### 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.

🔟 Investor Pro Lease Analysis Tenant Office Single Space Pro							
Eile   Edit   Reports   Tools   Utilites   Investit   Activation   Help     D   D   D   D   D   My Company Info.	Property Info. Tenancy Info.	Client Info. Notes					
Project Info. Tenant Leasehold Leasing Improvements Expenses	Sublease Revenue Vacancy	Financing Termination					

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

### Lease Information entries for the example

Tenancy Information						
Lease Information		Office Space Building Attributes				
Suite Number and Floor Type of Lease Start Date Expiration Date Lease Term Renewal Options Starting Lease Rate Rent Escalation Steps Free Rent Rent Cap Starting Recov. Expenses Expense Cap or Stop	306 Third Floor Triple Net 01/01/2011 mm/dd/yyyy 12/31/2015 mm/dd/yyyy Five years Option to renew for another five years \$26.00 per Sq. Ft per Yr No First two months No \$9.00 per Sq. Ft per Yr Expense Cap \$4,500 per Month	Other Monthly Starting Costs Parking Ratio Reserved Parking No. & Rate Unreserved Parking No. & Rate Total Moving Costs TI Allowances by Landlord TI's paid by Tenant Other Allowances by Landlord	No       N/A       No       Free. Six spaces       N/A       No       \$15,000       N/A			
	<u>0</u> K <u>C</u> a	ncel <u>H</u> elp				

## Building Attribute entries for the example

Tenancy Informat	ion		
	Lease Information	$\rightarrow$	Office Space Building Attributes
Sub Market Area	Richmond Airport Area	Property Manager	CTA Realty
Type of Property	Office Building	Comment	
Building Class & Age	Built 1986 Class B Office		
Number of Floors	Four		
Column Spacing	16 Ft × 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		
	<u>0</u> K <u>C</u> ai	ncel H	eip

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

	<b>Lease Summar</b> Capital Plaza 306 C TA Realty	Investor Pro
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%	And and an other strength and the state of the strength and the state of the state
Type of Lease	Triple Net	A Discourse of the Address of the
Start Date	Jan/01/2011	
Expiration D ate	Dea/31/2015	
Lease Term	Five years	Capital Plaza
Renewal Options	Option to renew for another five years	M
Starting Lease Rate	\$28.00 per Sq. Ftper Yr	
Rent Escalation Steps	No	
Free Rent	First two months	$\square \square \square \blacksquare \blacksquare \blacksquare \blacksquare \square \square$
RentCap	No	
Starting Recov. Expenses	\$9.00 per Sq. Ft per Yr	바람수의 1556
Expense Cap or Stop	Expense Cap \$4,500 per month	
Other Monthly Starting Costs	No	
Parking Ratio	N/A	[2 5] <u>2M</u> YPI KITS 21
Reserved Parking No. & Rate	No	heuropean and
Unreserved Parking No. & Rate		
Total Moving Costs	N/A	
TI Allowance by Landlord TI's paid by Tenant	No \$15.000	Floor Plan
Other Allowances by Landlord	\$15,000 N/A	have been and the second second lines
Other Allowances by Landord	N/A	William Parker William William Re
Building Attributes		a mar a far an and a state of the state of t
Sub Market Area	Richmond Airport Area	
Type of Property	Office Building	San and the set of the second se
Building Class & Age	Built 1986 Class B Office	
Number of Floors	Four	
Column Spacing	16 Ft × 16 Ft	" A New Wildow Wildow
Air Conditioning	Yes	A REAL PROPERTY AND ADDRESS OF THE PARTY OF THE
Elevators	Two	Aller Hiles
Sprinklers	Yes	the same many second on a second seco
Signage	N/A	Great location
Kitchen/Lunchroom	Yes	
Bathrooms	Τωο	
Storage Area	No	
Security	5 pm to 8 am	
Property Manager	CTA Realty	
r topenty Manager	o raneary	

### Lease Summary Report

#### Page 2. Financial Summary

	<b>Lease Summary</b> Capital Plaza 306 CTA Realty		May 31, 2011 Investor Pro Lease Analysis Tenant Office Single Space
Financial Community			
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. Ftper Yr	\$ 1.66 Sq. Ftper 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. Ftper Yr	\$1.89 Sq. Ftper Yr	
Net Present Value and Net Effectiv	e 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. Ftper Yr	\$ 0.99 Sq. Ftper Yr	
Based on Usable Area			
Net Effective R ent Yearly	\$ 22.60 Sq. Ft per Yr	\$ 13.43 Sq. Ft per Yr	
Net Effective R ent Monthly	\$ 1.88 Sq. Ftper Yr	\$ 1.12 Sq. FtperYr	

### 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

Investit Templates	My Templates
Select Template for New	Project
🖃 Lease Analysis Landlo	rd 📤
Lease Analysis Landlo	rd Indust Multiple Spaces
Lease Analysis Landlo	rd Indust Single Space
	rd Office Multiple Spaces
Lease Analysis Landlo	
	rd Retail Multiple Spaces
Lease Analysis Landlo	
E Lease Analysis Tenan	
	Indust Multiple Spaces
Lease Analysis Tenant	
	Office Multiple Spaces
Lease Analysis Tenant	
Lease Analysis Tenant	Retail Multiple Spaces
Development Analysis	
Development Apartme	
Development Condo C	
Development Condom	

- 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

or how many years do you wi	sh to analyze the project
nalysis Time Period 🛛 🗕 🗕 🗕	10 years
Analysis Time Period 📃 🔶	▶10 years

## 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

Project Info.	Tenant Leasehold Leasing Improvements Expenses	Sublease Vacancy Financing Termination
Entry Inform Enter Reven Starting Date	me Capital Plaza	

### **TENANT Folder**

 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

Project Info.	Landlord	Leasehold Improvements	Expenses
Turn off Ta	x Calculations		
Invector's Ma	rginal Tax Rate	. 42	2.00% 🔶
	-	- 42	
Discount Rat	e		
Before Tax		10	
After Tax		9	0.60%

### LEASEHOLD IMPROVEMENTS Folder

First Row

1. Enter the Amount: \$15,000

Your entries for the Leasehold improvements should look like this;

Project Landlord Leaseho Info.	E	nses	Rever	ue Vacancy	Finan	ing )	Terminatio
CCA Claim Option: Full CCA Claim							
Inflate				CCA CIa	iim Settir	ıg	
Description	Amount	Year	Month	CCA Class	CCA Rate	First Year	Claim CCA in Last Year
Leasehold Improvements	\$ 15,000	Year1 🗾	Jan 🗾	Building 🗾	4.00%	50.00%	<b>V</b>
	Enter			Ť			

### 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.

Caps & Stops	X
Select C Rent Cap •• Recoverable Expense Cap (Tenant pays expenses up to the Cap) C Recoverable Expense Stop (Landlord pays expenses up to the Stop)	
OK <u>Cancel</u> Help	

The completed screen

Project Info.	Tenant	nt Leasehold Leasing Improvements Expenses			ublease evenue	Vacancy	/ Finar	icing Ter	Termination	
- Leasing Expenses -										
Description		Entry C	hoice		Qty	Year 1 Jan	Year 1 Feb	Year 1 Mar	Year 1 .	
Base Rent	\$p	er Unit of Total Rentable	Area (Office) per	Yr 🖃	5,900	\$ 0.00	\$ 0.00	\$ 0.00		
Free Rent	% (	of Rent		<u> </u>	—	0.00%	0.00%	0.00%		
Additional Rent (TIM's)	\$p	\$ per Unit of Total Rentable Area (Office) per Yr		Yr 🗾	5,900	\$ 0.00	\$ 0.00	\$ 0.00		
Recov. Exp. Cap	Am	iount		+	—	\$0	\$0	\$0		

Using Projection Wizard enter and project the Base Rent

Projection Wizard	
Entry Information	
Description: Base Rent	
Entry Choice: \$ per Unit of Total Rentable Area (Office) per Yr	
Projections	
Select Start Date Time Period	
Paid Project Entry Entry Using Term Year Month To End Yrs Mos Increase C	Cont. Proj.
Monthly 🔽 Stepped Proj. (Lease) 🔽 \$26.00 1 Year 1 🔟 Jan 🔍 —> 5 🔽 0 🔟 3.00%	
2 Year 6 Jan V 5 0 V	
Enter Check Enter	
Stepped Projection	
New value at "End of Term" based on:	
Annual Compounding Rate Increase	
C Enter Value	
C \$ Increase	
C % Increase L	
No. of Time Periods: 2	
Show Example ->	

## Enter the Free Rent Directly into the grid

Project Info.	Tenar	it 🗍	Leasehold Improvements	Leasing Expenses		ublease levenue	Vacancy	y Finar	icing Ter	mination
Leasing Expense	es									
Descripti	ion		Entry C	Choice		Qty	Year 1 Jan	Year 1 Feb	Year 1 Mar	Year 1 .
Base Rent		\$ per L	Init of Total Rentable	e Area (Office) per	Yr 🖃	5,900	\$ 26.00	\$ 26.00	\$ 26.00	\$
Free Rent		% of R	ent		<u> </u>	—	<b>&gt;</b> 100.00%		0.00%	
Additional Rent (TI	M's)	\$ per L	Init of Total Rentable	e Area (Office) per	Yr 🗾	5,900	\$ 0.00	\$ 0.00	\$ 0.00	
Recov. Exp. Cap	р	Amoun	t		+	—	\$0	\$0	\$0	

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

👍 Projection	🖢 Projection Wizard								
Entry Information	Entry Information								
Description: R	Description: Recoverable Expenses (TIM's)								
Entry Choice: \$	per Unit of Total Rentable Area (	(Office) per Yr							
Projections									
		1	Start Date Time Period						
Paid	Project	Estru	Year	Month	То	Yrs	Mos	Increase	Cont. Proj.
Paid	Entry Using	Entry	rear	Month	End	rrs	MOS	Increase	Cont. Proj.
Monthly for 12 Mon	ths 🔄 Annual Compounding 🛛 🔄	\$ 9.00	Year 1 🗾	Jan 🗾		10 🖃	0 🔳	3.00%	
Select	Select	Enter		Chec				Enter	

Using Projection Wizard enter and project the Recoverable Expense Cap

🔟 Projection Wiza	Projection Wizard								
Entry Information	Entry Information								
Description: Recove	Description: Recoverable Expense Cap								
Entry Choice: Amount									
Projections									
			Start	Date	Ti	me Per	iod		
Paid	Project Entry Using	Amount	Year	Month	To End	Yrs	Mos	Increase	Cont. Proj
Monthly for 12 Months 🗾	Constant (Fill Right) 📃 🗾	\$ 4,500	Year 1 👱	Jan 🗾		10 🖃	0 🗾		
Select	Select	Enter		Chec	k			Enter 1	

### 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.

Caps & Stops	X
Select  Rent Cap  Select  Recoverable Expense Cap (Tenant pays expenses up to the Cap)  Recoverable Expense Stop (Landlord pays expenses up to the Stop)	
OK Cancel Help	

4. Enter Qty as follows;

Project Info.	Tenar	nt Leasehold Improvements	Leasing Expenses		iblease evenue	Vacancy	/ Finar	icing Ter	mination
- Sublease Rever	Sublease Revenue								
Descript	tion	Entry Cł	hoice		Qty	Year 1 Jan	Year 1 Feb	Year 1 Mar	Year1.
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 (T	'Mʻs)	\$ 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									
L P	Entry Information									
	Description: Base Rent									
	Entry Choice: \$ per Sc	ą. Ft per Yr								
F	Projections									
				Start	Date	Ti	me Per	iod		
	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 🗾	Γ	2 🖃	0 🖃		
	Select :	Select	Enter		Se	lect	1			

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

b Projection Wiza	2 Projection Wizard								
- Entry Information	Entry Information								
Description: Additional Rent (TIM's)									
Entry Choice: \$ per Sc	λ. Ft per Yr								
Projections		r							
			Start (	Date	Tir	me Peri	od		
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		Se	lect	1			

### 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%

Mortgage Details		r Terms a	nd Amortiz	ation Details	5		
Analysis Period: Year 1 Jan to Year 10 Dec		No of (	Balloon) Ter	ms 1	}		
Commencing Year 1 💌 Month January	-		Time F	Period	Amort	ization	
Type Standard Mortgage	- -	Term No	Years	Months	Years	Months	Nominal Interest Rate
Amount +\$ 15,000 Interest Rate Fixe	d 🔻	1		0		0	<b>&gt;</b> 7.000%
Description Bank Loan for Improvements							
		L					
Mortgage Settings							
Payment Frequency Monthly	<b>_</b>						
Additional Payments/Borrowing 🛛 🔲							
Payment Rounded Up to Nearest Cen	t 🖃						
Compounding Frequency Semi-annually	-						

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;

Г	Mortgage (Borrowing)						
	Description			Туре		Amount	Start Date
	Bank Loan for Improvements		Standard Mortga	ge		\$ 15,000	Year 1 Jan
		Add Mortgage	Edit Mortgage	Delete Mortgage	Move		

### **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;

Termination Expenses	
Description	Expense
Cleanup and restoration costs	\$0
Add Insert De	elete Move

Entering the Termination Costs

1. Expense column: \$10,000

The Termination Expenses should now appear as;

Termination Expenses				
Description	Expense			
Cleanup and restoration costs	\$ 10,000			
Add Insert De	elete Move			

### SAVE YOUR PROJECT

### **CHECKING YOUR ENTRIES**

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