THE AZREIA ADVANTAGE

ARIZONA REAL ESTATE INVESTORS ASSOCIATION NEWSLETTER

"AZ Real as it Gets"

FEBRUARY 2023

Contents

ARIZONA REAL ESTATE INVESTORS ASSOCIATION

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Fix and Flipping is Possible in Any Market

by Tracy Royce

Will flipping houses still be popular in Arizona in 2023? With the Federal Reserve trying to get a handle on inflation, talks of a looming recession, and sales being significantly lower, it may be easy to think the days of fix and flipping in the Phoenix market are no longer en vogue.

However, the local data tells a different story. Not only that, but many speculators who got into flipping did so without proper training, ignored the fundamentals, and were able to ride the wave of an ever-increasing market until the music suddenly stopped.

So, does flipping only work in a Seller's market? The better question to ask is since the market has shifted, do you think Buyers are less picky to find well-renovated, well-priced, and move-in ready homes?

The answer is, "Well, of course not!" Buyers are actually pickier about finding a home that suits their needs, and especially their budget. Since we have been seeing more of a price correction than radical price drops from previous years, serious buyers are warming to the idea that the market isn't going to "crash." They're also settling into the idea of a 6% mortgage now that the shock has worn off. However, since there hasn't been a flood of inventory, prices haven't adjusted to offset the difference in monthly mortgage payments. To combat the affordability challenge, savvy agents and mortgage originators are advising sellers to offer incentives, like rate buy downs, concessions, and even seller carry options. Putting all this together, we're starting to see demand tick up once again.

Phoenix Monthly Meeting

Monday, February 13 – 5:45 pm

- *Market Trends & Update*
- *Flipping in a Changing Market with Tracy Royce*
- *Rental Update*

Tucson Monthly Meeting

Tuesday, February 14 – 5:45 pm

- *Market Update & Market News*
- *Flipping in a Changing Market with Tracy Royce*
- *Haves and Wants*

The advantage rehabbers will have in the market now is less competition and more opportunities, but they'll also have to balance their renovation budget, holding costs, and resale pricing more closely.

In a more balanced or Buyer's market, the saying is "Easy to buy, harder to sell," whereas, in a Seller's market it had been "Hard to buy, easy to sell." With that in mind, rehabbers will need to follow a system to get their projects to market, buyers excited, and their properties sold in a timely manner.

Lastly, although the last few years have kept us on our toes, the members of AZREIA have access to monthly data and meetups to help guide them as to what is happening and likely to happen in the coming months. For flippers, this is an asset many rehabbers in other parts of the country don't have.

If you'd had an interest in Fix and Flipping, but are in the exploration or educational phase, the timing couldn't be better to

Continued on page 14

What Is ChatGPT?

ChatGPT is a language generation model developed by open AI, so it is not directly related to real estate investing. However, it could likely be used to assist investors with multiple areas of their business. Ultimately, the impact of ChatGPT on real estate investing will depend on how it is utilized by individuals and companies in the industry.

ChatGPT has the potential to make real estate investing better in several ways:

1. Increased efficiency: ChatGPT can automate certain tasks that real estate investors would otherwise have to do manually, such as writing property descriptions or analyzing market data. This can save time and effort, allowing investors to focus on more important aspects of their business.
2. Improved accuracy: ChatGPT can be trained on large datasets, which can help to ensure that the information it generates is accurate and consistent. Additionally, ChatGPT can quickly analyze large amounts of data, helping investors identify patterns and trends they may have otherwise missed.
3. Better decision-making: ChatGPT can be used to generate predictions about future market trends, which can help real estate investors make more informed decisions about where to invest and when to buy or sell properties.
4. Better customer service: ChatGPT can be used to create virtual assistants that can help real estate investors with a variety of tasks, such as scheduling appointments or answering common questions. This can provide clients with a more personalized experience, helping build relationships, and generate more business.
5. Cost-effective: ChatGPT as technology is cost-effective in the long run as it can automate repetitive and mundane tasks that would otherwise require human resources.

Overall, ChatGPT has the potential to make real estate investing more efficient, accurate, and profitable by automating certain tasks, providing more accurate and consistent information, and helping investors make better decisions.

P.S. ChatGPT wrote this article for me.

Smarter Investing,
Mike Del Prete, Executive Director

LEGALLY SPEAKING

Q: I gave my tenant a 30-day notice to move out on February 28. However, they are saying that they can't move out by then and that they need till March 10. They are willing to pay. What should I do?

A: As we always tell our clients, what you do is a management decision that only you can make. How you do it, is what we are here to help with. If you just want the tenant out, you can file the eviction on the 1st of the month if they don't move. This may be needed if you are selling the property or have a new tenant moving in soon thereafter. You may not able to give them the other time to move out. If you are willing to give them the 10 days to move but want them to pay for that time, it's important that you enter into a written agreement documenting what is being paid and when they will be out. However, if you accept payment and simply let them stay without written documentation of a date for them to vacate, it voids the previous notice and you have likely created a month-to-month tenancy.

– 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.

Small Beginnings Are Still a Victory

by Olivia McGraw

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Do not despise the day of small beginnings.

This wisdom rings true time and again in my life. When I reflect on my goals and where I am now compared to a year, five years, and ten years ago, I'm thankful for the small actions I took that seemed insignificant at the time but have carried me a long distance.

Have you taken the time to reflect on your goals from 2022 and set new ones for this year? How many did you accomplish last year? Along with that, have you taken time to evaluate your finances? Did you achieve your saving goals? Did you spend more than expected (no thanks to inflation)? Is there anything lingering from last year that you need to act on now?

When we meet with clients and begin to establish their private banking systems, nine times out of ten we hear them say, "I wish I had started this years ago!" Why? Because they suddenly took the time to understand how compounding interest works, and we have a map of where their money will be in 5, 10, and 25+ years. Many people think they need to already have a pool of money to start their system. However, we help clients reorganize and evaluate their finances to find the dollars needed to begin a policy. An extra set of eyes on a puzzle can often discover the piece you were missing.

Our clients learn more than just how to set up a banking system. They know how to think like bankers. Bankers know about the *flow* of money, how to make money in more than one place, and how compounding interest is the key to sustainable wealth. This also means that starting now is more important than the amount you start with. Many people want to wait until all the ducks are in a row, debts are paid off, and their savings are established. However, we can reevaluate this process and find a way to accomplish those things *and* start their banking process today.

In the meantime, there are several opportunities you can take in 2023 that *Future You* will thank in January 2024:

1. **Attend** our in-person event: *Real Estate Without the Bank - Leave Your Lender and Invest like the Wealthy*. Feb 3rd in Tucson & February 4t h in Phoenix
2. **Schedule** a one-on-one with us! Everyone is unique, and we want to customize a strategy to accomplish your specific goals.
3. **Educate** yourself. Reach out and we will send you some excellent resources so that you can move into your future with knowledge and intentionality, not just winging it.

We're excited to guide you through an achievable and secure financial future! Email one of us today.

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What Type of Self-Directed IRA Investor Are You?

by
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Every individual investor has their own unique financial pedigree and approach as to how, why, and what they choose to place their hard-earned retirement savings into. Money is Personal™ and there isn't a more personalized retirement investing vehicle than a Self-Directed IRA.

Unfortunately, most financial institutions have led us to believe that it is all about them - their research, investment philosophy, advice, and most importantly, their products. Their message goes something like this: "We are experienced, investment gurus. You aren't. We know the market. You don't. If you follow our advice and invest in our well-diversified asset allocation strategies, you will be financially successful." However, Self-Directed IRA investors choose to differ. We prefer to put our financial future in our own hands, instead of shifting control and responsibility to third parties.

This doesn't mean that all Self-Directed IRA investors are created equal. In fact, having the desire to be in control of their IRA savings is probably the only trait Self-Directed IRA investors share. We all have different risk tolerances, time horizons, investment experience, account balances, financial literacy, retirement goals, investment appetite, etc. Each of us must hone in on our investor characteristics that drive and support our IRA investment choices. This is easily highlighted within the AZREIA community. Each member joins AZREIA because their investment appetite includes real estate, but that doesn't mean that it is the only asset class you like or that every member wants the same type of real estate investing strategy. Some members like to fix and flip residential properties, some love wholesaling, others may like multifamily investing, while there are also members who diversify their money into a combination of various real estate strategies. One thing is for sure, Self-Directed IRA investors believe that diversifying our IRA savings outside the stock market will produce a better financial outcome than keeping all of our retirement money on Wall Street.

Ultimately, however, Self-Directed IRA account holders fall into one of two categories once they learn that their IRA money can be used to purchase alternative assets legally in the private market without tax penalties – "The Hybrid" Self-Directed IRA Investor or "The Pure" Self-Directed IRA Investor:

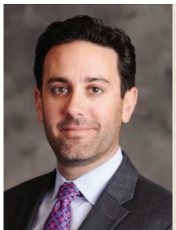
1. **The Hybrid Self-Directed IRA Investor –** You fall into this category if you like to play in the public and private markets. You utilize your Self-Directed IRA to increase diversification within your retirement savings. You choose to keep a portion of your IRA money in the stock market with a traditional IRA company (i.e. Fidelity, e*Trade, Schwab, Vanguard, etc.) and the other portion with a Self-Directed IRA company like Vantage. The Hybrid Self-Directed IRA investor tends to make more deal-specific decisions because they are usually chasing performance above all else. They don't care what market their investment returns come from, public or private. You will commonly hear a Hybrid Self-Directed IRA investor say things like "I just want to make as much money as possible." They are willing to roll the dice with whatever opportunity sounds the most promising in any given market. They are known to transfer money back and forth between their Brokerage IRA and Self-Directed IRA with the hope of optimizing various market conditions.

2. **The Pure Self-Directed IRA Investor –** You fall into this category if you don't like the stock market and were incredibly excited when you heard about Self-Directed IRAs because you learned that you finally direct all of your retirement savings into alternative asset strategies you understand and feel most comfortable with. Being a Pure Self-Directed IRA investor doesn't mean you don't believe in diversity. You absolutely do. You just choose to allocate your IRA money to a diversified array of alternative investment options. You may choose to direct a portion of your IRA into secured promissory notes for fixed income and another portion into a rental property for your growth and income allocation. Ultimately, you are a pure alternative asset investor that believes the stock market is too risky, too volatile, too confusing, and not going to help you reach your retirement goals.

So, now that you have a clearer understanding of the 2 types of Self-Directed IRA investors, which one do you identify with most? The good news is that there isn't a right or wrong answer. The goal is to maximize the unique benefits that a Self-Directed IRA offers and make it work for YOU the way you want.

Lastly, if you are an AZREIA member that has IRA savings locked up with a Wall Street-based IRA company and isn't aware of what a Self-Directed IRA is, we encourage you to contact us at www.VantageIRAs.com so we can educate you on the easy steps to follow to begin to use your retirement money to fund your real estate deals tax-free!

Proposition 209: Collections Will Decrease



by Mark Zinman

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We often write articles for AZREIA about the eviction process, as it's the only remedy a landlord has when a tenant defaults. The owner needs this avenue to get back possession so they can re-rent the unit to a new tenant. But what we often don't discuss, is collecting the amount of the judgment from the tenant. In an eviction, a property owner is awarded a monetary amount. However, that doesn't mean a tenant pays that amount in court – the owner has to try to collect it through legal means. Also, when a tenant moves out and causes damage to a unit or owes back rent, the owner is left trying to collect the balance owed. Unfortunately, collecting just became much more difficult in Arizona.

In the November 2022 election, there was a proposition on the ballot called: "INITIATIVE PETITION RELATING TO PREDATORY DEBT COLLECTION PROTECTION." Further, the proponents of the bill put out a lot of information claiming that it was intended to stop abusive medical debt collections. The title alone sounds bad and with that type of information being presented, it would make a lot of people want to vote for it. Well, that is exactly what happened. While Arizona had the closest race in recent memory, with the Attorney General race coming down to less than three hundred votes, this proposition passed with over 72% approval.

The problem with most propositions is that a lot of people don't understand what they are supporting. Also, because propositions go straight to the ballot and do not go through the legislative process which gets input from both sides, they often do not get balanced by both political sides. Any person, or special interest group, can get something on the ballot if they jump through the necessary hoops including collecting sufficient signatures.

In the case of Proposition 209, it is going to have sweeping implications on collections across Arizona. This will not just impact medical debt, it will limit the collection of any kind of debt, including judgments and debts owed by residents. The proposition significantly increases the threshold for a person's wages before they can be garnished. Therefore, even if you have a judgment against someone, you may not be able to collect that money. The association representing debt collectors estimates that this will reduce garnishments in the state by up to 70%. It is expected that many of the eviction judgments that landlords get, will fall under this new law and would prevent garnishments.

This proposition is currently being challenged in court. However, if it is not modified or struck down, it could have lasting impacts. This could include banks increasing their interest rates on loans throughout the state to account for those files they will not collect. For property owners, it is a reminder for clients to ensure that they have good rental standards and enforce the standards consistently. When entering into a lease, you are entering into a partnership with a resident and you want to know that your new resident can live up to their end of the bargain. Also, landlords may wish to increase their deposits to ensure that they have enough money to cover normal defaults. Remember, as a landlord you can only take a deposit up to 1.5 times the monthly rent.

Rentals | Apartments | Fix and Flip | Auto | Flood

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Bridget Pruss

As a new investor, Derek took the time to ensure I understood the process and provided me with key learnings/ considerations that I didn't have to ask. I value this since "I don't know what I don't know." I consider Derek/Gila to be my go-forward partner.

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Non-Compete Agreements: A Thing of the Past?

by Michel J. McGirr

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Typically, in preparing for this article, I identify an issue or scenario unique to real estate investors and write about that. This article will be different because the topic is not especially targeted at real estate investors. The topic is actually a recent development and one of such widespread interest that I think that despite it not being real estate specific, the readers will still find it worthwhile.

Non-compete agreements are a type of 'restrictive covenant' entered into by employers and employees whereby the employee is limited in his/her ability to seek new employment that falls within the geographic and timeframe scope thereof. You may be familiar with the term 'restrictive covenant,' as restrictive covenants are found in all types of contracts. Simply put, a restrictive covenant is a clause to a contract that works to prohibit one party from doing something that the party would otherwise have the right to do absent the contract.

The most typical non-compete agreements restrict the employee from pursuing employment that is competitive to the employer during the term of employment and for a period of time thereafter within a set geographic radius of the employer's location or where the employee worked. Most states have limitations on the maximum period of time and the maximum geographic area that a non-compete can cover. The typical non-compete language resembles something like "employee may not engage in business within a 50-mile radius of employer for a period of two years following termination of employment."

Employers often invest heavily in training employees. The purposes of non-compete agreements are many, but a few are: 1) to protect the employer's investment in training its employee by making it more difficult for the employee to leave; and 2) to protect the employer's business by not allowing the employee to set up shop next door and immediately begin soliciting, using all that the employer taught the employee.

Well, non-compete agreements may quickly become a thing of the past. The Federal Trade Commission has proposed a new rule that would ban employers from imposing non-compete terms on employees. The FTC justifies this proposed rule by claiming that non-competes are exploitative, suppressing wages, hampering innovation, and blocking entrepreneurs from starting new businesses. The rule, as proposed, would eliminate all employer-employee non-competes nationwide.

There is now a public comment period on the proposed rule. As you can imagine, employers across the country are making their voices heard on the issue.

Whether you are an employer or an employee, this proposed rule is sure to impact you or many people you know. Employers claim that the proposed rule will harm the economy. Some employees and the FTC claim that the proposed rule will do the exact opposite, encouraging better wages and more entrepreneurship. The author of this blog post can see both sides, but I will surely hear the loudest arguments from my business clients who view this as a direct impairment of their ability to grow their businesses.

In addition to advising real estate investors, Phocus Law represents small- to medium-sized businesses in a wide variety of issues. If I can be of service to your business, please don't hesitate to reach out. I can be reached by email at Mick@PhocusCompanies.com or by phone at 602-457-2191.

Stop! Thief!

by Jill Bright

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SCENARIO: The Escrow Manager in Utah opened a sale of a vacant lot for $385,000. The buyer was a real estate investor paying cash. The buyer/investor never met the seller in person.

All communications were done via text or email. The seller signed the purchase agreement electronically. The buyer admitted he believed the deal was too good to be true. Unfortunately, he was right.

The Escrow Officer ordered the title report and, in accordance with Company policy, looked up the seller's tax bill mailing address on the county website. The seller's address was in Georgia. Knowing the buyer wanted to close quickly, the Escrow Officer decided to learn more about the owner, so she searched for the owner's name on Google. ™

The search revealed where the seller worked. The Escrow Officer picked up the phone and tracked him down with a few questions. She asked him if he owned a lot in Utah to which he replied "Yes." She then asked if the lot was for sale, and he said "No." Next, the Escrow Officer asked him to confirm his mailing address, the approximate amount of the property taxes, and when he purchased the lot. After he provided all the correct answers, she confirmed he was the true owner.

The Escrow Officer explained the situation to the owner. He was upset to learn what was going on but very grateful that she tracked him down and went the extra mile to make him aware of the situation. She applauded him for having his current mailing address on file with the county, so she knew how to reach him.

The owner asked the Escrow Officer what he could do to protect himself. She informed him about a property watch notification system available through the county. Property owners can sign up to be notified if anything affecting their property is recorded. She urged him to sign up for the service and to also reach out to the local police department.

In addition to tracking down the real property owner, the Escrow Officer talked to the thief who fraudulently listed the lot for sale. She knew almost immediately he was an imposter since he knew nothing about the property history or facts about the true owner, including where he lived.

The moral of the story - our Title Department and Escrow Officers are trained to detect and prevent fraud which ultimately protects you!

Article provided by contributing author:
Diana Hoffman,
Corporate Escrow Administrator
FNTG/National Escrow Administration

WARNING: It's a rookie move if your Agent doesn't personally invest in real estate. This action alone can be a costly mistake.

For the last 10 years investors locally and across the country have trusted me to buy and sell their investment properties.

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- Fluent in investor lingo: ROI, ARV, NOI, 1031, Cap rate
- Market knowledge including micro markets
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Determining Interest Rates

What's the current rate? As loan officers, we get this question daily. While it seems like an innocuous question that should be simple enough to answer, there are many variables that play a role in determining the "current rate." While there is no such thing as the "current rate" for the market, there is a current rate for your individual situation. In order to have the best possible rate, it is important to understand the various variables that play a role in rates.

The largest dictator of interest rates is the one that everyone reads on the news or sees on TV. This is the 10 year US Treasury yield. This factor is not specific to any one borrower and dictates the baseline for rates on a broad scale. The lower the 10 year Treasury yield, the better mortgage interest rates will be as a whole.

The other factors influencing interest rates are individualistic. The most critical of the borrower's specific factors is the credit score. The better your FICO score, the better rate you will be eligible for. The remaining factors include the amount of down payment for a purchase or loan-to-value for a refinance, loan type (FHA, conventional, etc.), occupancy (primary, investment, etc.), debt-to-income ratio, and loan purpose (purchase or refinance). All have a similar weighting when determining the current rate.

Each variable outlined is critical to determining the interest rate you are eligible for. If you have a question about the interest rate you are eligible for, give us a call today!!

Do I need a Building Permit for My Fix 'n Flip?

by Nicholas Tsontakis

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Imagine being in the middle of your project, all trades scheduled, all running smoothly until your friendly neighborhood inspector drops in, notices you moved a sink from the wall to an island, and issues a stop work order. All trades get put on hold and go to other jobs, while you scramble to get a building permit so your project can continue. This can completely derail a project: missed deadlines, no longer accurate cost projections, and a serious migraine! Getting a permit does not need to be a stressful event, it just needs to be part of the plan. An extra interest payment for the sake of tearing down a wall that completely changes a space can be well worth the time and money. But how do you know when you *need* a permit?

To understand this best, it helps to know why permits exist in the first place. Cities issue permits so that they can inspect projects to verify building has been done according to city adopted building codes. Building codes were written and introduced to the US for the sake of health and safety, namely fire safety. While commercial building, including multi-family, will always require a permit, single family construction, specifically remodeling, does have a little gray area when it is required. The permitting process typically begins with a plan review, where a plan reviewer first checks plans to verify that those plans meet the codes that the city enforces by way of inspections during construction.

Every municipality is different (yes, annoying), but there are commonalities about when a permit is required. The general rule is if you are changing anything structural, mechanical (HVAC/exhaust systems), electrical, or plumbing, you need to get a permit. However, if you are just replacing like things for like things in the same location (e.g. toilet for toilet or washer for washer where there was one before), you will most likely not require a permit. A useful way to think of this is if you are adding or moving something substantial, like a wall, or gas line, you probably need a permit. Is getting a permit a *bad* thing?

A building permit is not bad but it usually implies a longer path to a finished project. The first step in getting a permit is creating documents to submit for plan review with the City. These documents can sometimes be as unsophisticated as a hand sketch on a regular sheet of paper to a full set of architectural, structural, mechanical, plumbing, and electrical drawings and calculations. For a fix and flip, it is usually somewhere in between those two – maybe you want to remove a bearing wall and replace it with a beam – this usually implies adding two posts at the end of the beam that bear on a square concrete footing below. This will require an as built plan, a proposed plan, and structural calculations for the size of the beam, post, and footing as well as connections between the three. Other times, a quick gas permit can be pulled if you want to add an exterior firepit, you would just have to size the pipe and call out an approved material to make sure delivery of gas works for the appliance. Since building codes were written in the name of safety, a building permit and the ensuing inspections help make sure you are doing work in a way that protects the health and safety of the general public and whoever will inhabit the house next, is that so bad?

Depending on the scope of work, different permits will be issued. The best way to know if you need a permit is to ask someone at the municipality's building safety department. When calling, describe the type of work and ALWAYS ask if they offer an "over-the counter" service, "over-the-counter" implies that you walk in with your set of plans, review with someone at the desk (counter), and you leave with the building permit. Many cities, like Scottsdale, no longer offer an "over-the-counter" service since COVID, but they do offer something called a "Small Scope Residential" permit that has significantly faster turn-around times than a permit for a new home or major addition. Many cities, like Phoenix, Gilbert, and Glendale are "by appointment only." Below is a list of some cities in Maricopa County with email addresses and phone numbers to ask if your project needs a permit:

Scottsdale: 480-312-3111,
OneStopShopStaff@Scottsdaleaz.gov

Paradise Valley: 480-348-3692,
rlouman@paradisevalleyaz.gov
(Russ Louman)

Fountain Hills: (480) 816-5177,
mgrudier@fountainhillsaz.gov
(Marilyn Grudier)

Phoenix: (602) 262-7811,
shapephx@phoenix.gov

Tempe: (480) 350-4311,
permitcenter@tempe.gov

Mesa: (480) 644-4273,
permitservices@mesaaz.gov

Chandler: 480-782-3074,
rod@chandleraz.gov

Gilbert: (480) 503-6700,
onestopshop@gilbertaz.gov

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As you plan your next fix and flip this month, it is prudent to check with your local jurisdiction to see if your budget and schedule should accommodate the time it takes to acquire a building permit. This way you can accurately forecast the cost of your rehab without a surprise stop work order from your local inspector.

The Benefits of Business Credit

by Darryl Johnson

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Imagine having the ability to access a good $50,000 for your business. Your success in business is based on your business credit profile and score. With a good business credit profile, you will have near-unlimited borrowing power. Without a good business credit profile, it will be a difficult path to success with no access to working capital and funding. This is why almost all Fortune 500 companies use their business credit to secure funding.

It's not that they need the money to operate. Successful companies use funding as leverage to grow their business.

Business Credit is the best-kept secret in business. Over 90% of all business owners know nothing about it or business credit scores. But when you discover what business credit can do for you and your business, you will be floored at how easy it is to get money and grow your business.

With a strong business credit profile, lenders will lend you money based on your business credit, not personal credit. This is excellent. If you have personal credit issues as you can still qualify for funding. Even with exceptional personal credit, business credit gives you double the borrowing power. For example, you can get approval for much more money with your business credit than using your personal credit to qualify.

Another great benefit of business credit is you may not need to provide a personal guarantee for some of the funding you get. This means you can get approval with no personal liability. So, if you ever default, the creditor can't pursue personal assets like your home or personal bank accounts. In addition, business credit not only adds more value to your business but also gives your business credibility. Stakeholders, partners, lenders, and even potential buyers of your business will see more value if you have a strong business credit profile.

Most importantly, you have security by having a good business credit profile built. It is also much easier to run your business when working capital is easy to come by.

Budgeting Benefits

by David Nielson

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A budget is a critical tool for any fix-and-flip project, as it allows you to plan for and track the costs associated with the renovation and sale of a property. It is also a vital component when looking to secure financing. You probably already know this, but let's review and explore a few reasons why a budget is important for a fix-and-flip project:

1. **Planning and forecasting**: The obvious is that a budget allows you to estimate the costs of the renovation project, including materials, labor, and other expenses. This can help you plan for the project and ensure you have the necessary funds available to complete it. But most importantly this will make sure the project works as financially feasible and worth your efforts.

2. **Tracking expenses**: A budget can help you to track your actual expenses during the project and compare them to your estimates. This can help you to identify areas where you are overspending and make adjustments to stay within your budget. If you have outside backers (or if you ever want outside backers, either debt or equity), this can be the way you make sure everyone (yourself included) is fairly compensated - and that you are reimbursed for materials. And of course, the tax guy is interested. You obviously want to make sure that you are not paying excessive taxes, but rather only on the difference in all-in costs and the final sales price. But as any accountant will tell you (including the ones that work at the IRS): without a receipt or other documentation, the expense does not exist and cannot reduce your cost basis, so you'll be paying more taxes. Spreadsheets can track these expenses and help reduce taxes.

3. **Staying profitable**: Keeping track as you go will help to ensure that you will be able to make a profit on the sale of the property at the end. Because bottom line, that's why you're doing the project. All of those little change orders or upgrades can really add up and it's a nasty surprise to be unaware until the end. Think of this as the Costco shopping cart problem: adding all of those little "great" deals to your cart can lead to quite a shock when you only intended to get a couple of things and ended up with a $300 tab.

4. **Identifying potential problems**: A budget can help you to identify potential problems with the project before they occur. For example, if your budget indicates that the cost of materials will be higher than you anticipated, you can take steps to find ways to reduce other costs and stay within budget. Planning ahead can also help you make timely purchases which can mitigate last-minute up-charges for rush orders on forgotten materials or shortages.

5. **Help you to decide what to prioritize**: A budget can help you to decide what to prioritize. During the process of building your budget, you need to set priorities about where you can save money or where you need to put more money to make the renovation or restoration more profitable.

6. **Get funding from potential investors**: A budget can also be an important tool when seeking funding from potential investors (debt or equity). Demonstrating the feasibility and potential profitability of the project makes a new, potential project more attractive to investors. And being able to show past successful projects with real numbers will demonstrate your experience and show credibility.

7. **Communicate with team members**: A budget can also be used as a communication tool to share goals and expectations related to the renovation project with your team members. This ensures that everyone is on the same page and that you are all working towards the same goal of profitability.

Overall, a budget is an essential tool for any fix-and-flip project. It allows you to plan, track, and manage the costs associated with the renovation and sale of a property, and helps you to stay profitable by ensuring that your costs don't exceed your potential sale price. It also helps to identify problem areas and communicate with the team, so everyone is working together towards the same goal.

Now that you are reminded of the importance of budgets, how do you do those budgets? A spreadsheet can easily be used. What this does not need to be is overly complicated and involved; what it does need to do is keep track of revenues and expenses, as well as the timing of each of those. Those with spreadsheet budgets usually are the ones that take their efforts to the extremes: either not tracking anything or building an unwieldy mother-of-all-spreadsheets. In reality, you just need something that is usable. We have one that we use here that has some handy shortcuts in it that I'd be happy to share and even walk through with you if you'd like.

Good luck in the new year! I am sure there are going to be plenty of real estate opportunities out there. Just remember to plan, budget, plan some more, and then execute. That way you come out on top, not buried by the unexpected.

AZREIA ADVANTAGE: MONTHLY MEETINGS

AZREIA Phoenix Meeting	AZREIA Tucson Meeting	Phoenix Real Estate Club
Monday, February 13	Tuesday, February 14	Tuesday, February 28
In-Person 5:45 pm	In-Person 5:45 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 a presentation from Tracy Royce where she uses her many years of fix and flip experience to show you how she found success in fix and flip investing. Starting as a loan officer in the early 2000's, Tracy has had insider knowledge about the real estate market for several years, especially after working alongside many investors that were investing during the real estate market crash. She learned how to invest in the worst of times, making the good times that much better. After creating and growing an extremely successful investing business, Tracy has started to educate other investors on the right strategies and tools you need to flip in any time of market for huge returns.

Phoenix – *Market Trends and Outlook with Sarah Perkins*

Updates on Market Data Analysis, the fix and flip market, and the Rental Market provide the absolute latest information essential to your real estate investing business. Sarah Perkins is the founder and contributor to theAZmarket.com with several years of experience in presenting Cromford Report data to investors.

Phoenix Main Meeting – *Flipping in a Changing Market with Tracy Royce*

Join us for a panel discussion with a few of Arizona's top wholesalers! They will reveal their success working in today's market conditions. They will also discuss the best way every investor can work with wholesalers, even if that investor does not do wholesaling themselves. This is an opportunity for everyone to understand this side of investing and learn how to work with other investors to maximize their returns!

At this meeting you will learn:

- Current stats for flips and market
- Where most people get flipping wrong
- How to succeed in this market
- A way to approach flips to financial freedom.

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 presentation on Flipping in a Changing Market with Tracy Royce.

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 out what your real estate investing business needs! Haves & Wants, structured networking activities, market discussion, and Member Deals. It all still happens!

Fix and Flipping is Possible in Any Market

Continued from page 1

come to join us for Fix and Flip February. We're going to spotlight our educator, Tracy Royce, a rehabber, and offer you an introduction to her Fix and Flip methods during our monthly meeting, a Home Depot-sponsored bus tour to get you out on projects and learn on-site, as well as more in-depth training with Tracy through a deep dive session and also her Flip School, AZREIA's first flipping course offering.

Fix and Flipping is an opportunity to generate chunks of cash, which can set you on the path to financial freedom, but we are no longer in a market that will forgive any and all mistakes. If you want to approach flipping with a system, confidence, training, and real-world knowledge, join us for Fix and Flip February to build the foundation for your flipping success.

AZREIA ADVANTAGE: CALENDAR OF EVENTS

Check www.azreia.org for the current schedule.

FEBRUARY MEETINGS		
AZREIA – Phoenix *Monday, February 13*	**AZREIA – Tucson** *Tuesday, February 14*	**Phoenix Real Estate Club** *Tuesday, February 28*

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

- **Income Property Owners (Buy & Hold)**
  Thursday, February 2
- **Tucson New Investors – In-Person & Online**
  Monday, February 6
- **Prescott Subgroup**
  Monday, February 6
- **AZ Women in Real Estate (AZWIRE)**
  Tuesday, February 7
- **Burley's Tucson Raising Capital**
  Thursday, February 9
- **Beginning Investors**
  Thursday, February 9
- **Burley's Raising Capital – In-Person & Online**
  Tuesday, February 14
- **Notes Subgroup**
  Thursday, February 16
- **Multi-Family Subgroup**
  Monday, February 20
- **Fix & Flip Subgroup**
  Wednesday, February 22

Real Estate Without the Bank – Leave Your Lender and Invest Like the Wealthy! -TUCSON AREA

Friday, February 3, 2023 | 5:30 pm – 8:30 pm

Learn how to "Be your own bank, finance your own deals, and expedite your passive income strategies." Everyone wants a financial breakthrough, but the abundance of information makes finding a successful path feel daunting. Let us help you eliminate the guesswork by working with your current situation to help you discover your next power move. Register today and let 2022 be a year of not just dreaming, but also doing! Discover the power of compounding interest and how to expedite real estate investing goals! In this intensive workshop, we will cover the guiding principles of the Infinite Banking Concept, how you can use it to fund your Fix & Flips without the need to pay back outside lenders, how to make your next Buy & Hold property fully funded with your own personal finances, review tangible examples and applications, and more. Don't miss this amazing opportunity! DINNER WILL BE PROVIDED & SEATING IS LIMITED TO 12!!!

Real Estate Without the Bank – Leave Your Lender and Invest Like the Wealthy!

Saturday, February 4, 2023 | 10:00 am – 2:00 pm

Learn how to "Be your own bank, finance your own deals, and expedite your passive income strategies." Everyone wants a financial breakthrough, but the abundance of information makes finding a successful path feel daunting. Let us help you eliminate the guesswork by working with your current situation to help you discover your next power move. Register today and let 2022 be a year of not just dreaming, but also doing! Discover the power of compounding interest and how to expedite real estate investing goals! In this intensive workshop, we will cover the guiding principles of the Infinite Banking Concept, how you can use it to fund your Fix & Flips without the need to pay back outside lenders, how to make your next Buy & Hold property fully funded with your own personal finances, review tangible examples and applications, and more. Don't miss this amazing opportunity!

Fix and Flip Bus Tour and Training

Saturday, February 18, 2023 | 8:00 am – 5:00 pm

If you've ever considered fixing and flipping, or perhaps you want to advance your flipping skills, this is the event for you! Our Fix & Flip Subgroup Leader, Tracy Royce, will be leading this event along with a few other market experts. Tracy's fix and flip experience gives her the ability to share flipping wisdom that can save you time and money on your own fix and flip investments. Don't miss this chance to learn from the pro! We will physically tour (walk-through) and analyze 2-3 properties in the Greater Phoenix Metro Area from a Fix & Flip Perspective. Then, we will head back to the AZREIA Offices for lunch and in-classroom follow-up and training. AND…between properties, while on the bus there will be Q&A with your rehab experts. The tour will highlight the most opportunistic neighborhoods for investing. Not one moment of this educational event will be wasted! Register today to save your seat on the bus!

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

February 13th Phoenix Meeting

- **Market Trends & Outlook** Updates on Market Data Analysis and the Rental Market provide the absolute latest information essential to your real estate investing business by Sarah Perkins of TheAZMarket.com
- **Phoenix Main Meeting: Flipping in a Changing Market with Tracy Royce** Join us for a presentation from Tracy Royce where she uses her many years of fix-and-flip experience to show you how she found success in fix-and-flip investing. Starting as a loan officer in the early 2000s, Tracy has had insider knowledge about the real estate market for several years, especially after working alongside many investors that were investing during the real estate market crash. She learned how to invest in the worst of times, making the good times that much better. After creating and growing an extremely successful investing business, Tracy has started to educate other investors on the right strategies and tools you need to flip at any time of market for huge returns. At this meeting, you will learn current stats for flips and market, where most people get flipping wrong, how to succeed in this market, and a way to approach flips to financial freedom.
- **Market Update & Market News** The latest Fix & Flip and rental data along with further analysis of our Seller's Market. Plus, current events and news are important to your investing.

February 14th Tucson Meeting

- **Tucson Market Update:** The latest sales volume, pricing, supply, and demand numbers for both the Tucson market.
- **Tucson Main Meeting: Flipping in a Changing Market with Tracy Royce** ***(See Phoenix Main Meeting above)***
- **Haves & Wants, Power Networking, and Deal Sharing:** Come prepared to listen, learn, and share.

February 28th 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!

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

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WANT TO SEE YOUR LOGO HERE?

Contact memberservices@azreia.org for more details

Scott Kump
scott.kump@gmail.com

AZREIA has many Business Associates to provide your needed products and services in areas such as:

| Accounting & Taxes | Community Services | Flooring | Insurance | Janitors | Legal | Market Data | Movers |

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

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Membership in AZREIA has never been more valuable or more affordable!

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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