

Lease vs Buy to Occupy

Important Note: All Data is taken from the Input Data sheet. This is a cost comparison so I use the TI Effective Gross Income as the lease payment. Modify it accordingly. All other data relate to ownership.

Sample Project

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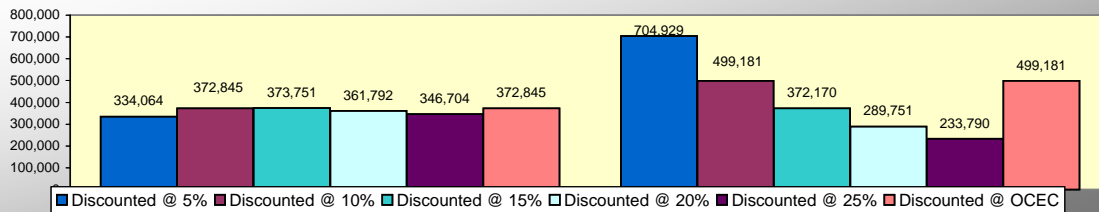
BUY TO OCCUPY SPACE

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
CASH OUTFLOWS OF BUY TO OCCUPY																
Contributed Equity Capital	214,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Operating Cash Outflows		35,690	36,906	47,710	38,543	39,503	40,510	41,565	42,671	43,832	45,050	46,328	47,669	49,077	50,555	52,108
Cash Inflow from Dissolution of Project		184,695	206,318	240,180	266,182	293,774	323,039	354,065	386,943	421,771	458,654	497,698	539,022	582,746	629,001	677,923
PV of Cash Outflows for Buy to Occupy																
Discounted @ 5%		72,090	94,328	115,202	135,400	155,161	174,512	193,481	212,092	230,367	248,328	265,994	283,385	300,516	317,404	334,064
Discounted @ 10%		78,541	106,435	132,340	157,311	181,235	204,165	226,150	247,236	267,464	286,875	305,503	323,383	340,547	357,025	372,845
Discounted @ 15%		84,430	116,934	146,388	174,158	199,930	223,843	246,021	266,584	285,643	303,300	319,653	334,793	348,803	361,765	373,751
Discounted @ 20%		89,829	126,094	157,987	187,201	213,382	236,825	257,797	276,543	293,287	308,230	321,556	333,431	344,008	353,420	361,792
Discounted @ 25%		94,796	134,128	167,627	197,358	223,067	245,267	264,414	280,908	295,100	307,299	317,774	326,760	334,463	341,059	346,704
Discounted @ OCEC		78,541	106,435	132,340	157,311	181,235	204,165	226,150	247,236	267,464	286,875	305,503	323,383	340,547	357,025	372,845
Opportunity Cost of Equity Capital =	10.00%															

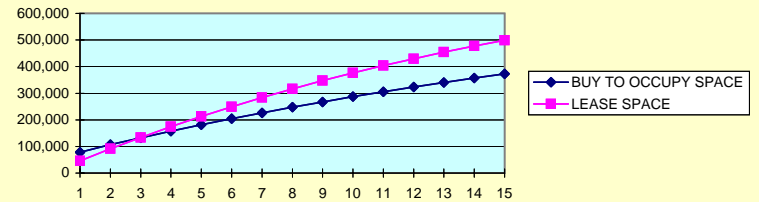
LEASE SPACE

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
CASH OUTFLOWS OF LEASING																
Lease Costs		86,400	94,848	98,642	102,588	106,691	110,959	115,397	120,013	124,813	129,806	134,998	140,398	146,014	151,855	157,929
State Income Taxes		6,826	7,493	7,793	8,104	8,429	8,766	9,116	9,481	9,860	10,255	10,665	11,091	11,535	11,997	12,476
Federal Income Taxes		29,443	32,321	33,614	34,959	36,357	37,811	39,324	40,897	42,533	44,234	46,003	47,843	49,757	51,748	53,817
After Tax Lease Costs		50,132	55,034	57,235	59,524	61,905	64,382	66,957	69,635	72,421	75,317	78,330	81,463	84,722	88,111	91,635
PV of Cash Outflows for Leasing																
Discounted @ 5%		47,745	97,662	147,104	196,074	244,579	292,621	340,206	387,338	434,021	480,259	526,057	571,419	616,349	660,851	704,929
Discounted @ 10%		45,574	91,057	134,058	174,714	213,153	249,494	283,854	316,339	347,052	376,091	403,545	429,502	454,042	477,245	499,181
Discounted @ 15%		43,593	85,206	122,839	156,872	187,650	215,484	240,656	263,420	284,006	302,623	319,460	334,686	348,456	360,908	372,170
Discounted @ 20%		41,777	79,994	113,116	141,822	166,701	188,262	206,948	223,143	237,179	249,343	259,885	269,022	276,940	283,803	289,751
Discounted @ 25%		40,105	75,327	104,631	129,013	149,298	166,175	180,217	191,900	201,620	209,707	216,435	222,034	226,691	230,566	233,790
Discounted @ OCEC		45,574	91,057	134,058	174,714	213,153	249,494	283,854	316,339	347,052	376,091	403,545	429,502	454,042	477,245	499,181
Opportunity Cost of Equity Capital =	10.00%															

Cost of Buy to Occupy (first group) vs Lease (second group) - assuming you hold for 15 years



Lease vs Buy Year by Year



DETAIL FOR BUY TO OCCUPY

OPERATING CASH OUTFLOWS:

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
CASH OUTFLOWS OF BUY TO OCCUPY															
All Expenses Associated with Buying	98,880	98,659	99,526	100,435	101,158	101,890	102,632	103,382	104,138	104,899	105,663	106,429	107,194	107,956	108,712
plus Depreciation	25,091	26,182	26,348	26,545	26,545	26,545	26,545	26,545	26,545	26,545	26,545	26,545	26,545	26,545	26,545
plus Amortized Loan Fees	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400
plus Amort. Other Closing Costs	2,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
less Principle Payments	5,807	6,242	6,710	7,213	7,754	8,335	8,960	9,632	10,354	11,130	11,964	12,861	13,825	14,861	15,975
less incr. in Accounts Receivable	1,920	77	80	83	86	90	93	97	101	105	109	114	118	123	128
less decr. in Accounts Payable	-1,920	-77	-80	-83	-86	-90	-93	-97	-101	-105	-109	-114	-118	-123	-128
Pre-Tax Cash Outflow	77,197	78,320	79,488	80,703	81,966	83,280	84,647	86,068	87,546	89,083	90,682	92,345	94,074	95,872	97,742
State Income Taxes	7,812	7,794	7,863	7,934	7,991	8,049	8,108	8,167	8,227	8,287	8,347	8,408	8,468	8,529	8,588
Federal Income Taxes	33,695	33,620	33,916	34,225	34,472	34,721	34,974	35,229	35,487	35,746	36,007	36,268	36,529	36,788	37,046
After Tax Cash Outflow	35,690	36,906	37,710	38,543	39,503	40,510	41,565	42,671	43,832	45,050	46,328	47,669	49,077	50,555	52,108
OTHER CAPITAL REQUIREMENTS															
Capital Expenditures	0	0	10,000	0	0	0	0	0	0	0	0	0	0	0	0
Capitalized Loan Fee Payment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Closing Cost Payment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous Requirements	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Capital Requirements	0	0	10,000	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Outflow after Capl. Reqmts.	35,690	36,906	47,710	38,543	39,503	40,510	41,565	42,671	43,832	45,050	46,328	47,669	49,077	50,555	52,108
ADDITIONAL FINANCING ACTIVITIES															
New Short Term Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New Long Term Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New Equity Investment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TL Gross Financings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
less Maturities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
less Prepayments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
less Short Term Debt Paydown	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Financings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Operating Cash Outflows	35,690	36,906	47,710	38,543	39,503	40,510	41,565	42,671	43,832	45,050	46,328	47,669	49,077	50,555	52,108

CASH INFLOWS RESULTING FROM SALE (Reversion)

CASH INFLOWS FROM SALE

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
CASH PROCEEDS FROM SALE															
Market Value of Property	832,000	865,280	910,091	946,495	984,355	1,023,729	1,064,678	1,107,265	1,151,556	1,197,618	1,245,523	1,295,344	1,347,157	1,401,044	1,457,085
less Sales Commission	58,240	60,570	63,706	66,255	68,905	71,661	74,527	77,509	80,609	83,833	87,187	90,674	94,301	98,073	101,996
Realized Cash Proceeds from Sale of Property	773,760	804,710	846,385	880,240	915,450	952,068	990,151	1,029,757	1,070,947	1,113,785	1,158,336	1,204,670	1,252,856	1,302,971	1,355,089
OTHER PAYMENTS & COLLECTIONS															
Payment of Remaining Loan Liability	594,193	587,950	581,240	574,027	566,273	557,937	548,977	539,346	528,992	517,862	505,898	493,037	479,212	464,351	448,376
Payment of Short Term Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payment of Accounts Payable	1,920	1,997	2,077	2,160	2,246	2,336	2,429	2,527	2,628	2,733	2,842	2,956	3,074	3,197	3,325
less Liquidation of Accounts Receivables	1,920	1,997	2,077	2,160	2,246	2,336	2,429	2,527	2,628	2,733	2,842	2,956	3,074	3,197	3,325
Total Payments & Collect. excl Cash Accts	594,193	587,950	581,240	574,027	566,273	557,937	548,977	539,346	528,992	517,862	505,898	493,037	479,212	464,351	448,376
less close out of Cash Account (checking)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
less close out of Cash Investment Acct.(savings)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Payments & Collect. incl Cash Accts	594,193	587,950	581,240	574,027	566,273	557,937	548,977	539,346	528,992	517,862	505,898	493,037	479,212	464,351	448,376
TI Pre-Tax Cash Proceeds From Sale	179,567	216,760	265,145	306,213	349,177	394,130	441,173	490,411	541,955	595,923	652,438	711,632	773,644	838,619	906,713
TAXES RELATED TO SALE															
State Capital Gains Tax	-28	1,383	2,816	4,308	5,833	7,393	8,990	10,624	12,297	14,010	15,767	17,567	19,413	21,306	23,249
Federal Capital Gains Tax	-230	13,760	26,682	40,090	53,768	67,728	81,981	96,538	111,413	126,617	142,163	158,066	174,340	190,999	208,060
State Tax on Ordinary Gain	-916	-885	-853	-822	-790	-758	-727	-695	-664	-632	-600	-569	-537	-506	-474
Federal Tax on Ordinary Gain	-3,953	-3,817	-3,680	-3,544	-3,408	-3,271	-3,135	-2,999	-2,862	-2,726	-2,590	-2,454	-2,317	-2,181	-2,045
Total Taxes from Sale	-5,128	10,442	24,965	40,032	55,403	71,092	87,109	103,468	120,183	137,269	154,740	172,611	190,898	209,619	228,790
Cash Inflow from Dissolution of Project	184,695	206,318	240,180	266,182	293,774	323,039	354,065	386,943	421,771	458,654	497,698	539,022	582,746	629,001	677,923