Scott Tischler

FOUNDER & CHAIRMAN · AIRECOMMEND.AI

REAL ESTATE

How to Analyze Your First Rental Property in 15 Minutes

By Scott Tischler · July 28, 2026 · 8 min read

You can screen a rental property in about fifteen minutes. Not appraise it, not underwrite it to the penny, not replace an inspection or an attorney. Screen it. The goal of a fifteen-minute analysis is simple: decide whether a deal is worth a second, deeper look, or whether you should throw it back and move on. Most listings you look at should die in the first fifteen minutes. That is the analysis working, not failing.

I bought my first property in 1998, sold my portfolio ahead of the 2008 crash, and got back in afterward. The single most expensive habit I see in new investors is falling in love with a property before they have run the numbers, then bending the numbers to justify the feeling. A fast, disciplined screen protects you from yourself. Here is exactly how I do it.

This article is education, not personalized financial, legal, tax, or investment advice. Rents, taxes, insurance, and landlord rules vary enormously by location, and every deal is specific. Use this to think more clearly, then confirm real numbers for your market and get your own professionals.

Start With Income, Not the Purchase Price

The first number is **gross monthly rent** at market — what the unit actually rents for today, not what the listing agent hopes or what the current owner charges a long-term tenant who is paying below market. Get this from live comparable rentals: three or four similar units nearby that are currently listed or recently leased. Bed count, bath count, square footage, condition, and neighborhood all matter. If you cannot find comparable rentals, that itself is a warning; a thin rental market is a risk.

Be conservative here. If comps say $1,600 to $1,800, underwrite at $1,600. Optimism in the rent line poisons every calculation downstream, because a single dollar of assumed rent flows straight through to your return. I would rather be pleasantly surprised on the upside than committed to a mortgage on the strength of a rent I invented.

Subtract the Expenses That Actually Matter

New investors love to list twenty tiny expenses and miss the three big ones. In fifteen minutes, focus on the categories that move the needle:

- **Property taxes.** Often the largest single expense after the mortgage. Look up the actual assessed taxes for that specific parcel; do not guess. In some areas a sale triggers reassessment, so today's tax bill may understate what you will pay.
- **Insurance.** Landlord (not owner-occupant) policy. In coastal, wildfire, or flood-exposed markets this line has become brutal, and it is rising.
- **Property management.** Even if you self-manage, underwrite management — commonly a percentage of collected rent plus a leasing fee. Your time is not free, and a deal that only works because you work for nothing is not a good deal.
- **Maintenance and repairs.** Ongoing turn-of-the-wrench costs. Older buildings cost more.
- **Utilities and other owner-paid items.** Water, sewer, trash, common-area electric, lawn, snow, HOA dues where applicable. Know exactly which of these the owner pays versus the tenant.

Two more line items are so important that they get their own section.

Never Skip Vacancy and Capex Reserves

These are the two expenses beginners leave out, and leaving them out is why their real returns come in far below their spreadsheet.

Vacancy is the reality that no unit is rented 100% of the time. Tenants move, units sit while you turn and re-lease them, and rent occasionally goes uncollected. I underwrite a vacancy allowance as a percentage of gross rent; in a stable market a reasoned range is roughly **5% to 8%**, higher in soft or transient markets. It is not optional. Pretending vacancy is zero is pretending you will never have a bad month, and you will.

Capital expenditures (capex) reserves are money you set aside every month for the big-ticket items that do not fail monthly but always fail eventually: roof, HVAC, water heater, windows, flooring, kitchens and baths, major plumbing and electrical. A roof might last twenty years, but when it goes it costs many thousands at once. If you have not been reserving, that expense wipes out a year or more of cash flow in a single afternoon. A practitioner's reserve often lands somewhere around **5% to 10%** of rent depending on the age and condition of the building, with older properties needing more. Newer roof, newer mechanicals, recent renovation: reserve toward the low end. Original 1960s systems: reserve high, and inspect hard.

Now Calculate Cash Flow and Cash-on-Cash Return

Once you have income and honest expenses, the math is quick.

Net Operating Income (NOI) is gross rent, adjusted for vacancy, minus all operating expenses. NOI deliberately excludes your mortgage, because NOI describes the property itself, independent of how you financed it.

Cash flow is what is left after the mortgage payment (principal, interest, and any escrowed taxes and insurance). This is the money that actually reaches your pocket each month.

Cash-on-cash return is your annual cash flow divided by the total cash you put in — down payment, closing costs, and any upfront repairs. It answers the only question that matters to your wallet: what is this specific pile of cash earning?

Here is a worked example. Assume a single-family rental purchased for $250,000 with 25% down.

Line item	Monthly	Notes
Gross market rent	$1,900	Conservative, from live comps
Vacancy (6%)	-$114	Reserve for turns and gaps
Property taxes	-$260	Actual parcel bill
Insurance	-$110	Landlord policy
Property management (8%)	-$152	Even if self-managing
Maintenance/repairs (6%)	-$114	Ongoing
Capex reserve (7%)	-$133	Age-adjusted
Utilities/other (owner-paid)	-$60	Water/trash/lawn
NOI	**$857**	Property-level income
Mortgage P&I	-$620	~$187,500 loan
Cash flow	**$237**	To your pocket

Annual cash flow is about $2,844. If your total cash in — down payment plus closing costs plus light make-ready — is roughly $70,000, your cash-on-cash return is about **4.1%**. That is a real, honest number, and it is far below what the same deal shows if you ignore vacancy, capex, and management. That gap between the honest number and the fantasy number is exactly where new investors lose money.

Is 4.1% good? That depends on your market, your cost of capital, and what appreciation and loan paydown add on top. In some markets that is a pass; in others, where cash flow is thin everywhere, it might be acceptable if the location and asset quality are strong. The point of the screen is to produce the honest number so you can make that judgment on purpose.

Use the 1% Rule as a Screen, Not a Law

You will hear about the **1% rule**: monthly rent should be roughly 1% of the purchase price. On a $250,000 property, that is $2,500 a month. Our example rents for $1,900, so it fails the 1% rule.

Do not treat that as a verdict. The 1% rule is a **five-second filter, not an underwriting standard.** It was a useful rule of thumb in an era and in markets where it was achievable. In many strong metros today, almost nothing hits 1%, and holding out for it means never buying. In some cheaper or rougher markets, properties clear 1% easily but carry higher vacancy, higher management intensity, and higher capex — the rule looks great and the reality bites.

Use it the way I do: to sort a long list fast. A property far below 1% probably will not cash flow and can be skipped quickly. A property well above 1% deserves a look but also deserves suspicion about why it is priced that way. Then run the real fifteen-minute analysis on the survivors. The rule sorts; the analysis decides.

Watch for the Red Flags That Kill Deals

Some problems will not show up in the cash flow math but will destroy your return anyway. In the first fifteen minutes, actively look for these:

- **Below-market rents on long-term tenants.** Great — unless local rent control or tenant protections make raising them slow or impossible. Confirm what you can actually do, where you are.
- **Deferred maintenance masquerading as "cosmetic."** A property that is suspiciously cheap for its area usually has a reason living in the roof, the foundation, or the mechanicals.
- **Special assessments and HOA trouble.** In condos and HOAs, a pending assessment for a new roof or facade can dwarf a year of cash flow. Read the minutes and reserve studies before you commit.
- **Taxes about to reset.** If a sale reassesses the property, today's tax line is fiction. Underwrite the post-sale number.
- **A thin or one-industry local economy.** If the whole town depends on one employer, your vacancy risk is not average — it is correlated and sudden.

- **Numbers that only work with heroic assumptions.** If a deal needs top-of-market rent, zero vacancy, and no capex to pencil, it does not pencil.

The largest deal I ever did was a 48,000-square-foot warehouse, and years before co-living was trendy — before companies like PadSplit popularized renting by the room — I was renting by the room to push income above what a whole-unit lease would produce. Both taught me the same lesson this screen teaches: the deal lives or dies on assumptions you control, so make them honest ones. Screen fast, but never screen dishonestly. The fifteen minutes you spend being conservative up front is the cheapest money you will ever make in this business.

Key takeaways

- A fifteen-minute analysis is a screen to decide whether a deal earns a deeper look — most listings should fail it, and that is the tool working.
- Start with conservative market rent from live comps; optimism in the rent line corrupts every number downstream.
- Always include vacancy (roughly 5-8%) and capex reserves (roughly 5-10%, age-adjusted) — leaving them out is why beginners' real returns disappoint.
- Cash-on-cash return, annual cash flow divided by total cash invested, is the number that tells you what your money is actually earning.
- Treat the 1% rule as a five-second filter to sort a list, not an underwriting standard or a verdict on any single deal.
- Hunt for red flags that never appear in the cash-flow math: tax resets, HOA assessments, deferred maintenance, rent-restriction rules, and one-employer towns.

Frequently asked questions

How long should analyzing a rental property actually take?

A first-pass screen takes about fifteen minutes and tells you whether a property deserves deeper diligence. Full underwriting, inspection, and legal review take much longer and come only after a property survives the quick screen. The fast analysis exists to kill weak deals cheaply so you spend real time only on live ones.

What is a good cash-on-cash return for a first rental?

There is no universal number, because it depends on your market, your cost of capital, and what loan paydown and appreciation add. Some investors accept low-single-digit cash-on-cash in strong appreciation markets;

others demand more in flat markets. The key is producing an honest figure that includes vacancy and capex, then judging it against your own alternatives.

Should I skip any property that fails the 1% rule?

No. The 1% rule is a fast sorting filter, not a law, and in many strong metros almost nothing meets it today. Use it to prioritize which properties to analyze first, then let the full cash-flow analysis make the actual decision. A property below 1% can still work; a property above 1% can still be a trap.

Why do I need capex reserves if the building looks fine?

Because major systems fail on their own schedule, not yours. A roof, furnace, or water heater can last years and then cost thousands in a single event, wiping out a year or more of cash flow if you have not been setting money aside monthly. Reserving for capex converts an unpredictable disaster into a predictable line item.

How do I estimate rent if I am new to a market?

Pull three or four live comparable rentals nearby with similar bed count, bath count, size, and condition, and underwrite toward the conservative end of that range. If comparable rentals are hard to find, treat that scarcity as a risk signal about market depth. Never rely on the current owner's rent, which may be below or above market.

What expenses do beginners most often forget?

Vacancy, capital expenditure reserves, and property management. Skipping these is the single biggest reason a spreadsheet shows strong returns that never materialize in real life. Always underwrite management even if you plan to self-manage, because your labor has real value and you may not always want to do it.

Does this analysis replace an inspection or professional advice?

No. A fifteen-minute screen is a filtering tool, not a substitute for a professional inspection, an attorney, an accountant, or a lender's underwriting. Rules on taxes, rent, and landlord obligations vary by location and change over time. Confirm real numbers and get qualified advice before committing to any purchase.

About the author. Scott Tischler is the Founder & Chairman of AIrecommend.ai and a practitioner-authority on AI search and Answer Engine Optimization. With 20+ years in marketing technology — including American Express, MetLife, and UBS — and executive study at Wharton, Harvard, Yale, and Oxford, he helps businesses become the ones AI recommends.