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# Comparative Lease Analysis Version 2.0

## User Guide

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Comparative Lease Analysis Version 2.0

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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 2.0*. 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 2.0

Version 2.0 includes many significant changes, including a move to a multi-worksheet format and a new design that incorporates a visual layout similar to that of other RealData products.

Customer feedback has been instrumental in enhancing Version 2.0 to add functionality to what was already a very powerful program. New features include:

- Simplified data entry throughout the program
- Additional reports
- New navigation menu with links to report printing, worksheets, User Guide and more
- A Print Reports dialog box where the user can choose color or black/white printing, select from any combination of reports to print and send the reports to any available printer including printing to Adobe Acrobat PDF format.

### 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 megabyte. You can copy analyses onto high-capacity media such as CDs for archive purposes to reclaim disk space. Other requirements include:

- Microsoft Excel 2000 or later
- 800 Mhz computer or greater running Windows 95/98/NT/2000/XP/Vista
- 512 MB of RAM or more recommended
- A laser or ink-jet printer
- *Comparative Lease Analysis 2.0* is currently available only for Windows operating systems.

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## Installing *Comparative Lease Analysis*

### Installing from CD

1. Place the CD-ROM in the appropriate drive.
2. Select **Start > Run**. (Mac users: drag the “Comparative Lease Analysis” archive to your desktop.)
3. Enter d:\setup (where d: is the CD-ROM drive). Mac users: double click on the archive file.
4. Select **OK**.
5. Follow the directions on the screen. Windows users will need to enter the serial number supplied in the email. Mac users will be prompted for a password to unbundle the archive file; use the alpha-numeric serial number provided in the email.

#### **NOTE**

**Serial numbers are case sensitive. When the installer asks for your serial number, be sure to enter the numbers and the letters in upper or lower case as shown.**

### Installing from Download

1. Open the email with the link to the installer file.
2. Double-click the link and choose the **Save File to Disk** option. We recommend that you save it to your **Desktop** location.
3. Double-click on the installer icon to begin the installation process (the file name is setupcla.exe). Macintosh users will click on the icon for an archive file called Comparative Lease Analysis.
4. Follow the directions on the screen. Windows users will need to enter the serial number supplied in the email. Mac users will be prompted for a password to unbundle the archive file; use the alpha-numeric serial number provided in the email.

#### **NOTE**

**When the installer asks for your serial number, be sure to type the letters, in upper or lower case as shown, and the numbers. The serial number is case sensitive.**

## Chapter 2. 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.

Because Comparative Lease Analysis is distributed as an Excel template (.xlt) file, which in normal use should not be overwritten, opening a new file as described above will present a new non-template file (.xls) that is modeled after the template. Until you have established this new file, do not attempt to open the template using **File > Open** within Excel or **Open** within any Windows dialog. If you do so, you will receive an error message.

When you open the file, you will see a splash screen that displays the program name and version. The window will close after a few seconds and then you should see the first page of an Excel workbook. We recommend that you immediately save the file with a new name that is meaningful to you and the project on which you are working. From that point, to re-access that file, use **File > Open** within Excel or **Open** within any Windows dialog, or double-click the file's icon if you saved it to your desktop.

#### 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 select **Enable Macros for *Comparative Lease Analysis*** to function properly.**

You must set your macro security level to medium before opening our programs. If the security level is set to high or low, then you will not be prompted to enable macros.

To change the macro security setting:

1. Open Microsoft Excel.
2. Select **Tools > Macro > Security** and select the **Security** tab. Set the security to **Medium**.
3. Select **OK**. You will now be prompted to enable macros when opening the *Comparative Lease Analysis* program.

Once the file is open, notice that the entire analysis resides in this one workbook file. The *workbook* is a collection of *worksheets* 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:



Figure 1 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:

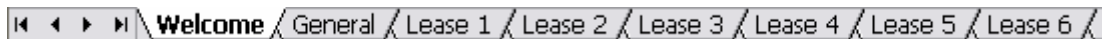


Figure 2 Comparative Lease Analysis Worksheet Tabs

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 3 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**.

## Comparative Lease Analysis Menu

At the top of the Excel window, you will find the **Comparative Lease Analysis** menu (Figure 4), which is added to the Excel menu bar between **Window** and **Help**. Whenever you open a *Comparative Lease Analysis* file, this menu will appear (assuming that macros are enabled):

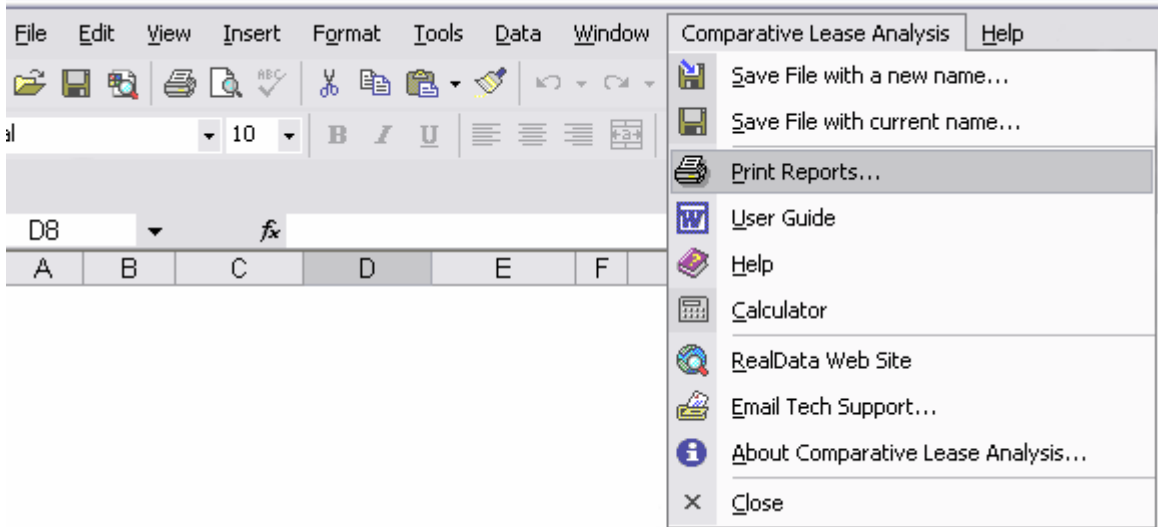


Figure 4 Excel Menu Bar with Comparative Lease Analysis Menu

The first item on the **Comparative Lease Analysis** menu is **Save file with a new name**. 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.

Next is the **Save file with current name** choice. After you have given the template a new name (e.g., “Main Street”) use this to save your file as you work on it.

Below that is **Print Reports**, which allows you to print any of five pre-formatted reports immediately, regardless of which sheet is currently displayed on the screen (for more information, see below).

The next section gives you easy access to three valuable tools. The first is the **User Guide**, which you are reading right now. It requires Microsoft Word to open. The second launches the searchable **Help** file. This can give you a quick definition, hint or rule. You will probably want to check this first before opening the **User Guide**. The last item in this section of the menu provides immediate access to the Windows **Calculator** to help you make simple mathematical computations outside of the *Comparative Lease Analysis* program.

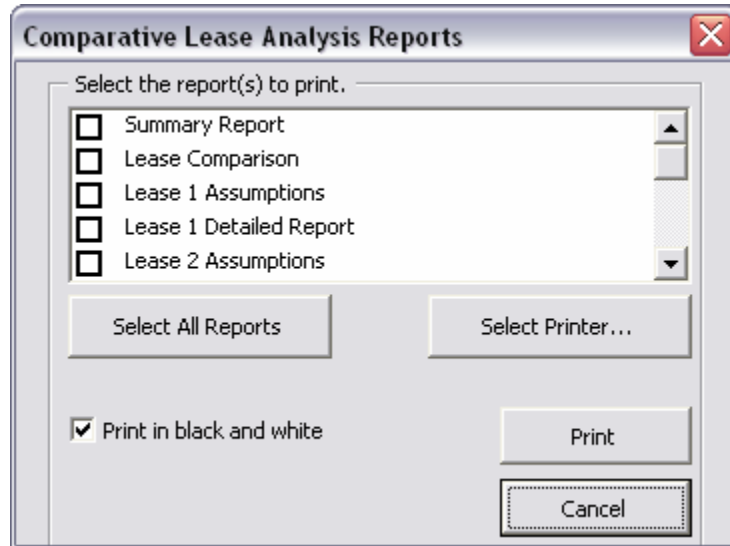
The two items that follow allow you to seek web-based help from us (provided you are connected to the Internet). The first, **RealData Web site**, will connect you to [www.realdatab.com](http://www.realdatab.com), where you can check our Knowledge Base and support and Learn sections for information that might help you solve a particular problem. **Contact Tech Support** makes it easy to communicate with us if you have a specific question.

**About Comparative Lease Analysis...** displays the program splash screen that indicates the version number of the program.

Finally, **Close** the program from this menu. 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 **Comparative Lease Analysis** menu, choose **Print Reports** and select the report(s) you want to print.



*Figure 5 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 Summary and Lease Comparison pro forma.

### Note

**The colored background on the six lease worksheets, included to improve the appearance and organization of the data on screen, will utilize considerable color ink when printed. We recommend that you print these reports in black and white.**

### *Printing to the RealData PDF Printer*

You can to print reports to a PDF file format and send them to a client or colleague as a simple email attachment. A PDF is an exact digital image of a printed report and can be opened by the Acrobat Reader available free from Adobe® (www.adobe.com). To print a *Comparative Lease Analysis* report to a PDF, you must first install the RealData PDF printer. This print driver is currently available free on your RealData program CD or via download at [www.realdatal.com](http://www.realdatal.com). This driver will work only with RealData programs that include PDF functionality. Please keep in mind that you may *not* send your client 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.

To create PDFs, first install the RealData PDF Printer, which is available as a separate installer file. The installer file, setuppdf.exe, is available at no charge in the Downloads section of the RealData web site and on RealData software CDs. Again, please note that the RealData PDF Printer 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. Go to the **Comparative Lease Analysis** menu and choose **Reports**
2. From any **Print** dialog box used to initiate printing, choose **Select Printer**. See Figure 6 below.
3. Select **RealData PDF Printer**.
4. Select **OK**.
5. Select whether you want to print in black and white.
6. Select **Print**. The program will then begin creating the file.
7. 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 floppy disk or on other portable storage media. Once saved, this file can be easily attached to email.
8. To view your printout, you need the Adobe Acrobat Reader, available at no charge at [www.adobe.com](http://www.adobe.com) (the exact link was <http://www.adobe.com/products/acrobat/readstep2.html> when this guide was published). Once this software is installed, just double-click on the PDF file and Acrobat will open the file automatically.

#### **Note**

**The Print Dialog Box lets you easily select the printer you want to use, e.g., the RealData PDF Printer. Once you have clicked OK, this printer will remain active for this analysis as long as you have it open or until you change the selected printer. However, if you close the workbook then the next time you open it, the printer choice will revert to the default printer for your computer. Also be aware that this selection only applies to *Comparative Lease Analysis*; it does not change the printer for any non-*Comparative Lease Analysis* worksheets you are working on or any other program you have open.**

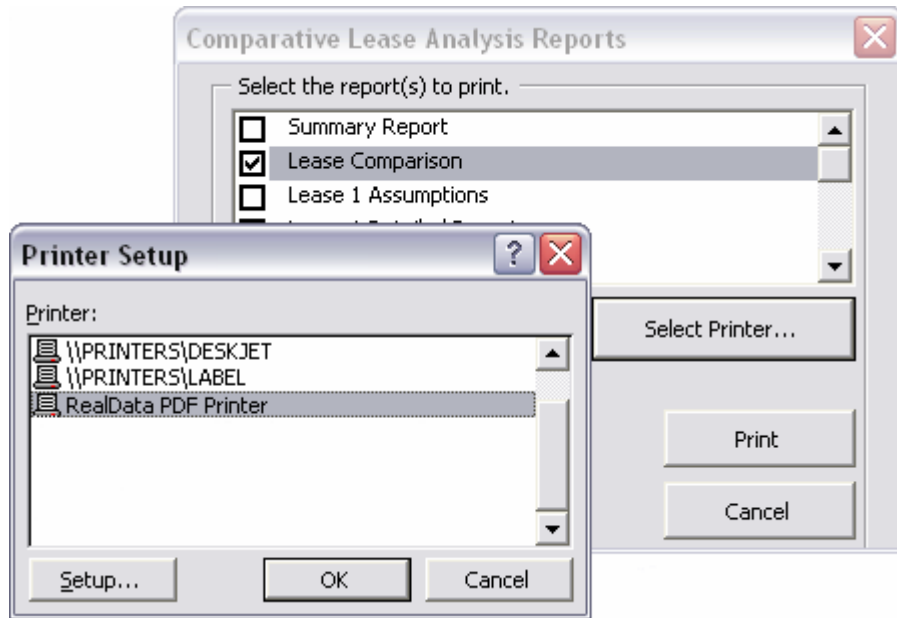


Figure 6 Selecting the RealData PDF Print Driver

## 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 base rent for first lease (row 14) has a blue data-entry cell in the first year (Cell **D14** 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 rate—remember we said the formula was “erasable.” You do not have to enter a rate for each year, but only if and when a change occurs. This new rate 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 base rent, if you entered 35 in year 2, you would be making that entry in cell **E14**. 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 **D14**, the formula you erased was simply **=D14**. Type this in; the cell will once again equal whatever rate is used for the previous year.

#### **NOTE**

**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.**

## **Recalculation**

*Comparative Lease Analysis* is set for automatic recalculation. If you notice that your worksheet does *not* fill in with calculated values as you make each entry, then the automatic recalculation has been turned off.

To turn recalculation back on:

1. Select **Options** from the **Tools** drop-down menu
2. Select the **Calculation** tab
3. Select **Automatic**.

## Chapter 3. Welcome and General

The workbook begins with a *Welcome* worksheet that displays Internet links for registration, technical support, articles and other useful resources. We invite you to use the registration link immediately so that you can receive support and notification of future updates. In addition, we urge you to let us know of any change in your email or postal address.

### 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.

Report Prepared For:

*Figure 7 General Worksheet Data Entry Field*

Similarly, you can enter appropriate report information in the following five fields. The “Date of Report” field will display the current date unless you elect to overwrite the formula in the cell and replace with a date of your choice. The last data entry field on the General worksheet asks for the Discount Rate for present value calculation (Figure 8):

% Discount Rate

*Figure 8 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.

## Chapter 4. The Six Lease Worksheets

### What the Lease Worksheets Do

New to Version 2.0 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 **C6**. 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 **C7**. 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 footage are equal. This cell requires a non-zero value.

Be sure to enter a lease term in cell **C8** – this is a required input. Only values between 1 and 10 are valid. This value will be used to calculate average rates so it should never be less than the number of years for which you enter lease income.

Building: <b>OakLeaf Office Park</b>		Suite: <b>100</b>		Ad		
Rentable sf:	<b>2,000</b>	Lease begins:	<b>1/1/2005</b>	Owner:	<b>Yourtown Properties, LLC</b>	Floor #
Usable % of RSF:	<b>0.95</b>	Rent begins:	<b>1/15/2005</b>	Manager:	<b>David Smith</b>	Total f
Lease term (years):	<b>10</b>	Base year:	<b>2005</b>	Park, resrvd:	<b>0</b>	Expan
NPV discount rate:	<b>9.00%</b>	Year built:	<b>2000</b>	Park, unres:	<b>30</b>	Total k
Comments:	<b>high speed internet connection already in building</b>					Wkdar
	<b>snow removal included in lease</b>					

Figure 9 Lease Data Entry Assumptions

The present value discount rate in **C9** 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 you want the analysis to go out less than 10 years, you must remember to leave the years you are not using set to zero. 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.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
<b>Base Rent</b>						
Enter amount (total \$ or \$/sf):	\$35.00	\$35.00	\$35.00	\$35.00	\$35.00	\$35.00
<b>CPI Escalation</b>						
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%	2.00%

Figure 10 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 1 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 2 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. New to Version 2 is the option of aggregating these expenses into one entry or itemizing 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 11 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:	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
First year estimate, \$/sf:	\$2.75					
Growth rate, %:		3.00%	3.00%	3.00%	3.00%	3.00%
Cap, \$/sf:	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00

Figure 12 Pass-Through Expense Data Entry

In the next row, make a single entry for the estimated first-year amount of this expense, expressed in dollars per square foot. Your entry is the total amount of the expense, regardless of who pays for it.

The growth rate in row 24 is the amount that your first-year expense estimate will change each year. Enter a value as a percentage.

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. This figure typically should be greater than both the stop and the first-year estimate, otherwise the amount passed through will be zero. 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.

**NOTE**

The functionality of the expense cap has changed from the previous version of *Comparative Lease Analysis*. In version 1, an entry of zero signified that the cap was zero dollars and therefore there was no pass through. In version 2, an entry of zero means that there is no limit on the amount passed through to the tenant. In other words, there is no expense cap.

**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 (total \$ or \$/sf):	\$675.00	\$675.00	\$675.00	\$700.00	\$700.00	\$700.00
--------------------------------------	----------	----------	----------	----------	----------	----------

Figure 13 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 (total \$ or \$/sf):	\$8.25	\$8.30	\$8.35	\$8.40	\$8.45	\$8.45
Other Expense (total \$ or \$/sf):	\$1,500.00	\$1,530.00	\$1,560.00	\$1,590.00	\$1,620.00	\$1,650.00

Figure 14 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 and 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:	\$15.00
Amortized over x years:	10 years
Build-out Allowance	
Total \$ amount or \$/sf:	\$2.00
Amortized over x years:	10 years

Figure 15 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:"	3					
Total pass-thru, \$/sf, Year 0:	\$2.85					
# free months in years 1-10:	2	0	0	1	0	0

Figure 16 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.

Moving Cost	
Total \$ amount or \$/sf:	\$4.25
Relocation Allowance	
Total \$ amount or \$/sf:	\$1.50

Figure 17 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.

Other Concessions						
Total \$ amount or \$/sf:	\$1.20	\$0.50	\$0.25	\$0.00	\$0.00	\$0.00

Figure 18 Other Concessions Data Entry

Data entry ends at row 72. The sections below in rows 75 to 137 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 19 below shows a completed detailed lease report.

LEASE #5 DETAILED REPORT (in total dollars)

Brandywine Common Suite 200 100 Commerce Dr.		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	Rentable SF					4,500					
	Usable SF					4,500					
	Load factor					0.00%					
	Lease term								10 years		
	Discount rate for NPV								10.00%		
											4/13/2004 3:59 PM
Base Rent		202,500	202,500	202,500	202,500	202,500	202,500	202,500	202,500	202,500	202,500
CPI Escalation			6,075	12,332	18,777	25,416	32,253	39,296	46,549	54,021	61,717
Pass-Through Expenses											
Electricity		4,275	4,361	4,448	4,537	4,627	4,720	4,814	4,911	5,009	5,109
Other Op. Expense		0	0	0	0	0	0	0	0	0	0
Taxes		6,750	6,975	7,319	7,674	8,039	8,290	8,546	8,807	9,073	9,344
Parking Expense		1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125
Security Expense (\$ or \$/sf)		0	0	0	0	0	0	0	0	0	0
Other Expense (\$ or \$/sf)		0	0	0	0	0	0	0	0	0	0
Tenant Improvements		0	0	0	0	0	0	0	0	0	0
Buildout Allowance		-450	-450	-450	-450	-450	-450	-450	-450	-450	-450
Free Rent		-16,875	0	0	0	0	0	0	0	0	0
Moving Cost		4,500	0	0	0	0	0	0	0	0	0
Relocation Allowance		-1,125	0	0	0	0	0	0	0	0	0
Other Concessions		0	0	0	0	0	0	0	0	0	0
<b>Effective Rent</b>		<b>\$200,700</b>	<b>\$220,586</b>	<b>\$227,274</b>	<b>\$234,163</b>	<b>\$241,257</b>	<b>\$248,438</b>	<b>\$255,831</b>	<b>\$263,442</b>	<b>\$271,277</b>	<b>\$279,345</b>
Effective Annual Rate/rsf		\$44.60	\$49.02	\$50.51	\$52.04	\$53.61	\$55.21	\$56.85	\$58.54	\$60.28	\$62.08
Effective Annual Rate/usf		\$44.60	\$49.02	\$50.51	\$52.04	\$53.61	\$55.21	\$56.85	\$58.54	\$60.28	\$62.08
Average Effective Rate/rsf		\$54.27 over 10 years									
Average Effective Rate/usf		\$54.27 over 10 years									
NPV, Effective Rate/rsf		\$327.52			<b>Total Commitment</b>		\$2,442,311				
NPV, Effective Rate/usf		\$327.52			<b>NPV at 10%</b>		\$1,473,835				

Figure 19 Completed Lease Detailed Report (total dollars)

## 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 two-page layout.

There is no data entry on this worksheet. You can print it using the *Comparative Lease Analysis* report menu.

<b>Overview and Summary</b>					
<b>Cambridge Square</b> <b>400 Pacific St.</b> <b>200-B</b> <b>Floor 2</b>	Owner: Property Partners, LLC Manager: David Smith	Rentable sf: 5,000 Usable sf: 5,000 Load factor: 0.00%	Total floor sf: 10,000 Expansion sf: 5,000	Year built: 1997 Lease term: 10 years Security: yes HVAC: yes Loading docks: no	Parking, unreserved: 150 Operating hrs., weekend: 9-5 Operating hrs., weekday: 9-5 After-hours charges: yes
Total bldg. sf: 120,000 Lease begins: 1/1/2005 Rent begins: 1/1/2005 Base year: 2005 Comments: First quality building; suite is ready to occupy.					
<b>Brandywine Common</b> <b>100 Commerce Dr.</b> <b>Suite 200</b> <b>Floor 1</b>	Owner: Brandywine Group, Inc. Manager: First Management Corp	Rentable sf: 4,500 Usable sf: 4,500 Load factor: 0.00%	Total floor sf: 25,000 Expansion sf: 2,000	Year built: 1990 Lease term: 10 years Security: yes HVAC: yes Loading docks: no	Parking, reserved: 20 Parking, unreserved: 600 Operating hrs., weekend: 9-5 Operating hrs., weekday: 9-5 After-hours charges: yes
Total bldg. sf: 200,000 Lease begins: 1/1/2005 Rent begins: 1/1/2005 Base year: 2005 Comments: High speed internet access included Excellent location Note: This lease includes 3 months free rent prior to Year 1. Tenant pays expenses at \$0 /sf/yr during this time.					
<b>6th Street Square</b> <b>125 Sixth St.</b> <b>Suite 600</b> <b>Floor 5</b>	Owner: Northside Development Manager: Best Manage, Inc.	Rentable sf: 4,000 Usable sf: 4,000 Load factor: 0.00%	Total floor sf: 5,000 Expansion sf: 2,500	Year built: 2000 Lease term: 10 years Security: yes HVAC: yes Loading docks: no	Parking, unreserved: 200 Operating hrs., weekend: 9-5 Operating hrs., weekday: 9-5 After-hours charges: yes
Total bldg. sf: 50,000 Lease begins: 1/1/2005 Rent begins: 1/1/2005 Base year: 2005 Comments: Best space for our needs.					

Figure 20 Completed Lease 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. You can print it using the *Comparative Lease Analysis* reports menu.

There are only two data entry cells on this worksheet at the top of the page in cells C5 and C6. 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 Comparison

Lease	Year 1 Effective Rent	Year 10 Effective Rent	Year 1 Rent/rsf	Year 10 Rent/rsf	10-yr Avg. Rent/rsf	10-yr Avg. Rent/usf	10-yr Total Commitment	NPV @ 10%	Index
Flatiron Building Suite 100	\$230,300	\$230,300	\$47.00	\$47.00	\$47.00	\$47.00	\$2,303,000	\$1,464,368	1.000
Commerce Plaza Suite 100	\$247,500	\$247,500	\$50.00	\$50.00	\$50.00	\$50.00	\$2,475,000	\$1,573,724	1.075
Brick Walk #650	\$292,500	\$292,500	\$65.00	\$65.00	\$65.00	\$65.00	\$2,925,000	\$1,899,865	1.270
Cambridge Square 200-B	\$240,000	\$240,000	\$48.00	\$48.00	\$48.00	\$48.00	\$2,400,000	\$1,526,035	1.042
Brandywine Common Suite 200	\$200,700	\$279,345	\$44.60	\$62.08	\$54.27	\$54.27	\$2,442,311	\$1,473,835	1.006
Greenway Square Suite 600	\$274,404	\$327,536	\$52.77	\$62.99	\$57.75	\$57.75	\$3,002,794	\$1,879,087	1.283

Note: The amounts shown in the second to fourth columns represent the years specified in those columns. The amounts shown as averages, total commitment and NPV cover the entire 10-year period.

Figure 21 Completed Lease Comparison Report

## **Chapter 7. User Work Area**

One blank worksheet is provided for your use. You may use these for performing incidental calculations or, if you are proficient with Excel, to design a subsidiary spreadsheet of your own that you link into *Comparative Lease Analysis*.

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