



211
W. WACKER

OWN VS. LEASE

After-Tax Analysis

Case Study: 211 W. Wacker Drive

	Year 1	Year 10	Year 20
Square Feet:	8,750 SF	8,750 SF	8,750 SF
Total Purchase Price per Rentable Square Foot	\$230	\$230	\$230
Total Purchase Price	2,012,500	2,012,500	2,012,500
Less: 10% Down Payment	(201,250)	(210,250)	(201,250)
Total Amount Financed	1,811,250	1,811,250	1,811,250
Annual Interest Rate	6.5%	6.5%	6.5%
Amortization Period	25 years	25 years	25 years
Annual Payment	145,965	145,965	145,965
Add: Budgeted Expenses (\$13.20 / SF)	115,500	115,500	115,500
Total Annual Occupancy Cost*	\$261,465	\$261,465	\$261,465

*Analysis includes zero tax and op expense increase

Tax Savings

Loan Payment	145,965	145,965	145,965
Less: Principle Reduction	(30,791)	(54,337)	(103,241)
Interest Expense (Year 1)	115,174	91,628	42,724
Add: Depreciation (85/15 over 39 years)	43,862	43,862	43,862
Add: Budgeted Expenses	115,500	115,500	115,500
Total Tax Deductions	274,536	250,990	202,086

Estimated Tax Rate (Federal=35%, State=3%) 38% 38% 38%

Estimated Tax Savings **\$104,324** **\$95,376** **\$76,793**

After Tax Ownership Cost

Interest Expense	115,174	91,628	42,724
Add: Budgeted Expenses	115,500	115,500	115,500
Less: Tax Savings	(104,324)	(95,376)	(76,793)

Annual After Tax Ownership Cost **\$126,350** **\$111,752** **\$81,431**

OWNERSHIP COST Per S.F. After Tax **\$14.44** **\$12.77** **\$9.31**

LEASE COST* Per S.F. After Tax **\$13.33** **\$14.96** **\$17.35**

(\$21.50 gross - tax = 38 % = \$8.17 = \$13.33rsf)

*assumes 3% annual Base Rate increase

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