



CF CAPITAL

# HOW SOPHISTICATED SPONSORS REDUCE COMPLEXITY

DISCIPLINE **DRIVES** PERFORMANCE

A White Paper by CF Capital

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## How Sophisticated Sponsors Reduce Complexity

In today's multifamily environment, outcomes are defined by sponsor discipline – not speculating on market trends or cycles. CF Capital operates from a clear premise: returns are engineered through disciplined acquisition, conservative structuring, and active asset management – not speculation.

As investor, sponsor, and asset manager, CF manages every step of the investment lifecycle to execute and adhere to clearly defined business plans. This keen oversight enables the firm to remain focused on strategy, capital stewardship, and performance accountability through every phase.

## Discipline Starts Before Capital Is Deployed

Execution only matters if the investment thesis is sound. We apply strict acquisition criteria to eliminate transactions dependent on aggressive rent growth, excessive leverage, or market timing. In competitive environments, the most valuable decision is often the one to walk away – a decision we've become all too familiar with over the past 24 to 36 months. Every investment opportunity must pass downside-focused underwriting and multi-scenario modeling.

Reasons for our selectivity include:

- Rent assumptions that lack support from local income trends
- Value creation relies primarily on appreciation rather than NOI growth
- Capital requirements exceed achievable rent premiums
- Submarkets exhibit oversupply or weakening fundamentals
- Improvements cannot materially impact returns

## Conservative Structuring as Risk Management

Underwriting is approached as capital protection. Investments are modeled across base, downside, and stress cases, with conservative assumptions around entry pricing, renovation premiums, debt durability, rent growth, and exit sensitivity – including potential cap rate expansion. Debt is structured to withstand volatility in rates and cash flow, preserving flexibility across cycles. The objective is durability, not maximum leverage, nor maximum return.

## Liquidity Is Designed, Not Assumed

Liquidity planning is embedded from inception. CF Capital evaluates multiple paths to capital realization – refinancing, recapitalization, operational efficiencies, or disposition – structuring hold periods with optionality. Each exit assumption is stress-tested, and refinance viability is supported through NOI growth and conservative leverage.

## Preparation Enables Execution

CF Capital defines strategy long before closing. Prior to acquisition, the firm establishes a clear investment roadmap, including capital deployment sequencing, renovation scope, property management alignment, and performance benchmarks. Execution can begin immediately upon closing because parameters have been defined in advance.

## Asset Management and Accountability

While regional property management and professional site staff members manage day-to-day property operations, CF Capital maintains active sponsor-level oversight throughout the hold period.

Our detailed governance includes:

- Financial and operational reviews
- Capital improvement management
- KPI reporting tied to underwriting benchmarks
- Ongoing evaluation of revenue, expenses, and capital deployment
- Timely intervention when performance deviates

The firm's role is to ensure execution remains aligned with the original investment thesis and responsive to evolving market conditions.

## Transparency as a Core Principle

CF Capital prioritizes consistent, clear communication throughout the investment lifecycle.

Investors receive direct visibility into asset-level performance, capital deployment, and business plan progress. This transparency supports informed decision-making and long-term partnerships.

## Returns are Engineered

CF Capital acquires underperforming multifamily assets in resilient Midwest and Southeast markets where disciplined capital deployment and structured oversight drive sustainable NOI growth. The firm emphasizes selectivity and portfolio coherence over volume. Each acquisition must strengthen the platform. You don't win by doing more deals. **You win by doing the right deals** – structured correctly and executed with discipline.

Multifamily performance is shaped at acquisition, in underwriting, and through consistent asset management. CF Capital is built on the belief that durable returns come from disciplined investing, conservative structuring, embedded liquidity planning, and transparent oversight – not cycle timing or market trends.



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