

SAMPLE EXCEL VALUATION PROBLEMS

1. Larry Landlord owns a 10,000-square foot retail building leased to Sam's Sewing Shop with a 5-year remaining lease term. Sam pays an annual rent of \$12.00 per square foot, with annual rent escalations at 2.75% per year. Larry pays all building expenses, which are estimated at \$55,000 in Year 1 and projected to increase 3.0% per year thereafter. In addition, Larry makes monthly mortgage payments of \$4,650 to Bank of Appraisal. Sam has the option to purchase the property for \$600,000 at the end of Year 5.
 - A) Create a table showing projected net operating income (before debt service) for the next five years.
 - B) Use an annual discount rate of 12.00% to solve for the NPV of the annual net operating income (before debt service) and sale to Sam in Year 5 for \$600,000.
2. Graphically illustrate (XY scatter graph) the following four rent comparables. Based on trend analysis, what is the indicated rent for a 13,500-square foot building? Graphically support your conclusion.

RENT COMPARABLES				
	Comp 1	Comp 2	Comp 3	Comp 4
Size (SF)	10,000	12,500	5,000	8,000
Rent/SF	\$12.00	\$10.78	\$13.75	\$13.00

3. Mary Manager has agreed to amortize Tina Tenant's specialty salon shop excess tenant improvements of \$50,000 over the 5-year term of the lease at 13.00%/year with monthly payments. Calculate Tina's flat monthly payment for the excess improvements.
4. Lisa Lessor has an end-cap retail unit listed for lease at \$22.00/SF with 3.0% annual rent escalations over a 5-year term. Bobby Budget is interested in the unit but as a tax strategy wants to know what the terms would be if he (a) paid the entire 5-year lease in a single lump sum payment at the beginning of the lease, or (b) had flat rent through the entire term.
 - (a) As compared to a standard lease with 3.0% annual rent escalations, calculate the equivalent lump sum payment (\$/SF) based on a 9.00%/year discount rate.
 - (b) As compared to a standard lease with 3.0% annual rent escalations, calculate the equivalent flat rent per square foot for the 5-year term at a 9.00%/year return on rent revenue.

Please email your solutions to Jeremie@VCGwest.com.