

QUIZ 2 (Version 1)

MAY 10, 2018

CHAPTER 3 & CHAPTER 4

SOLVE, SHOW YOUR CALCULATIONS, UNDERLINE YOUR ANSWER. TIME 20 MIN. THE MAXIMUM POSSIBLE GRADE IS 5/5, THE WEIGHT OF THIS QUIZ IS 1% OF YOUR TOTAL COURSE GRADE. GOODLUCK!

NAME: _____

STUDENT ID: _____

- 1) The total mall CAM expense is \$1,000,000. The total mall square footage is 200,000. Your store is 10,000 square feet and pays pro rata CAM. Your CAM expense is? (1 Mark)

$$\begin{aligned} \text{Total CAM/Total Area} &= \$1,000,000/200,000\text{sq.ft.} = \$5/\text{sq.ft.} \\ \text{My Store's Area} &= 10,000\text{sq.ft.} \\ \text{My Store's CAM Expense} &= \$5/\text{sq.ft.} \times 10,000 \text{ sq.ft.} = \$50,000 \end{aligned}$$

- 2) You have just leased a 2,000-square foot office space to a new tenant for a five-year lease. You promised a \$50 per square foot tenant allowance. How much will you need to pay? (1 Mark)

$$\begin{aligned} \text{Tenant Allowance} &= \$50/\text{sq.ft.} \\ \text{Office Area} &= 2,000 \text{ sq.ft.} \\ \text{Payment to New Tenant} &= \$50/\text{sq.ft.} \times 2,000 \text{ sq.ft.} = \$100,000 \end{aligned}$$

- 3) Jeff's Investment Firm is currently paying \$15 per foot in annual gross rent. Jeff's Investment Firm is renting 5,000 square feet. Jeff has the option to renew his lease for a three-year term at a 5% rent increase. What is Jeff's new annual payment to the landlord? (1 Mark)

$$\begin{aligned} \text{Current Rent} &= \$15/\text{sq.ft.} \\ \text{New Rent} &= \$15/\text{sq.ft.} \times 1.05 = \$15.75/\text{sq.ft.} \\ \text{Area} &= 5,000 \text{ sq.ft.} \\ \text{New Rent} &= \$15.75/\text{sq.ft.} \times 5,000 \text{ sq.ft.} = \$78,750 \end{aligned}$$

- 4) Newco Real Estate owns a 100,000-square foot strip shopping center in New Jersey. The center is valued at \$20,000,000. Security expenses are \$50,000 per year; maintenance costs average \$300,000 depending on snow fall. Insurance is \$50,000 and administration is \$20,000. Next year the center will need a new roof at an expected cost of \$1,000,000. What are the annual operating expenses for the center per square foot? (2 Marks)

$$\begin{aligned} \text{Security} &= \$50,000/\text{year} \\ \text{Maintenance} &= \$300,000/\text{year} \\ \text{Insurance} &= \$50,000/\text{year} \\ \text{Adminstration} &= \$20,000/\text{year} \\ \text{Annual Operating Expenses} &= \$420,000/\text{year} \\ \text{Area} &= 100,000 \text{ sq.ft.} \\ \text{Annual Operating Expenses} &= \$420,000/100,000 \text{ sq.ft.} \\ \text{Annual Operating Expenses} &= \$4.2/\text{sq.ft.} \end{aligned}$$

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- 3) You have just leased a 2,000-square foot office space to a new tenant for a five-year lease. You promised a \$25 per square foot tenant allowance. How much will you need to pay? (1 Mark)

- 4) Newco Real Estate owns a 100,000-square foot strip shopping center in New Jersey. The center is valued at \$20,000,000. Security expenses are \$50,000 per year; maintenance costs average \$300,000 depending on snow fall. Insurance is \$50,000 and administration is \$60,000. Next year the center will need a new roof at an expected cost of \$1,000,000. What are the annual operating expenses for the center per square foot? (2 Marks)

QUIZ 2 (Version 3)

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