



the **ADVISOR** with Russ Hatle

Unique Real Estate Solutions to Preserve Capital, Add Value and Build Cash Flow

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The concerns of Fall 2021.....

Followed by the Headwinds of early summer 2022.....

May indicate a cycle change for real estate

Real estate has taken a tough turn over the last few months, quite a change from a year or so ago when interest rates held at historic lows, residential prices increased dramatically even while sales were sizzling. Across the board things appeared to be booming – even amidst worker shortages, relentless COVID-19 scares and restrictions, political buffoonery and media wrangling.

But while gas prices head up and a war in Ukraine shifts much of the world’s focus, the necessity of doing the day-to-day of business persists. Understandably industries are brainstorming on how best to move forward, while within the real estate professions there’s contemplation on the most effective way to manage investments, new development, sales and ventures. Needless to say, the industry is collectively speculating about what the future holds. Real Estate insiders – typically the investors, fund managers, developers and property companies - are busy adjusting and formulating strategic plans. The degree of concern will be driving the calculated actions to follow.

From Most Impact to Least Impact – These Were Last Fall’s Top Real Estate Challenges

According to German firm **Statista** – the global number 1 business data platform renowned as a statistics database – the 15 key issues in order of importance were:

- | | |
|------------------------------------|---|
| 1. Construction Materials Costs | 9. NIMBYism |
| 2. Construction Labor Costs | 10. Tenant Leasing and Retention Costs |
| 3. Construction Labor Availability | 11. Environmental – Sustainability/Requirements |
| 4. Land Costs | 12. Risks from extreme weather |
| 5. State and Local Regulations | 13. Health and wellness features |
| 6. Operating Costs | 14. Health and safety-related policies |
| 7. Property Taxes | 15. Municipal Service Cuts |
| 8. Infrastructure/Transportation | |

Source: Statista.com - Collection period 2021. Release date October 2021. Compiled from 1200 respondents in the United States. Industry experts: Investors, fund managers, developers and property companies

Keep an eye on Investor and Developer Sentiment.....

The **RCLCo Real Estate Investor Sentiment** survey, last updated at the end of 2021 is now in process, with results expected soon. Check www.imprimisadvisors.com where it will be posted as soon as published

Changing Finance and Consumer outlook may indicate a cycle change for real estate

As real estate investors face the concerns Statista found in its fall 2021 survey, new headwinds face the residential housing market.

Home prices increased in late 2021 and early 2022 even faster than at the end of the 2000-2007 housing bubble; affordability became a real issue for many plus per annum, as you're hearing on the and since August 2021 interest rates for a current 6.2%. (June 15,2022) As a result, the must now;



would be buyers. Meanwhile, an inflation rate of 8% news every day, stretched the hopeful Buyers budget home loans have increased from 3% or slightly less to a buyer for a median \$450,000 home, with an 80% loan

- Have almost \$25,000 MORE in annual income to qualify for the loan
- Pay \$900 more per month to make his mortgage payment
- Or accept the risk of an adjustable rate loan in an increasing rate environment
- Stretch his budget even further to meet the rising cost of gas for the commute and food for the family.

Early signs of slowing buyer traffic, fewer mortgage financing applications, and price reductions on existing listings predict a slowing of the hot housing market is in process.

As Charles A. Hewlett, Managing Director RCL, wrote in December 2013 -

...real estate is one of the most cyclical industries in the economy – it experiences higher highs and lower lows than nearly every other industry, including automobiles, aerospace, energy, etc. Relatively small changes in the overall economy can cause huge swings in real estate, particularly if there is a rapid erosion of consumer confidence or a change in capital market liquidity. The old saying goes, “when the economy catches a cold, the real estate industry contracts pneumonia.”

If the real estate cycle is in or entering the “Late Stable” cycle, indicators would be pricing greater than replacement cost of assets along with starts and permits, job growth, home ownership rates, rental rates and occupancy, demand vs supply and land pricing all above trend as they are today.

What to do in a rapidly changing, uncertain and unstable environment?

Re-evaluate all your investment assets, business plans and commitments. Consider;

- Disposing of marginal opportunities and curtailing new commitments or starts
- Disposing of assets you don't want to hold through a downturn
- Refinancing with flexible debt at the lowest possible cost
- Create a war chest if you can, for opportunities that may occur in a downturn
- Maintain your “core keepers” management team
- Keep track of your local market indicators, as they often serve as “early warnings” of cycle changes

Here Comes Another 4th of July!



While often categorized as a democracy, the United States is more accurately defined as a constitutional federal republic. What does this mean? “Constitutional” refers to the fact that government in the United States is based on a Constitution, which is the supreme law of the United States.

**We've Included a Free Copy of The Constitution
with your Imprimis Advisors Newsletter!**



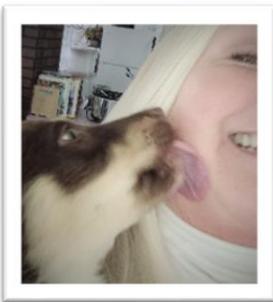
On the 4th of July, we celebrate the Declaration of Independence as the founding document of The United States, but equally important is the Constitution, written in 1787 and adopted by the States in 1788.

Abraham Lincoln was quoted as describing the two documents together as “a frame of silver around an apple of gold.”

We hope on this 4th of July you enjoy a Peaceful and Happy Holiday, surrounded by family and friends in your favorite place, and that you take a few minutes to appreciate the Freedoms intended for you and your descendants by those brave Patriots who pledged their Lives, Fortunes and Sacred Honor in Declaring Independence in 1776 and many of the same individuals, along with representatives of the States, who labored through the summer of 1787 in hot and humid Philadelphia to construct a framework for you to live within freely these many years later.

Happy 4th of July

Imprimis Advisors **TEAM** Introductions



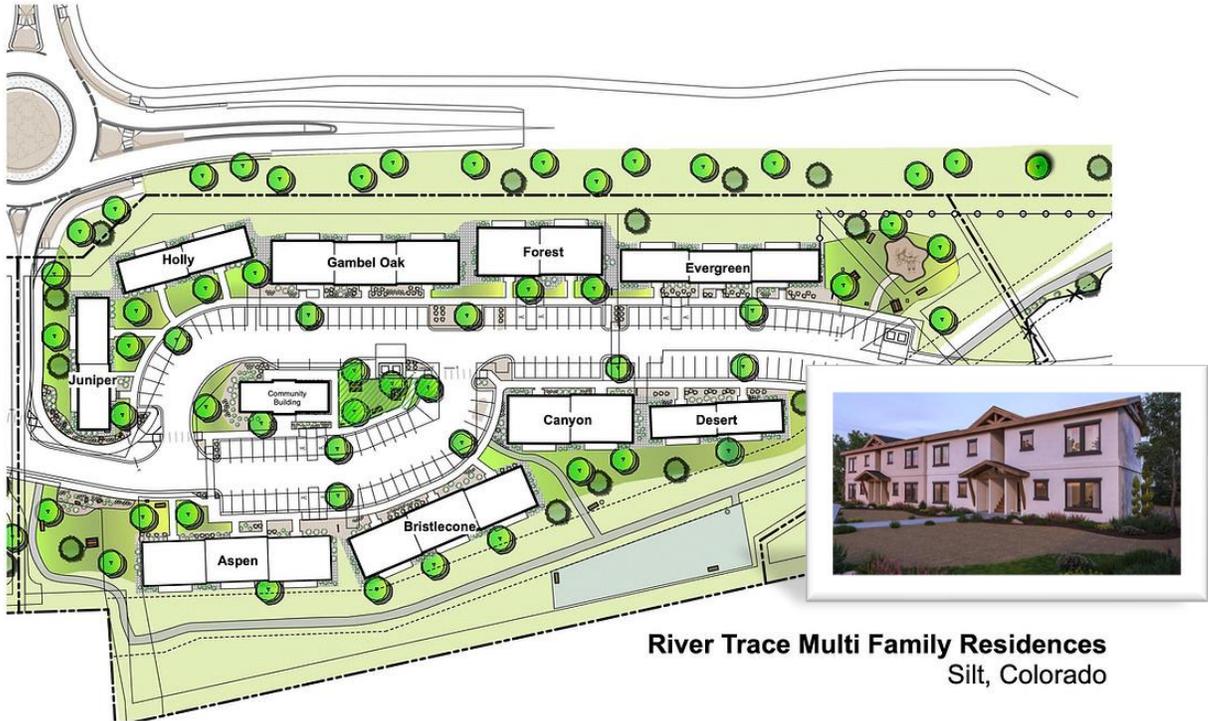
Alison Webb – Marketing Coordinator

Degrees in journalism and interior design along with years of real estate office administration and business marketing have established Alison’s skills for the position of Marketing Coordinator for Imprimis Advisors. Along with building websites and drafting business presentations, articles and blogs, Alison provides interior design consultation on the new multi-family development of River Trace at BelleVista in Silt, CO.

With interests in music and travel, time with family and friends are at the top of Alison’s list – along with hiking with her collie, Faye and newest family member, Aussie puppy, Smith.

CLOSING COMMENTS

Closed in May, \$11.7 million Construction and Take Out financing for River Trace



**River Trace Multi Family Residences
Silt, Colorado**

Finishing by July 4th, 50.8-acre Site Development at Lexington Oaks Commons!

**A mixed-use project with 250 multi-family units under construction and multiple retail users
In negotiation or under contract.**



Aerial View of Lexington Oaks Commons, Wesley Chapel, FL