

CASE STUDY



Rolls-Royce®

ROLLS-ROYCE NORTH AMERICA

CLIENT CONTACT

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LOCATION

Indianapolis, IN

SIZE

49,500 square feet

SERVICES

Lease Renewal

Challenge

Rolls-Royce NA had occupied the former Galyan's Sporting Goods headquarters building in Indianapolis since 2008, approximately two years. Rolls-Royce contemplated a longer term strategy for their operations housed in the Metropolis Building, although the Landlord anticipated a long-term (five-year) lease renewal. Rolls Royce was not in a position to sign a lease longer than two years however. The challenge facing Mike Cook and his team as the Rolls-Royce' representative, was satisfying the lease term and the existing rent structure, including operating pass throughs that were approximately 30% over market.

Solutions

The Landlord's position of near term expiration (with the remainder of the building approximately 45% vacant), would dramatically change should Rolls-Royce decide to implement the relocation strategy to owned space. The team therefore employed this strategy to create a leverage point with the Landlord that had no bearing on the "current market" rents associated with comparable properties to Metropolis. Market comps valued the building at \$15.00 psf with a 2011 operating base stop. Mike negotiated terms with the Landlord using the relocation cost assumptions that were actually closer to \$11.00 psf and refused to agree to a term longer than two years.

Results

Rolls-Royce obtained a structured rent of \$13.50 psf with a 2010 base year stop, nominal improvements while gaining the ability to terminate the lease at the end of the first year. This was imperative as they were contemplating a macro consolidation possibility. Nonetheless, this structure achieved approximately \$200,000 per year of savings and additional flexibility for operational changes.