

PROPERTY TERMINAL CLI

BLEND EXTEND GUIDE

Lease Forbearance & Optimal Contract Restructuring

Due to the pandemic and the future necessity for commercial property investors to preserve property-level value for stakeholders; the immediate requirement will none-the-less be focused on the preservation and retention of lease-level value through lease restructurings in the form of blend and extend.

In an effort to meet the demand for [Blend and Extend](#) lease restructurings, with an emphasis on quantifiable financial precision, F9Analytics has incorporated blend and extend features into our existing algorithms that provide immediate financial solutions and insights to the ultimate question for investors: “given a time-value cost of forbearance, what specific blend and extend lease restructuring is required to ‘make-whole’ or preserve the value of each lease contract?”

The real-world example below should provide the user a straight-forward use-case to try on their own.

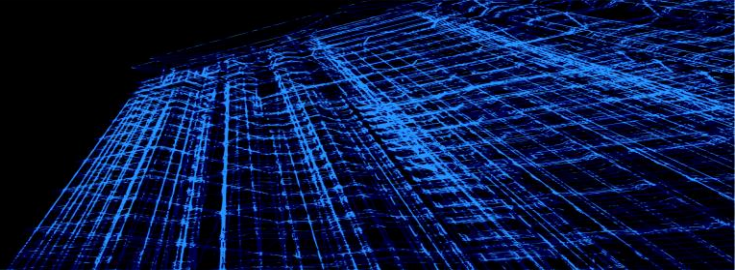
→ Try Blend Extend Lease Optimization

It is assumed that a sophisticated commercial property investor has a lease contract in-place and the tenant (due to the pandemic) has appealed for 6-months of lease forbearance and is willing to entertain financial terms that extend upon the original terms contemplated (without acceleration in rent, or escalations).

The following Standard Assumptions are assumed for a NET lease: rent is quoted annually, rent escalations are percent, rent index is 60 (every 5-years), leasing commission are percentage, and discount rate is .10 or 10.0%.

Note: First-time users, please see [Startup Guide](#) before proceeding.

- ✓ **1. Additional Assumptions:** Additional Assumptions provides users the ability to set non-standard and property specific assumptions prior to optimization.
 1. For simplicity choose “0” for Free Rent. Enter Free Rent Months for the forbearance period of the Original In-place Lease. For this example, input months: 31,32,33,34,35,36 (comma delimited as shown).
 2. Enter Free Rent Percentage, this should always be 1 or 100% for Blend Extend purposes, where 1 equals 100% “Free Rent”.
 3. Enter “y” to Activate Blend Extend Optimization, and return to Main Menu



- ✓ **2. Enter “0”, for Lease Optimization, and Enter the Original Lease Contract Terms as the Lease Guideline shown below:**

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■ Enter your Lease Guideline

- (0) Lease Term Months: 120
- (1) Lease RSF: 10000
- (2) Start Rate: 10
- (3) Rent Escalations: .10
- (4) Leasing Commissions: .05
- (5) Tenant Improvements: 40

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■ Would you like to Merge Additional Assumptions into your Lease Guideline and Target NPV Guide? [y/n]: n

Target NPV Guide: \$227,982.80

What Terms has Tenant Modified from above, if "None" input [n]?

■ Note: Blend and Extend provides for the following modifications only:

- Lease Term Months
- Start Rate
- Rent Escalations

■ Enter, Numbers as 0/2/3 to Modify (Only): n

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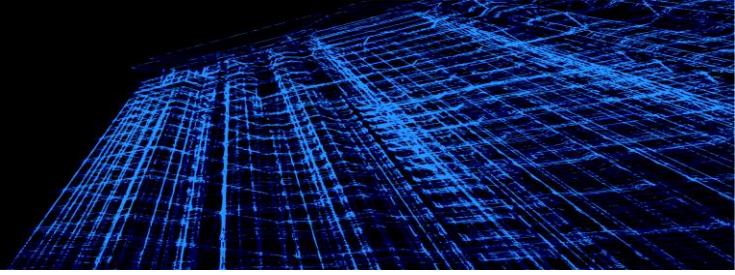
- (0) Lease Term Months
 - (1) Start Rate
 - (2) Rent Escalations
 - (3) Discount Rate
-

Choose a Target Variable from above that you would like to Optimize.

■ Enter, Target Variable Number [#]: 0

Now, Enter your Target Net Present Value (NPV):

■ To use your Target NPV Guide of \$227,982.80, Enter [y]: y



✓ **3. Your Blend Extend Optimization Result:**

██████████ F9Analytics® Optimization Results ██████████

Target Variable: Lease Term Months
Optimal Target: 135
Precision Level: 0.1
Feasibility: Integer Feasible { Value Δ : +\$366.59 }
Target Annuity: \$2,958.66
Optimal Annuity: \$2,963.10
Iterations: 360
Time in Seconds: 0.1290506

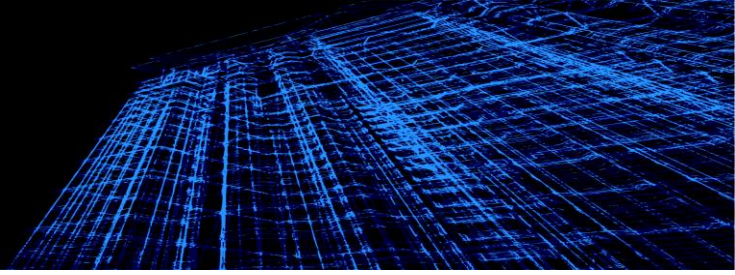
██████████ Modified Assumptions ██████████

Lease Term Months: 120 {135.0000}
Lease RSF: 10,000
Start Rate: \$10.00 PSF/Annual
Free Rent Months: 31,32,33,34,35,36
Free Rent Percentage: 100.00%
Rent Escalations: 10.00%
Rent Escalation Index: Every, 60 Months
Leasing Commissions: 5.00%
Tenant Improvements: \$40.00
Blend Extend Activated: True
Discount Rate: 10.00%

■ Note: If you replaced your original Lease Term Months assumption above with the Optimal Target of {135.0000} your NPV would be integer feasible { value Δ : +\$366.59 }.

- **Blend Extend Optimization Result: 135 Months**
- **All financial terms of the Original Lease Contract remain unchanged (without accelerating rent, or modifying rental escalations)**
- **Original Lease Contract and Optimal Restructured Lease are integer feasible, with annuities of \$2,958.66 and \$2,963.10 respectively (partial months excluded)**
- **The Present Value delta between the Original Lease Contract and the Optimal Restructured Lease is precisely +\$366.59 over 135 months**
- **Time to Engineer Optimal Restructured Contract: 129.05 milliseconds**

Note: The Present Value of your Original Lease Contract was \$227,982.80 at 120-months, the PV of your Optimal Restructured Lease is \$244,415.83 at 135-months and 6-months forbearance; both leases are time-money equal +\$366.59 (partial months excluded).



→ Try the Reporting

- Now that your first Blend and Extend Optimization was successful, enter “n” to return to the Main Menu
- Now that you are on the Main Menu, enter “3” to Push Data of your Lease Optimization into Excel (The workbook reflects your Original Lease Data, and the Optimized Lease Data results)
- Finally, from the Main Menu, enter “5” to view your Private Server Reporting page: this displays a running record of all your leasing work to date

→ Still Need Help?



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