The Numbers Behind a Small Multifamily Rental Business

A free field guide from Bytell Press. The figures come from our example financial model for one financed six-unit rental building. They are planning assumptions, not quotes for your market; the worksheet at the end is for your own numbers.

A six-unit building can collect $7,000 a month and leave its owner a few hundred dollars. This guide shows where the rest goes and how much rent the building must collect before it pays for itself.

1. How the money comes in

A rental building earns **monthly rent**. The example model has six units at about $1,250 each, and it does not count on collecting all of it.

Line	Monthly
Scheduled rent, six units	$7,500
Allowance for vacancy and unpaid rent, 6%	$450
Rent collected	**$7,050**
Direct operating costs, about 30% of rent collected	$2,115
Left after direct costs, 70%	**$4,935**

The model's margin is in rents that sit below the market. In its example, one unit raised from $1,100 to a $1,250 market rent adds $150 a month, or $1,800 a year, without buying anything.

2. What it costs to open

The example model puts about **$648,000** into the building. A $430,000 mortgage covers part of it. The owner brings about **$218,000** in cash.

Use of funds	Amount
Purchase price, six units at about $102,500 each	$615,000
Closing costs	$18,000
Initial repair and operating reserve	$15,000
Total	**$648,000**

The down payment is $185,000 of the owner's cash.

3. What it costs to stay open

The model itemizes the direct costs:

Direct cost	Monthly
Repairs and maintenance	$700
Unit turnover and make-ready	$450
Contracted services	$450
Owner-paid utilities	$400
Leasing and advertising	$115
Total	**$2,115**

The fixed costs are due whether the units are full or empty:

Monthly fixed cost	Amount
Mortgage payment, $430,000 at 7.00% over 30 years	$2,861
Property taxes	$800
Insurance	$400
Admin, software, professional fees	$150
Total	**$4,211**

The model has no management fee and no pay for the owner's time. If you plan to hire a manager or pay yourself, add that line.

4. The break-even: the one number to know

Break-even rent collected = monthly fixed costs ÷ the share of rent left after direct costs.

With the model's numbers: $4,211 ÷ 0.70 = about **$6,016 a month**. That is about 80% of the $7,500 scheduled rent, or just under **five of the six units** paying in full.

At the model's $7,050 of rent collected, the building leaves $4,935 – $4,211 = **$724 a month**, or $8,688 a year, on $218,000 of the owner's cash.

5. One empty unit is most of the cash flow

The cushion between $7,050 and the $6,016 break-even is about $1,034 a month. One unit rents for about $1,250.

Rent collected in the month	Left after direct and fixed costs
$7,050, the model's steady month	$724
$6,250, one unit empty	About $164
$5,000, two units empty	About $711 short

The model also sets aside $125 to $200 a month toward big replacements such as a roof or water heaters, which leaves about $524 to $599.

The case to plan for is a long vacancy in the same quarter as a large repair. The $15,000 opening reserve is what the model has for it.

6. Your numbers

Fill this in with the real building's rent roll, bills and loan quote before you make an offer.

Question	Model	Yours
Scheduled monthly rent, all units	$7,500	_____
Rent you will really collect after vacancy	$7,050	_____
Direct operating costs as a share of rent collected	30%	_____
Monthly fixed costs including the mortgage	$4,211	_____
Break-even rent collected (fixed costs ÷ share left)	$6,016	_____
Units that must be paying to break even	Just under 5 of 6	_____
Monthly management fee or pay for your time	Not in the model	_____

If your break-even needs every unit full, fix the plan before you buy: offer a lower price, bring a larger down payment, or find a building whose rents have more room to rise.

This guide is general business information, not legal, tax, accounting or investment advice. The figures are illustrative assumptions from an example model and are not a forecast or a promise of results. Licensing and insurance requirements vary by state and are not covered here; check yours with the state agency.

Bytell Press publishes the full business plan, the editable financial model behind these numbers, and the operating playbooks for a small multifamily rental building.

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