

Invitation Homes - Choosing the Next Sourcing Channel

Internal ID: S&F-STR-317

Topic: Growth Strategy, Mergers & Acquisitions, Risk Management

Industry: Single-Family Residential REITs

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Decision date and information cutoff: March 1, 2024

Decision scope: Prioritizing future opportunities to acquire existing homes or take delivery of new homes under third-party builder contracts

Case convention: This is a hypothetical strategy exercise. The company's disclosures are historical; the assignment does not represent an actual board mandate, internal budget, or management disagreement.

The decision

Invitation Homes had grown by acquiring and operating single-family rental homes across major U.S. markets. Its disclosed sourcing included purchases of existing homes and partnerships with third-party homebuilders. Its latest disclosed year-end builder pipeline, as of December 31, 2023, included homes under contract, and the company had also provided ranges for 2024 acquisitions and dispositions. Those disclosures left open a practical question for a hypothetical investment team: how should it evaluate the next opportunities that are not already under contract?

The team must decide how to prioritize marginal opportunities between existing homes and future builder deliveries. Should it favor carefully selected existing homes, prioritize additional, uncommitted builder-sourced opportunities while managing the signed delivery pipeline separately, or use a market-by-market process that stages additional commitments against evidence? The task is to set decision criteria and information gates. Do not assume a dedicated capital pool or recommend undoing current contracts.

Two routes to adding homes

Invitation Homes' strategy included acquiring homes through the existing-home market as well as working with homebuilders to acquire newly constructed homes for rent. The company described builder activity in supply-constrained areas and noted that these arrangements involve scheduled deliveries and deposits. It also identified risks including builder performance, timing and quality; future funding commitments; and zoning or regulatory challenges. Existing-home purchases carry their own risks, including property condition, inspection limits, renovation needs, and competition for assets. [P1]

The 2023 results show the scale of both growth and portfolio operations. Invitation Homes acquired 3,221 homes for \$1.168 billion during the year: 2,877 wholly owned homes for \$1.054 billion and 344 joint-venture homes for \$114 million. It sold 1,489 homes, including 1,423 wholly owned homes. The company did not disclose an acquisition breakdown between existing homes and builder-sourced homes in these totals. [P2]

The existing rental portfolio produced mixed operating signals. In the 75,775-home same-store pool, 2023 Core Revenue grew 6.5%, expenses rose 10.3%, and Net Operating Income (NOI) grew 4.8%. Average occupancy was 97.4%, compared with 97.7% in 2022. Renewal rent growth was 7.0%, new-lease rent growth 4.5%, and blended rent growth 6.3%. These are measures for a defined comparable pool; they do not report results for recently acquired homes or builder-delivery cohorts. [P2]

A contracted builder pipeline and a forecast

At December 31, 2023, Invitation Homes reported 1,789 homes under contract with third-party homebuilders. The company estimated deliveries of 760 homes in 2024, 594 in 2025, and 435 thereafter, at an average estimated cost basis of \$390,000 per home. The company defines cost basis to include purchase price, closing adjustments, and estimated initial renovation spend. The pipeline had been 1,931 homes at September 30; the quarter's rollforward showed 24 net additions and cancellations and 166 deliveries. These were future schedules and estimates, not completed 2024 deliveries. [P2]

For 2024, the company forecast \$600 million to \$1.0 billion in wholly owned acquisitions and \$100 million to \$300 million in joint-venture acquisitions. It also forecast \$400 million to \$600 million in wholly owned dispositions. The guidance does not say how acquisitions divide between existing homes and builder deliveries, and it is not a channel-specific budget. [P2]

Invitation Homes also reported estimated stabilized cap rates for fourth-quarter transactions: 6.0% for wholly owned acquisitions and 1.9% for dispositions. The company calculated acquisition cap rates using forward stabilized NOI divided by cost basis, and disposition cap rates using trailing actual NOI divided by sales price. The percentages therefore do not form a directly comparable spread or a realized return. [P2]

A market-by-market problem

The choice cannot be settled from the company-wide figures alone. An existing home may be available in an established rental market but require inspection, renovation, and pricing decisions. A newly built home may offer a contracted price and a planned delivery date, while relying on a builder to complete the home and creating future funding obligations. Demand, rents, taxes, insurance, property condition, and local supply differ by market. The sources do not report a channel-by-channel comparison of operating performance or returns.

The next step could therefore emphasize one source, sequence both sources by market and evidence, or preserve flexibility while current contracts deliver. In each case, the team needs to distinguish signed commitments from opportunities that remain open. What evidence should it require before making additional commitments?

Decision exhibit

Measure available by the cutoff	Reported figure	What the measure does not show
FY2023 acquisitions	3,221 homes; \$1.168bn	Mix between existing-home and builder sourcing; cohort returns [P2]
FY2023 dispositions	1,489 homes	Whether sales were tied to sourcing channel or market performance [P2]
Homes under third-party builder contract at Dec. 31, 2023	1,789	The number ultimately delivered or the economics by home/market [P2]
Estimated builder deliveries	760 in 2024; 594 in 2025; 435 thereafter	Actual delivery timing, leasing, and performance [P2]
Estimated average cost basis per contracted builder home	\$390,000	Total capital needs or comparative cost of an existing home [P2]
FY2024 acquisition guidance	\$600m-\$1.0bn wholly owned; \$100m-\$300m JV	Channel allocation or a binding budget [P2]
FY2024 disposition guidance	\$400m-\$600m wholly owned dispositions	Total disposition activity or a specific channel mix [P2]
FY2023 same-store NOI growth	4.8%	NOI for newly acquired or builder-delivered homes [P2]

The choice

Prepare a recommendation for the next uncommitted sourcing opportunities. State whether you would emphasize existing homes, additional builder opportunities, or a staged market-by-market approach. Identify the evidence that should trigger more commitments, a pause, or a change in mix. Explain what you would monitor after acquisition and how you would compare the channels fairly. Address the strongest counterargument to your approach.

The case provides no channel-specific return data, dedicated capital pool, acquisition hurdle, or management mandate. If you need such inputs to make a quantitative comparison, identify them as information to request; do not invent them.

Sources and conventions

All company facts are limited to information public by March 1, 2024. Guidance and delivery estimates are attributed as forecasts. “Same-store” results apply only to the company-defined comparable portfolio. NOI is the company’s operating measure; it does not include all capital costs. References to builder homes mean the disclosed third-party homebuilder pipeline and do not imply that every contract was discretionary or that every home was already delivered.

[P1]: [Invitation Homes FY2023 Form 10-K](#), filed February 21, 2024; Item 1, “Our Strategy,” printed pp. 11-13, HTML ¶¶318-345; Item 1A, printed pp. 28-29, HTML ¶¶738-753. [P2]: [Invitation Homes Q4 and FY2023 earnings release and supplemental information](#), February 13, 2024; printed pp. 3-5, 28-30 (pipeline on p. 29; cost-basis definition in glossary on p. 30).