

CI 102 Office Case Study Sample Answers – Q1-2022

Task 1:

1. From the Pre-Case Study, Task 1, what is the current year EBM for the DFW Metro area at the Super Sector level? **6.53**
2. From the Pre-Case Study, Task 1, what do the shift-share results at the super sector level indicate about the competitive advantage for creating financial activities jobs in the Dallas metro area over time? **DFW has a competitive advantage in attracting financial activities jobs.**
3. From the Pre-Case Study, Task 2, what is the current market cycle phase for Dallas office properties? **Hypersupply**
4. Based upon the current market cycle position, what is the best strategy for Horizon Finance to negotiate a lease term and lease options? Why? **Shorter-term lease strategy is preferable because rents are expected to trend downward until the market cycle begins the recovery phase.**

Task 2:

1. Which census tract has the highest concentration of combined demographics that match Horizon's ideal new hires? **480850305.11**

Task 3:

1. Which office submarket contains the census tract with the highest concentration of combined demographics from Task 10-2? **Plano/Allen**
2. On the Business Summary worksheet by NAICS code (Page 2, Line 93), how many total employees work in the targeted submarket in the Finance & Insurance sector? **23,519**

Task 4:

1. How many total RSF are currently in the office submarket inventory? **33,886,000**
2. What is the current vacancy rate office in the submarket? **25.1%**
3. What is the amount of new RSF of supply being added in the next 12-months? **409,000**
4. What is the average asking rental rate per RSF in the submarket? **\$29.32**

Task 5:

1. What is the current occupancy rate? (Gap Analysis Tab – Line 11) **74.9%**
2. What is the forecast occupancy rate? (Gap Analysis Tab – Line 19) **76.0%**
3. What is the forecast annual absorption in RSF? (Gap Analysis Tab – Line 23) **689,076**
4. What is the forecast stabilization date? (Gap Analysis Tab – Line - 25) **July 2025**
5. Based upon your gap analysis of this submarket, what does the occupancy rate, annual absorption, and stabilization date forecasts impact the recommended lease terms for Horizon? **Shorter-term lease strategy is preferable because rents are expected to remain lower until the market cycle begins to restabilize.**

Task 6:

1. Based upon the Competitive Analysis Worksheet rating, what is the recommended office property? **Gateway at Legacy**
2. What were the highest weighted location analysis criteria used for making this recommendation? **Refer to competitive analysis sample solution**
3. What were the highest weighted building analysis criteria used for making this recommendation? **Refer to competitive analysis sample solution**
4. What is the typical floorplate size (RSF) for the recommended office property? **26,988**
5. What is the asking net rent per RSF per year for the recommended office property? **\$32.00**
6. What are the operating expenses per RSF for the recommended office property? **\$13.65**

Task 7:

1. What lease term was used in the analysis (Lease Financial Analysis worksheet Lease Input tab Line 1)? **5-Years**
2. What is the Average Annual Effective Rent amount (Lease Financial Analysis worksheet Occupancy Costs tab Line 26)? **\$1,205,908**

Task 8:

1. What office submarket best meets your client's demographic criteria? How did you make this determination? **Plano/Allen submarket based upon highest concentration of client's targeted employee demographic criteria.**
2. Which property best matches your client's building criteria? What information did you use to make this recommendation? **Gateway at Legacy, using the competitive analysis worksheet.**
3. What is your client's estimated average annual effective rent for the recommended property? **\$1,205,908**
4. What additional lease terms and negotiating strategy would you recommend to your client before finalizing a lease for the recommended property? **In addition to negotiating the rental rate, annual rent steps, free rent, tenant improvement allowance, and free parking, lease options to expand, contract, and renew need to be negotiated.**