## LEASE ANALYSIS LANDLORD RETAIL USA 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 landlord is considering a proposal from Sport's Affair to rent;

  Unit 1A Gross Leasable Area: 20,000 Sq. Ft
  Unit 20 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: 35.00%
Landlord's Discount Rate: Before Tax 13.00%

**LEASEHOLD IMPROVEMENTS Folder**

**Unit 1A**
Description: Unit 1A Leasehold Improvements
Amount: $96,000
Year 1 Jan
Depreciation Method: Commercial Prop. St Line

**Unit 20**
Description: Unit 20 Leasehold Improvements
Amount: $25,000
Year 1 Jan
Depreciation Method: Commercial Prop. St Line

**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 12 months 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 12 months 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** Used to enter the costs incurred by the landlord related to the space

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

**Base Rent**
$26.00 per Unit of Tenant's GLA per Yr 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 calculating the % Rent 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 |
| 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 Sports 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 Unit of Tenant's GLA per Yr paid monthly for 12 months then increasing at 3.00% compounding per year for 9 years. **Subject to a Recoverable Expense Stop** of $9,500 per month. This means that the Tenant doesn't pay any recoverable expenses until the additional rent exceeds $9,500 per month.

## 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 Retail. 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 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: Monthly

### 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
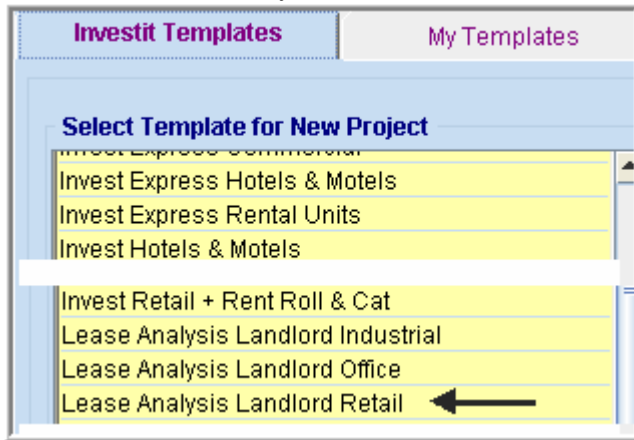


3. Select and open the Investit template ""Lease Analysis Landlord Retail" The analysis period dialog will open at this point.
4. Enter 10 years and click OK

**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 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. Select the Depreciation Method: Commercial Prop. St Line

Your entries for the Leasehold improvements should look like this;



## GENERAL EXPENSES
General Expenses are only used if the tenant is leasing several spaces in the building 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.



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**

| | | | Start Date | | Time Period | | | |
|---|---|---|---|---|---|---|---|---|
| Paid | Project Entry Using... | Entry | Year | Month | To End | Yrs | Mos | Increase |
| 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**

| | | | Start Date | | Time Period | | |
|---|---|---|---|---|---|---|---|
| Paid | Project Entry Using... | Entry | Year | Month | To End | Yrs | Mos |
| Monthly for 12 Months ▾ | Annual Compounding ▾ | $ 1,200 | Year 1 ▾ | Jan ▾ | ☑ | 10 ▾ | 0 ▾ |

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.

**The 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**

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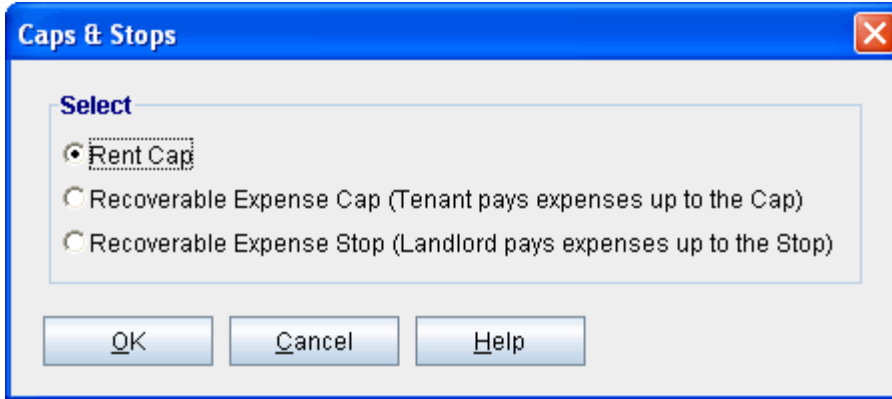
4. Select the new 'Rent Cap' row
5. Click on the [ Projection Wizard ] button
6. Enter **Amount:** $1,300
7. **Time Period:** check the "To End" button

Your projection should look like this



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

On completion your General Revenue Folder should look like this;



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 Retail
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]
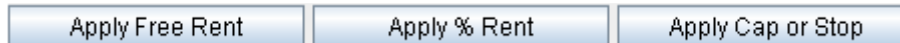
The [Projection Wizard] button provides access to the Projection Wizard, which allows you to enter and project the revenues.

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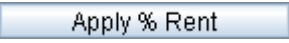Select Tenant 1A from the scroll down menu

```
1A Sport's Affair Retail    ▼
1A Sport's Affair Retail  ◄—
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
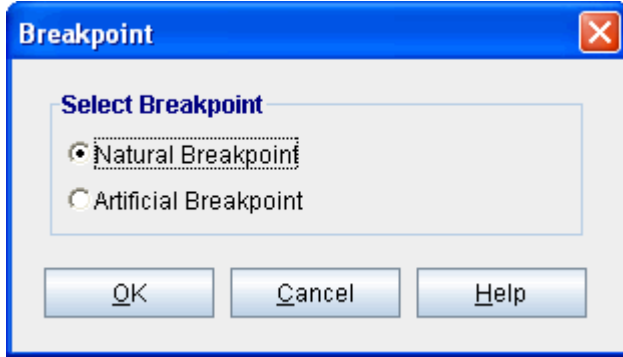
3. Click on the row with the Description "Recoverable Expenses"
4. Click on the [Apply Cap or Stop] button to access the Rent Cap & Stop dialog and select "Recoverable Expenses Cap" and click Ok.
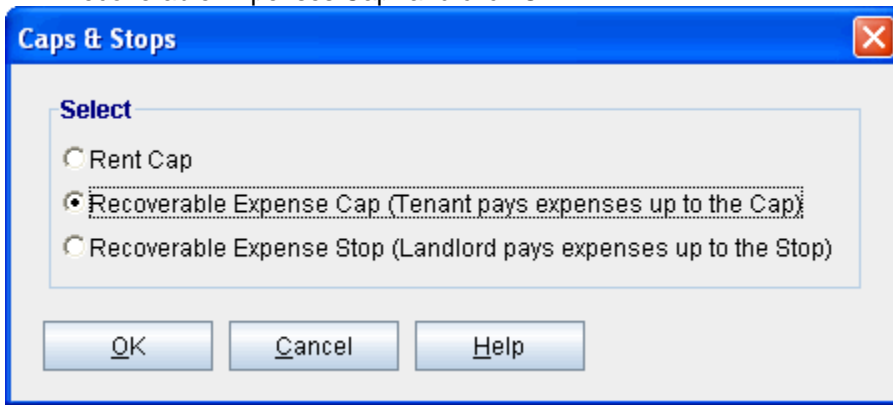


5. Select the row with the Description Parking
6. Click on the [Delete] button

The Revenue sub-folder should look like this;



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

**Unit 1A Sport's Affair Retail. 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
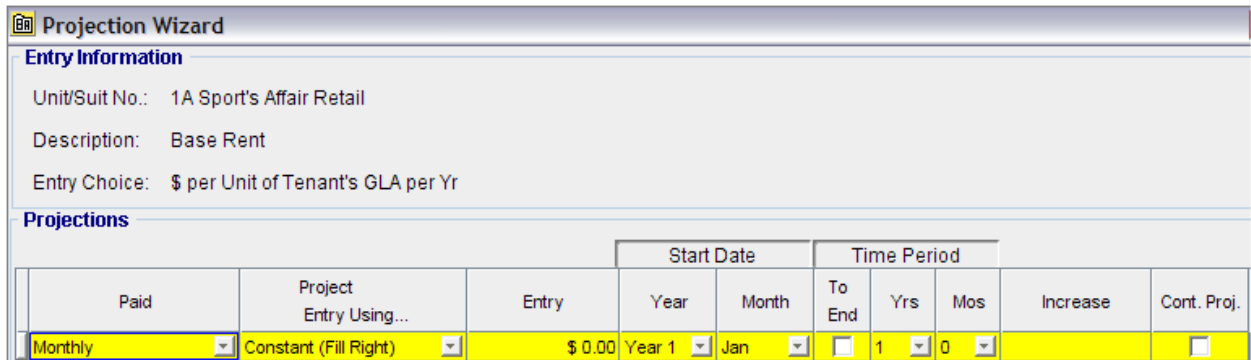**Free Rent**
First three months. 100% of Base Rent
**% Rent**
6.00% of retail sales

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

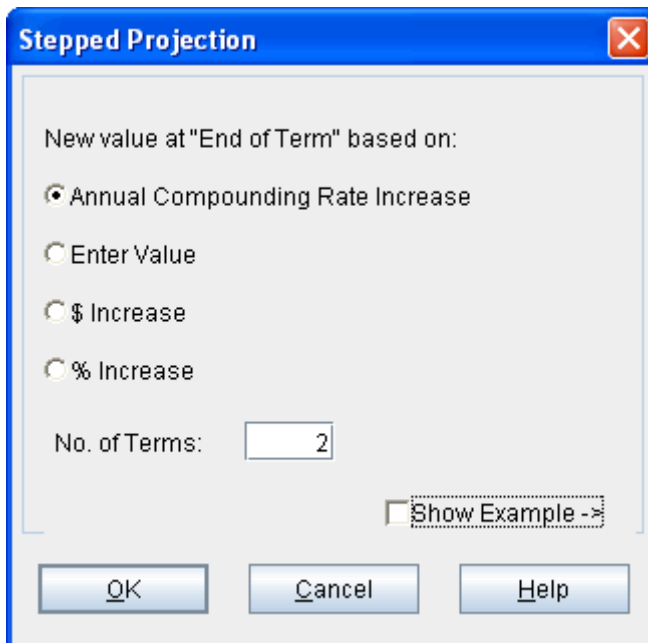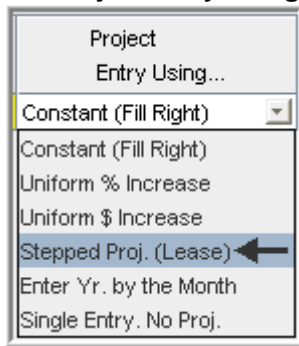| Year 1 | Retail Sales |
|--------|--------------|
| Jan | $600,000 |
| Feb | $600,000 |
| Mar | $600,000 |
| Apr | $600,000 |
| May | $800,000 |
| June | $800,000 |
| July | $800,000 |
| Aug | $800,000 |
| Sept | $800,000 |
| Oct | $900,000 |
| Dec | $1,000,000 |
| Dec | $1,300,000 |

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

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

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;

**Projection Wizard**

**Entry Information**

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

Description: Base Rent

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

**Projections**

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

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

**Projection Description**

1A Sport's Affair Retail

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;

**Projection Wizard**

**Entry Information**

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

Description: % Rent

Entry Choice: % Rent

**Projections**

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

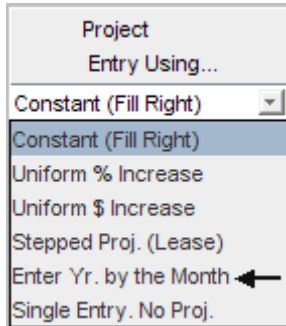Press OK to return to the Revenue sub folder

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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;

### Projection Wizard

**Entry Information**

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

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 | 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

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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.
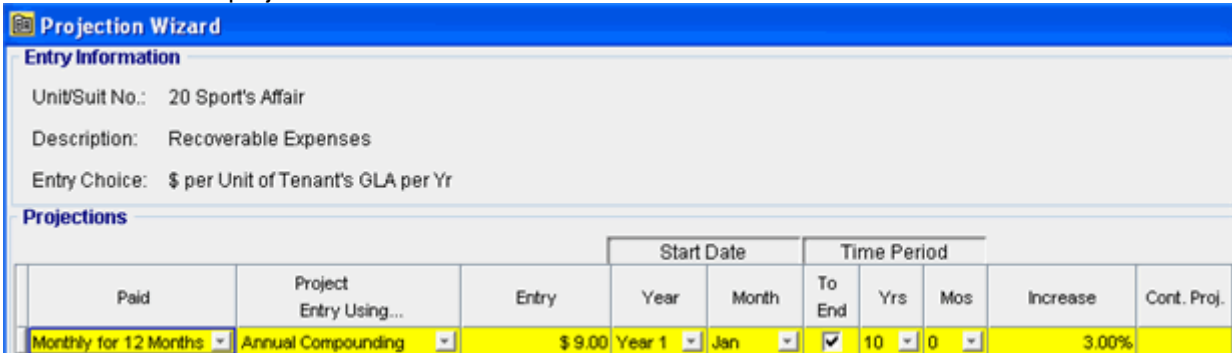
Entering the Recoverable Expenses
1. Select row with Description "Recoverable Expenses"

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;
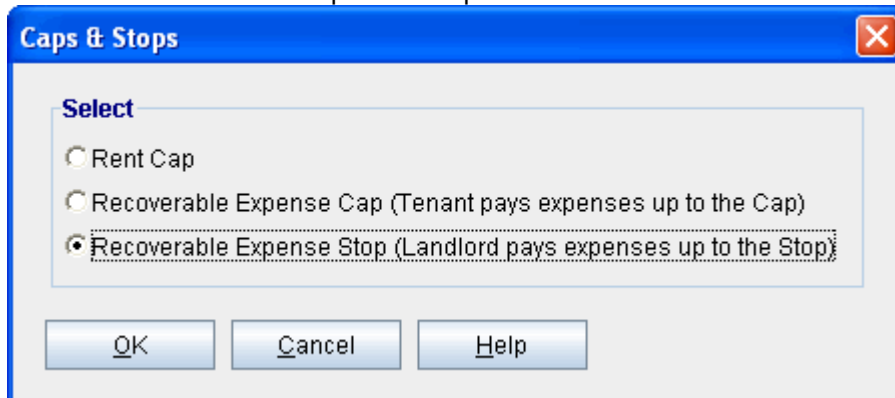


Press ok to return to the Revenue sub-folder

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



**Unit 20 Second Floor Sports Affair. 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"
6. Click on the [Apply Cap or Stop] bottom to access the Rent Cap & Stop dialog and select "Recoverable Expenses Stop" and click Ok

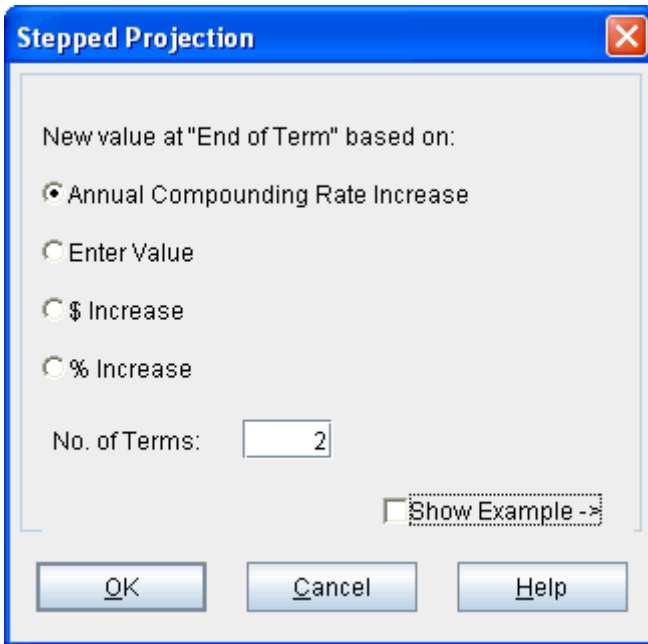The Revenue screen should look like this;



**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;



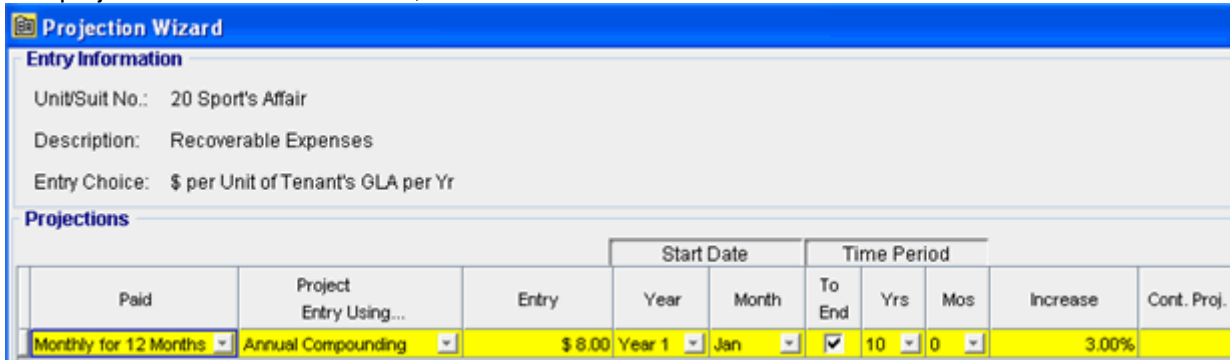Press OK to return to the Revenue sub folder

**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. **Subject to a Recoverable Expense Stop of $9,500 per month**. This means that the Tenant doesn't pay any additional rent until the recoverable expenses exceeds $9,500 per month

Entering the Additional Rent
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%
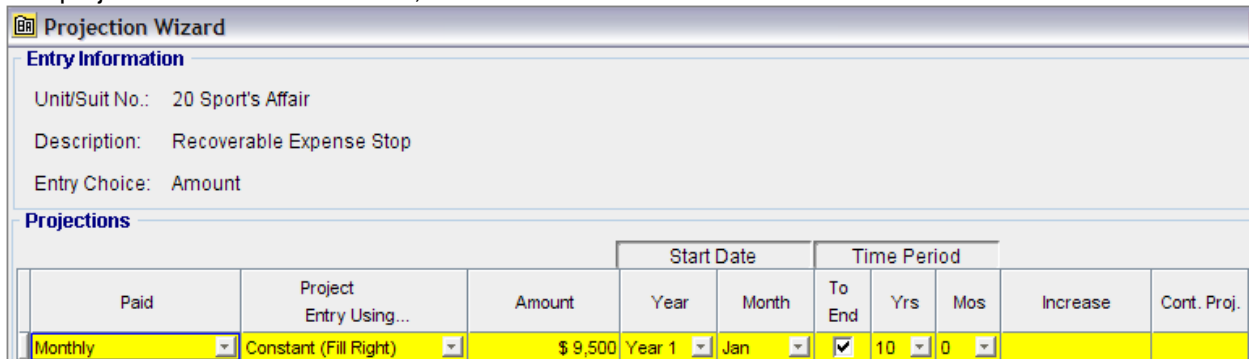
The projection should look like this;

**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 Year | Start Date Month | Time Period To End | Time Period Yrs | Time Period Mos | Increase | Cont. Proj. |
|---|---|---|---|---|---|---|---|---|---|
| Monthly for 12 Months | Annual Compounding | $ 8.00 | Year 1 | Jan | ✔ | 10 | 0 | 3.00% | |

Press OK to return to the Revenue sub folder

**Entering the Recoverable Expense Stop**
1.  Select the row with the Description: Recov. Exp. Stop
2.  Click on [Projection Wizard] which displays the Projection Wizard
3.  **Amount column:** Enter $9,500
4.  **Time Period column:** check "To End" box

The projection should look like this;

**Projection Wizard**

**Entry Information**

| Unit/Suit No.: | 20 Sport's Affair |
| Description: | Recoverable Expense Stop |
| Entry Choice: | Amount |

**Projections**

| Paid | Project Entry Using… | Amount | Start Date Year | Start Date Month | Time Period To End | Time Period Yrs | Time Period Mos | Increase | Cont. Proj. |
|---|---|---|---|---|---|---|---|---|---|
| Monthly | Constant (Fill Right) | $ 9,500 | Year 1 | Jan | ✔ | 10 | 0 | | |

Click 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

**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;



For this tenant the default entries are correct.

**Unit 1A Sport's Affair Retail. 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 Affair. Gross Leasable Area: 12,000 Sq. Ft**
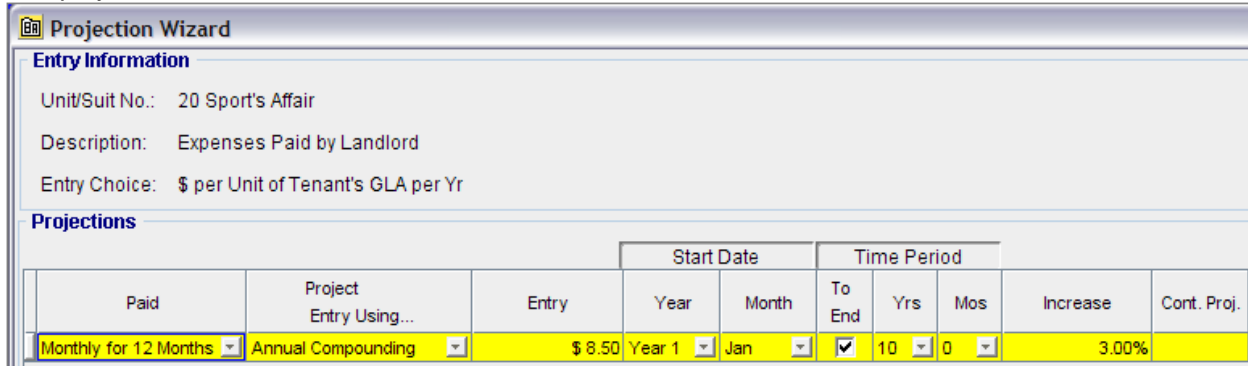
Expenses paid by Landlord
$8.50 per Unit of Tenant's GLA per Yr monthly for 12 months then increasing at 3.00% compounding per year for 9 years

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%

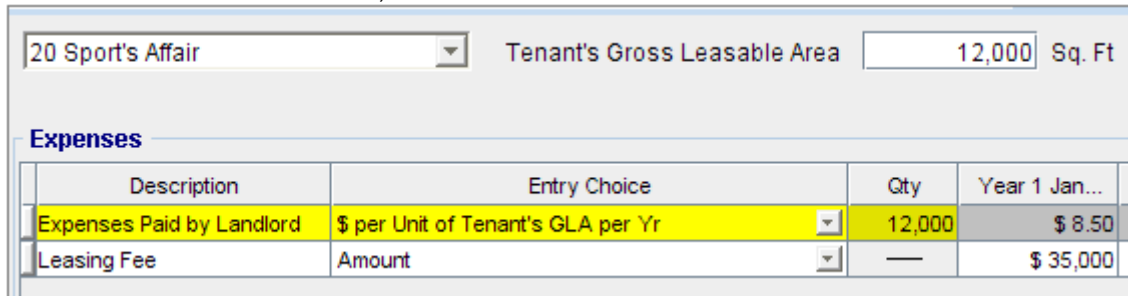The projection should look like this;



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
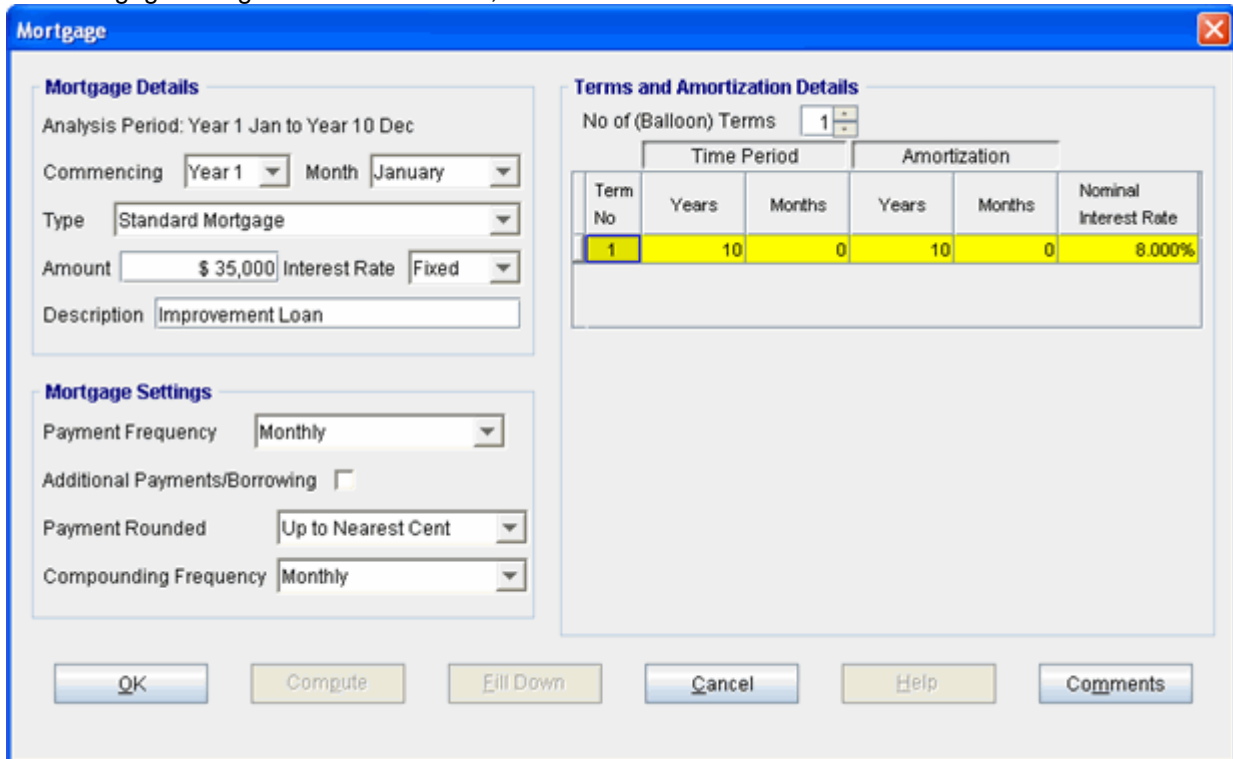
**FINANCING Folder**

**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: "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

[Add Loan] [Edit Loan] [Delete Loan] [Move]

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;

**Mortgage**

**Mortgage Details**

Analysis Period: Year 1 Jan to Year 10 Dec

Commencing  Year 1 ▼  Month January ▼

Type  Standard Mortgage ▼

Amount  $ 15,000  Interest Rate  Fixed ▼

Description  Tenant Loan

**Mortgage Settings**

Payment Frequency  Monthly ▼

Additional Payments/Lending  ☐

Payment Rounded  Up to Nearest Cent ▼

Compounding Frequency  Monthly ▼

**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 | 8.000% |

[OK] [Compute] [Fill Down] [Cancel] [Help] [Comments]

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 |
|---|---|---|---|
| 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"