DECEMBER 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

Key Take-a-ways from Urban Land Institutes 22' Emerging Trends in Real Estate Survey

Single Family: The Tail Wags the Dog

Single-family for-sale real estate trends for 2021 to 2030 will be forged in a simmering cauldron of demand for shelter, constrained by an inadequate supply of new development and construction. Further, single-family build-to-rent purpose-built communities will secure a place as a core magnet of housing preference and could permanently alter the calculus of lifetime homeownership trends among adults. And, as pandemic-era mobility patterns affect land planning, acquisition, and development, "rise-of-the-rest" secondary, tertiary, and jewel-box metro areas will thrive as technology untethers households from expensive urban job centers.

Altogether, what has become crystal clear is the central challenge and pivotal opportunity for single-family property investment through 2030: how to build out of the profoundly deep hole of housing supply while structural demand momentum grows, and how to do it both affordably and sustainably.

A plausible juggernaut of demand over the next 10 years may prove out. The other parts—having to do with building more houses—are, unfortunately, fantasy. Why? Supply simply cannot keep up. "The tail wags the dog," said the principal of an institutional investment capital adviser whose clients are homebuilders and building technology disrupters. "Constraints on supply—policy, regulation, lost productivity—have more to do with what happens in housing than people's need for it."

Top Ranked Real Estate Markets for the Year

This year's survey of top-ranked real estate markets are in faster growing southern and western regions and away from the coasts. The two top-rated metro areas in the Emerging Trends survey, Nashville, and Raleigh/Durham, each have fewer than 2.5 million people.

But they are growing explosively. And they've shown impressive economic staying power even in a pandemic. They regained jobs lost in the downturn much faster than other cities. By the end of 2021, cities like Phoenix, Charlotte and Nashville are expected to regain nearly all lost jobs, while the US as a whole is projected to be down almost 2%.

Join ICOR December 7th–9th from 6–8:45 pm "Predictions & Prescriptions for 2022" Ask the REI Expert Roundtables

Meanwhile, the large cities that dominated the list for years are now slipping. Several expensive markets all failed to break into the top 10 ratings for the traditional investor. The high cost of living drives jobs and jobseekers to more favorable climes.

Top 10 cities

1. Nashville	2. Raleigh/Durham
3. Phoenix	4. Austin
5. Tampa/St. Petersburg	6. Charlotte
7. Dallas/Fort Worth	8. Atlanta
9. Seattle	10. Boston

Where will all the real estate capital go?

After a pandemic-induced pause in mid-2020, real estate deal-making is back—with a vengeance. Investment cash, domestic and foreign, is surging into US real estate. Several factors are driving this demand, including low interest rates and attractive returns relative to risk.

No surprise that buyers are snapping up housing,

Continued on page 3

December @ ICOR

December 7th–9th from 6–8:45 pm

“Predictions & Prescriptions for 2022”: Ask the REI Expert Roundtables

Is a bubble or, at the very least, a correction, coming? Only if investors lose their discipline. Fund managers raised huge amounts of cash to pick off a predicted wave of distressed and foreclosed properties as the pandemic raged. But those predictions fell flat. Market fundamentals held up remarkably well. Lenders cut borrowers a lot of slack—and that paid off for the most part. Most investors and lenders maintained restraint during the pandemic, limiting leverage and generally not overbuilding.

Altogether, what has become crystal clear is the central challenge and pivotal opportunity for single-family property investment through 2030: how to build out of the profoundly deep hole of housing supply while structural demand momentum grows, and how to do it both affordably and sustainably.

The big question: Will that discipline last, especially as more investors turn their capital toward real estate?

In December, join ICOR, and a host of real estate subject matter experts, to answer your burning questions and learn as they share their predictions and strategies heading into 2022! Areas that covered include:

- Fix & Flip Strategy Opportunities to Pivot in 2022
- Rentals—know when to hold ‘em, know when to fold ‘em
- Continued legislative pressure affecting your retirement accounts
- An outlook on real estate finance, interest rates, and the next 12 months
- Alternative financing beyond mortgages or your retirement accounts
- Emerging Out of State Markets for Affordable Housing
- How inflation impacts your insurance policies
- Changes and updates to tax codes for the new year

Join ICOR in December to start the new year off with information to give you the confidence and resources to make informed real estate decisions!

Also, in December, we are offering a holiday guest pass; we encourage you to bring family or colleagues looking to get an update or even learn about real estate, be ready to make your move in 2022!

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

Colorado Springs
Tuesday, December 7th
Hyatt Place Colorado Springs
503 Garden of the Gods Rd West
Colorado Springs, CO 80907

Denver
Wednesday, December 8th
South Metro Denver REALTOR Association
6436 S Racine Cir
Centennial, CO 80111

Northern Colorado / Fort Collins
Thursday, December 9th
The Group Classroom
2803 E Harmony Rd
Fort Collins, CO 80528

Key Take-a-ways from Urban Land Institutes 22' Emerging Trends in Real Estate Survey

Continued from page 1

both single- and multifamily, a trend that hasn't wavered in a decade. And we're seeing a scramble for alternative properties like data centers and self-storage facilities. More investors are plowing capital into these properties because they offer generally higher returns, often at no greater risk. Is a bubble coming? Only if investors lose their discipline. Fund managers raised huge amounts of cash to pick off a predicted wave of distressed and foreclosed properties as the pandemic raged. But those predictions fell flat. Market fundamentals held up remarkably well. Lenders cut borrowers a lot of slack—and that paid off for the most part. Most investors and lenders maintained restraint during the pandemic, limiting leverage and generally not overbuilding.

The big question: Will that discipline last, especially as more investors turn their capital toward real estate?

High Demand Plus Scarce Supply Equals High Prices

Housing analysts calculate the current level of long-term underbuilding in a range from 2 million to 5 million missing, unbuilt homes. That imbalance of organic, structural supply constraint versus brute increasing demand will define residential investment, development, and construction dynamics for years to come.

Housing's New Mezzanine Level:

Built to Rent Single-family rental homes—along a bedrock of the housing occupied through the decades mostly by people who neither could afford homeownership nor preferred urban apartment communities—has turned into housing's sexiest phenomenon.

The pedigree of the property type evolved out of the Great Recession as institutional investors bought large portfolios of single-family properties, mostly out of foreclosure, and kitted them as rentals. In the past five years, as renting either an apartment or a house blended both financial necessity and choice, purpose-built single-family residential (SFR) community living has proved to be a housing type preference for consumer households. This goes for both rent-by-necessity households and rent-by-choice residents.

A macro question— "Does [traction for single-family rental] mean that purchases of homes over the long run are pushed out? Or does it mean that the number of homes that an actual, traditional nuclear family household will own over its life span declines?" asked one homebuilding and building materials' equity research analyst. "There's a new mezzanine level of 'single-family living.'"

Single-Family Property X-Factors

One powerful question has surfaced and begun to infiltrate strategic and scenario planning have gained traction as business and investment requirements.

Do natural hazards—storms, rising seas, wildfires, seismic events, and tornadoes—begin to affect land and property valuations, especially as infrastructure targets places at risk as defunded sites for continued support?

To read the full report, visit https://pwc.to/3CIBJKR

FINANCE EXPERT
TADD JONES / TADD@BOOMERANGCAPITAL.COM / BOOMERANGCAPITAL.COM

Finding the Next 'Hot' Market

There is much to be said for being a specialist in a certain market or area, but sometimes it's good to find a new neighborhood to work in. We have a few tips for finding new areas, ones that successful borrowers have shared with us. While there are several things to be considered, the one constant is that in each of these cases, people are making investments based on the future of the area, same as you are.

Restaurants

Research indicates that there is a correlation between the restaurants and the revitalization and redevelopment of an area. Research conducted by Joshua Sbicca at Colorado State University, concluded, "food [revitalization] is multifaceted and changes neighborhood class and ethnoracial demographics, foodscapes and foodways, and housing. "

According to The Eater , cafes are usually first, followed by bigger and higher-end full-scale restaurants, with the last stage being the name brands. While opportunities will exist at each stage, it's helpful to know what to look for and what to expect next. As a bonus, as you check out these areas it may be fun to try some different restaurants, or it may be useful to focus on one and watch the changes over time.

Crime Rate

Crime statistics are usually easy to find for a given area. Comparing trends in property crime, violent crime and fire statistics over a few years can give a good indication of the direction of a neighborhood.

Schools

According to the EPA , who is concerned with community planning, "Investments in schools both respond to and influence growth." Either way, schools are a good indicator of expected growth in an area and are almost certain to bring in new families.

Roads/infrastructure/public transit

Governments frequently take a long time to participate in an area's revitalization, but when they do it can give a second wind to the effort. Because these types of projects take a long time to get approved and then executed, by staying up on local developments you can get a project in the area that will be coming available, as the benefits from the infrastructure development are coming online. Public transit especially impacts neighborhood values.

Conclusion

Not every area will have everything going their way, and the best results will come from choosing 4 or 5 areas to keep an eye on. This will do two things for you: the first is that it will increase your odds of finding a good property. But just as important, is the fact that you will have something to compare and learn from. It's frequently hard to recognize a change when you are standing at the beginning of the activity (think watching a pot boil), but if you are comparing several different criteria, it will be easy to pick up the differences and nuances and therefore make more informed decisions.

While just visiting the areas you will notice indicators right away, change takes time. As you keep an eye on these areas over a few months, you will notice development and have a good idea of what's coming next. You will also develop the confidence to start a project and participate with other players in the future of the area.

https://www.researchgate.net/publication/326128158_Food_Gentrification_and_the_Changing_City
https://www.eater.com/21194965/gentrification-signs-restaurants-cafes-bars-nyc-chicago-san-francisco-portland
https://www.epa.gov/smartgrowth/smart-growth-and-school-siting

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

Retirement Plans for the Self-Employed

In an economy upended by COVID, individuals, sometimes by choice and sometimes not, are striking out on their own and starting new businesses or becoming part of the gig economy. A critical issue for these workers is how to save for retirement. If you are self-employed, you may ask which retirement account is best for you. This question requires careful analysis because everyone's situation is unique.

SEP IRA Plan

One of the most common retirement plan solutions for the self-employed is a SEP IRA plan. These plans are inexpensive to adopt and administer. However, SEP IRAs only allow employer contributions – not elective deferrals.

SEP IRA plans offer a great deal of flexibility. Contributions do not have to be made each year and the amount can vary. The plan also does not have to be established or funded until the business's tax-filing deadline, including extensions.

The SEP limit for 2021 for self-employed individuals is 20% of up to $290,000 of compensation (adjusted net earnings), limited to a maximum annual contribution of $58,000. (For a SEP for businesses not self-employed, the limit is the same, except "25%" is substituted for "20%.")

SIMPLE IRA Plan

SIMPLE IRAs can also be adopted by self-employed individuals. Generally, a business can only adopt this plan if it employed 100 or fewer people during the previous calendar year and it is the only plan sponsored by the employer.

Unlike SEP IRAs, SIMPLE IRAs allow salary deferrals. For 2021, the salary deferral limit is $13,500, but there is an additional $3,000 catch-up contribution for anyone age 50 and older. These plans also require an annual employer contribution. The annual employer contribution must be either a dollar-for-dollar matching contribution (not to exceed 3% of compensation) or a 2% non-elective contribution. (If a matching contribution is made, compensation is not limited. If a non-elective contribution is made, compensation is limited to $290,000 for 2021).

A self-employed individual stands in the shoes of both employee and employer. For 2021, the maximum SIMPLE IRA contribution available would be $33,000 ($16,500 in salary deferral + $16,500 in employer match).

Solo 401(k) Plan

A one-participant 401(k) plan is often referred to as a "solo-401(k)," "individual 401(k)" or "uni-401(k)." A key point to understand is that a solo 401(k) is simply a type of 401(k) plan and is subject to many of the regular 401(k) rules. However, because there can be no employees (other than the self-employed individual and the spouse), these plans are exempt from complicated discrimination testing.

A self-employed individual can contribute both:

- Elective deferrals up to 100% of compensation, but no more than $19,500 in 2021, or $26,000 in 2021 if age 50 or over; and
- Employer nonelective contributions up to 20% of adjusted net earnings for those who are self-employed. (For a solo 401(k) for businesses not self-employed, the limit is the same, except "25%" is substituted for "20%.")

For 2021, total contributions to a participant's account, not counting catch-up contributions for those age 50 and over, cannot exceed $58,000 (or, if lesser, 100% of the individual's compensation).

Making the Choice

Choosing a retirement plan can be challenging if you are self-employed. Contribution limits are not the only factors to consider. You must also think about cost, ease of administration, and accessibility of funds to consider. If you are interested in investing in alternative assets like real estate or precious metals, then a self-directed SEP IRA, Simple IRA, or solo 401K may be a good choice for you. Feel free to contact New Direction Trust to explore your options.

INSURANCE EXPERT

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

Risk Exposures of Property Managers and Investors

Colorado's real estate market is booming and so are investors and property managers. Owning and managing several properties may seem like the American Dream, but in reality, it is far more complicated with property maintenance, tenant screening, finding contractors, dealing with insurance, taxes, and budgeting. In this December's newsletter, I will be discussing how to protect your liability for your properties as well as the properties you manage for your investors.

With all my years in experience, I have heard stories where property managers are underinsured or not insured at all. I see a significant lack of insurance understanding in this industry particularly regarding the following exposures that require protection:

- Buying and selling your own real estate for yourself and others
- Managing your own real estate for yourself and others
- Adding the property manager as an additional insured

Buying and selling your own real estate for others:

Real Estate Agents should have different insurance policies to protect their business.

- **Business Owner** policy with general liability and cyber liability. It should also protect your business' personal property.
- **Errors and Omissions or Professional Liability.** It covers legal fees for lawsuits related to mistakes.
- **Commercial Auto Insurance.** If the vehicle's title is under the real estate's entity, it should be covered with a commercial auto policy.

Managing your own real estate and for others:

Generally, being your own property manager is a good financial decision, but it also brings along additional responsibilities. Take a look at some of the risks you might face when you're managing your own rental property.

- Advertising your property
- Determining rental rates
- Preparing the lease
- Tenant screening
- Collecting rent
- Maintenance
- Ongoing repairs
- Resolving issues with tenants
- Enforcing the lease
- Eviction when necessary
- Finding new tenants

When managing rental properties for other real estate investors, there is an increase in liability exposure. Additionally, managers should also consider having a Property Managers liability policy and an Errors and Omission to protect against lawsuits from tenants. Both policies should protect you when managing your own properties and when you manage other investor's properties.

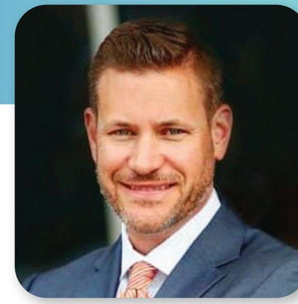
Adding a Property Manager as Additional Insured on the Owner's Insurance Policy

Whether you self-managed or manage properties for other investors, the property management company should be added as Additional Insured on the landlord's policy. The Additional Insured endorsement protects the management company against lawsuits arising directly from the property. Some examples where the Property Manager would not be covered by their own insurance policies include:

- Theft or burglary
- Water leaks
- Fire or smoke damage
- Vandalism or damage by a tenant
- Damage caused by pets or service animals
- Injuries that occur on the property

Most experienced insurance agents would understand that adding the property management company as an Additional Insured is in their client's best interest. Regardless if the client owns and manages the property.

There are some insurance companies that do charge a fee to add a Property Manager as an additional insured. However, not every company does this and every insurance company is different. If your insurance company charges for this service, ask them what they charge and then shop around. If you would like to discuss more of this topic with another insurance agent, please contact me. I work with several investors across Colorado and Wyoming.



Zillow Exits "Fix & Flip" Space

Zillow's big headline in early November caused investors to reflect on the current conditions of the "Fix & Flip" market. When a company with the bandwidth and brand recognition of Zillow reports large quarterly losses in Q3 and projected Q4 losses of over $500 Million, it makes investors pause. We see five key topics as indicators which were overlooked and likely contributed to Zillow's missteps in a popular segment of real estate investing.

1. "Automated Flipping": The Q3 earnings reports and investor letters mention that the iBuying business of "automated flipping" was too difficult to execute. We are huge advocates of having a system to rehab properties, but thinking that flips can be automated with so many variables multiplied by 100's of different markets across the country wasn't a smart bet.

2. Technology vs. real estate investment company: We use technology like Monday.com, Podio, and the MLS to run our business but these are tools to efficiently run an investment company, not the other way around. Having data at your fingertips and complex algorithms should help inform investors, but the nuts and bolts of running a business, even with Zillow's focus on cosmetic flips, wasn't a scalable model for success.

3. Rising costs & labor shortages: We've developed great relationships with contractors and sub-contractors that gave us insight over three years ago that labor costs were rising even before the huge spike in new Fix & Flip investors entering the Denver market. Homeowners with increasing equity, stable jobs, and growing families were also needing contractor services long before Zillow ran into labor and supply chain issues. These challenges were further exacerbated with COVID's increasing shift for homeowners to have a need for more and improved space in their properties.

4. Local partnerships with market experts: The iBuyers, Hedge Funds, and Private Equity companies who have been successful in real estate investing are those who team up with established and knowledgeable local market experts. While real estate has fundamentally similar economic drivers, every market is unique. Location, location, location is important to understand on a number of levels. One cosmetic remodel in Phoenix is drastically different from Denver and the small details of putting out a great finished product is an area Zillow overlooked when listing their flips.

5. Profit + Appreciation= ROI: Zillow was including appreciation into their yield calculations which also got them into hot water. We never factor in additional appreciation as the turnaround time should be under 3 months for most rehab projects. While appreciation is likely in the current market, it shouldn't be factored into the ROI calculations to make the numbers work.

Key Takeaways

Zillow is a great data and marketing company that continues to move the real estate industry forward which is a huge net positive. Other iBuyers are increasing their business so it's all a matter of perspective. While some are concerned, we at ELEVATION see this as a major opportunity on a local level. We're still using strict investment guidelines and are making cash offers.

PRIVATE BANKING SYSTEM EXPERT

OLIVIA McGRAW / OMCGRAW@UNBRIDLEDWEALTH.COM / UNBRIDLEDWEALTH.COM

The Freedom of Flexible Finances

We all wish we knew what will happen in 6 months. Will taxes increase? Will the market drop? Will the housing boom bust? Will tenants renew their lease? No one knows for sure what will happen, and worrying is useless, so what is the best way to prepare for the unknowns? Quite simply—be flexible.

Flexibility is one benefit of the best financial decision my husband and I have made thus far… the decision to start our own private family banking system. Allow me to explain.

Privatized family banking has existed for over two-hundred years, but primarily used by the wealthiest families in America. It was a hedge against their riskier endeavors that also happened to work out, such as the Rockefellers and oil, or Walt Disney and his magical kingdom. It is the process of using a properly structured, dividend paying, permanent life-insurance policy to finance other purchases and investments and repay yourself with the interest. By using this process, the policy owner becomes the banker and sets the terms of the loan. The key to why this is better than a savings account, is that the money placed inside the policy grows even when there is an outstanding loan. If used for investments, your money grows in two places. For my husband and I, the flexibility benefit allowed us to pivot our plan when unexpected circumstances knocked on our door.

We started our banking system when our oldest daughter was six months old. Our policy was designed to have flexible premiums and flexible loan terms. A year and a half into starting our banking system we desperately needed a new car. We found a great deal, took out a policy loan, paid “cash” to the dealer, then set up regular payments back into our banking system. However, two weeks after bringing the car home, we were notified that Uncle Sam wanted a significant and unexpected sum for taxes. Our emergency savings now sat in the driveway. Rather than panic, sell the car, or moonlight at Starbucks, we stopped all payments on the car, because we were the bank. The good news is that we quickly recovered from the situation, paid our dues, and kept the car. Flexibility allowed us to only pay the loan interest for the first two years, and we recently restarted our original plan and monthly payments—almost two years after we purchased the car. Flexibility gave us options on how to approach the situation as well as peace of mind that we would not need to go into debt to pay taxes. As a bonus for using this system, our money will have grown by $11,000 while we drive our car!

When my team and I strategize for our clients, we take the unknown into consideration. Our clients did not panic when a global pandemic rapidly changed the financial climate of our country. Even for those who were laid off, had tenants unable to pay rent, or simply needed to change course and create a larger financial cushion, flexibility was the critical element in their strategy that allowed room for the unknown.

We don’t know what tomorrow will bring. But we can help you prepare and make wise decisions. Contact us today and schedule a free consultation:

Jason - jpowers@unbridledwealth.com or

Olivia - omcgraw@unbridledwealth.com

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

Paying More for Everything

We are going to pay more for everything in the future. Most real estate professionals should be aware that we are enduring the highest level of inflation in 30 years. Colorado is one of the states where the measured inflation rate is above 7% on average – (https://on.wsj.com/3nqGzSR) Gas prices jumped almost 50% from a year ago.

Inflation is a hidden tax impacting the working people harder. However, it is great for the government. The second quarter of 2021 combined tax revenues for property, sales, and gross receipts, and income taxes for State and Local Governments increased 32.5 percent –(https://bit.ly/3nsjY8o).

It is not just inflation; the Build Back Better program (currently being considered in Congress) would increase taxes on up to 30% of middle-class families in 2022. –(https://tpc.io/3oAISSJ). Note that this increase is expected to be less than $350 per taxpayer. Many taxpayers will pay more taxes in 2023 than in 2022. But that is not all; the expiration of the 2017 Tax Cuts and Jobs Act (expires 2025) would increase taxes for households.

In this environment of increasing expenses and taxes, real estate professionals should do everything possible to defend the money that they work hard to earn. Defense is the most important feature of winning the game. You earned the profit, and you should keep it to accomplish your own dreams whatever they are.

A detailed strategic tax plan will tell you what to do, when to do it, how to do it and why to do it. It is in writing. Unless your tax advice is in writing, it is meaningless. It is indexed to tax law which defines what you can do, revenue procedures which describe how to do it, and tax court cases which set the boundaries on what is allowed. The plan will cover how the tax system works; your family, home, and job; setting up your business, maximizing deductions in your business; efficiently paying yourself; building your retirement income; investing for retirement; exiting your business; transitioning your activity to your family; and increasing your cash flow.

Isn't this type of guidance what you want from your tax professional? How you can reduce your taxes and save the most cash possible so you can accomplish your personal goals? Unfortunately, most tax professionals work on a model which is designed to gather your information, prepare the return, and file it for you. Their model does not include any additional time to coach you in reducing taxes and saving cash. You may want to ask yourself - "when was the last time my tax professional suggested a way that I could reduce my taxes?"

At Stone CPA and Advisors, we continually work to improve your ability to reduce your taxes and save cash. We are now offering a new tax plan designed to assist real estate professionals starting their business activity. We call it the "starter" plan. It focuses on getting your business started and organized so that you can be tax efficient but is not as comprehensive as the detailed strategic plan. To find out which plan is the best for you, join us in a Discovery Session where we look for mistakes and missed opportunities in your tax situation. Email us at info@coloradotaxcoach.com to get more information on how you can get more of your money by reducing your taxes.

RENTAL PROPERTY EXPERT

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

Curbing Rising Operating Expenses for Multifamily Property Owners

At Atlas Real Estate, operating expenses have increased 3 percent across our portfolio since the beginning of the pandemic. What were some of our biggest expenses? In short, costs related to showings and marketing.

Mandates by the Centers for Disease Control and Prevention (CDC) shifted our operations to primarily off site over the past two years. As a result, we moved into the realm of virtual property management as digital showings, digital staging, and virtual walkthroughs significantly increased. These digital leasing and management services required new monthly subscription services that weren't needed prior to the pandemic.

Craft new solutions

To start reducing operating expenses, we implemented a cost-control program focused heavily on leveraging the proper technology for the proper function, while closely scrutinizing our existing tech solutions. Since many of the multifamily platforms now offer similar products/services, which wasn't the case a year ago, we consolidated some platforms and reduced costs. We are utilizing the most advanced version of the AppFolio software, which includes more robust features and requires less overhead in the form of personnel.

We paired this solution with other plugins to boost our output, response time and lead generation, thus assisting our property managers in maximizing their time, resulting in the need for fewer employees. Additionally, some administrative tasks have been sent offshore and synchronized with the project management software Monday.com, resulting in seamless property management assistance at a discount.

Don't sacrifice resident happiness

Balancing reduced operating costs with efficient resident service remains challenging for some multifamily operators in the current economic environment. But residents should always come first. Focusing on resident retention/lease extensions is one way we have kept both our owners and residents smiling. Some property management companies forget that while the owner may be their client, the resident is their customer. Since we make resident retention our highest priority, our expenses have slightly increased, but our collections, vacancy and retention numbers have outperformed most other property managers in our market.

During the pandemic-induced economic downturn, we kept our income higher than most property management companies because we only receive payment when our owner receives payment (and not if they have outstanding collections or vacancies). Even though our expenses were a bit higher, our net income did not suffer.

Resident relations should not be a direct function of operating costs. Instead, they should be an intrinsic part of high-touch customer service, a caring company and a team committed to excellence, their resident's needs, and a respectful workplace.

Establish goals to control operating expenditure

Initial goal setting is one of the best practices for controlling operating expenses, while still maintaining the property and keeping residents happy. For instance, if keeping residents happy is your goal, you need to take a hard look at how your residents are being treated.

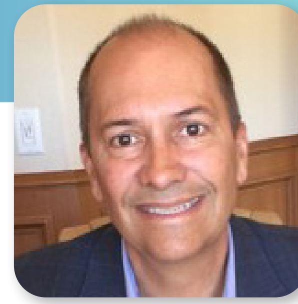
Providing white-glove customer service and making residents happy should always be part of the operating expenditure-reduction equation, which is ostensibly a fine balancing act.

However, resident happiness does not need to come at an accelerated cost. It should come from a deliberate intention — or choice — at the highest corporate level. Operators should choose to honor their residents and believe that they are the lifeblood of their community.

Treating people with respect and dignity and helping them when they need it is what keeps occupancy high and residents happy. The apartment is only one half of the equation — customer service is the other half. Resident happiness and long-term retention occur when owners and operators are good to their residents.

OUT OF STATE INVESTING EXPERT

TRAVIS ABBOTT / TRAVIS@INVEST1PROPERTIES.COM / INVEST1PROPERTIES.COM



Investment Properties: Thinking Outside the Box (Or Your Backyard)

If you are like most investors (and until 12 years ago, myself included) you may be thinking that you would love to buy an investment property. You may have even poked around on Zillow to see what is going on in your area. Most likely, if you live anywhere in the Western half of the U.S., you found prices to be crazy high, and that's if you can even find a property. Well, maybe you are going about it the wrong way. What I mean is: with property prices skyrocketing over the last several years, maybe it's time to look beyond your local market for investment properties.

For example, in my local market (Denver CO), the average home price has now eclipsed $500,000 and to get a solid rental property you are looking at anywhere from $400,000 and up typically. But run the numbers on that: after putting 20% down and taking out a loan (and all the difficulty that comes with that process), you are still left with a monthly mortgage payment of around $1600. Add in taxes and insurance as well as maintenance and vacancy and your monthly costs can easily exceed $2000 per month. And those numbers assume that you manage the property yourself. If you don't, add another $150 per month to that number. This type of property typically rents for around $2000-2200 per month, so you are lucky if you are breaking even every month. And that's when the property is rented. If that property goes vacant you are writing out a check for $2k per month, every month until you have a renter. That's a down-side risk that I can't afford to take.

But what if you were to take that same amount (roughly $85k) and I told you that instead of investing in the Denver market, you could buy three, yes three, houses in dynamic mid-western markets that are also seeing similar appreciation rates to Denver but with much less risk and much stronger positive monthly cash flows? And instead of netting $0-100 per month in Denver you could net $300 per month, per property, or around $900 per month. And you own 3 properties. If one goes vacant, you still have 2 others to help pay the mortgage payments on the properties (oh and did I mention the typical mortgage payment on these properties is approximately $350 per month). And if you had to, you could likely afford to write a check for $350 each month until the property is rented. It beats the heck out of writing a check for $1600 or more!

Sounds too good to be true? Its not, but you will have to think outside of your back yard for your future real estate investments. You also have to be careful and find someone, a turnkey investment property company if you want hands off or build a local team if you want to attempt to do it yourself. Either way there can be strong upside potential. You also won't be able to drive by the property when you want, but trust me it will still be there, even if it's a thousand miles away.... and you will love the returns!

ICOR™

Investment Community of the Rockies

COLORADO'S REAL ESTATE INVESTORS ASSOCIATION

6795 E. Tennessee Avenue
Suite 401
Denver, CO 80224

ICOR BUSINESS MEMBER DIRECTORY

ICOR Business Member Directory

Service	Contact/Business	Phone	Email
Broker	Melissa Millan	203.241.5571	melissa.millan@gmail.com
Contractor	Vern Robinson | Ridge Construction	303.881.1169	vern@ridgeconstructioninc.com
Contractor	Robert Groll	720.490.5770	rob.clearviewenterprises@gmail.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	Tadd Jones | Boomerang Capital Partners	480.779.9779	tadd@boomerangcapital.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	Tyler Ideker | Indicate Capital	303.567.6333	tyler@costfund.com
Property Management	Cory Rasmussen | Atlas Real Estate	303.242.8980	info@realatlas.com
Property Management	Peter Jakel | PMI Aspire	720.738.8500	peter@pmiaspire.com
Property Management	William Jarnagin | Valiant Residental	254.855.4229	wjarnagin@valiantresidential.com
Property Staging	Heather Loyal	303.601.6638	heather@teamloyalig.com
Rehabbing	Derek Marlin | Elevation	720.545.0490	derek@elevationinvest.com
Restoration	Melissa Moll | BlueSky Restoration	970.413.0991	Melissa.Moll@goblusky.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