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# Greater Seattle Rental Housing Market: 2020 Statistical Analysis

By Cory Brewer

The year 2020 was unprecedented, and in this article, we seek to answer the question: "What happened in rental housing?"

The overriding trend in rental housing, in response to the COVID-19 pandemic, was that people either stayed put in their current home, or, if they moved, it was to get out of the city core and into a suburban or even rural neighborhood with more space. Housing is essential, and is now more important than ever between health concerns, shelter-in-place orders, working from home, and remote schooling.

Very early on in the pandemic we started to see the shift from communal living in the city centers to homes with more space (home office, back yard, basement, etc.). While single-family housing demand has remained strong, and pricing has increased in every market segment (Seattle, Greater Eastside, Snohomish County, Pierce County) throughout the year, condos and multi-family apartments primarily in Seattle suffered mightily; not necessarily due to a mass exodus, but perhaps more so due to waning demand from prospective/new residents moving into these units.

This is not to say that there was a slowdown in activity overall. In 2020 our brokerage renewed 5.9 percent more leases than in 2019, and overall market time on the NWMLS for single family sped up in every segment.

The other significant rental-housing issue we faced in 2020 was of course the statewide eviction moratorium, which also prevented such things as late fees and rent increases on existing tenancies. The original moratorium, effectively dated February 29, 2020, has been extended multiple times and as of this publication, has been extended to March 31, 2021 as the state legislature gets their session under way. At one point, an important exception was made for housing providers who intended to move back into or sell their rental properties. Various other moratoriums have been put in place, whether at the city, county, or national level, and we continue to guide our clients accordingly based on local jurisdiction.

We are fortunate to be in a very stable industry (when compared to many others such as airlines, restaurants, retail, etc.), and in a general sense, our clientele has not been as severely affected by these emergency legal guidelines governing rental housing. Throughout the year, more than 95 percent of rents were paid by our tenants on time and we were able to help many of them obtain financial assistance through various programs, charitable organizations, payment plans, and more.

We continue to work through our professional organizations with lawmakers and media outlets to ensure that housing

*See 'An Analysis' on Page 13*

# Emergency Repair vs. Maintenance Request

Keepe

Being a responsible property manager means responding to your tenant's emergency repair and maintenance requests promptly. Every property manager's priority is to keep the property in its best condition to make sure the tenants are happy and satisfied. This will add value to their stay and motivate them to stay longer.

But when they make these requests, how would you classify which are emergency repairs and which are simple maintenance requests? Knowing how to respond to each type of maintenance request will both save you money and improve your tenants' satisfaction rate.

*See 'Not' on Page 5*

# Rents Down 19 Percent Year-Over-Year

## Volatility Felt in Seattle But National Rent Index Starting to Stabilize


Rental Housing Journal

Seattle rents continued their slide downward last month, declining 3.6 percent, according to the latest report from Apartment List.

With this latest decline, Seattle rents are now down sharply, by 19.1 percent in comparison to the same time last year.

Median rents in Seattle are now $1,345 for a one-bedroom apartment and $1,677 for a two-bedroom.

This is the ninth straight month that the city has seen rent decreases after an increase in March.

"As we enter the New Year, our national rent index has begun to stabilize after a

*See 'Seattle' on Page 4*



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# What Properties Can be Used in a 1031 Exchange?

**By The Kay Properties Team**

If you are interested in selling your real estate, the phrase "1031 Exchange" has certainly come up once or twice in your research, as an outright sale can trigger large tax consequences. The capital gains and depreciation recapture taxes can be a serious dent in the return you expected to earn from the sale of your real estate. A 1031 exchange is a process by which an investor can defer the taxes they would pay upon sale of their investment property. It is important to understand how the 1031 exchange can be utilized.

A 1031 exchange may be performed if the property sold and the following property or properties purchased are both considered investment property. Investment properties are those that are used for business or investment purposes. Raw land, land with mineral rights, multi-family, and commercial real estate can all qualify as "like-kind" for the purposes of a 1031 exchange. Any property that falls outside that definition would not qualify. A primary residence or any property in which one stays more than two weeks in a year is NOT considered an investment property.

Again, an investment property must be exchanged for another investment property. Properties can only be exchanged if they are used for investment purposes like residential rentals, multifamily, condominiums for rent, commercial, industrial, retail etc. Furthermore, there are many 1031 exchange alternatives one may consider. A Delaware Statutory Trust is a great example. With DST real estate, an investor is able to exchange into properties and own a fractional interest in the real estate. Instead of investing the entirety of the proceeds into another property, one for one, an individual is able to invest in multiple pieces of property as a fractional and passive owner. Under the DST structure, fractional real estate ownership is still considered eligible for 1031 exchange. This is a helpful way to potentially diversify into a portfolio of properties, thereby buffering the risk of having "all your eggs in one basket" by buying a single property. Utilizing the DST structure, one can own fractional interest of multiple properties with the opportunity for several geographic locations as well as with various asset managers running each real estate investment as part of a diversified 1031 solution into DSTs.

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

***About Kay Properties and www.kpi1031.com***

*Kay Properties is a national Delaware Statutory Trust (DST) investment firm. The www.kpi1031.com platform provides access to the marketplace of DSTs from over 25 different sponsor companies, custom DSTs only available to Kay clients, independent advice on DST sponsor companies, full due diligence and vetting on each DST (typically 20-40 DSTs) and a DST secondary market. Kay Properties team members collectively have over 115 years of real estate experience, are licensed in all 50 states, and have participated in over 15 Billion of DST 1031 investments.*

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# Oregon Landlords File Suit Against City, County, State

Rental Housing Journal

Several landlords have filed suit in federal court in Oregon alleging the legislature has failed to responsibly address the housing crisis.

The lawsuit was filed in the Federal District Court naming Gov. Kate Brown, the State of Oregon, Multnomah County and the City of Portland as defendants, according to John DiLorenzo, attorney for the landlords.

DiLorenzo said according to Multifamily NW, Oregon renters are currently in arrears to a total of between $800 to $900 million in unpaid rent.

"Yet, the state has opted to make available only a fraction ($200 million) of the overall need to benefit renters who reside in only certain types of housing owned by certain types of providers," DiLorenzo said. "Sadly, the state had a chance to address this issue during the third special legislative session by taking up LC 881, a proposal designed to make it easier for all housing providers to provide rent forgiveness for existing tenants in exchange for credits against future Oregon income tax.

"Instead, it adopted a new law (HB 4101) that fails to equitably address the growing crisis and simply kicks the can down the road, increasing the crushing debt that tenants who cannot pay rent will ultimately have to deal with in bankruptcy courts. The state's latest response will require both renters and housing providers to wait in a very long line only to discover when they get to the window that the promised support is all sold out.

"Renters are in need of immediate support, unrestricted by artificial 'tests' and unreasonable bureaucratic impediments. The lion's share of renters want to pay rent and cannot because they have lost their livelihoods (either due to the governor's choice to close the businesses which used to employ them or because the governor has closed the schools their children attend, requiring them to provide all-day care for their children).

"Governor Brown, the state, the county and the city determined that the COVID-19 crisis required those actions. We are sympathetic to all who have been impacted by this horrible disease and are not going to second-guess whether the government's responses were necessary or appropriate. But there is no doubt that the state's choices and the choices of the city and county were the direct causes of the grave financial circumstances which renters and their housing providers are now experiencing."

The suit alleges the actions of the defendants violate the contracts clause of the United States Constitution, the prohibition on takings without just compensation in the Fifth and 14th amendments to the United States Constitution, and the prohibition against seizures of property in the Fourth and 14th Amendments to the United States Constitution.

The plaintiffs request that the Federal District Court either declare the moratorium declarations, executive orders and laws invalid and void or, in the alternative, require the state, city and county to design and implement a plan to adequately compensate all private housing providers for their losses incurred in addressing the consequences of the governments' response to COVID-19.

| City | Median 1BR Rent | Median 2BR Rent | M/M Rent Growth | Y/Y Rent Growth |
|---|---|---|---|---|
| Seattle | $1,340 | $1,680 | -3.6% | -19.1% |
| Tacoma | $1,090 | $1,420 | 0.4% | 4.3% |
| Bellevue | $1,890 | $2,020 | -0.9% | -8.2% |
| Everett | $1,180 | $1,470 | -0.1% | 1.6% |
| Kent | $1,260 | $1,620 | -1.4% | 0.6% |
| Renton | $1,400 | $1,830 | -0.8% | -1% |
| Federal Way | $1,320 | $1,560 | 0.1% | 1.6% |
| Auburn | $1,210 | $1,470 | -1.9% | 1.2% |
| Redmond | $1,870 | $2,090 | -0.4% | -6.8% |
| Kirkland | $1,780 | $2,060 | -1.1% | -3.6% |
| Lynnwood | $1,200 | $1,480 | 0.1% | 3.2% |
| Bothell | $1,660 | $1,900 | -0.4% | -0.1% |


# Seattle Rents Continue Slide Downward for 9th Month

*Continued from Page 1*

wild 2020. Rents are down 0.4 percent month-over-month nationally, a seasonal dip consistent with what we've seen in prior years," said Igor Popov, Chief Economist, Apartment List.

"That said, there has been significant regional variation in the impact of the COVID-19 pandemic; while our national rent index is down by a fairly modest 1.5 percent year-over-year, many markets are experiencing greater volatility. The urban cores of San Francisco, Seattle, Boston, and New York City continue to see rent prices fall rapidly, while many smaller markets and suburbs are actually getting more expensive," Popov said.

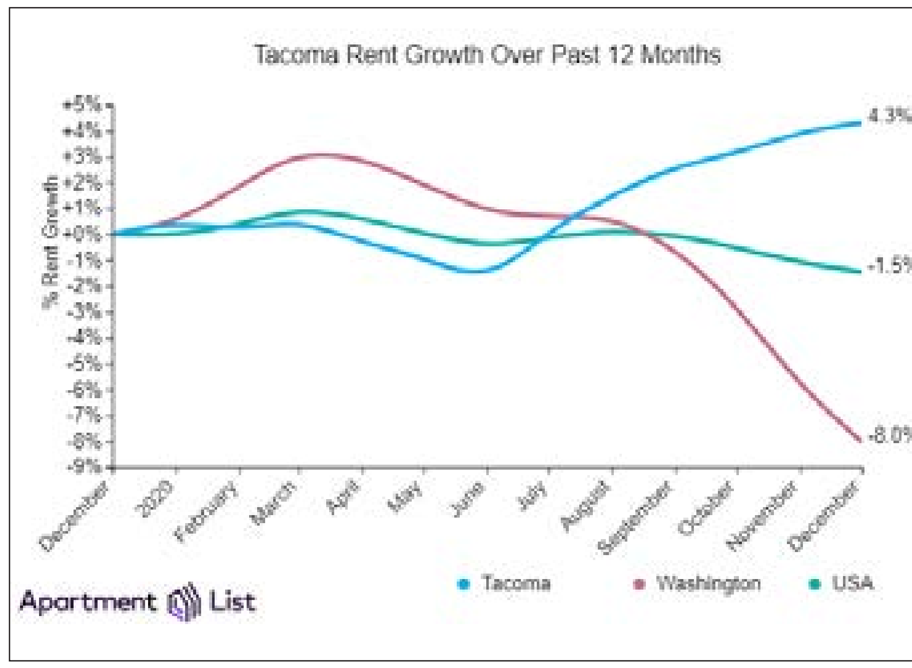
### Rent trends vary across Metro

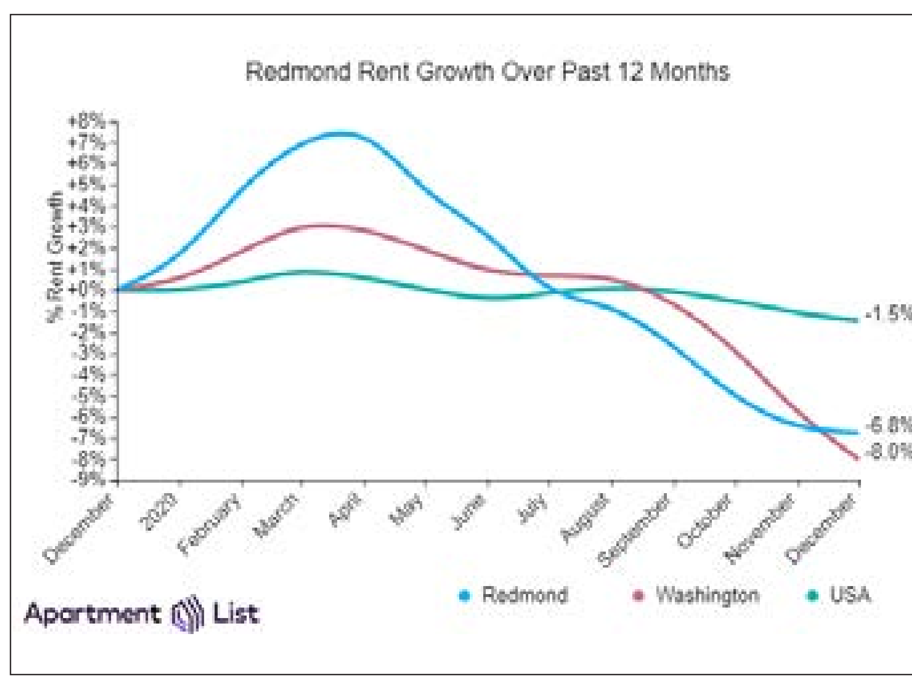
While rent prices have decreased in Seattle proper over the past year, the rest of the metro is seeing varying rent trends. Of the largest 10 cities that Apartment List has data for in the Seattle metro, half have seen increases, while the other half have been decreasing.

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

- Tacoma has the least expensive rents in the Seattle metro, with a two-bedroom median of $1,425; the city has also experienced the fastest rent growth in the metro, with a year-over-year increase of 4.3 percent.
- Redmond has the most expensive rents of the largest cities in the Seattle metro, with a two-bedroom median of $2,094; rents went down 0.4 percent over the past month and 6.8 percent over the past year.
- Washington as a whole has logged an -8.0 percent year-over-year decline, while other cities across the state have seen rents significantly on the rise. For example, rents have grown by 5.9 percent in Spokane and 5.2 percent in Vancouver, which is really part of the Portland metro area.

*Apartment List starts with reliable median rent statistics from the Census Bureau, then extrapolates them forward to the current month using a growth rate calculated from their listing data. They use a same-unit analysis similar to Case-Shiller's approach, comparing only units that are available across both time periods to provide an accurate picture of rent growth in cities across the country. Apartment List's approach corrects for the sample bias inherent in other private sources, producing results that are much closer to statistics published by the Census Bureau and HUD. Their methodology also allows them to construct a picture of rent growth over an extended period of time, with estimates that are updated each month.*

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

**Email**
info@rentalhousingjournal.com

**Phone**
(480) 454-2728 - main
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# Not All Maintenance Requests Created Equal

*Continued from Page 1*

### What's the Difference between Emergency Repair and Maintenance Request?

Tenants should also be aware of what type of request they send to you. Some tenants think that all requests they make are emergencies. Both of you should have a clear understanding of what is an emergency repair and what is a maintenance request. That way, issues like a broken doorknob or a toilet that won't flush are categorized properly and necessary actions are done. This will also save you time, as you know what is a priority issue and a when there is a need for a contractor to be dispatched.

### Routine/Non-Urgent Maintenance Requests

Routine maintenance requests are issues that are non-urgent and can be handled during normal business hours. Routine maintenance issues can include:

- Slow-draining tub or sink
- Running toilet
- Backed-up shower diverter
- Blinds won't open/close properly
- Burner on the stove isn't working

Because these issues don't threaten the health or safety of your tenants, there's no need to treat them like an emergency. You'll want to get them taken care of quickly, but there's no need to deal with them immediately or outside of your normal business hours (so if a tenant calls at 11 p.m. and wants someone to fix their blinds, don't worry — it can wait until the morning).

### Emergency Maintenance Requests

Emergency maintenance requests are the maintenance issues that can place your tenants in harm's way — and they need to be dealt with immediately, whether they happen at 2 p.m. on a Tuesday or 2 a.m. on a Saturday. Emergency maintenance issues can include:

- Flooding
- Fire
- Inoperable windows (which could prevent the tenant from escaping in an emergency)
- Broken or inoperable door locks
- Gas leaks
- Electrical issues

If your tenant makes you aware of any of these issues, it's imperative for you to deal with them immediately and ensure your tenants are safe.

### Final Thoughts

There are more items that could be added to these lists. As a responsible property manager, you have to make sure that your rental property is habitable – and you should check your local requirements of what that means. You should prioritize maintenance requests that can cause any health and safety concerns, as well as damage to your property.

Routine maintenance inspection of the property at least every six months can help lessen the unexpected tenant calls. Be mindful of the changing season, too. For example, in the winter seasons, inspect door and window seals properly and make sure your property sidewalks are safe.

*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.*

# Legalized Marijuana: Its Impact on Your Rentals

**By David Pickron**

The 2020 elections will go down as one of the most memorable for our great country.

Along with the obvious reasons, it is also historic for landlords, as almost every state now has adopted some form of legalized use of marijuana, whether recreational, medical or both.

Why landlords, you ask?

In my experience, landlords are primarily interested in two things:

1. Protecting their ability to collect rent, and
2. Protecting the value of their property.

Let's examine both in more detail in relation to legalized marijuana and its effects on your individual properties.

## Protect my ability to collect rent

Your ability to collect rent is the lifeline of managing and maintaining your asset.

As I have discussed in prior articles, that ability has come under attack earlier this year with eviction moratoriums. Now, with the legalization of marijuana, it is under attack again, although this time it is a little less straightforward. Tenant-screening company Rent Perfect has data for 2020 that shows the average credit score for every applicant that applies through their system. Here is a breakdown that you may find alarming:

- Average credit rental score for all applicants…………………..633
- Average for applicants with no criminal history in 7 years……646
- Average for applicants with a drug conviction……………..……574
- Average for applicants with any criminal history………………..567

Based on these numbers, it's quite possible that an individual who smokes marijuana (or uses other drugs) does represent a higher risk to a landlord not being paid rent. This does not indicate that every person who smokes marijuana has a mid-500 score, but that it's possible that on average they have a lower score than the average renter or those with no criminal history.

As a seasoned landlord I know that an applicant's credit score reflects their reliability and responsibility in paying rent. The numbers indicate that a non-criminal, non-drug user (illegal or otherwise) is most likely to pay you rent every month over someone with a drug conviction or other criminal history.

## Protect my property value

If you've ever been in a property that has been affected by traditional cigarette smoke, the impact is obvious.

Why would we ever think that smoke from marijuana would have any less of an impact?

Truth is, it is nearly impossible to remove smoke damage from drapes, ceilings, walls, and carpet. In addition, individuals who smoke marijuana recreationally don't always do so alone; it often is more of a social thing.

So, you don't just have one smoker in your property, you now have the potential of several users, who just multiply the damage.

That is why most landlords do not support smoking of any type.

When you have a no-smoking policy, that already includes marijuana smoke. No smoking literally means no smoking. You don't have to provide a 100-page document listing every type of pet by name that isn't allowed in your no-pet policy, so why should you have to identify what can or cannot be smoked in your property?

Critics may cry that marijuana is legal and it's not fair to prohibit its use on your property. But tobacco is legal, and you don't want it in your property either. Bottom line, you own the property, you make the rules.

In early December 2020, the House of Representatives passed sweeping legislation that would decriminalize marijuana.

If that becomes law, as a landlord I would say "no big deal," as we already have that covered. As landlords we should care about smoke damage from marijuana use and not the drug itself. If alcohol, which is legal, caused extensive and expensive damage to my property, I would prohibit its use as well.

Again, my property, my rules. Landlords have the right to protect their property and to create criteria and rules that will allow them to collect rent and maintain their investment well into the future.

After all, you'd hate to see the value of your property go up in smoke due to the actions of your renter.

*David Pickron is President of Rent Perfect and a fellow landlord who manages several short- and long-term rentals. He is a private investigator and teaches organizations across the country the importance of proper screening. His platform, Rent Perfect, was built to help the small landlord find success.*

# The Many Benefits of Being Pet-Friendly

**By Justin Becker**

The dog is humankind's best friend, and this explains why it is the most domesticated pet. According to statistics in the United States, 63.4 million households own a dog, followed by 43 million households that own a cat. Today, pets are an integral part of most families. Even rental property owners are now integrating pet-friendly amenities in their apartments to allow renters to keep their favorite animal companions.

So, what's the benefit of your apartments being pet-friendly?

## Being Pet-Friendly Means Higher Rent

Just as in the law of demand, fewer housing facilities means higher rent for the few available. Of course, it will cost you more to set up the necessary facilities to make your apartment pet-friendly, but you can compensate for this with a slightly higher rent.

Rental property owners can also set non-refundable pet fees, and because renters want to keep their family together, they will willingly pay the amount. They can again ask for a damage deposit to ensure the property is covered in case of damages, or demand compensation for pet damages.

Besides, you don't have to worry much about your property. People committed to keeping their pets tend to be careful with their animal companions and ensure they do not become a threat.

## Pet-Friendly Apartments Mean Trust

In the traditional tenancy agreements or where pets are not allowed, the relationships between renters and landlords tend to feel tense. A total ban on pets creates the feeling that the landlord mistrusts tenants or believes they will leave the property in bad shape.

On the other hand, allowing pets indicates that you trust the tenants and believe they can take good care of their pets. Renters will obviously feel happy about a landlord who accommodates their lifestyles rather than limiting them.

## Prolonged Tenancy

It is challenging to find pet-friendly apartments, making pet owners want to stay longer in your rental property if it is pet-friendly. While they may only be there for lack of other housing options, you still earn your income at the end of the month.

Further, some pets, such as dogs, get fond of the surroundings and will recognize the apartment as home. As such, even the owners will be unwilling to shift to a new residence.

Strained landlord-tenant relationships are also a common cause of residence shifts by renters. Since marking your rental property pet-friendly means trusting your tenants' level of responsibility, you may have more healthy relationships, so they are less likely to want to shift.

## Happier and Healthier Tenants

Pets have many health and non-health-related benefits. They provide protection, help ease stress, and provide company, among other advantages. These benefits help landlords to have healthy and happy tenants, thus reducing the chances of strained relationships. The pets keep them relaxed, and your apartment feels like home for the renters.

Also, a pet-friendly apartment means there are no chances of tenants trying to sneak in their pets. The policy may not allow all kinds of animals, but it probably covers the most obvious pets. Attempting to sneak in unauthorized animal companions is among the issues that could strain tenant-landlord relationships.

In addition, pet owners, and especially dog owners, know the importance of exercise. The animals can play around with toys, but a morning run or walk goes a long way. Most owners prefer to take them out for these walks and runs so they benefit from the exercise.

Happy and healthy tenants will feel free to communicate. They can speak out their grievances and allow you to take action rather than opting to find other low-income apartments.

## Allowing Pets Gives You an Upper Hand

It's easy for tenants to try to get their pets into an apartment under the radar with the hope of not getting caught if your policy restricts them. Of course, this creates a tense mood, even if you are yet to find out.

However, allowing pets and setting out a clear policy will enable you to be notified of the pets coming in and have a chance to screen them. You can take note of aggressive animals that could be a threat and decide whether to allow them or which safety measures to take.

You can inspect the health of the animals and ascertain that they have the necessary vaccinations. Also, you could take the initiative and provide some services, such as spraying before entry.

## You Will Have More Tenants

Given that over 70 percent of renters own pets, making your apartments pet-friendly opens them up to more tenants. Further, it means there will be fewer vacancy times since tenants will be unwilling to relocate, and so you can earn a steady rental income year-round.

## Your Property will Attract Millennials

It's already a fact that millennials are favoring pets to children. This demographic is a significant proportion of the current consumers, and most property owners want them as part of their tenants.

Besides, companies are also applying this trick, and you are likely to find more pet-friendly offices in the corporate world than ever.

The Business Insider released a report in February 2020, claiming that millennials want financial freedom or homeownership. Homeownership comes with the freedom to do what they want, so a restriction on pet ownership would probably not trend well with them.

## It Could Mean More Safety

One of the reasons dogs are our best friends is their ability to provide the owner with protection. Trained dogs can detect strangers with ill motives or trespassers, especially at night, and react quickly. They are intelligent animals that can quickly learn and interpret voices and body language.

The skill can help them interpret a situation and know when the owners are in danger or when something is not right. As such, allowing tenants to keep pets will provide safety not just to them, but to your property as well.

Having dogs and other pets around can also help you drive away dangerous animals that find their way into the compound. For instance, cats will keep destructive rodents out of your complex.

## Wrapping Up

Although making your rental property pet-friendly might need additional resources that can be a bit costly, it will pay off at the end. Most renters will prefer renting where they feel the landlord understands their needs and gives them the freedom they deserve. Moreover, property owners who make their rentals pet-friendly are likely to increase the rent without experiencing a protest from the tenants.

Given the many benefits associated with making rental properties pet-friendly, owners should include the resources. That way you can be guaranteed of all your rentals being full throughout the year.

*Justin Becker is a property owner in the state of Michigan and has a passion for managing communities. He owns apartment complexes and mobile home communities, and has been writing his own blogs for his properties for several years.*

# Multifamily Transactions Down, Set to Rebound

Rental Housing Journal

The impact of the pandemic was not felt evenly across the county as multifamily transactions in 2020 were down and sales plunged in due to COVID-19, according to a new report from Yardi Matrix, after record multifamily transaction volume in 2019.

A few summary points from the report:

- Much of the change could be described as a "filtering" effect: investors moving from urban cores to inner-ring suburbs, from primary to secondary metros and from secondary to tertiary metros. This phenomenon results from several factors, including owners putting fewer properties on the market, disagreement between buyers and sellers about prices, the composition of buyers, and the competition for assets.
- Sales recovered in the third quarter after hitting a trough in 2Q20, but like so much about the economy, a return to "normal" transaction activity is hard to predict. Until the pandemic recedes and people can return to daily activities with the help of an effective vaccine, uncertainty will linger.
- Despite worrying economic signals—U.S. unemployment numbers remain high, gateway-market occupancy rates and rents have plummeted, and December rent payment data shows more tenants not making payments—multifamily fundamentals have held up better than in other commercial property segments, and loan delinquencies remain low.


*"The upshot is that demand for multifamily properties is high and should remain so for the foreseeable future."*

—Paul Fiorilla, Director of Research, and Casey Cobb, Senior Analyst

"Multifamily transaction activity abruptly hit a wall when shelter-in-place orders started in March. Transaction volume fell to $9.4 billion in the second quarter, the lowest quarterly total since the first quarter of 2011 and a decline of 62 percent from 1Q20 and 67.2 percent year-over-year," according to Yardi Matrix data.

"Deal flow picked up to $16.5 billion in the third quarter, though that is still 51.1 percent below 3Q19 volume of $33.8 billion. Through three quarters of 2020, total volume was $50.6 billion, down 41.7 percent year-over-year.

"But the impact is not being felt evenly across the country. On a regional basis, the Northeast (-54.6 percent) and West (-51.0 percent) had the biggest declines, while the Midwest (-32.6 percent) and Southeast (-34.1 percent) fell the least. Urban and suburban multifamily sales have dropped by roughly the same percentage, but there has been a difference by region."

The report says the trend of corporations allowing employees to work from home has contributed to the migration from bigger urban areas to more suburban areas and from urban submarkets in the most expensive metros to suburban markets or even secondary markets.

And equity investors still see multifamily as a highly appealing investment product. "Apartments typically produce 4-6 percent dividend yields, which is a better return than sovereign bonds or investment-grade corporate bonds," the report says.

Transactions by Region

| Region | 2019 Full Year (Mil) | 2020 Jan-Sep (Mil) | 2020 YTD % Change |
|---|---|---|---|
| Midwest | $9,278 | $4,221 | -32.6% |
| Southeast | $44,750 | $20,532 | -34.1% |
| Southwest | $25,495 | $10,853 | -39.7% |
| **National** | **$127,762** | **$50,603** | **-41.6%** |
| West | $34,900 | $11,099 | -51.0% |
| Northeast | $13,340 | $3,898 | -54.6% |

Source: Yardi Matrix



# Determining Competitive Rent in a Class C Building

By Hank Rossi


**Dear Landlord Hank**: I'm having trouble determining a competitive rent for my vacant three-bedroom in Kenmore. We are a class C building with remodeled upgrades, but no amenities such as an exercise center. – **Larry**

**Dear Landlord Larry:** Let me tell you how I find market rent, as a Realtor, and how I used to do so as a private landlord.

The first data base I check is MLS. I look in the subject property subdivision or if large condo building, I'll check that, for properties that are actively advertised and that have rented in the last six months.

I want to find a similar unit, so in your case, I'd be searching for a three bedroom with the same number of bathrooms, same square footage, give or take 300 square feet either way, with similar finishes.

First I look at what has actually rented, and if I find a few like the subject property, I'll be very close to market rent. Then I look at what is advertised but not rented yet. I look at the rate, then how long this equal property has been on the market.

It may be priced too high if it is just sitting there. If the rate is equal to similar properties that have rented or is just a little higher, then I know I have found the market rate for my property.

If there are very few properties to rent in my development or subdivision, I'll check back to see what has rented in the last year. If not enough are available, I'll check to see what has rented in the last two years. If I still don't have good comps, I'll go outside the subdivision and choose similar properties within one mile; again, if I don't find enough good comps, I'll check properties within two miles.

Hopefully, you'll be able to find adequate comps looking within two miles of the subject property and going back two years.

As a private investor, I used to check what was available in my property area on Craigslist and Facebook marketplace, and I also used to drive the neighborhood and see what my competition looked like.

I'd check the units for rent, terms (first, last and security up front?), what was included in the rent, the unit finishes, state of the property (well cared for?) and the neighborhood.

I was always able to determine my market rent from these sources.

*Hank Rossi started in real estate as a child watching his father take care of the family rental maintenance business and was occasionally his assistant. In the mid-'90s he got into the rental business on his own, as a sideline. After he retired, Hank only managed his own investments, for the next 10 years. A few years ago Hank and his sister started their own real estate brokerage focusing on property management and leasing, and he continues to manage his real estate portfolio in Florida and Atlanta. Visit Landlord Hank's website: https://rentsrq.com*


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# Reap the Benefits of Owning Rental Property through a Retirement Account — Tax-Free or Tax-Deferred

**By Stephanie Fryar**
**for Preferred Trust Company**

Real estate is one of the most popular investments to leverage within a retirement account, also known as a Self-Directed IRA (SDIRA). It is a familiar asset if you own your own home or other type of property, it offers diversification from traditional investments, and the rental income and/or capital gains funnel in tax deferred or tax-free depending on the type of account. While the general concept of investing in a rental property through a SDIRA may be similar to investing outside of a qualified account, there are a handful of rules enforced by the IRS that makes the management of this investment quite a bit different. The reason being that your retirement account is meant to benefit you when you retire, not before. Below is a quick overview of the similarities and differences of owning a rental property in a Self-Directed IRA.

### What makes it similar?

A SDIRA gives you the opportunity to make investment decisions in areas based on your knowledge and expertise. In other words, you are not limited to residential real estate. Your IRA can hold various investment property types, including commercial buildings, retail properties, raw land, and acreage (improved or unimproved), single family or multi-unit homes, condos or townhomes, mobile homes, apartment buildings and much more. Your IRA may also purchase foreclosure property as long as the property has already been foreclosed upon.

### What is the difference?

One of the main differences is that all transactions are processed through your SDIRA, from the purchase of the property, to rent collection, expense payments, proceeds from the sale, etc.

Other disparities are driven by IRS regulations, including the prohibition of using of your SDIRA assets in what the IRS considers "self-dealing" transactions. This means that you must utilize 3rd party services for everything from realtor services, to property management, cleaning/landscaping/pool cleaning services, repairs, home improvements, etc. You also cannot use the property for personal use nor rent the property to disqualified persons, which includes family members of "lineal" relation to you such as your parents or your children.

As a custodian, Preferred Trust Company cannot give advice about specific investments or strategies, but we can provide educational resources and point out the legal issues to consider for your real estate transaction(s). Knowing the rules associated with owning real estate in an IRA is essential and conferring with a legal and tax advisor is recommended.

*Preferred Trust has 10 years of experience specializing in Self-Directed IRAs that hold alternative assets. In the industry, they set the standard for quick processing times, fewer transaction fees, personalized customer service, and the highest standard of compliance. Preferred Trust is currently waiving the establishment fee and first year administration fee for all new Self-Directed IRA accounts through December 31st, 2021. Learn more about this offer by clicking here or calling 888.990.7892 today!*

*Stephanie Fryar is the Content Creator for Preferred Trust Company. All content she produces is to help educate savvy investors and current clients about Self-Directed IRAs. Stephanie specializes in original content and market research related to alternative investments, but more specifically, real estate investments.*

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

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Washington Multi Family Housing Association

# 2021 Washington Legislative Session

The 2021 state legislature is now in session. Over the next several months policymakers will be deciding some of the most important pieces of legislation in years.

The challenges are great for our state. The COVID-19 pandemic and resulting economic recession of unprecedented depths has shaken our lives and health.

This session will not look like sessions in the past. COVID-19 restrictions on gatherings and social distancing requirements will mean our elected officials must debate policies and enact legislation in this new virtual and remote online world.

The rental housing industry and our many coalition partners and stakeholders stand ready to work hand-in-hand with lawmakers to support housing affordability and availability for all Washington residents who choose rental housing as a home.

## Olympia Needs to Put Housing Creation First

The financial turmoil caused by the COVID-19 pandemic has been devastating everywhere. Here in Washington state, a surge in the virus and spikes in unemployment have taken a toll on thousands of Washingtonians.

Vaccines create optimism for the future. Bringing the economy back and getting people back to work must be the highest priority for legislators.

This upcoming legislative session, lawmakers also have the opportunity to help keep residents in their homes and out of debt while we await vaccine distribution. They can also make progress on long-term goals to help reduce housing costs and increase housing creation to support our economic recovery.

Here are some proven tools the legislature should consider:

- Rental assistance: allocating significant resources to financial assistance programs for renters affected financially by COVID-19. These programs have a proven track record of success in reducing poverty and supporting housing stability in the long run.
- Multifamily tax aid: investing and expanding the state's Multifamily Tax Exemption program, which incentivizes the creation of affordable housing by offering tax incentives for housing developers that keep rents below market rate. Since 2007, the program has created an estimated 7,325 affordable units and 27,560 market-rate units across Washington state.
- Public/private partnerships: supporting public investment and partnerships with the private sector that create a range of housing that fits the needs of more people. This can include coordinating the construction of transit-oriented affordable housing near future light rail stations, as in King County.
- Housing levies: supporting jurisdictional programs that develop and preserve affordable housing and provide direct assistance to families at immediate risk of eviction or homelessness. In Seattle, housing levies have enabled the construction of 12,500 apartments with below-market rents.

Additionally, Olympia must avoid policies that would take us backwards in our goal in strengthening housing creation and reducing housing costs, including:

- Enacting rent control: according to research released last year, a statewide cap on rents could slash housing creation by up to 15,000 homes over the next decade if enacted – equivalent to a year's worth of all the multifamily units produced statewide between 2010 and 2019. For reference, Washington state needs to create about 10,000 new apartments every year by 2030 just to keep up with the demand for rental housing.
- Extending emergency orders without a plan: The governor's orders on rental housing are short-term bandages that fail to address the underlying challenges with housing stability and accessibility – and put rental housing providers unable to pay their mortgage and expenses in a position to file for bankruptcy or foreclosure. Instead, the legislature should focus on covering housing costs for those needing it the most, and not imperil our housing system by shifting the burden of this unfortunate pandemic onto the shoulders of housing providers.
- Increasing barriers to housing creation: creating burdensome regulations like zoning rules and permitting restrictions, such as in New York City and San Francisco, is proven to drive up the costs of housing – and prevent people from living near their jobs, saving money, and being able to one day buy a home.

We need clear policies that will help reduce our housing gap and oppose those that will make housing affordability worse.

There are undoubtedly some difficult decisions ahead to address our challenges. Whatever the path forward, lawmakers should take note that there are alternatives to policies like rent control, that have a proven track record of success, support from voters, and can help Washingtonians keep a roof over their head during a pandemic that will hopefully have a clear end in sight soon.

Unfortunately, we can expect the conversation of rent control as a housing policy to heat up among legislators as Washington's housing crisis and the economic fallout from COVID-19 continues.

## Partnership for Affordable Housing

WMFHA supports Partnership for Affordable Housing, a 501(c)4 nonprofit, formed out of a strong and shared interest to provide fresh ideas and solutions to providing a wide range of housing options for all Washingtonians.

Like many other parts of the country, Washington state's rapid growth presents significant challenges. The coalition takes a proactive approach to address housing affordability in the state and is focused on the following principles:

- Support the creation of all types of housing that meets the needs of every Washington resident.
- Enact new policies that help residents to stay in quality, affordable housing for the near and the long term.
- Give local communities more tools to keep housing affordable.

Partnership for Affordable Housing urges lawmakers to support policies this session that increase housing access and affordability and avoid those that will reduce housing creation.

## Washingtonians Overwhelmingly Support Solutions

According to a poll of Washington voters, by a margin of more than 2 to 1, residents prefer rental rates be set by an agreement between landlords and their tenants (62 percent) rather than be regulated by the government (23 percent); a margin of 39 percentage points.

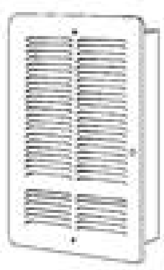
Washingtonians overwhelmingly believe that increasing the Washington Housing Trust Fund, creating tax incentives for affordable housing, expanding public/private partnerships, and providing rental assistance to low-income households are far better solutions to addressing housing affordability than forms of rent control.

In 2018, federal rental assistance programs lifted three million people above the poverty line. In Seattle, 99 percent of households who entered into the city's rental assistance program successfully maintained their housing when they exited the program in 2008.

COVID-19 has added new challenges on top of the severe housing shortage Washington was facing before the pandemic. We need to address the short-term need to support residents while planning better for our future. Any form of rent control is clearly not the right path forward.

Let's challenge our legislators to work together with the rental housing industry to develop policies that help, not harm, renters in our state and housing providers who serve our neighbors who rent their homes.

*WMFHA supports the rental housing industry by providing quality educational opportunities, coordinating networking events for personal growth, and by advocating for legislation equitable to our industry and the broader community. To learn more about membership in this passionate organization, simply call us at 425.656.9077 or visit our website at www.wmfha.org. Follow us on Facebook and our other social channels for up to date information on association activities.*



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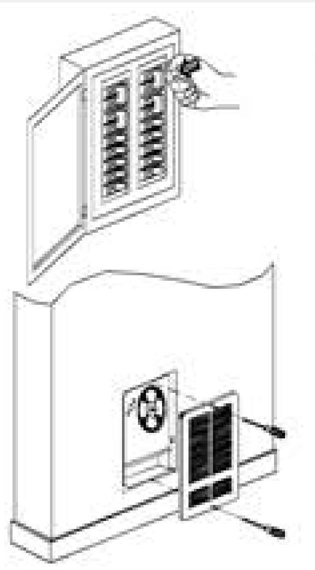
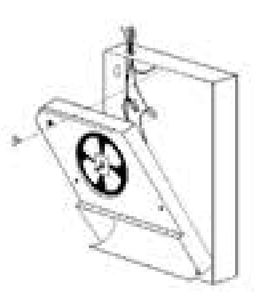
## Cleaning and maintenance guide for W-series heater

Regular maintenance on your electric wall heater will prolong the heater's life and keep it operating safely. W-Series heaters should be cleaned and inspected every 6 months. Heaters that are not cleaned regularly can become clogged with foreign matter causing the heater to produce excessively high discharge temperatures. A combustible object placed too close to a heater in this condition could ignite, starting a fire. We recommend that combustible materials always be kept at least 3 feet away from the front of the heater and 1 foot from the sides. This guide will show you in detail how to properly clean and maintain your King electric wall heater. It will also show you when the heater interior should be replaced. Listed below are step by step instructions for cleaning and maintaining the W-Series wall heater. If you do not feel confident preforming the tasks listed in this manual, please contact a professional electrician or qualified repair person to do it for you.

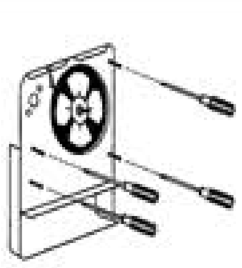


**WARNING** Take extreme caution when working with electrical heaters. Turn off the electrical power to the heater by switching off the circuit breaker or fuse feeding the heater before removing the grill. Lock, tape or tag the circuit breaker so that the power cannot be turned on accidentally while working on the heater.

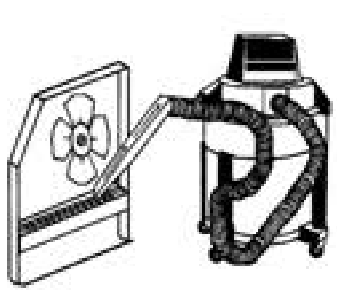
After the power is turned off, remove grill using a #2 square drive or a #2 phillips head screw driver. Clean grill by vacuuming or wipping off before reinstalling.



Remove the heater interior from the wall can. To do this: 1) Unfasten the screw at the top of the wall can as shown. 2) Tip the interior forward to expose the power supply connection wires. 3) Disconnect the power wires, making sure you mark them so you can reconnect them exactly the same way, if wires become crossed they could short causing damage. The interior should pull out easily after the mounting screw and electrical connections are removed.



Use a square drive or phillips to remove the four screws that hold the interior cover. Once removed, you have access to the heating element.



Vacuum out any foreign material that is in the chamber between the fan and heating element by using a vacuum as shown. Use a soft bristled brush, such as a paint brush, to loosen any contaminants that may be stuck to the interior surfaces. Never use water or chemical solvents to remove contaminants. Also, spin the fan by hand to make sure that it spins freely. If it feels like the motor is binding, see the instructions below for oiling the motor. Be careful not to bend the fan blade because it can become out of balance if deformed. The fan can be removed to gain more access by using a 3/32" allen wrench. If done, replace the fan in the same position on the shaft as before.

The useful life for the W-series heater depends on the amount of use, environment, and how often it is cleaned and maintained, generally they will last for 8 to 10 years. Heaters operated beyond their useful life are more prone to safety problems. For example, if a motor slows down due to wear or lack of cleaning it reduces the airflow, which can cause the safety limit to trip due to excessively high temperatures. The limit will cycle the heater on and off and eventually fail. For safety reasons, it is important to clean or replace a cycling heater as soon as possible. Heaters produced after 1992 have an indicating light which will turn on when the limit trips and then turns off after the heater cools down. If you see this light coming on, discontinue use of the heater and inspect it immediately. Heaters prior to 1992 do not have the indicating light. When the limit trips it makes a audible click, so by listening close to the heater on older models you can determine if it is cycling. Heaters manufactured in 2001 were equipped with the SMART GUARD® high temperature limit system which does not utilize the warning light lens. Also, look at the grill to see if it has discolored from high temperatures. In either case, if you suspect that your heater is not functioning properly, discontinue use and follow the guidelines mentioned in this manual or call a qualified electrician. As mentioned before, always keep combustible materials at least three feet away from the front of the heater and one foot from the sides. With regular inspection and maintenance of your electric heaters they will operate safely and efficiently.

**Renting Activity Dropped in 16 of the 30 Largest U.S. Cities in 2020**


| | | | | | |
|---|---|---|---|---|---|
| Memphis | -21% | Austin | -2% | Jacksonville | 5% |
| Chicago | -16% | Indianapolis | -2% | Oklahoma City | 6% |
| Louisville | -11% | Phoenix | -2% | San Jose | 6% |
| Seattle | -11% | Baltimore | -1% | Philadelphia | 8% |
| Washington, D.C. | -8% | El Paso | -1% | Columbus | 11% |
| Dallas | -7% | San Antonio | -1% | Denver | 11% |
| San Diego | -7% | Houston | 1% | Fort Worth | 11% |
| San Francisco | -7% | Los Angeles | 2% | Charlotte | 13% |
| Las Vegas | -5% | Nashville | 2% | New York City | 15% |
| Portland | -4% | Boston | 4% | Detroit | 23% |

Source: RentGrow - number of renter applications 2020 compared to 2019

RENTCafé®

# Rent Fell, as Pandemic Kept Renters From Moving in 2020

## COVID-19 Hindered Relocation Plans in 16 of the Nation's 30 Largest Cities

Rental Housing Journal

An analysis of actual rental prices and applications shows a 10 percent drop in rental applications in the 2020 rental season, as the pandemic motivated renters to stay in their apartments, according to RentCafe.

RentCafe analyzed renter activity from more than five million applications for leases, and rents charged in more than 17 million apartments, for their 2020 Year-End Report.

"With such a challenging year, we wanted to present the best perspective on the rental market by analyzing actual prices and applications, which unlike data from online searches or listings can bring an additional level of detail and accuracy regarding renters' plans," the report says.

The pandemic hindered moving plans in 16 of the nation's 30 largest cities, as the number of applications for apartments in these hubs went down compared to the previous years.

Also, the national average rent stagnated last year at $1,465 as of November. Rents decreased or stagnated in 18 of the 30 largest U.S. cities, and increased in 13. For example, Seattle saw prices drop the third fastest, by 8.5 percent, while Phoenix's average rent is still going strong, registering the most significant yearly surge among the nation's 30 largest cities.

### Some highlights of the rental-season report

- Gen Z officially became the second most active renter generation after millennials and was the only cohort to see an upward trend in movement this year. Twenty-three percent of this year's applications came from Gen Z renters, surpassing Gen Xers.
- Renter income stagnated for the first time in three years, hovering around $38,400, the same as in 2019. Middle-income renters (25K – 50K) were the only ones who moved more in 2020 than in 2019.
- Renter activity slowed down in 16 of the nation's 30 largest cities. Memphis saw the most significant decrease in the number of applications, -21 percent, followed by Chicago with -16 percent. At the other end, there is Detroit and New York City with 23-percent and 15-percent increases in rental applications, which isn't always a good thing for a city (see why below).
- Eighteen of the 30 largest cities saw more renters leaving compared to 2019. Detroit (36 percent), Oklahoma City (34 percent), and New York (25 percent) saw the highest increases in the number of renters moving out of the city.
- The priciest cities for renters saw the sharpest drops in rent. San Francisco apartment prices plummeted to $3,055 after a 17.3 percent decrease year-over-year. Manhattan ($3,761) came in second with a 10.8 percent drop.

### 18 of the 30 largest U.S. cities saw more renters leave last year

"We looked at renter activity from three angles: renters moving out of a particular city, renters moving within a city, and renters moving into a city," RentCafe said in the report.

"There has been much speculation around the topic (of) whether people are leaving dense large cities for more space elsewhere in the context of the pandemic. As far as renters are concerned, this trend confirms for a handful of the nation's largest cities. (In 2020), 18 of the 30 largest U.S. cities saw more renters leaving compared to 2019. Furthermore, half of the largest cities registered more pronounced activity in terms of renters moving out of the city rather than renters moving in."

# COVID-19 Impact on Apartment Service Calls

By Jacie Good and Kris Servidio
Mark-Taylor Properties

The multifamily industry has been challenged to pivot in many ways since COVID-19 hit the United States early in 2020. One area most affected has been onsite service and facility-management teams.

The pandemic is now approaching the one-year mark of changing the way apartment communities handle service requests, and our teams have found a new routine that works for both residents and employees at our more than 60 luxury apartment communities in Arizona and Nevada.

Asking residents to vacate the apartment while service work is being completed has kept everyone safe as we continue to social distance as much as possible while still providing the best assistance we can. In some cases, for simple service requests like an air-filter change or a light bulb change, we have been able to drop the supplies at the resident's door if the person feels comfortable doing it on their own.

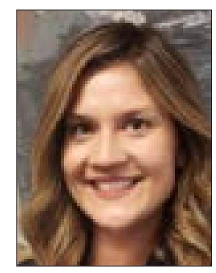
All service technicians wear masks and gloves when entering an apartment unit, as well as being the only person in the unit during the time of service. Also, prioritizing service requests by the level of urgency has helped to keep wait times to a minimum. The team has created a weekly schedule that involves tackling major issues on Mondays, Wednesdays and Fridays, like appliance repairs, heating or cooling issues and plumbing leaks. They set aside time on Tuesdays and Thursdays for more minor issues or routine maintenance.

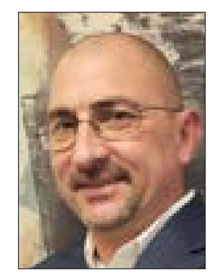
For several months, pre-move out inspections were cancelled due to social distancing and health and safety concerns. We have resumed them now, with additional COVID-19 precautions in place.

In addition to prioritizing safety on property, Mark-Taylor decided as a company to make an investment in employee health. We have contracted with a healthcare company and are providing rapid COVID-19 tests to all employees at no cost. Employees can be tested and get immediate results any day. Additionally, service teams are cross-trained in community clusters, so they are very familiar with each other's community processes. This allows them to be available for temporary reassignment if a staffing shortage occurs at a sister community because a team member needs to quarantine.

The team is working hard to stay safe and "work together but stay apart." We know that people are under more pressure and stress these days, so it's important to put each resident at ease and fulfil all service requests in a timely, safe manner.

As we continue to navigate what will be the new normal, superior and constant communication, as well as meeting residents where they feel most comfortable, is vital for any company who wants to provide the highest level of service.





*Jacie Good is the associate director of facilities and service and Kris Servidio is the associate director of facilities and support for Mark-Taylor Residential. Established in 1985, Mark-Taylor Companies is a privately held, Scottsdale, Ariz.-based developer, owner and investment manager of multifamily communities. The company ranks as the largest apartment developer in Arizona's history and the second largest owner of rental communities in the state, and is the investment manager to more than $3 billion in multifamily real estate on behalf of numerous third-party owners. For more information, visit www.mark-taylor.com.*

# An Analysis of Greater Seattle's Rental Housing Market

*Continued from Page 1*

providers are duly considered and recognized for the essential service that they provide: a place to call home.

If this pandemic has taught us anything, it is that tenants and housing providers (and people in general, for that matter) must work together in good faith toward desirable outcomes. For our part here at WPM/LGA, we continue to focus our efforts on rental assistance for tenants who have experienced COVID-19 related hardships.

Much of the talk around housing throughout 2020 focused on the "migration" trend out of dense city centers to "Zoom towns," where residents could enjoy more space while working and schooling from home. Concerns over commute times and proximity to amenities such as restaurants and shopping became less important. Downtown Seattle was also heavily affected due to various demonstrations and civil unrest, in addition to health and safety concerns surrounding COVID-19.

Throughout the King/Pierce/Snohomish region, we can see this trend reflected in the numbers when it comes to the days-on-market statistic across the location segments, separated by type: Single family (SF) and condo & multi-family (Condo/MF). Market times for Seattle condo/MF slowed down by a whopping 32.7 percent compared to last year. Meanwhile, Eastside SF housing sped up by a substantial 24.2 percent. Across the board, market times remained fairly stable or even faster than last year, including condo/MF listings everywhere outside of Seattle.

The other key factor, aside from days on market, is of course pricing. Interestingly, pricing remained remarkably strong on paper in 2020 when compared to 2019. For listings that rented on the NWMLS, pricing increased in every single segment with Eastside SF (13.2 percent increase) and South End Condo/MF (15.3 percent increase) leading the way. These numbers do not, however, reflect rental concessions that may have been offered on any given listing. If you spent any time searching condo/MF rental listings throughout the year online, you very likely came across common concessions such as month(s) worth of free rent or other perks such as free parking, reduced security deposits, etc., particularly in the downtown Seattle condo/MF market and extending to downtown Bellevue.

While the pricing on paper may not tell the whole story, there is another relevant statistic that jumps off the page very clearly, and begs the question: "What about the units that didn't rent?" There were a ton of them (condo/MF in Seattle), approximately double the number in 2020 compared to any other year dating back five years.

The overall story: Throughout 2020, single-family housing demand throughout the region remained as strong as ever, while condo/MF housing also remained quite strong throughout the Greater Eastside, North End/Snohomish, and South King/Pierce. By contrast, condos and apartments in Seattle leased about on par with pricing compared to the previous year, however, prevalent rent concessions bring the true numbers down, market time was significantly longer (more vacancy loss), and about twice as many units experienced a failed attempt to lease at all compared to the past five years.

Someday, hopefully soon, offices and restaurants will re-open. Children will go back to a normal school situation. Fans will attend sporting events and concerts, and life will start to get back to normal. With all this will come the influx of demand for housing in places like downtown Seattle and downtown Bellevue. The key question is when, and only time will tell.

*Cory Brewer is the general manager at Windermere Property Management / Lori Gill & Associates. He oversees a team of property managers in the greater Seattle area who manage approximately 1,500 rental properties. Brewer can be reached via www.wpm-northwest.com or coryb@windermere.com.*



# Compensation Fund for Landlords Passed by Oregon Lawmakers

Rental Housing Journal

The Oregon State Legislature special session passed a $150 landlord-compensation fund that provides up to 80 percent of rent due for landlords, but requires them to forgive the remaining 20 percent.

The legislature also extended the current eviction moratorium to June 30, 2021. The landlord-compensation fund money was part of the overall $800 million set aside by the special session to address several COVID-19 relief issues.

Overall, the legislature allocated $200 million in rent assistance to support tenants and landlords, which includes the $150 million for the Landlord Compensation Fund. The Oregon Housing Stability Council will be developing program materials "in the coming weeks as we prepare to launch the Landlord Compensation Fund in late January," the council said in a release.

The landlord-compensation portion of HB 4401 says, " The Housing and Community Services Department shall make distributions to compensate residential landlords for 80 percent of the past-due rent of qualified tenants that the landlord has not collected after April 1, 2020, if the landlord or the landlord's designee" meets the following criteria:

- Submits an application to the department for all of the landlord's tenants who have not paid rent and have delivered to the landlord a signed declaration under section 7 (1)(b) of this 2020 third special session act;
- Includes in the application a copy of the tenants' declarations;
- Provides the department with a description of the unpaid rent for all current tenants;
- Agrees to forgive the remaining 20 percent of the unpaid rent due from qualified tenants that has accrued between April 1, 2020, and the date of the application, upon receiving a distribution under this subsection;
- Agrees to repay to the department any amount that was forgiven by the landlord or that was paid to the landlord under this section and the landlord later receives from the qualified tenant or on the tenant's behalf, within the period requested by the department;
- Is not a member of the tenant's immediate family as defined by law;
- During the pendency of the distribution application, agrees to not give a termination notice without cause or for nonpayment.

Rep. Mark Meek, D-Oregon City, echoed the testimony of many smaller landlords that they are struggling to pay their mortgages. Meek noted many landlords continue to have to pay property taxes, insurances and all the other bills related to their property, and many have now said they are at risk of losing their properties.

"Why is it that Oregon housing providers are being forced to forgo 20 percent of their revenue and waive all their rights just to access relief?" Meek said to Oregon Public Broadcasting. "No other industry has been asked to bear such a heavy burden in this pandemic."

The bill will require tenants to sign a sworn statement in order to benefit from the new relief. It also frees up landlords to more easily evict people "for cause," such as when they are planning to demolish a property.

For the rent-relief portion, the bill also says landlords may have to provide "any other information or materials required by the department," which will develop an online application for landlords to apply for distributions.

## Protection for smaller landlords

The bill says the department "may establish any qualifications, priorities, restrictions or limits on the distributions made under this section, to prioritize landlords with fewer units and landlords with a higher percentage of unpaid rents."

The restrictions and limits the department may put in place include:

- Limits per tenant, per landlord or per time period;
- The number of units a landlord must own;
- The percentage or amount of total rent unpaid.

"The department may coordinate with local housing authorities to administer this section, including through making distributions to landlords. The department or local housing authority shall mail to tenants copies of a notice of distribution to their landlords and the amount of rent forgiveness agreed to by their landlords. The department may conduct outreach to landlords and tenants, including outreach to non-English speakers."

Rental assistance must serve financially distressed households, and payments must be made directly to the landlord.

The extension of the eviction moratorium also extended the requirements for both landlords and tenants.

# Tenant-Screening Company AppFolio to Pay $4.2 Million Over Inaccurate Background Reports

Rental Housing Journal

A tenant-screening company has agreed to pay a $4.2 million settlement over the accuracy of tenant-screening reports given to property management companies, according to a release from the Federal Trade Commission (FTC).

The FTC said the allegations involved facts that the firm failed to follow reasonable procedures to ensure the accuracy of its background-screening reports about potential tenants given to property management.

In the complaint, filed by the Department of Justice on behalf of the commission, the FTC alleges that AppFolio, Inc. violated the Fair Credit Reporting Act (FCRA) by failing until at least April 2019 to implement reasonable procedures to ensure that criminal and eviction records it received from a third-party vendor were accurate before including such information in its tenant-screening reports.

In addition, the FTC alleges AppFolio also violated the FCRA by including eviction or non-conviction criminal records more than 7 years old in its reports.

The complaint says the company:

- Failed to follow reasonable procedures to assess whether the identifiers in criminal records and eviction records reasonably matched the applicant's before including the records in tenant-screening reports.
- Failed to follow reasonable procedures to assess whether there were internal inconsistencies in the identifiers or results that clearly included information on multiple individuals before including criminal records and eviction records in tenant-screening reports.
- Failed to follow reasonable procedures to assure that the eviction and criminal record information contained in consumer reports it furnished accurately reflected the disposition, offense name, and offense type.
- Failed to follow reasonable procedures to prevent the inclusion of multiple entries for the same criminal or eviction action in the same report.

"Consumers face enough hurdles in obtaining housing without the additional burden of inaccurate background checks," said Andrew Smith, Director of the FTC's Bureau of Consumer Protection, in the release. "AppFolio and all background-screening agencies must follow reasonable procedures to ensure that the background reports that they provide to their customers are as accurate as possible."

The complaint says AppFolio (defendant) "obtained criminal records and eviction records for inclusion in tenant-screening reports from a third-party vendor, CoreLogic National Background Data, LLC or Core Logic Screening Services, LLC ('CoreLogic'). Defendant implemented insufficient procedures to assess the accuracy of the information it obtained from CoreLogic before including the information in tenant-screening reports. Rather, defendant generally relied on CoreLogic's procedures for matching the information from a consumer's housing application to criminal-record and eviction-record information in public records, retrieving those criminal records and eviction records from public records, and accurately returning those records to defendant. However, defendant had limited knowledge of the procedures CoreLogic used to match, retrieve, and return criminal records and eviction records to defendant.

"CoreLogic's contract with defendant disclaimed any guarantee as to the accuracy of the data it provided. For example, one contract provision stated, '[Defendant] acknowledges that [CoreLogic] cannot guarantee the accuracy and/or completeness of the consumer information furnished'," the complaint states.

Property managers use AppFolio's reports for tenant screening. Under the FCRA, companies that provide tenant-screening background reports on consumers are required to follow reasonable procedures to ensure the "maximum possible accuracy" of those reports, and are prohibited from reporting certain obsolete information.

The FTC alleges that AppFolio failed to implement procedures to adequately review the accuracy of the information it received from its vendor before including the information in background reports.

## Inaccurate information caused some tenants to be denied housing

As a result, AppFolio provided inaccurate information about some applicants, such as records for individuals with a different name or birthdate; records with a missing or inaccurate offense name, type, or date; records with a missing or inaccurate disposition; and multiple entries for the same criminal or eviction action.

The FTC alleges that some applicants may have been denied housing or other opportunities because of the inaccurate information included in background reports provided by AppFolio.

Despite receiving numerous complaints from consumers, AppFolio did not make changes to its procedures that addressed the problems with the reports, the FTC alleges.

In addition to the $4.25 million monetary penalty, the proposed settlement prohibits AppFolio from providing non-conviction criminal or eviction records older than seven years and requires the company to maintain reasonable procedures to ensure the maximum possible accuracy of information included in its background reports.