Comparative Lease Analysis
Version 3

User's Guide

Comparative Lease Analysis Version 3

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List of Acronyms

CLA – Comparative Lease Analysis

CPI – Consumer Price Index

HVAC – Heating, Venting and Air Conditioning

NPV – Net Present Value

PDF – Portable Document File

PV – Present Value

RSF – Rentable Square Feet

SF – Square Feet

USF – Usable Square Feet

Chapter 1. Introduction and General Information

Thank you for purchasing RealData's *Comparative Lease Analysis, Version 3*. We are certain that you will find this easy-to-use application to be a powerful and versatile partner in your real estate lease evaluation work.

Please review this manual and, in particular, read this section completely before you begin working with the program. This introduction will provide you with important information about the program's capabilities.

Comparative Lease Analysis is an advanced spreadsheet model designed specifically for use by brokers, business owners, landlords and leasing specialists. With this program, you can compare the present values of leasing revenues and costs for up to six different leases. You can compare leases with varying provisions for CPIs, pass-throughs, build-outs and other considerations and see immediately how the leases stack up economically.

Comparative Lease Analysis operates in conjunction with Microsoft Excel. You do not need to be an expert user of your spreadsheet software to make effective use of this model. On the contrary, you can simply "fill in the blanks" to produce a complete report in just minutes.

We do assume that you are familiar with some of the basic features and functions of your computer, such as connecting and using your printer, starting up your computer and copying files. For a detailed discussion of these topics and the many additional features of your spreadsheet program, we recommend that you consult that program's documentation.

New for Version 3.0

Previous releases of Comparative Lease Analysis have been used to analyze many types of leases. Customer feedback has been instrumental in enhancing Version 3.0 to add functionality to what was already a very powerful program. New features include:

- Ability to select international currency symbols and metric measures
- Sublease Report showing the difference between your original lease obligation and sublease revenue
- Executive Summary report for each lease, with space for 1 or 2 pictures
- Graphs showing the rent, total commitment and net present value by lease
- Ability to include a picture for each lease on the Summary Report
- Enhanced Print Reports dialog that lets you select which leases to include in the Summary Report
- Standardized header and footer for all reports, including your logo in the header if you like.

System Requirements

Comparative Lease Analysis is an Excel workbook that takes up approximately two megabytes of space on your hard disk. Each completed analysis that you save will also take up another two megabytes. You can copy analyses onto high-capacity media such as CDs for archive purposes to reclaim disk space.

Other requirements include:

- Microsoft Excel 2010 or later for Windows computers
- Microsoft Excel 2011 or later for Mac computers
- A laser or ink-jet printer.
- A desktop or laptop computer. Most tablets and phones, even if they have Excel, will not properly run our software.

Microsoft Excel

Comparative Lease Analysis Version 3.0 is fully compatible with the versions of Excel described above but will not work with other spreadsheet products.   With macros enabled or content enabled, you should see the RealData Menu in the Excel ribbon:
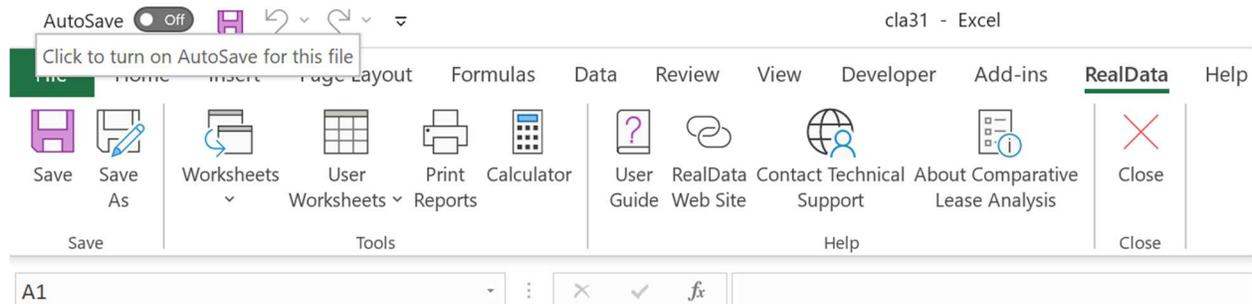
Figure 1-1 Excel Ribbon with RealData Tab

You should save a Comparative Lease Analysis workbook specifically in the macro-enabled workbook format (.xlsm). In particular, you MUST NOT use file type Excel Workbook (*.xlsx), because this file type causes Excel to remove all of Comparative Lease Analysis's essential macro code.

Macintosh

The screen captures in this user guide illustrate Comparative Lease Analysis and Excel on Windows. Users of Comparative Lease Analysis on a Mac computer will have a nearly identical experience. The calculations, reports and functions of the program are the same. A portion of the macro code differs to accommodate the differences in the two operating systems.

License Information

Please read the license agreement at http://www.realdata.com/p/license.shtml. By installing the software, you accept the terms of the license. This software is not returnable once you have completed its purchase online. It is also not returnable once you have received it on compact disc or diskette, along with a serial number or password. Please note that you may make backup copies as you need for your own use.

Additional Disclaimers

In addition to other disclaimers contained in our license agreement and this User Guide, be aware that RealData, Inc. is not in the business of providing tax, legal, investment or professional advice of any kind. The program is not intended for the preparation of tax returns.

Files, Worksheets and Reports

Opening and Using Files and Worksheets

During installation, you may have chosen to place an icon on the desktop. If so, you can open a new file simply by double-clicking that icon to start the program. Alternatively, select **Start** from the Windows desktop, then **Programs** and then **RealData**. From there, select **Comparative Lease Analysis**, or any other RealData program you may have installed.

NOTE

You may see an alert message when you start up *Comparative Lease Analysis.* The message warns you that you are loading a workbook that contains macros and that malevolent individuals can embed viruses in such files to harm your computer. Excel displays this message when it loads *any* file that contains macros. It is not reacting to a security threat that it has found in our program. If you obtained your *Comparative Lease Analysis* program directly from RealData or from an authorized dealer or if you downloaded it from our secure web site, you have no cause for concern. You must enable macros for *Comparative Lease Analysis* to function properly.

The procedure for enabling macros depends on which version of Excel you are using. In recent versions of Excel, you will see a yellow notification bar similar to this:
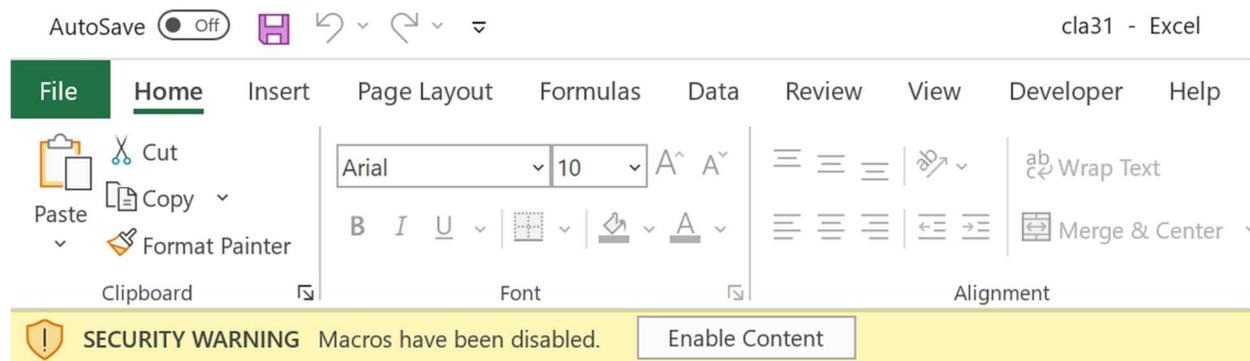
Figure 1-2 Excel Security Warning

Once you click the "Enable Content" button, thereafter Excel will automatically enable macros from RealData. Note that the correct macro security setting in Excel should be "Disable All Macros with Notification." The macro settings can be found by clicking on **File** then **Options** then **Trust Center** from the left menu. Now click the button for **Trust Center Settings**. Select **Macro Settings** from the left menu.

Once you have enabled macros, you will see the first page of an Excel workbook. The entire analysis resides in this one workbook file. The work*book* is a collection of work*sheets* that have been bound together. Each sheet has a specific purpose and you "turn" the page to move from one part of the analysis to another.

While each sheet has a purpose, they are all also interconnected and share information. For example, the *General* worksheet provides information used on the *Lease 1* worksheet and both provide data for the

Lease Comparison Report. The real advantage is that you don't have to worry about keeping any of this straight; the program does it for you.

Moving from one worksheet to another is very simple. Excel uses notebook tabs as a means of guiding you to the various sheets that make up a file. A generic Excel workbook has tabs that look like those shown in Figure 1-6:

Figure 1-3 Excel Worksheet Tabs

The *Comparative Lease Analysis* tabs have meaningful names, but you may not be able to see all of them at the same time:

Figure 1-4 Comparative Lease Analysis Worksheet Tabs

To move to a particular sheet, select its tab. You can also use the arrows to the left of the tabs to scroll through the rest of the tab names. These arrows will take you forward and back through all of the tabs.

If the tabs or any portion of your spreadsheet window ever become hidden from view, you can resize the window.   Select the middle square in the upper right of the window:
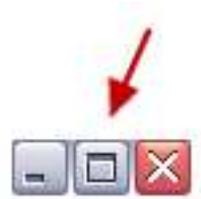
Figure 1-5 Windows Screen Sizing Buttons

If you are still unable to view the worksheet tabs, select **Window**, then **Arrange;** then choose **Tiled** from the list. Select **OK**.

RealData Menu

The **RealData Menu (Figure 1-9)** is added to the Excel menu bar at the far right when you open a *Comparative Lease Analysis* spreadsheet. It provides quick access to many useful features.
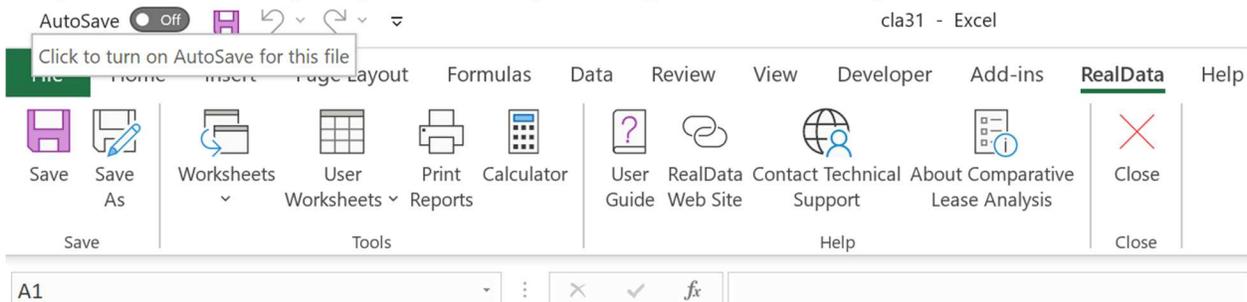
Figure 1-6 Excel Menu Bar with RealData Menu

The first item on the **RealData** menu is **Save**. After you have given the template a new name (e.g., "Office Space Choices"), use this to save your file as you work on it. Next is the **Save As…** choice. We

recommend that you immediately use this command to save the template with a new name whenever you begin a new analysis. Doing so will preserve the original blank template of the program. Should you accidentally overwrite the template, you must reinstall the software.

The **Worksheets** sub-menu displays convenient links to any section of the software. A second sub-menu, **User Worksheets**, provides functions which can add/delete/rename new, blank worksheets to your analysis for your additional calculations. Below that is **Print Reports**, which allows you to print any of 14 pre-formatted reports immediately, regardless of what worksheet is currently displayed on the screen (for more information on printing reports, see **Error! Not a valid bookmark self-reference.** below). Finally, we offer a quick link to the Windows **Calculator** to help you make simple mathematical computations outside of REIA.

The next section gives you easy access to some valuable tools. The first is the **User Guide**, which you are reading right now. It requires Adobe Acrobat® to open. You can obtain the Acrobat Reader free from Adobe's website. The two items that follow allow you to seek web-based help from us (provided you are connected to the Internet). The first, **RealData Web Site**, will connect you to www.realdata.com, where you can check our Knowledge Base and Support section for information that might help you solve a particular problem. **Contact Technical Support** makes it easy to communicate with us if you have a specific question. **About Comparative Lease Analysis** displays a window containing the program version and build, as well as user registration information.

Finally, you have the option to **Close** the program. While **Close** needs no explanation, be assured that you will be prompted to save your work if you choose this option.

Printing Reports

To print reports, pull down the **RealData** menu, choose **Print Reports** and select the report(s) you want to print.
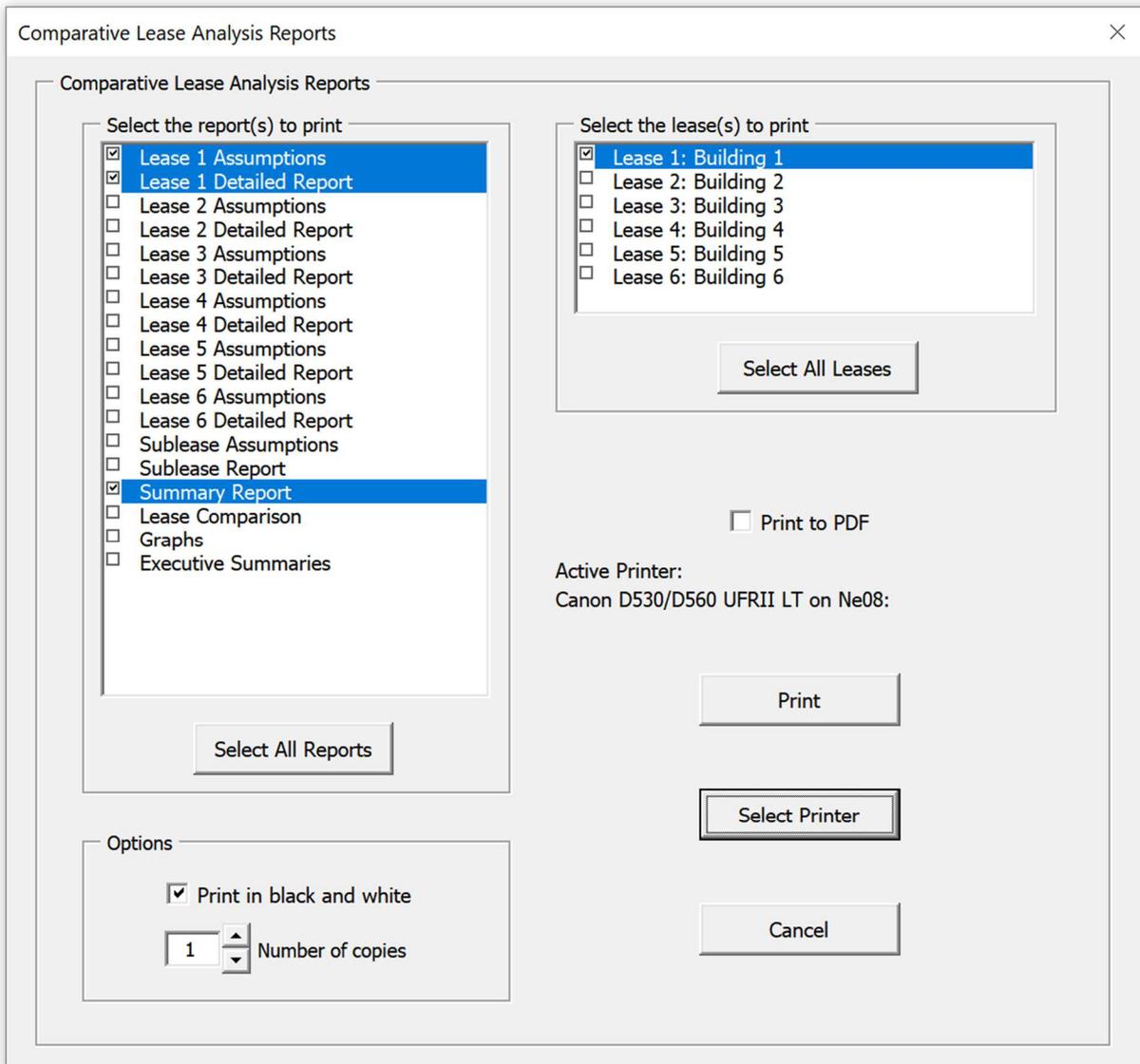
Figure 1-7 Reports Menu

You can also print parts of any visible worksheet by pulling down the Excel **File** menu and choosing **Print**. You will probably use this method only if you want to print a particular range or to select printing options that are not part of the standard report formats. Be aware that if you use the Excel **Print** menu, you will not have any of the built-in *Comparative Lease Analysis* reporting options or layouts available.

Note

> *Comparative Lease Analysis* **offers you the ability to create a PDF (portable document file) when printing from the Comparative Lease Analysis menu. See below for more information.**

The Print Dialog

The print dialog box gives you several options when you are creating reports. It allows you to choose which device to print to and whether the output should be in color or black and white. *Comparative Lease Analysis* produces an assumptions and detailed analysis report for each lease as well as a sublease assumptions and analysis report, a summary and lease comparison pro forma, graphs and an executive summary for each lease.

Printing to the RealData PDF Printer

Comparative Lease Analysis lets you print reports to a PDF file. PDF is a popular document file format, and the Adobe Acrobat Reader software, available free from http://www.adobe.com, can be used to view and print a PDF file. With one command you can now print several *Comparative Lease Analysis* reports to a single PDF file, and email that file to a colleague who has Adobe Reader. Please keep in mind that you may *not* send your colleague a copy of the Excel *Comparative Lease Analysis* workbook. That Excel file is in fact the program, which is licensed only for use by you, the user.

Before you can print reports to a PDF file, the RealData PDF Print Driver must be installed. This driver is installed automatically as part of *Comparative Lease Analysis Version 3.0* installation, but if you are in any doubt, you can go to the Welcome worksheet, find "RealData PDF Print Driver," and click **check**. Please note that the RealData PDF Print Driver will work only with those RealData software products that have been enabled for this purpose.

To print to a PDF (after the driver has been installed as described above):

1. From the Print Dialog Box used to initiate printing, mark the "Print to PDF" checkbox.

2. Select whether you want to print in black and white.

3. Click **Print**. The program will then begin creating the file.

4. You will be prompted to name the file and to select a location where it should be saved. Name the file something meaningful, like SmithLeaseAnalysis.pdf. This file can be saved anywhere on your computer, on a CD or on other portable storage media. Once saved, this file can be easily attached to email.

5. To view your printout, you need the Adobe Acrobat Reader, or other PDF viewing software. Once this software is installed, just double-click on the PDF file and Acrobat will open the file automatically.
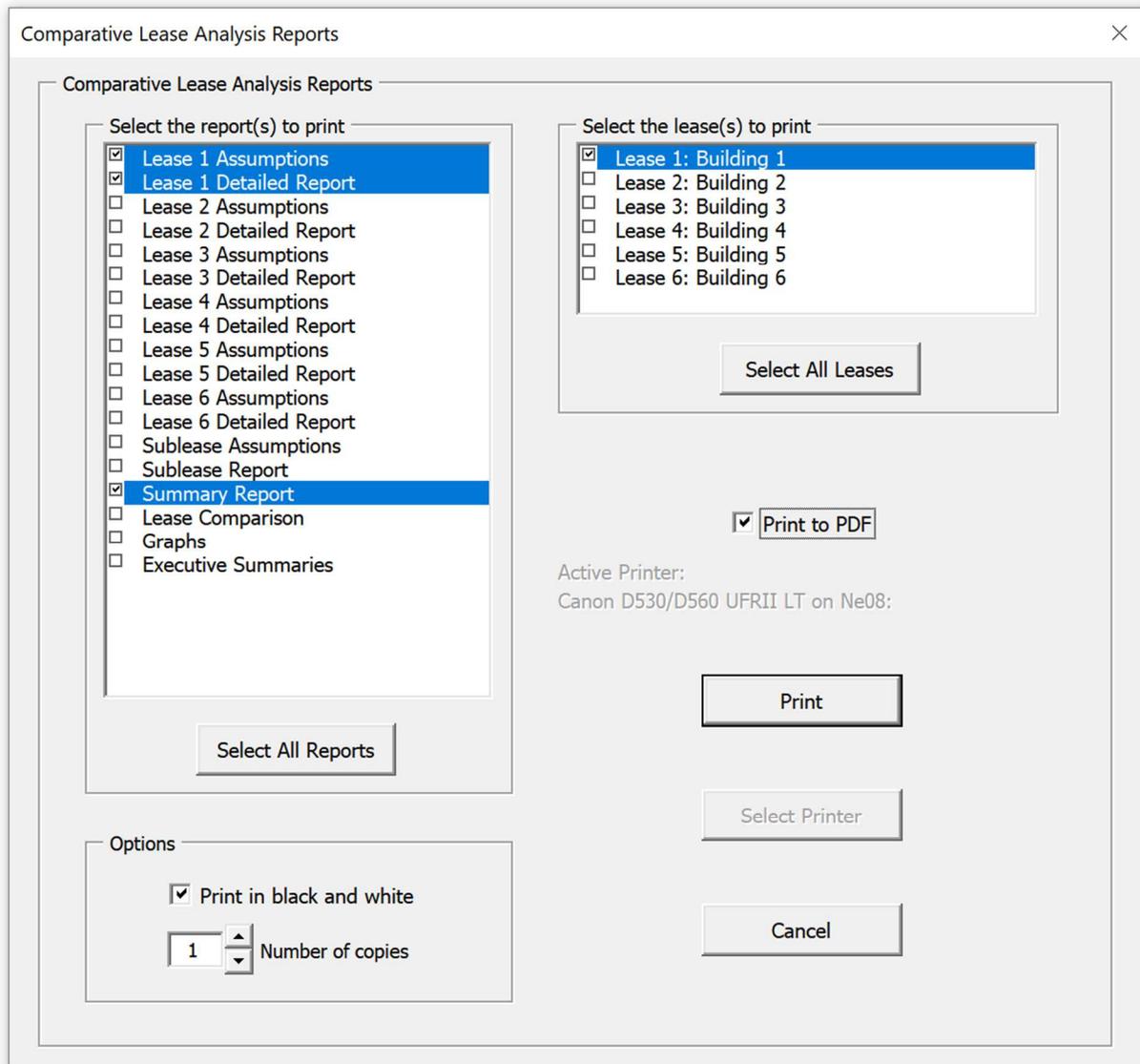
Figure 1-8 Checkbox to Print to PDF

Entering Data

Each worksheet, except for those designed as report-only, has areas that you will use to enter data. Much of the rest of this *User Guide* is devoted to discussing the information that you will enter. Depending on the lease you are analyzing, you'll use some but probably not all of the data fields.

Most of the fields in *Comparative Lease Analysis* are spreadsheet cells containing formulas and formatting that you would certainly not want to erase accidentally. On the visible worksheets, we've displayed these cells in black, locked them and protected the worksheets without a password to prevent you from accidentally changing any formulas or formatting.

There are also several worksheets that are not visible. These contain proprietary material and calculations that should not be modified. There are also modules containing proprietary macro code. Do not attempt to unlock the workbook or macro code. The passwords that protect these formulas and code are not available to users. Please recognize also that we cannot provide technical support for anything you yourself may create in the user work areas or for modifications you make to the visible sheets.

Throughout the worksheets we have provided quick reminders of important information in "cell notes." You will know that there is a cell note available if you see a little red triangle in the upper right corner of the cell. If you hover your cursor over the cell note indicator, a comment will appear that will provide more information about entering data into that cell. Often the cell note will be at the left end of a row, in the cell where the label for that row is located and it will pertain to the entire row.

To make entering information easier, we have also color-coded the data-entry cells. Cells that appear blue or purple are generally available for input, as follows:

- The blue cells are empty or contain 0 or an editable label. They are used for common items such as the base rent amount or rentable square feet. Some reports have areas that are formatted with blue text to enhance appearance. These are not data-entry areas and will not accept input.

- The purple cells each contain an erasable formula that means, "Use whatever value is in the cell to the left." These erasable formulas serve as a typing shortcut and can be found in areas where you are likely to want to enter the same information for each year.

For example, the security expense for first lease (row 48) has a blue data-entry cell in the first year (Cell **D48** in the *Lease 1* worksheet), but purple thereafter. That means you can enter an amount in the first month and it will automatically duplicate itself in each subsequent year without your having to type it in. If you want to change the amount in the second year, however, you can simply type over the formula in that year and enter a new amount—remember we said the formula was "erasable." You do not have to enter an amount for each year, but only if and when a change occurs. This new amount will be used for each subsequent year until you make another entry in the row.

Keep in mind that you are erasing the unprotected formula whenever you make an entry in a purple cell. If you want to restore the formula, it is very easy. Looking again at the security expense, if you entered `700` in year 2, you would be making that entry in cell **E48**. Before you made your entry, the cell had a formula that said, "This cell equals the cell immediately to the left." Since the cell to the left is **D48**, the formula you erased was simply **=D48**. Type this in; the cell will once again equal whatever amount is used for the previous year.

<div align="center">

NOTE

</div>

> **When entering numeric data into the program, always enter numbers only. Do not type dollar signs, commas or letters along with numbers, or you will see the error message, "#Value!" in the current or dependent cells. Excel will not recognize such entries as numbers and will alert you with this error message, which often cascades to cells throughout the program.**

Chapter 2.   Welcome, Quick Start and General

The workbook begins with a *Welcome* page that displays Internet links for technical support, product information, educational articles, newsletter signups and other useful resources. You will find three **check** buttons on this page: one to see whether an update of *Comparative Lease Analysis* v3 is available, one to make sure the RealData PDF Print Driver is installed properly, and one to verify that macros are enabled.

The workbook also includes a *Quick Start* page that provides introductory information for new users. It covers the basics of entering data, viewing cell notes and printing reports. This material is also covered in Chapter 1 of this User Guide.

What the General Worksheet Does

The analysis begins with the next sheet, which is called *General*. On this page you will enter information that is used throughout the analysis and on most reports.

Entering Data in the General Worksheet

Report Information

The first set of data fields on the *General* worksheet is "**Report Prepared For:**." Your entry here will be used in the Summary Report cover page. Notice the placeholder text, "Prepared For #1." Be sure to type something meaningful in this cell or the placeholder will appear on all of your reports. This field is used only as a label for reports and does not affect the calculations of the program.
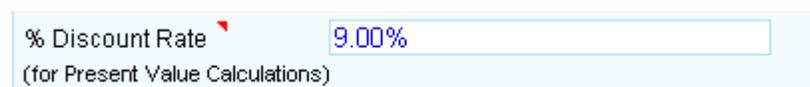

Figure 2-1 Name and Address of Person for whom Report Prepared

Similarly, you can enter appropriate report information under "**Report Prepared By:**" and "**Date of Report:**." The "**Date of Report:**" field will display the current date unless you elect to overwrite the formula in the cell and replace it with a date of your choice.

Discount Rate

The next data entry field on the *General* worksheet asks for the Discount Rate for present value calculations (Figure 2-2):

Figure 2-2 Discount Rate Data Entry

The purpose of the present value calculation is to estimate the present worth of the income stream from each lease. The rate that you choose accounts for the fact that money to be received in the future is less valuable than money received today.

When choosing a discount rate, be sure to consider a rate that reflects an average value for the entire term of the leases.

Effective Rent Selection

You can select whether the program will display the effective rent from the tenant's perspective or the owner's perspective, and also whether it will calculate the effective rent before taxes or after taxes.

Figure 2-3 Effective Rent Selection

Currency, Length and Area Settings

By default, currency will be denominated in US dollars, length will be expressed in feet and area will be measured in square feet. However, if you click the "Edit Settings…" button, you can change the currency and the units of length and area.

These settings will be used in data entry areas and in reports.

Figure 2-4 Currency, Length and Area Settings

Logo

You can specify a logo that will appear in the upper right corner of all reports. The logo can come from any image file. The largest image size allowed is 2" x 0.5" (192 x 48 pixels), but the program will automatically scale your image to fit this limit, retaining the original aspect ratio.
By default, the message "Created with Comparative Lease Analysis" will appear at the bottom right of all reports. However, if you prefer to omit this message, you can uncheck this checkbox.
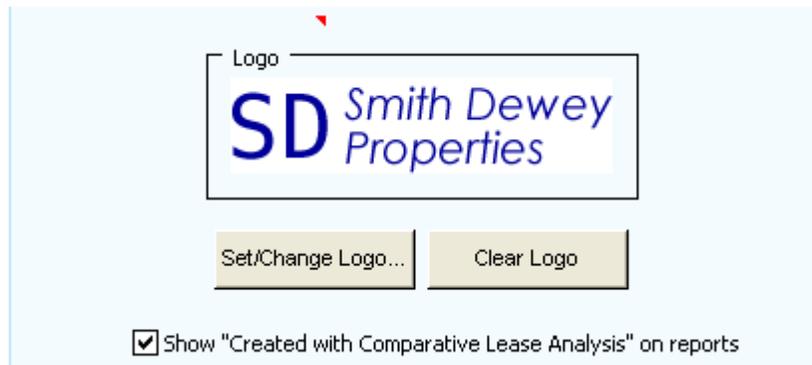
Figure 2-5 Logo

Chapter 3.   The Six Lease Worksheets

What the Lease Worksheets Do

There are individual worksheets for each of the lease analyses. Each of the six worksheets is identical and is divided into two sections: the Assumptions or data entry section, which is used to input the details of the particular lease, and the Detailed Report, a pro forma presentation of all details based on the assumptions.

Entering Data in a Lease Worksheet

Assumptions

Data entry begins on row 4 where you enter text to indicate the name of the building, the suite number and the property address. Note that you should not let the text for the address extend beyond the right margin of the form in column M or the address will not fit neatly on the reports.

Enter the rentable square footage in cell **D6**. The rentable square footage entry is a required input used throughout the calculations for this lease. This cell requires a minimum value of 1. You must also enter a value for usable area of the leasehold immediately below in cell **D7**. If your entry is greater than 0 but not greater than 1, it represents a percentage of the rentable square footage. If it is greater than 1, it represents the actual usable square feet. A value of 1 indicates 100 percent, i.e., that the rentable and usable square footage are equal. This cell requires a non-zero value.

Be sure to enter a lease term in cell **D8** – this is a required input. This is the term in months, and must be between 1 and 120. The program allows you to enter rent and expenses on a year-by-year basis. If the term in months is not a multiple of 12, then the final year will be a partial year.

Figure 3-1 Lease Data Entry Assumptions

The present value discount rate in **D9** is displayed in black. This is not a data entry cell; the value is displayed here based on your entry on the General worksheet.

The remaining data entry fields in rows 6 through 11 are informational only and will appear as text content in reports but will not be used in calculations.

Base Rent & CPI Escalation

Base rent is entered in row 14, expressed in dollars or dollars per square foot. Enter an amount for each year for which you have rental income for this tenant. If your entry for base rent is less than $500, then it represents a dollar-per-square-foot amount. If it is $500 or greater, then it represents a total dollar amount of base rent for the year. If the lease term (cell **D8**) is less than 10 years, then entries for years beyond that are grayed out and ignored.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Base Rent						
Enter amount ($ or $/sf):	$28.00	$28.00	$28.00	$28.00	$28.00	$28.00
CPI Escalation						
Tenant pays x% of CPI:		100.00%	100.00%	100.00%	100.00%	100.00%
Estimated CPI%:		2.00%	2.00%	2.00%	2.00%	3.00%

Figure 3-2 Base Rent and CPI Escalation Data Entry

Enter CPI escalations in rows 16 and 17. Enter the percentage of the CPI increase that is applied to the lease. Typically this is 100 percent, although it can be any percentage between 0 and 100. The amount you enter in year 2 will automatically copy across all of the rest of the years unless you make another entry in the row (there is an "erasable" formula in each cell from year 3 through year 10 which says, "Use the same amount as in last year's cell."). If the lease provides for a CPI increase, enter your estimate on row 17. You must make your entry as a percentage. You should only make an entry in a year where the lease actually calls for a CPI escalation. This row will not echo your first entry all along the row.

Pass-Through Expenses

Building expenses that are paid as part of the lease are entered in rows 19 through 37. You may aggregate these expenses into one entry or itemize up to three different pass-throughs by selecting the radio button in the Pass-through Display control on rows 19/20:

Pass-through Display   ○ Single   ● Multiple

Figure 3-3 Pass-Through Display Control

Whether you choose a single pass-through expense or multiple categories, data entry is identical for each section. Notice that the name of the expense in column B is shown in blue. You can change the name of the expense to suit the needs of the lease.

Begin by entering the percentage of the expense that the tenant pays over the expense stop in row 21. It is not uncommon for the landlord to pay up to a certain number of dollars of a given expense and then stop. The tenants then pay the rest, each one contributing a specified percentage of the remainder. This entry is that percentage. Your entry for year 1 will duplicate automatically across the row.

In row 22, enter the amount, in dollars per square foot, that the landlord will pay before the tenants' contribution begins. If the landlord pays nothing, then the stop is 0. Your entry for year 1 will duplicate automatically across the row.

Taxes						
Tenant pays x% over stop:	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Stop, $/sf:	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$/sf estimate or % growth	$2.25	3.00%	3.00%	3.00%	3.00%	3.00%
Cap, $/sf:	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

Figure 3-4 Pass-Through Expense Data Entry

In row 24, you will indicate the total estimated amount of this expense, regardless of who pays for it.

In column D, enter the estimated expense amount for the first year in $/sf. Remember, this is the total amount, including both the portion passed through to the tenant and any portion paid by the owner.

If you do nothing further, the program will copy the same amount across the row and use it for every year. Notice that the cells in years 2 through 10 appear in purple. These cells contain unprotected (i.e., erasable) formulas that each say, "Use the value in the cell to my left."

However, you may want to estimate that the expense will increase in the future. In years 2 through 10, you can make two kinds of entries in the purple cells:

1. An entry that does not end with "%" signifies the estimated expense amount for that year in $/sf. For example, if you enter "1.5" it will be treated as $1.50 per square foot.

2. An entry that ends with "%" signifies a percentage increase over the previous year's amount. For example, if you enter "2%" it will be treated as a 2.00% increase over the previous year's amount. If the previous year's amount was $1.50 per square foot, then the amount for this year will be $1.53 per square foot.

The last entry is the expense cap. Enter an amount on row 25 for the maximum dollar-per-square-foot amount that would be passed through to the tenant. If you enter zero, then the program will ignore the cap feature, i.e., there will be no limit to the amount of this pass-through.

Other Expenses and Allowances

If the tenant has a separate charge for parking, enter it on row 39 expressed in dollars per rentable square foot of the leasehold space or in total dollars. If your entry for parking expense is less than $500, then it represents a dollar-per-square-foot figure. If your entry is greater than or equal to $500, then it represents a total dollar amount of parking expense for the year.

Parking Expense ($ or $/sf)	$2,400.00	$2,400.00	$2,400.00	$2,400.00	$2,400.00	$2,400.00

Figure 3-5 Parking Expense Data Entry

The tenant may have a separate charge for security; if so, enter it on row 48. Similar to parking expenses, if your entry for security expense is less than $500, then it represents a dollar-per-square-foot figure. If your entry is greater than or equal to $500, then it represents a total dollar amount of security expense for the year. Note also that you can change the name of this expense to suit the needs of your lease.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Security Expense	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other Expense	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

Figure 3-6 Security and Other Expense Data Entry

Row 50 is provided to include one additional expense if necessary. Data entry follows the same rule as parking or security, representing either dollars per square foot or total dollars with the same behavior at the break point of $500.

The tenant may bear costs of fitting up the leasehold space. If your entry for tenant improvements is less than $1000, then it represents a dollar-per-square-foot figure. If your entry is greater than or equal to $1000, then it represents a total dollar amount of tenant improvements. Enter the number of years over which this expense should be amortized; typically this is the life of the lease.

```
Tenant Improvements
    Total $ amount or $/sf:        $0.00
    Amortized over x years:        10 years

Build-out Allowance
    Total $ amount or $/sf:        $0.00
    Amortized over x years:        10 years
```

Figure 3-7 Tenant Improvement and Build-out Allowance Data Entry

The landlord may also make a contribution to the fit-up. Again this may be spread out over a period of years. If your entry for the build-out allowance is less than $1000, then it represents a dollar-per-square-foot figure. If your entry is greater than or equal to $1000, then it represents a total dollar amount of build-out allowance. Enter your figures on rows 57 and 58.

In addition to giving free rent during the 10-year period of the analysis, you can also give free rent for some number of months immediately before the 10-year analysis begins by making an entry in row 61. We call this period "Year 0." For the purpose of our analysis, Year 0 is some number of months (no more than 12) that may occur before the actual term of the lease begins. The program will take this time into account when calculating the discounted value of the lease's income stream. Even though the tenant may receive free rent during "Year 0," the landlord may still choose to collect pass-through expenses during that time. If so, enter the amount of those expenses, expressed in dollars per square foot per year in row 62. You may also choose to give free rent at any time during the 10-year period covered by this analysis. If so, enter the number of months of free rent for any year in row 63.

```
Free Rent
    # free months in "Year 0:"        0
    Total pass-thru, $/sf, Year 0:  $0.00
    # free months in years 1-10:      0        0        0        0        0        0
```

Figure 3-8 Free Rent Data Entry

The tenant's moving costs should be entered on row 66. If your entry for tenant's moving cost is less than $500, then it represents a dollar-per-square-foot figure. If your entry is greater than or equal to $500, then it represents a total dollar amount of moving cost.

Relocation Allowance (row 69) is effectively an offset to tenant's moving costs. If your entry for tenant's relocation allowance is less than $500, then it represents a dollar-per-square foot figure. If your entry is greater than or equal to $500, then it represents a total dollar amount of relocation allowance.

Figure 3-9 Moving Cost and Relocation Allowance Data Entry

The program accommodates one additional line item to cover other concessions made by the landlord to the tenant. If your entry for other concessions is less than $500, then it represents a dollar-per-square-foot figure. If your entry is greater than or equal to $500, then it represents a total dollar amount of other concessions.

Figure 3-10 Other Concessions Data Entry

Data entry ends at row 72. The sections below in rows 78 to 139 display the calculated values for the lease first in total dollars and then in dollars-per-square-foot. The report also shows the effective rent each year, the effective annual rate, the average effective rate, net present value and the total rent commitment.

Effective rent is the annual base rent adjusted by all of the items shown in rows 15 through 72, from "CPI" through "Other Concessions," expressed as a dollar amount. Effective annual rate is the same as the effective rent, except it is expressed in dollars per square foot. Average effective rate is the effective rate as an average over the number of years indicated in the lease term in cell D8.

Figure 3-11 below shows a completed lease detailed report.

Lease #1 Detailed Report (in total dollars)

				Rentable sf	4,950	Lease term	120 months		7/30/2012
Commerce Plaza				Usable sf	4,950	Discount rate			3:07 PM
Suite 100				Load factor	0.00%	for NPV	6.00%		
400 Commerce Ave.									

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Base Rent	138,600	138,600	138,600	138,600	138,600	138,600	138,600	138,600	138,600	138,600
CPI Escalation		2,772	5,599	8,483	11,425	15,926	20,562	25,336	30,255	37,009
Pass-Through Expenses										
Electricity	0	0	0	0	0	0	0	0	0	0
Other Op. Expense	0	0	0	0	0	0	0	0	0	0
Taxes	11,138	11,472	11,816	12,170	12,535	12,911	13,299	13,698	14,109	14,532
Parking Expense	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Security Expense	0	0	0	0	0	0	0	0	0	0
Other Expense	0	0	0	0	0	0	0	0	0	0
Tenant Improvements	0	0	0	0	0	0	0	0	0	0
Buildout Allowance	0	0	0	0	0	0	0	0	0	0
Free Rent	0	0	0	0	0	0	0	0	0	0
Moving Cost	0	0	0	0	0	0	0	0	0	0
Relocation Allowance	0	0	0	0	0	0	0	0	0	0
Other Concessions	0	0	0	0	0	0	0	0	0	0
Effective Rent	$152,138	$155,244	$158,415	$161,654	$164,960	$169,837	$174,860	$180,034	$185,363	$192,541
Effective Annual Rate/rsf	$30.73	$31.36	$32.00	$32.66	$33.33	$34.31	$35.33	$36.37	$37.45	$38.90
Effective Annual Rate/usf	$30.73	$31.36	$32.00	$32.66	$33.33	$34.31	$35.33	$36.37	$37.45	$38.90

Average Effective Rate/rsf $34.24 per year over 120 months
Average Effective Rate/usf $34.24 per year over 120 months

NPV, Effective Rate/rsf	$255.06	**Total Commitment**	$1,695,046
NPV, Effective Rate/usf	$255.06	**NPV at 6%**	$1,262,534

Figure 3-11 Completed Lease Detailed Report (total dollars)

Chapter 4. The Sublease Worksheet

What the Sublease Worksheet Does

The Sublease worksheet calculates the difference between the revenue from a sublease and the rent owed on the original lease. The worksheet is divided into two sections: the Assumptions or data entry section, which is used to input the details of the sublease, and the Report section, a pro forma presentation of the original lease, the sublease and the effective rent difference. The lease described on the Lease 1 worksheet is taken as the original lease.

Entering Data in the Sublease Worksheet

Assumptions

Throughout this worksheet, it is assumed that you are the tenant on the original lease, and you are the sublessor on the sublease. Before you begin entering data on this worksheet, you should go to the Lease 1 worksheet and enter information about the original lease. When you return to the Sublease worksheet, you will see that most of the information in rows 4 to 11 has been carried forward from the Lease 1 worksheet, but it appears in black font and is locked.

Also, on the General worksheet, under "Effective rent displayed is…," be sure to select "for tenant, before taxes."

Data entry begins in cell **D9**, where you enter the sublease starting year, in the range 1 to 10. This value must not be greater than the lease term in years, rounded up.

Figure 4-1 Sublease Starting Year

Base Rent & CPI Escalation

Base rent of the sublease is entered in row 16, expressed in dollars or dollars per square foot. Enter an amount for each year for which you have rental income from the sublease. If your entry for base rent is less than $500, then it represents a dollar-per-square-foot amount. If it is $500 or greater, then it represents a total dollar amount of base rent for the year. Entries for years before the sublease starting year (cell **D9**) or beyond the lease term in years rounded up are grayed out and ignored.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Original Base Rent + CPI ($/sf):			$29.13	$29.71	$30.31	$31.22
Sublease Base Rent						
Enter amount ($ or $/sf):	$28.00	$28.00	$29.00	$29.00	$29.00	$29.00
CPI Escalation						
Subtenant pays x% of CPI:		100.00%	100.00%	100.00%	100.00%	100.00%
Estimated CPI%:		2.00%	0.00%	2.00%	2.00%	3.00%

Figure 4-2 Sublease Base Rent and CPI Escalation Data Entry

Enter CPI escalations in rows 18 and 19. Enter the percentage of the CPI increase that is applied to the sublease. Typically this is 100 percent, although it can be any percentage between 0 and 100. The amount you enter in the sublease starting year will automatically copy across all of the rest of the years unless you make another entry in the row (there is an "erasable" formula in each cell from year 3 through year 10 which says, "Use the same amount as in last year's cell."). If the sublease provides for a CPI increase, enter your estimate on row 19. You must make your entry as a percentage. You should only make an entry in a year where the sublease actually calls for a CPI escalation. This row will not echo your first entry all along the row.

Row 13 displays the base rent plus CPI escalation for the original lease, expressed in $/sf. This is not a data entry row. These values are shown for reference, so that you can get an idea of what you will need to charge the subtenant.

Note that if you copy all the base rent and CPI escalation assumptions from the original lease (Lease 1) to the sublease, you won't get the same base rent + CPI escalation if your sublease starts after year 1. This is because the grayed out cells are ignored, so the escalation starts later. If you want to break even on the base rent plus CPI escalation (i.e., have the subtenant pay exactly what you need to pay), you can accomplish this in either of two ways:

(1) Copy all the values from row 13 into row 16 as the sublease base rent, and zero out the sublease CPI escalation,

OR

(2) Copy just the value for the sublease starting year from row 13 into row 16, and repeat this single value across row 16 as the sublease base rent. Then copy the CPI escalation from the original lease (Lease 1) to the sublease. This technique will not work if the original base rent varied from year to year.

Pass-Through Expenses

Building expenses that are paid as part of the sublease are entered in rows 23 through 39. On the Lease 1 worksheet, you selected whether to aggregate these expenses into one entry or itemize up to three different pass-throughs. You also chose whether to use the default names for the expenses (Electricity, Other Op. Expense and Taxes) or enter replacement names. These choices are carried forward to the Sublease worksheet.

Whether you chose a single pass-through expense or multiple categories, data entry is identical for each section.

Begin by entering in row 23 the percentage of the expense that the subtenant pays over the expense stop. Usually this is 100%, which is the default. Your entry for the sublease starting year will duplicate automatically across the row.

In row 24, enter the amount, in dollars per square foot, that you as sublessor will pay before the subtenant's contribution begins. If the sublessor pays nothing, then the stop is 0. Your entry for the sublease starting year will duplicate automatically across the row.

Taxes						
Subtenant pays over stop:	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Stop, $/sf:	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$/sf owed in original lease			$2.39	$2.46	$2.53	$2.61
Cap, $/sf:	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

Figure 4-3 Sublease Pass-Through Expense Data Entry

Row 26 displays the total amount of this expense that was owed by the tenant in the original lease, regardless of who will pay for it in the sublease. This is not a data entry row. The values, expressed in dollars per square foot, are calculated based on entries you made on the Lease 1 worksheet. They are shown here for reference.

The last entry is the expense cap. Enter an amount on row 27 for the maximum dollar-per-square-foot amount that would be passed through to the subtenant. If you enter zero, then the program will ignore the cap feature, i.e., there will be no limit to the amount of this pass-through.

Other Expenses and Allowances

If the subtenant has a separate charge for parking, enter it on row 41 expressed in dollars per rentable square foot of the leasehold space or in total dollars. If your entry for parking expense is less than $500, then it represents a dollar-per-square-foot figure. If your entry is greater than or equal to $500, then it represents a total dollar amount of parking expense for the year.

Parking Expense ($ or $/sf)	$2,400.00	$2,400.00	$2,400.00	$2,400.00	$2,400.00	$2,400.00

Figure 4-4 Sublease Parking Expense Data Entry

Enter in row 51 any contribution you as sublessor are making to the cost of fitting up the leasehold space. This may be spread out over a period of years. If your entry for build-out allowance is less than $1000, then it represents a dollar-per-square-foot figure. If your entry is greater than or equal to $1000, then it represents a total dollar amount of build-out allowance.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Build-out Allowance						
Total $ amount or $/sf:	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

Figure 4-5 Sublease Build-out Allowance Data Entry

You as sublessor may also choose to give free rent at any time during the 10-year period covered by this analysis. If so, enter the number of months of free rent for any year in row 54.

Figure 4-6 Sublease Free Rent Data Entry

In row 57, enter any amount you as sublessor will contribute as a relocation allowance, to offset the subtenant's moving costs. Normally, you would pay this in the sublease start year, but you can make entries in later years up to the lease term. If your entry for subtenant's relocation allowance is less than $500, then it represents a dollar-per-square foot figure. If your entry is greater than or equal to $500, then it represents a total dollar amount of relocation allowance.

Figure 4-7 Sublease Relocation Allowance Data Entry

The program accommodates one additional line item to cover other concessions made by the sublessor to the subtenant. If your entry for other concessions is less than $500, then it represents a dollar-per-square-foot figure. If your entry is greater than or equal to $500, then it represents a total dollar amount of other concessions.

Figure 4-8 Sublease Other Concessions Data Entry

Data entry ends at row 60. The section below in rows 66 to 107 displays the calculated values for the original lease and the sublease in total dollars. The report also shows the effective rent difference, calculated by subtracting the effective rent of the original lease from the effective rent of the sublease.

Figure 4-9 below shows the completed sublease report.

Sublease Report

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Commerce Plaza				Rentable sf	4,950		Lease term	120 months		7/30/2012
Suite 100				Usable sf	4,950		Start of			3:17 PM
400 Commerce Ave.				Load factor	0.00%		sublease	Year 3		

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Original Lease										
Base Rent			138,600	138,600	138,600	138,600	138,600	138,600	138,600	138,600
CPI Escalation			5,599	8,483	11,425	15,926	20,562	25,336	30,255	37,009
Pass-Through Expenses										
Electricity			0	0	0	0	0	0	0	0
Other Op. Expense			0	0	0	0	0	0	0	0
Taxes			11,816	12,170	12,535	12,911	13,299	13,698	14,109	14,532
Parking Expense			2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Security Expense			0	0	0	0	0	0	0	0
Other Expense			0	0	0	0	0	0	0	0
Tenant Improvements			0	0	0	0	0	0	0	0
Buildout Allowance			0	0	0	0	0	0	0	0
Free Rent			0	0	0	0	0	0	0	0
Moving Cost			0	0	0	0	0	0	0	0
Relocation Allowance			0	0	0	0	0	0	0	0
Other Concessions			0	0	0	0	0	0	0	0
Effective Rent			$158,415	$161,654	$164,960	$169,837	$174,860	$180,034	$185,363	$192,541
Sublease										
Base Rent			143,550	143,550	143,550	143,550	143,550	143,550	143,550	143,550
CPI Escalation			0	2,871	5,799	10,280	14,895	19,648	24,544	31,268
Pass-Through Expenses										
Electricity			0	0	0	0	0	0	0	0
Other Op. Expense			0	0	0	0	0	0	0	0
Taxes			11,816	12,170	12,535	12,911	13,299	13,698	14,109	14,532
Parking Expense			2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Buildout Allowance			0	0	0	0	0	0	0	0
Free Rent			0	0	0	0	0	0	0	0
Relocation Allowance			0	0	0	0	0	0	0	0
Other Concessions			0	0	0	0	0	0	0	0
Effective Rent			$157,766	$160,991	$164,285	$169,141	$174,144	$179,296	$184,603	$191,750
Effective Rent Difference			($649)	($662)	($676)	($696)	($717)	($738)	($760)	($791)

Figure 4-9 Completed Sublease Report

Chapter 5.   Summary Report

The Summary Report worksheet is designed as a presentation report. It summarizes information about each of the leases in a compact three-page layout.

There is no data entry on this worksheet, but you can attach a single picture for each lease. The picture can come from any image file. The program will automatically scale your image to fit the available space, retaining the original aspect ratio. To print the report, pull down the **RealData** menu, choose **Print Reports** and select the Summary Report. You can also select which leases to include in the report.

Figure 5-1 First Three Leases in Summary Report

Chapter 6. Lease Comparison Report

This worksheet is also designed as a presentation-style report that allows you to see the most important information about each lease on a single line. It is suitable to give to a lender or partner as a comparison of essential data about the leases, either by itself or in conjunction with the Summary Report and or lease detail reports. To print the report, pull down the **RealData** menu, choose **Print Reports** and select Lease Comparison. You can also select which leases to include in the report.

There are only two data entry cells on this worksheet at the top of the page in cells C4 and C5. These entries, each of which represents a year between 1 and 10, adjust the data presented in columns D through G for the effective rent and rent-per-usable-square-foot. Note that the remaining columns, H through L, represent data for the entire term of the lease in question (as indicated in cell D8 on the lease's worksheet) up to 10 years.

The report computes an index for the leases, which is a single number that represents the relative cost of each lease. The lease with the lowest Net Present Value has an index value of 1.000. Every lease that is more costly has a proportionately higher index. Thus a lease with an index of 1.082 has a NPV that is 8.2 percent higher than the least expensive lease.

Lease	Year 1 Effective Rent	Year 10 Effective Rent	Year 1 Rent/rsf	Year 10 Rent/rsf	Average Rent/rsf	Average Rent/usf	Total Commitment	NPV @ 6%	Index
Commerce Plaza Suite 100 Term, 120 months	$152,138	$192,541	$30.73	$38.90	$34.24	$34.24	$1,695,046	$1,262,534	1.113
Brandywine Common Suite 200 Term, 120 months	$138,750	$175,844	$30.83	$39.08	$35.23	$35.23	$1,585,316	$1,162,894	1.026
Brick Walk #550 Term, 120 months	$141,638	$174,027	$31.48	$38.67	$34.14	$34.14	$1,536,225	$1,133,945	1.000
Cambridge Square 200-B Term, 120 months	$183,250	$181,816	$36.65	$36.36	$36.08	$36.08	$1,803,848	$1,353,714	1.194
Flatiron Building Suite 100 Term, 120 months	$140,508	$179,905	$28.68	$36.72	$31.57	$31.57	$1,546,840	$1,148,554	1.013
Greenway Square Suite 600 Term, 120 months	$154,856	$184,172	$29.78	$35.42	$33.03	$33.03	$1,717,743	$1,264,851	1.115

Note: The amounts shown in the second to fifth columns represent the years specified in those columns. The amounts shown as averages, total commitment and NPV cover the entire term of the corresponding lease.

Figure 6-1 Lease Comparison Report

Chapter 7. Graphs

The Graphs worksheet contains charts showing the effective rent, total commitment and net present value by lease.

There is no data entry on this worksheet. To print the charts, pull down the **RealData** menu, choose **Print Reports** and select Graphs. You can also select which leases to include in the charts.
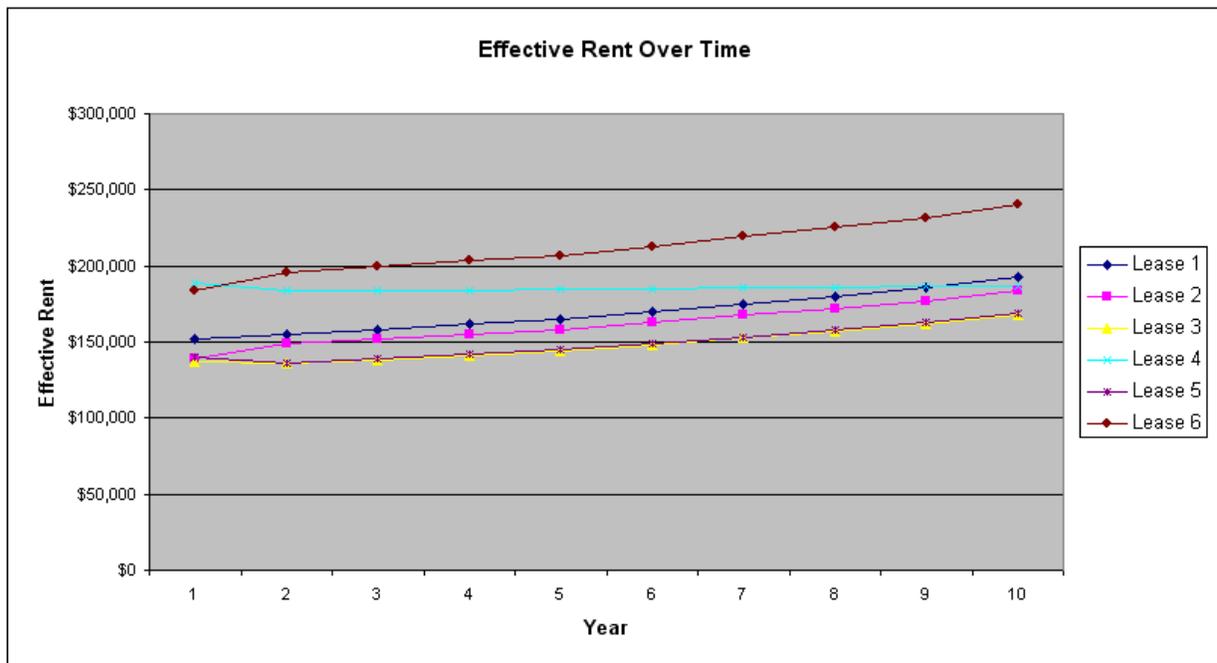
Graphs

Figure 7-1 Chart Showing Effective Rent Over Time

Chapter 8. Executive Summaries

The Executive Summaries worksheet contains an executive summary for each of the six leases. It summarizes information about each of the leases in a compact three-page layout.

There is no data entry on this worksheet, but you can attach one or two pictures for each lease. Each picture can come from any image file. The program will automatically scale your image to fit the available space, retaining the original aspect ratio. To print one or more executive summaries, pull down the **RealData** menu, choose **Print Reports** and select Executive Summaries. You can select which leases to include; the program will print the executive summary for each of the selected leases.

Figure 8-1 Lease #1 Executive Summary

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