

Change of Seasons, Possible Changes to Housing Regulations On the Way
Page 4

Can Landlord Evict Tenants Who Constantly Fight?
Page 6

Applicant Credit Risk Declines
Page 8



VALLEY

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Mystery Maintenance Call Why Is Smoke Detector Alarm Going Off?

KEEPE

This mystery maintenance call and job call came from Portland. The property manager called maintenance to say the tenant was reporting their fire alarms going off randomly even though there was no smoke or fire.

You might assume the battery in the smoke detector was bad, right? Not so.

After the Keepe handyman came onsite to check out the problem, he realized that the smoke detector had been replaced recently.

When he removed the unit to look further, he saw that it was full of ants!

The ants had been overwhelming the smoke detector, making it malfunction.

The handyman replaced the smoke detector and added Hot Shot to kill the ants and prevent them from coming back. Now, the smoke detector works properly.

Keepe is an on-demand maintenance solution for property managers and independent landlords and provides our weekly mystery maintenance call.

Eugene, Salem Rents Rise Sharply, Corvallis Up Moderately

APARTMENT LIST

Eugene rents have increased 0.8% over the past month, and are up slightly by 1.6% in comparison to the same time last year, according to the monthly report from Apartment List.

Currently, median rents in Eugene stand at \$828 for a one-bedroom apartment and \$1,102 for a two-bedroom. Eugene's year-over-year rent growth leads the state average of 0.9%, but is in line with the national average of 1.6%.

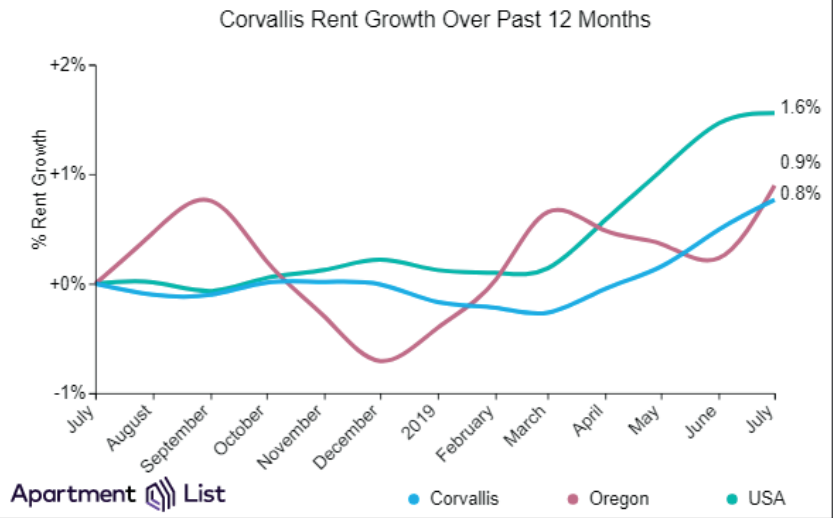
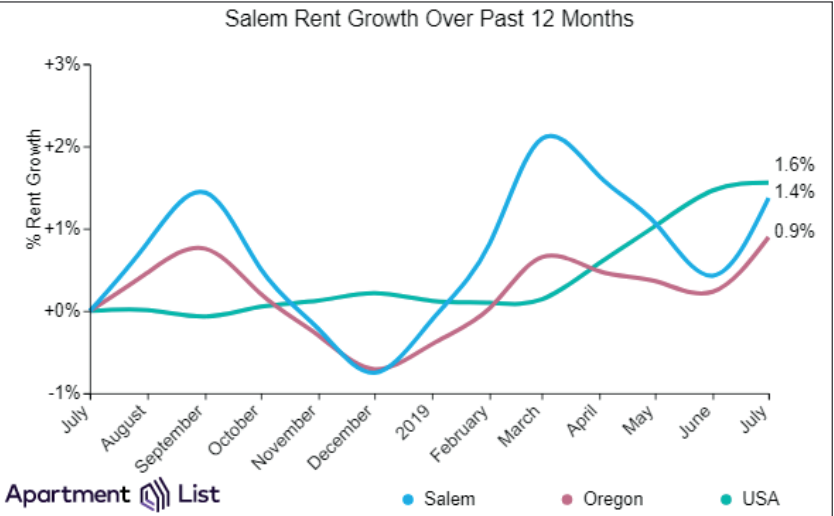
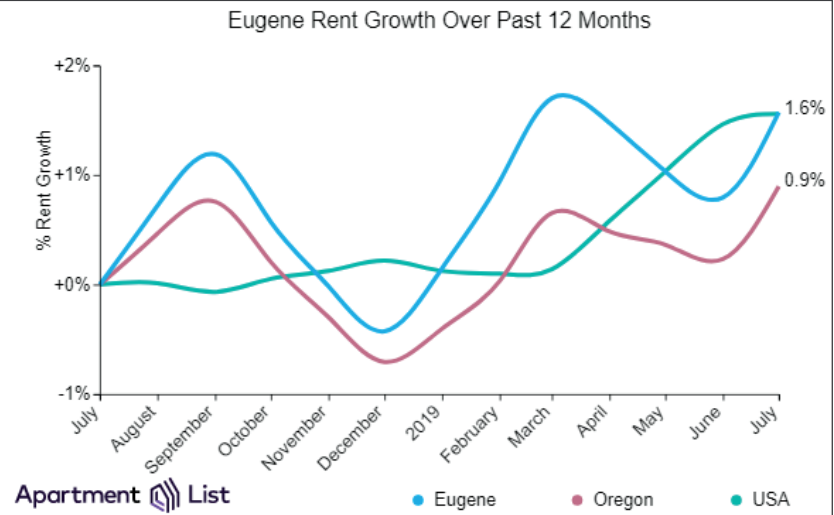
Salem rents have increased 0.9% over the past month, and are up slightly by 1.4% in comparison to the same time last year.

Currently, median rents in Salem stand at \$832 for a one-bedroom apartment and \$1,093 for a two-bedroom. Salem's year-over-year rent growth leads the state average of 0.9%, but trails the national average of 1.6%.

Corvallis rents have increased 0.3% over the past month, and are up marginally by 0.8% in comparison to the same time last year.

Currently, median rents in Corvallis stand at \$824 for a one-bedroom apartment and \$1,034 for a two-bedroom. This is the fourth straight month that the city has seen rent increases after a decline in March.

Corvallis' year-over-year rent growth lags the state average of 0.9%, as well as the national average of 1.6%.



Spectrum to be Under the Big Top

MULTIFAMILY NW

The 2019 Spectrum Educational Conference & Trade Show roars to life on Thursday, Sept. 19, 2019, at the Oregon Convention Center.

In addition to 27 breakout education sessions occurring throughout the day and a sold-out, solution-filled exhibitor

floor, we're thrilled to welcome national speaker Dan Thurmon to supply an action-packed keynote address and follow-up sessions, too.

Spectrum is the largest rental housing industry event in the Pacific Northwest. For nearly 20 years, housing providers have relied on Spectrum to offer its full

day of educational opportunities that cover all the hot topics — from new regulations to operational best practices to critical benchmarks of fair housing and landlord/tenant law.

The 2019 exhibitor trade show floor welcomes Spectrum attendees with

See '2019' on Page 7

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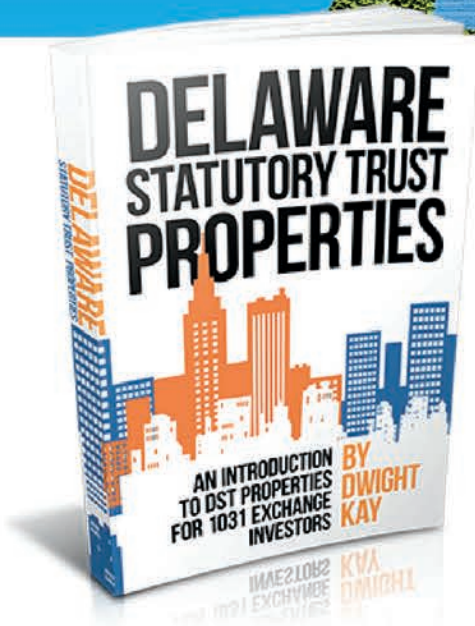
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Triple Net Properties and Delaware Statutory Trusts

By **SEBASTIAN MOYA**
ASSOCIATE - KAY PROPERTIES AND INVESTMENTS, LLC

The Great Recession probably resulted in a seismic shift in many real estate investors' risk profiles. In 2007, the primary investment strategy was aimed at residential properties with large amounts of market speculation. These properties were largely financed with debt and when the market collapsed ... well, we all know the story.

In 2019, we are experiencing a 1) very peaky market with 2) compressed cap rates on residential properties 3) throughout secondary markets that are assigned values relative to 4) large growth in that market. This all sounds a little too familiar.

There is no need to be Chicken Little in this market, as the imminent correction (and it IS imminent) will probably not strike investors as starkly as it did in 2008. Multifamily and single-family homes can be worthwhile investments with the right placement of capital. However, there are lessons to be learned about other investment strategies that were pervasive in the years following the recent economic downturn.

Many investors who held onto their real estate or invested in the price-trough from 2008 until now are considering what to do with their properties, giveth the price peak we are currently experiencing. It is an excellent time to sell, but with cap rate compression across the board it is a difficult time to find the right placement of capital. Investors who are looking for lucrative IRRs may go toward the residential route, which is fair but potentially risky. Other investors who want to weather the ensuing market slowdown have looked toward a less speculative route. Triple Net properties have skyrocketed in the last 10 years as a result of this investor desire

TRIPLE NET LEASED PROPERTY

A piece of property that is usually being leased by a single tenant (i.e., single-tenant net-leased or STNL). The building on that property is typically built to their needs and business model. The tenant typically has contractual obligations in their lease to make monthly rent payments to the property owner over the life of the lease. Higher quality tenants would usually be of a high credit grade, large in scale, and/or are financially robust in a way that will assure they pay their rent consistently.

WHY WOULD A COMPANY DO THIS?

In an effort for companies to reduce the amount of liabilities on their balance sheet, they choose not to purchase the real estate on which they conduct business. Instead, the companies decide to rent it from real investors who own said properties.

WHAT DOES TRIPLE NET MEAN?

"Net" helps describes the responsibilities attributed to either the tenant or the landlord. A "Single Net" lease hands over more costs and responsibilities to the landlord in exchange for higher rent. The rent may be higher in a Single Net, but the costs vary much more and affect cash flow.

"Triple Net" is a type of lease structure wherein little to no responsibilities are given to the landlord and the variable costs of the property (taxes, insurance, maintenance, etc.) are handled by the tenant. Triple Net properties have emerged as a pervasive investment strategy over the last decade for many reasons.

CONSISTENT CASH FLOW

The lease structure described for NNN properties should allow for dependable cash flow that passes through to investors on a monthly basis. These cash distributions are effective income, and yours to keep. There are little to no costs that bite into your bottom line. This is ideal for the retirement or passive income profile investor.

LEASE GUARANTEES

More often than not, the tenant will guarantee payment of rent throughout an established period of time. A typical rent period exists between seven and 15 years. In shorter leases, tenants will incentivize investors with "rent bumps" that could increase their net operating income by 1%-2% each year. If a tenant vacates the building, or "goes dark," they would be liable to pay the remaining term. The tenants have varying degrees of credit quality as ranked by the large ratings agencies or backed by large franchisees. This is not a total

guarantee, however. Any business can go bankrupt or fail to meet its obligations for any number of reasons. It is important to understand your tenants' profile and backing before entering into a contract with them. Triple Net Properties provide the opportunity to invest money into real estate and benefit from potential appreciation on property, while playing it relatively safe with a consistent cash flow from their asset. But at the end of the day, this is still real estate we are talking about. There are many risks and obstacles that investors should be wary about.

INFLATION RISK

Triple Net buildings can act as a sort of "one-trick pony." You know what you are getting for how long and how much, but your property could end up being stagnant in cash flow or relative value. The longer the lease that is negotiated with a tenant, the less they are willing to pay. This means the likelihood of "rent bumps" goes down or does not exist. You are effectively trading a longer "guaranteed" income for less cash to your bottom line. If inflation increases on average 1% a year, then without significant cash flow escalations you may be losing money on your cash investment. This is why it is important to analyze a lease structure when you are looking for a tenant and negotiate rents and lease terms appropriately.

TENANT RISK

Although a tenant may be guaranteed on the lease, there is always the possibility that they default on their payments or go dark. If they default on their payments this is really the worst-case scenario. Your cash flow stops completely, and the value of your building potentially decreases immensely. With Triple Net leases, the value is inherently tied to the tenant filling the property and paying rent. The cash flow is what would entice potential investors to buy the property from you. Even if the building goes dark and cash flows are rolling in, there is no exit strategy when the lease terminates. Again, the building's value is inherently tied to the tenant that provides cash flow to it.

RE-TENANT RISK

The leases on these properties are structured for extensions, or "options." This means tenants can exercise a clause in the lease that would add more time to their rental period. However, this usually involves a lot of negotiation with a large company that has many units across the country. Since your property value is tied to the tenant, and the tenant knows this all too well, they will try to strong-arm you into paying tenant improvements or adjusting the lease to their benefit. If you don't play ball, there is a chance they will relocate or simply vacate upon termination of the lease. In reality, a lot of these large companies don't care to negotiate at all and may move before the lease is up. Then it is potentially the job of the investor to commit capital toward finding a new tenant through brokerage, advertising, attorney fees when negotiating the lease, and other costs.

OPERATIONS

Although this property is a relatively cost-free venture, you are still in charge of managing the property. If there is a power outage, you are in charge of finding a solution. If it hails, you may have to repair the roof. The tenant might reimburse you for the costs, but ultimately it is the investor's obligation to take care of the building. Those looking for a completely hands-off investment may be turned off by this.

INVESTMENT RISK

The ultimate risk in investing in Triple Net properties is that you are investing in a venture that costs hundreds of thousands of dollars, if not millions, into one investment. As any person who has remote financial knowledge will tell you, diversification is key when investing. Putting all your eggs in one basket is scary. It is a large risk in any real estate venture, but with Triple Net properties it is nonetheless a substantial factor to recognize.

So, there are many ways to look at Triple Net properties. The benefits are unique to most real estate assets. The risks are also diverse and require astute attention when considering them as an investment opportunity. It seems that the risks can outweigh the benefits in many ways. How would someone who is looking to exercise passive investments mitigate the risks mentioned above. Let's talk about Delaware Statutory Trusts. The tools that a Delaware Statutory Trust can give you to smooth out some of the obstacles you would encounter when investing in triple net properties while emphasizing

the positive points.

DELAWARE STATUTORY TRUST (DST)

DSTs are a financial structure that allows for investors who are looking to invest in real estate to diversify their opportunities into different properties. It is a shared ownership structure wherein an investor puts in a piece of capital for a property instead of the entire backing. DSTs are passive investments, which means that all management responsibilities are removed from investors and income is passed through. This is meant to be a refresher on DSTs and if you are interested in learning more we recommend you visit our website, www.kpi1031.com, or speak to one of our representatives.

In a DST structure, your eggs are not all in one basket. Chunks of capital can be distributed to different assets. Amongst the types of properties that can utilized in this structure are Triple Net properties. There are several advantages to investing in Triple Nets through DSTs that help absorb some of the risks you may encounter when investing in one on your own.

An important concept to understand when it comes to DSTs are their sponsor companies. Sponsor companies are the entities that underwrite, acquire, and manage properties for investors. These large entities manage billions of dollars in real estate and have years of experience under their belt that help investors make educated DST investments. They are a huge advantage when it comes to investing.

NEGOTIATION

One of the primary ways to mitigate risks when investing in Triple Net properties is the way in which the lease between the tenant and the investor is negotiated. In a situation wherein an investor is investing in a property on their own or perhaps in a small group of investors (such as an LLC or LP), negotiating a lease will be difficult. Large tenants that are creditworthy and therefore increase the value of a potential property also have more negotiating leverage. These large companies negotiate leases all the time in ways that may affect rent bumps, which means an investor could be exposed to inflation risks. The tenant improvements they require in order to stay, or their capacity to leave overnight, are also pieces of a lease that can be negotiated and need to be considered. DST properties are managed and negotiated by sponsor companies that have years of experience and immense deal flow that allows them to get more at the negotiating table than the average investor could.

OPERATIONS

In a DST structure, investors will experience a more realized passive investment. Instead of worrying about management of the property or fretting about tenant demands, sponsor companies take care of all operations and management concerns. Investors are given monthly or quarterly updates about any changes to the properties, but there are no hands-on requirements asked of anyone participating in a DST.

DIVERSIFICATION

Of the benefits offered by DSTs, arguably the most helpful is the diversification that they can provide. When you are investing into DSTs, it is possible to split a chunk of capital into pieces and distribute said capital amongst several properties. For example, you can invest \$100,000 in a FedEx property in Seattle, and \$300,000 in a Triple Net Walgreens in Phoenix. The point is that you are not placing all of your capital into one place. If your property in Seattle "goes dark," for some reason, you are not at a total loss because you still have your investment in Phoenix. Hedging your investment and receiving a blended return on those investments protects you from more risks. This is especially useful in Triple Net properties where tenants can be finicky. Protecting yourself from risk is something rarely afforded in the world of real estate.

Through DSTs, the benefits of Triple Net properties are realized while spreading the risks through negotiation, operation, and diversification advantages. At the end of the day, we are talking about real estate. Any property can have a bad run or sail smoothly throughout an ownership period. Anyone interested in DSTS should consult their CPA or attorney about their specific situation. DSTs are not for everyone, but they can provide an alternative way to invest in Triple Net properties if that is your interest.

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 Properties 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

Change of Seasons, Possible Changes to Housing Regulations on the Way

I love this time of year here in the Pacific Northwest. The sun is shining, it isn’t too hot, and it isn’t humid. Fresh-from-the-garden fruits and vegetables are ubiquitous. It is easy to get a full day’s work in by 3 p.m. and still have plenty of daylight to spend some leisure time outdoors in the evenings with friends and family.

We know these days won’t last forever; enjoy them while you can. If you are a landlord with rental properties in the City of Portland, I would offer the same advice with respect to how you plan your business.

The past year has been marked by a series of legislative and regulatory changes that have made the business of being a housing provider much more challenging than before.

In June, the Portland City Council passed new ordinances regulating Security Deposits and how Screening Criteria may be applied when offering a property for rent. The administrative rules are still being worked out, but this ordinance will go into effect on March 1, 2020. You can be sure that RHA will be offering classes to Portland landlords so that they may adapt their business practices to comply with the new regulations.

You should also know that the rental registration system put in place by the City of Portland last year is now being reviewed in order to add an annual fee. The City Council held its first reading and heard testimony on July 31.

Despite protestations from landlords, it is highly probable that you will need to collect an additional \$5 per month from your tenants in order to pay this new annual registration fee of \$60 per unit, due April 15 each year along with your annual business tax forms. Keep this in mind as your next round of rent increases comes up on the calendar.

How about the Portland Mandatory Relocation Assistance Ordinance? It is unlikely to become less onerous any time soon.

The Portland Housing Bureau (PHB) recently published “Proposed Permanent Administrative Rules for the Mandatory Relocation Assistance Exemption Eligibility and Approval Process” that codifies the rules for exemptions from the ordinance.

Suffice it to say that exemptions will be rarely allowed. Combined with the State of Oregon’s restrictions on

lease terminations without cause, even if a landlord has a legitimate reason for terminating a lease without cause, it is going to cost more.

By the way, PHB is accepting public testimony regarding the proposed permanent rules up until Aug. 31, 2019 – they may be sent by FAX, mail, e-mail, or given in person at a public hearing to be held Aug. 8, 2019, from 6 to 8 p.m. at IRCO on NE Glisan. See the PHB website or contact RHA Oregon if you need additional information.

To end on a cheerier note, Portland is still a fantastic place to live. The quality of life here, on average, is pretty good. I have lived in San Francisco, Los Angeles, Atlanta, and Nashville. I have also spent time in cities around the world, including New York, Paris, Tokyo, Singapore, Shanghai, and Mumbai. I can honestly say that there is no place I’d rather be right now than Portland during these pleasant summer days. Enjoy them while you can – winter is coming.

Ken Schriver
RHA Oregon President

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FORM OF THE MONTH
M045 - Abandoned Property Release

**MULTIFAMILY NW**
The Association Promoting Quality Rental Housing

OREGON
ABANDONED PROPERTY RELEASE



DATE _____ PROPERTY NAME / NUMBER _____

RESIDENT NAME(S) _____

UNIT NUMBER _____ STREET ADDRESS _____

CITY _____ STATE _____ ZIP _____

I/we agree that all personal property left at the Premises upon termination of the tenancy is or shall be considered abandoned and that Owner/Agent may immediately sell and/or dispose of the personal property in any manner chosen by Owner/Agent without giving notice or holding the personal property. Owner/Agent need not comply with the provisions of ORS 90.425.

Resident will be responsible for all costs incurred by Owner/Agent to store and/or dispose of the personal property.

This release has been executed by all Residents. If the abandonment is as the result of the death of a Resident who was the only Resident, this release has been signed by the personal representative, designated person or other person entitled to possession of the personal property such as an heir or devisee.

Facsimile, scanned and e-mailed or electronic signatures will be treated as original signatures.

This release has been executed after termination of the tenancy or no more than seven (7) days prior to the termination of the tenancy.

X _____ DATE _____

X _____ DATE _____

X _____ DATE _____

X _____ DATE _____

X _____ DATE _____

X _____ DATE _____

X _____ DATE _____

☐ ON SITE ☐ RESIDENT ☐ MAIN OFFICE (IF REQUIRED)

This forms allows both the landlord and tenant to mutually agree that any items left behind may be disposed of without the customary notice periods outlined in ORS 90.425. This release can only be executed after a tenancy has ended, or no more than seven days prior to the termination of the tenancy.

The Multifamily NW Forms Collection is available immediately and electronically at www.RentalFormsCenter.com, via electronic subscription software through www.tenanttech.com & by mail or pick-up of printed tripli-cate forms at www.multifamilynw.org.



STAY INFORMED

With rental housing regulations changing all the time, it can be difficult to know when your business practice might violate a new law. Multifamily NW is here to help!

We offer the most comprehensive industry training in Oregon and offer only the most up-to-date forms. We’re also your steadfast representative, advocating for fairness in state and local government.

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Want to make a difference at the State Capitol? Support the Multifamily NW Defense Fund that funds our Advocacy efforts.

Multifamily NW Schedule

AUGUST 12	LANDLORD/TENANT PART II	1:00 PM - 5:00 PM
AUGUST 13	HCEP CLASS: OREGON HOUSING LAW IN 2019 (PENDLETON)	9:00 AM - 1:00 PM
	HOW TO GET THE MOST OUT OF TENANTTECH	1:00 PM - 3:00 PM
AUGUST 14	HR ISSUES: REVIEWING COMPANY HANDBOOK	12:00 PM - 1:00 PM
AUGUST 15	BUILDING RELATIONSHIPS & RESIDENT RETENTION	12:00 PM - 1:00 PM
	MARKETING AND LEASING - SALEM	12:00 PM - 3:00 PM
AUGUST 20	CAM: FINANCIAL MANAGEMENT & INDUSTRY ESSENTIALS	8:00 AM - 5:00 PM
AUGUST 21	FAIR HOUSING 101	9:00 AM - 12:00 PM
	HOW TO OVERCOME YOUR RELUCTANCE TO INVEST IN REAL ESTATE	1:00 PM - 2:30 PM
AUGUST 22	CAM: PROPERTY MAINTENANCE	9:00 AM - 3:00 PM
	SWV CHARITY GOLF TOURNAMENT	1:00 PM - 6:00 PM
AUGUST 27	HCEP CLASS: OREGON HOUSING LAW IN 2019 (PORTLAND)	9:00 AM - 1:00 PM
	CAM: RESIDENT EXPERIENCE	10:00 AM - 12:30 PM
AUGUST 28	LEASING WITH CONFIDENCE	8:30 AM - 4:30 PM
AUGUST 29	ADVANCED LANDLORD TENANT LAW	10:00 AM - 1:00 PM
	SENATE BILL SB 608 UPDATE - MEDFORD	1:00 PM - 4:00 PM

Dear Landlord Hank: Fighting Tenants, Repainting Requests & Rental Inspections



Dear Landlord Hank,

I have a tenant couple that fight on a regular basis and call the police. I do not want the police in my park. I feel it makes for a bad reputation. Can I evict them? And how?

Thanks in advance. Debbie

Hi Landlady Debbie,

I'm not an attorney so I can't give legal advice. I would look at your lease.

In my lease, in the section "USE OF PREMISES," it reads: "Tenant shall maintain the premises in a clean and sanitary condition and not disturb surrounding residents or the peaceful and quiet enjoyment of the premises or surrounding premises."

I would warn these tenants in writing that this kind of behavior will not be tolerated and is in violation of the lease. Then, I would talk to an attorney for advice. This kind of conduct in your establishment will definitely lead to a bad reputation and it may attract exactly the kind of tenants you don't want.

Good luck, Debbie.

* * *

Dear Landlord Hank,

A new tenant has moved into one of my units and has asked if he could repaint. I just paid to have the unit painted white so it would go with everything. What do you think?

Sincerely, Mike

Dear Landlord Mike,

I would tell the tenant that he cannot make any changes to the paint. In the past, tenants have sworn they would repaint to original color and it has never happened. The tenants often paint some color that is



difficult to cover — very bright or very dark — so when they move out it will cost you two times as much to repaint for next family.

I like to give tenants a nicely painted, neutral color, normally bright white to make the units feel even larger. But, occasionally someone asks if they can repaint. Now the answer is 'NO.' If you don't like the color, I'm sorry but repainting is not an option.

In my experience, either tenants don't repaint, as promised, or they do a poor job and get paint on carpet, or use the wrong color, etc., therefore costing even more money to fix and repair.

I even had a tenant that worked as a painter (not for me on my rentals), but promised he'd repaint. That promise went out the window when his divorce occurred and he couldn't find the time. I have over 20 years of learning from my mistakes. I've had prospects say they will take an unpainted unit after viewing the unit prior to the current tenant leaving. I thought that I couldn't really lose, since I would not be supplying the paint or labor.

Wrong.

These tenants added accent walls in bold colors and designs which made

repainting far more work when they moved out.

* * *

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.

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.

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 right away for next tenant and want to make sure all is right with the unit. Then when tenant leaves we do walk-through inspection for any damages.

About Landlord Hank: "I started in real estate as a child watching my father take care of our family rentals- maintenance, tenant relations, etc , in small town Ohio. As I grew, I was occasionally Dad's assistant. In the mid-90s I decided to get into the rental business on my own, as a sideline. In 2001, I retired from my profession and only managed my own investments, for the next 10 years. Six years ago, my sister, working as a rental agent/property manager in Sarasota, Florida convinced me to try the Florida lifestyle. I gave it a try and never looked back. A few years ago, we started our own real estate brokerage. We focus on property management and leasing. I continue to manage my real estate portfolio here in Florida and Atlanta." Visit Hank's website at <https://rentsrq.com>.

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Keynote Speaker
Dan Thurmon

2019 Spectrum Show to be Under the Big Top - Sept. 19, 2019

Continued from Page 1

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Keynote Speaker Dan Thurmon is a man of many talents who will present his business and personal mantra to be "off balance on purpose" to motivate attendees to reach for their goals. Dan uses every bit of his passion and ability to educate and inspire his audiences. Hey, Spectrum attendees: our keynote speaker is asking, "Is the future going to shape you, or will you shape the future?"

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Rental Applicant Credit Risk Declines Again

Trend Could Suggest Rental Market will see Uptick in Profitable Lease Activity

RENTAL HOUSING JOURNAL

The rental applicant credit risk has declined for the fifth straight year which “indicates a decline in tenant risk, which could suggest the rental market will see an uptick in profitable lease activity,” according to a new report from CoreLogic.

The 2019 Rental Applicant Risk (RAR) Report found the credit quality of prospective property renters in the U.S. improved over the past five years across the Northeast, West, South and Midwest regions.

The annual report provides a benchmark of national and regional applicant traffic credit quality scores and indicates the relative risk of an applicant pool fulfilling lease obligations.

“It’s encouraging to see an increase in qualified rental applicants over the previous five years, which could indicate continued improvement of economic health,” Dr. Ralph McLaughlin, deputy chief economist for CoreLogic, said in a release about the report.

“Rents have since rebounded from the Great Recession and are now growing at the same pace as house prices.

“However, it’s important to note that these rising rents might be causing Middle Rent applicants to apply for Low Rent properties, which can indicate that a subset of the population now is becoming priced out of the traditional rental market,” McLaughlin said in the release.

Regional RAR Index, 2014-2018

REGION	2014	2015	2016	2017	2018
Northeast	86	87	87	85	85
West	85	80	77	73	73
South	94	91	89	87	86
Midwest	95	93	90	89	89

Source: CoreLogic, 2019.

KEY POINTS FROM THE RENTAL APPLICANT CREDIT RISK REPORT

- From 2017 to 2018, the national rental application risk index declined two points to 83.
 - The report finds that credit quality of prospective renters in the Northeast, South, West and Midwest regions has improved over the past five years.
 - Renter income for low rent properties rose 4.7%, but remained flat for middle and high rent properties from 2017 to 2018.
 - The average rent price for low rent properties remained flat from 2017 to 2018 at \$675, whereas it increased 0.7% for middle rent properties at \$899 and 0.26% for high rent properties at \$1,524.
- The report says rent-to-income levels decreased for renters of the least expensive



rentals, indicating more available capital for those applicants. Incomes rose 4.7% for applicants of Low Rent properties (under \$750 per month), while income of applicants of Middle Rent properties (between \$750 to \$1,100 per month) and High Rent properties (over \$1,100 per month) remained flat from 2017 to 2018.

THE WEST HAS A LOWER RENTAL APPLICANT CREDIT RISK

Regionally, the West is below average in rental applicant risk, while the Northeast, South and Midwest are above average compared to the U.S. index value of 83.

The West had the lowest index value at 73, indicating a higher potential for positive lease performance in the region. The Northeast is the second least risky region, with a value of 85. The South and Midwest regions show higher index scores and thus illustrate lower credit quality among prospective renters.

Methodology:

The Index is calculated exclusively from applicant-traffic credit quality scores from the CoreLogic SafeRent® statistical lease scoring model, Registry ScorePLUS®. Registry ScorePLUS® is the multifamily industry’s only screening model that is both empirically derived and statistically validated.

CoreLogic RAR Index Methodology
The CoreLogic® Renter Applicant Risk (RAR) Report is published annually by CoreLogic. The RAR Index is calculated exclusively from applicant-traffic credit quality scores from the CoreLogic SafeRent® statistical lease scoring model, Registry ScorePLUS®, and is based on an analysis of 31,000 properties representing apartment homes and single-family rentals.

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