



# Commercial Real Estate 101: Save Money on Your Bottom Line!

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# Understanding Your Office Lease

- ▶ Learn Everything You Need to Know to Stay Ahead of the Curve!
- ▶ Location and Office vs. Retail Sites
- ▶ Leasing 101
  - How to avoid potential pitfalls
  - Maximizing your landlord concessions

# Location! Location! Location!

- ▶ What city provides the best potential for success?
- ▶ Where do you want to work/live?
- ▶ Demographics of markets vs. existing competition
  - ▶ Who will you be competing with?
  - ▶ High profile retail vs. medical office buildings
  - ▶ Lease incentives, rent prices, condition of offices

# Location (cont.)

## ▶ Choosing a Building

- Retail vs. Medical Office
- Local Household Incomes/Traffic Counts
- Exposure/Visibility
- Concessions (Price Per Foot, T.I. Allowance, Free Rent)
- Parking
- Building Reputation/Image
- Fully Built-out Offices
- Buying vs. Leasing

# Medical Office Buildings vs. Retail Centers

## Medical Office

- ▶ Lower Rent
- ▶ Professional Image/Environment
- ▶ Part of the Medical Community
- ▶ Smaller Tenant Base Means Higher Concessions From Landlord
- ▶ Larger T.I. Allowance From Landlords

## Retail Centers

- ▶ Greater Exposure & Recognition
- ▶ Higher Rents
- ▶ Higher Volume of Customers
- ▶ No "Core Factor"
- ▶ Exclusivity Available
- ▶ Lower TI Allowance

# Leasing 101

## Medical Office

- ▶ Average Rent & Concessions
  - 2.35-3.85 Per Square Foot
  - \$45-\$70 TI Allowance
  - "Core Factor"
  - No Exclusivity

## Retail Centers

- ▶ Average Rent & Concessions
  - \$2.85-\$4.00 Per Square Foot
  - \$10-\$25 TI Allowance
  - No "Core Factor"
  - Exclusivity
  - Generally Less "Free Rent"
  - Signage

# Terms You Need to Know

## TI Allowance

What is a tenant ("TI") allowance?

- Money allotted by the landlord in order to incentivize medical tenants to rent space in the building and build out the office.

- This Money does not need to be repaid if the tenant stays for the length of the original term

## Lease Types

"Triple Net" (NNN)

- Operating expenses (\$0.50-1.00) paid in addition to base rent.

- These "Operating Expenses" consist of property taxes, insurance, maintenance fees.

"Full Service"

- All expenses included in rent except for operation overages.

## Core Factor

- Rentable Square Feet (RSF)

- Usable Square Feet (USF)

- Office Buildings typically have a core factor of 10%-15%.

- Retail Centers have no core factor

# Leasing Expertise

## ▶ Important Negotiation Points

- Length of Term
- Rental Rate & Annual Rent Increases
- TI Allowance-amount, how it is dispersed during the lease
- Free Rent-whether or not NNN expenses are included
- Renewal Options-fair market renewals and
- Commencement Date
- Exclusivity
- Right to Relocate in shopping center/building
- Base Power, Plumbing, layout
- After-hours access and HVAC costs and maintenance/repairs
- Assignment & subletting
- Who selects and retains designer and contractor
- Holdover rights
- Parking costs
- Free parking
- Option to purchase
- Right of first offer
- Free rent during construction period
- Death and disability clause
- Signage



# Avoiding Pitfalls

## Month to Month Lease

Make sure you protect yourself and your business!

If landlord sells your building, you could easily find yourself outed from the property and with no office to operate your practice out of.

## Premises Conditions

ADA Compliance

Zoning and Parking

Fire Exiting

NNN expenses

Office Power

Adequate Plumbing

## Renewal Options & Subletting

Establish criteria for “fair market” rent, with no minimum floors and maximum ceilings.

Make sure renewal options are transferable in the event of a practice sale

Landlord cannot reasonably withhold consent to subletting

Landlord is not entitled to assignment/subletting proceeds