

The Power of Leverage in Real Estate

Real Estate Investment Network

Financial Calculations for Sophisticated Real Estate Investors

Future Value Estimate- Variable Growth Rate

Purchase Price	<u>\$240,000.00</u>	
Investment	<u>\$60,000.00</u>	25%
Mortgage	<u>\$180,000.00</u>	35yr Amortization, 6% interest
Years	<u>10.00</u>	

	<u>Growth Rate</u>	<u>Mortgage</u> <u>Balance</u>	<u>Estimated Net</u> <u>Cash Flow</u>	<u>Property</u> <u>Value</u>	<u>Year End</u> <u>Equity</u>	<u>ROI/ year</u>	<u>Total</u> <u>Cumulative ROI</u>
Yr 1	3.00%	\$178,415.32	\$0.00	\$247,200.00	\$8,784.68	14.6%	
Yr 2	3.00%	\$176,734.13	\$0.00	\$254,616.00	\$17,881.87	15.2%	29.8%
Yr 3	3.00%	\$174,950.56	\$0.00	\$262,254.48	\$27,303.92	15.7%	45.5%
Yr 4	3.00%	\$173,058.37	\$0.00	\$270,122.11	\$37,063.74	16.3%	61.8%
Yr 5	3.00%	\$171,050.94	\$0.00	\$278,225.78	\$47,174.84	16.9%	78.6%
Yr 6	3.00%	\$168,921.26	\$0.00	\$286,572.55	\$57,651.29	17.5%	96.1%
Yr 7	3.00%	\$166,661.89	\$0.00	\$295,169.73	\$68,507.84	18.1%	114.2%
Yr 8	3.00%	\$164,264.92	\$0.00	\$304,024.82	\$79,759.90	18.8%	132.9%
Yr 9	3.00%	\$161,721.97	\$0.00	\$313,145.56	\$91,423.59	19.4%	152.4%
Yr 10	3.00%	\$159,024.16	\$0.00	\$322,539.93	\$103,515.77	20.2%	172.5%

10 year growth rate/yr 3.0%

Conservative growth rate - 3%

Break-even cash flow

Higher down payment - 25% (can get 20%)

Longer amortization - 35 years (can use 25%)

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Years	<u>10.00</u>	

	<u>Growth Rate</u>	<u>Mortgage</u> <u>Balance</u>	<u>Estimated Net</u> <u>Cash Flow</u>	<u>Property</u> <u>Value</u>	<u>Year End</u> <u>Equity</u>	<u>ROI/ year</u>	<u>Total</u> <u>Cumulative ROI</u>
Yr 1	3.00%	\$178,415.32	\$1,800.00	\$247,200.00	\$10,584.68	17.6%	
Yr 2	3.00%	\$176,734.13	\$1,800.00	\$254,616.00	\$21,481.87	18.2%	35.8%
Yr 3	3.00%	\$174,950.56	\$1,800.00	\$262,254.48	\$32,703.92	18.7%	54.5%
Yr 4	3.00%	\$173,058.37	\$1,800.00	\$270,122.11	\$44,263.74	19.3%	73.8%
Yr 5	3.00%	\$171,050.94	\$1,800.00	\$278,225.78	\$56,174.84	19.9%	93.6%
Yr 6	3.00%	\$168,921.26	\$1,800.00	\$286,572.55	\$68,451.29	20.5%	114.1%
Yr 7	3.00%	\$166,661.89	\$1,800.00	\$295,169.73	\$81,107.84	21.1%	135.2%
Yr 8	3.00%	\$164,264.92	\$1,800.00	\$304,024.82	\$94,159.90	21.8%	156.9%
Yr 9	3.00%	\$161,721.97	\$1,800.00	\$313,145.56	\$107,623.59	22.4%	179.4%
Yr 10	3.00%	\$159,024.16	\$1,800.00	\$322,539.93	\$121,515.77	23.2%	202.5%

10 year growth rate/yr 3.0%

Conservative growth rate - 3%

\$150/ month cash flow - no growth

Higher down payment - 25% (can get 20%)

Longer amortization - 35 years (can use 25%)