

# 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>	30yr 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%	\$177,759.05	\$0.00	\$247,200.00	\$9,440.95	15.7%	
Yr 2	3.00%	\$175,381.61	\$0.00	\$254,616.00	\$19,234.39	16.3%	32.1%
Yr 3	3.00%	\$172,859.38	\$0.00	\$262,254.48	\$29,395.10	16.9%	49.0%
Yr 4	3.00%	\$170,183.57	\$0.00	\$270,122.11	\$39,938.54	17.6%	66.6%
Yr 5	3.00%	\$167,344.80	\$0.00	\$278,225.78	\$50,880.98	18.2%	84.8%
Yr 6	3.00%	\$164,333.14	\$0.00	\$286,572.55	\$62,239.41	18.9%	103.7%
Yr 7	3.00%	\$161,138.07	\$0.00	\$295,169.73	\$74,031.66	19.7%	123.4%
Yr 8	3.00%	\$157,748.43	\$0.00	\$304,024.82	\$86,276.39	20.4%	143.8%
Yr 9	3.00%	\$154,152.36	\$0.00	\$313,145.56	\$98,993.20	21.2%	165.0%
Yr 10	3.00%	\$150,337.27	\$0.00	\$322,539.93	\$112,202.66	22.0%	187.0%

10 year growth rate/yr                      3.0%

Conservative growth rate - 3%

Break-even cash flow

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

Longer amortization - 30 years (can use 25%)

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Mortgage	<u>\$180,000.00</u>	30yr 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%	\$177,759.05	\$1,800.00	\$247,200.00	\$11,240.95	18.7%	
Yr 2	3.00%	\$175,381.61	\$1,800.00	\$254,616.00	\$22,834.39	19.3%	38.1%
Yr 3	3.00%	\$172,859.38	\$1,800.00	\$262,254.48	\$34,795.10	19.9%	58.0%
Yr 4	3.00%	\$170,183.57	\$1,800.00	\$270,122.11	\$47,138.54	20.6%	78.6%
Yr 5	3.00%	\$167,344.80	\$1,800.00	\$278,225.78	\$59,880.98	21.2%	99.8%
Yr 6	3.00%	\$164,333.14	\$1,800.00	\$286,572.55	\$73,039.41	21.9%	121.7%
Yr 7	3.00%	\$161,138.07	\$1,800.00	\$295,169.73	\$86,631.66	22.7%	144.4%
Yr 8	3.00%	\$157,748.43	\$1,800.00	\$304,024.82	\$100,676.39	23.4%	167.8%
Yr 9	3.00%	\$154,152.36	\$1,800.00	\$313,145.56	\$115,193.20	24.2%	192.0%
Yr 10	3.00%	\$150,337.27	\$1,800.00	\$322,539.93	\$130,202.66	25.0%	217.0%

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 - 30 years (can use 25%)