

## Granny Flats - A Positive Investment



### EXAMPLE 1: Shows how you easy it is to earn an extra \$1000 per month

Imagine earning over \$12,000 every year from your new Granny Flat. This extra income can pay for your annual overseas family holiday, the only trouble you would have is to find the time to take off work! This is how easy it is.

If you build a Granny Flat for \$100,000 on your investment property, the interest repayments (based on a 7.5% interest only rate) on this loan would be \$144 per week. If this Granny Flat is rented for \$380 per week, this would **give you an additional \$236 per week, which is more than an extra \$1,000 spending money every month.**

How to make an extra \$1,000 Spending Money per month		
a) Cost to build a Standard 2 bedroom Granny Flat	\$ 100,000	
b) Average Rent Return per week		\$ 380
c) Repayments at 7.5% interest (a x 7.5%)	\$ 7,500	
d) Repayments per week (c / 52 weeks)		\$ 144
e) Additional Earnings per week (b - d)		\$ 236
<b>which is an Additional ...per month (e x 4.33 weeks)</b>		<b>\$ 1,021</b>

### Other Examples of Granny Flat Returns and the extra income you can earn

Look at the different examples below to determine the ROI you can achieve for different types of Granny Flats - or **visit our website & click on our on-line calculator** to calculate the ROI of your Granny Flat.

STUDIO GRANNY FLAT			1 BEDROOM GRANNY FLAT			2 BEDROOM GRANNY FLAT		
Cost to Build:		\$ 60,000	Cost to Build:		\$ 80,000	Cost to Build:		\$ 100,000
Weekly Rent	ROI %	Earn an extra ... per week	Weekly Rent	ROI %	Earn an extra ... per week	Weekly Rent	ROI %	Earn an extra ... per week
\$ 180	15.6%	\$ 93	\$ 235	15.3%	\$ 120	\$ 300	15.6%	\$ 156
\$ 190	16.5%	\$ 103	\$ 250	16.3%	\$ 135	\$ 320	16.6%	\$ 176
\$ 200	17.3%	\$ 113	\$ 265	17.2%	\$ 150	\$ 340	17.7%	\$ 196
\$ 210	18.2%	\$ 123	\$ 280	18.2%	\$ 165	\$ 360	18.7%	\$ 216
\$ 220	19.1%	\$ 133	\$ 295	19.2%	\$ 180	\$ 380	19.8%	\$ 236
\$ 230	19.9%	\$ 143	\$ 310	20.2%	\$ 195	\$ 400	20.8%	\$ 256

**PLEASE NOTE:**

The figures used in the examples above are based on average current rentals of Granny Flats in the Sydney area & with an interest only rate of 7.5%.

Building prices may vary subject to your site condition & any council or BASIX requirements. The examples don't take into account individual circumstances, financial position, depreciation and other factors which may make the investment even more profitable.



**EXAMPLE 2: Compares the ROI of purchasing an Investment Property alone and the ROI of the same Investment Property after building a Granny Flat on it.**

How would you like to change that Investment Property that is costing you money from your back pocket every month to pay off the mortgage start making you money and put some back into your pocket? This is how easy it is.

ROI of Investment Property Only (with no Granny Flat)			ROI of Investment Property & Granny Flat (combined)		
a) Buying an Investment Property	\$ 500,000		a) Buying an Investment Property	\$ 500,000	
	\$ -		b) Building a Granny Flat	\$ 100,000	
<b>c) Total Investment</b>	<b>\$ 500,000</b>		<b>c) Total Investment</b> (a + b)	<b>\$ 600,000</b>	
d) Rental Income per week - Main Dwelling	\$ 550		d) Rental Income per week - Main Dwelling	\$ 550	
	\$ -		e) Rental Income per week - Granny Flat	\$ 380	
<b>f) Total Rental Income - per week</b>	<b>\$ 550</b>		<b>f) Total Rental Income - per week</b> (d + e)	<b>\$ 930</b>	
g) Rental Income per year - Main Dwelling (d x 52 weeks)	\$ 28,600		g) Rental Income per year - Main Dwelling (d x 52 weeks)	\$ 28,600	
	\$ -		h) Rental Income per year - Granny Flat (e x 52 weeks)	\$ 19,760	
<b>i) Total Rental Income - per year</b>	<b>\$ 28,600</b>		<b>i) Total Rental Income - per year</b> (g + h)	<b>\$ 48,360</b>	
ROI - on Investment Property (i / c)	5.7%		ROI - on both Properties (i / c)	8.1%	
			ROI - on Granny Flat alone (h / b)	19.8%	
<b>j) Repayment on Total Investment at 7.5% interest (c x 7.5%)</b>	<b>\$ 37,500</b>		<b>j) Repayments on Total Investment at 7.5% interest (c x 7.5%)</b>	<b>\$ 45,000</b>	
<b>Net Annual Return on Investment in Dollars (i - j)</b>	<b>-\$ 8,900</b>		<b>Net Annual Return on Investment in Dollars (i - j)</b>	<b>\$ 3,360</b>	
<b>The Investment Property alone is a Negative Geared Investment</b>			<b>With the Granny Flat addition, this Property is now a Positive Geared Investment</b>		

**NET RETURN ON INVESTMENT PROPERTY ONLY:**

If a property investor purchased a residential property for \$500,000 and received a rental income of \$550 per week (\$28,600 per year) for that main dwelling, this would be considered a **5.7% ROI** for the Investment Property alone. Additionally the annual interest repayments (based on a 7.5% interest only interest rate) for this residential property will be \$37,500. **The net annual return for this investment is a negative -\$8,900.**

**This investment property on its own is considered to be negatively geared.**

**NET RETURN ON GRANNY FLAT ONLY:**

If the same property investor built a Granny Flat on the same investment property for an additional \$100,000 and received a rental income of \$380 per week (\$19,760 per year) for the new Granny Flat, this would be considered a **19.8% ROI** for the Granny Flat alone. Additionally the annual interest repayments for this Granny Flat will only be \$7,500. **The net annual return for the Granny Flat alone is \$12,260 & it is considered to be positively geared.**

**COMBINED NET RETURN OF BOTH DWELLINGS:**

If you combine these two investments on the one property the total investment would be \$600,000 with a total rental income of \$48,360 - which is an **8.1% ROI** for the two dwellings combined. Therefore by building the Granny Flat on this property the investor has **substantially increased their ROI by 41%** (from 5.7% to a much healthier 8.1%).

Additionally the interest repayments for these two dwellings combined will be \$45,000 & as the combined rental income is \$48,360 - **it gives the investor a net annual return of \$3,360.**

**Therefore the addition of the Granny Flat to this property has changed this investment from a negatively geared to a positively geared investment,** which means the property investor doesn't need to contribute extra funds out of their own pocket to pay off the loan.

