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Multifamily Boom Continuing

Yardi Matrix

Seattle's multifamily market continues to show strong fundamentals, exceeding national averages for most indicators, according to the summer report from Yardi Matrix. Along with a healthy economy and robust population growth, the metro is recording impressive investment activity and steady apartment absorption despite a strong development pipeline, the report says.

"Although developers remain extremely busy, absorption is keeping up and there is little risk of overbuilding," Yardi Matrix says in the report.

There were more than 21,500 units under construction as of June, with 8,131 expected to come online by December, in addition to the 6,314 apartments delivered in this year's first two quarters. And although development is slated to hit another cycle peak, we expect the average Seattle rent to advance 3.9% in 2019.

Seattle rent trends

The average Seattle rent was up 3.1% year-over-year through June, 20 basis points below the national figure. The average rate stood at $1,920, well above the $1,465 U.S. average. At 1.3% as of June, Seattle recorded the highest rent hike among all

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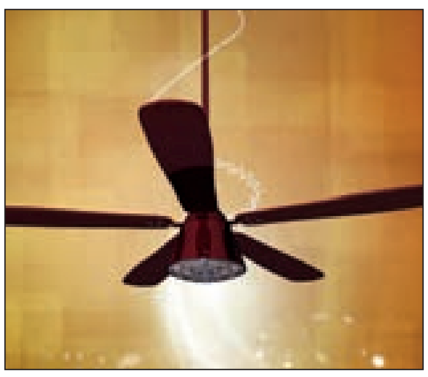

Are Ceiling Fans in Rentals Worth It?

Keepe

Are ceiling fans in your rental property worth the cost and do they help save energy for the landlord or tenants is the maintenance tip this week from Keepe.

Yes, they can save energy. If you have air conditioning in your rental property, then you probably know that it is responsible for about 25 percent of all energy consumption.

If you have ceiling fans and air conditioning operating, you can turn your thermostat up by four degrees without losing comfort. By using this method, landlords and tenants can lower energy bills.

Can ceiling fans replace air conditioning?

No. Fans don't actually cool a room, they create a wind-chill effect that makes it feel cooler without lowering the temperature of a room. If the room is already extremely hot, ceiling fans will be pushing hot air around the room, not making anything cooler (though it may feel cooler because of the air moving

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3 Common Rental-Property Traps

By Eric D. Davis

As a new or experienced landlord, you probably know that there are all kinds of things (both big and small) that can cause problems and consume your precious time. Between dealing with building maintenance, difficult tenants, and financial concerns, being a rental-property owner can be exceptionally stressful.

There are certainly some pitfalls that you are more likely to encounter than others. Here are three of the top traps that property owners commonly find themselves in. We'll also discuss some of the ways you can escape these traps and make your job easier.

1. Trusting a Tenant Based on Their Word Alone

Unfortunately, there's a reason that seasoned property owners always, always conduct background checks on their rental applicants. They want to know as much as possible to ensure that they're accepting a tenant who will be responsible and trustworthy.

Many landlords, at some point in their careers, get burned for trusting a tenant without the proper evidence to support their claims. It's a common trap and one that can get messy really quickly.

In some cases, you might rent to someone who feels like a friend (or who actually is). You wind up leasing to a tenant who you don't actually know that well, and in the end, your assumption about their character could backfire dramatically. Never assume that someone will make a good tenant just because they're friendly or they tell you a believable story about their life.

At the end of the day, you should never accept a tenant based on their word alone. You need hard evidence that they haven't committed any crimes and are going to be a good renter. The only way you can get this evidence is by requesting it from all applicants.

Don't just ask your tenant about their history - confirm it by gathering the following information:

- Full name and social security number
- Age
- Current and previous addresses
- Information from previous landlords
- Current income (and proof of payment)
- Employer's contact information
- Banking and credit references
- Personal references you can follow up with (not family)

Besides following up with references, employers, and previous landlords, you should also pull a background check on your

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Award-Winning Community Service

Washington Multi-Family Housing Association (WMFHA) won an award at the National Apartment Association's (NAA) annual Excellence Awards luncheon during the recent Apartmentalize Conference in Denver.

The Excellence Award for Community Service was awarded to WMFHA for its WMFHA Gives Back! program, which leverages the rental housing industry's ties to our community with charitable activities aimed at bettering the lives of citizens in our state.

WMFHA is deeply committed to using the strength and passion of our membership to make a positive impact in our communities. We strive to create a spirit of service and giving and engage our rental housing industry members in doing so.

Community organizations provide WMFHA and our members opportunities to make a positive difference in communities that are susceptible to hardship. An apartment association's work ultimately benefits the residents our members serve which make up the communities we care about. We have every reason to give back, because everyone needs a strong community supporting their home.

We have multiple volunteer committees helping us plan, procure for, and execute our community service initiatives. In all we estimate over 270 volunteer hours helped make our efforts successful.

Domestic Abuse Women's Network (DAWN)

DAWN shelters and empowers survivors of domestic abuse in South King County. For twelve years WMFHA members have been raising funds for DAWN at our annual Chili Cook-Off event each October. In total we've raised nearly $200,000 overtime!

At DAWN, our Chili Cook-Off event "is the number one event that everyone talks about," says Cheryl Kilodavis, former Executive Director. Their team loves that the event is inclusive of their staff, domestic abuse survivors, and the greater community.

In 2018, the event attracted over 500 attendees, 34 sponsors and chili competitors, 49 in-kind donations and 25 volunteers. DAWN's impact on the community yearly provides almost 4,500 women and children with emergency shelter and ongoing support services, almost 14,000 shelter nights to over 50 families, and almost 5,000 calls from their 24-hour Advocacy and Support Line.

Last year our members raised over $43,000 to support DAWN's programs. Our group's donation is regularly DAWN's largest unrestricted gift and contributes to their trauma emergency fund. The money allows them to have the flexibility to respond immediately and deliver services to highly lethal domestic violence situations. The purest public recognition can be found in the heart of a child. When a child saves up all their coins and shyly adds their personal donation to the pot, we know our work makes a huge difference.

Childhaven: Science-based. Heart-centered.

WMFHA members raise funds for Childhaven programs each year at our annual Holiday Giving Gala in November. Our financial contribution adds a layer of regular resourcing to support direct services that impact a vulnerable community.

Childhaven offers babies and children who are prone to traumatic household situations therapeutic, safe, and clean daycare services to prepare them for a lifetime of wellbeing. By improving parenting skills and strengthening relationships, their mission is to break the cycle of abuse and neglect and lay the foundation for generations of safe and nurturing families.

Since 2015, we have donated over $152,000 to Childhaven. Last year alone we raised $47,200. Success to us is not just the amount of money we donate, but the strength of our relationships with our partners and the community.

During our Holiday Giving Gala, we also partner with the U.S. Marines Toys for Tots program. Our support of this great organization helps millions of less fortunate children share in the magic of the holidays. Our members donate hundreds of toys each year to Toys for Tots.

Rescuing food to feed the hungry

Move For Hunger mobilizes the entire relocation and multifamily industry to rescue food and fight hunger and food waste. In 2018 alone, our members donated 3,472 pounds of food to the needy through Move For Hunger, which equates to 2,893 meals for people suffering from food scarcity.

Before getting involved with WMFHA in 2017, Move For Hunger used to focus their outreach on moving and relocation companies. Together we piloted an innovative program within the rental housing industry, and now over 850 properties across 33 states are participating with this organization.

In Washington, more than 872,000 residents are food insecure. Nationwide, over 40% of all the food produced ends up in the landfill. Helping Move For Hunger increase their audience locally and nationally is having a huge impact on fighting hunger and food waste.

This program collects non-perishable food that might otherwise be thrown away from residents that are moving out and delivers it to another one of our charitable partners, Northwest Harvest. WMFHA members have donated almost 9,000 pounds of food to Northwest Harvest over the years.

Repairing homes, revitalizing communities, rebuilding lives

Rebuilding Together Seattle and Rebuilding Together Spokane coordinate volunteers to repair homes for low-income homeowners, seniors, veterans and people who are disabled. Relying on partners and volunteers to execute their work, they serve low-income homeowners by improving the safety and health of their homes.

WMFHA members come together for a Volunteer Day of Impact each year to make some huge improvements to homes in those areas. We are proud to work with Rebuilding Together to address sub-standard housing conditions and prevent displacement.

With Rebuilding Together, our audience is small and intimate. We take on a comprehensive scope of repairs and replacements to affect positive change in individual's homes.

We utilize the passion and skill of our members to fix up houses, leveraging our members' unique skills in maintenance and construction. Our Supplier Partners donate in-kind goods and services, bringing a wealth of support and expertise to the project.

Other Community Partners We Support

Members of WMFHA have generously worked with Mary's Place to provide homes for unsheltered families. Since 1999, Mary's Place has helped hundreds of women and families move out of homelessness into more stable situations.

Our membership also supports the Vanessa Behan Crisis Nursery in Spokane with cash donations, and our members work with Habitat for Humanity Stores to donate usable appliances and building materials.

This year, we are piloting a partnership with Grads of Life, a nationally recognized leader working with employers to bring Opportunity Youth into the residential property management workplace.

Our association amounts to over 235,000 units of quality rental housing in our state. Therefore, our work directly impacts at least half a million individuals in our state.

Our residents may have suffered from domestic violence at one point in their life, struggled with finding therapeutic day care or services for their children, gone to bed hungry more than once in their lives, spent time unsheltered, or been affected by an unsafe or unhealthy living environment.

With so many worthy causes in our region, WMFHA chooses to partner with like-minded organizations that portray our values. We are an inclusive, people-oriented association and are not only committed to our industry, but to the community at large.

We love sharing the contributions our members make in the community with the public. We make sure the message is broadcasted far and wide through social media, blogs, videos, and celebrities.

Because we choose to partner with organizations that improve individual lives drives home our commitment to making our communities a better place to live, raise children, and do business. We are honored to serve our members, our charitable partners, and all the individuals in our state in making it the best place it can be.

WMFHA supports the rental housing industry and the broader community. To learn more about membership in this leading organization, simply call us at 425.656.9077 or visit our website at www.wmfha.org. Follow us on Facebook and our other social channels for up to date information on association activities.

3 Common Traps for Rental Property Owners

Continued from Page 1

applicant from a verified tenant screening company. Services like My Smart Move and My Rental are fairly inexpensive but will quickly help you identify your top candidates.

As much as you'd like to think you can trust the word of your current applicants, it's your job as a rental-property owner to take that extra step and do some research behind the scenes. Otherwise, you run the risk of falling into the common trap of working with bad, untrustworthy tenants.

2. Taking on the Accounting Jobs by Yourself

Regardless of how organized or experienced you may be; you'll juggle a lot as a property owner.

Too many landlords find out later that they can't actually handle everything at once, at least not without proper assistance.

If you repeatedly find yourself swamped with issues in the finance sector of your business, you might be dealing with tasks that a real accountant should be handling. Whether you have one tenant or 100, it's a smart idea to hire an accounting partner that can prevent problems, including:

- Bookkeeping mistakes
- Poor account and finance records
- Failure to deduct expenses properly
- Inconsistent salary management

Are you wondering why you need an accountant if you can manage the finances on your own?

As a rental--property owner, your job isn't to make sure that dollars and expenses don't slip through the cracks. Your job is to keep the property running smoothly, and an accountant can help you do that more accurately.

Outsourcing your accounting tasks is likely easier than you think.

You don't necessarily have to hire an accountant full time. Instead, you could use a service like Ardem or RSM to handle the issues you don't have the time or knowledge to tackle.

3. Collecting Rent in Too Many Forms

One tenant pays by cash. One pays by check. One sends you funds on Venmo whenever they get around to it.

Does this sound like your rent payment situation?

If so, you're likely stuck in the trap of complicated rent collection. This can lead to accounting problems, as well as stress and frustration due to confusing interactions with your tenants.

In order to maintain a consistent cash flow that you can easily keep track of, you should automate your rent collection process ASAP.

This will lead to better, clearer interactions with your tenants, and you won't waste time chasing after the rent payments you're owed.

The best way to automate your rent collection is to set up a central tenant platform where they can pay all of their fees, including rent and any late payments. There are dozens of services available at your fingertips that will allow you to build a clean, simple tenant portal that all of your renters can use.

Some reliable tenant payment platforms include:

- Cozy
- Avail

- TenantCloud
- Buildium

Centralizing your payment system won't just make things easier for you. It will also completely change how your tenants manage their payments, and overall, the process will become easier for everyone.

In Conclusion

Many rental property owners fall into the traps listed above without even realizing it. If you're wasting your time with challenging tenants, complicated accounting problems, or late rent payments, then you're taking away time from your most important tasks as a landlord.

If you learn one thing from this article, let it be this: It's often smart to ask for help as a property owner.

Use tools to thoroughly evaluate your tenants instead of taking their word as proof. Outsource your accounting issues so that you can feel secure in your finances. Simplify and automate your rent-collection process so you experience fewer issues.

There are many resources out there that can help you escape these common traps. Don't be afraid to try them, regardless of how old or new you may be to owning rental properties.

Eric D. Davis is the Founder of Davis Property Management; we help property managers and potential tenants for Seattle Property Management and Maintenance services. We have been the front-runners in providing best-in-class property management services in the Puget Sound area.

Seattle Rents Increase Significantly for Month

Apartment List

Seattle rents have increased 0.5 percent over the past month, and have increased slightly by 1.3 percent in comparison to the same time last year, according to the most recent report from Apartment List. Currently, median rents in Seattle stand at $1,362 for a one-bedroom apartment and $1,696 for a two-bedroom. This is the eighth straight month that the city has seen rent increases after a decline in December of last year.

Seattle's year-over-year rent growth lags the state average of 1.7 percent, as well as the national average of 1.5 percent.

Rents rising across the Seattle metro

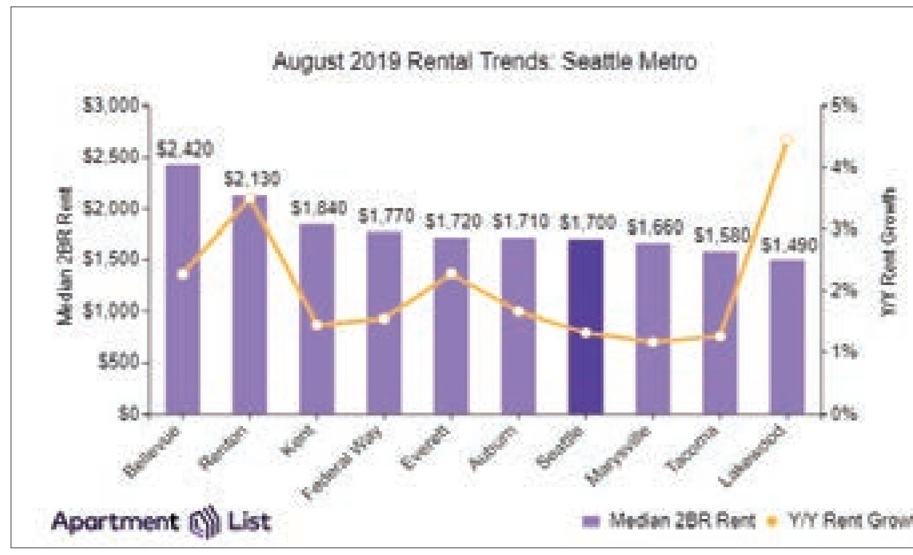
Throughout the past year, rent increases have been occurring not just in the city of Seattle, but across the entire metro. Of the largest 10 cities that Apartment List has data for in the Seattle metro, all have seen prices rise. Here's a look at how rents compare across some of the largest cities in the metro.

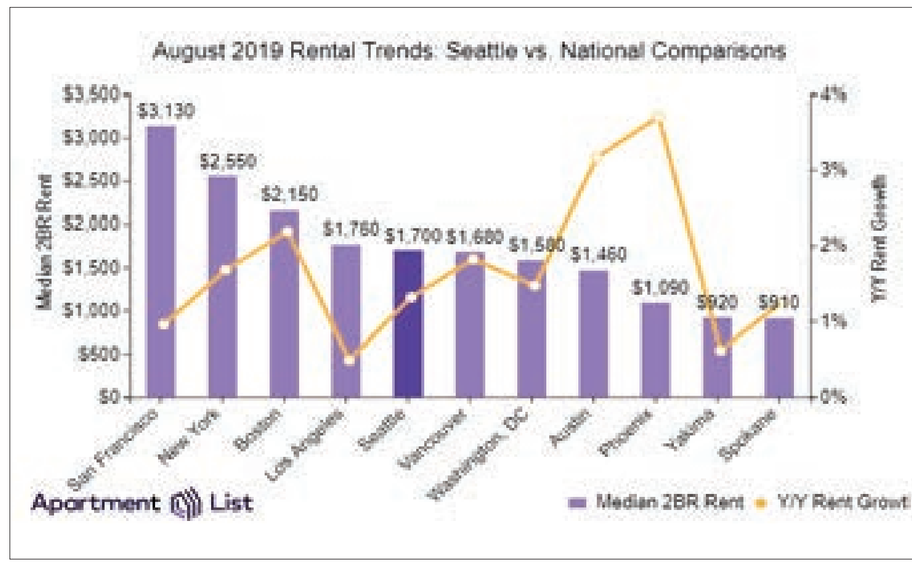
- Lakewood has the least expensive rents in the Seattle metro, with a two-bedroom median of $1,493; the city also has experienced the fastest rent growth in the metro, with a year-over-year increase of 4.4 percent.
- Over the past month, Kent has seen the biggest rent drop in the metro, with a decline of 0.5 percent. Median two-bedrooms there cost $1,842, while one-bedrooms go for $1,479.
- Bellevue has the most expensive rents of the largest cities in the Seattle metro, with a two-bedroom median of $2,424; rents grew 0.4 percent over the past month and 2.3 percent over the past year.

Similar cities nationwide show more affordable rents compared to Seattle

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

- Rents increased slightly in other cities across the state, with Washington as a whole logging rent growth of 1.7 percent over the past year. For example, rents have grown by 1.8 percent in Vancouver and 1.3 percent in Spokane. Spokane has a median two-bedroom rent of $905, where Seattle is more than one-and-a-half times that price.
- Seattle's median two-bedroom rent of $1,696 is above the national average of $1,191. Nationwide, rents have grown by 1.5 percent over the past year compared to the 1.3 percent increase in Seattle.
- While Seattle's rents rose slightly over the past year, many cities nationwide also saw increases, including Phoenix (+3.7 percent), Austin (+3.2 percent), and Boston (+2.2 percent).





Seattle	$1,360	$1,700	0.5%	1.3%
Tacoma	$1,270	$1,580	0.2%	1.3%
Bellevue	$1,950	$2,420	0.4%	2.3%
Everett	$1,380	$1,720	-0.2%	2.3%
Kent	$1,480	$1,840	-0.5%	1.4%
Renton	$1,710	$2,130	-0.2%	3.5%
Federal Way	$1,420	$1,770	0.3%	1.5%
Auburn	$1,380	$1,710	0.2%	1.7%
Marysville	$1,330	$1,660	0.2%	1.2%
Lakewood	$1,200	$1,490	0.7%	4.4%
Redmond	$1,850	$2,310	-0.7%	2.1%
Kirkland	$1,730	$2,150	-1%	2.8%
Sammamish	$2,800	$3,490	0.5%	2.9%
Puyallup	$1,580	$1,970	0.6%	2.2%
Lynnwood	$1,590	$1,980	-1.1%	2.1%
Bothell	$1,830	$2,280	-0.5%	1.5%
Spanaway	$1,320	$1,650	0.1%	1.1%
Mercer Island	$2,080	$2,590	-0.2%	3.7%

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Time to Stop Raising Rents in Portland

By Micah Perry

Perspective

The Portland City Council passed yet another ordinance that will harm the housing market in the city. Landlords will now be required to register all their rental units with the city and pay a $60 yearly registration fee for each unit.

Any economist, or even a student who has taken Econ 101, can tell you that countries with more regulations are less prosperous than nations that enjoy greater economic freedom. Entrepreneurship, from the opening of a small bakery to the development of an apartment complex, is seriously disincentivized by regulations.

Rules and fees placed on the housing industry cause any would-be entrepreneurs and developers—individuals who could provide a solution to Portland's housing problem—to think twice and reconsider investment in housing rentals. This new ordinance joins a slew of deterrent regulations on rental housing within Portland.

Over the past few years, Portland's City Council has approved policies that restrict or complicate a landlord's ability to reject a rental applicant for reasons such as criminal background or ability to pay rent, and that require landlords to help pay for a renter's relocation costs. Those who have already built rental housing may find it more lucrative and safer simply to sell the property they own rather than continue to rent it. Those considering building new rentals may now balk at the opportunity altogether.

Proponents of the new ordinance will argue that the fee is critical because it funds the city's Rental Services Office, but the necessity of the office itself is questionable. Most of the office's responsibilities seem to involve explaining the complex landlord-tenant laws passed by the city in recent years, a self-induced problem that could be solved by simply repealing them. In addition, while the office is portrayed as a resource for tenants who are being treated unfairly, the office's website notes that it often refers those in need of help to previously existing nonprofits and advocacy groups, which would help without the city's intervention.

There also are at least two clear structural problems with the ordinance. First, mobile homes, which provided an affordable housing solution long before the city stepped in, will be subject to the fee and will almost certainly see rents rise. Second, the fee's structure makes it an especially steep price to pay for landlords managing large complexes throughout the city, even though city bureaucrats claim that it is a moderate cost.

To use an example from the testimony of one landlord: Seattle, which has a similar program, charges landlords a base rate of $175, plus two dollars for every additional unit they own. So, the owner of a 200-unit apartment in Seattle would pay $575 a year, but an identical building in Portland would be charged $12,000 a year. Landlords most likely will pass along these costs to tenants in the form of higher rent.This new ordinance will do more harm than good. It will raise rents on most people and, more importantly, further constrict the supply of rental housing in the city.

Micah Perry is a Research Associate at the Portland-based Cascade Policy Institute, Oregon's free market public policy research organization. He can be reached at info@cascadepolicy.org.

Survey Finds Tenants Try to Fix Problems in Apartments Without Telling Management

Rental Housing Journal

New research shows "an alarming 100 percent of respondents have tried to fix a problem in their apartment instead of contacting management," according to a survey of more than 1,000 U.S. residents conducted by Entrata and ButterflyMX.

Damage to an apartment is something tenants are reluctant to let management know about, according to the survey. More than a quarter of renters (28 percent) never tell property management about the damage they cause to their apartment. Another 21 percent delay reporting damage for a week or more.

Mechanical issues in an apartment result in a different tenant response

However, nearly 80 percent of residents will report damage caused by mechanical failure or normal wear and tear within three days.

The reasons renters hesitate to report damage vary, including:

• They try to fix it themselves.

• They are too busy and it's not a priority.

• They don't trust management's ability to fix it quickly or well enough.

• They don't want to have to pay for the damage.

• They are embarrassed to report the damage.

• They don't want the manager or maintenance personnel to enter their apartments.

• Communicating the problem to their property is too much trouble.

• They can't afford to pay for the damage.

Tenants are reluctant to report awkward situations

What is the most awkward situation tenants are reluctant to report?

Tenants are most reluctant to report hearing or witnessing domestic disturbances. They are least reluctant to report neighbors "snooping" on other residents. You can see the full results from this portion of the survey at right.

Tenants are concerned about the security of their package deliveries

In a world where more people rely on package deliveries than ever, 89 percent of apartment residents are concerned about packages being stolen from their doorstep.

Nearly half (48 percent) of residents report having mail or packages either incorrectly delivered, not delivered, or stolen.

Of renters who have experienced package-delivery issues:

• 75% – packages never delivered despite multiple attempts

• 71% – packages delivered to the wrong apartment unit multiple times

• 41% - packages stolen off the doorstep multiple times

• 41% - package-delivery issues ruined a Christmas or other surprise

The survey says 25 percent of renters won't inform the apartment office of these issues because they don't trust them to solve the problem.

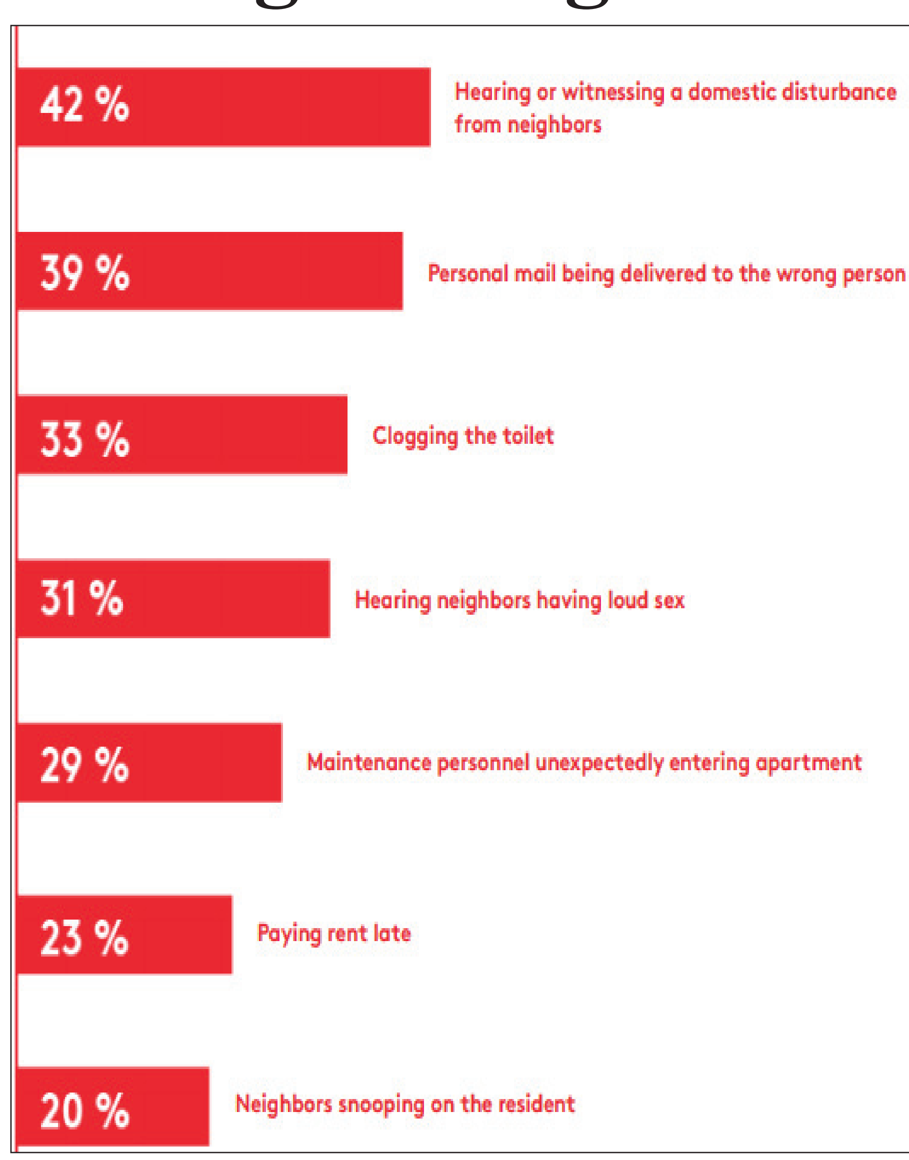
What the survey says about communication preferences

Most residents are able to communicate with their property manager via phone (82 percent), in person (70 percent) and email (48 percent).

But when it comes to alternative forms of communication, less than 30 percent of residents report being able to communicate via text message (29 percent), the apartment community website (26 percent) or an app (6 percent).

Those who are able to use an app to communicate with management report convenience and efficiency as the top reasons for using the app.

Allowing residents to communicate via an app or website can free up leasing office staff, making them available for in-person experiences and giving them the bandwidth to build real relationships with residents, the survey says.



Generated by Entrata and ButterflyMX and fielded in March 2019, the survey collected online responses via Qualtrics from 1,054 U.S. consumers who are over the age of 18 and rent an apartment.

Communicating with Challenging Tenants

By Holly Welles

As a landlord, you may occasionally encounter tenants who bring a range of issues with them, like missing rent payments or keeping pets when the terms of their lease don't allow it. You don't have to dread dealing with problematic renters, though — especially if you put precautions in place to stop bad behavior before it starts. When communicating with challenging tenants, you should practice patience, professionalism and understanding.

It may be tempting to ignore a situation, but this only exacerbates tension and makes the renter likely to move. And although having them move out may sound pleasant, you lose money in the process. Make effective communication your first line of defense before resorting to drastic strategies. If you need guidance on preventing escalation with difficult tenants, check out the five tips below.

1. Lay down clear ground rules

You know how difficult it can be to deal with unclear guidelines. How can anyone follow rules that aren't spelled out? Save your tenants the stress and confusion of accidentally breaking the rules by clearly outlining your property standards. There'll be fewer chances for them to say they broke your policies because they misunderstood them. And if they still don't follow guidelines, you can point out in the contract where they went wrong.

You'll need to be consistent with rule enforcement and introduce penalties for each breach of contract. If your tenants realize they can get over on you, they'll do so. Show there are consequences to inappropriate actions — introduce late fees into your lease contracts. Don't set an unreasonable amount, but make sure it's enough to encourage them to pay on time.

2. Use digital avenues

Tenants should have multiple ways to contact you — such as emailing, calling or text messaging. Some properties have Facebook pages or Google accounts where they can answer questions and respond to reviews. If you implement different platforms for communicating with tenants, give your hourly availabilities for each, so they know which to use when.

For example, you don't want someone calling your phone late at night unless it's an emergency. Similarly, you want to avoid tenants inundating you with concerns during your breaks.

Create a suggestions/complaints form on your website and check it regularly so you can answer any issues. When figuring out new ways to reach your renters, consider the makeup of your audience. For example, 65 percent of millennials and members of generation Z prefer digital communication over face-to-face interaction. Many of your renters may be in this age range — meet them in the middle and communicate in ways that seem natural to them.

3. Be patient with your tenants

Some of your tenants may be the more actively disruptive type, while others create monetary issues like forgetting to send a check or approve an e-payment for rent. Both situations can be frustrating, but you should handle them professionally. Never approach people right off the bat with hostility or tension. People respond better to civility — few will heed the words of someone who insults them or shows an explosive temper.

Explain what they've done wrong and when you need them to fix it. After you've given multiple warnings with no success, it may be time to hand out an eviction notice. Eviction is a lengthy legal process, so be sure this is the route you want to take before starting. Don't hold it over your tenants' heads as a threat, and don't initiate it for minor issues.

4. Set deadlines

Set definitive deadlines and don't waver on them. If the rent needs to be in by a specific date each month, make this clear in the contract. Whether you set a grace period is up to you, but once the rent is late, it's time to take action. Don't wait to address the problem, because the tenant may assume you've forgotten or haven't noticed. This inaction will make them more likely to do it again because they know there are no consequences for it.

Set deadlines for yourself as well. Act quickly on concerns, questions and requests — this shows you care about your renters and want to help solve their problems. People won't seek the assistance of someone they know doesn't deliver. You want your tenants to know you aren't that person. Even if their issue seems minor to you, it's significant to them.

5. Foster respectful relationships

Whether you like them or not, you and your tenants must have a level of mutual respect for your professional relationship to succeed. They should know what you expect while they occupy your property, and what will happen if they disrespect it.

Likewise, it's up to landlords to treat their tenants with decency. Unless they're engaging in illegal activities or disturbing the premises, avoid prying into their personal lives or dropping by their place without notice. This behavior will make them feel like they're under surveillance and may even risk legal action.

No one likes the feeling of being spied on, and if they think they have no privacy on your property, they may decide to take their money elsewhere.

Communicating with challenging tenants

Create a property where tenants are glad to rent by setting reasonable policies and allowing open communication. Remember to handle situations as they come and take the appropriate actions when necessary. Communicating with challenging tenants takes patience, but you will do well if you run your property with strict, but kind, policies.

Holly Welles writes about real estate market trends from a millennial perspective. She is the editor behind The Estate Update, a residential real estate blog, and keeps up with the industry over on Twitter @HollyAWelles.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Are Ceiling Fans in Your Rentals Worth It?

Continued from Page 1

across your skin).

Are Ceiling Fans In Your Rental Property Worth It?

If you have ceiling fans and air conditioning operating, you can turn your thermostat up by four degrees without losing comfort.

Any negatives to ceiling fans in rental property?

Ceiling fans need routine maintenance in your rental property, so be aware of these things:

Inspecting – This should happen at least once a year to ensure everything is working correctly. An inspection of the ceiling fan is fairly easy using a ladder.

Cleaning – While inspecting the fan, you will probably notice a layer of dust. Dust accumulation can reduce airflow, make the fan work less efficiently, and have a negative impact on your health or the health of your tenants.

When cleaning the blades, make sure not to use a product that will take away the finish.

Lubrication – Check with the guide that came with your ceiling fan before adding any lubrication. Typically, you make sure the fan is turned off before adding 4-6 drops of lubrication oil to the small hole located near the motor.

Some models are maintenance-free and don't require lubrication, so make sure to check which kind of model you have.

What can go wrong and need maintenance?

Wobbling – Over time, ceiling fans can start to wobble. There are balancing kits made to fix this specific issue.

Noise – When ceiling fans are making excessive noise, it is usually due to a loose part, or a sign that it needs lubrication. Try tightening up any fixtures or lubricating the motor.

Are Ceiling Fans In Your Rental Property Worth It?

While inspecting the fan, you will probably notice a layer of dust. Dust accumulation can reduce airflow, make the fan work less efficiently, and have a negative impact on your health or the health of your tenants. When cleaning the blades, make sure not to use a product that will take away the finish.

So, are ceiling fans in your rental property worth it?

When looking at the positives and negatives of ceiling fans, the cost of a fan and the small amount of routine maintenance seems worth it if you are able to save money on energy costs. Keep in mind that landlords or tenants are only able to save energy by coupling ceiling fans with air conditioning and raising the thermostat four degrees higher.

Extra tips for ceiling fans in your rental property

1) Don't leave the fan running 24/7. Turn it off when no one is in the room.

2) Make sure the ceiling height is at least eight feet.

3)Ceiling fans can also to warm rooms in the winter by flipping the switch that reverses the direction of the rotation. This makes the air move up toward the ceiling, forcing warm air down into the room.

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Sensory Insights: Sight, Sound and Smell

By Ed Winkler

Beyond price, location and amenities, these are three factors that influence a prospective tenant in their decision to rent from you.

Starting with curb appeal, managers have always known that what the future tenant sees when they enter your property and are engaged by your staff, coupled with the thought you put into their tour path, is of primary importance.

Buying decisions are made every step of the way.

What your tenants hear also plays into their decision-making process. Forward thinking managers have outdoor water features and other natural sound barriers to distract from highway and street noise. Your future, and existing, tenants want to know that they have chosen a home that has the least noise pollution possible.

Music is another way that managers affect the buying decision. The choice of genre influences mood. Classical music in your well-appointed model has an inherent association with quality and sophistication, for example.

Are you an easy-going, laid back management brand? Do you run family-friendly communities with a warm atmosphere? Are you vibrant, edgy and energetic? The tempo,

loudness, and style of the music you play can help communicate your brand's personality to customers as they enter your property. For more information on how sound can make a different see blog.moodmedia.com. For more information on music for businesses go to legismusic.com or us.moodmedia.com.

Unlike sight and sound, what your tenants smell as they engage you in your offices and common areas has taken root in the past two decades. Companies like Scent Air (scentair.com) and Fresh Aire Office Fragrancing and Deodorizing Service (FreshAire.com) have been industry leaders in the northwest and around the country.

Fragrance choice is important when considering crafting the experience you intend for your prospective tenants.

Some management companies that trended toward having a "signature" fragrance for all of their properties have discovered that people typically do not lease based on management company. They decide based on location, price and amenities with sight, sound and smell as subliminal motivators. (Consider these last three as window dressings or icing on the cake!)

While national hotel brands are perfect for a world-wide signature lobby fragrance, apartment management companies that have matured through this trend now know that each of their properties are unique. And each community should select a fragrance based on the demographic that gravitates toward them. 55 and older properties tend toward lobby and community room fragrances that include vanilla tones, for example (vanilla is universally accepted by most), while higher-end apartments that cater toward the college crowd and young, single professionals find that the mango, pineapple and pina colada blends communicate a "buy here, live here: we're young, we're fun" message. Family apartments fare well with warm fragrances that blend cinnamons with tones of nutmeg, citrus and wood.

Regardless of your demographic, accessing the power of sight, sound smell is key in your marketing approach. I encourage you to seek out a national, regional or local provider to assist you in expressing the unique features your community offers.

Ed Winkler is the CEO of Fresh Aire Office Fragrancing and has been blending fragrances for use in businesses since 1995.


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Seattle's Multifamily Boom Continuing

Continued from Page 1

major U.S. metros on a trailing three-month basis, reflecting refreshed strength despite a lingering development boom.

• Demand for working-class Renter-by-Necessity units continued to be robust, with rents in the class advancing 3.5% year-over-year through June, to $1,602. Meanwhile, the average Lifestyle rent rose 2.8%, to $2,210. In the 12 months ending in May, the occupancy rate in Lifestyle assets actually rose 10 basis points to 95.3%, while occupancy in RBN assets dropped 10 basis points, to 95.9%.

• Areas that used to be relatively affordable recorded some of the strongest hikes: Beacon Hill (10.4%), Factoria (8.1%), Woodinville/Totem Lake (6.9%). Bellevue–West ($2,674) and Belltown ($2,636) remained the most expensive, leading the 13-submarket list with average rents above the $2,000 mark.

• Despite continued strong supply, the overall occupancy rate in stabilized properties stood at 95.6% as of May, down just 10 basis points over 12 months. With demand expected to match supply across most submarkets, we expect the average Seattle rent to advance 3.9% this year.

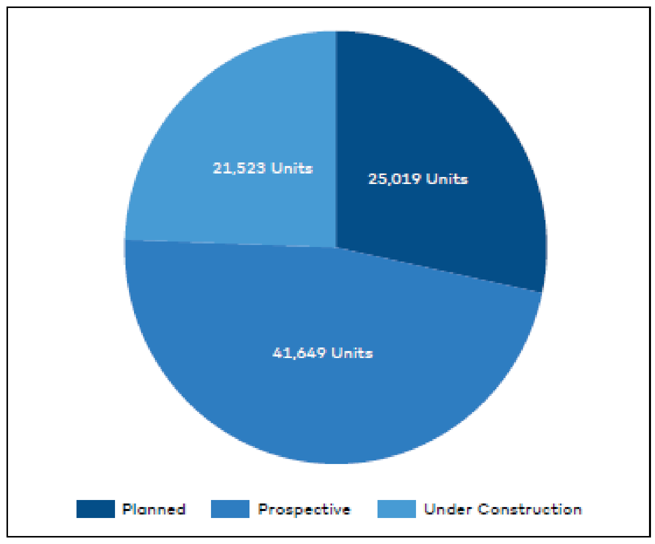
There were 21,523 units under construction across the metro as of June, with more than 8,000 expected to come online by year-end for a new cycle peak.

Boosted by the metro's expansion, developers added almost 50,000 units across nearly 300 projects since the beginning of 2015, three quarters of which are in upscale assets.

• Seattle's construction boom showed no signs of stopping going into 2019 and developers brought online more than 6,300 units in the first half of the year. And while construction continues to focus on upscale product, the city's economy is generating jobs across the board. This, in turn, is likely to put further pressure on low-income households.

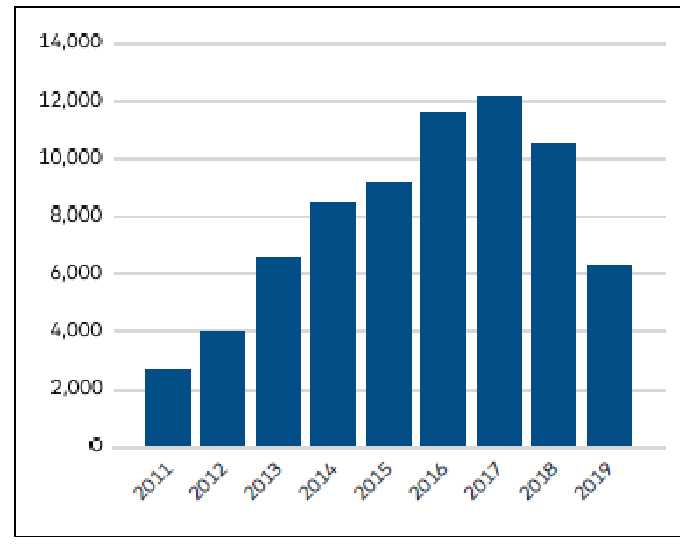
• Although development is spread across the map, four submarkets accounted for more than 40% of all units underway as of June: Belltown (3,018 units), Redmond (2,580), Central (1,393) and First Hill (1,155). Belltown is also home to the metro's largest projects under construction: Onni Real Estate's 1120 Denny Way and Westbank Projects Corp.'s partially affordable 1200 Steward Street. The two upcoming communities add up to 2,178 units.

Development Pipeline (as of June 2019)



Source: YardiMatrix

Seattle Completions (as of June 2019)



Source: YardiMatrix

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

grace hill

TRAINING TIP OF THE MONTH

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?

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.

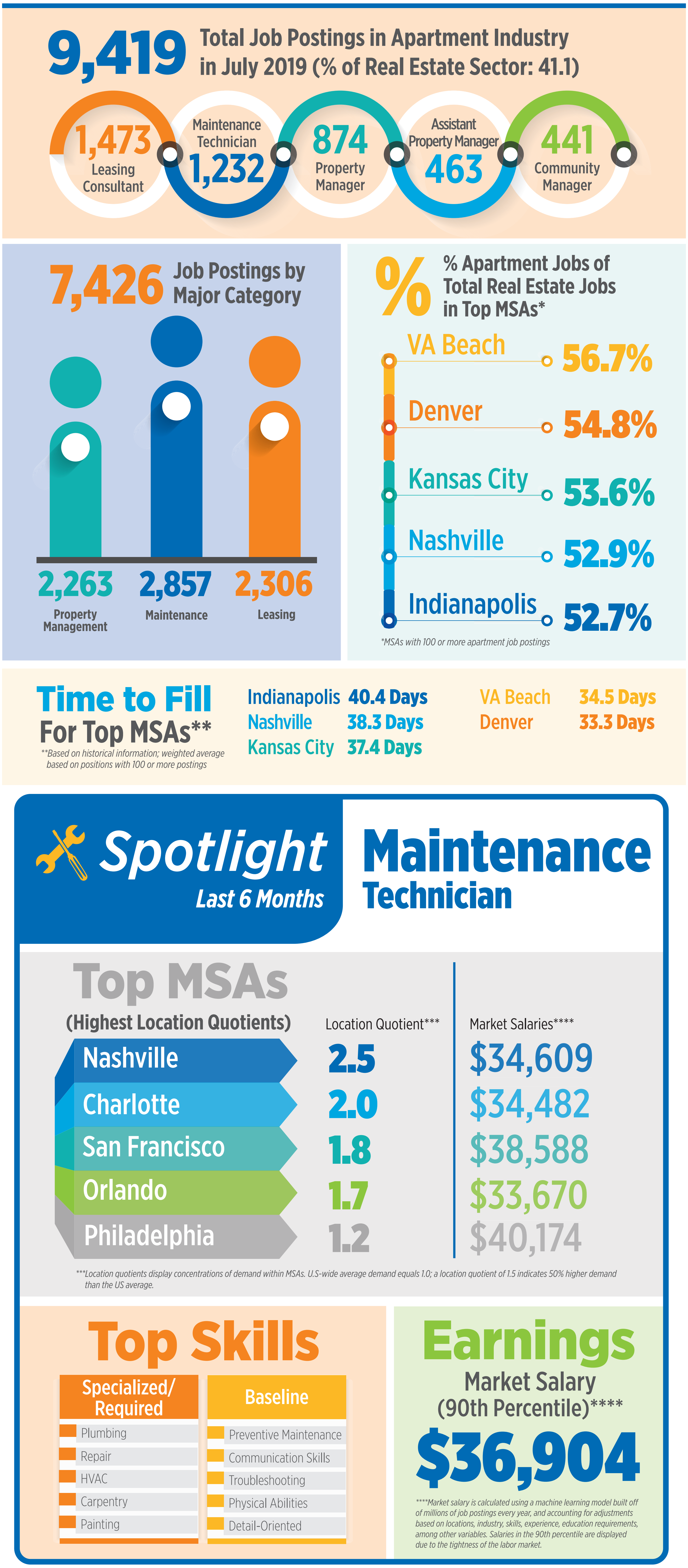
So how can you avoid policies and practices that have a disparate impact on people who are LEP?

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.



NAA NATIONAL APARTMENT ASSOCIATION Education Institute

Apartment Jobs Snapshot

July 2019

High Demand for Apartment Maintenance Technicians

National Apartment Association

Apartment maintenance technician jobs are in high demand according to the latest jobs report from the National Apartment Association (NAA).

Across the country, apartment-maintenance technician jobs show up in the tight labor market with pay of $36,904.

Property managers and landlords are looking for and requiring base skills in the apartment-maintenance technician jobs of:

- Preventative maintenance
- Communication skills
- Troubleshooting
- Detail-orientation
- Physical abilities

There are also specialized skills, such as plumbing and carpentry, that are needed on top of these basic skills.

Demand for apartment workers continues to rise

Healthy levels of new construction coupled with the summer leasing season led to increased demand for apartment workers in July, according to the NAA report.

More than two out of five positions available in the real estate industry were in the apartment sector.

Denver is the only metropolitan area that has ranked in the top five for demand every month this year.

Nashville and Charlotte were showing the greatest concentration of maintenance technician jobs in the July report.

Given the high demand for maintenance techs across the country, market salaries shown reflect the higher end of the pay scale.

National Apartment Association 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.

SOURCE: NAA Research, Burning Glass Technologies, Data as of July 31, 2019. Not seasonally adjusted.

U.S. Apartment Construction Declines in 2019

RentCafe

Apartment construction across the United States is projected to continue slowing down in 2019, according to the latest report from RentCafe.

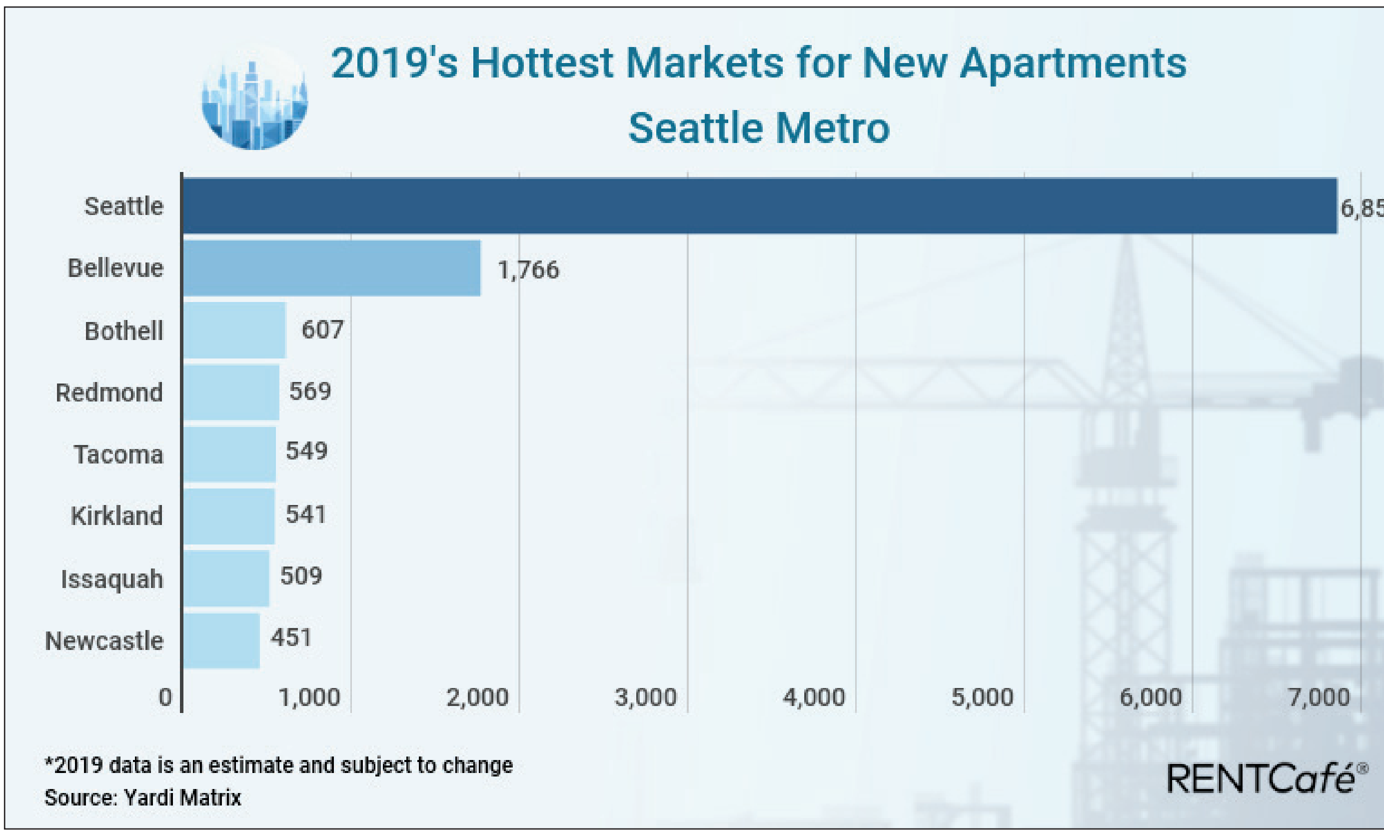
Based on Yardi Matrix market data, there will be an estimated 299,442 new units forecasted to be delivered this year. This marks a significant drop of 8.2 percent compared to 2018, when the total number of deliveries was 326,240, almost matching 2017's nine-year peak of 331,765 new units.

"Rising construction costs and a tight labor supply certainly contribute to a flattening and decline of expected completions, but 2019 is part of a larger trend of developers gearing up for next cycle," said Tara Jeffcoat, senior research analyst at Yardi Matrix, in a release. "Although completions peaked in 2017, there is a significant number of prospective properties in the pipeline."

Highlights of the report:

- Apartment construction slows down compared to last year, from 326,000 new deliveries in 2018 to a projection of under 300,000 in 2019.
- Construction has been thriving in the last decade at 2.3M, but it's no match for the impressive levels seen in the '70s and '80s.
- New York metro is dethroned by DFW metro and Seattle metro in terms of projected apartments for this year.

With construction cranes spread across the city, Seattle is booming with new apartments. Our projected number of deliveries for 2019 is 6,854, which could mean a possible slowdown in rent growth.



Given its strong economy, Seattle should encounter no issues filling up the newly built apartments as the area keeps creating new jobs.

Building considerably less than Seattle, Issaquah is the runner-up, with an estimated 509 new apartments for 2019. It's followed by Newcastle, with an even lower number of 451 projected deliveries.

Compared to last year's projections, the Denver metro is taking it easy, with far fewer units expected to be delivered this year. In 2018, the metro occupied the third place in our Top 20 with an estimated 15,187 new units, while this year it's expected to build about half of that – 6,836, taking the 12th spot in our list.

California, Florida, and Texas each feature three metros in the Top 20, with Texas being represented by DFW metro, Austin metro, and Houston metro, which are higher up in the top occupying the first, fifth, and 10th place, respectively.

The Portland metro, on the other hand, is last on the list, with a projection of 4,448 new units, which is close to last year's estimate of 4,804.

Zigzagging since 2010, the average rent growth has hit the brakes in the last 6 months, witnessing a 2.7 percent increase since 2018 when it went up by 3.7 percent.

The glut of new apartments built in previous years could be one of the reasons for this slowdown, taking the wind out of rent increases.

The influence of new deliveries on rent growth is no new occurrence; whenever supply is abundant, rent growth weakens. A relevant example is the one between 2009-2011, when apartment construction hit its lowest numbers (decreasing from 228,300 to 110,300) while rent growth skyrocketed from -3.7 percent to 2.9 percent.

Is it Time to Repair or Replace Appliances?

Keepe

Replacing rental housing appliances can present serious budget questions, so how do you know when to fix and when to replace appliances?

Rental housing appliances can be major expenses for landlords and property managers, and it can be a stressful time on the budget when the time comes to repair or replace appliances.

Because of the high costs, it's important to know what you're doing when it comes to repairing or replacing your home appliances.

Before even looking at which parts are broken, think about these 3 questions in replacing rental housing appliances:

No. 1 – How old is the appliance?

Typically, the rule is to replace appliances that are more than halfway through their life span and if the cost of repair is more than half of the original cost. This is called the "50-Percent Rule."

No. 2 – Do you need a more energy-efficient appliance?

There should be a black-and-yellow Energy Guide label attached to every appliance. If the old appliance has low energy efficiency, it may be time to consider replacing it to save money in the long run. Tenants will appreciate it if they are the ones paying utility bills.

Some appliances carry an Energy Star label. These labels certify that the appliance is energy efficient and uses about 20 percent less energy than standard models

No. 3 – Do you and your tenants like the style?

Style is a completely personal preference and depends on the unit and your tenants' preferences.

If you want coordination to keep the style of an upper-end rental, it is advised to replace everything at once to keep the design consistent. If you have recently replaced the refrigerator and the dishwasher is looks outdated compared to the fridge, it may be time to replace the dishwasher to keep the look cohesive throughout the kitchen.

Keepe is an on-demand maintenance solution for property managers and independent landlords. We make hundreds of independent contractors and handymen available for maintenance projects at rental properties in the Greater Seattle, Greater Phoenix, Greater San Francisco Bay and Greater Portland areas. We're also expanding. Learn more about Keepe at http://www.keepe.com

7 signs that mean it is time to consider replacing rental housing appliances

1. A dryer is emitting smoke
2. Rust on the sides of an oven
3. Fridge compressor isn't running
4. A washer won't spin or clothes are not getting clean
5. A dishwasher stops its cycle before fully finished
6. The appliance won't turn on
7. High water/electricity bill

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Freezer: 11 years
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Microwave: 9 years
Range hood: 14 years
Refrigerator: 13 years
Washer: 10 years

SOURCE: HouseLogic

Colorado Landlords Charged with Bias Against Families with Children

Rental Housing Journal

The owners and manager of a condominium complex in Gunnison, Colo., have been charged with discriminating against families with children in violation of the Fair Housing Act according to a release from the U.S. Department of Housing and Urban Development (HUD).

The charge further alleges that the condominium management team refused to rent a unit to a fair housing tester who claimed to have a 4-year-old child. Read HUD's charge.The HUD complaint states, "advertisements for the subject property published in the Gunnison County Shopper stated, "1 or 2 people max, both over 40 years of age, no exception."

The tester informed the apartment manager that the apartment would be for herself and her 4-year-old daughter. The manager "told the tester the subject property was an older community, that they like to keep the community rules, and she did not think she could bend the rules for her." The Fair Housing Act makes it unlawful to deny or limit housing because a family has children under the age of 18 or to make statements that are discriminating against families with children.

"It's difficult enough for families to find suitable housing without having their options further limited because they have children," said Anna María Farías, HUD's Assistant Secretary for Fair Housing and Equal Opportunity, in the release. This action "reinforces HUD's commitment to taking appropriate action against housing providers that engage in unlawful practices."

The case came to HUD's attention when Denver Metro Fair Housing Center, a HUD Fair Housing Initiatives Program agency, filed a complaint alleging that the owners of the condominium complex discriminated against families with children when they posted ads in a local newspaper.

"The Fair Housing Act has prohibited 'adult-only' housing since 1989. HUD will enforce the law against housing providers that unlawfully keep out families with children," said Paul Compton, HUD's General Counsel, in the release.

The charge will be heard by a United States Administrative Law Judge unless any party elects for the case to be heard in federal court. If the administrative law judge finds after a hearing that discrimination has occurred, he or she may award damages to the complainant for any losses as a result of the discrimination. The judge may also order other injunctive or equitable relief, as well as payment of attorney fees. In addition, the judge may impose civil penalties to vindicate the public interest.

Portland OKs $60/Unit Fee Over Landlords' Objections

Rental Housing Journal

The Portland City Council passed by a vote of 3-1 a new city ordinance to assess an annual $60-per-unit rental fee to fund the rental-services office.

The council voted 3-1 to approve the fee with Commissioner Amanda Fritz opposed and Commissioner Jo Ann Hardesty absent. Fritz cited concerns about the number of new regulations on landlords as a reason for her no vote. She also questioned leveling a $60 fee on mobile homes as well as apartments.

"I would have supported this if it had come to us last year, before all the other changes," Fritz said. "I agree that we need a rental registration program and that it needs to be funded. However, on top of all of the other additional regulations that we've put on landlords, and the fact that this fee is not going to help pay for universal inspections, which most other rental registration fees do. And also, it's regressive and doesn't exempt the really low-cost housing such as manufactured-home parks. So regretfully I vote 'no', "Fritz said.

Mayor Ted Wheeler said the rental unit fee has "long been a commitment and a priority of mine since I took office, and to help support the office of rental services and establish a system to collect more accurate data of the rental market in Portland."

Quality data, Wheeler noted, is something for which landlords, developers, and tenants'-rights organizations all have pointed out the need regarding rental costs, landlord practices, and the city's supply of rental units.

"This is the way we help fund the program to do that," Wheeler said.

Commissioner Chloe Eudaly said passage of the ordinance will mean, "Portland will join with many other major cities in the country that require a simple registration of rental units. The $60 fee will not fully fund the office, but I believe it should cover the cost of registration and support information referral for landlords and tenants."

Landlords previously objected to the new per-unit fee as just putting more regulation on the backs of landlords, and that the new fee would be passed on to renters.

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

Havlik said for a 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 with the $60-a-unit rate.

"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," he said.


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Questions to Ask When Investing in DSTs

By Steve Haskell
Vice President, Kay Properties and Investments

Investors often approach Kay Properties and Investments to expand their investment research into Delaware Statutory Trusts (DSTs) after speaking with a friend, registered rep, or advisor about the opportunity. Unfortunately, we continue to discover that whoever is advising the client has been providing incorrect or incomplete information. DSTs are sophisticated investment vehicles that require a niche expertise. We have developed a series of questions for investors to ask their DST provider to help prevent making ill-advised investment decisions potentially detrimental to their family's financial security.

HOW MANY INVESTMENTS HAS THE ADVISOR MADE INTO DSTs?

Not all experience is created equal when a DST provider says they have years of experience, they often mean that they have completed a small number of DST investments over many years if investment related experience. We do not consider this to be acceptable when investing in DSTs. A Kay Properties licensed team member is often involved in more DST exchanges in a single year than many DST providers do in their entire career. It is critical for a DST provider to see various types of deals and DSTs in order to gain an understanding of the potential risks to avoid and help the client capture potential opportunities. Oftentimes, the DST provider just lacks the experience necessary to advise the client on DSTs.

HOW MANY SPONSORS DO YOU CARRY ON YOUR PLATFORM?

Many DST providers do not have the time and resources to research the DST sponsor companies in the industry. Therefore, they rely on the few large companies in the industry with resources to spend on marketing, fancy lunches, and a suave financial advisor wholesaler network (the DST sponsor company sales people that meet with financial advisors and pitch them their companies DST products and in turn the financial advisor then pitches the DSTs to his or her clients). As a result, the client may miss out on other DST investments potentially more suitable for the client. We often find that clients over concentrate by placing large exchanges in just 1-3 DSTs, when the client would be more suited diversifying into 5-10 DSTs. The lack of DST 1031 options on the DST provider's platform is often misrepresented by the DST provider. They claim, "these are the only properties that passed their due diligence" when in actuality their lack of options is the result of lack of business volume necessary to put the time, effort and resources into analyzing and visiting the many different DST properties for sale by the many DST sponsors in the space.

WHY DID YOU SELECT TO REPRESENT THOSE SPONSORS ON YOUR PLATFORM?

We often hear from clients that their DST provider told them to go with a specific sponsor due to their track record and time in the industry. However, the DST provider's due diligence is often limited to the marketing material and sales pitches of those few DST sponsor companies. Often, the reason DST providers carry a certain sponsor on their platform has more to due with the sponsor's marketing budget than it does with the quality of the DST. Kay Properties due diligence and analysis team conducts due diligence on every DST it carries on its platform. This includes asset class rejection of risky assets such as hotels and senior care facilities (Kay Properties will not offer these asset classes to our clients), mystery shopping each property, 3rd party reports and market analysis, sensitivity analysis and stress test on cash flow assumptions, and lease audits. Many financial advisors selling DSTs are only one or two man/woman shops that do not have the resources to internally do this level of analysis and underwriting which in turn may leave their investors to pay the price for lack of diligence.

HAS THE SPONSOR EVER MISSED PROJECTIONS OR SOLD A PROPERTY FOR LESS THAN WHAT THEY PURCHASED THE PROPERTY?

When inquiring about Sponsors track record, many advisors will only provide general and often ambiguous statistics that require unpacking to understand. The client should ask her advisor how many times the sponsor sold a property for less than they purchased the property. It is also important to find out how many of the Sponsor's DSTs have missed their cash flow projections. For example, we often see a Sponsor display a positive Annual Rates of Return (ARR), which includes both cashflow as well as property appreciation averaged over the lifetime of the DST. However, they often refrain from informing their clients that that the asset was actually sold at a lower price than it was originally purchased.

SHOULD I DIVERSIFY MORE?

It would be suspicious if an advisor encouraged her client to invest all his money into one stock no matter how exciting the projections. This same wisdom applies to DSTs. Kay Properties and Investments encourages our clients to diversify by asset type, asset class, geography, and sponsor. Additionally, investing in one DST with multiple properties does not equate to a well-diversified portfolio as we have seen portfolio DSTs whereby one bad property dragged down the returns of the entire portfolio. We have also seen some very credible sponsors choose bad properties that end up performing poorly for investors. Therefore, it is always prudent to diversify across multiple sponsors and offerings. Real estate is risky, an investor can lose their entire investment. Diversification is critical to mitigating risk, especially in DSTs. Diversification does not guarantee profits or protect against losses.

MY MORTGAGE IS PAID OFF… SHOULD I REALLY BE LEVERAGING INTO DSTS WITH DEBT AT MY AGE? WHAT HAPPENS IF I WANT TO BE DEBT FREE LATER?

Most DST properties in the market are leveraged at approximately 50-60% Loan to Value. This is fine for investors needing to replace debt due to the 1031 exchange guidelines, however for those investors that are selling their properties debt free we would advise a cautious approach. If the debt free investor exchanges into leveraged DSTs, then they now have the risk of foreclosure and a much higher risk of complete loss of their invested principal. Additionally, when the DST property sells in the future, they will then have to purchase equal or greater value if they choose to do another 1031 exchange. They now no longer have the luxury of staying debt free. Many investors want to reduce their risk potential, unfortunately we see many financial advisors forcing their clients into DSTs with high leverage. This is often because the financial advisor does not have any debt free DST products available. If you already paid off your property you would be well advised to stay debt free and only purchase all-cash debt free DSTs.

For free consultation with a licensed professional at Kay Properties and Investments, email steve@kpi1031.com or call 760.533.7820.

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

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