



APARTMENT INVESTMENT MADE EASY

INVESTOR EDUCATION SERIES

The Passive Investor's Guide to Building Wealth Through Apartments

*A practical, step-by-step introduction to owning
apartments without becoming a landlord*

PART ONE The Asset

PART TWO The Structure

PART THREE The Decision

1998

OPERATING SINCE

~700

APARTMENT HOMES
OWNED

1,500+

TRANSACTIONS
COMPLETED

PrestigeHoldings.com/invest

PRESTIGE PROPERTIES · SINCE 1998

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Twelve short steps, three parts, and one question worth answering before you invest a dollar.

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Another way to own real estate

For many successful investors, building wealth has traditionally meant owning stocks, bonds, a business, or perhaps a few rental properties. But there is another way to add real estate to a portfolio without taking on a second job: passive apartment investing.

Passive apartment investing allows you to invest alongside an experienced owner and operator in larger apartment communities while someone else handles the work. You provide investment capital and participate in the potential financial benefits of ownership, while the operating partner finds the property, arranges financing, oversees renovations, manages residents, and handles day-to-day operations.

This guide explains how passive apartment investing works, why investors consider it, and the practical steps to evaluating whether it belongs in your portfolio.

ABOUT PRESTIGE

At Prestige Properties, we know the work involved because we have been acquiring and operating real estate since 1998. Historically, we grew primarily by investing our own capital. Today, as we see new opportunities emerging in multifamily real estate, we are selectively inviting accredited investors to invest alongside us.

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The Asset

Steps 1–5 · What apartments are, and how they create value

STEP 01

01

Understand why investors choose apartments

Before deciding how to invest, start with the asset itself.

Apartments serve a fundamental need: people need places to live. An apartment community is also an operating business that can generate recurring revenue from residents every month.

For passive investors, apartments can potentially provide several benefits within a single investment.

01 Potential passive income

Residents pay rent, creating recurring property revenue. After paying operating expenses, debt service, reserves, and other obligations, available cash flow may be distributed to investors.

The amount and frequency of distributions depend on the individual investment and its performance. Income is never guaranteed, but cash flow is one of the primary reasons many investors are attracted to apartments.

02 Long-term appreciation

Apartment values can increase over time as rents grow, operations improve, debt is reduced, and market conditions change.

Unlike investments where you have little control over the underlying business, apartment owners can often create value through their own execution. Improving apartments, increasing occupancy, managing expenses, strengthening operations, and increasing property income can all contribute to increasing the value of the property.

03 Diversification

If much of your wealth is tied to stocks, bonds, retirement accounts, or a privately held business, apartments can add a different type of asset to your portfolio.

You are investing in physical real estate with its own sources of income and value rather than simply purchasing another publicly traded security.

04 A potential hedge against inflation

Real estate can also provide a degree of protection against inflation. As the cost of goods and services rises over time, apartment rents and property values may also rise. Unlike many fixed-income investments, rental income has the ability to adjust as leases renew, helping real estate potentially keep pace with increasing costs.

At the same time, owners with fixed-rate debt may benefit because the amount owed stays the same while rents and replacement costs increase.

This does not make real estate immune to inflation or economic changes, but it is one reason many investors use income-producing real estate as part of a diversified long-term portfolio.

05 Potential tax benefits

Real estate ownership can provide meaningful potential tax advantages. Depreciation allows owners to recognize the gradual decline in the tax basis of certain property components even when the property's market value may actually be increasing. Depending on the investment and an investor's individual circumstances, depreciation and other deductions may offset some taxable income generated by the property.

Tax treatment varies considerably by investor and investment, so investors should always consult their own tax professionals.

06 Professional ownership without becoming a landlord

This may be the most important benefit for many investors. You can participate in apartment ownership without personally collecting rent, managing employees, handling maintenance calls, negotiating financing, overseeing construction, or dealing with residents.

Your capital is working in real estate.
Your time doesn't have to.

Understand what “passive” really means

Imagine purchasing a 200-unit apartment community yourself.

WHAT OWNERSHIP ACTUALLY REQUIRES

You would need to find the property, negotiate the purchase, conduct due diligence, arrange millions of dollars of financing, provide the equity, obtain insurance, develop a renovation plan, hire employees and contractors, lease apartments, collect rent, manage residents, maintain the property, oversee accounting, and eventually determine when to refinance or sell.

Passive investing separates the investment from those day-to-day responsibilities.

The operating partner handles the work.

The passive investor provides capital and receives an ownership interest in the investment.

At Prestige, our team handles the investment process from acquisition through operations. Importantly, we also invest our own capital alongside our investors, so we are financially committed to the opportunities we offer.

THE OBJECTIVE

Participate in apartment ownership without having to operate the apartments yourself.

Understand how an apartment investment can make money

Apartment investments generally have three primary potential sources of investor return.

01 Cash flow

The property collects rent and other income. From that revenue, the property pays expenses such as payroll, maintenance, utilities, insurance, property taxes, management costs, and mortgage payments.

Remaining cash flow may be available for distribution to investors.

02 Appreciation

The property may become more valuable during the investment period. Some appreciation may come from market conditions, but experienced apartment operators do not necessarily want to rely exclusively on the market.

One of the reasons Prestige focuses on apartments is the ability to create value through operations. If a property generates more income because rents have improved, occupancy has increased, expenses have been better managed, or additional revenue has been created, that stronger income can directly support a higher property value.

03 Sale or refinancing

If the property increases in value, ownership may eventually refinance it or sell it. A refinancing may allow some capital to be returned while investors continue owning the property.

A sale concludes the investment and distributes the remaining proceeds according to the investment's operating agreement.

Every investment is different, and none of these outcomes should be assumed or guaranteed.

Learn how value is actually created

Buying an apartment community is only the beginning.

The quality of execution after acquisition can have an enormous impact on the investment. At Prestige, we believe value creation comes from being an active, hands-on owner.

Depending on the property, a business plan might include:

A HANDS-ON BUSINESS PLAN

- Renovating outdated apartment interiors
- Improving kitchens and bathrooms
- Updating common areas
- Improving landscaping and curb appeal
- Completing deferred maintenance
- Improving leasing and marketing
- Increasing occupancy
- Bringing below-market rents closer to market levels over time
- Improving resident retention
- Managing operating expenses
- Adding amenities residents value
- Improving property management
- Creating additional sources of property revenue

The objective isn't simply to spend money renovating a property. It is to make improvements that enhance the resident experience while strengthening the underlying economics of the investment.

Prestige has been acquiring, improving, and operating real estate since 1998. That operating experience shapes how we evaluate an opportunity before we ever buy it.

Understand the power of increasing property income

One of the most important concepts in apartment investing is surprisingly simple.

A better-performing property is generally a more valuable property.

Suppose an apartment community has outdated units, below-market rents, unnecessary expenses, or operational inefficiencies. An experienced owner may see an opportunity.

Renovating apartments and improving operations can increase the property's net operating income, commonly called NOI.

KEY TERM • NOI

Net operating income is essentially the property's income after operating expenses but before mortgage payments and certain other costs. In commercial real estate, property value is closely tied to NOI and the capitalization rate investors are willing to accept.

That means even relatively modest improvements in income across dozens or hundreds of apartments can create meaningful additional property value.

This is one reason operating experience matters so much.

The Structure

Steps 6–9 · How the investment is built, and what to ask

STEP 06

06

Understand the investment structure

Passive apartment investments are typically made through a legal entity created to own the property.

Rather than personally owning Apartment 101 or 202, an investor owns an interest in the entity that owns the apartment community. The operating partner—or sponsor—manages the investment.

Investors receive documents describing the opportunity, which may include:

WHAT THE OFFERING DOCUMENTS COVER

- | | |
|----------------------------|---------------------------|
| ■ Purchase price | ■ Projected cash flow |
| ■ Financing | ■ Target investor returns |
| ■ Planned improvements | ■ Fees |
| ■ Investment strategy | ■ Distribution structure |
| ■ Minimum investment | ■ Potential risks |
| ■ Target investment period | ■ Exit strategy |

— HOW MUCH TO INVEST

\$100,000

Typical minimum investment at Prestige. The minimum may vary depending on the opportunity.

Many of our investors choose to invest substantially more than the minimum so they can participate more meaningfully in the potential income, appreciation, tax benefits, and overall economics of the investment.

The right investment amount is different for every investor and should be based on individual financial circumstances, liquidity needs, diversification goals, and risk tolerance.

Investors should carefully review the actual offering documents for every investment before making a decision.

Know what to look for in an operator

The property matters. The people operating it matter just as much.

When evaluating a passive real estate investment, don't look only at the projected return. Ask who is responsible for actually making the business plan happen.

TEN QUESTIONS WORTH ASKING

- 01 How long has the operator been investing in real estate?
- 02 Has the team operated apartments through different economic cycles?
- 03 Who manages the properties?
- 04 Who oversees renovations?
- 05 How does the operator identify opportunities?
- 06 How much of its own capital is being invested?
- 07 How are investors kept informed?
- 08 What happens if the business plan doesn't go as expected?
- 09 Are the assumptions reasonable?
- 10 How does the operator make money?

Prestige has been acquiring real estate since 1998, currently owns and operates approximately 700 apartment homes, and has completed more than 1,500 real estate transactions.

1998

OPERATING SINCE

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But experience alone isn't enough. We believe alignment matters, which is why Prestige invests its own capital alongside our investors.

Look beyond the projected return

A projected return can be appealing, but it is only a projection.

A disciplined investor should look closely at what assumptions have to occur for that return to be achieved.

If an investment projects significant rent increases, ask whether current market rents support them. If the plan assumes a future sale price, understand how that value was calculated. If renovations are central to the strategy, understand the renovation budget and expected return on those improvements.

WHAT TO EXAMINE BEFORE YOU RELY ON A PROJECTION

- | | |
|--------------------------------------|---------------------------|
| ■ Purchase price | ■ Financing terms |
| ■ Current property income | ■ Interest-rate exposure |
| ■ Existing rents versus market rents | ■ Reserves |
| ■ Occupancy | ■ Projected rent growth |
| ■ Renovation assumptions | ■ Future sale assumptions |
| ■ Operating expenses | ■ Expected hold period |

The best-looking projection isn't necessarily the best investment.

At Prestige, conservative underwriting is one of the ways we work to manage risk. We would rather make realistic assumptions, maintain appropriate reserves, and be pleasantly surprised by stronger performance than rely on aggressive projections simply to make a deal look more attractive.

OUR TRACK RECORD

That disciplined approach has served us well. Since 1998, Prestige has never realized a loss on a property we have purchased.

Past performance does not guarantee future results, but we believe our history reinforces the importance of disciplined acquisitions, conservative underwriting, and hands-on execution.

Understand the risks—and how experienced ownership can help manage them

Every investment involves risk, and apartment investing is no exception.

POTENTIAL RISKS INCLUDE

- Property values declining
- Rents growing more slowly than expected
- Occupancy falling
- Operating expenses increasing
- Property taxes or insurance increasing
- Renovations costing more than anticipated
- Interest rates changing
- Financing becoming more expensive
- Economic conditions weakening
- Unexpected capital expenditures
- Properties taking longer to reposition
- A sale occurring later or at a lower value than projected

Private apartment investments are also generally illiquid. You should not invest money you expect to need in the near future. Investors should generally expect their capital to remain invested for the duration of the investment.

Risk cannot be eliminated, but it can be managed.

At Prestige, that starts before we ever purchase a property. We focus on conservative underwriting, understanding current property income, testing assumptions, evaluating financing carefully, maintaining reserves, and buying at a basis we believe provides an appropriate margin for execution.

We also manage properties ourselves, allowing our team to stay close to occupancy, rents, expenses, maintenance, renovations, and resident experience rather than relying entirely on third parties.

Understanding risk doesn't make an investment less attractive. It helps you make a better decision—and helps an experienced operator prepare for situations that may not go exactly according to plan.

PART THREE

The Decision

Steps 10–12 · Whether, with whom, and what happens next

STEP 10

10

Decide whether passive apartment investing fits your portfolio

Passive apartment investing isn't right for everyone.

It may be worth exploring if you:

A REASONABLE FIT IF YOU

- ✓ Want to diversify beyond stocks and bonds
- ✓ Prefer owning tangible assets
- ✓ Are interested in potential passive income
- ✓ Want exposure to real estate without becoming a landlord
- ✓ Are looking for assets that may provide a hedge against inflation
- ✓ Have capital you can invest for several years
- ✓ Understand that returns are not guaranteed
- ✓ Are comfortable with an illiquid private investment
- ✓ Value investing alongside an experienced operator
- ✓ Are interested in potential real estate tax benefits
- ✓ Want to participate in larger apartment investments than you might acquire individually

ASK YOURSELF

What role do I want real estate to play in my overall portfolio?

The answer is more important than simply asking whether a particular investment has an attractive projected return.

Get to know the operator before the opportunity

One of the worst times to begin evaluating an investment manager is when an attractive opportunity has just been announced and you feel pressure to make a decision.

Get to know the people beforehand.

Learn their history.

Understand their investment philosophy.

Ask questions.

See how they operate.

Understand how they communicate.

Determine whether their approach fits yours.

That is why Prestige is building investor relationships before our next opportunity becomes available.

Since 1998, we have primarily invested our own capital. As we see what we believe is an attractive opportunity emerging in multifamily real estate, we're beginning to invite a select group of accredited investors to invest alongside us.

We would rather develop relationships now than introduce ourselves for the first time when we're asking someone to make an investment decision.

Know what happens when an opportunity becomes available

When Prestige identifies an apartment investment that meets our criteria, prospective investors will receive information explaining the specific opportunity.

That information should allow you to evaluate the property, strategy, financing, projected economics, risks, and investment structure.

Your job isn't to say yes to every opportunity. It is to determine whether that particular opportunity makes sense for you.

HOW TO WORK THROUGH AN OPPORTUNITY

- 1 Review the materials.
- 2 Ask questions.
- 3 Discuss the investment with your financial, legal, and tax advisers when appropriate.
- 4 Consider how much capital you're comfortable committing.
- 5 And invest only when you understand the opportunity and believe it fits your objectives.

— IN SUMMARY

A simple way to think about passive apartment investing

At its core, passive apartment investing isn't complicated.

- 1 You provide capital.
- 2 An experienced operator finds and acquires the apartment community.
- 3 The operator executes the business plan and manages the property.
- 4 The property may generate income and increase in value.
- 5 You participate economically as an owner while remaining passive.

There are many details which factor into each of those steps, but that is the basic concept.

Why Prestige is opening opportunities to investors

Prestige wasn't created as a capital-raising company. Since 1998, we have primarily used our own capital to acquire and operate real estate. That history matters to us.

We approach investments as owners because that's what we are.

Today, Prestige owns and operates approximately 700 apartment homes and has completed more than 1,500 real estate transactions. As the multifamily market changes, we believe opportunities are emerging that may allow experienced buyers to acquire attractive properties at compelling bases.

Rather than pursue every future opportunity solely with our own capital, we are selectively developing relationships with accredited investors who want to invest alongside us. Prestige continues to invest its own capital in the opportunities we offer, giving us meaningful financial alignment with our investors.

Our goal isn't to build the largest investor list. It's to build long-term relationships with investors who understand our approach, value alignment, and want to participate alongside us when the right opportunity comes along.



YOUR NEXT STEP

Start by learning.

You don't need to decide today whether passive apartment investing is right for you. Understand how apartments work as investments. Decide what you want from your portfolio. Get to know the people you may invest alongside. And ask plenty of questions before committing capital.

If you'd like to learn more about Prestige and how our investment program works, visit PrestigeHoldings.com/invest.

Or come see us. We'd be happy to welcome you to our Oakley office, share more of the Prestige story, explain our approach to apartment investing, and answer your questions personally.

Own apartments. Stay passive.
Invest alongside experience.



Meg Swallow

INVESTOR RELATIONS

513.578.1930

meg@prestigeholdings.com

IMPORTANT DISCLOSURES

This guide is provided for general educational purposes only and does not constitute an offer to sell or a solicitation to purchase any security, nor does it constitute investment, legal, or tax advice. Any investment opportunity will be offered only through its applicable offering documents. All investments involve risk, including the potential loss of principal. Projected returns, income, appreciation, and tax benefits are not guaranteed. Past performance does not guarantee future results. Prospective investors should consult their own financial, legal, and tax advisers regarding their individual circumstances.



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