

Follow-Up to Decoding GP Investments:

A Deep Dive Into Structures By Firm Life Cycle and Partnership Governance





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In the Summer 2025 issue of the *PREA Quarterly*, we examined the growing spectrum of general partner (GP)–level investments—from entity-level GP stakes to vehicle-level GP equity. The article outlined a practical guide for navigating this complex, often misunderstood segment of the market. The response from both capital providers and investment sponsors was clear: demand for clarity is high, and appetite for these strategies is only accelerating.

In this follow-up discussion, we build on that foundation, diving deeper into how market participants are structuring deals, aligning incentives, and addressing the operational and governance questions that can make or break a GP-level partnership.

**Evolution of GPs:
How Do Investment Sponsors Access GP Capital?**

Building on the concepts established in the original article, this section digs deeper into the forms of entity-level and vehicle-level capital needs for distinct types and stages of investment sponsors and further outlines a road map of evolution from deal-by-deal GP all the way to an established, mature fund manager.

Exhibit 1 further illustrates the ranges of investment sponsors from deal-by-deal stages to established fund managers, showing how their capital needs shift over time.

- Operator GPs typically bootstrap or raise friends-and-family capital at both the entity and vehicle levels until they reach a scale to raise programmatic capital. This approach makes the firm more challenging to value given uncertain cash flows.
- Small or midsize fund GPs attract strategic partners who want to participate in a firm’s growth and can be flexible with deal structures to accommodate a range of capital needs.
- Large, established fund GPs attract GP stakes transactions from financial or strategic partners, valued for steady management fees, carried interest, and established platforms.



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Exhibit 1: Range of Investment Sponsor Capital Needs

Description		Strategic Considerations
Operator GP	Deal-by-Deal	<ul style="list-style-type: none"> • Often more focused on GP equity / vehicle level, less so GP stakes / entity-level investment • Harder for a capital provider to value the entity (GP stakes) because of uncertainty in cash flow sustainability (development / management fees)
	Programmatic	
Fund GP	Small or Mid-Market Fund Manager	<ul style="list-style-type: none"> • Seeding arrangements and anchor LP commitments result in bespoke hybrid deals • Capital providers look for recognition for getting the platform launched and benefit from upside • Deal structures developed to reduce risk of capital-raising uncertainty
	Large Established Fund Manager	

Source: Created by Alliance and TRS for this article

Exhibit 2: Comparative Framework of Different Investment Structures in GP Investing

	Vehicle-Level Exposure			Entity-Level Exposure		
	GP Equity			GP Stakes		
Ownership Type	Single Deal JV	Programmatic JV	Commingled Fund	Structured/Custom	Minority Equity	Majority Equity
Summary	<ul style="list-style-type: none"> Invest alongside investment sponsor as co-GP Sponsor raises LP equity Share in vehicle promote 			<ul style="list-style-type: none"> Preferred equity Convertible bonds Annual coupons + conversion into equity (through warrants or options) 	<ul style="list-style-type: none"> Owner of overall platform Participate in upside and downside of firm performance 	
External Ownership %	50%+			Depends on Structure	Up to 49%	50%+
Share in Fees and Promote	<ul style="list-style-type: none"> Predetermined share of promote Potential reduced management fee and/or share in vehicle-level fees 			Downside Protection	<ul style="list-style-type: none"> Share of promote Share of net income 	
Governance	Limited approval of deals			<ul style="list-style-type: none"> Board seat(s) Major decisions No day-to-day oversight 	<ul style="list-style-type: none"> Board seat(s) Major decisions No day-to-day oversight 	Majority / Full M&A transaction comes with more hands-on governance and integration of the two firms
Exit	Tied to the exit of the underlying vehicle			<ul style="list-style-type: none"> Can have wind-down mechanisms Return through annual cash flow rather than exit value 	<ul style="list-style-type: none"> Sponsor buys back the minority position Recap from new firm-level debt Sale to another minority investor 	N/A perpetual integration
Capital Partner Control	Passive Interest			Limited Governance		Full Major Decisions

Source: Created by Alliance and TRS for this article

Exhibit 3: Investment Vocabulary

	Vehicle-Level	Entity-Level	Hybrid
Operator GP	GP Equity	OpCo	Combinations of Vehicle-Level, Entity-Level, and LP Anchor Capital
Fund GP (Emerging)	GP Equity	GP Seeding	
Fund GP (Established)	GP Equity	GP Stakes	

Source: Created by Alliance and TRS for this article

In parallel to the various stages of an investment sponsor's life cycle and corresponding GP investment needs, Exhibit 2 provides a comparative framework of different investment structures in GP investing, illustrating the balancing acts among control, return potential, capital uses, and liquidity across ownership formats. However, note that most deal structures exist on a spectrum.

The vocabulary around vehicle- and entity-level investments can be refined to describe investment sponsors at various stages of their life cycles (Exhibits 3 and 4). Additionally, there are many hybrid deal structures in which vehicle-level GP equity is provided alongside entity-level capital. Some hybrid structures also include true limited-partner (LP) capital in the form of anchor investments in a vehicle (Exhibit 4).

Exhibit 4: Entity-Level Investment by Firm Life Cycle

Entity Level			
Manager Type	Operator	Emerging Manager	Established Manager
Investment Type	OpCo	GP Seeding	GP Stake
Stability of Management Fees	<ul style="list-style-type: none"> • Low • Some deal-by-deal or JVs • No near-term plans to raise fund vehicles 	<ul style="list-style-type: none"> • Small number of active vehicles • Some deal-by-deal or JVs • Unproven ability to raise future capital through funds 	<ul style="list-style-type: none"> • Large number of vehicles—from newly launched to mature • Variability in management fee income—multiple business lines • Proven ability to raise capital through funds
Incentive Fees	Uncrossed deal-by-deal	<ul style="list-style-type: none"> • Small number of active vehicles • Early in vehicle life so unclear carry projections 	<ul style="list-style-type: none"> • Large number of vehicles—from newly launched to mature • Longer track record to underwrite in order to estimate carry amounts
Capital Uses—Firm Level	<ul style="list-style-type: none"> • Working capital to an operator • Help for growing operator to expand LP base • Growth capital: human capital, technology 	<ul style="list-style-type: none"> • "Primary" capital for the firm • Working capital to an emerging manager • Help for a growing manager to expand LP base • "Launch" of a new investment manager • Growth capital: human capital, technology • Essentially venture capital for private real estate 	<ul style="list-style-type: none"> • "Secondary" capital for the firm • Succession planning • Growth capital: human capital, technology
Capital Source	Friends and family / Strategic partner	Strategic Partner	Financial Partner

Source: Created by Alliance and TRS for this article

Market Landscape: How Do Capital Providers Deploy GP Investment Capital?

From the perspective of capital providers, the GP investing space also offers a broad array of strategic entry points and governance structures, enabling investors to tailor their involvement based on control preferences, risk tolerance, and long-term objectives. Exhibit 5 highlights the range of access points and varying degrees of decision-making authority available across different investment structures.

On the one hand, majority transactions may offer greater upside and strategic influence but require more active governance and a deeper partnership between the capital provider and the investment sponsor. Conversely, minority transactions tend to be more passive, providing steadier cash flows, reduced risk exposure, and often greater certainty around liquidity and maturity. Governance rights are shaped by the investor's position and the nature of the relationship with the sponsor, with similar considerations applying from the investment sponsor's vantage point.

Importantly, a single commitment from a capital provider can serve multiple purposes. For instance, an entity-level investment (such as through GP stakes or GP seeding) can also be deployed toward vehicle-level initiatives, including GP coinvestments for funds or GP equity for joint ventures. This flexibility allows capital providers and investment sponsors to align their capital deployment with both strategic and operational goals across a sponsor's platform.

Questions for Market Participants

Before going to market and launching a process related to GP investing, both investment sponsors and capital providers need to have a cohesive view of what they are seeking. Exhibit 6 presents a structured framework for evaluating potential partnerships between investment sponsors and capital providers. It focuses on four critical dimensions: strategic alignment, governance, operational capacity, and communication.

As investment sponsors pursue growth, succession planning, or platform expansion, it is critical to evaluate

Exhibit 5: Governance Spectrum

	GP Equity	OpCo (PropCo)	GP Seeding	GP Stakes
Passive Interest	<ul style="list-style-type: none"> Specialized GP equity investors and/or direct investors (typically high-net-worth / family office) GP equity and corresponding economics in asset-level joint ventures on a typically pre-defined timeline – deal-by-deal or programmatic 	<ul style="list-style-type: none"> Specialized OpCo/PropCo funds, vehicles or direct partnership between a capital provider and operator Provide growth capital at the entity-level (OpCo) and often coupled with vehicle-level GP and LP capital (PropCo) Commitment based upon the current value of operator's equity in owned and/or pipeline assets May sit on board and/or investment committee to monitor investment activities 	<ul style="list-style-type: none"> Specialized investment managers focused on seeding fund GPs through anchor commitments in exchange for GP economics Could be structured as revenue share or direct minority stake in the platform and/or income stream Capital providers may receive additional rights and governance as an anchor investor 	<ul style="list-style-type: none"> GP stakes megafunds covering large cap/upper middle market fund GPs across all alternative asset classes Specialized real estate GP investment managers targeting (upper) middle market fund GPs Typically passive, minority ownership
Limited Governance	<ul style="list-style-type: none"> Typically N/A but may be collateralized by the entity and receive seniority in capital stack due to investment structure and/or receive ownership of the OpCo as upside 			<ul style="list-style-type: none"> Direct minority transaction / facilitated coinvestment between a capital provider and fund GP May receive more governance depending on ownership %
Full/Major Decisions		<ul style="list-style-type: none"> Strategic partnership between a capital provider (allocator fund GP, specialized OpCo fund or institutional investor) and investment sponsor Entity ownership based upon a valuation of operator's owned real estate assets Long-term partnership with deeper integration and expectation to grow over time Controls all "major decisions"; helps company move from aggregating portfolios to managing real estate at institutional scale Create a board, identify and address gaps in staffing, and upgrade processes and back office functions to meet institutional standard 		<ul style="list-style-type: none"> Majority ownership / full M&A transaction with a capital provider More hands-on governance and varying levels of integration into buyers' entities

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how a proposed transaction aligns with sponsors' long-term strategic objectives. For capital providers, it is equally important to assess the broader strategic value a partnership can offer beyond financial returns—such as access to networks, specialized expertise, long-term alignment, and coinvestment opportunities.

By examining both sides of the partnership, this framework is designed to surface key considerations

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and spark meaningful conversations that help ensure alignment in structure, incentives, and expectations. Ultimately, this can drive sustainable value creation and mitigate risk in an increasingly competitive and sophisticated market environment.

What Next?

As GP-level investing continues to evolve, the space remains nascent but increasingly dynamic. Although frameworks and structures are becoming more defined, the marketplace is still relatively fragmented, and the advisory and competitive landscape is only beginning to take shape. This presents a compelling opportunity for both investment sponsors and capital providers to engage early, shape best practices, and build strategic partnerships that align governance, incentives, and long-term objectives.

Exhibit 6: Considerations for Potential Partnerships

	Investment Sponsors	Capital Providers
Objective/ Strategy	<ul style="list-style-type: none"> • What are the firm’s goals? How does this proposed transaction fit in with our five-year strategic plan (and does that plan need to be updated)? • What are the biggest threats to our current market position? How will this transaction help us mitigate those risks? • What is the endgame of the deal? Is it permanent capital or shorter-term financing support? • Beyond capital and terms, what other benefits do we want a capital provider to bring? 	<ul style="list-style-type: none"> • How does a GP investing strategy fit into our portfolio’s goals and needs? Is it financial, strategic, or both? • What are the GP’s long-term goals and how does this transaction align with their stated investment strategy? • How differentiated is the GP’s strategy relative to peers? What is their competitive moat in today’s market? • How will capital be used (succession, expansion, etc.)? • What is the GP’s fundraising history and track record in managing operational complexity across funds? • Beyond financial returns, what strategic advantages (access, coinvestment rights, platform exposure) will this partnership provide us?
Structure/ Governance	<ul style="list-style-type: none"> • How much control are we willing to give up to an outside party? • What process and/or protocol should we take when counterparties disagree? • What are options for liquidity/discontinuation of the partnership? 	<ul style="list-style-type: none"> • What level of governance rights or protections (e.g., board seat, veto rights, reporting covenants) will investors receive? • How aligned are management incentives with investor outcomes (carry, management fees, GP commitment)? • What control do we have if the GP underperforms or if there are major strategy shifts?
Resources/ Operations	<ul style="list-style-type: none"> • Do we have the internal resources to support the transaction process and provide the reporting and/or compliance needed for external capital partners? • What are our true capital needs? How can we best show the return on investment for new capital coming in? 	<ul style="list-style-type: none"> • Do we have the internal resources to underwrite and monitor GP investments (which can be fundamentally different from asset-level real estate investments)? • Does the GP have sufficient team depth, operating capabilities, and infrastructure to execute the strategy? • How scalable is the GP’s platform—can the GP deploy larger amounts of capital without diluting returns?
Communication/ Transparency	<ul style="list-style-type: none"> • How do we canvass the market and understand the various players and solutions available? • What existing relationships should we call on first when seeking GP investment? • How will we communicate this organizational change internally? Externally? • How will we continue to attract additional third-party capital? How can we communicate conviction around our ability to raise capital to potential GP investors? 	<ul style="list-style-type: none"> • How frequently and in what format will we communicate and receive reporting? • What is the GP’s track record for transparency in both good and bad market conditions? • How does the GP plan to communicate this transaction with key stakeholders (employees, capital partners, operating partners, etc.)?

Source: Created by Alliance and TRS for this article

The emergence of specialized platforms, bespoke capital solutions, and a growing body of institutional knowledge signals that GP investing is no longer a niche strategy—it is becoming a core part of the private equity real estate landscape. But with that growth comes complexity. Navigating this terrain requires not only financial acumen but also strategic clarity, governance discipline, and a willingness to innovate. As more participants enter the arena and the ecosystem matures, those who invest the time to understand the nuances and tailor their approach will be best

positioned to unlock value and drive innovation in this emerging segment of private equity real estate. ■

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