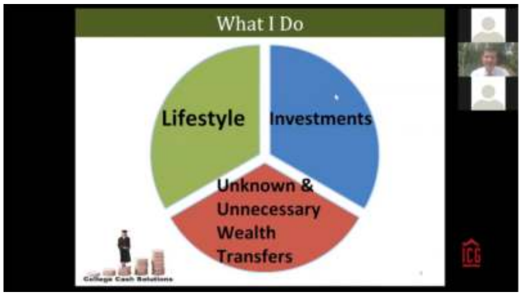
REMOTE CONTROL RETIREMENT RICHES

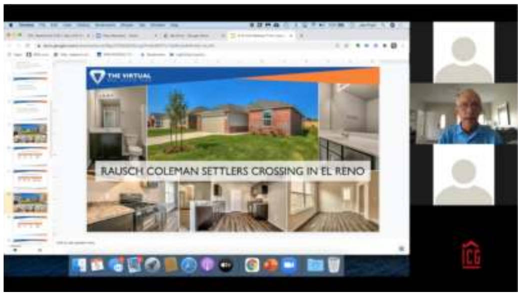
JANUARY/FEBRUARY 2021

WHAT DO I DO IF THE MARKET TEAM SAYS THEY HAVE NO HOMES AVAILABLE?

INVESTMENT PROPERTIES DURING COVID-19

AUSTIN: WRONG INVESTMENT FOR 2021?





RECAP OF ICG EXPO

Saturday, December 5th, 2020

Our December 5th 2020 Expo was well attended, by a few hundred participants. Adjusting to the Zoom format, we have shortened the Expo to four hours. That still allowed the market teams to present, but in a shortened format. We also brought several experts to present.

Tom Weclew, the owner of The Realty Medics Property Management in Central Florida, gave an illuminating presentation about property management, the issues involved in good management, and shed some light on what property managers look for when they serve the owners.

Lucian Ioja, a financial planner who had been a part of my Public Television program "Life 201", was again original and interesting with his overall take of financial planning.

Gary Sipos was fascinating to many of us who have kids, who plan to go to college. Gary opened a door for us to get financial help, talked about filling the paperwork correctly, and overall presented very useful material for the parents among us.

There were many questions asked by the viewers. I answered dozens myself, and the guests fielded many as well. The questions brought depth and new learning for everyone.

By virtue of being on Zoom, the event has been recorded and is available to watch on our website: www.icgre.com, under RESOURCES->WEBINARS.

Our next event is on March 6, 2021.

AUSTIN *Wrong Place to Invest in 2021?*

I get many calls from people interested in buying in various cities and want my opinion.

One of the popular markets right now is the Austin metro area (people get excited about the overall thriving of the local high-tech scene, Elon Musk publicly decamping to Austin, and others moving there from California). It is tempting to think of Austin as a good destination to buy in 2021. However, in my opinion, it is not! Austin, in fact, is a good city to be a SELLER in 2021. Austin prices have climbed rapidly in the past six years, while rents went up much more slowly. As a result, the rents are too low to cover all expenses.

One expense in Austin (and in the state of Texas overall) is the very high property taxes. The property taxes in the Austin metro can get to almost 3% of the home value per year (depending on county and town). That is over 2.5 TIMES the property tax rate in Oklahoma (or California). Together, the high prices, relatively low rents (relative to the prices, that is), and the high property taxes, as well as high insurance costs, create an untenable cash flow.

Here is a partial headline of a Business Insider article “Elon Musk and other tech powerhouses are flocking to Texas, pushing an already bonkers real-estate market to new heights”. Just logically, do you want to be a buyer in a market that is “already bonkers” and now is being pushed up even more? They have a name for such a market in the real estate world: “A strong Seller’s’ Market”.

Do you want to be the BUYER in that strong sellers’ market? You will be the one paying “bonkers” price to the savvy sellers, fending off multiple offers higher than list price.

It is very tempting for a California resident to say, “What? I can buy a new home in Austin for “only” $320,000? That is so cheap! Yes, it is. “Cheap” relative to San Francisco prices. However, it is not cheap to buy as a sound rental home, and has bad cash flow.

Austin is a place where many of our savvy investors are now SELLING, as the selling market is strong. It is not uncommon to see an investor selling one Austin home and buying 3 brand new homes in a 1031 tax-deferred exchange in Oklahoma City, or Tulsa, or Baton Rouge, or Central Florida. This move creates much more quality real estate owned, more 30-year fixed loans at todays’ super low rates, and brand-new properties with brand new roofs, ACs and all other parts of the homes.

Similar logic applies to the Dallas Ft Worth metro area (DFW), Houston, Phoenix, Las Vegas, Nashville, Denver, Salt Lake City, Boise, and others. I even get some investor talking about Seattle and Portland, which make no sense at all. Some misguided reporters (who in many cases have no actual experience in real estate investing themselves), confuse high prices and growth with an attractive place to invest in. The two are not necessarily linked.

An example of another very popular destination for Silicon Valley people leaving to other states, is Miami. Miami is popular, large (much larger than Austin, for example), has an international airport, good weather, beautiful beaches, and proximity to great vacation spots. Miami also has a thriving tech sector. Sounds perfect, right? We should invest in Miami, right? No! Miami prices are way too high to make sense at this time. While the property tax is “only” about 160% of that in Oklahoma or California, the price/rent ratio makes it an unattractive place to invest. Miami has been a magnet for the wealthier set of tech and finance people as of late. The prices reflect it.

There is an interesting article in Business Insider written by a tech person who had moved from San Diego to Austin and regrets it. It’s titled: “I moved my family from California to Austin, Texas, and

Continued on page 6

Investment Properties During COVID-19

Things I've Learned

JOSH FARMER

Caber Property Management in Oklahoma City

In Spring 2020, as we began to see how serious Covid-19 was and we all became familiar with the term pandemic, I was very concerned. I was worried not only for my clients, but also for myself as a fellow investor. The questions of will tenants be able to pay rent, will we still be able to lease properties? Would our investors' properties still be able to cash flow and appreciate? There was so much uncertainty in our world, that I really didn't know how bad this would get.

In terms of impact, the OKC metro area was extremely fortunate in that single family homes, duplexes and quadplexes didn't see the projected drop, it was larger multi-family condos and apartments that were more negatively impacted.

Why is this? I think there were several reasons.

1. The single family product became very attractive. With so many people spending increased amounts of time at home, the demand for more square footage, private laundry, outdoor entertaining areas and backyards increased. The fear of sharing space with so many others was also real. Most of our local moves were tenants of urban style and large multi family properties to single family style neighborhoods in suburban towns.

2. Will tenants pay rent? From the beginning of the pandemic to present, we have had zero evictions, we were fortunate enough to not

even have to file on any tenants. While we normally have low rates of eviction due to our thorough vetting process, we had even lower numbers during Covid vs pre-pandemic. This isn't to say that we didn't have tenants that couldn't pay rent. One of the hallmarks of my company and the way we do business is that we find the best solution for everyone. For example, if a tenant truly can't pay rent, the best thing is to help the tenant to end their lease and vacate the property. This allows us to get a new paying tenant in quickly, sometimes so quickly that the former tenants were able to get some of their deposit back. A win-win in my book. The owner was made whole on most occasions and the former tenant didn't have an eviction on their record, because let's be honest, these times have been extremely tough on so many by factors that are completely outside of their control.

With so many people spending increased amounts of time at home, the demand for more square footage, private laundry, outdoor entertaining areas and backyards increased.

3. Tenant Retention. We have seen a dramatic increase in tenant renewals and at higher rates. This coupled with low inventory, our ability to be even more selective in the tenant placement process and greater demand for these types of homes will create scarcity. If this continues, we should see investor returns skyrocket as rents and home values continue to climb even higher. Which is exactly what you want to see in your single family home investments.

4. Influx of people moving to smaller cities and less restrictive states. We have seen an increase in the number of tenants that are moving from out of state. With so many businesses and people operating and working from home the need to be close to an office was no longer a huge factor. This has been a tremendous boost for our market to have so many new prospective tenants and homebuyers.

While I don't have a crystal ball, there is so much to be grateful for and to be encouraged by for the future of the rental market in the OKC metro area. I would be happy to discuss in greater detail why this market should be on the top of your list for investment opportunities should you be interested.

AUSTIN, Continued from page 3

regretted it. Here are 10 key points every person should consider before relocating." The author mentions the harsh Texas heat, coupled with humidity, which, in the summer keeps you indoors and runs your AC 24/7, while also bringing scorpions and the like, and being hard on the houses. Of course, he mentions the super-high property taxes and high insurance costs. He talks about the very high cost of power and water, much higher than he had in California. Overall, he was surprised by the cost of living being much higher than he had anticipated. He mentions the travel difficulty, as Austin doesn't have a large airport, requiring an extra "hop". He laments the relative lack of public parks and spaces, to which he was used in California. While this is only the account of one high tech family who moved to Austin, and may not reflect everyone's experience, some of the points are absolute.

We have investors who actually LIVE in Austin. They are absolutely not interested in investing in Austin. They live there, and know how little sense it makes to buy in Austin in 2021. They seek investments in saner markets where the prices, rents, and property taxes, are in much better balance. We also have investors who live in Miami, Phoenix, AND Las Vegas, as well as Portland and Seattle, among many other places. All these investors wouldn't dream of buying rental homes in the market they live in, at this time. They know the insane sellers' market that exists there, and the way-too-high prices.

This phenomenon is not new. Investors declare they want to "Buy Low, Sell High". However, in reality, many investors end up "Buying High and Selling Low". Right now, Austin is the darling market touted for its growth and Elon Musk. The people who are buying super-high in a "bonkers" market, pumped by the media hype, will be the first ones to sell frantically when a recession hits, or even lose those homes to foreclosure. We have seen these scenarios throughout history, time and time again. You see the same phenomena in the stock market. People secretly love to "Buy High".

The reason is usually "But this market

will appreciate a lot!" Really? You mean you know the future? No one else does. Just because a market behaves a certain way, and even booms, it is not necessarily a guarantee of everlasting constant appreciation. We have seen it in many areas of the country.

One other factor that is important to discuss is, again, the heart and soul of single-family home investing in the United States. The reason single family rental homes change futures so effectively and powerfully: The 30-year fixed-rate loan. I talk a lot about the wonder of this loan. A very quick recap for new readers: The monthly PI payment never changes, while everything else in the US economy constantly changes with the cost of living. The same is true for the mortgage balance, which goes down due to amortization, but also never keeps up with the cost of living. This creates incredible financial futures for people, as inflation constantly erodes the real value of the loan balance and the monthly PI payment. There is no need to wait for 30 years.

Typically, after 12, 14, 16 years, the loan balances are very small relative to the home price. The monthly payment is very small relative to the rent. It is not uncommon for a person to find, after 14 years, that the loan balance (even though the loan still has 16 years to go), is merely 20%-25% or so of the home price. Many sell a couple of homes at this point, and use the after-tax proceeds to pay off several other small loans, leaving several free and clear homes, enabling them to retire.

People also see how this can send kids to college (even costly colleges), and achieve many other long-term financial life goals.

The reason I hark back to this point in this article, is to remind you that the most important point is to buy a good new single family rental home, put a down payment, and then get the constant power of inflation and the payments by the tenant, to pay off and erode the loan balance, building equity for your future wealth. With today's astoundingly low rates, strong results may be seen even sooner, perhaps 10, 11 years.

The single-family home is the VEHICLE to let inflation work its magic on the 30-year fixed-rate loan. The location of where you buy the home (as long as it's large metro areas in the Sun Belt states, where the numbers make sense), is of secondary importance. It would behoove the smart investor to buy in a market where the prices are not "bonkers" and where the rents measure up to the price well, preferably in an environment where property tax and insurance costs are low. This enables the owner to enjoy cash flow (especially with today's low rates), which building their wealth for the future with the help of inflation.

I will discuss this in further detail during our upcoming Expo on Saturday March 6, 2021.

WHAT DO I DO IF THE MARKET TEAM SAYS THEY HAVE NO HOMES AVAILABLE?

At this time, demand exceeds supply in most good markets in the US. We have discussed, in this very newsletter, that it makes no investment sense to buy in a strong sellers' market like Austin or Miami.

However even in markets which are not strong sellers' market, there is a shortage. The pandemic contributed to it. People seek to purchase or rent single family homes with a yard and room for a home office, in the suburbs. The Fed has lowered interest rates to an absurd level, prompting a larger number of people to seek purchasing homes.

Thus, it is normal, at this time, to experience shortages. It is not uncommon that the broker in the market will tell you things like "We'll have homes available in a few weeks" or "We'll put you on a waiting list".

The Fed has already said they have no plans to raise interest rates until at least 2023, so that is not an emergency.

There is no rush. These are long-term investments. Waiting a few weeks means nothing. The Fed has already said they have no plans to raise interest rates until at least 2023, so that is not an emergency.

It is important not to somehow behave in self-detrimental ways due to these temporary shortages. I see investors forgetting that buying brand-new homes is a good idea, and seek older and older properties. I see investors seeking existing homes in lesser cities, lesser areas, and of lesser quality. Why? Only to satisfy some "urgent urge?" Nothing here is urgent.

I recommend NOT dropping our standards, looking for brand-new homes in appropriate cities and in good areas. Homes which come under warranty, and with all the benefits I discuss in my article "Why We Should Buy New Homes", which I will be happy to send you if you email me for it.

It is infinitely better to buy quality new homes in the right metro areas in good areas within the metro area, then start to lower our standards just for the sake of an imagined "urgency". There is no urgency.

I will discuss in much further details at our Online Expo on March 6th, 2021.

Retirement Riches Testimonials

"Hi Adiel, I am an engineer, working in the semiconductor industry.

I was invited by my good friend to attend your webinar and I won't be able to tell you enough on how much value I found in the 4 hours I spent with you and your presenters. Thank you.

I find what you do noble work and I'd like to work with you and stand on your shoulders to rebuild my assets as well."

— Joseph Y.

"Thank you so much. We really enjoyed the webinar. There was so much great information! You are a GEM! We are considering 2 properties. Your teams and are hoping to pre order soon!"

— Mitchell L.

"The two initial houses are working very well. We have a nice positive cash flow from the beginning. Thank you!"

— Dr. Isaac E.

I have followed you for over 15 years. Bought 2 homes 15 years ago, brand new in a good area for $120K each with 20% down.

Today each is worth over $200K and the loan balance is under $50K. Wish I'd bought 10 of those! These two homes will send my kids to college. Bought 2 more brand new homes. Now want to buy several homes in Oklahoma.

— Adam B

ADIEL'S *corner*

Q: I bought 2 homes in one metropolitan area. I must buy my next homes in other states for diversification, right?

A: Not right. The word "HOME" is misleading. If you live in a place where a typical home costs $2M, your brain tends to tell itself "WOW, I have two HOMES – that feels like $4M. Now I must buy somewhere else". However, in reality, these two homes may have been bought for $200K each, for a total of $400K. That is not very much real estate, and is about 20% of the value of one home where you live. You would need to buy 10 homes in that out-of-state market, to match one home where you live. There is no issue buying your first 5-10 homes in one market. I will discuss more at our next event.

Q: Should I put a higher down payment so I get a slightly better interest rate?

A: As we have discussed, the 30-year fixed rate loan is very special. By never changing with the cost of living (neither the PI payment nor the loan balance, which also goes down with amortization), the loan becomes a "gift" over the long term. Inflation constantly erodes the true value of your debt. It is not uncommon to see that after 14 years or so, your loan balance is a mere 20-25% of the home value. That is a life-changing moment, as some people sell a couple of homes, pay capital gains, and use the proceeds to pay off the remaining small loans. Once there are several free and clear homes, financial lives are changed. With today's super low rates, these life changes might occur faster, perhaps in 11 years or so, depending on future events.

Since we consider the 30-year fixed rate loan to be a sort of a gift, why would we want to make the gift smaller? I would say that no more than 20% down payment should be used. Some people may consider putting only 15% down (the minimum allowed), with PMI (Private Mortgage Insurance.

It never fails that, when I talk to people a dozen years down the road, they say "I should have bought more homes". Using less for a down payment frees up your cash to actually buy more. This, in my opinion, far exceeds the slight benefit of a somewhat lower interest rate, especially when rates are so low to begin with.