LIFT EQUITY
Building Wealth

4 Key Benefits of Investing in Multifamily Today

A Quick Guide for Busy Professionals

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Real estate passive investments are undoubtedly one of the best investments an individual can make. They are safe, create cash flow and have high returns.

Managing properties can be a difficult endeavor requiring special skill, which is the duty of the general partners.

But, if you invest 'passively' in multifamily, you don't need to manage the property. You will become a 'hands-off' landlord.

For busy professionals who want to build generational wealth through real estate investing, but prefer to skip any active involvement, 'passive' real estate investing may be the answer.

As a real estate investor, you can either take an ‘active’ or ‘passive’ role.

Active investors find the property, get the loan, do the due diligence, and acquire and manage the asset. **Passive investors** a.k.a. limited partners, participate investing their capital along with the general partners, but they do not have to handle the day-to-day operations, which allows more time for them to focus on what matters to them.

Real estate syndications are an excellent starting point for beginner real estate investors.

Real estate syndications allow investors to join forces, put their capital together and acquire larger profitable multifamily portfolios that they could not afford on their own.

A real estate syndication includes two type of partner investors, as mentioned previously:

01 The active investor or general partners and

02 The passive investors or limited partners.

General partners (GPs) identify the property, do the underwriting and acquisition, and actively manage the day-to-day operations. **Limited partners** are passive investors who elect to participate with their capital. Both types of investors enjoy the benefits of cash flow, capital preservation and most importantly, tax benefits.

4 Key Benefits of Investing in Multifamily Real Estate

01 **Steady Cash Flow**
With the current market and the higher loan interest rates, more people are renting. Rents produce a monthly cash flow and rents are increasing !

02 **Huge Tax Benefits. ...**

03 **Physical Asset, that appreciates in value.**

04 **Diversification and more ability to scale**

TAX BENEFITS OF MULTIFAMILY INVESTING

Investing in Real Estate assets is a way to create cash flow and preserve capital. In addition, we diversify our investing portfolios. The token rewards of investing in multi-family syndications are the scalability and the tax benefits.

When investing in Multifamily syndication, all partners, whether general partners (GPs) or limited partners (LPs), will benefit from several deductions including depreciation, mortgage interest, property taxes, operating expenses, and repair/maintenance

Each investor gets to share in these deductions based on their proportional share of ownership in the limited partnership.

The depreciation on a multifamily investment is massive when compared to a single-family kept as a rental. Again, the economies of scale principle.

When you own a rental home, the depreciation schedule set by the IRS allows you to depreciate over 27.5 years each item of the property. In multifamily syndications, cost segregation studies are conducted, and the deductions can be accelerated, meaning they can be taken in a shorter period, over the first years of owning the property. This gives a tax credit to all the investors, which on many occasions equals 70-80% of the capital they invested. These tax credits or losses are documented on the K-1 tax forms

Why is this important? Because these losses can be used to offset any passive income from the investment or any other passive income. Imagine increasing your income without increasing your tax bracket! That is exactly what happens when you invest passively in a Multifamily Syndication.

Another point to remark is that the depreciation schedule is re-set with every ownership. Meaning, that when we buy the asset, the depreciation schedule starts for the new ownership us! on the day of closing. Any depreciation taken by the prior owner does not affect our depreciation schedule.

A QUICK 3-STEP GUIDE TO EVALUATE A MULTIFAMILY DEAL

As a Passive Investor

If you are interested in getting a little deeper in the deal analysis, look at 3 main factors to evaluate a deal

01 THE DEAL ITSELF

Make sure the sponsor team is conservatively underwriting the deal. The sponsor team will have examined the trailing 12 to 24 months' profit and loss statements (P/L statements) and use that to underwrite the deal. Next, information in the P/L statements needs to be applied: including it in their own proforma, meaning how they would operate the property.

02 THE MARKET

The location of the deal is a top factor to consider. The property must be in a 'hot market' with high population and employment growth and ideally in a business-friendly state. Make sure that the market has a diverse economy. In a diverse market, no one employer should make up more than 25% of the jobs in that market. Look at the employment and unemployment rates. A positive trending employment rate that is increasing at a faster pace when compared to cities in similar markets is a good sign pointing to a strong market.

03 THE TEAM

You want to be confident that your team has experience in this specific commercial real estate type of asset, and that they are also investing in the deal, meaning they have 'skin in the game'.

WHO WE ARE:

LIFT EQUITY is a multifamily investment company with the aim to help busy professionals and investors grow their wealth by presenting strong investment opportunities.

We offer carefully vetted properties forecast to yield high returns. We use effective value-add strategies: proven cap-ex and management plans. Our goal is to serve our investors with good communication, consistency and strong returns.

WANT TO INVEST PASSIVELIY IN APARTMENTS?

SCHEDULE A FREE INTRODUCTORY STRATEGY SESSION TO GET STARTED