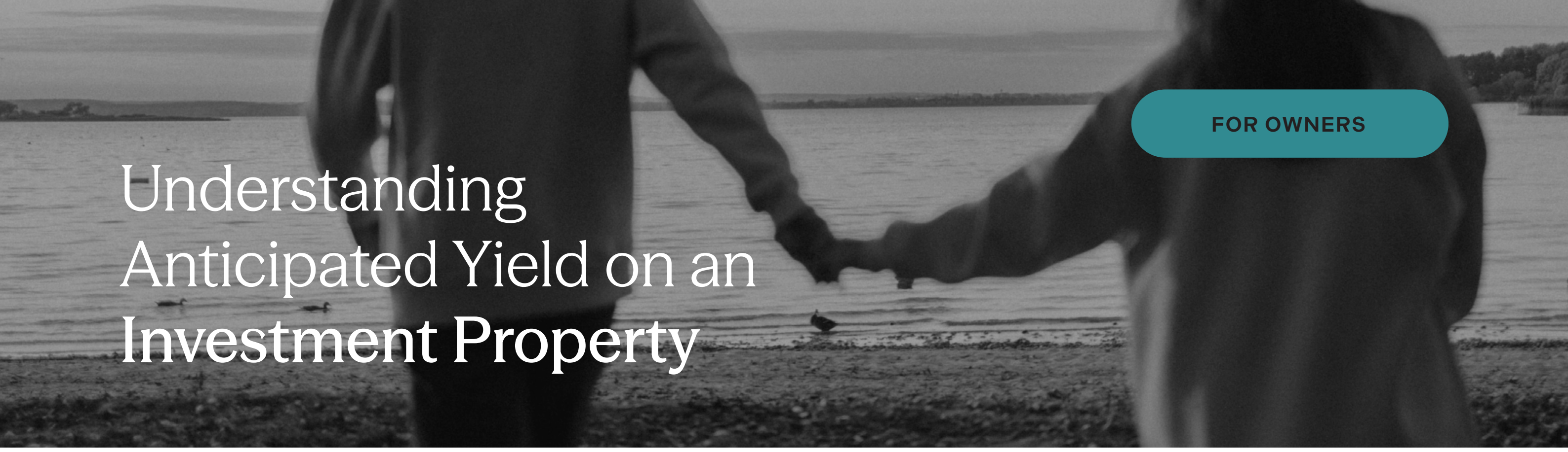

FOR OWNERS

Understanding Anticipated Yield on an Investment Property

If you're evaluating an investment property or thinking about buying one, you'll often hear the term 'anticipated yield.' In plain English, this is a forecast of what your investment might return annually (via rent), compared with what you paid (or will pay) for it.

What 'yield' means

- **Gross yield** - This shows your property's rental income before expenses are deducted. It's calculated by taking the total annual rent and dividing it by the property's value (or purchase price), then multiplying by 100. For example, if a property earns $25,000/year in rent and is worth $500,000, the gross yield would be 5%.
- **Net yield** - This gives a more realistic view: it's the rental income minus ongoing costs (like maintenance, rates, property management fees, vacancy, insurance, etc.), divided by the property's value, then multiplied by 100. This helps you understand what you might actually keep, your real return.

Understanding both gives you a clearer picture: gross yield helps you compare properties easily, while net yield shows your likely cash flow after costs.

Why 'anticipated' yield matters

When you look at a property (especially one you haven't bought yet), 'anticipated yield' helps you forecast how it might perform before committing. It gives you a baseline expectation for rental return which is:

- Comparing different properties or suburbs.
- Estimating whether the property will generate enough rental income to cover costs (or possibly be cash flow positive).
- Assessing the risks and potential returns before you factor in purchase expenses, ongoing costs and market changes.

Because 'anticipated yield' is a forecast, it's not a guarantee, but it's a helpful benchmark to inform your decision.

What wise investors do when considering anticipated yield

When using anticipated yield as a guide:

- Always run both gross and net yield calculations. Don't assume the headline rent to price ratio tells the full story.
- Factor in all likely costs: maintenance, property management fees, insurance, vacancy periods, council rates, strata (if relevant), and other ongoing expenses. These can significantly impact net yield.
- Be realistic with rent estimates. Check comparable rents in the area, vacancy rates, and potential future trends (e.g. rent growth, demand).
- Consider long term outlook: yield is about income, but you should also think about potential capital growth (value increase) if you plan to hold the property.

What it means for you

'Anticipated yield' isn't magic, but it is a powerful tool. If you treat it like a forecast: run the numbers thoroughly, be realistic about costs, and compare carefully, you'll be better equipped to choose a property that not only looks good on paper, but also performs well.

Note: *This is general information only. Tax implications, interest rates, and cash flow outcomes can vary significantly depending on your personal situation. Always seek advice from a qualified professional before making financial decisions.*