APRIL
2021

Peak Possibilities

Your Monthly Guide to Informed Real Estate Decisions

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

6795 E. Tennessee Avenue
Suite 401
Denver, CO 80224
970-682-4267
icorockies.com

Table of Contents

Establish, Seek, Vet and Fund

By Jeffery S. Watson

Many extremely successful investors are realizing they need to shift their focus and priorities when it comes to funding their retirement. More than one of these high-performing business owners admitted the need to be more diligent about getting the correct accounts opened and funded, and then getting those funds implemented into deals. Often, they face the small dollar account balance dilemma. Here are a few principles to help with that dilemma.

If you want to do self-directed investing, the first step is to establish an account that will allow you to self-direct. The establishment phase has three elements:

1. Select the correct custodian.
2. Select the correct type of account.
3. Open and fund the account.

Join ICOR Mar. 10th from 6-8 pm "The Investor Life Cycle: Assets, Entities, Taxes, & Estates Workshop"

Because retirement accounts can be opened without putting money into them, it is important to make sure you fund the account so you can then seek deals in which you can invest. You may want to consider the possibility of deploying your funds along with funds from someone else rather than trying to do deals all by yourself. For example, instead of using your account to buy a house, fix it up and resell it, you and another investor might want to jointly lend money to someone else who is doing the buying, fixing and reselling. I have done both, and I greatly prefer the latter. Co-lending is a great way to grow your smaller accounts.

The vetting phase is incredibly important. Once you find an opportunity that you believe is a good deal, you must do adequate due diligence on multiple aspects of the deal. You must first verify that it does not involve a prohibited transaction or a disqualified party. That is only the beginning, however. Too often, I see people who don't take the time to make sure the deal is really a good investment because they are in too big a hurry to get their money deployed. They feel guilty about those dollars just sitting in their account and want to be able to say they have done a deal. It's better, however, to let your money sit while looking for a good deal than to put your money into a questionable deal just to say you have it invested.

Once you have done the appropriate due diligence on an investment for your self-directed retirement account, it is all about arranging for the actual funding of the investment. The best way to think of this is that the cash in your account is exchanged for a different asset, like when you go to the store and exchange a couple dollars in your wallet for a candy bar and a soda pop. You are exchanging the dollars in your IRA for a piece of real estate, a promissory note, a tax lien, or the membership interest of an LLC or trust, to name a few possible examples.

Whatever type of investment you choose to do, make sure you completely understand how the investment will be made and properly documented to be a good deal, both now and in the future, for your retirement account. One of the best ways to do that is to do what I refer to as "rinse-and-repeat" deals, also known as "cookie-cutter" deals. By that, I mean do the same kind of deal or investment over and over so it makes creating the paperwork (the transaction documents and direction of investment forms) much cleaner and easier to do. When I can do a similar transaction over and over again, it cuts down on the time it takes to prepare the paperwork, and it makes it easier to explain to the parties involved what is going

Continued on page 2

EXECUTIVE DIRECTOR LETTER

TROY MILLER / TROY@ICOROCKIES.COM / ICOROCKIES.COM

Are We There Yet?

As a kid, my family took tons of road trips and vacations in the family suburban. Everyone had their spot regardless of where we were going, and my spot was always the rear passenger on the driver's side. And while the view changed out my window, my knees were cramped behind my dad driving. I was not going anywhere and had limited space.

In many ways, looking back at those experiences, it has been very reminiscent of our collective experience during the pandemic. In talking to many of you, I keep getting asked the eternal question, "Are we there, yet?" Specially referring to, when are we going back in person?

Well, I can confidently say that the bulk of zoom is behind us, AND if cases continue to go down and vaccines keep increasing, the likelihood of ICOR's monthly meeting returning in person will be in the next three months!

While that is excellent news for everyone, we must understand that meetings will not be entirely the same for a short while. In talking to our meeting venues across the state, expect:

- Mask will be mandatory while you are up moving around or networking. (our venues are requiring this).
- We will ask that you continue to utilize RSVP or preregistration online to limit contact at check-in.
- Temperatures will most likely be taken at check-in.
- We will ask that if you become infected that you share with us for contact tracing purposes.
- Networking and Haves & Wants will get creative to ensure we get the most out of the meeting!

So, are we there yet? No, not entirely, but we are awfully close and cannot wait to get back in person! Just understanding that we are going to do our best to ensure everyone stays safe and healthy but do so in a way that we may come back to face-to-face meetings and events again!

Establish, Seek, Vet and Fund

Continued from page 1

on because I have done it before. I have used a series of cookie cutter or rinse and repeat deals to grow my small dollar accounts.

While "rinse-and-repeat" deals are one of the key components to being a successful investor with your self-directed retirement account, another key component is reinvesting. As the proceeds come in from your deals, try to get that money back out working as quickly as possible, keeping in mind my earlier admonition about taking adequate time to make sure a deal is good. Don't redeploy your funds just for the sake of making an investment.

I have lost track of the number of times I have spoken with investors who tell me they want to lend money at 3 points and 15%. When I ask them how often they have their money out working like that, it is usually about 5-7 months out of the year. The rest of the time, they are waiting for another opportunity to come around.

It doesn't take a financial calculator to figure out that when your money is only working half the time, you are making half that rate of return on an annualized basis. That is why it is important to get your investment income redeployed as quickly as possible into another good, solid deal. To borrow a statement from a friend of mine, real estate investing is a thinking-person's business. Self-directed investing is a thinking-person's activity as well. Once you have thought through a system and strategy, the best thing you can do is do it again and again and again, particularly if it works out well.

April @ ICOR

Monthly Meeting | April 14th 6:00 to 8:00 pm
Creative Financing with Small Dollar Retirement Accounts

"Real estate investing is a thinking person's business. Self-directed investing is a thinking person's activity as well. Once you have thought through a system and strategy, the best thing you can do is do it again and again and again, particularly if it works out well."
- Jeff Watson, SDIRA Investor & Attorney

Don't be fooled into believing that your retirement account is too small to deploy capital into your or somebody else's next deal. Did you know there is roughly $33 Trillion sitting out there in retirement accounts?

We want to show you how to deploy your dormant retirement accounts to fund your deals creatively! In the words of our go-to retirement expert, Jeff Watson, "Establish, Seek, Vet, & Fund!"

Joining ICOR in April is Mike Murphy and Michael Hill of Atlas Real Estate, who have utilized various retirement accounts as a creative acquisition strategy.They will show you real-world case studies of how they have utilized small-dollar accounts to fund and expand their portfolio.

We promise you, no account is too small! Join us in April, and we'll show you how to utilize this strategy!

Join Larry Stone from Stone CPA and Advisors, nationally recognized tax coach and investment advisor, Eve Hoelzel, Farmers Insurance, and James Evans from The James Donavan Evans Group, Estate Attorney and Licensed to practice before the United States Supreme Court, as they discuss the life-cycle issues for the Real Estate Investor from beginning your business, to growing the business, to exiting the business (including creating that family dynasty)

Other ICOR Events in April

April 17th
TrueNorth Planner Group Session

April 21st
Rental Property Subgroup

April 29th
Stone CPA Community Discussion- Q&A | You Filed Your Tax Return-What Might

Plus, Every Friday
The Friday Morning Real Estate Exchange
(Networking and Haves & Wants)

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

ICOR Business Memeber Directory

Service	Contact/Business	Phone	Email
Broker	Melissa Millan	203.241.5571	melissa.millan@gmail.com
Contractor	Dillon Gilster | J & K Roofing	303.425.7531	dillon@jkroofing.com
Contractor	Vern Robinson | Ridge Construction	303.881.1169	vern@ridgeconstructioninc.com
Cost Segragation	Brad Weed | NoCo Invest	970.294.1509	Brad@NOCOInvest.com
Financial Planning	New Direction Trust Company	877.742.1270	info@ndtco.com
Financial Planning	Jason Power | Unbridled Wealth	303.957.9175	jpowers@unbridledwealth.com
Lender	Chuck Townsend | Forrest Financial	303.877.3221	chuck@forrestfinancial.com
Lender	Greg Osborne | Bridge Capital Resources, LLC	303.475.5873	greg@bridgelending.com
Lender	Justin Cooper | Pine Financial	303.835.4445	Justin@pinefinancialgroup.com
Lender	Kim Hubbard | Merchants Mortgage	303.898.1366	khubbard@merchantsmtg.com
Lender	Mark Corbett | Nat Lend	720.390.0473	mark@natlend.com
Lender	Tyler Ideker | Indicate Capital	303.567.6333	tyler@costfund.com
Lender	David | Neilson | Boomerang Capital Partners	480.779.9779	David@boomerangcapital.com
Property Management	Cory Rasmussen | Atlas Real Estate	303.242.8980	info@realatlas.com
Property Staging	Heather Loyal	303.601.6638	heather@teamloyalig.com
Rehabber	Craig Dillion	719.661.8848	craigdillion@me.com
Tax Planning	Stone CPA & Advisors	970.668.0772	info@coloradotaxcoach.com
Title	Bill McAfee | Empire Title, Colorado Springs	719.499.0968	bill@etcos.com
Title	Debbie Myers | First American Title	970.658.4702	DMyers@firstam.com
Turnkey Real Estate	Travis Abbott | Invest 1 Properties	303.649.1607	Travis@Invest1Properties.com
Wholesale	Kyle Rutherford | Networth Realty	720.379.4920	kyle@networthco.com

LARRY STONE / LARRY@COLORADOTAXCOACH.COM / COLORADOTAXCOACH.COM

What You Don't Know Can Hurt You

Real estate investors discuss this issue often. Whether they are talking about mold hidden behind the walls or the use of the property as a meth lab, what you don't know can seriously hurt you. It is true in the financial world too.

Hopefully, your due diligence will detect the issue with the hidden mold and your strong contracts and background checks will prevent the meth lab scenario. The question is do you apply the same due diligence to your tax situation?

Let us take a quick look at your awareness of select tax opportunities which were available to you:

- Section 139 allows the business to deduct "qualified disaster relief" and it is not included in the employee's taxable income
- During 2020 and 2021, you can deduct 100% of business meals obtained from a restaurant or food service facility

You should have already known this information if you are properly following the changes in the tax code and its implementation. Before you dismiss these concepts as too small to bother, remember that Vince Lombardi is known for lecturing the Green Bay Packers (Super Bowl Champions) on the first day of training by holding up a football and spending 2 hours talking about what it is. He is known for stating that block and tackling (fundamentals) win the game. Do you review your fundamentals every year to ensure that you are getting every benefit you can from the tax code?

It is not just the fundamentals that should be reviewed annually. One of the "Top 10 Mistakes That Cost Real Estate Investors Thousands" is incorrect entity selection. How does that happen? Maybe they are not properly informed of all the alternatives and the tax benefits of each alternative when making their selection. Or they may simply have outgrown the entity selection that they chose. No matter what the reason for the arising of this mistake, it occurs very frequently. We recommend a thorough review of your entity selection every year to ensure that it continues to be a best fit for you.

Things that matter such as your tax planning, asset protection and estate planning should be reviewed annually. You don't want to get hurt by what you don't know and have that impact the things that really matter to you—whatever that may be such as educating your children, paying off your mortgage, building your retirement, and paying medical expenses.

ICOR is sponsoring a two-day workshop to work on those things that matter to you. It will begin with how to select your entity and maximize your benefits regarding tax reduction and asset protection. We will discuss how to maintain your operating entity and address the fundamentals of reducing your taxes to accomplish your personal objectives such as funding your children's education, paying medical bills, building your retirement fund, and increasing your cash flow. To complete the event, we address the issues of exiting your business activity and transferring it to your family. Join Eve Hoelzel: Farmers Insurance Agent, James Evans: Estate Planning Attorney and Larry Stone: CPA and Real Estate Tax Author and Speaker in their presentation called "Life Cycle of the Real Estate Investor" on May 1 and 2. Go to www.icorockies.com to register for this event.

CHRIS TANNER / CTANNER@NDTCO.COM / NDTCO.COM

Do Retirement Plans Offer Real Estate Asset Protection?

When investing in real estate using retirement accounts many wonder whether they need to form an LLC to buy the property, often as a form of asset protection. Most real estate investors understand the importance of legal structuring to protect themselves, particularly when investing with personal funds. But does the same logic apply when investing with retirement plans?

We'll address this common question shortly, but first a bit of background. When purchasing real estate with retirement funds, the IRA owner has two options:

1. The IRA can purchase the property directly and be listed on title as the owner.
2. The IRA can "own" an LLC by being the sole member of the LLC. When a property is purchased, the LLC is the owner on title, NOT the IRA.

The question then becomes, would adding the additional layer of an LLC be a wise form of asset protection, or might this step be unnecessary? The answer depends on two things: 1) What kind of retirement plan is involved; and 2) Which state the property is located in.

Solo 401(K)s: These plans are protected by Federal law and have strong asset protection. They are immune from lawsuit judgments and creditor judgments. However, they are subject to divorce settlements and partitions, the latter often referred to as Qualified Domestic Relations Orders, or QDROs, but otherwise offer excellent asset protection.

IRAs (Roth, SEP, Traditional) and HSAs: These plans are established by and subject to state law, and laws vary widely among the 50 states. Most states have specific laws regarding judgements against IRAs, but a few do not. As a general rule IRAs are well protected by state law. However, every state has unique laws you want to take into consideration before making a final decision. Below is a link for additional information to get you started on the rules for each state:
https://www.assetprotectionplanners.com/planning/ira-by-state/

Finally, keep in mind that asset protection and risk mitigation strategies can vary wildly and are not solely a matter of regulation. Individual risk tolerance is often a consideration. When in doubt seek counsel with expertise in this specific area of the law.

CORY RASMUSSEN / CORY@REALATLAS.COM / REALATLAS.COM

Tips for Evaluating Rental Renovations

Working in property management at Atlas Real Estate, I am frequently asked to weigh-in on investment property renovations as a means to increase rents. My colleagues and I like being able to offer experience-based insights on this important topic, so I'll share a few of mine.

Assuming that your goal is to increase revenue on your rental property over time, there are a few things you will need to consider achieving it carefully.

First, know your real estate market before starting your renovation. It is crucial to understand market dynamics and the nature of the neighborhood/locale in which your rental is located. Is your investment rental in a market with high-end rentals, or is it in a market with low-end rentals? Understanding what the market will bear in terms of rents will significantly affect renovation decision-making. For instance, it would be unwise to invest $25K into rental upgrades that only yield a $100 monthly rate increase. All too often, I see owners throw money at a rental property based on their belief that "If I make the house nice, I can increase rents significantly." This is a costly assumption to make, and it usually leads to disappointment and dashed expectations.

Second, do not allow yourself to be overly influenced by your taste, style, and expectations in homes. While it is sensible to upgrade a rental property to meet modern standards, please do not get caught up in renovating it to your own home's standard. Unlike you, your renters will not have a vested interest in the home; therefore, it is unlikely they will care for it the way you would. Bottom line: you will be over-investing.

Third, determine which items will result in rent growth. Each home differs in terms of needs, but generally speaking, there are key areas to focus on. The spaces where residents spend the most time are the kitchen/living space and bathrooms. Focusing your updates on these areas helps keep costs down while still providing a good return on investment. Installing granite countertops is not a good investment when less costly materials can offer the same return. Replacing old appliances with updated stainless steel is a way to increase rents with minimal cost.

Additionally, the type of renovation finishes used should be in keeping with finishes used in neighboring homes. Always ask yourself, "What looks good yet keeps the cost down?" Reasonably priced renovation options abound, so take time to investigate them.

Last but not least, when your renovation is complete, present your home in the most appealing manner possible. Professional photos grab attention, show your rental in the best light, and even make lower-end finishes look attractive. If you want to fill your rental quickly at your desired rate, spending a little extra on a photographer is worth the investment.

In sum, a calculated, educated approach to rental property renovations is essential to helping you reach your rent growth goals.

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

Recapturing Debt with Infinite Banking

Here in the American culture, we're taught to finance our cars and our homes. Then, we're told to get a few credit cards—because you need good credit—and it's ok to buy it if you can't afford it—but pay it off as soon as you can…and the cycle goes on.

In the end, we stand alone at the kitchen table looking over the pile of debts to pay, and scratching our heads wondering how we got in this position.

"We can't solve problems by using the same kind of thinking we used when we created them."
~Albert Einstein

There is an abundance of strategies out there for people to get their debt paid down or under control. Grandma's envelope system for household budgeting, for example, might be a great starter strategy for those who can't seem to control their spending habits. Debt stacking is a great approach to getting your debt knocked down, but requires some discipline. With this approach, you make a list of all of your debts, in highest to lowest interest rate order. Then, you begin paying them down in that order, with minimum payments, and putting the extra money you were (theoretically) spending on extra payments, towards the first debt. Once that debt is paid off, you take that payment amount and add it to the second payment amount. Once the second balance is paid off, you take that amount and add it to the third, and so on. Over time, you've stacked your payments on other balances and accelerate getting them paid down. One of the services we offer at Unbridled Wealth, is help you build a debt recapturing plan, utilizing the Infinite Banking Concept (IBC). The Infinite Banking Concept is best done through a properly structured dividend paying whole life insurance policy, which we help you design. Once you understand the mechanics of utilizing a whole life policy to recapture your debts, and pay them down that way, you begin to see tremendous cash value growth through the life of the policy, and tremendous freedom in your own personal finances.

Detour. A properly structured dividend paying whole life insurance policy is far different than your 'average' whole life policy off the street. It is not Universal Life, or Variable Universal Life, or an Annuity, or Term Life. It is not an investment product. What it is, is a way for you to build up cash value inside of a policy & have the ability to use it along the way. You have the added benefit of uninterrupted compound growth of your money inside the policy. You have the legacy benefit (death benefit). You have the ability to be your own bank instead of financing everything you do, with a traditional bank.

How much money would you save in life, if you didn't pay interest to an outside bank?

Now, back to recapturing debt inside of a policy. If a bank was willing to gradually consolidate your outside debts, let you decide the terms of the loan repayment, guarantee you growth of the cash value that you have accumulated (even with an outstanding debt balance), offer to pay a guaranteed sum of money to a beneficiary once you pass away (loans outstanding or not), would you be inclined to use that bank? I should hope so!

This is exactly some of what a private banking system can accomplish through IBC. Alternatively, you can pay your debts down, pay the interest to the banks, and end up with a zero dollar debt balance. That's a great accomplishment too! But would you, if you could, want all the other benefits along with it?

FINANCE EXPERT
DAVID NIELSON / DAVID@BOOMERANGCAPITAL.COM / BOOMERANGCAPITAL.COM

Short-Term Rental Impact

Airbnb is one of the best-known short-term rental companies, and there has been a lot of research into how their prices affect the housing market around them. Airbnb frequently gets a bad rap from the neighbors, from the perception that it takes away from local culture to the idea that it destroys a sense of neighborhood and increases rent prices. All these issues are generally covered under the term the "Airbnb effect," which collectively refers to everything bad that happens because of Airbnb's short-term rentals. However, it is not immediately clear if that bad reputation is justified.

The 'bad boy' reputation is summarized in a report out of Los Angeles in 2014 suggests that when Airbnb rentals cluster in an area, the rent in that area generally increases faster than rent in the areas around it. Furthermore, many people who live in tourist destinations like London, Japan, and Barcelona have seen the uptick in tourists renting through Airbnb destroy the local shops and businesses that do not cater as heavily to tourists. Airbnb guests are also viewed as outsiders in communities of all types and not subject to the same consequences regular homeowners are. Airbnb guests are often much less accountable as they do not own the home and so can be noisy, messy, and generally bad neighbors. And some governments have looked at this and banned Airbnb rentals, forcing Airbnb to build a large legal team to deal with the new legal issues facing it.

Airbnb's side of the argument, however, seems equally convincing and provides a slew of benefits that are not considered. Obviously, homeowners rent their homes out voluntarily, which means that Airbnb is beneficial to at least one person in the relationship. Airbnb rentals help renters in a variety of ways, from helping to diversify rental incomes to helping them have a social life. Obviously, renters are also very happy about the arrangement, as having Airbnb as an option provides tourists and people looking for rental homes with a variety of options. The kind of rentals that Airbnb make easy are also helpful for people seeking supplemental incomes and can help those with extra space in their homes to make a little extra money on the side. While it is certainly true that rental and home prices have risen in areas where Airbnb prices have increased, the areas most affected are also areas where rent is rising anyway and that have faced similar issues before Airbnb and will likely face the same issues after Airbnb. The other issues attributed to Airbnb are similar. Airbnb and other short term rental companies are often merely symptoms of an already existing issue. Before Airbnb existed and short-term rentals were as much a part of private business, there were still issues with places losing their native culture and neighborhoods to rentals and tourists. In many cases, the causal link between Airbnb and all the problems associated with it is flimsy at best. Plenty of the issues thrown at Airbnb are often common issues that have merely been contextualized in relation to Airbnb and rentals rather than caused by it.

So, what is the net effect? Current research concludes "Using a data set of Airbnb listings from the entire United States and an instrumental variables estimation strategy, we show that Airbnb has a positive impact on house prices and rents." However, continues to note "Airbnb listings leads to a 0.018% increase in rents and a 0.026% increase in house prices." In other words, it moves prices up but only a very little bit.

EVE HOELZEL / EVE.DSTANSFIELD@FARMERSAGENCY.COM / EVEINSURANCECOLORADO.COM

Investors Understanding Roof Replacement Cost vs. Actual Cash Value

As a fourteen-year award-winning insurance agency specializing in Business Insurance and Investors, I have met with many property investors to explain the importance of having the proper roof coverage on your home insurance policy and rental properties. I recently reviewed a policy for a prominent property investor to find the cost savings because the current policy had a large depreciation schedule built into the insurance policy. In an active hail state like Colorado, investors must understand the importance of having the correct roof coverage on their insurance policy.

According to the NICB (National Insurance Crime Bureau) report, from 2017-2019, Colorado is ranked #2 in the United States for hail claims. In our state, we can count on having a hail claim every five years. Knowing that this state has such an enormous propensity for hail and severe weather, I found it essential to share my experience and knowledge with you.

Let's start with the importance of Replacement Cost vs. Actual Cash Value for the roof of your property. Replacement Cost is a type of coverage that replaces the current roof with a new roof without depreciation deduction. This means that the current roof, no matter how old, will be replaced with a new roof minus the deductible within the policy. This option represents the most preferred coverage properties should have in a policy. Actual Cash Value is a type of coverage that pays for a roof's depreciated value, minus the deductible. This can cause many problems for investors/ insureds as the depreciated value can be a judgment call by the claims representative or a fixed schedule within the policy form. Let's look at an example below to help show the difference in a claim settlement based on a 10-year-old roof.

Replacement Cost Coverage	Damage Amount	Deductible	Final Claim Payment to insured after recoverable depreciation
Roof Replacement	$20,000	-$2,500	= $17,500

Actual Cash Value Coverage	Damage Amount	Depreciation applied to claim	Deductible	Final Claim Payment to insured
Roof Replacement	$20,000	-$7,500	-$2,500	=$10,000

In the above example, the difference on one hail loss/claim would be an additional $7,500 out of pocket expense to the property owner. If the insured is aware of the depreciation deduction for hail losses, it should be included in their annual budget.

When I review policies with the Actual Cash Value endorsement, I also give my clients an insurance estimate of what it would be if the policy had the Replacement Cost Coverage. Often the difference is minimum compared with the depreciation deduction.

Feel free to contact me to review your policies and coverages to ensure your investment properties are adequately protected. Understanding your policy and how claims will be handled is probably the most essential part of your insurance policy. Let me assist you with that process.

References: http://www.rmiia.org/downloads/2017-2019HailForeCAST.pdf
Page 4 chart of largest hailstorms by state

PROPERTY REDEVELOPMENT EXPERT
DEREK MARLIN / DEREK@ELEVATIONINVEST.COM / ELEVATIONINVEST.COM

Ultra Competitive Seller's Market: Determining ARV

Analyzing deals can be a moving target in normal markets, but the current seller's market presents a challenge. We continue to break records with decreasing supply and red hot demand. According to DMAR, February 2021 inventory was down 58%, days on market (DOM) was down 41%, and prices were up over 19% compared to February 2020. This makes investors' job of predicting the After Repair Value (ARV) of a property a tricky situation, especially for larger projects which require more capital and longer rehab timelines. Here are a few "Flip Tips" to help determine ARV:

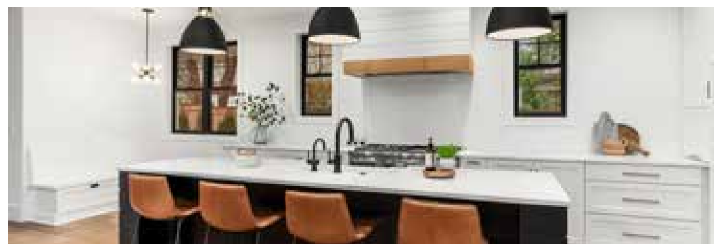
1) **Two Minute Math:** One of the keys to finding a good investment is sorting through as much data as possible in an efficient manner. Our first guideline is to find a $90k-$100k spread for condos & townhomes and a $130k-$140k+ spread for single-family homes. The spread is the difference between the acquisition and the sales price. This will get you close enough to dive into adding a rehab budget number yielding a net profit of between $25k-$45k. This first level of quick analysis allows us to sift through 30-40 properties each day.

2) **Two Tier Approach:** Analyzing comps using the primary metrics- beds/baths, square footage, property style & age, neighborhood (1-mile radius), garages, and overall layout are the top tier indicators when looking at what a property is worth before and after renovations. We then look at the second tier comp analysis- property condition, major systems, school districts, major intersections, unique usage (ADU, commercial space), above & below grade layouts, building amenities for condos/townhomes. We have a scale that ranges from $3k-$25k in value to help determine the final ARV.

3) **Property Condition:** We break property condition into five major categories:
   a) **As-Is:** Properties in need of significant repairs on both interior and exterior have not been updated in 20+ years.
   b) **Homeowner (+/-):** Properties that are still in move-in condition but need updates to achieve maximum returns. Typically, these properties need some major system (roof, windows, sewer, electrical panel, structural issues) updates but can be done by the homeowner and don't need to be done before buying a home. The plus and minus designation help to further narrow in on ARV.
   c) **Flip (+/-):** Properties that have been completely updated in the last 0-2 years. Think HGTV updates, including new kitchens, bathrooms, finished basements, new/upgraded systems, and nicely landscaped properties. These are key to determining what your maximum ARV is when selling your flip.

KEY TAKEAWAYS

While the current market is red hot, it's still essential to underwriting deals realistically. We never factor in an appreciation premium or projected sales price to finalize our ARV. It's better to be happy if your property sells above asking than squeezing profit margins. At ELEVATION, we're continually Raising The Flipping Bar, giving us a call or shooting us a message to talk shop.



Networking @ ICOR made easy...

Are you taking advantage of the Friday Morning Real Estate Exchange & the Email Answer line?

The amount of business being done at the Friday morning event is astounding! If finding deals is your concern, there is always someone who has a deal or two available, or someone can guide you to your next deal(s). While this past year certainly hasn't lent itself to networking in person, ICOR has two great ways for you to connect with other investors, property owners, industry leaders... etc. virtually.

1. The Friday Morning Real Estate Exchange

Every Friday morning, investors gather online to network. This networking exchange has become an intimate meeting of investors and landlords across Colorado.

Reasons to attend:

- Meet and Greet with a variety of investors
- Share Haves/ Wants/ Needs
- Get real-time answers to your questions
- Participate in intimate conversations regarding business

Friday Mornings 8:30 - 9:30 (MST)

2. ICOR's Email Answer Line

Have a "want/need"? Don't have time to attend the Friday morning exchange (although we highly recommend that you do); then this is the place for members to get answers!

- Sign up Online @ www.icorockies.com/email-answerline
- Network with some of Colorado's most active investors
- Ask questions
- Share a Have/ Want/ Need
- Get answers in real-time!

ICOR is committed to providing its members with the best tools possible to help you achieve success in this fluid industry. To find out more about these resources and others, go to www.icorockies.com

ICOR™

Investment Community of the Rockies

— COLORADO'S REAL ESTATE INVESTORS ASSOCIATION —

6795 E. Tennessee Avenue
Suite 401
Denver, CO 80224