

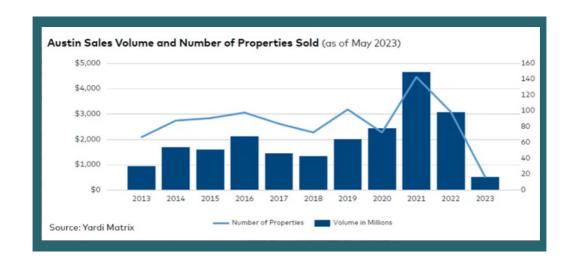
Austin Multifamily Properties on Target

While sporting the largest pipeline, the metro is seeing improving fundamentals.

Multifamily fundamentals are improving in Austin, sustained by one of the strongest economic expansions in the U.S. and robust in-migration. Rents grew, albeit slowly, after eight consecutive months in negative territory, up 0.1 percent on a trailing three-month basis through May, 20 basis points behind the U.S. rate. At \$1,717, the average rent in the Texas capital was virtually on par with the U.S. figure (\$1,716). Occupancy was down 120 basis points year-over-year in April, to 94.0 percent.



Austin unemployment stood at 3.1 percent in April, outperforming the state (4.0 percent), the U.S. (3.4 percent) and all other major Texas metros. Employment growth posted the fastest pace among the country's top 30 markets tracked by Yardi Matrix, up 6.0 percent, or 64,300 jobs, in the 12 months ending in March, double the U.S. rate.





Leisure and hospitality and professional and business services added the most new positions, totaling a combined 37,200. Both sectors are poised for sustained growth, as officials are discussing a \$1.6 billion redevelopment of the metro's downtown convention center, while the office sector continues to expand, with 7.6 million square feet underway.

Developers delivered 3,365 units in 2023 through May and had another 60,450 units under construction, accounting for the country's largest pipeline. This volume of growth is particularly impressive because Austin is not one of the country's top 20 metros by population.

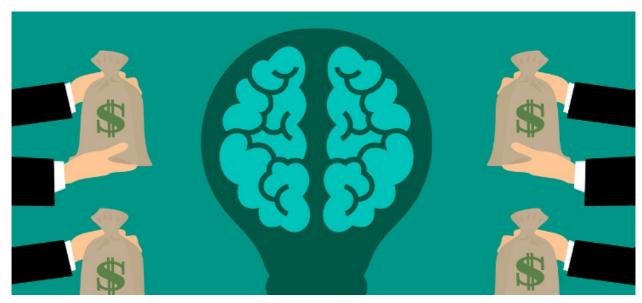
Evergreen Capital Insights

The Austin multifamily property market holds promising investment prospects for Evergreen Capital. Economic expansion, strong in-migration, and signs of rental market recovery underline its potential. Despite slow rental growth, Austin's economic performance shines with a 3.1% April unemployment rate and 6.0% employment growth in the past year.

Ongoing development initiatives, like a potential \$1.6 billion downtown convention center redevelopment and expanding office sector, demonstrate the city's commitment to growth. The sizable pipeline of new multifamily units, 3,365 delivered in 2023 and 60,450 under construction, signifies high housing demand. While appealing, prudent due diligence and market analysis remain crucial to align investments with Evergreen Capital's goals and risk tolerance.



What Do Accredited Investors Need To Know About Crowdfunding Today?



Crowdfunding has gained significant momentum as a viable avenue for real estate investment in recent years. However, the landscape varies, with some platforms accessible to all investors while others mandate specific criteria for participation. The Securities and Exchange Commission (SEC) categorizes investors as accredited and non-accredited, each with distinct regulations. In a previous article, the disparities between these classifications were explored, along with pertinent considerations for platforms accommodating non-accredited investors.

This discussion now turns to crowdfunding tailored to accredited investors. Notably, CrowdStreet stands as a prominent participant, having facilitated over \$4 billion in investments across 750 deals. For most opportunities, a minimum investment of \$25,000 is required by CrowdStreet. The platform recently faced attention due to the reported misappropriation of nearly \$40 million raised on their platform into accounts controlled by the CEO of Nightingale Properties, prompting Department of Justice investigations. Consequently, CrowdStreet's co-founder, Tore Steen, stepped down from his CEO role. CrowdStreet issued a statement emphasizing the inherently illiquid and high-risk nature of their investments, along with new protective measures, including escrow account funding, individual accreditation verification, and operational enhancements.

Despite these developments, crowdfunding platforms remain relevant in the investment landscape. Equity Multiple, catering to accredited investors, allows an entry point with a minimum investment of \$5,000, concentrating on commercial real estate ventures encompassing equity, preferred equity, and senior debt options. Similarly, PeerStreet permits accredited investors to initiate debt investments with minimums as low as \$1,000.

It is of paramount importance to underscore the need for legal counsel before venturing into crowdfunding endeavors. The intricate regulatory framework mandates compliance with SEC requirements, encompassing everything from disclosure practices to filing procedures. Furthermore, the landscape entails inherent risks, warranting thorough research and due diligence, particularly given the current backdrop of rising interest rates and increased debt costs.



Help Investors Develop an ROI Strategy

If inexperienced investors are jumping into your market, make sure you have the right skills and knowledge to advise them.



Recent research from Mynd, a property management company, shows some young people are jumping into real estate investing as a means to build wealth—even before they own a primary residence. (See: <u>Growth of the 'Rentvestor'</u>) But new investors don't always know which strategy is best for reaching their financial goals. Should they fix and flip? Own short-term rentals? Buy a multifamily building for long-term ROI?

Working with inexperienced investors takes a different set of sales skills than working with primary home buyers, says Shane Morgan, a broker with Inhabit Real Estate in Portland, Ore. "You spend more time upfront [with the client], getting started with research, checking numbers, determining estimated value after renovation, looking at rental caps and figuring in upgrade costs," he says.

Refer these clients elsewhere unless you are prepared to knowledgeably explain the options and talk about how they can reach their financial goals. If you do decide to offer your services to inexperienced investors, keep these six principles in mind.

1. Clients' objectives will help determine their investment strategy. You need to know how much work investor clients are willing to do and how much they're willing to spend to turn the property into a lucrative investment. If their dream is quick cash flow, then they may have to put more effort into getting the building ready rapidly. If the goal is steady income over time, they'll need to think more about long-term maintenance issues.



Before you show one property, know "who is your investor, what are their goals, and what makes a great real estate investment in your market?" says Tanya Salseth, CEO and team lead of Stateside Residential–Keller Williams United in the Washington, D.C., area, and principal broker-owner of All County Nova Property Management in Annandale, VA.

- 2. Knowledge of commercial lending is essential. You'll need a network of lenders who specialize in commercial and construction lending. Knowing the current rates and financing terms is as important to investors as it is to primary home buyers, says Peter Lutts, partner at Herrick Lutts Realty in Beverly, Mass.—even to those who pay cash. "Many put debt on their purchase afterwards for remodels," Lutts says. Sometimes traditional mortgage brokers aren't an option, Morgan says, so be prepared to offer in- vestors different lending options, such as angel investors who are willing to provide financing in exchange for part ownership.
- 3. Market knowledge leads to better investment decisions. Besides being familiar with all the comps, you need to be out there touring homes and reviewing listings, Morgan says. He becomes investors' eyes and ears for all that's going on in the investment world locally, especially for clients who aren't from the area. If you aren't an investor yourself, read books and listen to podcasts about investing, Salseth says, and build strong connections with local property managers. "Meet with them regularly for coffee or lunch to see what's going on in your local market," she says. Participate in city and county landlord groups, and get on their distribution lists. You'll see real-time conversations on landlords' concerns and be aware of changing laws and regulations that will impact renting in your area.
- **4. Financial analyses should be accurate but not overwhelming.** Develop a cash flow plan that will show investors their expected return on investment. "Forecasting income is fairly straightforward. Most of the time, it's tied to how much rent a specific property or unit generates," Salseth says. Learn what an average studio, one-bedroom, two-bedroom and so on rent for in your area. "Expenses can be trickier and can include HOA or condo fees, property taxes, insurance, vacancy, capital expenditures, ongoing maintenance, utilities, city or county application and inspections fees, and property management and leasing fees." Lutts' firm offers a spreadsheet that investors can use to plug in everything from debt to accounting and property expenses. There are some good online cash flow calculators like DealCheck, Salseth says, but she cautions that some programs provide too many numbers, which can be overwhelming and lead to "analysis paralysis." Focus on the key numbers that matter to your particular client, she recommends.
- **5.** A good relationship with the listing agent is essential. "Negotiations can be different with investor properties," says Morgan. "Every buyer wants to spend the least amount possible, especially when short-term profits are the goal," he says. "Develop a good relationship with the agent on the other side. The more you know about the expectations of the sell- ers, the better things will go." For instance, if a seller needs to close the transaction in a certain time frame, that can be an advantage to an investor with cash. Remember, if it's a deal with great ROI potential, your client is likely not the only investor who'll be interested. Work quickly to help your client make the first and best offer.



6. You can't be an expert on everything. "Expert" is a term that should be used very sparingly. "Be helpful but know your limits and know when to refer out to other people," Morgan says. Having a good team—commercial lenders, real estate attorneys, contractors, repair professionals, property managers and more—gives you confidence. "You don't have to have all the answers, but your team does," he says.

Your market knowledge can make you a great resource for investors. "Find what makes your market a unique and amazing place to invest," Salseth says, "and what makes you uniquely suited to advise on those investments."