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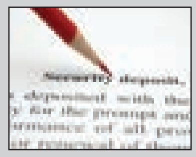

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RHJ RENTAL HOUSING JOURNAL
INSIGHT FOR RENTAL HOUSING PROFESSIONALS

ARIZONA

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

National Average Apartment Rent in January was $1,463, Report Says

RENT CAFÉ

The national average apartment rent in January was $1,463, up three percent year-over-year and the slowest pace in 18 months, according to a report from Rent Café.

The report says rents “are likely to maintain an upward streak throughout 2020, as the number of renters continues to rise in the (United States).”

The demand for apartments is high, including among those renting by choice. Statistics show that 157 percent more Americans who earn over $150,000 per year began renting this past decade, showing a preference for a more flexible and comfort-driven lifestyle, according to the report.

Experts foresee lifestyle will drive apartment trends in 2020

Real estate and economy experts agree that the change in Americans’ attitudes toward housing is an important factor in the evolution of the apartment industry. People of all ages are increasingly being driven by mobility and lifestyle enhancement, displaying a growing preference for amenity-rich buildings in walking distance of urban centers. Experts predict this change in housing preferences will stimulate developers and builders to deliver more apartments.

However, they also note a lack of affordable housing brought on by increasing land and labor costs in the construction industry, remarking that one of this year’s most significant challenges will be achieving a balance between delivering both quality and affordability.

See ‘Rise’ on Page 8

Phoenix Metro Area

City	Average Rent	M-o-M % Change
Avondale, AZ	$1,216	0.2%
Mesa, AZ	$1,088	0.0%
Chandler, AZ	$1,390	0.7%
Phoenix, AZ	$1,119	0.1%
Tempe, AZ	$1,434	0.3%
Surprise, AZ	$1,285	0.2%
Gilbert, AZ	$1,328	0.5%
Glendale, AZ	$1,018	-0.1%
Scottsdale, AZ	$1,564	0.5%
Peoria, AZ	$1,217	0.3%
Goodyear, AZ	$1,248	-0.3%

Data source: Yardi Matrix RENTCafé®

Tucson Metro Area

City	Average Rent	M-o-M % Change
Oro Valley, AZ	$1,238	0.7%
Tucson, AZ	$909	0.6%

Data source: Yardi Matrix RENTCafé®

Avondale Tops AZ List

In terms of annual increases, Avondale tops the list of cities with the fastest-growing rents in Arizona, according to Rent Café rent trends for the Phoenix and Tucson metro areas Avondale apartment prices here went up by 11 percent in one year.

“According to our analysis, apartments in Scottsdale ($1,564) are the priciest in the state, while the cheapest ones can be found in Tucson ($909),” the report says.

Appliances Best Suited for Rentals

KEEPE

Upgrading appliances in a rental property is one way for property managers to command higher rent and attract high-end tenants.

These appliances, when safe and reliable, add great value to your rentals, which eventually translates into increased income over time.

Besides enhancing value, appliances are also tax-deductible. Under Section 179 of the U.S. tax law, property managers are mandated to deduct appliances (as of 2018) – another reason to upgrade to better appliances.

Before you upgrade appliances in a rental unit, we have some tips on which appliances are most ideal and safest to use for your properties.

Electric or gas stove/oven?

Before deciding on which stove to use for your property, a property manager should first consider the risks and the long-term costs of each. Some factors to consider are the cooking

See ‘The Best’ on Page 5

Opinion

How Local Governments Steal Home Equity From Arizonans

BY JIM MANLEY

Can the government seize your home over an $8 property tax miscalculation and leave you with nothing? In Arizona, and 12 other states, the answer is yes.

Nine years ago, Uri Rafaeli bought a modest rental house in Michigan for $60,000 to help supplement his retirement income. All was well until he miscalculated one tax payment. He tried to correct it, but accidentally underpaid by $8.41. The county government then seized his home, sold it, and kept every penny.

Mr. Rafaeli brought his case to the Michigan Supreme Court last fall, which seemed ready to strike down the state’s confiscatory law. Other state supreme courts have struck down similar unconstitutional laws, and more challenges are coming.

Sadly, in Arizona, homeowners still lose everything over tax debts—even tiny ones. In any state, your home may be sold to satisfy unpaid property taxes, but Arizona allows investors (or state officials in some cases) to take and keep your entire property—no matter how much equity you had in your home or how little you owed in property tax.

Most people don’t intentionally fail to pay their property taxes. As with Uri Rafaeli and so many others, life happens; homeowners miscalculate their payments, get sick, or encounter

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Investing in Net Lease Properties Via DSTs

By Steve Haskell, Vice President, Kay Properties and Investments, LLC

A CPA in San Diego contacted Kay Properties & Investments on behalf of his client, Peggy. Peggy owned an apartment building in East San Diego that she and her husband purchased together 50 years ago. Unfortunately, Peggy's husband passed away five years ago and the maintenance, tenants, and looming threat of rent control had become overwhelming. She had an agent list her building and was pleased to receive the full asking price of $1.4 million the very next day. However, her excitement quickly vanished after her CPA informed her the capital gains tax and depreciation recapture will result in over 35% of her property value and prevent her from maintaining her current lifestyle. They concluded that a 1031 exchange into a passive property was critical.

Peggy's CPA told the Kay Properties team that his first thought was to introduce her to a commercial broker that could help her find a NNN leased property. However after he did more research, Peggy's CPA decided that a NNN leased property was highly inappropriate for her for the following reasons:

1. Foreclosure Risk. A NNN leased property with a reputable tenant in a populated location would be four to five times the price Peggy could afford. Peggy would then have to take on debt, which the CPA wanted to avoid at her age. Lender foreclosure would be catastrophic for Peggy at her stage in life, and the CPA believed that she should stay as debt free as possible. Kay Properties & Investments make these properties available to their clients…debt free! So Peggy invested in multiple debt free DSTs which gave her access to credit tenants in highly sought-after areas with no risk of lender foreclosure!

2. Lack of diversification. Peggy relied almost exclusively on the income of her apartments. Exchanging into a single-tenant NNN property is risky. The CPA did not like the idea of Peggy putting all her eggs in one basket, leaving her entire livelihood vulnerable to a single tenant.

3. The due diligence required to responsibly make a decision was overwhelming. Peggy did not have the experience, time, or resources to conduct her own lease audits, environmental surveys, market analyses, insurance policies and building inspections. This was not the passive investment that the broker advertised.

After further research, the CPA determined that a 1031 exchange into a diversified portfolio of Delaware Statutory Trust (DST) investments was much more appropriate for Peggy. Due diligence had already been completed, including property visits, lease reviews, market comparable sales analysis, DST offering structure, underwriting analysis, and etc.

This enabled the Kay Properties Team to develop a tailored solution that spread her 1031 exchange equity among five DST investments, with Fortune 500 tenants and three multifamily DST investments. There are no guarantees in DSTs or any other real estate. However, the due diligence, diversification, and access to passive DST real estate provided by Kay Properties & Investments has allowed Peggy to enjoy the lifestyle she has looked forward to for the past 50 years, while allowing her CPA to feel comfortable in his recommendation to his client. This is an example of the experience of one of our clients and may not be representative of the experience of other clients. Past performance does not guarantee or indicate the likelihood of future results.

Please visit www.kpi1031.com for more details as well as to register for a list of currently available 1031 DST investments, call us at 1.855.466.5927 or email info@kpi1031.com.

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.

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

Diversification does not guarantee returns and does not protect against loss. 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 be aware that this material cannot and does not replace the Memorandum and is qualified in its entirety by the Memorandum.

This material is not intended as tax or legal advice so please do speak with your attorney and CPA prior to considering an investment. This material 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. There are material risks associated with investing in real estate, Delaware Statutory Trust (DST) and 1031 Exchange properties. These include, but are not limited to, tenant vacancies, declining market values, potential loss of entire investment principal.

Past performance is not a guarantee of future results: potential cash flow, potential returns, and potential appreciation are not guaranteed in any way and adverse tax consequences can take effect. Real estate is typically an illiquid investment. Please read carefully the Memorandum and/or investment prospectus in its entirety before making an investment decision. Please pay careful attention to the "Risk" section of the PPM/Prospectus. All photos are representative of the types of properties that Kay Properties has worked with in the past. Investors will not be purchasing an interest in any of the properties depicted unless otherwise noted.

IRC Section 1031, IRC Section 1033, and IRC Section 721 are complex tax codes; therefore, you should consult your tax and legal professional for details regarding your situation. Securities offered through registered representatives of WealthForge Securities, LLC, Member FINRA/ SIPC. Kay Properties and Investments, LLC and WealthForge Securities, LLC are separate entities.

DST 1031 properties are only available to accredited investors (generally described as having a net worth of over one million dollars exclusive of primary residence) and accredited entities only (generally described as an entity owned entirely by accredited individuals and/or an entity with gross assets of greater than five million dollars). If you are unsure if you are an accredited investor and/or an accredited entity, please verify with your CPA and Attorney prior to considering an investment. You may be required to verify your status as an accredited investor.

Seattle Council Bans Evictions During Winter

Rental Housing Journal

The Seattle City Council has voted to ban winter evictions from the months of December through February, shortening the original proposal from five months to three months, according to reports.

The council also added a provision exempting landlords who own four units or less.

The original proposal would have banned evictions in Seattle during the five months between November 1 and March 31. It would prevent a landlord from evicting a tenant for failure to pay rent for up to five months.

The exceptions to the proposal would be if a tenant is doing something illegal in or around the building.

To help survive potential legal challenges, council member Kshama Sawant added an amendment to position the winter months as a defense to getting evicted, rather than an outright ban, and included a few "just-cause" exemptions that include crimes by the tenant and any illegal actions from the landlord, according to SCC Insight.

Seattle Mayor Jenny Durkan and some landlord and development groups, however, have raised questions about the measure's legality and effectiveness. She could veto the legislation, and it takes six council votes to overcome her veto.

In a letter sent to the council Monday, a representative of the mayor's office said they have "significant concerns that the operational, legal and policy issues associated with [the bill] will not help the city achieve those goals" of reducing eviction, according to Crosscut.

Sawant originally introduced the idea of banning winter evictions late last year. She said in a release that the City of Seattle Renters' Commission sent a letter urging the City Council to pass an emergency moratorium – effective immediately – on evictions during the winter. In their letter, the Commissioners said, "Passing such a moratorium will keep neighbors from being displaced to the streets during the months with the harshest weather and poorest living conditions for neighbors living unsheltered."

"I am grateful to the Renters' Commission for recommending an emergency moratorium on winter eviction," Sawant said in the release. "I strongly agree that (the) council needs to put this into effect immediately."

The Washington Multifamily Housing Association wrote a letter to the council opposing the ban on evictions and suggesting instead that they consider additional investment in emergency rental-assistance programs.

"It is financially prudent to invest in emergency rental assistance before an eviction is filed, than (to) wait for an eviction action to be filed, risking the tenant's housing and increasing the cost burden on programs dedicated to preventing displacement due to eviction," the association said in the letter.

"We support a modest increase in the emergency rental assistance to provide tenants experiencing financial hardship the opportunity to recover their tenancy prior to an eviction action starting, and ask that you consider this approach as an alternative to preventing the court from considering evictions altogether 42 percent of the year," the association said in the letter.

King County saw approximately 3,200 evictions in 2017, with more than 85 percent of them filed for nonpayment of rent, and more than half involving the nonpayment of one month's rent or less, according to The Seattle Times.

The average temperatures in Seattle in the winter months according to Climate-Data.org are: November, high 51, low 40; December, high 46, low 37; January, high 45, low 35; February, high 49, low 37; and March, high 52, low 38. The average number of days per month when the temperature dips below freezing are: November, three; December, eight; January, six; February, five; March, two.

How Local Governments are Stealing Home Equity

Continued from Page 1

Opinion

unexpected financial crises. The elderly, sick, and poor are especially at risk of losing their most valuable assets—their homes—for unpaid property taxes. Most homeowners in Arizona had paid off their mortgage and owned their homes free-and-clear when they lost it entirely over a small tax debt. That's why a growing group of organizations across the ideological spectrum, including AARP, support an end to this practice.

Home equity is property. Taking it without compensation is home-equity theft. It's indefensible and unconstitutional. The Arizona Legislature has the power to end it this session, and you can help.

The Arizona Republic published a detailed investigative report on the incidence and harm from home-equity theft in 2017—but nothing was done about it. An analysis of Arizona tax records released last month by Pacific Legal Foundation shows that devastating equity theft continues without interruption in Arizona—and the new study highlights even more troubling facts about the injustice suffered by vulnerable victims of such theft.

The new study shows that Arizona counties most often transfer ownership of foreclosed homes to cover tax debts that average 1 percent of property value, effectively stealing the remaining 99 percent of equity from vulnerable former owners. The analysis of Arizona tax and sales records also demonstrates the following:

- Hundreds of Arizonans lose their homes, a large number of them for tax debts of under $500.
- One man lost his home in 2016 over a $16.46 tax debt ($59.57 with interest and fees). He lost the equity equal to 99.9 percent of the home's sale price.
- The median equity theft in Maricopa County is $64,000 for a tax debt that is less than 1 percent of the home's value.
- Over nine million dollars in equity was taken from homeowners in Maricopa County in the last four years alone.

The Arizona Legislature should act promptly to align its laws with the constitution, prevent home equity theft, and protect vulnerable homeowners. It is considering at least one bill designed to do just that.

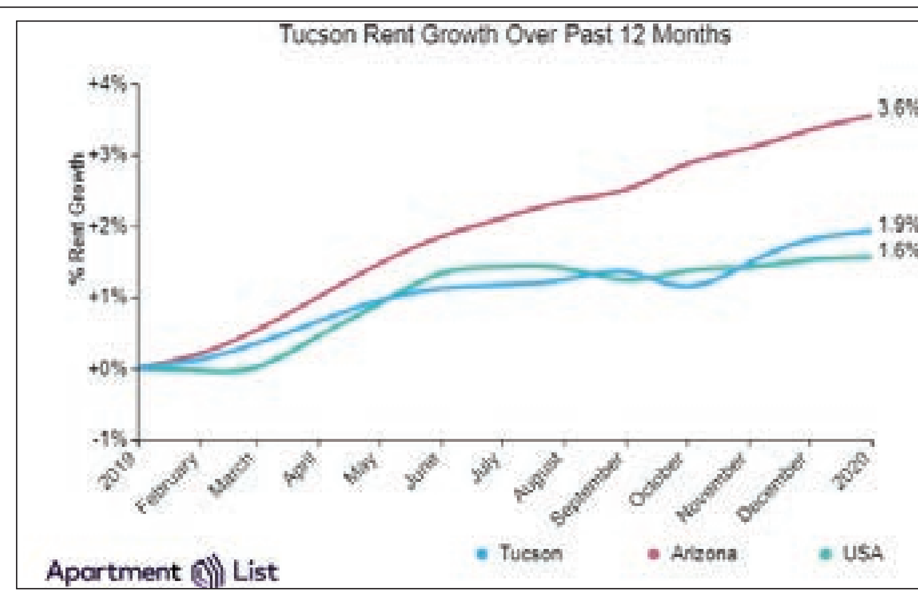
Provisions in the Equity Theft Prevention Act (HB 2445), now under consideration, would prevent anyone from losing more than what is owed in tax, penalty, interest, and statutory cost. Once these debts are paid, the remaining money from an auction of the property would be returned to the former owner.

With HB 2445, or similar legislation, the Arizona Legislature can—and should—act this session to end home-equity theft, protect the property rights of its citizens, and end the gross pillaging of vulnerable owners' home and land equity.

The moral and economic harm inflicted on Arizonans is now well documented, and the solution is straightforward. Add your name to our petition at pacificlegal.org/hometheft and share it with other property owners.

Let's show the legislature that Arizona can lead the way—and set things right.

Jim Manley lives with his family in Phoenix, where he litigates in defense of individual liberty for Pacific Legal Foundation.



Tucson, Marana Rents Up

Apartment List

Tucson rents have increased 0.1 percent over the past month, and are up slightly by 1.9 percent year-over-year, according to the most recent report from Apartment List.

Median rents in Tucson stand at $716 for a one-bedroom apartment and $951 for a two-bedroom.

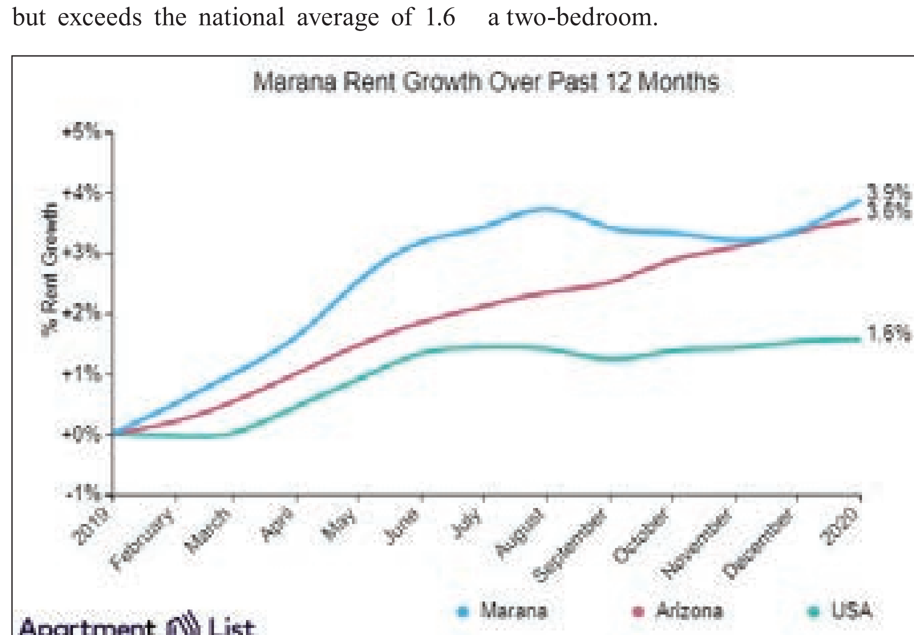
Tucson's year-over-year rent growth lags the state average of 3.6 percent, but exceeds the national average of 1.6 percent.

Marana rents increased significantly over the past month, with a 0.5 percent increase.

This is the second straight month that the city has seen rent increases after a decline in November of last year.

Year-over-year rents in Marana increased by 3.9 percent.

Median rents in Marana are $1,171 for a one-bedroom apartment and $1,505 for a two-bedroom.



The Best Appliances to Have in Rental Units

Continued from Page 1

range, safety, and prices of each type of stove.

Range – Typical tenants who cook daily can hardly tell the difference between these two stoves. However, an interesting insight: a chef would prefer a gas range over an electric one, while a baker would choose an electric oven over the opposite.

Safety – There are certainly different safety hazards associated with using either of these stoves. By using an electric stove, a tenant could risk an electrical fire or electrocution, especially if improperly installed or under-maintained. Alternatively, using a gas stove puts a tenant at risk of carbon monoxide poisoning.

Price – Gas stoves are a more expensive option. However, natural gas is more affordable in the long run. Consider these factors before choosing the right stove for your property.

Faux or genuine stainless-steel refrigerator?

Having a white refrigerator in your rental property is good, but not good enough for tenants who like to see stainless-steel refrigerators in their living space.

Genuine stainless-steel refrigerators often complement other appliances in a rental property. However, they are, unfortunately, no more stain-resistant than faux stainless-steel refrigerators.

While it's easy to invest in a new refrigerator, it's important to consider whether there would be enough space in the rental unit to swing it open and if the unit's dimensions in the kitchen can allow the main refrigerator compartment and freezer to freely open. French doors, or having the freezer above or below, might make a difference here.

Regardless of which you choose, opt for a refrigerator with an energy star symbol on it. Your tenants are likely to save money on electricity when using it.

Dishwashers

Like stoves, dishwashers add considerable value to rental properties. Before buying one, property managers need to consider a few things:

Garbage disposal – For the long-term maintenance of a dishwasher, it's important to know whether a dishwasher has self-cleaning filters or requires manual cleaning.

Energy – Opt for a dishwasher with an energy star symbol on it. Your tenants are likely to save money on electricity when using it.

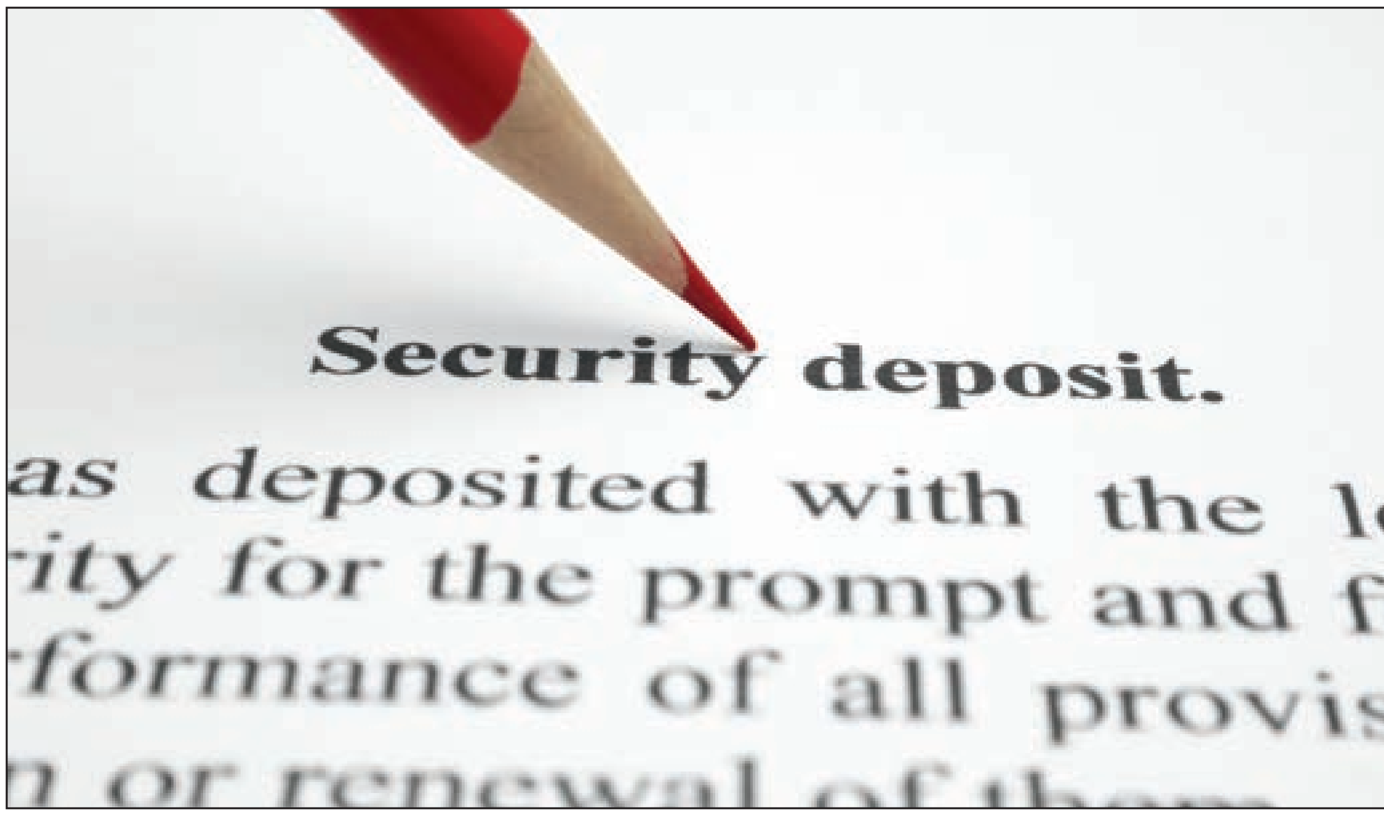
Capacity – Get a standard size dishwasher if your rental units have huge kitchen spaces or multiple tenants. A compact dishwasher is enough for a small kitchen, though.

Sound – A noisy dishwasher can be a nuisance. Opt for a quieter one if you want upscale tenants.

To attract high-end tenants and command higher rents for your rental property, make sure to upgrade appliances that fit their needs and exceed expectations.

Security Deposits: Common and Costly Mistakes

By Cory Brewer



In my role as a general manager, disagreements over security-deposit resolutions cross my desk more often than most other issues.

I've lost count of how many times a former tenant explained that they, "left the home in better shape" than they found it, while at the same time I have had numerous conversations with our landlord clients about how they are being too aggressive with their charges. It can be a contentious issue on both sides of the table.

We all hope that a tenant treats the rental home with respect, and that we can refund most – if not all – of the security deposit quickly after they vacate.

On the landlord's end, timing and accuracy are extremely important.

The law in Washington state currently prescribes that a landlord must mail a statement specifying the basis for withholding of security deposit funds within 21 days of the tenant vacating – which is *not* always the last day of the lease. If a tenant were to move out two weeks early and return the keys, then the 21-day clock would start ticking two weeks sooner. Mailing the statement to the tenant's last known address is also crucial, so if they have provided this to you before your statement has been mailed out you need to make sure you're mailing it to their new address. A simple error (delivered late or to the wrong address) can be very costly in that it could a) eliminate your ability to keep any of the deposit at all, and/or b) entitle the tenant to financial damages above and beyond the full return of their deposit.

Pet deposits (particularly in Seattle) have added a new wrinkle to this process in that a landlord cannot apply pet-deposit funds to cover "people damage."

For example, a security deposit of $1,000 is collected plus a $250 pet deposit. At move out, there is no pet-related damage, but it is discovered that the garage door is damaged due to the tenant hitting it with their car. If the door repair costs $1,500, the landlord may apply the $1,000 security deposit toward this repair, but must refund the $250 pet deposit to the tenant. Ultimately the tenant would owe an additional $500 in damages, not $250 (because you can't keep the $250 pet deposit for people damage – at least not without the tenant's consent). So, in this situation you are simultaneously sending them a refund check *and* a bill for the balance of the garage door repair cost.

Every penny of security-deposit funds withheld to cover damages, cleaning, or any other unpaid amounts (back rent, late fees, utility bills, etc.) must be supported by an invoice (or copy of tenant ledger indicating delinquent amounts owed). In addition, the withholding of funds must be supported by clear move-in and move-out inspection reports. Back at move in, you were to have completed a property-condition inspection report and had the tenant sign it in acknowledgment. At move-out, you would review those notes and make a comparison to the current condition of the property to establish a basis for charging the tenant for damages. While photos are not legally required, they are highly recommended – at our brokerage, we take more than 100 photos to supplement the majority of our move-in reports. The photos can be your saving grace if you ever end up in small-claims court arguing over the validity of your charges.

Document, document, document!

Finally, a landlord may not charge a tenant for "normal wear-and-tear," which can often be difficult to define.

Best practice is to supply the tenant at lease signing with a list of examples of things that would be considered damage vs. wear-and-tear to set the expectation. A landlord also may not charge a tenant for any improvements post-tenancy. For example, if a vinyl floor was damaged, a landlord may not take advantage of the situation by charging the tenant to install porcelain tile. The landlord may still replace the floor with porcelain tile, but may only charge the tenant the equivalent of what it would have cost to replace it with like-kind vinyl. Depending on the damaged item, depreciation must also be considered – certain elements of the property (appliances, hardwood flooring, carpet, paint, etc.) have their own general "useful-life" spans. So for example, if a tenant dents the door of a 25-year-old refrigerator, the landlord cannot charge the full cost of a brand new one to replace it. The word "reasonable" is found littered throughout RCW 59.18 of the Washington state Residential Landlord-Tenant Act, and if you find yourself in front of a judge you will have to come up with a "reasonable" explanation for your actions.

So to recap – when your tenant vacates you've got to act quickly, keep a clear paper trail, and make sure that you are being reasonable. Good luck!

RENTAL HOUSING JOURNAL ARIZONA

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

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www.RentalHousingJournal.com

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Strong Start to 2020 for Multifamily Occupancy, Rent in West, Southwest

Rental Housing Journal

Sixteen of the top 30 U.S. multifamily markets bested the national average for year-over-year growth in January, according to the latest report from Yardi Matrix.

The report says occupancy remained near 95 percent.

While average rents fell by one dollar, "that's a seasonal occurrence and doesn't detract from the market's overall strength," the report says. "The decline in rents can be attributed to seasonality and could continue for the next few months, until we move into spring."

Yardi Matrix expects strong growth to continue in the West and Southwest. Over the past year, rent growth in the top markets was 7.4 percent in Phoenix, 5.4 percent in Las Vegas, and 5.1 percent in Sacramento.

Watch regulatory risk in some markets

"The slowing economy has had little effect on multifamily, but one potential headwind to keep in mind for 2020 is regulatory risk, as evidenced by statewide rent control (California, New York and Oregon), increased local regulation on security deposits (Cincinnati) and resident acceptance criteria (Seattle).

"However, this risk does not present an insurmountable barrier nationally," the report says.

Job growth remains strong

Job growth is still strong and is carrying the economy forward, as it has throughout the current expansion.

Technology has caught the headlines, but strong gains in education and healthcare, professional and business services, and leisure and hospitality have also contributed significantly to the labor force, the report says.

"The economy shows mixed signals of both slowdown and growth, as the job market propels forward into a new decade.

"Political uncertainty as the election nears will likely lead to a busy first and second quarter for transaction activity, followed by a slower summer and fall, as buyers grow cautious of a changing administration.

"Multifamily fundamentals remain strong and steady, despite a potential slowdown in transactions. Development is slowing modestly, but rent growth and occupancy will benefit," the report says.

Summary

"The nationwide housing shortage continues to provide wind in the sails of steadily growing rents for both high-end and workforce housing," the report says.

"New supply remains concentrated mainly in primary and top-tier secondary markets with heavy influence from the tech sector. Expect 2020 deliveries to decline slightly from previous years, falling under 300,000 units.

"As the recovery continues and the presidential race moves forward, the multifamily market remains well-balanced and poised to continue its steady march forward," the report says.

Rise in Rentals Believed to be Driven Mostly by Constraints

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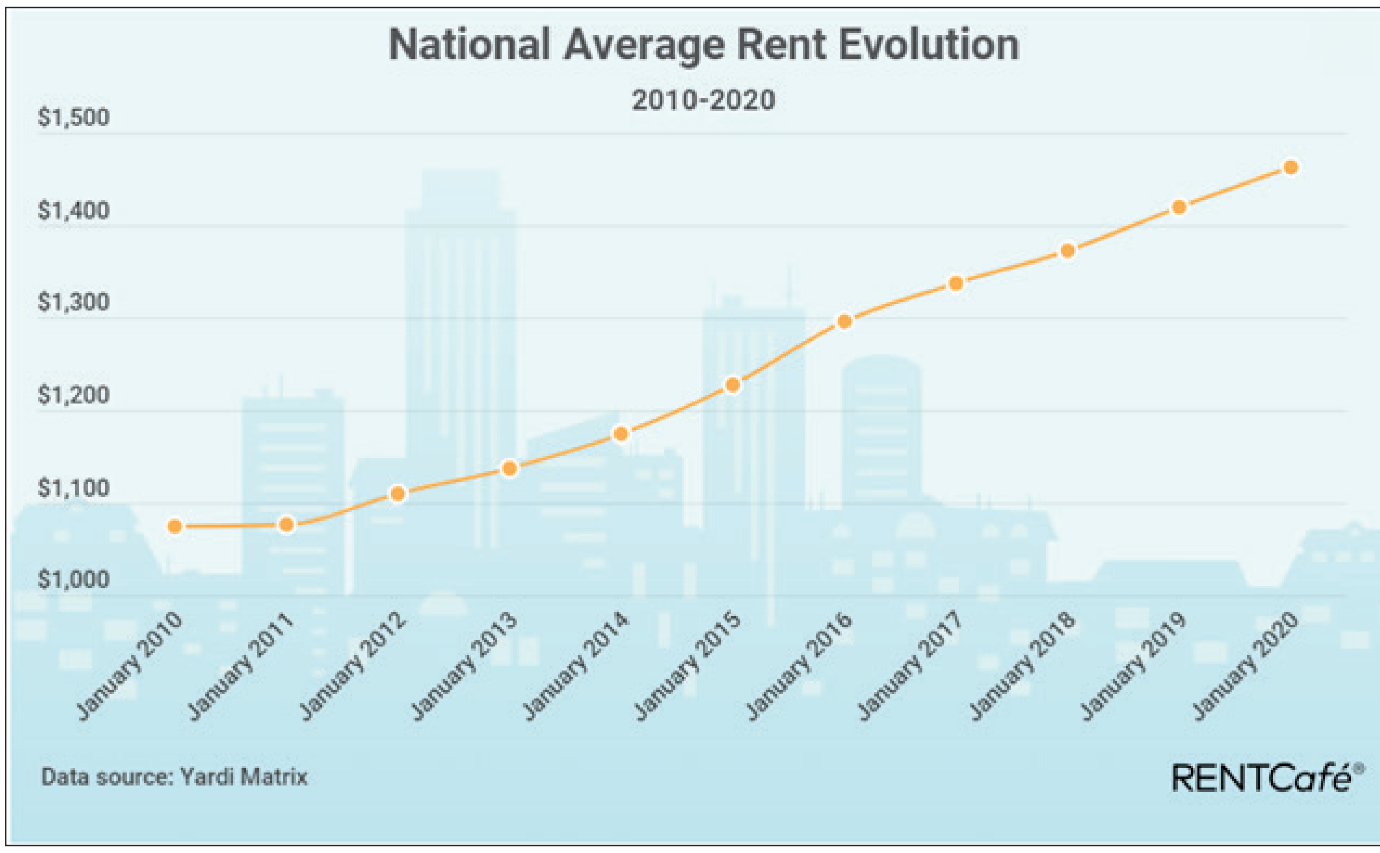

Not all experts agree that choice is driving rentals

"I'm skeptical of the view that the increase in rentals is driven by 'choice.' Respondents to Fannie Mae's National Housing Survey consistently report that they would prefer to own rather than rent," said Benjamin Keys, Ph.D., Rowan Family Foundation Associate Professor and Associate Professor of Real Estate at The Wharton School, The University of Pennsylvania, in the report.

"The rise in rentals is more likely driven by constraints rather than preferences:

"First, house prices are extremely high, especially in the places with the most desirable labor markets.

"Next, mortgage credit remains extremely tight, as minimum credit scores and documentation requirements remain far more stringent than they were before the financial crisis.

"Finally, millennials have suffered the double-whammy of entering their peak employment years during a weak labor market and bearing the burden of substantial student loans.

"All these factors are more likely to be driving increased rentals rather than changes in preferences," Keys said.

"Going forward, I expect house prices to remain high as demand outstrips supply. Simply put, there is not enough new construction to meet demand in the cities where the jobs are. Construction shortages are a function of higher costs for materials, higher labor costs, and more onerous local political barriers to building," Keys said in the report

80 percent of largest renter hubs have rents below $2,000

The report says 16 out of the 20 largest apartment hubs kept rental rates below the $2,000 mark in January. Two of these cities have rates below $1,000: Indianapolis and Columbus. Indianapolis apartments are the cheapest out of all urban renter hotspots, with an $887 average rate.

"Millennials have suffered the double-whammy of entering their peak employment years during a weak labor market and bearing the burden of substantial student loans."

When it comes to rent hikes, Phoenix takes the lead, with an 8.3 percent increase since last year, closely followed by Las Vegas, where rates grew by a lower but still significant 5.9 percent. Population migration explains the hikes in both cities — Phoenix and Las Vegas are among the most popular destinations for Californians looking for more affordable lifestyles, so rents are growing as the cities have to accommodate an increasing number of residents.

Around the country, apartments for rent in Atlanta went for $1,477 in January, apartments in Washington, D.C. for $2,233 per month, and Tampa apartments rented for an average of $1,338.

Phoenix Metro Average Rent
January 2020

City	Average Rent	M-o-M % Change
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Glendale, AZ	$1,018	-0.1%
Goodyear, AZ	$1,248	-0.3%
Mesa, AZ	$1,088	0.0%
Peoria, AZ	$1,217	0.3%
Phoenix, AZ	$1,119	0.1%
Scottsdale, AZ	$1,564	0.5%
Surprise, AZ	$1,285	0.2%
Tempe, AZ	$1,434	0.3%

Data Source: Yardi Matrix RENTCafé®

Tucson Metro Average Rent
January 2020

City	Average Rent	M-o-M % Change
Oro Valley, AZ	$1,238	0.7%
Tucson, AZ	$909	0.6%

Data Source: Yardi Matrix RENTCafé®

HUD Settles with CA Landlords Over 2-Person-Per-Bedroom Policy

Rental Housing Journal

Owners and property managers will have to pay $10,000, abolish any two-person-per-bedroom policy, remove language regarding the two-person-per-bedroom policy from advertising and marketing materials, and have property managers and staff fair housing training, according to a HUD release.

HUD announced the settlement between the Inland Fair Housing and Mediation Board and a group of Upland, CA, property owners and managers "resolving allegations that they discriminated against families with children by refusing to rent to them and by imposing different occupancy terms and conditions to families with children," according to the release.

The complaint alleges the owner and property managers violated the Fair Housing Act by:

- Refusing to rent to families with children;
- Citing different terms and conditions to families with children;
- Implementing and enforcing an unreasonably restrictive occupancy policy.

The Fair Housing Act makes it unlawful to deny or limit housing because a family has children under the age of 18, and to make statements or establish rules and policies that discriminate against families with children. Housing may exclude children only if it meets the Fair Housing Act's exemption for housing for older persons.

"Families looking for safe, decent housing shouldn't be penalized because they have children," said Anna María Farías, HUD Assistant Secretary for Fair Housing and Equal Opportunity, in the release. The agreement "reaffirms HUD's commitment to ensuring that housing providers meet their obligation to treat all applicants the same."

The case came to HUD's attention when Inland Fair Housing and Mediation Board (IFHMB), a HUD Fair Housing Initiatives Program agency, filed a complaint based on results from their fair-housing tests.

IFHMB alleged the tests showed the property owners and two property managers refused to rent to families with children and/or offered them different lease terms and conditions. The owners and managers also allegedly implemented an unreasonably restrictive two-person-per-bedroom occupancy policy at two rental properties.

The owners and managers deny they discriminated against families with children but agreed to resolve the matter through the Conciliation Agreement.

5 Tips To Help Detect Mold Problems

Keepe

Mold can not only lead to structural damage to your property, but also cause serious health risks to you and your tenants if not caught and treated in a timely manner.

Because of the severe and broad effects that mold can have, responsible ways to detect mold problems and evaluated them will require both physical examinations of your property as well as open communication with your tenants and/or on-site building manager.

Here are some tips:

No. 1 – Dark spots or mold spores

Let's start with the most severe. If you can see mold, you likely have a significant problem on your hands. Visible mold usually indicates just a small portion of a problem that lies underneath.

No. 2 -Water or moisture collection

Mold needs moisture and dampness to settle and grow. Elevated moisture levels in building materials can be another sign of possible mold. A common complaint, for instance, may be a water stain on the ceiling. Official assessment will require a professional with the appropriate materials to confirm whether it's just a leak to be fixed, or mold.

No. 3 – Musty or damp smell

Not all mold has the same scent, so this may be hard to pinpoint. Generally, the scent of mold is unpleasant and as though something is moist in the area. Some compare the smell to rotten wood or wet socks. Bottom line—if it is not a common scent in the building or apartment, it should be investigated.

No. 4 – Flooding

If your building or any apartment within it has a history of flooding, you should keep a watchful eye on that space. If the flood was not handled by an appropriate professional, you stand the risk of growing mold on both a short- and long-term basis.

No. 5 – Health symptoms

There are several symptoms that could mean exposure to mold. These can be tricky, because the symptoms alone cannot prove a mold problem. However, if you are evaluating all of the above factors on a periodic basis, any additional health reactions can help you determine whether you have a problem. Signs of health symptoms from residents (or others who spend significant time on your property) that may be problematic:

- A lingering cold or flu-like symptoms;
- Frequent headaches that perpetuate and/or get worse;
- Nosebleeds;
- Difficulty breathing or other respiratory issues;
- Irritated eyes, skin, throat or nose.

Mold detection should be part of your regularly scheduled property inspections.

Keep in mind that problem areas can include places that have the most exposure to moisture and little access to light, such as basements, bathroom ceilings and ductwork of your HVAC systems.

However, if you notice (or your residents report) any of the listed red flags in the interim, don't wait to take action. A mold problem will only get worse and cannot be solved by a simple cleaning.

If you stay proactive, you will be better positioned to minimize your mold risks, keep costs down and keep your tenants happy.

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 Lenient Should Landlord Be with a Long-Term Tenant?

By Hank Rossi

Landlords love having a long-term tenant, but how far should a landlord go in being lenient? Each week veteran landlord and property manager Hank Rossi answers questions like this from other landlords and property managers around the country about their rentals. Send him your question in the form below.

Dear Landlord Hank:

I have a long-term tenant that has been in one of my units for 14 years. Pays rent on time and does cut the grass, but that is about all.

In the last year he has been trying to help two young women who are on drugs to get clean; they are also on probation. He knows he can't have anyone live in his apartment who is not on the lease, but he hides the women so no one will know. I have given him two written notices, but he disregards the warnings. He states they just come to visit and are not living there.

He has been such a good tenant and I don't want to make him move, but what to do? I can't prove anyone else lives there except for the tenant. One of these women even picked my lock and I found her in my bathroom one morning. I should have called the police but I just chased her out and informed my tenant about it. She claims the door was unlocked, but she still had no right to come in through the gate and then my BACK DOOR. It seems to me my tenant is pushing me into a corner to dare me. Any suggestions?

— Adele

Dear Landlady Adele:

It's great to have a long-term tenant, but sometimes the tenant thinks you'll be lenient or forgiving due to the length of stay, etc.

This tenant is putting you at risk by inviting known criminals to your property (sounds like you live in a duplex?), and, as you know, drug addicts support their habit by stealing.

Do you have a lease with this person or is he living month-to-month?

I would talk to him and tell him that you are not renewing his lease and expect him to move out by whatever date is consistent with your current rental agreement. I would also hand him the notice in person.

If he doesn't move as requested, then you may have to evict. You are the boss and you don't want to feel uncomfortable in your own home. Good luck.

"Landlord Hank" Rossi started in real estate as a child watching his father take care of their family rentals — maintenance, tenant relations, etc, in small-town Ohio. As he grew, Hank was occasionally his dad's assistant. In the mid-'90s he decided to get into the rental business on his own, as a sideline. In 2001, Hank retired from his profession and only managed his own investments, for the next 10 years. Six years ago, his sister, working as a rental agent/property manager in Sarasota, Fla., convinced him to try the Florida lifestyle. He gave it a try and never looked back. A few years ago they started their own real estate brokerage, focusing on property management and leasing. Hank continues to manage his real estate portfolio in Florida and Atlanta.

Phoenix Rents Edge Up Slightly in January

Apartment List

Phoenix rents increased 0.2 percent over the past month, and now show a 3.7 percent year-over-year increase, according to the latest report from Apartment List.

Phoenix rents have increased for 26 straight months.

Rents in Phoenix proper are lower than many areas in the Phoenix metro, at $883 for a one-bedroom apartment and $1,101 for a two-bedroom.

Gilbert rents up 5.2 percent year-over-year

While Gilbert rents held steady in the past month, they are up a healthy 5.2 percent year-over-year.

Rents in Gilbert are $1,236 for a one-bedroom apartment and $1,540 for a two-bedroom.

Gilbert currently has the most expensive rents in the Phoenix metro.

Chandler rents close behind Gilbert

Chandler showed a 0.3 percent rent increase over the past month according to Apartment List, and has a 5 percent year-over-year rent growth.

This is the third straight month Chandler has seen rent increases after a decline in October of last year.

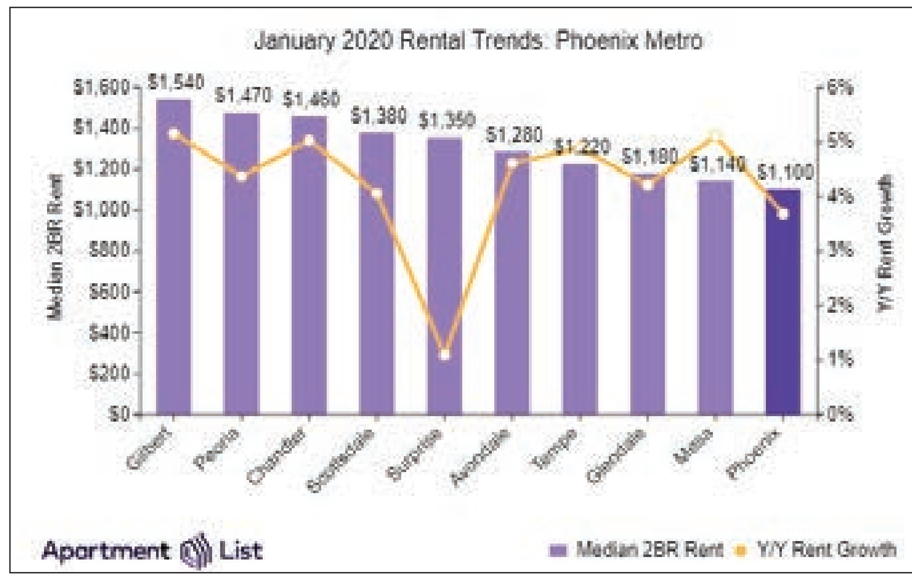
Rents in Chandler are $1,169 for a one-bedroom apartment and $1,457 for a two-bedroom.

Scottsdale rents take monthly jump

Scottsdale rents have increased 0.5 percent over the past month, and are up significantly by 4.1 percent in comparison to the same time last year.

Rents in Scottsdale are $1,104 for a one-bedroom apartment and $1,376 for a two-bedroom.

The city's rents have been increasing for 26 straight months; the last time rents declined was in November 2017. Scottsdale's year-over-year rent growth leads the state average of 3.6 percent, as well as the national average of 1.6 percent.



Tempe rents increased slightly over past month

Tempe rents have increased 0.2 percent over the past month, and are up 4.9 percent in comparison to the same time last year.

Rents in Tempe are $982 for a one-bedroom apartment and $1,224 for a two-bedroom.

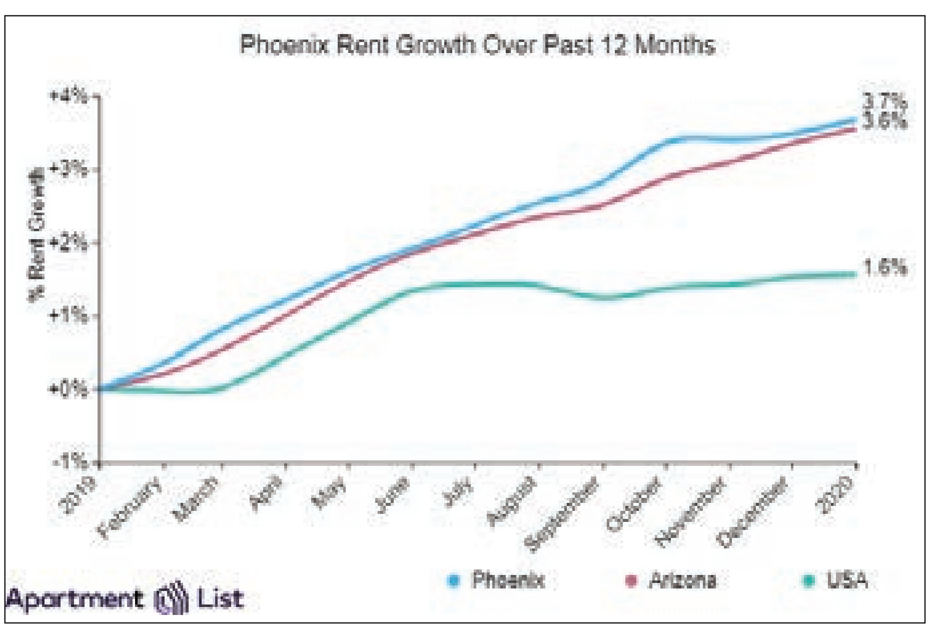
Peoria has most expensive rents in the West Valley

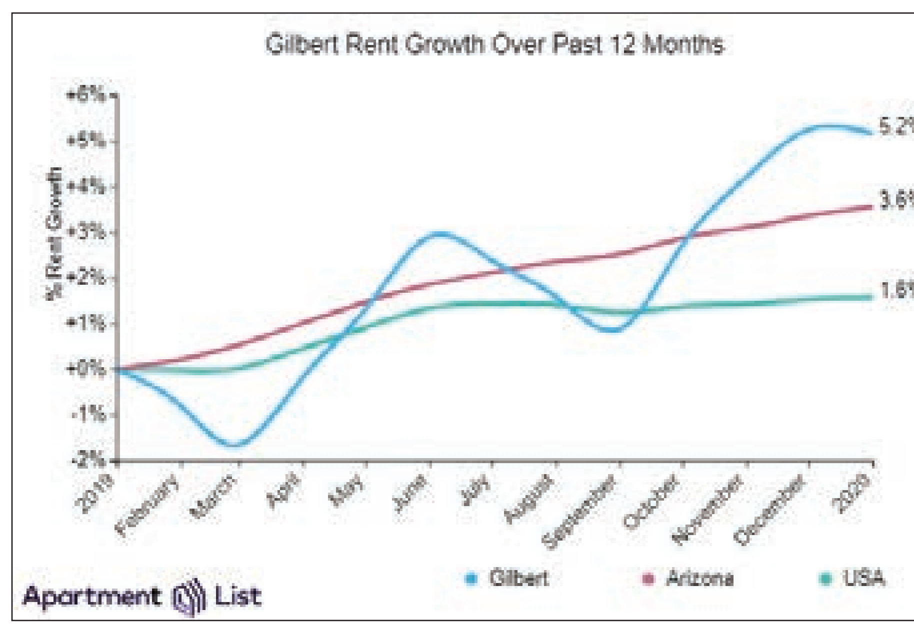
Peoria rents increased slightly over the past month by 0.2 percent.

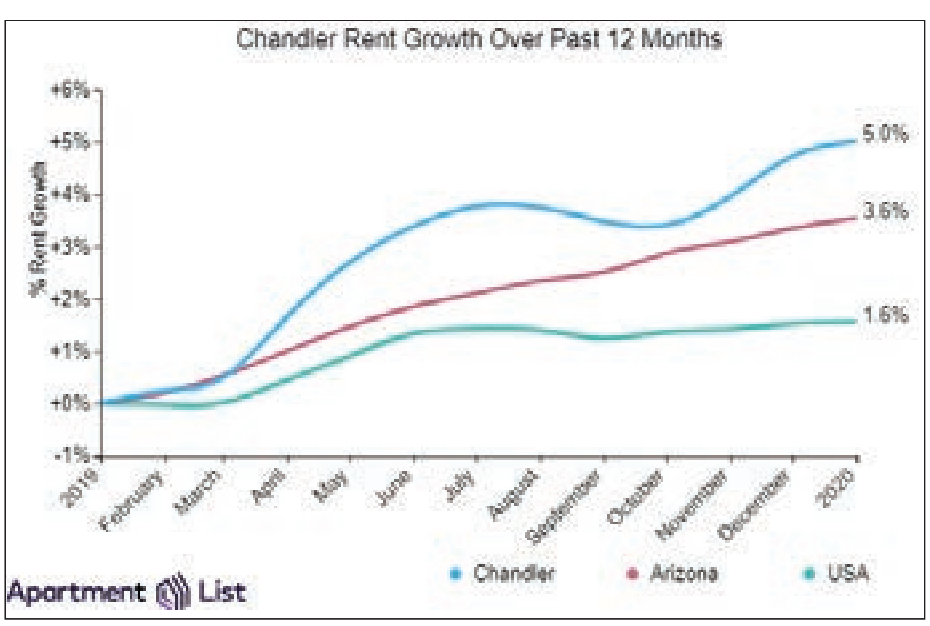
Year-over-year Peoria rents increased by 4.4 percent.

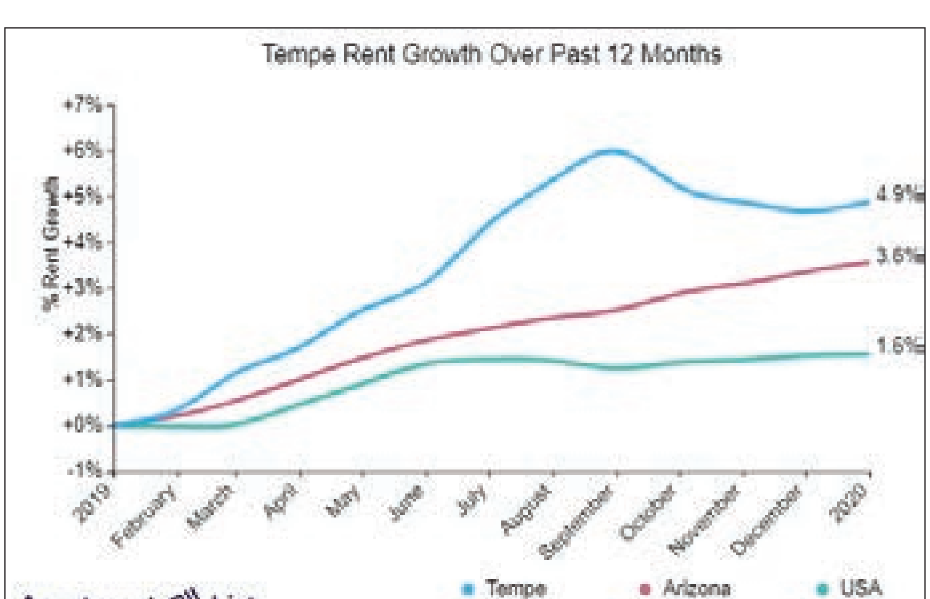
Median rents in Peoria stand at $1,183 for a one-bedroom apartment and $1,473 for a two-bedroom.

The city's rents have been increasing for 26 straight months - the last time rents declined was in November 2017.









A Look at 3 Kinds of Rental Housing Owners and How to Deal with Them

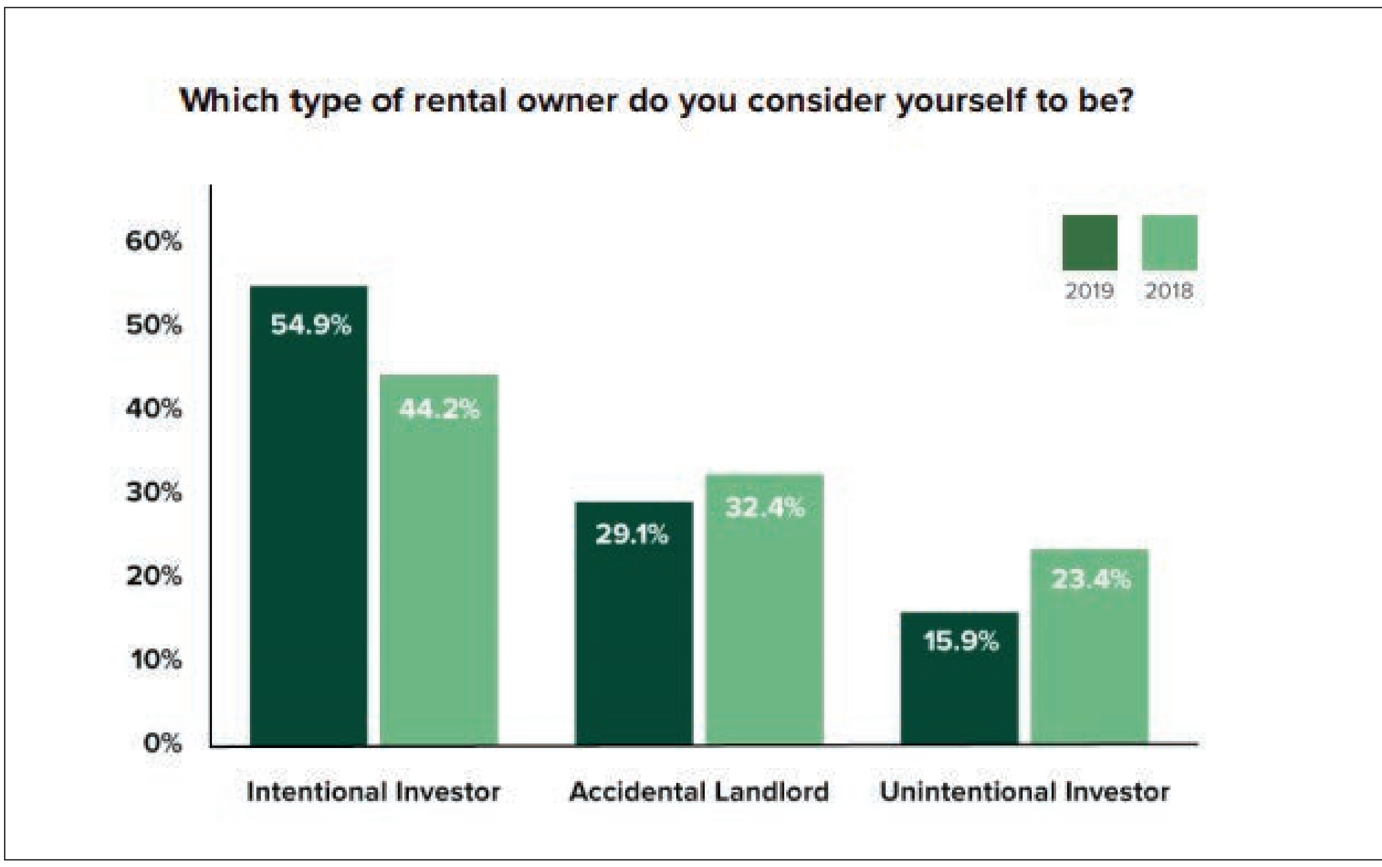
Rental Housing Journal

Property managers have to deal with three kinds of apartment owners, from the regular investor to the accidental landlord – and a third type, according to Buildium's 2020 Rental Owners' Report.

Buildium surveyed more than 600 rental owners across the country "to better understand the motivations and pressures that drive their decisions, as well as the expectations that they have of property managers. We put it all in the context of our research on the property-management industry and the rental market to help property managers turn insights into action," the report says.

The report says the recent seller's market in properties means there has been a change in the type of owner seeking property management. Also the number of "intentional investors" is now "55 percent of rental owners in 2019, an increase 39 percent since 2018."

Accidental landlords have been selling, the report says, and are being replaced by the intention investors and a third kind of owner.



SOURCE: Buildium Report

"As home prices have begun to recede from the peaks they've reached over the last two years, interest is growing among a new generation of investors. Property managers will benefit from an ability to prove their value to not only the accidental landlords and intentional investors they've served in the past, but also to a new group of DIY landlords tempted to manage their rentals with apps," Buildium says in the report.

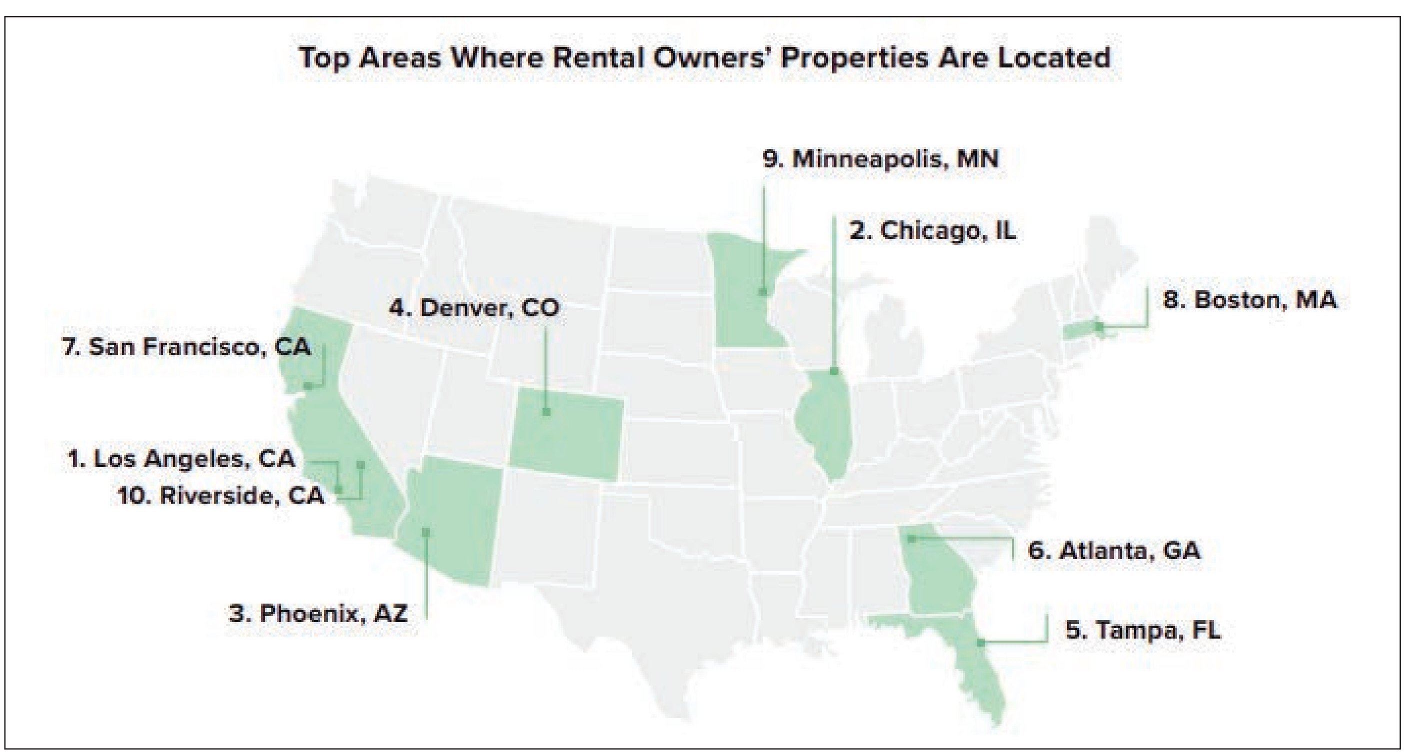
Here are the 3 kinds of rental housing owners:

- Intentional Investors bought a rental property as an investment. These are about 55 percent of the rental housing owners.
- Accidental landlords "fell into rental-property ownership due to circumstance." These types generally do not plan to buy additional properties. They represent about 30 percent of owners.
- Unintentional investors "fell into rental-property ownership due to circumstance" and then added additional rental-housing properties. These are about 16 percent of owners, the report says.

"Finding a property manager and working with them is a consistent source of stress for rental owners, illustrating the importance of providing excellent customer service from the very first interaction," the report says.

Maintenance is listed as the most stressful aspect of owning rental housing by the owners in the survey, followed by finding a property manager and filling vacancies.

Three out of four owners "agree that reliability and trustworthiness are the most important qualities a property manager can have," the report says.



SOURCE: Buildium Report

The Buildium report also had a number of quotes from owners offering advice on how best to deal with them:

- "Be a quick communicator, be thorough, and follow up when the owner reaches out. Trust can be broken, but if fostered, can build a great portfolio and relationship."
- "Show in dollars how a property manager will save me money over doing it myself."
- "Stay on top of market conditions to understand rent and vacancy rates. Be prepared to inspect the houses regularly to ensure they're being cared for properly. Keep accurate financial records for cash flow and tax purposes."
- "Make my property inviting to good tenants, and keep them there with good service."