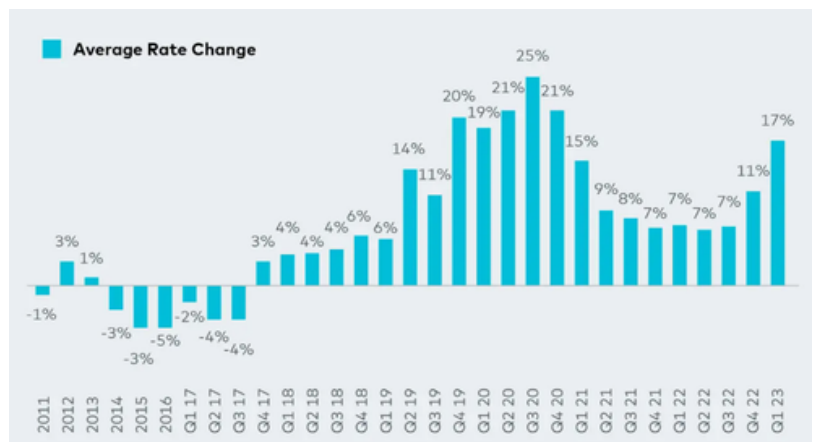




## What We're Doing About Rising Commercial Property Insurance Costs

Multifamily investors are facing rising commercial property insurance rates due to factors such as weather-related losses and increasing construction costs. We are specifically observing higher premium escalations in our targeted markets. To address this challenge, we are actively investigating the underlying causes and implementing measures to mitigate these rate hikes as part of our comprehensive risk-management strategy.

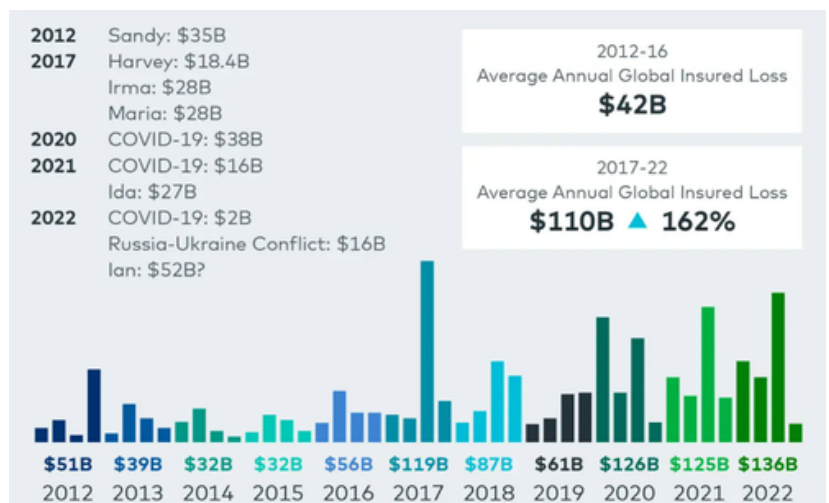
According to Marsh, global property insurance price climbed by 10% in 1Q 2023, compared to 7% the previous quarter; in the United States, property pricing increased by 17%, compared to 11% over the same time. As insurers attempt to control their risk exposure, the increasing frequency and intensity of weather-related catastrophes around the world are contributing to an increase in global insured losses.



Insurance Rate Changes in Marsh's U.S. Property Portfolio, by Quarter

Global insured losses are the payments made by insurance companies to cover damages caused by natural disasters like hurricanes, tornadoes, floods, earthquakes, and wildfires. These losses have significant implications for property owners, resulting in costly repairs and income loss.

The frequency and severity of these losses have led to increased insurance premiums, making it challenging for affordability and imposing higher costs on businesses. According to Marsh, there has been a staggering 162% surge in global insured losses across all property types in the past five years compared to the previous five-year period.



Trend of Global Insured Losses, 2012-22, In Billions

## **WHAT ARE WE GONNA DO ABOUT IT?**

To mitigate risks for multifamily owners amid rising insurance rates, we implement several key strategies:

**Early policy renewal discussions:** We start these conversations well in advance and establish clear expectations with our brokers.

**Data quality and modeling:** We closely collaborate with brokers and advisors to understand loss projection models and ensure accurate data on insurable valuation.

**Risk retention:** Recognizing the limitations of commercial property insurance for high-frequency/low-severity claims, we address them by considering larger deductibles to lower premiums and handle small claims independently.

**Infrastructure and materials:** When developing new apartment projects, we prioritize incorporating robust fire/life safety infrastructure, flood mitigation technology, and quality materials. While this may lead to higher upfront costs, it can result in lower insurance premiums and improved coverage availability.

**Reviewing loss-control weak spots:** By identifying and addressing common hazards, structural issues, and health and safety concerns, we can potentially enhance insurance coverage and reduce premiums.

While weather-related events will continue to impact insurance losses and premiums, we strategically invest in capital improvements that yield lower future premiums. Over time, we make building modifications to enhance their resilience against storms, fires, and other hazards.

## **COMPANY CONCLUDING THOUGHT**

We at Evergreen Capital, our focus is on effective risk management. Rather than relying on optimistic assumptions, we take a pragmatic approach, incorporating challenges into our deal structures. While we cannot predict when insurance costs will decrease, we enter markets with a realistic understanding of their advantages and drawbacks. We diligently work to mitigate costs and risks throughout the entire process of our multifamily investments, from inception to completion.



## How to Weather the Storm and Succeed with Real Estate Investments in a Recession

The stock market is crashing, the economy is in shambles, and everyone is talking about a recession. But what does this mean for real estate investors? The good news is that real estate can be a great investment during a recession. In fact, some of the best real estate deals happen during recessions.

That's because recessions often lead to lower prices, which can create opportunities for investors to buy properties at a discount. And because real estate is a tangible asset, it can provide investors with some stability during times of economic volatility. Continue reading to find out how to make the most of your assets during a downturn.

### **Invest in your current assets.**

- During a recession, there are several advantages to investing in your current assets. One argument is that the property has already been paid for, so you won't have to worry about securing fresh financing during a downturn. You will also save the headache and extra time required to discover a decent home offer.
- Another motivation to invest in existing homes is to enhance your return on investment. You may raise the value of your home by improving it and raising its occupancy rate.
- Finally, investing in your current properties is an excellent strategy to safeguard your assets. If the recession worsens, home prices may fall, but your property worth is less likely to fall if you actively enhance it.
- Investing in your current properties is a wise method to safeguard your assets during a downturn. You will not only receive a solid return on your investment over time, but you will also reduce any reduction in property value.

### **Continue to learn about the real estate industry and network with other professionals.**

Continuing to study and network as an investor is one of the finest things you can do during a recession. This will allow you to keep ahead of the competition and learn about new possibilities as they arise. It's also an excellent method to network with other industry experts.

There are several methods for learning about real estate:

- Participate in seminars and webinars.
- Examine books and articles
- Look for a mentor.
- View videos.
- Attend seminars and meetings in person.
- Consider taking online classes.

Networking is also an excellent method of learning. You will get the opportunity to network with other investors, real estate experts, and lenders. These connections can help you close business and learn about new prospects. Networking can also assist you in growing your real estate firm.

During a recession, it is critical to keep focused and to continue learning and networking. This will allow you to stay ahead of the curve and succeed during these difficult times.

### **Examine your portfolio and make any required changes.**

It's critical to keep ahead of the curve when it comes to real estate investing. It is even more crucial to be proactive in order to preserve your investments during a recession. One method is to analyze your portfolio and make appropriate modifications.

**First, consider your entire investing plan. Are you happy with the degree of risk you're taking? Are you still seeing the anticipated returns? If not, it may be time to make some adjustments.**

**Then, for information reasons, run a stress test in which you examine how various events could affect you. What would happen, for example, if interest rates rose? What if a property sat unoccupied for 90 days? What effect would this have on your investments?**

It might be tough to make adjustments to your portfolio, but it is critical to always be prepared for the worst. You may assist in safeguarding the safety of your investments by being proactive, especially during a recession.

### **Make short-term goals that are oriented toward your long-term success.**

Short-term goals are critical for long-term success in any sector, but they are especially important for real estate investors during a downturn. It might be tough to remain focused on the larger picture when your assets are losing money while the market is down. Setting and completing short-term objectives, on the other hand, will help you stay on track and continue to make progress toward long-term success.

Setting realistic objectives for oneself is critical. When the market is in a slump, it might be tempting to establish excessively aggressive targets in order to make up for lost territory. This, however, is frequently unhelpful and can result in dissatisfaction and disappointment. Set goals that you know you can achieve instead.

Track your progress if you want to stay on track and reach your goals. This may be accomplished in a variety of ways, including creating goals and measuring your net worth over time. Tracking your progress allows you to discover areas where you need to make changes to stay on track.

## **COMPANY CONCLUDING THOUGHT**

***Let us maintain our investment performance despite the recession.***

We provide a range of choices for you at Evergreen Capital is willing to assist you learn about and invest in real estate so you can benefit from the cash flow, equity, appreciation, and tax benefits.

Evergreen Capital is dedicated to providing our investors with the best possible experience. We believe that this starts with a thorough due diligence process, which ensures that we understand the risks and potential rewards of every investment opportunity. We also believe in scalable planning ahead, so that we can adapt our investment strategy to changing market conditions. And we are committed to transparency, so that our investors know exactly what they are investing in.



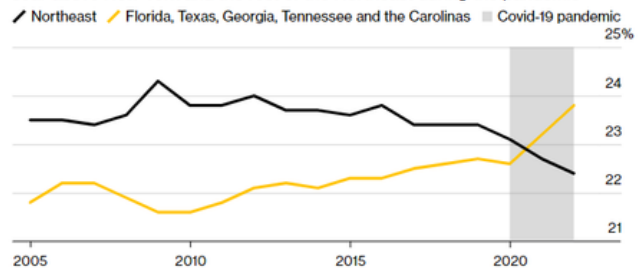
## Exploring the Shift: How the South is Becoming the New Epicenter of Economic Growth

### The Sunbelt's Economic Ascendance:

The Sunbelt states, including Florida, Georgia, Texas, Tennessee, and the Carolinas, have collectively surpassed the Northeast in economic output for the first time in history. This migration trend has been fueled by individuals and companies seeking greener pastures in the Sunbelt, resulting in a significant capital and income influx. Estimates suggest that more than \$100 billion of adjusted gross income (AGI) has migrated southward.

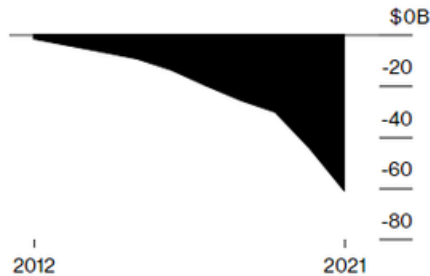
#### US South Economic Power on the Rise

Six fast-growing Southern states saw their aggregated share of national GDP soar above New York and the rest of the Northeast during the pandemic



Source: US Bureau of Economic Analysis

#### New York City, NY



The South is experiencing a dynamic transformation, with 2.2 million people flocking to Florida alone over the past two years. Miami has emerged as a magnet for both businesses and individuals, and the region has gained 33 congressional seats. Southern representatives now chair over half of the committees. Major corporations such as Dun & Bradstreet, JPMorgan, Alliance Bernstein, Tesla, Apple, HP, and Samsung have already relocated or expanded their operations in the Sunbelt.

### COMPANY CONCLUDING THOUGHT

At Evergreen Capital, we are proactive in identifying and capitalizing on emerging trends. Our team has recognized the demographic and economic factors driving the southern migration, leading us to focus our new investments in this region. However, we approach these opportunities with caution and diligence. While some markets may become overheated, resulting in overpriced properties and unfulfilled promises, we remain steadfast in our commitment to delivering value for our investors. As the southern states continue to thrive and present exciting prospects for real estate investment, we are here to guide you on this journey. Our commitment to sound investment practices remains unwavering, and we look forward to delivering attractive opportunities while mitigating risks.