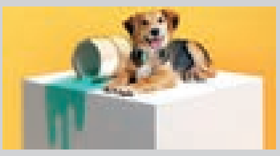

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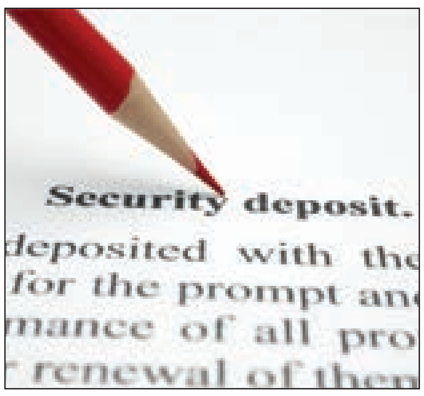

Landlords May Have to Accept Security Deposit Insurance In Lieu of Cash

By Karen Marshall

Security deposits remain a steep financial barrier for low-income tenants and young renters with minimal savings. The financial strain is compounded when relocating because renters must pay first and often last months' rent plus a new security deposit before having their current deposit refunded.

A New York-based startup, Rhino, aims to lower the financial barriers for renting an apartment and seeks to work with governments at the local, state, and federal levels to help legislators pass laws it says will benefit low-income citizens, according to a New York Times article.

Rhino was founded in 2017 with the goal of getting back to renters the billions of dollars that are locked up in cash security deposits, all while protecting landlords and their property.

Nationally, security deposits are tying up over $45 billion. This is money

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The Rental Housing Decade: 12 Trends From 2010 to 2020

Rent Café

The last 10 years have been the rental housing decade so we look back at 12 important trends that have seen in rental housing and what they show us.

Some of the 12 trends below may surprise you and others you may already know from your day-to-day work in the rental housing industry.

The research team at RentCafe prepared the report using data from the U.S. Census Bureau, Yardi Matrix, PropertyShark, and the U.S. News & World Report.

"We examined a number of economic and demographic indicators to get an overview of the housing trends that shaped the country in the past ten years," RentCafe says in the report. "This past decade has transformed the relationship between America and its housing, especially when it comes to renting."

The Rental Housing Decade 12 Trends

1 In the past decade average rents nationally have increased 36 percent or $390 outpacing median home prices and median income. Of the cities with complete data for the decade, Oakland saw the highest rent growth, 108 percent. National average rent is currently $1,473.

2 The number of renters in the U.S. passed 100 million in the last 10 years. The renter population increased 9.1 percent, or two times faster than home owners at 4.3 percent. The percentage of those who rent, 34 percent, was the largest it's been since the '60s.

3 Twenty U.S .cities made the switch from a home-owner majority to a renter majority. At the end of the decade, a third of the 260 largest cities are dominated by renters. Manhattan crowns itself as THE city of renters, with no less than 77 percent of its population living in apartments.

4 More high-earning Americans are renting than ever. The number of renter households earning 150,000 a year increased two times faster, 157 percent, than that of high-income owner households at 78 percent.

5 The number of homeowner families with children dropped significantly by more than 1 million, down 5.6 percent, while the number of renting families with children was just about stagnant down slightly at 0.5 percent.

6 Renting has increased in popularity among seniors. The number of renter households over 60 rose by 32 percent outpacing younger segments and even homeowners in the same age group.

7 In a construction boom unseen since the 1980s, 2.4 million rental units were delivered this decade. A significant 40 percent of these units were classified as luxury. Texas overshadowed the rest of the U.S., with four metros in the top 20 metros which built the most units this decade.

8 The average size of newly built apartments decreased by 57square feet (the size of a medium bathroom) in the past decade, from 990 square feet to 933.

9 Suburbs added renters at a faster pace, 17 percent, compared to cities at 14 percent. In 40 of the 50 largest metro areas, suburbs eclipsed urban areas in terms of renter population growth.

10 Almost two-thirds of renters live now in multifamily units. Growth in this sector was consistent in the past decade, while single-family rentals witnessed a slowdown as the economy stabilized after the recession.

11 The nation's priciest metros, such as New York or Los Angeles have been shrinking in population, as their residents moved to more affordable areas.

12 Most of the millennials entered the job market this decade. If in 2010, the top 10 cities with the highest share of millennials were college towns, in 2018, they had been replaced by job hubs.

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What Are the Best Properties for a 1031 Exchange?

By Dwight Kay and the Kay Properties Team

You are about to sell your property, and your CPA tells you that there is a large tax consequence lurking around the corner. In order to avoid paying capital gains and depreciation recapture tax, you consider a 1031 exchange whereby your taxes are deferred from the sale into a new property or group of properties. The legal and financial particulars of executing a 1031 exchange can be confusing, but many potential exchangers find it more difficult to find the next property in which to invest.

How do you choose your next investment property? There are many ways to go about looking for property to exchange into, but something that I recommend to my clients is thinking about the end goal. What are you looking to get out of your next property? For example, many of those who are looking to make a 1031 exchange now likely began with an investment in real estate that they hoped would appreciate in value. Many of these types of properties can potentially be riskier but can appreciate more quickly. If this strategy is something that still seems interesting to you, then I would recommend looking into multi-family buildings. Depending on your risk profile, the geography, year built, and other factors would go into determining which properties would be a fit. Multi-family requires a lot of hands on management and could require out of pocket expenses. However, If you are looking to retire and take a less hands-on approach, then I would recommend other types of properties.

Many clients of ours that look for less management intensive investments may veer towards NNN properties. With a NNN lease, the tenant will pay for some or all costs associated with the overhead of a building. The leases are sometimes guaranteed by larger companies that have multiple stores across the United States. Although these properties tend to be more passive investments, management is still in the hands of the owners. If anything should happen to the building itself, it could be a liability to the management.

Between these types of real estate, there are a whole array of different strategies to implement. Another strategy is using Delaware Statutory Trusts to blend your real estate portfolio into a risk profile and return of your preference. With DSTs, you can purchase fractional interests of properties without having to make your whole investment count towards one property since minimums for 1031 exchange are typically $100,000 and investors have the opportunity to diversify by location, property type and asset manager by investing in multiple DSTs. You can strategize on how you would like your 1031 exchange to count depending on what your end goal is. With DSTs you can employ a passive investment strategy while having the ability to invest fractionally in properties with appreciation potential. There are risks however associated with DSTs. Like with all real estate securities, there are not guaranteed returns. Each DST will be associated with their own sets of risks tied to geography, management, and asset type. We still believe that you can employ an effective strategy depending on what your end goal is through DSTs.

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.

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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 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.

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Critical Actions To High-Profit Rehabs In The New Year

Join AZREIA on Monday, January 13, 2020, to hear Robyn Thompson discuss critical actions to high-profit rehabs to begin the New Year.

Every business needs an overhaul or revamp at the very least every seven years, but ideally should be occurring every three years.

Learn how to stay up to date with trends, maintain a tight bottom line, and stay in control of contractors and the entire rehabbing process.

AZREIA
ARIZONA REAL ESTATE INVESTORS ASSOCIATION

Market Update & Market News with Alan Langston

Also you will hear the latest in trend analysis for the U.S., Arizona and Greater Phoenix including existing homes, new homes, foreclosures and traditional sales. Full analysis of Fix & Flip and Rental markets. Plus, the latest Market News affecting your business.

The meeting is January 13, 2020, from 5:15 p.m. to 8:45 p.m. at Celebrity Theatre 440 N 32nd St, Phoenix, AZ 85008.

Tucson new investor meeting

Tucson AZREIA New Investor Subgroup meets at 6 p.m., Monday, January 6, 2020, at Keller Williams, 1745 E. River Road #245 Upstairs Conference Room.

California Court Orders Operators of Deceptive Rental Listing Websites to Pay $6M

Rental Housing Journal

A California federal court has ordered the operators of several online rental-listing websites to pay more than $6 million after the Federal Trade Commission (FTC) alleged that they made false and unfounded claims about their listings, according to a release.

The order also permanently bans the defendants from offering rental-listing services.

Steven and Kevin (Kaveh) Shayan made false and unfounded claims on their WeTakeSection8.com website targeting low-income, disabled, and older adults, including that the site had accurate, up-to-date listings that were approved for Section 8 housing vouchers. In reality, most of the listed properties were either unavailable or did not accept Section 8 housing vouchers. The FTC shut down the websites in 2018.

The corporate defendants in the court order were listed as, "Apartment Hunters, Inc., also d/b/a WeTakeSection8.com, ApartmentHunterz.com, and FeaturedRentals.com; Real Estate Data Solutions, Inc.; Rental Home Listings Inc.; UAB Apartment Hunters LT; and their successors and assigns."

The Shayans also falsely claimed that consumers could access hundreds of thousands of accurate, up-to-date, and available listings on the defendants' other subscription websites and that they had exclusive rights to list rental properties that consumers could not find on free websites, according to the release.

The original complaint said the defendants operated "several prepaid rental-listing websites, including WeTakeSection8.com, ApartmentHunterz.com, and FeaturedRentals.com. The first website specifically targeted individuals seeking Section 8 housing; the other websites purported to offer general-access rental units. Defendants charged consumers a fee to access contact information for property managers of rental units listed on their websites. Defendants represented to consumers that the listings on their websites were accurate, up-to-date, and available, that consumers were likely to find suitable housing within a short time, and that consumers could not find these listings on free websites. These representations were misleading, false, or unsubstantiated."

According to the original complaint filed in 2018, "the fee and the length of the subscription to ApartmentHunterz.com varied. Typically, consumers paid $49 for 30 days' access to the website. Defendants have also charged consumers $14.99 for a weekly subscription. Typically, consumers also paid defendants $49 for 30 days access to FeaturedRentals.com."

In addition to a monetary judgment, the order permanently bans the defendants from advertising, marketing, or promoting subscriptions for or access to a rental listing for an apartment, condominium, or single-family home.

The U.S. District Court for the Central District of California issued the final order on December 6, 2019 after granting the FTC's motion for summary judgment.

How to Detect Faulty Electrical Wiring in a Rental Property

Rental Housing Journal

Every year, electrical fires leave a trail of costly damages on rental properties across the United States, This is considered to be one of the most expensive fixes that property managers have to face, according to maintenance company Keepe.

As a property manager, keep an eye out for poorly installed, outdated and damaged electrical wiring. Often, the warning signs of faulty wiring are relatively easy to detect – as long as you stay proactive and alert in spotting these issues.

5 Warning Signs of Faulty Electrical Wiring

Frequent circuit breaker trips

A circuit breaker is designed to trip whenever a power overload occurs in the system. However, if this happens too often (frequent circuit breaker trips in a span of a few days or weeks), it is a clear sign that there is a deeper underlying problem in the building's electrical wiring system. Make sure to have it checked out.

Constant dimming, buzzing or flickering of lights

If lights in the building constantly buzz when turned on, or worse, flicker or dim when multiple appliances are in use at the same time, it is an indication that there is a problem with the building's electrical wiring, which would potentially require an urgent professional upgrade.

Chewed or frayed wiring

Damaged wiring – left behind by inexperienced handymen, pets, and rodents – can cause an electrical fire in a rental property. It is essential for property managers to look out for chewed or frayed wiring. If you spot these types of wiring, contact an electrical contractor immediately.

Discolored, scorched or smoked outlet points

When a rental property's wiring system is damaged, it often causes discoloration and scorch marks on the outlet points. This is a tell-tale sign that the wiring system is damaged. If left unchecked, it has the potential to cause a fire or shock.

As a property manager, do routine walkthroughs and inspections to detect an electrical fire before it occurs. Remember not to tinker with the electrical system in a building, especially if you see or hear any of the above warning signs.

New Pet-Damage Insurance Gives Managers More Potential Tenants

Rental Housing Journal

Pet-deposit protection is now being offered by a company to help property managers cover any pet-related damages and allow tenants to lease a property without an extreme up-front pet deposit.

Jetty Pet is a new offering from Jetty, a financial services company. Jetty Pet is Jetty's pet protection for property managers, which can be used alone or combined with Jetty Deposit to replace a traditional up-front pet-deposit charge.

This can give properties increased coverage against pet-related damages and a more streamlined leasing process–while keeping move-in costs lower for the renter.

"We always have an ear to the ground on the fundamental problems our partners face, and how we can solve even more of them," said Mike Rudoy, CEO and co-founder of Jetty, in a release. "Jetty Pet is just another way we give partners the protection they need, while keeping costs low for the many pet-loving renters nationwide."

According to Jetty's nationwide survey of U.S. renters, more than 70 percent of pet owners have decided against applying for a rental home or apartment because the costs to have a pet were too high.

This can have a negative impact on the number of qualified applicants at pet-friendly buildings. But without the added protection of a pet deposit, properties risk exposure to pet-related damages and unforeseen expenses, which can cost much more than what a pet fee might cover.

Jetty Pet provides the pet-related protection to a rental home, while alleviating the burden of high up-front costs for the renter.

Pet-deposit protection

How it works is that renters pay a one-time fee to Jetty, which replaces a traditional pet deposit. A fee of $200, for instance, covers a potential $1,000 in damage. A traditional $200 pet deposit covers only $200 of potential damage (which is why most pet deposits are higher).

Property managers benefit from marketing a lower move-in cost, filling more units while having the added protection of an admitted, non-pooled product, and generating meaningful ancillary revenue for the portfolio.

More protection against pet-deposit damages: Pets are capable of causing a lot more damage than what a typical pet deposit might cover. Properties can get more coverage without raising move-in costs.

Lower move-in costs (competitive edge): In addition to eliminating security deposits through Jetty Deposit, Jetty renters can save on costly pet deposits, reducing move-in costs for qualified renters and giving Jetty properties a competitive edge.

Simplified overhead: Jetty properties benefit from a streamlined operation process. With the addition of Jetty Pet to Jetty Deposit, both deposits are replaced by one fee. Properties don't have to worry about managing checks, and there is less confusion for residents.

Jetty works with property managers across the country to increase lease-conversion rate, reduce bad debt, and streamline operations, hereby increasing net operating income.

Partners include LivCor, Related, Pinnacle, MG Properties, Trammell Crow, Griffis Residential, Cortland, and many more. Jetty's products are written on A-rated paper, and are admitted in 49 U.S. states and D.C, which means they have been approved by those states' insurance departments, providing additional consumer protections.

Jetty is a financial services company that helps property managers increase lease conversion, reduce bad debt, and streamline operations. For the renter, Jetty lowers the barrier to entry, potentially saving residents thousands of dollars on move-in costs.

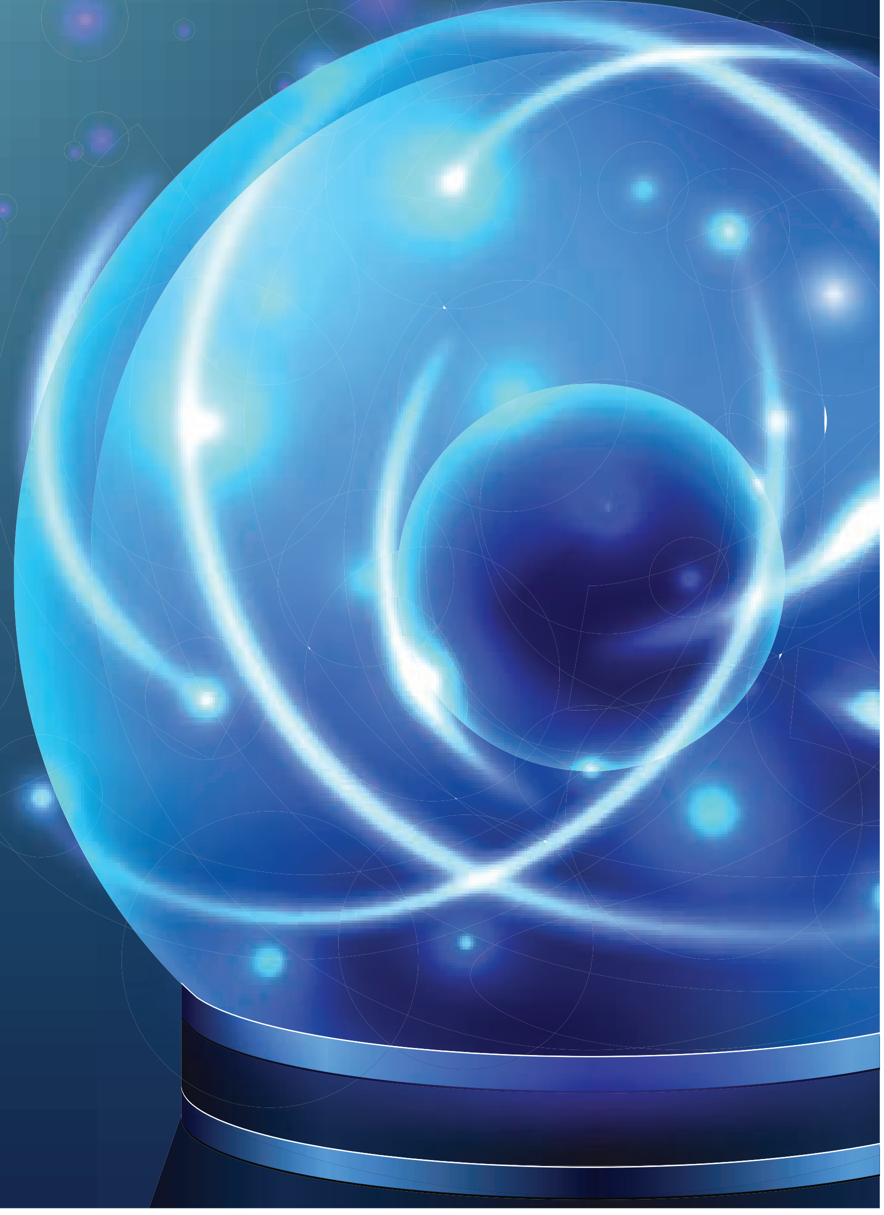
5 Multifamily Investing Predictions for 2020

By Vinney Chopra and Jon Roosen

The market for multifamily properties is continuously changing. In the light of major political, social, and economic developments, investors will have to look at the bigger picture. Adaptation is the key to success amid an uncertain landscape. Whether to resist or go with the flow will depend on what investors want to achieve in the foreseeable future.

It's because of these fundamental reasons that investors will have to keep themselves abreast of significant disruptions in the multifamily field. For that, they will have to be aware of these disruptions and how they are going to affect the profitability and sustainability of their investment portfolios.

You don't have to look for a fortuneteller to get a good glimpse of the future of the multifamily market. You only need to view the trends that will shape the investment market. As we close another year and welcome the new one, let us focus on what to expect from the multifamily market and look at the trends that really matter in the long run.



Fear of a market correction

Market correction or no market correction?

It is very difficult to say when the next recession will be, but it has been a big buzzword lately among the media and investors. Recent interest rate cuts might have stopped a recession, or a slowdown due to fear, from hitting in 2020. This has been the longest bull market in U.S. history. Many on Wall Street are wondering if this long run is on its last leg or mustering a second wind. However, there are still expectations that the U.S. economy and GDP growth could slow next year. Investors are starting to hedge against this increased risk. And there are other various notable issues ahead in 2020 that also will create higher levels of uncertainty, such as the upcoming presidential elections, and trade conflicts. As most investors are treading with caution as they move into the New Year, many are still seeing strong opportunity when using sound fundamentals when purchasing apartments. In our case we are closing on our deals with a lower Loan to Value Ratio (LTV) to hedge against a correction, and also having strong value-play built into the business plan. With a looming market correction, it's important to not overleverage, and to have plenty of cash on hand if one does hit.

Rent control in 2020

The slowing economy and the fear of a recession are not the only fears of investors in 2020.

The issue of rent control has quickly become a top concern. Rent regulations have been instituted in a few major markets recently, and many more markets are considering this control to try and combat rising rental housing costs. States like New York, California, and Oregon are all implementing this control. Illinois and Washington State are on the list next for possible legislation. On January 1, 2020, California law will allow only for a five percent increase, plus the local rate of inflation, per year. This law will expire in 2030 unless lawmakers vote to extend it. In New York's metro area there has been a 9.2 percent decrease in multifamily investment, which is partly believed to be caused by the implementation of the new rent-control regulations.

Many housing economists agree that rent control is not the solution, that building more housing is a better answer to the problem.

> ***Millennials today are searching for more affordability and portability, and they want accessibility to such things as entertainment and local experiences.***

Catering to a millennial and baby boomer market

As we move further into 2020, the millennial and baby boomer markets for multifamily will continue to expand.

Millennials today are searching for more affordability and portability, and they want accessibility to such things as entertainment and local experiences. Urban housing prices are skyrocketing in many popular cities, causing this shift for more affordable housing. Many millennials are coming out of college with record-high student loans; adding a mortgage to that could easily surpass 50 percent of one's income. So they avoid homebuying, which is helping to lead this shift. Home ownership of millennials is very low compared to other generations; they view buying a home as a long-term goal, and see their priority now as lifestyle. Along with affordability and portability, millennials are favoring things in

Continued on Next Page

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our communities such as smart home features (Nest thermostats and USB outlets), white-glove services such as valet trash, lavish swimming pools and outside eating areas, and hip cyber cafes.

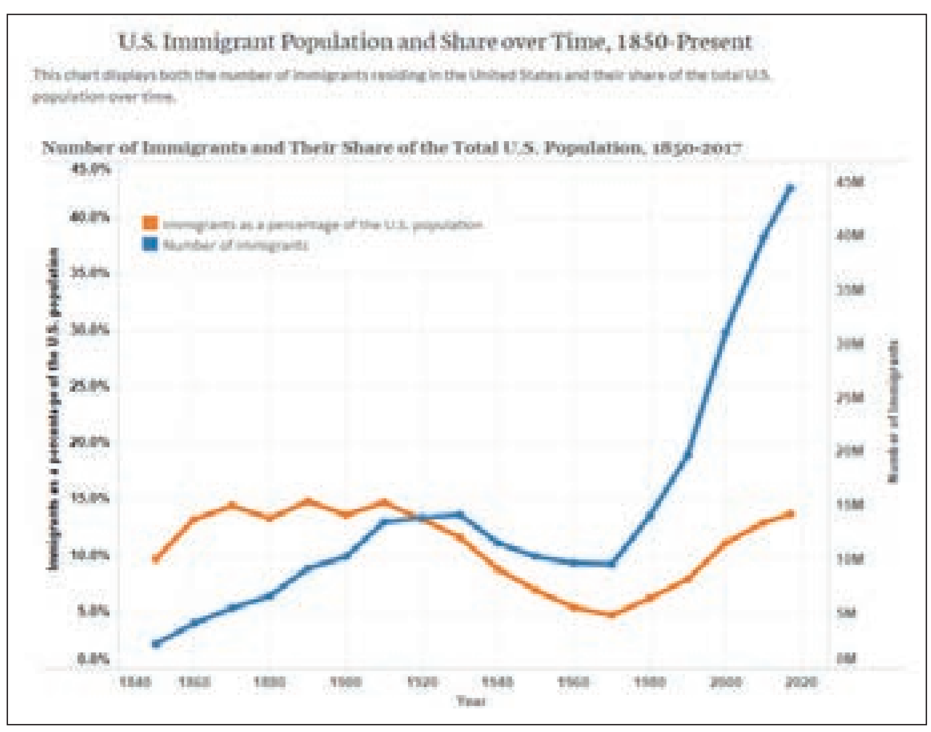
Another trend to look for in 2020 is the downsizing of the baby boomer generation into multifamily homes.

A study conducted by Fannie Mae estimated that more than 14 million baby boomers will end their home ownership by 2036, a 42 percent increase from the previous decade. One study estimated that thousands of this demographic are coming into retirement daily, and are looking to downsize. They will have challenges; the Insured Retirement Institute estimates that 45 percent of baby boomers have no retirement savings. Leaving work for them will mean a drastic lifestyle adjustment and a need for more affordable housing. According to the NMHC (National Multifamily Housing Council) tabulations of U.S. Census Data, 73 million baby boomers in the United States accounted for 58.6 percent of the increase in renter households between 2006 and 2016. With the expanding bubble of aging Americans, this number is expected to increase even further. The demand for senior living is increasing with the increase of baby boomers downsizing. We believe this trend will continue for the next 10 years, giving us a strong market in the senior living multifamily units.

Immigration

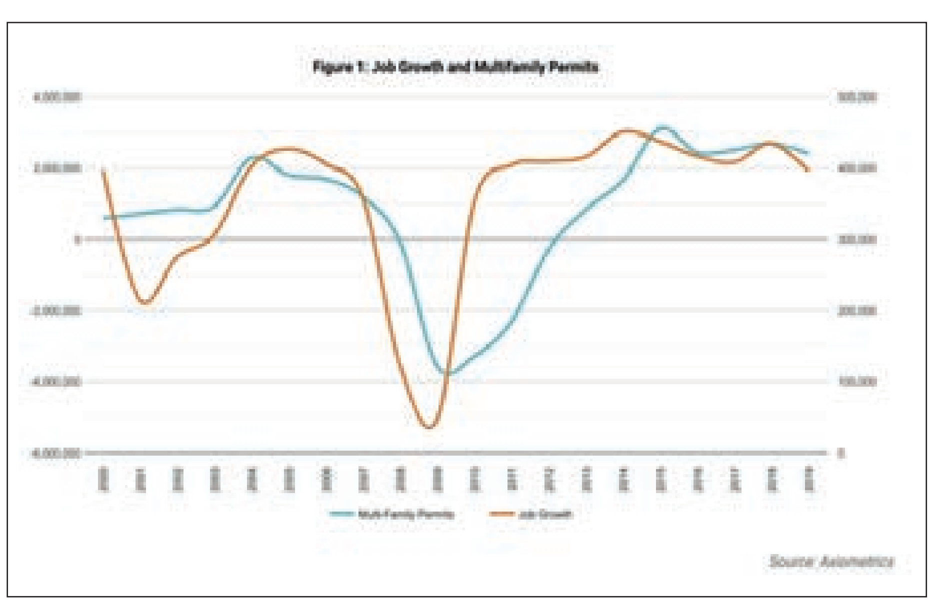
By 2024, immigration is expected to surpass internal population growth for the first time, according to Hoyt Advisory Services Research.

Why is this important? It's because immigrant families are more likely to rent than a native-born American. As you can see in the graph below, immigration is at an all-time high; this is great news for multifamily investors.



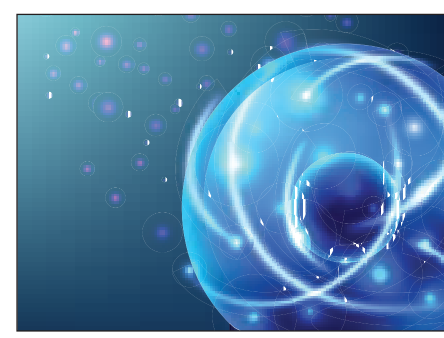
Demand for new apartments will soften

Post-recession in 2009, multifamily has become a larger piece of the overall new housing market with multifamily construction peaking in 2015 and 2016. While 2018 and 2019 paced well – even with a potential market correction on many minds – we believe we will see a slowdown on new construction in 2020. As shown in the chart here, there was a considerable drop in multifamily permits as the recession hit.



Summary of 5 multifamily investing predictions for 2020

As we enter 2020, even with these factors, we believe multifamily housing will remain strong and will still be a strong



investment for investors who use sound fundamentals.

According to the Harvard Joint Center for Housing, State of the Nation's Housing, 2019, approximately 75 percent of renters would like to become homeowners at some point.

This being said, homeownership rates have been stagnant and are not likely to return to levels seen during the previous housing boom. Millennials are entering the housing market in a time where student debt is a major problem, housing affordability is low, and lending criteria is more stringent.

When you pair this with their lifestyle factors of delaying marriage and choosing experiences over saving, it is very likely more millennials will remain renters for longer than previous generations. If and when a market correction comes, this will cause an increase in the need for affordable housing, and many will look to multifamily.

Another factor that will help multifamily investments are the aging of baby boomers, many becoming empty nesters, which is also contributing to the increase of older renters.

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.

Winter Seasonal Slowdown Stalls Rent Growth

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.

• 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 rent 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

"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 Matrix is the industry's most comprehensive business development and asset management tool for investment professionals, equity investors, lenders and property managers who underwrite and manage real estate investments in multifamily, industrial, office and self-storage. Email matrix@yardi.com, call 480-663-1149 or visit yardimatrix.com to learn more.

Do You Use Same Paint Color Inside All Rentals?

By Hank Rossi

Dear Landlord Hank:

Do you always use the same paint color throughout all your rentals or do you sometimes use different interior colors? We are considering an accent color on a wall in the living room, but do not want to offend potential tenants. What colors do you use? **— Landlord Eileen**

Dear Landlady Eileen,

I always try to use the same color throughout all my rentals.

I've found that to be the most cost effective and efficient way, for me.

Sometimes, I can get away with just touching up, and I always know what color I used last without having to keep track of which unit was painted what color, when.

I use an off white color with bright white trim.

Use a darker paint color below rail in dining rooms

I often will have chair rail in my dining rooms and use a darker color below that compliments the flooring, and a lighter color above in the same color family.

This requires some keeping track of paint colors and is often a pain, but I like the results, it's a warmer look and more inviting to me. (These are Atlanta choices, not Florida.)

When you use accent colors you do risk losing someone that doesn't like your choice.

If that were the case, and this was a great prospect, you could repaint but that's more money and time.

For efficiency and cost effectiveness, it's best to use the same color, and brand of paint.

*****

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 Landlor 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

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.

Landlords May Have to Accept Security Deposit Insurance in Lieu of Cash

Continued from Page 1

that could otherwise be reinvested into local economies or used to cover critical expenses like healthcare, childcare, student-loan debt, and other burdens.

Rhino offers security-deposit insurance to give renters the option of paying a small monthly fee, generally $10-$20, to cover an insurance policy for the landlord. This benefits the tenant by needing less cash up front, and benefits the landlord by paying for damages up to the limit of the policy, which is generally equal to the amount of the security deposit.

Cincinnati first in nation to propose legislation

Cincinnati City Councilman P.G. Sittenfeld (Dem.) introduced a local bill that would require landlords to accept security-deposit insurance as an option instead of a cash deposit.

The Cincinnati City Council will begin reviewing the measure in December, and if passed, Cincinnati will be the first city in the nation where renters wouldn't need an upfront cash security deposit.

Nearly two-thirds of the Cincinnati population are renters. For the younger renters and those who are more economically challenged, "the amount tied up in a security deposit can literally be the total of their life savings," said Sittenfeld. More than 40 percent of Americans have less than $400 in savings.

"To get an apartment in Cincinnati, you might need at least $1,000 extra for a security deposit, which is greater than many Americans' life savings," said Sittenfeld. "With this kind of insurance, someone can instead pay a small monthly fee, removing a big barrier."

Cincinnati Mayor John Cranley, who supports the bill, said "This legislation will make housing more affordable, offer protection to landlords, and put money back into the pockets of hardworking people here in Cincinnati. Reducing the amount of upfront cash required from a renter would lift a huge burden, be a direct benefit to tenants, and spur our local economy."

Sittenfeld's office estimated the amount of security deposits held by property owners in Cincinnati to be roughly $70 million.

Rhino lobbying lawmakers

"The idea is pretty simple," said Ankur Jain, the chairman and co-founder of Rhino, based in Manhattan. "Security deposits have been vastly overlooked for the past few decades and as rents have gone up, security deposits have become a much bigger barrier than they used to be for renters."

"The greatest challenge is working against legacy and industry norms," said Rhino CEO and co-founder Paraag Sarva. "That start has begun, but there is a huge amount of inertia behind the status quo and that is far and away what we are most challenged by day in and day out."

To help speed up the process, Rhino is working alongside policymakers to enact change on a federal level. Rhino announced its new policy proposal, created in collaboration with federal, state and local government officials.

The proposed policy essentially allows for renters to be given a choice:

• Pay the security deposit in cash upfront, or

• Pay security deposits in installments, or

• Use security-deposit insurance to cover deposits.

Rhino says it will be sharing the policy proposal with 2020 presidential candidates on both sides of the aisle, and is now focused on building political support for local policies nationwide that would require landlords to accept alternatives to security deposits and give renters more flexibility.

So far, Rhino says it has saved renters upwards of $60 million in 2019, with users in more than 300,000 rental units across the country.

Opposition to the proposal

Not everyone is happy with the proposed legislation. Charles Tassell, chief operating officer for the National Real Estate Investors Association, says, "Security-deposit insurance should really be an option only for the high-end, newly built apartment complexes.

Tassell adds, "The smaller landlords are already doing a version of it. Many property owners already take installments, but mandating those options has a lot of unintended consequences."

Those opposed to the bill are quick to point out that Rhino is poised to benefit financially from the legislation. A growing number of insurance carriers are now offering these policies, including LeaseLock, SureDeposit, TheGuarantors, and Rhino, among others.

If passed, this legislation may apply to existing tenants as well. Current tenants may potentially request a landlord to refund their security deposit if they purchase a security deposit policy instead, freeing up their cash, while continuing to live in the same rental property.

While tenants benefit by not needing as much cash up front, it is important to note that the cost of the security-deposit insurance is non-refundable. Long-term tenants may end up paying more for insurance premiums than the cost of the security deposit (which would have been refundable).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