

# (RENTAL PROPERTY ANALYSIS)

## Rental Property Analysis

At Account(able), we work with clients in building their wealth and investment portfolios. One common method of this is for clients to invest in rental properties. Account(able) has the knowledge and experience of dealing with clients who have rental properties, and can provide essential information that all property owners should consider, such as:

- Are you in it for rental income or capital growth?  
How compound capital growth works
- Land appreciates, and buildings depreciate
- Aim for 40% of purchase cost being land value
- Cash flow forecasting
- Ownership structure
- Tax consequences
- Buying price and rental return
- Rental prices, vacancy issues and vacancy rates
- Buying location and nearby shops, schools, transport...
- Property features – number of bedrooms, bathrooms, garage
- Recent prices, average price and bank valuation
- Finance advice and structure
- Gearing consequences and negative gearing
- Benefits of claiming depreciation and capital allowance
- Benefits of buying property built after 1985
- Holiday apartments, and the issues of when there is a management booking service
- Review of rental management and tenants

The main benefit of this discussion is to choose the right property to maximise your investment, so it helps avoid poor property choice options and high costs of buying (stamp duty, legal, inspections) and selling (agents commission).

One of the most significant details above is forecasting yearly cash flow management of a rental property, especially when you are borrowing to finance a property. We have set up a ten year cash flow forecast that emphasises important issues of:

1. Rental income;
2. Interest costs;
3. Depreciation;
4. Tax minimisation/maximum claim;
5. Potential property growth.

We highly recommend all clients to undertake this forecast before they purchase a property, so they can take into consideration the future cash flow affects before they purchase an investment property, and avoid costly mistakes and stressful cash flow issues.

Speak to Account(able) today to help you with building your wealth and investment portfolio. The issues above will be explained to you in a meeting, and you will take away a report detailing the issues so that you can refer to them at a later stage

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Directors Russell W. Gilbert FCA Brent Delahey DipAcc, MIPA Patrick J. Hoey BBus Acc, CPA

( Bacchus Marsh P 03 5366 1000 Melbourne P 03 9863 8133 Geelong P 03 5222 7683 E mail@weareaccountable.com.au )

www.weareaccountable.com.au