



NHCIBOR

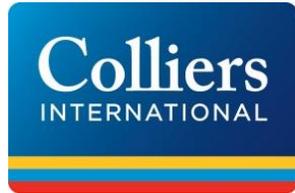
Commercial Investment Board of REALTORS®

June 24, 2016

TENANT REPRESENTATION

PRESENTERS

Dan Scanlon, JD, CCIM



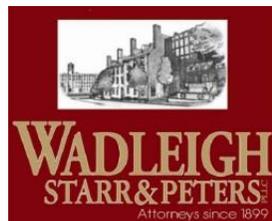
Denis C.J. Dancoes II



Genella McDonald, ASID



James D. Kerouac, Esq.



Jessica A. Nylund, Esq.



WHAT WILL WE COVER

- ▶ Tenant representation
- ▶ Space planning
- ▶ Business terms negotiations
- ▶ Legal terms negotiations

TENANT PARAMETERS

- ▶ 5,000 SF office user
- ▶ 25 employees
- ▶ 5 year lease term
- ▶ Southern New Hampshire



WHAT IS A TENANT REP?

- ▶ *Agency* is a fiduciary relationship between a principal and an agent arising out of a brokerage agreement whereby the agent is engaged to do certain acts on behalf of the principal in dealings with a third party (RSA 331-A:2, 1-a)

WHAT IS A TENANT REP?

- ▶ A *buyer agent* is a licensee acting on behalf of a buyer or tenant in the purchase, exchange, rent or lease of real estate

(RSA 331-A:2, III-c)



WHAT IS A TENANT REP?

- ▶ A *brokerage agreement* is a written contract between a principal & a real estate brokerage firm intended to bring parties together for the sale, purchase, exchange, rent or lease of real estate

(RSA 331-A:2, III-b)

WHAT IS A TENANT REP?

- ▶ Rea 404.04(g) No broker or salesperson shall act on behalf of a buyer or lessee with regard to the purchase, exchange or lease of any real estate or of the improvements thereon without a written contract signed by all parties



WHAT IS A TENANT REP?

- ▶ Rea 404.04(h) The buyer agency/tenant representation contract in (g) above shall contain the following provisions:
 - (1) The date of execution;
 - (2) General description, location and price range of real estate sought;
 - (3) The names and addresses of all parties to the contract;
 - (4) The professional fee stated as a dollar amount, percentage, or other specific consideration; and
 - (5) The date the contract expires.

WHAT IS A TENANT REP?

- ▶ Buyer agent duties (RSA 331-A:25-c)
- ▶ CIBOR agreement form - located online



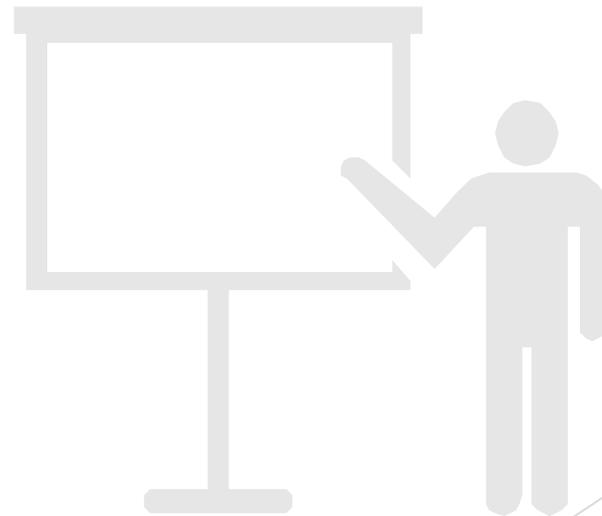
BENEFITS OF A TENANT REP

- ▶ Advocacy
- ▶ Market knowledge
- ▶ Client needs
- ▶ Objectivity
- ▶ Efficiency
- ▶ Financial analysis
- ▶ Negotiations
- ▶ Buffer
- ▶ Resource



TENANT REP BUSINESS PLAN

- ▶ Strategic plan
- ▶ Marketing plan
- ▶ Target market
- ▶ Competitors
- ▶ Differentiators



WHAT DO YOU NEED TO KNOW?



123 Nashua Road, Unit: BUILDING - 123 Nashua Road, Unit: BUILDING Londonderry, NH 03053

Lease Rate:	\$13 PSF (Annual) \$1,346 (Monthly)	Size:	1,243 SF	Status:	Leased
Lease Type:	NNN	Building Size:	Undisclosed	Type:	Retail-Commercial For Lease
Lease Date:	6/1/2016	Space Type:	Retlet	Subtype:	Free-Standing Building



Q1 14 Q3 14 Q1 15 Q3 15 Q1 16

■ Class A ■ Class B



9 Madden Rd , Unit: 1 - 9 Madden Rd , Unit: 1 Derry, NH 03038

Lease Rate:	\$14.92 PSF (Annual) \$995 (Monthly)	Size:	800 SF	Status:	Leased
Lease Type:	Gross Lease	Building Size:	9,600 SF	Type:	Office For Lease
Lease Date:	5/26/2016	Land Size:	2.79 SF	Subtype:	Mixed Use
		Space Type:	Sublet	Zoning:	Undisclosed

REMARKS: 800 Warehouse & Office Mezz. Space 14 FT. GARAGE DOOR, 20ft x 60ft TOWN WATER, GAS HEAT IN WAREHOUSE, Electric included \$75.00 month. We can include additional 600 sq ft. of office for \$500/month if necessary. Occupancy Nov 1st.

Stephen Trefethen Summervue Real Estate, LLC 603-432-5453 steve1955tre@cs.com



WHAT DO YOU NEED TO KNOW?

▶ New lease accounting rules

- Leases are currently expensed on an income statement
- Most leases will be required to show on balance sheet at present value of future lease payments, with straight-line expensing on income statement



WHAT DO YOU NEED TO KNOW?

- ▶ New lease accounting rules
 - Could impact debt/equity ratios & return on assets & affect loan covenants
 - Advise clients to get a CPA involved
 - Takes effect in 2019 (no grandfathering)



BUSINESS DEVELOPMENT

- ▶ Specialize
- ▶ Goals & benchmarks
- ▶ Lead generation system



QUALIFYING LEADS

▶ Deliverables

- Resumes/brochures
- Case studies
- Sample tour package

QUALIFYING LEADS

- ▶ Qualifying prospects
 - Needs, urgency (pain) & resources
 - Open-ended questions
 - LISTEN!

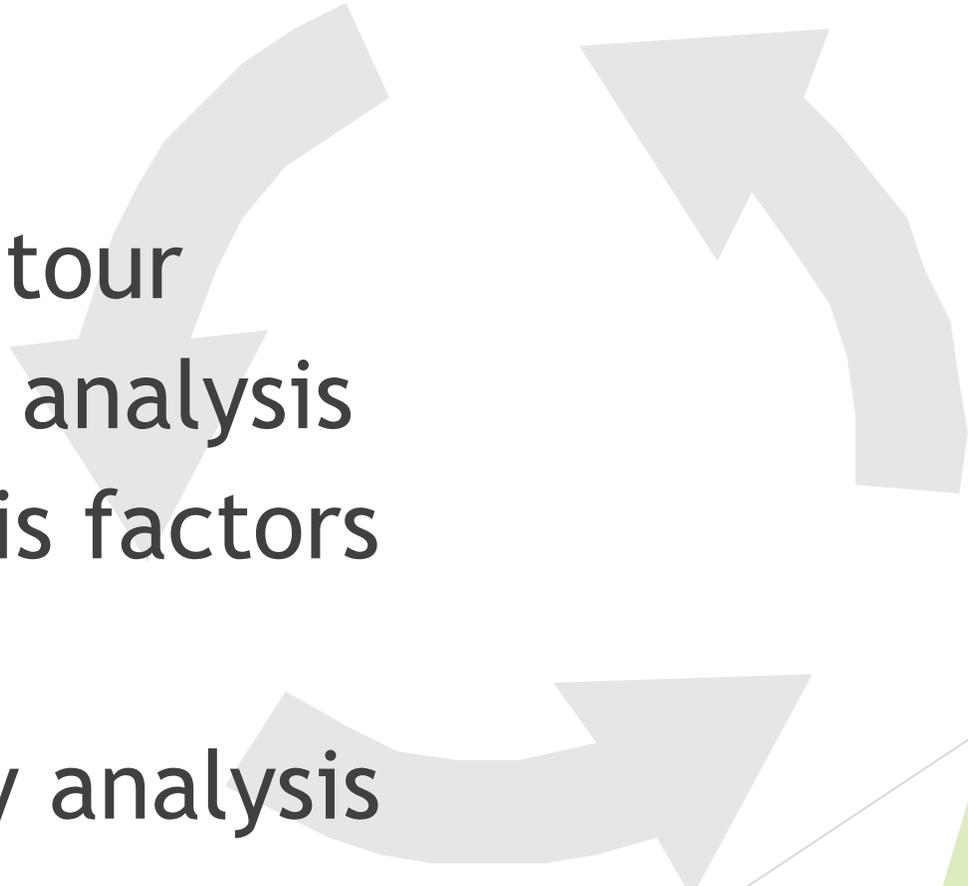
WORK FLOW PROCESS

► Needs analysis

- Down & dirty
- Core group
- Departmental interviews
- Town hall work session

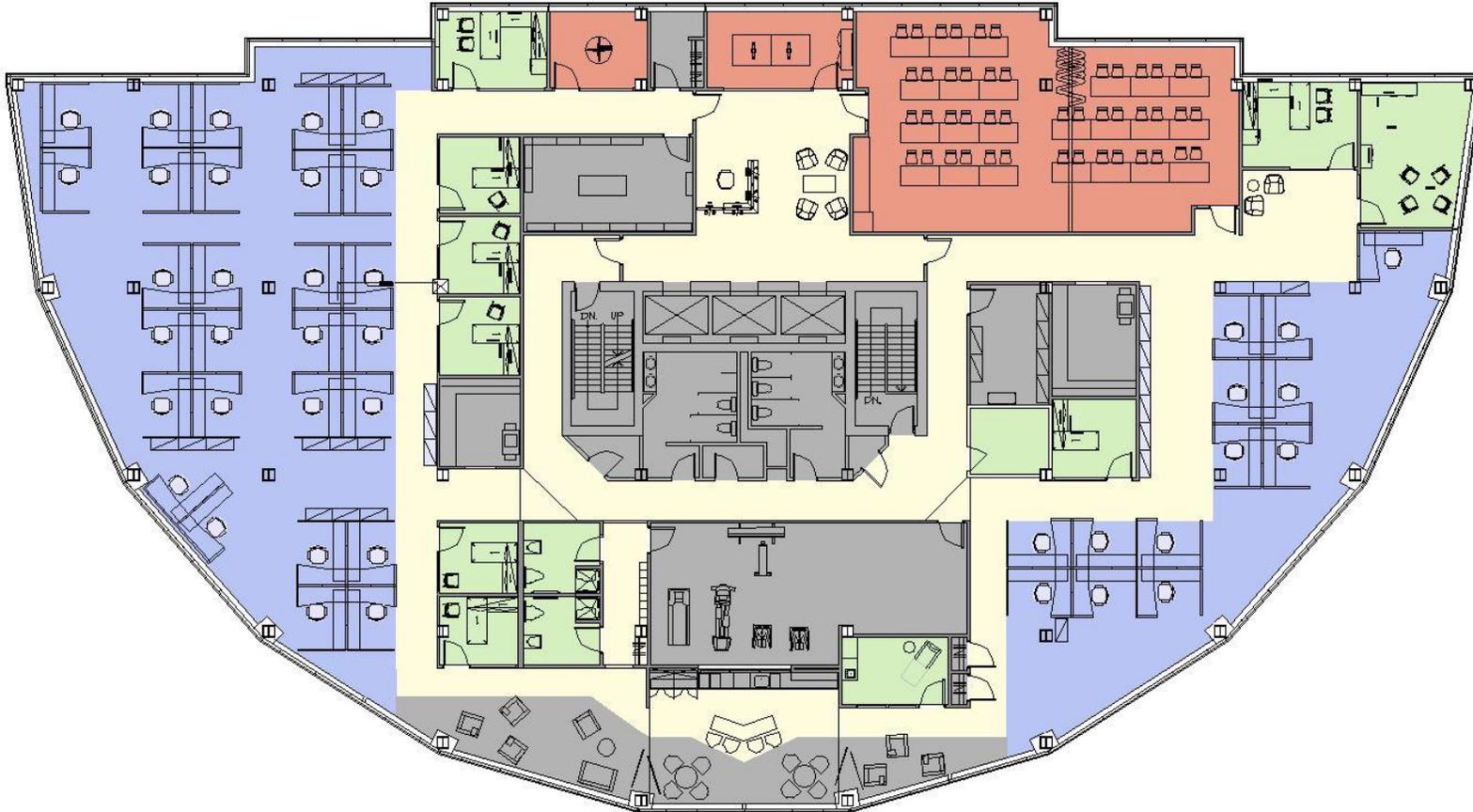


WORK FLOW PROCESS

- ▶ Needs analysis
 - ▶ Market research
 - ▶ Working list for a tour
 - ▶ Tour & subjective analysis
 - ▶ Subjective analysis factors
 - ▶ LOI/RFP
 - ▶ Cost of occupancy analysis
 - ▶ Negotiations on terms
- 

SPACE DETERMINATION

► What is a space planner?



SPACE DETERMINATION

- ▶ Why is it important to hire a professional?
 - Education, examination, experience
 - Codes!
 - Best practices
 - Efficiency
 - Current office interior trends



CURRENT OFFICE INTERIOR TRENDS



CURRENT OFFICE INTERIOR TRENDS



CURRENT OFFICE INTERIOR TRENDS



CURRENT OFFICE INTERIOR TRENDS



CURRENT OFFICE INTERIOR TRENDS



CURRENT OFFICE INTERIOR TRENDS



SPACE DETERMINATION

- ▶ Case study example:
 - Who is the client? (landlord? tenant?)



SPACE DETERMINATION

PER TEST FIT # DATED 4/4/16

OUTLINE SPECIFICATIONS FOR SLAV TENANT RENOVATIONS

GENERAL NOTES: REFER TO LEASE FOR FURTHER CLARIFICATIONS

STIBLER ASSOCIATES DRAWING TEST FIT # HAS BEEN PREPARED FOR COST ESTIMATING PURPOSES ONLY. THE ESTIMATES TO BE USED BY THE PROPOSED OWNER AND PROPOSED TENANT, SLAV, FOR LEASE ARRANGEMENTS. THIS DRAWING AND OUTLINE SPECIFICATIONS DO NOT CONSTITUTE THE FINAL SPACE PLAN AND CONSTRUCTION DOCUMENTS, TO FOLLOW. IN GENERAL, THE RENOVATION SCOPE AFFECTS TENANT AREA, HALLS, AND BUILDING MEP SYSTEMS.

THE OWNER IS RESPONSIBLE FOR THE OVERALL BEHET OF THE OTHER WORK TO A MEETS TENANT OCCUPANCY INCLUDING BUILDING CODE REVIEW, PERMITS MODIFICATIONS AND COMPLIANCE WITH ALL FEDERAL, STATE, AND LOCAL ORDERS INCLUDING ADA. ALL LIFE SAFETY SYSTEMS TO BE EVALUATED AND UPGRADED WHERE REQUIRED.

MECHANICAL, PLUMBING, ELECTRICAL AND FIRE PROTECTION SYSTEMS SHALL BE DESIGNED BY THE APPROPRIATE ENGINEERS AND/OR VENDORS.

ALL WORK TO BE PERFORMED BY LICENSED BUILDING PROFESSIONALS IN COMPLIANCE WITH THE FEDERAL, STATE, AND LOCAL BUILDING CODES. SEE PRELIMINARY SCOPE NOTES BELOW.

THE CONTRACTOR SHALL BE RESPONSIBLE FOR ALL MATERIALS, METHODS, TOOLS, LABOR & RELATED REQUIREMENTS TO COMPLETE THE PROJECT. BUREAUS WILL BE CHECKED WHERE INDICATED ON TENANT IMPROVEMENT CONSTRUCTION DOCUMENTS, TO FOLLOW. ANY COMMON AREA RT-UP, BY PROPOSED OWNER, TO BE REVIEWED WITH TENANT FOR INPUT.

PREPARATIONS, PARTITIONS, DOORS, MILL WORK, ETC.

1. PROVIDE DEMOLITION AS NOTED. ALL EXISTING CONDITIONS AND DIMENSIONS TO BE FIELD VERIFIED BY THE CONTRACTOR PRIOR TO STARTING WORK. ANY EXISTING FIT-UP AND FINISHES THAT MAY REMAIN TO BE CLEANED AND IN GOOD WORKING ORDER.
2. SUPPLY AND INSTALL NEW PARTITIONS WHERE NOTED; MATCH TO EXISTING.
3. REUSE EXISTING OR SUPPLY AND INSTALL NEW STAINED WOOD DOORS AND SILLINGS TO MATCH EXISTING. REPLACE ALL HARDWARE WITH NEW ADA COMPLIANT HAND SETS IN BRUSHED NICKEL, NEW SETE ENTRY DOOR AND SILLING TO BE THE CALLED PER BUILDING STANDARDS.
4. TENANT TO PROVIDE NEW APPLIANCES TO INCLUDE FULL SIZE REFRIGERATOR AND MICROWAVE.
5. REMOVE EXISTING CARPET AND WALL BASE. PREPARE FOR NEW FLOORING IN ALL AREAS. REMOVE ALL EXISTING WALL COVERINGS. PREPARE ALL WALLS, DOORS AND TRIM FOR NEW PAINTED FINISH.
6. REUSE EXISTING SUSPENDED CEILING GRID AND PATCH WHERE NECESSARY. REPLACE DAMAGED CEILING TILES WHERE NEEDED. REPLACE ALL LIGHT FIXTURES WITH NEW OR RESTORED LED FIXTURES PER TENANT R/O, TO FOLLOW. PREPARE FOR NEW MATERIALS AND FIXTURES.
7. REMOVE EXISTING WINDOW TREATMENTS. SUPPLY AND INSTALL ALL NEW COMMERCIAL QUALITY, WOVEN MESH SOLAR SHADES.
8. PROVIDE NEW TRANSOM WINDOW AS NOTED, AT 6'-0" A.F.F.
9. PROVIDE AND INSTALL NEW GLASS WALL WITH PRIVACY FILM, 4'-0" WIDE X 11'-0" H, AS SHOWN ON TENANT FLOOR PLAN.
10. SUPPLY AND INSTALL 18" LINEAR FEET OF CUSTOM PLASTIC LAMINATE BASE CABINETS AND COUNTERTOPS AND 14" LINEAR FEET OF UPPER CABINETS IN KITCHEN AND RECEPTION CENTER. PROVIDE COMMERCIAL QUALITY HARDWARE.
11. SUPPLY AND INSTALL NEW COAT CLOSET ROD & SHELF.

FLOORING PRODUCT AND COLOR SELECTIONS BY SLAV

1. SUPPLY AND INSTALL NEW CARPET TILE AND OTHER FLOORING IN ALL AREAS. (ALLOW \$10.00 YD INSTALLED AVERAGE PRICE).
2. SUPPLY AND INSTALL NEW PAINT FINISH ON ALL NEW AND EXISTING PARTITIONS, TRIM ETC WITH 1-4 ACCENT COLORS.

THE MEP SCOPE NOTED HERE IS PRELIMINARY, TO BE REVIEWED BY OWNER'S DESIGN/CONSTRUCTION TEAM AND AS APPLICABLE.

MECHANICAL

EXISTING HVAC SYSTEMS TO BE EVALUATED AND WITH MINIMAL UPDATES TO SUPPORT TENANT FLOOR PLAN AND FUNCTIONS. REPLACE EXISTING SUPPLY AND RETURN DIFFUSERS, REBALANCE SYSTEM AS REQUIRED BY TENANT FLOOR PLAN.

ELECTRICAL DATA

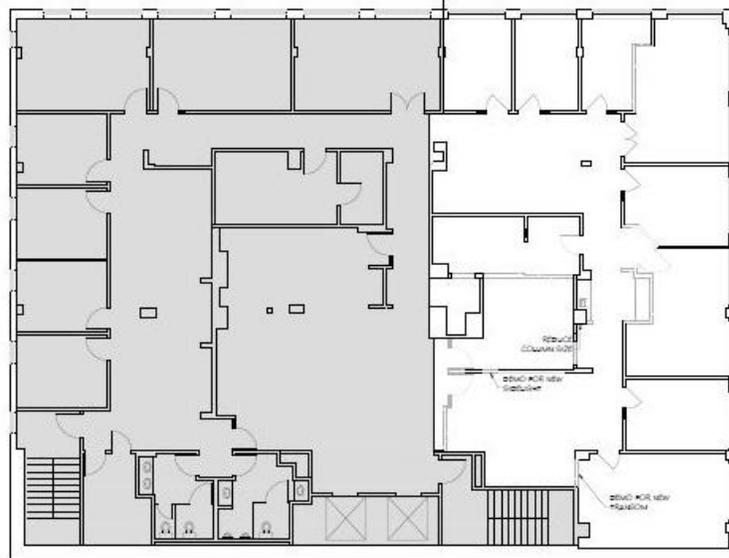
EVALUATE AND MODIFY EXISTING ELECTRICAL AND DATA SYSTEMS TO SUPPORT TENANT FLOOR PLAN AND FUNCTIONS, INCLUDING OFFICE FURNITURE AND BUSINESS CENTER LAYOUTS.

REPLACE EXISTING LIGHT FIXTURES WITH NEW ENERGY EFFICIENT CROSSBRED LED UNITS OR RESTORED LED LAMP. ACHIEVE AN AVERAGE FOOT-CANDLES READING OF 30-40 AT WORK SURFACE HEIGHT OF 30". RETAIN 3 LEVELS OF LIGHT IN LG CONFERENCE ROOM AND PROVIDE TWO LEVELS OF LIGHT IN SMALL CONFERENCE ROOM.

PLUMBING

PROVIDE NEW COMMERCIAL GRADE, ADA COMPLIANT, STAINLESS STEEL KITCHEN SINK AND FAUCET, AT NEW LOCATION PER TENANT FLOOR PLAN.

WALL TYPE KEY	
	NEW DR/WALL PARTITION
	EXISTING WALL
	EXISTING TO REMAIN
	OUT OF SCOPE
	FINISHED BY TENANT



TEST FIT JOB DEMOLITION PLAN
1/8" = 1'-0"



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space planning • interior design

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MANCHESTER, NH

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DATE: 03/18/16

REVISIONS:

NO.	DESCRIPTION

SPACE PLAN

SCALE: 1/8" = 1'-0"
DRAWN BY: LM

TF JOB

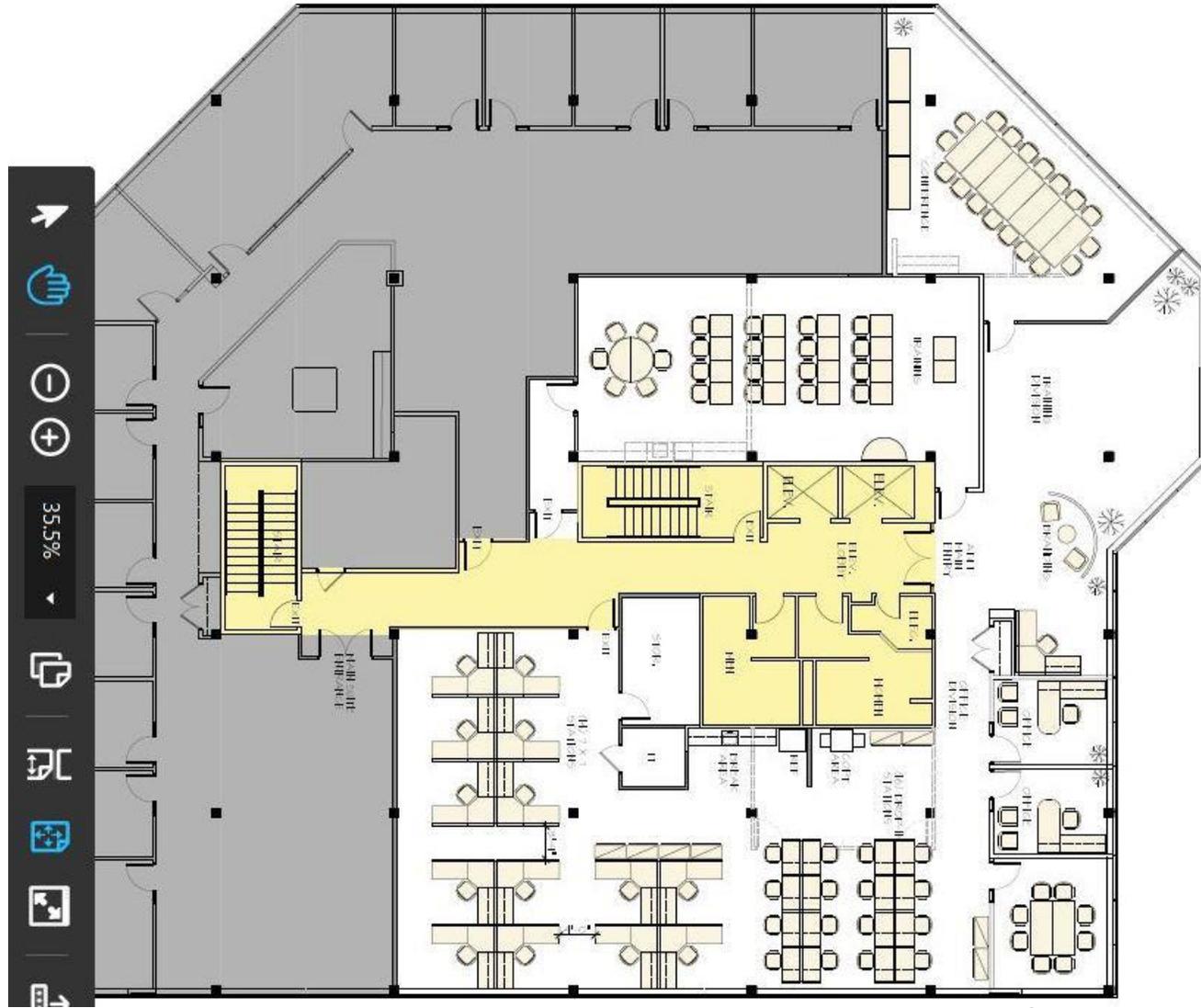
SPACE DETERMINATION



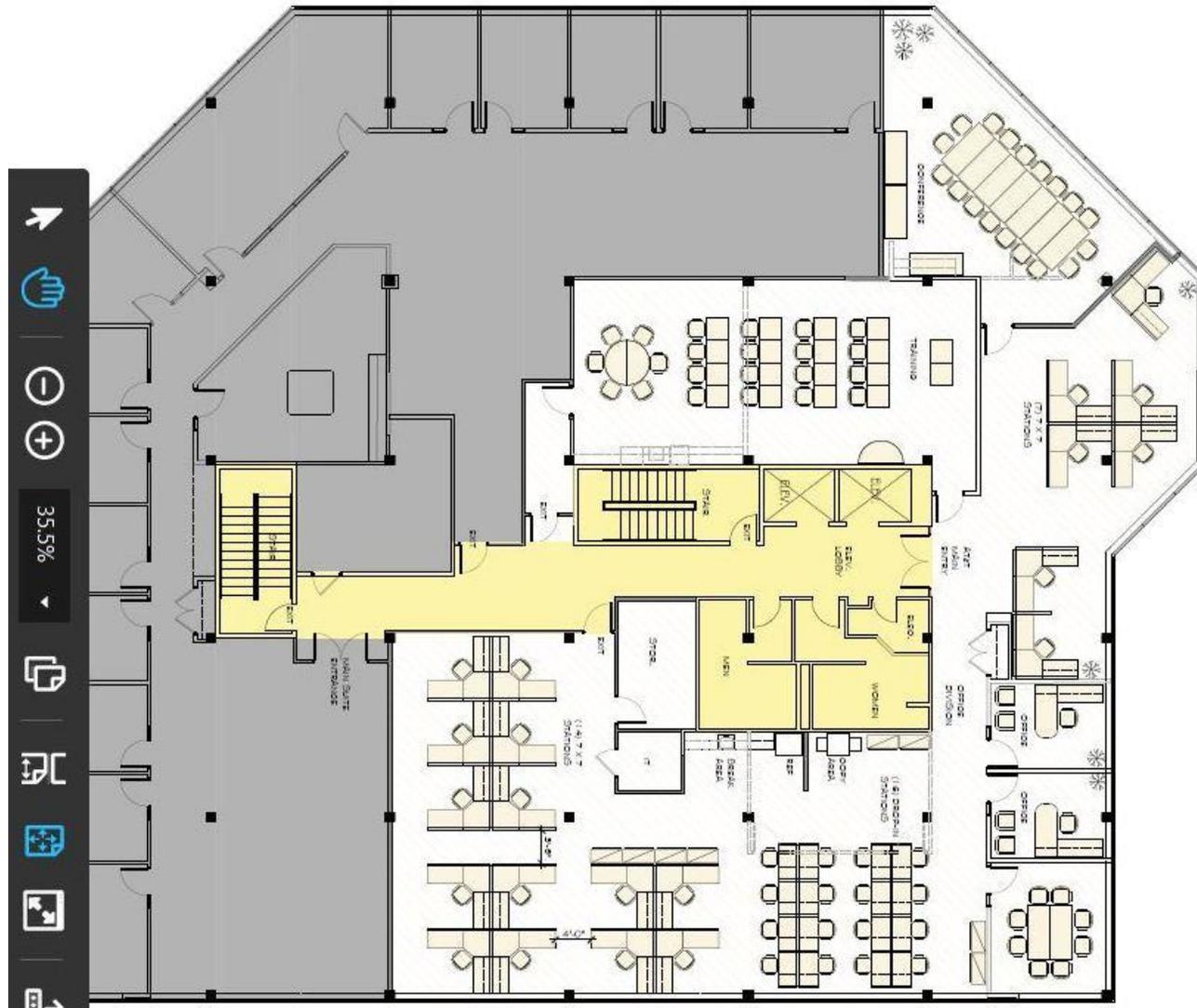
SPACE DETERMINATION



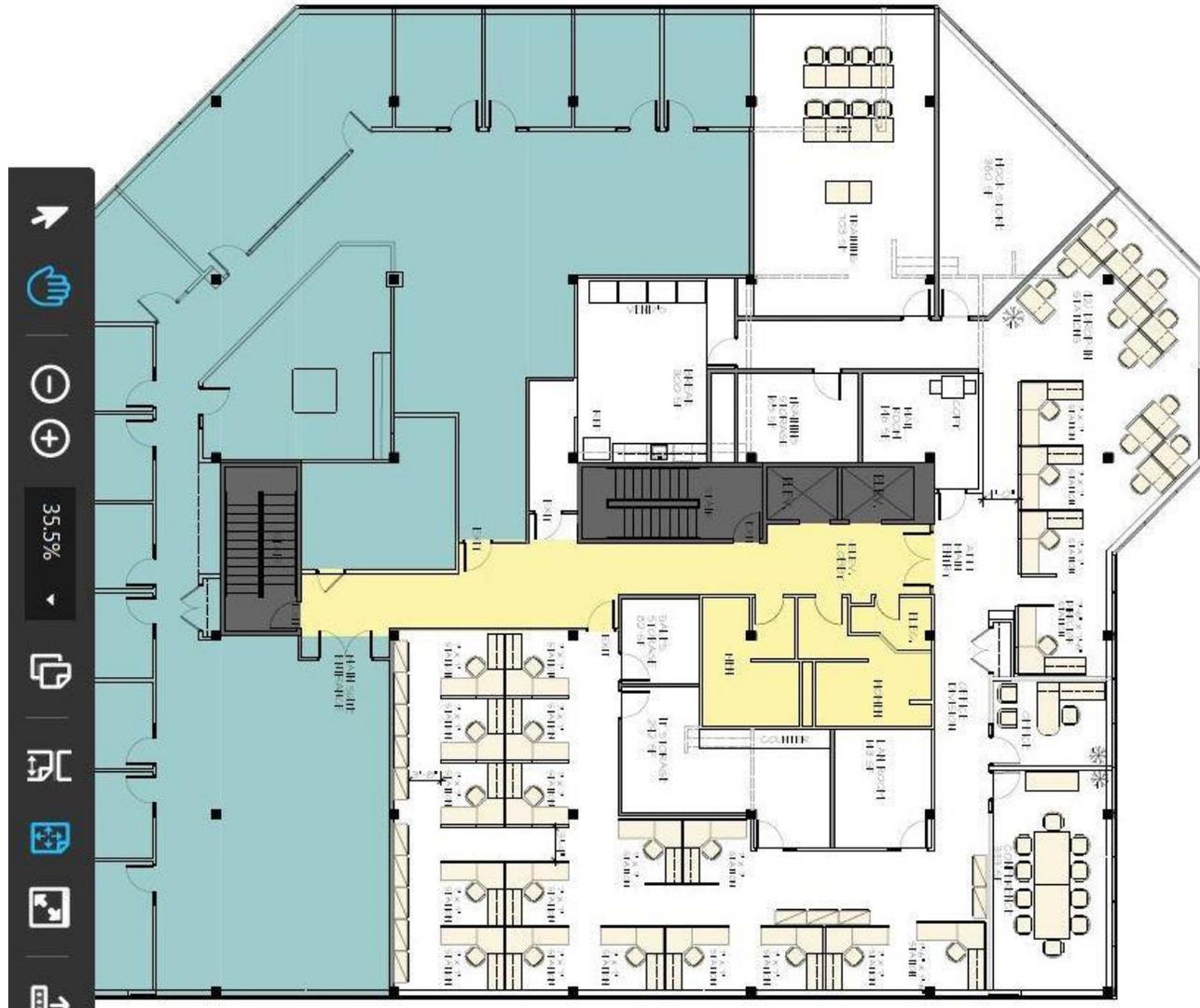
SPACE DETERMINATION



SPACE DETERMINATION

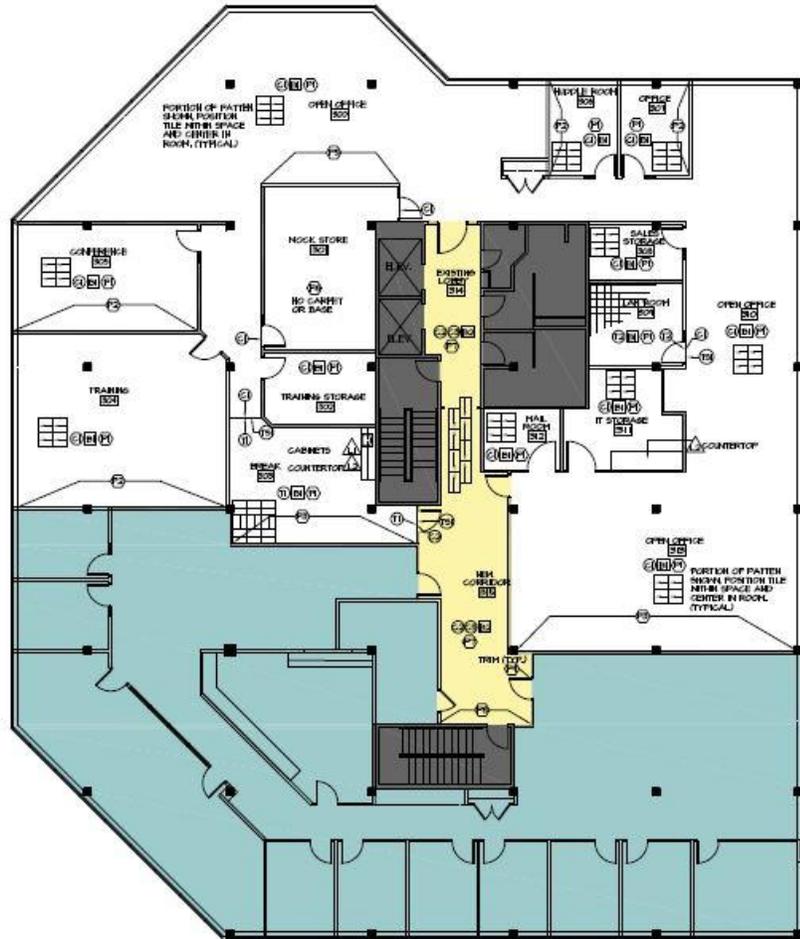


SPACE DETERMINATION



SPACE DETERMINATION





KEY

- AT&T USE
- VACANT NOTE
- COMMON AREA
- NOT IN SCOPE

FINISH NOTES

1. ALL MATERIALS TO BE INSTALLED ACCORDING TO THE MANUFACTURER'S INSTRUCTIONS USING THE RECOMMENDED PREPARATIONS AND ADHESIVES.
2. CONTACT SUBLER ASSOCIATES WITH ANY DISCREPANCIES WITH NUMBERS OR NAMES OF PRODUCTS.
3. ALL NEW FLOORING MATERIALS MUST BE INSTALLED BY A CERTIFIED INSTALLER. TEST ALL CONCRETE FLOORS PRIOR TO INSTALLATION TO MEET CALCFLOOR CR-3000 AND INTERNAL RELATIVE HUMIDITY STANDARDS.
4. METAL DOOR AND SILL/HEAD FRAMES TO BE PAINTED ON BOTH SIDES.
5. WALL SURFACES WITH SCOPE SHALL BE PAINTED IF APPLICABLE AND FINISH PRIOR TO PARTIAL. ALL SURFACES SHALL BE FREE OF DIRT, DUST AND GROUT. ALL SURFACES SHALL RECEIVE THE FOLLOWING APPLICATIONS:
 - INTERIOR METAL: ONE COAT METAL PRIMER, TWO COATS FINISH PER SCHEDULE.
 - EXTERIOR: ONE COAT LATEX FLAT WALL PRIMER + THREE OF 90 COATS OF FINISH.
6. ALL COLUMNS TO BE PAINTED IF UNLESS NOTED OTHERWISE.
7. SUPPLY AND INSTALL NEW LAMINATE COUNTERTOPS AND CABINETS AS INDICATED ON THE SPACE PLAN AND ELEVATIONS.
8. SUPPLY & INSTALL NEW ADA DROP IN STAINLESS STEEL SINK AND KITCHEN FACET IF BREAK ROOM IS ROOM. SEE EDP FOR DETAILS.
9. REFRESH NOCK SALLS AS/IF NEEDED.
10. ALL FINISHES NEEDED TO MATCH EXISTING FINISH SHADES TO BE USED THROUGHOUT SPACE.
11. NOCK STORE TO BE COMPLETED AT LATER DATE AND TO RECEIVE PAINT ONLY. NO CARPET OR BASE TO BE INSTALLED.

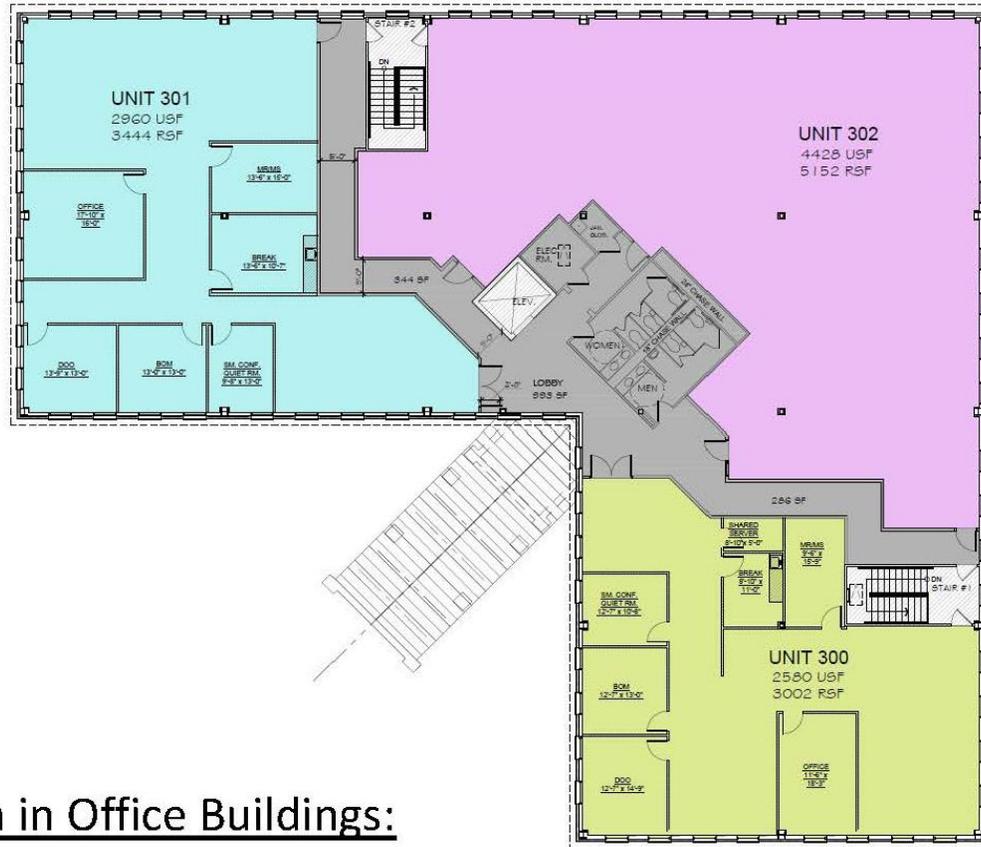
1 FINISH PLAN FOR AT&T AND CORRIDOR (W-110)

FINISHES SCHEDULE

Key	Manufacturer	Description	Style/Color	Location	Comments
24	MOHAWK GROUP	34" x 24" CARPET TILE TYPED CONSTRUCTION SOLUTION OVER EXISTING 1/2" BACKING	STYLE: BY THE BOOK SLOPE COLOR: HARBOR BLUE INSTALL: STAG, HUNTLING	GENERAL CARPET FOR AT&T 34" x 24" ENGLISH NOCK STORE	DIRECT SALE
25	SHAW CONTRACT GROUP	MODULAR CARPET TILE 36" x 36" x 1/8" BACKING SCHEDULES	STYLE: HAZE TILE TROOP COLOR: DELAWE 9786 INSTALLATION: BREQ	COMMON AREA CARPET AS NOTED ROOM: RANDOM INSTALLATION TO BE USED WITH CO. SEE PLAN FOR DIRECTION	STOCK ON RESERVE UNTL 2-14-14 CONTACT REP ANDY MERRILL 800-843-6369 andy@merrill.com
26	SHAW CONTRACT GROUP	MODULAR CARPET TILE 36" x 36" x 1/8" BACKING SCHEDULES	STYLE: PRIMO TILE TROOP COLOR: DELAWE 9786 INSTALLATION: BREQ	COMMON AREA CARPET AS NOTED ROOM: RANDOM INSTALLATION TO BE USED WITH CO. SEE PLAN FOR DIRECTION	STOCK ON RESERVE UNTL 2-14-14 CONTACT REP ANDY MERRILL 800-843-6369 andy@merrill.com
11	ARMSTRONG COMMERCIAL	12" x 24" TILES 1/8" GAUGE VINYL COMPOSITE TILE	STYLE: STRATONS MET COLOR: STARDUST T062	BREAK ROOM FLOORING. PORTION SHOWN ON PLAN	
10	ROFFE	12" x 12" 1/8" STATIC CONTROL VINYL FLOORING	COLOR: HAZE GRAY (90)	LAB ROOM	PENDING CLIENT REVIEW
28	JOHNSONITE	TRANSFORM STRIP	COLOR: FAWN 80	AS NOTED ON PLAN	
10	JOHNSONITE	VINYL BASE 4" HIGH CONTINUOUS WALL BASE	COLOR: FAWN 80	GENERAL BASE FOR CARPET, VCT AND LVT. TO HAVE COORDINATING TRANSITION STRIP AT FLOORING	USE STRIPMANT BASE WITH CARPET AND GOVE BASE WITH LVT
29	GLITCH	FLY WEGG FINISH: MATCH HEIGHT TO EXISTING BASE ON ADJACENT FLOORS	FINISH: MATCH TO MATCH EXISTING BASE ON ADJACENT FLOORS	COMMON AREA	
27	BELAJAN MOORE	INTERIOR LATEX EGGHELL FRESH	COLOR: HARVEST TIME 186	GENERAL HALL PAINT	ALL HALLS SCHEDULED TO RECEIVE PAINT. PLEASE NOTE OTHERWISE
28	BELAJAN MOORE	INTERIOR LATEX EGGHELL FRESH	COLOR: AMERGAHA 710	ACCENT PAINT AS INDICATED ON PLAN	
29	BELAJAN MOORE	INTERIOR LATEX EGGHELL FRESH	COLOR: CARAMEL LATTE 286-20	ACCENT PAINT AS INDICATED ON PLAN	
28	BELAJAN MOORE	INTERIOR LATEX SEMI-GLOSS	COLOR: TO MATCH BASE	DOOR AND WINDOW TRIM COLOR	
27	BELAJAN MOORE	INTERIOR LATEX EGGHELL FRESH	COLOR: TO MATCH AT&T ORANGE	ACCENT HALL AS INDICATED ON PLAN	CORRUM WITH AT&T COMPANY ORANGE FOR ACCENT HALL
27	BELAJAN MOORE	INTERIOR LATEX EGGHELL FRESH	COLOR: PINE	NOCK STORE ONLY	
28	BELAJAN MOORE	INTERIOR LATEX EGGHELL FRESH	COLOR: HIBRID HE 180	COMMON AREA GENERAL HALL COLOR	
29	BELAJAN MOORE	INTERIOR LATEX EGGHELL FRESH	COLOR: ARTISSE JACE 465	COMMON AREA ACCENT COLOR	
27	MATCH TO EXISTING	INTERIOR LATEX SEMI-GLOSS OR STAIN TO MATCH EXISTING TRIM BASE ON ADJACENT FLOORS	COLOR: TO MATCH EXISTING TRIM ON ADJACENT FLOORS	COMMON AREA TRIM	
28	MS COMPANY	PLASTIC LAMINATE VERTICAL GRADE	COLOR: KENINGTON MAPLE 10778-60	LOWER AND UPPER CABINETS #11 3 1/4" HIGH BASES	

Building Owners and Managers Association International

Space A	Tenant B	USF C	RSF D	Current Lease sf E	Total Floor USF F	Total Floor Common Space G	Total SF H
Suite #							
100	XXX	2,379	2,768		10,046	1,695	11,741
110	XXX	3,776	4,394				
140	XXX	3,351	4,527				
200	XXX	2,479	2,768		10,074	1,603	11,677
201	XXX	3,357	4,534				
202	XXX	3,758	4,419				
300	XXX	2,560	3,002		9,968	1,623	11,591
301	XXX	2,960	3,444				
302	XXX	4,478	5,152				
Total		30,088	35,009		30,088	4,921	35,009
		Common Area Add-On Factor				16.355%	



Standard Method for Measuring Floor Area in Office Buildings:

- Calculate Usable Square Footage by Area (USF)
- Calculate Total Floor Area
- Determine Common Areas (Circulation, Restrooms, Shared Spaces)
- Deduct vertical penetrations (Elevators, Stair wells, & Shafts)
- Provide the Rentable Square Footage (RSF) based on formula

NEGOTIATING BUSINESS TERMS

▶ LOI

The image displays three pages of a Letter of Intent (LOI) document, numbered 1, 2, and 3. Page 1 is the cover page, featuring the Cushman Wakefield logo and the title 'LOI - THE BARNBROOK'. Page 2 contains the main terms and conditions of the LOI, including sections for 'Background', 'Offered Property', 'Purchase Price', 'Due Diligence', and 'Closing'. Page 3 is a floor plan of the property, showing the layout of the building and the location of the property. The floor plan is titled 'FARLEY WHITE' and includes a legend for 'COMMON AREAS', 'PROPERTY', and 'EXISTING STRUCTURE'.

NEGOTIATING BUSINESS TERMS

▶ LOI components

- *Building*
- *Tenant*
- *Landlord*
- *Premises*
- *Lease & rent commencement*
- *Lease term*
- *Rental rate*
- *RE taxes & OPEX*
- *Security*
- *Security deposit*
- *Parking*
- *Data & telecommunications*
- *Signage*
- *Brokerage*

NEGOTIATING BUSINESS TERMS

► Tenant Heavy RFP

The image displays 17 numbered thumbnails of document pages from a Tenant Heavy RFP. The thumbnails are arranged in three rows: the first row contains thumbnails 1 through 6; the second row contains thumbnails 7 through 12; and the third row contains thumbnails 13 through 17. Each thumbnail shows a different section of the document, including text-heavy pages, a table, and a signature block. The thumbnails are numbered 1 through 17, with the number centered below each thumbnail. The document content is mostly illegible due to the small size of the thumbnails, but some sections are clearly identifiable, such as a table in thumbnail 16 and a signature block in thumbnail 15.

NEGOTIATING BUSINESS TERMS

► Tenant Heavy RFP components

- *Tenant*
- *Landlord*
- *Building*
- *Premises*
- *Measurement*
- *Commencement date*
- *Occupancy*
- *Use*
- *Ownership structure*
- *Lease term*
- *Cancellation option*
- *Exclusivity*
- *Electricity*
- *Base rent*
- *Concessions*
- *Security deposit*
- *Option(s) to renew*
- *Expansion option*
- *Right of first offer/refusal*
- *Termination option*
- *Tenant improvements*
- *Base building*
- *Space planning*

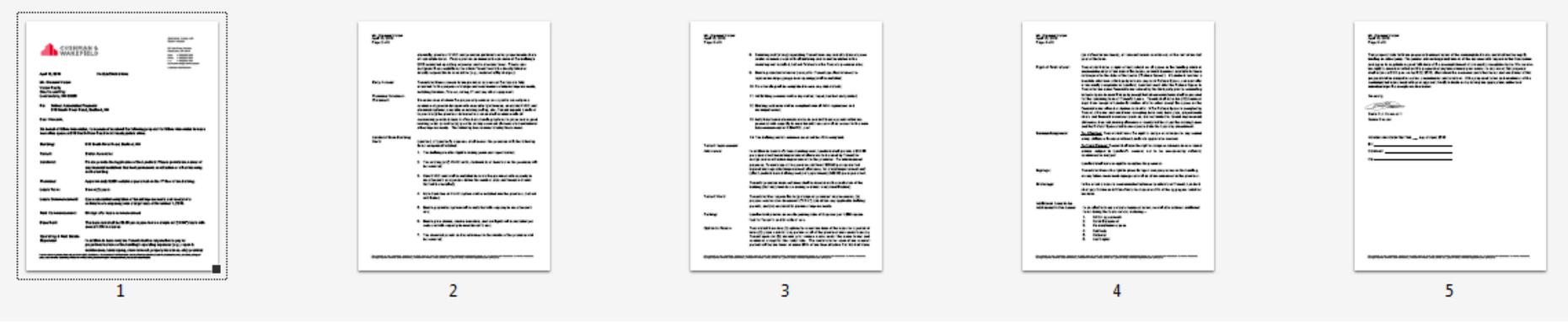
NEGOTIATING BUSINESS TERMS

▶ Tenant Heavy RFP components

- *OPEX & real estate taxes*
- *Assignment & sublease*
- *Non-disturbance agreement*
- *Parking*
- *Access/building hours*
- *HVAC*
- *Building directory*
- *Signage/identification*
- *Storage space*
- *Hazardous materials*
- *Security deposit/prepaid rent*
- *Satellite/antenna/cable*
- *Roof rights*
- *Building security*
- *Americans with disabilities act*
- *Insurance*
- *Brokers*
- *Bills and notices*
- *Use of name*
- *Confidentiality*

NEGOTIATING BUSINESS TERMS

▶ Middle of the Road RFP



NEGOTIATING BUSINESS TERMS

▶ Middle of the Road RFP components

- *Building*
- *Tenant*
- *Landlord*
- *Premises*
- *Lease term*
- *Lease commencement*
- *Rent commencement*
- *Base rent*
- *Operating & real estate expenses*
- *Early access*
- *Premises improvements*
- *Tenant improvement allowance*
- *Parking*
- *Option(s) to renew*
- *Right of first refusal*
- *Sublease/assignment*
- *Signage*
- *Brokerage*

NEGOTIATING BUSINESS TERMS

▶ Middle of the Road additional items

In an effort to focus on basic business terms, we will also address additional items during the lease review, including:

- SNDA agreements
- Quiet enjoyment
- No substitution space
- Self-help
- Holdover
- Audit rights

NEGOTIATING BUSINESS TERMS

▶ Amount of space

- *Rentable vs useable SF*
- Load factor/efficiency



NEGOTIATING BUSINESS TERMS

- ▶ Term? Termination right?



NEGOTIATING BUSINESS TERMS

▶ Rent

- NNN
- Modified gross
- Full service gross



NEGOTIATING BUSINESS TERMS

▶ Rent

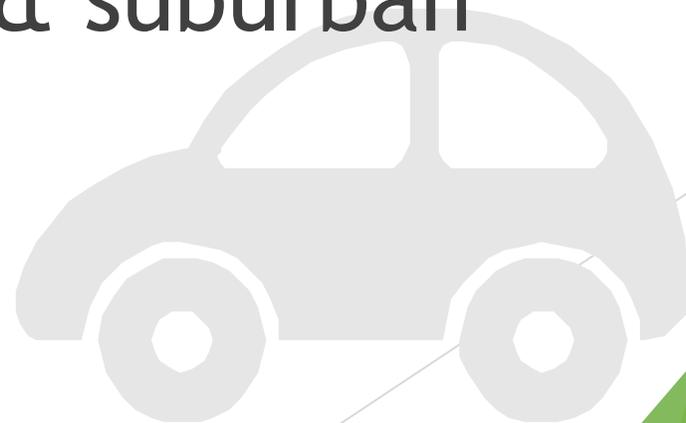
- Base rent
- + CAM/OPEX
- + Insurance
- + Real estate taxes



NEGOTIATING BUSINESS TERMS

▶ Parking

- Allocated vs assigned?
- Spaces per 1,000 SF
- Parking lot vs garage
- Downtown, CBD & suburban



NEGOTIATING BUSINESS TERMS

▶ Signage

- Municipal rules
- Landlord rules



NEGOTIATING BUSINESS TERMS

- ▶ Tenant improvements (TI)



NEGOTIATING BUSINESS TERMS

- ▶ Security deposit/financials/credit tenant



NEGOTIATING BUSINESS TERMS

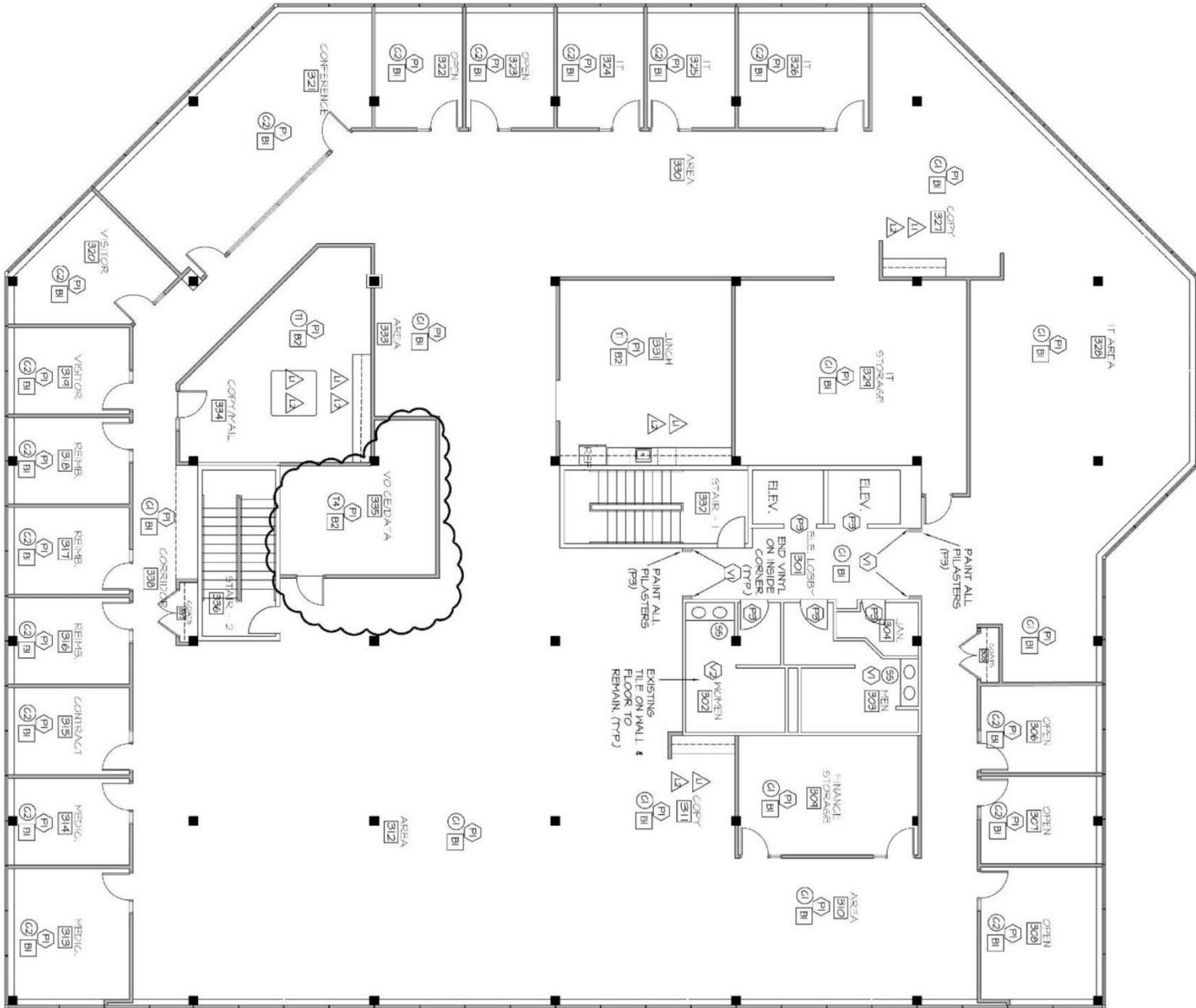
- ▶ Brokerage fees



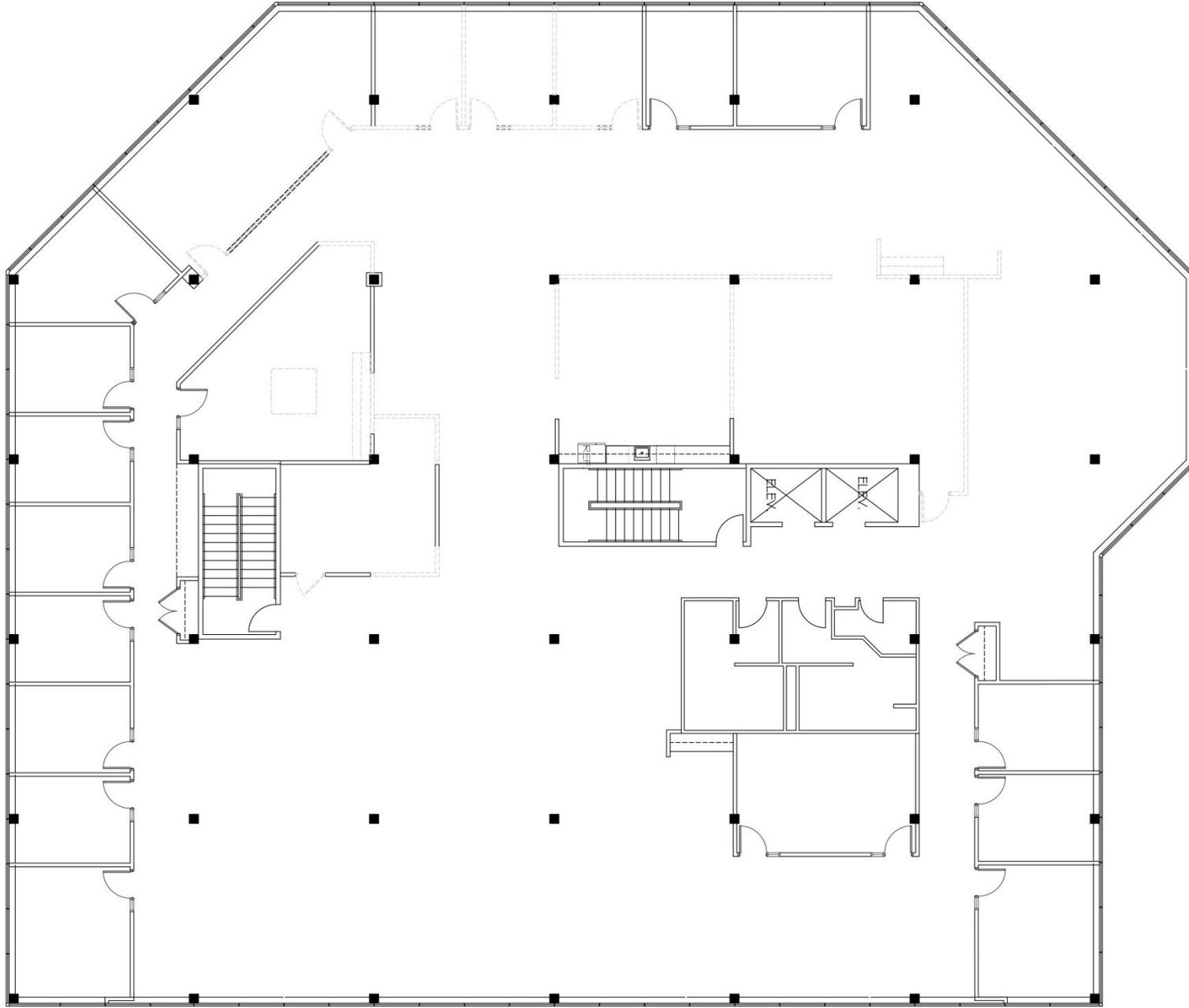
NEGOTIATING BUSINESS TERMS

- ▶ Floor plan - test fits

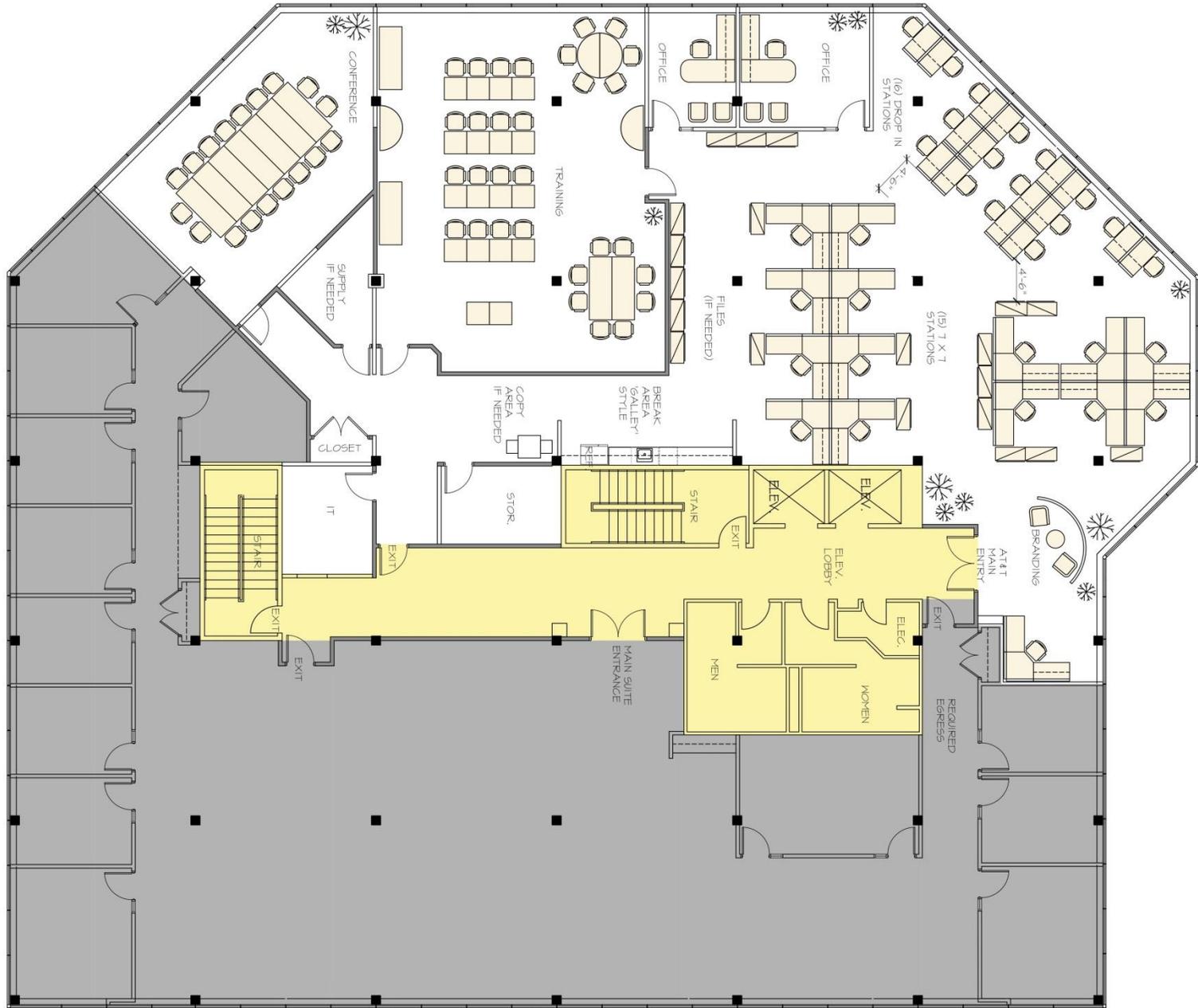
EXISTING CONDITIONS FLOOR PLAN



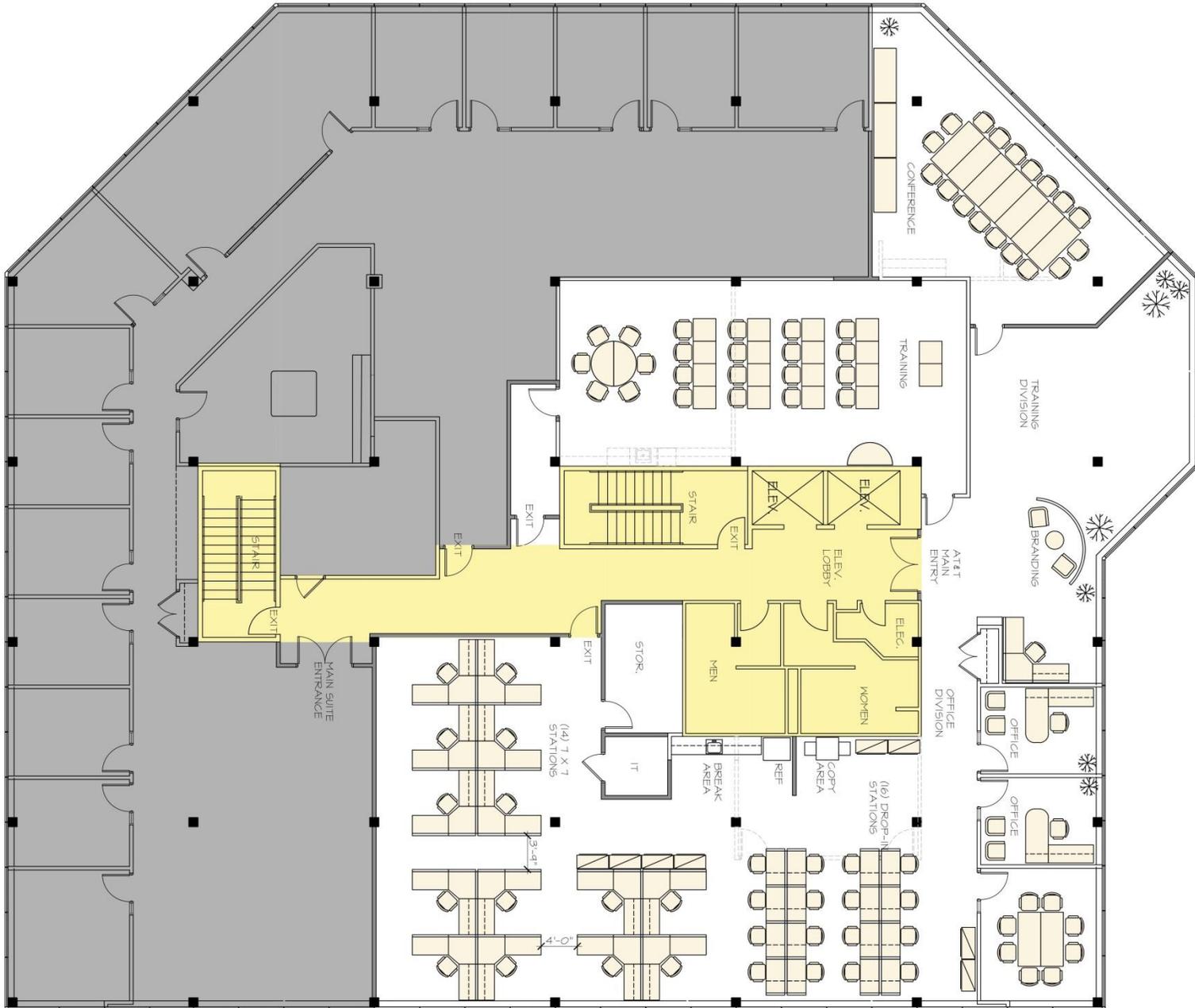
DEMOLITION PLAN



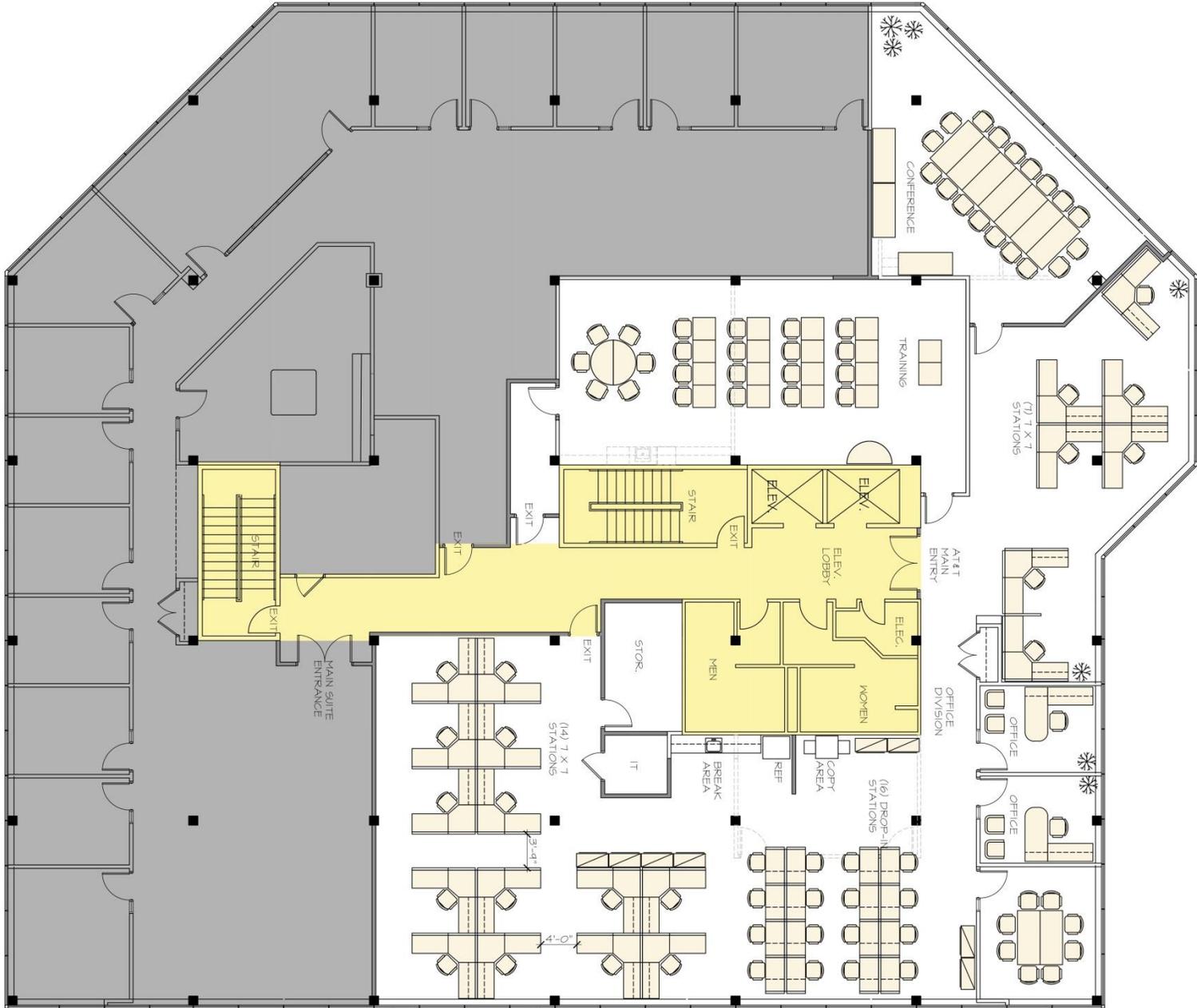
TF.1



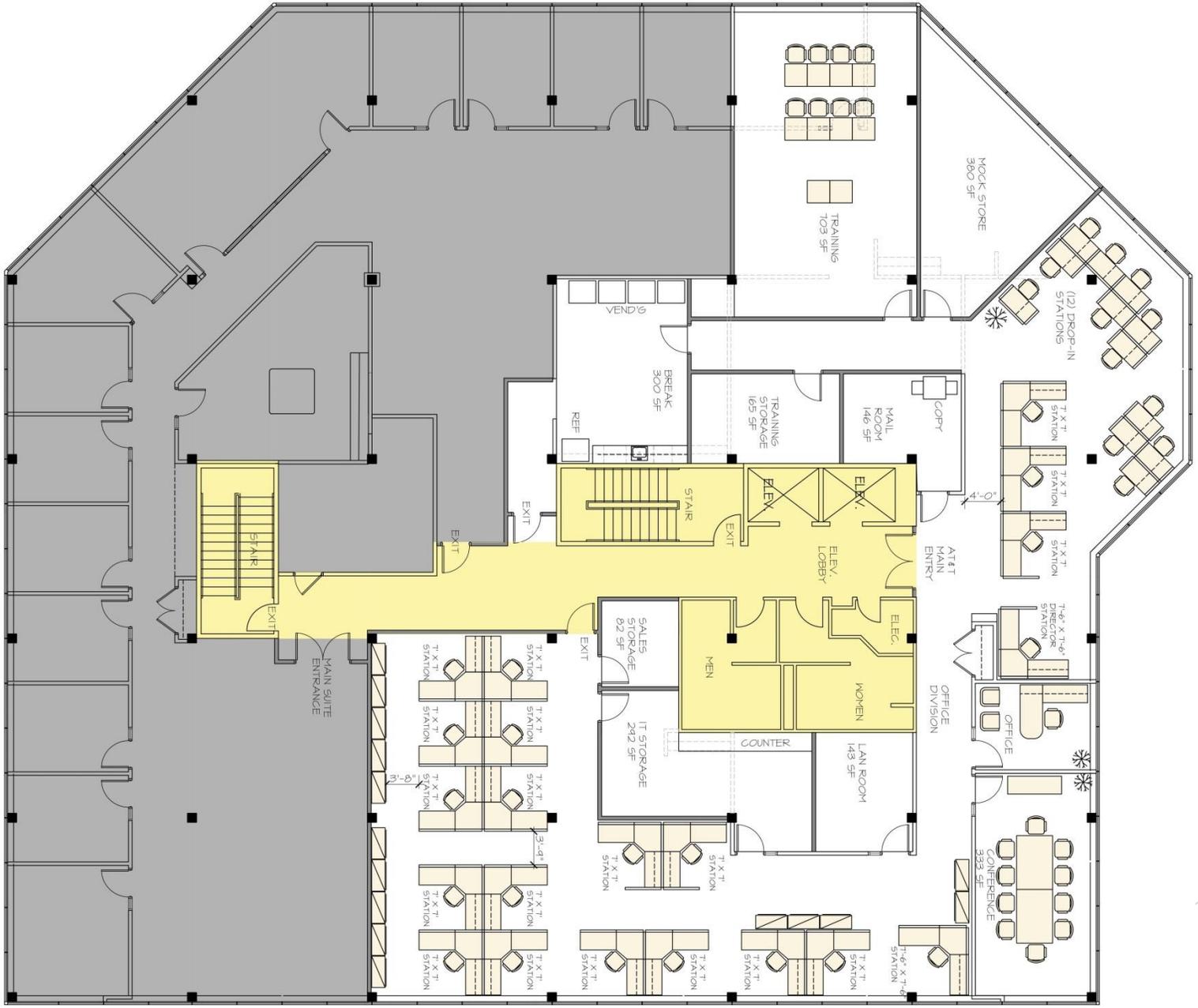
TF.2



TF.3



TF.4



TF.5



FINANCIAL ANALYSIS

	SPACE A	SPACE B	SPACE C
SF	5,000	4,500	5,200
BASE RENT PSF	\$21.00 MG	\$8.00 NNN	\$13.00 NNN
TAXES	(incl)	\$1.50/SF	\$2.00/SF
OPEX	(incl)	\$4.00/SF	\$6.00/SF
TERM	66	60	63
FREE RENT	6	0	3
RENT INCREASE	2%/year	2%/year	2% year 4
TAX INCREASE	\$0.05/SF/year	1.5%/year	1.5%/year
OPEX INCREASE	\$0.13/SF/year	2%/year	2%/year
TI COST	\$18,000	\$25,000	6,000
TI ALLOWANCE	\$15,000	\$10,000	6,000
GROSS RENT	\$557,115	\$329,684	\$567,397
AVG RENT/SF	\$20.99	\$14.66	\$20.78

Why did God invent lawyers?

So that real estate agents would have
someone to look down on

FIT UP

- ▶ Leases should address the preparation of the leased premises for Tenant's occupancy
- ▶ Who is responsible for the work - landlord or tenant?



FIT UP

- ▶ If *landlord* does the work, lease should address:
 - Define the scope of work
 - Timing of permitting & construction
 - Penalties for late delivery of space
 - Inspection & acceptance by tenant; punchlist

FIT UP

- ▶ If *tenant* does the work, address the following:
 - Landlord's approval of plans & specifications
 - Supervision of tenant's work
 - Insurance/indemnification obligation of tenant



OPERATING EXPENSES

- ▶ How are the costs of the property allocated between landlord & tenant?
 - *Generally - landlord pays cost of owning the building (capital expenses) & tenant pays proportionate share of the cost to operate the building*



OPERATING EXPENSES

- ▶ Inclusions & exclusions - major point of negotiation in the lease
- ▶ Tenant audit rights

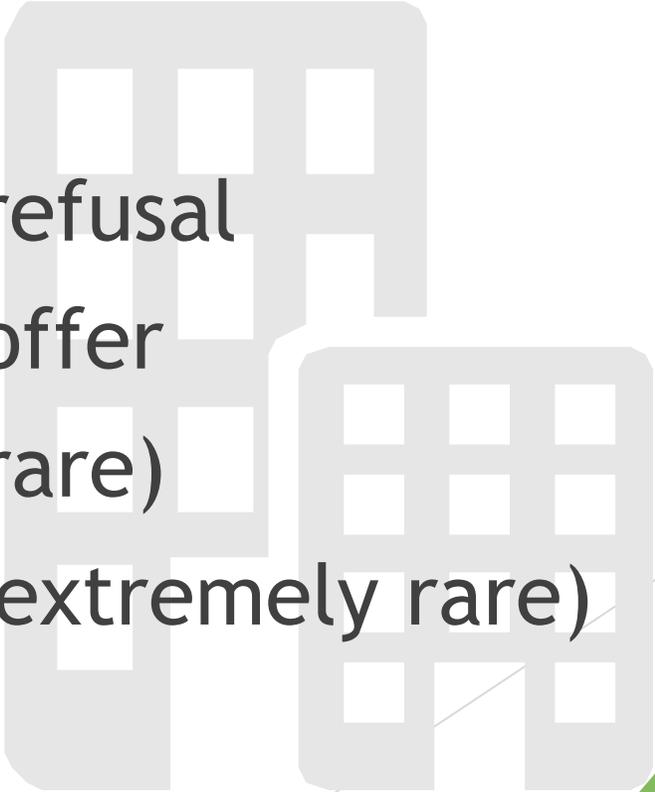


TENANT OPTIONS

- ▶ Tenant may want to negotiate additional options to be exercised at a future date
- ▶ Type of options & terms will vary depending on many factors, including building occupancy, quality & financial strength of tenant, amount of space leased to tenant, etc.

TENANT OPTIONS

▶ Example of options

- Renewal options
 - Expansion options
 - Right of first refusal
 - Right of first offer
 - Purchase options (rare)
 - Termination right (extremely rare)
- 

ASSIGNMENT & SUBLETTING

- ▶ Landlord consent & standard of consent
- ▶ Permitted subleases & assignments
- ▶ Changes in corporate ownership of tenant - assignment or not?

ASSIGNMENT & SUBLETTING

▶ Landlord rights

- Excess rent over contract rate paid to landlord
- Landlord's right to recapture space
- Sublease is subordinate to lease - tenant remains liable under lease

SUBORDINATION, NONDISTURBANCE & ATTORNMENMENT AGREEMENT

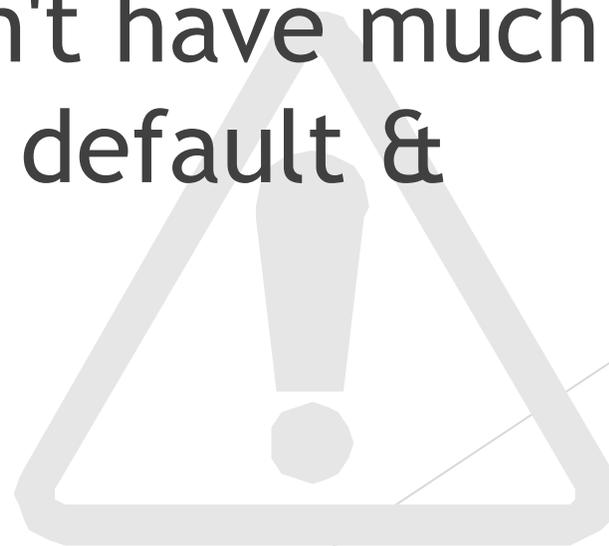
- ▶ *Subordination* - mortgagee is put in 1st position above tenant
- ▶ *Non-disturbance* - notwithstanding 1st position of mortgagee, mortgagee agrees to allow tenant to continue to occupy premises after mortgagee forecloses, as long as tenant isn't in default under lease

SUBORDINATION, NONDISTURBANCE & ATTORNMENMENT AGREEMENT

- ▶ *Attornment* - tenant recognizes new owner after foreclosure as landlord
- ▶ Lease provisions
 - Tenant must agree to execute document confirming subordination
 - Landlord's obligation to seek non-disturbance agreement from landlord

DEFAULT & REMEDIES

- ▶ Lease will define “events of default” & the remedies available to landlord when tenant defaults
- ▶ Tenant typically doesn't have much leverage to negotiate default & remedy provisions



DEFAULT & REMEDIES

► Definition of default & negotiation points

- Notice & grace period for payment defaults
- Notice & grace period for non-monetary defaults



DEFAULT & REMEDIES

- ▶ *Remedies* - landlord wants to preserve as many ways to be made whole as possible
- ▶ Important related considerations - security deposit; guarantees



AFTER THE DEAL

- ▶ Stay in contact!
- ▶ Visits
- ▶ Anniversary communications
- ▶ Testimonial - PR with quotes
- ▶ Referrals
- ▶ Case Study



Q & A

