



# **The Market Is Changing** **Now What?**

# DISCLAIMER

**I'm not an attorney nor a CPA and I do not play one on TV, or pretend to be one, in real or imaginary life. This material is for educational purposes **ONLY** and should not be considered advise. Consult your own attorney and/or CPA for such advise...**



# Our Agenda:

- ✓ **Current Economic Conditions**
- ✓ **Real Estate Market Cycles Defined**
- ✓ **Back To The Basics (Underwriting Fundamentals)**
- ✓ **Now What?**





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- ✓ **CCIM Advanced Market Analysis Instructor**
- ✓ **CCIM Technology Board VP**
- ✓ **CCIM Foundations Board Member**
- ✓ **CCIM Ward Center Committee Chair 2023**
- ✓ **Founder Of Strategic Partnering Community**
- ✓ **Former Syndicator Now Passive Investor**
- ✓ **Owned a Property Management Company**



# CURRENT ECONOMIC CONDITIONS



# Current Economic Conditions

- ✓ **Out Of Control Inflation (Currently 8.2% / 0.4% MoM)**
- ✓ **CPI On Nov 10<sup>th</sup> And Fed Meeting Dec 14<sup>th</sup>**
- ✓ **Rising Interest Rates**
  - ✓ **Fed Rate: 4.0% Prime Rate: 7.0% Freddie: 6.95%**
  - ✓ **10yr: 4.13% 2yr: 4.66% 3mo: 4.22%**
- ✓ **Cap Rates Increasing - Property Values Decreasing**
  - ✓ **If Going In Cap Rate Is Lower Than Interest Rate:**
    - ✓ **Negative Leverage**

# Current Economic Conditions

## What Does This Mean For You?

- ✓ **NOW Is The Time To Educate Yourself**
  - ✓ **It Doesn't Have To Be From Me => JUST DO IT**
- ✓ **You Don't Have To Purchase The Deal To Get Paid**
- ✓ **Understand And Follow The Economic Data:**
  - ✓ **Interest Rates, Inflation, Treasuries, And How It's Affecting Cap Rates**

# **CCIM's CHIEF ECONOMIST MARKET UPDATE.**





# CCIM-TECH's CREPI™ Report | A Concise Forward-Look at CRE Conditions

**NOW MONTHLY**

**CREPI® Data Components:**

- 1. University of Michigan Consumer Sentiment Index
- 2. NFIB Business Confidence Index
- 3. Yield Curve Spread between 10-Year and 2-Year Treasuries
- 4. NAHB / Wells Fargo Housing Market Index
- 5. BEA Personal Consumption Expenditures Price Index
- 6. BLS Producer Price Index
- 7. BLS Job Openings and Labor Turnover Survey
- 8. BLS Civilian Labor Force Participation Rate
- 9. S&P 500 Index
- 10. Green Street Commercial Property Price Index



**June 2022 CREPI Index hits record low falling below March 2009 index. Just posted August rebounds but still below Mar 2009 prior low.**

Go to [www.stdb.com/crepi](http://www.stdb.com/crepi) to view CREPI™  
It is public – NO LOG-IN required.

Products | Data Links | Partner Products | Contact Us | Learning Center | Get a Demo | SIGN UP | LOG IN

Site To Do Business  
Built to Deliver Commercial Real Estate Insight

- CREPI™**  
CCIM Tech's Commercial Real Estate Performance Index  
Access →
- MOODY'S ANALYTICS Catalyst**  
Robust listing platform with powerful marketing tools and national exposure to millions of prospects.  
Membership Required | Log In
- Market InSites Reports**  
Access without being a member of STDB (Formerly known as Reis Reports)  
Access →



# Timeline of Key Economic Metrics: Pre-COVID (2018-2019), COVID (2020-2021), Vaccinated (2022 ...)

Year	GDP Growth	Fed Funds Rate	Inflation Rate YOY	10-Year Treasury Rate	Labor Participation Rate	Fed Balance Sheet (Millions)	CPPI	CREPI
2018	2.9%	2.50%	1.9%	2.72%	63%	\$4,058,378	132.1	96.4
2019	2.3%	1.75%	2.3%	1.92%	63.3%	\$4,173,626	135.4	99.0
2020	-3.4%	0.25%	1.4%	0.94%	61.5%	\$7,363,351	124.4	98.4
2021	5.7%	0.25%	7.0%	1.49%	61.9%	\$8,757,460	154.8	91.9
1H '22	-1.0%	3.25%	8.3%	3.57%	<63% again	\$8,832,759	145.7	82.4

## GDP “Whiplash”

- Pre-COVID **+2.3% to +2.9%**
- COVID at **+5.7% in 2021**
- Vaccinated is **NEGATIVE** for Q1 & Q2 2022.

Year	Inflation Rate YOY	Flexible CPI	PPI
2018	1.9%	-3.92%	0.0%
2019	2.3%	2.23%	0.3%
2020	1.4%	3.90%	0.3%
2021	7.0%	20.69%	0.6%
2022	8.3%	3.52%	-0.1%

## Inflation “Whiplash”

- Pre-COVID **+ 1.9% to 2.3%**
- COVID at **+1.4% to 7.0%**
- Vaccinated is highest since 1980s and **+8.3% CPI and +8.7% PPI.**

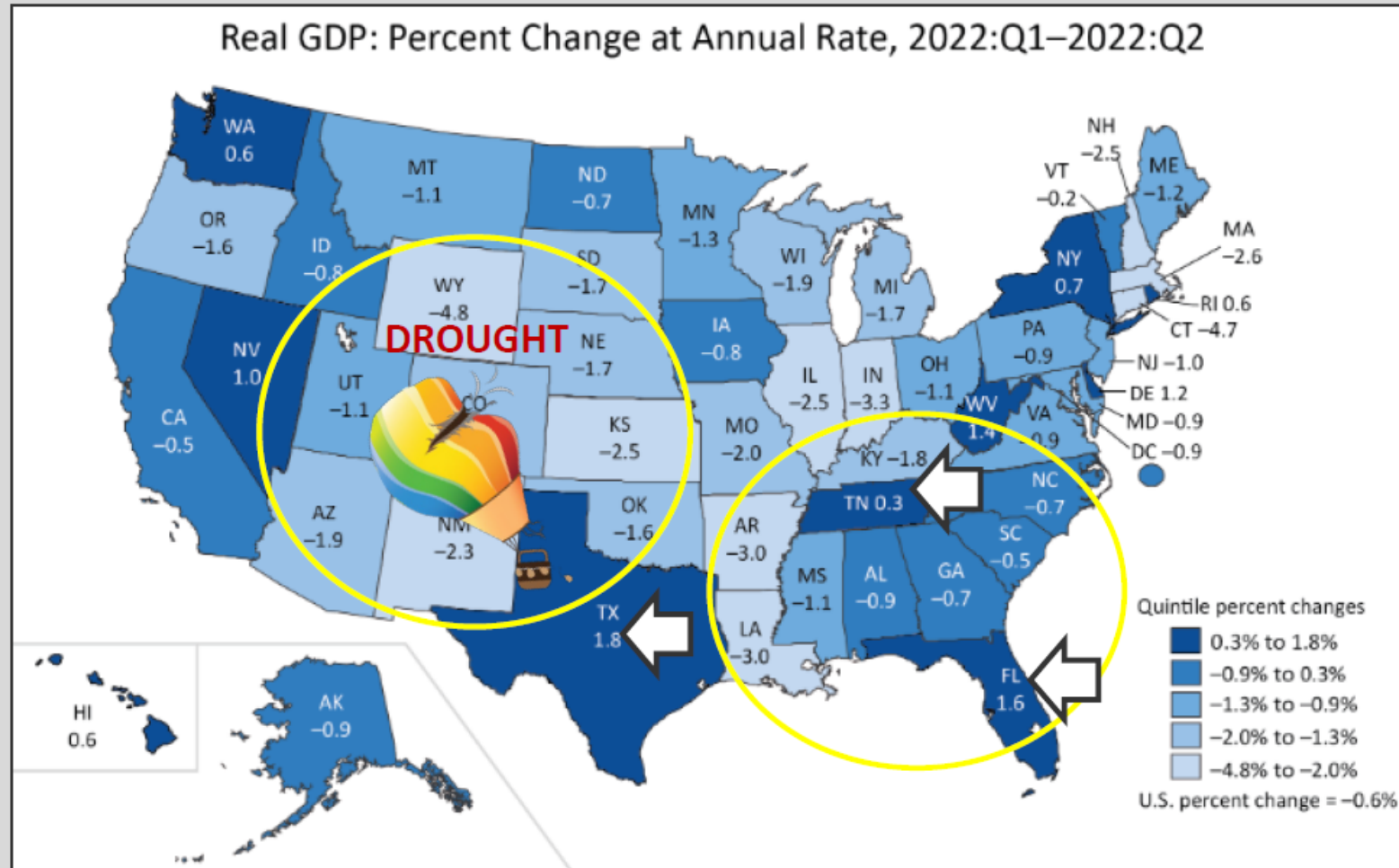
# GDP by State: Drought Stricken West negative GDP (TX, TN & FL still +GDP)

Only 7 states with POSITIVE GDP in Q2 2022 (Dark Blue Shaded). How can GDP turn positive in Q3 or Q4 2022.

Expect 4 consecutive quarters of negative GDP in 2022. As Inflation rises, the economy will DEFLATE.

The drought & WATER restricted states in West and Plains are seeing the most GDP contraction:

WY: -4.8%  
 NM: -2.3%  
 AZ: -1.9%  
 CO: -2.0%



# CPI: Why “Flat?” - It’s a head-fake due to Energy & SPR Releases

**“Don’t get scared, get prepared.”**

***Inflation has NOT peaked, and 1-month of data does not make a trend.***

July CPI headline is flat (0%) month-over-month and better than +1.3% increase in June.

## **What happened and why?**

The real takeaways are:

- **Energy/Gasoline decline masked the increases in Food, shelter, Used Car Prices, etc. thanks to Strategic Petroleum Reserve (SPR) releases** (which will dissipate by October right before the Nov Elections); and
- **1-month does not make a trend or peak in Inflation.**
- **Wait until AFTER last SPR Release in October!**

1. **Inflation has not peaked. It is still +8.3% YOY for "All Items" and +5.9% CORE** taking out Food & Energy (the items that households spend most on after housing). The real household inflation rate is St. Louis Fed's "Flexible CPI" (+25%).

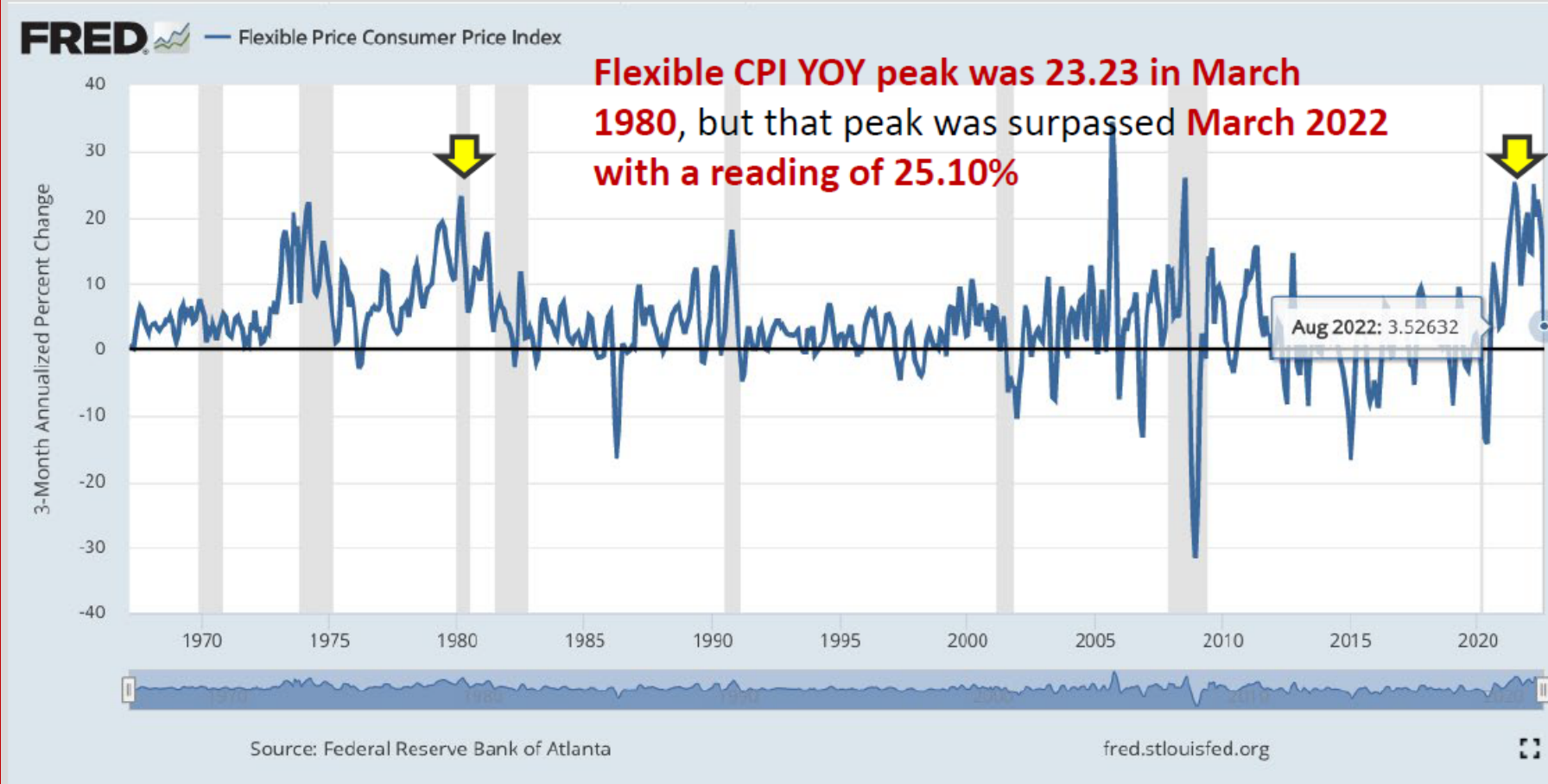
2. **Food Inflation is still rising, up another 10.9% YOY and +1.3% in July for the Food Index part of CPI.** It's going to get worse this Fall with global wheat shortages, **US drought impacting Plain-States wheat and corn yields**, and housing shortages. The price for a loaf of bread will likely surpass the price for a gallon of gasoline by this Fall.

3. **Energy Index and Gasoline prices drop in July due to the Biden releases from the Strategic Petroleum Reserve (SPR) is what really happened to cause the July CPI to come in Flat.** The Energy Index dropped 7.7% in July on heels of a +11% increase in June (pre-SPR release impact into the market). The Energy Index component of CPI is still up 32% YOY. **Guess when the SPR Release will end and no longer mask the "All Items" CPI? October and right before the Nov Elections - Hummm?**

4. **Final Inflation point is wages. Yesterday we got the news that Labor Costs were up 10.8% for Q2.** With strong jobs reports anticipated in August and September, and the aforementioned context, The Red-Shoe Economist forecast is for **more Fed Rate hikes when they return from Jackson Hole WY meetings/play at their Sept and Fall FOMC meetings.**

Now you know the "Rest of the Story" on today's CPI figure as the late Paul Harvey taught us industry economists.

# “Flexible CPI” - The Real Inflation Rate: August Flexible CPI +3.5%



## Flexible CPI by St. Louis FED:

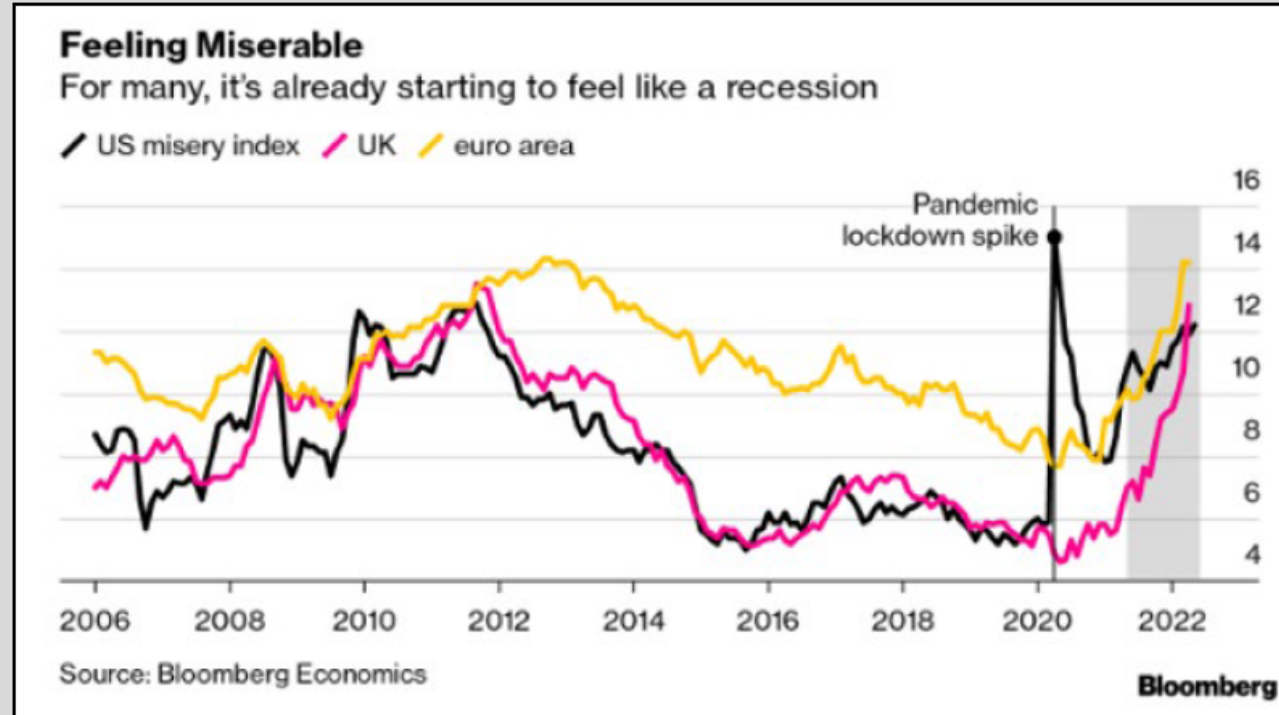
- Inflation is NOT Transitory  
...It's 1970's SYSTEMIC
  - Follow St. Louis FRB's FRED & Flexible CPI
  - Flexible CPI:
    - 23.23% March 1980
    - 25.10% March 2022
  - It has Come down in August to 3.5% range – WHY?
  - SPR Releases, States suspending State Gas Taxes and ENERGY component is offsetting the rise in Food, Wages, and Used Car Prices.

# The Misery Index: US (Black Line) & Europe (Gold Line) are Miserable

## The Old Misery Index

The last time we had high inflation in the US was in the 1970s. An economist, Arthur Okun, created a simple misery index by adding the nation's annual inflation & unemployment rates. Dubbed STAGFLATION, several years of high inflation and high unemployment yielded a misery index of 12.7% in 1976.

Old Misery Index was:  
Inflation + Unemployment



- Inflation rate: 8.3%
- Unemployment rate: 3.6%
- GDP growth: -1.4%
- S&P 500 change: -15.9%

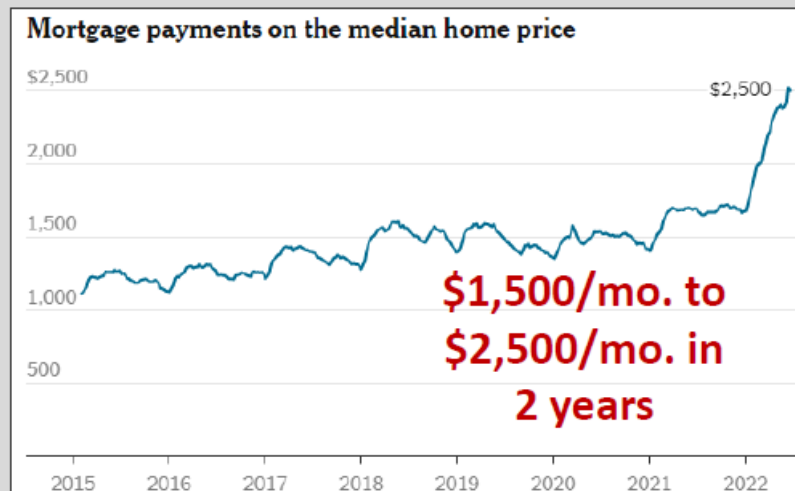
Totals 29.2

## The New Misery Index

Things in the economy have changed since the 1970s - most notably more people own stocks. The new misery index adds the inflation rate to the unemployment rate while subtracting GDP growth and the annual increase in the S&P 500. If the new misery index is negative, people are happier than if it is positive. Sadly at 29.2, the new misery index is higher than it has been in the last 12 years.

New Misery Index is:  
Old MI + GDP + S&P 500

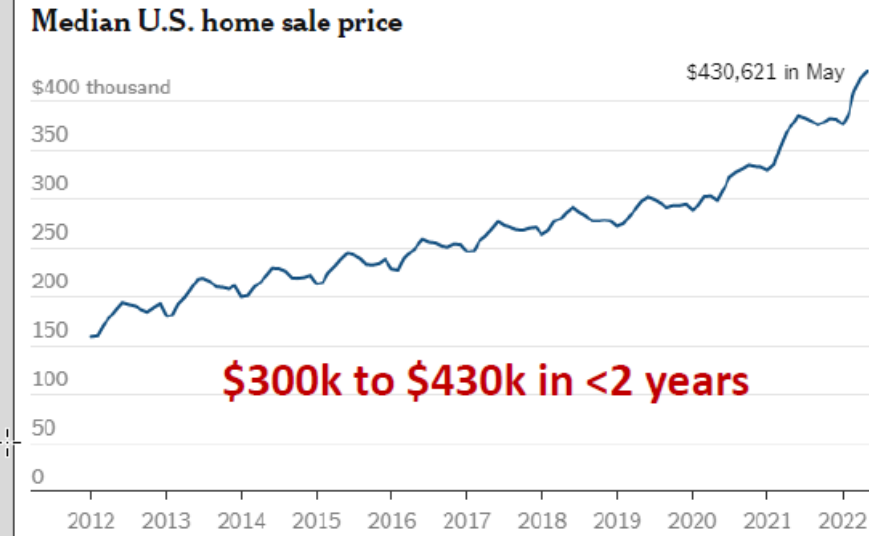
# What's Up With the Housing? Not Just Inventory – It's Affordability



It's **NOT** just an  
**INVENTORY** challenge.  
It's **AFFORDABILITY!**



Maybe Jimmy would rewrite  
the tune to:  
"I don't know where I will go  
when the home mortgage  
goes HIGH ..."



Rising mortgage rates.  
Faltering home sales.  
Skyrocketing prices.  
**How to make sense of a  
baffling housing market.**

VIDEO

# Multifamily Rents Retreat As Supply Overwhelms Tempered Demand

Sun Belt Markets That Led Rent Growth Last Year Now See the Fastest Decline





# Quarterly Apartment Prices Drop for First Time Since Start of Pandemic

Industrial Property Price Growth Slows as Investors Get More Selective, CoStar Data Shows

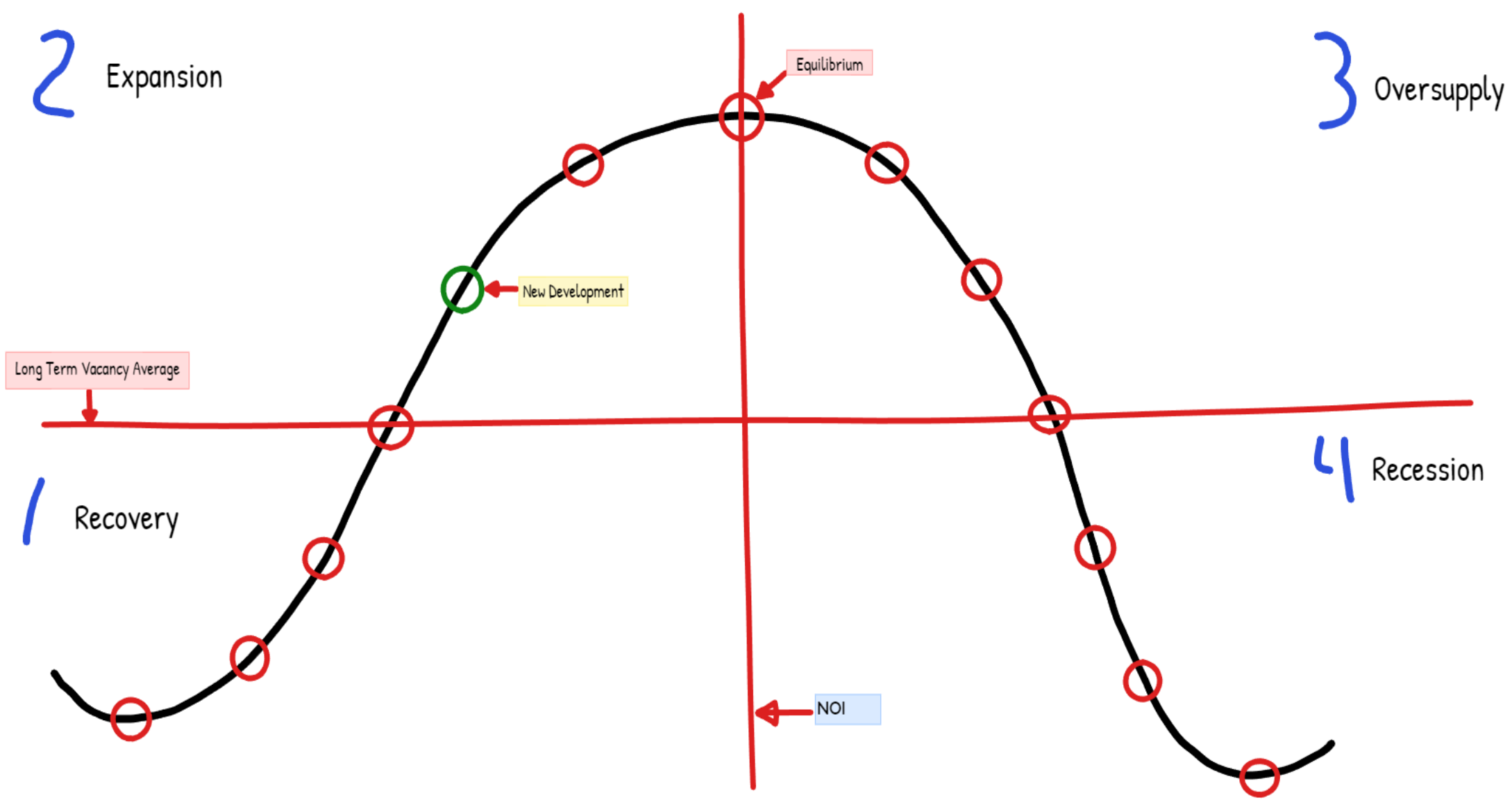


# REAL ESTATE MARKET CYCLES DEFINED



# Real Estate Market Cycles Defined

- ✓ **Phase I - Recovery**
- ✓ **Phase II - Expansion**
- ✓ **Phase III - Oversupply**
- ✓ **Phase IV - Recession**



2 Expansion

3 Oversupply

Long Term Vacancy Average

New Development

Equilibrium

4 Recession

1 Recovery

NOI

# Apartment Market Cycle Analysis

2nd Quarter, 2022

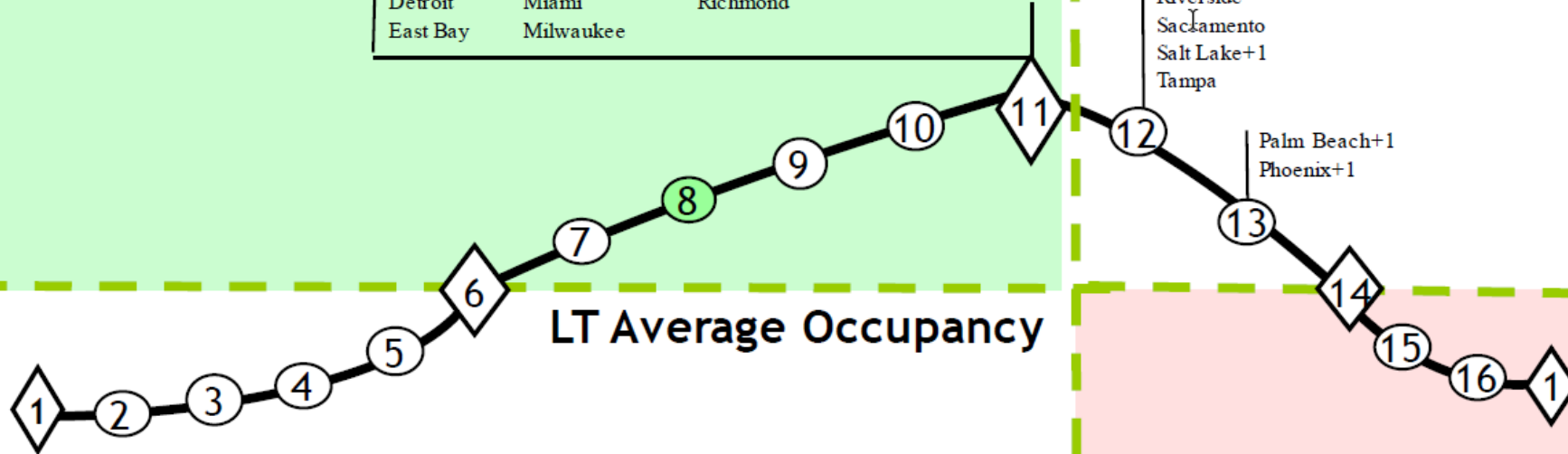
## Phase 2 – Expansion

## Phase 3 – Hypersupply

Baltimore	Hartford	Minneapolis	San Antonio
<i>Boston</i>	Honolulu	<i>New York</i>	San Diego
Charlotte	<i>Houston- 1</i>	<i>N. New Jersey</i>	San Francisco
<i>Chicago</i>	Indianapolis	Oklahoma City	San Jose
Cleveland	Jacksonville -1	Orange County	Seattle
Cincinnati	Kansas City	Orlando	Stamford
Columbus	Long Island	<i>Philadelphia</i>	St. Louis
<i>Dallas FW</i>	<i>Los Angeles</i>	Pittsburgh	<i>Wash DC</i>
Denver	Memphis	Portland	NATION
Detroit	Miami	Richmond	
East Bay	Milwaukee		

*Atlanta*  
 Austin  
 Ft. Lauderdale  
 Las Vegas  
 Nashville  
 New Orleans+1  
 Norfolk  
 Raleigh -Durham+1  
 Riverside  
 Sacramento  
 Salt Lake+1  
 Tampa

Palm Beach+1  
 Phoenix+1



LT Average Occupancy

## Phase 1 – Recovery

## Phase 4 – Recession

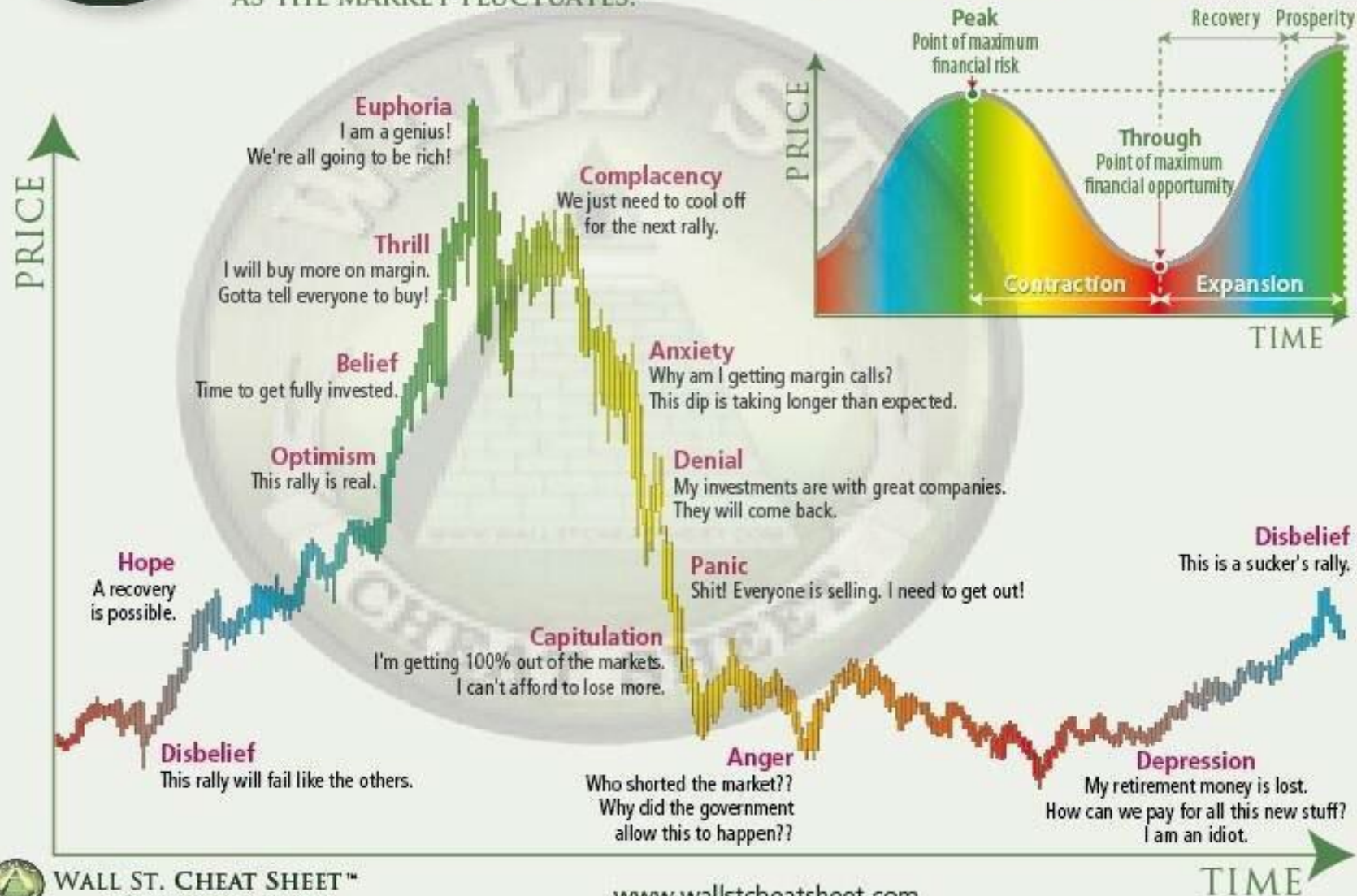


# WALL ST. CHEAT SHEET™ WE'VE GOT THE WORD ON THE STREET

## PSYCHOLOGY OF A MARKET CYCLE

THE FEELINGS APPEARING AS THE MARKET FLUCTUATES.

### SIMPLIFIED MARKET CYCLE



# Transition Phase - Recovery

- **Period of Reinvention**

New business model  
Diversification of risk  
Renewed customer focus

Cash is king  
Focus on fundamentals  
Consolidation accelerates

- **Real Estate Solutions**

Build pipeline  
Re-brand  
Accelerate value add acquisitions  
Initiate development

Expand offerings  
Re-position



# Growth Phase - Expansion

- **Period of Opportunity**

Rising occupancy levels

Rising rents/growth in NOI

Increase in asset value

Development activity

Available capital

New competitors

- **Real Estate Solutions**

Expand vertically

Expand geographically

Expand customer base

Invest in infrastructure

Expand adjacencies

Leverage capital platform





# Plateau Phase - Oversupply

- **Period of Decisions**

Supply/demand imbalance

Optimistic underwriting

Unrealistic asset values

Generous TIs

Rent concessions

High investment activity

- **Real Estate Solutions**

Dispose of non-core assets

Lock in long term debt

Build 3<sup>rd</sup> party work

Accumulate cash

Downsize non-core



# Crisis Phase - Recession

- **Period of Change**

Declining rents

Little development

Limited access to credit

De-leveraging

Declining asset values

Workouts/restructuring

Entity downsizing

- **Real Estate Solutions**

Acquire underperforming assets

Acquire necessity real estate

Acquire market share, customer base and talent



# **BACK TO THE BASICS (UNDERWRITING FUNDAMENTALS)**



# The **Outputs** Of Your Market Analysis Become The **Inputs** For Your Financial Analysis



# Back To The Basics

- ✓ **MUST** Be Cash Flowing
- ✓ Debt **MUST** Be Permanent
- ✓ **GOING-IN** Cap Rate **MUST** Be Above Interest Rate
- ✓ **CANNOT** Be An Appreciation Play

# Back To The Basics

- ✓ **Projected Rents**
- ✓ **Vacancy**
- ✓ **Income Growth**
- ✓ **Expense Growth**
- ✓ **Loan (Refi) Assumptions**
- ✓ **Exit Cap Rate**

# Back To The Basics

- ✓ **Operating Expense Ratio**
  - ✓ **Newly Built: 35%+**
  - ✓ **Older Properties: 45-55%**
  - ✓ **High Rent Markets Will Not Apply**
  - ✓ **Small Properties Will Not Apply**
- ✓ **DSCR vs LTV**
  - ✓ **Minimum Of LTV Or DSCR; Whichever Is Lower**

# NOW WHAT?





# Now What?

- ✓ **Dispose Of Non-Core Assets**
- ✓ **ONLY Purchase Cash Flowing Assets**
- ✓ **Get Out Of Short-Term Debt - IMMEDIATELY**
- ✓ **Create 3<sup>rd</sup> Party Opportunities (Consulting/Coaching/Training)**
- ✓ **NOW Is The Time To Build Relationships**
- ✓ **NOW Is The Time Educate Yourself**



# Now What?

# What Is Good Education?



# Good Education

**Most Courses Give You “What” You Need To Do And “Why” You Need To Do It => BUT They NEVER Teach You The “How”**



# INTRODUCING...



**A 14 Module “**HOW-TO**” Course  
That Leads You From Acquisition All  
The Way To Exiting The Deal**



## Case Study #1 - Full Time W2

# MICY

- ✓ **Micy Was Looking To Get Into Multifamily While Full Time At A W2**
- ✓ **She Was Frustrated With Other Communities She Previously Joined**
- ✓ **She Implemented The 4 Steps And Figured Out How To Leverage Her W2...**
- ✓ **Micy Completed Her First Successful Capital Raise of \$250k**



**You Will Get Access To The 14 Module  
Strategic Partnering Workshop  
Where You Will Learn...**



# **Strategic Partnering Workshop:**

- ✓ **Module 1 - Begin With The End In Mind**
- ✓ **Module 2 - The Big Lie (Strategic Partnering)**
- ✓ **Module 3 - Building Relationships**
- ✓ **Module 4 - Underwriting - The Market**
  - ✓ **Part 1 - Market Cycles And KPI's**
  - ✓ **Part 2 - Current Economic Base**
  - ✓ **Part 3 - Future Economic Base And Demand/Supply Analysis**



# **Strategic Partnering Workshop:**

- ✓ **Module 5 – Finding Off-Market Opportunities**
- ✓ **Module 6- Underwriting The Deal**
  - ✓ **Part 1 – Acronyms And Definitions**
  - ✓ **Part 2 – Needs, Exit Strategy, KPI's, And Fees**
  - ✓ **Part 3 – Verifying Assumptions**
  - ✓ **Part 4 – Financial Analysis**
- ✓ **Module 7 – Negotiations And LOI**
- ✓ **Module 8 – Due Diligence**

# **Strategic Partnering Workshop:**

- ✓ **Module 9 – Raising Capital**
  - ✓ **Part 1 – Understanding Syndications**
  - ✓ **Part 2 – Offering Summary**
  - ✓ **Supplement – Syndication Structure, Laws, And Regulations**
- ✓ **Module 10 – Getting A Loan**
- ✓ **Module 11 – Property Management**
  - ✓ **Part 1 – Understanding Operations**
  - ✓ **Part 2 – Property Management Questionnaire**



# Strategic Partnering Workshop:

- ✓ **Module 12 - Closing The Deal**
- ✓ **Module 13 - Asset Management**
- ✓ **Module 14 - Exit Strategy**

**There Will Be **Homework** Between Each  
Session To Keep You Moving Forward**



**The Course Is Setup To Deliver A Session  
Every 3 Days, So You Have Time To Do  
The Homework And Move Forward  
When You're Ready...**



**This Eliminates Overwhelm And Gives  
You Structure On Where To Start**



**We Help You **Build Your Systems**, So You  
Don't Have To Do This On Your Own**



# **The Multifamily**

## **Underwriting Case Study**





**The Underwriting Case Study Shows A  
Real-World Example Of How I Find A  
Market, Find A Deal, Underwrite The  
Deal, And Submit An Offer...**



## **Underwriting Case Study:**

- ✓ **Module 1 - Identify The Market**
- ✓ **Module 2 - Build Relationships With Brokers And Owners**
- ✓ **Module 3 - Identify Assumptions**
- ✓ **Module 4 - Underwrite The Deal**
- ✓ **Module 5 - Submit LOI**

**At This Point You Have **All** The  
Training And Resources You Need  
To Find And **Win Deals****



## Case Study #2 - Internet Famous

# TREVOR

- ✓ **Trevor's #1 Issue Was Analysis Paralysis**
- ✓ **He Previously Joined Other Groups But Felt They Lacked Guidance**
- ✓ **He Found Success With Our 4 Step Process To Help Build His Brand And Presence...**
- ✓ **Trevor Now Has Investors Worth Millions Calling And Asking To Partner**



**As A Bonus... You're Going To Get  
Access To The **Private Strategic  
Partnering Community**, Free For The  
Next 3 Months**



## **Strategic Partnering Community:**

- ✓ **Build Relationships**
- ✓ **Find Potential Partners And Investors**
- ✓ **Ask Questions For Help**
- ✓ **List Opportunities**
- ✓ **Get Support For Underwriting**

**This Community Has Its Own  
Private Channel, And It's Not FB Or Slack**



**Belonging To A Community Will Give  
You **The Power** To Build The  
Relationships You Need To **Close Deals****





**When You Add A Community To The  
Education And Resources, You Have  
A Very **Powerful Combination** Of  
Tools at Your Disposal**



# If That Wasn't Enough...



**You Will Have The Ability To Request  
CoStar And STDB Reports For  
Calculating Demand And Supply and  
Underwriting Your Deals**



## **I Will Help You:**

- ✓ **Underwrite Your Deals**
- ✓ **Pull Demand And Supply Data**
- ✓ **Connect You To JV Partners**
- ✓ **Connect You To Sponsors**
- ✓ **Connect You To Key Principals**
- ✓ **Find Passive Investors**



**Every Monday In The Community We  
Have The Live Virtual **Goal Setting**  
Workshop Via Zoom**



**Every Thursday We Have The Live  
Virtual **Weekly Q&A** And  
**Networking** Via Zoom**



**Every Month There Is New **Mindset**  
**Training**, So You Can Become The  
Person Capable Of Success**



**Every Month There Is New  
Marketing Training, So You Are  
Always Up To Date With The Latest  
Marketing Trends And Tactics**





**Every Month There Is A New  
Masterclass On The Latest Trends In  
Multifamily And The Economy...**



**Now We have Combined Mentoring  
With All The Education, All The  
Resources, The Community, And Added  
Accountability, So You **CAN'T Fail!****



# Why Stop There...



**I Will Give You Support**  
**ANYTIME** You Need It



## **Personal Support:**

- ✓ **Social Media Direct Message**
  - ✓ **LinkedIn or Facebook**
- ✓ **Email**
- ✓ **Voxer**

**There Are Many Communities Charging  
Over \$25K A Year For **Only Half** Of  
What We Have In Strategic Partnering**



**BUT – I Wanted To Break Down The  
Barrier Of Entry Into An Education And  
Mentoring Community Like This**



**Right Now...** For The Participants Of This  
Masterclass, I'm Offering Access To The  
Strategic Partnering Workshop For Life,  
And The Community, And Mentoring For  
The Next 3 Months...





~~\$1,997~~  
**ONLY \$997**



**AND... There's An Unconditional, **NO**  
**QUESTIONS ASKED**, 30 Day Money  
Back Guarantee**



**So, There Is Literally **Zero Risk****



**BUT...**

**This Offer Is ONLY Good For 5 Days!**



**AS A BONUS...**



# Your Business Partner/Spouse **(FREE)**



**AND => AS A FAST ACTION **BONUS**...**



If You Purchase **NOW**...





**I'll Give You An Additional **3 Free**  
**Months** To The Strategic Partnering  
Community And Mentoring Group!**



**That's A Total Of 6 Months **FREE!****



## Case Study #3 - \$12M Deal At 22yrs Old

# YVAN

- ✓ **When Yvan Came To SPC He Was Overwhelmed**
- ✓ **He Was Working Harder Than Needed**
- ✓ **We Helped Yvan Stop Doing All The Other Stuff And Focus On The 4 Steps...**
- ✓ **Helped Close A 12.3 Million Dollar Deal And Got A Fund Manager Position.**



# Let's Recap



- ✓ **Strategic Partnering Workshop - \$1,997**
- ✓ **Multifamily Underwriting Case Study - \$997**
- ✓ **Strategic Partnering Community - \$9,997**
- ✓ **Personal Mentoring And Support - \$9,997**
- ✓ **Weekly Q&A, Goal Setting, Mindset, And Marketing - \$4,997**
- ✓ **Your Business Partner/Spouse (FREE) - Priceless**

**THAT'S \$27,985 IN REAL VALUE**



~~\$1,997~~  
**ONLY \$997**



**Don't Forget The Unconditional, **NO**  
**QUESTIONS ASKED**, 30 Day Money  
Back Guarantee If You're Not Satisfied**



**BRING YOUR PARTNER OR SPOUSE**

**FREE**





**ONLY For 5 Days**



**AND => AS A FAST ACTION **BONUS**...**



If You Purchase **NOW**...



**I'll Give You An Additional **3 Free**  
**Months** To The Strategic Partnering  
Community And Mentoring Group!**



**That's A Total Of 6 Months **FREE!****





If you want the “How-To” Education to be ready for the coming recession and be part of the **Strategic Partnering Community** for the next 90 days, **CLICK THE LINK BELOW** to claim your access TONIGHT...

<https://www.strategicpartneringcommunity.com/spw-spc2-checkout>



Q&A