

# A Good Time to Invest



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*What draws investors to real estate and apartments? In 2016, the second largest sector of the wealthiest newcomers to the Forbes 400 list of Billionaires had their aggregate net worth in real estate, just behind media and entertainment.*

By **TERRI CLIFTON**, Better World Properties

Income-producing real estate investments such as apartments can provide excellent appreciation. Over time, apartment properties increase in value when income is improved through effective property management that in turn drives higher value and rent increases. Multifamily investments also offer tax benefits and hedges against inflation. We can't say this for a bank CD currently paying a paltry 1.12 percent, can we?

There are always opportunities in the multifamily marketplace. Distinguishing opportunity from potential disaster is a learned skill.

#### **Recognizing Opportunity**

Apartment rents are driven by location, jobs, economic growth and population shifts. Opportunity is often hidden within shifting demographics. Recognizing longer trends in multifamily gives an investor advantage over those who may only follow current market analysis.

With greater experience in apartment markets, multifamily process improvement and performance comes with more detailed and insightful underwriting and due diligence. This can illuminate hidden potential for expense management and revenue enhancement. Uncovering ROI unseen by others provides competitive advantage. Understanding what to emphasize and what to minimize with an eye on exit strategy keeps emotions in check, expenses in line with budgets and returns flowing.

In the U.S., we are experiencing an unprecedented time in history with two bulging segments of the population, each with staggering numbers, choosing to rent rather than own a home.

- **Boomers:** 75.4 million baby boomers are heading into retirement. Boomers are ages 53-71 born between 1946 and 1964. Bucking previous trends of home ownership, more and more boomers are celebrating their empty nest with freedom from lawn care and property taxes. Instead, they are choosing the safety and simplicity of the "lock it and leave" care-free apartment lifestyle to pursue travel, hobbies and second careers.

- **Millennials:** In 2014, the number of millennials in the U.S. actually eclipsed boomers. According to the U.S. Census Bureau, there were 83.1 million millennials compared to 75.4 million boomers. Millennials are ages 20 to 36, born between 1981 and 1997. More and more millennials are choosing to rent apartments long term instead of buying single family homes.

Together, these two groups total 158.5 million. And, they want the freedom and lifestyle afforded by today's apartments.

According to the National Real Estate Investor, the apartment market has expanded by 12 percent from 2007 to 2016. Envision the added influx from the numbers above and you get an idea of opportunities that await the prudent multifamily investor. So, is this a good time to invest in apartments? We think so.

#### **When is it Time Not to Invest in Apartments?**

If the deal appears too good to be true, then there is more digging to be done. Laser-focused, stealth due diligence is an art. When done right, a great deal of money can be made on the buy in multifamily acquisitions. When done wrong, an investor can pay dearly in reduced ROI for years to come. Structural, utility, code, regulatory, tax and insurance issues can add up quickly if one does not have the knowledge or experience to identify challenges up front. Knowing when to hold 'em, when to fold 'em and when to walk away from a deal is a learned skill earned through years of experience. Rolling up sleeves, walking properties, digging deep and doing the homework pays off in the long run. When assessing a potential deal, there are no shortcuts.

Is it time to add apartments to your portfolio? Opportunities in Texas await those investors who think ahead of the curve. 🏠



Terri Clifton is president of Better World Properties. Better World LLC knows apartments. Inside out. We provide full service apartment management, apartment process and performance consulting, and multifamily equity and financing solutions.

We carefully crafted our business model to address the full life cycle of apartment investment. No more shopping for this service or that service. Give us a call. Better yet, come visit. We love to talk apartments. Visit Better World LLC at [www.betterworldllc.com](http://www.betterworldllc.com).