
letter of intent

Posted by Lex - 2008/03/06 01:35

Landlord wants to sign a lease with an anchor tenant. I drafted a general letter of intent and want to make sure I covered all my bases. What are some of the major issues I should be considering when negotiating the letter of intent?

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Re:letter of intent

Posted by Miami LS - 2008/03/06 15:00

1. Is this anchor a national franchise?
 2. Is the center already constructed?
 3. You may want to restrict the anchor's actual use of the premise so that you dont bar other tenants from coming into the center
 4. I would see if the anchor tenant needed additional land in the future.
 5. Can you segregate the anchor's utilities from the rest of the center?
 6. Is there another property near by where the anchor would want to locate?
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Re:letter of intent

Posted by Sumo - 2008/03/06 17:36

You should have in the letter, if at all possible, a proposed lease term, proposed monthly rental amount, proposed terms such as triple net, the square footage to be leased, proposed option to renew. The letter of intent should just about be the lease in an abridged format.

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Re:letter of intent

Posted by Lex - 2008/03/06 17:41

The SC is not build yet. We want a supermarket anchor. We have extra land and the supermkt wants us to hold it for them. The problem is that the LL wants to develop it an charge rent. Want to keep the supermrk happy, but its not feasible to just hold land for them in the future.

Segregating the utilities is a great idea. I think you need to subdivide the parcel? Is that right.

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Re:letter of intent

Posted by Sumo - 2008/03/06 17:54

Why would you want to subdivide the parcel? I am not sure what the logic behind that is?

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Re:letter of intent

Posted by Lex - 2008/03/06 18:04

the anchor wants it own tax statement and utility meters. That is just the way they want it otherwise they wont sign a lease. They dont want to be responsible for anyone else's cost. Also, its setup as a land lease.

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Re:letter of intent

Posted by cam.it - 2008/03/06 21:56

That is exactly the way all the big box retailer want it. Its the right way too. If the anchor doesn't want the LL to build on the additional land, then they should pay additional rent while the land remains undeveloped.

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Re:letter of intent

Posted by abr41 - 2008/03/11 15:49

normally the larger anchors want their parcel ID numbers in order to appeal their tax assessment. and the land onwer is often agreeable because they don't want the rest of their land depreciating if the anchor's property depreciates. that's actually one of the few things both sides will agree on.

the anchor will usually option additional acres for future expansion. the rent is obviously negotiated accordingly. another consideration is the covenant to open. is the anchor required to open for 6 months (the landlord's preference), or 1 day (the anchor's preference)? this can often kill the deal b/c anchors would normally never agree to a covenant to open for more than 1 day.

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