

# VCC-Eagle Ranch

## • RENT VS OWN COMPARISON •

 Sample property size (Lease): **2,467** SF

 Sample property size (Buy): **2,467** SF

• RENT •		
<b>LEASE ASSUMPTIONS:</b>		
Rent per square (Triple Net)		<b>\$8.89</b>
Rent per month (total)	\$	1,828
<b>START-UP COSTS:</b>		
Prepaid rent and security deposit		\$3,655
Total Start-Up Costs		\$3,655
<b>MONTHLY COSTS:</b>		
	Per Sq. Ft.	Amount
Rent payment	\$ 0.74	\$ 1,827.64
NNN operating costs	\$ <b>0.50</b>	\$ 1,233.50
Reserves for Repairs	\$ -	\$ -
Annual Depreciation: at 40% Tax Bracket	\$ -	\$ -
Total Monthly Costs	\$ 1.24	\$ 3,061
<b>ADDITIONAL MONTHLY OWNERSHIP BENEFITS:</b>		
Annual appreciation at:	2.00%	\$0
Average Monthly Principal Payment		\$0
Total Ownership Benefits		\$0
<b>TOTAL EFFECTIVE MONTHLY COST</b>		<b>\$ 3,061</b>

**VS**

• OWN •		
<b>PURCHASE ASSUMPTIONS:</b>		
		<b>\$/SF</b>
Purchase price	\$ 259,035	\$ 105.00
<b>START-UP COSTS:</b>		
Cash down payment	10%	\$ 25,904
Loan Fees and costs		\$ 1,295
Total Start-Up Costs		\$ 27,199
<b>MONTHLY COSTS:</b>		
	Per Sq. Ft.	Amount
Mortgage payment (Details below)	\$ 0.72	\$ 1,778
Operating costs	\$ <b>0.50</b>	\$ 1,234
Reserves for Repairs	\$ <b>0.06</b>	\$ 148
Annual Depreciation: at 40% Tax Bracket	\$ (0.13)	\$ (332)
Total Monthly Costs	\$ 1.15	\$ 2,827
<b>ADDITIONAL MONTHLY OWNERSHIP BENEFITS:</b>		
Monthly appreciation (Yr. 1)		\$ 432
Average Monthly Principal Payment (Mo. 1-12)		\$ 497
Total Ownership Benefits		\$ 929
<b>TOTAL EFFECTIVE MONTHLY COST</b>		<b>\$ 1,899</b>

**Important Notes:**

The Rent amount shown above 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 base rent would typically increase by 34%. Start-Up costs are typically greater than renting, however, due to the large monthly difference between the costs of owning and renting, the buyer's entire cash down payment and closing costs are returned in only:

**20 Months**
**• INCREASE IN PROPERTY VALUE & OWNER'S EQUITY •**

	Property Value	Loan Balance	Owner's Equity
<b>YEAR 5:</b>	\$285,996	\$203,409	\$82,587
<b>YEAR 10:</b>	\$315,762	\$156,178	\$159,585
<b>YEAR 15:</b>	\$348,627	\$90,734	\$257,893
<b>YEAR 20:</b>	\$384,912	(\$0)	\$384,912

Annual Appreciation Rate: **2.00%**

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

**• SBA 504 FINANCING PROGRAM •**

Purchase Price	\$	259,035
Cash down payment: 10%	\$	(25,904)
Amount Financed	\$	233,132

• The SBA 504 financing program combines a loan from a regular 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 •

	1st Mortgage by Bank	2nd Mortgage by SBA
<b>Conventional Loan</b>		
Loan Amount	\$ 129,518	\$ 108,000
Interest Rate	<b>7.00%</b>	<b>6.00%</b>
Amortization in years	<b>20</b>	<b>20</b>
Percent of Total Loan Amount	<b>50%</b>	<b>40%</b>
Loan fees	\$ 1,295 <b>1.00%</b>	\$ 4,747 <b>4.40%</b>
Monthly Payment	\$ 1,004	\$ 774