



ULTIMATE WEEKLY WEBINAR SUPPORT PROGRAM



The Numbers

Weekly Rent



Weekly
Rent
\$350

Example: \$350 per week

EXAMPLE ASSUMPTIONS

A property is purchased for \$400k and we assume that 100% of this purchase price is borrowed - Lender A 80% and the remaining 20% from a line of credit secured through lender B. The **loan interest rate** is 5% so the **loan interest repayment** is 5% multiplied by \$400k which is \$20k. The property grows by 5% each year. The rent is \$350 per week and the expenses total \$5000 for the year.

Gross Rent



Weekly
Rent
\$350

Weekly
Rent
\$350



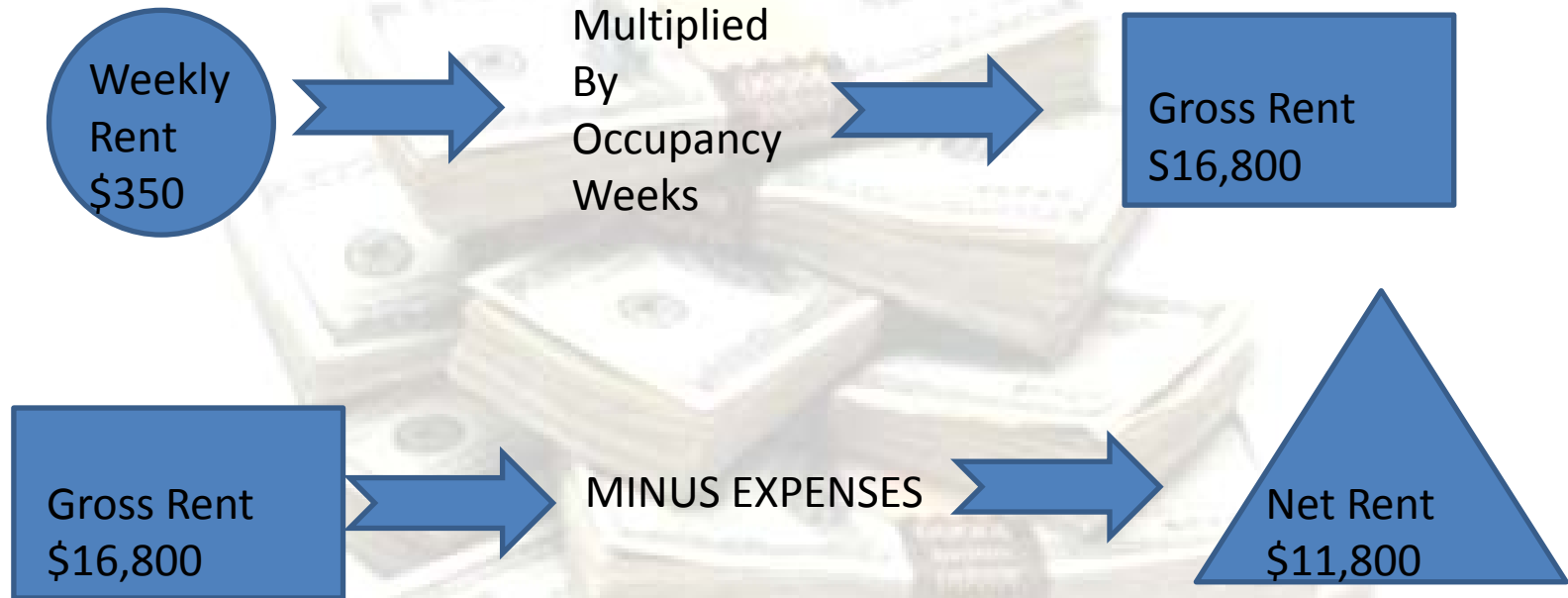
Multiplied By
Occupancy
48 Weeks



Gross Rent
\$16,800

Example: $\$350 \times 48 \text{ weeks} = \$16,800$

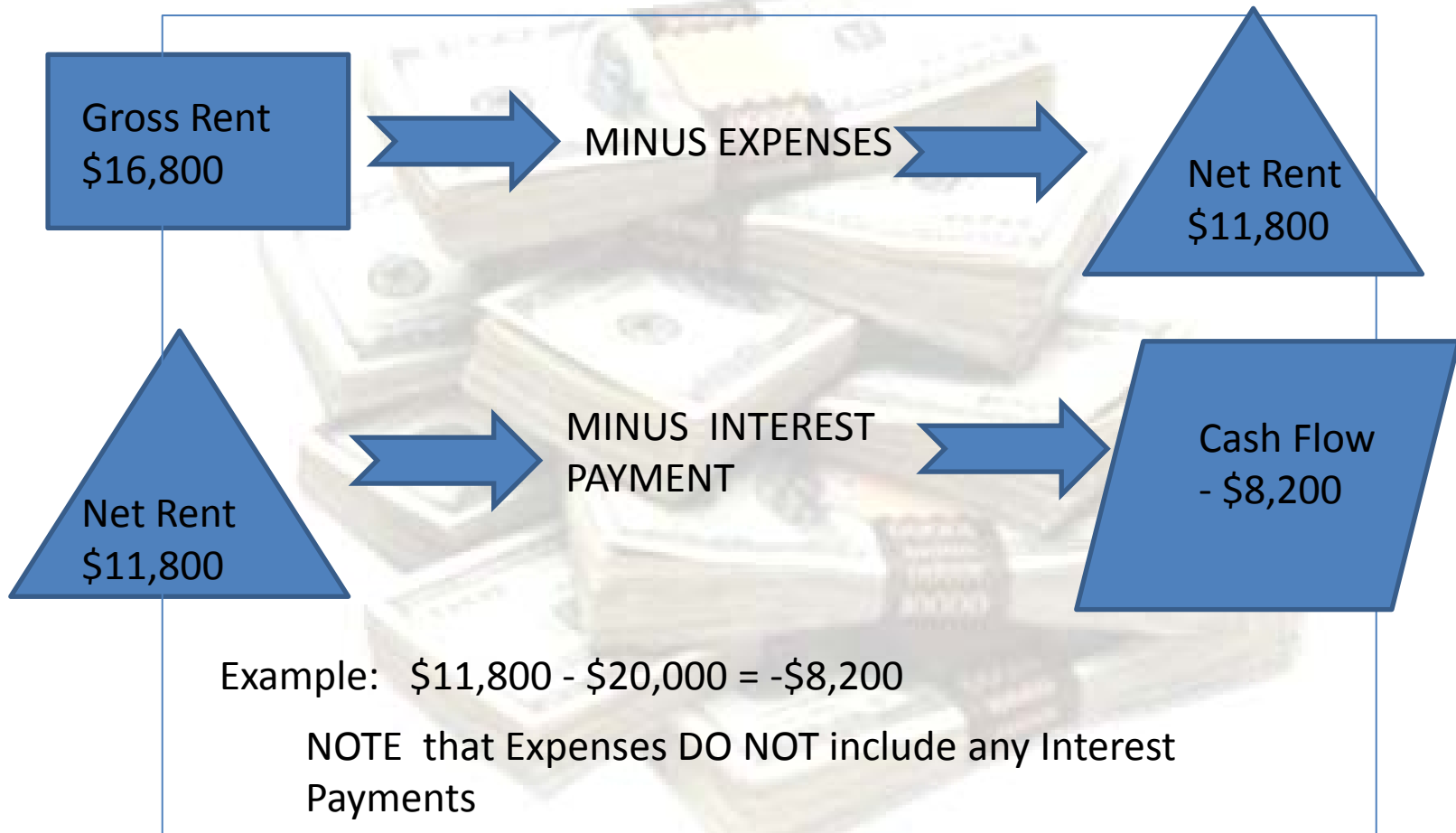
Net Rent



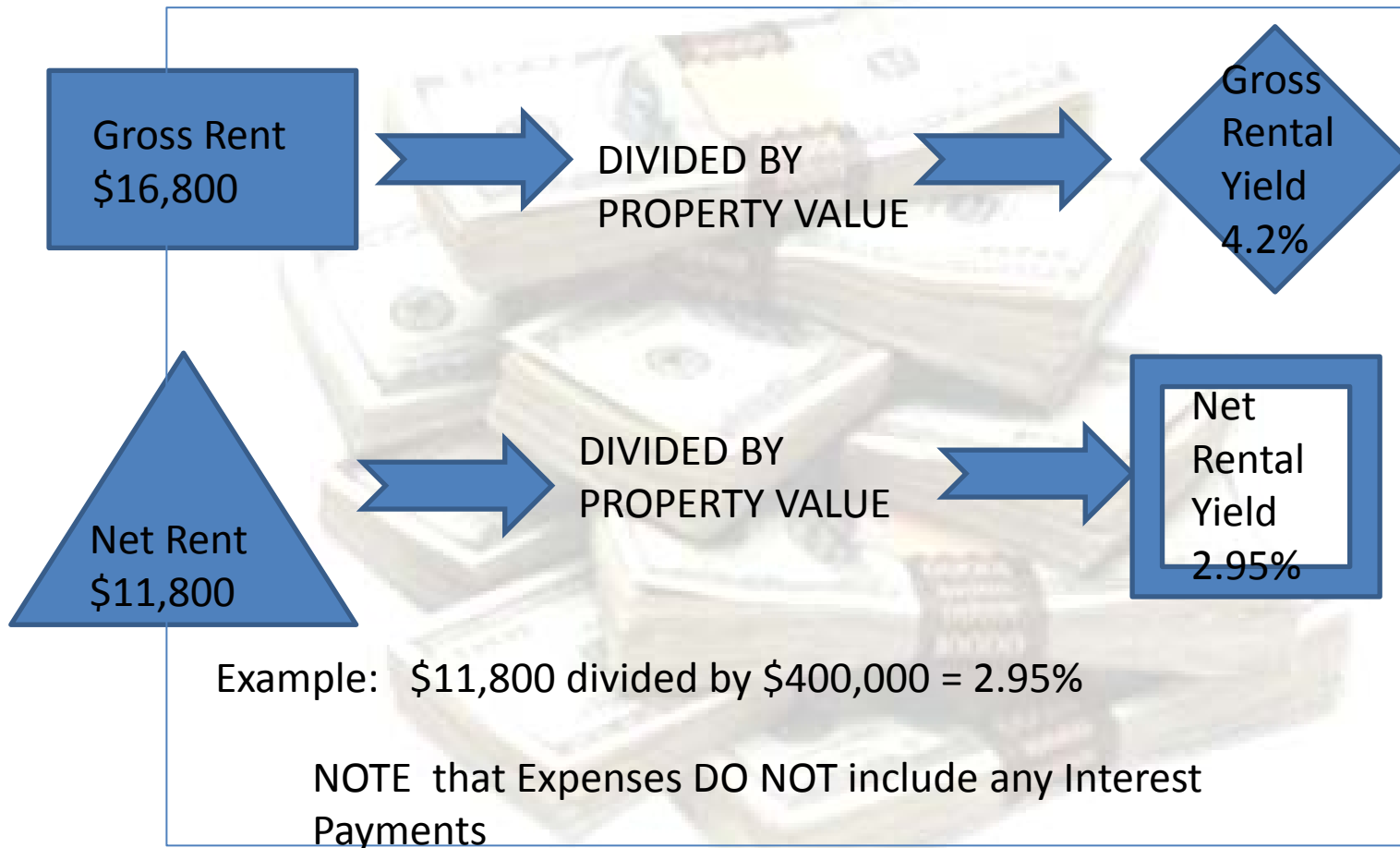
Example: $\$16,800 - \$5,000 = \$11,800$

NOTE that Expenses DO NOT include any Interest Payments

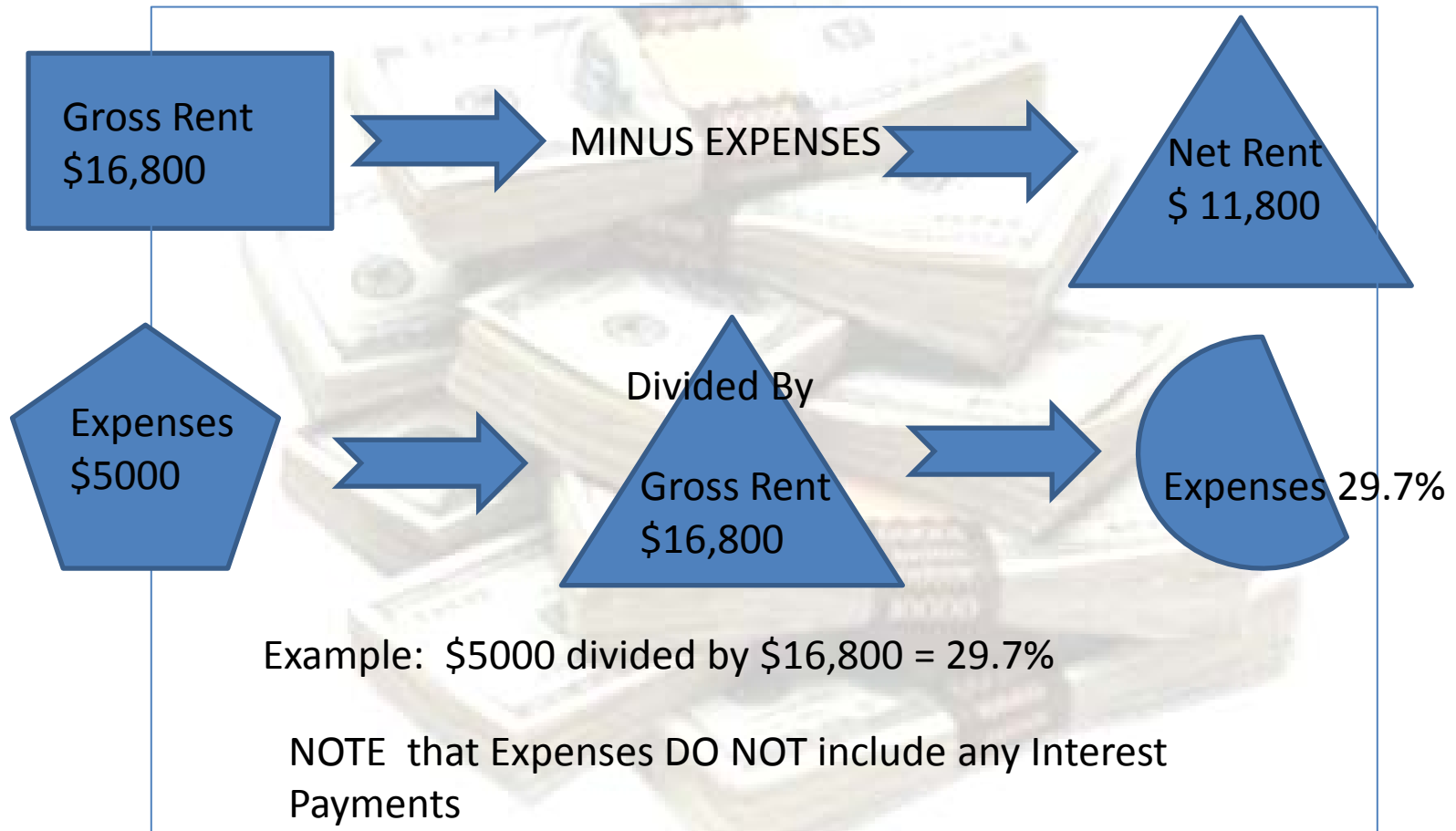
Cash Flow



Gross & Net Rental Yield



Expenses %



Loan to Value Ratio(LVR)



Loan
Amount\$
400,000

Divided By
Property Value
\$400,000

LVR
100
%

Example: $\$400,000$ divided by $\$400,000 = 100\%$

Return on Equity

EQUITY IN DEAL

Deposit

Stamp Duty/Legals

Strategy Costs



INCOME OUT OF DEAL

Cash Flow \$

GROWTH OUT OF DEAL

Manufactured Growth \$

Natural Growth \$



Total IN

Total OUT

Example: $80k + \$24k = \$104K$

Example: $-\$8.2k + \$20k = \$11.8k$

ROE - Total OUT divided by Total IN multiplied by 100

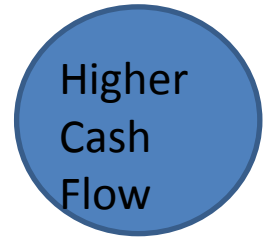
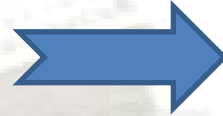
$\$11.8k$ divided by $\$104K = 11.34\%$

Michael & Sara Franks

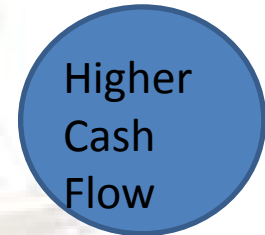
Rules 1



Lower
Interest
Rate



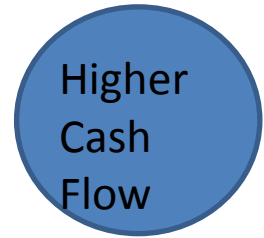
Lower
LVR



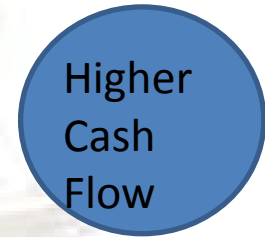
Rules 2



Lower
Expenses



Higher
Gross
Rental
Yield



Summary Of Terms #1

- **Weekly Rent** - the amount paid weekly by the tenant.
- **Annual Rent** - the weekly rent multiplied by the no of weeks let
- **Gross Rental Yield** - the annual rent divided by the property value expressed as a percentage
- **Expenses** - annual payments for owning the property such as council rates, water rates, water use, repairs, strata fees, management fees, insurance, land tax BUT NOT LOAN INTEREST or LOAN REPAYMENTS
- **Expenses%** - the total expenses divided by the annual rent, expressed as a percentage of the rent
- **Non Expenses%** - the total portion left over after deducting the expenses percentage
- **Return on Equity %** - Total equity IN divided by Total of Equity and Cash Flow OUT (expressed as a percentage)

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Summary Of Terms #2

- **Net Rental Yield** - the gross rental yield multiplied by the non expenses % and expressed as a percentage.
- **Loan Interest Rate** - the annual interest rate percentage on the loan
- **Loan Sum** - the amount borrowed from all lenders
- **LVR** - Loan to value ratio expressed as a percentage. This is simply the loan sum divided by the value.
- **Loan Interest/Repayments** - annual payments made to the lender on the loan sum. The loan sum multiplied by the loan interest rate will provide the loan interest payment. If the loan is a Principal and Interest then an amount will be paid off the principal in addition to the interest payment/
- **Net Rent** - the net rental yield multiplied by the property value
- **Cash flow** - the net rent minus the loan interest.

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Example

- A property is purchased for \$400k and we assume that 100% of this purchase price is borrowed - Lender A 80% and the remaining 20% from a line of credit secured through lender B. The **loan interest rate** is 5% so the **loan interest repayment** is 5% multiplied by \$400k which is \$20k. The property grows by 5% each year
- The owner is paid a **weekly rent** of \$350 and let's it out for 48 weeks in the year.
- The **gross rent** is therefore \$350 multiplied by 48 which gives a figure of \$16,800
- The **gross rental yield** can be calculated by dividing \$16,800 by \$400,000 and expressed as a percentage this is 4.2%
- The **expenses** are \$5,000 so the **expenses%** is calculated by dividing \$5,000 by \$16,800. This gives a figure of 29.7%

Example Continued

- The **non expenses%** are 100% minus 29.7% or 70.3%
- The **net rental yield** is the **gross rental yield** multiplied by the **non expenses%**. In this example this would be 4.2% multiplied by 70.3% which gives a figure of 2.95%
- The **net rent** is the **net rental yield** multiplied by the property value so 2.95% multiplied by \$400k gives \$11,800
- The **cash flow** is the net rent minus the loan interest. In this example this is \$11,800 minus \$20,000 which is negative \$8200
- The **Return on Equity** is Equity OUT ($+\$20k - \$8.2k = \$11.8k$) divided by Equity and Cashflow IN ($80k + \$24k = \$104K$) which is 11.34% ROE