RHJ RENTAL HOUSING JOURNAL
INSIGHT FOR RENTAL HOUSING PROFESSIONALS

VALLEY

rentalhousingjournal.com • Rental Housing Journal, LLC

EUGENE • SALEM • ALBANY • CORVALLIS

Published in association with Multifamily NW and Rental Housing Alliance Oregon

Landlords Often Face Unexpected Costs When Tenants Leave

KEEPE

It is common knowledge that tenants cannot live in a single rental property all their lives. They may move out because they got a new job or bought their own home, or they may have been evicted due to one issue or the other.

The big question is, what are the hidden costs you may face as a landlord or property manager when your tenants move out?

Some landlords have false hope that the rental deposit will be enough to cover upgrade costs and cleaning needs. But rarely do tenant deposits provide enough money to pay for everything needed to get a property ready for a new tenant.

Below is a list of unexpected costs you may face as a landlord when your tenants move out.

See 'Unexpected' on Page 4

PRSRT STD
US Postage
P A I D
ALBANY, OR
PERMIT NO. 188

Rental Housing Journal, LLC
4500 S. Lakeshore Drive, Suite 300
Tempe, Arizona 85282

Some Rents Dip; Valley Stays Flat

RENTAL HOUSING JOURNAL

Portland rents declined 0.3 percent in the past month as rents in many places have started to dip during the pandemic, according to the latest report from Apartment List. Valley rents which have been decreasing were basically flat for the past month.

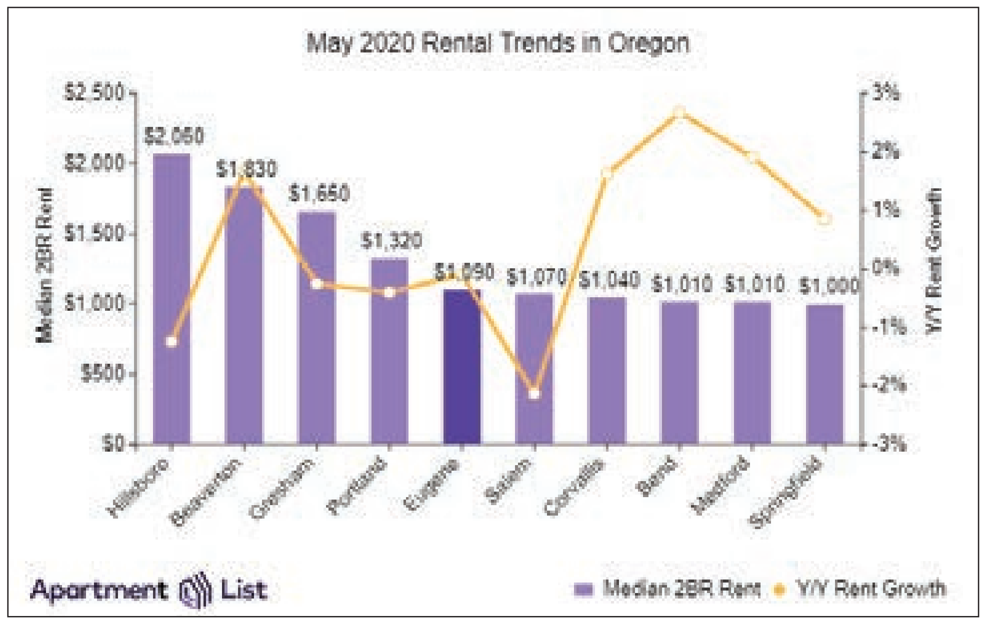
Other cities nationwide are also feeling the decline, such as Seattle by 0.1 percent and Phoenix by 0.2 percent.

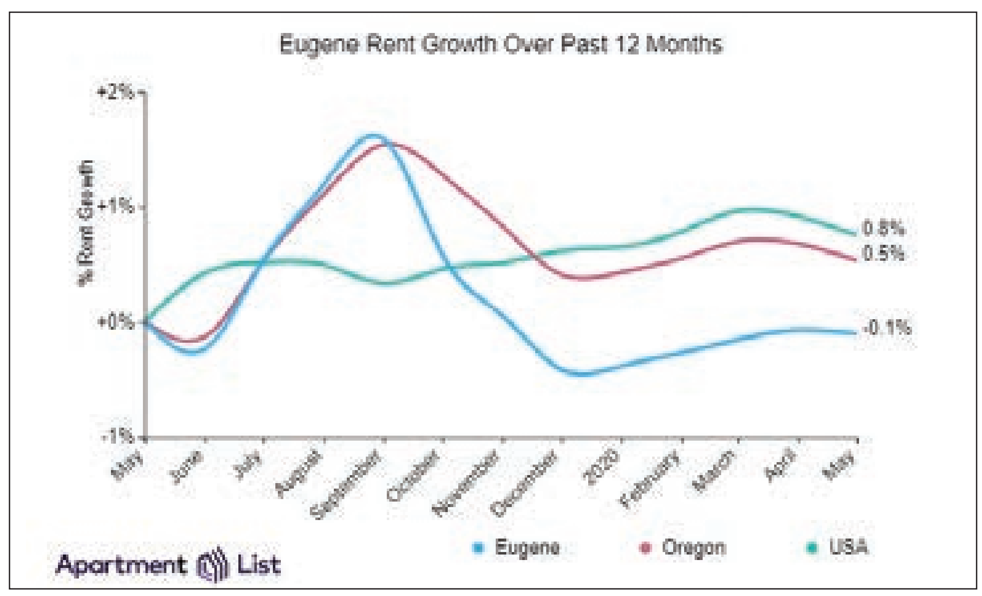
"It's important to note that the magnitudes of these rent decreases are all quite modest, but on the other hand, this may just be the beginning of a prolonged trend," said Chris Salviati, Housing Economist at Apartment List.

"I would note that the areas where we're seeing the most significant rent dips are in local economies that are heavily dependent on tourism, such as Las Vegas, Orlando, and Miami. Compared to those cities, Portland, Seattle, and Phoenix all have notably higher shares of workers employed in knowledge occupations that can be done from home, so they're a bit more protected from the harshest economic impacts," he said.

Salviati said as far as longer-term impact, the pandemic's effect on rent prices will depend heavily on how quickly the economy is able to recover.

See 'Valley' on Page 3





COVID-19 Causes Biggest 1-Month Slowdown in Rent Growth in at Least 5 Years, Report Says

RENTAL HOUSING JOURNAL

The pace of year-over-year rent growth saw the biggest one-month slowdown since at least 2014, up just 2.9 percent in April after 3.4 percent growth in March. Rents fell in 16 major markets, according to a release from Zillow.

Rent prices had been chugging along at a remarkably stable pace since 2018, with the growth rate rarely rising or falling much from one month to the next. That changed in April, the first reading since the coronavirus pandemic struck the United States.

The rental market has been hit especially hard because people who are in jobs that faced the most layoffs and furloughs tend to be renters, Zillow said in the release. They also tend to spend

See 'Biggest' on Page 6

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 'turn-key' 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."

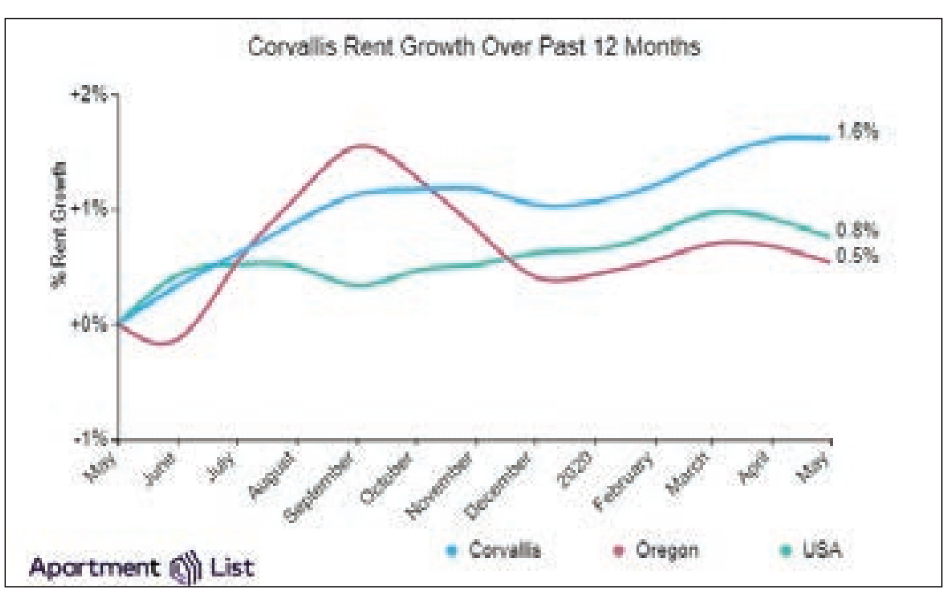
Many 1031 exchange investors are rightly taking a re-evaluation of the marketplace in the midst of the COVID-19 pandemic, but with every 1031 exchanger in America facing the exact same deadline on July 15th there is a very real potential for overpayment, deals to fall through, and maybe even failed exchanges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

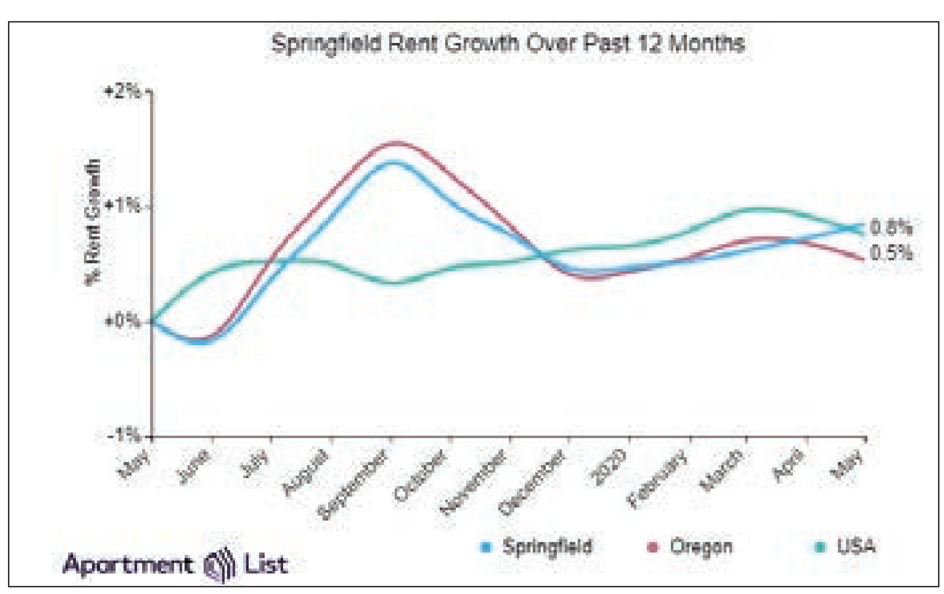
About Kay Properties and www.kpi1031.com

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.

Securities offered through WealthForge Securities, LLC. Member FINRA/SIPC. Kay Properties and Investments, LLC and WealthForge Securities, LLC are separate entities





Valley Rents Flat Over Past Month

Continued from Page 1

"Even in the best-case scenario, it's highly possible that we could see a protracted uptick in downgrade moves as many households facing financial hardship begin looking for more affordable housing," Salviati said.

"We may also see a significant slowdown in new-household formation, as more Americans move in with family or friends to save on housing costs. These trends could lead to tighter competition for rental units at the middle and lower ends of the market, while luxury vacancies get harder to fill.

"As I mentioned above, Phoenix, Seattle, and Portland are not among the areas that I would consider to have the most at-risk local economies, but there's still a lot of uncertainty in how this will all play out," Salviati said.

Unexpected Costs Faced by Landlords When Tenants Move

Continued from Page 1

Vacancy Loss

Vacancy loss is the amount of rental income or cash flow that a property is losing as a unit sits unoccupied.

Without money coming in, but with money going out to upgrade and repair the property, it won't be long before landlords are struggling to make their own mortgage payments. Working with a property-management company is one of the best ways to reduce the risk of tenant turnover and to help find new tenants on time.

When your tenants show signs that they are going to leave and not renew their lease, you could respond by offering free utilities for two months, reducing rent slightly, or freezing it at current rental rates. You might also offer to enhance some aspect of the apartment/condo to increase their comfort. People don't like to leave their comfort zone.

Property Damage

One of the biggest worries you might have as a landlord is that tenants may do significant damage to your rental property before they move out.

When a tenant packs up and moves out, and there is no way to get a hold of him or her, you run the risk of walking into a damaged unit. Some tenants will leave before the rent is paid or at night, and they leave behind a lot of damage. Having an effective tenant-screening process is the best way to find tenants who will care for the property.

Stolen Appliances and Other Property

Theft by tenants moving out of rental properties is very common.

In fact, "a poll of 2,000 adults by landlord insurer Direct Line for Business found tenants have removed items such as fridges, freezers, light fittings, televisions, and even sinks. Tenants estimate that the overall value of items they had taken from a property stands at more than $500." It can feel devastating when a tenant steals your property upon moving out of the rental.

However, to avoid issues such as this, you must obtain a FULL tenant reference check before you go ahead with a tenancy.

This will provide you with detailed information on their financial security and place of work, which will assist in giving you peace of mind that you have selected a suitable tenant.

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.

RENTAL HOUSING JOURNAL VALLEY

Publisher/General Manager
John Triplett

Editor-In-Chief
Linda Wienandt

Associate Editor
Diane Porter

Vice President/Sales
Terry Hokenson

Accounting Manager
Patricia Schluter

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

Website
www.RentalHousingJournal.com

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

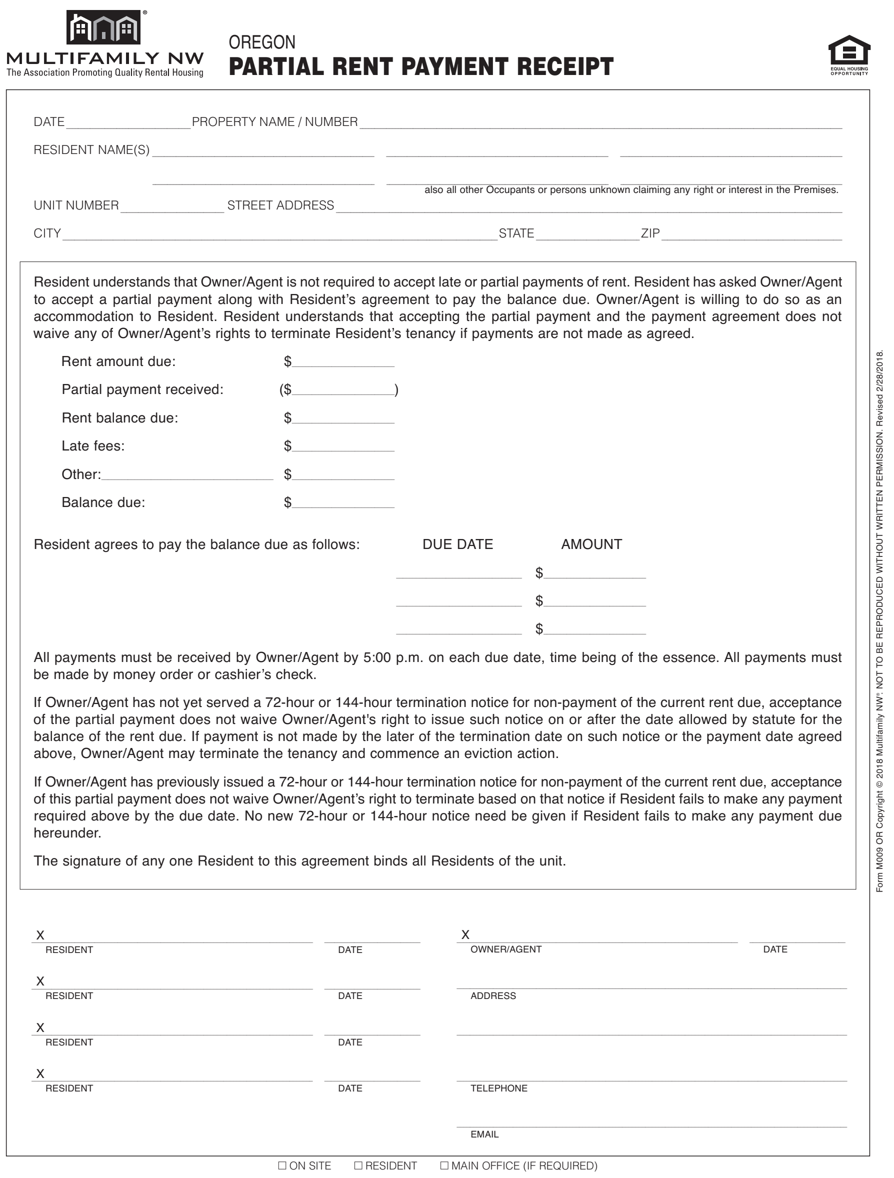
Email
info@rentalhousingjournal.com

Phone
(480) 454-2728 - main
(480) 720-4386 - ad sales

MULTIFAMILY NW
The Association Promoting Quality Rental Housing

FORM OF THE MONTH

Oregon Partial Rent Payment Receipt – M009 OR


MULTIFAMILY NW
The Association Promoting Quality Rental Housing

OREGON
PARTIAL RENT PAYMENT RECEIPT

EQUAL HOUSING OPPORTUNITY

DATE ________ PROPERTY NAME / NUMBER ________

RESIDENT NAME(S) ________ ________ ________

________ ________ ________ also all other Occupants or persons unknown claiming any right or interest in the Premises.

UNIT NUMBER ________ STREET ADDRESS ________

CITY ________ STATE ________ ZIP ________

Resident understands that Owner/Agent is not required to accept late or partial payments of rent. Resident has asked Owner/Agent to accept a partial payment along with Resident's agreement to pay the balance due. Owner/Agent is willing to do so as an accommodation to Resident. Resident understands that accepting the partial payment and the payment agreement does not waive any of Owner/Agent's rights to terminate Resident's tenancy if payments are not made as agreed.

Rent amount due: $________
Partial payment received: ($________)
Rent balance due: $________
Late fees: $________
Other:________ $________
Balance due: $________

Resident agrees to pay the balance due as follows: DUE DATE AMOUNT
________ $________
________ $________
________ $________

All payments must be received by Owner/Agent by 5:00 p.m. on each due date, time being of the essence. All payments must be made by money order or cashier's check.

If Owner/Agent has not yet served a 72-hour or 144-hour termination notice for non-payment of the current rent due, acceptance of the partial payment does not waive Owner/Agent's right to issue such notice on or after the date allowed by statute for the balance of the rent due. If payment is not made by the later of the termination date on such notice or the payment date agreed above, Owner/Agent may terminate the tenancy and commence an eviction action.

If Owner/Agent has previously issued a 72-hour or 144-hour termination notice for non-payment of the current rent due, acceptance of this partial payment does not waive Owner/Agent's right to terminate based on that notice if Resident fails to make any payment required above by the due date. No new 72-hour or 144-hour notice need be given if Resident fails to make any payment due hereunder.

The signature of any one Resident to this agreement binds all Residents of the unit.

X ________ RESIDENT ________ DATE
X ________ RESIDENT ________ DATE
X ________ RESIDENT ________ DATE
X ________ RESIDENT ________ DATE

X ________ OWNER/AGENT ________ DATE
________ ADDRESS
____
________ TELEPHONE
________ EMAIL

☐ ON SITE ☐ RESIDENT ☐ MAIN OFFICE (IF REQUIRED)

Form M009 OR Copyright © 2018 Multifamily NW®. NOT TO BE REPRODUCED WITHOUT WRITTEN PERMISSION. Revised 2/28/2018.

This form is designed to document partial payment details when the housing provider allows the partial payment to be accepted. The form tracks the rent due, the partial amount received, the corresponding rent balance due, assessed late fees, etc. The resident in turn agrees to repayment terms of the balance of rent still owing. This form preserves the ability of the housing provider to serve the traditional 72-Hour Notice of Nonpayment of Rent if the terms of this Partial Rent Payment Receipt form are not followed.

Multifamily NW Schedule

JUNE 2	WEBINAR: FAIR HOUSING AND COVID-19	1:00 PM - 2:00 PM
JUNE 3	WEBINAR: LANDLORD TENANT LAW 1-PART A	10:00 AM - 12:00 PM
JUNE 3	WEBINAR: JUNE LANDLORD STUDY HALL - COVID-19 & EVICTION MORATORIA	6:30 PM - 8:00 PM
JUNE 4	WEBINAR: COVID-19 - RE-OPENING PRACTICES ROUNDTABLE	10:00 AM - 11:00 AM
JUNE 8	WEBINAR: LANDLORD TENANT LAW 1-PART B	10:00 AM - 12:00 PM
JUNE 8	WEBINAR: JUNE RENT SURVEY Q&A	2:00 PM - 2:45 PM
JUNE 10	WEBINAR HR ISSUES: PROMOTING EMPLOYEES	12:00 PM - 1:00 PM
JUNE 12	WEBINAR: IT'S THE LAW: PAPER THE FILE	12:00 PM - 1:00 PM
JUNE 15	WEBINAR: LANDLORD TENANT LAW 2-PART A	10:00 AM - 12:00 PM
JUNE 16	WEBINAR: WA IT'S THE LAW: FAIR HOUSING TRENDS	12:00 PM - 1:00 PM
JUNE 22	WEBINAR: LANDLORD TENANT LAW 2-PART B	10:00 AM - 12:00 PM
JUNE 23	LAW AND RULE REQUIRED COURSE (LARRC)	1:00 PM - 4:00 PM
JUNE 29	WEBINAR: ADVANCED LANDLORD/TENANT LAW	10:00 AM - 12:00 PM
JULY 1	WEBINAR: LANDLORD STUDY HALL – TURNOVER TECHNIQUES & PROPERTY INSPECTIONS	6:30 PM - 8:00 PM

Cities That Keep the Most Jobs During Downturns

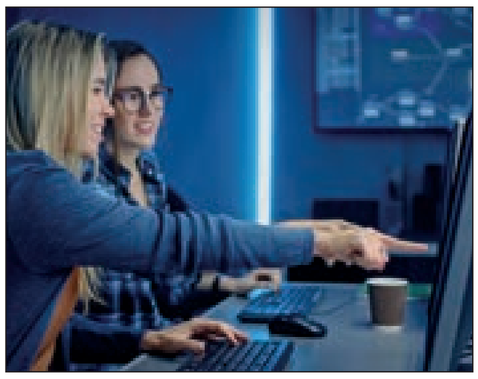
Rental Housing Journal

Keeping jobs during downturns, often called "durable employment," shows up much more in some cities than in others, according to new research from Yardi Matrix.

Job stability is key to tenants being able to pay rent in the multifamily industry, as well as to landlords who are struggling to collect rent during the pandemic.

Employment losses caused by the COVID-19 pandemic have been unevenly spread across the economy, so Yardi Matrix studied which metros have the highest concentration of jobs in finance, professional and technical services, and government—sectors that have lost the lowest proportion of jobs.

"Metros with the highest percentage of durable jobs generally are home to a government capital, state university and/or strong presence of knowledge-based industries," the report says.



Metros with the most durable jobs include:

- Lansing, Mich. – 44 percent
- Washington, D.C. – 41 percent
- Sacramento – 34.5 percent

"All of which include federal or state government capitals. The Lansing/Ann Arbor metro also is home to the University of Michigan and Michigan State University.

"Washington has for decades been among the most consistently performing U.S. metro for commercial real estate because of the stability afforded by being the capital of the U.S. government. The presence of government-related industries that include lobbying, legal, trade groups, founda-tions, think tanks, etc., gives the metro an employment base that is extremely stable," the report says.

Jobs in banking, insurance and real estate also help with "durable" jobs.

Roughly two-thirds (33) of the Yardi Matrix top 50 metros are above the national average, which reflects the concentration of financial jobs in urban centers.

Metros with the highest percentage of jobs in this sector are:

- New Haven, Conn. – 9.5 percent
- Dallas – 9.3 percent
- Jacksonville – 9.3 percent
- Phoenix – 9.2 percent
- Tampa – 8.8 percent

"The goal of this study was to determine metros' exposure to the job segments that have performed the best at the outset of the pandemic. The upshot is that having a base of government jobs (including state universities) and/or concentrations of knowledge-based industries including (but not limited to) finance and technology should help metros weather the downturn," the report says.

"Questions remain about the economy in coming quarters. Our study was based on jobs lost through April, and the composition of job losses may evolve. For example, government has lost relatively few jobs so far, but we could see massive layoffs of state employees if the federal government doesn't provide aid to states. And the job picture could change rapidly as states begin to re-open. Most unemployment claims have been filed by furloughed workers that are subject to call-backs as the economies of those states reopen," Yardi Matrix says in the report.

Biggest 1-Month Rent-Growth Slowdown in 5 Years

Continued from Page 1

more of their monthly income on rent, which means they have less ability to save in case of emergencies.

Skylar Olsen, senior principal economist at Zillow, said in the release that, "Housing was in a generally strong position before the pandemic, with low inventory and high prices shutting many would-be buyers out and creating unusually high demand for rentals.

"Rents soared, making it difficult for many to build emergency savings to tap into at a time like now. We're seeing rents slow now as some people are no doubt pursuing more-affordable options, such as moving back in with parents, moving to a less-expensive area, or doubling up in instances where it can be done safely," Olsen said.

The for-sale market continues upward

The for-sale market continues to show momentum, though. Newly pending sales are up 13 percent week over week and nearly 50 percent month over month as of the seven days ending May 10. And they are higher than last year in four large metros -- Cleveland (up 10 percent year over year), Cincinnati (up 3.8 percent), Houston (up 2 percent), and Dallas-Fort Worth (up 0.9 percent).

Home values continued their upward trajectory in April, with the typical U.S. home value growing 4.3 percent year over year to $250,492. The pace of yearly home value growth has now accelerated every month this year after slowing for 20 consecutive months beginning in spring 2018.

Like many other parts of the country, Oregon's rapid growth has resulted in significant housing affordability challenges. Combatting housing affordability issues in the state will require holistic solutions that address the needs of all Oregon residents.

Oregon has seen a sharp population increase, with 9.4% growth since 2010.

465,200 Oregonians call an apartment home, with demand on the rise.

75% of extremely low-income renters spend more than half of their income on housing.

Between now and 2030, Oregon will need to build 4,073 new apartment homes each year to keep up with demand.

Legal Landscape

In February 2019, the governor of Oregon signed into law a measure implementing statewide rent control, allowing for an annual rent increase of 7% plus inflation. This represents a major departure from previous law, which preempted local municipalities from implementing rent control.

A MISGUIDED LAW

Rent control is an outdated concept. It benefits the very few—and not necessarily those in greatest need.

REJECT PRICE CONTROLS

Lawmakers should reject price controls and, instead, pursue alternatives such as voucher-based rental assistance for those in greatest need to better address housing affordability.

If you have questions about our efforts to promote holistic housing policies, please contact us at info@growinghomestogether.org

Growing Homes Together (GHT), a project of the National Multifamily Housing Council (NMHC), is a resource center designed to spark discussions at the state and local levels about policy solutions to improve America's housing crisis. NMHC is a national organization of more than 1,100 member firms involved in the multifamily housing industry.

How Strain From Pandemic Has Impacted Our Business

By Ron Garcia
Garcia Group Property Management

I want to give you an update on the status of COVID-19 housing policies. However, I want to be candid and tell you that I wish I had more to say than I do, or at least something better to say than I do. But here goes...

Currently we are into the third month of the 90-day Non-Eviction Order as mandated by Governor Kate Brown.

The statistics have been that about 15-to-17 percent of tenants have not paid rent in either April or in May, statewide, and our company has seen the same.

It is predicted that the number of non-payments will increase in June, as many tenants who have paid at first, have used up their resources.

At our company, we have tenants from all income brackets who cannot pay rent, from housing voucher contributions of $400 per month up to leases more than $2,500 per month. Business owners that rent housing and are unable to work are just as affected (sometimes even more affected) than tenants who work at minimum wage jobs.

As the tenants' debt mounts and the economy continues to tank, it does not take a lot of imagination to see that many people will not be in a position to repay the delinquencies even in the six-month period that they were granted by the state.

Additionally, it should be understood by everyone here that the governor and State Legislature are aware of this dynamic and they are no doubt crafting some plan that they will announce at some point. My guess is that they will toss a small bone to owners, while new restrictions may be imposed on them that provide even more protection for vulnerable tenants.

So what are we doing about all of this?

The truth is that we don't have many tools at our disposal here. We have reached out to all of our non-paying residents and asked them to fill out and sign our Covid-19 Deferral Plan - which simply spells out the terms they would agree to repay the back-rent owed. About 50 percent of the tenants have signed this and 50 percent have not.

Our working plan (after the 90-day ban is lifted) is to contact those tenants who did not sign the agreement and did not pay part or all of the rent, and let them know we need to make those arrangements or they would face the prospect of an eviction for non-payment. Then if they didn't sign it we would send the FED (Forced Entry Detainer).

But here's where it is going to get complicated, because I suspect that either:

1. The state will forbid evicting anyone for non-payment of rent during the quarantine period, (so that messaging will be moot) and/or

2. Even for those that legitimately could be evicted - the courts will be 90 days backlogged as they have been closed for the last two months to all but extreme cases, essentially not hearing any rental related issues. So the entire process will be prolonged and the losses from continued non-payment of rent would mount.

It will be at this point in time that rental property owners will be at ground zero of the pandemic (much as restaurants and retail stores were at the beginning).

It will be at this time that we begin the bartering and negotiating and risk management with all of our tenants and clients. It will be at this time that we will need to create new policies and procedures to address unforeseen issues. (Remember, we are still dealing with state and local rent restrictions and housing regulations limiting everything we do and making the process ever more complicated.)

DISCLAIMER: I may be wrong and it may all work out okay. I feel a little like an oceanfront homeowner boarding up for an approaching hurricane, while my neighbors are having a barbeque.

The strain on our company from the pandemic has taken a toll - we hired new staff in February for staff that left in January, but they were gone by March for their inability to work and our inability to properly train them.

However - we hired a key manager, who has brought incredible resources to bear. This month, we have just formed a new portfolio team as we are actually anticipating a growth surge due to the complexities of managing residential properties at this time.

I am personally going to manage this group of properties as well to make sure we get it right. We will continue to outsource most of our maintenance to companies that are geared and prepped to operate in an on-going health crisis. My political days are on hold for now and if you want to see that messaging go to my website at gogarcia.org.

Our business is built on relationships with owners, with tenants and vendors.

Our product is problem solving and communication. Whenever a crisis occurs, those that are able to, go to work. Often those people are called on to work harder. It is time for us in the residential property industry to go to work and help all of those who are affected (tenants and landlords) with the best advice and perspectives and resources we can locate and offer.

In closing, it is still too early to know who will or will not pay rent this month. Please know we are carefully watching it and getting ready to do what is needed.

Ron Garcia owns The Garcia Group Residential Property Management in Portland. He is past president of the Rental Housing Alliance, Oregon and a (former) candidate for Oregon's House of Representatives. He can be reached at ron@garcia-grp.com.