

Kranti Ponnam's Investment Guide



Understanding Your Options

About the Author



Kranti Ponnam

Real Estate Entrepreneur | Investor | Tech Entrepreneur

Innovative, results-driven, and solution-oriented are just a few words most often used to describe Kranti Ponnam. As a key partner with Four Oaks Capital as the Director of Capital, Kranti brings two decades of experience as a serial entrepreneur to ensure his clients are well-positioned in the national multifamily real estate investment market.

His goal is to provide a tangible asset to a client's portfolio, shielded from market volatility while enjoying ample tax benefits. In addition to being a driving force in the real estate investment space, Kranti is recognized as an investment expert with a proven track record of success in the technology industry. He is a partner and leads Softhq Inc., a SAP services partner and provider of IT technology consulting. In his role, he has grown the organization into a global powerhouse, with over 2500 employees across the globe, focused on client-driven solutions in today's ever-changing IT market.

His entrepreneurial drive and passion for real estate investing led him to create Seroda Capital. Seroda Capital has been recognized as a pioneering organization in the real estate industry. Its focus is on creating the highest value opportunities for clients through leveraging their exceptional in-depth research and analytics, combined with global insights to achieve their results. Clients value his ability to simplify the most complex issues of a transaction and translate them into achievable goals.



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Contents

- 1 Introduction
- 2 Investment Types In Real Estate
- 3 Invest In Your Real Estate Portfolio
- 4 Which Option Should Select?
- 5 Multifamily Real Estate Investment
- 6 FAQs
- 7 REIT Related FAQs
- 8 Resource



Introduction

Real estate is regarded as a worthwhile long-term investment by many financial investment professionals. It takes some capital to begin, but the exact same investment in a real estate project may yield the returns of rental value and development appreciation.

Property investment generally results in equity accumulation, even if it's in cash, enables you to develop income streams, hedge against inflation, obtain tax deductions, create diverse portfolios, and so forth.

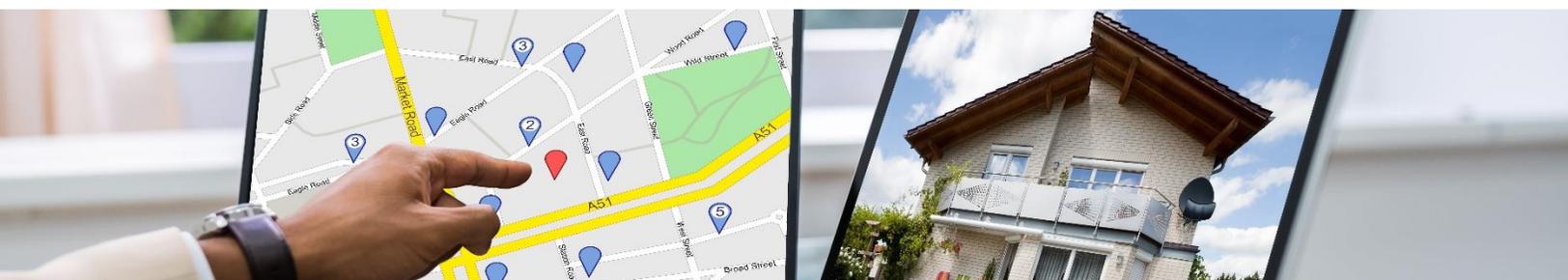
Your investments can cover anything from small-scale projects, such as flipping houses, to passive investments that provide a source of wealth to you and your loved ones indefinitely. Property investment is about more than just purchasing a property and simply managing it. At the venture level, there are also options that are more conducive to passive income.

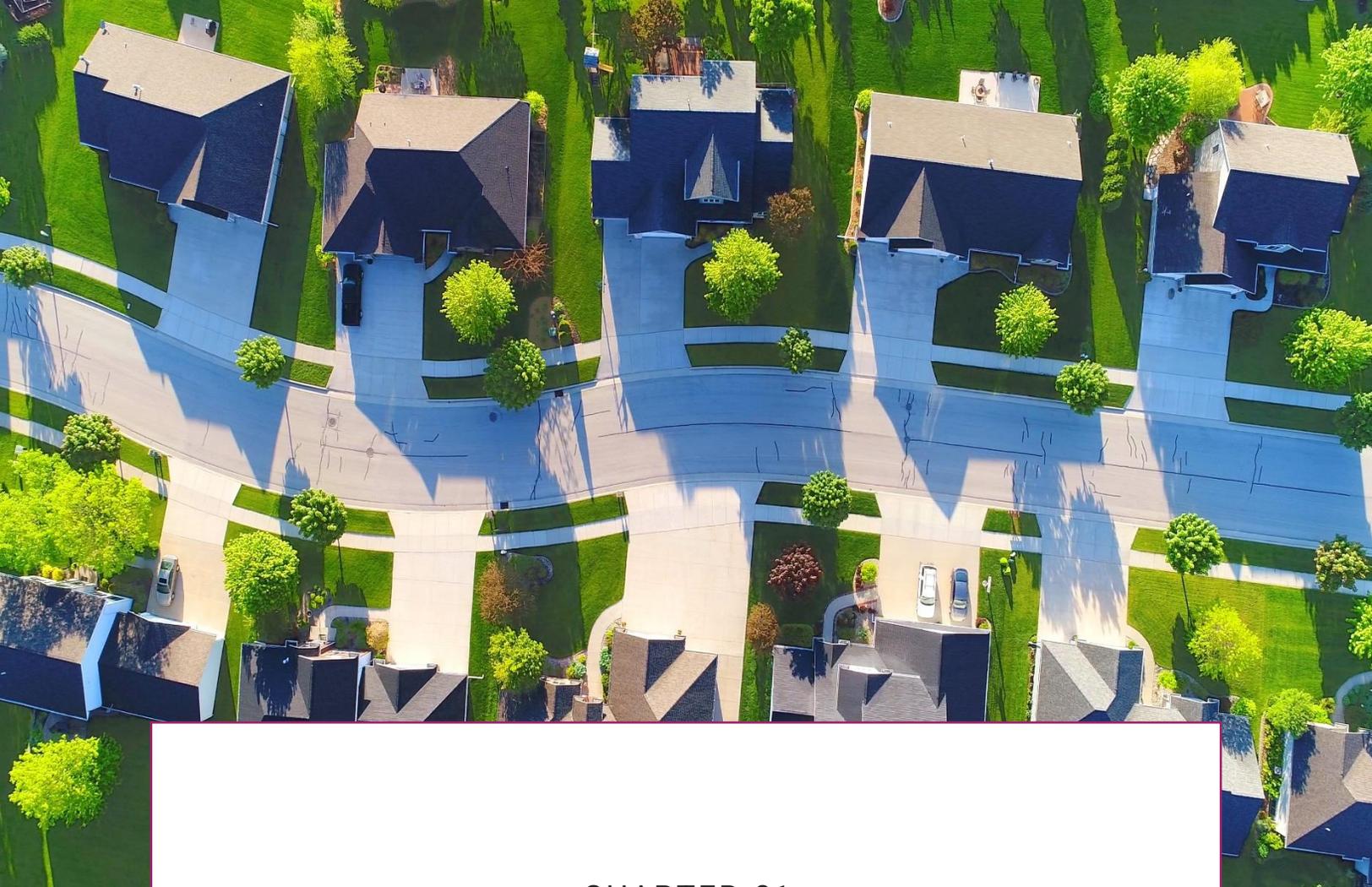
But what type of real estate investment is ideal for you?

Single-family residences or commercial real estate investments can help you reach your financial objectives.

Everything possible concerning real estate investment will be adequately discussed in this guide, and anything you'll need to ask before committing yourself to pursuing a real estate investment.

Consider consulting with a financial consultant before entering into an investment.





CHAPTER 01

Investment Types In Real Estate

Benefits And Drawbacks:

Investment Types In Real Estate

Real estate investments can fall broadly into two genres: physical investments and intellectual property investments.

The most typical types of real estate investments are discussed below.

House Flipping

Usually, people who possess expertise in real estate valuation, marketing, and home enhancement are good candidates for house flipping. Typically, it takes a great deal of time and money to fix and renovate a home.

Benefits:

- Tax-deductible expenses
- Sweat equity can boost profitability
- Portfolio performance based on the outcome of improvements or market changes.

Drawbacks:

- Alternative financing methods that cost an arm and a leg (private loans).
- If you flip an asset within one year, all profits from it are taxed as ordinary income.
- Even on a local or micro level, markets are highly volatile to changes.
- Unexpected carrying expenses reduce gains.





Benefits And Drawbacks:

Residential Real Estate Rental

Chances are, when you are thinking you want to invest in a residential real estate investment, you may be considering buying a house, condominium, or vacation home. Residential investment real estate usually includes these residential properties.

Benefits:

- Asset appreciation over time has held consistent over the long run.
- Tax-deductible expenses
- Regular revenue from rent collected from tenants.
- Traditional banking methods are widely used.

Drawbacks:

- Routine maintenance and repairs are required.
- An increase in vacancy triggers a fall in the operating income.
- If there are high amounts of turnovers and releases, the expenses involved can far exceed your annual profits.
- Difficult to manage tenants

Benefits And Drawbacks:

Property and Land Development

Investors who have the knowledge and abilities necessary to reinvest into real property may secure significant returns in the process. Investors will, in future, be able to reap profits from holding onto properties for later investment if they stick to their visions to expand their portfolios.

Benefits:

- Appropriate investment timing and location can orchestrate great returns.
- Low maintenance
- At a more affordable rate than a developed land.

Drawbacks:

- Requires longer hold time.
- Investors are required to maintain accounting procedures and obtain and separate taxes and insurance.
- Usually requires thorough knowledge of market and regulatory requirements, and permits.
- More difficult to finance and fewer tax advantages.
- Often our cash flow is non-immediate or negative for too long.





Benefits And Drawbacks:

Real Estate Investment Groups (REIGs)

A Real Estate Investment Group is usually a company whose primary task is providing for real estate and ancillary services. It is usually a business that primarily offers property for sale, acquisition, and management of other properties. A Real Estate Investment Group is a private syndicate engaged in real estate. Unlike individual investors, it's not generally open to the general public.

Benefits:

- Investor buying power increases with the addition of pooled resources.
- Fast-track learning
- Tasks are divided, decreasing task overhead.

Drawbacks:

- It is entirely private, and not subject to government regulations.
- Variable election structures limit investor choice making capability.
- Usually requires thorough knowledge of market and regulatory requirements, and permits.
- Membership fees may be involved.

BENEFITS AND DRAWBACKS:

Online Real Estate Platforms (Crowdfunding)

Crowdfunding sites, or real-rental platforms, are very popular for people interested in making a larger investment in residential or commercial property by creating a crowdfunding site. This way of doing real estate investment is done on a dedicated web page known as crowdfunding for real estate.

Crowdfunding real estate pursuits carry on to require a substantial investment but the minimum sacrifice is far far less than purchasing a single rental property.

Crowdfunding financial instruments may be an option for individuals to pool their assets for one particular project or a portfolio of projects that are geographically diversified. They are usually susceptible to lock-up periods as well as charge management fees.

Benefits:

- Investor buying power will increase thanks to the pooled resources.
- Promotes portfolio diversification.
- Appreciation and dividends can be earned.

Drawbacks:

- Exiting (target holding periods of 3+ years) is extremely difficult.
- For the most part, accredited investors are the only ones allowed to invest in this program.
- Usually relying on sponsor-driven offerings, less inclined to make strategic location or asset choices.



Real Estate Investment Trusts (REITs)

REITs are investment companies that own, operate, or finance real estate and real estate assets. REITs allow investors to own a portfolio.

A REIT gathers investment capital from several different investors in the manner of a mutual fund, then purchases income-generating real estate. REITs are for investors who want the portfolio diversification real estate investment brings, rather than going through the hassles associated with buying and selling real estate.

Investors can access dividends and appreciation from a REIT investment. REITs are committed to citizens, so REITs have extra incentive to maximise their earnings.

There are three principal types of real estate investment trusts available to investors:

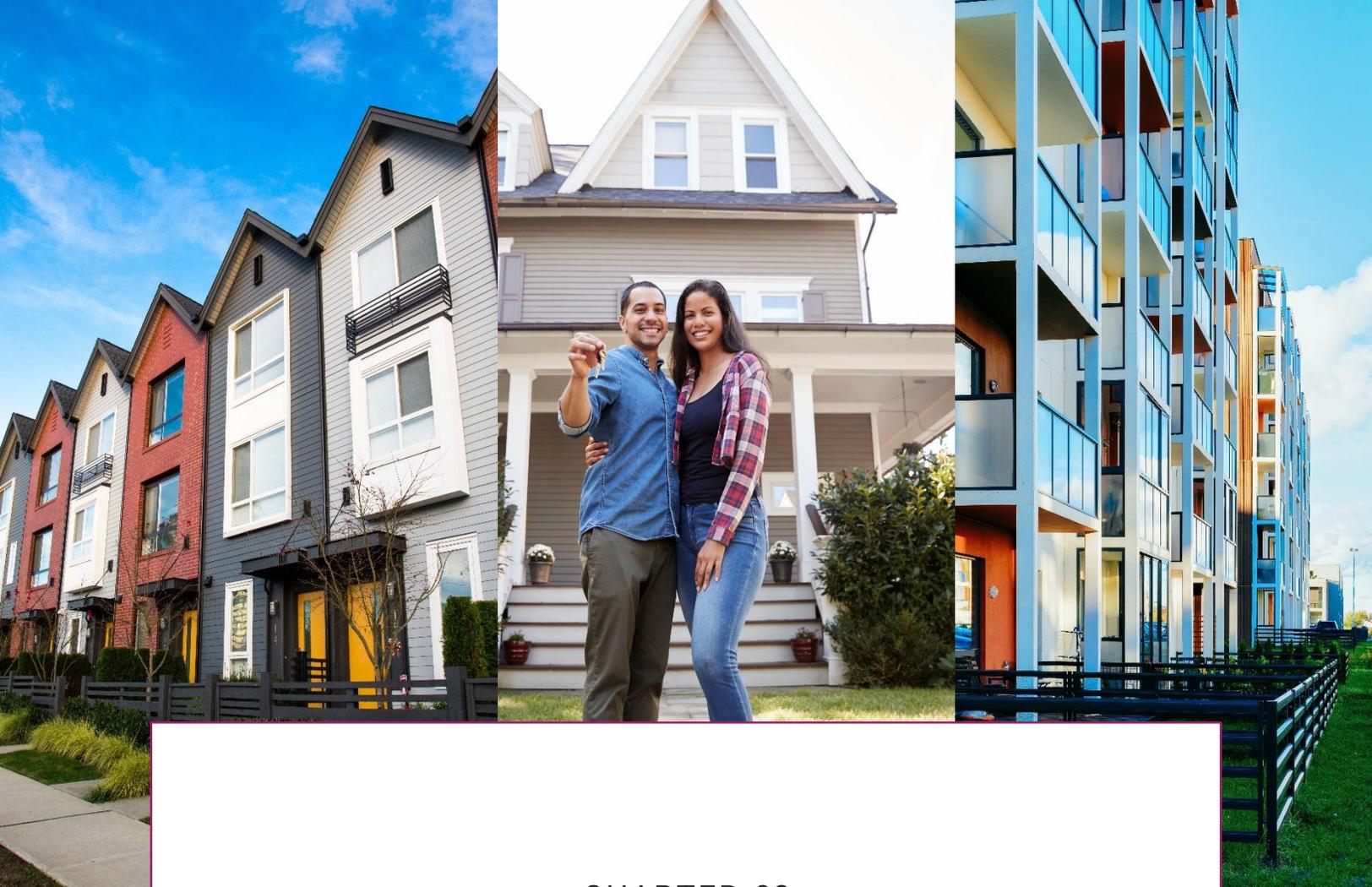
- Publicly traded REITs : These are similar to stocks and are regulated federally. They offer high liquidity.
- Private REITs : These are rarely available to all investors and restricted to high-level investors and financial institutions.
- Public non-traded REITs : Federally regulated, are available to individual investors, and the minimum holding period and minimum investment requirements are set by the United States Securities and Exchange Commission.

Benefits:

- Investor buying power will increase thanks to the pooled resources.
- Promotes portfolio diversification.
- Appreciation and dividends can be earned.
- Tax advantages
- Less volatility than traded assets and investments.
- Alternative investment resources via SDIRAs and Roth IRAs.

Drawbacks:

- Longer holding periods vs. stocks
- Management fees



CHAPTER 02

Invest In Your Real Estate Portfolio

Invest In Your Real Estate Portfolio

Retail Funding vs. Institutional Investor Funding

Depending on the type of real estate, your funding sources and initial financial investment will differ.

Retail Funding

Investors looking for a real estate investment from which it can receive financing frequently do not have that option, and it typically necessitates a down payment and an excellent credit history.

Most individual investors use one of the following methods for funding their investments:

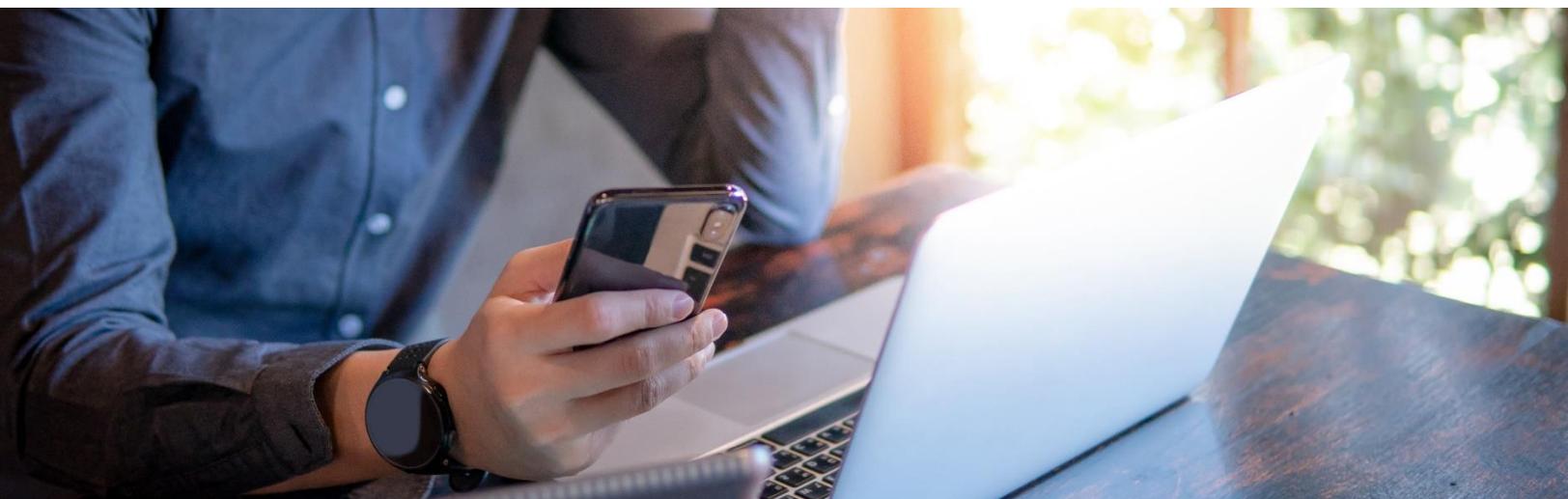
- Mortgages & other loan products
- External investors
- Personal savings or other post-tax investment accounts like SDIRA's or Roth IRA's.

Institutional Investor Funding

Institutional investors make valuable contributions to the final decisions of the beneficiary of the investment. An investment firm may create a consortium of contributors that are involved in taking into consideration plans for recreational or collegial resources, or contribute to property ventures.

Institutional investors have a number of advantages over private individual investors, like:

- **Decision Makers** : Institutional investors are overseen by employees dedicated to making qualitative investment choices, and they often have more specialised instruction and expertise. Individual investors typically do not have access to the skills and data necessary to make informed choices.
- **Better Equipped with Resources** : Investors with institutional capital have accessibility to skilled financial analysts, whereas individual investors will need to investigate and research investments on their own.
- **Strategic identification of investment opportunities** : Institutional investors may apply for investment products before they're typically available to individual investors.





Invest In Your Real Estate Portfolio

Retail Funding vs. Institutional Investor Funding

Individual investors must consider institutional investors

Over the last few decades, the issuance of institutional investment products (like REITs) to individuals has become increasingly practiced.

Some investments, including those of REITs and other institutional investment products, take more time to become profitable, but can be viewed as more stable and profitable in some cases.

Other investing options may also be suitable without putting home your retirement savings.

As a financially interested investor in an institutional investment product, your money belongs to a bigger marketplace of wide-ranging investments rather than to small scale investments.

Before you invest in a financial institution's product, it's critical to learn about :

- **The timeline of your financial investment** - For instance, starting from the time you committed to an investment to when it becomes formalized.
- **Dividend distribution deadline** - When a dividend is being paid out (and how much or what you can reinvest), is it.
- **The lockup time period** - The length of time between when you first deposit your funds and when you are able to sell them or withdraw them.
- **Fee Payment Schedule** - Strictly speaking, there are costs in investing in an institutional level that are akin to fees paid when buying and selling real estate in the same industry. To be aware of the amounts and times when you have to pay is crucial before investing proceeds from one home.

Invest In Your Real Estate Portfolio

Retail Funding vs. Institutional Investor Funding

Alternative funding solutions via SDIRA

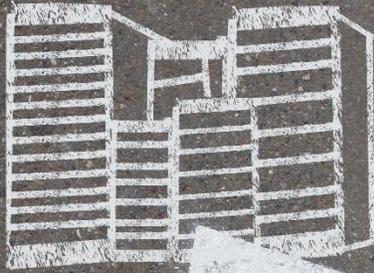
Investors interested in diversifying their income streams may organize their funding in income-per-dollar vehicles, such as self-directed IRAs (or SDIRA) or other after-tax pension programs.

Investors in an SDIRA are not able to control their investments the way the broker or investment

committee would, and do not have the ability to use custodian services such as these to finalize

SDIRA funding financial investments.





CHAPTER 03

Which Option Should You Select?

Which Option Should Select?

Direct Real Estate Investments vs. Real Estate Investment Trusts (REITs)

Investors can examine direct real estate investments or “direct deals” with investments in REITs.

Investors have the ability to use their portfolio of property investments as they have other holdings.

Investors interested in land or real estate management or property management or big finance investments may find themselves drawn to this activity.

People who have only considered diversifying their portfolios by investing into real estate may soon lose their appetite for that line of thinking, especially since they may have few resources to manage the extra burdens these types of properties entail. REITs might be a better alternative for those who own a liking for this form of investing.

A closer look will indicate additional differences between direct real estate investments and investing in a REIT.





Which Option Should Select?

Direct Real Estate Investments vs. Real Estate Investment Trusts (REITs)

Direct Real Estate Investments:

Though a common investment in real estate often deals with purchasing property, such as on an apartment or retail premises, a direct investment property may offer rental yields and in some cases the development of real estate properties.

A significant plus of real estate investing is the capability for an investor to license out a property, or make changes to its value, to permit for a steady flow of cash to finance further investments. Investors typically are supplied with the property so as to lease it, or sell it.

Real Estate Investment Trusts (REITs)

A real estate investment trust (or REIT) is definitely not uncommon. A REIT is a corporation that owns, operates, or finances income-producing real estate or real estate assets. REIT allows investors to own shares in a portfolio of real estate assets.

Funds from many individuals are pooled and invested into a portfolio's assets, creating a real estate investment trust.

REITs also offer individuals exclusive permission to institutional-quality investments that were previously licensed only to millionaires and large-scale hedge funds.



REIT

CHAPTER 04

Various Types Of REITs

Various Types Of REITs Are :

REIT	BENEFITS	DRAWBACKS
Private REITs	<ul style="list-style-type: none">• High Liquidity• Accessible to all kinds of investors.• Registered by the government for a reduced regulatory risk.	<ul style="list-style-type: none">• High Volatility• Might bring an unpredicted loss to your investments.• Subject to market fluctuations, changes in the market may occur.
Private REITs	<ul style="list-style-type: none">• Investment opportunities that may offer higher returns than publicly available investments.• A lengthy holding period helps investors focus on long-term investment strategies.• Not registered with federal authorities means lower overall costs, which can be good for revenue, but it also promotes risk.	<ul style="list-style-type: none">• Only accredited investors are eligible for this program.• A substantial investment is required.• Fee charges which tend to be in the high single digits ensue.
PUBLIC NON-TRADED REITs	<ul style="list-style-type: none">• Registered with federal financial regulatory authorities; also subject to state regulatory purview• Long-term investment is important enough to devote adequate time and resources to.	<ul style="list-style-type: none">• Minimum holding period is required.• Minimum investment is required.• Broker fees and commission involved.





Various Types Of REITs Are :

Direct Deal vs. Public Non-Traded REIT

	Direct Deal	Public Non-Traded REIT
Tax Rebates	Yes	Yes
Timely Appreciation in Value	Yes	Yes
Generates cash flow	Yes	Yes
Portfolio Diversification	Yes	Yes
Regulated by Federal Authorities	No	Yes
Passive Income	No	Yes



CHAPTER 05

Multifamily Real Estate Investment

Multifamily Real Estate Investment

Multifamily real estate has been historically a great commercial investment. It yields consistent revenue, presenting an abundance of avenues for revenue, in contrast to a business optimized for a single owner's cash flow.

Multifamily investments show resistance and stability beyond only cash flow.

- Another possibility that will benefit the real estate market is the trend in which too many Millennials who cannot afford expensive homes are purchasing homes, not choosing them.
- Retirees are choosing to rent to live closer to their families and adopt a lifestyle.
- Apartment rental costs grow more quickly as multifamily housing investment accelerates, which means more opportunities for rent increases.
- Increasing demand for workforce housing resulted in the demand for worker housing.
- Older multifamily properties that get a large number of tenants throughout the recession are most likely much better investments than those with a lot of luxury apartments because they cost less in instances when the rent isn't paid.

Investors can begin investing in multifamily real estate by finding an apartment building resource that's an extra income and means low risk by investing a smaller amount of money than they would if they opened their own apartment.

A real estate investment trust may simplify the process of investing in real estate for shareholders. Investors don't have to worry about the process and simultaneously reap the joys of holding shares in rental properties.

REITs diversify an investor's investment portfolio, lower investment risk, and provide a passive income.





CHAPTER 06

FAQs



FAQs

1. How did you decide on your investment goals?

The most essential goals of most people relate to monetary goals. As long as you are intensely focused on your financial goals, it's vital to take an appropriate approach to your objectives.

It's essential that you thoroughly estimate how much time it will take to reach your goals. If you have 5, 10, or 15 years until your children go to college, retire, or reach another endgame, try creating timelines containing up to 5, 10, or 15 years.

Setting a timeline based on your goals will direct you toward the appropriate investment options for your long-term portfolio, matching the amount of risk to your capital.

2. What is your risk criteria?

Be aware that every individual investment asset poses a different level of risk. Make sure that you match your potential tolerance for risk to the risk presented by each of the investments you set up ahead of time for time-sensitive objectives.

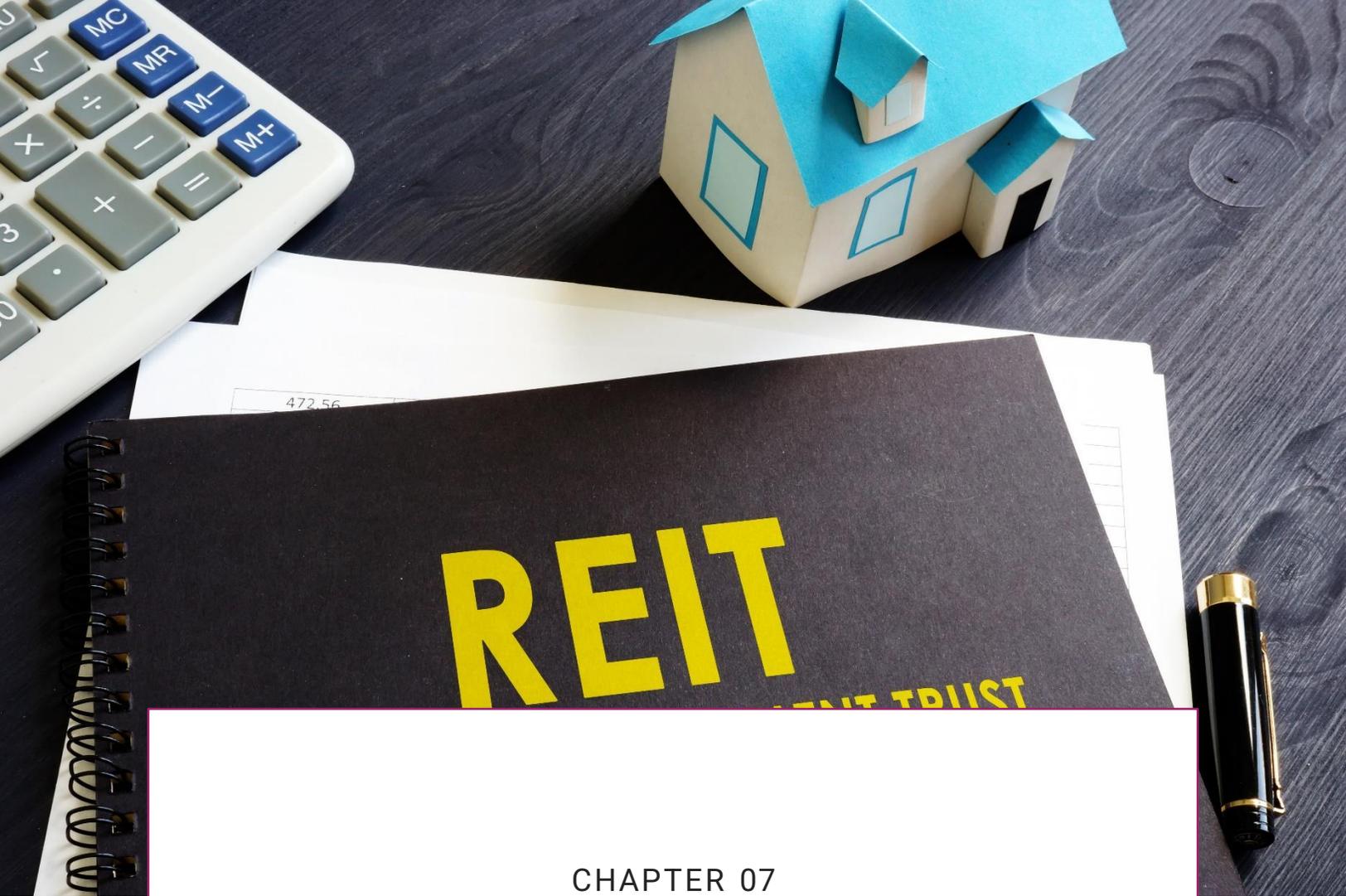
You must take into account your own risk tolerance in addition to your long-term objectives when engaging in investing with caution.

3. How active would you like to be in the day-to-day management of your investment?

Some folks who like managing investments are inspired to make investments in a particular business or project. Other folks are comfortable with a hands-off approach, and this is often a better choice with regard to managing their investments.

Active real estate investments like single family real estate and direct deals:

- Investment administration requires more hands-on management.
- Typically, earnings are high, but it also involves greater risk. Passive real estate investments like a public non-traded REIT investment:
- Stay involved less - Professional REIT management ensures investing is less time-consuming.
- REITs provide returns at steady rates that can be employed for further investments.



CHAPTER 07

REIT Related FAQs



REIT Related FAQs

1. What kind of assets are REITS involved in?

REITs may specialize in commercial real estate, industrial real estate, multifamily real estate, mortgages, student housing, senior living, and more.

2. How much experience do REIT management teams have?

Think about the team's track record, management expertise, and area of expertise.

3. What are the returns from a real estate investment trust (REIT)?

Return should be all relevant considerations when assessing future performance, but they can serve as a valuable marker for predicting the ability of a REIT to make returns. You can research the National Association of Real Estate Investment Trusts to learn the historical returns of all funds.

4. Does the management team handle the renovation and upkeep of the property in-house, or do they outsource it?

REITs could be party to other firms to facilitate their property upgrades and enhancements, while others do it all in-house.

4. What minimum threshold of initial contribution is required as part of the REIT purchase process?

Having a complete list of the funds required

will help you determine realistic expectations. What is the minimum lock-in period of a REIT?

Many REITs are long-term investments and must wait for the long-term vesting period before the possibility of getting cashing in the shares. It's important that investors understand this so they can make the proper decision on when to cash in shares.

5. What are the tax consequences if someone invests in a real estate investment trust (REIT)?

REITs' dividends are taxed much differently from other kinds of dividends and can be excluded from claim if they are transferred to a retirement account.

Although choosing your first place of residence or buying an even more lucrative real estate investment depends on your real estate interests, you can find a property that's to your liking no matter what price point you choose. No matter what that real estate price is, there is a home that is ideal for you to invest in.

Investors differ in how they want to put their money to work, but they all aim to make investments that will yield returns. Before you make a choice about your choice of real estate investment, make sure that you've thoroughly investigated the details of its financial potential and then talk with a financial adviser for advice.

Start Your Multi-Family Investment Journey Today!

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