Case Study 1

Assume that you are able to obtain a loan from the bank for up to $10,000,000 at 7% interest annually. You are to create a portfolio of real estate investments from real estate properties currently listed for sale. Select a minimum of 3 properties that you can purchase with this loan from any source, for example, Realtor.com. These investments can be from anywhere in the United States and from any price range (use current market values). Calculate the expected total cost of purchase for these investments. Calculate the expected annual payments for mortgage interest, property taxes, and insurance. Calculate expected gross rents and net operating income. Compare the expected net operating income to your expected mortgage interest, property taxes, and insurance payments. Make conclusions as to whether these investments are profitable based on your analysis. Use concepts found in the course to defend your position. You can make any realistic assumptions necessary.