MICK QUARTERLY

Alts. News Bulletin

Welcome Back!

Hello again, and welcome back from ADISA, our Symposium, and TNDDA by ADISA.

In this Holiday Edition of our newsletter, we will discuss recent market developments affecting commercial real estate and private credit. We'll also discuss what's happening recently within oil/gas markets, and what BDs, RIAs and family offices should be thinking about from a sponsor financial perspective given the recent pricing headwinds within the oil market. Our final article also provides a status report as when our most recent sponsor reviews and financial statement reviews were provided for each oil/gas sponsor we cover. Happy reading.

ADISA Board Election

Before we get into our main topics, please remember to cast your votes within the

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REAL ESTATE SECTOR DEVELOPMENTS

AFFILIATE Board Member category for Bradford Updike. Brad became an ADISA Board member in January 2012, and he is seeking his seventh term as an ADISA Board Member. His platform is focused upon the following priorities:

- Continuing to support and facilitate initiatives and programing covering best practices in alternative investment due diligence and marketing across all asset sectors;
- Supporting outreach initiatives in oil/gas and real estate to help bring in quality sponsors to ADISA's sponsor network that can deliver competitive returns on an offering adjusted basis to retail investors; and
- Bringing asset experts and technical and analytical resources we have to ADISA to help improve sponsor and program level underwriting and due diligence across all asset sectors.

The voting will continue through November 19.

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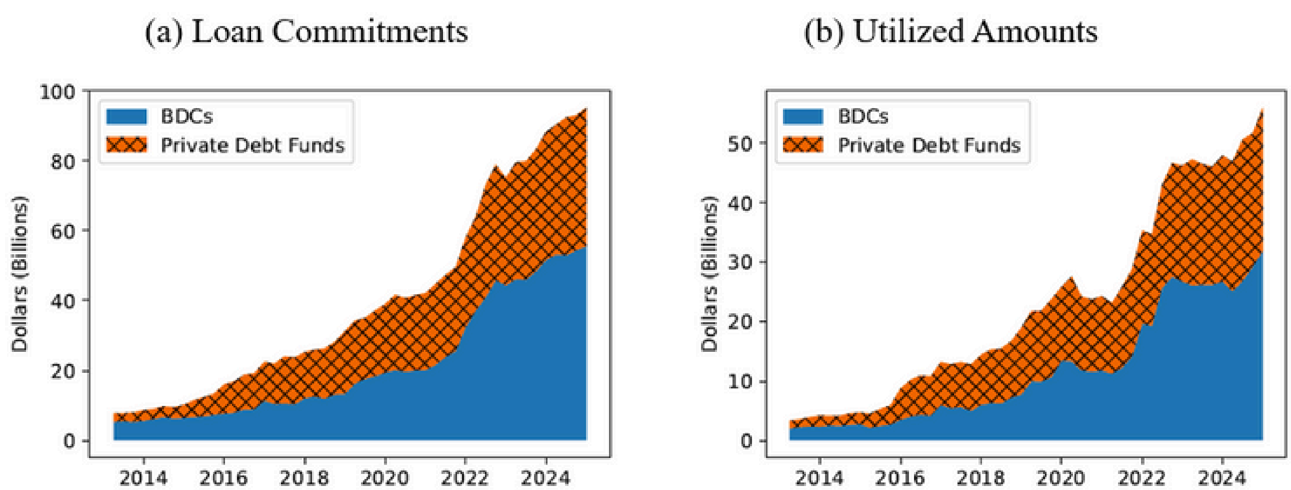
Private Credit Market Update

Private credit continues to grow in scale and importance as an alternative for bank lending. After a period of rapid expansion from 2020 through 2022, fundraising and deal activity cooled into 2023 but remained sizeable. However, 2024 saw a return to prior fundraising levels, as fundraising through the third quarter of 2025 hit its highest recorded amount for a nine-month stretch with $252.7 billion raised, just above the $251.6 billion raised in the same period in 2021 (Source: Private Debt Investor). According to the Federal Reserve, at the end of the second quarter of 2024, assets under management by private credit vehicles in the United States were approximately $1.4 trillion, with $250 billion in dry powder, $400 billion in BDC investments, and $750 billion in private debt funds. Further, Apollo Global Management reports that at the end of 2024, assets under management by private credit vehicles in the United States were approximately $1.5 trillion, of which $400 billion was dry powder, a similar level as seen in 2023. This is an increase from the consistent level found from 2020 through 2022.

The increase in private credit fundraising can be attributed to a shift in fundraising strategy, as secondary strategies have accounted for 16% of all fundraising activities, the most fundraising for secondary strategies on record. Senior debt still makes up most fundraising dollars at 36% of the market, followed by subordinated/mezzanine debt at 22%, and distressed debt at 14%. Corporate credit remained the preferred investment for private credit, representing 79% of all credit investments, followed by real estate at 15%, which is an increase from the 10% market share recorded in 2024 (and is in-line with prior years). The investments associated with infrastructure debt also doubled in 2025, increasing from 2% of market share to 4%.

As private credit has grown, competition for lending opportunities has intensified. The past two years (2024 and 2025) saw more private-credit product innovation aimed at retail and wealth investors. That broadening of the investor base increased fundraising but it also creates potential liquidity mismatches with the typically illiquid nature of private loans. In addition, an important development is how much of private credit's expansion has been financed or supported via bank lending to funds. While private credit is often described as an alternative to bank lending, banks remain deeply intertwined in the ecosystem. The Federal Reserve noted that committed credit
lines by U.S. banks to private credit vehicles have increased by 145% over the past five years, or at an annualized growth rate of about 19.5%, reaching about $95 billion as of the fourth quarter of 2024. Utilized amounts have also grown by about 117% to $56 billion during the same period.



Banks currently hold about $79 billion in total revolving credit lines, including about $49 billion for BDCs and $30 billion for private credit funds as of the fourth quarter of 2024. In addition, Banks currently hold about $16 billion in term loan exposure, comprised of $7 billion for BDCs and $9 billion for private credit funds. The Federal Reserve further reported that drawdowns on the revolving credit lines as of the fourth quarter of 2024 were about $44 billion, resulting in a utilization rate of 56%.

Collectively, total loan commitments to private credit funds and BDCs represent about 7% of banks' regulatory capital on average.

By comparison, commitments to other nonbank financial intermediaries increased by about 53% over the past five years to $2.2 trillion. Commitments to non-financial corporations have increased only 14%, or by an annualized growth rate of 2.7%, over that period and currently stand at $4.2 trillion. Banks currently hold $1.2 trillion in term loans to nonfinancial firms and $3 trillion in total revolving credit lines. Drawdowns on those revolving lines stand at about $800 billion, implying an average utilization rate of 19%.

BDCs have accounted for the largest increase in bank borrowing (approximately 186%) among all nonbank financial intermediaries, followed by the growth in lending to special purpose entities and other securitization vehicles (approximately 141%). The growth in loan commitments to private credit funds was 103%.

The prevalence of floating-rate instruments in private credit has made this asset class attractive, as short-term rates remained elevated relative to long-term yields. The direction of yields varied across market segments, as spreads continue to compress due to competition for high-quality deals. According to Pitchbook, spreads have compressed in direct lending, but can offer a premium over public fixed income as broadly syndicated loan spreads are at 351 basis points as of the third quarter of 2025. Further, NEPC noted that in the third quarter of 2025, 57% of sponsor-backed direct lending deals were done at sub-500 basis points spreads, which is an increase from the prior peak of 38% in the second quarter of 2025. According to LSEG, the average all-in yield premium on middle-market direct lending deals, as compared to large corporate deals, increased to 232 basis points.

Although default rates in private credit remain manageable, **there are unmistakable signs of increasing strain**. Fitch Ratings reported that the U.S. Private Credit Default Rate ("**PCDR**") was 5.5% in the second quarter of 2025, up a full percent from 4.5% recorded in the first quarter of 2025. Fitch Ratings reported that the PCDR was 5.2% for the trailing 12 months period ending August of 2025, which is unchanged from July, and which has increased from the 4.6% rate recorded in December 2024. The increase can be associated with a weakening corporate credit environment, higher interest rates, and slower growth.

The PCDR covers about 1,200 corporate private credit issuers. It combines two components: the Privately Monitored Ratings ("**PMR**") portfolio and the Model-based

Credit Opinion ("**MCO**") portfolio. The PMR default rate includes about 300 issuers privately rated by Fitch for the benefit of insurance companies. The MCO default rate tracks about 900 issuers in Fitch's rated middle market CLO portfolio. The MCO default rate excludes issuers already covered in the PMR default rate. The PMR default rate was 8.4% in August of 2025, down from 9.2% in July of 2025, while the MCO default rate was 4.2%, an increase from 3.9% in July of 2025.

In contrast, Proskauer, a leading international law firm, reported that its Private Credit Default Index (the "**Index**"), which tracks senior-secured and unitranche loans in the United States, revealed a default rate of 1.84% for the period of July 1, 2025 through September 30, 2025. The rate is consistent with 1.76% default rate recorded in the second quarter of 2025 and remains below the default rates reported with respect to the broadly syndicated market. The Index encompasses 705 loans representing $141.0 billion in original principal amount.

However, even within Proskauer's data, default rates for companies with EBITDA equal to or greater than $50 million rose to 1.2% in in the third quarter of 2025, up from 0.5% in the second quarter of 2025. Proskauer does note that this default rate is still below the default rates found in the first quarter of 2025.

Many companies that borrowed during 2021 and 2022 are now adjusting to higher base rates and larger all-in debt service costs. Borrowers in cyclical industries, like retail, healthcare services, and niche manufacturing face margin compression, labor cost pressures, and slowing revenue growth. Private credit loans are often structured with floating interest rates, and when benchmark rates remain elevated, weaker borrowers are faced with shrinking interest coverage ratios and higher refinancing risks. Some borrower companies with stable revenues can experience strain if leverage was aggressive or covenants were light.

Elevated interest rates have been a boon for private credit, as stringent bank capital requirements have continued the trend of traditional banks pulling back from leveraged lending, creating a persistent funding gap for middle-market companies that private credit providers are eager to fill, often offering greater speed and certainty of execution. However, higher interest rates have also resulted in increased borrower stress and making them more vulnerable to economic downturns thus raising default risk. Elevated corporate default probabilities in some sectors make underwriting discipline non-negotiable; managers that loosen covenants for deployment will suffer more in restructurings.

The current private credit environment affords the opportunity to offer compelling yields, but it has intensified risk. **A thorough due diligence process must therefore place maximum emphasis on the sponsor's demonstrated discipline, risk controls, and ability to navigate an inevitable credit cycle that is already showing signs of stress.** Given the current rate environment, due diligence officers would be prudent to focus on sponsors with a verifiable track record across a full credit cycle to ensure the sponsor has enough experience to deal with the current market.

Evaluating covenant strength, collateral quality, and sector exposures—especially to rate-sensitive or margin-compressed industries—is critical for understanding default and recovery risks. Investors should also examine how the manager is pricing new deals amid tighter spreads, competitive dynamics, and shifting benchmarks, as well as valuations to incorporate rate-driven credit stress. Finally, diligence should include a review of liquidity management and fund-level leverage, because higher rates increase borrowing costs on subscription or NAV facilities, amplifying both liquidity and mark-to-market risk if market conditions weaken.

Private credit remains a compelling institutional allocation choice for yield and control, but the path to attractive risk-adjusted returns is narrower and more manager-dependent than in the asset class's early, high-growth years. Disciplined underwriting, workout expertise, operational rigor, and transparent governance is a must, as success now is less about trend chasing and more about granular, operationally focused due diligence.

Oil & Gas Developments and Sponsor Reviews

For those following oil/gas markets, you will notice that WTI oil has been trending at around \$60-\$65/bbl (and occasionally under \$60/bbl) for most of 2025 (\$59/bbl today). Based upon popular commodity market sentiments and D.J. VanKuren's "state of the market" lecture at the Summer ADISA Conference about the expected upcoming recession in 2026, **we are recommending our broker-dealer, registered investment advisor ("RIA"), and other due diligence clients to: (i) conduct regular financial statement reviews for all sponsors whose programs they are distributing as selling group members; and (ii) validate the status of each sponsor's secured loans for financial covenant compliance purposes.**

Where we are today

In July, the Energy Information Administration ("**EIA**") reported that U.S. crude oil production averaged more than 13.6 million b/d, the most in any month on record.

Production that month was higher than the EIA previously estimated, which raised the starting point for its U.S. crude oil production forecast. In addition, the EIA raised its forecast for crude oil production in the Gulf of America as some projects are ramping up production faster than it had expected. Although the EIA expects crude oil production will decline from its recent peak as oil prices fall, the EIA now forecasts U.S. crude oil production will average 13.5 million b/d in both 2025 and 2026. Its 2026 forecast increased by 0.2 million b/d from last month. The EIA expects global oil inventories to rise through 2026, putting significant downward pressure on oil prices in the coming months. The EIA forecasts that the Brent crude oil price will fall to an average of $62 per barrel (b) in the fourth quarter of 2025 and $52/b in 2026.

Within our program level oil and gas opinions, we typically present our view of a drilling or royalty program's economics based upon two separate pricing scenarios: (i) NYMEX forward contract pricing; and (ii) $70 per bbl of oil, such price of which is generally consistent with WTI's five year average for oil (i.e., $71/bbl through Oct. 2025). At this time in which current oil prices are sitting about 15% below WTI's Five Year average price, many of the oil/gas sponsor companies we review will be undergoing borrowing base redeterminations on their parent company loans. This is an important consideration from a sponsor level due diligence perspective, as the borrowing limits for many of those loans were established in either Q4 of 2024 or Q1 of 2025 when oil was $70-75 bbl. Accordingly, redetermined borrowing limits in December 2025 or January 2026 at today's lower oil prices could force several downward reserve based loan ("**RBL**") redeterminations and loan paydowns. As a result, this could make it difficult for companies to achieve revenue and earnings levels needed to sustain compliance with their debt service ratio requirements.

On a brighter note, a more favorable market picture presents itself for natural gas. The Henry Hub natural gas spot price in the EIA's price forecast rises from just under $3 per million British thermal units ("**MMBtu**") in September 2025 to $4.10/MMBtu in January 2026. This pricing level has enabled certain oil/gas sponsors of drilling and royalty programs to lock-in hedges at favorable levels ($3.75-$4.00 mcf) to protect natural gas' downside price risk in 2025-2027. Additionally, drilling and completion cap. ex. appear to have stabilized in certain natural gas plays including the Marcellus Play, as well as Oklahoma's Anadarko Basin. This pricing environment should help to preserve the economics of natural gas programs syndicated by those sponsors with developable natural gas assets (e.g., MDS Development, White Hawk Energy, Res. Royalty, Citizen Energy Ventura, and Mewbourne, which has a developing lease position in Oklahoma's Cherokee Shale Play).

What's played out already

From 2019 through today, we typically review anywhere from 15-20 oil/gas sponsors each year. **It is common for at least two-to-three of these reviewed sponsors to have some financial pain at any given point in time (due to RBL redeterminations when oil prices and reserve values go down, as well as situations in which the sponsor simply fails to achieve a certain level of fundraising needed to stay around).** We are seeing this play out now with two oil/gas sponsors we reviewed in 2022/2023, and we've have started to see headwinds among certain private companies that have had difficulty raising capital over the past 12-18 months.

In our efforts to keep you advised of what we have reviewed, we have provided a listing of our available oil/gas sponsor level due diligence opinions. In reviewing our oil/gas opinion requests for this year, we noticed a significant pattern of broker/dealers and RIAs routinely requesting our program opinions without also requesting the sponsor level reviews. Accordingly, and given the 12-months of pricing pain that the EIA is predicting for oil over the next 12 months, we believe that it is imperative for you to be vigilant in demanding both program and sponsor level due diligence for oil/gas. Also, in cases where our financial reviews are becoming dated, we strongly recommend that you request current financials through Q3 2025.

Table on the following page.

MICK Sponsor Level Opinions

Sponsor	Material Sponsor Debt	Last Sponsor Report	Last MICK Financial Review
U.S. Energy	Yes	May 14, 2025	Mar 31, 2025, unaudited
MDS Energy	Yes	May 27, 2025	Dec 2024, unaudited
Mewbourne Oil Co.	Yes	May 8, 2025	Sep 2024 (MHI), unaudited
STL Resources	Yes	Sep 6, 2022	Dec 31, 2024, unaudited
Waveland Capital	No	Aug 20, 2024	Q1 2025, unaudited
Montego Energy Pnrs.	Yes, program mezzanine debt	Apr 28, 2025	Dec 31, 2024, unaudited
Res. Royalty LLC	No	None	July 2025, unaudited
WhiteHawk Energy	Yes, on WIC program	Sep 8, 2025	June 30, 2025, reviewed
Renn. Growth Pnrs.	Yes	Sep 6, 2025	Dec 31, 2024, audited
King Operating	Unknown	None	Dec 31, 2024, unaudited
Purified Res. Pnrs.	No	Nov 26, 2024	Sep 2024, unaudited
Trellis Energy	Unknown	Oct 15, 2024	YE 2023, predecessor entity audited
Texakoma Res.	Yes	Feb 3, 2025	YE 2023, audited

Cont. on following page.

Real Estate Sector Developments

The commercial real estate ("**CRE**") market, particularly within the Delaware Statutory Trust ("**DST**") structure, is navigating a complex period marked by persistent high interest rates, evolving tenant demands, and a highly selective capital market. Interestingly enough, 2025 has also seen an increase in DST fundraising as, according to Mountain Dell Consulting, monthly equity raises through the summer and early fall of 2025 were substantially higher year-over-year (46.6% year-over-year as of September 2025), and industry trackers show 2025 on pace to surpass 2024's fundraising by 12%.

Further, according to Cushman & Wakefield, private capital fundraising targeting the commercial real estate sector totaled $86 billion through August of 2025 and the current pace would result in a year-end tally for 2025 of $129 billion, up 38% from 2024, reversing the fundraising declines recorded in 2023 and 2024. While sponsors continue to raise equity for stabilized, income-oriented deals, underwriting discipline and asset selection matter more than ever.

1) Multifamily

Multifamily fundamentals have moved from the post-pandemic boom toward normalization. After a wave of new supply built from 2022 through 2024, Cushman & Wakefield found that the third quarter of 2025 brought 109,000 new deliverables,down 27% year-over-year. Estimates suggest that quarterly deliverables will remain under 100,000 going forward, signaling a slowdown in new supply. However, the third quarter of 2025 marked the third straight quarter of more than 100,000 net move-ins (102,000 for the third quarter of 2025). This absorption rate was 12% below the third quarter of 2024 absorption number, which coincided with the overall apartment demand decreasing by 4% year-to-date.

The overall vacancy rate for multifamily has declined from 9.22% to 9.02% since the start of 2025, which is in line with the vacancy rate recorded during the third quarter of 2024. However, the third quarter of 2025 saw rent growth further soften increasing only 1.5% year-over-year as compared to the 2.2% year-over-year increase during the first half of 2025.

While a multifamily has long been a favored asset class, valuations have felt the pressure of higher debt costs. According to CBRE, the average core multifamily going-in cap rate fell by two basis points to 4.73% in the third quarter of 2025, while the average exit cap rate fell by one basis point to 4.95%. The spread between going-in and exit cap rates for core assets is expected to increase over the next couple of years. For value-add assets, going-in cap rates increased by three basis points to 5.23% and exit cap rates remained at 5.38%. The spread fell slightly from 18 to 15 basis points.

Multifamily assets will present investors with plenty of opportunities into 2026, as net absorption remains high in most markets paired with a decrease in construction starts as compared to previous years. Potential oversupply pressure in some major markets should lessen moving forward and will coincide with the continued demand moving forward. In addition, continued housing affordability challenges across the country keep multifamily properties a necessity for younger and new families. The current interest rate market is also proving difficult for lenders to find viable refinancing, thus opening up potential investment opportunities for the right properties. However, we note that while oversupply pressures should decrease in the future, short-term supply is outpacing demand in some pockets of the United States causing rent growth depression.

2) Industrial

The United States' industrial market remained consistent in the third quarter of 2025 despite a decrease in consumer spending, higher tariffs, and a softening job market. According to Cushman & Wakefield, construction completions have decreased steadily from 2023 as 63.6 million square feet of new space was delivered during the third quarter of 2025, a 32.5% decrease from the third quarter of 2024 (and an eight-year low). Further, the under-construction pipeline has fallen 13.4% year-over-year. Net absorptions reached 45.1 million square feet in the third quarter of 2025, a 30% increase quarter-over-quarter and 33% year-over-year increase. Year-to-date net absorption measured 108 million square feet, in line with the 109 million square feet recorded during the same absorption period in 2024. Vacancy remained at 7.1% in the third quarter of 2025, a 70 basis point increase year-over-year and an increase from the pre-pandemic historical average of 6.8%.

As of the third quarter of 2025, only five markets have posted more than 10 million square feet of new deliveries (Dallas-Ft. Worth, Phoenix, Houston, Savannah, and the Inland Empire), while 2024 saw 10 markets deliver at least 10 million square feet of new deliveries. Three of the four regions saw minimal adjustments in vacancy, while the West region's vacancy rate edged up 30 basis points quarter-over-quarter to 7.8%. Small-bay warehouses under 100,000 square feet reported a vacancy rate of 4.6%, while larger facilities of at least 500,000 square feet reported an 80-basis point decline quarter-over-quarter to 9.9%.

Transaction volume increased in the third quarter of 2025 with year-to-date liquidity 16% above 2024. Industrial transaction volumes total $67.3 billion year-to-date, which exceeded both the average quarterly pace from the first half of 2025 and the volume recorded in the third quarter of 2024. Industrial cap rates have fluctuated over the past 12 months and are expected to remain in the 5% range throughout the remainder of 2025.

A growing trend within the industrial space includes the adaptive reuse/conversion of big-box retail sites, which present opportunities for value creation. Further, with deliveries decreasing and absorption numbers remaining consistent, vacancy should remain constant if not decrease, creating the opportunity for future rent growth.

However, rising interest rates, construction costs, and labor shortages increase capex and operating costs, reducing potential net operation income. Further, while absorption remains steady and vacancy still above pre-pandemic averages, investors have a tight needle to thread if absorption slacks in certain markets.

3) Hospitality

While the hospitality industry has continued to recover from the Covid-pandemic, the industry remains cyclical and sensitive to consumer spending, business travel patterns, and convention calendars. Cushman & Wakefield noted that occupancy rates continued to decline in the second quarter of 2025 by decreasing 1.4% year-over-year to 62.9%. Occupancy has been declining since the fourth quarter of 2024 and remains below pre-pandemic occupancy levels. Further, the number of hotel rooms under construction is at its lowest point in almost seven years as a result of tighter financing conditions and rising costs.

Group demand fell by 3.0% in second quarter of 2025, reversing the 3.7% growth recorded in the first quarter of 2025. The United States welcomed approximately 15.9 million overseas visitors (excluding Canada and Mexico) in the first half of 2025, representing a 1.2% year-over-year decline. June 2025's United States' RevPAR declined by 1.2% year-over-year, the steepest yearly drop since March of 2024. However, year-to-date RevPAR through June of 2025 remained slightly positive, with an increase of 0.8% strengthened by the luxury segment which saw a RevPAR increase of 3.3%.

According to CBRE, the average daily rate ("ADR") in the hospitality sector increased by 1.0% year-over-year in the second quarter of 2025 but slowed to 0.4% in June 2025 (down from 1.4% in April 2025). Luxury chains saw the greatest ADR growth in the second quarter of 2025, up 5.3% year-over-year and 5.0% in June. Upper upscale and upscale hotels saw ADR increases year-over-year of 0.9% and 0.1%, respectively, and Upper-midscale, midscale, and economy hotels saw ADR decreases year-over-year of 0.1%, 0.8%, and 1.3%, respectively.

Pricing for service-oriented CRE shows that full-service hotels are trading at a premium compared to limited-service properties. Price per square foot for hospitality products was $139 as of the second quarter of 2025, matching the high observed in the third quarter of 2024. Value for hospitality assets in the third quarter of 2025 is becoming more segmented, as premium brands appear to be more resilient and the economy and limited-service segments are more exposed to downside. In addition, the average hourly hotel wage grew by 3.4% year-over-year in the second quarter of 2025, which makes the operating expenses of the hotel increasingly important in value modeling. Underwriters and investors must treat hospitality more like an operating business with multiple moving parts (rather than just a lease asset). As higher costs of capital and risk premiums drive underwriting margins thinner; valuation assumptions need to be conservatively set for hold periods, exit cap rates, and net operating income growth. Further, the seasonal demand volatility and the pullback of travel during an economic slowdown lowers short term expectations with the sector.

4) Single-Tenant NNN Properties

According to the Boulder Group, cap rates in the single tenant NNN lease sector remained stable in the third quarter of 2025, with overall cap rates increasing just one basis point to 6.80%. Retail cap rates remained at 6.57%, while office cap rates increased by five basis points to 7.90%, and industrial cap rates compressed by three basis points to 7.20%. The supply of NNN properties saw an overall decrease of 0.5% in the third quarter of 2025, with retail and office inventory declining 1.4% and 1.1%, respectively, while industrial properties increased by 6%.

Northmarq reported that investment activity in the single-tenant NNN lease market slowed again in the second quarter of 2025, with $9.6 billion in sales volume. This sales volume is the second-lowest quarterly total in more than a decade, down 13% from the first quarter of 2025 and 4.6% year-over-year. Industrial was the most active sector, with $5.4 billion in sales volume, followed by retail at $2.2 billion, and office at $1.9 billion. Private investors accounted for roughly half of all single-tenant transactions year-to-date, while institutional buyers represented 25% of buyer activity, and REITs scaled back to 7%. The single-tenant NNN lease market is on pace to fall short of annual sales totals reported in both 2023 and 2024.

While sales volume has decreased, the bid-ask spread remained consistent across the NNN lease sector. The spread between asking and closed cap rates decreased by one basis point for retail properties (to 29 basis points) and five basis points for office properties (to 55 basis points), while industrial saw an increase of three basis points to a spread of 30 basis points.

As NNN properties depend entirely on a single tenant, credit deterioration or bankruptcy can instantly wipe out income and drastically reduce property value. Retail, restaurants, pharmacies, and some convenience-store chains are experiencing margin pressure in 2025. Consolidation, store rationalization, and weaker balance sheets elevate default or early-termination risk. The higher interest rate environment is directly pressuring NNN pricing, as cap rates have risen for several consecutive quarters, and expensive debt is compressing spreads and reducing leveraged returns, sidelining potential investors due to the financing costs.

Given the current market dynamics throughout the CRE industry, due diligence officers have a number of key factors to consider when reviewing potential investments. Due diligence officers should be reviewing market supply pipelines and current absorption predictions on all potential investment markets to ensure the desired investment market is not oversupplied. Building off this, underwriting assumptions from the program sponsors should be scrutinized and confirmed given the tight lending environment and rising costs associated with labor and property management. Lastly, a thorough review of a sponsor's track record is essential to confirm that the sponsor has the ability and experience to operate and manage properties in any economic environment.