



**THE
ULTIMATE
GUIDE
TO VETTING SPONSORS
for First-Time Passive
Commercial Real
Estate Investors**

NINE DOORS  DOWN

The Ultimate Guide to Vetting Sponsors for First-Time Passive Commercial Real Estate Investors

Passive investing can be a great option for those who want to earn a return on their investment without the time and effort required to actively manage it. It can also be a good choice for those who are new to investing or who do not have the time, knowledge, or resources to actively manage their investments.

Passive investing is a strategy where investors put their money into a pre-existing investment, such as a real estate investment trust (REIT), real estate syndications, mutual fund, or exchange-traded fund (ETF), and do not actively manage the investment. Passive investing can be a great option for those who want to earn a return on their investment without the time and effort required to actively manage it. There are several benefits to passive investing, including:

1. **Low maintenance:** Passive investing requires minimal time and effort to manage, making it a great option for those who have busy schedules or who do not want to actively manage their investments.
2. **Diversification:** Passive investing allows investors to diversify their portfolios by investing in a variety of assets, such as stocks, bonds, and real estate. This diversification can help in minimizing the portfolio's overall risk.
3. **Professional management:** Passive investments, such as REITs, real estate syndications, mutual funds, and ETFs, are typically managed by professional managers who have the expertise and resources to make informed investment decisions.
4. **Low cost:** Passive investments generally have lower fees than actively managed investments, making them a more cost-effective option for investors.
5. **Access to hard-to-reach assets:** Passive investing can give individual investors access to assets and investments that they might find difficult to access on their own, such as commercial real estate.
6. **Potential for higher returns:** Passive investment strategies have the potential to generate higher returns over the long-term as they are not influenced by market emotions and short-term volatility.

As a first-time passive commercial real estate investor, it is important to carefully vet any potential sponsors before committing to a deal. A sponsor is an individual or company responsible for acquiring and managing the property, and they will be the ones making

important decisions on behalf of the investment. Here are a few key things to consider when evaluating a sponsor:

1. **Track record:** Look into the sponsor's past experience in commercial real estate investing. Have they successfully acquired and managed properties in the past? What types of properties have they focused on? A sponsor with a solid track record in the industry is more likely to make smart decisions and generate a positive return on your investment.
2. **Financials:** Review the sponsor's financials to get a sense of their financial stability. Are they able to secure financing for their acquisitions and developments? Do they have a strong balance sheet? A sponsor with strong financials is better equipped to weather any unexpected market changes or tenant issues.
3. **Team:** Investigate the sponsor's team, including their management and leasing staff. Do they have experience and expertise in the specific type of property you are considering investing in? A well-rounded team with a diverse set of skills is more likely to be able to effectively manage and lease the property.
4. **Transparency:** Ask the sponsor to provide detailed information about the property, including financial projections and lease agreements. A sponsor who is transparent and open with their information is more likely to be trustworthy and have a strong understanding of the property and the market.
5. **Reputation:** Research the sponsor's reputation in the industry. Do they have a good reputation among other investors and industry professionals? A sponsor with a positive reputation is more likely to have a history of successful investments and happy investors.

TRACK RECORD

When evaluating a sponsor's track record, it's important to look for specific examples of their past success in commercial real estate investing. Here are a few examples of what to look for:

1. **Completed projects:** Look for a sponsor who has successfully completed projects in the past, particularly ones similar to the property you are considering investing in. For example, if you're looking to invest in a retail center, look for a sponsor who has successfully developed and leased similar properties in the past.
2. **Tenant retention:** A sponsor with a high tenant retention rate is more likely to have successful properties. Ask the sponsor about their past properties' tenant retention rate and how they've been able to maintain it.
3. **Return on Investment (ROI):** A sponsor with a history of generating strong ROI for their investors is more likely to do the same for you. Ask the sponsor to provide information on their past investment returns and how they achieved them.
4. **Scale of the project:** Look for a sponsor who has experience in both small and large scale projects, and has a good track record in both, this indicates that they are adaptable and flexible.
5. **Awards and recognition:** A sponsor who has received awards or recognition from industry organizations is more likely to be well-respected and successful in the industry. Look for a sponsor who has won awards for their developments or management practices.

FINANCIALS

When reviewing a sponsor's financials, it's important to look at a variety of factors to get a sense of their financial stability and ability to secure financing for acquisitions and developments. Here are a few examples of what to look for:

1. Cash flow: A sponsor with a positive cash flow is more likely to be able to handle unexpected expenses or market changes. Look for a sponsor who has a history of generating positive cash flow from their properties.
2. Debt-to-equity ratio: A low debt-to-equity ratio is a sign of a strong financial position. Look for a sponsor with a debt-to-equity ratio of less than 1, which indicates that they have more equity than debt.
3. Liquidity: A sponsor with a high level of liquidity is more likely to be able to secure financing for acquisitions and developments. Look for a sponsor with a high level of cash on hand or a strong credit line.
4. Credit score: A sponsor with a good credit score is more likely to be able to secure favorable terms on financing. Ask the sponsor for their credit score and look for a score of at least 700.
5. Audited financial statements: Look for a sponsor who has had their financial statements audited by a third-party accounting firm. This is a sign that the sponsor is transparent and has nothing to hide

TEAM

When evaluating a sponsor's team, it's important to look at the experience and expertise of the individuals who will be responsible for managing and leasing the property on your behalf. Here are a few examples of what to look for:

1. **Relevant experience:** Look for a sponsor who has a team with experience in the specific type of property you are considering investing in. For example, if you're investing in a multi-family property, look for a sponsor whose team has experience in managing and leasing similar properties.
2. **Diverse skills:** A well-rounded team with a diverse set of skills is more likely to be able to effectively manage and lease the property. Look for a sponsor who has team members with experience in property management, leasing, accounting, and construction.
3. **Professional qualifications:** Look for a sponsor who has team members with professional qualifications such as a Real Estate license, property management certification or any other relevant qualifications in their field.
4. **Tenant relations:** Look for a sponsor who has team members with experience in tenant relations and handling tenant complaints. A team that can effectively communicate and build good relationships with tenants is more likely to be able to retain tenants and maintain high occupancy rates.
5. **Communication:** A sponsor who has team members who are responsive and easy to communicate with is more likely to be able to effectively manage and lease the property. Look for a sponsor who has team members who are responsive and easy to communicate with.

It's important to remember that the team is an important aspect of the sponsor, it is always recommended to have a face to face meeting with the team, if possible. This will give you an opportunity to get to know them better and see how they interact with each other. Additionally, it's also important to consider the sponsor's overall management strategy and approach to running the property.

TRANSPERANCY

Transparency is an important aspect to consider when evaluating a sponsor. A sponsor who is transparent and open with their information is more likely to be trustworthy and have a strong understanding of the property and the market. Here are a few examples of what to look for when evaluating a sponsor's transparency:

1. Detailed information: Look for a sponsor who is willing to provide detailed information about the property, including financial projections and lease agreements. A sponsor who is transparent about the property's financials is more likely to be trustworthy and have a strong understanding of the property and the market.
2. Property inspections: Look for a sponsor who is willing to allow you to inspect the property. A sponsor who is open to property inspections is more likely to be transparent and have nothing to hide.
3. Open communication: Look for a sponsor who is open and responsive to your questions and concerns. A sponsor who is willing to communicate openly and honestly with you is more likely to be transparent and trustworthy.
4. Sharing their due diligence process: A sponsor who is willing to share the research and analysis they've done on the property is more likely to be transparent and have a thorough knowledge of the property and the market.
5. Third party reports: Look for a sponsor who is willing to provide third-party reports, such as environmental or engineering reports, to give you more information about the property. A sponsor who is willing to provide these reports is more likely to be transparent and have nothing to hide.

Transparency is not only about providing information, it's also about the sponsor's willingness to be open and honest with you. By evaluating a sponsor's transparency, you can feel more confident in your investment decision and increase your chances of success in commercial real estate investing.

A sponsor's reputation is an important factor to consider when evaluating a potential investment. A sponsor with a positive reputation is more likely to have a history of successful investments and happy investors. Here are a few examples of how to evaluate a sponsor's reputation:

1. Referrals: Ask for referrals from other investors who have worked with the sponsor. A sponsor with a good reputation will likely have investors who are willing to speak positively about their experiences.
2. Online reviews: Look for online reviews or testimonials from other investors or industry professionals who have worked with the sponsor. A sponsor with a good reputation will likely have positive reviews online.
3. Industry awards: Look for sponsors who have received awards or recognition from industry organizations. A sponsor who has won awards for their developments or management practices is more likely to be well-respected and successful in the industry.
4. Professional networks: Look for sponsors who have connections and are well-known in professional networks, in the industry. A sponsor who is well-connected and well-respected in the industry is more likely to have a good reputation.
5. Legal disputes: Research the sponsor's history of legal disputes. A sponsor with a history of legal disputes may indicate a lack of professionalism or integrity.

A sponsor's reputation is not only based on past performance, but also on the way they conduct their business, ethics, and integrity. It's always recommended to speak with people who have worked with the sponsor in the past and ask for their opinion. Additionally, it's important to consider the sponsor's overall reputation in the industry and not just one or two specific factors.

By thoroughly vetting potential sponsors, you can feel more confident in your investment decisions and increase your chances of success in commercial real estate investing. Don't be afraid to ask questions and do your own research and remember to trust your instincts. Happy Investing!

WHO WE ARE

Nine Doors Down, LLC is a real estate investment firm that specializes in acquisitions and operation of multifamily and self-storage properties. We offer investors the opportunity to produce passive income and build generational wealth while reaping all of the benefits of real estate ownership without the day-to-day management responsibilities.

At NDD, we work hard to ensure that all of our investors' money is protected while also providing high returns. By diversifying and growing your portfolio, the RE Fund will help you manage risk across a variety of markets and assets. The fund was created to help those who wish to invest in real estate to supplement their income but are too busy with their jobs and families to do so.

You can learn more by visiting us at www.ninedoorsdown.com.

