

4.0 - Proposed Lease Terms

ATO has expressed interest in reviewing proposals under lease scenarios of ten (10) and fifteen (15) years respectively, each with two further five (5) year option periods.

Consistent with our comments in section 1.0, the Proponent is not in a position to offer a 10 year lease term.

Specific departures from the ATO's preferred lease terms are contained in Item 10 of Part three of the RFP. For greater clarity, certain terms are set out below.

Lease term of 15 years – with two further options of 5 years each.

The essential terms of the lease would comprise;

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| Commencement Base Rent | <p>\$2,527,087 per annum – for the office, car spaces & storage. The indicative net rental rates for the individual premises components are.</p> <ul style="list-style-type: none"> • Commercial Offices - \$383 per sqm • Storage - \$130 per sqm • Car Spaces - \$3,250 per space per annum |
| Outgoings | <p>100% of outgoings typically recovered under a standard Property Council of Australia (PCA) net lease, subject to the exclusions and amounts contained in item 17 - Estimate of Outgoings. For the avoidance of doubt, the outgoings are payable by the tenant, in addition to the Base Rent.</p> |
| Tenant Incentive | <p>A sum equivalent to \$1,000,000 as at the lease commencement date of 1 September 2017.</p> <p>The nature of the incentive payment may be via an owners contribution to the tenants premises fit out, or as otherwise agreed between the Proponent and the ATO, noting the ATO's preference for choice in this respect.</p> |
| Rent Reviews (Fixed Increases) | <p>3% fixed annual increases to apply to the Base Rent.</p> |
| Market Rent Reviews | <p>At 5 yearly intervals. The ATO seeks an “effective” rental to be assessed. This is agreed, but the total of the initial (or commencement) rent stated in Item 9 of the lease is subject to a ratchet clause – IE the rent at any market rent review, during the initial term of the lease, cannot fall below the initial rent.</p> |

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| | At the commencement of any Option period, the market rent review will be to an “effective” rental, without any ratchet clause” |
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| Tenant’s Premises Reinstatement Obligations | The Lessee will not be required to reinstate or make good the premises at the time the Lessee vacates the property. |
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| Other Terms and Conditions | The remaining lease terms and conditions will be as per the lease document submitted by the ATO, subject to the modifications contained in Item 10 of Part Three – Response Form. |
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| GST | All figures quoted are exclusive of GST. |

- **NOTE** – The net let-able office area for the ATO is calculated as 6,089 sqm being.
 1. The main commercial office tenancy area of 6,000 sqm AND
 2. The ground floor waiting, interview, SRER and cleaner’s room at a combined 89 sqm