

## 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:

$$\text{Equity Multiple} = \text{Total Cash Distributions} \div \text{Initial Equity Invested}$$

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

### SCENARIO #1

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

$$\$160,000 \div \$100,000 = 1.6x \text{ equity multiple}$$

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.

$$\$0 \div \$100,000 = 0x \text{ equity multiple}$$

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

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