



REAL ESTATE INVESTMENT FUNDS

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answered

We caught up with
Todd Younger, Fund &
Investment Relations
Manager at Wingspan
Development Group, to
answer commonly asked
questions about investing in
private equity real estate.

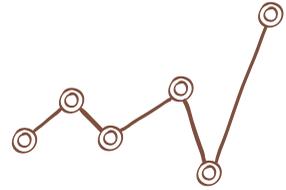


What is an investment fund?

The key to investing success is to spread investments over a range of asset classes. Most investors have stocks, bonds, and mutual funds, but many don't have the expertise or time to invest in real estate. Some investors own shares of publicly traded real estate investment trusts (REITs) that pool funds and buy real estate assets. Public REITs trade like traditional stocks. Real estate private equity is a different type of investment vehicle.

In a real estate private equity fund, investors pool their money with other investors to fill the equity portion of a "capital stack," to purchase or develop a property. The capital stack is the combination of sponsor capital, investor capital, and traditional bank debt that make up the total cost to purchase or build a property. When an investor has an economic interest in the equity of a project, they are then generally eligible to participate in the economic profit when the project stabilizes and sells. The sharing of the economic gain means the investor is also taking on the risk of the project, which can include the loss of his/her entire investment. Returns for this type of investment asset class typically can approach 15-20% per year over the life of the investment.

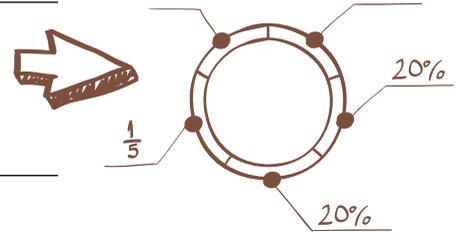
Private real estate offers many benefits to individual investors, such as high returns, portfolio diversification, and tax efficiency. Institutional investors have long understood the merits of this asset class and relied on it in their portfolios to balance market uncertainty. Take Yale's endowment, considered the gold standard for its exceptional performance; 10% of its \$42 billion investment portfolio is allocated to real estate. Not surprisingly, most endowments and pension funds allocate a similar amount to real estate, but individual investors have only recently begun to adopt this strategy.



What is private equity real estate investing?

Private equity real estate investing means having a direct ownership interest in a piece of property with the intent of making a profit. It can be in the form of land, office buildings, apartments, self-storage facilities, etc. Individuals can invest in private real estate by acquiring assets actively as a direct buyer, or by investing passively. Passive investing is when an investor chooses to outsource his/her real estate investments to a manager, typically for a fee. There are several different types of companies that offer passive real estate investing opportunities. Investors can choose a private equity real estate firm, an online crowdfunding platform (e.g., CrowdStreet), a non-traded private real estate investment trust, or other IRS recognized structures.

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Who can invest in private equity real estate?

Generally, private equity real estate investing is only available to accredited investors—a regulation set by the federal government—which is also the criteria for investing with Wingspan Development Group. Accredited investors are defined as those who have:

- Individual net worth that exceeds \$1 million (excluding a primary residence).
- Individual income exceeding \$200,000 in each of the past two years and the expectation to reach the same level in the current year.

However, some crowdfunding entities do allow non-accredited investors to participate in certain real estate investments at lower amounts.

How safe is it to invest in real estate?

Private real estate investors should consider the level of risk they're willing to take to achieve their investment goals, and how long they are willing to wait before they begin receiving returns. Some investors may focus completely on long-term gains that have higher than average returns but little to no liquidity (immediate availability of funds), while others may want to generate steady income that will offer more frequent dividends. Most real estate private equity investments in development projects have a 3-5 year expectation for returns: 12-18 months to build, 12-18 months to stabilize the project (92-95% occupancy), and 6-12 months to sell. There is risk when investing in real estate, so an investor should understand the market, the sponsor, and the project(s).

How much of an investor's portfolio should be in private real estate?

The old saying “don't put all your eggs in one basket” applies to real estate, as well as markets. Private real estate is cyclical in nature and goes up and down over time just like stocks and bonds, but not on a daily basis. It is considered illiquid, which means an investor's capital may take months or years to unlock, so it is not an option for those who need that capital in the short-term for living expenses or college tuition.

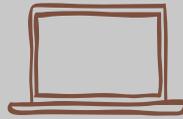


Who are Wingspan's investors?

Wingspan and its principals have been inviting friends and family investors over the years to selectively participate in development projects. Each deal is structured separately with varying terms and expectations. As a result of Wingspan's growing pipeline of projects, the need for additional sponsor capital to fund its multifamily developments, and requests from additional individuals to participate, Wingspan created its "GP Fund" in early 2021. The fund was the first opportunity for the principals to expand their network of friends and family who were interested in participating in real estate private equity. The fund attracted more than 80 investors who made a minimum investment of \$100,000 into the fund. Since closing, the fund has been invested into three Wingspan projects: HUB13 in Oak Creek, Wisconsin; The Ruby at Brookfield Square in Brookfield, Wisconsin; and NÍCHE in Tampa, Florida.

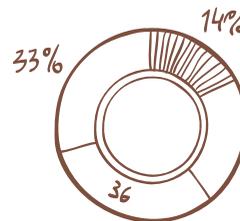
What is Wingspan's investment strategy?

Wingspan's investment strategy focuses on multifamily apartment and mixed-use developments. Specific growth markets are targeted including, Southeast Wisconsin; Central Florida; select Chicago suburbs; Phoenix, Arizona; and Atlanta, Georgia. Projects are in above average wage and employment growth areas, close to transportation hubs, and generally have limited direct competition of other comparable offerings. Lastly, amenities are provided according to the preferences of today's renters, including pet friendly features, well-equipped fitness centers, state-of-the-art building access technology, and secure package concierge systems. ●



If you are an accredited investor and interested in learning more about Wingspan Development Group and future investment opportunities, please submit your contact information through the following link:

investors.appfolioim.com/wingspandevelopmentgroup/investor/contact-us



Investing is a marathon, not a sprint. Have fun along the way.