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Tips for New Multifamily Property Investors

**What to Consider, What to Avoid & How to
Streamline the Process**



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The Multifamily Investment Opportunity

With growth in rent prices and other benefits, multifamily properties are a great way to enter the commercial real estate market.

Whether you're just beginning to explore your options for commercial real estate (CRE) investing or you already have a strong portfolio of assets, multifamily properties are currently one of the best avenues to long-term wealth creation.

The past two years have proven this, with the multifamily market seeing incredibly strong growth in rental prices mixed with soaring demand for housing.

According to the August 2022 Apartment List National Rent Report, the year started out with 18% year-over-year rent growth. While this has somewhat cooled to 12.3% growth year-over-year as of the end of July 2022, the national index is still continuing to see upward movement.

While the median rent rate hasn't matched that of 2021, rents are still continuing to rise faster than in pre-pandemic years.

On the supply side, vacancy continues to remain low as higher mortgage interest rates keep households in rental units for longer periods of time.

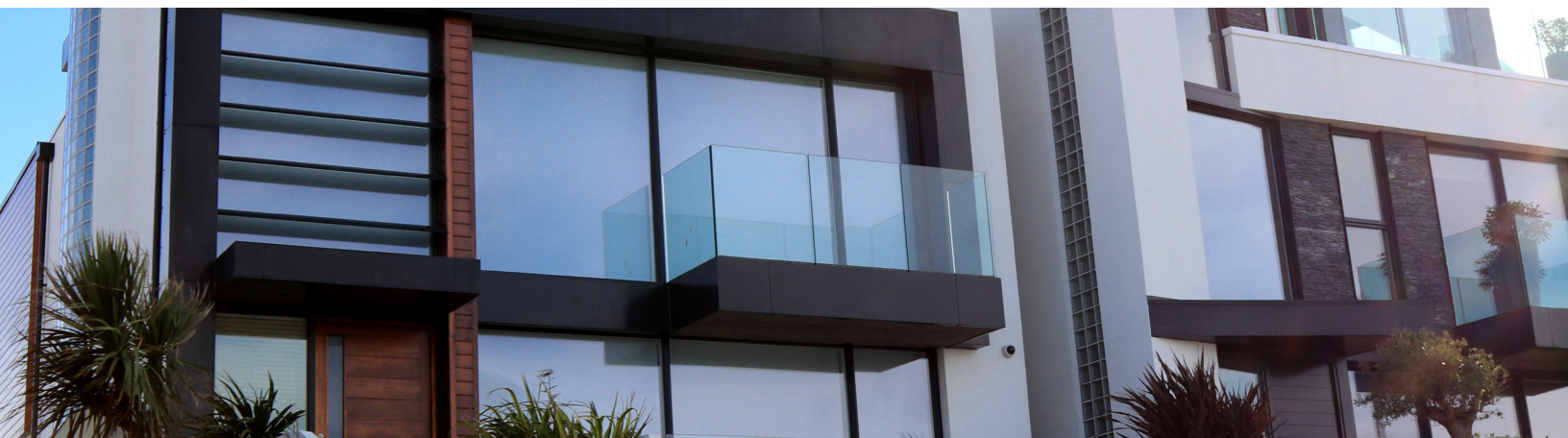
As a result of rent growth and higher demand for housing, the multifamily market is expected to continue seeing consistent upward movement throughout the rest of 2022 and into 2023.

But these aren't the only benefits that come with investing in multifamily properties. In this ebook, we'll explore:

- Additional market advantages
- Potential challenges for investors
- Tips to ensure a successful deal
- What to focus on after closing
- The value of a CRE technology solution

12.3%

year-over-year
rental price growth
as of July 2022
([Apartment List](#))



Advantages of Multifamily Property Investing

In addition to rent growth and being in high demand, multifamily investing provides GPs and investors with a variety of benefits.

1

It Offers Tax Advantages*

As a GP or investor, you may be able to take advantage of a variety of tax benefits. These include depreciation of the property, your expenses in managing and maintaining the property, depreciation of assets in the property (cost segregation), and passive income tax (if you don't qualify as a real estate professional).

**Individuals should consult their own tax advisors for guidance.*

2

It Preserves Existing Wealth

Investing in multifamily properties is a great way to preserve existing wealth. People need somewhere to live, and with a variety of factors leading to increased renters, demand is expected to remain strong. Investing in multifamily properties is a great way to ensure cash flow and long-term financial gain thanks to assets that generally will continue to appreciate every several years.

3

It's a Stable Asset Class

Multifamily properties are a relatively stable asset class, particularly in today's market. Currently, the U.S. is experiencing a housing shortage — in single-family residences but also in apartments. **According to the National Multifamily Housing Council**, the country needs 4.3 million apartments to meet demand. This high level of demand ensures that multifamily properties will continue to see strong interest from investors.

4

It Allows for Easy Entry

Those interested in commercial real estate investment opportunities will find that the multifamily market allows entry without extensive sophistication and experience. Existing capital can be used to get into the market and, as we've described here, continue to see returns on that investment. That said, there are some common pitfalls for new investors that will be important to consider before seeking a loan and getting started.

Key Challenges for New Multifamily Investors

If you're entering the multifamily market for the first time, be wary of these common pitfalls and issues that can plague your investment.



Determining Management

Based on your situation, you'll need to decide whether to manage the property yourself or to hire a property management company (PMC) to manage it for you. If you do the latter, make sure you have a strong foundation of trust in the relationship. Ensure the PMC is a reliable, proven, and experienced partner.



Doing Upfront Research

While multifamily property investing isn't as complex as other CRE avenues, it's still not straightforward — particularly for first-time investors. Do your research, talk to other investors, and make sure you're ready to take on this commitment.



Understanding Your Role

Remember that investing in multifamily properties is about more than the investment itself. You're also taking on people's livelihoods. Your tenants will depend on you to keep their homes safe and in good working condition. They expect you to be responsible with their funds and to provide the services they need to live securely.



Raising Capital to Start

While every investor is different, you will likely need to conduct fundraising up front in order to raise the funds needed to secure financing to buy the property — even if it's just for the down payment needed for the loan. You will need contacts, tools, and processes in order to raise these funds. You'll also need a solution for calculating and managing ownership percentages from your investors.



Going Too Large Too Quickly

As a new investor or one that's considering entering a new market, the last thing you want is to get in over your head. A common mistake that multifamily investors make is to get a building with significantly more units than they can manage (e.g. getting a 200-unit building when a 50-unit building would've been a better starting point).



Being Overly Optimistic

While the multifamily investment market has been doing well over the past couple of years and is expected to continue performing well, remember that markets can change quickly as a result of other factors and circumstances. If things change down the road, will you financially be able to carry your investment through toward better days?



Not Being Present

While there are a number of markets where multifamily rent growth and opportunity are booming, and it can be tempting to jump on a new deal when it arises, strongly consider keeping your investments local or at most regional. Managing multifamily properties remotely is virtually impossible, especially if you're not using a PMC. Additionally, remember that multifamily investing shouldn't be treated as completely passive income. Multifamily investors note that they would not be able to have a separate full-time job and still be able to manage their portfolios.

Explore the Top Multifamily Markets

Download your free copy of our top markets report and learn how to maximize your results as a multifamily investor in them.

[Get Your Copy Now](#)

Tips for Success in Multifamily Investing

Learn from other multifamily investors, so you're in a strong position.



Never Be Completely Satisfied

Always strive to be better and do better – whether that's in how you approach fundraising, build relationships with investors, engage with tenants, or manage your asset portfolio. Always striving to be better will yield positive results with discipline and consistency.



Pressure Test Yourself

As with any CRE investment, multifamily assets require time, attention, and resources. Ensuring that you're up to the challenge and are prepared for the many responsibilities that come with multifamily investing will be beneficial.



Start Off Conservative

Remember – don't get in too deep. Start your journey with manageable assets – again, think 25–50 units versus 200 – that don't ask too much of you. Strive to meet your ROI expectations in a manageable way and go from there. You'll be able to scale more efficiently.



Add Value

For your investors, your tenants, and any team members supporting you. Adding value for investors leads to stronger relationships and more participation in future deals. Ensuring tenants are supported ensures longer leases. Adding value for your team keeps their workload efficient and your business profitable.



Be Proactive

Get inspections done before due diligence ends. Ensure all building systems and infrastructure are in good condition, and any repair needs are addressed. Favoring speed over caution can lead to a bad post-close situation that could cost you significantly in the long run.

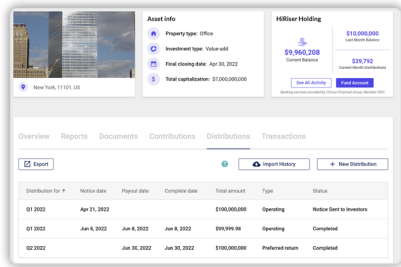


Be Thorough

Carefully evaluate all documentation involved in the process from start to finish. One particular example is to examine the title of the building carefully. Ensure it's a clean title, meaning that it's free of any liens and that the entity that owns the building actually owns it.

Invest with Confidence

Designed for GPs and their investors, **Covercy** is where banking meets investment management. Our solution helps investment firms with high-net-worth individuals save time with automated distribution and capital call payment processing and gain your LPs trust with an intuitive Investment Portal. Finally, your investors, real estate, and even payments - all in one place.

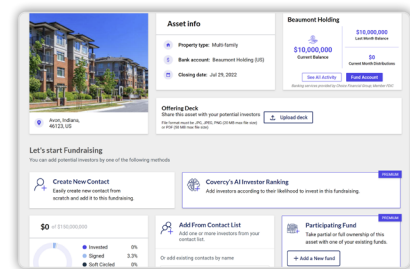


1 Automated Distribution [Learn More](#)

- Seamlessly distribute payments to your investors online
- Calculate custom waterfall distributions for investors
- Deduct taxes from investors' individual transactions
- Pay investors domestically and abroad (and in their currency)

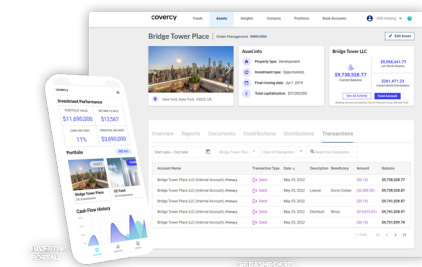
2 Fundraising [Learn More](#)

- Auto-generate web pages for deals to share with investors
- Track investors' activity with your deals to prioritize outreach
- Allow investors to indicate their interest from the deal page
- Build contract templates and collect investor signatures



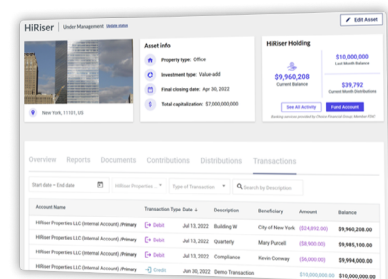
3 Investor Relations [Learn More](#)

- Provide structured reports with metrics and text updates
- Share documents such as K1s, agreements, and more
- Support complex investment structures (i.e., debt equity, funds)
- Manage fund/syndicate information and access levels



4 Banking [Learn More](#)

- Open FDIC-insured accounts right from the Covercy platform
- Instantly make a variety of payment types online, at any time
- Manage multiple accounts by asset rather than one flat list
- Collect funds with ACH capital calls and distribute funds with auto-distributions



Maximize Your Success with Covercy

Whether you have an active portfolio or you're just getting started, use Covercy to streamline every aspect of your multifamily investment.

Covercy is committed to helping you make CRE investment management simpler, more productive, and more profitable. Ready to experience what our platform can do for you and your team? Start your journey with us today.

[Schedule a Private Demo](#)

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