Risk Factors

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Investing in real estate development involves significant risk. Prospective investors should carefully consider the following before making an investment decision. This is not an exhaustive list, and no investment return is guaranteed.

1. Market Risk

Florida markets are cyclical, driven by interest rates, economic conditions, and buyer sentiment. A downturn could reduce sale prices below projections.

Mitigation. Conservative leverage with a $500K equity cushion, short project cycles, and a multi-exit framework including the refinance backstop.

2. Construction Risk

Cost overruns, material shortages, labor disruptions, or contractor defaults could increase project costs.

Mitigation. Fixed-price scopes lock in costs, in-house GC oversight controls schedule and quality, and builder's risk insurance covers major loss events.

3. Permitting & Regulatory Risk

Permitting timelines, zoning changes, or new codes could delay or modify plans.

Mitigation. Experienced operators with local government relationships, permitting initiated early, and FEMA and code compliance built into every design.

4. Hurricane & Weather Risk

Coastal markets are exposed to hurricanes, flooding, and severe weather during construction.

Mitigation. FEMA-elevated designs exceed code, impact-rated envelopes and coastal-grade systems, and comprehensive flood and builder's risk insurance.

5. Interest Rate & Financing Risk

Rising rates could increase financing costs, reduce the buyer pool, or affect refinance terms.

Mitigation. Target cash and high-net-worth buyers who are less rate-sensitive, conservative debt ratios, and short cycles that limit rate drift.

6. Liquidity Risk

Investments are illiquid; capital is committed for the life of the project and cannot be redeemed on demand.

Mitigation. A defined 24-month horizon backstopped by refinance, among the shortest in real estate private equity, with capital recycled efficiently.

7. Return Risk

The preferred return and equity multiple are targets, not guarantees, and depend on project performance and the ability to sell or refinance.

Mitigation. Conservative underwriting, the builder's profit positioned behind the investor as a cushion, and the refinance backstop to fund repayment.

8. Concentration Risk

All projects are in Florida, exposing the portfolio to state-specific economic, regulatory, or climate events.

Mitigation. Three distinct sub-markets with different demand drivers and buyer profiles provide internal diversification.

9. Operator Risk

Performance depends on operator capability, financial stability, and market knowledge.

Mitigation. Decades of track record per operator, standardized underwriting and reporting, and no single operator controlling more than 45% of the pipeline.

10. Leverage Risk

Bank construction debt amplifies both returns and losses; if a project underperforms, the bank lien takes priority.

Mitigation. Investor equity goes in first to control the asset, conservative loan-to-cost ratios, and a protective liquidation strategy that prioritizes bank and investor positions.

Regional Diversification Summary

REGION	MARKETS	RISK PROFILE
West Coast	Clearwater to Siesta Key	Waterfront luxury, tourism-driven, scarcity premium
East Coast	Palm Beach County	Ultra-luxury teardown-rebuild, HNW cash buyers
Central Florida	Orlando Metro	Luxury infill, population growth, broader buyer pool

> Mitigations reduce but do not eliminate risk. Returns are targets, not guarantees; investments are illiquid; and investors may lose some or all of their capital. Review the complete offering documents with your legal, tax, and financial advisors before investing.