CASE STUDY

Central City Apartment.

Brenda and Steve were approaching retirement. They had a freehold home and $100,000 cash in the bank, but they weren't getting much of an interest return on their money these days, so decided to buy a property which would give them a good weekly rent to supplement their superannuation.

They found a central city apartment in Wellington, with a single bedroom and bathroom, which cost them $330,000, of which the bank loaned them $230,000.

These are our assumptions:	
Purchase an investment property worth	**$330,000**
With a cash deposit of	**$100,000**
We expect capital gains at a rate of	**2.50%**
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	**$380.00**

This is what we've calculated:	
Gross yield year one	**5.99%**
Net yield year one	**3.76%**
By year ten you will have made	**$219,521.34**
You'll have gained this much equity	**$178,624.78**
Over the 10 year period your total cash flow will be	**$40,896.56**
That will be a weekly average profit of	**$78.65**