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MULTIFAMILY INVESTING

TRENDS AND TECHNIQUES

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Multifamily investing is far more demanding than single family homes or other types of commercial real estate investments, yet can be far more rewarding. Investing in multifamily buildings has become much more competitive over the past few years as others have become aware of the steady income, efficiencies of scale, ease of financing and steady appreciation. However, just like any other type of real estate investment, location is key. Renters are looking for well-maintained neighborhoods and investors look for high growth areas with high demand.

Being aware of different techniques of investing can help real estate investors get started, or assist with growing their portfolio. Investors just starting out, might focus on duplexes or four-plexes, before expanding into garden complexes and larger structures. Becoming familiar with the valuations and financial metrics of multifamily properties in your market is good practice for investors of all levels. In addition to the numerous multifamily opportunities available, investors should be aware of the latest market trends to make more informed decisions.

MULTIFAMILY MARKET TRENDS

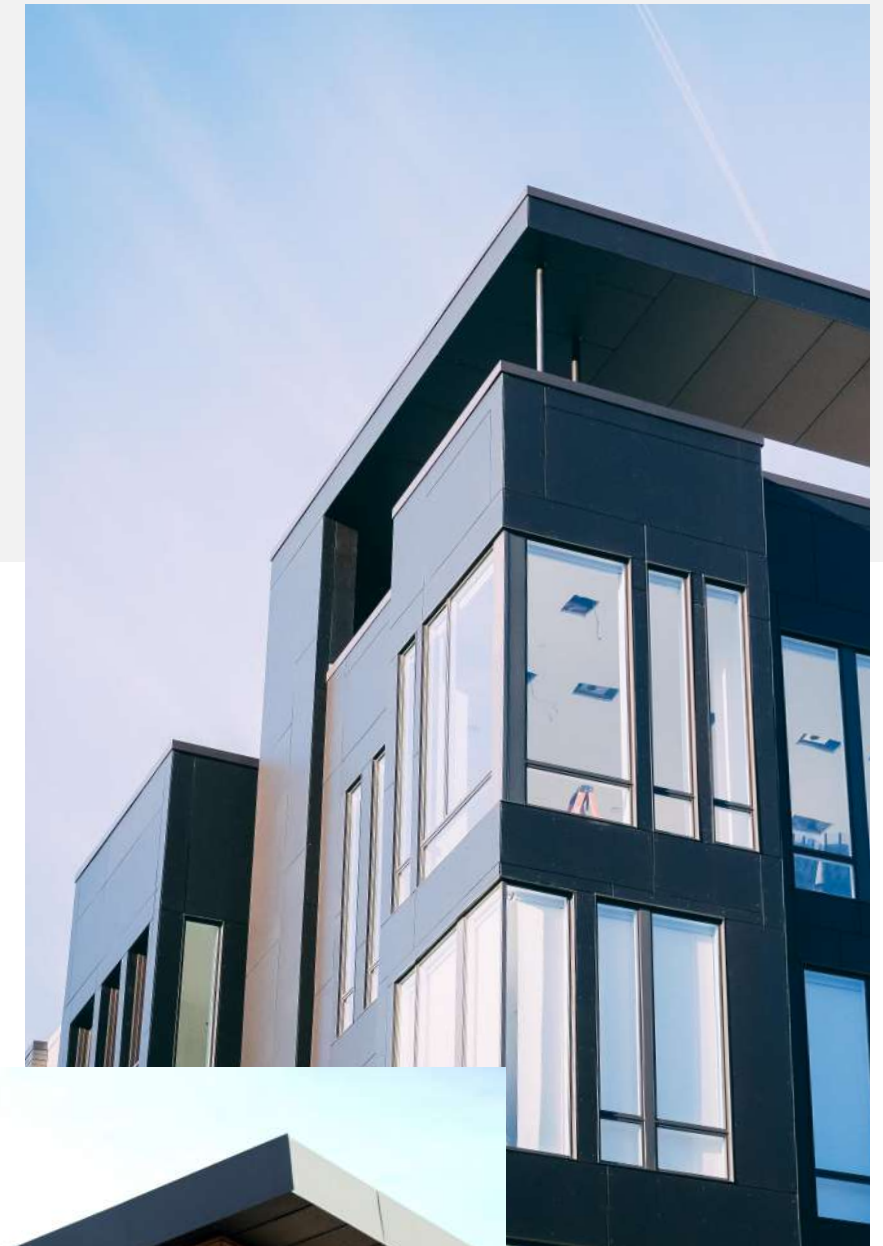
Now that the basis of the best practices in real estate investing have been laid out, here is what to look for in 2020. Trends are a great predictor of what the future looks like and potential opportunities for astute investors. Whether it's national, state wide or a specific city market, trends are a good way to predict future events. Increase in employment rates, surges in consumer spending and higher wages are good indicators for positive outlooks.

Taking a step back to review 2019, we see the fed dropped interest rates 3 times. The Federal Reserve's goal was to maximize employment but keep prices stable. Another reason for their action was increased tension between the US and its trade partners which would lead to investors and companies to pull back on spending. So in response, the Federal Reserve lowered interest rates and took preventative measures such as quantitative easing to make borrowing easier. Lower interest rates have carried over into 2020 making it cheaper to borrow money for real estate investing.

Demand for multifamily rentals will increase as fewer units are available on the market. New units being built are expected to slow therefore increasing demand for convenient multifamily units. The National Apartment Association and Real Page Analytics are both projecting that multifamily construction completions will be flat year over year. In addition, investors should expect to see evaluations rise as well. However in smaller metropolitan city markets specifically Class B and C, properties aren't expected to be as affected this year.

Another trend continuing into 2020, is the demand for more amenities. As a landlord of multifamily properties you should be aware that renters are looking for more eye catching features in both interior and exterior design. Larger open floor plans and plenty of windows make renters feel that their units are more spacious and welcoming. Other features that attract renters include increased energy efficiency, pet accommodations, better wellness centers and green certifications on the building. The more modern amenities your units have, more appealing your multifamily units will become to renters.

Expect to see rent prices to increase due to higher demand. Rent growth is fastest growing in larger metro areas in California, Florida and Texas. The west, southwest and southeast are all experiencing higher rent growth than the national average. Average rent growth across the US is expected to be around 2% this year with growth rates at 4 - 5% in markets with higher demand or significant supply issues.



TECHNIQUES AND STRATEGIES

While multifamily real estate is an investment appropriate for almost any type of investor, the different options and vehicles should be carefully considered. The three primary methods to invest in this attractive area is direct ownership, multifamily REITs and real estate crowdfunding.

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REAL ESTATE INVESTMENT TRUSTS

The next method to invest in multifamily properties is through Real Estate Investment Trusts, or REITs. These passive investments are comprised of a group of investors who pool their funds into a large investment portfolio of real estate assets, such as several high rise apartments. Each investor gets a share of the property owned. A professional management company runs the day to day operations allowing investors to focus on other things. This passive form of investing usually has higher returns with lower corresponding risk. Many REITs are easily accessible and publically traded on a stock exchange. This investment option provides increase liquidity and attractive dividend payments.



In terms of capitalization, multifamily REITs regularly beat out office, healthcare and hotel REITs, but the biggest concern for investors is the return on investment. Listed below are five of the top performing multifamily REITs for 2019 and they are well poised to deliver results this year as well.

San Diego’s inviting climate and diversified economy provides a consistent model for rental demand and steady growth. Local employers include technology companies, research firms and defense contractors. Home prices are some of the highest in the country with median home prices at \$660,318, contributing to easy absorption of rental units. In 2020, 4,000 new units are expected to be built.

REIT	MARKET CAPITALIZATION	DIVIDEND YIELD
NEXPOINT RESIDENTIAL (NXRT)	\$1.16 BILLION	2.37%
BLUEROCK RESIDENTIAL GROWTH REIT (BRG)	\$280 MILLION	5.25%
ESSEX PROPERTY TRUST (ESS)	\$21.26 BILLION	2.40%
UDR (UDR)	\$14.27 BILLION	2.83%
INDEPENDENCE REALTY TRUST (IRT)	\$1.24 BILLION	5.21%

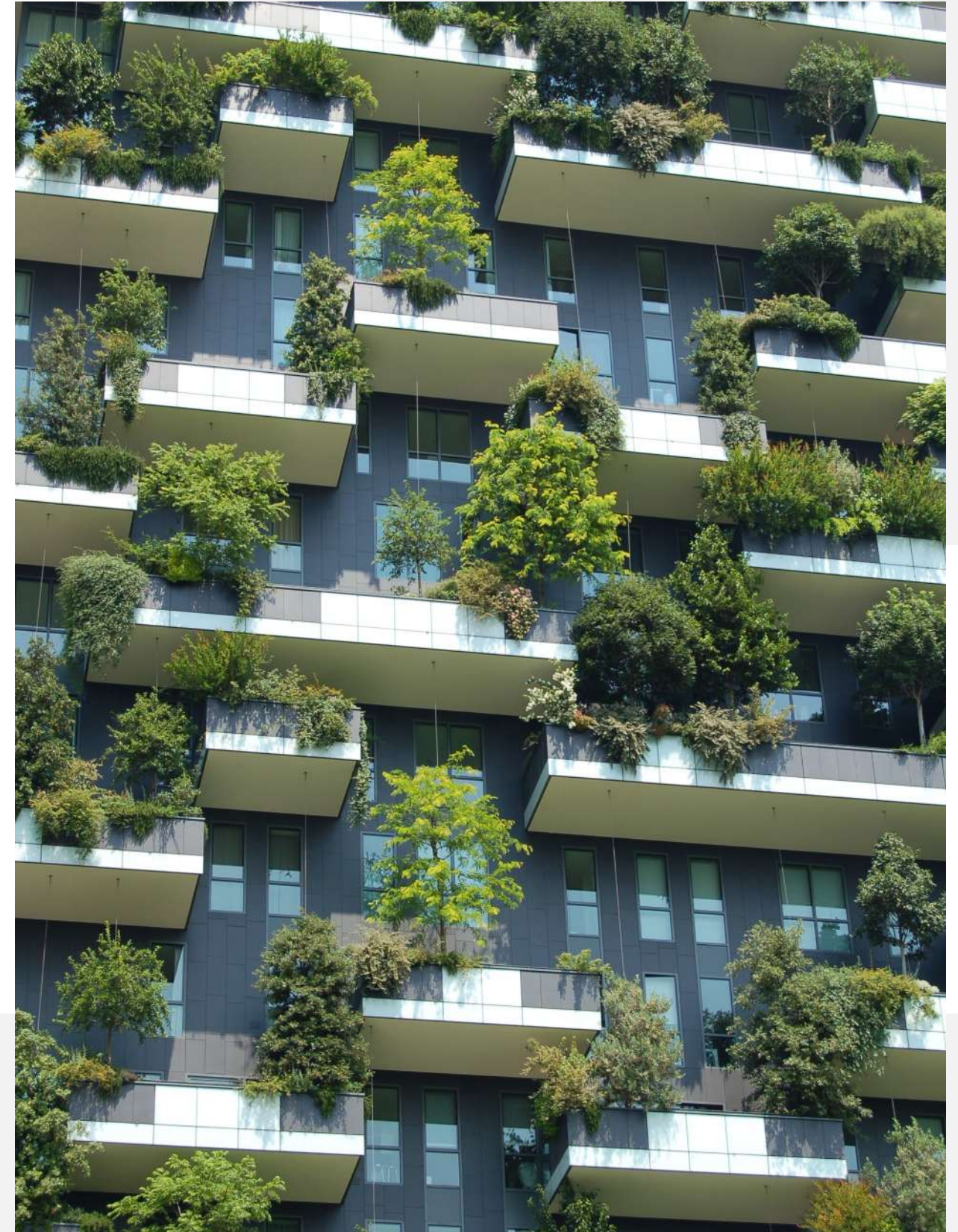
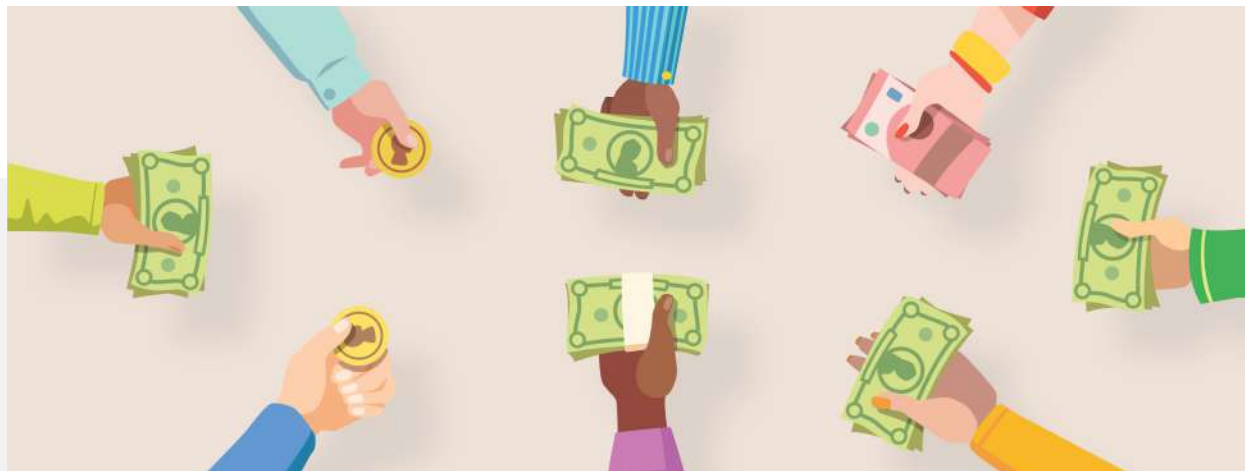
NexPoint Residential owns and operates apartments in the Southeast and Texas providing mid-level affordable housing. BlueRock Residential Growth owns and operates newer Class A luxury apartments all across the United States. Essex Property Trust builds and manages West Coast multifamily properties and has \$1 billion of new construction projects expected to be completed this year. UDR owns and operates luxury multifamily properties in large metropolitan areas that they deem as growing but undervalued. Independence Realty Trust owns and operates multifamily properties in the Southeast and Midwest markets focusing on secondary markets with less competition. The low price point, high liquidity and accessibility make REITs a good choice. While investors won’t capture the full returns or tax advantages of direct multifamily investments, REITs still offer an attractive option for portfolio diversification.

REAL ESTATE CROWDFUNDING

The third method to investing in multifamily properties is through real estate crowdfunding. This newer and alternative investment vehicle (or phenomenon) allows a large pool of investors to participate in a commercial real estate project or portfolio of properties. This alternative means to finance projects allows developers to raise money online through social media and other established platforms. It increases the availability of funds, allows companies to get up and running more quickly and rapidly grows an investor network.

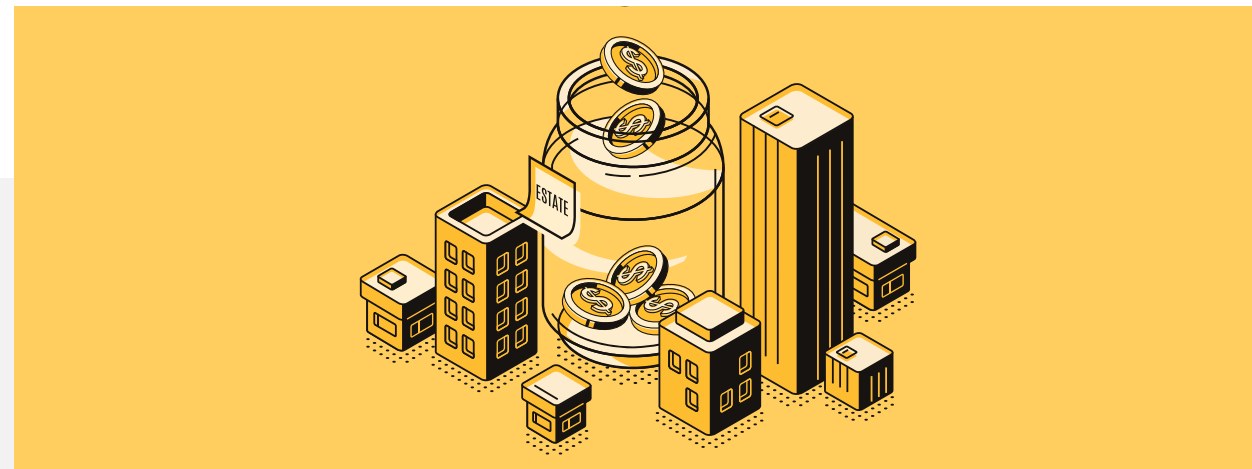
Real estate provides more consistent returns for investors over that of stocks or bonds and with lower volatility. Crowdfunding provides great accessibility for investors over traditional real estate options and investors can fund projects all over the world. Commercial real estate requires a large amount of administrative task, vendor management and paperwork, but with crowdfunding all of that is eliminated. Real estate crowdfunding can be an equity investment which is paid back from the rental income of the property or a debt investment which effectively becomes a mortgage on the property.

Potential investors can invest smaller amounts of money, typically with minimums as low as \$5,000 to \$10,000. The larger real estate crowdfunding platforms include RealtyShares, RealtyMogul, iFunding, Patch of Land, Fundrise and Prodigy Network. Commercial real estate crowdfunding is a viable investing idea that should appeal to any type of investor that is looking to participate in real estate without getting too involved in the project.



CONCLUSION

Overall having a cemented foundation of practices will make real estate investors more effective. Knowing where the most attractive markets are located and where the trends in multifamily housing are expected to be heading, are important to understand. In addition, researching what technique or strategies is right for you will determine the type of investor you are. Building your plan around this insight will make real estate investing a more lucrative and promising endeavor. While REITs and real estate crowdsourcing are attractive options for investors with lower amounts of capital, direct ownership of multifamily housing is always the best option whenever possible.



ABOUT CIVE

CIVE is a premier upscale design build firm, specializing in state of the art residential & commercial design, leading edge engineering, high quality construction and elite project management.

Our strengths lie in a rich mix of talent, experience and ingenuity. Our clients can depend on CIVE to anticipate industry change and plan for the future, while providing most practical and cost effective solutions. CIVE devotes customized, individual service to all of its clients, whether large or small.

Specialties: Residential & commercial design, civil engineering, structural engineering, mechanical engineering, electrical engineering, construction management & project management.



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