



Real Estate Investor Market **RESEARCH REPORT**

2015 Trends in Real Estate IRA Investments

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Insights into Where, What, and Why Investors
Are Buying Real Estate Using Self-Directed IRAs

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REAL ESTATE INVESTOR MARKET RESEARCH REPORT

2015 Trends in Real Estate IRA Investments

Introduction

The convergence of two important trends presents an opportunity for people saving for retirement: the improving US real estate market and growing interest in self-directed retirement savings plans. Self-directed IRAs give you the freedom to invest in a wider range of assets, including real estate. This report from The Entrust Group, a pioneer in self-directed IRAs, puts the opportunity in perspective using data from our clients and insights from respected organizations like the National Association of Realtors and Zillow.

Entrust IRA Real Estate Investment Trends

Where IRA Investors Bought Real Estate

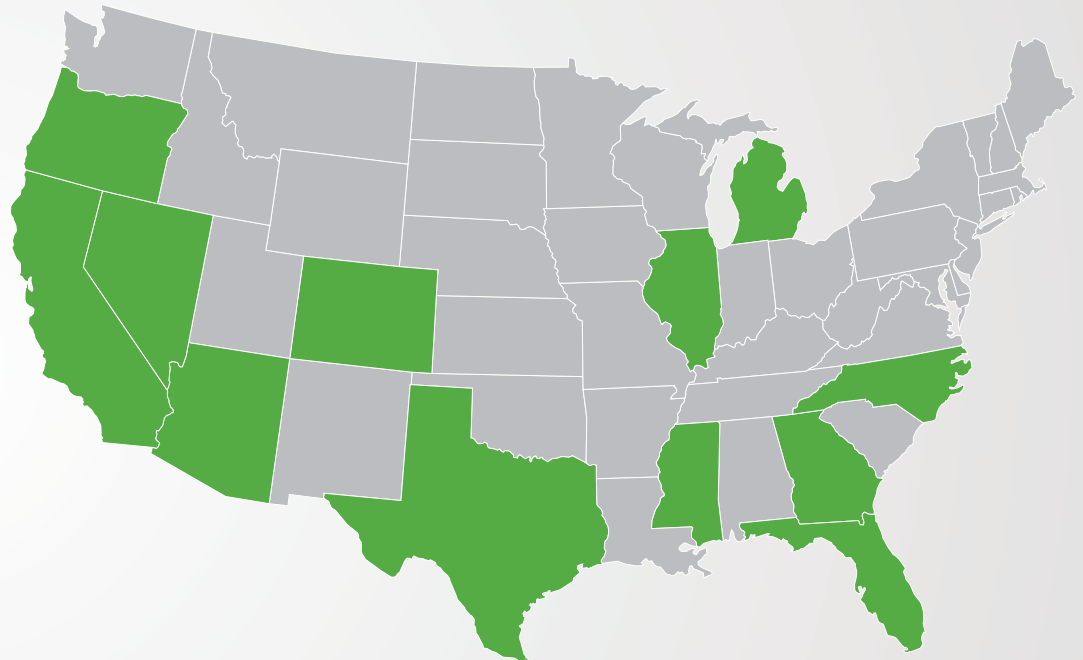
A look at where Entrust clients bought investment property in 2015 shows California and Texas still in the lead, with numbers little changed from 2014. Both Arizona and Colorado saw 2% growth in purchases, while transactions fell slightly in Florida (-2%) and Missouri (-3%).

Where Entrust Clients Bought Real Estate

■ Top 12 States

CA	32.0%
TX	9.0%
AZ	7.5%
CO	7.0%
FL	6.0%
MO	4.0%

IL	3.0%
MI	3.0%
NC	3.0%
GA	2.5%
NV	2.5%
OR	2.5%



Regional

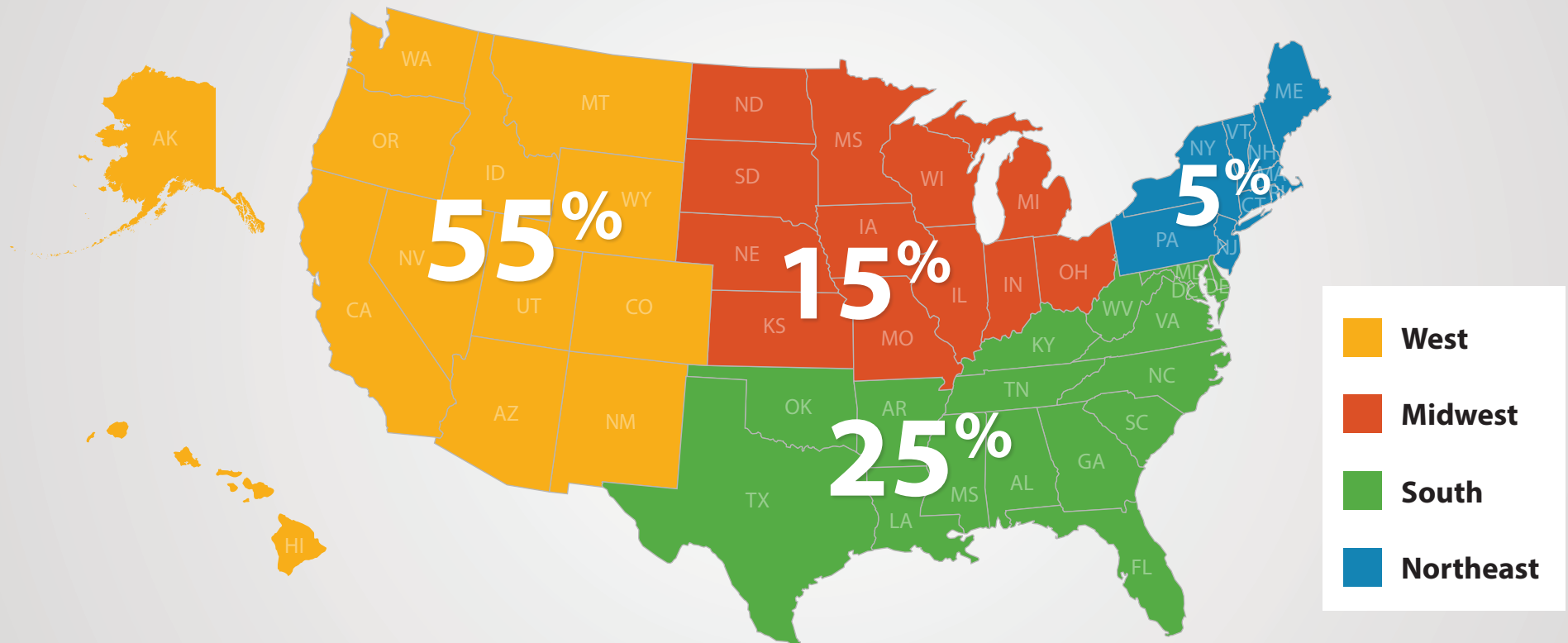
The Western and Southern markets made up almost two-thirds of real estate investments nationally. The California, Florida, and Texas markets in particular experienced continued growth.

The lower cost of living and attractive property prices in so-called “secondary markets” like Austin, Texas, Portland, Oregon, Nashville, Tennessee, and Charlotte, North Carolina make these high-potential markets. Florida markets are improving as well,

with population and employment both growing. Another demographic to watch is the growing number of Baby Boomers choosing to retire in many of these locations.

Following the national trend, Entrust clients demonstrated confidence in the Western market, with 3% more transactions in 2015 over 2014. Four out of five IRA investors chose to purchase real estate in the West or South in 2015.

■ Entrust Real Estate Transactions by Region



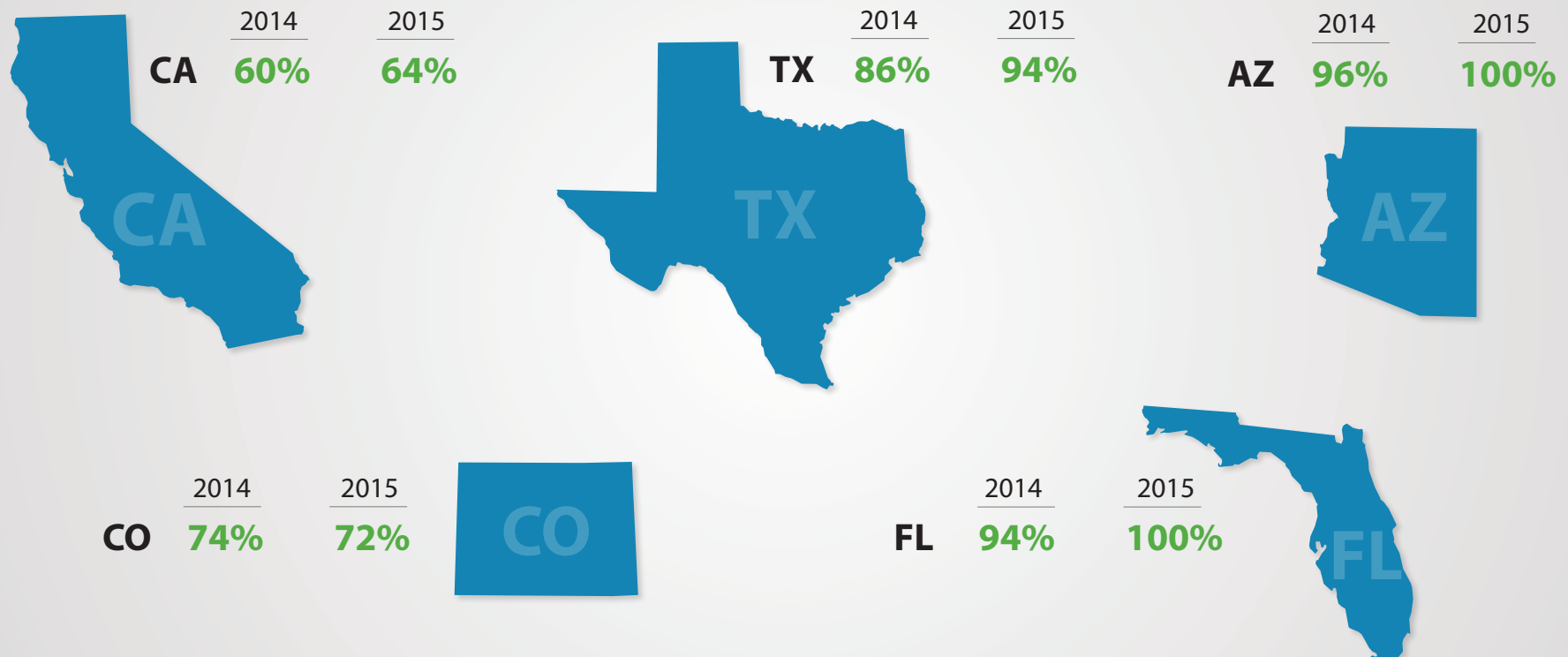
One of the advantages of buying real estate as an investment, unlike buying a primary residence, is that you can buy anywhere. That might be where you want to live once you've retired or where you believe you can get the best return on your investment.

Nonetheless, many people still prefer to invest close to home, especially if they intend to generate income through renting the property. It is usually much easier to manage a property close to home than one far away. Property managers can take

on a lot of the day-to-day responsibility, but there is a certain security in knowing that you're nearby in an emergency.

That was the case for Entrust clients in Arizona, Florida, and Texas, who chose in-state properties almost all the time. Colorado clients were more adventurous, choosing to invest out-of-state 28% of the time. Californians continued to set the pace for investments out of state; more than one-third of their purchases were out of state, most often in Arizona (9%), Texas (7%), and Nevada (5%).

■ Percentage of Purchases In-State



What IRA Investors Paid for Properties

As you might expect given the nationwide uptick in the real estate market, the average purchase price paid for properties in 2015 - \$177,777 - was higher than the 2014 average price of \$146,490.

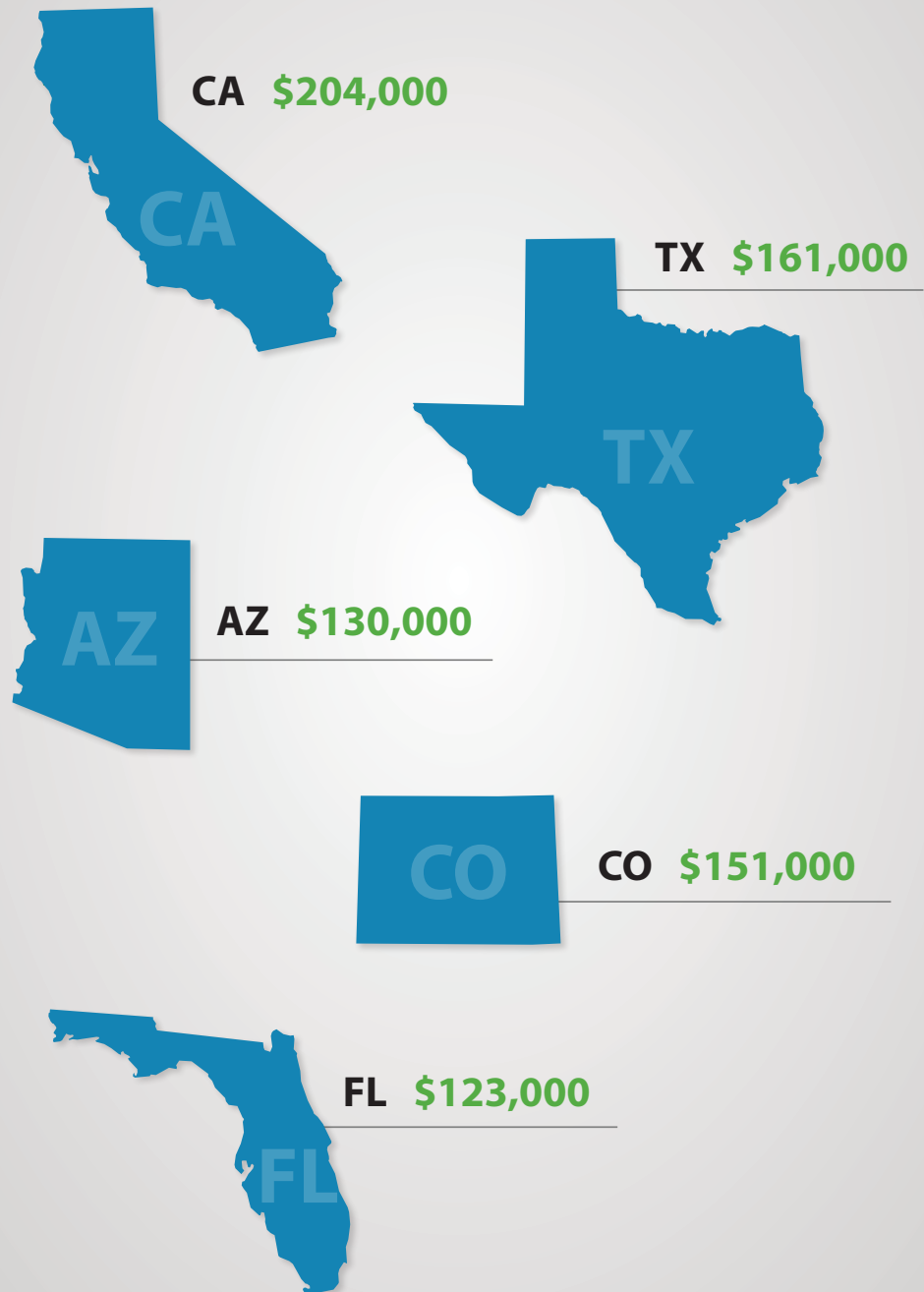
But real estate markets define "local" and that means a fair degree of variation from one market to the next.

■ In 2015 prices:

- Increased \$11,000 in California
- Dropped an average of \$19,000 in Texas
- Increased a whopping 78% in Florida

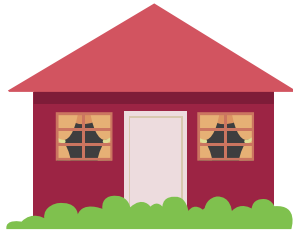


■ Average Purchase Price in Entrust's Top Five Markets



What Types of Property IRA Investors Bought

Single-family houses are Entrust clients' first choice of investment property, representing 44% of all purchases. Multi-family residences come in next, at 28%. Vacant land (12%), commercial real estate (3%), and various other properties (12%) round out their investment preferences.



Single-Family Residence

2014	2015
46%	44%



Multi-Family Residence

2014	2015
26%	28%



*includes resorts and villas

*Other

2014	2015
5%	13%



Vacant Lot

2014	2015
19%	12%



Commercial Real Estate

2014	2015
4%	3%

Which Type of IRA Investors Used

More than seven out of 10 Entrust real estate investors use Traditional IRAs—those that give a tax deduction at the time of contribution. That is a 2% increase over 2014. Other IRA types are holding steady as real estate investment vehicles: 15% for Roth IRAs, 12% in SEP IRAs and a slight dip to just 1% for SIMPLE IRAs.

There may be a good reason to consider using a Roth IRA. Real estate is typically held as a medium- to long-term investment, for a median of five years, according to the National Association of Realtors. During that time, if your Roth IRA has satisfied the qualified distribution criteria, the Roth IRA gets a tax-free revenue stream from the rental income. Likewise, any underlying appreciation in the market value of the property is tax-free.

■ Account Types for Real Estate Investments

Account Type	2014	2015
Traditional IRA	70%	72%
Roth IRA	15%	15%
SEP IRA	12%	12%
SIMPLE IRA	2%	1%
Other	1%	<1%

National Real Estate Investment Trends (Non-IRA)

Who is Buying? Who is Selling?

While it may be hard to differentiate investor buyers from homeowners in the overall data, it is useful to know just who is buying and selling. For example, the relatively small percentage of Younger Boomers in the market points to the opportunities for those buyers to leverage their existing retirement savings and diversify their portfolio.



The typical buyer

- 44 years old
- \$86,100 median household income
- 83% bought a detached, single-family house
- 32% were first-time buyers
- 67% were married



The typical seller

- 54 years old
- \$104,000 median household income
- Sold for a median \$40,000 over the original purchase price
- 89% worked with a real estate agent

■ A Generational Look at Home Buyers and Sellers*

Generation	% of all home buyers	% of all home sellers
The Silent Generation 1925-45	9%	13%
Older Boomers 1946-54	15%	24%
Younger Boomers 1955-64	16%	19%
Generation X 1965-79	26%	25%
Millennials 1980-95	34%	19%

Why Investors are Buying

Nearly half (42%) of real estate investors bought property for the purpose of generating a rental income stream. The opportunity for value appreciation (14%) and finding a deal that was too good to pass up (16%) were the next most common reasons. These reasons mesh perfectly with the purpose of—and the laws governing—holding real estate in an IRA: as an investment and/or to generate income.

■ Reasons for Real Estate Investment Purchase*

Reason for Purchase	2014	2015
Vacations or Family Retreats	8%	7%
Future Retirement	10%	8%
Potential Price Appreciation	15%	14%
Low Real Estate Prices/A Good Deal	17%	16%
Generate Income by Renting	37%	42%
Low Mortgage Rates	7%	8%
Other	6%	5%

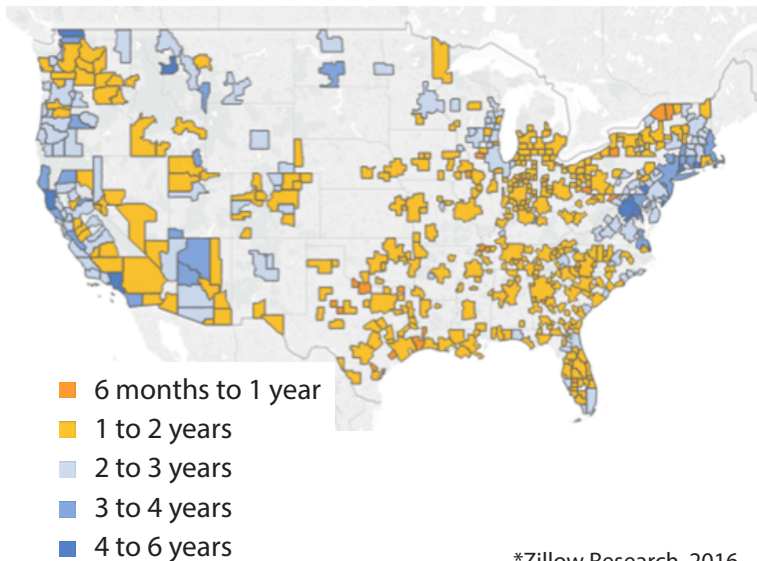
The Rental Market Boom

According to Zillow, there are 43 million renter households in the US. In 2015, they paid \$535 billion in rent. That's a nearly 4% increase over rents paid in 2014. That increase has two causes: higher rents being charged and nearly 2 million more people looking to rent.

Real estate investors are well aware of the surging rental market and are capitalizing on it. In 2015, real estate investments for rental purposes increased by 5%.

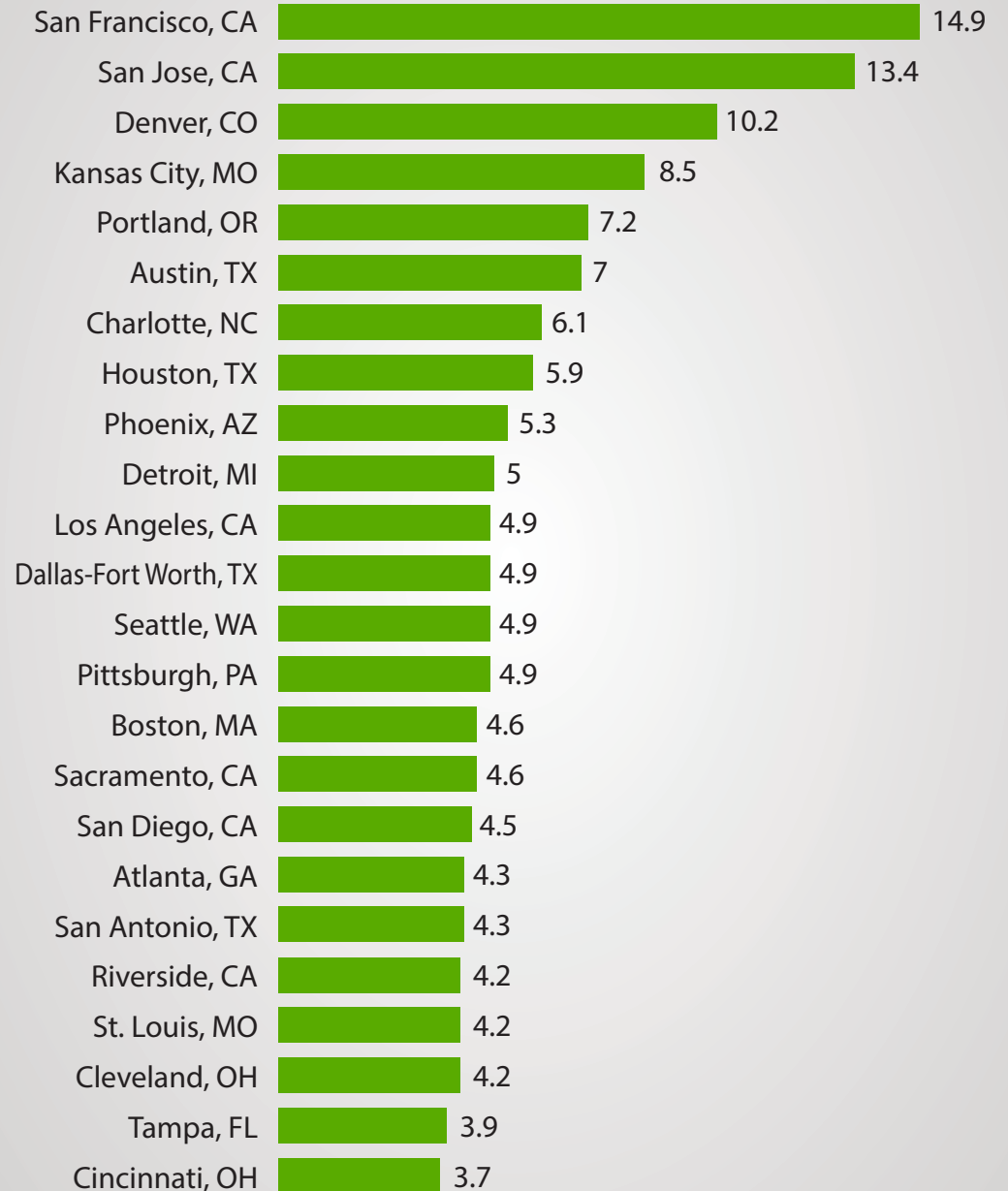
Savvy investors are aware of this trend. It's part of the reason real estate transactions are the #1 asset of choice among Entrust clients.

Average Time Taken for Accumulation of Rental Costs to Exceed Those of Buying the Same Property*



*Zillow Research, 2016

Annual Change in Rent (%)

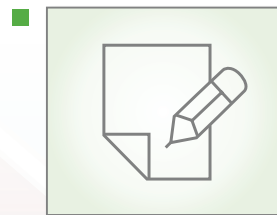


Three Reasons to Invest in Real Estate with an IRA

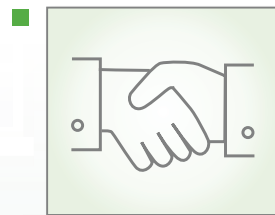
- 1 Invest in what you know. You can leverage your familiarity with real estate by investing in real property.
- 2 Diversify your portfolio to protect against market volatility and inflation.
- 3 Generate revenue and watch the value of your investments grow on a tax-deferred or tax-free basis.

Retirement saving and real estate purchases have something important in common: both involve decisions that blend personal and business considerations. For many people, owning real estate in a self-directed IRA is one more step toward a comfortable retirement.

Real Estate IRAs are a convenient and effective way to diversify your retirement savings portfolio, and it's easy to do:



Open an IRA
with Entrust



Purchase a property
with an IRA



Rent property to
generate income



Sell property at a profit
to grow IRA

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About The Entrust Group

Entrust strives to provide personal, professional services and education that empower clients to control their investment choices. You can rely on The Entrust Group for up-to-date education about self-directed alternative investments with IRAs. Our reports, webinars, and live events can help you keep up with the increasing demand to diversify your portfolio.



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