



## CASE STUDY

# Premium House.

Steve believed that location was the most important thing when it came to property investment, so looked for an investment in Merivale. He had plenty of equity in his own home, so budget was no issue, or so he thought. He found a 3 bedroom house with two bathrooms for \$1,200,000, with a rent appraisal of \$900 per week.

<b>These are our assumptions:</b>	
Purchase an investment property worth	<b>\$1,200,000</b>
With a cash deposit of	<b>\$0.00</b>
We expect capital gains at a rate of	<b>5.80%</b>
The average interest rate over 10 years will be	<b>4.39%</b>
Rents and expenses increase at a rate of	<b>3%</b>
We assume a rate of vacancy at	<b>10%</b>
Rent appraisal is	<b>\$900.00</b>

<b>This is what we've calculated:</b>	
Gross yield year one	<b>3.90%</b>
Net yield year one	<b>2.39%</b>
By year ten you will have made	<b>\$583,148.45</b>
You'll have gained this much equity	<b>\$789,706.3</b>
Over the 10 year period your total cash flow will be	<b>-\$206,557.87</b>
That will be a weekly average cost of	<b>-\$397.23</b>