

The REAL Workshop

How to Invest in Multifamily Real Estate

October 22, 2022

Day 1

MARKET SELECTION AND DEAL FLOW

Welcome

- What is this Workshop and is it for me?
 - How to build a healthy real estate portfolio
 - An deep dive into multifamily real estate investing
 - What will it take from me??

Who Are We?

- Who is Elevate and what is the REAL Workshop?
 - Our Journey to Elevate
 - Our Mission to be REAL

The Solo Journey

- Bought my first property in 2010 for \$750,000
 - I put in \$250,000 for renovation
 - Sold for \$2,200,000 in 2022
- I also purchased a condo in 2012 for \$170,000
 - Sold for \$400,000 in 2019
 - Gain: \$260,000

Total **sold value** in 10 years: \$2,600,000 from roughly \$700,000 cash deployed during 12 year run

The Paradigm Shift

Started with \$730,000 in 2020

Since, we acquired over \$22,000,000 of Real Estate

(total of \$1.3MM total deployed)

Why Real Estate?

The BIG Picture

- Growing population and limited supply = major shortage
 - World population in 1980 - 4.4B
 - World population today - 7.8B
 - USA has shortage of 3.8M units
- Hedge against inflation
- The ability make a direct impact on the performance

The Asymmetric Potential

- 5 pronged approach to profit
 - Cash flow
 - Principal paydown
 - Market appreciation
 - Forced appreciation
 - Tax advantage
 - 1031 exchange
 - Accelerated depreciation
 - Refinance instead of selling

Levered Return

- Power of leverage
 - Banks love lending for real estate deals
 - Appreciation is on the price of the asset.
 - Deployed capital is fraction of the asset price
 - Rent goes up, mortgage is fixed
 - Debt is a powerful tool if wielded correctly

Community

- Team work
 - Real estate is a team sport
 - Relationships and a chance to impact those that we come in contact with
 - Creative ways to collaborate and achieve win/win

BREAK

10 Minutes

Up Next:

Market Selection, Repositioning, Deal Flow

Strategies

Market Selection

- Population
 - Organic growth vs net migration
- Employment
 - Job growth & Job diversity
- Legal landscape/taxes
- Supply & demand
- Other considerations
 - Median income
 - Crime
 - Hipsters?

Market Selection

- Premium Markets

- Higher market appreciation
- Lower cash flow
- Low leverage (requires a lot of capital)

- Secondary Markets

- Lower market appreciation
- Higher cash flow
- Higher leverage

Repositioning

- Value add-
 - Cashflow and appreciation
 - Forced appreciation rather than market appreciation

Example

\$100 rent increase on 100 units = \$2M increase in valuation

How?

$\$100 \times 100 = \$10,000/\text{month} = \$120,000/\text{year}$

Using 6% Cap Rate

$\$120,000/6\% = \$2,000,000$

Deal Flow

- Brokers, direct marketing to sellers, relationships with vendors
- Brokers are the best source for deals
 - They are the gate keepers for off market deals
 - Buyer vets the broker, but the broker also vets the buyer
 - Does the Buyer have the money?
 - Does the Buyer have experience/knowledge?
 - Is the Buyer serious about buying?
 - 90/10 rule – where do you find the best?
 - How to build relationships with the best brokers
 - Exclusive representation?
 - Brokers have fiduciary duty to the seller

Deal Flow

- Direct marketing to sellers
 - May work for smaller deals
 - Larger deals are owned by professionals
 - May get contentious with brokers
- Relationships
 - Bankers, property managers, lawyers, contractors
 - Other investors

End of Day 1