$2.95 NOVEMBER 2022

WHAT'S INSIDE:

UPCOMING EVENTS:

General Membership Meetings (Sandy) — 7 p.m.
Nov. 8, 2022 — Topic: Annual Meeting & Landlord Legal Seminar
www.uaahq.org/gmm

More Event Listings on Page 5

RENTAL HOUSING JOURNAL
INSIGHT FOR RENTAL HOUSING PROFESSIONALS
UTAH
UTAH RENTAL HOUSING ASSOCIATION
www.rentalhousingjournal.com • Rental Housing Journal, LLC
Official Publication of The Rental Housing Association of Utah – Utah's Leading Advocate for the Rental Housing Industry
801-[illegible]7-5619 – www.RHAUtah.org

Explaining Tenants' Rights, Responsibilities

RENTAL HOUSING ASSOCIATION OF UTAH

The Rental Housing Association of Utah believes that fair and just laws protect both landlords and tenants. We frequently work to protect the rights of tenants, and we advocate for laws that will protect them while still protecting the rights of landlords and property owners.

Individual property owners and landlords can make a big difference in the quality of their tenants' experience by carefully explaining to tenants their rights and responsibilities under the lease and under state law.

Many landlords sit down and go through the lease with their tenants upon signing or move-in to clearly outline what they expect from the tenants and what the tenants have a right to expect from them.

An increasing number of landlords are also starting to use customized tenant handbooks that not only have general details about state laws and local ordinances, but also specific provisions in the lease and particular information about

See 'Tips' on Page 5

Holiday Safety Tips for Residents:

Trees, Lighting and Candles

While decorating helps add to the beauty of the holidays, it also brings an increased risk of fire hazards. Apartment communities and their residents can benefit from the following decorating tips provided by Preferred Insurance. We hope they help you celebrate the holiday season safely.

Christmas Tree Safety

- Keep a fresh-cut tree outdoors and cover the trunk in snow, or immerse it in a bucket of water until you are ready to decorate it.

See 'Holiday' on Page 7

Application Fees – Using Rental Criteria and Other Best Practices

RENTAL HOUSING ASSOCIATION OF UTAH

It is a tough time to be a tenant. It's also a tough time to be a rental operator, but today let's talk about tenants.

We all know rents are going up. It's a tight market. Not only is it hard to find an available place (by the time most tenants call on a place it has already been rented), but rental operators can be more selective than in years past. This means anyone who has had some issues in the past (credit, criminal, previous landlord references) might end up having a really hard time finding a place to live.

In tight markets, like our current one, housing advocates and the media like to highlight stories where tenants claim they are paying multiple fees and not getting approved. These stories paint our industry in a bad light.

In some of these cases, the applicant is applying for places they do not qualify for and hoping the landlord does not run a thorough background check. In those cases, the applicant is at fault. In some cases, the tenant is applying at multiple places simultaneously (like applying to multiple colleges) so they have multiple options. This is another example where the tenant is making a choice to pay multiple fees.

Usually when an applicant pays multiple fees they chose to, either because they are rolling the dice by applying to places they won't qualify for, or they are choosing to make multiple applications and rental operators are not at fault.

There are very rare cases where a rental operator who is new or doesn't understand best practices, might be collecting and charging too many application fees. Let's talk about those very few cases.

How App Fees Should Work

Our position, and hope, is that every

See 'Best' on Page 5

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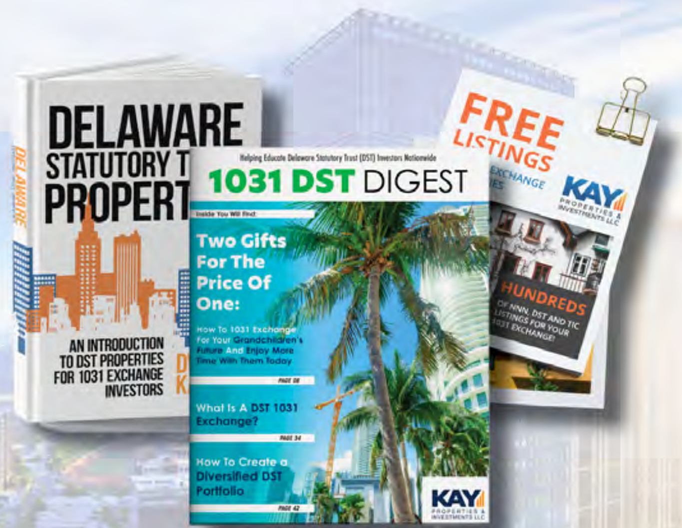

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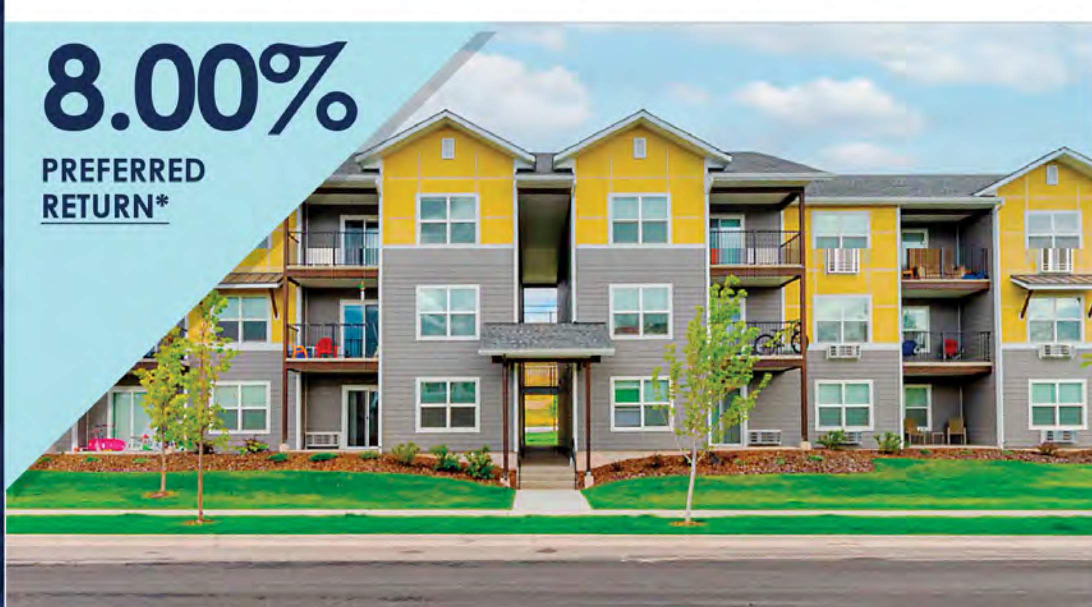

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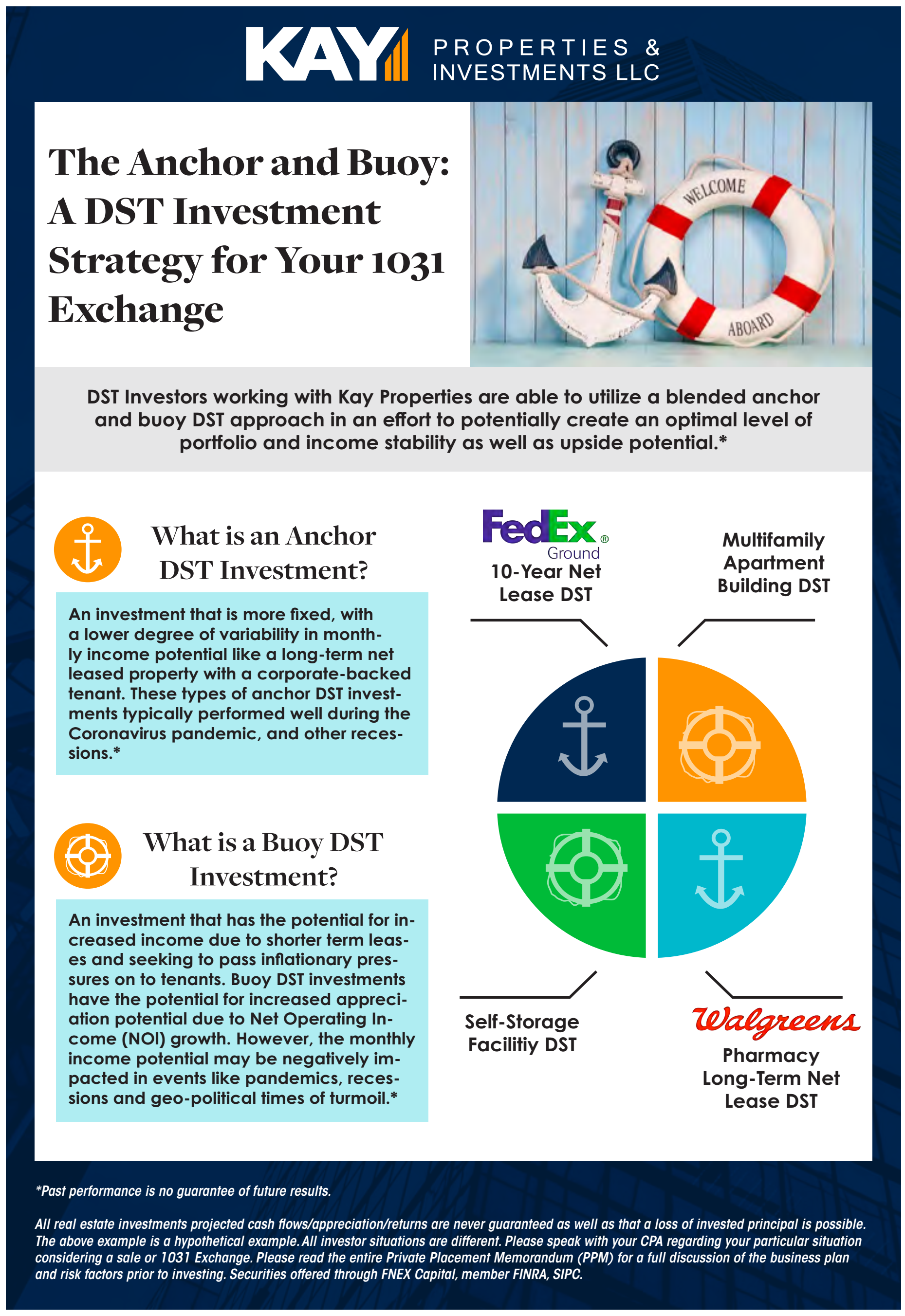
Sponsored Content

Why Delaware Statutory Trust Investors Should Practice 'The Anchor and the Buoy Investment Strategy'



By Dwight Kay, Founder and CEO of Kay Properties & Investments

Real estate investors currently considering a Delaware Statutory Trust (DST) investment for a 1031 exchange or even a direct-cash investment, one of the first things to consider is what specific investment strategy should you pursue? For example, is the goal to achieve greater appreciation even if it means investing in an asset that carries greater risk? Or is your long-term strategy to have steady monthly income even if it means lower overall appreciation potential? I like to call this the "Anchor and Buoy" investment theory. One of the beautiful things of Delaware Statutory Trust investments is that they can potentially provide investors both the benefits of the anchor and buoy investment strategies.

How 'Buoy' Investments Work for Your Delaware Statutory Trust

To better understand how to use the anchor and buoy theory to evaluate potential DST investments, consider a multifamily building that has 500 tenants. First, while residential properties use comparable sales or "comps" to approximate valuation, multifamily properties are also valued based on the amount of Net Operating Income (NOI) they produce. NOI is calculated by subtracting a property's operating expenses from its gross income. Gross income is derived from the sum of all sources of income for the multifamily property. While the vast majority of income comes from rent payments, there could also be ancillary sources of income like covered parking fees, laundry/vending income, pet rent income and even rent for storage unit access. On the flip side, operating expenses are the costs required to run the multifamily property on a day-to-day basis. Although these amounts will vary depending on the type of building, the line items will be typically very similar. These can include things like utilities, taxes, insurance, maintenance, property management, and even legal fees.

In this example, the multifamily building has a diversified tenant base of 500 tenants that are paying rent each month. Additionally, because most multifamily assets use an annual lease, landlords have the opportunity to potentially increase those leases every year. In addition, any vacancies can provide owners the opportunity to potentially raise rents when filling the vacancy. In this way, multifamily properties act like a buoy, moving and adjusting with the conditions.

While all real estate investments have some form of material risks associated with them like interest rate risks, vacancies, general market conditions, and financing risks, many investors like assets like multifamily and self-storage because they have the potential to gain more appreciation over time as they hopefully are able to increase their income generated through rental increases over the years. In addition, multifamily and self-storage are considered good "buoys" to potentially hedge against inflation because owners can hopefully raise the rents each year to help offset rising costs.

Why Multi-Family and Self-Storage are Considered Good Buoy DST Investments

Many investment professionals and accredited investors view self-storage and multifamily markets through the same investment lens. First, both asset classes follow a similar set of metrics to help determine market favorability, including demographic trends and income statistics. Second, both multi-family and self-storage use rent growth and vacancy rates as a way to project future performance. Finally, as mentioned earlier both asset classes are considered to be somewhat recession-defensive, and because operators are able to quickly respond to changing market conditions with rent changes, both property types are also considered to be an inflation hedge option in commercial real estate.

What is an Example of an Anchor Delaware Statutory Trust Investment?

So, if a multifamily building is considered a "Buoy" DST investment, then what is an "Anchor" DST investment? Many investors consider a commercial net lease type of asset as more of an anchor investment for their DST 1031 Exchange investments. First of all, instead of using NOI and market capitalization rates (cap rates) solely as a valuation measurement, most commercial net lease assets are going to additionally tie the valuation of the property with the creditworthiness of the tenant. For example, Joe's Pizza Shop is not as creditworthy of a tenant as FedEx or Walgreens, both of which are considered investment grade tenants. First of all, Joe's Pizza Shop can shut down and investors are left with an empty building and the potential for expensive maintenance costs and unpaid rent. While it is possible that FedEx or Walgreens can also shut down a location, the odds are that these multi-billion dollar public companies will continue to pay rent as they have investment grade credit ratings by Standard and Poor's (S and P).

Why are Long-Term Net Lease Commercial DST Buildings Considered Anchor Investments?

In addition to the creditworthiness of the tenant, anchor investments also use the length of the lease as another important factor to take into account. For example, a FedEx distribution center with a 10-year lease is an inherently valuable asset because there are 10-full years of potential income that has a corporate guarantee on the lease to pay the landlord the predetermined amount each month. However, while this type of asset can act as an anchor over the course of many years, there is typically not an opportunity to raise rents as can be found in multifamily or self-storage facility DST investments.

How Delaware Statutory Trust Investments Blend Both Anchor/Buoy Philosophies

DST investments provide investors several ways to incorporate both anchor and buoy investment strategies by incorporating diversification into a real estate portfolio. For example, DSTs can create diversification through geography, property type, and investment structure.

- **GEOGRAPHY**

The beautiful thing about Delaware Statutory Trust investments is they can hold real estate assets in any state across America, helping investors target properties in specific markets where they believe will deliver a desirable combination of ongoing income and potential appreciation. For example, investors might decide to invest in tax-friendly, high-growth states like Texas, Florida, or North Carolina among others.

- **PROPERTY TYPE**

Delaware Statutory Trusts also allow investors to achieve the potential for greater diversification through property types as well. For example, DSTs can include a wide range of asset types including apartments, distribution centers, medical buildings, and self storage facilities. Essentially any asset that can qualify as a "like kind" 1031 exchange property can potentially be structured as a DST.

- **INVESTMENT STRUCTURE**

Another way DSTs help investors incorporate both anchor and buoy investment strategies is through investment structure. A good way to explain this is to recognize that while many DSTs consist of a single property, other DST investments consist of a larger portfolio of similar assets e.g., multiple apartment complexes, self-storage facilities, office buildings, or retail properties. In this way, a DST portfolio can create a "built-in" diversification component that many investors find attractive.

In conclusion, an investor could place their entire exchange proceeds into a multifamily or self-storage DST if they were seeking greater upside potential that the buoy strategy is seeking. The downside is that if the economy were to suffer, if another pandemic or any other myriad of black swan events were to happen that investor could easily see cash flow cut in half or suspended entirely. So in an effort to enhance appreciation potential the investor sacrifices the stability of income that many investors are seeking in today's volatile environment.

However, many investors these days are achieving the goal of potential appreciation by utilizing the buoy investment strategy of multifamily and self storage DSTs and at the same time blending in the anchor strategy in an effort to gain potential stability of income by utilizing long-term net leased DSTs with tenants such as FedEx and Walgreens. This blended anchor and buoy combination strategy is gaining popularity as investors consider where we are in today's economic and geopolitical environment.

To see a complete list of anchor and buoy DST properties and other real estate investment options, please visit www.kpi1031.com.

Chair's Message

The Importance of Networking

Brad Randall
Chair,
Rental Housing Association of Utah

In Utah, we are lucky to be part of one of the largest organizations for owners and managers in the country. This gives us excellent opportunities to meet with other owners, managers, vendors, and service providers, which is one of the best resources that the association provides.

Keys to Networking

When it comes to networking, here are 7 things that you need to make sure that you do in order to be successful.

1. Don't forget your business card.

Having contact information that you can quickly and easily give out is important in order to follow up.

2. Break the ice quickly.

You don't have to be fancy about it, just going up and saying hello to people and asking them how they are enjoying the event or class can make for an easy segue into talking about common issues.

3. Join a conversation, don't hijack it.

If you see a group discussing something you don't need to take over in order to be included. Conversely, feel free to join in an ongoing conversation if you have something to add!

4. Give yourself time to chat.

Arriving early is the easiest way to find other people to talk to.

5. Set a goal of meeting a certain number of people and try to stick to that goal.

6. Pay attention to who asks questions.

If another attendee asks a question that is relevant to you, it might be worth meeting them to discuss your similar interests and issues.

7. Keep in contact.

Don't wait until next year's trade show to reach out to your new friends; you might want to follow up within the next few weeks, and it's always a good idea to keep in touch at least a couple times a year.

Opportunities

The RHA provides several excellent opportunities to network. The best by far is the RHA Annual Fair Housing Conference and Trade Show, which brings together thousands of landlords, property managers, and rental housing specialists from around the state and also includes hundreds of vendors and specialized service providers. I strongly recommend that you do this, especially if you have never had the opportunity to attend before. You will be able to find other people who know exactly what kinds of issues you face, and who might have some ideas or solutions that can help you.

Other networking opportunities include RHA classes, especially the monthly General Membership Meetings that the RHA hosts at the end of every month, as well as the other events put on by the RHA – including the Reverse Trade Show, golf tournament, and awards banquet. Also, for those who really want to get involved, we have the RHA committees where you can work with other members to help plan events, recruit new members, run community service activities, design educational materials, and direct our government affairs issues. Not only is this a great way to get involved, but it is also a fun way to meet other members and network.

Ask the Attorney

A Guide to Handling the Security Deposit

By The Law Office of Kirk A. Cullimore

Your resident just vacated. You check the unit and no surprise, the unit is a mess. Fortunately, resident paid a security deposit. Now what?

Whether your resident gave proper written notice at the end of the lease or skipped before the lease expired, your obligations as a landlord under Utah law on how you handle the security deposit are the same. What, then, are those obligations?

Under Utah law, upon termination of a resident's tenancy, you may apply money held as a deposit "toward the payment of rent, damages to the premises beyond reasonable wear and tear, other costs and fees provided for in the contract, or cleaning of the unit." (Utah Code § 57-17-3(1)) This means you can apply the resident's security deposit toward any monies owed pursuant to the lease, including cleaning and damages. If your resident signed a Cleaning and Damages Addendum (or something similar), any of the applicable charges can be deducted from the security deposit.

If your resident did not sign an applicable addendum, then charges for cleaning, carpet cleaning, painting, plus anything damaged that must be either repaired/replaced (all subject to normal wear and tear), can be deducted from the security deposit. In cases where there is no applicable addendum, documentation, including receipts, invoices, and pictures, is crucial. It is not uncommon for former residents to dispute charges for cleaning/damage; having documentation, especially pictures, only bolsters the likelihood of those charges being awarded if contested in court.

In addition to deducting amounts for cleaning/damages from the security deposit, you can also include any future rent owed, subject to your obligation to mitigate damages. Look for a future article that will discuss in more detail mitigation and future rent.

After applying the resident's security deposit toward monies owed, then what? Under Utah law, you then have an obligation to send the resident a written accounting reflecting how you applied the security deposit.

When must you provide this written accounting and where do you send it? Utah law specifically requires that "no later than 30 days after the day on which a renter vacates and returns possession of a rental property," you "shall deliver to the renter at the renter's last known address: (a) the balance of any deposit; (b) the balance of any prepaid rent; and (c) if the owner or owner's agent made any deductions from the deposit or prepaid rent, a written notice that itemizes and explains the reason for each deduction." (Utah Code § 57-17-3(2))

What if you fail to deliver the written accounting within 30 days of your renter vacating and returning possession of the unit back to you? If that were to happen, all is not lost, as Utah law then shifts obligations upon the renter.

The renter may then serve you written notice. The renter's written notice must substantially comply with the form provided in the applicable statute and must be served in the same manner as you are required to serve eviction notices, i.e. either (1) personally to the owner/owner's agent at the address provided in the lease agreement; (2) leaving a copy with a person of reasonable age and discretion if owner/owner's agent is absent at the address provided in the lease agreement; (3) if no one can be found at the address provided in the lease agreement, affixing a copy in a conspicuous place at the address provided in the lease agreement; or (4) sending a copy through registered/certified mail to the owner/owner's agent at the address provided in the lease agreement. (See Utah Code § 57-17-3(4))

If the tenant's written notice complies with the law and is properly served, you must provide the written accounting within five (5) business days of service. Otherwise, if you fail to do so, the former tenant can initiate litigation where your failure to comply with former resident's written notice would require you to refund the entire security deposit, a penalty of $100, as well as the possibility of being responsible for resident's court costs and attorney fees. (See Utah Code § 57-17-3(3)(b))

Best practice is obviously to send the written accounting sooner than later. However, should that not happen within 30 days, get it done as soon as you can, as there is no real concern unless or until resident properly serves you the required written notice by law.

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Director's Message

Ask the Association – Tenants Signed the Lease and Paid Deposit But Have Changed Their Minds

L. Paul Smith, CAE
Executive Director,
Rental Housing Association of Utah

"I have a renter who signed a rental agreement and paid the deposit several weeks ago to move in at the beginning of next month. Now he's saying he doesn't want to rent the place anymore. What should I do?"

The good news is they signed the agreement and paid a security deposit. The professional way to handle it would be to communicate the following:

"We understand things have changed and you no longer wish to move in. We will immediately attempt to re-lease the rental home. If we can get it re-leased by the first of the month, we will deduct only the cost of labor and marketing for the replacement tenant. If it takes longer than that, you will be responsible for daily rent until re-rented."

Be understanding and polite. But explain to them they signed a binding contract, and you will do your best to rent it quickly, but there will be costs associated with their default. Occasionally owners and managers have to re-lease a place someone signed a lease on; they should do their best to mitigate damages by re-leasing quickly. But the tenant is responsible for the "actual damages" of the contract default, which include labor and marketing costs and daily rent until the property is re-rented.

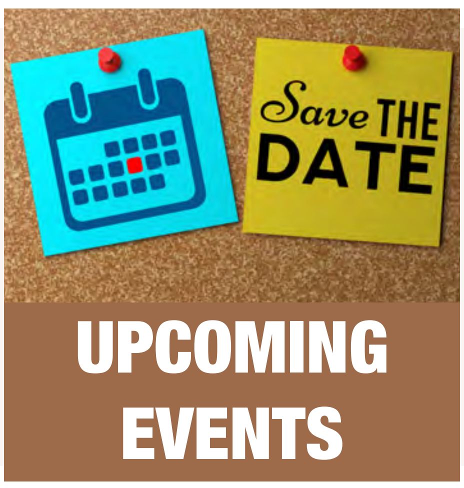
You will "apply" the security deposit to any damages/costs.

For instance, if the security deposit was $1,000, and the labor and marketing to re-lease come to $200, you would return the remaining $800. If the daily rent is $40 a day and it takes 15 days to rent, or $600, you would deduct the $200 marketing costs and $600 lost rent = $800 from the $1,000 and they would get $200 back.

Sometimes the purpose of security deposits is misunderstood. Deposits are used to cover costs. Some people think deposits are "forfeited" if a tenant breaks the lease, but as a matter of law, they can only be "applied" to damages. The word "damages" has a broad definition including:

- Lost rent
- Marketing/labor
- Cleaning
- Physical damage
- Other costs like unpaid utilities, late fees, etc.

In this case, since they never moved in there are no cleaning costs or damages, but there are lost rent and marketing/labor costs. So, if someone asks "Do I forfeit my deposit" because they decided not to honor the agreement, the answer is no – deposits are applied to damages. The deposit was $1,000 in this hypothetical. If damages exceed $1,000, they would end up owing more. If the damages are less, they will get a



CAM/CAS Classes

Nov. 15, 2022 – 9 a.m. to 2 p.m. – Risk Management

www.uaahq.org/cam-certification

www.uaahq.org/cas-certification

UPRO Certification Classes

Nov. 10, 2022 – 9 a.m. – Maintenance: Turnover, HVAC & Appliances

Nov. 10, 2022 – 11 a.m. – Maintenance: Preventative Maintenance and Asset Management Agreements

www.uaahq.org/upro

TOPAZ AWARDS

Nov. 11, 2022 – 6 p.m.

Little America Hotel
500 S Main St.
Salt Lake City, Utah

SOUTHERN UTAH EDUCATION CONFERENCE

Nov. 30, 2022 – 8 a.m. to 5 p.m. –

Dixie Convention Center
1895 S. Convention Center Drive
St. George, Utah

Stay up-to-date at: https://www.rhautah.org/events/

Best Practices Regarding Application Fees

Continnued from Page 1

applicant will only ever have to pay one application fee, and that every rental operator will only ever process one fee per available unit. Following is how application fees should work and what we teach rental operators:

1. Before a tenant ever pays a fee, they should review a copy of the owner's rental criteria. If they qualify and if the unit is available, they should apply. If they don't qualify, if anyone else has already applied or if the unit has been rented, they should not apply.
2. An owner should only accept/process one application fee at a time and compare them to their rental criteria. If the applicant meets the criteria, a lease is prepared and signed. If the applicant does not meet the criteria, they are "denied," and the owner can move on to the next application.
3. If an available rental property receives multiple applications, owners should only collect one fee at a time, and approve or deny that applicant. Only if the applicant is denied should the next fee in line be processed.
4. Renters should never be compared to each other, only to the pre-disclosed rental criteria.

In Summary:

- Rental operators should ALWAYS provide, and applicants should always review in advance, rental criteria
- Applicants should never apply to a place for which they know they won't qualify
- Applicants who choose to apply to multiple places (like multiple colleges) to have options are making that choice themselves
- Rental operators should only process one application fee at a time
- Rental operators should compare applicants only to pre-disclosed criteria, not to each other

Cases When Renter Application Fees Should be Refunded

Fees should be refunded, or better yet not accepted, unless there is an actual vacancy. For instance, if five people apply for one place, a rental operator should only process one fee at a time. If five fees are collected, the operator should only process one application at a time and compare it to the rental criteria. If the first applicant qualified, the other four should have their fees refunded.

Set up systems that DO NOT accept multiple fees for one vacancy. If you inadvertently collect a fee you shouldn't, or if you collect more fees than you have vacancies, refund them immediately.

RHA has created a website for renters who feel they have been charged fees inappropriately, www.utahapplicationdisputefund.org . Renters can apply for reimbursement of fees paid and RHA will refund the fee if it was processed or retained inappropriately.

For instance, a renter asked a property manager if a unit was available and what the criteria was. The company said the unit was available but after the tenant applied and paid a fee, they said there was someone ahead of them that got the rental. In this case we refunded the renter and contacted the property management company and taught them how to fix their process, so this never happens again.

In our current housing crisis, it is important rental operators understand the proper use of application fees and don't abuse them. Our industry is under a microscope. Don't be the bad example that leads to restrictive legislation.

Tips for Explaining Rights and Responsibilities to Tenants

Continued from Page 1

the unit they are occupying.

Many of these handbooks include:

- Information about the appliances in the apartment
- An overview of their responsibilities under the lease
- Ideas for how to save on utilities
- Tips for how to clean the apartment
- Suggestions for routine maintenance that the tenant can perform
- Contact information for the landlord or manager
- Emergency contact information for police, fire, ambulance, and any preauthorized contractors
- An explanation of how the deposit will be handled

Most tenants are good tenants, and most landlords are good landlords. Unfortunately, the landlords who are not doing things right cause problems for the rest of us because they get dumb laws passed that will create unnecessary and costly restrictions or problems for the rest of us. But responsible and reasonable landlords have nothing to fear from tenants who understand both their rights and their responsibilities and exercise both in equal measure, educating tenants can help them to understand how things work and know what they can and cannot do if they think there is a problem.

UTAH RENTAL HOUSING ASSOCIATION

EVENT INFO

WHERE:
Dixie Convention Center
1895 S. Convention Center Drive

WHEN:
Wednesday, November 30th - 8:30 AM to 5:00 PM

SCAN TO REGISTER

Southern Utah

2022 Fair Housing Conference

ABOUT EVENT

Join us on Wednesday, November 30th, for the RHA Southern Utah Fair Housing Education Conference for all Rental Housing Owners and Operators..

SCHEDULE

8:30 AM .... Registration

9:00 AM .... Welcome and Opening Session

9:30 AM .... Legal Issues: Management & Operation, *Kirk Cullimore Jr.*

10:30 AM .... Break – Visit Exhibitors

10:45 AM .... BREAK OUT SESSIONS

- Apartment Communities ...... “Building a Culture of Service and Gratitude”, *Bill Nye*
- Single Family PM Companies – 30 Ways PM Companies Make Money
- Independent Owners – Property Management 101 Part 1

12:00 PM .... Lunch Panel - 2023 Legislative Issues

1:00 PM .... BREAK OUT SESSIONS

- Apartment Communities – “Conflict Isn’t Crazy - Not Resolving It Is”, *Bill Nye*
- Single Family PM Companies - Panel of Top Tips in Running a Successful PM Company
- Independent Owners – Property Management 101 Part 2

2:15 PM .... Break – Visit Exhibitors

2:30 PM .... Legal Issues: Tenant Screening & Fair Housing, *Kirk Cullimore Jr.*

3:45 PM .... Break – Visit Exhibitors

4:00 PM .... Closing Ceremonies and Raffle Prizes

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Early Bird Registration
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Bill Nye -
Rental Housing Expert

Kirk Cullimore Jr. -
Rental Housing Attorney

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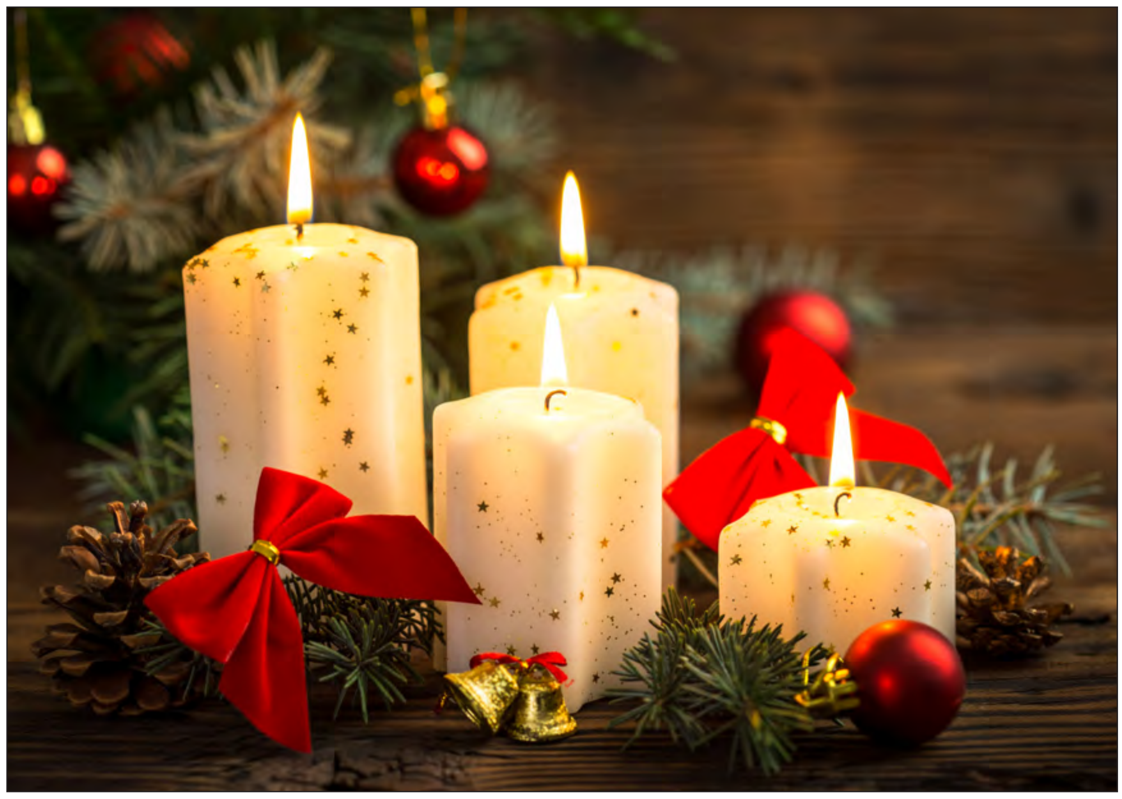
Holiday Lighting Safety Tips for Tenants

Continued from Page 1

- When you are ready to put up a live tree, cut a 1- or 2- inch diagonal off the bottom of the trunk. The new cut will help the tree to absorb water, which preserves its freshness.
- Select a spot for the tree that is at least three feet from a heat source.
- Put the tree in a sturdy, water-holding stand with widespread legs, and keep the stand filled with water.
- Once a tree is dried out, don't keep it in your home or garage, as it is highly flammable.



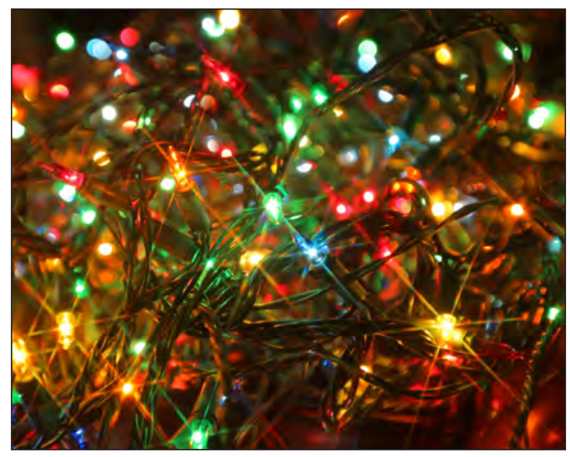
Holiday Lighting Safety

- Mixing and matching lights can create a fire hazard, so keep outside lights outdoors and inside lights indoors.
- Always buy lights and electrical decorations bearing the name of an independent testing lab, such as UL, and follow the manufacturer's instructions for installation and maintenance.
- Carefully inspect new and previously used light strings before using them. Throw away any that appear damaged.
- When hanging lights, string the lights together, using built-in connectors. Don't join more than 200 midget lights or 50 larger lamps through one string or cord.
- Don't connect more than three sets of lights to one extension cord.
- Remember to unplug all decorations and lights, both inside and outside your apartment home, before leaving or going to bed.
- If a fuse is blown, unplug the lights from the outlet and immediately replace the blown fuse. If the replacement fuse blows again, a short circuit may be present. Throw the faulty light string or decoration away, or if it's new, return it for a refund.

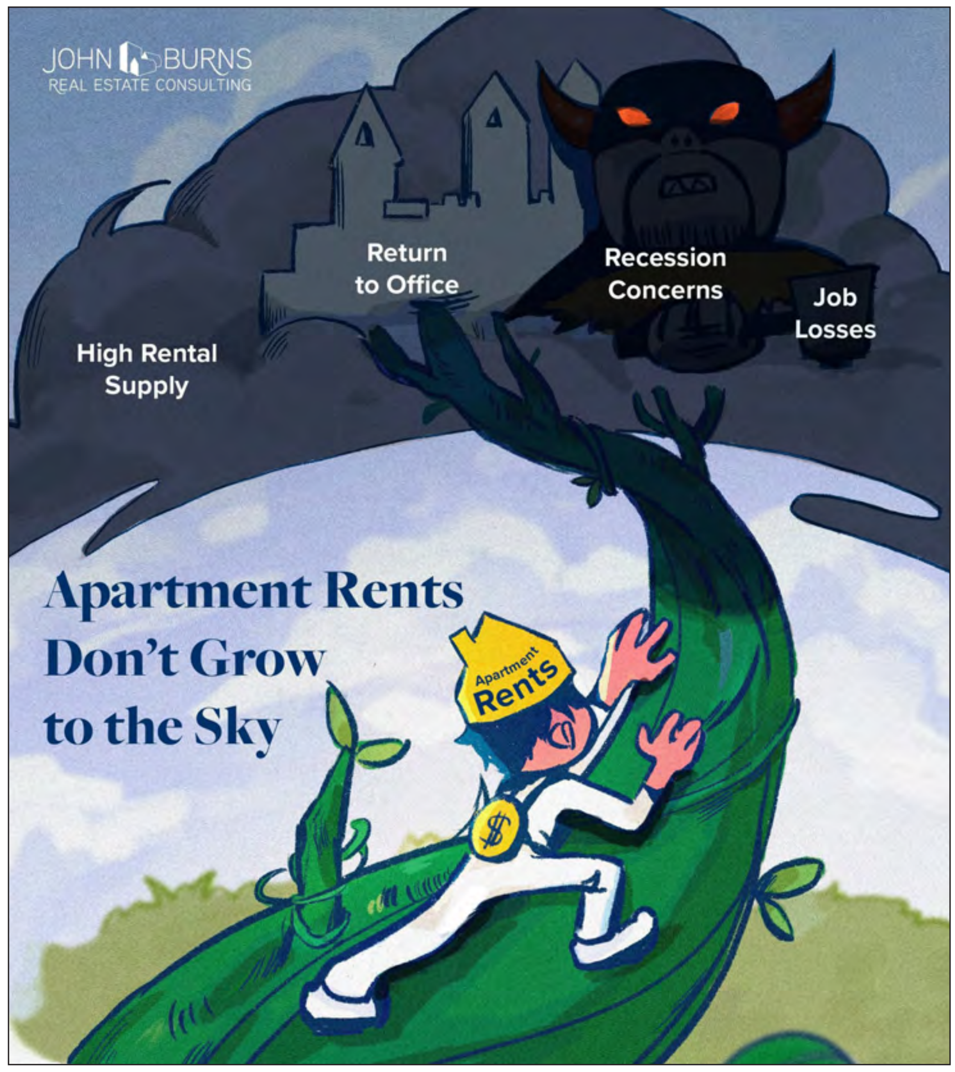
Candle Safety

- Place candles in stable holders and in a spot where they cannot be easily disturbed.
- Never use lit candles to decorate your Christmas tree.
- Never leave a burning candle unattended, and always extinguish candles before leaving the room or going to bed.
- Avoid placing candles near flammable objects.
- Keep burning candles out of the reach of children.

— From the NAA "Aptly Spoken Blog" December, 2015. Used with permission.



Apartment Rents Won't be Heading to Sky, Report Says



Rental Housing Journal

The combination of recession concerns, requests to return to the office, rents that are just too high, and a multi-decade high of new rental supply are all combining to cause rents to soften and potentially decline, writes John Burns Real Estate Consulting.

In a report by Alex Thomas and Jesse McConnico called "Apartment Rents Don't Grow to the Sky" they write, "Rents are set to fall in many areas around the country, which is exactly what the Fed needs to help get inflation under control. This short-term pain for rental investors should be offset by the long-term gain of a stable economy and lower borrowing rates.

"Every quarter, we summarize the earnings calls of six publicly traded apartment REITs (Real Estate Investment Trusts) for our research clients, and our consultants have been busier than ever helping apartment and build-to-rent developers understand local market dynamics as they build and lease new communities," they write in the report and in a recent email newsletter.

Why Rents Soared

Rents soared for a couple of reasons, the report says.

It was the combination of record demand due to working from home and relocations, plus capital flowing into apartment construction resulting in a 36-year high of multifamily starts and a 34-year high of multifamily completions.

Even with the level of construction it was still not enough to meet demand.

What Some REITs Told John Burns Consulting

- **AvalonBay Communities:** "We've assumed that [rents] will decline, just at a more modest pace than pre-COVID periods would typically dictate."
- **Essex Property Trust:** "What we are expecting is normal seasonality. We do have headwinds from tougher year-over-year comps. Last year, in the first half, our blended lease rate was -4 percent. But in the second half, it surged to about +13.25 percent. That's the tough year-over-year comp."
- **Equity Residential:** "We assume we're going to have rents peak somewhere in this first or second week of August and then have a normal kind of trail off in rents until you get to that January period."

Conclusion: Watch Apartment Market for Signs of Job Losses

"Watch the apartment market carefully for early signs of job losses, which is something that the Fed wants and is even forecasting," the report says.

"The increase in rental demand due to homeownership becoming less attainable doesn't mean rents can rise to the sky, and the rental market demand/supply balance can quickly turn upside down when job losses coincide with a lot of apartment completions."

For more information on the apartment market and a comprehensive view on housing demand and supply, or help understanding your local market dynamics, see www.realestateconsulting.com or email clientservices@realestateconsulting.com.

Market-Driven Amenities Add Value and Help You Create a Competitive Edge

By Robert Trujillo
Harvard Investments

As consumers become more discerning, with an increased focus on housing that enhances their desired quality of life, and municipalities more demanding of developments they'll approve, multifamily developers must become more strategic and creative in an increasingly competitive market.

Today's traditional multifamily and single-family rental (SFR) communities must provide wide-ranging amenities to earn the business and loyalty of those who have the means to buy but choose to rent and have an elevated perception of how their home environments should look and feel.

First-generation SFR models only had homes and few, if any, amenities. Often the leasing office was an empty unit.

Those models quickly elevated to second-generation SFR communities, with separate buildings for a clubhouse, a small leasing office, a fitness center, pool, etc.

Now we're moving to a third-generation design that feels very similar to suburban luxury apartment complexes with expansive amenity offerings and robust community centers.

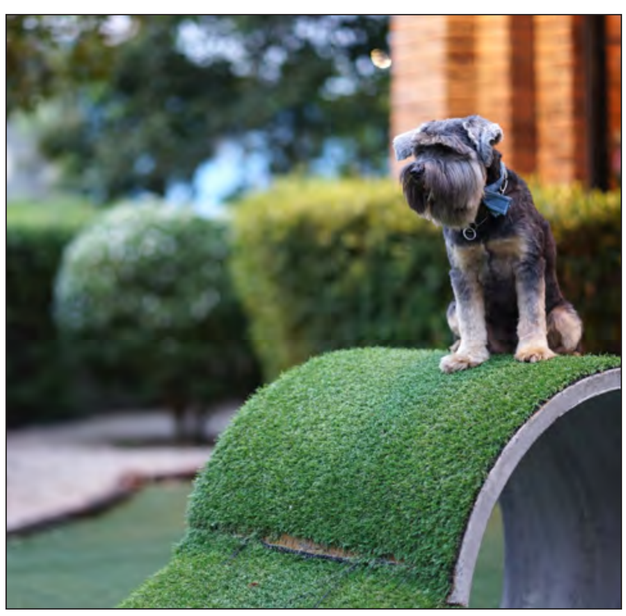
The challenge with these enhancements is offsetting the cost per unit. Typical apartment communities are 300 units or more but build-to-rent (BTR) and SFR are closer to the 150–200-unit range. Justifying a large amenity center may feel tough, however we've found it's necessary and can pay off in renter retention.

Multifamily typically has a 60 percent turnover, but because SFR turnover is significantly lower, amenity costs can be recouped.

For example, our First Street Ballpark community in Goodyear, Arizona, has a spacious 5,000-square foot club house with fitness center, co-working area, indoor-outdoor kitchens for rent, much larger resort-style pools, lap pools, and hot tubs. We're building outdoor ball courts for bocce ball, creating rental demand.

Requirements of Municipalities

Amenity evolution isn't just driven by residents. Many cities are requiring the quality and appeal of multifamily to be long-lasting. They are demanding that communities



feel more like traditional owner-occupied communities including more green space. This often means lower density, which can be financially challenging.

Adding Value through Multifamily Amenities

With these changes, existing multifamily communities are in a great position to remain competitive by enhancing existing assets. The surge of BTR has led to an increase in value-added amenities among traditional multifamily communities.

Complexes built in the 1980s and '90s have been upgraded substantially. Many were built when land wasn't at such a premium, so they have more of the green space and mature trees renters want.

The competitive edge for existing multifamily owners is to use your space and use it wisely. Many have gutted the leasing office and converted the community space within the leasing office into co-working space.

Adding dog parks to existing green spaces is another easy upgrade for renters who increasingly prioritize their pets – 50-80 percent of renters now have dogs.

Another important step would be to upgrade the pool to reflect the resort-like feel that draws residents to use the space and attracts new renters.

Upgrading Design and Function

In addition to the enhanced amenity options, developers are increasing the thoughtfulness and quality of the units they design, both inside and out.

Very early on, apartments and BTR were very basic; BTR developers wanted to test the market and see if people would actually rent these new concepts over a traditional apartment in a three-story complex. The past decade has clearly demonstrated they will.

Now, most SFR homes have fenced-in backyards. Some have sidewalks leading to clusters of homes with a courtyard. Generally, more thought is going into the way these are placed on the site, so they encourage community and interaction but still provide privacy.

Inside, developers have upgraded the finishes and replaced carpet with hard floor surfaces. Similarly, quartz countertops and stainless-steel appliances are now common.

If you plan on owning your communities for the duration, providing materials that will last is always smart.

These upgrades ensure happy renters and long-term financial benefit for developers and property managers.

Paying attention to the shifts in consumer demand as well as municipality requirements and answering the call to upgrade amenities and interior spaces pays off in the long run, especially as teams look to be best in class and hold assets for long-term profits and long-term renter loyalty.

Robert Trujillo serves as vice president of Harvard Investments, overseeing the FirstStreet™ division. He has more than 25 years of multifamily development experience including previous roles in Phoenix; Santa Fe, N.M., and the southeastern United States. He has overseen multiple industry functions including land acquisition, project feasibility, planning, public agency entitlements, community relations, financing, environmental mitigation, construction management and leasing and sales.

Utah Rental Housing Association

2022 Apartment Allstars Tour

8 December, 2022

09.00 am - 12.00 pm

Mountain America Expo Center—9575 S State Street
Sandy, UT 84070

Admission: FREE

Register Online: uaahq.org/events

The Apartment All-Star Experience
is like no other education event you will attend this year. The unique blend of four national speakers at one time creates an energy force that will be exciting, motivating, relevant and fun! The reason is that this is not just a seminar, Apartment All-Stars is an event. This dynamic tour has been igniting the leasing and marketing arena for more than 10 years and can't wait to deliver new content in a new interactive virtual format.

Kate Good, Lisa Trosien, Pete Regules and Virgina Love will headline Apartment All Stars 2022 and leave attendees motivated and ready to implement new ideas! Attendees at an Apartment All-Stars event describe the program as "cutting edge", the ideas as "brilliant" and "easy to implement" and the day as "extremely motivating" among other superlatives.

Our Invited Speakers

Kate Good
Partner & SVP
Huntington Apartments

Lisa Trosien
President
Apartments.com

Pete Regules
Director of Multifamily
CORT

Virginia Love
Industry Principal
Entrata

Special 2022 Benefits
Free to members!

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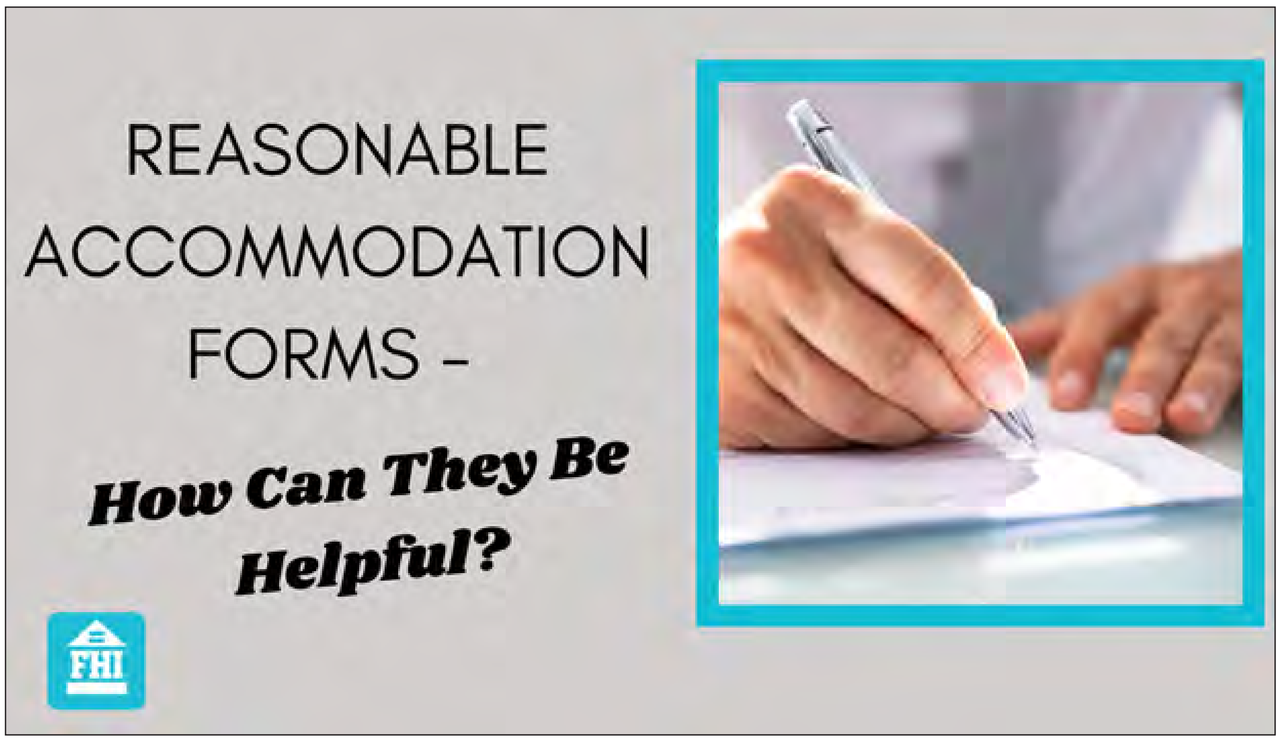
Due Diligence Needed to Verify Requests for Accommodation



By The Fair Housing Institute

Reasonable-accommodation requests can be completely obvious and straightforward. Still, more often than not, they require a little bit more due diligence or investigation to verify the need for what is being requested.

Along with that is the range of requests a leasing office can come across: accessible unit, live-in aide, and parking-spot requests, just to name a few. Forms are a practical way to help a leasing office gather the information needed to make a determination. But it raises the questions: What kind of forms should a leasing office use, and what should you do if a resident refuses to fill one out?

Best Practices for Forms

Many offices have a pretty basic or boilerplate type of form that they use. This is fine but can result in missing information that can be helpful when making a determination. Having forms specific to each type of request can help you avoid this. Also, pre-made forms can ensure that every resident is asked the same questions to avoid any appearance of discrimination.

For example, a resident is requesting that they need to change units because they have allergies and their next-door neighbors own a bird. Having a form that asks specific questions regarding allergies will help determine if the tenant has an allergy that meets the definition of a disability, therefore having an identified need which should be accommodated. But what should you do if a request is being made and the resident refuses to fill out your form, perhaps insisting that the doctor's note they gave you is enough?

I Don't Need to Fill Out Your Form!

We have all been there. A resident is requesting an accommodation but doesn't want to do the paperwork. First off, you can try to defuse the situation by stating that the easiest way to get the ball rolling is to complete the form and that you would be happy to help them fill it out. Just be sure that the information contained and the signature authorizing the verifier to provide the information must be from the resident.

Another common hurdle we see is that a resident has brought in a note from their physician insisting that it is all they need to do. While it's true – we technically can't require a resident to use or fill out a form – if the doctor's note is missing critical information, then the verification process can't move forward. Only then can you ask that a verification form be completed if there is needed information missing, with the form outlining the specific information required.

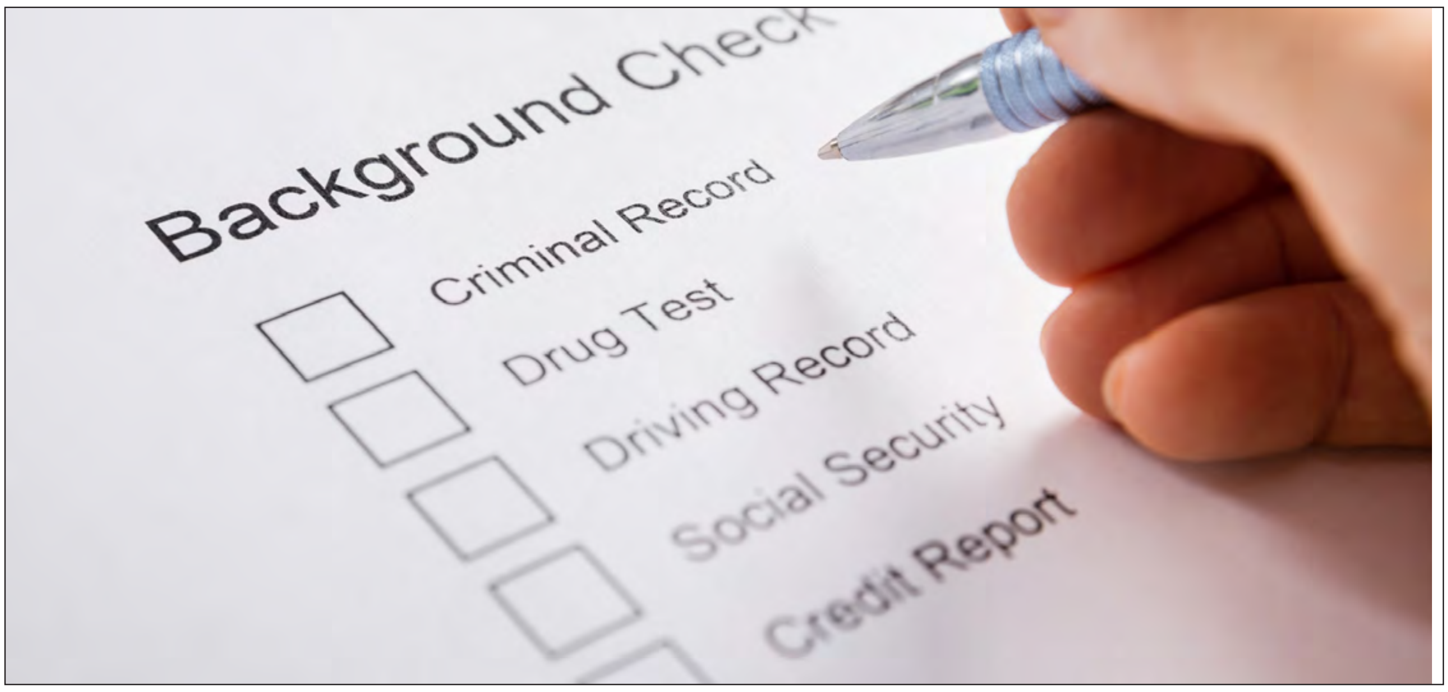
Reasonable Accommodation Forms - Final Takeaway

Having carefully created forms for specific accommodation requests helps to create a streamlined process and reduces the chances of miscommunication that can lead to a charge of discrimination. Having forms ready for your staff, along with proper training on how to execute them, will help your leasing office manage these requests and keep everything fair-housing focused.

In 2005, The Fair Housing Institute was founded as a company with one goal: to provide educational and entertaining fair-housing compliance training at an affordable price at the click of a button.

What a Possible 2023 HUD Announcement Could Mean to You as a Private Landlord

By David Pickron



Have you ever been punished for something you didn't do or that was completely out of your control? My guess is you have, and that the thought that flashed through your mind at the time went something like this: But I didn't do anything wrong! Frustration sets in as you try and figure out what you could have done differently, reaching the conclusion that sometimes these things are out of your control. The situation below might be one of those times.

For property owners, although it hasn't happened yet, this scenario may soon play out based on some recent actions being considered by HUD.

On April 12, 2022, Marcia Fudge, Secretary of the U.S. Department of Housing and Urban Development, issued a memorandum to her staff with the subject line: Eliminating Barriers That May Unnecessarily Prevent Individuals with Criminal Histories from Participating in HUD Programs. In short, HUD is trying to determine what criminal criteria HUD programs should use, if any, when qualifying an applicant. At that time, she called for a six-month study period that ended October 14, 2022. History shows, when HUD makes a policy for government housing, they slowly try to implement it into the private sector. And even though it hasn't happened yet, it may be coming.

This is where the "unfair" results kick in. Think about those jurisdictions who have source of income as a protected class, where it is illegal to discriminate against people who use Section 8 vouchers as income. As a private landlord, whether you want to or not, you are required to take Section 8 housing if your rents are in line with the standard rental rate of local housing providers. If this happens, the government just took your private housing and turned it into government housing, and you must follow all of HUD's rules and recommendations or else.

As an example, I have an income-producing rental home in Tucson, Arizona. The market value of rent is $1,100 per month and a Section 8 voucher is willing to pay $1,100. Section 8 rationalizes that your financial risk is covered by the government so there is no need for me as a private landlord to financially qualify an applicant any further. The most I can require is three times the applicant's portion of the rent, which is usually zero to begin with. As part of my normal tenant-onboarding process, I then run the applicant through a background check to see if there is any criminal history and subsequently find this individual has several felony drug convictions. Right now, I can decline this individual based on a "no-felony drug-conviction-in-the-last-seven-years" rule that is a key part of my rental-applicant criteria. This is where it gets tricky based on what HUD could propose regarding criminal history because of the memo referenced above. They are trying to justify mandating the removal of any criminal history search, claiming that a criminal history has no correlation with you as a private landlord receiving the rent because the government is covering that part. That is a scary thought process.

As more jurisdictions vote to add source of income as a protected class, more private rentals will be sucked into government housing rules and criminal histories could become a thing of the past. And it won't stop there, as HUD will slowly try and use a similar disparate-impact argument in the other areas that we as private landlords use to protect our investments, forcing the private market to follow the direction of HUD, leading to the demise of criminal history and ultimately private landlords.

Knowing the Section 8 payment tables in your area and comparing them with market rent will help you decide if you want the government as a partner or not. If you have homes or rentals that can demand higher rents than what the housing authority is willing to pay, you will be able to duck this discrimination claim for now. But you never know how long that is going to last, as the market has something to say about it.

All these moves have made me look at landlords in the private market and get to the root of the HUD study by asking this critical question: Does criminal history affect a person's ability to pay rent? I accessed my own data sets from our tenant-background-screening company, Rent Perfect, and analyzed actual and factual numbers to answer this question. We took all applicants who applied for a qualification to rent either a single-family or multifamily rental across all 50 states from Jan. 1, 2022, through Oct. 15, 2022. See the graphic for specific results. Generally speaking, applicants with NO criminal history are twice as likely to have a credit score over 600,, which translates to rent getting paid more consistently and on-time. As a landlord, those are the type of odds that play in my favor.

Getting rid of criminal history as a qualifying factor for HUD properties now, and inevitably for private individuals in the future, would put you and your property at risk financially and physically. At Rent Perfect we know different criminal histories pose more of a threat than others, but we also know landlords are not the judge and jury and hold no special training on how to determine recidivism rates or risk based on each crime. Our research results clearly show that no matter what the crime is, whether felony or misdemeanor, credit scores go down and collecting rent is riskier for those with a criminal history than without.

So, what do you do about it? Rather than sulk in the corner – which may have been your childhood response to unfair treatment – we all need to band together and fight to protect our rights as private landlords. Uniting your voice with a local Real Estate Investment Association (REIA) can help us as landlords stand our ground and protect our investments. After all, we didn't do anything wrong.

David Pickron is president of Rent Perfect, a private investigator, and fellow landlord who manages several short- and long-term rentals. Subscribe to his weekly Rent Perfect podcast (available on YouTube, Spotify, and Apple) to stay up to date on the latest industry news and for expert tips on how to manage your properties.