

NICHE UNDERWRITING / BORROWER FIELD GUIDE

Single-tenant and net-lease retail

Does lease durability extend through debt maturity and fund a replacement tenant if needed?

Start with the lease and guaranty, not the sign on the building. Make a dated map of rent, tenant options, landlord obligations and loan maturity. Then build a second case for the time after the current tenant stops paying. This evidence map complements the existing balloon-exposure guide and does not treat a net-lease label as a credit rating.

Show landlord costs explicitly

Realty Income's 2025 Form 10-K describes its net-lease business alongside property management and re-leasing work. For the proposed property, read roof, structure, capital and restoration provisions directly. Mark disputed responsibility as an unresolved exposure instead of assigning zero cost.

Keep renewal and replacement distinct

Realty Income's Q2 2025 supplemental separately reports leases to existing and new clients, vacancy months and lease incentives. Use that disclosure structure, not its portfolio results, to distinguish your renewal case from a replacement-tenant case.

Align the remaining lease with the balloon

Create one calendar for lender maturity, tenant notice dates, early termination, renewal rights and guaranty expiry. Test the loan using the actual contractual rights and a supported alternative use. An unexercised option is a possible outcome, not committed rent.

Use with the dedicated Excel model for this niche. All numerical scenarios are hypothetical. Research and calculation scope are separated throughout this guide.

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What lenders want to understand

These are preparation questions. The actual lender determines required evidence, accepted cash flow and approval conditions.

01 / Who owes rent and who guarantees it?

Obtain executed lease and guaranty documents, entity identification and available financial evidence; separate a franchisee from its brand owner.

02 / What survives vacancy or lease termination?

Ask counsel to identify repair, tax, insurance, restoration and environmental allocations, then cost the borrower's supported obligations.

03 / What funds the replacement period?

Prepare downtime, carrying costs, tenant improvements, commissions and available equity using property-specific evidence.

Turn questions into an evidence ledger

For each answer, record the document date, responsible person, unresolved issue and lender response. Distinguish requested, received, reconciled and accepted. A document upload does not establish acceptance.

Hypothetical: tenant option after loan maturity

A loan matures before the tenant must exercise its next renewal option.

Compare a refinance based on only the committed lease term with a separate verified-renewal case. Include property carrying and replacement cash if the tenant declines. Ask prospective lenders how they treat the remaining term.

The borrower should resolve the timing gap in the financing discussion rather than treating a tenant-controlled option as certain income.

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Document checklist

Use a common financial cutoff date. Record gaps and discrepancies alongside the documents.

Document and purpose	Status / owner
Complete lease and guaranty file - Establish the actual obligor, amendments, options and release provisions.	☐ Received ☐ Reconciled Owner: _____
Critical-date and debt-maturity calendar - Expose the sequence of notice, expiration, renewal and refinance decisions.	☐ Received ☐ Reconciled Owner: _____
Landlord responsibility and condition schedule - Tie physical work to the party that actually bears it.	☐ Received ☐ Reconciled Owner: _____
Tenant credit evidence and limitations log - Identify which financial statements are available and which tenant assumptions remain unsupported.	☐ Received ☐ Reconciled Owner: _____
Replacement-use budget and leasing evidence - Support the cash required after the current lease rather than assuming a costless renewal.	☐ Received ☐ Reconciled Owner: _____

Attach the financing and cash evidence

Include a signed sources-and-uses reconciliation, existing debt and equipment obligations, proposed term sheet, available equity evidence, and a dated explanation for every material model assumption. Separate restricted balances from spendable cash.

Keep personal and customer records private

Use aggregate operating evidence in this educational workbook. Share sensitive supporting documents only through the lender or advisor's appropriate secure process. The workbook contains no upload connection.

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Use your dedicated Excel model

Lease Expiry and Owner Cash -> Operations -> Debt and Funding -> Summary

01 / Select a case

Save an untouched copy. In Assumptions D5 select 1 for Base or 2 for Downside. Both cases feed one monthly calculation; changing the selector recalculates the workbook.

02 / Populate the niche schedule

Replace blue input cells in Lease Expiry and Owner Cash!D10:L21 with dated source evidence. Retain formula cells. Source columns are: Existing monthly contract rent; Existing rent collection fraction; Additional vacant holding costs; Recurring owner obligations; Actual reimbursement cash; Replacement monthly base rent; New-lease improvement payment; New-lease commission payment; Other owner capital.

03 / Replace scenario assumptions

Replace illustrative scenario drivers, property value, acquisition uses, available equity and financing terms in Assumptions. These examples are not market benchmarks or lender requirements.

04 / Reconcile cash and financing

Trace monthly Operations into Debt and Funding. The signed funding surplus deducts closing equity and additional operating cash need; a negative result is an unfunded requirement.

05 / Resolve missing inputs

Inspect the Review checks and every unavailable result. Missing or invalid selected data is n.a.; a valid zero remains zero. Do not replace missing records with zeros.

06 / Confirm the transaction scope

Reconcile the chosen case to lender definitions and actual documents. The model covers twelve operating months and a contractual principal calculation at maturity; it does not forecast future refinancing approval.

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Calculation scope and conventions

Read these alongside the visible formulas. The source schedule is dedicated to this niche; contractual and eligibility decisions remain outside the model.

Expiry month is the first month without the existing lease. Replacement possession begins after entered downtime; base rent starts after the additional free-rent months. Whole-month timing does not reproduce daily prorations.

Improvement and commission inputs are paid once at replacement possession. Only that month is used. Other capital follows its entered monthly schedule. Costs after month 12 are outside this cash horizon.

Reimbursement cash is entered separately, including any recovery during free base rent. Enter zero where no entitlement or collection exists. Owner obligations remain even if the lease is described as net.

Replacement rent is hypothetical, not a signed renewal or credit conclusion. The workbook omits tenant financial analysis, guarantee interpretation and residual-value appraisal. First-year income sizing does not prove refinancing capacity at the later loan maturity.

Sizing cash equals modeled annual cash NCF plus the entered lender adjustment. The adjustment does not create spendable cash.

Coverage size uses amortizing annual service. The loan is the minimum of coverage, LTV, debt yield and the requested ceiling.

The three sizing thresholds are illustrative editable inputs. Negative NCF produces zero income-supported capacity, never a negative loan.

Monthly payments use annual rate/12; IO principal is unchanged. After IO the original principal amortizes over the entered period.

Closing cash and later operating shortfalls are reconciled without counting the same cash reserve twice.

All numerical values are illustrative; no market facts or lender approval are asserted.

The twelve-month operating model omits taxes on investor returns and future refinancing costs except expressly entered items.

Author verification uses Artifact Tool recalculation, saved-XLSX reimport and separate JS arithmetic; independent application verification is recorded separately.

Legal, licensing, environmental, engineering and lender-specific recognition require actual diligence.

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A reconciled hypothetical example

Base and Downside are separate recalculations of the same model. Displayed dollars are rounded; Excel retains unrounded values.

Illustrative result	Base	Downside
Modeled revenue / contribution	\$388,980	\$259,506
NCF after reserve	\$299,311	\$142,926
NCF used for sizing	\$299,311	\$117,926
Modeled loan	\$2,955,247	\$979,423
Binding sizing constraint	DSCR	DSCR
First-year debt service	\$215,770	\$84,533
Required closing equity	\$2,744,753	\$4,720,577
Equity left / (closing gap)	\$255,247	-\$1,720,577
Additional operating cash need	\$13,112	\$58,807
Equity left / (combined gap)	\$242,135	-\$1,779,384
Principal at modeled maturity	\$2,708,467	\$912,747

Base NCF used for sizing is \$299,311. The modeled loan is \$2,955,247, with DSCR binding. Closing uses of \$5,700,000 less that loan require \$2,744,753 of equity. Available equity is \$3,000,000; the signed combined surplus/gap is \$242,135 after any additional operating cash need. Downside changes the loan to \$979,423 and the combined result to -\$1,779,384.

Illustrative Base / Downside inputs: Property value \$5,600,000 / \$4,600,000; 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.

Change the case and trace the result

Compare the binding sizing constraint, closing equity, monthly cash low point and maturity principal. A smaller modeled loan can increase the sponsor funding need even if the property remains cash-positive. The lender may use different income adjustments, payment conventions or collateral limits.

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Sources, limits and next steps

Sources below support identified research claims. They do not validate the fictional numerical inputs or represent a financing commitment.

Realty Income - 2025 Form 10-K

Business / Asset Management; MD&A / Leasing and re-leasing costs

Issuer-specific business and expense disclosure, not a definition of all net leases.

<https://www.sec.gov/Archives/edgar/data/726728/000072672826000011/o-20251231.htm>

Source checked: 2026-10-21

Realty Income - Q2 2025 Supplemental

Leasing Activity, same-client versus new-client re-leasing

Used for analytical schedule structure; reported portfolio figures are not adopted as assumptions.

<https://www.sec.gov/Archives/edgar/data/726728/000072672825000129/realtyincomeq22025supple.htm>

Source checked: 2026-10-21

About this educational model

Prepared with AI assistance and independently checked against the published example. Artifact Tool recalculation and saved-file checks are recorded in the release evidence. Native Microsoft Excel recalculation has not been independently verified. Verify your edited scenario in your spreadsheet application before using its results.

Discuss your financing with Jaken Finance Group

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Start a commercial financing request

Online niche guide, matching downloads and related research

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