REAL ESTATE EXPLAINED

EQUITY MULTIPLE

SHOPOFF REALTY INVESTMENTS

WHAT IS AN EQUITY MULTIPLE?

The metric that measures the total cash a person is projected to receive over the life of an investment relative to the amount of equity invested, expressed as a multiple of the original capital.

The formula is simple:

Equity Multiple = Total Cash Distributions ÷ Initial Equity Invested

Let's say a person invests $100,000 into an apartment project.*

SCENARIO #1

Over the life of the investment, in this hypthetical example, the total cash received is assumed to be $160,000 in total cash, including cash flow and sale proceeds.

$160,000 ÷ $100,000 = 1.6x equity multiple

That would equal $1.60 per $1.00 invested in this simplified illustration.

SCENARIO #2

The property underperforms, and as a result, the person receives no cash distributions during the hold period and was sold at a loss.

$0 ÷ $100,000 = 0x equity multiple

The investor lost 100% of their invested capital.

While targets vary by strategy and risk profile...

- Stabilized or core-plus investments often target lower equity multiples
- Value-add strategies generally target higher multiples to compensate for increased risk

*This illustration is not a projection of returns, and does not reflect fees, expenses, taxes, or the timing of distributions and is not indicative of any specific fund. NO OFFER OR SOLICITATION: This is neither an offer to sell nor a solicitation of an offer to buy any security. An investment in a Shopoff Fund involves a high degree of risk, including the possible loss of your investment, and is illiquid with an uncertain liquidity date. Past performance and/or forward looking statements are not an assurance of future results. Securities offered through Shopoff Securities, Inc. Member FINRA/SIPC. This material is for educational purposes only and is not intended as tax advice. Investors should consult their own tax professionals regarding their specific situation.