

REAL ESTATE MARKET

TENANT ALERT

Are You Paying Too Much Rent?

Does your stomach get queasy each time you send your rent check to your landlord?

Thousands of companies in New York City—both large and small—are experiencing **significant increases** in their operating costs—rent, electricity and taxes.

Many executives and managers just throw up their hands in frustration and simply pay the rent; however, **there are strategies you can carry out to reduce your operating costs.** Every dollar you save in rent goes directly to your bottom line.

The first step is to determine if you are paying too much rent. Take out your last rent bill. You will notice the amount has escalated since your first payment. This is due to the operating expense escalation clauses in your lease. Divide the total amount of the bill by the square footage of the amount of space you are renting. This is your “per square foot” rent.

Contact the William B. May office and we will provide you with comparative rent information in the area you are located in and what the true rent is in your building.

The second important aspect of your lease that you must focus on is the date your lease expires. All forecasts indicate commercial office and retail space rents will continue to increase in the next three years.

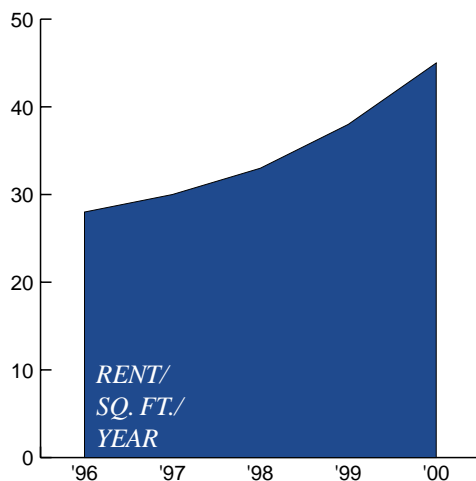
Why? Demand for office and retail space is very strong and there is virtually no new supply of space being built. This results in a steady increase in rental rates.

If your lease is expiring in the next three years, you will be in for a major shock—your landlord may inform you that **your rent is doubling.** Or in some cases, it may triple.

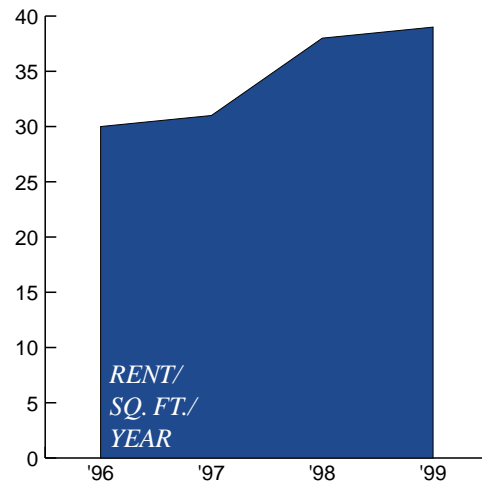
We see it time and time again. Executives and managers manage their business plan—as they should—but often forget about their real estate plan.

There are a few strategies you can deploy now to prepare you for any major increases in your rent. These strategies will increase your profitability. We can help you determine the best strategy.

MIDTOWN RENT



DOWNTOWN RENT



EXECUTIVE OUTLOOK

FACED with the challenges of trying to increase profitability to outpace the rising costs of doing business in New York, executives should carefully re-examine their real estate. Some of the things they should consider are:

Subleasing: Your lease may permit you to sublease all or part of your space. Take a close look at how your space is actually utilized. It may be prudent to sublease some of your space that you are not using. You can sublease it for a short period of time. The income will surely reduce your operating expense burden.

Assignment and Relocation

You may be in one of the many sections of Manhattan that has experienced above-average increases in rent. There are other areas of Manhattan that are emerging as the trendy, more economical areas to move your business into. These areas offer **quality space for less rent.**

This provides you an opportunity to reduce your rent dramatically. This is accomplished by assigning your lease to another company or surrendering your lease to your landlord and finding a suitable space in another, more reasonably priced area of the city.

An added benefit to relocating your business is that it will give you an opportunity to enhance your technology—perhaps your Local Area Network needs to be updated or reconfigured. You will be able to have your **new** space



improved and set up **exactly** the way you need it **while you are still operating** in your old space. This will assure no down time—no loss of business.

If you are fortunate enough to be paying **below** market rent, there may be a lucrative opportunity in your situation.

Some landlords will **pay a tenant** to move if the tenant is paying below market rent. The landlord knows he can quickly re-rent your space for a much greater rent. You would have to relocate to a new office where the rent is equal to what you are paying now. The result: you pay the same rent for a new space and may be able to receive a handsome windfall.

Doing nothing will result in only lost opportunities. We strongly recommend you find that old lease—dust it off—see if it contains any opportunities.

Be careful about real estate professionals who represent both landlords and tenants. This is a conflict of interest. We at William B. May only represent tenants.

William B. May can help you create a real estate strategy that will capitalize on the market and attain the highest profitability possible.

For further information contact:

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STRATEGIC TIP

Obtain the Tax History



When you lease an office space in Manhattan, you are required to pay your share of the real estate tax in addition to your basic rent and electricity.

Many landlords can not disclose what your actual tax payment will be because they must wait for the City of New York to bill them.

However, you can obtain a fairly accurate projection of what you will pay by asking the landlord for a five-year history of the tax payments regarding that particular space.

Be very wary of a landlord who will not provide this information. We advise all our clients to obtain this information before making a decision to lease space.

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JARGON

Burn Down Schedule

This term applies to the security deposit that is required by a tenant in regard to leasing an office or retail space.

In some cases where a tenant is a new company or perhaps not in business for a long time, the tenant may be required to put down a **12-month security deposit**. It may not be fair for a tenant to put down such a large amount for such a long period of time.

As a compromise, the tenant and landlord may agree to a “burn down”. This means the security deposit will be returned or “burned down” after a certain period of time as long as the tenant is not in default of the lease.

For example, if the tenant pays his rent on time for the first year of his tenancy, he will receive three months of his security deposit back. After two years of good standing he would receive another three months security deposit back.

The money that is held by the landlord would receive interest and the interest **would be paid to the tenant**.

We believe this is a fair compromise and strongly advise this strategy for start-up companies and companies that have been in existence for less than two years.

INTERNATIONAL OPPORTUNITIES

If your company is successful, it may be time to expand overseas.

China has made great progress in its recent trade agreements with the major international powers including the United States.

There is a growing middle class in China, primarily in the major urban areas such as Shanghai and Beijing.

Now is an opportune time to open an office in China to establish your company’s presence. Now is the time before rents and other expenses begin to rise.

The rent for a first class new office space in Shanghai or any other major city in China is only \$15/square foot per year.

Some of the major companies that have moved to China are:

Arthur Andersen	Citibank
Coopers & Lybrand	Bank of America
Ernst & Young	Chase
BBDO	IBM
General Motors	Cigna
J&H Marsh & McLennan	Upjohn

William B. May’s bilingual staff here in the United States and in China are available to help you develop your strategy into China.

We can help expedite the passport/visa process, find your staff a residence in Asia and introduce you to key business and government executives in Asia.

Mr. Hu would be happy to visit you at your office to brief you on the Chinese market.



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William B. May...

The Oldest, Most Experienced Real Estate Company in the United States

With age comes wisdom. The development of 57th Street at the heart of New York City was what first put William B. May on the map in the late 1860's. At that time, we sold property to the Carnegies, the Fricks and the Vanderbilts.

Now in its fourth generation, the William B. May Company is one of the largest, most successful full-service real estate brokerages in the United States. We have accomplished this by making service and customer satisfaction the focus of our operations, expanding on a vision, and guarding a historical legacy.

For over 130 years, the William B. May Company has offered creative and innovative solutions to all real estate needs. Built on integrity and accountability, the firm prides itself with unwavering ethical conduct and steadfast client relationships. It enjoys a superb reputation that comes from years of customer loyalty and competitive endurance.

An Exemplary Staff

A company is only as good as its people. William B. May International consists of over 160 professionals who specialize in all areas of real estate, including leasing, asset and property management, tenant representation, investment sales, and consulting.

William B. May executives have extensive experience transacting with major companies in both the U.S. and abroad. Their expertise can help achieve both short-and-long-term goals, enhance asset value, reduce operating costs and maximize revenues.

William B. May brokers gain extensive knowledge of industry complexities by surveying market conditions and evaluating specific trends. They provide the professional guidance necessary to ensure the best deal for every client.

Innovation and a New World Vision

Although the oldest established real estate firm in New York, William B. May continues to be on the cutting edge. Throughout its history, William B. May has consistently been first to realize the value of marketing in different media. It was the first real estate company to advertise on the radio in the 1930's, the first to computerize property listings in the 1980's, first to advertise on the Internet, first to link movies, floor plans and CD-ROM.

A Clear Client Focus

An impressive list of satisfied customers speaks volumes about a company.

William B. May believes customer needs do not end when the contract is signed. WBM is dedicated to delivering solid consultation throughout the life of the project, beyond the sale or lease.

Achieving Results

William B. May realizes that quite often the potential of real estate is overlooked. By taking advantage of various markets, William B. May can assist in repositioning a company. Whether starting a new company or expanding or downsizing an existing one, William B. May helps achieve results.

How to contact us:

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