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**NEWS RELEASE**



FOR IMMEDIATE RELEASE

## **Tricon Capital Group Announces New Strategic Initiative in Manufactured Housing Communities**

**Toronto, Ontario – April 24, 2014** – Tricon Capital Group Inc. (TSX: TCN) (“Tricon” or the “Company”) today announced a new strategic initiative focused on acquiring and managing existing manufactured housing communities (“MHCs”) across the United States. Tricon has a successful track record investing in the residential sector and intends to leverage its operational and development experience to build an investment platform which acquires manufactured housing communities and leases land to homeowners. Tricon believes there is an opportunity to assemble a high-yielding, institutional quality portfolio in a highly fragmented market that is largely dominated by private investors. The Company’s aim is to build a diverse portfolio of quality assets that will garner the interest of public markets and strategic investors once critical mass is achieved.

“The entry into the U.S. manufactured housing industry marks the next step for Tricon in establishing our housing brand. As disclosed previously, we expect that our investment focus will expand to include other opportunistic and related residential business lines,” said David Berman, Tricon’s Chairman and Chief Executive Officer. “Over time, we intend to leverage our development expertise in the land and homebuilding industry and our operational experience in single-family rental to grow methodically so we become a more diversified residential real estate specialist. As with any investment, we intend to offer a co-investment in this exciting strategy to our institutional partners once critical mass is achieved, thereby further enhancing our third-party asset management business. Ultimately we would like the public markets to think of Tricon as a ‘housing brand’ with related business lines that offer shareholders and limited partners added diversification across the full spectrum of housing, from affordable housing to affordable luxury. I believe that this new initiative, which has been approved by Tricon’s Board of Directors, will be well received by the market and will help grow our assets under management and EBITDA.”

### *Partnership with Cobblestone Real Estate LLC*

Tricon has entered into a definitive partnership agreement with Cobblestone Real Estate LLC (“Cobblestone” and together forming the “Partnership”), a vertically integrated asset and property manager whose principals have a successful 15-year track record acquiring and managing over 16,000 residential pads across the U.S. The Partnership will pursue an acquisition strategy that targets both age-restricted and all-age MHCs in the U.S. “sun belt”, where Tricon can leverage its development and operational expertise through its Single-Family Rental and Land & Homebuilding businesses. The Partnership will target well-located MHCs that are initially deemed to be at least 3 to 4 star quality and potentially suffering from below market rents, low occupancy and general market perception.

Initially, Tricon intends to capitalize the strategy on the Company's balance sheet which will provide Tricon with stable rental income and upside potential through: (i) driving rental income through aggressive asset management and a programmatic capex plan; and (ii) taking advantage of the significant positive spread to current financing rates, targeting day one cash-on-cash yields of 10%+. The Partnership's business plan will provide downside protection by focusing on free cash flow and upside in the terminal value by actively repositioning existing assets to a higher star classification.

#### *Tricon's Rationale*

An investment in manufactured housing further establishes Tricon as a multi-pronged housing brand with a number of related business lines such as Single-Family Rental, Land & Homebuilding, and now Manufactured Housing Communities where the Company can leverage its operating and investment expertise. An investment in this strategy also further enhances Tricon's income profile with a stable cash flowing business that has historically generated rental growth in excess of other major asset classes<sup>1</sup>. Furthermore, the ownership of MHCs is highly fragmented with institutional investors representing a minority share. As a result, Tricon believes there is an opportunity to consolidate the smaller private investors in the sector who have difficulty increasing occupancy or driving rents because they lack access to capital.

#### *Overview of Manufactured Housing*

MHCs enable owners of pre-fabricated homes to rent residential lots in exchange for a monthly fee. According to the American Housing Survey ("AHS"), there are 9.0 million manufactured homes in the U.S., representing approximately 7% of the total housing stock. Furthermore, manufactured homes are not as "mobile" as they are generally perceived by the public – of all manufactured homes in the U.S., AHS estimates that 6.2 million or 69% are still affixed to their original site placement.

MHCs offer affordable housing to potential homeowners at a significantly lower price-point than traditional wood frame homes. The sector is primarily classified into two property types: (1) *Age restricted* – targeting the growing senior (55+) segment; and (2) *All ages* – geared towards families in need of affordable housing. Historically, resident turnover has been significantly lower than that of multi-family and single-family rental properties, as non-renewal of a land lease can cost the chattel owner between \$5,000-10,000 to remove their home depending on the moving distance. The sector's investment fundamentals include high barriers to entry as it is very difficult to achieve entitlements to build a new MHC, and stable double digit cash-on-cash returns from the significant income arbitrage that is available in today's low interest rate environment.

Raymond James Ltd acted as exclusive financial advisor to Tricon in connection with this strategy.

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<sup>1</sup> Green Street Advisors, 2013 real estate report.

## **About Tricon Capital Group Inc.**

Founded in 1988, Tricon is one of North America's leading residential real estate investment companies. Tricon provides financing to local operators or developers in select markets in the United States and Canada, with a primary focus on housing in growing markets. Our business objective is to invest for investment income and capital appreciation through our Principal Investment business segments and to earn fee income through our Private Funds and Advisory business. We currently have \$1.9 billion of assets under management, including 22,500 single-family lots, 6,300 multi-family units and a portfolio of over 3,300 U.S. single-family rental homes.

Since inception, Tricon has invested in approximately 160 transactions for development projects valued at more than \$12 billion. More information about Tricon is available at [www.triconcapital.com](http://www.triconcapital.com).

## **Forward-Looking Statements**

This press release may contain forward-looking statements relating to expected future events and financial and operating results and projections of the Company, including statements regarding future plans, objectives or economic performance that involve risks and uncertainties. Forward-looking information and statements are based on management's expectations, intentions and assumptions. If unknown risks arise, or if any of the assumptions underlying the forward-looking statements prove incorrect, actual results may differ materially from management expectations as projected in such forward-looking statements. Examples of such risks include, but are not limited to, the risks disclosed in the Company's continuous disclosure materials from time-to-time as available on SEDAR at [www.sedar.com](http://www.sedar.com). The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

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