Skyhigh Office Building

Case Study

**Submitted By:**

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**Skyhigh Office Building**

**Case Study Name/Grading Sheet**

**Finance 5770/6770/6780**

**Student Name(s)**

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**Points Possible** \_\_\_\_\_\_\_50\_\_\_\_\_\_\_\_

**Points Missed** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Score Received**  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Graphical user interface, text

Description automatically generated**

**Calculations:**

Table

Description automatically generated

**Calculations:**

Table

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Table

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**Calculations:**

Table

Description automatically generated

**Calculations:**

Text, table

Description automatically generated

**Calculations:**

Table

Description automatically generated

**Calculations:**

Text

Description automatically generated with low confidence

**Calculations:**

Table

Description automatically generated

**Calculations:**

Shape, rectangle

Description automatically generated

**Calculations:**

Graphical user interface, application, table

Description automatically generated

**Calculations:**

Graphical user interface, text, application, email

Description automatically generated

**Calculations:**

**Recommendation**

Diagram

Description automatically generatedAfter carefully analyzing the cost, sales comparison and income approaches to valuing the Sky High office building, we recommend you buy the building *if* you can purchase it for $1,466,000 *or less.*

Diagram

Description automatically generated with low confidenceWe arrived at the estimate of value of $1,466,000 by applying an equal weighting to the values indicated by the cost approach, the sales comparable approach and the income approaches of real estate valuation. Additionally, if you purchase the building for $1,466,000 or less, our analysis indicates that you will realize an internal rate of return on your investment of 7.0%.

If you were able to purchase the building with an LTV of 80%, a market interest rate on your debt of 6.75%, assuming a marginal tax bracket of 30%; you could realize a return on the equity portion of your investment of more than **16%** while still hurdling your cost of capital of 6.99%. These factors add to our confidence that the Sky High Office Building will be a good investment if purchased according to the conditions specified above.