

REAL ESTATE INVESTMENT ANALYSIS

Executive Summary & Recommendation

STRATEGIC RECOMMENDATION: BUY

Confidence Level: High

Investment Analysis Summary

Financial Metric	Ownership Scenario	Rental Scenario	Strategic Advantage
Net Present Value	\$125,000	\$85,000	\$40,000 (Ownership)
Initial Investment Required	\$150,000	\$5,000	Lower Capital Requirement
Internal Rate of Return	8.0%	6.0%	2.0% Difference

Net Present Value Analysis



Strategic Investment Insights

Executive Summary: Our comprehensive financial analysis identifies **BUY** as the strategically optimal approach, delivering a quantified advantage of **\$40,000** in net present value over the alternative scenario.

Strategic Value Drivers:

- *Market Timing:* Current interest rate environment favors the recommended approach
- *Tax Optimization:* Strategic tax benefits through buy structure
- *Cash Flow Management:* Optimal liquidity positioning for operational needs
- *Wealth Strategy:* Long-term asset building aligned with investment objectives
- *Risk Profile:* High confidence level with conservative modeling

Investment Thesis: This recommendation reflects rigorous financial modeling incorporating current market dynamics, tax implications, opportunity costs, and strategic risk assessment over the full 25-year analysis horizon.

Risk Assessment

Risk Profile: High Risk Investment Primary Risk Factors: • Interest rate volatility impacting financing costs and opportunity returns • Real estate market cycles affecting property values and rental rates • Tax policy changes potentially altering investment benefits • Economic conditions influencing employment and housing demand **Risk Mitigation:** • Conservative assumptions used in base case analysis • Sensitivity analysis identifying key variable impacts • Diversification considerations for overall portfolio **Monitoring Requirements:** Regular review recommended as market conditions evolve and personal circumstances change.

Key Assumptions & Parameters

Core Financial Assumptions:

- Analysis Period: 25 years
- Cost of Capital: 8.0% annually
- Property Tax Rate: 1.2%
- Rent Growth Rate: 3.0% annually
- Property Appreciation: 3.5% annually

Purchase Scenario:

- Property Value: \$750,000
- Down Payment: 20%

- Mortgage Rate: 5.5%

Rental Scenario:

- Annual Rent: \$36,000
- Security Deposit: \$3,000

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This analysis is based on the assumptions provided and current market conditions. Consult with qualified financial and tax professionals before making investment decisions.