Section 1: 10-Q (10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-38004

Invitation Homes Inc.
(Exact name of registrant as specified in governing instruments)

Maryland	**90-0939055**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1717 Main Street, Suite 2000
Dallas, Texas 75201
(Address of principal executive offices)(Zip Code)

(972) 421-3600
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 31, 2018, there were 520,580,101 shares of common stock, par value $0.01 per share, outstanding.

INVITATION HOMES INC.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which include, but are not limited to, statements related to our expectations regarding the anticipated benefits of the merger with Starwood Waypoint Homes (“SWH”), the performance of our business, our financial results, our liquidity and capital resources, and other non-historical statements. In some cases, you can identify these forward-looking statements by the use of words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “could,” “seeks,” “projects,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties, including, among others, risks associated with achieving expected revenue synergies or cost savings from the merger, risks inherent to the single-family rental industry and our business model, macroeconomic factors beyond our control, competition in identifying and acquiring properties, competition in the leasing market for quality residents, increasing property taxes, homeowners’ association (“HOA”) and insurance costs, our dependence on third parties for key services, risks related to the evaluation of properties, poor resident selection and defaults and non-renewals by our residents, performance of our information technology systems, and risks related to our indebtedness. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include, but are not limited to, those described under Part I. Item 1A. “Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2017 (the “Annual Report on Form 10-K”) as such factors may be updated from time to time in our periodic filings with the Securities and Exchange Commission (the “SEC”), which are accessible on the SEC’s website at http://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 elsewhere in this Quarterly Report on Form 10-Q, in the Annual Report on Form 10-K, and in our other periodic filings. The forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q, and we expressly disclaim any obligation or undertaking to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except to the extent otherwise required by law.

DEFINED TERMS

Prior to the completion of our initial public offering, our business was owned by six holding entities: Invitation Homes L.P., Preeminent Holdings Inc., Invitation Homes 3 L.P., Invitation Homes 4 L.P., Invitation Homes 5 L.P. and Invitation Homes 6 L.P. We refer to these six holding entities collectively as the "IH Holding Entities." Unless the context suggests otherwise, references to "IH1," "IH2," "IH3," "IH4," "IH5" and "IH6" refer to Invitation Homes L.P., Preeminent Holdings Inc., Invitation Homes 3 L.P., Invitation Homes 4 L.P., Invitation Homes 5 L.P. and Invitation Homes 6 L.P., respectively, in each case including any wholly-owned subsidiaries, if applicable. THR Property Management L.P., a wholly-owned subsidiary of IH1 (the "Manager"), provides all management and other administrative services with respect to the homes we own. The IH Holding Entities were under the common control of Blackstone Real Estate Partners VII L.P., an investment fund sponsored by The Blackstone Group L.P., and its general partner and certain affiliated funds and investment vehicles. Investment funds and vehicles associated with or designated by The Blackstone Group L.P. are referred to herein as "Blackstone." We refer to Blackstone, together with our management and other equity holders prior to the completion of our initial public offering, collectively as our "Pre-IPO Owners."

On November 16, 2017 (the "Merger Date"), pursuant to an Agreement and Plan of Merger, dated August 9, 2017 (the "Merger Agreement"), by and among Invitation Homes Inc. ("INVH"), Invitation Homes Operating Partnership LP ("INVH LP"), IH Merger Sub, LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of INVH ("REIT Merger Sub"), SWH and Starwood Waypoint Homes Partnership, L.P., a Delaware limited partnership and a subsidiary of SWH ("SWH Partnership"), SWH merged with and into REIT Merger Sub, with REIT Merger Sub surviving as our subsidiary (the "REIT Merger"). Immediately after the REIT Merger, SWH Partnership merged with and into INVH LP, with INVH LP surviving as our subsidiary (the "Partnership Merger," and together with the REIT Merger, the "Mergers"). "Legacy SWH" and "SWH," as the context requires, refer to the business practices and operations of SWH prior to the Mergers, including the homes owned by SWH. "Legacy IH" refers to the business practices and operations of INVH prior to the Mergers, including the homes owned by INVH.

Unless the context suggests otherwise, references in this Quarterly Report on Form 10-Q to "Invitation Homes," the "Company," "we," "our," and "us" refer (1) prior to the consummation of the reorganization transactions described in Part I. Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" (the "Pre-IPO Transactions"), to the combined IH Holding Entities and their consolidated subsidiaries, including INVH LP, (2) after the consummation of the Pre-IPO Transactions, to INVH and its consolidated subsidiaries (including INVH LP and the IH Holding Entities), and (3) after the consummation of the Mergers, to INVH and its consolidated subsidiaries including those acquired in the Mergers.

In this Quarterly Report on Form 10-Q:

- "average monthly rent" represents average monthly rental income per home for occupied properties in an identified population of homes over the measurement period and reflects the impact of non-service rent concessions and contractual rent increases amortized over the life of the related lease;
- "average occupancy" for an identified population of homes represents (i) the total number of days that the homes in such population were occupied during the measurement period, divided by (ii) the total number of days that the homes in such population were owned during the measurement period;
- "days to re-resident" for an individual home represents the number of days between (i) the date the prior resident moves out of a home, and (ii) the date the next resident is granted access to the same home, which is deemed to be the earlier of the next resident's contractual lease start date and the next resident's move-in date;
- "Carolinas" includes Charlotte, NC, Greensboro, NC, Raleigh, NC and Fort Mill, SC;
- "in-fill" refers to markets, MSAs, submarkets, neighborhoods or other geographic areas that are typified by significant population densities and low availability of land suitable for development into competitive properties, resulting in limited opportunities for new construction;
- "Metropolitan Statistical Area" or "MSA" is defined by the United States Office of Management and Budget as a region associated with at least one urbanized area that has a population of at least 50,000 and comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting;

- “net effective rental rate growth” for any home represents the percentage difference between the monthly rent from an expiring lease and the monthly rent from the next lease and, in each case, reflects the impact of non-service rent concessions and contractual rent increases amortized over the life of the related lease. Leases are either renewal leases, where our current resident chooses to stay for a subsequent lease term, or a new lease, where our previous resident moves out and a new resident signs a lease to occupy the same home;
- “Northern California” includes Chico, CA, Modesto, CA, Napa, CA, Sacramento-Arden-Arcade-Roseville, CA, San Francisco-Oakland-Hayward, CA, Stockton-Lodi, CA, Vallejo-Fairfield, CA and Yuba City, CA;
- “PSF” means per square foot;
- “Same Store” or “Same Store portfolio” includes, for a given reporting period, homes that have been stabilized for at least 15 months prior to January 1st of the year in which the Same Store portfolio was established, excluding homes that have been sold, homes that have been identified for sale to an owner occupant and have become vacant, and homes that have been deemed inoperable or significantly impaired by casualty loss events or force majeure. Homes are considered stabilized if they have (i) completed an initial renovation and (ii) entered into at least one post-initial renovation lease. An acquired portfolio that is both leased and deemed to be of sufficiently similar quality and characteristics as the existing Invitation Homes Same Store portfolio may be considered stabilized at the time of acquisition. Additionally, homes acquired via the Mergers have been deemed to qualify for the Same Store portfolio beginning in 2018 if they were stabilized, according to the Invitation Homes criteria for stabilization, within the Legacy SWH portfolio prior to the Mergers. We believe presenting information about the portion of our portfolio that has been fully operational for the entirety of a given reporting period and its prior year comparison period provides investors with meaningful information about the performance of our comparable homes across periods and about trends in our organic business. In order to provide meaningful comparative information across periods that, in some cases, pre-date the Mergers, all information regarding the performance of the Same Store portfolio for periods prior to December 31, 2017 is presented as though the Mergers were consummated on January 1, 2017;
- “Southeast United States” includes our Atlanta, Carolinas and Nashville markets;
- “South Florida” includes Miami-Fort Lauderdale-West Palm Beach, FL and Port St. Lucie, FL;
- “Southern California” includes Bakersfield, CA, Los Angeles-Long Beach-Anaheim, CA, Oxnard-Thousand Oaks-Ventura, CA, Riverside-San Bernardino-Ontario, CA and San Diego-Carlsbad, CA;
- “total homes” or “total portfolio” refers to the total number of homes we own, whether or not stabilized, and excludes any properties previously acquired in purchases that have been subsequently rescinded or vacated. Unless the context otherwise requires, all measures in this Quarterly Report on Form 10-Q are presented on a total portfolio basis;
- “turnover rate” represents the number of instances that homes in an identified population become unoccupied in a given period, divided by the number of homes in such population. To the extent the measurement period shown is less than 12 months, the turnover rate may be reflected on an annualized basis; and
- “Western United States” includes our Southern California, Northern California, Seattle, Phoenix, Las Vegas and Denver markets.

PART I

ITEM 1. FINANCIAL STATEMENTS

INVITATION HOMES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except shares and per share data)

	September 30, 2018	December 31, 2017
Assets:	(unaudited)	
Investments in single-family residential properties:		
Land	$ 4,575,697	$ 4,646,917
Building and improvements	13,650,475	13,740,981
	18,226,172	18,387,898
Less: accumulated depreciation	(1,423,820)	(1,075,634)
Investments in single-family residential properties, net	16,802,352	17,312,264
Cash and cash equivalents	130,037	179,878
Restricted cash	253,603	236,684
Goodwill	258,207	258,207
Other assets, net	1,032,449	696,605
Total assets	$ 18,476,648	$ 18,683,638
Liabilities:		
Mortgage loans, net	$ 7,409,700	$ 7,580,153
Term loan facility, net	1,490,138	1,487,973
Revolving facility	—	35,000
Convertible senior notes, net	555,081	548,536
Accounts payable and accrued expenses	275,203	193,413
Resident security deposits	151,305	146,689
Other liabilities	30,573	41,999
Total liabilities	9,912,000	10,033,763
Equity:		
Shareholders' equity		
Preferred stock, $0.01 par value per share, 900,000,000 shares authorized, none outstanding at September 30, 2018 and December 31, 2017	—	—
Common stock, $0.01 par value per share, 9,000,000,000 shares authorized, 520,579,577 and 519,173,142 outstanding at September 30, 2018 and December 31, 2017, respectively	5,206	5,192
Additional paid-in capital	8,624,380	8,602,603
Accumulated deficit	(360,344)	(157,595)
Accumulated other comprehensive income	151,886	47,885
Total shareholders' equity	8,421,128	8,498,085
Non-controlling interests	143,520	151,790
Total equity	8,564,648	8,649,875
Total liabilities and equity	$ 18,476,648	$ 18,683,638

The accompanying notes are an integral part of these condensed consolidated financial statements.

INVITATION HOMES INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except shares and per share data)
(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Rental revenues	$ 404,140	$ 229,375	$ 1,203,780	$ 683,975
Other property income	30,111	14,161	86,566	40,527
Total revenues	434,251	243,536	1,290,346	724,502
Operating expenses:				
Property operating and maintenance	170,021	93,267	496,211	274,275
Property management expense	16,692	10,852	48,204	31,436
General and administrative	21,152	27,462	73,424	104,154
Depreciation and amortization	139,371	67,466	430,321	202,558
Impairment and other	3,252	14,572	13,476	16,482
Total operating expenses	350,488	213,619	1,061,636	628,905
Operating income	83,763	29,917	228,710	95,597
Interest expense	(97,564)	(56,796)	(287,089)	(182,726)
Other, net	3,330	613	6,697	(482)
Gain on sale of property, net of tax	11,512	3,756	20,955	28,239
Net income (loss)	1,041	(22,510)	(30,727)	(59,372)
Net (income) loss attributable to non-controlling interests	(21)	—	532	—
Net income (loss) attributable to common shareholders	$ 1,020	$ (22,510)	$ (30,195)	$ (59,372)

	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	February 1, 2017 through September 30, 2017
Net income (loss) available to common shareholders — basic and diluted (Note 12)	$ 824	$ (22,745)	$ (30,822)	$ (42,837)
Weighted average common shares outstanding — basic	520,620,519	311,559,780	520,267,029	311,674,226
Weighted average common shares outstanding — diluted	521,761,076	311,559,780	520,267,029	311,674,226
Net income (loss) per common share — basic	$ —	$ (0.07)	$ (0.06)	$ (0.14)
Net income (loss) per common share — diluted	$ —	$ (0.07)	$ (0.06)	$ (0.14)

The accompanying notes are an integral part of these condensed consolidated financial statements.

INVITATION HOMES INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Net income (loss)	$ 1,041	$ (22,510)	$ (30,727)	$ (59,372)
Other comprehensive income				
Unrealized gains (losses) on interest rate swaps	39,488	(598)	115,214	(4,796)
(Gains) losses from interest rate swaps reclassified into earnings from accumulated other comprehensive income	(5,982)	4,193	(9,307)	12,963
Other comprehensive income	33,506	3,595	105,907	8,167
Comprehensive income (loss)	34,547	(18,915)	75,180	(51,205)
Comprehensive income attributable to non-controlling interests	(595)	—	(1,300)	—
Comprehensive income (loss) attributable to common shareholders	$ 33,952	$ (18,915)	$ 73,880	$ (51,205)

The accompanying notes are an integral part of these condensed consolidated financial statements.

INVITATION HOMES INC.
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
For the Nine Months Ended September 30, 2018
(in thousands, except share and per share data)
(unaudited)

	Common Stock							
	Number of Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
Balance as of December 31, 2017	519,173,142	$ 5,192	$ 8,602,603	$ (157,595)	$ 47,885	$ 8,498,085	$ 151,790	$ 8,649,875
Capital distributions	—	—	—	—	—	—	(3,025)	(3,025)
Net loss	—	—	—	(30,195)	—	(30,195)	(532)	(30,727)
Dividends and dividend equivalents declared ($0.33 per share)	—	—	—	(172,554)	—	(172,554)	—	(172,554)
Issuance of common stock — settlement of RSUs, net of tax	1,001,398	10	(8,420)	—	—	(8,410)	—	(8,410)
Share-based compensation expense	—	—	23,582	—	—	23,582	—	23,582
Total other comprehensive income	—	—	—	—	104,075	104,075	1,832	105,907
Redemption of OP Units for common stock	405,037	4	6,615	—	(74)	6,545	(6,545)	—
Balance as of September 30, 2018	520,579,577	$ 5,206	$ 8,624,380	$ (360,344)	$ 151,886	$ 8,421,128	$ 143,520	$ 8,564,648

The accompanying notes are an integral part of these condensed consolidated financial statements.

INVITATION HOMES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	For the Nine Months Ended September 30, 2018	2017
Operating Activities:		
Net loss	$ (30,727)	$ (59,372)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	430,321	202,558
Share-based compensation expense	23,582	64,464
Amortization of deferred leasing costs	8,549	9,249
Amortization of deferred financing costs	17,825	19,550
Amortization of debt discounts	6,816	202
Provisions for impairment	3,570	1,556
Gain on sale of property, net of tax	(20,955)	(28,239)
Change in fair value of derivative instruments	8,798	3,992
Other noncash amounts included in net loss	3,932	(1,907)
Changes in operating assets and liabilities:		
Other assets, net	(11,695)	(14,611)
Accounts payable and accrued expenses	83,355	71,417
Resident security deposits	4,616	2,463
Other liabilities	(14,906)	(885)
Net cash provided by operating activities	513,081	270,437
Investing Activities:		
Amounts deposited and held by others	8,034	(2,146)
Acquisition of single-family residential properties	(184,485)	(154,154)
Initial renovations to single-family residential properties	(35,783)	(21,500)
Other capital expenditures for single-family residential properties	(104,800)	(34,010)
Corporate capital expenditures	(3,548)	(2,809)
Proceeds from sale of residential properties	201,752	152,713
Purchases of investments in debt securities	(163,719)	(51,920)
Repayment proceeds from retained debt securities	149,668	30,916
Other investing activities	(8,153)	—
Net cash used in investing activities	(141,034)	(82,910)
Financing Activities:		
Proceeds from IPO, net of underwriting discounts	—	1,692,058
IPO costs paid	—	(2,757)
Payment of dividends and dividend equivalents	(172,554)	(43,906)
Distributions to non-controlling interests	(3,025)	—
Payment of taxes related to net share settlement of RSUs	(8,410)	(9,906)
Redemption of Series A Preferred Stock	—	(1,153)
Payments on credit facilities	—	(2,321,585)
Proceeds from mortgage loans	3,274,179	996,420

INVITATION HOMES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(in thousands)
(unaudited)

	For the Nine Months Ended September 30,	
	2018	**2017**
Payments on mortgage loans	(3,416,296)	(2,086,622)
Proceeds from term loan facility	—	1,500,000
Proceeds from revolving facility	210,000	—
Payments on revolving facility	(245,000)	—
Deferred financing costs paid	(42,492)	(42,065)
Other financing activities	(1,371)	—
Net cash used in financing activities	(404,969)	(319,516)
Change in cash, cash equivalents, and restricted cash	(32,922)	(131,989)
Cash, cash equivalents, and restricted cash, beginning of period (Note 4)	416,562	420,211
Cash, cash equivalents, and restricted cash, end of period (Note 4)	$ 383,640	$ 288,222
Supplemental cash flow disclosures:		
Interest paid, net of amounts capitalized	$ 259,007	$ 164,054
Cash paid for income taxes	1,569	1,987
Noncash investing and financing activities:		
Accrued renovation improvements at period end	$ 5,901	$ 5,537
Accrued residential property capital improvements at period end	9,690	4,426
Transfer of residential property, net to other assets, net for held for sale assets	370,900	52,051
Reclassification of IPO costs from other assets to additional paid-in capital	—	2,969
Change in other comprehensive income from cash flow hedges	97,465	8,167
Capital leases	2,209	—

The accompanying notes are an integral part of these condensed consolidated financial statements.

Note 1—Organization and Formation

Invitation Homes Inc. (“INVH”) was formed for the purpose of owning, renovating, leasing, and operating single-family residential properties. On February 6, 2017, INVH completed an initial public offering (“IPO”) of 88,550,000 shares of common stock at a price to the public of $20.00 per share. An additional 221,826,634 shares of common stock were issued to the Pre-IPO Owners (as defined below) on January 31, 2017. On November 16, 2017, INVH merged with Starwood Waypoint Homes (“SWH”) as more fully described below resulting in the issuance of an additional 207,448,958 shares of common stock.

Prior to the IPO, we conducted our business through a combination of entities formed by Blackstone Real Estate Partners VII L.P. (“BREP VII”), an investment fund sponsored by The Blackstone Group L.P., along with BREP VII’s affiliated side-by-side funds and co-investment vehicles (“BREP VII and Affiliates”). The first Invitation Homes partnership was formed on June 12, 2012, through the establishment of Invitation Homes L.P. (“IH1”) and its wholly-owned subsidiary, THR Property Management L.P. (the “Manager”). Preeminent Holdings, Inc. (“IH2”) was created on February 14, 2013, Invitation Homes 3 L.P. (“IH3”) on August 8, 2013, Invitation Homes 4 L.P. (“IH4”) on January 10, 2014, Invitation Homes 5 L.P. (“IH5”) on August 22, 2014, and Invitation Homes 6 L.P. (“IH6”) on June 15, 2015 (collectively with IH1, the “Invitation Homes Partnerships”). Through the Manager, we provide all management and other administrative services with respect to the properties we own. The collective owners of the Invitation Homes Partnerships prior to the IPO are referred to as the “Pre-IPO Owners.”

Invitation Homes Operating Partnership LP (“INVH LP”) and its general partner, Invitation Homes OP GP LLC (the “OP General Partner”), were formed by one of our Pre-IPO Owners on December 14, 2016. INVH LP began negotiating and entering into certain debt and hedge instruments upon its inception in anticipation of our IPO.

Prior to the IPO, the Invitation Homes Partnerships and INVH LP were under the common control of BREP VII and Affiliates. BREP VII and Affiliates had the ability to control each of the Invitation Homes Partnerships and manage and operate the Invitation Homes Partnerships through the Manager and a common board of directors. As such, prior to the IPO our historical financial statements include assets, liabilities and results of operations of INVH LP and the Invitation Homes Partnerships and their consolidated subsidiaries on a combined and consolidated basis.

As a result of the Pre-IPO Transactions described below, IH2 was effectively merged into INVH (and the assets and liabilities of IH2 were contributed to INVH LP), and the remaining Invitation Homes Partnerships became wholly-owned subsidiaries of INVH through INVH LP.

On October 4, 2016, INVH was incorporated in the State of Delaware and was capitalized as of that date by an investment from one of our Pre-IPO Owners. Since inception, and through the date of the Pre-IPO Transactions (as described below), INVH did not engage in any business or activity. On February 6, 2017, INVH changed its jurisdiction of incorporation to Maryland. The Pre-IPO Transactions also included amendments to the INVH charter which provide for the issuance of up to 9,000,000,000 shares of common stock and 900,000,000 shares of preferred stock, $0.01 par value per share.

Our organizational structure includes several wholly-owned subsidiaries that were formed to facilitate our financing arrangements (the “Borrower Entities”). These Borrower Entities are used to align the ownership of our single-family residential properties with individual debt instruments. Collateral for the individual debt instruments may be in the form of equity interests in the Borrower Entities or in pools of single-family residential properties owned either directly by the Borrower Entities or indirectly by their wholly-owned subsidiaries (see Note 6).

References to “Invitation Homes,” the “Company,” “we,” “our,” and “us” refer, collectively, to INVH, INVH LP, and the consolidated subsidiaries of INVH LP, including the Manager. References to “SWH” refer to Starwood Waypoint Homes and its subsidiaries.

Pre-IPO Transactions

On January 31, 2017, we effected certain transactions (the “Pre-IPO Transactions”) that resulted in INVH LP holding, directly or indirectly, all of the assets, liabilities, and results of operations of the Invitation Homes Partnerships, including the full portfolio of homes held by the Invitation Homes Partnerships. As a result of the Pre-IPO Transactions, INVH LP was wholly-owned by INVH directly and through its wholly-owned subsidiary, the OP General Partner. More specifically:

- INVH acquired all of the assets, liabilities, and operations held directly or indirectly by IH2 through certain mergers and related transactions as follows:
  - IH2 Property Holdings Inc., a parent entity of IH2, merged with and into INVH, with INVH as the entity surviving the merger (the “IH2 Property Holdings Merger”), and the issued and outstanding shares of IH2 Property Holdings Inc., all of which were held by certain of the Pre-IPO Owners, were converted into newly issued shares of common stock of INVH; and
  - following the IH2 Property Holdings Merger, IH2 merged with and into INVH, with INVH as the entity surviving the merger (the “IH2 Merger”). In the IH2 Merger, all of the shares of common stock of IH2 issued and outstanding immediately prior to such merger, other than the shares held by INVH, were converted into shares of newly issued common stock of INVH. As a result of the IH2 Merger, INVH holds all of the assets and operations held directly or indirectly by IH2 prior to such merger;
- prior to the IH2 Merger, our Pre-IPO Owners contributed to INVH their interests in each of the other Invitation Homes Partnerships (other than IH2) in exchange for newly-issued shares of INVH; and
- INVH contributed to INVH LP all of the interests in the Invitation Homes Partnerships (other than IH2, the assets, liabilities and operations of which were contributed to INVH LP).

The Pre-IPO Transactions were accounted for as a reorganization of entities under common control utilizing historical cost basis.

Merger with Starwood Waypoint Homes

On November 16, 2017 (the “Merger Date”), pursuant to an Agreement and Plan of Merger, dated as of August 9, 2017 (the “Merger Agreement”), by and among INVH, INVH LP, IH Merger Sub, LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of INVH (“REIT Merger Sub”), SWH and Starwood Waypoint Homes Partnership, L.P., a Delaware limited partnership and a subsidiary of SWH (“SWH Partnership”), SWH merged with and into REIT Merger Sub, with REIT Merger Sub surviving as our subsidiary (the “REIT Merger”). Immediately after the REIT Merger, SWH Partnership merged with and into INVH LP, with INVH LP surviving as our subsidiary (the “Partnership Merger,” and together with the REIT Merger, the “Mergers”).

Under the terms of the Merger Agreement, each outstanding SWH common share was converted into 1.6140 shares of our common stock (the “Exchange Ratio”), and each outstanding unit of SWH Partnership was converted into 1.6140 common units, representing limited partner interests, in INVH LP. Further, each outstanding restricted share unit of SWH (an “SWH RSU”) that vested as a result of the Mergers was automatically converted into the right to receive our common stock based on the Exchange Ratio, plus any accrued but unpaid dividends (if any) and less certain taxes (if any). After giving effect to the Mergers, as of September 30, 2018, INVH owns a 98.3% partnership interest in INVH LP and has the full, exclusive and complete responsibility for and discretion over the day to day management and control of INVH LP. See Note 15 for additional information regarding the accounting treatment for the Mergers.

The REIT Merger is intended to qualify as a reorganization for United States federal income tax purposes, and the Partnership Merger is intended to be treated as a transaction that is generally tax free to the holders of units of SWH Partnership for United States federal income tax purposes.

Note 2—Significant Accounting Policies

Basis of Presentation

The accompanying interim condensed consolidated financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and with the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with our audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2017.

Subsequent to the date of the Pre-IPO Transactions, these condensed consolidated financial statements include the accounts of INVH and its consolidated subsidiaries. Prior to the date of the Pre-IPO Transactions, these condensed consolidated financial statements include the combined accounts of INVH LP and the Invitation Homes Partnerships and their wholly-owned subsidiaries.

All intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements. In the opinion of management, all adjustments that are of a normal recurring nature considered necessary for a fair presentation of our interim financial statements have been included in these condensed consolidated financial statements. Operating results for the nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2018.

We consolidate entities when we own, directly or indirectly, a majority interest in the entity or are otherwise able to control the entity. We consolidate variable interest entities ("VIEs") in accordance with Accounting Standards Codification ("ASC") 810, *Consolidation*, if we are the primary beneficiary of the VIE as determined by our power to direct the VIE's activities and the obligation to absorb its losses or the right to receive its benefits, which are potentially significant to the VIE. A VIE is broadly defined as an entity with one or more of the following characteristics: (a) the total equity investment at risk is insufficient to finance the entity's activities without additional subordinated financial support; (b) as a group, the holders of the equity investment at risk lack (i) the ability to make decisions about the entity's activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) the equity investors have voting rights that are not proportional to their economic interests, and substantially all of the entity's activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights.

As described in Note 5, as a result of the Mergers we acquired an investment in a joint venture with the Federal National Mortgage Association ("FNMA"), which is a voting interest entity. We do not hold a controlling financial interest in the joint venture but have significant influence over its operating and financial policies. Additionally, FNMA held certain substantive participating rights that preclude the presumption of control by us; as such, we account for our investment using the equity method. In connection with the Mergers, we initially recorded this investment at fair value in connection with purchase accounting as described in Note 15 and have subsequently adjusted for our proportionate share of net earnings or losses and other comprehensive income or loss, cash contributions made and distributions received, and other adjustments, as appropriate. Distributions of operating profit from the joint venture are reported as part of operating cash flows while distributions related to a capital transaction, such as a refinancing transaction or sale, are reported as investing activities.

Non-controlling interests primarily represent the interests in INVH LP held by a third party as a result of the Partnership Merger. Non-controlling interests are presented as a separate component of equity on the condensed consolidated balance sheets as of September 30, 2018 and December 31, 2017 and the condensed consolidated statements of operations for the three and nine months ended September 30, 2018 includes an allocation of the net income (loss) attributable to the non-controlling interest holders.

Adoption of New Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), which provides guidance on revenue recognition and supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, most industry-specific guidance, and some cost guidance included in Subtopic 605-35, *Revenue Recognition—Construction-Type and Production-Type Contracts.* The standard's core principle is that a company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current guidance. These judgments may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. We adopted ASU 2014-09 effective January 1, 2018 using the modified retrospective transition method. This adoption did not have a significant impact on our condensed consolidated financial statements, as more than 90% of our total revenues consist of rental income from leasing arrangements, and such revenue is specifically excluded from the standard. We analyzed our remaining revenue streams included within other property income and concluded there was no change to the timing and pattern of revenue recognition for these revenue streams under the new guidance. As such, adoption of the standard did not result in a change to our revenue recognition policies, require recognition of a cumulative adjustment as of January 1, 2018, or have a material impact on our condensed consolidated financial statements.

In September 2017, the FASB issued ASU No. 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments*. The purpose of this pronouncement is to update the guidance in the SEC paragraphs of the ASC to align with ASU No. 2014-09. We adopted ASU 2017-03 effective January 1, 2018, and it did not have a material impact on our condensed consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*, which clarifies the definition of modification with the objective of evaluating whether modification accounting should be applied when there are changes to the terms or conditions of a share-based payment award. We adopted ASU 2017-09 effective January 1, 2018, and it did not have a material impact on our condensed consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets.* The new guidance clarifies that ASC 610-20 applies to the derecognition of nonfinancial assets and in substance nonfinancial assets unless other specific guidance applies. As a result, it will not apply to the derecognition of businesses, nonprofit activities, or financial assets (including equity method investments), or to revenue transactions (contracts with customers). The new guidance also clarifies that an in substance nonfinancial asset is an asset or group of assets for which substantially all of the fair value consists of nonfinancial assets and the group or subsidiary is not a business. In addition, transfers of nonfinancial assets to another entity in exchange for a non-controlling ownership interest in that entity will be accounted for under ASC 610-20, removing specific guidance on such partial exchanges from ASC 845, *Nonmonetary Transactions.* As a result of the new guidance, the guidance specific to real estate sales in ASC 360-20, *Real Estate Sales,* will be eliminated. As such, sales and partial sales of real estate assets will now be subject to the same derecognition model as all other nonfinancial assets. We adopted ASU 2017-05 effective January 1, 2018, and it did not have a material impact on our condensed consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, to simplify the accounting for goodwill impairment by removing step two of the goodwill impairment test, which had involved determining the fair value of individual assets and liabilities of a reporting unit to measure goodwill. Instead, goodwill impairment will be determined as the excess of a reporting unit's carrying value over its fair value, not to exceed the carrying amount of goodwill. We adopted ASU 2017-04 effective January 1, 2018, which will impact our goodwill impairment testing process; however, it did not have a material impact on our condensed consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash,* which requires that period changes in the total of cash, cash equivalents, and amounts generally described as restricted cash or cash equivalents are explained in the statement of cash flows. Thus, amounts generally described as restricted cash and restricted cash equivalents will be included with cash and cash equivalents when reconciling the beginning and ending balances shown in the statement of cash flows. We adopted ASU 2016-18 effective January 1, 2018, using a retrospective transition method. As a result, on our condensed consolidated statements of cash flow, changes in restricted cash related to security deposits (previously included in the operating activities section) and changes in the restricted cash line (previously included in the investing activities section) have been eliminated. Changes in restricted cash are now included in the beginning of period and end of period total cash, cash equivalents and restricted cash amounts. Additionally, Note 4 includes expanded disclosures regarding the components of the beginning and ending balances on our condensed consolidated statements of cash flows.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory.* This new guidance will require the current and deferred tax effects of intercompany transactions, except for those involving inventory, to be recognized currently. Under current GAAP, the tax effects of intra-entity asset transfers are deferred until the transferred asset is sold to a third party or otherwise recovered through use. We adopted ASU 2016-16 effective January 1, 2018, and it did not have a material impact on our condensed consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which clarifies the classification of certain cash receipts and cash payments including debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, proceeds from the settlement of insurance claims, and beneficial interests in securitization transactions. We adopted ASU 2016-15 effective January 1, 2018, and it did not have a material impact on our condensed consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments, including the requirement to measure certain equity investments at fair value with changes in fair value recognized in net income. We adopted ASU 2016-01 effective January 1, 2018, and it did not have a material impact on our condensed consolidated financial statements.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. These estimates are inherently subjective in nature and actual results could differ from those estimates.

Accounting Policies

There have been no changes to our significant accounting policies that have had a material impact on our condensed consolidated financial statements and related notes, compared to those policies disclosed in our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changes how companies will measure credit losses for certain financial assets. This guidance requires an entity to estimate its expected credit loss and record an allowance based on this estimate so that it is presented at the net amount expected to be collected on the financial asset. This new standard will be effective for annual reporting periods beginning after December 15, 2019, and interim periods within that reporting period, with early adoption permitted beginning after December 15, 2018 and interim periods within that reporting period. We do not anticipate that the adoption of this standard will have a material impact on our condensed consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will require lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than one year. Lessor accounting will remain similar to lessor accounting under current GAAP, while aligning with the FASB's new revenue recognition guidance. The new standard will be effective for us for annual reporting periods beginning after December 15, 2018, and for interim periods within those annual periods, with early adoption permitted. We expect to adopt the new standard on January 1, 2019 using the optional transition approach and use the effective date as our date of initial application. Consequently, financial information will not be updated, and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019. We expect that the adoption of this standard will result in an increase in assets and liabilities on our condensed consolidated balance sheets related to our leased office space and vehicles.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which changes the fair value disclosure requirements for certain financial instruments. This guidance reduces the need for certain disclosure language related to our financial instruments and adds additional support for unobservable inputs used in the calculation of fair values. This new standard will be effective for annual reporting periods beginning after December 15, 2019, and interim periods within that reporting period. We do not anticipate that the adoption of this standard will have a material impact on our condensed consolidated financial statements.

(dollar amounts in thousands)

In August 2018, the SEC issued Securities Act Release No. 33-10532, *Disclosure Update and Simplification*, which amends certain of its disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. The amendments are generally effective for filings on or after November 5, 2018. The *Disclosure Update and Simplification* eliminated SEC Regulation S-X, 3-15(a)(1) which previously required real estate investment trusts ("REITs") to present separately all gains and losses on the sale of properties outside of continuing operations in the statement of operations. Accordingly, we have conformed the presentation of our condensed consolidated statement of operations with this amendment for all periods presented. The Disclosure Update and Simplification also extends to interim periods the annual requirement in SEC Regulation S-X, Rule 3-04,2 to disclose and analyze changes in stockholders' equity for the current quarter and year to date interim periods as well as the comparative periods of the prior year (either in a separate statement or footnote). The additional disclosure requirements around the changes in stockholders' equity are required in the Form 10-Q for the quarter that begins after the effective date of the amendments. We anticipate our first presentation of changes in shareholders' equity will be included in our Quarterly Report on Form 10-Q for the quarter ending March 31, 2019.

Note 3—Investments in Single-Family Residential Properties

The following table sets forth the net carrying amount associated with our properties by component:

	September 30, 2018	December 31, 2017
Land	$ 4,575,697	$ 4,646,917
Single-family residential property	12,996,911	13,084,156
Capital improvements	536,157	536,297
Equipment	117,407	120,528
Total gross investments in the properties	18,226,172	18,387,898
Less: accumulated depreciation	(1,423,820)	(1,075,634)
Investments in single-family residential properties, net	$ 16,802,352	$ 17,312,264

As of September 30, 2018 and December 31, 2017, the carrying amount of the residential properties above includes $122,085 and $125,903, respectively, of capitalized acquisition costs (excluding purchase price), along with $66,071 and $62,938, respectively, of capitalized interest, $25,523 and $25,966, respectively, of capitalized property taxes, $4,701 and $4,727, respectively, of capitalized insurance, and $2,780 and $2,818, respectively, of capitalized homeowners' association ("HOA") fees.

During the three months ended September 30, 2018 and 2017, we recognized $127,544 and $66,671, respectively, of depreciation expense related to the components of the properties, $4,624 and $0, respectively, of amortization related to in-place lease intangible assets, and $7,203 and $795, respectively, of depreciation and amortization related to corporate furniture and equipment. These amounts are included in depreciation and amortization in the condensed consolidated statements of operations. Further, during the three months ended September 30, 2018 and 2017, impairments totaling $1,296 and $424, respectively, have been recognized and are included in impairment and other in the condensed consolidated statements of operations.

During the nine months ended September 30, 2018 and 2017, we recognized $382,706 and $200,023, respectively, of depreciation expense related to the components of the properties, $37,517 and $0, respectively, of amortization related to in-place lease intangible assets, and $10,098 and $2,535, respectively, of depreciation and amortization related to corporate furniture and equipment. These amounts are included in depreciation and amortization in the condensed consolidated statements of operations. Further, during the nine months ended September 30, 2018 and 2017, impairments totaling $3,570 and $1,556, respectively, have been recognized and are included in impairment and other in the condensed consolidated statements of operations.

(dollar amounts in thousands)

Note 4—Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on the condensed consolidated balance sheets that sum to the total of such amounts shown in the condensed consolidated statements of cash flows:

	September 30,		December 31,	
	2018	2017	2017	2016
Cash and cash equivalents	$ 130,037	$ 134,441	$ 179,878	$ 198,119
Restricted cash	253,603	153,781	236,684	222,092
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows	$ 383,640	$ 288,222	$ 416,562	$ 420,211

Pursuant to the terms of the mortgage loans described in Note 6, we are required to establish, maintain, and fund from time to time (generally either monthly or at the time borrowings are funded) certain specified reserve accounts. These reserve accounts include, but are not limited to, the following types of accounts: (i) property tax reserves; (ii) insurance reserves; (iii) capital expenditure reserves; and (iv) HOA reserves. The reserve accounts associated with the mortgage loans are under the sole control of the loan servicer. Additionally, we hold security deposits pursuant to resident lease agreements that are required to be segregated. Until April 3, 2018, we were required to post collateral related to certain of our interest rate swap agreements, and we hold letters of credit as required by certain of our insurance policies. Accordingly, amounts funded to these reserve accounts, security deposit accounts, and other restricted accounts have been classified on our condensed consolidated balance sheets as restricted cash.

The amounts funded, and to be funded, to the reserve accounts are subject to formulae included in the mortgage loan agreements and are to be released to us subject to certain conditions specified in the mortgage loan agreements being met. To the extent that an event of default were to occur, the loan servicer has discretion to use such funds to either settle the applicable operating expenses to which such reserves relate or reduce the allocated loan amount associated with a residential property of ours.

The balances of our restricted cash accounts, as of September 30, 2018 and December 31, 2017, are set forth in the table below. As of September 30, 2018 and December 31, 2017, no amounts were funded to the insurance accounts as the conditions specified in the mortgage loan agreements that require such funding did not exist.

	September 30, 2018	December 31, 2017
Resident security deposits	$ 153,492	$ 147,098
Property taxes	60,350	20,785
Collections	24,854	40,607
Standing and capital expenditure reserves	8,245	5,257
Letters of credit	3,443	3,567
Special and other reserves	3,219	4,250
Derivative collateral	—	15,120
Total	$ 253,603	$ 236,684

(dollar amounts in thousands)

Note 5—Other Assets

As of September 30, 2018 and December 31, 2017, the balances in other assets, net are as follows:

	September 30, 2018	December 31, 2017
Investments in debt securities, net	$ 392,860	$ 378,545
Held for sale assets[(1)]	309,708	46,814
Derivative instruments (Note 7)	157,392	57,612
Investment in unconsolidated joint venture	56,667	57,078
Rent and other receivables, net	36,114	24,525
Prepaid expenses	29,181	37,869
Corporate fixed assets, net	12,254	16,595
Amounts deposited and held by others	7,798	12,598
Deferred leasing costs, net	6,991	7,018
Deferred financing costs, net	5,729	7,504
In-place leases, net	—	37,517
Other	17,755	12,930
Total	$ 1,032,449	$ 696,605

(1) As of September 30, 2018 and December 31, 2017, 1,966 and 236 properties, respectively, are classified as held for sale. Of the 1,966 properties classified as held for sale as of September 30, 2018, 1,486 were related to bulk sale transactions (see Note 16).

Investments in Debt Securities, net

As of September 30, 2018, in connection with certain of our Securitizations (as defined in Note 6), we have retained and purchased certificates totaling $392,860, net of unamortized discounts of $3,081. These investments in debt securities are classified as held to maturity investments. As of September 30, 2018 and December 31, 2017, there were no gross unrecognized holding gains or losses, and there were no other than temporary impairments recognized in accumulated other comprehensive income. As of September 30, 2018, our retained certificates are scheduled to mature over the next 10 months to nine years.

Investment in Unconsolidated Joint Venture

In connection with the Mergers, we acquired a 10% interest in a joint venture with FNMA to operate, lease, and manage a portfolio of properties primarily located in Arizona, California, and Nevada. A wholly-owned subsidiary of INVH LP is the managing member of the joint venture and is responsible for the operation and management of the properties, subject to FNMA's approval on major decisions. As of September 30, 2018 and December 31, 2017, the joint venture owned 756 and 776 properties, respectively.

Rent and Other Receivables, net

We lease our properties to residents pursuant to leases that generally have an initial contractual term of at least 12 months, provide for monthly payments, and are cancelable by the resident and us under certain conditions specified in the related lease agreements.

Included in other assets, net on the condensed consolidated balance sheets, is an allowance for doubtful accounts of $2,887 and $4,094, as of September 30, 2018 and December 31, 2017, respectively.

Deferred Financing Costs, net

In connection with our Revolving Facility (as defined in Note 6), we incurred $9,673 of financing costs during the year ended December 31, 2017, which have been deferred as other assets, net on our condensed consolidated balance sheet due to the line of credit features of the Revolving Facility. These deferred financing costs are being amortized as interest expense on a straight-line basis over the term of the Revolving Facility. As of September 30, 2018 and December 31, 2017, the unamortized balances of these deferred financing costs are $5,729 and $7,504, respectively.

In-Place Leases, net

In connection with the Mergers, we acquired in-place leases with a fair value of $45,740. The amortization period assigned at the Merger Date was approximately eight months, which represents the weighted average remaining lease period, and amortization expense of $4,624 and $37,517 is included in depreciation and amortization expense in the condensed consolidated statements of operations for the three and nine months ended September 30, 2018, respectively. As of September 30, 2018 and December 31, 2017, the unamortized balances of the in-place lease intangible asset are $0 and $37,517, respectively. The balance was fully amortized during the nine months ended September 30, 2018.

Note 6—Debt

Mortgage Loans

Our securitization transactions (the “Securitizations” or the “mortgage loans”) are collateralized by certain homes owned by the respective Borrower Entities. We utilize the proceeds from our securitizations to fund (i) repayments of then-outstanding indebtedness, (ii) initial deposits into Securitization reserve accounts, (iii) closing costs in connection with the mortgage loans, (iv) general costs associated with our operations, and (v) distributions and dividends. In addition to the Securitization transactions we initiated, we assumed certain mortgage loans from SWH in connection with the Mergers.

(dollar amounts in thousands)

The following table sets forth a summary of our mortgage loan indebtedness as of September 30, 2018 and December 31, 2017:

	Origination Date	Maturity Date	Interest Rate[1]	Range of Spreads	Outstanding Principal Balance[2] September 30, 2018	December 31, 2017
CAH 2014-1[3]	N/A	N/A	—%	N/A	$ —	$ 473,384
CAH 2014-2[3]	N/A	N/A	—%	N/A	—	385,401
IH 2015-1, net[4]	N/A	N/A	—%	N/A	—	528,795
IH 2015-2[4]	N/A	N/A	—%	N/A	—	627,259
IH 2015-3[5]	N/A	N/A	—%	N/A	—	1,165,886
CAH 2015-1[6]	June 11, 2015	July 9, 2019	4.16%	128-373 bps	646,760	656,551
CSH 2016-1[6][7]	June 7, 2016	July 9, 2019	4.58%	158-508 bps	325,838	531,517
CSH 2016-2[6]	November 3, 2016	December 9, 2019	4.11%	133-423 bps	603,076	609,815
IH 2017-1[8]	April 28, 2017	June 9, 2027	4.23%	N/A	995,870	996,453
SWH 2017-1[6]	September 29, 2017	October 9, 2019	3.81%	102-347 bps	767,835	769,754
IH 2017-2[6]	November 9, 2017	December 9, 2019	3.77%	91-306 bps	862,181	863,413
IH 2018-1[3][6]	February 8, 2018	March 9, 2020	3.50%	76-256 bps	913,317	—
IH 2018-2[4][6]	May 8, 2018	June 9, 2020	3.64%	95-230 bps	1,051,996	—
IH 2018-3[5][6][7]	June 28, 2018	July 9, 2020	3.68%	105-230 bps	1,299,509	—
Total Securitizations					7,466,382	7,608,228
Less deferred financing costs, net					(56,682)	(28,075)
Total					$ 7,409,700	$ 7,580,153

(1) Except for IH 2017-1, interest rates are based on a weighted average spread over the London Interbank Offered Rate ("LIBOR"), plus applicable servicing fees; as of September 30, 2018, LIBOR was 2.26%. Our IH 2017-1 mortgage loan bears interest at a fixed rate of 4.23% per annum, equal to the market determined pass-through rate payable on the certificates including applicable servicing fees.

(2) Outstanding principal balance is net of discounts and does not include deferred financing costs, net.

(3) On February 8, 2018, the outstanding balances of CAH 2014-1 and CAH 2014-2 were repaid in full with proceeds from IH 2018-1, a new securitization transaction.

(4) On May 8, 2018, the outstanding balances of IH 2015-1 and IH 2015-2 were repaid in full with proceeds from IH 2018-2, a new securitization transaction.

(5) On June 28, 2018, the outstanding balance of IH 2015-3 was repaid in full with proceeds from IH 2018-3, a new securitization transaction.

(6) The initial maturity term of each of these mortgage loans is two to three years, individually subject to two to five, one-year extension options at the borrower's discretion (provided that there is no continuing event of default under the mortgage loan agreement and the borrower obtains a replacement interest rate cap agreement in a form reasonably acceptable to the lender). Our CSH 2016-1 and CSH 2016-2 mortgage loans have exercised the first extension options, and CAH 2015-1 has exercised the second extension option. The maturity dates above are reflective of all extensions that have been exercised.

(7) On July 9, 2018, we made a voluntary prepayment of $200,000 against the outstanding balance of CSH 2016-1 with excess proceeds from the IH 2018-3 securitization transaction and available unrestricted cash on hand. On October 9, 2018, we made a voluntary prepayment of $50,000 against the outstanding balance of CSH 2016-1 with unrestricted cash on hand (see Note 16).

(8) Net of unamortized discount of $3,081 and $3,345 as of September 30, 2018 and December 31, 2017, respectively.

Securitization Transactions

For each Securitization transaction, the Borrower Entity executed a loan agreement with a third-party lender. Except for IH 2017-1, each mortgage loan consists of five to seven components. The components are floating rate except with respect to certain components we were required to retain in connection with risk retention rules. The two to three year initial terms are individually subject to two to five, one-year extension options at the Borrower Entity's discretion. Such extensions are available provided there is no continuing event of default under the respective mortgage loan agreement and the Borrower Entity obtains a replacement interest rate cap agreement in a form reasonably acceptable to the lender. IH 2017-1 is a 10-year, fixed rate mortgage loan comprised of two components. Certificates issued by the trust in connection with Component A of IH 2017-1 benefit from FNMA's guaranty of timely payment of principal and interest.

Certain components were sold at a discount, and $3,081 and $3,345 of unamortized discount are included in mortgage loans, net on our condensed consolidated balance sheets as of September 30, 2018 and December 31, 2017, respectively.

Each mortgage loan is secured by a pledge of the equity in the assets of the respective Borrower Entities, as well as first-priority mortgages on the underlying properties and a grant of security interests in all of the related personal property. As of September 30, 2018 and December 31, 2017, a total of 43,701 and 47,616 homes, respectively, were pledged pursuant to the mortgage loans. We are obligated to make monthly payments of interest for each mortgage loan, and IH 2013-1 and CAH 2014-1 also required monthly payments of principal.

Transactions with Trusts

Concurrent with the execution of each mortgage loan agreement, the respective third-party lender sold each loan it originated to individual depositor entities (the "Depositor Entities") who subsequently transferred each loan to Securitization-specific trust entities (the "Trusts"). The Depositor Entities for our Securitizations currently outstanding are wholly-owned subsidiaries. We accounted for the transfer of the individual Securitizations from the wholly-owned Depositor Entities to the respective Trusts as sales under ASC Topic 860, *Transfers and Servicing*, with no resulting gain or loss as the Securitizations were both originated by the lender and immediately transferred at the same fair market value.

As consideration for the transfer of each loan to the Trusts, the Trusts issued certificate classes which mirror the components of the individual loan agreements (collectively, the "Certificates") to the Depositor Entities, except that Class R certificates do not have related loan components as they represent residual interests in the Trusts. The Certificates represent the entire beneficial interest in the Trusts. Following receipt of the Certificates, the Depositor Entities sold the Certificates to investors and used the proceeds as consideration for the loans sold to the Depositor Entities by the lenders. These transactions had no effect on our condensed consolidated financial statements other than with respect to Certificates we retained in connection with Securitizations or purchased at a later date.

The Trusts are structured as pass-through entities that receive interest, and in the case of IH 2013-1 and CAH 2014-1 principal payments, from the Securitizations and distribute those payments to the holders of the Certificates. The assets held by the Trusts are restricted and can only be used to fulfill the obligations of those entities. The obligations of the Trusts do not have any recourse to the general credit of any entities in these condensed consolidated financial statements. We have evaluated our interests in certain certificates of the Trusts held by us (discussed below) and determined that they do not create a more than insignificant variable interest in the Trusts. Additionally, the retained certificates do not provide us with any ability to direct the activities that could impact the Trusts' economic performance. Therefore, we do not consolidate the Trusts.

Retained Certificates

Beginning in April 2014, the Trusts made Certificates available for sale to both domestic and foreign investors. With the introduction of foreign investment, sponsors of the mortgage loans are required to retain a portion of the risk that represents a material net economic interest in each loan. These requirements were further refined in December 2016 pursuant to Regulation RR (the "Risk Retention Rules") under the Securities Exchange Act of 1934, as amended. As such, loan sponsors are now required to retain a portion of the credit risk that represents not less than 5% of the aggregate fair value of the loan as of the closing date.

To fulfill these requirements, Class G certificates for IH 2015-1, IH 2015-2, IH 2015-3, CAH 2015-1, CSH 2016-1, and CSH 2016-2 are issued in an amount equal to 5% of the original principal amount of the loans. Per the terms of the mortgage loan agreements, the Class G certificates are restricted certificates that were made available exclusively to the sponsor, as applicable. We retained these Class G certificates during the time the related Securitizations are outstanding, and they are principal only, bearing a stated interest rate of 0.0005%. Additionally, in certain instances, we have elected to purchase certain Class F certificates, which bear a stated annual interest rate of LIBOR plus a spread ranging from 3.73% to 5.08%.

For IH 2017-1, the Class B certificates are restricted certificates that were made available exclusively to INVH LP in order to comply with the Risk Retention Rules. The Class B certificates bear a stated annual interest rate of 4.23%, including applicable servicing fees.

For SWH 2017-1, IH 2017-2, IH 2018-1, IH 2018-2, and IH 2018-3, we retained a portion of each certificate class to meet the Risk Retention Rules. These retained certificates accrue interest at a floating rate of LIBOR plus a spread ranging from 0.76% to 3.47%.

The retained certificates total $392,860 and $378,545 as of September 30, 2018 and December 31, 2017, respectively, are classified as held to maturity investments, and are recorded in other assets, net on the condensed consolidated balance sheets (see Note 5).

Loan Covenants

The general terms that apply to all of the mortgage loans require us to maintain compliance with certain affirmative and negative covenants. Affirmative covenants with which we must comply include our, and certain of our affiliates', compliance with (i) licensing, permitting and legal requirements specified in the mortgage loan agreements, (ii) organizational requirements of the jurisdictions in which we, and certain of our affiliates, are organized, (iii) federal and state tax laws, and (iv) books and records requirements specified in the respective mortgage loan agreements. Negative covenants with which we must comply include our, and certain of our affiliates', compliance with limitations surrounding (i) the amount of our indebtedness and the nature of our investments, (ii) the execution of transactions with affiliates, (iii) the Manager, and (iv) the nature of our business activities. As of September 30, 2018, and through the date our condensed consolidated financial statements were issued, we believe we are in compliance with all affirmative and negative covenants.

Prepayments

For the mortgage loans, prepayments of amounts owed by us are generally not permitted by us under the terms of the respective mortgage loan agreements unless such prepayments are made pursuant to the voluntary election or mandatory provisions specified in such agreements. The specified mandatory provisions become effective to the extent that a property becomes characterized as a disqualified property, a property is sold, and/or upon the occurrence of a condemnation or casualty event associated with a property. To the extent either a voluntary election is made, or a mandatory prepayment condition exists, in addition to paying all interest and principal, we must also pay certain breakage costs as determined by the loan servicer and a spread maintenance premium if prepayment occurs before the month following the one or two year anniversary of the closing dates of each of the mortgage loans except for IH 2017-1. For IH 2017-1, prepayments on or before December 2026 will require a yield maintenance premium. For the nine months ended September 30, 2018 and 2017, we made voluntary and mandatory prepayments of $3,416,296 and $2,086,622, respectively, under the terms of the mortgage loan agreements.

(dollar amounts in thousands)

Term Loan Facility and Revolving Facility

On February 6, 2017, we entered into a credit agreement with a syndicate of banks, financial institutions and institutional lenders for a credit facility (the "Credit Facility"), which was amended on December 18, 2017 to include entities and homes acquired in the Mergers. The Credit Facility provides $2,500,000 of borrowing capacity and consists of a $1,000,000 revolving facility (the "Revolving Facility"), which will mature on February 6, 2021, with a one-year extension option, and a $1,500,000 term loan facility (the "Term Loan Facility"), which will mature on February 6, 2022. The Revolving Facility also includes borrowing capacity available for letters of credit and for short-term borrowings referred to as swing line borrowings, in each case subject to certain sublimits. The Credit Facility provides us with the option to enter into additional incremental credit facilities (including an uncommitted incremental facility that provides us with the option to increase the size of the Revolving Facility and/or the Term Loan Facility by an aggregate amount of up to $1,500,000), subject to certain limitations. Proceeds from the Term Loan Facility were used to repay existing indebtedness and for general corporate purposes. Proceeds from the Revolving Facility are used for general corporate purposes.

The following table sets forth a summary of the outstanding principal amounts under the Credit Facility as of September 30, 2018 and December 31, 2017:

	Maturity Date	Interest Rate(1)	September 30, 2018	December 31, 2017
Term Loan Facility	February 6, 2022	3.96%	$ 1,500,000	$ 1,500,000
Deferred financing costs, net			(9,862)	(12,027)
Term Loan Facility, net			$ 1,490,138	$ 1,487,973
Revolving Facility	February 6, 2021	4.01%	$ —	$ 35,000

(1) Interest rates for the Term Loan Facility and the Revolving Facility are based on LIBOR plus an applicable margin. As of September 30, 2018 the applicable margins were 1.70% and 1.75%, respectively, and LIBOR was 2.26%.

Interest Rate and Fees

Borrowings under the Credit Facility bear interest, at our option, at a rate equal to a margin over either (a) a LIBOR rate determined by reference to the Bloomberg LIBOR rate (or comparable or successor rate) for the interest period relevant to such borrowing, or (b) a base rate determined by reference to the highest of (1) the administrative agent's prime lending rate, (2) the federal funds effective rate plus 0.50%, and (3) the LIBOR rate that would be payable on such day for a LIBOR rate loan with a one-month interest period plus 1.00%. The margin is based on a total leverage based grid. The margin for the Revolving Facility ranges from 0.75% to 1.30%, in the case of base rate loans, and 1.75% to 2.30%, in the case of LIBOR rate loans. The margin for the Term Loan Facility ranges from 0.70% to 1.30%, in the case of base rate loans, and 1.70% to 2.30%, in the case of LIBOR rate loans. In addition, the Credit Facility provides that, upon receiving an investment grade rating on its non-credit enhanced, senior unsecured long term debt of BBB- or better from Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., or Baa3 or better from Moody's Investors Service, Inc. (an "Investment Grade Rating Event"), we may elect to convert to a credit rating based pricing grid.

In addition to paying interest on outstanding principal under the Credit Facility, we are required to pay a facility fee to the lenders under the Revolving Facility in respect of the unused commitments thereunder. The facility fee rate is based on the daily unused amount of the Revolving Facility and is either 0.35% or 0.20% per annum based on the unused facility amount. Upon converting to a credit rating pricing based grid, the unused facility fee will no longer apply; and we will be required to pay a facility fee ranging from 0.125% to 0.300%. We are also required to pay customary letter of credit fees.

Prepayments and Amortization

No principal reductions are required under the Credit Facility. We are permitted to voluntarily repay amounts outstanding under the Term Loan Facility at any time without premium or penalty, subject to certain minimum amounts and the payment of customary "breakage" costs with respect to LIBOR loans. Once repaid, no further borrowings will be permitted under the Term Loan Facility.

Loan Covenants

The Credit Facility contains certain customary affirmative and negative covenants and events of default. Such covenants will, among other things, restrict, subject to certain exceptions, our ability and that of the Subsidiary Guarantors (as defined below) and their respective subsidiaries to (i) engage in certain mergers, consolidations or liquidations, (ii) sell, lease or transfer all or substantially all of their respective assets, (iii) engage in certain transactions with affiliates, (iv) make changes to our fiscal year, (v) make changes in the nature of our business and our subsidiaries, and (vi) incur additional indebtedness that is secured on a pari passu basis with the Credit Facility.

The Credit Facility also requires us, on a consolidated basis with our subsidiaries, to maintain a (i) maximum total leverage ratio, (ii) maximum secured leverage ratio, (iii) maximum unencumbered leverage ratio, (iv) minimum fixed charge coverage ratio, (v) minimum unencumbered fixed charge coverage ratio, and (vi) minimum tangible net worth. If an event of default occurs, the lenders under the Credit Facility are entitled to take various actions, including the acceleration of amounts due under the Credit Facility and all actions permitted to be taken by a secured creditor. As of September 30, 2018, and through the date our condensed consolidated financial statements were issued, we believe we were in compliance with all affirmative and negative covenants.

Guarantees and Security

The obligations under the Credit Facility are guaranteed on a joint and several basis by each of our direct and indirect domestic wholly-owned subsidiaries that own, directly or indirectly, unencumbered assets (the “Subsidiary Guarantors”), subject to certain exceptions. The guarantee provided by any Subsidiary Guarantor will be automatically released upon the occurrence of certain events, including if it no longer has a direct or indirect interest in an unencumbered asset or as a result of certain non-recourse refinancing transactions pursuant to which such Subsidiary Guarantor becomes contractually prohibited from providing its guaranty of the Credit Facility. In addition, INVH may be required to provide a guarantee of the Credit Facility under certain circumstances, including if INVH does not maintain its qualification as a REIT.

The Credit Facility is collateralized by first priority or equivalent security interests in all the capital stock of, or other equity interests in, any Subsidiary Guarantor held by us and each of the Subsidiary Guarantors. The security interests granted under the Credit Facility will be automatically released upon the occurrence of certain events, including upon an Investment Grade Rating Event or if the total net leverage ratio is less than or equal to 8.00:1.00 for four consecutive fiscal quarters.

Convertible Senior Notes

In connection with the Mergers, we assumed SWH’s convertible senior notes. In July 2014, SWH issued $230,000 in aggregate principal amount of 3.00% convertible senior notes due 2019 (the “2019 Convertible Notes”). Interest on the 2019 Convertible Notes is payable semiannually in arrears on January 1st and July 1st of each year. The 2019 Convertible Notes will mature on July 1, 2019.

In January 2017, SWH issued $345,000 in aggregate principal amount of 3.50% convertible senior notes due 2022 (the “2022 Convertible Notes” and together with the 2019 Convertible Notes, the “Convertible Senior Notes”). Interest on the 2022 Convertible Notes is payable semiannually in arrears on January 15th and July 15th of each year. The 2022 Convertible Notes will mature on January 15, 2022.

(dollar amounts in thousands)

The following table summarizes the terms of the Convertible Senior Notes outstanding as of September 30, 2018 and December 31, 2017:

						Principal Amount	
	Coupon Rate	Effective Rate(1)	Conversion Rate(2)	Maturity Date	Remaining Amortization Period	September 30, 2018	December 31, 2017
2019 Convertible Notes	3.00%	4.92%	53.7294	7/1/2019	0.75 years	$ 229,993	$ 230,000
2022 Convertible Notes	3.50%	5.12%	43.7694	1/15/2022	3.30 years	345,000	345,000
Total						574,993	575,000
Net unamortized fair value adjustment						(19,912)	(26,464)
Total						$ 555,081	$ 548,536

(1) Effective rate includes the effect of the adjustment to the fair value of the debt as of the Merger Date, the value of which reduced the initial liability recorded to $223,185 and $324,252 for each of the 2019 Convertible Notes and 2022 Convertible Notes, respectively.

(2) We generally have the option to settle any conversions in cash, common stock or a combination thereof. The conversion rate represents the number of shares of common stock issuable per $1,000 principal amount (actual $) of Convertible Senior Notes converted at September 30, 2018, as adjusted in accordance with the applicable indentures as a result of cash dividend payments and the effects of the Mergers. The Convertible Senior Notes do not meet the criteria for conversion as of September 30, 2018.

Terms of Conversion

As of September 30, 2018, the conversion rate applicable to the 2019 Convertible Notes is 53.7294 shares of our common stock per $1,000 principal amount (actual $) of the 2019 Convertible Notes (equivalent to a conversion price of approximately $18.61 per common share — actual $). The conversion rate for the 2019 Convertible Notes is subject to adjustment in some events, but will not be adjusted for any accrued and unpaid interest. In addition, following certain events that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its 2019 Convertible Notes in connection with such an event in certain circumstances. At any time prior to January 1, 2019, holders may convert the 2019 Convertible Notes at their option only under specific circumstances as defined in the indenture agreement, dated as of July 7, 2014, between us and our trustee, Wilmington Trust, National Association ("the Convertible Notes Trustee"). As a result of the completion of the Mergers, the 2019 Convertible Notes were convertible for a 35 trading day period, which expired January 8, 2018. On or after January 1, 2019 and until maturity, holders may convert all or any portion of the 2019 Convertible Notes at any time. Upon conversion, we will pay or deliver, as the case may be, cash, common stock, or a combination of cash and common stock, at our election.

As of September 30, 2018, the conversion rate applicable to the 2022 Convertible Notes is 43.7694 shares of our common stock per $1,000 principal amount (actual $) of the 2022 Convertible Notes (equivalent to a conversion price of approximately $22.85 per common share — actual $). The conversion rate for the 2022 Convertible Notes is subject to adjustment in some events, but will not be adjusted for any accrued and unpaid interest. In addition, following certain events that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its 2022 Convertible Notes in connection with such an event in certain circumstances. At any time prior to July 15, 2021, holders may convert the 2022 Convertible Notes at their option only under specific circumstances as defined in the indenture agreement, dated as of January 10, 2017, between us and the Convertible Notes Trustee. As a result of the completion of the Mergers, the 2022 Convertible Notes were convertible for a 35 trading day period, which expired January 8, 2018. On or after July 15, 2021 and until maturity, holders may convert all or any portion of the 2022 Convertible Notes at any time. Upon conversion, we will pay or deliver, as the case may be, cash, common stock, or a combination of cash and common stock, at our election.

General Terms

We may not redeem the Convertible Senior Notes prior to their maturity dates except to the extent necessary to preserve our status as a REIT for United States federal income tax purposes, as further described in the indentures. If we undergo a fundamental change as defined in the indentures, holders may require us to repurchase for cash all or any portion of their Convertible Senior Notes at a fundamental change repurchase price equal to 100% of the principal amount of the Convertible Senior Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

(dollar amounts in thousands)

The indentures contain customary terms and covenants and events of default. If an event of default occurs and is continuing, the Convertible Notes Trustee, by notice to us, or the holders of at least 25% in aggregate principal amount of the outstanding Convertible Senior Notes, by notice to us and the Convertible Notes Trustee, may, and the Convertible Notes Trustee at the request of such holders shall, declare 100% of the principal of and accrued and unpaid interest on all the Convertible Senior Notes to be due and payable. In the case of an event of default arising out of certain events of bankruptcy, insolvency or reorganization in respect to us (as set forth in the indentures), 100% of the principal of and accrued and unpaid interest on the Convertible Senior Notes will automatically become due and payable.

Debt Maturities Schedule

The following table summarizes the contractual maturities of our debt as of September 30, 2018:

Year	Mortgage Loans[(1)]	Term Loan Facility	Convertible Senior Notes	Total
2018	$ —	$ —	$ —	$ —
2019	3,205,690	—	229,993	3,435,683
2020	3,264,822	—	—	3,264,822
2021	—	—	—	—
2022	—	1,500,000	345,000	1,845,000
2023 and thereafter	995,870	—	—	995,870
Total	7,466,382	1,500,000	574,993	9,541,375
Less: deferred financing costs, net	(56,682)	(9,862)	—	(66,544)
Less: unamortized fair value adjustment	—	—	(19,912)	(19,912)
Total	$ 7,409,700	$ 1,490,138	$ 555,081	$ 9,454,919

(1) The maturity dates of the obligations are reflective of all extensions that have been exercised.

Note 7—Derivative Instruments

From time to time, we enter into derivative instruments to manage the economic risk of changes in interest rates. We do not enter into derivative transactions for speculative or trading purposes. Designated hedges are derivatives that meet the criteria for hedge accounting and for which we have elected to designate them as hedges. Non-designated hedges are derivatives that do not meet the criteria for hedge accounting or which we did not elect to designate as accounting hedges.

Designated Hedges

We have entered into various interest rate swap agreements, which are used to hedge the variable cash flows associated with variable-rate interest payments. Certain of the Invitation Homes Partnerships and certain Borrower Entities guaranteed the obligations under each of the interest rate swaps from the date the swaps were entered into through the date of the IPO. Each of these swaps was accounted for as a non-designated hedge until January 31, 2017, when the criteria for hedge accounting were met as a result of the Pre-IPO Transactions described in Note 1. At that time, we designated these swaps for hedge accounting purposes. Subsequent to that date, changes in the fair value of these swaps are recorded in other comprehensive income and are subsequently reclassified into earnings in the period in which the hedged forecasted transactions affect earnings.

In addition, in connection with the Mergers, we acquired various interest rate swap instruments, which we designated for hedge accounting purposes. On the Merger Date, we recorded these interest rate swaps at their aggregate estimated fair value of $21,135 (see Note 15). Over the terms of each swap, an amount equal to the Merger Date fair value will be amortized and recorded as an increase in interest expense and accumulated other comprehensive income.

(dollar amounts in thousands)

The table below summarizes our interest rate swap instruments as of September 30, 2018:

Agreement Date	Forward Effective Date	Maturity Date	Strike Rate	Index	Notional Amount
December 21, 2016	February 28, 2017	January 31, 2022	1.97%	One-month LIBOR	$ 750,000
December 21, 2016	February 28, 2017	January 31, 2022	1.97%	One-month LIBOR	750,000
January 12, 2017	February 28, 2017	August 7, 2020	1.59%	One-month LIBOR	1,100,000
January 13, 2017	February 28, 2017	June 9, 2020	1.63%	One-month LIBOR	595,000
January 20, 2017	February 28, 2017	March 9, 2020	1.60%	One-month LIBOR	325,000
January 10, 2017	January 15, 2018	January 15, 2019	1.58%	One-month LIBOR	550,000
February 23, 2016	March 15, 2018	March 15, 2019	1.10%	One-month LIBOR	800,000
February 23, 2016	March 15, 2018	March 15, 2019	1.06%	One-month LIBOR	800,000
June 3, 2016	July 15, 2018	July 15, 2019	1.12%	One-month LIBOR	450,000
January 10, 2017	January 15, 2019	January 15, 2020	1.93%	One-month LIBOR	550,000
April 19, 2018	January 31, 2019	January 31, 2025	2.86%	One-month LIBOR	400,000
March 29, 2017	March 15, 2019	March 15, 2022	2.21%	One-month LIBOR	800,000
April 19, 2018	March 15, 2019	November 30, 2024	2.85%	One-month LIBOR	400,000
April 19, 2018	March 15, 2019	February 28, 2025	2.86%	One-month LIBOR	400,000
June 3, 2016	July 15, 2019	July 15, 2020	1.30%	One-month LIBOR	450,000
January 10, 2017	January 15, 2020	January 15, 2021	2.13%	One-month LIBOR	550,000
April 19, 2018	January 31, 2020	November 30, 2024	2.90%	One-month LIBOR	400,000
May 8, 2018	March 9, 2020	June 9, 2025	2.99%	One-month LIBOR	325,000
May 8, 2018	June 9, 2020	June 9, 2025	2.99%	One-month LIBOR	595,000
June 3, 2016	July 15, 2020	July 15, 2021	1.47%	One-month LIBOR	450,000
June 28, 2018	August 7, 2020	July 9, 2025	2.90%	One-month LIBOR	1,100,000
January 10, 2017	January 15, 2021	July 15, 2021	2.23%	One-month LIBOR	550,000

During the three and nine months ended September 30, 2018, such derivatives were used to hedge the variable cash flows associated with existing variable-rate interest payments. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. During the next 12 months, we estimate that $47,621 will be reclassified to earnings as a decrease in interest expense.

Non-Designated Hedges

Concurrent with entering into certain of the mortgage loan agreements and in connection with the Mergers, we entered into or acquired and maintain interest rate cap agreements with terms and notional amounts equivalent to the terms and amounts of the mortgage loans made by the third-party lenders. To the extent that the maturity date of one or more of the mortgage loans is extended through an exercise of one or more of the extension options, replacement or extension interest rate cap agreements must be executed with terms similar to those associated with the initial interest rate cap agreements and strike prices equal to the greater of the interest rate cap strike price and the interest rate at which the debt service coverage ratio (as defined) is not less than 1.2 to 1.0. The interest rate cap agreements, including all of our rights to payments owed by the counterparties and all other rights, have been pledged as additional collateral for the mortgage loans. Additionally, in certain instances, in order to minimize the cash impact of purchasing required interest rate caps, we simultaneously sold interest rate caps (which have identical terms and notional amounts) such that the purchase price and sale proceeds of the related interest rate caps are intended to offset each other. The purchased and sold interest rates caps have strike prices ranging from approximately 3.00% to 3.95%.

(dollar amounts in thousands)

Tabular Disclosure of Fair Values of Derivative Instruments on the Condensed Consolidated Balance Sheets

The table below presents the fair value of our derivative financial instruments as well as their classification on the condensed consolidated balance sheets as of September 30, 2018 and December 31, 2017:

	Asset Derivatives			Liability Derivatives		
		Fair Value as of			Fair Value as of	
	Balance Sheet Location	September 30, 2018	December 31, 2017	Balance Sheet Location	September 30, 2018	December 31, 2017
Derivatives designated as hedging instruments:						
Interest rate swaps	Other assets	$ 155,287	$ 57,612	Other liabilities	$ 184	$ —
Derivatives not designated as hedging instruments:						
Interest rate caps	Other assets	2,105	27	Other liabilities	1,912	—
Total		$ 157,392	$ 57,639		$ 2,096	$ —

Offsetting Derivatives

The Company enters into master netting arrangements, which reduce risk by permitting net settlement of transactions with the same counterparty. The table below presents a gross presentation, the effects of offsetting, and a net presentation of the Company’s derivatives as of September 30, 2018. As of December 31, 2017, there were no derivatives classified as liabilities.

	As of September 30, 2018					
				Gross Amounts Not Offset in the Statement of Financial Position		
	Gross Amounts of Recognized Assets/ Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets/ Liabilities Presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Received	Net Amount
Offsetting assets:						
Derivatives	$ 157,392	$ —	$ 157,392	$ (2,096)	$ —	$ 155,296
Offsetting liabilities:						
Derivatives	$ 2,096	$ —	$ 2,096	$ (2,096)	$ —	$ —

(dollar amounts in thousands)

Tabular Disclosure of the Effect of Derivative Instruments on the Condensed Consolidated Statements of Operations

The tables below present the effect of our derivative financial instruments in the condensed consolidated statements of operations for the three months ended September 30, 2018 and 2017:

	Amount of Gain (Loss) Recognized in OCI on Derivative — Three Months Ended September 30, 2018	2017	Location of Gain (Loss) Reclassified from Accumulated OCI into Net Income (Loss)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Net Income (Loss) — Three Months Ended September 30, 2018	2017	Total Amount of Interest Expense Presented in the Condensed Consolidated Statements of Operations — Three Months Ended September 30, 2018	2017
Derivatives in cash flow hedging relationships:							
Interest rate swaps	$ 39,488	$ (598)	Interest expense	$ 5,982	$ (4,193)	$ 97,564	$ 56,796

	Location of Gain (Loss) Recognized in Net Loss on Derivative	Amount of Loss Recognized in Net Income (Loss) on Derivative — Three Months Ended September 30, 2018	2017
Derivatives not designated as hedging instruments:			
Interest rate swaps	Interest expense	$ —	$ —
Interest rate caps	Interest expense	(10)	(190)
Total		$ (10)	$ (190)

The tables below present the effect of our derivative financial instruments in the condensed consolidated statements of operations for the nine months ended September 30, 2018 and 2017:

	Amount of Gain (Loss) Recognized in OCI on Derivative — For the Nine Months Ended September 30, 2018	2017	Location of Gain (Loss) Reclassified from Accumulated OCI into Net Loss	Amount of Gain (Loss) Reclassified from Accumulated OCI into Net Loss — For the Nine Months Ended September 30, 2018	2017	Total Amount of Interest Expense Presented in the Condensed Consolidated Statements of Operations — For the Nine Months Ended September 30, 2018	2017
Derivatives in cash flow hedging relationships:							
Interest rate swaps	$ 115,214	$ (4,796)	Interest expense	$ 9,307	$ (12,963)	$ 287,089	$ 182,726

	Location of Gain (Loss) Recognized in Net Loss on Derivative	Amount of Loss Recognized in Net Loss on Derivative — For the Nine Months Ended September 30, 2018	2017
Derivatives not designated as hedging instruments:			
Interest rate swaps	Interest expense	$ —	$ (3,674)
Interest rate caps	Interest expense	(355)	(318)
Total		$ (355)	$ (3,992)

(dollar amounts in thousands)

Credit-Risk-Related Contingent Features

We have agreements with certain of our derivative counterparties for our interest rate swap agreements that contain a provision where we could be declared in default on our derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to our default on the indebtedness.

As of September 30, 2018, there were no derivative counterparties with whom we were in a net liability position. As of December 31, 2017, we had posted collateral amounting to $15,120 related to certain of these agreements (see Note 4). As of September 30, 2018, no collateral deposits were required related for our interest rate swap agreements.

Note 8—Equity

Shareholders' Equity

In connection with our IPO (see Note 1), we issued 310,376,634 shares of common stock to the public and the Pre-IPO Owners and 3,290,126 restricted stock units ("RSUs") (see Note 10), and our IPO raised $1,692,058, net of underwriting discount, and before IPO costs of $5,726. During the nine months ended September 30, 2018, we issued 1,406,435 shares of common stock, comprised of 1,001,398 shares of common stock in net settlement of 1,355,282 fully vested RSUs and 405,037 shares of common stock in exchange for the redemption of the same number of units of partnership interests in INVH LP (the "OP Units").

Starwood Waypoint Homes Merger

In connection with the Mergers (see Note 1), SWH stockholders received an aggregate of 207,448,958 shares of our common stock in exchange for all outstanding SWH common shares. In addition, we issued 9,441,615 OP Units which are redeemable for shares of our common stock on a one-for-one basis or, in our sole discretion, cash and are reflected as non-controlling interests on our condensed consolidated balance sheets. As of September 30, 2018, 9,036,578 redeemable OP Units remain outstanding.

Dividends

To qualify as a REIT, we are required to distribute annually to our stockholders at least 90% of our REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and to pay tax at regular corporate rates to the extent that we annually distribute less than 100% of our net taxable income. We intend to pay quarterly dividends to our stockholders, which in the aggregate are approximately equal to or exceed our net taxable income in the relevant year.

The following table summarizes our dividends declared from January 1, 2017 through September 30, 2018:

	Record Date	Amount per Share(1)	Pay Date	Total Amount Declared
Q3-2018	August 16, 2018	$ 0.11	August 31, 2018	$ 57,563
Q2-2018	May 15, 2018	0.11	May 31, 2018	57,559
Q1-2018	February 13, 2018	0.11	February 28, 2018	57,432
Q4-2017	October 24, 2017	0.08	November 7, 2017	25,139
Q3-2017	August 15, 2017	0.08	August 31, 2017	25,200
Q2-2017	May 15, 2017	0.06	May 31, 2017	18,800

(1) Amounts are displayed in actual dollars and are paid on a per share basis.

On November 1, 2018, our board of directors declared a dividend of $0.11 per share to stockholders of record on November 14, 2018, which is payable on November 30, 2018.

Combined Equity

Prior to the IPO, our business was conducted through the Invitation Homes Partnerships which did not have a common capital structure. As described in Note 1, IH1, IH3, IH4, IH5, and IH6 are partnerships. These entities each had limited partners and a general partner (the “Class A Partners”), along with a board of directors designated in the respective limited partnership agreements. IH2 was a Delaware corporation and had issued 1,000 shares of common stock and 113 shares of Series A Preferred Stock. IH2 had a board of directors elected by the common stockholders. The same board of directors was responsible for directing the significant activities of the Invitation Homes Partnerships and INVH LP on a combined basis.

The IH2 Series A Preferred Stock ranked, in respect of rights to the payment of dividends and the distribution of assets in the event of any liquidation or dissolution, senior to the IH2 common stock. Holders of such IH2 Series A Preferred Stock shares were entitled to receive cumulative cash dividends at the rate of 12.0% per annum of the total of a liquidation preference. On January 31, 2017, in connection with the Pre-IPO Transactions, the Series A Preferred Stock was redeemed for $1,153, inclusive of the redemption premium and accrued and unpaid dividends to that date.

Profits and losses, and cash distributions were allocated in accordance with the terms of the respective entity’s organizational documents.

As further described in Note 10, we granted certain individuals incentive compensation units in IH1, IH2, IH3, IH4, IH5, and IH6 (the “Class B Units”) that were accounted for as a substantive class of equity due to the terms of the agreements and rights of the holders. We previously made distributions to certain Class B unitholders in the form of non-recourse cash advances totaling $11,023. Any amounts distributed to the holders of the Class B Units whose Class B Units were converted in connection with the Pre-IPO Transactions (see Note 10), reduced the number of converted shares common stock received by amounts previously paid to such Class B unitholders as advance distributions. As a result of the Pre-IPO Transactions, there are no longer any Class B Units outstanding.

We previously executed and funded notes receivables with certain Class B unitholders (the “Class B Notes”). On January 5, 2017, $7,723 of Class B Notes, including accrued interest, were canceled, and the transaction was accounted for as a distribution to the underlying unitholder. As part of the Pre-IPO Transactions, IH1 assigned $11,963, including accrued interest, of Class B Notes to a wholly-owned subsidiary of the Pre-IPO Owners that was formed in connection with the reorganization described in Note 1, and the transaction was accounted for as a distribution. The Class B Notes were secured by certain of the Class B Units of the makers of the Class B Notes and were otherwise non-recourse to the makers. As such, the Class B Notes were recorded as a component of combined equity on our condensed consolidated balance sheet prior to the transactions described above.

Note 9—Related Party Transactions

Management Services

One of our wholly-owned subsidiaries, as the managing member of a joint venture with FNMA (see Note 5), earns a management fee based upon the venture’s gross receipts. For the three and nine months ended September 30, 2018, we earned $703 and $2,102, respectively, of management fees which are included in other, net in the accompanying condensed consolidated statements of operations. There were no such management fees earned during the three and nine months ended September 30, 2017.

Note 10—Share-Based Compensation

INVH RSAs and RSUs

Prior to completion of the IPO, our board of directors adopted, and our stockholders approved, the Invitation Homes Inc. 2017 Omnibus Incentive Plan (the “Omnibus Incentive Plan”) to provide a means through which to attract and retain key personnel and to provide a means whereby our directors, officers, employees, consultants and advisors can acquire and maintain an equity interest in us, or be paid incentive compensation, including incentive compensation measured by reference to the value of our common stock, and to align their interests with those of our stockholders. Under the Omnibus Incentive

Plan, we may issue up to 16,000,000 shares, and as of September 30, 2018, we have awarded 5,617,345 RSUs thereunder. Time-vesting RSUs are participating securities for earnings per share ("EPS") purposes, and performance or market based vesting RSUs are not. We refer to RSUs with performance or market based vesting conditions as "PRSUs." Additionally, in connection with the IPO, we granted 62,529 restricted shares of common stock of INVH ("RSAs") in conversion of the Class B Units. These RSAs are all time-vesting awards, and they are not part of the Omnibus Incentive Plan. For detailed discussion of RSUs and RSAs issued prior to January 1, 2018, refer to our Annual Report on Form 10-K for the year ended December 31, 2017.

- *2018 Annual Long Term Incentive ("LTIP") Awards:* During the nine months ended September 30, 2018, we granted 631,429 RSUs pursuant to LTIP awards. Each award is divided into three tranches, portions of which vest based on time-vesting conditions, market based vesting conditions, and performance based vesting conditions. The time-vesting RSUs vest in three equal annual installments based on an anniversary date of March 1, 2018, subject to continued employment through the applicable vesting date.

  The PRSUs may be earned based on the achievement of certain measures over a three-year performance period. The number of PRSUs earned will be determined based on performance achieved during the performance period for each measure at certain threshold, target, or maximum levels and corresponding payout ranges. In general, the LTIP PRSUs are earned on the date after the end of the performance period on which the performance results are certified (a "Certification Date") by our compensation and management development committee (the "Compensation Committee"). The 2018 LTIP PRSUs are eligible to vest on the related Certification Date subject to continued employment through such date.

  All of the LTIP Awards are subject to certain change in control and retirement eligibility provisions that may impact these vesting schedules.

- *Other Awards:* During the nine months ended September 30, 2018, we granted 136,941 RSUs to employees (the "2018 Bonus Awards") and 48,882 RSUs to members of our board of directors. Each of the 2018 Bonus Awards is a time-vesting award which vests in three equal annual installments based on an anniversary date of March 1, 2018, subject to continued employment through the applicable vesting date. Each director award will fully vest on the date scheduled for INVH's 2019 annual stockholders meeting, subject to continued service on the board of directors through such date.

  During the nine months ended September 30, 2018, the grant date was established for 168,184 PRSUs issued in connection with the Mergers. These Merger-related PRSUs may be earned based on the achievement of certain measures over a three-year performance period that began on the Merger Date. The number of Merger-related PRSUs earned will be determined based on performance achieved during the performance period for each measure at certain threshold, target, or maximum levels and corresponding payout ranges. In general, the Merger-related LTIP PRSUs are earned and will vest on the related Certification Date subject to continued employment through such date.

  During the nine months ended September 30, 2018, certain PRSUs vested and achieved performance in excess of the target level, resulting in the issuance of an additional 39,871 shares of common stock. Such awards are reflected as an increase in the number of awards granted and vested in the table below.

(dollar amounts in thousands)

The following table summarizes the status of non-vested time-vesting RSUs (including RSAs) and PRSUs as of September 30, 2018 and changes during the nine months ended September 30, 2018:

	Time-Vesting Awards		PRSUs		Total Share-Based Awards	
	Number	Weighted Average Grant Date Fair Value (Actual $)	Number	Weighted Average Grant Date Fair Value (Actual $)	Number	Weighted Average Grant Date Fair Value (Actual $)
Balance, December 31, 2017	2,695,902	$ 21.51	408,102	$ 22.25	3,104,004	$ 20.79
Granted	381,002	21.94	644,305	22.21	1,025,307	22.11
Vested[(1)]	(1,240,162)	(21.25)	(123,331)	(23.17)	(1,363,493)	(21.43)
Forfeited	(125,662)	(22.70)	(29,931)	(22.16)	(155,593)	(22.60)
Balance, September 30, 2018	1,711,080	$ 21.71	899,145	$ 22.10	2,610,225	$ 21.85

(1) All vested RSUs, RSAs and PRSUs are included in basic EPS for the period during which they are outstanding.

During the nine months ended September 30, 2018, 1,240,162 time-vesting RSUs and 123,331 PRSUs with an estimated fair value of $30,328 fully vested. As of September 30, 2018, there were 899,145 PRSUs outstanding. The grant-date fair values of the RSAs, time-vesting RSUs, and PRSUs with performance condition vesting criteria are generally based on the closing price of our common stock on the grant date. However, for the awards granted in connection with the IPO, the grant-date fair value is the opening offering price per common share, and the grant-date fair values for PRSUs with market condition vesting criteria are based on Monte-Carlo option pricing models. The following table summarizes the significant inputs utilized in these models at the grant date for awards issued during the nine months ended September 30, 2018:

	March 1, 2018
Expected volatility[(1)]	14.5%-17.3%
Risk-free rate	2.38%
Expected holding period (years)	2.71-2.84

(1) Expected volatility is estimated based on the historical volatility of realized returns of the Company and the applicable index.

Summary of Total Share-Based Compensation Expense

During the three months ended September 30, 2018 and 2017, we recognized $6,068, and $12,004 respectively, of share-based compensation expense. During the nine months ended September 30, 2018 and 2017, we recognized $23,582, and $64,464 respectively, of share-based compensation expense, comprised of the following:

	Share-Based Compensation Expense for the Three Months Ended September 30,		Share-Based Compensation Expense for the Nine Months Ended September 30,	
	2018	2017	2018	2017
General and administrative	$ 4,901	$ 9,309	$ 19,229	$ 56,460
Property management expense	1,167	2,695	4,353	8,004
Total	$ 6,068	$ 12,004	$ 23,582	$ 64,464

As of September 30, 2018, there is $24,509 of unrecognized share-based compensation expense related to non-vested RSUs which is expected to be recognized over a weighted average period of 1.74 years.

(dollar amounts in thousands)

Note 11—Fair Value Measurements

The carrying amounts of restricted cash, certain components of other assets, accounts payable and accrued expenses, resident security deposits, and other liabilities approximate fair value due to the short maturity of these amounts. Our interest rate swap agreements and interest rate cap agreements are the only financial instruments recorded at fair value on a recurring basis within our condensed consolidated financial statements. The fair values of our interest rate caps and swaps, which are classified as Level 2 in the fair value hierarchy, are estimated using market values of instruments with similar attributes and maturities. See Note 7 for the details of the balance sheet classification and the fair values for the interest rate caps and swaps.

The following table displays the carrying values and fair values of financial instruments as of September 30, 2018 and December 31, 2017:

		September 30, 2018		December 31, 2017	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Assets carried at historical cost on the condensed consolidated balance sheets:					
Investments in debt securities[(1)]	Level 2	$ 392,860	$ 390,163	$ 378,545	$ 379,500
Liabilities carried at historical cost on the condensed consolidated balance sheets:					
Mortgage loans[(2)]	Level 2	$ 7,466,382	$ 7,418,180	$ 7,608,228	$ 7,627,423
Term loan facility[(3)]	Level 3	1,500,000	1,500,033	1,500,000	1,494,494
Revolving facility	Level 3	—	—	35,000	35,007
Convertible senior notes[(4)]	Level 3	555,081	548,305	548,536	557,179

(1) The carrying values of debt securities are shown net of discounts.

(2) The carrying values of the mortgage loans are shown net of discount and exclude $56,682 and $28,075 of deferred financing costs as of September 30, 2018 and December 31, 2017, respectively.

(3) The carrying value of the Term Loan Facility excludes $9,862 and $12,027 of deferred financing costs as of September 30, 2018 and December 31, 2017, respectively.

(4) The carrying values of the Convertible Senior Notes include unamortized discounts of $19,912 and $26,464 as of September 30, 2018 and December 31, 2017, respectively.

The fair values of our investment in debt securities and mortgage loans, which are classified as Level 2 in the fair value hierarchy, are estimated based on market bid prices of comparable instruments at the end of the period. The fair values of our Term Loan Facility and Revolving Facility, which are classified as Level 3 in the fair value hierarchy, are estimated using a discounted cash flow methodology based on market interest rate data and other market factors available at the end of the period. Fair value of convertible notes are estimated by discounting contractual cash flows at the interest rate we estimate the notes would bear if sold in the current market.

(dollar amounts in thousands)

Our assets measured at fair value on a nonrecurring basis are those assets for which we have recorded impairments. The assets for which we have recorded impairments, measured at fair value on a nonrecurring basis, are summarized below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Investments in single-family residential properties, net held for use (Level 3):				
Pre-impairment amount	$ 894	$ 1,827	$ 1,658	$ 2,323
Total impairments	(186)	(360)	(362)	(627)
Fair value	$ 708	$ 1,467	$ 1,296	$ 1,696

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Investments in single-family residential properties, net held for sale (Level 3):				
Pre-impairment amount	$ 7,318	$ 988	$ 19,726	$ 9,115
Total impairments	(1,110)	(64)	(3,208)	(929)
Fair value	$ 6,208	$ 924	$ 16,518	$ 8,186

For additional information related to our single-family residential properties during the three and nine months ended September 30, 2018 and 2017, refer to Note 3.

Note 12—Earnings per Share

We compute EPS only for the period after February 1, 2017, the date on which our common stock began trading on the New York Stock Exchange. Basic EPS is computed by dividing the net income (loss) available to common shareholders for the period during which common stock was outstanding by the weighted average number of shares outstanding during such period, adjusted for non-vested shares of RSUs and RSAs. Diluted EPS is similar to computing basic EPS, except that the denominator is increased to include the dilutive effects of non-vested RSUs and RSAs, except when doing so would be anti-dilutive.

All outstanding non-vested RSUs and RSAs that have nonforfeitable rights to dividends or dividend equivalents that participate in undistributed earnings with common stock are considered participating securities and are included in the computation of EPS pursuant to the two-class method. The two-class method is an earnings allocation formula that determines EPS for each class of common stock and participating securities according to dividends or dividend equivalents and participation rights in undistributed earnings in periods when we have net income. Certain of our non-vested RSUs and RSAs, as identified in Note 10, are considered participating securities, as are our redeemable INVH LP units.

Basic and diluted EPS are calculated as follows:

(in thousands, except share and per share data)	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	February 1, 2017 through September 30, 2017
Numerator:				
Net income (loss)	$ 1,041	$ (22,510)	$ (30,727)	$ (59,372)
Net loss for the period January 1, 2017 through January 31, 2017	—	—	—	16,879
Net income (loss) attributable to non-controlling interests	(21)	—	532	—
Net income (loss) attributable to common shareholders	1,020	(22,510)	(30,195)	(42,493)
Less: net income available to participating securities	(196)	(235)	(627)	(344)
Net income (loss) available to common shareholders — basic and diluted	$ 824	$ (22,745)	$ (30,822)	$ (42,837)
Denominator:				
Weighted average common shares outstanding — basic	520,620,519	311,559,780	520,267,029	311,674,226
Weighted average common shares outstanding — diluted	521,761,076	311,559,780	520,267,029	311,674,226
Net income (loss) per common share — basic	$ —	$ (0.07)	$ (0.06)	$ (0.14)
Net income (loss) per common share — diluted	$ —	$ (0.07)	$ (0.06)	$ (0.14)

Incremental shares attributed to non-vested RSUs and RSAs are excluded from the computation of diluted EPS when they are anti-dilutive. As we had a net loss in certain periods, the inclusion of incremental shares would reduce our net loss and be anti-dilutive. The number of incremental shares excluded for those periods is (i) 1,170,889 for the nine months ended September 30, 2018, (ii) 951,217 during the three months ended September 30, 2017, and (iii) 623,375 for the period from February 1, 2017 through September 30, 2017. For the three months ended September 30, 2018, we had net income, and 140,301 incremental shares attributed to non-vested RSUs are excluded from the denominator as their inclusion would have been anti-dilutive.

For the three and nine months ended September 30, 2018, the redeemable INVH LP units have been excluded from the computation of EPS because all loss attributable to the INVH LP units has been recorded as non-controlling interest and thus excluded from net loss available to common shareholders. For the three and nine months ended September 30, 2018, the potential shares of common stock contingently issuable upon the conversion of the Convertible Senior Notes are also excluded from the computation of diluted EPS as we have the intent and ability to settle the obligations in cash.

Note 13—Income Tax

We account for income taxes under the asset and liability method. For the taxable REIT subsidiaries (“TRSs”), deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using the enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. We provide a valuation allowance, from time to time, for deferred tax assets for which we do not consider realization of such assets to be more likely than not.

As of September 30, 2018 and December 31, 2017, we have no deferred tax assets and liabilities or unrecognized tax benefits recorded. We do not anticipate a significant change in unrecognized tax benefits within the next 12 months.

We have sold assets that were either subject to Section 337(d) of the Code (see additional discussion in Note 2) or were held by TRSs. These transactions resulted in $591 of current income tax benefit and $519 of current income tax expense for the three months ended September 30, 2018 and 2017, respectively, and $258 and $2,506 of current income tax expense for the nine months ended September 30, 2018 and 2017, respectively, which has been recorded in gain on sale of property, net of tax in the condensed consolidated statements of operations.

Note 14—Commitments and Contingencies

Insurance Policies

Pursuant to the terms of our Credit Facility and the mortgage loan agreements (see Note 6), laws and regulations of the jurisdictions in which our properties are located, and general business practices, we are required to procure insurance on our properties. As of September 30, 2018, there are no material contingent liabilities related to uninsured losses with respect to our properties.

Legal Matters

We are subject to various legal proceedings and claims that arise in the ordinary course of our business. We accrue a liability when we believe that it is both probable that a liability has been incurred and that we can reasonably estimate the amount of the loss. We do not believe that the final outcome of these proceeding or matters will have a material adverse effect on our condensed consolidated financial statements.

Other Matters

SEC Investigation "In the Matter of Certain Single Family Rental Securitizations"

Radian Group Inc. ("Radian"), the indirect parent company of Green River Capital LLC ("GRC"), which is a service provider that provides certain broker price opinions ("BPO") to the Company, disclosed in its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 that GRC had received a letter in March 2017 from the staff of the SEC stating that it is conducting an investigation captioned "In the Matter of Certain Single Family Rental Securitizations" and requesting information from market participants. Radian disclosed that the letter asked GRC to provide information regarding BPOs that GRC provided on properties included in single family rental securitization transactions.

In September 2017, we received a letter from the staff of the SEC stating that it is conducting an investigation captioned "In the Matter of Certain Single Family Rental Securitizations." The letter enclosed a subpoena that requests the production of certain documents and communications related to our Securitizations, including, without limitation, those related to BPOs provided on our properties included in our Securitizations. The SEC letter indicates that its investigation is a fact-finding inquiry and does not mean that the SEC has a negative opinion of any person or security. We are cooperating with the SEC and have provided information requested in the subpoena. We understand that other transaction parties in securitizations have received requests in this matter. As the SEC's investigation is ongoing, we cannot currently predict the timing, outcome or scope of such investigation.

Severance and Retention

In June 2017, our board of directors, upon recommendation of our Compensation Committee, approved and adopted our Invitation Homes Inc. Executive Severance Plan, as amended (the "Executive Severance Plan"); and, in September 2017, adopted severance guidelines for those not covered by the Executive Severance Plan (the "Severance Guidelines" and, together with the Executive Severance Plan, the "Severance Plans"). The Severance Plans provide all qualified employees specified benefits following such person's qualifying termination of employment.

Note 15—Business Combinations

On November 16, 2017, we completed the Mergers with SWH. We believe that the Mergers provide a number of significant potential strategic benefits and opportunities that will be in the best interests of our stockholders. More specifically, we believe that the Mergers created a diversified and high-quality portfolio of homes in high-growth markets. Potential benefits from economies of scale and the market overlap of INVH's and SWH's complementary portfolios may be derived from optimization of operations, reduction of operating costs, and other anticipated synergies.

The Mergers were accounted for as a business combination in accordance with ASC Topic 805, *Business Combinations*. INVH was designated as the accounting acquirer. The assets (including identifiable intangible assets) and liabilities (including executory contracts and other commitments) of SWH were recorded at their respective fair values at the Merger Date. The estimated fair value of the consideration transferred was $4,920,534, which was based upon (i) the observable public closing share price of $23.01 on November 15, 2017 for the 207,448,958 shares of INVH common stock issued to SWH stockholders in exchange for their SWH common shares, (ii) the equity component of the Convertible Senior Notes, which was valued at $135,520, and (iii) the recognition of $11,614 of precombination service related to the exchange of SWH RSUs for INVH RSUs. Subsequent to the Merger Date, our condensed consolidated financial statements reflect these fair value adjustments and include the combined results of operations. Because INVH was designated as the accounting acquirer, our historical financial statements for periods prior to November 16, 2017 represent only the historical financial information of INVH and its consolidated subsidiaries.

Purchase Price Allocation

The total purchase price has been allocated based upon (1) the amounts reported in the SWH historical financial statements for any assets that were reported at fair value in accordance with SWH's historical accounting policies or (2) management's estimates of fair value.

Management's preliminary estimates of fair value for SWH's investments in real estate properties were based upon a progressive method that incorporated three value sources: automated valuation model data, BPOs and internal desktop valuations (Level 3 measurements).

The fair value of our investment in the unconsolidated joint venture represents the estimated fair value of our equity interest in the joint venture with FNMA. We determined the fair value based on the estimated fair value of the underlying investments in single-family residential properties after giving consideration to the terms and conditions of the related joint venture agreement (Level 3 measurement).

The fair value of other assets includes the estimated fair value of in-place leases in the amount of $45,740, which was estimated based on lost rent and avoidable costs over an assumed vacancy period (Level 3 measurements). Also included in other assets is the estimated fair value of interest rate swap agreements in the aggregate amount of $21,135.

The fair value of SWH's debt was determined by comparison of contractual terms of SWH's existing debt obligations to the current market rates on a risk-adjusted basis as of the Merger Date. The associated future debt cash flows were then discounted back to present value to arrive at an estimated fair value of SWH's debt (Level 3 measurements).

(dollar amounts in thousands)

The allocation of the total purchase price to SWH's tangible and intangible assets and liabilities under this methodology is as follows:

Consideration transferred	$ 4,920,534
Assets acquired:	
Land	1,920,400
Buildings and improvements	6,487,505
Cash and cash equivalents	84,952
Restricted cash	118,556
Other assets	389,449
Liabilities assumed:	
Mortgage loans, net	(3,433,506)
Convertible senior notes, net	(547,437)
Accounts payable and accrued expenses	(112,505)
Resident security deposits	(56,895)
Other liabilities	(36,311)
Non-controlling interests	(151,881)
Net assets acquired	4,662,327
Goodwill	$ 258,207

These allocations are management's estimates of fair value, which are preliminary as of September 30, 2018 and are subject to change. The goodwill recorded is primarily attributable to the value of the synergies expected to arise after the Mergers.

Merger and Transaction-Related Expenses

We incurred $3,339 and $11,942 of merger and transaction-related expenses related to the Mergers during the three and nine months ended September 30, 2018, included in general and administrative expenses in the condensed consolidated statements of operations. Merger and transaction-related expenses are expensed as incurred and are comprised primarily of transaction fees and direct acquisition costs, including legal, finance, consulting, professional fees, and other third-party costs. The costs that were obligations of SWH and expensed by SWH prior to the Merger Date are not included in our condensed consolidated financial statements.

In addition, and in connection with the Mergers and the resulting integration, we have incurred severance costs for terminated and transitional employees, and such costs are accrued over the related remaining service periods. More specifically, in August 2017, we entered into agreements with several of our executives, which provide the executives, as applicable, with benefits upon the consummation of the Mergers and/or where the executive experiences a qualifying termination within a specified period of time following such consummation. After the consummation of the Mergers, if a participant under either a Severance Plan or an executive agreement experiences a qualifying termination, such person will be entitled to specified benefits. During the three and nine months ended September 30, 2018, we incurred $1,952 and $6,292, respectively, of employee severance pursuant to the Severance Plans and the executive agreements, and these costs are included in general and administrative expenses in the condensed consolidated statements of operations.

(dollar amounts in thousands)

Pro Forma Information

The following table provides the pro forma consolidated operational data as if the Mergers had occurred on January 1, 2017:

	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017
Total revenue	$ 410,856	$ 1,193,375
Net loss	(55,425)	(208,840)

Pro forma net loss includes transaction costs related to the Mergers of $3,339 and $61,915 for the three and nine months ended September 30, 2017, respectively.

The pro forma consolidated operational data is based on assumptions and estimates considered appropriate by our management; however, these pro forma results are not necessarily indicative of the results of operations that would have been obtained had the Mergers occurred at the beginning of the period presented, nor do they purport to represent the consolidated results of operations for future periods. The pro forma consolidated operational data does not include the impact of any synergies that may be achieved from the Mergers or any strategies that management may consider in order to continue to efficiently manage operations.

Note 16—Subsequent Events

In connection with the preparation of the accompanying condensed consolidated financial statements, we have evaluated events and transactions occurring after September 30, 2018, for potential recognition or disclosure.

Residential Property Dispositions

Between October 1, 2018 and October 31, 2018, we disposed of 1,324 homes for an aggregate net sales price of $209,997. A portion of the proceeds will be used to make prepayments on certain of our mortgage loans. As of September 30, 2018, 1,321 of these properties were classified as held for sale and presented within other assets, net and 3 were classified as single-family residential properties on our condensed consolidated balance sheet.

Dividend Declaration

On November 1, 2018, our board of directors declared a dividend of $0.11 per share to stockholders of record on November 14, 2018, which is payable on November 30, 2018.

CSH 2016-1 Securitization

On October 9, 2018, we made a voluntary prepayment of $50,000 against the outstanding balance of CSH 2016-1 with unrestricted cash on hand.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the information appearing elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K. This discussion and analysis contains forward-looking statements based upon our current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Part I. Item 1A. "Risk Factors," in our Annual Report on Form 10-K.

Unless otherwise indicated or the context otherwise requires, information presented throughout this discussion and analysis of our financial condition and results of operations as of September 30, 2018 and for the three and nine months ended September 30, 2018 includes the impact of the Mergers.

Capitalized terms used without definition have the meaning provided elsewhere in this Quarterly Report on Form 10-Q.

Overview

Invitation Homes is a leading owner and operator of single-family homes for lease, offering residents high-quality homes in sought-after neighborhoods across America. With over 82,000 homes for lease in 17 markets across the country as of September 30, 2018, Invitation Homes is meeting changing lifestyle demands by providing residents access to updated homes with features they value, such as close proximity to jobs and access to good schools. Our mission statement, "Together with you, we make a house a home," reflects our commitment to high-touch service that continuously enhances residents' living experiences and provides homes where individuals and families can thrive.

We operate in markets with strong demand drivers, high barriers to entry and high rent growth potential, primarily in the Western United States, Florida, and the Southeast United States. Through disciplined market and asset selection, we designed our portfolio to capture the operating benefits of local density as well as economies of scale that we believe cannot be readily replicated. Since our founding in 2012, we have built a proven, vertically integrated operating platform that allows us to effectively and efficiently acquire, renovate, lease, maintain, and manage our homes.

We invest in markets that we expect will exhibit lower new supply, stronger job and household formation growth, and superior net operating income ("NOI") growth relative to the broader United States housing and rental market. Within our 17 markets, we target attractive neighborhoods in in-fill locations with multiple demand drivers, such as proximity to major employment centers, desirable schools, and transportation corridors. Our homes average approximately 1,850 square feet with three bedrooms and two bathrooms, appealing to a resident base that we believe is less transitory than the typical multifamily resident. We invest in the upfront renovation of homes in our portfolio in order to address capital needs, reduce ongoing maintenance costs, and drive resident demand. As a result, our portfolio benefits from high occupancy and low turnover rates, and we are well-positioned to drive strong rent growth, attractive margins, and predictable cash flows.

Reorganization and Initial Public Offering

On January 31, 2017, we and our Pre-IPO Owners effected the Pre-IPO Transactions that resulted in INVH LP holding, directly or indirectly, all of the assets, liabilities, and results of operations reflected in our condensed consolidated financial statements, including the full portfolio of homes held by the IH Holding Entities. As a result of the Pre-IPO Transactions, INVH LP became a consolidated subsidiary of INVH. A wholly-owned subsidiary of INVH, Invitation Homes OP GP LLC, serves as INVH LP's sole general partner.

The Pre-IPO Transactions have been accounted for as a reorganization of entities under common control utilizing historical cost basis in our 2017 financial statements. Accordingly, after January 31, 2017, our consolidated financial statements include the accounts of INVH and its wholly-owned subsidiaries. Prior to that date, our consolidated financial statements include the combined accounts of INVH LP and the IH Holding Entities and their wholly-owned subsidiaries.

On February 6, 2017, Invitation Homes Inc. completed an initial public offering of 88,550,000 shares of common stock at a price to the public of $20.00 per share (the "IPO"). An additional 221,826,634 shares of common stock were issued to the Pre-IPO Owners, including stock held by directors, officers, and employees as part of the Pre-IPO Transactions.

Merger with Starwood Waypoint Homes

On November 16, 2017, we completed the Mergers with SWH. We believe that the Mergers provide a number of significant potential strategic benefits and opportunities that will be in the best interests of our stockholders. More specifically, we believe that the Mergers created a diversified and high-quality portfolio of homes in high-growth markets. Potential benefits from economies of scale and the market overlap of INVH’s and SWH’s complementary portfolios may be derived from optimization of operations, reduction of operating costs, and other anticipated synergies.

Our Portfolio

The following table provides summary information regarding our total and Same Store portfolios as of and for the three months ended September 30, 2018 as noted below:

Market	Number of Homes[(1)]	Average Occupancy[(2)]	Average Monthly Rent[(3)]	Average Monthly Rent PSF[(3)]	% of Revenue[(4)]
Western United States					
Southern California	8,314	95.3%	$2,293	$1.36	13.2%
Northern California	4,555	95.8%	1,970	1.28	6.4%
Seattle	3,383	92.9%	2,103	1.10	5.1%
Phoenix	7,515	95.3%	1,282	0.79	6.9%
Las Vegas	2,688	95.9%	1,533	0.77	3.0%
Denver	2,208	92.8%	1,907	1.07	3.0%
Western United States Subtotal	28,663	94.9%	1,853	1.08	37.6%
Florida					
South Florida	9,219	94.1%	2,126	1.15	13.4%
Tampa	8,627	93.9%	1,610	0.88	9.7%
Orlando	5,904	95.1%	1,582	0.86	6.5%
Jacksonville	1,932	94.0%	1,630	0.82	2.2%
Florida Subtotal	25,682	94.3%	1,790	0.97	31.8%
Southeast United States					
Atlanta	12,450	94.5%	1,456	0.71	12.5%
Carolinas	4,980	94.0%	1,538	0.72	5.3%
Nashville	782	96.1%	1,826	0.86	1.0%
Southeast United States Subtotal	18,212	94.4%	1,494	0.72	18.8%
Texas					
Houston	2,414	92.1%	1,541	0.79	2.6%
Dallas	2,264	93.3%	1,728	0.82	2.7%
Texas Subtotal	4,678	92.7%	1,630	0.81	5.3%
Midwest United States					
Chicago	3,858	91.5%	1,946	1.20	5.0%
Minneapolis	1,167	95.9%	1,833	0.93	1.5%
Midwest United States Subtotal	5,025	92.5%	1,919	1.12	6.5%
Total/Average	82,260	95.1%	$1,745	$0.93	100.0%
Same Store Total / Average	71,226	95.5%	$1,746	$0.94	87.4%

(1) As of September 30, 2018.
(2) Represents average occupancy for the three months ended September 30, 2018.
(3) Represents average monthly rent for the three months ended September 30, 2018.
(4) Represents the percentage of total revenue generated in each market for the three months ended September 30, 2018.

Factors That Affect Our Results of Operations and Financial Condition

Our results of operations and financial condition are affected by numerous factors, many of which are beyond our control. See Part I. Item 1A. “Risk Factors” in our Annual Report on Form 10-K for more information regarding factors that could materially adversely affect our results of operations and financial condition. Key factors that impact our results of operations and financial condition include market fundamentals, rental rates and occupancy levels, turnover rates and days to re-resident homes, property improvements and maintenance, property acquisitions and renovations, and financing arrangements.

Market Fundamentals: Our results are impacted by housing market fundamentals and supply and demand conditions in our markets, particularly in the Western United States and Florida, which represented 69.4% of our revenues during the three months ended September 30, 2018. In recent periods, our Western United States and Florida markets have experienced favorable demand fundamentals with employment growth and household formation rates, and favorable supply fundamentals such as the rate of new supply delivery. We believe these supply and demand fundamentals have driven favorable rental rate growth and home price appreciation for our Western United States and Florida markets in recent periods, and we expect these trends to continue in the near to intermediate term.

Rental Rates and Occupancy Levels: Rental rates and occupancy levels are primary drivers of rental revenues and other property income. Our rental rates and occupancy levels are affected by macroeconomic factors and local and property-level factors, including market conditions, seasonality, resident defaults, and the amount of time it takes to prepare a home for its next resident and re-lease homes when residents vacate. An important driver of rental rate growth is our ability to increase monthly rents from expiring leases, which typically have a term of one to two years.

Turnover Rates and Days to Re-Resident: Other drivers of rental revenues and property operating and maintenance expense include increasing the length of stay of our residents, minimizing resident turnover rates, and reducing the number of days a home is unoccupied between residents. Our operating results are also impacted by the amount of time it takes to market and lease a property. The period of time to market and lease a property can vary greatly and is impacted by local demand, our marketing techniques, the size of our available inventory, economic conditions, and economic outlook. Increases in turnover rates and the average number of days to re-resident increase property operating and maintenance expenses and reduce rental revenues as the homes are not generating income during this period.

Property Improvements and Maintenance: Property improvements and maintenance impact capital expenditures, property operating and maintenance expense, and rental revenues. We actively manage our homes on a total portfolio basis to determine what capital and maintenance needs may be required, and what opportunities we may have to generate additional revenues or expense savings from such expenditures. Due to our size and scale both nationally and locally, we believe we are able to purchase goods and services at favorable prices.

Property Acquisitions and Renovations: Future growth in rental revenues and operating income may be impacted by our ability to identify and acquire homes, our pace of property acquisitions, and the time and cost required to renovate and lease a newly acquired home. Our ability to identify and acquire single-family homes that meet our investment criteria is impacted by home prices in targeted acquisition locations, the inventory of homes available for sale through our acquisition channels, and competition for our target assets. The acquisition of homes involves expenditures in addition to payment of the purchase price, including payments for acquisition fees, property inspections, closing costs, title insurance, transfer taxes, recording fees, broker commissions, property taxes and HOA fees (when applicable). Additionally, we typically incur costs to renovate a home to prepare it for rental. The scope of renovation work varies, but may include paint, flooring, carpeting, cabinetry, appliances, plumbing hardware, roof replacement, HVAC replacement, and other items required to prepare the home for rental. The time and cost involved in accessing our homes and preparing them for rental can significantly impact our financial performance. The time to renovate a newly acquired property can vary significantly among homes for several reasons, including the property’s acquisition channel, the condition of the property, and whether the property was vacant when acquired. Due to our size and scale both nationally and locally, we believe we are able to purchase goods and services at favorable prices.

Financing Arrangements: Financing arrangements directly impact our interest expense, mortgage loans, term loan facility, revolving facility, and convertible debt, as well as our ability to acquire and renovate homes. We have historically utilized indebtedness to fund the acquisition and renovation of new homes. Our current financing arrangements contain financial covenants, and certain financing arrangements contain variable interest rate terms. Interest rates are impacted by market conditions, and the terms of the underlying financing arrangements. See Part I. Item 3. “Quantitative and Qualitative Disclosures about Market Risk” for further discussion regarding interest rate risk. Our future financing arrangements may not have similar terms with respect to amounts, interest rates, financial covenants, and durations.

Recent Events

IH 2018-1 Securitization

On February 8, 2018, we completed a securitization transaction pursuant to which we entered into a loan agreement with a third-party lender, providing for a new mortgage loan comprised of six components with a total principal balance of $916.6 million (“IH 2018-1”). IH 2018-1 has a stated maturity of March 9, 2020, with five one-year extension options, and is secured by first priority mortgages on a portfolio of homes. Each of the six components of IH 2018-1 bears interest at a floating rate equal to the London Interbank Offered Rate (“LIBOR”) plus an applicable spread (inclusive of servicing fees) that ranges from 76 to 256 bps, with a weighted average spread to LIBOR of 124 bps. We used proceeds from IH 2018-1 to repay the outstanding balances under CAH 2014-1 and CAH 2014-2, to fund certain reserves, and for general corporate purposes.

IH 2018-2 Securitization

On May 8, 2018, we completed a securitization transaction pursuant to which we entered into a loan agreement with a third-party lender, providing for a new mortgage loan comprised of six components with a total principal balance of $1,057.2 million (“IH 2018-2”). IH 2018-2 has a stated maturity of June 9, 2020, with five one-year extension options, and is secured by first priority mortgages on a portfolio of homes. Each of the six components of IH 2018-2 bears interest at a floating rate equal to LIBOR plus an applicable spread (inclusive of servicing fees) that ranges from 95 to 230 bps, with a weighted average spread to LIBOR of 138 bps. We used proceeds from IH 2018-2 to repay the outstanding balances under IH 2015-1 and IH 2015-2, to fund certain reserves, and for general corporate purposes.

IH 2018-3 Securitization

On June 28, 2018, we completed a securitization transaction pursuant to which we entered into a loan agreement with a third-party lender, providing for a new mortgage loan comprised of six components with a total principal balance of $1,300.0 million (“IH 2018-3”). IH 2018-3 has a stated maturity of July 9, 2020, with five one-year extension options, and is secured by first priority mortgages on a portfolio of homes. Each of the six components of IH 2018-3 bears interest at a floating rate equal to LIBOR plus an applicable spread (inclusive of servicing fees) that ranges from 105 to 230 bps, with a weighted average spread to LIBOR of 142 bps. We used proceeds from IH 2018-3 to repay the outstanding balance under IH 2015-3, to fund certain reserves, and for general corporate purposes.

Interest Rate Swap Agreements

During the nine months ended September 30, 2018, we entered into the following seven interest rate swap agreements that effectively convert $3,620.0 million of existing floating rate debt to fixed rate debt ($ in thousands):

Agreement Date	Forward Effective Date	Maturity Date	Strike Rate	Index		Notional Amount
April 19, 2018	January 31, 2019	January 31, 2025	2.86%	One-month LIBOR	$	400,000
April 19, 2018	March 15, 2019	November 30, 2024	2.85%	One-month LIBOR		400,000
April 19, 2018	March 15, 2019	February 28, 2025	2.86%	One-month LIBOR		400,000
April 19, 2018	January 31, 2020	November 30, 2024	2.90%	One-month LIBOR		400,000
May 8, 2018	March 9, 2020	June 9, 2025	2.99%	One-month LIBOR		325,000
May 8, 2018	June 9, 2020	June 9, 2025	2.99%	One-month LIBOR		595,000
June 28, 2018	August 7, 2020	July 9, 2025	2.90%	One-month LIBOR		1,100,000

Components of Revenues and Expenses

The following is a description of the components of our revenues and expenses.

Revenues

Rental Revenues

Rental revenues, net of any concessions and uncollectible amounts, consist of rents collected under lease agreements related to our single-family homes for lease. These include leases that we enter into directly with our residents, which typically have a term of one to two years.

Other Property Income

Other property income is comprised of: (i) resident reimbursements for utilities, HOA fines, and other charge-backs; (ii) rent and non-refundable deposits associated with pets; and (iii) various other fees, including application, and lease termination fees.

Expenses

Property Operating and Maintenance

Once a property is available for its initial lease, which we refer to as “rent-ready,” we incur ongoing property-related expenses, which consist primarily of property taxes, insurance, HOA fees (when applicable), market-level personnel expenses, utility expenses, repairs and maintenance, leasing costs, and marketing expenses. Prior to a property being “rent-ready,” certain of these expenses are capitalized as building and improvements. Once a property is “rent-ready,” expenditures for ordinary maintenance and repairs thereafter are expensed as incurred, and we capitalize expenditures that improve or extend the life of a home.

Property Management Expense

Property management expense represents personnel and other costs associated with the oversight and management of our portfolio of homes. All of our homes are managed through our internal property manager.

General and Administrative

General and administrative expense represents personnel costs, professional fees, and other costs associated with our day to day activities. General and administrative expense also includes IPO-related and merger and transaction-related expenses that are of a non-recurring nature.

Share-Based Compensation Expense

Certain current and former employees, as well as certain of our founders, were granted Class B incentive units in certain of the IH Holding Entities or their parent entities. In connection with the IPO, all of the Class B units were converted into shares of common stock, canceled, or converted into similar units of newly formed subsidiaries of the Pre-IPO Owners. We have recognized incentive compensation expense related to the value of those units in our results of operations. In connection with and subsequent to the IPO, we modified certain of our incentive awards and issued new awards in order to align our employees’ interests with those of our investors. Share-based compensation expense is a meaningful component of compensation for our executives and other leaders in our organization. We also assumed similar awards in connection with the Mergers. All incentive unit and share-based compensation expense is recognized in our statements of operations as components of general and administrative expense and property management expense.

Depreciation and Amortization

We recognize depreciation and amortization expense primarily associated with our homes and other capital expenditures over their expected useful lives.

Impairment and Other

Impairment and other represents provisions for impairment when the carrying amount of our single-family residential properties is not recoverable and casualty losses, net of any insurance recoveries.

Interest Expense

Interest expense includes interest payable on our debt instruments, payments and receipts related to our interest rate swap agreements, related amortization of discounts and deferred financing costs, unrealized gains (losses) on non-designated hedging instruments, and noncash interest expense related to our interest rate swap agreements.

Other, net

Other, net includes interest income, third-party management fee income, equity in earnings from an unconsolidated joint venture acquired in the Mergers, and other miscellaneous income and expenses.

Gain (Loss) on Sale of Property, net of tax

Gain (loss) on sale of property, net of tax consists of net gains and losses resulting from sales of our homes.

Results of Operations

Portfolio Information

As of September 30, 2018 and 2017, we owned 82,260 and 47,867 single-family rental homes, respectively, in our total portfolio. As a result of the Mergers, an additional 34,670 homes were added to our portfolio in the fourth quarter of 2017. During the three months ended September 30, 2018 and 2017, we acquired 249 and 270 homes, respectively, and sold 413 and 128 homes, respectively. During the nine months ended September 30, 2018 and 2017, we acquired 702 and 620 homes, respectively, and sold 1,012 and 1,051 homes, respectively.

We believe presenting information about the portion of our total portfolio that has been fully operational for the entirety of a given reporting period and its prior year comparison period provides investors with meaningful information about the performance of our comparable homes across periods, and about trends in our organic business. To do so, we provide information regarding the performance of our Same Store portfolio.

As of September 30, 2018, our Same Store portfolio consisted of 71,226 single-family rental homes. In order to provide meaningful comparative information across periods that, in some cases, pre-date the Mergers, all information regarding the performance of the Same Store portfolio is presented as though the Mergers were consummated on January 1, 2017 (i.e., as though the single-family rental homes owned by Legacy SWH prior to the Mergers that are included in our Same Store portfolio had been owned by Legacy IH for the entirety of all comparison periods for which Same Store portfolio information is presented).

Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

The following table sets forth a comparison of the results of operations for the three months ended September 30, 2018 and 2017:

($ in thousands)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	$ Change	% Change
Revenues:				
Rental revenues	$ 404,140	$ 229,375	$ 174,765	76.2 %
Other property income	30,111	14,161	15,950	112.6 %
Total revenues	434,251	243,536	190,715	78.3 %
Operating expenses:				
Property operating and maintenance	170,021	93,267	76,754	82.3 %
Property management expense	16,692	10,852	5,840	53.8 %
General and administrative	21,152	27,462	(6,310)	(23.0)%
Depreciation and amortization	139,371	67,466	71,905	106.6 %
Impairment and other	3,252	14,572	(11,320)	(77.7)%
Total operating expenses	350,488	213,619	136,869	64.1 %
Operating income	83,763	29,917	53,846	180.0 %
Interest expense	(97,564)	(56,796)	40,768	71.8 %
Other, net	3,330	613	2,717	443.2 %
Gain on sale of property, net of tax	11,512	3,756	7,756	206.5 %
Net income (loss)	$ 1,041	$ (22,510)	$ (23,551)	(104.6)%

Rental Revenues

For the three months ended September 30, 2018 and 2017, total portfolio rental revenue totaled $404.1 million and $229.4 million, respectively, an increase of 76.2%, driven by the significant increase in the number of homes owned. For our Same Store portfolio, rental revenue increased 4.4% compared to the three months ended September 30, 2017, primarily due to an increase in average monthly rent per occupied home.

Average occupancy for the total portfolio was 94.3% and 94.4% for the three months ended September 30, 2018 and 2017, respectively, and average rent per occupied home for the total portfolio for the three months ended September 30, 2018 was $1,745 compared to $1,705 for three months ended September 30, 2017, a 2.3% increase. For our Same Store portfolio, average occupancy was 95.5% and 95.0% for the three months ended September 30, 2018 and 2017, respectively, and average monthly rent per occupied home for the three months ended September 30, 2018 was $1,746, compared to $1,682 for the three months ended September 30, 2017, a 3.8% increase.

To monitor prospective changes in average rent per occupied home, we compare the monthly rent from an expiring lease to the monthly rent from the next lease for the same home, in each case, net of any amortized concessions. Leases are either renewal leases, where our current resident stays for a subsequent lease term, or new leases, where our previous resident moves out and a new resident signs a lease to occupy the same home.

Renewal lease net effective rental rate growth for the total portfolio averaged 4.8% and 5.0% for the three months ended September 30, 2018 and 2017, respectively, and new lease net effective rental rate growth for the total portfolio averaged 3.3% and 3.6% for the three months ended September 30, 2018 and 2017, respectively. For our Same Store portfolio, renewal lease net effective rental rate growth averaged 4.8% and 5.1% for the three months ended September 30, 2018 and 2017, respectively, and new lease net effective rental rate growth averaged 3.3% and 3.3% for the three months ended September 30, 2018 and 2017, respectively.

The annualized turnover rate for the Same Store portfolio for the three months ended September 30, 2018 and 2017 was 37.0% and 39.1%, respectively. For the Same Store portfolio, an average home remained unoccupied for 43 days between residents for each of the three months ended September 30, 2018 and 2017.

Other Property Income

For the three months ended September 30, 2018 and 2017, other property income was $30.1 million and $14.2 million, respectively, an increase of 112.6%, driven by the significant increase in the number of homes owned. Other than the increase in the number of homes owned, the primary driver of the increase was utilities expense recoveries. Utilities expense recoveries increased as more utilities remained in our name compared to prior year, and the terms of new leases require residents to reimburse us for those costs.

Operating Expenses

For the three months ended September 30, 2018 and 2017, operating expenses were $350.5 million and $213.6 million, respectively. Set forth below is a discussion of changes in the individual components of operating expenses.

Property operating and maintenance expense increased to $170.0 million for the three months ended September 30, 2018 from $93.3 million for the three months ended September 30, 2017, primarily due to the increase in the number of homes owned.

Property management expense and general and administrative expense decreased slightly to $37.8 million for the three months ended September 30, 2018 from $38.3 million for the three months ended September 30, 2017. Higher expenses due to the increase in the number of homes owned were offset by a decrease in share-based compensation expense.

Depreciation and amortization expense increased to $139.4 million for the three months ended September 30, 2018 from $67.5 million for the three months ended September 30, 2017, primarily due to the addition of 34,670 homes acquired in the Mergers and the amortization of in-place leases.

Impairment and other expenses decreased to $3.3 million for the three months ended September 30, 2018 from $14.6 million for the three months ended September 30, 2017, primarily due to impairment losses on real estate and damages related to Hurricane Irma and Harvey of $16.0 million for the three months ended September 30, 2017.

Interest Expense

Interest expense was $97.6 million and $56.8 million for the three months ended September 30, 2018 and 2017, respectively. The increase in interest expense was due to an increase in average debt balances outstanding during 2018, primarily related to debt assumed in connection with the Mergers. As of September 30, 2018, we had $9,454.9 million of debt outstanding, net of deferred financing costs and discounts, compared to $5,644.3 million as of September 30, 2017. Additionally, the average one-month LIBOR rate increased by 88 basis points to 2.11% from 1.23% for the three months ended September 30, 2018 and 2017, respectively, which was partially offset by reductions in the weighted average spread over LIBOR (inclusive of servicing fees) resulting from refinancing activity.

Gain on Sale of Property, net of tax

Gain on sale of property was $11.5 million and $3.8 million for the three months ended September 30, 2018 and 2017, respectively. Of the 413 homes sold during the three months ended September 30, 2018, 147 homes were sold in two bulk sale transactions for a gain of $2.7 million. The additional 266 homes sold in the three months ended September 30, 2018 were sold for a net gain of $8.8 million. There were no material bulk sales during the three months ended September 30, 2017.

Results of Operations

Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

The following table sets forth a comparison of the results of operations for the nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30,			
($ in thousands)	**2018**	**2017**	**$ Change**	**% Change**
Revenues:				
Rental revenues	$ 1,203,780	$ 683,975	$ 519,805	76.0 %
Other property income	86,566	40,527	46,039	113.6 %
Total revenues	1,290,346	724,502	565,844	78.1 %
Operating expenses:				
Property operating and maintenance	496,211	274,275	221,936	80.9 %
Property management expense	48,204	31,436	16,768	53.3 %
General and administrative	73,424	104,154	(30,730)	(29.5)%
Depreciation and amortization	430,321	202,558	227,763	112.4 %
Impairment and other	13,476	16,482	(3,006)	(18.2)%
Total operating expenses	1,061,636	628,905	432,731	68.8 %
Operating income	228,710	95,597	133,113	139.2 %
Interest expense	(287,089)	(182,726)	104,363	57.1 %
Other, net	6,697	(482)	(7,179)	N/M
Gain on sale of property, net of tax	20,955	28,239	7,284	25.8 %
Net loss	$ (30,727)	$ (59,372)	$ (28,645)	(48.2)%

Rental Revenues

For the nine months ended September 30, 2018 and 2017, total portfolio rental revenue totaled $1,203.8 million and $684.0 million, respectively, an increase of 76.0%, driven by the significant increase in the number of homes owned. For our Same Store portfolio, rental revenue increased 4.3% compared to the nine months ended September 30, 2017, primarily due to an increase in average monthly rent per occupied home.

Average occupancy for the total portfolio was 94.6% and 94.8% for the nine months ended September 30, 2018 and 2017, respectively, and average rent per occupied home for the total portfolio for the nine months ended September 30, 2018 was $1,725, compared to $1,683 for nine months ended September 30, 2017, a 2.5% increase. For our Same Store portfolio, average occupancy was 95.8% and 95.5% for the nine months ended September 30, 2018 and 2017, respectively, and average monthly rent per occupied home for the nine months ended September 30, 2018 was $1,726, compared to $1,661 for the nine months ended September 30, 2017, a 3.9% increase.

To monitor prospective changes in average rent per occupied home, we compare the monthly rent from an expiring lease to the monthly rent from the next lease for the same home, in each case, net of any amortized concessions. Leases are either renewal leases, where our current resident stays for a subsequent lease term, or new leases, where our previous resident moves out and a new resident signs a lease to occupy the same home.

Renewal lease net effective rental rate growth for the total portfolio averaged 4.8% and 5.1% for the nine months ended September 30, 2018 and 2017, respectively, and new lease net effective rental rate growth for the total portfolio averaged 3.6% and 4.1% for the nine months ended September 30, 2018 and 2017, respectively. For our Same Store portfolio, renewal lease net effective rental rate growth averaged 4.8% and 5.2% for the nine months ended September 30, 2018 and 2017, respectively, and new lease net effective rental rate growth averaged 3.6% and 4.1% for the nine months ended September 30, 2018 and 2017, respectively.

The annualized turnover rate for the Same Store portfolio for the nine months ended September 30, 2018 and 2017 was 34.9% and 37.2%, respectively. For the Same Store portfolio, an average home remained unoccupied for 46 and 45 days between residents for the nine months ended September 30, 2018 and 2017, respectively.

Other Property Income

For the nine months ended September 30, 2018 and 2017, other property income was $86.6 million and $40.5 million, respectively, an increase of 113.6%, driven by the significant increase in the number of homes owned. Other than the increase in the number of homes owned, the primary driver of the increase was utilities expense recoveries. Utilities expense recoveries increased as more utilities remained in our name compared to prior year, and the terms of new leases require residents to reimburse us for those costs.

Operating Expenses

For the nine months ended September 30, 2018 and 2017, operating expenses were $1,061.6 million and $628.9 million, respectively. Set forth below is a discussion of changes in the individual components of operating expenses.

Property operating and maintenance expense increased to $496.2 million for the nine months ended September 30, 2018 from $274.3 million for the nine months ended September 30, 2017, primarily due to the increase in the number of homes owned.

Property management expense and general and administrative expense decreased to $121.6 million for the nine months ended September 30, 2018 from $135.6 million for the nine months ended September 30, 2017, primarily due to a decrease in share-based compensation expense of $40.9 million, which was driven by $12.0 million of vesting of Class B Units and $45.9 million of awards issued in connection with the IPO during the nine months ended September 30, 2017. Property management expense and general and administrative expense decreased for the nine months ended September 30, 2018 by an additional $8.3 million due to IPO-related costs during the nine months ended September 30, 2017. These decreases were partially offset by $13.3 million of higher merger and transaction-related expenses incurred during the nine months ended September 30, 2018 and increased expenses due to the increase in the number of homes owned.

Depreciation and amortization expense increased to $430.3 million for the nine months ended September 30, 2018 from $202.6 million for the nine months ended September 30, 2017, primarily due to the addition of 34,670 homes acquired in the Mergers and the amortization of in-place leases.

Impairment and other expenses decreased to $13.5 million for the nine months ended September 30, 2018 from $16.5 million for the nine months ended September 30, 2017. Both periods included losses/damages related to Hurricanes Irma and Harvey.

Interest Expense

Interest expense was $287.1 million and $182.7 million for the nine months ended September 30, 2018 and 2017, respectively. The increase in interest expense was due to an increase in average debt balances outstanding during 2018 primarily related to debt assumed in connection with the Mergers. As of September 30, 2018, we had $9,454.9 million of debt outstanding, net of deferred financing costs and discounts, compared to $5,644.3 million as of September 30, 2017. Additionally, the average one-month LIBOR rate increased by 87 basis points to 1.91% from 1.04% for the nine months ended September 30, 2018 and 2017, respectively, which was partially offset by reductions in the weighted average spread over LIBOR (inclusive of servicing fees) resulting from refinancing activity.

Gain on Sale of Property, net of tax

Gain on sale of property was $21.0 million and $28.2 million for the nine months ended September 30, 2018 and 2017, respectively. The primary driver for the difference in the gain on sale between periods was the composition of homes sold during the respective periods. Of the 1,012 homes sold during the nine months ended September 30, 2018, 147 homes were sold in two bulk sales for a gain of $2.7 million. The additional 865 homes sold in the nine months ended September 30, 2018 sold for a net gain of $18.3 million. Of the 1,051 homes sold during the nine months ended September 30, 2017, 454 homes were sold in two bulk sales for a gain of $9.5 million. The additional 597 homes sold in the nine months ended September 30, 2017 were sold for a net gain of $18.7 million.

Liquidity and Capital Resources

Our liquidity and capital resources as of September 30, 2018 and December 31, 2017 included unrestricted cash and cash equivalents of $130.0 million and $179.9 million, respectively, a 27.7% decrease due primarily to payments on our mortgage loans and investments in single-family residential properties, which is discussed in further detail in "—Cash Flows." Additionally, the total balance of our $1,000.0 million revolving credit facility (the "Revolving Facility") remained undrawn as of September 30, 2018.

Liquidity is a measure of our ability to meet potential cash requirements, maintain our assets, fund our operations, make distributions and dividend payments to our equity investors, and meet other general requirements of our business. Our liquidity, to a certain extent, is subject to general economic, financial, competitive, and other factors beyond our control. Our near-term liquidity requirements consist primarily of: (i) renovating newly-acquired homes; (ii) funding HOA fees (as applicable), real estate taxes, insurance premiums and the ongoing maintenance of our homes; (iii) interest expense; and (iv) payment of dividends to our equity investors. Our long-term liquidity requirements consist primarily of funds necessary to pay for the acquisition of, and non-recurring capital expenditures for, our homes and principal payments on our indebtedness.

We intend to satisfy our long-term liquidity needs through cash provided by operations, long-term secured and unsecured borrowings, the issuance of debt and equity securities, and property dispositions. We believe our rental income net of operating expenses will generally provide cash flow sufficient to fund our operations and dividend payments on a near-term basis. Our real estate assets are illiquid in nature. A timely liquidation of assets may not be a viable source of short-term liquidity should a cash flow shortfall arise, and we may need to source liquidity from other financing alternatives, such as the Revolving Facility which had an undrawn balance of $1,000.0 million as of September 30, 2018.

As a REIT, we are required to distribute to our stockholders at least 90% of our taxable income, excluding net capital gain, on an annual basis. Therefore, as a general matter, it is unlikely that we will be able to retain substantial cash balances that could be used to meet our liquidity needs from our annual taxable income. Instead, we will need to meet these needs from external sources of capital and amounts, if any, by which our cash flow generated from operations exceeds taxable income.

The following describes the key terms of our current indebtedness.

Mortgage Loans

Our securitization transactions (the "Securitizations" or the "mortgage loans") are collateralized by certain homes owned by the respective Borrower Entities. We utilize the proceeds from our securitizations to fund (i) repayments of then-outstanding indebtedness, (ii) initial deposits into Securitization reserve accounts, (iii) closing costs in connection with the mortgage loans, (iv) general costs associated with our operations, and (v) distributions and dividends. In addition to the Securitization transactions we initiated, we assumed certain mortgage loans from SWH in connection with the Mergers.

The following table sets forth a summary of our mortgage loan indebtedness as of September 30, 2018 and December 31, 2017:

($ in thousands)	Maturity Date	Maturity Date if Fully Extended(1)	Interest Rate(2)	Range of Spreads	Outstanding Principal Balance(3) September 30, 2018	December 31, 2017
CAH 2014-1(4)	N/A	N/A	—%	N/A	$ —	$ 473,384
CAH 2014-2(4)	N/A	N/A	—%	N/A	—	385,401
IH 2015-1, net(5)	N/A	N/A	—%	N/A	—	528,795
IH 2015-2(5)	N/A	N/A	—%	N/A	—	627,259
IH 2015-3(6)	N/A	N/A	—%	N/A	—	1,165,886
CAH 2015-1(7)	July 9, 2019	July 9, 2020	4.16%	128-373 bps	646,760	656,551
CSH 2016-1(7)(8)	July 9, 2019	July 9, 2021	4.58%	158-508 bps	325,838	531,517
CSH 2016-2(7)	December 9, 2019	December 9, 2021	4.11%	133-423 bps	603,076	609,815
IH 2017-1(9)	June 9, 2027	June 9, 2027	4.23%	N/A	995,870	996,453
SWH 2017-1(7)	October 9, 2019	January 9, 2023	3.81%	102-347 bps	767,835	769,754
IH 2017-2(7)	December 9, 2019	December 9, 2024	3.77%	91-306 bps	862,181	863,413
IH 2018-1(4)(7)	March 9, 2020	March 9, 2025	3.50%	76-256 bps	913,317	—
IH 2018-2(5)(7)	June 9, 2020	June 9, 2025	3.64%	95-230 bps	1,051,996	—
IH 2018-3(6)(7)(8)	July 9, 2020	July 9, 2025	3.68%	105-230 bps	1,299,509	—
Total Securitizations					7,466,382	7,608,228
Less: deferred financing costs, net					(56,682)	(28,075)
Total					$ 7,409,700	$ 7,580,153

(1) Represents the maturity date if we exercise each of the remaining one-year extension options available, which are subject to certain conditions being met.

(2) Except for IH 2017-1, interest rates are based on a weighted average spread over the London Interbank Offered Rate ("LIBOR"), plus applicable servicing fees; as of September 30, 2018, LIBOR was 2.26%. Our IH 2017-1 mortgage loan bears interest at a fixed rate of 4.23% per annum, equal to the market determined pass-through rate payable on the certificates including applicable servicing fees.

(3) Outstanding principal balance is net of discounts and does not include deferred financing costs, net.

(4) On February 8, 2018, the outstanding balances of CAH 2014-1 and CAH 2014-2 were repaid in full with proceeds from IH 2018-1, a new securitization transaction.

(5) On May 8, 2018, the outstanding balances of IH 2015-1 and IH 2015-2 were repaid in full with proceeds from IH 2018-2, a new securitization transaction.

(6) On June 28, 2018, the outstanding balance of IH 2015-3 was repaid in full with proceeds from IH 2018-3, a new securitization transaction.

(7) The initial maturity term of each of these mortgage loans is two to three years, individually subject to two to five, one-year extension options at the borrower's discretion (provided that there is no continuing event of default under the mortgage loan agreement and the borrower obtains a replacement interest rate cap agreement in a form reasonably acceptable to the lender). Our CSH 2016-1 and CSH 2016-2 mortgage loans have exercised the first extension options, and CAH 2015-1 has exercised the second extension option. The maturity dates above are reflective of all extensions that have been exercised.

(8) On July 9, 2018, we made a voluntary prepayment of $200.0 million against the outstanding balance of CSH 2016-1 with excess proceeds from the IH 2018-3 securitization transaction and available unrestricted cash. On October 9, 2018, we made a voluntary prepayment of $50.0 million against the outstanding balance of CSH 2016-1 with unrestricted cash on hand.

(9) Net of unamortized discount of $3.1 million and $3.3 million as of September 30, 2018 and December 31, 2017, respectively.

Securitization Transactions

For each Securitization transaction, the Borrower Entity executed a loan agreement with a third-party lender. Except for IH 2017-1, each mortgage loan consists of five to seven components. The components are floating rate except with respect to certain components we were required to retain in connection with risk retention rules. The two to three year initial terms are individually subject to two to five, one-year extension options at the Borrower Entity's discretion. Such extensions are available provided there is no continuing event of default under the respective mortgage loan agreement and the Borrower Entity obtains a replacement interest rate cap agreement in a form reasonably acceptable to the lender. IH 2017-1 is a 10-year, fixed rate mortgage loan comprised of two components. Certificates issued by the trust in connection with Component A of IH 2017-1 benefit from the Federal National Mortgage Association's guaranty of timely payment of principal and interest.

Certain components were sold at a discount, and $3.1 million of unamortized discount is included in mortgage loans, net on our condensed consolidated balance sheets as of both September 30, 2018 and December 31, 2017.

Each mortgage loan is secured by a pledge of the equity in the assets of the respective Borrower Entities, as well as first-priority mortgages on the underlying properties and a grant of security interests in all of the related personal property. As of September 30, 2018 and December 31, 2017, a total of 43,701 and 47,616 homes, respectively, were pledged pursuant to the mortgage loans. We are obligated to make monthly payments of interest for each mortgage loan, and IH 2013-1 and CAH 2014-1 also required monthly payments of principal.

Transactions with Trusts

Concurrent with the execution of each mortgage loan agreement, the respective third-party lender sold each loan it originated to individual depositor entities (the "Depositor Entities") who subsequently transferred each loan to Securitization-specific trust entities (the "Trusts"). The Depositor Entities for our Securitizations currently outstanding are wholly-owned subsidiaries.

As consideration for the transfer of each loan to the Trusts, the Trusts issued certificate classes which mirror the components of the individual loan agreements (collectively, the "Certificates") to the Depositor Entities, except that Class R certificates do not have related loan components as they represent residual interests in the Trusts. The Certificates represent the entire beneficial interest in the Trusts. Following receipt of the Certificates, the Depositor Entities sold the Certificates to investors and used the proceeds as consideration for the loans sold to the Depositor Entities by the lenders. These transactions had no effect on our condensed consolidated financial statements other than with respect to Certificates we retained in connection with Securitizations or purchased at a later date.

The Trusts are structured as pass-through entities that receive interest, and in the case of IH 2013-1 and CAH 2014-1 principal payments, from the Securitizations and distribute those payments to the holders of the Certificates. The assets held by the Trusts are restricted and can only be used to fulfill the obligations of those entities. The obligations of the Trusts do not have any recourse to the general credit of any entities in these condensed consolidated financial statements. We have evaluated our interests in certain certificates of the Trusts held by us (discussed below) and determined that they do not create a more than insignificant variable interest in the Trusts. Additionally, the retained certificates do not provide us with any ability to direct the activities that could impact the Trusts' economic performance. Therefore, we do not consolidate the Trusts.

Retained Certificates

Beginning in April 2014, the Trusts made Certificates available for sale to both domestic and foreign investors. With the introduction of foreign investment, sponsors of the mortgage loans are required to retain a portion of the risk that represents a material net economic interest in each loan. These requirements were further refined in December 2016 pursuant to Regulation RR (the "Risk Retention Rules") under the Securities Exchange Act of 1934, as amended. As such, loan sponsors are now required to retain a portion of the credit risk that represents not less than 5% of the aggregate fair value of the loan as of the closing date.

To fulfill these requirements, Class G certificates for IH 2015-1, IH 2015-2, IH 2015-3, CAH 2015-1, CSH 2016-1, and CSH 2016-2 are issued in an amount equal to 5% of the original principal amount of the loans. Per the terms of the mortgage loan agreements, the Class G certificates are restricted certificates that were made available exclusively to the sponsor, as applicable. We retained these Class G certificates during the time the related Securitizations are outstanding, and they are principal only, bearing a stated interest rate of 0.0005%. Additionally, in certain instances, we have elected to purchase certain Class F certificates, which bear a stated annual interest rate of LIBOR plus a spread ranging from 3.73% to 5.08%.

For IH 2017-1, the Class B certificates are restricted certificates that were made available exclusively to INVH LP in order to comply with the Risk Retention Rules. The Class B certificates bear a stated annual interest rate of 4.23%, including applicable servicing fees.

For SWH 2017-1, IH 2017-2, IH 2018-1, IH 2018-2, and IH 2018-3, we retained a portion of each certificate class to meet the Risk Retention Rules. These retained certificates accrue interest at a floating rate of LIBOR plus a spread ranging from 0.76% to 3.47%.

The retained certificates total $392.9 million and $378.5 million as of September 30, 2018 and December 31, 2017, respectively, are classified as held to maturity investments, and are recorded in other assets, net on the condensed consolidated balance sheets.

Loan Covenants

The general terms that apply to all of the mortgage loans require us to maintain compliance with certain affirmative and negative covenants. Affirmative covenants with which we must comply include our, and certain of our affiliates', compliance with (i) licensing, permitting and legal requirements specified in the mortgage loan agreements, (ii) organizational requirements of the jurisdictions in which we, and certain of our affiliates, are organized, (iii) federal and state tax laws, and (iv) books and records requirements specified in the respective mortgage loan agreements. Negative covenants with which we must comply include our, and certain of our affiliates', compliance with limitations surrounding (i) the amount of our indebtedness and the nature of our investments, (ii) the execution of transactions with affiliates, (iii) the Manager, and (iv) the nature of our business activities. As of September 30, 2018, and through the date our condensed consolidated financial statements were issued, we believe we are in compliance with all affirmative and negative covenants.

Prepayments

For the mortgage loans, prepayments of amounts owed by us are generally not permitted by us under the terms of the respective mortgage loan agreements unless such prepayments are made pursuant to the voluntary election or mandatory provisions specified in such agreements. The specified mandatory provisions become effective to the extent that a property becomes characterized as a disqualified property, a property is sold, and/or upon the occurrence of a condemnation or casualty event associated with a property. To the extent either a voluntary election is made, or a mandatory prepayment condition exists, in addition to paying all interest and principal, we must also pay certain breakage costs as determined by the loan servicer and a spread maintenance premium if prepayment occurs before the month following the one or two year anniversary of the closing dates of each of the mortgage loans except for IH 2017-1. For IH 2017-1, prepayments on or before December 2026 will require a yield maintenance premium. For the nine months ended September 30, 2018 and 2017, we made voluntary and mandatory prepayments of $3,416.3 million and $2,086.6 million, respectively, under the terms of the mortgage loan agreements.

Term Loan Facility and Revolving Facility

On February 6, 2017, we entered into a credit facility (the “Credit Facility”), which was amended on December 18, 2017 to include entities and homes acquired in the Mergers. The Credit Facility provides $2,500.0 million of borrowing capacity and consists of the $1,000.0 million Revolving Facility, which will mature on February 6, 2021, with a one-year extension option, and a $1,500.0 million term loan facility (the “Term Loan Facility”), which will mature on February 6, 2022. The Revolving Facility also includes borrowing capacity available for letters of credit and for short-term borrowings referred to as swing line borrowings, in each case subject to certain sublimits. The Credit Facility provides us with the option to enter into additional incremental credit facilities (including an uncommitted incremental facility that provides us with the option to increase the size of the Revolving Facility and/or the Term Loan Facility by an aggregate amount of up to $1,500.0 million), subject to certain limitations. Proceeds from the Term Loan Facility were used to repay existing indebtedness and for general corporate purposes. Proceeds from the Revolving Facility are used for general corporate purposes.

The following table sets forth a summary of the outstanding principal amounts under the Credit Facility as of September 30, 2018 and December 31, 2017:

($ in thousands)	**Maturity Date**	**Interest Rate**[(1)]	**September 30, 2018**	**December 31, 2017**
Term Loan Facility	February 6, 2022	3.96%	$ 1,500,000	$ 1,500,000
Deferred financing costs, net			(9,862)	(12,027)
Term Loan Facility, net			$ 1,490,138	$ 1,487,973
Revolving Facility	February 6, 2021	4.01%	$ —	$ 35,000

(1) Interest rates for the Term Loan Facility and the Revolving Facility are based on LIBOR plus an applicable margin. As of September 30, 2018 the applicable margins were 1.70% and 1.75%, respectively, and LIBOR was 2.26%.

Interest Rate and Fees

Borrowings under the Credit Facility bear interest, at our option, at a rate equal to a margin over either (a) a LIBOR rate determined by reference to the Bloomberg LIBOR rate (or comparable or successor rate) for the interest period relevant to such borrowing, or (b) a base rate determined by reference to the highest of (1) the administrative agent’s prime lending rate, (2) the federal funds effective rate plus 0.50%, and (3) the LIBOR rate that would be payable on such day for a LIBOR rate loan with a one-month interest period plus 1.00%. The margin is based on a total leverage based grid. The margin for the Revolving Facility ranges from 0.75% to 1.30%, in the case of base rate loans, and 1.75% to 2.30%, in the case of LIBOR rate loans. The margin for the Term Loan Facility ranges from 0.70% to 1.30%, in the case of base rate loans, and 1.70% to 2.30%, in the case of LIBOR rate loans. In addition, the Credit Facility provides that, upon receiving an investment grade rating on its non-credit enhanced, senior unsecured long term debt of BBB- or better from Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc., or Baa3 or better from Moody’s Investors Service, Inc. (an “Investment Grade Rating Event”), we may elect to convert to a credit rating based pricing grid.

In addition to paying interest on outstanding principal under the Credit Facility, we are required to pay a facility fee to the lenders under the Revolving Facility in respect of the unused commitments thereunder. The facility fee rate is based on the daily unused amount of the Revolving Facility and is either 0.35% or 0.20% per annum based on the unused facility amount. Upon converting to a credit rating pricing based grid, the unused facility fee will no longer apply; and we will be required to pay a facility fee ranging from 0.125% to 0.300%. We are also required to pay customary letter of credit fees.

Prepayments and Amortization

No principal reductions are required under the Credit Facility. We are permitted to voluntarily repay amounts outstanding under the Term Loan Facility at any time without premium or penalty, subject to certain minimum amounts and the payment of customary “breakage” costs with respect to LIBOR loans. Once repaid, no further borrowings will be permitted under the Term Loan Facility.

Loan Covenants

The Credit Facility contains certain customary affirmative and negative covenants and events of default. Such covenants will, among other things, restrict, subject to certain exceptions, our ability and that of the Subsidiary Guarantors (as defined below) and their respective subsidiaries to (i) engage in certain mergers, consolidations or liquidations, (ii) sell, lease or transfer all or substantially all of their respective assets, (iii) engage in certain transactions with affiliates, (iv) make changes to our fiscal year, (v) make changes in the nature of our business and our subsidiaries, and (vi) incur additional indebtedness that is secured on a pari passu basis with the Credit Facility.

The Credit Facility also requires us, on a consolidated basis with our subsidiaries, to maintain a (i) maximum total leverage ratio, (ii) maximum secured leverage ratio, (iii) maximum unencumbered leverage ratio, (iv) minimum fixed charge coverage ratio, (v) minimum unencumbered fixed charge coverage ratio, and (vi) minimum tangible net worth. If an event of default occurs, the lenders under the Credit Facility are entitled to take various actions, including the acceleration of amounts due under the Credit Facility and all actions permitted to be taken by a secured creditor. As of September 30, 2018, and through the date our condensed consolidated financial statements were issued, we believe we were in compliance with all affirmative and negative covenants.

Guarantees and Security

The obligations under the Credit Facility are guaranteed on a joint and several basis by each of our direct and indirect domestic wholly-owned subsidiaries that own, directly or indirectly, unencumbered assets (the “Subsidiary Guarantors”), subject to certain exceptions. The guarantee provided by any Subsidiary Guarantor will be automatically released upon the occurrence of certain events, including if it no longer has a direct or indirect interest in an unencumbered asset or as a result of certain non-recourse refinancing transactions pursuant to which such Subsidiary Guarantor becomes contractually prohibited from providing its guaranty of the Credit Facility. In addition, INVH may be required to provide a guarantee of the Credit Facility under certain circumstances, including if INVH does not maintain its qualification as a real estate investment trust (“REIT”).

The Credit Facility is collateralized by first priority or equivalent security interests in all the capital stock of, or other equity interests in, any Subsidiary Guarantor held by us and each of the Subsidiary Guarantors. The security interests granted under the Credit Facility will be automatically released upon the occurrence of certain events, including upon an Investment Grade Rating Event or if the total net leverage ratio is less than or equal to 8.00:1.00 for four consecutive fiscal quarters.

Convertible Senior Notes

In connection with the Mergers, we assumed SWH’s convertible senior notes. In July 2014, SWH issued $230.0 million in aggregate principal amount of 3.00% convertible senior notes due 2019 (the “2019 Convertible Notes”). Interest on the 2019 Convertible Notes is payable semiannually in arrears on January 1st and July 1st of each year. The 2019 Convertible Notes will mature on July 1, 2019.

In January 2017, SWH issued $345.0 million in aggregate principal amount of 3.50% convertible senior notes due 2022 (the “2022 Convertible Notes” and together with the 2019 Convertible Notes, the “Convertible Senior Notes”). Interest on the 2022 Convertible Notes is payable semiannually in arrears on January 15th and July 15th of each year. The 2022 Convertible Notes will mature on January 15, 2022.

The following table summarizes the terms of the Convertible Senior Notes outstanding as of September 30, 2018 and December 31, 2017:

($ in thousands)	Coupon Rate	Effective Rate[1]	Conversion Rate[2]	Maturity Date	Remaining Amortization Period	Principal Amount September 30, 2018	Principal Amount December 31, 2017
2019 Convertible Notes	3.00%	4.92%	53.7294	7/1/2019	0.75 years	$ 229,993	$ 230,000
2022 Convertible Notes	3.50%	5.12%	43.7694	1/15/2022	3.30 years	345,000	345,000
Total						574,993	575,000
Net unamortized fair value adjustment						(19,912)	(26,464)
Total						$ 555,081	$ 548,536

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(1) Effective rate includes the effect of the adjustment to the fair value of the debt as of the Merger Date, the value of which reduced the initial liability recorded to $223.2 million and $324.3 million for each of the 2019 Convertible Notes and 2022 Convertible Notes, respectively.

(2) We generally have the option to settle any conversions in cash, common stock or a combination thereof. The conversion rate represents the number of shares of common stock issuable per $1,000 principal amount (actual $) of Convertible Senior Notes converted at September 30, 2018, as adjusted in accordance with the applicable indentures as a result of cash dividend payments and the effects of the Mergers. The Convertible Senior Notes do not meet the criteria for conversion as of September 30, 2018.

Terms of Conversion

As of September 30, 2018, the conversion rate applicable to the 2019 Convertible Notes is 53.7294 shares of our common stock per $1,000 principal amount (actual $) of the 2019 Convertible Notes (equivalent to a conversion price of approximately $18.61 per common share — actual $). The conversion rate for the 2019 Convertible Notes is subject to adjustment in some events, but will not be adjusted for any accrued and unpaid interest. In addition, following certain events that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its 2019 Convertible Notes in connection with such an event in certain circumstances. At any time prior to January 1, 2019, holders may convert the 2019 Convertible Notes at their option only under specific circumstances as defined in the indenture agreement, dated as of July 7, 2014, between us and our trustee, Wilmington Trust, National Association ("the Convertible Notes Trustee"). As a result of the completion of the Mergers, the 2019 Convertible Notes were convertible for a 35 trading day period, which expired January 8, 2018. On or after January 1, 2019 and until maturity, holders may convert all or any portion of the 2019 Convertible Notes at any time. Upon conversion, we will pay or deliver, as the case may be, cash, common stock, or a combination of cash and common stock, at our election.

As of September 30, 2018, the conversion rate applicable to the 2022 Convertible Notes is 43.7694 shares of our common stock per $1,000 principal amount (actual $) of the 2022 Convertible Notes (equivalent to a conversion price of approximately $22.85 per common share — actual $). The conversion rate for the 2022 Convertible Notes is subject to adjustment in some events, but will not be adjusted for any accrued and unpaid interest. In addition, following certain events that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its 2022 Convertible Notes in connection with such an event in certain circumstances. At any time prior to July 15, 2021, holders may convert the 2022 Convertible Notes at their option only under specific circumstances as defined in the indenture agreement, dated as of January 10, 2017, between us and the Convertible Notes Trustee. As a result of the completion of the Mergers, the 2022 Convertible Notes were convertible for a 35 trading day period, which expired January 8, 2018. On or after July 15, 2021 and until maturity, holders may convert all or any portion of the 2022 Convertible Notes at any time. Upon conversion, we will pay or deliver, as the case may be, cash, common stock, or a combination of cash and common stock, at our election.

General Terms

We may not redeem the Convertible Senior Notes prior to their maturity dates except to the extent necessary to preserve our status as a REIT for United States federal income tax purposes, as further described in the indentures. If we undergo a fundamental change as defined in the indentures, holders may require us to repurchase for cash all or any portion of their

Convertible Senior Notes at a fundamental change repurchase price equal to 100% of the principal amount of the Convertible Senior Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The indentures contain customary terms and covenants and events of default. If an event of default occurs and is continuing, the Convertible Notes Trustee, by notice to us, or the holders of at least 25% in aggregate principal amount of the outstanding Convertible Senior Notes, by notice to us and the Convertible Notes Trustee, may, and the Convertible Notes Trustee at the request of such holders shall, declare 100% of the principal of and accrued and unpaid interest on all the Convertible Senior Notes to be due and payable. In the case of an event of default arising out of certain events of bankruptcy, insolvency or reorganization in respect to us (as set forth in the indentures), 100% of the principal of and accrued and unpaid interest on the Convertible Senior Notes will automatically become due and payable.

Certain Hedging Arrangements

From time to time, we enter into derivative instruments to manage the economic risk of changes in interest rates. We do not enter into derivative transactions for speculative or trading purposes. Designated hedges are derivatives that meet the criteria for hedge accounting and for which we have elected to designate them as hedges. Non-designated hedges are derivatives that do not meet the criteria for hedge accounting or which we did not elect to designate as accounting hedges.

Designated Hedges

We have entered into various interest rate swap agreements, which are used to hedge the variable cash flows associated with variable-rate interest payments. Certain of the Invitation Homes Partnerships and certain Borrower Entities guaranteed the obligations under each of the interest rate swaps from the date the swaps were entered into through the date of the IPO. Each of these swaps was accounted for as a non-designated hedge until January 31, 2017, when the criteria for hedge accounting were met as a result of the Pre-IPO Transactions. At that time, we designated these swaps for hedge accounting purposes. Subsequent to that date, changes in the fair value of these swaps are recorded in other comprehensive income and are subsequently reclassified into earnings in the period in which the hedged forecasted transactions affect earnings.

In addition, in connection with the Mergers, we acquired various interest rate swap instruments, which we designated for hedge accounting purposes. On the Merger Date, we recorded these interest rate swaps at their aggregate estimated fair value of $21.1 million. Over the terms of each swap, an amount equal to the Merger Date fair value will be amortized and recorded as an increase in interest expense and accumulated other comprehensive income.

The table below summarizes our interest rate swap instruments as of September 30, 2018 ($ in thousands):

Agreement Date	Forward Effective Date	Maturity Date	Strike Rate	Index	Notional Amount
December 21, 2016	February 28, 2017	January 31, 2022	1.97%	One-month LIBOR	$ 750,000
December 21, 2016	February 28, 2017	January 31, 2022	1.97%	One-month LIBOR	750,000
January 12, 2017	February 28, 2017	August 7, 2020	1.59%	One-month LIBOR	1,100,000
January 13, 2017	February 28, 2017	June 9, 2020	1.63%	One-month LIBOR	595,000
January 20, 2017	February 28, 2017	March 9, 2020	1.60%	One-month LIBOR	325,000
January 10, 2017	January 15, 2018	January 15, 2019	1.58%	One-month LIBOR	550,000
February 23, 2016	March 15, 2018	March 15, 2019	1.10%	One-month LIBOR	800,000
February 23, 2016	March 15, 2018	March 15, 2019	1.06%	One-month LIBOR	800,000
June 3, 2016	July 15, 2018	July 15, 2019	1.12%	One-month LIBOR	450,000
January 10, 2017	January 15, 2019	January 15, 2020	1.93%	One-month LIBOR	550,000
April 19, 2018	January 31, 2019	January 31, 2025	2.86%	One-month LIBOR	400,000
March 29, 2017	March 15, 2019	March 15, 2022	2.21%	One-month LIBOR	800,000
April 19, 2018	March 15, 2019	November 30, 2024	2.85%	One-month LIBOR	400,000
April 19, 2018	March 15, 2019	February 28, 2025	2.86%	One-month LIBOR	400,000
June 3, 2016	July 15, 2019	July 15, 2020	1.30%	One-month LIBOR	450,000
January 10, 2017	January 15, 2020	January 15, 2021	2.13%	One-month LIBOR	550,000
April 19, 2018	January 31, 2020	November 30, 2024	2.90%	One-month LIBOR	400,000
May 8, 2018	March 9, 2020	June 9, 2025	2.99%	One-month LIBOR	325,000
May 8, 2018	June 9, 2020	June 9, 2025	2.99%	One-month LIBOR	595,000
June 3, 2016	July 15, 2020	July 15, 2021	1.47%	One-month LIBOR	450,000
June 28, 2018	August 7, 2020	July 9, 2025	2.90%	One-month LIBOR	1,100,000
January 10, 2017	January 15, 2021	July 15, 2021	2.23%	One-month LIBOR	550,000

During the three and nine months ended September 30, 2018, such derivatives were used to hedge the variable cash flows associated with existing variable-rate interest payments. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. During the next 12 months, we estimate that $47.6 million will be reclassified to earnings as a decrease in interest expense.

Non-Designated Hedges

Concurrent with entering into certain of the mortgage loan agreements and in connection with the Mergers, we entered into or acquired and maintain interest rate cap agreements with terms and notional amounts equivalent to the terms and amounts of the mortgage loans made by the third-party lenders. To the extent that the maturity date of one or more of the mortgage loans is extended through an exercise of one or more of the extension options, replacement or extension interest rate cap agreements must be executed with terms similar to those associated with the initial interest rate cap agreements and strike prices equal to the greater of the interest rate cap strike price and the interest rate at which the debt service coverage ratio (as defined) is not less than 1.2 to 1.0. The interest rate cap agreements, including all of our rights to payments owed by the counterparties and all other rights, have been pledged as additional collateral for the mortgage loans. Additionally, in certain instances, in order to minimize the cash impact of purchasing required interest rate caps, we simultaneously sold interest rate caps (which have identical terms and notional amounts) such that the purchase price and sale proceeds of the related interest rate caps are intended to offset each other. The purchased and sold interest rates caps have strike prices ranging from approximately 3.00% to 3.95% .

Purchase of Outstanding Debt Securities or Loans

As market conditions warrant, we and our equity investors, and members of our management, may from time to time seek to purchase our outstanding debt, including borrowings under our credit facilities and mortgage loans or debt securities that we may issue in the future, in privately negotiated or open market transactions, by tender offer or otherwise. Subject to any applicable limitations contained in the agreements governing our indebtedness, any purchases made by us may be funded by the use of cash on our balance sheet or the incurrence of new secured or unsecured debt, including borrowings under our credit facilities and mortgage loans. The amounts involved in any such purchase transactions, individually or in the aggregate, may be material. Any such purchases may be with respect to a substantial amount of a particular class or series of debt, with the attendant reduction in the trading liquidity of such class or series. In addition, any such purchases made at prices below the “adjusted issue price” (as defined for United States federal income tax purposes) may result in taxable cancellation of indebtedness income to us, which amounts may be material, and in related adverse tax consequences to us.

Cash Flows

Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

The following table summarizes our cash flows for the nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30,			
($ in thousands)	**2018**	**2017**	**$ Change**	**% Change**
Net cash provided by operating activities	$ 513,081	$ 270,437	$ 242,644	89.7 %
Net cash used in investing activities	(141,034)	(82,910)	(58,124)	(70.1)%
Net cash used in financing activities	(404,969)	(319,516)	(85,453)	(26.7)%
Change in cash and cash equivalents	$ (32,922)	$ (131,989)	$ 99,067	75.1 %

Operating Activities

Our cash flows provided by operating activities depend on numerous factors, including the occupancy level of our homes, the rental rates achieved on our leases, the collection of rent from our residents, and the amount of our operating and other expenses. Net cash provided by operating activities was $513.1 million and $270.4 million for the nine months ended September 30, 2018 and 2017, respectively, an increase of 89.7%. The increase in cash provided by operating activities was primarily driven by the significant increase in the number of homes owned.

Investing Activities

Net cash used in investing activities primarily consists of the acquisition costs of homes, capital improvements, and proceeds from property sales. Net cash used in investing activities was $141.0 million and $82.9 million for the nine months ended September 30, 2018 and 2017, respectively. The increase in net cash used in investing activities was driven by the significant increase in the number of homes owned and higher capital expenditures on a per home basis, which resulted in $70.8 million more in other capital expenditures. Acquisition and renovation spend increased $44.6 million due to the increase in the number of homes acquired, from 620 homes during the nine months ended September 30, 2017 to 702 homes during the nine months ended September 30, 2018, and the completion of initial renovations for homes acquired prior to December 31, 2017. The increase of $49.0 million in proceeds from sales of homes from the nine months ended September 30, 2017 to the nine months ended September 30, 2018 was driven by an increase in the average proceeds per home sold, partially offset by a decrease in the number of homes sold from 1,051 during the nine months ended September 30, 2017 to 1,012 during the nine months ended September 30, 2018.

Financing Activities

Net cash used in financing activities was $405.0 million and $319.5 million for the nine months ended September 30, 2018 and 2017, respectively. During the nine months ended September 30, 2018, proceeds from our IH 2018-1, IH 2018-2, and IH 2018-3 mortgage loans of $3,274.2 million, along with proceeds from home sales and operating cash flows, were used to repay $3,416.3 million of our mortgage loans, including full repayment of the CAH 2014-1, CAH 2014-2, IH 2015-1, IH 2015-2, and IH 2015-3 mortgage loans, $35.0 million of our Revolving Facility, to fund $42.5 million of deferred financing costs associated with the IH 2018-1, IH 2018-2, and IH 2018-3 mortgage loans, and for dividend payments which totaled $172.6 million. During the nine months ended September 30, 2017, we received $1,692.1 million in proceeds, net of underwriting discounts, from our IPO. Proceeds from our IPO, Term Loan Facility, and the IH 2017-1 mortgage loan of $4,188.5 million, along with proceeds from home sales, and operating cash flows were used to repay $2,321.6 million of then-outstanding credit facilities and $2,086.6 million of mortgage loans, including full repayment of the IH 2013-1 and IH 2014-1 mortgage loans, and $610.0 million on the IH 2014-3 mortgage loan, and to fund $42.1 million of deferred financing costs associated with the Term Loan Facility, the Revolving Facility, and the IH 2017-1 mortgage loan.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

Contractual Obligations

Our contractual obligations as of September 30, 2018, consisted of the following:

($ in thousands)	Total	2018[1]	2019-2020	2021-2022	Thereafter
Mortgage loans, net[2][3]	$ 9,130,024	$ 73,148	$ 1,214,525	$ 1,408,675	$ 6,433,676
Term Loan Facility, net[2]	1,701,960	15,180	120,450	1,566,330	—
Revolving Facility[2][3][4]	11,900	894	7,098	3,908	—
Convertible Senior Notes[5]	619,905	4,743	257,592	357,570	—
Derivative instruments[6]	125,231	—	23,067	47,604	54,560
Purchase commitments[7]	27,696	27,696	—	—	—
Operating lease obligations	18,471	1,369	8,669	6,172	2,261
Capital lease obligations	1,851	110	875	866	—
Total	$ 11,637,038	$ 123,140	$ 1,632,276	$ 3,391,125	$ 6,490,497

(1) Includes estimated payments for the remaining three months of 2018.

(2) Includes estimated interest payments on the respective debt based on amounts outstanding as of September 30, 2018 at rates in effect as of such date; as of September 30, 2018, LIBOR was 2.26%.

(3) Represents the maturity date if we exercise each of the remaining one-year extension options available, which are subject to certain conditions being met. See Part I. Item 1. "Financial Statements — Note 6 of Notes to Condensed Consolidated Financial Statements" for a description of maturity dates without consideration of extension options.

(4) Includes the related unused commitment fee.

(5) Represents the principal amount of the Convertible Senior Notes and interest obligations which are calculated using coupon rates of the Convertible Senior Notes.

(6) Includes interest rate swap and interest rate cap obligations calculated using LIBOR as of September 30, 2018, or 2.26%.

(7) Represents commitments to acquire 97 single-family rental homes, as of September 30, 2018.

Critical Accounting Policies and Estimates

Critical accounting policies are those accounting policies that management believes are important to the portrayal of our financial condition and results and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We believe that our critical accounting policies pertain to the following: (i) our investments in single-family residential properties, including related cost capitalization, depreciable lives, and provisions for impairment; (ii) derivative financial instruments; (iii) revenue recognition and resident receivables; and (iv) share-based compensation expense. These critical policies and estimates are summarized in Part II. Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K. There were no material changes to our critical accounting policies during the nine months ended September 30, 2018.

For a discussion of recently adopted accounting standards, see Part I. Item 1. "Financial Statements — Note 2 of Notes to Condensed Consolidated Financial Statements."

As an emerging growth company, we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. We have irrevocably elected not to take advantage of the extension of time to comply with new or revised financial accounting standards available under Section 102(b) of the JOBS Act.

Segment Reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance. Our CODM is the Chief Executive Officer.

Under the provision of ASC 280, *Segment Reporting*, we have determined that we have one reportable segment related to acquiring, renovating, leasing, and operating single-family homes as rental properties, including single-family homes in planned unit developments. The CODM evaluates operating performance and allocates resources on a total portfolio basis. The CODM utilizes NOI as the primary measure to evaluate performance of the total portfolio. The aggregation of individual homes constitutes the total portfolio. Decisions regarding acquisitions and dispositions of homes are made at the individual home level.

Non-GAAP Measures

EBITDA, EBITDAre and Adjusted EBITDAre

EBITDA, EBITDA*re*, and Adjusted EBITDA*re* are supplemental, non-GAAP measures often utilized to evaluate the performance of real estate companies. We define EBITDA as net income or loss computed in accordance with accounting principles generally accepted in the United States ("GAAP") before the following items: interest expense; income tax expense; and depreciation and amortization. National Association of Real Estate Investment Trusts ("Nareit") recommends as a best practice that REITs operating as real estate companies which report an EBITDA performance measure also report EBITDA*re* in all financial reports for periods beginning after December 31, 2017. We define EBITDA*re*, consistent with the Nareit definition, as EBITDA, further adjusted for gain on sale of property, net of tax and impairment on depreciated real estate investments.

Adjusted EBITDA*re* is defined as EBITDA*re* before the following items: share-based compensation expense; IPO related expenses; merger and transaction-related expenses; severance; casualty losses, net; acquisition costs; and interest income and other miscellaneous income and expenses. EBITDA, EBITDA*re*, and Adjusted EBITDA*re* are used as supplemental financial performance measures by management and by external users of our financial statements, such as investors and commercial banks. Set forth below is additional detail on how management uses EBITDA, EBITDA*re*, and Adjusted EBITDA*re* as measures of performance.

Our management uses EBITDA, EBITDA*re*, and Adjusted EBITDA*re* in a number of ways to assess our condensed consolidated financial and operating performance, and we believe these measures are helpful to management and external users in identifying trends in our performance. EBITDA, EBITDA*re*, and Adjusted EBITDA*re* help management identify controllable expenses and make decisions designed to help us meet our current financial goals and optimize our financial performance, while neutralizing the impact of capital structure on results. Accordingly, we believe these metrics measure our financial performance based on operational factors that management can impact in the short-term, namely our cost structure and expenses.

We believe that the presentation of EBITDA, EBITDA*re*, and Adjusted EBITDA*re* provides information useful to investors in assessing our financial condition and results of operations. The GAAP measure most directly comparable to EBITDA, EBITDA*re*, and Adjusted EBITDA*re* is net income or loss. EBITDA, EBITDA*re*, and Adjusted EBITDA*re* are not used as measures of our liquidity and should not be considered alternatives to net income or loss or any other measure of financial performance presented in accordance with GAAP. Our EBITDA, EBITDA*re*, and Adjusted EBITDA*re* may not be comparable to the EBITDA, EBITDA*re*, and Adjusted EBITDA*re* of other companies due to the fact that not all companies use the same definitions of EBITDA, EBITDA*re*, and Adjusted EBITDA*re*. Accordingly, there can be no assurance that our basis for computing these non-GAAP measures is comparable with that of other companies.

The following table presents a reconciliation of net income (loss) to EBITDA, EBITDA*re*, and Adjusted EBITDA*re* as determined in accordance with GAAP on a historical basis for each of the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2018**	**2017**	**2018**	**2017**
Net income (loss) available to common shareholders	$ 824	$ (22,745)	$ (30,822)	$ (59,716)
Net income available to participating securities	196	235	627	344
Non-controlling interests	21	—	(532)	—
Interest expense	97,564	56,796	287,089	182,726
Depreciation and amortization	139,371	67,466	430,321	202,558
EBITDA	237,976	101,752	686,683	325,912
Gain on sale of property, net of tax	(11,512)	(3,756)	(20,955)	(28,239)
Impairment on depreciated real estate investments	1,296	424	3,570	1,556
EBITDA*re*	227,760	98,420	669,298	299,229
Share-based compensation expense(1)	6,068	12,004	23,582	64,464
IPO related expenses	—	—	—	8,287
Merger and transaction-related expenses(2)	3,339	4,944	11,942	4,944
Severance	1,952	—	6,292	—
Casualty losses, net(3)	1,956	14,148	9,906	14,926
Other, net(4)	(3,330)	(613)	(6,697)	482
Adjusted EBITDA*re*	$ 237,745	$ 128,903	$ 714,323	$ 392,332

(1) For the three months ended September 30, 2018 and 2017, $4,901 and $9,309 was recorded in general and administrative expense, respectively, and $1,167 and $2,695 was recorded in property management expense, respectively. For the nine months ended September 30, 2018 and 2017, and $19,229 and $56,460 was recorded in general and administrative expense, respectively, and $4,353 and $8,004 was recorded in property management expense, respectively.

(2) Includes Merger and transaction-related expenses included within general and administrative, but excludes merger and transaction-related expenses included within depreciation and amortization.

(3) Includes $0 and $5,421 for losses/damages related to Hurricanes Irma and Harvey for the three and nine months ended September 30, 2018, respectively, and includes $16,000 for both the three and nine months ended September 30, 2017.

(4) Includes interest income and other miscellaneous income and expenses.

Net Operating Income

NOI is a non-GAAP measure often used to evaluate the performance of real estate companies. We define NOI for an identified population of homes as rental revenues and other property income less property operating and maintenance expense (which consists primarily of property taxes, insurance, HOA fees (when applicable), market-level personnel expenses, repairs and maintenance, leasing costs, and marketing expense). NOI excludes: interest expense; depreciation and amortization; general and administrative expense; property management expense; impairment and other; acquisition costs; (gain) loss on sale of property, net of tax; and interest income and other miscellaneous income and expenses.

We consider NOI to be a meaningful supplemental financial measure of our performance when considered with the financial statements determined in accordance with GAAP. We believe NOI is helpful to investors in understanding the core performance of our real estate operations. The GAAP measure most directly comparable to NOI is net income or loss. NOI is not used as a measure of liquidity and should not be considered as an alternative to net income or loss or any other measure of financial performance presented in accordance with GAAP. Our NOI may not be comparable to the NOI of other companies due to the fact that not all companies use the same definition of NOI. Accordingly, there can be no assurance that our basis for computing this non-GAAP measure is comparable with that of other companies.

We believe that Same Store NOI is also a meaningful supplemental measure of our operating performance for the same reasons as NOI and is further helpful to investors as it provides a more consistent measurement of our performance across reporting periods by reflecting NOI for homes in our Same Store portfolio.

The following table presents a reconciliation of net income (loss) to NOI for our total portfolio and NOI for our Same Store portfolio as determined in accordance with GAAP on a historical basis for each of the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2018**	**2017**	**2018**	**2017**
Net income (loss) available to common shareholders	$ 824	$ (22,745)	$ (30,822)	$ (59,716)
Net income available to participating securities	196	235	627	344
Non-controlling interests	21	—	(532)	—
Interest expense	97,564	56,796	287,089	182,726
Depreciation and amortization	139,371	67,466	430,321	202,558
General and administrative(1)	21,152	27,462	73,424	104,154
Property management expense(2)	16,692	10,852	48,204	31,436
Impairment and other(3)	3,252	14,572	13,476	16,482
Gain on sale of property, net of tax	(11,512)	(3,756)	(20,955)	(28,239)
Other, net(4)	(3,330)	(613)	(6,697)	482
NOI (total portfolio)	264,230	150,269	794,135	450,227
Starwood Waypoint Homes NOI(5)	—	100,440	—	281,878
Non-Same Store NOI	(32,591)	(29,812)	(96,534)	(64,380)
NOI (Same Store portfolio)(6)	$ 231,639	$ 220,897	$ 697,601	$ 667,725

(1) Includes $4,901 and $9,309 of share-based compensation expense for the three months ended September 30, 2018 and 2017, respectively. Includes $19,229 and $56,460 of share-based compensation expense for the nine months ended September 30, 2018 and 2017, respectively.

(2) Includes $1,167 and $2,695 of share-based compensation expense for the three months ended September 30, 2018 and 2017, respectively. Includes $4,353 and $8,004 of share-based compensation expense for the nine months ended September 30, 2018 and 2017, respectively.

(3) Includes $0 and $5,421 for losses/damages related to Hurricanes Irma and Harvey for the three and nine months ended September 30, 2018, respectively, and includes $16,000 for both the three and nine months ended September 30, 2017.

(4) Includes interest income and other miscellaneous income and expenses.

(5) Represents NOI generated by SWH prior to its merger with Invitation Homes, expressed using Invitation Homes' definition of NOI.

(6) The Same Store portfolio (consisting of homes which had commenced their initial post-renovation lease prior to October 1st of the year prior to the first year of the comparison period) totaled 71,226 homes for the three and nine months ended September 30, 2018.

Funds from Operations, Core Funds from Operations, and Adjusted Funds from Operations

FFO, Core FFO, and Adjusted FFO are supplemental, non-GAAP measures often utilized to evaluate the performance of real estate companies. FFO is defined by Nareit as net income or loss (computed in accordance with GAAP) excluding gains or losses from sales of previously depreciated real estate assets, plus depreciation, amortization and impairment of real estate assets, and adjustments for unconsolidated partnerships and joint ventures.

We believe that FFO is a meaningful supplemental measure of the operating performance of our business because historical cost accounting for real estate assets in accordance with GAAP assumes that the value of real estate assets diminishes predictably over time, as reflected through depreciation and amortization. Because real estate values have historically risen or fallen with market conditions, management considers FFO an appropriate supplemental performance measure as it excludes historical cost depreciation and amortization, impairment on depreciated real estate investments, gains or losses related to sales of previously depreciated homes, as well non-controlling interests, from GAAP net income or loss. By excluding depreciation and amortization and gains or losses on sales of real estate, management uses FFO to measure returns on its investments in homes. However, FFO excludes depreciation and amortization and captures neither the changes in the value of the homes that result from use or market conditions nor the level of capital expenditures to maintain the operating performance of the homes, all of which have real economic effect and could materially affect our results from operations, the utility of FFO as a measure of our performance is limited.

Management also believes that FFO, combined with the required GAAP presentations, is useful to investors in providing more meaningful comparisons of the operating performance of a company’s real estate between periods or as compared to other companies. The GAAP measure most directly comparable to FFO is net income or loss. FFO is not used as a measure of our liquidity and should not be considered an alternative to net income or loss or any other measure of financial performance presented in accordance with GAAP. Our FFO may not be comparable to the FFO of other companies due to the fact that not all companies use the same definition of FFO. Accordingly, there can be no assurance that our basis for computing this non-GAAP measures is comparable with that of other companies.

We believe that Core FFO and Adjusted FFO are also meaningful supplemental measures of our operating performance for the same reasons as FFO and are further helpful to investors as they provides a more consistent measurement of our performance across reporting periods by removing the impact of certain items that are not comparable from period to period. We define Core FFO as FFO adjusted for noncash interest expense related to amortization of deferred financing costs, loan discounts, noncash interest expense for derivatives, share-based compensation expense, IPO related expenses, merger and transaction-related expenses, severance expense, casualty losses, net, and acquisition costs, as applicable. We define Adjusted FFO as Core FFO less recurring capital expenditures that are necessary to help preserve the value of and maintain functionality of our homes. The GAAP measure most directly comparable to Core FFO and Adjusted FFO is net income or loss. Core FFO and Adjusted FFO are not used as measures of our liquidity and should not be considered alternatives to net income or loss or any other measure of financial performance presented in accordance with GAAP. Our Core FFO and Adjusted FFO may not be comparable to the Core FFO and Adjusted FFO of other companies due to the fact that not all companies use the same definition of Core FFO and Adjusted FFO. Accordingly, there can be no assurance that our basis for computing this non-GAAP measures is comparable with that of other companies.

The following table presents a reconciliation of net income (loss) to FFO, Core FFO, and Adjusted FFO as determined in accordance with GAAP on a historical basis for each of the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except shares and per share data)	**2018**	**2017**	**2018**	**2017**
Net income (loss) available to common shareholders	$ 824	$ (22,745)	$ (30,822)	$ (59,716)
Add (deduct) adjustments from net income (loss) to derive FFO:				
Net income available to participating securities	196	235	627	344
Non-controlling interests	21	—	(532)	—
Depreciation and amortization on real estate assets	132,168	66,671	420,223	200,023
Impairment on depreciated real estate investments	1,296	424	3,570	1,556
Net gain on sale of previously depreciated investments in real estate	(11,512)	(3,756)	(20,955)	(28,239)
FFO	122,993	40,829	372,111	113,968
Noncash interest expense related to amortization of deferred financing costs, loan discounts and noncash interest expense from derivatives	13,401	3,473	33,439	23,744
Share-based compensation expense[(1)]	6,068	12,004	23,582	64,464
IPO related expenses	—	—	—	8,287
Merger and transaction-related expenses[(2)]	9,406	4,944	18,009	4,944
Severance expense	1,952	(20)	6,292	417
Casualty losses, net[(3)]	1,956	14,148	9,906	14,926
Core FFO	155,776	75,378	463,339	230,750
Recurring capital expenditures	(39,399)	(13,391)	(93,640)	(34,225)
Adjusted FFO	$ 116,377	$ 61,987	$ 369,699	$ 196,525
Weighted average common shares outstanding — diluted[(4)]	521,761,076	311,559,780	520,267,029	311,674,226
Net income (loss) per common share — diluted[(5)]	$ —	$ (0.07)	$ (0.06)	$ (0.14)
Weighted average common shares and OP Units outstanding — diluted[(6)]	530,797,654	311,559,780	530,581,319	311,674,226
FFO per common share — diluted	$ 0.23	$ 0.13	$ 0.70	$ 0.37
Core FFO per common share — diluted	$ 0.29	$ 0.24	$ 0.87	$ 0.74
AFFO per common share — diluted	$ 0.22	$ 0.20	$ 0.70	$ 0.63

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(1) For the three months ended September 30, 2018 and 2017, $4,901 and $9,309 was recorded in general and administrative expense, respectively, and $1,167 and $2,695 was recorded in property management expense, respectively. For the nine months ended September 30, 2018 and 2017, and $19,229 and $56,460 was recorded in general and administrative expense, respectively, and $4,353 and $8,004 was recorded in property management expense, respectively.

(2) Includes Merger and transaction-related expenses included within general and administrative and accelerated depreciation and amortization of certain corporate assets included in depreciation and amortization.

(3) Includes $0 and $5,421 for losses/damages related to Hurricanes Irma and Harvey for the three and nine months ended September 30, 2018, respectively, and includes $16,000 for both the three and nine months ended September 30, 2017.

(4) Weighted average common shares outstanding — diluted is calculated in accordance with GAAP and is used in the calculation of net income (loss) per common share — diluted. See Part I. Item 1. “Financial Statements — Note 12 of Notes to Condensed Consolidated Financial Statements” for a description of this calculation.

(5) Net income (loss) per common share — diluted is calculated based on net income (loss) available to common shareholders only for the period after February 1, 2017, the date on which our common stock began trading on the New York Stock Exchange. For the period from February 1, 2017 through September 30, 2017 we had a net loss of $42,837. See Part I. Item 1. “Financial Statements — Note 12 of Notes to Condensed Consolidated Financial Statements.”

(6) Weighted average common shares and OP Units outstanding — diluted is calculated using the treasury stock method and represents common share equivalents, including units of partnership interests in INVH LP (“OP Units”), that are dilutive for FFO, Core FFO, and AFFO.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows, and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in interest rates, seasonality, market prices, commodity prices, and inflation. The primary market risks to which we are exposed are interest rate risk and seasonality. We may in the future use derivative financial instruments to manage, or hedge, interest rate risks related to any borrowings we may have. We may enter into such contracts only with major financial institutions based on their credit ratings and other factors.

Interest Rate Risk

A primary market risk to which we believe we are exposed is interest rate risk, which may result from many factors, including government monetary and tax policies, domestic and international economic and political considerations, and other factors that are beyond our control. We may incur additional variable rate debt in the future, including additional amounts that we may borrow under the Credit Facility. In addition, decreases in interest rates may lead to additional competition for the acquisition of single-family homes, which may lead to future acquisitions being more costly and resulting in lower yields on single-family homes targeted for acquisition. Significant increases in interest rates may also have an adverse impact on our earnings if we are unable to increase rents on expired leases or acquire single-family homes with rental rates high enough to offset the increase in interest rates on our borrowings.

As of September 30, 2018, our outstanding variable-rate debt was comprised of borrowings on our mortgage loans of $6,389.6 million, and Term Loan Facility of $1,500.0 million of which 77.6% was effectively converted to fixed rate through interest rate swap agreements. Additionally, all borrowings bear interest at LIBOR plus the applicable spread. Assuming no change in the outstanding balance of our existing debt, the projected effect of a 100 basis point increase or decrease in LIBOR on our annual interest expense would be an estimated increase or decrease of $17.4 million or $17.7 million, respectively. This estimate considers the impact of our interest rate swap agreements, interest rate cap agreements, and any LIBOR floors or minimum interest rates stated in the agreements of the respective borrowings.

This analysis does not consider the effects of the reduced level of overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, we may consider taking actions to further mitigate our exposure to the change. However, because of the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in our capital structure.

Seasonality

Our business and related operating results have been, and we believe that they will continue to be, impacted by seasonal factors throughout the year. In particular, we have experienced higher levels of resident move-outs during the summer months, which impacts both our rental revenues and related turnover costs. Further, our property operating costs are seasonally impacted in certain markets by increases in expenses such as HVAC repairs, costs to re-resident, and landscaping expenses during the summer season.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain a set of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) designed to ensure that information required to be disclosed in reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. The design of any disclosure controls and procedures is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Our management, with the participation of our Principal Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2018. Based upon that evaluation, our Principal Executive Officer and Chief Financial Officer concluded that, as of September 30, 2018, the design and operation of our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level. Consistent with guidance issued by the SEC, the scope of management’s assessment of the effectiveness of our disclosure controls and procedures did not include the internal controls over financial reporting of SWH, which we acquired on November 16, 2017 and which represented 49.8% of our single-family residential properties, net and 40.9% of our consolidated revenues as of and for the quarter ended September 30, 2018, respectively.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. As mentioned above, we acquired SWH on November 16, 2017. We have reviewed the internal control structure of SWH and, where necessary, are in the process of integrating SWH into our overall internal control over financial reporting process.

PART II

ITEM 1. LEGAL PROCEEDINGS

We are subject to various legal proceedings and claims that arise in the ordinary course of our business. We accrue a liability when we believe that it is both probable that a liability has been incurred and that we can reasonably estimate the amount of the loss. We do not believe these matters will have a material adverse effect on our condensed consolidated financial statements, and no accrual for the following matter has been recorded in our condensed consolidated financial statements, as we have not determined that any loss is probable, nor is the amount of any potential loss estimable.

Other Matters

SEC Investigation "In the Matter of Certain Single Family Rental Securitizations"

Radian Group Inc. ("Radian"), the indirect parent company of Green River Capital LLC ("GRC"), which is a service provider that provides certain broker price opinions ("BPO") to the Company, disclosed in its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 that GRC had received a letter in March 2017 from the staff of the SEC stating that it is conducting an investigation captioned "In the Matter of Certain Single Family Rental Securitizations" and requesting information from market participants. Radian disclosed that the letter asked GRC to provide information regarding BPOs that GRC provided on properties included in single family rental securitization transactions.

In September 2017, we received a letter from the staff of the SEC stating that it is conducting an investigation captioned "In the Matter of Certain Single Family Rental Securitizations." The letter enclosed a subpoena that requests the production of certain documents and communications related to our Securitizations, including, without limitation, those related to BPOs provided on our properties included in our Securitizations. The SEC letter indicates that its investigation is a fact-finding inquiry and does not mean that the SEC has a negative opinion of any person or security. We are cooperating with the SEC and have provided information requested in the subpoena. We understand that other transaction parties in securitizations have received requests in this matter. As the SEC's investigation is ongoing, we cannot currently predict the timing, outcome or scope of such investigation.

ITEM 1A. RISK FACTORS

For a discussion of our potential risks or uncertainties, you should carefully read and consider risk factors previously disclosed under Part I. Item 1A. "Risk Factors" of our Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

EXHIBIT INDEX

Exhibit number	Description
3.1	Charter of Invitation Homes Inc., dated as of February 6, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 1-38004) filed on February 6, 2017).
3.2	Amended and Restated Bylaws of Invitation Homes Inc., dated as of February 6, 2017 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 1-38004) filed on February 6, 2017).
31.1	Certificate of Dallas B. Tanner, Interim President and Chief Investment Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of Ernest M. Freedman, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certificate of Dallas B. Tanner, Interim President and Chief Investment Officer, pursuant to Section 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certificate of Ernest M. Freedman, Executive Vice President and Chief Financial Officer, pursuant to Section 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Invitation Homes Inc.

By: /s/ Ernest M. Freedman
Name: Ernest M. Freedman
Title: Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By: /s/ Kimberly K. Norrell
Name: Kimberly K. Norrell
Title: Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Date: November 5, 2018

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Section 2: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Dallas B. Tanner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018 of Invitation Homes Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Dallas B. Tanner

Dallas B. Tanner
Interim President and Chief Investment Officer
(Principal Executive Officer)
November 5, 2018

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Section 3: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Ernest M. Freedman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018 of Invitation Homes Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Ernest M. Freedman

Ernest M. Freedman
Chief Financial Officer
(Principal Financial Officer)
November 5, 2018

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Section 4: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Invitation Homes Inc. (the "Company") for the quarterly period ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dallas B. Tanner, Interim President and Chief Investment Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Dallas B. Tanner
Dallas B. Tanner
Interim President and Chief Investment Officer
(Principal Executive Officer)

November 5, 2018

A signed original of this certification required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

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Section 5: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Invitation Homes Inc. (the "Company") for the quarterly period ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ernest M. Freedman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Ernest M. Freedman
Ernest M. Freedman
Chief Financial Officer
(Principal Financial Officer)

November 5, 2018

A signed original of this certification required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

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