

COURSE SYLLABUS
LEASING: FUNDAMENTALS, ANALYSIS, and NEGOTIATION
Fall 2018
1.5 CREDITS

TUESDAY 6:00pm – 8:00pm, AVERY 113

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Please email me if you want to set up a meeting.

TA:

I. COURSE DESCRIPTION

LEASING: FUNDAMENTALS, ANALYSIS, and NEGOTIATION will study issues that are critical to leasing and driving income from real estate assets. The class will begin with an overview of leasing terms and structures, along with basic lease analysis. Students will also read a lease and work backwards to write a letter of intent. Following the introductory classes, students will work/compete against each other on mock lease negotiations focusing on office and retail leases.

The course is structured primarily as lecture-based for the early classes and then a series of negotiation exercises for the later classes. The final exam will be an individual mock lease exercise.

II. COURSE REQUIREMENTS AND ASSIGNMENTS

Students will be expected to be active participants in the lecture, taking notes and asking questions. **Each week following the class, a short class participation quiz will be sent via Survey Monkey that students will be expected to complete.** During the lease negotiation exercises, students will need to read the case and submit at least one round of leasing comments prior to class. The final rounds will be conducted in class. Exercises will be a mix of individual and team assignments.

Major Deliverables for this class include:

- **Lease Letter of Intent** – students will be provided a major tenant office lease and have to reverse-engineer the last letter of intent that would have generated the lease (3 to 4 pages); assignment will require students to read commercial lease, determine key points and submit LOI.
- **Lease Analysis Problem Set** – following explanation of how to calculate/analyze a lease, a problem set will be distributed focusing on Net Effective Rent calculations and Lease Values.
- **Alexander Plaza Case** – Students will be expected to read the Alexander Plaza case (Harvard Business School case) and be prepared to discuss. Prior to class students will have to submit a ranking of issues.
- **Weekly Lease Negotiations** – Students will receive a case study (along with a position assignment – Landlord, Tenant, etc.) and will need to prepare to negotiate lease deal terms during class. While at least one round of offers may need to be made before class, the final negotiation (and quick analysis) will be handled during class. One of the challenges will be for students to respond to offers with limited time, while ensuring financial viability. Some assignments may be conducted in a team format.
- **Final Exam** – Building off the weekly lease negotiations, students will be given a case study and need to prepare a “Best and Final” lease proposal.

III. COURSE GRADING CRITERIA

- Attendance and in-class participation (including after class quizzes): 20%
- Lease Letter of Intent 20% (*September 11th*)
- Lease Analysis Problem Set 10% (*September 17th*)
- Alexander Plaza Case 10% (*September 18th*)
- Weekly Lease Negotiations 20% (*September 25th* and *October 2nd*)
- Final Exam: 20% (Will be given via Canvas with a time limit – it is an individual exam)

Only exceptional performers will receive a High Pass. Those who fall short on more than one major assignment will receive a Low Pass.

IV. READINGS

Students will be expected to read and analyze all lease materials distributed. Additionally, If outside readings are assigned, Students will be expected to complete readings in advance of class. There is no required textbook. **The lease posted on Canvas will need to be read prior to the first class.**

V. COURSE OUTLINE

Before the First Class:

- **Take Pre-Class Survey**
- **Read lease posted on Canvas to be familiar with the concepts and submit three questions related to the lease**
- **Review posted Tour Books and select top 3 locations for each**

Class 1: September 4th: A Leasing Primer (i.e. an Introduction to Leasing part 1)

1. Why leasing is important
2. Leasing Process
3. LOIs, Term Sheets
4. Reviewing a lease
5. Important Lease Terms

Assignments due: Lease Letter of Intent (DUE by noon September 11th)

Class 2: September 11th: Lease Analysis (i.e. an Introduction to Leasing part 2)

1. Review Quiz and LOI
2. Lease Financial Analysis
3. In Class exercises

**Assignments due: Lease Problem Set (DUE by noon September 17th)
 Alexander Plaza Rankings (DUE by noon September 18th)**

Class 3: September 18th: Alexander Plaza

1. Review Problem Set
2. Negotiation tactics

3. Discuss Alexander Plaza
 - a. Review Case
 - b. Discuss Priorities
 - c. Strategize solutions
4. Go Over negotiation exercise for next week

Class 4: September 25th: Walnut Tree Case: Early Renewal Negotiation

1. Negotiation Exercise
2. Review Outcomes
3. Takeaways
4. Prep for Next week

Class 5: October 2nd: Tarrach Air: Tenant deciding between Renewal and New HQ

1. Negotiation Exercise
2. Review Outcomes
3. Takeaways

Class 6: October 16th : Wrap Up

1. Key Lessons
2. Reviewing questions
3. Prep for Next week

FINAL

VI. WEEKLY LEASE NEGOTIATIONS (September 26th and October 3rd)

Students will be given a case study specific to their roles (Landlord or Tenant). Students will then need to read and analyze the case to prepare an offer (or response). An initial round of negotiations will be conducted prior to class, this will ensure students are prepared for the quick turnaround time of the in-class negotiations. A typical class will generally follow the outline below:

Prior to Class:

Case distributed (Wednesday following class)

Side 1 will need to send in proposal to Side 2 by Saturday at 5pm

Side 2 will need to respond to Side 1 by Monday at 7pm

Side 1 will then need to prepare a response so that when class begins, they are ready to send it.

In-Class:

6pm introduction/questions

6:05 Side 1 responds (beginning of round 2)

6:15 Side 2 responds (end of round 2)

6:20 Side 1 responds (beginning of round 3)

6:25 Side 2 responds

Any last-minute negotiations to reach agreement

6:30 pm Negotiations conclude

6:40 Students submit key metrics and NERs for review/discussion

7:50 Wrap Up

For example, for the initial weekly negotiation class, the case centers on an existing tenant reaching out to its existing landlord to strike an early renewal (if the tenant cannot reach an early deal, then it will conduct a wide marketing effort and will consider new construction as well). The case will include market data, information on the tenant, the building, and the Landlord. Additionally, students will be given a proposed term sheet from the Tenant's side. The Tenant will need to understand the financial implications of the proposal, to use as a baseline. The Landlord side will then have to submit a counter back to the Tenant prior to class.

In-class discussions will review the metrics of the deals submitted, for example:

- Of the deals that were agreed to, which had the highest NER? Lowest NER? Were the deals the highest and lowest rent the same as the NERs?
- For deals where terms were not agreed to, who had the smallest spread between NERs? What teams had the largest spread?
- Beyond the financials, what were the hardest deal points to reach agreement on?

FINAL EXAM

The Final Exam will be a similar lease exercise to the weekly lease negotiations, with the students provided a case and are tasked with submitting a "Best and Final" offer to entice a tenant, along with financial analysis supporting deal. The final will be an individual effort.

KEY DATES

September 4th: Read posted lease prior to Class 1

September 11th: Lease Letter of Intent (DUE by noon)

September 17th: Lease Problem Set Due (DUE by noon)

September 17th: Alexander Plaza Rankings (DUE by noon)

TBD FINAL EXAM (Distributed over Canvas and timed)