JULY
2020

Peak Possibilities

Your Monthly Guide to Informed Real Estate Decisions

ICOR™
Investment Community of the Rockies
— COLORADO'S REAL ESTATE INVESTORS ASSOCIATION —

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Join ICOR
July 8th at 6 pm
for "The Future of Short-Term Rentals (in Question?)"

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Why Short-Term Rentals Are Still a Wise Investment

By Taylor Hills & Dana Lubner

It is no secret that short-term rentals have been a hot topic whether promoted, maligned, or somewhere in between. This alternative style of accommodation has evolved into an industry disrupter and is fast becoming the preferred choice of travelers young and old.

Airbnb and Vrbo rentals across the United States have increased by 105% over the past three years propelled by a new wave of travelers looking for more unique and affordable hotel alternatives. Between July 2018 and May 2019, Airbnb added more than 1 million listings. For comparison, Marriott added 46,101 new rooms between July 2018 and March 2019. Seeing the outsized returns that short-term rentals generate, U.S. real estate investors both big and small have jumped into this new asset class purchasing 1.8 million properties with the intent to earn short-term rental revenue in 2018 alone. *(AirDNA)

On March 13th, the travel sector was gutted by the COVID-19 pandemic. Effortless Rental Group saw 87% of reservations cancel in a matter of hours as travel came to a standstill. Shortly after this new reality set in, we noticed a change in booking behavior, with guests reaching out for longer than the average 3-day stays. This may be due to the fact that short-term rentals are perceived, and proven, as safer than hotels during this pandemic. A new breed of traveler has been born; one that includes frontline workers, those looking for cozy quarantine spots, and most importantly, travelers who want to avoid a crowded hotel lobby at all costs.

After stay-at-home orders were lifted and businesses began reopening, there was a big uptick in demand. Weekend getaways are now turning into week-long getaways, guests are even deciding to book for a month or two, now that "work from home" opens the opportunity to work from anywhere. Travelers are wanting to escape city life to visit a nearby drive-to destination. This type of travel is expected to continue through 2021.

Since the pandemic began, the percentage of bookings on Airbnb within 200 miles has grown from a third in February to more than 50% in May. Travel in a post-COVID world is shifting "from airplane to car, big city to small location, hotel to home," Chesky said in an article from the LA Times. Airbnb's newest marketing strategy is "Getaway, without going far. A journey close to home is just the break you need". We have observed this within our own booking data as a majority of guests reside in state.

Traveler needs are changing and that is nothing new to the short-term rental industry. Although COVID-19 has created extraordinary circumstances, we have always demonstrated our ability to adapt and meet guest expectations. Proactive communication of cleaning procedures reassures guests and helps demonstrate the full value of the services provided to them.

Shifting travel expectations and behaviors present an opportunity for investors. When stacked up against hotels, professionally managed short-term rentals often win out in cost, size, amenities, and quality. These advantages are historically amplified during economic downturns, making short-term rentals the most attractive option over the next year and beyond.

EXECUTIVE DIRECTOR LETTER

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Like a Solid Insurance Policy, ICOR is There When You Need Us the Most!

Homeowners, car, travel, and even phone insurances…all of these can be perceived as unnecessary musts. You can probably remember a time when you thought to yourself, I am so thankful that I opted for additional coverage or opted for a certain policy that cost a little more. In the long run, it ended up saving your shirt (and bank account)!

I am always reminded of this by a member, Tom Chase. Tom would come into my office, oftentimes to follow up on something I had a question on or looking for direction. One time, he shared a story of how being an ICOR member saved him from bankruptcy heading into the great recession in 2008. Tom recalls the exact moment at the association meeting. It was during the market update. Tom said, "that information gave me enough foresight to correct my trajectory and ultimately saved me bankruptcy!". I have always been enamored of the gratitude members show to ICOR and its staff, and rightly so! There are certainly other options that exist to get what you need for your real estate business, but just like with an insurance policy you can opt for the cheaper version with less coverage…but? There's always that "but" had you just invested five dollars a month you wouldn't be coming out of pocket for that huge deductible. And just like Tom, he invests both time and resources to stay an active member because he knows just how hard we work to research, build, and present the information that matters the most in good times and bad.

ICOR members, if you are reading this, we just want to say that we are incredibly grateful that you have invested in us to be your source for updates and information. And now, we hope that you will lean on us as we navigate these very fluid times. Also, we appreciate your patience as we reformat and pivot to bring information and events to you virtually. We realize just how much you are counting on us during this time and promise not to let you down! Check out the cover article on just how we are adapting all the resources you have come to expect from ICOR in a way that you can access and digest during this time.

If you have yet to invest in ICOR, well now might be that time to look into a "policy." We know the coming months will be difficult for all of us to navigate with "safer at home orders" in place across the country. You're going to need access to service providers, up-to-date and detailed market stats to pivot and adapt your strategies, and networking if you haven't already built up a solid source. There is no reason to recreate the wheel when so many ICOR members (600+ as a matter of fact) are in this together.

Just like those folks over at State Farm, like a good neighbor, ICOR is there! We were serious when we mentioned it earlier, please lean on us to help you through this extremely fast moving and fluid time. As more information becomes available, we will do our part to summarize and give you best practices to keep you and your business moving forward! While it is a minimal investment in your "ICOR Insurance Policy," take it from our members, you will be glad and grateful you did when we get to the other side of this! Stay safe, stay well, and foremost, stay in communication on how we can best serve you!

If you haven't already, consider joining ICOR today, Visit www.icorockies.com to get started

BOOMERANG CAPITAL
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Is Leverage Good?

Is Leverage Good?

My name is David Nielson and I have a love for numbers and creative financing. I love driving things that are fast, I work hard so I can play hard with my wife and my 4 amazing kids, and of course, I am The Best Flippin Lender™!

Recently, I taught my 7-year-old son about leverage by using a 2x4 and some blocks to move a large shed. I placed the 2x4 under the shed, put the block at the halfway point, and stood on the opposite end from the shed but the shed did not budge. I then moved the block closer to the shed, to create more leverage, and once again stood at the opposite end, this time only to see minor movement. Finally, I moved the block even closer, creating additional leverage, and was eventually able to move the shed.

Leverage is one way of utilizing a limited input to exert a maximized output. In real estate, the limited input that we utilize is our own capital, the leverage is OPM "Other People's Money", and once combined, that is our buying power. For example, lets show an investment of $25,000 in a house that produces a 12% profit, with leverage and without leverage. For this example, the leverage has a cost of 6%.

With Leverage

$25,000 Own Capital
+$75,000 Leverage or OPM
$100,000 Buying Power

$100,000 x 12% = $12,000 Gross Profit
$75,000 x 6% = $4,500 Cost of Leverage
$7,500 Net Profit with Leverage

Without Leverage

$25,000 x 12% = $3,000 Net Profit without Leverage

Is leverage good? If all things go as planned, then the answer is yes. In this example the investor made an additional $4,500 which is 150% greater than without leverage. But what happens if a virus spreads across the nation and halts construction and your leverage has a 6-month maximum term, or the virus comes and causes your tenant to stop paying their rent when you rely on that rent to pay your obligations? At that point, the leverage may become your weakness.

Utilizing the example with my son, if the forces on each side of the 2x4 are too great, then at some point the 2x4 will break and you will have lost your leverage opportunity. In that instance, your hope is to either find a new source of leverage or find a way to amend/repair the current leverage. However, interest, late fees, default interest, and attorney fees begin working against you. Eventually you lose the property to foreclosure and your capital is gone. But wait, that is not all, not only did the lender take back the property and you lost your equity, but the lender then sold the property at a discount through auction and accumulated additional expenses. He then pursues the personal guarantee that you signed in efforts to make up for his additional loss.

So how much leverage is the right leverage? Well that is up to you and your risk tolerance. On Investment real estate, hard money lenders are riskier than banks and they lend between 80-100% of cost, banks lend below 80% of cost but are usually around 70%, and non-recourse lenders are closer to 50% loan to cost.

Equity in the property and cash reserves are key.

Join us July 8th for "The Future of Short-Term Rentals (in Question?)"

Without a doubt, standing at the epicenter of the coronavirus is the travel industry. Airlines, hotels, and a fleet of offshoot industries are now coping with the virus's severe downstream effects. One particularly curious case study, however, is the evolving interaction between the Coronavirus and short-term rentals. At first thought, a business model that champions the democratization of lodging seems like a virus's best friend — and one notably at risk.

However, the impact of the Coronavirus on global short-term rental markets is becoming significantly more complex with a good deal of nuances. Join ICOR on July 8th, as we look at "The Future of Short-Term Rentals (in Question?)"

Market Update & Market News with Troy Miller

The latest in trend analysis for the US, Colorado and its major metropolitan areas including existing homes, new homes, foreclosures, and traditional sales. A full analysis of Fix & Flip and Rental markets. Plus, the latest Market News affecting your business.

Monthly Meeting: "The Future of Short-Term Rentals (in Question?)"

Joining ICOR for July Meeting will be Dana Lubner, Effortless Rental Group, a Colorado hospitality provider, specializing in short-term rental and boutique hotel management. Also, joining us will be a Colorado Short Term Rental Investor as we cover:

- Stats, Trends, & Overall market Short Term Rental Market prior to 3/13?
- What Happened, in terms of fallout or response to COVID-19?
- What have we seen from Mar 13th to Date in terms of correction & response?
- A snapshot of how the short-term rental market looks as a result.
- How do STRs look to fare in the next 6 months, 12 months, and beyond?
- Overall, best practices and the new landscape for Property Mgmt of STR?

And if you are or are planning to invest in Short Term Rentals we discuss the sustainability from an active Colorado Short Term Rental Investor about:

- What was your plan pre-COVID?
- How and what did you do to pivot in place?
- With the information provided, do STR have a play in your portfolio and what does that look like?
- Overall, best practices for moving forward

Meeting Schedule

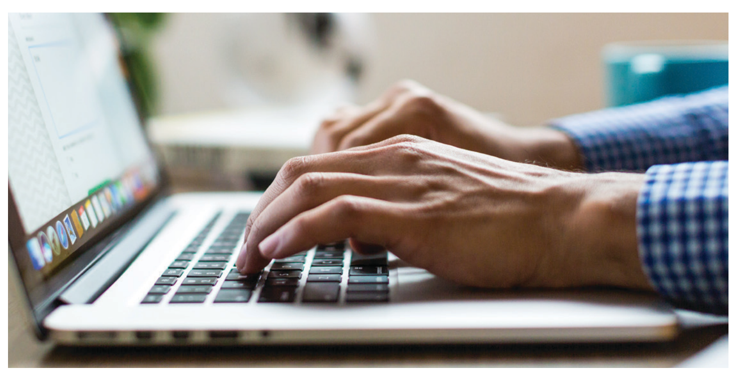
Northern Colorado
July 8th / 6:00 – 8:30 pm
Online Zoom Meeting

Denver
July 8th / 6:00 – 8:30 pm
Online Zoom Meeting

Colorado Springs
July 8th / 6:00 – 8:30 pm
Online Zoom Meeting

July 28th | 6:00 – 7:30 pm
Colorado Real Estate Market Update & Investor Index

Each month, we will gather to share our results in a round table conversation and provide a statewide real estate market update of major metropolitan areas including Denver, Colorado Springs, Northern Colorado, Summitt County, & Grand Junction Plus, We also provide a Colorado Confidence Index on the state of the real estate market including an editorial to explain the results, based on the comments and conversations we have with participating Colorado Investors. This event is for ICOR Members Only.



For more Information or to register, visit www.ICORockies.com/Calendar

NEW DIRECTION TRUST
CHRIS TANNER / CTANNER@NDTCO.COM / NDTCO.COM

4 Ways Your IRA Can Invest in Real Estate

Throughout my career, I have met numerous people who said they were real estate investors. Initially I assumed they were buying rental estate or doing fix and flips. However, with time I began to appreciate that real estate investing is so much more and can encompass a much wider variety of investments.

I once had a similar understanding of what an IRA was: stocks, bonds, mutual funds and, more recently ETFs, largely mirroring what my employer's 401K plan could offer. However, as I have matured in the investment industry, I've similarly learned an IRA can do so much more, though unlike real estate investing, far fewer know it's true potential.

Much like the fabulous combination of peanut butter and jelly, an IRA can similarly be paired with real estate investing. The basic investment principles are virtually identical to the way you would invest personally, with a few caveats which we will discuss.

Let's look at 4 ways your IRA can invest in Real Estate using a self-directed IRA ("SD IRA")

1. Direct Ownership

a. **A SD IRA can purchase real estate with or without leverage.** A SD IRA can purchase real estate as an all cash buyer, or the IRA can borrow money to purchase real estate.
b. **A SD IRA can own real estate 100%, or in partnership with another person or entity.** The options for partnering with an IRA to buy real estate are virtually limitless, such as: partnering your IRA with yourself, with another individual, or another entity. The IRS has no guidelines regarding the percent ownership an IRA can have, so the IRA can own anywhere from 1% to 99% of a property, and anywhere in between. This is also one of the only times you can personally invest alongside your IRA, so this can be a useful option for investors. There are some basic guidelines to be aware of, but New Direction Trust can help educate you.

2. Private Lending

A SD IRA can lend funds to enable others to invest in real estate. IRA Loans can be secured by real estate, other collateral, or non-secured. The IRA owner can negotiate the terms of the loan, but the IRS has certain rules that, again, New Direction can help guide clients through.

3. Private Equity

An IRA can invest in a company that is investing in real estate. A more passive approach to real estate investing, this opens the door to investing with private real estate investment firms and fractional ownership platforms. Similar to private lending, the IRS maintains a few rules the IRA owner must follow.

4. Other

An IRA can invest in tax liens, tax deeds, options, wholesale deals, or purchase existing real estate notes. If the structure is used for investment purposes and adheres to tax guidelines, it is allowed.

Real estate investing encompasses a wide variety of strategies. Each strategy has its own set of considerations, but it's important for investors to keep in mind that self-directed IRAs, HSAs, or solo 401Ks are very flexible plans that allow you to participate in virtually any real estate transaction. If you have any questions or would like to learn more, please feel free to contact New Direction Trust Company at (877) 742-1270.

UNBRIDLED WEALTH
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How to Prepare for the Next Market Downturn Using Infinite Banking, Part I

The US economy will recover from the COVID-19 pandemic. It will recover from the bear market and it will recover from any ensuing real estate downturns. I'm not here to tell you when, but I know it will happen. I also know that in the next ten years, we are highly likely to see it drop again. Whether it's caused by another global pandemic, killer hornets, or innovations that make oil obsolete, the economy and markets will ebb and flow. The question is, how will you position yourself now to take advantage of the inevitable drops?

We all know to buy investments low and sell them high. However, most people actually make emotional purchases when the markets, or real estate, are high, then panic and sell when they're low. That's fine if you're young and able to risk your investments, but for those who are looking at retirement, seeing a significant life's savings suddenly evaporate can be devastating. There isn't time to ride out a downturn and recover.

"I'm safe because I invest in real estate," you might say. Awesome! But what if you make a bad investment or become upside down on a property because of a quick turn—or a pandemic? Unexpected shifts aren't so bad if you're a bank and can set the terms of your loan.

"Well, that's a grand idea, but I don't have millions, let alone hundreds of thousands, to start that process." You may be surprised to find it doesn't take much to start, and we'd love to show you how it works.

The beauty of compound interest is that it's not about how much—it's about how long. You may have heard the riddle about whether it's better to have $1M up front or a penny that doubles every day for a month. The person who selects the penny will have $5,368,709.12 at the end of the month. We apply this principle when we teach people how to become their own banks using a properly structured dividend-paying whole life insurance policy.

Oh dear. I used the "I" word... insurance. But don't stop reading! The misconceptions and misinformation flooding the internet have prevented too many people from protecting their wealth for too long.

We use insurance for banking purposes by teaching clients how to have discipline to pay themselves back, with interest, using a whole life policy. In doing so, their money doesn't just grow, it compounds. Unlike indexed universal life, it's not tied to the stock market and is insulated from market drops. Additionally, the money stored in the policy is readily accessible for any purpose. Want to flip a home? Awesome—use part of your policy to pay for it and pay yourself back when the house sells. Want to take advantage of airline stock dropping 70%? Great! Pull the cash from your policy, invest in the market, and pay yourself back when it grows, and you sell.

By starting your own banking system inside a policy, you will be positioned to have quick access to cash when opportunities arise. One of our clients was able to take advantage of a public auction to purchase a historic hotel by using his policy. He had the loan ready within days, not weeks, and capitalized on the opportunity for a significant real estate investment.

Even better, it does not take years to grow your money. The policies we set up are designed to be cash flow-positive within 2-3 years and typically break even around year seven. All the while, any portion of the money can be used for other investment opportunities or to finance the necessities of life. Not only that, but you can preserve your legacy by teaching the next generation to do the same thing. Infinite banking truly can be infinite when you pass on your wisdom and help future generations apply the principles that have sustained the wealthiest families in America for decades.

In the next article, we'll go into greater detail about how and why infinite banking works.

ATLAS REAL ESTATE
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Managing Rental Properties in the Wake of a Global Pandemic

The COVID-19 pandemic is the black swan event that no one predicted. With more than 540,506 Coloradans claiming unemployment since March, it's easy to see why so many property owners are concerned about long term impact this event could have on their real estate investments.

As property managers, investment advisors and personal owners of real estate, the team at Atlas has been keeping a keen eye on the housing legislation being proposed in response to the COVID-19 pandemic.

The evection moratorium set to expire on June 13, has been extended one month to July 13 via an executive order by Governor Polis. The order has increased the 10-day notice to a 30-day notice that is required before action can be taken to start the eviction process. The order also states that late fees are prohibited from May 1 – June 13 and cannot be charged retroactively. This means that if your lease includes them, daily late fees can resume on June 14 and monthly fees can proceed if July payments are missed.

This decision comes after a COVID-19 Relief Bill, that proposed extending the moratorium to October, was voted down in the Colorado senate. It's important to note that nationally evictions are still banned until late July on properties that have federally backed mortgages. If you are unsure, a building's status can be checked on the Fannie Mae and Freddie Mac websites.

The Atlas team currently manages more than 3,200 properties. Pre-COVID-19 our rent collections averaged 98.5 percent month over month. As of June 15, we've seen only a 4.1 decrease, bringing our average down to 94.4 percent and the month is not over yet. We are anticipating rents collected to be above 96 percent. This decrease was much better than we imagined. We suspect that this may have been artificially inflated by support from the federal government and are anticipating a decrease in the collection rates from June and July.

At Atlas, we always encourage property owners to first work with their tenants by offering payment plans. Eviction can be a long and costly process. It is in your best interest to protect against vacancy, which can be one of the biggest threats to property owners. To proactively protect our clients, against the adverse financial implications of COVID-19, Atlas created a new position, the Resident Resource Manager. This position was added to help residents arrange such payment plans, walk individuals through filing for unemployment and help connect people with the array of local nonprofit resources that are locally available.

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