

# The Alpha Omega Dispatch



MAY 2007

“VALUE, INTEGRITY, MAGNIFICENT SERVICE”

## Laundry Leases - Part II

As there is no standard form that covers all the circumstances of a commercial laundry lease, for the benefit of the average investor we went over the basic elements and terms that could be found in a coin laundry lease in Part I of this article. But it is also important to understand some of the *provisions* that may be included and/or referred to in a laundry lease.

**Base Rent.** Base rent is a set amount of rent per square foot of the space leased.

**Percentage Rent.** Certain retail tenants may pay base rent and percentage rent based on a percentage of their sales. Once a tenant reaches its gross sales breakpoint, the landlord receives a percentage of all sales in excess of this figure. This enables a tenant to pay less base rent and pay a portion of its rent under the lease based on future sales. An investor needs to understand the percentage rent formula and what sales are included and excluded from the definition of gross sales.

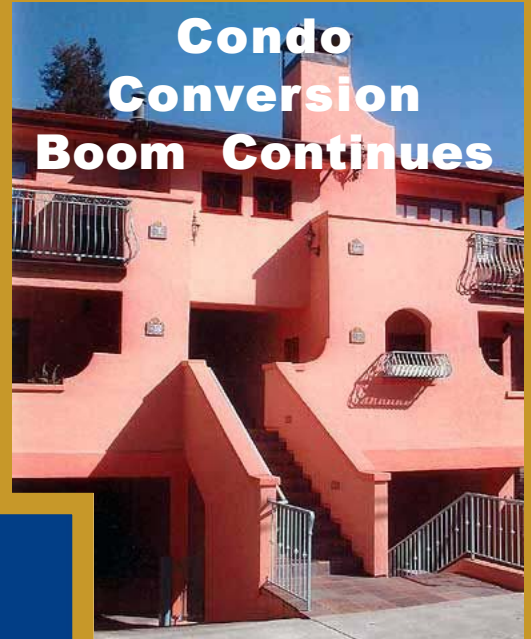
**Increases in Rent, Taxes and Operating Expenses.** Increases in rent, taxes and operating expenses are often based upon the Consumer

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## Think You Got Mother's Day Covered?

Well, if your Mother (or Mother-in-law!) lives in the U.S. and the roses arrive by Sunday May 13, then you are in the clear. But if she lives in some other part of the world, you'd better check Page 2!

## Condo Conversion Boom Continues



The condo conversion trend is gaining in popularity, especially as people seek housing near the urban core. The low interest rate affliction that has crippled apartment fundamentals for several

quarters is driving the biggest condominium conversion boom in two decades. Condo developers are swarming markets across the country, paying a premium to acquire and transform rental properties into condos.

While the successful sale of condos can generate cash-on-cash returns of between 15% and 30% or more in a matter of months for converters, the trend also enables apartment owners to cash out at the top of the market.

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As always, thank you to each and every one of our customers for making our company successful. We view each of you as a partners and your continued success is important to us. You are the reason we exist, so if at any time you feel we need to improve on something or that you feel that you are not getting the service that you need, call our office immediately and speak with myself or **Pat Clark**.

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Thanks A Million!!!

Greg Gary  
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### “Laundry Leases” from Page 1

Price Index increases. Alternatively, increases may be predetermined and set forth in the lease.

**Security Deposit.** When security deposits are required, determine if the security deposit is in an escrow account or the landlord’s personal account, if the account must be interest-bearing and whether there are any constraints upon the party that may receive the interest paid on the account.

**Renewals or Extensions of the Lease Term.** Rent during renewal terms may be established as a fixed amount, or calculated based upon increases in the Consumer Price Index, market lease rates at the time of the renewal or a certain percentage increase in rent agreed upon by the parties. All conditions of a right to renew should be addressed in the lease.

**Insurance.** The tenant’s payment of insurance for the building is usually the same as payment of operating expenses and taxes. Tenants need to be aware of the types and amounts of insurance coverage required to be additionally insured by the tenant for the leasehold itself.

**Audit Rights.** Tenants need to know if they have the right to audit a landlord’s charges for taxes, insurance and operating expenses. Tenants should ensure that the estimates of these charges are reconciled by the landlord within a certain time period at the end of the landlord’s calendar year.

### Where's Your Mama?

Austria, Hong Kong, Hungary, Netherlands, New Zealand, Portugal, Spain, and Taiwan all celebrate *Mother's Day* on the 1st Sunday in May, this year May 6, 2007. *Mothering Sunday* is celebrated each year in the U. K. on the 4th Sunday in Lent (March 25th 2007).

Bahrain, Malaysia, Mexico, Oman, Pakistan, Qatar, Saudi Arabia, Singapore, S. America, and the United Arab Emirates all celebrate *Mother's Day* every year on May 10. Norway celebrates it on February 12, and Sweden on the last Sunday in May, the 27th this year.

### “Condo Conversions” from Page 1



In addition to this, conversions create more affordable housing in areas famous for pricey single-family homes.

What is the net effect of the conversion craze on the apartment industry?

While the impact will

differ from city to city, conversions likely will hurt most rental markets, concludes Herb Chase, a Managing Director in the multifamily investment sales group with Los Angeles-based *Colliers Seeley International*. While condo conversions benefit multifamily owners by shrinking the supply of apartments, condo buyers are typically renters, so conversions won’t necessarily lead to a jump in occupancy rates.

*“We’ve been busier than ever, and I think people realize that it’s the last chance to buy at low interest rates,”* says Russell Galbut, a principal of Miami-based *Crescent Heights*, a condo developer and converter that has sold some 20,000 units valued at \$3 billion in major markets across the country. *“Rising interest rates are not something that’s going to have a chilling effect on the conversion business in the next few months, but the activity is going to slow down.”*

Converters acknowledge that they are paying a premium, but are quick to add that the cost of acquiring and upgrading multifamily properties is far less expensive than new development. Plus, in densely populated urban markets, vacant ground simply doesn’t exist for new development in prime locations, and converters anticipate those real estate values will continue to appreciate.

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