

## The Offices at Forest City Road - Lease vs. Own Analysis

### Advantage of Ownership versus Leasing (1 year)

	Ownership		Leasing	
	Cost / Savings	Per SF	Cost / Savings	Per SF
<b>\$261,660 Purchase Price (\$245/sf/finished)</b>				
Debt Service / Rental Rate (1,2)	\$20,883.00	\$19.55	\$25,200.00	\$21.00
Estimated Operating Expenses (3)	\$2,852.00	\$2.67	\$0.00	\$0.00
Less: Amortization Paid Down (4)	(\$2,778.00)	(\$2.60)	\$0.00	\$0.00
Less: Interest Tax Savings (5)	(\$6,337.00)	(\$5.93)	\$0.00	\$0.00
Less: Depreciation Tax Savings (6)	(\$2,028.00)	(\$1.90)	\$0.00	\$0.00
Less: Rent Expense Tax Savings (7)	\$0.00	\$0.00	(\$9,393.30)	(\$7.83)
Less: Tax on Rental (8)	\$0.00	\$0.00	\$1,638.00	\$1.37
<b>Net Ownership Cost vs. Net Leasing Cost</b>	<b>\$12,592.00</b>	<b>\$11.79</b>	<b>\$17,444.70</b>	<b>\$14.54</b>

### Advantage of Ownership versus Leasing (1-5 years)

	Ownership	Leasing
	Cost / Savings	Cost / Savings
<b>\$261,660 Purchase Price (\$245/sf/finished)</b>		
Principal & Interest Payments/Rent Paid	\$104,415.00	\$133,790.22
Original Investment	<u>\$26,166.00</u>	<u>\$0.00</u>
Total Cash Outlay during Holding Period	\$130,581.00	\$133,790.22
Investment Return on Sale	(\$26,166.00)	\$0.00
Investment Appreciation on Sale (9)	(\$67,461.00)	\$0.00
Mortgage Principal Paid	<u>(\$23,898.00)</u>	<u>\$0.00</u>
Total Ownership Cash Expenditure over 5 years Ownership/Rental	<u><u>\$13,056.00</u></u>	<u><u>\$133,790.22</u></u>

**CASH SAVINGS WITH OWNERSHIP \$120,734.00**

Based on a 1,068 sq. ft. space, \$195/sf shell cost + \$50/sf interior improvements (\$245/sf)

- 1) Lease rate is based on the average 5 year rent with 3% annual escalation.
- 2) Debt Service assumes a 90% LTV loan at a 7.5% interest rate and a 25 year Amortization
- 3) As leases are on a gross basis, ownership costs are added as Operating Expenses
- 4) Year 1 Loan Amortization
- 5) Based on a 35% Tax bracket
- 6) Depreciation: 39.5 year Schedule, 35% Tax bracket
- 7) Rent expense deduction on leases; 35% Tax bracket
- 8) Leases are subject to 6.5% sales tax while no sales tax is paid on a mortgage.
- 9) Annual appreciation rate of 6.5% per year