DECEMBER 2019

RHJ RENTAL HOUSING JOURNAL
INSIGHT FOR RENTAL HOUSING PROFESSIONALS

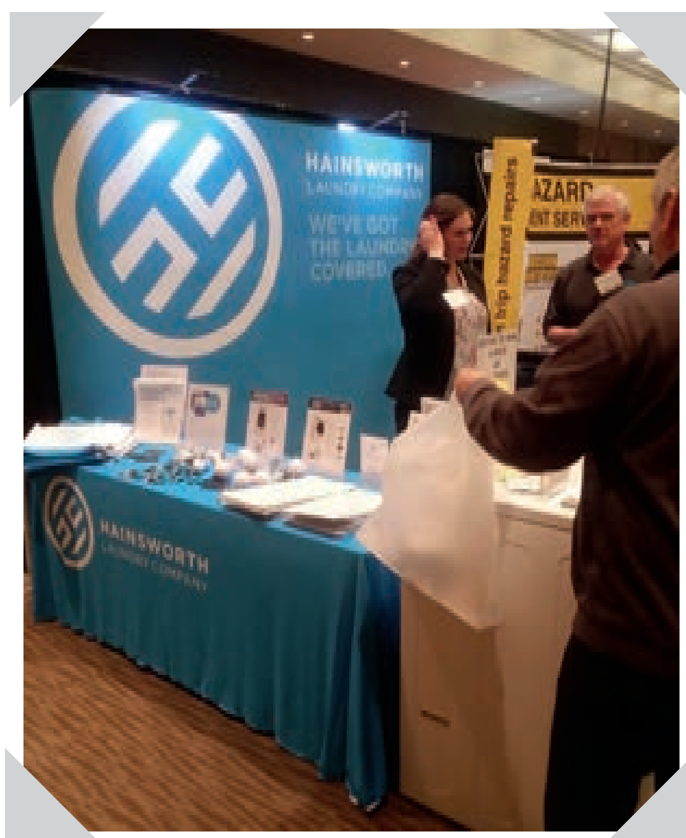
ON-SITE

www.rentalhousingjournal.com • Rental Housing Journal, LLC

Mailed Monthly To Puget Sound Apartment Owners, Property Managers & Maintenance Personnel
Published in association with Washington Association, IREM & Washington Multifamily Housing Association

Scenes from TRENDS

It was great to see so many friends among the vendors and attendees at the 35th Annual Trends Conference and Trade Show in Seattle on Dec. 10. Among them (clockwise from top left): Hainsworth Laundry Company, Great Floors, Apartment Advantage, and WASH. Congratulations to the show's organizers for another stellar event. See you all next year!



SEASONAL SLOWDOWN

Rent Growth, Demand for Multifamily Housing Stalls

YARDI MATRIX

Rent growth and multifamily demand for housing remains strong and consistent despite a seasonally driven $3 decline in the average rent in November, according to the latest report from Yardi Matrix.

Average rents fell slightly in November to $1,473 per month as the winter seasonal slowdown starts to take hold.

Rents are up 3.1 percent year-over-year and have been at 3.0 percent or higher since the spring of 2018, which demonstrates the strength and consistency of demand, the report says.

The seasonal slowdown is expected to continue through early 2020, but substantial demand for multifamily housing remains, and rent growth will likely accelerate again in the spring.

See 'Rent' on Page 5

PRSRT STD
US Postage
P A I D
Sound Publishing Inc
98204

Rental Housing Journal, LLC
4500 S. Lakeshore Drive, Suite 300
Tempe, Arizona 85282

Large Apartment Owner Weidner Drops Facebook Marketing for its 260 Properties

Rental Housing Journal

A Kirkland, Washington-based owner of apartment homes has decided to drop Facebook marketing its properties to better protect privacy and data for its residents and business operations, according to a release.

Weidner Apartment Homes, the nation's 15th largest owner of apartment homes, which owns and operates more than 260 buildings, and 56,000 units across North America, has dropped Facebook.

The action is not in response to any previous data breach, but is a preventive measure to ensure better privacy for its business operations and residents, the company said in a release.

"Some of Facebook's business practices have come into question, and we reevaluated whether to continue using Facebook to market our properties," said Jack O'Connor, chief executive officer, in the release.

Decision to drop Facebook marketing for apartments

"We have withdrawn from Facebook based on factors such as the unpredictability in how it applies its policies, privacy protection for users, and tactics used in selecting data to share with others," O'Connor said. "This action demonstrates how Weidner refines and improves our efforts to create meaningful engagement, while elevating our ability to conduct business in a thoughtful and trustworthy manner."

Weidner made the decision based on issues associated with Facebook including user privacy, data breaches, frequently shifting advertising practices, and a lack of transparency. As a result, the privately held company will stop using Facebook by January 1, 2020.

The decision to drop Facebook marketing affects Weidner's business use of the social media platform for marketing and advertising. The policy will obviously not restrict Facebook to residents for their personal use. Weidner's marketing vendors will not be allowed to use Facebook for Weidner property marketing.

Weidner will utilize Yardi, a property management software system, to create resident communication groups, similar to Facebook Groups.

Weidner's goal is to continue to build community by using safe, secure, and easy-to-use methods and tools rather than trying to keep up with an ever-changing space potentially compromising the privacy of the company's customers and the business, according to the release.

O'Connor said Facebook is still experiencing growing pains and may explore opportunities to correct these issues with time. Weidner will monitor Facebook and its partners to see if it will become a more reliable and viable platform to use in the future.

Founded in 1977, Weidner Apartment Homes is consistently ranked among the top apartment owners throughout the United States and Canada.

How a Regular Maintenance Schedule Can Help Busy Landlords

By Corey Brewer

"Failing to plan is planning to fail."
—Benjamin Franklin

The day-to-day life of a landlord or property manager can be difficult to predict, which is part of the fun of the job, but it also means you can be caught off guard.

It's a little more reliable to predict monthly, seasonal, and annual management cycles.

Proper planning will put you in the best position possible to handle maintenance needs as they arise at your properties.

The most common "routine" maintenance items are typically landscaping and pest control.

The exact frequency and timing will, of course, depend on the property itself, but these items will often require attention each month or each quarter. Shop around to find a plan that works.

The time of year will dictate how often the grounds need attention, and what kind of work is to be done. During winter months, when the grass isn't growing, perhaps the focus shifts to leaf cleanup or pressure washing, for example.

Seasonal maintenance can take many forms, from window-washing to gutter-cleaning to the all-important "periodic" or "routine" inspections.

Best practice at our management firm is to visit our properties at least twice per year to test smoke and CO alarms, look at plumbing connections, and so on. Another common seasonal concern will be to winterize, and then de-winterize, sprinkler systems (or pools and hot tubs if applicable).

Annual maintenance will likely include a check on the major functions of the home, such as a furnace tune-up.

It's always good to take a look before heading into the colder months so you can try to avoid emergency repairs or even replacement, and some vendors may offer lower pricing during off-peak times of year. Again, on a property-specific basis, you may have additional concerns such as snaking drains and checking for root growth, or pumping a septic system.

Over the long-term life of the property there are going to be other concerns such as paint, flooring, and appliances.

Generally speaking, the "useful" life spans of these elements in a rental property are as follows:

- Interior paint is about 4-5 years.
- Carpet is about 7-10 years.
- Common household appliances are about 10-12 years.

Budgeting for these types of expenses in advance will soften the blow when it comes time to update, repair, or replace.

Other considerations will be the care of the roof, deck, railing, fence, and any other elements that can wear over time.

Map out a plan, and look for reliable vendors that you can (if you're happy with their work) bring back year after year, as they'll become familiar with the unique quirks of your property.

Justice Department Sues California City, County Over Rental-Housing Ordinance

Rental Housing Journal

A rental housing ordinance designed to target criminal activity has led to a lawsuit by the U.S. Department of Justice charging a violation of the Fair Housing Act, according to a release.

The Justice Department suit alleges the city of Hesperia, California, and the San Bernardino County, California Sheriff's Department discriminated against African-American and Latino renters in violation of the Fair Housing Act.

The lawsuit alleges that the city, with substantial support from the sheriff's department, enacted a rental housing ordinance with the intent of addressing what one city councilmember called a "demographical problem" – the city's increasing African-American and Latino populations – resulting in the evictions of numerous African-American and Latino renters.

The ordinance, which was in effect between Jan. 1, 2016 and its amendment on July 18, 2017, required all rental property owners to evict tenants upon notice by the sheriff's department that the tenants had engaged in any alleged criminal activity on or near the property. The complaint further alleges that the sheriff's department exercised its substantial discretion in enforcement to target African-American and Latino renters and areas of Hesperia where ethnic minorities made up the majority of the population.

Evictions more likely for minority renters

The Justice Department's lawsuit is based on an investigation and charge of discrimination by the U.S. Department of Housing and Urban development (HUD), which found that African-American and Latino renters were significantly more likely to be evicted under the ordinance than white renters, and that evictions disproportionately occurred in majority-minority parts of Hesperia.

According to the complaint, HUD determined that African-American renters were almost four times as likely as non-Hispanic white renters to be evicted because of the ordinance, and Latino renters were 29 percent more likely than non-Hispanic white renters to be evicted. Sheriff's department data showed that 96 percent of the people the sheriff's department targeted for eviction under the ordinance in 2016 had lived in majority-minority census blocks.

HUD determined that reasonable cause existed to believe the city and county engaged in illegal discriminatory housing practices.

Rental-property registration ordinance required property owners to give names of tenants to sheriff

The complaint alleges that, in addition to the eviction mandate, the ordinance required all rental property owners to register their properties and pay an annual fee; submit the names of all adult tenancy applicants to the sheriff's department for a background screening; use a commercially available service to conduct at their own expense a criminal background check of their tenants; and subject their rental properties to annual inspections by police. Failure to comply subjected owners to fines.

The lawsuit alleges that the Sheriff's Department used the ordinance to target African American and Latino renters and tenants living in majority-minority areas of Hesperia. The United States' complaint alleges that, in enforcing the ordinance, the sheriff's department notified landlords to begin evictions of entire households for the conduct of a single individual, including in cases where tenants were victims of domestic violence. Those evicted included young children who were not accused of any wrongdoing.

"The Fair Housing Act prohibits local governments from enacting ordinances intended to push out African-American and Latino renters because of their race and national origin, or from enforcing their ordinances in a discriminatory manner," said Assistant Attorney General Eric Dreiband in the release.

"The United States Department of Justice will continue zealously to enforce the Fair Housing Act against anyone and any organization or institution that violates the law's protections against race, national origin, and other forms of unlawful discrimination."

Rent Growth, Demand for Multifamily Housing Stalls

Continued from Page 1

Seattle continues to see negative growth in the winter

• With 320,000 units absorbed to date, this is the sixth straight year with more than 250,000 units absorbed.

• Rent growth remains strong across the board, with metros in the Southwest, Southeast and California dominating the top 10 of the rankings.

• The Pacific Northwest shows seasonal weakness in several metros, with three-month drops of 0.4 percent or more in Seattle, San Francisco and San Jose.

Seattle – along with San Jose and San Francisco—posted sharply negative growth over the last three months. For reasons that are not entirely clear, these metros have developed the same pattern of larger-than-average seasonal changes in recent years, with high growth in the summer and rent declines in the winter, according to the report.

"Overall demand in all of these markets remains extremely high, and none have extreme winters, so the pattern doesn't have an obvious explanation," the report says.

"Rents may be affected by new deliveries that tend to come online in the fall. Job growth and in-migration continue to be strong in the Pacific Northwest, so we would expect rent gains to pick up again in the New Year."

Phoenix, Las Vegas and Sacramento tops in growth

The Southwest and West continue to exhibit the highest rent growth, producing the strongest gains. Job growth and strong in-migration continue to fuel the desert Southwest.

• Phoenix: 7.5 percent

• Las Vegas: 6 percent

• Sacramento: 5.3 percent

Despite anxiety, multifamily rent growth is forecast by employment, occupancy and supply

"Commercial real estate performance has been stellar for about eight years and demand is strong, and rents continue to grow in most segments.

"At the same time, property values are at all-time highs and debt markets are functioning smoothly, with healthy deal flow and few delinquencies.

"The industry, however, isn't used to lengthy periods of uninterrupted success, which leads to anxiety about the other shoe dropping," Yardi Matrix says in the report.

• Nearly a decade into a very positive cycle for commercial real estate, many in the industry are wondering how long it can last and looking for signs of weakness.

• Although transaction underwriting and debt levels are not as frothy as they were in 2006-07, investors are getting very little premium for high-risk assets such as value-added properties and mezzanine loans.

• Market players should keep abreast of the possible economic headwinds and develop strategies to deal with such events.

It is a hard time for businesses to plan when there is so much uncertainty about government rules and regulations.

"With the next presidential election a year away, policies could change soon. For the time being, however, the economy remains set to expand at a 2 percent plus real rate, enough to power the real estate expansion forward," Yardi Matrix says in the report.

Yardi® develops and supports industry-leading investment and property management software for all types and sizes of real estate companies. Established in 1984, Yardi is based in Santa Barbara, Calif., and serves clients worldwide.

ON-SITE

Publisher/General Manager
John Triplett

Editor-in-Chief
Linda Wienandt

Associate Editor
Diane Porter

Vice President/Sales
Terry Hokenson

Accounting Manager
Patricia Schluter

Rental Housing Journal is a monthly publication of Rental Housing Journal, LLC.

Website
www.RentalHousingJournal.com

Mailing Address
4500 S. Lakeshore Drive, Suite 300
Tempe, AZ 85282

Email
info@rentalhousingjournal.com

Phone
(480) 454-2728 - main
(480) 720-4386 - ad sales

Seattle Rents Remain in Seasonal Decline

Apartment List

Seattle rents dropped 0.5 percent over the past month, continuing for the second month in a row a seasonal decline, according to the latest report from Apartment List.

While there was a decline, Seattle rents are up 1.6 percent year-over-year.

Median rents in Seattle are $1,348 for a one-bedroom apartment and $1,679 for a two-bedroom.

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 of them have seen prices rise.

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

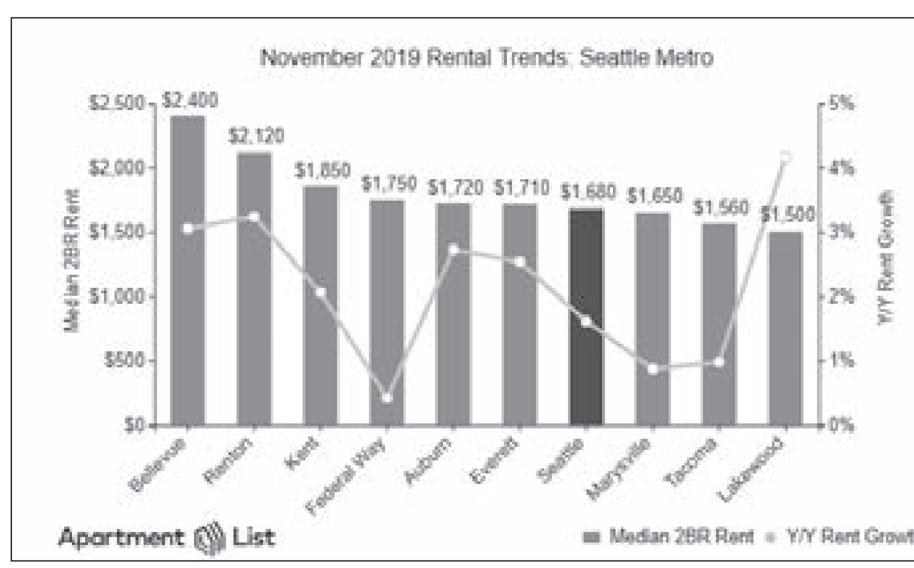
• Lakewood has the least expensive rents in the Seattle metro, with a two-bedroom median of $1,503; the city has also experienced the fastest rent growth in the metro, with a year-over-year increase of 4.2 percent.

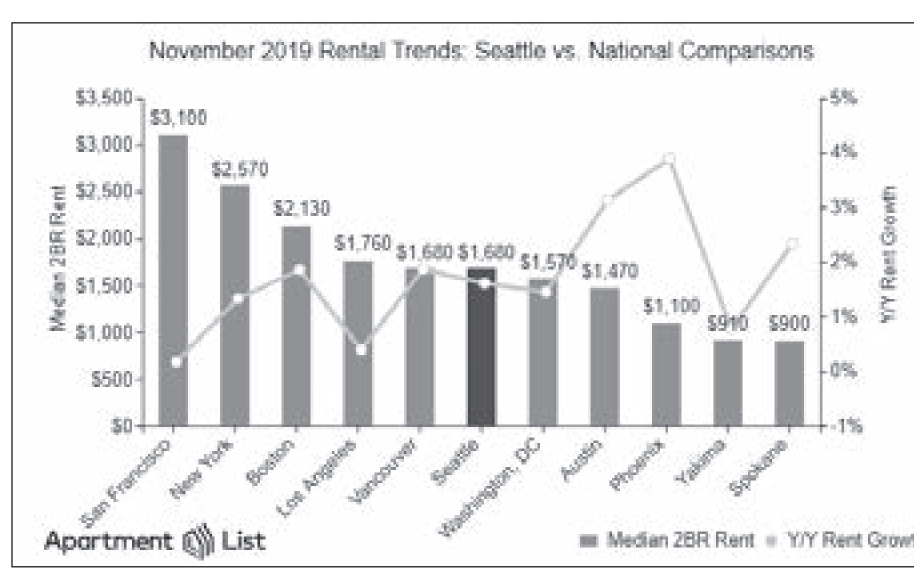
• Bellevue has the most expensive rents in the Seattle metro, with a two-bedroom median of $2,399; however, the city has also seen rents fall by 0.8 percent over the past month, the biggest drop in the metro.

Rents increased moderately in other cities across the state.

Washington as a whole logged rent growth of 1.8 percent over the past year.

For example, rents have grown by 2.3 percent in Spokane and 1.9 percent in Vancouver.





Seattle Now Ranks in Top 5 Markets for Rental Housing Jobs

National Apartment Association

Seattle now ranks in the top five markets nationally for rental housing jobs, according to the latest jobs report from the National Apartment Association (NAA).

Apartment-job demand is high in Seattle and apartment job openings represent more than 51 percent of all real-estate-related jobs in the metro area. It takes on average about 39 days to fill those job openings in Seattle, according to the NAA's Education Institute.

Across the country, 12,389 rental housing jobs were available during November, representing over 39 percent of the broader real estate sector. Seattle emerged among the top five markets for apartment-job demand for the first time this year.

Denver ranked in the itop five for the seventh month, where time to fill available positions was only 33.6 days.

Maintenance areas were the major category of jobs with the most postings.

There was also high demand for leasing consultants.

Assistant property-manager jobs in the spotlight

Assistant property-manager jobs are in the spotlight this month in the NAA report and in Seattle; those jobs pay about $43,000 per year.

In addition to requiring property-management skills, employers are looking for individuals who have experience with customer service, Yardi Software, budgeting, and bookkeeping skills.

Market salary is calculated using a machine-learning model built off of millions of job postings every year, accounting for adjustments based on locations, industry, skills, experience, and education requirements, among other variables.

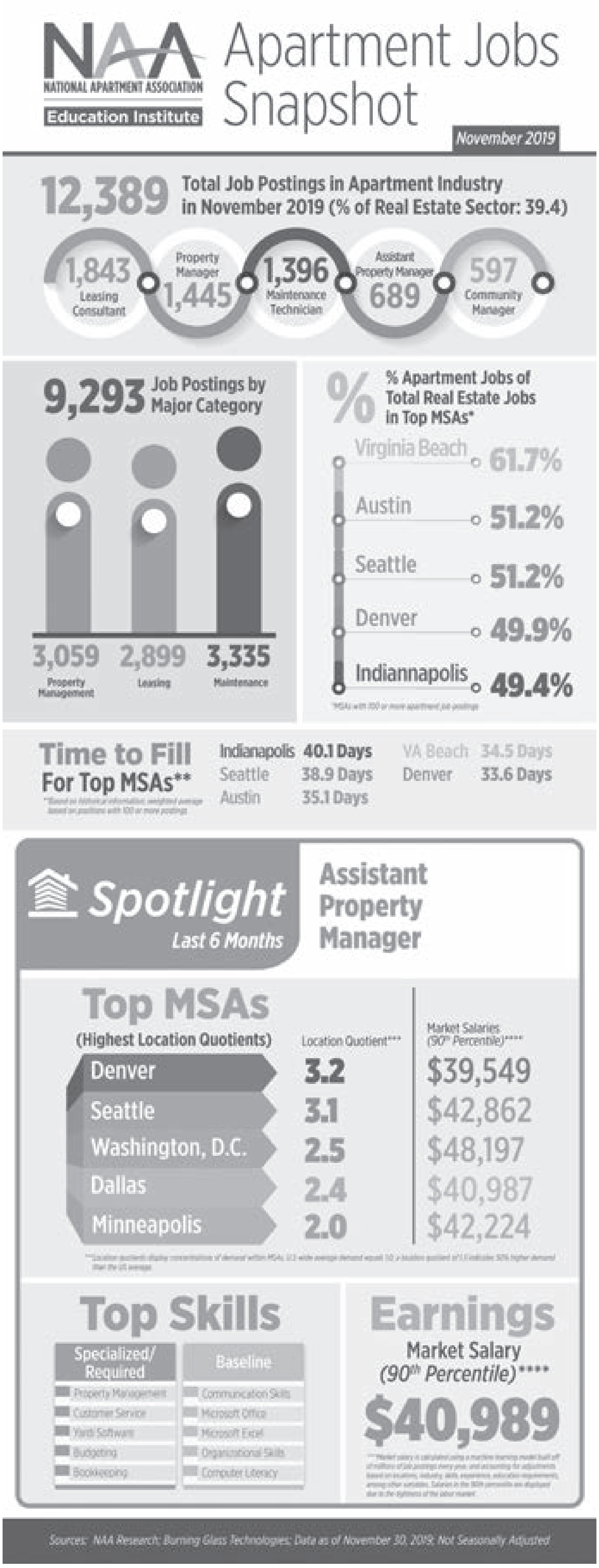
Salaries in the 90th percentile are displayed due to the tightness of the labor market.

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." So 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.



How Rent Control Limits Owner Profits and Maintenance in Portland and Seattle

National Apartment Association

A new rent-control modeling study that includes Portland and Seattle shows how the combined effects of limiting rents and deterring new construction work to reduce owner profitability.

The National Apartment Association (NAA) engaged Capital Policy Analytics (CPA) to model its impacts on four metropolitan areas, all of which have had increasing calls for rent control during the past two years: Chicago, Denver, Seattle and Portland.

CPA used the Oregon rent-control legislation as a likely precedent for other governments and chose to examine the imposition of a similar limit, excluding inflation, on the amount of annual growth in rental prices. The rent growth cap in Oregon limits the increase in rent to seven percent plus inflation as measured by the Consumer Price Index (which varies widely across years and regions of the country).

The study says rent-growth caps affect the apartment industry in several ways, each of which is estimated in the model.

Here are some of the effects in the rent-control study

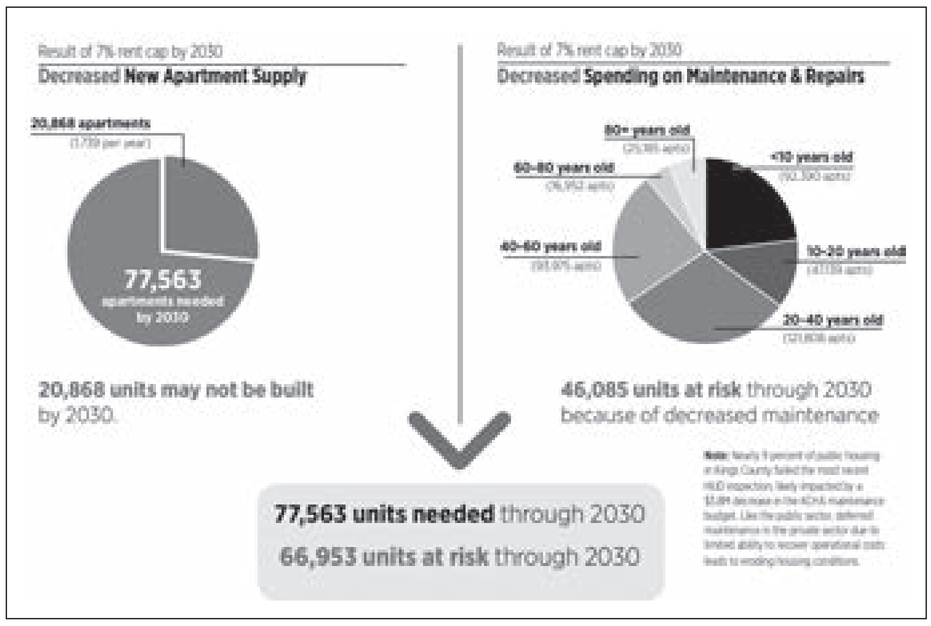
• The most direct effect is on the monthly rent for units that would have experienced a growth above seven percent in a given year.

• Limiting rent growth affects the long-term viability of building new units and performing maintenance on existing units, as it changes the expected return on investment for each of these activities.

• By limiting rents, a rent-growth cap also will affect new construction as it will change the expected return on this investment.

• The combined effects of limiting rents and deterring new construction work to reduce owner profitability.

• A cap on rent increases essentially becomes a de facto cap on the profits of building owners, and that gets negatively capitalized in the value of rental property.



"Each of these effects represent inefficient outcomes relative to allowing the market price to adjust according to supply and demand. By not allowing the market for dwellings to function properly, rent control changes the allocation of housing investment across space," the NAA study says.

Under normal conditions, rising rent levels would be met with increased building in an area, curbing long-term growth in rents.

However, rent control blunts the price mechanism, causing a misallocation of housing investment both within and across metropolitan areas.

CPA constructed several models to examine the effect of a rent growth cap on the study markets.

First, the change in expected rents was modeled through an examination of historical rent increases. Those data were used to assign a probability that an apartment owner is likely to see a spike in demand that results in a rental price increase that exceeds the seven percent cap in a given year for each area.

That expected rent change was linked to estimates of new supply and maintenance expenditures, and the outputs from those models were combined to estimate the effect of rent caps on total income and, ultimately, property values.

All estimates reflect the impact of a seven percent rent-growth cap on rental units in buildings with five or more units.

The analysis of the model outputs concluded:

• The expected change in rental values across metropolitan areas ranged from two percent in Chicago and Portland to five percent in Denver and nine percent in Seattle.

• The effect on new apartment construction would also be substantial, but it varies significantly across metropolitan areas.

• Seattle would see a reduction in construction of 1,739 units per year, with 779 fewer units constructed annually.

• Denver and Chicago would see 320 fewer per year.

• Portland would see 233 fewer per year.

Maintenance spending would fall under rent control

The models estimate that annual maintenance spending would fall by:

• $5.9 million in Seattle

• $5.4 million in Chicago

• $4.5 million in Denver

• $2.7 million in Portland

The total rental income lost for apartment owners would be significant. The CPA model showed the loss would be:

• $33 million in Seattle

• $24 million in Chicago

• $23 million in Denver

• $10 million in Portland

These loss estimates include both the income lost due to restricting rents and the income lost from foregone construction.

Property taxes will fall with loss of apartment values

Also, the projected income reductions logically translate into declines in the value of apartment properties.

The model output estimated an aggregate loss of property value of $213 million in Portland, $462 million in Denver, $487 million in Chicago and $655 million in Seattle.

If property-value losses are realized in the assessment of property, then they would also be realized by lower property tax collections.

Taking the property loss estimates from the low-discount rate model and assuming that property assessments follow market-value losses, annual property-tax revenue losses would be more than $6 million annually in Chicago, with losses of more than $5 million in Seattle and Portland and $3.5 million annually in Denver.

A seven percent growth cap on rents would have a substantial impact on the apartment rental market in the areas studied.

The estimates suggest that a non-trivial percentage of units would be bound by the policy and that this would lead to rent losses for building owners.

The fact that rents would not be able to fluctuate to meet market conditions in the metropolitan areas and across neighborhoods would have far-reaching implications.

A seven-percent cap would substantially reduce the amount of new unit construction and have a negative impact on maintenance expenditures.

Finally, the models show that the seven-percent growth cap would depress annual income for owners and ultimately be capitalized into falling property values. Falling property values could have further implications not explored in the study, such as declines in local wealth and public services funded by the local property tax base. Using the results of a 2017 report, "U.S. Apartment Demand – A Forward Look," produced by Hoyt Advisory Services for NAA and NMHC, we estimate the long-term effects of rent control and how it could affect vitally needed rental housing units by 2030.

711 Powell Ave. SW, Suite 101
Renton, WA 98057
Ph. 425-656-9077
Fax. 425-656-9087
admin@wmfha.org

WMFHA Looks Forward With Optimism

As this decade comes to a close, we at Washington Multi-Family Housing Association look forward to a new decade with optimism and excitement.

Although there are challenges for the housing industry, we look at those challenges as opportunities – opportunities to make a difference, to innovate and educate, and to support the industry and residents of our rental homes through our collective efforts.

The past 10 years for our association have been characterized by amazing growth and success; 2019 was by all means our best year ever. We are privileged to be able to do what we do, and we are amazed at the outstanding people we get to meet and work with to achieve our vision for the housing industry.

This year, we focused on our mission and our "buckets" of services – described by our tagline: Advocate. Educate. Celebrate.

WMFHA's Mission

Our mission is simple: "Washington Multi-Family Housing Association (WMFHA) is a statewide organization committed to advocating for legislation equitable to our industry and the community, providing educational opportunities to promote career development, and celebrating and supporting the multifamily housing industry."

Advocacy comes in many forms, including working with policymakers at all levels of state and local government to educate them on the role of the housing industry in providing critical services to communities. Our association member participation in government affairs efforts and grassroots advocacy continues to grow each year.

The housing industry is a vital economic engine that provides critical jobs, supports local businesses, and contributes to the generation of tax revenue to provide needed public services for all.

There is a transformation of the role of rental housing in the broader discussion of political influence of laws affecting the role of housing to meet the needs of a growing population in the state. We urge policymakers to consider the impacts of their proposals on the ability of the industry to do its great work.

The advancement of policies that add costs to housing and create impediments to increasing the supply of housing of all types at all rent levels, such as rent-control policies, are counterproductive to residents in the state. That's why we need to be at the table when these policies are discussed.

Educate

As the industry grows and creates career opportunities for existing employees and those new to residential property management, employers increasingly support career development, education and training opportunities for their valued employees.

WMFHA provided many resources for organizations throughout 2019, holding training in fair housing, legal processes, budget management, leadership, customer service, emotional intelligence, marketing and leasing. Training of maintenance service technicians continues to be tremendously popular, supplementing the training done by member companies.

Credential programs provided in partnership with the National Apartment Association Education Institute grew to record levels this year. These programs offered employees the ability to invest in their professional development and to form new peer relationships in the industry.

Celebrating and Supporting Multifamily Housing

Our influence and impact in meeting our members' needs has never been so rewarding. Attendance at WMFHA's many special events, providing opportunities to build relationships, promote our mutual successes, and to give back to our community, has never been higher.

Events such as Emerald Awards, EdCon, Business Exchange, Chili Cook-Off, and Holiday Giving Gala allow members to build their professional networks, expand personal and professional relationships, and support charitable organizations that provide critical community services.

Membership meetings and events such as Washington Apartment Outlook expose our members to subject-matter experts on a variety of leading-edge topics influencing the housing industry. Volunteer efforts such as our work with Rebuilding Together Seattle expand our contributions beyond the multifamily industry.

Our social media efforts focused on the unsung heroes of our industry, the dedicated men and women who do the work day in and day out to serve the housing needs of the state.

Accomplishments and Proud Moments in 2019

As the Washington state chapter of the National Apartment Association (NAA), WMFHA is dedicated to improving the professionalism and reputation of rental housing. We are proud of the work that we have done this past year, and look forward to creating more memories, experiences and services that impact the growth of our state.

Our members and staff served in leadership positions in NAA, and the association has grown to be one of the top 10 associations across the country. We were thrilled to receive the NAA Excellence Award for Community Service at NAA's Apartmentalize conference this summer.

Our membership has grown to reach nearly a quarter-million rental homes in the state. Our classes and meetings this year sold out on most occasions, a sign of extraordinary engagement from our membership.

Our association leadership, from our Board of Directors to our many volunteer committees, contributed greatly to our growth and success. We formed a new Leadership Lyceum cohort this year, offered to pilot a program through Grads of Life to bring opportunity youth into our industry, and served on the Advisory Board for North Seattle College's new Bachelor of Applied Science degree program in property management.

Our Education Scholarship Fund benefited worthy candidates, financially supporting continued career development for the leaders of tomorrow. We were able to set fundraising records for worthy charitable partners such as the Domestic Abuse Women's Network, Childhaven, Vanessa Behan Crisis Nursery, and other worthy partners such as Move For Hunger, Northwest Harvest and Toys for Tots.

Our Eastern Washington Chapter Executive Council supported our efforts to bring much-needed services to the eastern part of the state. We held our first ever Education Conference in the Spokane market to much acclaim.

The WMFHA Team of Jim Wiard, Sloane Cerbana, Tricia Johnson, Brett Waller, Katrina Bishop, and Kelly Wakefield consider themselves lucky to be able to work with such dedicated service professionals doing great work for families in Washington. We've got the best jobs in the industry and can't wait for an exciting 2020.

WMFHA serves the rental housing industry and the broader community by supporting the multifamily housing industry, our members and residents of our housing communities. 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.


IT'S WHO
WE ARE.
IT'S WHAT
WE DO.
(L) MORRIS HAINSWORTH (R) KENNETH HAINSWORTH
Since we were founded 50 years ago, there continues to be one constant in who we are and what we stand for.
The Hainsworth name. Still family run. Still locally serviced. We are where you are. Since 1963
HAINSWORTHLAUNDRY.COM
800.526.0955
HAINSWORTH
LAUNDRY COMPANY


precision
MANAGEMENT COMPANY, INC
Proudly Serving Our Clients Since 1994
Our Focus Is on You...
Providing Personalized & Integrated Property Management Services That Exceed Expectations.
Located in Kirkland, Washington, Precision Management oversees and manages multifamily, mixed-use retail, commercial properties, and HOA communities as well as renovations, pre-development consultation, and lease-ups in the greater Seattle area.
Precision focuses on providing detailed, efficient, and personalized care to each client, while understanding and meeting their goals and objectives. Clients and residents are a priority and always come first – maintaining that trust and relationship is why clients have been relying on Precision since 1994.
Managed with Precision
precisionmanaged.com
425.827.6760
COMING SOON:
Brand-new Edge Apartments!
Redmond, WA


Mon-Fri 8am-5:30pm, Sat 8am-4:30pm • 24/7 Service Available
best plumbing
service • sewer • showroom
206-633-1700
serving our Greater Seattle neighbors...
...since 1968!
general plumbing
whole home inspection
water line repairs
fixture repairs
water heaters
residential and commercial tanks
tankless water heaters
boilers
drain cleaning
single and multi-family services
retail and restaurants
hydro-jetting
sewer repairs
residential and commercial service
trenchless sewer line replacement
camera and locate inspection
4129 Stone Way N, Seattle • Lic. BESTPGL973CD


MANAGE
BETTER
WITH ULTRA-FAST FIBER INTERNET

7 Pest-Preventative Maintenance Steps

Rental Housing Journal

From mice to ants and cockroaches, pest infestations can cause serious property damage and traumatize tenants, significantly worsening their perception of their living conditions.

Property managers need to be aware of what draws pests to rental homes and adopt simple pest preventive maintenance steps that can protect properties and tenants.

No. 1 – To avoid any and all infestations, it is fundamental to regularly inspect properties for cracks, crevices and any kind of openings that would allow unwanted critters to access indoor spaces. This includes checking open vents and drainage pipes.

No. 2 – Pests need a source of moisture to survive, so it is adequate to minimize the presence of standing water by regularly checking whether pipes, AC units, gutters or downspouts leak or allow water to accumulate; scheduling seasonal maintenance and timely repairs for those systems is ideal.

No. 3 – Clogged and debris-filled gutters can make for a cozy hiding spot: making sure that gutters are regularly cleaned avoids this issue.

No. 4 – Regular trimming of trees and plants located next to windows and entryways can prevent branches from allowing pests to gain access to them.

No. **5 –** All pests are naturally drawn to food, both inside of homes and as found outside in trash cans and disposal areas. Investing in trash cans and bins made of heavy, tough materials that have tight, sealable lids works best for keeping pests from identifying a property as an attractive, food-secure nesting place. Heavy-duty containers also make it difficult for raccoons and possums to force their way into garbage storage areas.

No. 6 – Some pests can utilize chimneys as access points and nest in attics and roofs. Having a professional install wiring or screens on chimney gaps can block access.

No. 7 – It is fundamental to encourage tenants to be mindful about safe food storage and disposal of organic material. Inside the home, food should be properly stored inside tight containers and fridges. Garbage should be disposed of in a timely manner.

The lineup of unwanted potential pests

Ants: Ants are drawn to foods that most humans tend to consume fairly regularly: meat, starches and sweets. While most types of ants nest and live outside, they can easily detect nearby food sources and once found, they return regularly. In fact, ants release a chemical designed to guide them back to the newly found food source, which also indicates this to other ants in the colony. Infestations can easily get out of hand once the thousands of specimens from a certain colony learn where to go for food, which also increases the likelihood of indoor nesting.

Cockroaches: Cockroaches are nocturnal creatures, which makes them much more difficult to spot. Experts warn that in most instances, spotting a first cockroach is likely an indication of an entire colony having nested within the property. Aside from their unpleasant appearance, cockroach activity can severely affect the health of tenants as their droppings and cast-off skins are known to aggravate asthma, allergies and other breathing conditions. This is a pest preventative maintenance step you should take seriously.

Mice/Rodents: Just as for ants and cockroaches, food is the main culprit for attracting mice to human homes. Mice represent a serious threat for the safety of tenants as they can carry fleas and diseases that can be severely harmful to humans, such as meningitis. Tenants can be easily exposed to these harms as mice contaminate spaces with their fur and droppings.

Mice can take over properties quickly because of their year-round, rapid breeding. Their presence can be quite destructive due to their chewing abilities, which can damage furniture, wiring, and even walls.

Raccoons and Possums: Due to their considerably larger size, those pests are better able to defend themselves once they encounter humans and they feel trapped and threatened. For this same reason, they can can endanger pets, especially cats and smaller dogs.

Raccoons and possums can also carry rabies, which makes them that much more pressing to invest in proper pest preventative maintenance measures.

These simple 7 pest preventative maintenance steps can save you a lot of headaches and keep your tenants happy and avoid over-reacting over pests in their rental housing.

Keepe is an on-demand maintenance solution for property managers and independent landlords. Keepe makes hundreds of independent contractors and handymen available for maintenance projects at rental properties. Keepe is coming soon to an area near you. Learn more about Keepe at https://www.keepe.com

Leaking Sinks No. 1 Most Popular Fix in November

Rental Housing Journal

Leaking sinks were the most popular maintenance call for Keepe during the month of November.

The calls from tenants to property managers have mostly related to leaking kitchen sinks. These are the kinds of calls that require immediate attention.

"My sink has been leaking since this morning."

"My kitchen is flooded with water."

"My faucet must be broken because it is dripping water no matter how hard I try to turn it off!"

Leaking sinks in kitchen can cause serious water damage

An example of this problem came from a woman in Seattle with a distress call regarding her kitchen being flooded.

When technicians got to her residence, they found a serious water-damage problem.

The problem with her sink was a little complicated because first, her faucet was leaking. The second part of the problem seemed to be connected to either the water lines or the P-Trap because the water was dripping from under the sink basin and onto the floor.

Technicians also noticed that her sink drainage was not in good shape and needed replacement.

They felt that the drain needed to be checked for possible leaks and repaired or replaced, depending on the level of damage it had suffered.

The first part of the repair was the P-trap.

Normally, the shape of the P-trap makes it hard to maintain, but doing so is necessary because it keeps bad smells out of the house. Technicians were able to detect the first problem – food debris had accumulated in this part of the sink. The food had started rotting, hence creating a leak.

The first repair job took three hours.

Technicians had to replace the P-trap with a new one. After installation, they tightened all the connectors, and water stopped dripping onto the floor.

The second issue was the faucet.

Technicians discovered that the faucet's gaskets were too worn out and that the washers were failing. It took about 45 minutes to make simple replacements to these two parts.

The entire repair job took about four hours. By the end of the job, there was proper kitchen drainage, a well-functioning sink, and a satisfied customer.

3 Ways to Prevent Costly Roof Maintenance

Rental Housing Journal

Property maintenance comes as an integral part of the general maintenance and upkeep of your property. Particularly with regular roof maintenance, capital budgeting becomes more predictable and simplified. When property managers maintain a roof correctly, they prolong its lifespan – and that saves money in the long run. Here are three effective ways to do just that:

1. Extend the Lifespan of the Roof

Regular maintenance usually is the least costly option for property managers. Manufacturers agree that customary maintenance can extend a roof's lifespan by 25 percent. Removing snow, unclogging gutters, clearing debris, adding sealant or caulk, and assessing vulnerable perimeter terminations, all contribute to the increased lifespan of a roof. To put this into perspective, a small addition of upfront maintenance expenditures could significantly minimize the roof's overall cost annually.

Well-maintained roofs need just a minimal level of annual repair and don't require frequent replacement. You can defer these costs and their effect on the capital budget over additional years. Regular maintenance reduces the escalated expenses linked to older roofs and eradicates the need for unpredictable and expensive repairs.

2. Maintenance Inspections Produce Information for Planning and Budgeting

Maintenance assessments disclose information that are essential to dependable capital budget planning. With status updates at their disposal, managers can foresee most of the predictable charges. Hence, they can establish a timeline for essential repairs.

For example, a detailed contractor's report may show that a roof will need to be replaced in 12 years. In addition, the report may also indicate if there is a need for specific repairs within three years. With this kind of information, property managers can plan and budget for necessary repairs and maintenance accordingly. By utilizing the maintenance reports, they can diminish the likelihood of budget shortfalls and emergency repairs.

3. Lower the Overall Cost of a Roof Replacement

Performing minor repairs and doing regular maintenance on your roof before these items turn into larger-scale projects are crucial in minimizing overall cost. It also protects building operations from expensive interruptions. By handling small leaks, for instance, property managers can protect the deck from rusting and ensure that the insulation doesn't become saturated.

This simple fix can save up to 30 percent of the whole re-roof expense, and more savings can be realized for decking with a well-sustained structure. On average, property managers with well-maintained roofs need to pay approximately 3 to 5 dollars per square foot for a re-roof. Structurally unsound or poorly maintained roofs, on the other hand, may demand a replacement cost of $12 per square foot. This is an additional cost that can be easily mitigated with a solid maintenance plan.

When capital planning, it's easy for property owners to neglect roof maintenance. However, consistent upkeep significantly reduces the total expense for the roof's replacement. It also prevents a lot of unforeseen costs and extends the roof's lifespan altogether.

5 Holiday Decorating Guidelines for Tenants

Rental Housing Journal

Five holiday decorating guidelines for your tenants to keep them happy and avoid maintenance issues and damages is this week's maintenance tip from Keepe.

As a property manager, you want to make sure that your holiday decorating guidelines plus rules and regulations strike a good balance.

You want to allow your tenants to feel at home in their rental. But you also need to ensure that the owner's property remains in good condition and minimize any repairs that need to be made.

During the holiday season, many of your tenants will have friends and family over as guests and will want to make sure the home feels festive and inviting.

Some decorating options are difficult to achieve without damaging paint, walls, or roofs, so it can be helpful to provide some specific suggestions and guidelines for hanging cheerful decor during the holidays.

1. Non-damaging adhesive

There are plenty of options in terms of adhesive hanging tools that do not damage paint when removed, such as Command strips and hooks.

The hooks can be used on the front door or walls for wreaths, and even on the mantle for stockings! These products will avoid the possibility of filling holes in the walls and doors from nails or thumbtacks.

2. Laser-Lights

Not only do Laser Lights provide the convenience of not having to climb a ladder to hang them, they also avoid potential damage to the roof and gutters.

There are many different colors and designs of Laser Lights available for any holiday or special event, so there is sure to be something to compliment your tenant's decorative tastes. If your tenants prefer the idea of hanging traditional lights, there are outdoor light hooks available as well!

3. Window Clings

Utilizing window clings in front and side windows or glass doors can add an extra dimension to holiday decorating without causing any damage at all.

Most are easily removed in one piece and any leftover scraps can be easily removed with windex, and cause no scratching or build-up on glass.

4. Incense Diffusers

Who doesn't want their home to smell like pine and fresh gingerbread during the holiday season?

Unfortunately, the cozy scents provided by candles can lead to house fires when left unattended. Instead, suggest incense diffusers. They tend to spread more evenly across the home and don't have the potential hazard and cost of an open flame!

5. Inflatables

When renting out a property with a yard, suggest that your tenants utilize inflatable lawn ornaments that use small tent stakes to hold them in place instead of placing decorations in the ground.

Lawn decorations with large, deep stakes or a bigger surface area may damage the lawn itself, the sprinkler system, or pest control tools. Inflatable characters can be great for homes with kids and are also aesthetically pleasing to neighbors.

Providing these guidelines to tenants prior to the holidays will allow them to create the environment for their holiday celebrations, and property owners will appreciate the extra mile you've gone to avoid unnecessary repairs.

Even if decorating guidelines are already outlined in the lease agreement, it's never a bad idea to send a reminder.

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 Avoid my Top 7 Landlord Mistakes

By Larry Arth

Learning from your mistakes so you can master your business is the key to your success.

You can learn from other people's mistakes, so I would like to share mistakes that I have either personally made or have watched investor-clients make. So here is how to avoid my top 7 landlord mistakes.

No. 1 – Being too quick to fill a vacancy

I often see new landlords and investors fall prey to this one.

I, too, many years ago made these bad judgment calls (never again). It is easy to drop your standards when a unit is about to become vacant.

Emotions take over and a prospect comes to you waving cash at you.

Sure, they do not represent the perfect tenants. Or their income is lower than you as a landlord might require. But they are nice people and they have the cash for the deposit and first month's rent.

Besides, I think, "I will start negative cash flow next week if I do not rent to them."

Three months later, I struggle to collect rent and month after month is a fight to get paid. I tell myself, "I wish I held out for better tenants."

Like so many others, I have learned it is far better to have a few weeks of vacancy while finding the best tenant than to hurry and rent to a bad apple.

No. 2 – Treating tenants as an income source instead of valued customers

Having an investment property business and managing tenants as a landlord is no different than any other business.

We need to work hard to obtain customers and treat them well so they will return.

I was a landlord at the age of 18 and to me then, tenants were my income source.

I have since learned this valuable lesson that indeed they are an integral part of the business and need to be treated as valued customers. I do continue to see investors and landlords treat tenants as an income source instead of a valued customer.

Tenants needs to be nurtured so they feel like valued customers and are willing to return at time of lease renewal. Failing to clearly define rules and boundaries I have learned that the first week or two of being a landlord and having tenants is that boundaries automatically are set. The big question is, "Who is setting the boundaries?"

I create a list of expectations that is given to them at move-in when you do the walk through inspection. This list should outline the parts from the lease on policy and procedures which includes what they do as a tenant and what you do as a landlord.

No. 3 – Landlords or property managers trying to become friends with their tenants

I do see a lot of landlords try to be friends with their tenants.

You want to like and trust each other but you are in a business relationship and it should stay that way.

Developing a close relationship makes it difficult to manage from a logical business person's perspective.

Emotional-based decisions have very little place in running an effective business.

No. 4 – Failing to keep property maintained

I look at hundreds of properties each year, and I continue to see a large number in disrepair.

When talking with sellers the common theme is they want to increase cash flow and do so by ignoring repairs or simply doing inexpensive "bandages" on a property. In reality it creates unhappy tenants who move frequently, which actually results in lower cash flow.

The repairs themselves that get ignored devalue the property.

My experience as an investor and landlord tells me that to maintain maximum cash flow you want to maintain a property in great condition.

No. 5 – Missing opportunities on multiple-year leases

As landlords and investors, you all know that tenant turnover is the single largest expense we encounter.

You do not have to continue to carry that burden. This is an expense you want to address and fix not just accept it.

I have found great success in offering two- and three-year leases. It immediately goes to identify tenants who want to stay long-term.

I have even used escalators to increase rental rates each year. Both ways your cash flow will be more consistent and your tenants who desire to stay will know what the future has in store for them as opposed to wondering what is going to happen on their move-in anniversary.

You also want to treat these tenants well so they continue to renew leases.

No. 6 – Being too quick to hire a property manager

That was my No. 1 mistake. That's it, doesn't sound so bad does it. Well it had some serious ramifications. Being a "hands on" man in my earlier years of investing I managed my own properties.

This is, for many, a mistake. Being a seasoned investor I will never manage my own properties again.

No. 7 – Being a landlord instead of being an investor

I find a common denominator separates the most successful investors from the ones who struggle to advance.

The most successful investors spend their time investing instead of being landlords.

As a licensed real estate broker, I am always asked if I will manage my client's property. I always state that managing property is a full-time position.

To be effective at it, you need to devote full-time attention to it. Perhaps one of the biggest mistakes is trying to be effective as a part-time landlord.

Can I Ask a Tenant Behind in Rent to Just Leave?

Dear Landlord Hank: I have a tenant who is behind on rent and his lease is up in January. I do not want to resign the lease. Can I ask him to leave when his lease is up? **— Brenda**

Dear Landlady Brenda: I 'm not an attorney so I can't offer legal advice.

A lease is a written agreement to rent a specific property for a particular term at a defined rental rate.

You need to check your lease with this tenant, but you will have somewhere in the lease a clause relating to HOLD OVER.

It basically states that tenant will deliver possession of residence in good repair to management upon termination of agreement.

I would send this tenant notice that you are not renewing the lease at the end of his term, and do it certified mail with return receipt requested, and do it now, if lease is up next month.

If you think this tenant is not going to pay January rent and is already significantly behind in rent, then I would give him the required notice in your state and begin eviction process now.

If you start now he won't be served until after Christmas.

This may seem harsh but this tenant is stealing from you by not paying the agreed upon rent, and you don't need to put up with that.

***

Dear Landlord Hank: How do you decide how much you going to raise rent for tenants in 2019? We have some leases coming up for renewal and of course just got increases from our insurance company and taxes from the county and school district. How do you decide how much? **— Landlord Tim**

Dear Landlord Tim: When I have increases in fixed expenses I try, when possible, to pass along the entire cost to my tenants.

If your insurance went up $300 and your taxes went up $400, for example, that is $700 increase total.

If you divide that by 12 months it only comes out to $58.33 per month over an annual lease.

That, to me, is very reasonable and I think most folks could handle that with no problem.

I'd be open to discussion if a rent increase could be problematic for a tenant.

I would rather not pursue an increase in rent if it is going to cost me a good tenant.

Vacancy costs and rehab costs will more than make up for the small amount of rent you aren't receiving from not increasing a good tenant's rent.

***

Dear Landlord Hank: My tenant had kids over and flushed wipes down a toilet that led to a major plumbing incident in my rental. I had to pay $2, 000 for the repair. He also told me last week that he lost his job. What do I do? He paid for the month of November. What do I do come December 1st when he cannot pay? I live in Washington State. **— Laura**

Dear Landlady Laura: If you already know, and the plumber confirmed, that the blockage and plumbing expenses were caused by the tenant or the tenant's guests or invitees, then your lease should clearly state that the expense for the repair would be borne by the tenant.

Or, that the landlord, at your discretion, may make the repair, and the tenant be fully responsible for the payment of the repair due to the kids flushing wipes down the toilet.

If the tenant can't pay for the damage caused by flushed wipes down a toilet, he would be in default of your lease.

If you already know he has lost his job, I'd talk to him and tell him he'll need to move immediately. You will use his security deposit to cover the damage that he caused, but to keep from being evicted, you will re-rent the property and he'll no longer be liable for the balance of his lease.

I'm not knowledgeable about Washington State landlord/tenant laws, but you may need to evict.

I'd would try to be reasonable and show him the logic of leaving now before his credit and rental history is damaged.

I know we are moving into the holiday season, but you are running a business. You must keep your charitable self in check. It's not up to you to pay his bills, including damage to the property and rent.

If you let him stay until December's rent is due, and he doesn't pay that either, you will be further in the red.

You may need to get an attorney involved, but you need to have your property back in your hands so you can find a replacement tenant.

Don't hesitate, and move quickly. Good luck!

Strong leases save us when we're all on the same page and it's in writing.

***

Dear Landlord Hank: A house that we manage has a failing septic system. The repair process is likely to take about two months. The landlord would prefer that tenant temporarily moves out during repair (for various valid reasons) and is even willing to assist with the cost. Tenant insists on staying and has agreed to "drastically reduce" their water usage during this time. Can the landlord "force" the tenant to temporarily move out (and abate rent during this time, of course), or does the tenant have the right to insist on staying, even if that makes the septic repair more complicated? **— Cory**

Dear Landlord Cory: All leases that I've ever seen have a section called Fire and Casualty. Most read something like this: If residence becomes uninhabitable by reason of fire, explosion, or by any casualty, management may, at its option, terminate rental agreement or repair damages within 30 days.

If management does not do repairs within this time or if building is fully destroyed, the rental agreement is hereby terminated.

You are in control. Having no water in a building would be considered to be a casualty making the building uninhabitable, in my opinion.

It would certainly be for the best for this tenant to relocate during this repair. Even with drastic reduction in water usage, there has to be somewhere for this water to go, which would be the non-existent septic system.

I would tell the tenant they must move out, and that would be an absolute requirement, if they want to return. Good luck.

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


New Windows are a GREAT Investment!
✓ Energy-efficient windows will give you the competitive edge to improve occupancy rates.
✓ Beautiful new windows from Milgard windows will increase tenant satisfaction by lowering their utility bills, increasing their comfort and reducing outside noise.
✓ Milgard windows are virtually maintenance-free to save you time and money.
✓ If you have an electrically-heated 5+ unit building in Tacoma Power or Seattle City Light's service area, be sure to ask us about new window rebates!
New Energy-Efficient Windows Attract New Tenants!
NEW!!! Rebates now available from
Seattle City Light
TACOMA POWER
Milgard
WINDOWS & DOORS
Clearly the best.™
"We were very pleased with their work and would definitely use them again."
– Ed and Sharon Bezy via Angies List
SRC WINDOWS
A SOLID ROCK COMPANY
Call or E-MAIL TODAY
FOR A FREE, NO OBLIGATION ESTIMATE
253-565-2488
srcwindows@msn.com
Call or E-MAIL TODAY
LICENSED, BONDED, INSURED • REGISTERED UTILITIES CONTRACTOR • MEMBER: RHA, MBA, BBB
WA Contractors Lic. #SRC••981KM

Sponsored Content

Five Things to Remember When Deciding to do a 1031 Exchange

By Dwight Kay and the Kay Properties Team

A 1031 exchange is a legal way for investors to defer their capital gains taxes on the sale of real estate held for investment or business purposes. It allows one to defer taxes on a property sale as long as they follow specific 1031 rules and guidelines. In other words, you have the potential to keep all your profits working for you with the purchase of your next investment property, without the IRS coming after you looking for their share of the pie. Here are five things to remember before a 1031 exchange.

1. TAXES ARE APPLICABLE IN A NON-1031 EXCHANGE

When an investor sells a property that has gone up in value this results in several types of taxes. These include capital gains taxes, which the investor must pay if they sell the asset at a price higher than they initially paid for it. Federal capital gains are taxed at 15-20% of the increase in value, while state capital gains are taxed between 0- 13.3% of the increase in value.

Depreciation recapture taxes are taxes due when the seller had claimed depreciation expenses on the sold property. Depreciation recapture is currently taxed at 25% of the amount you have depreciated over the years. Other taxes incurred on property sales include the 3.8% Medicare surtax.

All these taxes are able to be deferred if you do a 1031 exchange. But if you choose to sell your property without a 1031 exchange, ensure you consult a reputable attorney and CPA so you can know what your full tax bill will be when adding up federal capital gains, state capital gains, depreciation recapture and the medicare surtax.

2. YOU NEED A QUALIFIED INTERMEDIARY

A 1031 exchange isn't as simple as selling and reinvesting in another property. You must first transfer the relinquished property to an intermediary or an accommodator so they can execute the sale on your behalf. This is a process whereby your sale contract is assigned to the qualified intermediary and when the property closes your funds are then wired to your account at the qualified intermediary. From there you will instruct which properties you would like the qualified intermediary to purchase on your behalf. Kay Properties is not a qualified intermediary however we work with many throughout the country so if you would like a referral please let us know.

3. YOU CAN ONLY PURCHASE A LIKE-KIND ASSET

For you to defer taxes via a 1031 exchange, you must reinvest the profits from the sale in like-kind property. In other words, if you sell a property held for investment or business purposes in a 1031 exchange, the replacement property must be of the same character. For example, you could sell an apartment building and purchase a commercial building or you could sell a rental home and purchase a DST 1031 investment.

4. REMEMBER DEADLINES

1031 exchanges are subject to deadlines. If you sell a property today, you're expected to have identified the replacement property within the next 45 days and reinvested the proceeds in it within 180 days. But if you'd already identified the replacement property, you can reinvest immediately.

5. UNDERSTAND YOUR OPTIONS

Once investors have decided to do a 1031 exchange they should consider their options. First, they could purchase another type of investment property that they would manage on their own. Second, they could purchase a triple net lease property whereby a national tenant such as Walgreens or FedEx has leased the property for typically 10-15 years. The problem with the triple net leased properties is that it causes investors to place a large portion of their net worth into a single property which could be disastrous (think Blockbuster Video). Third, if the investor is wanting to get out of active management and the day to day issues of dealing with tenants, toilets and trash as well as they are wanting to diversify their investments into multiple properties then a DST 1031 exchange may be a solution. The DST (or Delaware Statutory Trust) is a type of property whereby the management is handled by a third party trustee and since the typical minimum investment of a 1031 DST offering is $100,000 investors are able to purchase a diversified portfolio of Delaware statutory trust properties that may include a piece of Walgreens for 100k, piece of a FedEx distribution warehouse for 100k and a piece of a 800 unit portfolio of multifamily properties located throughout the south east and Texas*.

If you are interested in learning more about your 1031 exchange options please get in touch with us today to learn more.

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 DC. Kay Properties team members collectively have over 114 years of real estate experience, are licensed in all 50 states, and have participated in over $9 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.

KAY PROPERTIES & INVESTMENTS LLC

To learn more about Kay Properties please visit: www.kpi1031.com

** These are illustrative examples of 1031 DST offerings. Future available 1031 DST offerings and tenants may be different. Diversification does not guarantee profits or protect against losses.*

This material does not constitute an offer to sell nor a solicitation of an offer to buy any security. Such offers can be made only by the confidential Private Placement Memorandum (the "Memorandum"). Please read the entire Memorandum paying special attention to the risk section prior investing. This email contains information that has been obtained from sources believed to be reliable. However, Kay Properties and Investments, LLC, WealthForge Securities, LLC and their representatives do not guarantee the accuracy and validity of the information herein. Investors should perform their own investigations before considering any investment. IRC Section 1031, IRC Section 1033 and IRC Section 721 are complex tax codes therefore you should consult your tax or legal professional for details regarding your situation. This material is not intended as tax or legal advice.

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 multifamily 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.

Securities offered through WealthForge Securities, LLC, Member FINRA/SIPC. Kay Properties and Investments, LLC and WealthForge Securities, LLC are separate entities. There are material risks associated with investing in 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, long hold periods, and potential loss of the entire investment principal. Past performance is not a guarantee of future results. Potential cash flow, returns and appreciation are not guaranteed. IRC Section 1031 is a complex tax concept; consult your legal or tax professional regarding the specifics of your particular situation. This is not a solicitation or an offer to see any securities. Please read the Private Placement Memorandum (PPM) in its entirety, paying careful attention to the risk section prior to investing.

Need Staffing?
Don't take chances with staffing! Our temps are tested, trained, experienced, and fully insured!
Apartment Advantage®
Serving The Pacific Northwest
Since
2003
Hiring, Training, and Placing the Property Management Leaders of Tomorrow
Daily • Weekly • Monthly • Permanent
Temporary On-Site Staff
Managers • Leasing Agents • Maintenance • Grounds Keepers
Greater Seattle-Tacoma Area
(425) 456-3663
Greater Portland-Vancouver Area
(503) 644-8233
Greater Denver-Boulder Area
(720) 822-0117
www.apartmentadvantage.com