# Underwriting checklist

Eleven questions to ask before you commit to a property deal (buy side)

## What is underwriting?

Underwriting is the testing a bank or serious investor does before putting money into a property deal. It asks one question: **if things go less well than the sales brochure says, does this deal still hold up?** Most deals that fail do so for the same few reasons, and each one can be spotted before you commit if you know what to ask.

## How to use this checklist

There are five sections. Each explains what the subject is and why it matters, then gives the questions to put to the seller or sponsor (the firm running the deal). Tick a box **only when you hold written evidence**, such as a loan document, budget, accounts or signed lease. A promise is not evidence. Every empty box is a risk you have not yet tested.

## 1. Debt

**What it is.** The loans used to buy the property, the interest paid on them and the date each loan must be repaid or replaced.

**Why it matters.** A deal can earn good rent and still fail if a loan falls due when banks are not lending or interest rates have jumped. This is called a refinancing wall. If the owner cannot replace the loan, the lender can force a sale.

- ☐ **When does each loan fall due, and what is the plan if the lender will not refinance?**
  Why ask: a loan that cannot be replaced can force a sale at a poor price.
- ☐ **Does the rent cover the loan interest by a safe margin if rates rise or rent falls?**
  Why ask: a thin margin means a small fall in rent can stop the payments.
- ☐ **What happens to the loan terms if the property is valued lower than today?**
  Why ask: lenders can demand extra cash or a higher rate when values fall.

## 2. Repairs and upkeep (documents only)

**What it is.** The money needed to keep the building in good order over time: roof, lifts, heating, communal areas and any refurbishment. Gentium does not inspect buildings, so this section tests the paperwork only.

**Why it matters.** If repairs are not budgeted, the owner pays from income or lets the building decline, and both cut rent and value. Big bills often arrive just when the owner wants to sell.

- ☐ **Is there a written repairs budget, and is the money set aside in a reserve?**
  Why ask: money already set aside means repairs do not eat into your income.
- ☐ **Do the surveys, condition reports and service charge accounts match that budget?**
  Why ask: if the reports show large works and the budget is small, there is a gap someone must fill.

## 3. Sponsor fees and alignment

**What it is.** The sponsor is the firm that runs the deal. This section covers what it charges and whether it shares your risk.

**Why it matters.** Heavy fees take your return before you are paid. A sponsor paid whatever happens may not mind if you lose, while a sponsor with its own money at stake has the same interest as you.

- ☐ **What fees does the sponsor take, in pounds a year, before investors are paid?**
  Why ask: percentages hide the real cost, and pounds show it.
- ☐ **Does the sponsor invest its own money, and does it lose when investors lose?**
  Why ask: shared risk keeps its interests close to yours.

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## 4. Exit and liquidity

**What it is.** How easily, how quickly and at what price you can sell the property or your share of it when you want to leave.

**Why it matters.** Property is slow to sell and cannot be sold in part. An owner who must sell in a hurry, perhaps because a loan is due, usually has to accept a lower price. A deal that looks good on paper can trap your money.

- ☐ **How long would a sale take, and who are the likely buyers?**
  Why ask: few buyers or a long sale means you cannot leave when you need to.
- ☐ **How far could the price fall if you had to sell in a hurry?**
  Why ask: this is the real cost of being forced to sell.

## 5. Income and market

**What it is.** The rent or sales income the deal depends on, and the new buildings that will compete for the same tenants and buyers.

**Why it matters.** A plan built on brochure rents or an empty market can fail when new buildings open nearby and rents or prices must drop to attract anyone. Income backed by evidence is far safer than income promised.

- ☐ **Is the rent or income backed by signed leases or real sold and let evidence?**
  Why ask: signed leases and real sales are facts, while brochure figures are hopes.
- ☐ **How much competing supply is due nearby, and when?**
  Why ask: new buildings arriving at the same time as yours compete for the same people.

### What do the empty boxes tell you?

Each empty box is a question you cannot yet answer with evidence. Put it to the seller or sponsor in writing before you commit.

### Want the hard work done for you?

Our Underwriting Deal Review does the number-crunching so you don't have to. We read the loan terms, budgets, accounts and leases and rebuild the cash flows from them. We then test the debt, repairs, fees, income and exit under stress, including a computer simulation of 20,000 possible futures. The findings come in the investment committee paper format and discipline that credit committees and underwriters expect: clear headings, stated assumptions, downside cases and evidence behind every figure. **We don't value the property. We test the decision.**

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