

**Real Estate Risk Analysis
Acquisition Case Study
Single Tenant Retail Building**

An investor is considering the purchase of a single tenant retail facility. The building is occupied by a high credit drugstore user. The building is new and the tenant will take occupancy and begin the lease term at approximately the same time as the investor is projected to close the transaction purchasing the facility. The following information is available to assist this investor in making an effective real estate decision.

Investor Characteristics

**Funds available to invest: \$ 5,000,000
Investor's marginal tax rate: 39%
Investor's Long Term Capital Gain Tax Rates:
 Gain caused by cost recovery: 25%
 Gain caused by appreciation: 15%
Reinvestment rate: 5%**

Building Characteristics

**Size: 15,000 SF
Rent: \$25 / SF (Absolute Net)
Lease Term: 20 Years
Rent Escalations: None
Renewal Options: Three 5 Years Renewal Options (\$ 25 / SF)
Land Value at Acquisition: \$ 2,400,000
Acquisition Costs: \$ 20,000**