



UNDERWRITING FUNDAMENTALS

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:

- ✓ **What You've Been Taught vs Underwriting Fundamentals**
- ✓ **Define The APOD**
- ✓ **Define The 6 Fundamental Assumptions And Their Tests**
- ✓ **What's Next?**





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- ✓ **CCIM Advanced Market Analysis Instructor**
- ✓ **CCIM Technology Board VP**
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- ✓ **Founder Of Strategic Partnering Community**
- ✓ **Former Syndicator Now Passive Investor**
- ✓ **Owned a Property Management Company**



WHAT YOU'VE BEEN TAUGHT VS UNDERWRITING FUNDAMENTALS



What You've Been Taught

- ✓ **It's OK To Overpay – The Market Will Come To You**
- ✓ **Take The OM, Rent Roll, And T12 And Put The Information In Your Underwriting Model**
 - ✓ **Use The Colors To Determine If It's A Go/No-Go**
- ✓ **Underwrite To The Business Plan**
 - ✓ **Determine Value From The Completion**
- ✓ **Use Bridge Debt To Get Interest Only Period**
 - ✓ **Then Sell/Refi When Loan Is Due**



The Truth

- ✓ **Seller Gets The Benefit Of The Value Add**
- ✓ **You Are Paying The Seller For The Right To Make The Improvements And Take All The Risk**
- ✓ **You Are **HOPING** For Appreciation**
- ✓ **This Has Worked For 3 Years, BUT The Market Has Changed And This Strategy **WILL NOT** Continue To Be Profitable**



The Fundamentals

- ✓ **Use The Rent Roll And T12 - Ignore The Financials In The OM**
- ✓ **Use A Data-Driven Approach From A Current Supply Side Data Source**
- ✓ **Underwrite To Year 1 Cash Flow Before Tax**
- ✓ **Use Long Term Debt With 75% LTV**
- ✓ **Then Sell When Business Plan Is Complete (5+ Years)**



DEFINE THE APOD



Definitions & Acronyms

Cash Flow

Potential Rental Income

– Vacancy and Credit Losses

= *Effective Rental Income*

+ Other Income (collectible)

= *Gross Operating Income*

– Operating Expenses

= **Net Operating Income**

– Annual Debt Service

= *Cash Flow Before Tax*



Definitions & Acronyms

Discount Rate:

The interest rate used to discount a stream of cashflows to their present value – When the discount rate and IRR are equal, The NPV is 0



Definitions & Acronyms

Internal Rate of Return (IRR):

The rate of return each dollar in an investment earns WHILE it is in the investment and gives investors the means to compare alternative investments based on their yield



Definitions & Acronyms

Net Present Value (NPV):

The difference between value and cost



Definitions & Acronyms

Cash on Cash Return (CoC):

The result of dividing the cash flow before taxes (CFBT) and the total amount of equity invested in the property



Definitions & Acronyms

Equity Multiple:

A metric that calculates the expected or achieved total return on an initial investment. It's calculated through an equity multiple formula that divides the total dollars received by the total dollars invested.

Equity Multiple = Total Distributions / Total Invested



Definitions & Acronyms

Average Annual Return (AAR):

The average of all the cash on cash (CoC) returns during the holding period including the return on investment at the sale of the property.



Definitions & Acronyms

Breakeven Occupancy (BEO/BO):

The sum of all operating expenses and debt service, divided by total potential rental income.

$$\text{Breakeven Occupancy Ratio} = \frac{\text{Total Operating Expenses} + \text{Total Debt Service}}{\text{Potential Rental Income}}$$



THE 6 ASSUMPTIONS AND THEIR TESTS



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



The 6 Assumptions

- ✓ **Projected Rents**
- ✓ **Vacancy (Total Economic)**
- ✓ **Income Growth**
- ✓ **Expense Growth**
- ✓ **Loan (Refi) Interest Rate And LTV**
- ✓ **Exit Cap Rate**



Checks And Balances

- ✓ **Median Household Income (Projected Rents)**
- ✓ **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**



WHAT'S NEXT?



Now What?

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



Now What?

Immerse Yourself In Fundamental Underwriting?



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...



— ★ ★ ★ —

MULTIFAMILY UNDERWRITING WORKSHOP



A 3 Module “HOW-TO**” Course That
Teaches You Proper
Underwriting Fundamentals**



Underwriting Fundamentals Workshop:

- ✓ **Module 1 - Identify The Documents Needed To Underwrite And What To Look For And Use**
- ✓ **Module 2 - Identify The Assumptions By Using CoStar And How To Interpret That Data**
- ✓ **Module 3 - Input The Assumptions Into An Underwriting Model And Come To A Go/No-Go Decision**



The Will Be **Delivered Live On
Saturdays From December 3rd
Through Saturday December 17th**



Each Lesson Will **Start at 11am EST
And Go Between 1 and 2 Hours**



**And Will Be Delivered Virtually
Over Zoom With A Q&A Session
At The End Of Each Lesson**



**And You Will Have Homework
Between Each Session**



AS A BONUS...



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****



**You're Also Going To Get Access To The
Private Strategic Partnering
Community, Free For The Next 30 Days**



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 A New Live Virtual **4 Week Workshop**



2023 Workshops:

- ✓ **Alternative Cash Flow - 1/21/2023 - 2/11/2023**
- ✓ **Master Lease Option - 2/18/2023 - 3/11/2023**
- ✓ **Market Analysis - 3/18/2023 - 4/8/2023**
- ✓ **Off Market Acquisitions - 4/15/2023 - 5/6/2023**
- ✓ **Due Diligence - 5/13/2023 - 6/3/2023**
- ✓ **Capital Raising - 6/10/2023 - 7/1/2023**



2023 Workshops:

- ✓ **Entrepreneurial Mindset – 7/8/2023 – 7/29/2023**
- ✓ **Passive Investing – 8/5/2023 – 8/26/2023**
- ✓ **Asset Management – 9/2/2023 – 9/23/2023**
- ✓ **Multifamily Operations – 9/30/2023 – 10/21/2023**
- ✓ **Multifamily Negotiations – 10/28/2023 – 11/18/2023**
- ✓ **Lead Generation – 12/2/2023 – 12/23/2023**



**Each Workshop Will Be 4 Lessons,
1-2 Hours Each, For 4 Weeks**



**And Will Be Delivered Virtually
Over Zoom With A Q&A Session
At The End Of Each Lesson**



**There Will Be Homework
Between Each Lesson To **Ensure**
Understanding**



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 => Bi-Monthly Month There Is
A New **Marketing Update** On The
Latest Trends In 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 For **LIFE**



ACCESS FOR **LIFE**:

- ✓ **Underwriting Fundamentals Workshop**
- ✓ **Strategic Partnering Workshop**
- ✓ **Underwriting Case Study**



AND => I'm Offering **FREE Access
For The Next 30 Days To The
Strategic Partnering Community**



**With All The Weekly And
Monthly Live And Recorded
Training And Resources **In**
Addition To The Community**



~~\$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 6 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 **2 Free
Months To The Strategic Partnering
Community And Mentoring Group!**



That's A Total Of 3 Months **FREE!**



**Which Means You Get Access To The 4
Week Workshops That Will Be Released
In Jan And Feb => **FREE****



Alternative Cash Flow Workshop And **Master Lease Option** Workshop



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**
- ✓ **Monthly Live Virtual 4 Week Workshops - \$11,964**
- ✓ **Your Business Partner/Spouse (FREE) - Priceless**

THAT'S \$39,949 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 6 Days



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



If You Purchase NOW...



I'll Give You An Additional **2 Free
Months To The Strategic Partnering
Community And Mentoring Group!**



That's A Total Of 3 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/underwriting-workshop-checkout>



Q&A