

## Introduction to Credit Tenant Loan Financing

Credit tenant loan (CTL) financing is an attractive debt financing solution for owners and developers of single tenant properties leased to investment grade tenants.

A credit tenant loan is a type of high leverage, long-term debt financing for single-tenant commercial real estate assets where the tenant has investment grade creditworthiness and has signed a long-term lease. Credit tenant loans are sized by discounting all of the rent payments due under the lease. Since CTL financing relies on the credit of the tenant, lenders are not constrained by loan-to-value or dollar per sq. ft. CTL loans can be used to finance build-to-suit developments. In these cases, the borrower locks into one loan with one, fixed interest rate, therefore eliminating interest rate risk and the risk of refinancing with permanent a take-out loan.

### Asset Classes

#### Office



- Corporate HQ Buildings
- Medical Office Buildings
- Government Buildings
- University Office Buildings

#### Retail



- Grocery Stores
- Big Box Retailers
- Shopping Centers

#### Industrial



- Manufacturing and Assembly Facilities
- Distribution Centers
- Warehouses
- Fulfillment Centers

#### Specialty / Housing



- Student Housing
- Hospitals / Healthcare Clinics
- R&D Facilities
- Parking Structures
- Data Centers

<b>Loan Amount</b>	Minimum of \$10 million, no upper limit
<b>Leverage</b>	Up to 100% LTV (can go above 100% loan to cost for to-be-built properties)
<b>DSCR</b>	1.00x – 1.05x minimum, depending on the lease
<b>Term</b>	Coterminous with the lease term (typically between 15 and 30 years)
<b>Amortization</b>	Fully amortizing but can provide hangout beyond the lease term on a deal specific basis
<b>Lease Type</b>	Leases generally have little or no landlord obligations (Bondable, Triple-Net, Double-Net or Modified Gross Lease), and any landlord obligations will be underwritten from cash flow or deducted from the loan proceeds upfront
<b>Borrower</b>	Special-purpose, bankruptcy-remote, single-asset entity
<b>Pricing</b>	Based on a spread over the U.S. Treasury yield corresponding to the average life of the loan
<b>Recourse</b>	Non-recourse to the borrower with the exception of standard “bad boy” carveouts
<b>Rate Lock</b>	Approximately 2-3 weeks after engagement; rate is locked for 60 days
<b>Prepayment</b>	Greater of 101% or yield maintenance at T + 50
<b>Transfer</b>	Debt is assumable