HOW TO DETERMINE EMERGING MARKETS?

By Vinney Chopra, CEO | Moneil Investment & Management Group

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If you want to know everything you need to start investing in multifamily syndications, look no further. Vinney Chopra is ready to share his wealth of knowledge and success with you if you're ready. Vinney has been investing in real estate for more than 40 years and has completed over 25 syndications. His newly formed company, Moneil Investment Group controls more than 2300 units worth 132 million in just 2 years. What you're about to read is what Vinney practices daily and has helped lead him to be the successful multifamily syndicator that he is today.

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www.MultifamilySyndicationAcademy.com

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ABOUT THE AUTHOR

Hi!

I am Vinney Chopra, i have successfully done 26 Multifamily Syndications. It's exciting to note that we are sending about 550 quarterly cash flow checks to our valued investors worth $500,000!! I have put together 10 rules of successful Multifamily Syndications over my many years of successes and failures. These are the same rules I follow today and share with investors and students.

To Your Success

Sincerely,

____

Vinney (Smile) Chopra, B.Engg., M.B.A.

Founder, CEO & Principal

Building Wealth through Multifamily Sound Investments, Acquisitions and Professional In-house Management

Your Success is Our Success

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OVERVIEW

It's a very hard Art to learn.... and is very labor intensive.

Let's tackle it from a few perspectives.... what is an Emerging market?

The overarching mantra in determining it is **Current Job market and the expansion of the Same**...... how would it look like in 3, 5, 10 years. Along with units panned permits in the pipeline and development stage and absorption rate. But A class units have different clientele and usually will bring C and B class rents higher. It's a good thing.

Jobs!!! Jobs & Jobs!!!... See the Occupancy of the Apartment Homes in the local markets …. is the real key to success. Increase in NOI? we can value add, upgrade and start new

According to the U.S. Bureau of Labor Statistics' most recent jobs report, the national unemployment rate has fallen to 4.6 percent — the lowest since 2007.

IT'S LOCAL ECONOMY THAT MATTERS….. POCKETS OF AREAS NOT THE WHOLE METRO….

HOW TO IDENTIFY EMERGING MARKETS?

1 - DO YOUR OWN MARKET RESEARCH.

- **Job Growth** reports
- **Population** reports
- **Path Progress** reports
- **Local Economy** reports and trends
- **Chamber of Commerce** reports

2 - LOOK FOR THE FOLLOWING FACTORS IN YOUR NETWORK

- Where are the large business **location**?
- How many **new jobs** are being created?
- Appealing **lifestyle**
- **Rental potential**
- **State Capital** and universities
- Big box **retail**, **shopping** hubs, **health** hubs
- Does your market have an **airport**?
- Check out the **infrustructure**
- Preferred **population** of 50-100k

INVEST NOW WITH MONEIL INVESTMENT GROUP

MONEIL

EMERGING MARKET

Choosing the "right" multi-family apartment complex to acquire is a critical aspect of Moneil Investments Group, LLC's (MIG's) investment strategy. That is why we are diligent in our exploration and focus on opportunities in Emerging Markets, where jobs and local economies are expanding. We follow jobs!!

Emerging markets are characterized by:

- **People migrating in**, rather than leaving a geographic area
- **Jobs being created** rather than lost
- Rents and **property values** quickly **rising**
- **Strong**, local **government leadership** dedicated to attracting jobs
- **Markets** beginning to **absorb oversupply**

There are many indicators and a lot of research that goes into identifying an emerging market in the US. We start out by performing thorough market research that includes the following areas:

- Job Growth Report (local & regional)
- Population Growth
- Path of Progress Reports
- Local Economic Reports & Trends
- Chamber of Commerce Reports

Property owners who have suffered through years of a contracting buyers' market frequently don't recognize early signs of recovery. As investors, they are still feeling the pain of the previous cycle, characterized by decreasing rental rates, oversupply, and rising vacancies and unemployment. It can take local investors as much as a year or more to realize that their market has begun to turnaround. That is the prime buying window.

MIG monitors indicators of emergence.

MARKET CYCLE

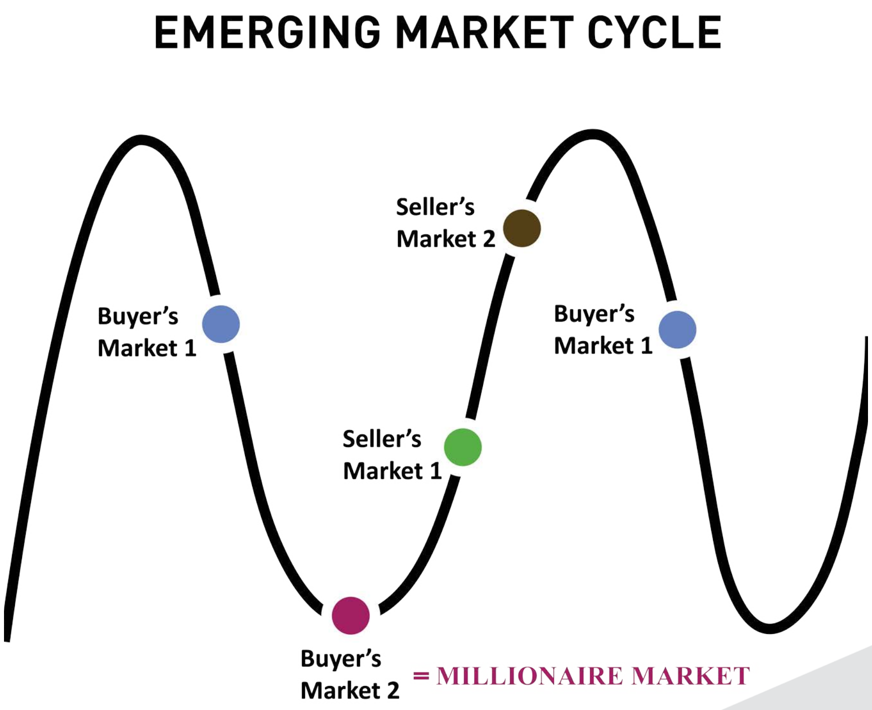
When national attention is focused on a particular market, smart investors are already selling their properties. A common investing mistake is to jump into 'hot' areas reported on by the press. At any given time – regardless of what the national economy is doing – certain cities are in a local expanding cycle, not a 'hot' cycle.

Jobs bring markets back to life.

For a city to move to the next phase of the market cycle, it must take action to grow jobs. When jobs are finally created, people begin to migrate back into a community, population grows, vacant properties start being filled and rents start to increase over supply stalls markets and triggers the decline of emerging markets.

MIG tracks job growth and shrinking supply.

EMERGING MARKET CYCLE



Let us look at the emerging market cycles. It is like a loop. It starts from **buyer's market 1**, **buyer's market 2**, **seller's market 1** and **seller's market 2**. We want to pick up the property, which makes sense when we are able to get to the stage buyer's market 2. What is this stage? It comes after buyer's market.

BUYER'S MARKET 1

- Still oversupply
- Prices and rents are falling
- Time on market increasing
- New consctruction is stagnant
- Unemployment reaches height
- Foreclosure rises sharply

This is where there is an oversupply; the prices are coming down of office buildings, apartments and others. There is oversupply. Prices and rents are falling. As you know, when prices are falling the NOI falls. When the NOI falls, the prices of the property fall. The time on the market increase. New construction is stagnant. Not many people want to build in that market phase. Because, there is always oversupply and unemployment reaches high levels. When unemployment is high, many people are not able to rent out or spend money at the grocery stores. It is just a downward cycle in the market. Foreclosure rises sharply. We have seen them in USA and all over the world. We have seen that happen within 2007-2009. Then for the buyers market you can buy cheaper.

BUYER'S MARKET 2

- Market absorbs oversupply
- Time on market decreases
- Job growth increases
- Existing properties are being rehabbed
- Prices & rents begin to slowly increase

In buyer's market 2 at the lowest point, that is when the market absorbs oversupply. The time on the market decreases and the job growth is getting into a mode of increase. Offers are coming into that area. Existing properties are being rehabbed. The prices and the rents begin to increase slowly. That is we call the millionaire maker. Because, that is the best time to buy.

SELLER'S MARKET 1

- Supply dwindles
- Properties selling fast
- Time on market at lowest point
- Property price & rent rising
- Demand at it's highest point

What happens in seller's marker 1 is that the supply dwindle. Because, many people are buying commercial real estate. Therefore, the supply goes down, the property is selling faster. Because, there are few properties in the market. Whether it is multi-family, industrial companies, offices, hotels and others. Time on the market is at the lowest point and property and rent rise. Demand is at its highest point. That is where the seller's market is. Sellers are unable to determine how much they want to sell their properties for. There are some bids coming in from different buyers and that drives the price higher.

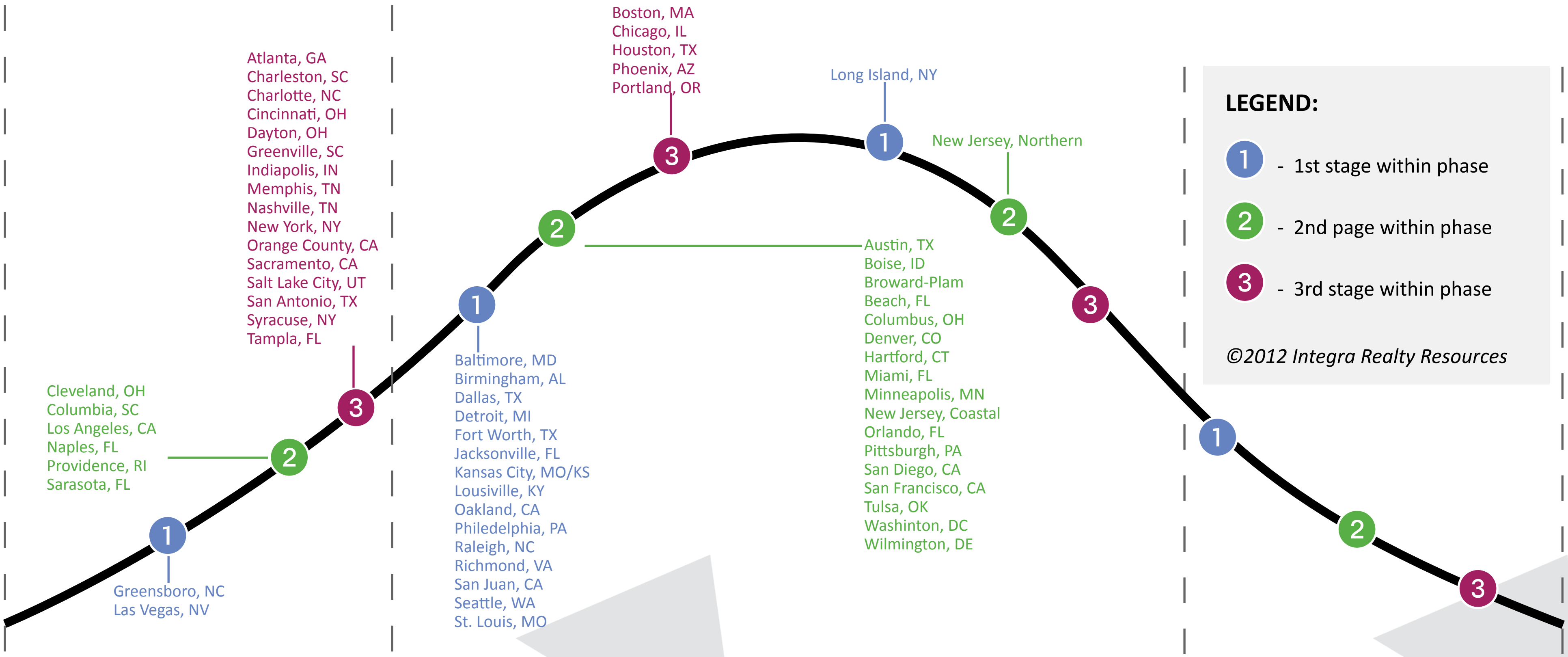
SELLER'S MARKET 2

- Time on market inctreases
- Supply increases
- Sellers waiting but still get inflated prices
- Construction is ecessive
- Business & job growth are allowing

In sellers', market 2. Time on the market increases. Supply increases. The seller is waiting, but still gets inflated prices. Construction, pipeline is excessive. Business and the job growth is also slow. Actually, the best time to buy is in the buyer's market. A little after that then move on for about 3-5 years to increase the rents take care of the job growth and then try to sell the properties at seller's market 2. Before it goes into a downward trend. Over the cliff.

APARTMENT CYCLE

This is a very nice service. Integra realty resource incorporated. They are a free resource company in USA. We really like their chats because they do considerable work in the fundamental considering determining phases within cycles which includes; vacancy rates trends, new product supply delivery and expectations. Employment growth. Inventory absorption trend and projections. They design these charts, which are the cycles for different states. You can look into the states and find out where these markets are.



RECOVERY

Decreasing Vacancy Rates
Low New Construction
Moderate Absorption
Low/Moderate Employment Growth
Neg/Low Rental rate Growth

EXPANSION

Decreasing Vacancy Rates
Moderate/High New Construction
High ABsorption
Mod/High Employment Growth
Med/High Rental Rate Growth

HYPERSUPPLY

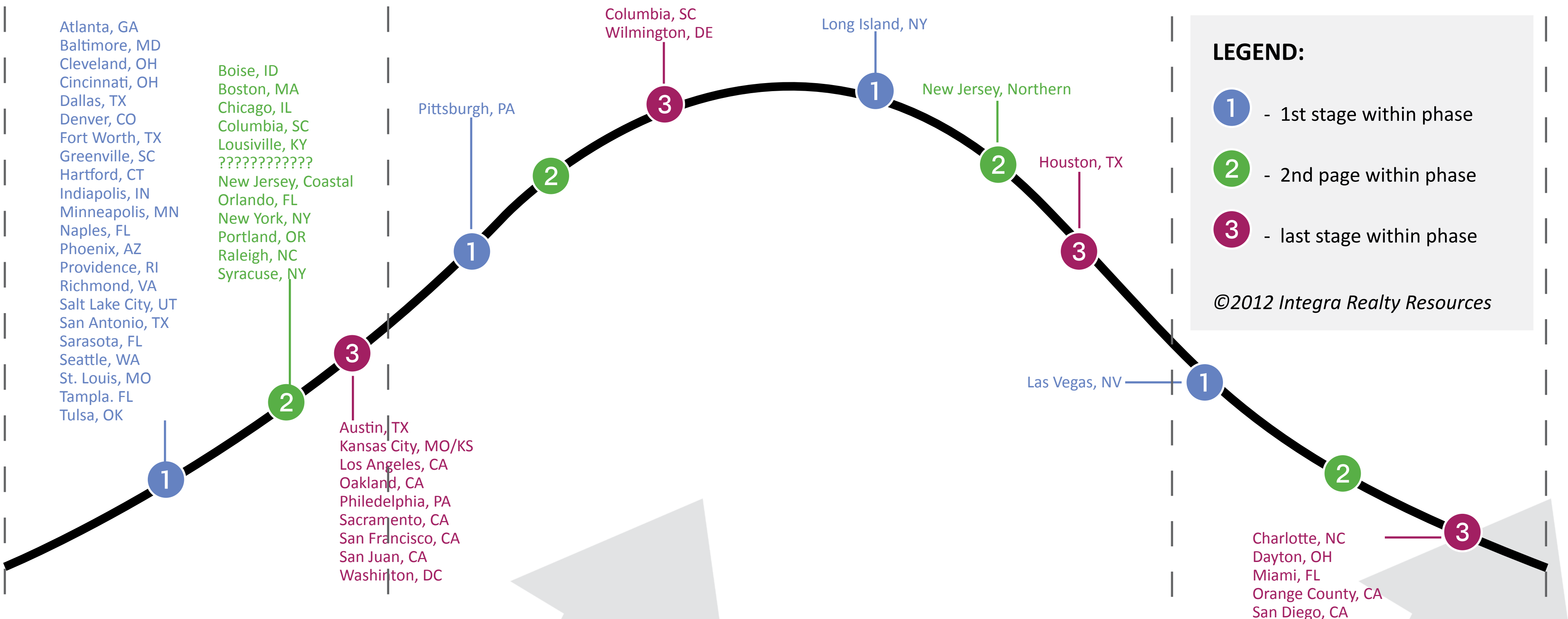
Increasing Vacancy Rates
Moderate/High New Construction
Low/Negative Absorption
Mod/Low Employment Growth
Med/Low Rental Rate Growth

RECESSION

Increasing Vanacy Rates
Moderate/Low New Construction
Low Absorption
Low/Neg Employment Growth
Low/Neg Rantal Rate Growth

APARTMENT MARKET CYCLE

In this particular graph, this was 2010 Integra Realty Resources. We can look at all the phases in any market. Each phase lasts about 3-5 years. It is about 6-8 years between the bottom and the top. The best time to buy is in the recovery phase. Buyer's market 2 has just happened and that is the decreasing of the vacancy rate. Low new construction, moderate absorption. Low /moderate employment, negative/ low rental rate growth. All those things and then it moves higher into the expansion stage, where there is a decrease in the vacancy rate, the



RECOVERY

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rents are getting higher, the moderate or high employment growth is there. You do not want to hit the hyper-supply. That is where you do not want to go wrong. As many of you have heard, all my houses went up and down in price in cycles and that is the key to find out what about the market cycles. When to buy and when to sell. When to buy is in the recovery phase and where to sell is in the expansion phase. The tool also is not to be greedy by keeping the property for a longer time. You have to leave "some meat on the bone" so the other people who buy the property can also make some good appreciation when they are purchasing. The worst part is to buy properties in the hyper-supply and the recession phase. That is a period to watch and then you pick up in the recovery phase right before the buyer's market 2. A little before or after it. You never know where the bottom is, until you have gone to the bottom. You look back say "that was where it was".

DO YOUR OWN MARKET RESEARCH

- **Job Growth** reports
- **Population** reports
- **Path Progress** reports
- **Local Economy** reports and trends
- **Chamber of Commerce** reports

Just to give you some more ideas. When approaching the emerging market in USA and all around the world. You have to do market research. Including the job growth reports, population growth report, and path of progress report. Local economy reports and trends. Chamber of commerce reports. Try to understand where you are going. There are several websites on the internet. That you can get information from. For example. www.globest.com, www.irr.com, www.cbre.com. There are many reports out there.

LOOK FOR THE FOLLOWING FACTORS IN YOUR NETWORK

- Where are the large business **location**?
- How many **new jobs** are being created?
- Appealing **lifestyle**
- **Rental potential**
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Then you can look for the emerging markets where the stable, larger and service industries are coming in. new jobs are coming in. appeal life style of living. There is one segment in San Antonio; it was in the business week, fortune magazine and Forbes magazine. It was the lifestyle of living, many young people were moving in that direction. Those are the things that you want to look out for. So that you can move into the market quickly and make that purchase. Rental potential, state capital and universities. You want to look for a market where they are big box retail, shopping and health hubs are moving in there. Because these big box retails and shopping hubs do a lot of extensive marketing to see where people would be moving to with jobs. Where the population will be increasing. That is the market where they choose. In addition, there are airports, infrastructure, roads, transportation, utilities and 50,000-100,000 population. Good luck to you and I know you will make the right decision in buying commercial property I the right cycle. It is not in hyper-supply like the one we talk about. However, in the recovery period, when the jobs are coming in. that is when you want to buy these properties.

WHICH INDICATOR TO LOOK TO DETERMINE THE MARKET CTYCLE

There are certain key factors in each market that are vital indicators of what the market is doing at any given time. These include:

CONSTRUCTION

The other advantage of obtaining information on building permits is that it allows you to see in advance what will be coming on the market. You will know what you are going to be competing against.

When you see the spike in construction, you know this market will soon be overbuilt. This will be a market that will be going from Seller Market Stage Two to a Buyers Market Stage One.

Here are some helpful resources when forecasting with building permits. You can contact the local building associations, commercial real estate agencies, banks, chamber of commerce, and planning department. All of these groups will have some sort of forecast regarding the local economy. Just ask them for a copy.

*You can also contact the **Bureau of the Census**. A lot of information that you will use for forecasting will come from the Census Bureau. In this particular case you will write and ask for the report "Housing Units Authorized by Building Permits and Public Contracts."*

EMPLOYMENT

The best indicator of a market leaving the Buyers' Market Stage One and entering the Buyers' Market Stage Two is employment. More importantly, job growth.

You want to look for local governments that are giving tax incentives for companies to re-locate into their area.

Once businesses begin to relocate to these areas, for every job that a new business brings to an area, there will be 3-4 other jobs created in the service sectors. And the upward cycle begins. ***Contact the department of economic development in the local government of the city that you are interested.*** Ask them what they are doing to entice businesses to relocate there. Also ask them which companies have already made a commitment to go there. ***From the Census Bureau, you can request the report on "County Business Patterns". Write to them at: Department of Commerce Bureau of the Census.***

NUMBER OF HOUSEHOLDS

When the number of households goes up then the potential for rents to increase will go up as well. This is because of the increased demand for a limited supply of apartments.

The opposite is also true. When the number of households is decreasing, the demand for apartments is also decreasing and owners will lower the rent to attract renters to their buildings.

When determining the number of households, be sure you are looking at households and not population. Population is not a good indicator of housing needs.

HOUSEHOLD INCOME

As household income rises, the ability to pay higher and higher rent also rises. Higher rents mean higher property values. You'll want to look for areas in which the household income is rising.

VACANCY RATES

When vacancy rates are down, this is potentially a good market to be buying in. If vacancies are up, that means the net income for the complex is down. If the net income is down then property values are down and you should be buying at lower prices.

You want to be sure that you are buying in an Absorption Market. If the market is still in decline, it may be a long time before you can fill those vacancies and make any money.

Check with the local chamber of commerce or local commercial real estate agencies to gauge local vacancy rates.

DEMOGRAPHICS

Look at the demographic mix of a community. Factors that you want to see in the market that you are researching that would lead to a higher number of potential renters include:

- Higher female to male population
- Higher population of young and old versus middle age
- More singles versus married
- Smaller families versus larger families
- Higher amount of renters versus non-renters.

RENTAL RATES

A good market is one in which rents have begun to slowly increase. This is an indication that the market may be in transition into the absorption phase. **Decreasing and stagnant rents are an indication that the market may be in the decline phase.**

If you are not sure what the rents are doing in a particular market, contact the local apartment owner's association or a local commercial real estate agency and Business Magazines.

Go to Barnes and nobles at least once a month and check out the new monthly magazines. Some good ones are Money, Fortune, Site Development, Multi-Housing News, and Expansion.

Many websites and magazines need to be researched weekly, monthly to find out where the progress is being made in the different parts of the country.

- MULTIFAMILY EXECUTIVE Magazine
- GlobeSt.com
- data.gov
- Co-Star.com
- IRR.com
- CBRE.com
- Forbes magazine
- Wall street Journal
- Fortune magazine
- U. S. News Top News
- Various Podcasts
- Chamber of Commerce of the specific Market
- Commercial Brokers of the specific Market
- Property Management Co of the specific Market

CALL CHAMBER OF COMMERCE

- If a Market is going to move, it's usually because of something the Chmaber of Commerce is doing
- Job Flow (500+ new jobs) They do 4 things to attract New Business:

  1. Grant
  2. Free Land
  3. Low Interest Loans
  4. Tax Abatements

PATH OF PROGRESS

A Path of Progress is where the greatest amount of building and development is currently occurring, or soon will be.

What is now Orange County being a Path of Progress between Los Angeles and San Diego?

A Path of Progress is where:

- Growth engulfs properties and drives high and quick appreciation
- The majority of new construction is occurring
- National tenants are moving into the neighborhood
- Investing in Paths of Progress yields the greatest returns in the shortest period of time.

ACQUISITION PRACTICES

Moneil Investment Group, LLC(MIG) takes pride in building relationships with local listing brokers to get their “pocket listings” and access to other Bank Owned Properties (REO). Our searches include soliciting owners directly instead of waiting for properties to come to market.

Candidate assets undergo a thorough due diligence process to confirm the physical and legal status of the property and to confirm valuations to ensure achievable investment strategies.

Early in the asset evaluation phase, the debt and equity financing strategy is developed based on a number of factors such as:

- Property type
- Magnitude of renovations
- Expected hold period
- Investor objectives

Well-located assets purchased below replacement cost assist in attaining appreciated asset goals.

INVESTMENT DISCIPLINE

Product selection involves:

- A systematic
- Routine evaluation to identify favorable demand characteristics, i.e., job and population growth
- Demographic shifts
- Supply absorption rates
- Positive local legislation.

Markets with supply constraints receive most favorable underwriting. Markets with signs of oversupply such as surplus land, changes in zoning and increases in building permits are avoided.

WEALTH COMPOUNDING

The Emerging real estate market investing strategy is based on monitoring market cycles. The objective is to ensure that accrued equity is optimized by selling each property at the optimum time, and putting the equity realized on sale to work in the next emerging market. Investing in commercial real estate, coupled with rotating appreciation every 3-5 years into properties in new, emerging markets is a proven strategy for compounding wealth.

Inexperienced investors often miss the selling window by leaving capital to stagnate in softening markets. Allowing an investment to persist in an area suffering from rising unemployment and oversupply can be costly for investors.

Many investors prefer the opportunities and advantages that come from participating in large, professionally managed properties versus individual ownership of smaller properties. Our experience in multifamily investment can help insulate investors from the pitfalls of managing tenants on their own.

Moneil Investment Group seeks to optimize investment returns. Our returning investors can attest to the fact that our system works.

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