## Real Estate Private Equity Fund Underwriting & Rating Framework

This framework mirrors the structure and rigor of Townsend’s IC memo format. The 5 key questions to be addressed by assessing various aspects of Townsend IC format

### 🏁 Evaluation Grades (Per Criterion)

Each criterion is evaluated on a 5-point qualitative scale:

* **Very Positive**: Clear strength or best-in-class
* **Positive**: Above average, favorable characteristics
* **Neutral**: Adequate or standard performance
* **Negative**: Below average or notable shortcomings
* **Very Negative**: Significant weakness or risk concern

Each section below will receive one of these evaluation grades.

Integrated evaluation framework:

1. Is there a compelling market opportunity?

☐ Very Positive ☐ Positive ☐ Neutral ☐ Negative ☐ Very Negative  
↳ Addressed in **Section 2 – Market Opportunity**

1. Is the strategy aligned with that opportunity?

☐ Very Positive ☐ Positive ☐ Neutral ☐ Negative ☐ Very Negative  
↳ Addressed in **Sections 3 – Investment Strategy** and **4 – Return Potential**

1. Does the return potential justify the inherent risk?

☐ Very Positive ☐ Positive ☐ Neutral ☐ Negative ☐ Very Negative  
↳ Addressed in **Sections 5 – Sponsor / GP Overview**, **6 – Team & Org Structure**, and **7 – Track Record**

1. Is this the best available option — or are we compensated if not?

☐ Very Positive ☐ Positive ☐ Neutral ☐ Negative ☐ Very Negative  
↳ Addressed in **Section 8 – Competitive Set Comparison**

1. Are terms fair, governance sound, and investor interests protected?

☐ Very Positive ☐ Positive ☐ Neutral ☐ Negative ☐ Very Negative  
↳ Addressed in **Sections 9 – Fund Terms**, **10 – Governance/Ops/ESG**, and **11 – Legal/Structural**

### 🧾 IC Memo Sections with Evaluation Criteria

#### 1. Executive Summary (Not Graded)

Summarizes the findings and recommendation from the evaluated sections below.

#### 2. Market Opportunity

**Evaluation Grade:** ☐ Very Positive ☐ Positive ☐ Neutral ☐ Negative ☐ Very Negative

| Sub-Criterion | Evaluation | Description |
| --- | --- | --- |
| Demand/Supply Dynamics |  | Tailwinds, structural trends, tenant demand |
| Competitive Landscape |  | GP edge, market saturation |
| Macro Tailwinds & Headwinds |  | Interest rates, regulation, demographic shifts |
| Sponsorship Fragmentation |  | Number of potential partners; concentration risk |
| Market Regulation Exposure |  | Housing caps, green building mandates |
| Cross-Border Risks |  | FX, tax treaties, ex-US considerations |
| E-Commerce Penetration |  | Online retail share as logistics driver |
| Port/Infrastructure Access |  | Proximity to key logistics infrastructure |
| Zoning/Entitlement Hurdles |  | Development constraints from land use policy |

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#### 3. Investment Strategy

**Evaluation Grade:** ☐ Very Positive ☐ Positive ☐ Neutral ☐ Negative ☐ Very Negative

| Sub-Criterion | Evaluation | Description |
| --- | --- | --- |
| Strategy Clarity & Fit |  | Defined thesis, defensibility, cycle position |
| Risk Mitigation Plan |  | Capex, lease-up, interest rate protections |
| Strategy Risk Profile |  | Core, Core Plus, Value Add, or Opportunistic; increasing risk and return targets |
| Seed Capital |  | % of fund capital invested or allocated to assets at close |
| Leverage Policy & Usage |  | Target/max LTV, recourse structure, hedging strategy |
| Liquidity Profile |  | Hold period, investor diversification, exit options |
| Exit Realism |  | Liquidity, buyer universe, timing feasibility |
| Asset Class Diversification |  | Allocation targets by asset types |
| Loan Strategy Complexity |  | Mezzanine, stretch senior, or transitional bridge loans |
| Recycling Provisions |  | Reuse of interim liquidity; risks and opportunities |
| Sourcing Methodology |  | Proprietary networks, brokered deals, repeat sellers |
| Operational Complexity |  | Development vs. forward commitment vs. core assets |
| ESG-Adjusted Underwriting |  | Adjustments for ESG factors or certifications |

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#### 4. Return Potential

**Evaluation Grade:** ☐ Very Positive ☐ Positive ☐ Neutral ☐ Negative ☐ Very Negative

| Sub-Criterion | Evaluation | Description |
| --- | --- | --- |
| Sponsor Target Returns |  | IRR and equity multiple expectations |
| Initial Income |  | Cash yield or income from early assets |
| Income Growth Potential |  | NOI/rent growth trajectory |
| Capital Appreciation |  | Exit assumptions, valuation gains |
| Development Return Uplift |  | Yield-on-cost vs. market cap rates |
| Leverage Impact |  | Contribution to return stack and risk |

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#### 5. Sponsor / GP Overview

**Evaluation Grade:** ☐ Very Positive ☐ Positive ☐ Neutral ☐ Negative ☐ Very Negative

| Sub-Criterion | Evaluation | Description |
| --- | --- | --- |
| Team Experience & Continuity |  | Strategy-specific depth, tenure, succession plans |
| Organizational Infrastructure |  | Systems, resourcing, investor communication |
| Platform AUM |  | Total assets under management |
| Strategy-Specific AUM |  | AUM for the fund’s focus strategy |
| Alignment of Interest |  | GP commit %, clawbacks, fee recycling |
| Reputation & Track Record |  | References, history, fiduciary behavior |
| Governance & Decision-Making |  | IC structure, transparency |
| Conflict Identification & Management |  | Mitigation, disclosure, related-party checks |
| Vertical Integration Capabilities |  | In-house management vs. outsourcing |
| Historical Fundraising Success |  | Fundraising consistency and demand |
| Manager-Owned Platform Initiatives |  | Internal capital markets, borrower networks, tech |
| Back-Office Controls |  | Audit independence, segregation of duties |
| Dedicated Logistics Vertical |  | Specialized capabilities in logistics/industrial |
| Evolution of GP Structure |  | Organizational changes or transitions |
| Historical GP Monetization Events |  | Recaps, monetization of GP interest |

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#### 6. Team & Organizational Structure

**Evaluation Grade:** ☐ Very Positive ☐ Positive ☐ Neutral ☐ Negative ☐ Very Negative

| Sub-Criterion | Evaluation | Description |
| --- | --- | --- |
| Org Chart & IC Coverage |  | Functional leadership and coverage |
| Functional Staffing Depth |  | Dedicated resources across key functions |
| Infrastructure/Platform Support |  | Systems, proptech, capital markets |

#### 7. Track Record

**Evaluation Grade:** ☐ Very Positive ☐ Positive ☐ Neutral ☐ Negative ☐ Very Negative

| Sub-Criterion | Evaluation | Description |
| --- | --- | --- |
| Historical Performance |  | Net IRR, DPI, TVPI |
| Attribution Clarity |  | Alpha vs. beta drivers |
| Loss Ratio & Downside |  | Losses, impairments, tail risk |
| Pipeline Quality |  | Executable, strong sourcing |
| Portfolio Diversification |  | Vintage, geography, asset-level |
| Peer Quartile Benchmarking |  | Position vs. peers on similar strategy/vintage |
| Unrealized vs. Realized Performance |  | Marked vs. realized performance |
| Time to Full Deployment |  | Historical pace of capital use |
| Sub-Strategy Performance |  | Breakout by region, type |
| Capital Recycling Outcomes |  | Result of reinvestment of distributions |
| J-Curve Mitigation |  | Early income strategies |

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#### 8. Competitive Set Comparison

**Evaluation Grade:** ☐ Very Positive ☐ Positive ☐ Neutral ☐ Negative ☐ Very Negative

| Sub-Criterion | Evaluation | Description |
| --- | --- | --- |
| Peer Set Alternatives |  | Other funds targeting similar markets or strategy |
| Comparative Advantage |  | Differentiators, unique access |
| Relative Performance Position |  | Benchmarking against comparables |
| Market Share / Differentiation |  | Access to deals or partners others may not reach |

#### 9. Fund Terms & Alignment

**Evaluation Grade:** ☐ Very Positive ☐ Positive ☐ Neutral ☐ Negative ☐ Very Negative

| Sub-Criterion | Evaluation | Description |
| --- | --- | --- |
| Management Fee & Carry Terms |  | LP-friendly or market standard terms |
| Waterfall & Hurdle Mechanics |  | Fairness, structure clarity |
| GP Commitment & Co-Invest Terms |  | GP skin-in-game, LP access |
| Fee Offsets & Transparency |  | Expense controls, audit |
| LP Protections & Side Letters |  | Key person, no-fault, MFN clauses |
| Co-Investment Optionality |  | History and fairness of access |
| LP Liquidity Provisions |  | Redemption rights, gates, secondary |
| NAV Calculation Methodology |  | Transparency, audit, objectivity |
| Pre-Identified Asset Disclosure |  | Transparency around seeded assets |
| Co-Investment Economics |  | Promote dilution and fairness |

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#### 10. Governance, Ops & ESG

**Evaluation Grade:** ☐ Very Positive ☐ Positive ☐ Neutral ☐ Negative ☐ Very Negative

| Sub-Criterion | Evaluation | Description |
| --- | --- | --- |
| IC Composition & Valuation Rigor |  | Independence, fairness, frequency |
| Legal/Compliance Infrastructure |  | AML/KYC, fund admin, audit support |
| ESG/DEI Integration |  | Implementation and measurement |
| Technology Stack & Analytics |  | Ops and investor tech use |
| Reporting Quality & Frequency |  | LP reporting quality |
| IC Meeting Transparency |  | Voting rationale shared? |
| Diversity Metrics |  | Gender, race composition |
| Third-Party ODD Findings |  | Operational due diligence results |
| Construction Risk Governance |  | Oversight of development risks |
| ESG Tenancy Strategy |  | Green tenants, sustainability mandate |
| Proptech Integration |  | Analytics, logistics tools |

#### 11. Legal / Structural Overview

**Evaluation Grade:** ☐ Very Positive ☐ Positive ☐ Neutral ☐ Negative ☐ Very Negative

| Sub-Criterion | Evaluation | Description |
| --- | --- | --- |
| Fund Structure & Domicile |  | Jurisdiction, vehicle type, pass-through impacts |
| Tax Considerations |  | UBTI blockers, cross-border implications |
| Side Letters & LP Protections |  | Opt-outs, MFN consistency, special deals |
| Warehouse SPV Structure |  | Entity-level protection vs. concentration risk |

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#### 12. Evaluation & Recommendation (Synthesis Only)

Guided by the integrated evaluation framework:

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Final summary and recommendation based on totality of analysis.