

Comerica Bank
 Joe Baker
 (408) 556-5377

555 Clyde Avenue

PURCHASE VS. LEASE COMPARISON

Property Size 3,214 Square Feet

PURCHASE

PURCHASE ASSUMPTIONS:	
Purchase Price	1,205,250
SBA/CDC Fee (financed)	15,000
Total Project Cost	\$1,220,250

LEASE

LEASE ASSUMPTIONS:	
Rent per square foot per month	\$1.50
Rent per month (total)	\$4,821

CASH NEEDED	
Cash down payment (10%)	\$122,025
Conventional Loan Fee	12,500
Total Cash Needed	\$134,525

CASH NEEDED	
Prepaid rent and security deposit	\$14,463
Total Cash Needed	\$14,463

• COMERICA BANK SBA 504 FINANCING PROGRAM •

Purchase price	\$1,220,250	<i>(Purchase price includes SBA/CDC fees that are financed)</i>
Cash down payment: 10%	122,025	
Amount financed	1,098,225	Monthly payment (combined 1st & 2nd) \$7,840

• The SBA 504 financing program combines a loan from Comerica Bank for 50% of the total loan amount and a loan from the SBA for 40% of the total loan amount (total 90%). The buyer provides a 10% cash down payment.

SBA Financing	1st Mortgage by Comerica	2nd Mortgage by SBA
Loan Amount	\$610,125	\$488,100
Interest Rate	7.15%	5.90%
Amortization in years	25 year amortization	20 year amortization
Percent of Total Loan Amount	50% of total	40% of total
Loan Fee	1.50% \$9,152	2.75% \$13,423
Monthly Payment	\$4,371	\$3,469

MONTHLY COSTS	Per Sq. Ft.	Amount
Mortgage payment	\$2.44	\$7,840
Operating costs	0.50	1,609
Reserves and dues	0.07	236
Total Monthly Costs	3.01	9,684

MONTHLY OWNERSHIP BENEFITS		
Annual appreciation: At 2%		2,034
Annual depreciation: At 40% tax bracket		828
Total Ownership Benefits		2,862

TOTAL EFFECTIVE MONTHLY COST \$6,822

MONTHLY COSTS	Per Sq. Ft.	Amount
Rent payment	\$1.50	\$4,821
NNN operating costs	0.95	3,053
Reserves and dues	--	--
Total Monthly Costs	2.45	7,874

MONTHLY OWNERSHIP BENEFITS		
Annual appreciation		0.00
Annual depreciation: At 40% tax bracket		0.00
Total Ownership Benefits		0.00

TOTAL EFFECTIVE MONTHLY COST \$7,874

• INCREASE IN PROPERTY VALUE & OWNER'S EQUITY •

	<u>Property Value</u>	<u>Loan Balance</u>	<u>Equity</u>		<u>Property Value</u>	<u>Loan Balance</u>	<u>Equity</u>
YEAR 5:	\$1,347,255	\$970,975	\$376,280	YEAR 15:	\$1,642,296	\$553,804	\$1,088,492
YEAR 10:	\$1,487,478	\$795,635	\$691,843	YEAR 20:	\$1,813,227	\$219,947	\$1,593,280

Equity is based upon property value appreciating at 2% per year less the loan balances.