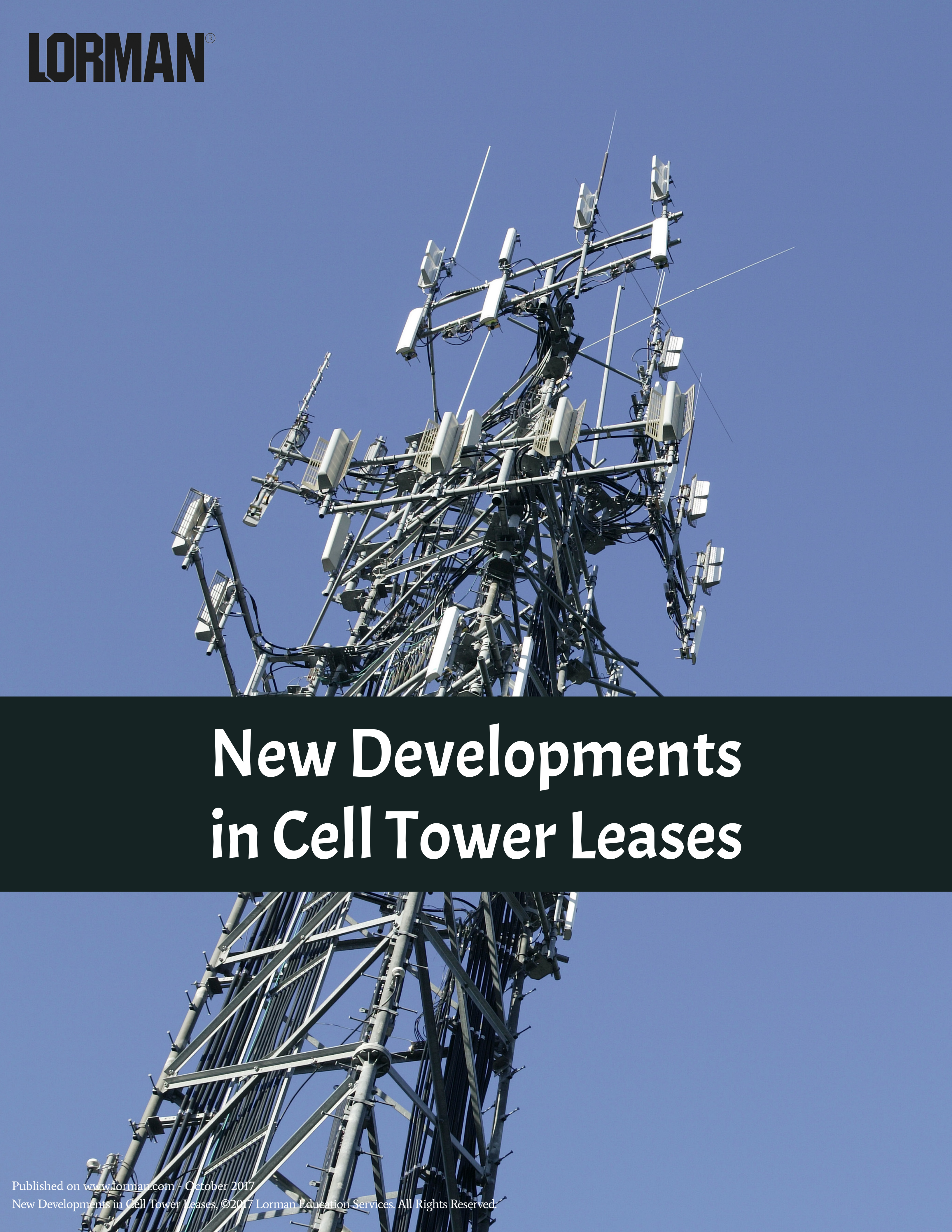

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New Developments in Cell Tower Leases

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For land developers, cell tower leases are part of a lucrative, risky, competitive and ever-changing industry. Since the 1980s, the telecommunications industry has exploded. Network providers that were focused on acquiring prime leasing sites and paying top dollar are now focused on meeting the market demand and developing multiple sites rather than leasing one perfect location. Today, cell phone towers and WiMAX antennas are placed on standalone properties, on top of tall buildings, inside important structures and anywhere there is demand for wireless phone service or wireless internet. In this mature market, the terms and conditions of cell tower leases are always changing, and it's critical for land developers and landowners to stay on their toes.

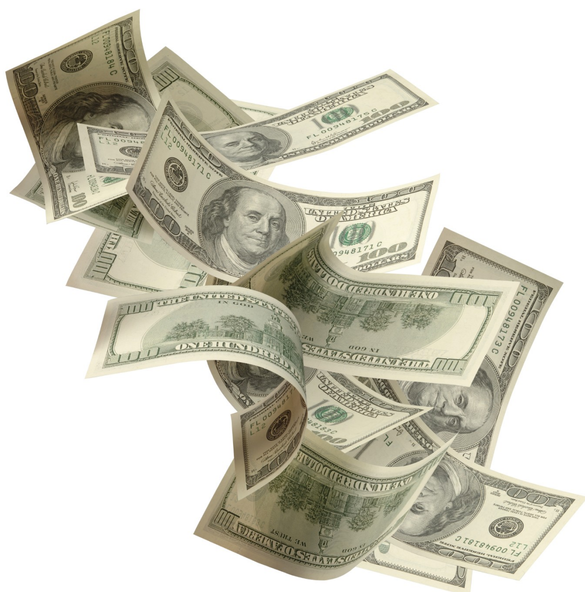
Changes in the Leasing Market

More telecom companies are committed to establishing long-term cell tower leases in desirable market areas. Municipal organizations are the latest group to begin promoting their cell tower leasing sites, and they're attacking the market with a vengeance. Big cities and small towns find that cell tower leases are great for padding the budget by using city buildings and under-utilized spaces to help telecom companies build new cell towers that improve wireless service citywide. Cities see cell tower leases as a convenient way to earn $1 million or more over the life of a lease. However, leases must be presented at town council meetings, and residents have the opportunity to oppose these agreements. Municipal organizations that support cell tower leasing are major competition for private land developers.

Cell Tower Demand

A surprising number of cell towers are owned by a small and elite group of four specialized cell tower firms. Industry statistics show that Crown Castle, Global Tower Partners, American Tower and SBA Communications own approximately 70 percent of the nation's 250,000 towers. Since these companies don't use the towers themselves, they are all being leased to other providers, which means developers could be claiming 25 percent of all co-location revenue. Landowners and telecom companies see leasing space differently. Lessors who interpret leases as real estate transactions are more likely to accept less than the property is worth from a telecommunications perspective.

Although wireless infrastructure currently reaches most major service areas, the industry is constructing 10,000 new antennas every year to keep up with increasing bandwidth requirements. With more towers being built, companies are more willing to pull out of sites and demand rent reductions. Estimates from telecommunications consulting firms show that major players realize annual lease revenues of $2 billion, but landowners only receive 12 percent of this value. Although telecom companies spend many hundreds of thousands on constructing and maintaining towers, they are reaping huge profits.



Marketing Properties

Traditionally, highly trained, highly experienced acquisition agents contacted property owners directly, but this approach doesn't work well for land developers that want to grow their investments quickly. If developers have a suitable site, they can easily contact telecom companies directly or place an advertisement near a road-front area. Anyone interested in marketing properties can contact a local wireless provider or a tower management company directly. Major wireless service providers currently collecting leasing leads include T-mobile, Verizon, Sprint/Nextel and U.S. Cellular. Tower operators that solicit information about potential cell tower leases include American Tower and Crown Castle. However, there is no guarantee that the site will be selected.

Leasing Locations

Recent advances in technology coupled with a more mature telecom market are affecting standards and going rates. In the first and second generations of cellular technology, telecom companies were focused on establishing prime cell tower locations in key markets and doing it quickly. Today, they are focused on adding additional sites that will expand coverage areas, improve call clarity and compensate for growing bandwidth demand. In most areas, providers look for low-altitude sites where towers can be built closer to the ground and provide more bandwidth. Having the best location in the valley is no longer important. Providers and tower operators today have switched from a prime location mentality to a multiple-site approach. With so many leasing sites available, telecom companies have the power to request a rate reduction or move to a new site.

Telecom companies are still seeking well-connected sites with easy access to landline infrastructure and the electric grid. While locations with tightly restricted zoning regulations command higher prices, it's much easier for companies to find suitable locations at a lower cost in areas with looser restrictions. Prime leasing sites include properties located 1/4 to 1/2 mile from a four-lane highway, areas with few neighboring towers and large buildings at least 30 feet taller than nearby structures. As a general rule, these development sites are not located in residential areas.

Getting What the Lease is Worth

Because telecom companies don't have to tell landowners how much they're going to make off a planned tower, it's difficult for lessors to know how much the site is worth and how much monthly leasing revenue they are legitimately entitled to. In recent years, telecom consulting firms that specialize in assisting landowners have stepped up to help lessors recover fees, rate increases and the revenue they deserve. These organizations are fluent in legalese and can read into lease agreements to recover years and years of overdue payments. Most of these consulting firms operate on a percentage-based fee structure according to the updated value of the lease. Part of getting what a property is worth is starting with an appropriate lease that has terms which benefit the landowner. Municipal groups regularly halt renegotiation agreements because organizations, such as AT&T, have attempted to recast terms in their favor.

Negotiating with Big Business

Draft agreements are one of the few chances landowners have to control the leasing situation. Fortunately, land developers and owners are much savvier today when it comes to dictating lease terms and developing a beneficial lease that doesn't favor the telecom tenant. Typical cell tower leases have an initial term of five years that can be extended three to five times at the tenant's discretion. Based on these terms, a telecom company could stay at one location for a period of 25 years or more. Once telecom companies develop a site, they make a commitment to their customers. This means pouring a lot of money into preparing and maintaining the site so they can actively seek business from local consumers.

Managing Revenue

By nature, telecom companies are long-term tenants. Once they build a tower, it generally produces a long-term revenue stream for land developers. This means all lease terms should be geared toward the future. Today, there are specialized law firms that help landowners draft standardized cell tower leasing agreements to benefit the leasing party. These agreements are created for sites where towers are placed on buildings, water towers or existing structures. Separate agreements are used for sites where new towers are constructed on the ground. The number one landowner mistake is not requiring 25 percent of subleasing income from telecom tenants. This can result in dramatic increases that equate to growing income over the life of the lease. Draft agreements include monthly rent stipulations, information about insurance requirements, a 7.5 percent increase after each subsequent term and fees for inflation, property tax hikes and increasing operating costs. When completing renegotiation agreements, landowners have an advantage. After establishing a successful site and renting the property to sub lessors, telecom operators don't have many choices.

Planning the Future of Cell Tower Leases

By considering the future of a cell tower lease that can last 25 years, 50 years or more, landowners can realize more income starting the first month. With such substantial, long-term investments, no one wants to leave money on the table or learn that they could have been making more revenue each month for the past two or three decades. Today, wireless carriers are actively seeking cell tower sites that have at least 1,500 square feet of ground area, easy access to infrastructure and minimal zoning restrictions, but these requirements are changing too.

While wireless cell phone networks are reaching a level of maturity, a new breed of wireless communications systems is being introduced. WiMax 4G is a fourth-generation wireless internet network and the newest standard in telecommunications. WiMax antennas have a 100-square-foot size requirement, they provide service to a 25-square-mile area, and they’re popping up everywhere. WiMax, LTE and Wi-Fi networks are huge threats to existing cell phone towers, and it's important for leases to address these issues.

Sensing Market Potential

The world of telecommunications is rapidly evolving, and there is still a lot of potential to make successful investments. It's imperative for serious land developers to work with a group of unbiased, qualified advocates, attorneys and consultants who can negotiate and enforce lease provisions and communicate well with big telecom companies. To remain successful in this competitive and lucrative market, developers must select future locations for cell tower leases based on ahead-of-the-curve market research.

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