

Chris Stephens Commercial Brokerage

May 5, 2013

Via Email: Rep.Mike.Hawker@akleg.gov

Representative Mike Hawker
Chair, Joint Legislative Council
716 W. 4th Avenue
Anchorage, AK 99501-2113

Re: Opinion of lease rate

Dear Representative Hawker,

Per your request I have determined the current as-is market lease rate both full service and triple net for the Legislative Information Office with parking at 716 W 4th Avenue, Anchorage, Alaska.

I conclude the current full service lease rate including parking for a five year lease is \$2.06/rentable square foot per month, and \$1.20 net, with the rate increased 3 percent per year. The lease rates were determined as described below.

The lease space consists of 42,402 rentable square feet (SF) of class B office space on six floors plus basement with office and storage. Parking is 90 spaces surface and covered connected to the building. The building was constructed according the Municipality of Anchorage (MOA) tax records in 1972 and has had significant upgrades. It appears to be in generally good condition. The office space is in good condition.

Two concerns with the operation of the building where reported during my tour of the space on May 3: Inadequate cooling and elevator capacity. The upper floors become very warm on sunny summer days. The building has one elevator which is minimum for this much square foot area and creates problems when the legislators move in and out before and after the annual legislative session.

I did not have the rentable area of the leased space and approximated the area by reducing the gross area shown on the MOA tax record by three percent. The penthouse area is not included because this is excluded per Building Owner and Manager Association rentable area calculations.

Full service lease means the landlord includes in the rent, it paying for all utilities, janitorial, maintenance, taxes and insurance.

I reviewed completed leases in the last year and space currently on the market in class B office buildings in the Anchorage downtown. A major consideration with all of the comparable leases

1

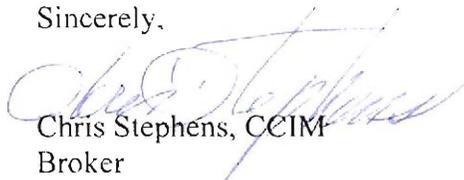
was, they were for significantly less square foot area. Most were less than 5,000 SF. Larger area leases are lower rate which caused a downward adjustment in the lease rate from what the comparables would otherwise indicate. I also considered that the lease space includes basement space that is a lower lease rate than the office space.

I determined a full service monthly office lease rate of \$1.85 and basement rate of \$1.00, for a monthly rent amount of \$73,667 and added to this the cost of the parking at \$150.00 per space per month or \$13,500 total per month for a total monthly lease amount of \$87,167. (Note I did take into consideration parking revenue to the tenant from evening and weekend parking to the public.) Based on the building rentable square feet the monthly lease rate is \$2.06/SF.

The triple net lease rate has the tenant paying all building operating costs, janitorial, maintenance and taxes. I determined the triple net lease rate by subtracting these costs from the full service lease amount. I did not have information on the actual operating costs for the building and parking and estimated it at \$10.00/gross building square foot per year.

I hope this information will be assistance to you and will be pleased to answer any questions you may have regarding this opinion.

Sincerely,



Chris Stephens, CCIM
Broker