

# **HIRC**

## **The High-Risers Club**

**7.2.2024 – Negotiating / Deal Making from the Landlord's  
Perspective, Part 3**

# 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: How to Have Great Success in Our Changing World**
- **This Week: 15 Ways to Increase the Value of a Commercial Real Estate Property**

Listen on Apple Podcast:



Listen on Spotify:



**HRC**  
The High-Risers Club

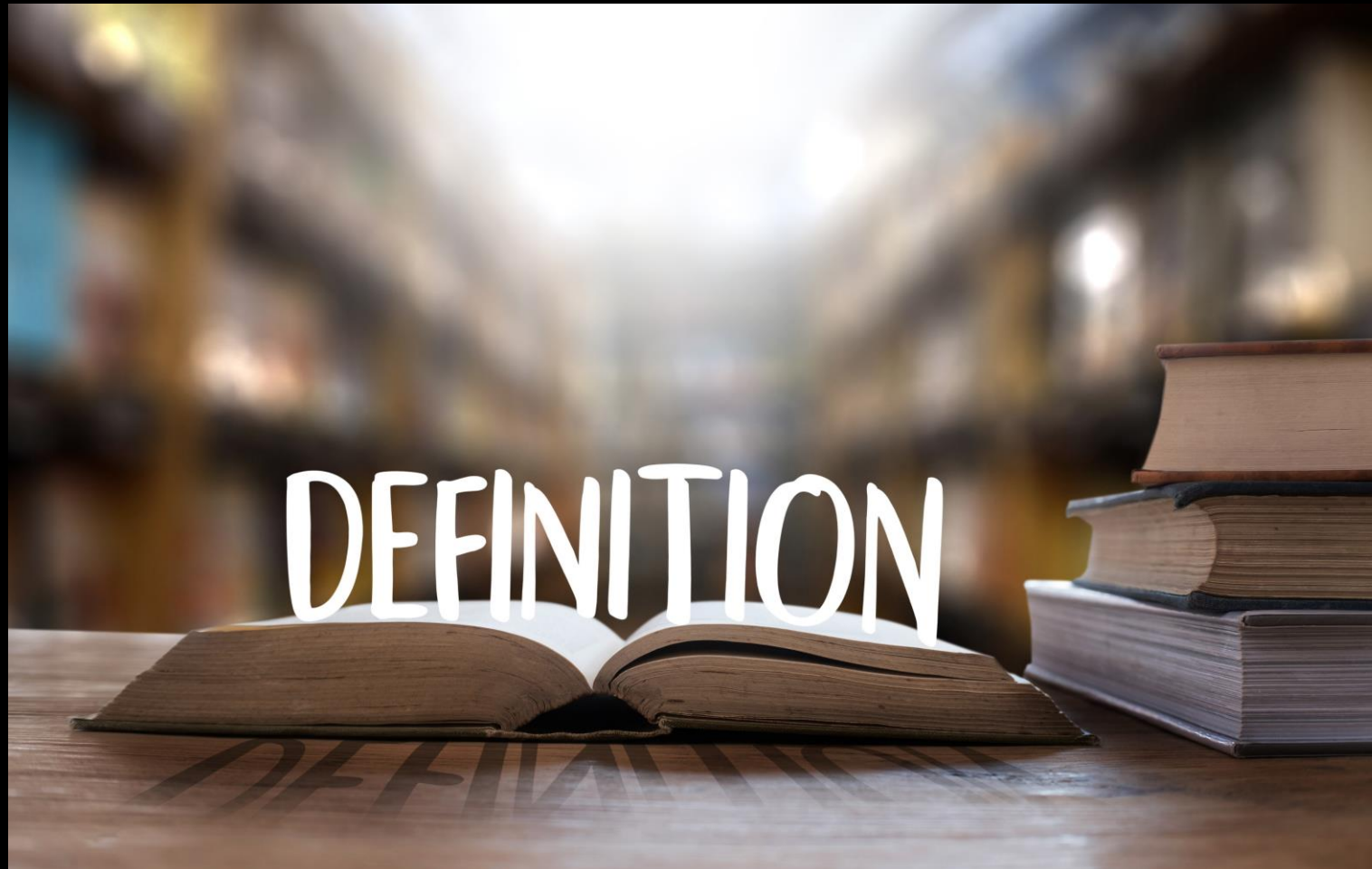
# Greatness is Within



**You Can Do This**

**HRC**  
The High-Risers Club

# Leasing Terms

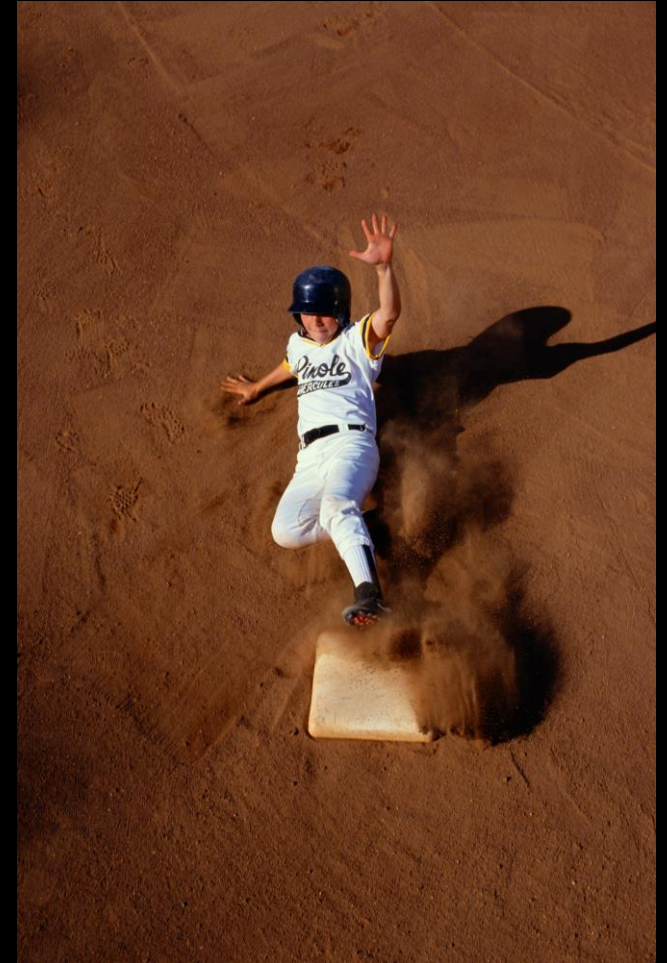


# Base Rent

The base rent is the starting point for all rents paid for the property, the minimum amount due the landlord.

The type of lease ultimately determines what is paid.

Escalations are based off the annual base rent and are only one component of the overall cost of leasing a space.



# Net Leases

- Single
- Double
- Triple





# Single Net Lease (N)

A single net lease is a rental agreement in which the tenant agrees to cover the cost of one of the three primary property expenses: taxes, insurance, or CAM (Common Area Maintenance) costs.

# Double Net Lease (NN)

---

A double net lease is a rental agreement in which the tenant agrees to cover the cost of two of the three primary expenses: taxes, insurance or CAM (Common Area Maintenance) costs.

# Triple Net Lease (NNN)

---

A triple net lease is a rental agreement in which the tenant agrees to cover the cost all three primary expenses: taxes, insurance and CAM (Common Area Maintenance) costs.

# Operating Expenses

Costs the owner pays to operate and maintain a building. These expenses include property taxes, insurance, utilities, maintenance, repairs, management, legal and accounting services.

It does not include mortgage payments (debt service), cost recovery or capital expenditures.

Operating expenses recur annually.

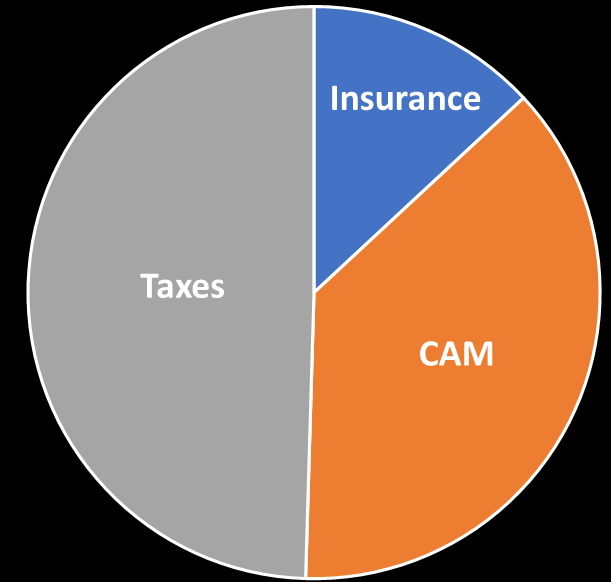
# Common Charges - TIM

**T** = Taxes

**I** = Insurance

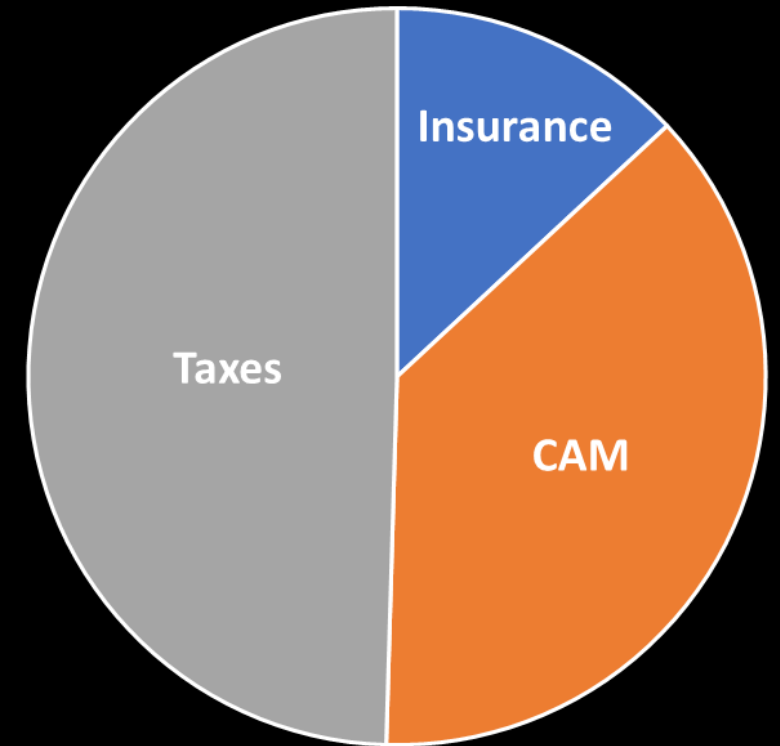
**M** = Maintenance (Also known as Common Area Maintenance or CAM)

Common charges generally range from \$2.50 - \$15.00 per SDF, depending on type of building, amount of common area and landlord philosophy.



# Gross Lease

There are two common gross lease types: full service and modified. In a gross lease, most or all of the expenses associated with the property are included in the rent. In some states, the landlord is required to disclose the specific costs associated with the property.



# Audience Question (Cont.)

**Option A - \$16/sf + \$9NNN / sf**

**Option B - \$22/sf gross**

$$\text{\$16/sf} + \text{\$9/sf NNN} = \text{\$25/sf}$$

$$\text{\$25/sf} \times 3,300 \text{ sf} = \text{\$82,500 Annual}$$

$$\text{\$82,500} \div 12 = \text{\$6,875 Monthly}$$

$$\text{\$22/sf} \times 3,300 \text{ sf} = \text{\$72,600 Annual}$$

$$\text{\$72,600} \div 12 = \text{\$6,050 Monthly}$$

# Total Rent

$$\begin{aligned} & \text{Base Rent} \\ & + \text{Common Charges} \\ & + \text{Utilities (Electric, Phone, Gas and Water)} \\ \hline & = \text{Total Rent} \end{aligned}$$



# Deal Making with a Landlord

Some creative ways you can structure deals to make it more attractive financially for a tenant initially:

## 1. Rent Abatement Period

Offer a certain period of rent abatement at the beginning of the lease term to help the tenant establish their business.

# Deal Making with a Landlord

---

## 2. Tenant Improvement Allowance

Provide funds for the tenant to customize the space to fit their needs without incurring additional costs.

# Deal Making with a Landlord

---

## 3. Step-Up Rent

Gradually increase the rent over time to give the tenant some breathing room in the early stages of the lease.

# Deal Making with a Landlord

---

## 4. Percentage Rent

Link a portion of the rent to the tenant's revenue, providing a lower base rent with additional payments based on performance.

# Deal Making with a Landlord

---

## 5. Flexible Lease Terms

Offer flexible lease terms such as shorter lease durations or options for expansion to accommodate the tenant's changing needs.

# Join Our Facebook Group

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



**HRC**  
The High-Risers Club

**Next Session**

**Negotiating/Deal Making  
Part 4**

**Tuesday, July 16, 2024**

**@ Noon Eastern**

**HRC**  
The High-Risers Club

# Greatness is Within



## You Can Do This

**HRC**  
The High-Risers Club