AUREUM

CASE STUDY · REAL ESTATE FINANCING

First Investment Despite a Bank's No: How Julian Financed His First Property Portfolio

Why a branch bank's rejection is often just a no to its own rulebook, not to the project itself

The Dream of a First Portfolio

Julian, mid-20s, an employee with a net income of around €2,250 a month, faced an unusual opportunity: a package of three condominiums in a mid-sized Saxon town within commuting distance of Dresden, roughly 146 m² of living space combined, for €137,000.

THE CASE AT A GLANCE

Client	**Julian, mid-20s, employee**
Property	**Package of 3 condominiums, approx. 146 m²**
Location	**Mid-sized Saxon town within commuting distance of Dresden**
Purchase price	**€137,000**
Starting point	**Wanted 100% purchase-price financing; stock portfolio (approx. €18,800) to remain untouched**

A classic value-add property: two units were already rented out, a third stood vacant, with noticeable rent-increase potential once re-let. Julian's goal was clearly defined: finance the full purchase price through debt and leave his hard-earned stock portfolio untouched as an iron reserve.

The First Setback: A No From the Local Bank

The visit to the first, conservatively run branch bank was sobering. The rejection came with several reasons:

1. The **„prefab building from 1989"** was classified as a risk factor.
2. Three separate land register entries meant, in the bank's view, too much administrative effort.
3. The income was assessed as too tight for three apartments.

A solid project was at risk of failing due to a standard bank's rigid screening grid, not because the numbers did not work, but because they did not fit the bank's template.

The Strategy: Don't Settle for the First Available Solution

Rather than resorting to expensive stopgaps such as short-term bridge loans, we kept searching systematically for a bank that recognized the property's actual value instead of screening purely by standard formula. We submitted a professionally prepared project description to a local regional cooperative bank that knew the local market from its own experience.

> *„A no from the local bank is often just a no to that bank's own rulebook, not necessarily a verdict on the project itself."*

The Solution: A Tailor-Made Financing Structure

The local bank understood both the location and the property's key figures.

Dual-Loan Structure With No Equity Contribution

We structured a combination of a mortgage loan and a subordinated loan covering the full €137,000, so that the purchase price was fully covered through the bank. With a 10-year fixed-interest period, this resulted in a monthly installment of around €756. The projected rent of around €850 after re-letting the vacant unit fully covers this installment. Julian's stock portfolio remained 100% intact as a reserve for future maintenance costs.

The Final Check Before Signing

When reviewing the draft notarial contract, we uncovered and had corrected several contradictions in the fine print before notarization, including conflicting clauses on property-management consent and on the handling of included used appliances. Details that are easily overlooked in everyday life, but can later lead to disputes or unexpected costs.

The Outcome

- ✓ Purchase price **100% financed through debt**, via the combination of a mortgage loan and a subordinated loan
- ✓ Monthly installment of around €756, fully covered by the projected rent of around €850
- ✓ Stock portfolio (around €18,800) **preserved in full** as a reserve
- ✓ 10 years of interest-rate security

What Aspiring Investors Can Learn From This Case

1. A no from your local bank is often just a no to that bank's own rulebook, not necessarily to the project.
2. How well the documents are prepared often determines whether a bank recognizes a property's potential.
3. Protect your equity: keeping a reserve is often more important than maximizing your repayment rate.

> ### Has your local bank turned down your investment?
> A rejection doesn't automatically mean the project can't be financed. We assess which structure and which institution actually fit your project. Contact us for a personal assessment.

Note: this case study is provided for illustrative purposes. Every financing arrangement requires an individual review. To protect our client's privacy, name, location, institutions, and other identifying details have been changed or generalized.

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