RealtyFundLA

REAL ESTATE SYNDICATION

About Realty Fund LA

Realty Fund LA is your access to a diverse portfolio of investments in Los Angeles.

The experts at Realty Fund identify a broad range of investments, allowing you to realize returns once reserved for ultra-wealthy insiders. No other “Syndication” portal focuses on property right here in Southern California.

Realty Fund LA’s online investment platform allows you to browse investment offerings, make transactions, and manage and track investments through your online portfolio.

www.RealtyFundLA.com

OUR VISION

We see an underserved market craving imaginative alternatives to the otherwise generic way of independently investing in real estate.
Realty Fund LA was formed by West Realty Group, Inc. to offer opportunies to invest in commercial real estate by partnering together and pooling funds with other like minded investors.

Partnering in the World of Real Estate

Commercial Real Estate Investing

- **Increased transparency**

With a REIT, information about the underlying investment is often limited, often making it difficult to determine if the deal is sound. RealtyFundLA posts material on each deal so that investors have as much information as possible for decision-making.

- **Accessibility**

Traditional real estate investment requires tens of thousands of dollars to participate. With real estate syndication the bar is much lower. At RealtyFundLA, we offer deals with a $50,000 minimum.

- **Diversification**

Between debt and equity investments in both commercial and residential properties and real estate funds, you have access to a new asset class, full of wealth advantages.

- **Tax benefits**

Real estate syndication allows you to invest small amounts consistently while benefiting from valuable tax breaks, such as depreciation, that normally apply to owning investment property

Self-directed IRA and other valuable alternatives

Syndicated investment property can be invested in a self-directed IRA, providing all the benefits of IRAs (tax-free profits, tax deductions, asset protection and estate planning). It can also issue first-position debt. Dependent on the type of IRA, income generated from the investment can end up being be tax-free or tax deferred.

RealtyFundLA has a list of custodians that can help set you up for investing.

RealtyFundLA's Syndication platform gives you exclusive access to real estate investments in the Los Angeles area. Syndicating allows smaller investors to invest in premium properties and locations that may have otherwise been out of reach.

Compared to investing in a real estate investment trust (REIT) or purchasing a rental property alone, syndication of real estate provides valuable benefits:


NO
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NO
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WEDNESDAY

Why Real Estate May Be the Best Asset Class

Commercial real estate is the only major asset class the produces high yields and significant equity buildup. It also can be leveraged for massive gains. And it offers the security of a hard asset you can see and touch. Compare it with other asset classes:

	REAL ESTATE	STOCKS	BONDS	CASH/SAVINGS
HIGH CASH RETURN	✓	–	–	✗
EQUITY BUILDUP	✓	✓	✗	✗
LEVERAGE	✓	–	✗	✗
HARD ASSET	✓	✗	✗	✗
TAX ADVANTAGE	✓	✗	–	✗

> “The major fortunes in America have been made in land.”
>
> **JOHN D. ROCKEFELLER**


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1
7
Thomas Lin, CFP
John Hancock
Financial Network
Signator Investors, Inc.
Member Finra, SIPC
217 S. MARENGO AVE

COMMERCIAL REAL ESTATE GENERATES INCOME

The income stream from commercial real estate can produce five times the average stock dividend yield, and six times the average bond yield. The below chart shows income produced by different asset classes from a $1 million investment.

ANNUAL INCOME PRODUCED ON A $1 MILLION INVESTMENT

Average Cap Rate Source: Real Capital Analytics 2012 / Average Stock Dividend Q1 2013 / Average 10 Year Bond Yield Q1 2013

CAP RATE

The cap rate measures the potential return on property. It is the net operating income divided by the purchase price.


Sotheby's
2216

HOW REAL ESTATE PAYS OFF

Commercial real estate's ability to generate income can be expressed in a simple equation:

UPON THE REFINANACE OR SALE OF THE PROPERTY, EQUITY IS DISTRIBUTED BACK TO INVESTORS ALONG WITH ANY PROFITS.

TENANTS PAY RENT

Tenants pay rent, usually monthly. Revenue can also come from parking, signage, etc.

BUILDING EXPENSES ARE PAID

The real estate operator/property manager pays building expenses from the rental income.

INVESTORS ARE PAID

After expenses are paid, the remaining income is distributed to investors.

THE TAX ADVANTAGES OF CROWDFUNDING

Investing in a Real Estate is the perfect way to "diversify" your holdings.

The following are notable attributes of investing:

- **No self-employment taxes**

Since rental real estate is a passive activity and investors are limited partners there are no employment taxes on any profits you make from your investment.

- **Favorable long-term capital gains rates.**

For equity deals, capital gains are usually taxed at a rate of 15% (with certain limitations) for investments that have been owned or held for longer than 1 year.

- **Favorable depreciation deductions.**

Even though investors may receive cash distributions, there will be depreciation deductions that will ultimately reduce the taxable income that is passed through to the investor.

- **Passive activity rules.**

Equity crowdfunding deals will usually generate passive income that will be taxed at the taxpayer's marginal tax rate. But this income can also be used to offset passive losses. With a syndication-generating passive income, you may "free up" these passive losses and use them to offset the income from the syndication.

- **1031 exchange.**

Certain types of real estate crowdfunding investments are structured specifically to allow for a 1031 exchange. If you seek such an investment, make sure you discuss the issue with a tax or legal professional.

If your primary objective is to participate in holding a note for short term and strictly cash returns, then talk to Realty Fund LA about how to achieve those goals.

HOW TO LEVERAGE FINANCING TO BOOST YOUR EQUITY RETURN

The following examples illustrates another benefit to real estate:

If you purchased a $10 million asset using cash only, and sell it later at $11 million, you have made $1 million, a 10% return. But if you could purchase the same property using just $1 million of your own money and finance the remaining purchase. The property's rental income can make your debt payments. And when you sell it, you have made $1 million profit, but achieved a 100% return.

10% EQUITY INCREASE

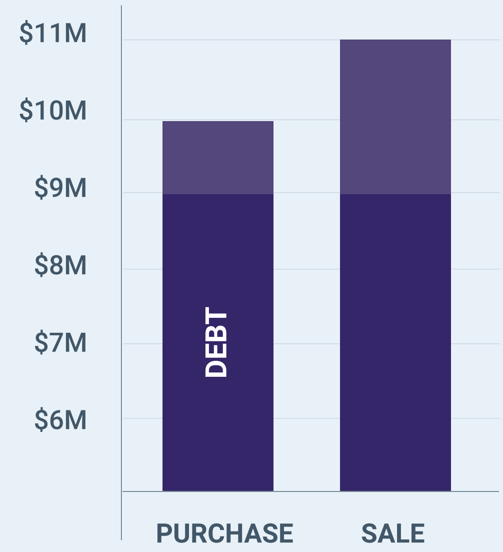
$10M Cash Down & No Financing

$11M sale - $10M purchase = $1M profit
$1M profit ÷ $10M cash down = **10% return**

100% EQUITY INCREASE

$1M Cash Down & $9M Financing

$11M sale - $10M purchase = $1M profit
$1M profit ÷ $1M cash down = **100% return**



“Every day, you’ll have opportunities to take chances and to work outside your safety net. Sure, it’s a lot easier to stay in your comfort zone… but sometimes you have to take risks. When the risks pay off, that’s when you reap the biggest rewards.”

Lee Johnson

Risk vs Reward opportunities.

INVESTMENT DEAL TYPES

Realty Fund LA has a detailed step-by-step analysis in selecting properties for lending and acquisition.

Generally, Realty Fund LA intends to focus on investments in Core, Core Plus, Value Added, and Development projects.

The projected holding period will be 5-7 years along with quarterly returns on unreturned capital it invests.

Deal Type	
CORE	Commonly, core assets are 90%-100% leased with a rental stream secured by long-term leases (over three years). These assets are generally located in primary locations with strong market fundamentals and are typically newer and require very little capital improvements. They provide the highest level of income security while generally providing moderate appreciation and a lower yield.
CORE-PLUS	Mostly, core-plus assets are leased between 75% and 90%. These assets offer the ability to lease up the remaining space to improve the income stream of the asset and thus the value of the asset. They may also have below-market rental rates and leases that expire shortly. Core-plus assets provide an in-place income stream with the opportunity to increase the income in future years. These assets may have a lower in place yields but offer higher 'stabilized' yields as the asset gets leased up.
VALUE ADD	Typically, value-added assets are considered to be the "growth stocks" of the residential and commercial real estate world. Generally, these may be below 75% leased and require physical improvements in order to compete for new tenants. Value-added assets provide the most upside when compared to core and core-plus assets.
DEVELOPMENT	Usually, development begins with the investment in land either with or without entitlements in place creating the opportunity to produce a highly designed project with a mix of uses that may include apartments, condominiums, single family homes, offices and/or retail stores. Upon receiving the entitlements, these investments can then be sold to a third-party prior to development or be developed internally.

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