

Series LLCs in Real Estate and Beyond: Opportunities, Costs, and Pitfalls

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The Series LLC offers real estate sponsors, family offices, and investors a flexible vehicle to segregate assets and liabilities within a single master entity. While this structure promises administrative efficiency and cost savings, it also raises significant legal uncertainties, recognition issues, and financing challenges that must be carefully considered. Read more to find out about the benefits and risks of Series LLCs in Real Estate.

What Is a Series LLC?

A Series LLC is an LLC authorized under certain state statutes (including Delaware, Illinois, Nevada, Texas, and others). The “master” LLC creates separate internal series by board resolution or operating agreement, without forming new entities at the Secretary of State.

Each series may have:

- Separate ownership interests
- Distinct business purposes
- Isolated assets and liabilities
- Its own books, records, and bank accounts

In theory, liabilities of one series do not spill over to other series or to the master LLC—if statutory formalities are followed.

Who Uses Series LLCs?

- **Real Estate Sponsors and Developers:** To hold multiple properties in one entity structure while segregating risk by property.
- **Private Equity Funds:** To silo investments by portfolio company.
- **Family Offices:** To separate family investment vehicles or properties.
- **Fintech, IP, and Asset Managers:** To compartmentalize intellectual property or digital assets.

Why Are Series LLCs Favored?

Administrative Efficiency

- One state filing for the master entity, with multiple series created internally.
- Reduced formation paperwork compared to multiple stand-alone LLCs.

Cost Savings

- Pay only one franchise tax (in some states, such as Delaware) for the entire master LLC.
- Fewer registered agent fees and annual report filings.

Asset Protection

- Liability of each series is generally limited to the assets of that series.
- Provides a bankruptcy-remote style silo effect without multiple LLCs.

Flexibility

- Each series can have different ownership, governance, and economic rights.
- Appeals to joint ventures, syndicators, and family investors who need tailored allocations.

How Are They Used in Practice?

- **Real Estate Portfolios:** Each property is placed into a separate series, isolating risks (environmental, tenant, casualty) while using one master umbrella.
- **1031 Exchanges:** Some sponsors use separate series to segregate like-kind exchange properties. See also our guidance on [1031 exchanges and net lease acquisitions](#).
- **Joint Ventures:** Distinct investor groups can participate in separate series without cross-collateral exposure.
- **Fund Structures:** Each series can represent a different asset class, investment round, or geographic region.

Costs, Risks, and Pitfalls

Unsettled Law

- Series LLC statutes are not uniform across states.
- Bankruptcy treatment of series is uncertain—federal courts have not uniformly recognized each series as a separate debtor.

Recognition Issues in Non-Series States

- A Series LLC formed in Delaware may not be fully respected in states without Series LLC statutes.
- Risk that creditors, regulators, or courts ignore liability shields outside the home jurisdiction.

Increased Complexity in Practice

- Each series requires separate books, records, and bank accounts to maintain separateness.
- Failure to respect formalities risks “piercing the veil” across series.

Financing Concerns

- Institutional lenders and [CMBS](#) markets are often reluctant to lend to Series LLCs, preferring stand-alone Delaware SPEs.
- Title insurers may require additional endorsements or refuse to insure a series interest. For background, see the [U.S. Securities and Exchange Commission’s guidance](#) on entity structures.

Tax Treatment

- IRS recognizes each series as a separate taxpayer for federal tax purposes, requiring multiple returns in many cases.
- State tax treatment varies, creating complexity and additional accounting costs.

Cost Savings May Be Illusory

- While filing fees may be reduced, the ongoing burden of maintaining multiple books, bank accounts, and tax filings can equal or exceed costs of multiple LLCs.

Practical Takeaways

- Series LLCs offer administrative efficiency, but formalities must be strictly observed to preserve liability shields.
- Cost savings can be offset by tax filing burdens and accounting complexity.
- Recognition outside of Series LLC jurisdictions is uncertain, limiting portability.
- Financing markets and title insurers remain skeptical of Series LLCs, reducing their usefulness in institutional transactions.
- For complex real estate deals, traditional Delaware SPE structures are often still preferred.

Conclusion

Series LLCs offer flexibility and the promise of reduced administrative expense, but legal uncertainty, financing market reluctance, and compliance complexity have limited their adoption in large-scale commercial real estate deals.

They may be most useful for closely held portfolios, family offices, and private funds where internal liability silos are needed and investors are comfortable with the legal uncertainties. For institutional-grade financings, however, the traditional Delaware SPE structure remains the gold standard.

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