.

RSUs granted to employees during the year ended December 31, 2020 generally vest over a three-year service period, and stock options and RSUs granted during the years ended December 31, 2019 and 2018 generally vest over a four-year service period. RSUs granted to non-management trustees during the years ended December 31, 2020 and 2019 vest over a one-year service period. Options expire 10 years from the date of grant.

In February 2020, the Plan was modified to allow for continued release of awards based on the original vesting schedule, rather than forfeiture, of unvested share-based grants issued in 2020 upon termination of service for employees who meet certain retirement eligibility criteria, including age and years of service. For the 2020 share-based grants, retirement eligible employees on the date of grant became fully vested and employees who will become retirement eligible prior to the end of their grant's contractual life will become fully vested on the date they meet the criteria for retirement.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 10. Share-Based Compensation (Continued)

The following table summarizes stock option activity under the Plan for the years ended December 31, 2020, 2019 and 2018:

	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Weighted-Average Remaining Contractual Life (in years)</u>	<u>Aggregate Intrinsic Value ⁽¹⁾ (in thousands)</u>
Options outstanding at December 31, 2017	3,052,450	\$ 16.65	6.9	\$ 16,421
Granted	140,000	19.40		
Exercised	(769,875)	16.07		4,754
Forfeited	(170,300)	17.93		
Options outstanding at December 31, 2018	2,252,275	\$ 16.92	6.1	\$ 7,713
Granted	20,000	20.48		
Exercised	(730,125)	15.94		6,088
Forfeited	(12,350)	20.80		
Options outstanding at December 31, 2019	1,529,800	\$ 17.40	5.3	\$ 13,479
Granted	—	—		
Exercised	(426,150)	16.55		4,911
Forfeited	(13,350)	21.89		
Options outstanding at December 31, 2020	1,090,300	\$ 17.68	4.5	\$ 13,436
Options exercisable at December 31, 2020	956,700	\$ 17.15	4.2	\$ 12,289

(1) Intrinsic value for activities other than exercises is defined as the difference between the grant price and the market value on the last trading day of the period for those stock options where the market value is greater than the grant price. For exercises, intrinsic value is defined as the difference between the grant price and the market value on the date of exercise.

The Company uses the Black-Scholes Option Pricing Model to calculate the fair value of stock options granted for Class A common shares. Because the Company's stock has a limited trading history, the volatility assumption used in the model is based on the historical volatility of similar entities in our industry and the expected term assumption is based on the simplified method by using the average of the contractual term and vesting period. There were no stock options granted during the year ended December 31, 2020. The weighted-average fair value of stock options for Class A common shares granted during the years ended December 31, 2019 and 2018 were \$2.85 and 3.03, respectively, based on the following inputs used in the Black-Scholes Option Pricing Model:

	<u>2019</u>	<u>2018</u>
Expected term (years)	7.0	7.0
Dividend yield	3.0%	3.0%
Volatility	17.3%	18.9%
Risk-free interest rate	2.6%	2.8%

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 10. Share-Based Compensation (Continued)

The following table summarizes RSU activity under the Plan for the years ended December 31, 2020, 2019 and 2018:

	Restricted Stock Units	Weighted- Average Grant Date Fair Value	Aggregate Intrinsic Value ⁽¹⁾ (in thousands)
RSUs outstanding at December 31, 2017	243,875	\$ 20.65	\$ 5,326
Awarded	304,400	19.40	
Vested	(80,125)	19.51	1,552
Forfeited	(95,775)	20.15	
RSUs outstanding at December 31, 2018	372,375	\$ 20.00	\$ 7,392
Awarded	350,334	22.90	
Vested	(111,000)	19.75	2,431
Forfeited	(12,600)	21.34	
RSUs outstanding at December 31, 2019	599,109	\$ 21.71	\$ 15,703
Awarded	470,147	27.38	
Vested	(316,186)	23.61	8,835
Forfeited	(101,533)	23.93	
RSUs outstanding at December 31, 2020	651,537	\$ 24.53	\$ 19,546

(1) Intrinsic value for outstanding RSUs is defined as the market value of the underlying Class A common shares on the last trading day of the period. Intrinsic value for vested RSUs is defined as the market value of the underlying shares on the day the awards vested.

The Company's noncash share-based compensation expense relating to corporate administrative employees is included in general and administrative expense and the noncash share-based compensation relating to centralized and field property management employees is included in property management expenses. Noncash share-based compensation expense relating to employees involved in the purchases of single-family properties, including newly constructed properties from third-party builders, or the disposal of certain properties is included in acquisition and other transaction costs. The following table summarizes the activity that relates to the Company's noncash share-based compensation expense for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	For the Years Ended December 31,		
	2020	2019	2018
General and administrative expense	\$ 6,573	\$ 3,466	\$ 2,075
Property management expenses	1,745	1,342	1,358
Acquisition and other transaction costs	1,516	—	—
Total noncash share-based compensation expense	\$ 9,834	\$ 4,808	\$ 3,433

As of December 31, 2020, the unrecognized compensation expense for unvested stock options and unvested RSUs were \$0.2 million and \$10.3 million, respectively. The unrecognized compensation expense for unvested stock options and RSUs is expected to be recognized over a weighted-average period of 0.8 years and 1.8 years, respectively.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 11. Earnings per Share / Unit

American Homes 4 Rent

The following table reflects the Company's computation of net income per common share on a basic and diluted basis for the years ended December 31, 2020, 2019 and 2018 (in thousands, except share and per share data):

	For the Years Ended December 31,		
	2020	2019	2018
Numerator:			
Net income	\$ 154,829	\$ 156,260	\$ 112,438
Less:			
Noncontrolling interest	14,455	15,221	4,165
Dividends on preferred shares	55,128	55,128	52,586
Redemption of participating preferred shares	—	—	32,215
Allocation to participating securities ⁽¹⁾	217	166	85
Numerator for income per common share—basic and diluted	<u>\$ 85,029</u>	<u>\$ 85,745</u>	<u>\$ 23,387</u>
Denominator:			
Weighted-average common shares outstanding—basic	306,613,197	299,415,397	293,640,500
Effect of dilutive securities:			
Share-based compensation plan ⁽²⁾	461,550	503,569	627,830
Weighted-average common shares outstanding—diluted ⁽³⁾ ...	<u>307,074,747</u>	<u>299,918,966</u>	<u>294,268,330</u>
Net income per common share:			
Basic	<u>\$ 0.28</u>	<u>\$ 0.29</u>	<u>\$ 0.08</u>
Diluted	<u>\$ 0.28</u>	<u>\$ 0.29</u>	<u>\$ 0.08</u>

- (1) Unvested RSUs that have nonforfeitable rights to participate in dividends declared on common stock are accounted for as participating securities and reflected in the calculation of basic and diluted earnings per share using the two-class method.
- (2) Reflects the effect of potentially dilutive securities issuable upon the assumed exercise of stock options.
- (3) The effect of the potential conversion of OP units is not reflected in the computation of basic and diluted earnings per share, as they are exchangeable for Class A common shares on a one-for-one basis. The income allocable to the OP units is allocated on this same basis and reflected as noncontrolling interest in the accompanying consolidated financial statements. As such, the assumed conversion of the OP units would have no net impact on the determination of diluted earnings per share.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 11. Earnings per Share / Unit (Continued)

American Homes 4 Rent, L.P.

The following table reflects the Operating Partnership's computation of net income per common unit on a basic and diluted basis for the years ended December 31, 2020, 2019 and 2018 (in thousands, except unit and per unit data):

	For the Years Ended December 31,		
	2020	2019	2018
Numerator:			
Net income	\$ 154,829	\$ 156,260	\$ 112,438
Less:			
Noncontrolling interest	—	—	(259)
Preferred distributions	55,128	55,128	52,586
Redemption of participating preferred units	—	—	32,215
Allocation to participating securities ⁽¹⁾	217	166	85
Numerator for income per common unit—basic and diluted	<u>\$ 99,484</u>	<u>\$ 100,966</u>	<u>\$ 27,811</u>
Denominator:			
Weighted-average common units outstanding—basic	358,603,291	352,460,401	348,990,561
Effect of dilutive securities:			
Share-based compensation plan ⁽²⁾	461,550	503,569	627,830
Weighted-average common units outstanding—diluted	<u>359,064,841</u>	<u>352,963,970</u>	<u>349,618,391</u>
Net income per common unit:			
Basic	<u>\$ 0.28</u>	<u>\$ 0.29</u>	<u>\$ 0.08</u>
Diluted	<u>\$ 0.28</u>	<u>\$ 0.29</u>	<u>\$ 0.08</u>

(1) Unvested RSUs that have nonforfeitable rights to participate in dividends declared on common stock are accounted for as participating securities and reflected in the calculation of basic and diluted earnings per unit using the two-class method.

(2) Reflects the effect of potentially dilutive securities issuable upon the assumed exercise of stock options.

Note 12. Fair Value

The carrying amount of rents and other receivables, restricted cash, escrow deposits, prepaid expenses and other assets, and accounts payable and accrued expenses approximate fair value because of the short maturity of these amounts. The Company's participating preferred shares derivative liability and treasury lock were the only financial instruments recorded at fair value on a recurring basis in the consolidated financial statements.

Our notes receivable are financial instruments classified as Level 3 in the fair value hierarchy as their fair values were estimated using unobservable inputs. We estimated the fair values of the notes receivable by modeling the expected contractual cash flows required under the instruments and discounting them back to their present values using estimates of current market rates. As the estimated current market rates were not substantially different from the discount rates originally applied, the carrying amount of notes receivable, net approximates fair value.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 12. Fair Value (Continued)

Our asset-backed securitizations and revolving credit facility are financial instruments classified as Level 3 in the fair value hierarchy as their fair values were estimated using unobservable inputs. We estimated the fair values of the asset-backed securitizations by modeling the contractual cash flows required under the instruments and discounting them back to their present values using estimates of current market rates. As our revolving credit facility bears interest at a floating rate based on an index plus a spread (see Note 7. Debt), management believes that the carrying value (excluding deferred financing costs) of the revolving credit facility reasonably approximates fair value. Our unsecured senior notes are financial instruments classified as Level 2 in the fair value hierarchy as their fair values were estimated using observable inputs based on the market value of the last trade at the end of the period.

The following table displays the carrying values and fair values of our debt instruments as of December 31, 2020 and 2019 (in thousands):

	December 31, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
AH4R 2014-SFR2 securitization	\$ 475,144	\$ 488,140	\$ 479,706	\$ 491,302
AH4R 2014-SFR3 securitization	490,319	504,364	495,029	510,486
AH4R 2015-SFR1 securitization	515,326	529,542	519,576	534,531
AH4R 2015-SFR2 securitization	446,818	461,037	450,733	466,558
Total asset-backed securitizations	1,927,607	1,983,083	1,945,044	2,002,877
2028 unsecured senior notes, net	494,378	575,220	493,589	531,870
2029 unsecured senior notes, net	395,427	482,276	394,864	446,728
Total unsecured senior notes, net	889,805	1,057,496	888,453	978,598
Revolving credit facility	—	—	—	—
Total debt	<u>\$ 2,817,412</u>	<u>\$ 3,040,579</u>	<u>\$ 2,833,497</u>	<u>\$ 2,981,475</u>

During the fourth quarter of 2017, in anticipation of the issuance of the 2028 Notes and in order to hedge interest rate risk, the Operating Partnership entered into a treasury lock agreement on a notional amount of \$350.0 million, based on the 10-year treasury note rate at the time. The treasury lock was designated as a cash flow hedging instrument and was settled upon the issuance of the 2028 Notes during the first quarter of 2018, which resulted in a \$9.6 million gain that was recorded in other comprehensive income and is being reclassified into earnings as a reduction of interest expense over the term of the 2028 Notes. The estimated amount of existing gains that are reported in accumulated other comprehensive income at the reporting date that are expected to be reclassified into earnings within the next 12 months is approximately \$1.0 million. The treasury lock was classified as Level 2 within the fair value hierarchy as its fair value was estimated using observable inputs based on the 10-year treasury note rate.

Valuation of the Series C participating preferred shares derivative liability was classified as Level 3 within the fair value hierarchy and considered scenarios in which the participating preferred shares would be redeemed or converted into Class A common shares by the Company and the subsequent payoffs under those scenarios. The valuation also considered certain variables such as the risk-free rate matching the assumed timing of either redemption or conversion, volatility of the underlying home price appreciation index, dividend payments, conversion rates, the assumed timing of either redemption or conversion and an assumed drift factor in home price appreciation across certain metropolitan statistical areas, or MSAs, as

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 12. Fair Value (Continued)

outlined in the agreement. The Series C participating preferred shares were redeemed through a conversion into Class A common shares on April 5, 2018 (see Note 9 Shareholders' Equity / Partners' Capital).

The following tables present changes in the fair values of our Level 3 financial instruments that were measured on a recurring basis with changes in fair value recognized in remeasurement of participating preferred shares within the consolidated statements of operations for the year ended December 31, 2018 (in thousands):

<u>Description</u>	<u>January 1, 2018</u>	<u>Conversions</u>	<u>Remeasurement Included in Earnings</u>	<u>December 31, 2018</u>
Liabilities:				
Participating preferred shares derivative liability	\$ 29,470	\$ (28,258)	\$ (1,212)	\$ —

Note 13. Related Party Transactions

As of December 31, 2020 and 2019, affiliates owned approximately 14.3% and 13.6%, respectively, of the Company's outstanding Class A common shares. On a fully-diluted basis, affiliates held (including consideration of 635,075 Class B common shares and 50,972,165 and 51,272,165 Class A units as of December 31, 2020 and 2019, respectively) an approximate 26.3% interest at December 31, 2020 and 2019.

In November 2020, we entered into a settlement and release agreement with a former employee, pursuant to which the parties agreed to settle any and all claims arising out of the employee's relationship with the company. We paid \$2.9 million, net of insurance proceeds, related to this matter, which was included in other expenses within the consolidated statements of operations.

American Homes 4 Rent

As of December 31, 2020 and 2019, the Company had a \$4.8 million and \$4.6 million payable, respectively, related to accrued common distributions to affiliates, which were included in amounts payable to affiliates on the Company's consolidated balance sheets.

American Homes 4 Rent, L.P.

As of December 31, 2020, the Operating Partnership had a receivable from affiliates of \$25.7 million related to the asset-backed securitization certificates held by AH4R, which was included in amounts due from affiliates on the Operating Partnership's consolidated balance sheets, and had a \$4.8 million payable related to accrued common distributions to affiliates, which was included in amounts payable to affiliates in the Operating Partnership's consolidated balance sheets. As of December 31, 2019, the Operating Partnership had a receivable from affiliates of \$25.7 million related to the asset-backed securitization certificates held by AH4R, which was included in amounts due from affiliates on the Operating Partnership's consolidated balance sheets, and had a \$4.6 million payable related to accrued common distributions to affiliates, which was included in amounts payable to affiliates on the Operating Partnership's consolidated balance sheets.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 14. Commitments and Contingencies

The Company leases office space from third parties for our corporate and property management operations under non-cancelable operating lease agreements. Our operating leases have remaining lease terms of one to 11 years before any unexercised options to extend. For the years ended December 31, 2020, 2019 and 2018, operating lease costs were as follows (in thousands):

	<u>For the Years Ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Lease costs	\$ 3,447	\$ 2,612	\$ 2,829
Less: income from subleases	—	—	(347)
Net lease costs	<u>\$ 3,447</u>	<u>\$ 2,612</u>	<u>\$ 2,482</u>

Other information related to our operating lease terms and discount rates were as follows:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Weighted-Average Remaining Lease Term	8.7 years	3.0 years
Weighted-Average Discount Rate	2.9%	3.3%

Future lease obligations under our operating leases as of December 31, 2020 were as follows (in thousands):

	<u>Operating Lease</u> <u>Obligations</u>
2021	\$ 2,104
2022	2,862
2023	2,533
2024	2,452
2025	2,100
Thereafter	<u>9,889</u>
Total lease payments	21,940
Less: imputed interest	<u>(2,774)</u>
Operating lease liabilities	<u>\$ 19,166</u>

As of December 31, 2020, the Company had commitments to acquire 323 single-family properties for an aggregate purchase price of \$81.7 million, as well as \$72.3 million in purchase commitments that relate to both third-party developer agreements and land for our AMH Development Program. As of December 31, 2019, the Company had commitments to acquire 289 single-family properties for an aggregate purchase price of \$75.1 million, as well as \$44.3 million in purchase commitments that relate to both third-party developer agreements and land for our AMH Development Program.

As of December 31, 2020 and 2019, the Company had sales in escrow for approximately 97 and 305, respectively, of our single-family properties for aggregate selling prices of \$24.0 million and \$57.5 million, respectively.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Notes to Consolidated Financial Statements

Note 14. Commitments and Contingencies (Continued)

As of December 31, 2020 and 2019, the Company, as a condition for entering into some of its development contracts, had outstanding surety bonds of approximately \$36.7 million and \$14.5 million, respectively.

We have a retirement savings plan pursuant to Section 401(k) of the Code whereby our employees may contribute a portion of their compensation to their respective retirement accounts in an amount not to exceed the maximum allowed under the Code. In addition to employee contributions, we have elected to provide company contributions (subject to statutory limitations), which amounted to approximately \$2.0 million, \$1.6 million and \$1.3 million for the years ended December 31, 2020, 2019 and 2018, respectively.

During the third quarter of 2020, we received a notice from the Georgia Attorney General's Office seeking certain information relevant to an investigation they are conducting about our customary landlord-tenant matters. We are cooperating with the Georgia Attorney General's Office on this matter.

We are involved in various other legal and administrative proceedings that are incidental to our business. We believe these matters will not have a materially adverse effect on our financial position or results of operations upon resolution.

COVID-19 Pandemic

The global economy has continued to be severely impacted by the COVID-19 pandemic. We are actively monitoring the impact of the COVID-19 pandemic, which we anticipate will negatively impact our business and results of operations for the first quarter of 2021 and likely beyond. The extent to which our operations will be impacted will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of the pandemic, the speed and effectiveness of vaccine distribution and actions by government authorities to contain the pandemic or treat its impact, among other things.

Note 15. Subsequent Events

Distributions

On February 24, 2021, the Company's board of trustees approved an increase in quarterly dividends to \$0.10 per Class A and Class B common share for the first quarter of 2021. The quarterly dividends are payable on March 31, 2021 to shareholders of record on March 15, 2021.

Subsequent Acquisitions

From January 1, 2021 through February 19, 2021, the Company added 330 properties to its portfolio for a total cost of approximately \$89.3 million, which included 175 newly constructed properties delivered through our AMH Development Program and 34 newly constructed homes acquired from third-party developers through our National Builder Program.

Subsequent Dispositions

From January 1, 2021 through February 19, 2021, the Company disposed of 102 properties for aggregate net proceeds of approximately \$25.9 million.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Schedule III—Real Estate and Accumulated Depreciation as of December 31, 2020

Market	Number of Single-Family Homes	Gross Book Value of Encumbered Assets	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Total Cost as of December 31, 2020 ⁽¹⁾			Accumulated Depreciation	Net Cost Basis	Date of Acquisition
			Land	Buildings and Improvements	Land	Buildings and Improvements	Land	Buildings and Improvements	Total			
Single-family properties in operation												
Albuquerque	212	\$ —	\$ 6,481	\$ 24,088	\$ —	\$ 4,196	\$ 6,481	\$ 28,285	\$ 34,766	\$ (7,918)	\$ 26,848	2013-2015
Atlanta	4,977	191,270	158,809	639,258	—	124,566	158,809	763,823	922,632	(148,028)	774,604	2012-2020
Austin	930	41,150	30,793	129,206	—	23,430	30,793	152,636	183,429	(27,318)	156,111	2012-2020
Boise	479	7,824	18,460	62,598	—	8,266	18,460	70,864	89,324	(12,427)	76,897	2013-2020
Charleston	1,238	82,876	51,243	177,451	—	24,313	51,243	201,764	253,007	(35,464)	217,543	2012-2020
Charlotte	3,811	286,061	146,554	540,729	—	69,679	146,554	610,408	756,962	(116,918)	640,044	2012-2020
Cincinnati	1,982	236,807	61,743	245,214	—	44,883	61,743	290,097	351,840	(77,002)	274,838	2012-2020
Colorado												
Springs	22	—	903	2,953	—	757	903	3,710	4,613	(1,087)	3,526	2013
Columbus	2,062	142,459	60,399	252,308	—	49,203	60,399	301,511	361,910	(65,312)	296,598	2012-2020
Dallas-Fort Worth	4,312	289,042	110,788	512,321	—	97,832	110,788	610,153	720,941	(149,253)	571,688	2012-2020
Denver	831	—	46,227	180,657	—	22,990	46,227	203,647	249,874	(41,595)	208,279	2012-2020
Greater Chicago area, IL and IN	1,730	184,002	54,307	214,382	—	50,045	54,307	264,427	318,734	(74,990)	243,744	2012-2015
Greensboro	701	53,289	20,044	90,681	—	11,811	20,044	102,492	122,536	(24,164)	98,372	2013-2020
Greenville	667	72,815	16,927	87,887	—	12,757	16,927	100,644	117,571	(24,617)	92,954	2013-2020
Houston	2,979	174,376	61,646	368,369	—	65,439	61,646	433,808	495,454	(103,197)	392,257	2012-2017
Indianapolis	2,813	297,698	74,865	300,845	—	62,217	74,865	363,062	437,927	(101,632)	336,295	2012-2020
Inland												
Empire	106	—	11,143	13,708	—	2,189	11,143	15,897	27,040	(3,340)	23,700	2012-2016
Jacksonville	2,424	61,410	75,437	309,965	—	60,338	75,437	370,303	445,740	(71,274)	374,466	2012-2020
Knoxville	386	17,551	12,667	61,009	—	7,104	12,667	68,113	80,780	(15,635)	65,145	2013-2017
Las Vegas	1,127	22,020	38,724	144,400	—	32,043	38,724	176,443	215,167	(42,118)	173,049	2011-2020
Memphis	652	17,178	21,016	75,392	—	14,003	21,016	89,395	110,411	(20,212)	90,199	2013-2018
Miami	185	3,602	2,210	21,363	—	5,075	2,210	26,438	28,648	(7,293)	21,355	2013-2015
Milwaukee	109	—	6,459	19,135	—	2,246	6,459	21,381	27,840	(6,053)	21,787	2013
Nashville	2,907	184,511	122,810	450,035	—	61,609	122,810	511,644	634,454	(100,818)	533,636	2012-2020
Orlando	1,743	46,901	63,440	222,416	—	38,828	63,440	261,244	324,684	(54,903)	269,781	2011-2020
Phoenix	3,147	56,370	135,953	370,814	—	59,616	135,953	430,430	566,383	(88,168)	478,215	2011-2020
Portland	298	24,537	22,403	47,039	—	3,394	22,403	50,433	72,836	(8,718)	64,118	2013-2020
Raleigh	2,118	213,127	74,154	285,713	—	36,979	74,154	322,692	396,846	(71,230)	325,616	2012-2020
Salt Lake City	1,595	158,899	94,546	270,926	—	50,916	94,546	321,842	416,388	(58,005)	358,383	2012-2020
San Antonio	938	54,450	29,018	103,868	—	20,572	29,018	124,440	153,458	(29,888)	123,570	2012-2020
Savannah/Hilton Head	917	42,191	30,658	122,130	—	15,981	30,658	138,111	168,769	(23,967)	144,802	2013-2019
Seattle	773	28,177	53,493	149,019	—	12,401	53,493	161,420	214,913	(24,524)	190,389	2012-2020
Tampa	2,464	46,234	93,944	353,805	—	54,255	93,944	408,060	502,004	(79,113)	422,891	2012-2020
Tucson	425	12,102	9,359	45,855	—	9,681	9,359	55,536	64,895	(14,157)	50,738	2011-2020
Winston Salem	813	43,181	19,175	96,073	—	11,797	19,175	107,870	127,045	(24,095)	102,950	2013-2020
Total Single-family properties in operation	52,873	3,092,110	1,836,798	6,991,612	—	1,171,411	1,836,798	8,163,023	9,999,821	(1,754,433)	8,245,388	2011-2020
Properties under development & development land	—	—	226,204	—	44,563	239,598	270,767	239,598	510,365	—	510,365	
Total Single-family properties held for sale	711	—	34,457	95,541	—	18,501	34,457	114,042	148,499	(19,473)	129,026	2011-2018
Total real estate assets	53,584	\$3,092,110	\$2,097,459	\$7,087,153	\$44,563	\$1,429,510	\$2,142,022	\$8,516,663	\$10,658,685	\$(1,773,906)	\$8,884,779	2011-2020

(1) The unaudited aggregate cost of consolidated real estate in the table above for federal income tax purposes was \$10.7 billion as of December 31, 2020.

American Homes 4 Rent
American Homes 4 Rent, L.P.
Schedule III—Real Estate and Accumulated Depreciation as of December 31, 2020 (Continued)

Change in Total Real Estate Assets for Single-Family Properties in Operation

<i>(Amounts in thousands)</i>	For the Years Ended December 31,		
	2020	2019	2018
Balance, beginning of period	\$ 9,448,381	\$ 9,197,096	\$ 8,968,901
Acquisitions and building improvements	689,566	379,466	628,118
Dispositions	(208,540)	(233,094)	(59,308)
Write-offs	(20,843)	(12,353)	(9,572)
Impairment	(1,957)	(3,663)	(5,858)
Reclassifications to single-family properties held for sale, net of dispositions	93,214	120,929	(325,185)
Balance, end of period	\$ 9,999,821	\$ 9,448,381	\$ 9,197,096

Change in Accumulated Depreciation for Single-Family Properties in Operation

<i>(Amounts in thousands)</i>	For the Years Ended December 31,		
	2020	2019	2018
Balance, beginning of period	\$ (1,462,105)	\$ (1,176,499)	\$ (939,724)
Depreciation ⁽¹⁾	(330,192)	(313,683)	(300,746)
Dispositions	29,433	28,154	11,738
Write-offs	20,843	12,353	9,572
Reclassifications to single-family properties held for sale, net of dispositions	(12,412)	(12,430)	42,661
Balance, end of period	\$ (1,754,433)	\$ (1,462,105)	\$ (1,176,499)

(1) Depreciation of buildings and improvements is computed on a straight-line basis over estimated useful lives ranging from three to thirty years.

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Corporate Information

Corporate Headquarters

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American Stock Transfer & Trust Company
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Brooklyn, NY 11219
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Tel: (800) 937-5449

Investor Relations

investors@ah4r.com
Tel: (855) 794-2447

Independent Registered Public Accounting Firm

Ernst & Young LLP
725 S. Figueroa Street
Los Angeles, CA 90017

Website

An electronic copy of this annual report, our SEC filings and documents relating to corporate governance are available on our website.

Market Data of American Homes 4 Rent

Common Stock
Traded: New York Stock Exchange
Symbol: AMH

FORWARD-LOOKING STATEMENTS

Various statements contained in this 2020 Annual Report, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. These forward-looking statements may include projections and estimates concerning the timing and success of specific projects and our future operations, revenues, income and capital spending. Our forward-looking statements are generally accompanied by words such as “estimate,” “project,” “predict,” “believe,” “expect,” “intend,” “anticipate,” “potential,” “plan,” “goal” or other words that convey the uncertainty of future events or outcomes. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. For information concerning these and other important factors that may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements, see the reports filed by us with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2020 (the “Form 10-K”).

Currently, one of the most significant factors that could cause actual outcomes to differ materially from our forward-looking statements is the adverse effect of the COVID-19 pandemic on us, our tenants, the economy and financial markets. The extent to which the pandemic continues to impact us and our tenants will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, including resurgences, impact of government regulations, the speed and effectiveness of vaccine distribution and the economic effects of the pandemic and containment measures, among others.

While forward-looking statements reflect our good faith beliefs, assumptions and expectations, they are not guarantees of future performance, and you should not unduly rely on them. The forward-looking statements in the Form 10-K speak only as of the date of the Form 10-K. We are not obligated to update or revise these statements as a result of new information, future events or otherwise, unless required by applicable law.

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