

Real Estate Strategies

ITRA Global Transaction Saves Tech Tenant 25%

BY AARON BILLER
REAL ESTATE STRATEGIES

IT TOOK A KING-SIZE BLUFF AND A VERY CONFIDENT COMMAND OF THE MARKET, BUT THE LATEST LEASE TRANSACTION USING THE ITRA REALTY GROUP GLOBAL CONNECTION ILLUSTRATES WHY EXCLUSIVE REPRESENTATION SERVES THE BEST INTERESTS OF THE TENANT.

Greg Hume, President of ITRA/Hume Myers Tenant Counsel of Portland, Oregon has advised US-based Serena Software Inc. on their site selection and lease negotiations for stateside properties. Earlier this year, Serena gave Mr. Hume the opportunity to help them with a leasing issue for Serena Software UK Ltd., in St. Albans, 20 miles north of central London, and a mere 5,000 miles from Mr. Hume's office in Oregon.

As an increasing number of companies large and small are going global, ITRA Realty Group has extended its reach to most of the world's major commercial real estate markets.

After salaries, rent is probably the single biggest fixed overhead any business is likely to face and complex lease negotiations still require local market expertise.

Enter London's Martin Levy, Managing Director of ITRA / Martin Levy Commercial.

Levy surveyed the St. Albans property, a 20,000-square-foot air conditioned office building, which is

above the local market at £26 per square foot (or about US \$46 PSF).

Confident of his market knowledge, Levy, in consultation with Greg Hume, made Serena an offer that was hard to refuse and guaranteed that if he could not reduce their rent by a least 20%; they would not have to pay him!

"Knowing when to exercise a break is a fine balance between timing and opportunity, but I judged that the market had swung in favor of the tenant since the time Serena had signed its lease", explains Mr. Levy. "However, our research also indicated that they could make significant savings by potentially relocating to nearby buildings."

"Serena had reservations about moving, since they were in the heart of an historic town center with excellent access to shopping, nearby rail services and the motorway network," said Mr. Levy. "The volume of car parking was also



owned by The Crown Estate of HM The Queen and part of their £6 billion portfolio. He concluded that despite its location in the town center, and generous on-site parking, the building was commanding a rent that was well

superior to some of the alternative properties as well.”

“The tenant understood that we had a limited three-month window to affect the break, which had 18 months to go,” adds Mr. Levy. “To do so meant living with the alternatives, which while less expensive were also less convenient, especially factoring the cost of moving.”

“With their authority, we advised The Crown Estate that Serena would be exercising the break,” says Mr. Levy.

The Crown’s agents, realizing the value a reliable tenant and the unwelcome prospect of a serious

rental void, immediately agreed to deal.

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Levy then negotiated an immediate surrender of the former lease and simultaneously agreed to a new 10-year term at just £19 PSF (about US \$34) incorporating the right to break the lease after five years and secured an initial six months free rent, a very unusual concession for a sitting tenant.

Mr. Levy secured a rent reduction that saved Serena £700,000 over the next five years, a savings of more than

25%. He thus delivered what he promised, earning his commission, and proving the value of exclusive ITRA tenant representation.

“Through the efforts of our ITRA representatives, Greg Hume in the US and Martin Levy, we were pleased to achieve a significant reduction in overhead at our UK facility, while remaining in a prime, centrally located property,” says Chris Anderson, Senior Manager, Facilities and Real Estate for Serena Software Inc. “The conclusion of a free rent concession was particularly pleasing. Our ITRA reps did a great job for us.”

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