



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

Real Estate NOI Growth Is Highly Correlated to Inflation Over the Last 25 Years

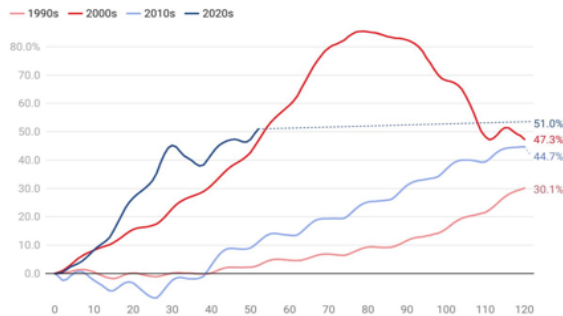


Multifamily Investment Market: Housing Shortage/Rent Discount

- There is a **housing shortage of 4.5M units that is not being met nationally**, according to Zillow. This is up 200K units from 2021 to 2022
- 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, only 15.1% on renters can afford a typical mortgage (only **6.8% in Phoenix, 8.4% in Vegas**, 2.6% in San Diego & 4.9% in Sacramento).
- As mortgage rates have spiked there is a widening discount to rent vs owning even an entry-level home (**over 50% discount in Phoenix, Vegas & Sacramento**, according to economist, Jay Parsons)

U.S. home price growth by decade

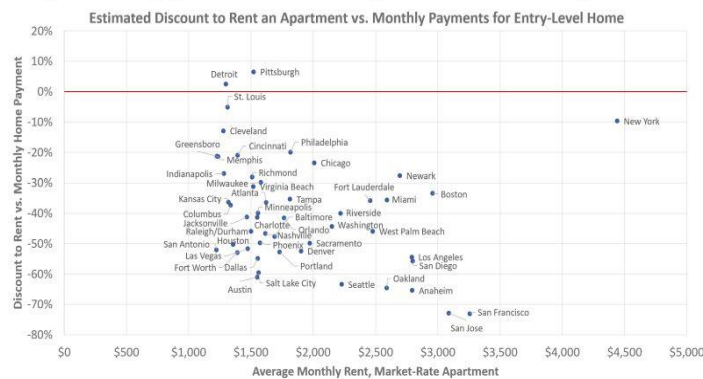
Through the first 52 months of the 2020s decade, U.S. home prices are up 51.0%



X-axis represents months into the decade. Data through the April 2024 reading
Chart: Lance Lambert • Source: ResiClub analysis of the Case-Shiller National Home Price Index, without seasonal adjustment • Created with Datawrapper



Higher Mortgage Rates = Widening Discount to Rent Apartments



Source: Jay Parsons / Modern Real Estate, John Burns Research & Consulting, RedPeg

Metro Area	Housing Shortage (2022)	Change in Housing Shortage (YoY) #	Change in Housing Shortage YoY (%)	Share of Non-Homeowner Households that could afford a typical mortgage
United States	4,540,773	256,847	6.0 %	15.1%
San Diego, CA	93,939	-555	-0.6 %	2.6%
San Jose, CA	57,556	-3,339	-5.5 %	2.7%
Los Angeles, CA	336,728	2,866	0.9 %	2.8%
San Francisco, CA	151,491	-10,090	-6.2 %	3.7%
Salt Lake City, UT	29,955	1,857	6.6 %	3.8%
Sacramento, CA	62,724	-1,025	-1.6 %	4.9%
Denver, CO	70,197	504	0.7 %	5.1%
Portland, OR	72,284	-4,433	-5.8 %	5.1%
Riverside, CA	76,988	4,634	6.4 %	5.5%
Seattle, WA	107,897	-961	-0.9 %	5.5%
Phoenix, AZ	93,984	6,988	8.0 %	6.8%
Boston, MA	154,985	3,220	2.1 %	7.0%
Nashville, TN	35,985	1,076	3.1 %	7.2%
Austin, TX	61,332	4,587	8.1 %	7.3%
Las Vegas, NV	29,075	2,619	9.9 %	8.4%
Miami, FL	66,944	6,887	11.5 %	9.2%
New York, NY	389,924	13,548	3.6 %	9.3%
Raleigh, NC	11,731	-5,245	-30.9 %	9.9%
Tampa, FL	31,342	3,255	11.6 %	10.8%
Orlando, FL	21,528	6,173	40.2 %	11.1%
Jacksonville, FL	14,250	-123	-0.9 %	11.8%
Minneapolis, MN	77,560	965	1.3 %	12.0%
Charlotte, NC	18,494	689	3.9 %	12.8%
Washington, DC	132,380	-1,591	-1.2 %	13.0%
Atlanta, GA	65,543	2,076	3.3 %	13.7%
Milwaukee, WI	14,906	2,144	16.8 %	14.4%
Dallas, TX	48,150	528	1.1 %	14.5%
Richmond, VA	16,363	974	6.3 %	15.0%
San Antonio, TX	15,778	1,141	7.8 %	15.3%
Virginia Beach, VA	18,843	1,254	7.1 %	15.9%
Baltimore, MD	36,808	2,681	7.9 %	16.0%
New Orleans, LA	4,204	1,192	39.6 %	16.4%
Philadelphia, PA	72,584	7,795	12.0 %	17.2%
Columbus, OH	34,979	1,580	4.7 %	17.9%
Cincinnati, OH	32,281	1,249	4.0 %	18.2%
Indianapolis, IN	14,675	468	3.3 %	18.3%
Houston, TX	20,028	3,631	22.1 %	18.5%
Kansas City, MO	27,579	1,219	4.6 %	19.5%
Louisville, KY	9,963	1,912	23.7 %	20.0%
Chicago, IL	97,379	9,946	11.4 %	22.0%
Cleveland, OH	15,383	1,763	12.9 %	22.4%
Oklahoma City, OK	13,970	2,301	19.7 %	22.5%
St. Louis, MO	14,824	1,647	12.5 %	22.6%
Detroit, MI	34,772	-387	-1.1 %	23.1%
Pittsburgh, PA	15,632	-1,462	-8.6 %	25.6%

*per Zillow, June 2024

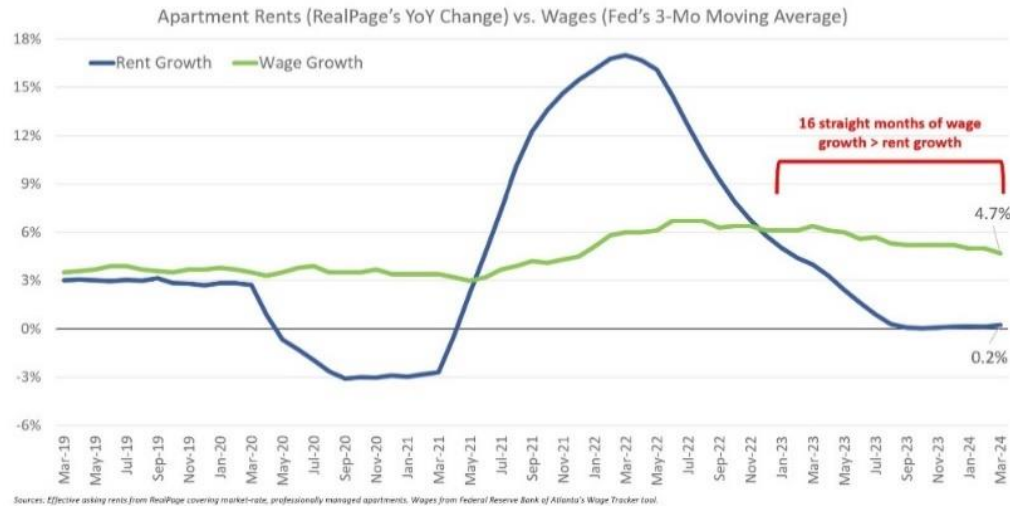


Multifamily Investment Market: Wage Growth/Rental Affordability

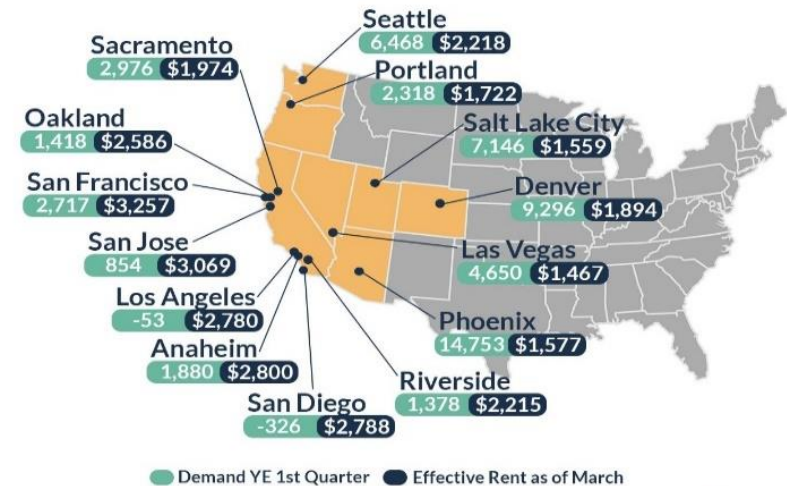
Wage growth has exceeded rent growth, from early 2023 through mid-2024, which has reduced the **rent-to-income ratio** to pre-pandemic levels. This ratio is **down to 22.5% nationally** according to RealPage

With dropping rent-to-income ratios, affordability is becoming a major factor as to where demand for multifamily rentals is the strongest with **affordable markets like Phoenix & Las Vegas showing some of the highest relative demand for rental units**, according to RealPage

Wages Top Rents for 16th Straight Month, and Should Continue

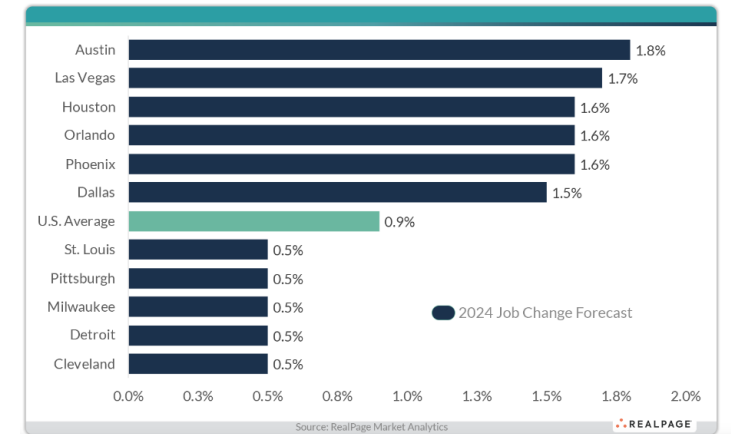
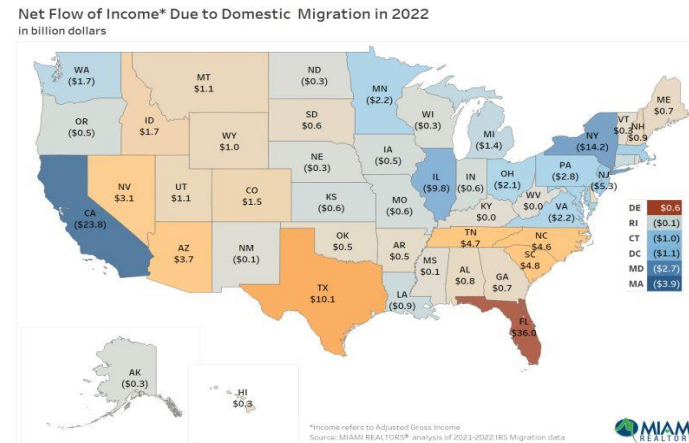
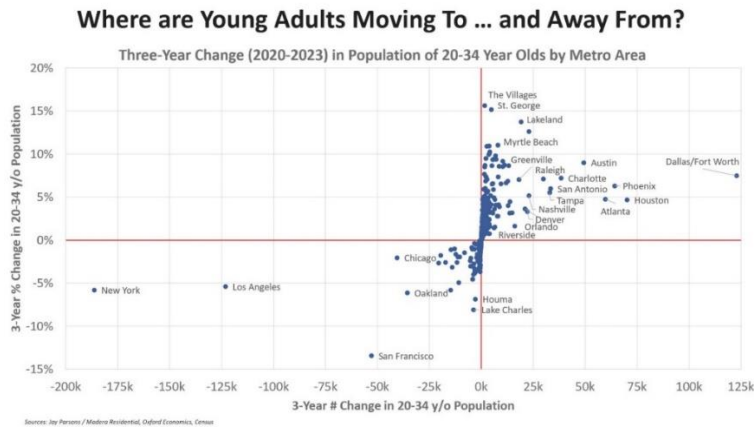


Demand Sluggish in Pricey Coastal Markets



Multifamily Investment Market: Migration Patterns

- Migration patterns have favored the Sunbelt region for the past 20 years, especially with young adults (the **prime renter demographic**). **Phoenix** trails only DFW & Houston on absolute numbers migrating into the metro area according to economist, Jay Parsons
- With migration comes income movement with the Sunbelt, not surprisingly, also leading the way in **net income inflow**; pulling from the Northeast and West coast states per Miami Realtors. **Arizona & Nevada** come in at #5 & #6 in absolute net income additions, even with their relatively smaller sizes
- Given migration patterns, it's no surprise the **employment growth** in these Sunbelt markets exceeds the nationally forecasted average for 2024, according to RealPage with **Phoenix and Vegas outpacing the national average**
- Migration, income and employment growth are all major determinants of **renter demand**

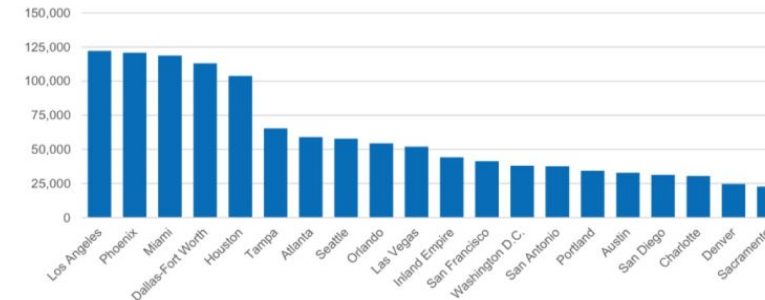


Multifamily Investment Market: Population Growth

The Sunbelt also leads the way in **overall population growth** in early 2024 with **Phoenix and Vegas** near the top in terms of absolute numbers, according to Newmark's 1Q 2024 national report

This population growth pattern isn't just a recent phenomenon as **projections over the next 5 years** strongly favor the Sunbelt once again with **Vegas** projected to add the second most people and **Phoenix** projected to add the fourth most people on a percentage basis, according to Yardi Matrix.

Population Growth (Q1 2024 YOY)



Source: Newmark Q12024 Report

The Greatest Population Growth Over the Next 5 Years on a Percentage Basis Will Be In Secondary Markets

Top 15 Markets: 2024-2029 Population Growth				Bottom 15 Markets: 2024-2029 Population Growth			
Market	2023 Population	2024-2029 (F) Population Growth	Absolute Change	Market	2023 Population	2024-2029 (F) Population Growth	Absolute Change
Boise	834,460	11.7%	99,384	Chicago	9,450,967	-1.6%	-147,977
Las Vegas	2,335,740	10.0%	237,004	Pittsburgh	2,345,980	-1.0%	-23,706
Austin	2,486,538	9.9%	252,867	Los Angeles	9,778,367	0.1%	7,832
Phoenix	5,060,618	8.3%	425,613	San Diego	3,263,046	0.1%	4,741
Raleigh - Durham	2,134,911	8.0%	173,982	New York	14,485,844	0.2%	22,179
Orlando	3,619,738	7.2%	263,690	Philadelphia	6,258,035	0.4%	26,110
Dallas	8,389,864	6.8%	580,564	Albuquerque	1,070,341	0.5%	5,201
Houston	7,484,134	6.6%	502,071	Tulsa	1,041,281	0.6%	6,609
Salt Lake City	2,885,626	6.4%	188,179	Boston	5,347,589	0.7%	37,763
Charlotte	2,777,060	6.4%	179,159	Kansas City	2,348,469	1.1%	24,978
Savannah	739,018	5.4%	40,284	San Francisco	5,698,539	1.3%	75,279
Nashville	2,121,349	5.2%	111,955	Grand Rapids	1,616,405	2.1%	33,757
Colorado Springs	771,986	5.0%	39,049	Oklahoma City	1,610,423	2.1%	33,856
Seattle	3,117,193	4.9%	154,177	Huntsville	684,365	2.2%	15,617
Denver	4,056,985	4.9%	201,593	Omaha	1,327,912	2.9%	38,576

Gateway markets in bold. Sorted by Population Growth. | Source: Yardi Matrix; Moody's Data Analytics

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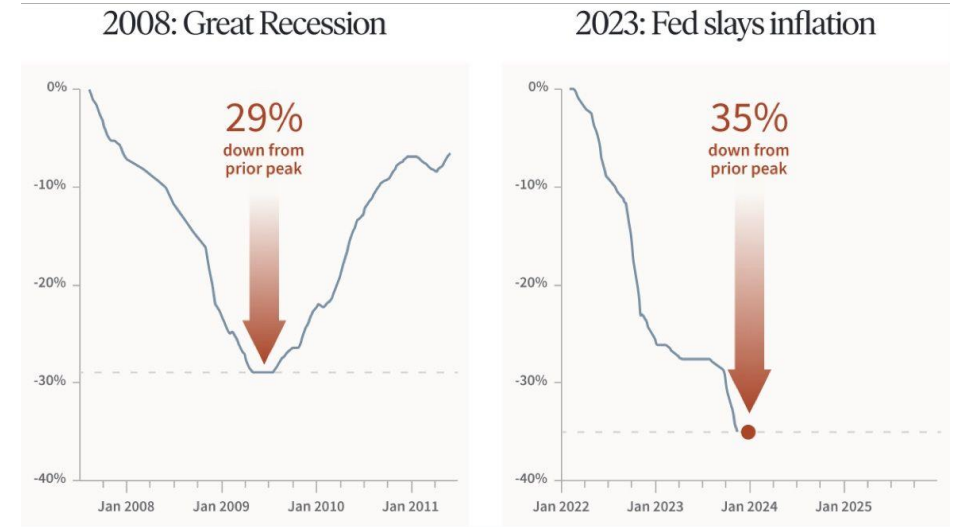
Multifamily Investment Market: Investment Sales & Pricing Outlook

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.

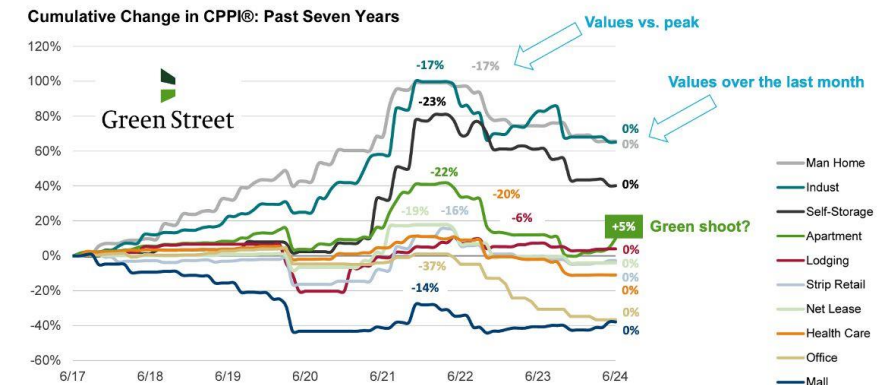
As of mid-2024, investor preference for newer “flight to quality” deals (A-class) appear to have pegged those assets in the low 5% cap rate range. Older, out of favor, assets (B-class) now have a differentiated cap rate that appears much more dependent upon positive leverage out the gate with cap rates seemingly settling into the 6% plus levels. Some very undesirable assets (C-class) are seemingly pushing the 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 35%. 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 (mid-2024) data on month-over-month pricing analytics showing that most commercial real estate pricing has flattened out while apartment values seem to have started a slight uptick in values at a 5% increase. This indicates that **prices may have bottomed out** or at least is bouncing along the bottom.



Good News: One Datapoint Isn't a Trend But...



Source: Green Street 2Q 2024

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 or at least bouncing along the bottom, 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



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