



local expertise. professional execution.

## Why Multifamily Investments?

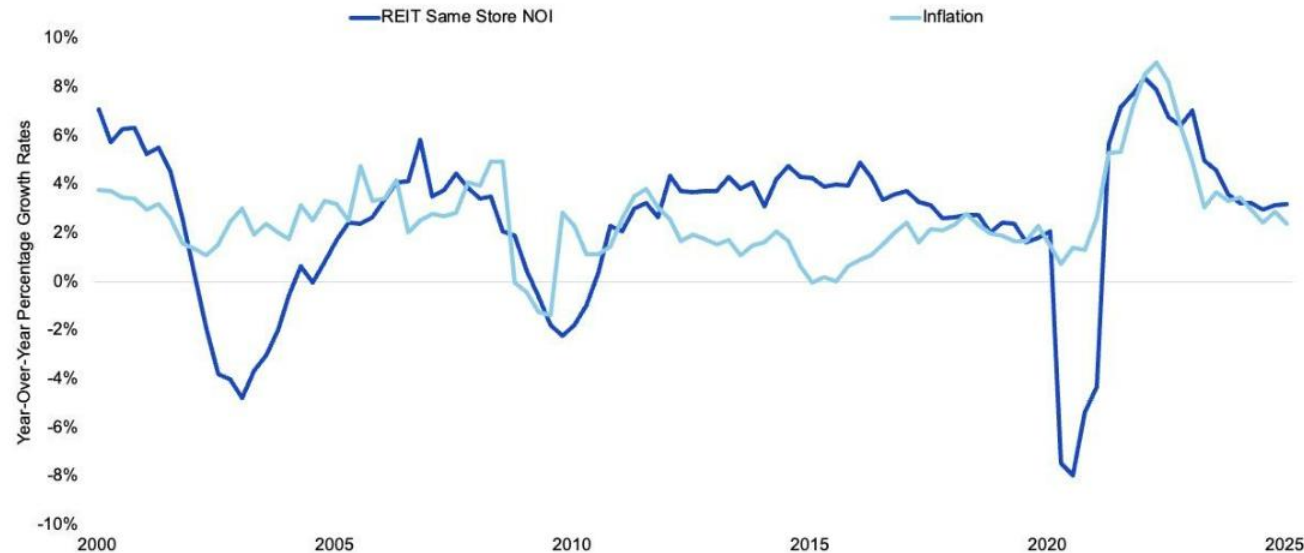


## Multifamily Investment Market: Inflation Hedge

NOI Growth is Highly Correlated to Inflation

- Real Estate NOI and CPI have been very highly correlated over the past 25 years
- Multifamily is a great tool to hedge against inflation as rents can be reset on an annual basis, allowing revenues to keep up with operating expenses directly impacted by the effects of inflation

### Same Store NOI and Inflation Growth Rates



Sources: Nareit REIT Industry Tracker; S&P Capital IQ Pro; FRED, Federal Reserve Bank of St. Louis. Data as of Q1:2025.

**Nareit.**

## Multifamily Investment Market: Tax Benefits\*

### Depreciation

- Allows investors to deduct the cost of purchasing and improving a property (excluding the land) over its useful life which can reduce taxable income for investors.
- Recent legislation (July 2025) has accelerated this timeline to the 1<sup>st</sup> year (100% bonus depreciation), so real estate losses (due to depreciation) can be taken in year 1 against other gains or this can be deferred to subsequent years as applicable.
- Requires a cost segregation study which will determine the depreciable amounts for the asset and applied to each investor based upon their investment.

### 1031 Exchanges

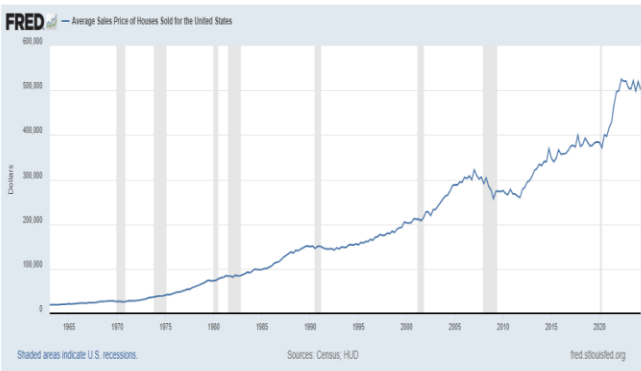
- Allows investors to defer capital gains taxes when selling one investment property and reinvesting to proceeds into another similar property.
- Tax liability is deferred until the new property is eventually sold without a subsequent exchange.

\*This is not tax advice – investors are encouraged to consult with a qualified tax professional to discuss your specific situation

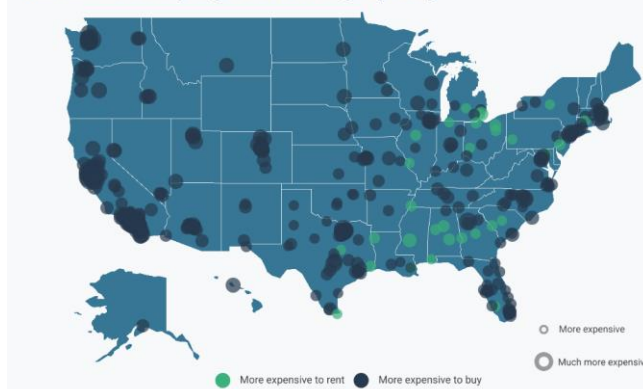
## Multifamily Investment Market: Housing Shortage/Rent Discount

- There is a **housing shortage of 4.7M units** that is not being met **nationally**, according to Zillow. This is up 160K units from 2022 to 2023
- Although 2024 and 2025 are set to be record deliveries on the multifamily portion of that housing equation, there had been just 150K units delivered annually over the past 10 years and **multifamily deliveries are projected to drop-off significantly by late 2025, early 2026**
- Given to this long-term housing shortage, home values have increased dramatically – up 51% nationally during the 2020's, according to ResiClub (higher than full decades of 2010's, 2000's or 1990's)
- Currently, median income families need to earn \$18K more to afford a typical mortgage (**\$23K in Phoenix, \$29K in Vegas**).
- As mortgage rates have spiked there is a widening discount to rent vs owning even an entry-level home.

Chart: U.S. Home Price Growth Over 50 Years



The Cost of Buying vs. Renting by City



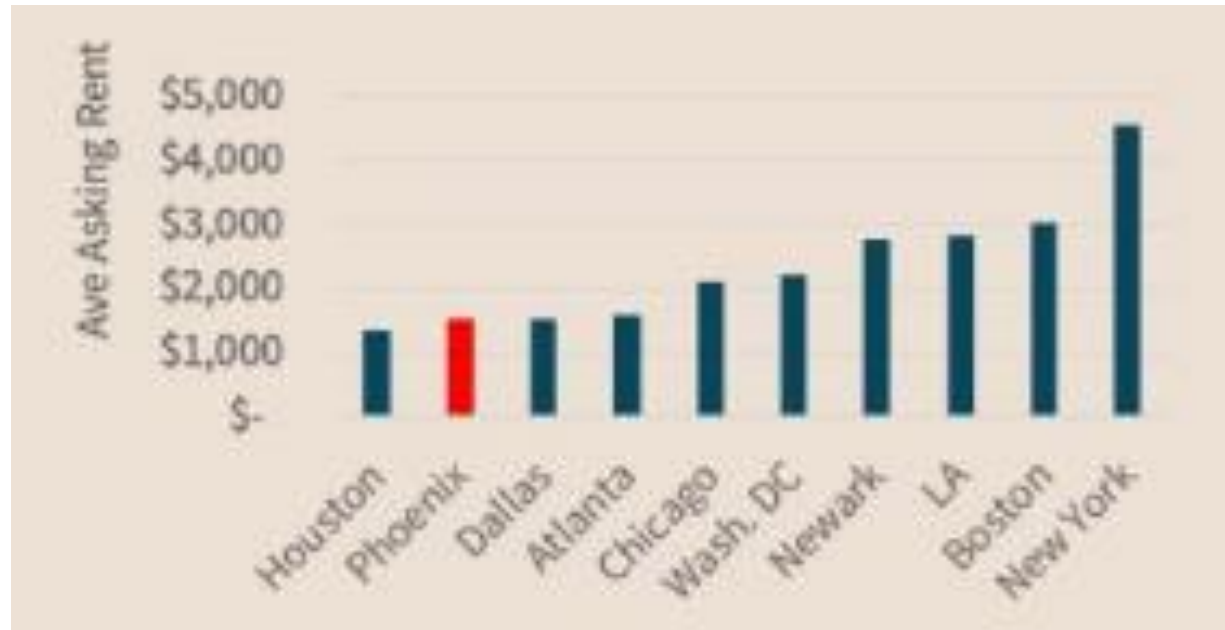
Source: Construction Coverage analysis of Zillow, U.S. Census Bureau, and Freddie Mac data | Image Credit: Construction Coverage

Metro Area	Housing Deficit (2023)	Change in Housing Deficit Year Over Year (YOY)*	Change in Available Units YOY (%)	Raise Needed for Median-Income Family to Afford a Mortgage on a Typical Home at 20% Down
<b>United States</b>	<b>4,699,836</b>	<b>159,063</b>	<b>-2.8 %</b>	<b>\$17,670</b>
New York, NY	402,361	12,437	-3.2 %	\$99,343
Chicago, IL	106,522	9,143	-9.4 %	(\$187)
Philadelphia, PA	81,448	8,580	-4.7 %	\$16,344
Riverside, CA	85,087	8,099	-5.6 %	\$60,685
Miami, FL	71,966	5,022	-4.5 %	\$59,379
Phoenix, AZ	98,703	4,719	7.8 %	\$22,500
Baltimore, MD	40,644	3,836	-12.3 %	\$8,104
Charlotte, NC	22,098	3,507	-2.9 %	\$15,302
Providence, RI	29,791	3,318	-13.9 %	\$50,418
Las Vegas, NV	32,192	3,117	-6.8 %	\$29,140
Salt Lake City, UT	33,258	3,078	0.2 %	\$40,038
Orlando, FL	24,402	2,874	2.2 %	\$26,497
St. Louis, MO	17,368	2,544	-7.7 %	(\$4,897)
Los Angeles, CA	338,750	2,022	0.9 %	\$149,375
Buffalo, NY	17,194	1,993	-12.6 %	(\$3,137)
Birmingham, AL	5,966	1,925	-13.5 %	(\$3,933)
San Diego, CA	95,831	1,892	0.7 %	\$128,954
Austin, TX	63,210	1,878	-0.1 %	\$27,545
Tampa, FL	33,200	1,858	-0.2 %	\$27,198
Columbus, OH	36,219	1,240	-2.5 %	\$2,561
Detroit, MI	36,187	1,198	3.4 %	(\$1,804)
Louisville, KY	11,107	1,144	-1.8 %	(\$855)
Dallas, TX	49,204	1,054	1.9 %	\$17,448
Virginia Beach, VA	19,887	1,044	-7.6 %	\$13,898
Atlanta, GA	66,323	780	2.6 %	\$14,735
Kansas City, MO	27,923	344	-5.9 %	\$7,383
Indianapolis, IN	15,005	330	-6.1 %	(\$3,052)
Houston, TX	20,164	136	2.3 %	\$6,304
New Orleans, LA	4,234	30	1.3 %	\$10,543
Pittsburgh, PA	15,420	-212	0.7 %	(\$11,244)
Cincinnati, OH	32,025	-256	-1.6 %	(\$4,396)
Hartford, CT	13,131	-426	-5.1 %	\$16,104
Raleigh, NC	11,096	-635	3.3 %	\$16,602
Denver, CO	70,919	-749	1.8 %	\$43,588
Milwaukee, WI	13,929	-977	1.8 %	\$36,519
Washington, DC	132,238	-983	-3.1 %	\$26,513
Jacksonville, FL	13,243	-1,007	10.8 %	\$19,202
Richmond, VA	15,245	-1,118	8.5 %	\$12,816
Nashville, TN	34,843	-1,142	-4.1 %	\$25,508
San Jose, CA	56,378	-1,178	5.2 %	\$251,597
Cleveland, OH	13,774	-1,609	-1.0 %	(\$11,588)
Portland, OR	70,485	-1,799	-0.9 %	\$48,708

\*A positive number indicates a rising housing deficit  
Zillow July 2025

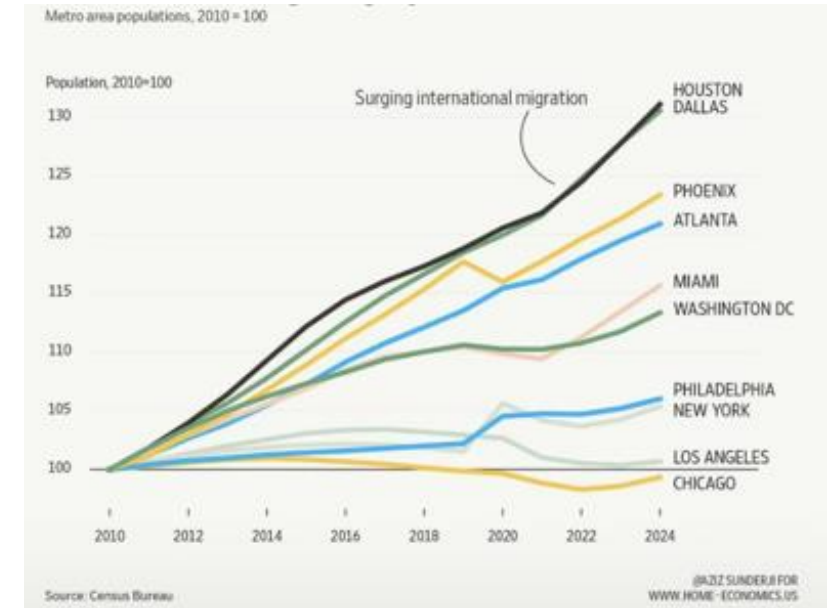
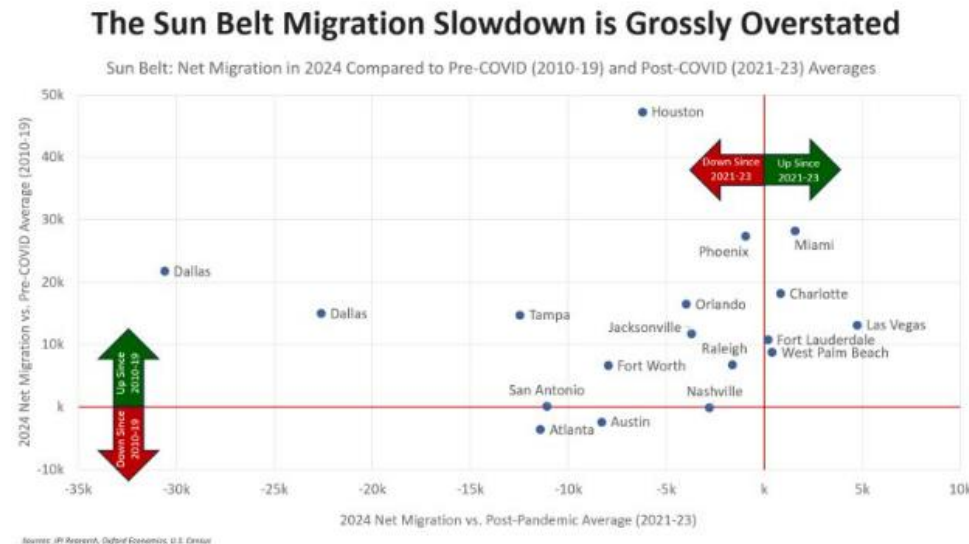
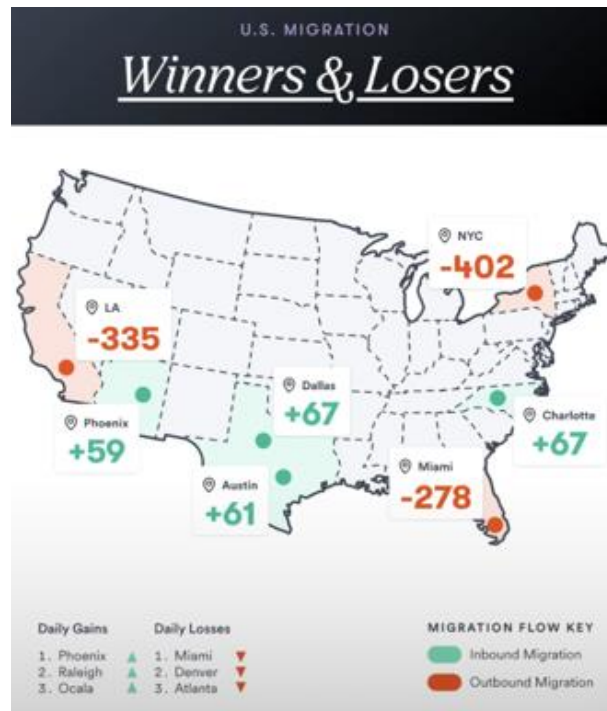
## Multifamily Investment Market: Affordability

- **Phoenix is the 5th most affordable large metro** in the nation with apartment asking rents averaging just \$1,539 per month (per Jones Lang LaSalle, 2025).



## Multifamily Investment Market: Migration Patterns & Population Growth

- Migration patterns have favored the Sunbelt region for the past 20 years, especially with young adults (the **prime renter demographic**). **Phoenix** trails only Dallas, Austin and Charlotte on absolute numbers migrating into the metro area on a daily basis.
- The Sunbelt also leads the way in **overall population growth** with **Phoenix** near the top since 2010.
- **Job Growth in Arizona reached over 24K new jobs year-over-year as of June 2025 which is a record** for Arizona (per the Arizona Commerce Authority).
- Population and job growth are two of the largest **demand drivers for multifamily demand**.





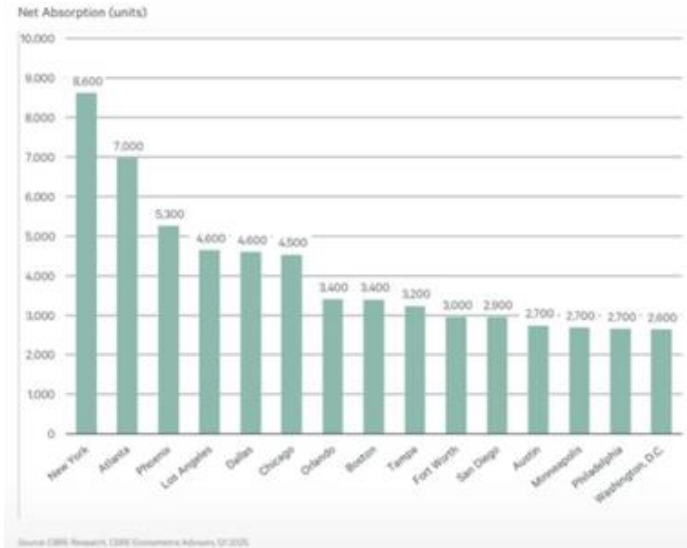
## Multifamily Investment Market: Demand vs Supply

- Even with elevated supply across many markets, demand has remained extremely strong with demand outpacing supply.
- **Renter households have increased over 1.6 million** in just 2 years nationally vs zero growth from 2017-2023.
- Markets such as **Phoenix**, Houston, Austin and Atlanta have led the way on the supply front but **demand** in those markets **has outpaced supply by 3 times year-over-year**.
- Sunbelt markets such as Dallas, Houston, Austin, **Phoenix** and Atlanta **lead the nation in total net absorption over the past 12 months**.

### Top 20 Apartment Demand Leaders

Rank	Metro Area	T-12 Net Absorption (units)
1	Dallas/Fort Worth, TX	48,242
2	New York, NY	34,197
3	Houston, TX	31,449
4	Austin, TX	30,996
5	Phoenix, AZ	30,705
6	Atlanta, GA	27,619
7	Washington, DC	22,439
8	Northern New Jersey	19,634
9	Denver, CO	18,725
10	Charlotte, NC	18,526
11	Raleigh/Durham, NC	15,443
12	Tampa, FL	15,442
13	Seattle, WA	15,002
14	Los Angeles, CA	14,702
15	San Antonio, TX	14,095
16	Orlando, FL	13,832
17	Philadelphia, PA	13,485
18	Miami, FL	12,541
19	Nashville, TN	12,223
20	Chicago, IL	11,589

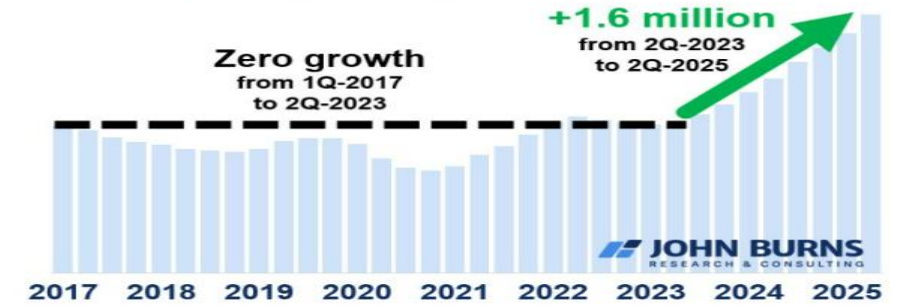
Source: IRI research, RealPage Market Analytics



## Renter households surge +1.6 million since 2023

### US Renter Households

Rental housing units occupied as primary residences



Vertical axis scaled to illustrate trend shift; minimum not set to zero  
Source: US Census, John Burns Research and Consulting, LLC



## Multifamily Investment Market: Investment Sales & Pricing Outlook

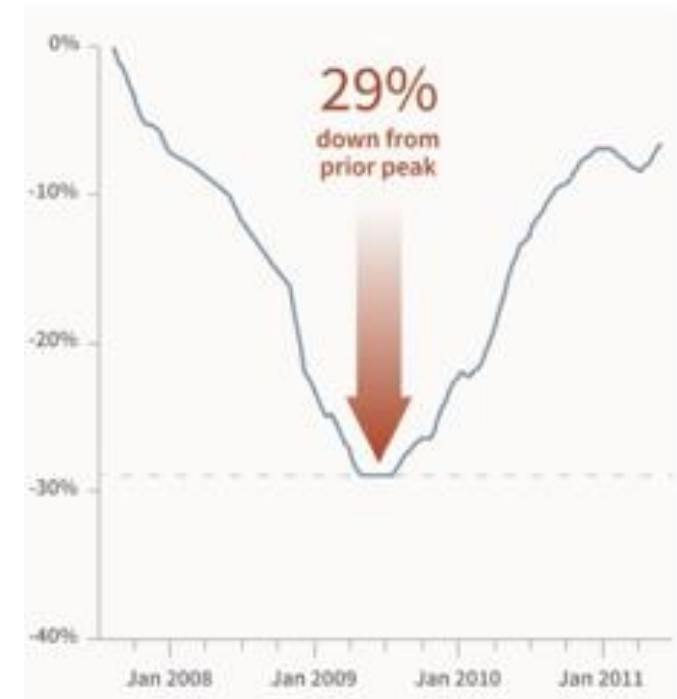
In the Sunbelt, cap rates have generally increased 150-250bps from peak pricing of late 2021 and early 2022 when multifamily properties were trading in the mid-to-high 3% range with little differentiation in cap rates for varying asset classes or vintages.

As of mid-2025, investor preference for newer “flight to quality” deals (A-class) appear to have pegged those assets in the low 5% cap rate range. Older, out of favor, assets (B-class) now have a differentiated cap rate that appears much more dependent upon positive leverage out the gate with cap rates seemingly settling into the low-5% to high-5% plus levels. Some very undesirable assets (C-class) are seemingly pushing the high-6% to 7% cap rate levels although there is still limited transaction data on those deals.

**Price reductions of today vs the most recent peak are down over 40%.** This is a greater drop than occurred from peak to trough during the Great Financial Crisis (29% drop in prices), according to Green Street.

Green Street released data July 2025 showing their all-property index increased by 4.9% month-over-month with multifamily prices showing a 4.9% increase as well, marking the strongest positive trend since late 2021 (peak pricing late 2021/early 2022). This data continues their data trend from 2024 indicating that **prices may have bottomed out** and may be showing a shift in the market.

### 2008: Great Recession



Source: Green Street



## Multifamily Investment Market: Outlook

The medium-to-long term outlook on the multifamily sector is extremely bright. Fundamentals have remained strong, even in high-supply markets (Sunbelt, primarily). Net absorption has been strong as demand remains high in those Sunbelt markets due to population growth, migration patterns and affordability which helps to keep occupancy levels strong. Recent rent reductions seem to be bottoming given the strong demand. Supply is expected to drop off significantly by late 2025 and early 2026 which will help boost occupancies and rents in the medium term. In the long term, there is still a significant shortage of housing that even this short-term high-supply period is not going to come close to solving.

Investment sales have been slow, but pricing appears to have bottomed out and possibly on the upswing, so the downside/floor seems relatively well protected from that basis.

Interest-rate uncertainty remains in the market which has produced limited buying opportunities as both buyers and sellers prefer to remain on the sidelines, but there very well could be a generational opportunity to buy multifamily assets in the right markets, with the right strategy and with the right partners.

## Target Criteria

- **Multifamily: Market-Rate, Value-Add & Core Plus**
- **Markets: Phoenix, Las Vegas & California** – principal's historically proven track record of success
- **Size: 30-300 units** – assets with less competition and inherent market dislocations in values and operations
- **Vintage: opportunistic** – minimizing operational risk on older assets with extensive diligence and capital infusions as necessary
- **Locations: demographic flight to quality** - maximum upside and minimized risk. Focus on population growth and job growth submarkets
- **Target Hold: 5 years+**
- **Financing: Fixed-Rate** - diminish cash flow uncertainty with conservative debt structures





## Inquiries

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