

STRATEGIC PROPERTY INVESTMENT QUARTERLY

A QUARTERLY NEWSLETTER FROM SPI ADVISORY, LLC



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DETAILS RELATED TO
SPI ADVISORY'S NEW
INVESTMENT OPPORTUNITY

THIS QUARTER'S NEWS AND UPDATES:

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[STATE OF THE MARKET, MICHAEL BECKER](#)

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**Nothing in this newsletter constitutes an offering. Offerings are only completed through a Private Placement Memorandum (PPM). Past results are no guarantee of future results.*

FOREWORD FROM SPI CO-FOUNDER & PRINCIPAL, MICHAEL BECKER

"Long-term planning is often undervalued by our infinite short-term world." - Peter Thiel

We at SPI Advisory have had an exceptional measure of historical success when it comes to outperforming initial projections on the numerous deals in which we've "Gone Full Cycle" (i.e. Sold).

Of all the deals we've sold, we planned on holding for at least 5 years but ended up selling all of them in a timeframe shorter than projected, with most resulting in significant returns that also exceeded expectations. And, while SPI's efforts contributed to the success of the projects, the strength of the multifamily market played a big factor in us exceeding our initial investment expectations.

Anyone that has heard me speak over the last decade has likely also heard me say that 'Every projection we've ever made [at SPI] has been wrong. Either we do better or worse, but we never perform exactly as we project.' And, what I mean when I say this is that, SPI always plans for the long-term, should the market dictate, but, more often than not, the combination of our strategic execution supported by strong market fundamentals allows us to consistently outperform our own measures for the success of our investments in a much shorter timeframe.

REGISTER YOUR INTEREST

NEW INVESTMENT OPPORTUNITY

SPI ADVISORY HAS A 506(C) INVESTMENT OPPORTUNITY AVAILABLE



EXECUTIVE SUMMARY

SKYVIEW NORTH

(formerly known as 'Prose Horizon')

 HUTTO, TX

 A-CLASS

 336 UNITS

 BUILT IN 2022

PROJECTIONS

5 YEAR HOLD

~5.6% AVERAGE
CASH-ON-CASH RETURN

~14.7% IRR

~1.85X
EQUITY MULTIPLE

BONUS DEPRECIATION:
75-80%
OF INVESTMENT AMOUNT PROJECTED*

*ESTIMATE PROVIDED BY OUR COST SEGREGATION CONSULTANT. LAST TAX YEAR FOR 100% BONUS DEPRECIATION IN YEAR 1 OF OWNERSHIP.

INTERESTED IN INVESTING?

THIS IS A 506(C) OFFERING, SO YOU MUST BE [ACCREDITED](#) TO SUBSCRIBE.

CLICK THE BUTTON TO THE RIGHT TO REGISTER YOUR INTEREST.
SPI ADVISORY BEGINS TAKING INVESTMENTS ON **SEPTEMBER 7TH**.

 [READ SPI PRINCIPAL JENNIFER WARDER'S "INVESTING INSIGHTS" ARTICLE ON PAGE 12 TO LEARN HOW TO PREPARE TO SUBSCRIBE.](#)

**REGISTER YOUR
INTEREST**

Q3'22 STATE OF THE MARKET:

"MULTIFAMILY DEMAND DRIVERS"

Written by SPI Co-founder & Principal, Michael Becker

HI MICHAEL BECKER HERE...

The 19th-century French philosopher, Auguste Comte, dubiously coined the phrase, "Demography is destiny." While this age-old utterance is arguably overstated in most cases, I maintain that demography plays a principal role in the development of communities, economies, and nations.

With the recent turmoil in the capital markets in the consciousness of the "Investor Class," in addition to the other macro trends currently impacting the markets that [I discussed in the two prior quarterly newsletters](#), I thought I would take the opportunity to review some demographic data and trends as they relate to Texas Multifamily. After reviewing this information, I confidently maintain that the overall Multifamily market fundamentals, which act as the main driver behind SPI Advisory's investment thesis of buying Apartments in high-growth Texas markets, are as strong as any point in our company's existence.

Let me discuss what I found...

In May 2022, the National Apartment Association (NAA) and National Multifamily Housing Council (NMHC) released [a report](#) that forecasted US Apartment Demand through 2035. The report found that the US is short 600K multifamily units presently. Additionally, it found that demographic growth is expected to generate demand for another 3.7 million new US multifamily rental units through 2035. In total, the US will need approximately 4.3 million new multifamily units to keep up.

APARTMENT DEMAND BY METROPOLITAN AREA							
REGION	NEW UNITS NEEDED 2021-2035 (000)	CHANGE/YEAR (%)	WEIGHTED AVERAGE RANK	REGION	NEW UNITS NEEDED 2021-2035 (000)	CHANGE/YEAR (%)	WEIGHTED AVERAGE RANK
ALBUQUERQUE	4,191	0.5%	48	MIAMI-FTL-WPB	99,595	1.3%	14
ATLANTA	116,167	1.5%	7	MILWAUKEE	6,530	0.4%	47
AUSTIN	117,107	2.6%	1	MINNEAPOLIS	67,756	1.5%	16
BALTIMORE	21,034	0.6%	36	NASHVILLE	38,453	1.5%	20
BIRMINGHAM	4,531	0.5%	46	NEW ORLEANS	-531	-0.1%	49
BOISE CITY	17,900	2.9%	18	NEW YORK	141,169	0.4%	27
BOSTON	42,151	0.7%	30	OKLAHOMA CITY	11,886	0.8%	37
CHARLESTON	19,263	1.9%	23	ORLANDO	90,755	2.2%	5
CHARLOTTE	60,046	1.9%	8	PHILADELPHIA	45,292	0.8%	28
CHICAGO	30,658	0.3%	40	PHOENIX	121,824	2.2%	4
CINCINNATI	21,677	1.0%	31	PORTLAND	54,746	1.5%	17
CLEVELAND	-1,231	-0.1%	50	RALEIGH	44,481	2.3%	9
COLUMBUS	45,026	1.4%	21	RICHMOND	15,483	0.9%	33
DFW	269,906	2.0%	2	RIVERSIDE	43,881	1.4%	24
DENVER	71,847	1.6%	12	SACRAMENTO	16,236	0.7%	38
DETROIT	12,970	0.3%	45	SALT LAKE CITY	23,127	1.6%	22
HOUSTON	209,084	1.9%	3	SAN ANTONIO	59,180	1.8%	13
INDIANAPOLIS	37,504	1.4%	26	SAN DIEGO	26,199	0.6%	34
JACKSONVILLE	30,080	1.7%	19	SAN FRANCISCO	53,856	0.9%	25
KANSAS CITY	18,449	0.7%	35	SAN JOSE	19,822	0.8%	32
LAS VEGAS	74,035	2.4%	6	SEATTLE	94,944	1.5%	10
LITTLE ROCK	4,401	0.6%	44	ST. LOUIS	11,663	0.5%	43
LOS ANGELES	78,035	0.4%	29	TAMPA	73,152	1.6%	11
LOUISVILLE	8,497	0.6%	42	VIRGINIA BEACH	14,982	0.7%	39
MEMPHIS	9,536	0.6%	41	WASHINGTON DC	95,996	1.0%	15

Source: National Apartment Association | National Multifamily Housing Council, 2022

The chart to the left shows the top 50 Markets in the US. Of note, the Top 3 ranked markets for demand are Austin, DFW, & Houston, with San Antonio coming in at 13th on the list.

- **#1 - Austin** needs **117,107 more units, a 2.6% annual growth** to existing apartment stock
- **#2 - DFW** needs **269,906 more units, a 2.0% annual growth** to existing apartment stock
- **#3 - Houston** needs **209,084 more units, a 1.9% annual growth** to existing apartment stock
- **#13 - San Antonio** needs **59,180 more units, a 1.8% annual growth** to existing apartment stock

Q3'22 STATE OF THE MARKET:

"MULTIFAMILY DEMAND DRIVERS"

Written by SPI Co-founder & Principal, Michael Becker

Population growth & relative affordability are significant factors driving apartment demand in the Texas multifamily market.

First, let me discuss the factor of affordability: As the chart below indicates, Austin, DFW, & Houston's Median Household Incomes exceed the US Median. Notably, Austin is an impressive ~\$15,000, or 23% above the US Median and San Antonio is below ~\$3,500, or 5%.

US HOUSEHOLD INCOME VS. TEXAS MAJOR MARKETS	
REGION	HOUSEHOLD INCOME
US	\$65,712
AUSTIN	80,954
DFW	72,265
HOUSTON	69,193
SAN ANTONIO	62,335

Source: DataUSA, 2022

The following chart compares the Median Rents in Texas to the US. The data in this chart suggests that DFW, Houston, & San Antonio's Median Rents fall below the US Median, with Austin being ~\$190, or 13% above the US Median. Comparatively, San Antonio is a bargain having ~\$250, or 20% lower rents than the US Median.

US MEDIAN RENTS VS. TEXAS MAJOR MARKETS	
REGION	MEDIAN RENT
US	\$1,510
AUSTIN	1,701
DFW	1,488
HOUSTON	1,313
SAN ANTONIO	1,263

Source: Realpage, June 2022

Reviewing the relationship between Rent & Income levels in the 4 Texas Major Markets confirmed my presupposition that, on a larger scale, they're still affordable when compared to the US as a whole.

This affordability gap is even more pronounced when you compare the 4 markets to a number of the large cities in the Northeast and California from which many new Texas residents are migrating. Couple this with Texas' absence of State Income tax, the renter's dollar continues to go a long way in Texas, today. This phenomenon is supportive of relatively high future rent growth for the years to come.

US INCOME & RENT VS. TEXAS MAJOR MARKETS				
REGION	MONTHLY RENT	ANNUALIZED RENT	HOUSEHOLD INCOME	RENT TO INCOME (%)
US	\$1,510	\$18,120	\$65,712	27.57%
AUSTIN	1,701	20,412	80,954	25.21%
DFW	1,488	17,856	72,265	24.71%
HOUSTON	1,313	15,756	69,193	22.77%
SAN ANTONIO	1,263	15,156	62,335	24.31%

Source: Realpage, June 2022

Now, let's discuss Texas population growth relative to the US as a whole: Per the US Census, in 2020 the Nation stood at a population of 332.6 million. In that same report, it projected that by 2030, the US population will increase a total of 7% to 355.1M. The chart below indicates that all 4 of the Major Markets in Texas are projected to grow by at least 3x more than the national average in this time period. This conjecture coincides with & supports NMHC & NAA's apartment demand projections.

US VS. TEXAS MAJOR MARKET POPULATION GROWTH PROJECTIONS				
REGION	POPULATION 2020 (MM)	PROJECTION 2030 (MM)	EST INCREASE (MM)	EST INCREASE (%)
US	332.6	355.1	22.5	7%
AUSTIN	2.24	2.86	0.62	28%
DFW	7.48	9.26	1.77	24%
HOUSTON	7.37	9.07	1.70	23%
SAN ANTONIO	2.63	3.19	0.56	21%

Source: Texas Demographic Center Data, 2022

Q3'22 STATE OF THE MARKET:

"MULTIFAMILY DEMAND DRIVERS"

Written by SPI Co-founder & Principal, Michael Becker

WHAT DOES ALL OF THIS MEAN FOR SPI ADVISORY'S INVESTMENT THESIS?

It's easy to get caught up in the day-to-day market movements on what rental rates are today compared to last month, or worrying about whether the Federal Reserve is going to hike 25bps or 50bps at their next meeting. And for good reason -- these factors largely impact investment returns, so, we most certainly pay attention to them at SPI Advisory. However, it's also important to consider the factors featured less day in and day out by the financial media, like population growth, that play as significant of a role in creating the conditions of a fundamentally strong Multifamily market for the decades to come.

Simply put, the demographic trends positively impacting Texas Multifamily are unbelievably strong and, as far as I can see, should remain so for the foreseeable future, especially on a relative basis to the US at large. This has me feeling very optimistic about the future prospects of well-located Texas Multifamily projects. It's my personal opinion that, when considering investing in one of our conservatively structured investment offerings, it's imperative to remember that, given a long enough time horizon, the market fundamentals should be strong enough to overcome most any obstacle attempting to stand in the way of a successful investment outcome.

CHEERS,



CO-FOUNDER & PRINCIPAL



[READ THE ARTICLE ON THE BLOG](#)



SPI ADVISORY DISPOSES OF DISTINGUISHED URBAN NORTH DALLAS APARTMENT COMPLEX, *MARK AT MIDTOWN PARK*



ON JUNE 1ST, 2022 after a 2.5-year hold, SPI Advisory, LLC disposed of the vibrant orange & blue North Dallas apartment complex, [Mark at Midtown Park](#).

Mark at Midtown Park was initially acquired by SPI Advisory & its 1031 Exchange partners in 2019.

[READ THE PRESS RELEASE](#)

[READ ABOUT MARK AT MIDTOWN](#)

Q2 2022 DEAL SNAPSHOT

Written by Lily Turner, Marketing Coordinator

SPI kicked off the 2nd Quarter of 2022 with the disposition of The Dodson Apartments & The Chelsea on Southern. In the middle of the quarter, SPI recapitalized their ownership of Southpoint Villas & closed off the quarter with the disposition of Mark at Midtown Park & The Sarah Apartments.



DISPOSITION

DODSON APARTMENTS

On April 7th, 2022, after a 2.5-year hold, SPI Advisory, LLC disposed of [The Dodson Apartments](#), a class C, 104-unit apartment complex located in Tyler, TX & built in 1971. Located in close proximity to the famous Azalea District of Tyler, TX & within walking distance to numerous shopping boutiques & restaurants, The Dodson offered residents unique amenities such as Farm Style Sinks, Hardwood Floors, Subway Tile Backsplashes & complimentary Virtual Fitness & Well-Being Classes.

DISPOSITION

THE CHELSEA ON SOUTHERN



On May 13th, 2022, after a 3-year hold, an Advisory client of SPI Advisory disposed of [The Chelsea on Southern](#), a class A-, 228-unit apartment complex constructed in Dallas, TX in 1998. This vibrant, resort-inspired apartment complex is located in North Dallas just off of Belt Line Road & within walking distance of the popular shopping center, Galleria Dallas. The Chelsea offered residents choice amenities such as a Gourmet Outdoor Kitchen & Fireplace, Exclusive Courtyards, a Newly Renovated Fitness Center, & a view of the Dallas city skyline. Residents also enjoy proximity & easy access to the Dallas North Tollway & I-635.



RECAPITALIZATION

SOUTHPOINT VILLAS

On May 18th, 2022, SPI Advisory, LLC recapitalized their ownership of [Southpoint Villas Apartments](#), simultaneously generating a substantial return for its existing investors and offering its new investors the opportunity to continue to realize significant value appreciation through its already proven renovation program. Built in 2000, the A- class Arlington, TX apartment complex offers residents 228 spacious units furnished with Cozy Fireplaces, Breakfast Bars, a Private Patio/Balcony, Volleyball Court, Sundeck, & Spa. SPI and its investors initially acquired Southpoint Villas in 2019.

Q2 2022 DEAL SNAPSHOT

Written by Lily Turner, Marketing Coordinator

DISPOSITION



MARK AT MIDTOWN PARK

On June 1st, 2022, after a 2.5-year hold, SPI Advisory disposed of the vibrant North Dallas apartment complex, [Mark at Midtown Park](#). Mark at Midtown Park is a class A, 274-unit apartment complex located in the Preston Hollow neighborhood of Dallas, TX. Mark at Midtown Park was built in 2017 and was initially acquired by SPI and its 1031 Exchange partners in December of 2019. In July 2022, SPI & its joint venture partners completed a 1031 exchange to acquire a larger multifamily development in the Farmers Market area of Downtown, Dallas using the proceeds from the sale.



DISPOSITION

THE SARAH APARTMENTS

On June 15th, 2022, after a 2-year hold, SPI's advisory client disposed of [The Sarah Apartments](#), a class A, 270-unit apartment complex located in Leander, TX. SPI is currently advising its client on a 1031 exchange using the proceeds from the sale. Built in 2018, The Sarah Apartments offers Leander, TX residents luxurious living in the Hill Country north of Austin, TX complete with 270 spacious units furnished with amenities such as gourmet kitchens, 9-foot ceilings, a dog park, spa, & resort-style pool.



CHECK OUT OUR PORTFOLIO

Have you seen our portfolio? Click the button to learn more about each of the properties SPI & its syndicated, joint venture, & advisory partners have acquired, managed, & disposed of since 2014.

VISIT OUR WEBSITE

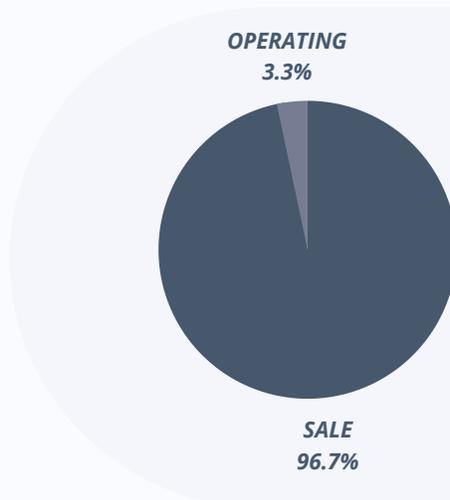
Q2 2022 PERFORMANCE

2022 DISTRIBUTIONS	Q1	Q2	TOTAL
OPERATING DISTRIBUTIONS	\$4,764,000+	\$4,827,500+	\$9,591,500+
CAPITAL DISTRIBUTIONS	\$27,933,000+	\$140,744,500+	\$168,677,500+
TOTAL 2022 DISTRIBUTIONS	\$32,698,000+	\$145,572,000+	\$178,269,000+

Q2 2022 DISTRIBUTIONS

\$140.74MM+ IN TOTAL CAPITAL DISTRIBUTIONS

\$145.57MM+ IN TOTAL DISTRIBUTIONS



DIST. TYPE	AMOUNT
OPERATING	\$4.83MM+
SALE	\$140.74MM+
TOTAL	\$145.57MM+

7,740+ UNITS MANAGED

Q1 2022 UNITS: 8,624
 - DISPOSED UNITS: 1,104
 + ACQUIRED UNITS: 228

= Q2 2022 UNITS: 7,748

JOIN OUR DATABASE

Unaudited. For Internal Use Only.

INVESTING INSIGHTS

"STEPS YOU CAN TAKE TO PREPARE TO INVEST"

Written by Principal, Jennifer Warder

One frequently asked question we receive from investors who have experienced how quickly our syndications reach completion is: **"HOW CAN I PREPARE TO INVEST WITH YOU IN ADVANCE OF A SYNDICATION?"**

Well, here is the cheat sheet for you...these are steps you can take well in advance of learning about an investment opportunity & will help you when it comes time to subscribe:

1. **Solidify how you will take title in the investment** (i.e., legal name under which you will invest) by consulting with your CPA, attorney, &/or Financial Advisor. They will help you ensure that the title you choose takes your specific tax, estate planning, & financial planning needs into account. Needs change over time, so it is wise to reassess as your situation changes.
2. **Collect the fully executed legal documents you will need to provide when you subscribe** that identify both signing authority and equity ownership. This particularly applies to legal entities (like LLCs, trusts, etc.) and retirement plans. If documents we have on file for you have been amended or updated, collect those to provide instead.
3. **Know how you file taxes for the way you are investing.** A different way to ask this question is, "What tax return of yours will include our K-1 data?" Your tax advisor is the person who can help you answer this question.
4. **Collect ACH instructions for the US bank account where we will send your distributions.** ACHs are different from wires, so it is important you talk with your bank to ensure you have the correct instructions.

Once we notify you about an upcoming investment opportunity, below are the next steps you can take to get ahead:

- If we identify that the syndication will be a 506(c) offering, which requires that all investors be [accredited](#), **you can work in advance to obtain a Third-Party Verification Letter (instructions & template below)** from a qualified individual as defined on the template we provide. This letter will help expedite a process that occurs during the syndication involving VerifyInvestor, the company we use to qualify investors.
- Prior to submitting paperwork for the subscription, **ensure your funds for the investment are cleared and in the account from which you will wire to us.**

Since what you just read is an executive summary, **below are resources you can refer to that are quick to watch / read** that provide more detail about the information above. **I encourage you to review each of them to guide you in your preparation.**

- [Preparing to Invest](#) (<5 min) – video
- [Getting Started Guide](#) (2-pages) – explains the above steps
- [Third-Party Verification Letter Instructions by Title Type](#) (1-page) – provides instructions about the Third-Party Verification Letter described above for 506(c) offerings
- [Third-Party Verification Letter Template](#) – we encourage you to use this template

Through the years, this set of steps has helped move investors through our syndication process faster and more effectively, and I know they will help you as well.

HAPPY INVESTING!



PRINCIPAL



**READ THE FULL
ARTICLE**

#SPICARES – VOGEL ALCOVE



MORE THAN 3,000 CHILDREN IN DALLAS GO TO SLEEP EACH NIGHT WITHOUT A HOME OF THEIR OWN."

- VOGEL ALCOVE, 2022

UNDERSTANDING THE PROBLEM



DALLAS RANKS #3 FOR CHILD POVERTY



1/3 CHILDREN BORN IN DALLAS GROW UP IN POVERTY



POVERTY IS THE LEADING CAUSE OF HOMELESSNESS

4x

HOMELESS CHILDREN 4X MORE LIKELY TO SHOW DELAYED DEVELOPMENT

1/3

1/3 HOMELESS CHILDREN DEVELOP MENTAL DISORDERS BY AGE 8

VogelAlcove

is a Dallas-based non-profit founded 35 years ago

with the purpose to provide homeless Dallas children & families with services centered around fostering & rehabilitating their physical, intellectual, emotional, & social wellbeing after facing the traumatic effects of homelessness. Since the organization's inception, Vogel Alcove has helped over 17,000 homeless children & families in the Dallas area by providing services like onsite access to medical care & therapy and daily daycare services that include two meals & a snack, lessons, playtime, nap time, & other activities.

DONATE

MAY 13TH, 2022

SPI's Dallas team spent the morning volunteering at **Vogel Alcove's** Downtown Dallas Headquarters.



READ MORE

ABOUT SPI ADVISORY, LLC



SPI ADVISORY, LLC is a Dallas-based private equity firm that has been a principal investor in over \$2 Billion worth of multifamily real estate, with \$1.6 Billion in current Assets Under Management.

SPI is transforming the way high net worth investors identify, assess, secure & sell high-yield, tax-efficient multifamily real estate investments.

SPI offers tailored joint venture partnership and advisory services as well as passive investing opportunities in institutional quality multifamily assets to our increasingly diverse client base.



KNOW A FRIEND OR FAMILY MEMBER WHO MIGHT INTERESTED IN JOINT VENTURE OR PASSIVE INVESTING OPPORTUNITIES WITH SPI?

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