

17500 Red Hill Avenue, Building 100, Unit 140
Purchase vs. Lease Analysis
Lee & Associates

ASSUMPTIONS

Purchase Building Size in SF	3,672	1st TD	\$347,004	2nd TD	\$285,237	Total	\$632,241	Price Appreciation	3.50%
Lease Building Size in SF	3,672	Loan Amounts (see notes)	\$5,235	Loan Fees (see notes)	\$11,494	Equity Amount (see notes)	\$78,496	Building Value After 10 Years	\$978,967
Market Rent - NNN	\$1.65	Interest Rate	6.500%	Amortization Period	30	Monthly NNN Expense PSF	\$0.56	Cost of Sale	5.00%
Monthly NNN Expense PSF	\$0.56	Annual Rent+Expense Growth	3.50%	Monthly Debt Service	\$2,193	Annual Debt Service	\$4,155	Standard Tax Rate	35.00%
Annual Rent+Expense Growth	3.50%	Annual Debt Service	\$26,320	Loan Balance - End of Yr. 10	\$294,177	Annual Depreciation Deduction	\$474,972	Portion of Price For Building - %	80.00%
Total Building Cost	\$694,008	Loan Balance - End of Yr. 10	\$294,177	Annual Debt Service	\$23,545	Years to Depreciate Asset	39.50	Portion of Price For Building - \$s	\$555,206
Total Building Cost PSF	\$189.00	Annual Debt Service	\$23,545	Loan Balance - End of Yr. 10	\$180,796	Annual Depreciation Deduction	\$14,056	Years to Depreciate Asset	\$14,056

SCENARIO #1 - BUY BUILDING

3,672 Sq. Ft.	Initial	1	2	3	4	5	6	7	8	9	10
Initial Equity Investment	(78,496)	-	-	-	-	-	-	-	-	-	-
Annual Operating Expenses	-	(24,676)	(25,539)	(26,433)	(27,359)	(28,316)	(29,307)	(30,333)	(31,395)	(32,493)	(33,631)
Annual Debt Service	-	(49,865)	(49,865)	(49,865)	(49,865)	(49,865)	(49,865)	(49,865)	(49,865)	(49,865)	(49,865)
Reversion Value After 10 Years	-	-	-	-	-	-	-	-	-	-	-
Cost of Sale	-	-	-	-	-	-	-	-	-	-	(48,948)
Pay Off Remaining Loan Balance	-	-	-	-	-	-	-	-	-	-	(474,972)
Tax Benefit For Operating Expenses	-	8,637	8,939	9,252	9,575	9,911	10,258	10,617	10,988	11,373	11,771
Tax Benefit For Interest Expense	-	13,275	13,025	12,760	12,479	12,181	11,865	11,530	11,174	10,798	10,398
Tax Benefit For Depreciation	-	4,920	4,920	4,920	4,920	4,920	4,920	4,920	4,920	4,920	4,920
Capital Gain Tax Due at Sale	-	-	-	-	-	-	-	-	-	-	(94,142)
After Tax Cost of Ownership	(78,496)	(47,710)	(48,521)	(49,367)	(50,250)	(51,170)	(52,130)	(53,132)	(54,177)	(55,268)	304,497

COST TO OWN

Undiscounted Cash Flow	(\$235,726)
Undiscounted Avg. Monthly Cost PSF	(\$0.53)

Cash Flow Discounted @ 6.50%	(\$255,147)
Discounted Avg. Monthly Cost PSF	(\$0.58)

NOTES: 1. The second TD includes financed loan fees of: \$7,634 (see loan quote sheet)
 2. The total equity amount includes loan fees not financed of: \$9,095 (see loan quote sheet)

SCENARIO #2 - LEASE BUILDING

3,672 Sq. Ft.	Initial	1	2	3	4	5	6	7	8	9	10
Annual NNN Rent	-	(72,705)	(75,250)	(77,864)	(80,610)	(83,431)	(86,351)	(89,374)	(92,502)	(95,739)	(99,080)
Annual NNN Expense	-	(24,676)	(25,539)	(26,433)	(27,359)	(28,316)	(29,307)	(30,333)	(31,395)	(32,493)	(33,631)
Tax Benefit For Lease Payment	-	25,447	26,338	27,259	28,213	29,201	30,223	31,281	32,376	33,509	34,682
Tax Benefit For Operating Expenses	-	8,637	8,939	9,252	9,575	9,911	10,258	10,617	10,988	11,373	11,771
After Tax Cost of Lease	(78,496)	(63,238)	(65,513)	(67,805)	(70,180)	(72,636)	(75,178)	(77,809)	(80,533)	(83,351)	(86,269)

COST TO LEASE

Undiscounted Cash Flow	(\$742,573)
Undiscounted Avg. Monthly Cost PSF	(\$1.69)

Cash Flow Discounted @ 6.50%	(\$524,397)
Discounted Avg. Monthly Cost PSF	(\$1.19)

SUMMARY OF PURCHASE VS. LEASE

Building Appreciation Over 10 Years	\$284,959
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.

17500 Red Hill Avenue, Building 100, Unit 140
 Purchase vs. Lease Analysis
 Lee & Associates

LOAN WORK AREA

FIRST TD:

Pmt:	26,320	per year	2,193	per month	347,004																		
Int %:	6.500%	per year	0.5417%	per month	0																		
Term:	30	years	360	months																			
									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		240
K%:	0.006321		0.006392		0.006470		0.006556		0.006649		0.006752		0.006865		0.006991		0.007129		0.007284		0.007456		0.007456
Pmt:	26,320		26,320		26,320		26,320		26,320		26,320		26,320		26,320		26,320		26,320		26,320		26,320
Bal:	347,004		343,125		338,987		334,572		329,861		324,834		319,471		313,748		307,642		301,128		294,177		294,177
Pmt:	3,879		4,138		4,415		4,711		5,027		5,363		5,723		6,106		6,515		6,951		7,414		7,899
Int. Portion:	22,441		22,181		21,904		21,608		21,293		20,956		20,597		20,214		19,805		19,369		18,907		18,369

SECOND TD:

Pmt:	23,545	per year	1,962	per month	285,237																		
Int %:	5.500%	per year	0.4583%	per month	0																		
Term:	20	years	240	months																			
									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		120
K%:	0.006879		0.007079		0.007303		0.007556		0.007843		0.008171		0.008548		0.008987		0.009502		0.010114		0.010853		0.010853
Pmt:	23,545		23,545		23,545		23,545		23,545		23,545		23,545		23,545		23,545		23,545		23,545		23,545
Bal:	285,237		277,179		268,666		259,673		250,172		240,136		229,533		218,333		206,501		194,001		180,796		180,796
Pmt:	8,058		8,513		8,993		9,500		10,036		10,602		11,201		11,832		12,500		13,205		13,949		14,728
Int. Portion:	15,487		15,032		14,552		14,045		13,509		12,943		12,346		11,713		11,046		10,340		9,597		8,820

COMBINED:

Pmt:	11,937		12,651		13,409		14,212		15,063		15,966		16,923		17,938		19,014		20,156		21,365		22,639
Int. Portion:	37,928		37,214		36,456		35,653		34,802		33,899		32,942		31,927		30,850		29,709		28,502		27,240

Calculation of Loan Fees -

Loan to Value	1st TD	2nd TD
Loan Amount	347,004	277,603
Loan Fee %	0.500%	2.750%
Loan Fee	1,735	7,634
Short Term Note Fee %	-	0.670%
Short Term Note Fee	-	1,860
Appraisal	3,500	-
Legal	-	2,000
Environ Report	-	-
Other	-	-
Total	5,235	11,494