

Sean Reger-Flores With a Brief Guide on Multifamily Property Investing

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GILBERT, ARIZONA, UNITES STATES, March 12, 2021 /EINPresswire.com/ -- [Sean Reger-Flores](#) is a Managing Partner at Asher Chaim Capital Ventures, a full-service boutique multifamily real estate investment firm. The company's experience spans real estate asset classes with expertise built around multifamily property investing and operational execution to achieve desired returns for investors. We sat down with Sean Reger-Flores to discuss the meaning and purpose of Multifamily Property Investing.



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What Are Multifamily Properties?

[Sean Reger-Flores explains](#) multifamily property as any property containing more than one unit. 10 units and under are referred to as a 10-plex down to a duplex. 10 plus units you can start getting into apartment complexes with units as high as 500 on this high range. Depending on the investor they may be interested in the different scales for a variety of reasons but as you go up indoors make sure your working with a team that has the capital structure and operational know-how. Depending on an investors goals all of these are great investment options

Foundational Knowledge for Investing in Multifamily Properties

When it comes to investing in these types of assets, investors must take into consideration special management issues and needs, special zoning considerations, as well as specific considerations to be made for buyers and renters. To help with these peculiarities, [Sean Reger-Flores describes](#) the foundational knowledge to have when considering investments in multifamily properties. They are:

Understand the NOI and Cap Rate
Cash Flow Makes an Investment Worthwhile
Determine Your Cap Rate
Understand the NOI and Cap Rate

Many Offering Memorandums will have a pro forma that has the Net Operating Income or NOI calculated. In short this is taking the revenues from rent payments, parking, and other fees and subtracting from this the operating expenses. Here is a simple formula.

Revenue - Expenses = NOI

According to Sean Reger-Flores, you will want to have the trailing twelve months (or a T12) and rent roll to form your own opinion on the pro forma numbers provided in the OM.

Once an understanding of the NOI is reached the cap rate is next in the consideration set. The NOI is the numerator in the cap rate formula which is:

Net Operating Income / Purchase Price = Cap Rate %

Cap rates should map back to your investment strategy and goals, particularly around entry and exit cap rates. The higher the cap rate, the higher the risk and therefore return. If you have a cap rate below 5%, Sean Reger-Flores strongly suggests thinking through if this yield supports your investment objectives.

Sean Reger-Flores Tip: When analyzing the deal, you want to look for ways to increase your NOI. There are a variety of strategies to accomplish this but directionally think how can I increase my top-line revenue and decrease my expenses.

Cash Flow Makes An Investment Worthwhile

Cashflow is the primary reason investors look to multifamily investing as an alternative investment. In short, cash flow is the amount of money you will take home after subtracting the monthly mortgage payment from the NOI. Here is a simple formula:

Revenue - Expenses - Monthly Mortgage = Cash Flow

Keep in mind it's good practice to run a sensitivity analysis to understand how various market conditions and property economics will impact your cash flow.



Sean Reger-Flores Tip: If your sensitivity analysis leads to scenarios whereby certain market and property conditions yield a negative cash flow, you need to acquire at a lower price or walk away from the deal.

Take the Next Step

Per Sean Reger-Flores only once a foundational level of knowledge has been set per the above, an investor should start sourcing deals and evaluating if the multifamily investment fits into their defined investment goals and objectives.

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