



CASE STUDY

Mid-range House.

Brandon and Donna liked the idea of owning another house. They weren't huge fans of apartments or townhouses and earn \$140,000 per year between them. As it was, they were living week to week, but they knew they could easily save \$100 each week without too much hassle.

They found a brand new four bedroom, two bathroom house in Halswell for \$580,000, which had a rental appraisal of \$550 per week.

These are our assumptions:	
Purchase an investment property worth	\$580,000
With a cash deposit of	\$0.00
We expect capital gains at a rate of	5.00%
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	\$550.00

This is what we've calculated:	
Gross yield year one	4.93%
Net yield year one	3.21%
By year ten you will have made	\$271,823.78
You'll have gained this much equity	\$316,270.37
Over the 10 year period your total cash flow will be	-\$44,446.58
That will be a weekly average cost of	-\$85.47