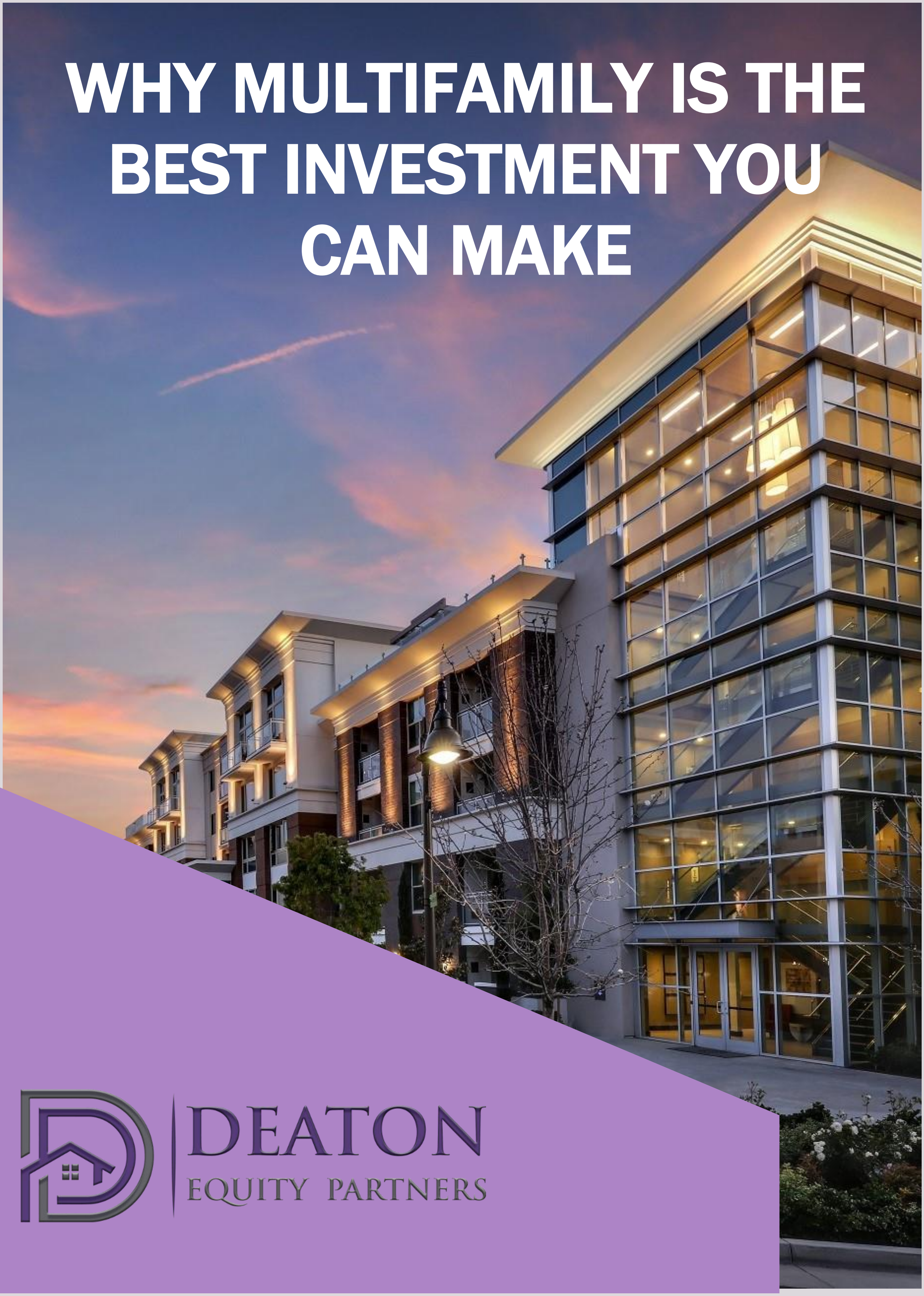
WHY MULTIFAMILY IS THE BEST INVESTMENT YOU CAN MAKE



DEATON
EQUITY PARTNERS

FINDING MULTIFAMILY

After years of education, research, advice, and mentoring, we now have come to a few maxims when it comes to money.

Thanks to Robert Kiyosaki and his Rich Dad for instilling that:

- **Assets produce cash flow!**
- Do whatever you can to **become a business owner and/or investor** to take control of your wealth and minimize taxes

Warren Buffet advises to ‘**invest in what you know**’

- Warren carries this forward in terms of industries and products and has a team of advisors that can interview company executives to get the inside scoop
- While not currently able to do that, our preference is to invest our time in energy in tangible assets that are within our capabilities to manage, control and react to shifting trends. Real Estate fits the bill.

When you enter the world of cash-flowing real estate, you soon find mountains of education and research available – books, podcasts, gurus, articles, social media content…oh, and *did we mention podcasts?*

Digesting those, you quickly learn the value of:

Economies of Scale – once you start into this industry, it quickly becomes evident that bigger is better. You can invest nearly the same amount of input on a large (100+ unit) multifamily property as on a residential or smaller property yet yield exponentially larger results. From sourcing deals, to funding and on through to managing and disposition; once you start working with larger properties, you can leverage the skillsets of other specialists.

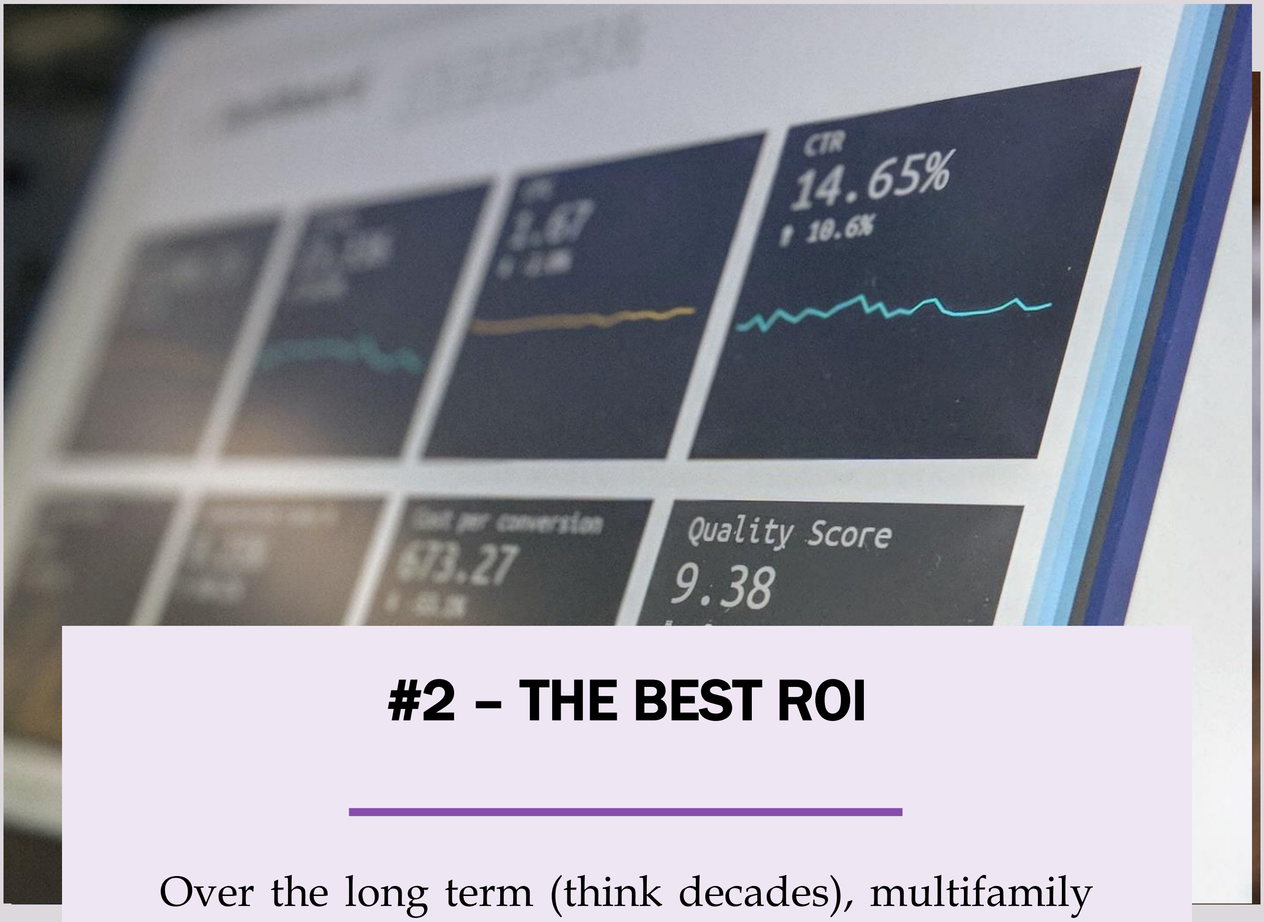
These years of research and revelations thankfully have pulled us out of the 9-5 grind and the W-2 world and into real estate, multifamily investments, and **a flexible and freeing lifestyle**. We believe it is one of the best investments you can make with your money and are happy to share with you our "whys" …

#1 – CASH FLOW

There is a wide (and growing!) array of investment types out there; and on top of that, a near infinite number of investing strategies to use those strategies to produce wealth. For our money, investing for cash flow is one of the best strategies and one of the main reasons we really love multifamily apartments.

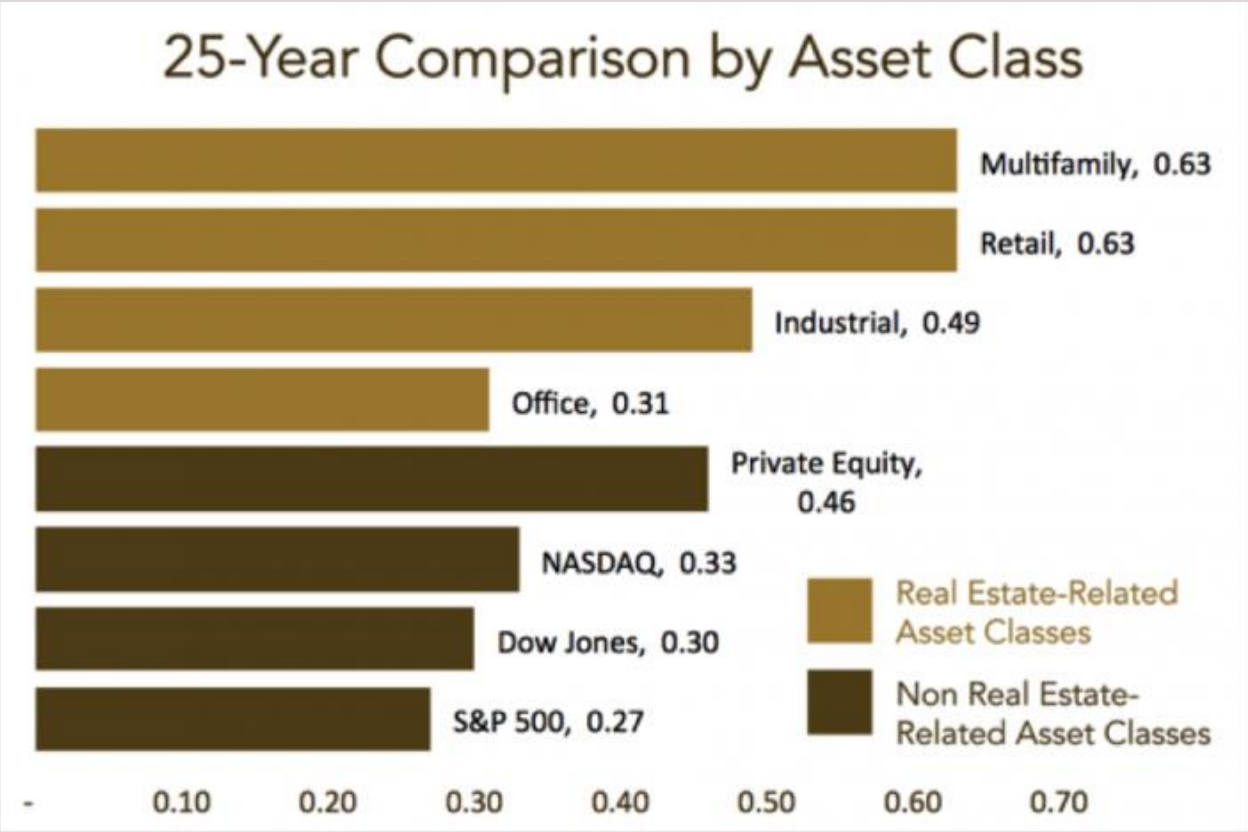
When you can invest in something, be largely in control of operations and create a cash-flowing engine, perhaps for life, now that is magic. Multifamily properties generate income from rents, fees and oftentimes a few other revenue-generating streams such as laundry facilities, parking, pets, and other creative services. When run efficiently, after all the expenses, loan payments and any reserve savings are paid, the remaining surplus is paid out to the investors, typically quarterly.

The key, as with any investment or business, is careful selection and solid operational execution. That's why we give so much attention and detail to the property selection and assessment process, called underwriting. Carefully analyzing markets, submarkets, demographic and economic trends, recent property performance and the potential for improvement all go into researching hundreds of multifamily properties in order to craft achievable business plans and make offers on only a select handful.



#2 – THE BEST ROI

Over the long term (think decades), multifamily properties have easily kept pace with and usually outperformed the stock market as well as other types of commercial real estate (office space, retail, hotels and industrial). Now certainly depending on the exact dates and time periods you choose you can tell different stories across investment types, but when viewed broadly you'll see that multifamily properties, on average, stand strong in terms of return on investment. Additionally, when viewed over the last 20+ years, you will find on average a 1.5% to 2%+ advantage with real estate and specifically multifamily investments.



#3 – Stable Asset Class. Low Volatility.

In addition to superior returns, multifamily assets have proven to be extremely stable investments. In fact, during recent recessions multifamily investments are much less volatile than all other investment classes. This was borne out most recently again during the Great Recession of '08-'09. Whether you compare the Sharpe ratio (above), standard deviations, returns or the number of down years per asset class, you'll find multifamily as a leading investment type.

#4 – Asset Valuation

Multifamily properties provide greater control over asset valuation than other types of investments. A multifamily property's worth is largely determined through operations. Revenue is earned; expenses are paid; and the remainder is what's called "Net Operating Income", or NOI. Unlike residential properties and single-family rentals, which are largely influenced by the neighborhood and comparables, or comps; the net operating income is the major factor in determining the market value of multifamily properties.

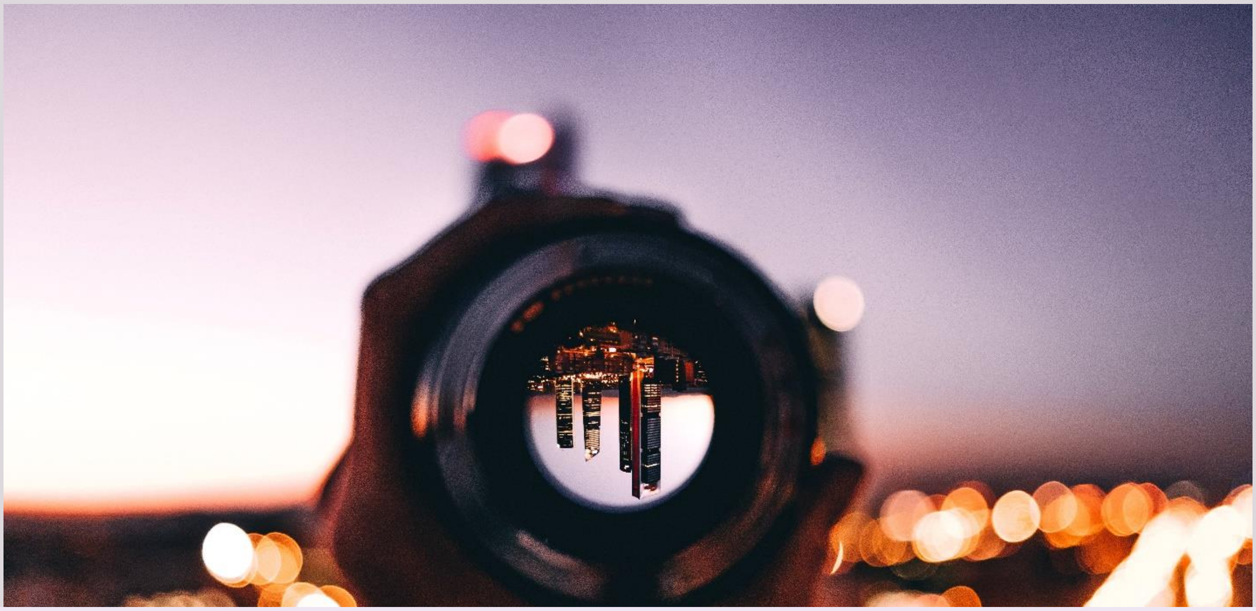
Unlike other assets, this method of valuation provides a wide degree of control over the asset's valuation. Improvements to the property, efficiency with operations, reductions in expenses and creative service offerings can all contribute directly to the investors' returns. You'd have to be Berkshire Hathaway or a similar sized investment firm to influence changes in publicly listed company performance.

#5 – Flexible Funding Options

Funding multifamily investments comes largely in two forms: institutional lending (think mortgages) and private investments (like you do in stocks & bonds).

As far as institutional lending is concerned, lenders are familiar with and open to multifamily investments. Large government sponsored enterprises Fannie Mae and Freddie Mac lead the way with the majority of loans in the multifamily space. And contrary to what you might think, the larger the deal the easier it can be to get funding, with a variety of loan types, low interest rates and competitive loan terms.

Individual investors also have a variety of methods to fund investments. Whether personally, with a business or even a retirement account, putting money to work in a multifamily asset provides investors many ways to earn great returns depending on a combination of factors that best suits the individual or business.



#6 – The Outlook Is Strong!

Demographics. Outside of the Federal Reserve, nothing has a larger impact on the economy, and we are in the midst of a huge demographic shift as baby boomers age and millennials become a larger factor in the economy. This is having profound impacts on already positive trends relative to rentals

- There are more renters than at any time in the last 50 years
- Rental prices have increased 3.3% on average since 1984
- 12.3% of millennials say they plan to always rent (and trending up)
- And even baby boomers are cashing out their home equity and renting to fund retirement

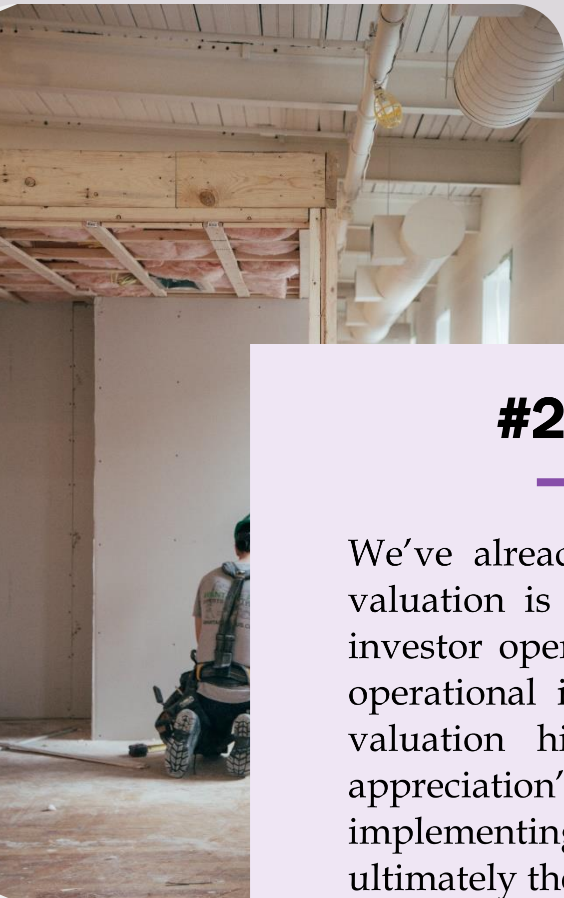
All of this paints an even rosier outlook for the long-term rental industry.

SUPER-CHARGED WEALTH ACCELERATORS!

#1 – Leverage!

Leverage is an extremely powerful concept in investing and simply put, allows you to multiply your purchasing power using debt. Like purchasing a home, investors can purchase multifamily assets by financing up to 80% of total purchase price. However, unlike personal property, when you leverage an investment you compound your returns.

Consider acquiring an investment property with 20% down (80% leveraged). You now own something worth 5x what you invested. If it appreciates with just a modest annual growth of 3%, which historically tracks with inflation, the power of leverage boosts the actual return 5x, to 15% annually. And earning that very modest return over 5 years doubles your initial investment. And as I'll make clear in a moment, great multifamily investors do not rely on organic appreciation, they drive even bigger returns through…

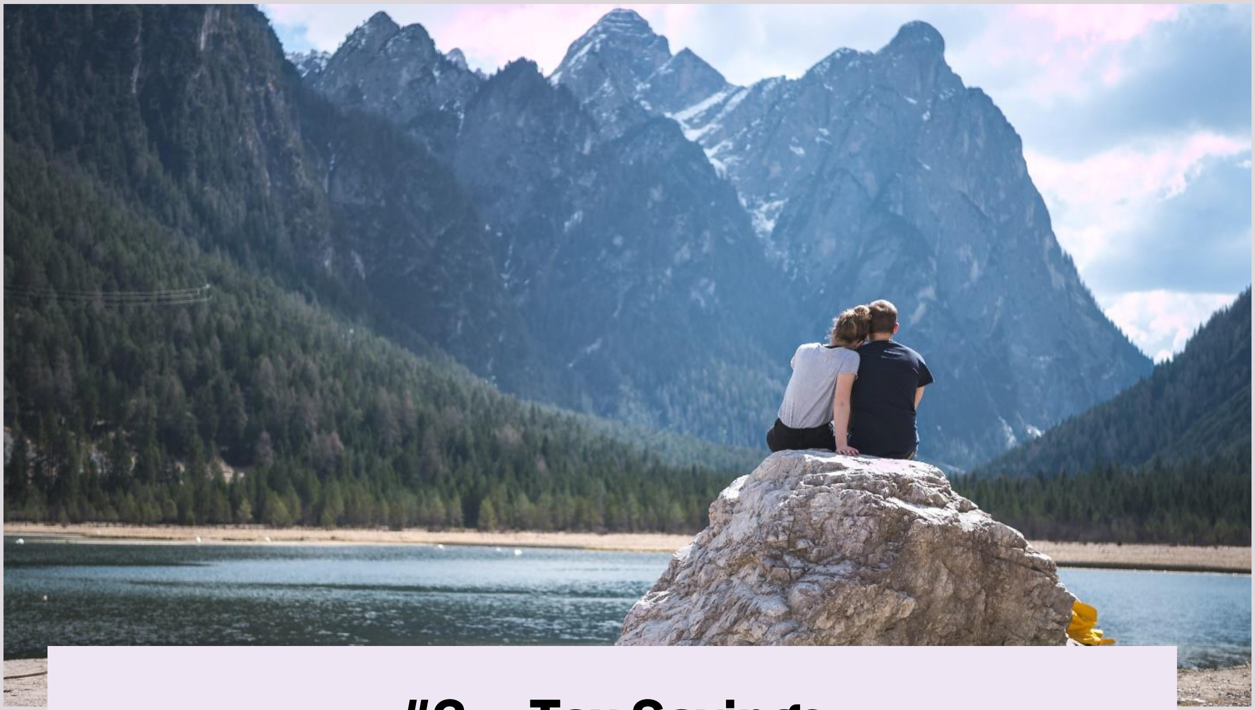


#2 – Forced Appreciation

We've already discussed that multifamily real estate valuation is based on income generation. Well, good investor operators take this fact and utilize it to drive operational improvements and therefore a property's valuation higher through what is termed 'forced appreciation'. Forced appreciation simply means implementing improvements to increase income and ultimately the value of a property.

Having a solid understanding of this strategy allows investors to be on the lookout for opportunities at the beginning of the evaluation phase. With a deep understanding of markets and sub-markets, and coupling that with individual property characteristics such as the current rent relative to market, the appearance, how well it is being run or not, ancillary services and amenities, multifamily investors are able to develop a business strategy and execution plan that will force an increase to operating income and consequently, valuation, thereby delivering superior returns on the initial investment.

The nature of how multifamily properties are valued means that every additional dollar gained in operating income gets multiplied in resulting market valuation. This can be significant. As much as $16 for every $1 in extra income. And in a multifamily property with 100 units, a $20 increase in rents or services becomes $24,000 in annual additional income, which in turn can increase a property's value by over $350,000!



#3 – Tax Savings

Death and taxes – life's 2 certainties. Well, governments around the world have learned to shape behaviors through the use of taxes and tax incentives. Here in the US our government looks to create jobs and provide housing. As such, there are great incentives out there for business owners and housing providers. Multifamily investments in particular offer a host of great tax savings opportunities that help many people significantly reduce their tax burden and, in many cases, eliminate it! This is one of the secrets of the wealthy that allows them to avoid paying taxes.

Standard depreciation, bonus depreciation and cost segregation studies all allow multifamily investors to offset income. An added bonus, you don't have to mess with the upkeep, collecting rent or unclogging toilets; and you can find new things to do with all that spare time…and money!

JOIN US!

Ligia and I decided several years ago to reinvent our lives. We embarked on a quest to heed the advice of those real estate titans who had journeyed before us; to put our money work for us; and not spend our lives working for money or someone else.

It has totally transformed our lives and we now spend more time in nature, traveling and connecting with those we love.

We started Deaton Equity Partners as a way to give back, share and help others like you break free from the 9-5 grind and spend your days doing what you love with those you love.

It can be done! There are proven processes out there and as with just about anything, it takes commitment and consistency.

Take the next step to financial freedom. Reach out and let's see how we can work together.

Wishing you all the best life has to offer!
Mike & Ligia Deaton


Let's
Connect!
invest@deatonequitypartners.com
(720) 593-0899
www.deatonequitypartners.com
DEATON
EQUITY PARTNERS