

# REALFACTS

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Commercial Edition



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*As a Certified Commercial Advisor, I belong to a group of real estate professionals who not only list, lease and sell real estate, but also advise their clients on how to invest in real estate using discretionary income, self-directed retirement accounts and 1031 Tax-deferred exchanges. Contact me if you have an interest in investing in real estate.*

## Opportunity Zones: Are They Opportunities or Not?

By Ken Holman

One of the biggest economic opportunities to come along in some time was the creation by Congress of Qualified Opportunity Zones as part of the Tax Cuts and Jobs Act of 2017. By early 2018, state and territorial governors and the mayor of the District of Columbia had identified 11,072 Census Tracts as Qualified Opportunity Zones (QOZs).

These Opportunity Zones give investors specialized tax treatment, including the deferral of capital gains, for investments in a QOZ or in an Opportunity Fund that invests at least 90 percent of its assets in businesses located in QOZs.

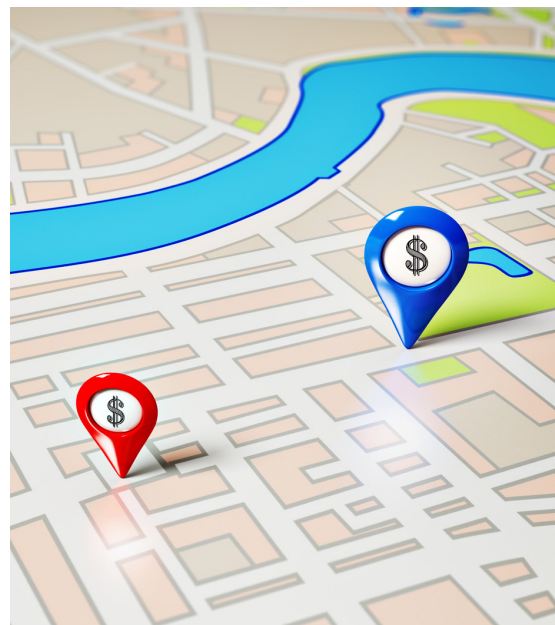
The QOZ incentive requires investors to realize capital gains in these designated census tracts in exchange for a multi-year deferral of taxes due on the gain and a possible exemption for the payment of any further capital gains for new investments held for 10 years or more.

There is an estimated \$2.2 trillion of unrealized capital gains in stocks and mutual funds held by individuals and corporations that could be unleashed in these communities, not to mention the untold millions that are available through 1031 Tax-deferred exchanges. The unanswered question is, "Are these investments in Qualified Opportunity Zones, either individually or through an Opportunity Fund, really opportunities or are they simply a way to defer or avoid the payment of taxes?"

So far, many agree that QOZs are a mixed bag. Some Opportunity Funds raised millions of dollars but decided to give the money back to the investors and close down the Fund because they couldn't find suitable investments in the QOZs. Others have started plowing money in and have begun development of projects and investments in businesses located in QOZs.

Before jumping into an Opportunity Fund or investing in a QOZ, an investor must look at the underlying fundamentals of the investment. If the deal makes sense regardless of its location in a QOZ, then it's probably a good idea to proceed. If the deal only makes sense because capital gains can be deferred or exempted, then it's likely not a good idea. The fundamentals of the investment always need to make sense regardless of its location in a Qualified Opportunity Zone.

*Ken Holman is President of the National Association of Real Estate Advisors (NAREA). To become a member of NAREA, visit [www.nareagroup.org](http://www.nareagroup.org); email [ken@nareagroup.org](mailto:ken@nareagroup.org); or call (801) 931-5571.*



# REALFACTS

## What Type of Investor Personality Are You?

By Ken Holman

There are Six Investor Personality Types: 1) **Cautious**; 2) **Emotional**; 3) **Technical**; 4) **Busy**; 5) **Casual**; and 6) **Informed**.

Knowing why you make certain investment decisions can help you become a more educated investor. There are several studies that determine investor personality type. The CFA Institute categorizes investor personality types into four main groups: Preservers, Accumulators, Followers and Independents. Barnwell Two-Way Model groups investors into "passive" and "active." One of the best studies uses Psychonomic Investor Profiling which holds that a person's propensity to risk is unlikely to change regardless of circumstances. Psychonomic refers to the laws of science as they relate to the mind's internal and external psychological environment.

A **Cautious Investor** makes conservative investment choices. They have a strong need for financial security and prefer to avoid high risk ventures.

An **Emotional Investor** likes to trust their gut instinct rather than doing thorough due diligence. They believe in "luck" or "providence" and follow the "hot tips" that seem fashionable at the time.

A **Technical Investor** makes financial decisions based on hard facts and numbers. They do excessive due diligence and are constantly looking for the latest developments.

A **Busy Investor** is constantly checking the latest price movements and is always buying and selling based on the latest gossip or hearsay from financial journals.

A **Casual Investor** is more laid back when it comes to finance and investment. They want a professional advisor to take care of things.

An **Informed Investor** relies on information from multiple sources before making a financial decision. They expect their understanding of investment markets will give them a better chance of achieving a higher return.

Which type of investor personality do you have?

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## FEATURED PROPERTY

Coyote Creek Apartments | Washington, UT



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## PROJECT SUMMARY

- Project Type: Multifamily Investment
- Unit Number: 116 Units
- Estimated Project Cost: \$23,600,000
- Equity Capital: \$5,900,000
- Minimum Investment: \$25,000
- Targeted Investor IRR: 20.9%
- Targeted Equity Multiple: 2.4

Coyote Creek Apartments has been fully entitled. The project is comprised of 1, 2 and 3 bedroom units consisting of 4, three story buildings and 21 townhomes for rent. Also included are a clubhouse with a full complement of amenities including a fitness facility, swimming pool, splash pad, playground, barbecue areas, and two pickle ball courts.