

Executing the Lease

How to Negotiate CRE Lease Agreements



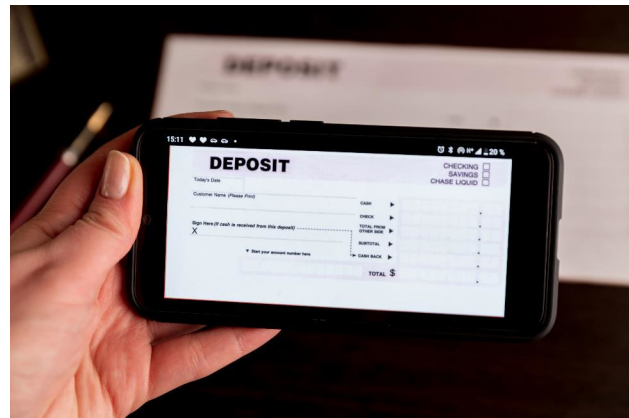
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What Could go Wrong Here?

Expense for Tenant
Minimize it!



Revenue for Landlord
Maximize it!



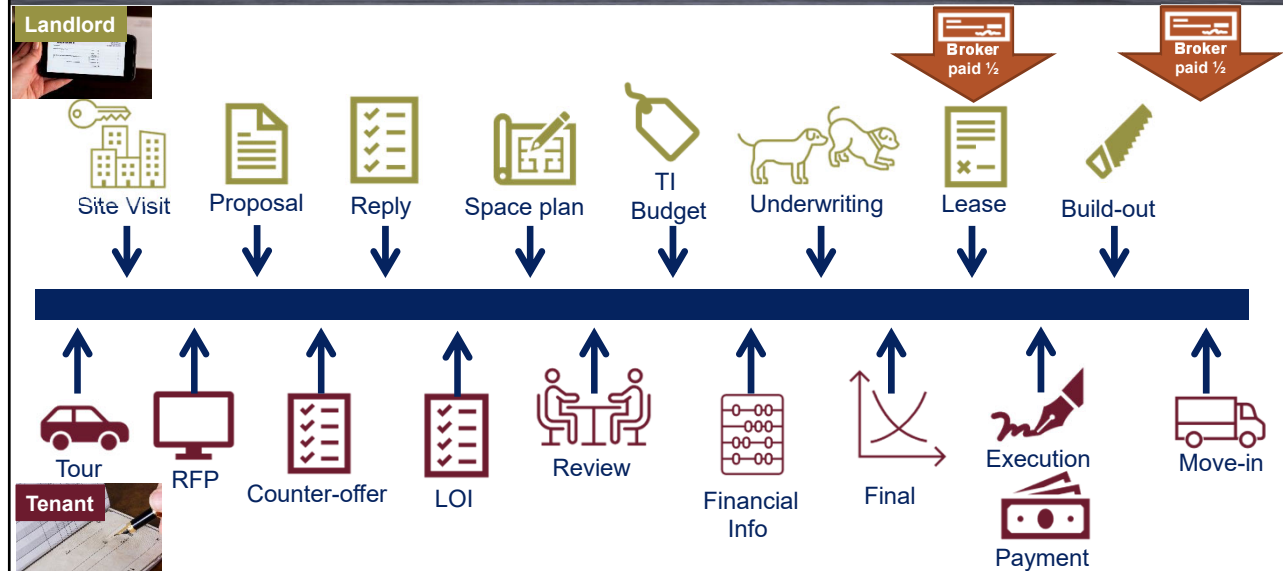
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Conflicts to be Resolved

Tenant fantasy:	Issue	Landlord fantasy:
Short term or cancellable w/flat rent	Lease	Long term w/rising rent
Landlord pays	Expenses	Tenant pays
Specialized & Landlord pays	Build-out	Take space as-is
Free rent, extra TI, etc.	Concessions	None
None	Security	Personal/corporate guarantee
As needed	Expan./Contr.	Never

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“Typical” Lease Negotiation



*Never had a typical one.
Not since November 15, 1984.
Not one...

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For what you are about to see, thanks to an old friend!



Hamilton Reynolds

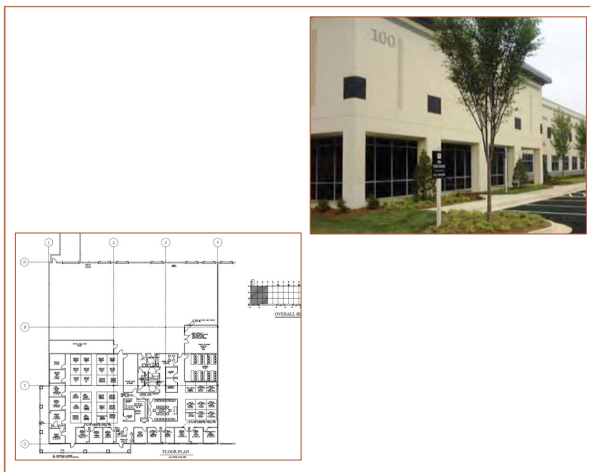
President, Industrial Division

Taylor & Mathis

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Opportunity to Close the Gap

Tenants Think In Pictures



Landlords Think in Numbers

ROI

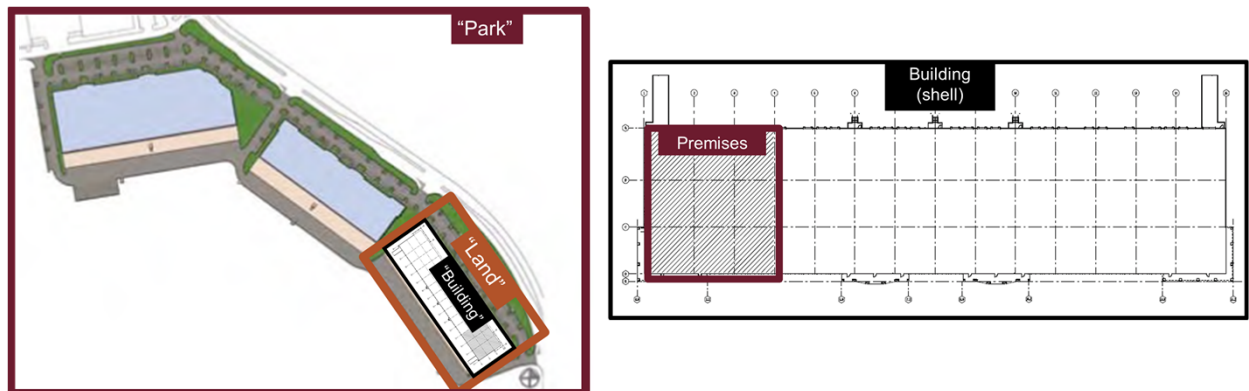
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Turning Pictures Into Numbers (Land)



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Turning Pictures Into Numbers (Building)

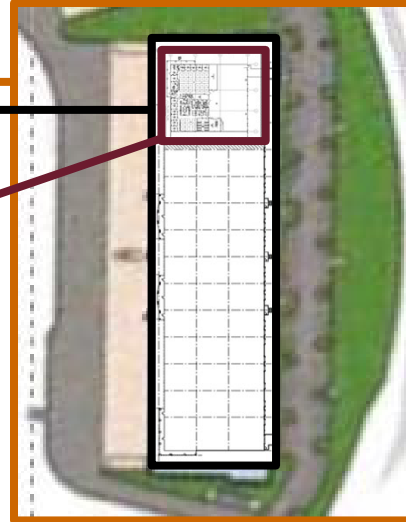


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Calculating Landlord ROI*

Return \$/SF	
Rent	8.75
TICAM	2.00
Collected	10.75
TICAM	(2.00)
3% vac.	(0.26)
LL repair	(0.05)
Expenses	(2.31)
NOI	8.44

Investment \$/SF	
Land	32
Building	70
Soft cost	15
Interest	2
Shell	119
TI	30
Fees	5
Total	35
Cost	154



NOI	8.44	=	Build	Sell	8.44	NOI
Cost	154		5.5%	4.3%	196	Price

Price	196
Cost	154
Profit	42

*This is a wildly oversimplified explanation of a very complex calculation

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Break Time



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Typical Full-Service Properties

High-Rise Office



Mid-Rise Office



Included	Net	Full Service
Rent	X	X
Structure	X	X
Prop. Tx.		X
Prop. Ins.		X
CAM		X
Syst. Maint.		X
Utilities		X
Janitorial		X

Terminology varies widely.
Always clarify!

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Typical Net Lease Properties

Single Story Office



Industrial



Retail

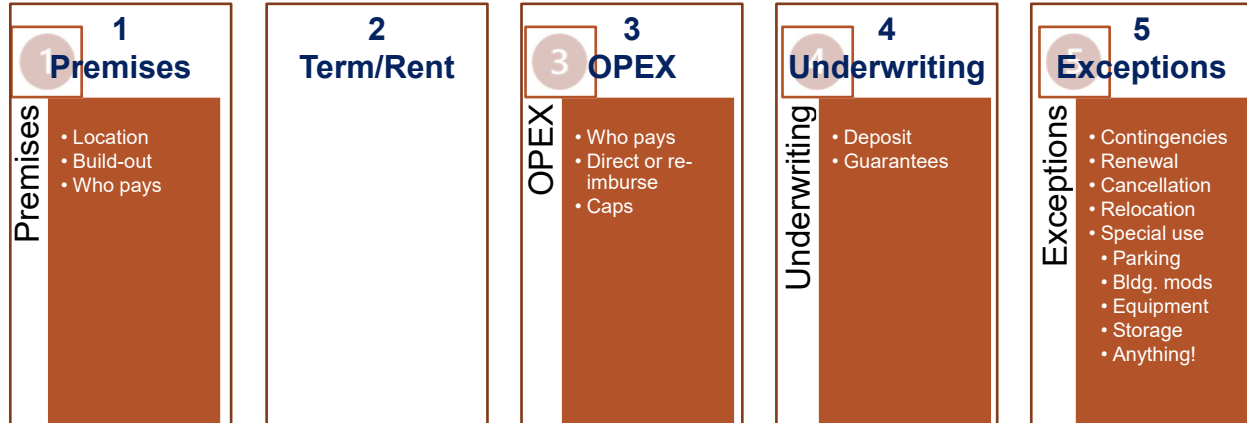


Included	Net	Full Service
Rent	X	X
Structure	X	X
Prop. Tx.		X
Prop. Ins.		Reimbursed
CAM		X
Syst. Maint.		X
Utilities		Paid directly
Janitorial		X

Terminology varies widely.
Always clarify!

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Five Deal Points Common to Most Leases



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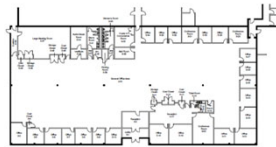
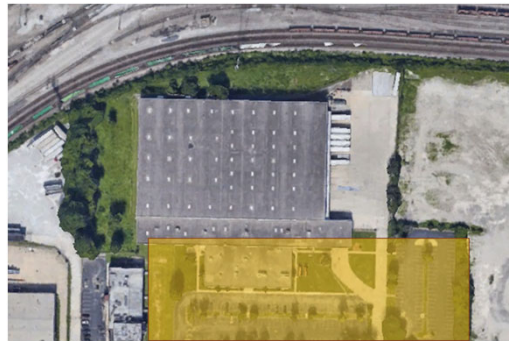
Legal Terms are for Legal Professionals

-
- Defaults and remedies
 - Environmental
 - Insurance
 - Personal & corporate guarantee
 - Ownership transfers
 - (It's a long list!)

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Sample LOI

- 16,650 of available
- 12:1,000 Parking Ratio
- Less than 3 miles to CBD
- Easy interstate access
- Located on bus line
- Available immediately
- Excellent condition

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Sample LOI

SECURITY DEPOSIT: Tenant does not provide security deposits to landlords.

Approximately 16,468 rentable square feet of office space located in the building located at , Cincinnati, Ohio.

The tenant's fit up requirements provided earlier are hereby acknowledged and accepted. Upon lease execution Landlord will provide a tenant allowance as follows:
 \$100,000 to be used at tenant's discretion to be paid within 30 days of execution of lease.
 \$12,000 (see attached Electrical Estimate from Electric Incorporated herein by reference) for separation of utilities to be paid within 30 days of Tenant providing Landlord with reasonable evidence of completion of work.
 \$56,000 (see attached HVAC Estimate from Vasey Commercial incorporated herein by reference)

to be replacement of HVAC equipment to be paid within 30 days of Tenant providing Landlord

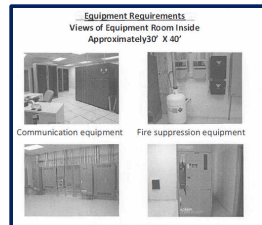


Exhibit A Rental Schedule
Cincinnati, Ohio 45225

date	sq. ft.	annual rate	monthly	cumulative	description
4/1/16	16,468	0	0.00	0.00	tenant up-fit
5/1/16	16,468	0	0.00	0.00	tenant up-fit
6/1/16	16,468	0	0.00	0.00	rental abatement
7/1/16	16,468	0	0.00	0.00	rental abatement
8/1/16	16,468	0	0.00	0.00	rental abatement
9/1/16	16,468	6.35	8714.32	8,714.32	
10/1/16	16,468	6.35	8714.32	17,428.63	
11/1/16	16,468	6.35	8714.32	26,142.95	
12/1/16	16,468	6.35	8714.32	34,857.27	
1/1/17	16,468	6.35	8714.32	43,571.58	
2/1/17	16,468	6.35	8714.32	52,285.90	
3/1/17	16,468	6.35	8714.32	61,000.22	
4/1/17	16,468	6.35	8714.32	69,714.53	
5/1/17	16,468	6.35	8714.32	78,428.85	

Mike

Please find breakdown below for RTU budget in Cincinnati.

Crane	488.00
Sheet metal and misc. material	3,203.00
Roof cut patch	7,590.00
Pitch pockets for new units	100.00
Permit	3,125.00
3 Trawl RTU with Frequency Drive	34,530.00
Truck cost	354.00
Overnight with per diem	900.00
Labor	8,652.00
Total	\$ 55,684.00

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Break Time



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The One With the Building Sale Contingency

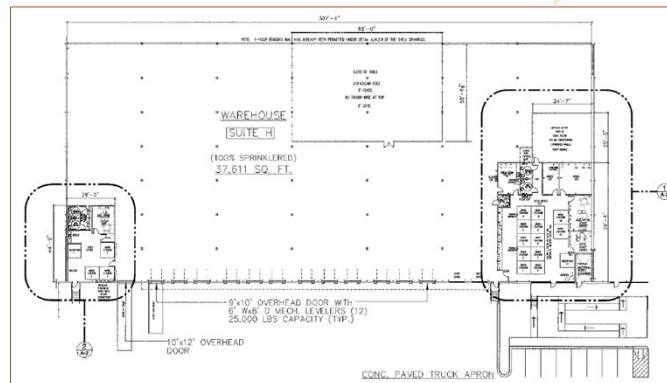
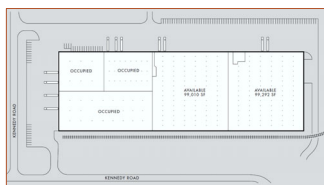
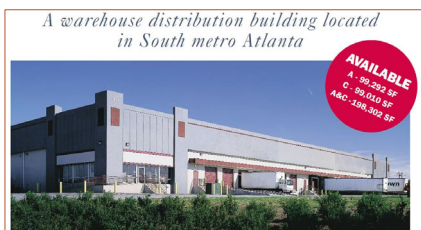
Define requirement

Find willing parties

Define risks

Document

Wait...



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The One With the Building Sale Contingency

Define requirement

Find willing parties

Define risks

Document

Wait...

- The ideal time to move is in December or January, and this is in keeping with the December closing called for in the sales contract. The purchaser of the existing building may want to close earlier, perhaps in October, but September and October tend to be the busiest times of the year. There are provisions for _____ extend the closing for two periods of 45 days each beyond the December closing date.
- Access to the freight forwarding community and Hartsfield airport is essential.
- Facility needs are as follows:
 - 30,000 to 35,000 sq. ft. of warehouse space
 - 5,000 sq. ft. of office space, including (ideally) a separate 1,000 sq. ft. area to

4. CONTINGENCY

Page 24 of fully-executed lease

The parties agree that this Lease is contingent upon Tenant selling Tenant's property located at 1638 East Vista Avenue, Atlanta, Georgia ("Property"). In the event the Property has not closed, or is not under contract as of January 1, 2004, then Tenant shall have the option to terminate the Lease by notifying Landlord in writing on or before January 5, 2004, and along with such notice Tenant shall enclose a cashier's check in the amount of One Thousand and No/100 (\$1,000.00) Dollars to reimburse Landlord for architectural costs. In the event Tenant fails to terminate this Lease in accordance with the foregoing on or before January 5, 2004, the Lease shall remain in full force and effect.

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The One With a Surprise Tenant Credit Issue

In 30K needs 200K?

Client contingency

OK, let's go

Plan A New building

Weak credit

Plan B 2nd gen building

Serendipity

Issue 01
 Thank you for your continued interest in building a facility. This issue shall serve as a 1st step of several steps that you will complete in order to move forward. It is requested to complete the following items by March 31, 2012. It is requested to working with a three year term _____ based on the terms outlined below.

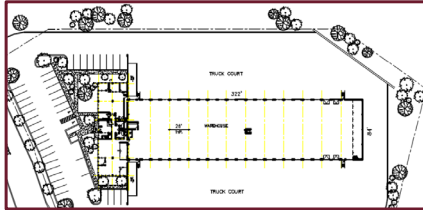
Property: _____
Address: _____
Size: _____
Usage: _____
Leased Area: _____
Lease Term: _____
Construction: _____
Ready for Delivery: _____
Lease Structure: _____



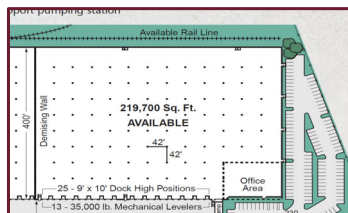
Location	Availability	Size	Height	Rate	Other
AirLogistics Center - Building 100	Principal	Could finish w/in 2 - 4 wks. up to 172,640	to suit	24' to 26'	\$4.25 \$0.71 \$4.96 Rate is "best guess" based on 10,000 sq. ft. office.
SouthPoint Building F	IDI	Complete in 30 days 150,000 to 358,116	to suit	30'	\$3.00 \$0.40 \$3.40 Rate assumes 3% finish. Could permit office separately from warehouse for construction speed. Cross dock.
Airport Distribution Ctr. III	SE Inv. Prop.	CO expected Jan 7th. 150,000 to 409,989	to suit	30'	\$2.95 \$0.30 \$3.25 Rate assumes 3% finish. Could start tenant finish now during shell construction. Cross dock.

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The One With a Surprise Tenant Credit Issue



(Landlord rep)
Hey, apparently my owner knows your guys. We're good.

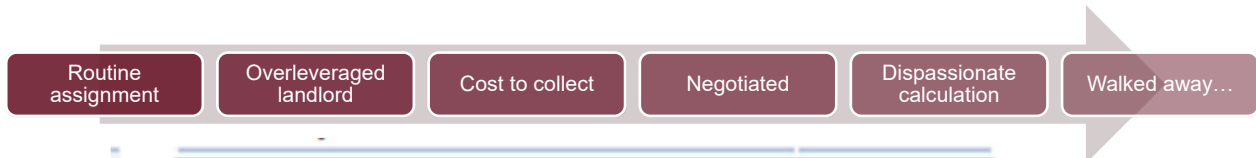


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The One Where I Didn't Get my \$65K Fee



Watchlist Status	Yes
Watchlist Date	05/08/15
Spec. Serv. Status	No

Previous Balance	\$1,354.50
Current Services Rendered	2,110.50
Balance Due	\$3,465.00

Description of Charge	Invoice Amount
Title Search	\$400.00
INVOICE TOTAL	\$400.00

Steve,
I'm afraid this is where I get off the bus.
Any further investment of time and money on this will be a waste of resources, in my opinion, but you seem more optimistic.
Let me say that I desperately hope you are right and I am wrong!



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The One Where I Didn't Get my \$65K Fee

Routine assignment

Overleveraged landlord

Cost to collect

Negotiated

Dispassionate calculation

Walked away...

- Long-term client
- Manufacturing
- 161K renewal
- \$65K+ fee



FORBEARANCE AGREEMENT

This Forbearance Agreement ("Agreement") is made and entered into this 11th day of November, 2015, by and between a Delaware limited liability company ("Owner") and B. EDWIN RIGGINS, JR., Senior Vice President of Cresa Atlanta, (collectively "Brokers").

RECITALS

1. Owner acknowledges and agrees that on August 19, 2014, it executed a Second Amendment to Lease Agreement ("Second Amendment") which is incorporated herein by reference, for the benefit of the Brokers, and by the terms of which Owner agreed to pay to Brokers and/or their respective companies a commission of Sixty-Six Thousand Eight Hundred Sixty-Nine and 50/100 Dollars [\$66,869.50] on or before September 18, 2015 ("Commission").

Bldgs.	Sq. Ft.	NOI/SF	Cap rate	Value/SF	Bal/SF	Debt
Us	161,000	2.50	9.00%	\$28	\$22	80%
Other	25,122	11.62	9.00%	\$129	\$143	111%

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The One Occurring in a Really Stressful Environment




thoughtsforthursday.com


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Get Used to it...


85-90
91-95
96-00
01-05
06-10
11-15
15-20
21-?




TRA '86




Y2K




Sub prime




Election




RTC




9/11



Shut down



Pandemic



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Known simply as “Riggo” to the thousands who have laughed and learned while attending in his programs, Ed Riggins has had a career that proves you can enjoy serious success without taking it all too seriously. He learned from doing stand-up comedy that if you want to find the truth, look for the funny. He learned from improv comedy to find the natural flow and go with it.

Before becoming a national top producer, being named “Who’s Who of Commercial Real Estate” by the Atlanta Business Chronicle and recognized as a “Power Broker” by Costar, Riggo mowed lawns, customized cars, drove a forklift, and was a small engine mechanic, on his way to becoming a first-generation college graduate. Ed is among less than 1% of practitioners nationally to have earned both the SIOR and CCIM designations.

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