# Real Estate Fundamentals

# Acquisition Project

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## Property

I have selected 1202 Normandy Dr., Southlake, TX because of the premier location in the DFW Metroplex. Having personally grown up in Southlake I see the value of the city and the amenities such as Southlake Town Square, Bob Jones Park, the exemplary education system, and low crime rates. This area is the perfect place to settle down, if one could in theory actually afford to live there, and it would be my long-term plan to have my children grow up in a city such as Southlake. This property, after researching further, is overpriced and it would not be advisable to pay near what the asking price is. This will be discussed further below.

## Supply & Demand

Supply has stayed fairly consistent since Q1 2008. Since Q1 2008 the demand has steadily climbed. An interesting trend I noticed when analyzing sales in 76092 was that Q1 and Q4 have stayed roughly the same at 100 homes per quarter since 2008. However, Q2 and Q3 of each year has steadily climbed. When looking at Q2 and Q3 sales of each year there is a clear trend higher. Sales in Q2 and Q3 2008 were 180 and 160 respectively. These numbers have trended up steadily between each Q2 and Q3 of each year to 260 and 200 home sales in Q2 and Q3 2013. It would be my recommendation to not purchase a house during Q2 and Q3 because of this.

## Sales Comparison Approach

Using the sales comparison approach we could see that the valuation on 1202 Normandy Drive is roughly $32,000 too high. Using my best judgment I came up with a valuation of $517,000.

## Lender

Due to age and it being a first home purchase I added a bit of buffer from the loan rates I was able to find online. Because of this I adjusted it from as low as 5.159% to 5.75% for the sake of this project.

## Loan Types

Since I took the focus of the project as a home purchase for the long-term I chose to look into 30 year fixed rate loans. If I were doing it as an investment property I would look into ARM or Interest-Only loans but I did not delve further for this project.

## Underwriting Criteria

With an interest rate of 5.75% on a 30 year fixed rate mortgage we will pay $483,498.71 of interest on a $439,200 loan. It would be expected to pay between $11,000 and $12,000 in real estate taxes, $600 per year in HOA fees, and insurance costs of which are variable depending on the level of protection of homeowners insurance chosen.