The Numbers Behind a Single-Property Rental Business

A free field guide from Bytell Press. The figures come from our example financial model for one financed single-family rental house. They are planning assumptions, not quotes for your market; the worksheet at the end is for your own numbers.

A rental house can look profitable on the listing sheet and still lose money every month. This guide gives you the arithmetic to check before you make an offer.

1. How the money comes in

A rental earns one thing: **monthly rent**. The example model schedules $2,200 a month and then takes 25% off the top for costs that rise and fall with the rent.

Line	Share of rent	Monthly
Scheduled rent	100%	$2,200
Property management	8%	$176
Repairs and maintenance	7%	$154
Vacancy and unpaid rent	5%	$110
Reserve for big replacements	5%	$110
Left after these costs	**75%**	**$1,650**

The lesson is that the model does not count the full rent. Only 75 cents of each rent dollar is available to pay the mortgage and the other fixed bills.

2. What it costs to open

The example model puts **$233,270** into the property. A mortgage of $146,300 covers part of it. The owner brings the other **$86,970** in cash.

Use of the owner's cash	Amount
Down payment, 30% of the $209,000 price	$62,700
Closing costs, about 3%	$6,270
Make-ready and light rehab	$8,000
Operating and replacement reserve	$10,000
Total	**$86,970**

Do not cut the reserve to make the cash fit. It carries the house through a vacancy that lands on top of a repair.

3. What it costs to stay open

The model carries **$1,382 a month** in fixed costs, whether or not the house is occupied:

Monthly fixed cost	Amount
Mortgage principal and interest, $146,300 at 7.25% over 30 years	$998
Property taxes	$192
Landlord insurance	$150
Software and admin reserve	$42
Total	**$1,382**

The model pays a manager 8% of rent. It carries no other pay for the owner's own time.

4. The break-even rent: the one number to know

Break-even rent = monthly fixed costs ÷ the share of rent left after variable costs.

With the model's numbers: $1,382 ÷ 0.75 = about **$1,843 a month**. That is the rent at which the house covers every bill and leaves nothing.

The model's scheduled rent is $2,200, so rent could fall about 16% before the house stops paying for itself. At the full $2,200, the model leaves $1,650 – $1,382 = **$268 a month**, or $3,216 a year.

5. The cash flow is thin

The model's own numbers show how little room there is. A cash flow of $268 a month means one empty month at $2,200 uses up about eight months of it.

Two things move the result most: the rent you can really get and the mortgage rate.

Case	Mortgage payment	Fixed costs	Break-even rent	Cash flow at that rent
Rent slips to $1,900	$998	$1,382	$1,843	About $43
Rate is 8.0%, $2,200 rent	$1,073	$1,457	About $1,943	About $193
Rate is 8.0%, rent slips to $1,900	$1,073	$1,457	About $1,943	About $32 short

No single change breaks the model. The trouble comes when a soft rent, a higher rate and a long turnover arrive together. That is the job of the $10,000 reserve.

6. Your numbers

Fill this in with real rent comparisons and a real loan quote before you make an offer.

Question	Model	Yours
Monthly rent you can really get	$2,200	_____
Share of rent lost to management, repairs, vacancy and reserves	25%	_____
Monthly mortgage payment	$998	_____
Total monthly fixed costs	$1,382	_____
Break-even rent (fixed costs ÷ share of rent left)	$1,843	_____
Cash you must bring, including the reserve	$86,970	_____
Monthly pay for your own time, beyond the management line	Not in the model	_____

If your break-even rent is above what similar houses nearby rent for, fix the plan before you buy: offer a lower price, bring a larger down payment, or pick a different house.

This guide is general business information, not legal, tax, accounting or investment advice. The figures are illustrative assumptions from an example model and are not a forecast or a promise of results. Licensing and insurance requirements vary by state and are not covered here; check yours with the state agency.

Bytell Press publishes the full business plan, the editable financial model behind these numbers, and the operating playbooks for a single-property residential rental.

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