



The
Entrust Group

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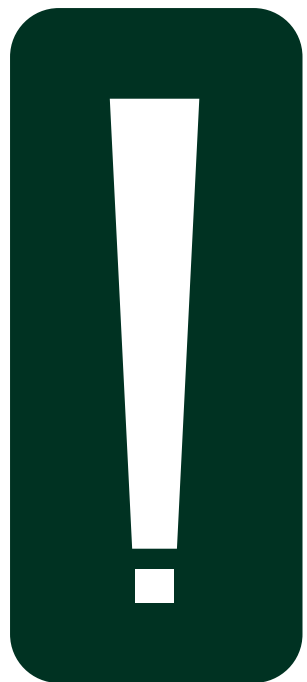
Neal Bawa

UGRO
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Multifamily University

Real Estate Trends 2023

Investment Forecast – What You Really Need To Know | January 2023



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All information and materials are for educational purposes only. All parties are encouraged to consult with their attorneys, accountants and financial advisors before entering into any type of investment.

Agenda

- 1 Introducing Entrust & Neal
- 2 New Normal: Unreal Estate 2.0
- 3 Looking Ahead 2023: Economic Forecasts
- 4 How Will Real Estate Do in this Environment?
- 5 Time for the Shootout: Best Cities
- 6 Neal's Picks for 2023
- 7 Q&A Time



Meet Your Host

Bill Neville

Business Development Manager at The Entrust Group



10

Years at Entrust



Educating investors and professionals on tax-preferred retirement accounts



B.S. in Finance from Penn State University

About Entrust



\$4B

Assets Under
Administration



45k

Investors
Empowered



40+

Years in
Business



1

Point of
Contact

About Entrust



- Self-Directed IRA administrators
- Knowledgeable staff with CISP designations
- Nationwide offices
- In-person events and virtual webinars
- National Continuing Education program for other credentials
- Bi-annual IRA Academy

What is a Self-Directed IRA?



A retirement account in which the individual investor is in charge of making all investment decisions



Greater opportunity for asset diversification outside of traditional stocks, bonds, and mutual funds



All securities and investments are held in a retirement account administered by a regulated custodian or trustee

WHAT WE WILL COVER TODAY

Real Estate Trends 2023

SECTION 1

New Normal: Unreal Estate 2.0

With so much happening across the U.S and costs for everything on the rise, you might be wondering how it's impacted real estate

SECTION 3

How Will Real Estate Do in this Environment?

Let's apply all these economic forecasts to figure out how single family and multifamily real estate will do in 2023

SECTION 5

Neal's Picks for 2023

Neal names a national city and an underperforming city he expects to do exceptionally well in 2023

SECTION 2

Looking Ahead 2023: Economic Forecasts

From GDP to interest rates, Neal explores which way the compass points for 2023

SECTION 4

Time for the Shootout: Best Cities

Best cities and states in the U.S. for Real Estate in 2023 for Multifamily and Single Family

PRESIDENT AND CEO, GROCAPITUS

Meet Neal



Neal Bawa

CEO & FOUNDER



\$1B

PORTFOLIO

4,800

UNITS

10

STATES

17

METROS

31

PROPERTIES

902

INVESTORS

GROCAPITUS

Our Partial Portfolio



**Nova RTP
Townhomes**

NEW CONSTRUCTION
MULTIFAMILY
46 UNITS
DURHAM, NC



**University
Oaks**

NEW CONSTRUCTION
MULTIFAMILY
16 PLEXES
HOUSTON, TX



**Country
Place**

VALUE-ADD
MULTIFAMILY
137 UNITS
KILLEEN, TX



**Botanica
Oak Hills**

NEW CONSTRUCTION
MULTIFAMILY
96 UNITS
SAN ANTONIO, TX

**The Falls at
Crismon Commons**

NEW CONSTRUCTION
MULTIFAMILY
240 UNITS
MESA, AZ



**Coyote
Creek**

NEW CONSTRUCTION
MULTIFAMILY
116 UNITS
ST GEORGE, UT



**Mill Race
Phase 1A**

NEW CONSTRUCTION
STUDENT HOUSING
210 UNITS
PROVO, UT



**The Grid:
Main & Dodge**

NEW CONSTRUCTION
STUDENT HOUSING
217 UNITS
BUFFALO, NY



**Woods Cross
Flex**

NEW CONSTRUCTION
INDUSTRIAL
6 BUILDINGS
SALT LAKE CITY, UT



**Equinox at
Knight**

VALUE-ADD
MULTIFAMILY
194 UNITS
ATLANTA, GA



**Storage
Depot**

VALUE-ADD + NEW
SELF-STORAGE
873 UNITS
WEST MEMPHIS, AR



**AND MANY
MORE....**

IMPORTANT

Two Cents From Our Lawyer

- We are not investment advisors, and this seminar is provided for educational purposes only.
- All investments involve different degrees of risk. You should be always aware of your risk tolerance level and financial situations.
- You are free to accept or reject all investment recommendations made by us. All services that we offer are subject to market risk and may result in loss to your investment.
- As you know, a recommendation is not a guarantee for the successful performance of an investment, and we cannot guarantee against losses arising from market conditions.
- Do not invest your money on our recommendation alone. Consult a professional advisor.
- HOUSEKEEPING – Recording? Questions?





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New Normal: Unreal Estate 2.0

2022: Stranger Things are Happening in the Economy and Housing Market

The Curse of the Strong U.S. Economy



BOOMING LABOR MARKET

4.6M labor shortage

#2 strongest annual job growth on record

3.7% unemployment at half-century low



STOCKS HAMMERED

-33% overall fall in NASDAQ

-20% overall fall in S&P500

+25% corporate profits after tax (vs pre-COVID)



RICHER HOMEOWNERS

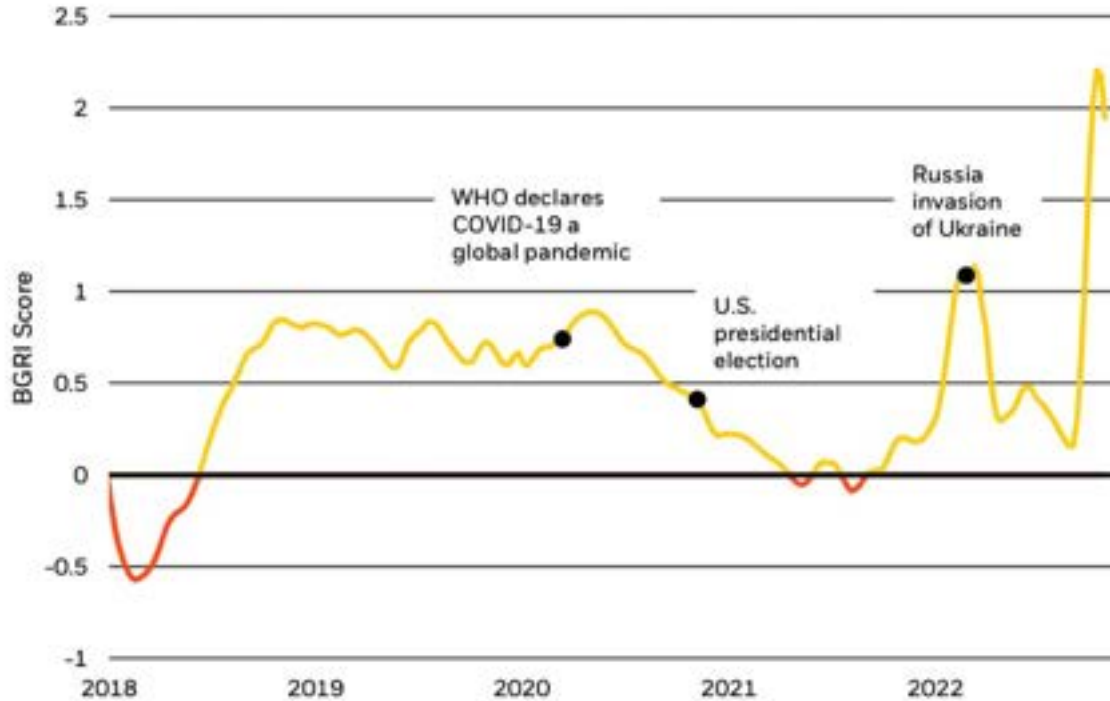
+\$30T household net worth (vs pre-COVID)

17X more equity rich mortgages vs seriously underwater

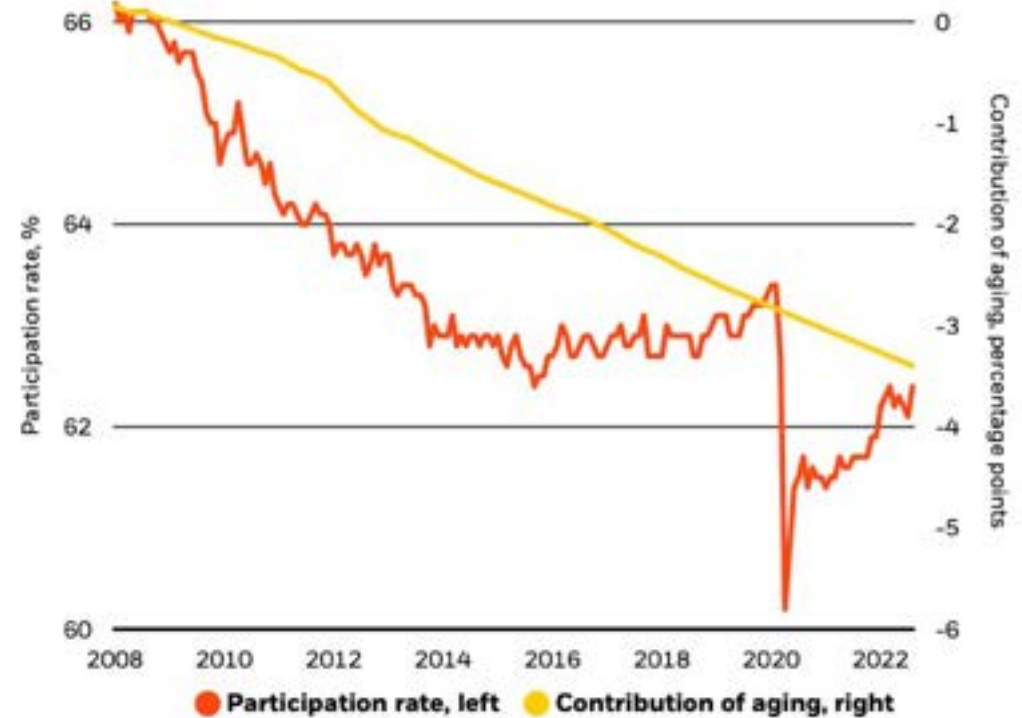
-\$13.5T real household worth

Living with Inflation: Long-Term Drivers

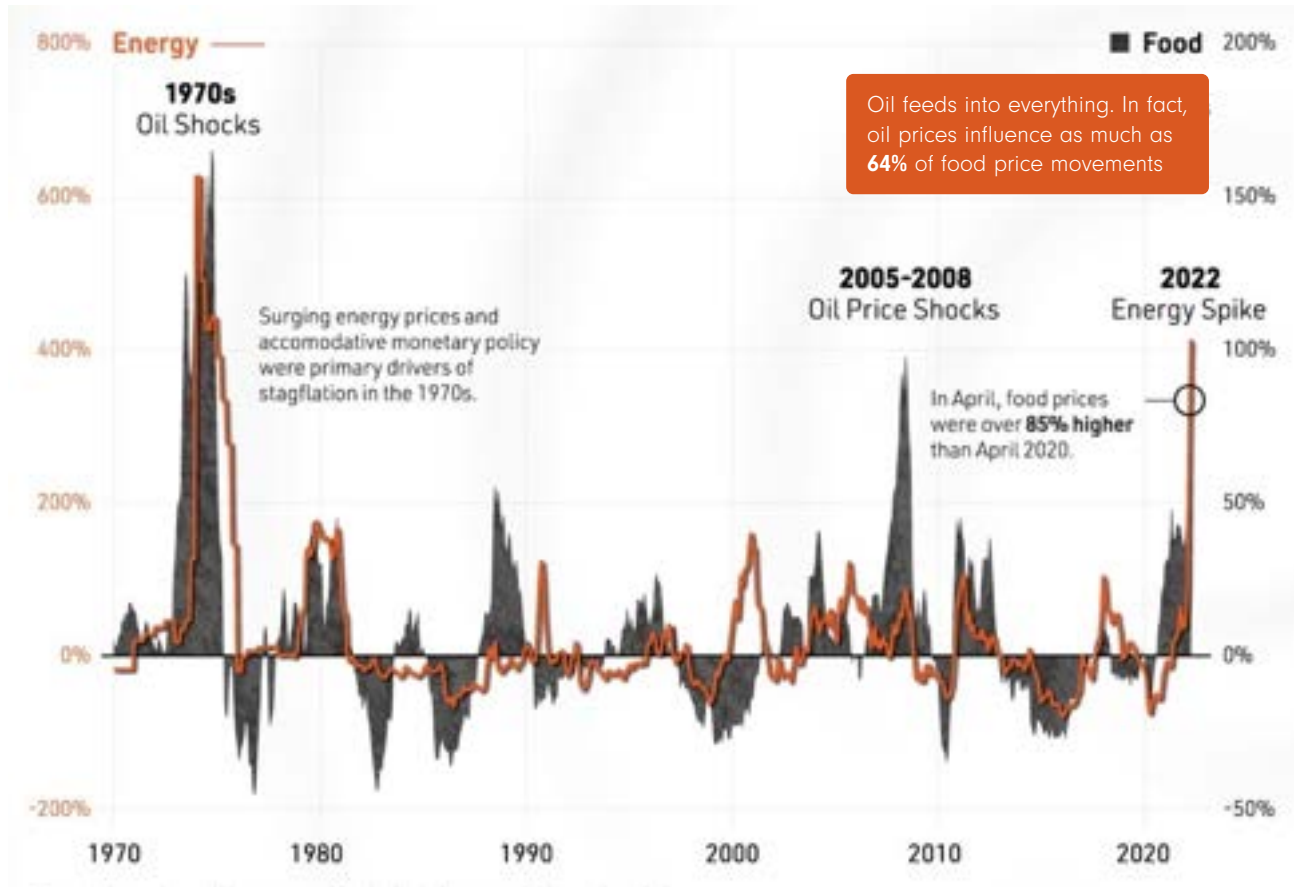
BLACKROCK GEOPOLITICAL RISK INDICATOR, 2018-2022



CONTRIBUTION OF AGING TO U.S. PARTICIPATION RATE



2022: Second Highest Oil Shock Since 1970s



Supply disruptions from Russia's invasion of Ukraine



Rising energy demand that could ramp up into the winter



Low spare oil capacity



1M

The U.S. sold a record 1M barrels oil per day from strategic petroleum reserves since March 2022. This led gasoline prices to fall more recently—yet deficits could follow into 2023, causing prices to increase.

Ripple Effects



- 1 **Rising global inflation** now impacts 100% advanced countries and 87% emerging countries
- 2 Further energy price shocks could add greater headwinds to **global growth**
- 3 Sustained food shortages and high prices could send millions into **food insecurity and social unrest**

DOUBLE-DIGIT INFLATION

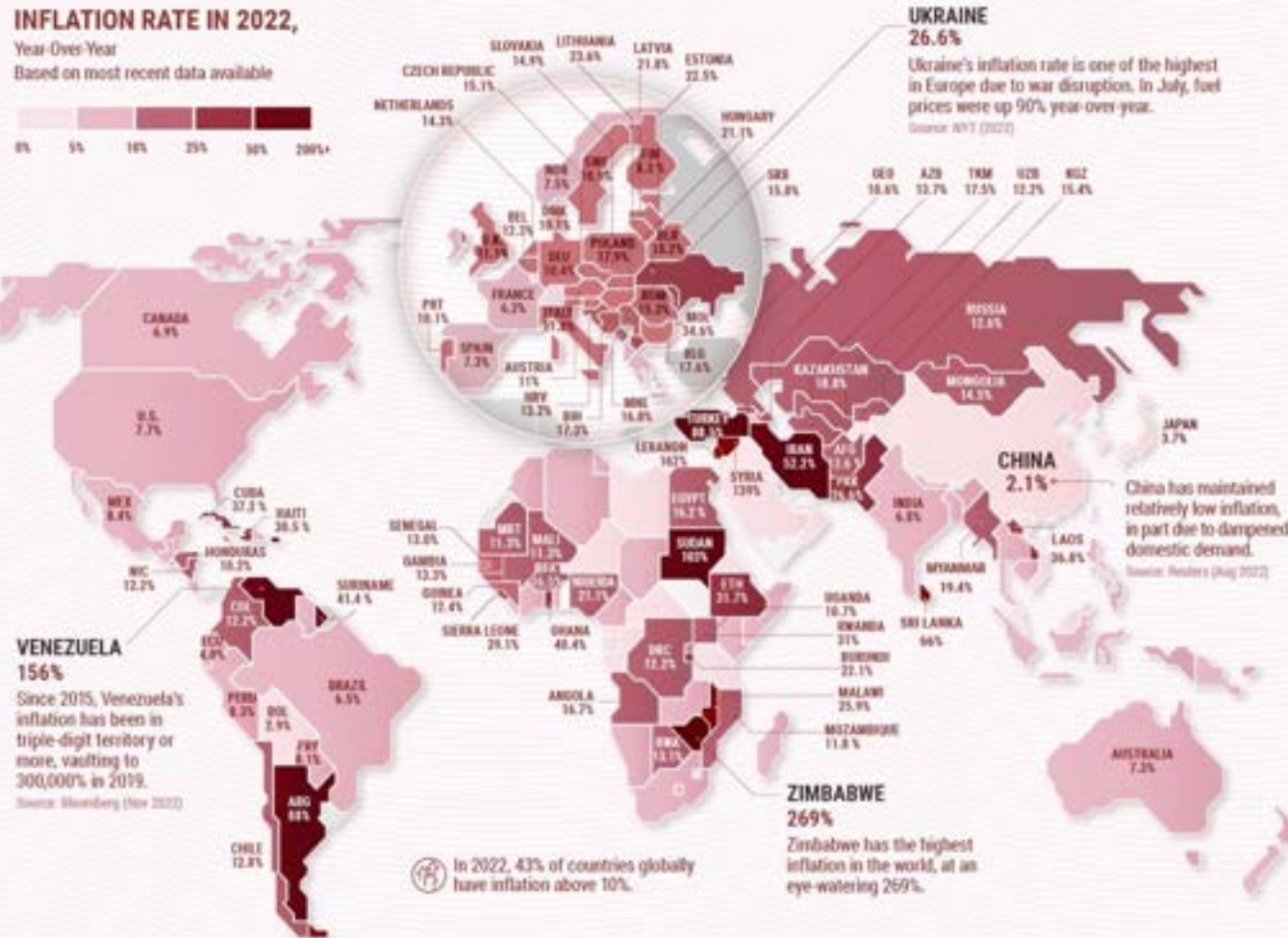
IN ALMOST HALF THE WORLD

Today, many countries around the world are experiencing double—or even triple—digit inflation.

Here are the countries with the highest inflation rates globally as soaring energy prices are driving up the cost of living.

INFLATION RATE IN 2022, Year-Over-Year

Based on most recent data available



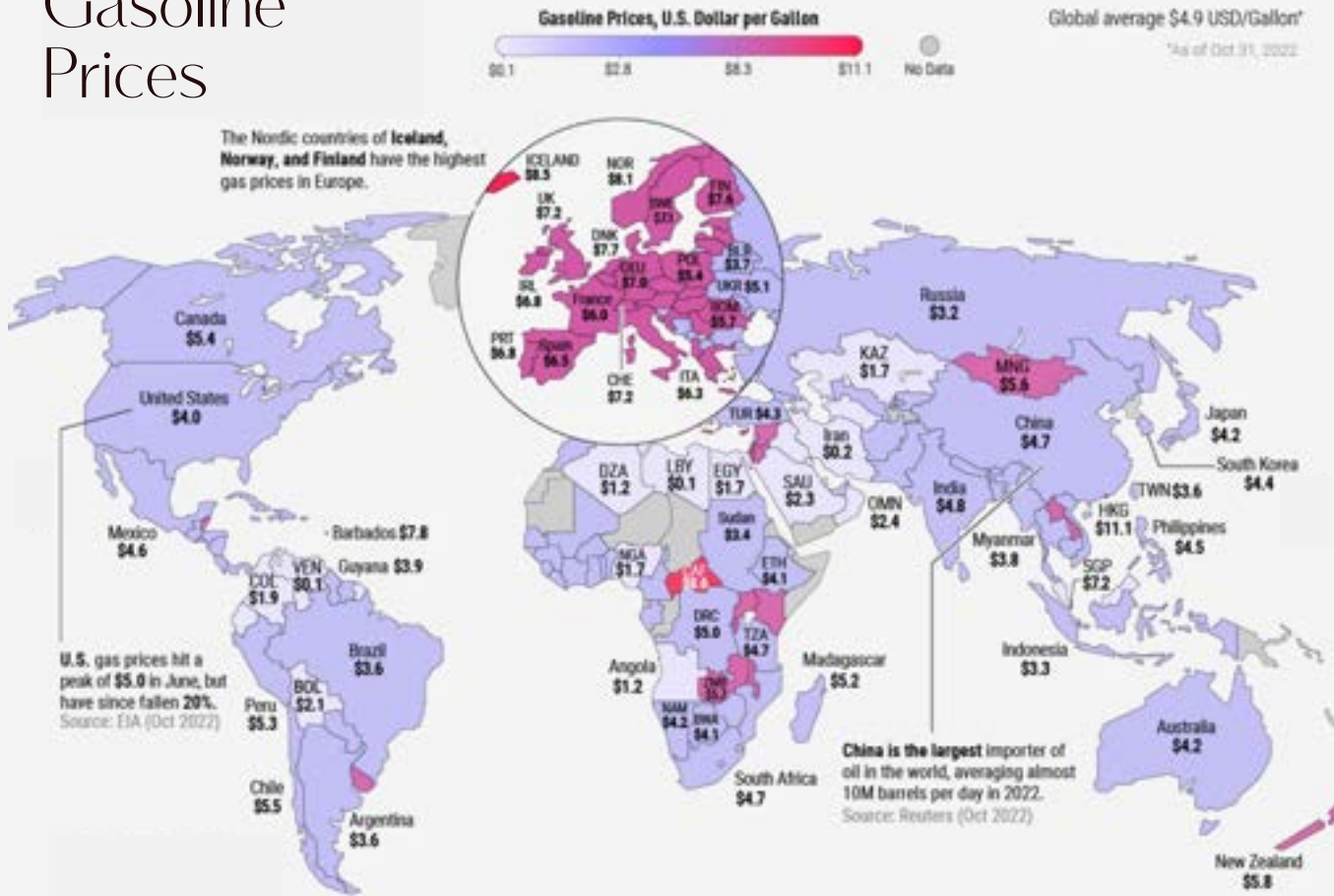
NEW NORMAL: UNREAL ESTATE 2.0

Cost of Living Soars Globally

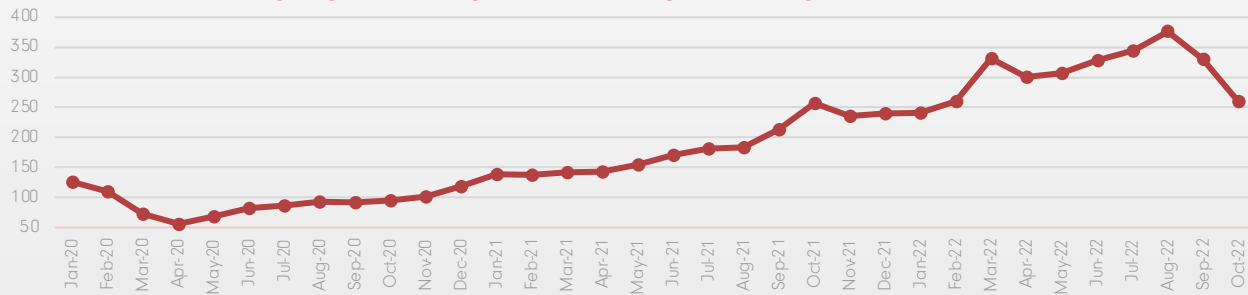
Rank	Country	Inflation Rate
1	Zimbabwe	+269%
2	Lebanon	+162%
3	Venezuela	+156%
4	Syria	+139%
5	Sudan	+103%
6	Argentina	+88%
7	Turkey	+86%
8	Sri Lanka	+66%
9	Iran	+52%
10	Suriname	+41%

Source: Visual Capitalist, Mapped: Which Countries Have the Highest Inflation?, Dec 2022.

Gasoline Prices



GLOBAL FUEL ENERGY PRICE INDEX



NEW NORMAL: UNREAL ESTATE 2.0

Global Energy Prices Know No Bounds

PRICES IN EUROPE



X6
since 2021

NATURAL GAS



X2
in last 2 years

ENERGY PRICES



+144%
vs 20-year avg.

HOUSEHOLD GAS



+78%
vs 20-year avg.

HOUSEHOLD ELECTRICITY

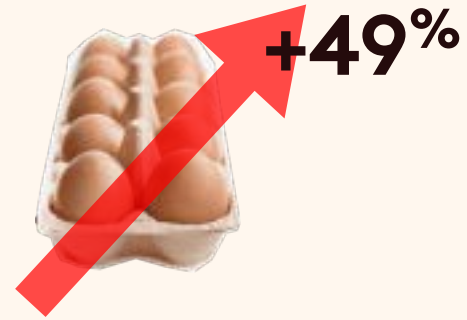
U.S. Inflation: Which Subcategories Hurt the Most?



FOOD AT ELEMENTARY & SECONDARY SCHOOLS



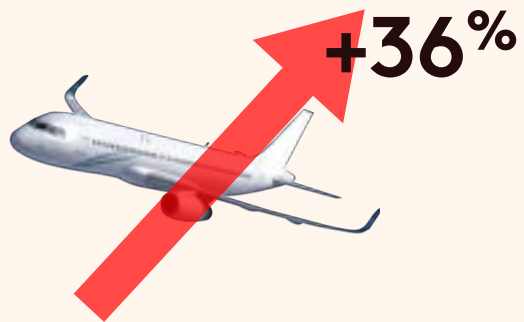
FUEL OIL



EGGS



MARGARINE



AIRLINE FARES



FLOUR



CANNED FRUITS

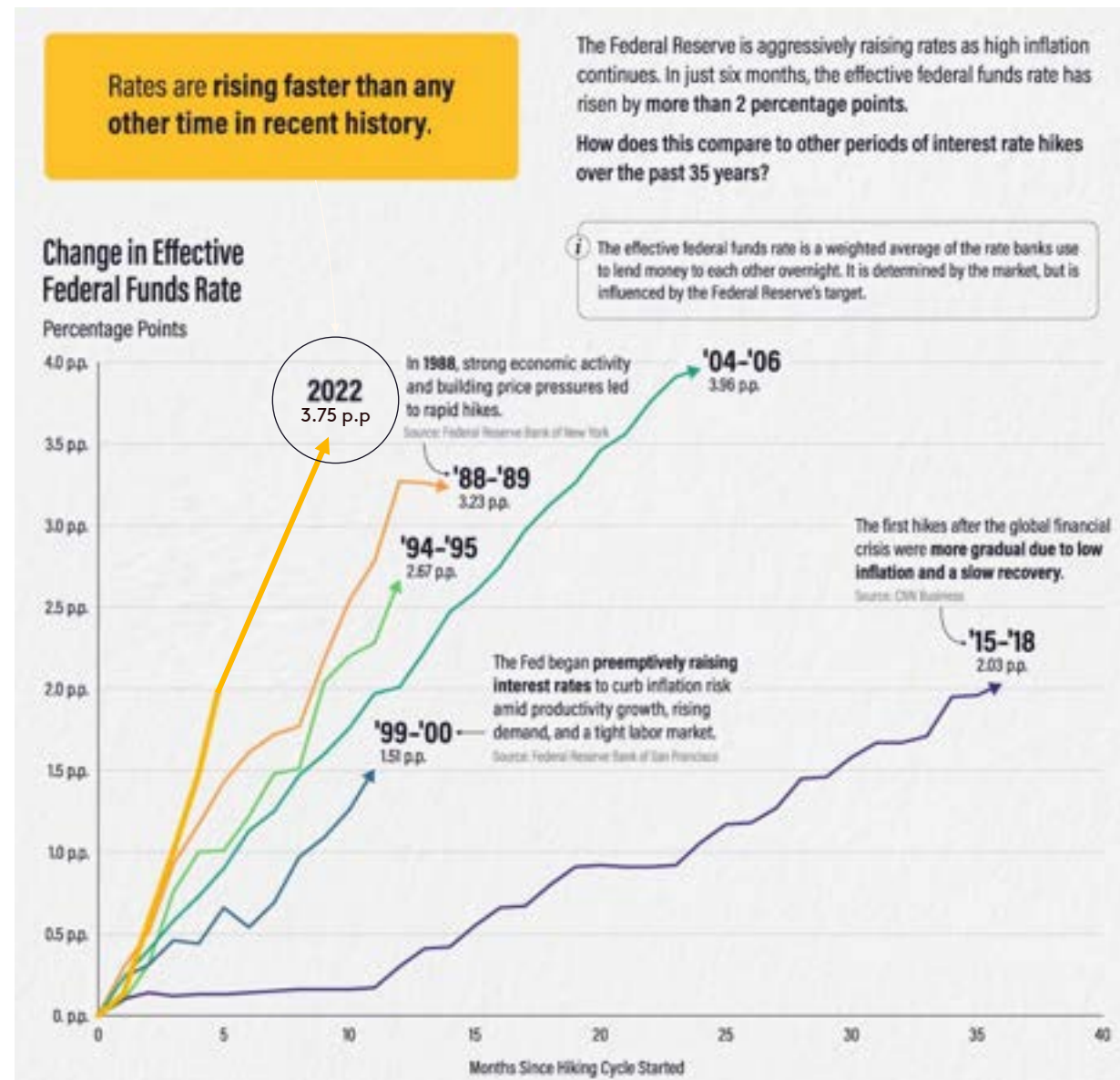


LETTUCE

Interest Rate Hike Speed Test

Time Period	Duration (months)	Change in EFFR (percentage points)
Mar 1988 - May 1989	14	3.23
Feb 1994 - Feb 1995	12	2.67
Jun 1999 - May 2000	11	1.51
Jun 2004 - Jun 2006	24	3.96
Dec 2015 - Dec 2018	36	2.03
Mar 2022 - Sep 2022	6	2.36

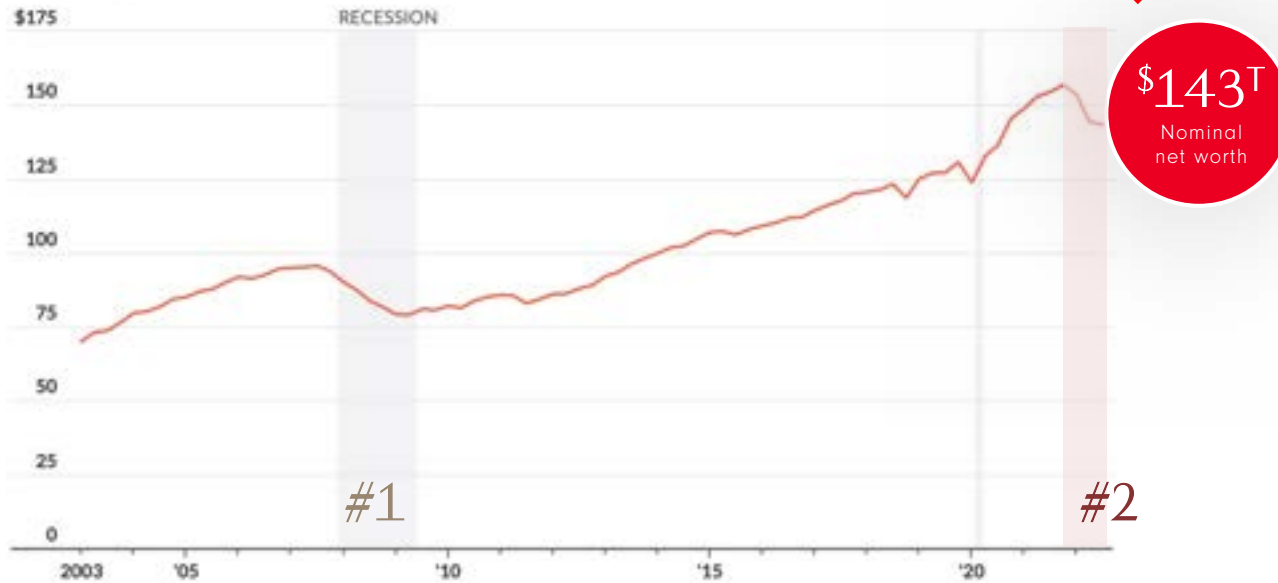
- **2022 rate hike cycle is the fastest**, reaching a 2.36 percentage point increase, nearly twice as fast as 1988-1989
- **Most severe interest rate hikes occurred in 2004–2006** when EFFR climbed by almost four percentage points. It took much longer to reach this level with hikes taking place over two years



Household Wealth Dropped by \$13.5 Trillion

Second largest drop on record

Real wealth, in trillions of 2022 dollars



-8.6% REAL WEALTH LOSS

The real wealth loss from January to September was nearly 2X larger than nominal loss, after accounting for inflation

Household Balance Sheets Healthy

Household balance sheets—in the aggregate—remained in excellent shape despite the losses on Wall Street and the erosion of purchasing power.

+10%

REAL HOUSEHOLD WEALTH higher than 2019, adjusted for inflation

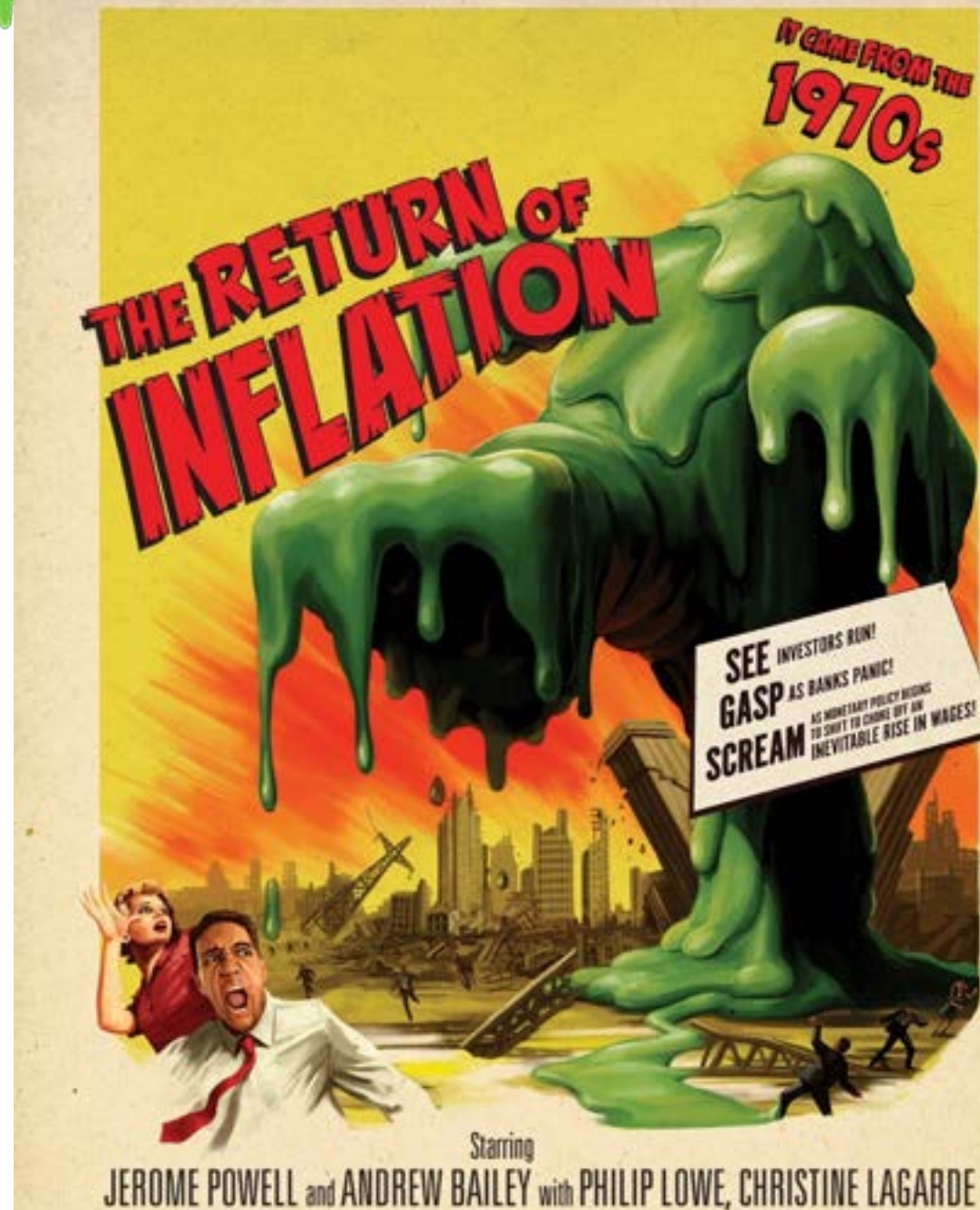
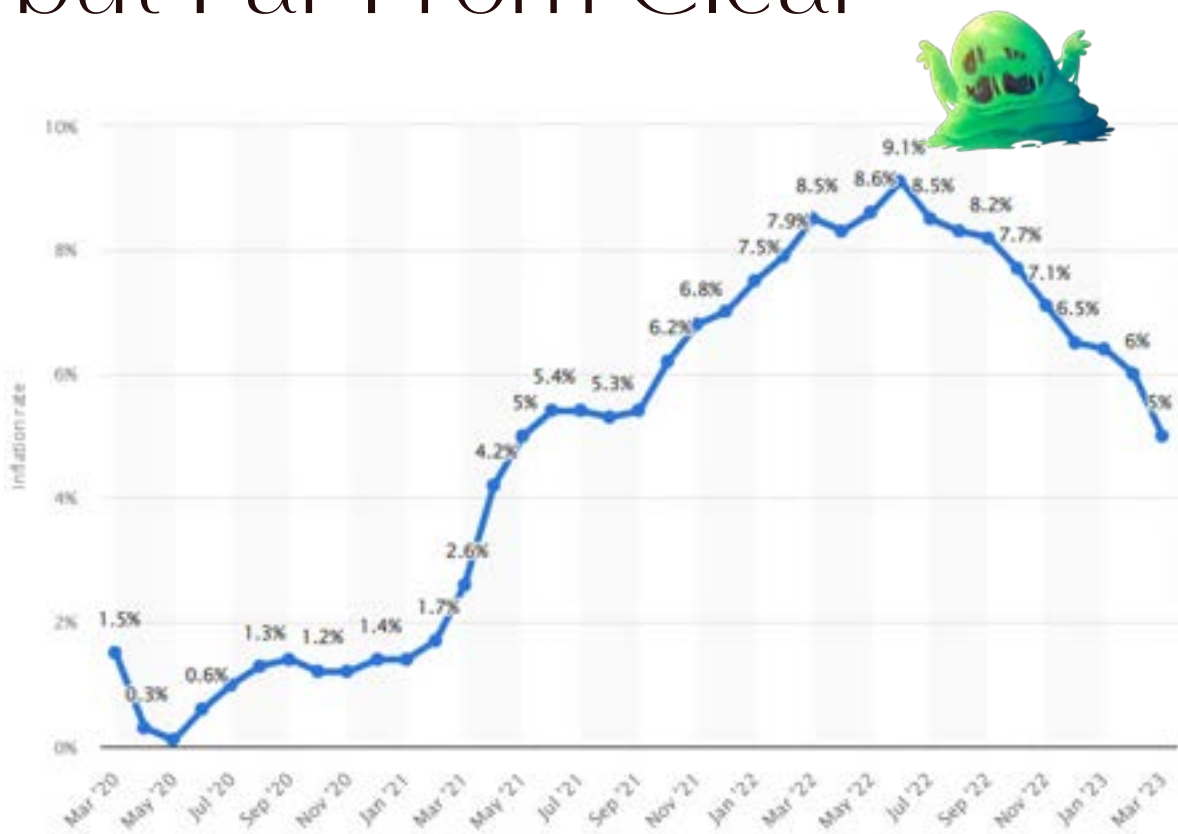
769%

WEALTH AS % DISPOSABLE INCOME after-tax

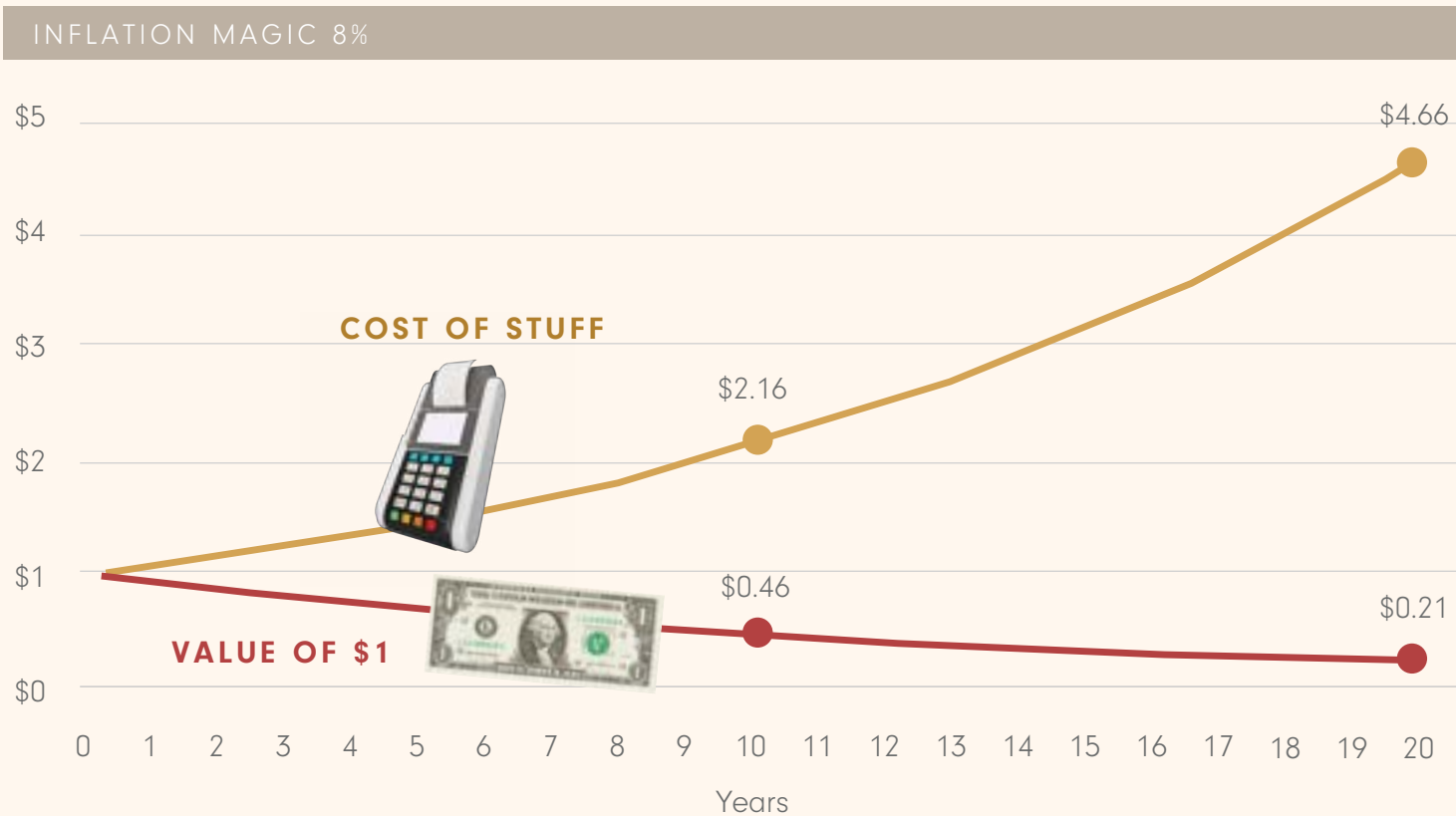
+71%

HOME EQUITY AS % MARKET VALUE near-record high from low 46% (2012)

Inflation: Seen the Worst, but Far From Clear



Inflation: Global Wealth Creator & Destroyer



Inflation is a massive transfer of wealth from savers to borrowers. Inflation creates wealth for real estate investors & borrowers (cost paid off by inflation).

At 8% inflation:

▲ 216% cost of stuff in 10 years

▼ 46% dollar value in 10 years



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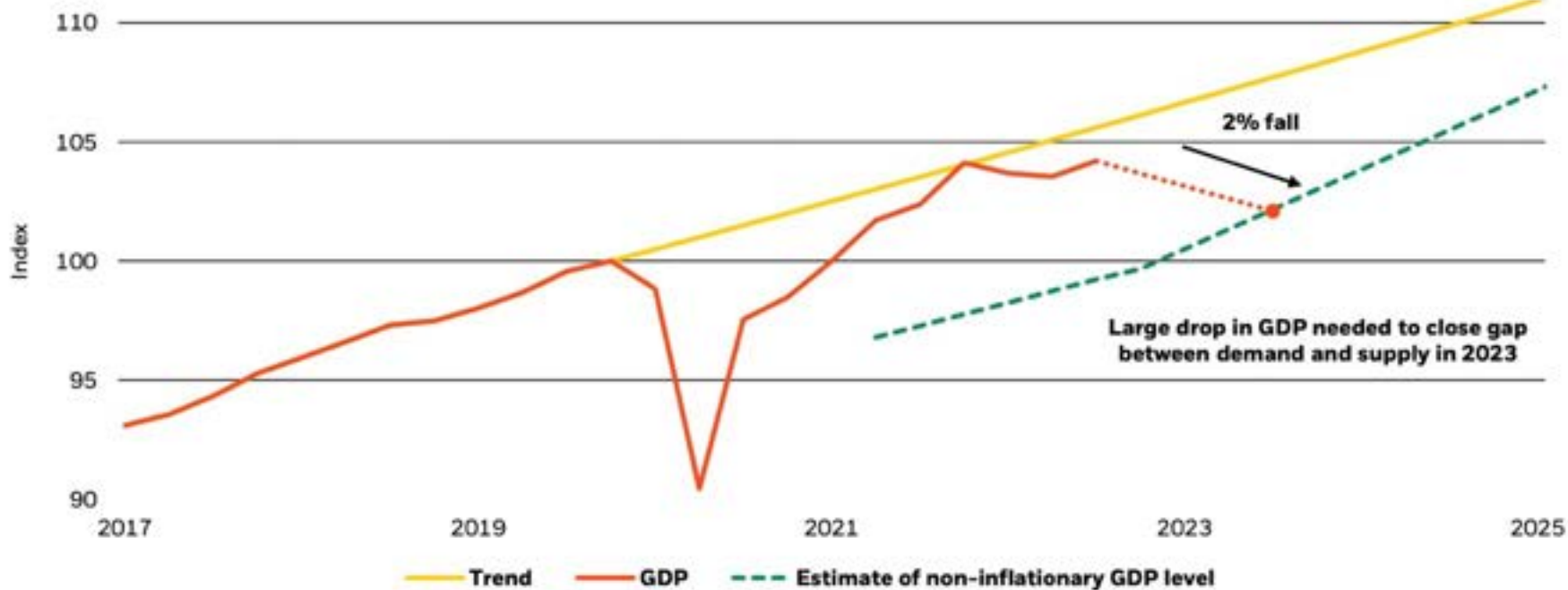
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2023 Economic Forecasts

Aiming for a Softer Landing

Taming Inflation May Take a Recession

GDP & POTENTIAL SUPPLY CAPACITY, NOV 2022



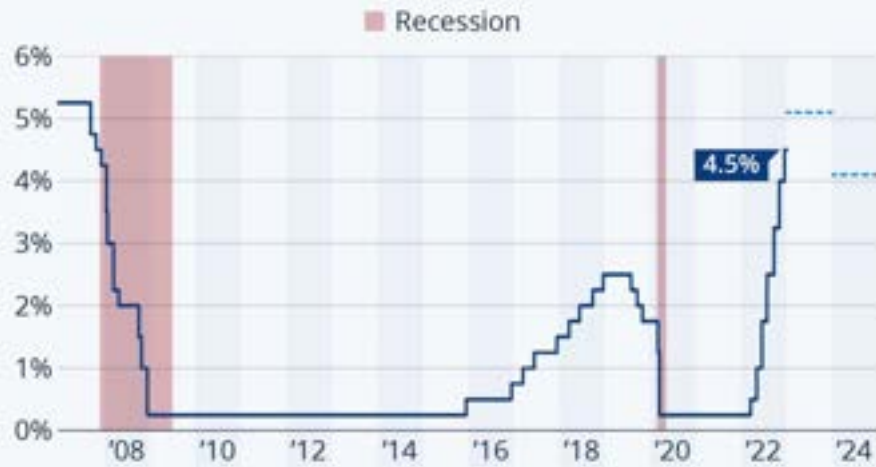
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While we see encouraging signs that inflation is going down, there is no past precedent of inflation falling sharply without a sharp decline in GDP

To Infinity and Beyond?

Fed Slows Rate Hikes But Signals More to Come

Upper limit of the U.S. federal funds target rate range*



* dotted lines indicate median projections of the midpoint of the appropriate target range for the federal funds rate at the end of the specified calendar year
Source: U.S. Federal Reserve

TODAY

4.25%-4.50%

The Fed Funds target rate as of Dec 15, 2022



END OF 2024

4.00%-4.25%

FOMC members expect policy rate to drop to 4.1%

END OF 2023

5.00%-5.25%

Latest projections suggest further rate hikes for 2023 before some easing in 2024 and beyond

END OF 2025

3.00%-3.25%

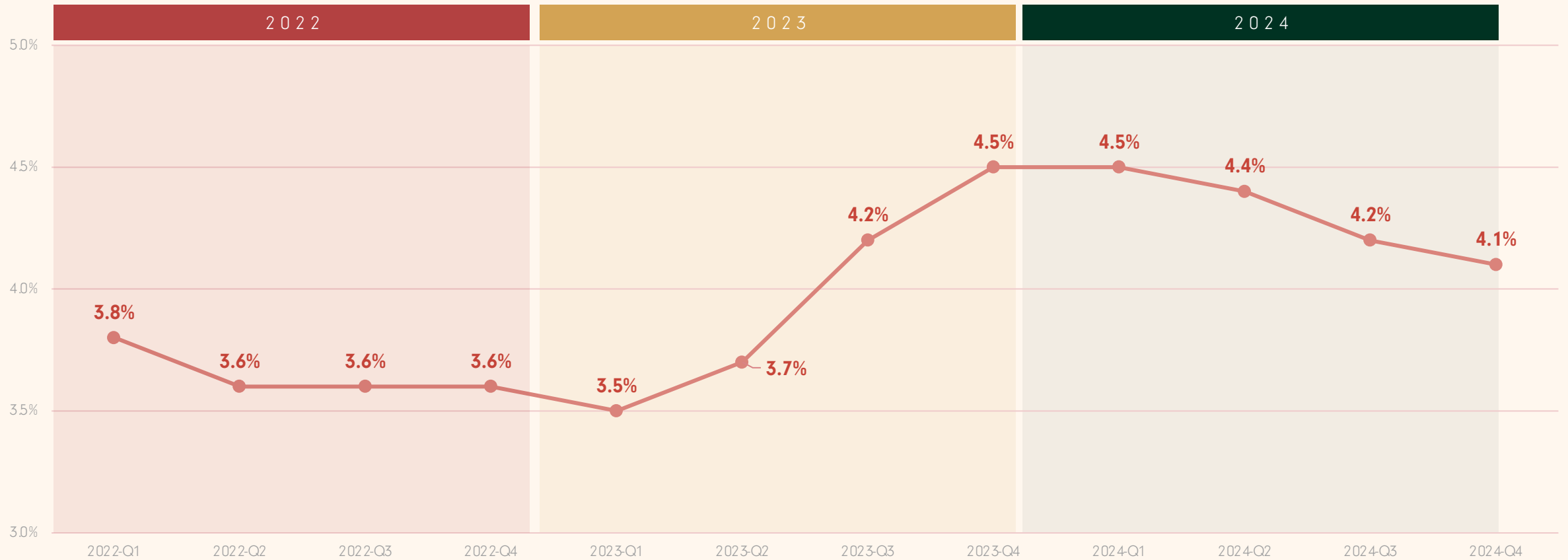
FOMC members expect policy rate to drop to 3.1% by the end of 2025

The J.P. Morgan logo is displayed in a white, serif font against a dark blue background. The background features a blurred image of a financial market display with various numbers and a line graph.

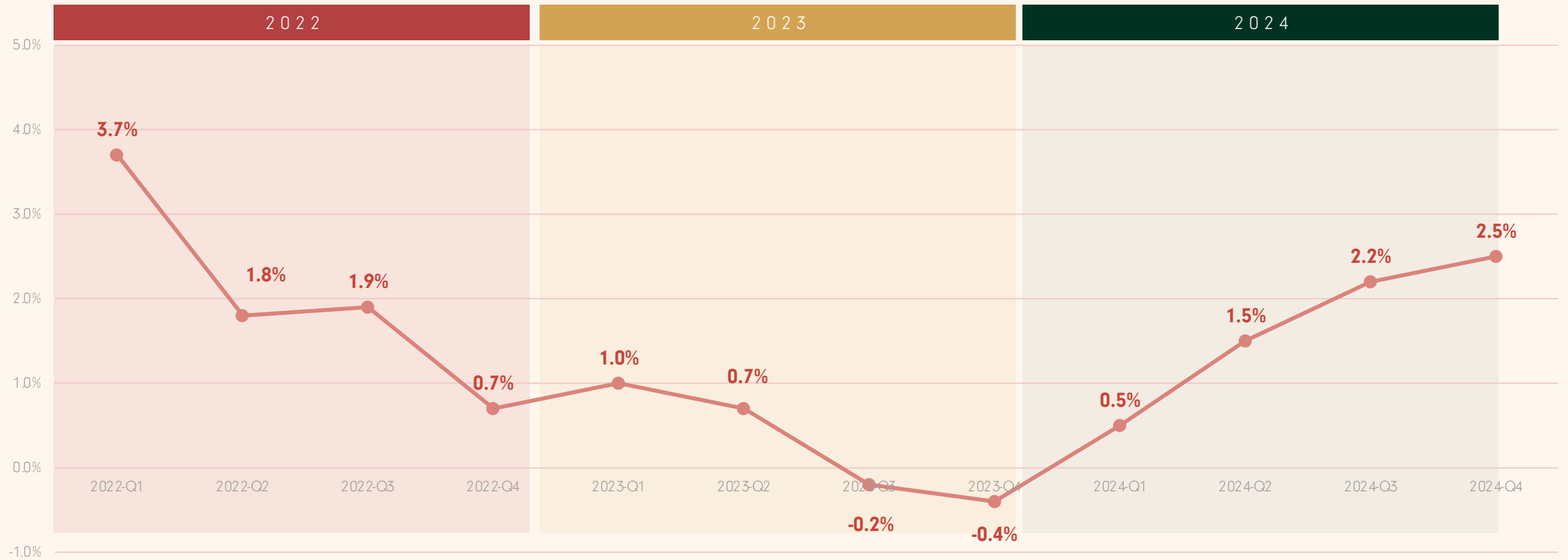
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In the first half of 2023, we expect the S&P 500 to re-test the lows of 2022 as the Fed overtightens into weaker fundamentals. This sell-off combined with **disinflation, rising unemployment and declining corporate sentiment** should be enough for the Fed to start signaling a pivot, pushing the **S&P 500 to 4,200 by year-end 2023.**”

2022-2024: Unemployment to Peak in 2024



2022-2024: Real GDP YoY





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Let's Dive into Real Estate Now

Yesterday and Tomorrow – Review & Forecasts for Single Family & Multifamily

Homes Recorded Biggest 6-Month Drop Since 2008

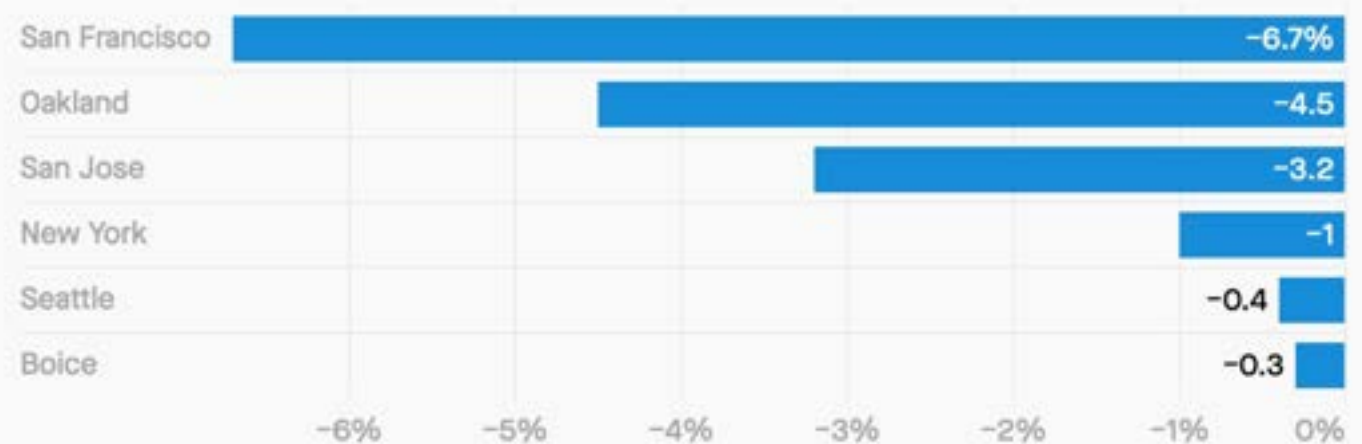
-5%

U.S. home value dropped 5% from \$47.7 trillion to \$45.3 trillion from June to March 2023.

“That’s the largest June to December drop in percentage terms since 2008.”

Based on analysis of 99M homes by **REDFIN**.

Biggest fall in US metro area home prices



Quartz | qz.com | Data: Redfin

\$383.2K

Median US home sale price, Jan 2023

6.4%

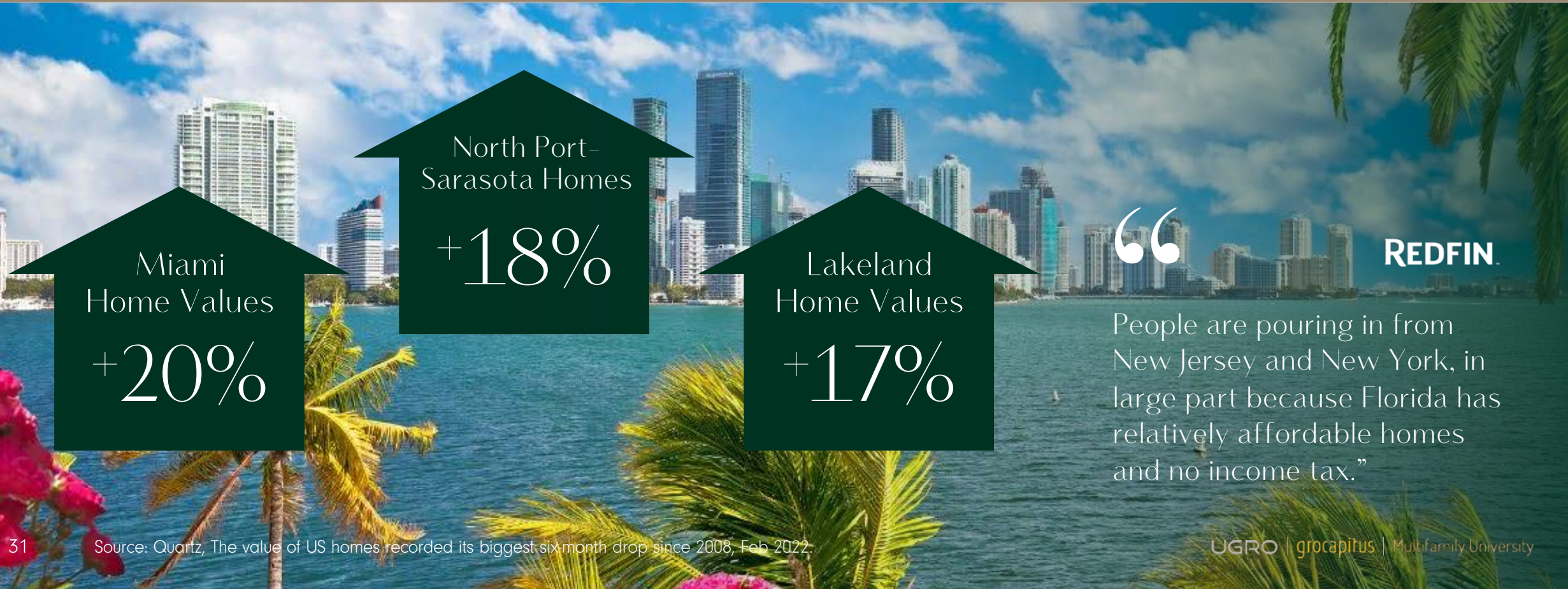
Avg 30-year fixed mortgage rate, Dec 2022

\$13T

Higher US home total value vs. pre-COVID

Florida: Home of the Largest Home Price Gains

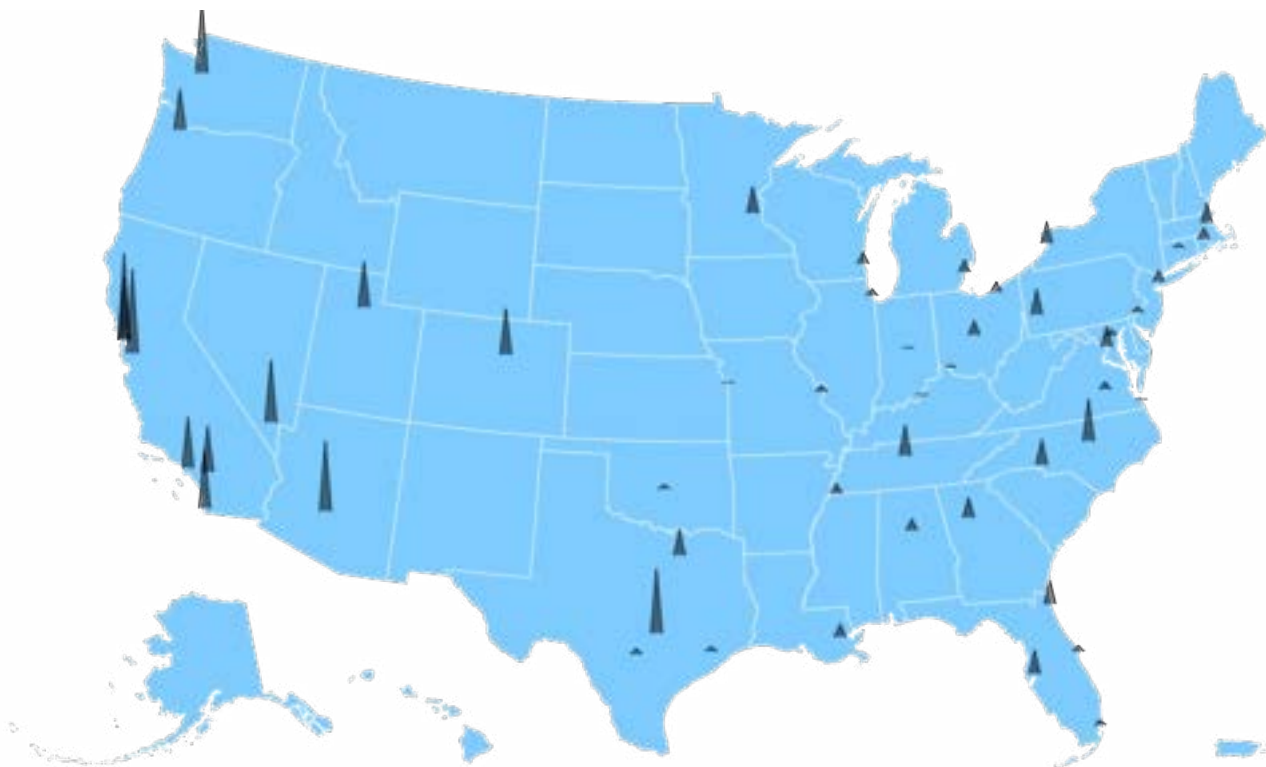
Florida was home to 6 of the 10 metros with the largest annual home-value gains (%), even after Hurricane Ian wreaked havoc in Sep 2022



Home Price Growth: Mixed Forecasts for 2023

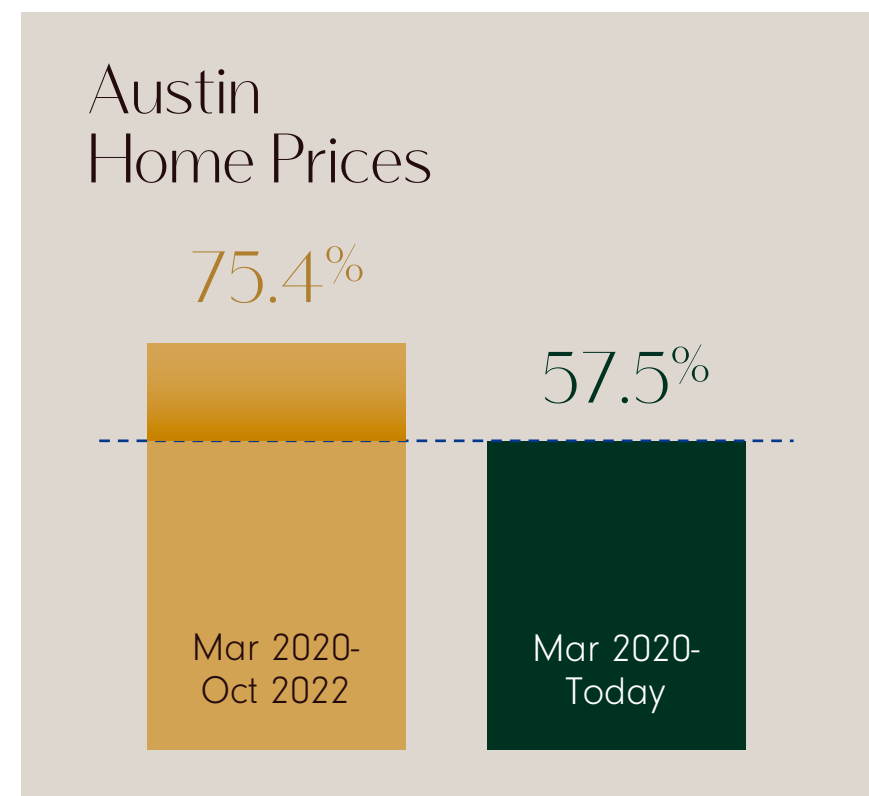


Where Did Home Prices Fall?



Change In Home Price By Metro			
Market	Seasonally Adjusted	Market	Seasonally Adjusted
San Francisco, CA	-13%	Denver, CO	-6.9%
San Jose, CA	-12.7%	Riverside, CA	-6.8%
Seattle, WA	-11.3%	Raleigh, NC	-6.3%
Phoenix, AZ	-10.5%	Portland, OR	-6.1%
Austin, TX	-9.7%	Nashville, TN	-4.6%
Las Vegas, NV	-9.3%	Minneapolis, MN	-4%
Sacramento, CA	-9.3%	Dallas, TX	-3.9%
San Diego, CA	-8.6%	Pittsburg, PA	-3.8%
Los Angeles, CA	-7.6%	Charlotte, NC	-3.8%
Salt Lake City, UT	-6.9%	Jacksonville, FL	-3.6%

Post-COVID: Home Prices Still Up Big Time

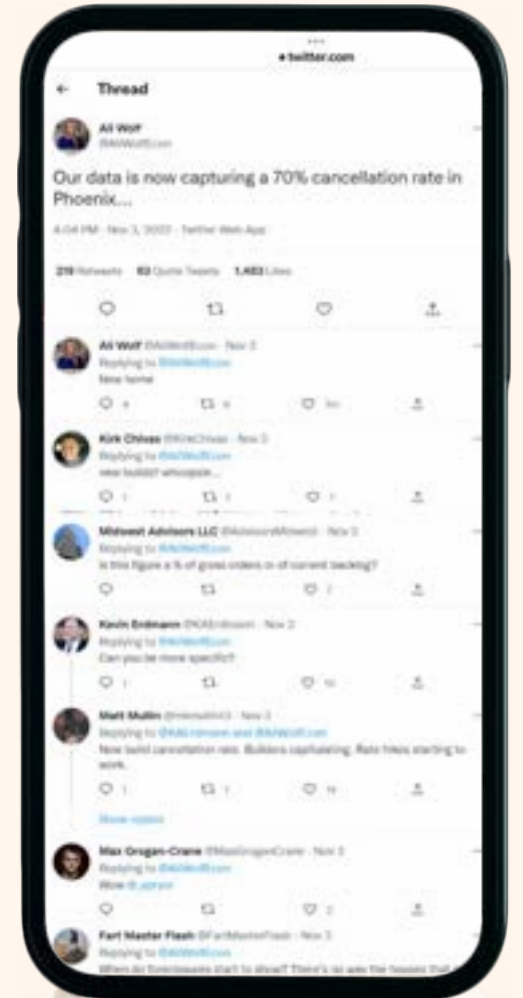


Housing Depression for New Construction??

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Our data is now capturing a **70% cancellation rate** in Phoenix...

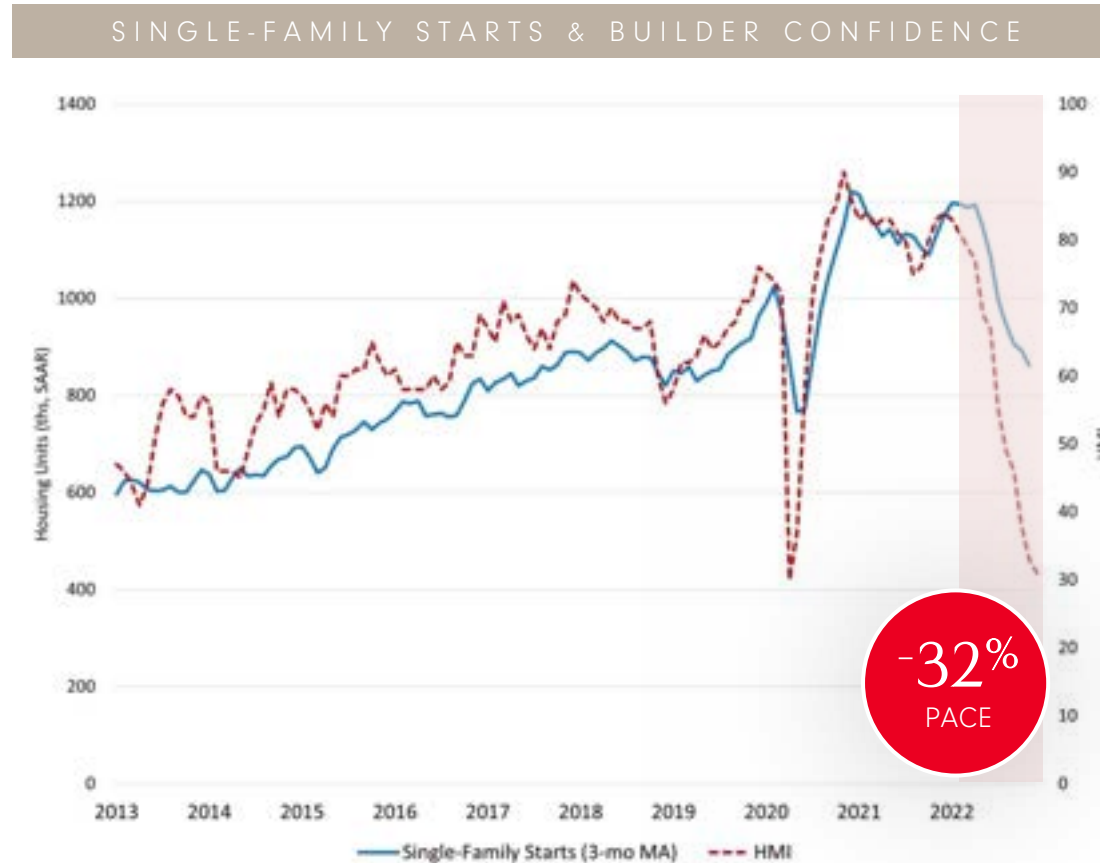
ALI WOLF
Chief Economist



Single-Family Production, Permits Falling Off a Cliff

“

The housing market continues to weaken due to stubbornly high construction costs and elevated interest rates – all harming housing affordability.



Multifamily: Renting vs Owning

COST OF OWNERSHIP VS. COST OF RENTING



57%

Monthly Payment for a New Purchase more expensive than average apartment rent

#1

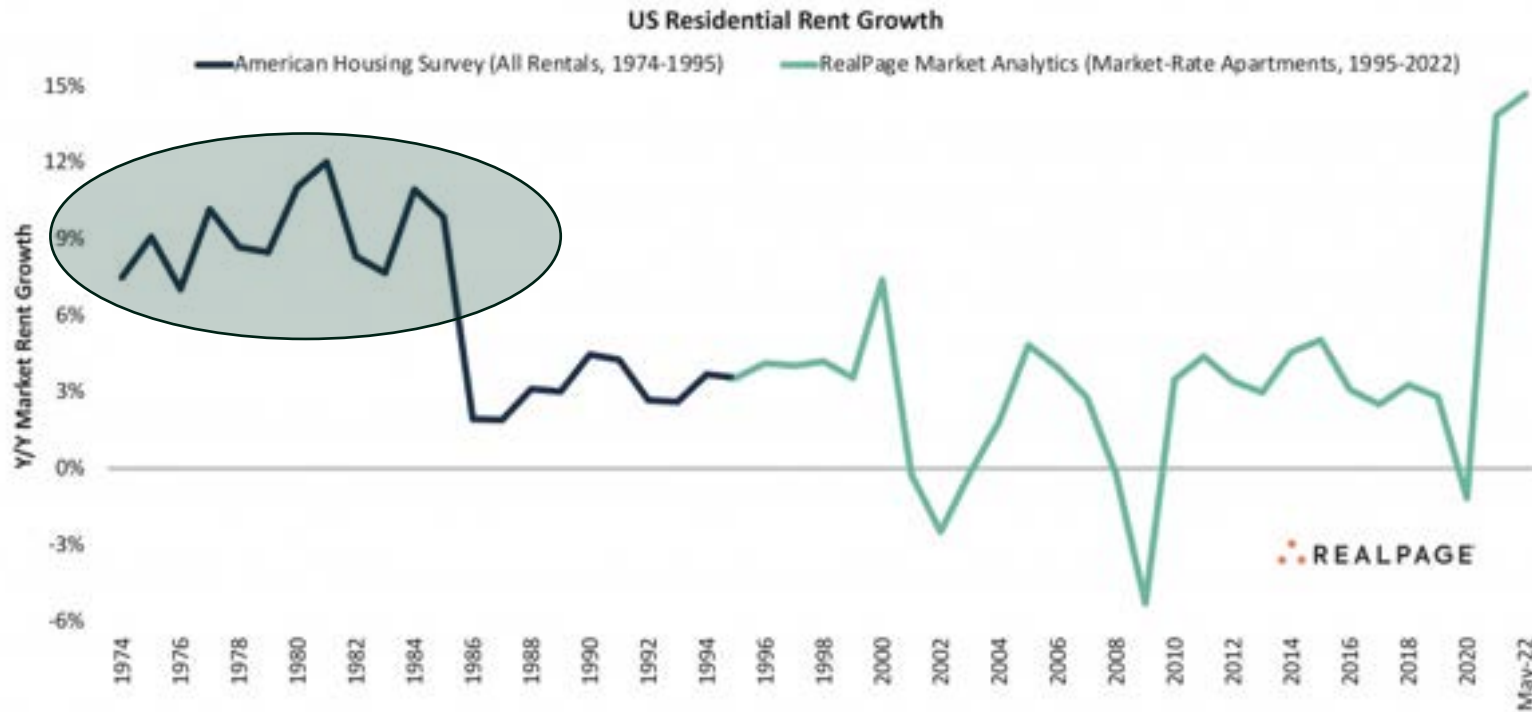
Widest gap on record

Overall housing demand remains strong

Even if home values continue to fall and mortgage rates drop in 2023, the relatively lower cost of renting will support multifamily demand.

Explosive Rent Growth in a High-Inflation Environment

HOW DO RENTS MOVE IN A HIGH-INFLATION ENVIROMENT? LOOK TO THE 1970s

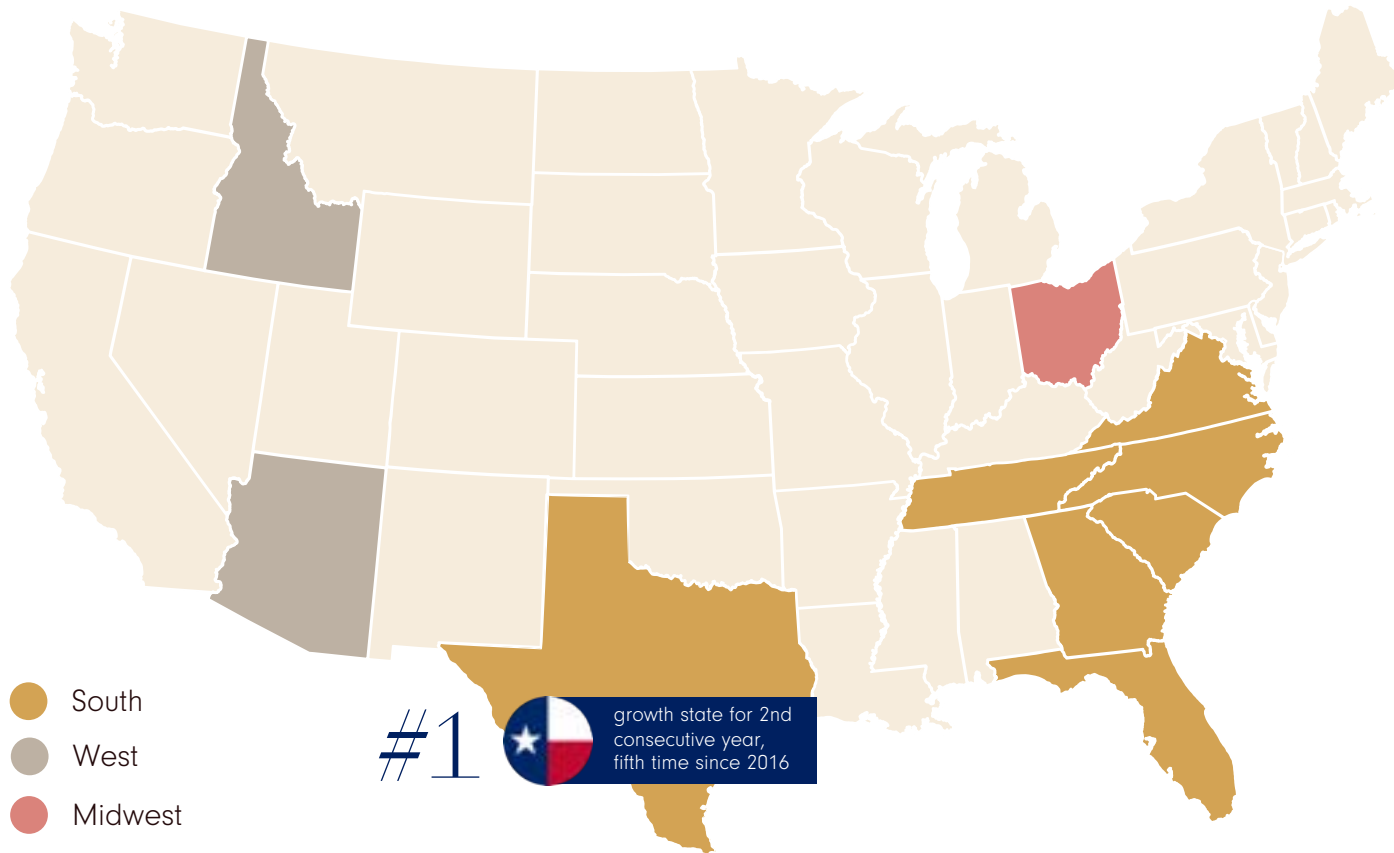


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There is a clear correlation between rent growth and inflation.

High inflation =
High rent growth

2022: Where All the U-Hauls are Headed



- South
- West
- Midwest

U-Haul's Top Growth States 2022		
Rank	State	2021 Rank
#1	Texas	#1
#2	Florida	#2
#3	South Carolina	#4
#4	North Carolina	#19
#5	Virginia	#31
#6	Tennessee	#3
#7	Arizona	#5
#8	Georgia	#23
#9	Ohio	#24
#10	Idaho	#9



“

The U.S. needs to build **4.3 million more apartments by 2035** to meet the demand for rental housing. This includes 600,000 total units total to fill the shortage from underbuilding after the 2008 financial crisis.”

Renters Rent for Longer

Cities where renters **do** or **don't** meet income requirements for a starter home mortgage

With a 7% interest rate



Biggest Annual Income Changes Needed to Buy a Home				
Rank	City	2020	2022	Change
#1	Tampa, FL	\$32,472	\$72,255	+123%
#2	Austin, TX	\$47,641	\$103,080	+116%
#3	Jacksonville, FL	\$32,673	\$69,962	+114%
#4	Raleigh, NC	\$39,420	\$83,349	+111%
#5	Miami, FL	\$41,897	\$87,536	+109%
#6	Charlotte, NC	\$34,545	\$72,016	+108%
#7	Nashville, TN	\$40,348	\$84,111	+108%
#8	Orlando, FL	\$35,855	\$74,336	+107%
#9	Atlanta, GA	\$34,429	\$70,693	+105%
#10	Phoenix, AZ	\$41,855	\$85,618	+105%
#11	Dallas, TX	\$35,740	\$72,268	+102%
#12	Las Vegas, NV	\$40,923	\$81,889	+100%
#13	Riverside, CA	\$54,140	\$106,203	+96%
#14	San Antonio, TX	\$32,271	\$62,681	+94%
#15	Salt Lake City, UT	\$55,834	\$107,178	+92%
United States		\$34,976	\$65,714	+88%

WHAT ARE WE DOING TO SOLVE THIS CRISIS?

TOWNHOMES



DUPLEXES



FOURPLEXES



nova



EQUINOX



UNIVERSITY OAKS

“

Our mission is to build 10,000 rental townhomes in the next 10 years for middle America, with rents from \$1,500 to \$2,000, to serve families earning \$54,000 to \$72,000. And create substantial profits for our investors.

THIS IS HARD.

But we have already done it and created the profits. Now, we need to scale it to 1,000 townhomes a year.

“

We are looking for like-minded investors and partners who appreciate this mission, and want to know how we will solve the middle America problem.

If you are interested, just type *Mission 10,000* in the chat box and we will share our story.



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Time for the Shootout

Welcome to the most confusing Best Cities list EVER



Top 10 Housing Markets Positioned for Growth in 2023

Amid higher costs in 2023, housing markets in affordable, mid-sized manufacturing hub cities will stay busy

Rank	Metro	2023 Sales Growth (Y/Y%)	2023 Price Growth (Y/Y%)	Combined Growth
1	Hartford, CT	+6.5%	+8.5%	+15.0%
2	El Paso, TX	+8.9%	+5.4%	+14.3%
3	Louisville, KY	+5.2%	+8.4%	+13.6%
4	Worcester, MA	+2.5%	+10.6%	+13.1%
5	Buffalo, NY	+6.3%	+6.0%	+12.3%
6	Augusta, GA	+6.2%	+5.7%	+11.9%
7	Grand Rapids, MI	+1.6%	+10.0%	+11.6%
8	Columbia, SC	+7.7%	+3.6%	+11.3%
9	Chattanooga, GA	+2.9%	+8.2%	+11.1%
10	Toledo, OH	+4.2%	+6.7%	+10.9%
Overall	United States	(14.1%)	+5.4%	(8.7%)



Top Cooling Buyer Markets in 2023

According to Knock Buyer-Seller 100 Market Index, 51 markets were resilient seller markets, 10 cooling markets favored buyers and 39 were neutral

Rank	Metro	Market Status 2023	Forecast Inventory YoY
1	Ogden-Clearfield, UT	Strongly Favors Buyers	+44.2%
2	Las Vegas, NV	Strongly Favors Buyers	+42.6%
3	Phoenix, AZ	Strongly Favors Buyers	+3.0%
4	Austin, TX	Strongly Favors Buyers	+6.0%
5	Colorado Springs, CO	Strongly Favors Buyers	+60.5%
6	Dallas, TX	Strongly Favors Buyers	+56.4%
7	Denver, CO	Strongly Favors Buyers	+66.7%
8	San Francisco, CA	Favors Buyers	-2.2%
9	Greeley, CO	Favors Buyers	+51.1%
10	Salt Lake City, UT	Favors Buyers	+7.9%



10 Housing Markets Expected to Lead the Nation in 2023

“

The demand for housing continues to outpace supply

LAWRENCE YUN
NAR Chief Economist



Rank	Metro
1	Atlanta-Sandy Springs-Marietta, GA
2	Raleigh, NC
3	Dallas-Fort Worth-Arlington, TX
4	Fayetteville-Springdale-Rogers, AR
5	Greenville-Anderson-Mauldin, SC
6	Charleston-North Charleston, SC
7	Huntsville, AL
8	Jacksonville, FL
9	San Antonio-New Braunfels, TX
10	Knoxville, TN



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Neal's Picks for 2023

Not the analyst's picks, but Neal's personal 2023 picks for real estate investment

Best Up and Coming market

Jacksonville, FL

Beats another very strong up-and-comer, Grand Rapids, MI.

Strong fundamentals, an excellent affordability score, high population growth all support continued growth in Jacksonville. Home prices are not as out of whack as many major markets so price declines in 2023 are likely to be fairly modest and mostly in the first half of the year. Look to buy late in the year.

BERKADIA[®]



Best market in the U.S.

Atlanta, GA

A finalist several times before, Atlanta beats Charlotte, NC by a nose.

Affordability is what makes Atlanta the winner this year. Among fast growing superstar cities, Atlanta has the highest housing affordability scores. Strong inward migration, a fast growing tech industry, and consistent population growth will continue to attract investors.

Expect price declines to be modest, and mostly in the first half of the year.

BERKADIA®



What's Next?



New Webinar – *Investing in Self-Storage: What You Need To Know*

➔ Register today & join us on May 17!



Have feedback or topic requests?

➔ Let us know in the survey as you leave



Need more information on SDIRAs?

➔ Visit our website and Learning Center



Follow us on social media for updates



Any More Questions?



Stay Connected



Bill Neville



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