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CAPITAL

Transcript

What should every investor know before investing in private real estate?

If you've never invested in private real estate, I tell people there's two things that you need to get comfortable with before you ever invest your money.

Okay, first off, this is a completely illiquid asset. And if you've never done this, that's new to you, right. And so historically in the past you probably already call your advisor and say I need money, send me money. Or you could log in to your brokerage account, place a trade and get your money in a couple of days.

That's not the case here. So if you're going to add private market investing to your investment mix, you've got to get comfortable with the fact that it's illiquid.

Illiquid means it could be several years before you have access to the money. By being illiquid though on the flip side of that is you should have a better return. It's what we call an illiquidity premium.

If I'm going to tie up my money and I don't have access to it for two, three, four, maybe five years, whatever the situation is, I should have the opportunity to make more money. And that's why it's one of the main reasons people invest in private investments, especially private real estate but you've got to get comfortable with that.

This is not money I can access or need to access.

Number two is you've got to get comfortable with the fact that there's no crystal ball around the estimated time frame of the project. And oh my gosh, is this definitely true with real estate.

This project should take 36 months, or this project should take four years, or three and a half years, or four and a half years or whatever it is.

Things can happen. And so you've got to be comfortable with the fact that it could be a little longer, it could be a little shorter. Maybe it'll be right on time. There's no crystal ball to the time frame. And so I tell people right up front, you've got to get comfortable with those two things.

Can I live with the fact that whatever said money I put into this project is illiquid for a certain number of years, and can I live with the fact that the time frame is not an absolute certainty? It depends on the project. It depends on the business plan.

Tell me you're comfortable with illiquidity and tell me you're comfortable with the time frame not being perfect, and we can create a nice portfolio for you.