Case Brief — Commercial Real Estate Underwriting Advisory

Industry: Commercial Real Estate | Construction Finance | Mezzanine Lending **Vertical:** CRE Intelligence **Date:** May 2026

The Situation

A European mixed-use development sought EUR 41M in mezzanine construction financing after a prior developer abandoned the project mid-construction. The deal package presented professionally — a 30-page business plan, projected absorption rates, and a path to repayment. The borrower line on the term sheet read: “TBD.”

Our CRE advisory panel was tasked with answering: **does this deal underwrite, and if not, what specifically is wrong with it?**

The Panel

A multi-specialist Investment Committee advisory convened across the relevant disciplines: chief executive review, strategic analysis, financial structure, investment risk, legal counsel, construction expertise, market analysis, lender discipline, and origination review.

Key Findings

1. **Three structural disqualifiers existed before any financial analysis.** No identified borrower, no committed senior lender, no signed construction contract. Each one was sufficient grounds for rejection. Together they represented a deal that should never have reached the term sheet stage.

2. **The capital structure was not viable.** The proposed 7% coupon was 315 basis points below the actuarial recommendation for the risk profile. Standard mezzanine lending requires 25-35% sponsor equity; this deal had zero. The debt service coverage ratio fell below the 1.40x minimum in every modeled scenario.

3. **The construction timeline was physically impossible.** The plan proposed 150 days to complete what had previously taken 36+ months to reach 47% completion. Required permit revalidation under updated energy codes was not budgeted.

4. **The market timing was wrong.** Projected absorption of 7.75 units per month conflicted with comparable transactions showing 2-3 units per month in the same submarket. A pipeline of 2,400+ competing units delivering in the following 24 months had not been accounted for.

5. **The deal flow itself was a signal.** Sophisticated lenders had already passed on this opportunity. The question for our committee was less "should we fund this?" and more "why is this deal in our pipeline at all?"

Panel Decision

Unanimous Reject. A formal pass letter was recommended within 48 hours. The panel further recommended an internal review of the origination process to understand how the deal had reached the investment committee.

Notable Quote

> *"This is a distressed asset bailout disguised as a development opportunity. Sophisticated buyers have already passed. Asking us to fund what they declined is not opportunity — it is adverse selection."*

What This Replaces

A traditional investment committee analysis of this depth — covering financial structure, construction feasibility, market dynamics, legal review, and workout planning — typically requires 2-3 weeks of analyst time and significant senior partner involvement. Our advisory delivered the same depth in a single session with a complete written deliverable and a formal recommendation memo.

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