PASSIVE INVESTING BASICS

Sponsor / Operator Question List

Questions to help you understand who will be responsible for your capital.

A strong property in a strong market can still become a disappointing investment if the people responsible for executing the business plan are not capable of doing it. When you invest passively, you are giving someone else significant control over your capital, the property, the financing, the business plan, the property manager, renovations, investor communication, major decisions, and the eventual refinance or sale.

WHAT THIS CHECKLIST IS TRYING TO ANSWER

Who are these people, what have they actually done, how do they operate, and are they prepared to execute this particular investment? Use the boxes to mark Clear, Follow Up, or Concern as you review the sponsor.

01 EXPERIENCE

What have you actually done?

QUESTION	CLEAR	FOLLOW UP	CONCERN
1. How long have you been investing in and operating multifamily properties? Ask about the direct experience of the people who will actually oversee this investment.	☐	☐	☐
2. How many apartment investments have you completed through a full investment cycle? Acquire -> operate -> execute the plan -> refinance or sell -> return capital.	☐	☐	☐
3. How many properties and units do you currently own or operate? Then ask how the organization has grown to support the larger portfolio.	☐	☐	☐
4. Have you successfully executed this specific type of business plan before? Ask for examples of where the sponsor has already done what is being proposed here.	☐	☐	☐

02 TRACK RECORD

Look beyond the best deals.

QUESTION	CLEAR	FOLLOW UP	CONCERN
5. What have your realized investments actually produced? Compare original projections with actual hold periods, distributions, sale or refinance results, and investor returns.	☐	☐	☐
6. Tell me about an investment that did not perform as expected. Listen for what went wrong, how investors were informed, what actions were taken, and what changed afterward.	☐	☐	☐
7. Have investors ever lost principal? If yes, understand what happened, how much was lost, what decisions contributed, and what the sponsor learned.	☐	☐	☐
8. Have you ever required a capital call? If yes, ask why, how investors were treated, what happened to non-participants, and whether the sponsor contributed more capital.	☐	☐	☐

03 THE TEAM

Who is actually doing the work?

QUESTION	CLEAR	FOLLOW UP	CONCERN
9. Who will be responsible for this investment after closing? Identify the people responsible for asset management, property management, construction, accounting, financing, and investor reporting.	☐	☐	☐
10. How many properties does the person overseeing this asset already manage? Experience matters, but so does capacity and attention.	☐	☐	☐
11. Is property management handled internally or by a third party? If third-party, ask who monitors the manager, how often performance is reviewed, and who can replace them.	☐	☐	☐
12. Who oversees renovations and construction? Who creates scopes, approves bids, tracks budgets, monitors schedules, verifies work, and validates renovated rents?	☐	☐	☐

04 SYSTEMS AND OVERSIGHT

How does the sponsor know what is happening?

QUESTION	CLEAR	FOLLOW UP	CONCERN
13. What operating information do you review regularly? Occupancy, leasing, traffic, collections, delinquency, expenses, renovations, cash, debt compliance, and budget variances.	☐	☐	☐
14. How often do you review the property with the management team? Look for a meaningful operating rhythm: weekly calls, monthly financial reviews, site visits, and budget reviews.	☐	☐	☐
15. What happens when the property misses its budget? Who investigates, what gets escalated, who determines corrective action, and how is the plan communicated to investors?	☐	☐	☐

THE SPONSOR SHOULD MANAGE THE MANAGER

Hiring a property manager does not eliminate the sponsor's operating responsibility. The property manager operates the property. The sponsor should manage the manager.

05 FINANCIAL CAPACITY

Can the sponsor handle problems?

QUESTION	CLEAR	FOLLOW UP	CONCERN
16. How much of your own capital are you investing? Also understand how the sponsor earns money through fees, management, construction, refinancing, sale, and the promote.	☐	☐	☐
17. What financial resources does the sponsor have if the property encounters a problem? Before investors are asked for more money, what resources are available for repairs, shortfalls, deductibles, or overruns?	☐	☐	☐
18. Are there guarantees associated with the financing, and who provides them? Understand whether principals provide completion, bad-boy, repayment, carry, or other guarantees.	☐	☐	☐

06 COMMUNICATION

What happens after they have your money?

QUESTION	CLEAR	FOLLOW UP	CONCERN
19. How often will investors receive reporting? Understand frequency, financial information, operating commentary, capital-project updates, distributions, and tax-document timing.	☐	☐	☐
20. How do you communicate when something goes wrong? Ask for an example. Good communication explains what happened, why, what it means, what management is doing, and what comes next.	☐	☐	☐

07 ALIGNMENT AND DECISION-MAKING

Understand who controls the investment.

QUESTION	CLEAR	FOLLOW UP	CONCERN
21. How does the sponsor make money? Identify all meaningful compensation and whether sponsor economics reasonably align with investor outcomes.	☐	☐	☐
22. Who makes major decisions? Understand who controls refinancing, additional debt, capital expenditures, manager changes, capital calls, sale timing, and hold extensions.	☐	☐	☐
23. What circumstances would cause you to sell earlier than planned? This can reveal how the sponsor thinks about property performance, market conditions, risk, and investor outcomes.	☐	☐	☐
24. What circumstances would cause you to hold the property longer? Examples may include a weak sale market, unfavorable financing, incomplete execution, or strong continued performance.	☐	☐	☐

08 ORGANIZATIONAL RISK

Is the business built to last?

QUESTION	CLEAR	FOLLOW UP	CONCERN
25. What happens if a key principal can no longer manage the investment? Ask about succession, decision-making authority, management depth, key-person provisions, and continuity of operations.	☐	☐	☐

ROBERT'S PERSPECTIVE

I CARE AS MUCH ABOUT OPERATING EXPERIENCE AS ACQUISITION EXPERIENCE.

A sponsor can be very good at finding deals, raising money, and buying properties. Those are valuable skills. But they are not the same skills required to operate an apartment community, manage property-management teams, control expenses, oversee renovations, manage delinquency, navigate difficult financing environments, or correct a property that is underperforming.

MY RULE

The more execution an investment requires, the more demonstrated execution experience I want to see from the sponsor. A sponsor should not be learning how to execute a complicated business plan with your capital.

WHAT I AM REALLY TRYING TO LEARN

EXPERIENCE	Have they done this before?
EXECUTION	Can they actually operate the plan?
CAPACITY	Do they have enough people, systems, and financial resources?
ALIGNMENT	How do they make money, and how much capital do they have at risk?
CHARACTER	How do they behave when the investment becomes difficult?

THE MOST IMPORTANT TAKEAWAY

You are not only investing in a property. You are also investing in the people responsible for making hundreds of decisions after closing. Property matters. Market matters. Price matters. Financing matters. But somebody still has to execute the plan.

Questions I Still Need Answered

1. _____

2. _____

3. _____

EDUCATIONAL PURPOSE

This checklist is provided for general educational and informational purposes only and does not constitute financial, investment, tax, legal, accounting, or other professional advice or a recommendation regarding any sponsor or investment. Past performance does not guarantee future results. Sponsor experience, track record, financial resources, organizational structure, and investment terms should be independently evaluated in connection with each specific opportunity. Private real estate investing involves risk, including illiquidity, leverage, uncertain distributions, sponsor and execution risk, and the possible loss of some or all invested capital.