

ANALYSIS

Department of Administrative Services Real Estate Services Commercial Brokers Utilization

Analyst: Kim To

Request: Acknowledge receipt of a report on the use of commercial brokers by the Real Estate Services program.

Analysis: The Department of Administrative Services (DAS) Real Estate Services (RES) program is a part of the agency's Enterprise Asset Management Division. The program provides property management, space planning and interior design services, real estate development services, land acquisition and surplus real estate sales, and comprehensive commercial lease brokerage for client agencies. Most transactions are performed by the DAS RES team of experienced cross-functional professionals with backgrounds in commercial real estate, including real estate development and planning, commercial real estate leasing, project management, and law. However, in some transactions, DAS RES uses contracted commercial real estate brokers. The Department's primary budget measure, HB 5002 (2021), included a budget note directing DAS RES to report to the appropriate subcommittee of the Joint Committee on Ways and Means during the 2022 legislative session on its usage of contracted commercial real estate brokers. The budget note specifies that the report must cover a look back at over the last 3 biennia and include the following datasets and information:

1. The total number of real estate lease, sale, and purchase transactions each biennium, noting the number of transactions in which a contracted broker was involved.
2. Commissions paid by the state, including a description of how commission rates are determined in different transaction types and which party in the transaction pays the commission.
3. How often DAS contracts with real estate brokers are renewed.
4. A comparison of the DAS Real Estate Services Section's usage of commercial brokers to the same practices of real estate programs in neighboring states and how much Oregon would have paid in commissions if they had used that state's practices.

Background: In early 2013, DAS began its Improving Government initiative to identify cost savings opportunities and other areas for improvement within state government. Under this effort, DAS RES moved from its legacy procurement-based practices to a market-based private-sector leasing approach. An assessment by Leland Consulting Group recommended DAS RES use third-party commercial real estate brokers to help create competition for state leasing needs, apply local market knowledge, keep DAS RES current on commercial real estate industry approaches to transactions, and assist DAS RES in reducing turnaround time and total spend for major leasing projects.

Use of Commercial DAS-Contracted Brokers: DAS RES reports that over the last three biennia, approximately 8.4% of lease transactions (59 of 700 transactions) and 12.5% of property sale transactions (1 of 8 transactions) involved a DAS-contracted broker. Although DAS RES contracted with brokers in relatively few transactions, the other party has typically contracted their own commercial real estate broker in most new leases and purchase or sale transactions. Usually, the other party to the transaction (the landlord, buyer, or seller) has agreed to pay a fixed percentage

commission, negotiated between the landlord or seller and their broker before the property is listed. If only one party has a contracted broker, the commission is paid in full to that broker. If both parties have a broker, the commission is split between both parties' brokers. The total commission amount paid typically does not change.

The use of contracted brokers gives DAS RES access to additional expertise and resources as well as the flexibility to respond to unexpected workload fluctuations. The DAS RES team considers engaging with a commercial DAS-contracted broker for lease transactions under a number of circumstances, including: (1) in areas of limited vacancy; (2) when brokers can help locate unlisted build-to-suit properties; (3) when brokers bring in-depth market analysis capabilities or knowledge of a particular submarket; and (4) when brokers can act as mediators in difficult negotiations working with landlords who historically have been unable to perform contractual duties. In addition, the use of a broker in a sale or purchase may be considered when the market is particularly active or a sale is of an unusual, complex, or niche property.

Lease Transactions and Contract Renewals: Brokers for as-needed leasing assistance were first solicited in 2013, using a competitive Request for Proposals process in conjunction with DAS Procurement Services and the Department of Justice. The existing contracts are five years in length with a single five-year renewal option, and they expire in 2023. Because DAS or state agencies are the tenants in each lease, the landlord always pays any broker commission.

Lease Transactions	2013-15	2015-17	2017-19	2019-21
Number of transactions	272	291	232	177
Transactions with DAS broker	14	20	27	12
Percent of transactions with DAS broker	5.15%	6.87%	11.64%	6.78%
Commissions paid by DAS	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Historically, DAS RES did not track whether landlord brokers were involved in lease transactions, as DAS RES does not pay commissions on lease transactions. Beginning in November 2021 and going forward, DAS RES is tracking this data point. DAS RES does not have access to the commission agreements between landlords and their brokers, therefore is not be able to track commission amounts paid by landlords.

Sale Transactions and Contract Renewals: Brokers for as-needed assistance in buying or selling property were solicited in 2019. DAS sought brokerages with specific categories of expertise, such as Office, Industrial, or Institutional property types. These contracts are five years in length with one five-year renewal option and expire in 2029. When DAS is the seller, DAS pays the broker commission. When DAS is the buyer, the seller pays the commission. Over the last three biennia, one of eight property sale transactions involved a DAS broker. Three of eight involved a buyer's broker, to whom DAS as seller paid commission.

Sale Transactions	2013-15	2015-17	2017-19	2019-21
Number of transactions	0	1	2	5
Transactions with DAS broker and Buyer broker	0	0	0	1
Transactions with DAS broker only	0	0	0	0
Transactions with Buyer broker only	0	0	2	1
Transactions with no broker	0	1	0	3
Commissions paid by DAS	\$ 0.00	\$ 0.00	\$293,365.90	\$261,333.40

Purchase Transactions: Over the last three biennia, two of two property purchase transactions involved a DAS broker. DAS did not pay any commissions; they were paid by the sellers. Both sellers had their own listing brokers.

Purchase Transactions	2013-15	2015-17	2017-19	2019-21
Number of transactions	0	0	0	2
Transactions with DAS broker and Seller broker	0	0	0	2
Transactions with DAS broker only	0	0	0	0
Transactions with Seller broker only	0	0	0	0
Transactions with no broker	0	0	0	0
Commissions paid by DAS	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Commissions: Most commercial real estate transactions in the market involve brokers. Commissions are paid by the seller or the landlord, based on the agreements in place. Sellers and landlords typically respect the agreements buyers and tenants have with their own brokers. If both parties have representation, the total commission paid under the seller or landlord agreement will be split between the brokers. Industry standard commission rates on commercial real estate leases typically range from 4-7% of the full value of the first five years of the lease plus a reduced percentage for the next five years. DAS does not pay commissions on leases as a tenant. DAS brokers typically have contracted agreements with landlords at below standard market rates.

Industry standard commission rates on commercial real estate purchase and sale transactions typically range from 3-5% of the full value of the transacted property, paid by the seller. DAS typically pays 3-4% on sale transactions and does not pay commissions on purchase transactions.

DAS RES began tracking market rates in 2015 and set a target of a net effective rate of 5% below the market rate. For the last three biennia, the DAS RES actual negotiated rate has been below market, and on average, has significantly exceeded the target savings of 5% below market

Comparison with Other States: Of the fifty states, DAS RES is aware of eleven (including Oregon) that have regular contracts with brokers for lease transactions. The four neighboring states are:

- California is the only neighboring state that has contracted brokers for leases. The commission rates vary by brokerage and are spelled out in their individual contracts. All commissions are paid by the landlord. California has multiple brokers for leases within each of three territories in the state. Contracts are three years long with three one-year renewal options. California does not contract with brokers for purchases or sales.
- Idaho does not contract with brokers. State statute requires an RFP process for leases of 3,000 SF or greater. Leases are typically short, three to five years in length. Idaho has contracted as buyer with an outside broker on one purchase in recent years and paid a 3% commission to the broker. This is unusual in that sellers, not buyers, typically pay broker commissions. This is the only instance of which DAS RES is aware that a neighboring state buyer paid a broker commission.
- Nevada works with brokers for leases in areas outside of northern Nevada but has no standing contracts with brokers. Landlords pay all commissions and Nevada's Leasing Services does not know the structure of the commissions paid. Nevada has not had any purchase or sale transactions in some time, and respondents were unable to identify who would handle such transactions.
- Washington does not contract with brokers for leases, purchases or sales.

Recommendation: The Legislative Fiscal Office recommends acknowledging receipt of the report.



Oregon

Kate Brown, Governor

Department of Administrative Services

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January 18, 2022

Senator Elizabeth Steiner Hayward, Co-Chair
Representative Dan Rayfield, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairs:

Nature of the Emergency

The Oregon Department of Administrative Services (DAS) submits a budget note report as directed by the 2021 Legislature.

Agency Action

The DAS Real Estate Services Section (DAS RES) is responsible for locating and acquiring leased commercial real estate for most executive branch agencies and assists non-executive branch agencies upon request. DAS RES also owns, buys, and sells real estate and assists or advises other land-owning agencies with transactions when requested.

In early 2013, DAS began its Improving Government initiative at the direction of the Executive Branch's Enterprise Leadership Team to identify cost savings opportunities and other areas for improvement within state government, and DAS RES embraced a market-based approach to private-sector leasing. This approach includes occasional use of commercial real estate brokers.

DAS was directed by a budget note in House Bill 5002 (2021 Session) to prepare a report regarding DAS RES's use of commercial real estate brokers. Specifically,

“DAS shall report to the appropriate subcommittee of the Joint Committee on Ways and Means on the DAS Real Estate Program during the 2022 Regular Legislative Session. The report shall include, but not be limited to, a look back at over the last 3 biennia, including the number of transactions, whether the transactions were purchases, sales, or leases; number of transactions commercial brokers were involved in, what commissions are paid by the state, a description of how commission rates are determined in different transaction types and which party in the transaction pays the commission, a comparison of the DAS Real Estate program's usage of commercial brokers to the same practices of State real estate programs in neighboring states and how much Oregon would have paid in commissions if they had used that state's practices, and how often DAS contracts with real estate brokers are renewed.”

January 18, 2022

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DAS has prepared the attached report in response to the Legislature's direction.

Action Requested

Acknowledge receipt of the report.

Legislation Affected

None.

Thank you for your consideration.

Sincerely,



Katy Coba
DAS Director | Chief Operating Officer

Attachment

CC: Dustin Ball, Department of Administrative Services
Kim To, Legislative Fiscal Office

AGENCY REPORT



2015-2021

DAS Use of Commercial Real Estate Brokers

Report to the Committee on Ways and Means

DAS shall report to the appropriate subcommittee of the Joint Committee on Ways and Means on the DAS Real Estate Program during the 2022 Regular Legislative Session. The report shall include, but not be limited to, a look back at over the last 3 biennia, including the number of transactions, whether the transactions were purchases, sales, or leases; number of transactions commercial brokers were involved in, what commissions are paid by the state, a description of how commission rates are determined in different transaction types and which party in the transaction pays the commission, a comparison of the DAS Real Estate program's usage of commercial brokers to the same practices of State real estate programs in neighboring states and how much Oregon would have paid in commissions if they had used that state's practices, and how often DAS contracts with real estate brokers are renewed. – Budget note, HB 5002 (2021)

Agency Report

DAS USE OF COMMERCIAL REAL ESTATE BROKERS

EXECUTIVE SUMMARY

The Oregon Department of Administrative Services (DAS) Real Estate Services Section (RES) is responsible for locating and acquiring leased commercial real estate for most executive branch agencies and assists non-executive branch agencies upon request. DAS RES also owns, buys, and sells real estate and assists or advises other land-owning agencies with transactions when requested.

The DAS RES team includes experienced professionals with backgrounds in commercial real estate, including real estate development and planning, commercial real estate leasing, project management, and law.

In early 2013, DAS began its Improving Government initiative at the direction of the Executive Branch's Enterprise Leadership Team to identify cost savings opportunities and other areas for improvement within state government, and embraced a market-based approach to private-sector leasing.

An analysis by Leland Consulting Group recommended DAS RES use third-party commercial real estate brokers to help create competition for state leasing needs, apply local market knowledge, keep DAS RES current on commercial real estate industry approaches to transactions, and assist DAS RES in reducing turnaround time and total spend for major leasing projects.

Brokers for as-needed leasing assistance were first solicited in 2013, using a competitive Request for Proposals process in conjunction with DAS Procurement Services and the Department of Justice.

The existing contracts for leasing assistance are five years in length with a single five-year renewal option, and they expire in 2023. Since DAS or state agencies are the tenants in each lease, the landlord always pays any broker commission per industry standard.

Brokers for as-needed assistance in buying or selling property were solicited in 2019.

DAS RES uses contracted commercial real estate brokers on a limited basis. Over the last three biennia, approximately 8.43% of lease transactions (59 of 700 transactions) and 12.5% of property sale transactions (1 of 8 transactions) involved a DAS-contracted broker.

DAS has only paid commissions on sale transactions when DAS is the seller and has never paid commissions on lease transactions. DAS RES consistently achieves net effective lease rates lower than market rate, exceeding 10% below market rate every year from 2017-2021.

INTRODUCTION

The Oregon Department of Administrative Services (DAS) Real Estate Services Section (RES) is responsible for locating and acquiring leased commercial real estate for most executive branch agencies and assists non-executive branch agencies upon request. DAS RES also owns, buys, and sells real estate and assists or advises other land-owning agencies with transactions when requested.

The DAS RES team includes experienced professionals with backgrounds in commercial real estate, including real estate development and planning, commercial real estate leasing, project management, and law.

In some transactions, DAS RES uses contracted commercial real estate brokers. Over the last three biennia, approximately 8.43% of lease transactions (59 of 700 transactions) and 12.5% of property sale transactions (1 of 8 transactions) involved a DAS-contracted broker.

The landlord or seller typically hires a broker and pays brokerage commissions. While DAS RES contracts with brokers in relatively few transactions, the other party has typically contracted their own commercial real estate broker in most new leases and purchase or sale transactions. Usually, the other party to the transaction (the landlord, buyer, or seller) has agreed to pay a fixed percentage commission, negotiated between the landlord or seller and their broker before the property is listed. If only one party has a contracted broker, the commission is paid in full to that broker. If both parties have a broker, the commission is split between both parties' brokers. The total commission amount paid typically does not change.

Use of Brokers

How brokers are useful in lease transactions

DAS RES may choose to bring in a DAS-contracted broker based on a number of circumstances.

- In areas with limited vacancy, brokers can use their own resources, such as professional networks and in-house data analysis, to find unlisted properties or other opportunities DAS RES would be unable to locate.
- Brokers can help locate unlisted build-to-suit opportunities, such as properties that a landlord would be willing to adapt to the tenant's needs, or properties in which developer/landlord may not own the proposed property, but may have the ability to acquire.
- Brokers can bring in-depth market analysis capabilities, establishing what is happening in a particular market beyond what is shown in per-square-foot prices. Other terms, like periods of free rent, tenant improvement allowances, and other negotiated concessions, can significantly reduce the total spend for a lease, but don't show up in a listing. Broker knowledge of such trends in a particular market can provide leverage in negotiating terms and reduce the total spend over the term of a lease.
- Brokers with detailed knowledge of other transactions in a particular submarket can provide information that gives DAS RES leverage in negotiations.
- Brokers can act as mediators in difficult negotiations and when working with landlords who historically have been unable to perform contractual duties.
- Larger brokerage firms can bring, at no additional cost, expertise such as conceptual space planning and site design, demographic market analysis (useful for siting facilities serving particular populations), and analysis of broader market trends such as regional and national construction costs.

- Larger brokerage firms can reach national-scale developers for build-to-suit leases, increasing competition for large projects and driving down costs.
- Brokers can analyze developer proformas to confirm developer profit and overhead; rate of return on project; construction costs; and costs of capital for developers. This analysis helps negotiate lower rent rates.
- Brokers can help DAS RES respond nimbly to unexpected workload fluctuations such as recent emergency requests for warehouse/distribution spaces to serve pandemic or natural disaster response, without the cost of hiring new permanent in-house staff or losing momentum on longer-term projects already in process.

Decision to use a broker for lease transactions

Use of a broker for a lease transaction is decided via a two-step process. The DAS RES property agent who thinks a broker would be of value first proposes using a broker in a RES leasing team meeting. The team discusses how a broker could benefit the transaction, if such benefit is substantial, and whether using a broker could increase costs or challenges by making the State agency less attractive as a tenant to a landlord who is not represented. The team discusses until they reach agreement on whether or not a broker should be engaged for the transaction.

If the team agrees that a broker should be engaged, and the RES manager concurs, the property agent issues a work order to one of the DAS RES contracted brokers under an existing price agreement.

How brokers are useful in property sale or purchase transactions

- Broker understanding of market trends in the nation and the region can help DAS position properties in the market, including making decisions about whether to remove buildings, to rezone property, or other pre-marketing approaches to increase the property's attractiveness to potential buyers.
- National brokerage firms bring with them extensive in-house marketing capabilities and network reach, helping find prospective buyers from across the country. This helps bring our opportunities to attention of developers outside of the area.
 - Hillcrest Youth Correctional Facility was under contract with two different Oregon buyers (both terminated during the due diligence period) before the final buyer, a California-based developer, was attracted through broker CBRE's national marketing.
 - Two large parcels at Mill Creek Corporate Center in Salem are currently under contract to Scannell Properties, an industrial developer based in Minnesota, attracted through broker Cushman & Wakefield's national marketing.

Decision to use a broker for property sale or purchase transactions

Use of a broker in a sale or purchase transaction is authorized when staff and management agree that one or more of the following circumstances is met:

- Sale is of an unusual, complex, or niche property, of interest to a limited number of buyers and requiring a broad marketing reach.
- Sale is of a property that requires careful market positioning to generate maximum return.
- Purchase is to meet particular business needs, and DAS RES wishes to ensure all available properties that meet the need are examined—including those not officially listed.
- Market is particularly active and additional leverage is needed in either a sale or purchase.

FINDINGS

Broker Involvement and Commission Rates

The bulk of commercial real estate transactions in the market involve brokers. Landlords and sellers list their properties with commercial real estate brokers to increase exposure for the listing. Tenants and buyers also contract with brokers to gain access to in-depth market analysis information, specific local market expertise, and listings not available outside the commercial real estate industry. For example, many commercial properties are listed only on CoStar, a subscription commercial real estate service. Other properties may be available but are not currently listed anywhere; the broker's depth and breadth of network allows access to these so-called "pocket listings."

Commissions are paid by the seller or the landlord, based on the agreements in place. Sellers and landlords typically respect the agreements buyers and tenants have with their own brokers. If both parties have representation, the total commission paid under the seller or landlord agreement will be split between the brokers.

Industry standard commission rates on commercial real estate leases typically range from 4-7% of the full value of the first five years of the lease plus a reduced percentage for the next five years. DAS does not pay commissions on leases as a tenant. DAS brokers typically have contracted agreements with landlords at below standard market rates.

Industry standard commission rates on commercial real estate purchase and sale transactions typically range from 3-5% of the full value of the transacted property, paid by the seller. DAS typically pays 3-4% on sale transactions and does not pay commissions on purchase transactions.

DAS History with Contracted Brokers

In early 2013, at the direction of the Executive Branch's Enterprise Leadership Team, DAS began its Improving Government initiative to identify cost savings opportunities and other areas for improvement within state government. DAS RES pivoted from DAS RES' legacy (Procurement-based) practices and embraced a market-based approach to private-sector leasing.

An analysis by Leland Consulting Group recommended DAS RES use third-party commercial real estate brokers to help create competition for state leasing needs, apply local market knowledge, keep DAS RES current on commercial real estate industry approaches to transactions, and assist DAS RES in reducing turnaround time and total spend for major leasing projects.

Brokers for as-needed leasing assistance were first solicited in 2013, using a competitive Request for Proposals process in conjunction with DAS Procurement Services and the Department of Justice.

The existing contracts are five years in length with a single five-year renewal option, and they expire in 2023. Since DAS or State agencies are the tenants in each lease, the landlord always pays any broker commission.

Brokers for as-needed assistance in buying or selling property were solicited in 2019. DAS sought brokerages with specific categories of expertise, such as Office, Industrial, or Institutional property types. These contracts

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are five years in length with one five-year renewal option, and expire in 2029. When DAS is the seller, DAS pays the broker commission. When DAS is the buyer, the seller pays the commission.

Review of Transactions

Lease Transactions: DAS RES tracks the number of transactions where DAS RES uses a contracted broker. DAS RES did not historically track whether landlord brokers were involved in lease transactions, as DAS RES does not pay commissions on lease transactions. Beginning in November 2021 and going forward, DAS RES is tracking this data point. DAS RES does not have access to the commission agreements between landlords and their brokers, therefore is not be able to track commission amounts paid by landlords.

Lease Transactions	2013-15	2015-17	2017-19	2019-21
Number of transactions	272	291	232	177
Transactions with DAS broker	14	20	27	12
Percent of transactions with DAS broker	5.15%	6.87%	11.64%	6.78%
Commissions paid by DAS	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Sale Transactions: One of eight property sale transactions in the study period involved a DAS broker. Three of eight involved a buyer's broker, to whom DAS as seller paid commission.

Sale Transactions	2013-15	2015-17	2017-19	2019-21
Number of transactions	0	1	2	5
Transactions with DAS broker and Buyer broker	0	0	0	1
Transactions with DAS broker only	0	0	0	0
Transactions with Buyer broker only	0	0	2	1
Transactions with no broker	0	1	0	3
Commissions paid by DAS	\$ 0.00	\$ 0.00	\$ 293,365.90	\$ 261,333.40

Purchase Transactions: Two of two property purchase transactions in the study period involved a DAS broker. DAS did not pay any commissions; they were paid by the sellers. Both sellers had their own listing brokers.

Purchase Transactions	2013-15	2015-17	2017-19	2019-21
Number of transactions	0	0	0	2
Transactions with DAS broker and Seller broker	0	0	0	2
Transactions with DAS broker only	0	0	0	0
Transactions with Seller broker only	0	0	0	0
Transactions with no broker	0	0	0	0
Commissions paid by DAS	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Practices of Neighboring States

Of the fifty states, DAS RES is aware of eleven (including Oregon) that have regular contracts with brokers for lease transactions.

The four neighboring states are:

California

California is the only neighboring state that has contracted brokers for leases. The commission rates vary by brokerage and are spelled out in their individual contracts. All commissions are paid by the landlord.

California has multiple brokers for leases within each of three territories in the state. Contracts are three years long with three one-year renewal options.

California does not contract with brokers for purchases or sales.

Idaho

Idaho does not contract with brokers. State statute requires an RFP process for leases of 3,000 SF or greater. Leases are typically short, three to five years in length.

Idaho has contracted as buyer with an outside broker on one purchase in recent years and paid a 3% commission to the broker. This is unusual in that sellers, not buyers, typically pay broker commissions. This is the only instance of which DAS RES is aware that a neighboring state buyer paid a broker commission.

Nevada

Nevada works with brokers for leases in areas outside of northern Nevada, but has no standing contracts with brokers. Landlords pay all commissions and Nevada's Leasing Services does not know the structure of the commissions paid.

Nevada has not had any purchase or sale transactions in some time, and respondents were unable to identify who would handle such transactions.

Washington

Washington does not contract with brokers for leases, purchases or sales.

Comparison of Commissions

Leases: The landlord pays all commissions on leases. DAS would not have paid any different amount in commissions had DAS used any neighboring state's practices. Neither Oregon nor any neighboring state pays commission on leases as tenant.

Sales: The seller typically pays commissions on property sales. Buyer decisions whether to use their own brokers would remain unchanged, thus leaving the total commission paid unchanged. DAS would not have paid any different amount in commissions on property sales had DAS used any neighboring state's practices.

Purchases: The buyer typically does not pay commission on property purchases, even when the buyer has a broker. Idaho did, in an atypical scenario, pay 3% commission on a property purchase. If DAS had used

Agency Report

Idaho's practice, DAS would have paid 3% in commissions on the Wilsonville and Redmond acquisitions in 2019-21. This would have been an expense of \$758,063.67 (3% x \$25,268,788.84).

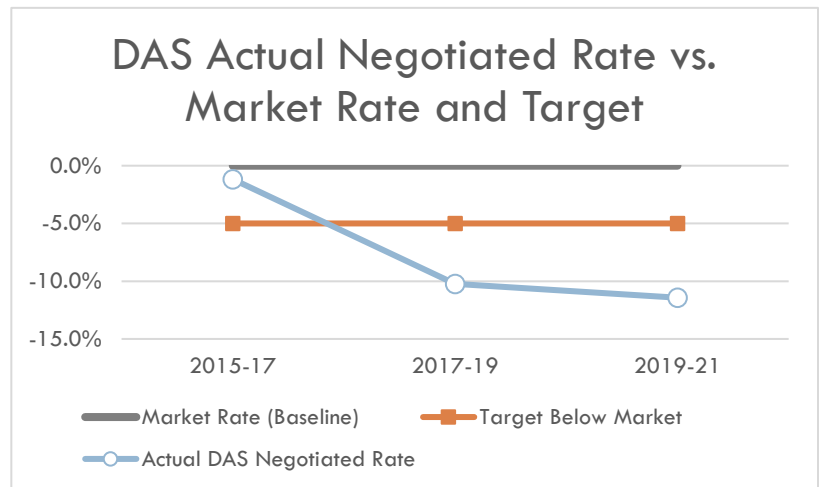
Comparison of Actual Rates Paid to Market Rates

DAS RES began tracking market rates in 2015 and set a target of a net effective rate of 5% below the market rate.

There are three different major types of lease rates:

- Triple Net or NNN: Tenant pays all expenses, including utilities, property taxes, building maintenance, recycling, custodial services, etc. Triple Net leases will have a lower base rent, but many expenses for which the tenant is separately responsible.
- Full Service: All expenses, even custodial service and utilities, are included in rent. The base rent will be higher than Triple Net, because all other expenses are included.
- Modified Gross: Anything between Triple Net and Full Service. Some expenses are included in the base rent and others are not.

When determining the market rate, DAS RES examines the current offerings and the type of rate. Triple Net rates have a very low base rent because it includes none of the related expenses. DAS RES adds expenses based on market average per square foot to bring the Triple Net rate to an approximation of a Full Service rate. Modified Gross rates are likewise adjusted to be the equivalent of a Full Service rate.



When determining the Net Effective Rate paid, DAS RES reviews the base rent and any additional expenses tenants pay under their lease, then calculate what the equivalent Full Service rate would be.

Through these calculations, DAS RES is able to compare leases to one another on equal footing.

Report Biennium	2015-17	2017-19	2019-21
Market Rate (Baseline)	0.0%	0.0%	0.0%
Target Below Market	-5.0%	-5.0%	-5.0%
Actual DAS Negotiated Rate	-1.2%	-10.2%	-11.4%

For the last three biennia, the DAS RES actual negotiated rate has not only been below market, but on average has significantly exceeded the target savings of 5% below market.