LEASE ANALYSIS LANDLORD RETAIL CANADIAN EXAMPLE

INTRODUCTION
This lease analysis example analyses a retail lease from the landlords perspective.

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

The tenant is renting two spaces in the building as follows;

Unit 1A Retail space. Gross Leasable Area: 20,000 Sq. Ft
Unit 20 Office space. Gross Leasable Area: 12,000 Sq. .Ft

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

PROJECT INFO. Folder
Property Name: Park Royal Village
Description: Retail Lease Analysis Landlord Perspective
Starting Date: Year 1 Jan
Tenant: Sport's Affair
Analysis Period: 10 Years

LANDLORD Folder
Landlord's Marginal Tax Rate: 42.00%
Landlord's Discount Rate: Before Tax 13.00%

LEASEHOLD IMPROVEMENTS Folder

CCA Claim Option: Full CCA Claim

Unit 1A
Description: Unit 1A Leasehold Improvements
Amount: $96,000
Year 1 Jan
CCA Class: Building
CCA Rate: 4.00%
First Year: 50.00%
Claim CCA in last year: Yes

Unit 20
Description: Unit 20 Leasehold Improvements
Amount: $25,000
Year 1 Jan
CCA Class: Building
CCA Rate: 4.00%
First Year: 50.00%
Claim CCA in last year: Yes

GENERAL EXPENSES Folder
General Expenses are expenses paid for by the landlord that are common to the two spaces being rented by the tenant which is Unit 1A and Unit 20 such as security services.

Note: If the tenant only occupies one space there wouldn't be any General Expenses to enter.

General Expenses
Security Expenses $1,500 per month for one year then increasing at 3.00% compounding per year for 9 years.

GENERAL REVENUE Folder
General Revenues are only used if the tenant is leasing several spaces in the building and there are revenues common to the spaces such as sign rental and parking. etc.

Note: If the tenant only occupied one space there wouldn't be any General Revenues to enter.

General Revenues

Sign Rental
$1,200 per month for one year then increasing at 3.00% compounding per year.

Parking
30 parking spaces at $35 per month for 12 months then increasing at 3.00% compounding per year for 9 years. The parking is subject to a **Rent Cap** of $1,300 per month for the full 10 years. This means that the maximum that will be paid by the tenant for parking per month is $1,300

RENT REVENUE AND EXPENSES Folders
Consists of three folders
1. **Tenancy Information Folder** Used to enter information on the tenant
2. **Revenue Folder** Used to enter the rent, parking etc paid by the tenant to the landlord
3. **Rental Expenses Folder** Use to enter the costs incurred by the landlord related to the space

TENANCY INFORMATION Folder
Suite/Unit No: 1A
Tenant Name: Sport's Affair
Gross Leasable Area: 20,000 Sq. Ft

Suite/Unit No: 20
Tenant Name: Sport's Affair
Gross Leasable Area: 12,000 Sq. Ft

REVENUE Folder
Is the rent paid by the tenant to the landlord and is entered in the Retail Revenue and Expenses folder for each of the two spaces as follows;

Unit 1A Sport's Affair. Gross Leasable Area: 20,000 Sq. Ft

Base Rent
$26.00 per Unit of Tenant's GLA 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 three months. 100% of Base Rent

% Rent
6.00% of retail sales

Retail Sales for the first year for calculating the % Rent are as follows;

Year 1	Retail Sales
Jan	$600,000
Feb	$600,000
Mar	$600,000
Apr	$600,000
May	$800,000
June	$800,000
July	$800,000
Aug	$800,000
Sept	$800,000
Oct	$900,000
Nov	$1,000,000
Dec	$1,300,000

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

Recoverable Expenses
$9.00 per Unit of Tenant's GLA per Yr paid monthly for 12 months then increasing at 3.00% compounding per year. **Subject to a Recoverable Expense Cap** of $17,000 per month. This means that the maximum recoverable expenses the tenant will pay is $17,000 per month.

Unit 20 Sport's Affair. Gross Leasable Area: 12,000 Sq. Ft

Base Rent
$17.00 per Unit of Tenant's GLA per Yr paid monthly. Two terms of 5 years. Increase for the second term is based on 3.00% compounding for five years

Recoverable Expenses
$8.00 per Init of Tenant's GLA per Yr paid monthly for 12 months then increasing at 3.00% compounding per year for 9 years

RENTAL EXPENSES Folder
Rental Expenses are expenses paid by the landlord which are allocated to the space such the proportional share of property taxes, insurance, common area maintenance, property management etc.

Unit 1A Sport's Affair. Gross Leasable Area: 20,000 Sq. Ft

Expenses paid by Landlord
$9.40 per Unit of Tenant's GLA per Yr paid monthly for 12 months then increasing at 3.00% compounding per year for 9 years

Leasing Fee
Year 1 Jan $85,000

Unit 20 Sport's Affair. Gross Leasable Area: 12,000 Sq. Ft

Expenses paid by Landlord
$8.50 per Unit of Tenant's GLA per Yr paid monthly for 12 months then increasing at 3.00% compounding per year for 9 years

Leasing Fee
Year 1 Jan $35,000

VACANCY Folder
This analysis assumes there are no vacancies

FINANCING Folder
The Financing folder allows you to enter two types of financing;

1. Mortgage (Borrowing)
Money borrowed by the landlord to fund tenant and other improvements associated with the space being rented

Description: Improvement Loan
Commencing: Year 1. January
Type: Standard Mortgage
Amount: $35,000
Time Period: 10 years
Amortization: 10 years
Nominal Interest Rate: 8.00%
Compounding Frequency: Semi-annually

2. Tenant Loans
The landlord lends money to the tenant to fund their leasehold improvements and moving costs and the tenant repays the loan principle and interest every month.

Description: Tenant Loan
Commencing: Year 1 January
Type: Standard Mortgage
Amount: $15,000
Time Period: 5 years
Amortization: 5 years
Nominal Interest Rate: 8.00%
Compounding Frequency: Monthly

TERMINATION Folder
Cost incurred by the landlord at the end of the lease for cleaning up the two spaces in preparation for leasing to a new tenant.
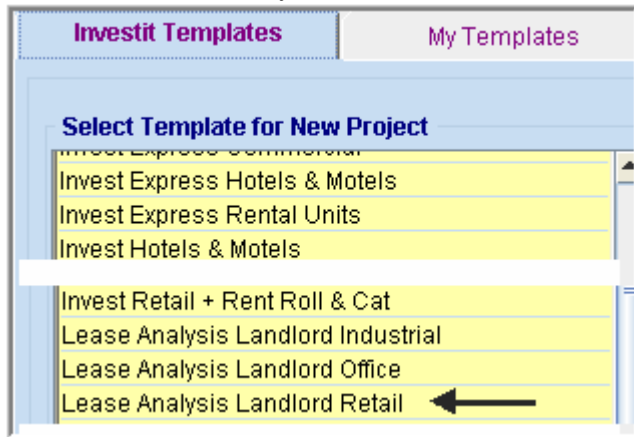
Cleanup and restoration costs: $25,000

Value of leasehold improvements on termination is zero.

INSTRUCTIONS FOR ENTERING THE PROJECT INTO INVESTOR PRO

Getting started
The first step is to open the Investor Pro Template "Lease Analysis Landlord Retail" 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 Landlord Retail" 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 Landlord Perspective

LANDLORD Folder
1. Enter the Investor's Marginal Tax Rate: 42%
2. Enter the Discount Rate Before Tax: 13.00%

   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 Description: Unit 1A Leasehold Improvements
2. Enter the Amount: $96,000

Second Row

1. Add the second row by clicking on the [Add] button
2. Enter the Description: Unit 20 Leasehold Improvements
3. Enter the Amount: $25,000
4. CCA Class Column: Select Building

Your entries for the Leasehold improvements should look like this;

Description	Amount	Year	Month	CCA Class	CCA Rate	First Year	Claim CCA in Last Year
Unit 1A Leasehold Improvements	$ 96,000	Year 1	Jan	Building	4.00%	50.00%	☑
Unit 20 Leasehold Improvements	$ 25,000	Year 1	Jan	Building	4.00%	50.00%	☑

CCA Claim Option: Full CCA Claim

Leasehold Improvements

Inflate

CCA Claim Setting

GENERAL EXPENSES
General Expenses are only used if the tenant is leasing several spaces in the and there are expenses common to the spaces such as parking, security costs etc.

GENERAL EXPENSES Folder

The Security Expenses of $1,500 per month for one year then increasing at 3.00% compounding per year for 9 years is entered as follows;

1. Enter Description: Security Expenses
2. Select the Entry Choice: $ per Mo
3. Click on the [Projection Wizard] button

In the **Projection Wizard**

4. **Paid column:** Select "Monthly for 12 Months"
5. **Project Entry Using column:** Select "Annual Compounding"
6. **Entry column:** Enter $1,500
7. **Time Period column:** Check the "To End" box. This allows the projection to continue until the end of the 10 year Analysis Period
8. **Increase column:** Enter the Compounding Rate of 3.00%

To view your entries, click on the [Projection Description] button, which describes the entries and projections.

Security Expenses

Entry Choice: $ per Month

Year 1 Jan $1,500 per Month paid monthly for 12 months

                    Compounding at 3.00% per year for next 9 years
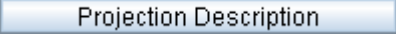
Press OK to return to the Projection Wizard

Your entries in the Projection Wizard should look like this;

Entry Information

Description: Security Expenses

Entry Choice: $ per Mo

Projections

Paid	Project Entry Using...	Entry	Start Date		Time Period			Increase
			Year	Month	To End	Yrs	Mos	
Monthly for 12 Months	Annual Compounding	$ 1,500	Year 1	Jan	☑	10	0	3.00%

9. Click on the "Ok" button to return to the "General Expenses" folder
10. Select the General Revenue Folder

GENERAL REVENUE Folder

The Sign Rental of $1,200 per month for one year then increasing at 3.00% compounding per year for 9 years is entered as follows;

1. Enter Description: Sign Rental
2. Select the Entry Choice: $ per Mo
3. Click on the [Projection Wizard] button

In the **Projection Wizard** make the following entries;

4. **Paid column:** Select "Monthly for 12 Months"
5. **Project Entry Using column:** Select "Annual Compounding"
6. **Entry column:** Enter $1,200
7. **Time Period column:** Check the "To End" box. This allows the projection to continue until the end of the 10 year Analysis Period
8. **Increase column:** Enter the Compounding Rate of 3.00%

To view your entries, click on the [Projection Description] button, which describes the entries and projections.

Sign Rental

Entry Choice: $ per Month

Year 1 Jan $1,200 per Month paid monthly for 12 months

                          Compounding at 3.00% per year for next 9 years

Press OK to return to the Projection Wizard

Your entries in the Projection Wizard should look like this;

Entry Information

Description: Sign Rental

Entry Choice: $ per Mo

Projections

Paid	Project Entry Using...	Entry	Start Date		Time Period			Increase
			Year	Month	To End	Yrs	Mos	
Monthly for 12 Months	Annual Compounding	$ 1,200	Year 1	Jan	✔	10	0	3.00%

9. Click on the "Ok" button to return to the "General Revenue" folder

Entering and Projecting Parking revenue

30 parking spaces at $35 per month for 1 year then increasing at 3.00% compounding per year for 9 years. **Parking is subject to a Rent Cap** of $1,300 per month for the next 10 years. This means that the maximum that will be paid by the tenant for parking per month is $1,300

1. Click on the [Add] button
2. Enter Description: Parking
3. Select the Entry Choice: $ per Space per Mo
4. Enter Qty: 30
5. Click on the [Projection Wizard] button

6. In the **Projection Wizard** make the following entries;

7. **Paid column:** Select "Monthly for 12 Months"
8. **Project Entry Using column:** Select "Annual Compounding"
9. **Entry Column:** Enter $35.00
10. **Time Period column:** Check the "To End" box. This allows the projection to continue until the end of the 10 year Analysis Period
11. **Increase column:** Enter the Compounding Rate of 3.00%

To view your entries, click on the [Projection Description] button, which describes the entries and projections.

Parking

Entry Choice: $ per Space per Month

Quantity: 30

Year 1 Jan $35.00 per Space per Month paid monthly for 12 months

                    Compounding at 3.00% per year for next 9 years

Your entries in the Projection Wizard should look like this;

Entry Information

Description: Parking

Entry Choice: $ per Space per Mo

Projections

Paid	Project Entry Using...	Entry	Start Date Year	Month	To End	Yrs	Mos	Increase
Monthly for 12 Months	Annual Compounding	$ 35.00	Year 1	Jan	✔	10	0	3.00%

1. Click on the "Ok" button to return to the "General Revenue" folder
2. Click on the [Apply Cap or Stop] button to add the Rent Cap
3. Select Rent Cap from the Caps and Stops dialog that pops up and click OK

Caps & Stops

Select

⦿ Rent Cap

○ Recoverable Expense Cap (Tenant pays expenses up to the Cap)

○ Recoverable Expense Stop (Landlord pays expenses up to the Stop)

OK   Cancel   Help

4. Select the new 'Rent Cap' row
5. Click on the [Projection Wizard] button
6. Enter **Amount:** $1,300
7. **Time Period:** check the "To End" button

Your projection should look like this

Entry Information

Description: Rent Cap

Entry Choice: Amount

Projections

Paid	Project Entry Using...	Amount	Start Date Year	Month	To End	Yrs	Mos
Monthly	Constant (Fill Right)	$ 1,300	Year 1	Jan	✔	10	0

8. Click the OK button to return to the General Revenue folder

On completion your General Revenue Folder should look like this;

General Revenue

Description	Entry Choice	Qty	Year 1 Jan...
Sign Rental	$ per Mo	—	$ 1,200
Parking	$ per Space per Mo	30	$ 35.00
Rent Cap	Amount	—	$ 1,300

9. Click the Rental Revenue & Expenses tab

Tenancy Information Sub-Folder
This folder is a sub-folder within the RENTAL REVENUE & EXPENSES Folder and is used to set up the tenants and information on the tenants

Because the tenant Sport's affair has two spaces in the building we need to set up two tenants in the Tenancy Information Folder.

First row enter the following information on the retail space;

1. Suite/Unit No: 1A
2. Floor No: 1
3. Tenant's Name: Sport's Affair
4. Gross Leasable Area: 20,000 Sq. Ft

Click on the [Add] button to add a second row and enter the following information on the Office Space;

1. Suite/Unit No: 20
2. Floor No: 2
3. Tenant's Name: Sport's Affair
4. Gross Leasable Area: 12,000 Sq. Ft

Note: For each tenant you can enter information on the tenancy and lease arrangements by completing the Tenancy Information grid.

Expiration Date	Lease Term	Renewal Options	Estimated Renewal Rate

The only information that needs to be entered is the Tenant Name and Gross Leaseable Area

Revenue Sub-Folder
The Revenue folder is used to enter the Tenant's rent and other payments to the Landlord.

You can use the following buttons to enter Free Rent, % Rent, Rent Caps and Recoverable Expense Caps and Stops.

[Apply Free Rent]   [Apply % Rent]   [Apply Cap or Stop]
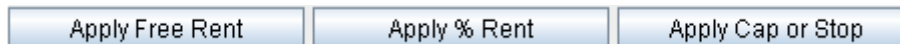
The [Projection Wizard] button provides access to the Projection Wizard, which allows you to enter and project the revenues.

Follow these steps to enter and project the revenues;
  Select Tenant 1A from the scroll down menu

20 Sport's Affair ▼
1A Sport's Affair ◄───
20 Sport's Affair
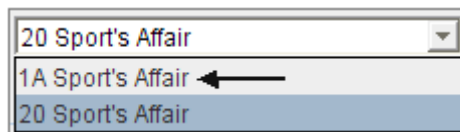
The Revenue Sub-folder should appear like this;

1A Sport's Affair Retail ▼	Tenant's Gross Leasable Area	20,000	Sq. Ft

Revenues

Description	Entry Choice	Qty	Year 1 Jan...
Base Rent	$ per Unit of Tenant's GLA per Yr ▼	20,000	$ 0.00
Free Rent	% of Rent ▼	—	0.00%
Recoverable Expenses	$ per Unit of Tenant's GLA per Yr ▼	20,000	$ 0.00
Parking	$ per Space per Mo ▼	0	$ 0.00

The above rows appear automatically for the first tenant to allow the user to enter their data more quickly

1. Select Row 1 Base Rent
2. Click on the [Apply % Rent] button to add the % Rent and Retail Sales rows. Select Natural Breakpoint from the breakpoint dialog that pops up

Breakpoint

Select Breakpoint

⦿ Natural Breakpoint

○ Artificial Breakpoint

[OK] [Cancel] [Help]

3. Click on the row with the Description "Recoverable Expenses"
4. Click on the [Apply Cap or Stop] button to access the Rent Cap & Stop dialog and select "Recoverable Expenses Cap" and click Ok.

Caps & Stops

Select

○ Rent Cap

⦿ Recoverable Expense Cap (Tenant pays expenses up to the Cap)

○ Recoverable Expense Stop (Landlord pays expenses up to the Stop)

[OK] [Cancel] [Help]

5. Select the row with the Description Parking
6. Click on the [Delete] button

The Revenue sub-folder should look like this;

1A Sport's Affair Retail ▼	Tenant's Gross Leasable Area	20,000	Sq. Ft

Revenues

Description	Entry Choice	Qty	Year 1 Jan...
Base Rent	$ per Unit of Tenant's GLA per Yr ▼	20,000	$ 0.00
% Rent		—	0.00%
Retail Sales	Amount ▼	—	$ 0
Free Rent	% of Rent ▼	—	0.00%
Recoverable Expenses	$ per Unit of Tenant's GLA per Yr ▼	20,000	$ 0.00
Recov. Exp. Cap	Amount ▼	—	$ 0

The next step is the enter and project the revenues, Free Rent, % Rent, Caps and Stops using

| Projection Wizard |

Unit 1A Sport's Affair. Gross Leasable Area: 20,000 Sq. Ft
The following information is entered in the Revenue sub-folder.
Base Rent
$26.00 per Sq Ft 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 three 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	$600,000
Feb	$600,000
Mar	$600,000
Apr	$600,000
May	$800,000
June	$800,000
July	$800,000
Aug	$800,000
Sept	$800,000
Oct	$900,000
Dec	$1,000,000
Dec	$1,300,000

Following are the steps for entering the for tenant Unit 1A Sport's Affair Retail

1. Select row 1: 'Base Rent'
2. Click on | Projection Wizard | which displays the Projection Wizard

Entry Information

Unit/Suit No.:	1A Sport's Affair Retail Space
Description:	Base Rent
Entry Choice:	$ per Unit of Tenant's GLA per Yr

Projections

| | | | Start Date | | Time Period | | |
Paid	Project Entry Using...	Entry	Year	Month	To End	Yrs	Mos
Monthly	Constant (Fill Right)	$ 0.00	Year 1	Jan	☐	1	0

3. **Project Entry Using.. column**: select "Stepped Proj. (Lease)

Project Entry Using...

Constant (Fill Right)
Constant (Fill Right)
Uniform % Increase
Uniform $ Increase
Stepped Proj. (Lease) ←
Enter Yr. by the Month
Single Entry. No Proj.

Stepped Projection

New value at "End of Term" based on:

⦿ Annual Compounding Rate Increase

◯ Enter Value

◯ $ Increase

◯ % Increase

No. of Terms: 2

☐ Show Example ->

| OK | Cancel | Help |

4. Set the No. of Terms to 2, which is the default setting and click OK
5. **Entry column:** Enter the lease rate $26.00
6. **Time Period column:** Set Term 1 (the first row) to 5 years and Term 2 (second row) to 5 years (or check the "To End" box).
7. **Increase column:** Enter the Annual Compounding Rate at 3.00%

The Projection Wizard should look like this;

Entry Information

Unit/Suit No.:   1A Sport's Affair Retail Space

Description: Base Rent

Entry Choice: $ per Unit of Tenant's GLA per Yr

Projections

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

To view your entries, click on the [Projection Description] button, which describes the entries and projections.

1A Sport's Affair Retail Space

Base Rent

Entry Choice: $ per Unit of Tenant's GLA per Year

Quantity: 20,000

Year 1 Jan   Stepped Projection (Lease)

Term 1: $26.00 per Unit of Tenant's GLA per Year paid monthly for 5 years

Term 2: Increased by 3.00% compounding per year to $30.14 per Unit of Tenant's GLA per Year paid monthly for 5 years

Press "OK" to return to the Revenue sub-folder.

Entering the % Rent (second row)

1. Revenue Folder: Select row 2: '% Rent'
2. Click on [Projection Wizard] which displays the Projection Wizard
3. **% column:** Enter 6.00%
4. **Time Period column:** Click on the "To End" check box

The projection wizard entries should look like this;

Entry Information

Unit/Suit No.:   1A Sport's Affair Retail Space

Description: % Rent

Entry Choice: % Rent

Projections

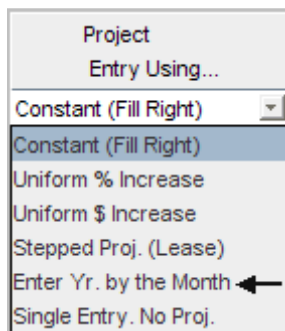| Enter	Project Entry Using...	%	Start Date Year	Start Date Month	Time Period To End	Time Period Yrs	Time Period Mos
Monthly	Constant (Fill Right)	6.00%	Year 1	Jan	✔	10	0

Press OK to return to the Revenue sub folder

Entering Retail Sales (third row)

The Retail Sales for the first year have to be entered as follows;

Year 1	Retail Sales
Jan	$600,000
Feb	$600,000
Mar	$600,000
Apr	$600,000
May	$800,000
June	$800,000
July	$800,000
Aug	$800,000
Sept	$800,000
Oct	$900,000
Dec	$1,000,000
Dec	$1,300,000

1. Revenue Folder: Select row 3: 'Retail Sales'
2. Click on [Projection Wizard] which displays the Projection Wizard
3. **Project Entry Using… column:** Select "Enter Year by the Month" and enter the retail sales as follows;

Project Entry Using...
Constant (Fill Right) ▾
Constant (Fill Right)
Uniform % Increase
Uniform $ Increase
Stepped Proj. (Lease)
Enter Yr. by the Month ◄—
Single Entry. No Proj.

Note: For repeating entries highlight the necessary boxes and press "Fill Down"

Enter Year by the Month

Starting Year	Year 1
Starting Month	Jan

Month	Amount
Year 1 - Jan	600,000
Year 1 - Feb	600,000
Year 1 - Mar	600,000
Year 1 - Apr	600,000
Year 1 - May	800,000
Year 1 - Jun	800,000
Year 1 - Jul	800,000
Year 1 - Aug	800,000
Year 1 - Sep	800,000
Year 1 - Oct	900,000
Year 1 - Nov	1,000,000
Year 1 - Dec	1,300,000
Total	9,600,000

Fill Down

OK   Cancel   Help

To project the Retail Sales at 4.00% Compounding per year for the remaining 9 years

5. Check the "Cont. Proj." box
6. **Project Entry Using column:** Select "Annual Compounding"
7. **Time Period column:** Check the "To End" box
8. **Increase column:** Enter 4.00%

The projection wizard entries should look like this;

Entry Information

Unit/Suit No.:   1A Sport's Affair

Description: % Rent: Retail Sales

Entry Choice: Amount

Projections

			Start Date		Time Period				
Paid	Project Entry Using...	Amount	Year	Month	To End	Yrs	Mos	Increase	Cont. Proj.
Monthly	Enter Yr. by the Month		Year 1	Jan					☑
	Annual Compounding		Year 2	Jan	☑	9	0	4.00%	

Press OK to return to the Revenue sub folder

Entering the **Free Rent**.
First three months. 100% of Base Rent

1. Enter 100% in Year 1 Jan, Feb and March on the entry grid

| Revenues | | | | | | | |
Description	Entry Choice		Qty	Year 1 Jan...	Year 1 Feb...	Year 1 Mar...	Year 1 Apr...
Base Rent	$ per Unit of Tenant's GLA per Yr	▾	20,000	$ 26.00	$ 26.00	$ 26.00	$ 26.00
% Rent			—	6.00%	6.00%	6.00%	6.00%
Retail Sales	Amount	▾	—	$ 600,000	$ 600,000	$ 600,000	$ 600,000
Free Rent	% of Rent	▾	—	100.00%	100.00%	100.00% ←	0.00%

Recoverable Expenses
$9.00 per Sq Ft per Year paid monthly for 12 months then increasing at 3.00% compound per year for the remaining 9 years.

Entering the Recoverable Expenses
1. Select row with Description "Recoverable Expenses"
2. Click on ⌷ Projection Wizard ⌷ which displays the Projection Wizard

In the **Projection Wizard**

3. **Paid column:** Select "Monthly for 12 Months"
4. **Project Entry Using column**: Select "Annual Compounding"
5. **Entry column:** Enter $9.00
6. **Time Period column:** Check the "To End" box.
7. **Increase column:** Enter the compounding rate of 3.00%

Your entries in the projection wizard should look like this:

Projection Wizard

Entry Information

Unit/Suit No.: 20 Sport's Affair

Description: Recoverable Expenses

Entry Choice: $ per Unit of Tenant's GLA per Yr

Projections

			Start Date		Time Period				
Paid	Project Entry Using...	Entry	Year	Month	To End	Yrs	Mos	Increase	Cont. Proj.
Monthly for 12 Months ▾	Annual Compounding ▾	$ 9.00	Year 1 ▾	Jan ▾	✔	10 ▾	0 ▾	3.00%	

Press OK to return to the Revenue sub-folder.

Entering the Recoverable Expense Cap
1. Select the row with the entry choice: Recov. Exp. Cap
2. Click on ⌷ Projection Wizard ⌷ which displays the Projection Wizard
3. Amount column: Enter $17,000
4. Check the "To End" box

Your entries in the projection wizard should look like this;

Projection Wizard

Entry Information

Unit/Suit No.: 20 Sport's Affair

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	Constant (Fill Right)	$ 17,000	Year 1	Jan	✓	10	0		

Press ok to return to the Revenue sub-folder

5. Select Tenant "20 Sport's Affair" from the scroll down menu

20 Sport's Affair
1A Sport's Affair
20 Sport's Affair ⬅

Unit 20 Second Floor Sports Affair Office space. Gross Leasable Area: 12,000 Sq. Ft
Follow these steps to enter and project the revenues
1. Enter Description: 'Base Rent'
2. Entry Choice column: "$ per Unit of Tenant's GLA per Yr"
3. Press the [Add] button to add another row
4. Enter Description: 'Recoverable Expenses
5. Entry Choice column: "$ per Unit of Tenant's GLA per Yr"

The Revenue screen should look like this;

20 Sport's Affair   Tenant's Gross Leasable Area   12,000 Sq. Ft

Revenues

Description	Entry Choice	Qty	Year 1 Jan...
Base Rent	$ per Unit of Tenant's GLA per Yr	12,000	$ 0.00
Recoverable Expenses	$ per Unit of Tenant's GLA per Yr	12,000	$ 0.00

Base Rent
$17.00 per Unit of Tenant's GLA per Yr paid monthly. Two terms of 5 years. Increase for the second term based on 3.00% compounding for five years

Following are the steps for entering the Revenue for tenant Unit 20 Sport's Affair Office

1. Select row 1: 'Base Rent'
2. Click on [Projection Wizard] which displays the Projection Wizard
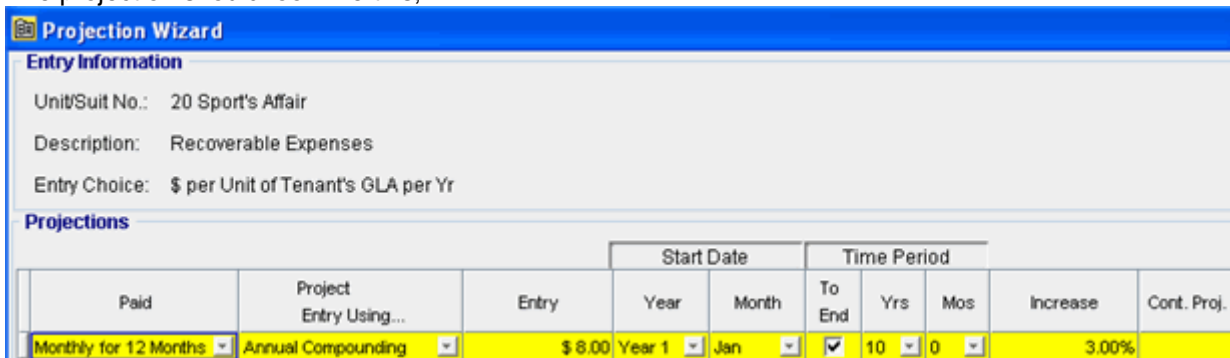
Project Entry Using… column: Select "Stepped Proj. (Lease)"

3. Set No. of Terms to 2, which is the default setting and click OK
4. **Entry column:** Enter the lease rate $17.00
5. **Time Period column:** Set Term 1 (the first row) to 5 years and term 2 (the second row) to 5 years or check the "To End" box
6. **Increase column:** Enter the Annual Compounding Rate at 3.00%

The projection should look like this;

Paid	Project Entry Using...	Entry	Term	Start Date		Time Period			Increase
				Year	Month	To End	Yrs	Mos	
Monthly	Stepped Proj. (Lease)	$17.00	1	Year 1	Jan		5	0	3.00%
			2	Year 6	Jan	✔	5	0	

Press OK to return to the Revenue sub folder

Recoverable Expenses
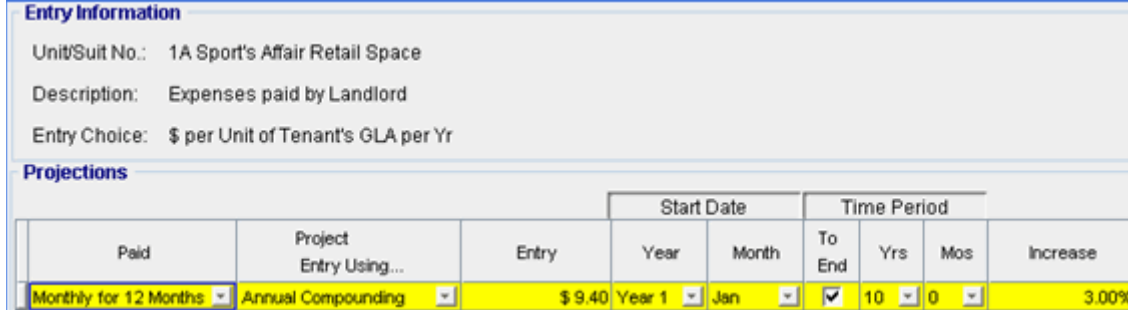$8.00 per Unit of Tenant's GLA per Yr paid monthly for 12 months then increasing at 3.00% compounding per year for 9 years.

Entering the Recoverable Expenses
1. Select row with description: 'Recoverable Expenses'
2. Select Entry Choice: "$ per Unit of Tenant's GLA per Yr"
3. Click on [Projection Wizard] which displays the Projection Wizard
4. **Paid column:** Select "Monthly for 12 months"
5. **Project Entry Using… column:** Select "Annual Compounding"
6. **Entry column:** $8.00
7. **Time Period column:** select "To End" box
8. **Increase column:** Enter the Annual Compounding Rate at 3.00%
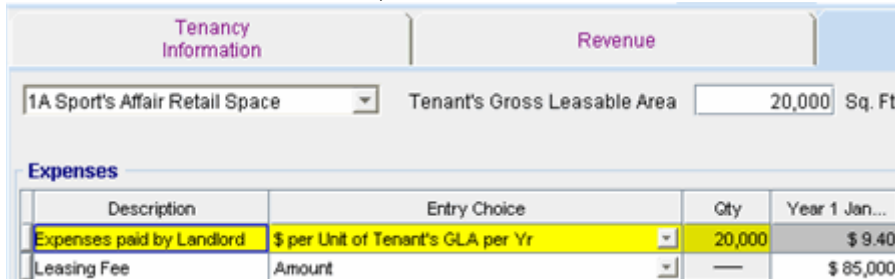
The projection should look like this;

Projection Wizard

Entry Information

Unit/Suit No.: 20 Sport's Affair

Description: Recoverable Expenses

Entry Choice: $ per Unit of Tenant's GLA 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	$ 8.00	Year 1	Jan	☑	10	0	3.00%	

Press OK to return to the Revenue sub folder
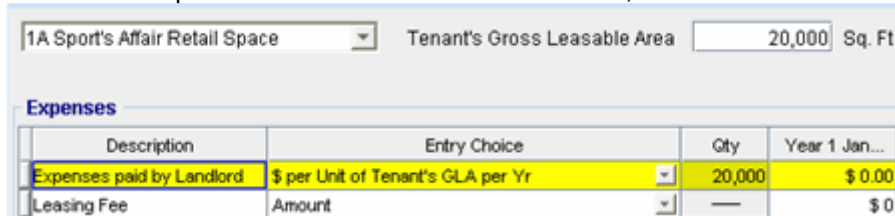
1. Select the Rental Expenses sub-folder
2. From the drop down menu select tenant 1A Sport's Affair Retail

20 Sport's Affair ▼
1A Sport's Affair ←
20 Sport's Affair

RENTAL EXPENSES
Rental Expenses are expenses paid by the landlord allocated to the space such the share of property taxes, insurance, common area maintenance, property management etc.

The Rental Expenses sub-folder should look like this;

1A Sport's Affair Retail Space ▼	Tenant's Gross Leasable Area	20,000 Sq. Ft

Expenses

Description	Entry Choice	Qty	Year 1 Jan…
Expenses paid by Landlord	$ per Unit of Tenant's GLA per Yr	20,000	$ 0.00
Leasing Fee	Amount	—	$ 0

For this tenant the default entries are correct.

 Unit 1A Sport's Affair. Gross Leasable Area: 20,000 Sq. Ft

Expenses paid by Landlord
$9.40 per Unit of Tenant's GLA per Yr paid monthly for 12 months then increasing at 3.00% compounding per year for 9 years

Leasing Fee. Year 1 Jan $85,000

Following are the steps for entering the above information for tenant Unit 1A Sport's Affair Retail
1. Select row 1: 'Expenses paid by Landlord'
2. Click on [Projection Wizard] which displays the Projection Wizard
3. **Paid column**: Select "Monthly for 12 Months"
4. **Project Entry Using… column:** Select "Annual Compounding"
5. **Entry column:** $9.40
6. **Time Period column:** Select the "To End" box
7. **Increase column**: Enter the Annual Compounding Rate of 3.00%

The projection should look like this;

Press the OK button to return to the Rental Expenses sub folder

Entering Leasing Fee
1. Select row 2: 'Leasing Fee'
2. Enter $85,000 into grid for Jan Year 1

The screen should look like this;

Select 20 Sport's Affair from the scrolling menu

Follow these steps to enter and project the rental expenses
1. Enter Description: Expenses paid by Landlord
2. Entry Choice Column: "$ per Unit of Tenant's GLA per Yr"
3. Press the [Add] button to add another row
4. Enter Description: "Leasing Fee"
5. Entry Choice Column: Select "Amount"

The screen should look like this;

Unit 20 Second Floor Sport's. Gross Leasable Area: 12,000 Sq. Ft

Expenses paid by Landlord
$8.50 per Unit of Tenant's GLA per Yr monthly for 12 months then increasing at 3.00% compounding per year for 9 years

Leasing Fee. Year 1 Jan $35,000

Following are the steps for entering the above information for tenant Unit 20 Sport's Affair Office
1. Select Row Expenses paid by Landlord
2. Click on [Projection Wizard] which displays the Projection Wizard
3. **Paid column:** Select "Monthly for 12 Months"
4. **Project Entry Using… column:** Select "Annual Compounding"
5. **Entry column:** $8.50
6. **Time Period column:** Check "To End" box
7. **Increase column:** Enter the Annual Compounding Rate of 3.00%

The projection should look like this;

Entering the Leasing Fee
1. Select Row 2 'Leasing Fee'
2. Enter $35,000 into grid for Jan Year 1

The screen should look like this;

Select the Financing tab

VACANCY Folder

This analysis assumes no vacancies

FINANCING Folder

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

Year 1 January, $35,000, 10-year amortization, Interest Rate 8.00% Type: Standard Mortgage

Setting up a mortgage
1. Click on the Financing folder tab
2. Click on the Add Mortgage button

| Add Mortgage | Edit Mortgage | Delete Mortgage | Move |

3. Amount box: $35,000
4. Description box: "Leasehold Improvement Loan"
5. Time Period box: 10 Years
6. Amortization box: 10 Years
7. Nominal Interest Rate box: 8.00%

The mortgage dialog should look like this;

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

Tenant Loans
The landlord may lend money to the tenants for improvements and moving costs

Tenant loan by Landlord to tenant for leasehold improvements
Year 1 January $15,000, 5-year amortization, Interest Rate 8.00% Type: Standard Mortgage

Setting up a Tenant Loan
1. Press The Add Loan button near the bottom of the Financing Folder

2. Amount box: $15,000
3. Description box: "Tenant Loan"
4. Time Period box: 5 Years
5. Amortization box: 5 Years
6. Nominal Interest Rate Box: 8.00%

The Mortgage dialog should look like this;

Note: At this point, if you entered any of the data incorrectly you could safely change it now, and press the Compute button again once your finished

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

The Financing Folder should now look like this;

Mortgage (Borrowing)

Description	Type	Amount	Start Date
Leasehold Improvement Loan	Standard Mortgage	$ 35,000	Year 1 Jan

Add Mortgage | Edit Mortgage | Delete Mortgage | Move

Tenant Loans

Description	Type	Amount	Start Date
Tenant Loan	Standard Mortgage	$ 15,000	Year 1 Jan

Add Loan | Edit Loan | Delete Loan | Move

9. Click on the Termination tab

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

Cleanup and restoration costs $25,000

The Termination Expenses should appear like this;

Entering the Termination Costs
1. Expense column: $25,000

The Termination Expenses should now appear as;

SAVE YOUR PROJECT

CHECKING YOUR ENTRIES
You can compare your project against the Investit example " Lease Analysis Landlord Retail"