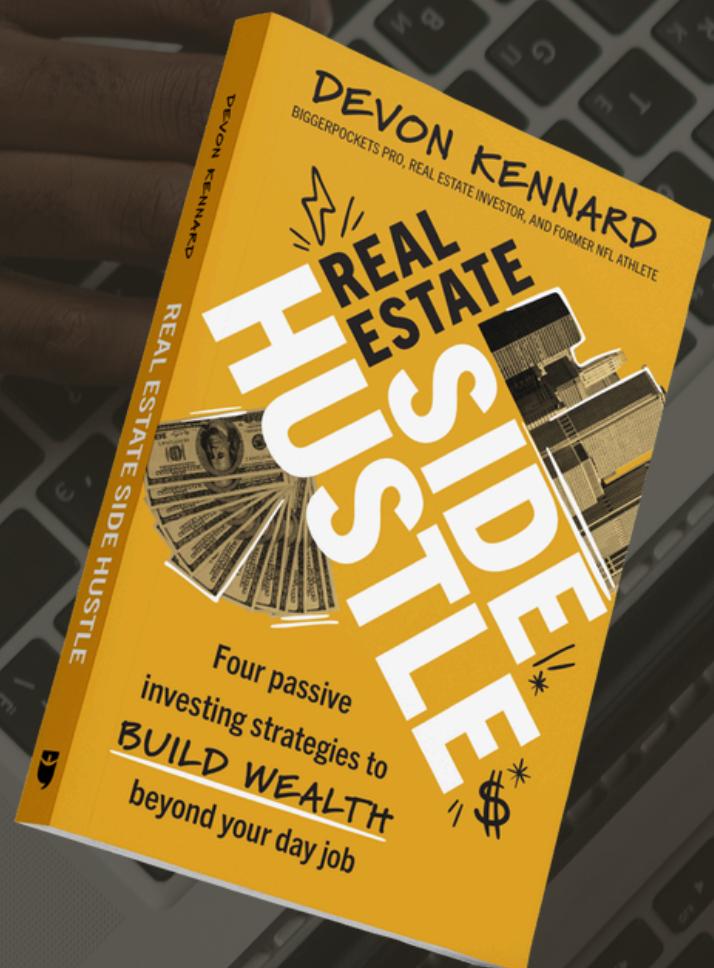


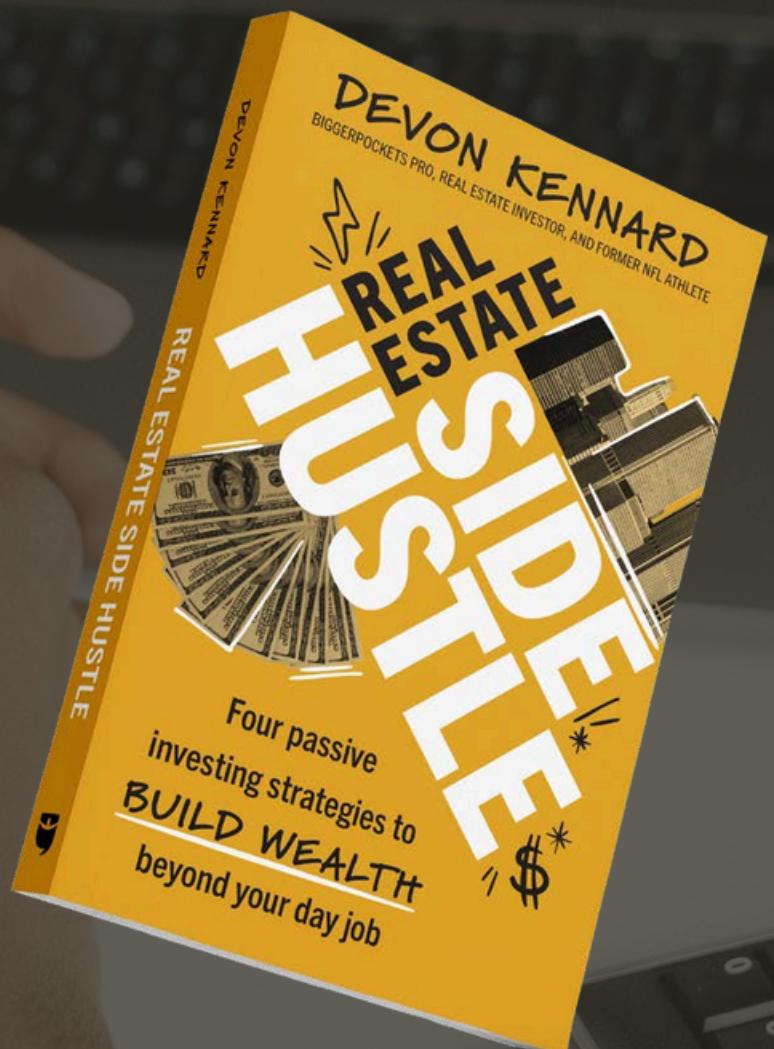


# Syndications Toolkit





# 5 Red Flags When Investing in Syndications



# 5 Red Flags When Investing in Syndications

- 🚩 **High Fees**—General partners (GPs) should make the majority of their money from the success of the deal, not from the fees associated with it.
  - Acquisition fees, disposition fees, loan guarantor fees, capital raising fees, and asset management are red flags if they are above 2 percent.
  - Construction Management and Property Management—it's a red flag if either of these is above 10 percent.
- 🚩 **Changing Strategies**—GPs should have their niche expertise, and switching from their bread-and-butter investment types is a red flag.
- 🚩 **Lack of Due Diligence**—Any sign that the GP has not done adequate due diligence within the underwriting process is a clear red flag.
  - Have they completed a sensitivity analysis?
  - Do they have current comps?
  - What is the going cap rate for that property type and location?
- 🚩 **No Skin in the Game**—If the GPs are not investing their own money in the deal, they either do not believe in the deal enough or do not have enough capital to invest. Either way, that is a huge red flag.
- 🚩 **Aggressive Debt/Deal Structure**—Any signs that the GPs are being aggressive with their debt/deal structure and the assumptions they are making is a red flag.
  - What is the loan's LTV?
  - Is the debt fixed or variable?
  - Are they projecting to reach at or above market rents in the area? What vacancy rate are they projecting?
  - What is the hold period and IRR they are projecting?
  - Is the deal structure fair and easy to understand? (e.g. 8 percent preferred return and a 70/30 split).

# 5 Red Flags When Investing in Syndications

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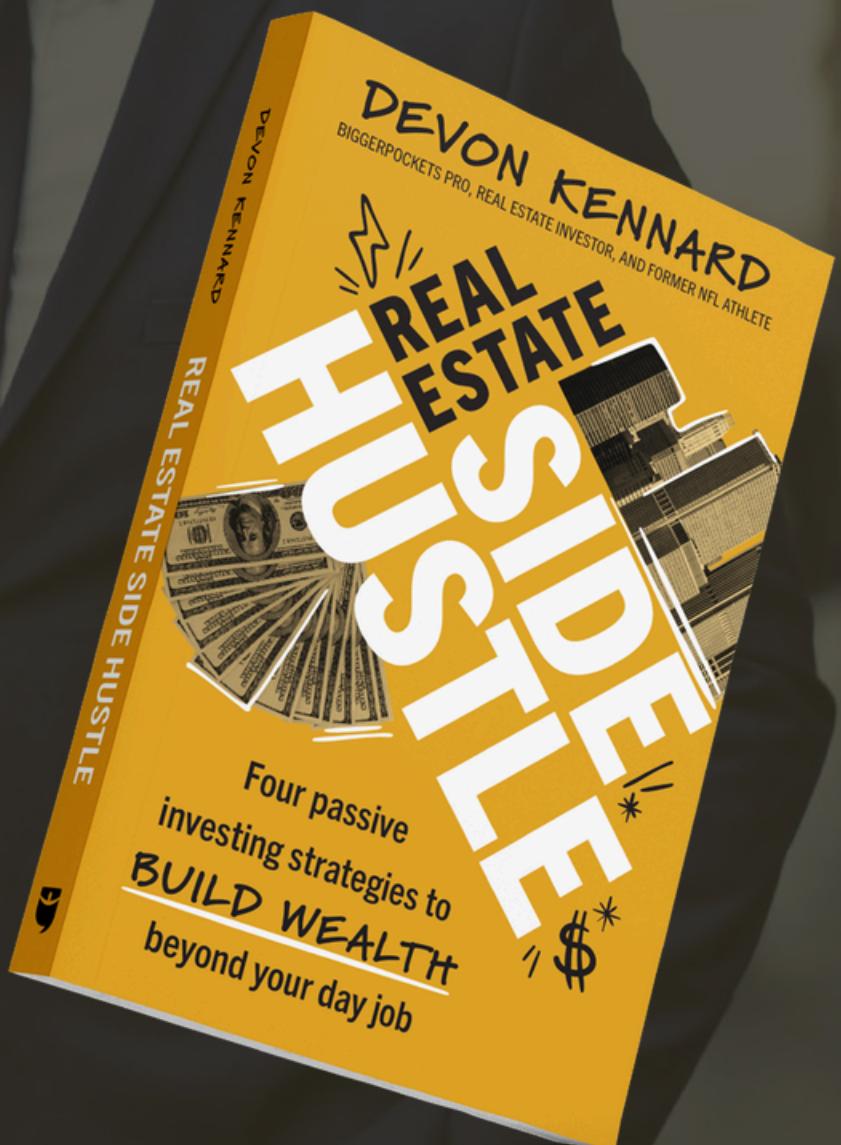
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# Qualities of a Great GP



- **Track Record and Experience**
  - They've been through multiple cycles
  - They have a niche strategy, asset class, and location
- **Transparent Communication**
  - Communicates well in good and bad times
  - They are consistent with reporting and getting tax documents to you annually.
- **Strong Team**
  - They have long-standing partners
  - They use repeat third-party providers or an in-house team (including contractors, property managers, lawyers, etc.)
- **Excels at Risk Mitigation**
  - Conducts thorough sensitivity analysis
  - Conservative with assumptions and projections
  - Has a justifiable debt structure
- **Skin in the Game**
  - Invests in the deal themselves
- **Ethics and Integrity**
  - Meet in person, virtually, or at least by phone.
    - ° Ask them personal and business questions and get a feel for the person. Trust your gut!
  - Ask previous investors about their experience with previous deals and the GPs of the deal.

# Qualities of Great GP

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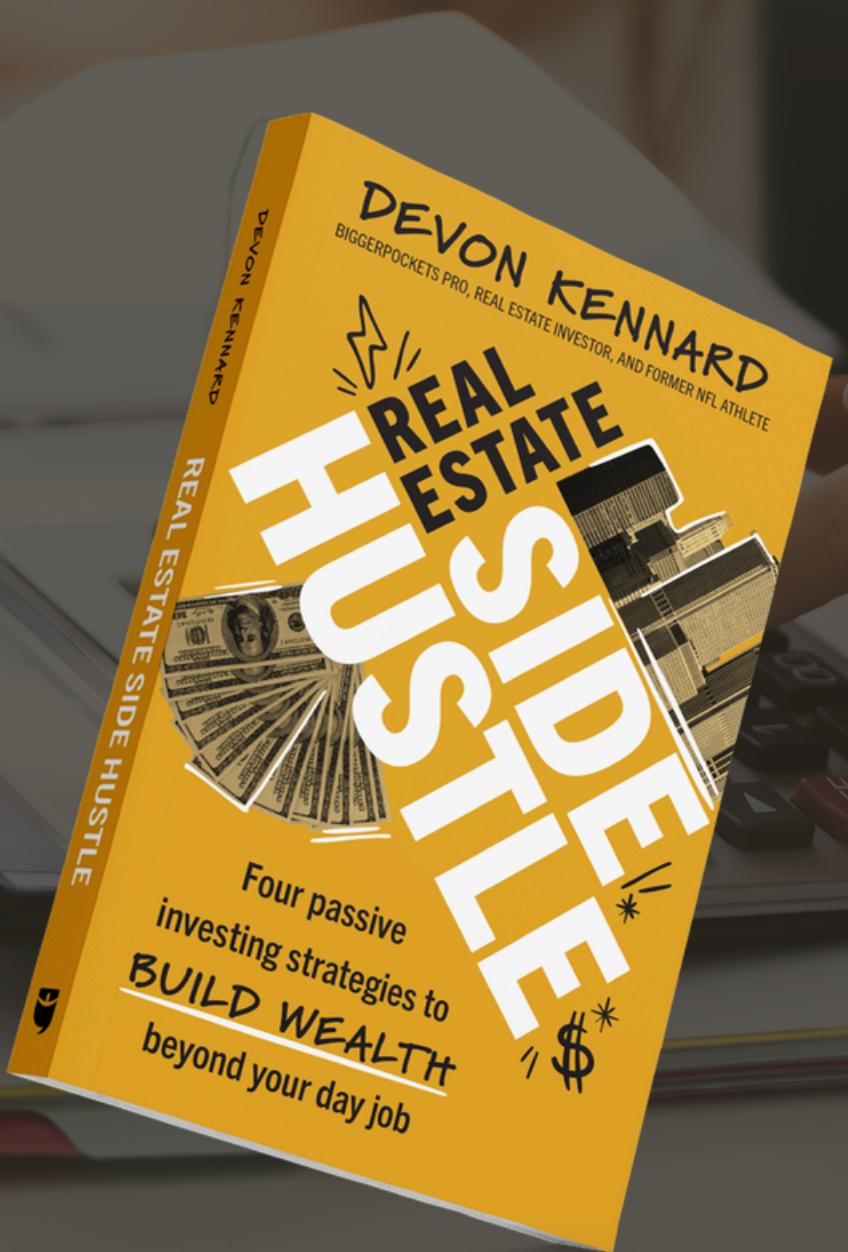
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# Reasonable Fee Breakdown



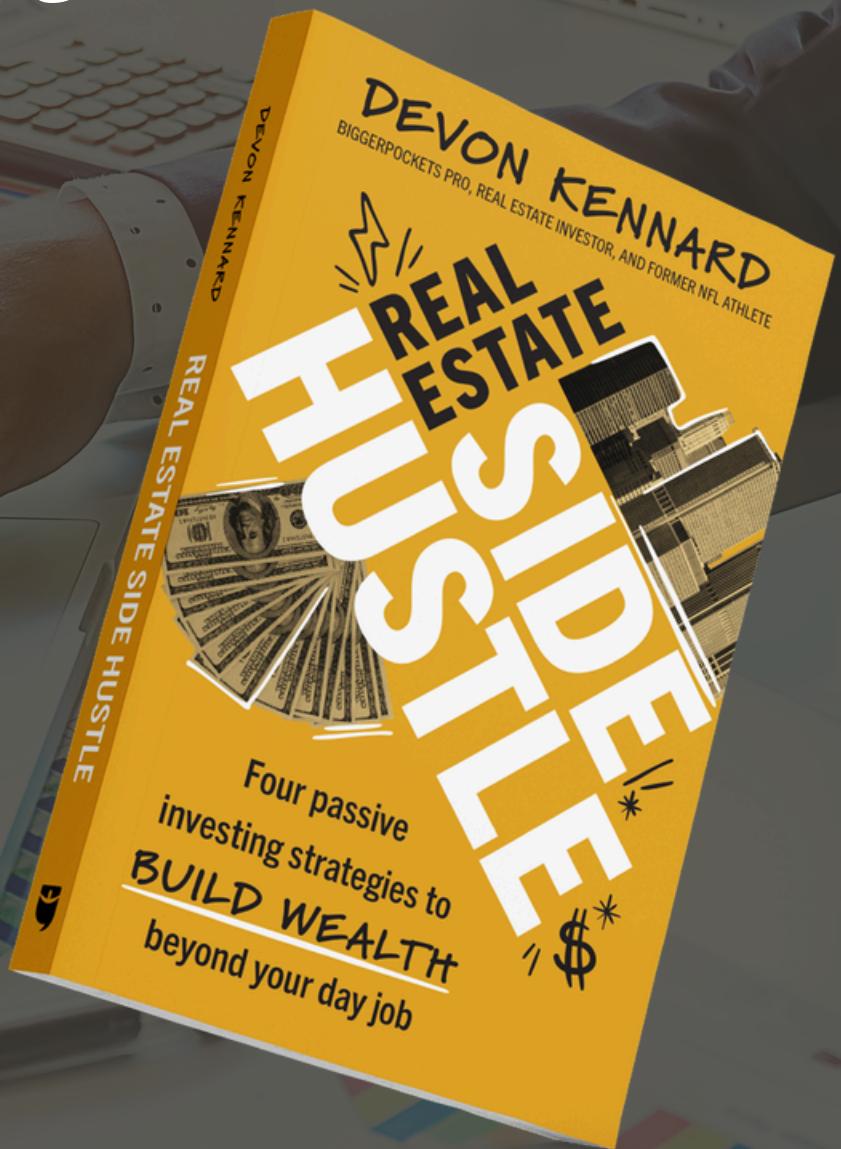
## Reasonable Fee Breakdown

I have found fees within these ranges to be reasonable. Anything outside of this range is excessive.

1. **Acquisition** — 1-2% of asset price
2. **Capital Raising** — 1-1.5% of equity
3. **Loan Guarantor** — 1-2% of loan amount
4. **Disposition** — 1-2% of sale price
5. **Construction Management** — 5-10% of budget
6. **Asset Management** — 1-2% of AUM



# Syndication Jumpstart Checklist



# Syndication Jumpstart Checklist

## Software

- Google Drive:** Make sure to download and save all of the documents regarding each syndication you invest in. When you get update reports save those as well so you can always go back and reference

## Team Members

- Lawyer:** Essential to have a lawyer who is experienced with reviewing syndication documents.
- Mentor:** Someone who has experience investing in syndications and can give you their opinion on the deal.