

Arizona Real Estate
Investors Association
1841 North 24th Street, Suite 10
Phoenix, AZ 85008

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Meeting January 8, 5-9 p.m.
www.azreia.org

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AZREIA Monthly Meetings at a Glance

Phoenix Workshop – *Prescriptions & Predictions Expert Panel*

Join us for our annual in-depth discussion on the Greater Phoenix real estate investor market. What will work in 2018 and why. Where the market is heading and how you should participate.

Market Update & Market News *with Alan Langston*

The latest in trend analysis for the US, Arizona and Greater Phoenix. Plus, the latest Market News affecting your business. This is must know information for the serious real estate investor.

Phoenix & Tucson Main Meetings – *The Hidden Market with Tony Youngs*

The competition is fierce and you will learn how to get an edge. You will be trained how to get really good at finding the best and most profitable deals. Tony has a gift of passing it on to you in an easy to understand format and you will be ready to roll.

Phoenix Real Estate Club – *The Best Real Estate Investing Networking Anywhere!*

Haves & Wants, Structured Networking activities and the Market Discussion all combine to make the Club an integral part of any active investor's month. There will be a timely presentation or discussion topic, too!

Prescott Main Meeting – *Strategies for 2018*

A description of three main strategies: Buy-Hold, Fix-Flip, and Wholesaling, and the trade-offs between these approaches.

The AZREIA Advantage

Arizona Real Estate Investors Association Newsletter

“AZ Real as it Gets”

JANUARY 2018

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1841 North 24th Street
Suite 10

Phoenix, AZ 85008

480.990.7092

fax 480.990.7017

www.azreia.org

The “Hidden” Market – The Wave of the Future

by Tony Youngs

The Hidden market consists of all those distressed properties you have seen in neighborhoods where there is no pride of ownership. You know, the ones with high grass, peeling paint, overgrown bushes etc. Usually they are in nice neighborhoods. They can be vacant or occupied, but none of them have for sale signs, no ads in the paper, not on the internet or MLS and because of this, nobody knows these homes can be bought. Maybe you pass by them every day and never even give them a second look. There are also hidden markets that are not obvious, I will teach you how to discover those opportunities also.

In the year 2018, you may want to change your perception of these hidden gems. You see, as we came out of the great foreclosure crisis, and values started to return, so did the demand. Hedge funds were buying everything they could get. Canadians were coming into the market, and investors were coming out of the woodwork. Suddenly it seemed there was not much inventory. Listed properties were getting multiple offers and there is too much competition at the foreclosure auctions. Great deals are few and far between. There is always somebody that will pay a higher price than you.

The Hidden Market is the answer. There are hundreds of distressed off market properties that you can get at bargain prices because there is hardly any competition. In the hidden market, you will find properties that are in default, but the foreclosure process has not been started. You will find properties where an owner has died but the heirs don't have the desire or the funds to fix it up, you will also find distressed free and clear properties, bankruptcy properties and plenty of homes with equity.

That is exactly what I will be teaching about at the main meeting. You will be taught the “secret” of getting these offers accepted. You simply must find a way to find properties that not many people know about. There are three options for profit in real estate that

anyone can do to be successful, whether you have money or not.

Option 1: If you have no money, & no partners, this would be for you. You get really good at finding good deals. There is no risk on your part, but you must be willing to do the legwork. This can be very lucrative as there are many cash investors that would take what you find. There is a right and a wrong way to do this and you must know how to do it legally.

Option 2: This is for you if you have money or have access to money. This option is where you are good at finding distressed hidden market properties, but you actually close on

them and take title. Then you clean it up, do a few of the repairs but leave plenty of work for the investor you are going to sell to. The reason option two is lucrative, is because you don't have to do a major rehab job, but you are selling the property to a cash investor instead of a retail buyer who is trying to get a loan.

Option 3: This option is where you fix it up all the way and list it on the MLS. It takes more time, but you make much more profit, if you do it correctly. This also requires you to have money, or have access to money from IRA, cash partner, hard money, etc. Sometimes you can sell it to a cash buyer who wants a long-term rental.

I personally do all three options, but I recommend you pick one that fits your resources and then focus on it. You will need to get really good at finding good deals and the hidden market is where you will find them. As more and more investors come into the marketplace, you must learn about, the “Hidden Market”. Make plans to attend the main meeting and then join me all day for an intense workshop that you will be able to implement right away.

You need a system and the discipline to follow it. A system of finding unlisted properties when you buy and using the MLS when you sell. That is how you make profit today. Over the last 10 years, I have mastered the hidden market. All you need is desire.





Executive Director's Message

AZREIA Expert Panel on the 2018 Market & An Exciting New Program for New Investors

In the January 2017 AZREIA Advantage newsletter I wrote: “Our local real estate investment market is poised to start the year as one of the strongest seller’s markets in some time. Our rental market continues to expand in terms of units and rent increases. While things can certainly change, current information strongly suggests a great 2017 for real estate investors.” Looking back, that without doubt, turned out to be true.

During our January meeting we will have our annual panel discussion, “Prescriptions & Predictions”. Our market is full of certainties and uncertainties. Our expert panel will discuss the ways they plan on attacking the market in 2018 along with where they think the market is headed and why. While we are exiting, 2017 is a very strong market. Where 2018 goes is yet to be determined. Now is a great time to get valuable opinions from market experts and successful investors.

Engagement Process for New Investors

During the first quarter of 2018, we expect to complete the beta testing of an exciting new program for AZREIA members new to real estate investing. Please watch for details of this exciting new program. Here is a sneak peak...

While there are many effective ways to reach your goals, as a new real estate investor it is important to define a clear path that is designed personally for you and gives you the highest opportunity for success.

AZREIA has designed a program for people new to real estate investing to dramatically increase their probability of success and shorten the time to completing real estate investment deals to reach their financial objectives. With over 15 years assisting members, we believe we are qualified to quickly help you through this process.

Many, if not most, new investors want to jump right in to doing deals not knowing how different investment strategies match with obtaining different types of goals or how their personal life situation can drastically impact their opportunity for success if they choose the wrong way forward. Virtually all new investors start without a clearly defined path. Without a path your odds of success plummet. Let AZREIA get you started the correct way and help you design your personal pathway to achieving your goals and changing your life.

Our program is divided into four steps:

1. Self-Assessment – A personal survey to determine if you are suited to be a real estate investor and whether active or passive investing best suits you.
2. Self-Evaluation – A thorough look at your personal situation and needs.
3. Determining Your Optimal Investing Path
4. Personal Consultation – Working with AZREIA to document your precise path and action items toward achieving your objectives.
 - a. Primary and Secondary Objectives
 - b. Motivating Factors
 - c. Optimal Investing Path
 - d. Suggestions for your Investing Strategy, Property Type, Acquisition Approach and Funding Source
 - e. Education Plan/Options
 - f. Team Building/Networking Plan
 - g. Timeline

We will keep you informed of our progress towards launching this new program.

Smarter investing,
Alan Langston



Property Listings

Complete listings online:
www.azreia.org

Single Family Detached	Address	City	Price	Beds / Baths	Contact	Telephone
Wholesale / Realtor	13616 N. 41st Pl	Phoenix	\$179,900	2 / 1	Bill Ianuzi	480-787-9988
Wholesale/Owner/Agent	5138 N. 20th Ave	Phoenix	\$179,900	5 / 2	Andrew Ament	480-540-5151
Wholesale/Owner/Agent	10845 N. 44th Ln	Glendale	\$179,000	3 / 2	Andrew Ament	480-540-5151
Wholesale/Owner/Agent	17401 N. 16th Ave	Phoenix	\$177,500	4 / 2	Luke Basler	480-798-9522
Wholesale/Owner/Agent	16210 N. 159th Ave	Surprise	\$176,000	3 / 2	Ivo Draginov	602-622-0397
Wholesale/FSBO	3811 N. 8th St	Phoenix	\$172,000	5 / 2	Stuart Gethner	480-443-4500
Wholesale/Owner/Agent	16802 N. 18th St	Phoenix	\$165,000	4 / 2	Andrew Ament	480-540-5151
Wholesale/Owner/Agent	1405 N. 41st St	Phoenix	\$159,900	6 / 3	Andrew Ament	480-540-5151
Wholesale/Owner/Agent	922 N. Miller Dr	Tucson	\$154,000	4 / 2	Jim Schneider	520-800-4080
Retail / Realtor	9232 N. 14th St	Phoenix	\$149,000	2 / 1	Margy Zylder	623-694-6401
Wholesale/Owner/Agent	5550 N. 61st Ln	Glendale	\$145,000	4 / 2	Ivo Draginov	602-622-0397
Wholesale/Owner/Agent	11450 N. 57th Ave	Glendale	\$142,000	3 / 2	Ivo Draginov	602-622-0397
Wholesale/Owner/Agent	3733 W. Flynn Ln	Phoenix	\$140,000	3 / 2	Stuart Gethner	480-443-4500
Wholesale / FSBO	18 E. Ponderosa Ln	Phoenix	\$137,500	2 / 2	Stuart Gethner	480-443-4500
Wholesale/FSBO	4326 E. Monte Vista Dr	Tucson	\$123,900	3 / 2	Wayne Schwab	602-377-0020
Retail / FSBO	812 S. Plumer Ave	Tucson	\$105,000	1 / 2	Lawrence Bates	480-823-7012
Retail / Realtor	104 South Richard Ave	Superior	\$99,500	3 / 2	Steve Shochet	602-954-7715
Wholesale/Owner/Agent	5980 S. Hopdown Ln	Tucson	\$99,000	2 / 1	Greg Bilbro	480-280-2649
Wholesale/Owner/Agent	3633 W. Ross Ave	Glendale	\$89,000	3 / 2	Ivo Draginov	602-622-0397
Wholesale/Owner/Agent	703 W. Colt Cir	Payson	\$69,000	2 / 2	Ivo Draginov	602-622-0937
Wholesale/Owner/Agent	13500 E. 46th St	Yuma	\$55,000	1 / 2	Ivo Draginov	602-622-0397
Wholesale/FSBO	113 Ash Ave	Newport News	\$29,500	3 / 2	Cornelius Baker	480-788-5606
Wholesale/Owner/Agent	172 E. Halby Ct	Globe	\$11,000	1 / 1	Ivo Draginov	602-622-0397

Retail / Land

Wholesale	4249 N. 34th St	Phoenix	\$399,000	.2 acre	Sam Grooms	480-326-5272
Wholesale	21835 W. Wilson	Wittman	\$46,500	.15 acre	Michael Goodman	623-695-3567
Wholesale	13745 W. Marlett Ave	Litchfield Park	\$27,000	.15 acre	Ivo Draginov	602-622-0397

Mobile Home w/Land

Retail/Realtor	22310 W. Mellow Dr	Wittman	\$65,000	.15 acre	Margy Zyler	623-694-6401
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Condo / Townhouse

Wholesale / Owner / Agent	7350 E. Rovey Ave	Scottsdale	\$275,000	3 / 3	Chris Durham	602-663-4743
Retail/Realtor	18650 N. 91st Ave 3601	Peoria	\$225,000	3 / 2	Rosalind Rogers	480-818-2140
Wholesale / FSBO	1500 W. Rio Salado Pkwy Unit 143	Mesa	\$127,000	3 / 2	Recia Davis	602-358-6370
Wholesale / FSBO	1051 S. Dobson Rd Unit 52	Mesa	\$123,500	3 / 2	Recia Davis	602-358-6370
Wholesale / FSBO	948 S. Alma School Rd Unit 124	Mesa	\$85,500	2 / 1	Recia Davis	602-358-6370
Wholesale / Owner / Agent	1730 W. Emelita Ave #1016	Mesa	\$70,000	1 / 1	Ivo Draginov	602-622-0397
Wholesale / FSBO	7122 W. Hazelwood St	Phoenix	\$30,000	2 / 1	Corey Geary	520-235-9187


Multi-Housing

Wholesale	500 E. Peppertree Ave	Apache Junction	\$519,000	6 units	Stuart Gethner	480-443-4500
Wholesale	2536 W. Morten Ave	Phoenix	\$175,000	Duplex	Stuart Gethner	480-443-4500
Wholesale	2617 W. Augusta Ave	Phoenix	\$15,000	Tri-Plex	Stuart Gethner	480-443-4500

Note: All real estate advertising in this newsletter and on our website is subject to the Federal Fair Housing Act of 1968. Please visit www.azreia.org for complete notice on fair housing and for additional information on each property listed.

AZREIA Calendar of Events

Check www.azreia.org for the current schedule.

<div><div>HAPPY New Year 2018</div></div>		MONTHLY MEETINGS		SUBGROUPS	
<div>WISHING YOU GOOD HEALTH, MUCH HAPPINESS AND TREMENDOUS SUCCESS!</div> <div>ALAN, JOAN, MICAH, DAVE, LISA, LEANNE & MAUREEN</div>		<div><div><div>• AZREIA – Prescott Tuesday, January 2</div><div>• AZREIA – Phoenix Monday, January 8</div><div>• AZREIA – Tucson Tuesday, January 9</div><div>• Phoenix Real Estate Club Tuesday, January 23</div></div></div>		Subgroups are an important benefit of AZREIA <i>PLUS</i> membership. Join like-minded investors, share ideas, network, and learn in a relaxed and comfortable setting	
				<div><div><div>• Income Property Owners Thursday, February 1</div><div>• Beginning/New Investor Tuesday, January 9</div><div>• Burley Tuesday, January 9</div></div><div><div>• Notes Thursday, January 18</div><div>• Take Aim! Wednesday, January 31</div><div>• Fix & Flip Wednesday, January 31</div></div></div>	
<div>Start the New Year on Track!</div> <div>with Tony Youngs</div>		<div>Tony Youngs has been perfecting his strategies and techniques and creating his own unique system for acquiring foreclosure and hidden market properties for over 20 years. His years of hands on experience have given him the extreme knowledge and powerful techniques that he will share in this session. Join Tony on:</div> <div><div>1/10/18 6-8pm for a special drill down session on Bankruptcy</div><div>1/13/18 9am-4pm on Hidden Markets</div></div>			
<div></div>		<div>INFORMATION & REGISTRATION ONLINE AT WWW.AZREIA.ORG</div>			

LEGALLY SPEAKING

Q: What is the most common Investors' mistakes you see AZREIA investors (not landlords) make?

A: Investors mistakes usually fall into one of two categories – (1) they don't understand the written contracts they are using for various real estate transactions or (2) they fail to disclose defects when they sell a property. These mistakes are usually made by investors beginning in this industry, not just AZREIA members. The good news is these mistakes can be easily avoided. First time investors often think that if they are buying a home from someone, they should automatically use a purchase contract.

However, if they don't want to take title or are paying off over time, a purchase contract may not be the way to go. We regularly see realtors do this – they are too comfortable using the AAR forms, that they use such forms even for more creative real estate transactions. Except in rare cases, an AAR form should not be used for a transaction where closing is set off several months. As to failing to disclose, many investors do not follow the old adage of over-disclosing – no seller of property has ever been sued by giving out too much information.

Mark B. Zinman, Williams, Zinman & Parham 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 Advantage: Insurance Expert

Building Code Changes: Are You Covered by Your Insurance Policy?



Clark Sanchez,
Insurance Agent

1555 E. Glendale Ave.
Phoenix, AZ 85020

by
Clark Sanchez

(602) 277-2655
clark@clarksanchez.com

Most insurance policies say that they will re-build or repair the same home, if it is damaged or destroyed by a covered insurance claim. Most owners with a \$250,000 house would never expect that the insurance policy would pay to replace that house with a \$1 million home. But so much hangs on those key words: *the same home*.

Your insurance policy may pay the costs to recreate an identical home, but the local building codes may not allow the same house to be re-built. Very often, changes to the building code will require that the design or materials used in the new construction, be different than the original home. For reasons of safety, health, and general welfare, the building codes are constantly being revised and updated.

Today, in the United States, most areas follow the International Commercial or Residential Code (ICC/IRC), plus additional codes for electrical, plumbing, and mechanical. All 50 states and the District of Columbia follow these codes. Only the City of Chicago still has its' own unique set of building codes.

When changes are made to the code, existing homes are usually 'grandfathered', meaning that they are not required to make changes now, to meet the new code.

The AZREIA Advantage

But a major remodeling or repairs after a significant fire or storm damage, frequently will trigger the requirement that the home comply with the current building code. For example, the City of Scottsdale has required fire sprinklers in all residential homes since about 1986. And, any existing home must have fire sprinklers retro-fitted when repairs or renovations involve 25% or more of the structure.

Additional examples of building codes changes are stronger joists and beams in the attic, higher 'fire walls' between condos or townhomes that are adjacent to one another, safer location of skylight windows, and placing all gas hot-water heaters on an elevated pedestal to reduce the likelihood that gasoline or paint fumes (that are heavy and stay on the floor), will not be ignited by the pilot light or hot water burner, etc. etc. etc.

Over the years, most insurance companies have added 'building codes' coverage to their insurance policies for *owner-occupied* homes, but virtually none have made this coverage standard for the insurance policy

for investor-owned rental properties. That's really a shame, because in most cases the cost to add this coverage is only about \$10 per year. This option provides a separate fund that is usually 10% of the amount that the house was insured for. That means a house insured for \$250,000, would have a special fund of \$25,000 to be used for the extra costs associated with building code changes.

While a hot water heater pedestal might cost \$100, many requirements are a lot more costly, so the \$10 or so cost to add "Building Codes" coverage is definitely worth it. Check with your insurance agent today, to be sure you have this coverage. I definitely recommend adding this option, if you do not already have it.

CLARK SANCHEZ is a 37-year Arizona insurance agent who has been a Vendor-Affiliate with AZREIA for over 13 years. You can contact Clark if you have any insurance related questions at clark@clarksanchez.com.



Clark Sanchez, Agent

Serving Arizona REALTORS® since 1980

We Can Insure Your Arizona Home

Office Hours

Mon-Fri 8:00 am-5:00 pm
Saturday 9:00 am-1:00 pm



Office: 602.277.2655
Mobile: 602.803.2179
Fax: 602.241.0702

1555 E Glendale Ave.
Phoenix, AZ 85020
clarksanchez.com
clark@clarksanchez.com



AZREIA Advantage: Title Expert

Are You Purchasing the Correct Title Insurance Policy?



Jill Bright
AVP/Sr. Acc't. Manager
Sales and Marketing

Chicago Title Agency
14200 N. Northsight
Blvd., Suite 100
Scottsdale, AZ 85260

by
Jill Bright

Phone: 480-998-9298
FAX: 480-998-9307

2018 is here! Do you have your marketing plan together? Here are a few tips to think about as we head into the New Year.

Having a marketing plan in place is key to any successful business. You are running a business so let's stay focused on that!

You: The Brand

What are you doing to stand out in a market that is flooded with real estate agents and investors? You are all competing for leads, clients and commissions. Being successful in the business is all about finding customers. You need to have a system in place to generate and nurture leads. Establish your identity, message and lay the foundation for your brand. As your brand grows, so will your sphere and business.

Message: Unique Selling Proposition

When you think about what makes you unique, think outside of the real estate space. People do business with you for three reasons: they know you, like you and trust you. What have previous clients had to say about you? What will set you apart? Be different. Be remarkable.

Experience: What worked? What didn't?

Looking back at successes and failures is important in your

marketing plan. What worked? Look for trends. Are clients coming from the same sources? Are there patterns? Those are things you should continue to do! What didn't work? Make a list of activities that you received little or no ROI in the past year. Avoid doing those things!

Budget: You have to spend money to make money

Planning your budget ahead of time will keep you from overspending and it will allow you to get the most out of your money. Things to think about... How much start-up cash do you have available for marketing? Will you allocate a percentage from each commission toward marketing? Contact me today for a complimentary marketing budget spreadsheet!

Strategy: Referral Marketing & Universal Marketing

Referral marketing is business directed to you from someone you know. Universal

Marketing is business that is directed to you from marketing efforts that reach the general public. In previous articles we have talked about networking. I see deals change hands all the time because of networking. How else do people know what you are looking for if you are not out talking about your needs? Don't re-create the wheel! Build solid alliances with your sphere. Chicago Title has a toolbox of products available to you when it comes to marketing to the general public. Just reach out to us to discuss!

Make it Happen

Follow your plan, continue to evaluate the success of each activity and make adjustments as necessary. Set goals and blow them out of the water in 2018!

As the largest title company in the nation and a Fortune 300 company, Chicago Title is committed to protecting you and providing resources to do just that. Please don't hesitate to contact us with any questions you have!



Ask Chicago Title About...

Chicago Title's Investor Division handles Assignments, Agreements for Sale, Double Closings, Wraps, Subject To & Seller Carryback Transactions. In addition to these special types of transactions, we also close "normal" residential/commercial files every day.

We also have the tools you need to be successful!

- 24/7 Online Sales Comps/Transaction History
- Buyer/Seller Net Sheet Software
- Target Market Area Mailing Lists
- Lead Programs for Probate, Divorce, Tax Default
- Elusive Ownership Database to find "Off Market" Property Owners
- Weekly Notice of Default & Auction List
- Custom Marketing w/ Professional Design/Print Partner

Don't forget to ask us about our Special Investor Rates on Title Insurance!

CHICAGO TITLE AGENCY

Jill Bright | AVP/Sr Sales Executive | Cell: (602) 525-0790 and BrightJ@ctt.com

Monthly Meetings

AZREIA Phoenix Meeting
Monday, January 8
Celebrity Theatre

AZREIA Tucson Meeting
Tuesday, January 9
Tucson Assn. of Realtors

AZREIA Prescott Meeting
Tuesday, January 2
Yavapai Title

Phoenix Real Estate Club
Tuesday, January 23
Celebrity Theatre

January's AZREIA meeting is always exciting and we are sure this year's meeting is no exception. Understanding where our market is headed from successful investors and market leaders is not only important, but it is a great way to start out your investing year. AZREIA's Prescriptions and Predictions Expert Panel kicks off our 2018 meetings. Are you having trouble finding deals? Then you can't miss our featured speaker, Tony Youngs, on the Hidden Market. Of course, we will have the full Market Update with all new data and the Market News. Another meeting not to miss? Yes!

Phoenix Workshop – Prescriptions & Predictions: Expert Panel Discussion on the 2018 Greater Phoenix Investor Market

Join us for our annual in-depth discussion on the Greater Phoenix real estate investor market. What will work in 2018 and why. Where the market is heading and how you should participate. Hearing from market leaders and experts is an exceptional way to learn. This session is designed to get you informed and help you succeed throughout 2018. The panel consists of active real estate investors.

Market Update & News with Alan Langston

The latest in trend analysis for the US, Arizona and Greater Phoenix including existing homes, new homes, foreclosures and traditional sales. Full analysis of Fix & Flip and Rental markets. Plus, the latest Market News affecting your business. This is must know information for the serious real estate investor.

Phoenix & Tucson Main Meetings – The Hidden Market with Tony Youngs

Tony has years of experience throughout the country in appropriately identifying the right investment property with the right acquisition plan. Tony's experience in the industry and creativity in leveraging and standing out as a leader are only a few reasons to come hear him. He is also the author of "Hidden Market". This book describes the system of locating and acquiring properties through instinct and planning rather than signs, advertising, or fighting competition. Tony has applied this system to all 50 states through years of experience and willingness to try new things in tough markets. He has knowledge in title searches and laws for all states and is able to

speak to the nuances you need to know to avoid competition and be the leader in your market. He will cover these topics and more:

- Hidden Homes - How to find great deals with no for sale signs
- Dealing with defaulting owners
- 7 ways to profit from one foreclosure
- 5 profitable secrets of attending a foreclosure auction
- How to make offers the day after the auction on repossessed properties
- How to discount liens & 2nd mortgages

The competition is fierce and you will learn how to get an edge. You will be trained how to get really good at finding the best and most profitable deals. Tony makes approximately 20 offers per month and knows what works. He has a gift of passing it on to you in an easy to understand format and you will be ready to roll.

Phoenix Real Estate Club – the Best Real Estate Investing Networking Anywhere!

Haves & Wants, Structured Networking activities and the Market Discussion all combine to make the Club an integral part of any active investor's month. There will be a timely presentation or discussion topic, too!

Prescott Main Meeting – Strategies for 2018

We'll start with a description of three main strategies: Buy-Hold, Fix-Flip, and Wholesaling, and discuss the trade-offs between these approaches. Our panel members will discuss the issues they have encountered as they started their activities in the Prescott area.

Phoenix Agenda

5:15 – Workshop
6:00 – Trade Show & Guest Orientation
6:45 – Main Meeting – Market Update & Featured Presentation
9:00 – Adjourn

Tucson Agenda:

5:15 – Open Networking
5:45 – Networking: Investor-to-Investor, I Have – I Want, Tucson Market Discussion
7:15 – Main Meeting
8:30 – Adjourn

Prescott Agenda:

5:30 – Networking, "Haves and Wants" & Market Overview
6:00 – Main Meeting
7:15 – Adjourn



AZREIA Advantage: Lending Expert

Updates in Lending



Andrew Augustyniak
Licensed Mortgage
Loan Originator

Peoples Mortgage Co.
2500 S Power Rd.
Bldg. 11, Ste. 225-2
Mesa, AZ 85209

Phone: 480-735-4095
EFAX: 480-882-0877

by
Andrew Augustyniak

The Federal Housing Finance Agency (FHFA) has issued the maximum loan limits that will apply to conventional loans for 2018. The limits are increasing in 2018. The 2018 loan limits will be applied to Fannie Mae Desktop Underwriter the weekend of December 9, 2017. To use the new, higher loan limits you loan must have a Funding Date of 1/2/2017 or later. This is for Conventional loans only.

Units	General Loan Limits	
	Contiguous States, District of Columbia, and Puerto Rico	Alaska, Guam, Hawaii, and U.S. Virgin Islands
One	\$453,100	\$679,650
Two	\$580,150	\$870,225
Three	\$701,250	\$1,051,875
Four	\$871,450	\$1,307,175

Units	High-Cost Area Loan Limits	
	Contiguous States, District of Columbia, and Puerto Rico*	Alaska, Guam, Hawaii, and U.S. Virgin Islands
One	\$679,650	\$1,019,475
Two	\$870,225	\$1,305,325
Three	\$1,051,875	\$1,577,800
Four	\$1,307,175	\$1,960,750

* A number of states and Puerto Rico do not have any high-cost areas in 2018.

When can I use business use of home as effective income?

- FHA - Allowed
- VA - Not Allowed
- USDA - Not Allowed
- FNMA and FHLMC - Allows us to add to the borrower's income just like depreciation.

Let me know if I can be of any help to you in 2018!

AZREIA Advantage: The Real Estate Investment Specialists

Fix N Flip 101



Andy Myers

The Equity Finders/
Realty One Group

Cell (480) 688-4020
Office (480) 699-3400
2141 E. Broadway, Ste 101
Tempe, AZ 85282
TheEquityFinders.com

by
Andy Myers

So, you're looking for an investment property to flip?

Knowing how to evaluate a deal is the key to success in this business! Yet very few in the industry ever master this valuable skill. In fact, they leave out many expenses, which can cost you BIG time, if you are not taking them into consideration upon your initial property analysis.

You can find houses all day long, but it won't do you any good, unless you know how to evaluate them to ensure a profit. In fact, if you don't know how to properly evaluate and make informed, intelligent offers, you could get yourself into a LOT of trouble!

Understanding this can separate you from someone who simply buys a house and hopes it will go up in value. A true investor understands the expenses involved and doesn't make wild guesses about the future. The true investor takes calculated risks and understands how to create significant returns on their investments.

So let's talk about the 4 most important steps you need to understand in order for you to make informed, intelligent investment decisions:

Step 1: Determine the ARV (After Repaired Value)

Determining what the property will be worth once you're finished rehabbing it should always be your first step in the evaluation process.

Once you know the amount people will pay for the property, you can then determine all your expenses and figure out the optimal starting point to make a decent profit. If you don't know your ARV then you have no place to work back from.

To accurately determine the ARV you will need to look at comps, which are recently sold houses, similar to and in the same area as your subject property. Comps are used to determine the "going rate" for houses in that area and are good indicators of what your house will sell for.

To access data for comparable properties, many use services like Zillow or Redfin. But to get the absolute best information, you definitely want access to the MLS, which provides almost every detail on a property that is up for sale or has recently sold.

Step 2: Estimate Repair Costs

The next step to accurately determine an offer price is to estimate the cost of repairs.

\$20 per sq. ft. is a guideline we use to give us a pretty good idea of what it would cost to fix up a house requiring a full "standard" cosmetic rehab. Of course if you are rehabbing a higher-end house and using higher quality materials and finishes, then you are going to adjust the rate closer to \$25 or \$30 per square foot.

Step 3: Calculate for Closing and Carrying Costs

This is one area they never seem to mention on those house flipping shows. Closing and carrying cost are a large expense that you need to ready for before you purchase the property. Flipping houses won't be nearly as exciting if you find out that all your profit gets sucked up in closing and carrying costs.

Step 4: Determine Your Offer

Once you have determined your potential selling price (ARV) and you have estimated your expenses, then it becomes time to come up with an offer price. There are several formulas you can use to help you calculate what to offer on a property. But we're going to talk about the most basic and obvious one.

(ARV) – (Repair Costs) – (Closing and Holding Costs) – (Desired profit) = Offer Price

This is probably the most accurate way to determine your offer price. Basically it boils down to figuring out what you can sell the house for minus all of your expenses and desired profit to come up with your offer price.

Now that you know the 4 basic steps to evaluating potential fix and flip properties, along with a simple formula to help you calculate your offers, I know you might be feeling a little overwhelmed.

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Dawn Kirkpatrick,
SFR, CLHMS, CNE
Chris Kirkpatrick,
CRS, ABR, CRIR, CSSN, CSSPE, e-Pro, SFR, RSPS

21040 N. Pima Road
Scottsdale, AZ 85255
Bus: (480) 585-0101

Chris' Cell: (480) 326-2454
chris.kirkpatrick@realtyexecutives.com
Dawn's Cell: (480) 600-0010
dawnkirkpatrick@realtyexecutives.com

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New Court Decision on Option Agreements



Mark B. Zinman,
Attorney

Williams, Zinman
& Parham P.C.

(480) 994-4732
www.wzplegal.com

by
Mark Zinman

It is not often when an appellate court publishes a decision that affects AREIA members. Therefore, when we receive such a ruling, it's important for investors to be aware of the decision and how it impacts their business. In November, the Arizona Court of Appeals overturned a lower court ruling regarding option agreements. Ultimately, the Court of Appeals said that the option agreement was too vague on its terms and therefore it was not enforceable for the buyer to sue the seller for specific performance. Now, this doesn't end the discussion, and the case will be sent back for further litigation, but there are important points to learn from the decision.

In the case of *Offerman v. Granada*, a tenant signed an option to buy the leased property, for a price to be set by a third party independent appraiser at the end of the 24-month lease term. The specific language at issue, provided, "At the completion of the 24-month lease, the Tenant has the option to purchase [the] property . . . for a sales price to be determined at that time by an independent appraiser acceptable to both Tenant and Landlord. (Terms and Conditions to be stipulated by both parties at such time).

The tenant got his own appraiser, who set the price at \$240,000. The owner refused to sell the property for \$240,000 and refused to get his own appraiser. Ultimately, the tenant sued the owner for specific performance and asked the court to force the sale of the home. The trial court ruled in the tenant's favor and ordered specific performance – in other words, the court ordered the owner to sell the home

for \$240,000. The Arizona Court of Appeals reversed the judgment and held that the option lacked essential terms and was thus unenforceable.

The court found that by saying the terms and conditions were to be stipulated in the future, the parties' left the terms too vague to enforce. While the law will imply some standardized terms into an otherwise complete contract, merely stating that the terms are to be agreed upon later, without anything further, is not enough. The court noted that at trial, the tenant testified that he anticipated that an additional written purchase contract would be required to effectuate the sale. The appellate court noted that to order the specific performance, the trial court had to conduct a hearing to create the additional terms that were not in the agreement. For example, the appellate court noted that the contract did not identify a title agency, how fees were to be divided, division of taxes and association fees, lien releases and escrow fees. Further, there were no language of whether a seller's disclosure was necessary. Based upon all of these missing terms, the court refused to order specific performance.

It is important to remember that the court did not rule on whether the parties had a contract or whether it had been breached –

the appellate court merely said that the option was so vague that specific performance was unavailable. They left open the possibility that the tenant could still sue the seller for damages. It was stated, recognizing that contract terms may be "certain enough to provide the basis for the calculation of damages but not certain enough to permit the court to frame an order of specific performance." Therefore, the investor/owner may win and get to keep the property, but they may still be liable to the tenant for financial damages.

In a footnote, the court stated that because neither party raised the issue, it was not deciding whether the tenant could have sought an injunction to force the seller to agree upon an appraiser. This is an interesting note and possible suggestion to those practicing in the area. If the tenant had sought this, and set the value of the home, it may make any claim for damages easier.

As we always say, whenever you enter into a contract, make sure the essential terms are included. To determine this, do the same analysis this appellate court did – can you read the contract and describe how the sale is to be concluded? If not, specific performance may be unavailable and damages may be the only remedy.




Williams, Zinman & Parham P.C.

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