

RCN  CAPITAL
INVESTOR
SENTIMENT
SURVEY

WINTER 2024

PRESENTED BY:
C J PATRICK COMPANY

As we transition from 2024 into 2025, investor optimism has notably declined as revealed by the Winter 2024 Investor Sentiment Survey and the RCN Capital/CJ Patrick Company Investor Sentiment Index™ (ISI). The ISI experienced a significant drop of twenty-seven points, falling from last quarter's high of 124 to 97, according to the latest RCN Investor Sentiment Survey results. It's worth noting that while investor sentiment is considerably lower than it was in the Fall, the ISI remains a point higher than it was in the Winter 2023 Survey, suggesting a possible seasonal factor that warrants consideration as the index continues to evolve over time.

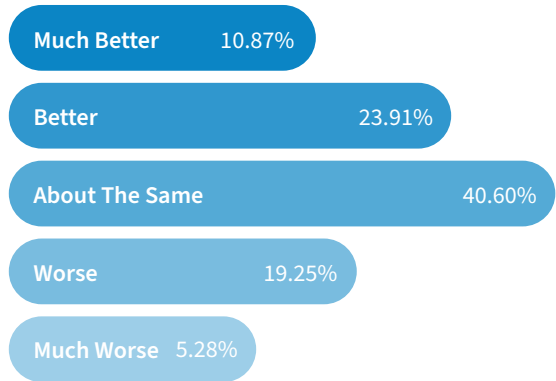
Another interesting factor to point out is there was a notable shift in the make-up of respondents this quarter, with rental property investors comprising almost half of the survey participants. This contrasts with just over 32% flippers and slightly under 20% of wholesalers. It's important to note that as we've broken out data in past survey iterations, rental investors have historically been less optimistic than flippers. We did see this trend persist in the latest survey, with over 45% of flippers feeling that market conditions have improved over the past year, compared to only 24% of rental investors echoing that sentiment. We do anticipate the Investor Sentiment Survey and Investor Sentiment Index will continuously experience fluctuations based on which type of investor makes up the largest percentage of responses.

This iteration of the survey also explored investor perspectives on the policy initiatives proposed by President-elect Trump during his campaign. Investors were decidedly unenthusiastic about both increased tariffs on imported goods and the possibility of mass deportations of undocumented immigrants. Regarding higher tariffs, 41% of respondents anticipated increased costs, 48% cited potential supply chain disruptions, and 45% foresaw reduced profit margins on flips or rental returns. Similarly, large-scale deportations raised concerns about increased costs (53%) and difficulties in sourcing skilled labor (45%). However, 18% of respondents believed tariff increases would not affect them, and 24% felt large-scale deportations would have no impact on their business. Time will tell what the actual impact will be regarding these policies, if they come to fruition.

Despite the drop in investor optimism this quarter, it will be interesting to see whether sentiment rebounds in the spring and how the incoming U.S. administration's policies influence the economy and the real estate investing landscape.

Q1

How does the environment for residential real estate investing compare to one year ago?

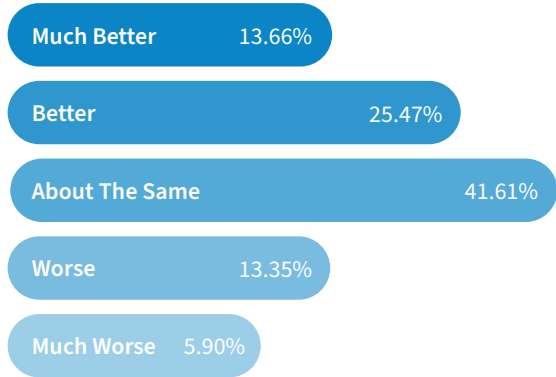


Investors were much more dour about current conditions, with negative scores almost doubling, from 13% in Q3 to 25% in Q4. Similarly, positive views of current market conditions dropped from 68% in Q3 (the highest in the series so far) to 35% in Q4 (the second-lowest score). **The biggest shift** was in the number of investors who viewed the conditions as being largely the same as in the prior 12 months - that percentage grew from 18% to 41%.

Fix-and-flip investors continue to be more optimistic than rental property investors. Over 45% of flippers felt that market conditions had improved over the past year compared to only 24% of rental investors. Only 16% of flippers felt that market conditions had deteriorated, while 31% of rental investors believed that to be the case.

Q2

What's your outlook for residential real estate investing over the next 6 months compared to today?



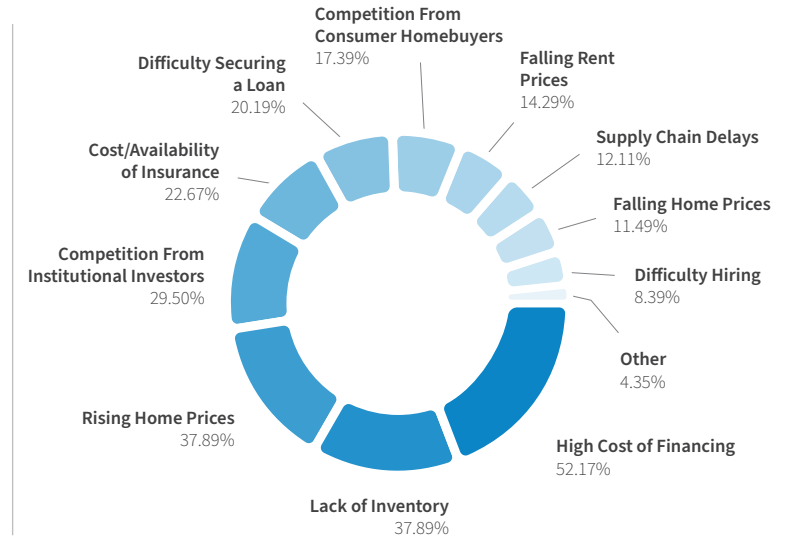
Investors continue to be more optimistic about the future, with 39% expecting conditions to improve over the next 6 months, 42% expecting things to remain the same, and only 19% expecting the market to worsen. While these numbers are better than investors' current market views, they're still worse than the results of the prior quarter, when 71% of the respondents were expecting improvements and only 9% expected declines. **These were the highest and lowest numbers in their respective categories since the survey began.**

Again, flippers have a more optimistic outlook of what's ahead than rental investors do. About 48% of flippers are looking forward to market conditions improving compared to just 33% of rental investors. And while 23% of rental investors expect things to get worse, only 13% of flippers feel the same way.

Fix-and-flip investors in California are even more optimistic about the future: 52% of them expect conditions to improve, and only 9% are worried about conditions getting worse. Florida flippers are equally enthusiastic, with 53% expecting improvements and a mere 6% expecting the worst.

Q3

What are the three biggest challenges facing your real estate investing business today?



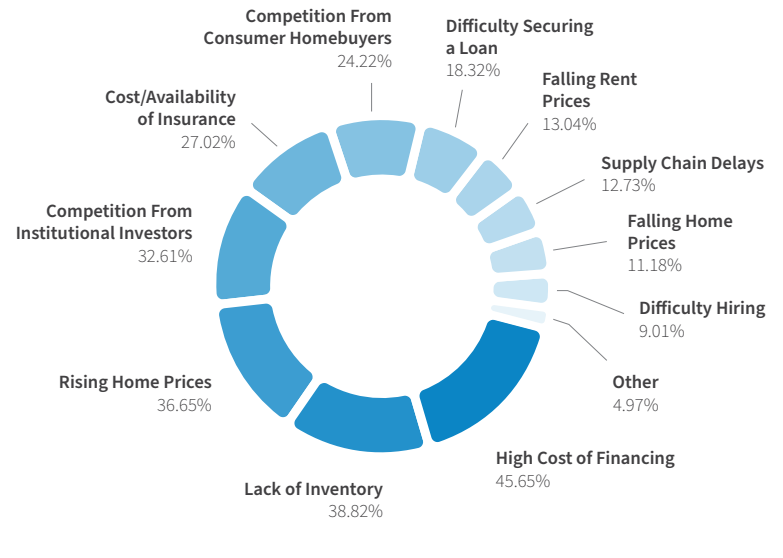
The most frequently cited challenges are similar to those noted in previous surveys: the high cost of financing (52%); lack of available inventory (38%); and rising home prices (38%) were the most noted issues.

Challenges cited by flippers and investors were largely consistent, but **there were some regional variances**. For example, the top challenge cited by Florida flippers (41%) was insurance-related issues. Similarly, 57% of Florida rental investors cited insurance issues as a major challenge, more than twice the national average (28%) among all rental investors.

There appear to be some local market dynamics that are unique to the Sunshine State as well. For instance, inventory appears to be less challenging in Florida, where rental investors only cited it as a problem 22% of the time, compared to 43% of rental investors nationally. And 35% of Florida's rental investors also complained about having difficulty securing a loan.

Q4

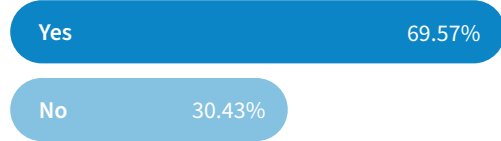
What do you anticipate will be the three biggest challenges facing your residential real estate investing business 6 months from now?



Investors believe these issues will continue to be problems in the future - 46% cited high financing costs, 39% lack of available inventory, and 37% rising home prices as the most likely challenges six months from now.

Q5

Are rising insurance costs or the inability to insure properties becoming a factor in your decision to invest in real estate?



Q6

Have rising insurance costs or the inability to insure properties caused you to miss out on an opportunity to buy or sell properties?



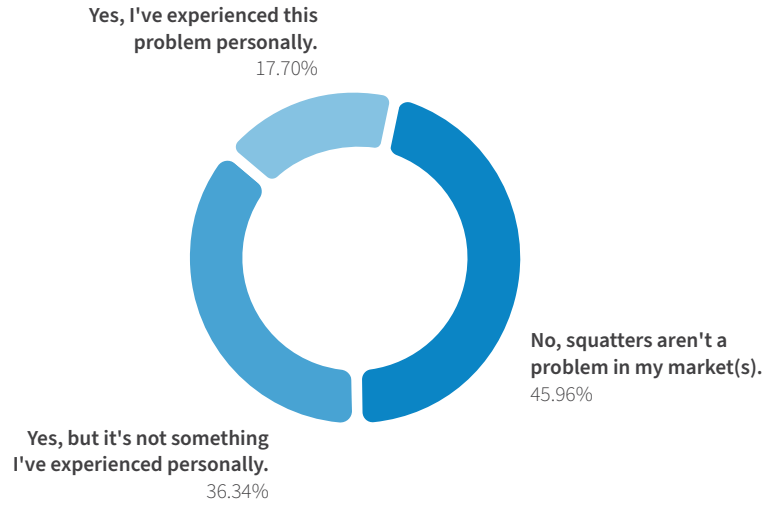
Insurance concerns appear to be growing, both nationally and regionally. Almost 23% of all respondents cited rising insurance premiums and lack of coverage as a major issue in the Winter survey, and 27% believe it will be one in 6 months. Unsurprisingly, this concern is more prevalent among rental property investors, who will be holding these properties for a longer period of time. About 28% of rental investors cited insurance issues as a current challenge compared to 20% of flippers. Those numbers increased among all investors looking ahead: 28% of flippers and 30% of rental investors.

Rental investors in Florida and California are more concerned about what insurance challenges lie ahead than their peers across the country. While 30% of all rental investors are concerned about insurance issues in the future, 37% of California's rental investors and 52% of Florida's cite these issues as likely problems.

Overall, over 69% of the respondents agree that **rising premiums and/or lack of availability are considerations in their decision making about investments**; and 53% of respondents noted that insurance issues caused them to miss out on a deal.

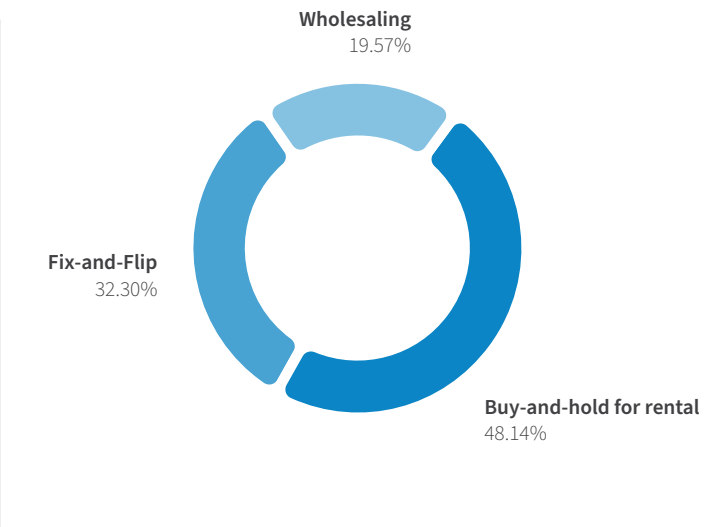
Q7

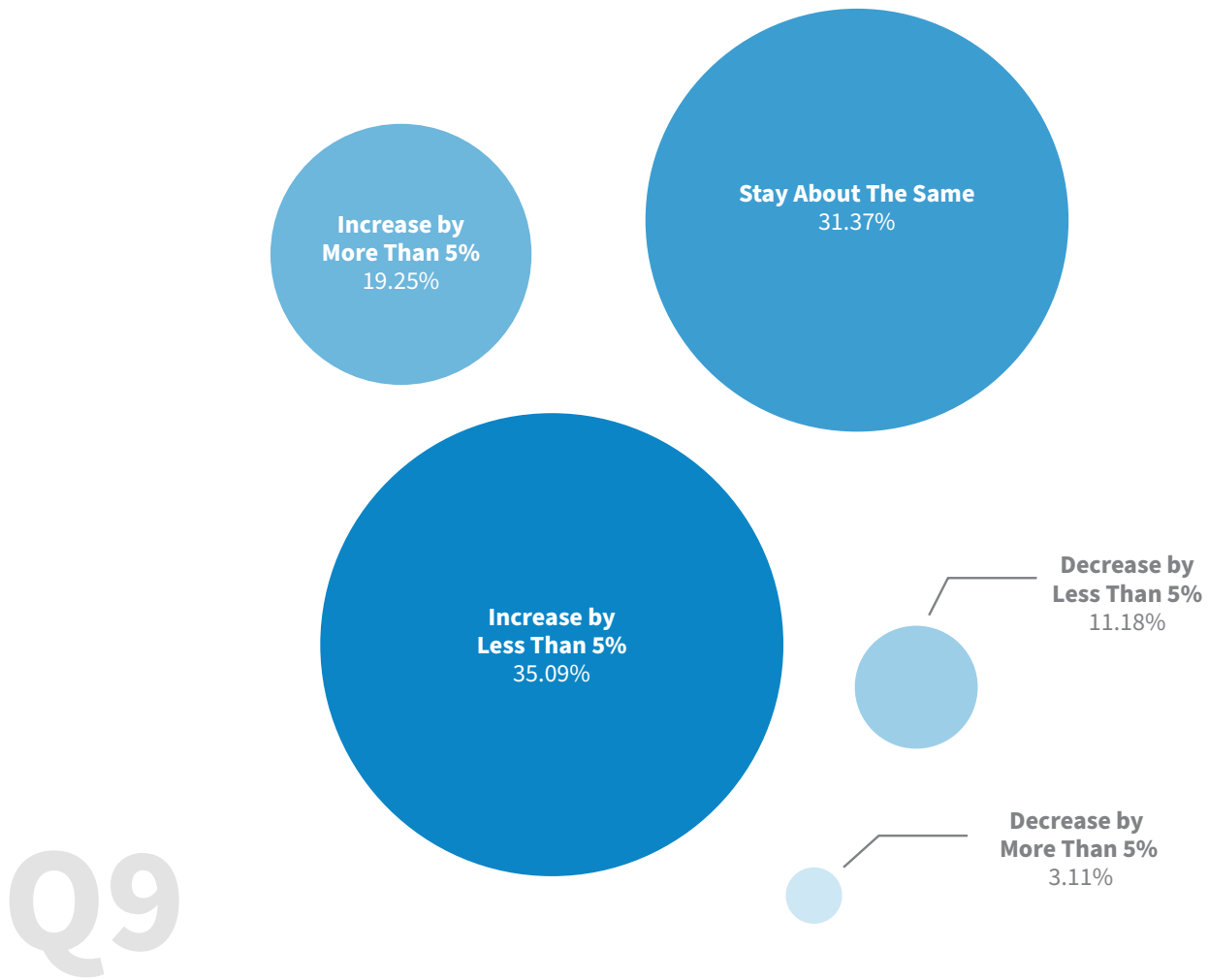
Are "squatters" an issue in the markets where you invest in residential properties?



Q8

What is your primary type of residential real estate investment?





Q9

What do you expect home prices to do over the next 6 months?

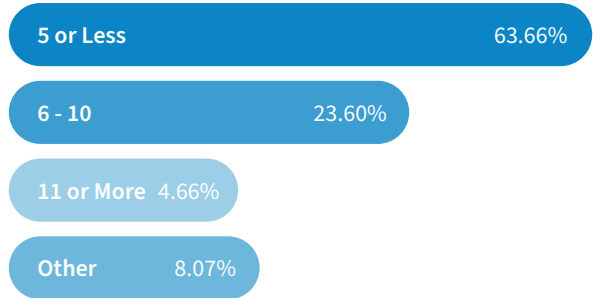


Home price expectations have been tempered since the last survey. While a majority of investors (55%) expect home prices to rise, this is down from 71% in the last survey. It's also worth noting that **35% of the respondents expect home prices to rise by 5% or less in the next year.**

More investors (31% vs. 18%) expect prices to stay where they are than did so last quarter. And very few (14%) expect prices to decline. Price trends is one area where there's very little difference between what flippers and rental investors expect – **55% of flippers and 56% of rental investors expect price increases.**

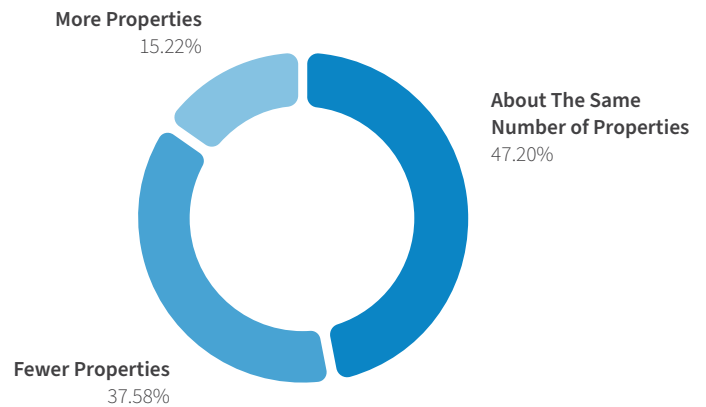
Q10

How many properties do you plan to invest in over the next 12 months?



Q11

How does this number of properties compare to the number of properties you've invested in over the past 12 months?



Our survey respondents continue to comprise mostly smaller investors, with about 88% planning to buy 10 or fewer properties in 2025. Interestingly, about 8% say they plan to sit out the market next year, likely hoping for conditions to improve.

Almost half of the respondents (47%) plan to buy the same number of properties as they did in 2024; almost 16% plan to buy more; and over 37% plan to buy fewer. Again, there are significant differences here between flippers and rental investors. Only 7% of flippers plan to buy more properties in 2025, while 21% of rental investors do; 45% of flippers plan to buy fewer homes compared to 33% of rental property investors.

The Trump Factor

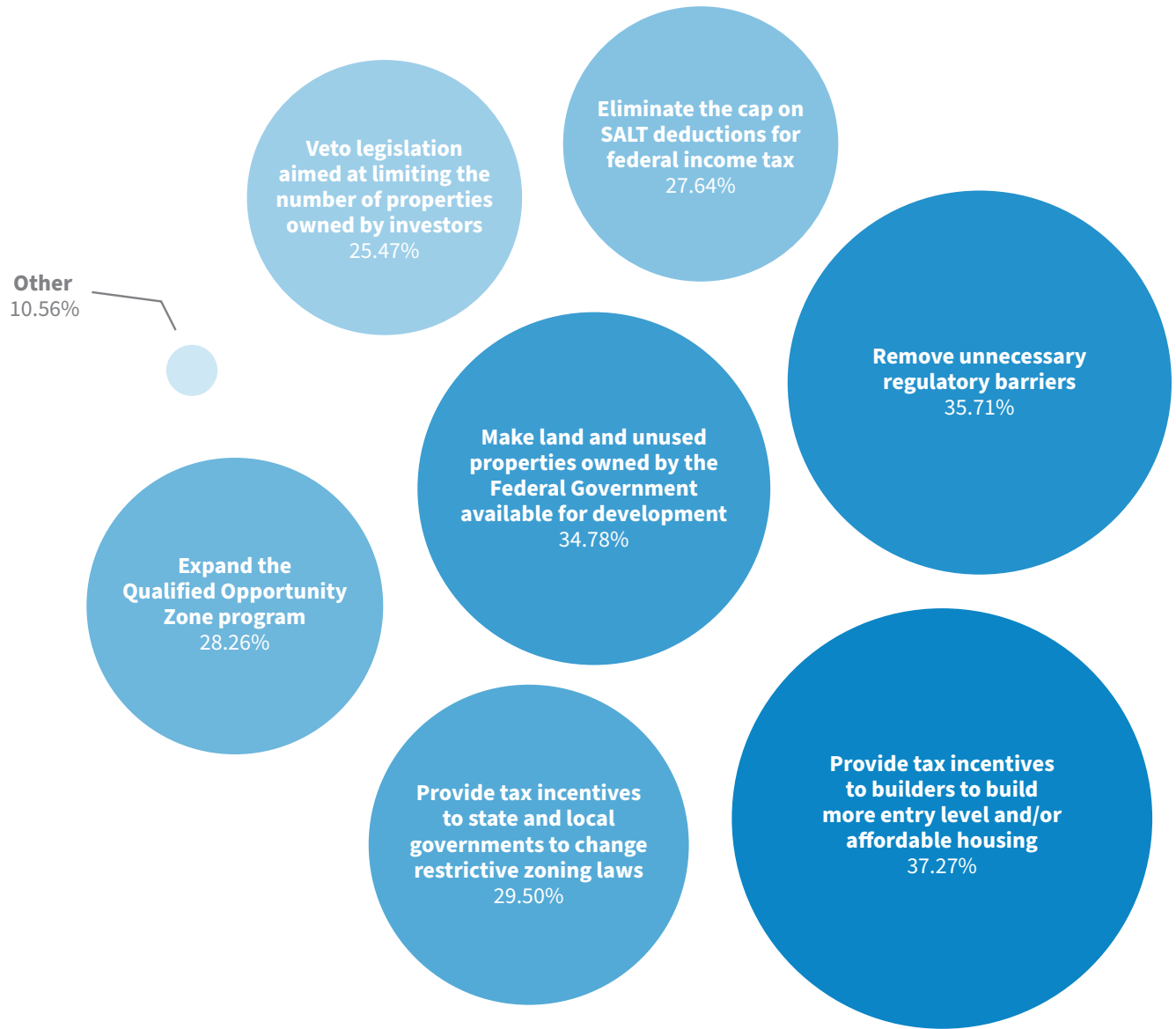
We decided to ask a few questions about some of the policy initiatives the President-elect noted during the campaign, and see what investors thought.

When asked which of President Trump's housing-related initiatives they'd like to see implemented, investors cited these four most often:

- Incentivizing homebuilders to increase the construction of more affordable homes (37%)
- Removing unnecessary regulations to make it easier and less expensive to build (36%)
- Making unused government land and buildings available for housing development (35%)
- Incentivizing state and local governments to relax zoning restrictions and regulations (29%)

The most frequently-mentioned initiative by Florida investors (43%) was eliminating the proposal currently being considered by the Biden Administration to cap the number of properties an investor can own and/or limiting tax benefits after a certain number of properties.

Both California (52%) and Florida (65%) flippers were enthusiastic about the government land availability initiative.

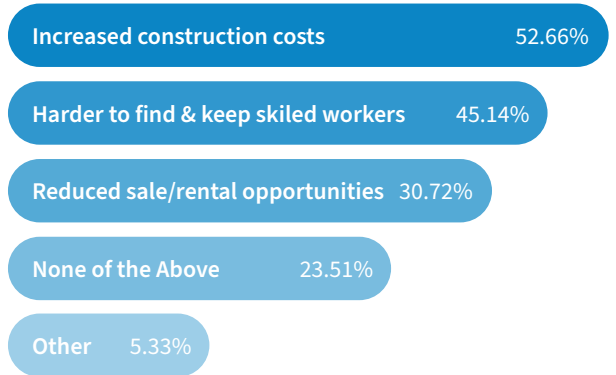


Q12

Which three of the following initiatives would you like President-elect Trump and the new Congress to do in order to improve the environment for residential real estate investors?

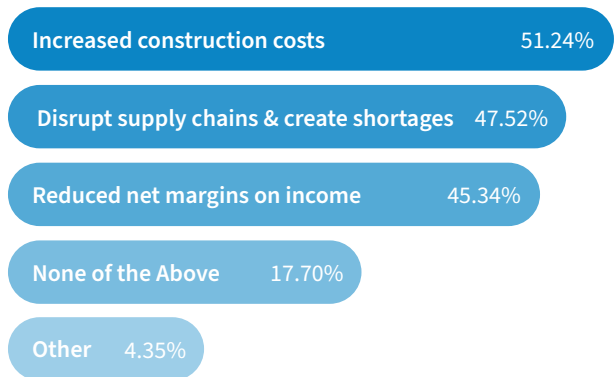
Q13

President-elect Trump has pledged to deport a large number of undocumented migrants when he takes office. What impact will this have on your investing?



Q14

President-elect Trump plans to put tariffs on goods imported from other countries. What impact will this have on your investing?



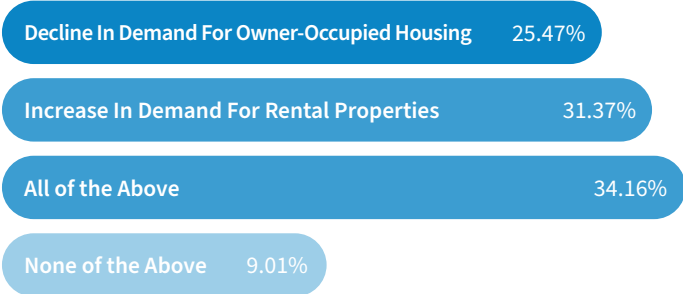
We also asked about the impact that two of the most frequently-discussed campaign promises might have on the residential investment market. Investors were decidedly unenthusiastic about both increased tariffs on imported goods and the possibility of mass deportations of undocumented immigrants.

When asked what the impact of higher tariffs might be, investors were concerned about **increased costs** (51%), **supply chain disruptions** (48%), and **reduced profit margins on flips or rental returns** (45%). **Interestingly, 18% believed that increased tariffs wouldn't have any impact on them.**

When asked about the impact of large-scale deportations, investors cited **increased costs** (53%), and **difficulty finding skilled workers** (45%). **Almost 24% of respondents said that there wouldn't be any impact on their business.**

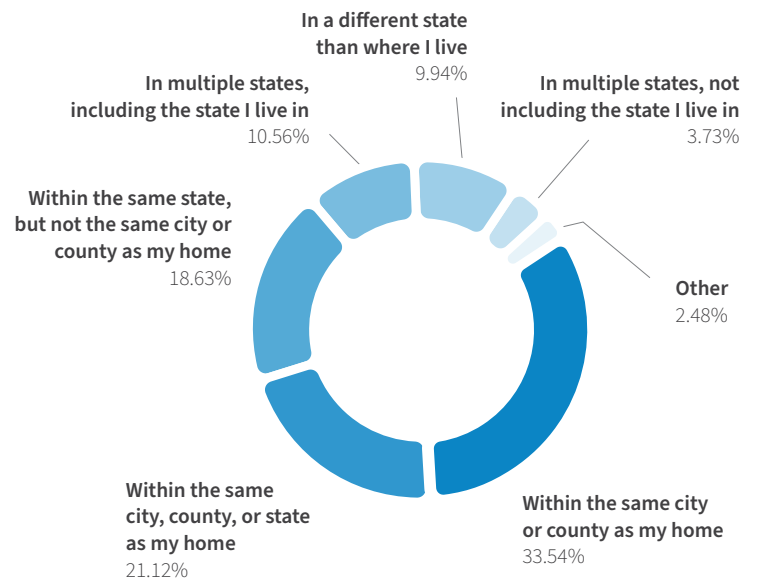
Q15

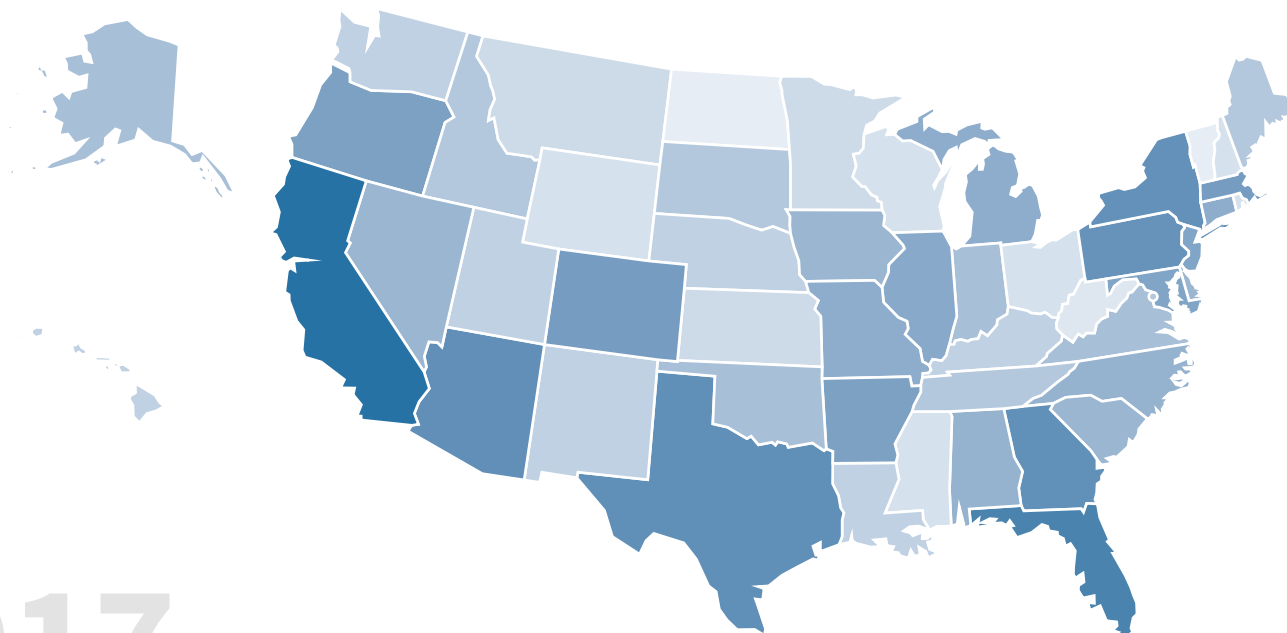
What has been the impact of today's higher mortgage rates in your market(s)?



Q16

How near or far away from your home do you do most of your investing?

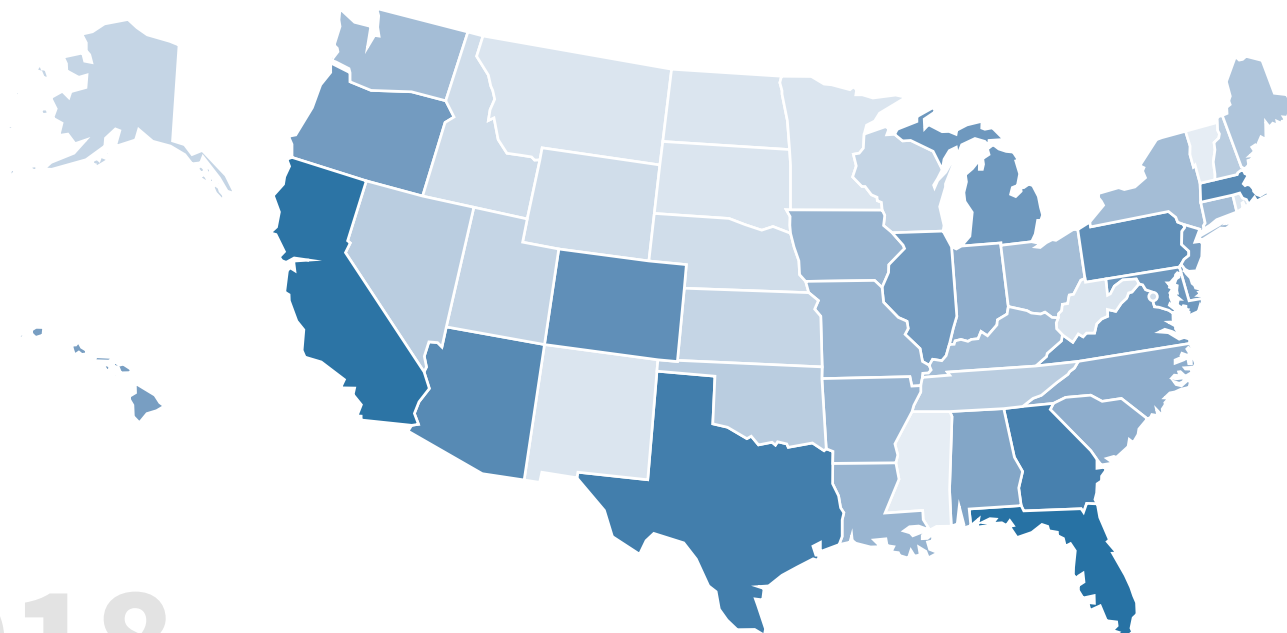




Q17

In which state(s) do you do most of your residential real estate investing?

Alabama	2.48%	Kentucky	1.24%	North Dakota	0.00%
Alaska	1.86%	Louisiana	1.24%	Ohio	0.62%
Arizona	8.39%	Maine	1.55%	Oklahoma	1.86%
Arkansas	4.04%	Maryland	3.42%	Oregon	4.04%
California	17.08%	Massachusetts	4.66%	Pennsylvania	6.21%
Colorado	4.66%	Michigan	2.80%	Rhode Island	0.62%
Connecticut	2.80%	Minnesota	0.93%	South Carolina	2.17%
Delaware	2.17%	Mississippi	0.62%	South Dakota	1.55%
District of Columbia	1.24%	Missouri	2.80%	Tennessee	1.55%
Florida	15.22%	Montana	0.93%	Texas	8.70%
Georgia	8.07%	Nebraska	1.24%	Utah	1.24%
Hawaii	1.24%	Nevada	2.17%	Vermont	0.00%
Idaho	1.55%	New Hampshire	0.62%	Virginia	1.86%
Illinois	3.11%	New Jersey	3.42%	Washington	1.24%
Indiana	1.86%	New Mexico	1.24%	West Virginia	0.31%
Iowa	2.17%	New York	7.45%	Wisconsin	0.62%
Kansas	0.93%	North Carolina	2.48%	Wyoming	0.62%



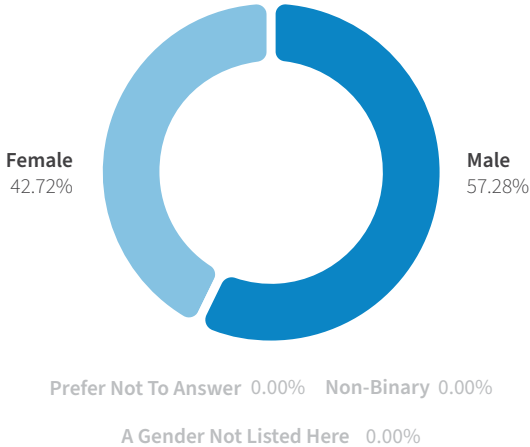
Q18

In which state(s) do you do plan to do most of your residential real estate investing 6-12 months from now?

Alabama	3.11%	Kentucky	2.17%	North Dakota	0.62%
Alaska	1.24%	Louisiana	2.48%	Ohio	2.17%
Arizona	6.21%	Maine	1.86%	Oklahoma	1.55%
Arkansas	2.48%	Maryland	4.04%	Oregon	3.73%
California	12.73%	Massachusetts	5.90%	Pennsylvania	4.97%
Colorado	4.97%	Michigan	4.04%	Rhode Island	0.62%
Connecticut	2.17%	Minnesota	0.62%	South Carolina	2.80%
Delaware	3.42%	Mississippi	0.31%	South Dakota	0.62%
District of Columbia	2.48%	Missouri	2.48%	Tennessee	1.55%
Florida	13.35%	Montana	0.62%	Texas	9.32%
Georgia	8.39%	Nebraska	0.93%	Utah	1.24%
Hawaii	3.42%	Nevada	1.55%	Vermont	0.31%
Idaho	0.93%	New Hampshire	1.55%	Virginia	3.73%
Illinois	3.73%	New Jersey	3.42%	Washington	2.17%
Indiana	2.80%	New Mexico	0.62%	West Virginia	0.62%
Iowa	2.48%	New York	6.21%	Wisconsin	1.24%
Kansas	1.24%	North Carolina	2.80%	Wyoming	0.93%

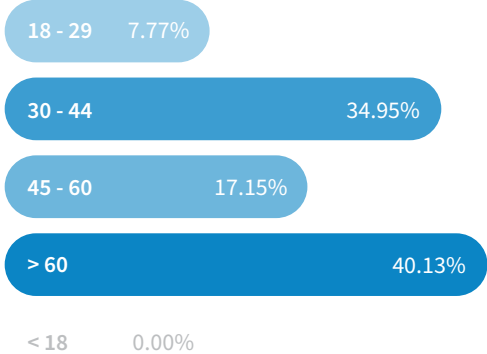
Q19

What is your gender?



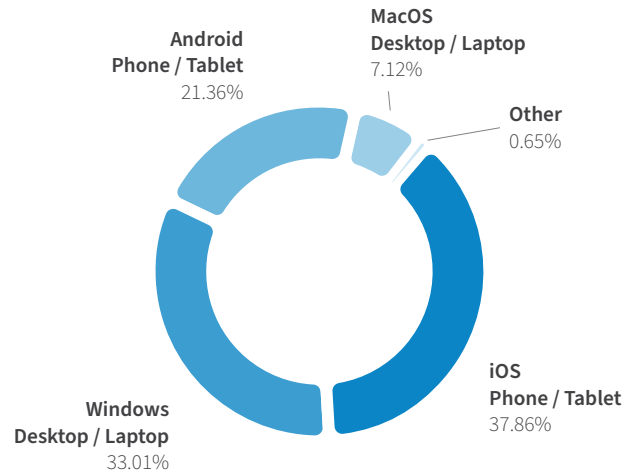
Q20

What is your age?



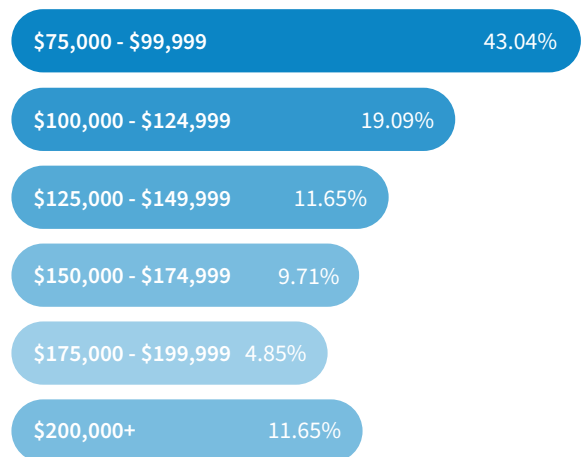
Q21

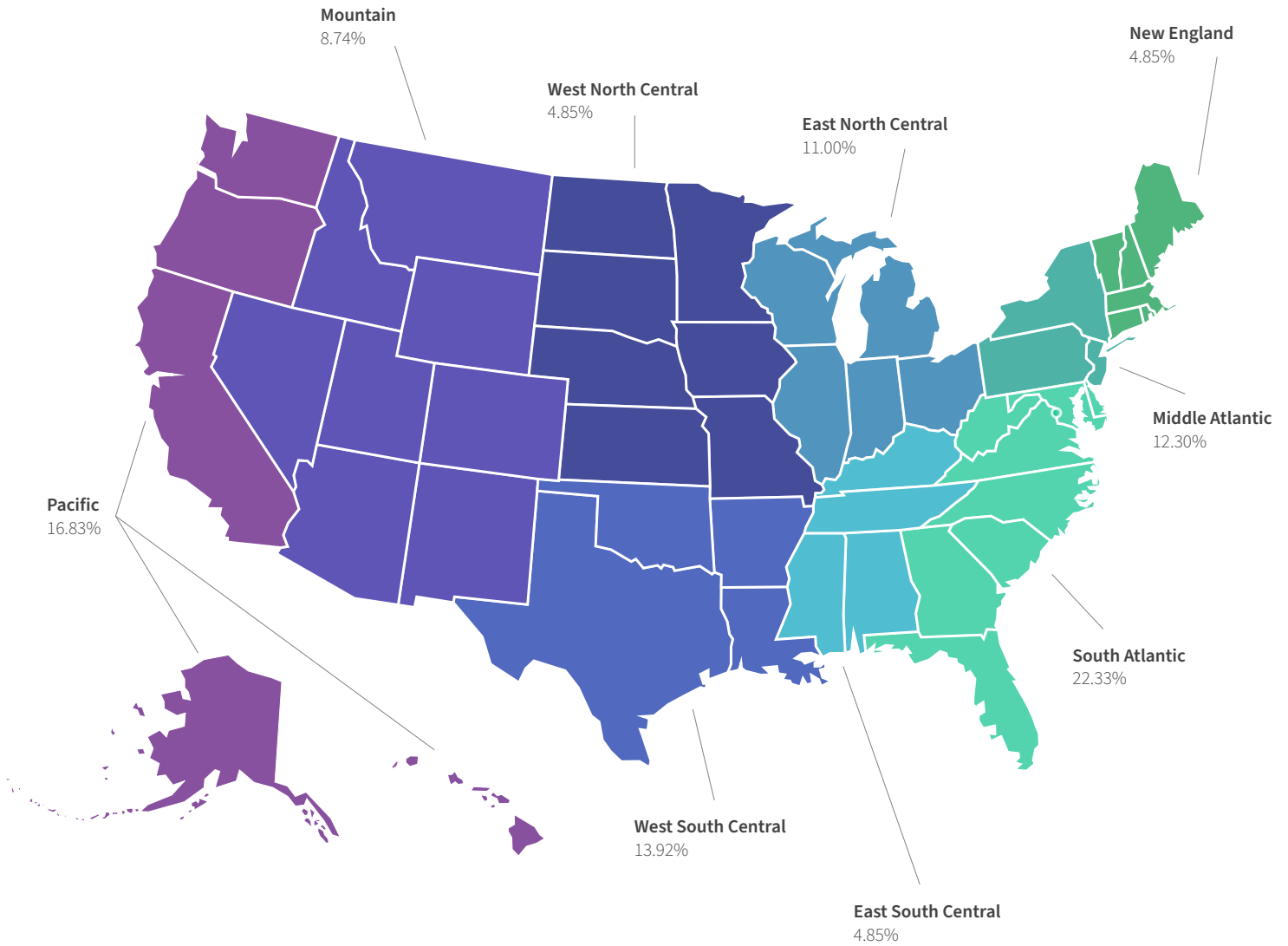
What type of device are you using?



Q22

What is your household income?

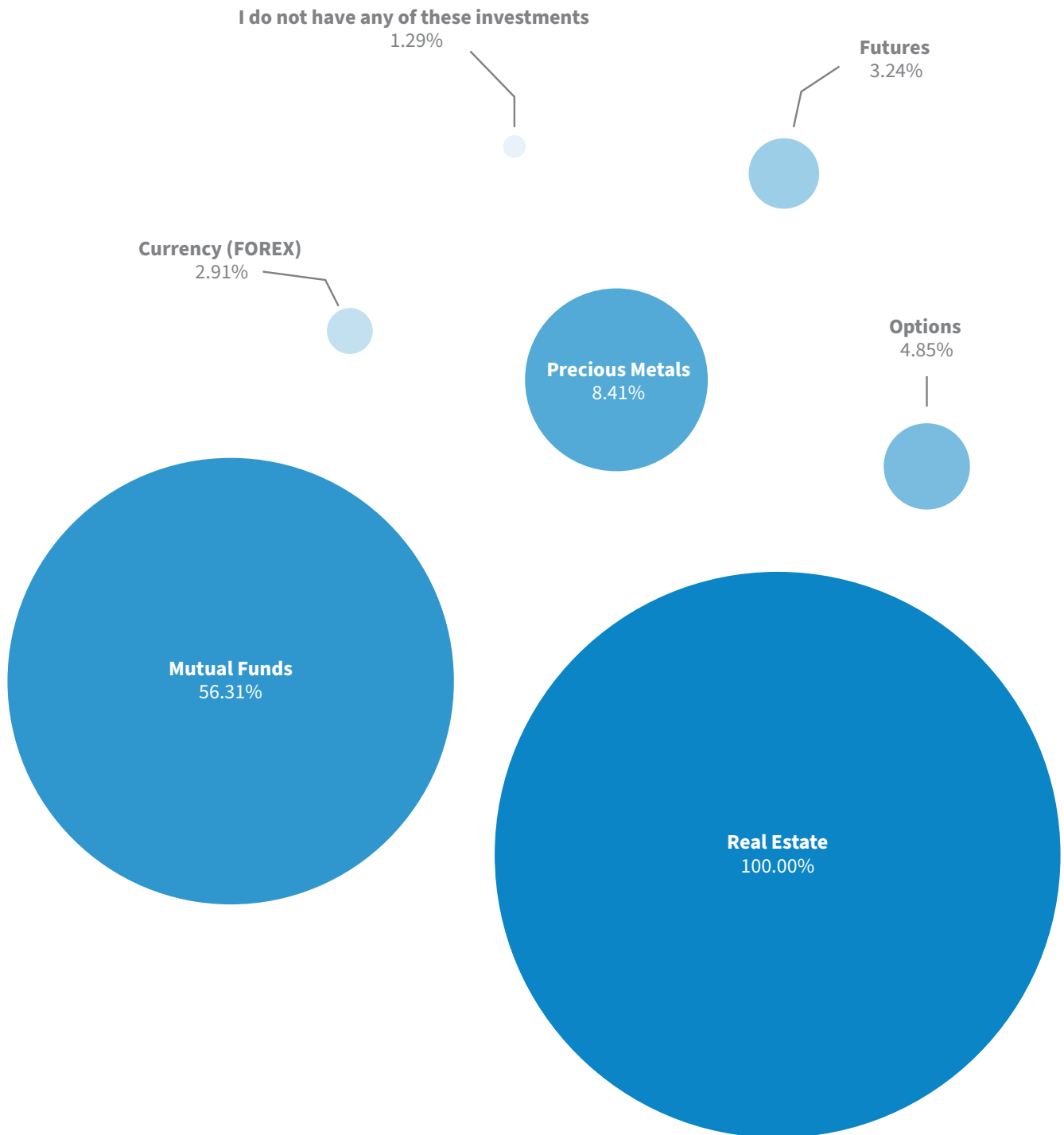




Q23

In which major US region do you reside?

Pacific	16.83%	West South Central	13.92%	Middle Atlantic	12.30%
Mountain	8.74%	East North Central	11.00%	South Atlantic	22.33%
West North Central	4.85%	East South Central	4.85%	New England	4.85%



Q12

What investments do you hold?

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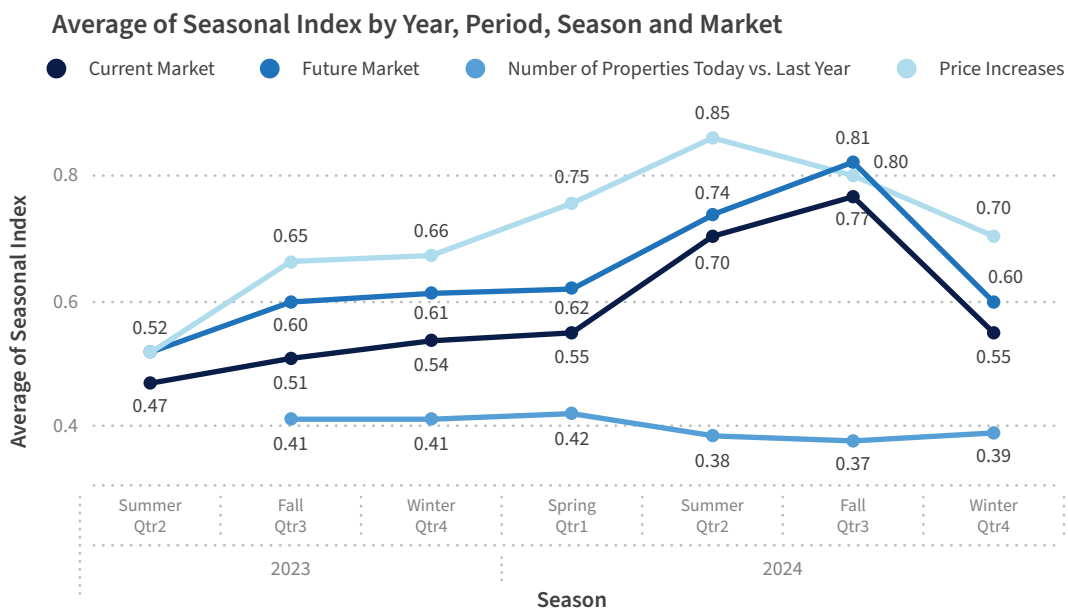
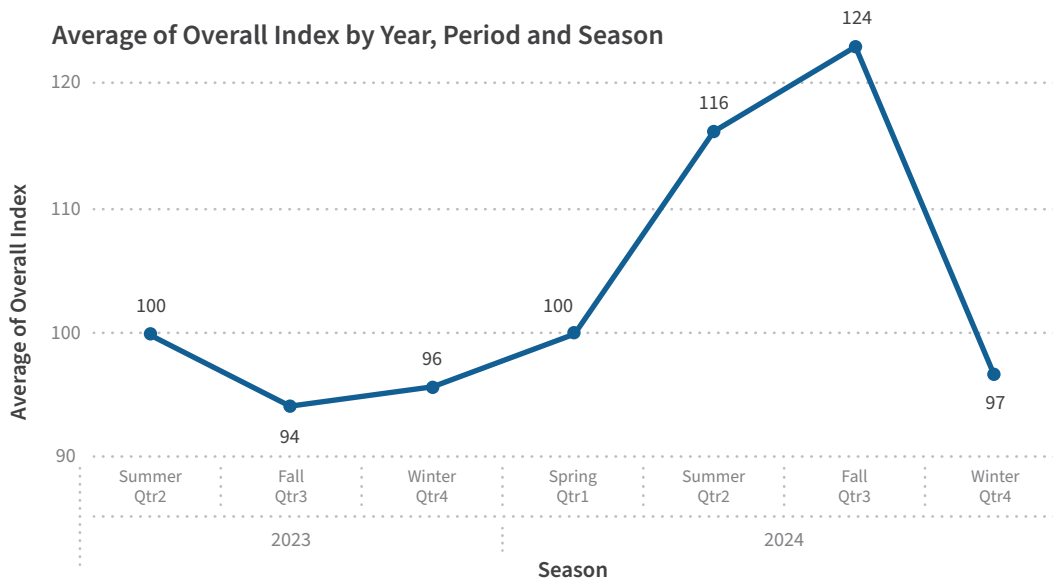
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Investor Sentiment Index (ISI)

The RCN Capital/CJ Patrick Investor Sentiment Index (ISI) was designed to track the pulse of real estate investors across the country and gauge market outlook. The ISI is based on a quarterly survey of residential real estate investors and focuses on their responses to four specific questions:

- **Current Market Outlook** - How does the environment for residential real estate investing compare to one year ago?
- **Future Market Outlook** - What's your outlook for residential real estate investing over the next 6 months compared to today?
- **Expected Home Price Increases** - What do you expect home prices to do over the next 6 months?
- **Number of Properties Compared to Past 12 Months** - How does the number of properties you plan to invest in over the next 12 months compare to the number of properties you've invested in over the past 12 months?

Each quarter, the ISI depicts the overall sentiment of residential real estate investors toward industry conditions starting with a baseline scale of 100. The initial baseline value of 100 was established from the results of the Summer 2023 Investor Sentiment Survey, serving as our reference point when we began the survey. A higher reading (>100) is an indication that the majority of residential real estate investors are confident about the current and near-term outlook for residential real estate investing. Lower readings (<100) signify less optimism among residential real estate investors.



The ISI is a weighted average of four of the components of the quarterly Investor Sentiment Survey: current market outlook, future market outlook over the next 6 months, expected home price increases over the next 6 months, and number of investment property purchases compared to the past 12 months.

Survey respondents, who are residential real estate investors, rate the first two on a scale of “better”, “same”, or “worse”, the third on a scale of “increase”, “remain flat”, or “decline”, and the last on a scale of “more”, “same”, or “less”.

• **The index is calculated for each season by applying these formulas:**

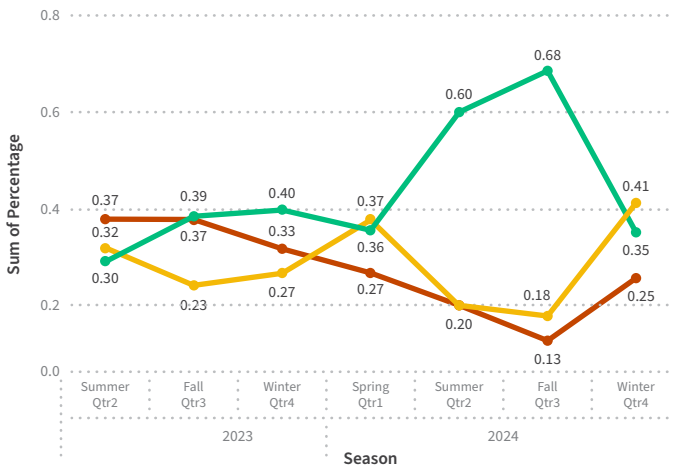
- Current Market Outlook - $\frac{(\text{Better} - \text{Worse} + 1)}{2}$
- Future Market Outlook - $\frac{(\text{Better} - \text{Worse} + 1)}{2}$
- Expected Home Price Increases - $\frac{(\text{Increase} - \text{Decline} + 1)}{2}$
- Number of Properties Compared to Past 12 Months - $\frac{(\text{More} - \text{Less} + 1)}{2}$

• **Subsequently, each resulting index is weighted according to the following percentages to derive the Overall Index for each season:**

- Current Market Outlook - 40%
- Future Market Outlook - 25%
- Expected Home Price Increases - 10%
- Number of Properties Compared to Past 12 Months - 25%

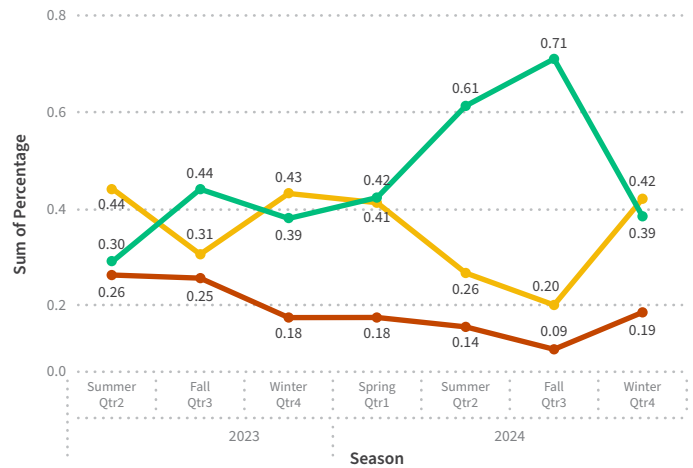
Current Market Sentiment Over Time

Sentiment ● Worse ● Same ● Better



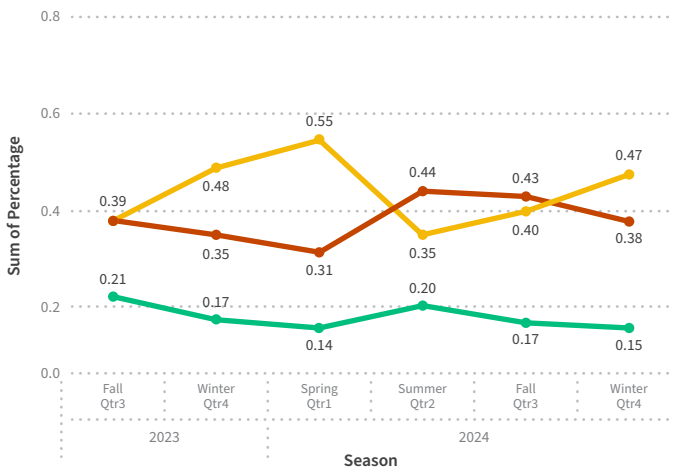
Future Market Sentiment Over Time

Sentiment ● Worse ● Same ● Better



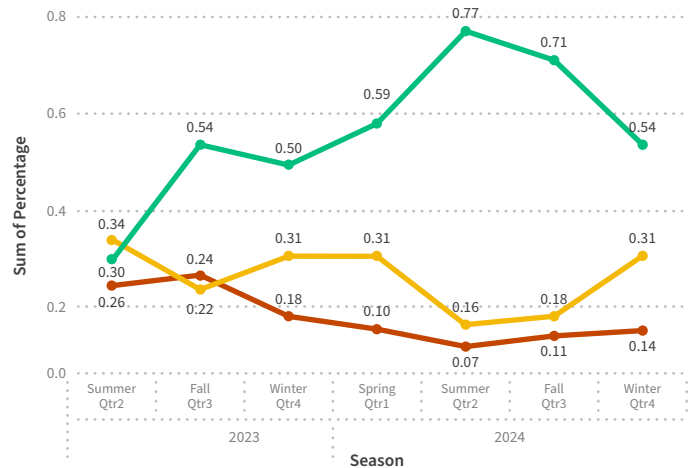
Number of Properties Today vs. Last Year

Sentiment ● 1-More ● 2-Same ● 3-Less



Price Increases

Sentiment ● Increase ● Flat ● Decline



The index was created this way to make it relatively easy to interpret and easily show market sentiment over time. In particular, the Overall index:

- Lies on a scale of +/- 100
- Is <100 only when respondents say sentiment is less optimistic
- Is >100 only when respondents say sentiment is more optimistic

The survey respondents represent residential real estate investors with diversified investing strategies from all over the United States. The survey is conducted quarterly with varying participants to ensure optimal response rates and balanced participation from residential real estate investors from across the country.

