BUS-123 Spring 2014 Real Estate & Leverage Name: _____
Instr: F. Paiano Worksheet

1. *Calculating the Return on Investment without using Financial Leverage.* Dave bought a rental property for $200,000 cash. One year later, he sold it for $240,000. What was the return on his $200,000 investment?

2. *Calculating the Return on Investment using Financial Leverage.* Suppose Dave invested only $20,000 of his own money and borrowed $180,000 (90% financing). What was the return on his investment?

666. *Calculating the Return on Investment using Financial Leverage and things do not go as planned.* Suppose Dave invested only $20,000 of his own money and borrowed $180,000 (90% financing) … and the property value went down 20%. Now, the question is, *"What is he going to tell his wife?"*

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