

FMC Corporation

Assignment:

Initiate structure and implement an early renewal of FMC's lease at Mellon Bank Center to effect an immediate reduction in the (a) number of floors under lease, (b) rental rate paid on the balance of the leased premises. In addition, lock in a favorable long-term lease that minimizes or eliminates the amount of the immediate rental savings that is paid back over the term of the lease.

Description

FMC engaged Tactix in April of 2003 to lower the total occupancy cost of the Firm's Philadelphia headquarters office to a level consistent with the Firm's business plan. At that time the Firm had just under three years remaining on its 200,000 square foot lease in Mellon Bank Center in Center City Philadelphia. The scope of work was to include investigation analysis and comparison of alternatives ranging from an early renewal of the existing lease to relocation of the staff to a purpose built facility on land owned by the Firm at its Princeton Research Facility. The initial effort was spent shaping a set of solutions based on the alternatives. Tactix produced a series of financial models comparing various alternatives and made several presentations to senior management for directional guidance.



Given the recent and rapid decline in Center City real estate values, Tactix sought to produce a set of financial sensitivity analyses answer the threshold question: How low would the market have to go in 2.5 years (the end of the current lease obligation) to justify waiting until the end of to two moving targets (1) the models pointed to the potential

As a result of a recent restructuring the Firm relocated the CEO and executive functions to Philadelphia from Chicago. At the outset of the engagement FMC occupied approximately 200,000 square feet of office space in Mellon Bank Center in Center City. Tactix conducted a procurement process for architectural services to develop an estimate of the ideal space configuration (and commensurate square footage) for the Firm. In addition, Tactix coordinated a series of meetings with a cost estimation consultant to gain estimates for a retrofit of the existing space as well as the potential cost of building out space based on a gut-renovation.

Tactix functioned as the project leader. We prepared an executive summary of the existing a detailed financial model of the Firm's outstanding lease obligations and a detailed timeline. We managed the architect selection process, assisting with interviews, comparing proposals and negotiating the final business terms of the architect engagement.

Once a full team was assembled, Tactix investigated and evaluated a full range of market alternatives. For example, Tactix explored a threshold lease deal at a proposed development in a Pennsylvania KOEZ, a threshold lease deal at a proposed Center City office development, the impact of splitting operations between Center City and the

Princeton suburbs, the impact of further splitting operations within Center City to less expensive space, as well as traditional market leases in Center City. Tactix used custom financial models to effectively evaluate the costs of each deal, including implementation costs.

Tactix negotiated a 12.5--year lease renewal at Mellon Bank Center which produced savings over the remaining term of the existing lease of over \$10 million. In addition, the renewal negotiations resulted in (a) retroactive space give back on approximately 45,000 sf, which provided the Firm with immediate, material savings (b) retroactive rent reduction on the balance of the space, and (c) a tenant improvement cash concession package which exceeded the entire capital requirement to retrofit the premises to consolidate the Firm into 7 floors from the previous 9 floor lease.



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