



RENT VS. OWN COMPARISON

6,000 SF AVERAGE UNIT SIZE

*****OWN*****

*****RENT*****

PURCHASE ASSUMPTIONS:	
Purchase Price (including improvements)	\$1,110,000
Loan Fees and Costs	\$15,000
Total Purchase	\$1,125,000

LEASE ASSUMPTIONS:	
Rent per square foot per month	\$0.75
Rent Per Month(NNN)	\$4,500

START UP COSTS:	
Cash Downpayment	\$ 112,500

START UP COSTS:	
Prepaid Rent and Security Deposit	\$ 9,000

MONTHLY COSTS:			
Mortgage Payment	\$ 1.16	\$ 6,957	
Operating Costs	\$ 0.24	\$ 600	
Total Monthly Costs	\$ 1.40	\$ 7,557	

MONTHLY COSTS:			
Rent payment	\$ 0.75	\$ 4,500	
NNN Expenses	\$ 0.20	\$ 1,200	
Total Monthly Costs	\$ 0.95	\$ 5,700	

MONTHLY OWNERSHIP BENEFITS:		
Annual Appreciation: at 2%	\$ 1,875	
Annual Depreciation: at 40% tax bracket	\$ 1,272	
Total Ownership Benefits	\$ 3,147	
TOTAL EFFECTIVE MONTHLY COST	\$ 4,410	

MONTHLY OWNERSHIP BENEFITS:		
Annual Appreciation:	\$ -	
Annual Depreciation: at 40% tax bracket	\$ -	
Total Ownership Benefits	\$ -	
TOTAL EFFECTIVE MONTHLY COST	\$ 5,700	

IMPORTANT NOTES

* The rent amount shown is for the **starting year**. Most leases provide for rent increases of about 3% per year. After 10 years, the mortgage payment would remain the same, but the monthly costs increase by 34% to \$6,047 per month.

* The Start-up Costs of owning are greater than renting. However, this will be mitigated as rents increase in later years

** INCREASE IN PROPERTY VALUE & OWNER'S EQUITY **			
YEARS OWNED	PROPERTY VALUE	LOAN BALANCE	OWNER'S EQUITY
YEAR 5	\$ 1,242,090	\$ 814,929	\$ 427,161
YEAR 10	\$ 1,371,368	\$ 676,322	\$ 695,046
YEAR 15	\$ 1,514,101	\$ 476,791	\$ 1,037,310
YEAR 20	\$ 1,671,690	\$ 189,619	\$ 1,482,071

Owner's Equity is the difference between the property value appreciating at 2% per year and the remaining loan balance

** SBA 504 FINANCING PROGRAMMING **			
Purchase Price including loan fees	\$ 1,125,000	Note that interest rates vary from month to month based on the representative index at closing	
Cash Down payment	\$ 112,500		
Amount Financed	\$ 1,012,500	Monthly Payment	\$ 6,957
SBA Financing	<u>1st Mortgage by Bank</u>	<u>2nd Mortgage by SBA</u>	
Loan Amount	\$ 506,250	\$ 405,000	
Interest Rate	7.75%	6.97%	
Amortization in years	25	20	
Percent of Total Loan Amount	50%	40%	
Loan Fee	1.00%	2.75%	
Monthly Payment	\$3,824	\$3,133	

For Questions regarding financing call Brenda Shelly at Discovery Bank at 760-759-7604

