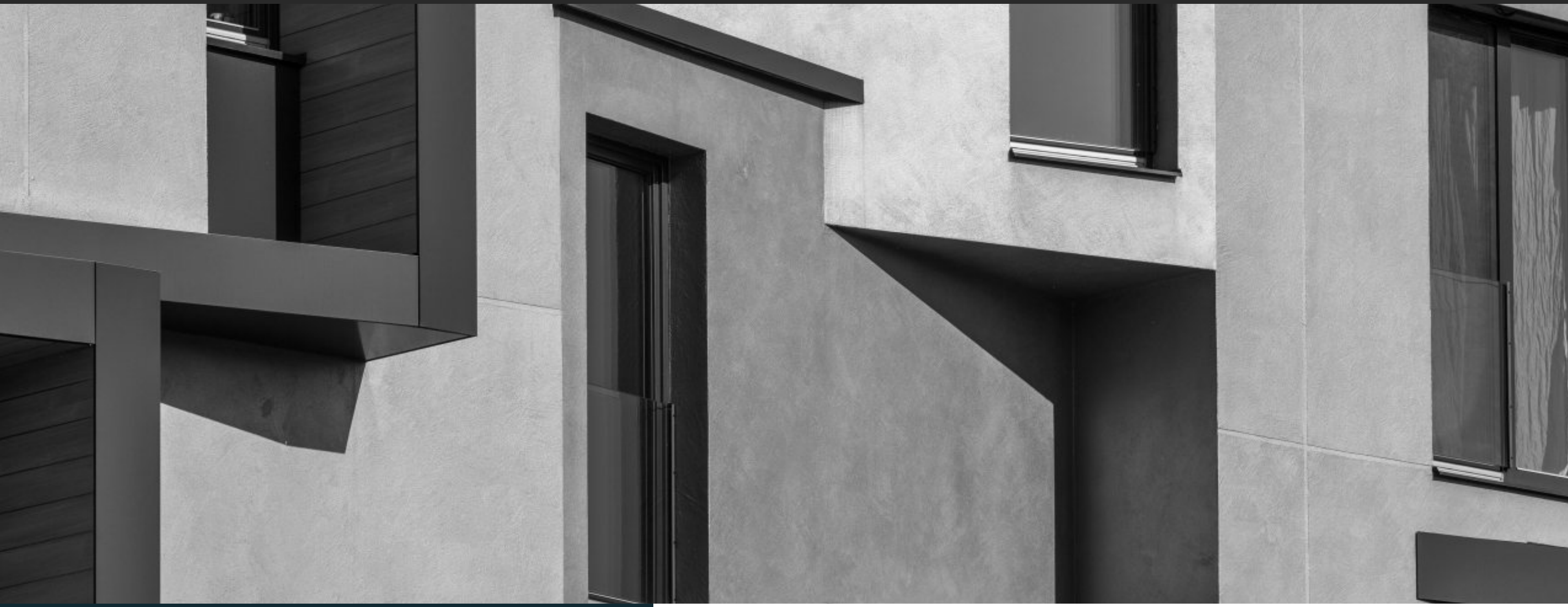
VOLUME 1, ISSUE 1

STRATEGIC PROPERTY INVESTMENT QUARTERLY

A QUARTERLY NEWSLETTER FROM SPI ADVISORY, LLC



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FOREWORD FROM CO-FOUNDER & PRINCIPAL, MICHAEL BECKER

Written by Michael Becker

Thomas Edison once said, "**Opportunity is missed by most people because it is dressed in overalls and looks like work.**" Our Team at SPI Advisory strives day in and day out to put in the work to make our properties perform the best the market will allow. We don't always achieve everything we set out to, but we never give up and always put the work in to achieve the best possible outcomes.

Michael Becker,

Co-Founder & Principal

Strategic Property Investment

NOTE FROM CO-FOUNDER & PRINCIPAL, SEAN MABARAK

Written by Sean Mabarak

2021 may be remembered as one of the frothiest periods for multifamily valuations, but SPI continued to deliver on its mission to find undervalued and underutilized investments at any point in a market cycle. Early in the year we identified a near term supply/demand imbalance in the San Antonio market. And, by years end, we will have expanded the portfolio by nearly 1,200 units there; specifically targeting high quality (lifestyle) new construction that is poised to experience persistent high demand. 2021 & 2022 will mark the fewest units delivered in San Antonio since 2012, and demand (absorption) is expected to stay elevated near all-time highs.

We also continued to leverage our diverse relationships in the DFW and Austin markets and completed the acquisition of another 800 units off market at pricing that is now 20-40% below recent sales comps (no, that is not a typo).

I firmly believe in our team's ability to continue to create significant value through strategic acquisitions in the year ahead and structure them in ways that mitigate risk going forward.

Sean Mabarak,

CO-FOUNDER & PRINCIPAL

STRATEGIC PROPERTY INVESTMENT

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STATE OF THE MARKET:

"THE *GOLDEN AGE* OF MULTIFAMILY OWNERSHIP"

Written by Michael Becker

Those of you who have known me for any length of time have heard me discuss the great environment Multifamily Investors have been experiencing for over a decade. Over these past 10 years we have seen historically low interest rates, ever-increasing interest in Multifamily driving pricing higher, and very supportive demographics as the Millennial and Gen Z cohorts age into the rental housing market. Eighteen months ago, that environment was challenged when government-imposed lockdowns were pressed upon us. Fortunately, the housing market has proven to be very resilient and continued to thrive as the economy slowly reopened.

Upon reflection of the events I have lived through in my professional career, first as a Commercial Real Estate Banker and now as a Multifamily Operator, I have determined that **we are currently living in the "Golden Age of Multifamily Ownership."** Simply put, the conditions for Multifamily Owners have never been better. I try to appreciate that daily, as I know it won't last forever. However, I remain bullish for the foreseeable future on the *Investment Thesis* we hold at SPI Advisory.

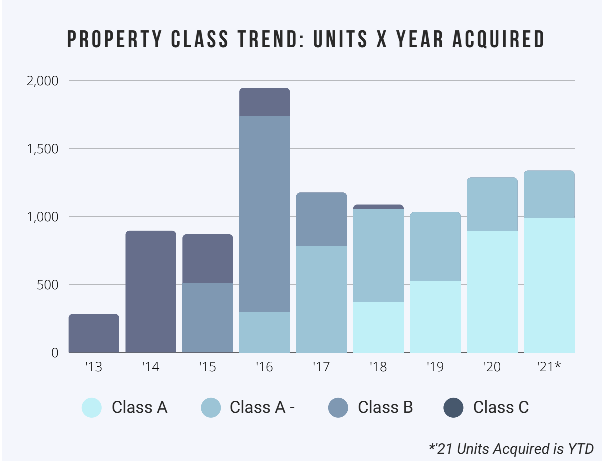
"THE CONDITIONS FOR MULTIFAMILY OWNERS HAVE NEVER BEEN BETTER"

Let me discuss that a bit further…

SPI Advisory's Investment Thesis is to purchase High-Quality assets in the Texas Multifamily market at a relatively low-cost basis compared to the rest of the market at that time. In other words, we buy the best value we see at the moment. We like 3 of the 4 major markets in the State of Texas: **Austin, DFW, and San Antonio**. Our decision not to participate in the Houston market is primarily due to the area's consistent exposure to hurricanes & flooding. Additionally, Houston's economy is less diverse than the other 3 markets as a result of their reliance on the Energy Industry.

Since buying our first Multifamily assets in 2013, we have transitioned from Class C & B assets to Class A. This is largely due to the CAP rate spread narrowing between the property Classes where, today, there is very little spread between Class A & Class C. From a Risk Adjusted Return standpoint, it doesn't make sense to us to pay the same CAP rate for something built in the 1970's as you can for something that is brand new.

SPI Advisory started this transition in 2016 when we bought our first A- deals. And, today we target A to A- deals, generally 20 years or newer. Objectively, I would say we were a bit early in the transition as the Class C & B deals have seen their CAP rates compress further and have seen a bit higher rental rate growth for the last few years relative to the Class A product. That has changed dramatically coming out of the COVID-induced lockdowns of 2020.



Looking at SPI's portfolio for the last month, we saw **8%** rent growth on our Renewals (tenant stays) and **20%** on our New Leases (new tenant moves in). We are historically happy with 3% rent growth, so these levels are obscene. Keep in mind we generally are not doing any interior upgrades, so this isn't us spending money to provide a better unit to lease; this is simply organic rent growth. **This is far superior growth to what owners of Class B & C properties are seeing today.**

STATE OF THE MARKET:

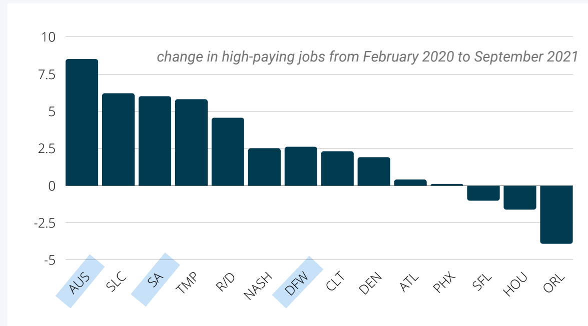
"THE *GOLDEN AGE* OF MULTIFAMILY OWNERSHIP"

Written by Michael Becker

Why is that the case? I recently read a post by Greg Willett, a Multifamily Economist, which made the case why Class A in the Sunbelt Markets are doing well (see his LinkedIn post [here](#)).. A few key takeaways from his article were:

- High-paying jobs are being created that lead to "top-tier apartment renters" and leasing success. Job categories with high pay are typically in the "Professional Services, Finance, tech-heavy Information categories."
- The places where high-paying jobs are being added in the country are "especially notable in select metros across the Sun Belt and the Mountain/Desert region."
- "Austin is the country's star performer when it comes to high-paying job growth." (Job count increase by 8.5% compared to pre-COVID February 2020 in the 3 categories referenced above.)
- San Antonio is one of the cities with 5-6% growth in high-paying jobs since early 2020.
- DFW has had a 2.6% growth in high-paying jobs since early 2020. However, the actual count of additions puts North Texas in the country's top spot. And, "DFW's existing job count - in total and in the high-paying categories specifically - is almost three times the Austin tally."

STRONG DEMAND FOR LUXURY APARTMENTS IN SUN BELT METROS REFLECTS PRODUCTION OF HIGH PAYING JOBS



Graph credited to Greg Willett, Housing Market Analyst, November 2021
Calculations based on Bureau of Labor Statistics Data for Professional Services, Finance and Information jobs.

HIGH PAYING JOB GROWTH: TEXAS MARKETS
SEPTEMBER 2021 VS FEBRUARY 2020

8.5%	5-6%	2.6%
AUSTIN	SAN ANTONIO	DFW

All of this is very supportive of the SPI Advisory *Investment Thesis*. And, while there are no guarantees in life, we believe in our *Investment Thesis* for the foreseeable future. To all of our current investors, you should feel good about your current holdings. For those of you who have yet to invest, you aren't too late. There appears to be plenty of runway ahead.

Cheers,

Michael Becker,

CO-FOUNDER & PRINCIPAL

STRATEGIC PROPERTY INVESTMENT

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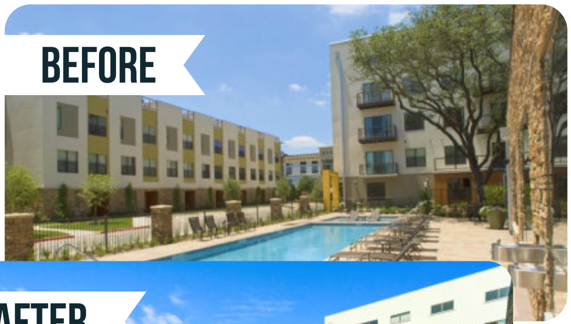
CAPEX SPOTLIGHT

THE DYLAN APARTMENTS

Written by Lily Turner, Marketing Coordinator

Together with its JV Partner, SPI Advisory purchased The Dylan Apartments in August 2020. Although the purple and orange luxury townhomes and apartments located in the middle of Dallas's Oaklawn District were already as colorful and vibrant as the neighborhood that surrounded them when we acquired the property, we decided that it was time for The Dylan to get a little makeover.

For our first order of business, we replastered the renowned Dylan pool and cut and shaped all of the trees surrounding it, which had been blocking the sparkling Dallas skyline otherwise visible from most units. Then, early this spring, we began renovating both the exterior and the interior breezeways of the building with brand new paint and a brand new color scheme - magenta, forest green, purple, and orange. Finally, after a few months of hard work, our value-add CAPEX has been fulfilled and **The Dylan is looking fresher than ever, don't you think?**



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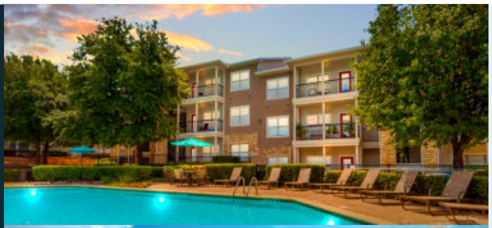
2021 DEALS SNAPSHOT

Written by Lily Turner, Marketing Coordinator

In 2021, we have been pretty active. To start off the year, we syndicated a two-property portfolio in DFW, and, in the third quarter, we syndicated another two-property portfolio in San Antonio, TX. Year to date, in total, we acquired 6 Multifamily Apartment Complexes in the state of Texas. Additionally, we sold two properties and refinanced another.

ACQUISITION #1 + #2



CANOPY AT SOUTH LAKES & THE VENTURA

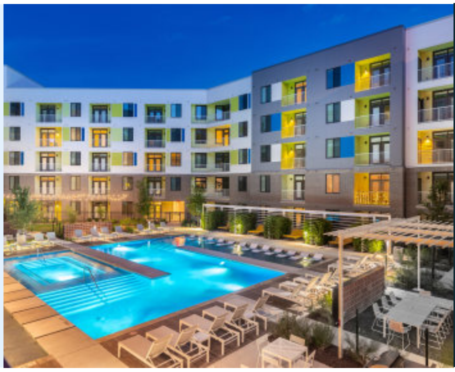
In Q1 of 2021, SPI Advisory and its SPI DFW 351 Investors acquired Canopy at South Lakes (fka Coventry Apartments) and The Ventura (fka Central Park).

Built in 2003, The Ventura boasts 111 upscale apartments and community amenities like a Sand Volleyball Court for its Mesquite, TX residents. Canopy at South Lakes was built in 2001 and offers potential tenants in the Denton, TX area 240 spacious units, complete with updated Kitchen Appliances and Lighting Fixtures, to call home.

1031 EXCH

ELLA PARKSIDE

On May 28, 2021, SPI and its 1031 Exchange partners acquired the Austin Multifamily Complex, Ella Parkside (fka Elan Parkside Apartments). **This acquisition makes Ella Parkside SPI's 5th managed property in the Austin, TX area.** Built in 2017, Ella Parkside offers Austin locals upscale, modern living in one of its 309 newly-constructed units.



ACQUISITION #3

DISPOSITION #1

MISSION RANCH APARTMENTS

Acquired on December 28, 2016, Mission Ranch Apartments was sold by SPI and its investors this year on June 23, 2021. Built in 1999, this unique property offered long-term residents 295 units to call home with luxury amenities like Hardwood Style Floors, Private Backyards, and Fireplaces.

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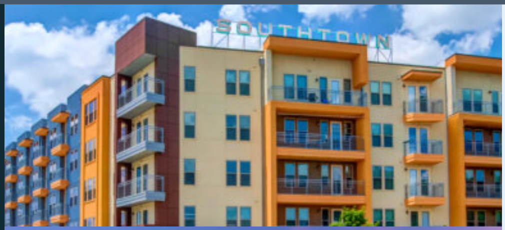
2021 DEALS SNAPSHOT

ACQUISITION #4 + #5



BIRWOOD HEIGHTS & SOUTHTOWN FLATS

On August 11, 2021, SPI and its SPI Central Texas 541 Investors acquired the first of two new properties in San Antonio, TX: Birwood Heights. Just 8 days later on August 19, 2021, the second property, Southtown Flats, was acquired. **This two-property syndication marks SPI's debut into the San Antonio Multifamily market.**

Located adjacent to the Riverwalk, Southtown Flats offers its residents 229 units with some of the best walkability in the city. In addition to its close proximity to the Shops at La Cantera, Birwood Heights boasts 312 upscale apartment units for its residents.

WESTPOINT AT SCENIC VISTA

Acquired for $34.2MM nearly four years ago on December 8, 2017, Westpoint at Scenic Vista was sold by SPI and its equity partners this year on August 31, 2021. Built in 2008, the Fort Worth luxury apartment complex boasted 264 units with High Ceilings and Bay Windows for its residents.

DISPOSITION #2

ACQUISITION #6

RIVERSIDE PARK

To finish off the third quarter, on September 16, 2021, SPI and its 1031 Exchange partners acquired Riverside Park. Built in 2017, the Farmers Branch apartment complex offers its residents 136 units with Golf Course views and Walking Trails.

1031 EXCH

THE AIDAN APARTMENTS

On September 22, 2021, SPI Advisory and its equity partners refinanced the bridge loan on The Aidan Apartments. Acquired in January 2020, The Aidan Apartments offers its residents a lifestyle of luxury and community. Built in 2011 with 396 units, this Kyle, TX apartment offers everything a resident could ever dream of, such as Vaulted Ceilings and Garden Style tubs.

REFINANCE

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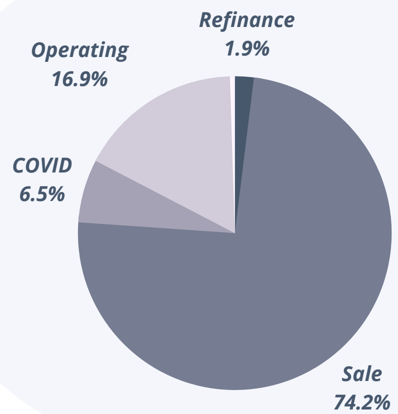
2021 PERFORMANCE

DISTRIBUTIONS: Q1 - Q3	Q1 2021	Q2 2021	Q3 2021	TOTAL
OPERATING DISTRIBUTIONS	$2,285,000	$2,840,000	$3,535,000	**$8,660,000**
CAPITAL DISTRIBUTIONS	0	$15,456,000	$27,200,000	**$42,656,000**
TOTAL DISTRIBUTIONS	**$2,285,000**	**$18,296,000**	**$30,735,000**	**$51,316,000**

2021 DISTRIBUTIONS

$42MM+ TOTAL IN CAPITAL DISTRIBUTIONS

$51MM+ IN TOTAL DISTRIBUTIONS



Dist. Type	Amount
Operating	$ 8.66MM
COVID Escrows	$ 3.35MM
Refinance	$ 1.00MM
Sale	$38.05MM
One Time	$ 0.26MM
Total	**$51.32MM**

6,700+ UNITS MANAGED

ACQUIRED UNITS: 1,337
- DISPOSED UNITS: 559

+ 778 units YTD 2021

7.1%

Average Annualized Rent revenue Growth

15.9% INCREASE

In Net Operating Income Past 12 Months

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INVESTING INSIGHTS

Written by Principal, Jennifer Warder

Investing in alternative investments such as multifamily has the opportunity for great reward. But, with that reward comes the balance of responsibility on the part of the investor.

There are many companies offering services in the multifamily space, and it is easy to confuse one company's services with another. Although many companies offer educational and mentoring services regarding multifamily investing, SPI Advisory's sole focus is offering multifamily investments. We keep this hyper-focus to ensure we stay at the top of our game and perform as best as we possibly can for our investors.

At times we receive questions or requests for advice from our investors that are out of the scope of our services, and often these center around issues related to the type of investing entity the investors have used to take title in our investment (i.e., as an Individual, Jointly, with an LLC, with a retirement entity, etc.).

This leads to an analogy we use often to explain our services and your responsibility in these types of investments. The analogy is this: If you were to set up an account at Fidelity Investments and used the funds in that account to invest in IBM stock, you would approach Fidelity rather than IBM with questions about your account.

SPI ADVISORY'S INVESTMENTS ARE LIKE THE IBM STOCK. THE FIDELITY ACCOUNT IS LIKE THE INVESTING ENTITY YOU ESTABLISH IN ORDER TO TAKE TITLE IN AN ALTERNATIVE INVESTMENT.

Your responsibility in garnering the possible rewards of these types of investments is in consulting with your legal counsel, tax advisor, and financial advisor to ensure you set up the type of investing entity that best meets your long-term estate, tax, and financial planning goals. It is also your responsibility to ensure you understand any tax ramifications for investing in these types of investments.

Since you are responsible for the account aspects of your title, this includes ensuring you have a will in place for beneficiary information and that you have a tax advisor who is knowledgeable about how to file taxes using the K-1 we will provide you annually.

Everyone's estate, tax, and financial situation is different, so consulting with experts who have knowledge in alternative investments like ours and who know the details of your situation will ensure you receive appropriate advice.

Happy investing!

Jennifer Warder,

PRINCIPAL

STRATEGIC PROPERTY INVESTMENT

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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 $1.4 Billion in current Assets Under Management.

SPI is transforming the way high net worth investors identify, asses, 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.

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