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rental Housing Journal, LLC

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Bias Charged on Denial of Assistance Cat

RENTAL HOUSING JOURNAL

Landlords who refused to allow a single mother with a daughter who needs an assistance animal to rent a townhome has been charged with housing discrimination, according to a release. The woman had already signed a lease and explained to the landlords that her oldest daughter, who has mental disabilities, needed the assistance cat — which was recommended by her daughter's therapist — to live in the townhome in Minnesota.

"For individuals with mental disabilities, assistance animals provide the support they need to perform life's daily tasks," said Anna María Farías, HUD's Assistant Secretary for Fair Housing and Equal Opportunity, in the release. She said the action "demonstrates HUD's ongoing commitment to taking appropriate action when housing providers fail to meet their obligations to comply with the Fair Housing Act."

The U.S. Department of Housing and See 'Bias' on Page 4

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Demand for Apartments Surges During Second Quarter of 2019

RealPage, Inc.

Apartment demand surged during the second quarter with occupancy climbing to 95.8 percent and new lease rents up three percent annually, according to a release from RealPage, Inc.

Net move-ins totaling 155,515 units in the April-through-June time frame topped second quarter 2018 product absorption by 11 percent, climbing to a five-year high, the report said.

"Apartment leasing activity accelerates during the warmer weather months, and demand is proving especially strong in this year's primary leasing season," said RealPage chief economist Greg Willett said in the release.

"Solid economic growth is encouraging new household formation, and rentals are capturing a sizable share of the resulting housing demand," he said. "At the same time, loss of existing renters to home purchase remains limited relative to historical levels."

The fast-growing Dallas-Fort Worth area led the nation in apartment-leasing activity during the second quarter, as renters snapped up 10,443 units. Net move-ins also reached robust levels



of more than 6,000 units in Chicago, Houston, New York and Washington, D.C. With demand proving so strong in the second quarter, occupancy tightened despite the delivery of quite a bit of new product. Occupancy climbed to 95.8 percent in second quarter, up from 95.4 percent a year earlier.

Rents for new leases increased 1.8 percent during the second quarter, which normally is when pricing moves most

rapidly during the course of the year. Rents are up 3 percent from year-ago levels, reaching an average of \$1,390 per month.

Among the country's large metros, local rent-growth leaders are Las Vegas and Phoenix, with each area posting annual price jumps of more than 8 percent. At the next tier of performance, rent growth comes in at roughly 4 percent to 5

See 'Surging' on Page 7

Rent Control and Multifamily Valuation



GABE JOHANSEN

Over the last few months, you have undoubtedly read numerous articles about rent control.

With the passage of SB 608, Oregon has become the first state in the nation to introduce a form of statewide rent control, passed under the guise of rent "stabilization." While the new changes for landlords are many, there is one question on a lot of minds that has not been answered:

How does rent control affect the value of multifamily property?

The answer to this question is

multifaceted. There are many factors that weigh on the value of real estate, especially when considering the incomegenerating nature of multifamily real estate. With rent control now in place for 2019, rent increases can no longer exceed 7% plus the West Region Consumer Pricing Index (currently 3.1%). For the average property owner, this is not an onerous restriction.

In most cases, managers do not increase rents by more than 10% in any given year because landlords prefer to keep their current tenancy in place and avoid costly turnover expense and vacancy loss. But

See 'Rent' on Page 6

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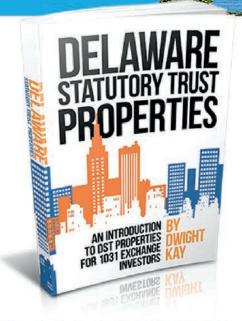
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Sponsored Content

Case Study: A Client's First Experience with DSTs

By BETTY FRIANT
SENIOR VICE PRESIDENT
KAY PROPERTIES & INVESTMENTS, LLC

The client has invested in real estate since 1987. After experiencing difficulties in renting an industrial property she owned for the past 13 years, it was time to sell.

Having sold many properties in the past, the concept of doing a 1031 exchange was all too familiar to her. She questioned whether or not to do it this time.

In consulting her financial advisor and CPA, she was informed of the tax consequences in selling this property. In hearing this information, she inquired into the best course of action for her tax situation.

The advice was based on a simple question, "Do you want another rental property?" Emotionally, the client was tired of the responsibilities associated with being a landlord, in addition to everything

involved in purchasing another rental. Logically, however, it was concluded that the best course of action was to purchase a replacement property and defer the taxes.

The search began for a replacement property, with the industrial unit settlement coming in 60 days. Within a few days, she was tired of looking through hundreds of listings provided by residential real estate agents and commercial properties that did not meet the financial criteria.

Despite these challenges, the search continued until she reached a point of frustration and considered paying the tax, rather than deal with this long process. Why invest in another property, doing the same things she had already been doing, such as rent collections, paying bills, and solving all sorts of problems?

She called her commercial broker to discuss the



situation, who said the DSTs sounded like the perfect solution for her situation.

The client was then introduced by the commercial broker to Kay Properties and Investments, LLC. She was hesitant at first, not knowing how DSTs work. Taking it upon herself to read all of the educational material and asking many questions, the client studied DSTs prior to the settlement for her warehouse.

The client spent six weeks prior to her warehouse settlement, immersed in numerous PPMs and in study mode with Kay Properties. In the end, the client was grateful to Kay Properties for helping her avoid a huge tax consequence and educating her through various channels.

The client was able to successfully complete her 1031 exchange into a diversified portfolio of DSTs consisting of Class A apartments, Class B apartments, and also single tenant net lease industrial. The process from the close of the warehouse to the selected DSTs took place within a week! She was delighted to start receiving income from her DST investment because for the two and a half years prior, her relinquished property had been vacant and not producing income.

She now enjoys sharing her new acquired knowledge with other investors who are tired of property management but still love the passive income that real estate offers.

This is an example of the experience of one of our clients and may not be representative of the experience of other clients. Past performance does not guarantee or indicate the likelihood of future results. Diversification does not guarantee profits or protect against losses.

About Kay Properties and 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, D.C. Kay Prop-



erties team members collectively have over 114 years of real estate experience, are licensed in all 50 states, and have participated in over \$7 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.

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RHA Oregon President's Message

Join Us for RHA's Summer Traditions

My wife attended several scientific conferences in Italy this year, with the last one held on the Amalfi Coast in June, where I joined her for a little R&R.

We arrived at the train station in Vietri sul Mare on a Monday evening, but when we stepped off the platform there wasn't a taxi to be found. Nor a station attendant. As she gave me one of those looks, I said, "It's a small town; the hotel can't be that far." We picked up our bags and started hiking down the stairs that cut between multiple levels of the serpentine roadway leading from the station down the hill into the town center.

As we came into the main piazza, we realized why nobody was at the station. The town was holding its annual festival of its patron, San Giovanni Battista (John the Baptist). As we tried to navigate with our baggage through the narrow streets crowded with tourists, citizens, families, and a 40-piece brass band, I felt like a salmon swimming upstream.

Reflecting on the situation, I was struck by how familiar the town festival felt, even though it was a modern version of a centuries-old Catholic celebration.

Summer is a time of celebration in communities all over the world, including dozens of cities and towns here in Oregon. Every week there are pancake breakfasts, main street parades, carnivals, car shows, and more somewhere in the area. Some are large events, like the Portland Rose Festival or the St. Paul Rodeo; others are



more small-town affairs like Prineville's Western Days or McMinnville's Turkey Rama. All these events are opportunities for people to gather and celebrate being part of a community, something most of us greatly enjoy.

Rental Housing Alliance Oregon has its own summer traditions, providing our members an opportunity to celebrate being part of our community of housing providers.

Our annual Under a Starry Night fundraiser will be held on Wednesday, July 17, 2019, at our offices on NE Weidler in Portland. We hold this event in lieu of our monthly dinner in July, and it is a wonderful opportunity to help raise funds for supporting local housing agencies in our community, a longstanding tradition at RHA.

If you are a supplier to our industry, this is a great way to connect with the membership of RHA and support our community. I encourage you to donate products or services that may be auctioned off at this event. If you are a regular (landlord) member of RHA, please come out and support our organization, our affiliate members, and our charities.

As we have for dozens of years, RHA will be holding its Annual Picnic on Wednesday, Aug. 7, 2019, at Oaks Amusement Park in Sellwood, and the price can't be beat! RHA members can purchase an adult dinner ticket for \$5; children 12 and under eat free. We are also providing deluxe ride bracelets for \$12.50, which is more than 40% below the single-bracelet price at Oaks Park! This is another great opportunity for all our members and their families to connect with one another in the environment of a "company picnic."

If you or your organization are not yet a member of RHA, join now to take advantage of this benefit! We are still signing up sponsors at all levels for this event.

More information about both Under a Starry Night and our Annual Picnic may be found on the Calendar/Event page of the RHA website. I hope to see you at both!

- Ken Schriver, RHA Oregon President







GABE**JOHANSEN**

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Bias Charged Over Assistance Cat

Continued from Page 1

Urban Development (HUD) said the case came to their attention when the mother of three minor children filed a complaint alleging that the owners of the townhouse refused to rent her the home for which she had signed a lease agreement because she asked them to permit her oldest daughter's assistance animal to live in the home.

HUD's charge states her "daughter's disabilities substantially limit her daughter's major life activities, including, but not limited to, sleeping, taking care of herself and her surroundings, focusing, and engaging in social interactions. Due to those limitations, complainant's daughter is disabled, as defined under the Fair Housing Act."

The landlords' lease stated, "Residents are not allowed to have pets of any kind on the premises. There are no exceptions to this rule." Elsewhere in the lease it had a provision that warned, "NO PETS ALLOWED." HUD's charge alleges that the owners refused to allow the assistance animal in the home, even though the woman provided documentation from her daughter's therapist attesting to the need for the assistance animal and how it addressed the girl's condition.

The woman then wrote a letter to the landlords and requested a reasonable accommodation to this no-pet policy. The reasonable accommodation requested was for permission to permit her daughter to reside with her assistance animal at the property.

The letter from the therapist stated that the daughter suffered from major

depressive disorder for several years and "is on medication for this disorder. She has also regularly attended therapy and a therapy skills training group. In the group, participants are encouraged to find coping strategies that are not self-destructive and one of the coping strategies is petting and being with her cat. The cat is a companion animal that has assisted in dealing with her depression. I would be in favor of (the daughter) being allowed to have this animal in her new living environment if at all possible."

The landlords provided a letter back saying, "We are so very sorry and sympathetic to hear of your family situation. And we understand how difficult these situations can be. We have, and have had, some very similar situations. Unfortunately, we have a strict NO-pet policy. This is clearly stated on the application. So, if we let you have a pet, then everyone else will want one. Do you see how this will go?"

The landlords denied the reasonable accommodation request.

HUD has said in the past that service and assistance animals are not pets. Concurrently with the denial of the reasonable-accommodation request, the owners terminated the lease agreement before the family could move in. HUD's charge further alleges that the woman informed the owners of their responsibilities under the Fair Housing Act and its protections for individuals with disabilities and asked that they reconsider her request. The owners refused to do so, and the family was forced to find other housing.



UPCOMING EVENTS

JULY 18 — 9:00 AM - 1:00 PM **NEW HIRE — EUGENE**

JULY 23 10:00 AM - 11:00 AM

EMPLOYMENT DOCUMENTATION AND DISCIPLINE

JULY 24 — 10:00 AM - 12:30 PM **CURB APPEAL**

JULY 25 - 11:30 AM - 2:00 PM

HAVING, HOARDING AND HARMING: A MOCK TRIAL - EUGENE

JULY 26 — 10:00 AM - 12:00 PM

CONFESSIONS OF A MILLENNIAL MIND: EXPOSING GENERATIONAL DYNAMIC

AUGUST 1 — 9:00 AM - 12:00 PM STRENGTHENING FRONT LINE SKILLS FOR MAINTENANCE

AUGUST 6 — 9:00 AM - 12:00 PM **PEST CONTROL**

AUGUST 6 - 6:30 PM - 8:00 PM

LANDLORD STUDY HALL: TENANCY MERRY-GO-ROUND

AUGUST 7 - 9:00 AM - 4:00 PM

CAM: MARKETING

AUGUST 9 - 12:00 PM - 1:00 PM

IT'S THE LAW: THE TENANT'S GONE, NOW WHAT

AUGUST 12 — 1:00 PM - 5:00 PM LANDLORD/TENANT PART II

FORM OF THE MONTH





Safety Addendum M106 OR-WA

The Safety Addendum was created to enhance liability protection for the landlord. Each example is carefully worded to address concerns from actual occurrences and lawsuits filed. If you don't already take advantage of this form, make sure to add it to the list of addendums you have every tenant sign at move-in. It includes critical language that reminds tenants that open windows present a potential risk of falling. While many of the statements can seem obvious, having this document in your tenant's file goes a long way to exhibit your due diligence and protect your assets.

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Justice Department Alleges CA Landlord was Trading Sex for Rent Discounts

RENTAL HOUSING JOURNAL

The U.S. Department of Justice has filed suit against the owner and manager of rental properties in the San Diego area who is alleged to have been sexually harassing female tenants and trading sex for rent discounts, according to a release.

The Justice Department lawsuit alleges that Larry Nelson, owner and manager of residential housing in Spring Valley, California, violated the Fair Housing Act by subjecting female tenants of his properties to sexual harassment and retaliation. The seven-page complaint, filed in U.S. District Court in San Diego, accuses property owner Larry Nelson of entering the homes of his female tenants without reason and in several cases offering to reduce or forgive rent in exchange for sex, according to the Los Angeles Times. "The Fair Housing Act prohibits sexual harassment and retaliation in housing," Assistant Attorney General Eric Dreiband said in the release. "Any landlord who sexually harasses his tenants or retaliates against them for refusing sexual advances, destroys their housing security and risks families' ability to keep a roof over their heads. Anyone who engages in this kind of disgusting and illegal conduct should be on notice: the Department of Justice will be coming for you."

Prosecutors said Nelson controlled every aspect of the rental process, from accepting applications and determining who could rent the units to setting the rental amount and collecting monthly



payments. "Let this be a wake-up call for abusive landlords," U.S. Attorney Robert Brewer said in the release. "Holding a key to someone's property is not a license to exploit them for sex. The Department of Justice is going to make sure a tenant's home is a place of safety, not suffering," Brewer said.

The California lawsuit seeks monetary damages to compensate the victims, a civil penalty to vindicate the public interest, and a court order barring future discrimination and harassment. The complaint contains allegations of unlawful conduct; the allegations must be proven in federal court.

The Federal Fair Housing Act prohibits discrimination in housing based on race, color, religion, national origin, sex, disability and familial status. More information about the Civil Rights Division and the laws it enforces is available at http://www.justice.gov/crt. Individuals who believe that they may have been victims of sexual harassment or other types of housing discrimination at rental dwellings owned or managed by Larry Nelson, or who have other information that may be relevant to this case, can contact the Housing Discrimination Tip Line, at 1-800-896-7743, and select mailbox 9991 to leave a message.

Rent Control's Effect on Multifamily Valuation

Continued from Page 1

what happens if one decides to sell or refinance their property?

Let's take a look at three factors that affect the value of rental property.

INCOME APPROACH

Prior to the passage of SB 608 in February 2019, the common practice of listing brokers was to price properties based on pro forma rents. In a seller's market when rents are on the rise, buyers are lined up and willing to pay top dollar for an income stream that does not yet fully exist. It is then the job of the buyer to increase rents as quickly as possible in order to make their investment cash flow. If a property's rent roll is already near market levels, the value of the property can be based on current income.

However, if there are tenants currently paying below-market rents, the new rent-control laws are going to make repositioning the asset a much longer process. This is already having a negative effect on the values of underperforming

Sophisticated buyers are properties. not willing to underwrite the value of a property based on rents that will not be achieved within the first year or two of ownership.

Since the passage of statewide rent control in Oregon, multifamily brokers have begun to take a new approach to pricing. Brokers are now arriving at listing prices based on the income that a property will produce after its initial round of rent increases, within the guidelines of SB 608. This means that if a property's rent roll is trailing the market by more than 10%, it will be difficult to maximize its appraised value in the event of a sale or refinance, thus bringing the market value of the property down.

SUPPLY AND DEMAND

While the legislature is currently working on ways to increase the supply of housing, historical data shows that rent control slows development, creating a greater shortage. If this holds true for Oregon, we will see a decline in the number

of multifamily units being developed and a further increase in demand. For investors, this is good news in regards to the value of their multifamily holdings because it limits competition from new properties that are coming online.

An artificially low inventory will drive rents higher and thus continue to push the value of multifamily properties to greater heights. As long as the demand from renters remains, multifamily property will appreciate as a result of higher yields - albeit at the cost of Oregon families, many of whom are already struggling to make ends meet.

THE MARKET

Supply and demand will drive the market to value property based on scarcity. In the second quarter of 2019, Oregon saw a 38% decline in multifamily transactions and out-of-state investment dropped to nearly zero. Much of this could be due to the pipeline shadow of 2019's first quarter, which had many investors scared to make a move, not knowing what the new rentcontrol laws might look like. This may be a boon for local buyers because it will reduce acquisition competition, but the value of multifamily property could decline due to a decrease in overall buyer demand.

Now that the dust has settled, investors are coming back to the market. Some owners have decided to sell because they no longer wish to deal with the tightening landlord-tenant laws; other owners have decided it is a good time to reposition their portfolios and are now more aggressively pursuing 1031 tax-deferred exchanges. Listings are going live at a pace we have not seen for some time, which creates a different form of competition and can place downward pressure on prices. With more sellers and less buyers, we are beginning to see equilibrium in the marketplace, and while property values will continue to improve over time due to supply and demand, the days of explosive growth are probably over for now.

Gabe Johansen is the Willamette Valley's #1 apartment broker and the principal broker and owner of SMI Commercial Real Estate, LLC.

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Tempe, AZ 85282

Surging Demand for Apartments in Q2 2019

Continued from Page 1

percent in a long list of markets: Atlanta, Sacramento, Austin, Raleigh-Durham, Riverside-San Bernardino, Providence, Greensboro/Winston-Salem, Salt Lake City, Charlotte and Memphis.

Houston's performance is the weakest among big metros, with rents in the second quarter up just 0.1 percent from the pricing seen a year earlier. Slight rent cuts are occurring in a few small markets: Des Moines, Iowa; Fargo, N.D.; College Station, Texas; Baton Rouge, La.; and Santa Rosa, Calif.

Building in the U.S. apartment sector remains at three-decade highs. Market-rate apartment properties under construction contain more than 418,000 units that will be finished during roughly the next 18 months. Dallas-Fort Worth remains the country's leader in apartment construction activity. More than 34,000 apartments are on the way in North Texas, compared to about 20,000 units in Washington, D.C., the second-busiest metro for building. Near-term deliveries will run around 18,000 units in Los Angeles and Houston.

While the apartment sector's performance has been terrific of late, the amount of product under construction does point to some near-term risk.

"Most economists are anticipating a slowdown in economic growth, cooling support for housing demand," Willett said in the release.

"It would be tough to maintain price growth with so many new properties

ial Rent Growth Lea	aders as of 2Q 2019	
Growth	Small Metros	Growth
8.8%	Wilmington, NC	7.4%
8.1%	Tucson, AZ	7.1%
4.7%	Huntsville, AL	6.4%
4.7%	Santa Maria, CA	6.2%
4.6%	Pensacola, FL	6.0%
4.6%	Gainesville, FL	5.9%
4.5%	Boise, ID	5.8%
4.4%	Manchester-Nashua, NH	5.7%
4.3%	Stockton, CA	5.6%
4.1%	Reno, NV	5.3%
4.0%	Bakersfield, CA	5.1%
3.9%	Deltona-Daytona Beach, FL	5.1%
	Growth 8.8% 8.1% 4.7% 4.6% 4.6% 4.5% 4.4% 4.3% 4.1% 4.0%	8.8% Wilmington, NC 8.1% Tucson, AZ 4.7% Huntsville, AL 4.7% Santa Maria, CA 4.6% Pensacola, FL 4.6% Gainesville, FL 4.5% Boise, ID 4.4% Manchester-Nashua, NH 4.3% Stockton, CA 4.1% Reno, NV 4.0% Bakersfield, CA

Metro	Quarterly Demand	Quarterly Completions	
Dallas-Fort Worth, TX	10,443 units	6,441 units	
Chicago, IL	7,418 units	2,617 units	
Houston, TX	6,969 units	2,373 units	
New York, NY	6,759 units	2,768 units 2,787 units 2,300 units	
Washington, DC	6,008 units		
Seattle, WA	4,419 units		
Atlanta, GA	4,278 units	2,729 units	
Denver, CO	4,221 units	2,577 units	
Phoenix, AZ	4,171 units	2,691 units	
Charlotte, NC	3,724 units	2,357 units	

moving through initial lease-up at a time when demand has weakened."

RealPage is a leading global provider of software and data analytics to the

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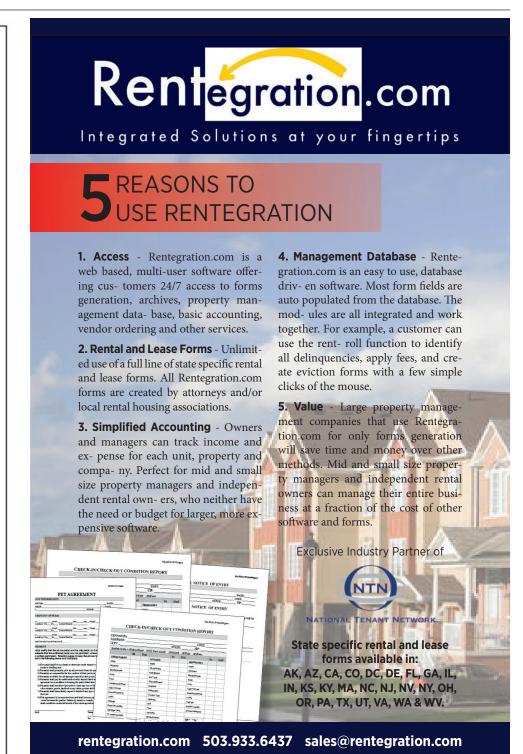
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5 Perfect Bathroom Upgrades for Rentals

KEEPE

This month, Keepe offers a look at five perfect bathroom upgrades for your rentals.

1. Install a shower door

Instead of a shower curtain, a shower door can immediately upgrade any bathroom. Shower doors can make your bathroom seem more modern and up-to-date. When it comes to durability, shower doors are a must. They last longer because of stain resistance, ease of cleaning, and prevention of bacteria growth.

2. Install tile around the tub

Tiling around the walls of a tub can help with water- and stain-resistance. It can also add a pop of color to any bathroom to make the room seem more cohesive and fresh. There are many different types of tile to choose from, the most popular being porcelain due to its water resistance.

3. INSTALL BATHROOM VENT FAN

Steam from your showers can cause stuffy bathrooms and, eventually, unwanted mold on the walls. To eliminate this, try adding a vent fan to the ceiling of the bathroom. The vent will help with the excess moisture in the room and give it a more upgraded look.

4. ADD EXTRA STORAGE

Any bathroom can use extra storage space. Cabinets, drawers and shelves are handy for all kinds of storage and can add value to your bathroom. Depending on what materials you choose, you can add highlights of color to keep the



look cohesive and current. These days, medicine cabinets with mirrored sliding doors are a good-to-go storage solution for any bathroom.

5. IMPROVE THE LIGHTING

The quality of lighting in a bathroom can turn a good bathroom into a great one. Vanity lighting around the mirror is a great option; it helps illuminate faces for grooming. A common mistake is to put lights on the ceiling above the mirror, which can cause unwanted shadows on the face. In addition to vanity lighting, a central fixed ceiling light can be used as a substitute for natural light. When it comes to choosing bulbs, a daylight bulb is best for making the room seem more open and natural.





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