

FEBRUARY
2025

Peak Possibilities

Your Monthly Guide to Informed Real Estate Decisions



Investment Community of the Rockies
COLORADO REAL ESTATE INVESTORS ASSOCIATION

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ICOR Business Member Directory

The Hidden Goldmine in Your Colorado Real Estate Portfolio: Why 2025 Could Be Your Year to Optimize

By Chris Lopez, Property Llama

Colorado landlords are sitting on a goldmine of equity—but most don't realize it's actually hurting their returns. Since 1991, Colorado property values have skyrocketed 569.4%, ranking third highest in the U.S. This massive appreciation has created a unique opportunity for portfolio optimization in 2025. Here's the challenge: That equity isn't working hard enough for you.

The Return on Equity (ROE) Problem

Most Colorado rental properties are generating poor returns on their equity. The data is clear—based on analysis from Property Llama, a powerful portfolio analysis tool that helps investors uncover hidden opportunities, the majority of rental properties in Colorado are significantly underperforming. Here's why:

- High appreciation has built substantial equity, often doubling or tripling property values
- Rents haven't kept pace with property values, compressing yields
- Operating expenses have increased significantly, with insurance and maintenance costs surging
- Property taxes continue to rise with property values
- Result: Many properties earn just 5-8% ROE despite appearing to have strong cash flow

Let this sink in: You might be earning stock market returns (or less) while dealing with tenants, toilets, and liability. Many investors are holding onto properties with low interest rates, thinking they've won the lottery. But when analyzing actual return on equity,



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FOR LANDLORDS & REAL ESTATE INVESTORS

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SPEAKERS



Troy Miller Chris Lopez

9:00 AM - 3:30 PM
Saturday, 8 February 2025

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The Hidden Goldmine in Your Colorado Real Estate Portfolio

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these properties are often significantly underperforming.

A Simple Framework to Evaluate Your Properties

Property Llama has developed a traffic light system to quickly assess rental properties:

Red Light (Below 10% ROE)

- Below stock market returns — why take on the extra risk?
- Time to make a move — your equity could work harder elsewhere
- Your equity isn't working hard enough — consider repositioning
- Approximately 40% of Colorado rentals fall into this category

Yellow Light (10-15% ROE)

- Decent but not exceptional returns
- Property needs optimization strategies
- Watch closely for opportunities to improve performance
- About 35% of properties analyzed are in this range

Green Light (Above 15% ROE)

- Strong risk-adjusted returns
- Property performing well in current market
- Continue monitoring for changes
- Only 25% of properties achieve this benchmark

The 2025 Opportunity

The market has created perfect conditions for portfolio optimization:

- Property values have plateaued after massive gains
- Commercial real estate is experiencing a 2008-style reset creating buying opportunities
- New investment vehicles offer better returns with less management hassle
- Tax-advantaged strategies can help preserve wealth when repositioning
- Interest rates may begin declining, creating refinancing opportunities

Smart landlords are taking action by:

- Analyzing their portfolio performance using tools like Property Llama
- Selling underperforming properties, even with low interest rates
- Repositioning equity into higher-yielding investments
- Exploring passive investment options to reduce management burden
- Using tax-efficient exit strategies to preserve wealth
- Converting properties to different rental strategies
- Exploring creative financing solutions

Action Steps

1. Calculate your properties' ROE using Property Llama's free analysis tools
2. Identify red and yellow light properties in your portfolio
3. Review your investing goals and risk tolerance
4. Model various optimization scenarios
5. Explore strategies that align with your situation
6. Create an action plan with clear timelines
7. Monitor results and adjust as needed

The Bottom Line

The easy days of Colorado real estate investing are over. But for landlords willing to optimize their portfolios, today's market presents a rare opportunity to significantly improve returns while reducing headaches. Don't let your equity sit idle in 2025. The key is understanding your portfolio's true performance and taking strategic action to maximize returns. The tools and opportunities exist — but action is required. Your future wealth depends on the decisions you make today. Begin by analyzing your portfolio at PropertyLlama.com. The platform's free tools will help you identify opportunities and model various optimization scenarios. Don't wait — the market won't stay in this perfect optimization window forever.

Understanding Your True Returns

One of the biggest challenges for investors is looking beyond traditional metrics like cash flow and cash-on-cash return. While these numbers are important when purchasing a property, they can mask poor performance in established portfolios. Property Llama's analysis shows that many investors focus too heavily on their initial investment returns while ignoring the opportunity cost of their accumulated equity. Consider this example: A property purchased for \$300,000 in 2015 might now be worth \$800,000. While the initial \$60,000 down payment might be generating an impressive cash-on-cash return, the true return on the current \$500,000 in equity could be under 5%. That's significantly below what that capital could earn elsewhere, even in today's market.

Looking Ahead to 2025

Market conditions are creating a unique window of opportunity. As property values stabilize and commercial real estate experiences a correction, investors have multiple options for repositioning their equity. Property Llama's scenario modeling tools help investors evaluate various strategies, from property conversions to passive investments. Don't wait for the perfect moment — it may never come. Start by understanding your portfolio's true performance today. The platform's tools will help you identify opportunities and model various optimization scenarios. The market won't stay in this perfect optimization window forever, and the sooner you take action, the better positioned you'll be for long-term success. Remember: It's not just about owning real estate — it's about maximizing the return on every dollar of equity you have invested. Make 2025 the year you optimize your portfolio for maximum performance.

Join Chris, Property Llama, and Multiple Investors as ICOR presents Colorado RE CON 2025 on Saturday, February 8th, in Denver, CO, as we discuss strategies that work for investors across the Front Range in Colorado and High-Interest Rate Markets.

Use Promo Code PAM125 for \$40 off General Admission OR Promo Code VIP100 for \$100 off the VIP Ticket. Register at events.icorockies.com/reconfeb2025



TITLE EXPERT

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The Importance of Buying Local and Choosing a Boutique Title Company

In the fast-paced world of real estate investing, who you choose to partner with can make all the difference. While big-name, national companies may seem like the safer choice, savvy investors understand the value of working with a local, boutique title company that truly cares about every transaction. At Elevated Title, this isn't just business—it's personal.

As a locally owned and operated boutique title company, we know that every deal matters. Our investors, agents, and lenders aren't just clients—they're the lifeblood of our business. Here's why partnering with a boutique title company like Elevated Title is a smart decision that benefits not only your bottom line but also the community where you're investing.

Boutique Means Personal

Unlike larger, corporate title companies that process transactions at scale, Elevated Title takes a boutique approach, focusing on quality over quantity. For us, this isn't just another closing—it's your livelihood and ours. Every investor, agent, and lender we work with is a valued partner, and we treat every deal as though it were our own.

We know the importance of precision and timeliness in real estate, and that's why we bring a personalized touch to everything we do. Our small size means we can deliver big results, with custom solutions tailored to your unique needs. When you work with Elevated Title, you're not just another file number—you're a valued collaborator.

A Real-Life Example of Boutique Dedication

Recently, we had a transaction that unraveled at the closing table. At the last moment, the buyer's financing fell through, leaving our seller—in this case, a local investor—facing the prospect of starting over. For most title companies, this is where the service ends. But for us at Elevated Title, it was only the beginning.

Leveraging our decades of experience in the Colorado real estate market and the extensive network we've built over the years, we were able to connect the seller with a local fix-and-flipper we knew operated in the same area as the property. Within hours, a new contract was drawn up, and the deal ultimately closed.

How many title companies provide that level of service and dedication to the market? This kind of outcome isn't a coincidence—it's the result of our deep ties to Colorado's real estate community, built on years of trust and collaboration. For us, every deal matters because your success is our success.

Local Expertise, Real Results

Real estate is local, and your title company should be, too. At Elevated

Title, we live and work in Colorado, which gives us a deep understanding of the state's real estate laws, regulations, and trends. From Denver's dynamic market to the nuances of mountain town properties, we've seen it all.

This localized expertise allows us to navigate even the most complex transactions with ease, ensuring a smooth process from start to finish. Larger, out-of-state title companies often miss these critical details, leading to unnecessary delays and frustration. Our boutique focus ensures every transaction gets the attention it deserves.

Strengthening the Community

Choosing a locally owned boutique title company like Elevated Title means you're not just investing in your property—you're investing in the community. We reinvest in Colorado by hiring locally, partnering with local businesses, and supporting the neighborhoods where we work and live.

We also believe in giving back, which is why we contribute to local charities and support local foundations. These efforts not only help strengthen the communities we serve but also reflect our commitment to making Colorado a better place for everyone. When you choose Elevated Title, you're partnering with a company that genuinely cares about the people and places that make Colorado home.

Conclusion

At Elevated Title, we're more than just a title company. We're your local partner, your advocate, and your biggest supporter. Every deal matters to us because this isn't just a job—it's our passion. Our boutique approach means we deliver personalized service, local expertise, and a genuine commitment to your success.

The next time you're ready to close a deal, think local. Choose a boutique title company that cares about your business as much as you do. Choose Elevated Title.

Elevated Title: *A Step Above The Rest*, because for us, every deal is personal.



SYNDICATION EXPERT

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Is It a Good Time to Invest in a Condo In Colorado? Navigating Affordability in Today's Market

Real estate investing has long been considered one of the most reliable ways to build wealth, but affordability is becoming a significant challenge. For those just starting out, especially in competitive markets like Denver, Colorado, the question arises: is it a good idea to buy a condo right now?

The Affordability Crunch in Denver

The median price of a home in the Denver area is approximately \$550,000. With a 3.5% down payment, the monthly mortgage payment can easily reach \$3,500. For many, this price point is out of reach, leading potential buyers to explore alternative options like condos. However, condos come with their own unique set of challenges.

The Challenges of Buying a Condo

1. Rising Insurance Costs: Home insurance rates are climbing nationwide, but the impact is especially pronounced for condos. While homeowners are seeing insurance rates rise by 30%, some condo and townhome communities are experiencing increases as high as 200%. In extreme cases, insurance policies are not being renewed at all. This dramatic rise can lead to a sharp increase in HOA fees. For example, an initial HOA fee of \$300 per month could easily jump to \$575 or more, straining budgets and potentially triggering special assessments after you've closed on the property.

2. Impact on Property Values: As HOA fees climb, fewer buyers can afford condos, leading to a decrease in demand. This can result in a significant drop in property values. I would not be surprised if condo owners were to see a \$50,000 decrease in value shortly after purchase due to these financial pressures. Colorado has rising costs due to inflation, and risks of major weather events such as fire and hail.

3. Lifestyle Considerations: For some, condos are a necessity or a lifestyle choice. Older adults who can't manage home maintenance tasks like snow shoveling or those seeking amenities like pools or tennis courts may prefer condos. However, these lifestyle benefits come at a cost, which can impact the property's long-term investment potential.

Condos vs. Houses as Investments

From an investment perspective, condos generally offer lower returns than single-family homes. When evaluating deals using a pro forma—a financial model used to assess investment potential—condos often show much lower capitalization rates (cap rates) than houses. For instance, while a house might have a 5% cap rate, a condo might only reach 2%. Appreciation trends also tend to favor houses over condos. Drawing from personal experience, when my sister and I moved to Denver in the early 2000s, I purchased a home while she bought a condo. Over a decade, my property's value doubled, while hers grew at a much

slower pace. While every deal is unique, this highlights the importance of carefully evaluating potential investments.

Solutions for Aspiring Buyers

1. Renting or Getting Roommates: Renting remains a viable option for those who can't yet afford to buy. Alternatively, purchasing a home and renting out rooms can help offset mortgage costs, making homeownership more attainable.

2. Exploring Creative Financing Options: Programs like FHA loans, which require lower down payments, can make homeownership more accessible. However, buyers should carefully evaluate their long-term financial implications as the payment with low money down is very high. There are some options to get assumable mortgages, and buy like it is 2020, if you have the means to pay the difference between the loan value and current value. It doesn't work with low money down.

3. Investing in Single-Family Homes: While the upfront costs of a house may be higher, the long-term investment potential often outweighs that of condos. If you can, put more down and buy a house. For those serious about building wealth through real estate, starting with a single-family home may be the better choice.

Final Thoughts

While condos can be a practical choice for some, especially those prioritizing lifestyle amenities or low-maintenance living, they often come with financial challenges that can impact both short-term affordability and long-term investment potential. If you're considering real estate investing, it's crucial to evaluate each deal on its own merits. As an experienced real estate investor and real estate agent, I'm happy to help you model potential deals and navigate this complex market. Whether you're just starting out or looking to grow your portfolio, understanding the numbers and trends is key to making informed decisions. Please call me at 303-514-8491, I would love to help you buy your next deal and be your real estate broker.





Colorado's Recent Landlord-Tenant Laws: Potential Challenges for Property Owners

Recent changes to Colorado's landlord-tenant laws aim to enhance tenant protections and housing affordability. However, these laws also introduce new challenges for property owners and landlords, who face increased costs, reduced flexibility, and potential legal risks. Below is a detailed analysis of key legislation and its potential impact:

1. Cause Required for Eviction of Residential Tenants (HB24-1098)

Enacted: April 19, 2024

This law prohibits landlords from evicting residential tenants without cause, except in specific cases such as:

- Demolition or substantial renovation of the property
- The landlord or their family moving into the property
- The sale of the property to a buyer who will occupy it

Negative Impact: Limits landlord flexibility in ending tenancy, even for problematic tenants whose actions may not meet the statutory definition of "cause." Legal processes to prove cause may result in higher attorney fees and prolonged vacancy periods. Small landlords may find compliance burdensome, potentially leading them to exit the rental market.

2. Warranty of Habitability for Residential Premises (SB24-094)

Enacted: May 3, 2024

This law clarifies the conditions that breach the warranty of habitability, requiring landlords to maintain their properties in habitable condition. Tenants can now raise breach claims as a defense in eviction cases or disputes over unpaid rent.

Negative Impact:

Increased risk of litigation, as tenants may use minor maintenance issues to delay or avoid eviction. Repair obligations may be financially burdensome, particularly for landlords of older properties needing continuous upkeep. Landlords may face delays in recovering possession of their property due to extended legal proceedings.

3. Residential Occupancy Limits (HB24-1007)

Enacted: July 1, 2024

Local governments can no longer enforce occupancy limits based on familial relationships, but they may impose limits based on health and safety standards.

Negative Impact: Potential overcrowding in rental units, leading to excessive wear and tear and higher maintenance costs. Increased utility usage and strain on shared amenities, especially in multi-family properties.

Landlords may face challenges in enforcing quiet enjoyment clauses when dealing with unrelated tenants cohabitating in high numbers.

4. Rental Price Gouging During Declared Disasters (HB24-1259)

Enacted: August 7, 2024

This law caps rental price increases during a declared disaster at 10% or the rate of inflation, whichever is higher.

Negative Impact:

Limits landlords' ability to offset increased costs during disasters, such as repairs or heightened insurance premiums. Could deter property investments in areas prone to natural disasters, reducing housing availability in those regions. Creates confusion and risk of penalties if landlords inadvertently violate the caps during a disaster period.

5. Pet Security Deposits and Rent (HB23-1068)

Enacted: January 1, 2024

This law caps pet security deposits at \$300 and monthly pet rent at \$35 or 1.5% of monthly rent, whichever is greater.

Negative Impact: Pet-related damages could exceed capped deposits, leaving landlords financially exposed. Disincentivizes landlords from accepting tenants with pets, potentially reducing available housing for pet owners.

Cumulative Challenges for Property Owners

Higher Compliance Costs: These laws demand more resources for repairs, legal fees, and compliance with additional regulations.

Reduced Flexibility: Strict requirements on evictions and rent adjustments limit landlords' ability to manage their properties effectively.

Deterrence to Investment: The combination of restrictions may discourage landlords from investing in or maintaining rental properties, exacerbating housing shortages.

While these laws reflect efforts to address tenant protections and housing affordability, their implementation presents significant hurdles for landlords, particularly smaller property owners. Balancing tenant rights with property owners' interests is critical to sustaining Colorado's rental housing market and ensuring its long-term viability. For those investors and operators looking to expand their real estate portfolio in residential real estate, it is important to address these concerns with your state and local representatives. Real estate investors must get involved in advocacy for fellow landowners and landlords before Colorado becomes untenable for real estate developers and owners.



RETIREMENT ACCOUNT EXPERT
CARL FISHER / CAMAPLAN.COM

Roth IRA vs. Traditional IRA: Which Retirement Account is Right for You?

When it comes to planning for retirement, choosing the right investment account can be just as important as deciding how much to save or where to invest. Among the most popular options are the Roth IRA and the Traditional IRA—two retirement savings accounts that offer distinct tax advantages and withdrawal rules. Deciding between them depends on several factors, including your current financial situation, tax bracket, and future goals. This article takes a closer look at the differences between these accounts and provides guidance to help you make the best decision for your financial future.

What is a Roth IRA?

A Roth IRA is a retirement account that offers tax-free growth and tax-free withdrawals in retirement. Unlike other retirement accounts, contributions to a Roth IRA are made with after-tax dollars, meaning you don't get an immediate tax deduction. However, the trade-off is significant: once you reach retirement age (59 or older) and have held the account for at least five years, you can withdraw both your contributions and earnings completely tax-free.

One of the standout features of a Roth IRA is its flexibility. You can withdraw your contributions—though not the earnings—at any time without penalties or taxes. This makes a Roth IRA not just a retirement account, but also a potential safety net for unexpected expenses. It doubles as a savings account with asset protection.

Another key advantage of a Roth IRA is the lack of required minimum distributions (RMDs). While most retirement accounts require you to start withdrawing funds at age 72, Roth IRAs allow you to keep your money invested indefinitely. This feature makes Roth IRAs particularly attractive for those who want to let their investments grow for as long as possible or leave a tax-free inheritance for their heirs.

However, Roth IRAs do come with one significant limitation: income eligibility. High-income earners may not qualify to contribute directly to a Roth IRA. That said, there are strategies, such as the “backdoor” Roth IRA, that can help individuals circumvent this restriction.

What is a Traditional IRA?

The Traditional IRA, by contrast, is a tax-deferred retirement savings account. Contributions are often made with pre-tax dollars, which can reduce your taxable income for the year you contribute. In this way, Traditional IRAs offer an immediate tax benefit, which is one reason they remain a popular choice for retirement savers.

Unlike Roth IRAs, withdrawals from a Traditional IRA in retirement are subject to income tax. This means you'll pay taxes on both your contributions and the earnings when you take money out during retirement.

While this might seem like a drawback, it can actually be advantageous if you expect to be in a lower tax bracket in retirement than you are today.

Another key difference is the requirement to begin taking RMDs at age 73. Whether or not you need the money, the IRS mandates that you withdraw a minimum amount each year and pay taxes on it. This rule can be inconvenient for individuals who prefer to let their money grow untouched for as long as possible.

Unlike Roth IRAs, Traditional IRAs have no income limits for contributions, but there are restrictions on tax deductibility if you or your spouse participates in a workplace retirement plan. Even if contributions are not tax-deductible, the account's tax-deferred growth still makes it a valuable retirement savings option.

How to Choose Between a Roth IRA and a Traditional IRA

Selecting the right type of IRA involves weighing several factors, including your current tax bracket, your expectations about future tax rates, and your financial goals. Here's a deeper look at the key considerations:

1. Current and Future Tax Brackets

Your current and expected future tax brackets are often the most important factors in deciding between a Roth and a Traditional IRA. If you're in a high tax bracket now and expect to be in a lower one during retirement, a Traditional IRA might make sense because it provides immediate tax relief. Conversely, if you're in a lower tax bracket today but expect higher tax rates in the future, a Roth IRA could be more advantageous, allowing you to lock in today's lower rates and enjoy tax-free income in retirement.

2. Time Horizon

Your investment timeline can also play a significant role. Roth IRAs are especially appealing to younger investors or those with many years before retirement. The longer the money stays invested, the greater the potential benefit of tax-free growth. Traditional IRAs, on the other hand, might be better suited for individuals closer to retirement who are looking for immediate tax deductions.

3. Withdrawal Flexibility

If flexibility is important, the Roth IRA stands out. Because you can withdraw your contributions at any time without taxes or penalties, a Roth can serve as an emergency fund or a source of funds for major life expenses, such as buying a home or paying for education. Traditional IRAs, in contrast, impose penalties for most withdrawals made before age 59.

4. Estate Planning



Roth IRAs are an excellent choice for individuals who want to leave a financial legacy. Heirs generally receive Roth IRA distributions tax-free, and since there are no RMDs for the account holder, the funds can continue to grow tax-free for decades. Traditional IRAs, while still a valuable estate planning tool, require heirs to pay income tax on distributions.

5. Risk Tolerance

Tax laws are subject to change, and Roth IRAs provide a hedge against potential tax increases. Because you've already paid taxes on your contributions, changes in tax rates won't affect your retirement withdrawals. Traditional IRAs, on the other hand, carry more uncertainty, as future withdrawals will be taxed at whatever rates are in effect at the time.

6. Rate of Return

The rate of return should also be considered. The lower the rate of return on investment (ROI), the longer it takes to recoup the taxes paid. Inversely, the higher the ROI, the faster the taxes are paid back.

Can You Use Both?

For many people, the best approach isn't choosing between a Roth IRA and a Traditional IRA—it's using both. By contributing to both types of accounts, you can diversify your tax exposure in retirement. For example, you could rely on tax-free withdrawals from a Roth IRA to cover basic living expenses while using a Traditional IRA to fund larger, taxable purchases.

This strategy provides flexibility and allows you to manage your taxable income during retirement. By balancing both accounts, you can better adapt to changes in your financial situation or tax laws.

Final Thoughts

Both Roth IRAs and Traditional IRAs are powerful tools for building a secure retirement, but they cater to different financial needs and goals. The Roth IRA offers long-term tax-free growth and flexibility, while the Traditional IRA provides immediate tax benefits and deferred growth. The right choice for you will depend on your current financial situation, your expectations for the future, and how you prioritize flexibility, tax savings, and estate planning.

If you're unsure which option is best for you, consult with a financial advisor or tax professional. With the right guidance, you can create a retirement strategy that aligns with your goals and positions you for long-term success. After all, the most important thing isn't which type of IRA you choose—it's that you take action now to secure your financial future. The preceding article is not intended as, nor should it be considered, advice of any kind. It is for educational purposes only. Please consult qualified financial and tax specialists.





INSURANCE EXPERT

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How Wildfires Are Shaping Property Insurance

The Challenge of Increased Wildfire Risk

The rising frequency of wildfires has prompted many insurance carriers to reassess their risk exposure by analyzing historical data, updating predictive models, and incorporating advanced technologies such as satellite imagery and geographic information systems to better understand and manage the potential for future losses. Consequently, some carriers have chosen not to renew policies for homes located in wildfire-prone areas. This trend is primarily driven by the high risk and potential for substantial financial losses associated with insuring properties in these regions.

Notification of Non-Renewals

For homeowners affected by non-renewal decisions, insurance carriers are legally obligated to notify policyholders at least 90 days before the policy cancellation date. This advance notice is crucial, as it provides homeowners with a window of opportunity to seek alternative insurance coverage.

The Search for New Coverage

During the 90-day period following a non-renewal notice, homeowners must actively shop for new insurance policies. Consider using resources such as online insurance comparison tools, consulting with insurance brokers, and reaching out to local insurance agents for personalized advice to ensure you find the best coverage. It is advisable to explore options with multiple insurance carriers to find the most suitable and affordable coverage for their homes.

The California FAIR Plan: A Safety Net

For homeowners unable to secure insurance through the standard market, the California FAIR Plan serves as an essential fallback option. This plan offers basic fire insurance coverage, ensuring that homeowners

in high-risk areas can still obtain the necessary protection for their properties.

Connecting to Colorado

While this newsletter focuses on California, the lessons and strategies discussed are increasingly relevant to other states facing similar wildfire risks, such as Colorado. Colorado has also experienced a rise in wildfire incidents, prompting homeowners and insurers to adapt. Just like in California, it is crucial for Colorado residents to stay informed about their insurance options, understand the importance of early notifications for non-renewals, and explore available safety nets. While the Colorado FAIR Plan is not currently active, it is expected to launch in the first months of 2025. Established through legislation in 2023, the plan is in the process of setting up its operations, with access to policies anticipated early in 2025.

By staying informed and proactive, homeowners can better navigate the challenges posed by the evolving wildfire landscape and its impact on property insurance in both California and Colorado.

It is important to have an insurance agent review your insurance policies with an updated reconstruction cost, coverage options, and any new exclusions. This review ensures you are adequately prepared and protected against the evolving risks discussed in this newsletter, providing peace of mind and comprehensive protection for your property.

If you have any questions or need assistance with your insurance needs, please do not hesitate to reach out. We are here to help you secure the best protection for your property and provide guidance through these challenging times.





Joint Ventures: Why Do So Many Fail?

I was asked this question not long ago: Why do partnerships, particularly joint ventures, frequently fail? Your first thought when reading this may be, “OK, is Jeff equating a joint venture to a partnership?” Yes, I am. A joint venture is a limited duration partnership in which two separate entities or persons agree to work together toward a common interest or goal. Here are what I believe are some important reasons why we see so many joint ventures fall apart.

1. Improper or incomplete expectations.

People love to fantasize about how much money they are going to make and how much fun a joint venture will be or how easy it is. Then, reality sets in when hard work must be done! This leads to problems if there has been a failure on the part of the parties to communicate their expectations. Who is responsible for what and over what timeframe?

If someone going into a joint venture relationship is unable to communicate and document their expectations or have mature, adult conversations about what happens when things go wrong, it’s a clear sign that the joint venture is doomed from the start. I’ve seen very few deals or joint venture arrangements in which Murphy’s Law did not apply. If something can go wrong, it will, so you need to have those conversations and be prepared for it.

2. Lack of experience

No matter what we do, there is always a first time for doing it, whether it’s learning to walk as a toddler, drive a car as an adolescent, rehab a property as an investor, or negotiate with tenants as a landlord. The good news is that we don’t have to have personal experience the first time we do these things. We can learn from others who already have that experience.

One of the worst mistakes I made in my first ten years as a real estate investor was the arrogant assumption that I could figure it out all by myself without collaborating or networking with others. Then, in my quest to gain experience, I made another fundamental mistake. I thought that people who had fantastic marketing and could tell a good story must be telling me the truth and must have real-world, hands-on experience. That isn’t always the case.

Eventually, I stopped paying attention to the people with the shiny objects and slick marketing funnels and went toward the people who had significant transaction and investing experience. What I learned from their experience, I incorporated into my own experience, and I became a wiser and better investor, advisor and lawyer.

A lack of experience is one of the easiest things to correct when it comes to a joint venture that is struggling or on the verge of failing.

If each participant in the joint venture agrees to hit the pause button temporarily and seek wise experience and counsel as to the best way to correct what has been done wrong so they can move forward, that joint venture can often be saved.

3. Lack of character and poor communication

I’m putting these two things together because I find that they often go hand in hand. When someone refuses to acknowledge and correct their poor communication skills, it’s usually because they lack character. I will acknowledge that just because someone is a good communicator, it doesn’t mean they have great character. I personally know people who are incredibly gifted speakers but have horrible character.

Joint ventures will fail if one or all of the parties lack character because when the going gets tough, the person with poor character will give up. They lack the necessary resolve to say, “OK, things aren’t going well. What do I need to do to fix this?” Many of the problems that arise in a joint venture can be seen from afar and can be prevented when there is ongoing, good communication among the participants.

4. Lack of accountability

Having accurate books and records (accounting) is a key component of accountability, but accountability includes much more than just being accurate with your numbers. Lack of accountability will destroy a joint venture relationship if there is no preset standard for performance, objectives, milestones, etc., that need to be accomplished by the members of the joint venture. If there is no preset standard for these things, then no one is holding the other members (including you) accountable for getting them done.

In a basic joint venture agreement where two people come together to buy and fix up a house, for example, there needs to be preset, agreed-upon milestones and deadlines as to what will happen and by when. One party may be free-spirited, and the other may be more responsible, but even responsible parties need to be held accountable.

Accountability is so important because other people are depending on you to deliver on time and perform as promised. When you fail to timely complete the tasks or responsibilities required of you in a joint venture, you are hurting other people and potentially creating collateral damage.

5. Lack of focus

We laugh at the phrases “squirrel syndrome” or “shiny object syndrome”, but we really do have a culture of distracted people who become entrepreneurs because “traditional or mainstream jobs” aren’t suitable for them. I understand that, but a lack of consistent and persistent focus will lead to a joint venture failing.



I love Aesop's fable "The Tortoise and the Hare". It's a classic tale that shows what happens when one lacks focus. The hare may have suffered from shiny object syndrome, but the tortoise stayed focused. While the hare went off in haste and got distracted with taking a nap, the tortoise steadily plodded along, on a mission, keeping his consistent and persistent focus. At the end of the day, the reptile beat the fluffy, cute bunny.

Staying focused is key to maintaining accountability, having consistent communication about what is going on, and meeting the preset expectations and deadlines that the joint venture relationship requires.

6. Hubris

Hubris (excessive pride or self-confidence) is a death sentence to a joint venture or partnership. A self-aggrandizing person who thinks their

knowledge, experience or accomplishments are greater than they are, or someone who believes their own efforts and talents are somehow worth more than someone else, is toxic in a joint venture relationship.

The opposite of hubris is humility or meekness. Do not mistake humility and meekness for weakness. Rather, humility and meekness are about carefully restrained strength. A humble person is capable of getting things accomplished but also has the self-control needed to do it in the most polite and professional manner possible.

I hope this article will be a help to you if or when you next enter some type of joint venture or partnership. These are things you not only need to look for in those you are considering partnering with, but you need to make sure you aren't exhibiting any of these causes of failure yourself.

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