

THE AZREIA ADVANTAGE

ARIZONA REAL ESTATE INVESTORS ASSOCIATION NEWSLETTER

"AZ Real as it Gets"

MAY 2022

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ARIZONA REAL ESTATE
INVESTORS ASSOCIATION

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Working Together to Strengthen Arizona with Congressman Greg Stanton

I learned early on in my career that if you want to get things done, you have to be willing to work with *anyone*. This approach has served me well in Washington—whether it's attracting new high-wage jobs, protecting our water supply, investing in infrastructure, and especially as we worked to shield Arizonans from the economic effects of the pandemic.

When COVID hit, I immediately got to work to help craft relief bills that would provide Arizonans relief to weather the storm. We responded the right way—many times in a bipartisan way—to make sure the revenue loss for local government wouldn't mean job loss. We set up lifelines for small business owners, keeping their doors open, and workers on the payroll. In addition, we also put relief programs in place that would support mortgage holders, renters, and landlords alike.

We kept thousands of Arizona businesses open and saved our economy from collapse.

Today, many of the fundamentals of our economy are strong: people are

getting back to work, unemployment is at a record low, and wages are up. We're also seeing a rise in the creation of small businesses, which is partly why our national GDP is growing faster than it has in decades.

But the pandemic showed us that we still have work to do to create an economy that works for everyone.

We can continue the work to strengthen Arizona's economy by revitalizing local manufacturing and creating good jobs here in Arizona. We're in the midst of a global shortage of semiconductors that has created a backlog of cars,

appliances, and consumer electronics. That creates higher costs for consumers; it's a significant contributor to inflation.

Arizona is already well-positioned in the advanced manufacturing of semiconductors and we're ready to take the next steps. That's why I'm part of a bipartisan coalition to expand manufacturing to make more chips in the United States which will help create tens of thousands of new, high-paying jobs in Arizona.

But to make these investments in our economy and support future development and population growth, we must protect our most precious resource: water.

Phoenix ~ In-Person Monday, May 9 - 5:45pm

- Market Update & Market News
- Legislative Update with Congressman Greg Stanton
- Out of State Panel Discussion

- ### Tucson ~ In-Person Tuesday, May 10 - 5:45pm
- Market Update & Market News
 - Out of State Panel Discussion
 - Haves & Wants

Continued on page 7



What Do You Want to Know?

Several years ago, while I was at the AZREIA monthly meeting, I was watching Alan Langston do the market update as he has every month for almost 20 years now. This was around the time when single-family home prices started to drastically increase. When this happens home buyers traditionally go towards condos and townhouses because of the lower price point. Once Alan made that comment I realized what I needed to do. The next day I changed my marketing tactics, I switched all my campaigns from SFR to Condos and Townhomes, and low and behold, I started seeing the results and purchased three condos over the next 45 days. I am not the only person who has had an "aha" moment like this after getting the AZREIA market update, either.

Just this past month, David Pickron, owner and founder of Rent Perfect, came to our Income Property Owners Subgroup and also recorded a podcast interview with Marcus Maloney and me. During this interview, he said something to me that reminded me of my own story above. He told me that several years ago he attended an AZREIA meeting and during the market update Alan gave the audience some advice based on the trends in the market. David then took this advice, sold several homes, and made hundreds of thousands of dollars.

We hear stories all the time from AZREIA members where the market update has provided the valuable insight they needed to pivot their company and make good business decisions. That is because we take typical market information and present it from an investor's point of view. Because of this, we have helped thousands of members put money in their pockets and keep it there.

Our goal is to provide you with the best information you can use for your business, so why not listen to what's actually going on inside the market? Just last month at the Tucson Monthly Meeting I asked one of my panelists about what she was seeing in this hot market. Do you know what she said? There has actually been a DECREASE in the openings of escrow. So why such a hot market if there seem to be fewer people opening up escrow? I won't dive into it here, you can reach out to Business Associate Barbi Stewart from Fidelity National Title for her answer. Needless to say, this insider information is not something you will be able to find in Phoenix Business Journal. That's why I'm taking the time this month to write to you, our community, about how

we should come together to educate and help each other.

AZREIA has grown to have a few thousand members across the state. A community of this magnitude and strength has enough knowledge, data, and information to put our heads together to create real, granular market insight no one else has the ability to gather the way that we can. We can pull from all of our experiences to create an advanced market update for our members to use to grow and make smart business decisions.

An example of this was during the quarantine period of the COVID-19 pandemic. AZREIA had our monthly meetings online. Because of this, we were able to do live polling where we were able to see how landlords across the state were handling the eviction moratoriums. This valuable information showed that, compared to other polls done across Arizona and the country, AZREIA members were able to handle the eviction moratorium better on average, and the number of AZREIA landlords that were still receiving payments was extremely high in comparison. This gave us an opportunity to discuss what strategies our members were using that helped them greatly succeed during the moratoriums and be able to share that with others in the community to help us all do better during a difficult time.

We want to continue to provide valuable information like this to the community, we've decided to roll out our own market data, an "AZREIA Report" per se, and be able to share this with you to help you make even better business decisions. We will continue with our regular market updates as well, but we will also create a way to poll our members and report the findings to you for exclusive market data that you have insider access to (pretty nice to be an insider, huh?). To start, **we want to hear from you** about what specific information you want us to start gathering. You can use this link to submit any ideas you may have: <https://forms.gle/6HPMJqLivTGAKFs9> We look forward to reading your responses and thank you for your participation!

Smarter investing,

Michael Del Prete,

Executive Director, AZREIA



Co-Insurance Penalty: What It Is and How to Avoid It

COINSURANCE CALCULATION EXAMPLE

INSURED PROPERTY INFORMATION

Replacement Cost Value (RCV): \$500,000
Coinsurance (Amount of Insurance) Required:
80% (of RCV)
Deductible: \$1,000
Amount of Loss: \$50,000

INADEQUATE LIMITS OF COVERAGE

Amount of Insurance Carried - "Did" \$350,000
Amount of Insurance Required (RCV x Coinsurance) - "Should"
• (\$500,000 x 80%) \$400,000
Coinsurance Penalty Calculation Factors
1. Did / Should (\$350,000 / \$400,000) 0.875
2. Loss Amount \$50,000
3. Deductible \$1,000
Coinsurance Penalty Calculation: (1. x 2.) - 3. (0.875 x \$50,000) - \$1,000
Amount of Payment (From Coinsurance Penalty Calculation Above): \$42,750
Amount of Coinsurance Penalty (ignoring deductible): \$6,250
Loss Amount - Payment Amount (before deductible): \$50,000 - \$6,250 = \$43,750

by **Susan Gropp,**
Arcana Insurance

In the past 18 months, the most often asked question to our underwriting and account executive team is, "What is the replacement cost value of a home we are purchasing in Mayberry, USA?" While it a question that has nothing to do with the Co-Insurance Penalty Clause, it is asked in majority of the property insurance forms that cover these investment opportunities.

So, what is a Co-Insurance Penalty? A Co-Insurance Penalty is a penalty assessed by a carrier for under-insuring the replacement cost of a property. Most policies require that a property be insured for at least 80% of the replacement cost of the damaged item. When figuring out the amount of insurance needed to equal EIGHTY PERCENT (80%) of the full replacement cost of the property at each location insured - do not to include the value of land or excavations, foundations, supports, underground pipes, flue, drains, and wiring which are below the surface of the ground.

The penalty assessed will vary from carrier to carrier. One carrier may simply pay the claim at actual cash value instead of replacement cost. While other

carriers may have a formula that will dictate what is paid out depending on how under-insured the property is and the amount of damage the property sustained. An example of a formulated calculation is shown in the box above.

The carrier may also elect to pay the greater of the actual cash value of the damages or the proportion of the settlement as computed above.

Co-insurance is checked on each claim. The adjuster will run a report to determine the replacement cost of the damaged property less the items which the policy dictates be deleted from the valuation. This report is then checked against the total insured value of the property to be sure that the report valuation is within 80% of the total insured value of the property.

Carriers may assess co-insurance penalties in different ways that can be quite financially devastating. Moreover, it can inhibit you from rebuilding the property to the state it was in previously without a significant amount of additional funds from the insured. Therefore, do not be caught off-guard by a co-insurance penalty and make sure your properties are insured for up to 80% of their replacement cost.

And how do you do that with materials and labor costs skyrocketing in many areas of the country? We strongly suggest you ask a trusted General Contractor in the area where you are purchasing homes to give you their latest estimate. We also recommend regularly checking in with them and documenting those estimates in your insurance or loan file in case you may need that information when speaking with a claim adjuster at a later date.

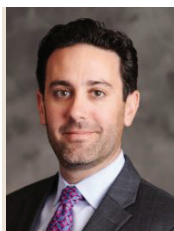
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When is a Manufactured Home Rental Not A Home Rental?



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by
**Mark
Zinman**

As investors are looking for a wider range of assets to invest in, it's common for AZREIA members to purchase manufactured homes or manufactured communities to rent out. For the purpose of this article, we will refer to such matters as mobile homes. Renting out mobile homes may be more complicated than it would appear at first glance. For instance, there are two critical issues an investor must address when renting out a mobile home: (1) Are they renting out the home or the lot upon which the home resides, and (2) What is the structure? The answer to these two questions will control which law applies.

It seems like an odd idea that you could own a mobile home and rent it out, but you are not governed by the Arizona Mobile Home Parks Residential Landlord and Tenant Act ("MH Act"). However, this is very common and the deciding factor is whether or not you are renting out the structure or if you own the land and the person owns the structure. The MH Act governs: (1) The rental of a space (2) Upon which the tenant places and resides in his/her own mobile home (3) In a mobile home park. There are a lot of factors here, so it's important to dissect each one.

First, the MH Act applies only to an MH community aka mobile home park, which is defined as "any parcel of land that contains four or more mobile home spaces." Therefore, unless you meet this standard and you own one parcel with four or more MH

lots, the MH Act will not apply.

Second, if you own a single parcel with four or more MH lots, the MH Act may still not apply even if you own the structure and rent it out. This is the critical difference in an MH community, if the landowner also owns the MH structure and rents it out, then that structure is governed by the Arizona Residential Landlord and Tenant Act ("Residential Act"), and not the MH Act. The MH Act only applies to a mobile home park rental where the tenant or a third party owns the structure and the landlord rents out the land. Additionally, this is a critical difference because, in a traditional residential rental, the landlord has substantial obligations regarding the maintenance of the building. However, under the MH Act, the owner has very few, if any responsibilities regarding the structure, because the landlord/owner does not own the structure, they own the land. This means, for example, that an air conditioner in an MH could fail, and it would not be the landlord/owner's responsibility because that landlord doesn't own the structure.

On the other hand, if the landlord/

owner does own the MH structure AND the land, then the Residential Act applies and the landlord/owner must maintain the structure. The fact that the home is a mobile home is not dispositive of who takes care of the structure. The question is whether the landlord is renting out the home or is renting out the lot in a mobile home park.

The next important question that must be answered is what type of structure you are dealing with. A mobile home is defined by law (ARS 33-1409) and depends on the size of the building and when it was built (1976 being the critical year). A person can't conclusively tell what a structure is just by looking at it since it may be a park model or recreational vehicle. To make matters even more complicated, it's possible that the RV Act may apply or the general commercial Landlord-Tenant Act may apply as well.

Overall, the lesson here is that before you buy anything or rent it out, make sure you know what you are buying and what law may apply. Happy investing!



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Check Yourself: How to Avoid Sharing Misinformation Online



by
Jill
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Social media sites like Facebook, Twitter, TikTok, Instagram, and more give people immediate access to “news” and provide a publishing platform that is simple to use and has a wide reach.

You see a compelling story and click “share.” Then off that story goes to your followers and often to the public at large. Others see it, click the share button and the cycle continues.

What if that story is misleading or fake? Perhaps you determine that and delete your post. But you can’t delete the shares. You’ve just passed along misleading information that will continue to spread across the internet.

In the real estate business, your integrity and reputation are everything. It doesn’t take long to damage both, and sharing misleading information certainly does nothing to improve either. So, how does one avoid sharing misinformation in online content?

The Problem

It’s too easy to share. All it takes is a click or a tap and you’re done. It is also quite simple not to think before clicking that share button. Then there is the sheer volume of misinformation out there along with the unreliable and far too biased sources.

Sometimes you have to wonder if there is anything out there that isn’t unreliable.

Given the volume of misinformation circulating and the ease of sharing it, the best defense against spreading misinformation is self-defense.

The Solutions

Do not share anything. Spreading misinformation can’t happen if you don’t share (or create) anything. However, this isn’t much of a solution though. Basic human nature practically forces us to share, but the “keep it to yourself” mindset is the only foolproof solution for

not sharing misleading content.

Share from reliable sources. The internet is jammed full of “news” sites. Some are good, some are bad, and some border on being criminal. In addition, virtually every media site is biased from a political perspective. Skewing to the political left or right is one thing — and difficult to avoid. What should be avoided when sharing is hyperpartisan, pseudoscience, and fringe/extreme sites.

An interactive media bias chart is also a good place to check the bias of many “mainstream” media sites. For less popular news sites, searching Media Bias/Fact Check can tell you if a source is politically biased and/or has a history of publishing poorly fact-checked material.

Fact-check everything. First and foremost, everything you post or share should be fact-checked. Yes, even if you are sharing directly from a reliable source. If you’re sharing a news-related article, Duke University has a global directory of global fact-checking sites. The Associated Press also shows its fact-checking on numerous articles. Remember if you’re sharing something a user posted to social media, you cannot assume they fact-checked it first.

Furthermore, ask yourself who is writing what you’re considering sharing and why. Are they subject matter experts? Do they have some sort of agenda? Please note, having an agenda isn’t necessarily bad, but it could mean the writer is overly biased, or not sharing both sides of the story.

Recognize your own biases. Everyone has biases. Welcome to being human. Confirmation bias, the tendency to believe what we want to believe, happens to one degree or another with everyone. Both legitimate sources and those with nefarious intentions take advantage of our confirmation bias along with other biases as well. If you keep your biases in mind, you’re less likely to share misinformation.

Use “STP.” Stop, think, and pause — before clicking the share button. Because it is so easy to share something, it’s often done with little to no thought. Simply stopping your scrolling, thinking, and pausing before clicking can help keep you from sharing misinformation.

Check the date of what you’re sharing. While sharing something like, “Oh my, I can’t believe John Doe is

dead! RIP!” isn’t problematic in and of itself, when you find out that Mr. Doe actually died seven years ago, you’ll look rather foolish.

What will make you look even more foolish is sharing a celebrity’s death notice while they are alive and well. This happens with surprising frequency and “death hoaxes” abound. For instance, in 1998, a pre-written obituary for Bob Hope was accidentally published before his death. With tears in his eyes, a congressman announced the “death” on the floor of the U.S. House of Representatives. Of course, his speech was being shown live on national television and subsequently picked up by all the major networks. Don’t be this person.

Just stop, think, and pause before passing anything along.

Read past headlines. The web is full of glaring examples of people sharing without reading past a headline. Clickbait headlines abound in today’s media; you should never share an article you haven’t read.

Be aware of satire sites. Satire, a way of criticizing people or ideas in a humorous way, especially in order to make a political point, is used frequently on the internet and social media. Entire sites are dedicated to “reporting” news using satire. While you’d think it would be stunningly obvious not to share satire as real news, it happens all the time. Remember, just because an article is found by clicking “news” on a website — that doesn’t make it legitimate news. STP folks, STP.

If you see something, say something. Finally, if you see someone sharing misinformation, say something to them. You don’t have to openly blast them; you can always send a private message. Alternatively, just be tactful with a comment like “This information isn’t correct because...” or “Here’s a link to an article showing the full information.” Yes, it’s easier to scroll by, shaking your head, but it doesn’t help anyone.

Play an active role in stopping the spread of misinformation or you’re almost as guilty as those spreading it.

Article provided by contributing author: Jay Thompson

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LEGALLY SPEAKING



Q: I saw your fair housing presentation at the April AZREIA meeting. When dealing with applicants, can I collect a few applicants before I complete a background check and select the best one?

A: Legal Q&A, Answer needs to be updated to : Our advice is that you should run background checks on applicants as they come in and approve and accept the first applicant that meets your rental criteria. Any variation you do from such a standard, creates the potential for it to be attacked

as a violation of fair housing. For fair housing purposes, you want to have an objective standard that anyone could enforce, were they in your shoes. Imagine if the attorney general reviewed the applicants that you received – you would want to be 100% sure that they would pick the same applicant you would. Picking the first qualified applicant, ensures this would happen. Any other standard creates the potential liability that your motives were based on an improper reason, whether intentional or not.

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

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Working Together to Strengthen Arizona

Continued from page 1

Let's be clear—our economy cannot grow without a secure water supply. It affects every industry, from retail to real estate. Water is one reason why I was an early supporter of the Bipartisan Infrastructure Law because it provides millions of dollars for water conservation efforts in the American West. And in my first term, I worked to create a \$150 million fund exclusively for Arizona water infrastructure projects to help small communities meet their resident's needs.

We're laying the foundation for a resilient and forward-looking economy, from manufacturing to our main streets. I worked across the aisle to secure COVID assistance for small businesses—and now they're powering our recovery from the pandemic.

In Arizona, more than 1,300 restaurants received assistance through the Restaurant Revitalization Fund and the Paycheck Protection Program provided millions of dollars in aid to keep small businesses from shutting down for good. These investments saved livelihoods and preserved the character of our community.

But I know there's still work to be done.

I've often shared stories about my family and the house I grew up in. I came from modest means—my dad sold shoes at JC Penney and I watched him take the bus to work every day. But my parents worked hard to keep a roof over our heads, put food on the table, and send us off to good neighborhood schools.

However, that story is getting more difficult for families to realize today.

Anyone looking for a place to live in Phoenix right now is navigating one of the toughest and most expensive housing markets in recent history. They're working harder, saving and stretching their dollars, and still struggling to find housing options that meet their needs.

That's why I'll keep working with realtors, home builders, and local governments to support new affordable housing and put Arizona families on the ladder to success. If we have the courage to reach across party lines and focus on delivering results, then there's nothing we can't accomplish.





Have You Diversified Enough?



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by
Olivia McGraw

Diversity is healthy for any environment or situation. Eat too much of the same thing, even if it's nutritious, and your body will lack other essential vitamins and minerals. Our gardens flourish the most when we plant a variety of fruit, veggies, plants, and flowers. And of course, diversifying our assets is common knowledge. However, how many of us *actually act* on that wisdom?

In the last two weeks, I've talked to multiple people who are nervous about the stock market, world events, and the projected impact on real estate. But what actions can we take today to hedge against unknown changes? To start, diversify with an asset that is arguably the most secure and functional product available. I'm not saying to lock away money in a CD for a rainy day. I'm saying that today is the best time to look at utilizing the primary tool used to establish the wealthiest families in our country - a *properly structured, dividend-paying whole life insurance policy*.

By using a properly structured policy, you are investing in an asset that will grow regardless of what happens in the future. You'll also be able to use the money you place inside a policy by accessing an unstructured policy loan. In addition, you'll have cash ready when the market drops and properties become available.

You'll be a lender, not just a borrower. And unlike borrowing from a traditional retirement plan, if you end up in a difficult situation, you're not committed to monthly payments that can strain your finances. The greatest secret of this asset is that it is an **AND** asset. Your money will make money in a policy **AND** outside. It is called multitasking your money.

For instance, this is how Colorado entrepreneur and real estate investor Stan Bullis was able to move quickly on opportunities in Cañon City, CO. Within eight days of him learning about an auction of the historic St. Cloud Hotel on Main Street - cash was in hand to bid on the property and won at only \$80,000! To help protect that investment and diversify, he was then able to purchase other acash-flowing properties in the area and is now working to revitalize the gem of a city in Colorado. Most of all, he made money by investing in real estate **AND** by letting the cash value of his policy grow despite taking out a policy loan.

If this process of using a policy

sounds unfamiliar, it may be one of the best-kept secrets for how the wealthy become and stay wealthy. It's how the Rockefellers remain a financial powerhouse after 150-plus years. It's also how Walt Disney started Disney Land and McDonald's became a household name. Maybe most importantly, it's where banks place the money that we deposit. For example, take a look at page 170 of the Wells Fargo 2020 Annual Report (just google) at the first line asset class that states "Corporate/Bank-owned Life Insurance."

There are two simple steps you can take today to diversify. First, email our team to see how this structure applies to your situation. Second, begin educating yourself on the infinite banking concept and how to multitask your money.

For further information, please feel free to reach us at the following:

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by
*Michel J.
McGirr*

I did not make the title of this article a line from The Offspring just for fun. It is also sound advice for investors.

The question I get asked more than ANY other question from real estate investors is some iteration of, "Am I okay putting all of my properties in one LLC?" It is not an exaggeration to say that I get asked this several times per week but even several times a day in some instances. Let me explain further, while keeping this article short and sweet...well maybe I should have it printed on the back of my business card!

First, one of the main reasons for conducting business using an LLC is to protect your personal assets from any liability that might come from your business activities. LLC stands for 'Limited Liability Company.' Simply put, an LLC, when utilized properly, creates a shield between your risky business (even if it does not seem risky) and everything you have worked so hard to acquire. Some key steps to utilizing an LLC properly are: 1) not commingling personal funds with business funds; 2) carrying out your business activities through the LLC, not through your personal name; and 3) not doing anything really bad (fraud, drunk driving while on business time, etc.). As long as you follow those steps, the risk of any liability bleeding over to your personal life is nearly extinguished.

So, we understand the 'vertical' concept – an LLC protects your personal assets

from business liability. But, what about protecting one business asset from the liability created by another business asset? LLCs can protect you there, as well. What follows is a quick illustration of how properly separating your assets can help you preserve your accumulated wealth.

HYPOTHETICAL: You have three rental properties, each with 60% equity, and you are also working on a fix-and-flip property. A passerby is injured on the fix-and-flip property, and the injury exceeds your insurance limits or is not covered for some reason. The passerby sues for the injury suffered. If you have one LLC and have been running all your investments out of that LLC directly, the injured passerby would be able to access the equity in your rental properties to be compensated for the injury. However, if each of the rental properties is in its own LLC, and the fix-and-flip was also in its own LLC, when suing, the injured passerby would only be able to access the equity, cash, or other assets in the fix-and-flip LLC to be compensated for the injury. In that second scenario, the equity in each of the rentals is protected because the injured passerby can only attack what is in the fix-and-flip LLC.

The protection provided by having your investments in separate LLCs can be massive. Early on in your

investing career, you may not have much equity to lose. But, as you progress, preserving the wealth you have worked so hard to accumulate will become more and more meaningful. Therefore, it is wise to develop good habits early in your investing and business cycle. Proper separation of investments into separate entities is one of those good habits.

You may be concerned that those separate entities will create complications in your books or tax strategy. As most of these 'asset' entities will be pass-through entities, the burden on your tax preparation will be very limited. Also, you will find that keeping a simple QuickBooks or Excel record of each entity will often make it easier to determine which properties are providing better value, as opposed to having all your properties in one spreadsheet, where such valuable information can be lost.

Overall, I love assisting clients with structuring their investments. Helping you keep your hard-earned wealth is rewarding. If you have questions on how to structure your investments, please do not hesitate to reach out to me. I can be reached by email at Mick@PhocusCompanies.com or by phone at 602-457-2191.



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Our New Quick Buy Cash Program



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by
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I know usually I take this opportunity to write about new loan programs, loan guidelines, changes in lending, what is going on in the lending world, etc. However, this time, I am quite excited to chat about a new program that will allow borrowers to be much more competitive with their offers against the constant barrage of cash offers coming in from out-of-state buyers. This program is called the **Quick Buy Cash program**.

Who we work with:

1. Borrowers who are frustrated and tired of losing out to cash buyers.

2. Borrowers who have a 20% down payment (but may only want to put as little as 5% down).

3. Borrowers who qualify without selling an existing home.

How the program works:

Before going under contract, the borrower must go through a thorough preapproval process. The borrower then finds a property and Peoples Capital LLC writes a cash contract subject to the standard inspections. At the same time, Peoples Capital LLC writes a contract to sell the home to the borrower, and the loan is started as well. If the property is a Condo, Peoples Capital LLC will not execute a purchase contract until after we have documents reviewed and the condo project is confirmed to be fully warrantable. At that point, the borrower pays for the appraisal as normal, and the appraisal is ordered following the normal

process. The borrower and their agent order a standard home inspection. The borrower's agent makes their normal commission on the sale between the Seller and Peoples Mortgage Capital LLC. The sale between Peoples Capital LLC and the borrower is For Sale by Owner (FSBO). Peoples Capital LLC writes an FSBO contract between Peoples Capital LLC and the borrower. Earnest money minimum of 1.5% from the borrower is required and no agents are involved in the FSBO transaction. Peoples Capital LLC keeps 1% of the Earnest Money Deposit as the fee for the cash purchase.

As crazy as this market is, you will start seeing many changes coming between realtors and lenders to give them one step ahead of their competition. For any specific questions regarding refinancing and investor-specific loan programs, always feel free to contact me directly with any questions!



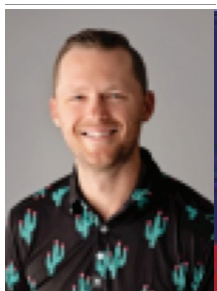
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What is the Condition of Your Rental Property? What is Considered?



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by
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All insurance companies review data about the properties they insure. Most send a service out or have their agents snap some photos, while some look at photos and information online. When an insurance agent says something like "We do not send inspectors out to look at your property," it only means that they use online information or other databases instead.

There are two major categories that insurance companies look at: (1) the overall condition of the house, and (2) the "housekeeping" around the house and on the property. Number one is obvious to most landlords. They know that shingles missing from the roof or paint peeling on the exterior walls will probably disqualify the property for all but a few "high risk" specialty insurance companies. But what can be a surprise to even an experienced landlord is the fact that overall "housekeeping" outside of the building, can also be a problem.

Remember, "housekeeping" is basically what the property owner or property manager allows the tenant to do with the property while they are living there. It is important to define for every new tenant, what will be allowed and what will not be permitted. A prospective tenant could be a contractor who plans to store scaffolding, trucks, lumber, or cement blocks (for example) in the back (or front) yard of the house. The standard AAR Lease Agreement for tenants requires the renter to maintain the property in a neat and

undamaged condition, and comply with all city building codes and HOA rules and regulations. This form also mentions "clean and safe condition" as a requirement. Many property managers have a standard "addendum" that is added for all tenants and specifies what will be allowed and what will not. Here are some common problem areas:

Vehicles: Insurance companies want to insure a rental house, not a used car storage lot. Any vehicle that does not have current license plates or registration is an insurance liability. Inactive vehicles are classified as an "attractive nuisance" in the legal profession. Kids also like to play on or in them so a lawsuit against the property landlord is just an accident away. Almost all insurance companies will not allow vehicles that do not have current registration anywhere on the property. In addition, storage of vehicles in the front area and back yard are not permitted.

Other Vehicles: Motor homes, boats, utility trailers, camping, or travel trailers, are examples of other types of vehicles that are undesirable and may disqualify a home for insurance coverage.

Work Supplies and Tools:

Buckets or cans of paint, bricks, cement blocks, fence materials, lumber, work vehicles, tractors, and large tools are additional examples of items that may disqualify a property.

Too often a tenant takes the attitude that they can do anything they want at their rental house. With that in mind, it is important to review your expectations and rules BEFORE a new tenant signs the lease. Additionally, the owner or property manager must perform regular inspections to confirm that all the required conditions are being followed.

In the end, rental houses that meet all the insurance company requirements generally bring higher rental income and resale prices.

CLARK SANCHEZ has been an Arizona insurance agent for 42 years and a Vendor-Affiliate with AZREIA for over 20 years. You can contact Clark if you have any insurance-related questions at rental@clarksanchez.com or (602) 803-2179.



Clark Sanchez, Agent
Investor Insurance Services since 1980

***We Can Insure Your
Arizona Rental Property***

Office Hours
Mon-Fri 8:00 am-5:00 pm
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A-C



Size Matters



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by
**David
Nielson**

No doubt that rising rates are having an impact on housing demand. As rates rise, payments go up and therefore homes become less affordable. In commercial markets, the building or project price usually follows slower. Whereas, the residential market frequently marches to the beat of a different drum, as is the case right now.

Two things about these phenomena are worth examining. First, why the disconnect exists, and second is if the same effect is happening equally across the entire spectrum.

To begin, why does the disconnect exist? Millennials are buying their first homes, and there are a lot of Millennials out there. We've seen this type of displacement happen before in the 70s when those Boomers were buying their first homes. For example, as the Wall Street Journal points out, "It isn't as if the housing market hasn't weathered a significant increase in rates before. In the 1970s mortgage rates doubled. And yet, over

the decade ended in 1979, the number of total homes rose by 25% – then the result of a boomer push for homeownership."¹

As can be expected, this large group of Millennial buyers creates some disparities. In February 2022, we wrote about this in this very publication and pointed out that prices were rising fastest among the lower-priced homes. However, now we see those rates rising, and homes become less affordable; so cold water is thrown on everything, right?

Based on the data from the National Association of Realtors, we see that this is not actually the case. Average 30-year mortgage rates started climbing at the beginning of the year. When existing home sales for February 2022 were announced on March 18, sales were down 7.2% and a view at pending home sales showed that the cooling seems to be continuing. Those sales are broken down in several different ways, and we can get a better overall picture of these trends by looking at the sales statistics by size. So, indeed sales slowed significantly, but only at the low-end of the market, among homes in the \$0-100K and \$100-250K range. Amongst those homes that are below the average price, representing about one-third of the market, sales were off almost 25%.

Looking even deeper reveals that those homes have not been

in demand for some time and are not subject to the supply constraints that hamper the homes that are in demand in the higher range. For example, the NAR points out: "Pending transactions diminished in February mainly due to the low number of homes for sale," said Lawrence Yun, NAR's chief economist. "Buyer demand is still intense, but it's as simple as 'one cannot buy what is not for sale.'"²

Looking at the homes below the median price, supply is not an issue, with homes below \$100,000, in fact, sitting on the market twice as long as homes that are over a million dollars. And the homes that are most subject to supply constraints seem to be the median-priced homes, which is consistent with the first-time buyer push.

Bottom line, it's not so much that there aren't enough homes, per se, it's that much of the current housing stock is just not desired in this market. Part of that is location, certainly, and another part is the size and features of these homes. The mid and upper-end of the housing markets are very different from the low-end, with buyers in those upper brackets having good income growth and strong savings. Indeed, it appears we have a two-tiered market, with the dramatic headlines heralding a housing crash being driven by what is happening at the low-end, while the mid and high-end markets seem well protected at this time.

1 <https://www.wsj.com/articles/rising-interest-rates-will-shift-housings-foundations-11648119600>

2 <https://www.nar.realtor/newsroom/pending-home-sales-dwindle-4-1-in-february>



AZREIA ADVANTAGE: MONTHLY MEETINGS

AZREIA Phoenix Meeting

Monday, May 9
In-Person 5:45 pm
Venue 8600
8600 E Anderson Dr

AZREIA Tucson Meeting

Tuesday, May 10
In-Person 5:45 pm
Tucson Association of Realtors
2445 N Tucson Blvd

Phoenix Real Estate Club

Tuesday, May 24
In-Person 6 pm
AZREIA Office
4527 N 16th St #105

We are excited for our monthly meetings every month, and we hope you are too! This month we have Congressman Greg Stanton joining us to give AZREIA exclusive insight into Washington D.C.'s plans for the future! Plus, we will be joined by a panel of investors that have found immense success investing out of state. You have the chance to hear how YOU can find success across the country. Timely, market-driven information and education makes these meetings must see. Don't miss it!

Phoenix – Current Market Trends & Activity

Updates on Market Data Analysis and the Rental Market from Alan Langston provide the absolute latest information essential to your real estate investing business.

Legislative Update from Congressman Greg Stanton

Congressman Greg Stanton will be joining us to give us the most up-to-date information on legislation, both proposed and passed, that affects real estate investors and how you can better adapt to what's changing and how to reach out to your representatives to help be a part of the changes too! He will take some time to answer some questions investors ask his office often as well!

Phoenix Main Meeting – Out of State Investing Panel Discussion

Have you ever considered investing somewhere other than Arizona but don't know where to start or if it's a good idea? Now is your chance to hear from investors that are successfully investing hundreds, maybe even thousands, of miles away. They will tell you where they're investing, how they found their out of state market, what their investing strategy is, what marketing works, &

how they built their long-distance team. This is information straight from investors like you that took the leap and are reaping their rewards. Their insight is more valuable than how-to articles or YouTube University!

It's easy to be intimidated by the idea of investing somewhere other than your own backyard. Join us to learn how you can do it at any skill level and how easy it can be to take your investing across state lines! We will be joined by Max Jimenez, who specializes in Wholesaling country-wide, Marcus Maloney, who does Chicago fix and flips from his home in Arizona, David Pickron, a landlord that created a national tenant screening program, and Greg Slaughter, who has perfected buy and holds in the Indiana market. Don't miss the chance to learn from their experiences and ask these panelists your most burning out of state investing questions!

Market Update & Market with Alan Langston

The latest Fix & Flip and rental data along with further analysis of our Seller's market. Plus, current events and news important to your investing.

Tucson Monthly Meeting

We will be joining in-person for all the great networking sessions including Haves & Wants and a Market Update for the Tucson area, and a panel discussion of out of state investors!

See Phoenix Main Meeting

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!



AZREIA ADVANTAGE: CALENDAR OF EVENTS

Check www.azreia.org for the current schedule.

MAY MEETINGS		
AZREIA – Phoenix – In-Person <i>Monday, May 9</i>	AZREIA – Tucson – In-Person <i>Tuesday, May 10</i>	Phoenix Real Estate Club – In-Person <i>Tuesday, May 24</i>
MAY SUBGROUPS – Join like-minded investors, share ideas, network, and learn in small group settings.		
<ul style="list-style-type: none"> Tucson New Investors – In-Person & Online <i>Monday, May 2</i> AZREIA Prescott – In-Person <i>Monday, May 2</i> 	<ul style="list-style-type: none"> Income Property Owners (Buy & Hold) – In-Person <i>Thursday, May 5</i> Raising Capital & Options – In-Person & Online <i>Tuesday, May 10</i> Shared Living – Online <i>Wednesday, May 11</i> 	<ul style="list-style-type: none"> Beginning Investors – In-Person <i>Thursday, May 12</i> Notes – In-Person <i>Thursday, May 20</i> Fix & Flip – In-Person & Online <i>Wednesday, May 25</i>
<p align="center">Launch Pad Group Session <i>Saturday, May 14, 2022 9:00 am – 1:30 pm Available In-Person</i></p> <p>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! Virtually all new investors start without a clearly defined path. Without a path, your odds of success plummet. 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/</p>		
<p align="center">Buying Your First Rental Property Step-By-Step <i>Saturday, May 21, 2022 9:00 am – 5:00 pm Available In-Person</i></p> <p>Join us for a full day of the step-by-step information you need to know in order to buy your first rental property and get your first tenant! Making sure you take the right steps the first time will save you a lot of time and trouble later on. Don't miss this opportunity to dive into being a landlord, complete with a manual that you can use along the way! You will learn how to build a strong foundation of buy & hold knowledge, build your power team, where to find your first rental, renovate a rental property, due diligence and analysis, make the offer, fund your rental property, close on the property, tenant the property, and understand evictions.</p>		
<p align="center">Membership Discovery Session <i>Friday, May 27, 2022 12:00 pm – 1:00 pm Available Online</i></p> <p>New to AZREIA? These discovery calls are for you, our members, to ask us anything about your membership. From accessing your exclusive national benefits to finding the right Business Associate to help you and answer any questions about upcoming classes or events. Need help learning how to network? Do you have questions on what to bring to the meetings? Ask us! Whatever you need to ask AZREIA, we will be here to help you because we want you to be able to get the most out of your membership with us!</p>		
UPDATED INFORMATION & REGISTRATION ONLINE AT WWW.AZREIA.ORG		



AZREIA MONTHLY MEETINGS AT A GLANCE

May 9th Phoenix Meeting

- **Current Market Trends and Activity** Updates on Market Data Analysis and the Rental Market provide the absolute latest information essential to your real estate investing business.
- **Legislative Update from Congressman Greg Stanton:** Congressman Greg Stanton will be joining us to give the most up-to-date information on legislation, both proposed and passed, that affects real estate investors and how you can better adapt to what's changing and how to reach out to your representatives to help be a part of the changes too! He will take some time to answer some questions investors ask his office often as well!
- **Phoenix Main Meeting - Out of State Investing Panel Discussion:** Have you ever considered investing somewhere other than Arizona but don't know where to start or if it's a good idea? Now is your chance to hear from investors that are successfully investing hundreds, maybe even thousands, of miles away. They will tell you where they're investing, how they found their out-of-state market, what their investment strategy is, what marketing works, & how they built their long-distance team. This is information straight from investors like you that took the leap and are reaping their rewards. Their insight is more valuable than how-to articles or YouTube University!
- **Market Update & Market News with Alan Langston** The latest Fix & Flip and rental data along with further analysis of our Seller's Market. Plus, current events and news important to your investing.

May 10th Tucson Meeting

- **Tucson Market Update:** The latest sales volume, pricing, supply and demand numbers for both the Phoenix and Tucson markets.
- **Tucson Main Meeting - Out of State Investing Panel Discussion:** Have you ever considered investing somewhere other than Arizona but don't know where to start or if it's a good idea? Now is your chance to hear from investors that are successfully investing hundreds, maybe even thousands, of miles away. They will tell you where they're investing, how they found their out-of-state market, what their investment strategy is, what marketing works, & how they built their long-distance team. This is information straight from investors like you that took the leap and are reaping their rewards. Their insight is more valuable than how-to articles or YouTube University!
- **Haves & Wants, Power Networking and Deal Sharing:** Come prepared to listen, learn and share.

May 24th 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!