



LIFESTYLE  
VENTURES





# What is Passive Real Estate Investing

# Passive Investing 101

Passive real estate investing is a hands-off strategy in which investors are only responsible for providing capital that other professionals manage on their behalf. As a passive investor, you choose to put money into a real estate investment and your involvement generally stops there.

As a passive investor you are not involved in buying, managing or selling the asset(s): instead, you are compensating other people to shoulder these ongoing responsibilities.

In the eyes of many investors, a key advantage of passive investing is the opportunity to leverage the experience of professional sponsors and operators while allowing your money to work for you.

# Active vs Passive Investing

Active real estate investing is a do-it-yourself approach requiring investors to handle the responsibilities associated with the success of the investment. For example, if you purchase a single-family home as a rental property and are the landlord who manages the repairs and collects rent from tenants, then you are an active real estate investor.

In practice, the differentiations between active and passive run along a spectrum. For example, if you own a rental property but engage a property management firm, your investment slides a bit toward the passive side, although it is still predominately active given your responsibility for overseeing the property manager.

# Passive Real Estate Investing Models

The most common passive real estate investment vehicles include:

- Private real estate funds – These vehicles pool together money from investors to deploy across real estate projects in alignment with the goals of the fund. As an individual investor, you're considered a limited partner (LP). LPs deliver capital, while the general partner (GP) takes responsibility for finding and managing deals to generate an attractive return. Most LPs in private real estate funds are accredited investors or institutional investors.
- Crowdfunding – Crowdfunding allows a developer or deal sponsor who has identified an attractive investment to raise the necessary capital from individual investors in exchange for financial interests in the project. Most crowdfunding deals are focused on a specific property.
- REITs and real estate mutual funds – These professionally-managed funds are typically traded publicly and can hold a variety of investments, such as stocks and bonds of real estate companies and direct investments in properties.

# Key Questions to Ask When Considering a Passive Investment

Successful passive investing demands careful vetting of funds and sponsors. As with all types of investments, it's wise to begin by considering your personal risk tolerance alongside your liquidity and diversification needs. If you believe a passive investment in a multifamily real estate fund may be the right fit, consider the following points when determining where to place your hard-earned dollars:

- What is the investment strategy? Savvy investors look for a clearly articulated strategy that plays to the GP's strengths and areas of expertise. Disciplined execution of said strategy is equally important.
- What is the manager's track record? Consider the historical risk-return profile, especially during challenging phases of the economic cycle.
- How can you monitor your investment? Trust is paramount in passive investing, much of which is derived from transparent reporting. Successful passive investors place a high value on receiving regular communications featuring key metrics and qualitative updates.

# Sample Investment Opportunity

70 Unit Class A Multifamily Property in a Secondary Market

Purchase Price: \$8.95mm

Business Plan:

Minimal CapEx Improvements

Refinance the Asset in Year 3

Sell the Asset in Year 5

70/30 Split - LP/GP

Return Metrics:

Total Return - 206.8%

IRR - 22%

Equity Multiple - 2.07X

Profit Per \$100,000 Invested - \$106,800



# Sample Investment Opportunity

118 Key Resort in Panama, Central America



Master Lease Agreement: 5 Years

Business Plan:

FF&E Upgrades

Implement Hospitality Technology

Streamline Management

Return Metrics:

Total Return - 225%

Note Interest - 15%

Kicker Per \$50,000 Invested - \$10,000

Equity Multiple - 2.25X

Profit Per \$100,000 Invested - \$125,000



# Sample Investment Opportunity

28 Unit / 126 Bed Class A Student Housing

Purchase Price: \$12.15mm

Business Plan:

Minimal CapEx Improvements

Refinance the Asset in Year 3

Sell the Asset in Year 5

70/30 Split - LP/GP

Return Metrics:

Total Return - 200%

IRR - 18%

Equity Multiple - 2.0X

Profit Per \$100,000 Invested - \$100,000

## Meet Beth...

Beth is the founder of Lifestyle Equities Group and Lifestyle Ventures. Active in construction and real estate for 20+ years, she has redeveloped over \$4M in single family homes as well as assisted in the construction of over \$35M in outdoor living spaces.

Currently, Beth is GP on 500+ multifamily units, holds equity in an RV park as well as a hotel in Panama, and is working on various other projects including a townhome development.

As an entrepreneur for over 25 years, Beth has mastered the areas of finance, marketing and client relations. Her extensive background in real estate and construction is the driving force behind the passion to ensure individuals/families have a safe, functional and loving place to call home or to vacation.



Website: [www.lifestyleequitiesgroup.com](http://www.lifestyleequitiesgroup.com)

Email: [beth@lifestyleequitiesgroup.com](mailto:beth@lifestyleequitiesgroup.com)

Phone: 513-470-1078