

European Commercial Real Estate Data Alliance E-CREDA 2025 Annual Conference Data-driven real estate & the future of investment decisions in an uncertain world

Income Analytics

Understanding Tenant Credit Risk in a Risky World

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Agenda

- Income Analytics Our Philosophy
- Challenges of CRE Tenant Risk Analysis
- Data Insights



Our Philosophy



Income Attracted Investors To Real Estate

Income paid by tenants plays a crucial role in ensuring consistent and sustainable long-term investment returns.

Income Analytics estimates the global annual rent roll across all institutional owned real estate is US\$1,652bn.

Our philosophy is simple – if income is the driver of investment stability and attractiveness, then income risks must be **analysed**, **monitored** and **reported**.



Rethinking Leases as a Loans

"The value of your real estate investment is ultimately determined by the level, duration and quality of the rental income paid by your tenants"

Andrew Baum. Professor of Practice, SAID Business School University of Oxford

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Landlords loan space to a tenant in return for a rental payment.

This is akin to a lender loaning money to a borrower in return for interest.

Income Analytics borrows analysis techniques from the bond world to understand the likelihood that the borrower (aka the tenant) will default on their liability (aka the rent).

Understanding these risks leads to a better focus on maximising income returns and ultimately asset valuations.



Forward Looking Risk Analysis

Bond markets value income risk by looking at counterparty risk versus duration risk.

Income Analytics is replacing traditional backward looking credit referencing data with **forward looking probabilities of default** (PD rates) which predicts the likelihood a company will default in the future.

Counterparty Risk X Duration Risk



Modelling Overview

We focus on multiple risk factors NOT just company financials





Quantitative not Qualitative

Being quantitative means our outputs are important inputs into other workflows.

Probability of Default (PD Rate) %

Tenant Global Score x/100

Equivalent Bond Rating A-C





Challenges



Challenges to for Income Risk Analysis

Internal Data

External Data

World Events

The Unexpected



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Mitigating the Challenges

- We are **real estate professionals**, many with backgrounds in handling messy and unstructured real estate data. We understand the systems in which the data is held, and the routes in which the data gets into those systems. It all helps to mitigate the challenges.
- Partner with the best possible data sources. Income Analytics has chosen the largest and oldest provider of credit referencing data with the most "joined up" global network to streamline data provision.
- We **add value** to our clients by looking beyond the credit referencing data, and providing insights into the impact of world events, such as tariffs, on client lease portfolios.
- "Nobody expects the Spanish Inquisition". A niche Monty Python reference, but the unexpected is, what it is. We need a platform and team that is nimble and can respond quickly.



Identifying Opportunities – the "So What?"

We often get asked what the benefit of being aware of tenant credit ratings is.

- Ensure reletting or redevelopment plans and budgets are in place and updated.
- Be able to report with confidence to internal and external stakeholders.
- Understand where a parental guarantee may be required, and spot changes to any parents that may impact existing guarantees.
- Have informed asset management discussions.
- Ensure everyone is working with the same set of data.
- Have clean tenancy schedules.
- Most of all ... MINIMISE SURPRISES



Insights



Delivering a Triple B Rating

INCANS Global Tenant Score





Medium-Low risk Investment grade

• Reflecting the aggregated score across Income Analytics Investor clients, covering over 20,500 leases and €3.12 billion of rental income.

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Variable Sector Level Risk

Sector* Scores, out of 100



- Health provides the strongest score, with government backed income. BUT <1% of investor cashflows.
- Office assets accounts for >25% income, and delivers a strong, robust cashflow.
- Logistics properties are also >25% of client income. It has higher structural risk, but client cashflows are robust.
- Retail assets score lower, but have stabilised in recent quarters.



Due-Diligence is Key – UK Retail Park Sector

Averages can be misleading, focus on the underlying occupier is key.



Top 20 UK Retail Park Occupiers*



Low Default Risk Across Key Occupiers



Understanding Economic Drivers of Assets

What are the economic drivers of your buildings?



How are you exposed to company specific risk?



And in a multi-asset business ...







Turning Tenant Risk Challenges into Opportunities

- **Cashflow is king** income returns rule over the long-term.
- Understand your cashflow risk exposures in uncertain times this will help drive returns, but also address investor questions.
- **Company level data has flaws** it is what you do with the data that is available that will deliver actionable intelligence.
- The future it is very important for the industry that we move away from subjective, qualitative measures of risk and to quantitative analysis.



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