

Effective Occupancy Cost - Leasing

Lease 1,800 sf @ \$12.00 NNN:

\$12.00	Lease Rate
x 1,800	Square Feet
\$21,600	Annual Lease Amount
\$7,200	Annual Expenses (\$4.00/sf)
\$28,800	Annual Cost To Lease
<LESS BENEFIT OF LEASING>	
- \$6,480	Tax Effect of Lease Expense (30% tax bracket)
\$22,320	Effective Annual Cost of Leasing

\$12.00 Per square foot full service effective occupancy cost



Effective Occupancy Cost - Purchase

Purchase of 1,800 sf @ \$250K: (\$139/sf)

\$250,000	Purchase Price
-25,000	Down Payment (10%)
\$225,000	Amount Financed
\$125,000	Bank Financed (50%)
\$100,000	SBA Financed (40%)
\$11,184	Annual P/I on 1st Note
\$8,088	Annual P/I on 2nd Note
\$19,272	Annual P/I
\$7,200	Annual Expenses (\$4.00/sf)
\$26,470	Total cost per year



Effective Occupancy Cost - Purchase

\$26,470	Total cost per year
<LESS BENEFITS OF OWNERSHIP>	
-\$11,250	Average principal pay down
- \$2,406	Annual tax effect of interest expense (30% tax bracket)
- <u>\$1,538</u>	Annual tax effect of depreciation (30% tax bracket)
\$11,276	TOTAL EFFECTIVE ANNUAL COST OF OWNERSHIP

**\$6.26 Per square foot effective occupancy cost
(48% less than leasing)**

