

Incentive Problems and General Partner Compensation in Limited Partnership Real Estate Investments

James R. Hamill

First published: June 1993

<https://doi.org/10.1111/1540-6229.00604>



Abstract

When a general partner raises capital for a real estate syndication, prospective investors should price-protect against incentives of the general partner to misrepresent project cash flows. In this study, I evaluate the structure of the general partner's compensation and specific project characteristics to determine if compensation structure can mitigate agency costs. Results indicate that front-end compensation is higher for the high reputation general partner and that the compensation structure varies with the degree of management expertise required and the financial risks of the investment.

References

Beatty, R. and J. Ritter. 1986. Investment Banking, Reputation, and the Underpricing of Initial Public Offerings. *Journal of Financial Economics* 15: 213-32.

[Web of Science®](#) | [Google Scholar](#)

Darrough, M.N. and N.M. Stanton. 1986. Moral Hazard and Adverse Selection: The Question of Financial Structure. *Journal of Finance* 41(June): 501-13.

[Web of Science®](#) | [Google Scholar](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

[Google Scholar](#) 

Haft, Robert J. and Peter M. Fass. 1990. *1990 Investment Limited Partnership Handbook*. Clark Boardman Company, Ltd.

[Google Scholar](#) 

Jensen, M. and W. Meckling. 1976. Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure. *Journal of Financial Economics* 3(October): 305-60.

[CAS](#)  | [Web of Science®](#)  | [Google Scholar](#) 

Klein, B. and K.B. Leffler. 1981. The Role of Market Forces in Assuring Contractual Performance. *Journal of Political Economy* 89(August): 615-41.

[Web of Science®](#)  | [Google Scholar](#) 

Leland, H. and D. Pyle. 1977. Information Asymmetries, Financial Structure, and Financial Intermediation. *Journal of Finance* 32(May): 371-85.

[Web of Science®](#)  | [Google Scholar](#) 

Ritter, J.. 1984. Signalling and the Valuation of Unseasoned New Issues. *Journal of Finance* 39(September): 1231-37.


[Web of Science®](#)  | [Google Scholar](#) 

Ross, S. 1977. The Determination of Financial Structure: The Incentive-Signalling Approach. *Bell Journal of Economics* 8(Spring): 23-40.

[Google Scholar](#) 

Scholes, M. and M. Wolfson. 1992. *Taxes and Business Strategy: A Planning Approach*. Prentice-Hall.

[Google Scholar](#) 

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#) 

[Manage Preferences](#)

[Accept All](#)

[Reject Non-Essential](#)

ABOUT WILEY ONLINE LIBRARY

[Privacy Policy](#)

[Terms of Use](#)

[About Cookies](#)

[Manage Cookies](#)

[Accessibility](#)

[Wiley Research DE&I Statement and Publishing Policies](#)

HELP & SUPPORT

[Contact Us](#)

[Training and Support](#)

[DMCA & Reporting Piracy](#)

[Sitemap](#)

OPPORTUNITIES


[Subscription Agents](#)

[Advertisers & Corporate Partners](#)

CONNECT WITH WILEY

[The Wiley Network](#)

[Wiley Press Room](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#) 

[Manage Preferences](#)

[Accept All](#)

[Reject Non-Essential](#)