

**LEASE ANALYSIS TENANT RETAIL CND EXAMPLE  
TENANT RENTING SINGLE SPACE**

**INTRODUCTION**

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

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

This comprehensive Tenant Retail example uses all the lease features including entering a lease with Free Rent, % Rent and the application of Rent Caps and Recoverable Expense Caps and Stops.

Sport's Affair is considering leasing Unit 105  
Gross Leaseable Area (GLA): 7,000 Sq. Ft

This practice example consists of two sections;

1. The input information for the project
2. The instructions for entering the data

**PROJECT INFO. Folder**

Property Name: Park Royal Village  
Description: Unit 105 Sport's Affair  
Starting Date: 2011 Jan  
Analysis Period: 10 Years  
Gross Leasable Area (GLA): 7,000 Sq. ft

**TENANT Folder**

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

**LEASEHOLD IMPROVEMENTS Folder**

Description: Leasehold Improvements  
Amount: \$25,000  
Year 1 Jan  
CCA Class: Building

**LEASING EXPENSES Folder**

**Base Rent**

\$26.00 per Unit of Tenant's GLA Area per Yr paid monthly. Two terms of 5 years. Increase for the second term based on 3.00% compounding for five years

**Free Rent**

First two months. 100% of Base Rent

**% Rent**

6.00% of retail sales

**Retail Sales** for the first year are as follows;

<b>Year 1</b>	<b>Retail Sales</b>
Jan	\$200,000
Feb	\$200,000
Mar	\$200,000
Apr	\$300,000
May	\$300,000
June	\$400,000
July	\$400,000
Aug	\$400,000
Sept	\$300,000
Oct	\$300,000
Nov	\$300,000
Dec	\$500,000

The retail sales are projected to increase at 4.00% compounding per year for remaining 9 years.

**Additional Rent (TIM's)**

\$9.00 per Unit of Tenant's GLA per Yr paid monthly for 12 months then increasing at 4.00% compounding per year. **Subject to a Recoverable Expense Cap** of \$6,000 per month. This means that the maximum Additional Rent (TIM's) the tenant will pay is \$6,000 per month.

**SUBLEASE REVENUE Folder**

2,400 Sq. Ft has been subleased for two years as follows;

Base Rent: \$27 per Sq Ft per Year for two Years

Additional Rent: \$9.00 Sq. Ft per Yr for two years

### VACANCY Folder

The analysis assumes no vacancy for the subleased space

### FINANCING Folder

#### 1. Mortgage (Borrowing)

Money borrowed by the tenant for leasehold improvements etc.

Description: Bank Loan for Improvements

Commencing: Year 1 January

Type: Standard Mortgage

Amount: \$25,000

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 \$15,000

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.



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

### Lease Information entries for the example

**Tenancy Information** [Close]

→ Lease Information      Retail Space Building Attributes

Suite Number and Floor	105	Other Monthly Starting Costs	No
Type of Lease	Triple Net	Parking Ratio	N/A
Start Date	01/01/2011 ... mm/dd/yyyy	Reserved Parking No. & Rate	No
Expiration Date	12/31/2015 ... mm/dd/yyyy	Unreserved Parking No. & Rate	Unlimited. Free staff parking
Lease Term	Five Years	Total Moving Costs	N/A
Renewal Options	Option to renew for another five years	TI Allowances by Landlord	No
Starting Lease Rate	\$26.00 per Sq. Ft per Year	TI's paid by Tenant	\$25,000
Rent Escalation Steps	No	Other Allowances by Landlord	N/A
Free Rent	First two months		
Rent Cap	No		
Starting Recov. Expenses	\$9.00 per Sq. Ft per Yr		
Expense Cap or Stop	Recov. Expense Cap \$6,000 per month		
Percentage Rent	6.00%		

OK      Cancel      Help

**Building Attribute entries for the example**

**Tenancy Information** [Close]

Lease Information      → Retail Space Building Attributes

Sub Market Area	Kingsland	Security	Evenings
Type of Property	Strip Retail	Property Manager	PAC Management
Building Class & Age	Built 1896	Comment	
Site Location	On busy main road		
Anchor Tenants	Vons Supermarket		
Traffic Count	32,400 vehicles per day		
Column Spacing	18 Ft x 16 Ft		
Air Conditioning	Yes		
Sprinklers	Yes		
Signage	Pole & Store signs		
Kitchen/Lunchroom	Yes		
Bathrooms	One		
Storage Area	15 feet x 15 feet		

OK      Cancel      Help

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 Summary</b>		May 31, 2011
Park Royal Village Unit 105 Sport's Affair		Investor Pro
		Lease Analysis Tenant Retail Single Space
<b>Park Royal Village</b>		
Macleod Trail & 75th Ave SW		
Calgary		
Alberta		
Unit Number & Floor	105	 <p style="text-align: center;">Park Royal Village</p>  <p style="text-align: center;">Located on busy Macleod trail</p>
Total Rentable Area	7,000 Sq. Ft	
Type of Lease	Triple Net	
Start Date	Jan01/2011	
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 Year	
Rent Escalation Steps	No	
Free Rent	First two months	
Rent Cap	No	
Percentage Rent	6.00%	
Starting Recov. Expenses	\$9.00 per Sq. Ft per Yr	
Expense Cap or Stop	Recov. Expense Cap \$6,000 per month	
Other Monthly Starting Costs	No	
Parking Ratio	N/A	
Reserved Parking No. & Rate	No	
Unreserved Parking No. & Rate	Unlimited. Free staff parking	
Total Moving Costs	N/A	
TI Allowance by Landlord	No	
TI's paid by Tenant	\$25,000	
Other Allowances by Landlord	N/A	
<b>Building Attributes</b>		
Sub Market Area	Kingsland	
Type of Property	Strip Retail	
Building Class & Age	Built 1996	
Site Location	On busy main road	
Anchor Tenants	Vons Supermarket	
Traffic Count	32,400 vehicles per day	
Column Spacing	18 Ft x 16 Ft	
Air Conditioning	Yes	
Sprinklers	Yes	
Signage	Pole & Store signs	
Kitchen/Lunchroom	Yes	
Bathrooms	One	
Storage Area	15 feet x 15 feet	
Security	Evenings	
Property Manager	PAC Management	

**Lease Summary Report**

**Page 2. Financial Summary**

		<b>Lease Summary</b>		May 31, 2011
		Park Royal Village		Investor Pro
		Unit 105 Sport's Affair		Lease Analysis Tenant Retail Single Space
Financial Summary				
Analysis Period: 10 years				
		<u>Before Tax</u>	<u>After Tax</u>	
Total Net Cash Flow		\$ 3,277,487	\$ 1,907,248	
Average Annual Net Cash Flow		\$ 327,750	\$ 190,725	
Average Monthly Net Cash Flow		\$ 27,312	\$ 15,894	
Average Rent Rates				
Based on Rentable Area				
Average Effective Annual Rate	\$ 45.82 Sq. Ft per Yr	\$ 27.25 Sq. Ft per Yr		
Average Effective Monthly Rate	\$ 3.90 Sq. Ft per Yr	\$ 2.27 Sq. Ft per Yr		
Net Present Value and Net Effective Rent				
Net Present Value (NPV)	\$ 1,906,512	\$ 1,132,990		
NPV Discount Rate	10.00%	9.60%		
Based on Rentable Area				
Net Effective Rent Yearly	\$ 27.24 Sq. Ft per Yr	\$ 16.19 Sq. Ft per Yr		
Net Effective Rent Monthly	\$ 2.27 Sq. Ft per Yr	\$ 1.35 Sq. Ft per Yr		

**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

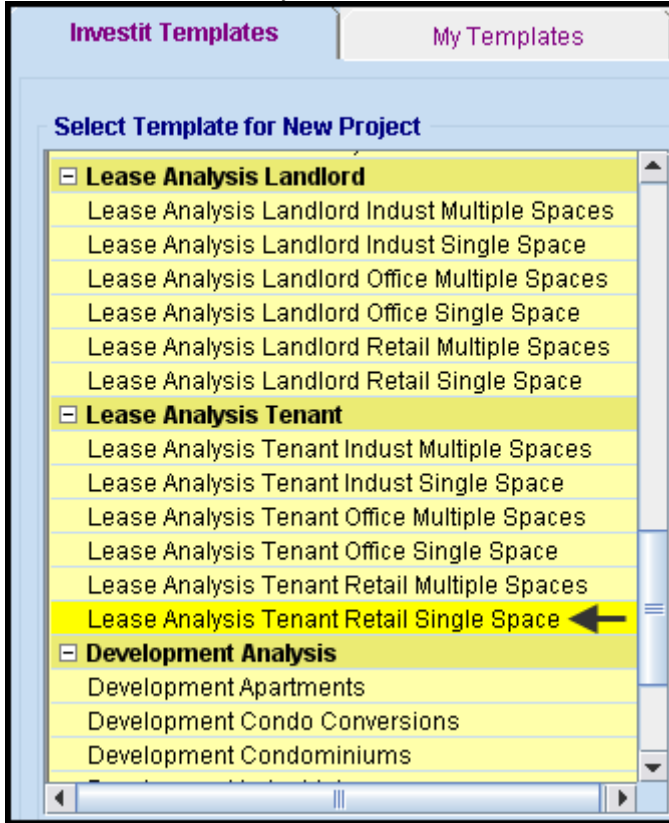
Visit the Investit **Online Learning Center** to learn how to import photos and images.

## INSTRUCTIONS FOR ENTERING THE PROJECT INTO INVESTOR PRO

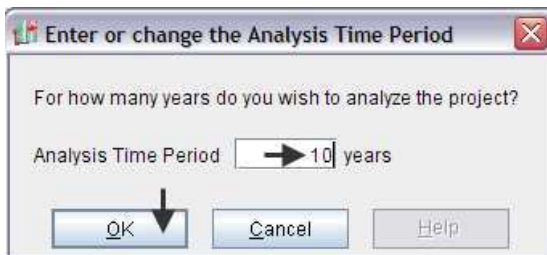
### Getting started

The first step is to open the Investor Pro Template “Lease Analysis Tenant Retail Single Space” as follows:

1. Open Investor Pro.
2. Select the New Project Folder then select the Investit Templates folder



3. Select and open the Investit template “Lease Analysis Tenant Retail 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: Park Royal Village
2. Enter Description: Retail Lease Analysis Tenant Perspective

The screenshot shows the 'Project Info' folder with several sections:

- Report Headers:** Property Name: Park Royal Village, Description: Unit 105 Sport's Affair.
- Analysis Time Period:** 10 Years, with a 'Change Analysis Time Period' button.
- Entry Information:** Enter Revenue and Expenses: Monthly, Starting Date: January Year 1, with a 'Change Entry Information' button.
- Tenant:** Retail, Gross Leaseable Area (GLA): 7,000 Sq. Ft.
- Buttons:** 'Edit Unit of Measure' is located at the bottom left.

### TENANT Folder

1. Enter the Investor's Marginal Tax Rate: 42.00%
  2. 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

The screenshot shows the 'Tenant' folder with the following fields:

- Turn off Tax Calculations
- Investor's Marginal Tax Rate: 42.00%
- Discount Rate:**
  - Before Tax: 10.00%
  - After Tax: 9.60%



**LEASEHOLD IMPROVEMENTS Folder**

First Row

1. Enter the Amount: \$25,000

Your entries for the Leasehold improvements should look like this;

CCA Claim Option: Full CCA Claim

**Leasehold Improvements**

Inflate

Description	Amount	Year	Month	CCA Class	CCA Rate	First Year	Claim CCA in Last Year
Leasehold Improvements	\$ 25,000	Year 1	Jan	Building	4.00%	50.00%	<input checked="" type="checkbox"/>

Enter ↑

**Leasing EXPENSES Folder**

**Base Rent**

\$26.00 per Unit of Tenant's GLA Area per Yr paid monthly. Two terms of 5 years. Increase for the second term based on 3.00% compounding for five years

**Free Rent**

First two months. 100% of Base Rent

**% Rent**

6.00% of retail sales

**Retail Sales** for the first year are as follows;

Year 1	Retail Sales
Jan	\$200,000
Feb	\$200,000
Mar	\$200,000
Apr	\$300,000
May	\$300,000
June	\$400,000
July	\$400,000
Aug	\$400,000
Sept	\$300,000
Oct	\$300,000
Nov	\$300,000
Dec	\$500,000

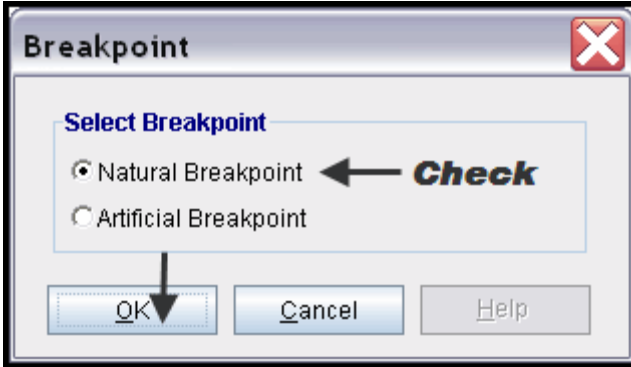
The retail sales are projected to increase at 4.00% compounding per year for remaining 9 years.

**Additional Rent (TIM's)**

\$9.00 per Unit of Tenant's GLA per Yr paid monthly for 12 months then increasing at 4.00% compounding per year. **Subject to a Recoverable Expense Cap** of \$6,000 per month. This means that the maximum Additional Rent (TIM's) the tenant will pay is \$6,000 per month.

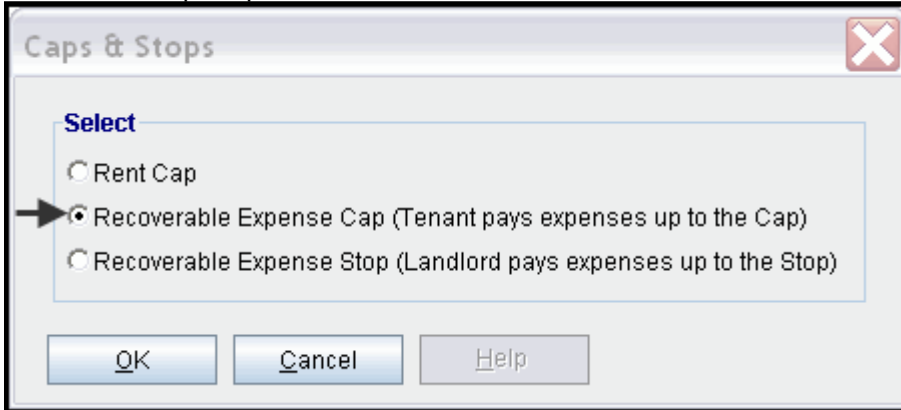
1. Select row 1 'Base Rent' and click on the

Apply % Rent



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.



4. Select row with Description 'Parking' and click on the delete button

The completed screen

Project Info.	Tenant	Leasehold Improvements	Leasing Expenses	Sublease Revenue	Vacancy	Financing	Termination
<b>Leasing Expenses</b>							
Description	Entry Choice	Qty	Year 1 Jan...	Year 1 Feb...	Year 1 Mar...	Year 1...	
Base Rent	\$ per Unit of Total Gross Leasable Area per Yr	7,000	\$ 0.00	\$ 0.00	\$ 0.00		
% Rent		—	0.00%	0.00%	0.00%		
Retail Sales	Amount	—	\$ 0	\$ 0	\$ 0		
Free Rent	% of Rent	—	0.00%	0.00%	0.00%		
Additional Rent (TIM's)	\$ per Unit of Total Gross Leasable Area per Yr	7,000	\$ 0.00	\$ 0.00	\$ 0.00		
Recov. Exp. Cap	Amount	—	\$ 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 Gross Leasable Area per Yr

**Projections**

Paid	Project Entry Using...	Entry	Term	Start Date		Time Period			Increase	Cont. Proj
				Year	Month	To End	Yrs	Mos		
Monthly	Stepped Proj. (Lease)	\$ 26.00	1	Year 1	Jan	5	0	3.00%		
			2	Year 6	Jan	5	0			

**Stepped Projection**

New value at "End of Term" based on:

- Annual Compounding Rate Increase
- Enter Value
- \$ Increase
- % Increase

No. of Time Periods:

Show Example ->

Buttons: OK, Cancel, Help

Using Projection Wizard enter and project the % Rent

**Projection Wizard**

**Entry Information**  
 Description: % Rent  
 Entry Choice: % Rent

**Projections**

Enter	Project Entry Using...	%	Start Date		Time Period			Increase	Cont. Proj
			Year	Month	To End	Yrs	Mos		
Monthly for 12 Months	Constant (Fill Right)	6.00%	Year 1	Jan	10	0			

Using Projection Wizard enter and project the Retail Sales

**Projection Wizard**

**Entry Information**

Description: % Rent: Retail Sales

Entry Choice: Amount

**Projections**

Paid	Project Entry Using...	Amount	Start Date		Time Period			Increase	Cont. Proj.
			Year	Month	To End	Yrs	Mos		
Monthly for 12 Months	Enter Yr. by the Month		Year 1	Jan	<input type="checkbox"/>				<input type="checkbox"/>
	Annual Compounding		Year 2	Jan	<input checked="" type="checkbox"/>	9	0	4.00%	<input type="checkbox"/>

**Enter Year by the Month**

Starting Year: Year 1

Starting Month: Jan

Month	Amount
Year 1 - Jan	200,000
Year 1 - Feb	200,000
Year 1 - Mar	200,000
Year 1 - Apr	300,000
Year 1 - May	300,000
Year 1 - Jun	400,000
Year 1 - Jul	400,000
Year 1 - Aug	400,000
Year 1 - Sep	300,000
Year 1 - Oct	300,000
Year 1 - Nov	300,000
Year 1 - Dec	500,000
Total	3,800,000

Buttons: OK, Cancel, Help

Enter the Free Rent directly into the grid

Project Info.	Tenant	Leasehold Improvements	Leasing Expenses	Sublease Revenue	Vacancy	Financing	Termination
<b>Leasing Expenses</b>							
Description	Entry Choice	Qty	Year 1 Jan...	Year 1 Feb...	Year 1 Mar...	Year 1 ...	Year 1 ...
Base Rent	\$ per Unit of Total Gross Leasable Area per Yr	7,000	\$ 26.00	\$ 26.00	\$ 26.00	\$	\$
% Rent		—	6.00%	6.00%	6.00%		
Retail Sales	Amount	—	\$ 200,000	\$ 200,000	\$ 200,000	\$ 300,000	\$ 300,000
Free Rent	% of Rent	—	100.00%	100.00%	0.00%		
Additional Rent (TIM's)	\$ per Unit of Total Gross Leasable Area per Yr	7,000	\$ 0.00	\$ 0.00	\$ 0.00		
Recov. Exp. Cap	Amount	—	\$ 0	\$ 0	\$ 0		

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

**Projection Wizard**

**Entry Information**  
 Description: Recoverable Expenses (TIM's)  
 Entry Choice: \$ per Unit of Total Gross Leasable Area per Yr

**Projections**

Paid	Project Entry Using...	Entry	Start Date		Time Period			Increase	Cont. Proj
			Year	Month	To End	Yrs	Mos		
Monthly for 12 Months	Annual Compounding	\$ 9.00	Year 1	Jan	<input checked="" type="checkbox"/>	10	0	4.00%	

**Select** ↑      **Select** ↑      **Enter** ↑      **Check** ↑      **Enter** ↑

Using Projection Wizard enter and project the Recoverable Expense Cap

**Projection Wizard**

**Entry Information**  
 Description: Recoverable Expense Cap  
 Entry Choice: Amount

**Projections**

Paid	Project Entry Using...	Amount	Start Date		Time Period			Increase	Cont. Proj
			Year	Month	To End	Yrs	Mos		
Monthly for 12 Months	Constant (Fill Right)	\$ 6,000	Year 1	Jan	<input checked="" type="checkbox"/>	10	0		

**Select** ↑      **Select** ↑      **Enter** ↑      **Check** ↑

**SUBLEASE REVENUE Folder**

2,400 Sq. Ft has been subleased for two years as follows;

Base Rent: \$27 per Sq Ft per Year for two Years  
 Additional Rent: \$9.00 Sq. Ft per Yr for two years

1. Select row with Description 'Parking' and click on the delete button
2. Enter Qty as follows

Project Info.	Tenant	Leasehold Improvements	Leasing Expenses	<b>Sublease Revenue</b>	Vacancy	Financing	Termination
<b>Sublease Revenue</b>							
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		

3. 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	Start Date		Time Period			Increase	Cont. Proj.
			Year	Month	To End	Yrs	Mos		
Monthly for 12 Months	Constant (Fill Right)	\$ 27.00	Year 1	Jan	<input type="checkbox"/>	2	0		<input type="checkbox"/>

*Select* ↑ *Select* ↑ *Enter* ↑ *Select* ↑

4. 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	Start Date		Time Period			Increase	Cont. Proj.
			Year	Month	To End	Yrs	Mos		
Monthly for 12 Months	Annual Compounding	\$ 9.00	Year 1	Jan	<input type="checkbox"/>	2	0	4.00%	<input type="checkbox"/>

*Select* ↑ *Select* ↑ *Enter* ↑ *Select* ↑ *Enter* ↑

**VACANCY Folder**

This analysis assume no vacancies for the subleased space

**FINANCING Folder**

**Mortgage (Borrowing)**

Money borrowed by the tenant perhaps for leasehold improvements.

- Description: Bank Loan for Improvements
- Commencing: Year 1 January
- Type: Standard Mortgage
- Amount: \$25,000
- Time Period: 5 years
- Amortization: 5 years
- Nominal Interest Rate: 7.00%
- Compounding Frequency: Monthly

Setting up a mortgage

1. Click on the Financing folder tab
2. Click on the Add Mortgage button



3. Amount box: \$25,000
4. Description box: "Bank Loan for Improvements"
5. Time Period box: 5 Years
6. Amortization box: 5 Years
7. Nominal Interest Rate Box: 7.00%

The Mortgage dialog should look like this;

**Mortgage**

**Mortgage Details**

Analysis Period: Year 1 Jan to Year 10 Dec

Commencing Year 1 Month January

Type Standard Mortgage

Amount \$25,000 Interest Rate Fixed

Description Bank Loan for Improvements

**Mortgage Settings**

Payment Frequency Monthly

Additional Payments/Borrowing

Payment Rounded Up to Nearest Cent

Compounding Frequency Semi-annually

**Terms and Amortization Details**

No of (Balloon) Terms 1

Term No	Time Period		Amortization		Nominal Interest Rate
	Years	Months	Years	Months	
1	5	0	5	0	7.000%

OK Compute Fill Down Cancel Help Comments

8. Press the **Compute** button
9. Press the OK button

The Financing folder should now look like this;

**Mortgage (Borrowing)**

Description	Type	Amount	Start Date
Bank Loan for Improvements	Standard Mortgage	\$25,000	Year 1 Jan

Add Mortgage Edit Mortgage Delete Mortgage Move

10. Click on the Termination Tab

### TERMINATION EXPENSES

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

Cleanup and restoration costs \$15,000

The Termination Expenses should appear like this;

Termination Expenses		
Description	Expense	Esc. Rate
Cleanup and restoration costs	\$ 0	

Add Insert Delete Move

Entering the Termination Costs

1. Expense column: \$15,000

The Termination Expenses should now appear as;

Termination Expenses		
Description	Expense	Esc. Rate
Cleanup and restoration costs	\$ 15,000	

**Enter** ↑

Add Insert Delete Move

## SAVE YOUR PROJECT

### CHECKING YOUR ENTRIES

You can compare your project against the Investit example "Lease Analysis Landlord Retail Single Space"