



Neal  
Bawa



# MULTIFAMILY FUNDAMENTALS

Foundational concepts & benefits of Apartment Investing



Webinar starts at 9.03 AM  
PST, 12.03 AM EST

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

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# 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

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# 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

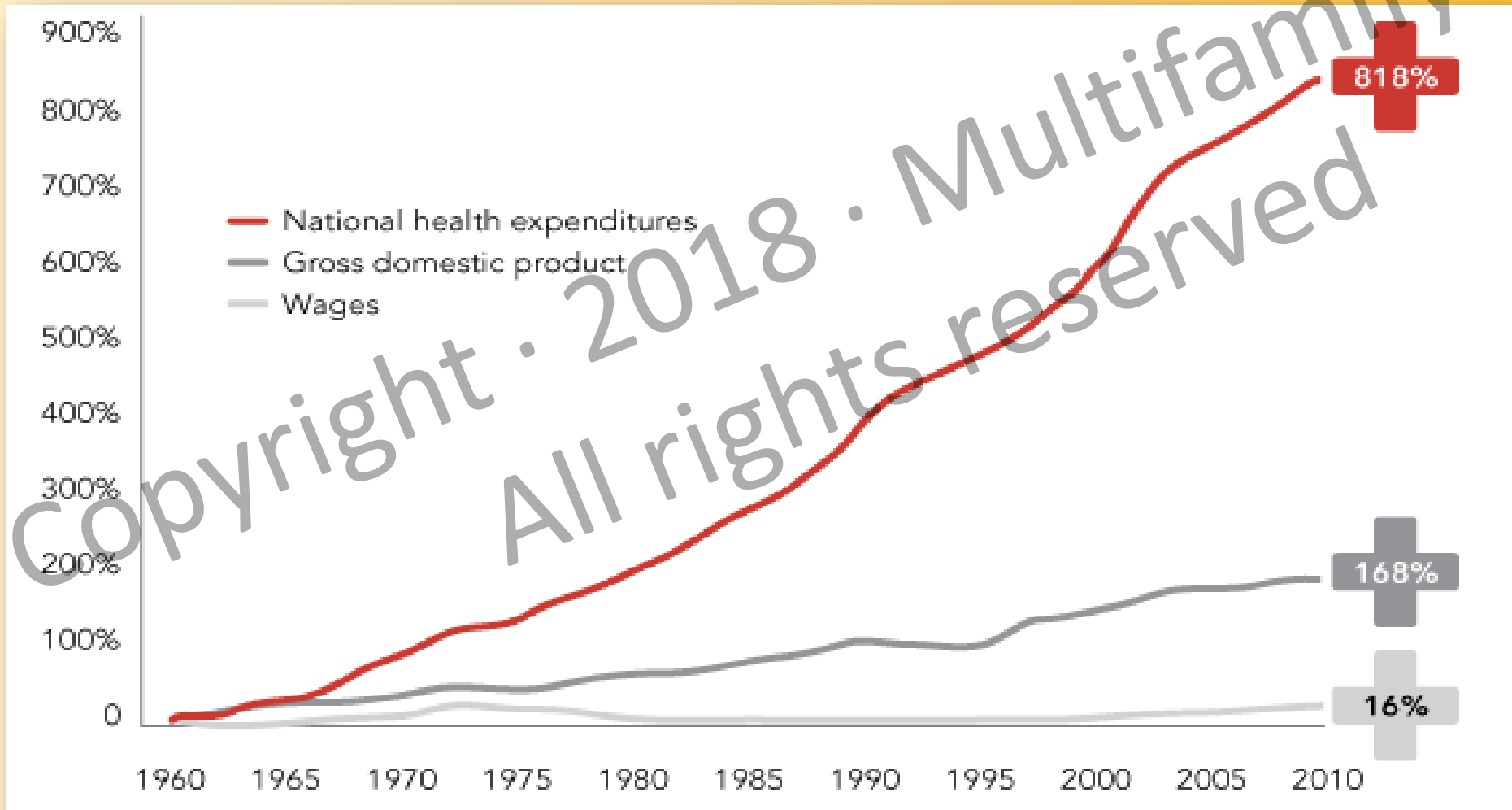
**69 yrs. in 1960**

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 <a href="#">Inflation</a>	<input checked="" type="checkbox"/> Include Dividends
2015	0.58	Calculate	
2014	12.94	"Average" return:	5.74 %
2013	30.50	Annualized return (= True CAGR):	4.13 %
2012	13.91	Standard Deviation:	17.16 %
2011	-0.87	\$1.00 grew to:	\$ 1.99
2010	13.14		
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?

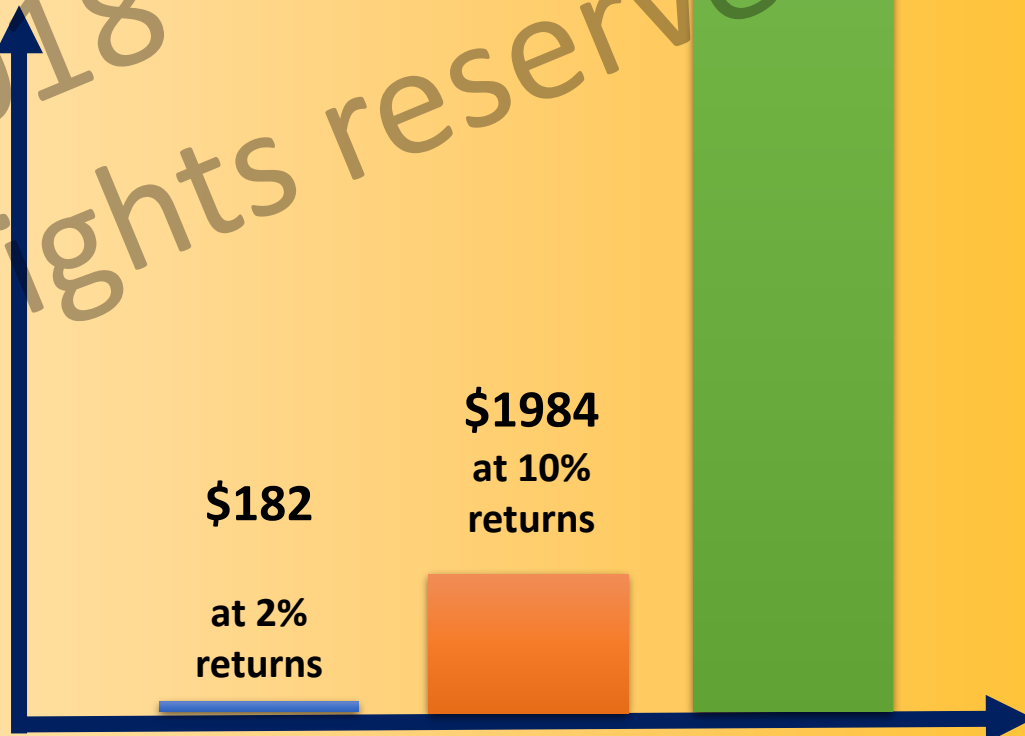
Dollars

\$182  
at 2%  
returns

\$1984  
at 10%  
returns

\$21270  
at 18%  
returns

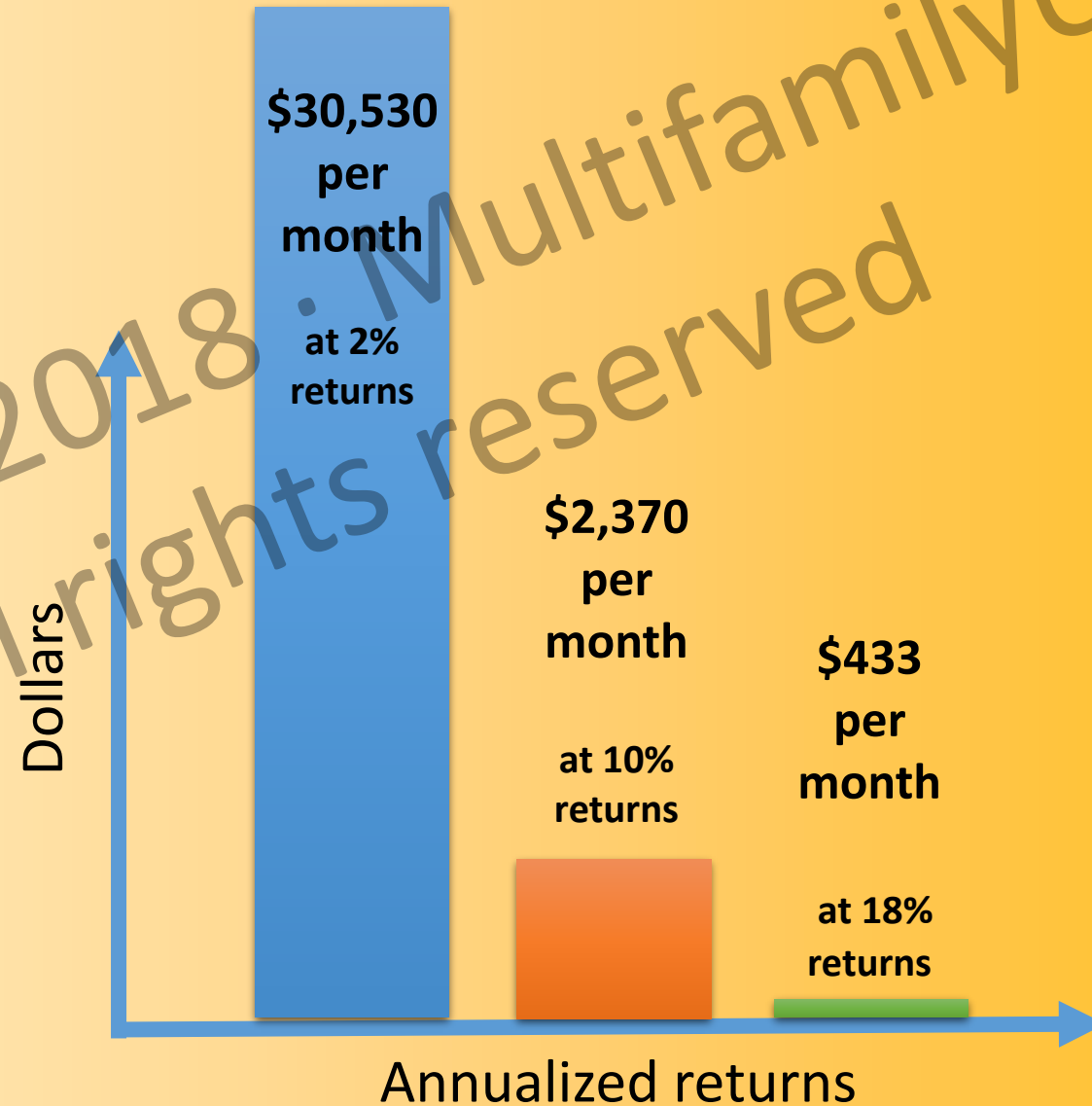
Annualized returns





# 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

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# About the Presenter



Neal  
Bawa

- CEO / Founder at Grocapitus and MultifamilyU
- My team sources, negotiates and acquires Commercial properties across the U.S.
- My current portfolio is over 1000 units, projected to be at 2000 in 12 months, with 200 investors invested in portfolio
- Portfolio includes Multifamily and student housing properties in 6 U.S. states.
- I speak at events & meetups across the country. About 4,000 students attend my multifamily seminar series each year and hundreds attend my Magic of Multifamily boot camps.
- I enjoy chatting with podcasters and been featured in over a dozen podcasts and radio shows.



MultifamilyU



# Our Portfolio

A sampling of the team's portfolio



## Art City

Art City Center is a beautiful new construction mixed use project in Springville, UT. The iconic mid-rise secure access residential facility has 102 units. The project was completed in April 2018 and is halfway through lease-up.



## Love Cove Resort

Marina and RV park acquired in Charlotte, NC in 2016, and turned into high-end glamping resort. Installed 16 of 36 cabins. Daily rate and occupancy climbing continuously. The model works and we are looking to buy more resorts.



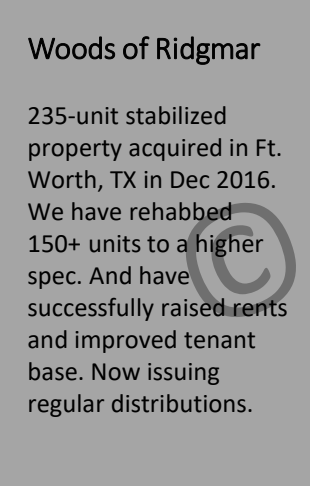
## The Point on Flamingo

192-unit C class property in Las Vegas purchased in May 2017. Borders UNLV campus on two sides, and is now transformed into purpose built student housing. It is run as full-service, furnished housing, rented by the bed to individual students. First 100



## Windsor Park

60 unit property, purchased in 2018 as a 1031 exchange in an up and coming area close to SLC airport, which is undergoing a \$3.6 Billion expansion. The plan is to rehab 50 of the 60 units during 2018 and 2019 to boost cash flow.



## Woods of Ridgmar

235-unit stabilized property acquired in Ft. Worth, TX in Dec 2016. We have rehabbed 150+ units to a higher spec. And have successfully raised rents and improved tenant base. Now issuing regular distributions.



## Brandon Properties

Collection of 2005-built brick Triplexes in a gated community in Hegeswich, IL. Purchased in 2013, value of portfolio is now up 30%+. Cash flowing at over 16% annualized cash on cash.



## Rails on Main

322 unit new construction purpose-built student housing project next to the university in Buffalo, NY. First raise of \$6.2MM used to buy land, demo, land remediation & rezoning. Project well timed as Buffalo economy surged in 2017. Starting construction 2018, for 2020 completion.

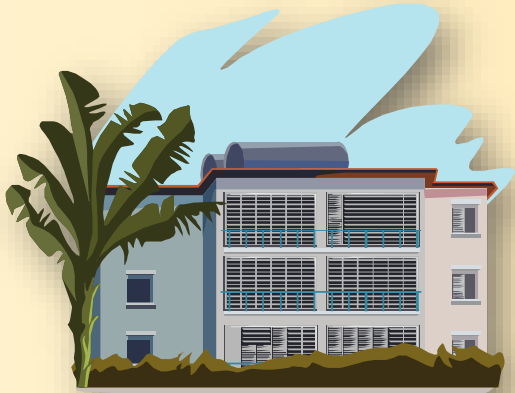


## South Lake Side

6 Building, 237 unit project in Chicago. Well behind schedule for turnaround. 1<sup>st</sup> property mgr hired not a good fit. We are back to 85% physical occupancy and 65% economic occupancy (up from 50%). Pushing hard to get to cash flow positive.



\*Several properties are in partnership with other groups



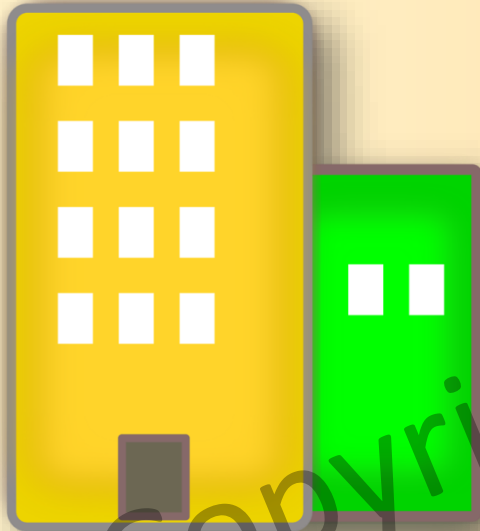
# AN INTRO TO MULTIFAMILY

LET'S LEARN THE BASICS

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# 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)*



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# 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.



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# 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.

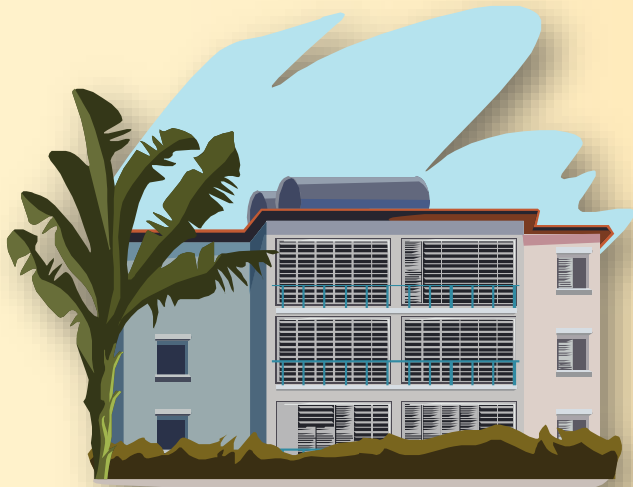
**D = don't buy**

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



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# 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.



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# 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

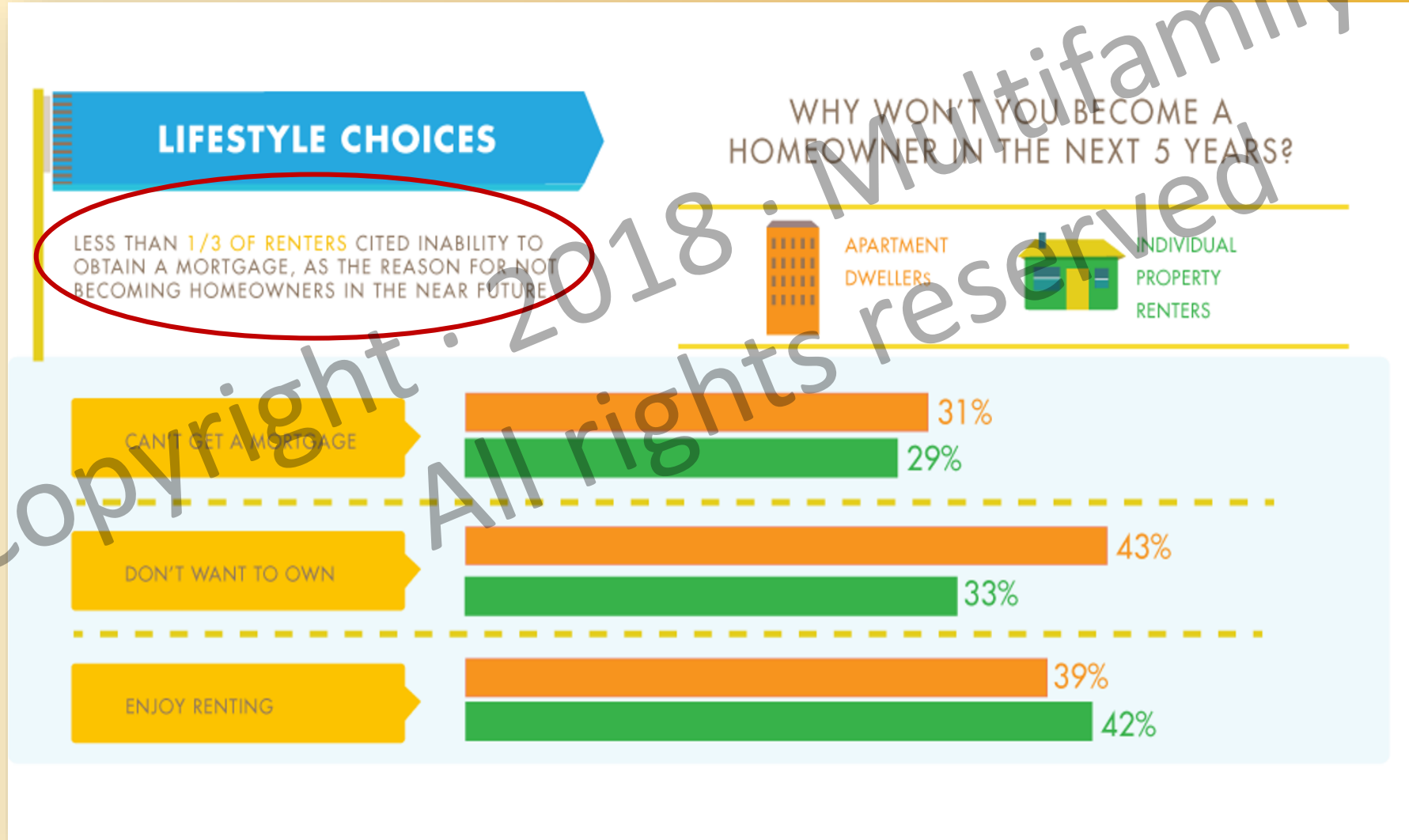
60%

36%

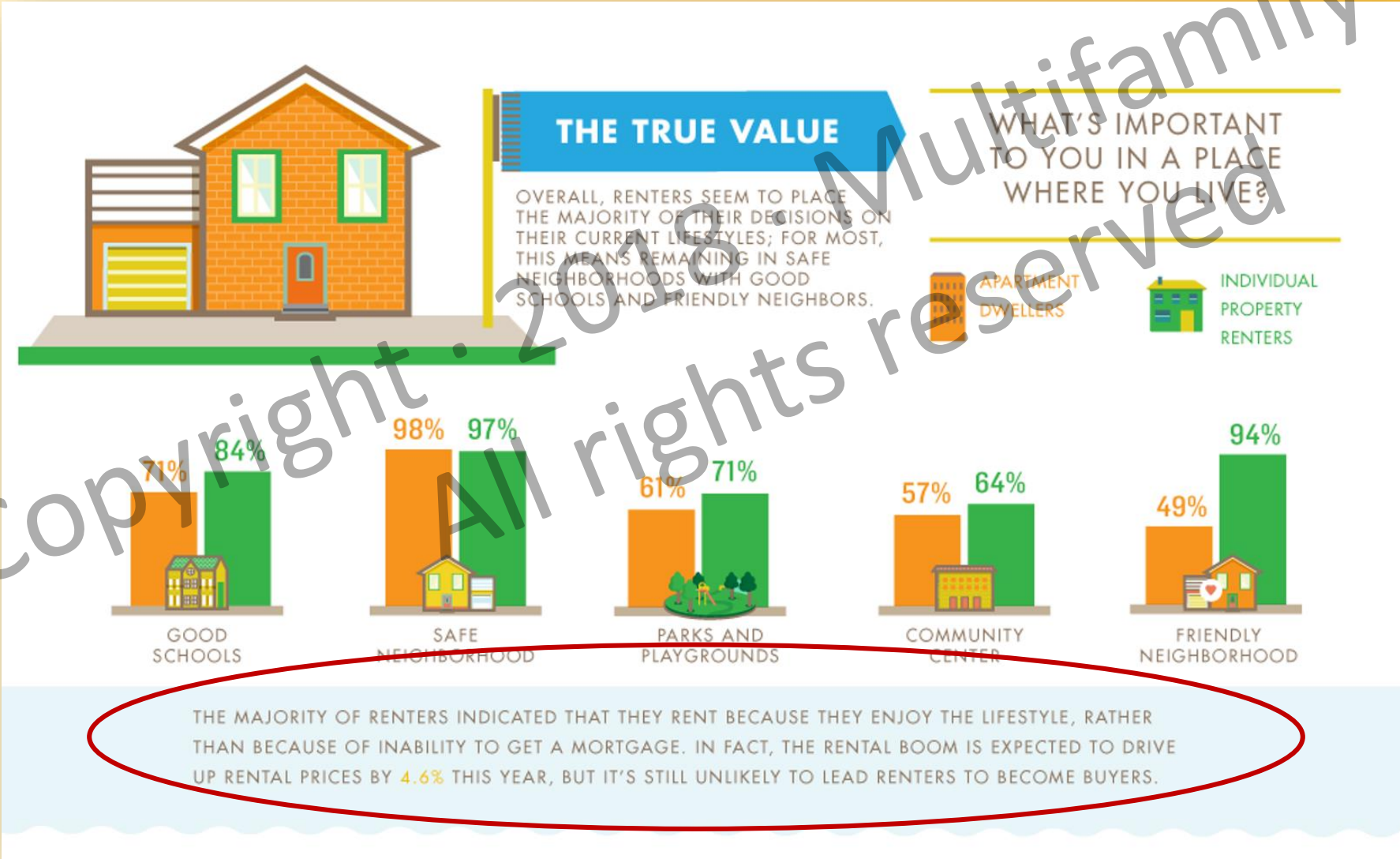
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# They are not buying homes, even if they qualify for mortgages

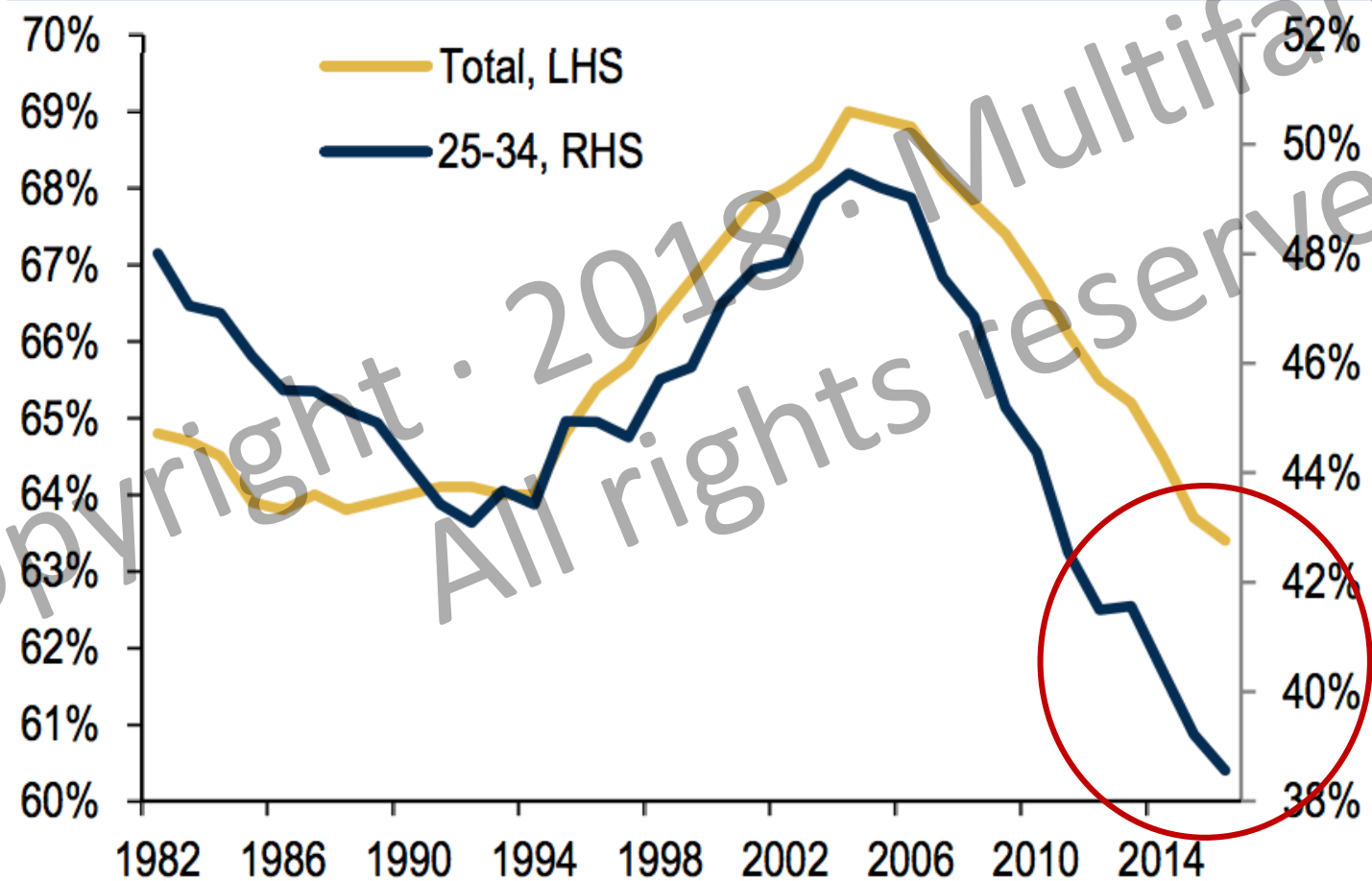


# Renters are liking the freedom of the renting lifestyle



# 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.**



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# BUYING TOGETHER

HOW GROUPS OF INVESTORS CAN BUY MULTIFAMILY COMPLEXES



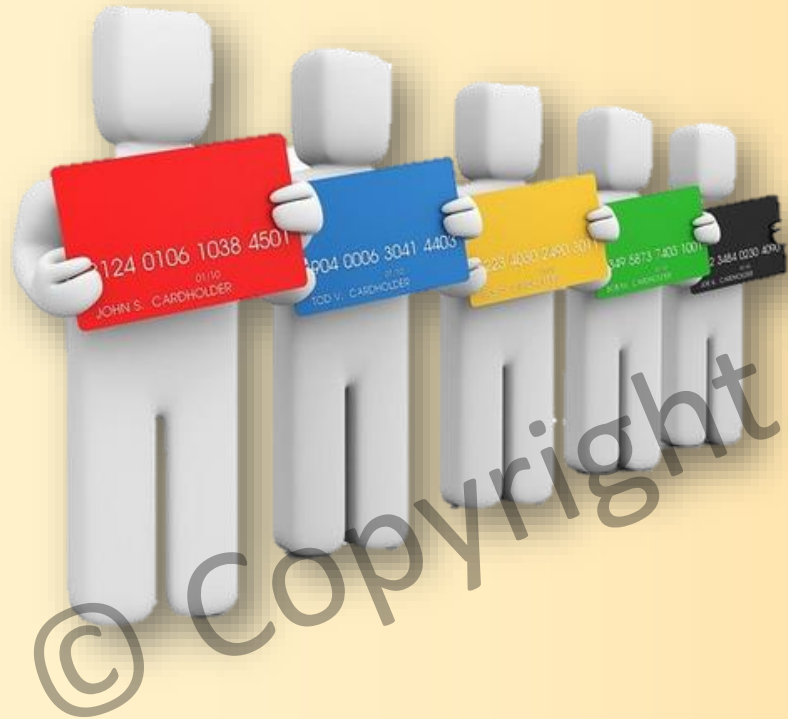
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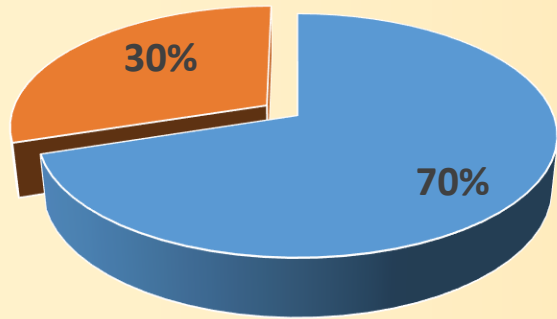
# The concept of group buying through Syndication



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

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1  
2  
3

# Top reasons to invest in MultiFamily

1

## Cash Flow

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



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# Top reasons to invest in MultiFamily

2

## Forced Appreciation

Multifamily values are based on the net income they produce. Increasing the profit the property nets each year **increases 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.



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# 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.



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# 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.



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# 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.



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# 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



# New Investment opportunity with over 23+% average annual returns projected

Phase I (\$6.2 Million equity) sold out.  
Taking reservations for Phase II

## Accredited investors:

Join us in developing a stunning new 322-Unit Graduate Student Housing Project in Buffalo, NY, near the University at Buffalo.

Over 23% average annual returns are projected, due to large environmental clean up credits and 13 years of Tax incentives.



# New Investment opportunity with overall 23+% average annual returns projected

Here is what the finished project looks like



## A tremendous time to invest in Student Housing

*"As dorms morph into luxury apartments, our student housing clients are able to offer more in amenities such as pools, hot tubs, weekly social events, top-of-the-line workout facilities and high-speed internet. These services are free, but with the increase in amenities, rents are significantly greater than other types of apartments, sometimes even twice the amount,"*

*- RSM Partner Nick Antonopoulos*

*"There's just been a massive amount of money flowing into the space and the top investors are all doing what they can to make a splash,... There are more groups looking to invest than there are developers and operators with available real estate, so the next 12 months should be very interesting, as the hardest thing for these institutional investors to do is find the right product with the right operator."*

*- Marc Lifshin, Co-founder and Managing Partner of Core Spaces.*



# Interested in Apartment Investing?

Come enjoy an incredible learning experience

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



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# Interested in Apartment Investing?

An incredible learning experience

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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



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# 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*



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# 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

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# LIFECYCLE OF A MULTIFAMILY PROJECT

LET'S WALK THROUGH AN ENTIRE PURCHASE TO SALE LIFECYCLE

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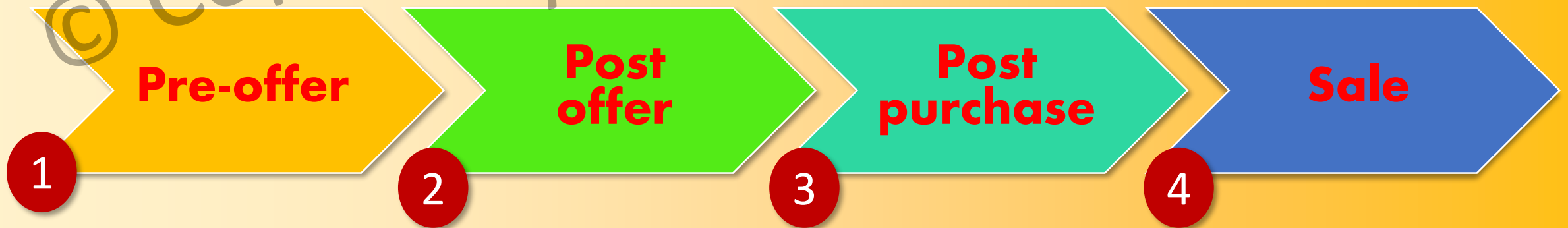


# Multifamily Project Phases

CASE STUDY

*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



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

2



Team creation – Realtors, inspectors, Property managers, Contractors

3



Opportunity search within target areas

4



Walk comparably sized properties for sale in target areas



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

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# Post offer

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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.

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## Post Purchase

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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.

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**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.

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