

SPONSORSHIP and SPONSOR EQUITY

THE KEYS TO SELECTING THE RIGHT SPONSOR

The sponsor, or owner / operator, in a commercial real estate transaction needs to be suitably qualified in the following areas:

INFRASTRUCTURE:

Have the appropriate organization to take on the project

CONSTRUCTION:

Be qualified to manage the construction needed to rehabilitate the property

MANAGEMENT:

Be qualified to manage or oversee the day-to-day operations of the property and tenant marketing plan

LEASING:

Be qualified to oversee the leasing effort

STAYING POWER:

Having sufficient net worth to support the property if unexpected costs overrun the budget or delays occur.

GUIDELINES FOR SPONSOR CO-INVESTMENT AMOUNTS

5%

CO-INVESTMENT:

Not very desirable, as it creates an "option value" for the sponsor. Any investor who accepts a 5-percent co-investments would be well advised to make up for this low investment amount with additional structure.

10%

CO-INVESTMENT:

Marginal; must have "going-in" merits that make the probability of success high.

15%

CO-INVESTMENT:

Normal and acceptable; a good starting point.

20%

or MORE CO-INVESTMENT:

Indicates a sponsor who truly believes in the asset and business plan.

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