

3198 Airport Loop Dr, Bldg M Buy vs. Lease Analysis

Building Size:	8,000
Price per SF:	\$360
Price:	\$2,880,000
Down payment 10%:	\$288,000
LTV%:	90%
Loan Amount:	\$2,592,000
Amortization Term:	25
Interest Rate:	4.50%
Monthly Payment:	(\$14,407)
Depreciable Basis:	\$2,304,000
Depreciable Life:	39
Annual Depreciation:	\$59,077

<u>Estimated Operating Costs</u>	
Operating Costs /	\$0.47 (Taxes, Ins., Ass.)
Annually:	\$45,120
Monthly:	\$3,760



Own vs. Lease Comparison

<u>Own</u>	
Building Size:	8,000
Price:	\$2,880,000
<u>Cash Required</u>	
10% Down Payment	\$288,000
Financing / Escrow Fees:	\$43,200
<u>Monthly Costs</u>	
Mortgage Payment	\$14,407
Operating Costs	\$3,760
Total Monthly Costs:	\$18,167
<u>Ownership Benefits / Costs</u>	
Interest Expense:	\$9,000
Depreciation Benefit:	\$4,923
Expenses:	\$3,760
Total Tax Deductible;	\$17,683
Tax Savings: 35%	\$6,189
Monthly Appreciation @ 2%:	\$4,800
Effective Cost to Own:	\$7,178
Cost per SF per Month	\$0.90

<u>Lease</u>	
Rent per SF per month NNN	\$1.15
Rent per month	\$9,200
<u>Cash Required</u>	
Security Deposit / Rent	\$18,400
<u>Monthly Costs</u>	
Rent Payment	\$9,200
Operating Costs	\$3,760
Total Monthly Costs:	\$12,960
Tax Savings: 35%	\$4,536
Effective Cost to Lease:	\$8,424
Cost per SF per Month	\$1.05

Pros to Purchasing Your own Building:

- No more annual rent increases
- Buildup of equity
- Pride of Ownership
- The Property will appreciate in value over time.
- You can take annual depreciation deductions on taxes
- Possible benefit if you sell in an expanding market
- Opportunity to stay in one location as long as you decide
- Interest on the mortgage loan is tax deductible
- Improvements can be made to the property as you wish
- Ability to sublet excess space to other occupants

Pros to Leasing a Building:

- Don't need to worry about selling if moving to a new location
- Your monthly rent is a tax deduction as a business expense.
- The freedom to sublet or move if need be at the end of the lease.