

The Glossy Offering Memorandum

Is it something I can trust?

Investing in real estate can be one of the most profitable ways to grow your wealth, but it can also be filled with risks—especially when relying solely on the words of a syndicator or equity broker. Though brokers and syndicators often present a polished picture of an investment opportunity, it's crucial to look beyond the glossy brochures and promises of high returns.

Consider this scenario: An equity broker approaches you and says, "I have an amazing retail center opportunity in Lakewood, NJ. It's the fastest growing municipality in New Jersey, has a wealthy demographic, many expanding businesses and housing is going up everywhere in town. The opportunity for growth is tremendous. The retail property is in the heart of the city – Clifton Avenue and Second Street to be exact, and I got it for a steal. I'll renovate it, rent it out for high prices, and it's going to be a huge success. It's prime real estate, in the heart of Lakewood. Would you like to invest?"

Now, if you're familiar with Second Street, you might pause. You know that the area has fallen into decline—filled with struggling businesses and an undesirable presence of homeless people. It's no longer the vibrant retail hub it once was. So you might respond, "Thanks, but I know Second Street, and it's not as promising as it sounds."

But the broker pushes back, saying, "A few blocks away at the Gourmet Glatt Plaza, and a few blocks the other way at the Avenue Shoppes (also known as the Marcy's Plaza), they're pulling in over \$40 per square foot in rent! I'll make this even nicer than those properties! I'm offering you an amazing deal!"

No matter how the broker spins it, if you know the neighborhood well, you'll recognize that Second Street isn't comparable to Gourmet Glatt Plaza or the Avenue Shoppes, no matter how polished the offering may appear. You understand the local dynamics, the history, and the reality on the ground that the broker might be glossing over. And because you're familiar with the area, you can't be easily convinced to invest in a location that's in decline, even if it was once a promising spot or close to other successful centers.

Now let's explore another example. Imagine a syndicator or broker tells you about a property that is set to thrive because of an upcoming renovation project. But if you know that development has been stalled for years due to local opposition or permitting issues, you won't be convinced by their promises. Or if they point to nearby luxury developments to boost the investment's appeal, but you know those projects don't impact the specific block in question, you'll know better than to take their projections at face value.

Here's the takeaway: when you're pitched an investment in a location you aren't familiar with, it's easy for the syndicator or equity broker to make it sound like the next big thing. They can cherry-pick examples of nearby successes, show off fancy graphs, and paint a rosy picture. But the truth is, if you don't have personal experience with the location, you might be led to believe anything they say. **This is why due diligence is critical.**

When investing in real estate, it's crucial to do more than just trust the numbers on the glossy offering memorandum. Visit the property yourself if possible or consult with someone who understands the area intimately.

Look into the past performance of the specific neighborhood, the current trends, and what kind of growth—if any—it’s experiencing. **Simply relying on the word of an equity broker or syndicator can leave you investing in something that looks great on paper but in reality is far from ideal.**

At the end of the day, no matter how smooth the equity broker’s pitch sounds, nobody knows a property like someone who really understands the area. Before diving into any investment, make sure you do your homework and get the full picture. Your savings are set aside. You’re ready to invest. The question now is: am I making this choice based on solid facts or am I getting swayed by a flashy sales pitch?

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