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JUNE 2020

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RHJ RENTAL HOUSING JOURNAL

INSIGHT FOR RENTAL HOUSING PROFESSIONALS

# ARIZONA

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


## 5 Ways You Can Help Laid-Off Tenants

By Justin Becker

There is no denying that the coronavirus has come crashing into the world and changed it forever. It is amazing how this virus has affected almost every aspect of our day-to-day lives. From our jobs to the way we grocery shop, no matter where you turn, everything is just a bit different these days.

If you were trying to move, finding apartments for rent is a bit more difficult, because getting in to view available apartments can be hard. Another option is to search for mobile homes for rent, as these might give you a bit more space during this time of social distancing.

When it comes to jobs, there are a record number of Americans currently on unemployment. It can be scary not knowing when or if you are going to get another paycheck. Additionally, property managers are taking a hit

*See '5 Ways' on Page 7*

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# Rent Increases Could Flatten

Rental Housing Journal

The average rent in Phoenix rose 0.5 percent on a trailing three-month basis in March, well above the 0.2 percent national rate; however, the impact of COVID-19 will likely soften regional fundamentals and could flatten multifamily metrics, according to Yardi Matrix.

"Despite the multifamily market's sustained expansion in recent quarters, the numbers do not yet reflect COVID-19's impact on the Phoenix metro," the report says. "The pandemic is expected to flatten rental demand and rein in rent increases."

While Phoenix multifamily rents "maintained vigor" during the first part of the year, the report warns in its Spring 2020 Multifamily Report that, "Robust rental demand, however, faces strong short-term headwinds as a result of the COVID-19 pandemic, with rent growth likely to significantly temper."

The report says Phoenix gained 68,800 jobs in 2019—a 2.8 percent year-over-year increase and 100 basis points above the national rate. The $1,216 average rent remained behind the $1,474 national figure.

Phoenix's strong performance from 2019 "extended into the first quarter of 2020, when $1 billion in multifamily assets traded and developers brought 1,399 units online, with another 17,898 under way. Both metrics are slated to moderate, at least

*See 'Phoenix' on Page 10*

# Manage in the Past, Forget the Present

By David Pickron

There is a famous statement that reads, "Live in the present and forget the past." Rarely do we hear "live in the past and forget the present," but right now we find ourselves in tough times, managing our properties in a slightly different way than we used to.

Everyone is focused on social distancing in showings, move-in or move-out inspections, and work orders. But I want you to think about this question: "Is an eviction from April 2020 to August 2020 the same as an eviction a year ago, when we saw the best economic numbers this nation has ever seen?"

Unemployment was at a record low in all categories and the jobs market was booming for all income levels. Now we find ourselves looking at nearly 39 million unemployment claims to date and only growing.

Businesses have been forced to close by state governments to stop the spread of

*See 'Manage' on Page 3*

Sponsored Content

# In a 1031 Exchange? Why Waiting Until After COVID-19 to Complete Your Exchange Could Potentially Be a Bad Idea

**By the Kay Properties and Investments, LLC Team**

As a result of the COVID-19 pandemic the IRS issued Notice 2020-23 which provided a multitude of tax extensions including the extension of the 1031 exchange deadlines. The typical investor in a 1031 exchange will have 45 days from the sale date to identify a replacement property, and 180 days to complete the purchase of that same property. With the IRS' notice the 45-day, and 180-day deadline has been extended until July 15th 2020 for anyone who originally had their 45th day, or their 180th day fall between April 1, 2020 and July 15th 2020.

One example of how this could affect someone in a 1031 exchange would be if they had sold their property on April 3, 2020 their 45th day would have been May 18, 2020 and they would have had to formally identify their replacement property by then. Under the new guidelines if they completed their sale on April 3, 2020 they would have until July 15, 2020 to identify a replacement property.

While the extensions were provided for good reason, the unintended consequence may result in demand for quality exchangeable real estate exceeding the available supply in the first two weeks of July. Alex Madden, Vice President with Kay Properties and Investments explained "The sale of a property often requires many months to complete and we have seen many of those sales move forward during COVID-19, but very few new offerings have come to the market for 1031 exchange investors to use as a replacement property. With exchangers extending their identification and purchase dates until July 15th it is a very real possibility that they may face fierce competition over replacement properties when they do finally need to complete their exchange. I don't think we have ever had a time in America where every single 1031 exchanger had the same deadline date."

Many localities have seen a significant drop in real estate listings since the outbreak of COVID-19 which means there may be less properties available for investors who are in the midst of a 1031 exchange. With less real estate coming to market one potential outcome for affected 1031 exchangers may result in overpaying for a replacement property.

Madden went on to say "We have seen a slowdown in the real estate sector during COVID-19, and a result may potentially be that 'turnkey' 1031 exchange solutions like Delaware Statutory Trust offerings (DSTs) could become more scare. 1031 exchange investors may prefer products like the DST as the deadline approaches because the financing, and due-diligence are already in place and it's possible to complete a purchase in three to five business days typically."

Many 1031 exchange investors are rightly taking a re-evaluation of the marketplace in the midst of the COVID-19 pandemic, but with every 1031 exchanger in America facing the exact same deadline on July 15th there is a very real potential for overpayment, deals to fall through, and maybe even failed exchanges for those who wait until the last moment due to inventory running dry.

***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.*

*This material does not constitute an offer to sell nor a solicitation of an offer to buy any security. Such offers can be made only by the confidential Private Placement Memorandum (the "Memorandum"). Please read the entire Memorandum paying special attention to the risk section prior investing. IRC Section 1031, IRC Section 1033 and IRC Section 721 are complex tax codes therefore you should consult your tax or legal professional for details regarding your situation. There are material risks associated with investing in real estate securities including illiquidity, vacancies, general market conditions and competition, lack of operating history, interest rate risks, general risks of owning/operating commercial and multifamily properties, financing risks, potential adverse tax consequences, general economic risks, development risks and long hold periods. There is a risk of loss of the entire investment principal. Past performance is not a guarantee of future results. Potential cash flow, potential returns and potential appreciation are not guaranteed.*

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# Manage in the Past and Forget the Present

***Continued from Page 1***

Covid-19. Many state governors have stopped evictions, and the Federal Cares Act prohibits filing evictions for 120 days ending July 26, 2020. In all estimates, this country will see record eviction filings in August, when landlords who were limited by the Cares Act have the green light to process evictions on those who are delinquent.

Most people won't be able to get from under three to four months of past-due rent. Will good people get caught up in this mess? Yes. Will many of them be great renters in the future? Yes. So maybe it.s time to look to the past – and forget the present – to find those next renters who will be with you paying rent for the next five years.

Consider putting more weight on these three items as you qualify your applicants over the next couple years:

**First, pay attention to time.** How were the applicants doing prior to March of 2020? Did they have any blemishes or an eviction in the previous? Did they have any judgments or negative credit prior to COVID-19? Would you have rented to them in February of 2020?

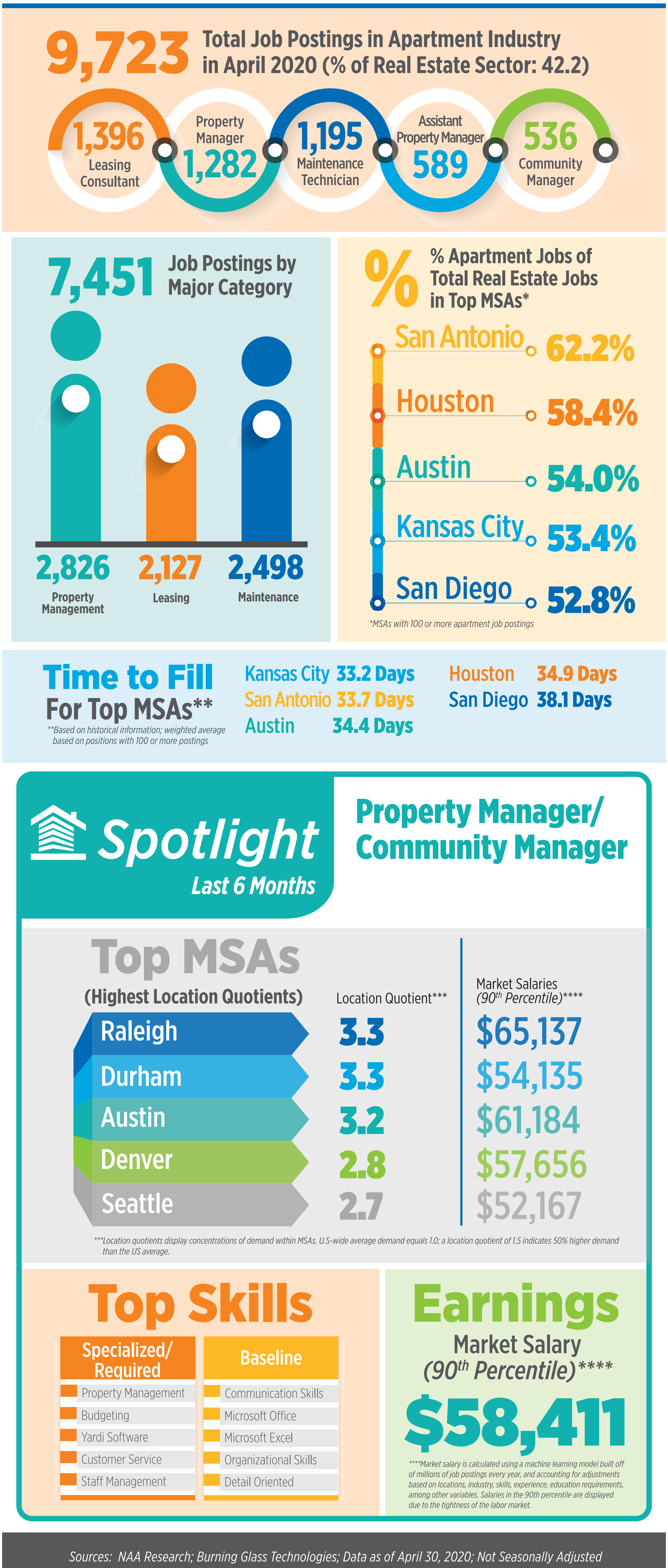
**Second, analyze their employment.** Were they employed throughout COVID-19 but still had an eviction? Maybe they took advantage of the situation when it was presented to them. That is much different from a restaurant worker whose job was taken by government mandate. No matter what the situation is, can they pay the rent today? Do they have a current stable job moving forward? Check their paycheck stubs; specifically their year-to-date totals, to get an idea of how long they have been working. A call to the employer might be necessary if a paycheck stub cannot be produced. I personally ask for two paycheck stubs. It's easy to doctor up one, but to change two paycheck stubs and make all the year-to-date figures match is too much work for a scam artist. An emergency-room nurse in my neighborhood was furloughed by the local hospital because no one was coming to the emergency room. You might think all medical personnel should have kept their jobs, but with elective surgeries stopped by most governors, all trades were affected, not just restaurants, tattoo shops and bowling alleys. Steady employment through these times is going to be hard to find in the rental world for the next couple years.

**Third, a good rental verification will give you information a credit bureau cannot.** Last-year evictions were removed from credit bureaus. There are only two ways to find evictions now: doing a direct court search of civil filings, or calling past landlords. Many landlords have been coached by their attorney to only give out move-in and move-out data, but other landlords will give you more than you want. Most of the time if a landlord did not get their rent, they want to protect other landlords and will spill the beans. But be cautious because if a tenant is really bad, a current landlord will say anything to get rid of them. I always advise my clients to go two landlords back to get the truth. A past landlord has nothing to lose and the truth will come out.

In 2009, I took a chance on three families who had lost their homes to foreclosure. They are still with me 10 years later. These were people who had homeowner mentalities, renting my homes. They went through a tough time with their homes being underwater and losing those homes, but they kept their heads high and knew that they were caught up in in forces outside their control.

We will find people in the same situation here. I believe some of our best renters will come from people who had a great past, but rocky present.

*David Pickron is the President of Crimshield and Rent Perfect in Mesa, Arizona.*




NATIONAL APARTMENT ASSOCIATION
Education Institute

Apartment Jobs Snapshot
*April 2020*

# Apartment Industry Job Postings Still Strong

National Apartment Association Education Institute

Job postings for the apartment industry have seen little fluctuation during the pandemic so far, as more than 9,700 apartment jobs were available during April, accounting for 42.2 percent of the broader real estate sector, according to the National Apartment Association.

While the coronavirus has caused devastating effects on the labor market – the U.S unemployment rate in April experienced the largest monthly increase in history, climbing 10.3 percentage points to 14.7 percent – the apartment industry did not see the same impact.

According to data from Burning Glass Technologies, between mid-March and the second week of April, online job postings declined by 30 percent compared to the beginning of 2020, according to the NAAEI Apartment Jobs Snapshot April 2020.

Markets that ranked highest for vacancies included San Antonio, Houston, Austin, Kansas City, and San Diego.

The April 2020 edition of the jobs report highlights property manager/community manager positions, with a median salary of $58,411.

In addition to property-management experience, employers are seeking candidates with strong budgeting skills, staff-management skills, and experience with propert- management software.

Salaries for property managers were particularly competitive in Raleigh, as demand for experienced professionals was more than three times the national average.

# How to Handle Common Tenant Complaints

Keepe

Handling tenants' complaints quickly and in the right manner can go a long way in improving tenant satisfaction and retention rates. Below are some of the most common tenant complaints and how you can handle them as a property manager.

## Maintenance Complaints

With maintenance issues being the major problem affecting tenants, the first step to handling this type of complaint is to create an effective maintenance-complaint communication channel.

An easy way is to have a lease that includes specific instructions on how to raise a maintenance request, the expected response time, and what to do in case of an emergency.

For example, many property-management companies now ask their tenants to send in an online maintenance request in order to simplify the process and allow easy tracking. Most importantly, remember to keep all tenant maintenance complaints in writing to the event of future disputes.

## Lack of Communication

In any relationship, communication is key. Property manager-tenant relationships are no different, and they require regular communication. No tenants want to deal with a property manager who is unavailable, rarely answers the phone, or doesn't respond to email.

While some complaints may be unimportant, it is important that you acknowledge the emails or calls depending on your availability. You can set up an email autoresponder that acknowledges email if there's a need. Good tenants are difficult to find and if you fail to communicate with yours, then another property manager will win them over.

## Noisy Neighbors

In the United States, there are roughly 111 million people living in rental buildings. Going by this number, clashes are bound to occur among tenants and fellow residents. If a tenant complains about another tenant, it is best you attend to the complaint quickly and avoid taking sides.

Take for instance, if a tenant complains about another tenant's loud music, animal, or loud chattering. Begin by addressing the tenants separately, to avoid escalating the dispute. If you fail to address the complaint, you likely are going to lose one tenant or create unwanted chaos between the two.

## Lack of Privacy

Tenants tend to become very displeased if the property manager comes barging in too often, or with too little notice.

It's not just a matter of respect and politeness. You are required by law to notify a tenant at least 24 hours before entering. The only exception is if there's a direct emergency and the property is jeopardized.

Always make sure to announce your visits well ahead of time, and ensure that the tenant receives the notice. It's good to use trackable methods, in order to avoid confusion. This will help you avoid disputes and tenant complaints in the future.

## Pests

Pest infestation is a serious situation that must be handled at once. There are many pests that will make your tenants uncomfortable. They often constitute a real health hazard, and tenants won't be happy if they feel like you don't care about their health and safety.

These infestations can make living in the residence unbearable and force people from their homes. In many cases, your property itself is also in danger. Keep this in mind and invest in preventing pests. And make sure that infestations get dealt with right away, to minimize tenant complaints.

*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*

# What Should a Landlord Do About a Hoarder?

By Hank Rossi

**Dear Landlord Hank:** Twenty years ago, we rented the lower part of a duplex to a couple. After about 15 years, she died. Her husband stayed and has really trashed this apartment with his hoarding illness. He has stacks of newspapers that he refuses to recycle, saying "I haven't read them yet." The kitchen is all stacked with stuff that makes it unusable. There is a two-foot path through the whole place. He is a smoker, which doubles our worry about this hoarder situation. I didn't mention that the unit is in Ohio. Does that make a difference in whether he is protected from being evicted in Ohio? **- Beth**

**Dear Landlord Beth:** I hope you have a lease with your tenant. Most leases will have a section regarding "Use of Premises," usually saying that the tenant shall maintain the premises in a clean and sanitary condition and not disturb surrounding residents or the peaceful and quiet enjoyment of the premises or surrounding premises.

The hoarding, which in some states is considered a mental health disorder, would clearly be in violation of this section of the lease.

I would put a "Notice to Cure" on the tenant's door or hand it to him, stating that the tenant has 10 days to comply with the lease provision or he could be evicted.

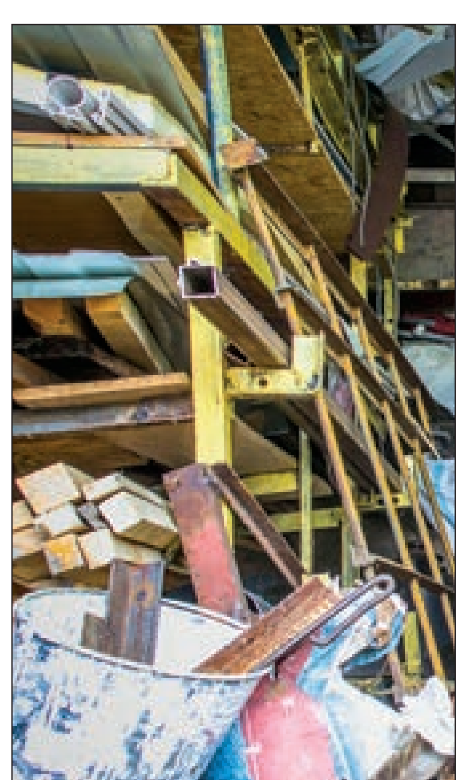

Depending upon Ohio state statutes and local ordinances, the hoarding could be considered a "public nuisance" and your tenant could face the prospect of conviction of a misdemeanor.

I would act today to take care of this and either have the tenant clean up or move out. You will most likely have to evict and clean up yourself. An older person who is a smoker, in a paper-filled environment, seems like a recipe for disaster to me.

***

**Dear Landlord Hank:** I'd love to know your thoughts or advice on renting during the moratorium on evictions. Can you have a new tenant waive the right of not paying rent?

My husband and I have two units of a triplex ready to rent. However, the day they announced the "no evictions for 120 days," I received 12 leads of "groups" of individuals wanting to rent. Fortunately, our criteria is high and none qualified, but it concerned us, so we pulled them off the market. I don't know how long we can afford to keep doing that, but I heard



some larger complexes have put units on hold, too. What are your thoughts on this topic? **- Debbi**

**Dear Landlord Debbi:** You are right to be VERY cautious during this novel situation, as you know some people are going to try to move in and not pay rent. We have continued to market our rentals.

We are lucky to be in an area of the country where first, last and security up front are standard. You could ask for this monetary arrangement to give you the cushion on one additional month's rent.

When we do our background screening we are looking very carefully at work histories, specifically if someone is in a business considered "essential." That way, the tenant is more likely to continue working.

We are also checking to see that their hours haven't been cut.

It sounds like you have high standards to begin with, so you should be OK to accept a tenant that meets your normal qualifications, especially if he or she is in an essential job.

Good luck and stay safe out there.

*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*

# Monthly Meeting Schedule for the Arizona Real Estate Investors Association

### AZREIA Phoenix

**5:15-8:45 pm Monday, June 8, 2020**

**Celebrity Theater**
**440 N. 32nd St.**
**Phoenix, AZ 85008**

**MAIN PRESENTATION: How to Become a Deal Architect, Find Killer Deals, & Money During and After a Pandemic**

Are you surviving or thriving in this COVID-19 situation? Understanding the world of creative finance and real estate notes can show you some simple adjustments to your business to really THRIVE during and after a pandemic! Our special trainer, Brian Lauchner of NoteSchool, knows how to help your seller (who is hurting right now), your lender (who is hurting right now) and even your buyers (who are hurting right now)! Come join AZREIA for a 90-minute presentation on creative financing and real estate notes and find out why you CANNOT AFFORD to lack this knowledge after COVID-19!

### AZREIA Tucson

**5:30-7:15 pm Tuesday, June 9, 2020**

**Tucson Association of Realtors**
**2445 N. Tucson Blvd.**
**Tucson AZ Z85716**

**MAIN PRESENTATION: How to Become a Deal Architect, Find Killer Deals, & Money During and After a Pandemic**

Are you surviving or thriving in this COVID-19 situation? Understanding the world of creative finance and real estate notes can show you some simple adjustments to your business to really THRIVE during and after a pandemic! Our special trainer, Brian Lauchner of NoteSchool, knows how to help your seller (who is hurting right now), your lender (who is hurting right now) and even your buyers (who are hurting right now)! Come join AZREIA for a 90-minute presentation on creative financing and real estate notes and find out why you CANNOT AFFORD to lack this knowledge after COVID-19!

### AZREIA Prescott

**5:30-7:15 pm Tuesday, Aug. 4, 2020**

**Yavapai TItle Conference Room**
**1235 E. Gurley St.**
**Prescott, AZ 86301**

**Networking & Market Overview**

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This presentation features a national or local speaker or panel of experts on general topics such as fix & flip, buying notes, private money lending, marketing strategies, buying land or commercial/multi-family property.

*REGISTER ONLINE AT www.azreia.org*

# $4.6 Million Lost Annually to Fraudulent Rental Applications

Snappt

Two-thirds of property managers say they've fallen victim to fraudulent rental applications, which drive higher evictions, property damage, and criminal activity, according to a new survey.

Applicant fraud has increased nine percent month-over-month since the COVID-19 crisis hit—a likely response to the current economic climate as well as recent changes to local and state eviction moratoriums, according to the 2020 Fraud in the Rental Industry Survey from Snappt.


The typical property manager reports that 15 percent of their online rental applications exhibit obvious fraud, with an additional 10 percent of fraudulent applications slipping through unnoticed.

"There are a number of factors that are fueling the increase in fraudulent rental applications," said Daniel Berlind, CEO and co-founder of Snappt, in the release.

"The increasing number of self-employed applicants, a move to online rental applications, and the increasing availability of tools to fraudulently alter financial documentation, all make the problem more common," he said.

Two in five (41 percent) property managers say fraudulent rental applications are somewhat to extremely common; they report an annual eviction rate of 12 percent.

Thirty-four percent reported annual eviction rates of 20 percent or higher.

Fraudulent rental applications can involve document alterations

According to the survey, one of the biggest issues is spotting fraudulent documents. Using the documents provided by applicants, property managers must look for alterations manually.

The survey said that those taking the survey report it takes four hours to vet an application and one in five report it takes more than 10 hours. Fifty-eight percent rate this task as somewhat to extremely challenging and half say it takes too long to do manually.

The top five problems reported by property managers who allowed tenants slip through with fraudulent rental applications in leases include:

- Costs associated with having to evict bad tenants
- Physical damage to the property
- Missing out on renting to good tenants
- Criminal activity at the property
- Loss of reputation

The full '2020 Fraud in the Rental Industry' survey is available at www.snappt.com/confronting-costs-tenant-fraud

*Snappt, a Los Angeles based real estate technology company, provides data-driven fraud detection services that can accurately spot fraudulent documentation. Snappt is used by three of the top six property management firms in the country, the company says.*

RHJ Rental Housing Journal — Insight for Rental Housing Professionals
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# 5 Ways You Can Help Tenants Who Have Been Laid Off

*Continued from Page 1*

as they do not know for sure that they are going to be receiving rent checks from many of their tenants. If you currently have tenants that have been laid off, it is important to make sure that you are keeping an open mind and trying to help these tenants however you can. Here are 5 ways that property managers can try to help any of their tenants who might be struggling right now.

## 1. Rental-Assistance Programs

As a property manager, the chances are high that you rely on rent payments to pay your bills. When your tenants are unable to pay their rent, you suffer as well. Offering information about the different rental-assistance programs that are available in your community can be extremely helpful. There is a good chance that many of your tenants are not aware of these types of programs. You can print up flyers with information about these rental-assistance programs and place them in common areas of your apartment complex. You might even slide the flyers under doors or put them in mailboxes to ensure that your tenants receive this information.

## 2. Post Job Opportunities

With most of the economy shut down, jobs can be difficult to come by. However, there are still some places that are hiring. Many grocery stores are hiring temporary employees to help out, as stores are currently seeing more and more business. Restaurants that offer delivery and carryout are often still hiring as well. Many factories are still running their operations and are likely hiring. Perhaps you need some part-time help around the property and can hire a tenant to do the jobs as a form of their rent payment. As a property manager, you know your area well. Reach out to some of the larger businesses in town and ask if they are currently hiring. You can post ads around your apartment complex each week as a way to let people know that there are jobs available in your area.

## 3. Provide a List of Local Food Banks

Along with being unable to pay their rent in full, many of your tenants might also be struggling with having enough food to eat. Local food banks are seeing a rise in the number of people needing their services. If your tenants are unemployed or laid off, there is a good chance that they are struggling with buying food. Providing information about the local food banks offering services in your area is a good idea. This can help your tenants find resources for getting the food that they need during this time.

Additionally, there is a chance that you have tenants who are still working and have a bit extra to give right now. Organizing a food drive to donate to your local food banks is a great way to help out at this time. You might even want to volunteer at these organizations, as they are really needing some extra help.

## 4. Encourage Communication

It is very important to make sure that you keep the lines of communication open with your tenants. You need people to know that you are willing to work with them in these unprecedented times. Offer assistance when necessary. Perhaps your tenants can make partial payments each week. Some type of payment -plan agreement can be helpful to those who are struggling and can help ensure that you still have some sort of income coming in. Not only should you be communicating with your tenants about their rent, but you should let them know all of the extra steps you are taking to help keep the area safe. Some of the safety measures you are taking might include the extra cleaning that is being done, offering sanitizer in public areas such as the mailboxes, and keeping amenities such as gyms, pools, basketball and tennis courts, closed during this time.

## 5. Community Challenges

This type of social distancing is hard on everyone. After all, we are social beings and enjoy spending time with other humans. One way that you could bring your rental community together is to create a community challenge. This could be something like a nicest-yard challenge or a best-decorated-window challenge. You could even try a scavenger hunt where participants have to find things, and post them on your website. There are many different creative games and other things that you can come up with in order to engage your tenants and let them know that you are here to help. The prize could be a credit towards their next rental payment. This can be a fun way to provide your renters with a bit of relief.

## Conclusion

When it comes to helping your tenants who have lost their jobs, permanently or temporarily, there are many creative ways that you can help them make their rental payments and take a little pressure off both them and you during the current environment.

*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.*

# More People Missed Housing Payments in May

Rental Housing Journal

A recent survey shows missed housing payments jumped in May, showing that 31 percent failed to make their full housing payment compared to 24 percent in April, Apartment List says in the survey.

"Our May survey paints an even more distressing picture than the data we collected in April. The share of housing payments made in full during the first week of the month fell by seven percentage points, from the 76 percent in April to 69 percent in May," Apartment List says in the survey report.

"The number of Americans unable to make any first-week housing payments shot up by over 80 percent. Fortunately, we continue to see landlords and lenders agreeing to concessions to arrive at alternative arrangements in light of widespread income loss.

"Also. seven percent of mortgage loans are now in forbearance, and 10 percent of renters state that their landlord or property manager proactively lowered their May rent. Forty percent of renters who have not paid their May rent report that they have agreed to terms for reduced or deferred rent with their landlord," the report says.

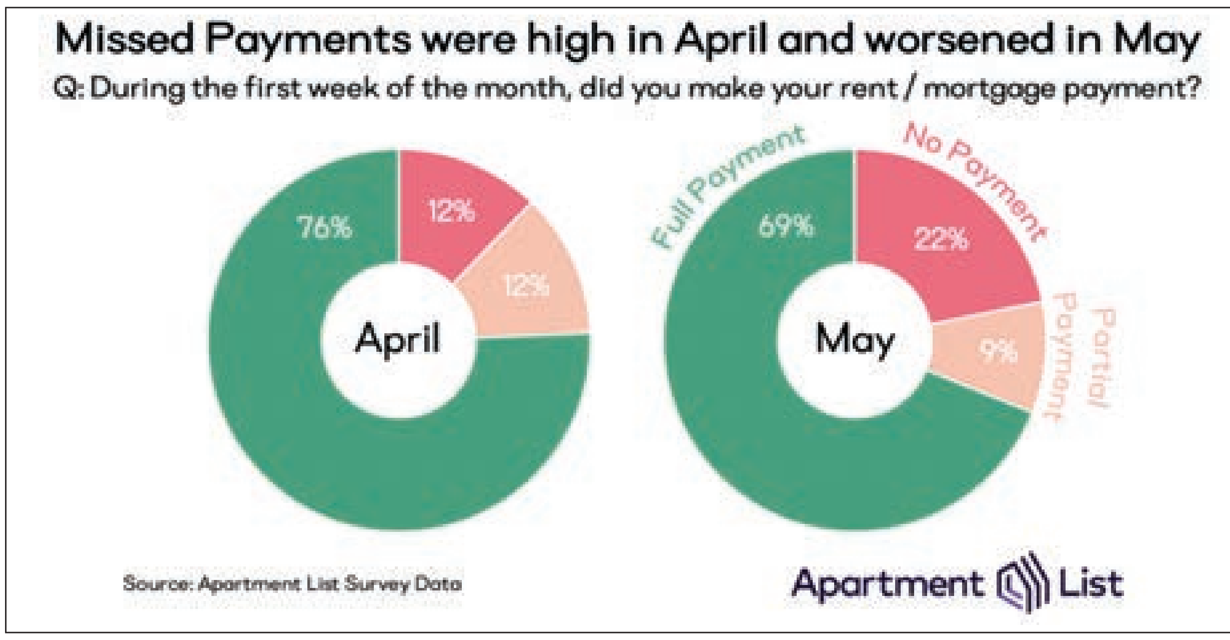
Key findings from the housing-payments report:

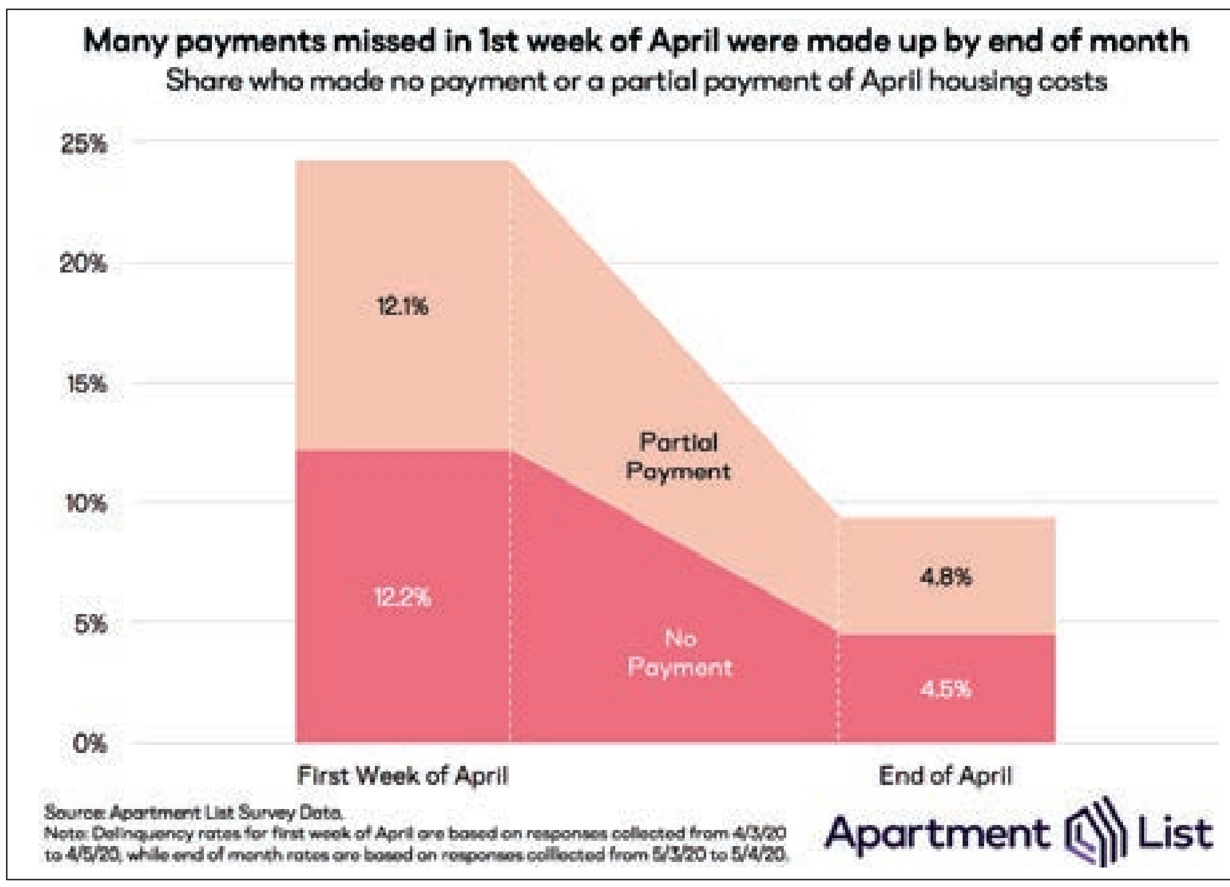
- 22 percent of respondents have not yet made a housing payment for May, and an additional nine percent have made only a partial payment. Missed payments remain common for renters and homeowners alike.
- More than half of households that couldn't pay their April bill on time eventually closed the gap with late payments. By the end of the month, just nine percent of Americans left a portion of their April rent or mortgage unpaid.
- Working from home continues to be a key factor in affording rent or mortgage. Remote workers had the lowest May delinquency rate (20 percent) among any group surveyed.
- Despite May's missed payments, optimism is improving. This month, a greater share of respondents said they are confident they will be able to continue affording housing through June, despite shelter-in-place restrictions.

"While it's certainly promising that many missed April payments were made up over the course of the month, we see evidence that renters and homeowners who struggled last month are continuing to have difficulty.

"In fact, financial strain is spreading even to those that made their April payment in full. For those who made their April payment but needed extra time to do so, 70 percent were unable to make a full housing payment in early May. And for those who were not able to complete their April payments, the May non-payment rate skyrockets to 92 percent.

"May is proving to be a challenging month even for those who were in a good financial position in April," the report says.




# Unintended Issues Due to COVID-19 Moratoriums

By Bradley S. Kraus, Attorney at Law

There is an old saying often uttered by attorneys: "Bad facts make bad law." If COVID-19 has taught landlords anything, it can be summarized by playing off that phrase; as in, "bad laws make for bad situations for everyone." When I use the phrase "bad laws," it is not to suggest that things like the current eviction moratoriums do not serve a purpose. The problem with such laws/ moratoriums is that they are crafted by lawmakers who fail to see—or understand—the entirety of the picture. When that occurs, there are unintended consequences, two of which come to mind.

## 1. Fiscal Issues Related to COVID-19 Moratoriums

Landlords are no doubt keeping watch on cries for rent waivers and rent strikes. Such a concept would quickly be challenged, assuming adequate reciprocal protections for landlords were not in place. Rent strikes have no legal basis and would send harmful ripple effects through our society beyond the scope of this article.

Many landlords have asked me about how they should approach the continual build-up of past-due balances related to rent and utilities. As to rent, it is important to note that rent remains due under every moratorium in place as of this writing, meaning you will not waive your ability to collect the unpaid rent, even if you don't communicate with your tenants regarding the same. As to other amounts, waiver could become an issue, should you potentially trigger the waiver statute. If you are concerned about waiver as to these amounts, speak to your attorney regarding a waiver-prevention notice (such as is available in Oregon). This will allow you to (a) preserve your ability to act on the debt down the road, and (b) allow you to accept rent without fear of waiving those amounts.

Finally, it is important for landlords to understand the benefits of individualized advice and forms in these odd times. Many landlords with properties in different states may seek to use a "one-size-fits-all" form for issues regarding their properties. While some may work, others may contain legally inaccurate language. I have noticed a rise in tenants' attorneys attacking these forms in various ways and threatening legal action. Such problems can be avoided with up-to-date advice.

## 2. Conduct Issues during COVID-19

One of the bigger unintended consequences of the COVID-19 court shutdowns is the inability to deal with bad tenants. Contrary to misconceptions held by some lawmakers, bad tenants are not just a landlord problem. Bad tenants make life miserable for other tenants, who want nothing more then to live peacefully. At this juncture, with courts setting cases out to June, even if a landlord were to serve a termination notice upon a bad tenant and file an eviction action based upon the same, that bad tenant will likely receive weeks to continue to make life miserable for other tenants and the landlord.

What should a landlord do in that situation? First, do not let the current court closures prevent you from taking actions to protect other tenants. This includes service of notices of termination as allowed by law. While tenants and landlords affected by COVID-19 deserve protections, bad tenants should not reap the benefits of the same. Second, keep in mind that your other tenants may seek to point the finger at you if you sit on your hands and allow bad tenants to run rampant. While the inability to get into court due to moratoriums likely presents a landlord a solid defense, exercising what rights you currently have—and/or contacting the proper authorities where needed—will hopefully keep the victim tenants happy and cause them to direct their anger to the appropriate party.

## Final Thoughts

COVID-19 is fundamentally changing every aspect of our society. While I believe landlords are taking more than their fair share of the problems that stem from COVID-19, the current holding pattern in which we find ourselves will pass in time. Staying on top of your books and holding problem tenants accountable to the extent you are able will set you up for success when we resume our new normal.

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# 4 Types of Problem Tenants and How to Deal with Them

Keepe

Every property manager will at some point have to deal with a problem tenant. In fact, you might already be dealing with a few of them. If so, you know how challenging it can be to get them to modify their behavior so that things go back to being copasetic for you, them, and the other tenants in the building.

Here are four types of problem tenants and the steps you should take when dealing with them.

## 1. Noisy Tenants

Every rental property has one or two tenants who are known for their loud music, chattering, and disturbance. If your tenant is intentionally or unintentionally disturbing their neighbors, ask them why they're doing it and come up with a compromise. For example, if they are musicians and their practice sessions are too loud, ask them to either rent a studio or install soundproofing sheets to their wall. If the issue continues, you may request that they leave the apartment based on failure to adhere to peaceful living conditions.

## 2. Late-Rent Payment or Non-Paying Tenants

Everybody faces financial problems at some point in their life. But what happens when your tenant is always weeks or even months behind on their rent payments? Do you evict them at once or continue giving them a period of grace? While your humane side may want to provide them with more time to pay, especially if it is their first time, maintaining a rental property costs money. The best ways to handle this issue is to offer your tenants the option to include roommates in the lease agreement to split the rent or allow the tenant to break the lease by simply asking them to leave.

## 3. Complainers

Some renters, you hardly hear from. Others call regularly, making one unnecessary request after another: The AC doesn't seem to be working quite right (though it's been checked out twice in three days); there's not enough hot water; a door is sticking – and so on. There are calls even about minor things you'd expect them to handle themselves or the lease require that they do. The best way to handle these types of tenants or issues is to politely but firmly address the tenant about the lease and their responsibilities.

## 4. Destroyers

On the list of most common problems with renters, property damage comes right after late rent payers. A common and costly mistake that most property managers make is to rush into action and lock the tenant out of the apartment without taking the proper steps and precautions. You may end up losing the entire security deposit and even get sued by the tenant for spoiled food and utility bills. In some states, you may be fined up to $100 per day if the tenant is locked out of the rental. If your tenant is still in the apartment, you'll need to provide a notice-of-intent-to-enter-the-premises form, which will allow you to document any damages. Upon documentation of the damages, you may request that the tenant leave the unit.

Dealing with problem tenants can be tiring and time-consuming. The best way to avoid renting your property to problem tenants is to prequalify all intending renters.

*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.*

# Rent Growth Showing a Significant Decline

Rental Housing Journal

Top metro markets are showing negative rent growth on a month-over-month basis, according to the latest Multifamily National Report from Yardi Matrix.

"With April's unemployment rate soaring to 14.7 percent, further pain is likely in the coming months," Yardi Matrix says in the report.

"April rents signaled the beginning of trouble, growing by 1.6 percent on a year-over-year basis but declining eight dollars from March. This marks the biggest one-month decline in our dataset, including during the Great Recession, and puts rents right back where they were in August 2019.

"The pain in rents is likely to be intensified for the lifestyle-asset class, as major cities struggle with younger people extinguishing their leases and moving home," the report says.

Rent-growth report highlights

April rent growth began to show signs of reversal, as the country moved into month two of stay-at home orders. April collections were strong, based on data published by the National Multifamily Housing Council, despite more than 33 million Americans filing for unemployment in the last seven weeks.

Many states have begun to relax their shelter-in-place rules, but returning to life outside of lockdown will require changes to normal daily life for some time, absent a pharmaceutical solution.

Major gateway markets and tech hubs have already seen declining rents on a month-over-month basis. Many of these markets have had some of the highest COVID-19 infections in the country, while others seemed unscathed. While pain will be felt nationwide, tourist-based and oil-heavy markets will likely be the hardest hit.

The report points out that while reports show 90 percent of residents made rent payments in April, and May looks strong as well, it was likely that stimulus checks and unemployment payments helped tenants make those payments.

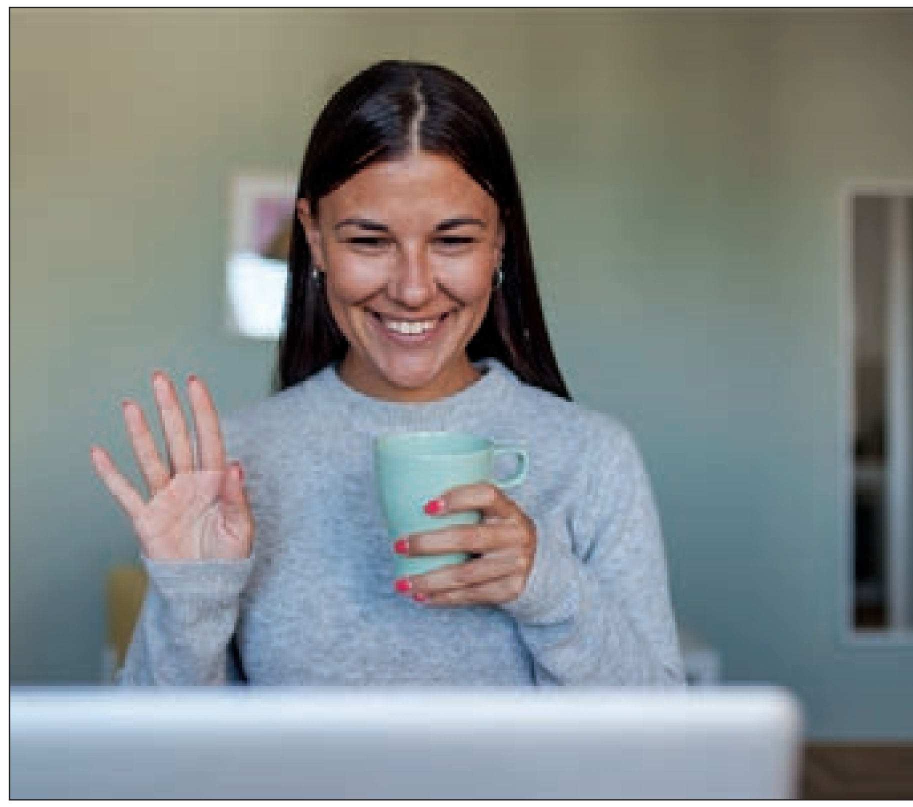
The report cautions that "with the additional $600 in unemployment insurance provided through the CARES Act ending in July, many renters might choose to conserve their cash in the coming months as evictions are paused in many cities and states.

"Residents' notices to vacate are down in the renter-by-necessity class, as well, as they choose to stay put, especially in more affordable units," the report says.

As states and cities start to relax rules and non-essential businesses begin to reopen their doors, "the question remains whether Americans will want to return to work in the short term.

"Right now, 38 states replace at least 100 percent of lost income through unemployment insurance," the report says. "Plus with the CARES Act providing an additional $600 weekly on top of this through July, "the short-term incentive to work is diminishing—especially in lower-cost states."

# Rise in Remote Work Could Lead to Suburban Boom



Rental Housing Journal

Now that more than half of employed Americans (56 percent) have had the opportunity to work from home, a vast majority want to continue, at least occasionally, according to a new survey from Zillow.

The survey, conducted last week by The Harris Poll, finds that 75 percent of Americans working from home due to COVID-19 say they would prefer to continue that at least half the time, if given the option, after the pandemic subsides.

Two-thirds of employees working from home due to COVID-19 (66 percent) would be at least somewhat likely to consider moving if they had the flexibility to work from home as often as they want. Only 24 percent of Americans overall say they thought about moving as a result of spending more time at home due to social-distancing recommendations.

### Before pandemic, just 7 percent worked at home

The Pew Research Center found that prior to COVID-19, only seven percent of civilian workers in the United States had the option to work from home as a workplace benefit, though 40 percent worked in jobs that could potentially be performed remotely.

Recent Zillow research suggests more Americans are at least looking at their housing options. In mid-April, page views of for-sale listings on Zillow were 18 percent higher than in 2019.

Where people choose to live has traditionally been tied to where they work, a dynamic that through the past decade spurred extreme home-value growth and an affordability crisis in coastal job centers.

But the post-pandemic recovery could mitigate or even produce the opposite effect and drive a boom in secondary cities and exurbs, prompted not by a fear of density but by a seismic shift toward remote work.

Many employed Americans are trying to square the desire to work remotely with the functionality and size of their existing homes. Among employees who would be likely to consider moving, If given the flexibility to work from home when they want, nearly a third say they would consider moving in order to live in a home with a dedicated office space (31 percent), to live in a larger home (30 percent), and to live in a home with more rooms (29 percent).

A Zillow analysis finds 46 percent of current households have a spare bedroom that could be used as an office. But that percentage drops off by more than 10 points in dense, expensive metros such as Los Angeles, New York, San Jose, San Francisco and San Diego, where far fewer homes have spare rooms.

When it comes time to move, homebuyers who can work remotely may seek out more space -- both indoor and outdoor -- farther outside city limits, where they can find larger homes within their budgets.

"Moving away from the central core has traditionally offered affordability at the cost of your time and gas money. Relaxing those costs by working remotely could mean more households choose those larger homes farther out, easing price pressure on urban and inner-suburban areas," said Zillow senior principal economist, Skylar Olsen, in a release. "However, that means they'd also be moving farther from a wider variety of restaurants, shops, yoga studios and art galleries. Given the value many place on access to such amenities, we're not talking about the rise of the rural homesteader on a large scale. Future growth under broader remote work would still favor suburban communities or secondary cities that offer those amenities along with more spacious homes and larger lots," Olsen said.

"We are seeing more buyers looking to leave the city," said Bic DeCaro, a member of Zillow's Agent Advisory Board serving Washington, D.C., and Northern Virginia, in the release.

"Buyers, who just a few months ago were looking for walkability, are now looking for extra land to go along with more square footage."

### No daily commute sets up new options

Previous Zillow research found that renters, buyers and sellers overwhelmingly agree that the longest one-way commute they'd be willing to accept when considering a new home or job was 30 minutes.

This new survey from Zillow and The Harris Poll finds those priorities appear to change if people have the flexibility to work from home regularly. When given that option, half of those who are able to do their job from home (50 percent) say they would be open to a commute that was up to 45 minutes or longer.

In most major cities, living close to downtown comes at a price. A previous Zillow analysis found that in 29 of the nation's 33 largest metro markets, buyers can expect to pay more per square foot for a home within a 15-minute rush-hour drive to the downtown core.

If buyers and renters are not burdened by a five-day-a-week commute, housing in the exurbs, secondary cities and remote bedroom communities may become viable and affordable options.



# Phoenix Rent Increases Could See Flattening

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workers seeking an affordable middle-class life. While the pandemic is undoubtedly casting a long shadow over Phoenix's economic prospects, the city is relatively well-positioned to weather the storm, at least when compared to more tourism- or energy-reliant economies in the Sun Belt," Yardi Matrix says in the report.

It terms of rents, suburbs were the top areas.

The highest-performing submarkets during the 12 months ending in March were:

- North Paradise Valley, average rent up 12.5 percent to $1,501
- East Mesa, up 10.8 percent to $1,128
- North Scottsdale, up 10.1 percent to $1,563.

North Scottsdale is also the metro's most expensive submarket, followed by the South Scottsdale, up 7.5 percent to $1,547, and Sky Harbor, up 2.6 percent to $1,546.

In March, five submarkets accounted for more than half of the pipeline, each with at least 1,000 units under way.

The top three areas remained the North Tempe (3,070 units), Sky Harbor (2,340 units), and Gilbert (1,866 units).

The largest project under way is Pier 202, a 586-unit mixed-use property located in an Opportunity Zone in North Tempe. The community is slated for completion in 2021 and includes some 18,500 square feet of retail space.

# Rental-Property Upgrades That Will Pay Off

Keepe

You will likely be faced with the need to do a rental-property upgrade in the future, whether you are managing a multifamily apartment, condominium, townhouse or single-family property, so here are some suggestions from maintenance company Keepe.com.

Your tenant has moved out, and your property is vacant. Before you do the typical make-ready projects, put some thought into rental-property upgrades.

These upgrades may be necessary for improving the general condition of the property or its aesthetic appeal. Notwithstanding, certain rental-property upgrades will offer you potential benefits in the long run.

Below is a list of four rental-property upgrades that are likely to do just that for you.

## No. 1 - Apply Fresh Paint

Painting has a unique way of transforming any living space.

It is a low-cost upgrade and offers lots of immediate benefits. By using neutral colors on the interior of the home, you're appealing to the largest possible number of potential tenants.

Remember, the goal is to upgrade the property to attract tenants, not to make a statement. A typical painting procedure for 1,200 square feet with lots of trim details will cost you an average of $1,000 – $4,000 plus materials.

## No. 2 - Invest in Basic Security

Regardless of the degree of safety in the neighborhood, security is one of the top priorities for any property manager.

In addition, the goal of any renter is to live in a well-secured apartment or environment. Installing basic security systems like alarm systems, security cameras, outdoor lighting, and quality deadbolt locks can go a long way in protecting your tenants and property.

Upgrading the security level of your rental property is a great way to attract potential renters. Most importantly, it doesn't cost a lot to have security in place. The average cost of installing a monitored home-security system can be around $300- $700.

## No. 3 - Install Quality Floors

Flooring can be a tricky upgrade choice, since renters may have different views when it comes to a preferred flooring option.

Usually, the choice comes down to wood floors versus carpets. However, most property managers seem to opt for wood floors over carpet.

While carpeting may be an inexpensive choice, it can easily turn off a majority of tenants and be a pain for property managers. This is because carpet as a flooring option requires regular maintenance and is susceptible to wear and tear.

On the other hand, while wood flooring isn't cheap, it requires less maintenance and will last longer. An even more economical option is laminate flooring, which gives your apartment units a stylish hardwood appeal.

## No. 4 - Install Better Countertops

Upgrading your rental property's countertops can add value to the heart of the home.

There are a variety of options to choose from, depending on your current kitchen decor. You can opt for high-end materials like quartz and cement, which seem to be popular in rental property kitchen renovations. Generally speaking, though, granite tends to be a superb choice.

When shopping for countertop upgrades for your property, keep functionality, durability, and style in mind. As for kitchen cabinets, you should upgrade to modern and functional ones if the ones you have outlived their functionality.

## In conclusion

As a property manager in charge of a rental property, you can greatly increase the value of your property and improve tenant retention through upgrades. Renters are more conscious today about their choice of rental properties. And investing in small-scale upgrades for your property may be the secret to an increase in your rental income.

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