

Implications of a Kitchen Upgrade while Renting

HOMEOWNERSHIP RENTAL PROPERTY

Purchase Price	\$300,000	\$300,000
Down payment amount	\$60,000	\$60,000
Debt service (mortgage payments)* I assume a Canadian mortgage compounding two times a year on a debt of \$240,000 @ 4% interest	\$1,250/month, or \$15,000/year	\$1,250/month, or \$15,000/year
Property taxes * I assume \$2,400 property taxes on a \$300,000 property	\$200/month, or \$2,400/year	\$200/month, or \$2,400/year
Maintenance budget * I assume \$3,000/year, or \$250/month condo fees on a \$300,000 property	\$3,000/year, or \$250/month condo fees	\$3,000/year, or \$250/month condo fees
TOTAL PROPERTY OWNERSHIP PAYMENTS	\$1,700/month, or \$20,400/year	\$1,700/month, or \$20,400/year
 EQUITY *built by mortgage reimbursement	 \$500/month, or \$6,000/year	 \$500/month, or \$6,000/year
MARKET APPRECIATION *I assume a conservation industry standard of 3%	\$300,000 x 3% = \$9,000	\$300,000 x 3% = \$9,000
COST OF ADDITIONAL HOUSING	\$0	(\$900/month) rent + (\$5,000) in year one for kitchen remodel
RENTAL INCOME	\$0	\$1,700
 YEARLY ROI * equity + appreciation - cost of housing / \$60,000 down payment expenses	 \$6,000 equity + \$9,000 appreciation - \$20,400 in payments to own the property = (5,400) / \$60,000 investment = (9%) return	 \$6,000 equity + \$9000 appreciation - \$20,400 in payments + \$20,400 income -\$10,800 in rental - \$5,000 kitchen remodel = * year one = (\$1,000) *\$4,200 in year two / \$60,000 = (1.6%) return in year one and 7% after year two
 COST AND RETURN ON INVESTMENT	 (\$5,400) or (9%) return	 (\$1,000) or (1.6%) return year one \$4,200 and 7% Return after year two