

Mastermind Class

Residential vs Commercial Comparison

Commercial Property Cashflow

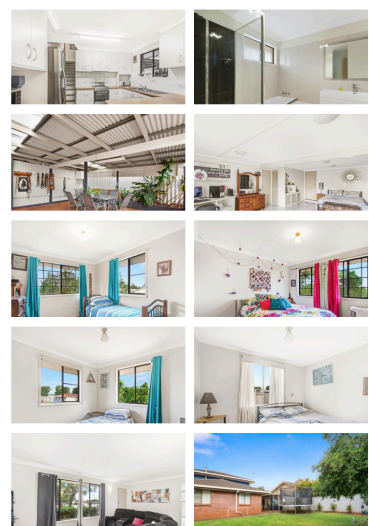
RESIDENTIAL:

House in Newtown- Toowoomba- QLD
For Sale \$342,000. July 2018

Fully fenced 592m2 corner block this property will appeal to a wide range of buyers.
4 bedrooms
1 bathroom (recently renovated)
2 large living areas
2 car accommodation



Newtown | 2 Tyson Street



Space, Location and Opportunity

Offers over \$342,000



Gross rent

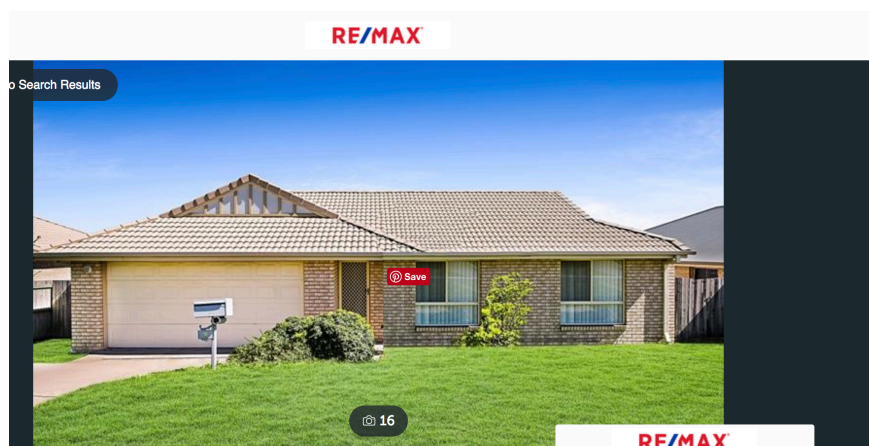
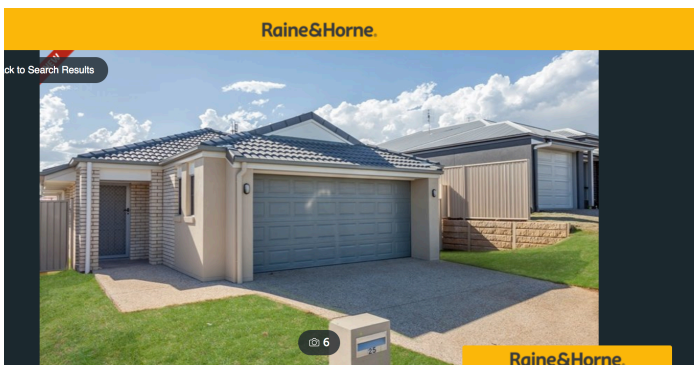
Comparable Rental properties:

\$360 Weekly

\$405 Weekly

\$365 per week

Average = $\$1130 / 3 = \376 per week



Gross annual rent = \$376 per week x 52 weeks = \$19,552

Outgoings:

- Council Rates- Estimated \$1300 per annum
- Water Rates - Estimated at \$600 per annum
- Agent's fees 6% = \$1,173
- Any Body Corp fees - None- Free standing house
- Landlord Insurance Estimated \$600 / yr

Total Outgoings: \$3,673

Net Rent per annum
\$19,552 - \$3,673 = **\$15,879**

Yield %
\$15,879 / \$342,000 = **4.64 %**

If selling again in 5 years... projected capital growth based on current growth...

Capital Growth Estimation Over 5 Years:

Google the Growth rate for suburb per year.... <https://www.realestate.com.au/invest>

realestate.com.au

Buy Rent **Invest** Sold Share New homes Find agents Lifestyle News Commercial

Show insights for All houses in Toowoomba City, QLD 4350

Loan Repayments Calculator
Calculate repayments for this suburb

Toowoomba City

Investment property data for all houses

| Annual growth | Median price | Median rent | Rental yield | Rental demand | Est. cash flow |
|---------------|--------------|-------------|--------------|--|----------------|
| 4.2% | \$341K | \$300/wk | 4.6% | Average <small>598 visits per house</small> | \$152/mo |

Suburb data

| | | |
|---------------|--------------|---------------|
| For sale (41) | Sold (1,616) | For rent (15) |
|---------------|--------------|---------------|

Projected market growth

2017 for Toowoomba QLD residential. Has been at around 4%

| Purchase Price | \$342,000 | |
|----------------------|-------------------|--------|
| @ 4% growth (x 1.04) | \$355,680 | Year 1 |
| @ 4% growth (x 1.04) | \$369,907.2 | Year 2 |
| @ 4% growth (x 1.04) | \$384,703.488 | Year 3 |
| @ 4% growth (x 1.04) | \$400,091.62752 | Year 4 |
| @ 4% growth (x 1.04) | \$416,095.2926208 | Year 5 |

4% growth per year for 5 year projections.

This is 20% growth over 5 years- For a valuation at \$416,000 , which is an increase of \$74,000 over those 5 years.

Loan and Interest payments:

We are assuming 30% deposit- therefore a 70% loan for both Residential and Commercial properties so we comparing same amount.

Repayment calculator for home loans:

<https://www.suncorp.com.au/banking/home-loan-repayment-calculator.html>

70% loan is \$239,400

Interest rate at. 3.68% Principal and Interest Loan for 25 years

\$1,222 / month = \$14,664 per year interest

Net cashflow per annum = \$15,879- \$14,664 = \$1,215

COMMERCIAL

<https://www.realcommercial.com.au/property-industrial+warehouse-qld-toowoomba+city-500989239>

Industrial Warehouse

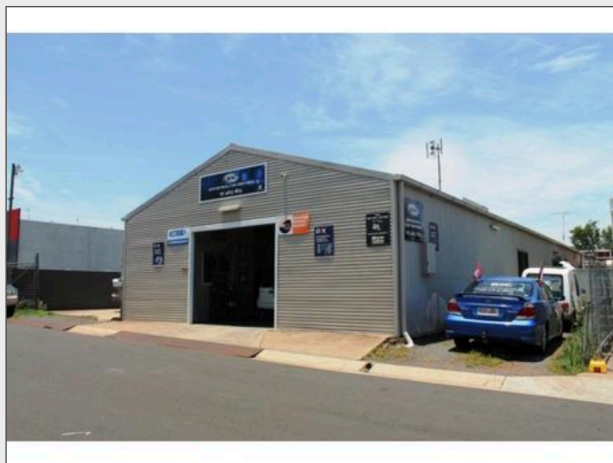
Sold Range: \$370,000 to \$430,000. Thu 15-May-14

Land Area. 750.00 m² (approx)

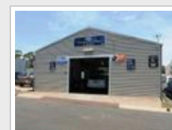
Floor Area. 450 m²

300m² building currently split into two 150m² sheds

Currently returning \$36,000p.a. net + GST



 [Map](#)



1A Dexter Street, Toowoomba City, Qld 4350

Industrial/Warehouse • Other


Property No. 500989239

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Thu 15-May-14

Land Area

750.00 m² (approx)

Floor Area

450 m²


Last Updated

Jul 08, 2014

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Colliers International ...
126 Margaret St
Toowoomba City Qld
4350


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CBD LIGHT INDUSTRIAL INVESTMENT OPPORTUNITY

- 300m2 building currently split into two 150m2 sheds
- Both sheds are tenanted
- Site offers two street frontage
- Land area – 750m2 (approx)
- Currently returning \$36,000p.a. net + GST
- Northern shed is leased to an Auto Electrician / Mechanic expiring September 2015
- Southern shed is leased to a Courier Company expiring September 2014
- Great opportunity to purchase a low maintenance investment close to the Toowoomba CBD
- This is a popular mixed use with neighbouring anchor tenants including Beaurepaires & Smart Print Group
- Further opportunity to purchase another 877m2 (approx) of land next door if required for future expansion

Accelerating Success. For more information or to arrange an inspection, contact Nick Wilson of Colliers International Toowoomba.

4A Dexter Street, Toowoomba City, Qld 4350

For the purposes of this exercise- we will assume the property **sold for the upper price level of \$430,000**

Outgoings paid by tenant.

Agent's fees 5%. \$1,800

Net Rent per annum \$36,000 - \$1,800 = \$34,200

Yield %. \$34,200 / \$430,000 = 7.9%

Business Loan Repayment Calculator of buying under a company family trust
<https://www.suncorp.com.au/banking/business-loan-repayment-calculator.html>

Loan at 70% of \$430,000 = \$301,000

Interest rate at 4.6% Principal and Interest Loan for 15 years

\$2,318 per month = \$27,816 year interest

Net cashflow per annum = \$34,200- \$27,816 = \$6,384

If selling again in 5 years... projected capital growth based on rental increases...

Estimated Growth Over 5 Years using Lease

Terms. 2 years at 3% increases each year to 2019

Commencing. 1-8-2017

Options 1 x 1 yr option

| Date | Rent | 3% increase | Year |
|------------------|---------------|----------------|--------|
| 1st Aug 2017 | \$36000 | \$1080 | Year 1 |
| 1st Aug 2018 | \$37080 | \$1112.4 | Year 2 |
| | | 0 | |
| 1st Aug 2019 | \$38192.4 | \$1145.772 | Year 3 |
| Projected | | | |
| 1st Aug 2020 | \$39338.172 | \$1180.14516 | Year 4 |
| 1st Aug 2021 | \$40518.31716 | \$1215.5495148 | Year 5 |

Eg. If it's still at a 7.9% Yield... Value would be... $\$40,518 / 0.079 = \$508,329$
 This would be an increase in over \$78,000 approximately 18% over 5 years

If yields are lower at say 6.5%, because prices for commercial property are higher, then that Value would be... $\$40,518 / 0.065 = \$617,815$
 This would be an increase of over \$187,000 approximately 43% over 5 years

If yields are higher at say 8.9%, because prices for commercial property are lower, then that Value would be... $\$40,518 / 0.089 = \$451,221$
 This would be an increase of over \$21,000 approximately 4.8% over 5 years

Additional Viewpoint for Capital Growth

Conservative projected market growth with fluctuating and backward increases in rent over the next 5 years.

2017 for Toowoomba QLD residential. Has been at around 4%
Assume a conservative 1.5% for commercial property growth.

| Purchase Price | \$430,000 | |
|-------------------------|---------------------|--------|
| @ 1.5% growth (x 1.015) | \$436,450 | Year 1 |
| Increase 1.5% (x 1.015) | \$442,996.75 | Year 2 |
| Increase 1.5% (x 1.015) | \$449,641.70125 | Year 3 |
| Increase 1.5% (x 1.015) | \$456,386.32676875 | Year 4 |
| Increase 1.5% (x 1.015) | \$463,232.121670281 | Year 5 |

This would then be a \$33,000 increase which is 7.6% growth over 5 years.

Comparison Overview

| | Residential | Commercial |
|---|----------------------------------|--|
| Price | \$342,000 | \$430,000 |
| Net Annual Rent | \$19,552 | \$34,200 |
| % Yeild | 4.64 % | 7.9% |
| Net yearly income after interest - Year 1 | \$1,215 | \$6,384 |
| % capital Growth after 5 years | Possibly up to 20% and even more | Anything between 4.8% to 7.6% to 18% and even more |
| | | |