MULTIFAMILY
MATRIX

MULTIFAMILY MATRIX WORKBOOKS

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ABOUT YOUR COACH

Bryan Chavis is the only property management coach whose book appears in the US Library of Congress, is ranked #4 on the National Association of Realtors "Top Real Estate Books" list, is a worldwide bestseller and the only book to appear as an official resource in Wikipedia under property management.

WHO HAS BRYAN COACHED

- Mark Willis, former CEO, Keller Williams
- Property management business from start-ups to successful property management companies looking to go to the next level
- Public Housing Authorities
- Bryan is a certified Keller Williams MAPS coach; the only property management coach in the prestigious program
- Bryan has helped hedge funds and banks successfully stabilize foreclosed properties
- Bryan has helped thousands of Real Estate investors succeed while owning and operating rental properties

WORKBOOKS

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WORKBOOK 2

EVALUATING RISK IN MULTIFAMILY DEALS

The term "bucket" is used in business and finance to describe a grouping of related assets or categories. Buckets can contain investment assets that present a degree of risk, such as equities, or they can contain low-risk investments such as cash, short-term securities, fixed income securities with similar maturities, or swaps and/or derivatives with proximate maturities.

WHAT ARE SOME WAYS TO EVALUATE RISK BUCKETS WITH MULTIFAMILY PROPERTIES?

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WEIGHING RISKS, AS A SYNDICATOR:

Relay to investors:

- Investing is not a broad brush stroke
- There are different buckets you can enter into as an investor
- As the syndicator, explain the risks and returns associated with each bucket.

Let's focus: When setting a price, understand that the income is tied to the operator.

- The income is typically based on the operator. Low income is not necessarily the property's fault, the operator could be managing the property incorrectly.

"You don't get paid what you're worth, you get paid what you negotiate. Negotiation is a game of chess, not checkers."

WORKBOOK 2

NEGOTIATING: BASED ON FACTS

Stick to your guns. You're going to lose a lot more than you win. But at the end of the day you have to protect those risk buckets.

- If you start investing in properties and pay someone's asking price because you are eager, there is a chance that mistakes can happen. As you move forward in syndicating your business, learn to listen and pay attention to detail. This is how you learn more about the property and what the right decision will be.

QUESTIONS TO CONSIDER:

WHAT IS THE MOST IMPORTANT PART OF THE INVESTMENT?

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WHAT DOES IT LOOK LIKE WHEN A MARKET TURNS?

"Good operators are already going to understand that it's coming."

What are 3 things operators look at when the market is taking a turn?

1. _____
2. _____
3. _____

Fill in the blank:

There is a _____ month lag period that occurs before the market turn happens.

WORKBOOK 2

OTHER KEY POINTS:

The ability to make sure your staff and team are trained to understand how the market works and how to read those tea leaves Is Instrumental in being a successful multifamily operator. You want to be proactive instead of reactive. You lose money when you are reactive.

CAP RATE:
WHAT IS CAPITALIZATION RATE?

The capitalization rate (also known as cap rate) is used in the world of commercial real estate to indicate the rate of return that is expected to be generated on a real estate investment property. This measure is computed based on the net income which the property is expected to generate and is calculated by dividing net operating income by property asset value and is expressed as a percentage. It is used to estimate the investor's potential return on their investment in the real estate market.

Key Factors:

- Capitalization rate is calculated:
  - Capitalization Rate = Net Operating Income / Current Market Value
- This ratio, expressed as a percentage, is an estimation for an investor's potential return on a real estate investment.
- Cap rate is most useful as a comparison of relative value of similar real estate investments.

NET OPERATING INCOME:
WHAT IS NET OPERATING INCOME?

- Net operating income (NOI) is a calculation used to analyze the profitability of income-generating real estate investments. NOI equals all revenue from the property, minus all reasonably necessary operating expenses.

Key Factors:

- Net operating income measures an income-producing property's profitability before adding in any costs from financing or taxes.
- The operating expenses used in the NOI metric can be manipulated if a property owner defers or accelerates certain income or expense items.
- The NOI metric does not include capital expenditures.