Buy v Lease Comparison (Before Tax)

Cedar Plaza

Buy v Lease Analysis

September 25, 2009

Investit Decisions

Buy v Lease Scenario 2

		BUY					LEASE	BUY v LEASE
		Financing		Operating Cash Flow	Sale Proceeds	Net Cash Flow	Leasing Expenses	Cash Flow Difference
Year	Investment	Borrow	Paid Back	(Before Tax)	(Before Tax)	(Before Tax)	(Before Tax)	(Before Tax)
Year 1 Jan-Year 1 Dec	$ (890,000)	$ 700,000	-	$ (90,333)	-	$ (280,333)	$ (70,320)	$ (210,013)
Year 2 Jan-Year 2 Dec	-	-	-	(91,023)	-	(91,023)	(70,990)	(20,033)
Year 3 Jan-Year 3 Dec	-	-	-	(91,743)	-	(91,743)	(71,694)	(20,049)
Year 4 Jan-Year 4 Dec	-	-	-	(92,493)	-	(92,493)	(72,400)	(20,092)
Year 5 Jan-Year 5 Dec	-	-	-	(93,243)	-	(93,243)	(73,113)	(20,130)
Year 6 Jan-Year 6 Dec	-	-	-	(94,023)	-	(94,023)	(81,538)	(12,484)
Year 7 Jan-Year 7 Dec	-	-	-	(94,833)	-	(94,833)	(82,288)	(12,545)
Year 8 Jan-Year 8 Dec	-	-	-	(95,673)	-	(95,673)	(83,104)	(12,569)
Year 9 Jan-Year 9 Dec	-	-	-	(96,543)	-	(96,543)	(83,922)	(12,621)
Year 10 Jan-Year 10 Dec	-	-	(473,326)	(97,413)	1,129,281	558,543	(84,776)	643,319
					Total	$ (471,361)	$ (774,144)	$ 302,783
				Net Present Value (NPV) at 13.00%		$ (501,199)	$ (409,912)	$ (91,286)

BUY v LEASE Financial Returns (Before Tax)

Internal Rate of Return (IRR)	7.98%
Net Present Value (NPV) at 13.00%	($ 91,286)
Modified Internal Rate of Return (MIRR)	7.99%
Short Term Financing Rate (Before Tax)	8.000%
Short Term Reinvestment Rate (Before Tax)	3.000%

Conclusion.

If the Net Present Value (NPV) is positive consider buying.

If the Net Present Value (NPV) is negative consider Leasing.

Consider Buying if the Total Purchase Price is approximately $ 798,714 or less.

Buy v Lease Comparison (After Tax)
Cedar Plaza
Buy v Lease Analysis

September 25, 2009
Investit Decisions
Buy v Lease Scenario 2

		BUY					LEASE	BUY v LEASE
		Financing		Operating Cash Flow	Sale Proceeds	Net Cash Flow	Leasing Expenses	Cash Flow Difference
Year	Investment	Borrow	Paid Back	(After Tax)	(After Tax)	(After Tax)	(After Tax)	(After Tax)
Year 1 Jan-Year 1 Dec	$ (890,000)	$ 700,000	-	$ (54,122)	-	$ (244,122)	$ (40,786)	$ (203,336)
Year 2 Jan-Year 2 Dec	-	-	-	(50,275)	-	(50,275)	(41,174)	(9,101)
Year 3 Jan-Year 3 Dec	-	-	-	(51,631)	-	(51,631)	(41,582)	(10,049)
Year 4 Jan-Year 4 Dec	-	-	-	(53,031)	-	(53,031)	(41,992)	(11,038)
Year 5 Jan-Year 5 Dec	-	-	-	(54,461)	-	(54,461)	(42,405)	(12,055)
Year 6 Jan-Year 6 Dec	-	-	-	(55,943)	-	(55,943)	(47,292)	(8,650)
Year 7 Jan-Year 7 Dec	-	-	-	(57,481)	-	(57,481)	(47,727)	(9,753)
Year 8 Jan-Year 8 Dec	-	-	-	(59,079)	-	(59,079)	(48,200)	(10,879)
Year 9 Jan-Year 9 Dec	-	-	-	(60,743)	-	(60,743)	(48,675)	(12,068)
Year 10 Jan-Year 10 Dec	-	-	(473,326)	(62,460)	999,410	463,624	(49,170)	512,794
					Total	$ (223,140)	$ (449,004)	$ 225,864
					Net Present Value (NPV) at 7.54%	$ (314,045)	$ (303,129)	$ (10,916)

BUY v LEASE Financial Returns (After Tax)

Internal Rate of Return (IRR)	7.01%
Net Present Value (NPV) at 7.54%	($ 10,916)
Modified Internal Rate of Return (MIRR)	6.71%
Short Term Financing Rate (After Tax)	4.640%
Short Term Reinvestment Rate (After Tax)	1.740%

Conclusion.

If the Net Present Value (NPV) is positive consider buying.
If the Net Present Value (NPV) is negative consider Leasing.

Consider Buying if the Total Purchase Price is approximately $ 879,084 or less.

Buy v Lease. Operating Cash Flow Comparison Yearly
Cedar Plaza
Buy v Lease Analysis

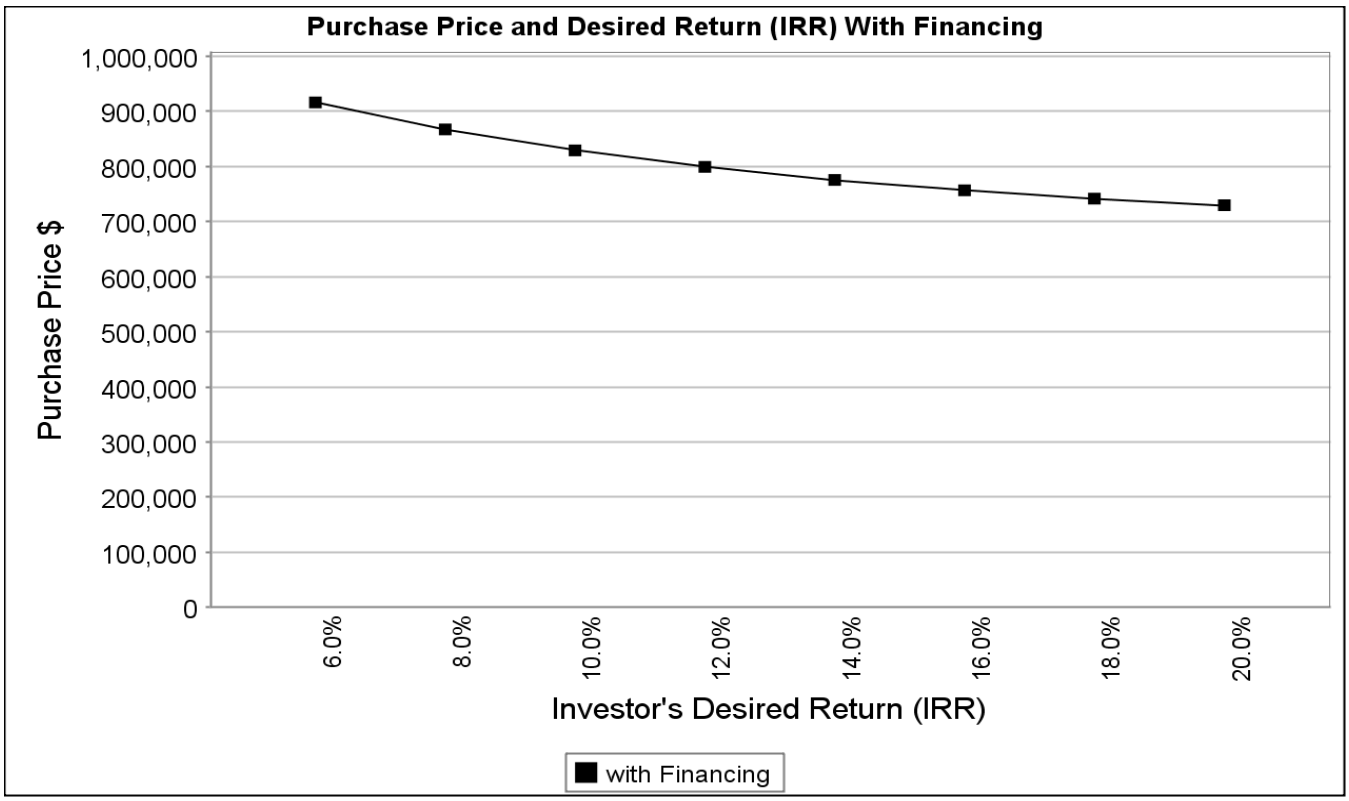
September 25, 2009
Investit Decisions
Buy v Lease Scenario 2

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
BEFORE TAX COMPARISON. BUY V LEASE										
Lease. Cash Outflows										
Lease. Leasing Expenses	**70,320**	**70,990**	**71,694**	**72,400**	**73,113**	**81,538**	**82,288**	**83,104**	**83,922**	**84,776**
Buy. Cash Outflows										
Buy. Building Operating Expenses	23,250	23,940	24,660	25,410	26,160	26,940	27,750	28,590	29,460	30,330
Principal Payments	15,916	17,132	18,441	19,850	21,367	23,000	24,757	26,649	28,685	30,876
Interest payments	51,166	49,950	48,641	47,232	45,716	44,083	42,326	40,434	38,398	36,206
	90,333	**91,023**	**91,743**	**92,493**	**93,243**	**94,023**	**94,833**	**95,673**	**96,543**	**97,413**
Difference (Before Tax) Buy v Lease	**(20,013)**	**(20,033)**	**(20,049)**	**(20,092)**	**(20,130)**	**(12,484)**	**(12,545)**	**(12,569)**	**(12,621)**	**(12,636)**
AFTER TAX COMPARISON. BUY v LEASE										
Lease										
Lease. Leasing Expenses	70,320	70,990	71,694	72,400	73,113	81,538	82,288	83,104	83,922	84,776
Tax Saving at 42.00%	(29,534)	(29,816)	(30,111)	(30,408)	(30,707)	(34,246)	(34,561)	(34,904)	(35,247)	(35,606)
Lease. Cash Outflow After Tax	**40,786**	**41,174**	**41,582**	**41,992**	**42,405**	**47,292**	**47,727**	**48,200**	**48,675**	**49,170**
Buy										
Buy. Building Operating Expenses	23,250	23,940	24,660	25,410	26,160	26,940	27,750	28,590	29,460	30,330
Plus: Interest Payments	51,166	49,950	48,641	47,232	45,716	44,083	42,326	40,434	38,398	36,206
Depreciation and Amortization	11,800	23,128	22,203	21,315	20,462	19,644	18,858	18,104	17,379	16,684
	86,216	97,018	95,504	93,957	92,338	90,667	88,934	87,128	85,237	83,220
Tax Saving at 42.00%	(36,211)	(40,748)	(40,112)	(39,462)	(38,782)	(38,080)	(37,352)	(36,594)	(35,800)	(34,953)
Plus: Principal Payments	15,916	17,132	18,441	19,850	21,367	23,000	24,757	26,649	28,685	30,876
Less: Depreciation and Amortization	11,800	23,128	22,203	21,315	20,462	19,644	18,858	18,104	17,379	16,684
Buy. Cash Outflow After Tax	**54,122**	**50,275**	**51,631**	**53,031**	**54,461**	**55,943**	**57,481**	**59,079**	**60,743**	**62,460**
Difference (After Tax) Buy v Lease	**(13,336)**	**(9,101)**	**(10,049)**	**(11,038)**	**(12,055)**	**(8,650)**	**(9,753)**	**(10,879)**	**(12,068)**	**(13,290)**

Buy v Lease. Expense Calculations Yearly
Cedar Plaza
Buy v Lease Analysis

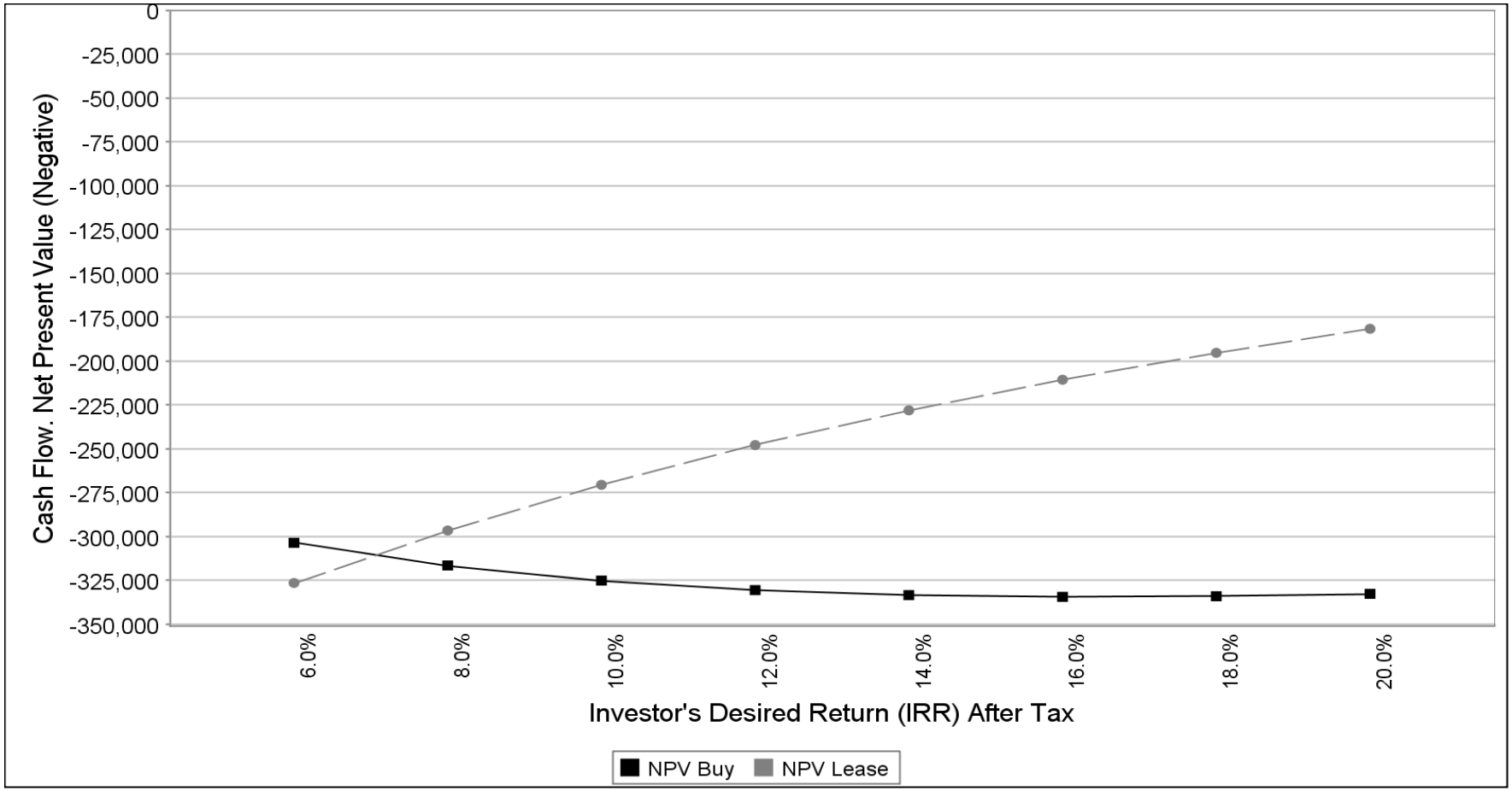
September 25, 2009
Investit Decisions
Buy v Lease Scenario 2

Starting May	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
BUY: EXPENSE CALCULATIONS										
Operating Costs	23,250	23,940	24,660	25,410	26,160	26,940	27,750	28,590	29,460	30,330
	23,250	**23,940**	**24,660**	**25,410**	**26,160**	**26,940**	**27,750**	**28,590**	**29,460**	**30,330**
LEASE: EXPENSE CALCULATIONS										
Base Rent	48,000	48,000	48,000	48,000	48,000	55,650	55,650	55,650	55,650	55,650
Taxes, Insurance & Maintenance	18,000	18,540	19,110	19,680	20,250	20,880	21,480	22,140	22,800	23,490
Parking	4,320	4,450	4,584	4,720	4,863	5,008	5,158	5,314	5,472	5,636
	70,320	**70,990**	**71,694**	**72,400**	**73,113**	**81,538**	**82,288**	**83,104**	**83,922**	**84,776**


Purchase Price and Desired Return (IRR) With Financing
1,000,000
900,000
800,000
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
Purchase Price $
6.0%
8.0%
10.0%
12.0%
14.0%
16.0%
18.0%
20.0%
Investor's Desired Return (IRR)
with Financing

Buy v Lease. Net Present Value (NPV) After Tax
Cedar Plaza
Buy v Lease Analysis

September 25, 2009
Investit Decisions
Buy v Lease Scenario 2



Interpretations

For the Desired Return (IRR) After Tax consider:

a) Leasing if the Net Present Value (NPV) for leasing is less than the Net Present Value for Buying

b) Buying if the Net Present Value (NPV) for buying is less than the Net Present Value for Leasing

SUMMARY

	Internal Rate of Return (IRR)	Buy	Sell	Compounding Appreciation Rate
BEFORE TAX				
With Financing				
Based on data entered	7.98%	$ 890,000	$ 1,196,086	3.00%
Goal seeking results for IRR	13.00%	$ 798,714	$ 1,196,086	4.12%
	13.00%	$ 890,000	$ 1,522,269	5.51%
Without Financing				
Based on data entered	7.53%	$ 890,000	$ 1,196,086	3.00%
Goal seeking results for IRR	13.00%	$ 602,157	$ 1,196,086	7.10%
	13.00%	$ 890,000	$ 2,224,612	9.59%
AFTER TAX				
With Financing				
Based on data entered	7.01%	$ 890,000	$ 1,196,086	3.00%
Goal seeking results for IRR	8.32%	$ 860,640	$ 1,196,086	3.35%
	8.32%	$ 890,000	$ 1,273,201	3.65%
Without Financing				
Based on data entered	5.15%	$ 890,000	$ 1,196,086	3.00%
Goal seeking results for IRR	8.32%	$ 669,090	$ 1,196,086	5.98%
	8.32%	$ 890,000	$ 1,776,325	7.16%

GOAL SEEKING RESULTS BEFORE TAX

With Financing

To achieve an Internal Rate of Return (IRR) of 13.00% before tax, you would have to either:

a) Buy the property for $ 798,714 and sell for $ 1,196,086 in 10 years which is 4.12% compounding increase in value per year.

b) Buy the property for $ 890,000 and sell for $ 1,522,269 in 10 years which is 5.51% compounding increase in value per year.

Without Financing

To achieve an Internal Rate of Return (IRR) of 13.00% before tax, you would have to either:

a) Buy the property for $ 602,157 and sell for $ 1,196,086 in 10 years which is 7.10% compounding increase in value per year.

b) Buy the property for $ 890,000 and sell for $ 2,224,612 in 10 years which is 9.59% compounding increase in value per year.

GOAL SEEKING RESULTS AFTER TAX

With Financing

To achieve an Internal Rate of Return (IRR) of 8.32% after tax, you would have to either:

a) Buy the property for $ 860,640 and sell for $ 1,196,086 in 10 years which is 3.35% compounding increase in value per year.

b) Buy the property for $ 890,000 and sell for $ 1,273,201 in 10 years which is 3.65% compounding increase in value per year.

Without Financing

To achieve an Internal Rate of Return (IRR) of 8.32% after tax, you would have to either:

a) Buy the property for $ 669,090 and sell for $ 1,196,086 in 10 years which is 5.98% compounding increase in value per year.

b) Buy the property for $ 890,000 and sell for $ 1,776,325 in 10 years which is 7.16% compounding increase in value per year.

INVESTMENT TAB ENTRIES. Allocations of the Purchase Price between Land and Improvements to achieve the desired Internal Rate of Return (IRR)

		BEFORE TAX		**AFTER TAX**	
	% Allocation	With Financing 13.00% IRR	No Financing 13.00% IRR	With Financing 8.320% IRR	No Financing 8.320% IRR
Land	33.71%	269,229	202,974	290,103	225,536
Building	66.29%	529,484	399,183	570,536	443,554
Purchase Price (Year 1 Total)	100.00%	**$ 798,714**	**$ 602,157**	**$ 860,640**	**$ 602,157**

Notes:

The allocation of the Purchase Price between Land and Improvements uses the same % allocation used in the First Year of the Investment Folder grid.

The Purchase Price (Year 1 Total) excludes entries using the Depreciation methods "Amort. Mortgage Fees" and "Amortize"

Cash Flow from Sale (Before Tax)

Sale Price					$	1,196,086
Less: Real Estate Commission						59,804
Selling Expenses						7,000
Net Sale Price						1,129,281
Less: Mortgage Repayment						473,326
Cash Flow from Sale (Before Tax)						**655,955**

Cash Flow from Sale (After Tax)

Net Sale Price						1,129,281
Less: Capital Gains Tax						
Net Sale Price		1,129,281				
Less Cost Basis		890,000				
Capital Gains		239,281	x 42.00%	x 50.00%		50,249
Less: Recaptured Depreciation Tax						
Tax Value of Improvements on Sale		590,000				
Less Undepreciated Balance		400,423				
Recaptured Depreciation		189,577	x 42.00%			79,622
Net Proceeds (After Tax)						999,410
Less: Mortgage Repayment						473,326
Cash Flow from Sale (After Tax)						**526,084**

Building

Starting Date:	Year 1 January
Amount	$ 590,000
CCA Claim:	Full CCA Claim
CCA Method:	Building
CCA Rate:	4.0%
First Year Rate:	50.0%
Claim CCA in last Year:	Yes

Comencing	Value of Improvements	CCA Avaliable	CCA Claimed	Undepreciated Balance
Yr. 1 Jan-Yr. 1 Dec	$ 590,000	$ 11,800	$ 11,800	$ 578,200
Yr. 2 Jan-Yr. 2 Dec		23,128	23,128	555,072
Yr. 3 Jan-Yr. 3 Dec		22,203	22,203	532,869
Yr. 4 Jan-Yr. 4 Dec		21,315	21,315	511,554
Yr. 5 Jan-Yr. 5 Dec		20,462	20,462	491,092
Yr. 6 Jan-Yr. 6 Dec		19,644	19,644	471,448
Yr. 7 Jan-Yr. 7 Dec		18,858	18,858	452,590
Yr. 8 Jan-Yr. 8 Dec		18,104	18,104	434,486
Yr. 9 Jan-Yr. 9 Dec		17,379	17,379	417,107
Yr. 10 Jan-Yr. 10 Dec		16,684	16,684	400,423
Total	$ 590,000		$ 189,577	

Buy versus Lease Analysis

Note
For information on Revenue, Expenses and Vacancy inputs and projections see the Revenue, Expense and Vacancy projection description reports.

Project Information

Analysis Period	10 years
Starting date	January Year 1

Investor Information

Marginal Tax Rate	42.00%

Capital Gain. 50.00% added to income

Desired Return on Investment (Discount Rate)

Before Tax:	13.00%
After Tax:	7.54%

Short Term Reinvestment Rates

Before Tax:	3.000%
After Tax:	1.740%

Short Term Financing Rates

Before Tax:	8.000%
After Tax:	4.640%

Investment information

Total Invested in Year 1 is $ 890,000

	CCA Class	Date	Amount	CCA Rate	First Year	Claim CCA in Last Year
Land	Land	Jan, Year 1	$ 300,000			
Building	Building	Jan, Year 1	$ 590,000	4.00%	50.00%	Yes

Financing

First Mortgage

Starts:	January Year 1
Type:	Standard Mortgage
Amount:	$ 700,000
Interest Rate:	Fixed
Payment Frequency:	Monthly
Compounding Frequency:	Semi-annually
Addit. Payments/Borrowing:	No
Rounding	Up to Nearest Cent
No of Terms:	1

Term	Time Period	Nominal Annual Interest Rate	Amortization
1	10 yrs & 0 mos	7.500%	20 yrs & 0 mos

Sale Information

Sale price at the end of 10 years is $ 1,196,086 based on the total purchase price of $ 890,000 in year 1 increasing at an Annual Compounding Rate of 3.00% for 10 years

Selling Expenses

Selling Expenses	$ 7,000

Real Estate Commissions 5.00% of the Sale Price

Allocation of Improvements on Sale Same ratio as on acquisition

BUY (EXPENSES) PROJECTIONS

Operating Costs

Entry Choice: $ per Sq. Ft per Year
Quantity: 3,000

Year 1 Jan	$7.75 per Sq. Ft per Year paid monthly for 12 months
	Compounding at 3.00% per year for next 9 years

LEASE (EXPENSES) PROJECTIONS

Base Rent

Entry Choice: $ per Sq. Ft per Year
Quantity: 3,000

Year 1 Jan	Stepped Projection (Lease)
	Term 1: $16.00 per Sq. Ft per Year paid monthly for 5 years
	Term 2: Increased by 3.00% compounding per year to $18.55 per Sq. Ft per Year paid monthly for 5 years

Taxes, Insurance & Maintenance

Entry Choice: $ per Sq. Ft per Year
Quantity: 3,000

Year 1 Jan	$6.00 per Sq. Ft per Year paid monthly for 12 months
	Compounding at 3.00% per year for next 9 years

Parking

Entry Choice: $ per Space per Month
Quantity: 12

Year 1 Jan	$30.00 per Space per Month paid monthly for 12 months
	Compounding at 3.00% per year for next 9 years

First Mortgage

Amount:	$ 700,000
Type:	Standard Mortgage
Analysis Start Date:	January Year 1
Mortgage Commences:	January Year 1
Payment Frequency:	Monthly
Payment Rounded:	Up to Nearest Cent
Compounding Frequency:	Semi-annually
Interest Rate:	Fixed
Additional Payment or Borrowing:	No

Term	Start Date of (Balloon) Term	Time Period Years	Months	Nominal Annual Interest Rate	Amortization Years	Months
1	Year 1 Jan	10	0	7.500 %	20	0

	Outstanding Balance	End of Year Accrued Interest	Mortgage Payout
Payout at end of Analysis Period: Dec Year 10	$ 473,326.30	-	$ 473,326.30
Payout at end of last Term: Dec Year 10	$ 473,326.30	-	$ 473,326.30

Time Period	Payment	Interest Payment	Principal Payment	Additional Payment or (Borrowing)	Outstanding Balance
Year 1 Jan-Year 1 Dec	67,082.64	51,166.41	15,916.23	-	684,083.77
Year 2 Jan-Year 2 Dec	67,082.64	49,950.30	17,132.34	-	666,951.43
Year 3 Jan-Year 3 Dec	67,082.64	48,641.28	18,441.36	-	648,510.07
Year 4 Jan-Year 4 Dec	67,082.64	47,232.25	19,850.39	-	628,659.68
Year 5 Jan-Year 5 Dec	67,082.64	45,715.56	21,367.08	-	607,292.60
Year 6 Jan-Year 6 Dec	67,082.64	44,082.97	22,999.67	-	584,292.93
Year 7 Jan-Year 7 Dec	67,082.64	42,325.66	24,756.98	-	559,535.95
Year 8 Jan-Year 8 Dec	67,082.64	40,434.06	26,648.58	-	532,887.37
Year 9 Jan-Year 9 Dec	67,082.64	38,397.95	28,684.69	-	504,202.68
Year 10 Jan-Year 10 Dec	67,082.64	36,206.26	30,876.38	-	473,326.30
	670,826.40	**444,152.70**	**226,673.70**	**-**	