

The Passive Investors Starter Kit

Welcome to Multifamily Investing

Congratulations on taking the first step toward building long-term wealth through multifamily real estate. Whether you're new to syndications or already exploring deals, this guide will help you understand how to evaluate opportunities and make smart, informed decisions as a passive investor.

Why Multifamily Real Estate?

Multifamily real estate is one of the most time-tested asset classes available. It's backed by real property, essential demand (everyone needs a place to live), and benefits from strong income potential and tax advantages.

Key Benefits:

- Cash Flow: Monthly or quarterly distributions from rental income.
- Appreciation: Property value increases through renovation and improved operations.
- Tax Benefits: Depreciation, 1031 exchanges, and cost segregation reduce taxable income.
- Stability: Multifamily weathered past recessions better than most asset classes.

What is a Syndication?

A real estate syndication is a partnership where multiple investors pool money to buy a large property. Typically, it includes:

- General Partners (GPs): Operators who find the deal, secure financing, and manage the property.
- Limited Partners (LPs): Passive investors who contribute capital and receive a share of the profits.

You're not buying property yourself you're investing with a team.

Deal Structure 101

Heres how typical deals are structured:

- Minimum Investment: Usually \$50K - \$100K

- Preferred Return: 6%8% annually before sponsors are paid
- Equity Split: Often 70/30 or 80/20 (LPs/GPs)
- Hold Period: 37 years
- Distributions: Quarterly (varies by deal)

Key Terms to Know

- Cap Rate: The ratio of NOI (Net Operating Income) to property value.
- IRR: Internal Rate of Return measures projected annual return including time.
- Equity Multiple: Total cash return divided by initial investment.
- NOI: Net Operating Income income minus expenses, excluding debt service.

Sample Investment Timeline

