

AMERISTA COMMERCIAL R

Office Condo Rent vs. Buy

This comparison is based on purchase of space and the costs related thereto versus leasing a similar space at assumed fixed market rate. The assumptions may be changed to reflect the actual costs incurred. Any representation based on actual costs should be reviewed and confirmed by your CPA or financial advisor.

	<u>Rent</u>	<u>Buy</u>
Purchase Price is \$616,000		
20% down payment		123,200
Amount financed is \$492,800		
Rent Deposit	5,000	-
Total Initial Costs	<u>5,000</u>	<u>123,200</u>
Cash expenses - 20 years		
Rent Expense	1,000,000	-
Note Payment	-	852,840
Tax, Ins, C A M at \$8/SF	448,000	448,000
Total Cash Expenses	<u>1,448,000</u>	<u>1,300,840</u>
Depreciation		266,660
Purchase tax benefits at 35%	-	93,331
Net Cash Outlay	1,448,000	1,207,509
Less Property Equity + 2% annual appreciation	-	868,000
Sub-total	1,448,000	339,509
Add Lost Investment Earnings	-	-
Net Cash Costs	<u>\$ 1,448,000</u>	<u>\$ 339,509</u>
NET COST PER SQUARE FOOT	<u>\$ 36.20</u>	<u>\$ 8.49</u>

Additional note, because real estate depreciated is recaptured when the property sells at a tax rate of 25% and deducted against ordinary income at 35% in this example there would be a permanent tax savings on the project

Depreciation taken above	266,660
Tax benefit when depreciated	93,331
Tax expense for prior depreciation when sold	66,665
Permanent tax savings in this example	<u>\$ 26,666</u>

Assumptions:

- Purchase of 2800 square feet of space
- Purchase price is \$180 per square foot plus \$40 per square foot finish out
- 20% down payment of total purchase price
- Remainder purchase is financed at 6% for twenty years
- Lost investment earnings computed at 5% compounded quarterly
- Rent is computed at \$25 per square foot
- Purchase price rental is computed at \$25 per square foot for leasehold improvements
- Depreciable life of purchase is 39 years; Leasehold improvements over life of lease

This data deemed reliable but not guaranteed