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Reporting  
Standards

# Building the Debt Fund Manual

Why now, what it is, and how we move forward

## KEY TAKEAWAYS

### GREATER CLARITY AND CONSISTENCY

As capital flows and strategy diversity increase, having clearer, more consistent reporting frameworks to support allocation, risk assessment, and performance evaluation helps institutional investors and managers.

### IMPROVED TRANSPARENCY WITHOUT RIGID UNIFORMITY

The Debt Fund Manual provides principles-based guidance to improve disclosure quality while preserving strategic differentiation across debt fund structures.

### STRENGTHENED RISK OVERSIGHT AND GOVERNANCE

By increasing visibility into loan risk signals, modifications, leverage, and valuation practices, the framework helps support investment committee discussions, benchmarking, and ongoing manager evaluation.

The continued growth of private real estate debt is shaping the next phase of reporting standards and benchmarking. The Debt Fund Manual and Debt Fund Index, released by the NCREIF PREA Reporting Standards, represent a collaborative step forward in advancing transparency and consistency to support comparability and informed decision-making across the credit market.

In recent years, interest in private real estate credit has surged among a wider base of institutional investors and a diverse set of managers. With that growth comes a heightened need for consistency, transparency, and actionable data.

Reflecting the industry's move towards dedicated credit allocations, the NCREIF PREA Reporting Standards (Reporting Standards) expanded beyond equity to include debt funds in 2023.

Concurrently, NCREIF and CREFC partnered to develop data collection templates, analytics, and reporting, culminating in the publication of a debt fund aggregate data product, NCREIF/CREFC Open-end Debt Fund Aggregate. These initiatives formalized a strategic expansion into an area where comparability has long been elusive and where institutional investors increasingly require a common frame of reference. The next steps followed: build a Debt Fund Manual (DFM) to guide reporting and evolve the

aggregate into an index that provides context and measurement.

In early December 2025, these two milestones landed back-to-back: the inaugural DFM and the launch of the NCREIF/CREFC Open-End Moderate-Yield Debt Fund Index (Debt Fund Index). The cadence of their release reinforced the role of well-defined standards in building effective data solutions.

## Why debt? Why now?

Private real estate debt is expected to grow significantly over the next five to six years, driven by refinancing needs, construction and transitional lending, and a broader institutional appetite for downside-focused strategies. Institutional investors increasingly want dedicated allocations to real estate debt distinct from traditional fixed income or broader real assets buckets.

Yet, without a recognized benchmark or standardized reporting framework, consistent allocation, risk assessment, and performance comparison would be challenging. Managers (both long-time credit specialists and equity managers entering the space) asked for practical guidance that reflects the distinct features of debt funds versus equity vehicles. The DFM responds by elevating disclosure quality, clarifying core elements, and promoting comparability while preserving strategic differentiation.

## The development journey

The DFM task force brought together credit specialists, data contributors, equity managers newly entering debt, consultants, and institutional investors. For many, this was their first deep engagement with the Reporting Standards, making foundational communication a critical starting point: what the manual is, what it is not, and why ‘compliance’ language should not be intimidating.

### 1. What the DFM is — and is not

The DFM provides a practical, principles-based framework aligned with Volume I of the Reporting Standards (required and recommended elements of reporting). Its aim is to improve reporting quality and transparency without imposing one-size-fits-all prescriptions where market practice has not yet converged.

#### It is:

- **A roadmap.** It identifies core reporting elements for debt funds, linking to data products and best practices so institutional investors can better understand and compare portfolio composition, risk, and performance.
- **Principles-based.** It encourages rigor and transparency while recognizing the nuance of strategy design, leverage choices, collateral types, and liquidity terms.
- **Consultative and evolving.** It initiates a recurring review cycle, with the next update expected in 18–24 months, and invites feedback from institutional investors, managers, consultants, and other stakeholders.

#### It is not:

- **A compliance edict.** The required and recommended elements by which Reporting Standards compliance is measured are housed in Volume I. The DFM supports those elements with practical guidance and detailed narrative examples.
- **A single set of prescriptive rules.** Where practice varies, the manual articulates typical approaches and recommended disclosures, allowing room for well-supported alternatives.

### 2. Market entry and engagement

The DFM clearly communicates its support for Volume I of the Reporting Standards, provides practical guidance, and emphasizes disclosure over prescriptive uniformity. This message was brought to some debt teams which

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previously had limited brand recognition of the Reporting Standards and cleared up misconceptions of mandatory compliance or rigid requirements.

This clarity was particularly important given that, across the broader market, many debt teams operate separately from their equity counterparts and may have had less prior exposure to the Reporting Standards. That structural separation informed both the manual’s development and its emphasis on education and pragmatism. A second engagement focus centered on benchmarks and index inclusion.

The Debt Fund Index launched with an intentional consultation phase and alignment to Volume I’s required elements, rather than immediate, full Reporting Standards compliance. It acknowledges the learning curve among debt participants while signaling a clear direction toward greater consistency over time.

### 3. Mindset, metrics, and modifications

Debt strategies typically prioritize downside risk mitigation. If everything goes right, returns often track expectations closely; when things go wrong, small adverse events can materially erode outcomes. That dynamic echoes through fee structures, reporting cadence, and risk metrics. Debt teams

must communicate investment changes as risk signals — modifications, extensions, covenant movements, borrower communications, collateral performance checks — and do so clearly and promptly.

The DFM normalizes essential debt reporting elements — loan grading, watchlists, covenant analytics, and collateral-level stress tests — so cross-disciplinary teams can engage efficiently and investment committees can interpret shifts in risk posture without delay.

#### 4. Technical considerations

Several technical topics dominated task force debates. The DFM does not mandate one uniform approach; rather, it elevates transparency of methodologies so institutional investors can interpret results within context. Key areas include valuation of debt investments and underlying real estate collateral, performance calculations, and benchmarking needs.

#### Valuation of collateral

Collateral valuation was the most debated topic. Practices range from no updates after loan origination, to internal collateral valuation, to external third-party appraisals. The most visible friction point is frequency (how often collateral values should be updated) and whether updates should be performed internally or externally.

Rather than prescribing a single approach, the DFM sets clear expectations around disclosure. Managers should describe the valuation approach, frequency, and drivers (e.g., spread movements, appraisal updates), and explain implications for reported metrics such as loan-to-value (LTV), duration, and NAV sensitivity. By lifting the level of methodological transparency, the manual strengthens an investor's ability to interpret the numbers regardless of method.

A balanced view recognizes the practical tension. External appraisals can be expensive, and in strategies such as debt where returns are often capped, added costs erode net performance. Further, unlike equity investors, debt investors do not own the underlying asset; they hold the loan. Even when collateral values shift, the available course of action may be limited until defined surveillance or covenant triggers are met. At minimum, managers should maintain an internal valuation process that supports fair value reporting, with audit-level third-party reasonableness checks performed annually.

#### Performance calculations and return hierarchies

Debt funds may report time-weighted returns (TWR), internal rates of return (IRR), or both. In practice, cash flow timing, fee structures, and capital call

mechanics can create divergence between funds even in the same risk bucket. The DFM addresses return calculation methodologies and the disclosure of assumptions so stakeholders can reconcile reported outcomes. When diversity persists, the manual elevates clarity over uniformity. Institutional investors can compare like with like once the calculation context (cash flow timing, fees, and valuation policy) is explicit.

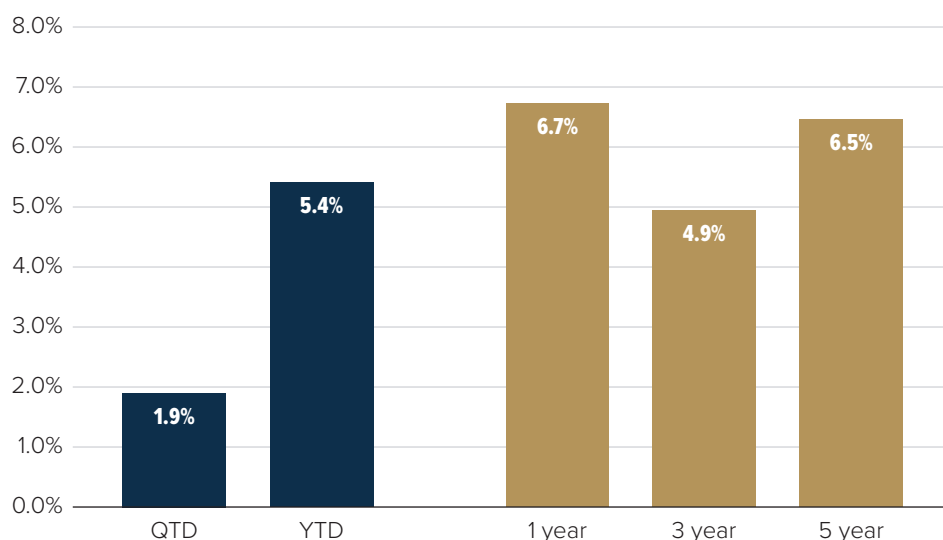
#### Benchmark and index composition

The DFM was developed in tandem with the Debt Fund Index to ensure consistency between reporting guidance and index construction (see [1](#)). As institutional investors seek benchmarks to better compare risk and performance of private real estate credit to other asset classes and among managers, and as managers utilize benchmarks for context

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#### The Debt Fund Index was established to enhance institutional investors' interest and understanding of the rewards and risks of private real estate debt funds

The NCREIF/CREFC Open-end Moderate-Yield Debt Fund Index is comprised of 507 loan investments and 20 REOs across 12 active funds at \$30.7bn of fair value.



Notes: Loan investments at fair value: \$30.738bn. Number of loans: 507 and 20 REOs across 12 active funds. Full return history available as of December 31, 2017. One-, three- and five-year returns are annualized.

Sources: NCREIF, CREFC. Data as of September 30, 2025.

and marketing, index composition matters. Transparency about inclusion criteria, rebalancing, weighting, and consultation timelines is critical to making fair and informed comparisons. Managers are encouraged to explain deviations from any referenced index and the intentions behind those decisions.

## Transparency comes first

A recurring theme throughout task force discussions was that transparency precedes consistency. Markets achieve consistency only after common data, definitions, and practices are visible and comparable. That is why the DFM leans heavily into disclosure and why the Debt Fund Index will spend one to two years in consultation — to collect feedback, refine methodologies and best practices, and avoid premature lock-in. Inaugural editions prioritize transparency gains and methodological clarity. Over time, increasing disclosure rigor will support better comparability without forcing all funds into one-size-fits-all mechanics, even as convergence may occur in certain areas where the benefits outweigh the costs.

Many institutional investors have already welcomed the manual's clarity. Others offered constructive caution: benchmarks must not incentivize homogeneity at the expense of alpha generation and specialized insight. The DFM's principles-based stance is designed precisely to preserve strategic differentiation while strengthening actionable reporting.

## Priorities in 2026

Looking ahead, the NCREIF PREA Reporting Standards Council has launched the next phase of this evolution focused on revisiting the required and recommended elements housed in Volume I. The goal is to fine-tune debt-specific realities, applying lessons learned through DFM development and

the Debt Fund Index consultation. Key priorities include:

- **Debt-specific risk metrics:** clarifying definitions and computation for loan grading, watchlists, DSCR, LTV, duration, WAL/WAM, and stress-testing disclosures.
- **Distribution measures:** aligning distribution reporting with debt fund cash flow patterns, including how modifications and delays affect distributions and IRR versus TWR.
- **Modification disclosures:** standardizing data fields and narratives for extensions, restructures, forbearance, and outcomes to support comparability.
- **Debt Fund Index inclusion criteria:** continuing consultation on inclusion criteria, methodology, rebalancing, and weighting, aligned to Volume I while creating a path toward broader Reporting Standards compliance.

## Practical considerations

Managers can start by reviewing their current reporting practices and identifying areas for improvement and prioritizing enhancements that strengthen clarity and transparency. Institutional investors can request reporting aligned with the Reporting Standards to streamline evaluation and monitoring processes. Practical tips include:

- **Document valuation governance.** Articulate internal valuation procedures, third-party reasonableness checks, and triggers for external appraisals. Explain the cost-benefit rationale.
- **Clarify leverage narratives.** Summarize leverage sources, terms, covenants, and triggers. Pair qualitative narratives with quantitative stress tests.
- **Reconcile performance.** Present TWR and IRR where appropriate, with a plain-English explanation of key

## Get involved

Adoption takes time and collaboration will determine the pace. We are deeply grateful to the many industry volunteers whose time, expertise, and commitment have brought the Reporting Standards and data products to this point, as well as to all who contributed insights and feedback that shaped this article. Their collective effort continues to strengthen and advance the work ahead.

If you work in debt, this is your opportunity to help shape the standards that will support the market for the next decade and beyond. Now is the time to engage:

- Join task forces addressing Volume I refinements for debt.
- Pilot the DFM disclosures in your quarterly reports and provide feedback on what's useful and feasible.
- Become a debt fund data contributor and/or participate in the Debt Fund Index consultation by offering comments on inclusion criteria, methodology, and reporting alignments.

For more information on the Reporting Standards visit [www.reportingstandards.info](http://www.reportingstandards.info). Email [administrator@reportingstandards.info](mailto:administrator@reportingstandards.info) with questions or to get involved.

drivers (cash flow timing, fees, valuation) so stakeholders can reconcile outcomes.

- **Track modifications.** Maintain a standardized log of modifications linking changes to risk grades and projected returns along with communication timing to institutional investors. 

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