



Neal
Bawa



MULTIFAMILY FUNDAMENTALS

Foundational concepts & benefits of Apartment Investing



Webinar starts at 6.03 PM,
Audio is muted until then





Our Goal for today

Let's start with the big WHY and the HOW?

Let's introduce you to the 2+ trillion dollar U.S. MultiFamily market

Talk about latest market trends driving MultiFamily growth

Explain how groups of investors buy MultiFamily properties together

Discuss top reasons to invest in MultiFamily

To go through the Lifecycle of a MultiFamily project

Review

Important Disclaimer

Please read

- We are not investment advisors, and this webinar is provided for educational purposes only.
- All investments involve different degrees of risk. You should be aware of your risk tolerance level and financial situations at all times.
- Read all investment docs carefully before making any investment decisions. All information should be researched prior to investing any money.
- 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.

WHY?

The big WHY and HOW

HOW?

- **Why** MUST you expand your portfolio beyond stocks and bonds?
- **Why** MUST you seek higher yields?
- **How** can you invest in real estate passively?
 - No managing
 - No rehab and flipping

The answer is staring us in the face

America's Social Security and retirement planning system was designed for a different reality, and there are 3 reasons for this:

Reason #1 Life Expectancy



49 yrs. in 1900

You worked until the day you died

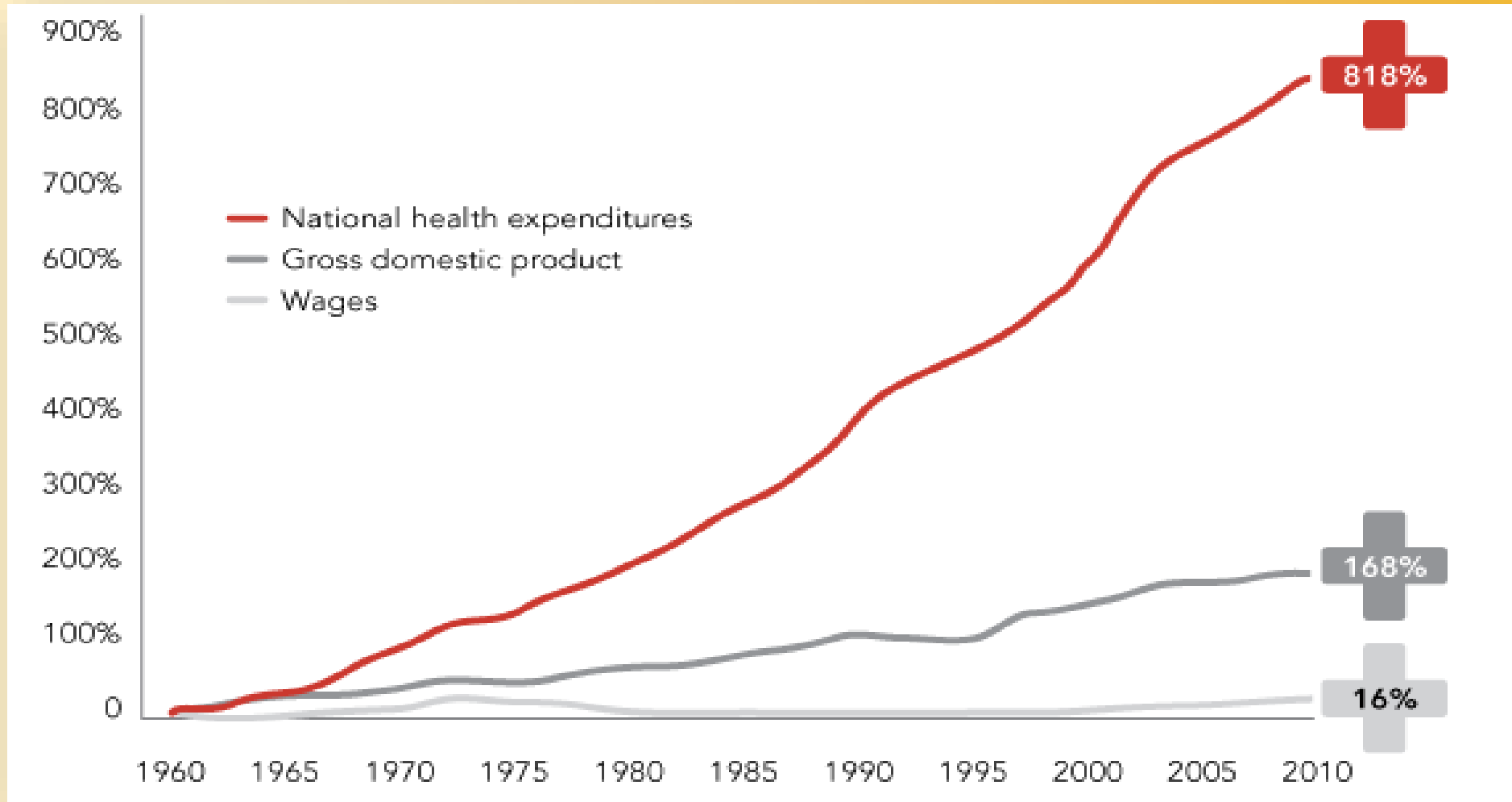
69 yrs. in 1960

Your retirement had to last a few years

79 yrs. and rising fast today

Your retirement has to last decades

Reason #2: Healthcare costs are rising far faster than inflation



Sources: McKinsey, "Accounting for the cost of U.S. Health Care (2011), Center for American Progress.

Reason #3 – Stock market returns adjusted for inflation are just too low to get ahead

What's the actual annual growth over the last 17 yrs, adjusted for inflation?



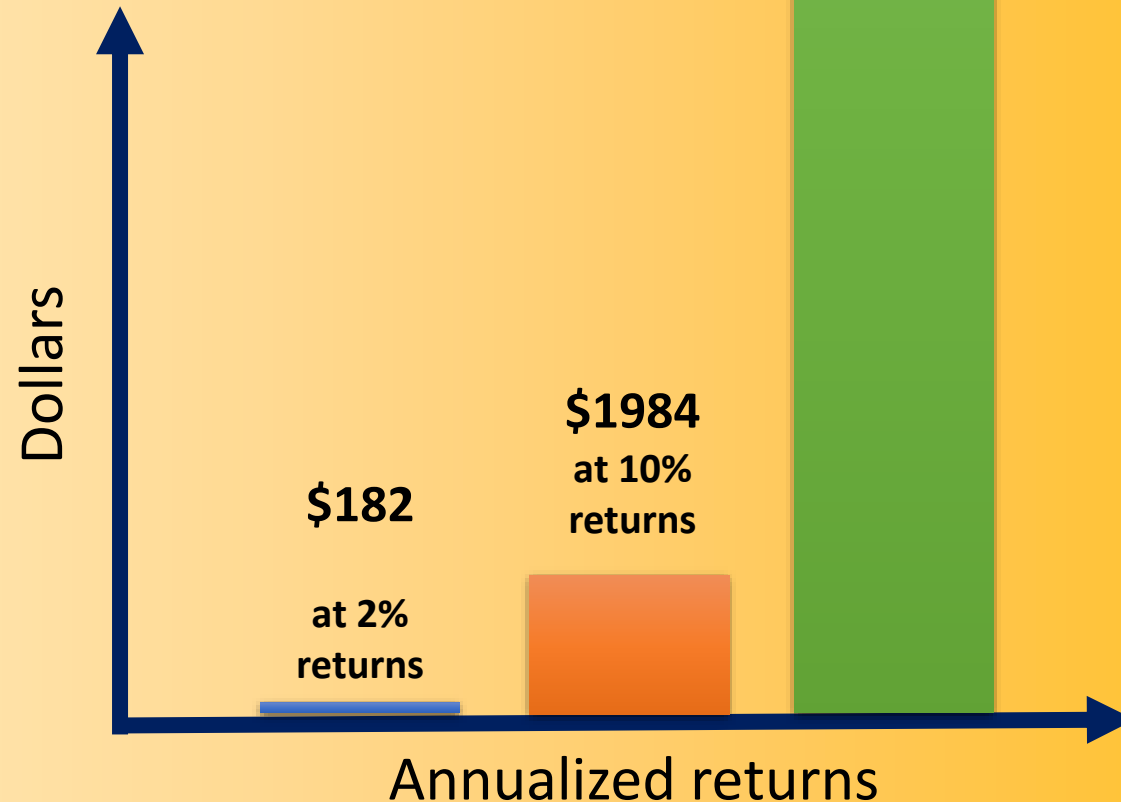
| Year and Return (%) | | Date Range | |
|---------------------|--------|--|----------------|
| 2017 | 19.41 | Jan 1 2001 | to Dec 31 2017 |
| 2016 | 9.66 | <input checked="" type="checkbox"/> Adjust for Inflation | |
| 2015 | 0.58 | <input checked="" type="checkbox"/> Include Dividends | |
| 2014 | 12.94 | Calculate | |
| 2013 | 30.50 | "Average" return: | 5.74 % |
| 2012 | 13.91 | Annualized return (= True CAGR): | 4.13 % |
| 2011 | -0.87 | Standard Deviation: | 17.16 % |
| 2010 | 13.14 | \$1.00 grew to: | \$ 1.99 |
| 2009 | 23.75 | | |
| 2008 | -37.28 | | |
| 2007 | 1.34 | | |
| 2006 | 12.87 | | |

Bottom line – One buck invested in the stock market only grew to 2 bucks in the last 17 years, when adjusted for inflation

So what must you do to get ahead?

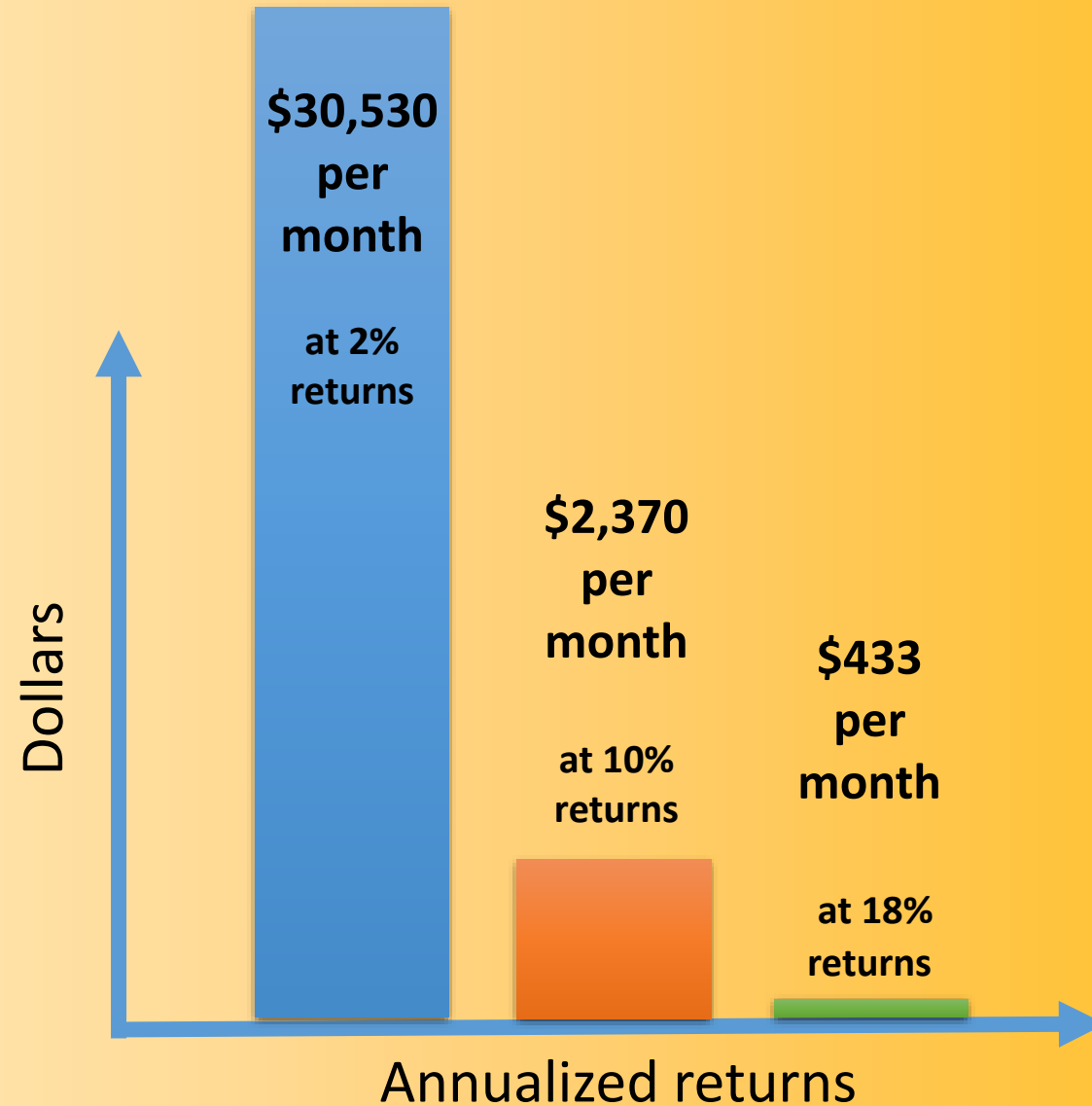
Understand the Magic of compounding returns, and add investments with potentially higher yields to your portfolio. The math shows the astonishing difference:

If you invest
\$100 for 30
years at
different levels
of returns,
what do you
end up with?



Looking at it from the end goal in mind

To have \$15,000 per month in passive income 20 years from now, how much do you need to save each month?



With that in mind, let's learn about what I do when I am not teaching.

ABOUT THE PRESENTER

LEARN MORE ABOUT THE DAY JOB

About the Presenter



**Neal
Bawa**



**Jean-Marc
Landau**

- Neal's day job is to serve as COO/President and partner for Financial Attunement (FAI), a sister company.
- FAI buys and manage MultiFamily & student housing complexes nationwide
- Currently owns properties in CA, TX, OK, NC, UT, NV and IL. Deep competency in asset selection and management
- Decades of Real estate experience (mostly coming from my partner, who has 3 decades)
- Over 1900 units transacted in the last 3 years, current portfolio 1,000+ units
- Over \$28 Million in equity invested for over 200 investors in the last 3 years
- Financial Attunement and MultiFamilyU are two separate companies



FAI'S PORTFOLIO & TRACK RECORD



Our properties and their current returns



Chancellor

224 units in Houston, TX, acquired in Feb 2014 for \$7.6MM. Sold for \$10.25 MM in April 2016. Annual returns to investors were over 35%



Villa Del Lagos

248 unit class C property in Dallas, TX acquired in early 2015 for \$5.8MM. Sold Jan 2017 for over \$11MM. Average annual returns over 55%.



La Siera

152 unit property in New Braunfels, TX, acquired in 2012 for \$13MM. Sold in 2016 for \$17.3MM, with annual return to investors of 28%.



SouthLakeSide

237 unit 6-building Class C project purchased for \$12.3MM in Dec 2015. Currently in stabilization phase.



Tree House

172 units in Longview, TX, acquired in May 2013 for \$5.4 MM. Reached 5-year exit goal in 2.5 years. Target selling price \$7.5MM. Projected returns around 30% annually.

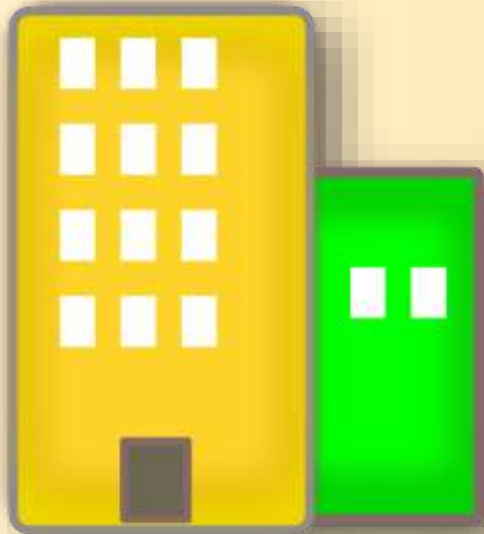




AN INTRO TO MULTIFAMILY

LET'S LEARN THE BASICS

What does the term MultiFamily mean?



The term Multifamily
generally mean 5+ units.
Reaches true economies of
scale at 150 units

*(1 to 4 units are treated mostly as Single
Family and get residential loans)*

How are MultiFamily properties valued?



E.g. In a 200 unit complex, the management successfully raises rents by \$25 per unit. The value of the property goes up by \$850K.

Valued based on Net Operating Income, not based on comparables

$$\frac{200 \text{ units} \times \$25 \times 12 \text{ months}}{7\% \text{ Cap Rate}}$$

= \$850,000 VALUE INCREASE
EVERY TIME.



About Multifamily Loans



Loans are based on the property's operating income and occupancy, not on your income or credit.

Lenders scrutinize each property in great detail, helping protect investors

How long is an investment for?



2 to 7 year investments are common. This is not a fix and flip business. Investors must be prepared to invest for that timeframe.

Why are Multifamily values generally less volatile than single family?



Values don't decline sharply in a recession or rise sharply on the rebound because values are based on income. People still need a place to live during recessions. Rents fluctuate less than home prices

Classes of Multifamily Buildings

Class A, Class B, Class C



A

Most prestigious buildings, affluent tenants with above average rents.

Buildings are generally newer, have high quality standard finishes, great amenities, no deferred maintenance, exceptional accessibility.

Low cash flow & upside for investors. Cap rates of 4.0 to 5.5%. Most buyers are institutional investors. Cash flow is most sensitive to recessions.

B

Buildings competing for a wide range of users with average rents for the area.

A bit older than Class A. Finishes are fair to good with some deferred maintenance and amenities are adequate.

Better cash flow than Class A buildings, cap rates of 5.5 to 7.5%. A mix of institutional and private buyers.

C

Buildings typically 35+ years old & located in less desirable locations.

Always in need of renovation / updating.

Lower rents & higher level of mismanagement offer value-add opportunities for savvy managers. Cap rates >7%.

Highest cash flow and great upside now, but higher classes will appreciate more in the long run.

D = don't buy

Older in rough areas. Not our market.

Top downsides and risks of Multifamily Investing



1. It's illiquid
2. Lack of control over the investment, must trust others
3. Harder to use 1031 benefits than single family



MULTIFAMILY TRENDS

WHAT IS DRIVING THE GROWTH IN MULTIFAMILY

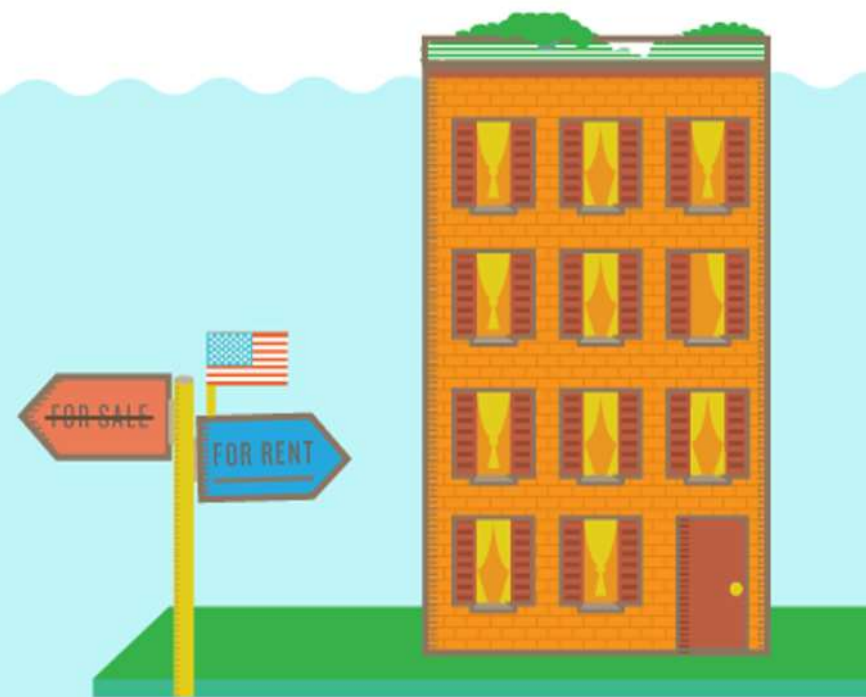


A Fundamental Change is taking place across America

RENT IS THE NEW BUY

AMERICANS PREFER TO RENT

THE NATIONAL ASSOCIATION OF REALTORS SUGGESTS 5 TO 6 MILLION NEW RENTER HOUSEHOLDS WILL BE CREATED WITHIN THE NEXT 10 YEARS. IT SEEMS AMERICANS AREN'T IN A RUSH TO BUY. IN FACT, DESPITE ELIGIBILITY FOR A MORTGAGE AND ATTAINING THE NECESSARY FUNDS TO PURCHASE, MOST RENTERS ARE STAYING PUT. WE TAKE A LOOK AT WHY IT'S A RENTER'S MARKET, AFTER ALL.



This change is driving long term demand for Multifamily Properties

ONLY **HALF** OF ALL RENTERS SAID THEY ANTICIPATED BECOMING HOMEOWNERS IN THE NEXT 5 YEARS.

**OWNERSHIP ISN'T
IN THE CARDS**

DO YOU ANTICIPATE BECOMING A HOMEOWNER IN 5 YEARS?



APARTMENT
DWELLERS

YES

44%

49%



INDIVIDUAL
PROPERTY
RENTERS

NO

60%

36%

They are not buying homes, even if they qualify for mortgages

LIFESTYLE CHOICES

LESS THAN 1/3 OF RENTERS CITED INABILITY TO OBTAIN A MORTGAGE, AS THE REASON FOR NOT BECOMING HOMEOWNERS IN THE NEAR FUTURE

WHY WON'T YOU BECOME A HOMEOWNER IN THE NEXT 5 YEARS?



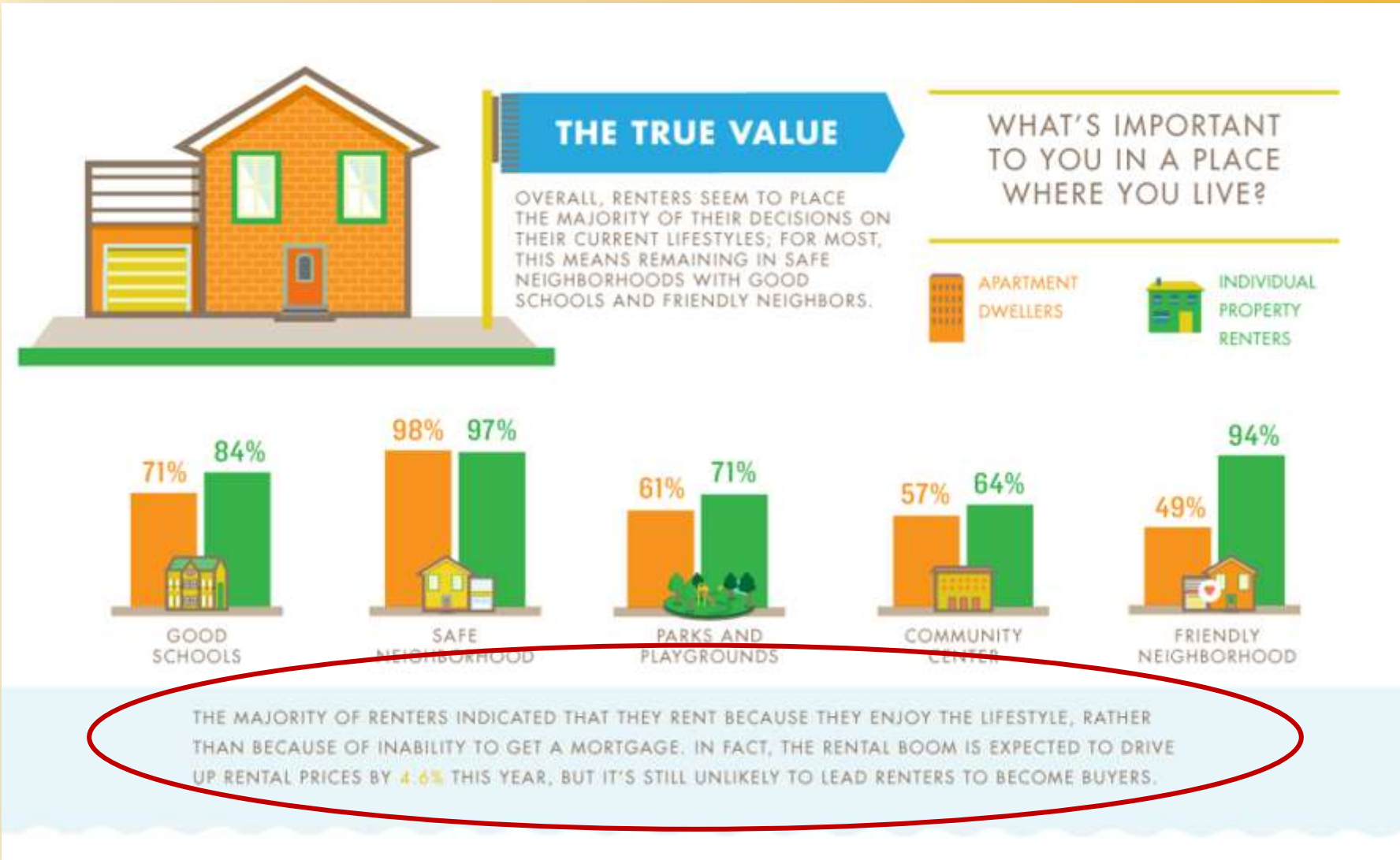
APARTMENT DWELLERS



INDIVIDUAL PROPERTY RENTERS

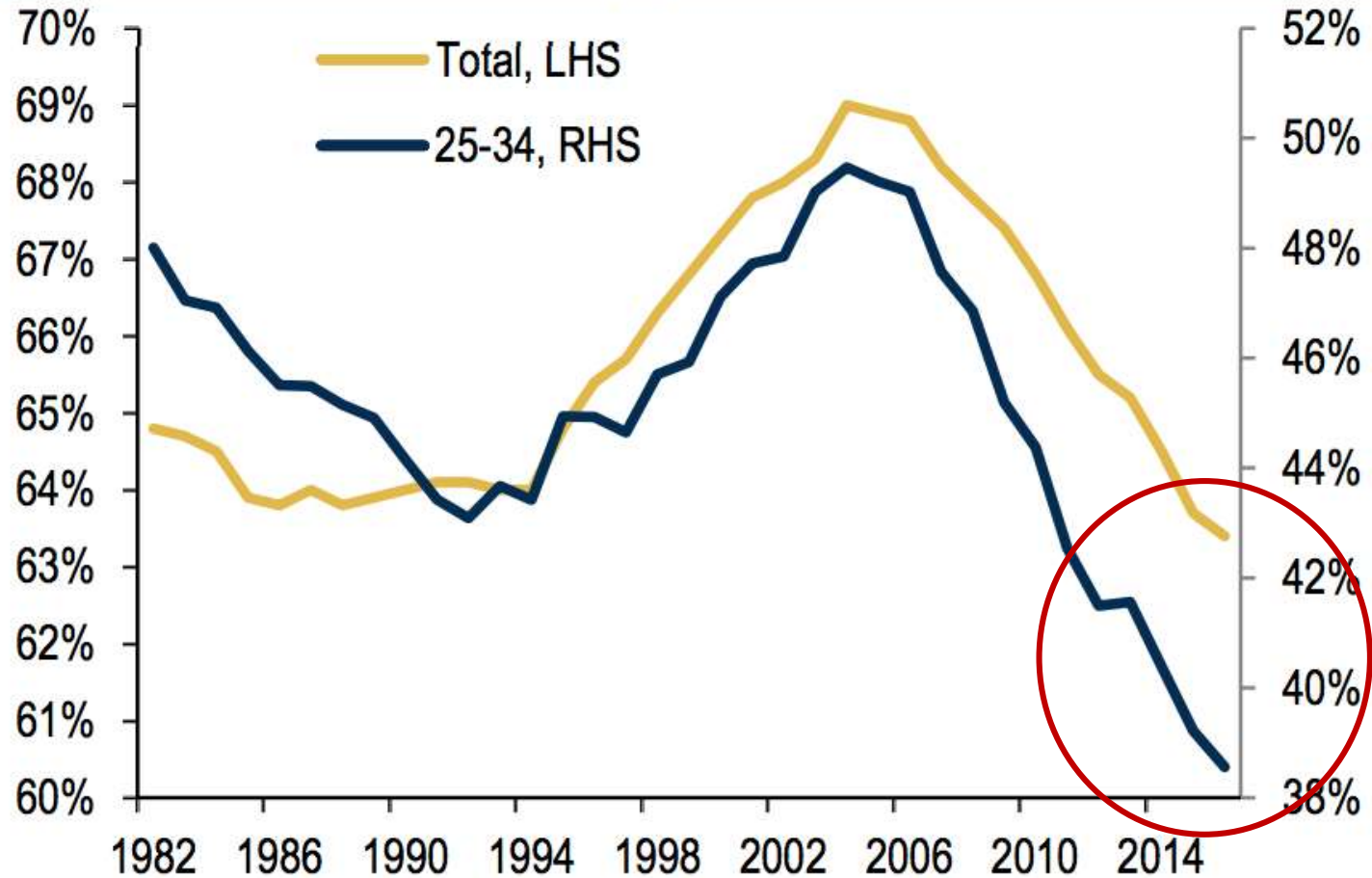


Renters are liking the freedom of the renting lifestyle



Millennials clearly are not buying homes at the same rate as the previous generations – check out this 2017 chart

Chart 3: Homeownership rate by age cohort (%)



Source: Census Bureau

The Baby Boomer generation is beginning to downsize to urban apartments



The Trends represent opportunity

As you can see the trends indicate that the Multifamily market could have a decade long runway in front of it

Now, lets show you how YOU can benefit from these trends.





BUYING TOGETHER

HOW GROUPS OF INVESTORS CAN BUY MULTIFAMILY COMPLEXES



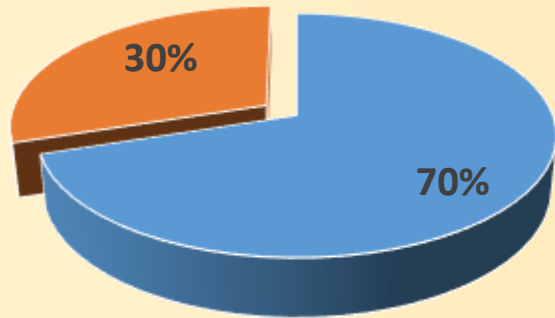
The concept of group buying through Syndication



MultiFamily complexes are expensive, so are commonly purchased by groups of investors using a mechanism called Syndication.

The rules of the Syndication process are governed by the SEC, for the protection of investors.

How Investors invest in Multifamily projects



An experienced Multifamily syndication team finds an asset to purchase and offers the opportunity to their pre-screened investors, who then choose to participate or not in the acquisition.

Individuals, self-directed retirement plans, Family trusts or entities (LLCs) invest varying amounts and receive a proportional equity share of the cash flow and value gain.

The syndication team finds, contracts to purchase, performs all due diligence on the asset, organizes the offering and pools investor funds, and manages the property until sale. For making the opportunity available to investors they receive share of cash flow and profits, and a small management fee.

Management of the property



The management team assigns an asset manager and a property management company to run the property.

Investors have no involvement in day to day running of the property. No tenants or toilets.

Cash flows are typically disbursed quarterly to investors, who often receive preferred returns before the management team is paid.



WHY INVEST IN MULTIFAMILY

TOP REASONS WHY MULTIFAMILY INVESTMENT SHOULD BE PART OF YOUR PORTFOLIO



Top reasons to invest in MultiFamily

1

Cash Flow



Multifamily properties generate enough income to cover the cost of operations (e.g. mngm't, utilities and maintenance), capital improvements (e.g. replacing equipment), and financing (mortgage). The rest goes into the investors' pockets.

While the exact return will depend on the property you invest in, double digit annual returns are common.

Top reasons to invest in MultiFamily

2

Forced Appreciation

Multifamily values are based on the net income they produce. Doubling the profit the property nets each year **doubles the value of the property**. This is the best vehicle in multifamily to achieve significant growth in your investment.

Even with mostly stabilized properties, optimizing management can yield big returns while enjoying cash flow from day one.



Top reasons to invest in MultiFamily

3

Professional management & metrics

An asset management and property management teams oversees the property, using sales, cost and profit metrics, making Multifamily a truly 'passive' income investment, with professionals handling operations.

A vast majority of single family investments require more work and focus from the investor.



Top reasons to invest in MultiFamily

4

Inflation Protection

One of the best mechanisms to avoid the impacts of inflation is to own real assets. The value of these assets will increase with inflation, thus being protected by the impacts of inflation. Real cash, on the other hand, will decrease in value from inflation, as each dollar will be able to purchase less in the future than it can today. At a time when the Fed is printing billions of dollars out of thin air, owning multifamily properties is a great inflation hedge.



Top reasons to invest in MultiFamily

5

Tax Benefits

Multifamily properties are able to take advantage of depreciation on the building and equipment to help offset income. This essentially offsets some or all your income taxes from the property cash flow.



Top reasons to invest in MultiFamily

6

Economies of Scale

Multifamily complexes have huge economies of scale on their side.

- Vacancy impact cash flow less due to large number of units.
- Marketing and logistics are more efficient.
- Repair and maintenance is more cost effective.
- Dedicated employees are easier to manage than contractors
- Upgrades can be carried out with less impact on revenue.





LIFECYCLE OF A MULTIFAMILY PROJECT

LET'S WALK THROUGH AN ENTIRE PURCHASE TO SALE LIFECYCLE

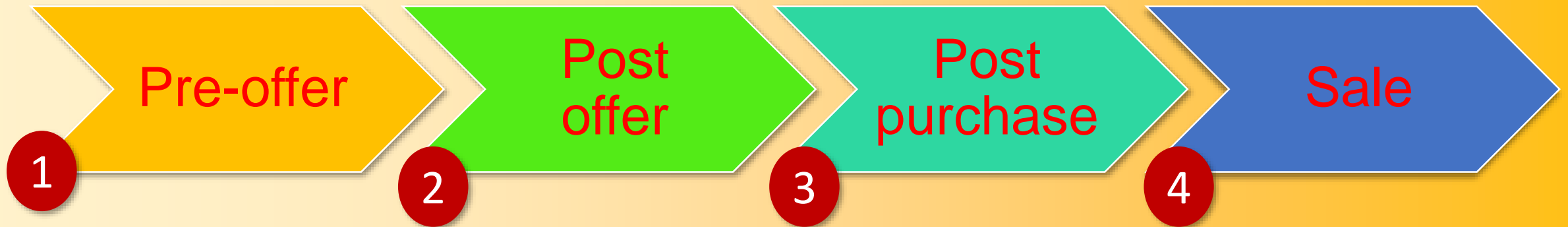


Multifamily Project Phases



Note that every Multifamily real estate project has a life and character of its own, but the goal is to understand the broad strokes of a Multifamily project lifecycle .

The 4 Phases of the Project



Pre offer

1

2

3

4



Metro research – jobs, path of progress, pricing trends.



Team creation – Realtors, inspectors, Property managers, Contractors



Opportunity search within target areas



Walk comparably sized properties for sale in target areas



Opportunity found, first offer made based on seller's financials

1

2

Post offer

3

4



Due diligence #1 – roof, sewers, repairs, unit condition, carpets, hallways, exteriors, electrical, plumbing, Mechanical



Due diligence #2 – Verification of financials, rents, occupancy levels, delinquency, Staff competency



Due diligence #3 – walk comparable properties on sale to ensure that our pricing and assumptions are sound, and the property is a good buy



Repair credit negotiated. Price reduction negotiated after financial verification. If seller does not agree, restart at Phase 1.



Team promotes the opportunity to their investors, through webinars and detailed Investor Summary and financial projection documents



Lawyers create legal entities (LLCs) to protect investors and management team. Purchase completed typically within 75 days and property handed over.

1

2

3

Post
Purchase

4



Management makes changes to property management team – Retrain or Replace



Management make upgrades to amenities, interiors and exterior to enhance tenant satisfaction and curb appeal



Management transitions out or evicts undesirable tenants, and brings in better tenants with higher rents



Repair budget is used to improve the asset, increasing rents, lowering expenses, and enhancing profitability



Each quarter, investors receive checks for available cash flow, and receive financials and a property report from the management team.

1

2

3

4

Sale



Management runs complex for 3-5 years. With market appreciation and proper management, the property's net operating income is expected to increase steadily.



Typically, by Year 5 or before, the property's Net Operating income reaches the exit projections.



Management puts property up for sale, and aims to complete the sale within a 6-month timeframe.



Investors receive their principal back, along with profits.

Recap and next steps

You learned about the 2+ trillion dollar U.S. MultiFamily market

You now know the once-in-a-lifetime broad market trends driving MultiFamily growth

We discussed the top 6 reasons why people invest in Apartments

You learned how groups of investors buy properties together, and you went through the lifecycle of a project

Now, let's spend 90 seconds on Next steps. If you like this, Take Action

Interested in Apartment Investing?

Come enjoy an incredible learning experience



I help people become financially free with real estate by teaching them how to invest in apartment buildings



MULTIFAMILY U

www.multifamilyU.com

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**Multifamily Real Estate Investing Has Proven To Be One
Of The Best Asset Classes For Long-Term Wealth
Accumulation**



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I teach the last honest Apartment Boot Camp in America.

- ✓ It is a pitch-free, no fluff, 100% pure learning experience. A hands-on training program that can be immediately implemented.
- ✓ Learn the smart approach to investing in commercial size apartment complexes. Get empowered to **confidently buy and manage properties** that generate **passive income!**
- ✓ When You're Done, You'll Walk Away With a Step-By-Step Plan For Buying the RIGHT property at the RIGHT time for the RIGHT price



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A unique learning experience

Seize the Opportunity

Promise

The only Apartment boot camp in the U.S. that makes & keeps these promises to you:

Promise 1: The training is eye opening, specific and tangible, meant to be used right away.

Thank you again for an amazing learning experience in the MF Boot Camp. My husband and I really appreciated how many specific tools you shared that we haven't seen elsewhere. Tools we can begin putting into practice right way, such as what to look for in determining which markets have the greatest potential for growth and cash flow, how to then drill down to specific neighborhoods within those markets, and how to build a team that can help support and run our out-of-state holdings. This is invaluable information for new investors like ourselves, but I imagine even a seasoned veteran would have picked up some great tips.

- Anya Sagee



www.multifamilyU.com

A unique learning experience

Seize the Opportunity

Promise

Promise 2: Pitch free – no upsell, coaching, mentoring, tapes etc. Just 100% sales free, content rich training.

The Multifamily Boot Camp was 100% sales free training on how to buy apartments. Lots of content, resource and tips you can use right away. No sales pitch. All training. I've attended several weekend bootcamps before and although all offer great information, half the time you're there, they're trying to sell you something – their next event or coaching or whatever else. The Multifamily Boot Camp was 100% sales free training on how to buy apartments.

- Joy Viray



www.multifamilyU.com

A unique learning experience

Seize the Opportunity

Promise

Promise 3: It's filled with shortcuts, secrets and strategies that you have never seen before, with a clear roadmap to success



Neal's ingenious ideas on how to use VA's and mega-marketing strategies to attract tenants was truly an eye opening experience for me.

The boot-camp provided me with a clear and precise road map to identify specific locations to invest in. Neal's presentation coupled with labs (small group sessions) provided hands-on experience for all the attendees.

I can state unequivocally that this boot camp was by far one of the best that I've attended. I was able to immediately implement the strategies that I learnt.

- Esosa Egonmwan



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Thank you for your time

**Questions? You can
type them in if you are
watching Online.**



My contact info

Neal@finatt.com

510-367-1510

Come to our events in Fremont and San Francisco, you will be glad you did...

" Neal started the year with the bang! Another data rich and thought provoking presentation. Though, last part was specific to multi family investing, it also covered a lot of ground on real estate investing in general. Keep it up guys!! "

— sam on Jan 24, 2016.

" As an investor new to multifamily real estate, I was thoroughly impressed with how much I learned from the meetings and webinars. Neal is a tremendous speaker with a wealth of knowledge and insight into the multifamily market. Well worth your time! "

— George Liu on Jan 27, 2016.

" The recent Multi-Family Presentation by Neil Bawa was thorough, timely and detailed. His complete detailed analysis of Global, International and Emerging Markets of where to invest and where to avoid is invaluable. His analysis on all facets of multifamily investing reflects his broad depth and detailed knowledge of all markets. Anyone who follows the knowledge gained from his presentation would greatly benefit in multi-family investing. He is always very happy to share his knowledge with members which is extremely helpful. "

— SAM on Jan 29, 2016.

Don Wilkins

Excellent and informative presentation. Knowledge I can never to hope to achieve on my own. Thanks!

Nir

Neal is a great speaker, with depth of knowledge reserved to those who just love what they do. Thanks!

Dorothy Van Buren

Extremely valuable information which explained the advantages of multi-family as an investment option compared to single family or the stock market. Excellent overview of trends in the multi-family market place.

Leslie Plettner

Wow! The thoroughness of the presentation was exceptional. Regardless of where you are in your real estate investing career, you would have learned something at this presentation. I left knowing how to better analyze markets, which will leave me making smarter and more profitable investments! Thank you Neal, Holly, and Jean-Marc.