



How to Vet a Syndication Sponsor

Do you REALLY know the person you're investing with? How do you know you can trust them?

True story: I once found myself driving to the office of a general contractor with a large check in hand. I was on the phone with a real estate friend and he mentioned to me that the contractor had an "interesting" history. I pulled over and googled the contractor and the first thing that came up was a mug shot! Apparently, the contractor had been collecting deposits for jobs in a different state and then never completing the work! So how do you protect yourself from investing with the wrong people? You can never guarantee a risk-free investment, but these steps will help you avoid bad people...

- 1. Background** – Google their name and see if any red flags pop up. Do they have any SEC violations? It isn't always necessary, but you may consider a criminal background check. See if they have a Facebook page or other social media that might reveal something. Are they active on investing forums like Bigger Pockets? Go to the sponsor's website and see what information they provide. What is their real estate strategy, what are their core values, what is their investment criteria, what are their investing philosophies? Their contact information is usually available on their website and you should call them to ask about their background.
- 2. Experience** – While you're on the phone with them, ask about their experience. How long have they been in business, how many deals have they done, how many of their deals have gone full cycle (bought and sold)? If a sponsor is new to real estate or syndication, be cautious. Make sure they have experienced advisors who are guiding and mentoring them.
- 3. Professionalism** – Do their marketing materials look professional? Ask for the investor packages of previously completed deals. Are there any typos? Does the information all match? When you talk to them on the phone or over email, are their responses professional? Do their recorded webinars and phone conferences give off a feeling of confidence? You can tell a lot about a person by the way they interact with you.
- 4. Other Team Members** – The lead sponsor along with their co-sponsors usually have other team members. Ask the sponsor about their property management team and their SEC attorney since both are crucial to the deal's success. Ask to talk to the sponsor's investors from another deal. You can ask them about their experience and if the returns were consistent with projections.
- 5. Sponsor Underwriting** – Does the sponsor provide some sort of pro-forma for the property and if so, does it look conservative? If they are projecting rent growth annually, are they also projecting expense growth annually? Are those numbers in line with the market? Do the sponsors have an adequate capital reserve for problems that may arise? Share the underwriting with a trusted source and ask their opinion.
- 6. Personality** – Good old-fashioned chemistry is important. Is it easy to hold a conversation with the sponsor and do you understand when they explain things? Do they have time for your questions? Generally, could you see yourself being in a partnership with them for 5-7 years?

This isn't an exhaustive list on how to vet a sponsor but it's a great start. If you want to chat about any kind of real estate, please reach out to us via our website:

www.blueridgeinvestmentpartners.com/contact