

TOP 10



Irrational Investor Fears... and the truthful response

NEAL BAWA
Founder & CEO



I can earn 5% in a money market account right now

And at 5% is going away. The federal reserve will probably cut four times this year, so you'll be making 4% by the end of the year, and 3% by the end of next year. With inflation at 3%, you're making nothing. Plus you lose depreciation benefits to write on existing income, And you pay ordinary income taxes instead of capital gains. How is this a good move?

All my friends are telling me that they've had cash calls, and no cash flow for two years

And your friends are creating the opportunity for you to make money. Their investments were made when the market was at its peak, and properties were overvalued. As interest rates went up, and values went down, their cash flows disappeared. And that's why properties today are 20 to 30% cheaper. Their loss is your gain.

Multifamily values are going down, not up. Why should I invest?

The exact same argument was used in 2008. Read any book investing, and it tells you that you're much

more likely to make money when you buy during a down cycle, then buying it a peak. How are discounts possible in an overvalued boom market that investors were throwing money at two years ago?

I read there is a \$1.4 trillion cliff coming for commercial real estate

Yes it is. But less than \$100 billion of that cliff applies to multifamily. And that ~\$100 billion is roughly 3-4% of the value of all multi family properties in the United States. We're not saying there isn't an impact, there is. But that impact is what is giving us the discounts. Every market expert is projecting that by the end of 2024 or earlier, prices will hit bottom as the multifamily portion of the debt cliff fades and a new cycle starts.

What if I invest in prices go down another 5% or 10%?

That's fine. Even the greatest investor in the world (Warren Buett) could never figure out the bottom. So his technique is to start buying when things are cheap and keep buying as they get cheaper. This way his investments are averaged between cheap and bottom, both of which are great scenarios. Every other great Investor says the same thing. No one can time the bottom. Including you.

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Irrational Investor Fears... and the truthful response (continued)

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A am afraid **cash calls...**

Then, maybe you and other investors shouldn't have invested two years ago when properties were selling for 20 to 30% more than their value. At this point, almost every property has a fixed loan on it. The chances of cash calls are a lot lower. Wouldn't that be the right time to invest, when chances of adverse events are lower than before?



What if interest rates **don't come down?**

Over the last 80 years, there's no evidence that interest rates will stay up if inflation goes down. The federal reserve wants to reduce interest rates as quickly as they can. 20 months ago inflation was at 9.1%. Today, it's 3%. The high rate interest rates have done their job and it's now time to bring them down.

I think I'll just **buy my own single-family rentals**, instead of multifamily

Since interest rates started going up, the multifamily industry, which has a very prudent bankers, started to see loan value slashed, which resulted in prices smoothly declining by 20 to 30%. Single-family properties are up one percent in the last 18 months. So, which one do you think is overvalued?

The federal debt is crazy high, the dollar is losing its dominant position, the Republicans are claiming election fraud and the Democrats are leaving the border unguarded. **Why would I invest in such a crazy world?**

It's been crazy for decades. Read the news from the 90s or the 2000s and you'll notice the two parties were in Armageddon mode back then too. The United States recent energy dominance means that it actually needs to be the world reserve currency a lot less than it did 12 years ago. And we remain, by far, the technological Mecca of the world. Our position is stronger than social media clickbait makes it out to be. In the end, Investing is about tuning out the noise, not drowning in it

What if **inflation goes up again?**

The vast majority of investments today are using fixed debt. If inflation goes up in the future, you would be a beneficiary as the mortgage would be fixed, but rents would spike with higher inflation, just like they did in 2021 and 2022. Why are you afraid of this scenario?

