Big Brick Capital

5 Reasons To Invest In Multifamily Real Estate

"THE RICH DON'T WORK FOR MONEY.

THEY MAKE THEIR MONEY WORK FOR THEM."

Robert Kiyosaki

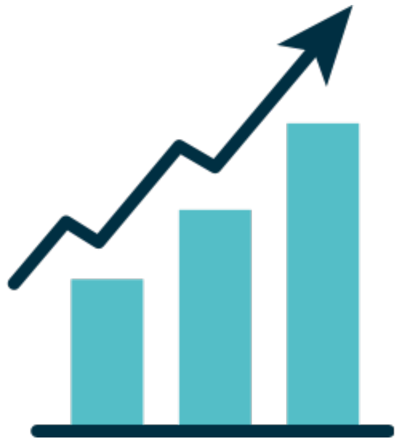

Real estate can work for
you in many ways.

Why real estate is the smartest investment

Cash flow

Leverage

Equity



Appreciation

Tax Benefits

1. Cash flow

Cash flow is queen

Cash flow is perhaps the biggest benefit of investing in multifamily real estate.

With several units to rent out, you have a better chance of keeping your properties occupied and bringing in rent.

How cash flow works

You buy a property to rent out to tenants. The rents collected pay for mortgage, taxes, and other expenses.

The money left over is cash flow to the investors.

Cash flow example

Let's say you buy a $1M multifamily property with 10 units, and each unit rents for $1,000 per month. That means you'll bring in $10,000 in rental income every month.

Now, let's say you have some expenses, like property taxes, insurance, repairs, and maintenance. Let's assume those expenses add up to $3,000 per month.

That means your net operating income (NOI) is $7,000 per month ($10,000 in rental income minus $3,000 in expenses).

Cash flow example

But wait, there's more! You also have a mortgage to pay. Let's say your monthly mortgage payment is $5,000. That leaves you with $2,000 in positive cash flow every month ($7,000 in NOI minus $5,000 in mortgage payments).

That $2,000 per month might not sound like a lot, but over time it can really add up. Plus, as you pay down your mortgage and property values appreciate, your cash flow will increase even more.

2. Leverage

Why leverage is the everything

In the previous example, you bought a $1M multifamily property, but you're not paying $1M in cash.

Instead, you're paying $300,000 for the down payment, and the bank brings the other $700,000 to the table.

BUT, the cash flow is based on the $1M and not the $200,000 you put down.

WAIT...
WHAT?!

You get all the benefits

Even though the bank put up most of the money, you get the full $1,000 check every time the tenant pays rent, not the bank.

The power of leverage

The bank doesn't take their 70% cut out of those rent checks. Sure, you still have to pay mortgage and interest, but you don't have to split your cash flow or profits with the bank.

This is the power of leverage. You partner with the lender to create your money machine, and you get all the upside. Not a bad deal.

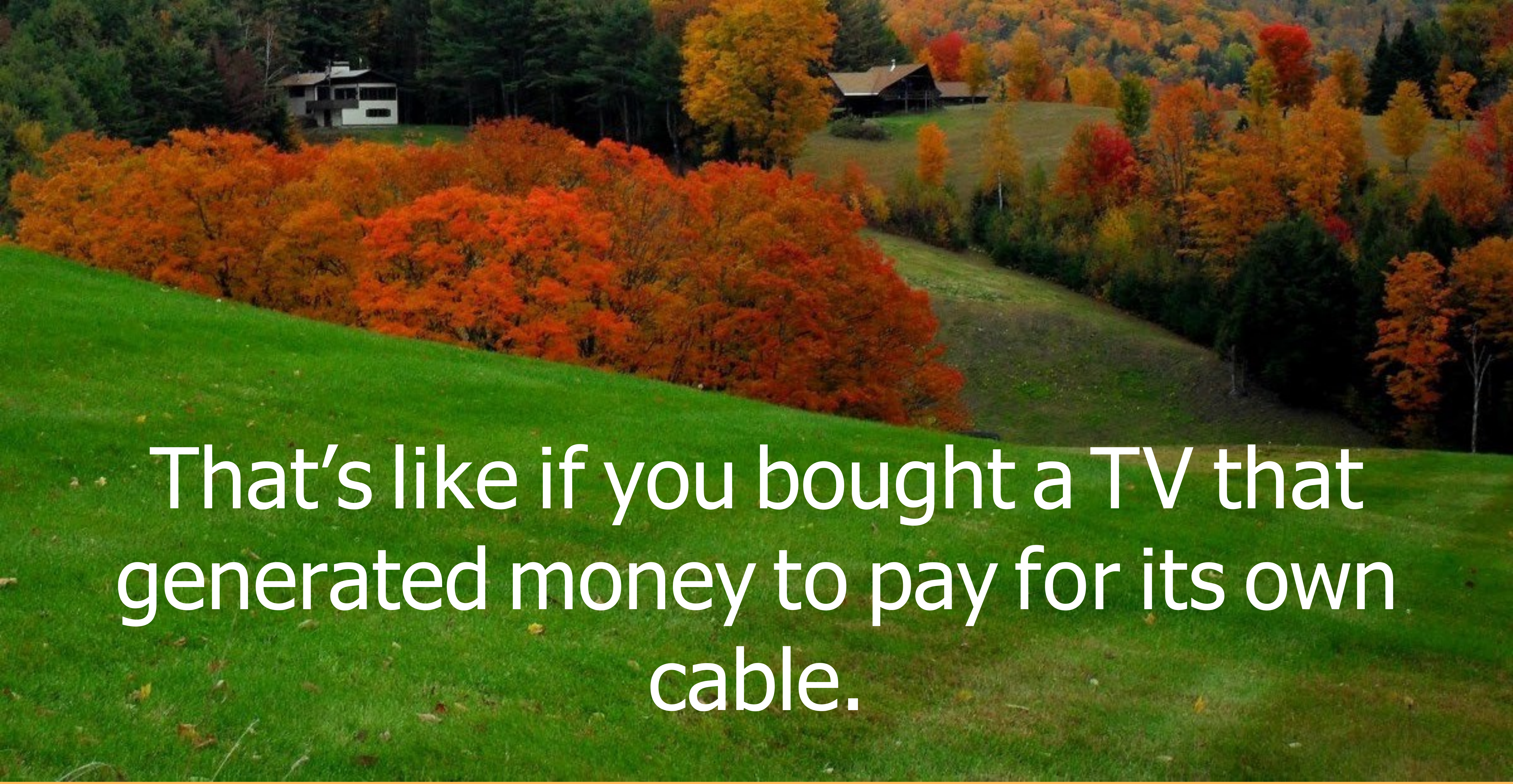

Just try and get a bank to loan you
75% to buy stocks.
Seems crazy, right?

3. Equity

Your equity

As you're getting those monthly rental checks, you can use those to pay your mortgage, and thereby increase your equity in the property.

That means that you don't have to pay your mortgage from your own income. The rental property generates income to pay for itself.



That's like if you bought a TV that generated money to pay for its own cable.

Your tenants build your equity for you

Given that your equity in the property increases with each mortgage payment you make, your tenants are essentially building that equity for you.

Even better

You can use equity to obtain a line of credit, take out a home equity loan, or sell the property for a profit.

You can also use equity to fund other real estate investments, or to diversify your portfolio into other asset classes.

4. Appreciation

Real estate values tend to go up

Real estate values tend to go up over time, sometimes (and in some markets) faster than others.

This means that, more than likely, the value of a rental property will go up during the time that you hold it.

This is what’s referred to as appreciation, and it’s one of the reasons real estate is such a smart investment.

Appreciation makes real estate unique

There are certainly exceptions to this, but in most cases, the value of real estate assets tend to go up.

This is very different from other assets you might own, like your car, which likely goes down in value over time.

Let’s take, for example, the $1M multifamily purchase with a 30% down payment of $300,000.

Appreciation in action

Over the next few years, you keep the property well-maintained and increase rents as leases expire. As a result, the property becomes more valuable, and its appraised value increases by 5% per year.

After three years, the property is now worth $1.16 million (an increase of 5% per year for three years) due to appreciation.

IMPORTANT NOTE

While appreciation is a nice-to-have, it's not a guarantee, which is why we always consider the market cycle and buying for cash flow.

5. Tax Benefits

Taxes is huge

Tax benefits are a HUGE way that your money goes to work for you in real estate and one of the most important reasons that real estate is an incredibly smart investment.

The tax code is written to reward certain types of endeavors, of which real estate is one (because, it seems that people like to live indoors, so the government has realized that it needs investors' help to provide that housing).

Tax write-offs

When you invest in real estate, you get the benefits of depreciation and mortgage interest deductions, as well as a whole host of write-offs for several other related expenses.



The power of paper losses

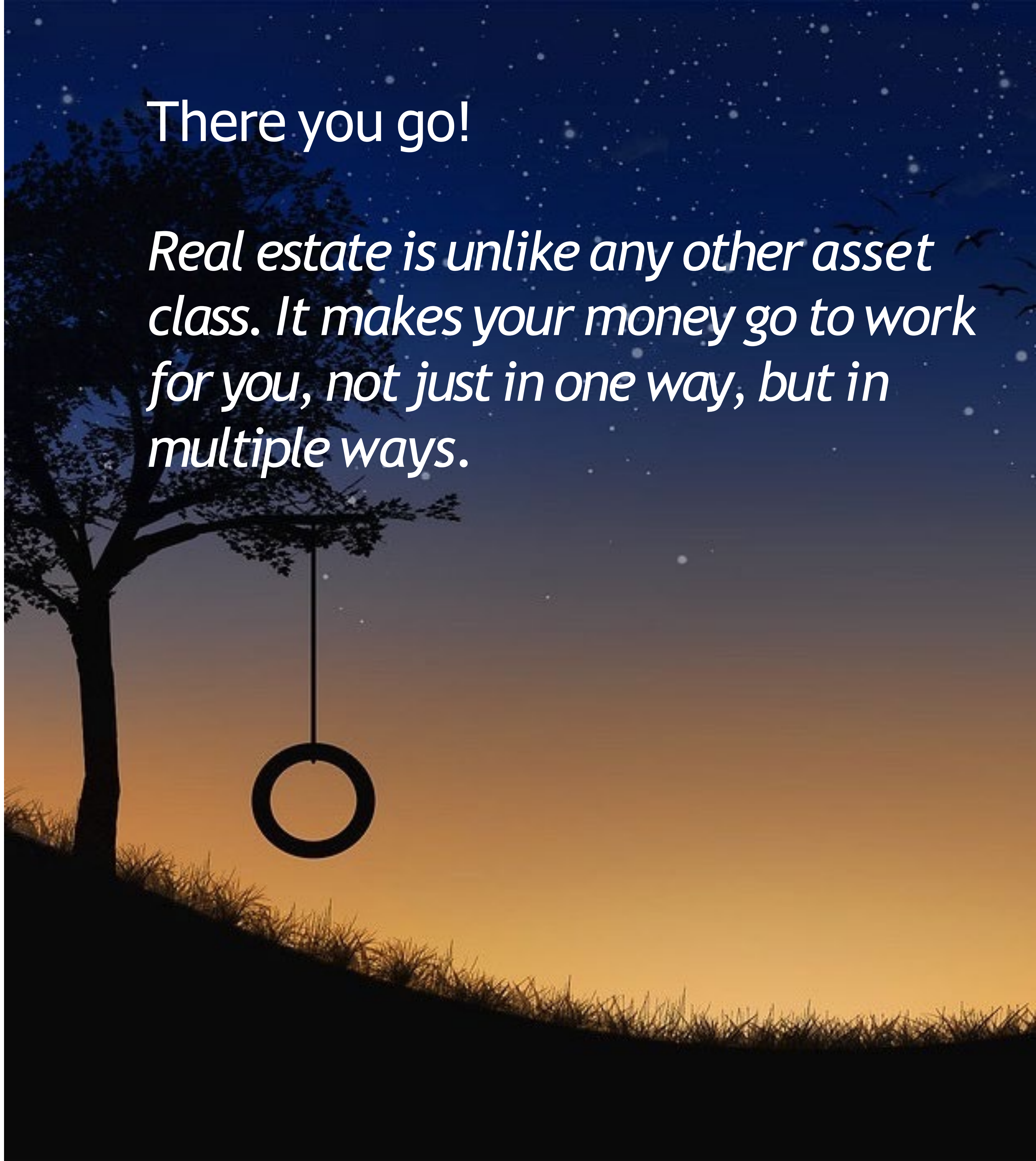
In fact, oftentimes, because of all the tax benefits, you'll show losses on paper, while you are actually making money through cash flow.

The paper losses can play a big part in helping to offset some of your other income (i.e., income from your job).

This means that your overall tax bill will likely be lower, even though your income will likely be higher.

Real estate…

1. Produces cash flow
2. Uses leverage
3. Gives you equity
4. Can appreciate in value
5. Provides immense tax benefits



There you go!

Real estate is unlike any other asset class. It makes your money go to work for you, not just in one way, but in multiple ways.

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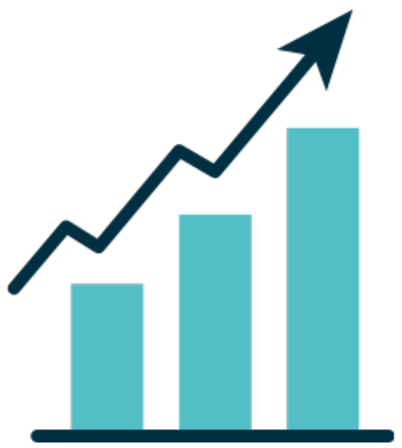
Cash flow

Leverage

Equity



Appreciation

Tax Benefits


Real estate is an incredibly smart investment.
So, we want to make sure that it's accessible to everyone.

How to get started investing in multifamily real estate

The first step in starting your multifamily real estate investing journey is to decide how hands-on you want to be.

If you want to be a hands-on (i.e., active) investor, you might want to explore becoming a General Partner, GP.

If you want to be a hands-off (i.e., passive) investor, you Should explore becoming a Limited Partner and consider investing in a real estate syndication.

We're here to help

Our mission is to help make it as easy as possible for people to invest in real estate.
We did TONS of researching, networking, and education to find the right resources.

That's why it's so important for us to openly share what we've learned, to make real estate investing accessible to everyone.

Want to invest with us?

We know the power of real estate investing in changing lives, building wealth, and impacting local communities.

If you're interested in investing with us, let's chat over some virtual coffee. Go to bigbrickcapital.com to schedule some time.

Happy investing!