

METONIC'S GUIDE TO PRIVATE MULTIFAMILY INVESTING

WWW.METONIC.NET

At Metonic Real Estate Solutions, we provide exceptional homes for residents, stellar spaces for businesses and retailers, and an unparalleled investment experience for our partners.



Metonic
REAL ESTATE SOLUTIONS

INTRODUCTION



Private real estate offers individuals the opportunity to invest in an asset that will provide high returns with low risk.

In this guide, we're going to break down what it means to invest in private real estate and the benefits of multifamily real estate investing.

PRIVATE VS. REITS

Both REITs and private equity real estate firms give investors an alternative to traditional real estate investing.

REIT stands for a “real estate investment trust,” and it is a type of company that owns, operates, or finances income producing commercial real estate properties. To qualify as a REIT, companies must follow very specific laws established and implemented by the IRS.

A private real estate investment firm like Metonic Real Estate Solutions will pool investor capital into real estate assets.

Private equity real estate firms are not publicly traded and only available to accredited or high net-worth investors.

Private equity real estate opportunities are often leaner and more efficient than REIT’s. Private real estate firms and the deals they design are large enough to take advantage of real estate investment opportunities but small enough not to require an army of employees and brokers to manage.

Less overhead means a stronger focus on the success of the asset and generating returns for investors.

Who is an accredited investor?

- ✓ An individual earning income greater than \$200K for the last 3 years
- ✓ An individual with joint spousal income greater than \$300K for the last 3 years
- ✓ An individual with net worth, or joint spousal net worth of greater than \$1M excluding primary residence
- ✓ A business entity in which all the equity owners are accredited investors
- ✓ Any other person who is an accredited investor as defined in Rule 501 of Regulation D of the SEC





BENEFITS OF PRIVATE MULTIFAMILY

■ **Tax Relief** - Private real estate investing is a great way to potentially decrease your tax burden. Because the IRS considers partnerships “pass-through” entities, earnings or losses are not taxed at the partnership level but to the individual member owners. There are several potential tax breaks the IRS grants to those involved in multifamily residential investments.

■ **Passive Investing** - Private real estate offers individuals the opportunity to passively invest in a multifamily property, meaning there is no need for hands-on effort or participation from investors. This allows investors to let their money work for them, without having to worry about property performance.

■ **Low Risk, High Returns** - Multifamily investments are seen as less risky than other forms of real estate due to diversified tenancy. Because there are tens or hundreds of residents living at the property, operators do not have to be at 100% occupancy to operate with a positive net income.

TAX BENEFITS

Real estate investing is a great way to potentially decrease your tax burden.

Because the IRS considers partnerships pass-through entities, earnings or losses are not taxed at the partnership level but to the individual member owners.

There are several potential tax breaks the IRS grants to those involved in multifamily residential investments; including cost segregation of the various asset groupings found in an apartment resulting in accelerated **depreciation**, potential for energy efficient tax credits, investment deductions, and the possibility of deferring tax through the use of **1031 exchanges**. Lastly, the capital received from a **cash-out refinance** is not taxed.

Depreciation

According to the IRS, apartments are depreciated over 27.5 years, where most other types of real estate (office, retail, etc.) are depreciated over 39 years. This shorter depreciation period allows for increased annual depreciation expense, and therefore less taxable income.

1031 Exchanges

Under Section 1031 of the United States Internal Revenue Code, taxpayers may defer the payment of capital gains and related federal income taxes on the exchange of certain types of real property.

Cash-Out Refinance

Private real estate companies like Metonic often refinance loans on multifamily properties. The returns from these refinances are not taxed like they would be if one were to sell the asset.



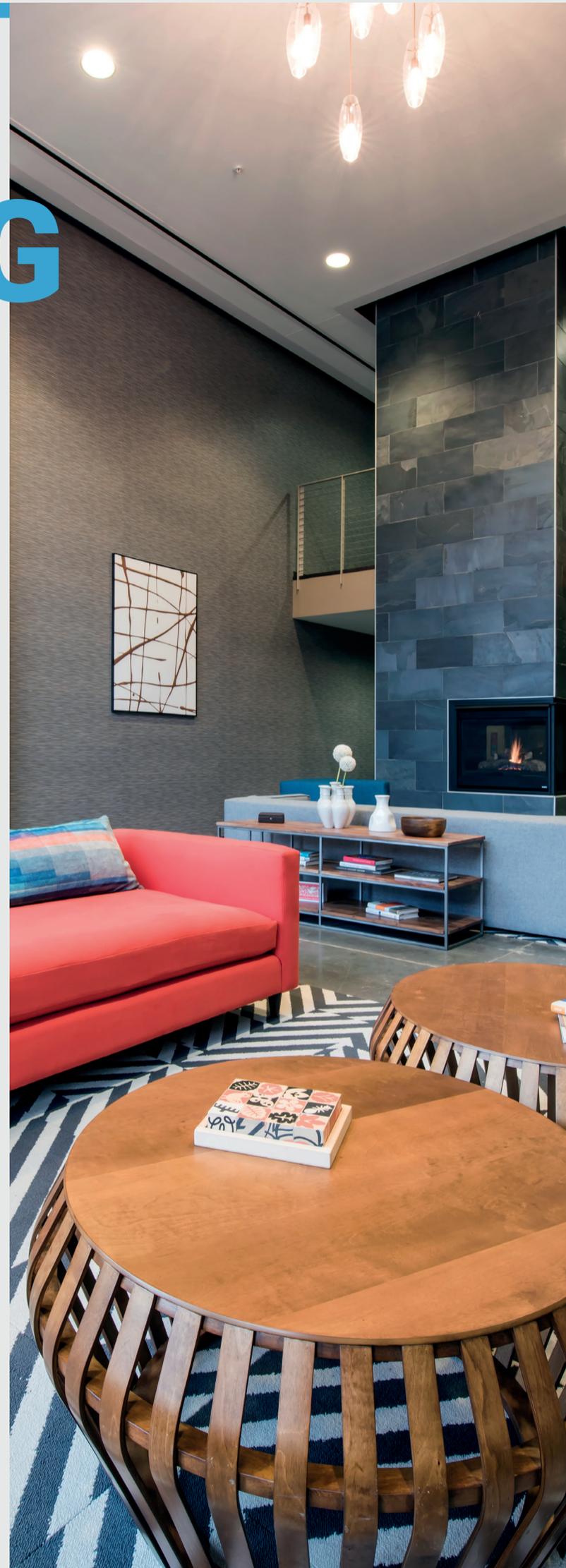
PASSIVE INVESTING

No need to worry about collecting rent, handling repairs, or filling vacant apartments.

Investing in multifamily is seen as one of the best forms of investments due to the passive income that it provides to the investor over a long period of time.

When investing in a private multifamily property with a company similar to Metonic, property operations are hands-off, meaning as an investor, you do not have to worry about property maintenance, tenant applications, or any property operations. Instead of being preoccupied worrying about the property, a multifamily investor can place their trust in a competent asset management team to take care of their investment and the property.

As a party invested in private multifamily, you can sit back and let your money go to work for you.



LOW RISK, HIGH RETURNS

There are 43 million renters in the US, with 37% of them living in apartments.*

Market volatility is low for multifamily property due to the consistent and ever-present demand for apartments. Lack of inventory discourages many from purchasing a home, while cultural preferences are shifting to starting families at an older age than ever before, all pointing to an increased population of renters.

The United States has had a severe housing shortage for years. In order to make up for it, Freddie Mac estimates that an additional 2.5 million housing units will need to be built. The demand for apartment homes continues to grow.

*NMHC, 2020

Why are so many Americans renting?



The average age of starting a family has increased.

The average age of first-time parents is up from 21 to 26 for women and from 27 to 31 for men in the past 40 years, according to the CDC. Because of this, many are waiting to purchase a home until they have children.



The pandemic will postpone home buying plans for many.

Mortgage rates have reached a record low and the housing demand and pricing has risen significantly since the start of the pandemic. The high demand has also resulted in a drastic price increase for home-building materials. It is projected that there will be a 21% renter increase between now and 2040, according to the Urban Institute.



The 55+ cohort is looking for a lifestyle change.

Those 55 and up are looking to downsize from a single-family home, without having to move to senior housing. By 2050, over a fifth of the population will be 65+, according to Statista. It is imperative that the real estate industry be prepared for this growth.

ACQUISITIONS VS. DEVELOPMENTS

Both multifamily developments and acquisitions are great assets to diversify an investment portfolio.



Because a development is not fully built and occupied at the time of investment, an investor will likely see returns quicker when investing in a stabilized acquisition.

The cash flow that comes from stabilized deals is not linear, but it is steady. Over the last decade the Metonic portfolio has averaged a 12% cash on cash return inclusive of financings.



Developments are new once built, and therefore do not consume the capital required in the acquisition of a stabilized value-add property. A development will have construction and lease up risk that exceeds a stabilized deal, and the investor will be compensated for that risk.

Although a development may come with higher risk, partners will typically receive a higher equity multiple than they would when investing in acquisitions.

On average, Metonic has returned approximately 50% of initial equity with an expectation for an ongoing 12% cash on cash return upon stabilization (usually the first 3 years of being built).

Investors may consider diversifying their portfolio by investing in both acquisitions and developments in order to receive distributions quickly on one front and let their investment grow over a longer period of time on the other.

DEFINING INVESTMENT METRICS

Equity Multiple

= Total Distribution / Total Invested Capital

Equity multiple is best described as the return you get from your initial investment. Metonic's average equity multiple is 2.9x, meaning if you invest \$100,000 in a multifamily property with a 10-year hold period, you will get approximately \$290,000 distributed over 10 years.

Average Annual Cash Yield

= Annual Net Cash Flow / Invested Equity

The average annual cash yield is all operating income that comes off of a property during any annual period, including refinance proceeds returned to investors. Metonic's average annual cash yield returned to investors is 14%. This means an investor will receive approximately 14% of initial investment on any given year during the hold period. Cash return is not always linear, and some years may be higher than others, but 14% represents the average.

Cap Rate

= Property's Annual Net Operating Income / Purchase Price

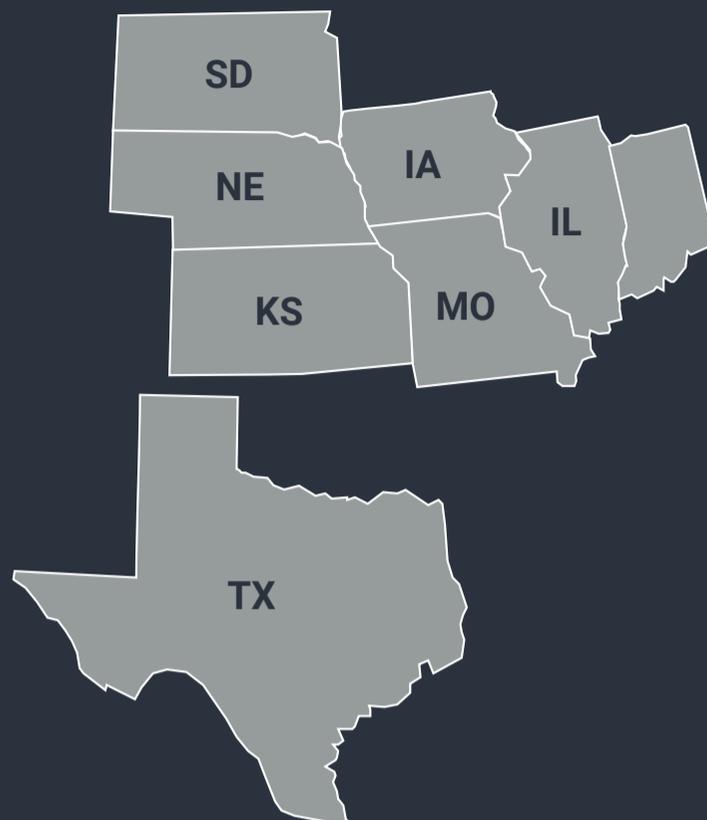
A property's cap rate is the percentage of return on investment after purchasing. For example, if a property was purchased at \$5 million dollars and it generates \$375,000 of net operating income a year (NOI), the property's cap rate would be 7.5%.

ABOUT US

Based in Omaha, Metonic is a private real estate investment company unique to the Midwest. We have a reputation for strategic oversight and operational excellence with a passion for innovation.

We strongly believe real estate is a key component of a well-diversified portfolio. Through our relationships and expertise, we provide these opportunities by uncovering value where others have missed to deliver strong risk-adjusted returns for our investors.

METONIC TRACK RECORD



9K+

Multifamily Apartment
Homes Under
Management

8

States

18%

Estimated Net
Investor IRR

70+

Assets Under
Management

\$1B

\$ of Assets
Under Management

38

Markets

21%

Weighted Average
Realized IRR

14%

Average Cash on Cash
Yield

2.9x

Weighted Average
Realized Multiple

OUR TEAM



Bob Dean, CEO

Bob is responsible for leading all aspects of Metonic, including strategy, development, acquisition, and disposition. During his tenure as CEO, Bob has managed projects that have resulted in over \$218M distributed to investors with a realized IRR of 21%. Bob has led over 60 acquisitions and developments at Metonic, totaling over \$1B in assets under management.
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Adam Kirshenbaum, COO

Adam is responsible for the development and oversight of Metonic's operations, including investment activities, legal structure, and strategic initiatives. Since joining Metonic, Adam has supervised over 25 acquisitions and developments, totaling nearly \$130M in capital raised, and over 50 property refinances, totaling over \$77M in partner distribution.
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Kassie Inness, President of APOGEE

Kassie leads the APOGEE team, providing construction management and branding oversight for large-scale capital projects, tenant improvements, and new construction. Since joining, Kassie and the APOGEE team have managed over 70 capital expenditure projects totaling \$26.4M and have managed new development projects of over 640 apartments, consisting of over \$80M.
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Josh White, VP of Investor Relations

Josh provides leadership to the Investor Relations Teams at Metonic, which includes developing and growing investor relationships and furthering Metonic brand awareness. Since joining Metonic, Josh has led the fundraising efforts for over 600 apartment homes, totaling nearly \$30M in capital raised.
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DISCLOSURE

This document intends to identify forward-looking statements by using words or phrases such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “maybe,” “objective,” “plan,” “predict,” “project,” “forecasts” and “will be” and similar words or phrases, or the negative thereof or other variations thereof or comparable terminology. All forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual transactions, results, performance or achievements to be materially different from any future transactions, results, performance or achievements expressed or implied by such forward-looking statements. Although Metonic and its affiliates believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, there is no assurance that our expectations will be attained or that any deviations will not be assumptions are incorrect, the projections also would be incorrect. No representation or warranty can be given that the estimates, opinions or assumptions made in this document will prove to be accurate. This summary does not constitute an offer to sell nor a solicitation of an offer to purchase securities. Data and information is provided for informational purposes only. No security or interest in any property may be purchased without prior receipt of a full offering circular relating to the potential purchase and the completion and acceptance of a proper subscription document relating to such purchase material. Metonic and its affiliates undertake no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances. The projections contained in this document are based upon specified and unspecified assumptions. If these assumptions are incorrect, the projections also would be incorrect. No representation or warranty can be given that the estimates, opinions or assumptions made in this document will prove to be accurate. This summary does not constitute an offer to sell nor a solicitation of an offer to purchase securities. Data and information is provided for informational purposes only. No security or interest in any property may be purchased without prior receipt of a full offering circular relating to the potential purchase and the completion and acceptance of a proper subscription document relating to such purchase.

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