

Why Leverage?

1. Higher priced property generally provides a greater return for the same risk.
2. In today's lower interest environment, there is a 2% or more
3. Property Appreciation is greater on each invested dollar.

If we assume a single investor with \$600,000 to invest could choose to 1) pay cash for the real estate investment or 2) join with 4 other like-minded investors, the following expected comparison would take place.

	As A Single Investor	As a Partner with Four Others
A. Investment	\$600,000	\$600,000
B. Leverage Amount	0	14,000,000
C. Expected rate of return NNN	8	9.25
D. Expected current cost of money (10%)	N/A	6.50%
E. Expected property appreciation	2.00%	2.00%
Profit on:		
Cash Investment (A x C)	\$48,000	\$55,500
Leveraged Amount [(C-D) x B]	0	38,500
Expected Appreciation [(A+B) x E]	12,000	40,000
Total Expected Profit	\$60,000	\$134,000
ROI on Investment	10%	22.33%