

Fifth Avenue, New York City

You're a real estate acquisition officer for a pension plan sponsor. Last year, the U.S. Treasury surprised you with its announcement that it will no longer issue the 30-year Treasury bond. While that announcement has caused some consternation within the broader investment department, from the standpoint of the real estate investment group, you still believe that attractive long-term investment opportunities are available help meet your pension liabilities. And wouldn't you know it; one just came across your desk.

It's an opportunity to purchase the land under a 437,000 square foot office building located on Fifth Avenue in New York City. The land is leased, on a very long-term basis, to the tenant that constructed the existing office building. As described in the attached materials, the tenant is a highly-rated credit and has the right to renew the lease in 2025 for a final renewal term of 33 years. At the end of the renewal term in 2058, the land and the building will revert back to the owner of the land.

This is just the type of investment that is need by the plan and that will make the real estate group look valuable within the organization. You're quite interested in pursuing the acquisition of the land, and you know other institutional investors will be as well.

The question is: *"How much are you willing to pay for the land, as encumbered by the lease?"* Be prepared to explain why, *in detail*. One of the co-owners of the land will be here on December 5th and will take your analysis and conclusions very seriously.

Please prepare a written memorandum of no more than three pages, with attachments as you see fit. Please don't regurgitate basic facts and assumptions.