

Case Study: Property Rental Yield

Client Background

Client Name: Rajesh Agarwal

Age: 45 years

Profession: Business Owner (Retail)

Location: Kolkata

Financial Profile:

- Owns a residential property worth ₹1 crore
- Currently earning rental income
- Has surplus monthly cash flow from rent
- Limited exposure to market-linked investments

Goals & Concerns:

- Believes property is a “safe and stable” investment
 - Wants to understand **actual returns from property**
 - Curious whether rental income + appreciation is sufficient
 - Open to exploring better ways to utilize rental surplus
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Purpose of Using the Calculator

Rajesh wants to evaluate:

- What is the **real return (yield)** from his property?
- How much wealth his property can generate over time
- Whether reinvesting rental surplus (via SIP) improves outcomes
- Whether property alone is enough for long-term wealth creation

The MFD uses the **Property Rental Yield Calculator** to present a **holistic view** — combining:

- ✓ Property appreciation
 - ✓ Net rental income
 - ✓ SIP investment of surplus income
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Assumptions Entered in Calculator

Property Details

- **Current Market Value:** ₹1,00,00,000
- **Expected Annual Appreciation:** 5%

Rental Income Details

- **Current Monthly Rent (Net):** ₹30,000
- **Monthly Maintenance Cost:** ₹2,500
- **Net Monthly Surplus:** ₹27,500

Growth Assumptions

- **Annual Rent & Expense Increment:** 3%

Investment Assumptions

- **Monthly Investible Surplus (SIP):** ₹27,500
- **Assumed Return on SIP:** 12%

Time Horizon

- **Report Period:** 10 years
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Calculator Output

1. Property Value After 10 Years

- **₹1,62,88,946**

(Driven by 5% annual appreciation)

2. SIP Value from Rental Surplus

- **₹68,73,075**

(₹27,500 invested monthly at 12% CAGR)

3. Total Combined Value After 10 Years

- **₹2,31,62,020**

(Property + SIP wealth creation combined)

4. Overall Yield

- 8.76%
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Interpretation & Insights

1. Property Alone May Not Be Sufficient

- Property grows from ₹1 Cr → ₹1.62 Cr in 10 years
- This is a **moderate return (~5%)**

👉 Pure real estate appreciation alone may not create significant wealth

2. Rental Income Becomes Powerful When Reinvested

- Monthly surplus of ₹27,500 generates **₹68.7 lakh wealth**
- This component significantly boosts total returns

👉 The real magic is not rent — it's **what you do with the rent**

3. Combined Strategy Improves Yield

- Property + SIP increases overall yield to **8.76%**
 - Still lower than pure equity expectations, but significantly better than property alone
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4. Hidden Insight for MFDs

This calculator helps reframe the conversation:

- ✗ “Property gives good returns”
 - ✓ “Property + disciplined reinvestment gives better outcomes”
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Final Recommendation:

“Rajesh, your property is providing stability and steady rental income. However, the actual wealth creation improves significantly when you reinvest the rental surplus.

- Property alone gives moderate growth
- Rental income alone is not enough
- But combining rental surplus with disciplined investing creates a much stronger outcome

To enhance long-term wealth creation, it would be beneficial to continue using rental income as a systematic investment rather than relying solely on property appreciation.”

End Disclaimer

This case study is a fictional illustration created for educational purposes. The calculations are based on assumed rates of return, rental growth, and property appreciation, which may vary in actual scenarios. This should not be considered as investment advice. Mutual fund investments are subject to market risks. Please read all scheme-related documents carefully and consult your financial advisor before making any investment decisions.

Strategic Value for MFDs

This case study is powerful because it:

- ✓ Bridges **real estate + financial planning**
- ✓ Opens conversation beyond “property vs mutual funds”
- ✓ Positions MFD as a **holistic wealth advisor**
- ✓ Creates a **natural entry point for SIP discussions**