

17500 Red Hill Avenue, Building 100, Unit 120
Purchase vs. Lease Analysis
Lee & Associates

ASSUMPTIONS

Purchase Building Size in SF	3,490	1st TD	\$329,805	2nd TD	\$271,100	Total	\$600,905	Price Appreciation	3.50%
Lease Building Size in SF	3,490	Loan Amounts (see notes)	\$5,149	Loan Fees (see notes)	\$11,023	Building Value After 10 Years	\$930,445	Cost of Sale	5.00%
Market Rent - NNN	\$1.65	Equity Amount (see notes)	6.500%	Interest Rate	5.500%	Standard Tax Rate	35.00%	Portion of Price For Building - %	80.00%
Monthly NNN Expense PSF	\$0.56	Amortization Period	30	Monthly Debt Service	\$1,865	Portion of Price For Building - \$s	\$527,668	Years to Depreciate Asset	39.50
Annual Rent Expense Growth	3.50%	Annual Debt Service	\$25,015	Loan Balance - End of Yr. 10	\$171,835	Annual Depreciation Deduction	\$13,359		
Total Building Cost	\$659,610								
Total Building Cost PSF	\$189.00								

SCENARIO #1 - BUY BUILDING

3,490 Sq. Ft.	Initial	1	2	3	4	5	6	7	8	9	10
Initial Equity Investment	(74,878)	-	-	-	-	-	-	-	-	-	-
Annual Operating Expenses	-	(23,453)	(24,274)	(25,123)	(26,003)	(26,913)	(27,855)	(28,829)	(29,839)	(30,883)	(31,964)
Annual Debt Service	-	(47,393)	(47,393)	(47,393)	(47,393)	(47,393)	(47,393)	(47,393)	(47,393)	(47,393)	(47,393)
Reversion Value After 10 Years	-	-	-	-	-	-	-	-	-	-	930,445
Cost of Sale	-	-	-	-	-	-	-	-	-	-	(46,522)
Pay Off Remaining Loan Balance	-	-	-	-	-	-	-	-	-	-	(451,431)
Tax Benefit For Operating Expenses	-	8,208	8,496	8,793	9,101	9,419	9,749	10,090	10,443	10,809	11,187
Tax Benefit For Interest Expense	-	12,617	12,379	12,127	11,860	11,577	11,277	10,958	10,621	10,282	9,883
Tax Benefit For Depreciation	-	4,676	4,676	4,676	4,676	4,676	4,676	4,676	4,676	4,676	4,676
Capital Gain Tax Due at Sale	-	-	-	-	-	-	-	-	-	-	(89,476)
After Tax Cost of Ownership	(74,878)	(45,345)	(46,116)	(46,921)	(47,759)	(48,634)	(49,547)	(50,499)	(51,492)	(52,529)	289,404

COST TO OWN

Undiscounted Cash Flow	(\$224,315)
Undiscounted Avg. Monthly Cost PSF	(\$64.54)
Cash Flow Discounted @ 6.50%	(\$242,773)
Discounted Avg. Monthly Cost PSF	(\$69.83)

NOTES:
 1. The second TD includes financed loan fees of: \$7,256 (see loan quote sheet)
 2. The total equity amount includes loan fees not financed of: \$8,977 (see loan quote sheet)

SCENARIO #2 - LEASE BUILDING

3,490 Sq. Ft.	Initial	1	2	3	4	5	6	7	8	9	10
Annual NNN Rent	-	(69,102)	(71,521)	(74,024)	(76,615)	(79,296)	(82,071)	(84,944)	(87,917)	(90,994)	(94,179)
Annual NNN Expense	-	(23,453)	(24,274)	(25,123)	(26,003)	(26,913)	(27,855)	(28,829)	(29,839)	(30,883)	(31,964)
Tax Benefit For Lease Payment	-	24,186	25,032	25,908	26,815	27,754	28,725	29,730	30,771	31,848	32,963
Tax Benefit For Operating Expenses	-	8,208	8,496	8,793	9,101	9,419	9,749	10,090	10,443	10,809	11,187
After Tax Cost of Lease	(60,161)	(62,266)	(64,446)	(66,701)	(69,036)	(71,452)	(73,953)	(76,541)	(79,220)	(81,993)	

COST TO LEASE

Undiscounted Cash Flow	(\$705,768)
Undiscounted Avg. Monthly Cost PSF	(\$189.35)
Cash Flow Discounted @ 6.50%	(\$498,405)
Discounted Avg. Monthly Cost PSF	(\$119.31)

SUMMARY OF PURCHASE VS. LEASE

Building Appreciation Over 10 Years	\$270,835
Cash Flow Savings / Monthly Benefit PSF	\$1.15

← final sale value minus original purchase price
 ← difference between undiscounted average monthly cost to purchase vs. undiscounted average monthly cost to lease

This information is for illustration purposes only. Lee & Associates makes no representations or warranties as to the accuracy and validity of this report. Rates and terms are assumptive and each buyer should consult with their own tax accountant and attorney as to their own individual circumstances.

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LOAN WORK AREA

FIRST TD:

Pmt:	25,015 per year	2,085 per month	Loan Amount #1	329,805							
Int %:	6.500% per year	0.5417% per month	Selected Loan Type	0	← Interest Only and 0-Amortizing						
Term:	30 years	360 months	Loan Label #1	Debt Service @ 6.50%, 30 Year Amortization							
Year:	0	1	2	3	4	5	6	7	8	9	10
Mos:	360	348	336	324	312	300	288	276	264	252	240
K%:	0.006321	0.006392	0.006470	0.006556	0.006649	0.006752	0.006865	0.006991	0.007129	0.007284	0.007456
Pmt:	25,015	25,015	25,015	25,015	25,015	25,015	25,015	25,015	25,015	25,015	25,015
Bal:	329,805	326,119	322,185	317,989	313,511	308,734	303,636	298,197	292,394	286,202	279,596
Princ. Portion	3,686	3,933	4,197	4,478	4,778	5,097	5,439	5,803	6,192	6,606	7,049
Int. Portion:	21,329	21,082	20,818	20,537	20,238	19,918	19,576	19,212	18,823	18,409	17,980

SECOND TD:

Pmt:	22,378 per year	1,865 per month	Loan Amount #1	271,100							
Int %:	5.500% per year	0.4583% per month	Selected Loan Type	0	← Interest Only and 0-Amortizing						
Term:	20 years	240 months	Loan Label #1	Debt Service @ 5.50%, 20 Year Amortization							
Year:	0	1	2	3	4	5	6	7	8	9	10
Mos:	240	228	216	204	192	180	168	156	144	132	120
K%:	0.006879	0.007079	0.007303	0.007556	0.007843	0.008171	0.008548	0.008967	0.009502	0.010114	0.010853
Pmt:	22,378	22,378	22,378	22,378	22,378	22,378	22,378	22,378	22,378	22,378	22,378
Bal:	271,100	263,441	255,360	246,802	237,773	228,234	218,157	207,511	196,266	184,385	171,885
Princ. Portion	7,659	8,091	8,547	9,030	9,539	10,077	10,645	11,246	11,880	12,550	13,257
Int. Portion:	14,719	14,287	13,831	13,349	12,839	12,301	11,733	11,132	10,488	9,828	9,157

COMBINED:

Pmt:	11,345	12,024	12,744	13,507	14,316	15,174	16,084	17,049	18,072	19,157	20,297
Int. Portion:	36,048	35,369	34,649	33,886	33,077	32,219	31,309	30,344	29,321	28,237	27,090

Calculation of Loan Fees -

Loan to Value	1st TD	2nd TD	
Loan Amount	329,805	263,844	
Loan Fee %	0.500%	2.750%	
Loan Fee	1,649	7,256	
Short Term Note Fee %	-	0.670%	
Short Term Note Fee	-	1,768	
Appraisal	3,500	-	
Legal	2,000	-	
Enviro Report	-	-	
Other	-	-	
Total	5,149	11,023	