CASE STUDY

Mid-range Townhouse.

Kelly and Dylan had owned their home for 12 years, built up quite a bit of equity, and decided to leverage that equity to secure lending for an investment property. They were not big risk takers, so wanted something safe and reliable, but they were already saving $100 each week at the bank so felt they could invest half of that into property instead.

They found a brand new townhouse in Sydenham, with two bedrooms and one bathroom. It cost them $420,000, of which the bank loaned them the entire amount, plus $3,500 for legal fees and other purchase costs.

These are our assumptions:	
Purchase an investment property worth	**$420,000**
With a cash deposit of	**$0.00**
We expect capital gains at a rate of	**4.00%**
The average interest rate over 10 years will be	**4.39%**
Rents and expenses increase at a rate of	**3%**
We assume a rate of vacancy at	**5%**
Rent appraisal is	**$420.00**

This is what we've calculated:	
Gross yield year one	**5.20%**
Net yield year one	**3.26%**
By year ten you will have made	**$145,088.14**
You'll have gained this much equity	**$174,290.9**
Over the 10 year period your total cash flow will be	**-$29,202.82**
That will be a weekly average cost of	**-$56.16**