LEASE ANALYSIS TENANT OFFICE CND EXAMPLE
TENANT RENTING SINGLE SPACE

INTRODUCTION
This Lease Analysis example analyses an office lease from a tenant's perspective where the tenant is renting one space in the building and uses the Investor Pro "Lease Analysis Tenant Office Single Space" template.

If the tenant rents several spaces in the building the Investor Pro "Lease Analysis Tenant Office Multiple Spaces" template would be used.

CTA Realty is considering renting suite 306;

Rentable Area: 5,900 Sq. Ft
Usable Area: 5,200 Sq. Ft

This practice example consists of two Sections;
1. The input information for the project
2. The instructions for entering the project data

PROJECT INFO. Folder
Property Name: Capital Plaza
Description: 306 CTA Realty
Analysis Period: 10 Years
Starting Date: Year 1 Jan
Rentable Area: 5,900 Sq. ft
Usable Area: 5,200 Sq. ft

TENANT Folder
Marginal Tax Rate: 42.00%
Discount Rate: Before Tax 10.00%

LEASEHOLD IMPROVEMENTS Folder
Description: Leasehold Improvements
Amount: $15,000
Year 1 Jan
Depreciation Method: Commercial Prop. St Line

LEASING EXPENSES Folder
Use to enter the rent, parking, additional rent (TIM's) etc., paid by the tenant.

  Base Rent
  $26.00 per Unit of Tenant's Rentable Area per Yr paid monthly. Two terms of 5 years. Increase for the second term base on 3.00% compounding for five years

  Free Rent
  First two months. 100% of Base Rent

  Additional Rent (TIM's)
  $9.00 per Unit of Tenant's Rentable Area per Yr paid monthly for 12 months then increasing at 3.00% compounding per year. **Subject to a Recoverable Expense Cap** of $4,500 per month.

  This means that the maximum Additional Rent (TIM's) the tenant will pay is $4,500 per month

SUBLEASE REVENUE Folder
The tenant has subleased 2,400 Sq. Ft of Suite 105

Base Rent: $27 per Sq Ft per year paid monthly for two years
Additional Rent: $9 per Sq Ft per year paid monthly for two years. **Subject to a Rent Cap** of $4,500 per month.

VACANCY Folder
Used to enter vacancies for the space subleased by the tenant. The analysis assumes no vacancy for the subleased space

FINANCING Folder
Money borrowed by the tenant to fund tenant and other improvements associated with the space being rented

Mortgage (Borrowing)
Description: Bank Loan for Improvements
Commencing: Year 1 January 1
Type: Standard Mortgage
Amount: $15,000
Time Period: 5 years
Amortization: 5 years
Nominal Interest Rate: 7.00%
Compounding Frequency: Monthly

TERMINATION Folder
Cost incurred at the end of the lease by the tenant for cleaning up the space.

Cleanup and restoration costs: $10,000

Value of leasehold improvements on termination is zero.

TENANCY INFORMATION

Information on the tenancy is entered in Tenancy Information dialog in two parts:

1. Lease Information
2. Building Attributes

The Tenancy Information appears on the following reports;

Lease Summary Report which shows;
- Tenancy Information
- Building Attributes
- Financial Summary
- Photos and Images
  Building
  Floor Plan
  Site Plan
  Location Map

To enter the Tenancy Information click on the Tenancy Information Button and complete the entries.

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Following is the completed "Lease Information" and "Building Attribute" screens

Lease Information entries for the example

Building Attribute entries for the example

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The Tenancy Information entries appear in the "Lease Summary" and "Lease Summary Comparison" reports.

Lease Summary Report

Page 1. Lease Information and Building Attributes and imported images

Lease Summary
Capital Plaza
306 CTA Realty

May 31, 2011
Investor Pro
Lease Analysis Tenant Office Single Space

Capital Plaza
1200 West Broadway
Vancouver
BC

Unit Number & Floor	306 Third Floor
Total Rentable Area	5,900 Sq. Ft
Total Usable Area	5,200 Sq. Ft
Add On Factor	13.46%
Type of Lease	Triple Net
Start Date	Jan/01/2011
Expiration Date	Dec/31/2015
Lease Term	Five years
Renewal Options	Option to renew for another five years
Starting Lease Rate	$26.00 per Sq. Ft per Yr
Rent Escalation Steps	No
Free Rent	First two months
Rent Cap	No
Starting Recov. Expenses	$9.00 per Sq. Ft per Yr
Expense Cap or Stop	Expense Cap $4,500 per month
Other Monthly Starting Costs	No
Parking Ratio	N/A
Reserved Parking No. & Rate	No
Unreserved Parking No. & Rate	Free. Six spaces
Total Moving Costs	N/A
TI Allowance by Landlord	No
TI's paid by Tenant	$15,000
Other Allowances by Landlord	N/A

Capital Plaza

Floor Plan

Great location

Building Attributes
Sub Market Area	Richmond Airport Area
Type of Property	Office Building
Building Class & Age	Built 1986 Class B Office
Number of Floors	Four
Column Spacing	16 Ft x 16 Ft
Air Conditioning	Yes
Elevators	Two
Sprinklers	Yes
Signage	N/A
Kitchen/Lunchroom	Yes
Bathrooms	Two
Storage Area	No
Security	5 pm to 8 am
Property Manager	CTA Realty

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Lease Summary Report

Page 2. Financial Summary

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                                  Lease Summary                              May 31, 2011
                                   Capital Plaza                             Investor Pro
                                  306 CTA Realty        Lease Analysis Tenant Office Single Space

Financial Summary
Analysis Period: 10 years

                               Before Tax              After Tax
Total Net Cash Flow            $ 2,024,642             $ 1,178,492
Average Annual Net Cash Flow   $ 202,464               $ 117,849
Average Monthly Net Cash Flow  $ 16,872                $ 9,821

Average Rent Rates
Based on Rentable Area
   Average Effective Annual Rate    $ 34.32 Sq. Ft per Yr    $ 19.97 Sq. Ft per Yr
   Average Effective Monthly Rate   $ 2.86 Sq. Ft per Yr     $ 1.66 Sq. Ft per Yr
Based on Usable Area
   Average Effective Annual Rate    $ 38.94 Sq. Ft per Yr    $ 22.66 Sq. Ft per Yr
   Average Effective Monthly Rate   $ 3.24 Sq. Ft per Yr     $ 1.89 Sq. Ft per Yr

Net Present Value and Net Effective Rent
Net Present Value (NPV)        $ 1,175,200             $ 698,562
NPV Discount Rate              10.00%                  9.60%
Based on Rentable Area
   Net Effective Rent Yearly       $ 19.92 Sq. Ft per Yr    $ 11.84 Sq. Ft per Yr
   Net Effective Rent Monthly      $ 1.66 Sq. Ft per Yr     $ 0.99 Sq. Ft per Yr
Based on Usable Area
   Net Effective Rent Yearly       $ 22.60 Sq. Ft per Yr    $ 13.43 Sq. Ft per Yr
   Net Effective Rent Monthly      $ 1.88 Sq. Ft per Yr     $ 1.12 Sq. Ft per Yr
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Importing Images and photos

The following images can be imported into the project:

Company Logo
Personal Photograph (Appears on the "Title Page"
Building Photograph for the "Title Page"
Five photos or images which are displayed on the "Photo Gallery" along with the Title Page Photograph
Location Map
Aerial Map
Site Plan
Space Plan

Visit the Investit **Online Learning Center** to learn how to import photos and images.

**INSTRUCTIONS FOR ENTERING THE PROJECT INTO INVESTOR PRO**

Getting started
The first step is to open the Investor Pro Template "Lease Analysis Tenant Office Single Space" as follows:

1. Open Investor Pro.
2. Select the New Project Folder then select the Investit Template folder
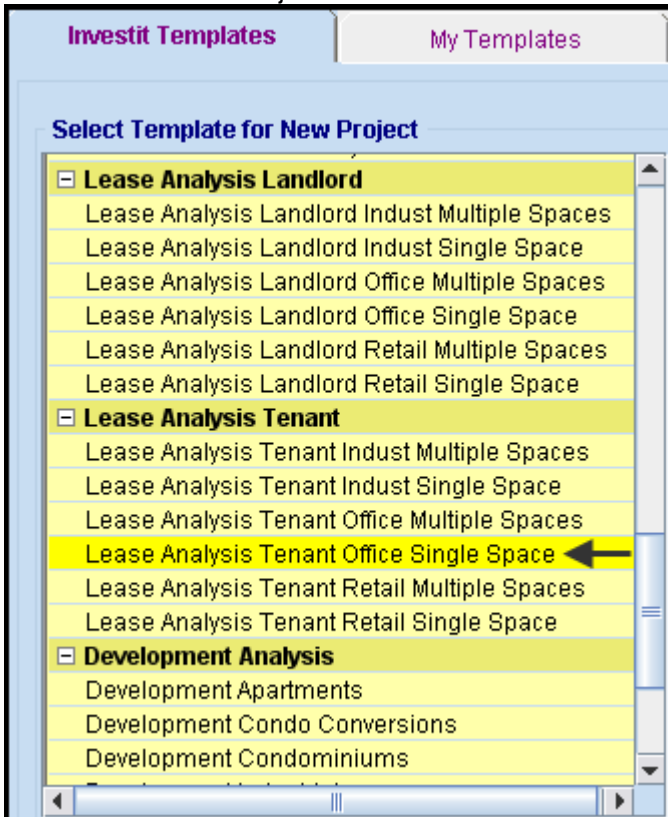
3. Select and open the Investit template "Lease Analysis Tenant Office Single Space" The analysis period dialog will open at this point.
4. Enter 10 years and click OK
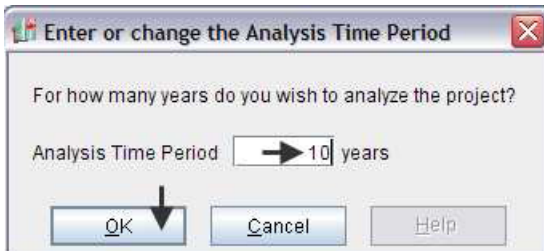
Entering the project data and information

PROJECT INFO Folder
1. Enter the Property Name: Capital Plaza
2. Enter Description: 306 CTA Realty
3. Enter the Rentable Area: 5,900 Sq. Ft
4. Enter the Usable Area: 5,200 Sq. Ft

TENANT Folder

1. Enter the Discount Rate Before Tax: 10.00%
   Notes: The Discount Rate is used to calculate the Net Present Value and Net Effective Rent. The program automatically calculates the Discount Rate After Tax

LEASEHOLD IMPROVEMENTS Folder
   First Row

1. Enter the Amount: $15,000

Your entries for the Leasehold improvements should look like this;

LEASING EXPENSES Folder

Base Rent
$26.00 per Unit of Tenant's Rentable Area per Yr paid monthly. Two terms of 5 years. Increase for the second term base on 3.00% compounding for five years

Free Rent
First two months. 100% of Base Rent

Additional Rent (TIM's)
$9.00 per Unit of Tenant's Rentable Area per Yr paid monthly for 12 months then increasing at 3.00% compounding per year. **Subject to a Recoverable Expense Cap** of $4,500 per month.

This means that the maximum Additional Rent (TIM's) the tenant will pay is $4,500 per month

1. Select row with Description 'Parking' and click on the delete button
2. Select row with Description 'Recoverable Expenses (TIM's)'
3. Click on the ⬛ Apply Cap or Stop button to access the Rent Cap & Stop dialog and select "Recov. Exp. Cap" and click Ok.

The completed screen

Project Info.	Tenant	Leasehold Improvements	Leasing Expenses	Sublease Revenue	Vacancy	Financing	Termination

Leasing Expenses

Description	Entry Choice	Qty	Year 1 Jan...	Year 1 Feb...	Year 1 Mar...	Year 1 .
Base Rent	$ per Unit of Total Rentable Area (Office) per Yr	5,900	$ 0.00	$ 0.00	$ 0.00	
Free Rent	% of Rent	—	0.00%	0.00%	0.00%	
Additional Rent (TIM's)	$ per Unit of Total Rentable Area (Office) per Yr	5,900	$ 0.00	$ 0.00	$ 0.00	
Recov. Exp. Cap	Amount	—	$ 0	$ 0	$ 0	

Using Projection Wizard enter and project the Base Rent

Enter the Free Rent Directly into the grid

Project Info.	Tenant	Leasehold Improvements	Leasing Expenses	Sublease Revenue	Vacancy	Financing	Termination

Leasing Expenses

Description	Entry Choice	Qty	Year 1 Jan...	Year 1 Feb...	Year 1 Mar...	Year 1 .
Base Rent	$ per Unit of Total Rentable Area (Office) per Yr	5,900	$ 26.00	$ 26.00	$ 26.00	$
Free Rent	% of Rent	—	100.00%	100.00%	0.00%	
Additional Rent (TIM's)	$ per Unit of Total Rentable Area (Office) per Yr	5,900	$ 0.00	$ 0.00	$ 0.00	
Recov. Exp. Cap	Amount	—	$ 0	$ 0	$ 0	

Using Projection Wizard enter and project the Recoverable Expenses (TIM's)

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Using Projection Wizard enter and project the Recoverable Expense Cap

SUBLEASE REVENUE Folder
The tenant has subleased 2,400 Sq. Ft of Suite 105

Base Rent: $27 per Sq Ft per year paid monthly for two years
Additional Rent: $9 per Sq Ft per year paid monthly for two years

1. Select row with Description 'Parking' and click on the delete button
2. Select row with Description 'Additional Rent (TIM's)'
3. Click on the [Apply Cap or Stop] button to access the Rent Cap & Stop dialog and select "Rent Cap" and click Ok.

4. Enter Qty as follows;

Project Info.	Tenant	Leasehold Improvements	Leasing Expenses	Sublease Revenue	Vacancy	Financing	Termination

Sublease Revenue

Description	Entry Choice	Qty	Year 1 Jan...	Year 1 Feb...	Year 1 Mar...	Year 1 .
Base Rent	$ per Sq. Ft per Yr	2,400	$ 0.00	$ 0.00	$ 0.00	
Free Rent	% of Rent	—	0.00%	0.00%	0.00%	
Additional Rent (TIM's)	$ per Sq. Ft per Yr	2,400	$ 0.00	$ 0.00	$ 0.00	
Rent Cap	Amount	—	$ 0	$ 0	$ 0	

Using Projection Wizard enter and project the Base Rent

Projection Wizard

Entry Information

Description: Base Rent

Entry Choice: $ per Sq. Ft per Yr

Projections

Paid	Project Entry Using...	Entry	Year	Month	To End	Yrs	Mos	Increase	Cont. Proj
Monthly for 12 Months	Constant (Fill Right)	$ 27.00	Year 1	Jan	☐	2	0		☐

Select   *Select*   *Enter*   *Select*

Using Projection Wizard enter and project the Additional Rent (TIM's)

Projection Wizard

Entry Information

Description: Additional Rent (TIM's)

Entry Choice: $ per Sq. Ft per Yr

Projections

Paid	Project Entry Using...	Entry	Year	Month	To End	Yrs	Mos	Increase	Cont. Proj
Monthly for 12 Months	Constant (Fill Right)	$ 9.00	Year 1	Jan	☐	2	0		☐

Select   *Select*   *Enter*   *Select*

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VACANCY Folder
This analysis assumes no sublease vacancies

Select the Financing tab

FINANCING Folder
  Mortgage (Borrowing)
  Money borrowed by the tenant to fund tenant and other improvements associated with the space being rented

      Description: Bank Loan for Improvements
      Commencing: Year 1 January 1
      Type: Standard Mortgage
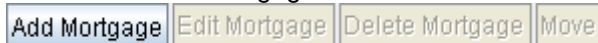   Amount: $15,000
      Time Period: 5 years
      Amortization: 5 years
      Nominal Interest Rate: 7.00%
      Compounding Frequency: Monthly

Setting up a mortgage
    1. Click on the Add Mortgage button

    Add Mortgage | Edit Mortgage | Delete Mortgage | Move

    2. Amount box: $15,000
    3. Description box: "Bank Loan for Improvements"
    4. Time Period box: 5 Years
    5. Amortization box: 5 Years
    6. Nominal Interest Rate box: 7.00%

The mortgage dialog should look like this;

7. Press the [Compute] button
8. Press the OK button

The Financing Folder should now look like this;

TERMINATION Folder
Cost incurred by the tenant at the end of the lease for cleaning up the two spaces.

Cleanup and restoration costs $10,000

The Termination Expenses should appear like this;

Entering the Termination Costs
 1. Expense column: $10,000

The Termination Expenses should now appear as;

SAVE YOUR PROJECT

CHECKING YOUR ENTRIES
You can compare your project against the Investit example "Lease Analysis Tenant Office Single Space"