VOLUME 1, ISSUE 3

STRATEGIC PROPERTY INVESTMENT QUARTERLY

A QUARTERLY NEWSLETTER FROM SPI ADVISORY, LLC

THIS QUARTER'S NEWS AND UPDATES:

FOREWORD FROM SPI CO-FOUNDER & PRINCIPAL, MICHAEL BECKER

"The only thing that overcomes hard luck is hard work."

- Harry Golden

One of the keys to our continued success as a company has been never giving up in the face of adversity. At SPI Advisory, we believe there is always a way around or through an issue.

We embrace 'problem solving' as a pillar of our culture here at SPI, without exception. Of late, we've often referred back to this guiding principle as we navigate the challenge of acquiring economically sound multifamily properties in such a newly difficult environment to do so. I'm confident this attitude will continue to serve us well, and we'll find the right opportunities to offer our investor community soon enough.

MACRO INVESTOR TRENDS

Written by SPI Co-founder & Principal, Sean Mabarak

THE MOST DIFFICULT PERIOD FOR FORECASTING SINCE SPI'S INCEPTION

Today we are faced with a disorienting mix of global market sentiment hovering near all-time lows and the strongest performance trends at the property level we've ever seen. I was the first to be skeptical of how sustainable the impressive occupancy and rental income trends that started in late 2020 would be. It felt like an overcorrection at the time; a reversion to the mean after pausing rent increases during pandemic lockdowns. Yet here we are nearly two years later, and those trends not only persist but their breadth has widened to include nearly every asset class and geographic region in which we operate. All of this is in stark contrast to financial markets unraveling in the face of a hawkish Fed that has committed to using every tool at its disposal to try to tame inflation.

Since multifamily debt markets tend to follow financial markets, we've seen an abrupt deterioration in debt terms and the number of lenders actively originating loans. In Q4'21 and Q1'22 we were attaining 60-70% Loan-to-Value (LTV) at sub-3% interest rates. Today these terms are closer to 45-60% LTV at 5%+ interest rates. These are obviously drastic moves that directly affect return on investment.

So, how does this affect market pricing? Should values go down proportionately with available leverage? How does rental income growing 5x faster than the historical average factor in? What if market consensus is that multifamily lending rates will return to 3-4% within the next two years? Should we all just go on vacation until the Fed cuts rates again?

As discussed in our prior newsletter, the sustained rental rate growth creates a situation where even the most prudent investors can comfortably pull forward proven income growth and underwrite considerably higher income than the trailing twelve months or even annualized T3 data. The example below shows how a 3.5% cap rate can quickly become a 4.5% cap rate once you burn off that 15% loss to lease (the difference between recent leases and average in-place rent). If recent leases are being signed at 30% above in-place, as is the case at several of our properties, a 3.5% cap rate today is a 5.5% cap rate once loss to lease is burned off.

PURCHASE PRICE:	$250,000		
LOSS TO LEASE	-	15%	30%
AVERAGE RENT	1,350	1,553	1,755
RENTAL INCOME	16,200	18,630	21,060
OTHER INCOME	1,500	1,500	1,500
EGI	17,700	20,130	22,560
OPEX	(8,850)	(8,850)	(8,850)
NOI	8,850	11,280	13,710
CAP RATE	3.5%	4.5%	5.5%

MACRO INVESTOR TRENDS

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So where's the disconnect? Lender underwriting standards do not support this method of forecasting income, and for good reason. Leading up to the Great Financial Crisis, aggressive proforma income assumptions were the norm, whether they had been proven out or not. Now we are in a situation where we have the most robust growth in fundamentals I've seen, but no lender will give us credit for it, so there is a hard cap on leverage with traditional agencies, life co, and bank lending.

The minimum yield (annual percentage return on cash invested) required by most investors and institutions now prevents buyers from paying lower cap rates in the face of 5% interest rates. Compared to just months ago when a buyer could borrow at 3% and pay a 3% cap rate knowing they had 15-30% effective rent growth baked in. To me, this disconnect presents the opportunity to make investments in seemingly bulletproof fundamentals at discounted pricing.

Since the demand for yield is a constant in our industry, there are many investors on the sidelines waiting for price discovery to play out, either by choice or because they are already overexposed to rates rising. However, given the rapid growth in rental income, cap rates will catch up sooner than many may realize, so it makes sense to us to jump on opportunities priced 5-15% below recent sales comps with 15-30% loss to lease to burn off. Then if multifamily lending rates do end up coming back down to the 3-4% range while we capture loss to lease, our returns will be amplified even further through lower debt service, higher free cash flow, and cap rate compression. **Until fundamentals at the property level flatline or deteriorate, the current risk-reward of actively investing in new projects is highly skewed towards reward.**

As always, we at SPI Advisory will search through countless opportunities both on- and off-market to identify those we feel will provide the best risk-adjusted returns at that moment in time. I am personally excited that there is [finally] a palpable dislocation in the marketplace presently, as this should uncover opportunities we can capitalize on. The Texas multifamily market has been long overdue for the sobering shock capital markets have delivered this year. **SPI will continue to use sensible leverage as a tool and not a crutch so that in times of uncertainty our primary focus can be uncovering opportunities in the chaos rather than scrambling to identify insolvency risk in current holdings**, as I imagine some are doing presently.

CHEERS,

Sean Mabarak,

CO-FOUNDER & PRINCIPAL

STRATEGIC PROPERTY INVESTMENT

READ THE ARTICLE ON THE BLOG

STATE OF THE MARKET:
"IT WAS THE BEST OF TIMES, IT WAS THE WORST OF TIMES"

Written by SPI Co-founder & Principal, Michael Becker

HI MICHAEL BECKER HERE...

As the famous quote from the Charles Dickens book *A Tale of Two Cities* goes: **"It was the best of times, it was the worst of times."** I think that adequately sums up today's Multifamily market.

Anyone who has followed my thoughts on the Multifamily market over the past few years has heard me proclaim that we have been living in "The Golden Age" of Multifamily; we've seen tremendous growth in both rental rates as well as cap rate compression, which, in tandem, has led to unbelievable growth in valuations. Anyone who invested alongside SPI over the last decade or so has experienced transformational wealth creation. But, as we transitioned from Q1 to Q2 2022, **the winds which used to only be at our backs are now swirling into a mix of headwinds and tailwinds.** *Let me elaborate . . .*

TAILWINDS OF POSITIVE GROWTH

Over the past year, **we saw incredible rental rate growth across the portfolio**. As of now, we haven't seen this trend let up at all. Currently, we're experiencing effective rental rate growth percentages in the high-teens to low-twenties on new leases and low to mid-teens on renewals. *Why is that? I believe it's a few reasons...*

JOB GROWTH

Recently, I spoke on a panel with Greg Willett, former Chief Economist at RealPage who has now joined IPA. During this panel, Greg displayed a few compelling slides that help explain the driving factors for the recent increase in rental demand. The first factor he discusses is job growth. As we've discussed before, **Texas job growth has dramatically outpaced the nation, post-pandemic.** Looking at the charts below, you can see that the top 2 Metros in Absolute Job Growth across the nation are DFW and Austin – SPI's two largest markets.

"DFW HAS ADDED TWICE AS MANY JOBS AS ANY OTHER MARKET IN THE PAST COUPLE OF YEARS"

TOP 10 METROS	ABSOLUTE CHANGE	% CHANGE
DALLAS-FORT WORTH	167,200	4.3%
AUSTIN	80,700	7.1%
SALT LAKE CITY	61,000	4.7%
ATLANTA	58,900	2.0%
INLAND EMPIRE	42,600	2.7%
PHOENIX	36,600	1.6%
TAMPA	33,800	2.4%
NASHVILLE	33,600	3.2%
JACKSONVILLE	26,800	3.6%
CHARLOTTE	18,100	1.4%
U.S. TOTALS	-1,618,000	-1.1%

Houston: (-23,900, -0.7%); San Antonio: (4,300, 0.4%)
Change from February 2020 through March 2022 | *Source: IPA Research Services, BLS*

Couple job growth and population growth with homeownership becoming increasingly less affordable, **there's been a significant increase in renter demand**. As the chart below shows, currently, in Austin, on average, it's $2K+ a month more expensive to make a mortgage payment than to rent an apartment.

"AUSTIN NOW HAS ONE OF THE COUNTRY'S BIGGEST GAPS BETWEEN RENTS AND HOME PAYMENTS"

LEAST AFFORDABLE MARKET	1Q22 MONTHLY HOME PAYMENT	1Q22 AVERAGE RENT	AFFORDABILITY GAP
SAN FRANCISCO	$10,588	$2,792	$7,796
MANHATTAN*	$10,820	$3,823	$6,997
SAN JOSE	$9,344	$2,828	$6,516
ORANGE COUNTY	$6,331	$2,590	$3,741
OAKLAND	$5,768	$2,524	$3,244
SAN DIEGO	$4,655	$2,510	$2,145
SEATTLE-TACOMA	$4,051	$1,991	$2,060
AUSTIN	$3,657	$1,608	$2,049
DENVER	$3,603	$1,784	$1,819
LOS ANGELES	$4,361	$2,629	$1,732
U.S. AVERAGE	$2,309	$1,671	$638

*Includes condominiums
Mortgage payments based on 1Q 2022 median home price for a 30-year fixed rate mortgage, 90% LTV, taxes, insurance, and PMI | *Source: IPA Research Services, Real Page Inc., Freddie Mac, National Association of Realtors, Douglas Elliman Real Estate*

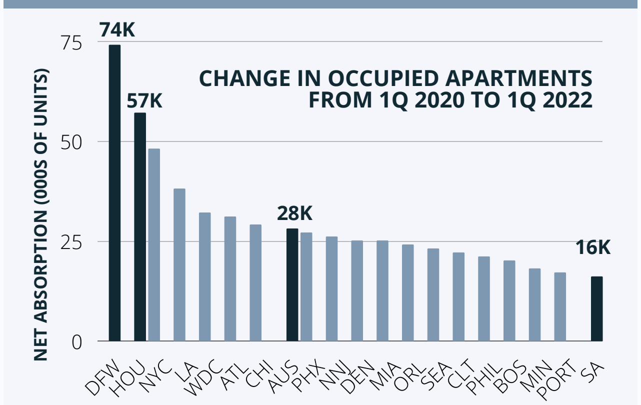
**Nothing in this newsletter constitutes an offering. Offerings are only completed through a Private Placement Memorandum (PPM). Past results are no guarantee of future results.*

STATE OF THE MARKET:
"IT WAS THE BEST OF TIMES, IT WAS THE WORST OF TIMES"

Written by SPI Co-founder & Principal, Michael Becker

People follow jobs and job growth, so, it makes sense that all **4 major Texas markets are at or near the top in the nation in terms of total absorption of apartment units** since the pandemic-induced lockdowns, as the chart below indicates.

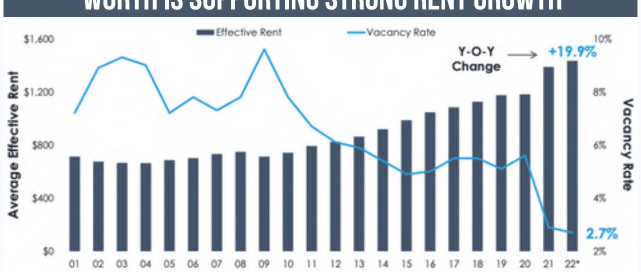
"DFW HAS RANKED AS THE NATION'S TOP APARTMENT DEMAND CENTER OF LATE AND THROUGHOUT THE PAST DECADE"



Sources: IPA Research Services, Real Page Inc., CoStar Group, Inc

As this data suggests, **all 3 of the markets SPI invests in** (*DFW, Austin & San Antonio*) **have seen significant increases in occupancy and tremendous rental rate growth**. Houston, a market SPI has chosen to not participate in, has also done well but lags the other 3 Texas markets and the nation as a whole.

"RECORD LOW APARTMENT VACANCY IN DALLAS-FORT WORTH IS SUPPORTING STRONG RENT GROWTH"

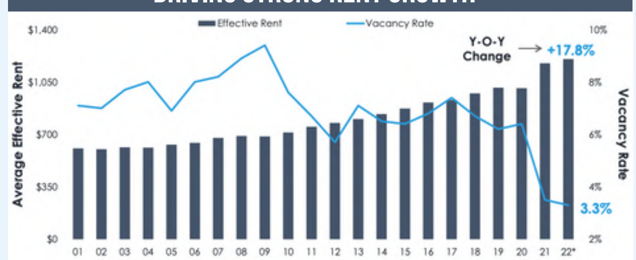


*Through 1Q | Sources: IPA Research Services, Real Page Inc.

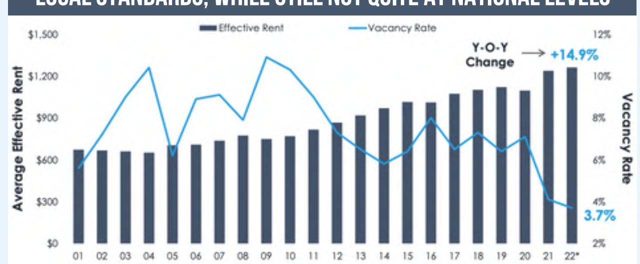
*Through 1Q | Sources: IPA Research Services, Real Page Inc.

"AUSTIN RANKS AMONG THE COUNTRY'S RENT GROWTH LEADERS, WITH MOMENTUM HELPED BY RECORD LOW VACANCY"

"SAN ANTONIO REGISTERS SURGING APARTMENT DEMAND, DRIVING STRONG RENT GROWTH"



"HOUSTON PERFORMANCE STATS LOOK GOOD BY LOCAL STANDARDS, WHILE STILL NOT QUITE AT NATIONAL LEVELS"



In conclusion, **Multifamily operational metrics remain** *off the charts* **as we enter the summer of 2022.**

HEADWINDS - *PROPERTY TAXES, RISING INTEREST RATES, & DETERIORATING CAPITAL MARKETS*

STATE OF THE MARKET:
"IT WAS THE BEST OF TIMES, IT WAS THE WORST OF TIMES"

Written by SPI Co-founder & Principal, Michael Becker

PROPERTY TAXES

One of the biggest differences in the Multifamily industry is how property taxes are treated in each state. In Texas, we have our values reassessed annually without a cap, so, dramatic swings year-over-year are common, unlike in other states, where they only adjust every few years or put a cap on the annual increase.

In 2021, we were given a reprieve due to the COVID pandemic. In 2022, it seems like the County Appraisal Districts are trying to make up for lost time, and consequently, **we have seen tremendous increases in noticed appraised values right out of the gate**. We will continue to protest these values and attempt to get the numbers down materially, and due to a change in state law, we also expect to see millage rates come down... However, at the end of the day, it appears that we can expect to see substantially higher tax bills than we did last year, thereby impacting our NOI's.

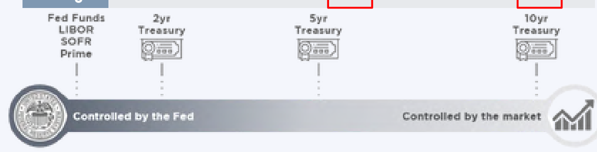
INTEREST RATES

As recently as November of 2021, the Federal Reserve stated they didn't expect a single rate hike in 2022. Boy have they changed their tune... As of May 2022, the Fed has hiked rates twice up to a total of 75bps and signaled that it's a mortal lock they will hike 50bps each at both the June and July meetings. This implies SOFR & LIBOR will be just under 200bps, or 2%, by August 2022. While that might not sound like a lot in historical terms, in all recorded history, **we have never seen this rapid rate of change on the short end of the yield curve**. This phenomenon is illustrated in the following chart taken from a presentation given by JP Conklin, the Founder & President of Pensford, which shows the rate of change in the 2-year and 10-year Treasury rates. As the data presented by Conklin indicates, the 2-year rate is up 15x from just one year ago. This has also caused the cost of Interest Rate Caps to explode higher as well.

RISING RATES

Source: JP Conklin, Pensford

	LIBOR	SOFR	Fed Funds	2yr Treasury	5yr Treasury	10yr Treasury
1yr Ago	0.10%	0.01%	0.25%	0.16%	0.86%	1.69%
Today	0.94%	0.79%	0.75%	2.56%	2.82%	2.87%
Change	0.84%	0.78%	0.50%	2.40%	1.96%	1.18%



As evidenced by the recent volatility and decline of the stock market, there is a growing fear that the Federal Reserve is going to make a policy mistake and hike us into a recession in its effort to fight inflation. At the beginning of Q2 2022, there was an inversion in the yield curve where the 2-year Treasury rates were higher than the 10-year rates. The curve has since been un-inverted, however, **the 2s/10s inversion has historically been a reliable warning signal of an impending recession.**

YIELD CURVE INVERSION

Source: JP Conklin, Pensford

- In the last four cases, the time between inversion and recession...
    - Averaged 1.7yrs
    - Never exceeded 2.8yrs

The chart on the next page shows that financial conditions are expected to become neutral with the June rate hike, and the market expects financial conditions to become restrictive by October, further stoking the impending recession fears.

STATE OF THE MARKET:
"IT WAS THE BEST OF TIMES, IT WAS THE WORST OF TIMES"

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FINANCIAL CONDITIONS

Source: JP Conklin, Pensford

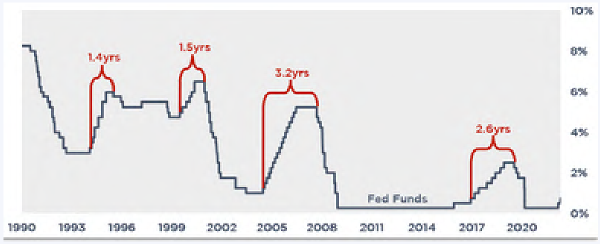
- If conditions continue to tighten at the same pace, we will...
  - Be in restrictive territory in June this year
  - Hit the recession threshold in October this year

With all the saber-rattling coming out about the Federal Reserve raising rates, many are betting we will see interest rate increases for many years to come. History would tell us otherwise...the chart below shows that the longest time in history between the first rate hike to the time the Fed cuts, is 3.2 years, and the average time is 2.2 years. If history holds true, **the Federal Reserve will likely put the economy into a recession in their attempts to fight inflation and will cut rates before we know it**.

TIME UNTIL NEXT CUT

Source: JP Conklin, Pensford

- In the last four tightening cycles, the time between the first hike and first cut...
  - Averaged 2.2yrs
  - Never exceeded 3.2yrs



CHOPPY CAPITAL/DEBT MARKETS

The volatility in the stock market, rising interest rates, and recession fears have caused the lending environment to materially worsen since Q1 2022.

As of recent, we have seen several lenders, in particular, the Debt Funds who experienced extreme popularity with value-add investors during the last 18 months, go pencils down. The Agencies are largely on the sidelines as their underwriting criteria have them sizing to sub-50% LTV on most deals due to rising interest rates and the fixed-rate equivalent sizing rates they use. So, while you can get a loan from Fannie or Freddie, due to the LTV's, they just don't make much sense from an economic viewpoint in most cases today.

So, what was a very active, deep, and diverse lender pool in Q1 has now thinned out dramatically in Q2. As a result, the overall leverage available is lower, in addition to the lender spreads widening on top of the higher indexes, thereby making all-in interest rates higher. Understandably, **this is making deals more difficult to underwrite and is slowing down the investment sales market**. As a consequence, sellers' pricing expectations have decreased, but there still appears to be a bid/ask spread between what buyers want and what sellers are willing to accept. It will just take time for this to work itself out.

As I have stated countless times over the past 4-5 years, Multifamily CAP rates have come in so much, that regardless of property grade or quality of location, CAP rates were nearly the same if you had purchased a Class A property in a great area, or a Class C property in a less desirable area. This notion made no sense to us, which is why we took the time to trade up in quality over the past several years. Today, 82% of our current portfolio is made up of Class A/A- properties, and 18% is made up of Class B/C. Conversely, Class B/C, properties comprise 83% of our sold portfolio while Class A/A- make up 17%. While we were early on that call, *that decision appears to be paying off right now*.

In my observation, it appears that Class A Multifamily pricing is off about 5% from Q1. The Workforce housing (Class B & C) pricing is off 10%, or possibly even more, in inferior locations. With that said, to put this in perspective for the Class A product specifically, a 5% price reduction generally indicates **we are back to where deals were priced in Q4 of 2021**. This suggests that Workforce housing might be approaching the equivalent of Q2 2021 pricing. If you refer to our Q1 2022 Newsletter, I discussed how limited inventory led to dramatic increases in pricing at the beginning of the year, so I think some of the price gains we experienced in Q1 were the consequence of a "GameStop-Style" short squeeze effect. Due to the limited number of transactions in Q1, it wasn't indicative of what true market pricing would have been if there were more inventory available.

WHAT DOES ALL OF THIS MEAN FOR SPI ADVISORY IN 2022?

Now, there is still liquidity in the market, and the banks & the agencies are still lending money, so this isn't a 2008/2009 replay, as of now. As I discussed above, **there are still very strong fundamentals at play for our operations** – renter demand is through the roof and overall investor sentiment still seems favorable for Multifamily. It appears we just need the capital markets to stabilize and hopefully we'll see lower inflation prints in the upcoming months, thereby reducing the need for the Federal Reserve to continue its tough talk about raising rates. If this does happen, I think we will see investment sales volume pick up dramatically. It might take until after this summer for these changes to take effect, as I expect a lot of Multifamily owners to go to Hawaii or Europe for exotic vacations after being cooped up in their homes for the last 2 years. So, I expect Q4 to be the strongest sales volume quarter of the year.

The wild card is how severe the seemingly impending recession will be. *Is it a garden variety recession, or is it 2008 again?* I'm betting it's closer to a garden variety recession, as the Fed has shown its willingness to print money and have zero % rates as its tool to fight recessions in the past.

We, at SPI Advisory, are still very bullish in the medium to long term on Texas Multifamily. I feel very confident about the strategy we implemented a few years ago which served to reposition our portfolio by replacing Class C, Workforce Housing with more Class A properties. This strategy appears to be more resilient with the real-time data we are currently seeing play out. As we have always done, going forward, we at SPI Advisory are going to continue to focus on identifying opportunities that make sense to us and think are the best relative value at that time. We think that the Federal Reserve will have to pause or reverse course and cut rates sooner than the market currently projects. Time will tell if I am right on that call. Maybe we dip our toes back in the Workforce Housing space if their values continue to degrade further and provide a better CAP rate arbitrage than the Class A space.

CHEERS,

Michael Becker,

CO-FOUNDER & PRINCIPAL

STRATEGIC PROPERTY INVESTMENT

READ THE ARTICLE ON THE BLOG

TESTIMONIAL FROM AN ACTUAL SPI INVESTOR

IF YOU WANT TO BE ASSOCIATED WITH ONE OF THE BEST IN THE INDUSTRY, SPI WOULD BE A VERY GOOD PLACE TO START...

[THEY ARE A] VERY PROFESSIONAL, AND A VERY CAPABLE TEAM.

IF YOU WANT TO BE ASSOCIATED WITH ONE OF THE BEST IN THE INDUSTRY, SPI WOULD BE A VERY GOOD PLACE TO START.

IF YOU WANT TO HAVE CONFIDENCE IN WHERE YOU'RE GOING TO INVEST YOUR MONEY, **WHEN YOU INVEST WITH SPI, YOU CAN BE CONFIDENT THAT YOU'RE INVESTING WITH A VERY CAPABLE, PROFESSIONAL, KNOWLEDGEABLE COMPANY."**

L. Scott.

SPI INVESTOR SINCE 2021

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TEAM SPOTLIGHT

SEAN CALLAWAY

Written by Sean Callaway, Director of Acquisitions & Lily Turner, Marketing Coordinator

SEAN CALLAWAY
DIRECTOR OF ACQUISITIONS
SPI ADVISORY LLC

SEAN CALLAWAY was recently promoted to SPI's *Director of Acquisitions*. Before his promotion, Sean served on the team as a *Senior Financial Analyst*.

Sean is a lifelong Texan, born and raised in Dallas, and has spent the past 15 years in Austin, TX. Currently, he works at SPI's Austin office which oversees most of the company's deal sourcing & negotiation, acquisitions, underwriting, portfolio management, and investor relations. In his new role, Sean is primarily responsible for leading all acquisition-related activities such as underwriting, due diligence, market research, & managing SPI's deal pipeline. Before joining SPI, Sean spent 8 years at Greenwave Capital Management, an Austin-based hedge fund, where his main focus was macroeconomic research, idea generation, and managing the fund's global macro portfolio. In 2012, Sean was Greenwave's third employee - as such, he played an instrumental role in cultivating relationships with clients, institutional allocators, and brokerage firms, helping grow the firm's AUM from $200M to a peak of $450M. Sean is a Chartered Alternative Investment Analyst and received a BBA in Finance from McCombs School of Business at The University of Texas at Austin.

I got to sit down with Sean and ask about his experience navigating a career change from working in hedge funds to real estate private equity and explore how this pivotal experience influences his continued contributions to SPI and the SPI team as a whole.

HOW DID YOU DECIDE TO PURSUE A CAREER IN FINANCE?

"I've always known that I wanted to work in Finance," Sean says. "Both of my older brothers pursued a career in Finance, the oldest went the Investment Banking route…in combination of their influence and my own interests, it was a natural direction." Sean expresses that math, analytical strategy, and financial markets have interested him since he was young. He learned to play poker at a very young age and even became a semi-professional poker player in college. During high school is when he became interested in things like the stock market. "Still to this day, I find a lot of parallels between successful poker playing and investing," Sean states. "To be successful at either, you have to be able to make probability-weighted decisions, separate your emotions from the analysis, and consider a range of variables and potential outcomes to settle on the optimal decision. This type of analytical mindset and strategy is something I have always enjoyed and has always felt very instinctive to me, so a path towards financial markets and investing seemed like the best fit."

> "I find a lot of parallels between successful poker playing & investing . . . To be successful at either, **you have to be able to make probability-weighted decisions, separate your emotions from the analysis, & consider a range of variables & potential outcomes to settle on the optimal decision.**

HOW DID YOU COME TO WORK IN HEDGE FUNDS?

"During my senior year of college, I was interning at a hedge fund in Austin called Abraham Trading Company, a Commodity Trading Advisor." Sean explains that he felt fortunate to have vital, early exposure to the industry and global markets, so he absorbed everything that he possibly could. He had performed well enough that they extended him an offer after graduation and asked him to stick around to help them raise capital as well. "At the time, I ultimately wanted to be a portfolio manager, so this felt like a viable route and stepping-stone to getting there," Sean shared. A year later, his boss would introduce him to his next company, Greenwave Capital Management. In late 2012, he would onboard as the hedge fund's 3rd employee.

WHAT ABOUT THE HEDGE FUND INDUSTRY DID YOU LEARN YOU LIKE & DON'T LIKE?

"I liked the part of my role that required me to perform thorough, analytical research to help manage the company's global macroeconomic portfolio and ultimately decide where to deploy capital and in which asset class." A global macro hedge fund strategy spans a broad range of assets, from equities to bonds, to commodities and FX. "It was certainly never a boring day," Sean claims, "and **the consistent brain exercise taught me to be a better analytical thinker and strategist with both a top-down and bottom-up approach**. Macro typically entails having a global view or country-to-country relative value thesis, so, even to this day, when I evaluate investment decisions, I consider the bigger picture in order to choose an asset that optimally expresses that view. You could say, I've been somewhat cross-trained from a finance, analysis, investing, risk management, and capital raising perspective."

> To this day, when I evaluate investment decisions, **I consider the bigger picture in order to choose an asset that optimally expresses that view."**

"One aspect I didn't like was the environment that changed by the hour and included a lot of 'scoreboard-watching' between our firm, peers, and the market. To be frank, ever since the Financial Crisis, the hedge fund industry has largely underperformed in comparison to the broader stock market. Actively managed hedge funds do benefit from some level of normal volatility to capture opportunities, but as central banks embarked on unprecedented levels of QE in tandem and volatility continued to decline, the opportunity set grew thinner. Investor appetite for true uncorrelated strategies suffered, especially when stock and bond portfolios had performed well for ten straight years. Outside of that, having to keep your finger on the pulse of the world at all times is a different type of stress than deadline or deal stress. It was exhausting waking up every day and needing to know what China, the European Central Bank, or the Bank of Japan did while you slept and how that impacts your firm's exposure and positioning." While Sean's firm outperformed many of its macro peers on a relative basis, the absolute returns kept a lid on growth & investor interest -- Sean voiced this was a huge reason he decided it was time for a change.

WHY DID YOU DECIDE TO LEAVE THE HEDGE FUND INDUSTRY & MOVE INTO A CAREER IN PRIVATE EQUITY REAL ESTATE?

"Besides the reasons I mentioned, Greenwave was contemplating winding down its main fund, and I was tired of what [the industry] required…plus, I didn't want to move to New York, I wanted to stay in Texas," Sean explains. "So, **I knew it was time to move on to another industry, one that was familiar enough and would allow me to translate my skillset in finance and investing and continue to grow professionally.**" Sean disclosed that many of his close friends working in real estate in DFW and Austin had been trying to convince him to transition for years. "[My friends] assured me [it was an industry where] I could still apply an analytical skillset and enjoy it. My career also involved fundraising, traveling, and meeting with institutional allocators and brokers, so I felt like my experience could contribute [to real estate private equity] in many ways."

WHAT DREW YOU TO PRIVATE EQUITY REAL ESTATE?

"Initially, **I was drawn to the industry partly on account of the tangibility of the asset class,**" Sean states. "In the hedge fund industry, you're effectively selling an idea of what you predict the market might do, which can change on a daily basis, sometimes dramatically. But real estate is something that can be seen and touched, and as it relates to apartments, involves ownership in cash-flow generating assets. It's been a welcome landscape change, and it's an industry with a longer-term, smoother trajectory." Sean professes that he used his "macro brain" to make the career pivot in view of the fact that the industry not only allowed him to still do much of what he enjoyed and excelled at, but he also favored the long-term outlook for real estate in an inflationary environment. "I also wanted to grow professionally and grow with a company," Sean adds. "Private equity firms are often on the smaller side in terms of headcount, and that's something I've appreciated in my career thus far –– This type of close-knit, team-oriented environment is one of the many reasons I love being at SPI as we continue growing."

> **Real estate is something that can be seen and touched** and . . . involves cash-flow generating assets."

HOW DID YOU COME TO JOIN THE SPI TEAM?

"In the summer of 2020, my close friend, a broker at JLL, introduced me to Sean and Mike (SPI Co-founders & Principals) and we started the interview process from there." **Sean became an official member of the SPI team in October 2020 when he joined as a Senior Financial Analyst.**

READ THE FULL ARTICLE

Q1 2022 DEAL SNAPSHOT

Written by Lily Turner, Marketing Coordinator

In the previous quarter, SPI started off the year by refinancing Canopy at South Lakes, an apartment complex located in Denton, TX. Following this, after a 3.5 year hold period, SPI disposed of their Dallas property, Elan at Bluffview.

REFINANCE

CANOPY AT SOUTH LAKES

On February 25th, 2022, one year after acquiring the property, SPI Advisory, LLC and its syndicated deal partners refinanced the Canopy at South Lakes, an A-class, 240-unit apartment complex constructed in Denton, TX in 2001. Canopy at South Lakes is a garden style multifamily property located in the high-growth suburbs of Denton, and within commuting distance to the DFW metroplex. This apartment complex offers residents units furnished with amenities such as In-Unit Washers & Dryers, Walk-In Closets, Fully Equipped Kitchens, Brand New Lighting Fixtures, a Coffee and Tea Bar, and a Fenced in Dog Park. Residents also enjoy close proximity to several shopping centers, schools, and employers.

DISPOSITION

ELAN AT BLUFFVIEW

On February 28th, 2022, after a 3.5 year hold period, SPI Advisory, LLC disposed of Elan at Bluffview Apartments, an A class, 181-unit apartment complex constructed in Dallas, TX in 2008. This unique, upscale apartment complex located in Bluffview, just ten miles north of downtown, Dallas, TX offered residents posh amenities such as Quartz or Granite Countertops, Oversized Patios and Balconies, Spacious Closets, a Resort Style Pool, a Java Coffee Bar, and, of course, Scenic Views. Residents enjoyed close proximity to shopping centers, restaurants, and highways at the foot of their door.

CHECK OUT OUR PORTFOLIO

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

VISIT OUR WEBSITE

**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.*

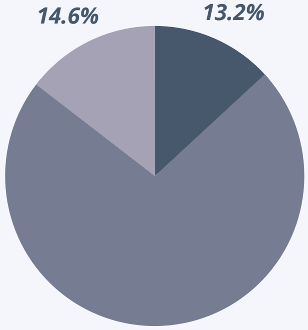
Q1 2022 PERFORMANCE

2022 DISTRIBUTIONS	Q1	TOTAL
OPERATING DISTRIBUTIONS	$4,764,000+	**$4,764,000+**
CAPITAL DISTRIBUTIONS	$27,933,000+	**$27,933,000+**
TOTAL DISTRIBUTIONS	**$32,698,000+**	**$32,698,000+**

Q1 2022 DISTRIBUTIONS

$27.9MM+ IN TOTAL CAPITAL DISTRIBUTIONS

$32.6MM+ IN TOTAL DISTRIBUTIONS



DIST. TYPE	AMOUNT
OPERATING	$4.7MM+
REFINANCE	$ 4.3MM
SALE	$ 23.6MM+
TOTAL	**$32.6MM+**

6,900+ UNITS MANAGED

Q4 2021 UNITS: 7,097

- DISPOSED UNITS: 181

Q2 2022 UNITS: 6,916

108.5% INCREASE

IN MONTHLY DISTRIBUTIONS 1Q 2021 V 1Q 2022

INVEST TODAY

Unaudited. For Internal Use Only.

SPI IN THE NEWS

"THEY [SPI] WERE REALLY THE HEROES OF THIS ENTIRE STORY..."

- CHRIS ARNOLDS, *MURALIST, EYECON STUDIOS*

"HOW EYECON STUDIOS REMADE THE MURALS AT THE 5 MOCKINGBIRD APARTMENTS"

Written by Tina-Tien Nguyen

ADVOCATE
LAKEWOOD/EAST DALLAS

EYECON STUDIOS' CHRIS ARNOLD & JEFF GARRISON, 5 MOCKINGBIRD MURALISTS PHOTOGRAPHED BY EMIL LIPPE

> **"THEY DIDN'T HAVE TO PUT ANY OF THE ARTWORK BACK, . . . THEY WERE GIVING A GIFT BACK TO THE CITY THAT WAS TAKEN AWAY FROM THE COMMUNITY . . .**
> THEY WERE REALLY THE HEROES OF THIS ENTIRE STORY."

READ THE ARTICLE

READ THE PRESS RELEASE

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?

Share the Wealth!

The best compliment is a referral.

REFER A FRIEND

CONTACT US

JOIN OUR DATABASE

FOLLOW US

ON OUR SOCIAL NETWORKS

SUBMIT A TESTIMONIAL

LEAVE A REVIEW

LEAVE FEEDBACK ON THIS NEWSLETTER

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