

Rent Vs. Own Comparison

Sample Unit Size: 3,500 Sq. Ft.

Rent

LEASE ASSUMPTIONS:	
Rent per square foot per month (on	\$1.25
Rent per month (total)	\$4,375.00

START-UP COSTS:	
Prepaid rent and security deposit	\$13,125.00
Total Start-Up Costs	\$13,125.00

MONTHLY COSTS:	Per Sq. Ft.	Amount
Rent payment	\$1.25	\$4,375.00
NNN operating costs (not including the variable cost of electricity for lights and plugs and for heating & cooling unit)	\$0.38	\$1,312.50
Real Estate Taxes	\$0.16	\$553.00
Reserves for repairs	\$0.00	\$0.00
Annual depreciation: At 40% tax bracket	\$0.00	\$0.00
Total Monthly Costs	\$1.78	\$6,240.50

ADDITIONAL MONTHLY OWNERSHIP BENEFITS:	
Annual appreciation: At 2.5%	\$0.00
Average Monthly Principal Payment	\$0.00
Total Ownership Benefits	\$0.00
TOTAL EFFECTIVE MONTHLY COST	\$1.78 \$6,240.50

Own

PURCHASE ASSUMPTIONS:	
Purchase price (including fit-up)	\$647,500.00

START-UP COSTS:	
Cash down pay (assume seller takes back 10%)	\$64,750.00
Approximate loan fees and costs	\$12,000.00
Total Start-Up Costs	\$76,750.00

MONTHLY COSTS:	Per Sq. Ft.	Amount
Mortgage payment	\$1.15	\$4,016.05
Operating costs (not including the variable cost of electricity for lights and plugs and for heating & cooling unit)	\$0.38	\$1,312.50
Real Estate Taxes	\$0.16	\$553.00
Reserves for repairs to unit	\$0.05	\$175.00
Annual depreciation: At 40% tax bracket	\$0.40	\$1,393.00
Total Monthly Costs	\$1.33	\$4,663.55

ADDITIONAL MONTHLY OWNERSHIP BENEFITS:	
Annual appreciation: At 2.5%	\$1,349.00
Average Monthly Prin. Payment (over first 10 yrs.)	\$1,434.00
Total Ownership Benefits	\$2,783.00
TOTAL EFFECTIVE MONTHLY COST	\$0.54 \$1,880.55

Important Notes:

The rent amount shown above is for the starting year. Many leases provide for rent increases each year. After 10 years the mortgage payment would remain the same, but the rent could increase from 20 to 50%. A 25% increase in rent would mean a monthly rent increase OF \$1,050 and an annual increase of \$12,600. Calculations are based upon the prevailing interest rates as of September 2007. Also, the calculations assume that the mortgage loan requires 20% down, but that 234 Copeland Street, LLC will allow buyers to pay 10% of the purchase over a 3-year period, with one-third of the 10% due at the end of each of three years after the purchase date.

INCREASE IN PROPERTY VALUE & OWNER'S EQUITY

Mortgage is assumed to be 80% of purchase price at 7% for 20 years with a 20 year amortization schedule

	Property Value	Loan Balance	Owner's Equity		Property Value	Loan Balance	Owner's Equity
Year 5:	\$ 732,587	\$ 446,809	\$ 285,778	Year 15:	\$ 937,773	\$ 202,819	\$ 734,954
Year 10:	\$ 828,855	\$ 345,888	\$ 482,967	Year 20:	\$ 1,061,004	\$ -	\$ 1,061,004

Owner's Equity is the difference between the property value appreciating at 2.5% per year and the remaining loan balance