

November 9, 2021

For immediate release

Sumitomo Forestry Co., Ltd.

**Sumitomo Forestry Launches Large-scale Single-Family Build-to-Rent Project
in the U.S.****~Developing 3,000 units in core southeastern markets, and generating Group synergies~**

Sumitomo Forestry Co., Ltd. (President and Representative Director: Toshiro Mitsuyoshi; Headquarters: Chiyoda-ku, Tokyo; hereinafter “Sumitomo Forestry”) has announced that its fully owned subsidiary Crescent Communities, LLC (Chairman: Todd Mansfield; Head Office: North Carolina, United States; hereinafter “Crescent Communities”) is working with the U.S. investment manager Pretium Partners LLC (CEO: Don Mullen; Headquarters: New York, United States; hereinafter “Pretium”) to invest a total of 1 billion dollars and start a project to develop approximately 3,000 single-family homes for rent.

This advanced project seeks to supply a large number of new communities to the growing single-family rental market. Developing single-family build-to-rent communities requires expertise in both home building and real estate development; the Sumitomo Forestry Group operates both types of business in the U.S., and so is ideally placed to realize such a project.

The Sumitomo Forestry Group’s U.S. affiliated homebuilders—such as DRB Group (President: Ronald Salameh; Head Office: Maryland; hereinafter “DRB”) and Gehan Homes, Ltd. (President: John Winniford; Head Office: Texas; hereinafter “GH”) and others—will be tasked with land acquisition and building contracts; Crescent Communities will be responsible for planning, managing, and financing the project as a real estate business. The Group’s subsidiaries intend to combine their experience and knowledge to meet the high demand for single-family homes for rent, while continuing to grow the single-family for sale business.

■ Overview of the detached housing rental development project

Crescent Communities and Pretium have established a joint venture for the development of single-family build-to-rent communities in 14 core strategic growth markets, including Charlotte and Raleigh in North Carolina. They will invest 1 billion dollars primarily in southeastern U.S. to develop a total of 3,000 single-family homes for rent over a period of three or so years; this will consist of 20 to 25 communities of between 50 and 200 units, such as the HARMON Foxbank project*¹ in Charleston, South Carolina. The Sumitomo Forestry Group will be tasked with land acquisition, construction contracts, development planning and management, financing, and asset management, while the Pretium Group’s rental home provider, Progress Residential, LLC (CEO: Chaz Mueller; Head Office: Scottsdale, Arizona; hereinafter “Progress”) will be responsible for property management.



Upcoming projects

Company name	PJ	Area	No. units	Functions within the project	Status
Crescent Communities	①	Charleston, South Carolina	109	Financing, development management	Under construction
	②	Charlotte, North Carolina	59	Financing, development management	Scheduled to start
	③	Charlotte, North Carolina	110	Financing, development management	Scheduled to start
	④	Charlotte, North Carolina	76	Financing, development management	Scheduled to start

*Construction is scheduled to start on 354 of the total 3,000 or so units during 2021

*1 HARMON is the name of one of Crescent Communities' residential community brands. It offers both town homes and single-family homes for rent; each community features communal spaces where residents can spend time together, including outdoor spaces, walking trails, and pocket parks.



■ Factors behind the expansion of the single-family rental market

The U.S. single-family rental market is growing due to a number of reasons, including the diversifying lifestyles and changing values of renters, as well as population shifts toward the suburbs on the back of the recent coronavirus pandemic. There were 11.3 million detached housing rental units in 2006; by 2020, this had grown to 16.4 million units^{*2}.

The single-family rental market was dominated by small groups of rental houses under private management. Around 2010, however, following the global financial crisis, large numbers of relatively cheap single-family homes flooded the market. This resulted in a new form of business in which Real Estate Investment Trusts (REITs) and other institutional investors owned and operated large quantities of single-family properties for rent.

REITs have uncovered previously unseen demand for single-family rentals by providing services more commonly seen in multifamily housing; these services include enabling the online handling of contracts and complaints, and the online collection of rent.

In recent years, there has been high demand for single-family rentals. Reasons include the fact that millennials, who are used to living in rented accommodation, are now having families and so require larger living spaces; the coronavirus pandemic has also contributed to increased demand. Previously, the purchase of pre-owned homes was the mainstream method of procuring single-family properties for rent; however, in order to meet tremendous growth in demand, there has been a momentum shift towards business to develop single-family rentals on a community-sized scale.

*2 Source: John Burns Real Estate Consulting; in 2020, detached housing accounted for 34% of all rental housing in the U.S.

■ **The Sumitomo Forestry Group's entry into the single-family build-to-rent business**

Few businesses have the capacity to develop large numbers of single-family build-to-rent communities. In addition to knowledge in land acquisition and construction of detached housing, expertise is also required in the commercial real estate development business, ranging from the planning and management of rental housing, to understanding its relationship to the capital market.

With greater frequency, commercial real estate firms are asking for a greater supply of single-family rentals, and for this reason the Sumitomo Forestry Group has engaged in various projects via its subsidiaries, DRB, GH, and Mark III Properties, LLC (President: Jay Beeson; Headquarters: South Carolina, United States; hereinafter "M3P").

Allying its deep knowledge of the single-family rental business with the development planning and financing capabilities of Crescent Communities, the Group intends to create a new, comprehensive business that combines home building and commercial real estate.

Going forward, the Sumitomo Forestry Group will unite the functions of its wide-ranging Group companies that operate across the U.S.—including those engaged in home building, land development, and commercial real estate—and thereby expand its single-family build-to-rent business.

[Reference]

1. U.S. Group company results in the single-family housing for rent business

Company name	Area	No. units	Status	Functions within the project
DRB	Spartanburg, South Carolina	85	Delivered	Building construction
	Charlotte, North Carolina	87	Under construction	Land acquisition, building construction
	Charlotte, North Carolina	97	Contract signed	Land acquisition, housing lots development, building construction
	Raleigh, North Carolina	55	Under construction	Building construction
	Charleston, South Carolina	132	Under construction	Land acquisition, housing lots development, building construction
	Atlanta, Georgia	132	Contract signed	Land acquisition, housing lots development, building construction
	Prince George's County, Maryland	59	Contract signed	Building construction
	Frederick, Maryland	18	Under construction	Building construction
	Prince George's County, Maryland	156	Contract signed	Land acquisition, housing lots development, building construction
M3P/DRB	Greenville, South Carolina	112	Under construction	Housing lots development, building construction
	Spartanburg, South Carolina	127	Delivered	Housing lots development, building construction
GH	Austin, Texas	118	Under construction	Housing lots development, building construction
Total: 12 projects, 1,178 units				

2. Crescent Communities initiatives

Crescent Communities is a nationally recognized, market-leading real estate company that operates in urban areas with high employment growth rates, mainly in North Carolina, which lies in the south of America's East Coast. It engages in upwards of 20 projects per year in areas of business ranging from the development of multifamily housing to offices and logistics warehouses.

The company has built large numbers of low and medium-rise multifamily housing using wood-frame construction, which has a low environmental impact; however, it also constructs reinforced concrete and steel-frame buildings for commercial complexes and logistics warehouses.

Crescent Communities adds value to its real estate development business through its ability to carry out all aspects of real estate development, including land acquisition, financing, project management, and property management.

When developing real estate, the company engages in constructive discussions with various local groups, and works to ensure that development is tailored to the characteristics of the communities in question. It also seeks to create products with high added value from an ESG perspective, by ensuring all its buildings—including multifamily housing and offices—receive environmental certification. In recognition of these initiatives, in 2019 Crescent Communities received the Multifamily Development Firm of the Year

award at the Multifamily Pillars of the Industry Awards, which are run by the National Association of Home Builders. It is highly trusted by all its stakeholders.

Since becoming a member of the Sumitomo Forestry Group in 2018, Crescent Communities has grown its business by undertaking a broad range of activities, including the construction and sale of single-family homes, multifamily communities, and commercial complexes. Following on from its foray into the single-family rental market, going forward Crescent Communities will continue to leverage Group resources to proactively undertake new businesses.

3. Overview of Sumitomo Forestry Group companies engaged in the project

① Crescent Communities

Head Office	Charlotte, North Carolina
Representative	Todd Mansfield (Chairman)
Number of employees	147, as of September 2021
Date of establishment	1939
Description of business	Development of multifamily communities, commercial complexes, and other real estate; it operates in 14 cities across nine states and one district with high employment growth rates, mainly in Charlotte—where it is headquartered—and the southeastern and southwestern regions of the U.S.

② DRB

Head Office	Rockville, Maryland
Representative	Ronald Salameh (President, CEO)
Number of employees	623, as of September 2021
Date of establishment	1990
Description of business	Home building business in the nine states of Maryland, Delaware Pennsylvania, Virginia, West Virginia, North Carolina, South Carolina, Georgia, and Alabama

③ GH

Head Office	Addison, Texas
Representative	John Winniford (President, CEO)
Number of employees	494, as of September 2021
Date of establishment	1994
Description of business	Spec housing business in Texas, Arizona, and Colorado; characterized by its rich product line-up and diverse design options, it provides housing tailored to local needs. In recent years, it has become one of the leading home builders in Texas, receiving numerous awards and widespread acclaim.* *2020 Star Awards: https://sfc.jp/english/news/pdf/20200811_en.pdf

④ M3P

Head Office	Spartanburg, South Carolina
Representative	Jay Beeson (President)
Number of employees	17, as of September 2021
Date of establishment	1974
Description of business	Land development business in Greenville, Spartanburg, and Anderson, South Carolina

4. Overview of partner companies engaged in the project

① Pretium

Head Office	New York, New York
Representative	Don Mullen (CEO)
Number of employees	approx. 2,500, as of June 2021
Description of business	Alternative investment management, specializing in housing real estate, housing credit, and corporate credit in the U.S.; as of June 30, 2021, it has more than 25 billion dollars-worth of assets under management

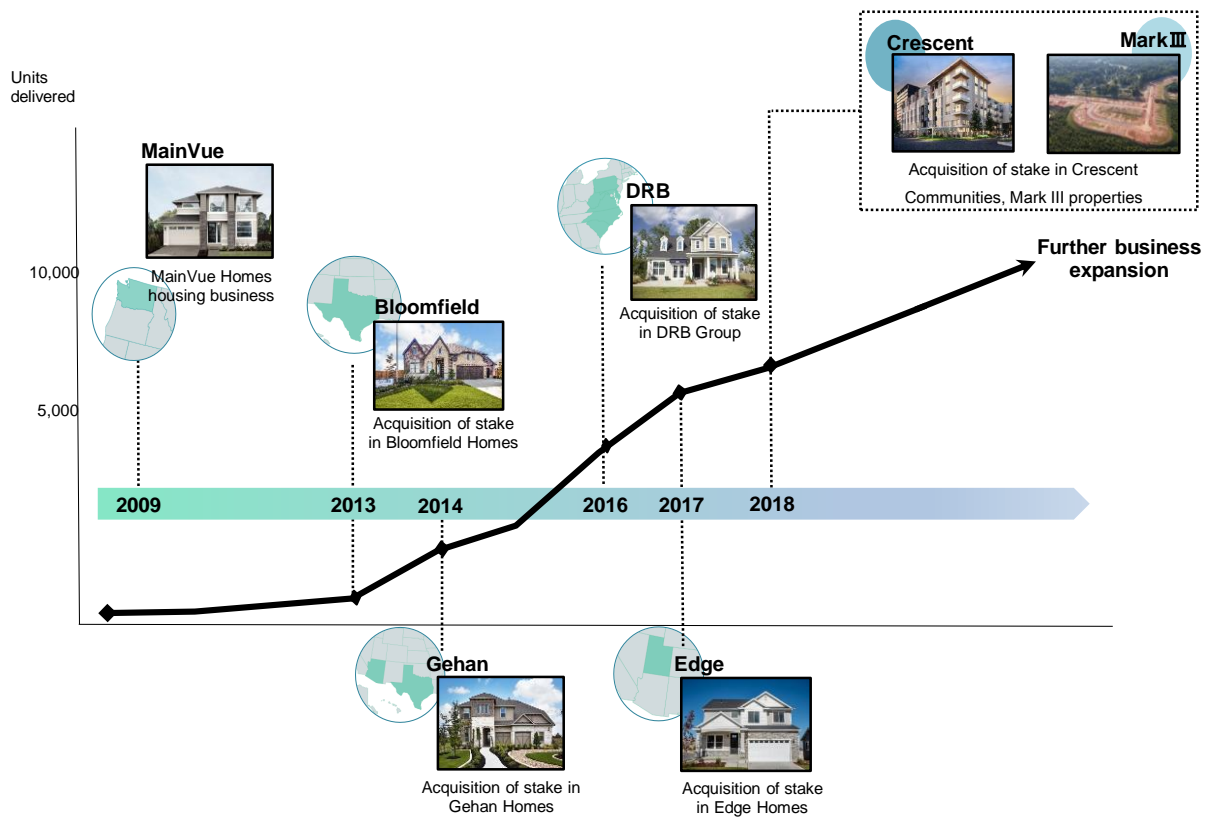
② Progress Residential

Head Office	Scottsdale, Arizona
Representative	Chaz Mueller (CEO)
Number of employees	approx. 1,500, as of June 2021
Description of business	Single-family rental management service business in 30 cities; it manages more than 70,000 housing units

5. History of Sumitomo Forestry's housing and real estate business in the United States

Starting with the distribution business, Sumitomo Forestry has a long history of more than 50 years carrying out businesses based in local communities at various locations in the United States. The housing and real estate business—one of Sumitomo Forestry's main businesses in the United States—currently operates its business for single-family homes in 14 states, and the real estate development business started in 2017 has expanded to 12 states. In 2020, the number of single-family homes sold by the Sumitomo Forestry Group was 9,045 units (equivalent to 11th place in BUILDER Online's 2021 ranking) while the number of multifamily units constructed was 2,753 units (15th place in 2021 NMHC 25), reaching a prominent scale even in the United States. Based on the 2021 Medium Term Management Plan, single-family home business and real estate development business will be actively promoted in the United States, Australia, and Southeast Asia to contribute toward the realization of a prosperous society through the expansion and development of businesses.

The real estate development business in the United States is undertaken through Crescent Communities which carries out general real estate development, Mark III Properties which operates in residential land development, and SFA MF Holdings which is in charge of real estate development through joint projects with local developers.



6. Key elements of single-family rental business and functions of our group companies

