



Real Estate Investing in Multifamily Properties: An Explanation





WHY INVEST IN REAL ESTATE?

PROS

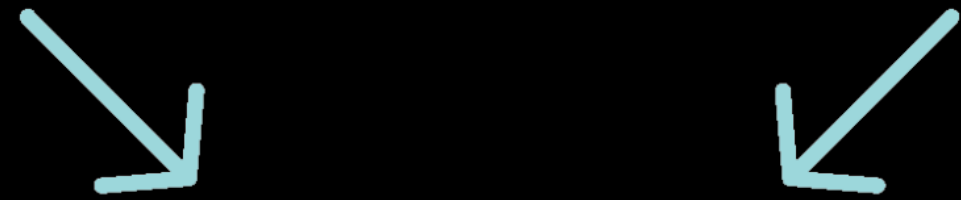
- Less risky generally
- Passive investment
- Capital appreciation
- Tax benefits

CONS

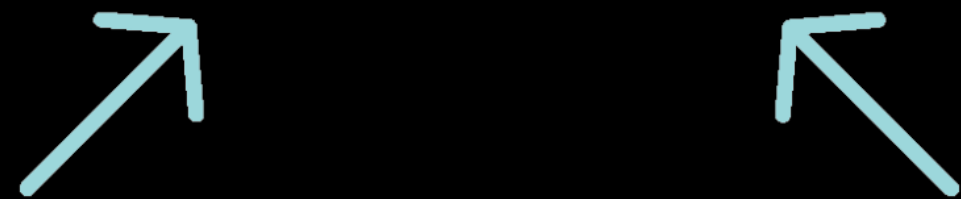
- Higher entry point
- Longer term
- Illiquidity



How do you invest in real estate?



Syndication





What is Syndication?

- A syndication is a group investment structure where multiple individuals pool their financial resources to invest in a specific project or opportunity.





How is a syndication structured?

LLC created:

- Passive investors or Limited Partners: provide the capital to purchase the property
- Active investors or General Partners: hands on role in managing the property



Active investors v. Passive investors

Active Investors

- Manage the property
- Sign on debt
- Put in time
- Make day to day decisions

Passive investors

- Provide capital
- Receive preferred returns
- Receive percentage of returns upon sale



What do I look for in choosing an investment?

- Growing market where the asset is located
- Employment opportunities
- Entertainment
- Analyze the returns
- Hold periods
- Experienced and knowledgeable general partners

SYNDICATION



Step 1:
General partner finds
property.



Step 2
Due diligence begins.



Step 3
GP's share investment with
passive investors.



Step 4
Investors combine
funds to purchase
the property.



Step 5
Passive investors
receive cashflow while GP's
manage asset.



Step 6
Asset is sold. Investors receive
initial investment and their split of
sale profits.





DEFINITION OF TERMS USED IN SYNDICATIONS

COC - Cash On Cash:

- The rate of return that calculates the cash income earned on the cash invested in a property.
- Typically refers to the cash return annually to the passive investor



AAR: annual rate of return

- The average amount of money an investment makes each year
- Includes the proceeds from the sale at the end of the hold period





Equity multiplier

- A financial metric used to assess the level of financial leverage or debt utilization in a real estate investment.
- A high equity multiplier indicates a higher level of financial leverage, which means a larger proportion of the property is financed through debt.
- A lower equity multiplier signifies lower leverage and a larger proportion of the investment is funded through equity.



Preferred Return

- the minimum return an investor must receive before the investor manager can receive a performance fee



Internal Rate of Return (IRR):

- IRR is a more comprehensive measure of the overall return on investment, taking into account the time value of money and cash flows over the entire investment period.



Equity Ownership:

- Refers to the ownership stake each investor, whether a limited or general partner, holds in the investment. It's often represented as a percentage of the total equity in the project.



At Sky Capital, LLC, we are committed to providing opportunities for our investors to build generational wealth through multifamily housing investments.

Let us do the work!

We welcome the opportunity to connect with you. Call today for a free consultation and see if it's right for you.

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