



GUIDE TO VALUING NEW CELL SITES LEASES

by Reverse-Engineering the Site Acquisition Process



SITA's Guide to Valuing New Cell Site Leases

Since 2004, SITA has been a trusted resource for private and public landowners, municipalities, investors, attorneys and educators. We have assisted over 4,000 clients with cell tower lease negotiations against wireless carriers, tower companies and lease buyout companies. We have created this guide to help empower property owners by sharing our knowledge and expertise as it relates to the wireless telecom infrastructure industry and in particular to the valuation of expiring cellular leases.

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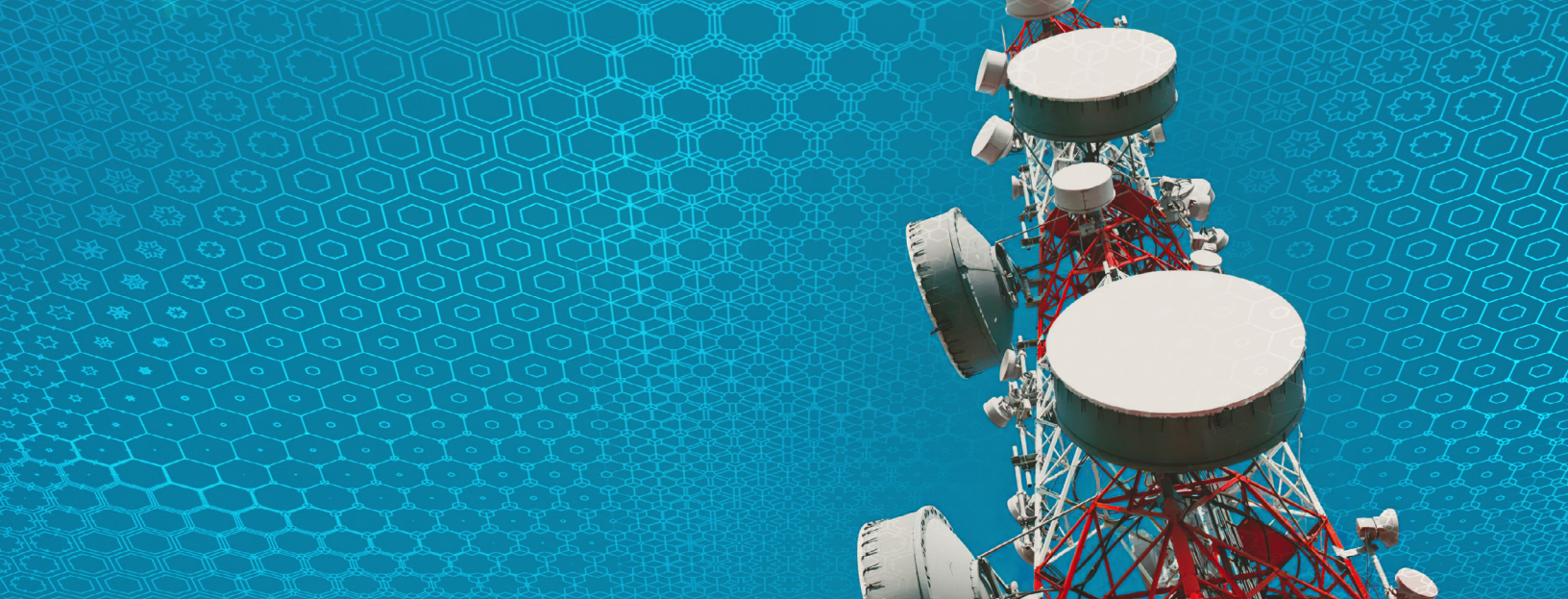
I'm being offered [a few hundred dollars] for the option to lease my property. Should I accept?

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I. Our Corporate Reputation

Ken Schmidt started Steel in the Air nearly two decades ago. It was the first landowner-centric cell tower lease consultancy firm in the United States. Ken is well-respected in the industry for his ethical, no-nonsense approach to telecom lease negotiations and cellular asset valuation. Since 2004, SITA has been a trusted resource for private and public landowners, municipalities, investors, appraisers, attorneys and educators.

During the past decade, SITA has helped over 4,000 clients to negotiate favorable terms against wireless carriers, tower companies and lease buyout companies. Unlike other lease consultants, we only work for you. We do not work for wireless carriers or large tower companies. Our objective is making sure your objectives with the lease are met.

Client satisfaction is very important to us. We understand that some clients prefer a more "hands off approach", while others seek a comprehensive understanding of what is happening – not only during the specific negotiation process, but in the industry as a whole. Our flexible services cater to every client type.

SITA's capabilities operate from a core of integrity, customer loyalty and unparalleled expertise. If understanding and receiving fair market value for your wireless tower lease is important to you, then you have come to the right place – **just ask our clients.**

II. SITA's Advantage: Locating the Sweet Spot in Cell Site Lease Negotiations by Utilizing our Proprietary Cellular Asset Database and Reverse-Engineering the Site-Acquisition Process

SITA's Cellular Asset Database is Comprehensive, Robust and Actionable

Our cell site data spans all 50 states, as well as parts of Canada, Mexico and the Caribbean. We utilize and cross-check public sources, such as the FCC and corporate quarterly earnings reports with private sources to ensure that all variables are relevant, accurate and actionable. Our 4,000 plus client base has contributed information on over 13,000 nationwide cellular leases, and Steel in the Air's user-base has provided even more. In addition, we actively poll public entities regarding their wireless leases to input specific data points, and then query our database to provide reports that are specific to our clients' objectives.

Steel in the Air's cellular asset database is built to apprise four major areas of client inquiry: Lease Rates (for new leases), including: lease extension proposals, equipment modifications and/ or carrier collocation), Lease Buyouts, Tower Sales and Tower/ Site GIS Mapping. To effectively determine how much a landowner or rooftop owner should request (and what terms to ask for), we have developed a process that involves the following steps.

SITA Has it's Finger on the Pulse of Wireless Infrastructure Dynamics.

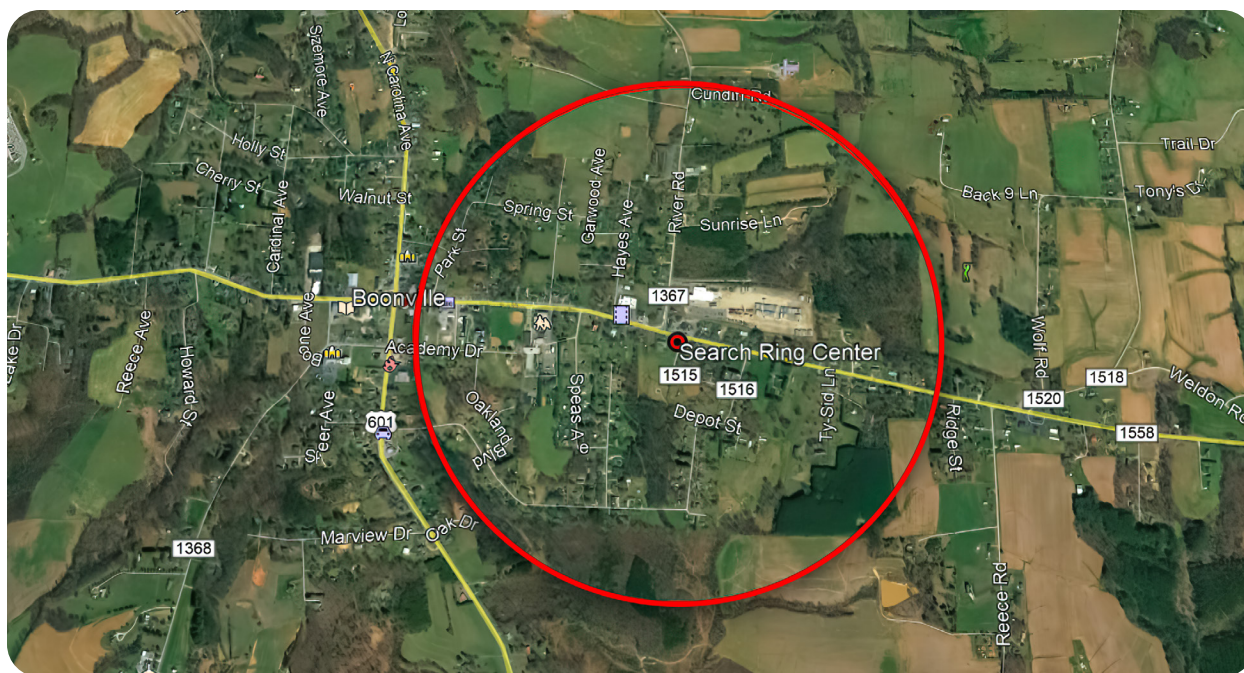
We know better than anyone how the game is played and what motivates the players. Ken Schmidt began his career as a site acquisition agent, and has used the knowledge he gained to reverseengineer the site acquisition process. For your benefit, we have outlined the process that site acquisitions agents follow. We then explain how to reverse-engineer it in your favor. At the bottom of this Guide, you will see answers to our **Most Frequently Asked Questions**. Please contact us at any time: **877-428-6937**.

III. The Wireless Carrier Site Acquisition Process: 101

STEP 1 ▶ Identifying the Search Ring

Wireless carriers begin the cell site acquisition process by projecting a search ring that can best meet their network infrastructure deployment strategy; the search ring defines the area within which carriers seek to augment or increase their existing network capacity to meet subscriber demand.

Search rings vary in size and rely upon a number of factors, including topography of the area, height of the tower, and the carrier's coverage objectives. The aerial image below depicts a simple, circular search ring and also illustrates "competing" towers within a given area, which are analyzed in several ways. The current trend is for carriers to collocate or share existing site resources. When other sites exist within the search ring, site acquisition agents will approach the structure or tower owner to ascertain whether or not collocating (sharing space) might be an option. In the case where collocation is not feasible, the agent begins its search for appropriate parcels on which to build new towers or structures.

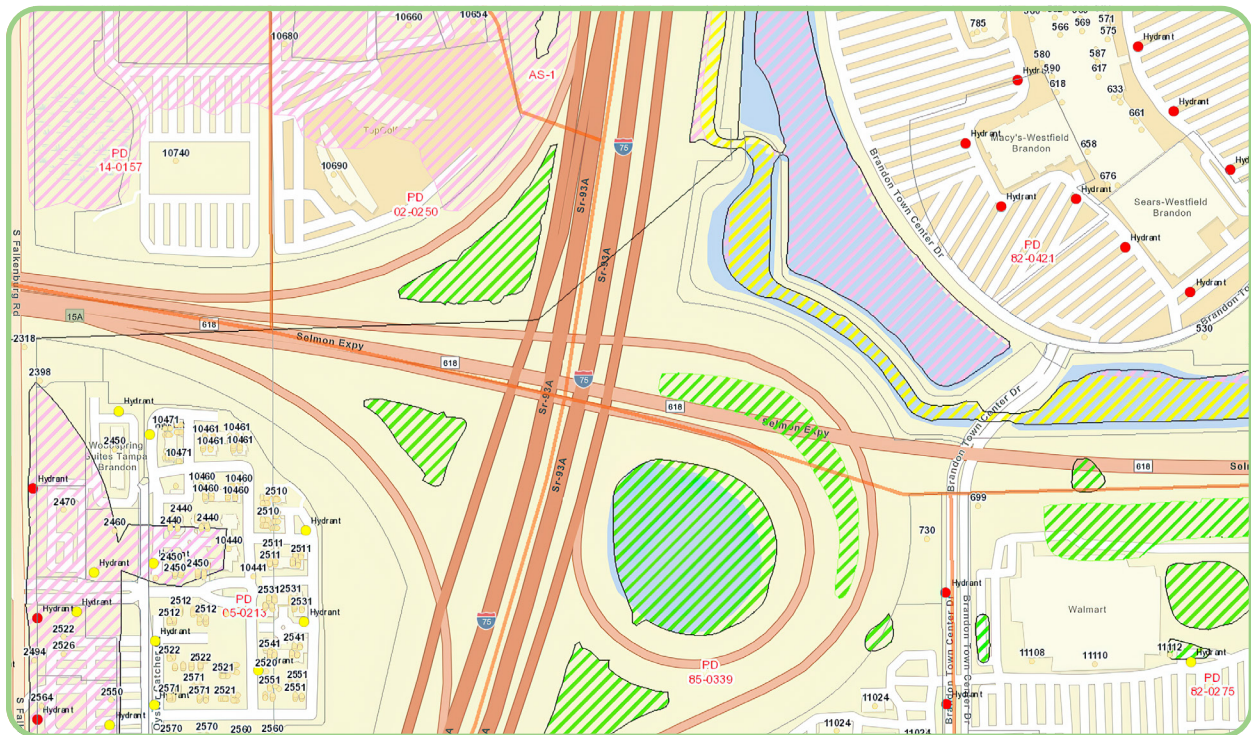


STEP 2 ▶ The Zoning Process

After determining the game plan (collocation vs. new build) the agent contacts the municipal zoning department to ask about current zoning regulations regarding new tower builds, collocations, and/ or attachments on existing structures. The agent acquires a zoning map for the subject area, (and parcel maps if specific locations have already been classified as desirable). On these maps, the agent will mark locations that would be appropriate in consideration of specific zoning ordinances.

The number one factor that influences lease rates is the availability or not of other sites where a tower could be approved. Understanding the zoning restrictions for towers is critical to knowing how hard to push.

Below is a sample Zoning Map:



STEP 3 ▶ Site Visits (Checking Out the Location)

After narrowing down and highlighting potentially lucrative options, the agent will visit the parcels or structures in person. Access to the property, proximity to utilities, distance from neighbors, visibility from the street, difficulty and cost of construction are all factors on their list. For instance, agents give high marks to property that has already been developed, since it's likely that the property owner would be open to more development, although this is not always the case.

The agent then pulls property records, and sends out letters of interest. If the property owner responds to the letter, the agent will begin lease negotiations. Once the agent has made contact with one or more potentially interested property owner, a report is submitted to the wireless carrier detailing the viable sites within the search ring, along with information on the property owners who are willing to participate in negotiations.

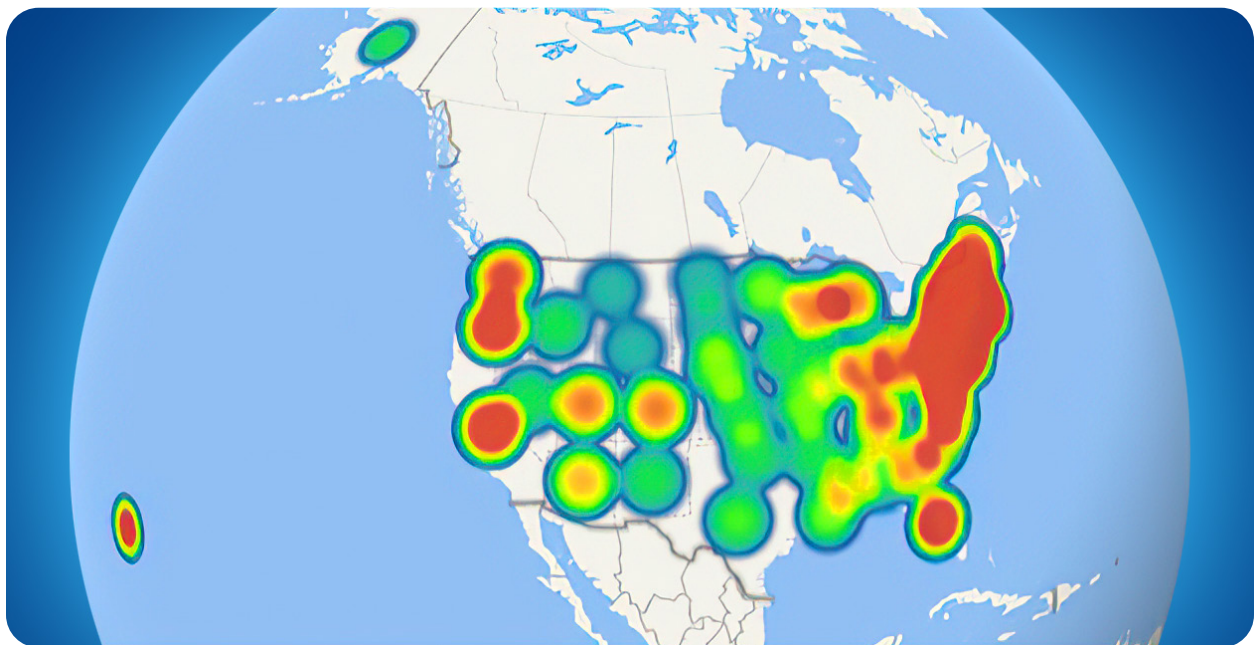
STEP 4 ▶ Radio-Frequency Analysis

The site acquisition agent submits at least three alternative candidates to their radio frequency department which reviews the specific locations, and either accepts or rejects them as viable. Of those that remain, the carrier prioritizes properties based upon how they best meet radio frequency requirements (which consider present and future spectrum allocations and coverage goals).

STEP 5 ▶ New Lease Proposal

Starting lease rates are determined by a number of factors. For instance, each carrier will begin negotiations by a predetermined average, which considers factors like population density, spectrum allowances and technology densification. Each carrier also provides lease rate caps that the agent is told not to exceed. The agent typically knows how many sites are viable within the search ring and has already prioritized them prior to meeting with any landowners in person. In the case where there are many potential cell sites, the carrier will begin with lower offers; in the case where there are fewer viable options, and to simplify the process, the agent will propose a lease rate near the upper end of the carrier's range. Each agent negotiates differently. If the carrier has an aggressive deployment schedule, the agent will be more tenacious (and/or accommodating) in an effort to get the lease signed as quickly as possible.

With Steel in the Air, you do not only benefit from our team's expertise, you have our loyalty. We know the industry inside out. We understand who the players are and what motivates them. We have the data and expertise it takes to give fair market values and we know the sweet spot. We won't push too hard (or too fast), which could result in your losing the deal entirely. In fact, we are regularly contacted by people who have previously used an other consultant's services and were not satisfied. We also know a fair bit about investments, and can help you calculate things like the net present value of your lease now vs. what it will be when it reaches full capacity (or compare the value at any given time to lump sum buyout offer), and we'll bring you up to date on all of this (or however much you want to know).



Heat Map of Average Lease Rates in US: Red is Higher.

IV. SITA's Process for Evaluating New Lease Proposals

Because there are no standard lease rates to go by, most people who are contacted by a wireless provider or cell tower company do not know how to begin to evaluate the fair market value of any cellular lease proposal. Another consideration is the fact that there is usually a high spread between the value of leases in urban vs. suburban and/ or rural areas. Furthermore, even two cell tower leases located just one mile apart may have distinctly different values. That's why you need an expert. We know the average lease rates per carrier, nationwide, statewide, and locally in your area. We also know where the carriers other sites are in the area and what their network infrastructure deployment goals are now and the direction they are likely to be headed in the near future.

Here's What We Can Do For You:

1. Examine your topography via satellite maps to identify existing towers and structures within a projected search ring. We can determine with a high degree of accuracy the location and size of the carrier's search ring.
2. Query our tower location database to filter existing towers owned or operated by the carrier who is interested in your property with the goal of deducing which other towers, structure and/ or land parcels might be desirable based upon our knowledge of deployment goals regarding existing coverage and current subscriber demand.
3. Examine the zoning ordinances in your municipality to determine which parcels or structures would be viable for a new wireless communications facility, and/ or review current code or trends regarding collocation in order to eliminate the parcels that would not meet code requirements.
4. Rank the remaining parcels as viable options that will meet carrier goals based on the same metrics they use, in order of priority. From this process, we can determine whether your property is one of many that the carrier can choose from, one of a few, or the only option that they have.
5. We then query our lease rates database (which consists of over 13,000 distinct leases and over 285,000 nationwide cell site locations) to determine a fair market value lease rate (which is, in part, based on what other property owners in comparable situations have acquired). Unlike other lease consultants, we do not simply recommend a lease rate that is averaged from others within the area; our advice is specific to your property, and in many cases we are able to provide actionable data that allows you to obtain a higher than average lease rate and/ or better terms.
6. Evaluate financial and other terms. We will look at the lease as a whole and advise you on additional financial considerations, including rent escalation, terms of escalation, duration of lease, attorneys fees, signing bonuses, subleasing clauses, and (what is becoming increasingly important) revenue sharing for future collocation. We will also explain other clauses, like the Right of First Refusal clause, which is important to understand in case you ever wish to sell your lease to a third party (or the carrier itself), and equipment modifications clauses.
7. Recommend a spread that contains a fair market valuation: we will give you a range within which to negotiate. The bottom end is what the carrier is likely to accept without question. The top end is what we believe you have a greater than 50% chance of receiving without losing the deal. Our goal isn't to tell you exactly what you should ask for; instead we will provide you with the information you need to make an informed decision based upon your personal goals and situation. Landowners who really want the lease income will typically be a bit more conservative in the negotiations, while those with highly valuable property, or who are more aggressive in nature, will prefer to propose a more aggressive counteroffer.
8. Review the business terms of the lease agreement and advise on what terms are fair, what terms are dealbreakers for the carrier, and which should be dealbreakers for you. We work with your attorney to get you the best deal possible including the financial terms and the lease language and terms.



9. Remain by your side throughout the the entire negotiation process. Unlike other lease consultants, we value our clients (and potential clients) and are happy to assist you with questions that might arise, even after the deal is signed. **As part of our all-inclusive fee, we will remain available up to one year from the closing date, and are happy to interpret or add insight to any communications.**

Our goal is to establish an enduring relationship with you, based on trust and confidence in our services. Most new leases are signed under a fairly long term (for example 25 years), and (as you are likely to see for yourself), many unforeseeable situations are likely to arise during this time. No other lease consultant has been around as long or handled as many clients. The wireless industry is extremely competitive and carriers are consistently trying to outdo one another. Technological innovations will result in carriers modifying existing equipment and in some cases expanding the original ground space, and/ or collocating/ subleasing to additional tenants. In some cases, due to company mergers, leases might also be terminated before the term is up. We hope to be your trusted source for the long haul.

V. Frequently Asked Questions

A company has approached me about a new cell site lease. How quickly should I respond?

The site acquisition agent who contacts you, more often than not, gets paid on a milestone basis, meaning that they get paid when they perform certain tasks (such as the identification of three target sites), and also when leases are signed. Thus, they are motivated to move quickly because they don't get paid until they do. If you take too long, they will likely move to the next candidate. Our suggestion is that you contact them immediately, and try to proceed quickly, whether that means negotiating the lease yourself, going to an attorney or retaining a consultant, like Steel in the Air, Inc. Delaying, in most cases, will mean that someone else will end up receiving the rental income. Feel free to contact us at any point in the process. We will happily advise you on what your next steps should be - whether it would be best to retain us immediately or rather to wait until the carrier has presented a formal offer.

When should I involve SITA in the negotiating process?

We recommend that you involve us after the carrier has contacted you for the second time. The first time they contact you, let them know that you are interested, but you can't say yes until you know exactly what they are proposing. Here are some questions you should ask: Where is the tower going? What type of tower is it? How much ground space do they need? How much rent are they proposing? What are the lease terms? Is your property the primary site they are looking at? If they have visited the site, and have started the lease exhibit and/or the property survey, the time is right to contact us. They may ask you to agree to the financial terms or even sign a term sheet. We recommend strongly that you don't agree or sign anything until after consulting with us.

What is the appropriate lease rate for our property/building?

The answer is that depends upon the uniqueness of the subject site. By that we mean whether the carrier could just as easily find other properties nearby to lease. Lease rates for cell towers can run from as low as \$100 a month to \$15,000 a month for very unique properties. The average lease rate (considering all cellular leases in the U.S.) in our database is around \$900/mo. The type of lease, and the location of the cell site, highly impact the valuation. We have dealt with leases on both ends of, and all along the spectrum.

How often should the lease rate escalate, and for how much?

In new cellular lease negotiations, landowners rightfully question whether or not the wireless carrier's proposal is in their best interest or "fair." Escalation rates range from 1% to 8% per year, although most people don't see anywhere near the up side of that range. If you examine the last 10 years, you will see that the consumer price index (a measure of inflation) has averaged 2.3% per year. This means that to maintain the same value of your lease you would need to receive annual escalation of at least 2.3%. From 1990 to 1999, the average CPI was 3.1% per year. Over the last 100 years, it has averaged 3.2%. Recently, the wireless carriers have been pushing hard to reduce the escalation rates of their leases, offering 7.5% over five years or 2% per year. Your decision to push for a higher escalation should depend upon how unique your property is (or is not) and what you are asking for in terms of lease rate and other financial terms. In other words, escalation, lease rate, signing bonus, revenue share payments, option payments, and other lease terms should not be considered in isolation, since they are all factors in determining the overall fair market value of your lease.

How long should the lease be for?

Our clients regularly ask us whether they have to agree to the 25-year duration, which is typically proposed by wireless carriers - or the 50-75 years being proposed by the tower company. Because of the significant capital investment required to build a new cell tower, and because new cell sites are deployed in consideration of their proximity to existing cell sites and the network as a whole, the carriers need the assurance of a long term lease. Surprisingly, many of our clients think that a longer lease is more valuable. However, since most leases contain termination rights only for the tenant/ wireless carrier, longer lease durations are less desirable than you might think, since they signify only a one-way commitment. Having said that, twenty-five years is typical.

Should I agree to the Right of First Refusal clause?

Today, most proposed cell tower leases contain ROFR clauses that limit the Lessor's (e.g., the landowner's) right to sell the property or the lease without giving the Lessee (e.g., the tower owner/ wireless carrier) the right to match the offer. The wireless carriers have a legitimate concern about third-party leases buyouts, however, in most leases, the language of the Right of First Refusal clause is overly broad and could, in fact, end up being very restrictive, for instance, in the event that you want to sell your property. This language should be narrowly drafted so that it only includes the sale of the telecom lease itself (and only to companies that own towers or buy leases).



I'm being offered [a few hundred dollars] for the option to lease my property. Should I accept?

In this case, many landowners, structure owners and building owners fail to recognize that the carriers aren't actually offering a lease, but instead want to purchase an option to lease. The difference is that a lease necessitates that the carrier pay rent, while the option only requires that they put down an option payment so that they have the right to lease the property if they so choose. Under the option, the carrier could always choose not to commence the lease and thus, you would not receive payments. Please note that when you sign the option, you are agreeing to the terms of the lease, so make sure that you have an attorney review the language before you sign, not after. We recommend asking for option payments, which can vary widely, from as little as \$100 and as high as \$10,000. Some landowners or their attorneys try to force the carrier or tower company to start paying rent immediately. If you do that, you will lose the lease 9 times out of 10.

Will my property suffer depreciation because of a tower placed on the property?

In some rare cases, it is possible, especially if the placement of the tower would detract or limit future development on the property. However, most of the time, the value of the added income will easily exceed that of any depreciation on the property.

Should I ask for a signing bonus or to have my attorney's fees reimbursed?

While the option payment is intended to reserve the option to lease, sometimes the carriers or tower companies will offer to either pay a signing bonus to encourage the landowner to hurry up and sign, or they will offer to reimburse the landowner for attorney's fees. Signing bonuses can be up to \$5,000, but are typically less than \$2,000. We recommend that landowners consider asking for a signing bonus, attorney's fees, or options payments. However, don't be greedy when asking for them. You don't want to scare away your potential cell tower tenant and a lucrative lease just because you pushed for an extra \$1,000 up front.

Who does Steel in the Air work for?

Our clients are 95% public and private landowners, building owners and public entities, including local governments and schools. The remaining 5% consists of financial institutions like banks and investment banks, consulting groups, attorneys, small tower owners, and appraisers who need consulting or valuation services. You can see examples of our clients on our Who We Serve page. With the exception of two expert witness situations on eminent domain of towers, we have not worked with large tower companies or wireless carriers. Our focus is solely on the landowner (the "Lessor"). Unlike other consultants, in cellular lease negotiations, we never accept any compensation from anyone other than the property owner.



VI. Resources and Links

The pages below might be of particular interest to you. As always contact us at any time. We hope to hear from you!

[**New Cell Site Leases**](#)

[**Lease Valuation**](#)

[**Your Bargaining Power**](#)

[**Lease Expirations & Extensions**](#)

[**Lease Expansions & Modifications**](#)

[**Lease Buyouts**](#)

[**Lease Rates Database**](#)

[**Client Testimonials**](#)

[**How We Price Our Services**](#)