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What You Need To Know About Investing in Multifamily Real Estate Funds

https://capital.thebamcompanies.com/locations/nebraska/

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When people think about investing in multifamily real estate, they think about buying a property and then renting it out in order to generate income. And while that sounds like a good way of generating passive income, most investors don't like the idea of becoming a landlord and actually managing the property.

This is where multifamily real estate syndication investments come in. This is a great option that allows investors to generate income in real estate investing without having to be a landlord full time.

Understanding Multifamily Real Estate Investment Opportunities

Real estate is generally the preferred investment strategy for investors who want to avoid the volatility of the stock market. With real estate investing, you can take a more active role in growing your capital. [1]

Rental property investing is also a great source of additional monthly income, which is why it's a good idea to look for these investment opportunities. You can even enjoy a slow but steady appreciation in the value of your portfolio.

There are two main types of properties you can invest in when it comes to residential real estate: single-family and multifamily.

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Single-family properties only have one unit that's available to rent, while multifamily properties have multiple units of rentable space. Multifamily properties are usually apartment complexes and duplexes. [1]

Why High Net Worth People Choose Multifamily vs. Single-Family Investments

When it comes to residential buildings, multifamily properties are typically easier to finance compared to single family properties despite being more expensive. Banks are more likely to approve a loan for a multifamily property than the average home. That's because these larger properties can generate a consistent cash flow every month. Multifamily properties have many advantages that are appealing to the experienced investor. In the eyes of lending institutions, this is the safer investment. [1]

This is also the reason why high net worth (HNW) people prefer to invest in multifamily properties. Multifamily rentals can be more stable. They tend to avoid major value swings and also produce better cash flow. They even offer that diversification element to your rental income. [2]

If you purchase a triplex and one unit is vacant, you can still collect rental income from the two remaining units. But if you are renting a single-family home and it sits vacant, you won't get anything. This gives you the opportunity to build a portfolio without a huge risk of negative cash flow. [2]

High net worth individuals also see multifamily properties as an easy way of building a large portfolio of rental units. Think of it this way: acquiring a 20-unit apartment would be a lot easier than acquiring 20 different single-family homes in different addresses and from different sellers. Many investors also don't want to open 20 separate loans for each individual property. That's too much of a headache compared to just going for the single 20-unit apartment complex. [2]

What is a Multifamily Fund?

A multifamily investment fund is made up of equity investment positions in several large multifamily properties. It pools many properties together into one fund and then divides the equity among multiple investors. [3]

These properties may be in one area or in multiple states. It depends on the sponsor's investment strategy. Multifamily real estate funds are recommended for real estate investors seeking passive income.

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How Do You Finance a Multifamily Property?

For those who are not interested in buying a multifamily property all by themselves, and do notFirst you want to seek out a property in a good location. Location is very important when choosing a multifamily property to invest in. Choose apartment buildings in locations that renters will want to live in. Places close to a school, to the city, or close to multiple attractions make good investments. These are the places that attract high quality tenants who will want to pay to live in the property. [4]
Partner up with a local real estate agent so they can offer quality advice when it comes to multifamily real estate. They can even help you determine if a property is overpriced. We have the experience to help you navigate the waters of multifamily property investing. At BAM Capital, we work with investors across the country despite our midwest focus with our assets. We focus on the midwest due to our investment strategy to target tertiary markets with upward trending white-collar jobs, population growth and quality school systems.
Next, choose a loan. Pick a loan program and provider that's right for you. Keep in mind that some online lenders will only finance a 2-unit property but not anything larger. [4]
However, conventional mortgages are the most popular when it comes to real estate investing. Once you've arranged the financing, you are ready to make an offer on the property.
You may need your agent's help when it comes to making an offer on the multifamily home you are interested in. They will meet the selling agent on your behalf and negotiate based on your budget, financing limits, and the highest offer you are willing to make. Counteroffers are common during this stage. [4]
Once the seller accepts the offer, you will move toward the closing process. Now you only have to think about insurance, inspections, and handling the closing costs.
want the burden of being a landlord, the best way to finance your multifamily property is through multifamily syndication.

What is Multifamily Real Estate Syndication?

A multifamily syndication is a type of real estate investment wherein multiple investors pool their money to purchase a single asset. A sponsor is in charge of locating the deal so you don't have to bother looking for one yourself. It's all about choosing what syndication deal you want to invest in. [5]
The sponsor, also known as the syndicator, is also in charge of managing the investment once the deal has closed. They will put it all together and serve as the general partner who coordinates the transaction all throughout the process.

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Technically, any type of real estate property can be used for a syndication deal. But we're discussing multifamily real estate syndication because it is one of the safer investments you can make—and it is also a source of consistent income. On top of all that, you don't even have to be a landlord since another party will serve as the property manager. [5]

How it works is that the passive investors provide most of the capital required, and in exchange, they receive equity in the multifamily property. It is basically crowdfunding for real estate.

Sponsors can be individuals or companies. Either way, they will take charge of the deal. They will look for a deal, acquire the property, and manage the real estate. These syndicators have a ton of real estate experience. This means they also have a deep understanding of due diligence for potential deals.

Investors, particularly high net worth individuals, usually take interest in multifamily syndication because it offers plenty of benefits. It is a particularly smart move if you want a passive investment, wherein you don't need to be involved with the property, its tenants, or its management.

The investment is protected by the real estate asset. By investing in multifamily syndication, you can get profit from the cash flow, from equity build, and appreciation.

The fact that multiple people are investing their money means that some of them could participate in larger deals that they otherwise wouldn't be able to.

Real estate is also one of the best investment vehicles because of its tax benefits. If you want to enjoy the benefits of real estate without the hassle of managing a property, this could be the type of investment for you.

Multifamily syndications may differ in terms of the fees, the deal, the investment strategy, and the way equity and cash flow are split.

To form a syndication deal, investors and syndicators will form an LLC or a limited liability company. The syndicator will serve as the managing member, and the investors are all limited partners. [5]

A certain percentage of the property is owned by each party in the investment. While sometimes ownership is split equally, other times the syndicator takes a larger percentage of equity. Cash flow is also shared amongst the partners based on the percentage they own.

Some deal structures include a preferred return to the investor. Before the syndicator can make any money out of it, the deal needs to hit a minimum return. This motivates syndicators to fulfill their role. The individual investor also bears less risk in this arrangement. [5]

The specific details of the investment are outlined in a private placement memorandum. This also details all fees associated and all the risks involved. After this, the required SEC registrations and notices are filed.

The syndicator secures a loan for the investment and signs on the loan. This means the investors are not liable for the repayment of the loan.

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Once financing is secured, the sponsor looks for potential investors who would pool their money for the deal's capital requirements. Once enough money is raised to cover the down payment and the closing costs, the deal is closed.

Some syndicators choose to hire a third party property management company to manage the property instead of doing it themselves. [5] At BAM Capital, we are a vertically integrated company with our own construction and management teams.

The cash flow is then distributed to the investors based on the structure they agreed upon. As for the exit strategy, it usually involves selling the property at some point—typically between 5 to 10 years in the future. The investors then receive their share of the equity from the sale. BAM Capital aims for a 5-7 year hold period.

Is a Multifamily Property a Good Investment?

Multifamily rental properties tend to be more in demand, which is a huge benefit for investors. Even if there are vacant units every now and then, the cash flow doesn't necessarily stop. Learn the differences beween an REIT and Multifamily syndication.

Bigger real estate deals often means there are more investors involved. You get the added benefit of having an experienced multifamily asset manager. The cherry on top is you get to add rental real estate into your investment portfolio.

Multifamily syndication is a generally low-risk approach to real estate investment.

Investors can profit from the equity and appreciation from paying the principal balance on the loan. The goal is to earn more money than the original investment.

How Do You Know if a Multifamily Project is a Good Deal?

When picking a multifamily project to invest in, there are a few factors you need to consider. Regardless of your strategy for finding these deals, you will surely have a lot of options. It's all about picking the right one for you.

BAM Capital works with accredited investors looking for high value syndication opportunities that will generate more income.

If you are looking for lower risk investments that can give you the maximum benefit, consider working with BAM Capital. This Indianapolis-based company has been focusing on buying the right assets and staying disciplined in its investment thesis. Currently, BAM Capital has $593M AUM and 5,000 units. [6]

BAM Capital specializes in the acquisition and management of income-producing multifamily apartment communities. BAM Capital also focuses on , B++, A-, and A multifamily assets to

provide low-risk opportunities with lucrative assets. Accredited investors reap the benefits of their cash flow-positive assets. Schedule a call with BAM Capital and invest today.
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BAM Capital is excited to help you grow your investment assets. Please contact us to see how we can help you."

Sources:

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[2]: https://www.millionacres.com/real-estate-investing/articles/single-family-vs-multifamily-which-is-a-better-investment-strategy/
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[5]: https://www.millionacres.com/real-estate-basics/real-estate-terms/investing-multifamily-syndication/
[6]: https://capital.thebamcompanies.com/

About BAM Multifamily Growth & Income Fund II

BAM Capital created this fund in order to yield consistent and reliable cash flow, long-term appreciation, and accelerated tax benefits. The fund aligns with BAM Capital's demonstrated track record of successful multifamily investing by continuing to implement our signature investment thesis, now in fund format. The fund aims for greater overall returns and lower risk through a multi-asset diversification strategy.

- Consistent passive income
  Lower-risk assets with in-place cash flows with the ability to distribute preferred return after acquisition.
- Significant tax benefits
  A cost segregation analysis allows for accelerated deprecation to years of ownership. This large passive loss gets passed onto investors through a K1.
- Vertically integrated company
  In-house property management and construction allow for predictable cost reduction and value add.

About BAM Multifamily Growth & Income Fund IV

BAM Capital created this fund in order to yield consistent and reliable cash flow, long-term appreciation, and accelerated tax benefits. The fund aligns with BAM Capital's demonstrated track record of successful multifamily investing by continuing to implement our signature investment thesis, now in fund format. The fund aims for greater overall returns and lower risk through a multi-asset diversification strategy.

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