Not-for-Profits

The Market

Your Building

Your Space

Real Estate Issues and Strategies to Consider

January 14, 2021
Introductions

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Director

1. Current and forecast market conditions
2. How to assess Landlord vulnerability in negotiating your lease
3. Optimize your planning now
4. How are non-profits’ office space concerns analogous to technology firms?
5. The future of remote work
The availability rate increased to 14.3%, the highest quarterly availability on record and the largest quarterly increase in supply since 2009.
The Market

Manhattan Sublet Share of Total Availability Rate

Source: Colliers International Research
The Greenwich Village submarket had the sharpest yearly decrease to the asking rent average, lower by 18.3% since year-end 2019.

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Source: Colliers International Research, CoStar
The Market

Submarket Asking Rent Percentage Change 4/1/2020 to 12/31/2020

Source: Colliers International Research, CoStar
Your Building

Landlord

% Vacancy

Lease Expiration Roll Over

Location

Mortgage Debt Analysis

Owner: tbd
Lenders: tbd
Loan Origination: Oct 2018
Loan Maturity: Oct 2023
Building SF: 675,000 SF

Debt: Interest Only

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding Loan Amount</td>
<td>$400,000,000</td>
</tr>
<tr>
<td>Outstanding Loan Amount per RSF</td>
<td>$592.59</td>
</tr>
<tr>
<td>Weighted Average Interest Rate</td>
<td>4.250%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$17,000,000</td>
</tr>
</tbody>
</table>

Debt Service/rsf: $25.19

Operating Expenses: $16.00

Fiscal 2020/21 Real Estate Taxes: $20.00

Total Minimum Carrying Costs/rsf: $61.19
Your Building

100% LEASED

70% LEASED

55% LEASED

Landlord

% Vacancy

Lease Expiration Roll Over

Location
Your Building

<table>
<thead>
<tr>
<th>Landlord</th>
<th>% Vacancy</th>
<th>Lease Expiration Roll Over</th>
<th>Location</th>
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</table>

Opportunities found in Your Building’s Lease Expirations

- Available: 30%
- 2021-2024: 23%
- 2025-2029: 22%
- 2030+: 25%
Your Building

Landlord

% Vacancy

Lease Expiration Roll Over

Location

Manhattan Submarket Statistics | 4Q 2020

Source: Colliers International Research
Your Building

Landlord

% Vacancy

Lease Expiration Roll Over

Location

Upper Manhattan
Queens
Brooklyn
Bronx

Source: Colliers International Research, CoStar
Your Space

Your Lease

Workplace

Sublease Scenarios

Term/Remaining Obligation

Sublet/Assignment Clauses

Escalation Audits (tax & operating)

Security Deposit

Options
- Cancel
- Extend
- Space +/-

Use Clause
### Issues to Consider

<table>
<thead>
<tr>
<th>Your Space</th>
<th>Workplace</th>
<th>Sublease Scenarios</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Your Lease</strong></td>
<td><strong>Workplace Prep</strong></td>
<td><strong>Work Practices – New Normal</strong></td>
</tr>
<tr>
<td><strong>Workplace</strong></td>
<td><strong>Managing collaboration</strong></td>
<td><strong>Flexibility</strong></td>
</tr>
<tr>
<td><strong>Sublease Scenarios</strong></td>
<td><strong>Sense of belonging redefined</strong></td>
<td><strong>Business continuity</strong></td>
</tr>
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</table>

#### Return Strategy
- Strategically ID who comes back first and why
- Address density
- Safety etiquette must be crystal clear before people return
- Smart orgs are using this to solidify business continuity plans
- Opportunity to truly connect with employees and demonstrate caring

#### Workplace Prep
- Design
- Behaviors
- Communication and Navigation
- Hygiene and cleaning
- Technology

#### Work Practices – New Normal
- Flexibility
- Business continuity
- Autonomy to choose

#### Circle of Trust – Unspoken Rules
- Managing collaboration
- Sense of belonging redefined
- Performance, productivity & presenteeism

#### New Behaviors – Clearly Defines
- When in office
- When at home
- Greetings

#### Space Priority – Optimized/Sanitized
- Density
- Unassigned or assigned
- Space calculations
Your Space

Sample Layout Comparison

Post COVID-19
111 seats

Pre COVID-19
221 seats
Reimagining the workplace total *flexibility* and *cost savings*
Reimagining the workplace
total flexibility and cost savings
Your Space

Your Lease

Workplace

Sublease Scenarios

Sublease Process

1. STRATEGIC PLANNING
2. ANALYZE MARKET
3. DEVELOP MARKETING PROGRAM
4. QUALIFY PROSPECTS
5. FINALIZE NEGOTIATIONS
Fewer than 5 tax exempt properties in Manhattan
### Commencement

<table>
<thead>
<tr>
<th>Expiration</th>
<th>Rentable Area</th>
<th>Base Rent (PSF)</th>
<th>Totals</th>
<th>NPV</th>
<th>Annuity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/2022</td>
<td>48,836</td>
<td>$60.00</td>
<td>$75,487,000</td>
<td>$41,192,000</td>
<td>$5,437,000</td>
</tr>
<tr>
<td>12/31/2042</td>
<td>48,836</td>
<td>$5.00</td>
<td>$53,970,000</td>
<td>$26,674,000</td>
<td>$2,636,000</td>
</tr>
</tbody>
</table>

### Hypothetical Lease

**Not For Profit Real Estate Tax Exempt**

<table>
<thead>
<tr>
<th>Start Date</th>
<th>Finish Date</th>
<th>Rent Steps Every 5 Years</th>
<th>Base Rent</th>
<th>Totals</th>
<th>NPV</th>
<th>Annuity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/2022</td>
<td>12/31/2042</td>
<td>$47.94</td>
<td>$60.00</td>
<td>$57,468,000</td>
<td>$31,584,000</td>
<td>$2,636,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$5.00</td>
<td>$47.94</td>
<td>$18,019,000</td>
<td>$9,608,000</td>
<td>$801,000</td>
</tr>
</tbody>
</table>

**Notes:**

(A) Actual lease term is through 2043, analysis has been truncated.

This projection is based upon assumptions and information from sources deemed reliable. No representation as to its accuracy is made or implied. It is submitted subject to prior lease, errors, omissions, changes and/or withdrawal without notice.

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**Sample Analysis**

**205 East 42nd Street**

**Not-for-Profit**
FAQs

How can we balance the need for desirable, functional space with the cost of premium real estate?

Will remote working stick around?

Can we renegotiate our current lease?

How can we plan for the future right now?

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Thank you!