Economy, Business Environment and Workforce Boost Multifamily Demand in Phoenix

Page 3

How Do You Define Normal 'Wear & Tear'?

Page 9

RHJ RENTAL HOUSING JOURNAL
INSIGHT FOR RENTAL HOUSING PROFESSIONALS

ARIZONA

rentalhousingjournal.com • Rental Housing Journal, LLC

Circulated Monthly To Thousands Of Apartment Owners, Property Managers, On-Site & Maintenance Personnel

Building Multifamily Community

By Holly Welles

Running an apartment complex is a gift and a challenge all wrapped in one box. On one hand, you get to interact with different people every day. You provide them with a sense of home and safety in what may be an entirely new city. Tenants trust you and your skills to make your community the best in your area. It's a big responsibility, and one every property manager should feel honored to provide.

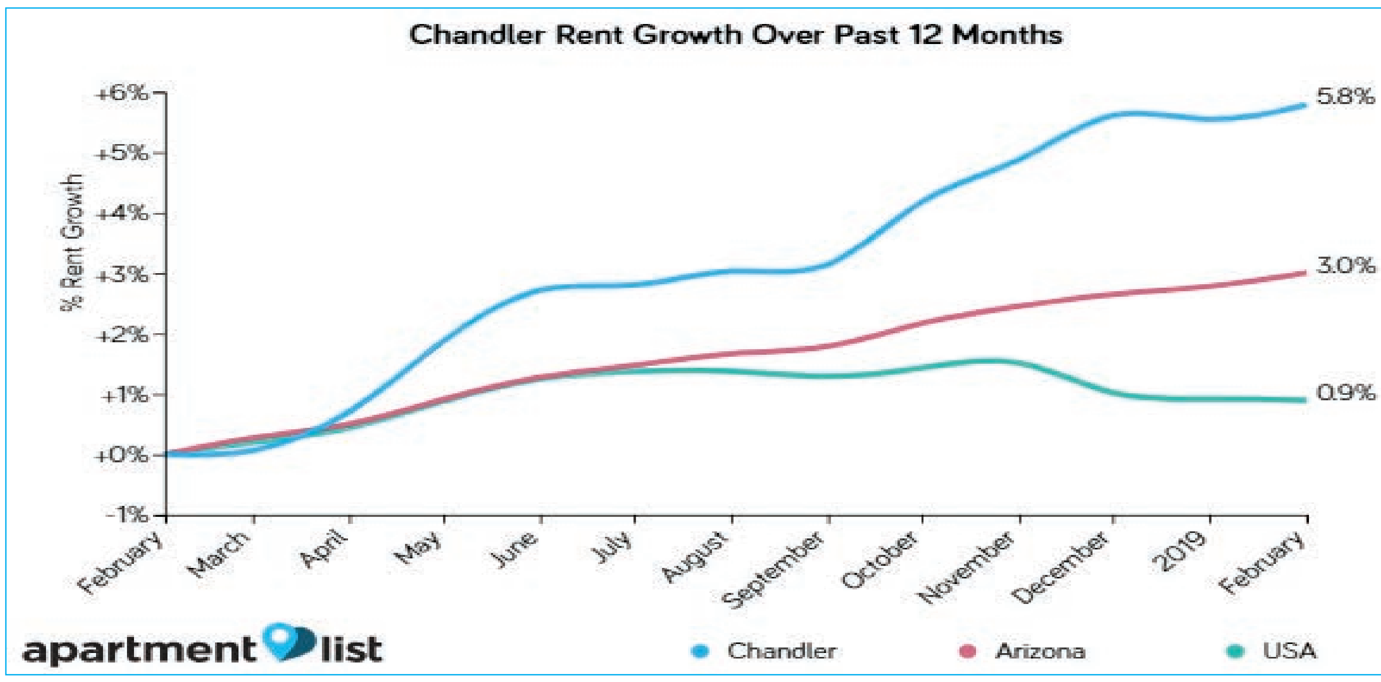
On the other hand, property managers are responsible for the feeling of community in their apartment complex. People may live side by side, but that doesn't mean they get the chance to know each other outside of regular work or school hours. It's difficult for people to break their routine when they're busy, which is where the property manager can step in.

Read on to learn some easy ways you can build a sense of community in your apartment building. Tenants will appreciate getting to know their neighbors while also being cared for by the management team. You can go all out or start with baby steps, depending

See 'Building' on Page 10

PRSRT STD
US Postage
P A I D
Sound Publishing Inc
98204

Rental Housing Journal, LLC
4500 S. Lakeshore Drive, Suite 300
Tempe, Arizona 85282



Phoenix Metro Rents Keep Rising

Apartment List

Rent increases have been occurring not just in the city of Phoenix, but across the entire metro throughout the year, with Chandler currently showing the fastest growing rents, according to the latest report from Apartment List. Of the largest 10 cities that Apartment List has data for in the Phoenix metro, all of them have seen prices rise.

Phoenix rents increase slightly

Phoenix rents have increased 0.4% over the past month, and are up moderately by 3.6% in comparison to the same time last year. Phoenix proper has the least expensive rents in the Phoenix metro. Currently, median rents in Phoenix stand at $850 for a one-bedroom apartment and $1,070 for a two-bedroom. The city's rents have been increasing for 15 straight months - the last time rents declined was in November 2017. Phoenix's year-over-year rent growth leads the state average of 3.0%, as well as the national average of 0.9%.

Around the East Valley

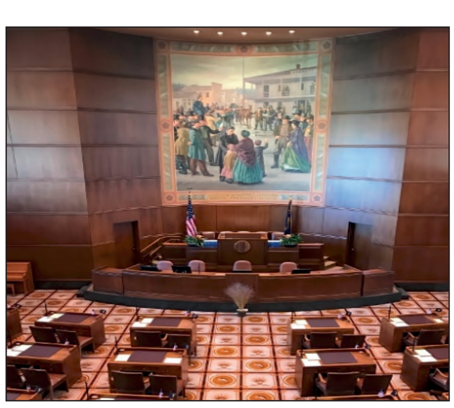
Chandler has fastest growth rents in Phoenix metro (see above). Chandler rents have increased 0.2% over the past month, and have increased significantly by 5.8% in comparison to the same time last year. Currently, median rents in Chandler stand at $1,120 for a one-bedroom apartment and $1,390 for a two-bedroom. Chandler's year-over-year rent growth leads the state average of 3.0%, as well as the national average of 0.9%.

Gilbert rents show slight decline

Gilbert rents have declined 0.8% over the past month, but have increased moderately by 3.9% in comparison to the same time last year (see image top left on Page 8). Currently, median rents in Gilbert stand at $1,170 for a one-bedroom apartment and $1,450 for a two-bedroom. This is the second straight month that the

See 'Phoenix' on Page 8

Oregon's Rent Control Bill Now Law



Oregon State Legislative Chamber

By John R. Triplett

Oregon governor Kate Brown has signed a landmark first-in-the-nation rent-control bill, SB 608, which she said provides protections for renters related to no-cause evictions and rent increases.

"This legislation will provide some immediate relief to Oregonians struggling to keep up with rising rents and a tight rental market," the governor said in a release.

"But it does not work alone. It will take much more to ensure that every Oregonian, in communities large and small, has access to housing choices that allow them and their families to thrive," Brown said in the release.

The governor's 2019-21 budget includes $400 million in new investments aimed at ending homelessness for Oregon's children, providing permanent supportive housing for the chronically homeless, housing Oregon's veterans, and accelerating the growth of housing supply by tripling the existing pipeline of

See 'Oregon's' on Page 4

Published In Conjunction With:
RHJ METRO
RHJ UTAH
RHJ COLORADO
RHJ ON-SITE
RHJ VALLEY

ADVERTISEMENT

Pool Furniture Color Palette for 2019

By Jeannie Flynn

Colors establish brands, enhance properties and create many emotions. This year, everything goes! Bold and bright to black and white. Earth tones popped with reds, blues, oranges and mustards. It all depends on the property and, in some cases, location. Textures and patterns play a huge part in how fabrics feel and hold up in a heavy commercial setting.

Commercial properties require long-lasting, easy-to-clean, stain-resistant fabrics. There are many types of fabrics designed for outdoor use. The longest-lasting and most durable that I have found are 100% solution-dyed acrylic and vinyl-coated polyester.

Acrylic fabrics are used for umbrellas, cushions, pillows and curtains. Most are guaranteed not to fade anywhere for from 5 to 10 years. Cleaning plays a huge part in how long your fabric will last.

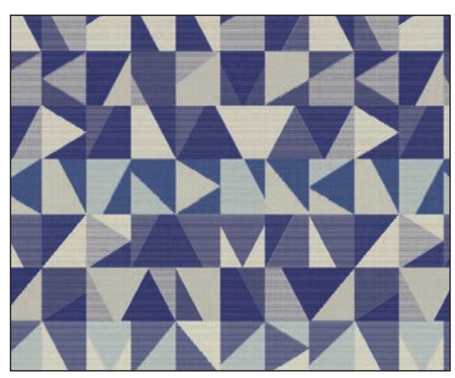
Vinyl-coated polyester fabrics are used for sling furniture, cushions and umbrellas. The fabric mills will guarantee this type of fabric up to 3 years.

Both types of fabric have their place outdoors, and the quality depends on where each is manufactured. The United States has several fabric mills that manufacture high-quality products. Europe also offers wonderful fabrics.

CMS Commercial Furniture

CMS Commercial Furniture offers the finest selection in commercial rated outdoor furniture and accessories. We partner with artists and designers to bring exciting and new products to our market. Diversity and flexibility are what make CMS Commercial Furniture a leader in this industry. We sell, service and maintain outdoor furniture. For more information about how to find the right fabric for your project or for a free estimate on cleaning or replacing your furniture, please contact us at 480-892-3212 or visit our website at www.cmsfurniture.com.

Fun New Patterns for 2019



Phoenix Economy, Business Environment & Workforce Boost Multifamily Demand

Rental Housing Journal

Arizona's diversified economy, coupled with a business-friendly environment and a skilled workforce, is driving employment and population gains in Phoenix while boosting multifamily demand, according to the latest Phoenix report from Yardi Matrix. Rents there rose 6.5% year-over-year through January. The metro's average rent stood at $1,109. The metro added 86,800 jobs in the year ending in November, a 3.6% increase, well above the 2.1% U.S. average, the report says.

East Valley Trends Show Strong Growth

Growth was led by professional and business services (19,700 jobs), followed by construction (17,600 jobs), and education and health services (12,900 jobs). This trend will likely continue as more companies expand in Phoenix, especially in the East Valley. In Gilbert, Deloitte announced the creation of 2,500 high-wage technology jobs, while Chandler could soon see the addition of 1,200 Wells Fargo Co. jobs as well as 2,500 Allstate Insurance Co. positions. Voya Financial also announced an expansion and 1,000 new jobs, in addition to the 200 employees who work in the company's Scottsdale office.

Rent trends in Phoenix market

• Rents in Phoenix rose 6.5% year-over-year through January, outpacing the 3.3% national rate. The metro's average rent stood at $1,109, below the $1,420 U.S. average. Despite a new cycle high in the number of deliveries in 2018, occupancy in stabilized properties rose 50 basis points year-over-year, to 95.3% as of December, showcasing the metro's solid demand.

• Rents in the working-class Renter-by-Necessity segment rose 7.2% to $897, while Lifestyle rates, where the bulk of new construction lands, increased by 6.2%, to $1,303. Strong population and employment gains, especially in high-paying industries, maintain a robust demand across the board.

• Submarkets that saw the highest year-over-year rent growth were also among the most affordable: Apache Junction (up 14.2% to $925), Northwest Phoenix (up 9.3% to $696), Maryvale (up 7.6% to $795) and Central West Phoenix (up 7.5% to $670). The metro's most expensive submarkets are Sky Harbor and North Tempe, which had the largest number of apartments underway at the beginning of the year, while commanding average rents of $1,417 and $1,360.

• Demand is expected to keep up with the spate of new supply scheduled to come online in 2019. As a result, Yardi Matrix expects that rent growth will come in at 3.9% this year.

Multifamily investors closed $5.9 billion in Phoenix in 2018

Attracted by the market's strong fundamentals, investors closed $5.9 billion in multifamily sales in 2018, a new cycle peak. Developers also marked a high point with the delivery of 8,162 units, while occupancy climbed 50 basis points year-over-year to 95.3% as of December, indicating a rapid absorption of new product. Greystar was one of the metro's most active buyers in 2018, when the company purchased six properties in separate transactions, for a combined $445.7 million. The most recent deal was the acquisition of the 349-unit Crescent Highland in Uptown for $90 million, or $257,880 per unit.

Construction expected to continue

In 2019, intense construction activity is expected to continue, leading rent growth to a more moderate 3.9%.

• Developers added 8,162 apartments to the market in 2018, accounting for 3.2% of the total stock, a cycle peak for deliveries. In line with national trends, most of these properties cater to Lifestyle renters. As rental demand holds strong, an estimated 7,620 units are scheduled for completion in 2019, representing 2.5% of total stock.

• Some 16,300 units were underway as of January, while another 37,500 units were in the planning and permitting stages. Driven by population and job gains, demand is expected to keep up with the level of new supply, while rent growth should see a moderate deceleration in 2019.

• Submarkets with the largest number of new units under construction as of January were North Tempe (2,980 units), Sky Harbor (1,825 units), Gilbert (1,525 units), the Western Suburbs (1,131 units), Union Hills (1,125 units), Uptown (942 units) and North Scottsdale (933 units).

• Sky at Chandler Airpark, a 504-unit community close to the city's youngest employment corridor in Gilbert, ranked as the metro's largest multifamily development development under construction as of January.

RHJ Rental Housing Journal — Insight for Rental Housing Professionals
ARIZONA

Rental Housing Journal is a monthly publication of Rental Housing Journal, LLC.

Publisher/General Manager
John Triplett

Editor-in-Chief
Linda Wienandt

Associate Editor
Diane Porter

Sales Manager
Terry Hokenson

Accounting Manager
Patricia Schluter

Website
www.RentalHousingJournal.com

Mailing Address
4500 S. Lakeshore Drive, Suite 300
Tempe, AZ 85282

Email
info@rentalhousingjournal.com

Phone
(480) 454-2728 - main
(480) 720-4386 - ad sales

Oregon's Landmark Rent Control Bill Now Law

Continued from Page 1

affordable housing by 2023, according to the release.

Brown has made affordable housing a priority but cautioned the bill could lead to "a lot of headaches" if not paired with a $20 million funding package, according to reports. The funding package included in Brown's proposed budget, for instance, would pay for technical assistance in the form of a help line and legal aid for landlords and renters, according to the *Statesman-Journal*.

Democrats released a statement saying the legislation will "protect renters from rent-gouging and no-cause evictions."

Senate Bill 608 "creates a fairer system that will provide predictability and stability to renters throughout the state, while not discouraging new construction."
- Democrat statement on S.B. 608

Rep. Mark Meek (D-Oregon City), a Realtor and property manager, carried the legislation on the floor. He told the story of his own experiences as a child dealing with housing instability. "I have lived both sides of this issue," Meek said in the release. "I've experienced homelessness and extreme hunger. I remember couch-surfing throughout the Los Angeles area with my mother after being evicted from our apartment. We'd sleep in a motel when we could afford them, and when we couldn't, we'd sleep in our car. My story is one example of what displacement looks like. Displacement is devastating. It stifles a child's ability to be successful. It is no small miracle that I am standing here before this esteemed body today," Meek said in the release.

Senate Bill 608 establishes a statewide limit on rent increases, keeping them to no more than 7 percent plus the consumer price index during a 12-month period. It also bans no-cause evictions following the first 12 months of occupancy. Passage of SB 608 erodes private property rights and fixes nothing

Oregon House Republicans released a statement saying, "It is evident supply is necessary to alleviate the affordable housing shortage. Passage of this bill also raises a more serious question: If a property owner can't decide who lives in their apartments and houses, who really owns the property? Certainly, it is no longer the one who pays the property taxes. Moreover, the bill doesn't address the real problem: the supply of affordable housing. The super-majority party contends the legislation will rein in rising rents caused by a housing crisis.

"But over and over, rent control in cities across the country has demonstrated otherwise. The answer to the housing crisis is not rent control, the answer is increasing the available number of houses and apartments. SB 608 neither encourages the building of new housing supply, nor does it provide real incentives to maintain existing rental property. Investment dollars that would have provided more housing will now go elsewhere. The Democrats' unwillingness to seriously consider common-sense amendments will damage the mom-and-pop property owners, many of whom have invested their retirement dollars into the rental market.

"The consequences of this legislation will ripple far beyond the urban areas to Oregon's small communities, where the housing shortage is just as real as in urban areas. It is also an assault on private property rights, effectively removing property owners' ability to do what they wish with their own assets. This bill is just one of many aimed to further regulate Oregonians, while doing little to solve the problems it purports to fix. The virtual elimination of single-family zoning ensconced in HB 2001 and the explicit promise in HB 2020 of a new 'economic system' for households, businesses and workers demonstrate the true intentions of Oregon's ruling party," the Republicans' statement said.

National Multifamily Housing Council and National Apartment Association Warn of Negative Consequences of SB 608

"There is no doubt that housing affordability is a crisis in Oregon. However, SB 608 will worsen the imbalance between housing supply and demand by allowing for rent control across the state," said Doug Bibby, President of the National Multifamily Housing Council, in a release. "While the intent of rent-control laws is to assist lower-income populations, history has shown that rent control exacerbates shortages, makes it harder for apartment owners to make upgrades and disproportionately benefits higher-income households. That is why Oregon and a majority of other states have laws in place that explicitly prohibit local municipalities from implementing rent-control laws. Reversing course is counterproductive and will not solve the crisis. Oregon lawmakers should focus on holistic solutions that encourage more housing supply, facilitate public-private partnerships to tackle many of the existing barriers, and increase direct assistance to renters," Bibby said in the release.

The "regrettable action by the Oregon State House of Representatives on [passing] SB 608 will lead to unintended, but pre-eminently predictable negative consequences for housing affordability in the state."
- Robert Pinnegar, CAE, President and CEO of the National Apartment Association

"Rather than focusing on the onerous regulatory environment that constricts the diversity of housing needed to meet the surging demand for rental housing, Oregon's public officials chose to slide backward by enacting a failed policy that has historically proven to hurt residents and housing supply alike. The National Apartment Association and the National Multifamily Housing Council will continue to promote sustainable, responsible solutions that lead to more apartment construction, and oppose reckless and ill-advised policy approaches like rent control," Pinnegar said in the release.

Oregon Democrats Praise Bill

The Oregon Democrats' release said, "Senate Bill 608 builds on years of work to address Oregon's housing crisis, including a law passed in 2017 that prohibits rent increases in the first year of month-to-month tenancy and requires that landlords provide 90-day notice of rent increases."

"I am a landlord and will remain one after this bill becomes law. Becoming a property manager in Oregon is a great investment, and providing fair protection to renters with Senate Bill 608 does not change that."
- Rep. Mark Meek (D)

The non-partisan Office of Economic Analysis said in a memo that the regulations instituted by Senate Bill 608 will not negatively impact new housing supply.

Rep. Tiffiny Mitchell (D-Astoria) spoke about the need for protections in rural communities throughout Oregon. In recent years, rents statewide have increased by 14 percent, and in towns like Talent, Oregon, one in three residents spends more than half of their income on housing.

"As someone who has spent the last year talking to countless rural Oregonian tenants about the stress they face every day from a rental market in crises, I know how critical this legislation is toward helping them find the stability they deserve," Mitchell said in the release.

Rep. Tawna Sanchez (D-Portland) stressed how important the legislation is for protecting the most vulnerable and underserved Oregonians."In every corner of Oregon, individuals are facing an emergency," Sanchez said in the release. "From women fleeing domestic violence, to working families in communities big and small trying to get by, to indigenous people who struggle to find a safe and secure home, this crisis touches all of us.

"Oregon House Democrats continue to work to ensure more Oregonians have access to an affordable, stable place to call home. This legislation is an important and significant step forward, and it is one part of a broad range of solutions needed to address this statewide crisis," the release states.

$9,000 Settlement with HUD on Emotional Support Animal

Rental Housing Journal

A landlord and agent who refused to rent to a tenant with disabilities because he had an emotional-support animal have settled with the U.S. Department of Housing and Urban Development (HUD) through a conciliation agreement, according to a release.

The case in San Francisco came to HUD's attention when an individual with disabilities filed a complaint alleging that he was denied the opportunity to rent an apartment because he had an emotional-support animal.

HUD's investigation found the landlord and agent were explicitly informed that the prospective tenant's animal is prescribed by a doctor and allowed under fair housing laws, but they still refused to consider his tenancy because of the animal.

Under the terms of the agreement, the owner will pay the complainant $9,000 and both respondents will attend fair housing training, according to the release.

"Assistance animals provide persons with disabilities with the support they need to not only enjoy their home, but to function in life," said Anna María Farías, Assistant Secretary for Fair Housing and Equal Opportunity, in the release. This "agreement reflects HUD's ongoing commitment to ensuring that housing providers abide by our nation's fair housing laws."

The Fair Housing Act prohibits housing providers from denying housing to persons with disabilities and from refusing to make reasonable accommodations in policies or practices, which includes denying assistance-animal requests.

No Letup in Growth of Multifamily Market

Rental Housing Journal

The multifamily market is entering the time of year when rent growth typically occurs and there is no indication of any slowing in the market, according to Yardi Matrix's latest report.

"Our latest multifamily national report presents a $2 rise in average U.S. rents in February and year-over-year growth of 3.6% as evidence of the sector's continuing strength," the report says.

The job market has remained very strong, with unemployment below 4% and wage growth accelerating to more than 3%, the report says.

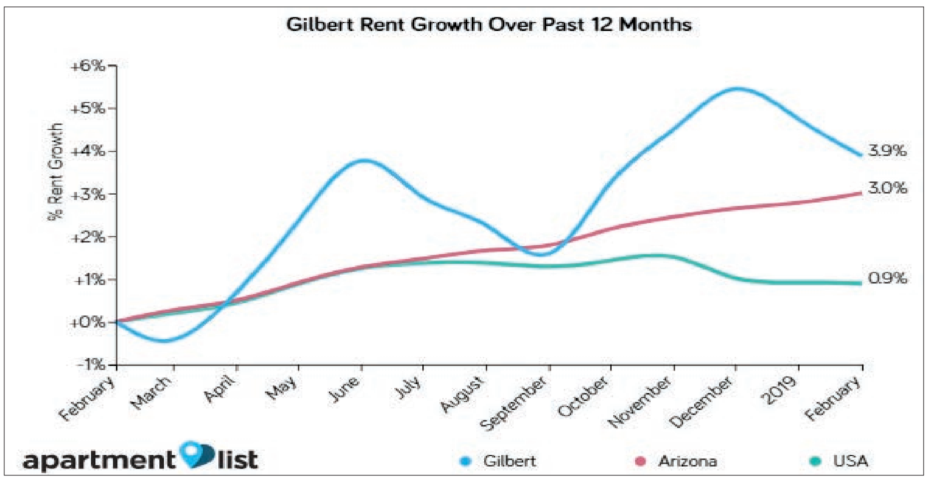
Metros with strong population gains and healthy job growth have benefited the most from the demand picture. Phoenix and Las Vegas are well above the rest, with growth dominated by Southwest and West Coast markets. Other top rent-growth markets—such as Sacramento and the Inland Empire—are near the top due to the combination of robust demand and weak supply growth.

It is notable that the homeownership rate has climbed over the past year to 64.8% in the fourth quarter of 2018, from 64.2% a year earlier.

The most significant change came from 35-to-44- year-olds, whose homeownership rose 220 basis points year-over-year to 61.1% in Q4 2018.

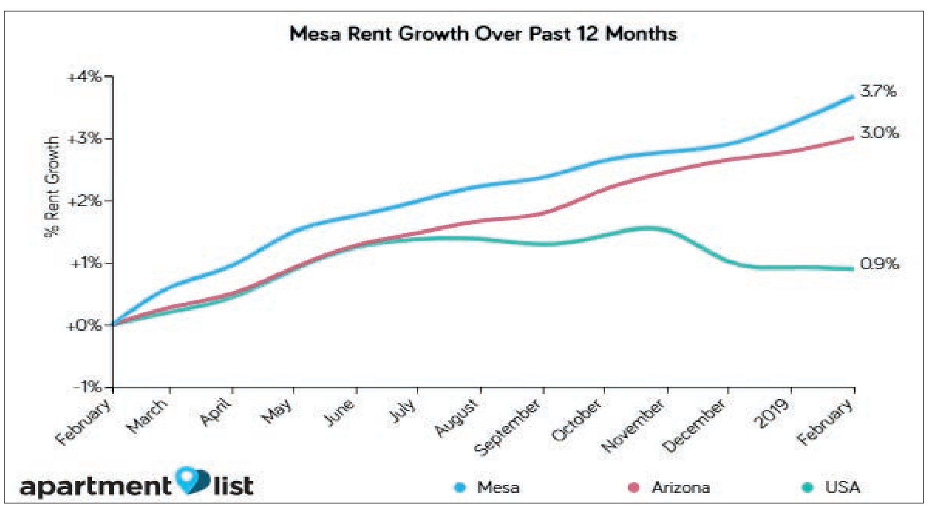
"What's interesting about this is that it could portend social change heralded by some analysts, who have forecast that millennials were merely delaying—not shelving—marriage and family. In this scenario, older millennials will increasingly settle down in the suburbs, have children and seek to re-create the picket-fence lifestyle of their parents. If that's correct, there could be a weakening of demand for urban apartments," according to the report.

Phoenix Metro Rents Keep Rising



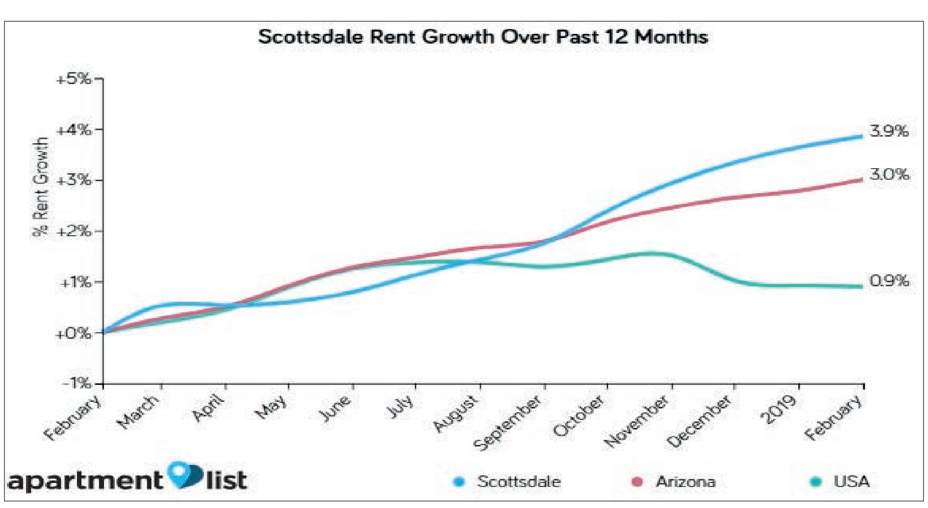
Continued from Page 1

city has seen rent decreases after an increase in December of last year. Gilbert's year-over-year rent growth leads the state average of 3.0%, as well as the national average of 0.9%.



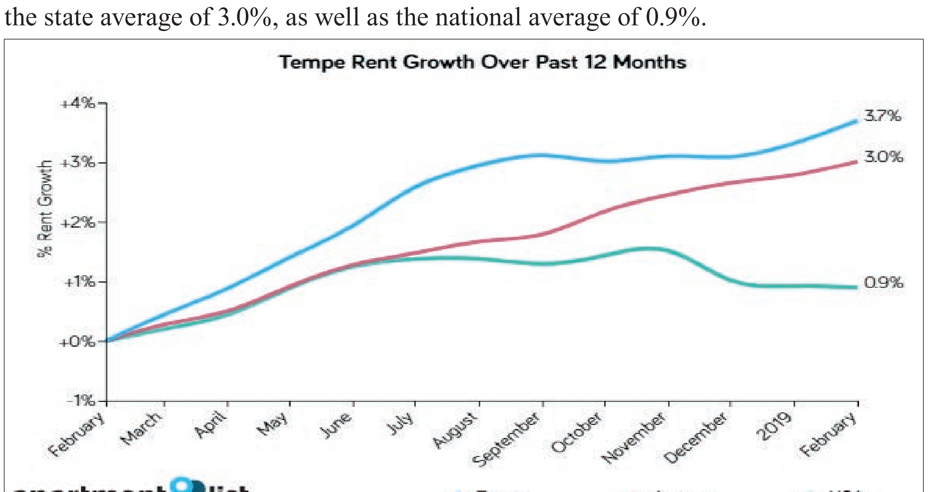
Mesa rents up slightly

Mesa rents have increased 0.4% over the past month, and are up moderately by 3.7% in comparison to the same time last year. Currently, median rents in Mesa stand at $870 for a one-bedroom apartment and $1,090 for a two-bedroom. The city's rents have been increasing for 14 straight months; the last time rents declined was in December 2017. Mesa's year-over-year rent growth leads the state average of 3.0%, as well as the national average of 0.9%.



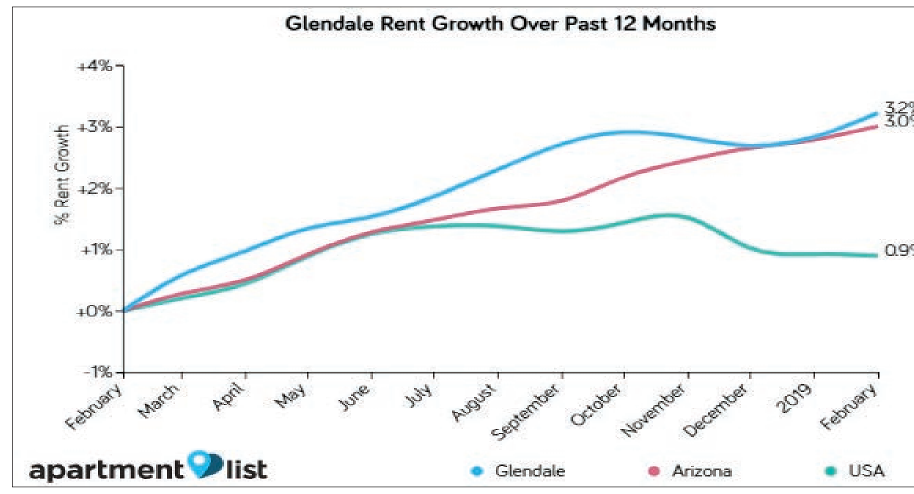
Scottsdale rents up

Scottsdale rents have increased 0.2% over the past month, and have increased moderately by 3.9% in comparison to the same time last year. Currently, median rents in Scottsdale stand at $1,060 for a one-bedroom apartment and $1,330 for a two-bedroom. The city's rents have been increasing for 15 straight months; the last time rents declined was in November 2017. Scottsdale's year-over-year rent growth leads the state average of 3.0%, as well as the national average of 0.9%.



Tempe rents also up slightly

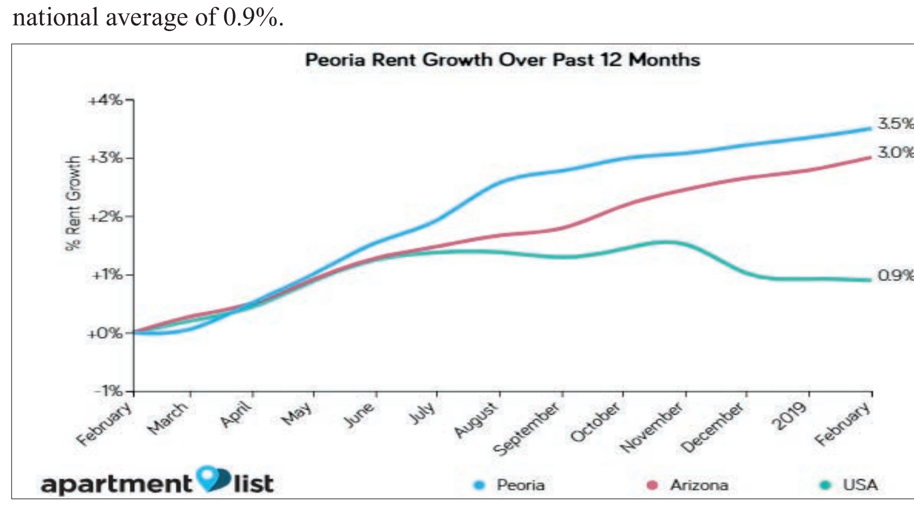
Tempe rents have increased 0.4% over the past month, and are up moderately by 3.7% in comparison to the same time last year. Currently, median rents in Tempe stand at $940 for a one-bedroom apartment and $1,170 for a two-bedroom. This is the second straight month that the city has seen rent increases after a decline in December of last year. Tempe's year-over-year rent growth leads the state average of 3.0%, as well as the national average of 0.9%.

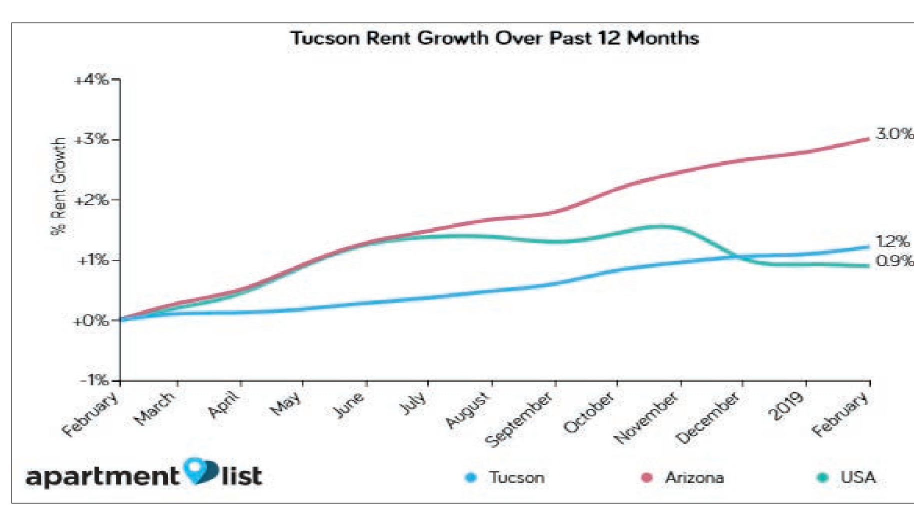


Around the West Valley

Glendale rents are up moderately. Glendale rents have increased 0.4% over the past month, and are up moderately by 3.2% in comparison to the same time last year. Currently, median rents in Glendale stand at $910 for a one-bedroom apartment and $1,130 for a two-bedroom. This is the second straight month that the city has seen rent increases after a decline in December of 2018. Glendale's year-over-year rent growth leads the state average of 3.0%, as well as the national average of 0.9%.

Peoria rents show more modest increase (see upper right). Peoria rents have increased 0.2% over the past month, and have increased moderately by 3.5% in comparison to the same time last year. Currently, median rents in Peoria stand at $1,130 for a one-bedroom apartment and $1,410 for a two-bedroom. The city's rents have been increasing for 15 straight months; the last time rents declined was in November 2017. Peoria's year-over-year rent growth leads the state average of 3.0%, as well as the national average of 0.9%.





Tucson rents

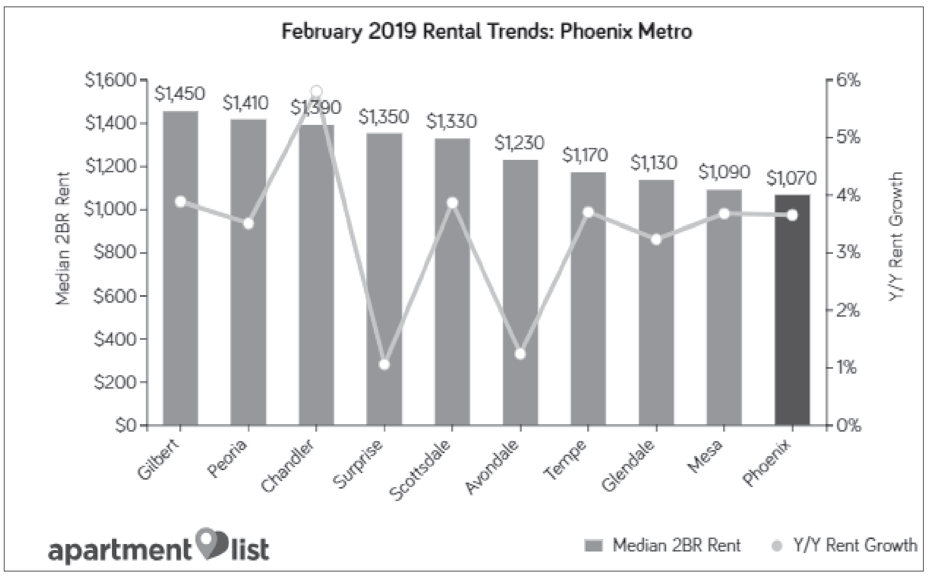
Tucson rents have increased 0.1% over the past month, and are up slightly by 1.2% in comparison to the same time last year. Currently, median rents in Tucson stand at $700 for a one-bedroom apartment and $930 for a two-bedroom. Tucson's year-over-year rent growth lags the state average of 3.0%, but exceeds the national average of 0.9%.

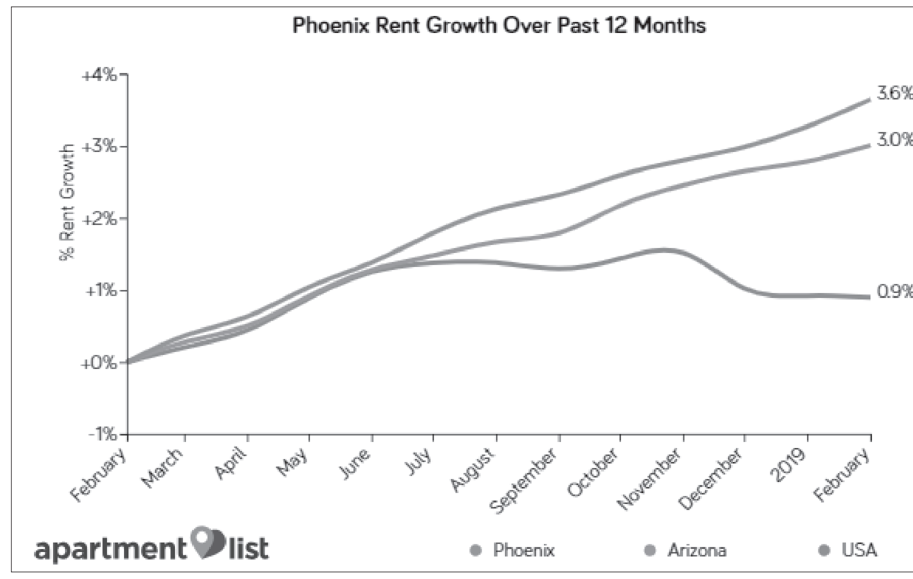
How the Valley compares nationally

As rents have increased moderately in Phoenix, a few similar cities nationwide have also seen rents grow modestly. Phoenix is still more affordable than most other large cities across the country.

- Rents increased slightly in other cities across the state, with Arizona as a whole logging rent growth of 3.0% over the past year. For example, rents have grown by 1.2% in Tucson.
- Phoenix's median two-bedroom rent of $1,070 is below the national average of $1,170. Nationwide, rents have grown by 0.9% over the past year compared to the 3.6% rise in Phoenix.

Continued on Page 9





Continued from Page 8

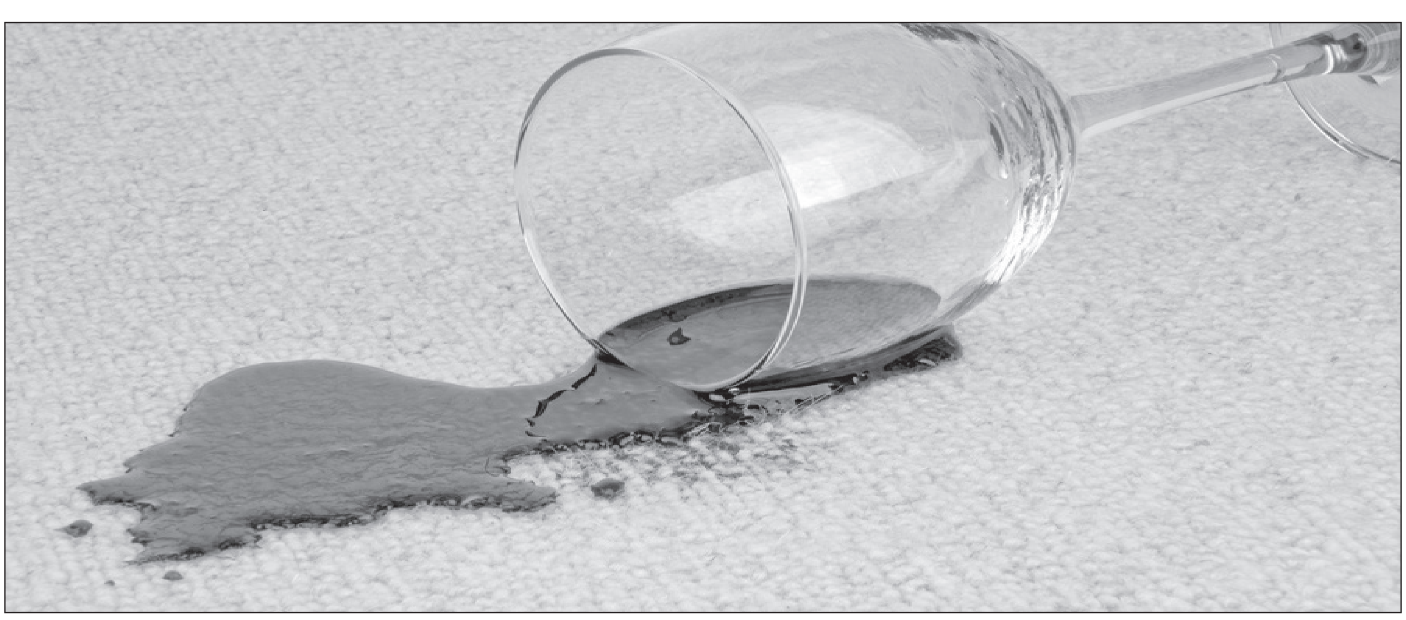
• While Phoenix's rents rose moderately over the past year, many cities nationwide also saw increases, including Las Vegas (+3.1%), Denver (+2.4%), and San Antonio (+2.1%).

• Renters will find more reasonable prices in Phoenix than in most similar cities. For example, San Francisco has a median 2BR rent of $3,100, which is nearly three times the price in Phoenix.

Methodology: Data from private listing sites, including our own, tends to skew towards luxury apartments, introducing sample bias. In order to address these limitations and provide the most accurate rent estimates available, we now start with reliable median rent statistics from the Census Bureau, then extrapolate forward based on our own rental listing data, using a same-unit analysis similar to Case-Shiller's approach, which compares only units that are available across both time periods to provide an accurate picture of rent growth in cities across the country.

City	Median 1BR price	Median 2BR price	M/M price change	Y/Y price change
Phoenix	$850	$1,070	0.4%	3.6%
Mesa	$870	$1,090	0.4%	3.7%
Chandler	$1,120	$1,390	0.2%	5.8%
Glendale	$910	$1,130	0.4%	3.2%
Scottsdale	$1,060	$1,330	0.2%	3.9%
Gilbert	$1,170	$1,450	-0.8%	3.9%
Tempe	$940	$1,170	0.4%	3.7%
Peoria	$1,130	$1,410	0.2%	3.5%
Surprise	$1,080	$1,350	0.9%	1.1%
Avondale	$980	$1,230	0.2%	1.2%
Goodyear	$1,130	$1,410	-0.5%	0.8%
Apache Junction	$580	$720	0.2%	0.2%
Fountain Hills	$1,040	$1,290	-0.7%	1.6%

Dear Landlord Hank: Defining "Normal" Wear & Tear



"If I have a great long-term tenant like your older gentleman, I would be very generous with "normal wear and tear."

By Hank Rossi

Dear Landlord Hank: Where do you draw the line on what is normal wear and tear, what is not, and what tenant should pay for? We had a long-time tenant who lived alone and recently moved into an assisted living facility. While cleaning his rental, we found multiple red wine stains in the 5-year-old carpet in different rooms that are not going to come out so carpet has to be replaced. He is asking for his full deposit back.

Seems to us five years is pretty good for useful life of carpet and probably due for replacement anyway. Place is fine otherwise. But where is the line on what is normal wear and tear and what is not? **–Landlord Sam**

Dear Landlord Sam: Normal wear and tear is not really defined anywhere regarding all the components of a property.

All landlords should expect for a unit not to look brand new when a tenant moves out.

In most cases, they have been living in a property, not taking their shoes off outside, hanging pictures, etc.

You probably will notice "heavy traffic patterns" in your carpeting as tenants have moved through doorways and around furniture. That would be normal and you can't bill the tenant for that.

Defining Damage

Any damage to your property due to tenant /tenant guests, accidents, carelessness, or negligence would be recoverable from damage deposit, following proper procedure.

Regarding the carpet: burns, stains, bleach marks, rips, loosened from tack strips, snags would normally be considered damage.

The quality of the carpeting is also an issue-very cheaply made carpeting will snag very easily sometimes with vacuum cleaners!

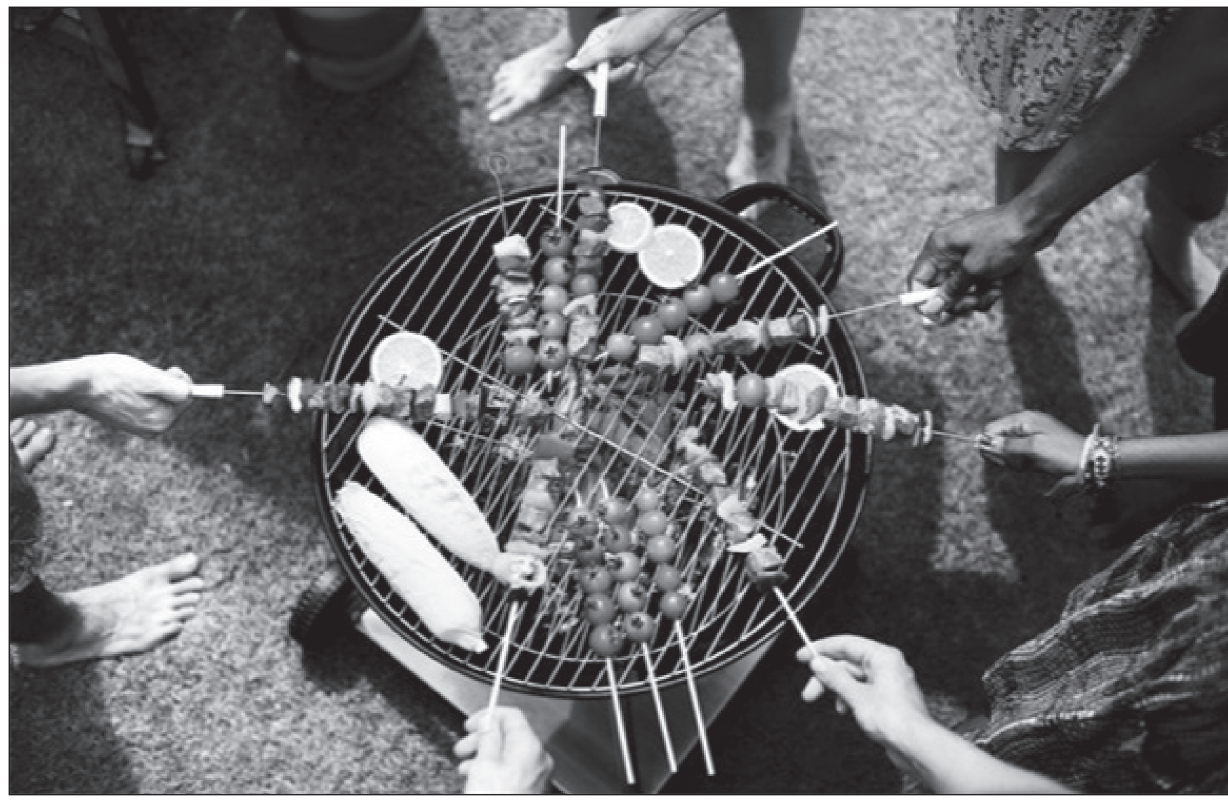
Sometimes tenants try to "fix" things by patching and painting. I ask them not to do so, as their repairs usually cost more to fix correctly than if maintenance doesn't have to re-do.

I think after 5 years, your carpet could be expected to be replaced, in most cases.

"Landlord Hank" Rossi started in real estate as a child watching his father take care of their family rentals in small-town Ohio. As he grew, Hank was occasionally his dad's assistant. In the mid-'90s he decided to get into the rental business on his own, as a sideline. In 2001, Hank retired from his profession and only managed his own investments. A few years ago he and his sister started their own real estate brokerage, focusing on property management and leasing.

Building Multifamily Community in Apartments

Continued from Page 1



on your budget, but there's always something you can do to encourage a sense of community.

1. Designate an Outdoor Space

If your complex doesn't have one already, find a way to designate an outdoor space for your tenants to use as a community center. This could look like a pool, a garden or even a plot of grass with some picnic tables. Many apartment communities are also building dog parks, if they have the infrastructure.

Consider the average life experiences of your tenants to determine what outdoor space they would enjoy best. You don't want to spend your money on an amenity that tenants will likely ignore. It's more important to build the right outdoor space than to jump to provide anything at all.

2. Set Up Regular Events

A great way to get tenants to interact with each other is to set up regular events that will make them want to step out of their possible comfort zones and meet new people. Events can be centered around fun holidays, like the Fourth of July or Halloween, so everyone can participate. Encourage tenants to come out and have fun at a cookout or networking event, for example.

When your tenants get to know each other, your business benefits. Not only will familiarity make them more considerate of each other's space and quality of life, but you're likely to reduce tenant turnover in the long run. Creating community events doesn't have to be resource-intensive, and it results in connections that will help you and your tenants enjoy the rental experience more.

3. Host Contests

If you have the budget, you may want to try engaging with tenants through fun contests. Contests can range from food-drive competitions to costume contests to even who can get the most likes on a pet picture on social media.

Think about what your tenants might like and pitch ideas with the management team to come up with ideas. Your community will love the interactive side of contests without necessarily having to carve out time from their schedule to participate.

4. Create a Social-Network Page

Most businesses automatically get social-network profiles to represent themselves online. After all, people want the online experience of seeing 3D models, floor plans and pictures. In addition to your main profiles, create a unique community page where only residents are allowed into the group.

This is a great way to encourage residents to establish neighborly ties. If you manage a city rental, post local activities every week or so to see if your tenants want to form a get-together. For more suburban regions, where commutes are often 30 minutes or more, set up carpooling threads to help tenants save on driving costs. Social media is a powerful tool for helping residents feel like they have a community they can rely on.

5. Remember to Say Thanks

People need a place to live, so tenants may feel like they're taken for granted by property managers. One way to get around this feeling and continue building a sense of community is to always remember to say thanks. Put notes on doors or in mailboxes that remind residents you care. Celebrate their six-month or one-year move-in anniversaries to show that you pay attention and value their choice to stay with you. Tenants will be pleasantly surprised to have an interactive and caring management team, leading to feelings of community and worth.

6. Communicate With Maintenance Workers

People will only admit so much to management staff. You may send out emails with surveys, asking for people to give their honest opinions about what they like and what they think should change. That doesn't mean tenants will feel comfortable enough to be totally honest. That's where the maintenance team comes in.

The maintenance crew has the advantage of getting one-on-one interactions with tenants. They get to hear what people like and don't like about their apartment in very honest conversations. They'll be able to feel out the mood of tenants regarding community upgrades or apartment changes more than office staff could. Meet with your maintenance workers and keep the line of communication open with them. They'll provide valuable feedback you can use to keep your community tight-knit and happy.

7. Encourage Community Feedback

Whatever kind of community outreach you decide to do, make sure to encourage feedback from those who participate. A contest or event might seem like a fantastic idea to you, but would it really enjoyable for the tenants it was created for? The only way to know that is to be open to feedback.

At physical events, provide slips of paper that residents can fill out anonymously and drop in a locked box. Online events or emails can include a survey link that people can take online in just minutes. The key is to make these surveys quick and anonymous. You can always include a note that people are welcome to visit the management office during regular business hours to speak about an issue or concern more in-depth, too.

Build Community in Your Apartment Building

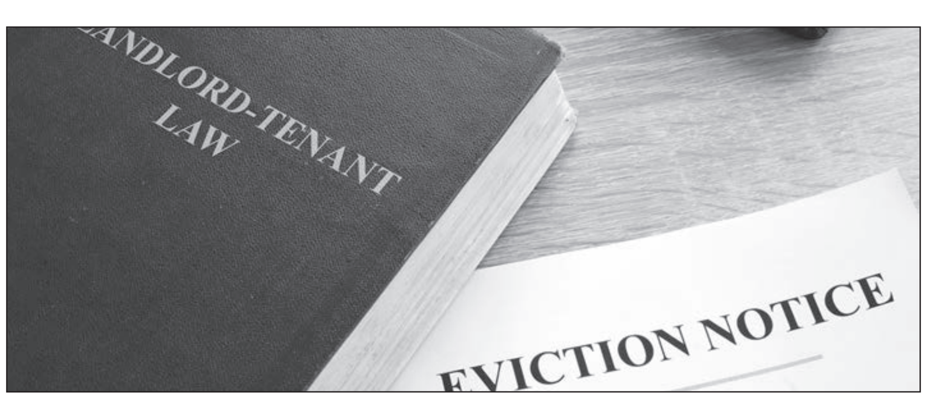
Never forget that the community is why you're looking to do these things. Whatever event you put together, your tenants should be just as excited about it as you are. A younger generation won't enjoy a potato-salad cookout as much as an older generation would, much like older tenants may not participate in social-media outreaches.

Consider your tenants, think about their needs and get feedback. Feedback may come from the tenants themselves or people like the maintenance crew, but it will all be valuable. You'll quickly be able to find what your community enjoys and continue to build that sense of family between everyone in the future.

Holly Welles writes about real estate market trends from a millennial perspective. She is the editor behind The Estate Update, a residential real estate blog, and keeps up with the industry over on Twitter @HollyAWelles.

Eviction Bills Move Forward in Washington Legislature

Rental Housing Journal



Bills that would extend the time a landlord must wait before filing an eviction due to non-payment of rent in Washington State are continuing to move through the legislature.

HB 1453 extends the number of days a tenant has to pay or vacate after failing to pay rent from the current three days to 14 days and has passed the house. Senate Bill 5600 has also passed. Here is a summary of SB 5600:

• Extends the 3-day notice for default in rent payment to 14 days notice for tenancies under the Residential Landlord-Tenant Act.

• Requires the 14-day notice be written in plain language and include information on civil legal aid resources available, if any, to the tenant.

• Extends the mandatory notice period from 30 to 60 days when landlords propose a rent change amount. Requires a landlord to first apply any tenant payment to rent before applying the payment toward other charges.

• Prohibits continued tenancy and relief from forfeiture to be conditioned upon tenant payment or satisfaction of any monetary amount other than rent.

• Provides the court with discretion to provide relief from forfeiture or to stay a writ of restitution.

• Requires a landlord to provide a tenant with documentation regarding any damages for which the landlord intends to retain any of the deposit amount.

Summary of support for the bill

"Until recent work by Mathew Desmond of Princeton and Timothy Thomas of the University of Washington, the enormous impact of evictions was not understood. Rents have soared in the last decade. More than 70 percent of low-income residents pay more than half of their income towards rent in our state. Average rents have increased from $1,034 in 2010 to $1,725 in the central Puget Sound region today; this equates to $8,300 in extra cost per year," the bill summary says.

Summary in opposition to the bill

"Affording 21 days to pay or vacate is too long, but the discussions should continue. Other issues in the bill are problematic, such as a definition of rent that does not include utilities. In one situation, it was only after the unlawful detainer action was filed that the tenant paid their $6,000 utility bill. Many landlords will leave the business with these changes. One national entity reports the loss of 30 percent of its portfolio of housing in the last several years. That is a huge loss. People need to be encouraged, not discouraged, from being landlords. Only four states afford more than 10 days. The focus should be upon education and also upon the provision of sources of money to pay," the bill summary says.

Sponsored Content

1031 Exchange Investors Are Choosing DST Properties for Passive Real Estate Ownership

By Jason Salmon

Over the course of the past several years, Kay Properties has observed incremental growth in the number of investors choosing Delaware Statutory Trusts (DSTs) as a preferred means of passive real estate investing for like-kind, tax-deferred 1031 exchanges.

1031 Exchange Basics

Per section 1031 of the Internal Revenue Code, real estate investors—under specific guidelines— may potentially defer their capital gains tax, depreciation recapture tax, and other taxes (each investor should consult their own CPA/ attorney since every situation is unique). Upon the sale of investment real estate, the proceeds would go to a Qualified Intermediary, then the investor must purchase real estate of equal or greater value and has 45 days to "identify" replacement property with a concurrent 180-day timeline to close.

IRS/DSTs

Through what's known as the Internal Revenue Service's Revenue Ruling 2004-86, DSTs have been recognized as vehicles for investors looking for like-kind real estate as 1031 exchange replacement property with the ability to conduct another 1031 exchange upon the sale of the DST property.

Passive Real Estate Investing

For many real estate investors that have had their lives consumed with being pinned to real estate property management and/or asset management responsibilities, DSTs offer the opportunity to be passive and diversified—via the 1031 exchange into multiple DSTs/multiple geographic areas/multiple property types. Diversification does not guarantee profits or protect against losses.

As of the time of writing this article, Kay Properties has over 35 DST offerings available to our clients from over 20 companies that most would consider sophisticated real estate asset managers. As such, real estate sectors represented include, but are not limited to healthcare, multifamily, netleased real estate (NNN), industrial/distribution, office, student housing and self-storage.

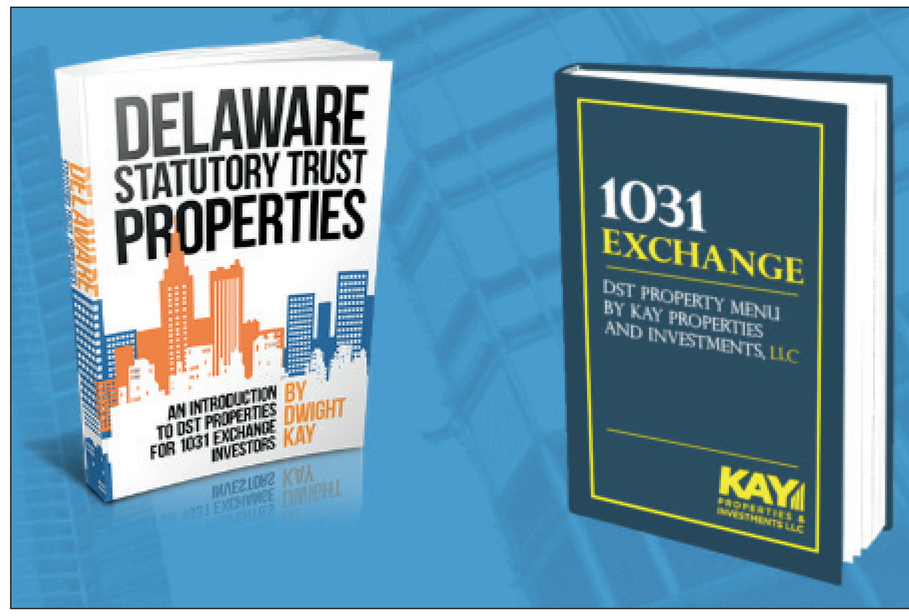
It is important to note that these real estate management companies do not call for investors' funds, then go out to buy properties. Rather, they'll typically acquire the real estate first—thereby helping to reduce investor 1031 exchange closing risk—and the DST can be comprised of multiple properties or just a single asset. DSTs come either with or without debt, so investors conducting a 1031 exchange may find the nonrecourse financing already in place useful for the purposes of their transaction. Others might seek out debt-free DSTs as 1031 replacement property if they sold real estate that was unencumbered by debt and do not want the added risks of using financing with real estate investing.

Several factors have contributed to the industry's growing populartity, including the passive nature of the DST structure in conjunction with the real estate portfolio strategy and the ability to close quickly.

The minimum investment size for 1031 exchange investors is typically $100,000, so in many cases investors can diversify into multiple DST offerings–depending on the size of their transaction.

Several factors have contributed to the industry's growing popularity, including the passive nature of the DST structure in conjunction with the real estate portfolio strategy (by investing with varied DST sponsor companies/asset-managers, locations and property types), and the ability to close quickly. Accredited investors find DSTs to be quite accessible compared to the search for high-quality real estate, negotiating with sellers and having to potentially put all their eggs in one basket. We're pleased to be able to offer DSTs to our clients with the goal to streamline their 1031 exchange process.

Jason Salmon is Senior Vice President, Managing Director of Real Estate Analytics for Kay Properties & Investments, LLC. Kay Properties and Investments, LLC is a national Delaware Statutory Trust (DST) investment firm with offices in Los Angeles, San Diego, San Francisco, Seattle, New York City and Washington DC. Kay Properties team members collectively have over 114 years of real estate experience, are licensed in all 50 states, and have participated in over $9 billion of DST real estate. Our clients have the ability to participate in private, exclusively available, DST properties as well as those presented to the wider DST marketplace; with the exception of those that fail our due-diligence process. To learn more about Kay Properties please visit: www.kpi1031.com.



This material does not constitute an offer to sell nor a solicitation of an offer to buy any security. Such offers can be made only by the confidential Private Placement Memorandum (the "Memorandum"). Please read the entire Memorandum paying special attention to the risk section prior investing. This email contains information that has been obtained from sources believed to be reliable. However, Kay Properties and Investments, LLC, WealthForge Securities, LLC and their representatives do not guarantee the accuracy and validity of the information herein. Investors should perform their own investigations before considering any investment. IRC Section 1031, IRC Section 1033 and IRC Section 721 are complex tax codes therefore you should consult your tax or legal professional for details regarding your situation. This material is not intended as tax or legal advice.

There are material risks associated with investing in real estate, Delaware Statutory Trust (DST) properties and real estate securities including illiquidity, tenant vacancies, general market conditions and competition, lack of operating history, interest rate risks, the risk of new supply coming to market and softening rental rates, general risks of owning/operating commercial and multifamily properties, short term leases associated with multi-family properties, financing risks, potential adverse tax consequences, general economic risks, development risks and long hold periods. There is a risk of loss of the entire investment principal. Past performance is not a guarantee of future results. Potential cash flow, potential returns and potential appreciation are not guaranteed. For an investor to qualify for any type of investment, there are both financial requirements and suitability requirements that must match specific objectives, goals and risk tolerances.