



Rental Yield

Rental yield denotes the percentage of annual rent received minus total annual expenses for the property with respect to the market value of the property. It can be derived as $[(\text{Annual rent received} - \text{Total annual expenses for property}) / \text{Market value of property}] \times 100$. For eg: a property worth Rs.40 lakhs having an annual rent of Rs.1,08,000 (i.e. Rs.9000 per month) wherein annual expenses of Rs.34,000 have been incurred. Therefore, rental yield would be $[(1,08,000 - 34,000) / 40,00,000] \times 100 = 1.85\%$. It has to be noted that there are various type of annual expenses for property such as taxes, loan costs, agent's commission, repairs, renovation, maintenance, stamp duty, legal fees, loss of rent during vacancy period, advertising charges, property management fees etc.



This approach is useful.



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