



BLACK STREAM
— CAPITAL —
COMMERCIAL MULTIFAMILY INVESTING

THE PASSIVE INVESTOR'S GUIDE

Multifamily Real Estate

10 things investors should understand before investing in an apartment deal.

**DISCIPLINED MULTIFAMILY INVESTING.
BUILT ON TRUST.**

A practical introduction to evaluating passive multifamily investments.

Educational resource from Black Stream Capital

Real estate can be passive. The decision to invest shouldn't be.

Multifamily real estate can give investors access to rental housing, operating cash flow and potential long-term value creation without requiring them to manage a property day to day.

But passive does not mean risk-free. The outcome depends on what is purchased, what is paid, how it is financed, how it is operated and how realistic the assumptions are.

Black Stream Capital created this guide to help investors understand the fundamentals we believe matter when evaluating an apartment investment.

50–300+	\$25K	SUN BELT
Typical unit focus	Target minimum investment	Primary market focus

Our preferred strategies are value-add and core-plus, with flexibility for the right opportunity.

OUR GUIDING PRINCIPLE

“Know what you’re investing in. Know why we’re investing.”

How Multifamily Investments Work

A multifamily investment generally involves acquiring an apartment property, operating it to produce rental and other income, managing expenses and capital improvements, and ultimately holding or selling the property. In a passive structure, investors generally contribute capital while a sponsor or manager handles acquisition, financing, operations and execution.

- Operating cash flow
- Value creation through operations or improvements
- Scheduled debt paydown
- Changes in property value over time

Why Acquisition Price Matters

A great property can still be a poor investment if the acquisition price leaves too little margin for error. Before relying on a projected return, investors should understand current income, comparable sales and the assumptions required to justify the price.

- What is the property's current NOI?
- What does the purchase price imply about income?
- Which assumptions have the greatest impact on returns?
- What happens if rent growth is slower?
- What happens if taxes, insurance or other expenses rise faster?

What Value-Add Really Means

Value-add is not simply a renovation budget. The business plan should identify a specific source of additional income, improved operations or reduced expenses—and determine whether the expected benefit justifies the cost and risk.

- Physical improvements
- Leasing, collections, maintenance or management improvements
- Revenue management, occupancy and ancillary income
- Expense management without compromising property quality

BLACK STREAM PRINCIPLE

We would rather pass on a deal than force a deal.

The Numbers That Matter

NOI, cap rate, debt and cash flow are connected. Understanding how they interact is more useful than focusing on a single return metric.

NOI	Property revenue less operating expenses. A key driver of income and value.
Cap Rate	A relationship between NOI and property value or purchase price.
LTV	Loan amount relative to property value or purchase price.
DSCR	Property cash flow relative to required debt service.
Cash Flow	Cash remaining after applicable operating costs, debt service and other required uses.

Understanding Cap Rates

A capitalization rate is commonly calculated as NOI divided by property value or purchase price. It can help compare income relative to value, but it is not a complete measure of investment quality.

NOI	\$2,000,000
Purchase Price	\$30,000,000
Illustrative Cap Rate	6.67%

Cap rates vary with property quality, age, location, income stability, growth expectations, financing conditions and market conditions.

Leverage Can Help—and Hurt

Debt can allow investors to acquire a larger asset with less equity. It can also magnify downside risk and reduce flexibility when property cash flow falls. Investors should understand LTV, interest rate, amortization, maturity, interest-only periods, DSCR, refinancing risk and prepayment terms.

The Downside Deserves Equal Attention

No underwriting model eliminates risk. A disciplined process identifies the variables that matter most and tests what happens when assumptions change.

RENT GROWTH

What if rents grow slower than projected?

VACANCY

What if occupancy falls or lease-up takes longer?

EXPENSES

What if insurance, taxes, payroll or repairs rise faster?

CAPITAL NEEDS

What major repairs or replacements could be required?

DEBT

What if financing becomes more expensive or harder to refinance?

EXIT VALUE

What if the property sells at a higher cap rate than projected?

BLACK STREAM PRINCIPLE

We analyze the downside before celebrating the upside.

Questions Every Investor Should Ask

A strong sponsor should be able to explain the investment clearly—including the assumptions, risks and economics.

- Why was this property selected?
- How was the purchase price determined?
- Which assumptions have the greatest impact on returns?
- What are the major risks to the business plan?
- How much debt is being used and on what terms?
- What capital expenditures are expected?
- How does the sponsor make money?
- What fees or other compensation does the sponsor receive?
- How and when are investors expected to receive distributions?
- What happens if the property underperforms?
- How frequently will investors receive updates?

How Black Stream Evaluates an Opportunity

Black Stream focuses primarily on 50–300+ unit multifamily properties across the Sun Belt, while remaining flexible for the right opportunity. Our preferred strategies are value-add and core-plus.

01 — MARKET

Population, employment, rental demand, supply and broader fundamentals.

02 — PROPERTY

Physical condition, location, occupancy, rents, expenses, capital requirements and operating history.

03 — UNDERWRITING

Independent analysis of historical performance and the assumptions driving the investment.

04 — DOWNSIDE

Stress testing rent growth, vacancy, expenses, insurance, taxes, financing, capital needs and exit assumptions.

05 — BUSINESS PLAN

Specific operational or physical actions expected to create value.

06 — PRICE

A valuation supported by income and market evidence.

07 — DECISION

If the risk and return do not make sense, we can pass.

The Black Stream Philosophy

Black Stream Capital was created to bring multifamily real estate opportunities and investors together through conservative underwriting, transparency and honest communication.

PRICE MATTERS

We are disciplined about what we pay.

PROTECT CAPITAL

We focus on understanding downside risk before relying on upside.

UNDERSTAND THE NUMBERS

We want investment economics to be understandable and supportable.

CREATE REAL VALUE

We look for specific operational and physical opportunities.

COMMUNICATE CLEARLY

Investors should receive meaningful information about their investment.

BUILD FOR THE LONG TERM

Our goal is to build lasting investor relationships and a growing multifamily portfolio.

Why Black Stream Exists

“I started Black Stream Capital as a way to bring apartments and investors together. I wanted to build a company centered on conservative underwriting, transparency and honesty—so investors can know they can trust Black Stream Capital.”

The Investor Relationship

Our goal is to keep investors passive in the day-to-day operation while providing the transparency and communication necessary to understand how their capital is being deployed and how the investment is performing.

BECOME PART OF THE

BLACK STREAM INVESTOR NETWORK

Access multifamily real estate.
Stay informed. Invest passively.

Black Stream is building a network of investors interested in passive multifamily real estate opportunities. Investors can learn about our approach, receive educational information and, when appropriate, receive information about future investment opportunities.

Target minimum investment: \$25,000

Minimum investment amounts, investor eligibility and offering terms can vary by investment and will be governed by the applicable offering documents.

IMPORTANT DISCLOSURE

This guide is provided solely for general educational and informational purposes. It is not an offer to sell, or a solicitation of an offer to buy, any security or investment product. Any offering of securities will be made only pursuant to applicable offering documents and applicable federal and state securities laws. Past performance, if any, is not indicative of future results. All investments involve risk, including possible loss of principal. Prospective investors should conduct their own due diligence and consult their legal, tax and financial advisers before making an investment decision.