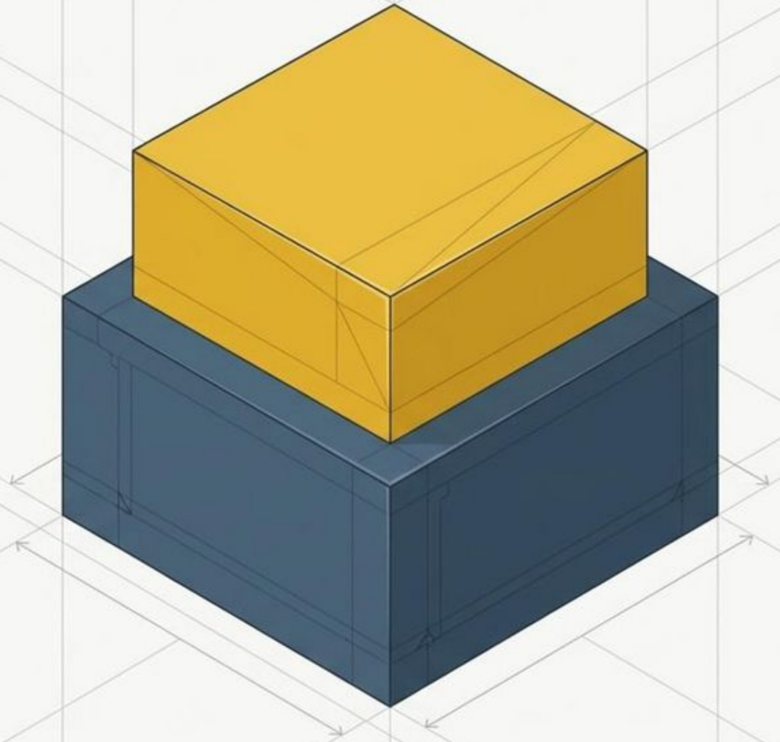
The Third Option in Real Estate

How to stop being a landlord without giving up on the asset class.



Most rental owners assume they have two choices.

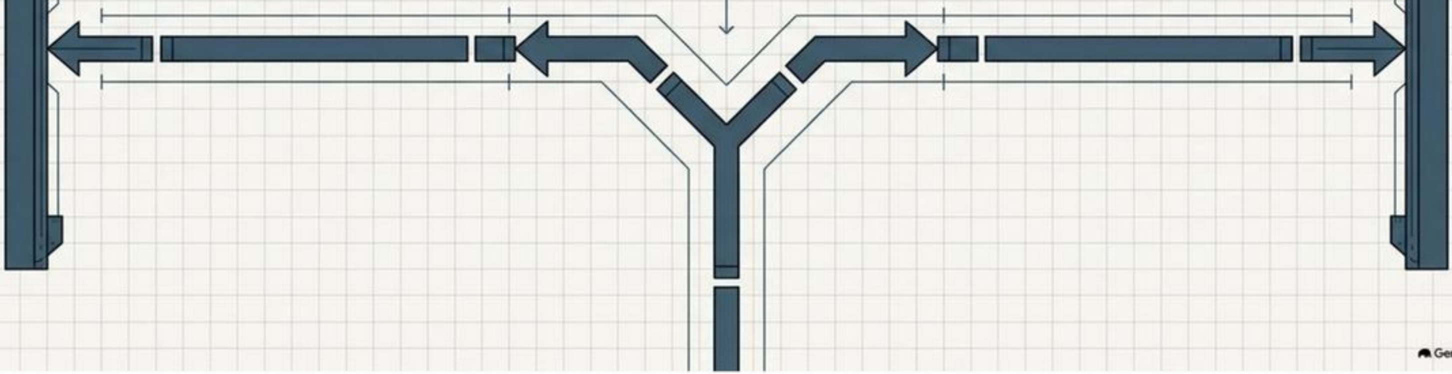
Path A: Keep Owning

Keep dealing with tenants, vacancies, repairs, insurance, property management, and unexpected expenses.

They are wrong.

Path B: Sell Everything

Liquidate the portfolio, walk away from the income, and leave real estate entirely.



You don’t have to sell the property. You just have to change your position.

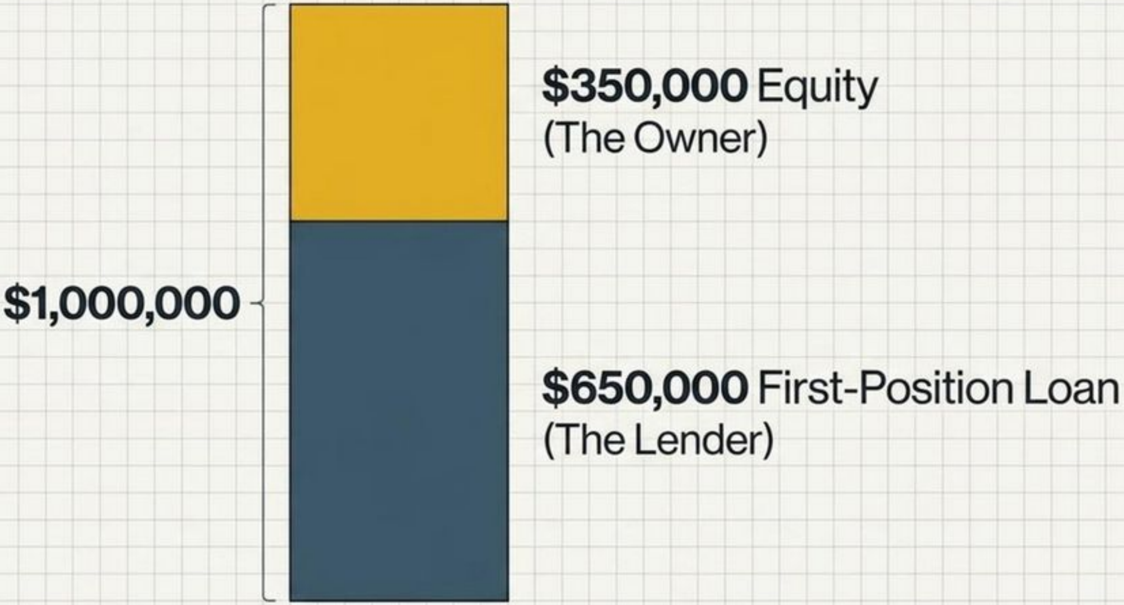
Path A: Keep Owning

Keep dealing with tenants, vacancies, repairs, insurance, property management, and unexpected expenses.

Path B: Sell Everything

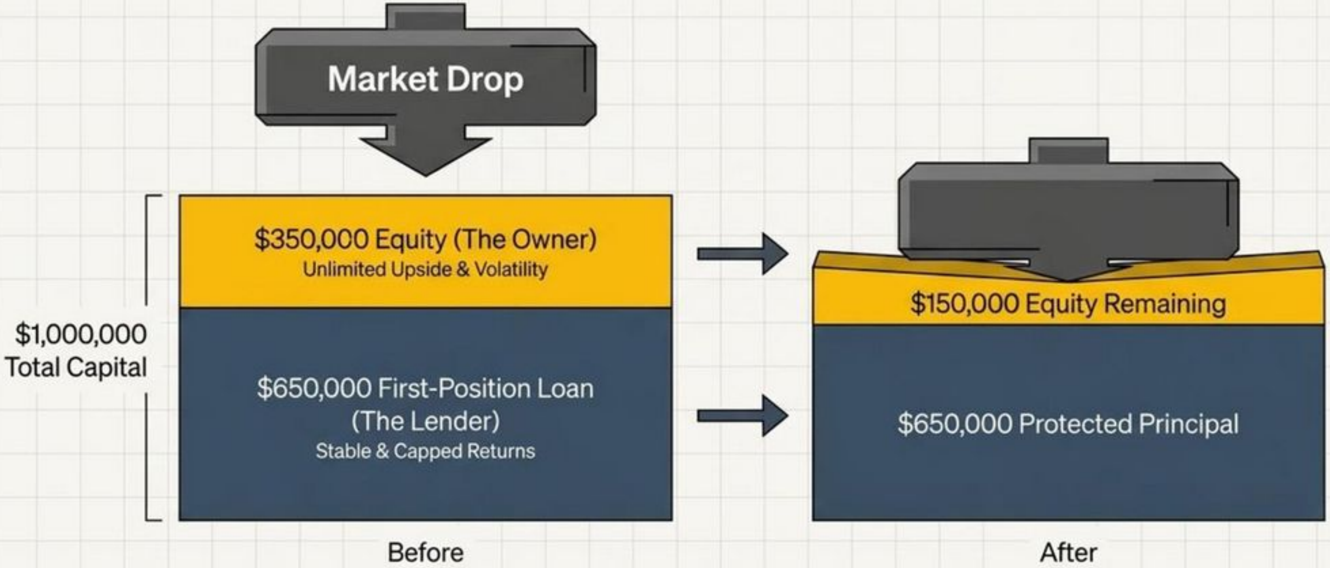
Liquidate the portfolio, walk away from the income, and leave real estate entirely.

Stop being the owner. Become the lender.



Both parties have money invested in the exact same property.
But they occupy entirely different realities.

The owner’s capital is a shock absorber.



The owner's $350k absorbs losses first. Even after a $200k drop in property value, the lender's $650k principal remains completely shielded.

Two positions in the exact same asset.

	The Owner (Equity)	The Lender (Debt)
Upside	Potentially unlimited; captures rent hikes and appreciation	Capped at the agreed interest rate
Responsibilities	Tenants, vacancies, repairs, property management	Zero operational burden
Loss Exposure	First to absorb losses	Protected by the equity cushion
Payment Priority	Last in line	Paid first

Learning the distinction the expensive way.

2021

Invested $100,000 as an equity investor in a multifamily property.

The Market Shift

Interest rates increased, cash flow disappeared, and property value fell.

The Result

Expected total loss of the $100,000 investment upon sale.

The asset failed, but only one position lost money.

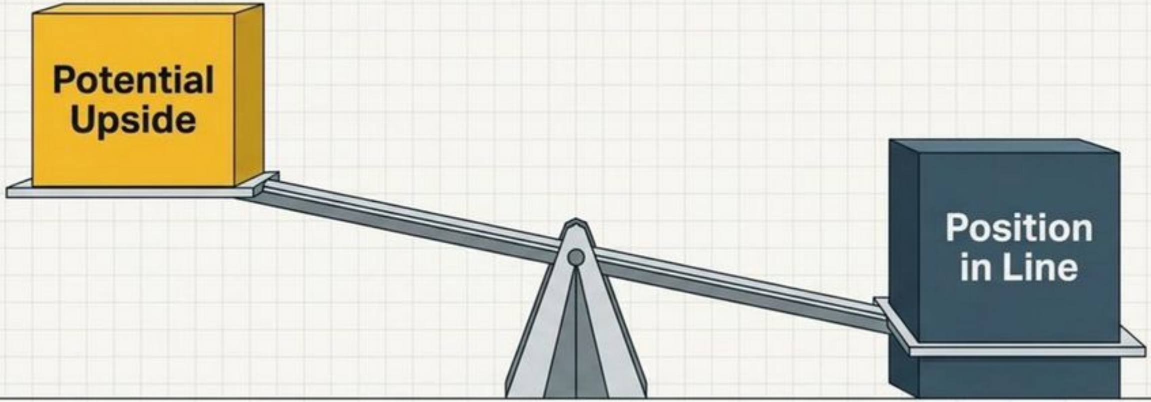
The Equity Investor (Me)

“I needed everything left over after the lender was paid. There wasn’t anything left.

The Lender

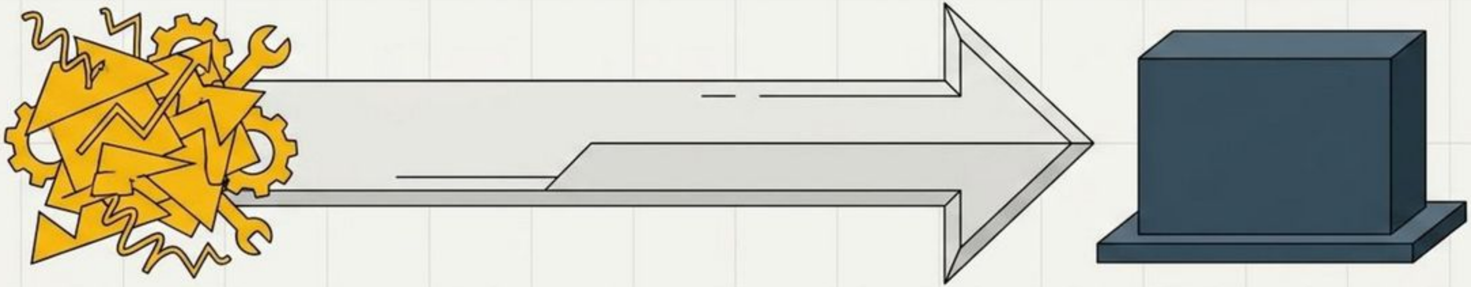
“The lender didn’t need the property to become a great investment. They simply needed it to remain valuable enough to repay the loan.

The Fundamental Rule of the Capital Stack



That is the tradeoff. Equity owners receive potentially unlimited upside, but they are last in line. Lenders accept capped returns, but they are paid before the equity owner.

As retirement approaches, your objectives **change.**



- You may no longer need maximum appreciation.
- You may need zero operational responsibility.
- You may need predictable income.
- You may need better protection if a deal underperforms.

Moving up the stack reduces risk; it doesn't eliminate it.

Private real estate credit still carries risks:

- Borrowers default.
- Valuations can be wrong.

- Foreclosures can be expensive and slow.

- A first-position lien protects, but assumes foreclosure costs don't consume the remaining cushion.

Selling a rental doesn't necessarily mean walking away from real estate. Sometimes it simply meving from the person responsible for everything to the person who gets paid first.