

6 Secrets to Crowdfunding Real Estate

Unlock the Full Potential of Real Estate Investing Online

www.realtymogul.com

investorquestions@realtymogul.com





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With crowdfunding expected to surpass venture capital funding in 2016*, many savvy investors are trying to learn the ins and outs of online investing for commercial real estate. RealtyMogul.com, one of the largest online real estate investing marketplaces in the US, would like to share six secrets to help you get started.

*According to Massolution's 2015CF Crowdfunding Industry Report



1. Crowdfunding Improves Access to Deal Flow

Probably the greatest potential for crowdfunding is the promise of giving individual investors access to real estate deal flow that was previously only available to the big boys. Hedge funds, private equity groups, and other financial institutions have teams of high-paid executives looking for properties in which to invest. Many of these companies provide funds that consumers can participate in, but there is a catch: Most have multiple fees hidden in their paperwork that all get charged before the investor sees a return. RealtyMogul.com's mission is to reduce load (those fees) and pass that upside on to our investors. The power of crowdfunding is that it attracts real estate sponsors looking for new sources of capital to a "one-stop shop" so that they can spend more time running their businesses instead of fundraising. We also handle all of the distributions and tax reporting back to our investors, thereby reducing the overhead costs to these sponsors.

Crowdfunding is rapidly growing because it reduces cost and friction in the investment process.

2. Regulatory Compliance Exists to Protect You

Crowdfunding real estate is not really new. It is just a digital version of people pooling their funds together to purchase property. Real estate has been purchased this way for ages. What is new is the speed and ease that crowdfunding sites provide. With consumers now able to invest thousands of dollars with just a few clicks of a mouse, it's important to ensure that the site being utilized is proven and trustworthy.



Make sure the site you are investing with is well-financed and follows federal and state securities laws and the rules and regulations of the Security and Exchange Commission, The Financial Industry Regulatory Authority and other applicable regulatory bodies. The requirements and restrictions regarding broker-dealers, disclosures and fund management are there to protect the consumer. However, it is up to you as the consumer to do the proper diligence and make sure the site you are dealing with is reputable and places a high value on compliance behavior. At RealtyMogul.com for example, we only work with broker-dealers who meet our high standards. Members of our staff (like our Chief Technology Officer and General Counsel) obtained their securities licenses to make sure that our compliance is top-notch.

3. Due Diligence Is Essential

As with any other form of real estate investing, the projected returns are only as good as the due diligence inquiries made.

All investing has risks, and the more transparency the investor has to the specifics of the transaction, the more informed and educated he or she will become. It's important to closely review both the real estate sponsor and the property.

When thinking about the sponsor, appropriate questions to ask include:

- Q. How long have they been in business?
- Q. How many millions of dollars' worth of properties and other assets do they have under management?
- Q. Do they have expertise in the same property category as the one being funded?

For property level diligence it's important to "stress test" the projections and research the local market as well as the asset class.

At RealtyMogul.com, we also ask sponsors to hold online webinars where potential investors can ask questions directly about the properties. These webinars present a great opportunity to "crowdsource" real estate knowledge from fellow investors.

4. Read the Fine Print

Every real estate sponsor has its own specific deal terms. It is important to understand the fine print on what happens if the property needs capital or if the property management company needs to be replaced.

RealtyMogul.com aims for full and fair disclosure and transparency in each transaction, and strives to educate our thousands of investors. If you have any questions, please feel free to reach out and connect with our team. We are here to help.

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investorquestions@realtymogul.com

In general, a good financial rule of thumb – regardless of the industry – is to pay very close attention to the levels of protection written into any document asking for your signature.

And if you don't like what you are reading, then don't sign.



5. Invest in a Variety of Property Types and Locations

While having real estate as part of your investment portfolio is a great way to diversify, having a variety of types and locations of real estate further diversifies your portfolio. Instead of just chasing the highest yield on equity, investors might be wise to divide their capital among a variety of real estate properties, such as multi-family, commercial shopping centers, mobile home parks, public storage, hospitality, and office buildings.

RealtyMogul.com's user dashboard allows even the most diverse investor to keep track of all their properties with one clear and concise interface.



6. Debt and Equity Behave Differently

Crowdfunding can be used for investing in both short-term debt and long-term equity. Short-term debt, which is usually defined as three years or less, may not provide the potential for investors to earn money when the properties appreciate in value, but they generally provide a stable monthly income stream.

Equity investing, on the other hand, which can be for a longer duration, allows for the investor to benefit from depreciation while having the possibility for significant upside when the property is sold in the future.

As with all investing, check with your financial advisor or tax professional to see what mix of debt and equity investing best suits your individual needs. Whether you are an experienced real estate investor who has purchased millions of dollars' worth of commercial properties or a first-timer looking to invest a few thousand dollars, crowdfunding provides portfolio diversification potential.



RealtyMogul.com acts as a bridge connecting pre-vetted opportunities with investors who want to participate in a process that has historically been difficult to access. From 1031 exchanges to preferred equity, our mission is to facilitate real estate transactions in a simple and transparent manner. Of course, every investment carries risk—and real estate is no different. No real estate investment guarantees a return or preservation of capital.

- About RealtyMogul.com -

RealtyMogul.com launched in 2013 with one mission: simplify real estate investing by connecting real estate companies and investors through cutting edge technology.

Today, we are a leading online real estate capital marketplace, offering commercial equity and commercial debt products nationwide, educating our investors, and building a company that will change real estate investing and financing forever.

RealtyMogul.com brings over 200 years of collective experience in underwriting, managing, and acquiring over \$5 billion in real estate across asset classes and markets nationally. We have made significant investments in Data Science, Technology, Legal and Operations. Our core value, "Access through Innovation" and our commitment to investor protection inspire us to bring the best experiences to borrowers and investors alike.

Since inception, RealtyMogul.com has funded over \$200MM, relating to over \$800MM in aggregate property value. Our crowdfunding investment platform has grown to over 80,000 registered investors. To date, RealtyMogul.com has returned over \$40MM in principal and interest to our investors. Our growth story continues in 2016. With four locations in San Francisco, Atlanta, New York City and a major expansion at our Los Angeles headquarters, we are poised to lead the online real estate investing revolution.

For more information on how to become a real estate investor through the RealtyMogul.com marketplace, please visit www.RealtyMogul.com.

Thanks for reading! Create your member profile now. We can't wait to see you in the marketplace.

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10780 Santa Monica Blvd, Suite 140 Los Angeles, CA 90025

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