This aerial photo shows the former Rockwell-Standard Manufacturing Company's Newton Falls bumper plant as it looked when in production three years ago. After being vacant for some two years, the facility is again showing signs of productive life in the hands of new ownership and Edward J. Lewis, Inc., leasing efforts.

200,000 out of 300,000

FORMER ROCKWELL PLANT LEASES RAPIDLY

After standing vacant for some two years, the former Rockwell-Standard bumper manufacturing facility in Newton Falls, Ohio, is once again bustling with industrial activity. The property was purchased in late 1978 by J.K. and M. Enterprises, Inc., an investment group, and Edward J. Lewis, Inc., was assigned the task of finding tenants.

Efforts began last November and in the ensuing four months some 200,000 square feet of the total 300,000 square feet have been leased to manufacturing concerns. The structure now houses fully operational metal stamping presses for the Bliss Manufacturing Company and warehousing facilities for the Alliance Machine Company.

Installation of a steel de-coiler and slitting table is under way for Trumbull Metal Services, Inc., and electric furnaces are being installed for the Rockwell Alloy Metals Company, a producer of ferrous and non-ferrous alloys. Progress is being made toward leasing the remaining space to various other companies as well.

When the presently committed tenants get into production many new jobs will have been created and when the balance of the space is leased there will probably be as many employees on the premises as there were during most of the bumper manufacturing years.

We at Edward J. Lewis, Inc., are most pleased to have helped in this redevelopment of a basically sound manufacturing plant. It is worth noting that the employers are made up of a combination of existing local and

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Still Available MONEY$$

The cost of money has increased on average in our commercial and industrial borrowing market but availability is at least holding its own. In fact, there was a slight increase in the number of lenders who expressed willingness to make such loans for this survey as compared to the year-end responses.

Loans are being made in the 10.75% to 11% interest range with 11.5% and as much as 12% being suggested for new activity. Speculation on the reasons for this money availability despite such high cost might include a lowering of loan demand due to the high price. There has been reported some softness in the prime lending rate at commercial banks nationally and an 18% drop in new housing starts for January, 1979, was well publicized last month.

During the past few "Lewis Letter" money surveys, the responding savings

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DEPRECIATION METHODS

<table>
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<tr>
<th>PROPERTY TYPE</th>
<th>125% Declining Balance</th>
<th>150% Declining Balance</th>
<th>200% Declining Balance</th>
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CHART DESCRIPTION: The four general classifications of investment property are shown in the left column of this chart and the five recognized depreciation methods are noted in the other. X-marks in the various boxes indicate which procedure is permitted for each property type. It should be noted that there are specific rules used to determine property classifications and in some instances various parts of a specific property may not be classified the same.

There Are Choices

Almost every object used in industrial production or for economic gain deprecitates. While this is an economic fact, one of the objectives for an income tax payer is to gain the tax reducing benefits of depreciation in an amount exceeding the actual loss in value of the property. Most business people consider investment real estate one of the best vehicles for reaching this objective and although it is not always true, we generally agree with that theory.

The government permits several different procedures for estimating property deprecitations. Different types of real estate are eligible for the various schedules and there are numerous ‘tests’ for the property eligibilities in each case. There are also pluses and minuses for each depreciation program as some can provide larger immediate credits but may create very expensive ‘recap’ situations and/or minimum tax obligations.

We certainly recommend, therefore, that those not completely familiar with the tax laws obtain proper legal or accounting advice before making any choices.

Generally speaking, the straight-line method of depreciation is the most conservative. In that method, the depreciable portion of the property’s value, after allowing a salvage value, is divided into equal parts depending upon its estimated useful life. Those equal parts may then be subtracted from the property’s income for each accounting period. If depreciation exceeds a property’s net income, the excess may be applied against other income. Here too, the tax payer must know the rules.

Accelerated depreciation schedules such as the 125%, 150% and 200% Declining Balance procedures are permitted in certain instances and they allow higher factors of depreciation to be charged early in the property’s useful life. The Sum-of-the-Years’ Digits procedure will also result in higher early depreciation. Excess depreciation here too may be applied against other income but even more special rules come into effect.

For various reasons, all procedures are not permitted for every type of property and Congress changes the rules from time to time. The chart accompanying this article shows the allowable depreciation methods for various property types as currently provided by law. The greater flexibility allowed in deprecimating new residential properties, for example, demonstrates the Federal Government’s political preference to see more investment in residential real estate.

Used commercial real estate provides the least flexibility in calculating depreciation, which may help account for some of the difference between new building costs and after market building values. By relegating purchasers of used commercial properties to the most conservative straight-line depreciation method, perhaps Congress is showing where it believes the least social good results from real estate investments.

A dichotomy exists here, however, when the new Investment Tax Credit laws are considered. The latest tax laws allow some investment for the improvement of all types of buildings over 20-years-old to qualify for ITC while investment in newer structures is far more limited.

Does anyone know where the next emphasis will be?