## Real Estate Private Equity Fund Underwriting & Rating Framework

This framework mirrors the structure and rigor of Townsend’s IC memo format, while incorporating detailed evaluation and benchmarking criteria. Each IC memo section features a directly parallel qualitative assessment system that supports both narrative analysis and objective diligence.

### 🏁 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.

### 

### 🧾 IC Memo Sections with Evaluation Criteria

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

Summarizes the findings and recommendation from the evaluated sections 2-11 below and uses that analysis to answer and rate along the following questions:

**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**, and **6 – 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 7 – Competitive Set Comparison**

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

☐ Very Positive ☐ Positive ☐ Neutral ☐ Negative ☐ Very Negative  
↳ Addressed in **Sections 8 – Fund Terms**, **9 – Governance/Ops/ESG**, and **10 – Legal/Structural**

#### 2. Market Opportunity

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

| Sub‑Criterion | Evaluation | Description |
| --- | --- | --- |
| **Macro Theme Strength** |  | Strength and durability of underlying macro themes (behavioral, demographic, economic, interest‑rate, data‑economy evolution) supporting or limiting the opportunity |
| **Barriers to Entry** |  | Degree of entitlement / zoning restrictions, high construction‑financing costs, regulatory hurdles, or specialized development skills that restrict competition |
| **Regional/Geographic Factors** |  | Target market-specific demand drivers (e.g., port proximity, migration trends) |
| **Demand vs. Supply Outlook** |  | Likelihood that end‑user demand meaningfully outstrips new and existing supply over the investment horizon |
| **Operational Complexity Advantage** |  | Need for specialized property/asset/development management, tenant relationships, or workout expertise that limits the pool of capable sponsors |
| **Return Drivers – Income Yield / Entry Cap Rate** |  | Contribution of high initial yields or attractive entry cap rates to total return |
| **Return Drivers – Market Rent Growth** |  | Upside from general market rent growth projections |
| **Return Drivers – Mark‑to‑Market Opportunity** |  | Upside from in‑place/contracted rents sitting below current market levels |
| **Return Drivers – Light Value‑Add Capex** |  | Rent and value uplift achievable through modest capex while preserving income |
| **Return Drivers – Heavy Value‑Add Capex** |  | Value creation through more complex capital programs that may reduce near‑term income |
| **Return Drivers – Cap‑Rate Compression** |  | Potential for capital value enhancement via yield compression or repricing after improvements |
| **Return Drivers – Development Gains** |  | Incremental return from ground‑up or major redevelopment projects |

#### 3. Investment Strategy

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

| Sub‑Criterion | Evaluation | Description |
| --- | --- | --- |
| Strategy Clarity & Fit |  | Defined thesis, defensibility, cycle positioning |
| Risk Mitigation Plan |  | Capex, lease‑up, interest‑rate protections |
| Strategy Risk Profile |  | Core, Core Plus, Value Add, or Opportunistic; escalating risk/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 optionality |
| Exit Realism |  | Liquidity, buyer universe, timing feasibility |
| Asset Class Diversification |  | Allocation targets by asset types |
| Loan Strategy Complexity |  | Mezzanine, stretch senior, or transitional bridge exposure |
| Recycling Provisions |  | Reuse of interim liquidity; risks and benefits |
| Sourcing Methodology |  | Proprietary networks, brokered flow, repeat relationships |
| Operational Complexity |  | Development vs. forward commitment vs. core assets |
| ESG‑Adjusted Underwriting |  | Explicit climate / ESG adjustments and certifications |

#### 4. Return Potential

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

| Sub‑Criterion | Evaluation | Description |
| --- | --- | --- |
| Sponsor Target Returns |  | Net IRR and equity multiple objectives |
| Initial Income |  | Cash yield or income from seeded/stabilized assets |
| Income Growth Potential |  | NOI & rent growth trajectory |
| Capital Appreciation |  | Exit assumptions, valuation uplift |
| Development Return Uplift |  | Yield‑on‑cost vs. market cap‑rate spread |
| Leverage Impact |  | Contribution of leverage to return and risk |

#### 5. Sponsor / GP Overview

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

| Sub‑Criterion | Evaluation | Description |
| --- | --- | --- |
| Team Experience & Continuity |  | Depth, tenure, succession plans |
| Organizational Infrastructure |  | Systems, staffing, investor reporting |
| Platform AUM |  | Total assets under management |
| Strategy‑Specific AUM |  | AUM dedicated to this strategy |
| Alignment of Interest |  | GP commit %, clawbacks, fee recycling |
| Reputation & Track Record |  | References, fiduciary history |
| Governance & Decision‑Making |  | IC structure, transparency |
| Investment Process |  | Quality of investment process, IC process |
| Seed Assets/Depth of Relevant Deal Pipeline |  | Seed or assets under control, access to off-market transactions (Sourcing capabilities) |
| Conflict Management |  | Related‑party disclosures & mitigation |
| Vertical Integration |  | In‑house vs. outsourced capabilities |
| Fundraising Success |  | Ability to hit/exceed targets |
| Platform Initiatives |  | Capital markets desk, tech systems |
| Back‑Office Controls |  | Audit independence, valuation rigor |
| Dedicated Vertical |  | Specialized team/platform focus |
| GP Structure Evolution |  | Org changes, succession progress |
| GP Monetization Events |  | Historical recapitalizations |

#### 6. Track Record

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

| Sub‑Criterion | Evaluation | Description |
| --- | --- | --- |
| Historical Performance |  | Net IRR, DPI, TVPI consistency |
| Attribution Clarity |  | Alpha vs. beta explanation |
| Loss Ratio & Downside |  | Write‑offs, impairments |
| Portfolio Diversification |  | Vintage, asset, geography |
| Peer Quartile Ranking |  | Position vs. peer funds |
| Unrealized vs. Realized |  | Cash vs. mark‑to‑market |
| Time to Deployment |  | Speed of capital use |
| Sub‑Strategy Breakout |  | Region/size/style splits |
| Capital Recycling |  | Outcomes of reinvestment |
| J‑Curve Mitigation |  | Early income strategies |

#### 7. Competitive Set Comparison

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

| Sub‑Criterion | Evaluation | Description |
| --- | --- | --- |
| Peer Alternatives |  | Comparable funds/vehicles |
| Comparative Advantage |  | Differentiators, sourcing edge |
| Relative Performance |  | Return & risk benchmarking |
| Market Share / Differentiation |  | Privileged access capability |

#### 8. Fund Terms & Alignment

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

| Sub‑Criterion | Evaluation | Description |
| --- | --- | --- |
| Management & Carry Fees |  | Percent & basis competitiveness |
| Waterfall Mechanics |  | European vs. American fairness |
| GP Commitment & Co‑Invest |  | Skin‑in‑game, LP access |
| Fee Offsets & Transparency |  | Caps, auditability |
| LP Protections & Side Letters |  | Key person, no‑fault clauses |
| Co‑Invest Optionality |  | Frequency & performance |
| LP Liquidity Rights |  | Secondaries, redemption gates |
| NAV Calculation |  | Frequency, independence |
| Pre‑ID Asset Disclosure |  | Transparency of seed deals |
| Co‑Invest Economics |  | Promote dilution fairness |

#### 9. Governance, Ops & ESG

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

| Sub‑Criterion | Evaluation | Description |
| --- | --- | --- |
| IC Composition & Valuation Rigor |  | Independence & fairness |
| Compliance Infrastructure |  | AML/KYC, admin, audit tenure |
| ESG/DEI Integration |  | Policy, reporting, implementation |
| Tech Stack & Analytics |  | Data tools, dashboards |
| Reporting Quality |  | LP transparency & cadence |
| IC Meeting Transparency |  | Minutes, vote rationale |
| Diversity Metrics |  | Senior team composition |
| Third‑Party ODD Results |  | External due diligence findings |
| Construction Risk Governance |  | Development oversight |
| ESG Tenancy Strategy |  | Green tenant preference |
| Proptech Integration |  | Logistics analytics adoption |

#### 10. Legal / Structural Overview

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

| Sub‑Criterion | Evaluation | Description |
| --- | --- | --- |
| Fund Structure & Domicile |  | Jurisdiction, pass‑through status |
| Tax Considerations |  | Blocking, withholding, treaty |
| Side Letters & LP Protections |  | MFN, opt‑outs, special terms |
| Warehouse SPV Structure |  | Asset‑level risk isolation |

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

* Overall Assessment
* Strengths
* Key Risks
* Risk Mitigants

**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**, and **6 – 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 7 – Competitive Set Comparison**

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

☐ Very Positive ☐ Positive ☐ Neutral ☐ Negative ☐ Very Negative  
↳ Addressed in **Sections 8 – Fund Terms**, **9 – Governance/Ops/ESG**, and **10 – Legal/Structural**

**Final Recommendation:** Summary narrative integrating all evaluations.