"Most investors learn what is taught in this book the hard way—through getting burned. If you are going to invest your hard-earned money into passive real estate investments, then you owe it to yourself to invest a few hours of your time digesting this book."

—Richard C. Wilson, CEO and Founder of The Family Office Club

THE HANDS-OFF INVESTOR

an Insider's Guide to Investing in Passive REAL ESTATE SYNDICATIONS

BRIAN BURKE
CEO OF PRAXIS CAPITAL

BiggerPockets® PUBLISHING

THE HANDS-OFF INVESTOR

An **Insider's Guide** *to* **Investing** *in* **Passive**
REAL ESTATE SYNDICATIONS

BRIAN BURKE

BiggerPockets® PUBLISHING
Denver, Colorado

Praise for the Series

THE HANDS-OFF INVESTOR

"For far too long, many of us, including myself, have evaluated sponsors by making a small investment to 'test them out.' No matter how small that investment, it's not going to be less than the cost of this book and a couple of hours of time. . . . I highly recommend this if you are looking to learn the right questions to ask to make better investment decisions and become a better steward of your own capital."

—Mark Abdou, Securities Attorney, Libertas Law Group

"This book was extraordinarily well done—clearly written, well organized, and appropriately detailed. . . . [It's] a good reminder that 'passive' investing in real estate also requires lots of time and experience."

—Chris Demetra, Passive Investor

"I wish this book had been around 10 years ago when I started syndicating. It would have saved me a lot of struggle! Brian is the type of person who you wish you could have lunch with once a week to 'pick his brain.' . . . But since there are too many of us who want his time and precious advice, the next best option is having access to the wealth of knowledge he packs into this book. It will no doubt help thousands of passive investors make better and more informed decisions on where to invest their hard-earned money."

—Kathy Fettke, Co-CEO of Real Wealth Network and host of *The Real Wealth Show*

"The content [is] very understandable, yet Brian's knowledge is encyclopedic enough to be used as a text in an undergraduate real estate course, or a training course for commercial real estate analysts or lending officers. Wow!"

—Steve Darby, MBA, Passive Investor

"I am glad and appreciative that Brian took the time to write this book for the passive investor community, as it has been needed for many years. I look forward to recommending this book to fellow passive investors, as I have no doubt that most, if not all, passive investors will benefit from reading this book."

—Jeremy Roll, President of Roll Investment Group

"*The Hands-Off Investor* is a must-read for anyone considering [to invest] or actively investing in syndicated real estate or sponsor-led investment offerings. . . . If you are going to invest your hard-earned money in passive real estate investments, then you owe it to yourself to invest two hours of your time digesting this book—the ROI will most likely be better than any real estate deal you allocate to. Most investors learn what is taught in this book he hard way . . . through getting burned, frustrated, taken advantage of, or ignored after their money is taken."

—Richard C. Wilson, CEO and Founder of Family Office Club

"[This book] is full of insights from an industry insider's perspective, and digs deep into showing how the sausage is made. . . . Well-organized, clearly written, and comprehensive—but like peeling an onion, with each layer providing more granularity and technical details that keep the reader engaged."

—Joe Fang, Passive Investor

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CHAPTER 1

THE HANDS-OFF WAY TO REAL ESTATE

I know a lot of investors who have experience investing in stocks. I know which ones they are because when they first start investing in my real estate offerings they call every few days asking, "How are things going?" I laugh to myself because I know exactly what is going on in their minds—"Am I rich or poor today?"

For about a year I tried my hand at trading commodities futures contracts. I was working the evening shift and would get off work around 2 a.m. I would get up every morning around 4:30, call my broker and place my trade, then go back to bed. I'd wake up a few hours later and check on how I'd done. Some days were amazing, others were a disaster. After doubling my account over a few weeks, I lost it all over a few days. That was the end of my commodities trading "career."

This is exactly why I love real estate: I don't have to wake up every morning and wonder whether I'm rich or poor. Real estate just moves too slowly to require a daily health checkup. If you study markets properly, buy the right properties at the right price, and operate them correctly, you can achieve consistent and somewhat predictable results. This doesn't mean that things always go your way, but if stocks and commodities turn like a fighter jet, real estate turns like a battleship.

This is part of the reason that the old-school 60/40 stock/bond portfolio is dead. Modern portfolio theory emphasizes portfolio diversification, maximizing risk-return profiles, and flattening spikes in portfolio volatility. Real estate adds a non-correlated asset class to your investment portfolio to help you achieve all those things.

Diversification

If you agree that diversification is a good reason to add real estate to your portfolio, I have even more good news. Real estate offers diversification not only from stocks, bonds, and commodities but from other real estate as well.

You can buy different types of properties. You can buy properties in different cities and even different states. But doesn't that add a lot of risk? Haven't you always heard that you should only buy property that you can drive to in less than an hour? What if you know absolutely nothing about apartment buildings or industrial sites? How can real estate that you know nothing about be a positive addition to your portfolio? What if you don't want to deal with tenants, toilets, and trash? Or you don't have the time to spend countless hours searching for properties? Or you just prefer not to spend your time that way? Those are just a few of the many challenges that investing in real estate presents. But they can all be solved, and I'll explain how before you finish this section of the book.

How much of your investment portfolio should you dedicate to real estate? Diversifying into real estate isn't diversification at all if you allocate all your capital to real estate or if you allocate all your real estate capital to one single investment. Consider limiting your real estate exposure to 20 percent of your net worth if you are conservative or 50 percent if you are more aggressive. You should also consider spreading your risk by dividing your real estate allocation over several different investments. Perhaps you limit any one investment to no more than 20 percent of your total real estate allocation. The bottom line is that the right answer for you is a personal decision and may depend on a lot of factors, so do what feels right but don't go all in too fast. No opportunity will be the last one you'll ever see!

Benefits of Real Estate

Real estate offers a lot of benefits besides diversification.

- **It's less correlated to the public markets.** This simply means that if stocks go down, real estate doesn't automatically follow, unlike stocks or mutual funds that are tied to stock indexes.

- **You can use leverage.** Basically, you can use debt to amplify gains. By way of a simple example, if you purchase a property and borrow 75 percent of the property's cost, and the property value goes up 25 percent, you've doubled your money.
- **Real estate is resistant to inflation.** In an inflationary environment rents tend to go up. Increasing rents mean increased income. Expenses go up too, so don't be fooled into thinking it's a one-way street, but it's very likely that rents will go up more than the higher expenses will offset. Inflation can also cause home prices to appreciate. Increasing home prices can put homeownership out of reach, forcing more people into the rental pool. Increasing demand from renters puts upward pressure on rents.
- **Real estate is a hard asset.** There will always be some value in the land and buildings. While stocks can go to zero, real estate does not.
- **Real estate tends to appreciate.** If you are looking to grow your capital (and who isn't?), you're in luck with real estate. But you don't have to rely just on the market to increase its value. You can make repairs and upgrades, improve management, and reduce expenses to force the income and value higher. Try doing that with stocks! The concept of "forced appreciation" is one of the most important elements of investing in real estate.
- **Real estate can keep Uncle Sam at bay.** Even though real estate tends to appreciate in value, tax laws recognize that buildings and improvements on real estate don't last forever. The law allows real estate owners to depreciate the structures and improvements over specific periods of time. This means that it's possible, and perhaps even likely, that you can receive positive cash flow while recognizing a tax loss.

Advantages in Investing in Real Estate

	REAL ESTATE	BONDS	STOCKS	CASH/SAVINGS
HARD ASSET	●	⊗	⊗	⊗
HIGH CASH YIELD	●	◐	◐	⊗
LEVERAGE	●	⊗	◐	⊗
TAX ADVANTAGE	●	◐	⊗	⊗
EQUITY BUILDUP	●	⊗	●	⊗

Disadvantages of Real Estate

With all these factors in mind, it's easy to see why real estate is such a desirable investment. So why isn't everyone investing in it? The main reason is that owning real estate can be a pain. It's not like a stock that you buy in your brokerage account and forget about for a few weeks, a few years, or a few decades.

My great-grandmother worked as a live-in housekeeper for a well-off family back in the early 1900s. Her boss once told her that she should buy stocks in oil companies and utilities, so she bought a few shares. She put the share certificates in a safe-deposit box, and after she passed away, the certificates went to my grandmother and then to my mother. None of them did one single thing with those share certificates. They were never even taken out of the safe-deposit box. But the dividend checks came like clockwork, and the value of the shares went up. Try doing that with real estate! If my great-grandmother had bought a property that was then completely ignored for three generations, it would have been abandoned, overrun by transients, cited for code violations, and eventually demolished by the city. The city would then lien the property for the cleanup costs and foreclose on the property taxes—not quite the happy ending anybody is looking for.

Real estate is also somewhat cyclical. You probably saw the huge rout that took place in the mid-2000s. Deep depressions are rare, possibly even once-in-a-lifetime events, but real estate is not immune from ups and downs, and you might have to weather a storm or two. Many people don't know how to "read" the market or just don't want to. Professional real estate investors who are active in the market not only study the related economics consistently, they are also buying and selling and renting continuously, which gives instant, up-to-the-minute feedback on the market. Casual investors are often intimidated by the market and choose to avoid investing in real estate altogether.

Real estate is also expensive. If you want to own real estate but don't want to be involved in the day-to-day drudgery that comes with it, you can hire a property manager. The quality of management increases as the size of the property increases. Generally speaking, the management system overseeing a $30 million apartment complex is going to be more sophisticated than the one overseeing a $30,000 single-family home. Not everyone can afford to go out and buy a $30 million apartment complex, so they either buy smaller properties, even though they might struggle with management challenges, or skip real estate investing entirely.

Fortunately, there is a better way, one where you can have it all: the ability to own very large assets without having to invest millions of dollars or deal with any of the hassles of owning property. This book is dedicated to teaching you how to do just that.

What Is a Syndication?

A syndication, as mentioned in the introduction, is the structure or relationship between a sponsor and multiple investors who pool their money to fund a real estate acquisition or other venture. Investing in a real estate syndication means investing passively, alongside multiple other passive investors, with one person or company in charge of buying, operating, and ultimately selling the property. That person or company is also responsible for many other things, such as accounting, tax returns, and making distributions to the investors. In essence, you invest your money, and a real estate expert does all the work.

Syndications are often referred to as "passive real estate offerings," "private offerings," "private placements," and, incorrectly, "crowdfunding deals" (which are just syndications advertised online). In this book

I'll use the terms "private offerings" and "syndications" interchangeably.

I suppose it's obvious that a *syndicator* would be someone who arranges a syndication. You will often see a syndicator referred to as a *sponsor*, and in some cases, an *operator* or *operating partner*, or even as a *GP* or *general partner*, which is a carryover from the days when limited partnerships were the preferred entity structure for private offerings. In this book I'll refer to this role as the *sponsor* or the *syndicator*, and sometimes as the *operator*.

Syndicators have a variety of motivations for sponsoring a syndication. Some don't have money of their own to invest in real estate, so they use investors' money instead. Others are leveraging their own money with money from others, which boosts the yield on the sponsor's capital. And others have built a brand as a financial services business to serve their clients' needs for alternative investments, just as a bank or financial advisory business serves its clients' needs for conventional investments.

Merriam-Webster's online dictionary has another definition for a syndicate, "a loose association of racketeers in control of organized crime."[1] As a syndicator myself, I think this is pretty funny. But investors in private offerings might see this definition as far less humorous and even a bit scary (rightfully so).

Stories abound about unscrupulous investment sponsors absconding with the money and disappearing, and, sadly, I've seen this firsthand on several occasions. No, I don't mean that I've seen a guy boarding a plane to Jamaica with a briefcase full of money, but I've had opportunities to acquire properties where the investment sponsor fled with the money, leaving the investors holding the bag. Eventually these guys get a whole new wardrobe of orange jumpsuits with a serial number, but that's no comfort to the investors who will never see their cash again.

Before I got into this business, I was in law enforcement. I've seen the trauma that crime brings to victims, and it infuriates me to see people take advantage of others. Not only do these crooks victimize investors, they also victimize honest investment sponsors who must now explain to prospective investors why they aren't crooks.

When I was dramatically expanding my business shortly after the great financial collapse, it seemed like every conversation with a new investor eventually turned to Bernie Madoff, and how was my business

1 www.merriam-webster.com/dictionary/syndicate?src=search-dict-hed

different from his, and how would the investor know that I wouldn't do what Madoff did. What can you say to that? "I won't steal your money" isn't going to cut it. I don't know how other syndicators got past these concerns, but my law enforcement background served me well. Once I told investors about it, the discussion could move on to other things. There are a lot of very honest sponsors in this business who don't come from a law enforcement background, and I'm sure each has the task of convincing investors they are honest. It's a constant fight, and investors are right to be careful, because at the end of the day, the moral character of the sponsor can be the most critical variable—and the most difficult to measure.

The potential remains for investment sponsors to throw morals out the window, of course, but more common than fraud and theft is incompetence: sponsors who get in over their heads, take improper risks, have insufficient analytical tools, or don't manage assets properly. Any of these can result in getting into a bad deal or totally screwing up a perfectly good one.

This underscores the importance of properly screening the investment sponsors you will entrust with your valued capital. Many people who invest in syndications don't know what questions to ask, how to recognize a properly underwritten acquisition, or how to properly compare one opportunity to another. Hopefully this book will help fix that.

I've also seen many syndications that are underwritten extremely poorly or have a really bad business plan. I observe these offerings getting filled with capital from investors who probably don't know any better, and I fear the outcome. As I mentioned in the introduction, if I can help just one investor avoid a mistake that changes their life, writing this book will have been worthwhile.

Why Invest in Syndications?

Real estate is a low-barrier-to-entry investment. If you have the down payment and can get the financing, you can buy real estate. So why would anyone invest in a syndication instead of just buying property directly? Let's run through the most common reasons.

Tenants, toilets, and trash. Yes, dealing with tenants can be challenging and time-consuming, and everyone has heard landlord horror stories of 2 a.m. clogged toilet calls or rogue tenants that trash the place.

There are ways to mitigate these annoyances, but many people stay away from real estate because of these issues alone.

Time. If you have the cash to invest in real estate, you probably earned it by doing something you're really good at, and whatever that is probably takes up a lot of your time. Or maybe you have enough wealth that you don't need to work. Instead, you choose to spend your time traveling, golfing, sailing—whatever makes you happy. Trekking around looking at real estate isn't how you would choose to spend your time, or perhaps you have no extra time to do it even if you wanted to. Let's not forget that looking at property is only the beginning. Getting financing takes time. Managing properties, or managing your property manager, takes time. Refinancing, reading management reports, responding to maintenance decisions, filing insurance claims, selling the property—all these things take time.

Lack of local investments. My office is based in the San Francisco Bay Area, and a lot of my investors are in Silicon Valley, where a starter home can easily cost more than $1 million. I talk to a lot of investors who say, "I have $200,000 available for a real estate investment, but that isn't enough for a 25 percent down payment plus closing costs where I live." That's true, and it doesn't even address the fact that the returns on a $1 million rental home likely don't make a lot of sense. Another option is to look for properties two to three hours away, where the numbers are more favorable, but many people in this situation don't have the time to hunt for and manage such properties.

Expensive markets aren't the only ones presenting problems. What if you live in a stagnant market, where homes are cheap but don't appreciate much? If houses in your area sell for $50,000 and you have that same $200,000 for a real estate investment, you'll have to buy several houses, increasing the management burden, which, if you lack time, could be an issue. You could buy a larger property, such as a small apartment complex, but you'd be doing so in a stagnant market, remember? Perhaps that's not the best choice, especially if you could invest in a syndication that gives economy of scale on a larger property located in an emerging or strong market.

Diversification. This is one of the most common motivations I hear from investors in private offerings. There are a couple of subcategories of diversification that syndications can help you accomplish. Portfolio diversification means that you are just looking to add real estate to your investment portfolio, and are doing it through syndications in large part due to one or more of the reasons listed above. Geographic and asset class diversification are major reasons for investing in syndications, since you can invest smaller amounts of money in several assets in different areas and in different property types, versus investing a large sum in one single property that you own directly. Sponsor diversification means that you can invest with several different sponsors, which helps to mitigate sponsor risk by not over-allocating to any one group.

Liability. Let's face it, wealthy people are targets for lawsuits. If you have substantial assets, making money is less important to you than not losing what you have. Let's say the resident manager at your twenty-unit property is on her way to the office supply store to buy envelopes for the late notices and runs over a kid in the crosswalk. The grieving family is going to sue you, and your insurance company will defend you until they call one day and say that you forgot to purchase non-owned auto coverage, so this loss isn't covered by your policy. You're on your own. The multimillion-dollar judgment that comes next wipes you out—or at the very least, it hurts *a lot*.

That's a risk you don't incur when investing in stocks, bonds, and mutual funds. Likewise, your investments in syndications don't present this same risk profile. Your risk is generally limited to the amount that you invested in the offering. If you invested $250,000 in an offering, in the above scenario, even with a multimillion-dollar judgment, you can only lose up to $250,000.

Cash. This one cuts both ways. Some people don't have enough money, others have too much. "Not enough money" could mean a variety of things, such as simply not having enough to invest in your specific market (like the one with million-dollar starter homes). Or perhaps you have enough to invest in a single-family home, duplex, fourplex, or even a fifty-unit apartment building, but you don't want to invest in a small property. You want the economy of scale offered by a 200-unit apartment complex, but you don't have enough money (or experience) to buy one on your own. You can invest in a syndicated 200-unit apartment building alongside other investors and reap the rewards of scale without having to come up with all the money yourself.

Ultra-high-net-worth investors absolutely must have larger scale. Imagine buying tens of thousands of homes! There are some investors who won't write checks for less than $20 million. In many cases they invest with operating partners so they don't have to get into the real estate business themselves. Then there are the folks in between, people who have a few million to allocate to real estate but don't want to invest in one or two properties. They would rather spread their money around to various markets, in a variety of property types, with multiple sponsors. This gives them ultimate diversification.

Lack of desire. Some people just don't want to be in the real estate business. They have the money, they have the time, they have local investment options available to them, but they would rather just invest in a syndication and move on. They have no desire to travel around hunting for properties to buy, nor to be involved in the day-to-day operation or management of property.

Can't find a deal. I talk to a lot of people who have spent countless hours searching for property and come up empty-handed. They get outbid, the brokers don't return their phone calls, they don't hear about the good deals, or maybe they don't really know how to properly underwrite an income property. They give up on the do-it-yourself route and opt to invest in a sponsor's syndicated offering instead.

Syndications Solve These Problems

The good news is that if any of the above obstacles (or other reasons that aren't on this list) apply to you, syndicated real estate offerings can provide a path for you to invest in real estate. Syndications can solve other problems as well. One is what I call the "professional advantage."

Let's say your roof leaks. You are somewhat handy, so you go up on the roof and put some caulking around a vent pipe. Problem solved, right? Several days later, it rains again and the roof is still leaking. You go back up and replace a few shingles. Next rain, more leaks, more trips to the roof, more trips to the hardware store, more trial and error, and you just can't fix it. You finally call a roofer. In fifteen minutes, the roofer spots the problem and fixes it with parts he carries in his truck. No more leak.

Sometimes the professional just outperforms the weekend warrior. Such is the case with real estate. After the great financial collapse, I was buying more than 100 foreclosed homes per year in the Bay Area at extreme discounts to market value, in some cases for prices that the homes had sold for in the 1980s. At the same time, amateur would-be home flippers were making offers and coming up dry. One of the most common questions I was asked was, "How come I don't get good deals like that?" The answer is pretty simple: I do this for a living. I had a team of people looking at nearly a thousand houses per week, and we were bidding on dozens of properties per week. There is just no way the casual investor who looks at one bank-owned property and submits an offer on it is going to strike oil. It takes persistence, consistency, elbow grease, and systems.

Such is the case in the world of commercial real estate. Brokers want to sell to buyers they know, buyers they are sure will perform. The casual investor is at an immediate disadvantage. The only way the one-off investor beats the pro is if their offer is so egregiously high that the seller would be a fool to ignore it.

Investors often fear that they are giving something up by investing in a syndication versus buying property directly because sponsors earn their living by charging fees and splitting the profits. If you buy properties on your own, you save those fees and splits, or so the theory goes. But if you aren't a professional investor, you're passing up dollars to chase dimes. A great real estate sponsor can get better deals than the casual investor, buy larger deals than many casual investors, and operate the property and execute the business plan better than an inexperienced investor. All those advantages squeeze more juice from the fruit, so it's certainly possible that a good syndicator can produce a net return to the investor (after splits and fees) that is equivalent to, and possibly even more than, the amount the casual investor would achieve on their own through direct real estate ownership. Plus, that all happens while you are spending your time and energy on other things that you actually want to spend time doing. That's the beauty of financial freedom.

Leverage

Investing in syndications comes down to one word: leverage. In real estate we think of leverage as debt, which amplifies return on the invested capital. But in the context of syndications, leverage takes on a whole different meaning.

Leverage in this sense means the passive investor can:

- Leverage the sponsor's **knowledge** to find the right investment and implement the right strategy, in the right place, at the right time
- Leverage the sponsor's **experience**, contacts, and systems to source deals that they couldn't source on their own

- Leverage the sponsor's access to **deal flow** located by their full-time staff who are dedicated to finding investment opportunities
- Leverage the sponsor's **financial strength** to obtain the best financing terms
- Leverage the sponsor's **team** to professionally manage the asset
- Leverage the sponsor's **market research** and skill to execute the business plan by making decisions that maximize return and minimize downside
- Leverage the sponsor's **time** to find the right properties and execute a complicated business plan so the investor can do other things
- Leverage the sponsor's **network** to find the right properties, the right financing, and the right insurance; form the right legal structure; and handle construction and remodeling
- Leverage the **capital** of other investors so that, as a group, the investors can invest in deals larger than they could or would invest in on their own

I frequently say that the primary job of a syndication sponsor is to add value. By that, I don't mean they add value to the real estate (although they should be doing that too). I mean that they should add value to the relationship, to their client, the passive investor. Sure, you can invest in real estate without an operating partner. But if syndicators add value and help you accomplish your goals, they satisfy a need for you. Every sponsor should aim to add value at every phase of the investment process, and every passive investor should be seeking sponsors who do just that.

Are Syndications Suitable for You?

People invest in syndications for a variety of reasons. They're a great tool for solving a lot of problems or creating a better path to add real estate to your portfolio, but they aren't for everyone. Suitability is an important and often overlooked factor in the syndication world.

Stories abound of the blind leading the blind as inexperienced and undercapitalized sponsors accept capital from uninformed investors. The most frequent example is the first-time sponsor who raises money from his pals at the country club or his inner circle of family and friends. The investors go in on the deal because they know and trust the sponsor, not because of the sponsor's track record of success or their own extensive knowledge of real estate and ability to recognize a great deal.

This happens all the time, sometimes with great results for all. However, sometimes the inexperienced sponsor fails to execute, or the market turns and the sponsor doesn't know what to do, or the sponsor's lack of underwriting experience starts the deal off destined for disaster due to improper assumptions or simple formula errors in a home-built spreadsheet. My point here isn't to pick on the inexperienced sponsor. In fact, this is really the only way a first-timer gets a deal done—using family and friends to fund their freshman year at the school of hard knocks. I was there once too, along with every other newly minted real estate entrepreneur. My point is that it's very likely that such investments aren't suitable for the investors, either because the sponsor isn't experienced enough to stack the deck in the investors' favor, or because "friends and family" investors probably can't afford to lose their capital without an impact to their financial well-being or lifestyle.

An unsuitable investor is bad for the sponsor: If the deal goes awry, the sponsor could have some explaining to do for admitting an investor who didn't understand the risks. It's also bad for the investor because they might not have understood the risks they were taking.

Accredited Investors

One common litmus test for suitability is the concept of the accredited investor (See appendix). There is no class, test, or certification for becoming accredited, so the term is a bit misleading. An accredited investor is someone who meets the definition set forth in the securities code.

At the time of this writing, anyone whose individual net worth, or joint net worth with that person's spouse, exceeds $1 million (excluding the value of their primary residence) automatically qualifies as an accredited investor.[2]

Another yardstick is income. Any person who had an individual income in excess of $200,000 in each of the two most recent years, or joint income with that person's spouse in excess of $300,000 in each of those years, and has a reasonable expectation of reaching the same income level in the current year qualifies as an accredited investor regardless of net worth.

While the above two tests are the most common, they are not the only

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2 Rule 501 of Regulation D at www.sec.gov

tests of accreditation. The other definitions are somewhat obscure and apply to business entities, trusts, and IRAs, among others. A complete list appears in appendix A at the end of this book.

Being an accredited versus a non-accredited investor has a few important distinctions. Most important, being accredited opens the door to invest in certain syndications that non-accredited investors cannot. In chapter 2 I'll introduce different types of syndications and highlight which ones are restricted to accredited investors.

Other Suitability Factors

Many investors and sponsors alike think that the accredited investor test is the only suitability factor. Many also believe, incorrectly, that you must be an accredited investor to invest in syndicated offerings. Luckily, this is simply not true! Many syndications qualify for non-accredited investors to invest in them.

Suitability comes down to a variety of factors far beyond the investor's net worth and income. Most important, are you familiar enough with real estate investments and syndications to properly evaluate the opportunity and understand the risks? After reading this book, I hope that the answer to this is yes!

Is your capital a match for the business plan? In other words, you don't want to invest short-term capital in long-term projects. Conversely, investing long-term capital in short-term projects might not be the best idea, either.

Are you borrowing money to invest in a syndicated offering? This might sound strange at first glance, but I see it happen frequently. Just as people leverage their real estate to buy other real estate, they frequently do cash-out refinances or equity lines of credit on appreciated real estate, and invest that cash in syndicated offerings. If you thoroughly understand the additional risk you are taking, are comfortable with that risk, and have ample reserves, perhaps this is fine for you. But be careful! If you are using borrowed money, investing it in an offering that doesn't produce a higher level of cash flow than the debt service on the borrowed money can not only affect the risk profile, it can affect your livelihood. You could be forced to divert some of your other income to service this debt. Perhaps this is all part of your plan, but think it through very carefully. Lack of cash flow to service your investment debt could be a factor in