

# 6 Reasons why multifamily investing is a great investment

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# Overview

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- ▶ 2 DEMAND → Currently more demand than supply
- ▶ 3 TAX BENEFITS → Government incentives to take advantage of
- ▶ 4 APPRECIATION → Real estate values appreciate
- ▶ 5 SCALABILITY → Cost saving benefits to investing bigger
- ▶ 6 RESESSION PROOF → Economy declines, demand for rental units increases

# CASH FLOW

Rents are relatively predictable and produce steady cash flow year after year. With high inflation, high mortgage rates and the increase of property prices, renting makes financial sense to people as opposed to homeownership. The increased numbers of renters drive higher rents, lower vacancy rates and high stability for multifamily owners in their income streams.

## **Benefit to a passive investor**

As a multifamily investor, you are able to predict the cash flow you will receive at the beginning of the investment based on thorough underwriting from the management team done before purchasing the property. Cash flow is generated mostly from the tenant's rental payments. Most multifamily investments are value-add opportunity which means the property is upgraded during the first two years to raise rent. Once the units are renovated, they are able to generate higher rents and cash flow increases. In a good syndication investment, cashflow should be reliable and the only surprise should be an upside on cash flow.

# CASH FLOW Preferred Return

A preferred return in private real estate investing is **the minimum return an investor must receive before an investment manager can earn a performance fee**. There are 2 benefits in investing in multifamily deals with a preferred return

- As an investor, you have a minimum return that you will receive making for predictable minimum cash flow and deal performance
- Partners have a financial incentive to execute on the business plan of the building and get it to perform as projected. Limited partners like you get paid before the managers.

# DEMAND

Supply chain disruptions over the last two years has caused an additional shortage of supply in inventory for residential living. Average rent climbed 10%, while the average occupancy rate rose to 96.5% and the rental retention rose by 3.5% year over year. According to Moody analytics, rental rates and tenant retention is strong as renters across the nation are staying in their apartments longer and paying higher rents.

## **Benefit to a passive investor**

As a multifamily investor, the demand for apartments makes for a steady and reliable investment opportunity. As the properties are upgraded, it will not be difficult to raise rents to what the market commands. There is no slowing down for the current rental demand and this gives an upside to the investment as there is potential that rents can be higher than anticipated.

# TAX BENEFITS

Multifamily real estate investing is highly tax advantaged. The government provides tax incentives to investors, in the form of depreciation, tax deductions, cost segregation and 1031 exchange benefits.

\*Always consult a professional tax accountant when discussing your own tax credits.

## **Benefit to a passive investor**

As a multifamily investor, it is not about how much you make but more about how much of that money is yours to keep. With a syndication structure, there are tax benefits an investor can take advantage of. Income from multifamily investments are taxed at passive income rates and are lower because they are not subject to employment taxes. Coupled with deduction and depreciation, you have a heavily tax advantaged investment income.

# TAX BENEFITS

## Depreciation/1031

### **Depreciation**

Properties depreciate over time therefore the tax deduction covers the property's "wear and tear" over the years. It is one of the biggest and most important deductions for rental real estate investors because it allows investors to deduct a depreciation expense from their taxable income.

### **Deferability**

1031 exchange is the ability to defer paying capital gains taxes on an investment property when it is sold as long as the profit is used for another "like-minded property"

# TAX BENEFITS

## Cost Segregation

**Cost Segregation** is the IRS approved process of accelerating depreciation on a real estate asset by separating non-structural personal assets and land improvements from real property assets

- Accelerate income tax depreciation deductions
- Recover missed accelerated depreciation deductions from previous years
- Improve cash flow
- If you invest from your self-directed IRA, you are not taxed on any of the income so there is nothing to offset



# APPRECIATION

As rents continue to rise fueled by strong demand and limited supply, so will the building's value, driven by increase Net Operating Income (Gross Income less Operating Expenses).

## **Benefit to a passive investor**

As a multifamily investor, two main ways you will make money through a syndication are from rental income and property appreciation. When the property is sold, you receive a portion of those profits. **How does a property appreciate?** By making capital improvements and increasing rent. The higher rents increase, the higher the property's valuation.

# SCALABILITY

Economies of scale come into play in this asset class as it is more efficient and quicker to acquire larger multifamily properties, than single family houses. It is easier to manage 40 units in one property than 40 individual properties spread throughout the city. Also, a relatively smaller amount of capital is used to purchase large properties.

## **Benefit to a passive investor**

Passive investment is cheaper, less complex, and often produces superior after-tax results over time than actively managed portfolios. Let us do the heavy lifting while you benefit from the returns. As your money grows, continue to reinvest and watch your portfolio grow.

# RECESSION PROOF

Traditionally, as the economy slows down, demand for apartments increases. Recessions usually reduce the amount of disposable income people have for buying new houses. More people who would buy a home are forced to continue renting, or people who own may have to sell and return to renting. As shown in the chart below, historically when the economy slows down, average rents don't fall.

## **Benefit to a passive investor**

As a multifamily investor, this is a benefit in investing in multifamily asset class. In an economic downturn, “traditional” investments look less desirable and more volatile. It is the perfect time to look into multifamily investments. With high demand for apartment living, there is more assurance that the asset will perform, and in turn a more predictable investment.

# Join our community

- ▶ E2F Properties and Maverick Capital Group are working on some really exciting things at the moment to yield us and our investors **consistent returns and cash flow**. Please reach out to our Investor Relations team to schedule an investor consultation. We will keep you connected through email invitations to learn about upcoming investment opportunities and become a part of our community. Please send a email from the address below. From there we will schedule a time to chat, get to know each other, and see how we can help you achieve your real estate goals today!



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