



GUIDE TO LEASING COMMERCIAL REAL ESTATE

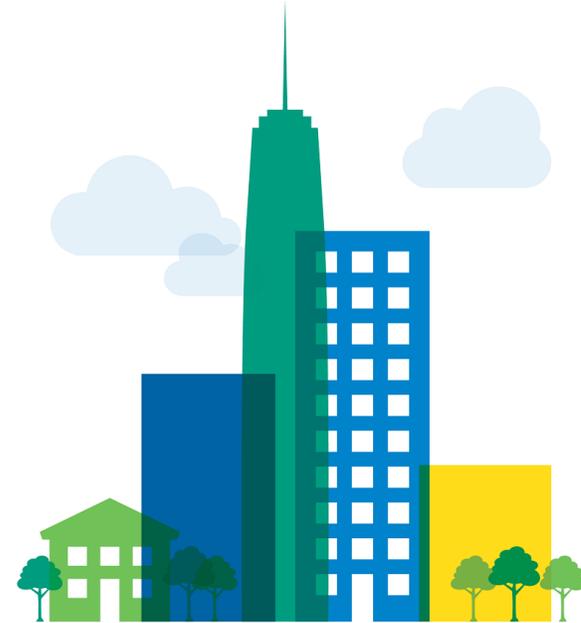
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PRIME PROPERTIES

Who is TIR Prime Properties

Founded in 1997 by Jose Norberto Saal, TIR Prime Properties is one of Florida's premier full-service real estate companies. TIR is a diversified organization specializing in global investments, development, property management, marketing, sales and leasing. Since 1999, TIR has brought to completion several successful real estate projects and real estate sales transactions resulting in over \$1 Billion in revenue for its investor clients.

In this guide, we review the following principles:

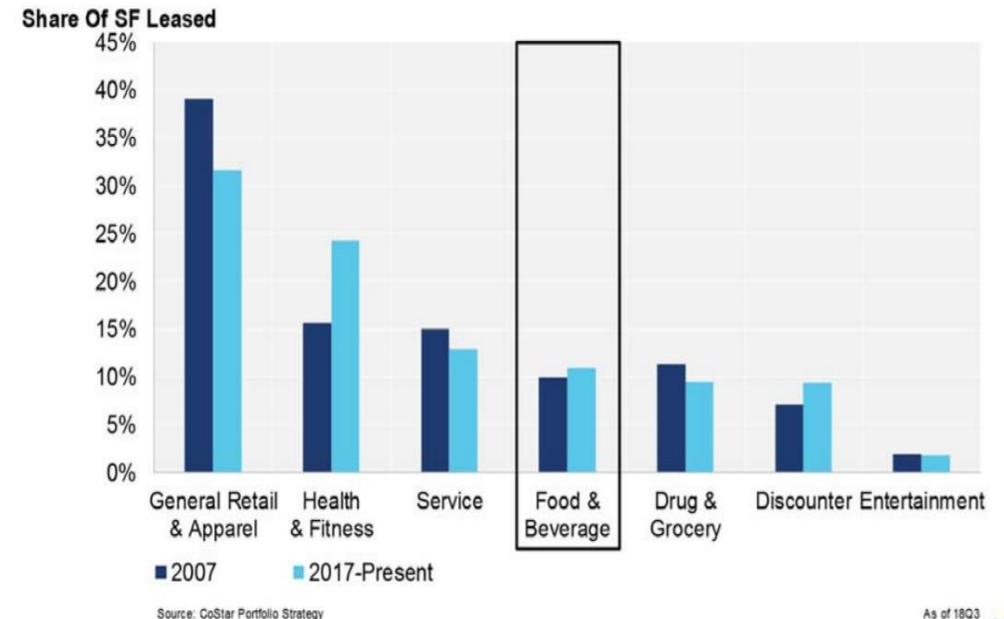
- Leasing Commercial Property
- Types of Leases
- Selecting a Location
- Current Market Rates
- Negotiating Offers
- Lease Agreements
- Space Turnover



Leasing a Commercial Property

- Leasing commercial property is very exciting; it defines the next chapter of your business and brings you one step closer to accomplishing your goals.
- South Florida's commercial leasing market is very strong. Vacancies are at an all time low and consumer spending continues to increase year over year. Retailers and professional offices continue to open, thrive and expand in today's economic climate.
- In the adjacent chart you will find the industries that have significantly increased their share of occupied retail space since 2007, such as Health & Fitness, Food & Beverage, and Discounters.

Leasing By Retailer Type, 2007 vs. 2017-Present



Leasing Commercial Property

There are four things to consider before embarking on a search for your business' new home:

1. What are the requirements for the look and functionality of your space?
2. What location(s) are you inclined to?
3. Do you understand the different types of leases?
4. What is your budget?

Lets explore these further in the coming sections of this guide.



Types of Leases



Commercial Real Estate Leases rates are usually estimated at an annual price per square foot.

For example, if you were to lease a 2,500 space at \$15 per square foot, your rent would be $(2,500 \times \$15) = \$37,500$ per year or $(\$37,500 / 12 \text{ months}) \$3,125$ per month.

In many cases, the rent per square foot may only be considered the “Base” rent.

Other costs include commercial sales tax which is calculated at the city rate; in South Florida it can range between 6% and 7% of your total payment.

Now let's explore the 3 types of Commercial Real Estate Leases that are most common and may represent additional monthly costs:

Net Lease

Gross Lease

Modified Gross Lease

Types of Leases | NET LEASE

Net Leases is a type of lease in which the Tenant pays a lower base rent and the Landlord passes through to the Tenant additional monthly charges to cover costs such as **property taxes, property insurance, and common area maintenance**.

The type of Net Lease will depend on the costs that are “passed through” to the Tenant, usually referred to as CAM; common area maintenance.

- **NNN Lease** – Most commonly used in free standing buildings in which the Tenant is responsible for *any and all expenses incurred by the property*; taxes, insurance and maintenance.
- **NN Lease** – Used in properties with common/shared areas.
 - *Tenant is responsible for its proportionate share of the taxes and insurance and their own utilities.*
 - *Landlord is responsible for structural property maintenance and repairs.*

Types of Leases | GROSS LEASE

A “Gross” Lease or “Full Service” Lease means that the **rent is all inclusive**.

- **Landlord** pays for taxes, insurance, maintenance of the property, janitorial services, water, and electric.
- When negotiating a lease, it is important to understand what is included in the Full Service Lease.
- This type of lease is favorable for business owners that want to be able to better budget their expenses.



Types of Leases | MODIFIED GROSS LEASE

Modified Gross Lease is **middle point** between a net lease and a gross lease.

- **Landlord** is responsible for property taxes, insurance, common area maintenance, and structural repairs.
- **Tenant** is responsible for utilities and janitorial services.

MG Leases are favorable because they leave room for negotiation between Landlord and Tenant and allow Tenant flexibility in managing their expenses.



Selecting a Location

Choosing the right location for your business is one of the most critical steps in the search process.

The location you choose will depend on the following:

- What type of space do you need?

- Retail
- Office
- Industrial

- What is your budget?

- How much space do you need for employees, equipment, inventory, etc.?

Retail / Restaurant



Office



Industrial



Selecting a Location

Once you have answered those questions, consider the following:

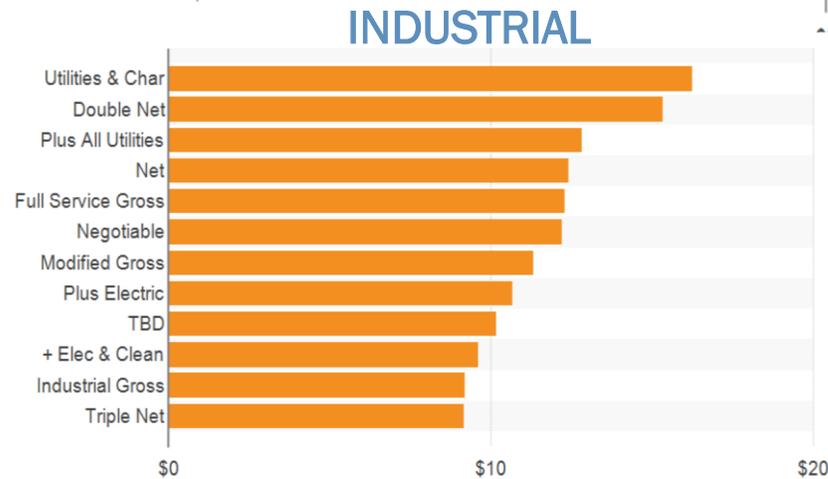
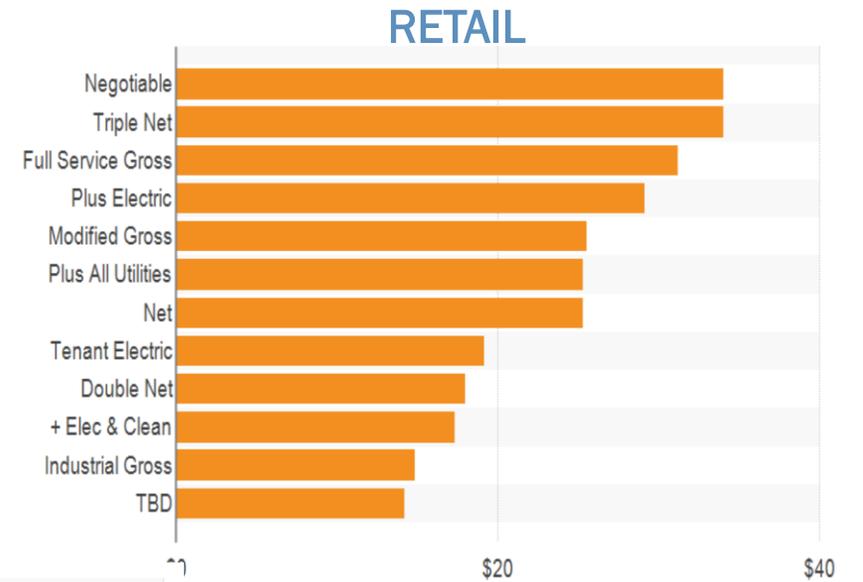
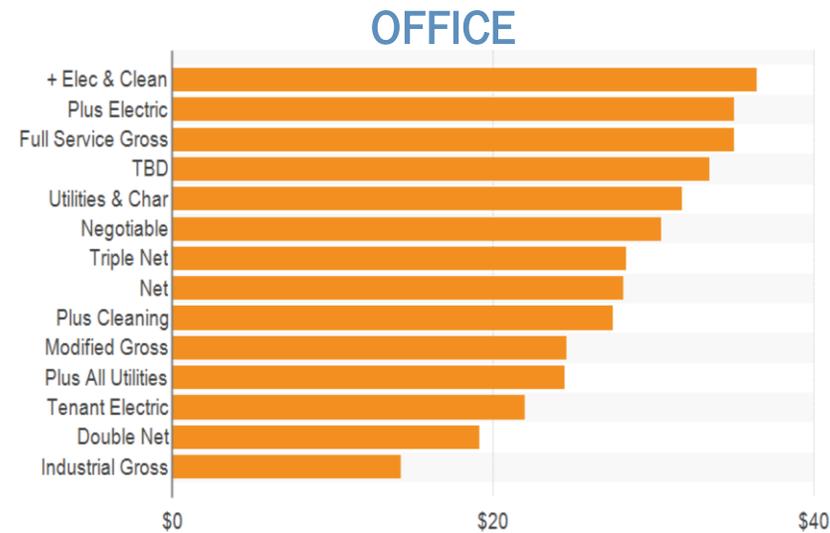
- Do you need visibility or auto/foot traffic
- What neighbors are conducive to your business
- What are the demographics
- Who is your competition
- How much parking will you need
- Reputation of the location
- Does the space support your branding
- Are you willing to make improvements to the property to suit your needs
- Do you require specific licenses that may vary from zoning codes or property use



Market Rates

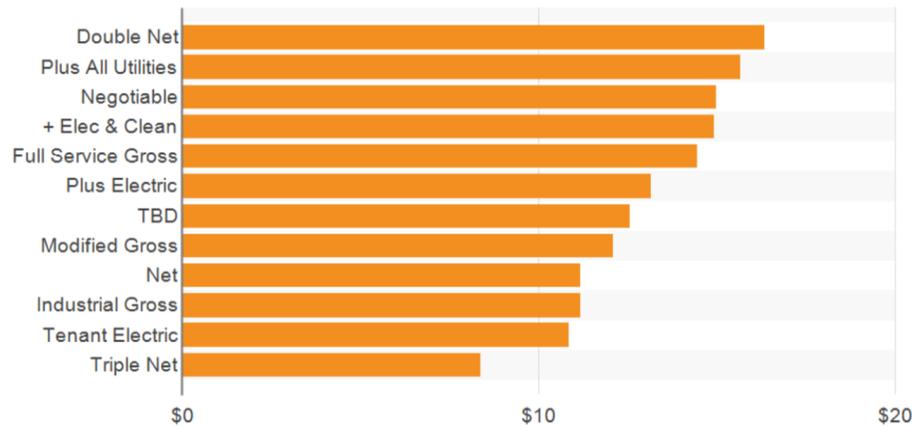
In order to determine your budget, it is important to understand today's commercial market trends. Let's explore the three most common industry types in Miami Dade and Broward County; Office, Retail, and Industrial.

Market Rates in Miami Dade by Lease Type

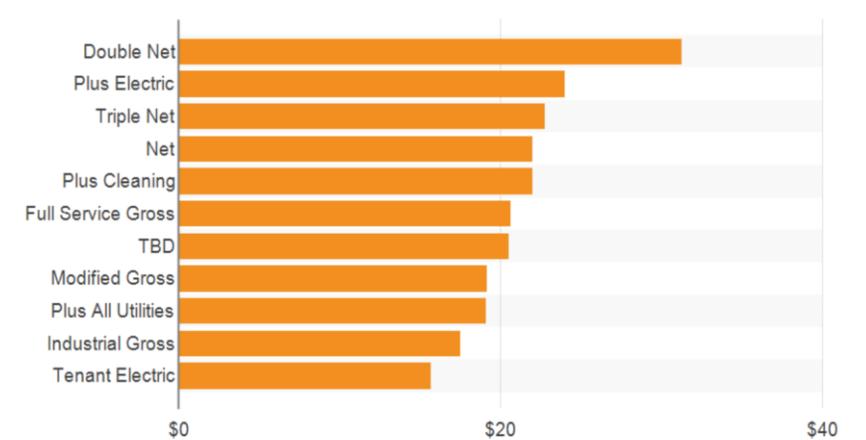


Market Rates in Miami Dade by Lease Type

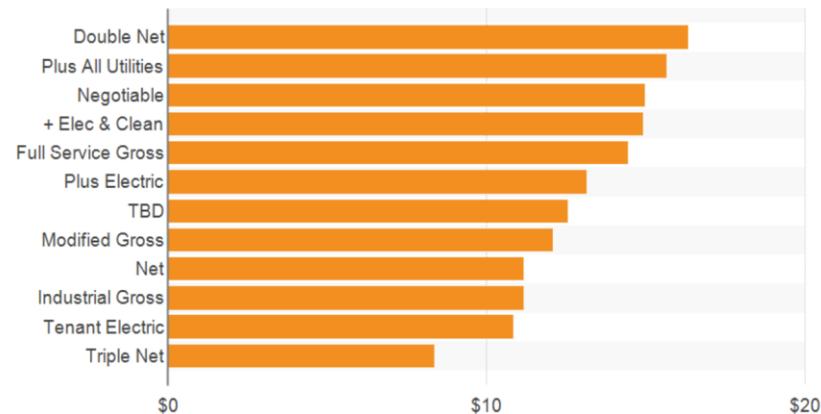
OFFICE



RETAIL



INDUSTRIAL



Negotiating Offers

An offer to lease a commercial space is presented using a Lease Proposal. The Lease Proposal will detail the terms of the lease to be included in a formal Lease Agreement which is generally prepared and reviewed by an attorney.

The Lease Proposal will detail the following terms:

- **Premises** – Location and Square Footage
- **Initial Term** of Lease – Commercial leases can range from 1 year to over 30 years
- **Option** to renew for another term
- **Rate**
- **Lease Type**
- **Specified Use**
- **Tenant Responsibility**
- **Landlord Responsibility**
- **Pre Paid Rent and Security Deposit**
- **Concessions**
 - *Free rent*
 - *Tenant Improvement Allowance*
- **Personal Guaranty**



Negotiating Offers

- The Lease Proposal serves as a negotiation tool between the Tenant and the Landlord in order to reach an agreement within the general terms. Once both parties are in agreement, a formal Lease Agreement is then prepared to detail the legal terms of the lease.
- During the negotiation of the Lease, the Landlord will most likely require the Tenant to fill out an Application and provide bank statements and tax returns. This is to ensure that you are financially able to pay the operating expenses of the business along with the rent.



Lease Agreements

Commercial Lease Agreements tend to be lengthy. Aside from the business terms negotiated in the Lease Agreement, they include the following legal matters:

- Landlord Responsibilities
- Tenant Responsibilities
- Default
- Penalties
- Disputes
- Rent Payment Schedule
- Deposits
- Rules and Regulations
- Guaranties
- Notices
- Exhibits; inventory, floorplan, etc.



We recommend that all Leases be reviewed by a licensed Real Estate attorney. An attorney that is well versed in Commercial Real Estate Leases will save you time and money during the negotiation of the Lease.

Space Turnover

Congratulations! You've found a space and negotiated a lease. You're ready to move in!

A Landlord will turn over the keys to your new space once the Lease Agreement has been executed by both parties, with witnesses and the Tenant has wired the necessary funds (pre-paid rent and security deposit) to the Landlord. In addition, the Landlord may require a copy of your insurance and business license.

We recommend to get to know the Landlord and/or the Property Manager to ensure that the transition into the new space is seamless.



At TIR, our job is to facilitate the process from property search to space turnover. Having an expert guide you through this journey will not only make your search easier it will ensure that you are getting the best terms in the best location for your business.

Call or email us today!

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