



ORIGIN
INVESTMENTS

MULTIFAMILY MARKETS TO WATCH

2022

Real Estate Analysis and Insights
by Origin Investments



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INTRODUCTION

Growing in the Right Direction

The cities you'll read about in our 2022 report have business-friendly environments and four-season, affordable lifestyles. Their job markets are robust and increasingly diverse, and they are being developed by local and state governments intent on encouraging ambitious growth while retaining the amenities that make each of these places unique.

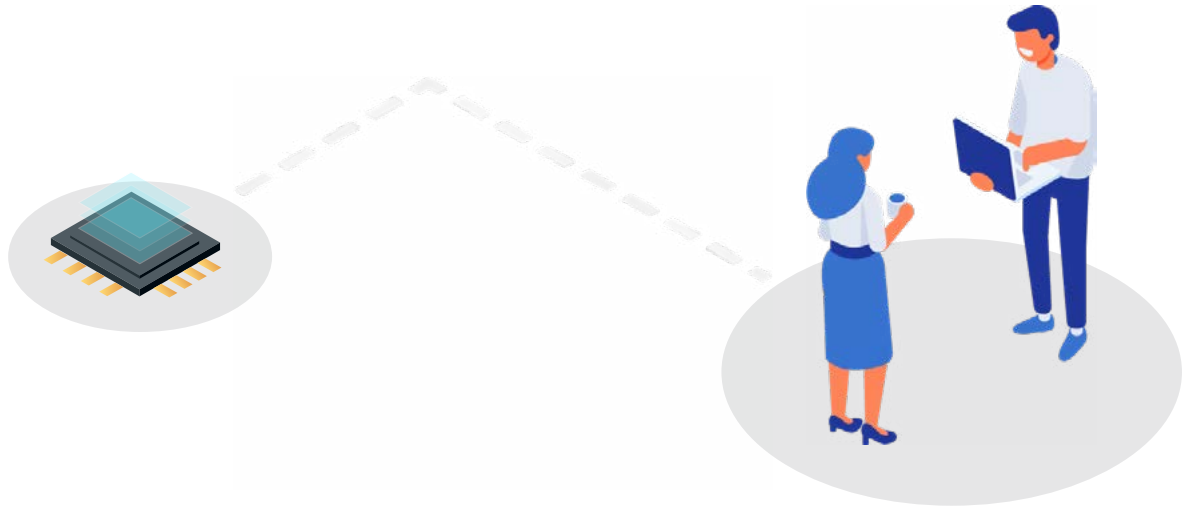
Phoenix, Tucson, Las Vegas, Austin and Nashville offer among the highest employment, population and income growth among the markets that we studied. All are mid-sized cities with room to grow and suburbs that give residents plenty of options in terms of lifestyle and location. Three of the cities are state capitals, and all have strong university presences that are shaping the kind of quality workforces the areas want to attract and retain.

These markets offer high-potential opportunities for multifamily real estate investing

that will continue at least through 2023. These are markets we know well — we have investments in Austin, Phoenix and Nashville — and are investigating actively, in the cases of Las Vegas and Tucson. All have high-quality submarkets with room to grow.

COVID-19 didn't create the demographic trends pulling U.S. migration toward the Sun Belt states where our top markets are located, but it did accelerate them. And while each city has faced setbacks imposed by the pandemic, they all proved their resilience by rebounding quickly with little impact on their allure as a place for businesses to invest and people to live.

While we understand that real estate markets are always evolving, we look for places where employment and demographic trends point to future opportunities. In these five cities, we see plenty to be optimistic about.



Approach

Multifamily Markets to Watch 2022 is the product of data and insights by expert regional acquisition officers who live and work in these markets themselves — the boots on the ground that differentiates Origin from other real estate investment firms.

There's a saying we believe applies here: The map is not the territory. Markets data can give an investor valuable information, but data can never replace the experience of specialists in underwriting, investment, development, asset management and finance who can turn a deal into a lucrative asset.

We rely on data to provide key insights into high-growth markets. But for us, no investment will ever be made simply on the basis of data or because it looks good on paper. We understand that real estate markets are dynamic, and we evaluate the best places to

invest on an ongoing basis, acting when the right signals are present. Our local expertise and specialist teams at Origin play critical roles in site discovery, evaluation and development.

In this report, we identify high-potential markets, but we don't announce any deals, and we are not limiting the scope of our search for the best deals only to these cities. We have investments in submarkets in Tampa, Raleigh, Charlotte, Colorado Springs and elsewhere. They aren't on this year's list, but they remain high performers in terms of rent growth and other fundamental factors. As we continue to analyze other markets that show strong demand for multifamily housing, we remain committed to developing and maximizing the returns on our investments in other key markets.

MARKET TO WATCH: PHOENIX

California lifestyle
without the cost is
bringing transplants
and jobs.

27.12%

Rent growth
2020-21

1.61%

MSA population
growth 2020-21

5.35%

Job growth
2020-21

Phoenix Rising

People are coming to Arizona for the affordable lifestyle. They're staying because of the job opportunities.



A description of the Phoenix market over the past decade requires some superlatives. The capital of Arizona was the [fastest-growing big U.S. city](#) from 2010 to 2020, and for the year ended July 2021, its metro area ranked second, after the Dallas-Fort Worth area, in terms of numeric growth, with [4.9 million people](#), according to the U.S. Census. That impressive growth is matched by an increasingly diverse employer base from both international and American companies looking for an educated workforce in an accessible location.

Affordability is driving both companies and people, who view Phoenix and its suburbs as a lower-cost, tax-friendly alternative to California with similar weather. Residents enjoy entertainment, nightlife and a strong restaurant scene, along with outdoor activities from golf to hiking, all of which contribute to quality of life.

State financial incentives to lure out-of-state companies have added to the attraction: In the year ended June 2021, 45 companies moved to the Valley of the Sun, creating

10,000 jobs and \$13 billion in capital investment, according to the [Greater Phoenix Economic Council](#); 30% of those companies were from California.

Diverse Employment Base

While a variety of industries are among companies moving into the area, two high-profile successes stand out: logistics and tech manufacturing. The area is becoming a distribution hub for companies like Amazon, Target, Walmart and other national retailers seeking to avoid paying California prices for industrial and warehousing space and still having more than 33 million people within a one-day truck haul of

MULTILYTICS SAYS:

Phoenix has the second-highest income growth of the markets we studied. The combination of job and population growth has created strong housing demand, but compared with the competition, it's still affordable for renters.

Phoenix, according to the economic council. One [183-acre warehouse development](#) plans a total of 3.4 million square feet of space, with a first phase to be complete by mid-2022.

Three electric-vehicle startups – Lucid Group, Nikola Corp. and ElectraMeccanica, producing luxury sedans, heavy trucks and three-wheel mini cars, respectively – are aiming to turn the area into a center of [auto manufacturing](#). In March 2022, Korea’s LG joined them, announcing plans to build an electric-vehicle battery plant in the area.

The biggest-ticket success stories, however, and the strongest argument for Phoenix’s profile growing on an international stage, probably belong to semiconductor chip manufacturing. Taiwanese semiconductor giant TSMC, whose largest client is Apple, is planting a \$12 billion stake in the ground with a [plant in northern Phoenix](#). U.S.-based Intel upped the ante with a [\\$20 billion plan](#) to expand on its chip-manufacturing facilities in Chandler, southeast of Phoenix, expected to go online in 2024.

How It Adds Up

The bottom line: People want to settle in the Phoenix area, which is more than making up for its earlier reputation as a popular place for retirees and second-home owners whose local investment was limited. One effect of the financial crisis of 2008 was an oversupply of housing, which slowed the city’s recovery. Later, steps by state government to encourage economic development, and initiatives by the university system to create cutting-edge programs that produced

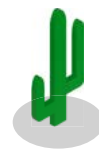


well-prepared employees in a variety of fields, began to pay off by creating a workforce that was rewarded for staying in the area. Total enrollment for Arizona State University, with its main campus in nearby Tempe, topped 134,500 last fall, with 77,000 students in person.

That has resulted in solid population growth seeking housing that is now outpacing supply, with steady increases in job growth and population, in tandem with permanent jobs. From 2015-20, the Phoenix-Mesa-Scottsdale metro area saw a more than 200% increase in six-figure jobs, according to [Stessa](#).

Multifamily Outlook

That steady, strong influx of jobs and people have tipped the supply-demand balance in favor of multifamily housing, with strong submarket pockets located around the city and rental stock going up downtown and elsewhere. Unpredictable black swan events could jolt the area’s long-term momentum. But the companies moving into Phoenix are making long-term bets for the future growth of the city and of its quality workforce. We have invested in Phoenix, and we foresee affordability continuing at least into next year.



Up-and-Coming Advantage

Arizona's second city is capitalizing on its proximity to Phoenix, but it's making its own strides in attracting businesses, jobs and long-term residents.



Tucson, a two-hour drive southeast of Phoenix, is just close enough to Arizona's capital to capitalize on the proximity without ceding two important things: its own distinct identity or its affordability compared to its bigger counterpart. The states sending the most transplants to both cities, though, are the same: California and Washington, with Texas, Colorado and Illinois playing supporting roles, according to the U.S. Census.

The city, with a population topping 500,000 and more than 1 million in the metro area, is ready to leverage its potential. The patterns that are playing out in Phoenix – an increasing population from higher-cost, higher-tax states – are occurring in Tucson, albeit on

a smaller scale. Average rental rates are comparatively lower in Tucson than they are in Phoenix, but with the same, or more, potential for growth.

Connection to Growth

With northwest Tucson and outlying towns in growth mode, a lower supply of multifamily housing, a strong downtown presence and a growth trajectory, Tucson could develop into a viable alternative for employees of the Phoenix area's southernmost companies or for families that want to split the difference between working in either city. The connection to the state capital could become smoother in coming years with a proposal to fund a [passenger rail route](#) as part of last year's federal infrastructure bill, which included \$66 billion for Amtrak.

Tucson offers access to state financial incentives to attract big companies and the high-quality jobs that come with them. The decision by construction equipment manufacturer [Caterpillar](#) in 2017 to bring the regional headquarters of its mining

MULTILYTICS SAYS:

Infrastructure plans to connect with Phoenix will help showcase the city's comparative affordability. Overall, Tucson offers lots of potential for rent growth as employment and income move in a positive direction.

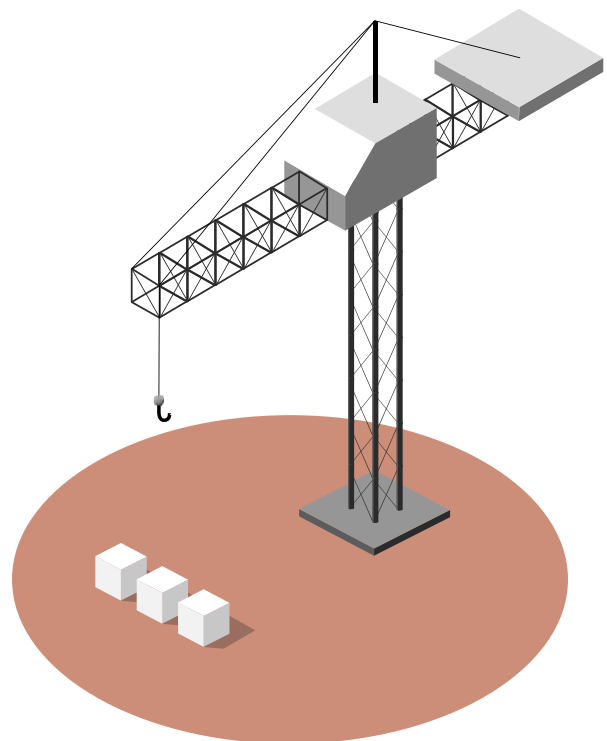
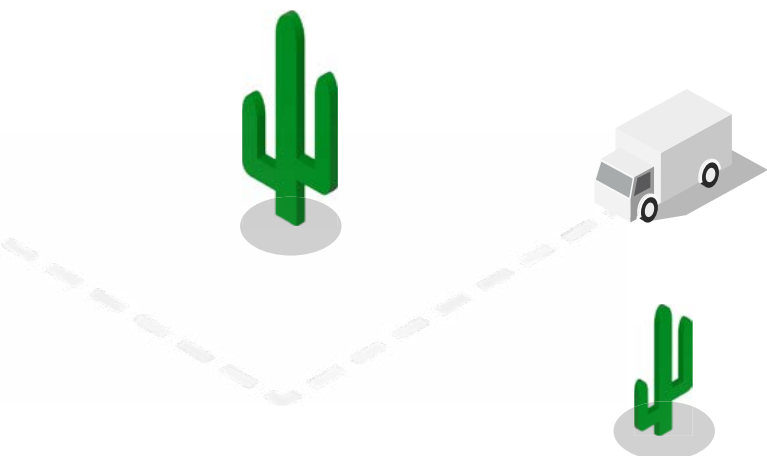
technology division to Tucson delivered about 600 well-paying jobs. Arizona's public universities established a "New Economy Initiative" with the goal of developing a skilled, diverse workforce and thereby increasing economic opportunity across the state. As part of that initiative, the University of Arizona, located in Tucson, is receiving funding this year to establish the state's only [School of Mining](#) to foster research and create interdisciplinary degree programs in the field.

These initiatives build on the presence of companies already in the area, including the city's biggest private employer, Raytheon Missile Defense; other big employers include state and local governments, a nearby U.S. Air Force base and health care companies. Late last year, Virginia-based aerospace and defense company [Leonardo Electronics](#) announced plans to expand in Tucson with a \$100 million investment in a new semiconductor laser manufacturing facility expected to add 170 jobs.

Health sciences, space and defense will also benefit from the initiative – leading-edge disciplines that can attract further economic investment. Other companies are seeing Tucson as a place worth investing in, too, with Southwest Airlines adding flights and cities to the local airport over the past few years.

Multifamily Outlook

While Phoenix eclipses this market in size, we see areas of high potential in Tucson. Its current affordability points to a strong growth trajectory in multifamily rents. The University of Arizona and diverse businesses are solid hedges against possible economic downturns. While we don't currently have any investments here, we are studying this market and seeing several high-potential pockets worthy of further investigation.



MARKET TO WATCH: LAS VEGAS

Las Vegas is building a diverse business base with a long growth trajectory.

26.18%

Rent growth
2020-21



7.08%

Job growth
2020-21

0.84%

MSA population
growth 2020-21

A Solid Bet



With jobs and income on the rise, Las Vegas is outgrowing its reputation as a mecca for gamblers and retirees and developing into an affordable, business-friendly alternative for out-of-staters.

Every roll of the dice offers another shot at big money – that’s why one of Las Vegas’ nicknames is the City of Second Chances. But the financial crisis of 2008 decimated discretionary income and put costly construction projects on hold. More recently, as the COVID-19 pandemic tanked tourism in 2020, Las Vegas has redoubled its efforts to diversify beyond economy-dependent entertainment.

Not that people are opposed to a little fun: The city bounced back with a vengeance in 2021, reaching 32 million total visitors and a [record-setting](#) \$13.4 billion in pre-tax gambling revenue, according to the state’s gaming control board. But those economic busts have incentivized the creation of a

more dependable long-term boom. With no state or corporate taxes, the area has significant odds in its favor. The [Las Vegas Global Economic Alliance](#) has put forth an ambitious plan to attract more diverse companies to the area – including health care, business and financial services, logistics and information technology.

Paying Dividends

Las Vegas, along with Phoenix, has been a big beneficiary of the “California exodus”: In 2019, more than 47,000 people [moved to Nevada](#) from California, behind Arizona and Texas. Overall, Nevada was one of 10 U.S. states whose population increased more than 1% from April 2020 to July 2021, according to the [Tax Foundation](#).

The area is taking advantage of its proximity to California and one-day drive to millions of consumers to become a stronger link in the national [supply chain](#). The city and the surrounding area are home to warehouse and distribution facilities for big retailers such as Bed Bath & Beyond, CDW, Fanatics,

MULTILYTICS SAYS:

There’s a high demand for Class A properties, of which Las Vegas has few. With jobs and income on the rise, affordable rents have a long trajectory for growth without moving out of reach.

The Honest Co., Amazon, Levi Strauss and Kroger. E-commerce retailers are starting to pay attention as well.

The diversity bet is paying off: California-based Haas Automation, a machine tool maker, is building a \$327 million [manufacturing facility](#) in the southeast Las Vegas suburb of Henderson, which has seen an influx of warehousing, residential housing and non-casino jobs. The 2.5 million-square-foot facility is planned for completion late this year. The estimated \$1 billion Gemini Solar Project, about 25 miles northeast of the city, would be the largest solar-energy producer in the country when it's finished (scheduled for 2023), able to serve more than 260,000 households.

And, of course, there's entertainment and hospitality, with three hotel and casino projects totaling \$4.7 billion scheduled to be completed in the next two years. The Brightline West high-speed rail project plans to break ground next year on a line to get passengers between Los Angeles and Las Vegas in about three hours. The [\\$8 billion project](#) is slated to be complete in 2026, after years of delays.

What's the Rush?

What that means is more opportunity for younger job seekers, many with families, to plant roots in the area rather than simply view Vegas as a fun, weather-friendly place to retire or buy a second home. Around one-third of the population works in the 24/7 entertainment and hospitality industries – that means no real rush hour – and along with an excellent highway system, it's easier

to get around and outside the metro area to the growing northern and southern suburbs, and to the often-overlooked natural beauty to the southeast and west. It also means that the steady stream of new residents has more choice about where to live.



Multifamily Outlook

We intend to study Las Vegas as a target for investment because of the high potential for growth after being undersupplied for the better part of a decade, and at least since the financial crisis of 2008. Its development cycle is in the first inning of a long trajectory of growth, unlike some of the more established markets on this list, such as Austin and Nashville. As the city continues to diversify its business base, it will attract more, higher-paying jobs and keep the supply and demand imbalance for quality multifamily housing in our favor.

MARKET TO WATCH:

AUSTIN

Austin shows no
signs of cooling.

7.91%

Job growth
2020-21

24.23%

Rent growth
2020-21

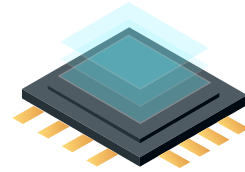
2.32%

MSA population
growth 2020-21



Torrid Texas Tech

With sizzling income and job growth, Texas' capital is irresistible to tech giants.



The story with Austin starts with high tech, strong demographics and attractive leisure options, and it doesn't show signs of ending any time soon. Everything is bigger in the Texas capital, and that includes the companies that are making the area their regional or national headquarters.

Software giant Oracle opened a campus in Austin in 2018 and moved its headquarters there from California in 2020. Tesla broke ground on its Gigafactory east of the city in 2020; now the HQ for the electric carmaker, the site is also, according to founder Elon Musk, the largest factory in the United States. Korean electronics giant [Samsung](#) announced late last year that it was building a \$17 billion semiconductor factory nearby, in what the governor of Texas called the largest foreign direct investment in the state. Apple is opening a \$1 billion campus in north Austin this year that will initially support about 5,000 jobs in engineering, research and development, operations and other jobs.

As if that's not enough, Facebook parent Meta plans to expand its presence in Austin

by leasing half of what will be the city's tallest skyscraper, adding 400 jobs once the building is complete in 2023.

It's impossible to calculate the ancillary employment and companies that will spring up to support these moves, from food to shopping to housing, but Austin has enthusiastically taken on the effects of its own success so far.

The city has its share of big challenges, including maintaining and adding to infrastructure to keep up with growth. It is looking for ways to alleviate traffic along the central Interstate 35 corridor and other major beltway roads, as well as mitigating occasional hours-long lines and jams in and around Austin-Bergstrom International Airport.

MULTILYTICS SAYS:

Austin has the highest income growth and third-highest job growth of the markets studied; despite its popularity, it's much more affordable compared with other top markets.

Bigger, Faster, Stronger

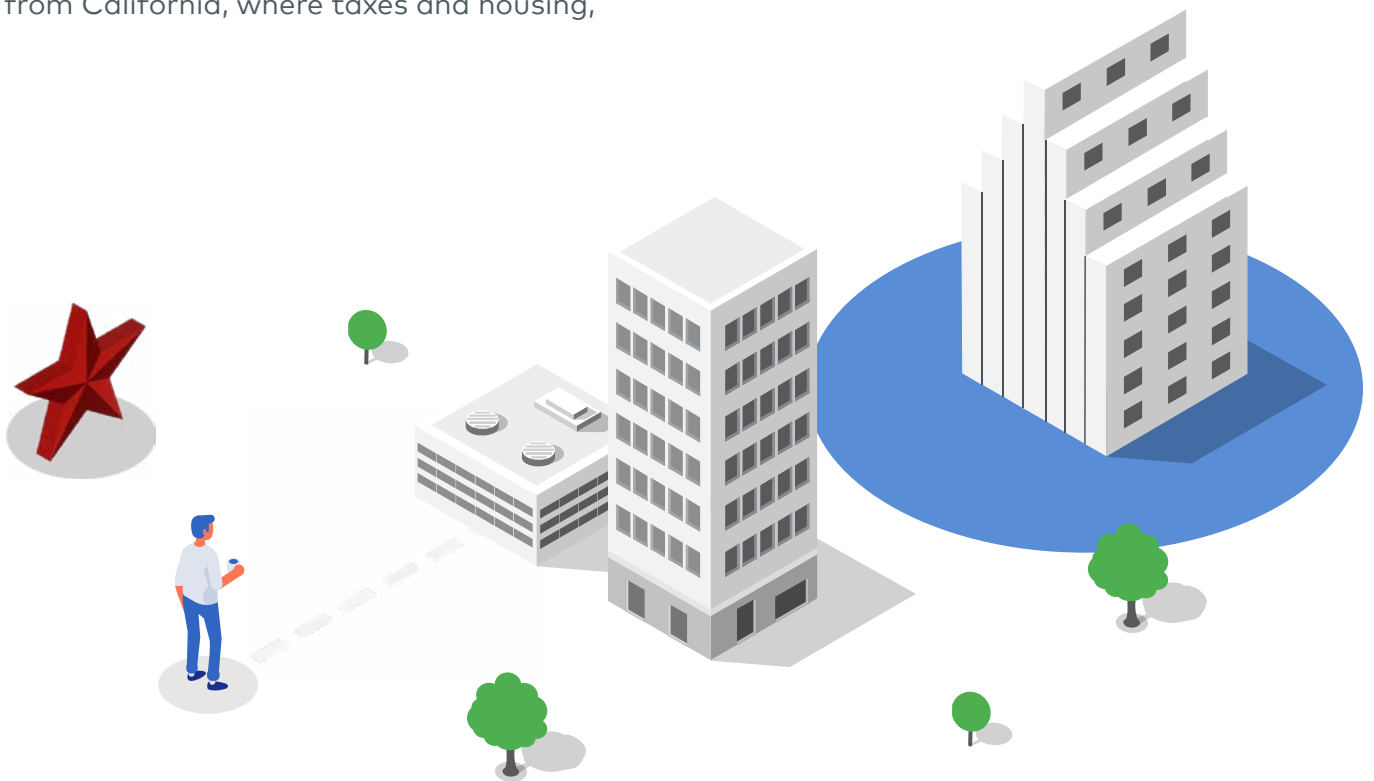
Austin is the fastest-growing city in the U.S., according to the U.S. Census. In the year ended July 2021, its metro population was nearly [2.4 million](#), fourth in the nation in terms of numeric growth. It's the capital of a state with no individual income tax and the home of the University of Texas, with dynamic music, culture and restaurant scenes to fill the off-hours. That adds up to a lot – a lot of high-paying gigs, with many younger, well-educated renters to fill those jobs. The percentage of total employment in six-figure jobs in 2020 was 7.6%, double that of 2015, according to [Stessa](#). It equals high demand for apartment buildings to house them.

A majority of people moving to Austin were coming from within Texas (51% from 2015-19, according to the U.S. Census), and 8% – more than any other state – came from California, where taxes and housing,

among other items, take bigger bites out of a paycheck. Austin's comparative affordability makes it attractive to many. Note the "comparative," though: Median home costs in the Austin-Round Rock metropolitan area were \$620,000, a 24% year-over-year increase and the fourth-highest hike in the nation, according to a March 2022 study by [Realtor.com](#).

Multifamily Outlook

We think the runway for Austin's growth is significant and impressive relative to other markets, and our investments in the area are reflecting that potential. Our outlook is positive for multifamily development for at least the next few years as the area continues to attract younger renters and develop its reputation as "Silicon Hills."



MARKET TO WATCH: NASHVILLE

Nashville's
ambitious dreams
are coming true.

0.86%

MSA population
growth 2020-21

5.42%

Job growth
2020-21

20.50%

Rent growth
2020-21

Superstar of the South



The hits just keep on coming for Nashville, whose pro-business, lifestyle-friendly climate and culture continue to drive impressive growth.

Nashville has arrived, and then some.

The city once known primarily – and pretty much only – for its music scene and laid-back vibe has exploded in population and potential over the past 15 years. The upward spiral of population and employment in Tennessee’s capital has become a vortex fueled by transplants attracted by an affordable, four-season lifestyle (and no individual income tax) on one hand and a strong pro-business climate on the other.

The Nashville metro area has grown to more than [2 million people](#), according to the U.S. Census, and its median annual household income of about \$70,000 is 25% higher than the state median income. Where is all this ambitious growth coming from? California, Illinois and New York, among other states, are fueling the growth. Where is it headed? At this point, the sky’s the limit as the city grows up and out.

Getaway, or Come to Stay

Nashville has benefited from its reputation as Music City and as a welcoming, accessible

MULTILYTICS SAYS:

Steady job and income growth is expected to continue as planned tech and other jobs enter the market, and housing inventory is at its lowest in the area’s history. An established multifamily market that’s still affordable for many offers many reasons for longer-term optimism.

getaway for out-of-state visitors (cities topping that list most recently are Chicago, New York and Atlanta). As the city has grown, so has the variety of entertainment options, with a momentum that stumbled but didn’t slow even during the COVID-19 pandemic. Far from shutting down tourism and entertainment options, the area opened [197 restaurants](#), bars and coffee shops, along with 23 hotels, in 2020 and 2021.

While cultural entertainment abounds, there are big moves to capture the sports fan demographic as well. The Tennessee Titans football team is in talks to build a replacement stadium in Nashville costing up

to \$1.2 billion; and a privately funded, \$335 million soccer stadium – the largest in North America with 30,000 seats – opened this spring, courtesy of the Nashville Soccer Club.

The biggest growth driver has been the influx of an educated workforce and the companies that want to hire them. Global asset management firm Alliance Bernstein cited lower taxes and housing costs and shorter commutes in announcing its [HQ move](#) to Nashville from Manhattan in 2018, along with \$70 million in new investment in the city. That deal, sweetened by a \$65 million state economic grant, is expected to add nearly 6,000 new jobs. Amazon opened a new [downtown high-rise](#) last year to hold half of its 5,000-member presence, with a second tower scheduled to open next year and another 600 new jobs on tap. Oracle America announced in 2021 that it was investing \$1.2 billion to create a regional headquarters, paying \$254 million for an [East Nashville site](#). General Motors plans to build a second electric vehicle battery plant at its site about 30 miles southwest of the city – a \$2.3 billion investment expected to create 1,300 jobs.

The waves of companies entering the market now and in the future are expected to have a ripple effect of vendors and suppliers to support them. In 2020, according to the Nashville Area Chamber of Commerce, the 10-county Nashville region gained 76 new residents a day from out of state – an impressive number for a pandemic year, although down from the previous record of 106 per day set in 2016. The chamber's



current president foresees that number rising to 109 for each of the next five years.

Multifamily Outlook

Nashville remains a comparative bargain, especially for new residents coming from more expensive, higher-tax states, and there's no sign of that – or the tandem increases in population and employment – changing any time soon. We have several investments in Nashville and are committed to the city. With business-, economic- and lifestyle-friendly climates, we see the area continuing to be one of the fastest-growing markets at least through 2023, further diversifying the business base and attracting younger renters in search of high-potential employment and quality of life.



Origin Multilytics

Origin's Multifamily Markets to Watch 2022 was compiled using Origin MultilyticsSM and from the first-hand expertise and knowledge of our acquisition officers located throughout the markets in which we invest.

Multilytics is a proprietary suite of machine-learning models that forecasts rent growth more accurately than the industry standard by aggregating and analyzing more than 2.7 billion data points per month, from hundreds of sources, to generate alpha in multifamily real estate investment. It was created by our in-house team of data scientists to support our study of high-growth areas.

For this report, Multilytics studied data from about 150 markets across the U.S., including publicly and privately available information such as population and employment growth, rental and supply, along with more granular submarket information. According to the Bureau of Labor Statistics, average rent grew 3% in each of the five years leading up

to the pandemic. We narrowed our final list to the cities we expect will outperform that historic average for the next few years.

Why did we develop Multilytics? We weren't satisfied with the transparency or granularity of available data to accurately identify high-potential markets. Before we began applying it to our own studies, however, we back-tested Multilytics' ability to predict rent growth from 2010 onward using available data. The model confirmed, for example, that it had the ability to select high-potential markets like Phoenix years before other models predicted that city's boom.

Our approach to employing Multilytics is the same we take to all our analysis and due diligence: a conservative, risk-manager mindset. Combined with our experience and relationships in key markets, the insight that Multilytics allows us to identify and act on deal opportunities sooner than our competitors.

About Origin Investments

Origin Investments helps high-net-worth investors, family offices and registered investment advisors grow and preserve wealth by providing best-in-class real estate solutions. We are a private real estate manager with \$1.4 billion in assets under management. We build, buy and lend to multifamily real estate projects in fast-growing markets throughout the U.S.

Since our founding in 2007, our principals have invested more than \$75 million alongside our investors. We pride ourselves on offering unparalleled service to our investors, and our performance ranks us in the top decile of the best-performing private real estate fund managers ranked globally by Preqin, an independent provider of data on alternative investments.

We are currently fundraising for our four open Funds: Origin Growth Fund IV, IncomePlus Fund, Qualified Opportunity Zone II and Multifamily Credit Fund. You can learn more about us at origininvestments.com.



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