

## ASSET UNDERWRITING / BORROWER FIELD GUIDE

# Industrial underwriting guide

Connect tenant leases, recoveries, rollover costs and occupancy to repayment capacity.

Industrial debt depends on the tenant cash flow that survives through the loan horizon and on the cost of keeping the building usable. A long lease can still conceal termination rights, reimbursement gaps or a costly replacement tenant. Present an explicit lease-to-maturity calendar and a funded rollover case rather than relying on the current occupancy percentage.

## Translate leases into accepted income

Abstract base rent, recoveries, free rent, escalations, renewal options and termination provisions tenant by tenant. Separate a signed lease from rent commencement and actual collections. Reimbursements should reconcile to recoverable expenses and lease limitations; recovering a cost does not make the cost disappear. For small-bay properties, identify whether delinquency is spread across tenants or concentrated in a few connected businesses.

## Test usable collateral and replacement costs

Record clear height, loading, power, yard rights, fire protection and other features relevant to the actual users. Those features are evidence questions, not automatic value credits. Check legal use and environmental history for the contemplated operation. A tenant-specific fit-out may require removal or alteration before another tenant can occupy the space; budget downtime, work, leasing fees and carrying costs together.

## Align rollover with the balloon

Place lease expirations, termination elections and renewal-notice dates beside loan maturity and extension deadlines. A refinance case should identify which income is still documented when the next lender reviews the property. Model a tenant loss with an explicit recovery date and funded re-leasing work. The OCC refinance-risk framework supports testing repayment and refinance assumptions; it does not establish a universal minimum lease tail.

Use this guide with the matching Excel model. Illustrative assumptions are editable; no lender approval, market quote or universal threshold is represented.

## FIELD GUIDE / 02

# What the lender needs to understand

Preparation questions and evidence to resolve them. Actual requests and acceptance standards depend on the lender and transaction.

## 01 / Which tenant income survives beyond maturity?

Lease abstracts, complete amendments and a dated expiration/option calendar.

## 02 / Can reimbursements actually be collected?

CAM or operating-expense reconciliations, caps, exclusions and tenant payment history.

## 03 / How concentrated is the repayment source?

Tenant and related-party exposure schedule with current financial evidence where available.

## 04 / What must be spent before replacement rent starts?

Broker-supported downtime assumptions, work scope, contractor bids and leasing commission agreement.

## 05 / Is the proposed use supported by the collateral documents?

Title, zoning/use evidence, environmental reports and specific easement or yard rights.

## 06 / What funds a delayed renewal or takeout?

Monthly cash plan, available sponsor funds and documented extension conditions.

## Turn the request list into an evidence ledger

For each material question, record the document and date, the responsible owner, the unresolved fact, the party who can accept it, and the financing consequence if it remains unresolved. A file delivered to a lender is not necessarily an accepted answer.

Evidence state: requested / received / reconciled / accepted / still conditional. Preserve the lender response and avoid treating an unanswered question as approval.

FIELD GUIDE / 03

# Document checklist: cash flow and collateral

Use a consistent cutoff date. Mark missing items, conflicts and explanations rather than simply counting files.

## Cash flow and operations

| Document / evidence request                                                   | Received / open |
|-------------------------------------------------------------------------------|-----------------|
| Tenant rent roll with leased area, contractual rent and rent commencement.    | [ ] _____       |
| Complete leases, amendments, guaranties, options and termination provisions.  | [ ] _____       |
| Monthly billed rent, collections, aging and security-deposit ledger.          | [ ] _____       |
| Expense recovery reconciliations with caps, exclusions and disputed balances. | [ ] _____       |
| Property operating statements and actual tax, insurance and utility support.  | [ ] _____       |
| Rollover schedule with downtime, new rent, improvements and commissions.      | [ ] _____       |

## Property and collateral

| Document / evidence request                                                       | Received / open |
|-----------------------------------------------------------------------------------|-----------------|
| Survey, title exceptions and access, truck-court or outdoor-storage rights.       | [ ] _____       |
| Legal-use evidence for actual tenants and proposed alternative occupants.         | [ ] _____       |
| Environmental history and reports with open conditions and reliance requirements. | [ ] _____       |
| Condition review for roof, slab, loading, fire protection and mechanical systems. | [ ] _____       |
| Power-service documentation and responsibility for tenant-specific upgrades.      | [ ] _____       |
| Capital scope identifying removable equipment versus real-property improvements.  | [ ] _____       |

## Reconciliation note

The schedules should agree with the source documents or identify the exact reason for a difference. Keep the source amount, the adjustment and the lender-accepted amount visible as separate fields.

FIELD GUIDE / 04

# Document checklist: sponsor and closing

Confirm who provides the money, when it is available and what evidence permits the transaction to fund.

## Sponsor and execution

| Document / evidence request                                                           | Received / open                |
|---------------------------------------------------------------------------------------|--------------------------------|
| Tenant concentration analysis and sponsor experience in the local industrial segment. | <input type="checkbox"/> _____ |
| Borrower ownership and authority documents with guarantor identity.                   | <input type="checkbox"/> _____ |
| Verified post-closing liquidity after other property and business commitments.        | <input type="checkbox"/> _____ |
| Portfolio debt and contingent obligations that could compete for rollover cash.       | <input type="checkbox"/> _____ |
| Property-management and leasing responsibilities, including replacement arrangements. | <input type="checkbox"/> _____ |
| Equity funding evidence and approvals for the downside leasing budget.                | <input type="checkbox"/> _____ |

## Closing and funding

| Document / evidence request                                                     | Received / open                |
|---------------------------------------------------------------------------------|--------------------------------|
| Estoppels or other tenant confirmations requested by the lender.                | <input type="checkbox"/> _____ |
| Current payoff, release requirements and realistic notice periods.              | <input type="checkbox"/> _____ |
| Lease-consent, assignment or nondisturbance requirements identified by counsel. | <input type="checkbox"/> _____ |
| Reserve and holdback terms with accepted completion evidence.                   | <input type="checkbox"/> _____ |
| Insurance, casualty restoration and business interruption assumptions.          | <input type="checkbox"/> _____ |
| Loan maturity, extension deadlines and a monthly funding bridge.                | <input type="checkbox"/> _____ |

## Before committing the next dollar

- ☐ Identify the first lease or financing deadline that requires an irreversible decision.
- ☐ Fund tenant improvements and downtime before assuming replacement collections.
- ☐ Test the refinance using documented remaining income, not only today's occupancy.

FIELD GUIDE / 05

# Use the model and reconcile the result

industrial-underwriting-model.xlsx | Summary, Assumptions, Lease Schedule, Operations, Debt and Funding, Review

1. Use Assumptions!D5 for Base (1) or Downside (2), and the labeled scenario input rows. Enter source data in Lease Schedule!D10:L12; preserve formula cells and an untouched workbook copy.
2. Use the Lease Schedule for tenant cohorts. Expiration is the first unpaid old-lease month; month 13 means no expiry in the twelve-month horizon. Inspect downtime, free rent, recoveries and dated TI/commission payments.
3. Reconcile Operations to Summary. Apply the entered lender adjustment separately to the modeled cash flow. Sizing uses amortizing debt service, while first-year payments reflect the entered interest-only period.
4. In Assumptions, replace illustrative value, LTV, DSCR, debt yield, rate, amortization and requested ceiling with the intended scenario. Review capacities in Debt and Funding. The smallest modeled capacity does not establish eligibility or approval.
5. Closing equity includes the entered opening cash and restricted reserves. Additional operating cash need is measured after that opening cash, so do not add it twice. Inspect monthly cash and remaining principal at maturity.
6. Read Review for model conventions and limitations. Save each scenario with its supporting evidence and date; actual lender definitions, legal rights and professional findings control the transaction.

## Worked example: editable teaching assumptions

Illustrative Base / Downside inputs: Property value \$6,000,000 / \$5,200,000; Annual note rate 6.50% / 8.00%; Maximum LTV 65.00% / 60.00%; Minimum sizing DSCR 1.25 / 1.3; Minimum debt yield 9.00% / 10.00%; Amortization after IO (years) 25 / 25; Initial interest-only months 6 / 6.

| Illustrative result            | Base        | Downside    |
|--------------------------------|-------------|-------------|
| Modeled revenue / contribution | \$1,420,733 | \$1,081,575 |
| NCF after reserve              | \$924,111   | \$538,912   |
| NCF used for sizing            | \$924,111   | \$513,912   |
| Modeled loan                   | \$3,900,000 | \$3,120,000 |
| Binding sizing constraint      | LTV         | LTV         |
| First-year debt service        | \$284,748   | \$269,284   |
| Required closing equity        | \$2,000,000 | \$2,780,000 |
| Equity left / (closing gap)    | \$500,000   | -\$280,000  |
| Additional operating cash need | \$0         | \$107,172   |
| Equity left / (combined gap)   | \$500,000   | -\$387,172  |
| Principal at modeled maturity  | \$3,574,328 | \$2,907,601 |

Base NCF used for sizing is \$924,111. The modeled loan is \$3,900,000, with LTV binding. Closing uses of \$5,900,000 less that loan require \$2,000,000 of equity. Available equity is \$2,500,000; the signed combined surplus/gap is \$500,000 after any additional operating cash need. Downside changes the loan to \$3,120,000 and the combined result to -\$387,172.

Dollar results rounded to the nearest dollar; the workbook retains precision. Signed funding surplus is negative for a shortage. A positive funding surplus remains subject to actual source availability.

## FIELD GUIDE / 06

# Review the risks and the evidence

- Do not assume an unexercised renewal option is committed rent.
- Tenant-paid costs can return to the owner during vacancy; carry the expense as well as lost rent.
- A large single-tenant building and a small-bay portfolio require different concentration and re-leasing assumptions.
- A collateral feature supports debt only through accepted value or cash flow; do not assign an unsupported premium.
- Lower first-year TI and leasing-commission spending caused by delayed occupancy is not a cost saving. Obligations scheduled after month 12 fall outside this forecast and require separate funding analysis.

## Sources and applicability

These references support the stated asset and risk context. The questions and document lists are preparation tools, not a statement that every lender requires or accepts the same package. Actual contracts, applicable rules and the chosen lender determine the transaction requirements.

1. OCC Bulletin 2024-29 - Refinance Risk | Transaction-Level Risk Management and Risk-Rating Considerations | Checked 2026-10-21

Bank supervisory framework; no universal lease-tail or extension requirement is inferred.

<https://www.occ.treas.gov/news-issuances/bulletins/2024/bulletin-2024-29.html>

## Continue in the educational library

Industrial lease expiration and debt maturity

Small-bay industrial tenant concentration and collections

## Discuss a financing scenario with Jaken Finance Group

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Education and analysis do not establish a financing offer, appraisal, legal opinion or program eligibility. Confirm the current source, actual contract terms and professional advice relevant to the transaction.