

Sample Property Size - SF:

6,700 SF

6,700 SF

LEASE SCENARIO		
	per SF	Amount
Lease Assumptions:		
Rent per month (total)		\$16,750
Rent per square foot per month		\$2.50
Start-up Costs:		
Prepaid rent and security deposit (2 mo.'s total)		\$33,500
Total startup costs		\$33,500
	<u>PSF</u>	<u>Per Month</u>
Gross Monthly Costs:		
Rent payment	\$2.50	\$16,750
Operating, reserves and other costs **	<u>\$0.40</u>	<u>\$2,680</u>
Gross monthly cost	\$2.90	\$19,430
Est. Tax Benefits (per month):		
Tax benefits on leasing costs at 35% rate **	\$1.02	\$6,801
NET EFFECTIVE COST	\$1.89	\$12,630
Additional Ownership Benefits:		
Avg. monthly principal reduction	\$0	\$0
Est. appreciation benefit, per month	<u>\$0.00</u>	<u>\$0</u>
	\$0.00	\$0
NET EFFECTIVE COST - with all ownership benefits	\$1.89	\$12,630

BUY SCENARIO		
	per SF	Amount
Purchase Assumptions:		
Purchase price + improvements		\$2,479,000
Per SF		\$370
Start-up Costs:		
Borrower cash down payment (10%)		\$247,900
Estimated fees on 1st mortgage, appraisal, escrow, title		<u>\$17,895</u>
Total startup costs		\$265,795
	<u>PSF</u>	<u>Per Month</u>
Gross Monthly Costs:		
Mortgage payment *	\$2.35	\$15,728
Taxes, insurance and other costs **	<u>\$0.40</u>	<u>\$2,680</u>
Gross monthly cost	\$2.75	\$18,408
Est. Tax Benefits (per month):		
Tax benefit on depreciation and other costs at 35% rate **	\$0.96	\$6,425
NET EFFECTIVE COST	\$1.79	\$11,982
Additional Ownership Benefits:		
Avg. monthly principal reduction	\$0.68	\$4,552
Interest on startup cost difference (net of 35% tax)	-\$0.09	-\$629
Est. appreciation benefit per month	<u>\$0.77</u>	<u>\$5,165</u>
	\$1.36	\$9,087
NET EFFECTIVE COST - with all ownership benefits	\$0.43	\$2,895

Net effective lease cost in Year 10 **\$2.46** **\$16,479**

Annual rent increase assumption **3.0%**

GROWTH IN PROPERTY VALUE & OWNER EQUITY - annual appreciation: **2.5%**

Buyer down payment 10% **\$247,900**

NOTES:

* total monthly mortgage amount based on SBA 504 financing - see financing summary

** see expanded version of the analysis for further detail

Key inputs can be seen in the expanded version of the analysis

	Property Value	Loan Balance	Owner Equity
Year 5	\$2,804,761	\$1,987,693	\$817,068
Year 10	\$3,173,330	\$1,619,834	\$1,553,495
Year 15	\$3,590,331	\$1,114,530	\$2,475,801
Year 20	\$4,062,130	\$420,407	\$3,641,723

Disclaimer: This analysis is based on a series of assumptions, including loan interest rates and annual appreciation rates, and is meant only to be illustrative in nature. The analysis is not a guarantee of any actual results of any loan or purchase transaction or ownership of any real property, all of which are subject to risks, uncertainties and assumptions that are difficult to predict and beyond our control. No warranties or representations, express or implied, are made as to the accuracy of the information contained herein, and same is submitted subject to the possibility of errors, omissions, change of price, rental or other conditions, withdrawal without notice, prior sale, lease or financing. We include projections, opinions, assumptions or estimates for example only, and they may not represent future performance of the property. You and your tax and legal advisors should conduct your own investigation of the property and transaction.

SBA 504 FINANCING SUMMARY for Purchase:

<u>%</u>	<u>Source of Funds</u>	<u>Project Amount</u>	<u>Interest Rate</u>	<u>Amortization assumption</u>	<u>Mo. Payment</u>
50%	Bank 1st Trust Deed (a)	\$1,239,500	6.25%	Amortization years 25	\$8,177 Due in 20
40%	SBA 504 2nd Trust Deed - (b)	\$991,600	6.46%	Amortization years 20	<u>\$7,551</u> Due in 20
<u>10%</u>	Borrower cash down	<u>\$247,900</u>			
100%		\$2,479,000		Blended payment and interest rate	\$15,728 6.34%

(a) Interest rate and terms are set by the bank, can be fixed or variable and typically range from 15- to 30-year amortizations. Rate shown on bank 1st is estimated and will vary depending on prevailing rates and term/amortization options.

(b) Points and fees on the SBA 504 loan (2.15% + \$2,000) are rolled into principal and rounded up. In this example, the 2nd mortgage amount financed would be: \$1,016,000
SBA 504 rate is set at time of loan funding and is set based on 10 year treasury rate plus approx. 1.7-1.8%.

Disclaimer: This analysis is based on a series of assumptions, including loan interest rates and annual appreciation rates, and is meant only to be illustrative in nature. The analysis is not a guarantee of any actual results of any loan or purchase transaction or ownership of any real property, all of which are subject to risks, uncertainties and assumptions that are difficult to predict and beyond our control. No warranties or representations, express or implied, are made as to the accuracy of the information contained herein, and same is submitted subject to the possibility of errors, omissions, change of price, rental or other conditions, withdrawal without notice, prior sale, lease or financing. We include projections, opinions, assumptions or estimates for example only, and they may not represent future performance of the property. You and your tax and legal advisors should conduct your own investigation of the property and transaction.

BUY vs. LEASE ANALYSIS: Challenger Business Park, Palmdale, CA, Buildings 2 & 4 (Med/Office), 6,700 SF
Brokers: Lee & Associates - Errol VanHorne (661-341-3341), Susan Champion (661-341-3377), Scott Romick (661-341-3300 ext. 3005)

INPUTS: green = input field

SAMPLE PROPERTY SIZE - SF: 6,700 sq. ft.

Lease assumptions:

Lease cost per sq. ft. per mo. FSG \$2.50 per sq. ft. per mo.

OPEX costs per sq. ft. per mo. \$0.40 per sq. ft. per mo.

Annual rent increase percent 3.0%

Purchase assumptions:

		per SF
Building	\$2,244,500	\$335
Improvements	<u>\$234,500</u>	\$35
Purchase price total	\$2,479,000 total	\$370

Taxes and Insurance, operating costs \$0.40 per sq. ft. per mo.

Association fees and opex costs \$0.00 per sq. ft. per mo.

Pct. building value to total purchase price 85%

Years building asset life for depreciation 39

Percent appreciation (annual) 2.5%

Financing assumptions:

Bank 1st Deed of Trust Loan 50%

CDC/SBA 504 debenture 40%

Borrower down payment 10%

100%

Interest rate on Bank 1st Deed of Trust 6.25% estimate only

Interest rate on SBA 504 2nd Deed of Trust 6.46% estimate (based on 10-year Treasury, set for 20 years at time of loan funding)

Amortization on Bank's 1st Deed of Trust loan 25 years

Payment due assumption Due in 20 years

Loan fees on 1st mortgage 1.0% estimate; tbd by 1st Deed Lender

Appraisal \$3,500

Environmental report \$0 assumes paid for by CSCDC

Escrow and title \$2,000

Disclaimer: This analysis is based on a series of assumptions, including loan interest rates and annual appreciation rates, and is meant only to be illustrative in nature. The analysis is not a guarantee of any actual results of any loan or purchase transaction or ownership of any real property, all of which are subject to risks, uncertainties and assumptions that are difficult to predict and beyond our control. No warranties or representations, express or implied, are made as to the accuracy of the information contained herein, and same is submitted subject to the possibility of errors, omissions, change of price, rental or other conditions, withdrawal without notice, prior sale, lease or financing. We include projections, opinions, assumptions or estimates for example only, and they may not represent future performance of the property. You and your tax and legal advisors should conduct your own investigation of the property and transaction.