MIDDLE COAST

2026 OPERATOR'S EDITION

THE MIDWEST MULTIFAMILY PLAYBOOK

The Operator *Test.*

Before you wire a dollar: how experienced investors separate operators from promoters. Twelve questions to ask any sponsor. Including us.

JASON MAHADIK · MIDDLE COAST HOLDINGS · CHICAGO

41.8781° N, 87.6298° W. Written in Chicago, underwritten everywhere the Midwest cash-flows.

READ THIS FIRST

What we won't *promise you.*

Most investor guides open with a number. A projected return, usually. Big, specific, and printed years before anyone knows if it's true.

This one won't. Not here, not on page nine, not in the fine print. You will not find a projected return anywhere in this document, and that is not because we're shy. It's because a return quoted to a stranger in a PDF is a promise nobody can underwrite, and you should treat anyone who offers you one accordingly.

That is not a disclaimer. It is the point of the whole book.

Here is what we will do instead. We'll show you how the Midwest multifamily market actually prices, with sourced data you can check. We'll teach you the napkin math we run before any deal earns an hour of our time. We'll show you the five places optimistic pro-formas go to die, walk you through the deal we killed when the math stopped working, and hand you the twelve questions we'd ask any sponsor before wiring a dollar. Including us.

By the last page you'll know more about underwriting Midwest apartments than most people who already own them. What you do with that is your call. Some readers will use it to vet other sponsors. Good. The questions work on everyone. Some will want a conversation. Also good.

Either way, you'll never read a pro-forma the same way again.

CONTENTS

The *playbook.*

HOW TO READ THIS

Front to back takes about forty minutes. But this document is built to be kept, not consumed. Chapters 4, 5, 9 and 10 are reference tools. Put it wherever you keep the things you actually use. Short on time? Chapters 4 through 6, pages 7 to 16, are the weapon. Start there, and come back for the rest.

CHAPTER ONE

The drive back to *Chicago.*

In the spring of 2026 we had a Midwest multifamily deal under contract. Good building, good block, a seller we liked. Months of work: walkthroughs, financials, lender calls, the slow choreography of getting a real acquisition to the table.

Then the insurance quote landed.

I'm not going to dress the moment up. There was no dramatic phone call, no slammed door. There was a number on a screen that was not the number in our underwriting, and a long drive home wondering whether we could make it work anyway.

That's the part nobody tells you about this business: the temptation is never on the way into a bad deal. It's on the way out of a good one. We had sunk cost. Real money, real months. We had momentum. And everyone on the deal had a version of the same quiet argument: rents are trending up, maybe carriers soften next year, maybe the pro-forma absorbs it.

Maybe is not underwriting. We reran the downside case, flat rents, expenses up, the new insurance line at its full ugly weight, and the deal no longer survived its own bad year. So we walked. It cost us the deposit-period expenses, the diligence fees, and a property we genuinely wanted to own.

Here's why that story opens this playbook instead of a chart. Anyone can show you the deal they closed. The deck with the ribbon-cutting photo writes itself. But you learn more about an operator from the deal they refused, because walking away is the only investing skill that costs money every time you use it, and it's the one skill a promoter never demonstrates.

The rest of this document is, one way or another, an expansion of that drive home: the math we ran, the line items that broke, the questions we now ask before a dollar moves. Ours, or anyone else's.

> *You learn more about an operator from the deal they refused than from any deal they closed.*

CHAPTER TWO

Who this *is for.*

We don't work with everyone, and this document wasn't written for everyone. It was written for a specific kind of person. Usually someone who built something real before they ever thought about being an investor. Four questions, honestly answered, will tell you if that's you:

01 How much of your net worth currently produces income you don't work for?

02 When the market dropped last time, what did your portfolio do while you slept?

03 What did you pay the IRS last year, and what do you have to show for it?

04 If a sponsor put a deck in front of you today, could you tell whether the numbers were conservative or just pretty?

If the fourth one stung a little, keep reading.

THIS IS FOR YOU IF

You built wealth through discipline: a business, a practice, a career of unglamorous decisions, and you'd like your capital to behave the way you did. You think in decades and can leave money alone while it works. You've read enough optimistic pro-formas to be allergic. You want to understand what you own, not manage it. You'd rather be told "we walked away" than "we made it work."

STOP READING NOW IF

You're looking for a quick flip, a guaranteed number, or liquidity inside two years. You want an investment you never have to understand. You believe a projected return in a PDF is information rather than marketing. No hard feelings. Different money wants different homes.

A quiet word on how we operate: our capital partnerships are private, formed person by person, after real conversations. Nothing in this document is an offer of anything. It's the material we'd want in your hands before a first conversation would even be useful.

CHAPTER THREE

Every sponsor sounds identical for the first *twenty minutes.*

Conservative underwriting. Skin in the game. Off-market deal flow. A market that is definitely about to pop. Say those four phrases out loud and you have given eighty percent of every syndication pitch in America.

Underneath the identical language, there are two different species.

THE OPERATOR

Runs buildings. Knows what the water bill did this year on a 12-unit. Underwrites the downside first and can recite the insurance assumption without opening a laptop. Owns mistakes with numbers attached. Walks deals, even when it hurts, because the math said walk.

THE PROMOTER

Assembles deals. Rents credibility: a track record that belongs to "the team," a pro-forma built backward from the return investors want to see, fees collected at closing whether the deal works or not. Has never met the on-site manager. Has never walked away from anything.

Both raise money. Both post on LinkedIn. Both have professional decks, and the promoter's deck is usually prettier, because the deck is the product.

The expensive part: you cannot tell them apart by listening to the pitch. The pitch is where they are identical. You can only tell them apart by interrogation, and most investors have never been handed the questions.

So that's where we'll start. Not with the market, not with the math. With the questions. The rest of the book exists to make you dangerous with them.

> *The deck is designed to be believed. The questions are designed to find out.*

I.

PART ONE · THE CENTERPIECE

The Operator *Test.*

Twelve questions to ask any sponsor before you wire a dollar. Ask them out loud, on a call. The deck can't answer for them. Every question is harder for a promoter than for an operator. That is the design.

01 – 03	**The Operator Test.** Can they run the building, or just assemble the deal?
04 – 06	**The Underwriting Test.** Is the math conservative, or just pretty?
07 – 09	**The Alignment Test.** When it gets hard, who eats the loss first?
10 – 12	**The Reality Test.** What happens when it goes sideways?

TEST ONE · THE OPERATOR

01

"Walk me through a deal you personally took from acquisition to disposition. Actual numbers, the hits you took, what you'd change."

A STRONG ANSWER

Specifics. Real numbers including the painful ones. The capex line they missed. What it returned versus the pro-forma. The lesson.

WATCH OUT FOR

"We've done many of these." A track record owned by "the team" where no individual owns any single deal.

02

"Who actually runs your buildings day to day, and how are they paid?"

A STRONG ANSWER

Named people, clear lines. If management is third-party, they know exactly how the PM is compensated, because percent-of-revenue versus NOI-incentive matters enormously, and when they last visited the property.

WATCH OUT FOR

A sponsor who has never met the on-site manager. A PM paid flat percent of gross with no NOI tie-in. A PM and sponsor who share an owner: vertical without alignment is just a fee-stack.

OPERATOR'S NOTE

A track record with no owner is a rumor with a logo.

TEST ONE · THE OPERATOR

03

"What's a specific operational mistake you've made on a building in the last 18 months, and what did it cost you?"

A STRONG ANSWER

A concrete story. A bad PM hire. An insurance binder that didn't cover what they thought. CapEx thirty percent over. A number attached, and a clear "here's the process now."

WATCH OUT FOR

"We've been pretty fortunate." Translation: they don't operate enough to have made the mistakes, or they don't track tightly enough to know.

TEST TWO · THE UNDERWRITING

04

"What's your insurance assumption per door at year three, and what happens to the deal if it's 25 percent higher?"

A STRONG ANSWER

They know the number cold, they've re-quoted with current carriers, and the stress test is a page they can show you.

WATCH OUT FOR

The seller's prior-year premium taken at face value. Insurance has broken more Midwest deals since 2024 than any other line item.

OPERATOR'S NOTE

The operators who impress us brag about their scars, not their exits.

TEST TWO · THE UNDERWRITING

05

"What refi rate did you assume? Run the math out loud at 100 basis points higher."

A STRONG ANSWER

A stated assumption, a real sensitivity, and a plan for the bad case: extensions, reserves, cash-in refi, early sale. They have been awake at 3am over this.

WATCH OUT FOR

"Rates should be back down by then." Hope, wearing a spreadsheet.

06

"Show me the downside case. Zero rent growth, four percent expense growth, worse vacancy. Together."

A STRONG ANSWER

A downside-first culture. Debt still serviced and principal still protected in the stacked bad year, on a page that already existed before you asked.

WATCH OUT FOR

A single sensitivity line pretending to be a stress test. Real bad years arrive together, not one variable at a time.

OPERATOR'S NOTE

Hope is not a capital structure.

TEST THREE · THE ALIGNMENT

07

"What's your co-investment, in dollars, and where did those dollars come from?"

A STRONG ANSWER

A real number from the sponsor's personal balance sheet. One to five percent of LP equity is the common band; more is a strength signal, not a norm.

WATCH OUT FOR

"We co-invest meaningfully," with no number. Or co-invest recycled from fees charged on the same deal. That's your money wearing their nametag.

08

"Walk me through the waterfall. What do you make if the deal returns partners a flat eight percent?"

A STRONG ANSWER

Pref before promote, a worked example, and an operator visibly poorer in the mediocre case. That's what aligned looks like.

WATCH OUT FOR

Fees at every step stacked on a full promote. Sponsor comp that doesn't suffer when partner returns suffer.

OPERATOR'S NOTE

Alignment you can't see in the waterfall doesn't exist.

TEST THREE · THE ALIGNMENT

09

"What reporting do I get, how often, and can I see a sample from a prior deal?"

A STRONG ANSWER

Property-level actuals versus underwriting, monthly or quarterly, variance commentary, K-1 timing they'll commit to. The sample produced without flinching.

WATCH OUT FOR

"We send a quarterly letter." Summaries that never face the original underwriting. K-1s that mysteriously arrive in September.

TEST FOUR · THE REALITY

10

"Have you ever walked away from a deal you couldn't make work? Tell me the story."

A STRONG ANSWER

Yes, recently, with the line item that broke it and what walking cost.

WATCH OUT FOR

"We're selective up front, so we haven't had to." In our experience, most active operators have walked at least one deal in the last 24 months. The ones who never have may never have tested their own discipline.

Our answer, since you'll ask: yes. Chapter one. It cost real money. We'd do it again tomorrow.

OPERATOR'S NOTE

Reporting cadence is character, measured quarterly.

TEST FOUR · THE REALITY

11

"When can you require me to contribute additional capital, and what happens if I don't?"

A STRONG ANSWER

The mechanism matches the vehicle, and it was explicit before you invested. In a committed-capital fund: the commitment, draw schedule, permitted uses, notice period and default remedies, all defined in the documents. In a fully funded deal: narrow emergency mechanics, spelled out.

WATCH OUT FOR

Open-ended obligations you didn't understand at signing. Undefined rescue-capital discretion. Or a sponsor who says additional capital will never be needed.

12

"If something happens to you, what happens to my money?"

A STRONG ANSWER

Named key-person provisions in the documents: what triggers them, what pauses (usually new investments), and how a successor plan gets approved by investors. A sponsor who has imagined his own absence, in writing.

WATCH OUT FOR

"I'm not going anywhere." That's a health plan, not a succession plan. Almost nobody has a real answer here. The ones who do have finished their documents.

> *Twelve questions. Under an hour. Few promoters survive them. Operators tend to enjoy them.*

OPERATOR'S NOTE

A sponsor who has imagined his own absence has finished the documents. The rest are improvising.

THE PART WHERE WE GO FIRST

Run it *on us.*

A test you'd only give others is a sales tool. So here's ours, taken in public. Where we score well, and where an honest reading says "early."

WHERE WE'D SCORE WELL

Q3, the mistake: cheerfully, with a number, on the call.

Q4, insurance: current Midwest carriers, current quotes, stressed a further 25%. This one is personal; see chapter one.

Q6, the downside: we underwrite downside first, base case second. House style.

Q7, co-invest: from personal balance sheets, not recycled fees. Real number in conversation.

Q10, the walked deals: two. Spring 2026, when insurance broke the downside case. And the Christmas before, over a boiler that technically still ran, but wasn't going to survive one more Chicago winter, let alone twenty. We'd walk both again tomorrow.

WHERE HONESTY SAYS "EARLY"

Q1, full-cycle deals under the Middle Coast banner: our principals' operating careers run deep, through regulated, operationally unforgiving industries, with prior-company experience spanning nine-figure revenue operations and large real estate portfolios. Those are prior-company numbers, not Middle Coast's own deal track record. Any sponsor who blurs that line for you on purpose has failed Question 1 in spirit. Middle Coast's own portfolio is deliberately small while we assemble the right partner group.

Q12, succession: the key-person mechanics are being papered with counsel now. Ask it across a table and you'll get the documents answer, not the health-plan answer.

One thing we run that most sponsors don't: an underwriting engine of our own design. It never sleeps, and it keeps score. The next page is that score, printed. The point of the machine is not volume. It is that discipline at this scale is impossible to fake.

EVIDENCE OF PROCESS · FRAME THIS PAGE

The discipline, *printed.*

Live counts from our underwriting engine, as of this edition. Not a story about selectivity. The arithmetic of it.

40,799	Midwest listings scanned by the engine
3,948	tracked as live candidates
1,521	fully underwritten, downside first
17	earned a full investment memo
4	taken under contract
2	closed, owned and operating
2	walked, when diligence broke the downside case

Roughly one in a hundred of the deals we underwrite survives the five gates. The next acquisition clears every one of them, or it doesn't happen.

Counts from Middle Coast's internal deal-intelligence system. Methodology available upon request.

KEEP THIS PAGE

The sponsor *scorecard.*

Score every sponsor 1–5 on each question. Two rules: any single score of 1 means walk, whatever the total. And the sponsor doesn't get to know they're being scored. Photocopy freely.

QUESTION	SCORE	NOTES
1. Full-cycle deal, told with real numbers		
2. Day-to-day operations: named people, aligned pay		
3. A recent mistake, with its price tag		
4. Insurance: current quote, stressed +25%		
5. Refi math, out loud, at +100bps		
6. A real stacked downside case, pre-existing		
7. Co-invest: real dollars, personal balance sheet		
8. Waterfall: pref before promote, worked example		
9. Reporting: actuals vs. underwriting, sample shown		
10. A walked deal, recent, with the story		
11. Capital obligations: defined before signing, remedies clear		
12. Succession: key-person mechanics, in the documents		
Total (60 possible)		

Reading the score. 50+: rare; verify the references and lean in. 40–49: credible; dig where they lost points. Below 40: the polite phrase is "not yet." Any 1, anywhere: walk. The test is designed so charm can't average out a disqualifier.

THE INSTRUMENTS · NO. 1

The *napkin.*

Every deal we look at gets sixty seconds of arithmetic before it gets an hour of anything else. Here is that arithmetic, on a teaching example, so you can run it on any deck anyone ever hands you.

Illustrative teaching example. A hypothetical 20-unit building at $75K per door. Round numbers, invented building.

LINE	AMOUNT	THE DISCIPLINE
Purchase price	$1,500,000	Hypothetical. The basis question comes first, always.
Gross scheduled rent	$250,000 / yr	Verify against the actual rent roll, not the broker's "market" column.
Vacancy & loss	– $12,500	Always assume some. Five percent, even in a "full" building.
Operating expenses	– $90,000	Taxes, insurance, management, maintenance. Under ~40% of gross on an older building, someone is pretending.
Net operating income	$147,500	The only number the building itself knows.
Debt service	– $85,000	At today's actual rate. Not the rate the deck is praying for.
Cash flow	$62,500	What's real, before anyone's projections.

What the napkin is actually checking. *Does it cash flow on day one, with today's numbers?* Not year three, not after the "value-add story," not if rates cooperate. If a deal needs the future to arrive before it earns its keep, the napkin fails and the conversation is over.

Does it carry its own debt with margin? NOI against debt service is 1.74 here. Below 1.25, the building is one bad month from a capital call.

This illustrates the mechanics of reading a deal. It is not a representation of any Middle Coast property, pipeline deal, or expected result. Real underwriting is line-by-line and downside-first.

THE INSTRUMENTS · NO. 2

The pro-forma *autopsy.*

Deals rarely die of surprise. They die of five specific line items that were optimistic on the day the deck was printed. When we examine a pro-forma, these are the organs we check first.

CAUSE OF DEATH № 1

The rent-growth fantasy

A pro-forma showing 5–7% annual rent growth isn't a forecast, it's a wish with a font. Long-run rent growth in stable Midwest metros lives closer to 2–3%. Every point of invented growth quietly inflates the exit value, which is usually where the whole advertised return is hiding.

CAUSE OF DEATH № 2

The stale insurance number

Multifamily insurance nearly doubled between 2019 and 2024, from roughly $39 to $68 per unit per month on average, before peaking and starting to ease. What a softening market does not fix: repricing is idiosyncratic. Carriers exit submarkets, re-rate older buildings, and re-underwrite claims histories one policy at a time, in every phase of the cycle. Our own quote came back at nearly double the deck number in the spring of 2026, a softening year. Our rule: every deal gets re-quoted by a current carrier during diligence, then stressed another 25% on top, whatever the market is doing. If the deal dies from that, it was already dead. We killed one this way ourselves, and it was the best money we never made.

CAUSE OF DEATH № 3

The hopeful refinance

"We'll refi in year three at a lower rate." Ask what happens at 100 basis points higher instead. A sponsor with a real answer describes extension terms, reserves, or a cash-in refi. A promoter says rates should come down. Should is not collateral.

Insurance cost data: PwC and Hub International via Multi-Housing News, 2026; NMHC State of Multifamily Risk Survey.

CAUSE OF DEATH № 4

Expenses that only ever shrink

Decks love showing expense ratios compressing as "professional management takes over." Sometimes true. But taxes get reassessed upward on sale, insurance gets repriced, and deferred maintenance is deferred, not deleted. If the expense line falls while the revenue line climbs and nothing on the page explains the mechanism, you're reading fiction.

CAUSE OF DEATH № 5

Sensitivity theater

One timid table, "returns if rent growth is 1% lower," is not a downside case. A real downside case stacks the bad news together: flat rents and higher expenses and worse vacancy, simultaneously, the way actual bad years arrive. Then it shows debt still serviced and principal still protected. If the deck's worst case still makes everyone rich, someone is lying to someone. Possibly to themselves.

> *The base case tells you what the sponsor wants. The downside case tells you who they are.*

Five organs, five checks, maybe fifteen minutes with the deck and a pencil. You will not make it through most decks. That is the finding, not the failure. And for the three tests worth running in the room, with the sponsor watching, there's a card two pages ahead built to be cut out and carried.

THE INSTRUMENTS · NO. 3

The deal-kill *discipline.*

We look at a lot of deals and close very few, and we're built so the gap stays wide. Every acquisition must clear five gates. Any single failure kills the deal. There is no partial credit and no "making it up on the exit."

GATE ONE · DAY-ONE CASH FLOW
The property must cover its costs from existing operations, at today's rents, with today's expenses. The upside is the reward for good operation. It is never the requirement for survival.

GATE TWO · DEBT COVERAGE WITH MARGIN
Net operating income must cover debt service by at least 1.25×, our floor for the margin of safety between a bad quarter and a bad outcome. Institutional lenders draw the line near the same place, for the same reason.

GATE THREE · BASIS BELOW REPLACEMENT COST
We buy existing doors meaningfully below what building them new would cost. That gap is structural downside protection: competitors can't build against you profitably, and the asset's floor is anchored to physical reality rather than sentiment.

GATE FOUR · PROVABLE RENT DELTA
Below-market rents must be demonstrable. Comps you can walk into, not "market surveys." The business plan is normalizing what's provably under-managed. If the upside requires the market to move, it isn't upside. It's exposure.

GATE FIVE · DOWNSIDE-CASE SURVIVAL
The stacked bad year, flat rents, higher expenses, current-quote insurance stressed 25% further, worse vacancy, must still service debt and protect principal. This is the gate that killed the Chicago deal. It stays.

Notice what isn't here: a return target. Targets belong in private conversations that can carry their assumptions honestly. A sponsor happy to print the number before meeting you is telling you which of the two of you matters more.

The Stress Test *Card.*

Three moves. Run them on any deck, in any market, in front of any sponsor. Pretty math breaks fast.

✂ CUT HERE

TEST ONE · THE EXIT

Raise the exit cap rate 100 basis points above the deck's assumption. If the deal still returns capital, keep reading. If the whole return lives in the exit price, you are not buying a building. You are buying a prediction.

TEST TWO · THE INSURANCE

Take a current carrier quote, not the seller's prior-year premium, and stress it a further 25 to 40 percent. Nobody wants to run this one, because it has been the deal-killer of the decade in the Midwest. Ask what it does to the coverage ratio. Watch the face, not the spreadsheet.

TEST THREE · THE GRIND

Rents flat. Expenses up four percent a year. Vacancy one point worse. All three at once, for three years. Does the building still pay its mortgage? Does anyone get a distribution? An operator has this page ready. A promoter has never seen it.

A deal that survives all three is worth the hour of real diligence. A deal that survives none of them was never a deal. It was a story with a wire form attached.

Cut this page out, fold it, and keep it in the notebook you bring to sponsor meetings. Genuinely. That is what it is for.

THE STRUCTURE

How syndication actually *works.*

Syndication is how institutional investors have owned apartments for decades: capital partners fund the equity, an operator finds and runs the asset, and an LLC holds the building. The structure is standard. The execution, and the alignment, are everything.

Capital partners (LPs) · fund most of the equity · own passive stakes · receive distributions first

Operator (GP) · finds, finances, improves and runs the asset · co-invests · earns a share of profits after partners

The property · held in a single-asset LLC · cash flow, principal paydown, appreciation, tax attributes

One skeleton, two wrappers. A single-asset syndication funds fully at closing and owns one named building; you evaluate the deal. A committed-capital fund takes binding commitments, then calls capital on defined notice as acquisitions close, building a portfolio to stated criteria; you evaluate the machine, and your obligations are defined to the dollar before you sign. Both are standard. Question 11 tells you what to check in either.

Where returns come from: all four engines. Rental cash flow after expenses and debt. Principal paydown by tenants. Appreciation captured at refinance or sale. And the tax layer, next chapter. No single engine has to be heroic; the design is four modest engines running at once.

How alignment is supposed to work. In a well-built structure, capital partners receive a preferred return, a hurdle the operator must clear for partners before sharing profits. Market-typical structures put that hurdle in the high single digits, with profit splits above it. One nuance worth reading twice: judge a profit tier by when it starts, not just its size. A larger operator share that begins only after every dollar of partner capital has been returned pays for delivered results. A large share of the first profits pays for showing up. The mechanics matter less than the sequence: partners first, operator second, always in writing.

The three fee red flags. Fees stacked at every verb, acquisition, management, refi, disposition, atop a full promote: the promote should be the business model, not the fees. Comp before the pref: if the operator earns meaningfully before partners see their hurdle, alignment is decorative. And "co-investment" recycled from fees: that's your money making a round trip, wearing their nametag.

The Fee *Decoder.*

Fees are not evil. Operators must be paid, and good operations are worth paying for. The question is never "are there fees." It is: *does the sponsor eat before you do, and do they eat even when you don't?*

FEE	TYPICAL RANGE	WHAT TO CHECK
Acquisition fee	1–3%	Paid at closing, deal works or not. Above 2%, ask what it funds. If it funds the co-invest, that isn't co-invest.
Asset management	1–2%	Of what? Revenue is standard. Of equity or asset value, it quietly grows regardless of performance.
Property management	4–10%	Fine if it buys real operations. Check whether the PM is the sponsor's own entity with no NOI incentive.
Refinance / disposition	0.5–2%	The stacking problem: each fee is defensible alone. Together, on top of a promote, the sponsor wins in every scenario.
Preferred return	6–8%	You get paid to here before the sponsor sees promote. No pref, or a pref that accrues but never compounds? Read it twice.
Promote / carry	20–30% above pref	The alignment engine, IF it comes after your pref and their real co-invest. Judge a tier by when it starts: a higher share that begins only after 100% of capital is returned is a different instrument than a big cut of the first dollar. This is where operators earn and promoters extract.

The single test that compresses this entire table: *ask the sponsor what they personally earn if the deal returns partners a flat 8 percent.* An operator answers with a small number and no flinch. A promoter re-frames the question. You now know how to read that.

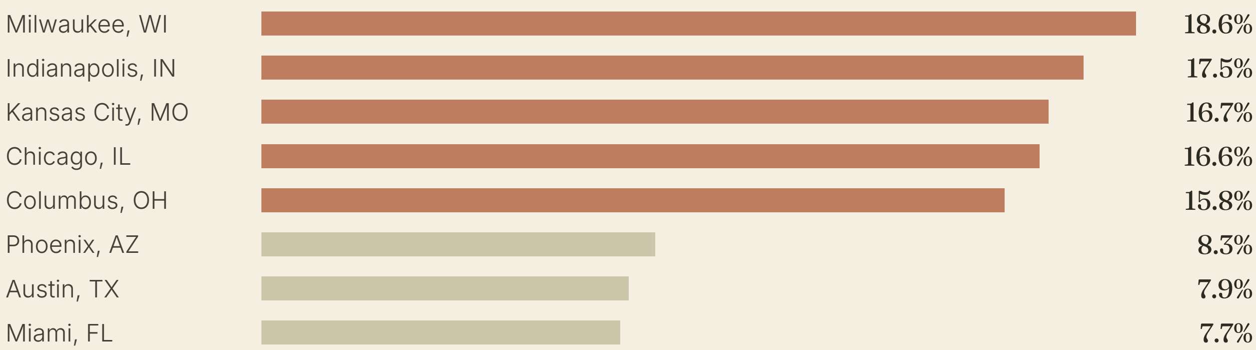
THE TERRITORY

The last *inefficiency.*

While the last decade's capital chased Austin, Miami and Phoenix, the Midwest quietly kept doing the only thing it knows how to do: collect rent. This chapter is the sourced math behind that sentence. Check every number.

What buildings earn, before anyone touches them

Gross yield: annual rent divided by purchase price. The rawest measure of what a market gives you before leverage, management or luck. 10–50 unit multifamily, 2025–2026, on our target acquisition profile.



Source: MCH underwriting analysis on our target acquisition profile: 10–50 unit Class B/C buildings, off-market basis, in-place rents. Brokered institutional deals trade at far lower gross yields, on far larger assets (Northmarq, Midwest, Q1 2026). Gross yield is a market characteristic, not a projection of any investment's return. Methodology and sources available upon request.

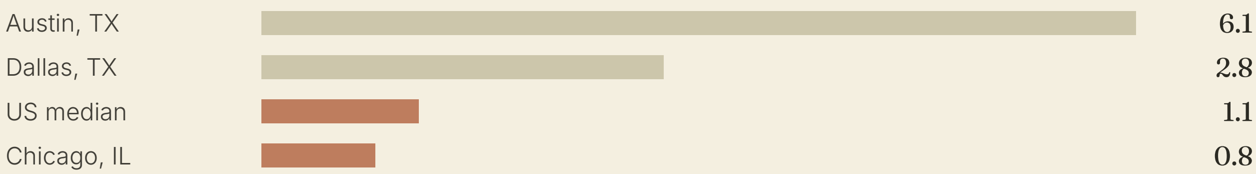
Read that chart the way an operator does. In coastal markets you might pay $250K per unit for $1,500 rents. In Midwest metros, comparable brick rents for $900–$1,500 at a fraction of that basis, in buildings that trade below the institutional radar. Same tenant, same toilet. The buildings aren't worse. The institutional capital just hasn't finished arriving.

And the rent line has flipped: in May 2026 the Midwest posted the strongest apartment rent growth of any US region, up 2.0% while the South fell 0.8%. Chicago up 2.9%; Austin and San Antonio each down 3.3%.

Rent growth: CoStar Analytics, May 2026; Apartment List National Rent Report, August 2026.

Nobody is building the competition

The Midwest's deepest advantage isn't price. It's that new supply doesn't pencil. Rents don't justify $150–200K-per-door construction costs, so almost nobody builds, and existing owners inherit a structural moat:



New multifamily permits per 1,000 residents, 2024. Austin led the nation; the top-100 metro median was 1.1. Source: Chandan Economics for Arbor Realty Trust (February 2025), US Census Bureau Building Permits Survey. Methodology and sources available upon request.

The Sunbelt spent the boom building its own competition; Austin alone delivered a record wave of new units and got the concessions and falling rents to prove it. The Midwest never had the boom, so it never got the hangover. Existing owners face structurally limited new supply.

2×

Approximate gross-yield advantage of major Midwest metros over coastal gateways, on our target profile. The yield is a wage, not a lottery ticket: these buildings pay you to operate them well.

$150K+

What a new door costs to build, against rents that can't support it. Existing doors trade far below replacement cost, anchoring the asset's floor to physical reality rather than sentiment.

One more thing the chart implies: the sellers are aging out. The same generational transfer emptying America's family businesses, six million changing hands or closing by 2035 by McKinsey's count, owns these buildings, mostly with no succession plan and no institutional process. At these yields, operations make or break you, not the wave. The insurance renewal, the boiler contract, the turn cost, the collections process. Which is why the back half of this book is about interrogating operators. In this territory you are not underwriting a market. You are underwriting a person.

Ownership transfer: McKinsey Institute for Economic Mobility, "The Great Ownership Transfer," February 2026.

The tax *layer.*

Real estate's quietest advantage isn't the rent. It's how the tax code treats the rent. Four mechanisms do most of the work. Here they are in plain English; your CPA gets the final word on every one.

01 **Depreciation, the paper loss on a real gain.** The IRS lets owners deduct the building's cost over 27.5 years even while it appreciates. Passed through a K-1, that deduction routinely shelters part, sometimes all, of the cash an investor receives in a given year.

02 **Cost segregation, the accelerator.** An engineering study reclassifies components (appliances, flooring, site work) onto 5-, 7- and 15-year schedules, front-loading deductions into the early years of ownership. Standard institutional practice, not a loophole. It's arithmetic about carpet.

03 **The K-1, where it all lands, and the boundary.** Limited partners receive a Schedule K-1: the recurring experience is real cash received, notably smaller taxable income reported. The boundary, because most decks let you keep the wrong assumption: these are passive losses. For a limited partner who isn't a real estate professional they shelter the investment's own income, carry forward indefinitely, and release on a full disposition. They do not offset W-2, 1099 or portfolio income. Ask any sponsor to walk you through a sample K-1. The request itself is a useful test.

04 **Opportunity Zones, rebuilt for the next decade.** The 2025 tax law made the program permanent and rebuilt it: the original round's deferral ends December 31, 2026, and a new, smaller map takes effect January 1, 2027, with a rolling five-year deferral, a 10% basis step-up (30% for rural funds), and tax-free appreciation preserved after a ten-year hold. Timing now matters more than ever. A conversation for qualified counsel, not a bullet point.

> *Every advantage on this page rewards patience and punishes flipping. The code is quietly on the side of long-term owners.*

Tax treatment depends on your situation, entity choices, and laws that change. Nothing here is tax advice. The point is narrower: when you evaluate any real estate investment on cash flow alone, you're reading half the ledger. OZ provisions: Economic Innovation Group summary of 2025 law; subject to Treasury rulemaking.

BEFORE THE LAST PAGE

Run your *own math.*

Not ours. Yours. Four questions, a pencil, and ten honest minutes.

01 Write down what your idle or underworking capital earned last year, after tax, after inflation. The real number, not the statement number.

02 What disciplined ownership can produce is a conversation. What your current allocation did produce is a fact you can write down tonight. Write it down, then ask yourself what ten more years of it looks like. That figure has a name: the cost of deferring the homework.

03 Count the hours you spent last year managing whatever produced that return. If the answer is "many," ask what your hour is worth. If the answer is "none, it's in the market," ask what happens to your plans the next time it drops 30 percent while you sleep.

04 Now the only question that matters: if you change nothing, where does this land you at 65? Write that down too. You built a business by refusing to accept numbers you didn't like. This is the same skill.

We have not told you what any investment returns, because on these pages we legally can't, and honestly shouldn't. But nobody can stop you from doing your own arithmetic. That was rather the point of giving you the instruments.

BEFORE YOU DECIDE ANYTHING

Meet the *operator.*

You've spent this whole book reading my opinions about other people's discipline. Fair is fair. Here's who wrote them.

For twenty years I operated businesses where mistakes were expensive, visible, and immediate. Cannabis, gaming, logistics, hospitality: regulated, audited industries where a paperwork mistake can cost a license and a payroll mistake is someone's rent. Across those roles I carried responsibility for multisite operations, nine-figure revenue platforms, and a real estate footprint valued in the hundreds of millions. Those numbers belong to the companies I ran, not to Middle Coast, and I separate them deliberately.

The industries changed. The job never did: know the numbers, build the system, align the people, protect the asset, and fix small failures before they get expensive. That is the operating core of apartment ownership.

I worked alongside some exceptional owners. I also watched what happens when the promises made to capital drift away from what operations can actually support. The cost always lands, and it lands on everyone. Over time I kept a private list of what I'd do differently if I were ever responsible for the capital, the asset, and the promise at the same time. Middle Coast is the company built from that list. This book is that list, published.

An industrial psychologist once put it in writing: lock my team in a room with no way out, and I'm the one who figures out how to break down the door. Real estate taught me the other half of that lesson: some doors should not be forced. When the math says walk, we walk.

And a fact you'd notice anyway: I was born and raised in Scotland. You'll hear it within a sentence when we talk. I wasn't born in the Midwest; I recognized it. The numbers made sense. The people made sense. Both places distrust easy money, respect steady work, and admire numbers that survive inspection. That's why Middle Coast is here and not somewhere else.

You'll notice this book never claims a long Middle Coast track record. Middle Coast is early, and I won't disguise that with borrowed numbers or a team's history presented as my own. A track record alone can't tell you what an operator will do when the next decision is expensive, the easy answer is tempting, and nobody outside the room would know the difference. So I'm publishing the discipline before the scale, and inviting you to watch whether our decisions live up to it.

Two more things. No partner should have to chase an operator for the truth. At Middle Coast, good news gets reported clearly, and bad news gets reported faster, with the number, the cause, and the plan attached. And I have children who may one day inherit the name on this firm. That changes the time horizon. A decision that looks clever this year but indefensible in ten is not available to us.

Trust compounds like capital does. It's the only asset in this business you can't buy back once you spend it.

That's who's on the other side of the table. The twelve questions will tell you if I'm telling the truth.

The *conversation.*

You now hold the same test we hold ourselves to, and more working knowledge of Midwest multifamily than most people writing checks into it. There's exactly one thing this document hasn't given you: the answers we'd give across a table.

That's deliberate. Numbers that matter, structures, co-investment, what we're seeing in the market right now, belong in conversations, where they can carry their context, their assumptions and their risks honestly. A document can't do that. It shouldn't try.

So here's the whole next step, if you want one:

1. Book twenty minutes at **middlecoastholdings.com/call**, or start at /investors and tell us how you think about deploying capital.

2. You'll get the founder. Not a funnel, not an associate, not a webinar.

3. Bring this book, open to the Test. Ask the twelve questions, in order, and mark the scorecard while I answer. That interview, you interviewing us, is genuinely how we prefer to start.

If we are not the right fit, we will say so plainly and point you somewhere better. And if the fit isn't there? Keep the book anyway. Run the test on the next sponsor who emails you a deck with an IRR on the cover. You'll know exactly what to ask, and precisely when to walk.

One last thing, and it's the honest one. If this book causes you to work with us someday, great. If it causes you not to, that's great too. Money compounds, but judgment compounds faster. Keep asking these twelve questions, of us or of anyone, and you'll make better decisions with your capital for decades. If we earn the right to be one of those decisions, I'd love to meet you.

On capacity, because you'll notice it eventually: we keep our partner group small and form it slowly, person by person. Deals get done with people we already know. So the useful time to have the first conversation is before there's anything to decide.

— Jason

jason@middlecoastholdings.com · Middle Coast Holdings, Chicago

ONE MORE THING

The Operator's *Toolkit.*

The book taught the method. The toolkit is the method, ready to use. Free, like the book, and for the same reason.

The Napkin Calculator · the sixty-second underwrite as a working spreadsheet. Type six numbers, read the truth.

The Sponsor Scorecard · single-page print file. Score every sponsor. Photocopy freely.

The Stress Test Card · wallet-fold print file of Instrument No. 4.

The Due-Diligence Checklist · the twelve questions with room to write, built for the call.

The Gate Checklist · our five acquisition gates as a one-page pass/fail sheet.

Back of the Napkin · the Wednesday letter: one piece of operator math or one lesson from running Midwest assets each week. Three minutes, no pitch.

middlecoastholdings.com/toolkit

Every tool works on any sponsor and any deal, ours included. That is the standard of this house: if the instrument only flattered us, it wouldn't be an instrument.

"You learn more about an operator from the deal they refused than from any deal they closed."

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