OCTOBER
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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Why Covid-19 Has Failed to Harm Mobile Home Park Investments

By Frank Rolfe

The Covid-19 pandemic has ushered in a new era in American real estate investment. Overnight, some asset sectors such have plunged in value. However, some have been only marginally impacted and one has actually become stronger. That special asset sector is the old-fashioned mobile home park. So why have mobile home parks fared well while other niches of real estate have been crushed by Covid-19?

Most residents of mobile home parks fall into two categories 1) retired or 2) essential jobs. The basic backbone of our country—the jobs that keep the engines running and the food on the table—fall upon the employment sector that traditionally has lived in mobile home parks such as fast food, auto repair, and shipping. So while the government shut down all "non-essential" industries at the start of Covid-19 back in March, this had little impact on mobile home park occupants.

Join ICOR
Oct 14th, 6-8 pm
High Returns from Trailer Parks: The Forgotten Niche of Real Estate

And those that lost their jobs were in the sweet spot for finding employment: minimum wage to $15 per hour labor opportunities. These are exactly the type of employees sought out by such companies as Amazon and Domino's pizza—both of which grew their employment basis during the pandemic. If you look down any street in the U.S., you will see the only "Help Wanted" signs are for jobs paying $15 per hour and less.

It's no shocker that a huge amount of Americans (estimated to be over 30%) are in need of housing they can afford. Indeed "affordable housing" is one of the nation's biggest challenges. While the national apartment rent averages over $1,200 per month, mobile home park lot rents average around $280 per month.

This huge price variance has made mobile home parks one of the hottest sectors of real estate. Many mobile home parks receive over 100 calls per week from Americans seeking places they can afford to live on their salaries. And this trend is only accelerating.

Prior to Covid-19, apartments had strong rents and occupancy. However, now the tables have turned on what attributes Americans want in their housing. Mobile home parks offer things that apartments can't including: 1) no neighbors knocking on your walls or ceiling 2) a yard that you can use as an outdoor space for yourself, kids or pets 3) parking by your front door and not an impersonal parking lot 4) a sense of community with neighbors who are not transient 5) the ability to be a homeowner. Many apartment dwellers—after spending months stuck at home—hare realized the short comings of attached housing and now seek out detached options that meets their budget.

The stimulus money for Covid-19 has helped mobile home park residents and owners more than probably any other declaration. When the $1,200 per adult and $500 per child was handed out, there were no strings attached on having to have lost your job to get it.. And many of these groups then used that money to move to a mobile home park. Indeed, our sales and rentals have never been as strong in any other period prior to the Covid-19 pandemic as they are now.

Mobile home parks have fared extremely well during Covid-19, unlike many other sectors of real estate. And we anticipate this to continue as the megatrends of modern America continue to all be favorable for "trailer parks".

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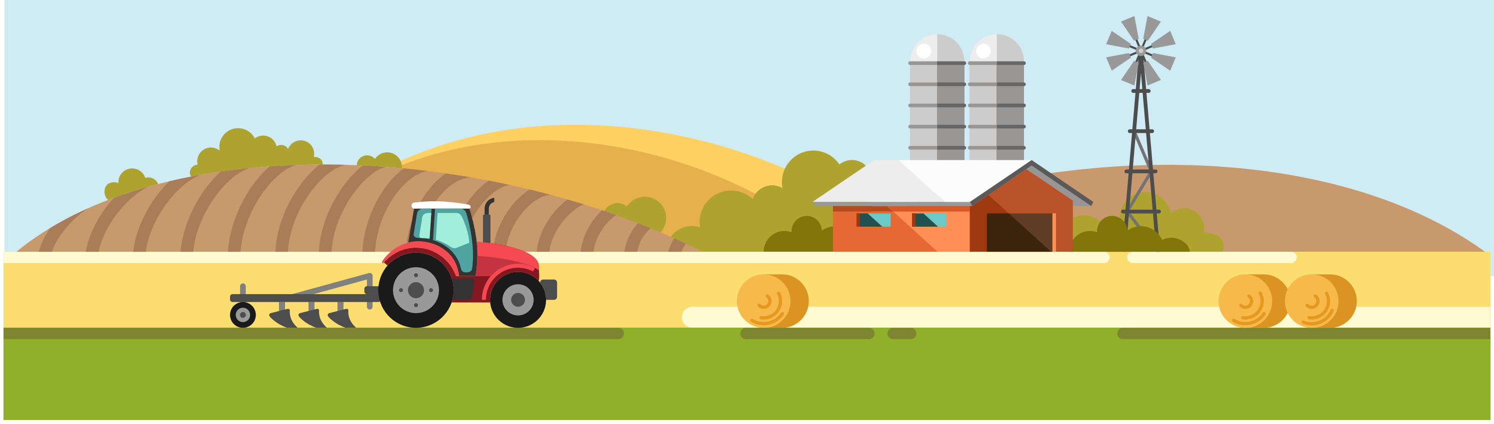
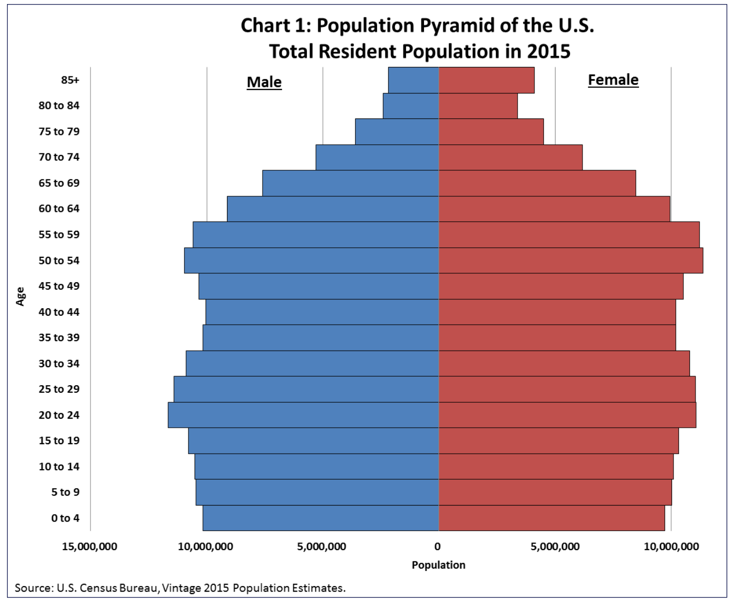


The Role of Rehabbers Is Just Getting Started

While there are a number of useful inputs to the value of a certain property, an interesting phenomena of use to rehabbers is the nature of buyers and sellers. One useful input comes from the field of economics in the form of what is called a population pyramid, this one from the Census Bureau. Generally, it is more like a triangle with a lot of young people representing the base, and then fewer people surviving into later years. It's also pretty common to have males and females separated out, as it is in this case. But we don't have a regular triangle, in fact we have 2 lumps: the top one is the baby boomers, just starting their retirement years. As they age a bit more, they are likely sellers of the homes they are living in, as they downsize for whatever reason.



The other lump is the millennials. Yes, they are buying houses and Realtor.com points out that more than 50% of the mortgage originations now come from millennials, while Boomers are now less than 15%. This gap between buyers and sellers is also reflected in the average age of US housing stock, which now sits at older than 34 years. So, we have buyers and sellers, what is the role of the rehabber? As we consider specifics of a property, it becomes very obvious.

First off: this means that the houses are out of date in terms of style. Some of this will go away in the form of furniture that is removed before closing. But permanent elements such as iron railings, chalk walls, dark cabinets, ceiling fans in every room, textured ceilings, pine, tile counters, dark rooms, etc. were once in style, but are no more. As a rehabber, you will end up with much of this in your dumpster at the end of demo day.

But these homes are also out of date in the ways the home is used. Outdated and worn out items like water heaters and HVAC, roofs, plumbing and security, can make the home significantly less comfortable and also add to the cost of ownership.

What doesn't change about the homes is their locations. While new builds are being built in outlying areas, older homes remain nearer to work, shopping and developed entertainment centers. And many buyers are finding the commutes just too long to buy in an outlying area and the difference between a new build and a rehabbed home getting smaller and smaller, buying a 'new' older home in a closer area just marks sense.

Younger demographics like millennials provide an essential need for rehabbers to update and upgrade homes that are old and outdated, yet located in desirable areas.

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October @ ICOR

Monthly Meeting | October 14th 6:00 – 8:00pm
"High Returns from Trailer Parks: The Forgotten Niche of Real Estate"

What do you think of when someone says "trailer park"? One item that probably never comes to mind is the simple fact that mobile home parks offer perhaps the highest — and safest — returns of any sector of real estate. In this short webinar we're going to review:

- The history of the industry
- Why it has an unfair stereotype
- How it is the only truly affordable housing solution
- and why it offers some unique features that make it impervious to recessions or national crises (such as Covid-19).

We're also going to review some sample deals and discuss:

- What the key business points are in creating higher cash flow and value in mobile home park investing.
- We're also going to give you some formulas on calculating value and being able to define what is a good deal from what is not a good deal.

We believe you will come away from this webinar with a new — and accurate — impression of this sector of affordable housing and an educated idea of what the returns are and if this might be the right niche of real estate to focus your investments in.

Agenda:

- 6:00 pm - Sharing Success
- 6:10 pm - Market Update & News
- 6:30 pm - Main Presentation
- 8:00 pm - Meeting Adjourned

Other Upcoming Events

Oct 3rd | TrueNorth Planner Group Session

The TrueNorth Group Session is for ICOR Members and future members new to real estate investing who want to dramatically increase their probability of success and shorten the time to completing real estate investment deals to reach their financial objectives.

Oct 24th | Mobile Homes & Mobile Home Park Investing Workshop

Affordable housing is America's #1 problem — and also its #1 opportunity. Mobile home and mobile home parks serve as the nation's only form of non-subsidized affordable housing. Yet virtually nobody knows about this very serious segment of the U.S. housing market that currently holds around 8% of the entire American population. That's why we've put together this lengthy and detailed introduction to mobile home and mobile home park investing.

Oct 27th | Colorado RE Market Update & Investor Confidence 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

Meeting Schedule

Northern Colorado
October 14th / 6:00 – 8:00pm
Online Zoom Meeting

Denver
October 14th / 6:00 – 8:00pm
Online Zoom Meeting

Colorado Springs
October 14th / 6:00 – 8:00pm
Online Zoom Meeting

Every Friday (Oct 2nd, 9th, 16th, 23rd, & 30th) | Friday Morning Networking Real Estate Exchange

ICOR's Friday Morning Real Estate Market Exchange is a place to talk about, find, and do deals with each other, and is FREE with ICOR membership. If you are not a member, consider joining today!

For full details or to register, visit www.icorockies.com/events

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Non-Correlated Investments are Vital to Your Retirement Plan

The vast majority of U.S. retirement accounts are associated with a single investment type. Publicly traded securities. This is fantastic when the stock market is going up, but when the market is going down, the results can be gruesome.

Have you ever wondered how you can protect your hard-earned retirement savings when the market is down? First, let's dis-spell a common myth. Wall street likes to sell the idea of "diversification". The Wall Street definition of diversification goes something like this: buy a wide variety of stocks so if a single stock does poorly, you have a bunch of other stocks to balance out the bad one. This most often translates to people investing in mutual funds, ETFs, and target date funds. These products appeal to the masses because it allows them to own a huge variety of stock at a fraction of the cost it would take to buy them individually.

This type of diversification works when there are singular events like Enron. When Enron went bust, you could have lost your entire investment if it was your only holding. If Enron was a small portion of your overall investment portfolio, you did not feel the pain nearly as much as those who put everything into Enron. How does Wall Street diversification hold up when the ENTIRE market goes down? Not well. In 2008 the S&P 500 dropped 57%, and the vast majority of Americans saw their retirement plans drop in direct proportion to the market. The challenge with such large declines is that a 50% drop requires a 100% gain to get you back even. If you were 60 years old and planning to retire in 2008, Wall Street's idea of diversification failed you.

Publicly traded securities are largely correlated to the stock market. That is to say they generally follow the markets ups and downs. So how do you protect yourself from market crashes and downturns? Think about non-correlated investments. What is a non-correlated investment? A non-correlated investment is one that is NOT tied to stock market results. Investments like gold, real estate, tax liens, and private loans are not directly correlated to the stock market and may hold up better during bear markets, or even help you survive major crashes. If you'd like to learn how you can move some of your retirement funds into non-correlated investments feel free to contact New Direction Trust and let us show you how.

UNBRIDLED WEALTH
JASON K. POWERS / JPOWERS@UNBRIDLEDWEALTH.COM / UNBRIDLEDWEALTH.COM

Real Estate Investing with Your Private Bank

Of all the ways to get started in the real estate investment industry, the most classic approach is to begin with Wholesaling. As the logic goes, with the money you build up from Wholesaling, you can begin doing Fix-N-Flips. After you successfully complete some Fix-N-Flips, perhaps you can look into long-term Buy & Holds. And so on. Obviously, there is a wide variety of strategies, preferences, goals, and objectives when it comes to real estate investing. I am not here to tell which is right, wrong, better, or worse. My main objective is to show how you can add one extra component to any of these methods to create an even more advantageous system. First, let's establish some key terms. We'll call the number of things a dollar can do the multi-tasking dollar, and we'll call the strategy the Infinite Banking Concept (IBC).

The Backstory - Fractional Reserve Banking & The Multi-Tasking Dollar

Here in the U.S., fractional-reserve banking is a system in which banks have to keep a certain amount of depositors' cash on hand. Without getting into the weeds of it, that settles at around 10% for large banks. Most people who read this in passing regard this as a positive. We say, "Oh, that's nice. They are required to keep a reserve. Great!" But let's say the same thing, a different way:

For every dollar deposited, the bank is allowed to loan it out eleven times.

Stay with me. If you deposit $1,000 in the bank, they are required to keep a reserve of $100 (10%). The other $900 will get loaned out. Now, there is $1,900 in 'the system.' The bank actually has $100. Rinse and repeat. That $900 gets deposited into the banking system. A reserve of $90 is kept, while $810 is loaned out. Now the bank has $190 on hand, and $2,710 in the system. This goes on and on and on. When there is a run on the banks, this becomes a huge problem! For a quick reminder, see 2008.

For starters, a couple of observations can be drawn here:

1. The banks are creating a multi-tasking dollar. One dollar is doing eleven different things at once.
2. The banks do not have the reserves to cover what is actually deposited.

The Multi-Tasking Dollar in Real Estate

Here's the appeal! One dollar in real estate investing can benefit you in a variety of ways, including:

- Create Equity
- Create Cash Flow
- Create Tax Deductions
- Create Profit

The Infinite Banking Concept

The Infinite Banking Concept is a process by which one becomes their own banker. The best method of achieving IBC is through properly structured, dividend-paying whole life insurance. Let me break that down so you understand what was just said:

Properly Structured – There are specific ways to structure a policy to create the maximum available cash value inside of a policy now, not just later.

Dividend-Paying – There are certain insurance carriers where your policy can grow to its highest potential.

Whole Life – It's not term insurance, nor universal life, nor variable life. It's whole life insurance.

We're not going to spend a great deal of time discussing the details of IBC, but here you have a basic framework. Keeping in line with our conversation about the multi-tasking dollar, here are a few components of IBC:

- Uninterrupted compound growth of cash value
- Unstructured loans from a policy
- Creditor protection
- Guaranteed growth
- Death benefit
- Interest deductions for businesses
- Disability benefits
- Tax-free growth

...And the list goes on.

Infinite Banking & Real Estate Investing

What would change in your real estate investing business if you didn't have to pay the 7-12% interest and points to a lender? What would change in your financial life if you never had to borrow from a bank again? What if you could borrow from yourself and pay yourself back with interest, and do it over and over and over again? What would change in your personal life if you were able to be your own bank? What if you could finance your own cars, vacations, child's college, and even retirement? What would change in your family's life if you were able to leave behind a substantial financial legacy that could literally last for generations? This is why we do what we do. This is why we teach people about the Infinite Banking Concept. We want to see your life change for the better. This is how we do it.

- Build equity
- Build cash flow
- Create tax deductions
- Generate profit
- Build up retirement
- Uninterrupted compound growth of cash value
- Creditor protection
- Guaranteed growth
- Death benefit
- Interest deductions for businesses
- Disability benefits
- Tax-free growth
- Unstructured loans from a policy

And the benefits go on and on and on...

ATLAS REAL ESTATE
NICK MERTENS / NICK@REALATLAS.COM / REALATLAS.COM

CDC Orders Temporary Halt in Residential Evictions

At Atlas Real Estate, we have been receiving many calls concerning the CDC Order issued on September 1st surrounding the "Temporary Halt in Residential Evictions to Prevent Further Spread of COVID-19." While there are still unanswered questions to this order that we will find answers to over time, here is what we currently know.

Summary of the Order:

The Order prohibits landlords from evicting covered residents for non-payment of rent from any residential property (both covered and non-covered) beginning September 4th, 2020 through December 31, 2020. The resident will have to provide the Landlord with a Declaration of Hardship. Landlords can charge tenants late fees, penalties or interest for nonpayment of rent. Residents are still obligated to pay rent and comply with their leases. You can still evict for non-payment related issues. Several key aspects of the Order are not clear including what constitutes an eviction. Because it is not clear what constitutes an eviction, what constitutes a violation of the Order is also not clear. These aspects of the Order will have to be clarified through the judicial process. The Order does not supersede state or local eviction moratoriums that are stricter than the Order.

Key Points of the Order:

- The current effective dates of the Order are September 4th, 2020-December 31st, 2020
- Residents ARE still required to pay rent
- A resident must provide a Declaration to stop an eviction and eviction proceedings. The resident must declare ALL of the below in writing:
- The individual has used best efforts to obtain all available government assistance for rent or housing;
- The individual either (i) expects to earn no more than $99,000 in annual income for Calendar Year 2020 (or no more than $198,000 if filing a joint tax return), (ii) was not required to report any income in 2019 to the U.S. Internal Revenue Service, or (iii) received an Economic Impact Payment (stimulus check) pursuant to Section 2201 of the CARES Act;
- The individual is unable to pay the full rent or make a full housing payment due to substantial loss of household income, loss of compensable hours of work or wages, a lay-off, or extraordinary out-of-pocket medical expenses;
- The individual is using best efforts to make timely partial payments that are as close to the full payment as the individual's circumstances may permit, taking into account other non-discretionary expenses;
- Eviction would likely render the individual homeless— or force the individual to move into and live in close quarters in a new congregate or shared living setting— because the individual has no other available housing options.
- Penalties range from $200,000-500,000 if Landlords move ahead with evictions after receiving the Declaration
- Landlords may still serve Demands for Rent if the resident has not provided a Declaration and proceed with eviction hearings
- Governor Polis has adjusted the Demand time to a 30-day notice (previously 10 days)
- Landlords may still serve notices for non-monetary violations such as Demands for Compliance, Notice to quit for Repeat Violations, Notice to Quit for Substantial Violations, and Notice of Non-Renewal
- Reasons to serve the above include, but are not limited to:
- Engaging in criminal activity while on the premises;
- Threatening the health or safety of other residents;
- Damaging or posing an immediate and significant risk of damage to property;
- Violating any applicable building code, health ordinance, or similar regulation relating to health and safety; or
- Violating any other contractual obligation, other than the timely payment of rent or similar housing-related payment (including non-payment or late payment of fees, penalties, or interest)
- A Declaration can stop current eviction proceedings even if you already have a writ
- Landlord may charge late fees
- The Order includes ALL rental properties, both covered and non-covered properties under the CARES Act
- Can a Landlord challenge a resident's Declaration and ask for proof?
- What actions constitute a violation of the Order under which "taking action contrary to the Order or the prohibitions set forth in the Order" would trigger a violation?

Unanswered Questions at Large:

- How will the government protect the finances and investments of the Owner/Landlord?
- What will this look like after December 31st?

So, What Now?

As we learn more about the CDC Order, we will be providing updates. It's important to note that we believe that the vast majority of residents will still continue to pay their rent. In August, of the 3,200 units we manage, 95.7% (our 10-year average has been 98.5%), so only 2.8% lower than normal. Overall collections since COVID has begun have been much better than expected. We are continuing to recommend that property owners work with residents on payment plans when necessary. Both Colorado (POP Program) and Arizona (RPOPF Program) have stimulus money that they are using from the CARES act to help fund monies not paid by residents during the initial CARES Act timeline.

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