

# FIVE REASONS WHY REAL ESTATE INVESTING IS ADVANTAGEOUS TO INVESTORS

AND BELONGS IN YOUR PORTFOLIO

One of the essential principles of investing is to ensure that you have a diversified portfolio. A well-diversified portfolio includes investments in a wide variety of asset classes, including real estate.

Here are five reasons why real estate investing is advantageous for investors:

## 1. There are many ways to get paid from real estate

1. Real estate offers the opportunity for appreciation in the value of the property. Like any investment, you need to do your homework in selecting a property (location is key), but real estate has offered investors solid appreciation over time.
2. Cash flow can be a crucial benefit of owning investment real estate. For example, there is the rental income for the property's tenants. This cash flow can offset expenses for repairs, property taxes, insurance, vacancies at times during the year, and other costs related to property ownership and maintenance.
3. Your tenants essentially pay into the principal of the mortgage you have on the property through their rent payments.
4. There are many tax benefits to owning real estate. Mortgage interest and property taxes are generally deductible on an investment property. Additionally, most expenses associated with maintaining the property are also deductible, including repairs, maintenance, and utilities.

## 2. The benefits of leverage

Real estate is often purchased using some mortgage or other financing alternatives. And, if planned well, the tenants will make all or most of your monthly payments. Essentially your investment is the down payment. In turn, this leverage can help magnify your returns on a real estate investment. For example, if the value of your investment property was \$200,000 when you purchased it and the value increased to \$220,000, that equates to a 10% return.

If you purchased the property with a \$40,000 down payment and financed the rest of it, your return on the cash you are out of pocket is 50%, the \$20,000 in appreciation divided by the \$40,000 cash down payment.



**STALLION**  
CAPITAL MANAGEMENT

512-219-5558  
info@stallioncap.com  
stallioncap.com

### 3. An inflation hedge

One significant advantage of investing in real estate is that it has traditionally served as a hedge against inflation. This is timely concerning the current market as we've seen spikes in prices in many items due to supply chain and shipping issues in the wake of the pandemic.

As a physical asset, real estate is a bit unique in that there is a finite supply of land. As demand for real estate increases, this can help push up the value of a piece of property if it is in a desirable location.

Inflation also works as an advantage in that it can help diminish the real value of the mortgage debt on the property. The value of the loan is eroded over time. Think of this the same way that inflation erodes the value of a savings account. The amount borrowed can become easier to repay as the value of other assets increases due to inflation.

### 4. A "backed" asset

Most investments are not secured. Stocks, mutual funds, ETFs, and others are valued based on the fluctuation in market values. Stocks go up or down based on the earnings of the company, the company's prospects and earnings results, and other similar factors.

Real estate is backed by a real asset meaning that it will always have some value, even if that value lies only in the land on which the property is built.

### 5. A source of diversification

Direct real estate investing has a place in everyone's portfolio. At the very least, real estate can be a good source of diversification. Real estate traditionally has a relatively low correlation to traditional investments like stocks, and bonds, making it an ideal way to add diversification to your portfolio.

That being said, buying real estate directly is not the right approach for all investors. That is why we are using our real estate expertise gained from 15 years of operating real estate debt funds as a private lender to launch a private equity fund that will purchase assets directly. We will assume all of the responsibilities that come with owning and managing investment real estate, which investors in the fund still realize the benefits we outlined above that owning investment real estate can bring.

After 15 years of successfully operating real estate debt funds, Stallion Capital Management is launching a private equity fund that will purchase assets directly. Don't hesitate to get in touch with us to learn more about our new fund and how real estate can enhance your portfolio.

