

# Valuation Of The Embedded Option In A Non-Cancelable Lease: Theory And Application

**James R. Hamill Hamill**  
University of New Mexico

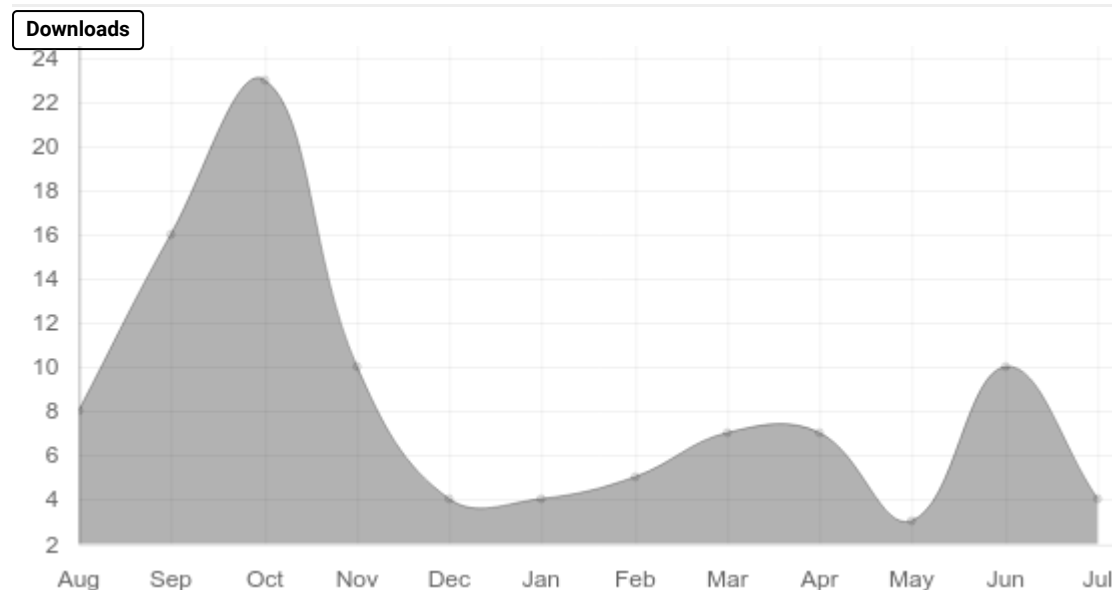
**Joel Sternberg**  
Clark University

**Craig G. White**  
University of New Mexico

## Keywords

## Abstract

This paper applies a “real” option literature based model to valuing the option element of a non-cancelable lease without an early exercise provision. The model is applied to a common lease type – the closed-end automobile lease. The findings show that the value of the option inherent in an automobile lease is approximately two to six percent of the original asset cost. The analysis discusses ways in which the option value can be captured through the lease contract terms. Management decision makers can use these concepts in evaluating lease/purchase decisions.



Abstract 248 | PDF Downloads 784

[PDF](https://clutejournals.com/index.php/JABR/article/view/1425/1406) (https://clutejournals.com/index.php/JABR/article/view/1425/1406)

Published  
Jul 1, 2006

**DOI** <https://doi.org/10.19030/jabr.v22i3.1425> (https://doi.org/10.19030/jabr.v22i3.1425)

Hamill, J. R. H., Sternberg, J., & White, C. G. (2006). Valuation Of The Embedded Option In A Non-Cancelable Lease: Theory And Application. *Journal of Applied Business Research (JABR)*, 22(3). <https://doi.org/10.19030/jabr.v22i3.1425>

More Citation Formats ▾

## Issue




Vol. 22 No. 3 (2006) (<https://clutejournals.com/index.php/JABR/issue/view/159>)

## Section

Articles

Make a Submission (<https://clutejournals.com/index.php/JABR/about/submissions>)

## Current Issue

- »  (<https://clutejournals.com/index.php/JABR/gateway/plugin/WebFeedGatewayPlugin/atom>)
- »  (<https://clutejournals.com/index.php/JABR/gateway/plugin/WebFeedGatewayPlugin/rss2>)
- »  (<https://clutejournals.com/index.php/JABR/gateway/plugin/WebFeedGatewayPlugin/rss>)



**Published since 1985**

ISSN 0892-7626 (print), ISSN 2157-8834 (online)

The Journal of Applied Business Research (JABR) welcomes articles in all areas of applied business and economics research.

[About the Journal \(http://clutejournals.com/index.php/JABR/about\)](http://clutejournals.com/index.php/JABR/about)

---

[Editorial Team \(http://clutejournals.com/index.php/JABR/about/editorialTeam\)](http://clutejournals.com/index.php/JABR/about/editorialTeam)

---

[Submissions \(https://www.cluteinstitute.com/submissions/\)](https://www.cluteinstitute.com/submissions/)

---

[Contact \(https://clutejournals.com/index.php/AJBE/about/contact\)](https://clutejournals.com/index.php/AJBE/about/contact)

---

[Become a Reviewer \(https://www.cluteinstitute.com/journal-reviewer-application/\)](https://www.cluteinstitute.com/journal-reviewer-application/)

---

## CONTACT

Email: [Journals@CluteInstitute.com](mailto:Journals@CluteInstitute.com) (<mailto:Journals@CluteInstitute.com>)

---

Phone: +1 303-904-4750

---

Website: [www.CluteJournals.com](http://www.CluteJournals.com) (<http://clutejournals.com>)

---

Address: 8119 Shaffer Parkway A102, Littleton, CO 80127 United States

---