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Circulated Monthly To Thousands Of Local Apartment Owners, Property Managers, On-Site & Maintenance Personnel

Mystery Maintenance Call of the Month

Bleach Spill in Garage

KEEPE

The latest apartment mystery maintenance call comes from Seattle, where a property manager called in distress with an emergency after a tenant had spilled a jug of bleach on the garage floor.

Due to its highly corrosive nature, the bleach dug through the garage floor and corroded it.

The incident started out when the tenant decided to call her property manager and explain what happened.

It turns out the tenant was simply cleaning out her garage and knocked over the jug of bleach by accident. She was not doing work on the garage on her own, just a routine cleaning.

After the manager called, a worker

See 'Spill' on Page 5

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Survey Shows Job of Property Management is Changing Fast

RENTAL HOUSING JOURNAL

How the job of property management is changing "came through loud and clear" in this year's annual survey of property managers, said Chris Litster, CEO of Buildium, in a recent webinar.

Litster presented the 2020 State of the Property Management Industry Report along with National Association of Residential Property Managers (NARPM) CEO Gail Phillips.

The survey was actually three surveys in one, including 1,738 property managers, 217 community managers, 1,118 tenants and 603 owners and investors in more than 50 cities.

"What we heard loud and clear is that property management has changed," Litster said. "Property management is complex, yes, but what has changed is the environment around it."

He cited five substantial elements in the property management environment, macro trends that have caused the changes:

- **Cost of housing**
- **Legislation and regulation**
- **Industry consolidation and owner mix**
- **Changing tenant demographics and generations**
- **How technology is changing everything**

Property managers offering more services

Across the board, property managers are offering more services than ever before.

This is a way for property managers to diversify their revenue streams and find new ways to demonstrate their value to clients in a shifting market. Of particular note are services like property sales and brokering, financial reporting, building renovation, and investment advice, which have experienced average gains of 14 points over the last three years.

These are the types of services that are taking on new importance as landlords sell rentals, investors acquire rentals, and owners of all types keep a close eye on their properties' profitability.

Growth Opportunities

The survey shows that 48 percent of property managers named growth a top priority this year—an increase of 9 points since 2017.

See 'Survey' on Page 8

Denver Rents Down for 2nd Month

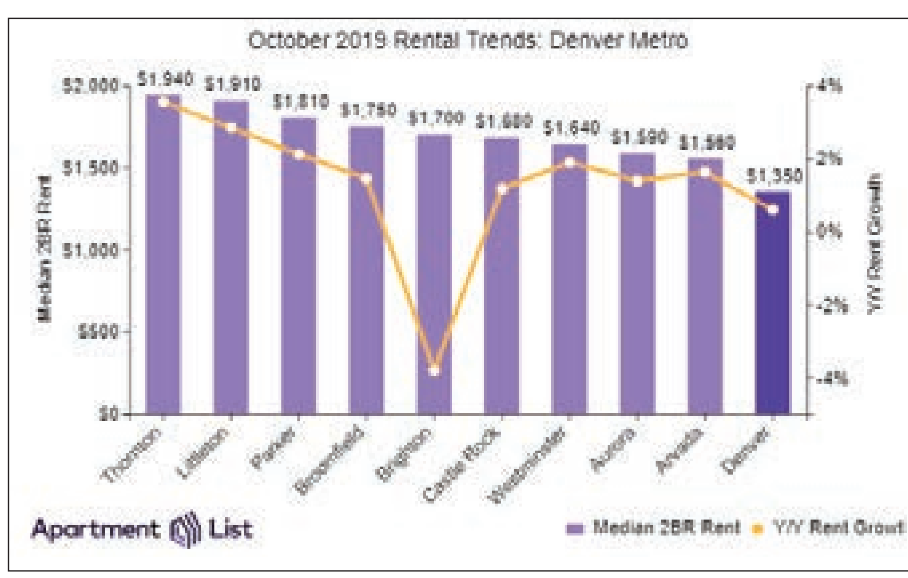
APARTMENT LIST

Denver rents continued downward for the second month in a row, declining 0.6 percent over the past month, according to the most recent report from Apartment List.

Despite the recent downturn, Denver rents are up 0.6 percent year-over-year.

Median rents in Denver are $1,069 for a one-bedroom apartment and $1,354 for a two-bedroom.

Denver's year-over-year rent growth lags the state average of 1.6 percent, as well as the national average of 1.4 percent.



Thornton has fastest rising rent in the Denver Metro

Outside Denver proper, rents have been rising across the metro.

Of the 10 largest cities that Apartment List has data for in the Denver metro, nine have seen prices rise.

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

- Thornton has the most expensive rents in the Denver metro, with a two-bedroom median of $1,941; the city has also seen rent growth of 3.6 percent over the past year, the fastest in the metro.
- Over the past month, Brighton has seen the biggest rent drop in the metro, with a decline of 6.3 percent. Median two-bedrooms there cost $1,703, while one-bedrooms go for $1,344.
- Denver proper has the least expensive rents in the Denver metro.

See 'Denver' on Page 11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The Fundamentals of 1031 Exchanges

By Dwight Kay and the Kay Properties Team

Welcome to 1031 101! If you've come to our metaphorical class here, you likely have a few questions. Chief among them: what is a 1031 exchange? What Qualifies for a 1031 exchange? Why should I do a 1031 exchange? What should I 1031 exchange into? Is there an option if I have a failed 1031 exchange?

WHAT IS A 1031 EXCHANGE?

A 1031 exchange is a procedure that allows the owner of investment property to sell and acquire another "like-kind" property while deferring capital gains tax. The name comes from IRS Section 1031 and has morphed into a verb in the investment real estate world — as in, "Let's 1031 this property for that one."

WHAT QUALIFIES FOR A 1031 EXCHANGE?

While the idea is a simple one, the execution is a bit more complex. There are very specific definitions and timeframes to which users must adhere to qualify for a 1031 exchange.

The most important thing to keep in mind just might be how to define a "like-kind" property. That doesn't mean you must exchange one apartment complex for another; there's actual considerable flexibility there. For instance, you can sell an apartment complex and purchase a retail building, you can sell a retail building and purchase and industrial building, you can sell an industrial building and purchase raw land, etc. However, you can't exchange a property for a business, for example. It's also worth noting that a 1031 exchange can only involve property held for investment, not personal use and, to maximize the benefits of a 1031 exchange, the replacement property should be of equal or greater value than the original.

What's often forgotten in the lead-up to an investment property's sale is how quickly the 1031 clock starts. After that sale, you have 45 days to choose aka identify a property with your qualified intermediary (the escrow like company that holds your exchange proceeds after you sell your relinquished property). From there you must close on that property within 180 days of the sale to qualify for the 1031 benefits.

WHY SHOULD I DO A 1031 EXCHANGE?

You know the saying about death and taxes? Well, at least you can defer one of those with a 1031 exchange. Typically, when you sell an investment property, you're subject to several different taxes. But by trading one like-kind property for another via a 1031 exchange, the IRS lets you defer a considerable amount of taxes.

Without a 1031 exchange, you can be taxed at a rate of 25 percent on all depreciation recapture. Depending on your taxable income, you would owe federal capital gains tax of at least 15 percent and as high as 20%. On top of that is the state capital gains tax which is anywhere from 0-13.3%. Lastly, there is a 3.8 percent Medicare surtax as well.

WHAT SHOULD I 1031 EXCHANGE INTO?

We've already established that you must exchange your investment property for a like-kind property. However, there are many different options for you to execute a 1031 exchange.

The most obvious is trading one property you manage for another. An example: you sell a duplex and purchase a commercial building. In that instance, you're maintaining your role as landlord, which comes with responsibilities such as repairing issues, dealing with individual tenants, property management, asset and property level accounting and processing rent. The role of the investor is very involved.

A slightly more passive approach is to exchange into a triple-net property. In this case, you're leasing your property to a tenant who often agrees to pay the majority of expenses associated with the property. Which can include taxes, insurance and maintenance. But it does not mean the investor just gets to kick back. You are still often responsible for those many needs of a property — including coordinating and paying for repairs, paying property tax bills, processing invoices. The difference from a standard lease is that you are then billing the tenant for those expenses and now tasked with the fun job of tracking down the tenant and getting them to actually reimburse you for them. Our firm has owned many triple net properties over the years and we have to have full time asset management, accounting and legal teams to look after the triple net properties and run them efficiently. For an investor to think that the triple net property option is a passive endeavor is wishful thinking!

If, as an investor, you are looking for a fully passive exchange option, Delaware Statutory Trusts (DSTs) are potentially a good option. A DST is an entity that holds title to a piece of real estate and investors are able to buy in for typically 100k minimum investments. DSTs are used by investors to build a diversified portfolio for their 1031 exchanges whereby they can, for example, on an exchange with $1,000,000 of equity purchase 5 different DSTs in 200k increments. The investor may purchase 200k in a DST that owns a long-term net leased FedEx building, 200k in a DST that owns a long-term net leased Amazon building, 200k in a debt free multifamily DST apartment building in the Nashville metro area, 200k in a DST that owns 1,000 multifamily units among 3 properties in 3 different states and lastly 200k in a DST that owns a long-term net lease industrial building.

Additionally, the trust's sponsor is the asset manager of the property, which involves handling reimbursements from tenants and daily needs, repairing issues, processing rent and invoices, etc. This provides investors with a truly passive approach to their 1031 exchange and a change in lifestyle from the active duties of property management. DSTs are also a great backup plan to keep in mind due to the 1031 exchange's tight timeframe. Because the trust already owns the properties, transactions can often be completed within just a few days.

IS THERE AN OPTION IF I HAVE A FAILED 1031 EXCHANGE?

If a 1031 isn't on the table for you (for whatever reason that might be), the Tax Cuts and Jobs Act of 2007 created a new way to defer, reduce and, in some cases, eliminate long-term capital gains taxes: Opportunity zones. There are more than 8,700 qualified tracts scattered around the country. By investing your capital gains in one of those via a Qualified Opportunity Zone Fund, you will be able to defer any taxable gain until the fund is sold or Dec. 31, 2026, whichever comes first. Five years in, you receive a 10 percent step-up in tax basis with an additional 5 percent step-up after seven years. Hold the fund for at least 10 years and the new capital gains taxes generated from the opportunity fund investment are slashed to zero.

The 1031 exchange is a valuable tool in the real estate investors toolbox and with proper planning and understanding the investor can utilize the features of this piece of the tax code which has been around since 1921. To learn more about 1031 exchanges and your 1031 exchange options utilizing DST, NNN and Opportunity Zones please visit www.kpi1031.com. You will also, upon registering, be sent a free book on 1031 exchanges.

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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Rising Rent Control is Slowing Development

Question #5: An increasing number of jurisdictions recently either have imposed (or strengthened) rent control/limitation or are seriously considering doing so. We would like to know whether this has affected your investment or development decisions.

		Excluding "We do not operate in these markets
We have cut back on investment or development in these markets.	20%	34%
We have made no changes yet but are considering doing so in these markets.	27%	46%
We do not plan any change in investment or development in these markets.	12%	20%
We do not operate in these markets.	42%	N/A

Rental Housing Journal

States and municipalities threatening to or imposing rent control are losing interest from multifamily firms, causing them to reconsider their investment decisions, according to the latest survey from the National Multifamily Housing Council (NMHC).

The NMHC's Quarterly Survey of Apartment Market Conditions, conducted in October 2019, says with the continuing expansion of rent-control legislation 58 percent of survey respondents say they now operate in jurisdictions that have either recently imposed rent control or are seriously considering doing so.

Of respondents who operate in these markets:

• 34 percent have already cut back on investment or development, up from 20 percent last quarter.

• 49 percent are considering cutting back on investment or development going forward.

Despite rent control, the market remains strong

While rent control has led to increased concerns, the survey found that national market conditions remain strong as the Market Tightness (54), Equity Financing (55), and Debt Financing (75) indexes all came in above the break-even level (50). The Sales Volume Index (46) indicated a continued softness in property sales.

"While there has been much speculation recently about a coming recession, these latest survey figures suggest that apartment demand continues to drive rent growth and occupancy," said NMHC Chief Economist Mark Obrinsky in a release.

"Twenty percent of respondents reported improving market conditions, compared to just 12 percent who observed a looser market. Lower interest rates continue to create a more favorable environment for debt financing, as 58 percent of respondents reported improving conditions."

• **The Market Tightness Index** decreased from 60 to 54, indicating improving conditions for the third consecutive quarter. Twenty percent of respondents reported tighter market conditions than three months prior, compared to 12 percent who reported looser conditions. Over two-thirds (69 percent) of respondents felt that conditions were no different from last quarter.

• **The Sales Volume Index decreased from 48 to 46,** with 31 percent of respondents reporting lower sales volume than three months prior. A slightly smaller group – 23 percent of respondents – reported higher sales volume, while 41 percent regarded volume as unchanged. Although the share of respondents indicating increased sales volume was the highest in 5 quarters, the share indicating lower sales volume grew slightly as well, causing the index to remain below 50.

• **The Equity Financing Index inched down from 56 to 55,** marking the eighth straight quarter of relatively unchanged conditions. Eighteen percent of respondents reported that equity financing was more available than in the three months prior, compared to only nine percent who believed equity financing was less available. Meanwhile, the majority of respondents (60 percent) thought that conditions were unchanged in the equity market.

• **The Debt Financing Index decreased from 80 to 75.** For the third straight quarter, the majority of respondents (58 percent) reported better conditions for debt financing compared to three months prior, while eight percent felt that financing conditions were less favorable. More than a quarter (27 percent) of respondents reported unchanged conditions.

About the Survey: The October 2019 Quarterly Survey of Apartment Market Conditions was conducted October 7-14, 2019; 102 CEOs and other senior executives of apartment-related firms nationwide responded.

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California Set to Try Again on Prop 13 Repeal

By Carole Ellis

When Californians head to the polls next November, they will be presented with a ballot measure titled "The California Schools and Local Communities Funding Act" that purports to "restore over $12 billion per year to California's schools, community colleges, health clinics, and other vital local services," as local advocacy group SchoolsAndCommunitiesFirst.org describes it.

If voters opt to pass this bill, they will officially undo proposition 13 property tax protection for Californians on all commercial and nonresidential properties, which may feel irrelevant to many apartment owners and landlords in the state.

However, warned Tracey Hernandez, founding CEO of the Los Angeles-based nonprofit Business Federation (BizFed), this legislation could create a landslide of future initiatives that will not only affect multifamily property owners immediately but place single-family rental owners and their tenants squarely in the crosshairs as well.

"This measure will take all commercial property taxes to a new appraised value to the tune of $11 billion a year," she explained in a session at Standard Management Company's annual "The Magic of Real Estate" conference on October 29, 2019.

"The money will go for a variety of things: 40 percent for education, 60 percent to do a variety of other work. The problem we have is that it is a 'split role,' which means splitting the types of properties and saying, 'Of course, commercial properties and businesses will foot the bill. There is a fault in that argument," she said.

Hernandez warned that many California voters will likely believe single-family rental owners and renters are protected because the bill only raises taxes on commercial properties. However, multifamily properties will, in at least some cases, be included in that tax hike. Those costs will be passed, at least in part, on to tenants as property owners struggle to meet rising tax bills.

"People may say that single-family rentals are protected, but…landlords and renters will be right around the corner for the next tax increase," Hernandez added.

History of Prop 13

The California legislature passed Proposition 13 in 1978, and the measure has held despite multiple attempts to repeal it over the years. It has often been called the "third rail" of California politics because repealing it has historically been extremely unpopular. However, targeting commercial properties instead of residential ones could be the first step in successfully rolling it back.

The act, officially titled The People's Initiative to Limit Property Taxation, limits the tax rates for real estate by assessing values at 1976 value and restricting annual increases of assessed value to an inflation factor that cannot exceed 2 percent per year. When Prop 13 passed, it received enormous publicity across the country and likely contributed to the 1980 presidential election of Ronald Reagan.

If California lawmakers succeed in repealing the act, this will likely also reverberate across the country as other states and cities with high property values attempt to adjust their own tax codes to access previously protected property tax revenues.

Rent Control Measures Go into Effect on a Local Level in California

Danielle Peretz, director of government affairs and external relations for the Apartment Association of Greater Los Angeles, also commented on legislation aimed at California landlords during the conference. California governor Gavin Newsom recently signed a statewide rent control bill into law that will cap annual rent increases and extend other "rent control protections" starting in 2020, but the ramifications of the legislation are already in full effect.

"The issue of rent control is not just a state issue, it is a local issue as well," Peretz said. "Both Los Angeles County, Inglewood, and Culver City are among the local areas working toward permanent ordinances.

"For example, Inglewood will be considering moving toward an ordinance that would cap rent increases at 8 percent and include relocation assistance," Peretz said.

She also noted that local areas are moving immediately to counter potential landlord strategies to raise rents before the statewide bill goes into effect on January 1, 2020. These countermoves include an LA City Council decision to prohibit 60-day notices that took effect on October 24, 2019 and applied to any 60-day notice already in effect, thereby voiding everything back to August.

The state and local legislation governing rent rate increases have created a windfall of positive publicity for the governor and other legislators promoting their efforts to combat housing affordability issues in the notoriously unaffordable state. It is likely lawmakers in other markets dealing with similar issues may mimic the regulatory moves if the positive press continues.

BizFed.org often works with the Apartment Association of Greater Los Angeles to share information among business associations and real estate-related groups in the Los Angeles area. "We share fast-moving intelligence, know when things are moving, promote brand-new ideas, and strengthen the voice of business," Hernandez said.

Carole Ellis is the editor-in-chief of Self-Directed Investor magazine, a national print and digital publication for investors using their retirement accounts to invest in alternative assets, including real estate and private mortgage notes. Learn more at SDImagazine.com or email Carole at Carole@selfdirected.org.

Spill in Garage Proves Costly

Continued from Page 1

was assigned and got to the garage in about an hour to assess the extent of the corrosion.

After inspecting the damage to the garage floor, they did the following:

- Patched the corroded floor.
- Cemented the entire garage floor to restore it to its original condition.

The repair project took about four to five hours and cost $399, which included $89 for materials.

This was an expensive job for an accidental spill of a jug of bleach, and led to a lengthy dispute between the property manager and the tenant over who would pay the cost.

In the end, the tenant agreed to be the one to cover the cost.

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

How To Find a Contractor You Can Trust

By Corey Brewer

Vendor relationships are a critical component of a successful property management operation, whether you manage one home or thousands.

Timely, effective, cost-efficient repairs are good for you, good for the owner's bottom line, good for your tenants, and good for the sanity of everyone involved.

So how do you find a contractor you can trust, and trustworthy vendors?

Establish some qualification criteria – set the bar and only work with vendors who meet your standards.

Work only with contractors who are properly licensed and insured. If someone is unwilling to show you their current documentation, move on to the next immediately.

Use your state association for research, such as the Washington State Department of Labor & Industries. This is where you would see if the contractor has had a history of complaints or violations, so look for red flags here.

Assuming you have done your homework and found a contractor who looks good on paper, the next step would be to look up online reviews (BBB, HomeAdvisor, etc.) and obtain some references from former and/or current clients, or from a property manager who already uses them regularly.

At our firm we perform an annual audit of our vendors (more than 400 of them) and remove any who get consistently negative feedback, whether it be regarding customer service, quality of work, or pricing.

For larger jobs, you might consider a site visit to personally see any work that the contractor has performed (or has currently under way). And finally, a strong understanding about expectations should be in place, and it should be in writing.

Contractors should discuss issues with the property manager, not the tenant. A good contractor will understand that while a home may be occupied by a tenant, he or she is working on behalf of the owner. This means that if unforeseen problems occur on a job, or the cost/scope becomes more than the original estimate, the vendor should be discussing what to do next with YOU and YOU ALONE (not the tenant).

Payment timelines are also important, as landlords may or may not have enough funds in their operating account readily available until next month's rent checks arrive. So be clear on payment due dates to ensure you'll be able to pay on time when the invoice arrives.

As with so many other things in our industry, it's best to agree to these terms in writing prior to working being performed.

With any luck you'll compile a list of vendors in multiple industries who you can trust to do good work at fair prices and are quick to act when you call on them.

4 Easy Steps to Furnish Your Short-Term Rental Or Your Airbnb

By Lily Miller

Here are four easy steps to furnishing your short-term rental or Airbnb short-term rental to create a home-like appeal, in contrast to feeling like a traditional hotel room.

Guests who like traveling on their own or who are there just for a few days need a pleasant place to sleep with excellent wi-fi and a bit of advice on public transport or places to visit if they have time to do so. One suggestion: equip your rentals with anything one might need on their stay, from cutlery to city maps.

However, as any landlord would know, that kind of look that seems welcoming and effortless actually takes effort to create. Good online rankings and comments don't come from you just having a place with a bed available for rent.

So to help out landlords with their short-term rentals, here are four pieces of advice to easily make your rental more desirable.

No. 1: Consider the lighting

A large percentage of Airbnb guests are couples on a romantic getaway wanting to explore the city and spend some quality time together.

It would be thoughtful to consider the lighting sources in the place so they won't be greeted by harsh, unpleasant light. Also, from the perspective of a homeowner, you should definitely opt for LED lighting since it provides more lighting for less energy and will influence your electricity bill significantly.

As for the lighting arrangement, in the living room, you might want to go with soft white tones so that guests can watch TV or make plans about which parts of the city to visit. For the bedroom, you should invest in ambient lights to set a relaxing mood, so no harsh overhead lights or any over-the-top light displays because the lights need to be subdued and gentle.

No. 2: Combine cozy and practical

Forget about minimalistic sinuous furniture, which may look great but is uncomfortable. And honestly, people are not even certain how to sit without sliding off of it.

In the living room, go with a solution that doesn't take up too much space and that has a storage option so that the room is always neat. To achieve that balance, use modular couches that come with shelves and are luxurious-looking but incredibly flexible in the sense that pieces can be moved. Your guests will like the fact that they can rearrange the couch based on their needs as well as being able to use its accessories to charge their smartphone wirelessly.

In the bedroom, your main focus should be on providing a quality bed – nothing is more appreciated by guests than a great night's sleep. Then you can focus on making the room cozy and aesthetically pleasing.

No. 3: Add some artsy details

It's true that you can't please everyone, but your short-term rental will be more popular if it has a unique atmosphere about it as opposed to looking like a big hotel room

You can achieve that homey vibe, for example, by creating a travel corner so that you can place trinkets from different countries you visited; your guests might be coming from all around the world, so they might find it interesting. Otherwise, you can have different posters and interesting photographs framed and placed on the walls. Kitchen utensils and mugs don't have to come from the same set – mix-and-match has a rustic appeal. Your guests will value those little things because they would make them feel more comfortable, and more inclined to give you a high rating.

One caution: Don't use fragile figurines and vases; they're just accident waiting to happen, especially if the place is pet-friendly. If you must, make sure they're on a high shelf.

No. 4 – Place plants around the place

You can achieve that homey vibe, for example, by creating a travel corner so that you can place trinkets from different countries you visited; your guests might be coming from all around the world, so they might find it interesting. Otherwise, you can have different posters and interesting photographs framed and placed on the walls. Kitchen utensils and mugs don't have to come from the same set – mix-and-match has a rustic appeal. Your guests will value those little things because they would make them feel more comfortable, and more inclined to give you a high rating

Lilly Miller is a Sydney-based graphic designer and a passionate writer. Loves everything about home decor, art history and baking. Shares home with two loving dogs and a gecko named Rodney. You can find her hanging out on Twitter.

Survey Shows Job of Property Management Is Changing

Continued from Page 1

"Growth is the top priority," Phillips said, and "the importance of efficiency has rebounded this year." Profitability expectation was lower.

Though fewer property managers reported portfolio growth in 2019 than in years past, 70 percent did add new properties to their portfolios in the last 2 years.

Portfolio loss has prevented many property managers from achieving significant growth recently, with a strong seller's market motivating some rental owners to sell their properties. In response, property managers have found innovative ways to generate more revenue without adding new doors, from expanding their services to retooling their fee structures and more.

"However, another piece to the profitability question that has really exploded is legislation and regulation," Phillips said. "There are a lot of changes that are going on here and I just want to note we are looking through the lens of how it impacts our industry. This is not about politics. This is how these policy changes impact our economy. "

Phillips read a response from a participant in the survey that said, "So as laws become more restrictive we are forced to take additional precautions in our leasing processes and resident-retention policies. This is not always perceived well by owners and residents."

Phillips said in an effort to combat housing-related issues NARPM is seeing "a lot of new regulations pop up, and we are trying to work with our localities. This is just the beginning."

Top Priorities

Property managers are laser-focused on growth and efficiency above all else—as they have been for four years straight, according to the survey

In our recent seller's market, growth hasn't come naturally, the survey says.

Property managers have had to fight to maintain their profitability and client base—their third and fourth most-selected priorities for the coming year. In addition, many have renewed their focus on effective communication with their residents, owners, and employees, needed in this fast-moving era where technology both facilitates and hinders relationships.

FAST FACTS ABOUT DENVER

PROPERTY MANAGERS

IN THE LAST 2 YEARS:

79%
experienced revenue growth

67%
experienced portfolio growth

IN THE NEXT 2 YEARS:

88%
anticipate revenue growth

91%
anticipate portfolio growth

TOP PRIORITIES FOR 2020:

1. Growth
2. Efficiency
3. Organization

TOP SERVICES PROVIDED:

1. Rent collection
2. Leasing
3. Inspections

WHAT'S IN THEIR PORTFOLIOS:

57% multi-family rentals

94% single-family rentals

40% association properties

FAST FACTS ABOUT COLORADO SPRINGS

PROPERTY MANAGERS

IN THE LAST 2 YEARS:

89%
experienced revenue growth

68%
experienced portfolio growth

IN THE NEXT 2 YEARS:

68%
anticipate revenue growth

82%
anticipate portfolio growth

TOP PRIORITIES FOR 2020:

1. Efficiency
2. Growth
3. Communication

TOP SERVICES PROVIDED:

1. Rent collection
2. Maintenance
3. Leasing

WHAT'S IN THEIR PORTFOLIOS:

60% multi-family rentals

100% single-family rentals

27% association properties

The Future

"Property management increasingly resembles the hospitality industry," Phillips said in the webinar. "The role is becoming more of a consultant, especially as regulations complicate things for the landlords. Relationships are still the most important thing despite all prop-tech hype," she said.

"Customers are drawn to high-touch, personalized experiences," she said. "It should all be in service to a strategy that creates great tenant experience and customer experience," she said.

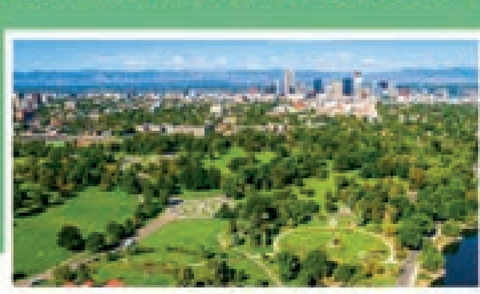
In addition, a few takeaways:

"First and foremost, make sure you ground every decision you make in the experience and relationships you are seeking to create with your owners and managers.

"Remember, focus on your local expertise. Property management cannot be handled on a national level. Awareness of local market trends matter.

"Diversify your revenue stream, and most of all keep learning and stay connected and take advantage of the learning opportunities out there for you," Phillips said.

Denver/Aurora/Lakewood, CO



METRO POPULATION: 2,932,415

RESIDENTS GAINED FROM DOMESTIC MIGRATION PER DAY: 47

MEDIAN 1-BEDROOM RENT (Rentonomics) **$1,078**

MEDIAN 2-BEDROOM RENT (Rentonomics) **$1,365**

RENTAL VACANCY RATE **3.8%**

MEDIAN HOME VALUE (Zillow) **$421,400**

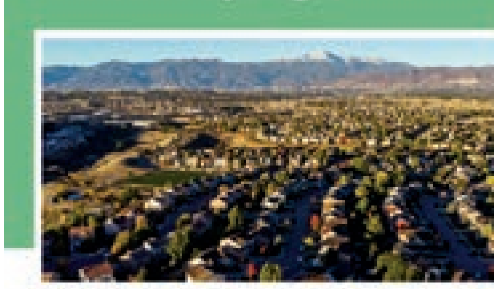
MEDIAN HOME LIST PRICE (Redfin) **$515,000**

YEAR-OVER-YEAR RENT GROWTH (Rentonomics) **1.1%**

YEAR-OVER-YEAR HOME VALUE GROWTH (Zillow) **1.5%**

ANNUAL MEAN WAGE (Bureau of Labor Statistics) **$59,440**

Colorado Springs, CO



METRO POPULATION: 738,939

RESIDENTS GAINED FROM DOMESTIC MIGRATION PER DAY: 23

MEDIAN 1-BEDROOM RENT (Rentonomics) **$979**

MEDIAN 2-BEDROOM RENT (Rentonomics) **$1,263**

MEDIAN HOME VALUE (Zillow) **$294,600**

MEDIAN HOME LIST PRICE (Redfin) **$372,500**

YEAR-OVER-YEAR RENT GROWTH (Rentonomics) **2.5%**

YEAR-OVER-YEAR HOME VALUE GROWTH (Zillow) **6.7%**

ANNUAL MEAN WAGE (Bureau of Labor Statistics) **$51,430**

Don't Drop the Baton

'Finishing the Race' with Bad Tenants

Brad Kraus
Attorney, Warren Allen LLP

Imagine you entered a relay race, competing with one other team for a prize you desire. You've ran hard, persevered, but rather than cross the finish line and prevail, you decide to throw your baton backwards. Sounds crazy, doesn't it?

Some Landlord/Tenant disputes can feel like grueling marathon races, with eviction actions denoting the finish line. Successful landlords cross the finish line first by avoiding mistakes in the lead up period. Many Landlords stumble during the race or right before they are set to cross the finish line, often due to inexperience or a lack of knowledge of the procedures involved.

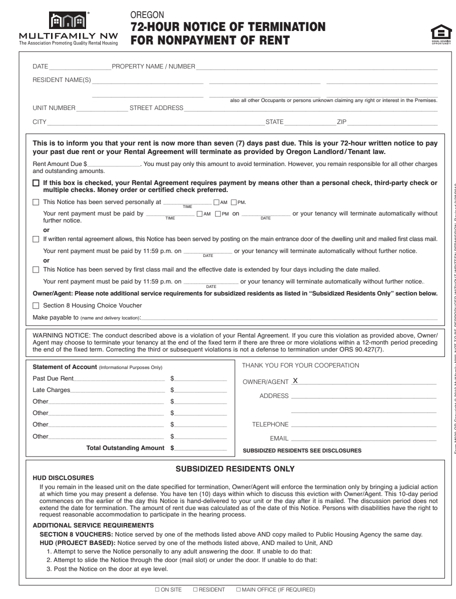
Two common mistakes often befall landlords: (a) service of notices at improper times, and (b) actions taken which undermine the Landlord's position of strength in an eviction case. For example, I've seen many landlords serve termination notices after they've already terminated tenancies or when termination dates are rapidly approaching. The latter termination notices can unnecessarily extend the finish line by shifting termination dates out into the future.

Assuming the Landlord does the right thing and files an eviction action on the uncured 72-Hour Notice, a court-enforceable Stipulated Agreement within this process provides the Landlord with the strongest rights.

The Landlord can dictate the terms of the Agreement from both a fiscal prospective, but also with provisions related to conduct. If the Tenant fails to comply with the terms, a Declaration of Noncompliance can be filed, and the tenancy can be terminated through the courts.

Another common Landlord misstep involves actions that undermine rock solid Stipulated Agreements in FED actions. For example, some Landlords—with a court-enforceable agreement in hand—unknowingly serve Notices for tenant defaults of that very court-enforceable Stipulated Agreement. If the Notice of Termination extends or waives the Agreement's deadlines, the landlord again shifts the finish line and makes the race unnecessarily harder. These Landlords ran the race . . . but failed to cross the finish line.

Being a Landlord can feel like a rat-race in and of itself. It's rarely easy, and troublesome tenants make it harder. The best landlords are constantly "training": they update their legal knowledge, keep their forms current, and optimize their termination and eviction strategies, whenever the occasion calls. At the same time, they don't trip themselves up. Successful landlords understand the marathon nature of some landlord/tenant disputes and adhere to strategies that ensure their position at the finish line. With troublesome tenants, your goal should always be to position yourself favorably within the confines of the eviction statutes. Within that setting, if the Tenant fails to perform as required, finishing the race is easy. However, it's important to cross the finish line with your baton . . . rather than throw said baton (i.e. your rights/remedies) into the river.



MULTIFAMILY NW
The Association Promoting Quality Rental Housing

OREGON
72-HOUR NOTICE OF TERMINATION FOR NONPAYMENT OF RENT

DATE ________ PROPERTY NAME / NUMBER ________

RESIDENT NAME(S) ________ ________ ________

________ ________ ________ also all other Occupants or persons unknown claiming any right or interest in the Premises.

UNIT NUMBER ________ STREET ADDRESS ________

CITY ________ STATE ________ ZIP ________

This is to inform you that your rent is now more than seven (7) days past due. This is your 72-hour written notice to pay your past due rent or your Rental Agreement will terminate as provided by Oregon Landlord/Tenant law.

Rent Amount Due $________. You must pay only this amount to avoid termination. However, you remain responsible for all other charges and outstanding amounts.

☐ **If this box is checked, your Rental Agreement requires payment by means other than a personal check, third-party check or multiple checks. Money order or certified check preferred.**

☐ This Notice has been served personally at ________ (TIME) ☐AM ☐PM.

Your rent payment must be paid by ________ (TIME) ☐AM ☐PM on ________ (DATE) or your tenancy will terminate automatically without further notice.

or

☐ If written rental agreement allows, this Notice has been served by posting on the main entrance door of the dwelling unit and mailed first class mail.

Your rent payment must be paid by 11:59 p.m. on ________ (DATE) or your tenancy will terminate automatically without further notice.

or

☐ This Notice has been served by first class mail and the effective date is extended by four days including the date mailed.

Your rent payment must be paid by 11:59 p.m. on ________ (DATE) or your tenancy will terminate automatically without further notice.

Owner/Agent: Please note additional service requirements for subsidized residents as listed in "Subsidized Residents Only" section below.

☐ Section 8 Housing Choice Voucher

Make payable to (name and delivery location): ________

WARNING NOTICE: The conduct described above is a violation of your Rental Agreement. If you cure this violation as provided above, Owner/Agent may choose to terminate your tenancy at the end of the fixed term if there are three or more violations within a 12-month period preceding the end of the fixed term. Correcting the third or subsequent violations is not a defense to termination under ORS 90.427(7).

Statement of Account (Informational Purposes Only)

Past Due Rent	$
Late Charges	$
Other	$
Other	$
Other	$
Other	$
Total Outstanding Amount	$

THANK YOU FOR YOUR COOPERATION

OWNER/AGENT X ________
ADDRESS ________
TELEPHONE ________
EMAIL ________

SUBSIDIZED RESIDENTS SEE DISCLOSURES

SUBSIDIZED RESIDENTS ONLY

HUD DISCLOSURES

If you remain in the leased unit on the date specified for termination, Owner/Agent will enforce the termination only by bringing a judicial action at which time you may present a defense. You have ten (10) days within which to discuss this eviction with Owner/Agent. This 10-day period commences on the earlier of the day this Notice is hand-delivered to your unit or the day after it is mailed. The discussion period does not extend the date for termination. The amount of rent due was calculated as of the date of this Notice. Persons with disabilities have the right to request reasonable accommodation to participate in the hearing process.

ADDITIONAL SERVICE REQUIREMENTS

SECTION 8 VOUCHERS: Notice served by one of the methods listed above AND copy mailed to Public Housing Agency the same day.

HUD (PROJECT BASED): Notice served by one of the methods listed above, AND mailed to Unit, AND

1. Attempt to serve the Notice personally to any adult answering the door. If unable to do that:
2. Attempt to slide the Notice through the door (mail slot) or under the door. If unable to do that:
3. Post the Notice on the door at eye level.

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

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72-Hour Notice of Nonpayment of Rent: This form can be served as early as the eighth day the rent is past due. It notifies tenants that unless their rent is paid within 72 hours, lease will be terminated. That timeframe is extended by 3 days if mailed. The form requires tenant to pay only current month's rent to avoid termination. Late fees and other charges can be recouped using a Notice of For Cause Termination.

Filling Out Applications Before a Property Tour

Dear Landlord Hank: Do you give tenants a tour of your vacant rentals before they fill out an application? Or do you require an application before you give a tour? We charge a $30 application fee. **— Tim**

Dear Landlord Tim: I insist that tenants see THE vacant unit they would be living in prior to filling out an application.

I do prescreen on the phone before I set up a showing to make sure these are possible tenants, and they desire the rental we have in the time frame we want to rent it.

I ask if the tenants have seen our internet advertising with photos and details so they know what to expect. I find out how many people would be renting and how soon they need a property.

Also I make sure they don't have pets, if not pet friendly, etc.

Then I set up a tour and if the clients are interested, I provide an application and explain the application process.

I would not want to waste time processing an application for someone that may not want the unit.

***

Dear Landlord Hank: How do you handle tenant roommates and guests?

How to handle tenant roommates and guests is the question this week for Landlord Hank on how he handles

the situation as a landlord and property manager.

This question keeps coming up from landlords again and again, so Hank is taking on the answer again. He is not giving legal advice, just how he handles it himself as landlord and property manager.

This is an on-going situation for most landlords, I think.

Now that the economy is better and more rentals are available I'm actually seeing less of "doubling up or extra unauthorized roommates."

I can't speak to legal matters but a great lease will help the landlord in this situation. I always address this situation up front, verbally, with the tenants, concerning guests and the amount of time a guest can stay, per the lease.

In my lease, it is 72 hours that a guest can stay without PRIOR written consent of landlord.

I ask tenants if they plan on having anyone else living with them, up-front, family or not. I make sure all occupants are on the lease by name.

I've made the mistake in the past of allowing a tenant to get a roommate when my tenant lost one of her two jobs and couldn't make the rent.

I told my tenant she'd have to have a rental agreement with her roommate and this roommate would have to be screened and accepted by me but she would be responsible if anything went wrong.

The situation went bad after about a month and the tenant had to evict her roommate and then I had to evict her.

A very messy situation and one best not to be involved in.

Tenants and roommates can get injunctions or restraining orders against each other if things go really bad.

I shy away from roommate rentals and suggest you do as well.

If a tenant does have an unauthorized guest or tenant, this should be a clear violation of your lease.

In this situation, I would give my tenant a "7-day notice of non-compliance with lease with opportunity to cure."

This is a legal notice stating tenant is in violation of lease and must remedy the situation by having an unauthorized tenant leave within 7 days.

If tenant doesn't provide proof that "guest" is gone, then I'd file "7-day notice of non-compliance notice of termination" meaning that tenant will be evicted in 7 days due to this violation of the lease.

This is a trying time in our job of property manager and landlord, but it must be done.

Don't be soft and allow your lease to be violated.

Your kindness will be repaid with having to do this chore a short distance down the road, so you are only putting off the inevitable.

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: https://rentsrq.com

10 Maintenance Items To Check This Fall

Rental Housing Journal

The maintenance checkup this week provided by Keepe focuses on 10 rental property maintenance items to check this fall in and around your property.

Maintaining your rental property on a seasonal basis allows you to charge the maximum rent from your tenants, maintain a safe property and ensure that your vacancy rates stay low.

Checking for inexpensive maintenance issues also allows you to identify any potential problems and damages before they lead to expensive repairs.

During your fall season maintenance check-in, prioritize these maintenance duties to ensure your property is in tip-top shape.

No. 1 – Inspect heating and ventilation

Avoid expensive repairs by inspecting your HVAC systems at least twice a year. Replace filters in ventilation systems, remove debris from airways and exam heating elements for leaks to ensure safe operation. Additionally, you should cover the exterior HVAC units to prevent snow and cold from coming in.

No. 2 – Inspect the machines in your building

Ensure that your gym equipment, laundry machines, service elevators and other systems are running safely and efficiently within your building. Maintaining these systems also greatly improves your tenants experience at your property.

No. 3 – Maintain curb appeal

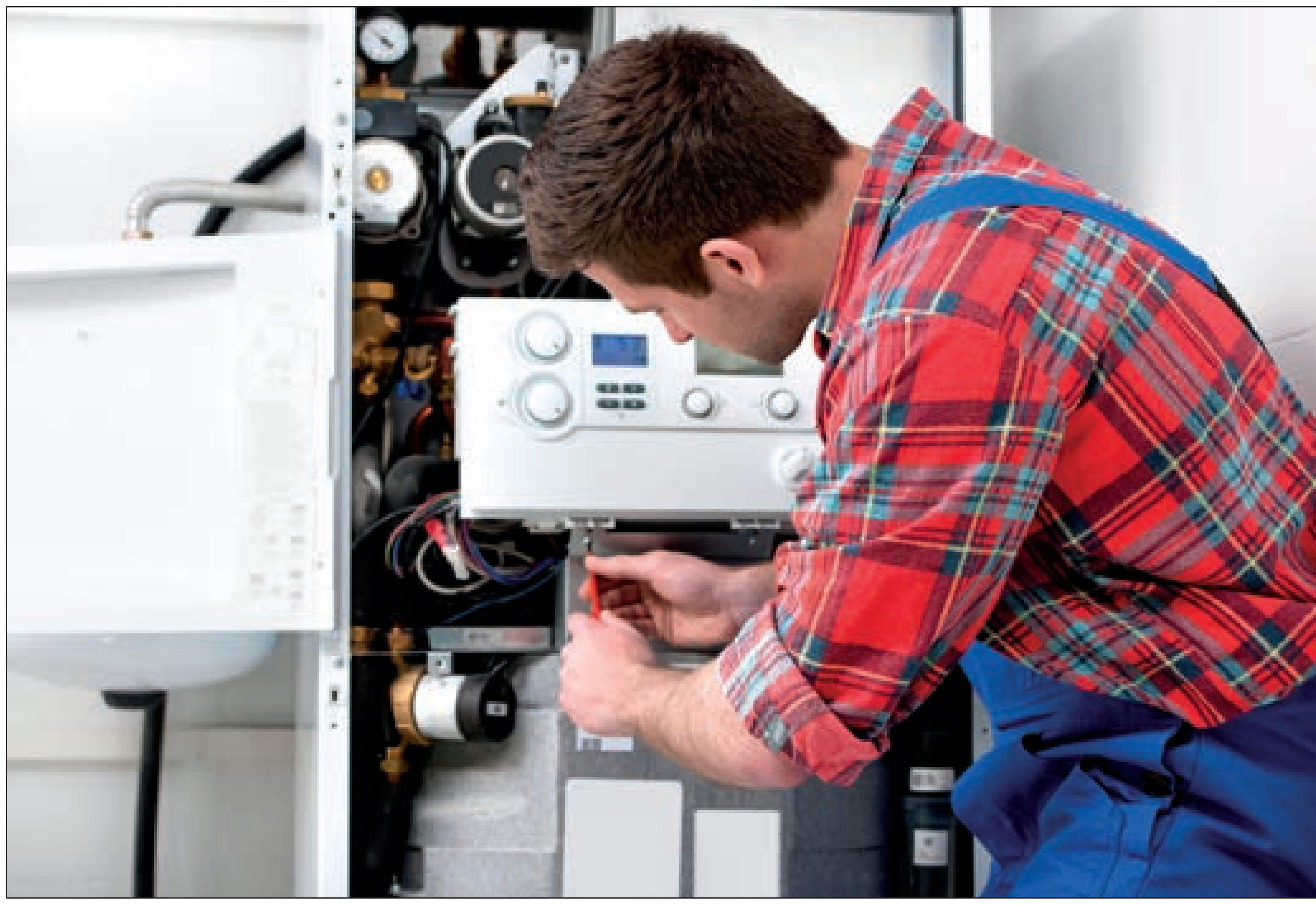
Clean the windows and clean and/or repaint the exteriors of your property. Invest in your landscape to ensure your property is looking its best by incorporating visually pleasing plants and vegetation around your property.

No. 4 – Clean and inspect water-related features

To avoid issues with your downspouts and gutters, clean debris to avoid backups during the fall and winter season. Treating water systems and drainage are always much easier take care of before issues occur.

No. 5 – Upgrade common areas

Every five to seven years, upgrade features such as the flooring, carpets and paint on the walls that are in the common areas and hallways of your building to maintain a clean and modern ambiance.



No. 6 – Chimney sweep

If your property has a functional fireplace, now is the best time to conduct a chimney sweep and ensure that any obstructions are cleared. Make sure smoke can get out and cold air can't flow in.

No. 7 – Landscape maintenance

Maintain the shrubs, trees and fertilization surrounding your property while also removing any plants or vegetation that may interfere with your curb appeal. Removing large objects and unnecessary tree vegetation will also reduce the likelihood of extreme wind related damage to your property.

No. 8 – Inspect for cracks and leaks

Replace the stripping on windows, seal any cracks, and prevent drafts and leaks from entering at the bottom of the doors by correcting them with a door piece. This simple inspection can decrease your reoccurring electric bill – or your tenants' complaints about their high bills.

No. 9 – Fire safety

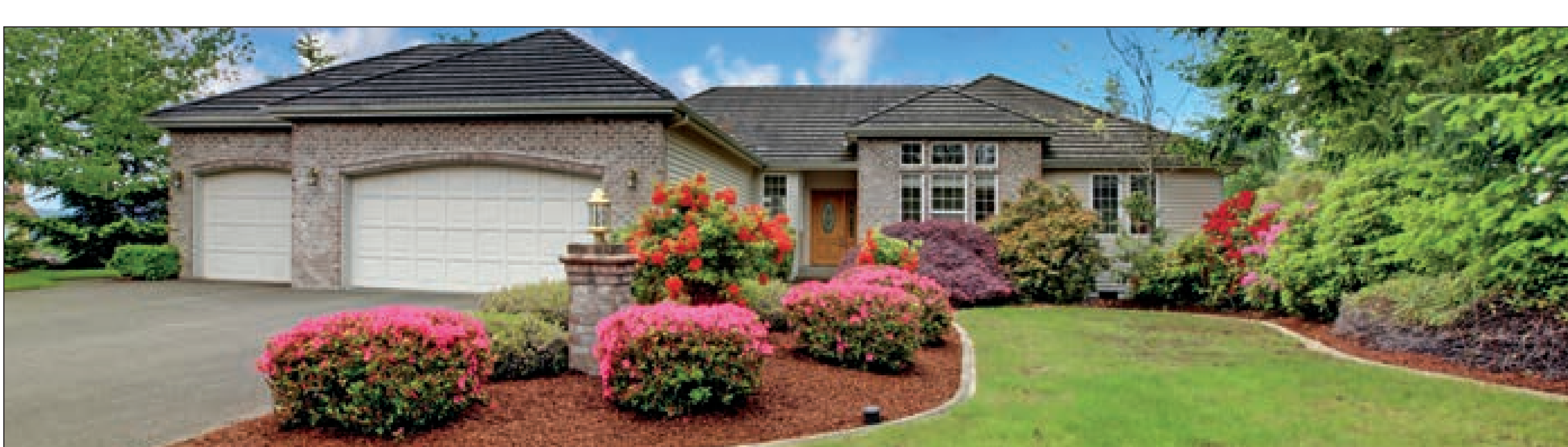
Replace the batteries in all of the smoke detectors within your property. Home fires are more common during the winter than any other time of the year so ensure that you practice your fire evacuation plan for your tenants during the fall season as well.

No. 10 – Get residents involved

Let your tenants check for property maintenance services that they are responsible for – such as checking their own smoke detectors, windows, etc. If everyone helps out, your fall maintenance will go more efficiently.

Summary

Preserve your property with these preventative maintenance tips and find that your property will be in better shape in the short-term and long-term. Schedule routine proactive inspections and you will save much time and money down the road.



Denver Rents Down for 2nd Month in Row

Continued from Page 1

Colorado Springs rents rise for 9 straight months

While Denver has declined, Colorado Springs rents have headed up recently, increasing 0.7 percent over the past month.

Colorado Springs rents are up by 3.2 percent year-over-year.

Median rents in Colorado Springs are $986 for a one-bedroom apartment and $1,272 for a two-bedroom.

This is the ninth straight month that the city has seen rent increases. Colorado Springs' year-over-year rent growth leads the state average of 1.6 percent, as well as the national average of 1.4 percent.

City	Median 1BR price	Median 2BR price	M/M price change	Y/Y price change
Denver	$1,070	$1,350	-0.6%	0.6%
Aurora	$1,250	$1,590	-0.8%	1.4%
Thornton	$1,530	$1,940	0.5%	3.6%
Arvada	$1,230	$1,560	0.5%	1.6%
Westminster	$1,300	$1,640	1%	1.9%
Broomfield	$1,400	$1,750	-0.2%	1.4%
Castle Rock	$1,330	$1,680	0.5%	1.2%
Parker	$1,430	$1,810	0.3%	2.1%
Littleton	$1,510	$1,910	-0.1%	2.8%
Brighton	$1,340	$1,700	-6.3%	-3.8%
Englewood	$1,210	$1,540	-0.2%	1.3%
Wheat Ridge	$1,000	$1,270	0.7%	1.8%
Golden	$1,290	$1,620	3.1%	4.1%
Lone Tree	$1,600	$2,020	0.8%	1.7%