

Growing Your Retirement Savings With Multifamily Real Estate



Featuring:  **BIRGO**





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Agenda

- 1 Self-Directed IRA Basics
- 2 Multifamily Core Concepts
- 3 State of the Industry
- 4 Why Birgo Loves Multifamily
- 5 Direct Purchasing
- 6 Real Estate Investment Trusts (REITs)
- 7 Multifamily Private Equity
- 8 Q&A

Meet Your Host

Tony Unkel

Business Development Manager at The Entrust Group



3

Years at Entrust



Educating investors and professionals
on tax-preferred retirement accounts

About Entrust



\$4B

Assets Under
Administration



22k

Active
Accounts



40

Years of
Service



1

Point of
Contact

About Entrust



- Self-Directed IRA administrators
- Knowledgeable staff with CISP designations
- Nationwide offices
- In-person events and virtual webinars
- National Continuing Education program for other credentials
- Bi-annual IRA Academy

What is a Self-Directed IRA?



A retirement account in which the individual investor is in charge of making all investment decisions



Greater opportunity for asset diversification outside of traditional stocks, bonds, and mutual funds

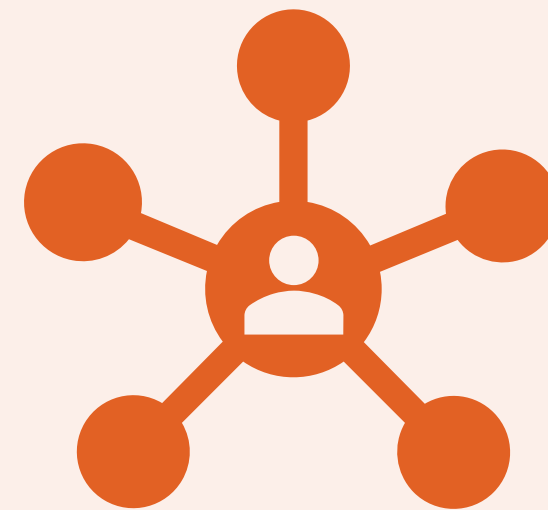


All securities and investments are held in a retirement account administered by a regulated custodian or trustee

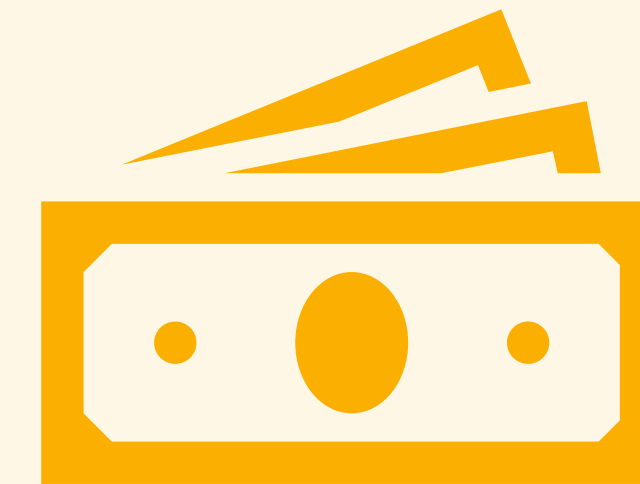
Benefits of Self-Direction



Take Control



Diversification



Tax Benefits



Birgo Capital

Investment Real Estate And Your IRA



MEET OUR SPEAKERS

- Daniel Croce, Principal

- University of Virginia, Ernst & Young, Birchmere Ventures
- Raised and managed over \$100m in private capital
- Sponsored and closed 50+ commercial real estate transactions in 2015-2020 across multifamily, office, and retail asset classes



- Josh Fischer, Principal

- Grove City College, Sunset Capital Group
- Responsible for all elements of the acquisitions process, including deal screening, negotiations, and closing
- \$180m in investment real estate acquisitions experience



CORE CONCEPTS

- **Multifamily:** Buildings or complexes designed for occupation by more than one family
 - Apartment buildings
 - Apartment complexes
 - Excludes single family homes
- **Workforce housing:** housing affordable to households earning between 60 and 120 percent of area median income
 - Targets moderate-income earners
 - Generally not subsidized



CORE CONCEPTS (continued)

- **REIT (Real Estate Investment Trust):** a company that owns and generally operates income-producing real estate
- **Direct Investments:** Investment of capital into physical, direct ownership of an asset—whether a property or an enterprise
- **Private Equity:** Investment vehicles that buy assets (in this case, real estate properties) that are not publicly traded, generally structured as private limited partnerships
- **Due Diligence:** Investigation of care that an investor should undertake to validate assumptions and expectations when making an investment decision



STATE OF THE INDUSTRY

- “It’s good to be a landlord”
- Vacancy rates are low
- Strong performance throughout COVID-19 pandemic
- Commercial loans are still readily available, and at historically low interest rates
- Rents keep pace with inflation
- Fundamental demand is growing
- Haven of safety – competitive to purchase



WHY WE LOVE MULTIFAMILY

- Meets a basic human need (shelter); minimal downside
 - Our rent collections actually increased throughout the pandemic
 - When times are uncertain, people prioritize stable housing
- Demand grows with the population
- Supply constrained - “They ain’t making any more land”
- Historical governmental support from both major parties because housing stability contributes to societal good



WHY WE LOVE MULTIFAMILY (continued)

- Leverage: unique opportunity to use other people's money
- Consistency: income through monthly rent payments
- Multiple methods to generate ROI
 - Current cash flow
 - Mortgage paydown
 - Appreciation



HOW TO INVEST IN MULTIFAMILY

- Direct Investing
- Public REITs
- Private Equity



DIRECT INVESTING – CHOOSE A MARKET

- Real estate is all about location, location, location
- Geographical area largely depended on risk/reward preferences
- May make sense to buy something close to where you live, particularly if you're looking to buy something smaller to start
 - Understanding the market is key
 - Many investors get “out over their skis” when trying to buy in an unfamiliar location
- If you're open to doing larger deals (100+) units, ask yourself whether you value stability and consistency or would like to see higher growth
 - Risk vs. return question
 - Investor's goals and objectives

DIRECT INVESTING – CHOOSE A MARKET

- . Growth
 - . Look for areas with a growing population base
 - . New, large employers
 - . Technology & innovation
 - . Coastal hubs and growth markets
 - . San Francisco, Boston, Seattle, NYC

DIRECT INVESTING – CHOOSE A MARKET

- . Stability
 - . Look for a diversified economic base to isolate from shocks in one industry
 - . Consider the robustness of primary employment drivers
 - . “Meds and Eds”
 - . Financial services
 - . Stagnant population can be okay; look at net migration
 - . “Heartland,” “Midwest,” or “Rust Belt”

DIRECT INVESTING – FIND A DEAL

- One of the most difficult elements of getting direct exposure
- Small deals (less than 10 units) - can work with residential agent to set up multifamily search
- Larger deals - can try working with commercial broker to represent you
 - Difficult until you have a reputation as a serious buyer
- Research the largest multifamily investment sales brokers. Take them all to lunch, get to know them, tell them your criteria.
 - There's no easy solution here - it takes time to build relationships
- Can purchase a software solution like CoStar or Yardi Matrix to call property owners directly

DIRECT INVESTING – DO A DEAL

- Deal screening checklist - we'll send you ours
 - Quickly determine if deal fits your criteria or if you should pass
- Letter of Intent and Agreement of Sale
 - Use a good real estate attorney
- Due Diligence
 - Evaluate the physical and financial condition of the property
 - Determine and obtain financing
 - Critical to get this right
 - 30-60 days
- Closing
 - 30 more days
 - Finalize capital stack



DIRECT INVESTING – RISKS AND REWARDS

- . Risks
 - . Lots of moving parts, very time consuming to properly move through process
 - . Large, unplanned capital expenditures
 - . Messy financials
 - . Even large owners often keep poor records
 - . Property Management
 - . Time intensive/headache to self-manage
 - . 3rd party management has incentive issues
 - . Capital constraints - may not be able to do the side deals you'd like to do, and larger deals (100+ units) generally perform better than small to medium sized deals.
- . Rewards
 - . You get to keep all the upside
 - . Unilateral control over what deals you do

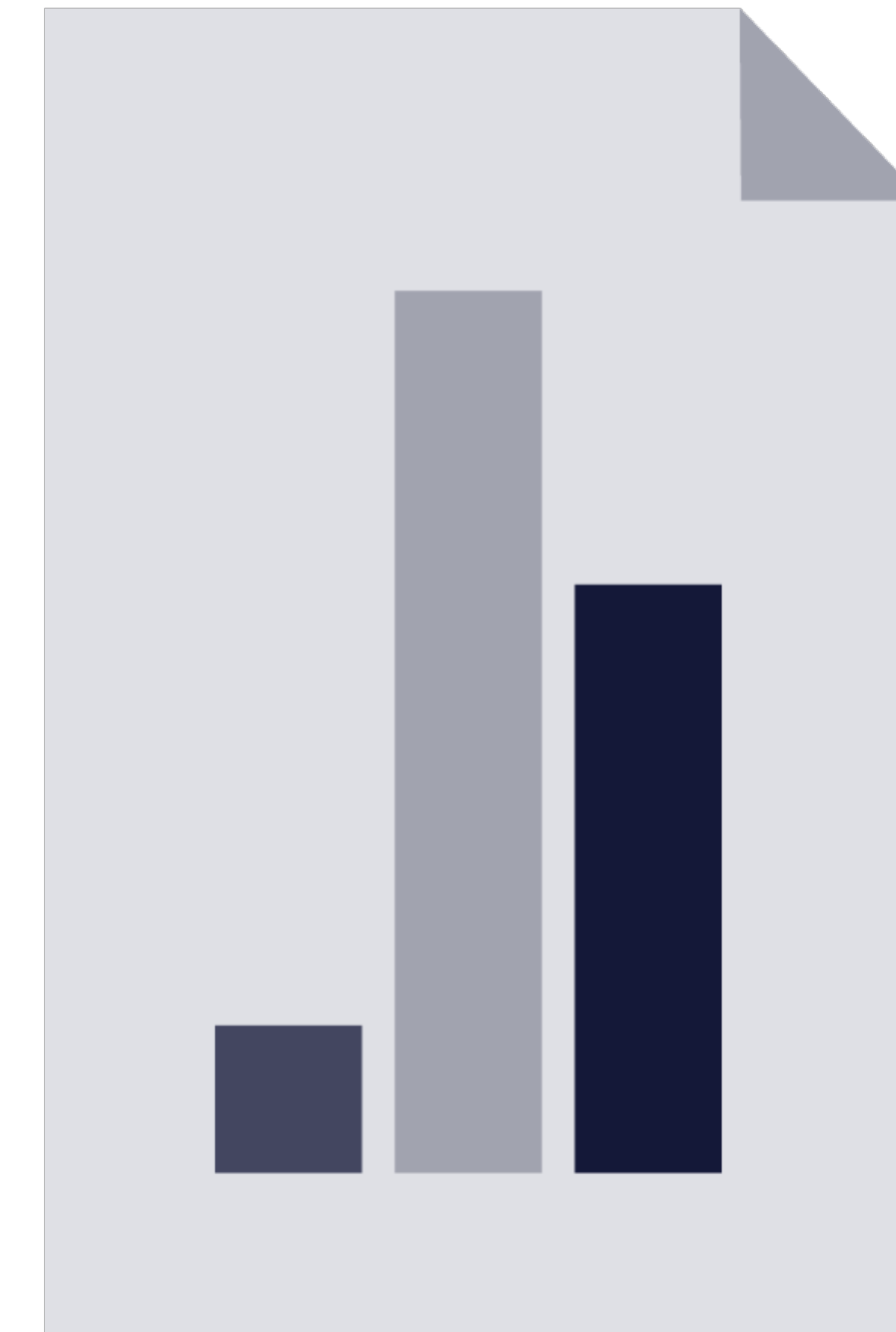
REITs

- . Real Estate Investment Trust
- . Publicly traded (typically)
- . Must pay out a minimum of 90% of taxable income as shareholder dividends to qualify
- . Highly liquid
- . Correlated to stock market
- . Tend to have high volatility
- . Access to many different property types
 - . Multifamily
 - . Single family
 - . Office
 - . Retail
 - . Hospitality (hotels)



REITs - INVESTING RISKS AND REWARDS

- Risks
 - Can experience wild volatility due to liquid nature of investment
 - Target returns are generally lower than those of other real estate investment vehicles
 - Typically only have exposure to Class A assets
 - inability to achieve different risk/return goals



REITs - INVESTING RISKS AND REWARDS

- . Rewards
 - . Liquid investments that can be bought and sold like other public securities
 - . Easiest way to access real estate investments – click of a button
 - . Highly regulated – large companies generally reduce risk
 - . “Safety in numbers” – highly diversified portfolios



PRIVATE EQUITY

- Investing with a sponsor (professional manager) for a predetermined period of time
- Can be an individual asset or a pool of assets



PRIVATE EQUITY – CONSIDERATIONS

- Experience of the Sponsor
 - Is there a track record of success in generating successful outcomes with a similar business plan?
- Investment Thesis
- Investment Terms
 - Length of Investment
 - Fee Structure
 - Aligned incentives? Some structures *really* favor the sponsor.
 - Should be a co-invest



PRIVATE EQUITY – RISKS AND REWARDS

- Risks
 - Illiquid investment. Can have 5–10-year time horizon, or greater in some instances
 - Business plan risk
 - Can have a lack of diversification
 - Highly dependent on skill and execution of sponsor



PRIVATE EQUITY – RISKS AND REWARDS

- Rewards
 - A lot of the benefits of REITs (ability to get exposure to high-quality assets), without the drawbacks of direct investments (management responsibilities, deal learning curve)
 - Tailored investment strategies to fit particular risk or return appetite
 - Opportunities to access specifically desired geographies




RECAP

- Investment real estate has historically acted as a haven of safety and an opportunity to generate superior risk-adjusted returns.
- There are multiple ways to gain exposure to investment real estate.
- Direct Investment offers the most control over allocation and places all asset and property management responsibilities on the investor.
- REITs offer the most liquidity, generally the least risk, and the lowest return expectations.
- Private Equity offers exposure to high-quality assets without the management responsibilities of Direct Investment.

CONTINUING THE CONVERSATION


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What's Next?



Upcoming Webinar: Self-Directed IRAs 101

➡ Register & join us on June 16!



Want more information from Dan & Josh?

➡ Complete our brief survey after leaving today



Need more information on SDIRAs?

➡ Visit our website and Learning Center



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Time for Questions



Stay Connected



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An **investment in knowledge**
pays the best interest.

- *Benjamin Franklin*

