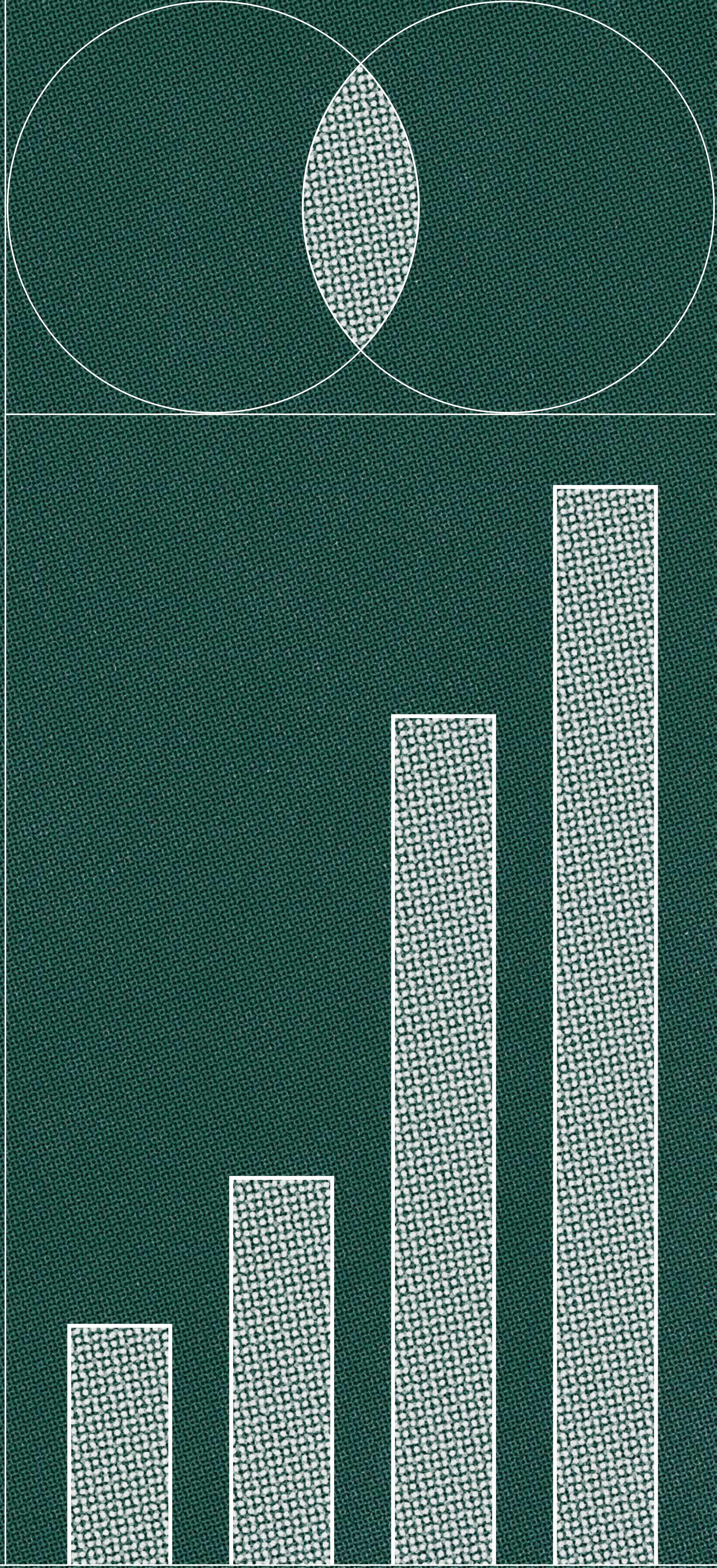
Mynd Consumer Insights Report 2022

American perspectives on homeownership, real estate investing, renting, and the economy



BIG VILLAGE MYND

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Foreword by Doug Brien, *Mynd CEO*

In the boom era following the Second World War, ideas of prosperity and homeownership were so intertwined and deeply ingrained in our culture that owning a home was essential to building "the American dream." Tax breaks encouraging property ownership, appreciation in home values, and fixed-rate mortgages all combined to turn homeownership into a powerful engine for building intergenerational prosperity.

In the new millennium, mobile computing, remote and asynchronous communication platforms, and easy access to large datasets radically changed residential real estate investing. Potential investors could shop on sites like Realtor.com and Zillow from the comfort of their homes.

More recently, the COVID-19 pandemic has revolutionized the way that Americans think about their home versus work lives. The work-from-home revolution freed people from the need to live near their employer's headquarters, and created demand for larger homes that could accommodate home offices. Major cities saw an exodus, losing population to smaller cities with lower costs of living and suburban communities with higher quality of life.

In turn, home values soared by double-digit margins annually in these hot locales, fueled in part by readily available leverage when interest rates plummeted to historic lows. Conversely, many workers became "digital nomads," logging in to work from anywhere and enjoying the flexibility of renting rather than being tied to a single home for the duration of a 30-year mortgage.

Meanwhile, many would-be homebuyers, priced out of the market, found their only option was to continue renting, which, in turn, has driven rents up drastically nationwide. Median rents in the 50 largest U.S. metropolitan areas climbed to a record $1,876 in June 2022.[1]

But in June 2022, inflation headed north of 9 percent, a four-decade high. The Federal Reserve, charged with bringing inflation under control, raised interest rates, and mortgage rates doubled from below 3 percent to as high as 6 percent. This has cooled the red-hot housing market, one of the chief drivers of inflation.

Builders have pulled back. Markets like Phoenix, Las Vegas, and Boise, which saw housing prices jump by up to 70 percent in the last three years, are now seeing a correction. Many would-be sellers are learning that gravity does apply to home values after all.

[1] *Joel Burner and Danielle Hale, "June Rental Report: Despite Record-Breaking Rent, Renting a Home is Still More Affordable in Most Major Metros," Realtor.com, July 21, 2022.*

Access to real estate has largely been restricted to wealthy individuals, real estate experts, & professional money managers.

Predictions vary about whether home values will continue to increase–but at a slower rate–or actually fall, but the double-digit annual increases in home prices are likely a thing of the past. What's more, America is short between 4 and 7 million homes, a disequilibrium that will cause prices to continue to rise.

Over the past few years, consumers have gained unprecedented access to the stock market, greater transparency in the mortgage market, and apps that make managing their money more convenient. Yet access to real estate, especially single-family rental (SFR) real estate, the most powerful tool for building intergenerational wealth, has largely been restricted to wealthy individuals, real estate experts, and professional money managers.

Mynd is determined to change all that.

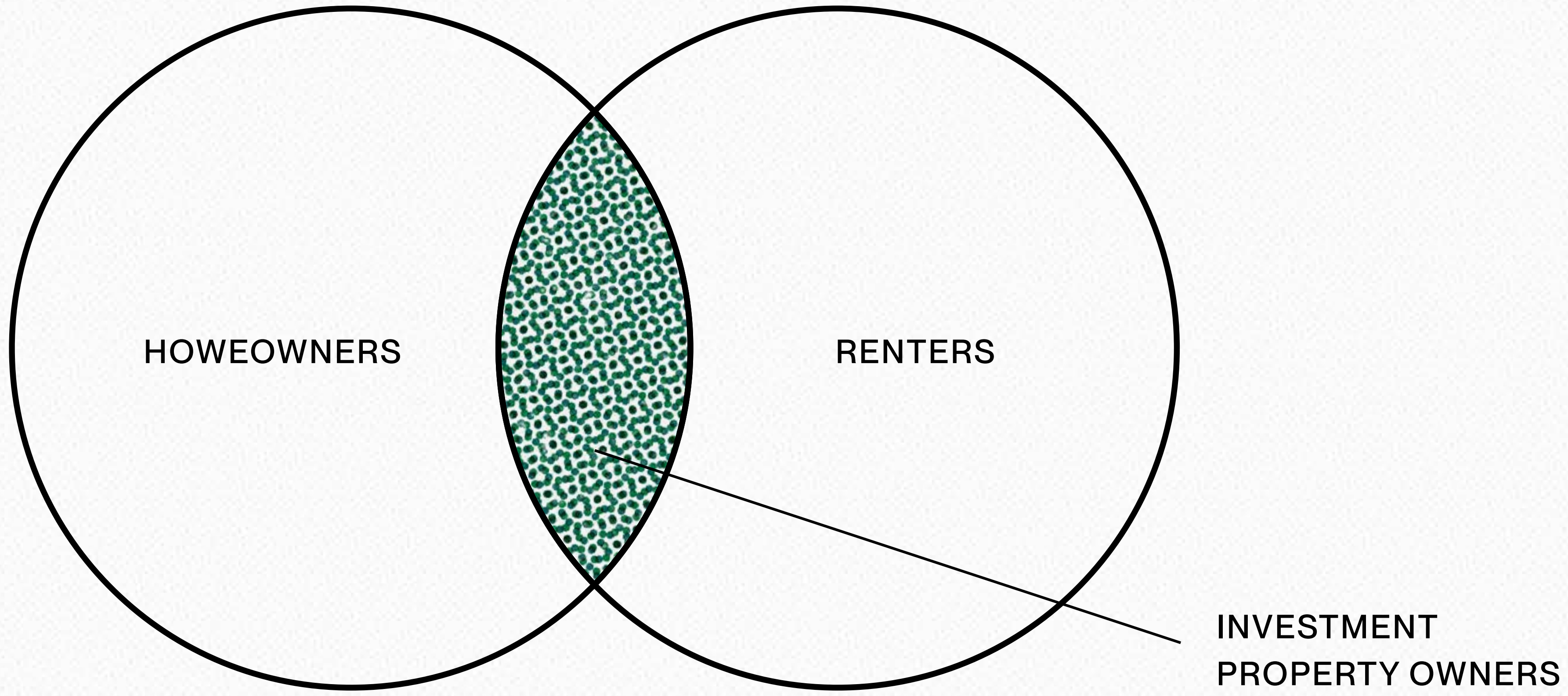
Whether you're a renter in search of a great home, a vendor looking to build your business through consistent work, an investor looking to generate passive income, or a financial institution looking for extraordinary returns, we hope Mynd can help.

I invite you to read on, and to reflect on how Americans tie their sense of identity, security, and wealth to homeownership in 2022 and beyond.

Onwards,

Doug Brien
Mynd CEO

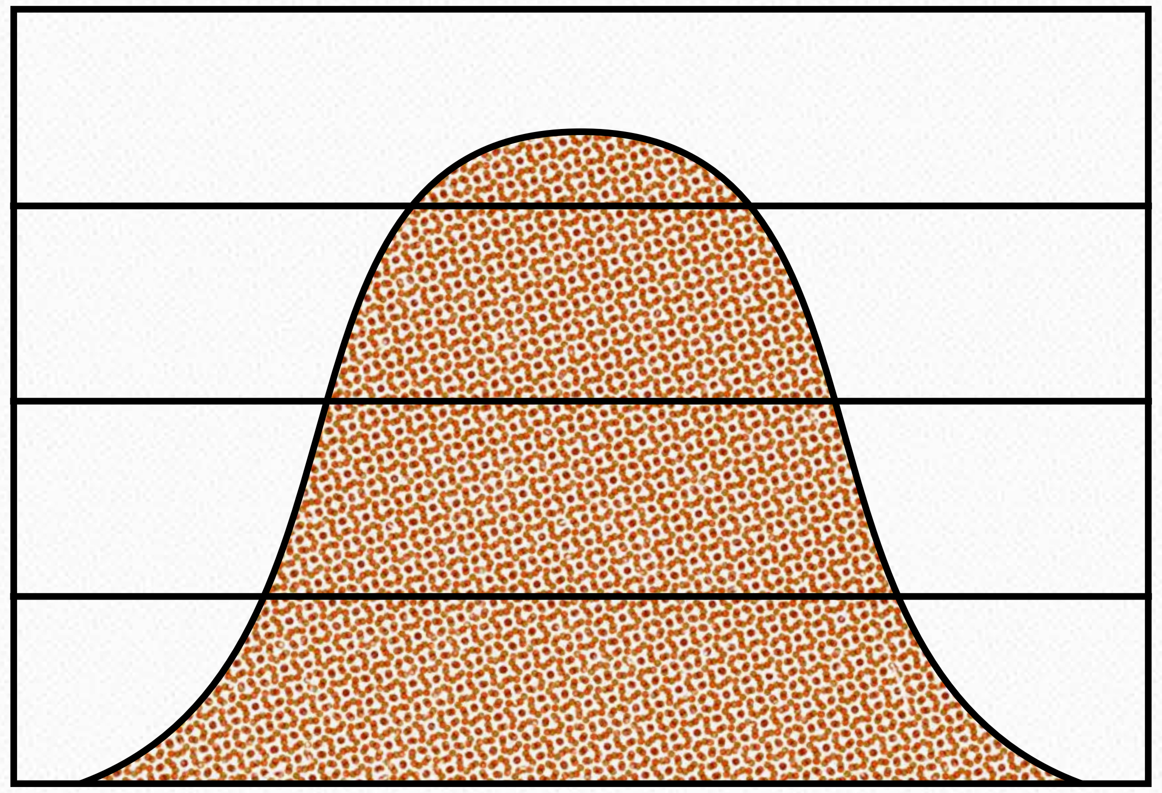
Methodology



In August 2022, Mynd engaged research firm Big Village to conduct a CARAVAN omnibus survey of 1,018 U.S.-based adults aged 18 years and older who rent or own their home. The report below presents the findings of the survey. Data analysis was performed by Big Village and Mynd.

A note on terminology: We have defined “homeowners” as those who own the homes they are currently living in; “renters” as those who rent the home they currently live in, and “investment property owners” as those who own an investment property that they do not live in. Investment property owners may own or rent their primary residence.

Survey Goals



In this study, Mynd sought to understand Americans’ perspectives and attitudes toward real estate investing, homeownership, renting, and the economy. Do we still associate our identities, sense of security, and/or wealth with homeownership in 2022? What’s changing? What remains the same? And how can investing in real estate benefit both the investor and the renter?

Key findings

01 The “American dream” of homeownership is alive and well—but with a twist.

02 The idea of remote residential real estate investing is gaining traction.

03 Recent SFR investors don’t regret their purchase, even in the face of an imminent recession.

04 Millennials and Gen Z have a strong urge to invest in property, but those who do know it isn’t easy money.

05 Renters and homeowners have a negative outlook on the state of the economy, but real estate investors are much more optimistic.

06 Renters have been cutting discretionary spending to compensate for rent increases—especially in rural areas.

07 Most renters are willing to uproot their lives in exchange for more affordable rent.

08 The majority of real estate investors want to do right by their renters, but that’s not how renters see it.

No. 01

The "American dream" of homeownership is alive and well—but with a twist.

Most Americans (78%) still associate homeownership with the "American dream." And nearly two-thirds of Americans (65%) see homeownership as a means of building intergenerational wealth.

People with children are more than twice as likely (47% compared to 19%) to consider buying an investment property, demonstrating that Americans are thinking of real estate investing as a way to build intergenerational wealth.

But younger generations of Americans are not buying into that dream in the same way that older generations have. A growing number of Americans are choosing to make their first real estate purchase as an investment property. Others are foregoing homeownership

78%

of Americans associate homeownership with the "American dream."

19%

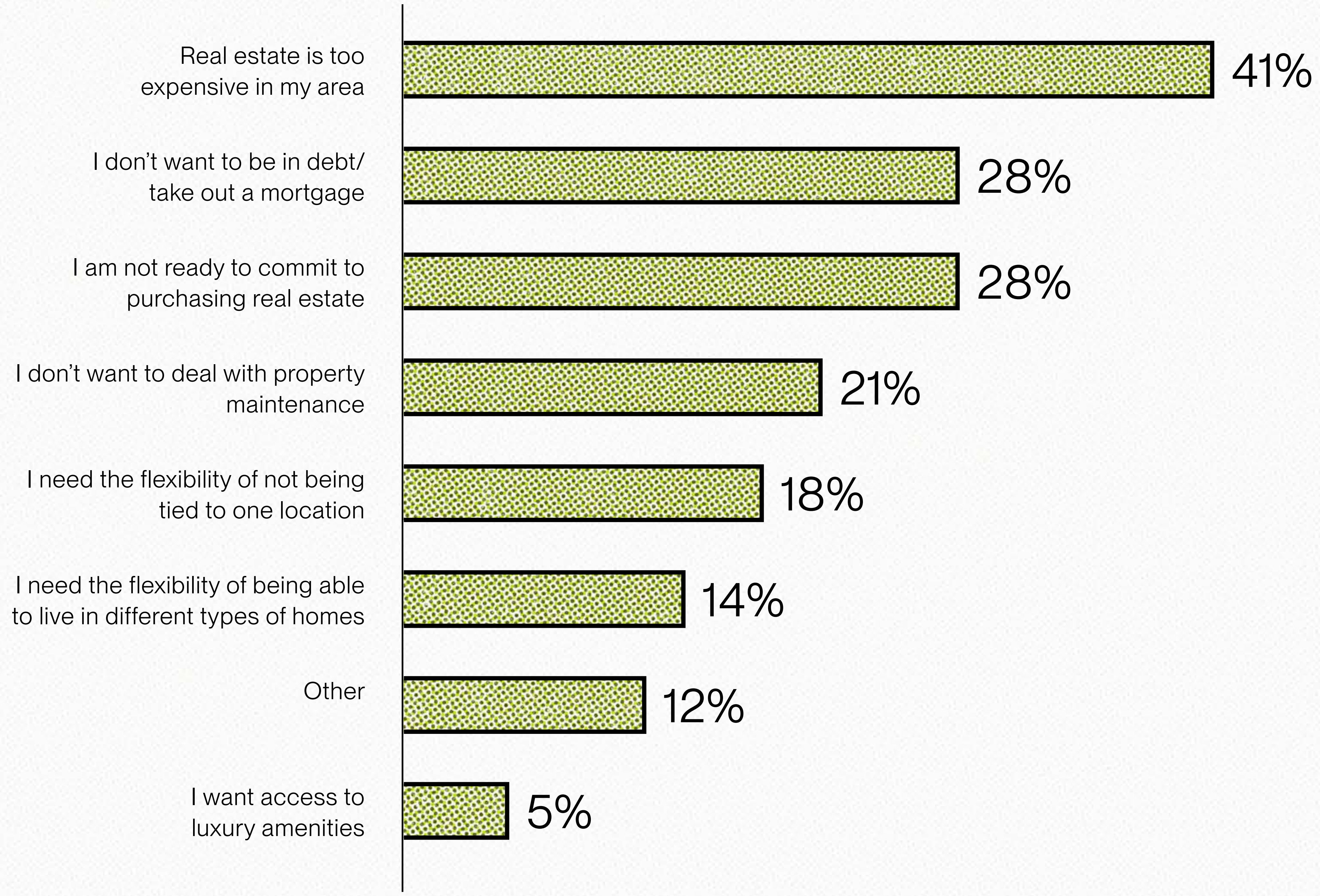
of people who own an investment property are renters.

in favor of flexibility or convenience. In our survey, we found that almost one-fifth (19%) of people who own an investment property choose to rent their primary residence. The reasons for renting vary.

Unsurprisingly, affordability is the top reason people rent. Almost half (41%) of renters cite the high cost of real estate in their area as a reason they rent, but readiness to commit and unwillingness to take on debt rank high. The need for flexibility and the desire to avoid property maintenance also factor into their decisions.

Q. Why are you renting your home or apartment?

Base: All renters



Source: Mynd Consumer Insights Report 2022

No. 02

The idea of remote residential real estate investing is gaining traction.

Those who do invest are buying beyond their backyards, too. 72% of all respondents (both investment property owners and renters) would consider buying a property in a different city or state than where they live. This is a growing trend nationwide: the Wall Street Journal has dubbed these investors “laptop landlords,”[2] and over half (54%) of the properties Mynd manages are owned by out-of-state investors. We anticipate this number to continue to grow as advances in technology make it easier to buy and manage investment properties remotely.

We also expect the number of “rentvestors”—people who choose to rent their primary residence and invest in property—to grow along with it, as remote investing makes it possible for people to live in more expensive markets and own investments in more affordable ones. As mentioned previously, 19% of our survey respondents fit this profile today.

[2] *Will Parker and Nicole Friedman, “Everyone’s a Landlord—Small-Time Investors Snap Up Out-of-State Properties,” Wall Street Journal, August 28, 2022*

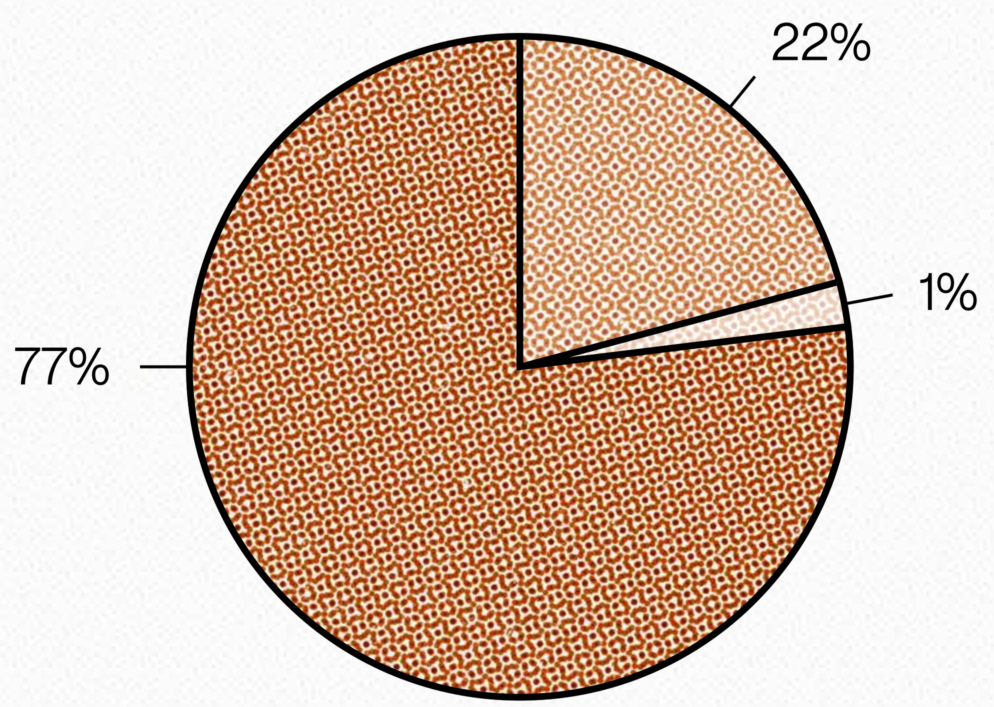
72% would consider buying in a different city or state than where they live.

No. 03

Recent SFR investors don't regret their purchase, even in the face of an imminent recession.

Q. How do you feel about your most recent property purchase?

Base: Bought an investment property in the past 3 years



77% I'm glad I purchased it and still think it's a good investment.

22% I'm glad I purchased it but am worried it may not hold its value.

1% I'm glad I purchased it but am worried it may cost too much to maintain.

0% I regret purchasing it.

Source: Mynd Consumer Insights Report 2022

Many Americans are interested in investing in real estate, even if a recession hits. Both owners and renters believe housing costs will continue to rise over the next three years (51%), with 29% expecting a large increase and 22% anticipating a small increase.

Most Americans (61%) say investing in property is a smart financial decision. When asked to select the top reason, 27% say it is the potential for appreciation or equity, and 22% note owning a tangible asset, while 22% are looking for supplemental monthly income.

Additionally, 28% of all respondents indicated that they're considering purchasing an investment property—even in the current economic climate. The data suggest that Americans see real estate investing as a way to diversify their investment portfolios.

A whopping 100% of all real estate investors we surveyed are glad they made their purchase. Most of those who bought their last investment property in the last three years still think it's a good investment (77%). Interestingly, Gen Z (ages 18-25) property investors are most worried about their property holding its value.

No. 04

Millennials and Gen Z have a strong urge to invest in property, but those who do know it isn't easy money.

Almost half of Millennials and Gen Z (43%) are considering buying an investment property compared to only 9% of Baby Boomers and 27% of Gen X. About two-thirds of Millennials and Gen Z (68%) agree that investing in real estate is a smart financial decision.

But young people are also aware that investing in and managing rentals comes with challenges.

For Millennials and Gen Z who already invest, spending time on repairs and maintenance, property damage, and extended periods of vacancy are among the top concerns. Over half (55%) of Millennial and Gen Z investors say that it's been difficult to find renters for their property, and almost a third (29%) say that one of their biggest concerns this year—at a moment of spiking rents and high inflation—is that renters won't be able to pay rent.

68%

of Millennials and Gen Z agree that investing in real estate is a smart financial decision.

43%

of Millennials and Gen Z are considering buying an investment property.

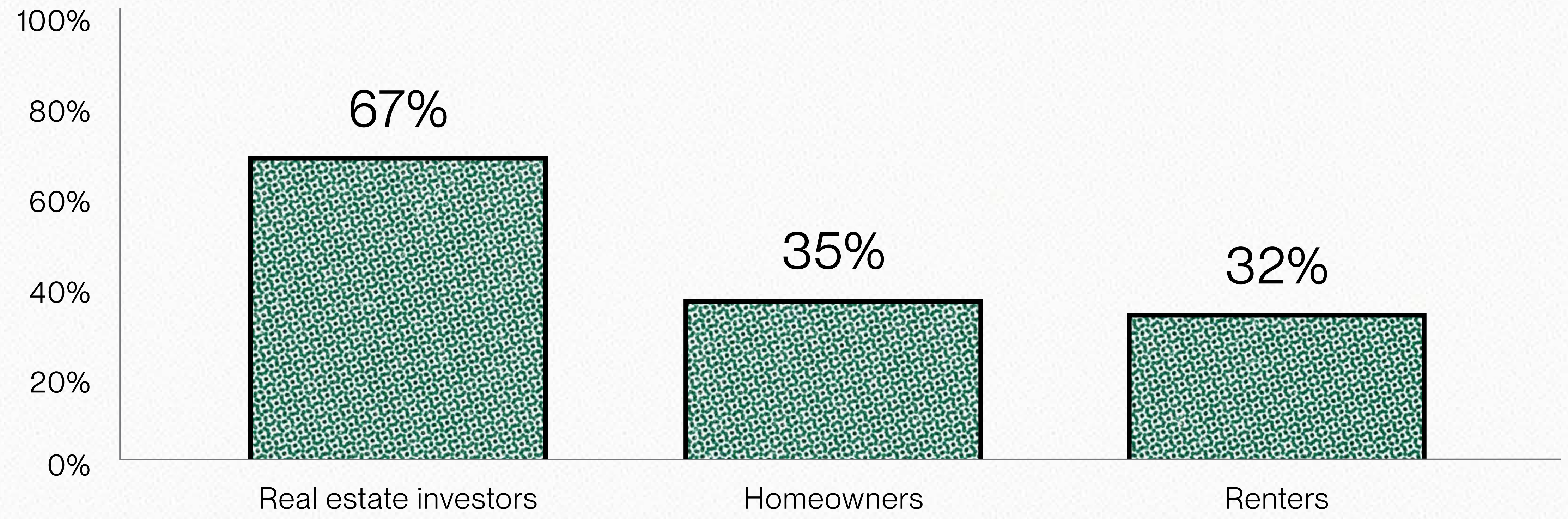
No. 05

Renters and homeowners have a negative outlook on the state of the economy, but real estate investors are much more optimistic.

Q. How are you feeling about the state of the economy?

A. Somewhat / very optimistic

Base: All respondents



When it comes to the state of the economy, there is almost no difference in the attitudes of those who rent and those who own their homes. But interestingly, property investors are about twice as likely to be optimistic.

About one-quarter of Americans (27%) predict a decline in housing prices, while 9% forecast flat prices. Homeowners are more likely to forecast a decrease in prices than renters (33% vs. 18%).

Despite some economic concerns, the majority of current property investors want to expand their portfolios soon. According to our survey, 62% of investment property owners expect to purchase another rental property in the next 3 years.

Source: Mynd Consumer Insights Report 2022

No. 06

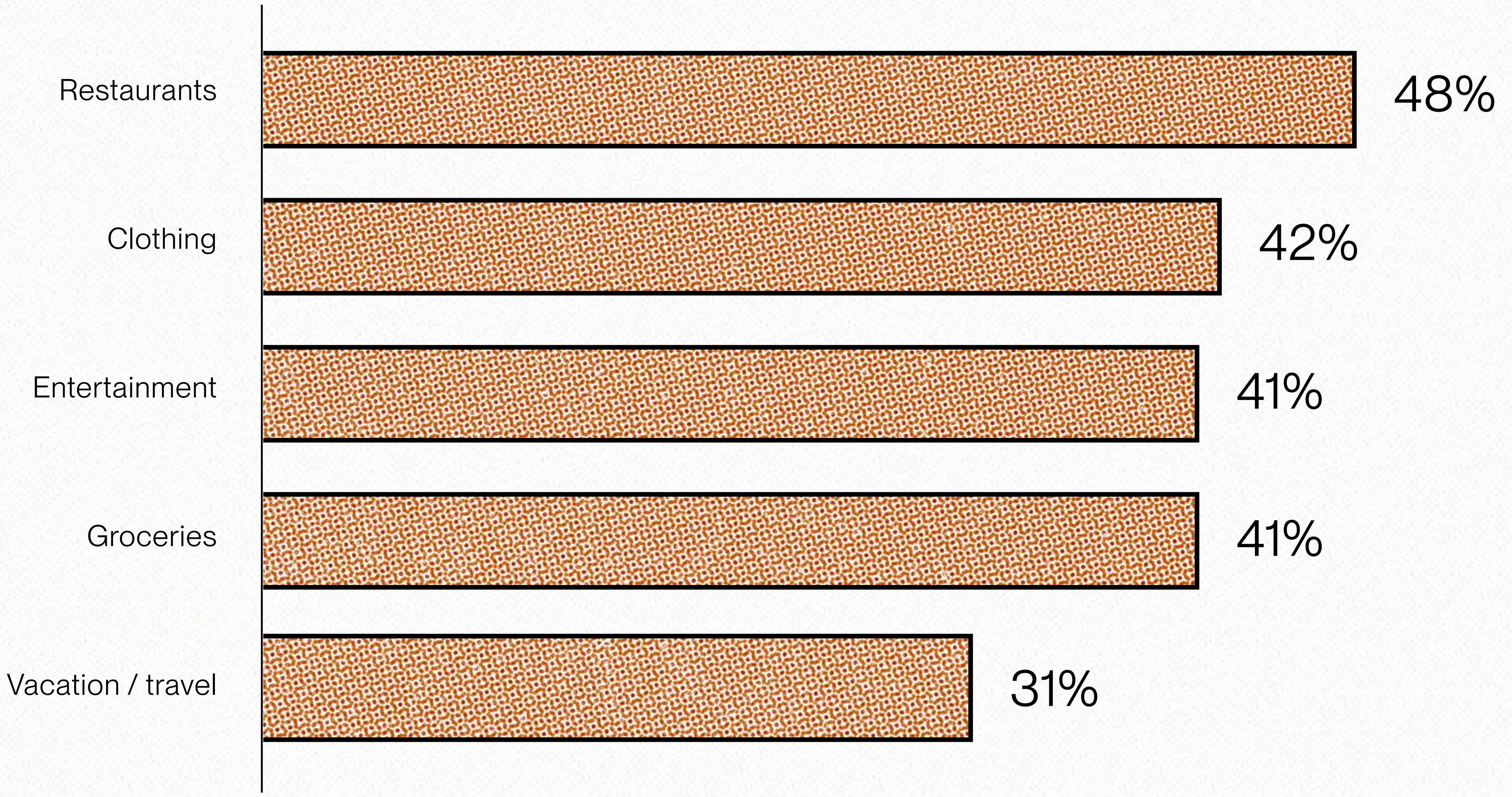
Renters have been cutting discretionary spending to compensate for rent increases—especially in rural areas.

Most renters (82%) have cut back in other areas to compensate for rent increases in the past year. Housing costs are eating up a bigger part of renters' total monthly budgets and strongly impacting their spending in other areas. The areas where they most commonly cut back are restaurants (48%), clothing (42%), and entertainment (41%). About 3 out of 10 respondents report trimming vacations and travel (32%), gifts (31%), and savings (29%). Only 2% of renters have had to cut back on childcare, and 5% on education.

Renters in rural areas are feeling the pinch more than those in urban areas. Rural renters are twice as likely as urban renters to have cut spending on groceries (61% compared to 31%), and are more likely to cut back on clothing (60% compared to 36%) and household updates (24% compared to 9%).

Q. Have you had to cut spending on any of the following areas in the last year because of rent increases?

Top 5 areas; Base: All renters



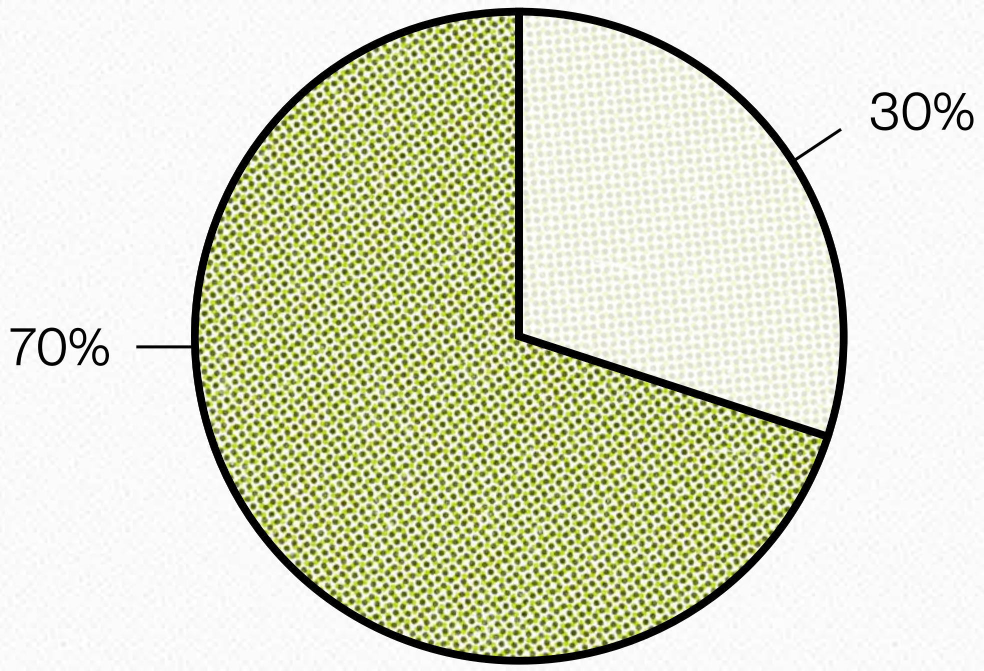
Source: Mynd Consumer Insights Report 2022

No. 07

Most renters are willing to uproot their lives in exchange for more affordable rent.

Q. Would you consider moving out of your city or town if the rent continues to go up?

Base: All renters



70% Yes
30% No

While most renters respond to rent increases by cutting spending in other areas, this coping method has limits. With rents rising precipitously in many markets, renters are considering uprooting their lives in exchange for a more affordable place to live.

Nearly three quarters (70%) say they would consider moving out of their current town or city if rents continue to increase.

The holdouts trend towards those who are in later life stages—responses show less and less willingness to move as one ages. Renters in the Northeast are far more open to moving if rents continue to increase, as compared to those in the South, West, or Midwest.

Source: Mynd Consumer Insights Report 2022

No. 08

The majority of real estate investors want to do right by their renters, but that's not how renters see it.

We found that when it comes to the renting experience, investors and renters have different expectations and/or standards for safety, quality, and resolution speed:

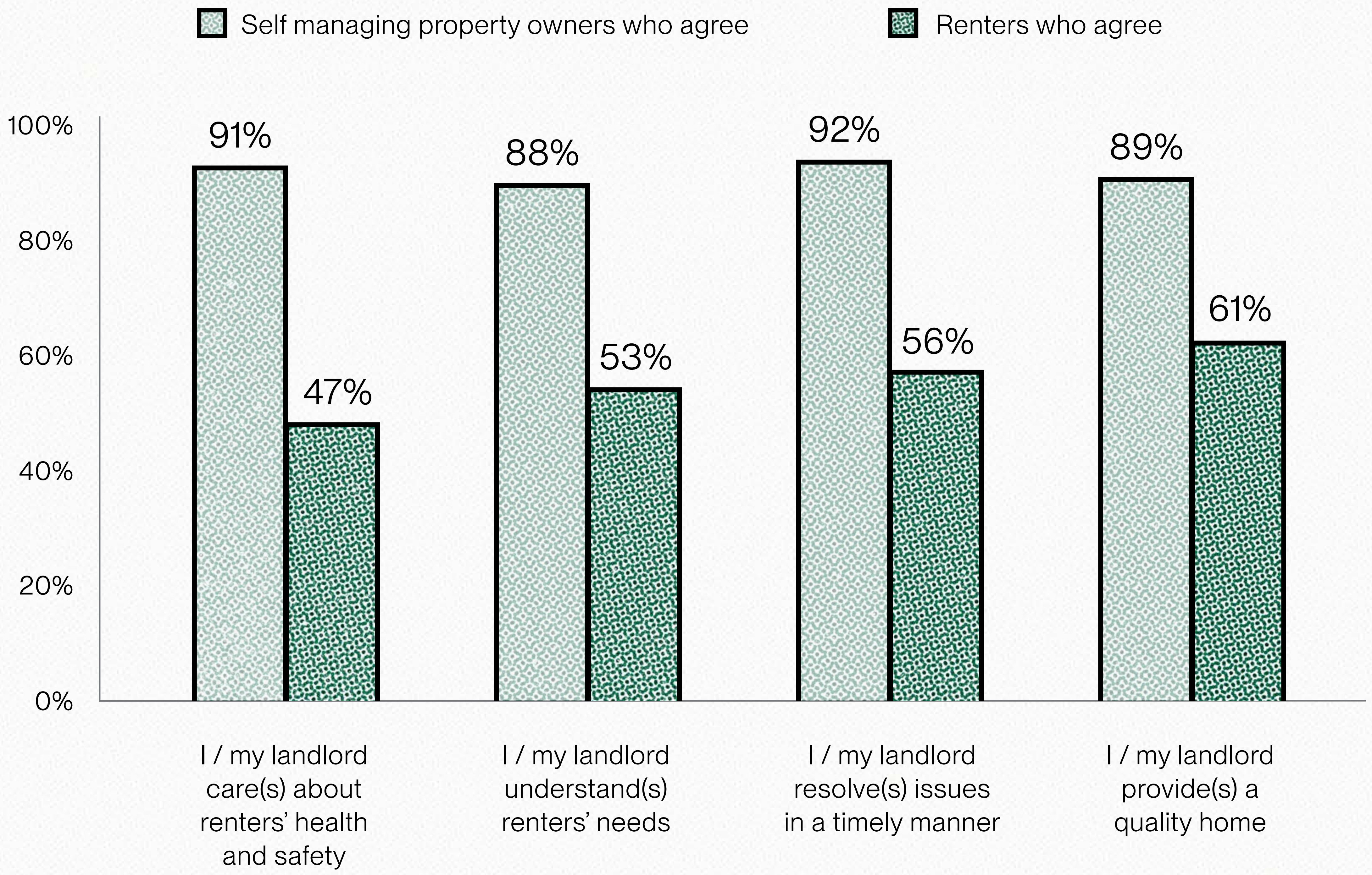
Only 47% of renters believe that the property owner or manager of their home cares about something as essential as their health and safety. Yet, 91% of self-managing owners say they care about their renters' health and safety, and 95% of self-managing owners believe they are providing their renters with a safe and secure home.

Only half (53%) of renters feel their property owner or manager understands their needs, compared to 88% of self-managing owners (those who do not employ a property management company) who feel they understand their renters' needs.

Only 53% of renters feel the property owner or manager understands their needs.

Q. To what extent do you agree or disagree with the following statements?

Base: All self-managing investment property owners; all renters



Source: Mynd Consumer Insights Report 2022

92% of self-managing real estate investors believe they resolve their renters' issues in a timely manner, but only 56% of renters agree.

89% of self-managing real estate investors claim they are providing their renters with a quality home, but only 61% of renters are happy with the quality of their home.

It seems that even well-intentioned real estate investors are either not demonstrating their good intentions to renters, or there's a fundamental gap in expectations between real estate investors and renters.

The good news is that the vast majority of real estate investors are getting the basics right—only 11% of renters think their home is not safe or secure, and only 8% believe their home does not have the needed utilities.

Conclusion

The vast majority of Americans believe that homeownership is a reliable strategy for building wealth. But, a growing number of people, especially younger generations, are charting increasingly diverse paths toward building that wealth

The top real estate investment trends we uncovered were buying investment properties before—or instead of—a primary residence, and owning/investing in a rental property other than where the investor lives in a rental home.

This has helped to create a boom in single-family homes as a new asset class, and has afforded many the ability to generate both equity and passive income while enjoying the freedoms of being a renter. We don't see this trend decelerating any time soon, even in the face of unprecedented mortgage rate hikes and runaway inflation.

Real estate is a uniquely challenging asset class. Investors want to provide safe and habitable homes for their renters, but our research suggests that not all renters and investors see eye to eye on what is considered safe and habitable. While investors are getting the basics right, there is more work to do to bridge the gap in understanding their renters' needs and build trust.

If real estate investors and property managers take the time to understand what it takes to go beyond the basics and provide a habitable home for their renters, their investments and portfolios will perform better over the long term, and more people can achieve their financial goals in increasingly diverse ways.

About Mynd

At Mynd, we're on a mission to democratize access to happy homes and sustainable investments by serving single-family rental real estate investors and their renters. We believe that taking care of both investors and renters is good business. We use technology to make renting and investing experiences easier and more insightful, and we insist on the highest standards of quality for our renters at a reasonable cost to investors.

Founded in 2016, Mynd brings together world-class technology and local expertise to make it simple and convenient for investors to buy, finance, insure, lease, manage, and sell single-family rental properties, and for renters to find great homes to rent in more than 25 markets across the country.

If you're considering investing in single family homes or are a single-family rental (SFR) owner who needs property management support, visit us at mynd.co.

This report is based on a survey of 1,018 U.S. adults aged 18 years and older, fielded August 3 to 5, 2022. 134 identified themselves as investment property owners. Of those who self-identify as investment property owners, 82% own properties with 1-4 units, 12% own properties with 5+ units, and 6% own a combination of the two. While 49% of investment property owners surveyed owned only one property, 40% owned 2-4 and 10% owned 5-10. 368 respondents self-identified as renters. Results were weighted by age, gender, region, race/ethnicity, and education.

The margin of error associated with a sample size of 1,018 is +/-3.1% at the 95% confidence level. For 134, it is +/-8.5% and for 368 it is 5.1%.