## MANAGING AND LEASING

## **COMMERCIAL PROPERTIES**

**SECOND EDITION** 

Alan A. Alexander
Richard F. Muhlebach, CPM®





## SECTION I:

■ THE PROFESSION OF COMMERCIAL REAL ESTATE MANAGEMENT	1
CHAPTER 1: Introduction to Commercial Real Estate Management	3
The History of Commercial Real Estate Management	3
Contemporary Commercial Real Estate Management	Ġ
Real Estate as a Global Commodity	10
Professional Associations	12
Professional Designations	16
CHAPTER 2: The Business Plan	17
Title Page	. 19
Table of Contents	20
Letter of Transmittal	20
Executive Summary	20
Identification of the Client and Property Ownership	21
Purpose of the Study and Client Objectives	21
Time Frame of the Study	21
Basic Assumptions and Limiting Conditions	22
General Environment	22
Identification of Property	22
Description of Land and Leasehold Interest	23
Description of Improvements	23
Current Economic/Fiscal Condition of the Property	24
Description of Current Management	25
Analysis and Statement of the Problem	26
Methodology	26
Supply/Demand and Absorption Analysis	26
Market Rent Levels	27
Range of Possible Solutions	28
Analysis and Testing of Solutions	29
Recommended Solution	29
Supporting Material	30
Certification and Disclosures	30
Qualifications of the Analyst	30
Definition of Terminology	30
Appearance and Style	31
What To Do When Writing the Business Plan	32
What Not To Do When Writing the Business Plan	33
Conclusion	34

## **SECTION II:**

COMMERCI	AL PROPERTY TYPES	35
CHAPTER 3	: Shopping Center Management	37
	Classifications of Shopping Centers	37
	Creating the Best Tenant Mix	41
	The Shopping Center Manual	45
	Retaining Retail Tenants	46
	Creating Solid Communication	47
	Marketing Shopping Centers	51
	Planning for Grand Openings	54
	Customer Surveys	56
	Community Services	57
	Vacant Spaces	59
	Shopping Center Security	60
	Operating Agreements for Shopping Centers	64
	Determining Percentage Rent	65
	Requesting and Analyzing Retail Sales	67
	Auditing Retailers' Sales	70
	Fixed Common Area Expenses	72
	Determining Square Footage for Retail Space	74
	Performing a Retailer Visual Audit	75
	Expanding a Store Size	77
	Financially Troubled Retailers	79
	Trade Associations and Industry Recognition	82
CHAPTER 4	4: Office Building Management	85
	Management Staffing	86
	Space Measurement	87
	Space Planning	88
	Billing Back Operating Expenses	90
	Grossing Up Operating Expenses	96
	Office Building Grand Opening	97
	Building Maintenance	97
	Move-Ins And Move-Outs	98
	Security	98
	Key Control	99
	Tenant Retention Program	99
	Comparing Leasing Proposals Between Owner and Tenant	105
	Management and Operation Issues	107
	Professional Associations	110

Leasing Medical Office Buildings	111
Marketing Materials	119
Advertising	120
Public Relations (PR)	121
Real Estate Management	122
Conclusion	131
CHAPTER 6: Industrial Real Estate Management	133
Types of Industrial Properties	133
Measuring Industrial Space	134
Evaluating the Needs of Industrial Tenants	135
Self-Service Storage	136
Management Responsibilities	136
Tenant Services	138
Sustainability in Industrial Properties	140
Conclusion	140
SECTION III:	
MARKETING AND LEASING	141
CHAPTER 7: Developing a Marketing and Leasing Plan	143
Developing the Leasing Agreement	143
Types of Lease Listing Agreements	143
Finalizing the Leasing Agreement	145
The Marketing Development Team	148
The Marketing Budget	149
Building Analysis	149
Tenant Mix	149
Marketing	152
Conclusion	161
CHAPTER 8: Preparing to Lease a Building	163
The Owner's Goals and Objectives	163
Assembling the Leasing Team	164
The Leasing Agents	165
Space Planning	168
The Market Survey	169
Analyzing the Building	176
Informing the Property Owner of Market Conditions	178
Break-Even Analysis	178
Leasing Reports	180

**CHAPTER 5: Medical Office Building and Clinical Facilities Management** 

111

	Leasing Meetings	181
	Responding to a Request for Proposal	183
	The Letter of Intent	183
	The Lease	184
	Lease Restrictions	185
	Working with the Brokerage Community	185
	Commissions	186
	Appraising Prospective Tenants	187
CHAPT	ER 9: Preparing for Lease Negotiations	197
	Goals and Objectives of the Property Owner and Tenant	197
	The Pulse of the Deal	198
	Preparing the Team Players to Negotiate	200
	Negotiating Tips	205
CHAPT	ER 10: Negotiating the Commercial Lease	211
	The Lease Form	211
	The Components of a Lease	212
СНАРТ	ER 11: Leasing Opportunities	249
	Leasing When No Vacancies Exist	249
	Negotiating the Pad or Outlot Deal	250
	Pad or Outlot Translation	250
	Adding a Pad Building to an Existing Property	251
	Subletting and Assignment	252
	Lease Renewal Opportunities	253
	Planning Ahead	253
	Preparing to Renew a Lease	253
	Assessment of the Building's Negotiating Strength	254
	The Cost of Not Renewing a Lease	255
	Documenting the Lease Renewal	257
	Pop-Up Businesses in Shopping Centers	257
	Pop-Up Businesses for Office and Industrial Properties	259
	Maintaining Market Rents	259
	Tenant Buy-Outs	259
	The Benefits of a State-of-the-Art Lease	260
	Leasing Opportunities	261
СНАРТ	ER 12: Developing a Leasing Program	263
	Benefits of In-House Leasing	263
	Tenant Retention	265
	Training the Real Estate Manager for Leasing	266
	Eight Steps to Successful Leasing	267

The Lease and Negotiations	268
Finding Time to Lease	269
Selecting Properties to Lease	271
Commission Splits	271
Negotiating the Leasing Commission Agreement	274
Lease Administration	276
Lease Takeover	277
Additional Transaction Opportunities	282
SECTION IV:	
■ EFFICIENT AND EFFECTIVE PROPERTY OPERATIONS	285
CHAPTER 13: Administration and Record Keeping	287
Procedures, Forms, and Standard Letters	287
Lease Abstract	288
Deferred Conditions Report	288
Tenant Roll	289
Lease Restrictions Summary	289
Rental Records and Percentage Rent	290
Sales Report Form	291
Security Deposit Log	292
Operating Expense Bill Backs	292
Year-End Adjustments	297
Billing Tenants	299
Capital Improvements	300
Administrative Fees	300
Accounting Considerations	301
Rent Collection	304
Lease Files	308
Insurance	308
Notice of Nonresponsibility	309
Real Estate Taxes	309
Tax Appeals	310
Utilities	313
Cash Flow Statement	314
Marketing Budget for Shopping Centers and Malls	315
Tenant Requests	315
Miscellaneous Administrative Items	316
Conclusion	321

CHAPTER 14: F	inancial Analysis for Real Estate Managers	323
F	inancial Analysis for Shopping Centers	323
F	inancial Analysis for Office Buildings	340
F	Financial Analysis for All Commercial Properties	345
(	Conclusion	357
CHAPTER 15: E	Budgeting	359
ר	Types of Budgets	359
E	Budget Development and Evaluation	361
(	Operating Budgets	367
]	Developing the Operating Expense Budget	367
,	Analyzing Operating Expenses	370
(	Capital Budget	377
ſ	Developing Income Projections	378
(	Office Building Example of a Base-Year Model	383
į.	Reserves for Replacement	385
ı	Reviewing and Revising the Budget	386
,	Additional Budget Schedules	387
(	Conclusion	388
CHAPTER 16:	Efficient and Cost-Effective Maintenance Management Programs	389
1	Importance of a Maintenance Management Program	390
1	Maintenance Inspections, Scheduling, and Work Orders	390
,	Computer-Aided Maintenance Management Programs	393
	Coordinating and Communicating with Tenants	395
	Major Maintenance Tasks	396
	Contract Services Versus Employees	401
	The Maintenance Agreement	402
	Contract Negotiating Tips	409
	Unit Pricing	421
	Equipment Control	421
	Reporting Insurance Claims	422
	Hazardous Materials	422
	Conservation and Recycling	424
	Conclusion	430
CHAPTER 17:	Safety, Security, and Emergency Procedures	431
	Conducting the Safety and Security Audit	431
	Security Program	443
	Accident Prevention Plan	444
	Protection Against Bloodborne Pathogens	445
	Emergency Procedures	449

	Responding to Specific Emergencies	452
	Developing and Training the Emergency Team	456
	Developing the Emergency Procedures Manual	459
	Restoration After an Emergency	459
SECTION V	<i>7</i> :	
COMMERC	IAL PROPERTY DEVELOPMENT	463
CHAPTER 1	18: The Commercial Real Estate Development Process	465
	Incentives and Risks	465
	Development Risk	468
	Types of Development Projects	469
	Feasibility Analysis	470
	Financing	481
	Reviewing the Developer's Plans	486
	Construction	491
	Marketing and Leasing	493
	Conclusion	499
CHAPTER 1	9: Renovating, Rehabbing, and Repositioning Commercial Properties	501
	Reasons for Rehabbing	501
	Benefits of Rehabbing	502
	Types of Rehabbing	503
	The Rehab Process	503
	Administration and Management Responsibilities	512
	Shopping Centers	517
	Office Buildings	521
	Industrial Properties	522
	Issues in Rehabbing an Industrial Property	523
	Renovation and Rehab Opportunities	523
	Repositioning Commercial Properties	524
	Case Studies	528
	The Future of Repositioning Properties	530
GLOSSARY		531
INDEX		553