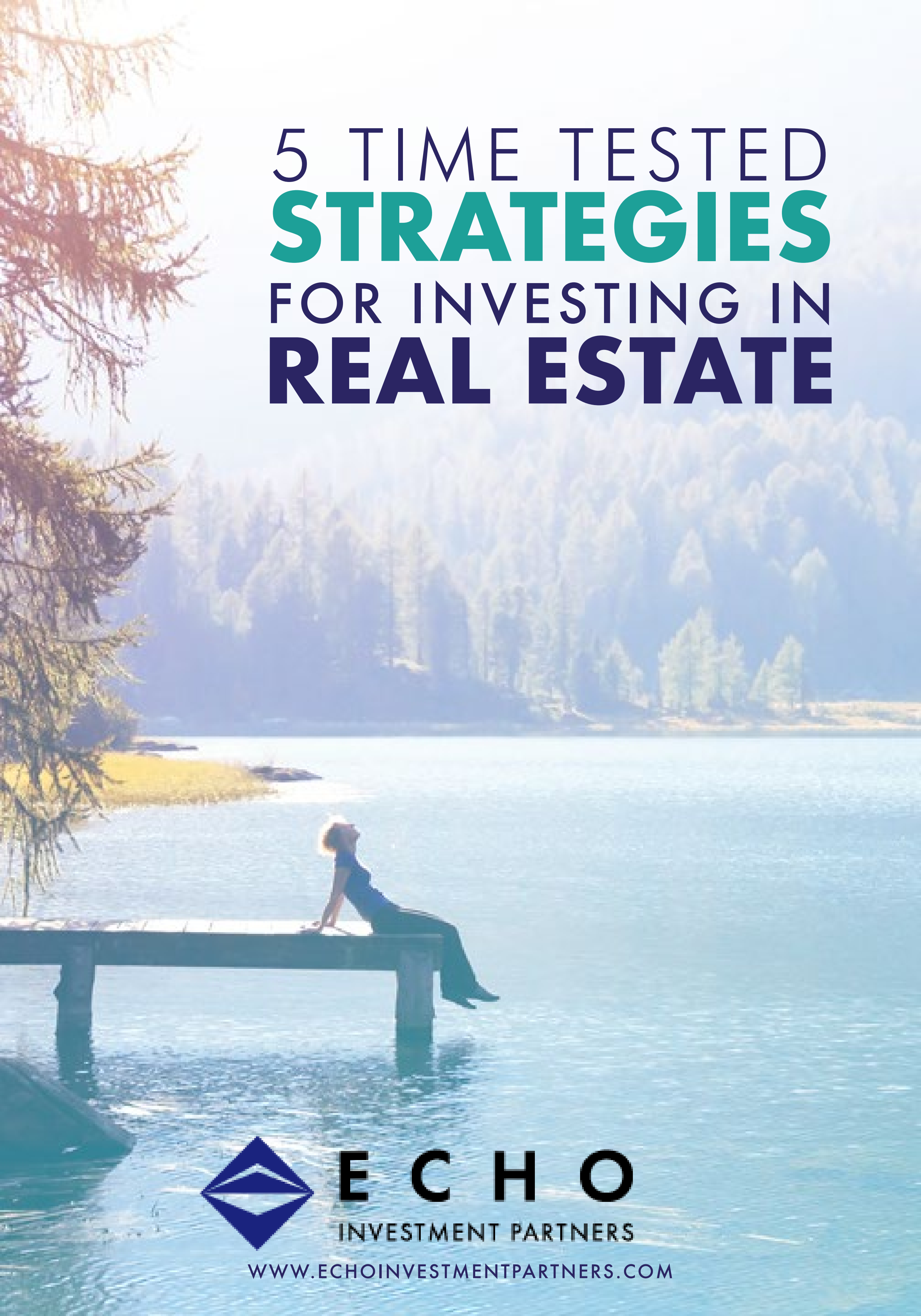
5 TIME TESTED **STRATEGIES** FOR INVESTING IN **REAL ESTATE**



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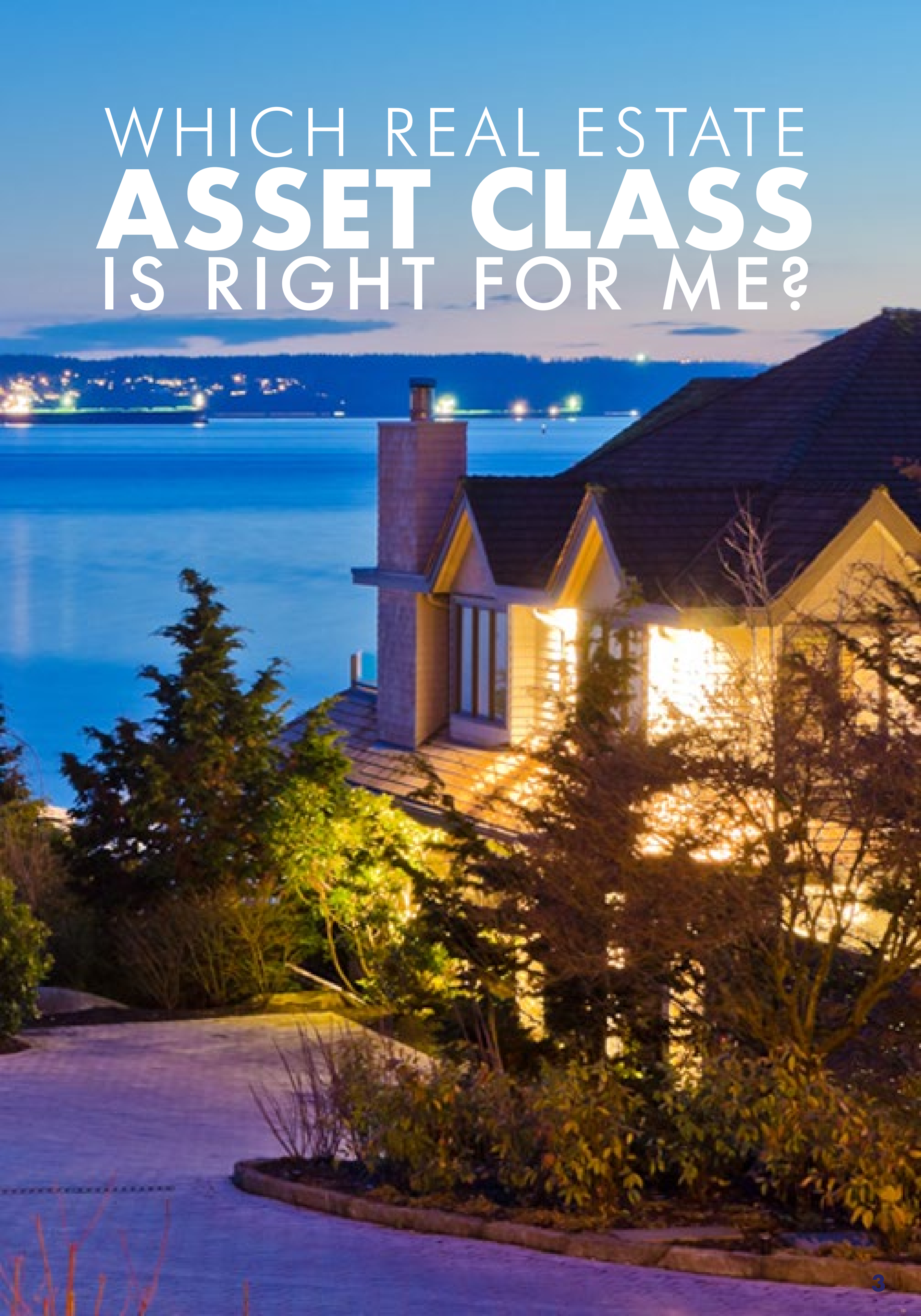
IF YOU'RE INTERESTED IN LEVERAGING THE POWER OF REAL ESTATE AS A SOURCE OF CASH FLOW, BUT LIVE IN AN EXPENSIVE MARKET, THERE ARE MYRIAD OPTIONS TO EXPLORE.

For some, the idea of improving a property and being a landlord is intriguing, but not when you can't find deals in your own "backyard". For others, who are strapped for time and bound by geography, the passive investment route is the only feasible option.

Deciding which investment strategy is right for you depends on your own personal goals. It's also critical to factor in your level of interest and expertise, the time you have available to devote to research or further education, and whether you want to be a more passive investor or truly hands on.

To help you better understand which approach is right for you, this investor guide features 5 time-tested strategies to kick-off or supercharge your existing real estate investing portfolio. There are many ways to invest and with some well-placed study and appropriate guidance you can put your earnings, savings and even your 401K to work delivering resounding returns through real estate investing right now.

WHICH REAL ESTATE **ASSET CLASS** IS RIGHT FOR ME?



1 SINGLE FAMILY HOME AND/OR TURNKEY COMPANIES

For many investors, the first foray into becoming a landlord begins with a single family home (SFR) they once lived in. A job relocation occurs and instead of selling a current home, they decide to move into the world of investing by renting out a property for cash flow.

As income starts rolling in, it's natural to consider buying and holding additional SFRs to earn additional income. You can buy a second home in your own backyard, but if your market is too competitive, or even overpriced, many consider long-distance investing as a solution. You'll need to spend time researching different geographic locations even down to specific neighborhoods. You'll also need to enlist the efforts of a local realtor to drive the purchase process, and choose a property management company you can depend on to find tenants and maintain the property.

To shorten the purchase process, many investors look to turnkey companies. A turnkey company purchases and renovates a property so that it is move-in ready, locates, vets and signs tenants to new leases, and puts property management in place all prior to an investor getting involved in the deal. This simplifies the home buying process for a truly hands-off experience for the investor and shortens the time it takes for passive income to start rolling in.

As with everything in life, there are pros and cons to both of these investing strategies which we've highlighted on the next page.

ADVANTAGES OF SFRs

• Renting a single family home is frequently more desirable by the rental community, particularly families. Tenants frequently rent single family homes for longer than apartments which will help your bottom line over time. And it's generally easier and less expensive, including lower upfront costs, to purchase an SFR vs. an apartment building.

• When you buy and hold an SFR you own 100% of the property vs. simply having an invested stake in other types of properties. If you've bought correctly, you also receive 100% of the appreciation over time. Purchase one home a year and you'll have an incredible source of cash flow in 10-15 years, and can easily sell off properties one by one if you need liquidity. You can also easily diversify by purchasing across different markets - one that's better for cash flow and the other for appreciation.

• As mentioned above, the advantages of purchasing an SFR through a turnkey company is the speed with which you start earning income. The property is renovated, rented, property managed, and achieving cash flow before you purchase it. And you'll have little in the way of outflowing costs with this type of property for the foreseeable future so can confidently bank the cash flow for a good while before major repairs are required. The ease with which you can purchase a turnkey property makes it much more likely you'll repeat the process, keeping analysis paralysis at bay as you add to your net worth.

DISADVANTAGES OF SFRs

• While SFRs can make for great first investments, it is a much slower route to achieving financial freedom through cash flow. It requires a long lead time as you will need to become well versed on the market you're considering (job growth, comps) and do research of specific neighborhoods, school districts and tenant types. Depending on the home you purchase, and your tolerance for home repair, you may need to hire a team for any major capital improvements.

• Cash flow margins are generally smaller on SFRS than duplexes or small multi-families, especially once property management is factored in. And when your tenant moves out, you are at 100% vacancy and responsible for the mortgage. Many investors find duplexes and small-multis provide much more comfortable vacancy rates. Lastly, you'll of course need to find a reputable management company to oversee your investment, and should keep vigilant on the cost reports they submit.

• Purchasing from a turnkey property can alleviate some of these factors. A reputable turnkey company has done the research on the best geographic regions and neighborhoods, does the upfront repair work and often provides their own property management. But turnkey companies also make their money at the front end of the deal. They benefit from the value-add they've already provided and make a sizeable profit when they sell to you. This leaves them less invested in the property's appreciation so you'll need to be comfortable with the cash-flow you're making from the deal, and hope you'll see appreciation down the road.

2 REITs - REAL ESTATE INVESTMENT TRUSTS

Real estate investment trusts or REITs are companies that own, operate and finance income-producing real estate across a range of property sectors as part of an investment portfolio. These may include office buildings, shopping malls, apartments, hotels, resorts, self-storage facilities, warehouses, and even mortgages or loans.

Similar to mutual funds, REITs offer an ability to invest in a portfolio of assets, in this case real estate vs. stocks, and provide income in the form of dividend payouts. In addition to consistent dividend payments they can also provide long term capital gains. The value of your shares in the REIT can improve as the value of the real estate the REIT holds improves.

REITs allow individual investors a way to earn income from commercial real estate without having to actually go out and purchase commercial real estate. They're considered a great portfolio diversifier and REIT dividends can be substantial as the company is required to pay 90% of their taxable income to shareholders annually. They're a stable investment to build toward retirement and a great income stream for retirees that are looking for continual passive income to meet expenses.

ADVANTAGES OF REITs

• The big advantage when considering REITs is the simplicity of the investment and the higher than average yields paid out as dividends. You get the benefits of appreciation and rental income without the burdens associated with buying, managing and selling properties. Diversification across geographic locations, property types and numbers of properties is built into the many REIT funds that exist. As an individual investor, it would take years to build up as diverse a portfolio of physical properties and require you to lock up a large portion of your investing funds via down payments. Unlike owning physical properties, REITs are a liquid investment and offer the ability to turn your investment back into cash by simply selling your shares.

DISADVANTAGES OF REITs

• While REITs provide 90% of their taxable income back to investors as dividends, that leaves only 10% to invest in additional properties or capital expenses and frequently requires the REIT to take on debt to fund additional investments. This leads to stocks that don't grow as quickly as tech stocks that reinvest all of their earnings back in to the business to drive growth. Share prices are susceptible to the rise and fall of the general stock market and to rising interest rates. Additionally, dividend payouts are frequently taxed as regular income so you miss out on the earned income tax reduction benefits generally associated with investing in real estate. Lastly investors have little insight into how the properties in the REIT are managed and/or by whom. If you prefer a more hands-on approach to real estate, this may not be the right investment for you.

3 REAL ESTATE NOTES

When you invest in real estate notes, you are essentially becoming the bank, buying the whole mortgage amount which is secured by the property. A note is essentially a promise to pay. Investors pay cash to take over a mortgage and begin receiving the monthly mortgage payments (principal and interest). They own a lien position over a property, but they do not own the title. Buyers of notes set the terms of their promissory note based on a number of factors including equity, current condition of the the property and location, even the credit of the payer. Buying notes is considered an attractive investment since it offers above market returns.

ADVANTAGES OF REAL ESTATE NOTES

- Buying real estate notes is truly a passive investment strategy allowing you to invest in real estate without the hands-on of property management. Note investors only have to manage their borrowers, not the tenants or the property itself. And because you are frequently lending to other investors or home-owners, you end up with a more invested tenant than your typical renter. Notes usually offer comparable rates to those seen with hard money lending, and non-performing notes bought at a discount can even exceed private money lending returns of 12-18%. If the borrower sells or refinances within 5 years (as if often the case) you enjoy an early payoff. And because the note is tied to real property, you always have the option of foreclosing if the borrower defaults.

DISADVANTAGES OF REAL ESTATE NOTES

- Note investing becomes a much less passive prospect when the borrower defaults. Many investors shy away from note investments because they do not wish to have to foreclose on a borrower. Think of foreclosures like an eviction of a non-paying tenant - only more time consuming and more expensive as you will likely go through many hurdles to take ownership of the property. An additional negative is that the gains from note investing are taxed as ordinary income. Similar to investing in REITs you don't get to take advantage of the inherent tax reduction benefits of owning real estate and could negatively impact your bottom line. Unlike buy and hold real estate, your cash flow ends once the note is paid off which also means you won't benefit from the appreciation the property may have earned. Lastly, if you're looking to invest via an IRA, you can only utilize a self-directed IRAs vs a traditional IRA.

4 REAL ESTATE SYNDICATIONS

Real estate syndication deals offer investors the opportunity to pool their financial and intellectual resources together with other investors to purchase an otherwise unobtainable, high-value asset that yields high returns. Syndication deals can involve large multi-family apartment units, self-storage facilities, mobile home parks or even retail outlets.

The syndication sponsor (ie, general partner) who generally has years of experience analyzing properties and markets, finds a great real estate investment, gets it under contract and then structures the syndication deal (arranging the debt, raising the equity and performing all due diligence including legal documentation). Investors (ie, limited partners) supply the bulk of the upfront investment, or downpayment. The general partner manages the project (overseeing the property management company), and the limited partners receive profits based on a predetermined and agreed upon distribution rates split between all investors and the syndicator (general partner).

The core approach for a successful syndication is the ability to purchase an asset that is already performing (cash-flowing) at under-market rates. From there, a variety of value-add strategies are leveraged to raise overall net-operating income which, in turn, raises the value of a commercial property significantly. General Partners and Limited Partners all benefit from these approaches through distributions and the eventual sale of the asset.

ADVANTAGES OF REAL ESTATE SYNDICATION

- In addition to being a wholly passive investment, the key benefits of investing in large real estate syndications are the high overall returns (from 15% - 25% upon sale) and a more diversified investment that has less risk than those associated with the vacancy, maintenance, and miscellaneous expenses of a single property. In addition to consistent monthly or quarterly payout schedules, you'll benefit from the capital appreciation structured into the deal (via property enhancements and improved property management) that will drive up the overall value of your investment.

- There are also impressive tax deferred benefits when investing in a Limited Partnerships or LLC, which is how syndications are structured. Tax benefits include write-offs for depreciation, interest payments, expenses, etc., substantially lowering any taxes paid on the income earned until after the property is sold. And lastly, investing alongside a pool of other investors in an LLC allows you to enjoy great returns without exposing yourself to personal liability or credit risk.

DISADVANTAGES OF REAL ESTATE SYNDICATION

- The drawbacks to investing in large syndications is the illiquidity of your investment which is tied up until the end of the projected hold period (which can run from 3 - 10 years) with first-time minimums anywhere from $25,000 - $100,000.

- And lastly, a barrier to entry for some investors, most syndications require the investor to be accredited which means they need an individual annual income of $200,000 or overall net worth of $1 million.

5 SHORT-TERM LENDING TO REAL ESTATE DEALS (BRIDGE LOANS)

Bridge loans, also known as hard-money loans, are frequently a tool for house flippers or real estate developers and involve a short term loan (often a year or less) from a private lender to invest in a real estate project. As an investor, you can use your capital to provide a short-term loan and set the terms of the loan including the interest rate. Bridge loans are generally interest only loans with the value of the property serving as your collateral.

ADVANTAGES OF SHORT TERM LENDING

• The key advantage of hard money lending is the rate with which you can quickly see returns of 10-12% or more and a return of your full investment in a shorter span of time. Investing in paper returns is also a great way to stay invested in real estate without having to purchase or manage a physical asset. Hard money loans also provide better overall liquidity as they can be sold to another investor more easily than the actual property.

DISADVANTAGES OF SHORT TERM LENDING

• Functioning as a hard money lender involves inherent risks and complexity that you can protect yourself against, but which aren't present in other passive investments. Because of the short term nature of hard money lending, you'll need to consistently find more deals to invest in to continue earning your returns. You should only work with experienced developers with great track records, and do your own due diligence to ensure the scope of the real estate development is sound (paying close attention to ARV (After Repair Value). Also be sure to be listed on the title insurance to ensure the property is free and clear of all other obligations and that if the borrower defaults, the property will be yours free and clear.

TAKING THE FIRST STEP

There are various ways to invest in real estate and you may employ one or more of these strategies at the same time, or at different times in your investing career. Consider your own key factors including: your need to keep your assets liquid, your financial situation or net worth, and your tolerance for risk vs return (in the form of higher ROIs). If you find yourself with limited time on your hands, choosing the best passive investment for your situation is likely a better option than purchasing a single family home that you'll have to actively manage.

If you want to talk through the investment strategies presented or are specifically interested in learning about our multi-family syndication opportunities, we'd love to connect with you. Please fill out our investor form by clicking the button below.

I WANT TO KNOW MORE

At Echo Investment Partners, we know our investors lead busy lives and depend on us to provide passive investment opportunities that deliver superior returns. Get in touch today to learn how our strategy can help you live the lifestyle you desire through the generation of passive income.

Before making any investment please consult your attorney, CPA and/or professional financial advisor regarding the suitability of any investments you may consider.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