



CASE STUDY

Old 4-Bedroom House.

Kelly & Dylan had a moderate household income but with a baby on the way and facing a reduced income they were conscious of finding an investment that didn't put any additional pressure on their week to week cash flow.

They liked the idea of owning a house and land, but ultimately needed to maximise their rental return to avoid negative gearing, so found an old 4 bedroom house in one of the cheapest neighbourhoods.

These are our assumptions:	
Purchase an investment property worth	\$320,000
With a cash deposit of	\$0.00
We expect capital gains at a rate of	3.50%
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	\$420.00

This is what we've calculated:	
Gross yield year one	6.83%
Net yield year one	4.00%
By year ten you will have made	\$117,501.55
You'll have gained this much equity	\$112,627.15
Over the 10 year period your total cash flow will be	\$4,874.40
That will be a weekly average profit of	\$9.37