

# **HIRC**

## **The High-Risers Club**

**8.27.2024 - Ongoing Tenant/Landlord Scenario Steps I Have Taken**

# Coach Jeff Wright

---

# Welcome

**HRC**  
The High-Risers Club

Does anyone have anything great to share personally or professionally?



**HRC**  
The High-Risers Club

# Podcast

**Tune in wherever you get your podcasts!**

- **Last Week: Beliefs and Goals: Difference Makers in Life**
- **This Week: 10 Common Mistakes Sellers Make When Choosing a Listing Agent**

Listen on Apple Podcast:



Listen on Spotify:



**HRC**  
The High-Risers Club

# Greatness is Within



**You Can Do This**

**HRC**  
The High-Risers Club

# Ongoing Tenant/ Landlord Scenario

- Usable sq footage: 1,492 sf
- Asking Rent: \$25
- Core Factor: 22%
- Heating gas is included:
- Tenant fit up: Negotiable depending on the length of the lease.

# Ongoing Tenant/ Landlord Scenario

What is the rentable sq footage?

- 1,492 sf (usable sf) x 1.22 (core factor)
- 1,820 sf

Details	
Usable Square Footage	1,492 sf
Asking Rent	\$25 sf
Core Factor	22%
Heating gas	Included
Tenant Fit Up	Negotiable depending on the length of the lease.

# Ongoing Tenant/ Landlord Scenario

What is the rent paid on - 1,492 sf or 1,820 sf?

- 1,820 sf

They said they could pay \$3,500 per month. What would that translate to on a square footage basis?

- $\$3,500 \text{ sf (monthly)} \times 12 \text{ (months)} = \$42,000$
- $\$42,000 / 1820 \text{ sf}$
- $\$23.07 \text{ sf}$



# Ongoing Tenant/ Landlord Scenario

Is the \$23.07 sf NNN or Gross?

- Gross

# Ongoing Tenant/ Landlord Scenario

The space did not work as configured and fit out for the tenant . The tenant had a contractor price out what changes they would require to be willing to move forward and the cost would be \$61,500. The tenant's agents asked if the landlord would contribute towards the \$61,500. The landlord said If it was a (5) year lease, landlord will provide, \$20,500 towards TI. If a (10) year lease, the landlord will provide \$41,500. The tenant said they would sign a 10-year lease.

- How much is the landlord willing to contribute:

- A. \$61,500
- B. \$20,500
- C. \$30,750
- D. \$41,500

# Ongoing Tenant/ Landlord Scenario

**D. \$41,500**

How many months would it take for the landlord to recapture the money they provided in TI?

$\$41,500 / \$3,500 \text{ per month} = 11.86 \text{ months}$

# Guaranty

Guarantor hereby agrees to unconditionally and absolutely guaranty each and every one of Tenant's obligations under this Lease, including but not limited to any and all payment obligations, whether rent, additional rent, penalties or other payment obligation, without further demand to Tenant or Guarantor by Landlord.

# Rent Payments

If the \$3500 monthly rent stays locked in for the first (2) years, and then increase 2.5 % each year. What is the total rent in year 1, 2, 3, 4 and 5?

- \$42,000 ( $\$3,500 \times 12$ ) year 1
- \$42,000 ( $\$3,500 \times 12$ ) year 2
- \$43,050 ( $\$3,500 \times 1.025 = \$3,587 \times 12$ ) year 3
- \$44,126.25 ( $\$3,587 \times 1.025 = \$3,677 \times 12$ ) year 4
- \$45,229.41 ( $\$3,677 \times 1.025 = \$3,769 \times 12$ ) year 5

# Lease Commission Calculation

What would your compensation be if your commission rate is 5%?

- \$42,000 ( $\$3,500 \times 12$ ) year 1
- \$42,000 ( $\$3,500 \times 12$ ) year 2
- \$43,050 ( $\$3,500 \times 1.025 = \$3,587 \times 12$ ) year 3
- \$44,126.25 ( $\$3,587 \times 1.025 = \$3,677 \times 12$ ) year 4
- \$45,229.41 ( $\$3,677 \times 1.025 = \$3,769 \times 12$ ) year 5

$$\$42,000 + \$42,000 + \$43,050 + \$44,126.25 + \$45,229.41 = \$216,405.66 \times 5\% = \$10,820.28$$

# Early Termination

Provided Tenant is not otherwise in breach of any of its obligations hereunder, Tenant shall have the right to terminate this Lease after 81 months of occupancy by giving Landlord written notice, at least nine (9) months prior to the termination date, of Tenant's election to terminate. In addition, Tenant shall reimburse Landlord for unamortized Tenant fit-up costs (\$41,500.00) and soft costs (brokerage fee: \$11,500.00, attorney fee: \$1,500.00 and interest on the loan for the fit up \$41,500.00 @ 6.5% interest, amortized over 123 months: \$15,456.00) and shall pay prior to being released from the lease by the landlord. The landlord will not collect any unamortized costs if the tenant stays for a minimum of 105 months.

# Greatness is Within



## You Can Do This

**HRC**  
The High-Risers Club



# Join Our Facebook Group

<https://www.facebook.com/groups/commercialrealestateforresidentialrealtors>



**HRC**  
The High-Risers Club

# Next Session

**Ed Schultek: Mindset Training – No Guts No  
Gain Part 2**

**Tuesday, September 3, 2024  
@ Noon Eastern**

**HRC**  
The High-Risers Club

# Greatness is Within



## You Can Do This

**HRC**  
The High-Risers Club