The American Home

Dear Investors,

We now own over 2,350 homes in Atlanta, Charlotte, Nashville, Orlando, and Tampa.

The median home was bought in 1996. Our average property is a 3.3 bedroom/2.2-bath home, purchased at an all-in cost of around $80,000. Our acquisition cost is significantly below replacement cost.

We currently have 1,092 homes rented. The rest are listed, in redevelopment, utilities and inspection. Since the beginning of the year, we have rented over 450 homes. We expect to be fully leased by the end of the summer.

Housing is Rapidly Improving

As many of you know from recent news, the housing market is starting to improve quite rapidly. Consider the following:

- Bank of America is expecting an 8% home price increase this year with a recent report that asks, “Did Someone Say House Party?” J.P. Morgan is expecting a 7% home price increase in 2013.
- According to John Burns Real Estate Consulting Group: “In markets like Orlando and Naples, new home prices are increasing approximately 1%-2% per month in many communities. Lotteries are back. *We are projecting double-digit home price appreciation in many Florida markets for 2013.”*
- Ivy Zelman, the analyst who called the housing bubble and last year’s bottom, has told CNBC she is *the most bullish in twenty years.*
- The CEO of Lennar (NYSE: LEN), an $8 billion home builder, said this on CNBC: "Prices are moving up not because costs are moving up so much, *but because demand is getting so strong.*"
- Credit Suisse’s latest real estate agent survey: "Most encouraging is that the *breadth of strength is unprecedented in our survey's history dating back to 2005.*"
- According to Redfin, more than a third of houses sold within two weeks of being listed in 19 major markets, and *inventory is down 32 percent in those markets*.

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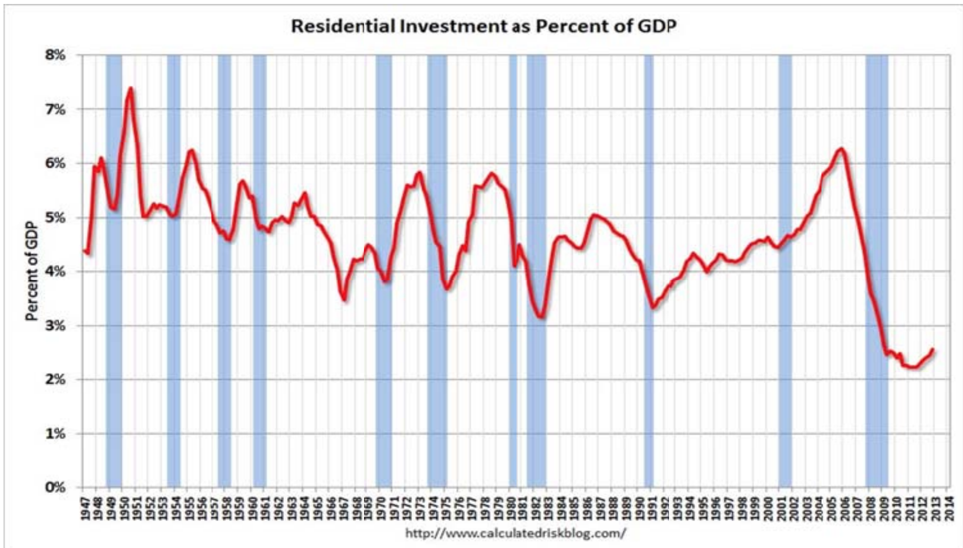
The Most Important Chart To The Housing Market

The most important chart to pay attention to relating to the housing market is residential investment as a percent of GDP. This chart shows apartment and home building as a percent of our economy, and goes back to 1947. The blue bars are recessions.



Notice that for 60 years, despite many booms and busts, residential investment averaged around 4.5% of GDP, and consistently ranged between 3% and 6% of GDP. The peak in 2005-2006, while high, was not really as high as one might think compared to past peaks. But this past bust was historic.

Never before since data was collected has residential investment fallen below 3%. And notice the past troughs, which are "V" shaped with quick, sharp recoveries. That is not what happened in 2008. And more than four years later, residential investment is still almost half of what it normally is.

Driven by a lack of building, the stage has been set for a housing shortage in this country. Construction has been curtailed by the high inventory and oversupply of foreclosed and distressed homes. The stock of these troubled assets is declining steadily as investor demand continues to exceed supply.

Investor optimism is not the only cause of a normalizing home market. Since 2007 household formation rates have been undermined by a poor economy, but they are starting to revert to their higher historical averages (see the chart below). This too has shifted the demand curve up, resulting in further absorption of inventory and supply.

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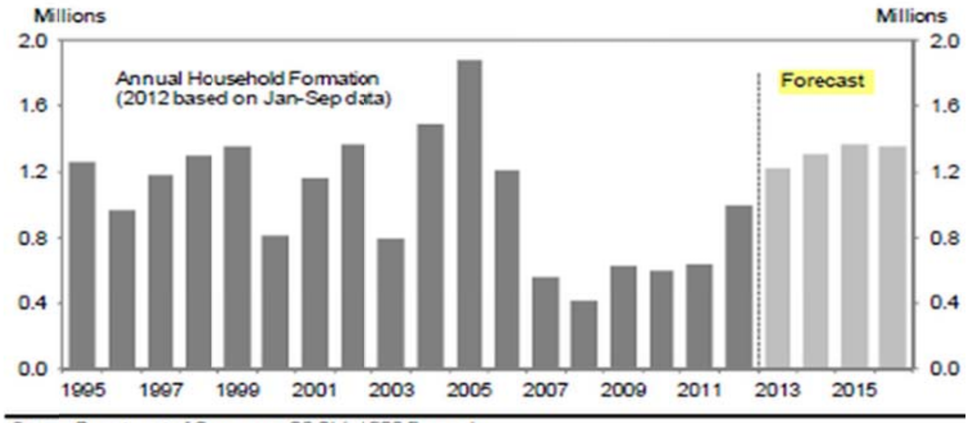
This dynamic is likely to expose the need for more homes, but prudent construction companies won't start building until they see existing home prices returning to the cost of construction.



Source: Department of Commerce. GS Global ECS Research.

We believe that residential investment will revert to 4.5% of GDP. Expect home prices to return to the cost of construction as demand outstrips supply. This will be very positive for our broad, diversified portfolio of homes.

Are There Still Buying Opportunities?

Articles covering new investors entering the market and home price appreciation pervade the press. This begs the question: Are there still homes at attractive prices available to buy? The short answer is "yes."

The housing market continues to be highly inefficient, primarily because it is still dominated by small mom and pop investors. Consider that institutions may own around 60,000 to 70,000 homes in a market that according to the U.S. Census numbers around 14 million single-family rentals. And that is in addition to the foreclosures that steadily permeate the pipeline.

A long, bureaucratic process exists in short sale transactions. Banks are notoriously inefficient at processing offers that are below their mortgage value. We made many of these short-sale offers last year that went into bank purgatory and have suddenly started popping up, allowing us to buy at home prices that existed six months ago.

Finally, while home prices are increasing, we can still buy homes below the cost of construction. With the right capital structure behind us, it makes sense to keep buying as the market improves. And this is where a potential debt facility comes into play.

Financial Management Priorities

Since his arrival in mid-January as our new CFO, Jim Rothberg and his team have established, and begun executing, a plan to develop a best-in-class financial management function. The Finance division has been focused on the following priorities:

- Completing a comprehensive audit of our financial statements.
- Developing pro forma financials to enhance strategic planning and monitoring of performance.
- Managing corporate liquidity dynamically, with continuous updates of projected cash needs and reassessments of cash management tactics.
- Reducing our cost of capital by adding debt to our capital structure.

I'm happy to report that there has been significant progress made on all fronts. We have completed audits of the four TAH funds, and expect to have audited financials for our consolidated company (all six funds and the property management company) in June. We have instituted weekly liquidity forecasts, and by the end of April we will have the capability to forecast financial performance regularly for the entire company.

We are targeting settlement on a bank debt facility by the end of June. Our objective is to boost shareholder returns by financing near-term housing investments with a prudent amount of low-cost debt. We expect to acquire approximately $100 million of homes, or approximately 1100 to1200 properties, financed with the proceeds of debt collateralized by our existing portfolio of leased, cash-flowing housing assets.

Small Equity Offering in April

We are currently planning to launch a small equity offering by the end of April, and close in early May. This equity raise will meet our liquidity needs until the debt facility closes and we resume home acquisitions.

We expect our largest investor and chairman, Ryan Katz, will contribute up to $20 million in the new equity offering. We will provide more information later in April.

Improved Investor Relations

One area where we will improve is in investor relations. I promise an enhanced investor relations effort including sharing our soon-to-be-completed audits of every partnership and our consolidated REIT.

Summary

We continue to develop our operational and financial capabilities every day. We look forward to reporting on these efforts in future updates.

What is clear is that we own a housing portfolio that is valuable and appreciating every day in today's improving housing market.

As always, you can reach out to Simon Frost or me. My contact is aaron@theamericanhome.com and Simon's is simon@theamericanhome.com.

Sincerely,

Aaron Edelheit

Aaron M. Edelheit
CEO