
LESSON 3 - JOINT VENTURE EQUITY – PART TWO

JV METRICS TO UNDERSTAND

IRR - IRR is the internal rate of return for the entire project.

GROSS RETURN MULTIPLE - The Gross Return Multiple is the private equity measurement that will value the return paid to an investor.

TOTAL DOLLAR PROFITS - The Total Dollar Profits is the actual profit amount that each participant will receive from the deal.

JV PUNITIVE CLAUSES FOR OPERATING PARTNERS

For every JV deal, there are punitive clauses for the operating partners.

1. Cash Equity vs. Market Equity
2. Control Shifts
3. Claw Backs
4. Additional opportunities

JV PROFIT PARTICIPATION STRUCTURES

Straight Line Approach

IRR Look-Back Approach

Fixed Exit Fee

IRR Waterfall

JV RESIDUAL STRATEGIES FOR EXISTING JOINT VENTURE DEALS

Mandatory Sale

The Shotgun Approach

Appraisal Buyout Method