

Real Estate Investing Lessons From Past Recessions



Featuring: **PASSIVE INVESTING**
MASTERY





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All information and materials are for educational purposes only. All parties are encouraged to consult with their attorneys, accountants and financial advisors before entering into any type of investment.

Agenda

- 1 Introducing Entrust & Patrick
- 2 What Happened 2008-2010
- 3 Building a Recession Resilient Portfolio
- 4 Recession Factors to Always Consider
- 5 Investing Amid Today's Recession
- 6 Q&A Time

Meet Your Host

Tony Unkel

Business Development Manager at The Entrust Group



5

Years at Entrust



Educating investors and professionals on tax-preferred retirement accounts

About Entrust



\$4B

Assets Under
Administration



45k

Investors
Empowered



40+

Years in
Business



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

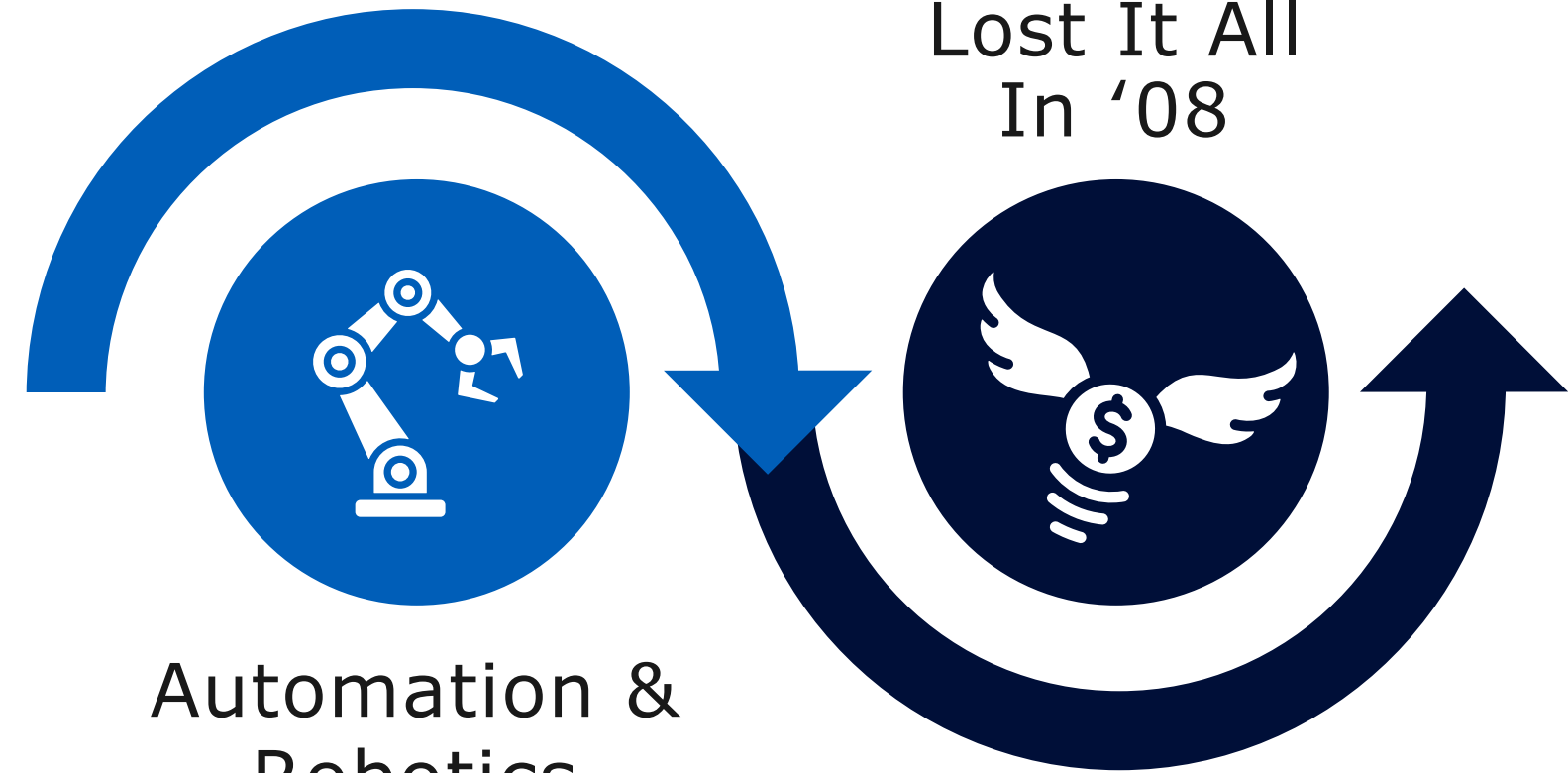
Upside Of The Downturn: Recessionary Investing Strategies

R e c e s s i o n a r y I n v e s t i n g S t r a t e g i e s

Presented by Patrick Grimes
CEO/Founder of Invest On Main Street

Young Whipper Snapper

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Automation &
Robotics
Background



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What Went Wrong In 2008-2010

- Pre-Development Speculating
- Purchased In My Name
- High Leverage Balloon Debt
- Personally Guaranteed
- All In One Investment
- Focused On High Returns, Not Risk

About Patrick Grimes

Forbes Writer,
Best-Selling
Author

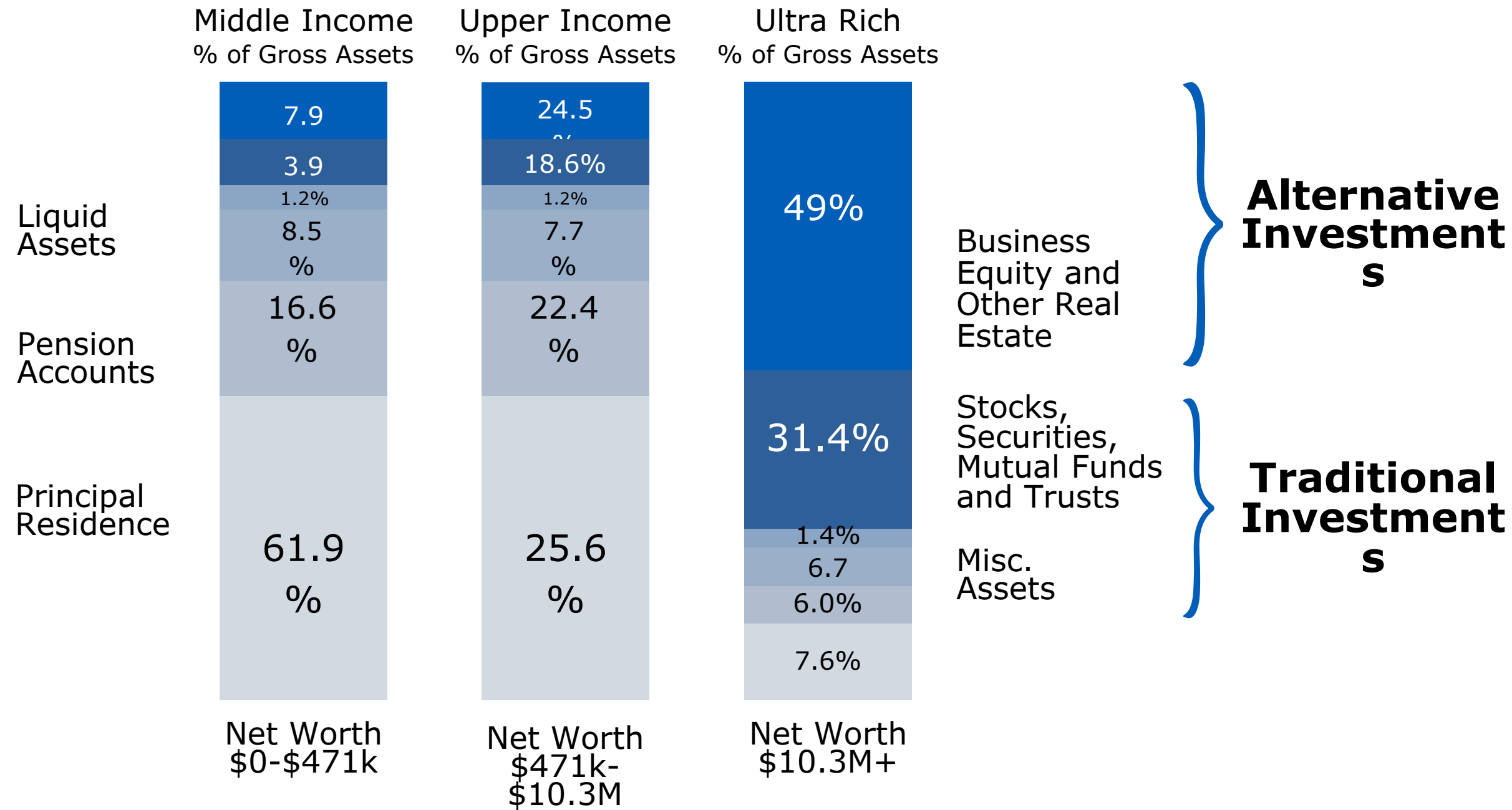


Scaled SF ->
MF Founded Invest
On Main Street

Speaker &
Presenter

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Diversification of the Wealthy

Source: Edward N. Wolff (2017) Survey of Consumer Finances



Diversification of the Wealthy

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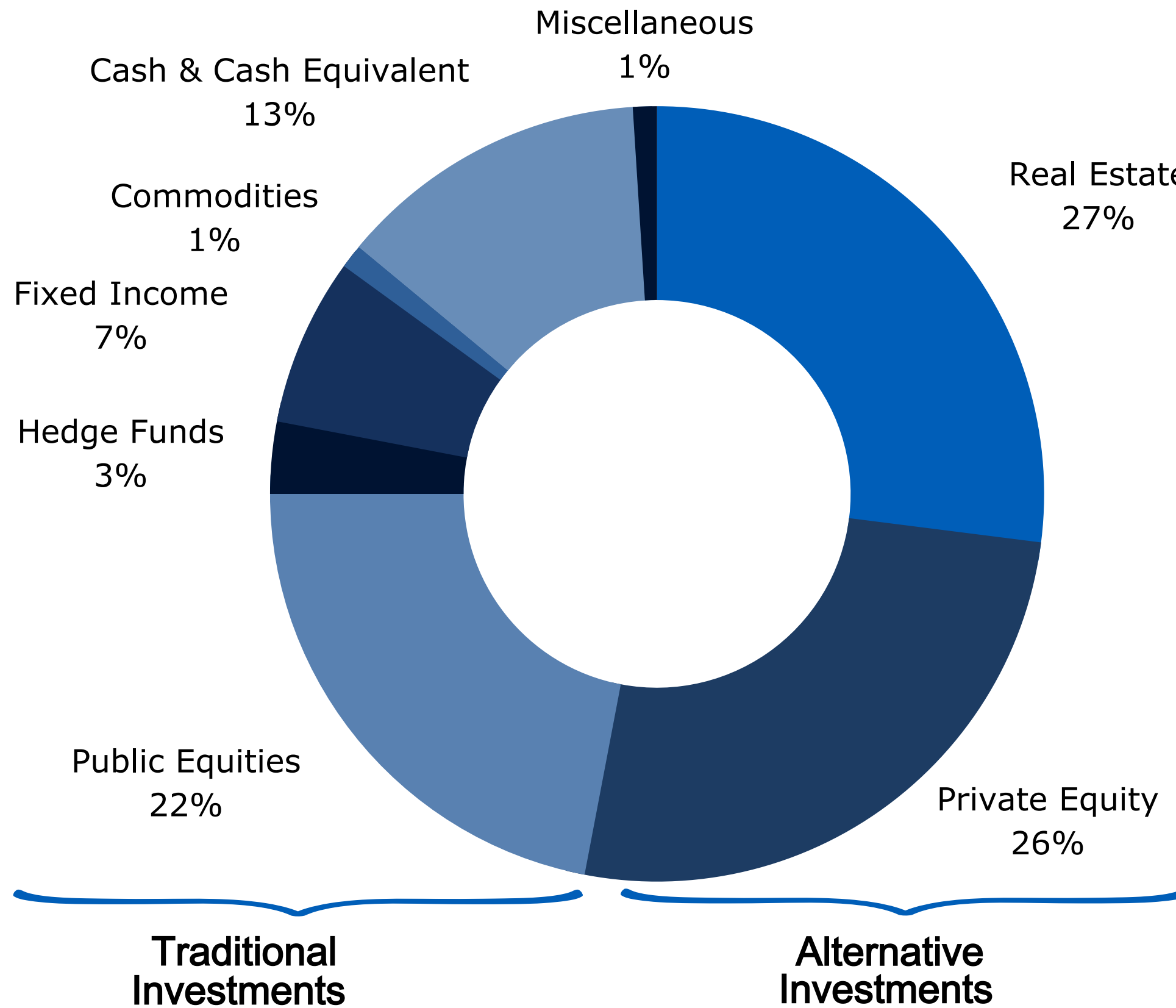
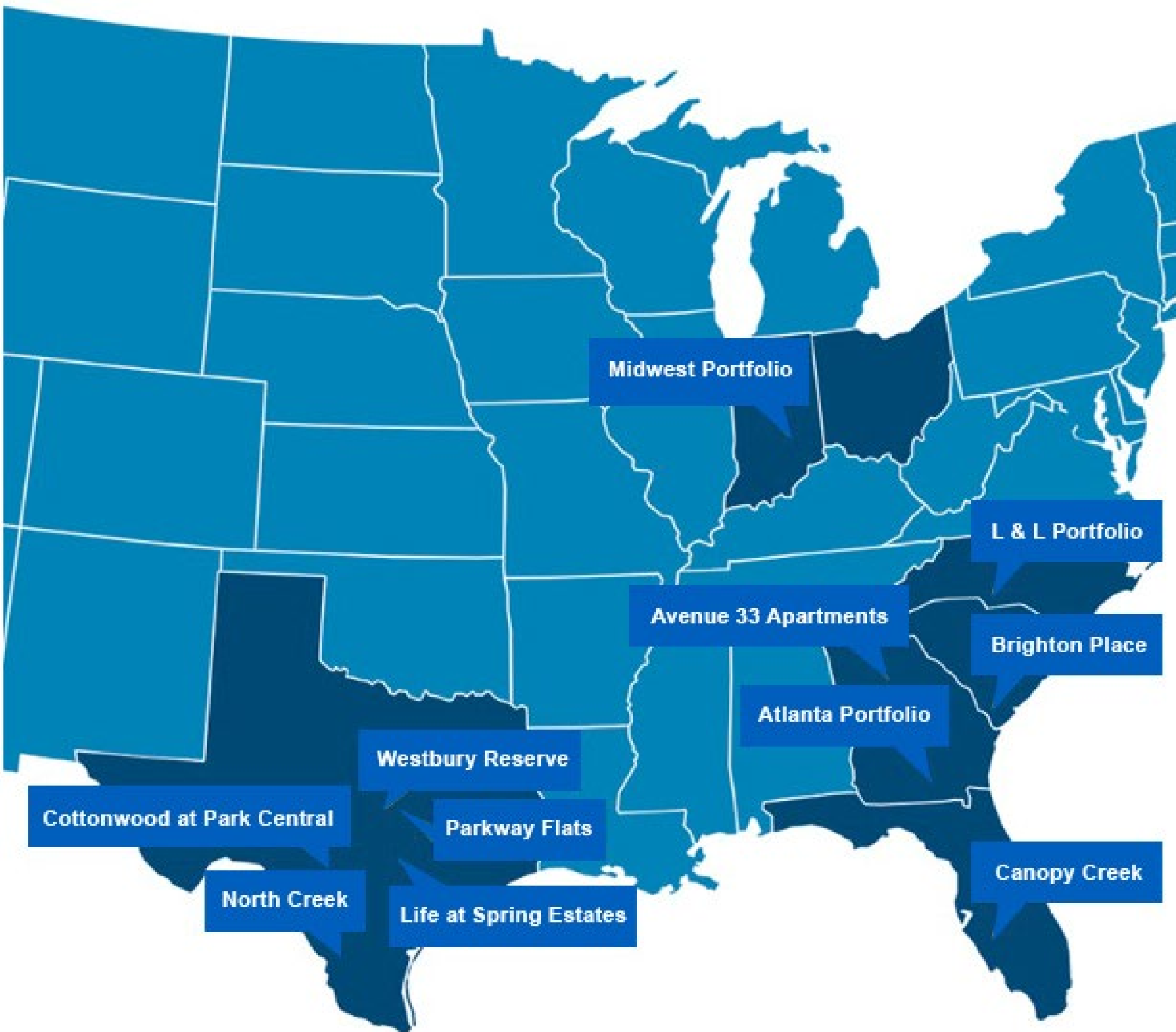


Chart 1: TIGER 21 Member Allocation
Time period Q1 2020- Q4 2020

Multi-Family Apartments

- \$600M Portfolio
- 4,000 Multifamily units
- 20+ Communities
- 7 States



PASSIVE INVESTMENT OPPORTUNITY
OFF-MARKET APARTMENT COMMUNITY IN ATLANTA

Targeting: ✓ 10-12% Yearly Cashflow (Average CoC) ✓ 8% Preferred Return
✓ 17% Annual Return (Average AAR)

~\$300 Rent Bumps w/ Renovations

Excellent Investment Market

RECESSION RESISTANT

✓ Landlord-friendly State
✓ Resilient Renter Base

Accepted Investments: Personal Funds, 5D-IRA, Solo401k, 1031 Exchanges

*The targets above are intended for illustrative purposes only to facilitate analysis and are not guaranteed by Sponsors as there are no assurances these targets will be met. These targets are based on past industry metrics, past performance, and past experiences of the Sponsors in the multifamily space. Sponsors make no representation or warranty that any investor will, or is likely to, attain the targets shown above since hypothetical or simulated performance is not an indicator or assurance of future results. Please review the Risk Factors in the PPM.

**Learning
From the
Past**

**Building A
Recessional
Resilient
Portfolio**



Existing Construction



Cash-flowing



Low Leverage (Secured By Asset)



Rate Caps or Fixed Rate



Value-Add Rent Growth



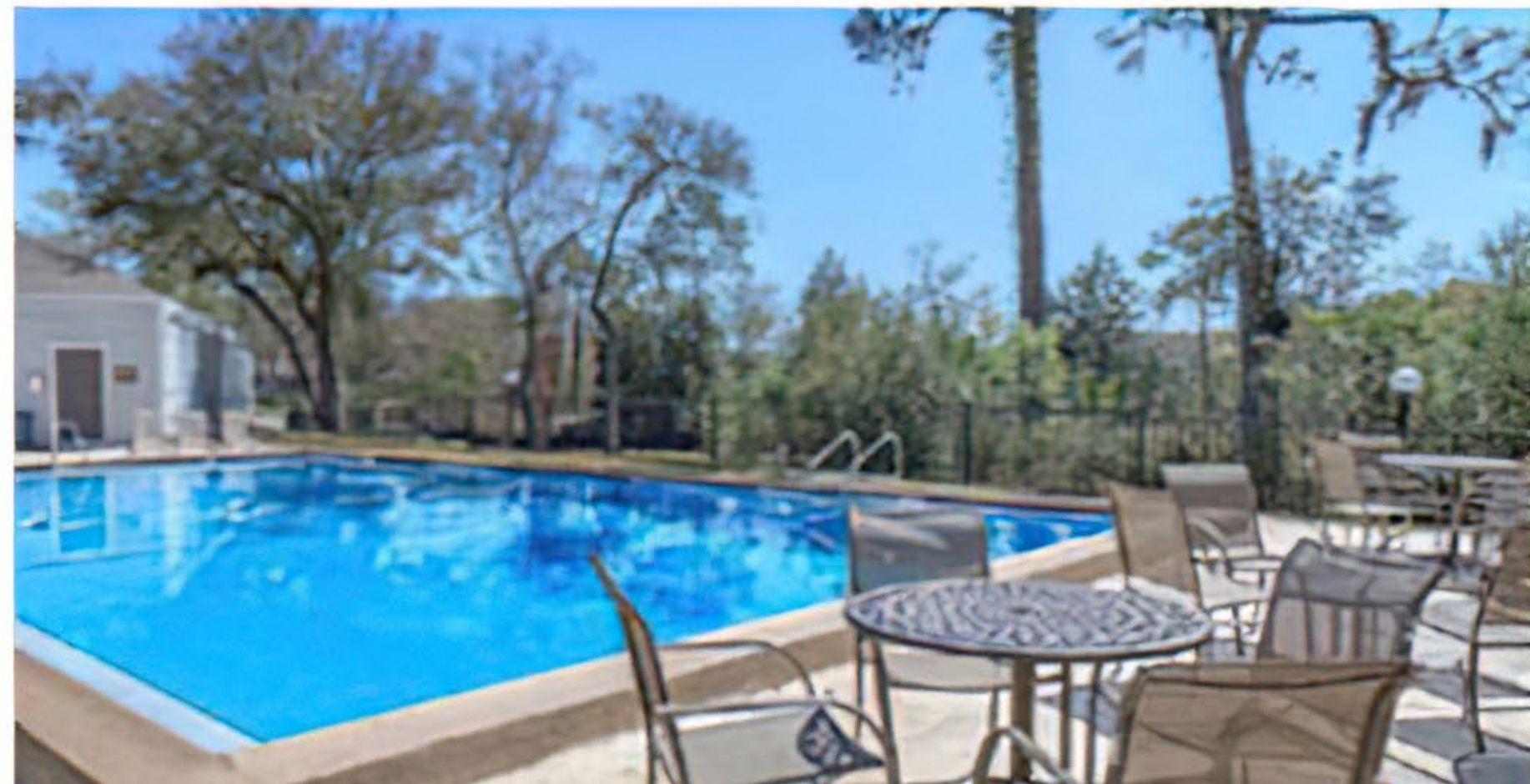
Operating Reserves

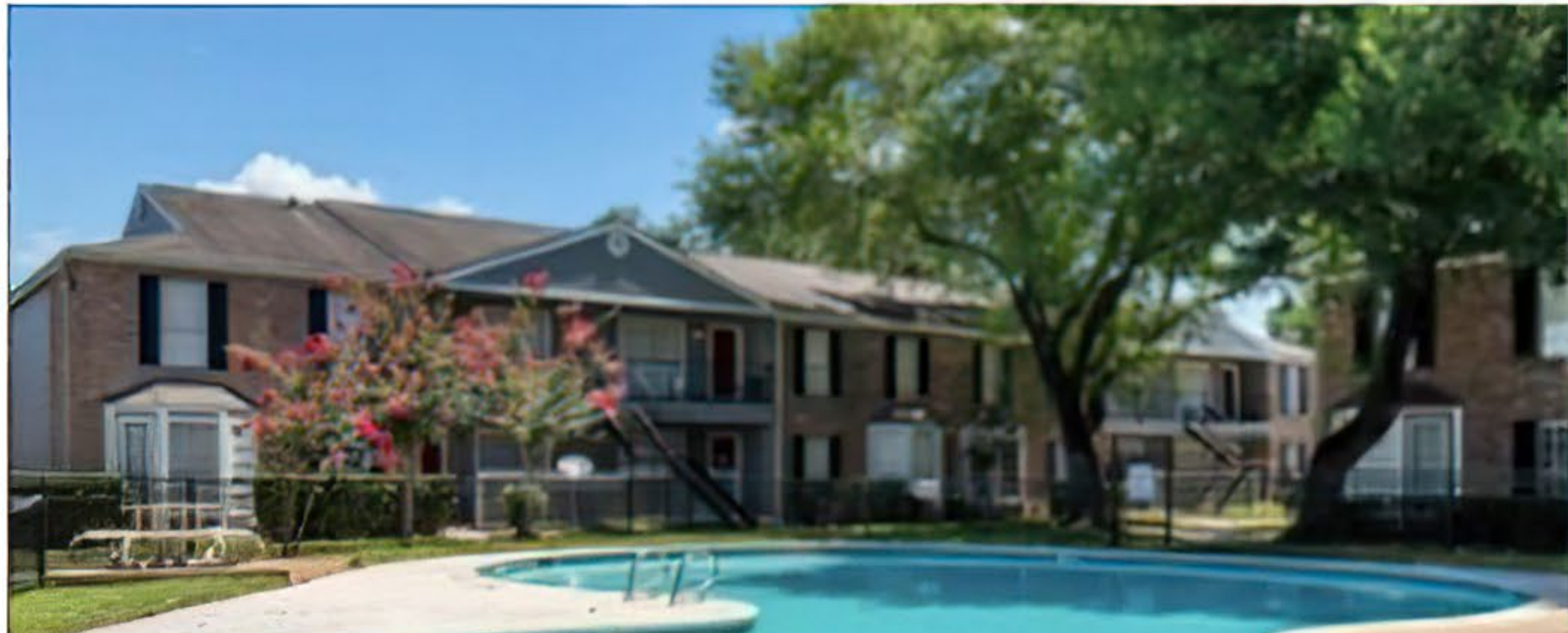


Insurance, Replacement Cost



Workforce Housing In
Resilient Growth Markets



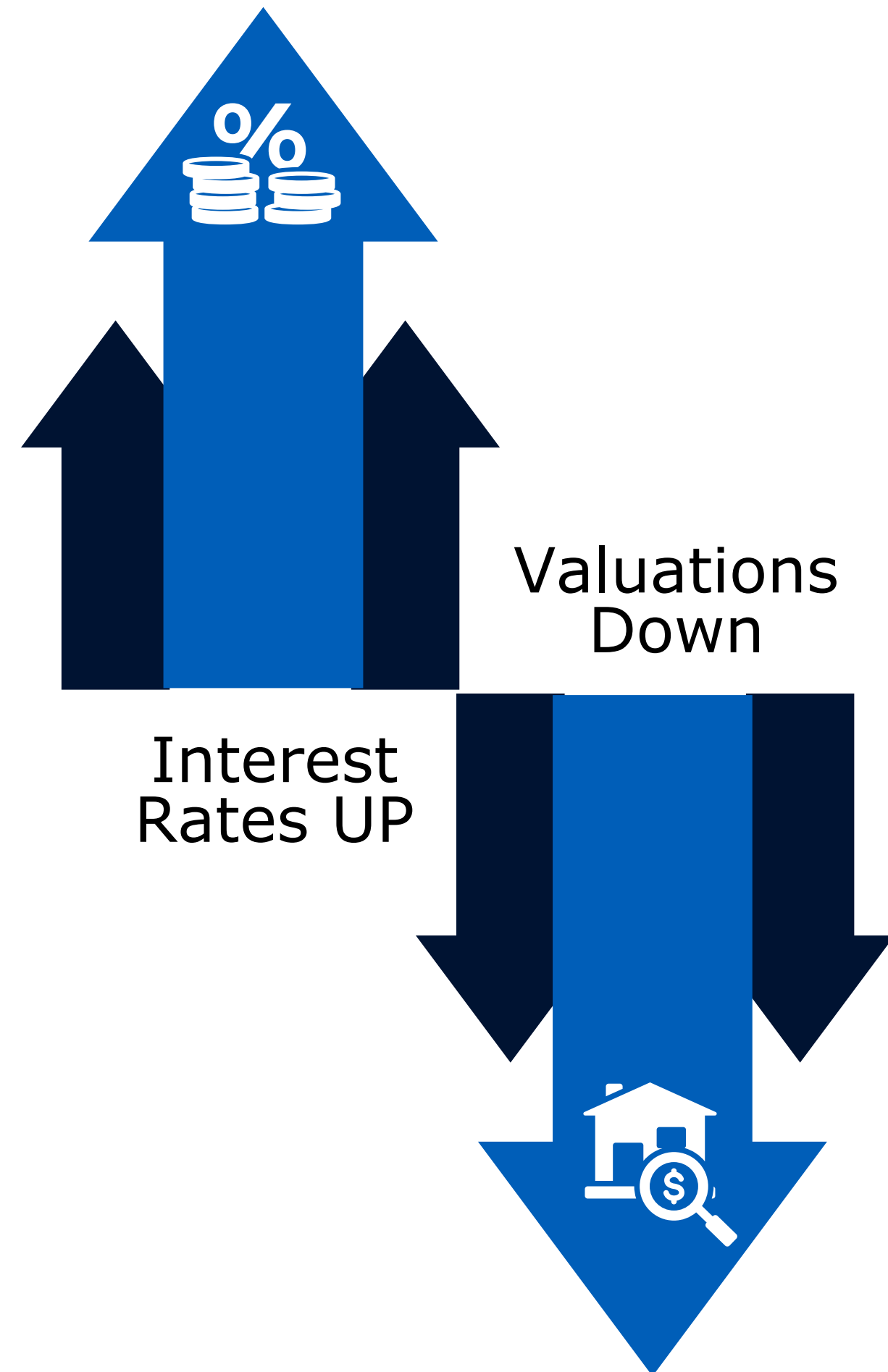






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Challenges In Today's Market



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Inflation Increased



Rents! But..



Maintenance Costs



Renovation Costs:
Labor and Materials

Recession Factors: Pay More



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Income Further Hit By Higher



Insurance Premiums



Property Taxes



Interest Rate Growth
To Rate Caps

Recession Factors: Pay More



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Coming Out Of COVID



Rental Assistance
Ended



Rent Payments Didn't
Resume



Delinquencies
Skyrocketed

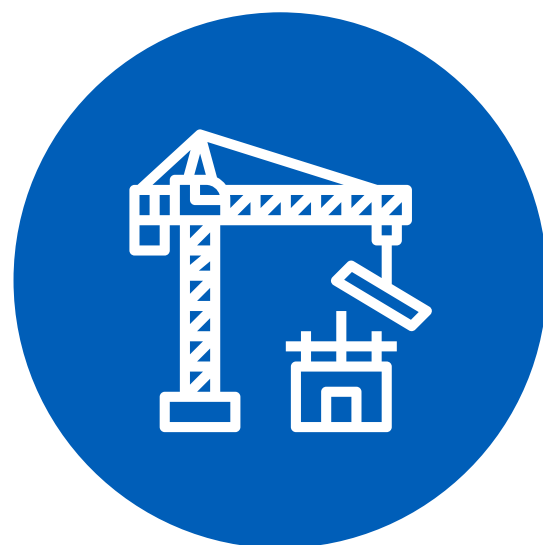


Eviction Courts Backed
Up

Recession Factors: Pay More



Today's Challenge: Meeting Timelines



Reno/
Construction
Timelines



Material
Supply
Delays



Backlogged
Evictions



Delayed Rent
Increases

Timing of Wealthy Investors

"Be fearful
when others are
greedy and be
greedy when
others are
fearful"

-Warren Buffett



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**Today Deals:
Lean Into
Recession**

**Investing
Differently
Now**



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"Make your money on the buy,
not the sell; this is true in any
investment whether it's real
estate, business, or the stock
market."

-Ziad K. Abdelnour

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Making Returns On The Buy, Not Value-Add
When You Can't Rely On Rent Growth
And Appreciation Through Renovations



Buy Direct From Motivated Sellers, Not Brokers



Find Distressed Operators, Not Distressed Assets



Buy Cash Flowing Assets
Stabilized Or Stabilized Quickly

Winning With The
Recession

Recessionary Acquisitions Strategy

A Compounding Investment

- Investments are found with the ability to achieve a large return on investment without heavy renovations.
- Funds raised are used to quickly acquire the first property.
- After closing, a 50% loan is used to free up capital for a second acquisition.
- Then, the first investment is exchanged forward to a third.
- This process is repeated for the second and third investments (two becomes four, four becomes eight, etc.)
- As properties multiply, equity compounds.

A Cashflowing Investment

- Cashflow from rents is distributed to investors, projected to start within 6 months from the initial investment.
- Note: Liquidity events (such as proceeds from a refinance or sale) are used to acquire more assets and are not distributed until exit.

A Risk Mitigated Investment

- Assets that cashflow shortly after acquisition.
- Strategy does not require lengthy renovations.
- Returns achievable in a down economy: Strategy does not require natural rent growth and appreciation to meet projections

How We Use The Recessionary Acquisitions Strategy

Intelligent Software & AI

- Analysts use factors such as location, condition, financials, and market trends to filter the most promising prospects.
- Intelligent software is utilized to analyze and filter through millions of medium-sized properties.

Direct-to-Owner Outreach Team

- A team is dedicated to reaching out directly to property owners, bypassing commercial brokers.
- The team identifies owners who are motivated or in need of a quick sale.
- They ensure that the asset is stable and has the potential to generate quick cash flow.
- The team assesses whether the property can meet the projected equity multiple.

Strategic Acquisitions Team

- The acquisitions team negotiates directly with the top pre-qualified property owners.
- Once the property is under contract, on-site due diligence is conducted immediately.
- There is confidence that the projected financial performance can be achieved before the earnest money becomes non-refundable.
- Capital from the investment fund is used to facilitate a quick closing process.

Strategy Track Record – Acquisition 1



Multifamily Apartment Community 72-Unit in Havelock, NC

- Acquisition Type: Direct-to-owner acquisition.
- Property Story: The seller's spouse recently passed away, leaving them to manage their entire portfolio of 100 single-family homes and 72 multifamily complexes. The seller was overwhelmed and needed to simplify. Property was ~40-45% occupied.

Strategy Track Record – Acquisition 2



Multifamily Apartment Community 208-Unit in Tulsa, OK

- **Acquisition Type:** Broker Pocket Listing.
- **Property Story:** The seller ran out of funds for another project and needed to quickly liquidate this asset to raise funds. Property was ~60% occupied.

Strategy Track Record – Acquisition 3



Apartment Community 123-Unit in Houma, LA

- **Acquisition Type:** Broker Pocket Listing.
- **Property Story:** Seller was getting older and wanted to retire without the hassle of managing the property or dealing with lengthy close times. Property was ~50% occupied and was in great shape, with only very light renovations needed. Light value added to upgrade the units.

Strategy Track Record – Acquisition 4



Retail Center Xenia, OH

- **Acquisition Type:** Broker Pocket Listing
- **Property Story:** The owner was busy with his career as a doctor, leaving his inexperienced wife to help manage the property. The property was in good shape in a nice town with good traffic volumes. Since the management of the property wasn't great, they decided to focus on their core investments in gas stations.

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Invest Like
The Wealthy**

Q & A



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What's Next?



New Webinar – *Tax-Free Growth With Roth IRA Investments*

➔ Register today & join us on August 16!



Have feedback or topic requests?

➔ Let us know in the survey as you leave



Need more information on SDIRAs?

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Any More Questions?



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“

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

- *Benjamin Franklin*

