



## Multi-Family investing – is there still room to run?

At Property Investment Advisors, we believe investing in institutional commercial real estate can be an important part of a well balanced portfolio and it provides returns that are historically uncorrelated to more traditional stock indices such as the S&P 500. Although we are late in the cycle, we continue to believe that commercial grade, multi-family apartments remain one of the best sectors for real estate for at least the upcoming 12 to 18 months. However, as with any asset class, multi-family investments can entail significant risk which must be considered carefully.

In many markets, we believe apartments have been overbuilt during the past five years. This, in conjunction with increasing construction costs brought about by an improving economy, means one has to be highly selective when choosing a region and a specific market to invest in. At PIA, we believe the secondary markets are frequently overlooked by large private

equity funds who seek to deploy massive amounts of capital. We believe one should look for opportunities in markets that have only experienced moderate amounts of construction, particularly in select neighborhoods with unmet demand for apartments. This, in conjunction with strong local economies, make these markets desirable.

*“When mitigating late cycle, real estate investment risk, thorough underwriting coupled with careful market and developer selection becomes paramount.”*

– Chris Boggs, President



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We believe it is equally important to work with developers who have intimate knowledge of these markets. **Strong local knowledge, a long track record of success, and a strong organization with redundancy in critical positions** are essential elements one should look for in developers.

While we believe the long and successful run of multi-family investing is drawing to a close, we also believe opportunities still exist in select areas when paired with skilled developers.

However, these opportunities must be approached with a high degree of skepticism and must pass rigid underwriting standards.

