

San Diego Apartment Investing Creates Millionaires



Terry Moore
CCIM

Thousands of investors who bought

and held San Diego County apartments became and remained millionaires. Apartments have proved to be safer than other investments. Fortunes were made and lost in businesses, stocks, precious metals, bonds, industrial and retail investments.

If you don't own apartments, they may not seem glamorous. Yet like the tortoise, they have won races repeatedly against a variety of hares. The NASA Rover was designed to make stable progress on any type of terrain. It is an important example because of its low-risk ability to move forward in a hostile environment. San Diego apartments likewise make progress in a

variety of hostile economic environments. They are also more stable than many other types of investments.

Why do apartments so richly reward their owners?

There are seven classic answers and then there is the rest of the story.

The seven advantages are:

- 1. Leverage:** 50 percent to 75 percent debt means your equity can grow two to four times as fast.
- 2. Tax shelter:** Depreciation over 27.5 years means that \$1 million building that only breaks even produces a \$25,000 tax shelter.
- 3. Cash flow:** Initial return on the invested capital has run from 3 percent to 6 percent in year one and climbs most years thereafter.
- 4. Inflation protection:** Democracies vote benefits "gifts from the future."

Currency is printed and inflation happens. In the last 100 years, U.S. inflation has averaged 3 percent.

5. Appreciation:

Historically, values have climbed very close to inflation — often more than 30 percent a decade.

6. Mortgage pay-down:

Loans are often paid down more than 15 percent in the first decade and more than 30 percent in the second decade.

7. Tax-deferred exchange:

1031 "like an interest-free loan from the tax man." With income property, you can sell an asset, and buy another one and defer the taxes. That is not true for stocks or bonds.

Those reasons are all true, but they are merely the first step. Six other factors make San Diego apartments safer and provide for consistent growth. Next column, we'll consider two major laws that limit risk and boost local apartment values.

If you want to know more about building wealth with apartments, contact Terry Moore, CCIM, at tmoore1031@gmail.com, (619) 889-1031, or visit [www.SanDiegoApartment Broker.com](http://www.SanDiegoApartmentBroker.com).