



Leasing:

When is \$12/sf less than \$10.50/sf?

By Juliana Tonini

When leasing commercial real estate, it is most often offered on a Square Foot Basis (\$XX/sq.) Depending where in the country, that can be a monthly or annual rate. In New York City it is apt to be a monthly rate. Here in Maine it usually represents the total annual rent.

The next consideration is how square feet is measured. Does it only include the actual space you occupy? No, it is usually measured from the outside of an exterior wall to the middle of an interior wall or outside wall to outside wall. If renting a full floor, does it include the stairwell, elevator, storage areas, mechanical areas, ect.? If not, are these areas included in the CAM charges (common area maintenance) or are they included in the load factor based on the percentage of the space leased? An understanding of the make up of the 'square foot' calculation needs to be understood by all parties.

The other half of the consideration is what is included with the rent. Leases in this area are usually classified into three categories: gross lease, modified gross lease and triple net lease often referred to as NNN lease. These are general descriptions but it's important to read the details of the lease for they rule over the heading.

Gross Lease: In its purest state, a gross lease requires a flat fee. No additional rent shall be charged for real estate taxes, insurance or operating expenses as well as utilities, (heat & electric). If separately metered, the utilities are paid as noted in an offer and/or lease.

Modified Gross Lease: There are more eloquent definitions but in prac-

tice the one that makes the most sense to customers is 'anything that isn't a gross or triple net lease.' No additional rent shall be charged for real estate taxes, insurance or operating expenses, however, Tenant will be responsible for its proportionate share of increases of such over a base year. The tenant will also be responsible for costs of separately metered utilities. A modified gross lease is a mixed bag; the landlord and the Tenant both pay for some of the operations of the building as further spelled out in the lease.

Triple Net Lease (NNN): A triple net lease requires the base rent and additional charges for tenant's pro-rata share of real estate taxes, insurance, operating expenses and maintenance costs including but not limited to common and/or shared utilities in accordance with the lease.

In addition to the measurement of the square feet and type of lease, there are three other considerations as to how the lease is presented or executed.

Some Leases include the real estate taxes and property insurance in the Base year but then the tenant is required to pay the increase from that year forward.

CAM's stands for Common Area Maintenance. Think of this as yard care, snow removal, perhaps janitorial. In some cases, it includes repairs to the building, a management fee to manage the building and other operating expenses of the building such as elevator maintenance and inspections. Some buildings are operated efficiently, some are not.

Annual increases are included in most leases. Sometimes it is expressed as actual increases of identified categories. Some times it is an increase expressed in a percentage of the base rent.

When looking for space, of course price is important. Don't be shy about ask-

ing what is included and what is not. Don't fall into the trap of comparing one space against another by the stated lease amount alone. To compare apples to apples you need to know exactly what's included and what's not by breaking out the expenses and itemizing them and coming up with a projected overall occupancy cost.

So what's our advice? Don't get hung up on 'labels'. Determine your total occupancy budget and then let us find you a place that works for you.

Congratulations! on Your Acquisition or Disposition



Flower Shop

Portable High-End, Great Location!

\$164,000
Elisabeth Magnusson



Nursing Home

Beautiful Coastal Maine Location!

\$3,200,000
Michael Hall



Office Building Scarborough

4,000+ sf Building
Office/Medical
Excellent Location
\$14/sf

Amy McLellan Curry