JANUARY
2023

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

Why 2023 Will Be the Year of the Small Real Estate Investor

As we begin 2023, as a fellow Real Estate Investor, I am extremely excited. Here is why: Rising Interest Rates; Prices Dropping; Increasing Inventory; Properties on the Market Longer; Wall ST and I-Buyers on the sidelines (just taking a breath really); Money Supply Drying up for wholesalers; Investors with flawed models dropping out and quitting like crazy; and FEAR throughout the market, FEAR.

So, you may ask, why is this all good? Because these are the exact market conditions where the Great Investors make their money and more importantly, keep it! Most people like to do what everyone else is doing. Especially in RE Investing. Just a year ago, how many people were flipping and wholesaling? How many people were clamoring to do hard money loans? How many people were lining up and over bidding for the privilege of paying more than ever before for properties? That's right, lots...and lots...and lots.

Join ICOR, January 10-12th, for the Raising Capital: "Partnering & Joint Venturing Your Way to Wealth" with John Burley

Now, it has all changed, people are afraid of what the market and interest rates and the economy will do. So, many are paralyzed and stuck in fear. Yet now, is when the high-end professional investors are moving in. I have been doing this since the late 1970s. I have been through 5 full cycles of the markets moving up and then down. I have invested with interest rates at 18%. There is very little I have not seen, nor done, while completing thousands of Real Estate Transactions. And if there is one thing I have absolutely learned and integrated into my Real Estate Investors Soul, it is this:

Contrarian Investing is the way to go!!!

Right now, we are at the precipice of one of the great Real Estate Investing Opportunities of your lifetime. The only question is what will you do with it? The great investors of history. The one's who actually make money in not just up markets, not just flat markets, but also down markets, have one thing in common. For years, and then decades (I am over 40 years in the game now), is that they look at it from a contrarian point of view. When RE is in favor they are scaling down, paying off bad debt and building up a war chest, you know, like all real businesses that succeed for the long-term do.

When RE is out of favor they are jumping in with both feet. BUT they are not doing what everyone else is doing, nor are they running the traditional RE Education Models. No, they run it like a business. And for that they understand that by far (not even close) the most important thing in Real Estate is not Real Estate. It never has been, nor will it ever be. The Most important thing in Real Estate Investing is MONEY. With Money and the ability to Borrow, Real Estate is very easy. Without Money and the ability to Borrow, Real Estate is very hard. Yet almost every RE Education Program avoids the truth and spends all kinds of time trying to figure out how to do RE without money, even though everyone knows it take money.

We cut right through the noise. Rather than do what everyone else is doing, we address the Big Truth of Real Estate Investing Head On. We work on raising money, lots of money, first. We show you exactly how to Raise It with all the details. And since my background is from the World of Wall ST, I show you exactly how to Raise the Money, Get Paid to Place it (we get paid $10,000 upfront on every property), How to Buy it, How to Maximize Returns for the Long-Term and how to Monetize to the point where realistic expectations are that you will earn back the price of the property in its entirety within 10 years. For example, on a $300,000 property, we make over $300,000 over 10 years. I will show you that in detail on Saturday Afternoon!

Continued on page 3

January @ ICOR

Raising Capital: "Partnering & Joint Venturing Your Way to Wealth" with John Burley

You've probably heard of "Private Equity", a method Wall Street used to raise money to buy literally tens of thousands of houses in the past decade. But you probably never thought that YOU could use the same basic strategies to raise money to get all the rentals you'd ever want, right?

John Burley has. In fact, he has a complete business model that allows him to get $10,000 cash on every property he and his partners buy, AND retain part of the ownership going forward. It's this strategy he'll be sharing, including:

- How you can literally acquire all the properties you can manage, using other people's money and credit
- Where to find your potential partners, and more importantly, what to say to them
- How to get the holy trinity of cash, cash flow, and equity in every deal you do

John has perfected his model to the point where he has personally completed over 2,000 deals. If you're looking for a way to fix your slow, broken, acquisition and management strategy, this is it. John Burley has over 35 years' experience in real estate and is a best-selling author with over One Million Copies Sold. He is also the Featured Author in Donald Trump's Book, Wealth Building 101, and Robert Kiyosaki's, The Cash Flow Quadrant.

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

Colorado Springs
Tuesday, January 10th
Hyatt Place Colorado Springs
503 Garden of the Gods Rd West
Colorado Springs, CO 80907

Denver
Wednesday, January 11th
Lakewood Cultural Center
470 South Allison Parkway
Lakewood, CO 80226-3123

Northern Colorado / Fort Collins
Thursday, January 12th
Chicago Title of Colorado
4645 Ziegler Road Ste 220
Fort Collins, CO 80528-9601

Save the Date for ICOR's January Meetings

ICOR – Colorado Springs
In Person
Tuesday, January 10th, 6 PM-9 PM (MDT)

ICOR – Denver
In Person
Wednesday, January 11th, 6 PM-9 PM (MDT)

ICOR – Northern Colorado / Fort Collins
In Person
Thursday, January 12th, 6 PM-9 PM (MDT)

Webinars & Workshops

Insights, Hind Sights, Predictions, & Prescriptions For 2023
Webinar
Wednesday, January 4th

Beginner Investor Subgroup
Webinar
Thursday, January 5th

"More Money, More Deals": The Private Lending Mastermind with John Burley
Workshop
Saturday, January 14th

The Lifecycle of a Real Estate Investor: an Overview of Asset Protection & Estate Planning
Webinar
Wednesday, January 18th

The TrueNorth Planner Group Session
Webinar
Saturday, January 28th

The State of Real Estate Finance
Webinar
Wednesday, January 25th

Find out more and register online at www.ICOROCKIES.com/events

Continued from page 1

But John, aren't we going to have another Big Crash like the news and all the YouTube and podcast gurus are saying? The answer…an emphatic NO! The 5 Major Reasons why we are NOT about to repeat 2008:

1) Big Crashes only happen once every 60-90 years. They happen not because of wars, or great economic turmoil. They primarily happen, because the people who went through them last time are now dead. It is not that history, perse, repeats itself, rather it is that most people forget history and thus they repeat the mistakes of the past. And while there are charts that go back thousands of years that vet this out, here in the US, since 1765 we have had only 4 Major Crashes. They were in 1790, 1872, 1932 and 2008. Way too many people who have a major hand in the game still remember 2008 and its history. Thus, we are not set up for another Depression, or Great Recession as the politicians liked to call it!

2) Wall ST. Wall ST in modern history has bought and funded the good debt (government insured loans). This is good. In the early 2000s they got greedy and jumped in with all the other (fools?) and bought the bad debt, the results were catastrophic. This run, Wall ST got greedy again, but instead of buying debt, they bought the asset! Completely different, they are in, but now they are owners not lenders. This automatically adds stability and raises the bottom. The toxic loans, in large numbers that were commonplace in the 2000s simply no longer exist in any substantial number.

3) "Mom and Pop" Real Estate Investors. In 2006, it was normal for a small RE Investor to have 5 properties in a place like Las Vegas. They had a total of $10,000 all in for 5 properties. High Interest, High Leverage, "Liar" Loans. A normal scenario was $1,400/mo. PITI and $1,200 rent and 3 were vacant! This was an easy walk away as they had no "skin in the game" and were losing money every month while being underwater. Today, that same Investor would have $400,000 real money as "skin in the game". Their payments are $1,200/mo. PITI and they rent for $1,800/mo. and they are all rented! A very different scenario. Like Wall ST long term positions the small RE Investor is not walking away from their "skin in the game" cash and positive cash flow, just because the value goes down. They will sit and wait for the market to recover, while cash flowing. Again, nothing like 2008.

4) Supply. In the mid-2000s we had a glut of oversupply. Massive overbuilding and speculation by poorly trained Institutions, Investors and Homeowners who let their emotions get carried away, led to such large inventory that it was not a question of if, rather when, it would all come tumbling down. Today, it is the exact opposite, most areas have a housing shortage and are vastly undersupplied. One of the big reasons why it took so many years for prices to correct after 2008 was the over supply of properties. There were simply not enough families to occupy the properties at any price.

5) Homeowners. This is the bedrock of the housing market. Well over 60% of all homes are owner occupied. As they go, so goes the housing market. Before the Big Crash of 2008 they were as a whole, overleveraged, many had "toxic loans", interest rates, for most were in the 7-8 to 10 percent range. And many, many loans were made without proper due diligence or underwriting. The end result, families had financed far more than they could afford or pay for which of course resulted in the "Tidal Wave" of foreclosures and short sales in numbers never seen before or again. Fast forward to 2023 and the homeowner, as a whole is in an entirely different position. Most are sitting on record levels of equity. Their loans are in the 2.5-4% range, with many paying them off on 15-year rather than 30-year models. Their payments are lower than rent, and they could not afford to buy today what they already own. Stable and secure would be the two words that best describe where most American Homeowners are today in relation to their Home, payment and debt situation.

Because of these 5 Major Reasons I do not believe we are even vaguely looking at a 2008 repeat. Equity Markets, such as residential Real Estate have always trended upwards. However, they do it in a natural, repeatable cyclical manner that generally runs from 10-14 years. They go through growth, prosperity, recession and then depression (if a politician says the "R" word, it is probably a depression). Repeating over and over. The new highs are generally higher than the old highs, and the new lows are generally higher than the old lows.

This is why seasoned veterans, like me, who have not just been through the downturns and survived, but actually thrived, like we did in 2008-12 during the "Great Crash" look at this as a tremendous "window of opportunity." Now is when we begin raise the money, earn the $10k placement fees, find the great deals and remarket for big profits.

At the evening programs we will show you the exact presentation we and our students have used to raise and place billions of dollars. This is a proven model that we have been using for over 30 years. On the Saturday Event we will get into even more detail, look at creative acquisitions, and how to remarket for maximum profits.

I look forward to working with and meeting you at the upcoming events. Thank you.

PRIVATE BANKING SYSTEM EXPERT
JASON K. POWERS / JPOWERS@UNBRIDLEDWEALTH.COM / UNBRIDLEDWEALTH.COM

The Privatized Family Banking System Part II of IV-Part Series

**To read Part I, visit: www.icorockies.com/news/the-privatized-family-banking-system-part-one-of-a-four-part-series*

PART II.

It is advised you go back and read Part 1 before continuing below, to get the full context of what is going on. In the previous article, we talked about the best vehicle for Infinite Banking – properly structured, dividend paying whole life insurance, from a mutual carrier. Next, we will break down various details.

The intent behind what is outlined below is to help you see an alternative way to have your money flow, in contrast to what is generally taught in public circles, the traditional education system and the financial world as we see it from the publics side. It is also to help set up the next generation for greater financial success (or at least provide some financial relief), and to have the ability to utilize the Privatized Family Bank instead of traditional lenders.

This is the Infinite Banking Concept.

Dividend Paying from a Mutual Carrier. The best carriers with whom to be insured by are Mutual Carriers, as opposed to Stock owned insurance companies. With Mutual Carriers, its interests are for the stock-holders, not the policy owners. It will pay dividends to the policy owner (you) and those dividends will purchase more insurance (death benefit), thus building your cash value growth even more.

Properly Structured. These policies are structured with maximum cash value in mind, access to that cash value, maximum growth, and the balance between them all. Please do not call your life insurance agent who isn't not formally educated on the Infinite Banking Concept, and tell him you want a policy. You find a trained and certified individual (hey, that's me!) who knows and understands how these work, how they're supposed to be structured, and how it applies to you and your own personal situation. There is no one-size-fits-all approach!

Uninterrupted Compounding. One of the best functions of IBC (the Infinite Banking Concept) is its uninterrupted compound growth of cash value that is happening year over year inside of the policy. You see, when one borrows against the cash value of a whole life insurance policy, you are borrowing "against" the policy and not "from" the policy. You are, in fact, borrowing directly from the insurance carrier, thus your money is able to effectively sit in a pile, uninterrupted, and grow as if it never left the pile. Each policy has a guaranteed growth rate of cash value (not including dividends), year over year. As you build up this policy, this banking system, it will compound larger and larger each and every year.

Imagine over a lifetime of one person, how much one can build up cash value. Now, take that one policy, and build up an entire system of policies (you, your spouse, your children, et al). Now, take it one step further and keep this going throughout multiple generations. Finally, taking it further, while all of the policies are growing throughout life, the beneficiary could be The Family Trust, thus further expanding the Trusts ability to act as the family bank.

In Part 3 of this article, we'll continue explaining different components and benefits of a properly designed policy for Infinite Banking.

PAMELA MAASS, ESQ. / PAM@LAWMOTHER.COM / LAWMOTHER.COM

Benefits of Living Trusts for Real Estate Investors

Real estate investors understand the value of diversifying their portfolios and protecting their assets from potential legal issues. One of the most effective ways to do this is by creating a living trust.

A living trust is a powerful legal document that can help protect your real estate investments in the event of your death or incapacitation. A living trust is a legal document that allows you to transfer ownership of your assets to another person or entity after you die. This document is created while you are still alive, meaning you can still make decisions about the future of your estate while you're alive. This is different from a will, which only goes into effect after you die.

One of the benefits of a living trust is that it allows you to plan for the future of your real estate investments. This means that you can decide who will inherit your real estate investments and how they will be managed. This can be particularly useful for real estate investors who have multiple properties.

Finally, a living trust can help you avoid probate. This can be a lengthy and expensive process, and it can be avoided with a living trust. Living trusts can be an invaluable tool for real estate investors. They offer a variety of benefits, including protection from creditors and legal issues, and they allow you to plan for the future of your real estate investments.

Proper planning can protect your family's legacy. If you are interested in setting up a living trust as part of a comprehensive plan to protect your family, visit LawMother.com/go or call 720.706.0036 to schedule a complementary 15 minute call.

SELF-DIRECTED IRA EXPERT
SARAH SHELLAM / SARAH.SHELLAM@QUESTTRUST.COM / QUESTTRUSTCOMPANY.COM

2023 Contribution Limits and Why You Should Make a Contribution

A common question you hear in the retirement world is "how can I retire comfortably", and we are constantly reminded how important it is to save for the future. IRAs (Individual Retirement Accounts) and Solo 401(k)s are some of the best tools created for those who choose to save money and create wealth for retirement through investing. Vehicles like this provide tax advantages for retirement savings, deferring taxes until distribution age or potentially making it to where an individual never has to pay taxes on growth at all!

Now that another year has almost come and gone, and the temperature isn't the only thing changing as the year comes to a close. The IRS recently announced that contribution limits for various IRAs and retirement accounts will be increasing this year, and we have all the updates! Many investors have already started planning for 2023, and you can join them with these helpful updates.

Why Is It Important to Contribute to Your Self-Directed IRA Every Year? With Self-Directed IRAs being one of the most powerful tools for future planning, it's no surprise that there are countless reasons why it's important to contribute to your retirement account, but we've listed the top three reasons here. First, when you contribute to a Self-Directed IRA, you receive tax benefits, like tax deductions and tax-free distributions! Accounts like Traditional IRAs provide the opportunity for tax deductions when you make contributions. Other accounts like the Roth IRA help the money you contributed grow tax-free.

By contributing, you are also putting your money to work and can watch it grow. Contributing to your Self-Directed IRA means you have more money to work with when you're investing. The more deals you can do, the more money you can make. Lastly, you'll be able to create more wealth for your future when you start to contribute early. The sooner you begin making yearly IRA contributions, the longer your money has to compound. Making a contribution every year helps it grow much faster.

With the announcement of the 2023 contribution limits, it's important to note that you still have time to contribute for 2022. Every contribution counts, and as previously mentioned, each year that you miss out on making your yearly contribution is another year of missed compounding growth! Check out the 2022 contribution limits here or keep reading to find out what's new for 2023 in the paragraphs below.

Traditional and Roth IRAs

The contribution limits for these two personal plans increased $500 from $6,000 in 2022 to $6,500 in 2023. Additionally, the age 50 catch-up limit remains, as it is always fixed by law at $1,000. The income ranges that determine one's eligibility to make deductible contributions to Traditional IRAs or to contribute to a Roth IRA also increased, and you can read more about those numbers here.

Employer Plans

Employer plans, like SEP IRAs and SIMPLE IRAs, saw a change, as well. For SEP IRAs, contribution limits will increase to $66,000 per year for 2023, up $5,000 from 2022 which was $61,000. The amount one is allowed to contribute to a SIMPLE IRA increased to $15,500, up from $14,000. If you are age 50 or over, the catch-up contribution limit also increased, making it possible to contribute an additional $3,500 for 2023, up from $3,000 in 2022. For those with a Solo 401(k), the limit for the total contribution is increasing from $61,000 to $66,000 ($67,500 to $73,500 for those 50 and older). Solo 401(k) contributions work a bit differently than other accounts, so if you hold this type of account and still have questions about your allowed contribution, speak to a knowledgeable CPA or call a Quest Trust Solo 401(k) specialist!

Health Savings Accounts

The Health Savings Account, or HSA, contribution limits are expected to increase, too. For single coverage, it will go up to $3,850 for 2023, an increase from the $3,650 limit in 2022. For HSA accounts with family coverage, you can expect to see the limit go up from $7,300 in 2022 to $7,750 in 2023. These were already announced previously. Those who are 55 or older will still be able to contribute an additional $1,000.

Coverdell Education Savings Account

The Coverdell ESA will be one of the self-directed accounts that will remain the same. Just as in 2022, the maximum contribution limit for Coverdell accounts will be $2,000 per child per year in 2023.

QUEST TRUST COMPANY

2023 Contribution Limit Increase

Account	2022 Limit	2023 Limit	Change
Traditional IRA Contribution	$6,000	$6,500	$500
Traditional IRA Catch-Up Contribution	$1,000	$1,000	$0
Roth IRA Contributions	$6,000	$6,500	$500
Roth IRA Catch-Up Contribution	$1,000	$1,000	$0
SEP IRA Contributions	$61,000	$66,000	$5,000
SIMPLE IRA Contributions	$14,000	$15,500	$1,500
HSA Contributions (single)	$3,650	$3,850	$200
HSA Contributions (family)	$7,300	$7,750	$450
Coverdell ESA	$2,000	$2,000	$0

For those who can take advantage of building their IRA during this time, understanding the different ways to contribute and the benefits of maximizing your account can make all the difference in your overall wealth building strategies. Getting ahead and familiarizing yourself with the 2023 contributions limits will help you prepare and budget for the new year, so as you start preparing for the end of the year be sure to keep contribution limits in mind. It's never too early to start planning, and if you ever have questions about how to make a contribution to your Self-Directed IRA, a Quest Trust Company representative will be happy to help.

LONG-TERM FINANCING EXPERT
NEIL SHEA / NSHEA@LENDINGONE.COM / ICOROCKIES.COM/INVESTOR-RESOURCE

When the Powder Keg Explodes

As investors, we hear a lot about "dry powder" waiting on the sidelines. Once investors feel confident the end of the "correction" in the real estate market is in sight and rates have stabilized within a reasonable range, the buying will resume. But how much dry powder is on the sidelines?

Tricon Residential may be a Canadian company, but they are one of the largest property aggregation companies in America owning more than 35,000 residential properties. CEO Gary Berman disclosed to *Business Insider* in a recent interview that the company is "sitting on nearly $3 billion of dry powder that it plans to spend on thousands more of homes when the time is right." While there are only a handful of behemoths the size of Tricon, there are thousands of institutional-backed residential investment companies waiting to redeploy capital once the economic indicators signal it's go-time.

I recently returned from the IMN Single Family Rental Forum in Scottsdale. The bi-annual conference primarily caters to family office and hedge fund backed real estate investment firms whose primary focus is to identify, acquire, renovate, stabilize, and refinance large rental property portfolios into long term portfolio loans (basically the BRRRR method on steroids). Most of these institutions have by and large been on pause with their investment activities since late summer. However, the sentiment I gathered from the conference is that purchasing activity is getting ready to ramp up next year.

With rates beginning to stabilize, long-term investors can gain the confidence to be able to forecast investment returns. However, the inventory is still tight in most markets. Once the institutions begin purchasing again, the landscape becomes competitive for all buyers. There's a common saying for long-term investors as of late in this climate, "date the rate, marry the house."

Happy Investing!

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

2023 Time to Sharpen Your Saw

As we look back at this year and pause to catch our collective breath, it may be good to take this time to reflect and consider how we can become more effective in the new year at the things we are doing. Steven R. Covey considers this the final habit in his book "The 7 Habits of Highly Effective People"

Imagine you are going for a walk in the forest when you come upon a man sawing down a tree. "What are you doing?" you ask. "I'm sawing down a tree," he says. "How long have you been at it?" You ask. "Two or three hours so far," he says, sweat dripping from his chin. "Your saw looks dull," you say. "Why don't you take a break and sharpen it?" "I can't. I'm too busy sawing," is his reply.

As an outsider, we could see that the process of cutting was dulling the blade. And the duller the blade, the greater the effort that is required to keep sawing. The solution, of course, was for the woodcutter to stop periodically to sharpen the saw. He was so engrossed in the situation he couldn't see the need to take a break and do what was necessary to make his job easier.

Habit 7 teaches us to take the time to stop and "sharpen our saw." "Sharpening the Saw" is synonymous with "self-care" or "self-renewal."

A few things to consider as ways to 'sharpen your saw' as we head into a new year.

Become a realtor.

There are quite a few beneficial reasons to become a realtor.

Earning commissions on your own deals. The obvious reason to become a realtor is to save on commissions on your own deals. These savings can be significant. Profit splits between agents is common, so you could earn 3%. Buying a house for $300,000, and then doing the work and selling it later for $400,000 (this is pretty typical for what we see in Utah) means earning $21,000 in commissions, if you're the realtor. Given that in a typical deal like this profit earned may be as little as $50,000, this is an increase in profitability of almost 50%.

Earning commissions on other deals. When you are 'in the business' you end up knowing lots of buyers and sellers beyond just your particular projects. If you are facilitating the connections anyway, why not earn a commission for that work?

Networking. Along those same lines, knowing more people can be beneficial to your business. Deal flow and getting your name out there are probably the biggest reasons to do it, but realtors also end up with much deeper information regarding neighborhood (re)development plans, pricing and general ecosphere issues (such as permitting, appraisal and title issues, etc.). The more information you have, the more informed your decisions are.

Influence. Ever wonder who discusses and advises on issues such as density, ADUs, wholesaling, agent activities, and fair housing? These were all topics worked on by the Colorado Department of Regulatory Agencies Division of Real Estate. They actually have 6 different programs: Real Estate Broker, Real Estate Appraiser, Mortgage Loan Originator, Appraisal Management Company, Subdivision Developer and HOA. This way, you can get quite deep into topics that interest you, and avoid some things that just don't apply to you. As a broker, you would also become a member of the Colorado Association of Realtors, and through these organizations you would become aware of issues and be able to more effectively have your voice heard.

Legitimacy. This credential can add to your reputation and credibility as you work with anyone in the real estate business, not only buyers or sellers and other realtors, but really anyone, including subs. They will know that you have passed tests and have third parties that consider what you do.

The process is quite simple: learn the material, pass a test, and then keep up on your continuing education (CE) credits, almost all of which can be done online. While this sounds daunting, remember that one of the reasons you are doing this is to learn (and keep up on) all of those other pieces of the puzzle, each of which can add to your business in one way (or time) or another.

Get out there.

Community events: Attend events in the general community(s) you work in and meet the people whose neighborhoods you are making better, maybe they have some additional ideas for you.

Professional Associations: Realtors are not the only places to network and learn. In addition to ICOR, there is a National Real Estate Investors Association (free to ICOR members, and with some handy benefits as well). These additional professional associations can facilitate your networking, introduce you to new trends and topics that are relevant, and provide you with additional organizations for your resume.

Online: There are many Facebook and Meetup groups, as well as online resources like Bigger Pockets, and of course the resources available at sites such as Zillow, RedFin and Trulia, which are free and may be worth checking into from time to time. Staying on top of these online resources can help you be at the front of the wave of changes in the field, rather than being swept away by them.

RENTAL PROPERTY EXPERT
REBEKAH SCOTT / REBEKAH.SCOTT@REALATLAS.COM / REALATLAS.COM

Does the Future Point to a Reckoning in the Short-Term Rental Market?

A short-term rental is defined as a rental that is rented for 30 days or less, such as vacation or business travel using platforms like Airbnb and VRBO. This market has been booming for quite some time now. Buyers have not only started renting their vacation properties to offset their expenses, but investors have built entire income models around renting using these platforms.

Over the past several years, owners have been making anywhere between $12,000-$20,000 per month renting to travelers, vacationers or people who want a change of scenery, raking in the cash. So, what has changed? Why are social media channels such as Twitter, Instagram, and even Reddit exploding with the hashtag, #AirbnbBust?

There are a couple reasons that this slowdown in the market is affecting short-term rentals more so than long term. For starters, we have officially reached the threshold of demand not keeping up with supply. AirDNA, a short-term rental analytics firm, shed some light on what's causing the drought. As of October 2022, the number of future nights booked—a real-time indicator of the health of the short-term rental industry—was up 15.8% year-over-year. This stat indicates that people booking short-term rentals is up, which is true. However, while the absolute number of short-term rental bookings has risen, there has also been a sharp rise in supply of available short-term rental listings in the U.S., up 23.3% in October 2022 compared with October 2021. This tells us that we have officially filled the demand that U.S. consumers have requested.

Furthermore, short-term rentals have reached a price point that no longer make hotels look so bad. The cost of an overnight stay in a short-term rental on a per night basis = is now quite comparable to the price of hotel.. But there are added benefits to staying I a hotel, as the hotel offers cleaning service, room service, pools, continental breakfasts, and concierge services. Consequently, short-term rental owners are now having to provide not only have an affordable place to stay, but an actual experience for the consumer. In a world where inflation is altering most American's lifestyle, if people are still able to travel they must do it the most economical way possible.

Lastly, I want to address the mindset behind people who typically get involved in buying and renting short-term properties. Often, these buyers will overextend themselves to own an incredible property to use for short-term rentals. They have been told to buy the best house in the best neighborhood because that is how you can ensure people will book your property. That all sounds great in theory, but it means that when the market changes, you are now stuck with an A class property that is affected by a market change more so than a B class or C class property.

If consumers stop booking these A class short-term rentals, then owners are going to lose way more financially than they would have if they had rented to a long-term resident for a lower price, hence generated steady, reliable income. Situations like this may present great opportunities to buy some A class properties to use as a primary residence, and that's the silver lining for potential home buyers.

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

Why is Renters' Insurance so Important for Landlords?

In prior years real estate values were increasing so rapidly. Now, higher interest rates are increasing the need to rent instead of owning a home. Owning a home is the goal for most, but it could come with so many responsibilities as well. Renting could also bring some responsibilities that a renters policy could resolve for them.

Talking to your tenant/renter about the benefits of renters insurance will greatly assist your tenant. For most tenants, buying a renters insurance policy might seem like an unnecessary purchase. However, it is a mutually beneficial policy that can benefit the renter and the landlord. According to the Insurance Information Institute, many landlords require tenants to purchase renters insurance to avoid disputes regarding legal liability claims, damage to landlords property as well as tenants belongings.

Coverage for the tenant:

Renter's policies offer coverage against a variety list of perils such as fire, smoke, theft, vandalism, wind and hail, damage caused by water and other events out of their control. It protects the tenant's personal property such as furniture, clothes, sports equipment, small appliances, electronics and more.

In addition, renters policy covers personal injuries and legal expenses under the personal liability limit. An example, if someone other than the tenant gets injured while being on the property and sues the tenant—this would be a personal liability claim on the renters policy. Another common claim that I have been involved with is, the tenant overflows the bathtub and causes damage to the landlords property. The renters insurance may assist the tenant by paying the damage to the landlords home.

Renters policies can provide coverage for dog bites either under medical coverage or personal liability. This can apply both on the property or off the property. If your tenant has an animal, ask them to purchase at least $100,000 in liability coverage and confirm that the animal is covered under the renters insurance personal liability policy.

Another important coverage section is the additional living expense coverage. If a tenant is obligated to move out of the rental due a covered loss. For example, during the Colorado fires in October of 2020, renters that were evacuated were able to find coverage for their additional living expenses such as paying for a hotel and meals until they were able to get back to their home.

Coverage for the landlord:

Renters insurance policies offer property damage coverage to the landlord in the event a fire or other accident caused by the tenant's negligence. The landlord could be covered under the renters policy up to the liability limit. I recommend a minimum of $100,000 personal liability on the renters policy.

For example, a tenant leaves the water running which causes damage to the rental unit and to the unit below. The renters policy could cover the resulting damage to both units caused by the tenant's negligence with the liability coverage. Renters insurance can also pay for damage to a landlords home from a large fire due to the tenants negligence.

Landlords should also request to be added as an additional insured on the tenants renters policy as to receive any cancellation or renewal notices.

Conclusion:

Renters insurance is inexpensive, and it is essential. It can be a mutually beneficial and inexpensive way to protect both the tenant and the landlord. It is an extremely inexpensive policy that protects both parties. Coverage and laws can vary, so please check with your attorney if you have any legal questions.

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Service	Contact/Business	Phone	Email
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Contractor/GC	Vern Robinson | Ridge Construction	303.881.1169	vern@ridgeconstructioninc.com
Contractor/GC	Diana Maldonado | Many Build	720.354.2630	alex@manybuildsolutions.com
Estate Planning	Pam Maass | Law Mother	702.706.0036	pam@lawmother.com
Financial Planning	Chris Tanner | New Direction Trust Company	877.742.1270	info@ndtco.com
Financial Planning	Jason Powers | Unbridled Wealth	303.957.9175	jpowers@unbridledwealth.com
Insurance	Eve Hoelzel | Farmers Insurance	970.970.8019	eve.dstansfield@farmersagency.com
Insurance	Isela Owens	719.219.8498	iselaj623@gmail.com
Lender	Tadd Jones | Boomerang Capital Partners	480.779.9779	David@boomerangcapital.com
Lender	Shelly Quintana | Northpointe Bank	720.314.4406	shelly.quintana@northpointe.com
Lender	Chuck Townsend | Forrest Financial	303.877.3221	chuck@forrestfinancial.com
Lender	Greg Osborne | Bridge Capital Resources, LLC	303.475.5873	gregosborne@bridgelending.com
Lender	Justin Cooper | Pine Financial	303.916.5366	justin@pinefinancialgroup.com
Lender	Tyler Ideker | Indicate Capital	303.567.6333	tyler@costfund.com
Property Mgmt	Cory Rasmussen | Atlas Real Estate	303.242.8980	info@realatlas.com
Property Mgmt	Peter Jakel | PMI Aspire	720.738.8500	peter@pmiaspire.com
Property Mgmt	William Jarnagin	254.855.4229	wjarnagin@valiantresidential.com
Property Staging	Joanna Brown | Property Sparrow	303.900.0642	joanna@propertysparrows.com
Property Evaluation	Benson Juarez | Privy	303.523.4490	benson@teamprivy.com
Rehabbing	Derrik Marlin | ELEVATION	720.545.0490	derek@elevationinvest.com
Tax Planning	Larry Stone | Stone Wealth Strategies	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
Wholesaling	Chase Diamond | The Diamond Group	908.664.2593	chase@diamondgroupco.com
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