

## How much can I make on a rental (Investment) property?

In Windsor, Ontario, the Real Estate market is RED-HOT but it can be tricky to figure out how an investment property can make a profit.

There are 3 elements to calculating your return on an investment property:

- Monthly Net-Income - Any income that you generate after paying the bills. (This could be as high as \$1,500/M for a single family home that is not financed or as low as \$0/M or less in some situations – This is often the case in very quickly appreciating markets such as Toronto)

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- Principle Paid on Mortgage - The part of your mortgage that is principle (the other part is the interest you pay). So at the end of your mortgage, you own the full equity of the property. (Approximately \$2,300/year of principle is paid per year on an \$80,000 property. As each year goes by, the components of your mortgage payment changes; payment of principle increases and interest decreases.

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- Appreciation - Any increase in value of the property. (For example, if a rental property was purchased for \$80,000 2 yrs ago with 15% appreciation (2015) and 20% (2016), an average increase in value would be \$ 30,400 in two years) .

So even with a low \$100 monthly net-income after paying for mortgage, taxes and maintenance costs there may still be a significant profit after just 2 years  
 $\$2,400 + \$4,600 + \$30,400 = \underline{\$50,850}$  with a 5% down-payment on \$80,000 (\$4,000)

Of course, 2015 & 2016 (and likely 2017) have had exceptionally high increases in property values compared to the Windsor market just a few years ago. But it is pretty easy to see that if your tenant just covers your costs and even if there was no upward increase in pricing, the principle paid on the mortgage by a tenant would still be a great return on investment (\$4000 down and a return the first year of \$2,300 is like getting 57% interest per year.)

\*5% down may not be available to everyone. These examples assume 100% tenancy, 100% tenant payment, do not including maintenance costs or management fees. These examples are not a guarantee of individual results. Closing costs, real-estate and bank fees are not included in these examples. Always consult real-estate, financial, legal and accounting professionals before investing.

If you are looking to buy or sell a property, Call :

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