

LEASE VS BUY REPORT NAME

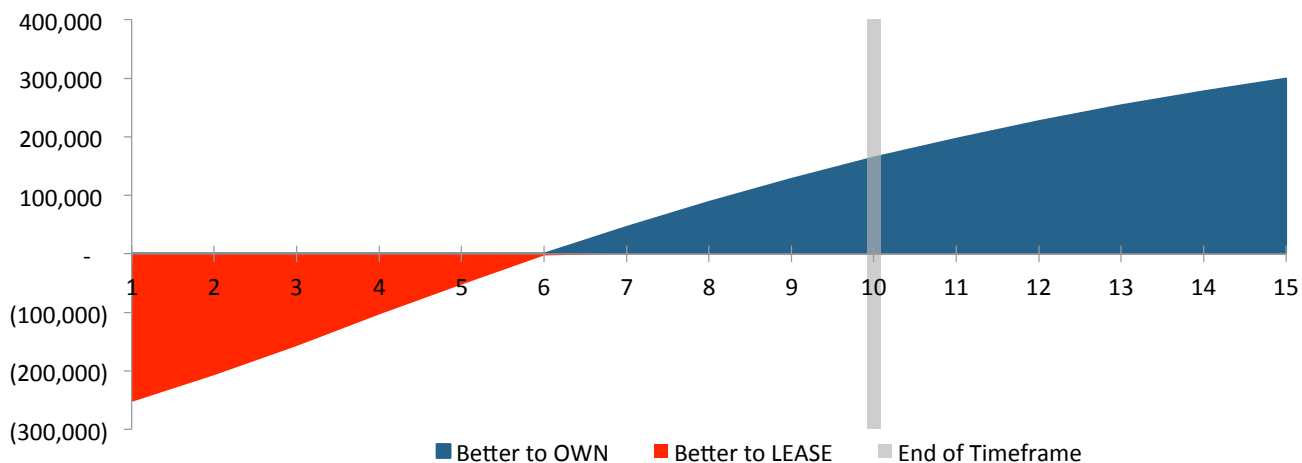
COLLEGE BUILDING			BANK OF AMERICA TOWER		
Property Size	20,000 rsf		Rentable Area	20,000 sf	
Purchase Price	\$2,450,000		Beginning Base Rent	\$14.00/rsf	
Year 10 Sale Price	\$3,292,595		Rental Rate Increases	3.00%	
Annual Rate of Appreciation	3.00%		Increase Frequency	every 12 months	
Financing Assumptions			Global Assumptions		
Loan Amount:	\$1,715,000	Equity Required:	\$759,500	Analysis Timeframe	10 years
Annual Payment:	\$120,309	Amortization:	25 years	Marginal Tax Rate	35.00%
Monthly Payment:	\$10,026	Interest Rate:	5.00%	NPV Discount Rate	8.00%

BEFORE INCOME TAX BENEFITS CASH FLOW				CASH FLOW per RSF		
	Own	Lease	Difference	Own	Lease	Difference
Acquisition	(759,500)	-	(759,500)	(37.98)	-	(37.98)
Year 1	(585,309)	(288,750)	(296,559)	(29.27)	(14.44)	(14.83)
Year 2	(264,509)	(339,400)	74,891	(13.23)	(16.97)	3.74
Year 3	(268,835)	(348,351)	79,516	(13.44)	(17.42)	3.98
Year 4	(273,290)	(359,024)	85,734	(13.66)	(17.95)	4.29
Year 5	(277,880)	(369,264)	91,384	(13.89)	(18.46)	4.57
Year 6	(282,607)	(379,801)	97,194	(14.13)	(18.99)	4.86
Year 7	(287,476)	(390,643)	103,167	(14.37)	(19.53)	5.16
Year 8	(292,491)	(401,799)	109,308	(14.62)	(20.09)	5.47
Year 9	(297,656)	(413,279)	115,622	(14.88)	(20.66)	5.78
Year 10	(302,977)	(425,091)	122,114	(15.15)	(21.25)	6.11
Sale Proceeds	1,635,091	-	1,635,091	81.75	-	81.75
	-	-	-	-	-	-
TOTALS	(2,257,438)	(3,715,401)	1,457,963	(9.41)	(18.58)	9.17
NPV of Differential @ 8.0%			270,717			
IRR of OWN vs. LEASE Differential			11.22%			

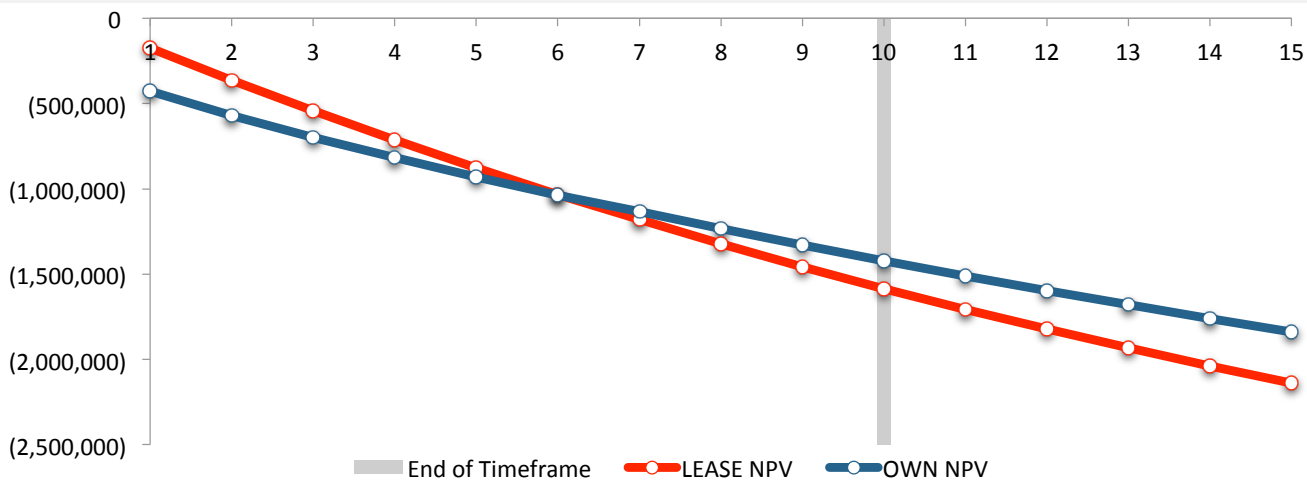
AFTER INCOME TAX BENEFITS CASH FLOW				CASH FLOW per RSF		
	Own	Lease	Difference	Own	Lease	Difference
Acquisition	(759,500)	-	(759,500)	(37.98)	-	(37.98)
Year 1	(474,313)	(187,688)	(286,626)	(23.72)	(9.38)	(14.33)
Year 2	(151,980)	(220,610)	68,630	(7.60)	(11.03)	3.43
Year 3	(155,458)	(226,428)	70,970	(7.77)	(11.32)	3.55
Year 4	(159,054)	(233,366)	74,312	(7.95)	(11.67)	3.72
Year 5	(162,772)	(240,022)	77,249	(8.14)	(12.00)	3.86
Year 6	(166,618)	(246,871)	80,253	(8.33)	(12.34)	4.01
Year 7	(170,595)	(253,918)	83,322	(8.53)	(12.70)	4.17
Year 8	(190,959)	(261,169)	70,210	(9.55)	(13.06)	3.51
Year 9	(195,215)	(268,631)	73,416	(9.76)	(13.43)	3.67
Year 10	(199,617)	(276,309)	76,692	(9.98)	(13.82)	3.83
Sale Proceeds	1,635,091	-	1,635,091	81.75	-	81.75
	-	-	-	-	-	-
TOTALS	(1,150,990)	(2,415,011)	1,264,021	(4.80)	(12.08)	7.28
NPV of Differential @ 8.0%			164,216			
IRR of OWN vs. LEASE Differential			10.01%			

LEASE VS BUY REPORT NAME

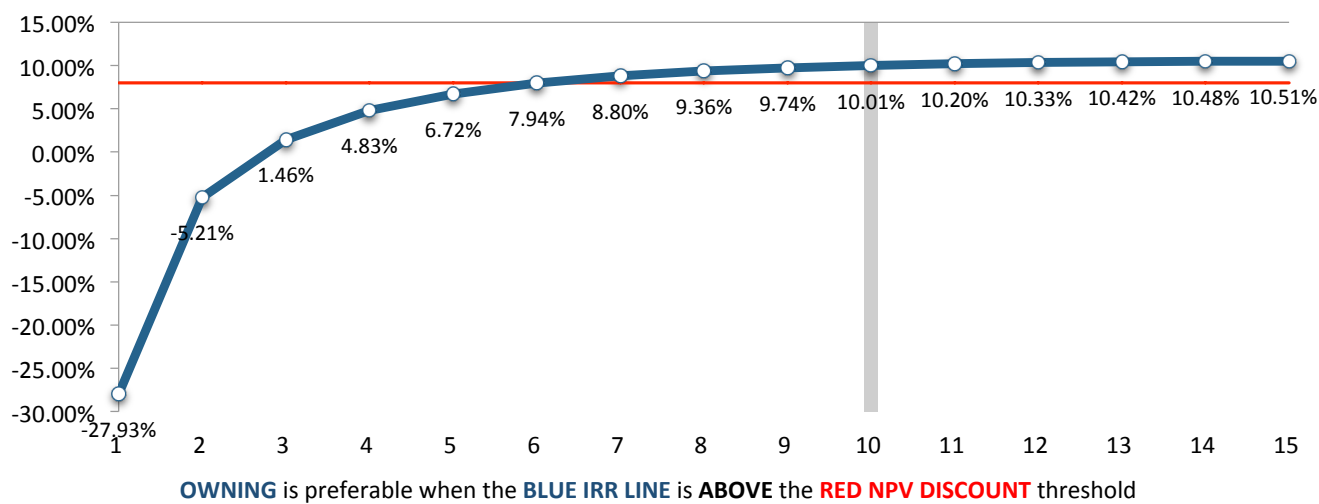
NPV OF CASH FLOW DIFFERENTIAL BY HOLD PERIOD DURATION



NET PRESENT VALUE OF OWNING and LEASING BY HOLD PERIOD DURATION



THE INTERNAL RATE OF RETURN (IRR) OF THE OWN vs LEASE CASH FLOW DIFFERENTIAL



Lease vs Buy Report Name

Lease Scenerio Cash Flow Statement

Bank of America Tower
100 North Tryon Street, Charlotte, NC

NOTES: Asking Rent is \$20.00 + E

Base Rent Assumptions		Tenant Expense Assumptions				Rent Abatement Assumptions				Capital Expenditures					
Property Size	20,000 RSF	Name	Amount	Growth %	Exp. Stop	Items to Abate	Begin Mo	End Mo	% Abate	Name	Occurs in Mo.	\$ Amount	Useful Life		
Base Rental Rate	\$14.00/rsf	Eletricity	\$2.50 /rsf	2.00%	\$0.00	Rent & Expenses	1	3	50%	Tenant Finish	1	\$500,000	10		
Increase base rent by	3.00%									TI Allowance	1	-\$500,000	10		
First increase occurs in month	13														
Then, Increase rent every	12 months														
Annual Financial Detail	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Base Rent	(280,000)	(288,400)	(296,331)	(305,964)	(315,142)	(324,597)	(334,335)	(344,365)	(354,696)	(365,336)	(376,297)	(387,585)	(399,213)	(411,189)	(423,525)
<i>Tenant Expense Detail</i>															
<i>Eletricity</i>	(50,000)	(51,000)	(52,020)	(53,060)	(54,122)	(55,204)	(56,308)	(57,434)	(58,583)	(59,755)	(60,950)	(62,169)	(63,412)	(64,680)	(65,974)
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Tenant Expenses	(50,000)	(51,000)	(52,020)	(53,060)	(54,122)	(55,204)	(56,308)	(57,434)	(58,583)	(59,755)	(60,950)	(62,169)	(63,412)	(64,680)	(65,974)
Abatement	41,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tenant's Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Annual Cash Flow	(288,750)	(339,400)	(348,351)	(359,024)	(369,264)	(379,801)	(390,643)	(401,799)	(413,279)	(425,091)	(437,246)	(449,754)	(462,625)	(475,870)	(489,499)
Income Tax Deductions & Additions															
Base Rent & Expenses	288,750	339,400	348,351	359,024	369,264	379,801	390,643	401,799	413,279	425,091	437,246	449,754	462,625	475,870	489,499
Capital Investment Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Income Tax Deductions	288,750	339,400	348,351	359,024	369,264	379,801	390,643	401,799	413,279	425,091	437,246	449,754	462,625	475,870	489,499
Total Marginal Tax Rate	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
After Tax Cash Adjustments	101,063	118,790	121,923	125,658	129,242	132,930	136,725	140,630	144,648	148,782	153,036	157,414	161,919	166,554	171,325
Cash Flow by Year															
Before Tax Cash Flow	(288,750)	(339,400)	(348,351)	(359,024)	(369,264)	(379,801)	(390,643)	(401,799)	(413,279)	(425,091)	(437,246)	(449,754)	(462,625)	(475,870)	(489,499)
per RSF	-\$14.44	-\$16.97	-\$17.42	-\$17.95	-\$18.46	-\$18.99	-\$19.53	-\$20.09	-\$20.66	-\$21.25	-\$21.86	-\$22.49	-\$23.13	-\$23.79	-\$24.47
After Tax Cash Flow	(187,688)	(220,610)	(226,428)	(233,366)	(240,022)	(246,871)	(253,918)	(261,169)	(268,631)	(276,309)	(284,210)	(292,340)	(300,706)	(309,315)	(318,174)
per RSF	-\$9.38	-\$11.03	-\$11.32	-\$11.67	-\$12.00	-\$12.34	-\$12.70	-\$13.06	-\$13.43	-\$13.82	-\$14.21	-\$14.62	-\$15.04	-\$15.47	-\$15.91
Cumulative Cost by Year															
Before Income Tax Benefit	(288,750)	(628,150)	(976,501)	(1,335,525)	(1,704,789)	(2,084,590)	(2,475,233)	(2,877,032)	(3,290,310)	(3,715,401)	(4,152,648)	(4,602,402)	(5,065,027)	(5,540,897)	(6,030,396)
After Income Tax Benefit	(187,688)	(408,298)	(634,726)	(868,091)	(1,108,113)	(1,354,983)	(1,608,901)	(1,870,071)	(2,138,702)	(2,415,011)	(2,699,221)	(2,991,561)	(3,292,267)	(3,601,583)	(3,919,757)
Lease Net Present Value															
Before Tax NPV	(267,361)	(558,342)	(834,874)	(1,098,767)	(1,350,082)	(1,589,421)	(1,817,358)	(2,034,437)	(2,241,179)	(2,438,079)	(2,625,606)	(2,804,210)	(2,974,316)	(3,136,331)	(3,290,642)
After Tax NPV	(173,785)	(362,922)	(542,668)	(714,199)	(877,554)	(1,033,124)	(1,181,282)	(1,322,384)	(1,456,767)	(1,584,751)	(1,706,644)	(1,822,736)	(1,933,305)	(2,038,615)	(2,138,917)

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Prepared on
March 20, 2014

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Lease vs Buy Report Name

Own Scenerio Cash Flow Statement

College Building
110 S College Street

NOTES: Asking Price is \$2.5 million

Purchase Assumptions

Property Size	20,000 RSF
Purchase Price	\$2,450,000
Est. Land Value	\$612,500

Sale Assumptions

Value Appreciation	3.00%
Closing Costs (% of price)	1.00%
Cost of Sale (% of price)	4.00%

Ownership Expenses

Name	Amount	Growth %
Operating Expenses	\$7.00/rsf	3.00%

Capital Expenditures

Name	Occurs in Mo.	\$ Amount
Capital Expenditures	1	\$325,000

Financing

Loan Amount	\$1,715,000
Loan to Value	70.00%
Interest Rate	5.00%
Amortization Period	25 years

Depreciation & Tax Rates

Capital Gains Tax Rate	15.00%
Depreciation Recapture	25.00%
Depreciation Cycle	39 years

Annual Financial Detail	Acquisition	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Rental Income		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Ownership Expenses		(140,000)	(144,200)	(148,526)	(152,982)	(157,571)	(162,298)	(167,167)	(172,182)	(177,348)	(182,668)	(188,148)	(193,793)	(199,607)	(205,595)	(211,763)
Capital Expenditures		(325,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service		(120,309)	(120,309)	(120,309)	(120,309)	(120,309)	(120,309)	(120,309)	(120,309)	(120,309)	(120,309)	(120,309)	(120,309)	(120,309)	(120,309)	(120,309)
Operating Cash Flow		(585,309)	(264,509)	(268,835)	(273,290)	(277,880)	(282,607)	(287,476)	(292,491)	(297,656)	(302,977)	(308,457)	(314,101)	(319,915)	(325,903)	(332,071)
Income Tax Deductions																
Ownership Expenses		140,000	144,200	148,526	152,982	157,571	162,298	167,167	172,182	177,348	182,668	188,148	193,793	199,607	205,595	211,763
Interest Expense		84,947	83,138	81,236	79,237	77,136	74,927	72,605	70,164	67,599	64,902	62,068	59,088	55,956	52,663	49,202
Capital Expenditure Depreciation		46,429	46,429	46,429	46,429	46,429	46,429	46,429	-	-	-	-	-	-	-	-
Asset Depreciation		45,754	47,744	47,744	47,744	47,744	47,744	47,744	47,744	47,744	47,744	47,744	47,744	47,744	47,744	47,744
Total Income Tax Deductions		317,130	321,510	323,934	326,391	328,879	331,397	333,945	290,090	292,690	295,314	297,959	300,624	303,306	306,002	308,709
Total Marginal Tax Rate		35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Tax Deduction Cash Benefit Adjustment		110,995	112,528	113,377	114,237	115,108	115,989	116,881	101,532	102,442	103,360	104,286	105,218	106,157	107,101	108,048
CF After Income Tax Benefit		(474,313)	(151,980)	(155,458)	(159,054)	(162,772)	(166,618)	(170,595)	(190,959)	(195,215)	(199,617)	(204,171)	(208,883)	(213,758)	(218,803)	(224,023)
Purchase / Sale Price	(2,450,000)	2,523,500	2,599,205	2,677,181	2,757,497	2,840,221	2,925,428	3,013,191	3,103,587	3,196,694	3,292,595	3,391,373	3,493,114	3,597,908	3,705,845	3,817,020
Loan Amount	1,715,000	(1,679,638)	(1,642,467)	(1,603,395)	(1,562,323)	(1,519,150)	(1,473,768)	(1,426,065)	(1,375,921)	(1,323,211)	(1,267,805)	(1,209,564)	(1,148,343)	(1,083,990)	(1,016,345)	(945,238)
Transaction Costs	(24,500)	(100,940)	(103,968)	(107,087)	(110,300)	(113,609)	(117,017)	(120,528)	(124,143)	(127,868)	(131,704)	(135,655)	(139,725)	(143,916)	(148,234)	(152,681)
Sale Proceeds	(759,500)	742,922	852,769	966,699	1,084,874	1,207,462	1,334,643	1,466,598	1,603,522	1,745,615	1,893,087	2,046,154	2,205,047	2,370,001	2,541,266	2,719,101
Net Proceeds After Taxes	(759,500)	834,012	885,462	947,794	1,023,150	1,102,341	1,188,870	1,284,645	1,396,616	1,513,366	1,635,091	1,761,999	1,894,305	2,032,233	2,176,020	2,325,909
Cash Flow By Year																
Before Income Tax Cash Benefits per RSF	(759,500)	(585,309)	(264,509)	(268,835)	(273,290)	(277,880)	(282,607)	(287,476)	(292,491)	(297,656)	(302,977)	(308,457)	(314,101)	(319,915)	(325,903)	(332,071)
After Income Tax Cash Benefits per RSF	(759,500)	(474,313)	(151,980)	(155,458)	(159,054)	(162,772)	(166,618)	(170,595)	(190,959)	(195,215)	(199,617)	(204,171)	(208,883)	(213,758)	(218,803)	(224,023)
		-29.27	-13.23	-13.44	-13.66	-13.89	-14.13	-14.37	-14.62	-14.88	-15.15	-15.42	-15.71	-16.00	-16.30	-16.60
		-23.72	-7.60	-7.77	-7.95	-8.14	-8.33	-8.53	-9.55	-9.76	-9.98	-10.21	-10.44	-10.69	-10.94	-11.20
Cumulative Cost by Year																
Before Income Tax Cash Benefits	(759,500)	(510,797)	(723,855)	(930,358)	(1,128,293)	(1,326,981)	(1,523,059)	(1,714,760)	(1,895,280)	(2,076,187)	(2,257,438)	(2,438,987)	(2,620,783)	(2,802,770)	(2,984,887)	(3,167,068)
After Income Tax Cash Benefits	(759,500)	(399,802)	(500,331)	(593,457)	(677,155)	(760,735)	(840,825)	(915,645)	(994,633)	(1,073,099)	(1,150,990)	(1,228,253)	(1,304,830)	(1,380,660)	(1,455,677)	(1,529,810)
Net Present Value by Year																
Before Tax NPV	-	(529,219)	(769,085)	(989,246)	(1,190,467)	(1,381,398)	(1,560,533)	(1,727,884)	(1,880,938)	(2,027,329)	(2,167,362)	(2,301,326)	(2,429,497)	(2,552,135)	(2,669,491)	(2,781,800)
After Tax NPV	-	(426,446)	(569,836)	(699,995)	(817,248)	(929,839)	(1,035,882)	(1,135,034)	(1,233,233)	(1,328,378)	(1,420,535)	(1,509,773)	(1,596,160)	(1,679,765)	(1,760,657)	(1,838,905)

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Prepared on
March 20, 2014

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Pros & Cons Summary of Leasing vs. Owning

Advantages of Leasing

Location. Leasing can allow a user to occupy space at a premier location, or in a synergistic multi-tenant environment, that the user otherwise couldn't afford.

Flexibility & Mobility. Leasing can provide greater flexibility to a user who may need to expand or contract, and can provide mobility if a user needs or wants to relocate.

Availability of Cash. Leasing typically requires less cash out of pocket than ownership alternatives, leaving more capital to invest in the user's products and services or to establish additional locations.

Source of Financing. Leasing can be viewed as a source of financing, since many small or marginally profitable firms may find traditional financing difficult to obtain.

Stability of Costs. The long-term occupancy costs of leasing, when viewed from the user's perspective, are generally simple to estimate and typically include base rent (pure net, pure gross, or a hybrid), operating expense pass-throughs, amortized tenant improvements, percentage rent (retail), and the like. Although some leases may expose a user to certain capital expenditures, tenants are generally insulated from unforeseen capital costs such as the replacement of mechanical systems, structural repairs, and roof or parking lot replacement.

Tax Benefits: Unlike ownership, the occupancy costs of leasing are fully deductible, including that portion of rent attributable to the value of the land.

Focus: Leasing space allows the user to concentrate on its primary business without the distractions of management.

Disadvantages of Leasing

Cost. For a firm with a strong earnings record, ready access to capital, and the ability to take advantage of tax benefits from ownership, leasing is often the more expensive alternative.

Loss of Appreciation. Leasing means the tenant does not benefit from property appreciation.

Contractual Penalties. If a leased property becomes obsolete or the business occupying the space becomes unprofitable, the tenant must continue paying rent or face penalties for default.

Loss of Salvage Value. Most leases provide that any improvements made by the tenant become the property of the landlord at the end of the lease term, or the landlord may require that the tenant remove any improvements made to the premises at the tenant's expense.

Control. When leasing, a user located in a building with other tenants has little or no control over the types of the other tenants placed in the building. These other tenants can have an adverse impact on parking, hours of operation, use or compatibility, or building services.

Pros & Cons Summary of Leasing vs. Owning

Advantages of Owning

Appreciation. An owner enjoys the benefit of capital appreciation over time.

Debt Reduction & Equity Build-up. Assuming conventional financing, an owner enjoys debt reduction and equity build-up through amortization of the original loan amount, since both interest and principal are included in every mortgage payment.

Control. Within certain legal limits, a user who owns a building enjoys the opportunity to operate the building as they see fit.

Income. If a portion of the property is rented, income from other tenants can be used to pay the mortgage on the property or for other business or investment purposes.

Tax Advantages. An owner enjoys the benefit of interest and cost recovery deductions that reduce the annual tax liability from real estate operations. The accumulated cost recovery deductions, although taxed at the time of sale, are currently taxed at 25 percent, which is typically less than the user's marginal tax rate applied to ordinary income and the user enjoys the benefit of those untaxed dollars until the property is sold. The capital gain from appreciation, while currently taxed at 15 percent, is often 87 to 133 percent less than the user's ordinary income tax rate.

Disadvantages of Owning

Time Frame. The decision to purchase should be made with a holding period in mind of at least five years. Although historically commercial properties tend to appreciate in value, the costs of acquisition and disposition may offset or eliminate the benefits of appreciation over a short-term holding period.

Inflexibility. Often, owned facilities do not lend themselves to the expansion or contraction of building improvements.

Initial Capital Outlay. Most commercial lenders require equity at closing of 20 to 30 percent of the cost of the property acquired. This equity requirement ties up capital that could otherwise be deployed to grow the user's business.

Management. The management of commercial property can absorb manpower and require an owner to focus on building management issues such as legal compliance, health and safety issues, contractor management, and other issues not related to the user's primary business.

Financing. The sources and availability of debt may be limited in times of economic recession or depression, and rising interest rates may make refinancing difficult or impossible.

Financial Liability. Although equity financing and investment capital may be readily available, a commitment to long-term debt financing often involves a 20 to 30 year amortization and possible loan provisions that mandate pre-payment penalties if a loan is paid off prematurely.

Risks. There are numerous risks to ownership, including internal and external obsolescence, market risks, financing risks, and unforeseen capital requirements for repairs and maintenance.