

Lease vs. SBA 504 Purchase Scenario

Purchase	Lease
Purchase Terms	
Building Size - Square Feet	1,445
Project Amount	\$655,000
Price Per Square Foot	\$453
Required Down Payment	<u>\$65,500</u>
Total Mortgage Debt	\$589,500
Proposed Interest Rate (Combined)	6.93%
Monthly Payment (Not Including CAM)	\$4,213
Monthly Payment (Per Square Foot)	\$2.92
Annual Loan Payments	\$50,559
Buyer's Assumed Tax Bracket	33.00%
Expected Appreciation Rate	2.00%
Annual Benefits Of Ownership (ROI)	
Tax Deduction - Depreciation	\$12,596
Tax Deduction - Interest Paid	\$40,170
Tax Deduction - Util, HOA, Taxes	<u>\$11,776</u>
Tax Deduction - Total	\$64,542
Annual Tax Savings (Total X Tax Rate)	\$21,299
Annual Appreciation	\$13,100
Equity Build Up in Loan Payments	\$10,655
Annual Lease Income Net of Tax Rate	<u>\$0</u>
Annual Return On Investment	\$45,054
Annual Rate Of Return On Investment	6.88%
Recap Purchase Transaction Costs	
Annual Return On Investment	\$45,054
Less Annual Loan Payments	<u>-\$50,559</u>
Net Annual Gain (Profit)	<u>-\$5,504</u>
Annual Equity Gain *	\$23,755
<i>* Year 1 Equity + Appreciation</i>	
Lease Terms	
Square Footage Leased by Small Business	1,445
Security Deposit	\$15,000
Tenant Improvement Cost (purchase budget)	<u>\$0</u>
Total Cash Outlay	\$15,000
Lease Obligation (Years)	5
Rent Per Square Foot	\$2.50
Monthly Rent	\$3,613
Annual Rent Payments	\$43,350
Tax Benefits Of Renting	
Tax Deduction (Rent)	\$43,350
Tax Deduction (Utilities)	\$1,800
Tax Deduction (Depreciated T.I.'s)	<u>\$0</u>
Tax Deduction - Total	\$45,150
Less Tax Savings	\$14,900
After Tax Rent Expense	\$28,451
Alternative Earnings On Down Payment	
Required Down Payment	\$65,500
Less Cash Outlay When Renting	<u>-\$15,000</u>
Net Cash Available For Investment	\$50,500
Assumed Rate On Investment	5.00%
Annual Income From Investment	\$2,525
Less Applicable Taxes	<u>\$833</u>
Annual After Tax Gain	\$1,692
Recap Of Lease Transaction Costs	
After Tax Rent Expense	-\$28,451
Less Annual After Tax Gain	<u>\$1,692</u>
Net Cost To Lease (Loss)	<u>-\$26,759</u>
Annual Equity Gain	\$0

PREPARED BY

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This analysis is for illustration purposes only. Please

Other General Assumptions:

Improvement Ratio	75%
Depreciation Building - Years	39
Depreciation Period TI's - Years	10
Down Payment Required	10.00%

Occupancy costs for buying and renting are assumed to be the same.