# THE BRRRR METHOD

## The Ultimate Guide to Real Estate Investing

# WELCOME, FUTURE INVESTORS,

The BRRRR method is a smart investment cycle that allows you to build an impressive real estate portfolio while generating a steady stream of passive income.

This short guide will tell you all you need to know about the basics of the BRRRR method.

So, no time to waste! Let's get straight to it.

**What does BRRRR mean?**

BRRRR stands for "buy, rehab, rent, refinance, repeat."

These are the exact steps you need to follow, and you should do so in the exact order they appear in the acronym.

**How does this differ from traditional investment methods?**

One of the primary differences with the BRRRR method is that you're seeking out properties that need to be fixed up. By doing this, you can acquire the property at a lower price. From there, you increase its worth by rehabbing it, which means you can refinance it at a higher price than you bought it for. This offers you more capital to either rinse and repeat the method over and over again or cash out on properties with significant profits.

It's a simple approach of buying low and selling high, whether you choose to sell the property or keep it as a passive income.

**Let's take a deeper look at the steps involved.**

# BUY

Since you're looking to turn a profit on a property, you need to try and find properties that may be willing to accept less than their asking price.

Why would owners sell for less than what their property is worth?

**There are a couple of reasons.**

- They want a quick sale
- You offer cash
- They can sell it "as is"
- No inspections or delays
- Simple transaction

To ensure you keep positive cash flow as you approach the next phase of this method, you need to apply the classic investor 75% rule. This estimates the cost of repairs and after-repair value, which helps determine the maximum offer you can make on a property. Using this rule will mean you have a better profit margin after renovating the property.

**Calculating this is simple.**

Ask a real estate agent to value the property to what they believe it will be valued at once you finish all the repairs. Then, multiply that number by .75 - this estimate now becomes your "target."

Your goal is to get the rehab and the purchase price to add up to this target goal; however, it should never go above this price. If it does, you risk increasing your debt and minimizing your profits.

# REHAB

**When it comes to rehab, your first thought always needs to be regarding the potential ROI.**

Some changes add more value than others, and the longer you invest in this method, the better you'll become at knowing precisely what does and doesn't need to be integrated into the rehab phase.

**SO, ASK YOURSELF:**

- Will this part of the project equal a higher monthly rent?
- Will this rehab add more value to the property in comparison to the cost of the project?

The neighborhood and target tenant may determine the answer to these questions. But, no matter what, the answer needs to be yes it will either add to a higher rent or equal a higher valuation of the property.

Investors should integrate some of the following improvement options when seeking to increase a home's value.

**THESE INCLUDE:**

- Roofing
- Kitchen remodels
- Landscaping
- Bathroom remodels
- Additional bedrooms
- Window quality
- Finished basements
- Decking

Shop around for great contractors when you're getting started with the BRRRR method, this will ensure you're getting the best price for the work involved.

The longer you apply this method, the more contacts you'll have in the industry, making it easier to get better long-term deals.


# RENT

Once the rehab is complete and the house is habitable, it's time to rent it out as quick as possible to start generating passive cash flow.

# REFINANCE

Once the home has acquired enough equity, it's time to seek the best refinancing options. To gain access to the best refinancing options, you should aim to show steady records of rental income with consistent tenants. Getting a valuation can be a tricky part of this step, so ensure you know the market and approach a refinance at the right time to spin the most profits and potential.

You will likely need to bench the house for a little while (between one to two years), as some of the best profits happen after about two years of ownership.

> **NINETY PERCENT OF ALL MILLIONAIRES BECOME SO THROUGH OWNING REAL ESTATE.**
>
> ANDREW CARNEGIE

# REPEAT

Once you've secured your refinancing, you can use this additional cash to pay the downpayment of your next property project. All the while, your original property continues to generate profits through passive rental income.

**This is what makes it a steady way to grow your profits and portfolio simultaneously, rather than needing to sacrifice your portfolio for your profits.**

> **THE MAJOR FORTUNES IN AMERICA HAVE BEEN MADE IN LAND.**
>
> JOHN D. ROCKEFELLER

# DOES THIS METHOD WORK?

## LET'S LOOK AT A CASE STUDY.

**BRRRR Case Study: In Austin, TX**

**2018 Purchase:**

- Purchase price: $139,000
- Down payment: $30,000

**2019 Cash-out Refi:**

- ARV: $189,000
- Cash out: $35,000
- New loan: $151,000

**2022 Cash-out Refi:**

- ARV: $330,000
- Cash out: $79,000
- New loan: $285,000

# YOU ARE ONLY ONE DEAL AWAY!

## SCAN HERE!

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