



# LEASE ADMINISTRATION

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1. LEASE MANAGEMENT AND  
ADMINISTRATION
2. ADMINISTRATION OF ADDITIONAL  
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# 1. LEASE MANAGEMENT / ADMINISTRATION

- a. Who's Involved - "The Team"
- b. The Leasing Person's Job
- c. Lease Summary - First Step in Lease Administration
- d. Tenant Audits



## a. Who's Involved - "The Team" **THE PLAYERS**

- Owner, Investor
- Lender
- Investment Advisor/
- Asset Manager
- Property Management Company
- Center Staff
- Leasing Agent
- Legal Documentation Officer



# Process around Leasing

- The Investment
- The Income Stream -- Rent
- Overhead -- Operating Expenses
- Risks -- The Lease Contract
- Profit



## WHO'S INVOLVED – “The Team”

# OWNERS

- Developers
- Real Estate Investment Trust (REIT)
- Property Company
- Corporation
- Individual Investor



## WHO'S INVOLVED – “The Team”

# LENDERS

- Rights of Approval
- Non-Disturbance Agreements
- Cash Management
- Estoppel Agreement



## WHO'S INVOLVED – “The Team”

# MANAGEMENT TEAM ROLES

- Asset manager
- Regional Manager
- General Manager
- Marketing
- Tenant Construction Coordinator
- Leasing
- Legal Documentation Officer





No one individual knows everything about the property.

**Leasing  
Manager???**

**Owners &  
Representatives**

**Property  
Manager???**

**Asset  
Manager???**

**Opportunity (necessity) to project a consistent property  
image**



**Working together creates**  
**“synergy”\***  
**between the disciplines.**

\*The sum of the parts is greater than the whole.



# WHAT IS TEAMWORK ?..

**NATURE OF TEAMWORK–  
COLLABORATION REQUIRES ENERGY!..**



# Collaboration requires energy.

- Keeps others informed
- Requires knowledge of other jobs
- Creates more interesting jobs
- Promotes opportunities for advancement, job track



- For example, consider service in a hotel.  
• Service Express

**The customer, is most likely to be served first,  
by the lowest paid employee (at the door).**



The one employee,  
closest to the customer  
will know the problems,  
and can find solutions  
in such a way  
that he can change  
the whole customer perception  
to the good and/or to the bad.

**A chain is  
as strong as  
its weakest buckle**





# Leasing

- Research -- Understanding the Opportunity
- Vacant Space
- Recapturing Tenant Space
- Subdividing Large Space and Upsizing Small Space
- Temporary Tenants/Specialty Leasing/Carts
- Leasing/Releasing Effect on Cash Flow





# Tenant Relations

- Establish Lines of Communication with Tenants
- Develop a Program to Retain Tenants
- Be Aware of Responsive to Tenant's Needs



# TEAMWORK STRATEGIES

- **1. Structured vs. Non-Structured**
- **2. Leadership**
  - Centralized Control (autocratic) -- hierarchical leadership
  - Decentralized (downstreaming) -- requires passion and planning
- **3. Not Democratic**



“Passion will replace control as the mechanism for making things happen.

Where control is at best reactive, passion is proactive.”

(“Management Horizons”, [Retailing 2000: A Mid-Decade Perspective.](#))



**“Where there is a strong sense of purpose, there is also a high level of passion,... one of the critical dimensions that differentiates high performance companies from the rest of the pack.”**



# TEAMWORK FOR SC

1. Fundamental Objective  
“Value Enhancement”  
Organize Around Objective
2. Management / Marketing / Leasing  
Joining & Coordinating Forces  
Interchangeable Team Leaders
3. On – Site Business Team  
To prepare plans & budgets  
Actual performance



# TEAMWORK FOR SC

## Multi – Discipline Business Plan

- a. Situation Analysis
- b. Define Objectives
- c. Define Strategies
- d. Implement Tactics
- e. Evaluation



*How can you get very far,  
If you don't know who you are?  
How can you do what you ought,  
If you don't know what you've got?  
And if you don't know which to do  
Of all the things in front of you,  
Then what you'll have when you are through  
Is just a mess without a clue  
Of all the best that can come true  
If you know what and which and who.*

The Tao of Pooh



“If you don’t know where

you’re

going,



you'll never get there.”

“I don't know if this is such a wise thing to do, George.”





# Objective: Increase Sales and Selection in Women's Apparel

- Improve sales of existing tenants
- Identify and attract new tenant
- Merchandising
- Physical
- Financial
- Legal



## Role of Leasing

- Prospecting for new merchants/uses
- Identifying the most successful retailers not in project
- Sell the tenant on the center and opportunity for sales and profit
- Negotiate terms acceptable to ownership and tenant
- Obtain approval from ownership for terms
- Negotiate document with tenant and attorneys



# Role of Marketing

- Develop a marketing plan to promote the center.
- Track tenant sales to uncover trends.
- Work with underperforming tenants.
- Discuss merchandise with store managers.



# Role of Specialty Leasing

- Convert cart operator to permanent tenant
- Create additional income
- Turn lights on



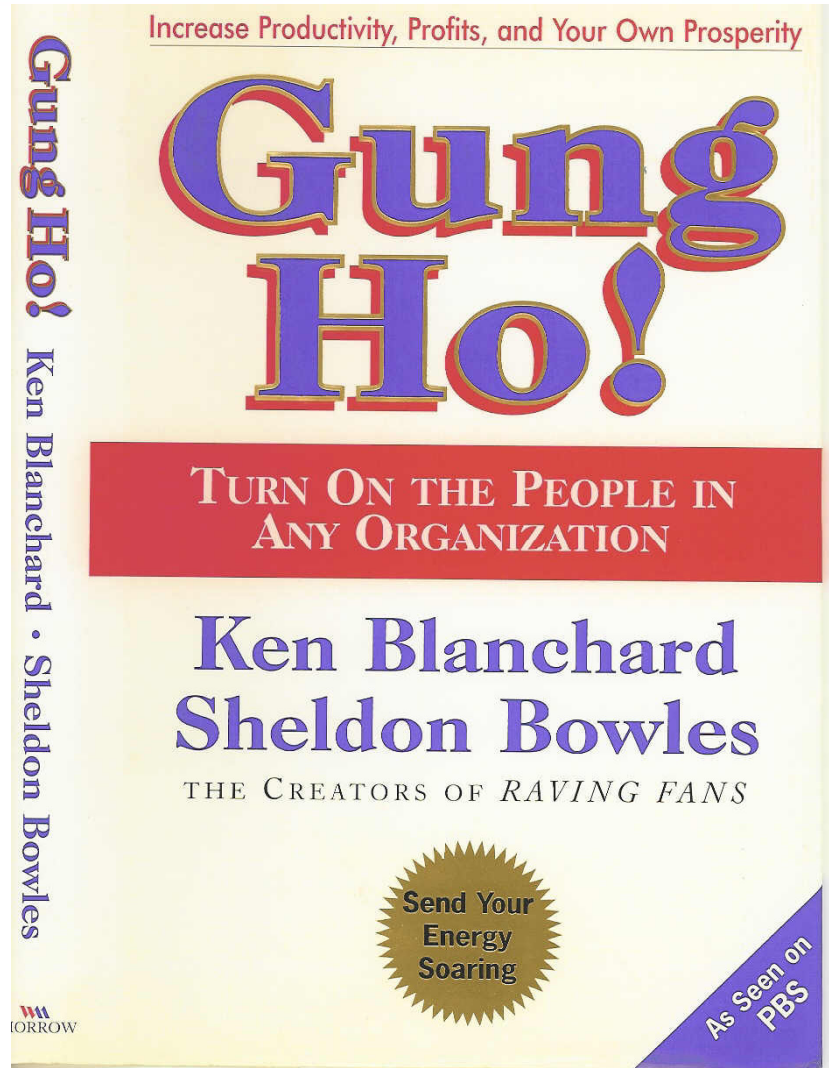
# The Real Estate Committee

## **Lease Request signed by:**

- Owner/Owner's Representative
- Property Manager
- Head of Leasing
- Leasing Agent
- Construction

CASE STUDY

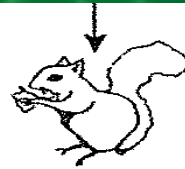
European Retail Property School



GUNG HO!



European Retail Property School



Worthwhile Work

## THE SPIRIT OF THE SQUIRREL FULLFILLS GOD'S PLAN FOR THE FOREST

➤ **KNOWING WE MAKE THE WORLD**

**“A BETTER PLACE”**

➤ **EVERYONE WORKS TOWARDS**

**“SHARED GOAL”**

➤ **“VALUE” GUIDES**

**ALL PLANS, DECISIONS AND ACTIONS**



In Control of Achieving  
The Goal

# THE WAY OF THE BEAVER

FULLFILLS GOD'S PLAN FOR THE BEAVER  
IN CONTROL OF ACHIEVING THE GOAL

- **A PLAYING FIELD WITH CLEARLY MARKED TERRITORY**
- **THOUGHTS, FEELINGS, NEEDS AND DREAMS ARE RESPECTED AND ACTED UPON**
- **ABLE BUT CHALLENGED**





Cheering Each Other On

## THE GIFT OF THE GOOSE CHEERING EACH OTHER ON

- ACTIVE OR PASSIVE CONGRATULATIONS MUST BE TRUE  
(**T**imely, **R**esponsive, **U**nconditional, **E**nthusiastic)
- NO SCORE, NO GAME AND CHEER THE PROGRESS

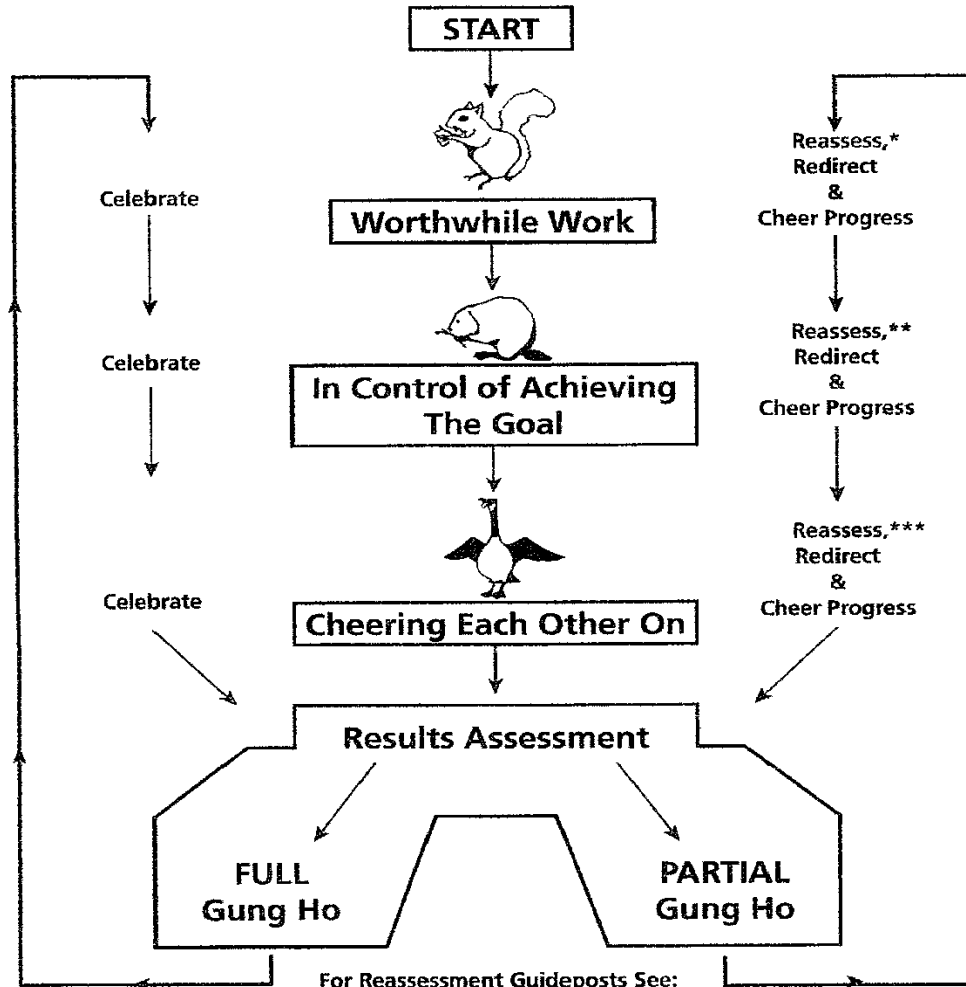
$$E = MC^2$$

**E**NTHUSIASM EQUALS **M**ISSION TIMES **C**ASH AND  
**C**ONGRATULATIONS

THE GIFT OF GOOSE IS GOD'S GIFT WE GIVE EACH OTHER



GUNG HO GAME PLAN



For Reassessment Guideposts See:  
\* Spirit of the Squirrel Page 170  
\*\* Way of the Beaver Page 172  
\*\*\* Gift of the Goose Page 174



# The Goose Story



Why do geese fly in the “V” formation?



The wing flaps of the bird ahead create an uplift for the next bird.



Flying range is 71% greater for a flock than a lone goose.



People who share a common direction and sense of community can get where they are going more quickly and easily because they are traveling on the thrust of one another.





A goose out of formation instantly feels drag and resistance going it alone . . .  
And will quickly return to formation.



If we have as much sense as a goose we will stay in formation with those who are headed the same way we are.





When the Head Goose gets tired, it rotates back in the wing and another goose flies point.



Rely on the strength of others on your team. Delegate tasks and authorities.



Geese honk from behind to encourage those up front to keep up their speed.



Leaders must always be responsive to their team members.



When a goose is sick or wounded and falls out of formation, two other geese fall out with that goose and follow it down to lend help and protection.



They will stay with the fallen goose until it is able to fly, or until it dies. Only then do they launch out to join another formation.



Effective teams require a deep level of commitment.



# ISLAND GARDENS – MIAMI, FL

## ISLAND- GARDENS DEVELOPMENT TEAM

- **DEVELOPER :** *Flagstone Properties, Miami, Mehmet Bayraktar, Chairman of the Board.*
- **DEVELOPMENT CONSULTANT:** *Sherwood M. Weiser, Miami*
- **DEVELOPMENT MANAG. CONSULTANTS:** *Jones Lang LaSalle, Americas, Inc. Orlando*
- **CONCEPT ARCHITECTS:** *Eric R. Kuhne & Assoc., Architecture, Landscape, Urban Design & Civic Arts, London, New York*
- **ARCHITECTS:** *Spillis Candela DMJM, Architects and Engineers, Miami.*
- **LANDSCAPE & ENVIRONMENTAL:** *Edward D. Stone, Jr. & Associates, Fort Lauderdale.*
- **MARITIME ENGINEERING:** *DMJM+Harris, in association with Spillis Candela DMJM, Miami*
- **LEGAL CONSULTANTS:** *Shutts & Bowen, Attorneys, Miami*
- **HOTEL CONSULTANTS:** *Weiser & Sons, Ilc., Miami*
- **RETAIL CONSULTANTS:** *Shopping Centre Solutions, London.  
Alkas Shopping Center Consulting, Istanbul*
- **MARINA CONCEPT & ENVIR. CONSUL.:** *Yilmaz Dagci Marina Design. Camper+Nicholson, London*
- **CONSTRUCTION MANAGEMENT:** *Beers Construction, Orlando*
- **TRAFFIC CONSULTANTS:** *David L. Plummer & Associates Engineering, Miami*
- **CULTURAL LIAISONS:** *Historical Museum of South Florida  
Fairchild Botanic Gardens,  
Miami Putumayo World Music, Inc., New York*
- **COLLABORATING ARTISTS & SCULPTORS:** *Jose Bedia, Artist,  
Miami Maria Martinez-Canas, Artist, Miami  
Michele Oka Doner, Artist, Miami*
- **STAKEHOLDERS:** *Casablanca Fish Market, Miami Pescaderia / De Armas Seafood,  
Miami Action Helicopters, Miami Chalk Airlines, Miami  
Parrot Jungle, Inc., Miami*

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## WHO'S INVOLVED – “The Team”

# TEAMWORK AIM “Getting to Yes”

- Points of View
- The Leasing Committee
- Approval Process



## b. The Leasing Person's Job

- Market Researcher
- “Tenant Mix” Planner
- Prospecting Expert
- Trends Analyst
- Financial Evaluator
- Negotiator
- Legal Counsellor
- Deal Maker
- ....

## **MARKET RESEARCHER: DETERMINING MARKET POSITION**

- Location, Accessibility and Site Visibility
- Trade Area Analysis
- Demographic and Psychographic Profile
- Analysis of Competition
- Marketing Packages and Campaigns



## TENANT MIX PLANNER “Determining Who”

- Types of Tenant Mix
- Impact on Profitability
- Anchor Tenants



## TENANT MIX PLANNER: MERCHANDISING PLAN

- Anchors
- Large-Format Stores
- Food Courts
- National Chain Stores
- Dollars & Cents of Shopping Centers
- Temporary Tenants and Carts



## LEASING PERSON'S JOB

### **PROSPECTING EXPERT:**

- Local and National
- Competition
- Cold Calling
- Advertising
- Direct Mail
- Brokers
- Qualifying a Tenant
- Niche or Competitive Advantage



## TREND ANALYST IN RETAILING

- Vacancy Levels
- Occupancy Costs
- Future of Local Tenants
- Future of National Chains
- Big Box Retailers
- Rehabilitation of Centers
- New Center Types :Ethnic / Themed Centers
- Mixed-Use Complexes



## LEASING PERSON'S JOB

### **FINANCIAL NEGOTIATOR:**

#### **UNDERSTANDING AND NEGOTIATING RENTAL RATES**

- Credibility
- Leasing Responsibilities (Fiduciary)
- Pro Forma (Market) Rents
- Base and Percentage (Overage) Rents
- Rents vs. Category Productivity
- Occupancy Costs (NNN, CAM)
- Cost of Occupancy (COO) Analysis
- Rules of Thumb (% Rent, COO, € /m<sup>2</sup>)





## **THE LEGAL COUNSELLOR of LEASE AND LEASE LANGUAGE**

- Lease Components
- Letter of Intent
- Key Provisions of the Lease
- Use of the Tenant's Space
- Type of Leases and Rents
- Lease Extensions, Amendments, Assignments
- Defaults



## LEASING PERSON'S JOB

### **THE DEALMAKER:**

- Qualifying the Tenant, Financials
- Letter of Intent
- Closing the Deal
- Lease Request
- Negotiating the Business Points
- Negotiating the Operational Issues
- The Legal Points
- After the Lease is Executed



## **FUTURE IN LEASING**

- Corporate
- Large Brokerage Houses
- Small Broker Houses
- Independent
- Tenant Representative



## **c. Lease Summary - First Step in Lease Administration**



Exhibit 2:  
Sample Lease Term

SUMMARY OF TERMS AND CONDITIONS

LEGAL NAME: \_\_\_\_\_

BUSINESS NAME: \_\_\_\_\_

LEGAL ADDRESS: \_\_\_\_\_

TELEPHONE: \_\_\_\_\_ FACSIMILE: \_\_\_\_\_

PROPOSED USE: \_\_\_\_\_

SPACE: \_\_\_\_\_ SQUARE FEET: \_\_\_\_\_ FRONT: \_\_\_\_\_

MINIMUM RENT:

LEASE TERM:

LEASE COMMENCEMENT RENT:

LEASE TERMINATION:

PERCENTAGE RENT:

PRO RATA CHARGES:

Tenant shall be responsible for its pro rata share of COMMON AREA MAINTENANCE, REAL ESTATE TAXES and INSURANCE COSTS. Based upon current billing, these are estimated for calendar year \_\_\_\_ to be as follows:

Common Area Maintenance: \_\_\_\_\_

Real Estate Taxes: \_\_\_\_\_

Insurance: \_\_\_\_\_

OTHER CHARGES:

Tenant shall also be responsible for the following Other Charges which based upon current billing are estimated for calendar year \_\_\_\_ to be as follows:

HVAC Energy: \_\_\_\_\_

Electric: \_\_\_\_\_

*Note: This is a sample only and is not to be construed as being endorsed or recommended by the author or the International Council of Shopping Centers. Readers are advised to consult legal counsel to devise appropriate documents for their centers.*



ONE-TIME CHARGES:

Water: \_\_\_\_\_

Marketing Fund: \_\_\_\_\_

Special Assessment: \_\_\_\_\_

Tenant shall be responsible for its pro rata share of the following one-time charges:

Sprinkler: \_\_\_\_\_

HVAC Equipment: \_\_\_\_\_

Initial Marketing Charge: \_\_\_\_\_

Landlord's Standard Floor Finish: \_\_\_\_\_

Temporary Barricade Enclosure: \_\_\_\_\_

Coming Soon Logo: \_\_\_\_\_

Plan Review Fees: \_\_\_\_\_

PRE-OPENING CHARGES:

Includes LOD package, temporary signage, temporary electric, water, asbestos abatement inspection report, etc.

Typical Retail Tenants: \_\_\_\_\_

Food Tenants: \_\_\_\_\_

SECURITY DEPOSIT:

To Be Determined

GUARANTOR:

To Be Determined

DESIGN CRITERIA:

It should be understood that Landlord will implement a comprehensive control of store design in order to achieve a unified quality tone throughout the project.

NOT BINDING:

The business terms and conditions as outlined above are being submitted solely for review. Neither party will be legally bound by these terms and conditions until a mutually acceptable lease has been fully executed by both parties. Once executed, the terms and conditions of the lease between Landlord and Tenant shall supersede the terms and conditions of this Summary.



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AVAILABILITY OF SPACE: This proposal is conditioned upon the availability of the above referenced space, and approval by the Real Estate Committee.

FINANCIAL: Tenant lease application, corporate or personal finance statement (whichever is applicable), balance sheet, income statement, tax returns and business plan must be returned with signed Summary of Terms and Conditions before a lease will be drafted.

OTHER: *(INSERT RADIUS, RELOCATION, OTHER NEGOTIATED TERMS TO BE INSERTED IN DRAFT OF LEASE)*

THIS PROPOSAL WILL BE WITHDRAWN IF NOT ACTED UPON BY:

PREPARED BY: \_\_\_\_\_ DATE: \_\_\_\_\_

ACCEPTED BY: \_\_\_\_\_ DATE: \_\_\_\_\_

Exhibit 3:

Sample Lease Approval Form

Property:		Date:	
Submitted by:			
<input type="checkbox"/> New Lease <input type="checkbox"/> Renewal <input type="checkbox"/> Amendment			
<b>Tenant</b>			
Legal Name:		DBA:	
Contact Name:		State of Incorporation:	
Address:			
Telephone Number:			
Guarantor:		State of Incorporation:	
<input type="checkbox"/> Full Guarantee <input type="checkbox"/> Guarantee Limited to:			
Tenant Notice Address:			
<b>Lease Provisions</b>			
Space No.:			
Renewal/Relocation Existing Deal:	Space No.:	Sq. Ft.:	Min. Rent:    Effective Rent:
Use:			
Term:	Years:	Months:	Opening Date:    Expiration Date:
Minimum Annual Rent			
Budget:			
Years:	Dollars/Sq.Ft.	Dollars/Yr.	% Rent <input type="checkbox"/> Natural <input type="checkbox"/> Unnatural Breakpoint
<b>Department Store Increase:</b>			
Security Deposit:			
Tenant Allowance			
Budget:			
Cash to Tenant:	\$	/sq.ft.	\$
Abated Rent:	\$	/sq.ft.	\$
Abated Extra Charges:	\$	/sq.ft.	\$
Recapture:	\$	/sq.ft.	\$
Landlord's Work:	\$	/sq.ft.	\$
Brokerage Commission:	\$	/sq.ft.	\$    % <input type="checkbox"/> INHOUSE <input type="checkbox"/> Outside
Broker			
Total Cost:	\$	/sq.ft.	\$
<b>Ancillary Charges</b>			
CAM	<input type="checkbox"/> Full pro-rata	\$	sq.ft. <input type="checkbox"/> Other
Taxes	<input type="checkbox"/> Full pro-rata	\$	sq.ft. <input type="checkbox"/> Other
Utilities	HVAC	\$	sq.ft.    Electric \$    /sq. ft.
Marketing Fund	\$	/sq. ft.	Media Fund \$    /sq. ft.
Escalations		Initial Marketing Charge \$	Special Assessments:
Construction Chargebacks:			
Special Lease Provisions:			

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Approvals:

Property Manager	_____	Date	_____
Leasing Representative	_____	Date	_____
Asset Manager	_____	Date	_____
Director of Leasing	_____	Date	_____
Director of Shopping Centers	_____	Date	_____
President (If Needed)	_____	Date	_____
Lease Reconciliation Approval	_____		
Asset Manager/Final Approval	_____	Date	_____

Attachments	
<input type="checkbox"/>	Credit Analysis
<input type="checkbox"/>	NPV
<input type="checkbox"/>	Press Release





Exhibit 4:

Sample Net Present Value (NPV) Analysis of Proposed Lease

PROPERTY: DISCOUNT RATE: 10%  
 TENANT: MONTHLY OR ANNUAL: Annually

SUMMARY OF DEALPOINTS: LEASING GUIDELINE THIS PROPOSAL APPRAISAL ASSUMPTIONS

TENANCY SIZE IN SQ. FT.  
 LEASE TERM IN YEARS  
 LEASE COMMENCEMENT DATE  
 BASE RENTAL IN \$/SQ. FT./YEAR: Year 1  
 Year 2  
 Year 3  
 Year 4  
 Year 5

FREE RENTAL IN MONTHS  
 RECOVERABLE EXPENSES IN \$/SQ. FT./YEAR 1  
 RECOVERABLE EXPENSE INFLATOR  
 EXPENSE STOP IN \$/SQ. FT./YEAR  
 TENANT CAPITAL ALLOWANCE IN \$/SQ. FT.  
 LEASE COMMISSION IN \$/SQ. FT.

DOLLAR AND PERCENT VARIANCE

NPV OF RENTAL INCOME

NPV OF CASH FLOW

CASH FLOW ANALYSIS PER LEASING GUIDELINE:

CASH FLOW ANALYSIS PER THIS PROPOSAL:

PERIOD	BASE RENTAL	FREE RENT	EXPENSE RECOVERY	CAPITAL	CASH FLOW	PERIOD	BASE RENTAL	FREE RENT	EXPENSE RECOVERY	CAPITAL	CASH FLOW
0						0					
1						1					
2						2					
3						3					
4						4					
5						5					
6						6					
7						7					
8						8					
9						9					
10						10					
11						11					
12						12					
13						13					
14						14					
15						15					

Comments

Comments:

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## d. Tenant Audits

- Files
- Summaries –expire dates
- Audits
- Expirations
- Sales Analysis
- Exclusives / Restrictions
- Periods



## **e. Monitoring the Tenant - Whose Responsibility?**

- Accounting Department
- Tenant Relations officer
- Center Manager



## LEASE MANAGEMENT AND ADMINISTRATION

### **f. Billings and Collection of Rent & CAM charges**

- Pro Rata - Leasable
- Pro Rata - Leased
- Pro Rata - With Maximum
- Fixed Amount - Negotiated
- Pro Rata With Exclusions
- Percentage of Tenant's Sales
- Monthly Estimate - Annual Adjustment



## **g. Enforcing Lease Provisions**

Determine What the Merchant Can Afford

- Calculate the occupancy cost
  - Sales projection x occupancy cost %
- Divide by the space's square meters
- Subtract CAM, Taxes and Marketing
- End up with Rent / m<sup>2</sup>



## Basic Lease Provisions

- Parties to the Lease:
  - Landlord (lessor)
  - Tenant (lessee) and trade name
- Description of leased premises
- Lease term – options / kickouts
- Commencement and ending dates
- Triggers to rental commencement
  - date certain
  - actual opening to the public
  - XX days after delivery of possession
  - upon issuance of local permits



## Economics of a Contract

- Occupancy cost ratio
- “Back into” the deal
- Start with sales projections
- Standard occupancy (regional mall general merchandise)  
12-15% (varies based on merchandise categories)  
Rent + CAM + Marketing + Taxes
- Expressed as a percentage of total annual sales



## Examples of Rent Structures/ Weigh Risks

- Same minimum rent for lease term
- Stair step rents
- Lower first year -- much higher thereafter
- Minimum rent with negotiated annual increases (e.g., CPI or 5%)
- Percentage of sales only





## MINIMUM RENT

1. Flat
2. Step Up
3. Step Down
4. Percentage
5. - 0 -
6. Consumer Price Index



## PERCENTAGE RENTS

- Based on Merchants Profit Margins
- Based on tenant's profit margin (e.g. Rolex, cameras)
- Synergism Created By Landlord
- Natural Breakpoint
- Negotiated breakpoint
- Artificial Breakpoint
- Decreasing Percentages
- Deductions from Percentage Rent
- Reporting and Paying Percentage Rent
- Auditing Tenant Sales
- Gross Sales Basis of Percentage



## **h. Can Management Enforce the Lease?**

### Overage

1. Understand the Retailer's Profitability
2. Natural vs. Artificial Break
3. Step Up & Step Down

## **h. Can Management Enforce the Lease?**

### PERFORMANCE CLAUSES

- Tenant's Right To Get Out of Lease (Exit)
- Landlord's Right To Terminate (Kick out)
  - Sales Threshold
  - Serious Default

## **h. Can Management Enforce the Lease?**

### **Use Clauses**

1. Importance of Control
2. Assignment Protection
3. Selected Merchandise as Lower Percentage
4. Other

## h. Can Management Enforce the Lease?

Retailer-owned store agreement – REA

(**R**eciprocal **E**asement **A**greement)

Landlord / tenant lease

(whose lease form is the base?)

License agreement vs. lease

## **h. Can Management Enforce the Lease?**

### **Tenant Improvement Allowances**

1. Warm Brick Concept
2. As is
3. Reverse Allowance (Key Money)
4. Turn Key
5. Over Allowance
6. Allowance From Overage
7. Analyzing Lease Yield Rent vs. Allowances

## **h. Can Management Enforce the Lease?**

### Radius Clause

- This clause prohibits the tenant from opening a similar unit either by name or concept within a specified distance from the demised premises
- Protect center owner's market share, cannibalization of sales, image.



## h. Can Management Enforce the Lease?

### Exclusives

- How limits landlord's choice
- Compare to use clauses
- Limit time frame
- Limit to specific merchandise or service
- Tied to sale
- Remedies
- Only for original tenant

## **h. Can Management Enforce the Lease?**

- Co-Tenancy / Domino Problem
- Store Hours
- Merchant's Association & Marketing Fund
- Advertising Requirements vs. Media Funds



# Merchant's Association & Marketing Fund

**MERCHANTS'  
ASSOCIATION  
OR  
MARKETING  
FUND**

**HOW TO MAKE  
THE CHOICE**

REBECCA L. MACCARDINI, CMD

## Co-Tenancy Clause

- Many tenants make their decision to lease space at a particular shopping center based upon the presence of specific retailers
- Define recourse/penalties
- Quantify the landlord risk

## Key Points of Leasing

- Understand the expectations for your mall
- Use your Prospecting Action Plan
- Qualify every prospect
- Ask for commitment
- Use merchant's sales potential to determine if a deal is possible
- Occupancy cost drives LL economics



## **Leasing is a Never-Ending Process for New and Existing Centers!**

- Vacancy, expirations, tenant failures
- The 5% vacancy rule
- Local and national economy can impact
- Delease to release

## 2. ADMINISTRATION OF ADDITIONAL CHARGES AND OPTIONS

- a. Service Charges
- b. Real Estate Taxes
- c. Insurance
- d. Occupancy
- e. Lease Term
- f. Renewal Options
- g. Letter of Bank Guarantee (Deposit Money) or Letter from Parent Company



## ADMINISTRATION OF ADDITIONAL CHARGES AND OPTIONS

### a. **Service Charges**

- Starts with the Lease Language
- Supervision/ Management Fees
- Billing & Collections
- Reconciliation
- Repair / Replace





## ADMINISTRATION OF ADDITIONAL CHARGES AND OPTIONS

### SERVICE CHARGES

#### Common Area Charges Administration

Tip: Get the Charge Bill to the Tenant on Time and make sure it is Accurate

1. Pro – Rata (co – op)
2. Flat
3. Items Included
4. Management Fee
5. Stop
6. Recover from Overage



## **b. Real Estate Taxes**

1. All
2. Increase over which year
3. Recover from Overage
4. Stop



## **c. Insurance**

- Requirements and Certificates
- Pro Rata Fraction
  - Leased or Leasable
  - Anchor Store Square Metres
  - Cap
  - Indemnification Clause



## d. Occupancy

### Reduced Rental vs. Vacancy

VALUE OF LEASING:

- Lifeblood of the center
- Establishes mix/personality/image
- Creates value  
 $I/R = V$
- 90% of cash flow is FMR



## REDUCED RENTAL VALUE vs OCCUPANCY

# The Big Formula

The Lease Creates Value.

$$\text{V alue} = \frac{\text{NOI}}{\text{R}}$$

Net Operating Inc.

Capitaliz. Rate



## REDUCED RENTAL VALUE vs OCCUPANCY

### Value Creation

•Center Size	20,000 sq. m.
•Proforma Rent	€ 240/sq.m.
•Total Rent	€ 4,800,000
•Expenses	€ 1,800,000
•NOI	€ 3,000,000
•Cap Rate	12%
•Center Value	€ 25,000,000



# The Extra Value

## The Effect of an Extra € 10/ sq. m.

- Center Size 20,000 sq. m.
- Pro forma Rent € 240 / sq. m.
- Rent Achieved € 250 / sq. m.
  
- Uplift € 200,000
  
- Cap Rate 12%
- Added Value € 1,666,666



## Comparative Impact

- $\text{€ } 200,000 / \text{€ } 4,800,000 = 4,2 \%$

Increase in Revenue Yields

- $\text{€ } 1,666,667 / \text{€ } 25,000,000 = 6.7\%$

increase in Value





## e. Lease Term

### Term Length

1. Benefits of Short Term
2. Amortizing Tenant Improvements

**Short terms make for good tenants.**



## ADMINISTRATION OF ADDITIONAL CHARGES AND OPTIONS

### **f. Renewal Options**

- Original tenant and use
- Adequate notice (180 - 360 days)
- Never been in default
- Minimum sales level
- Option period at “Market” rate
- Performance Requirement
  1. Preset Renewal Terms
  2. Kick – out Clauses
  3. Change in Minimum
  4. Other



**g. Letter of Bank Guarantee (Deposit Money)  
or  
Letter from Parent Company**

- Safer by stronger collateral
- Depending on
  - the need for
  - strength of the tenant
  - Track record



**Thank You!..**

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# Class Evaluation:

Please remember to complete the class evaluation by using your smartphone or tablet.

Class Evaluations Link:

[survey.icsc.org/2014ERPS](http://survey.icsc.org/2014ERPS)

**ICSC John T. Riordan School for Retail Real Estate Professionals**  
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Istanbul, Turkey  
17-21 February, 2014

**SESSION:**

**INSTRUCTOR(S):**

Please rate the #1-5 using 5=excellent and 1=poor

SESSION:	Excellent	Poor
1. Satisfaction with the program overall.	5 4 3 2 1	
2. Session increased my knowledge.	5 4 3 2 1	
3. Content was timely and relevant.	5 4 3 2 1	
4. Session and materials were organized.	5 4 3 2 1	

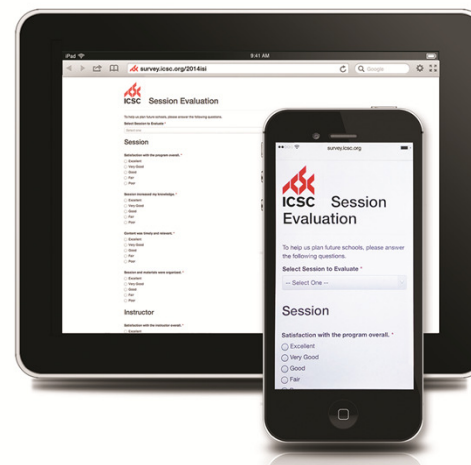
**INSTRUCTOR(S):**

INSTRUCTOR(S):	Excellent	Poor
1. Satisfaction with the instructor overall.	5 4 3 2 1	
2. Instructor demonstrated a strong command of the information.	5 4 3 2 1	
3. Instructor was enthusiastic, professional and kept me engaged in the learning.	5 4 3 2 1	
4. Instructor provided practical and relevant examples?	4 3 2 1	

**COMMENTS:**

1. What issues, challenges or trends are you dealing with now that could be recommended for future education sessions?
2. What is the most valuable takeaway you gained from the session?
3. What enhancements would you recommend for the session?
4. Additional comments?

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# ICSC European Partners

## ICSC Global Partner



## ICSC European Partners



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