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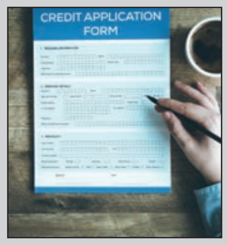
AUGUST 2019

**Can Landlord Evict Tenants Who Constantly Fight?**
*Page 6*

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RHJ RENTAL HOUSING JOURNAL
INSIGHT FOR RENTAL HOUSING PROFESSIONALS

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# Landlords Say $60-Per-Unit Fee is 'Nothing but a Tax on Renters'

Rental Housing Journal

Portland City Council members heard testimony at their July 31, 2019 meeting from landlords opposed to the proposed $60-per-unit fee who said it is nothing but a "tax on renters" and "one more thing being dumped on the backs of landlords."

The city has proposed the fee to fund the Rental Services Office. This was the first reading of the proposal.

Two landlords, Marc and Kathy Rogers, spoke against the proposed fee, saying they own an apartment building at 19th and Hawthorn and provide an affordable housing alternative in that area.

Marc Rogers shared information about an email exchange with another landlord whom he wanted to keep anonymous. The landlord wrote, "I would likely email all my tenants and let them know that due to policies of city council, their rents would be going up by $25 a month."

*Opponents say $60-per-unit fee proposed by the Portland City Council is just "one more thing being dumped on the backs of landlords."*

## Demonizing landlords

"It's a very polarizing subject and I think it's easy to look at landlords and demonize them as not caring, and interested only in the bottom line," Rogers said. Then, in response to a council question, he said, "I think that maybe the use of demonization was not the correct word to use. I think that the policies of council over the last couple of years have been very negative towards landlords."

Commissioner Chloe Eudaly spoke up to say, "It's not my intention to demonize landlords. Some of my best friends are landlords." She also questioned why a landlord would raise rent $25 a month to

*See 'Landlords' on Page 8*

# Need Help With Clogs in Drains?

Keepe

Recently, Keepe has been getting many jobs for clogged drains; these situations are never ideal for anyone. To help you when you encounter such issues, here are some tips from our maintenance crew.

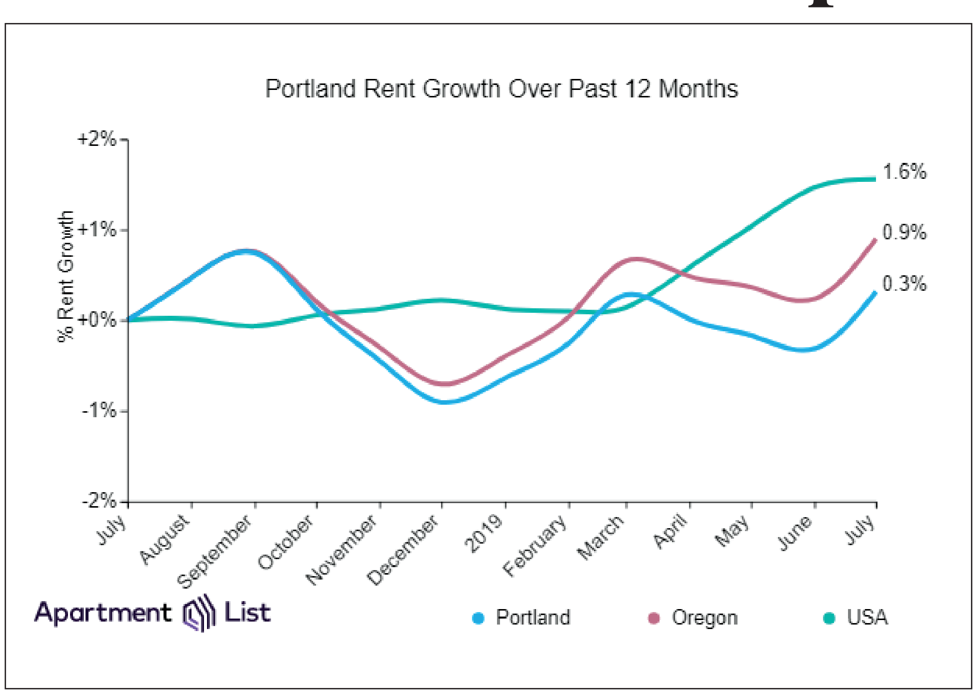
Consider this scenario: Your tenants are trying to take a shower and the water keeps coming up on their feet (or even higher).

If you are dealing with a lot of standing water, the drain is probably clogged and fixing tenant drain clogs is something you should address as soon as possible.

Standing water for long periods of time can lead to more problems for you. Depending on the severity of your drain's clog, you might be dealing with standing water sitting in your tub for

*See 'Clogged' on Page 18*

# Portland Rents Keep Inching Up




Apartment List

Portland rents have increased 0.6% over the past month after two months of declines, but have been relatively flat at 0.3% in comparison to the same time last year, according to the July report from Apartment List.

Currently, median rents in Portland stand at $1,131 for a one-bedroom apartment and $1,334 for a two-bedroom. Portland's year-over-year rent growth lags the state average of 0.9%, as well as the national average of 1.6%.

## Rents rising across cities in the Portland Metro

Throughout the past year, rents have

*See 'Rents' on Page 12*

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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, giveb 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.

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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. (See story on Page 1.)

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 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**

# Affordable Apartments Skip the Amenities

By Adam Artunian and Pete Reeb
John Burns Consulting


New apartment communities must have amenities, right? Not necessarily. Our consumer research shows that the most valued amenity is frequently "low rent." A recent survey by the NHMC showed that the two top community amenities nationwide are:

- Reliable cell reception (78%)
- Secure resident parking (71%)

Only 60% desired a swimming pool, and 55% wanted a fitness center.

As rental rates continue to rise nationwide, rental affordability has become a big concern and the need for affordable rental options has never been greater.

Our Burns Intrinsic Apartment Rent Index, which measures apartment rent valuation based on the long-term median ratio of rents to incomes, suggests that about half of the major markets in the country are overvalued by more than 5% and many by 10%+. San Francisco East Bay Area rents are 13% higher than they should be, meaning that we think a 13% correction is needed to get back to norm. This likely will not happen until the next recession.

Developers' focus on building Class A apartments in expensive urban markets over the last decade increased the number of higher-priced apartments. At the same time, rents rising faster than inflation and investors' thirst for value-add opportunities decreased the overall supply of lower-priced apartments.

One way to provide more affordable rental options is by building smaller apartment communities without amenities or with fewer amenities. Foregoing traditional community amenities (pool, fitness center, etc.) reduces development and operating costs, allowing for more affordable rental rates. Consider the following:

- Zoning laws and high land prices often make it difficult to build housing that low- and moderate-income people can afford.
- Many renters don't want to live in a 400-unit apartment complex because they feel less safe and just like a smaller number. These people prefer small communities and are willing to have less amenities.
- Land is scarce in infill neighborhoods close to jobs, limiting the feasibility for large, highly-amenitized communities.

### Example: 54 Woodstock - Portland, OR

54 Woodstock in Portland is an example of a small apartment community with no amenities. The community is pet friendly and includes bike storage, surface parking, individual utility meters, outdoor mailboxes, and WiFi. The community has a high walk score (73) and is within a few miles of downtown Portland.

We suggest looking for locations where the amenities are nearby and free. Below are a few strategies to keep in mind:

- Walkability. Locations with easy access to parks, restaurants, shopping, and/or mass transit command high rents. Advertise your proximity to the local fitness center, park/community pool, hiking/bike trails, and dog park. If applicable, promote high walk or bike scores. Market the surrounding neighborhood as the amenity.
- Create community. Allow your tenants to create a "high-touch" community where they can come together to enjoy life. Groups that do things together are wonderful amenities, and they are free. Social connection can be a wonderful amenity.
- Nearby businesses. Build partnerships with the local fitness centers where residents get discounted monthly gym fees, yoga/cycling classes, etc.

*The rental market has changed, providing developers with great opportunities. If you have any questions, please contact Adam Artunian at (949) 870-1213 or Pete Reeb at (858) 281-7216, and we will put you in touch with the expert you need.*

# 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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# 2019 Spectrum Show to be Under the Big Top

**Keynote Speaker Dan Thurmon**

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 140+ booths from professional industry suppliers who specialize in practically every service or need that a busy property manager or rental housing owner can think of. The exhibitor floor's energy and enthusiasm are hard to ignore, and attendees' experience and practical connections made are always a favorite Spectrum memory.

Our 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?"

Mark your calendars now for Thursday, Sept. 19, 2019, and take advantage of early registration discounts for Spectrum through Aug. 23, 2019. You can register online at https://www.multifamilynw.org/spectrum-2019-attendee-information.

We'll see you under the under the Big Top for 2019 Spectrum Educational Conference & Trade Show!

# Landlords Decry Proposed $60-Per-Unit Fee

*Continued from Page 1*

cover a fee that is $60 a year.

Rogers said that any time the price of a commodity goes up, "that's typically passed on to the end user. If the price of diesel to deliver bread to Fred Meyers goes up, Fred Meyers is going to pass that along for a loaf of bread at their store. And that's just typically the way businesses work.

"I think sometimes, in my opinion, landlords aren't necessarily looked at as small businesses. We're a small business. We're really not any different than any other mechanic shop or coffee shop or restaurant. We're small-business people. In my opinion the attitude of this council in the last two years has been that we're in some way not a small business. That we're something different than that, and that we are not good people," he said.

Kathy Rogers

Eudaly responded that she was a small business owner of a bookstore for 22 years and said, "Granted, I had a bookstore and books come with a preprinted price on them. Unfortunately, rental units don't."

"I want landlords to recognize the fact that they are business owners. We hear from a lot of, especially small landlords, who feel like this is something they do on the side. It's almost more of a hobby or a supplement. And, they feel some of the regulations are forcing them to professionalize in a way they're not equipped to do. So I see you as a small business," Eudaly said. In response to Roger's friend who said he would raise rent $25 a month to cover the new fee, she said it was "hard for me to take your friends' comment seriously because that's just not reasonable."

Rogers gave some perspective to what is going on in Portland, saying "we are commercial Realtors." He said they deal in smaller properties such as duplexes and fourplexes.

## More landlords putting their rentals up for sale

Rogers said two years ago you would be lucky to find a dozen duplexes on the market in close-in zip codes.

"I checked two days ago, there were 61 duplexes on the market" in those areas, he said.

"The feedback we get consistently is that the small mom-and-pops who own the duplexes don't want to deal with the lower barrier of entry with security deposits, with amortization schedules, with rent control, and the sophistication level for them.

"They've decided to get out. So that takes inventory off the market and adds cost," Rogers said.

Eudaly responded by saying, "Well, I don't think that we can draw a direct correlation between our regulations or policies and changes in the real estate market without adequate data.

"But I will say there's a plus side to having more housing on the line. I don't disagree with you at all. And that rental services office will actually help landlords navigate these little changes. So it kind of supports this item," she said.

Kathy Rogers added to Marc's comments, saying, "This fee in and of itself may not seem like a huge deal, but I think as Mark alluded to, coming on the heels of everything else that's been thrown at landlords over the last two years, it feels a lot like the straw that's breaking the camel's back.

"And I think a lot of small landlords feel like all of the costs and fees and complexity are being dumped on the landlord and not shared by the tenant," she said

"If this is to support the rental services commission, which I've been in contact with – and as far as I can tell about 90 percent of what they do supports tenants – why are the tenants not paying the fee?" she asked.

"How about with every lease renewal? The tenant pays the $60 fee. Why is it 100 percent paid by landlords?"

"All of this has come at us in the last two years, you know, with the mandatory renting-relocation assistance, the elimination of no-cause notice evictions, rent control, new tenant-screening ordinances – which our attorney can't even figure out, and he's a real estate attorney – plus the security-deposit ordinance and the rental-registration program," she said. "And now this.

"It's very difficult to navigate and I will tell you that a lot of small landlords are afraid to rent out their properties. They're afraid of being sued. They're afraid of not following the rules. A lot of the single-family and duplexes that are being sold are now being purchased by owner-occupants. Those are rental units that are being taken off of the market," she said.

## Hurting the people you are trying to protect

"We never used to raise our rents every year," Kathy Rogers said. "We have to now; every year on the anniversary, 100 percent of the time we raise our rents to the 100 percent maximum that we're allowed to do because of the actions taken by the city council. And we never used to do that.

"So I just want you to think about (how) everything you're throwing at us may be hurting the people you're trying to protect," she said.

Marc Rogers also told the council, "I'd like to share a story and it might take more than 27 seconds. But for the last 11 years I've had somebody living in my building on 19th and Hawthorne for free.

"We pay his utilities and we provide him with a cell phone. Probably $1,000 a month, maybe $12,000 a year. We don't have a formal agreement. We don't even have a handshake, but what we have done is he looks out for my interest and I look out for his and I think that's the right thing to do.

"I think it's a Portland thing to do and I think that's what we've shown that we're willing to do and have done for the last 11 years. So that's really my closing and I would hope that you would reconsider this and maybe take more input," Rogers told the council.

## $60 a unit is 'just too high'

Jill Warren, who described herself as a mom-and-pop landlord in Portland for the past 30 years, said she owns 34 units.

Jill Warren

"So we will be paying $2,040 a year to support the program. I just think that's too high, $60 per unit," she said.

Then she added, "I appreciate the previous conversation about the demonization. I feel that some of the mandates that are being brought down by this body actually hurts our industry.

"For example, you don't want us to factor in the criminal background for a tenant, and that's very dangerous. I just screened an applicant who had 17 pages of felony convictions, including felony possession of a firearm, theft, burglary, possession of methamphetamine.

"I protect the safety of my tenants. My primary goal is their welfare and their safety. So that's why I screen. It's all about screening.

"Also the mandate to pick the first applicant that comes along: I mean, that's not a very intelligent thing to do that. That's why we screen. I run a criminal check. I do a background search. I check your credit history and your previous and current landlord referrals. So I just throw that all in a pot, and I stir it up, and that's how I determine their eligibility," Warren said.

Eudaly then responded to Warren saying, "I can't allow this forum to be used to spread misinformation about our policy. We are not requiring landlords to not consider a prior convictions. That's a choice.

"And the 'first-come, first-served' as 'first-come, first-to qualify: We're not requiring landlords to literally rent their units to the first person that applies. So those are two false statements that you made. And I just want to ask everyone else who comes up here to try to avoid spreading misinformation."

## Portland's proposed fee higher than Seattle's

Michael Havlik, deputy executive director of Multifamily NW, told the council, "My association members are dismayed with the current rendition of the proposed rental registration fee. It is yet another layer of tax on housing adding cost to a market already in crisis.

Michael Havlik

"Not only is the amount proposed excessive at $60 per unit, but offends common sense that the implementation of our registration system will cost millions of dollars each year."

Havlik said in the past he worked for several property management firms and the company Home Forward as director of asset management. "I have a passion for housing affordability and rental services and I've spent my life dedicated to it all. I have 26 years of experience in property management including conventional multifamily housing, affordable tax credit, public housing, permanent supportive housing as well as special-needs housing."

He said the members of Multifamily NW "make up 40 percent of Oregon's rental housing supply, and as such we are the leaders in property management and development within the state.

He said for a comparable 200-unit property in Seattle the fee is $575 for $2.88 cents a unit compared to $12,000 for a comparable 200-unit property in Portland.

## Ultimately a tax on renters

"In other words, the city of Portland's rate will be over 20 times the amount of Seattle. We estimate that by year 10 of this fee scheme, the city of Portland will have collected $58 million that will do nothing to create more affordable housing," Havlik said.

"It's ultimately a tax on renters. Impacting those most who have lower incomes and do not have the good fortune of living in regulated affordable housing, which receives the special carve-out with a housing-supply shortage."

The fee provides an exception for affordable housing.

"What rational jurisdiction would mete out punitive disincentives to housing providers? The city of Portland is creating inequity across all rental housing providers by imposing a fee for the sole purpose of funding multiple duplicative programs already implemented or addressed by other better equipped agencies.," Havlik continued.

If you're truly striving to provide solutions to the problem for the lack of affordable housing across the continuum of housing, then you would continue the path outlined by the legislature through house bills 2001 and 2003, which both work to create diverse, inclusive and vibrant housing opportunities throughout our city.

Additionally, the city should reassess its posture towards housing providers It has demonized over the last several years. These providers are a big piece of the solution and you should view our members as willing partners in the goal of making housing more affordable and accessible to all Portlanders."

Chris Nguyen, director of operations for Commerce Properties, said the fee "will be harmful to Portland renters by reducing new development in low- to moderate-priced rental housing, putting upward pressure on housing cost, and reducing the quality of existing rental housing.

"Now this tax combined with additional state and local legislation introduced over the last few years makes it difficult for housing providers to provide affordable housing, and it reduces the incentive to develop new units or keep existing units on the market," Nguyen said.

## Maintenance could suffer due to new fee

Nguyen said the proposed rental fee reduces funds available for maintenance.

"This tax for the company I work for will have a $27,000 annual impact. This fee could hire a part-time maintenance

*See 'Landlords' on Page 12*

# 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__________ RESIDENT __________ DATE X__________ RESIDENT __________ DATE

X__________ RESIDENT __________ DATE X__________ RESIDENT __________ DATE

X__________ RESIDENT __________ DATE X__________ RESIDENT __________ DATE

X__________ OWNER/AGENT __________ DATE

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☐ 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 triplicate forms at www.multifamilynw.org.*



## 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 |

NATIONAL APARTMENT ASSOCIATION Education Institute

Apartment Jobs Snapshot

Q2 2019

# Apartment Industry Jobs Continue Strong Growth in Second Quarter

National Apartment Association

Apartment industry jobs continued strong growth in the second quarter, amounting to 38 percent of available real estate jobs in the United States – well above the recent averages and an increase from 2018, according to the most recent jobs report from the National Apartment Association.

Job demand continued strong as demand for apartments surged during the second quarter of 2019, reaching a five-year high.

According to RealPage, net move-ins totaled 155,515 units, which outpaced the second quarter of 2018 absorption by 11 percent, according to the NAAEI's Apartment Jobs Snapshot. Openings in the apartment sector comprised 38 percent of positions available in the real estate sector, well above the average of 30.1 percent.

Los Angeles, Dallas and Washington, D.C., had the highest concentration of apartment jobs during the second quarter of 2019 unchanged from last year. Dallas performed well, leading the US in apartment leasing activity during the second quarter by renting more than 10,400 units, RealPage reported.

## Apartment maintenance jobs show strong demand

Available maintenance positions had a significant year-over-year increase, up by 2.6 percent.

Positions within maintenance were in greatest demand during the second quarter.

Maintenance technicians and maintenance supervisors landed within the top 5 job titles, comprising more than 7,500 postings combined.

Maintenance technician and maintenance supervisor positions experienced the highest growth in demand since 2014, increasing their share of apartment jobs by 3.5 and 1.2 percentage points, respectively.

## Yardi Software skills needed

Since 2014, positions requiring skills in Yardi Software, team collaboration, and time management have notably increased.

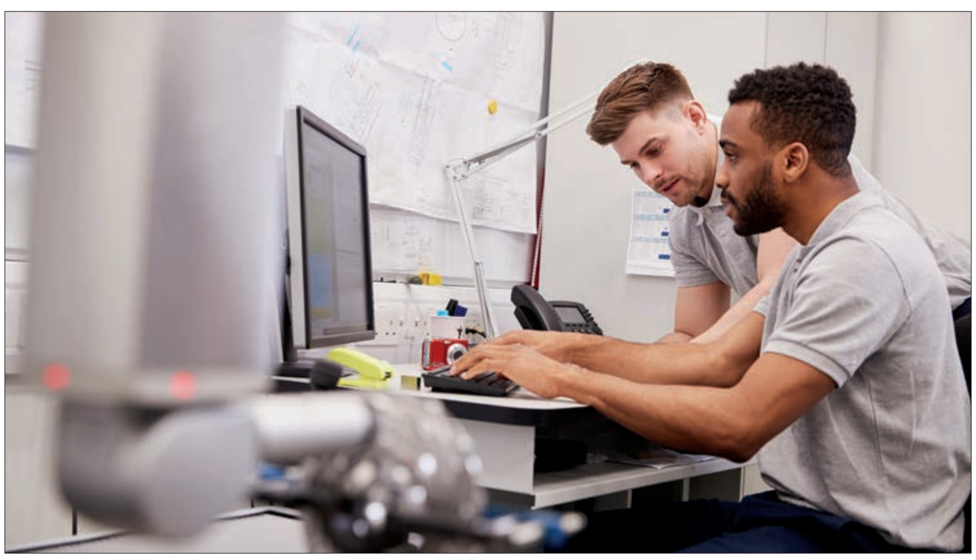
Yardi software skills were up 7.2 percentage points. Positions requiring strong team collaboration and time management increased significantly since 2014.

## Jobs report background

The NAA 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.



## Total Q2 Job Postings in Apartment Industry (% of Real Estate Sector)

Q2 2019: **38.0%**

Q2 2018: **35.0%**

2013-2018 Average: **30.1%**

***Summary:***
*38 percent of available real estate jobs in the US were in the apartment sector, well above the recent averages and an increase from 2018. Demand for apartments surged during Q2 2019, reaching a five-year high. According to RealPage, net move-ins totaled 155,515 units which outpaced Q2 2018 absorption by 11 percent.*

## Job Postings by Major Category (As a percent of all Apartment Jobs)

| | Property Management | Leasing | Maintenance |
|---|---|---|---|
| Q2 2019 | 24.0% | 24.5% | 25.8% |
| Q2 2018 | 24.4% | 23.8% | 23.2% |

***Summary:***
*Positions within maintenance were in greatest demand during the second quarter.*
*Maintenance technicians and maintenance supervisors landed within the top 5 job titles comprising more than 7,500 postings combined.*

## Top MSAs* (As a percent of all U.S. Apartment Jobs)

| Q2 2019 | | Q2 2018 | |
|---|---|---|---|
| Los Angeles | 5.4% | Los Angeles | 6.2% |
| Dallas | 4.9% | Dallas | 5.6% |
| Washington, D.C. | 4.2% | Washington, D.C. | 4.3% |
| Phoenix | 3.6% | Phoenix | 4.0% |
| Seattle | 3.5% | New York | 3.4% |

***Summary:***
*Los Angeles, Dallas and Washington, D.C. had the highest concentration of apartment jobs during the second quarter of 2019 unchanged from last year.*
*Dallas performed well, leading the US in apartment leasing activity during the second quarter by renting more than 10,400 units, RealPage reported.*

## June 2019: % Apartment Jobs of Total Real Estate Jobs

| | |
|---|---|
| Jacksonville | 54.2% |
| Denver | 52.1% |
| Austin | 50.7% |
| Phoenix | 48.6% |
| Raleigh | 48.4% |

***Summary:***
*The NAAEI monthly MSA ranking showed Jacksonville, Denver, and Austin as having the highest concentration of available apartment position as measured against the entire real estate sector. According to CoStar, Jacksonville's accelerated pace of groundbreakings has driven the total amount of apartment units under construction to almost 7,000 units, the most in the metro's history.*

## The Evolution of Titles & Skills 2019 vs. 2014

Top Increases in Job Titles in 2019
(percentage point change in postings)

| | |
|---|---|
| Maintenance Technician | +3.5 |
| Community Manager | +1.3 |
| Maintenance Supervisor | +1.2 |

Top Increases to Skills Desired in 2019
(percentage point change in postings requiring skill)

| | |
|---|---|
| Yardi Software | +7.2 |
| Teamwork/Collaboration | +5.6 |
| Time Management | +4.8 |

***Summary:***
*Maintenance technician and maintenance supervisor positions experienced the highest growth in demand since 2014, increasing their share of apartment jobs by 3.5 and 1.2 percentage points, respectively. Yardi software skills were up 7.2 percentage points. Positions requiring strong team collaboration and time management increased significantly since 2014.*

## Competing Sectors (Highest Location Quotients)**

| Apartments | | Retail Trade | | Hospitality | |
|---|---|---|---|---|---|
| Denver | 3.3 | Seattle | 2.1 | Las Vegas | 3.6 |
| Austin | 3.1 | Denver | 1.7 | Nashville | 2.8 |
| Raleigh | 3.0 | Colorado Springs | 1.7 | New Orleans | 2.7 |
| Phoenix | 2.7 | San Francisco | 1.6 | Colorado Springs | 2.6 |
| Portland, OR | 2.7 | Virginia Beach | 1.6 | Denver | 2.4 |

## Common Skills (Percent of Jobs Requiring Skill)

| | Apartments | Retail Trade | Hospitality |
|---|---|---|---|
| **Specialized Skills** | | | |
| Customer Service | 31.4% | 44.7% | 24.5% |
| Sales | 20.8% | 43.7% | 9.5% |
| Scheduling | 14.7% | 17.2% | 18.1% |
| **Baseline Skills** | | | |
| Communication Skills | 40.5% | 42.0% | 31.8% |
| Organizational Skills | 28.7% | 28.7% | 19.8% |
| Detail-Oriented | 21.9% | 13.0% | 12.8% |
| Teamwork/Collaboration | 15.5% | 19.7% | 20.5% |

***Summary:***
*The apartment industry often competes with the hospitality and retail sectors, all of which require strong customer service, communication, and organizational skills. Denver remained the common thread in all three sectors, unchanged from Q1 2019, where demand for talent is well above the U.S. average.*

*Sources: NAA Research; Burning Glass Technologies; CoStar, RealPage*

* MSAs with 100 or more apartment job postings.
** Location quotients show how concentrated demand is within a particular geography. US-wide average demand equals 1.0; an LQ of 1.2, for example, indicates 20% higher demand than the US average (or 1.2 times the US concentration).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# Rents Rising in Cities Across the Metro Area

*Continued from Page 1*

remained steady in the city of Portland, but other cities across the entire metro have seen rents increase. Of the largest 10 cities that Apartment List has data for in the Portland metro, all of them have seen prices rise.

Oregon as a whole logged rent growth of 0.9% over the past year.

Here's a look at how rents compare across some of the largest cities in the metro.

• Looking throughout the metro, Hillsboro is the most expensive of all Portland metro's major cities, with a median two-bedroom rent of $2,102; of the 10 largest Oregon metro cities that we have data for, all have seen rents rise year-over-year, with Beaverton experiencing the fastest growth (+3.4%).

• Hillsboro, Vancouver, and Eugene have all experienced year-over-year growth above the state average (3.3%, 1.8%, and 1.6%, respectively).

## Vancouver rents increased over the past month

Vancouver rents have increased 0.1% over the past month, and are up slightly by 1.8% in comparison to the same time last year.

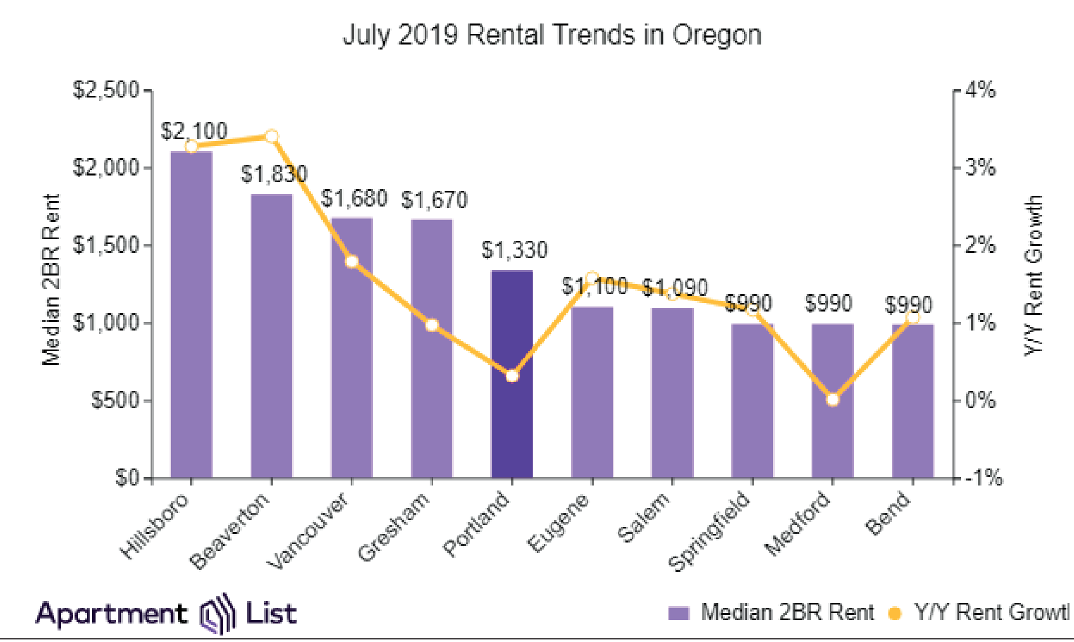
Currently, median rents in Vancouver stand at $1,420 for a one-bedroom apartment and $1,675 for a two-bedroom. Vancouver's year-over-year rent growth leads the state average of 1.7%, as well as the national average of 1.6%.

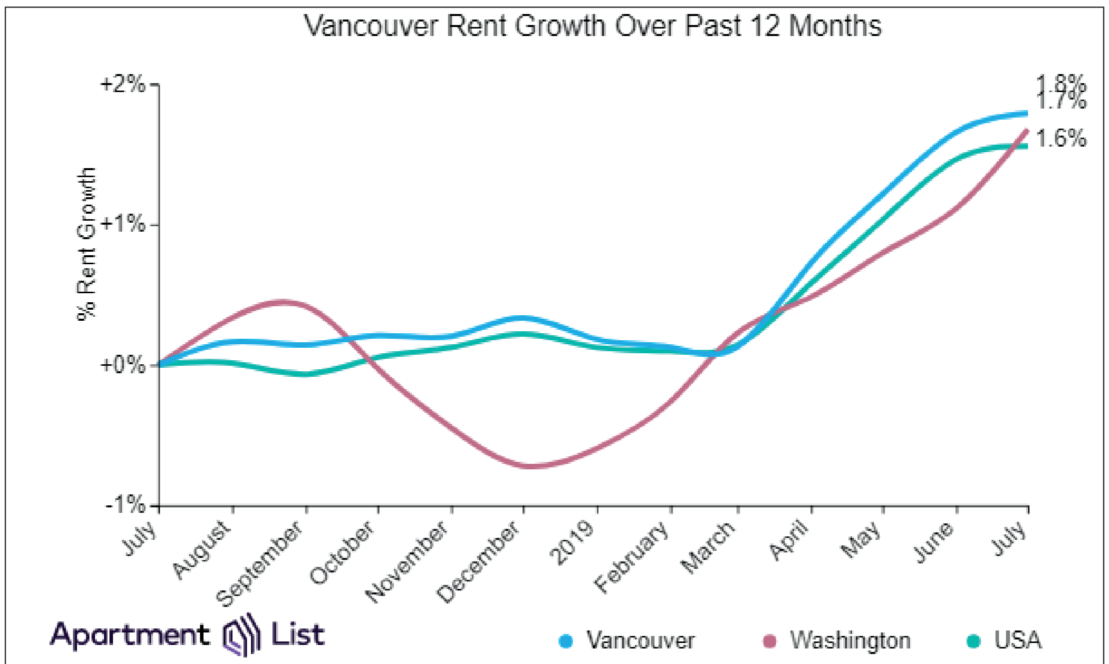
Rent growth in Portland has been relatively stable over the past year - some other large cities have seen more substantial increases. Portland is still more affordable than most similar cities across the country.

• Portland's median two-bedroom rent of $1,334 is above the national average of $1,191. Nationwide, rents have grown by 1.6% over the past year compared to the stagnant growth in Portland.

• While rents in Portland remained moderately stable this year, similar cities saw increases, including Las Vegas (+3.9%), Phoenix (+3.7%), and Austin (+3.3%); note that median 2BR rents in these cities go for $1,186, $1,085, and $1,460 respectively.

• Renters will find more reasonable prices in Portland than most other large cities. For example, San Francisco has a median 2BR rent of $3,126, which is more than twice the price in Portland.






# Landlords Oppose $60-Per-Unit Fee

*Continued from Page 8*

technician. Could allow us to replace 23 carpets. Allow us to put appliances in 16 new apartment homes.

"So, this means that many housing providers will have to pay fees with funds that they would have normally used to improve or maintain existing housing."

Several people spoke in favor of the new fee, including Margot Black from Portland Tenants United, a registered lobby organization with the city of Portland who is also a member of the rental services commission.

"Just so you know, fees are strictly regulated by the state, and the landlords of Portland would not be able to explicitly pass this fee on in their lease as a fee," Black said. "However, I just got a 90 day notice for $150 a month rent increase that will start this November. I'll be paying $150 every single month. One of the reasons my landlord gave me for that was increased fees by city council,."

"Frankly as a tenant every time we hear about tenant protections or things that are going to help tenants costing us money and ultimately hurting us, when my rent can already go up by hundreds of dollars a month, I would much rather some of that money be going to the city to provide programs and services for renters than just going in my landlord's pocket."

Mayor Ted Wheeler introduced the discussion on the fee by saying, "I'm pleased to bring forward the rental-registration fee, which has long been a commitment and a priority of mine to help support the office of rental services and establish a system to collect more accurate data of the rental market in Portland.

"In 2017 we set a rental-registration requirement for all units in the city of Portland. In the first year of registration, we did not charge a fee. That was deliberate. We wanted to encourage voluntary compliance for landlords, but it's been clear from the beginning that a fee would need to be established."

"We asked the revenue division in the Portland Housing Bureau to return to us this year with the established fee. Since 2017 we've made consistent progress in increasing the city's role in landlord tenant law and services, including establishing the rental services office, the Rental Services Commission, adopting local landlord-tenant law, increasing landlord-tenant services and increasing training and education services.

"Portland is one of the only cities our size to not have a rental system in place and fees to cover the basic services. We're behind the curve and this is an imperative first step to allowing us to have a more robust and streamlined support for renters in our community.

"This council has also made clear the importance for data-driven policy-making. This fee will support the maintenance of an expanded registration system. ... The recommended fee is in response to the budget note we included in our adopted budget this fiscal year, and it's reasonable when compared to other cities in the region and across the country," Wheeler said.

# How You Treat Those With Limited English Proficiency Could be Source of Discrimination

By Ellen Clark

How you treat people with limited English proficiency, which could be a potential source of discrimination, is the topic of this Grace Hill training tip.

- Do you only let tenants submit maintenance tickets in English?
- Do you prioritize requests from those who speak English over those who do not because it is easier and quicker?
- Do you provide poor translations of leases because it is easy and cheap?

Suddenly, whether you meant to or not, you've essentially discriminated based on national origin, which is illegal under the Fair Housing Act.

It is estimated that more than 25 million people in the United States have limited English proficiency or LEP.

A person with limited English proficiency may not speak, read, write, or understand English as well as a person who grew up with English as their first language.

About 80% of LEP people in the United States in 2013 were born in a foreign country. Being from another country does not automatically mean a person has LEP, of course, but there is a strong connection between LEP and national origin.

Why is this important?

grace hill

## TRAINING TIP OF THE MONTH

Imagine you have a policy or practice that treats limited English proficiency people differently.

Maybe you only let residents submit maintenance tickets in English to make things easier on your maintenance staff

Perhaps you translate leases and other documents with Google translate because it is free and you can't afford a good translator

Maybe you take resident maintenance requests out of order so someone who speaks the same language can help an LEP customer

Remember the statistic mentioned earlier that about 80% of LEP people in the United States in 2013 were born in a foreign country? This means four out of five people affected by the policy or practice that treats LEP people differently will be people born in other countries.

So how can you avoid policies and practices that have a disparate impact on people who are LEP? Here's what HUD recommends:


- Never refuse to work with people who are not fluent in English. Claiming you don't have the resources won't hold up as a justification for your actions.
- Treat everyone the same, regardless of whether they have difficulty speaking English or speak with an accent.
- Allow enough time for prospects to review leases and other documents, particularly those who may need to translate them for proper review.
- Don't provide poor translations. Your intentions might be good, but a poor translation can be confusing and misleading.
- Don't restrict the languages that can be spoken in your community. An "English Only" mandate is unnecessary, unwelcoming, and discriminatory.

For more information about working with LEP customers, see Grace Hill's Fair Housing and Limited English Proficiency mini-course.

*About the Author: Ellen Clark is the Director of Assessment at Grace Hill. Her work has spanned the entire learner lifecycle, from elementary school through professional education. She spent over 10 years working with K12 Inc.'s network of online charter schools. Later, at Kaplan Inc., she worked in the vocational education and job training divisions. Ellen lives and works in Maryland, where she was born and raised. About Grace Hill: 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 to learn more.*

# Rental-Applicant Credit Risk Declines

*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.

## 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

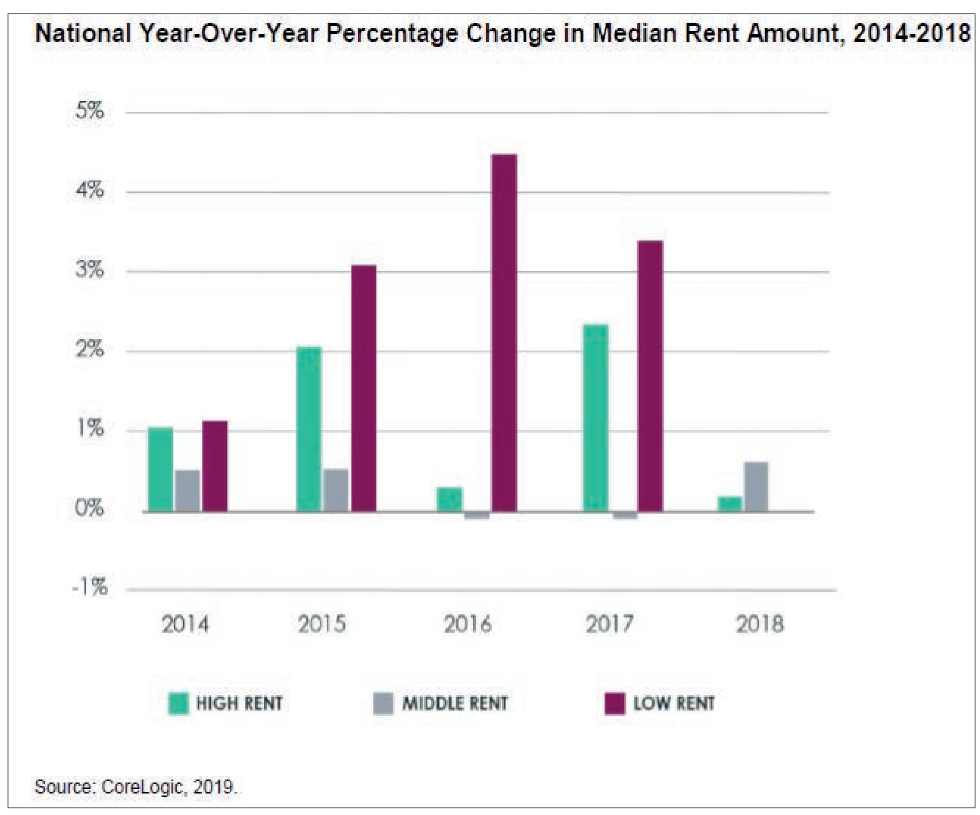
Regionally, the West is below average in rental applicant risk, while the Northeast, South and Midwest are above average compared to the U.S. index value of 83.


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.*




**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.

# Greystar Breaks Ground on First Portland Project

Rental Housing Journal

One of the leaders in multifamily development has broken ground on its first-ever residential Portland development project of 182 apartments and 8,000 square feet of retail space, according to a release.

The project in Goose Hollow by Greystar, a global leader in the development, investment, and management of multifamily housing, began with an official groundbreaking ceremony.

Located at the corner of Southwest 18th Avenue and Southwest Salmon Street in the neighborhood of Goose Hollow, the project marks Greystar's expansion across the Pacific Northwest, which currently includes offices in Seattle and now Portland.

"As the burgeoning city of Portland evolves in its wide array of job offerings and housing demands, we are thrilled to begin construction and bring to market our first of, hopefully, many great projects for local area residents," said Aaron Keeler, Senior Director, Development at Greystar, Pacific Northwest, in the release.

The eight-story community, scheduled to open in 2021, will introduce both market-rate and affordable rental residences under Portland's inclusionary zoning mandate.

Purchased from TriMet, the transit-oriented site will provide easy access to nearby light rail transportation stops, including Kings Hill Station, which provides direct access to downtown Portland. The community will be minutes away from Providence Park, multiple bus stops and the 405-Interstate freeway, according to the release. Future residents will also have convenient access to Multnomah Athletic Club, Lincoln High, and Providence Park, home to the Major League Soccer team the Portland Timbers, and the American professional women's soccer team, the Portland Thorns.

Designed by SERA Architects, the community's design will draw inspiration from New York City's iconic Flatiron Building and reflect a sustainable design with dynamic spaces for its residents.

"At the heart of Goose Hollow's best amenities and local entertainment, this community will introduce a modern and eclectic address for future residents looking to live in the center of one of Portland's most exciting neighborhoods," said Doug Burges, Director of Development at Greystar, Pacific Northwest, in the release.

*Greystar is a fully integrated real estate company offering expertise in investment management, development and property management of rental housing properties globally. Headquartered in Charleston, South Carolina, with offices throughout the United States, Europe, and Latin America, Greystar is the largest operator of apartments in the United States, managing over 400,000 units in over 150 markets globally. Greystar also has a robust institutional investment management platform dedicated to managing capital on behalf of a global network of institutional investors with nearly $16 billion in gross assets under management including more than $7 billion of developments that have been sold or are underway. Greystar was founded by Bob Faith in 1993 with the intent to become a provider of world-class service in the rental housing real estate business. To learn more about Greystar, visit www.greystar.com.*

# How Approved Housing Construction Has Kept Pace with Western Job Growth

Apartment List

A new report shows that approved housing construction and development nationally remains 38 percent below its pre-recession peak, according to Apartment List. Stagnant single-family home construction and a select group of coastal markets are to blame. Meanwhile, multifamily apartment buildings are increasing in size.

Smaller metros and booming multifamily construction, on the other hand, are picking up the slack.

## Portland housing construction analysis

An average of 4.4 new housing units per 1,000 residents was permitted in Portland from 2008 to 2018. The rate of permitting activity ranks No. 12 among the nation's 50 largest metros.

Over the same period, Portland added 6.7 jobs per 1,000 residents, ranking No. 13. This implies that 1.5 jobs were added for every new housing unit in the metro, a level which indicates a balance between supply and demand for new housing.

Since 2006, multifamily units have accounted for 46% of housing permits in Portland, compared to 32% in the pre-recession period from 1990-2005. Nationally, the multifamily permit share increased from 23.4% in the pre-recession period to 33.9% in more recent years.

## Seattle housing construction analysis

An average of 5.2 new housing units per 1,000 residents were permitted in Seattle from 2008 to 2018. The rate of permitting activity ranks No. 9 among the nation's 50 largest metros.

Over the same period, Seattle added 7.4 jobs per 1,000 residents, ranking No. 12. This implies that 1.4 jobs were added for every new housing unit in the metro, a level which indicates a balance between supply and demand for new housing.

Since 2006, multifamily units have accounted for 56% of housing permits in Seattle, compared to 38% in the pre-recession period from 1990-2005. Nationally, the multifamily permit share increased from 23.4% in the pre-recession period to 33.9% in more recent years.

## Phoenix housing construction analysis

An average of 4.2 new housing units per 1,000 residents was permitted in Phoenix from 2008 to 2018. The rate of permitting activity ranks No. 14 among the nation's 50 largest metros.

Over the same period, Phoenix added 5.1 jobs per 1,000 residents, ranking No. 21. This implies that 1.2 jobs were added for every new housing unit in the metro, a level that indicates a balance between supply and demand for new housing.

Since 2006, multifamily units have accounted for 27 percent of housing permits in Phoenix, compared to 18 percent in the pre-recession period from 1990-2005. Nationally, the multifamily permit share increased from 23.4 percent in the pre-recession period to 33.9 percent in more recent years.

## Single-family building lags

Apartment List economist Chris Salviati writes in the report that housing affordability has emerged as a key issue in national politics, as millions of American households struggle with their housing costs. That said, housing and labor markets are inherently local, and distinct trends are playing out in different regions of the county.

In many of the nation's largest coastal metros, acute housing shortages have led to rapid increases in housing costs. However, many smaller metros are actually adding more than enough new housing to keep pace with job growth, indicating that affordability issues in these regions may be driven more by a lack of well-paid jobs than by a shortage of housing.

"In order to better understand these issues, we analyzed data from the Census and Bureau of Labor Statistics to better understand how much new housing is being built and where. We study how that new housing supply lines up with job growth for counties and metro areas across the U.S., and discuss how these findings fit within the broader conversation around housing affordability across America," Salviati writes in the report.

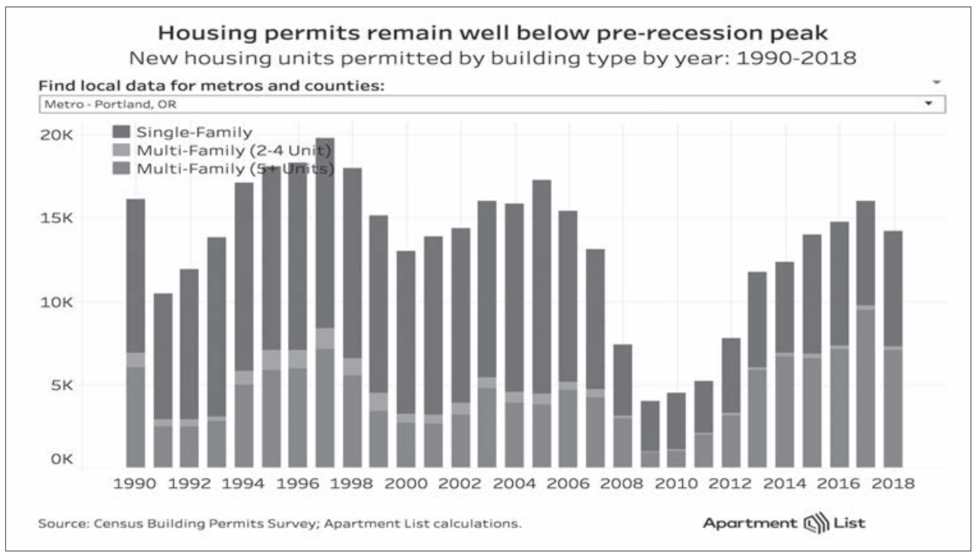
In the recovery years that followed, multi-family housing construction rebounded fairly quickly, driven by a trend toward urbanization that increased demand for housing in and around city centers. The number of multifamily units permitted surpassed its pre-recession peak in 2015 and has since maintained that pace.

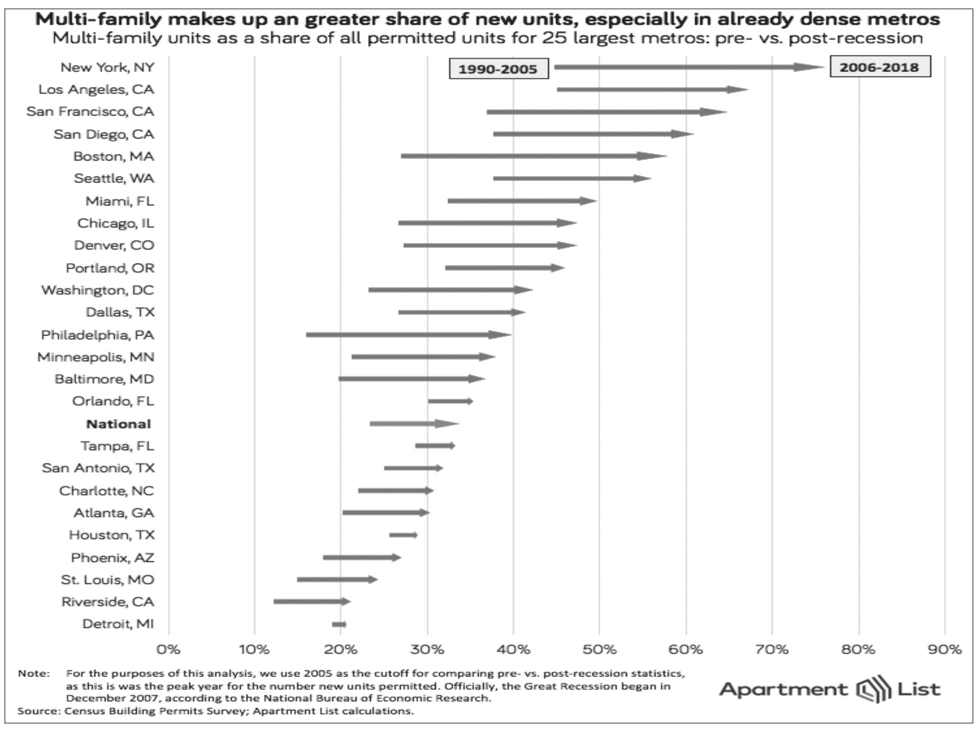
Meanwhile, construction of single-family homes has recovered much more slowly — the number of single-family housing units permitted in 2018 was barely half the number permitted in 2005. Consequently, multifamily units have made up a much greater share of new housing in the post-recession period. From 1990 to 2005, multifamily units made up 23.4 percent of all residential building permits issued, while from 2006 to 2018, that share increased to 33.9 percent.

Despite the boom in apartment construction, multifamily housing has not been able to fully compensate for the lack of new single-family construction. The total number of residential housing units permitted in 2018 was roughly the same as the number permitted in 1994, when the country's population was 20 percent less than it is today. While multifamily housing may be better suited to meet the demand for walkable, transit-oriented neighborhoods, local zoning codes severely limit the locations where multifamily housing can be built. Consequently, the slowdown in single-family construction has contributed to a tightening of starter home inventory, which may be preventing some prospective millennial homebuyers from purchasing homes.

## Multifamily share increasing fastest in the places where it was already high

The increase in the share of residential building permits comprised of multifamily units is a trend that holds true not just at the national level, but in each of the nation's 25 largest metro areas.




While the multifamily category made up a greater share of new housing in all of the 25 largest metros, the size of the increase varies dramatically. The biggest jumps in the multifamily share have occurred in the nation's densest metros, places that had already been building a significant amount of multifamily. The New York City metro experienced the biggest jump. In the pre-recession years from 1990 to 2005, multi-family comprised 44.8 percent of all building permits issued in the New York City metro — then the second-highest share among the 25 largest metros. In the mostly post-recession years from 2006 to 2018, that share spiked to 76.3.

"We see similarly large increases in other dense coastal metros, with Boston, San Francisco, Philadelphia, and San Diego rounding out the top five list for metros with the largest increases in the multifamily permit share. Notably, Philadelphia is the only metro among those five that has built enough new housing over the past decade to keep pace with job growth, according to our jobs-per-permit metric, and as a result has seen relative stability in their housing market," Salviati writes in the report.

## Phoenix building keeps pace with jobs

There is a subset of metro areas that are thriving economically and building sufficient new housing to keep pace with job growth.

This group is primarily comprised of Sun Belt metros such as Phoenix, Dallas, Atlanta, and Charlotte. Notably, single-family is still the dominant type of new housing being built in these metros, and while the multifamily share is on the rise in these regions, the increases are much more muted than those observed in the dense coastal metros discussed above.

In Phoenix, for example, single-family accounted for nearly three-in-four new housing units permitted from 2006 to 2018. It seems that the metros most effectively meeting the demand for new housing are still primarily doing so by continuing to sprawl, despite an increasing demand for dense, walkable neighborhoods that prioritize sustainability.

## In multifamily construction, 'missing middle' still missing

These disparate patterns of residential development are playing out at a time when single-family housing has begun to face unprecedented criticism from both housing experts and policy makers. For the latter half of the 20th century, suburban single-family homes were synonymous with the popular understanding of the "American Dream."

In recent years, however, a more nuanced view has emerged, which acknowledges that single-family zoning policies were often inextricably linked to redlining practices that served to explicitly enforce patterns of residential racial segregation. Single-family zoning also impedes the development of dense multifamily housing units, which can be an important source of market-rate affordable housing. Furthermore, denser cities are significantly more sustainable,

*See 'Policy Makers' on Page 17*

# Policy Makers Seek to Enable More Multifamily Development

*Continued from Page 16*

and growing cities with more dense development can play an important role in combating climate change.

Consequently, policy makers across the country are making efforts to enable multifamily development in areas that were previously reserved for single-family homes.

In 2018, an ambitious set of zoning reforms known as Minneapolis 2040 upzoned half of that city's land in a way that aimed to explicitly address patterns of racial and economic inequality. The city of Seattle also recently eliminated single-family zoning in a subset of its neighborhoods, and a statewide upzoning bill in Oregon has passed. In California, where the housing shortage is most acute, the upzoning bill SB 50 is currently stalled in the state senate, awaiting a vote next year.

Many of the zoning reforms described strive to remove barriers to building a type of housing that has been referred to as the "missing middle."

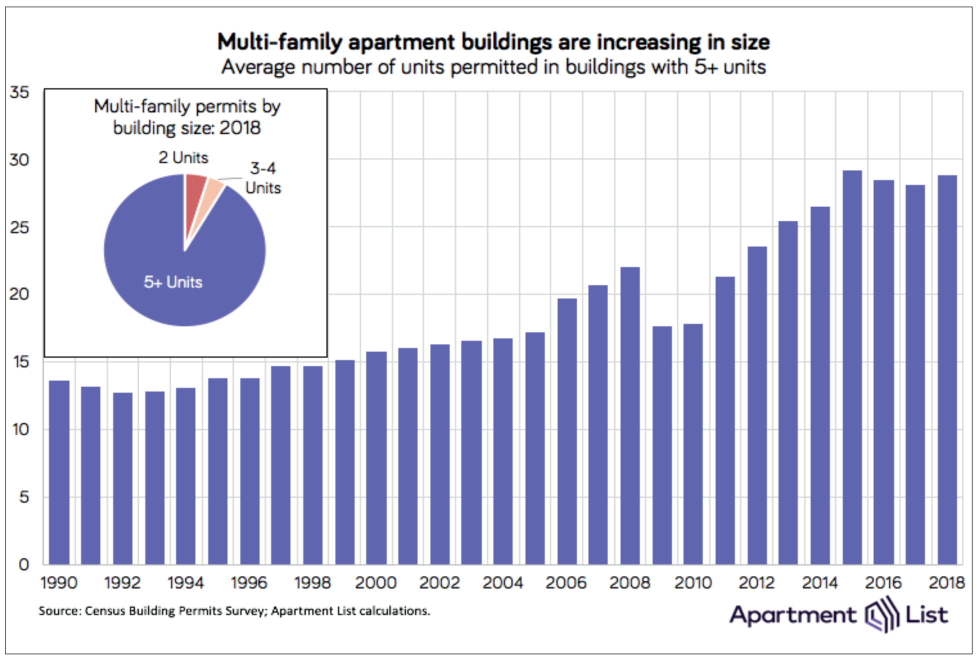
This type of housing — two- to four-unit buildings, accessory dwelling units, townhouses, and low-rise apartment buildings — can play an important role in increasing density and creating walkable neighborhoods, without affecting neighborhood character is the same way as mid- and high-rise apartment buildings. Despite the benefits of this type of housing, the multifamily housing that has been built in recent years increasingly takes the form of large apartment complexes.

## Multifamily apartment buildings increasing in size

Two- to four-unit properties made up just 3.0 percent of all housing units permitted in 2018. That share has been on a downward trajectory since 1990, when duplexes, triplexes, and fourplexes comprised 4.9 percent of residential permits. Two- to four-unit properties account for 8.0 percent of the nation's total housing stock, indicating that this type of construction was far more prevalent in the past. Meanwhile, buildings with five or more units accounted for 91.6 percent of multifamily units permitted in 2018, and the average size of these properties has been steadily increasing. In 1990, the average number of units in buildings with five or more units was 13.6, but by 2018 that average building size more than doubled to 28.7, the report says.

While these large multifamily developments are an important form of new housing supply, they are usually confined to locations in and around the downtown areas of major cities.

Due to high construction costs — for land, labor, materials, and regulatory costs — developers build larger properties at luxury price points in order to achieve economies of scale and ensure that projects prove profitable. Zoning reform can remove bureaucratic hurdles to allow denser development in varying forms throughout a metro area.




## Conclusion

"As millions of Americans struggle with housing costs, the issue has come to take center stage in both national and local politics. A number of 2020 Democratic frontrunners have issued policy platforms that address housing affordability, while cities and states across the country have begun to debate and enact fundamental reforms to their zoning codes," Salviati writes.

"Much of this debate has centered on the need for dense, transit-oriented development in our nation's cities. Dense housing plays an important role in maintaining inclusive housing affordability and cities developed in this manner are also significantly more environmentally sustainable.

"While we find that proportionally more multifamily housing has been built in recent years, the metros where it is most prevalent tend to be the coastal superstar cities that have struggled to build enough new housing overall.

"Meanwhile, fast-growing Sun Belt metros have continued to rely on single-family homes to maintain sufficient housing supply. These contrasting trends emphasize that decisions around what type of housing gets built and where are crucial to determining the future of America's cities," Salviati says in the report.

*About the author: Chris Salviati is a housing economist at Apartment List, where he conducts research on economic trends in the housing market. Chris previously worked as a research assistant at the Federal Reserve and an economic consultant, and he has BA and MA degrees in economics from Boston University.*

# Clogged Drains are Never Ideal for Tenant or Landlord

*Continued from Page 1*

hours or even days. Insects tend to breed in standing water; mainly mosquitoes, flies, and dragonflies, and they'll be a nuisance if allowed to reach adult form and continue to breed. These insects can also carry diseases that can harm your family or your pets.

Standing water also causes mold and mildew to form; this is a breathing hazard for anyone in the home.

To get rid of nasty clogs, try using baking soda and vinegar. Mix 1/3 of a cup of baking soda with 1/3 of a cup of vinegar in a measuring cup. It will fizz immediately; pour it down the clogged drain right away. The fizzing action will help to remove the gunk, hair, and grime that has built up in the pipe. Let it sit for an hour, or even overnight if you can. Flush with hot water to melt whatever is clogging your drain away.

*Keepe is an on-demand maintenance solution for property managers and independent landlords, making hundreds of independent contractors and handymen/women available at rental properties. Keepe is available in the Greater Seattle area, Greater Phoenix area, San Francisco Bay area, and Portland area, and is still expanding. Learn more at http://www.keepe.com.*

## 5 Tips to Help With Fixing Clogs

1. Use a drain claw to help grab hair or anything else that may be blocking the drain.
2. Pour dishwashing liquid and hot water down to clean drains.
3. Invest in a drain wig to help prevent hair clogs.
4. Use granular drain and trap cleaner to help prevent food or grease-based clogs.
5. To help prevent future clogs, regularly fill the tub or sink with hot water and let it drain. This helps flush away small levels of debris before they can become a bigger problem.