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Emerging Growth Opportunity for Lenders in the Short-Term Vacation Rental Market

There are over 1.2M short-term rental (STR) assets in the United States and the market is growing rapidly. STR assets are an emerging asset class that has significantly outperformed long-term rental (LTR) assets on a cash flow and loss ratio basis. These assets derive their higher yielding cash-flows from tapping into hospitality and travel demand versus earning rent like a traditional real estate property.

At Revedy, we believe STRs should have their own tailored underwriting and lending programs that better fit the risk and growth profiles of these unique assets. The best STR lending programs balance characteristics of mortgage financing and commercial lending. Lenders who understand that they are underwriting a hospitality asset and not a mortgage will be best prepared to gain market share.

STR lending offers superior risk/reward than LTR or investment property loans.

Three Advantages of STR Lending Market

1

HIGHER VALUE, REPEAT CUSTOMERS

Lenders should consider that STR clients can be a much higher value customer given many aim to own multiple assets and grow their businesses versus single mortgage clients.

2

LOWER RISK

STR loans have generally outperformed long-term rental loans given their inherently higher cash flows and superior equity cushions. STRs generate 30%-40% more cash flow on average compared to LTR assets and performance is less dependent on an individual's credit.

3

LOWER COMPETITION

Institutional capital has not entered the sector... yet. STR lending is traditionally sourced from private capital non-qualified lenders. Some of these lenders are working towards building a more tailored and sophisticated lending platform for STRs. Others underwrite on loose standards such as 40 year I/O, NINJA loans and other unsustainable methods.

The Unsustainable Path of Current STR Lending Standards

Echoes of the 2007-2009 Mortgage Crisis

For years, STR lending has been smooth sailing, bolstered by surging demand for STR rentals, home price appreciation and a healthy level consumer savings from pandemic era government support.

STRs also have a strong natural advantage from typically generating >30% more cash flow than Long-Term Rental ("LTR") comparisons.

These factors have been more than enough to cover any mistakes from the lack of underwriting standards...so far. But as the Great Recession taught us, bad or non-existent underwriting policies will eventually catch up to the market over time.

We believe the lack of underwriting standards along with these factors below will further compound the impending crisis:

› Higher interest rates and cost of funds

› 40-year highs in inflation

› Potential for a global recession

› Increasing STR regulations

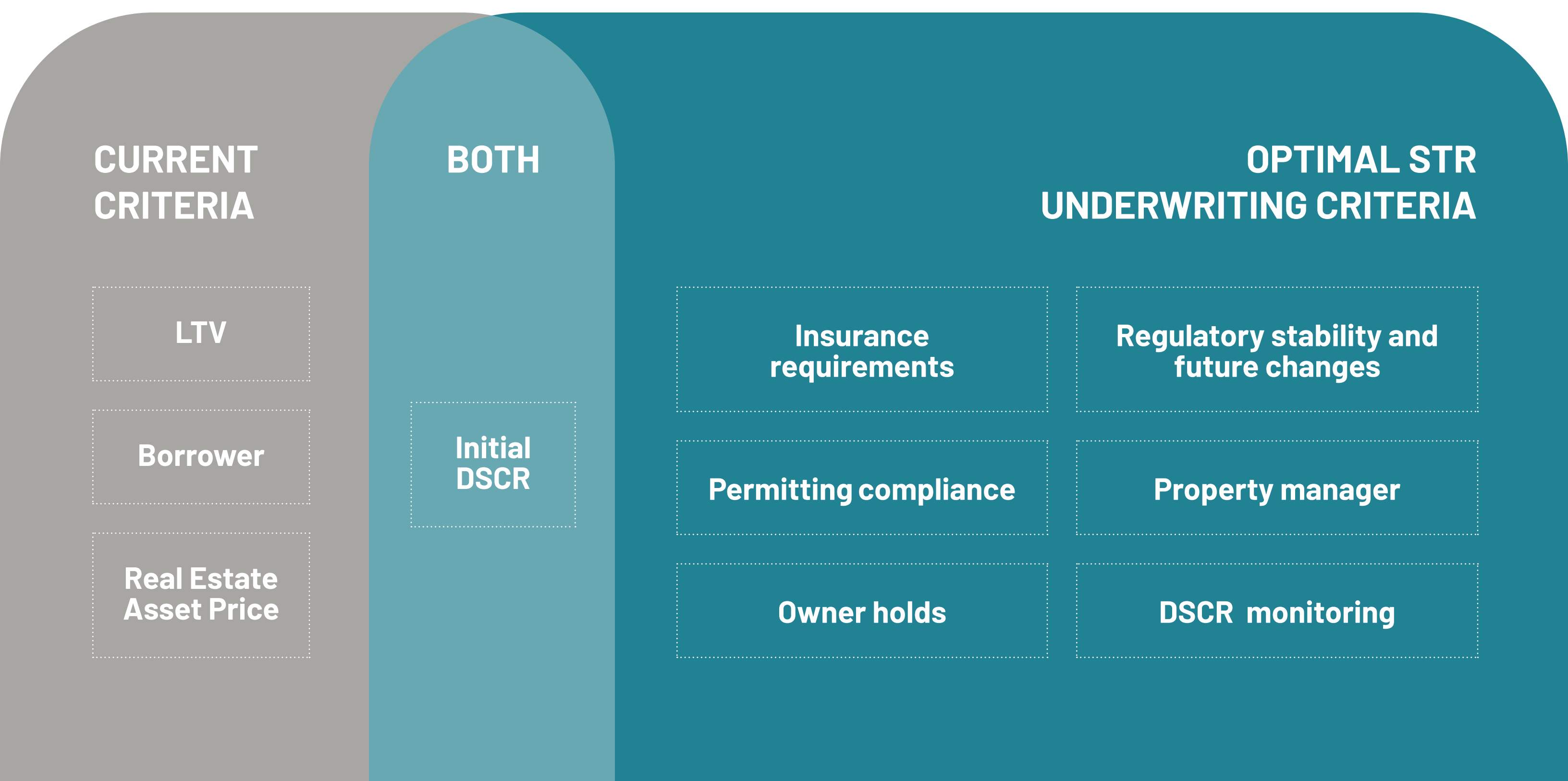
Where Are the Underwriting Standards for STRs?

The mistakes we most often observe in underwriting pertain to lenders who do not understand that they are underwriting a hospitality business and not simply an asset-backed mortgage.

With this backdrop, most often, lenders fail to tailor their underwriting standards to evaluate the ongoing management and performance of the hospitality business.

As the industry leader in underwriting STRs as an investment asset, Revedy seeks to close this gap with a suite of underwriting and oversight solutions. This includes our AIRpraisal, a proprietary valuation that includes both the STR business and the underlying real estate asset.

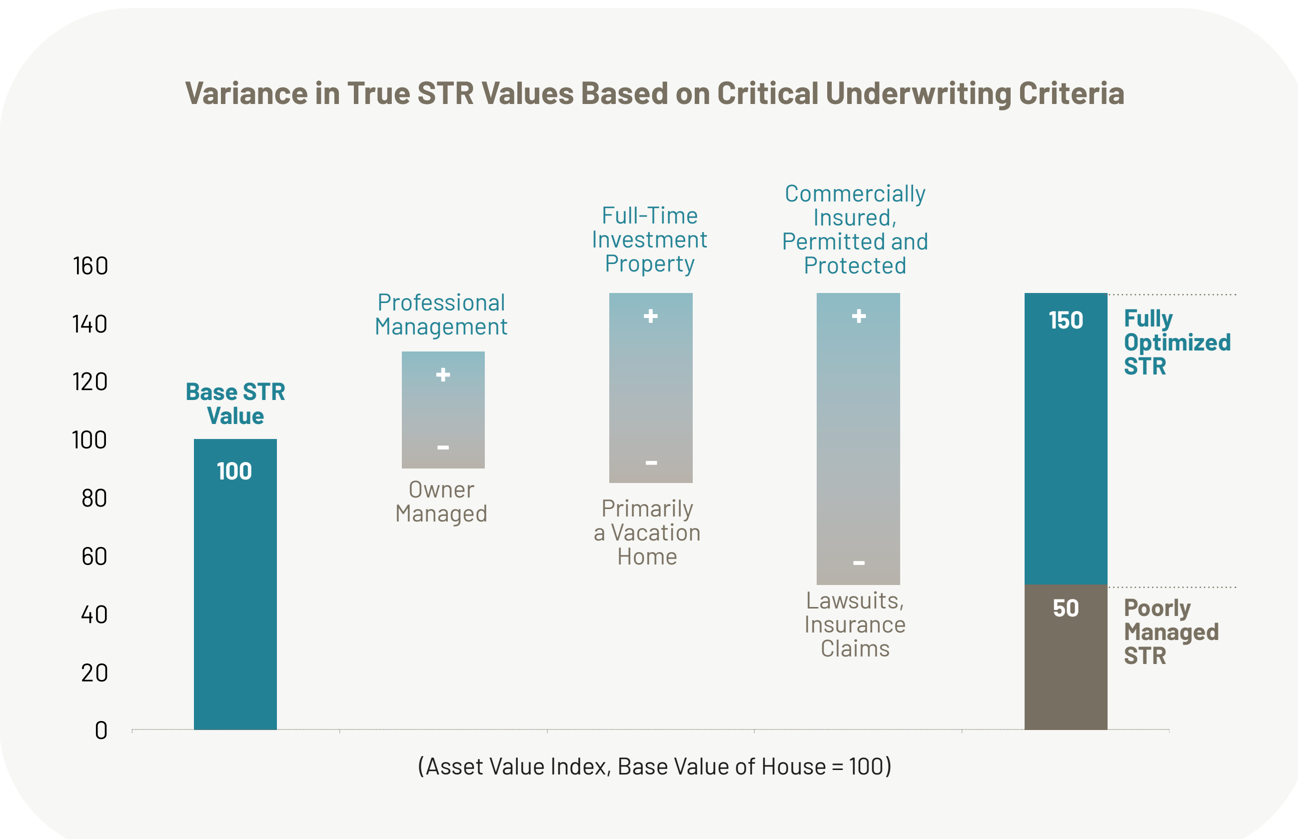
Current Underwriting Fails to Account for the Hospitality Business of an STR

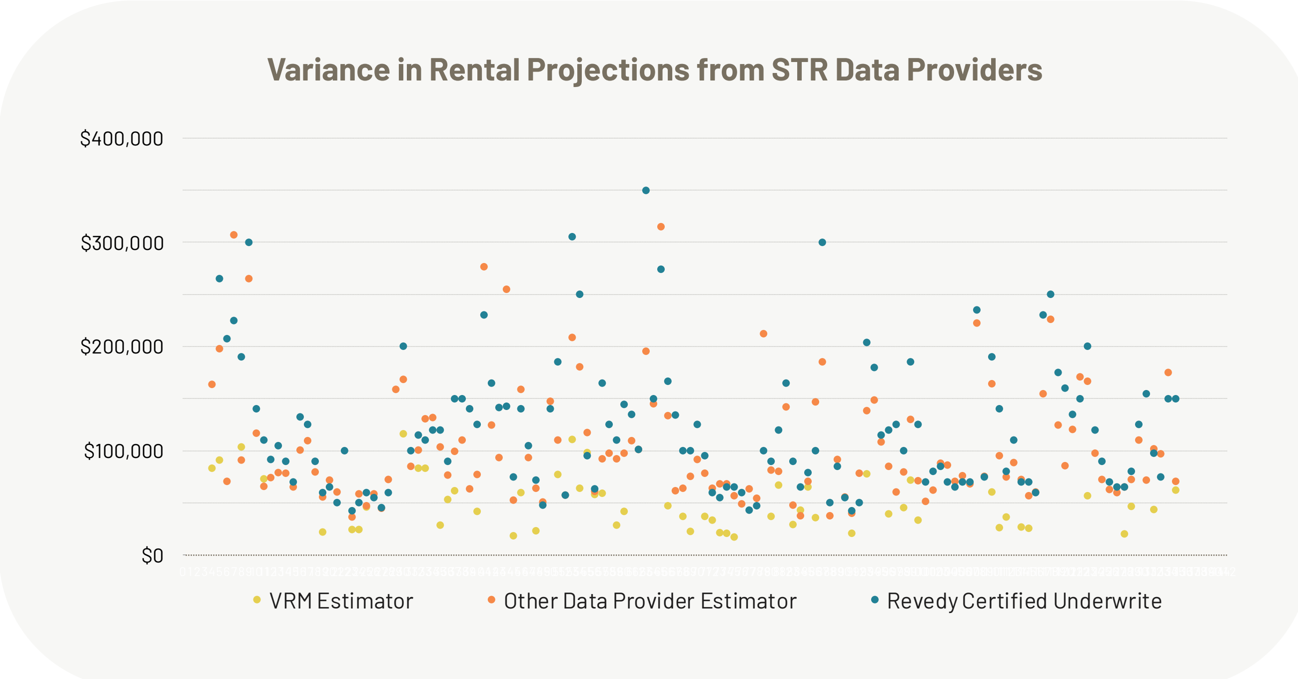


STRs Offer Opportunity, But Underwriting Is Complex!

Many of today's lenders are accustomed to underwriting LTRs, but this framework is insufficient for STRs. There are significantly higher variances in cash flows across STRs that are non-existent in LTRs and need to be understood and accounted for.

Fully optimized STRs typically provide superior cash flow and equity cushion, but poorly managed STRs can create negative cash flow and greater liabilities.





This poses a significant challenge to lenders. Compounding the lack of visibility, the only available commercial appraisal and valuation tools typically exhibit ~40% variance (or more) in estimating an STR asset's cash flows.

Don't Estimate. Underwrite.

Revedy empowers investors to make smarter decisions by providing True Data™ from high-performing investment assets.

As the only underwriter in the STR space, we use data that is not scraped, aggregated from third parties or averaged to create educated guesses on how a property will perform. Instead, we use real data from real property managers and homeowners as a foundation for every underwrite. We curate and tier this data so we can accurately predict how properties will perform when they are professionally-managed and optimized as investment assets.

This yields accurate projections that lenders can rely on to substantiate whether or not a potential buyer can justify their purchase.

Problems with Existing STR Data Providers	Revedy Underwriting Solutions
Unable to understand a property's highest earning potential High-performing and professionally managed properties are missing from current data sets or are mixed in without differentiation.	**Underwrite a property's revenue as a pure high-performing investment asset** Predicts yields, revenue and cash flow at the asset level for a dedicated investment asset rather than looking at averages across an amateur-run asset.
Current data sources are limited Majority of data is scraped and filled with assumptions, and/or simply limited to specific asset types/markets.	**Actuals analyzed from trusted sources** Data is directly sourced from actual rental history and then analyzed for its true investment potential.
Current data lacks transparency Scraped data is difficult to link to a specific address, property-level data is non-existent, and "markets" are arbitrary and usually broader than zip code.	**Only provider with tiered data** Data is classified into tiers, increasing confidence and accuracy. We provide property-level and market-level analytics form our curated data set.
No consideration for market regulations. If regulations restrict short term rentals, the current market information is irrelevant since market data includes rentals that are not legal.	**Only provider with regulations data.** Market-level data on regulations, zoning and permitting, as well as ongoing forward-looking regulatory monitoring.

Revedy is leading the short-term rental industry in establishing quality, long-lasting underwriting standards through customizable underwriting and asset management programs.

With the power of Revedy's True Data™, you can serve the investment community while ensuring that underwritten property falls within your company's risk profile. Our goal is to reduce your risk and improve growth.

To get started with our Lender Underwriting Platform, contact our Revedy for Lenders sales team at lenders@revedy.com.