

### DUE DILIGENCE ON LANDLORD AND TENANT IMPROVEMENT SAVINGS

CVP needed additional space for clinical operations and to bring administrative functions into the same space in Toledo, OH. There were less than 10 spaces in the entire market that could provide the 10-15k square feet CVP needed. Negotiated detailed letter-of-intent at CVP's preferred site that included a \$100/square foot (over \$1.2 Million) landlord funded tenant improvement allowance. CVP ultimately signed a lease for 12,478 square feet.



TOTAL SAVINGS  
RESULTING FROM  
DILIGENTLY REVIEWING  
TENANT IMPROVEMENT  
PRICING:

**\$10.62/SQUARE FOOT  
OR \$107,183**

### DUE DILIGENCE ON THE LANDLORD

The landlord was a local entity. VCRE performed extensive research on the landlord to ensure that the landlord could fund the tenant improvements. VCRE discovered that the individual owners owned residential properties with another individual that went into foreclosure. The owners never had a tenant broker perform this kind of research on them, resulting in one of them becoming very angry. VCRE'S due diligence taught us the landlord needed a loan to fund the improvements. CVP therefore insisted that the landlord provide a letter of credit, loan commitment, or similar proof of funding. Landlord did not provide the requested funding evidence, so VCRE added a clause to the lease providing tenant an ongoing option to terminate if landlord did not close on the tenant improvement loan within thirty days of lease execution.

### TENANT IMPROVEMENT SAVINGS

CVP decided to have the landlord to build out the tenant improvements. The initial bid from the landlord's general contractor did not include details of each division of construction; nor did it break down the "general conditions" (an area where landlords sometimes take advantage of tenants). We negotiated within the lease that the landlord needed to provide at least three bids from subcontractors for each construction division, all tenant improvements and related contracts were to be "open book," and limited the overhead and profit to a certain percentage.

The landlord initially refused to instruct the general contractor to provide our requested documentation and also fought back on the overhead and profit fees. After several contentious calls and emails within a 48 hour period, we received the desired paperwork. Items discovered:

- The landlord increased tenant's cost of overhead and profit by \$1.70/square foot.
  - Areas of unacceptable profit included the general contractor adding construction management fees on top of the architect's fees, labor, and supervision.
- The total cost of construction decreased \$8.92/square foot. When pressed for proof of costs, several line items suddenly went down – such as the insurance cost decreasing 20%.