

# 67 Questions Passive Investors Should Be Asking



James Gleeson

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# Why Passive Investing is Powerful

Investing passively in real estate truly is one of the best ways to create wealth on a risk-adjusted basis. As many of you know, real estate has created more millionaires than just about any other industry, but many people don't have the time, or the resources to ever get started in the business. Luckily, the world of real estate syndications, and passive investing, has transformed the accessibility of the larger, lucrative deals that have created so much wealth in this country.

By passively investing in someone else's deal, you can recognize all of the benefits that real estate has to offer (tax benefits, appreciation, inflation hedge, principal pay down, capital preservation, and cash flow) without having to deal with any of the tenants, maintenance issues, or day to day headaches that many operators go through to make a deal profitable. On top of this, passively investing in real estate gives the investor access to top-tier operators in the industry- including their team, resources, and deal-flow. In many cases, because of this, passive investors receive a return greater than they could have received on their own.

When passively investing in someone else's deal, it is critical to ask the right questions to fully understand the economics of the deal. In order to help our investor base, we have put together a blueprint of many of the important questions that passive investors should be asking when considering a passive real estate investment. Read through these questions one by one; we are confident that it will serve as a valuable resource.

*If you have any questions about the questions that we have listed below, please do not hesitate to reach out to [James@MultifamilyMethods.com](mailto:James@MultifamilyMethods.com) We are here to help you in your investing journey.*

# 67 Questions Passive Investors Should Be Asking

- **Sponsor**

1. What kind of reporting can you expect as a passive investor?
2. Has the company that you are investing in ever gone through a recession?
3. Do they have the bandwidth to focus on your investment given the other projects they are currently working on?
4. How significantly did market conditions play a role in their track record, as opposed to operational proficiency?
5. What is their current AUM?
6. Are they currently active in the asset class that they are promoting?
7. How many investors are they currently working with?

- **Property Management Team**

8. Will they be changing the property manager once they close the deal?
9. What is the sponsor's relationship with the property management company?
10. Does the management company currently utilize any software?
11. How often does the property manager provide reports?
12. What is the property management company's track record? How many deals are they currently managing in that sub-market?

- Debt

13. What is the capital stack?
14. Who is the lender on the deal?
15. Has the operator worked with this lender previously?
16. Is the interest rate fixed or adjustable?
17. Is there an interest only portion in the loan? For how long?
18. What is the assumed interest rate at the time of sale or refinance?
19. What is the LTV?
20. What is the LTC?
21. What is the DSCR in year one?
22. How long is the loan term?
23. How long has this lender been in business?
24. Does this lender regularly lend in this specific asset class and market?
25. What is the pre-payment penalty of the debt, if any?

- Due Diligence on the Asset

26. What year was the property built?
27. How many of the units are rehabbed, and how many of them are not?
28. What is the cost per unit?
29. How many units are in the building?
30. Is the asset in a flood zone?
31. Is there onsite management or third party?
32. Does the management company have a track record?
33. What is the physical occupancy?
34. What is the economic occupancy?
35. How old is the roof?
36. How old are the systems?
37. How old is the electric and plumbing?
38. Are there security cameras?
39. What is the condition of the exterior?
40. What is the condition of the interior?
41. How do the amenities compare to its competitors?

- **Market**

42. What is the population of the market, and is it growing?
43. What big employers are in this market? Does any one job sector cover more than 25% of the overall market?
44. What is the median household income?
45. What is the average rental rate?
46. How much crime is there in this area?
47. Are hurricanes, floods, tornados, or earthquakes common in this area?
48. How many residential properties are their next to the subject property?
49. How many commercial properties are their next to the subject property?
50. Does the neighborhood have competitive properties of a similar asset class?
51. How many vehicles travel in this market on a daily basis

- **Property Historical Data**

52. How does the T12 look?
53. What are the operating expenses of the T12?
54. What is the current cap rate?
55. What is the current occupancy rate?
56. How does the current occupancy rate compare to other properties in the market?
57. What is the COC return in year one?
58. What are the assumptions to increase rental rates

- **Investor Split and Legal Questions**

59. When do the investors vote?
60. What are the reporting requirements from the sponsors?
61. Can an investor transfer their shares?

62. Do investors get any depreciation benefit? In what capacity?
63. What is the preferred return, if any?
64. What is the split after the preferred return?
65. Is there a circumstance where investors may be called to invest additional capital?
66. How much is the acquisition fee?
67. How much is the asset management fee?

# Bonus: FREE eBook – 8 Fatal Mistakes Many Real Estate Investors Make

Did you enjoy this eBook? Here is another eBook that talks about how to avoid costly investor mistakes:

The “8 Fatal Mistakes Many Real Estate Investors Make” is an eBook that talks about the costly mistakes that I made as a real estate investor. In this eBook we talk about the very important skills that a real estate investor must acquire in order to be successful in this business; skills such as construction management, proper tenant screening, and much more. The book has over 40 pages of valuable insight regarding many of the mistakes that I learned as we built our \$11MM portfolio. If I would have known this information from the beginning, I would have been MUCH better off.

## Inside This eBook

- Manage Construction Effectively
- Rehab Your Investment Correctly
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# About the Author




Founder - Freedom Way Capital

James Gleeson is a real estate investor and the founder of Freedom Way Capital. He is currently holding 93 units; valued at above \$11MM. James has over six years of experience investing in real estate, and currently holds single family homes, small multifamily, and large apartment buildings in his portfolio.

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## CONTACT ME :

 Gleesonrealtycompany@gmail.com

 636) 734-1110

 [www.reallygreatsite.com](http://www.reallygreatsite.com)