

Build-to-Suit Development vs. Self-Development

DORSEY DEVELOPMENT

BUILD-TO-SUIT DEVELOPMENT

Leasing Pros & Cons

VS

SELF-DEVELOPMENT

Purchasing Cons & Pros



Conserve Capital

Leasing allows owner to retain capital



Large Capital Expenditure

Down payment & development costs



Restored Focus & Increased Profits

*Focus back on Ops to increase profits
BTS Developer delivers units turnkey*



Loss of Time & Focus

Owner must manage Brokers, Architect, Engineers, Attorneys, Contractors, etc



Development Costs Controlled

BTS Rents are locking in – no overrun risk



Development Cost Overruns

Exposed to uncapped additional costs



Increased Profits

More units increase Operating Cash



Reduced Profits

Distracted focus away from Ops – fewer units opened



Location Flexibility

Can relocate after lease term if desired



Location Obsolescence

Stuck in building / location



Maintain Liquidity

Leasing frees up your capital, increases Operating Cash, and outstrips equity



Capital Tied Up in Real Estate



Off-the-Books Obligation

Lease payments not on B/S – (per GAAP)



On-the-Books Liability

Long-term debt on B/S



Tax Benefits

Leasing costs are fully tax deductible



Tax Consequences (on Sale)

Sale Costs & Capital Gains Taxes can erode appreciation value



No Appreciation

*Sale costs erode gains
Appreciation only realized upon sale and loss of unit*



Appreciation & Depreciation

*Appreciation only realized on sale – on par with inflation.
Land not depreciable.*



No Equity Accumulation

But, much more Operating Cash (2-3 more units for every self developed unit) with less capital expenditure



Debt Reduction

Fully amortized only after 25 -30 years

Build-to-Suit Development vs. Self-Development



More Units = More Cash
Operating Cash > Unrealized Equity

Hit Development
Invecentives

For more information,
contact Caffrey F. Favrot

Vice President of Development
caffrey@dorseydevelopment.com
504.343.4389 cell



DORSEY DEVELOPMENT

3636 N. Causeway Boulevard, Suite 200, Metairie, LA 70002
p. 504.593.0400 | f. 504.464.9639 | DorseyDevelopment.com