Private Equity Real Estate Funds Are More Attractive Than REITs – And Here's Why

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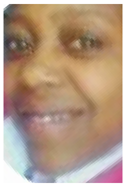

The appetite for private equity real estate funds was always thought to be higher among high net worth individuals. In fact, a survey by Tiger 21 that was published on Bloomberg found that, high net investors had 33% of their portfolios invested into private equity real estate funds. There is no doubt, real estate investing is a much favorable way of building wealth compared to traditional investment options in the stock market.

But for people who don't want the headache of managing these investments, using a managed portfolio always seems like the right way to go. This can be done through two common options. Investors can decide to go for Real Estate Investment Trusts (REITs) or choose Private Equity Real Estate Funds. Traditionally, private funds have largely been available for institutional investors and high net worth individuals. But in recent years they have been opening up to average retail investors too. REITs do have their benefits but here are a few reasons why private equity funds could offer a more attractive preposition.

Private Equity Funds Are Not Tied To Stock Market Fluctuations

Stock market fluctuations are very common. For the last two years, US stock markets have been quite volatile. This has a direct effect on REITs. In other words, REITs, just like stocks, can be affected by geopolitical and economic factors that may not be necessarily related to real estate fundamentals. For investors getting into real estate as a portfolio diversification strategy, doing so through REITs has very little impact due to its attachment to the stock market itself. This is where a private equity fund comes in. It gives you exposure to the real estate industry without the constant worry of stock market volatility.

REITs Too Are Very Volatile

Economic trends will definitely have an effect on the entire real estate market. However, REITs tend to take a bigger hit compared to private equity funds. A report by the Wall Street Journal published recently noted that when it comes to volatility, REITs were only second to stocks in emerging markets for the last two decades. Additionally, during the 2007 – 2008 financial crisis REITs lost nearly 37.7% in just a year. Even though private equity funds are not immune to such a difficult economic environment, they can navigate through the tides relatively stronger compared to REITs.

Paying Upfront Increases Risk for REITs

As an investor, it's not easy to know what you are getting into with REITs. In theory, REITs are supposed to give your access to a diversified pool of

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real estate assets. But in practice this only happens when you have paid the upfront cash requirements. In other words, REITs raise capital first, and invest later. And because investors expect dividends and returns fast, REITs managers must also move with speed to invest the capital raised in chosen real estate assets.

With this kind of haste, it's very easy to overlook important due diligence information that may prove costly in the long run. Private Equity Funds however do it differently. They only raise capital when a suitable investment opportunity has arisen. The funds will take time to look for the right assets and investors only commit funds when they are needed. This reduces exposure to risk.

Investing In Real Estate through Private Equity Funds

If the idea of real estate investing through private equity funds seems promising for you, you can get in touch with MRA Capital Partners LP. This is a Hybrid Private Equity Fund that aims to deliver long term income and capital appreciation through strategic real estate investing. MRA Capital Partners offers multiple investment strategies and is asset class agnostic. Managed by Adam Anderson, CFP, CRPC, the MRA Capital team has collectively over 200 years and $4.3B of transaction experience. They offer project specific equity investments in value-add commercial real estate within mixed use, hotel, multi-family, senior living, industrial, self-storage, and office properties which are well suited for the growth and income investor. The limited partnership structure also helps provide preferential tax treatment and allows investors to take advantage of the new Sec 199 deductions. The Fund's flagship strategy "Lighthouse Fund" is focused on asset-backed lending for companies in the real estate industry and provides investors with low duration, non-corelated returns and regular income. Secured loans in the Lighthouse Fund range from 8%-14% annually and maturities average between 6 and 12 months. MRA Capital Partners has a fully integrated online investor portal where current and prospective investors can screen offerings, track their performance, sign and store offering documents and fund their account. Investors can learn more and sign up for free access to the secure investor portal at http://mracapitalpartners.com/. In addition to their Lighthouse Fund, MRA Capital Partners is currently raising funds for a unique Hotel project.