

Sector spotlight: Single family rental

For-sale housing market challenges benefit an already well-positioned single family rental sub-sector

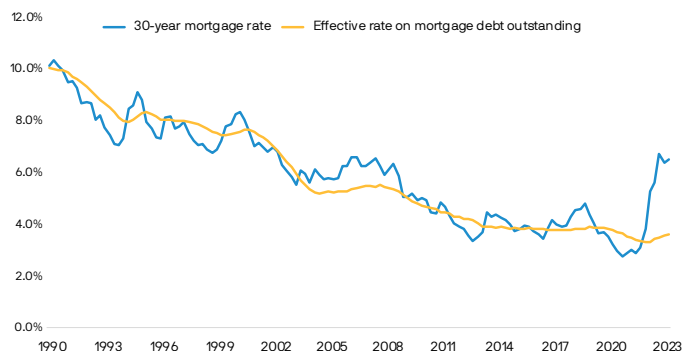
Single family rentals remains one of J.P. Morgan Real Estate Americas' highest conviction strategies. This is driven by two major factors, the first being demographics. The target age cohort for single family rentals (roughly 35-49 years old) is expected to grow faster than the total U.S. population over the next decade. These individuals are generally at a stage in life when they are getting married, having children, working-from-home and need space for pets. Those milestones, tend to set off a search for a larger dwelling that's located in a neighborhood with more child-friendly amenities, typically in the suburbs. This demographically driven migration from urban housing to suburban single family living has and should continue to drive demand for the sector.

The second factor is housing affordability, or lack thereof. The U.S. housing market has become increasingly undersupplied over the last 15 years. Since 2008, single family construction starts have lagged historical averages by a sizable margin. This has helped push pricing up and out of reach for many would-be first-time homebuyers. More recently, already high prices are being amplified by the Fed's battle with inflation. Along with short-term yields, 30-year mortgage rates have risen and are approximately double what they were in 2021. Combined, these two components have severely eroded affordability for prospective homebuyers.

Interestingly, the rapid rise in rates has had the knock-on effect of reducing for-sale housing inventory. Many homeowners bought or refinanced recently when mortgage rates were at or near all-time lows. If they were to sell now, they would lose those favorable rates and be forced to finance their next purchase at the current elevated levels. Given this, homeowners are generally electing to stay put rather than sell and move, which has drastically reduced the amount of homes for sale.

Due to these factors, new lease growth across the residential REITs shows a significant disparity between apartment and single family rentals. As data from publicly traded REITs indicates, single family rents are growing 3-4 times faster than apartment rents. Although housing market conditions will eventually stabilize, as of now there looks to be a long way to go until that happens, which will continue to help drive single family rental performance. Additionally, because of the demographic tailwinds supporting the sector, we believe single family rentals have a stronger demand story than multifamily rentals and should continue to outperform over the long term.

Current mortgage rates vs. rates on mortgage debt outstanding



New and existing homes for sale



New lease growth – Residential REITs

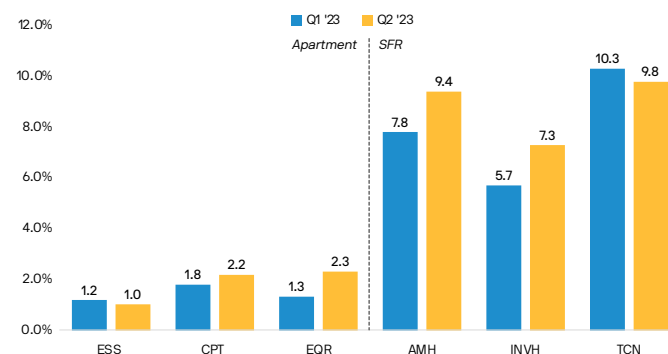


Chart source: Top – Freddie Mac, Bureau of Economic Analysis, Moody's Economy.com as of June 30, 2023; middle – National Association of Realtors, U.S. Census Bureau, Moody's Economy.com as of June 30, 2023; bottom – Company reports as of 2Q 2023.

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An investment in shares of common stock of J.P. Morgan Real Estate Income Trust, Inc. ("JPMREIT") involves a high degree of risk. These securities should only be purchased if you can afford to lose your complete investment. Please read the prospectus for a description of the material risks associated with JPMREIT. These risks include but are not limited to the following:

- We have a limited operating history and there is no assurance that we will be able to successfully achieve our investment objectives.
- This is a "blind pool" offering. You will not have the opportunity to evaluate our future investments before we make them.
- Since there is no public trading market for shares of our common stock, repurchase of shares by us will likely be the only way to dispose of your shares. Our share repurchase plan provides stockholders with the opportunity to request that we repurchase their shares on a monthly basis, but we are not obligated to repurchase any shares and may choose to repurchase only some, or even none, of the shares that have been requested to be repurchased in any month. In addition, repurchases will be subject to available liquidity and other significant restrictions. Further, our board of directors may make exceptions to, modify or suspend our share repurchase plan if in its reasonable judgment it deems such action to be in our best interest and the best interest of our stockholders. Our board of directors cannot terminate our share repurchase plan absent a liquidity event which results in stockholders receiving cash or securities listed on a national securities exchange or where otherwise required by law. As a result, our shares should be considered as having only limited liquidity and at times may be illiquid.
- Distributions are not guaranteed and may be funded from sources other than cash flow from operations, including, without limitation, the sale of or repayments under our assets, borrowings, offering proceeds and advances or the deferral of fees and expense reimbursements, and we have no limits on the amounts we may pay from such sources.
- The purchase price and repurchase price for shares of our common stock are generally based on our prior month's NAV (subject to material changes as described in the prospectus) and are not based on any public trading market. While there may be independent valuations of our properties from time to time, the valuation of properties is inherently subjective, and our NAV may not accurately reflect the actual price at which our investments could be liquidated on any given day.
- We are dependent on the Adviser, as well as persons and firms the Adviser retains to provide services on our behalf, to conduct our operations. The Adviser will face conflicts of interest as a result of, among other things, the allocation of investment opportunities among us and Other J.P. Morgan Accounts (as defined in the prospectus), the allocation of time of its investment professionals and the substantial fees that we will pay to the Adviser.
- This is a "best efforts" offering. If we are not able to raise a substantial amount of capital in the near term, our ability to achieve our investment objectives could be adversely affected. In addition, we are not required to call all of the commitments for our private offering and cannot guarantee that any capital commitments requested thereunder will be funded.
- Principal and interest payments on any borrowings will reduce the amount of funds available for distribution or investment in additional real estate assets.
- There are limits on the ownership and transferability of our shares.
- If we fail to qualify as a REIT and no relief provisions apply, our NAV and cash available for distribution to our stockholders could materially decrease.

Forward Looking Statements

This material contains forward-looking statements about the real estate market and the single family rental sub-sector within the real estate market. These forward-looking statements can be identified by the use of forward-looking terminology such as "expect," "continue," "may," "will," "should," "anticipate," "intend" or other similar words or the negatives thereof. These may include statements about plans, objectives, intentions, and expectations with respect to positioning within the real estate market, including the impact of macroeconomic trends and market forces. Such forward-looking statements are inherently uncertain and there are or may be important factors that could cause actual outcomes or results to differ materially from those indicated in such statements. We believe these factors include but are not limited to those described under the section entitled "Risk Factors" in JPMREIT's annual report for the most recent fiscal year, and any such updated factors included in JPMREIT's periodic filings with the SEC, which are accessible on the SEC's website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in JPMREIT's public filings. Except as otherwise required by federal securities laws, JPMREIT undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

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