

RE 618 / Fin 618 – Real Estate Investment Analysis

Homework – Sale-Leasebacks – Partial Solutions

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Below are solutions for selected calculations in the sale-leaseback problem to help you determine if you are on the right track as you complete this assignment. Remember that small rounding errors are not a problem. If your figures are within a few dollars of these, don't worry about getting them exact.

- 1) Up-front cash flows under the sale-leaseback option: \$5,868,899
- 2) Operating cash flows:
 - a) Sale-leaseback after-tax cash flows
 - Year 1: (\$2,210,000)
 - Year 11: (\$2,486,250)
 - b) Continue-to-own after-tax cash flows
 - Year 1: (\$1,612,667)
 - Year 11: (\$1,996,364)
- 3) Terminal cash flows under the continue-to-own option: \$23,530,290
- 4) NPV: \$1,528,271
- 5) IRR: 11.94%