

## Why a different type of US Housing Crisis and industry dynamic continues to drive significant returns for investors in US Multifamily

Since the inception of Spire Capital in 2009, we have invested in the US Multifamily sector (debt and equity) in growth cities and suburban locations, catering to renters who need quality, affordable rental housing at a 20-30% rent to income ratio. It is without doubt our most reliable and consistent strategy in real estate and we thank you for your support over the period.

Some 12 years on from the GFC, caused by US housing oversupply, the US is experiencing a different type of housing crisis i.e. housing affordability and an under supply of total housing estimated to be ~ 5 million homes<sup>1</sup> that is manifesting in exceptional fundamentals for affordable rental accommodation. Our US Real Estate partners, Bridge, Brookfield and Cortland, have highlighted the current period as providing the most significant delta on "in place versus market rents" in their time investing in Multifamily.

Multifamily provides a combination of inflation indexed income, growth, capital preservation and liquidity (with 135 billion of assets traded through the Pandemic in 2020).

The underlying Multifamily Fund strategies, in partnership with Bridge investment Group (BMF II, III and IV), have targeted mid teen internal rates of return, yet have consistently delivered investors well in excess of this (~20% net IRR over the last decade).

We continue to invest and target attractive risk adjusted returns, even with conservative "underwriting" assumptions on rents and assumed cap rate expansion - Investors rightly ask, **"How"?**

**The naturally recurring opportunity in renovated US Multifamily, coupled with the tailwinds from the new US Housing Crisis, the COVID Pandemic and Societal Shifts, continue to provide investors with attractive risk adjusted returns for the following reasons:**

- A US Housing Crisis that is taking at least two cycles to find equilibrium, resulting in a current undersupply of up to 5 million homes.
- Construction costs have driven up housing prices - the housing affordability gap has never been greater - driving demand for rental accommodation.
- The rent strata, i.e. rent gap, between Urban Gateway "A" product and Suburban "B" product in Growth Cities is at an all time high, driving renters into the suburbs and into more affordable cities experiencing job growth and providing a higher quality lifestyle.
- Multifamily properties must be renovated and repositioned approximately every seven years, enabling operators to extract 20% ROI on renovated product via rent increases and expense management, whilst maintaining affordability for tenants.
- Renovated apartments can command new leases at a 15% premium, and with 50% resident turnover, the preconditions enable operators to grow Net Operating Income (NOI) 25-30% over a 4 year hold period.
- A fragmented ownership model whereby our partners are #1 or #2 players in their selected markets, yet own less than 2% of the stock.

- A natural buyer pool of institutions (REITS, Insurance Companies, Pension Plans) seeking reliable income yield upon stabilisation of the asset.
- Deep liquid markets, including cheap debt funding with preferred arrangements for long term successful sponsors, including lite covenants and flexible terms.
- Attractive pricing relative to the long-term risk-free rate, with cap rate spreads some 100 bpts greater than 10 year Treasuries over a long term average.
- Scaled and vertically integrated operations providing efficiencies on operating expenses for owner/manager models.

### How to Invest in Multifamily - Liquid, Hedged, Progressive Calls?

Our new Multifamily opportunities across our partners cater for the differing needs of investors with options on liquidity, call structures, hedging, perpetual strategies etc.

We would welcome a call or Zoom to walk through the options and discuss what may be most relevant. Alternatively, please send me a return email with any questions you may have.

In the short term we have upcoming closes with investor packs, due diligence materials and fund documents available on:

1. Bridge Multifamily Fund V Direct (next close Sept 9th) &
2. Spire Bridge Multifamily Fund V - AUD or USD (progressive call).
3. Spire Multifamily Growth and Income Fund - monthly liquid (Sept month apps by Sept 20th) and available on platforms.

To learn more about the Multifamily opportunity, including existing funds, please find the link to the recent Bridge [webinar](#) by the Co-CIOs of Bridge Multifamily, updating progress on Bridge Multifamily Funds III, IV and V.

If you are interested in gaining access to future deal flow, white papers and fund updates please [register here](#).

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## About Spire Capital

Spire Capital is an independent, privately owned boutique investment firm founded in 2009. With in excess of AUD 1.35bn deployed on behalf of Australian mid-market investors, Spire is a global private markets specialist. We are focussed on highly differentiated private market strategies to optimise risk-adjusted returns for clients through the cycle. We've developed a broad private markets platform to enable Australian investors tax/cost efficient and simplified access to investments otherwise only accessible to large institutional investors.

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<sup>i</sup> Freddie Mac and Goldman Sachs

## Important Information

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