



Century Office Condominiums
Lease vs. Buy Analysis
 Own Your Office - It's Just Smart Business

Ownership of an office condominium at Century Office Condominiums costs less on a monthly cash flow basis than leasing the same space, and over time the owner builds significant equity through real estate appreciation, tax savings (depreciation) and by principal paydown compared to paying rent to the landlord.

Lease		Buy	
Comparable Lease Rate (NNN/sf)	\$ 14.25	Shell Purchase Price \$142 X 4,000 sf	\$ 568,000
Unit Size (sf)	4,000	Unit Size (sf)	\$ 4,000
		Cost of Unit Build-out (\$35 psf)	\$ 140,000

Initial Cash Costs	
Security Deposit (1month)	\$ 4,750
Cost of interior build-out	Included
Total Initial Cash Costs	\$ 4,750

Initial Cash Costs:	
A: Shell Purchase Price	\$ 568,000
B: Cost of Build-out	\$ 140,000
C: Loan Fees & Closing Costs	\$ 6,120
D: Interest, Fees & Taxes During Build-out period (3 months)	\$ 9,000
Total Purchase Price + Holding Costs	\$ 723,120
Down Payment (10% of A+B+C+D Above)	\$ 72,312
Total Cash Costs	\$ 72,312

Monthly Outlays	
Monthly NNN Rent Payment	\$ 4,750
The cost of utilities, property taxes and operating costs will be the same in the Lease or Buy situation.	
Total Monthly Outlays	\$ 4,750

Monthly Outlays:	
SBA 90% Bank Mortgage Loan	
Total Purchase Price Less Down Payment	\$ 650,808
Interest Rate	7.20%
Amortization (yrs)	25
Monthly Debt Service: Principal + Interest	\$ 4,683
The cost of utilities, property taxes and operating costs will be the same in the Lease or Buy situation.	
Total Monthly Outlays	\$ 4,683

The above information is based on assumptions that will vary depending on your tax status and the way you finance your unit. Your results may be different. Consult your tax advisor if you have questions.

Depreciation	
Tax savings (depreciation) realized as a result of ownership (assumes a 35% tax bracket)	
Annual deduction against ordinary income for 39 years	\$ 5,401
Finished Space Cost: \$ 708,000	
Less Land @ 15% \$ (106,200)	
601,800 /39 years X 35%	
Tax savings: 5,401/ 4,000 sf =	(psf) \$ 1.35

Principal Paydown	
In the first year, \$9,654 will be applied to principal.	
\$9,654 ÷ 4,000 sf =	(psf) \$ 2.41

Monthly Payment psf	\$ 14.05
Less Tax savings	\$ (1.35)
Less Principal paydown	\$ (2.41)

Triple Net Lease Rate (\$/sf)	\$14.25
Rent Savings: \$14.25 - \$10.29 = \$3.96 psf	

Triple Net Equivalent Cost (\$/sf)	\$ 10.29
This is 1,320/mo or \$15,840/yr. This is the equivalent of a 22% return on your down payment.	

Property Value and Owner's Equity:			
Assumed appreciation rate: (3% per year)			
	Year 5	Year 10	Year 15
Unit Value (cost + 3% per year)	\$ 813,878	\$ 943,508	\$ 1,093,784
Less Loan Balance	\$ 594,798	\$ 514,604	\$ 399,784
Owners Equity	\$ 219,080	\$ 428,904	\$ 694,000
Less Down Payment	\$ (72,312)	\$ (72,312)	\$ (72,312)
Increase in Wealth through Owning	\$ 146,768	\$ 356,592	\$ 621,688

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