SCALING TO LARGE MULTIFAMILY

BAR DOWN
INVESTMENTS

"It was not too long ago when I was searching for advice on how to Scale to Large Multifamily. There were several articles detailing the actions to take when one is acquiring, operating and selling multifamily properties, however, there were not many on how to actually make the transition.

As I look back on my personal transition to large multifamily, it boils down to three major factors. The goal of this guide is to highlight these three points and to provide you the highest chance for success with your new venture of scaling to large multifamily!

To your success,

Ashley

TEAM

Large multifamily is a team sport. Like any team sport, your success is determined not by one single player, but the entire team. Specifically, in multifamily a mediocre team can ruin an amazing investment, but an amazing team can make a mediocre investment extraordinary! Now, let's get to the starting lineup!

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Deal Sourcer

Someone who is eager to find deals through all necessary means. Whether speaking with brokers, speaking to owners directly, or finding creative measures to identify available properties, this team member will not be discouraged by the number of non-deals that are put in front of them, but instead forge forward to find the needle in the haystack.

Underwriter

This team member is well versed with spreadsheets and thrives off of data. Whether he/she is perfecting the spreadsheet, or analyzing the actual financial data, this team member loves data!

Capital Sourcer

The funding for multifamily acquisition is typically broken down into two components: debt and equity. Often this role is filled by two different individuals. For the individual sourcing debt, he/she is proficient with all of the lending options, inclusive of prerequisites, rates, and terms. For the individual sourcing equity, he/she has an unique talent for taking complex content and simplifying to digestible information.

Asset Management

This team member is typically someone who can multitask well. He/she understands the business plan, but is able to adapt and continue to execute with the end goal continually in mind.

Construction Management

Very proficient in construction, coupled with a full comprehension of multifamily investing, this individual is good at tracking, keeping on schedule and on budget to achieve an aspect of the overall business plan.

PROPERTY MARKET & TYPE

One of the most challenging parts about multifamily, when you first get started, is knowing which market and property type you want to acquire. The first question you should always ask yourself is whether or not you are comfortable investing outside of your hometown, or you want to stay close to home. If you are the latter, jump ahead to the "Type" section.

Market

If you are willing to invest out of your hometown market, the US just got a lot bigger! So where do you start? You need to pick market characteristics that are important to you, and then rank those characteristics. Here are a few common market characteristics:

- ✓ *Population Growth*
- ✓ *Median Household Income*
- ✓ *Job Growth*
- ✓ *School Ratings*
- ✓ *New Construction Permits*
- ✓ *Landlord versus Tenant Friendly State*
- ✓ *Business Friendly States*

Once you have selected your market, now it is time to drill down and identify your property type.

Type

Just like there are a lot of markets to pick from, there are several different types of properties. Here is a list of property characteristics to help you narrow down your focus:

- ✓ *Year Built*
- ✓ *Siding Type*
- ✓ *Unit Count*
- ✓ *Mechanical Type*
- ✓ *Septic Type*
- ✓ *Roof Type*
- ✓ *Property Style (garden style, mid-rise, high-rise, etc.)*
- ✓ *Property Type (student housing, residential, assisted living, Section 8, Opportunity Zone, etc.)*

Having a very specific focus and the discipline to not get distracted will fasttrack you to your ultimate goal of purchasing your first large multifamily property!

FINANCING

One of the most intimidating aspects of large multifamily is the cost of the property. When it comes to financing the purchase of a large multifamily property, it typically breaks down in two components: debt and equity.

Debt

Your debt options will rely heavily on the type of property you are seeking. Loan rates and terms are directly correlated to the inherent risk associated with the property. For riskier investments, also known as unstabilized properties, Bridge Financing is the most common option. Whereas, less riskier stabilized investments have access to more favorable government backed loans.

Equity

The most common form of equity financing comes via syndication. Syndication is a way in which you can offer passive investment opportunities to individual investors called Limited Partners. Other forms of equity financing coming from Joint Ventures, Institutional Investors, and Family Offices.

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Scaling to large multifamily investing, while hard, is not impossible. Building your team, staying focused, and always building relationships with Brokers and equity providers are the three most important factors to get yourself into the game.
Work hard, and best of luck!