

Level II
Class Problem # 2
Development of Vacancy and Collection Loss

You have researched the properties that compete with the Gateway Shopping Center and have obtained the following information:

| Property | Vacant Space | Total Leasable Area | Rents Receivable | Rents Collected |
|-------------------------------------|--------------|---------------------|------------------|-----------------|
| Riverton SC | 1,200 SF | 20,000 SF | \$475,000 | \$469,775 |
| Eagle Ridge SC | 1,050 SF | 18,000 SF | \$396,000 | \$392,440 |
| Chatham SC | 1,600 SF | 26,000 SF | \$524,000 | \$518,760 |
| Hyde Park SC | 850 SF | 14,000 SF | \$322,000 | \$318,780 |
| Gateway SC (Subject Property) | 2,500 SF | 18,800 SF | \$269,400 | \$269,400 |

What Vacancy and Collection Loss Rate (V & C) will you use in your reconstructed operating statement for Gateway Shopping Center?

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Class Problem # 2 Answer
Development of Vacancy and Collection Loss

What Vacancy and Collection Loss Rate (V & C) will you use in your reconstructed operating statement for Gateway Shopping Center?

| Property | Vacant Space | Total Leasable Area | Rents Receivable | Rents Collected |
|----------------------------------|--------------|---------------------|------------------|-----------------|
| Riverton SC | 1,200 SF | 20,000 SF | \$475,000 | \$469,775 |
| Eagle Ridge SC | 1,050 SF | 18,000 SF | \$396,000 | \$392,440 |
| Chatham SC | 1,600 SF | 26,000 SF | \$524,000 | \$518,760 |
| Hyde Park SC | 850 SF | 14,000 SF | \$322,000 | \$318,780 |
| Gateway SC (Subject Property) | 2,500 SF | 18,800 SF | \$269,400 | \$269,400 |

Vacancy Rate Calculation

| Property | Vacant Space | Total Leasable Area | Vacancy Rate |
|----------------------------------|--------------|---------------------|--------------|
| Riverton SC | 1,200 SF | 20,000 SF | 6% |
| Eagle Ridge SC | 1,050 SF | 18,000 SF | 6% |
| Chatham SC | 1,600 SF | 26,000 SF | 6% |
| Hyde Park SC | 850 SF | 14,000 SF | 6% |
| Gateway SC (Subject Property) | 2,500 SF | 18,800 SF | 13% |

Vacancy Rate Calculation

6%

Collection Loss Rate Calculation

| Property | Rents Receivable | Rents Collected | Uncollected Rents | Rents Receivable | CL Rate |
|-------------------------------------|---------------------|-----------------|----------------------|---------------------|---------|
| Riverton SC | \$475,000 | \$469,775 | \$5,225 | \$475,000 | 1% |
| Eagle Ridge SC | \$396,000 | \$392,440 | \$3,560 | \$396,000 | 1% |
| Chatham SC | \$524,000 | \$518,760 | \$5,240 | \$524,000 | 1% |
| Hyde Park SC | \$322,000 | \$318,780 | \$3,220 | \$322,000 | 1% |
| Gateway SC (Subject Property) | \$269,400 | \$269,400 | \$0 | \$269,400 | 0% |

Collection Loss Rate Calculation 1%

The total Collection and Vacancy Rate is: 7%