

**Level II**  
**Class Problem # 1**  
**Development of Potential Gross Income**

You are appraising a neighborhood strip shopping center known as Gateway Shopping Center. The leases with the tenants were entered into at various times over the past five years. The current rent roll follows:

Tenant	Leasable Area	Annual Rent
Kathy's Cards and Gifts	2,500 SF	\$37,500
Sports Galore	2,500 SF	\$40,000
Deuce Hardware	4,000 SF	\$40,000
Palace Restaurant	3,000 SF	\$60,000
Mother Goose Shoes	2,000 SF	\$40,000
House of Beauty	1,500 SF	\$37,500
Safe Insurance	800 SF	\$14,400
Vacant Retail Space	2,500 SF	\$0
	18,800 SF	\$269,400

You have researched the market and found recently negotiated rents for competing shopping centers run \$25.00/SF for space regardless of size or build outs.

What Potential Gross Income (PGI) will you use in your reconstructed operating statement for the Gateway Shopping Center?

2022 Level II  
Class Problem # 1 Answer  
Development of Potential Gross Income

What Potential Gross Income (PGI) will you use in your reconstructed operating statement for the Gateway Shopping Center?

Tenant	Leasable Area	Market Rent	PGI
Kathy's Cards and Gifts	2,500 SF	\$25	\$62,500
Sports Galore	2,500 SF	\$25	\$62,500
Deuce Hardware	4,000 SF	\$25	\$100,000
Palace Restaurant	3,000 SF	\$25	\$75,000
Mother Goose Shoes	2,000 SF	\$25	\$50,000
House of Beauty	1,500 SF	\$25	\$37,500
Safe Insurance	800 SF	\$25	\$20,000
Vacant Retail Space	2,500 SF	\$25	\$62,500
	18,800 SF		\$470,000

OR

18,800	Times	\$25
		\$470,000

The Potential Gross Income is :

\$470,000