JUNE
2025

Peak Possibilities

Your Monthly Guide to Informed Real Estate Decisions

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The Whole Story on Wholesaling

By Jeffery S. Watson

During the National REIA cruise earlier this year, considerable time was spent discussing wholesaling. I had the opportunity to speak to the audience regarding the trends we are seeing in multiple states as to wholesaling from both legislative and regulatory perspectives. When discussing wholesaling, it's important to define certain terms.

Most people would probably define wholesaling as the process of putting a property under contract and then assigning that contract to someone else so that the person to whom the contract is assigned is the one who buys the property, and the wholesaler is paid via an assignment fee. This typical definition of wholesaling needs to change!

There are a number of states that have taken the practice I just defined and made it against the law, the most recent two being South Carolina and Oklahoma. They now require that a person own the property before they can begin to advertise it. What stands out about that is that those two states are not known for being highly-regulatory states, but are usually more free-enterprise, freedom-based states. States on the other side of the spectrum are also cracking down, like Illinois, Oregon, Washington and Colorado. There is also some case law in the last year or two from Tennessee that is averse to wholesalers.

You may have noticed that in the definition of wholesaling that I gave, I used the word "contract". What exactly is a contract? In contract law, a "meeting of the minds" refers to the mutual understanding and agreement between all parties involved in a contract, meaning they all clearly comprehend and accept the terms and conditions of the agreement, which is considered a crucial element for a valid contract to exist; essentially, it signifies that everyone is on the same page about the deal. That's where things become problematic.

Tuesday, June 24th
In Person or Virtual:
"The Secret Investment Strategy Most People Never Hear About (But Should)"

Wholesalers market by saying, "I buy houses" or "I close quickly" or "I pay cash", and then they enter into contracts to buy houses. The problem is that they do none of those things. They don't buy, they don't pay cash, and they don't close at all. They are saying things publicly that are not consistent with their actual business practices.

When a person enters into a contract, they are representing in writing that they have the intent, legal capacity, and financial ability to perform according to the terms of that contract, yet many wholesalers are putting a lot of properties under contract or are "tying them up" when they do not have the intent, capacity or ability to fulfill the terms of the contract. They are putting properties under contract with the sole objective of assigning those contracts to someone else.

Wholesalers might get defensive and say, "But Jeff, the contract says that I can assign it." Yes, it does, but it doesn't say that is exactly what you are going to do because if it did say that you were going to assign it, it wouldn't be a valid contract since you are not the buyer. You are entering into a transaction for which you do not have the intent, capacity or ability to perform.

I think it's only a matter of time before some state agency comes after a large wholesaling group by virtue of saying they are engaged in a fraudulent and deceptive business practice that is harming consumers because they say things in their advertising that they do not later perform. I've said it many times

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JUNE @ ICOR

"The Secret Investment Strategy Most People Never Hear About (But Should)"

Ready to unlock the wealth-building strategy that's been hiding in plain sight? Most people are never taught how real estate investing can be the game-changer for financial independence—whether you're planning for retirement, saving for your kids' future, or simply craving more options in life.This isn't another generic investment seminar. Join a powerful community committed to breaking barriers and building real wealth through strategic real estate investing. Led by two powerhouse women who've walked the walk, this dynamic session cuts through the noise with real talk, proven strategies, and the honest conversations you won't find anywhere else.

What We'll Uncover:

- The exact steps our hosts took to buy their first investment properties—and your roadmap to do the same
- Proven wealth-building strategies you can implement at your own pace, regardless of your starting point
- How to identify and overcome the mental and financial barriers holding you back
- Live Q&A where you get real answers to your burning questions
- Authentic networking with like-minded investors on similar journeys

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Who Should Attend: Anyone ready to take control of their financial destiny—whether you're a complete beginner or looking to scale your existing investments.

This is your invitation to join a community that refuses to let financial freedom remain a dream. Come for the strategies, stay for the supportive network that will champion your journey long after the session ends.

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The Whole Story on Wholesaling

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in many different forums. If you are a wholesaler, and your business is predominantly or exclusively assignments, then you are engaged in fraudulent business activity, and you need to change your business model.

Now that I have probably made some of you frustrated with me, let me give you some good news about wholesaling. Many leaders in the industry are recognizing the need for a change. New resources are becoming available for wholesalers who desire to actually buy the properties and then resell them. Many wholesalers with whom I have worked have adopted the new model wherein they actually purchase the property in a fully-funded, stand-alone transaction and then immediately (or shortly thereafter) begin remarketing the property and sell it in a separate, fully-funded, stand-alone transaction.

Those who follow this model are doing what I refer to as proper back-to-back closings. They are not seeking to use the end-buyer's money to pay for their transaction. By the way, those transactions, called "dry closings", are no longer permitted by every major title insurance carrier or underwriter.

After purchasing a property, wholesalers can expose the property to the market for a longer period while sometimes improving the condition of the property, although they often do absolutely nothing to it. Those who are doing back-to-back closings have discovered that they can do fewer deals while making the same gross revenue. They are working less, have lower costs and fewer things that can go wrong, and they make more money. That's not a bad way to do real estate!

National REIA has been a leader when it comes to educating investors in the right way to do wholesaling and remains committed to putting accurate information out into the market. They created a video with key regulators from the Ohio Division of Real Estate which has been used to influence the departments of real estate in many other states. You can find it on YouTube here:

https://bit.ly/3EUReAF

I know that the Ohio Division of Real Estate still requires this video as part of the continuing education and training for all real estate agents in the state, and it has been used to educate other state regulators and investigators as to some of the basics of wholesaling.

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Insurance for Multi-Family Properties

Real estate investors are always hunting for their next investment property, but as I network with many landlords, I often hear that their main goal is to acquire multi-family buildings. As I am not a full-time real estate investor myself, enough so to explain the reason why investors should want to get into the multi-family market, I am an insurance industry expert and I can provide expert level information regarding the available insurance options for such properties.

Let's get started with how insurance defines multi-Family buildings. Whether it is a duplex or a large apartment complex, insurance would classify the risk as a multifamily property. In other words, if there are more than one family living in the property with each unit having different entrances, bedrooms, kitchen and bathroom, it is a multifamily property for the insurance carrier.

Depending on the carrier and the number of units under the same structure, some multifamily properties have the option to be insured as a personal or commercial policy. In general, duplexes, triplexes, and fourplexes could be insured as a personal policy with the personal name of the insured or the entity. However, in my experience ensuring many investors in Colorado, I always like to compare coverage and premium between the personal and commercial policies for my clients and give them the option to choose.

Commercial policies are designed to cover more than four-unit structures to large apartment complexes and town homes. These policies would include more built-in coverage than the average personal policy. A few insurance carriers are flexible and include duplexes and triplexes in a commercial policy. However, the carrier's underwriter may ask for additional requirements to make them eligible for submission.

Carriers for commercial multifamily policies would have some underwriting concerns regarding the building and its safety for the tenants. Some of the information investors would be asked are:

- Age of the building
- When was the wiring, plumbing, heating and roof last updated or inspected?
- Are there any security cameras?
- Are there smoke detectors, sprinkler system and fire extinguishers?

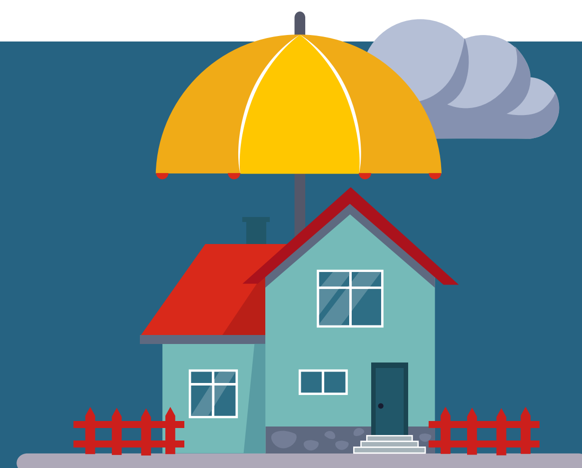
It is important to be transparent about conditions and updates of the building with your agent to avoid any changes to the policy after the carrier completes the inspection.

Coverage for multifamily properties is not only a priority for the landlord but also for the lenders. During the loan applications, lenders are requiring the building(s) to be insured with the following endorsement:

- Replacement Cost value
- Loss of Rents with a minimum of twelve months of rents
- Liability coverage for one million dollars minimum per occurrence

In addition, since the recent condominium collapse in Florida, more lenders are requiring adequate Building Ordinance coverage for codes updates and debris removal for larger properties. The deductibles for multifamily commercial policies are usually higher for wind and hail in Colorado. The two types of deductibles for wind and hail losses are: Percentage deductible which is based on the building amount. Flat deductible.

Overall, whether your multifamily investment is insured with a personal or commercial policy, it is important to know your options. Insurance policies should be customized to fit the property's condition, occupancy and the investor's preferences. If ther are any questions regarding multifamily insurance, you could contact your agent or you could reach me for additional information.



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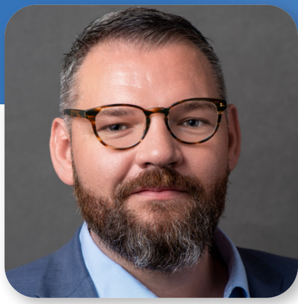

Navigating the Legal Landscape: Short Sales Under Fire for Equity Stripping

The regulatory spotlight on short sales has intensified following Arizona Attorney General Kris Mayes' March 12th lawsuit against multiple real estate operators and title companies accused of orchestrating widespread equity-stripping schemes. As industry professionals, we must understand these heightened concerns and implement robust compliance practices to continue offering legitimate short sales as an option for distressed homeowners.

The Arizona Lawsuit: A Cautionary Tale

On March 12, 2025, Attorney General Mayes filed a significant lawsuit targeting multiple individuals, companies, title agencies, and even law firms involved in what the AG's office described as a "widespread equity-stripping scheme that defrauded Arizona homeowners facing foreclosure." The allegations outline how operators approached vulnerable homeowners under false pretenses—often posing as representatives from a non-existent charitable organization—to acquire properties far below market value.

What makes this case particularly noteworthy is the broad net cast by prosecutors, which extends beyond the primary perpetrators to include title companies and legal professionals who allegedly facilitated these transactions despite clear warning signs. Attorney General Mayes didn't mince words, stating that "title companies and law firms knew what they were doing, but they kept going because this scam generated millions of dollars—and they wanted their share."

The message is clear: regulatory authorities are not only targeting principal bad actors but also the professional ecosystem that enables equity stripping. This approach significantly raises the stakes for all real estate professionals involved in distressed property transactions.

Understanding Equity Stripping in the Short Sale Context

While the Arizona case focuses on particularly egregious fraud, it highlights practices that may exist in more subtle forms within legitimate operations. Equity stripping in the short sale context generally refers to schemes where value is improperly extracted from a distressed property through deceptive or undisclosed means.

Problematic practices that draw regulatory attention include:

- Creating straw buyer arrangements where the distressed homeowner secretly maintains property interest
- Orchestrating side agreements providing kickbacks outside of closing
- Deliberately manipulating property values to create artificial equity positions
- Charging excessive, undisclosed fees that reduce proceeds to lenders
- Establishing lease-back arrangements with repurchase options not disclosed to lenders

At least 15 states have enacted legislation specifically targeting improper practices in distressed property transactions, with many modeling their laws after Minnesota's comprehensive approach to regulating "foreclosure reconveyance" practices.

Staying on the Right Side of the Law

The Arizona lawsuit seeks civil penalties of $10,000 for each instance of consumer fraud—a stark reminder of the financial consequences of non-compliance. To ensure your short sale practice remains both compliant and sustainable, consider implementing these essential strategies:

1. Transparent Documentation and Disclosure

Make full written disclosure to all parties—especially lenders—regarding transaction participants, compensation structures, and any relationships between parties. Most lenders now require signed affidavits specifically confirming no undisclosed agreements exist.

Document all communications meticulously, keeping complete records of property condition, market analyses, and client authorizations. In the Arizona case, the AG's office highlighted how the defendants concealed critical information from both homeowners and lenders—a practice that triggered legal action.

2. Independent Valuation Protocols

Establish rigorous protocols for property valuation that demonstrate objectivity. Work with independent appraisers and provide comprehensive market analyses to lenders that include both favorable and unfavorable comparables. This transparency helps protect against allegations of price manipulation.

Avoid any communication that suggests artificially depressing property values, even informally. In the Arizona lawsuit, prosecutors specifically referenced how the defendants allegedly acquired properties "far below market value" as a key element of the fraud.

3. Clear Client Education and Expectations

Ensure distressed homeowners fully understand they are permanently relinquishing ownership rights through a short sale. Provide written explanations of potential credit implications, tax consequences from forgiven debt, and the fact that they typically won't receive proceeds when a lender accepts less than full payoff.

Attorney General Mayes emphasized this point clearly: "These homeowners didn't just lose their homes—they lost their best chance to rebuild their lives." Proper client education is not just a compliance matter; it's an ethical imperative.

4. Identify and Avoid Red Flags
Be vigilant about arrangements that might trigger regulatory concern, including:

• Post-closing occupancy agreements with special terms
• Unusual financing structures involving seller participation
• Entity formations designed to obscure transaction participants
• Third-party payments outside of settlement statements
• Marketing that promises to "save" homeowner equity

The Arizona lawsuit specifically noted how defendants used shell companies and invalid contracts that appeared legitimate but were designed to facilitate equity theft. When structuring creative solutions, always ask: "Would I be comfortable explaining this arrangement to a regulator or under oath?"

5. Maintain Professional Boundaries
Establish clear professional boundaries with distressed homeowners by focusing on your proper role in the transaction. Avoid creating situations where you serve multiple, potentially conflicting roles such as buyer, agent, and financial advisor simultaneously.

The Arizona complaint specifically targeted professionals who crossed these boundaries, alleging that some defendants approached homeowners under "false pretenses" to gain their trust. Maintaining appropriate professional roles helps protect both you and your clients.

The Path Forward

Despite heightened regulatory scrutiny, compliant short sales remain a valuable tool in preventing foreclosures and helping homeowners transition from unsustainable financial situations. By embracing transparency, documentation, and ethical practices, real estate professionals can continue facilitating these transactions with confidence.

Attorney General Mayes sent a clear warning to industry professionals: "If you are victimizing homeowners, we will stop you and recover what you stole. If your business is helping these scammers, we will file suit against you seeking triple the amount you earned from the scam." The most successful short sale practitioners won't be those who find creative loopholes, but those who build reputations for unquestionable integrity and transparent dealings with all parties involved. As the Arizona case demonstrates, the consequences of cutting corners can be severe, affecting not just primary operators but the entire professional network that supports non-compliant transactions.

By implementing rigorous compliance protocols focused on transparency, documentation, and client education, you can maintain short sales as a core offering while avoiding the regulatory scrutiny that has ensnared others in the industry.

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Unlocking the Tax Benefits of Real Estate Professional Status (REPS)

Colorado's rental housing landscape has undergone significant changes due to a series of legislative reforms enacted in 2024. These changes aim to enhance tenant protections but also introduce new challenges for landlords. This article provides an overview of the key legislative updates from a landlord's perspective.

Mandatory Lease Renewals and "For-Cause" Evictions (HB24-1098)

Historically, Colorado landlords could choose not to renew a lease without providing a reason. However, HB24-1098, effective April 19, 2024, mandates that landlords must offer lease renewals unless specific "for-cause" reasons apply. Acceptable reasons include:

- Planned demolition or conversion of the property
- Substantial renovations requiring the tenant to vacate
- The landlord or their immediate family intends to occupy the unit
- Sale of the property to a buyer who intends to occupy it
- Tenant's refusal of reasonable lease renewal terms
- Tenant's repeated lease violations, such as multiple late payments
- This shift requires landlords to document and justify non-renewals, potentially leading to increased administrative duties and legal considerations.

Enhanced Warranty of Habitability Standards (SB24-094)

SB24-094, effective May 3, 2024, strengthens tenants' rights to habitable living conditions. Landlords are now obligated to address issues that materially interfere with a tenant's life, health, or safety within seven days of notice. For less severe issues, the repair window is fourteen days. Failure to comply can result in tenants:

- Terminating the lease without penalty
- Withholding rent to cover repair costs
- Seeking actual and punitive damages in court
- Additionally, landlords must provide alternative accommodations, such as a comparable dwelling or hotel room, at no cost to the tenant if the unit becomes uninhabitable.

Obligations for Disability-Related Modifications (HB24-1318)

Under HB24-1318, effective August 7, 2024, landlords are required to allow and finance reasonable modifications to rental units requested by tenants with disabilities. Previously, tenants bore the cost of such modifications. Landlords cannot condition approval on the tenant agreeing to restore the unit to its original state upon move-out.

Changes to Occupancy Limits (HB24-1007)

Effective July 1, 2024, HB24-1007 prohibits local governments from enforcing occupancy limits based on familial relationships. However, municipalities can still impose limits grounded in health and safety standards, such as building and fire codes. Landlords should review and adjust lease agreements to ensure compliance with local regulations.

Prohibition of Rent Price Gouging During Disasters (HB24-1259)

HB24-1259, effective August 7, 2024, restricts landlords from increasing rent by more than 10% during a declared disaster period. Violations can lead to legal action and financial penalties.

Eviction Data Reporting Requirements (SB24-064)

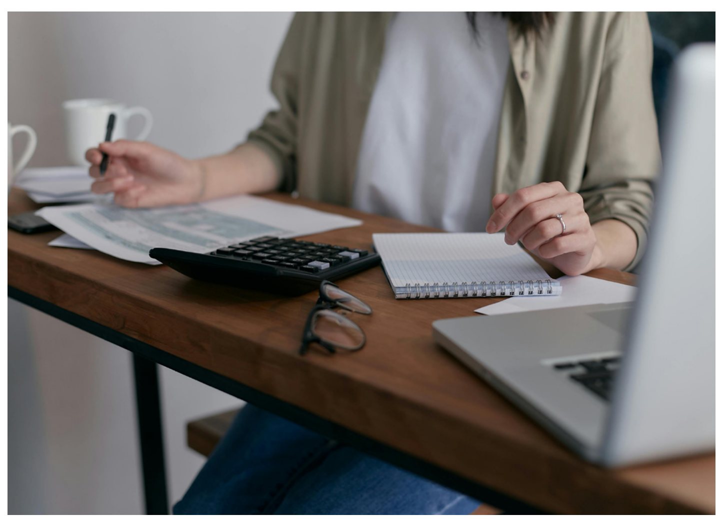
SB24-064 mandates that counties collect and report eviction filing data, enhancing transparency in the eviction process. Landlords should anticipate increased scrutiny and ensure that all eviction proceedings are well-documented and legally justified.

Recommendations for Landlords

Given these legislative changes, landlords should consider the following actions:

- **Review and Update Lease Agreements:** Ensure that lease terms comply with the new laws, particularly concerning renewal clauses and habitability standards.
- **Enhance Maintenance Protocols:** Develop a responsive maintenance system to address repair requests within the stipulated timeframes.
- **Educate Property Management Teams:** Train staff on the new legal requirements to ensure consistent and lawful management practices.
- **Consult Legal Professionals:** Seek legal advice to navigate complex situations, especially concerning evictions and tenant disputes.

By proactively adapting to these legislative changes, landlords can mitigate risks, maintain compliance, and foster positive relationships with tenants.



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Maximizing Value Before You List: Smart Pre-Listing Tips for Denver Homes

Selling a home in Denver's competitive real estate market takes more than just putting up a sign. With inventory still tight and buyers watching every dollar, strategic pre-listing preparation can make the difference between a stale listing and a bidding war.

In today's market, especially in neighborhoods near the University of Denver, buyers expect move-in-ready homes—even if your property isn't a brand-new build. Recently, I listed a home on a block surrounded by million-dollar new builds with towering square footage on small lots. My client's property was the original home on the block: charming, but with smaller rooms and only one bathroom per floor.

The sellers didn't want to invest in major renovations. So, the key became making the home feel fresh, clean, and universally appealing—without over-improving for the area or overspending.

What Repairs Make the Most Profit?

When preparing a home for market, focus on updates that provide the highest return on investment:

- **Paint:** This is hands-down the best bang for your buck. We chose Sherwin Williams' Agreeable Gray—a warm, modern neutral that appeals to the widest pool of buyers.
- **Floors:** We refinished the existing hardwood floors to make them shine like new. In the basement, replacing worn carpet with clean, neutral tones gave the space an instant facelift.
- **Kitchen Touch-Ups:** Instead of a full kitchen remodel, we added new cabinet hardware and installed a custom backsplash. This gave the kitchen a polished, modern feel without gutting the space.
- **Deep Cleaning:** Every surface, appliance, and corner was scrubbed until it sparkled. Buyers notice cleanliness—and dirty homes cost sellers money.
- **Exterior Attention:** We painted the deck, replaced damaged fence posts, and tidied up the landscaping. Curb appeal is your home's first impression; make it count.

Highlighting Income Potential

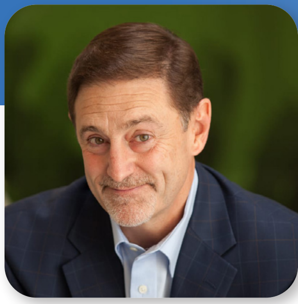
Another smart marketing strategy? We showcased the separate entrance to the basement's cozy mother-in-law suite. With Denver's rising housing costs, buyers loved the idea of offsetting their mortgage by renting out the lower level on Airbnb or to a long-term tenant. Even if they didn't want to rent it out, they had the option of extra living space or a private retreat for guests.

Watch Out for Tax Assessments

An unexpected twist—after all the work was done, the new tax assessment came in $150,000 over our asking price. The home was on the market for a month with 25 showings, so we were confident that the offer accepted was the true value. While it's nice for owners to see values climb, this can be a double-edged sword. You want to make sure the numbers are legit. Denver's budgets are tight, and higher assessments mean higher property taxes and revenues. Sellers and buyers alike should carefully review these numbers and appeal them if necessary. Tax appeals are due first week of June.

Need Advice on What's Worth It?

Navigating what to repair, replace, or leave alone can be overwhelming. That's where a local expert comes in. If you're thinking of selling and want to know exactly how to maximize your property's value without overspending, give me a call. I'll help you find the right vendors, manage the work, and make your home stand out in Denver's ever-changing market.



The Housing Market: A Look Back at 2024 and a Look Ahead at 2025

While the old maxim that a savvy real estate investor can prosper in a strong market or a weak market may be true, having an in-depth understanding of market conditions — and what's driving those market conditions — is critically important. With that in mind, let's take a look at what happened in the housing market in 2024, some of the underlying trends that led to those results, and what that all means as we move into 2025.

Economic Strength Provides a Solid Foundation

Despite all the concerns about a recession over the past few years, the U.S. economy continues to grow. The country's gross domestic product (GDP) consistently outperformed the consensus expectations throughout 2024, with quarterly growth over 2.5% each of the last three quarters — a full point higher than most economists predicted. The U.S. economy continues to outpace its peer group: the Chinese economy is a mess; most countries in the Eurozone are barely positive; and Canada has been flirting with a recession for the past year. The caveat here is the weakness of those other economies. In the event of a global recession, the U.S. economy is unlikely to emerge unscathed, so it's worth keeping an eye on global trends.

The U.S. economy is heavily dependent on consumer spending, which accounts for about 70% of the GDP. And consumers have continued to spend at record levels since exiting the COVID-19 pandemic. They've also run up record levels of debt, totaling roughly $18 trillion. While about 70% of this debt is mortgage debt (which is offset by a record amount of $35 trillion in homeowner equity), consumers have also hit record highs in credit card and auto loan debt, and are close to an all-time high in student loan debt. All of this at a time when interest rates are extremely high. Despite this, delinquency rates on consumer debt are still well below pre-pandemic levels, and far below the serious delinquency rates we saw leading up to and during the Great Recession.

Part of the reason for this is probably the jobs market, which remains very strong. Unemployment rates are still right around 4%, job growth continues to increase (despite a decline in government hiring), and wage growth is outpacing the rate of inflation.

Low unemployment, steady job and wage growth, and a strong economy all provide the kind of solid foundation that the housing market needs to thrive.

Affordability, Low Inventory Keep Home Sales Low

Despite the strong economy, existing home sales ended 2024 at just over 4 million units — the lowest number of home sales since 1995. The primary culprits were poor affordability and the limited supply of homes available for sale.

According to research from the Atlanta Federal Reserve, affordability in 2024 was the worst it's been in four decades — since the 1980's, when mortgage rates were routinely in the high teens or low twenties. In fact, there was a $40,000 gap between the median household income, and the income needed to buy a median priced home and spend 30% or less of the monthly household income on housing. Part of the reason for this limited affordability was that home prices had risen dramatically since the end of the pandemic (accelerated by the historically low mortgage rates available during the Federal Reserve's "zero interest rate policy" period). Higher mortgage rates — rates that doubled in 2022 — were also a major factor in deteriorating affordability. Property taxes rose along with home prices, and soaring insurance premiums, which went up by 52% across the country over the past three years — were also contributing factors.

Those higher mortgage rates also impacted the inventory of homes for sale, by making it difficult for current homeowners to sell their properties. This is due to what economists refer to as "rate lock," a scenario where a homeowner has a low mortgage rate, and can't afford the higher monthly payment they'd be responsible for if they bought a new home with a mortgage rate twice as high. For instance, a homeowner with a 3% mortgage on a $300,000 loan buying a $400,000 home with a 7% mortgage would face a monthly payment at least twice as high as his or her current payment — an increase most homeowners simply can't afford.

Low inventory, coupled with pent-up demand, keeps pricing from declining on a national basis. But market conditions vary, and home price trends tend to mirror inventory levels. Areas of the country with the most limited inventory — the Northeast and much of the Midwest — continue to see strong price appreciation, whereas markets which have more than adequate supply — parts of Texas and Florida in particular — are seeing year-over-year price declines. Escalating insurance costs in states hit hardest by recent extreme weather events are also contributing to weaker prices.

Affordability does appear to be getting better, albeit rather slowly. Home price appreciation has slowed down considerably: the FHFA reported annual increases of 4.5% (down from 6.5% the year before), and the Case-Shiller Index showed a yearly increase of 3.9%. Most forecasts expect appreciation to slow down further — perhaps around 2.5% - this year. The inventory of homes for sale is up by more than 25% from a year ago, and at its current rate will be back to pre-pandemic levels by the end of 2025. And mortgage rates are expected to tick down a bit by the end of the year (consensus forecast calls for rates around 6.4%). These factors, coupled with wage growth above 5%, should gradually enable more people to be able to afford to buy a home. But this limited affordability is causing first-time buyers to wait longer before entering the market: at the end of 2024, the median age of a first-time buyer was 38, 10 years older than a new buyer a decade ago. And there are millions of Millennials — soon to be followed by the Gen Z cohort — reaching this age over the next few years. So demographically-driven demand will provide a strong tailwind for the market.

New Home Sales a Bright Spot

While existing home sales languished, new home sales increased, ending the year with about 684,000 units sold. There are a number of reasons for this: Ample supply (there's an 8-month supply of new homes for sale compared to about a 3-month supply of existing homes); builder concessions (reduced prices and/or upgrades equaling about 5% of the purchase price); and favorable financing (builders paying points to buy down mortgage rates). Interestingly, new home prices have also declined since the market peak in 2022, while existing home prices have continued to increase. So, the gap between the median price of a new home and the median price of an existing home is narrower than usual.

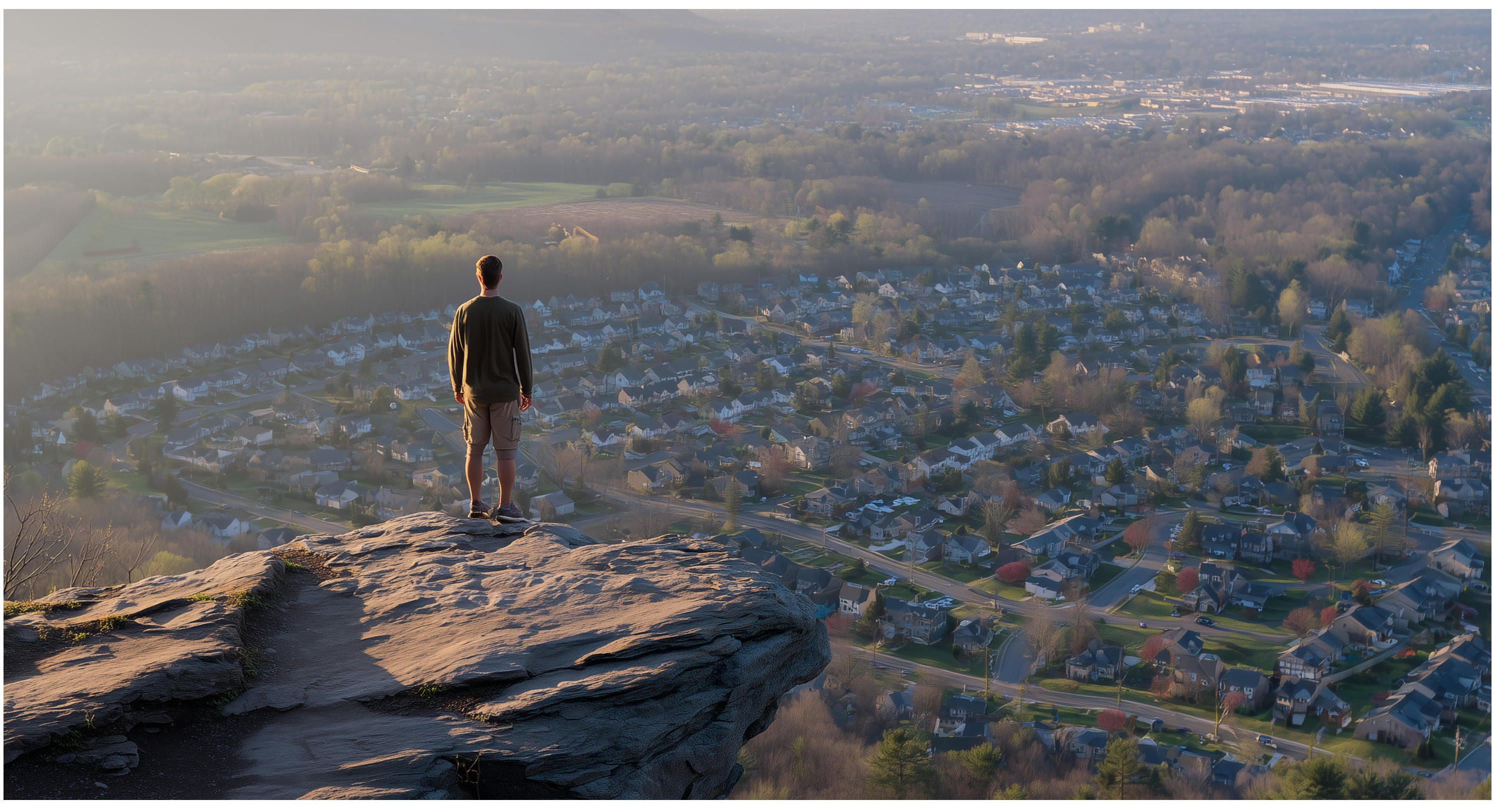
Builders are also very targeted in their efforts today, doing most of their construction in parts of the country where population is growing, like the South, Southeast and Midwest. And they've finally awakened from a decade-long slumber after the Great Recession and are building more homes: 2023 was the first time since 2006 that builders completed at least 1.5 million homes; the number of homes built in 2024 surpassed that by about 40,000 units. So, builders are doing their part to address the housing shortage that's contributed to higher home prices, and are likely to surpass their 2024 sales numbers this year.

Outlook for 2025

While market conditions are improving, and the economy should continue to provide a strong basis for better home sales, affordability will still challenge many prospective buyers. But it seems likely that the market may have bottomed out in 2024, and we should expect to see existing home sales improve at least marginally, perhaps by 5-10%. New home sales are also well-positioned for continued growth, and could easily surpass 700,000 units in 2025.

Home price appreciation should slow down further, perhaps as low as 2.5%, as more inventory — both existing homes and new homes — comes to market.

Better buying conditions bode well for fix-and-flip investors as more buyers will be attempting to enter the market. But limited affordability will also provide opportunities for rental property owners, as many prospective buyers will continue to be priced out of the market. Overall, 2025 should be the beginning of what's likely to be a slow, steady recovery in the U.S. housing market, and investors will continue to play a crucial role.



TITLE EXPERT
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Escrow Agreements Explained: Investor-Focused Closings

Creative deal structures often require sophisticated escrow arrangements to get across the finish line. Whether navigating last-minute repairs, unresolved liens, or delayed occupancy, having a title partner that understands complex escrow management is critical. Here's how we handle the four most common scenarios:

Earnest Money Escrow

Earnest money deposits are applied toward closing costs or purchase price when transactions close. However, if contracts are canceled, funds require written authorization from both parties before release. As a neutral third party, we cannot determine entitlement in disputes—we require signed instructions from both sides.

Repair Escrow

When work cannot be completed before closing but parties agree to proceed, we hold agreed-upon seller proceeds to ensure post-closing repairs. Our repair escrow agreements outline:

- Scope of repairs and firm timeline
- Payment method (contractor upon invoice or seller after buyer approval)
- Consequences for delays (funds released to buyer or used to hire alternate vendor)

Funds release only upon completion verification and written authorization from both parties.

Lien Escrow

For known seller liens that cannot be resolved before closing—contractor liens, utility bills, or HOA balances—we typically hold 150% of the outstanding amount from seller proceeds. Once official payoff statements are received, we disburse funds to satisfy the lien and return remaining balance to the seller.

This ensures buyers receive clear title while giving sellers time to resolve debts without delaying transactions.

PCOA (Post-Closing Occupancy Agreement) Escrow

When sellers or tenants need to remain in properties after closing, escrow protects buyers from potential damage, holdovers, or occupancy term breaches. Seller proceeds are held and released only when:

- Occupants vacate as agreed
- Property condition is confirmed acceptable
- Written authorization is provided by both parties

Critical Requirements

All escrowed funds require written agreement from both parties or their appointed representatives before disbursement. This protects all parties and ensures disbursements follow contract terms.

Strategic Considerations for Investors

Be Specific: Vague repair scopes or timelines create conflicts. Detail your escrow instructions.

Plan Enforcement: Agreements should clearly state fund disposition if parties don't comply with vacation or completion requirements.

Anticipate Lien Issues: Sellers should obtain lien statements early and communicate openly to avoid 150% holdbacks.

Designate Representatives: If using transaction coordinators or working remotely, ensure they're authorized in writing to sign disbursement instructions.

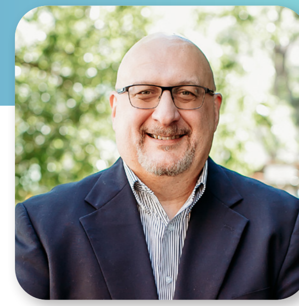
Early Communication: Loop in your title officer early to structure agreements that protect investments and align with Colorado law.

The Elevated Title Advantage

Whether you're wholesaling, flipping, or holding properties, you need a title company that understands investor business models. We have the experience and legal expertise to close complex deals cleanly and confidently.

Contact us at theateam@elevatedtitleco.com or visit www.elevatedtitleco.com to learn more about strengthening your next deal with strategic escrow agreements.

1031 EXCHANGE EXPERT
DAVID GORENBERG / DAVIDG@ACCRUIT.COM / ACCRUIT.COM



Key Deadlines and Considerations for Reporting 1031 Exchanges

As Tax Day approaches, individuals and businesses are gearing up to file their tax returns. If you completed or started a 1031 Exchange in 2024, it's important to be aware of the specific reporting requirements for your return. In this blog, we cover key tax deadlines and provide guidance on how to properly report a 1031 Exchange for the 2024 tax year.

Reporting Deadlines for Different Entities in 2025

The due dates for 2024 tax returns, based on the type of entity and form being filed, generally follow these timelines:

Individuals

- Standard Filing Deadline: Most individuals living and working in the U.S. must file their 2024 tax returns (Form 1040 or 1040-SR) and pay any taxes due by April 15, 2025.
- Extended Filing Deadline and Extension: If you elect to file for an extension, you must submit it no later than April 15, 2025, which will allow you until October 15, 2025, to file your 2024 tax return. To obtain an automatic six-month extension, file Form 4868 and pay an estimated amount to avoid penalties and interest.
- Maine and Massachusetts Residents: Due to local holidays, individuals in these states must file their 2024 tax returns by April 17, 2025.

Farmers and Ranchers

- Standard Filing Deadline: Farmers and ranchers who didn't make an estimated tax payment by January 15, 2025, must file their 2024 tax returns (Form 1040 or 1040-SR, Schedule F) by March 3, 2025.
- Extended Filing Deadline and Extension: If an estimated tax payment was made by January 15, 2025, the filing deadline aligns with the standard tax deadline of April 15, 2025. To obtain an automatic six-month extension, file Form 4868 and pay any estimated taxes due. The extended deadline is October 15, 2025.

Corporations

- Standard Filing Deadline: Corporations must file their 2024 calendar year income tax return (Form 1120) and pay any taxes due by April 15, 2025.
- Extended Filing Deadline: File Form 7004 and make an estimated tax payment by April 15, 2025, to receive a six-month extension and avoid penalties. The extended filing deadline is October 15, 2025.

Partnerships and S Corporations

- Standard Filing Deadline: Partnerships and S corporations must file their 2024 tax returns (Form 1065 or Form 1120-S) and provide each partner or shareholder with their Schedule K-1 (or Schedule K-3, if applicable) by March 15, 2025.
- Extended Filing Deadline: File Form 7004 and make an estimated tax payment by March 15, 2025, to receive a six-month extension and avoid penalties. The extended filing deadline is September 15, 2025.

Any entity reporting a 1031 Exchange conducted in the 2024 tax year must report the exchange to the IRS by filing Form 8824 with their income tax return by the applicable deadline. For a complete list of 2025 tax deadlines, visit the IRS website.

Tax Reporting Guidelines for Various Property Types

Raw Land

For the sale of raw land, gains or losses must be reported on Form 8949, with the results transferred to Schedule D. If the property has been owned for less than a year, the sale is reported as a short-term gain or loss, while ownership of a year or more qualifies it as a long-term gain or loss. When calculating the adjusted basis, it is important to track the purchase price, associated costs, and any improvements made on the property. Although raw land itself cannot be depreciated, certain improvements to the land may qualify for depreciation and must be tracked separately for accurate reporting. Additionally, if the raw land is held as investment property, it is not subject to the $10,000 SALT (State and Local Tax) cap on property tax deductions imposed by the Tax Cuts and Jobs Act of 2017. If the land is part of a 1031 Exchange, Form 8824 must also be filed.

Business Use Property

For business use property, income generated from the property is reported on Schedule C for actively managed business property, or Schedule E for passive or rental property. Deductions for operating expenses, depreciation, property taxes, and business loan interest can be claimed to offset income generated by the property. When selling business property, the transaction should be reported on Form 8949, with the results transferred to Schedule D for capital gains or losses. Depreciation recapture is required for the depreciated portion of the property and must be reported on Form 4797. If the sale involves a 1031 Exchange, Form 8824 must also be filed.

Rental Property

For rental property, income is reported on Schedule E, allowing deductions for expenses such as mortgage interest, property taxes, repairs, and depreciation. When the rental property is sold, the sale should be reported on Schedule D, and any depreciation previously claimed must be accounted for through depreciation recapture, which is reported on form 4797. If the rental property is part of a 1031 Exchange, the transaction must also be documented on Form 8824.

Depreciation and How It Affects Your Tax Return

Depreciation allows property owners to deduct the cost of wear and tear on income-producing or business-use properties over time, which reduces taxable income during ownership. However, this benefit comes with tax implications upon sale due to depreciation recapture, which requires paying taxes on the amount of depreciation previously claimed.

Eligible properties include residential rental properties, which are depreciated over 27.5 years, and commercial properties, which are depreciated over 39 years. Depreciation is calculated by dividing the property's cost basis (the purchase price minus the land value, as land is not depreciable) by its IRS-defined useful life.

Depreciation Recapture Tax

When selling a depreciated asset, the IRS requires you to "recapture" the total depreciation claimed during ownership. To calculate depreciation recapture:

1. Determine the total depreciation claimed over the ownership period.
2. Multiply the amount by the federal tax rate of 25%.

Form 4797 must be used to report the sale of business or income-producing property, detailing the purchase price, date, total depreciation claimed, and the resulting recapture tax. Details from Form 4797 are then included on Schedule D to calculate capital gains or losses. Adjust the sales price by subtracting selling expenses and the adjusted basis (original cost minus total depreciation).

To simplify calculations, utilize our Depreciation Calculator to determine your annual allowable depreciation.

*The calculator is for informational purposes only and provides an approximate estimate. Consult with your Tax Advisor for an accurate calculation based on your specific situation.

Depreciation and 1031 Exchanges

A 1031 Exchange allows you to defer taxes associated with the real estate transaction, including depreciation recapture tax and net investment income tax, when reinvesting proceeds into a like-kind property. The Net Investment Income Tax (NIIT) applies a 3.8% tax on certain investment income, such as capital gains, rental income, and interest. While 1031 Exchange defers the gain, Exchangers should be aware of how the NIIT may impact their tax reporting. When reporting a 1031 Exchange:

- Include a depreciation schedule on Form 8824 if the Relinquished Property was depreciated over the time owned. Accurate depreciation reporting is critical to accurate tax calculations and proper handling of the net investment income tax.
- The depreciation schedule helps calculate depreciation recapture, which affects your tax liability.

Since depreciation recapture rules can vary depending on the nature of the depreciable asset, consulting a tax advisor is highly recommended to ensure compliance, navigating net investment income tax implications, and maximize tax benefits.

Reporting a 1031 Exchange

When filing your taxes, any 1031 Exchange completed in 2024 must be reported using Form 8824, providing the IRS with a comprehensive record of your exchange.

Documents Needed to Complete Form 8824

Accurate and complete documentation is crucial for properly filling out Form 8824. Here is what you'll need:

- Closing Statements: These include the final settlement documents for both the sale of the Relinquished Property and the purchase of the Replacement Property(ies). They provide key details, such as sale prices, transaction dates, and any adjustments made at closing.
- Exchange Agreement: The Qualified Intermediary (QI) will provide this document, which outlines the structure of the exchange and confirms it meets IRS requirements.
- Depreciation Schedules: If the Relinquished Property was used for business or investment purposes, the depreciation schedules must be included. These are essential for calculating depreciation recapture, which may impact your tax liability upon sale.
- Timeline Records: Maintain a detailed log of key dates, such as the date the Relinquished Property was sold, the date you identified potential Replacement Properties (within the 45-day identification period), and the date you acquired the Replacement Property(ies) (within the 180-day exchange period). Many QIs will provide this information as part of an exchange summary at the conclusion of the 1031 Exchange.

Special Considerations for 1031 Exchanges Conducted in 2024

1031 Exchanges That Span Two Tax Years

When a 1031 Exchange spans two tax years, such as those initiated after July 5, 2024, the 180-day exchange period will extend into 2025. However, the entire exchange will be reported on the 2024 tax return, regardless of when the Replacement Property(ies) are acquired, provided the exchange was successful. Additionally, if any funds remain in the exchange account due to unacquired properties or failure to complete the exchange before the deadline, they cannot be returned before January 1 of the following year, potentially creating tax implications.

To fully utilize the 180-day exchange period without being impacted by the April 15 tax deadline, Exchangers initiating exchanges after October 18, 2024, must file a tax extension using Form 4868, which provides an additional six months to report the exchange and avoid forfeiting time in the 180-day window.

Failed 1031 Exchanges

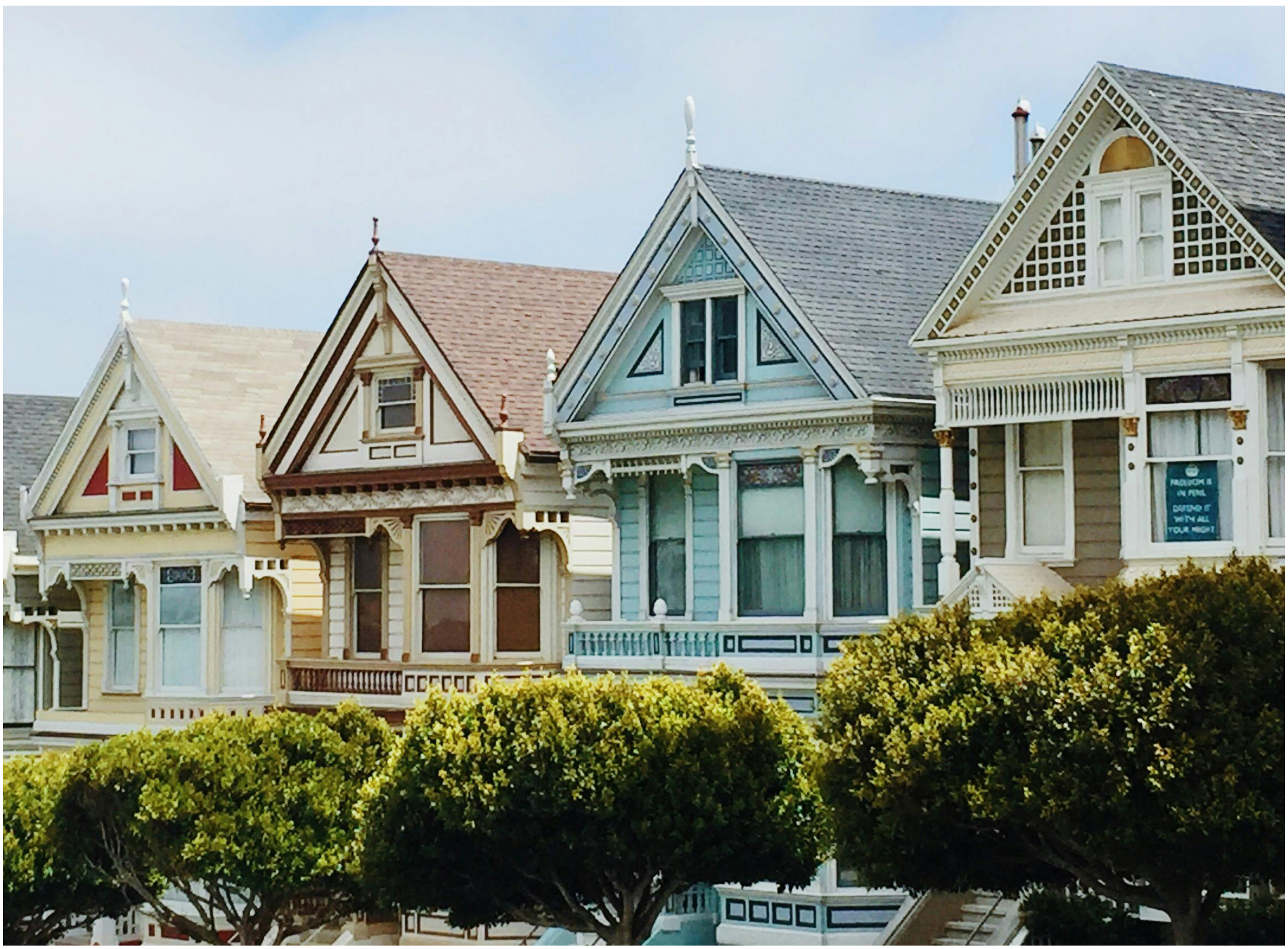
Understanding the distinction between a successful and failed 1031 Exchange is crucial to proper tax reporting. A successful exchange adheres to IRS rules, including identifying Replacement Property(ies) within 45 days and completing the acquisition within 180 days or the due date of the tax return for the year in which the exchange commenced, allowing for tax deferral to be reported on Form 8824. However, if an exchange fails, such as failure to identify or acquire Replacement Property(ies), as well as failure to fully utilize exchange funds, any unused funds are returned subject to the standard associated taxes including federal capital gain, depreciation recapture, state, and net investment income taxes.

For exchanges spanning two tax years, such as one initiated in late 2024 with funds returned in 2025, the gain is generally reported in the year the funds are received, unless a special election is made to recognize the gain in the sale year under IRS Section 453 installment sale rules. This option can provide short-term tax deferral, offering flexibility in managing tax obligations. Additionally, if the exchange results in taxable "boot" due to partial Replacement Property acquisition, installment sale rules allow taxes on the boot to be paid in the following year, rather than being paid entirely in the year of the exchange.

State-level Tax Implications

State-level tax implications can add additional considerations when completing a 1031 Exchange. Certain states, like California, have specific reporting requirements. For example, California requires Exchangers to file Form 3840 to track deferred gains within the state. This is particularly important because California does not conform to federal tax deferral rules for 1031 Exchanges. Even if the Replacement Property is located outside California, the state requires Exchangers to report the sale of the Relinquished Property and the acquisition of the Replacement Property(ies) within its jurisdiction. Additionally, California imposes tax on any capital gains from the exchange if the Replacement Property is sold outside the state without a new 1031 Exchange, and failure to comply with these reporting requirements could result in penalties. It's crucial to review the tax laws of all relevant jurisdictions, as states may have differing rules for reporting deferred gains and other tax obligations, ensuring full compliance with all state-specific requirements.

As always, we recommend that Exchangers work closely with their tax preparer, advisor, or CPA to ensure accurate reporting and compliance when filing their tax return for the 1031 Exchange. For a complete breakdown of tax items for the year, visit the IRS website.



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