

PACIFIC COMMERCE CENTER



OWN VS. LEASE

Building Size
10,228 SF
Price
\$3,017,260
(\$295 PSF)

Office Build-Out Cost
\$613,680
(\$60 PSF)
Starting Rental Rate
\$1.75 PSF/Mo NNN

Rental Rate Increases
3.00% Annually
Operating Expenses (NNN fees)
\$0.65 PSF/Mo

Operating Expense Increases
3.00% Annually

Monthly Comparison

Monthly Comparison	PURCHASE	LEASE
Sale Price (Includes Office Build Out)	\$3,630,940	N/A
Loan (90%)	\$3,267,846	N/A
Down Payment (10%)	\$363,094	N/A
Closing Costs (2% of loan)	\$63,357	N/A
TOTAL PURCHASE COST	\$428,451	N/A
Prepaid Rent & Security Deposit	N/A	\$49,094
Mortgage Payment - Principal of Interest (6.20% ,25 years)	\$21,061	N/A
Rent/Mo (\$2.01 NNN effective over 10 yrs)	N/A	\$20,448
Operating Expenses / NNN Fees (\$0.75 PSF/Mo effective over 10 yrs)	\$7,595	\$7,595
Imputed Interest on Downpayment @ 5%	\$1,513	\$0
TOTAL MONTHLY COST	\$30,169	\$28,042
OWNERSHIP FINANCIAL BENEFITS		
Depreciation Tax Savings (40% Tax Bracket)	\$3,103	N/A
Appreciation (3% per year)	\$9,223	N/A
Mortgage Interest Effective Tax Savings (40% Tax Bracket)	\$5,849	N/A
Lease and Operating Expense Payment Tax Savings (40% Tax Bracket)	\$3,038	\$11,217
SUBTOTAL	\$21,213	
NET MONTHLY COST	\$8,955	\$16,825
Difference in Net Monthly Cost	(\$7,870)	

10 Year Comparison

10 Year Comparison	PURCHASE	LEASE
Sale Price (Includes Office Build Out)	\$3,630,940	N/A
Loan (90%)	\$3,267,846	N/A
Mortgage Payments - Principal of Interest	\$2,527,254	N/A
Lease Payments	N/A	\$2,453,738
Principal Paid	\$772,552	N/A
Interest Paid	\$1,754,742	N/A
Mortgage Balance after 20 months	\$2,495,294	N/A
EQUITY ESTIMATE AT END OF 10-YEAR PERIOD		
Estimated Value in 2016 (3% in appreciation)	\$4,737,542	N/A
Less Loan Balance	(\$2,495,294)	\$0
OWNER EQUITY VALUE	\$2,242,247	\$0
(40% Tax Bracket)		
CASH OUTLAY TOTALS:		
Mortgage Payments	\$2,527,294	N/A
Lease Payments	N/A	\$2,453,738
Operating Expenses / NNN Fees	\$911,388	\$911,388
Capital Gain Tax (20% of basis)	\$221,320	N/A
Add: Depreciation/Tax Savings	(\$372,404)	(\$1,346,051)
Add: Mortgage Interest/Tax Savings	(\$701,897)	N/A
Add: Equity Value	(\$2,242,247)	N/A
NET 10-YEAR COST	\$343,454	\$2,019,076
Difference in 10-Year Cost	(\$1,675,622)	

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