

# Private Multifamily Real Estate Guide for RIAs



TIMBERLAND  
PARTNERS  

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INVESTMENTS

# Private multifamily real estate is a resilient yet growth-oriented asset class, offering four key benefits for Registered Investment Advisor (RIA) client portfolios.

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A strong case has emerged for RIAs to consider private direct investments in real estate — either through thoughtfully constructed portfolio vehicles or direct co-investments.

44%

OF ADVISORS ARE INTERESTED IN ALLOCATING TO REAL ESTATE (ICAPITAL)



## DIVERSIFICATION

Private multifamily real estate's low correlation with stocks and bonds can help reduce overall portfolio volatility.



## CURRENT INCOME

Stable rental income provides consistent cash distributions to investors.



## TAX ADVANTAGES

Pass-through entities avoid double taxation and allow investors to benefit from depreciation deductions and long-term tax treatment.



## APPRECIATION

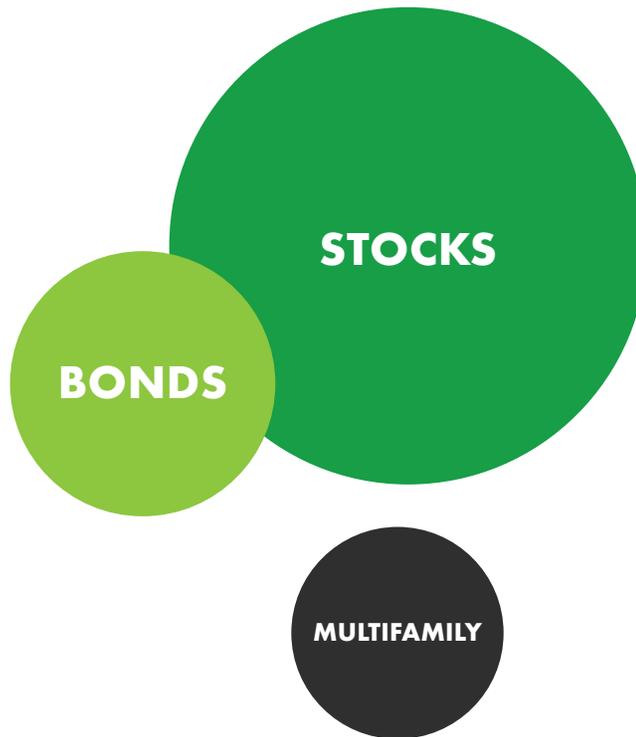
Value creation through property improvements, market growth, and active management result in increased property values.

# Enhancing A Traditional 60/40 Stock-Bond Portfolio

Multifamily real estate can play a crucial role in a diversified investment portfolio. With its low correlation to equities and fixed income, private multifamily real estate can serve as a stabilizing force within a diversified portfolio. This characteristic becomes especially valuable during periods of economic turbulence.

## VOLATILITY REDUCTION

Traditional retirement vehicles often rely heavily on equities and fixed-income securities. While equities have historically provided growth, they are susceptible to significant market volatility. For instance, during the 2020 COVID-19 market crash, the S&P 500 plummeted 34% in a matter of weeks, while multifamily rents held steady or even increased as demand for rental housing surged. When included in a well-diversified investment portfolio, private multifamily real estate can lower overall risk and enhance returns.



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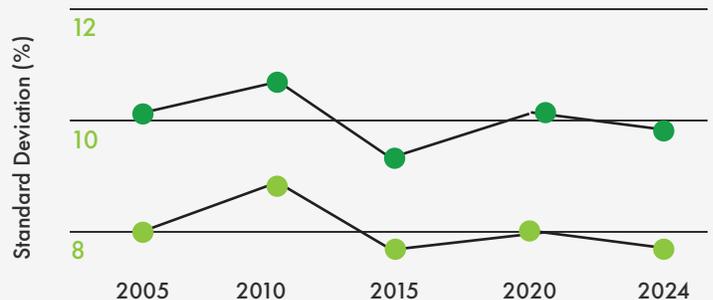
PRIVATE REAL ESTATE CORRELATION TO EQUITIES (NCREIF VS. S&P 500, 2000-2024)



Data suggests a portfolio with a 15% allocation to real estate can reduce standard deviation (a measure of volatility) by 1-2% compared to a traditional 60/40 stock-bond mix.

- Standard Deviation without Multifamily
- Standard Deviation with Multifamily

## ILLUSTRATIVE PORTFOLIO WITH 15% MULTIFAMILY ALLOCATION

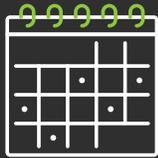


SOURCE: S&P 500, BLOOMBERG BOND INDEX, NFI-ODCE INDEX

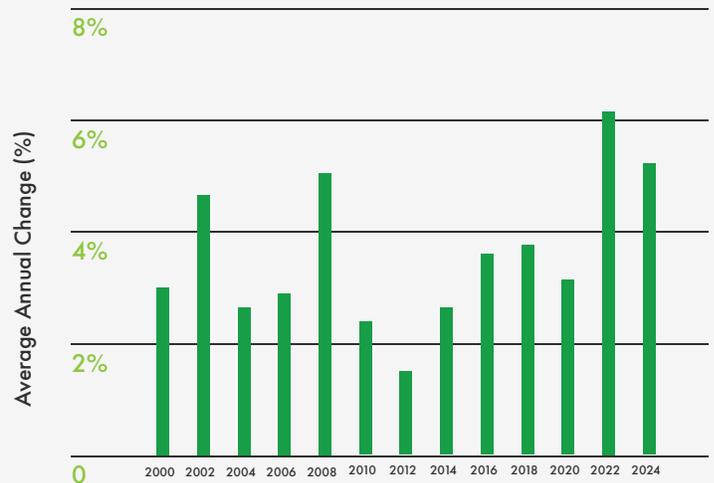
# Providing Reliable Current Income to Investors

As a fundamental need with strong demand tailwinds, multifamily real estate generates consistent, predictable cash flow from the properties' operating income. With relatively short term leases compared to other commercial real estate property types, multifamily rents can act as an inflation hedge.

▶ U.S. multifamily real estate has delivered stable, cash-flow-driven performance over the past three decades. Between 1940 and 2000, there were slight decreases in the years from 1940 to 1950. In the decades following, average annual rent has continued to increase.



## AVERAGE ANNUAL RENT CHANGE



SOURCE: US CENSUS, BUREAU OF LABOR STATISTICS, REALPAGE.

# 5-8%

EXPECTED ANNUAL CASH-ON-CASH RETURN

◀ Historically, real estate has delivered a robust income stream, averaging about 5.8% in the U.S., exceeding equities at 2.0% and fixed income at 1.9%.

SOURCE: J.P. MORGAN ASSET MANAGEMENT. BLOOMBERG. TIME PERIOD 2000-2024.

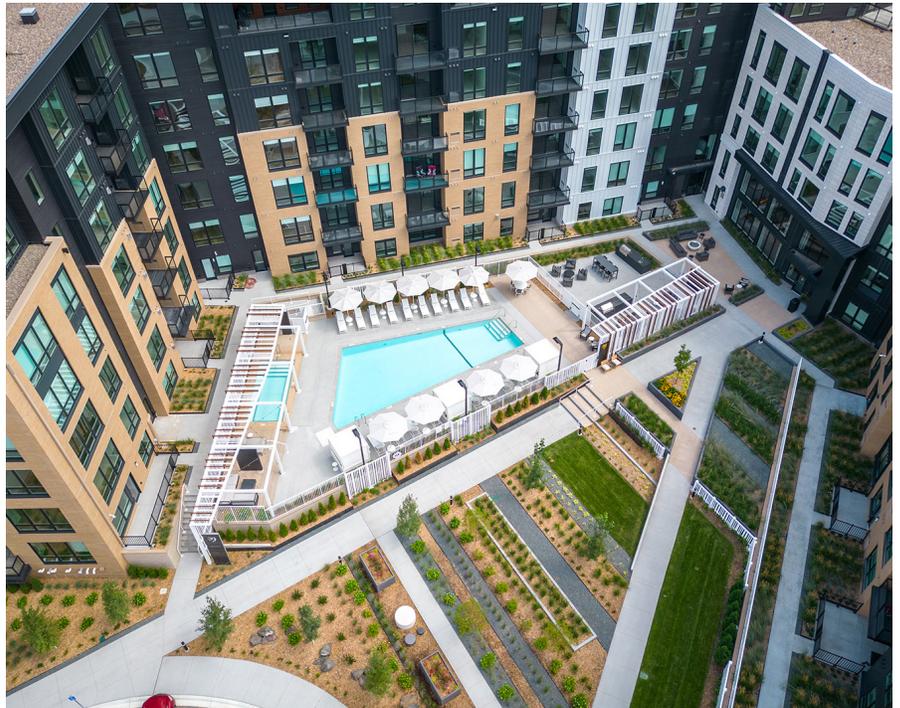
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Unlike commercial leases, which can remain fixed for 5-10 years, apartment leases usually reset every 12 months or less. This allows multifamily owners to adjust pricing in near real time as inflation rises.

# Maximizing Total Returns Through Tax Efficiency

Private multifamily real estate investments leverage favorable tax benefits in the U.S. through depreciation, tax deferral, and pass-through of income and losses.

Private real estate investments are typically structured as pass-through entities for tax purposes, either as limited partnerships (LPs) or limited liability companies (LLCs). In a pass-through entity, profits, losses, deductions, and credits “pass through” pro-rata to LPs, who report them on their personal tax returns via Schedule K-1 (Form 1065). Key pass-through deductions for real estate investors include depreciation, interest expense, financing charges, accelerated and bonus depreciation, and losses.



## DEPRECIATION SCENARIO



\$50,000 distributed to LP from operating cash flow



\$40,000 depreciation (and amortization) lowers **taxable income** to \$10,000



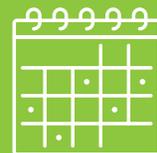
Despite \$50,000 distribution, LP only reports \$10,000 as taxable income due to “**tax shelter**” effect of depreciation



Distributions treated as **return of capital**, reducing the LP’s basis in the investment

# 27.5

YEARS IS THE IRS-DEFINED USEFUL LIFE OF RESIDENTIAL PROPERTIES (E.G., MULTIFAMILY)



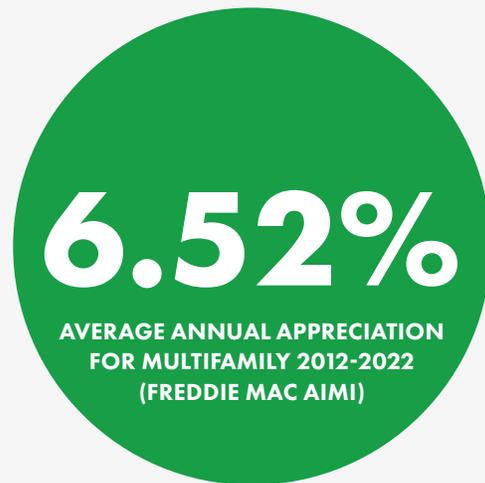
# Creating Wealth Through Long-Term Appreciation

Market growth driven by strong fundamentals and value creation through active management creates capital appreciation, fully captured through long-term hold periods and optimized disposition strategies.

Broadly, the demand for rental housing (and subsequently property values) has increased due to the following:

1. Accelerated new household formation, which grew at the highest sustained rate in 50 years
2. Lower home ownership rates driven by rapid home price appreciation
3. Higher replacement costs and limited new unit growth due to input cost inflation
4. Greater ability to pay by employed people who have migrated to lower-cost cities

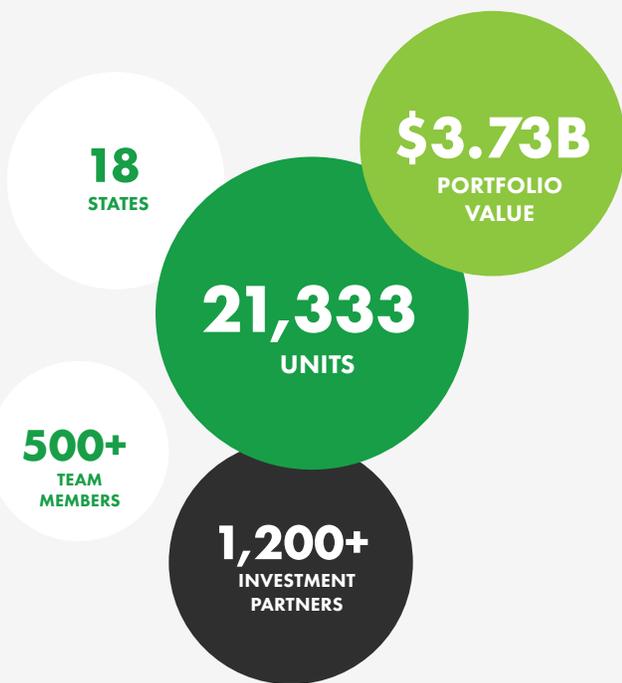
SOURCE: MCKINSEY & CO. NCREIF Q2 2022 QUARTERLY PERFORMANCE REPORT.



# With a 30-year track record owning and operating multifamily apartments, Timberland Partners is proud to bring high-quality investment opportunities to RIA clients.



## BY THE NUMBERS



## WHAT SETS US APART



**EXCLUSIVELY MULTIFAMILY FOCUSED STRATEGY**



**DISCIPLINED INVESTMENT SELECTION**



**IN-HOUSE MANAGEMENT**



**LONG-TERM VALUE CREATION**



**SIGNIFICANT PRINCIPAL CO-INVESTMENT**

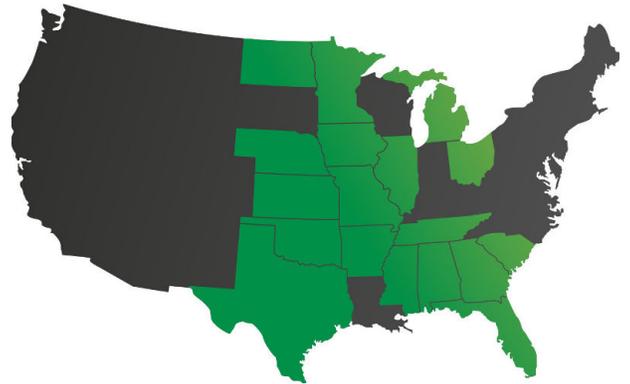
# From Humble Beginnings to Consistent Growth

Timberland Partners' first acquisition in 1992 was a modest 46-unit community in Mounds View, Minnesota that was purchased out of foreclosure. Today, our portfolio includes apartment communities across 18 states. As a second-generation family business, we are structured for success in the decades to come.

We focus exclusively on the multifamily apartment sector of real estate and seek to generate superior returns based on deep sector expertise and decades of experience across cycles.



▶ INVESTING IN SUBURBAN SECONDARY AND TERTIARY MARKETS ACROSS THE CENTRAL AND SOUTHEASTERN U.S.



## REPRESENTATIVE INVESTMENTS



**RYA APARTMENTS**  
Richfield, MN



**THRIVE LUXURY APARTMENTS**  
Davenport, FL



**SAVANNAH CREEK**  
Southaven, MS



**WILLOWBEND**  
Town And Country, MO



**ASHLEY SQUARE**  
Des Moines, IA



**THE ARIA AT WOODLANDS SOUTH**  
Tulsa, OK



**PARAVEL**  
Eden Prairie, MN



**FOUNTAINS AT MEADOW WOOD**  
Clarksville, TN

# Following A Proven Process to Produce Increasing Returns

Our acquisitions team seeks new opportunities in burgeoning or under-served markets, looking beyond the face value of a property to identify its underlying potential.

**300+**

**OPPORTUNITIES  
REVIEWED BY  
ACQUISITIONS**

Over 300 potential apartment opportunities are reviewed each year by our acquisitions team, sourced through a national network of brokers and owners established over our 30-year history. Roughly 20% pass our disciplined underwriting process and are presented to senior management.

**~60**

**OPPORTUNITIES  
REVIEWED BY SENIOR  
MANAGEMENT**

Senior management and investment committee review qualified opportunities. Properties undergo a rigorous review process including input from our in-house operations and asset management team. We offer on only those select deals with value creation potential, and at prices that meet our strict return requirement profile.

**5-8**

**PROPERTIES  
ACQUIRED PER  
YEAR**

Upon acquisition, Asset Management, Capital Improvement, and Property Management teams transition the properties into the portfolio using a proven process. Value-add improvements are completed, and best-in-class management is employed, following a business plan customized for each community.

# True Alignment of Interests At Every Step

As a fully vertically integrated company, we directly control every aspect of a property's performance, from maintenance and community management to financial reporting and renovation projects. Every decision is aligned with long-term value creation for our investors.

By providing an outstanding living experience for our residents, we can exceed the expectations of our investment partners.



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Timberland Partners is committed to creating wealth for our investment partners through the utilization of tax-efficient strategies and tax benefits afforded to long-term real estate owners.

# Key Risks Associated with Private Real Estate

Recognize that this list only highlights some of the primary risks associated with private real estate funds and is not an exhaustive list of risks.

**Long-term investment.** Based on the strategy used, private real estate funds often will have illiquid underlying investments that may not be easily sold, and investors may have to wait for improvements or development before any distribution or return of capital. Due to the illiquid nature of the underlying purchases made by private real estate managers, these funds are considered long-term investments.

Private real estate funds may require commitments over ten-year investments and also have limited to no provisions for redemptions. Given their long-term nature, you should consider your financial ability to withstand large fluctuations in value and hold these investments over several years.

**Difficult valuation assessment.** The portfolio holdings in private real estate funds may be difficult to value, because they are not usually traded on any financial market or exchange. As a result, market prices for most of a fund's holdings are not readily available. Further, it may be hard to quantify the impact a manager has had on underlying investments until those investments are sold.

**Illiquidity and limited transferability.** Private real estate funds are illiquid, meaning they cannot be sold or exchanged for cash quickly or easily, and the interests are typically non-transferable without the approval of the fund's managing member. As private funds, there are no established secondary markets for private capital and real estate fund interests and none are expected to develop. Given this lack of an active trading market for fund interests, any transfer to a replacement investor performed in accordance with the fund transfer restrictions may result in a sale price lower than current valuations. As a result of this illiquidity and limitations on transferability, private real estate funds are generally only suitable for sophisticated investors who have carefully evaluated their financial capability to bear large fluctuations in value and hold these investments for the long term.

**Capital call default consequences.** Meeting capital calls to provide managers with the pledged capital is a contractual obligation of each investor. Failure to meet this requirement in a timely manner may lead to significant consequences, including, without limitation, the forfeiture of the defaulting investor's interest in the fund.

**Leverage.** Private real estate funds may use leverage in connection with certain investments or participate in investments with highly leveraged capital structures. Although the use of leverage may enhance returns and increase the number of investments that can be made, leverage also involves a high degree of financial risk and may increase the exposure of such investments to factors such as rising interest rates, economic downturns, or declines in the condition of the underlying assets.

## IMPORTANT INFORMATION

### General Disclosure

This material is provided for informational purposes only and does not constitute an offer to sell, or a solicitation of an offer to buy, any securities or interests in any investment vehicle. Any such offer or solicitation will be made only through formal offering documents, which will contain detailed information about investment objectives, terms, and associated risks.

### No Guarantee of Performance

Past performance is not indicative of future results. Projected returns and financial targets are for illustrative purposes only and are not guarantees of future performance. Actual results may differ materially from those expressed or implied.

### Risk Factors

Real estate investments involve significant risks, including but not limited to market fluctuations, tenant defaults, illiquidity, changes in interest rates, and potential loss of invested capital. Investors should carefully review all risk factors before making an investment decision.

### Forward-Looking Statements

Certain statements in this material may constitute "forward-looking statements." These statements are based on current expectations, estimates, and assumptions, and are not guarantees of future performance. Actual outcomes may differ materially.

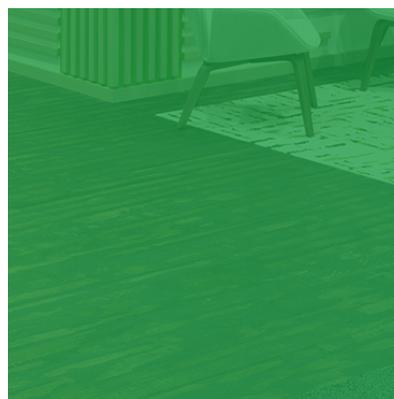
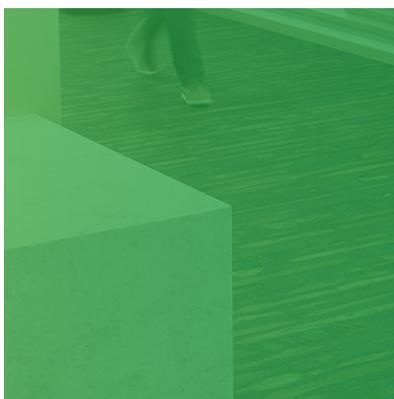
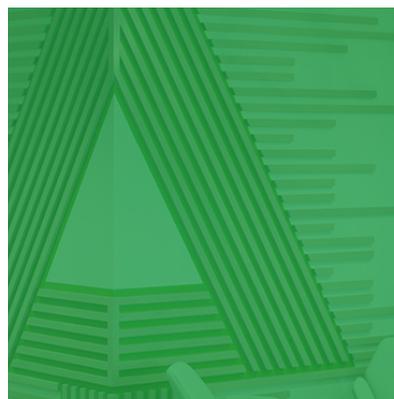
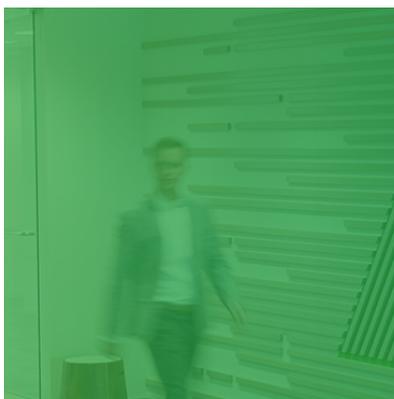
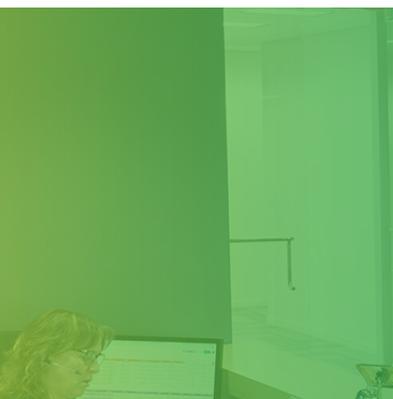
### Investor Qualifications

Investments are intended for accredited investors (as defined under applicable securities laws) who can bear the economic risk of loss. Prospective investors should consult their own legal, tax, and financial advisors before investing.

### No Reliance

The information contained herein is believed to be accurate as of the date indicated but may be subject to change without notice. No representation or warranty, express or implied, is made as to the accuracy or completeness of this information.

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If you have any questions regarding this document,  
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