

## Selinger Enterprises, Inc. | Long Island, New York

### LIFE IS GOOD!

**T**he sun, the stars and the moon are all in alignment for the economy to continue its strongest growth since 2003. The evidence is the GDP rising significantly at the end of 2013. Corporate profits and the stock market hitting record highs; consumer demand, exports and retail rising. Unemployment has dropped to 6.7% and the housing market continues to improve. Surprisingly, inflation remains very low.



Ross Selinger

The impact of the economy on the national office market has been a slow and steady improvement. Vacancy has fallen to 11.5% and rental rates have risen to \$22.06. Net absorption has continued positive for the eighth straight quarter.

The Long Island economy is more than keeping pace. Unemployment has fallen to 5.1% and the housing market continues to improve. Long Island consumer confidence has risen to 5.6, its highest level since 2007.

This positive economic news has not yet had an impact on the Long Island commercial office market. The vacancy rate for Nassau and Suffolk counties is unchanged for two consecutive quarters. The average asking rent rose a scant 0.1%. Net absorption was negative for the first time in 6 quarters.

What does this mean for Long Island office tenants? Life is good! Landlords are continuing to be aggressive to acquire good companies as tenants. Most companies can create negotiating leverage to get low rents, long concession periods and upgraded workletters. With business confidence up and rental rates down, growing companies are finding the constellations are all in perfect alignment.

Contact Ross Selinger to utilize his 27 years of experience creating negotiating leverage.

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## Work, Life, Balance and the Cool Factor

By Brandon Keenan, National Director  
Gigya, Inc.  
Mountain View, California USA

**W**hen I was originally put to task to find Gigya's satellite office in Phoenix, Arizona, I had things to consider that went beyond brick and mortar. I needed to incorporate the fabric of our business and our culture into a living space.

Gigya is a software company that gives business the power and ability to connect on a very personal level with their consumers and advocates. We are beyond social media—we are the infrastructure that makes everything seamless.

Connecting is also what we do with our team, which also is what we need our office space to do. When I set out to find space, I kept the connection to the team in mind. I looked for something that provided more than just a place to work—instead more a place that provided work, life, and balance. I wanted people to love coming to work and tried to eliminate all of the things that could potentially make things unpleasant.

I sought to eliminate emotions from a decision that could affect the success of our office. Furthermore, I wanted to quantify mathematically and compare our options to determine the best location for us. In order to do this, I created a very simple Excel spreadsheet and assigned each feature a score of 1-3 (3 being the highest). Then I created columns labeled with the following key features:

- **Parking.** Does the development have ample parking and could it scale up if our



Phoenix office grew? This issue could be a cause of anguish if the team had to struggle to find spaces.

- **Cool Factor.** To me, this meant bars, restaurants, shops, and fun things to do nearby. I wanted people to be able to meet at cool places for lunch. I wanted people to not just come to work and leave, but to have a fun experience and great quality of life every week.

- **Accessibility-Transportation.** Traffic could be a big problem, starting

days on a bad foot. I felt that if we could find a place that was accessible from all parts of metropolitan Phoenix we could help make days brighter. The goal was to find a location off a ramp of a major freeway. Phoenix traffic is not bad, but during the winter months we have a tourism spike that makes commercial arteries challenging if you are in a hurry.

- **Building Flow.** Even the best offices in the world can be hard to get to, whether it is a nine-story elevator ride every morning or a long walk down a hall. I wanted to find a place that had easy stair access and was easy to get into. This was a difficult and subjective issue, but there were a few offices that we immediately disqualified because of building flow or access.

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# Navigating Five Lease Landmines

By Jeffrey A. Tabor, President & CEO  
Corporate Realty Advisors / ITRA Global  
Orange County, California USA

The cost of leasing corporate office space is normally the second highest expense for most companies and involves many complex financial considerations. Therefore, tenants must take a methodical approach to lease negotiations and diligently scrutinize all details of a proposed lease.

Over the years, our company has identified the top five lease issues that every tenant must balance to minimize cost expenditures and maximize bottom-line profits. They are cited below in order of importance:

## Building Operating Expenses

This is a very important component of a lease and a subject that I devote a great deal of time negotiating in the Letter of Intent and further in the lease itself. In a nutshell, I pursue the following objectives:

- Establish four-to-five percent caps, non-cumulative and non-compounded, on all annual expense increases. If necessary, a reasonable final position is a cap on only controllable expenses (i.e., all expenses except taxes, utilities, unionized labor, and insurance).
- Include important exclusions from pass-through expenses. One example of an exclusion would be when the landlord is precluded from making a pass-through expense (versus capitalizing it) unless that expense yields a net present value benefit over the tenant's then-remaining lease term. HVAC is a good example.
- Implement a solid tenant audit right that allows the tenant (for a period of up to two years) to audit the landlord's books in the event of a pass-through dispute. I then include arbitration language in the event both landlord and tenant are unable to resolve the dispute.
- Require a statute of limitations clause that prevents the landlord from making a pass-through if the date of the pass-through exceeds 18 months beyond the date the cost was incurred.
- Address earthquake insurance provisions for all transactions in California, where it is extremely expensive.

Therefore, many landlords do not carry it, but some do so from time-to-time. I include language so that if a landlord elects to carry this insurance the Base Year amount of the lease will be "grossed-up" to reflect such added cost, with the tenant then only paying a proportionate share of annual premium increases.



## Subleasing/Assignment

Of course, it is never a tenant's desire to be a landlord in the same building where they lease. However, there may be instances when this might happen, and I include these changes:

- If the space to be subleased is 20 percent or less of the total building area, the tenant is not required to get landlord approval.
- Cap landlord approval costs/review fees so they do not exceed \$1,000, but the amount should be less if the tenant occupies fewer than 5,000 square feet.
- Preclude the landlord from prohibiting a prime tenant from subleasing to another existing tenant in the building or any prospective tenant who is, or who may have been, negotiating with landlord for direct space in the building. An existing tenant in the building, after all, is often the best candidate, and the landlord may have a recapture right, anyway.

There should also be a 50/50 split between landlord and tenant to receive any "net profits" associated with a sublease/assignment after the prime tenant has deducted all associated costs such as broker commissions, legal fees, landlord approval fees, and any subtenant/assignment improvements the prime tenant covers.

## Occupancy Date

Almost all leases specify an approximate commencement date, predicated on either the construction completion date or date of occupancy, whichever is

sooner. That said, what if the Premises are not ready with the completed improvements by the projected date, which is usually right after the date that tenant is scheduled to vacate their current facility? Generally, landlords allow tenants no flexibility in the event of non-tenant-caused delays.

To allow for unexpected delays, it is important to amend the lease in the following ways: First, insert a provision where the new landlord is responsible for any hold-over rent increase at tenant's currently-occupied building. Second, the tenant should try to obtain the right of a unilateral lease termination in the event the Premises are still not ready for occupancy within 90 days of the proposed commencement date.

## Measurement of the Premises

It is very important that a tenant determines the rentable/usable load factor of the Premises and knows/accepts the landlord's method of calculation before the lease is signed. The landlord and tenant must also mutually agree upon the square footage calculation before the lease is signed. Ideally, this should be spelled out in the lease, but often it is not. Additionally, there should be language in the lease that prohibits the landlord or any future landlord from re-measuring the space and amending the square footage. This problem most frequently occurs when an ambitious

*Continued on page 5*



# Select ITRA Global Transactions

- **New York Realty Group / ITRA Global** completed leases totaling 220,000 square feet of office and clinical space for Weill Cornell Medical College in New York City, New York.
- **Compass Commercial LLC / ITRA Global** completed a 4,905 square foot office lease for the Center for Empowerment and Economic Development in Livonia, Michigan.
- **Carrie S. Holstead Real Estate Consultants, Inc. / ITRA Global** completed a 20,500 square foot corporate headquarters lease for Forever, Inc. in Pittsburgh, Pennsylvania.
- **Cherry & Associates / ITRA Global** completed a 54,526 square foot office lease for MorphoTrust USA in Franklin, Tennessee.
- **Michigan Commercial Space Advisors / ITRA Global** completed a 10,600 square foot lease of classroom (office) space for Spring Arbor University in Southfield, Michigan.
- **Stagman Commercial Real Estate Advisors / ITRA Global** completed a 50,000 square foot industrial purchase for Romanini Brothers Investment Company in Fort Lauderdale, Florida.
- **Melby Corporate Real Estate / ITRA Global** completed the acquisition of three parcels of land totaling 23 acres by Memory Care Facility in Tampa, Winter Garden, and Palm Bay, Florida.
- **Rosen Realty Group / ITRA Global** completed a 13,885 square foot lease for Incapture Technologies in San Francisco, California.
- **Corporate Real Estate Advisors / ITRA Global** completed an 8,697 square foot office lease for Midwest Medical Enterprises, LLC in Atlanta, Georgia.

## Office, Industrial and Retail Facilities

- Regional, National, International Headquarters
- Research & Development
- Life Sciences
- Warehouse / Distribution
- Manufacturing

## Real Estate Market Analysis

- Acquisitions
- Dispositions
- Lease Renewals

## Negotiations

- Proposals
- Leases
- Dispositions
- Acquisition Contracts
- State & Local Incentives
- Sale / Leasebacks
- Work Letters
- Operating Expense & Tax Audits
- Architectural / Engineering Contracts
- Developer Agreements

## State & Local Incentive Negotiations

- Statutory and Negotiated Incentives
- Cash Grants
- Infrastructure
- Tax Credits and Abatements
- Workforce Grants and Training
- Subsidized Land and Building Costs

## Lease Management

- Lease Abstracting
- Financial Reports
- Tax & Operating Expenses

## Strategic Planning

- Model Development
- Acquisition/Consolidation Analysis
- Policies & Procedures Manuals
- Space Planning

## Location Analysis

- Labor Market Analysis
- Transportation Costs
- Utility Costs & Availability
- Quality of Life
- Taxation
- Market Accessibility

## Financial Analysis

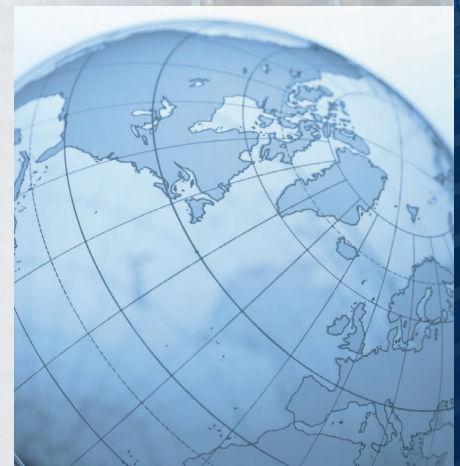
- Buy vs. Lease
- Build-to-Suit
- Equity Participation
- Sale / Leasebacks

## Surplus Property Analysis

- Marketability
- Highest & Best Use
- Disposition Strategies

## Project Management

- Needs Assessment
- Project Budget Management
- Selection and Oversight of Design Team Contractors and Vendors
- Move Coordination



## North America

Fourth Quarter 2013

	CITY	Total Square Feet	Vacancy	Available Space	Average Rent
1	Asheville	10.8M	7.2%	0.8M	\$16.72
2	Atlanta	301.4M	15.0%	45.2M	\$18.85
3	Austin	44.0M	10.8%	4.7M	\$27.94
4	Baltimore	135.6M	11.6%	15.8M	\$21.33
5	Boston	77.3M	9.5%	7.3M	\$42.39
6	Charlotte	99.5M	10.9%	10.9M	\$19.65
7	Chicago	335.2M	17.1%	57.4M	\$25.00
8	Colorado Springs	27.8M	14.5%	4.1M	\$10.62
9	Dallas/Ft. Worth	340.2M	14.8%	50.2M	\$20.55
10	Denver/Boulder	187.0M	11.4%	21.3M	\$22.03
11	Detroit	194.3M	17.4%	33.8M	\$17.49
12	Fort Lauderdale	18.3M	17.1%	3.7M	\$24.76
13	Grand Rapids	76.4M	10.9%	8.4M	\$12.24
14	Houston	274.5M	11.4%	31.4M	\$25.43
15	Indianapolis	97.0M	9.0%	8.7M	\$16.52
16	Las Vegas	61.0M	18.2%	11.1M	\$19.36
17	Long Island	166.9M	7.8%	13.0M	\$26.59
18	Los Angeles	424.7M	12.3%	52.1M	\$29.19
19	Miami - Dade County	99.5M	12.2%	12.2M	\$29.05
20	Minneapolis	185.2M	9.4%	17.4M	\$18.03
21	Nashville	75.7M	7.9%	5.9M	\$19.03
22	Northern New Jersey	357.9M	14.5%	51.9M	\$23.22
23	New York City - Downtown	120.0M	8.5%	10.2M	\$38.28
24	New York City - Midtown	392.8M	7.6%	42.7M	\$57.78
25	Norfolk	165.7M	14.0%	5.5M	\$17.23
26	Orange County (CA)	152.3M	11.6%	17.7M	\$22.96
27	Orlando	100.4M	12.1%	12.1M	\$18.27
28	Philadelphia	96.1M	12.4%	16.2M	\$25.70
29	Phoenix	137.7M	19.0%	28.7M	\$20.92
30	Pittsburgh	123.0M	8.1%	9.9M	\$18.73
31	Portland	95.8M	9.3%	8.9M	\$20.04
32	Richmond	61.2M	9.7%	5.9M	\$16.81
33	Salt Lake City	88.4M	7.1%	6.3M	\$17.57
34	San Diego	113.1M	11.8%	13.4M	\$26.14
35	San Francisco	92.5M	8.8%	11.7M	\$46.44
36	Seattle/Puget Sound	184.3M	10.2%	18.7M	\$26.80
37	Silicon Valley	177.3M	9.9%	22.3M	\$34.28
38	Spokane	21.2M	9.8%	2.1M	\$15.64
39	St. Louis	130.0M	11.6%	15.1M	\$17.95
40	Tampa	147.0M	12.7%	18.7M	\$18.50
41	Toronto	170.0M	9.3%	15.9M	\$19.89
42	Tucson	24.2M	12.9%	3.1M	\$18.63
43	Washington, D.C. Metro	468.2M	14.1%	66.1M	\$48.70 CBD \$34.21 Metro
44	Westchester County, NY	171.1M	14.0%	24.0M	\$28.60
45	West Palm Beach	10.4M	15.3%	1.9M	\$26.35

## London

Fourth Quarter 2013

	DISTRICTS	Take Up	Availability	Prime Rent
46	City Core	1.47M	11.50M	£57.50
47	London Docklands	0.85M	5.77M	£38.50
48	London Southbank	0.25M	1.31M	£49.75
49	London West End	0.71M	5.49M	£107.50
50	London Midtown	0.71M	0.60M	£57.50

## Paris

Fourth Quarter 2013

	DISTRICTS	Take Up*	Vacancy	Prime Yield	Prime Rent*
51	Paris Central Business District (CBD)	0.095M	5.8%	4.10% - 4.80%	€707
52	Paris Central Districts excluding CBD	0.037M	5.8%	5.00% - 5.50%	€470
53	La Défense	0.018M	12.1%	5.25% - 6.75%	€530
54	Western Suburbs	0.176M	13.4%	5.30% - 6.75%	€420

Definitions for Paris

\*"Take Up" – Space absorbed in the previous quarter in m<sup>2</sup>/ "Grade A Vacancy" – Available Space / Euros / m<sup>2</sup>



# ITRA Global Announces Board of Directors & Officers

**I**TRA Global has announced that Mylinda J. Vick, CCIM, principal of Cherry & Associates / ITRA Global Nashville, was re-elected Chairman of the Board of Directors for 2014.

"I am thrilled to serve in the role of Chairman of the Board for another term," says Ms. Vick. "ITRA Global remains one of the few organizations that truly advocates for corporate tenants and buyers of office, industrial, and retail space. As I reflect on the accomplishments of our organization during the past year, I thank my fellow board members and committee members for their dedication and commitment as we continue to expand our global offices to effectively serve the needs of our local and multi-market corporate clients."

Serving with Ms. Vick on the leadership team are Carrie Holstead

of Carrie S. Holstead Real Estate Consultants, Inc. / ITRA Global Pittsburgh as Vice Chairman; Martin Levy of The Levy Group / ITRA Global London as Secretary; Stuart Holcombe, CCIM, of Corporate Real Estate Advisors / ITRA Global Atlanta as Treasurer; and Chris Atwater, CCIM, MAI, of Michigan Commercial Space Advisors / ITRA Global Grand Rapids as Director.

Carrie Holstead has served on the ITRA Board of Directors since 2009, first in the capacity of Treasurer and then as Chairman.

Martin Levy joined the Board of Directors in 2012, becoming Treasurer of the organization last year.

Stuart Holcombe served on the Board of Directors from 2006 to 2011 in the roles of Treasurer and Vice Chairman. "As a member of the Board, it is our commitment to provide competitive advantages

for our members in terms of national and global reach, education, knowledge, and collaboration that translates into providing superior service for our corporate clients," says Mr. Holcombe. "The goal is to help and provide every ITRA office with the best tools available to compete and excel on the global landscape of commercial real estate."

Chris Atwater, elected to his first term on the Board, says, "As a relatively new ITRA member, I was honored to be nominated for a Board position, and I look forward to giving back to an organization that has given me so much already."

Serving as Chairman Emeriti are Debra Stracke Anderson, CCIM, SIOR, of Sloan Street Advisors / ITRA Global Washington, D.C., and Ronald R. Pollina, Ph.D. of Pollina Corporate Real Estate, Inc. / ITRA Global Chicago.

## Work, Life, Balance *Continued from page 1*

- **Scalability.** As more brands discover how valuable social data is to their business, the social infrastructure arena of the technology industry is growing by leaps and bounds. Consequently, we might need to expand, too. I wanted to find a building that had room for us to grow as well as a large floor plan because connecting to our team is crucial to our success, and this is best done with everyone on the same floor.
- **Cost.** This is always a key factor in any business decision, but ultimately a location that enables us to connect and build a great environment will win our tenancy. I eliminated the highest cost option only because the landlord asked 30 percent above market value for a site that finished third in my scoring.
- **Recruiting/Demographic Location.** Finding the right people to work for us is essential, so we needed to be near where the best candidates live. After my first 100 applications, I decided to plot the resumes on a map and determine

the commute times for each person. With Phoenix being fairly spread out, it was a challenge to stay in an attractive office option for people in West Phoenix, East Valley, and Central Phoenix since each location can be 45 minutes apart. Looking at information from the Arizona Commerce Authority, I looked at average commute times, traffic, and freeway flow.

- **Tech Vibe.** Gigya is at the forefront of technology and part of a revolution in social data management. I wanted to be near other companies that had a tech vibe or were passionate about changing the world through technology. I found this a difficult category due to scalability and other criteria, but it was an important factor for a few buildings. We certainly did not want to be in a building filled with lawyers, mortgage brokers, and accountants due to the differences in culture. We want to be loud and work in a high-energy environment.
- **Speed of Availability.** Another great thing about being a Silicon Valley startup

is that although we often enjoy great growth, it comes quickly. We needed a building that either had executive suites for us to occupy immediately or space available and ready.

### Conclusion

We are currently working from MYOffice Executive Suites while our new office is being built. In the end, we found our dream space in City North, an SKB development, in North Phoenix. We will be part of a city environment featuring five restaurants and three bars on the first floor, ample parking, and the opportunity to expand.

City North makes our office accessible for our employees from just about every major area in metro Phoenix in less than 30 minutes.

With our spreadsheet and the help of our broker, we were able to find the perfect suite that will enable us to connect with our teams just like we do with our software.

## Navigating Lease Landmines *Continued from page 2*

new owner acquires the property and looks for creative ways to increase the property's net income.

### Damage/Destruction

Most leases do not afford a tenant any rights whatsoever in the event of damage/destruction to the Premises, making it impossible to continue to conduct business at the site. The landlord often has a unilateral right to terminate the

lease. What about the tenant's rights? I always include lease language that allows the tenant to terminate the lease in the event the landlord cannot or will not provide tenant access to the Premises so that the tenant can recommence business within 180 days from the date of damage/destruction. It is very important that these 180 days begin "from the date of damage/destruction" rather than "from the date reconstruction begins."

### Conclusion

Negotiating a lease can be a challenging process filled with many pitfalls and landmines, especially when it involves the top five issues that tenants should resolve before signing a binding agreement. Therefore, it is highly beneficial for a tenant to engage a trusted corporate real estate advisor who provides credible, conflict-free representation at the commencement of the negotiation process.

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## Corporate Real Estate Strategies

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*ITRA Global provides corporate real estate services for tenants and buyers throughout the world.*



## Global Coverage

#### United States

Asheville  
 Atlanta  
 Austin  
 Boca Raton  
 Boston  
 Chicago  
 Colorado Springs  
 Dallas  
 Denver/Boulder  
 Detroit

Fort Lauderdale  
 Grand Rapids  
 Houston  
 Long Island  
 Los Angeles  
 Nashville  
 New Jersey  
 New York City  
 Norfolk  
 Orange County  
 Philadelphia

Phoenix  
 Pittsburgh  
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