



Real Estate Advisors

## **SPACE ACQUISITION SERVICES**

Centric's methodology for a given assignment includes a detailed process created to define and support our client's facility and business operational needs. This process will serve as the basis for measuring and comparing available alternatives, while establishing a blue print for the implementation phase of the project.

### **Process Framework:**

#### **1) Needs Analysis**

##### *Business/Operational*

Centric will spend as much time as necessary to fully understand our client's business and operational needs.

##### **Facility – Current Requirements**

Centric will develop and present to the client a comprehensive list of requested information that will be required to create a complete base line understanding of how the client operates today. This informational base will include:

- a) Existing real estate costs including operating costs and real estate taxes, capital budgets for repairs, renovations, technology and telecommunications
- b) Current facility uses, head counts, and functions
- c) Current client and employee demographics
- d) Contract or client requirements as to locational parameters/proximity to hotels, transportation
- e) Thorough review of the current lease to identify and abstract those pertinent provisions which will impact the Cost Benefits Analysis. These provisions will include:
  - ◆ Renewal options
  - ◆ Expansion options
  - ◆ Termination provisions
  - ◆ Sublease & assignment provisions
  - ◆ Restoration obligations
  - ◆ All key notice dates

##### **Facility - Future Requirements**

Centric will jointly develop with the client and the client's architect/programmer an outline statement of the future facility requirements including:

- a) Technical facility requirements, including telecom (voice and data), electrical power, floor loading, parking, security imperatives, HVAC, etc.
- b) Macro programming and floor layout concepts as they relate to square footage standards and ratios, foot print, construction cost of interiors, finish levels, etc.
- c) Qualitative facility requirements, including locational analysis via client and employee demographics, image, culture, amenities, etc.

- d) Projected head count growth (*both housed and non-housed*) correlated to future square footage requirements based on space standards and on industry bench marking to comparable organizations
- e) Logical phasing and migration plan with respect to planning a major facility relocation or planning a major facility renovation program under a lease renewal & expansion approach
- f) Goals with respect to experimenting with advanced space utilization concepts such as telecommuting, office hoteling, remote networked/virtual office hubs, shared work space, etc.

## 2. Assemble the Project team

Centric will plan, implement, and lead a procurement process to select any of the consultants listed below or with the client's providers as desired.

- ◆ Real estate advisory committee
- ◆ Real estate brokerage/consulting firm (Centric)
- ◆ Attorney selection
- ◆ Architectural/design firm
- ◆ Consulting MEP engineering firm
- ◆ Construction management firm
- ◆ Data/communications consulting firm
- ◆ Furniture systems/filing consulting firm
- ◆ Move consultant

## 3. Develop Project Mission Statement

Centric will meet with the designated internal project team and other specialty consultants engaged by the client to define specific goals and objectives for each stage of the process. Once the team is assembled, we will determine as a group internal and external reporting protocol and schedule regular project meetings.

Centric will validate project goals, schedules, milestones, and interim management update presentations. Ownership of various tasks will be assigned and a protocol for communications between team members will be established. The mission statement will also establish parameters for the building search and the criteria each alternative must meet. The goals and objectives will be summarized in a formal Mission Statement approved by the client and all team members. This will be the blueprint of the project going forward.

## 4. Develop Project Schedule

Centric will develop a project schedule from the outset and maintain and update the schedule throughout the course of the project. The project schedule will encompass all activity from selection of a real estate consultant to move in.

## 5. Programming

Centric will work with the client's architect to develop efficiency and utilization ratios for material benchmarking measures, on a "per person" or "per seat" basis. The measures to be developed will be the individual workspaces and shared support spaces. This work will be performed in conjunction with the existing internal facilities team. The conference center requirements will also be addressed here with the goal of targeting the amount of usable square feet needed for the project. This is critical to finding the most efficient

space alternative. A successful programming effort will make the building analysis process run smoothly by allowing quick test layouts.

## 6. Development of Market Analysis and Trends

Realizing that the "*real estate market*" to which the client should be sensitive is far more complex than merely reviewing current leasing rates or vacancy rates, Centric takes a more sophisticated approach to analyzing data which will be more meaningful to the client's situation. Accordingly, Centric will carefully evaluate and track conventional market trends and indicators, as well as the underlying and discreet data, which will more profoundly impact future market conditions. These include:

- ◆ Future office-space availability for both existing office buildings and planned to-be-developed office buildings which are now beginning to re-emerge.
- ◆ Future office space availability related to the planned vacating of existing office buildings by their current users as caused by their relocation plans.
- ◆ Evolving market conditions & costs for general contracting and the related trades.
- ◆ Dynamic political climate at the state and local level with respect to municipal cooperation for permits and approval, relocation incentives, taxes, etc. to the extent applicable.

## 7. Building Survey

Centric will conduct market research to identify all those potential office buildings (*both existing and planned*) which meet the requirements defined in the Mission Statement and represent suitable size, location and timing. Potentially suitable buildings and sites will be cataloged and submitted as part of the data to select prototypical sites to use in the Cost Benefit Analysis. Those prototypical sites and/or buildings identified and selected will represent the "*real world*" basis on which Centric will perform the detailed pro-forma cost development and financial analysis for a potential relocation versus lease renewals.

The issues to be considered in the analysis include:

- ◆ Location
- ◆ Access / visibility
- ◆ Design issues
- ◆ Suitability of existing base building systems
  - Elevators
  - HVAC
  - Electric
  - Life Safety
  - Telecommunications
  - Security
- ◆ Suitability of existing tenant improvements
- ◆ Age & condition
- ◆ Expansion / contraction potential
- ◆ Adjacent tenants

Centric will utilize the following resources and methodology in performing the site and building research per issues set forth above:

- ◆ **Databases**-Centric will utilize its various database resources that are updated

regularly on all available buildings within the target area.

- ◆ **“Invisible Market” Surveillance**-Centric will access and study the “invisible market” which can reveal space opportunities which are not “officially on the market”. These include tenants who want to downsize or relocate but are waiting for a subtenant to implement a move. Buildings owned or occupied by other companies that while not officially on the market, could be made available under some circumstances. Tenants who are not renewing but are in the market well in advance of their lease expiration. Additionally, Centric actively tracks “exclusives with other brokers” to identify tenants in the market that will most likely be vacating space in the future.
- ◆ **Inverse Selection Process**-Centric will identify and research every building in the target area to rank the buildings by: Primary/Secondary Site of Consideration, Building Image, Space Availability, Price and Size of Floor Plate to establish potential buildings through the process of elimination insuring that no suitable building is overlooked.
- ◆ **Creating Space**-If there is a particular building attractive to a client, we will canvass the building by contacting all of the subject buildings tenants inquiring if they are interested in moving or disposing of space to identify an opportunity that does not appear on the database.
- ◆ **Relationships**-Centric New York City and national client relationships are an excellent source of information to uncover potential sublet opportunities.

## 8. Building Tours

Centric will arrange as many tours of the target alternatives as necessary. Centric will provide a tour book with reduced floor plans and building summary for each visit.

## 9. Financial Analysis of Alternatives

Each of the alternatives will be carefully analyzed as to their respective cost profiles, functional viability, schedule implications, etc. (See Deliverables). Additionally, as Centric learns of the concerns of the client, other decision-making indices will be added according to the client's preferences. By way of example, the indices to be used in the analysis include:

### *Direct Real Estate Cost Factors*

- ◆ Fully loaded cost pro forma inclusive of all real estate costs related to space acquisition, engineering, all building systems, all interior improvements, all A&E costs, all soft costs.
- ◆ Schedule of total real estate capital required for implementation.
- ◆ Schedule of total FF&E capital required for implementation.
- ◆ All net cash flows from real estate costs / occupancy costs over time.
- ◆ Present value cash flow analysis.
- ◆ Scenario costs per housed person / per square foot over time.

### *Operational Real Estate Factors*

- ◆ All work schedule implications.
- ◆ Phasing plan for migration from the existing building or a renovation plan.
- ◆ Requirements for short term lease renewals, if any.
- ◆ Growth / contraction capabilities.
- ◆ Risk factors

## **10. Decision Matrix**

Centric will build a Decision Matrix and assign a weight to each factor to grade each alternative. The financial analysis will be used to determine the economic factors in the Decision Matrix. The matrix data will then be used in the Cost Benefit Analysis to test various project scenarios. See example on next page:

Factor	Weight	GRADE		
		Bldg. A	Bldg. B	Bldg. C
Ownership Quality				
Overall Building Quality/Image				
Views				
Location				
- Area/Submarket				
- Transportation				
- Amenities				
- Pedestrian Traffic				
- Vehicle Traffic				
- Amenities Hotels Restaurants				
- Security				
Access				
- Vehicle				
Factor	Weight	Bldg. A	GRADE Bldg. B	Bldg. C
- Public Transportation				
Base Building				
- Elevators/Finish/Speed				
- Life Safety				
- HVAC				
- Ceiling Height				
- Security				
- Floor Loading				
- Windows Sound Heat				
- Technology				
- Floor Plate Efficiency				
Roof Access				
Environmental				
Economic Factors				
Overtime HVAC Costs				
Convenience				
Expansion/Contraction Options				
Ease of Construction				
Redundant Systems				
Line of Sight				

**11. Cost Benefit Analysis**

In this stage, we will utilize the Financial Analysis and Decision Matrix to perform a sensitivity analysis and test all possible scenarios. This Cost Benefit Analysis (“CBA”) will be used to create an “apples-to-apples” comparison of the alternatives. The CBA will be used to test the myriad scenarios for the client’s facility requirements. The following is an example of just some of the factors considered.

<b>Factor</b>	<b>Current Scenario (Renew/Expand/Dispose)</b>	<b>Alternative A</b>	<b>Alternative B</b>
A. Quantitative			
Project Capital Costs			
Annual Cash Flows			
Present Value			
Cost of Space and Technology Investment vs. Increased Revenues Due to Efficiency			
Overtime HVAC			
Electric			
Remaining Lease Obligation			
<b>Factor</b>	<b>Current Scenario (Renew/Expand/Dispose)</b>	<b>Alternative A</b>	<b>Alternative B</b>
Sublet Cost or Negotiate With Landlord			
B. Qualitative			
C. Evaluate Economic Impact of Lease Clauses			

**12. Recommendation**

Upon completing the CBA, Centric will provide a recommendation based on all the information gathered up to that point. This will be a major deliverable including an executive summary of all the analysis and data and our reasoning. This package will be presented to the client’s Board of Directors, if appropriate.

**13. Prepare Written Offers**

Centric will prepare written offers and submit to Client for review and approval prior to sending to prospective landlords. At this stage, we will devise our negotiating strategy and run analyses on the possible financial scenarios.

**14. Submit Offers**

Deliver offers to prospective landlords commencing the negotiation process.

**15. Negotiate Offers**

Define open points and discuss strategy with *Client* to develop a list of specific goals and objectives. Lay groundwork for winning as many points as possible.

**16. Final Financial Analysis**

Centric will use ProCalc or create a spreadsheet to *Client*’s specifications.

**17. Commence Space Planning**

*Client's* architect will have a definitive floor plate and can finalize the space planning process in anticipation of starting construction documents.

**18. Prepare Leases**

Once final business terms are agreed to, we will request landlord's counsel to prepare lease documents.

**19. Lease Negotiation**

Centric will prepare written lease comments for *Client* and *Client's* counsel. Centric will participate in all lease and document negotiations and devise negotiation strategies as a member of *Client's* team.

**20. Architectural Working Drawing**

This will occur simultaneously with lease negotiations.

**21. Submit Plans**

Plans will be submitted to landlord for approval.

**22. Execute a Lease**

(Schedule Milestone)

**23. Bid Construction**

Centric will support *Client's* architect and engineers throughout this bid process.

**24. Construction**

Centric will be available to interface with the landlord in the event of disputes regarding service elevators, building access etc.

**25. Coordination of FF&E**

*Client's* furniture vendor and the contractor will coordinate the final construction phase with the furniture installation.

**26. Site Inspection**

Initial walk through.

**27. Final Site Inspection**

Final walk through initial punch list.

**28. Move-in**

Final move in, final punch list and preparation for conduct of business.

**29. Abstract All Transaction Documents**

Centric will summarize all transaction documents, key dates, lease milestones and financial obligations.

**30. Client Survey-Grading Centric Performance**

*Client* will have the opportunity to grade Centric's performance on the project.