THE AZREIA ADVANTAGE

ARIZONA REAL ESTATE INVESTORS ASSOCIATION NEWSLETTER

"AZ Real as it Gets"

JUNE 2024

Contents

ARIZONA REAL ESTATE INVESTORS ASSOCIATION

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Mortgage Rates – Are They Goin' Back Down?

by Aaron Chapman
SecurityNational Mortgage Company

A very common question from potential home buyers and residential real estate investors is, "Is now a good time to finance real estate given our current rate environment?" We have many in the lending industry who may have a hard time answering this question because the rates are significantly higher than their lowest points over the past few years. There could be a large portion of those in the lending industry that started there *after* the crash of 2008. The time following that experience has seen unusually low interest rates because of the quantitative easing put in place by the Federal Reserve. We saw this policy start changing in 2018 reversed in 2019 and then back to changing to what they referred to as quantitative tightening in 2022. That quantitative tightening has led to steep increases in interest rates in a rapid period of time.

Summarizing from sources such as Investopedia; Quantitative easing is a monetary policy tool used by central banks to stimulate the economy by buying government securities and other financial assets from banks and financial institutions what affected our interest rates most was the purchasing of mortgage-backed securities. This involves increasing the money supply in the economy by injecting new money into the financial system to lower interest rates and encourage lending and investment. This process is typically employed by central banks when traditional interest rate policies are ineffective, such as during times of economic recession.

Although the rates are higher now than what they had been since the onset of "Quantitative Easing" they are still lower than what the average has been since 1971. When reviewing the history of rates provided by Freddie Mac, we find that the average interest rate on a 30-year fixed for your average homeowner is 7.75% since 1971. When you're looking at the history of those same rates from 1971 until the end of 2008 which is prior to the quantitative easing or injection of capital into the market from the central banks, you will find that the average interest rate for the average homeowner using a 30-year fix is 9.12%. Presently we are seeing lower rates than these for real estate investors looking to use conventional financing to purchase up to 10 finance properties with agency-backed financing.

Barring any enormous injection of capital from a source such as the central banks, I firmly believe that we will not see interest rates reach the point that we did during the period of quantitative easing from 2009 to 2022. Looking at the history of interest rates, it can be seen that we experienced over 40 years of decline. It is believed that it's possible that we could see 40 years of increasing interest rates. If that is the case and we experience a continued increase in interest rates as a reverse of what we have experienced the interest rates today are the lowest that they will be for some time.

Having a long-term instrument like a 30-year loan, with a fixed interest rate can turn that instrument into a significant asset in a rising-rate environment. Additionally, since that rate is fixed for that entire period of time and we are operating within an inflationary environment that has continued to erode the dollar's value consistently over the years

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Phoenix

Monday, June 10 – 5:15 pm

- Market Update & Trends with Tina Tamboer
- Making Buy and Hold Deals Work in a High-Interest Environment with Aaron Chapman
- Networking & Tradeshow

Tucson

Tuesday, June 11 – 5:15 pm

- Market Update & Market News
- Making Buy and Hold Deals Work in a High-Interest Environment with Aaron Chapman
- Haves & Wants

EXECUTIVE DIRECTOR'S MESSAGE

Embrace Challenges and Grow with AZREIA

Real estate investing is nothing short of an adventure. It's a path filled with opportunities and challenges that test our determination and shape our success.

When getting started in real estate, you're filled with excitement and ambition. You see the potential for financial growth and independence, and you're ready to dive in.

As you step into this new world, you quickly realize it's not just about buying properties and cashing checks. Instead, you encounter unexpected challenges: market fluctuations, hard-to-find deals, and unforeseen expenses. Each of these challenges is a new threshold you cross, pushing you further into the unknown.

These challenges test your determination and problem-solving skills. But it's through these very trials that you grow and learn.

Along the way, you don't have to do it alone. This is where the strength of our AZREIA community comes into play, providing the support and guidance you need. This mentorship helps you navigate the complexities of the market and makes your real estate journey less daunting.

Every investor has moments where they want to throw in the towel. You might hit a particularly tough stretch or perhaps a deal falls through. But these moments are crucial. They test your resilience and your commitment to your goals.

It's through facing these hardships that you transform. You become more resilient, resourceful, and confident. You learn to see problems not as obstacles but as opportunities for growth and innovation. This shift in perspective is the key to overcoming any challenge.

After navigating the ups and downs, you return to AZREIA stronger and wiser. You've gained knowledge and experience that not only benefits you but also inspires and supports your fellow investors. Your story uplifts the entire AZREIA community, showing what's possible with perseverance and the right mindset.

The reward for your hard work is a thriving real estate portfolio and the satisfaction of knowing you've grown as an investor. You've turned challenges into wins and obstacles into opportunities.

As you continue on your path to financial freedom, remember that every challenge is an opportunity for growth. Embrace your personal experiences, support your fellow investors, and view each problem as a chance to learn and improve. Together, we can achieve great things.

Thank you for being part of AZREIA. Let's continue to strive, learn, and grow together.

Smarter Investing,
Michael Del Prete
AZREIA Executive Director

Mortgage Rates – Are They Goin' Back Down?

Continued from page 1

one can find that they never even pay back the principal that they borrowed over that 30-year window because of the fact they're paying it back with a declining instrument like the US dollar. That inflation has provided the need for increasing rents fairly consistently having the real estate investor continue to increase their income year over year while the bank or funding institution that loaned for 30 years receives the exact same dollar amount month over month but receiving actually less month over month because of the decline of the value of that which they are being paid back with.

Real estate investors can see double-digit increases in their cash flow while the banks themselves that put up the majority of the capital for their real estate investment business are seeing compounded declines in the value of their repayment period because of this fact alone: having a fixed instrument for 30 years that a tenant is paying off makes this author believe that amortization of the loan itself as one of the greatest gains one can have as a real estate investor. Cash flow, tax benefits, and appreciation are big cherries on top of the Sundae. The predictable return is having somebody else pay off the lender with a declining instrument like the US dollar. Every dollar paid down is a dollar added to your return on investment.

Crafting Your Vision into Reality: Custom Homes, Cabinetry, Additions & Renovations

by Sina Sabeti

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Welcome to Niksi, where innovation meets craftsmanship to create spaces that truly inspire. From conceptualizing architectural marvels to constructing custom homes, and breathing life into interiors through renovations, Niksi is your partner in elevating your living experience.

Custom Home Builds: Your home is an embodiment of your identity, and our team of experts at Niksi ensures it resonates with your individuality. Collaborating closely with you, we craft custom homes that encapsulate your vision. Each detail is meticulously crafted to reflect your style.

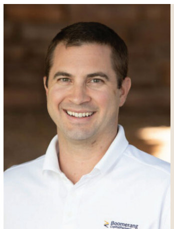
Home Additions: As your life evolves, your space should adapt. Niksi specializes in seamless home additions that not only expand your square footage but also harmonize with your existing layout. Our thoughtful approach ensures your extended space feels like an integral part of your home.

Major Renovations: Our driving force is the pursuit of excellence. Rooted in innovation and a commitment to client satisfaction, we strive to push the boundaries of design and construction. Every project is a testament to our dedication to crafting spaces that stand the test of time.

As we celebrate the artistry of transformation, we extend our gratitude to our clients, partners, and the community for their support. Your trust fuels our aspiration to reach new heights of design and construction.

AZREIA ADVANTAGE: FINANCING PROFESSIONAL

The Season to Make It Rain



by
Andrew
Bang

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by Rob Jafek
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Are you ready for May 27th?

May 27th is the day to sell a house. THE DAY.

How was this determined? ATTOM combs through more than 155 million U.S. residential and commercial properties, covering 99 percent of the nation's population, looking at property tax, deed, mortgage, foreclosure, environmental risk, natural hazard, and neighborhood data and then validates, standardizes, and enhances the real estate data. For this analysis, over 59 million single-family home, and condo sales from 2011 to 2023 were analyzed. Researchers concluded that the first half of 2024, particularly May, February, and April, offers the highest premiums for home sellers. The month of May 2024 turns out the best at a 13.1 percent premium and the actual day of May 27th topped the list with a 16.2 percent premium[1]!

In terms of the specific day of the week, many real estate experts suggest that listing a house for sale on a Thursday can be advantageous. This allows the property to generate interest over the weekend when many potential buyers are actively searching for homes and Thursday listings give interested buyers time to schedule viewings for the upcoming weekend. So, maybe pick May 26th to beat the crowds.

As a seller, what if you miss it? And wait - what if you are a buyer, rather than a seller?

Don't stress. These supposed effects are not nearly as significant as the clickbait would have you imagine and fade away when considering a few factors. Nevertheless, knowing that these conclusions exist may help you, whether you are a buyer or a seller.

Highest Premium

A good place to start is by determining what is meant by the 'highest premiums?' The 'premium' is how far over the final house price is relative to the asking price. Let's look at what has happened to the asking price. Frequently, it has been marked down for a few months, and this is especially true this year. In November of last year, the CEO of Redfin said, "We're getting more markdowns now than at any point since at least 2015" and declared the market "dead as a doornail."[2] Now let's look at the magnitude and consistency of that effect. January is the slowest month of the year, in terms of volumes. This is a constant across data sets (I'm using Zillow to allow me to drill down into MSAs and because it's free, so you can do your own analysis[3]). Using data since 2008, the difference between the worst month and the best month is .7, meaning that the best month for sales (usually in June) is 70% higher than the worst month, which is always January. How quickly does this 70% get made up? In the US aggregate half of that difference is made up by the end of March, so it bounces back quickly and reliably. The premium comes from tired sellers marking down prices because of the slow volumes and then goes away when buyers return. Once that overhanging inventory is cleaned up, things go back to normal. This year the market which was "dead as a doornail" going into a historically slow period, is making its way out and we see things will recover.

That is what we see looking at the US as a whole. What about Phoenix? The effect is even more muted. First, comparing the best month with the worst month (no surprise it is January), the difference in Phoenix is only 50%. But by the end of March, almost all of that is made up and volumes remain constant. In fact, drop January and February from the analysis and the effect remains within the US dataset, although weak, in the Phoenix analysis, it is no longer statistically significant.

What we can all take away from this: there are opportunities all year in residential real estate, but January is just really bad. Fortunately, in Phoenix, these seasonal effects are way more muted than in the rest of the country.

1 https://www.attomdata.com/news/most-recent/attom-best-days-to-sell-a-home-analysis-2024

2 https://www.resiclubanalytics.com/p/housing-market-resale-activity-dead-doornail-redfin-ceo-says

3 https://www.zillow.com/research/data/ Sales Count Nowcast

AZREIA ADVANTAGE: 1031 EXCHANGE EXPERT

Understanding Depreciation Recapture: A Key Consideration for Investment Properties

by Michael Velasco

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Investing in real estate can be a lucrative venture, offering opportunities for both short-term gains and long-term wealth accumulation. One of the significant benefits of owning investment properties is the ability to take advantage of tax deductions, including depreciation. However, while depreciation can provide immediate tax benefits, it's essential to understand the concept of depreciation recapture and its implications for your investment strategy.

What is Depreciation?

Depreciation is the process of deducting the cost of an asset over its useful life. In the context of real estate, the Internal Revenue Service (IRS) allows property owners to depreciate the value of their buildings over time. Land cannot be depreciated, but structures and improvements on the land can.

Depreciation Recapture Explained

Depreciation recapture is a tax provision that requires property owners to report any gain on the sale of depreciated property as ordinary income, rather than as capital gains. When you sell a property for more than its depreciated value, you must "recapture" the depreciation you previously claimed as tax deductions over the years of ownership.

How Does Depreciation Recapture Work?

Let's illustrate depreciation recapture with an example:

Imagine you purchased an investment property for $300,000 several years ago. You have been depreciating the property at a rate of $10,000 per year for tax purposes, which means you have claimed a total depreciation of $50,000 over five years.

Now, suppose you decide to sell the property for $350,000. While you may have only gained $50,000 in terms of market value, you will need to recapture the $50,000 in depreciation you previously claimed. This amount is taxed at your ordinary income tax rate, which could be higher than the capital gains tax rate.

Tax Implications of Depreciation Recapture

Depreciation recapture can have significant tax implications for property investors. Since the recaptured depreciation is taxed at ordinary income rates, investors may face higher tax liabilities upon the sale of their investment properties.

It's essential to plan for depreciation recapture when considering the sale of an investment property. Proper tax planning strategies, such as 1031 exchanges or utilizing tax-deferred retirement accounts, can help mitigate the tax impact of depreciation recapture.

Strategies to Minimize Depreciation Recapture

While depreciation recapture is a mandatory tax provision, there are strategies investors can employ to minimize its impact:

1. **Utilize 1031 Exchanges:** A 1031 exchange allows investors to defer capital gains taxes by reinvesting the proceeds from the sale of one investment property into another "like-kind" property. By continuously rolling over your investments through 1031 exchanges, you can defer depreciation recapture taxes indefinitely.
2. **Timing of Sales:** Consider the timing of selling your investment property to optimize your tax situation. If possible, strategically plan the sale to coincide with years of lower income or to spread out the tax impact over multiple years.
3. **Consult with Tax Professionals:** Work with experienced tax professionals or financial advisors who specialize in real estate investments. They can help you navigate the complexities of depreciation recapture and develop tax-efficient strategies tailored to your investment goals.

Conclusion

Depreciation recapture is an essential consideration for investors in rental properties or other real estate assets. While depreciation provides immediate tax benefits, recapturing that depreciation upon the sale of the property can result in higher tax liabilities. By understanding the implications of depreciation recapture and implementing tax-efficient strategies, investors can effectively manage their tax exposure and maximize returns on their investment properties.

Self-Directed IRA vs. the Infinite Banking Concept

by Olivia McGraw

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Many real estate investors are familiar with the concept of using a self-directed IRA to finance portions of their portfolios. It can be an appealing strategy due to its potential for high returns and diversification. Implementing the Infinite Banking Strategy would never take away from the value of a Self-Directed IRA, but instead, could create greater opportunities and additional tax-advantaged assets.

The Infinite Banking Concept (we call it IBC) revolves around utilizing properly designed Whole Life insurance policies to build a cash reserve that policyholders can access through policy loans. Implementing IBC provides liquidity, tax advantages, and financial flexibility. The cash value within the policy grows tax-deferred, and policy loans are typically tax-free, allowing policyholders to leverage their cash value for various financial needs without interrupting the growth of the underlying funds. Unlike an IRA, when a loan is repaid, the gains do not need to go back into the policy. The gross growth of the policy happens independently of any other way the loan was used. The taxes may also be deferred indefinitely, as long as the policy stays in force. If designed and used properly, policy loans are deducted from the inevitable death benefit, with the remainder going tax-free to the beneficiaries.

IBC excels in providing liquidity, financial flexibility, and tax advantages within the framework of a life insurance policy. Policy loans may be used for anything one wishes- and the loan is unstructured. You simply receive an annual statement for the loan interest which can be tax deductible if used for business expenses or real estate investments. This interest is deductible because technically it goes back to the life insurance carrier. If one is already familiar with using a self-directed IRA, accessing, and using policy loans may feel like a breeze in comparison.

Many call IBC the "AND Asset" (there is even a book with this title discussing the very topic). IBC functions with any existing financial strategies, including a self-directed IRA. Often real estate investors believe they need a significant sum set aside to start IBC. However, time is more important than actual amounts. A young client starting in her twenties with $500 a month has the added value of a decade or two of compounding interest growing inside her policy, compared to someone older with three times that amount of premium. With the premiums remaining liquid, she can easily begin her REI journey and IBC simultaneously - depending on which area of REI she chooses to start.

One hundred percent of all people will eventually pass away but not all will pass on the death benefit of a life insurance policy. A benefit that is tax-free, bypasses probate, and goes directly into the hands of the ones you want to receive the gift. If you would like to know specific examples, we would love to meet with you!

Set up a free consultation today with:

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The Great Insurance Meltdown of 2024

by Derek Kartchner

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For most investors, insurance is an enigma. The reason behind the rates, what's covered and what's not, doesn't make much sense. In the last year, one of the most common insurance questions I get is: "What in the world is going on with insurance?" Because an already difficult subject has gone crazy. Well, it's a hard market. What does that mean? It means it's currently the insurance equivalent of the 2008 real estate meltdown. Companies are losing money and getting downgraded; it's a mess. It's known in the insurance world as a hard market. What is a hard market, and what does it mean? A hard market is defined as a period with high premiums and limited coverage options. Why? Because there are only two levers that insurance companies can use to right the ship, so to speak: rates and underwriting.

1. **Insurance Rates** are the first lever. In a hard market, they skyrocket faster than your blood pressure during a tax audit. Suddenly, your once-affordable premiums are ballooning. It's as if the insurance companies have decided to upgrade your ticket price from economy class to first class while making you ride in the cargo hold. Higher rates mean increased costs to insure your properties, which translates to less money in your pocket. Your dreams of becoming the next real estate mogul? Well, they're now competing with your insurance premiums for survival. Is this real? Yes! In the last couple of years, we have seen mortgage brokers go from defaulting insurance at a rate of $600/year to $1200 per year. Double, because that is what they are experiencing, not just with your company, but with EVERY company in the market. In a recent article, I saw that insurance rates in Arizona had increased 50% year over year. Yes, it's ugly. Well, I will just switch and get lower premiums. In the words of ESPN's Lee Corso, "Not so fast, my friend!"

2. Why? Well, onto the other lever, **underwriting**, the insurance equivalent of a super-picky roommate. In a hard market, underwriting gets stricter than a bouncer at a VIP club. Gone are the days of easy approvals. Now, insurers are scrutinizing your properties like they're auditioning for a reality TV show. They want detailed inspections, endless documentation, and assurances that your property isn't prone to spontaneous combustion or alien invasions. Think I am joking? Areas in Tucson, San Tan, Scottsdale, Glendale, and more are currently classified as uninsurable due to wildfire risk. REALLY, wildfire? Yes. If your properties are in a disaster-prone area or have that charming "vintage" infrastructure (i.e., old plumbing, wiring, roof, or HVAC), good luck! You might end up with coverage exclusions that expose you more than a streaker at a football game. Think I am joking? Check your policy; you will likely see higher deductibles, lower coverage for water damage, or roof limitations you didn't have just a year or so ago, and you probably didn't pay attention to the change as it was announced with your insurance renewal. It's like buying a luxury car, only to find out the dealership decided to repo the tires a year into your lease.

How long will this last? Who knows? It was supposed to be Q2 2024. Now they are saying 2025. I say it will last as long as it takes the insurance companies to make money again. Why do I mention all this? Because it means if you have an older home or a home with some issues, you might be making some coverage concessions or paying more. So, next time you see those rates and underwriting hurdles, just remember: Laughter is the best medicine, and preparation and early action, your friend. Well, those and a good insurance broker.

Maximizing Small Spaces

by Nicholas Tsontakis

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"Cities generate economic growth because ideas spread more easily when smart people are physically close to one another."

> From *The Triumph of the City: How Our Greatest Invention Makes Us Richer, Smarter, Greener, Healthier and Happier*
> - by Edward L. Glaeser

Maximizing small spaces in homes and apartments in urban settings presents significant economic benefits for investors, citizens, and municipalities. For the investor, the increase in rental income is an obvious benefit, for the citizen, more affordable rents, and for the municipality, the less obvious benefits come from the interactions and spreading of ideas by more people separated by less space.

Urban areas, like Phoenix's downtown core, face high demand for housing which drives up rental prices. By optimizing small spaces, property owners can create more functional and appealing units, attracting a greater number and a broader range of tenants. Optimizing in this case does not just suggest getting the largest quantity of units in the least amount of area, it also strives for maximum quality in a limited footprint. Small spaces need to be designed efficiently *and* effectively to command higher rents per square foot compared to larger, less effectively used spaces. This allows property owners to maximize their income from each unit, making better use of the limited real estate available in crowded urban environments.

Small, well-designed spaces can reduce overall housing costs for tenants, making urban living more affordable and accessible. When small apartments are designed to maximize utility and comfort, they offer a viable option for individuals and families seeking affordable housing solutions. Increasing the supply of desirable, lower-cost rental units can help to mitigate Phoenix's housing affordability issues. Additionally, well-designed, small spaces often come with lower utility and maintenance costs, further reducing the financial burden on tenants, and making urban living more economically viable.

Lastly, the economic benefits extend to the broader urban economy. As more people can afford to live in city centers due to the availability of effectively designed, compact units, urban areas can experience increased economic activity. Residents contribute to local economies through their spending on goods and services, supporting local businesses and job creation. Moreover, a higher density of residents in urban centers can lead to more efficient public transportation systems and infrastructure use, reducing the need for costly suburban expansion and infrastructure development. And, perhaps most importantly, as suggested by the quote at the beginning of this article, the sharing and exchanging of ideas in densely populated areas, kickstart economies. This increased economic activity helps to create vibrant, sustainable urban communities, ultimately benefiting property owners, residents, and the city.

Navigating the New Non-Compete Ban

by Michel J. McGirr

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On April 23, 2024, the Federal Trade Commission (FTC) finalized a rule banning non-compete clauses in employment contracts. This significant change, to become effective 120 days after the rule is published in the Federal Register, which is to occur in August 2024, impacts how businesses protect their interests. The purpose of this article is to provide some quick insight into the rule and what you can do to protect your interests in light of this rule change.

Understanding the New Rule

The FTC's rule prohibits employers from using non-compete clauses, rendering existing agreements unenforceable and barring new ones. This shift is crucial for real estate investors and business owners who have relied on these clauses to safeguard their competitive advantage.

Implications for Your Business

For Arizona-based real estate investors and business owners, the ban on non-compete clauses necessitates exploring alternative protective measures. While non-competes provide security, effective alternatives exist to maintain your business edge. In fact, for the past few years, Phocus Law has been instructing clients to rely less upon the court's fickle enforcement of non-competes, and has instead, instructed, and assisted clients in protecting their interests through means that are more directly targeted at protecting the customers and information that is most valuable.

Effective Alternatives: Non-Solicit and Confidentiality Agreements

Non-Solicit Agreements: A properly drafted non-solicit agreement effectively restricts employees, both during their employment with your company and after, from soliciting your company's clients, customers, or other employees or essential business relations. By utilizing a non-solicit, you ensure that employees and/or former employees do not take the essential business relationships you work so hard to develop with them when their employment is over. A non-solicit can restrict a former employee from contacting your customers, from marketing directly to your customers, from interfering with your supplier or vendor relationships in a manner that would diminish your company's relationship with those vendors, and so much more.

Confidentiality Agreements: A properly drafted confidentiality agreement protects your company's sensitive information from being improperly used and from being disclosed to competitors or the public. By utilizing a confidentiality agreement, you can ensure for your business that your valuable proprietary information, trade secrets, client lists, and potential client lists, developments, and business strategies remain confidential, allowing your company to be the sole party to benefit from those pieces of information you have worked so hard to develop.

Adapting to the New Rule

It will be necessary for you to cease relying upon non-compete agreements to ensure compliance with the new FTC rule. However, the alternative mechanisms for protecting your interests, as described above, are more effective and will more durably stand up to scrutiny from courts if challenged. Identifying the types of relationships and information that are most valuable to your business, and then protecting those with non-solicit and confidentiality terms, will ultimately benefit your business just as much, if not more, than having non-compete terms in place.

For many years, Phocus Law has been helping businesses protect their relationships and information from parties that may try to usurp it, including former employees. We would be happy to assist you in doing the same. We can be reached by email at Mick@PhocusCompanies.com or by phone at (602) 457-2191.

LEGALLY SPEAKING

Q: I had an applicant apply for a home that I had listed on a few different websites. This home should have been listed for $2,424.00 however, due to a typo, the home was actually listed for $2,242.00 – basically a $200 difference. Can we tell them that the home is actually $2,424.00 or do we need to honor the $2,242.00 price?

A: You are dealing with two different parts of the law at the same time, and the issue must be analyzed under both laws. First, under contract law, you aren't contractually bound to a price until the lease is signed. It is common for parties to negotiate, and neither party is bound until the negotiating is done and the contract is signed. However, you must be aware that they could raise consumer fraud claims and argue bait and switch. People regularly file such claims with the Attorney General Consumer Protection division. You would have to argue it wasn't intentional, it was just a mistake, and show how it was a mistake. In other words, you aren't legally bound until the lease is signed, but they could raise other complaints that you would defend.

– Mark B. Zinman, Attorney, Zona Law Group, P.C.

Information contained in this article is for informational purposes only and should not be considered legal advice. You should always contact an attorney for legal advice and not rely on information published here.

AZREIA Member Investment Products

neighborhood loans

Your Neighborhood Lender

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    - *Heloc/Heloan*
    - *Limited to No Doc*
    - *5 to 7 Day funding*
- ***DSCR Loans (no doc loans)***
    - *15% Minimum Down*
    - *No Ratio DSCR Availalable (lower ltv)*
    - *Short Term Rental Rates Used*
    - *Multi Family*
- ***Asset Based Loans***
- ***Foreign National DSCR***
- ***Blanket Loans (up to 25 units)***
- ***Fix and Flip***
- ***Commercial Loans***

Discover Effective Real Estate Investment Strategies…

by
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…Using a Self-Directed IRA for Every Budget

In the realm of retirement planning, Self-Directed IRAs (SDIRAs) have emerged as a powerful tool, offering investors the freedom to diversify their portfolios beyond traditional stocks and bonds. Real estate, in particular, stands out as a compelling avenue for wealth accumulation within SDIRAs. From seasoned investors to newcomers, individuals can leverage SDIRAs to tap into a myriad of real estate investment strategies, tailored to their unique financial circumstances and real estate investment appetite. In this month's article, we explore the diverse array of real estate investing strategies that can be implemented using a Self-Directed IRA, accommodating varying balances ranging from $50,000 to more than $300,000.

Real Estate Investing with a $50,000 Balance

For investors with a modest retirement account balance of $50,000, real estate remains an accessible and lucrative option within the SDIRA framework. One common strategy is to explore fractional real estate investing, wherein multiple investors pool their resources to collectively invest in high-value properties either directly or through the use of entities (i.e., Limited Liability Companies (LLCs), Limited Partnerships (LPs), Private Funds, Syndications, etc.). Crowdfunding marketplace platforms specializing in real estate can offer co-investing opportunities to participate in fractional ownership, allowing investors to diversify their portfolios without the burden of property management. Additionally, individuals can consider investing in private funds managed by professional asset managers, which provide exposure to a diversified portfolio of properties and real estate asset types while offering the potential for capital appreciation.

Real Estate Investing with a $150,000 Balance

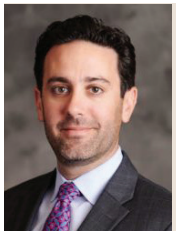
With a slightly larger balance of $150,000, investors can explore more direct forms of real estate investment within their SDIRAs. One strategy is to acquire rental properties, leveraging the rental income to generate steady cash flow and build long-term wealth. Single-family homes, multi-unit residential properties, and even commercial real estate can be viable options depending on the investor's risk tolerance and investment objectives. Alternatively, investors can consider fix-and-flip ventures, purchasing distressed properties, renovating them, and selling them for a profit. While this strategy entails higher risks and active involvement, it offers the potential for substantial returns within a relatively short timeframe.

Real Estate Investing with a $300,000 Balance or More

For investors with a more substantial balance of $300,000 or more, the possibilities within the realm of real estate investing expand further. One strategy is to explore private lending, wherein the SDIRA acts as a lender, providing funds to real estate developers or other investors in exchange for interest payments and collateral. This approach offers the potential for attractive returns while providing greater control over the investment terms and mitigating some of the risks associated with direct ownership of properties. Additionally, investors can consider investing in real estate syndications or partnerships, pooling their funds with other investors to acquire larger-scale properties such as apartment complexes, commercial buildings, or industrial parks. This strategy allows investors to access institutional-grade assets while leveraging the expertise of experienced operators and diversifying risk across multiple properties.

Regardless of the balance in your Self-Directed IRA, real estate offers a plethora of investment opportunities to suit your financial goals and risk appetite. Whether you're starting with $50,000 or have a more substantial balance of $300,000, there are strategies available to help you harness the power of real estate within the confines of your retirement account. By diversifying your portfolio with real estate investments, you can build wealth, generate passive income, and secure your financial future in a tangible and sustainable manner. Best of all, any profits being generated from these effective real estate strategies are not subject to taxes because you are using a Self-Directed IRA!

Governor Vetoes Squatters Bills



by Mark Zinman

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There has been a lot of coverage on social media lately of squatters and their depriving property owners of possession of their property. Florida was the first state to address this issue and created a bill to expedite the process of removing a squatter. Arizona appeared to be following suit when the legislature passed a bill similar to Florida's law, but it was vetoed by the Governor on April 23, 2024. Therefore, the bill is dead, and the issue of squatters continues.

When we say squatter, we are referring to a person without a lease (whether oral or written) who breaks into a home and claims they are a tenant or otherwise have a right to be there. A squatter is not a tenant who stays past the end of their lease, or a tenant who refuses to pay rent. We are talking about someone who has no legal right to possession.

We regularly see this with our single-family clients, who may have a vacant home on the market. When the owner goes for a showing to a potential buyer or tenant, they find that someone is living in the home already – they have beds and other furniture set up and refuse to leave. (Incredible we know, but it happens). Usually, the client will call the police to remove these trespassers, but if it looks like they established residency and live there, the police often claim it's a civil matter and that the person needs to be evicted. The property owner would then have to serve a demand for possession and start the eviction process. Oftentimes, these squatters play legal games, making the eviction very expensive and timely. In other states where evictions can take months, this is especially devastating to property owners.

There have been numerous stories like this in the press and social media recently. There is a well-published case where a woman in New York was arrested after trying to remove squatters.

As a result of this press this year, Florida passed a law allowing a property owner to sign an affidavit saying that the person in the home is not a former or current tenant and has no right to be there. The police can then rely on that affidavit to remove the occupant. If a person is wrongfully removed, they have a right to sue the owner, but this gives the owner possession of the property in the interim.

Following Florida's lead, the Arizona legislature passed a similar bill giving owners the same rights to sign such an affidavit. However, it was vetoed by Arizona Governor Katie Hobbs.

Therefore, the status of the law remains unchanged – if a property owner finds a squatter in their home, and the police won't do anything, they will have to go through the full legal process to get back their property.

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by Directed Trust Company

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Did you know that your IRA or 401(k) can invest in real estate? It's true! There are currently 38 trillion dollars in U.S. retirement accounts—making it one of the most untapped resources of investable wealth to invest in real estate.

IRAs can own rental properties, fund real estate deals, private lend, and so much more. **Schedule a Call with Directed IRA** (based in Phoenix) and we'll walk you through setting up an account and how to get started!

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Use your own IRA funds to purchase real estate, generating rental income and appreciation within your IRA.

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Private Funds
Invest in multifamily syndications and private funds using your retirement account.

AS SEEN ON: NBC NEWS FOX NEWS

What is a Self-Directed IRA?
A self-directed IRA is an IRA that can invest into any investment allowed by law. Real estate is the most common investment for self-directed IRAs. This includes rentals, flips, lending, multifamily, syndications and private funds.

Funding Your First Deal
The Directed IRA team has helped 20,000+ investors set up self-directed IRA accounts with over $1.8B in assets under custody. Everyone has unique goals and circumstances—our experienced team is ready to answer your questions and help you get the ball rolling.

BOOK A CALL W/ DIRECTED IRA | OPEN AN ACCOUNT

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PadSplit

April '24 Phoenix Market Update:

Previous Month Stats

Total Unit Count:
496 (72 properties)

Occupancy:
83%

Weekly Rates:
$215/week ($935/mo)

Days for First Booking in New PadSplit:
2.2

Days to 80/100% Occupancy
15.7/30

Current Month Stats

Total Unit Count:
587 (83 properties)

Occupancy:
79%

Weekly Rates:
$212/week ($918/mo)

Days for First Booking in New PadSplit:
3

Days to 80/100% Occupancy
21.1/32.6

padsplit.com

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AZREIA ADVANTAGE: MONTHLY MEETINGS

AZREIA Phoenix Meeting	AZREIA Tucson Meeting	Phoenix Real Estate Club
Monday, JUNE 10	Tuesday, June 11	Tuesday, June 25
In-Person 5:15 pm	In-Person 5:15 pm	In-Person 6 pm
Venue 8600	Tucson Association of Realtors	AZREIA Office
8600 E Anderson Dr	2445 N Tucson Blvd	4527 N 16th St #105

Join us for our monthly meetings to learn what you need to do to make your real estate investing business successful. This month in Phoenix we are joined by Tina Tamboer for our Market Update and Aaron Chapman to teach you how to invest in buy and hold real estate even when interest rates are high. Timely, market-driven information and education make these meetings a must see. Don't miss it!

Phoenix Market Update & Market Trends Discussion

The Market Update and Trends presentation will equip you with the necessary knowledge to stay ahead of the competition in the ever-changing world of real estate. Whether you're a seasoned investor or just starting out, this is information you cannot afford to miss. With our reliable data and expert analysis, you'll gain the confidence to make informed decisions that will help you maximize your profits and grow your business. Don't miss out on this opportunity to learn from the best!

Phoenix Meeting – *Making Buy and Hold Deals Work in a High Interest Environment with Aaron Chapman*

It's no secret that we are in a different real estate environment as a whole than we've been in the past. That's not to say there aren't still plenty of phenomenal deals out there if you know what you're looking for. A lot of investors are walking away from good deals right now because they can't make the numbers work. Aaron Chapman is a pro when it comes to understanding how important it is for an investor to know how to make a buy and hold deal work in any environment, especially one with high interest rates. Here's what you can expect from his presentation:

- What does a good long-term hold deal look like in today's high interest rate environment
- How to calculate your deals based on NEW formulas, not old ones
- How you can nail down deals that other investors are walking away from because they don't understand it
- What your end goal should be (HINT: It's not Cap Rate or Cash-On-Cash Return)
- Why investors can't make the numbers on a 30-year fixed rate mortgage work like they used to
- Where interest rates are heading, and why rates coming down won't help you make deals work

Aaron's goal is to empower investors to have the confidence to make their long-term hold deals work at any time. Don't miss this opportunity to learn how to do the math the RIGHT WAY so you don't leave money on the table!

Tucson Monthly Meeting

We will be joining in-person for all the great networking sessions including Haves & Wants, a Market Update for the Tucson area, and a presentation from Aaron Chapman on Making Buy and Hold Deals Work in a High-Interest Environment.

See Phoenix Meeting

Phoenix Real Estate Club

This is some of the best real estate networking anywhere! Meet face-to-face with other investors to find out what your real estate investing business needs! Haves & Wants, structured networking activities, market discussion, and Member Deals. It all still happens!

AZREIA ADVANTAGE: CALENDAR OF EVENTS

Check www.azreia.org for the current schedule.

JUNE MEETINGS

AZREIA – Phoenix	AZREIA – Tucson	Phoenix Real Estate Club
Monday, June 10	*Tuesday, June 11*	*Tuesday, June 25*

JUNE SUBGROUPS – Join like-minded investors, share ideas, network, and learn in small group settings.

- **Prescott Subgroup**
  Monday, June 3
- **Tucson New Investors – In-Person & Online**
  Monday, June 3
- **AZ Women in Real Estate(AZWIRE)**
  Tuesday, June 4
- **Income Property Owners (Buy & Hold)**
  Thursday, June 6
- **Tucson Cashflow 101 Board Game**
  Saturday, June 8
- **Beginning Investors Subgroup**
  Thursday, June 13
- **Multi-Family Subgroup**
  Monday, June 17
- **Financial Independence through Real Estate (F.I.R.E.) - In-Person & Online**
  Tuesday, June 18
- **Experienced Real Estate Investor Happy Hour**
  Wednesday, June 19
- **Notes Subgroup**
  Thursday, June 20
- **Beginner's PadSplit Subgroup**
  Thursday, June 27
- **Fix & Flip Subgroup**
  Wednesday, June 26

Launch Pad Group Session

Saturday, June 1, 2024 | 9:00 am – 1:30 pm

The Launch Pad Group Session is for AZREIA Members and future members new to real estate investing who want to dramatically increase their probability of success and shorten the time to complete real estate investment deals to reach their financial objectives. Launch Pad is designed to take months off your development cycle and get you focused where you need to be focused! AZREIA is here to help you get started the correct way and help you design your personal pathway to achieving your goals and changing your life. Want to get started today? You can take the Entrepreneurial Self-Assessment for free right now! Visit azreia.org/entrepreneurial-self-assessment/

Make Yourself Bankable

Saturday, June 15, 2024 | 9:00 am – 1:00 pm

This comprehensive course guides you through the prequalification essentials, helping you maximize your investment potential with critical insights into credit scores, income verification, and asset management. Learn how different credit score models affect your borrowing capabilities, explore income types for optimal debt-to-income ratios, and discover the importance of asset seasoning in your financial strategy. Perfect for both new and seasoned investors, this class sets the stage for advanced topics like the BRRR strategy and real estate appraisals, ensuring you are well-prepared to make informed investment decisions. Join us to transform your real estate ambitions into bankable successes!

UPDATED INFORMATION & REGISTRATION ONLINE AT WWW.AZREIA.ORG/CALENDAR

THE AZREIA SHOW

HOSTED BY MARCUS MALONEY & MICHAEL DEL PRETE

REAL ESTATE INVESTING STORIES, INSIGHTS & STRATEGIES FROM THOSE WHO'VE BEEN THERE

FOLLOW US ON SOCIAL MEDIA & WHEREVER YOU LISTEN TO PODCASTS

VISIT **AZREIA.ORG/SHOW** TO SEE OUR LATEST PODCASTS & TO SIGN UP FOR UPDATES!

Deal Finders Club

Real Estate dreams on hold?

With work, kids, and everything else going on, time is limited. You might feel like you've got the world on your shoulders and not to mention *you have a bad back.*

If you just had someone to lean on and push you in the right direction, you know things would happen much faster!

Then you might consider checking out the Deal Finders Club, a community of investors eager to sign more contracts, close more deals and get ahead in life. The DFC provides weekly coaching, a thriving online community, and all the education you need to be confident.

DFC is your fastest path to closing your first deal.

To learn more head over to azdfc.com

AZREIA MONTHLY MEETINGS AT A GLANCE

June 10th Phoenix Meeting

- **Phoenix Market Update & Market Trends with Tina Tamboer** The Market Update and Trends presentation will equip you with the necessary knowledge to stay ahead of the competition in the ever-changing world of real estate. Whether you're a seasoned investor or just starting out, this is information you cannot afford to miss.
- **Phoenix Main Meeting: Making Buy and Hold Deals Work in a High-Interest Environment** It's no secret that we are in a different real estate environment as a whole than we've been in the past. That's not to say there still aren't plenty of phenomenal deals out there if you know what you're looking for. A lot of investors are walking away from good deals right now because they can't make the numbers work. Aaron Chapman is a pro when it comes to understanding how important it is for an investor to know how to make a buy and hold deal work in any environment, especially one with high interest rates.
- **Networking & Trade Show** Join for investor-to-investor networking and an expo of our local investor-friendly Business Associates to help build your team and do more deals!

June 11th Tucson Meeting

- **Tucson Market Update**: The latest sales volume, pricing, supply, and demand numbers for both the Tucson market.
- **Tucson Main Meeting: Making Buy and Hold Deals Work in a High-Interest Environment** It's no secret that we are in a different real estate environment as a whole than we've been in the past. That's not to say there still aren't plenty of phenomenal deals out there if you know what you're looking for. A lot of investors are walking away from good deals right now because they can't make the numbers work. Aaron Chapman is a pro when it comes to understanding how important it is for an investor to know how to make a buy and hold deal work in any environment, especially one with high interest rates.
- **Haves & Wants, Power Networking and Deal Sharing:** Come prepared to listen, learn, and share.

June 25th Phoenix Real Estate Club

- This is some of the best real estate networking anywhere! Meet face-to-face with other investors to find what your real estate investing business needs! Haves & Wants, structured networking activities, market discussion, and Member Deals. It all still happens!

Don't Forget to Use AZREIA's Premier Business Associates!

rent perfect
An Investigative Screening Company
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Heather@RentPerfect.com

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Nate Hare
nate.hare@directedira.com

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Contact memberservices@azreia.org for more details

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| Notes | Property Managers | Self-Directed IRA | Tenant Screening | Title & Escrow | Virtual Assistants | Wholesalers |

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$125 / YEAR Pay as you go for your own personalized AZREIA experience	**$249 / YEAR** $309 PLUS Family Option: Add one family member to your membership	**$0**
Monthly Events	**Monthly Events**	**Monthly Events**
✓ AZREIA Chapter Meeting ($10/Meeting)	✓ AZREIA Chapter Meetings FREE	✓ AZREIA Chapter Meeting ($20/Meeting)
✓ Phoenix Real Estate Clubs ($10/Meeting)	✓ Phoenix Real Estate Club FREE	✓ Phoenix Real Estate Clubs ($20/Meeting)
✓ Subgroup Meetings ($5/Meeting)	✓ Subgroup Meetings FREE	✓ Subgroup Meetings ($20/Meeting)
The Home Depot Discounts	**The Home Depot Discounts**	**The Home Depot Discounts**
✓ The Home Depot Rebate	✓ The Home Depot Rebate	X The Home Depot Rebate
✓ The Home Depot Paint Discount	✓ The Home Depot Paint Discount	X The Home Depot Paint Discount
✓ The Home Depot Cabinet Discount	✓ The Home Depot Cabinet Discount	X The Home Depot Cabinet Discount
✓ The Home Depot Appliance Discount	✓ The Home Depot Appliance Discount	X The Home Depot Appliance Discount
Education & Seminars	**Education & Seminars**	**Education & Seminars**
✓ Significant Member Only Discounts	✓ Significant Member Only Discounts	✓ Guest Pricing
✓ $30 Launch Pad	✓ $30 Launch Pad	✓ $100 Launch Pad
Additional Features	**Additional Features**	**Additional Features**
✓ Discounts from AZREIA Business Associates	✓ Discounts from AZREIA Business Associates	X Discounts from AZREIA Business Associates
✓ Access to Market Updates & News Charts	✓ Access to Market Updates & News Charts	X Access to Market Updates & News Charts
✓ AZREIA Newsletter & Blog	✓ AZREIA Newsletter & Blog	✓ AZREIA Newsletter & Blog

AZREIA

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