MULTIFAMILY INVESTING FORECAST FOR 2018

By Vinney Chopra

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If you want to know everything you need to start investing in multifamily syndications, look no further. Vinney Chopra is ready to share his wealth of knowledge and success with you if you're ready. Vinney has been investing in real estate for more than 40 years and has completed over 25 syndications. His newly formed company, Moneil Investment Group controls more than 2300 units worth 132 million in just 2 years. What you're about to read is what Vinney practices daily and has helped lead him to be the successful multifamily syndicator that he is today.

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By Vinney Chopra, CEO, Moneil Investment Group
www.MultifamilySyndicationAcademy.com

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ABOUT THE AUTHOR

VINNEY CHOPRA is the Founder and CEO of Moneil Investment Group and President of Ideal Investments Group. Since coming to the United States more than 40 years ago – with only $7 in his pockets – he has built four successful businesses as well as his passions: a multifamily syndication academy and youth academy. With a bachelor's degree in mechanical engineering, he added a master's degree in business administration in marketing from The George Washington University, shifting his focus to marketing and motivation. He has been a professional fundraising consultant and motivational speaker for more than 35 years and also is a licensed real estate broker in California. Vinney and his wife started their real estate investments in 1983. He currently owns single-family homes and multifamily units in Texas, California, Atlanta, Arizona and India. People often call him "Mr. Enthusiasm" or "Mr. Smiles" for his positive attitude and commitment to bringing great value to everyone whose lives he touches.

Vinney (Smile) Chopra, B.Engg., M.B.A.

Founder, CEO & Principal

Building Wealth through Multifamily Sound Investments, Acquisitions and Professional In-house Management

Your Success is Our Success

P: 925.766.3518
E: vinney@moneilig.com
W: www.multifamilysyndicationacademy.com

MULTIFAMILY INVESTING FORECAST FOR 2018

I wanted to share my perspective on it. It is very hard to predict the future. Especially in the times of uncertainty with talk of possibly lowering tax rates and cutting out social programs and small business tax breaks — all in the name of economic growth.

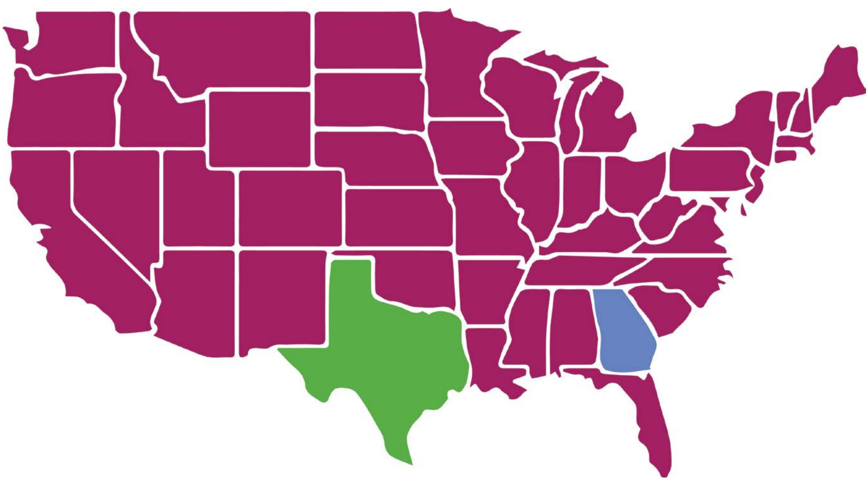
So, it is very hard to project due to 5 current factors:

- Many **markets** across the nation have **peacked**.
- **Rents** are at their **highest level** in years.
- **Vacancies** have been **low**.
- There is **less product for sale** on the market.
- **Competition** is fierce.

But the savvy and tough investment groups always find ways to acquire the right properties even in the heated markets.

One of the keys is to look at B and C properties

I have been fortunate to create niche markets in TEXAS and GEORGIA



I have been able to do 12 syndication acquisitions in the last couple of years. We have purchased C properties and B properties in growth markets through developing great relationships with top brokers and making quick decisions when opportunities arose.

Just recently, Multifamily executive reports, *"Class B and C multifamily housing will have the greatest potential for high returns in 2017 and well into 2018."*

Do I agree? Yes, I definitely think so.

9 YEARS For the last nine years, my companies and other multifamily investing groups have enjoyed healthy cash flow returns along with the equity gains in the C+ and B class assets in B and A areas.

In our companies, we have always gone after the jobs, and the emerging smaller markets outside of the large metro areas where there is path of progress and the job market is healthy and growing.

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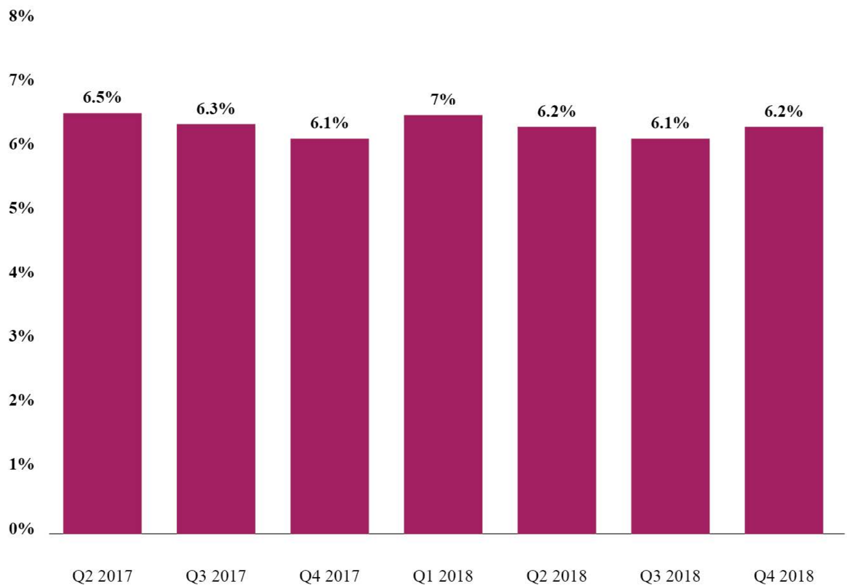
Is Class B and C the way to go?

Multifamily executive reports that what is driving this is, *"the oversupply of Class A communities in combination with a drop in demand, the rising cost of homeownership, and Millennials entering the market by the millions."*

In the midst of this trend, foreign investors have begun to take notice and make their own plays on U.S. multifamily real estate.

As we all know, the U.S. is becoming more of a renters nation, the Millennials are loving the "portability" aspect of living. They like living in B class apartments with nice amenities, no need to mow the lawns or take care of the swimming pools, etc., and no need to drive to the fitness club — because all of this is contained at the dwellings.

The growth of this segment of population as shown in the graphic tells the story.



I predict the market for B class apartment communities will be quite healthy for a long time.

Multifamily Executive says, “Class B and C properties also allow real estate investors opportunities to enjoy a significant lift in NOI by making small property improvements. Examples of these value-adds include putting in communal clubhouses, adding dog parks, putting cafes, media centers and offering community events. These upgrades to B and C apartments can be relatively inexpensive to implement, yet can generate higher rents, leading to rapid ROI growth.”

My present companies, Moneil Investment Group and Moneil Management Group, have been bringing value to C and C+ communities and converting them to high-occupancy Class B assets. The investors really like the fact that along with the cash flow returns they are enjoying the forced appreciation of their investment in equity gains.

Millennials love apartments

The generation has been dubbed Generation Rent and is expected to continue driving apartment demand through 2024. Experts assert Millennials are interested in homeownership, but are too laden with debt to pursue it. Their interest in owning a home will become more apparent as they continue to age, pay off debt, get married and start families — but this is still a long way off for the majority of the generation.

Meanwhile, Class B and C properties are attracting a wide demographic, from working-class individuals to Millennials entering the market to downsizing Baby Boomers.

These properties are typically 15 to 25 years old and are located in desirable buildings in well-established middle-income neighborhoods. They tend to offer residents the most bang for their buck, attracting renters in a down economy.

Why apartments are booming with Baby Boomers

There is a rental demographic that's feeling quite young and spry. And old age isn't something they will be thinking about for years.

It's the Baby Boomers, most of whom will turn 65 by 2030. Every single day, for the next decade, about 10,000 Baby Boomers will become 65 years old, retire and turn their attention to where and how they're living.

Born between 1945 and the early 1960s, this is a demographic that's going to drastically redefine the composition of the U.S. population. In fact, 18 percent of all people living in the nation will be aged 65 and above in the next decade or so.

While they've been homeowners for the better part of their lives, recent housing studies show that over approximately the last 10 years, Baby Boomers have become the second biggest rental demographic, right after the Millennials.

According to data coming from Harvard University's Joint Center for Housing Studies, between 2004 and 2013 renting saw a rise among people aged 50 to 75. Today, most renters are around 40 or older.

Despite being a strong demographic that's leaning more and more toward renting, the Baby Boomers haven't received quite the same attention as the younger Millennials.

Property managers, landlords and real estate investors alike have been exploring ways in which they can make their rentals appeal to the more dynamic Millennials. Fortunately, the things that the Baby Boomers and Millennials want aren't too different. They want a sense of community fused with interiors that are suited for their specific needs.

Great opportunities lie ahead for more senior living facilities and nice, well-cared-for communities to meet their demand.

How about foreign investors in 2018 – what will we see in 2018?

Multifamily executive reports, "More foreign investors are seeing this potential in the U.S. multifamily housing market. According to an analysis by Real Capital Analytics, as reported in National Real Estate Investor, foreign buyers poured a record $91 billion into U.S. commercial assets in 2015, $19.6 billion of which was invested in apartment communities. And through June 2016, foreign buyers invested a record $5.1 billion in apartment communities. To put that number into perspective, over the course of the previous decade, foreign investors averaged a mere $5.4 billion in multifamily product annually. We're seeing much of this money coming out of China, as well as Canada and Mexico. Additionally, in the commercial real estate industry, we've begun seeing an influx of investors from the Middle East and South Africa, many of whom are pouring money into multifamily properties. The reality is that the combination of a pro-deregulation president and potentially unstable economies abroad is making the current U.S. market especially attractive to investors from overseas, therefore drumming up foreign investment in the U.S. real estate market."

Office still reigns

This focus on primary office markets and high-quality assets extends to cross-border investors more broadly. Roughly half of the foreign capital inflows went into the office sector over the first six months of 2017, totaling investments of US $10.6 billion. Primary markets accounted for three-quarters of those office acquisitions.

In part this reflects the fact that almost 80 percent of that foreign office investment came from just five countries (three of which are in Asia): China, Singapore, Canada, Germany and Japan. This level of concentration marks a major change from recent years, as together these countries haven't accounted for more than 60 percent of foreign activity since 2003.

Multifamily on the rise

Multifamily saw the next biggest inflow of overseas capital, with a broader subset of foreign sovereign wealth and pension funds increasing their exposures to the space.

"While some overseas investors are focused on suburban investment strategies due to current urban development levels and pricing, others are seeking to align U.S. multifamily with office exposure from a market and sub-market perspective," the report says. "We will see more transactions from these groups, likely at scale, in non-conventional structures and with strong domestic sponsors. However, selectivity will remain the norm."

Ongoing diversification

With pricing elevated in primary markets, and targeted opportunities remaining limited, foreign investors will continue to expand the scope of their U.S. real estate investment strategies by both asset type and location, including moves into selected non-primary markets.

What about rates of rent growth in 2018?

This statistic presents a forecast of multifamily rent growth in the United States from the second quarter of 2017 to the fourth quarter of 2018. It was expected that the multifamily rent growth would amount to 6.2 percent in the fourth quarter of 2018 in the United States. Multifamily real estate refers to a housing structure where multiple apartments are contained within one housing unit, or when several buildings form a larger complex. In the United States, 397,000 multifamily houses were started in 2015. An average size of such a housing unit was 1,074 square feet in that year.

As outlined above it looks like a healthy rental growth across the quarters in 2018. I definitely say that the rental growth depends on so many other factors and the forces behind the demand in local markets.

Overall, I see a bright future for multifamily investing in 2018 and beyond!!

THE BEST MARKETS FOR INVESTING IN APARTMENT BUILDINGS IN 2018

What are the best markets for investing in apartment buildings in 2018? Before we answer that question, it is worth considering the overall economic climate. As we enter 2018, we are seeing a changing environment in multifamily investing, but some of the underlying keys for investors' success are still there, if you look closely.

"The biggest challenge is going to be finding attractive places to put new money to work," Brian Kingston, chief executive of Brookfield Property Group, one of the world's largest real-estate investors, told the Wall Street Journal. *"Investors need to be cautious about the prices they're paying."*

Add to that the likelihood that interest rates are going to rise this year, and 2018 is shaping up to be particularly precarious.

But that doesn't mean that Brookfield or any of the world's other leading real-estate investors are going to be sitting on the sidelines this year. Rather, they are pursuing an unusually eclectic assortment of strategies spanning a wide range of geographies and asset classes.

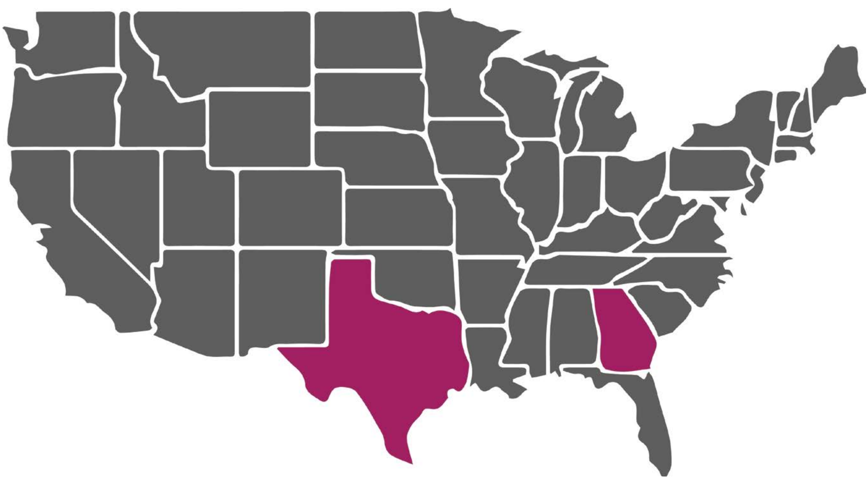
Start with emerging markets where you see job growth and a favorable local government environment that encourages business development. As big cities see more new high-priced apartments coming on board in 2018, those rents will likely stop rising.

"Rents themselves are still lower in the suburbs, but if demand keeps growing for suburban rentals and supply continues to lag, that will also start to change," Zillow Chief Economist Dr. Svenja Gudell said in a release.

"A*s more formerly urban renters move to the suburbs in coming years, we'll likely start seeing more apartment buildings and walkable amenities popping up in those communities,"* Gudell said.

Best Market for Investing Apartment Buildings in 2018

As many of you know, my companies have been investing in emerging markets in Texas and Georgia for the last 10 years. Emerging markets are characterized by job growth, trending rental increases, absorption of supply, fewer permits issued for new construction, new business moving in the path of progress for that local segment of the MSA, and other factors.



We research deeply across the nation to find these great main markets and submarkets in which to invest in multifamily.

One hint I can give you is to look in the front and back of the Operating Memorandums of already-on-sale properties. These beautiful information brochures are usually five to 10 pages of great economic data and news about the area. Brokers include that to answer the question, “Why should Investors purchase that multifamily asset?” Look to the sources of the economic news and jobs-growth articles and even do more research from those sites or publications. This just saves a lot of time.

Rents Stay Flat In Large Cities As Mid-Sized Cities See Growth

Increases in national rents have flattened for the last four months and observers are witnessing the slowest annual growth rate in six years, according to a new report from Rent Café.

The rental market is cooling down, with a 2.2 percent year-over-year increase, with the national rent reported at $1,354 in fall of 2017, according to Yardi Marix.

“The housing market follows a cyclical path. The fact that the prime summer seasonality did not cause significant rental growth is the latest signal that the market may be cooling,” Doug Ressler, senior analyst at Yardi Matrix, a sister division of RENTCafé, said in a release.

“However, these changes will be felt gradually, first in the largest and most expensive cities, followed by mid-sized markets, and eventually trickling down to smaller towns,” Ressler said.

My Favorite Markets for Investing in Multifamily in ‘18

I am quite bullish on Texas — particularly Houston, San Antonio and even parts of Dallas, although it’s a very heated market. Another state I am bullish on is Georgia, especially Atlanta and vicinity. And North Carolina-South Carolina is a third market where our research indicates great growth. Additional markets where I think it is equally good to invest because of potential growth include Cincinnati and Columbus, Ohio; Nashville, Tenn.; Birmingham, Ala.; and St. Louis, Mo.

Some of you may ask, “Vinney, what about Salt Lake City, and some cities in Arizona?” Please do your research and decide on that for yourselves.

I strongly urge you to marry the numbers from your stringent underwritings and don't fudge or manipulate to make the opportunity work. Do extensive study about the local market before investing.

One thing is for certain: Multifamily investing is the real game in town. Jump into it as quickly as you can. Better yet, because there is so much money flowing all around you, harness that through syndication like I have been doing successfully with my teams for the last 11 years. Then you, too, can enjoy the bigger fruits of cash flow and equity gains for your valued investors and yourself.

Happy investing!

2018 PREDICTED AS STRONG YEAR FOR MULTIFAMILY (BUT WE ALREADY KNEW THAT!)

As active multifamily investors constantly monitoring the best times for both entry and exit, we are buoyed by a recent report in National Real Estate Investor that predicts 2018 will be another strong year for multifamily housing and apartment purchases by investors.

"There is still a hunger for yield by investors," Jim Costello, senior vice president for Real Capital Analytics (RCA), was quoted in the report. *"I don't see 2018 as being that much different from 2017"*, which saw a surge in apartment purchases as 2017 came to a close.

While not a record-breaking year as 2016 had been, last year still saw a total dollar volume of apartment sales that exceeded the historical average.

Most reports we are seeing, as a matter of fact, indicate this is going to be a good year for investing in multifamily, particularly existing properties.

The boom in new-builds of upscale apartments is softening, giving way to demand for older-but-renovated Class B properties, Karlin Conklin writes in Multi-Housing News.

That's an area of expertise for our team at Moneil Investment Group, LLC, and we have a wealth of information to share through our Multifamily Syndication Academy and specialized training. Click here to learn more about the academy.

Experts continue to forecast a healthy renter population, although the rate of increase is cooling, as reported in the recently released "America's Rental Housing 2017" from the Joint Center for Housing Studies of Harvard University. From the JCHS report's executive summary:

…the housing crisis no doubt generated renewed appreciation for the advantages of renting that will help sustain demand in the years ahead. Indeed, even as the homeownership rate stabilizes, renters are still likely to account for slightly more than a third of household growth. According to Joint Center projections, the number of renter households will increase by nearly 500,000 annually over the ten years from 2015 to 2025—a still robust pace by historical standards."

JCHS characterizes the outlook this way:

…even if the homeownership rate stabilizes near current levels, the number of renter households is likely to continue to increase at a healthy clip, driving up the need for additional supply. And given that a broader array of households has turned to renting, this also means a growing need for a range of rental housing options."

MONEIL

INVESTMENT GROUP

VINNEY (SMILE) CHOPRA

FOUNDER | CEO

460 Highway 332, Lake
Jackson, TX 77566

P 925 766 3518
E vinney@moneilig.com
W www.multifamilysyndicationacademy.com