Tenant Credit Risk Assessment Framework

Tenant credit risk assessment is a critical component of commercial real estate portfolio management.
It evaluates the probability that a tenant may default on rental obligations during the lease tenure.

Key factors considered in tenant credit risk analysis include:

1. **Financial Strength**
   - Revenue stability
   - Profit margins
   - Debt-to-equity ratio
   - Cash flow adequacy
2. **Payment History**
   - Historical rent payment behavior
   - Delays or defaults in prior leases
   - Credit bureau scores where available
3. **Industry Risk**
   - Cyclicality of the tenant’s industry
   - Sensitivity to economic downturns
   - Regulatory exposure
4. **Lease Structure**
   - Lease tenure and lock-in period
   - Escalation clauses
   - Security deposits and guarantees
5. **External Risk Indicators**
   - Macroeconomic conditions
   - Interest rate environment
   - Sector-wide stress indicators

A structured tenant credit risk model helps landlords:

- Reduce vacancy-related losses
- Improve portfolio stability
- Support data-driven leasing decisions