

# 5 Criteria For Your Investment Sponsor Before Committing Capital



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As mainstream investors migrate more toward the new 60/40 portfolio mix of public and private assets, the private equity investing landscape is fundamentally reshaping. A new generation of investors will soon be infusing potentially **\$8 trillion** into private markets like commercial real

estate (CRE) by 2030, as [\\$84 trillion](#) continues to transfer from Boomers to Millennials and Gen Zers over the next 20 years.

For many, CRE investing is uncharted territory. There are many factors to consider when selecting the right investments, but none is more important than selecting the right investment sponsor—the strategic partner who takes on the responsibility of acquiring, managing and eventually selling property assets on your behalf. As the head of an investment platform, I know the vital importance of building relationships based on trust, mutual benefit and a shared vision for success. We hold this expectation of our sponsors, too.

## The Pivotal Role Of The Sponsor

Choosing the right sponsor isn't just an important step—it's mission-critical. Sponsors are the link connecting you to your investment. It's their expertise, strategic decision-making and integrity that can deeply affect how your investments perform. An experienced sponsor offers more than just skills and a solid history; they show you evidence of their ability to find unique opportunities and the foresight to manage risks that others might miss.

What core criteria should you be looking for when vetting potential sponsors?

The following list of top attributes is informed by decades of industry experience and reflects the exemplary traits demonstrated by sponsors on my company's platform. We asked our investors and Americans across the country to rank the list. The No. 1 priority when selecting a sponsor was *performance track record*. Two-thirds (63%) of our investors agree and one-third (34%) of Americans felt it would instill the most confidence in a sponsor, per [our October 2024 Ipsos poll](#).

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Here are the top five attributes of an exemplary sponsor:

## **1. Proven Track Record**

The past is prelude, as the saying goes. This is definitely true for investment sponsors. Check their completed projects, track record of returns and strategies for weathering market challenges. Ask whether they've ever held unplanned capital calls. If yes, ask why and how frequently these calls happen, because this may be a red flag. Ask about their top- and lowest-performing assets and how these stories align with their investment thesis. Also, ask how they manage current and historical risks inherent to the real estate market. The track record tells you about performance, experience, resiliency and consistency of investment philosophy over time.

## **2. Capital Reserves**

It's critical to confirm that your sponsor is financially stable and can weather market downturns. In addition to their longevity and performance track record, look for sponsors with diversified investment portfolios and complementary revenue streams that can stabilize cash flow during market cycles. Also, seek out sponsors who have in-house resources to take a project from concept to completion. This approach streamlines costs through workflow efficiencies, cutting out third-party fees and directly realizing discounts on construction materials, etc., which may strengthen the bottom line.

## **3. Quality Reputation**

In the investment world, a sponsor's reputation is everything. Look for awards, investor testimonials and media coverage. Ask friends about their

experience partnering with this sponsor. Transparency, ethical behavior and a solid reputation are crucial when you're entrusting someone with your money.

## **4. Longevity And Experience**

A sponsor who has been in the industry for a long time shows resilience, adaptability and a proven record of navigating the ever-evolving CRE landscape. Sponsors with a wide range of project completions and a sustained presence demonstrate an ability to manage assets during both booming markets and economic downturns. Experience matters—a lot.

## **5. Co-Investing Alongside You**

When a sponsor is willing to invest their own money alongside yours, it shows they have confidence in the investment and that their interests align with yours. Co-investment means the sponsor shares both the risks and the potential rewards. This alignment fosters a partnership where decisions are made for mutual benefit, strengthening the trust that's essential for a successful investment relationship.

With the right strategies and strong partnerships, CRE investing becomes more than a financial transaction; it's a strategic collaboration that works to support your long-term wealth-creation objectives. As you consider investing in CRE, keep in mind that a successful investment partnership isn't just about the numbers; it's also about shared values, open communication and mutual respect. Diligence, discernment and trust are your greatest allies.

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