

## **Instructions for the Landlord**

You are the landlord of a two-bedroom apartment rental that is up for renewal. The tenant, a lawyer, has been dodging your letters asking about renewal. You have decided that today is the day you will get an answer so that, if necessary, you can list the apartment and make sure to get a new tenant in time to take over the lease.

This rental—the only one you operate—is a source of supplemental income. Your primary source of income is the downtown restaurant you own, which caters to a young, reasonably well-off crowd (like this tenant and the tenant’s lawyer friends). The restaurant started off well, but it has been slow lately, making you grateful to have the rental income as a cushion. Your costs (mortgage, taxes, and fees) on the rental apartment come to \$1500/month, and the tenant is paying \$1800/month, leaving you a thin margin. You also let the tenant borrow a large TV, dining room table, and chairs (leftover by the previous tenant). Nevertheless, the tenant constantly complains about every defect, crack, and bug the tenant finds, as though the tenant were living in squalor. The tenant blames you personally even when things are outside of your control, such as when a pipe burst below the building and the city refused to repair it until you called a friendly city council member. This tenant occupies premium real estate in one of the most popular neighborhoods and shows no sign of gratitude.

The unit is in the tenth month of a twelve-month lease, and today is the deadline to renew. If you lose this tenant, you’ll have to find someone new, which could mean up to 4 weeks of lost rent. Plus, as long as the tenant stays in the apartment, you can delay replacing your aging air-conditioning system. The A/C system needs replacing, but since it would cost \$8000 and the tenant has not noticed its faults, you would only replace it when the tenant leaves or when it dies completely (probably in the next few years).

Your goal is to maximize the financial benefit of this rental. If you get a good price, you will agree, but if you feel you can do better with a new tenant, you will walk away and take your chances.

You knock on the tenant’s door and hear footsteps coming to answer. Time to get this over with.

### **To be filled out after the negotiation:**

*Did you reach an agreement (i.e., will the tenant renew)? [YES] [NO]*

*If you reached an agreement, what price will the tenant pay? \$\_\_\_\_\_ per month*

*Did the landlord and tenant agree to any special terms? If so, explain:*