



## Real Estate Private Equity Case Study 2 - Value-Added Office Complex Acquisition: Leasing Commission (LC) Projections

Welcome to the next lesson in this Real Estate Private Equity case study. In this lesson, we are going to flesh out the Leasing Commissions in our capital cost schedule, which shows the Tenant Improvements and the Leasing Commissions, and shows when those are both incurred and then when those are both actually paid out in cash.

I'll warn you in advance that this schedule has probably the most complicated formulas and the most complicated pair of formulas that you'll see in this model. But the good news is that after this, everything gets much easier. And we'll have a series of about 10 or 11 lessons after this as we wrap up everything. But really when we get into the Pro-Forma and everything else listed there, the sources and uses schedule. All of that is pretty straightforward, in my opinion, if you've made this far in the course and you have some familiarity with financial modeling. This is really the last difficult and somewhat tricky part of the process.

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Now, the reason why we need to look at Leasing Commissions is because they are another capital cost. And there's something that impacts the cash flow that the property generates, but which does not a factor into the property's net operating income. If you look at the Pro-Forma, for example, you see that firsthand. Leasing Commissions are listed along with Tenant Improvements down here.

Now for this particular property, the Leasing Commissions are actually higher than Tenant Improvements, which is a little bit usually. But it depends on the property type, the stage and the type of strategy that we're using here.

Leasing Commissions exist because you need to find tenants. And you need to get existing tenants to renew their leases. When that happens, you'll have to pay the real estate agent to find those tenants for you. One common question we get on this topic is why you need to pay them at all, especially for renewal leases? The tenant is already renting, why do you need to pay an agent to get involved and to convince the tenant to stay there and to renew their lease if they're there already?

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The way I answer that question is that, even if you don't have these types of leasing commissions, it's going to cost you some amount of time, or money, or both even if you don't



pay an agent to either find new tenants or to get existing ones to renew their leases. Because existing ones may want to renegotiate the terms. They may want something special when they renew their lease. It may take some convincing to get them to stay there. You may have to upgrade your space or give them something else. You just never know what's going to come up and it's always going to cost something whenever you have a lease being renewed or a new lease that is starting.

This is a very, very standard assumption to see in all office models. It's pretty common in retail as well because you have the same types of issues with needing to find, hence, to occupy a certain number of square feet. Leasing Commissions, of course as you've seen in the previous case study, do also come up for multifamily properties.

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But there are a little bit less important because you tend to have many more tenants all occupying much smaller amounts of space. And the risk of one tenant not renewing tends to be lower and the commission themselves also tend to be somewhat lower.

As we saw with the Tenant Improvements, with both of this expense categories, there are really main questions that you need to answer. Number 1, is what date does the payout actually start? What is the start date of the payout? Number 2, is how much is actually paid out? And then Number 3, is, what is the payout period? Now if you go back to the case study document and you go to the page 20 there. We list the assumptions for the Leasing Commissions. And if you look at how these are framed, these are not a dollar per square foot figure. They're not a simple percentage. Instead, they are a percentage of the total lease value at the initial rate.

[04:00]

We have different percentages for new leases than we do for a renewal leases, which makes intuitive sense because it's going to be easier to get renewal tenants to stay there. Yes, it still takes some effort, but it's still easier than getting someone brand new to move in. And you can see how these commissions are much higher in the Downside Case and much lower in the Upside Case, and somewhere in the middle, in the Base Case which matches reality. You'll see these types of assumptions in many office models and investment memos for these types of properties. We can also see that they give us a clue about the commission payment term and say that it's going to be paid out over 12 months.

What does this really tell us? We're going back to the first question for the Start Date of the Payout. They haven't specified exactly what this should be. But we're going to assume that it is



pretty much the same as it is with the Tenant Improvements. We can assume that this begins right when the lease begins, which is reasonable. Generally speaking, you pay this out either right before the lease begins or right as its beginning. Either way, it's close enough for our purposes.

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Now, the question of how much is actually paid out is very tricky to answer. And this is something that varies tremendously between different properties, different regions, and different countries. There are a number of ways you calculate this. And I actually have a PDF here from some academic source I found, where someone actually examined this and said, "How do you determine leasing commissions?" And you can see here at the very top they're saying, typical leasing commission rates are 4% to 5% for each year of the lease. And then you can see he asks some of the same questions you probably have which are namely, "Is this paid out over the term of the lease or is it all paid in the first year of the lease or is it all paid in the first month of the lease?" Those are all good questions.

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And if you go down and read a little bit more about it. Essentially the conclusion is that, it is pretty standard to send it up like this and make it a percent of the lease value. Take the lease dollar amount in each year, multiply by the number of years that the lease is good for. And then have that amount paid out in the beginning of the first year, or perhaps, over the course of one year or several years. That's a common way that this can be determined. It's not the only way of course, but that is roughly what we are going with here.

The problem, though, is that the percentage part is easy. We just have the percentages ready. But the total value of the lease across its entire term is somewhat tricky to determine. For example, if we go back to the Rent Roll and we look at some of these tenants – let's go down and look at the Effective Monthly Rents here.

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If you look at some of these, the question comes up of, let's say that we have a new tenant starting out in the middle of one year. Let's say, we have a tenant . . . let's actually go up to the top so we can get something a little bit easier to describe here.

Let's go to the Effective Monthly Rents and let's go over and say that we have a tenant that are starting their new lease in August, or maybe it's a renewal lease, whatever the case might be.



The question comes up, to determine the Total Lease Value, do we literally go from August of 2016 all the way until the very end of this period and then try to go beyond it and project out until the lease actually really ends? Is that what we do? And then we take than entire value, because that's the effective monthly rent they're paying and then we multiply by the 4% or 5% or whatever it is and then distribute it.

Or do we go in and just take the first month, right here, and then multiply this by 12, and multiply it by the number of years in a lease, and then determine it based on that?

[08:01]

Or do we do something else altogether and just take the first year of the lease over here and multiply this by the number of years in the lease, and then multiply the percentage by that?

You see the problem with this, which is that it's defined ambiguously and there are many ways you could come up with this. And then further, adding to the fun here, don't forget about these leases that begin in 2015. One of them extends out to 2022, but then these other two extend out only to 2019 or 2020. The average life here, we could say, it looks like between five and six years or so. We have those to think about as well.

And the answer to this question really is that we're going to simplify it and we're really going to base the total lease value on the first month of the free rent. Right when the lease begins, there's always one month of free rent at least. We're going to annualize that and then multiply it by the average number of years in a lease.

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Remember that we already have the average number of years in a lease, because it was one of the assumptions given to us. And we know it's six years for both new and renewal leases, so we have that.

Of course, there are some problems with this as well. As you just saw, the rate could change because a new year starts in the middle, a new year often starts in the middle, unless the lease begins in January of course. We're not factoring in rent escalations if we do it like this, because we're just taking the base rate and determining the lease value like that. And you can go through and come up with a list of other problems here as well.

For example, one other issue is that for two of these leases beginning in 2015, they're not really going to last for six years. They actually only last for about four or five years. We're actually



over counting if we use that six year figure, but we're not going to worry about that. Again, it's almost impossible to get this precisely correctly. We're going to get as close as we possibly can.

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Now for the Payout Period, this one is a little bit easier because the case study document tells us directly that the payment term is 12 months. We're going to assume that the leases are incurred right when the first month of free rent starts. And then they are paid out over the next 12 months. Now you might think that this part is easy, because we can just divide the lease increment by 12 and then take that 12 all the way across. It's not that easy though because we need to figure out where to stop. We have to actually track the accumulative total that we've distributed so far.

And then we also need to make sure that we're handling the case where the lease commissions are incurred toward the very end of our period. And also the case where we have multiple lease commissions that are occurred because a lease starts and then also ends within the period shown.

It's not quite as easy as you might think. We have to actually check for a number of conditions there.

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We're going to move into the strategy for writing the formulas next. But one thing I want to mention and emphasize again is that with all these assumptions, the terms for the leasing commissions vary tremendously. And going back to that PDF document, take a look at this if you want more. There are so many ways to set this up. And it depends so much on the region that you're in and the property type, and the sub region, and the country you're in and regulations like that, that it's really, really hard to generalized. I'm doing this just to give you a flavor of what you might see and how you might think about this issue in your life.

Let's talk about the strategy for writing the formula for this. What we're going to do here is start by calculating the total amount of leasing commissions and then the month in which they are incurred. Now the month in which they incurred should be pretty simple, because we already have the months in which the tenant improvements are incurred and it's really the same as that. We assume that both of them are incurred at the same time.

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The only difference is that the tenant improvements are paid out all in that month in cash, whereas the leasing commissions are paid out over time. We're going to look at that step first. And then in Step 2, we're going to distribute them over time.

In Step 1 here, you can see that we look at the Renewal Case and Non-Renewal Case in Steps 1.1 and 1.2 respectively. And then, in Step 2, we'll distribute the leasing commissions over the appropriate periods. I'll explain the logic for all these formulas. And then at the end we'll check our work. I say, "Good luck" here because this is a rather difficult formula and set up to check. But we will go through a few cases there to look at what happens.

To start with for the Renewal Case, let's take a look at this formula. This may look very intimidating at first, but it's actually not that complicated in my opinion. And the logic is very similar to what we saw last time for the Tenant Improvements. But simply, we want to make sure that this is the first month where free rent occurs.

[13:02]

The previous month's Free Rent has to be zero and this month's Free Rent has to be negative. Exactly the same as we did for the Tenant Improvements. Now, if that's true, then we can start making this calculation. And we can say that we'll take our in place Annualized Rent times the Rentable per Square Feet, times the Lease Term. That gets us the total value of the lease.

We're using the in place rent because in the Rent Roll, remember how we had that area where we calculated whether we should be using the market rent or the current rent as specified in the lease terms. We're going to be actually drawing on that area to get around the fact that we can't just take the free rent in each month, because we could have a case where the tenant is paying a rate that's different from the market rate, because of those leases that begin in early 2015. If that's the case, then we want to use that rate as supposed to the market rate.

[13:58]

I say "In-Place" there, but it's really In-Place or Market Annualized Rent and we have a schedule for that already. And then the question is, do we multiply by the Commission that corresponds the New Leases or to Renewal Leases? Remember here how we had a different rate depending on whether it was a New Lease or Renewal Lease, and that's what we need to look at this next step.

If the Lease Start Date is equal to the Abatement Start Date, then we know, as always that we have a new lease. We're going to use the Percent Commission on New Leases there. On the



other hand, if that's not true, if we are beyond the Abatement Start Date, meaning the lease is ended or the Lease Start Date is greater than or equal to one month before the first month shown in this model, then we have a Renewal Lease.

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With both those conditions, the first part is pretty simple, we're just checking to see if the lease has ended. If the lease is ended or the lease is just beginning in the period shown in this model, because of the second condition, we want to be using the Renewal Lease Percentage Commission for either of those. And otherwise, as always, we're just going to set everything to zero.

I have the three cases down here that you have to worry about. If we're dealing with a new lease, we use the New Lease Percent Commission. If the Abatement Period has begun or the lease itself begins in this period, we use the Renewal Lease Commission. And if then none of those are true, we use zero, because that case corresponds to something like what we saw before where we had a lease beginning at the end of 2014 and we had free months of rent that move in to 2015 in that case sometimes.

The logic for the Non-Renewal Case is going to be very, very similar. Let's begin by actually taking the Renewal Case logic down here and translating this, as always, from words into Excel.

[16:02]

We want to check first to see what the Free Rent this month was and make sure it's below zero. And then make sure the Free Rent last month was equal to zero. Let's go up and take Free Rent this month and say that it should be negative. And then the one from last month should be zero. I'll enter a quote for now, so we don't evaluate this.

Then we want to take the negative of our In-Place or Market Annualized Rent times the Rentable Square Feet, times the Lease Term. To get this, we can actually just go down to where we have the rents for the Non-Renewal Tenants.

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Remember, this is the schedule where we set the rent equal to the Market Rate, if we're after the lease ended. But if we're before the lease ended, then we use the In-Place Rate instead.



For this one, we're just using the Rent Roll, H203 there. And then... somehow Excel has stopped working here. So let's try to fix that. Maybe I'll delete the quote in the beginning. The next thing we need to do is go up and get our Rentable Square Feet as always, so we have that. And then we also need to get the Lease Term. And this is just a named cell, so we have that.

We have all that in the beginning and now we need to check some of this logic for the Lease Start Dates and the Abatement Start Dates.

[17:52]

If the Lease Start Date, E126 here, equals the Abatement Start Date, F126, then we want to use the New Lease Percentage Commission, which again is a name cell. On the other hand, if the current month that we're in, from right up there, is beyond the Abatement Start Date, or the Lease Start Date itself is greater than or equal to one month before the first month of this model. To do this, we will just take EOMONTH and link up to H192 right there, and then we use a negative one for that. If either one of those are true, then we're going to use the Renewal Lease Percentage Commission.

[19:06]

We have this long and complicated looking formula. And I just went in quickly and fixed some of the parentheses there because they weren't quite matching up. Let's think about what needs to be anchored here. Definitely the E and the F, and then other than that, it looks like everything else that should be anchored already is. Let's copy this down and around, and we have that setup.

Now, as a quick check, we can just make sure that the leasing commissions always occur in the same months that the tenant improvements do. I just zoomed out a lot and I'm just doing a quick run through to make sure that that's the case here. And it looks like everything here matches up, so we have that set.

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Now, for the next part in this, we need to go up and think about the Non-Renewal Case, which is actually going to be very, very similar for the most part. It's actually almost the exact same logic if you look at the formula. Even down to the rental rate that we're using. The difference is that if we're beyond the end of the Lease End Date, we use the new lease percentage commission. And then if our Lease Start Date is somewhere within this model, we use the Renewal Commission. And what ends up happening here is, that effectively, most of the time,



we're going to be using the New Lease Commission Rate. If the lease starts somewhere in this period, we'll use the Renewal Rate, otherwise we'll be using zero. This one is going to show mostly the new rate because most of the lease starts here are going to correspond to new tenants.

Let's take this whole formula and copy it down. And then, once again, go to the same thing and translate this from Word into Excel.

[21:00]

I'm actually going to skip over this part because it's almost the same. If you want to get some practice though, you can try to imitate what I'm going to do here and then check your work after. We're going to do this. I'm going to skip ahead and then we're going to come back, and move in to the next part, which is distributing these lease commissions.

Okay, we skipped ahead. We have that formula in place now. A few things to point out, remember that for the Rent Roll check, we need to go down below to the second case here, the non-renewal case. And make sure we're pointing from this schedule instead. You can see that, all those parts of the Rent Roll have changed. And then other than that really, it's very similar to the concept that I went through above. It's just that we have the IF statements in somewhat different places from the case where all tenants renew.

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But other than that, we're still checking to see, for example, if the current month we're in is beyond the end of the lease date. If it is, then we use the New Lease Commission Rate. If that's not true, then we check to see if the lease that we're looking at begins somewhere in this period. If it does, then we can use the Renewal Lease Rate, otherwise we set it to zero. That is how that formula works.

Let's move up now and move in to the Step 3 of this process, which is distributing the leasing commissions over the appropriate periods.

Now as I said earlier, this is harder than it seems because we need to figure out where we stop this distribution. We also need to think about the fact that there might be multiple commissions paid out in this period. And again, it all goes back to that somewhat-annoying case, where we have those tenants that move-in in early 2015.



For the first two here, we're going to have multiple lease commissions incurred because we'll have it when their leases begin. And then we'll also have it when the Abatement Period starts, when their leases expired in this case and we need to find new tenants.

[23:02]

And we'll actually also have it, even when they renew their leases because we still assume that commissions are paid out when they renew their leases as you can see right here.

We have to factor all that in. And the easiest way to do this is to use a formula that tracks how much we have distributed so far versus how much in lease commissions have been incurred so far. Here's the formula and I'll go through and explain the logic.

We're going to check to see if the Lease Commissions this month, the amount that occur this month is less than zero, because we're showing everything in negatives and if the ones last month that were incurred are equal to zero, we want to make sure that this is the month in which the Lease Commissions actually start. Now that I'm looking at this formula, you could probably change this around and just use the first condition here because we never really have Lease Commissions incurred right after one another. But we'll just keep that in for now.

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If it's a month where the Lease Commissions actually begin, then we need to take the Lease Commissions that are incurred this month and divide by the number of months over which they are paid out, so 12 in this case. This tells us how much in Lease Commissions will be distributed in a very first month of the term. And then we have to decide if they're all going to be distributed in that one month or they're going to be distributed over a number of months.

If they're all distributed in that one month, we could actually just stop here. We wouldn't even need this Distribution schedule. But in most cases, they're going to be distributed over a longer period of time. And what we have to do is take the Distributions from last month and then compare that to the total amount that was incurred so far, minus the Distributions so far.

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You can see how this works. If we have, say, \$10,000 in Lease Commissions, we distribute it over 10 months. When we get to that tenth month, total incurred so far, minus total Distributions is going to be zero. But the Distributions last month are going to be negative



\$1,000. Negative \$1,000 and zero, zero is a higher number and so we get zero in that case and it stops.

That is the logic. We're using a MAX function because we're dealing with negatives. If we have positives here, we'll be using MIN function, but we have negatives. And zero is going to be higher than any of our actual distributions here. Let's take this formula, copy it down and then apply it to both the Renewal Case and then Non-Renewal Case, because it's actually the same, actually in both cases.

You can see over here on the side, I've also summed up our Lease Commissions. And I've done that just by going across here and summing up all the Lease Commissions that are incurred.

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Now, when you look at the Distributions and you add the Distributions, these are not always going to be equal to the total of Lease Commissions, because if you have Lease Commissions that are Incurred in the final 12 months, as we do here, these are going to be paid out over a longer time period. And the total distribution is not going to match up to what you see here. That's more for our reference than anything else, but we can check a few of the numbers like that.

Let's paste this formula in and then convert it from Word to Excel as we usually do. The Lease Commissions this month have to be less than zero and the ones last month have to be equal to zero.

As I said before, looking at this now, I don't know why we even have this condition, checking the ones from last month. But we'll just keep it in. It's never going to come up here at all. But I'll keep that setup like that for now. And then the Lease Commissions this month we're going to take and divide by the payment terms.

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And we have the LC Payment Months right here, a named cell. So that's our formula so far. And then we need to take the MAX between the distributions last month, so MAX between G151 here. This is another reason why we don't need to have this annoying blank column for formulas like this. And then we need to take the Total Lease Commissions incurred so far and subtract the Total Distributions so far. To do that, we can use a SUM formula. And we can go up here and SUM G126 through G126 and then subtract G151 through G151. When we do that, you have to anchor the G part of the G126 and then we have to anchor the G part of the G151.



[27:59]

Before I explain how this part of the formula is working, I actually just want to copy it around a little bit, so you can see what's happening here. And Excel found a typo in my formula and it corrected it. Let's just copy this around first and then think about how this is actually working. The way this is actually working, let's just go in a few months to see this. The first part should be pretty straightforward, but in the second part of this, we are taking the last month's payment right here. And then we're taking the sum of all these commissions that have been incurred at the top, which only happens in one month so far, and then we subtract everything we've paid out so far.

In this case, we have this negative \$23,608 and we subtract the first five months of that year, which adds up to some number that is greater than \$23,608.

[28:59]

Now this number is still less than the monthly payout right here of \$1,967. We default to the \$1,967 because that's the maximum. But then, as you go over, you'll see that this eventually goes away. And the reason it goes away is because by a certain point, we actually reach that \$23,608. We pay out that entire amount over the course of these 12 months. And at that stage, we no longer have to pay those commissions and it goes away.

You might be wondering, "Why do we need to keep looking at this cumulative sum going all the way across? Why can't we just look at the commissions for each tenant that are paid out once and stop there?"

The reason we can't do that is because we could have cases, as we do with the very first tenant here, where we have **multiple commissions** that are incurred. In this case, in July 2019, they have another commission that has incurred and you can see what happens. We paid out that entire prior commission that was incurred, but now we have this new one.

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And for this new one, we take this number and we divide it by 12 and we get the monthly numbers here. And eventually these go away when they're all paid out.

That's how it works. You can think about the logic and try some other numbers yourself. But I'm going to take this formula and copy it down to our Commission Distributions down here. And we don't really need to change much of anything. All the formula should have copied down



correctly for this case. Let's just take this and copy it down and around, and so we have that set up. Now at this point, we think we're almost done. Let's go back up here and go into our last step, which is checking our work.

As I say, it's quite difficult to do this because of the complexity of the formulas and the difficulty in figuring out which should be there and what it should look like.

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But we can check to make sure that the Leasing Commissions always begin when the Tenant Improvements are paid out and then do a spot check of the Distributions. We can also look at some different scenarios. I'm going to zoom out once again just so we can focus on the shape of this. And here, for the Leasing Commissions, we look at this case already and saw that these are always incurred when the Tenant Improvements are. And then in the other case, we also want to check for that.

And it looks like here, once again, these are always incurred at around the same time when we have that for all of them. And then for the Commission Distributions, we always want to check to make sure that these are paid out over 12 months, which it looks like they are. We do have this one month, February 2016, where we get very small negative numbers. But those are effectively zero and I'm not going to worry about them too much. That's probably just due to rounding somewhere in this model. And then for the rest of it, it looks like we always have a payout term of 12 months, except for the ones that are incurred in the very final year of the model.

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We have that. Let's try some different cases now. Let's change the Downside Case first and then see what happens here. And again, we're just checking the general shape of this. We're going to go up to the Renewal Case and just see what this looks like. In the Downside Case, not much are really be different here, other than the magnitude. But the timing should still stay the same because we still assume that tenants renew their leases here at the same times.

Moving across, once again, I'm just checking to make sure they're paid out at the same time as the Tenant Improvements, and it looks like they are. And then going down to the distributions, once again, we see the same thing where anything that starts in the last year is not going to be fully paid out. But anything that starts before that is paid out over this 12 month term. We have that. And it handles the case where we have multiple commissions that are incurred in different months as well.



[33:00]

And then going down, this one we also expect to be largely the same because going back here, the Turnover Downtime is the same in the Base Case and the Downside Case. The new leases here should start at the same time. The Months of Rent Abatement are different but we always start this in the first month of free rent anyway. We expect this to be pretty much the same.

We're just checking to see when this are actually incurred and then moving all the way across. It looks like those are matching up. And once again, the payout terms seem to match. Anything from the last year is not going to be fully paid out by the end of that year.

And then finally, let's change it to the Upside Case. This is one case where we should finally see some differences, just because the number of turnover downtime months are different, its six now, instead of nine. Let's go to the top and take our Leasing Commissions and compare it to our Tenant Improvements.

[34:02]

It looks like the shape of these schedules, just going through without really paying attention to the numbers, the rough shape is the same, that's a good sign. And once again, the Payout Distributions here makes sense. And then moving down, we can see that once again, the shapes of the schedules are the same. We still have numbers or blanks in the same spot here. We still have those four new tenants moving in, we have that. And the rest looks fine as well. If you want to, you could do a more thorough check. This is really a very, very quick check because I don't want to make this lesson even longer than it already is. But that is an example of how might go through and look at an issue like this.

For now though, we're satisfied. Let's do a recap and summary of everything we just did.

Leasing Commissions are another capital cost, just like Tenant Improvements. They don't affect Net Operating Income (NOI), but they do affect Cash Flow.

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And they represent what you have to pay to find new tenants or to keep existing tenants to negotiate with them, to offer them better terms. And perhaps, to get someone else involved to get them to convince the tenant to stay. We need to think about the Start Date of the Payout, which we assume is the same month as when Tenant Improvements begin. We need to think



about how much is paid out which we based on the total value of the lease multiplied by some percentage. We need to think about the Payout Period which is always 12 months here.

To set up these formulas, we look at the Renewal Case first and separated it into the month in which Leasing Commissions are incurred and the total amount and then the distribution period. For the Renewal Case, we make sure that Free Rent was actually starting this month. We check to see if we should be using the New Lease Percentage Commission or the Renewal Lease Percentage Commission. And pick the appropriate one based on whether where you are before or after the lease ends. And also whether the lease that we're looking at has actually begun in our holding period shown in the model here.

[36:05]

Then for the Non-Renewal Case, the logic is very, very similar, except we're now mostly using the rate on new leases here, if our current month is after the Lease End Date. If the Lease Start Date is somewhere within this model, then we're going to use the Renewal Rate, but otherwise we're pretty much always using the New Lease Rate. And then we distributed the Leasing Commissions over the appropriate periods because we made sure that the leasing commissions incurred this month were negative – in other words, they were actually incurred. We divided those by the number of payment months. And then we took the MAX between distributions the last month and then what we've incurred so far, minus our total distribution so far.

And that handled the case where we might have already paid out everything we should have, and also the case where we have multiple Lease Commissions that are incurred in this period – and we need to handle both of them.

[37:00]

Then we did a bit of a check of our work at the end and make sure that the shapes roughly matched up. We didn't go super-thorough into that, but you can take a look at that more yourself.

With that done, the good news is that we're now pretty much done with the complicated and messy formulas in this model that are hard to write, and hard to figure out, and hard to explain to you as well. And we're going to move in to a rollup of the tenant improvements and leasing commissions here. We look at a monthly basis by suite and also an annual basis.

And then we'll move into fleshing out the rest of the model, starting with the Pro-Forma, going into the acquisition assumptions, sources and uses, the debt schedules and everything else



here. This part is going to be a lot easier because it's all on annual basis, not a quarterly or monthly basis. We're going to get into that in the next set of lessons and then build up to our case study answers at the end.