



# A PASSIVE INVESTOR'S GUIDE

A Thorough Set Of Questions To  
Help You Find The Answers That  
Are Most Important

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# INTRODUCTION

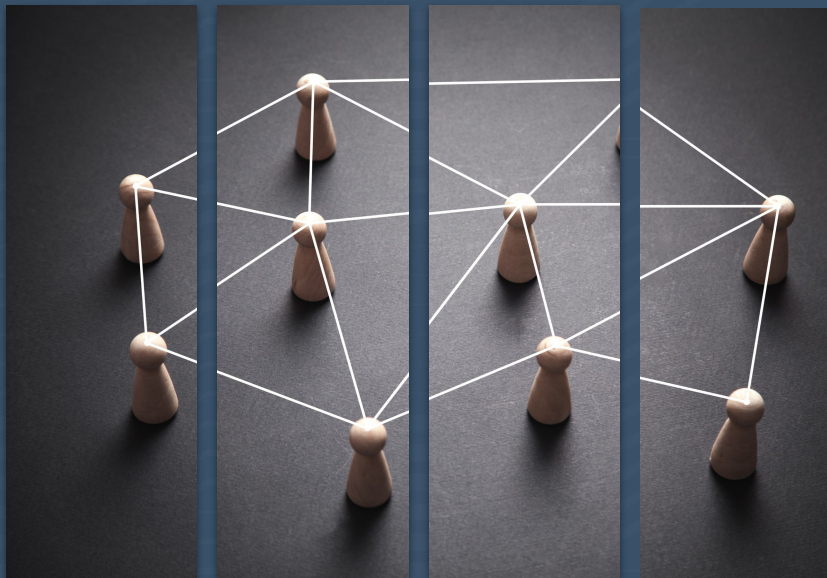
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WE HAVE CREATED THIS RESOURCE TO HELP YOU PROBE THE OPPORTUNITIES THAT CROSS YOUR PATH. WHILE IT CERTAINLY IS NOT EXHAUSTIVE, IT IS A GREAT START IN ASSESSING THE STRENGTH OF A REAL ESTATE INVESTMENT.



# LET'S TALK ABOUT THE

# TEAM



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THE PEOPLE THAT WE CHOOSE TO INVEST WITH CAN MAKE OUR EXPERIENCES INCREDIBLE. WE SHOULD TAKE THE TIME TO MAKE SURE WE ALIGN WITH THE VISION THAT THEY HAVE.

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**WHO IS THE LEAD SPONSOR?**

IS THERE A CO-SPONSOR?



**DO YOU HAVE A RELATIONSHIP WITH ANYONE  
ON THE TEAM?**



**WHAT IS THE MAKEUP OF THE ACTIVE  
OPERATIONS TEAM?**

HOW MANY COLLABORATIVE YEARS OF  
EXPERIENCE DO THEY HAVE?



**HOW MANY UNITS IS THE TEAM CURRENTLY  
MANAGING?**

HOW MANY ARE GENUINE ASSETS UNDER  
MANAGEMENT?



**DOES THIS TEAM HAVE A DESIRE TO GROW?**

ARE THEY ADDING NEW RESOURCES ?



**ARE THERE TRANSITION PLANS IN PLACE SHOULD  
SOMETHING HAPPEN TO A MEMBER OF THE TEAM?**



**IS THE SPONSOR OR ANYONE ON THE TEAM  
CONTRIBUTING EQUITY?**

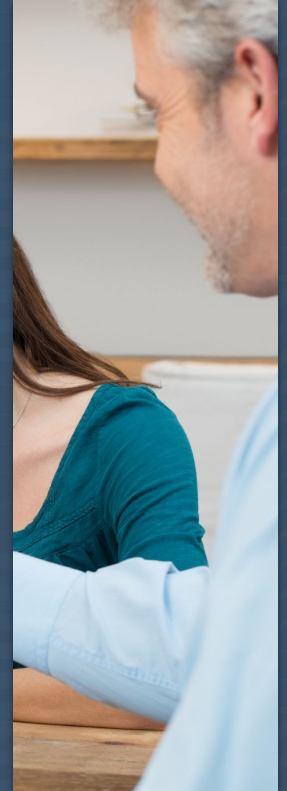
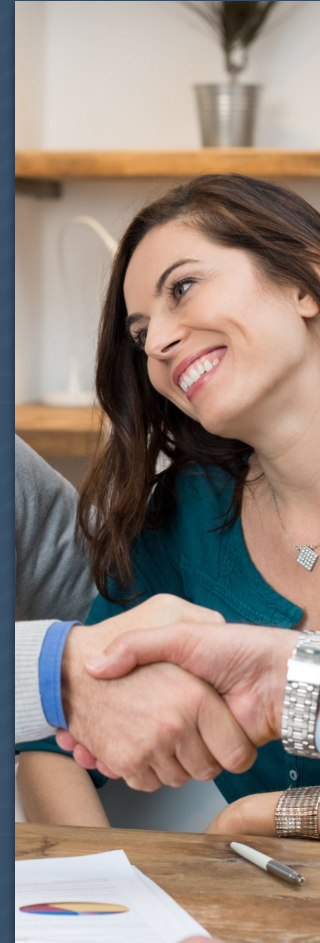
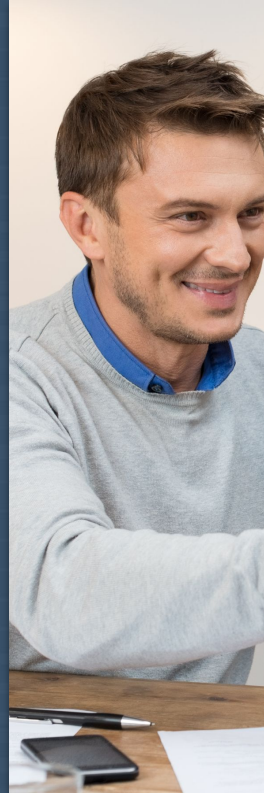


**DO YOU FEEL COMFORTABLE WITH THE SKILL  
SETS AS THEY HAVE BEEN PORTRAYED?**

DOES THIS TEAM HAVE STRONG POTENTIAL  
TO WORK WELL TOGETHER?

**ARE THEY CONNECTING  
MY RESOURCES TO REAL  
LIFE CHANGE IN PEOPLE  
FOR GOOD OR ARE THEY  
VIEWING OTHERS AS A  
COMMODITY?**

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**DO THEY HAVE OTHER ASSETS THAT ARE SIMILAR IN THEIR PORTFOLIO?**

IF SO, HOW MANY? IF SO, WHAT'S THEIR EXPERIENCE BEEN?



**IS THE TEAM CURRENTLY INVESTED IN OTHER EFFORTS?**

ARE THEY NICHED DOWN TO A SINGULAR FOCUS OR VARIED IN THEIR APPROACH?



**ARE THEY PURSUING GROWTH TOWARD VERTICAL INTEGRATIONS?**

COULD THIS CREATE BETTER FUTURE OPPORTUNITIES?



**DOES THIS TEAM'S INVESTMENT PHILOSOPHY AND BUSINESS PLAN ALIGN WITH MY INVESTMENT GOALS?**



**ARE THE BUSINESS PLANS SIMILAR TO OTHER ASSETS CURRENT OR PAST?**



**ARE THEY SEASONED IN SOME WAY HAVING EXITED SIMILAR DEALS?**

HAVE THEY OPERATED THROUGH A MARKET CYCLE?



**HOW MANY DEALS ARE THEY DOING RIGHT NOW?**

HOW MANY LOI'S ARE THEY SUBMITTING ANNUALLY?



**DOES THIS TEAM HAVE A MISSION-DRIVEN APPROACH TO THE WORK THAT THEY DO?**

IS THERE ANY COMMUNICATION THAT SUGGESTS CARE AND CONSIDERATION FOR EVERY INDIVIDUAL WHETHER PASSIVE INVESTOR, PROPERTY RESIDENT, BUSINESS OWNER, OR EMPLOYEE?

# LET'S TALK ABOUT THE

# MARKET



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THE AREAS WHERE WE CHOOSE TO WORK CAN BE CRITICAL TO OUR SUCCESS AS AN INVESTOR. IT IS ALWAYS CERTAIN THAT NO MATTER THE AREA IN WHICH WE WORK, THERE WILL BE NEEDS THAT ARE UNMET. WE ARE HERE TO FUNCTION AT THE COLLISION OF COMMERCE AND CONSCIENCE.

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**WHAT TYPE OF MARKET IS THE ASSET  
LOCATED IN?**

PRIMARY? SECONDARY?  
TERTIARY?



**WHAT CAP RATES ARE TYPICAL IN THIS  
MARKET?**



**IS THIS A LANDLORD-FRIENDLY OR  
TENANT-FRIENDLY STATE?**



**HOW DID THIS MARKET RESPOND IN THE  
CRISIS OF 2008/2009?**



**IS THE MARKET REALIZING JOB  
GROWTH?**



**ARE FUTURE JOB GROWTH PREDICTIONS  
POSITIVE?**



**DOES THE MARKET OFFER A DIVERSE  
EMPLOYMENT SECTOR?**



**WHO ARE SOME OF THE MAJOR  
EMPLOYERS?**



# ARE CAPITAL INVESTMENTS FLOWING TO THE AREA FROM GOVERNMENT AND PRIVATE RESOURCES?

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**WHAT ARE THE CURRENT UNEMPLOYMENT TRENDS?**



**HAS THE MARKET AND SURROUNDING AREA EXPERIENCED CONSISTENT POPULATION GROWTH?**



**IS THERE DIVERSITY AMONG THE POPULATION?**



**DOES THE AVERAGE HOUSEHOLD INCOME SUPPORT THE PROJECTED RENT?**



**WHAT IS THE CURRENT HOUSEHOLD INCOME?**

ARE HOUSEHOLD INCOMES RISING?



**WILL RESIDENTS BE ABLE TO AFFORD FUTURE RENT GROWTH?**



**ARE HOME VALUES INCREASING OR DECREASING?**



**IS THE MARKET DEMANDING THIS PRODUCT TO MEET A NEED?**

# ARE THERE SIGNIFICANT NUMBERS OF BOOMERS AND MILLENNIALS LIVING IN THE MARKET?

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**ARE THE DEMOGRAPHIC TRENDS IN FAVOR OF  
THE ASSET PLAN?**



**WHAT IS THE AVERAGE VACANCY IN  
THE AREA?**



**IS POVERTY A SIGNIFICANT CONCERN IN THE  
BUSINESS PLAN?**

# LET'S TALK ABOUT THE PROPERTY



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THE PROPERTIES WE CHOOSE TO INVEST IN CAN BE CRITICAL TO OUR SUCCESS AS AN INVESTOR. EVERY PROPERTY IS FULL OF ITS OWN NUANCES AND OPERATIONAL DYNAMICS. THEREFORE, MUCH OF THE IMPACT YOU CAN REALIZE HAPPENS RIGHT HERE.

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**MULTIFAMILY**



**SHORT-TERM  
RENTALS**



**SENIOR LIVING**



### **HOW MANY UNITS?**

WHAT IS THE UNIT BREAKDOWN?



**WHAT UNITS ARE IN DEMAND IN THE AREA?**



### **DOES THE PROPERTY SUPPORT ON-SITE SERVICES?**

MAINTENANCE? MANAGEMENT?



**ARE THE CURRENT OPERATIONS EFFICIENT?**



### **IS THERE A SEPARATE UTILITY BILLING FORMAT PRESENTLY?**

IF NOT, WILL A RATIO UTILITY BILLING SYSTEM (RUBS) PROGRAM BE INSTITUTED?



**WHAT IS THE MARKET CLASS OF THE ASSET?**



### **WHAT'S THE ASKING PRICE?**

WHAT'S THE CONTRACT PRICE? WHAT'S THE PRICE PER DOOR?



**IS THE PROPERTY LOCATED NEAR MAJOR EMPLOYERS?**



**IS THE PROPERTY IN THE PATH OF  
PROGRESS?**



**IS THE PROPERTY VISIBLE FROM MAJOR  
ROADWAYS?**



**WHAT IS THE CONDITION OF THE ROOFS,  
PLUMBING, HVAC AND WINDOWS?**



**IS THE PROPERTY NEAR ANY MAJOR RETAIL  
LOCATIONS?**



**HAVE INSPECTIONS BEEN  
PERFORMED?**



**ARE THERE SIGNIFICANT CAPITAL  
EXPENDITURES PLANNED?**



**IS THE PARKING LOT IN GOOD CONDITION?**



**IS THERE ADEQUATE OFF-STREET PARKING?**



**DOES THE PROPERTY SUPPORT ON-SITE SERVICES?**

HAS THE RATE BEEN LOCKED IN WITH LOSS RUNS PROVIDED?



**ARE THERE SECURITY FEATURES ON PREMISES?**



**IS THIS PROPERTY APPEALING?**



**IS THE ASSET IN A FLOOD, TORNADO, OR HURRICANE ZONE?**



**WHAT'S THE CURRENT OCCUPANCY RATE?**

PHYSICAL OCCUPANCY? ECONOMIC OCCUPANCY?



**DO YOU WANT TO OWN THIS PROPERTY?**



# LET'S TALK ABOUT THE DEAL

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HOW A DEAL IS PUT TOGETHER IS A  
CRITICAL COMPONENT TO THE OVERALL  
SUCCESS OF ANY OPPORTUNITY.  
UNCOVERING AND ASSESSING THE  
DETAILS WILL POSITION YOU FOR  
SUCCESS WITHIN A DYNAMIC AND  
EXCITING INVESTMENT VEHICLE.

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**ESTABLISHING CONTEXT, WHAT ASSUMPTIONS  
HAVE BEEN MADE?**

DO I AGREE OR CLOSELY AGREE WITH ALL  
ASSUMPTIONS?



**HOW DOES THE YEAR 1 PRO-FORMA COMPARE  
WITH THE T-12?**



**WHAT'S THE PURCHASE CAP RATE?**

WHAT'S THE EXIT CAP RATE  
ASSUMPTION?



**WHAT'S THE MARKET CAP RATE?**



**DOES THE INCOME PROFORMA MATCH WHAT  
YOU KNOW TO BE TRUE?**



**HOW IS PROPERTY TAX BEING  
CALCULATED?**



**WHAT'S THE PROFORMA RENT INCREASE? AND  
THE ANNUAL RENT INCREASE?**



**IS THERE A REHAB BUDGET PER UNIT? IF SO,  
HOW MUCH?**

DOES THIS SEEM ACCURATE? IS THIS BEING  
SUBSTANTIATED WELL?



**ARE THE RENT GROWTH PROJECTIONS  
BASED ON TRUE RENTAL COMPARABLES?**



**WHEN ARE DISTRIBUTIONS TAKEN? IS  
THERE AN INITIAL DELAY OF ANY KIND?**



**HOW ARE PAYROLL EXPENSES BEING  
ALLOCATED?**



**DO THE MARKETED RETURNS COINCIDE WITH  
MY INVESTMENT GOALS?**



**IS THIS A STRAIGHT SPLIT OR A WATERFALL?**



**WHAT ARE THE LP/GP SPLITS? IS THERE A  
PREFERRED RETURN?**



**WHAT IS THE CASH-ON-CASH PROJECTED  
RETURN? TOTAL RETURN?**



**WHAT IS THE IRR? AND ARR?**



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**IS THERE A YEAR 1  
REVENUE  
INCREASE? IF SO,  
HOW MUCH?**

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**HOW LONG IS THE HOLD PERIOD? WHAT IS THE MINIMUM INVESTMENT?**



**WHAT ARE THE FEES ASSOCIATED WITH THIS OPPORTUNITY?**

ASSET MANAGEMENT? ACQUISITION FEE?  
DISPOSITION FEE? HIDDEN FEES?



**DO YOU BELIEVE WHAT'S BEEN COMMUNICATED TO BE REASONABLE?**



**HAS THE INCOME AND EXPENSE PRO-FORMA BEEN VERIFIED BY A PROPERTY MANAGER?**



**DOES THE TEAM HAVE THEIR OWN PROPERTY MANAGEMENT FIRM?**



**HAVE BIDS BEEN RECEIVED FOR PLANNED CAPITAL EXPENDITURES?**

IF SO, HOW MANY BIDS AND DO THEY CORRELATE?



**DOES UNDERWRITING PROPERLY ADJUST VACANCIES DURING THE BUSINESS PLAN IMPLEMENTATION?**



**HOW MUCH CAPITAL IS BEING SET ASIDE IN RESERVES?**

IS THERE ENOUGH SHOULD THE PLAN REQUIRE ADDITIONAL RESOURCES?



**WILL I INVEST ALONE? WITH OTHERS  
IN AN LLC?**



**WHAT TYPES OF INVESTMENTS ARE BEING  
RECEIVED? 401K, IRA, CASH?**



**WILL I NEED TO RETAIN LIQUIDITY  
DURING THIS INVESTMENT?**



**IS THE PROJECT A COST SEGREGATION  
CANDIDATE ? WILL I REALIZE BONUS  
DEPRECIATION?**



**CAN I TRUST THE TEAM AND EVERYTHING  
COMMUNICATED? DOES ANYTHING FEEL  
LIKE IT DOESN'T FIT?**



**HAS A CLEAR STRESS TEST BEEN  
COMMUNICATED?**

DO I AGREE WITH ITS PARAMETERS?



**ARE MULTIPLE EXIT STRATEGIES BEING  
COMMUNICATED?**





# LET'S TALK ABOUT THE DEBT

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SEEKING AND CREATING STRONG LENDING PARTNERS CAN ALLOW FOR THE IMPLEMENTATION OF EXCEPTIONAL DEBT SCENARIOS. IN MANY CIRCUMSTANCES, THE DEBT CAN MAKE AN OPPORTUNITY VIABLE SO WE SHOULD PAY CLOSE ATTENTION TO ITS RAMIFICATIONS.

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**WHAT ARE THE DEBT ASSUMPTIONS?**



**WHAT IS THE AMORTIZATION PERIOD?**



**WHAT TYPE OF LOAN IS BEING  
IMPLEMENTED?**



**IS THERE AN INTEREST ONLY PERIOD?**

IS IT CRITICAL FOR THE DEAL TO  
MAKE SENSE?



**WHAT IS THE LOAN TERM?**

RECOURSE? NON-RECOURSE?  
AGENCY? BRIDGE? REGIONAL?



**WHAT IS THE LTV?**



**WHAT IS THE DEBT SERVICE COVERAGE  
THAT WILL BE MAINTAINED?**



**IS EVERYTHING ABOVE BASED ON AN  
ACTUAL QUOTE?**



**IS THERE A PRE-EXISTING LENDER  
RELATIONSHIP?**



**IS THE DEBT FIXED OR FLOATING?**



**HAS THE RATE BEEN LOCKED?**



**DOES THE DEBT STRUCTURE ALIGN WITH  
THE STRATEGY ALREADY DISCUSSED?**



**ARE THERE REFINANCE ASSUMPTIONS  
AND ARE THEY OVERLY AGGRESSIVE?**



# A FEW ADDITIONAL CONSIDERATIONS

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CAPTURING AND CONSIDERING  
SOME OF THE DETAILS OF THIS  
SITUATION AND HOW IT IMPACTS  
YOU AS IT INTERFACES WITH YOUR  
DAY IN AND DAY OUT

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**HAVE I BEEN TOLD HOW I WILL BE  
COMMUNICATED WITH?**

IS THERE AN INITIAL WEBINAR  
SCHEDULED? ARE THERE REGULAR  
INVESTOR UPDATES?



**IS THERE A COMMITMENT DEADLINE? IS THERE  
SUBSEQUENTLY A FUNDING DEADLINE?**



**WILL I KNOW IF PERFORMANCE AT THIS  
ASSET IS ACCEPTABLE?**



**AM I MISSING ANY RISK FACTORS?**



**HOW CAN I NOT DO THIS DEAL? WHAT  
DON'T I LIKE?**





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IN CONCLUSION, WE WANT TO THANK YOU FOR SEEKING TO CONNECT WITH US VIA THIS RESOURCE. WE TRUST THAT IN THE DAYS AHEAD, WE WILL BE ABLE TO VALUE YOU AND BE OF VALUE TO YOU IN OUR DESIRE TO FOSTER AND CREATE CHANGE IN THE LANDSCAPE OF BUSINESS AND REAL ESTATE.

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FOLLOW:

