



WESTWORTH CAPITAL PARTNERS

# SPONSOR PROFILE

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## 2024

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# ABOUT OUR COMPANY

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## WHAT WE DO

Westworth Capital focuses on achieving above-average returns by investing in cash-flowing, risk-adjusted, and tax-advantaged multifamily real estate. From strategic acquisitions to transformative redevelopments, our portfolio embodies our commitment to delivering value and creating lasting impact.

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**BUILDING WEALTH THROUGH STRATEGIC  
GROWTH AND PARTNERSHIPS**







## A BRIEF STORY OF THE COMPANY

Westworth Capital is the culmination of a decade-long journey. It began as a real estate wholesaling company, driven by capital limitations and health challenges faced by Managing Partner Dami Fadipe. After accumulating enough capital through wholesaling, the company evolved into Caverton Capital, LLC, focusing on acquiring single-family homes, enhancing their value through renovations and upgrades, and selling them for profit. However, the Caverton name was later abandoned due to a conflict with Caverton Offshore.

In 2016, Dami leveraged a government FHA loan to purchase his first multifamily property in Bexley, OH by putting just \$17,000 down. Within two years, by implementing proven value-add strategies, he successfully exited the property, realizing a \$237,000 profit. He reinvested this capital gain into a larger acquisition through a tax-deferred 1031 exchange. By 2018, Westworth Capital expanded into acquiring and managing larger multifamily units, partnering with top-tier co-sponsors, property managers, and contractors in the multifamily industry using the popular real estate syndication model.

**BUILDING WEALTH THROUGH STRATEGIC  
GROWTH AND PARTNERSHIPS**





# MISSION

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- 01** To generate wealth through strategic multifamily real estate acquisitions that drive cash flow, ensure wealth preservation, and foster long-term appreciation.
- 02** We are committed to leveraging market insights and expert analysis to identify high-potential opportunities, delivering sustainable financial success for our investors.

# VISION

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To be a \$1 billion enterprise by 2030, centered on creating substantial value through authentic, relatable, and sustainable wealth-building strategies. We aim to redefine the investment landscape by being the go-to solution for investors, both domestic and foreign, looking to participate in a well-regulated, stable, and predictable United States real estate market.

**BUILDING WEALTH THROUGH STRATEGIC  
GROWTH AND PARTNERSHIPS**



## UNIQUE ALIGNMENT OF INTEREST

In a true alignment of interests, we are always the first to invest our own capital in every single acquisition that we make- typically 10% of the required equity, and most often the last to participate in any upside. Because we believe that your risks are our risks; your goals are our goals; your success is our success.

## OUR COMPETITIVE EDGE

### **DEEP ROOTED RELATIONSHIPS**

We leverage our decades-long relationships with industry leading commercial brokers to secure off-market opportunities with advantageous structures.

### **SKILLED ASSET MANAGEMENT TEAMS**

Our Asset Management team has specific financial and regulatory compliance experience, actively working to reduce costs, mitigate risks, and improve overall outcomes.

### **FLEXIBILITY AND SPEED OF EXECUTION**

Our lean model, flexibility, and speed allow us to capture desirable investments and execute our business plans effectively without bureaucracy.

**BUILDING WEALTH THROUGH STRATEGIC  
GROWTH AND PARTNERSHIPS**



# OUR INVESTMENT PHILOSOPHY

## CASH FLOW

We prioritize investments that generate consistent and reliable cash flow, ensuring steady returns for our investors.

## CAPITAL PRESERVATION

Protecting our investors' principal is paramount, so we focus on risk-managed investments that safeguard capital over the long term.

## APPRECIATION

We strategically invest in assets with strong potential for value growth, maximizing long-term wealth through property appreciation.

PUTTING CASH IN ITS PLACE





## OUR SPONSOR TEAM



### **Dami Fadipe**

Managing Partner, Westworth Capital

Dami oversees all aspects of WCP's investments in real estate. He is a seasoned entrepreneur with over a decade experience investing in core, core plus, and value-add multifamily real estate. Prior to transitioning full time, Dami held the roles of Associate Vice President, Corporate Client Banking and Specialized Industries at JP Morgan, and Manager, Financial Intelligence Unit at Fulton Financial Corporation, also a publicly traded company. Dami is a graduate of Seton Hall School of Law with a Financial Services Compliance major and Columbia University with a cert. in Construction Project Management. Based out of Pennsylvania, Dami lives with his wife Melissa and daughter Kemisola.



### **Elliott Pityn**

Co-sponsor / Principal, PREIC

Elliott has 14 years experience in Acquisitions, Recapitalizations, and Portfolio Management. Since entering the commercial real estate business, he & his team have been instrumental in spearheading strategic growth, while building a diversified portfolio, across prime locations in Canada and the United States. Mr. Pityn is actively expanding operations the US, broadening their footprint to capitalize on high-growth markets and diversify their investment portfolio. With a focus on disciplined growth, Elliott prioritizes delivering exceptional returns for all investors.



### **Unoma Okorafor, Ph.D**

Co-sponsor / Principal, Auxeon Holdings

Dr. Unoma is the Principal at Auxeon Capital with a portfolio of over 500 units. She is a seasoned real estate investor in single and multi-family assets and a licensed commercial real estate agent. As a serial & social entrepreneur. Dr. Okorafor is the Founder of Herbal Goodness, a multi-million dollar health and wellness company founded in 2013. She is also the founder of a nonprofit WAAW Foundation (Founded in 2007) that supports the education of African girls in Science and Technology, with 70,000+ girls impacted since inception. Dr. Okorafor holds a Ph.D. in Computer Engineering from Texas A & M University.

# OUR EXECUTIVE TEAM



## **Josh Quartararo**

Partner / COO, Westworth Residential

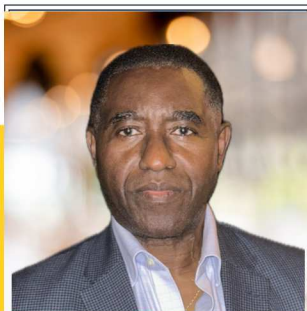
Josh is a US military veteran, attorney and financial services professional with more than 10 years of experience working in consulting and at top US financial institutions. He has an extensive background and experience in private fund formation and structuring, SEC compliance, and project management. He received his Juris Doctor from Hofstra University School of Law.



## **Laju Oritsejafor**

Partner / Head of Client Management

Laju is a finance professional with expertise in a wide range of instruments, including equities, mutual funds, fixed income, and crypto, with notable success in North American and Nigerian financial markets. He holds Canadian Securities Institute's (CSI) accreditations including CSC, CPH, & IFIC. Laju manages a crypto fund that achieved a 100% ROI in six months and currently restructuring for further growth. He is newly married and shuttles between Toronto and Atlanta.



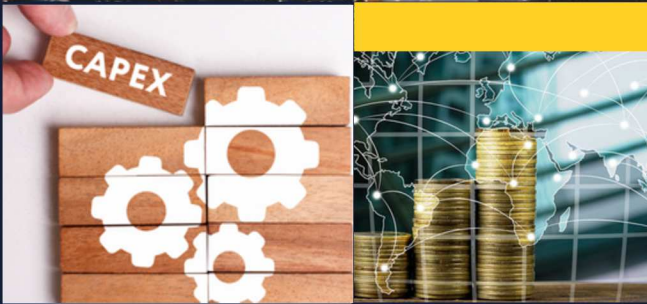
## **Rotimi Britto**

Partner

Rotimi is an accredited investor with more than two decades of experience in real estate investing and sales, residential renovations, and long term rentals. His multi family real estate experience also includes extensive research and investor relations. He is a business administration graduate of Baruch College, NY. A lifelong entrepreneur with experience in a variety of areas including international export of commodity products and specialty construction equipment. He resides in Wisconsin where he lives with his wife and son.



# OUR STRATEGY



- APPROACH
- MULTIFAMILY VALUE-ADD

• CRITERIA

• INVESTMENT TYPES







## OUR APPROACH

WCP focuses on cash flow, wealth preservation, and appreciation. We acquire assets across the country with a primary focus on the Southeast, Midwest, and the Sunbelt, where Westworth has current assets and infrastructure

### COMPETITIVE ADVANTAGE

We have members of our team living in many markets that we invest in. We have developed close relationships with the property managers, commercial property brokers, and agents in those markets. We are able to identify and acquire quality pocket listings – and focus on properties that are not on the radar of institutional investors but too large for the average individual investor.

### INVESTOR ALIGNMENT

We invest alongside our investors in every single property. This is a core value of ours. We stand behind each investment we offer to investors by being the first to contribute our own money. Our structure is set up so that we share in the success of the investment, only if investors are profitable. We firmly believe that if we cannot deliver competitive profits to investors, we have not earned a share in those profits.

### COMPREHENSIVE INVESTMENT MANAGEMENT

Competitive Advantage	<ul style="list-style-type: none"> <li>• Strategic partnerships</li> <li>• Exclusive access to off-market deals</li> </ul>
In-Depth Analysis	<ul style="list-style-type: none"> <li>• Rigorous due-diligence process</li> <li>• Strict quantitative and qualitative underwriting</li> </ul>
Asset Acquisition	<ul style="list-style-type: none"> <li>• Attractive acquisition terms</li> <li>• Strict criteria conformity</li> </ul>
Asset Management	<ul style="list-style-type: none"> <li>• Aggressive value creation that drives strong cash flow</li> <li>• Tactical approach to enhance operating income</li> </ul>
Exit Strategy	<ul style="list-style-type: none"> <li>• Disciplined market monitoring and trend tracking</li> <li>• Timely exits to maximize investor returns</li> </ul>



## MULTIFAMILY VALUE-ADD

Our approach across core, core plus, and value-add multifamily assets is to create value. We identify opportunities to enhance properties through unit upgrades and added amenities, enabling us to justify rent increases and thereby boost net operating income. This strategy, in turn, increases cash flow and drives the appreciation of the asset.

We are able to acquire properties below market prices due to our direct-to-owner deal-sourcing experience and comprehensive data analysis. We buy quality properties in locations with growth potential and strong employment bases. Most of the time the properties have been poorly managed and have higher than market vacancy rates or require capital improvements.

Once re-positioned, the properties generate stable cash flows for investors year after year. And, the properties typically achieve a significant increase in value due to WCP's management and property improvements. At the end of the hold period, typically 3-5 years, we sell the property at market price for a healthy gain.

## WHY MULTIFAMILY APARTMENTS?

### **Everyone needs a place to live**

Multifamily is a highly recession resistant investment as people always need a place to live. Home ownership rates continue to fall and housing preferences change to favor renting.

### **Stable cash flow generation**

Multiple units provide protection to cash flow. With multiple tenants paying rent, there is not a reliance on a single tenant.

### **Ability to force appreciation**

Multifamily investments are bought for their income production. By increasing the income produced, the value of the asset can be significantly increased, resulting in large gains.





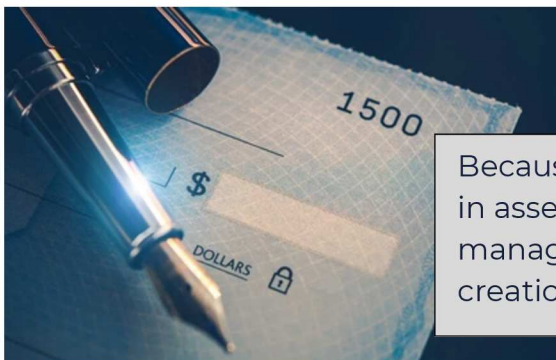
# CRITERIA

At WCP, we believe in the KISS methodology (keep It Simple Stupid), and that the most complicated investing criteria are not necessarily the most successful. That is why we have set a well-defined investing criteria which we follow and ingrain in our culture.



## PROJECT TYPES: MULTIFAMILY & COMMERCIAL

We invest in multifamily and commercial assets across resilient U.S. markets with diverse employment bases. These properties provide stable annual cash flows and deliver strong capital gains for our investors upon exit.



## ASSET SIZE: UP TO 350 UNITS, UNDER \$35MM

Because bigger isn't always better, we strategically invest in assets that stand to gain the most from our expert management team's implementation of aggressive value creation strategies, aimed at enhancing operating income



## LOCATION & DEMOGRAPHICS: GROWTH FACTOR

We evaluate markets through a data-driven approach, analyzing local factors such as economic strength, market stability, municipal objectives, population and job growth, as well as rental supply and demand trends.





## INVESTMENT TYPES

### CORE, CORE PLUS, VALUE-ADD, AND OPPORTUNISTIC ASSET CLASSES

Below is a glimpse into the different types of asset classes. We only invest in Core (class A), Core Plus (class B), and value-add (class C) assets.



- Low risk/low return buy and hold strategy for predictable cash flows
- Stable, leased properties within strong rental markets
- Typically Class A buildings with high quality tenants and high rents



- Moderate risk/moderate return strategy
- Invest in Core properties that require some enhancement or value-add
- Typically Class B buildings with a strong tenant base



- Medium risk/medium return strategy
- Acquire -> improve -> sell approach through physical or operational enhancements
- Typically Class B/C buildings with some need for renovation



- Typically class D. High risk/potential high return strategy
- Development opportunities or properties that require significant improvement
- Include vacant land developments, tear-downs, and construction projects

# OUR UNFAIR ADVANTAGE

## FINDING OFF-MARKET DEALS

Our experience in real estate wholesaling has equipped us with the skills and strategies necessary to source off-market deals by negotiating directly with owners of commercial assets. This approach allows us to bypass the competition that often accompanies properties listed on the market, giving us a significant advantage. By engaging directly with owners, we can save them on broker fees, secure more favorable pricing, and maintain control over the deal's closing timeline.

In addition to our direct negotiations, we've cultivated extensive relationships with commercial brokers. Our stellar track record of successfully closing deals ensures that we are the first to know when they have pocket listings, further expanding our access to exclusive opportunities. This combination of direct sourcing and strong industry connections enables us to consistently deliver high-value investments for our investors.



# DEAL LIFECYCLE

## OPTIMIZING RETURNS THROUGH STRATEGIC ANALYSIS AND VALUE-DRIVEN CYCLES

From acquisition to disposition, our investment lifecycle reflects our asset management expertise which includes analysis, strategic value addition, cost efficiency, and data-driven timing to maximize investor returns.



**We identify, underwrite, and acquire residential apartment buildings in growing areas**

With some CapEx and improvements to operations, we elevate the assets to a higher class, forcing appreciation and maximizing equity growth for our investors.

**Day to day, we manage the asset, overseeing property management teams with proven track record**

During ownership, we work efficiently to increase income, decrease expenses, and achieve tenant satisfaction. This drives our NOI, impacting investor returns even further.

**We start making distributions to our investors soon after closing**

While we expect significant equity growth, we understand the importance of cash flow. Therefore, we make monthly or quarterly distributions depending on the offering.

**We exit (sell) at the end of the hold period, with our investors getting a preferred return**

Beyond providing steady income and forced appreciation, we sell the asset at the optimal time based on our projections. Investors receive preferred returns, ensuring they are paid before the sponsors.



# CASE STUDY

## THE FLATS @ 235 APARTMENTS WAS EXITED AT 63.84% AVERAGE ANNUAL RETURN

We acquired this class C value-add asset acquired for \$3.36 million in August 2018. The Flats @ 235 apartments is a 112-unit apartment complex located in Athens, GA.



## WHAT WE EVALUATE BEFORE ACQUIRING ANY PROPERTY

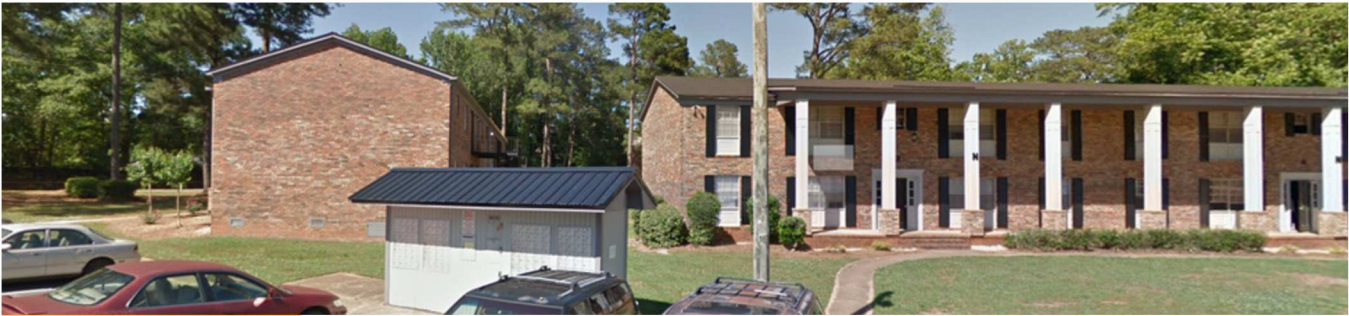
Before we dive in, here are several factors that we look for in any submarket we consider investing in:

- Population growth. People, specifically young adults, are moving into the area at a higher rate than to other areas of the country.
- The unemployment rate is on the decline. And ideally there are multiple large employers in the area or moving into the area.
- The average household income is healthy. The people living in the area or moving into it are or will be earning a decent-enough salary that supports a good, sustainable cost of living.
- Demand for housing is high, as reflected in a low vacancy rate.
- It's an area people want to live in – crime is relatively low, the neighborhood is safe and ideally walkable. It's within close proximity of grocery stores, other amenities and major highways.

The submarket that The Flats @ 235 is located in met all of the criteria listed above. It is also located less than 4 miles from University of Georgia. This means there's a healthy demand for student housing in the form of apartment rentals.

## AT FIRST GLANCE, THE PROPERTY APPEARED OLD AND TIRED

The seller had owned Terrace Hill for many years and had fallen behind on maintaining the property. The units were also pretty outdated.



The Flats @ 235 Apartments before

Our team then looked at rental comparables (also known as “rental comps”). We identified that other nicer apartment complexes in the submarket were charging higher rents than The Flats, and that a value-add strategy may make sense for the property.

The team then built a CAPEX budget for all of the improvements, repairs and upgrades that could improve the property and ultimately justify increase in rents.



Based on the CAPEX budget, we projected the property's potential profit (net operating income) using the current and potential rental income and operating expenses. This process helps us determine if any project makes sense.

For this property, we determined that a CAPEX budget of approximately \$1.1 million would be required to improve the property enough to command market rents and generate returns that looked attractive in the proforma.

Then, we completed the acquisition



## VALUE-ADD BUSINESS PLAN CONSISTED OF INTERIOR AND EXTERIOR IMPROVEMENTS

**Value-Add Interior improvements:** A total of 80 of the 112 units were renovated before the property was sold.

The renovations featured upgraded kitchens with new cabinet faces, white appliances, vinyl flooring, and floor molding. We also resurfaced countertops in both the kitchens and bathrooms, while adding new hardware, fixtures, lighting, and ceiling fans. In the bathrooms, we installed water-saving aerators, showerheads, and toilets. Additionally, each unit received a fresh coat of paint.

So why only 80 of the 112 units? It is common that a real estate company will renovate some, but not all, of the units. The remodeled units are used as a showcase for potential buyers. They show increased rent potential due to the renovations. They also show additional upside capital appreciation for prospective buyers. This is called “leaving some meat on the bone” for the next buyer.



The Flats @ 235 Apartments after



**Value-Add exterior improvements:** The property's swamp cooling was changed to refrigerated air (which reduced the property's operating expenses). In addition, new roofing was added, the exterior brick walls were restored and landscaping was improved. Our team also upgraded the play area, turned an old tennis court into a new resident lounge area and open grass area that also included new tables, benches and BBQ grills.

## PROPERTY IMPROVEMENTS LED TO A 26% RENTAL INCOME INCREASE

The seller had owned The Flats for 19 years and had fallen behind on maintaining the property. The units were also pretty outdated.

Once the upgrades were complete, the average rents at The Flats went from \$788 at the time of acquisition to \$990 after the renovations. That's a 26% increase in rental income.

By demonstrating that the improved property generates significantly more revenue, the property received a higher appraisal value.

At this time, we had the option to either refinance or sell the asset. If refinanced, a supplemental loan would be used to return part of the original capital invested into the project back to the investors.

After achieving the property's proforma returns by renovating only two-thirds of the units, we sold the property in Q1 2020 for \$7.7 million—a 129% increase in value within just two years, driven by forced appreciation. While such outcomes are not typical for most value-add deals, an average annual return (AAR) of over 20% is common.

## THE FLATS @ 235 APARTMENTS' FINAL RETURNS

Our initial underwriting projected a property-level IRR of 29.4%, a 2.04x equity multiple, and an 8.05% average cash-on-cash return throughout a 5-year hold period.

We were able to sell earlier than scheduled and at the appraised market value to a buyer who was aggressively expanding their portfolio in the area, realizing impressive gains for our investors, delivering a **63.84%** AAR as a result of the early exit.



The Flats @ 235 Apartments

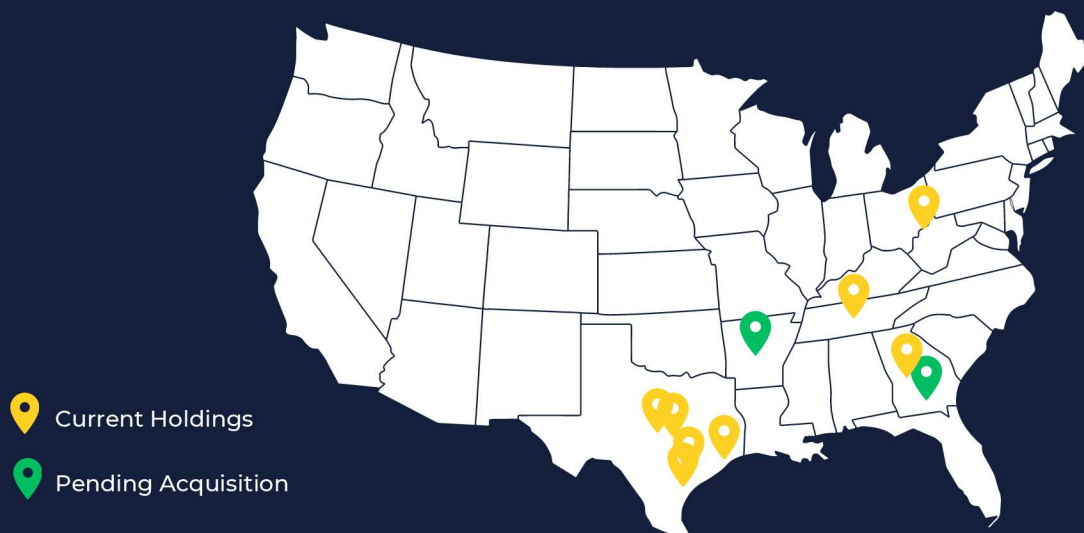


# CURRENT HOLDINGS



## PORTFOLIO OVERVIEW

We acquire assets across the country with a primary focus on the Southeast, Midwest, and the Sunbelt, where Westworth has current assets and infrastructure



-  Current Holdings
-  Pending Acquisition

## OUR LATEST ACQUISITION

**\$30,000,000**  
PURCHASE PRICE

**228 UNITS**  
APARTMENTS

**\$12,600,000**  
EQUITY RAISED

**HOUSTON, TX**  
LOCATION

### PROJECTED RETURNS (3-5 YR HOLD)

**2.14X**  
EQUITY MULTIPLE

**18.24%**  
INTERNAL RATE OF RETURN (IRR)

**8%**  
PREFERRED RETURN

**22.75%**  
AVERAGE ANNUAL RETURN

**8.41%**  
AVERAGE CASH FLOW



**APRIL 30, 2024**

# CURRENT HOLDINGS



## PORTFOLIO OVERVIEW

Here are some of our current properties. Shown below are deals in which we are the lead sponsors. Other properties in portfolio include those of our sponsor team as principals.



**The Cape Apartments**  
Houston, TX  
Units: 228  
Purchase Price: \$27,600,000  
Status: Ongoing Project



**Vista Del Lago Apartments**  
Dallas, TX  
Units: 320  
Purchase Price: \$30,000,000  
Status: Ongoing Project



**Grove at Seabrook**  
Houston, TX  
Units: 132  
Purchase Price: \$15,220,000  
Status: Ongoing Project



**Pityn On Degeer**  
Saskatoon, SK  
Units: 72  
Purchase Price: \$7,500,000  
Status: Refinanced  
Refinance Price: \$12,000,000



**Pityn On 3rd Ave**  
Saskatoon, SK  
Units: 39  
Purchase Price: \$4,100,000  
Status: Refinanced  
Refinance Price: \$5,500,000



**Pityn On Clarence**  
North Bay, ON  
Units: 23  
Purchase Price: \$1,700,000  
Status: Refinanced  
Refinance Price: \$4,200,000



# SWOT ANALYSIS

In the competitive realm of private equity real estate, WCP stands as a fast-growing entity offering real estate investment management. Understanding the strengths, weaknesses, opportunities, and threats (SWOT) can provide valuable insights into the company's current market position and its future trajectory.



## STRENGTH

- Strong Market Knowledge
- Off-Market Deal Sourcing and Negotiation
- Strong Brand and Reputation

## WEAKNESSES

- Intense Competition- With WCP facing stiff competition from other major players, there is pressure on pricing, service innovation, and market share.

## OPPORTUNITIES

- Emerging Markets- Emerging markets present significant growth opportunities for us. As these markets continue to develop, demand for apartments increases, offering a lucrative expansion avenue.
- Technology - By investing in data-driven technology, we enhance our off-market deal-sourcing strategy, enabling us to identify property owners who need to sell rather than those who simply want to sell, positioning us ahead of the competition.

## THREATS

- Economic Fluctuations- The cyclical nature of the real estate market makes us vulnerable to economic downturns.
- Regulatory Changes- Staying vigilant can be resource-intensive.

# DEAL ACQUISITION TIMELINE



# WCP MULTIFAMILY CORE+ GROWTH & INCOME FUND

The WCP Multifamily Core+ Growth & Income Fund, LLC, is the company's first closed-ended real estate fund. It follows our investment philosophy. The fund seeks to balance cash flow stability, capital preservation, and long-term capital appreciation while providing superior risk-adjusted returns to investors. WCP Multifamily Core+ Growth & Income Fund has filed its Form D with the SEC.



## THE FUND'S FIVE-POINT STRATEGY

- Acquire Core+ assets that are located near major economic drivers. Focus on the Midwest and Sun Belt markets with strong demographics and quality school systems.
- Seek assets that have strong, consistent in-place cash flow in markets where there is a supply and demand imbalance. Keep cash flow stability, capital preservation, and long-term appreciation top of mind.
- Seek and capitalize on assets with financial distress from underlying debt or mismanagement resulting from inadequate capital expenditure.
- Use our existing relationship with leading property management companies to drive revenue and create operating efficiencies. Seek opportunities that can benefit from organic rent growth or select interior/exterior renovations to justify future rent increases.
- Eliminate "single asset risk" through portfolio diversification. The expectation that one or two assets may significantly outperform projections further increases the likelihood of a higher overall return for investors.

BUILDING WEALTH THROUGH STRATEGIC  
GROWTH AND PARTNERSHIPS





# INSIGHTS

INSTITUTIONAL INVESTORS

MULTIFAMILY INVESTMENT OUTLOOK



MULTIFAMILY OUTLOOK FOR  
INSTITUTIONAL INVESTORS

# 5 FACTS ON: THE US HOUSING MARKET

1

One in five Americans who don't own a home says home ownership is out of reach.

2

The US is short an estimated 3.8 million newly constructed housing units.

3

Home Affordability Reached All-Time Low in 2023. across the country, on average, it costs about 25% more each month to own a home than to rent one.

4

While rents in large apartment properties dropped during the Great Recession (0.3% in 2008 and 4.1% in 2009), they quickly rebounded. Properties increased rents just one year later.

5

The institutional market share for multi-family apartments in the U.S. stands at approximately 40%.

## Institutional ownership of multifamily

40%

United States

13%

Germany

6%

Spain

3%

France

3%

Japan

3%

UK

Divvy Homes: <https://shorturl.at/StfVJ>

Up for Growth: <https://shorturl.at/1VS4F>

Redfin: <https://www.redfin.com/news/rent-vs-own-2023/>

Joint Center for Housing Studies of Harvard University: Rental Market Stresses: Impacts of the Great Recession on Affordability and Multifamily Lending July 2011- <https://shorturl.at/JAtwo>

Savills: <https://www.savills.com/impacts/market-trends/multifamily-attracts-record-global-investment.html>



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# WORLD'S BIGGEST INSTITUTIONS BETTING BIG ON MULTIFAMILY APARTMENTS

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## BLACKSTONE MAKING \$10 BILLION MULTIFAMILY PURCHASE, GOING ON THE REAL ESTATE OFFENSIVE

Blackstone has agreed to acquire an owner of upscale apartment buildings for about \$10 billion, signaling that one of the world's largest real-estate investors is ramping up investments again after a period of moving more cautiously. Blackstone plans to invest another \$400 million to improve these properties. (June, 2024)

<https://www.blackstone.com/news/press/blackstone-real-estate-completes-privatization-of-air-communities-for-approximately-10-billion/>

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## WHY INSTITUTIONAL INVESTORS ARE BULLISH ON MULTIFAMILY

The asset class is delivering a bond-like return, according to two institutional owners at the GlobeSt.com Multifamily conference held in October 2021.

Following the pandemic, apartment investors are enjoying substantial rent growth, record low vacancy rates and an attractive supply demand imbalance. But, institutional capital playing in the core and core-plus market, is more attracted to the stability of the asset class over the long term.

<https://www.globest.com/2021/10/27/why-institutional-investors-are-bullish-on-multifamily/?sreturn=2024081295059>

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## WHY LARGE PENSION FUNDS ARE INVESTING IN PRIVATE REAL ESTATE

Real estate private equity firms have become the investment vehicle of choice for institutional investors because they consistently outperform the S&P 500. Moreover, unlike investments in public markets, investing in real estate private equity can grant investors greater control and influence over the deal.

<https://www.forbes.com/sites/forbesbusinesscouncil/2022/02/14/why-large-pension-funds-are-investing-in-private-real-estate/>  
<https://privatebank.jpmorgan.com/content/dam/jpm-wm-aem/global/pb/en/insights/eye-on-the-market/private-equity-food-fight.pdf>

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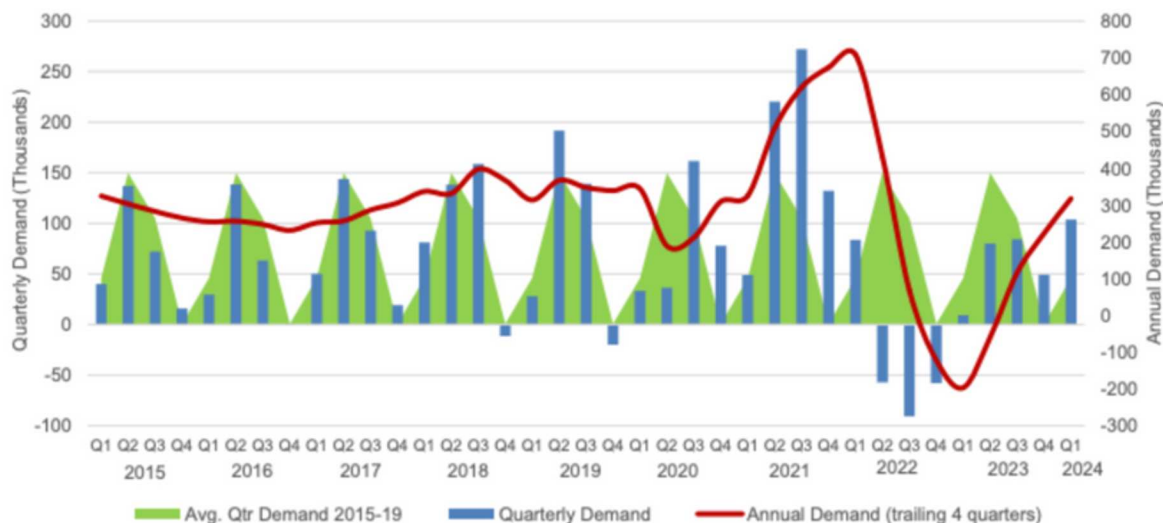
# MULTIFAMILY INVESTMENT OUTLOOK

Entering the latter half of 2024, the multifamily market has been navigating the impacts of a historically high influx of new supply. Experiencing steady performance despite the challenges, the market has seen muted transaction volumes as it awaits clearer economic signals.

Expecting continued positive growth in both the economy and labor market, the multifamily sector is projected to maintain demand. Forecasting rent growth at 2.7% for the year—slightly below the long-term average of 2.9%—we anticipate vacancy rates will rise to 6%. Concentrating new-unit deliveries in the Sun Belt and Mountain West regions, where demand has surged post-pandemic, the market has witnessed varied performance across metropolitan areas. Secondary and tertiary markets, benefiting from lower levels of new supply, have generally outperformed more saturated areas.

After a challenging period in 2022, where quarterly demand turned negative, the multifamily market has shown resilience, with positive demand reported in each quarter of 2023 and continuing into the first quarter of 2024. As illustrated in Exhibit 1, while demand during the first three quarters of 2023 was below the 2015-2019 quarterly average, it rebounded strongly in the latter part of the year. Notably, demand during the typically weaker fourth quarter of 2023 and the first quarter of 2024 surged, totaling 153,000 units—an impressive figure that is nearly three times higher than the 2015-2019 averages for these quarters. This strong performance pushed annual demand for the year ending in Q1 2024 to 317,000 units, surpassing the historical annual average of 300,000 units.

**EXHIBIT 1: QUARTERLY AND ANNUAL MULTIFAMILY DEMAND, 2015-2019 QUARTERLY AVERAGE DEMAND**



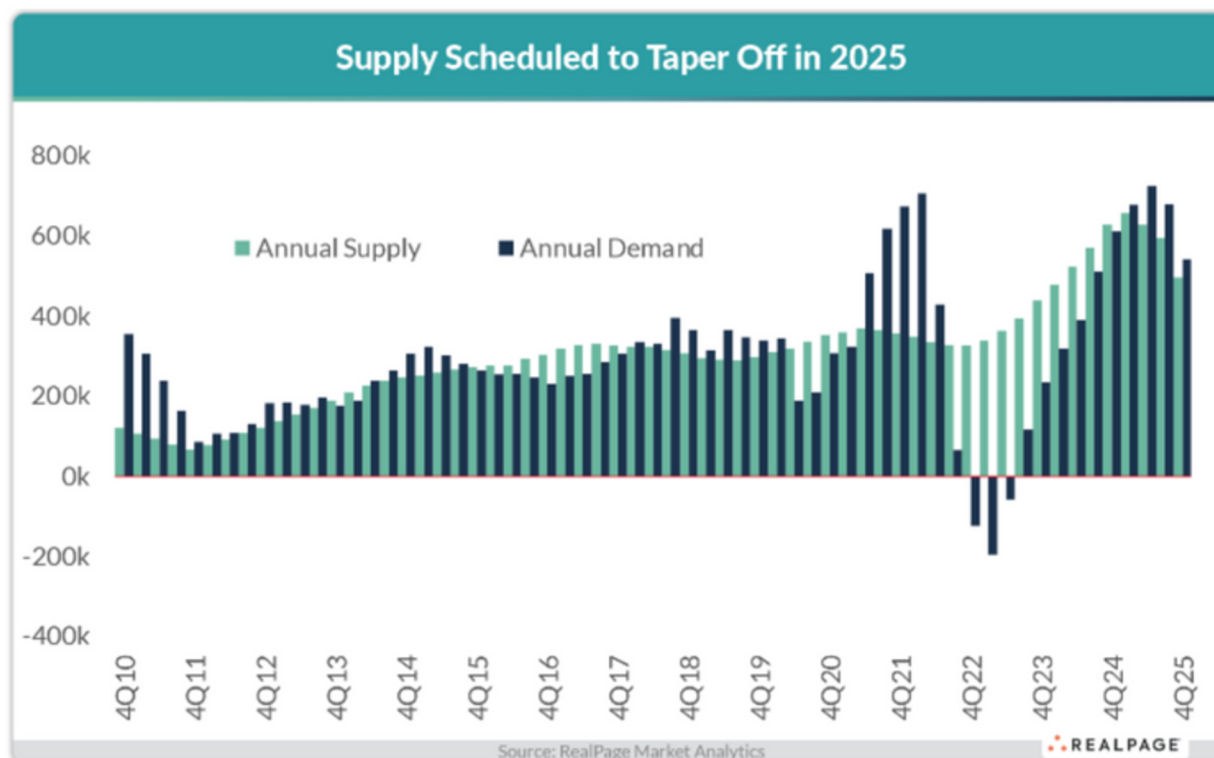
Sources: RealPage, Freddie Mac



# MULTIFAMILY INVESTMENT OUTLOOK

Although the market has experienced an influx of new supply, the anticipated moderation in rent growth and occupancy rates has been well-managed. According to RealPage, year-over-year rent growth, while modest at 0.2% as of May 2024, has shown remarkable stability since August 2023. Occupancy rates, which had declined in 2022, have stabilized and even begun to rise, increasing from 94.1% in late 2023 to 94.2% as of May 2024. This stability suggests that operators are strategically prioritizing occupancy over rent increases, maintaining strong tenant retention in a competitive environment.

## EXHIBIT 2: ANNUAL SUPPLY VS ANNUAL DEMAND



As illustrated in Exhibit 2 above, the delivery pipeline is poised to bring over 629,000 new apartments to market in 2024, with supply peaking in Q4. This timing is largely attributed to the historically low interest rates of 0% to 0.25% in 2021, which catalyzed the development of numerous multifamily projects. With an estimated 18-24 month development timeline, these units are expected to be available by Q4 2024. Looking ahead, supply is projected to decrease by approximately 20% in 2025, with around 497,000 units set for completion. On the demand side, we anticipate the absorption of over 612,000 units in 2024, followed by a modest 12% decline in 2025. Notably, as shown in Exhibit 3 below, the supply of multifamily units is expected to taper off significantly between 2026 and 2028, with rent growth projected to increase during this period.

# MULTIFAMILY INVESTMENT OUTLOOK

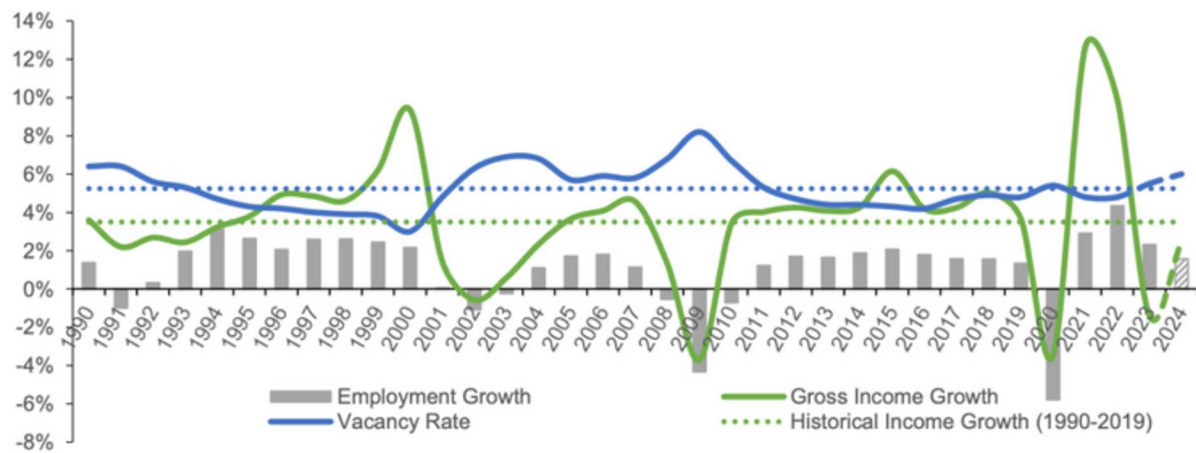
**EXHIBIT 3: MULTIFAMILY NEW SUPPLY FORECAST Q4 VS. Q3**

Year	4Q 2023	3Q 2023	% Change
2023	487,512	484,943	0.5%
2024	536,145	506,574	5.8%
2025	451,430	424,899	6.2%
2026	377,622	401,065	-5.8%
2027	397,650	417,378	-4.7%
2028	403,683	426,722	-5.4%

Source: Yardi Matrix

Experiencing a slowdown in multifamily origination volumes since 2023, the market has been impacted by elevated and volatile interest rates, rising cap rates, declining property values, and more conservative performance expectations. We anticipate that interest rates will stabilize by the end of Q3 or beginning of Q4, potentially boosting total multifamily origination volume to approximately \$320 billion in 2024. Should interest rates stabilize or surprise with more aggressive cuts, volumes could accelerate further, reaching around \$365 billion. Conversely, if interest rate volatility persists and market fundamentals deteriorate, 2024 origination volumes could mirror 2023 levels, around \$250 billion, though this scenario is considered less likely.

**EXHIBIT 4: EMPLOYMENT GROWTH, VACANCY RATE, AND GROSS INCOME GROWTH, HISTORIC AND FORECAST**



Sources: Moody's Analytics, Reis for historic data, and Freddie Mac and Moody's projections for 2024 are represented by the dashed lines and striped box.



# MULTIFAMILY INVESTMENT OUTLOOK

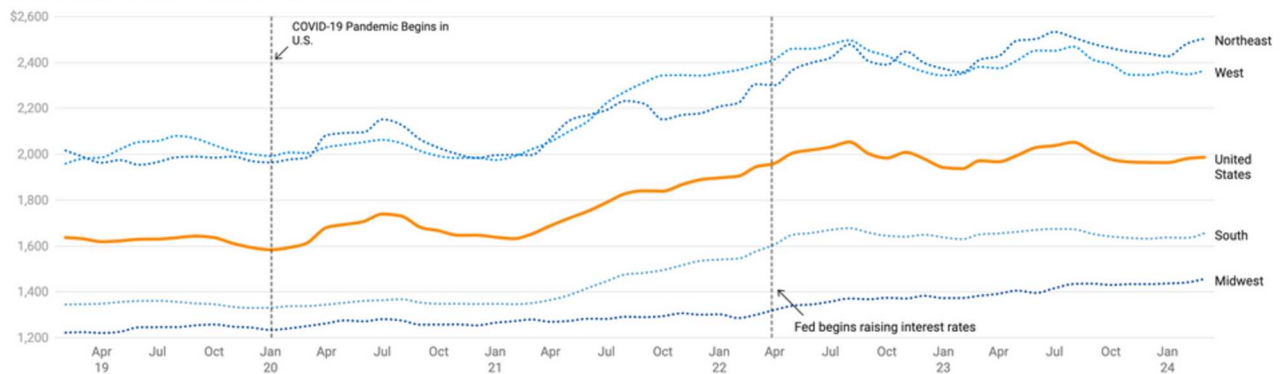
Growth in gross rental income for 2024 is expected to remain strongest in secondary and tertiary markets, particularly in the Southern Plains and Sun Belt regions. These areas serve as cost-effective alternatives to their larger, more expensive neighboring markets. For instance, the Oklahoma markets offer a lower-cost option compared to Dallas, while also benefiting from active energy sector employment. Similarly, West Palm Beach and Riverside present more affordable residential choices for those working in Miami and Los Angeles.

Despite the near-term headwinds of high supply and interest rates, multifamily investments continue being favored long-term. Attracting interest due to the high costs of homeownership, ongoing economic strength, and favorable demographic trends, multifamily remains a resilient and appealing asset class for investors.

- [https://mf.freddiemac.com/docs/2024\\_midyear\\_multifamily\\_outlook.pdf](https://mf.freddiemac.com/docs/2024_midyear_multifamily_outlook.pdf)
- <https://www.realtor.com/research/apartment-forecast-2nd-quarter-2024/>
- <https://yieldpro.com/2023/11/multifamily-completions-predicted-to-slow-beginning-in-2026/>

## National and Regional Asking Rents - March 2024

Median asking rents in \$USD from February 2019 to March 2024



Source: Rent. • Get the data • Created with Datawrapper

<https://www.rent.com/research/average-rent-price-report/>

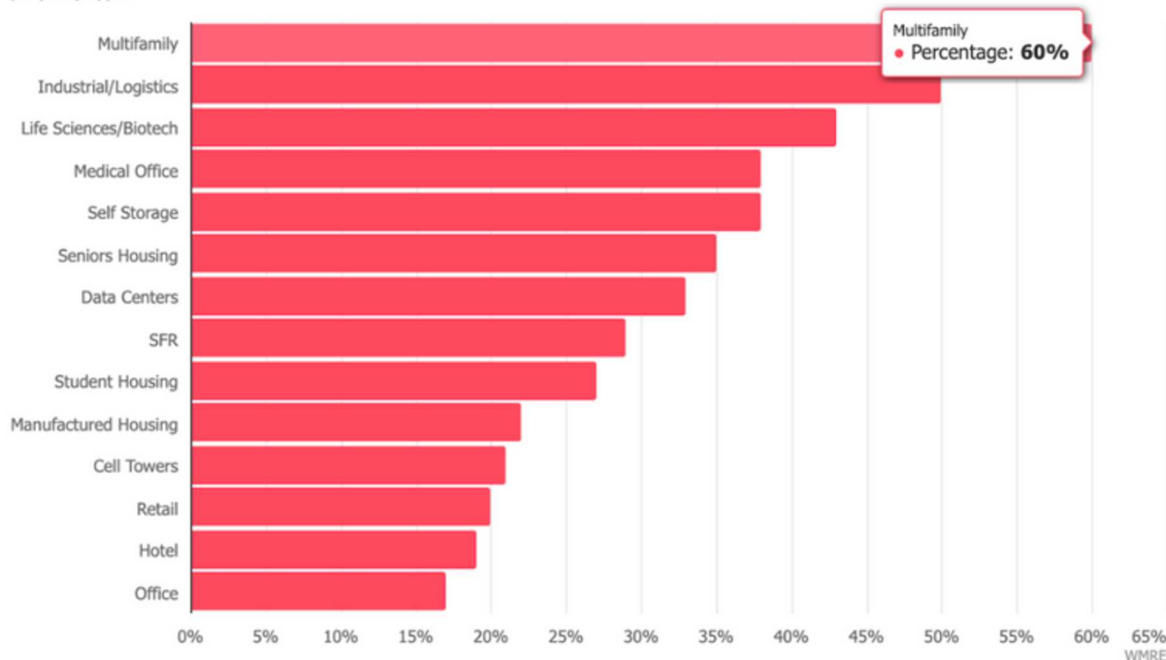
# MULTIFAMILY OUTLOOK FOR INSTITUTIONAL INVESTORS

The 2023 WMRE Institutional Investor Survey reveals that multifamily and industrial properties are the top choices for institutional investors, with 60% favoring multifamily and 50% preferring industrial. Multifamily continues to be the most popular sector due to its strong historical returns, ability to adjust rents annually, and ongoing housing shortage. Institutions are also diversifying into niche residential sectors like single-family rentals, student housing, and seniors housing.

Conversely, sentiment toward office investments is declining due to high costs and challenging profit margins. Direct investment in multi-tenant commercial and multifamily properties is becoming increasingly preferred. Institutions are also pursuing joint ventures to gain greater control and deeper insights into their investments.

## Institutional Investor Property Type Preferences

Based on respondents that are directly involved with institutions that answered "strong" or "extreme" preference for each property type.



<https://www.wealthmanagement.com/cre-research/multifamily-industrial-remain-top-choices-institutional-investors>

# THE ROLE OF PUBLIC AND PRIVATE STRATEGIES IN REAL ESTATE

Institutional real estate investors, such as pension funds, endowments, foundations and sovereign wealth funds are a key source of capital for real estate developers, operating companies, asset managers, investment funds and trusts.

“Institutional investors differ from retail investors due to their large balance sheets and presumed sophistication. They work with many of our clients in an effort to diversify their investment portfolios across fixed income alternatives including real assets. Typically, 8% to 15% of their total investments are in real estate.”- Andrew MacIver, Managing Director for Corporate Client Banking and Specialized Industries, JP Morgan

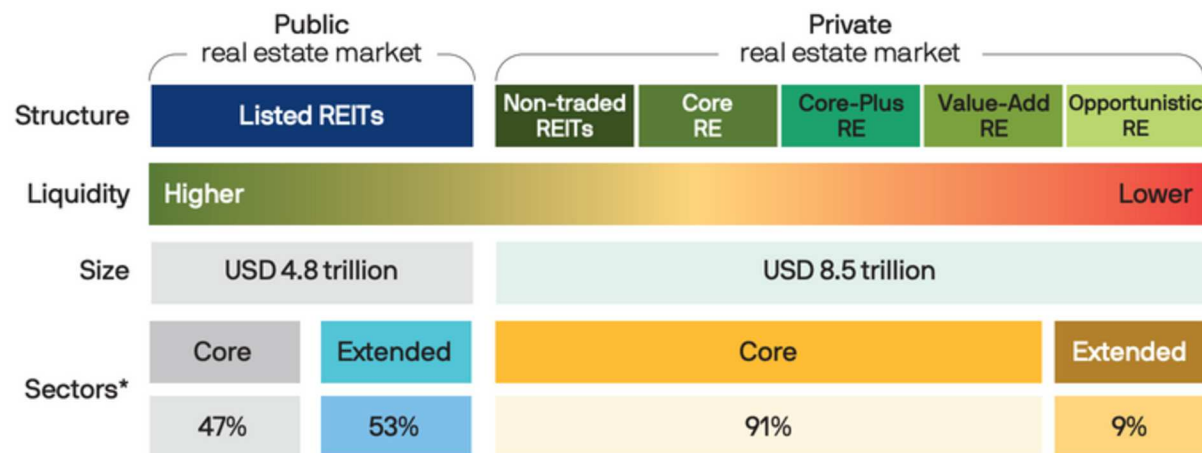
## KEY TAKEAWAYS FOR INVESTORS

- The investible real estate market has evolved from traditional core assets to encompass a broad array of extended sectors. This expansion has resulted in a more diversified and resilient asset class, which is increasingly positioned as a permanent component in most asset allocations.
- The distribution of these sectors across public and private strategies remains uneven, and using public or private funds alone will be unlikely to capture the full benefits of the asset class.
- An allocation that includes exchange-traded real estate investment trusts (REITs) and private real estate funds results in more efficient portfolios. Qualitative and quantitative frameworks suggest that investors could benefit from maintaining a strategic exposure to REITs, potentially up to one-third of their overall real estate allocation, with the remainder in private strategies.
- The volatility and liquidity of publicly traded REITs, which historically have been seen as negative attributes, may provide return diversification and valuable tactical opportunities for investors who are prepared to adjust strategy in response.



# A LARGE AND DIVERSE REAL ESTATE MARKET CAN SERVE DIVERSE INVESTOR NEEDS

EXHIBIT 1: THE REAL ESTATE MARKET AT A GLANCE



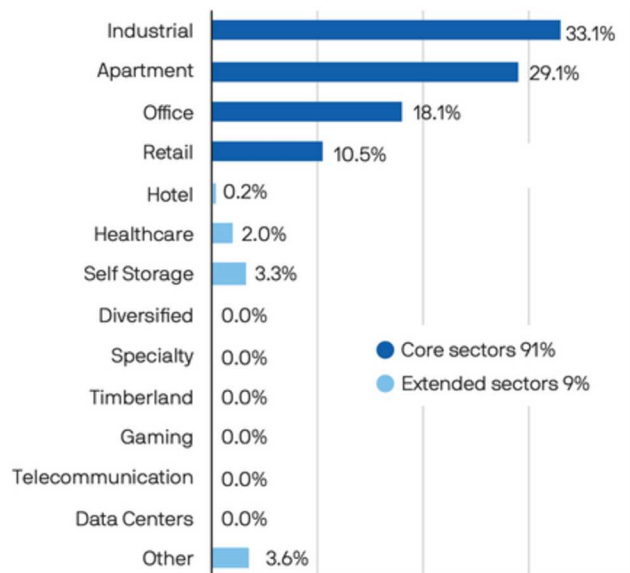
## THE REAL ESTATE MARKET AT A GLANCE

Source: MSCI, NCREIF, NAREIT, J.P. Morgan Asset Management; data as of December 2023. The size of the market is based on the size of the professionally managed global real estate investment market. Listed REITs represent the public real estate universe owned by REITs and real estate operating companies (REOCs) listed on public exchanges. \*Sector weight is based on NAREIT for the public real estate market and NFI-ODCE for the private real estate market. Excludes the sector allocation in nontraded REITs. For illustrative purposes only. Bars shown in the exhibit are not drawn to scale.

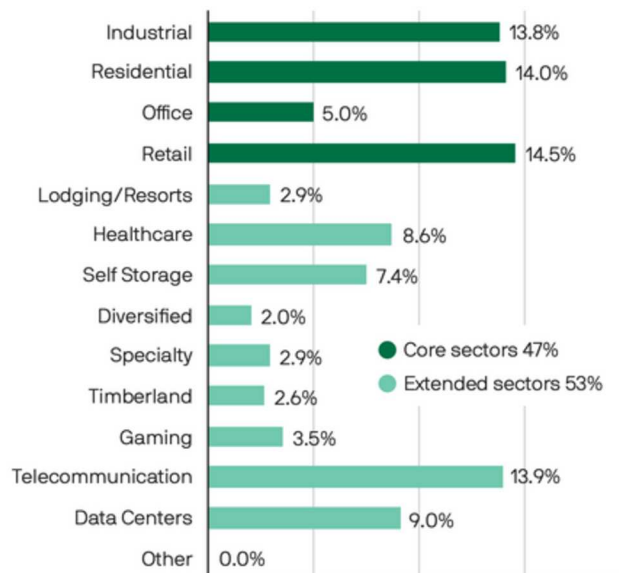
### Private real estate focuses on a narrower investment universe

EXHIBIT 2: SECTOR EXPOSURES IN REITS AND PRIVATE CORE REAL ESTATE FUNDS

2A: PRIVATE CORE REAL ESTATE

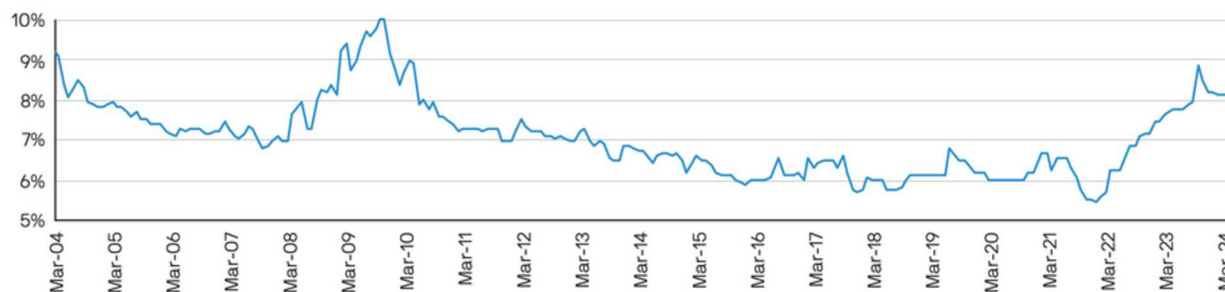


2B: REITS



# A LARGE AND DIVERSE REAL ESTATE MARKET CAN SERVE DIVERSE INVESTOR NEEDS

## INSTITUTIONAL MARKET PRICING OF PRIVATE CORE REAL ESTATE INDICATES STRONG GROWTH POTENTIAL UNDERWRITTEN INTERNAL RATE OF RETURNS (IRR) IN PRIVATE CORE REAL ESTATE



Source: Based on proprietary data from J.P. Morgan Asset Management. The IRRs are the underwritten returns for investments in core real estate in each period over a hold period of 10 years and include both the income return and appreciation.

### REITs volatility is similar to equities; private core real estate volatility sits between equities and fixed income

#### EXHIBIT 12: COMPARING RISK METRICS ACROSS REAL ESTATE

	Private core real estate (%)	REITs (%)	Private core real estate – Traditional core sectors (%)	REITs (ODCE core sectors reweighted (%))
	NFI-ODCE	NAREIT All-Equity	NFI-ODCE	NAREIT All-Equity
<b>HISTORICAL 15 YEARS (2009–2023)</b>				
Max calendar year drawdown	-12	-25	-22	-30
<b>QUARTERLY DATA</b>				
Volatility	7	21	9	23
2x standard deviation	-9	-29	-10	-35
3x standard deviation	-16	-50	-18	-58
<b>ANNUAL DATA</b>				
Volatility	13	17	16	19
2x Standard Deviation	-19	-22	-24	-28
3x Standard Deviation	-32	-39	-40	-48
<b>FORWARD LOOKING (10–15 YEARS)</b>				
Volatility	11	16	N/A	N/A
2x standard deviation	-13	-23	N/A	N/A
3x standard deviation	-24	-39	N/A	N/A

Source: NCREIF, NAREIT, J.P. Morgan Asset Management; data as of December 31, 2023. The time period for historical data is to capture a trough-to-trough cycle for private core real estate. Volatility and standard deviation are used interchangeably. 2x standard deviation denotes the downside return outcome 2 standard deviations away from the mean. "Private core real estate (traditional core sectors)" re-weights the ODCE index using the historical weights of traditional core sectors only. "REITs (ODCE core sectors re-weighted)" uses the historical weights of ODCE core sectors and applies that to the REITs index. Forward-looking data is based on J.P. Morgan's 2024 Long-Term Capital Market Assumptions in USD. The LTCMAs use desmoothed returns for private core real estate to more accurately reflect the market volatility. For reference, the forward-looking expected volatility for U.S. equities is 16% and that of U.S. Aggregate bonds is 4.3%. Maximum calendar year drawdown for private core real estate, 2023; for REITs, 2022.

## A LARGE AND DIVERSE REAL ESTATE MARKET CAN SERVE DIVERSE INVESTOR NEEDS

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The development of innovative investment structures has enhanced the long-term growth potential of real estate as an investible asset class. Exposure to new and differentiated property types that support expanding economies has bolstered the asset class and the investment outcomes it can deliver. We believe investors may benefit from an approach that takes advantage of the full spectrum of real estate, including the tactical flexibility provided by more liquid investment vehicles.

The key investment benefits of real estate — stable income, attractive longterm real returns, resilience to inflation and portfolio diversification — will remain valuable now and in the future. Enhancing those benefits via a diversified public and private market strategy may improve the risk and return trade-offs for investors.

<https://am.jpmorgan.com/content/dam/jpm-am-aem/americas/us/en/insights/portfolio-insights/protected/siag-wp-real-estate.pdf>

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### NOTE ON REFERENCES:

INSIGHTS is a curated collection of articles from reputable sources, with all references properly cited.



# THANK YOU



## BECAUSE, WE'RE HERE TO HELP

We're here to help you with any questions or inquiries about our services and investment opportunities. Whether you're interested in partnering with us, learning more about our process, or need assistance, don't hesitate to reach out. Contact us today, and a member of our team will get back to you promptly.



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