

27% of Seattle Renters
Look to Move Elsewhere

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ON-SITE

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Protecting Pet-Friendly Properties

By HOLLY WELLES

Before you included a pet policy in your lease, you weighed the pros and cons.

On the one hand, you would increase interest in your rental properties and improve their profitability. A pet policy would have clear benefits for your bottom line. On the other hand, you would have to spend a significant sum of money on maintenance. Cats and dogs aren't exactly kind to hardwood flooring, and the condition of your rentals could suffer. The repair costs would add up quickly over time. Regardless, you moved forward with a pet policy. Your tenants are now living with their furry friends, and you've had to address a diverse variety of new challenges. If the rental's interior wasn't enough, you also have to worry about the lawn.

So how do you begin to address these issues? How do you manage your new commitment? Though it may seem overwhelming at the moment, there are strategies to protect your rental properties, and any of the five suggestions below will help.

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Seattle Rents Up Moderately

APARTMENT LIST

Seattle rents have increased 0.3% over May, and are up slightly by 1.3% in comparison to the same time last year, according to the latest report from Apartment List.

Currently, median rents in Seattle stand at \$1,340 for a one-bedroom apartment and \$1,670 for a two-bedroom.

This is the fifth straight month that the city has seen rent increases after a decline in December 2018. Seattle's year-over-year rent growth lags the state average of 1.8%, as well as the national average of 1.5%.

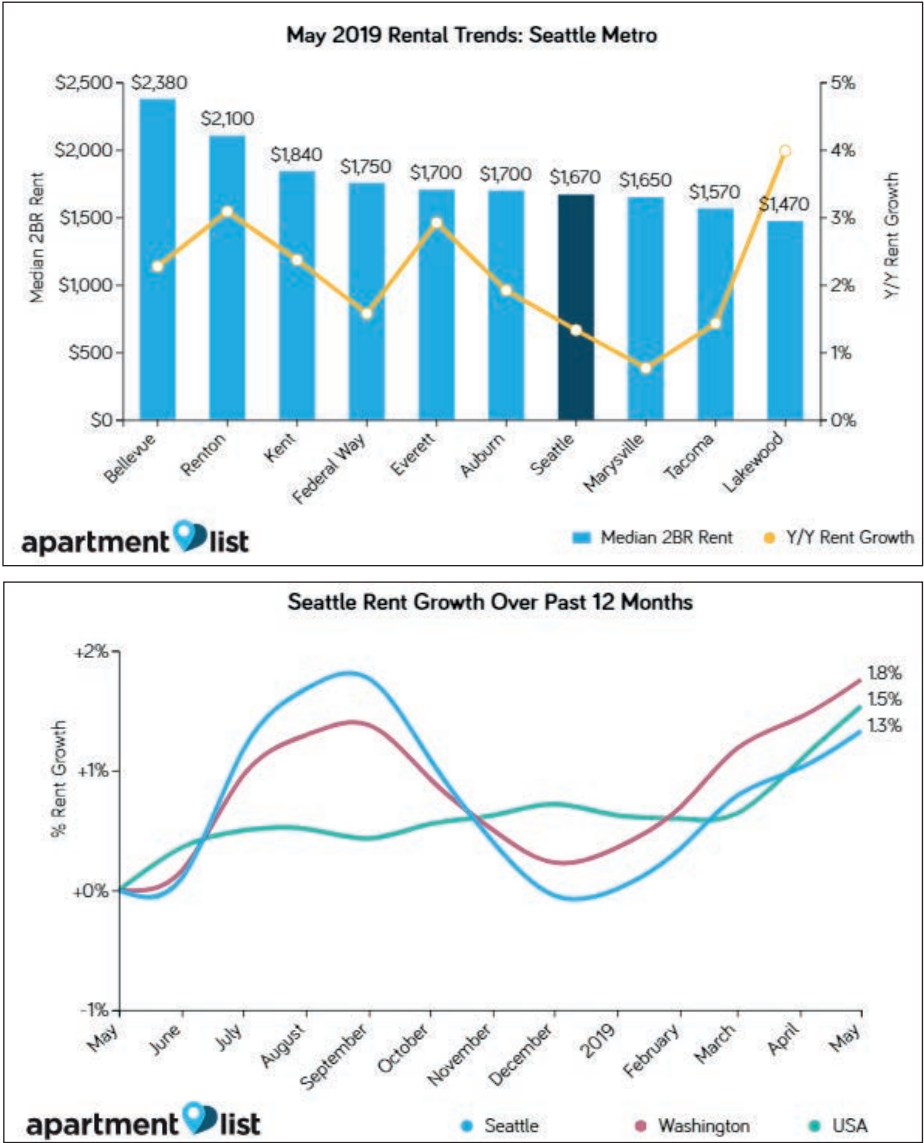
Rents rising across the Seattle Metro

Throughout the past year, rent increases have been occurring not just in the city of Seattle, but across the entire metro.

Of the largest 10 cities that Apartment List has data for in the Seattle metro, all have seen prices rise. Here's a look at how rents compare across some of the largest cities in the metro.

- Lakewood has the least expensive rents in the Seattle metro, with a two-bedroom median of \$1,470; the city has also experienced the fastest rent growth in the metro, with a year-over-year increase of 4.0%.
- Bellevue has the most expensive rents of the largest cities in the Seattle metro, with a two-bedroom median of \$2,380; rents grew 0.4% over the past month and 2.3% over the past year.

See 'Seattle' on Page 5



Multifamily Rents Grow Slowly

YARDI MATRIX

The average U.S. multifamily rent has risen \$14 over the last three months, which is a decent performance but far short of the levels of recent years, according to the May report from Yardi Matrix.

“Year-to-date through May, rents were up 1.2%—again, good but not up to the recent past. In fact, over the last six years, only in 2017 (1.7%) did rent growth fail to reach 2.0% year-to-date through May,” the report says.

MULTIFAMILY RENTS GROW SLOWLY

- U.S. multifamily rents increased by \$5 in May to \$1,442. Because rents increased less than they did in the same month in 2018, year-over-year growth fell 50 basis points from April to 2.5%.

- Although rent gains are in line with the long-term average, 2019 is shaping up to be weaker than the last few, much more robust, years. Year-over-year rent growth has dropped 80 basis points over two months and 110 basis points over three months.
- After sharing the spotlight with Las Vegas last month as the top metros, Phoenix pulled ahead in May atop our list of major metros with a 6.8% growth rate. Las Vegas is second at 6.6%, followed by Sacramento (4.1%) and Atlanta (3.9%).

2019 COULD BE SHAPING UP TO BE A WEAK YEAR

“This is notable because the bulk of rent growth tends to occur in the first half of the year. If the past is any guide, 2019 would be hard-pressed to continue the bullish outcomes of the last six years if things don’t

improve quickly,” the report says.

YEAR-OVER-YEAR RENT GROWTH TOPS IN PHOENIX AND LAS VEGAS

Demand in the desert continues to show up in the year-over-year numbers, according to the report.

- Rents increased 2.5% year-over-year in May, down 50 basis points from April and 80 basis points from March. The year-to-date increase of 1.2% is the slowest rate of growth since 2011.

- The Renter by Necessity category (3.0%) continues to grow at a faster rate than the Lifestyle category (1.7%). Only eight metros top the 2.5% overall national average in Lifestyle rents, but 22 metros top 2.5% growth in RBN rents.

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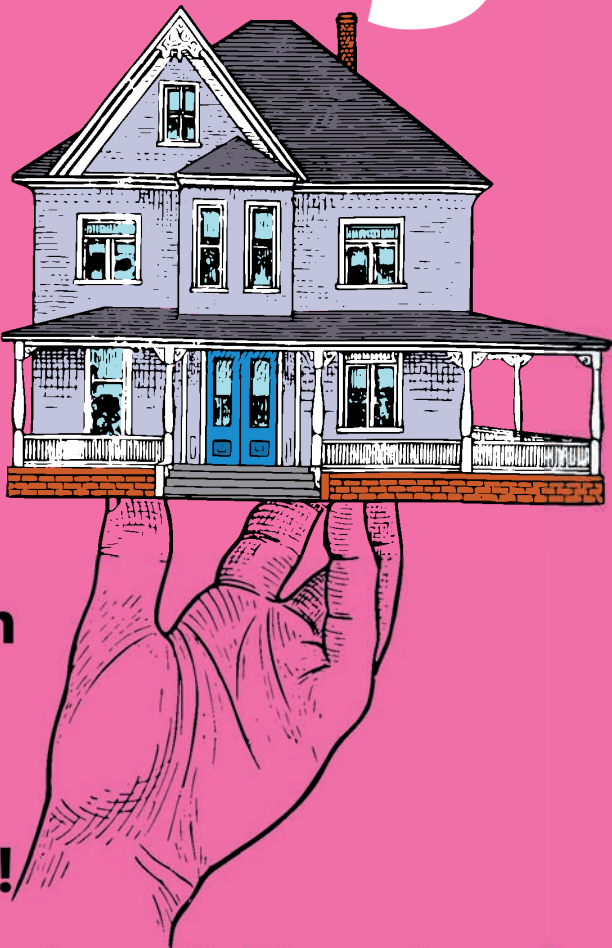
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The Importance of Lifelong Learning

Washington Multi-Family Housing Association (WMFHA) recently held its annual education conference and exposition, EdCon. More than 1,300 attendees enjoyed a robust day of learning, connecting, and growing.

As a membership organization whose mission and purpose is to provide educational opportunities to promote career development for the housing industry, EdCon met that goal and more.

The day included 24 separate training sessions with outstanding subject matter experts. They provided relevant content on subjects related to customer service, leadership, legal, leasing and marketing, and operational best practices.

A HIGH-ENERGY CONFERENCE

This year's tagline was "Learn. Connect. Grow." and the conference kick-off speaker, WMFHA Board President Laura McGuire from Woodspear Properties, got the high-energy conference started with motivational experiences from her own career path.

Legal and legislative updates provided critical information on the ever-changing legal landscape for housing providers.

Several sessions focused on topics relevant for maintenance service personnel, such as appliance repair, remodeling, budgeting skills and capital repairs.

One of the most interesting classes during EdCon's education sessions was conducted by WMFHA's Director of Career Development, Sloane Cerbana, on Emotional Intelligence. According to Sloane, the five factors of emotional intelligence are perceiving, decision-making, achieving, influencing, and managing. Attendees were given a self-assessment tool to gauge their own emotional intelligence.

Jessica Fern, Director of Training and Development for FPI Management, presented on the power of failure. She posited that failure is an important prerequisite to success. Experience is not what happens to you, it's what you do with what happens to you that is important, according to Jessica.

Terry Spivey and Jason Spencer from Alliance Residential presented an informative class on the impact of maintenance service on resident retention. Creating value for residents of our homes means building strong, dependable teams focused on prompt, efficient and quality service from a courteous, professional and caring management and maintenance team.

Brett Waller, WMFHA's Director of Government Affairs, highlighted Fair Housing reasonable accommodations to a packed classroom. Fair Housing practices are critical to our industry. Nuances around service or emotional support animals, accommodating disabilities, and legal

resources for both housing providers and residents are a big part of our industry servicing our communities.

Eighty industry supplier partner companies exhibited the most updated products and services in the expansive EdCon trade show, meeting with attendees to offer advice and help solve daily problems. WMFHA has the best supplier members in the industry and the promotion of a Members Using Members (MUM) philosophy ensures mutual support and value among our members.

MAINTENANCE MANIA!

The highlight of the day was the Maintenance Mania! competition, a maintenance Olympics of sorts, with eight challenging timed games using maintenance materials and representing repairs or installations done at most apartment communities. Awards and prizes rewarded the lowest times of the competition, with a chance to go to the national Maintenance Mania! event hosted by the National Apartment Association.

There has never been a better time to start a career in residential property management (RPM). Demand for rental housing is growing rapidly, and so is the need for talented, creative, and passionate people to help build strong communities.

RPM is a meaningful, dynamic, and highly professional field, dedicated to helping people choose and enjoy the housing lifestyle that's right for them. Working in a team atmosphere allows you to build strong relationships with co-workers while developing your leadership abilities.

Whether you like helping people, enjoy getting your hands dirty, or excel at crunching numbers, careers in residential property management offer many possibilities and the opportunity for lifelong learning and career development. RPM offers opportunities for training and advancement in numerous career tracks.

No matter the career path, interpersonal relationships are essential in the apartment industry. Your interactions will range from your colleagues and residents to supplier partners. Your ability to network with different people daily can open you up to opportunities you never knew existed.

TAKE PART IN YOUR ASSOCIATION

That is why participation in your local housing association is a critical part of your long-term career strategy and helps to give back to the industry that serves you and your companies.

WMFHA provides career development opportunities through national credential courses: Certified Apartment Manager (CAM), Certified Apartment Portfolio Supervisor (CAPS), Certificate for

Apartment Maintenance Technicians (CAMT), and National Apartment Leasing Professional (NALP) provide robust training in a classroom environment, with plenty of peer-to-peer networking opportunities.

The property management industry's leading economic forecast event, the 13th annual Washington Apartment Outlook, to be held in September, will provide apartment industry professionals, community leaders, owners, investors, lenders, executives and asset managers the latest information on economic trends in real estate from the state's leading and most trusted experts. This information will be critical in helping your team properly forecast your business, build your budgets, and formulate winning

strategies for success in 2020.

By investing in your employees' training and success, your company can increase property performance and improve your bottom line.

WMFHA supports the rental housing industry by providing quality educational opportunities, coordinating networking events for personal growth, and by advocating for legislation equitable to our industry and the broader community. To learn more about membership in this passionate organization, simply call us at 425-656-9077 or visit our website at www.wmfha.org. Follow us on Facebook and our other social channels for up to date information on association activities.

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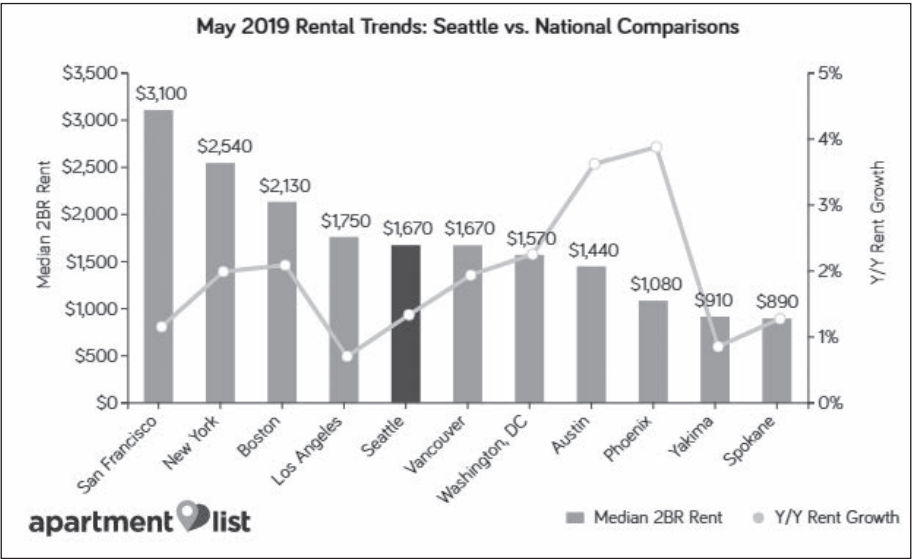
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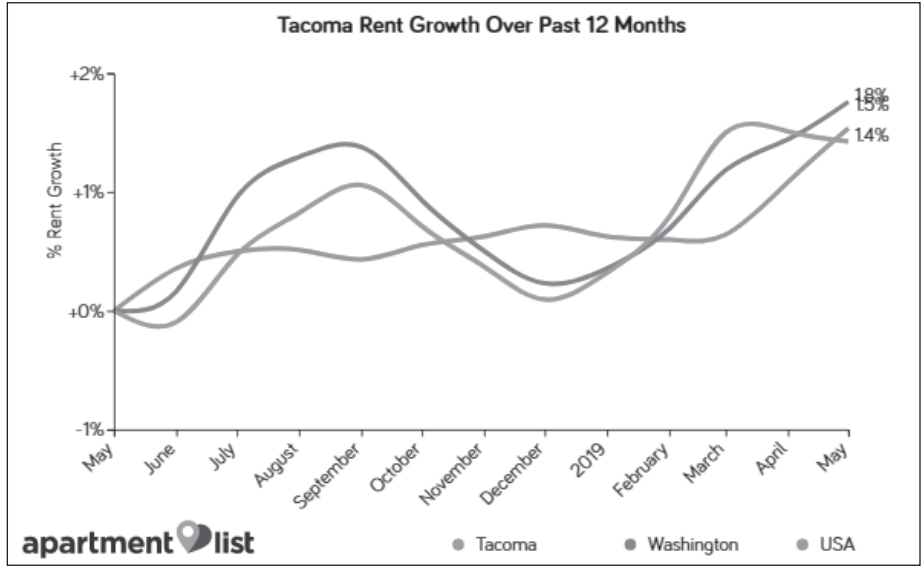
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City	Median 1BR price	Median 2BR price	M/M price change	Y/Y price change
Seattle	\$1,340	\$1,670	0.3%	1.3%
Tacoma	\$1,260	\$1,570	-0.1%	1.4%
Bellevue	\$1,910	\$2,380	0.4%	2.3%
Everett	\$1,370	\$1,700	12%	2.9%
Kent	\$1,480	\$1,840	0.7%	2.4%
Renton	\$1,690	\$2,100	0.9%	3.1%
Federal Way	\$1,410	\$1,750	0.3%	1.6%
Auburn	\$1,360	\$1,700	0.3%	1.9%
Marysville	\$1,320	\$1,650	0.1%	0.8%
Lakewood	\$1,180	\$1,470	0.6%	4%
Redmond	\$1,840	\$2,300	14%	1.5%
Kirkland	\$1,710	\$2,130	2.1%	2.7%
Sammamish	\$2,760	\$3,440	0.4%	1.7%
Puyallup	\$1,560	\$1,940	0.1%	3.6%
Lynnwood	\$1,600	\$1,990	2.4%	3.8%
Bothell	\$1,810	\$2,260	16%	0.6%
Spanaway	\$1,310	\$1,640	0.3%	0.9%
Mercer Island	\$2,060	\$2,560	0.5%	4.2%
Kenmore	\$1,690	\$2,100	0.8%	1.7%
Mukilteo	\$1,780	\$2,220	-15%	3.7%
Mountlake Terrace	\$1,580	\$1,970	-1%	0.8%



Seattle Rents Rise Moderately Fifth Straight Month

Continued from Page 1

BELLEVUE RENTS INCREASED MODERATELY OVER THE PAST MONTH

Bellevue rents have increased 0.4% over the past month, and are up moderately by 2.3% in comparison to the same time last year.

Currently, median rents in Bellevue stand at \$1,910 for a one-bedroom apartment and \$2,380 for a two-bedroom. This is the fifth straight month that the city has seen rent increases after a decline in December of last year. Bellevue’s year-over-year rent growth leads the state average of 1.8%, as well as the national average of 1.5%.

TACOMA RENTS WERE FLAT OVER THE PAST MONTH

Tacoma rents have remained flat over the past month;

however, they have increased slightly by 1.4% year-over-year. Currently, median rents in Tacoma stand at \$1,260 for a one-bedroom apartment and \$1,570 for a two-bedroom. Tacoma’s year-over-year rent growth lags the state average of 1.8%, as well as the national average of 1.5%.

OTHER LARGE CITIES NATIONWIDE SHOW MORE AFFORDABLE RENTS COMPARED TO SEATTLE

As rents have increased slightly in Seattle, a few other large cities nationwide have also seen rents grow modestly. Compared to most similar cities across the country, Seattle is less affordable for renters.

• Rents increased slightly in other cities across the state, with Washington as a whole logging rent growth of 1.8% over the past year. For example, rents have grown by 1.9% in Vancouver and 1.3% in Spokane.

• Seattle’s median two-bedroom rent of \$1,670 is above the national average of \$1,190. Nationwide, rents have grown by 1.5% over the past year compared to the 1.3% rise in Seattle.

• While Seattle’s rents rose slightly over the past year, many cities nationwide also saw increases, including Phoenix (+3.9%), Austin (+3.6%), and DC (+2.2%).

• Renters will generally find more expensive prices in Seattle than most other large cities. For example, Spokane has a median 2BR rent of \$890, where Seattle is more than one-and-a-half times that price.

Apartment List is a growing online apartment rental marketplace on a mission to make finding a home an easy and delightful process.



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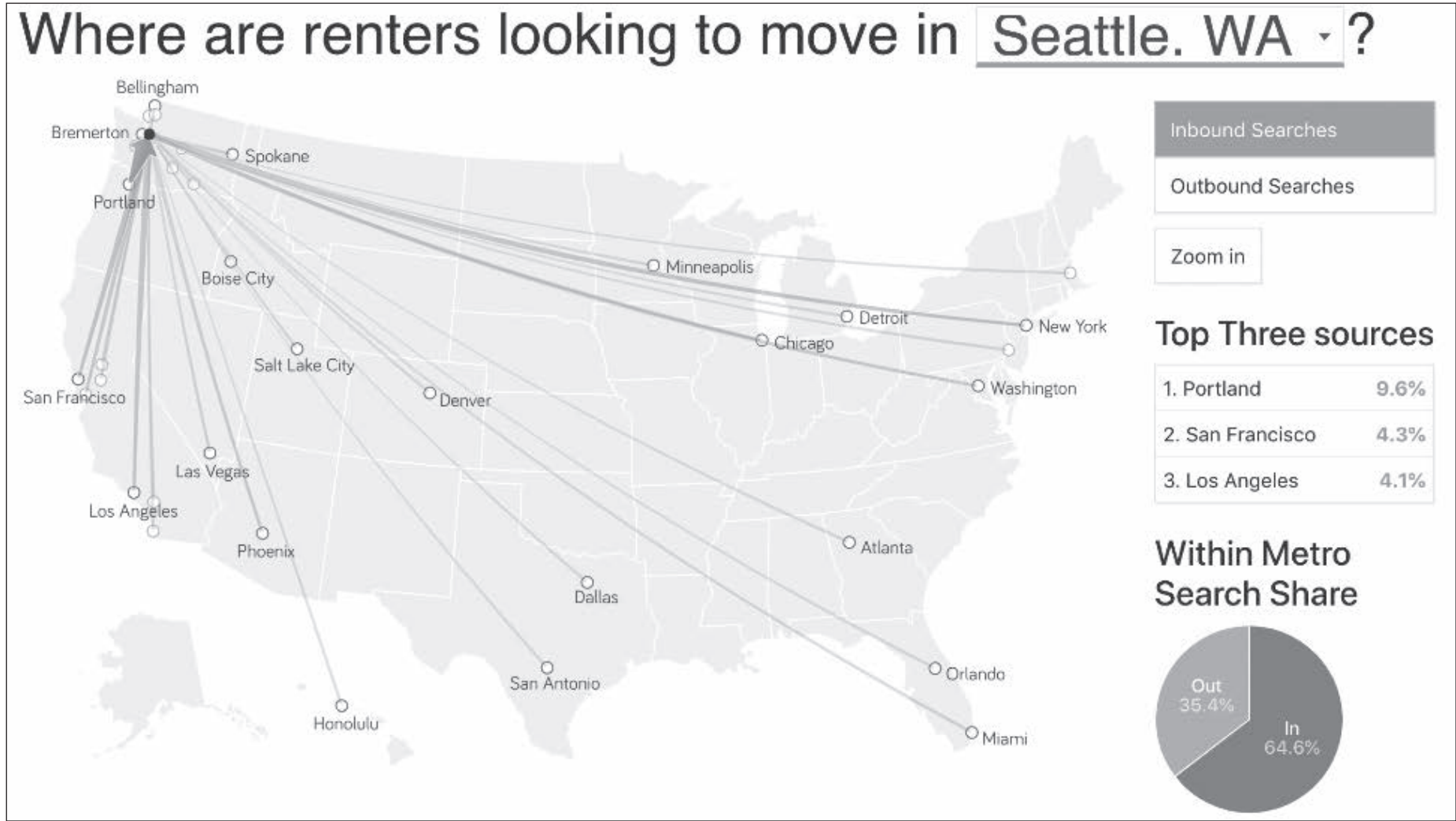
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27% of Renters in Seattle Looking to Move Elsewhere

APARTMENT LIST

According to a new report published by Apartment List, 35.4% of those looking for a place to live in Seattle are searching from outside the metro, while 26.7% of apartment hunters currently living in Seattle are looking to move elsewhere.

Seattle tech workers are seeking to move to places with more affordable housing costs, such as Portland.

In fact, with 7.9% of outbound searches, Portland is the most popular destination for Seattle renters looking to move elsewhere. Los Angeles is in strong second place, with 6.8% of Seattle housing searches being dedicated to the Southern California metro. Phoenix came in third at 5.7%. Thus Portland is turning into a growing tech scene, since a subset of Seattle workers seek to move to places with more affordable housing costs.

The report on renter-migration patterns shows Portland is seen as an affordable alternative to San Francisco and Seattle, according to the report from Apartment List.

WHERE ARE RENTERS GOING?

The study looked at which parts of the country are retaining their renter populations and from which parts renters are fleeing, as well as which metros are doing the best and worst jobs of attracting renters from other parts of the country, according to Chris Salviati, housing economist at Apartment List.

“In some cases, the patterns we observe in this data are intuitive, while in others we unearth surprising insights,” Salviati writes in the report.

Portland is the most popular out-of-state destination for those looking to leave the San Francisco metro.

Among all renters looking to move to Portland from elsewhere, 9.0 percent are currently living in San Francisco, making it the most popular inbound search location for Portland.

Seattle is the 2nd most common source

of inbound searches to Portland, followed by Los Angeles, San Jose, and New York.

EXODUS FROM SAN FRANCISCO, BUT NOT FROM THE BAY AREA

San Francisco has the third highest share of users looking to move outside the metro.

At first this may appear to confirm a popular narrative that San Francisco is losing residents to more affordable emerging tech hubs such as Denver and Austin; however, a closer look at the data contradicts this interpretation.

AS NEW YORKERS MOVE IN, DENVER RESIDENTS TURN TO MORE AFFORDABLE COLORADO METROS

While the flow of renters from San Francisco to Denver may have been lower than expected, the tech boom in Denver is a real phenomenon.

“We see the Denver metro attracting renters from other major metro areas with highly educated workforces. The New York City, Chicago, and Washington D.C. metros are the first, second, and fourth most common locations for inbound searches to Denver, respectively making up 4.7 percent, 4.6 percent, and 3.0 percent of inbound searches coming from outside the metro,” Salviati writes.

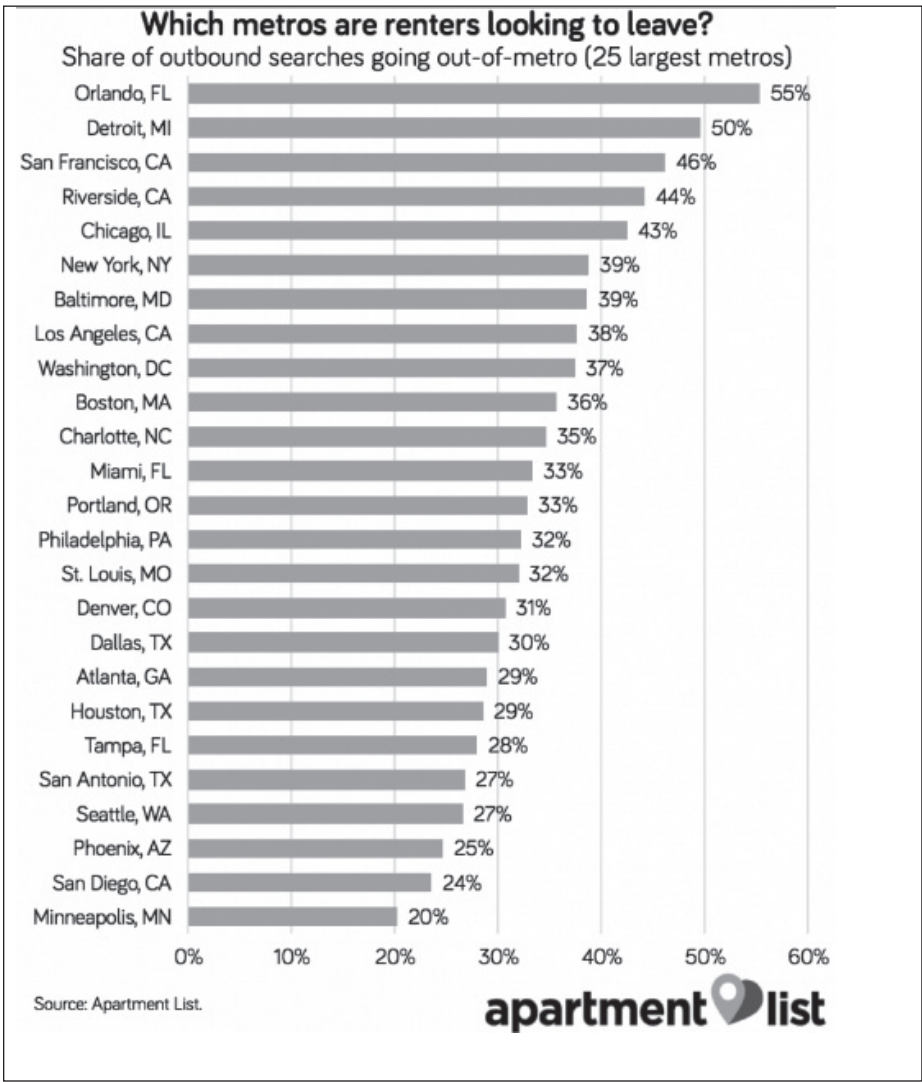
INBOUND SEARCHES TO PHOENIX DOMINATED BY LOS ANGELES

Phoenix is another example of a rapidly growing metro that has thus far retained its affordability, making it an attractive destination for those looking to leave more expensive areas on the West Coast.

But while Portland is attracting renters from throughout the West Coast and beyond, inbound searches to Phoenix are dominated by one metro: Los Angeles.

Users currently living in the L.A. metro comprise 18.9 percent of inbound searches coming to Phoenix from outside the metro.

Phoenix is the most popular outbound search location for those looking to leave



the L.A. metro, ranking even higher than the Riverside metro, which borders Los Angeles. In contrast to the Bay Area residents who are moving further and further from the core metro and enduring increased commute times, it seems that L.A. residents feeling the price crunch would rather relocate to Phoenix than do the super-commute from Riverside.

SUMMARY

“Knowing where Americans are moving to and from is key to understanding the evolution of our nation’s cities. Publicly available migration data from Census tracks these trends, but that data source captures moves that have already occurred and is released with a fairly lengthy time lag,” Salviati writes.

He notes that search data from platforms like his are helpful to understanding migration patterns before the moves have actually happened.

“It is important to note that Apartment List users are not fully representative of the

American population as a whole, and that rental listing searches do not always result in completed moves. That said, the trends we observe are nonetheless informative, and we hope that this data tool will serve as a valuable resource for those looking to understand the mobility patterns of America’s renters,” Salviati writes in the report.

Methodology: Results are based on searches of Apartment List users occurring between January 1, 2018 and May 1, 2019. The company includes data from both registered and unregistered users. While registered users are uniquely identified, unregistered users who perform multiple searches may be counted multiple times. For users who search in multiple locations, the company considers the initial search location to be the primary one. Each user’s current place of residence is defined by the IP address from which the user is searching. All results are aggregated at the metro level, using Census definitions of metropolitan statistical areas.

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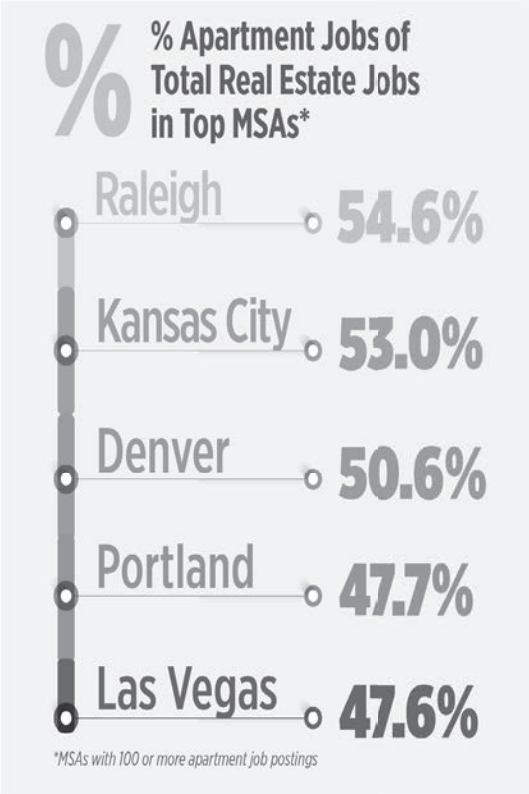
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Many Real Estate Jobs During April Were Focused in Apartments



NATIONAL APARTMENT ASSOCIATION

In the latest jobs report from the National Apartment Association, Denver is near the top in the country with more than 50 percent of real estate jobs driven by openings in the apartment industry.

Nationwide, in preparation for the impending leasing season, over 8,000 apartment jobs were available during April, accounting for 37 percent of the broader real estate sector.

Open positions were driven primarily by Denver, Raleigh, Kansas City, Portland and Las Vegas.

April's edition highlights Property Manager/Community Manager positions, with a median salary of \$42,059.

In addition to property management experience, employers are seeking candidates with strong budgeting skills, staff management skills, and experience with property management software.

The recent influx of new supply in the Raleigh MSA has contributed to the high concentration of demand for property managers.

NATIONAL APARTMENT ASSOCIATION JOBS REPORT BACKGROUND

The jobs report focuses on jobs that are being advertised in the apartment industry as being available, according to Paula Munger, Director, Industry Research and Analysis, for the National Apartment Association's Education Institute.

"Our education institute is a credentialing body for the apartment industry. They hear often that one of the biggest problems keeping our industry leaders up at night is the difficulty in finding talent, attracting talent and retaining talent," Munger said.

"Labor-market issues are happening in a lot of industries, certainly with the tight labor market we have."

NAA partnered with Burning Glass Technologies. "They have a labor-job posting database that is proprietary," she said, and they can "layer on data from the Bureau of Labor Statistics (BLS).

"We looked at that and thought we could do something that is really going to help the industry and help benchmark job titles and trends as we go forward," Munger said.



Sources: NAA Research; Burning Glass Technologies; Data as of April 30, 2019; Not Seasonally Adjusted

Spotlight

Last 6 Months

Property Manager/Community Manager

Top MSAs

(Highest Location Quotients)

MSA	Location Quotient***	Median Market Salaries****
Raleigh	3.5	\$41,674
Portland	3.3	\$38,366
Austin	2.8	\$42,356
Seattle	2.7	\$43,158
Charlotte	2.5	\$42,626

***Location quotients display concentrations of demand within MSAs. U.S.-wide average demand equals 1.0; a location quotient of 1.5 indicates 50% higher demand than the US average.

Experience Level Required

Experience Level	Percentage
0 to 2 Years	44.9%
3 to 5 Years	51.4%
6 or More Years	3.7%

Earnings

Median Market Salary of Postings****

\$42,059

****Market salary is calculated using a machine learning model built off of millions of job postings every year, and accounting for adjustments based on locations, industry, skills, experience, education requirements, among other variables

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Top 5 Maintenance Emergencies versus Maintenance Requests

KEEPE

How do you define maintenance emergencies versus maintenance requests? That is this month’s topic for our property-management readers.

What counts as a maintenance emergency in an apartment property?

Any situation that threatens the safety and well-being of tenants.

The five events listed below are cases that would need immediate attention. Educate tenants on these common – but serious – issues and make a proactive plan on how to deal with these emergencies to ensure safety and to stay ahead of repairs.



No. 1 – GAS SMELL

This should be No. 1 on your list. Natural gas is a huge hazard. Educate tenants by letting them know the importance in identifying this issue, and staying away from inhaling potentially poisonous gas. Address this issue over all others because this issue can be fatal.

No. 2 – NO HEAT OR AIR CONDITIONING

A broken heating or cooling system is cause for an emergency. If the HVAC system in your property fails to function, have the issue inspected quickly to ensure tenants stay safe from potential mechanical failures. Know who you are going to call



ahead of time to fix this type of issue, and who you can count on to help if this maintenance emergency happens. Be prepared.

No. 3 – POWER OUT

Whether it’s just inside a unit or outside as well, electrical failure is another important reason to contact a maintenance professional. A power outage can quickly lead to safety issues. Property managers can become liable for power-outage issues surrounding untimely repairs or if the issue occurs frequently.

No. 4 – PLUMBING ISSUE

If it’s more than a small leak, it is an emergency. Issues with plumbing can grow exponentially. In any case, turn the water valve off to ensure no further flooding ensues until a plumber checks out the issue.

No. 5 – SEPTIC TANK FAILURE

A backed-up septic tank will overflow and allow toxic waste to flow near or even into a property, which is dangerous and damaging. Septic tank failures are

extremely important to address immediately to avoid the countless safety issues that may arise. Septic tank failures are also a larger and time-sensitive project to take on, so be sure to enlist an emergency maintenance professional for the job.

As a property manager, your top priority is to keep everyone in your building safe. A sure way to address maintenance emergency issues is by keeping a list of potential maintenance vendors ready for your or have someone on-call at all times to manage maintenance issues. Regardless of your tactic, be sure to remain aware of these five possible emergencies.

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Project: Multifamily
Purpose: Purchase
Units: 54
LTV: 70%
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LOAN AMOUNT: \$1,315,500

Project: Multifamily
Purpose: Purchase
Units: 16
LTV: 75%
Location: Tacoma, WA

LOAN AMOUNT: \$5,300,000

Project: Multifamily
Purpose: Purchase
Units: 32
LTV: 70%
Location: Lynnwood, WA

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RENTAL HOUSING JOURNAL ON-SITE · JUNE 2019

KEEPE

Bugs are always an unwanted guest for your tenants and can create unsanitary living conditions. Because there are so many different types of bugs, bug proofing your rental property can sometimes feel like a losing battle. Here are 6 ways to bug-proof your rental property.

areas susceptible to termites, you may add cement backer board to reinforce the area and prevent termite damage. Caulk is also amazing at repairing small cracks around the exterior of your rental. Use caulk around window frames and roofs to really seal openings.

4. Store trash properly — As many

2. Add screens — Especially during summer days, many tenants like to rely on natural ventilation from windows. Unfortunately, this is also the worst time for mosquitos, fleas and other insects to come into your home. By installing screens on all windows and doors, your tenants can keep the ventilation of fresh air while also protecting against pests. Screens are important to keep bugs out when tenants want fresh air.

3. Repair cracks — Because bugs are small, they are able to enter from cracks that may be nearly invisible to the rental property owner and tenants. Start by examining the exterior for any damaged, loose, missing, or rotting sections. You could be surprised by the number of openings you find. To keep the bugs out of these cracks, use mortar or cement to patch foundations, replace damaged bricks and remove rotting wood. If there are any

4. Store trash properly — As many know, bugs are attracted to trash and debris. Trash can be a gourmet meal to cockroaches and fruit flies. You need to be sure your tenants are involved in keeping the rental clean and being aware of how trash can attract bugs. Ask your tenants to keep all food trash in the kitchen, instead of throughout the house. This will minimize the areas bugs will most likely go. Additionally, the trash should have a lid and be emptied once a day.

5. Dry up damp areas —Bugs don't only seek food, like trash, but also water. There are many types of insects that prefer living in damp spaces. To prevent this, fix and replace any leaky faucets, drains or pipes. Inspect your air conditioner, washing machine and dryer to make sure they are all working properly. You may also need to check the attic to make sure there are no leaks. If there are areas that feel damp, try using a dehumidifier.

6. Kill the bugs you see — You may see some bugs around your rental even after bug-proofing, so kill them immediately. If your tenants have killed bugs, ask them to provide a photo of what they found so you can act. Of course there are many insect control products on the market, but to give yourself and your tenants peace of mind you may want to call an exterminator to take care of this problem. Your tenants will appreciate your concern and your action.



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An Oregon Landlord’s Open Letter: Why I’m Leaving the Business

EDITOR’S NOTE: Here is one landlord’s open letter on why he’s getting out of the rental property business, and therefore no longer needs Rental Housing Journal’s newsletter. It is something he thought we should share with our readers.

By CARLOS GARCIA

I no longer have any rental units in Oregon and would prefer not to receive the newsletter any longer. It’s just too depressing reading about how landlords are being trampled by the city, county and state.

I have to say, at this time, I’m delighted to not own any rental properties in Oregon.

Three years ago, I owned and operated four apartment complexes in Portland, Salem and Keizer that totaled 180 units.

Although some of the rental rules and regulations at that time were starting to become burdensome, I was able to tolerate the continued intrusions and changes that the county, city and or government agencies imposed on us landlords.

Sadly, because of politics and where the bulk of the votes come from, Oregon appears to be headed into an extremely “tenant-friendly” state that basically is handcuffing landlords’ ability to place qualified tenants in their properties.

It seems like any rejected or non-qualifying applicant is free to claim discrimination and or harassment by the “bully landlord.” To me, that’s just legislatures, council members and/or city officials looking for votes. Shame on them.

I sold my properties just in time, and that’s 180 units of families that had a great landlord taking care of them. I didn’t just let anyone in (as the “government” is pushing for) so I carefully screened all applicants, because it wouldn’t have been fair to the good tenants if I had just turned a blind eye and start accepting non-qualified applicants.

I feel for my previous tenants, but I couldn’t be happier to have moved on.

I truly believe landlords will soon take heed and go elsewhere where they are appreciated as the “real” taxpayers and not just people the state can walk all over.

Thanks again, and best of luck with those liberals of Oregon.

I sincerely hope my message will inspire landlords in Oregon to challenge the regulatory agencies that are continuously punishing landlords just because some tenant feels wronged.



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AC Maintenance Best Practices For Summer

KEEPE

Air conditioning issues pose one of the top maintenance items in rental housing every year, so now is the time to check your air conditioning maintenance before you get a call from a tenant.

Here are four air-conditioning maintenance best practices for the upcoming summer.

1. DON'T DEFER MAINTENANCE

Prevention is key to keeping your air conditioning in working order.

Don't defer regular inspections and maintenance requests. Deferred maintenance issues are more expensive to repair later down the road.

It's best to keep up efficient operation and ensure your property is performing well by having an expert take a look at problems you may have otherwise missed.

2. STRIVE FOR ENERGY EFFICIENCY

Energy efficiency is a key indicator for determining your air conditioning system's performance.

Increasing the energy efficiency of your systems will extend the life cycle of your infrastructure and keep energy-related utility costs under control.

3. ADD A SMART THERMOSTAT

Consider adding a smart thermostat to allow your tenants to program the temperature settings in their units. This can save energy over time.

A programmable thermostat makes it easy to match your cooling needs to your schedule, offering more flexibility and ease for tenants to minimize air conditioning use.

4. REMOVE OBSTRUCTIONS AROUND THE EXTERIOR SYSTEM

Regularly inspect the air conditioner system outdoors at least twice a month to remove any loose vegetation, yard waste, and other debris from the system.

A clear zone allows your air conditioner to pull in the air it needs to control the temperature in your property.



A simple maintenance checkup can make all the difference in the world.

Utility bills jump in the summer as tenants increase their air conditioning system use.

Be ready. Put in place efficient systems and processes in your maintenance strategy to ensure optimal efficiency.

Keepe is an on-demand maintenance solution for property managers and independent landlords. The company makes a network of hundreds of independent contractors and handymen available for maintenance projects at rental properties. Keepe is available in the Greater Seattle area, Greater Phoenix area, San Francisco Bay area, Portland, San Diego and is coming soon to an area near you. Learn more about Keepe at <https://www.keepe.com>.



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2019 Shapes Up to be Weak Year

Continued from Page 1

• Phoenix (6.8%) overtook Las Vegas (6.6%) in May to lead the rankings. The metros are No. 1 and No. 2 in both Lifestyle and RBN rent growth, and both have increased occupancy rates of stabilized properties by 20 basis points over the past year (Las Vegas to 95.0% and Phoenix to 95.5%) despite adding a significant amount of new supply. Meanwhile, Houston (0.4%) and Seattle (0.8%) have the weakest growth.

“The National Association of Business Economists released a survey that found a growing number of prognosticators increasing the odds that a recession will start in 2020,” the report says.

“Even though a recession in the near term remains a minority opinion, however, the downside risks are growing. The biggest reason cited is trade uncertainty, with 88% of economists surveyed downgrading growth forecasts because of President Trump’s policies on trade, which include tariffs on imports from China and Mexico. The other top reasons cited for the weaker growth outlook are stock market volatility and slowing global growth,” the report says.

Tips for Protecting Pet-Friendly Properties

Continued from Page 1

1. TAKE PRECAUTIONARY MEASURES

Even a minor adjustment to the interior of a rental is enough to prevent damage. When you replace a set of longer curtains with thick blinds, you stop curious kittens from testing their claws. Here is a long list of precautionary measures to reduce risk. To provide another example, you can encourage your tenants to place a waterproof mat beneath their pet’s food and water dishes. It’s a relatively simple addition that will guard against moisture and preserve the condition of your properties.

2. INSTALL SCRATCH-RESISTANT FLOORING

You may feel like your flooring’s at risk in a pet-friendly rental, which is perfectly rational. An overexcited dog can cause an enormous amount of destruction if they hear a doorbell. However, you have a variety of methods to mitigate the damage. If you’re interested in a long-term solution, scratch-resistant flooring is effective. You have many things to consider of course, like traction, comfort, resistance and appearance, but it’s a reasonable option. Laminate boards have particular appeal for their durability and broad spectrum of styles.

3. ORGANIZE A SCREENING PROCESS

No two dogs are exactly alike. They may share similar qualities if they’re the same breed, but their personalities can dramatically differ. One of them may have an enormous amount of energy, while another may prefer to sleep most of the day. Naturally, you want to ensure your tenants’ pets won’t cause any problems. You can’t afford to generalize just because the bulldogs you’ve met in the past were docile and friendly. Instead, you can implement a screening process with these questions.

- What is the pet’s size?
- What is the pet’s breed?
- How old is the pet?
- Is the pet trained? Is it house- or litter-box trained?
- Does the pet have its vaccinations?
- Does the pet have any history of aggression?

You’ll gradually gain a better understanding of the tenant’s pet, allowing you to make an informed decision.



4. LOOK INTO RENTERS’ LIABILITY INSURANCE

Your tenant’s pet is a potential liability. A dog could bite another tenant without warning, and you have to prepare for the possibility. To reduce risk, you should require your tenants to carry renters’ liability insurance, assuming your local and state laws allow it. Concerning the insurance itself, it’s best to check for a dog-bite exclusion or similar limitation. Though it may cover damage from pet accidents, you should search for that additional detail to preempt any problems to ensure the security of your rentals.

5. REQUEST AN ADDITIONAL PAYMENT

You can offset the higher costs of pet-friendly rentals with an additional charge. Your options include pet rent, a pet deposit or a nonrefundable pet fee.

Depending on your set of circumstances, one or more of the following charges may seem appropriate.

- **Pet rent:** A monthly charge that falls between \$20 and \$100. You add it to the baseline rent price.
- **Pet deposit:** A refundable fee to cover any pet-related damages. Research state laws before you proceed.

- **Nonrefundable pet fee:** An up-front cost for allowing the tenant to keep a pet on your property.

As you evaluate these options, keep in mind that some states have restrictions on this type of practice. Also, if the fee you impose is too high, a judge may not enforce it if a tenant chooses to challenge you. Keep the costs within reason.

PROTECTING YOUR PET-FRIENDLY RENTALS

Even with the risks of pet-friendly rentals, they’re well worth the extra investment. Sure, you may have to pay more for maintenance and handle similar issues. But the benefits of a pet policy are just as important to acknowledge. Now that you allow pets in your rental properties, you’ll enjoy a larger pool of potential tenants and higher rent payments. More than that, you can feel a sense of pride in the knowledge that you’re doing a good thing.

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.

More Than 1 in 5 Millennials Are Still Living With Parents

RENTAL HOUSING JOURNAL

The number of millennials age 23 to 37 living with mom or both parents has more than doubled since 2001 from 6.8 million to 14.3 million, according to a Zillow® analysis.

Nearly 22% of American millennials – more than 14 million in total – live with their mom or both parents, the highest share for this age group since at least 2000. Nine percent of millennials live with their moms, nine percentage points higher than those of the same age in 2005.

A much larger share of those living with mom have jobs than in 2010, highlighting affordability challenges even as the economy has recovered.

While the economy has recovered since the housing bust and recession of the mid-2000s, young people living with their parents has continued to rise.

The share of those living at home who are unemployed has fallen to 10.3% from 19.5% in 2010, indicating that more young people are struggling to afford independent housing even while holding a job.

“While it might be tempting to stereotype these young adults as lazy millennials bumming off of mom, the data paints a different picture,” said Zillow Senior Economist Sarah Mikhitarian in a release.

“When the housing market went bust and the economy unraveled into a recession, young adults increasingly returned to their childhood home. And, despite a strong labor market and fairly robust economic recovery, this trend has continued in the face of rising housing costs and deteriorating affordability.

“Living with mom as an adult can

certainly bring its share of headaches, but the benefits go beyond the occasional home-cooked meal – living under mom’s roof can allow young adults to save enough money for a down payment, security deposit or some other big expense. Not to mention you won’t have to travel far to take your mom out to dinner on Mother’s Day,” Mikhitarian said.

Rents are on the rise, bringing present-day affordability challenges for those looking to rent and long-term difficulties in saving for a down payment on a first home. Recent Zillow research found today’s renters need an extra year and a half to save for a down payment than their parents’ generation did 30 years earlier.

Those that choose to live with their parents and build up their savings may have a leg up. An analysis from HotPads showed that living rent-free with parents can allow you to afford a down payment on a home nearly three years sooner. And a small share of this young adult population is actually hosting mom in their own home – perhaps to take care of her as she ages or to have help raising children of their own.

Among large housing markets, Riverside, Miami, Los Angeles and New York have the highest share of millennials living with one or both parents – at least 31%. These four metros are all among the seven least affordable rental markets in the country.

The median monthly rent price in the U.S. is \$1,474, up 2.5% from a year earlier, according to the Zillow Rent Index. Zillow predicts rents will rise an additional 1.8% in the coming year and reach the \$1,500 threshold.



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And We Have a Winner for ‘Ugliest Apartment Parking Lot’ — But it Will be a Beauty Before Long!

Congratulations to Gwyn Desimone and Jim Miller of Dune Grass Apartment complex in Ocean Shores, Washington, who have won “The Ugliest Apartment Parking Lot” Makeover Contest, sponsored by NYS Enterprises Paving.



Gwyn Desimone

Gwyn and Jim were among numerous Northwest area property management companies entering the contest at RentalHousingJournal.com with photographic “proof” that their property’s parking lot was most deserving of the prize: \$5000 worth of pothole repair and/or general parking lot refurbishment.

The winner was based on the number of votes each entrant received from Rental Housing Journal readers.

“I would like to congratulate the winners. I have visited site and am looking forward to repairing their very needed pot holes!” said Steve Nys of NYS Enterprises.

Gwyn and Jim combined on the winning entry with Jim taking the photo and Gwyn entering it into the contest.

Gwyn is the Area Manager for the property and recently moved into compliance at the corporate office.



Jim Miller

“I have been with Quantum Management Services for approximately 10 years, we work with mostly low-income programs. This property is a USDA/ RD property we have managed since 2012. The manager, Jim Miller, is an asset to the property and does everything he can to maintain the property in great condition under a budget.

“He has been with the property over 20 years. I started out as a leasing agent and moved my way up through the company. I enjoy helping others and providing safe, clean affordable housing to those whom are in need of housing,” Gwyn said.

Nys said, “Pot holes start by not sealing your cracks. Filling cracks is inexpensive maintenance that should be looked at once a year. Water is the number one cause of asphalt damage. Be proactive and seal your cracks. Pot holes are telling you that asphalt is in need of

overdue repairs. And seal-coat your lots!

“So avoid future pot holes by having annual sealing and maintenance of the cracks in your parking lot,” Nys said. “If you already have pot holes in need of repair, give us a call. We do the highest quality work at very reasonable prices.”



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How Often Should You Conduct Inspections?

By HANK ROSSI

Dear Landlord Hank: Do you conduct rental inspections? How often? — **Dorothy**

Dear Landlady Dorothy: How often do I conduct rental inspections? It depends.

I do a very thorough vetting process to clear a prospect to become a tenant.

The most important criteria for me is good rental history. When I put a tenant into one of my properties, I feel very good that the tenant will take care of the property.

Sometimes I inspect rentals right away. That being said, if I have the slightest hint that something may be off or if another resident nearby says something to me about a particular unit, then I inspect right away.

The folks that we have doing pest control are in units every month. They know to not only kill pests but to look for water leaks, drips, or unsanitary conditions and let me know right away.

Make sure your lease authorizes inspections.

If a tenant has great rental history then I normally conduct an inspection at the 10-month mark.

That is when we contact tenants to see if they are going to renew or leave.

If they are going to leave, I start showing the property right away for next tenant and want to make sure all is right with the unit.

Then when tenant leaves we do a walk-through inspection for any damages.



Dear Landlord Hank: Should tenants tell you when they go on vacation? Do you require it? Do you worry about your rentals being vacant for a couple of weeks? — **Landlord Will**

Dear Landlord Will: When tenants move into one of my properties, I let them know that they are responsible for the unit as if it were their own personal home. And, they have to be smart about living in the property.

They have been shown where the main

water cut-off is to the property. If they are going to be away for any length of time, they have been instructed to turn this off.

If you live in a cold climate and it's winter, hopefully you would have instructed them on avoiding freezing water pipes.

I let my tenants know that the air conditioner must be on in the summer, whether they are in residence or not, to avoid mold/mildew growth. That is in the lease, too.

Also, make sure your home owners



insurance is up to date and fully covers your property.

I also strongly suggest tenants get "renter insurance," and that is strongly suggested in my lease, too.

I don't ask tenants to tell me they are going on vacation, and I don't worry about it. I've never had a problem related to this situation.

If you feel uneasy about your current tenants, talk to them and tell they you'd like to know if they are leaving for vacation so you can keep an eye on "their place" to make sure all is well in their absence.

"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.

Take Precautions to Avoid 'Source-of-Income' Bias

By ELLEN CLARK

Many states and cities have laws against source-of-income discrimination, meaning a property owner cannot choose to reject an applicant based on where his income comes from as long as it is a lawful source.

Source-of-income discrimination has been documented by researchers, and advocates say it creates barriers for people struggling to find housing.

Though not prohibited under federal Fair Housing law, it is prohibited by some state, city, and county laws. According to reports, at least 12 states and numerous cities have similar legislation in place, so it pays to check your local city and state laws on this issue.

SOME EXAMPLES OF SOURCE-OF-INCOME DISCRIMINATION:

- Advertising that a person "must have a job" to rent an apartment.
- Requiring documentation, such as pay stubs, that are typically only available to people who are working.
- Advertisements that express limitations as to the source of income of potential residents, such as, "No Section 8" or, "We do not take public assistance."
- Refusing to rent to a person who is receiving public benefits.
- Setting income requirements artificially high in order to exclude applicants who receive public benefits.
- Requiring co-signers or a larger security deposit because of an applicant's source of income.

If discrimination based on the source of income is prohibited in your state or locality, one of the most important things you can do to make sure you do not end up on the wrong side of a fair housing claim is to keep all employees well-informed.

Staff members should refresh their fair housing knowledge at least annually and be aware that discrimination based on "source of income" is illegal.

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TRAINING TIP
OF THE MONTH

All staff members who come into contact with residents and prospective residents must be trained in fair housing laws. All staff members should refresh their fair housing knowledge at least annually and should be very clear that discrimination based on the source of income is illegal.

Don't forget about vendors and contractors! Anyone who could possibly interact with your residents should be informed of your company's fair housing policy and asked to abide by Fair Housing laws.

Source-of-income discrimination is often directed at people whose lawful livelihoods come from sources other than a paycheck.

EXAMPLES OF LAWFUL SOURCES OF INCOME:

- Housing Choice Vouchers (Section 8)
- Supplemental Security Income (SSI)
- Social Security

- Veterans benefits
- Alimony or child support payments
- Temporary Assistance for Needy Families (TANF)

Ellen Clark is the Director of Assessment at Grace Hill. Her work has spanned the entire learner lifecycle, from elementary school through professional education. For nearly two decades, Grace Hill has been developing best-in-class online training courseware and administration solely for the Property Management Industry, designed to help people, teams and companies improve performance and reduce risk. Contact Grace Hill at 866.472.2344.

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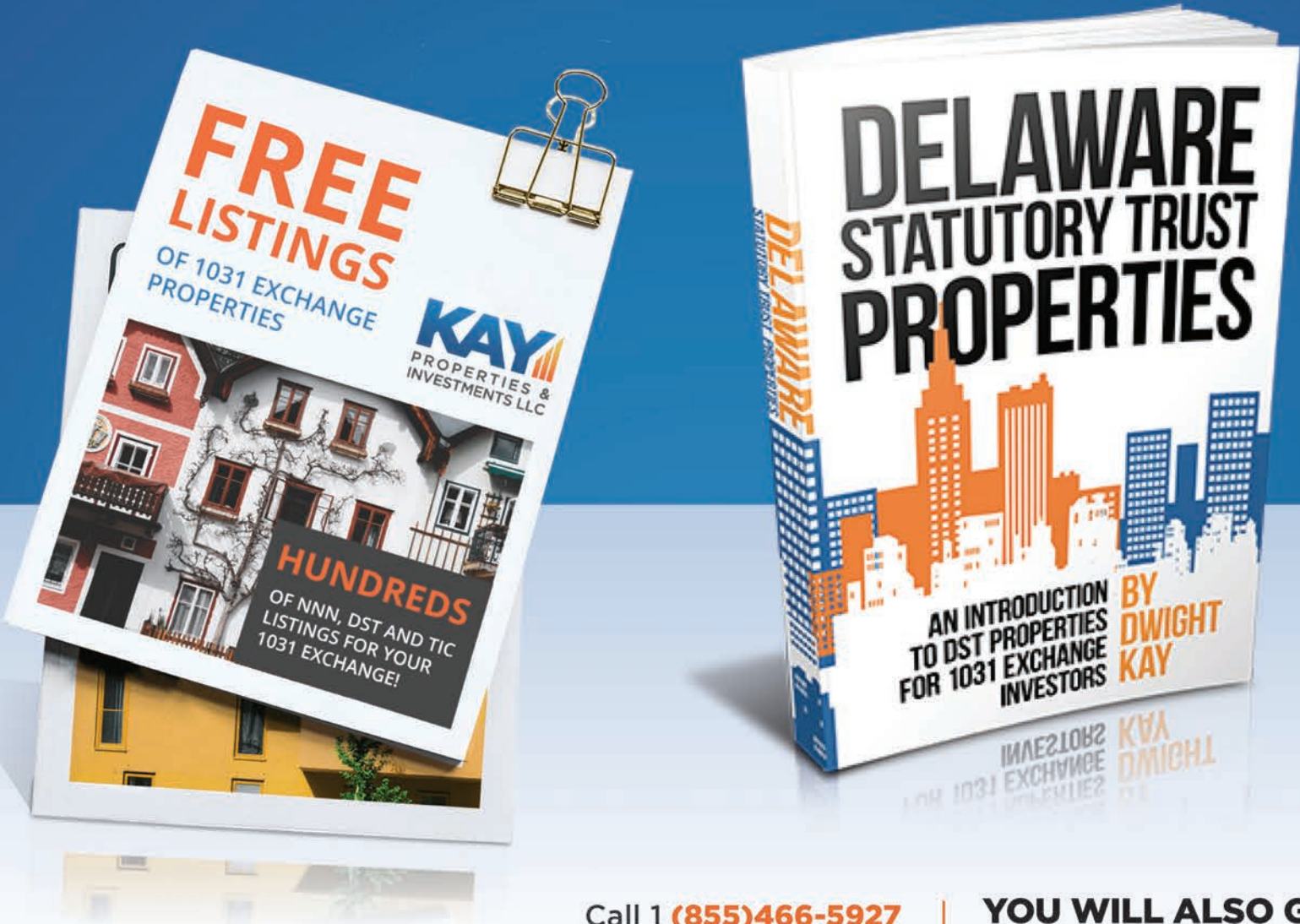
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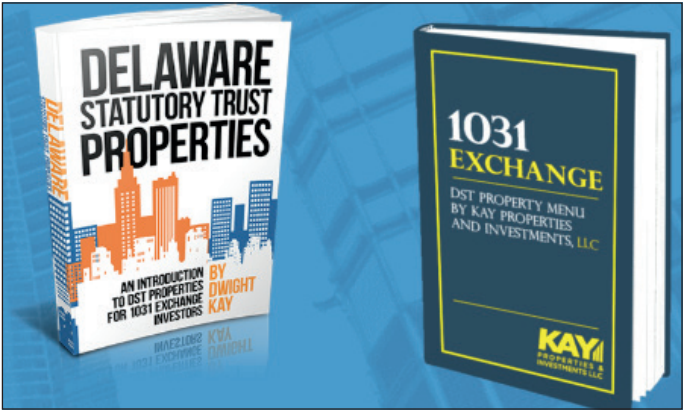
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1031 Exchanging into a REIT: The 721 UPREIT as an Option for Investors?

BY ORRIN BARROW, VICE PRESIDENT
KAY PROPERTIES AND INVESTMENTS, LLC

Here at Kay Properties, we have many clients who inquire about different 1031 exchange options. Some of our investors have inquired about the 721 UPREIT (Umbrella Partnership Real Estate Investment Trust) mechanism in both DSTs and Private and Publicly Registered Non-Traded REITS. The question that many investors ask is – Can I 1031 Exchange into a REIT? The 721 UPREIT can be a potential answer to this question; however, there are multiple items that investors must be aware of and carefully consider prior to deciding to pursue this route.

- 1. After The 721 UPREIT transaction is completed, it marks the end of an investor’s 1031 exchange capabilities. If an investor utilizes the 721 UPREIT then they will no longer be able to utilize the 1031 exchange, and when they sell their interests in the REIT that they exchanged into via the 721, they will be paying their taxes. For many investors, the idea of no longer being able to defer their federal capital gains taxes, state capital gains taxes, depreciation recapture tax and Medicare surtax is a frightening thought – some of these investors then decide that a 721 UPREIT is not for them. An approach that we have utilized is one in which an investor exchanges a portion of their equity via the 721 UPREIT and with the rest of their equity they then continue to utilize the 1031 exchange into Delaware Statutory Trusts (DSTs) whereby they are able to defer future taxes.
- 2. Investors need to be aware that with a 721 UPREIT, their interest in real estate will be transferred to Operating Partnership (OP) units. Many investors are not aware that the OP units are, or



will be, if the REIT lists on a stock exchange, potentially tied to a fluctuating stock price. Due to the volatility of the stock market, investors who utilize a 721 UPREIT into a REIT that is public or will potentially go public in the future, are subject to the ups and downs of the stock market and are no longer owners of private real estate.

- 3. The 721 UPREIT often has liquidity and pricing lock-ups that many investors are not always aware of. Utilizing the 721 UPREIT, an investor could be trapped in a Private or Publicly Registered Non-Traded REIT for 5-15 years or even forever, causing the investment to actually be highly illiquid as opposed to the liquidity they hoped they were going to receive by selling their shares once the REIT was publicly traded. Again, this is why we use the approach of using a portion of the 1031 exchange proceeds in a 721 UPREIT strategy, and then deploy the remainder into a portfolio of DST properties that will have the potential for a staggered exits whereby the investor has the choice of 1) doing another 1031 exchange into more DSTs (where the investor must read the Private Placement Memorandum of each DST to understand the business plan and risk factors of investing in DSTs), 2) do-

ing another 1031 exchange into any other type of like-kind property that they would own and manage on their own or 3) cashing out and paying their taxes.

- 4. Private to Public conversion of REITs have, in certain circumstances, been favorable for investors, and in many other cases have been terrible for investors. We have seen many Private to Public REIT conversions result in large losses to investors. Last year we saw a situation where Publicly Registered Non-Traded REITs properties were solid but upon going public the investors lost millions of dollars overnight. Again, this is an example of one REIT going public and may not be the outcome of all REITs becoming publicly traded. We all understand that with real estate investing there are no guarantees; however, investors need to understand that the 721 UPREIT is no exception. This is the reason why not putting all of your 1031 equity into one offering that is planning on a 721 UPREIT is prudent. Even if the offering has a large portfolio of properties, it is still a standalone investment that investors should protect themselves from concentration risk via diversifying into multiple separate DST offerings.

The 721 UPREIT can be a useful tool for investors when utilized within a broader diversification strategy. We at Kay Properties are big proponents of encouraging our clients to use various strategies to build a diversified portfolio for their 1031 exchanges. For a free consultation on the various 1031 exchange, Delaware Statutory Trust, and 721 UPREIT offerings we have available, please register at www.kpi1031.com. Diversification does not guarantee profits or protect against losses.

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