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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

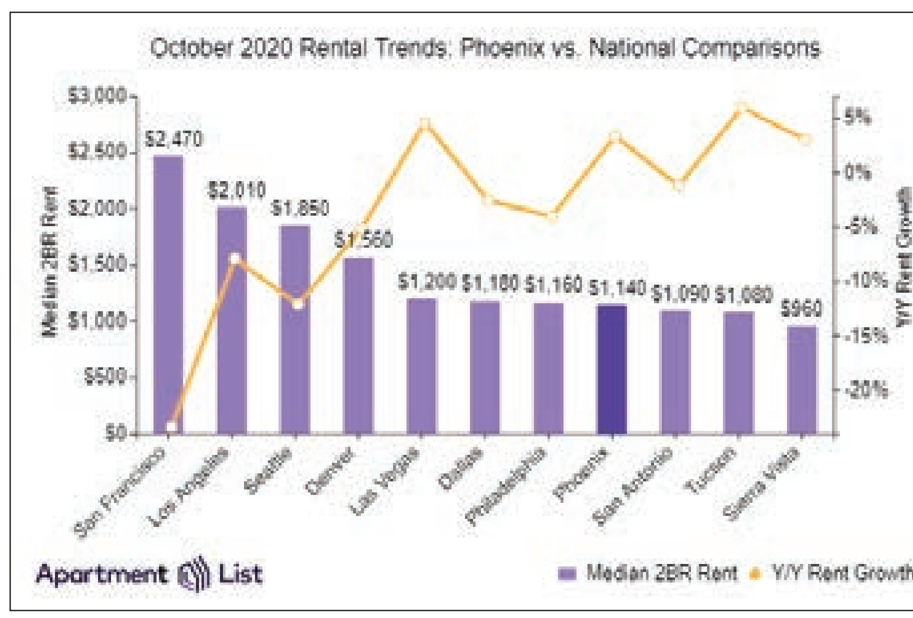
Arizona Rents Continue Climb, Beating National Averages

Rental Housing Journal

Arizona rents continued their steady climb, outperforming national rents, as Phoenix rents in October were up another 0.3 percent and rents boomed in the West Valley, according to the latest report from Apartment List.

"As the COVID-19 pandemic and its ensuing economic fallout continue to overwhelm renters across the country, our monthly rent estimates paint the picture of a protracted national slowdown and uneven recovery," said Chris Salviati, Housing Economist for Apartment List.

"Our national rent index is down 1.4 percent year-over-year, but there is tremendous regional variation beneath the surface. San Francisco and New York City continue to lead the nation in pandemic rent drops, while smaller markets like Boise and Colorado Springs are heating up," he said.



Phoenix rents moved up for the fourth straight month and are up 3.3 percent year-over-year.

Median rents in Phoenix are $937 for a one-bedroom apartment and $1,144 for a two-bedroom, which are the least expensive rents in the Phoenix metro

See 'Arizona' on Page 8

How to Rid Smoke Smells From Rentals

By Holly Welles

Your tenants just moved out, and instead of leaving a clean, fresh apartment behind, they've left a unit that reeks of cigarette smoke. The smell permeates every corner of the property and now poses a health hazard to neighbors and future residents.

Property managers may be discouraged by the damage that lingering smoke creates. Not only will it cost resources to repair, but it can delay apartment showings for new tenants. Fortunately, there are various ways to remove the smell and make an apartment or home livable again. Here are the critical moves to take.

1. Air It Out

The first course of action should be to open all the windows and doors and air out the unit. Portable fans on opposite ends of the apartment will push out stale air while simultaneously pulling in the fresh breeze. Allow them to run all day, if possible.

Landlords might also hang several

See 'Ways' on Page 4

Multifamily Investor CEO Calls Phoenix Affordable, Tax-Attractive


Janet LePage

Rental Housing Journal

Western Wealth Capital recently acquired a 659-unit Tempe apartment complex, its 54th acquisition in the Phoenix market, and CEO Janet LePage discussed the current environment in a recent interview with Rental Housing Journal because we thought our readers would like to get to know her a little better.

The company is the second-largest multifamily-property owner in Phoenix, and LePage said, "Our investment there has been consistent. I mean, we took a pause with COVID. Everybody did, just to feel out what's happening. For years I've spoken the same thing, that Phoenix is poised for growth and it's poised for job growth.

"It's an affordable city. It is a tax-attractive city. It really depends on what you're coming there for. It's affordable and it has remained that way. I think there's a lot of runway before someone declares it not affordable when you're comparing it to a San Francisco, L.A., New York or even Denver. I think there's still a long runway before it's declared not affordable.

"We've always been in the workforce-housing space. The only thing that I've seen change with this COVID and everything is, the desirability for multifamily is only going up," LePage said.

See 'Phoenix' on Page 10

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1031 Exchange Coming Up? Know the Options Before You Reinvest

By Dwight Kay, Founder and CEO at Kay Properties & Investments, LLC

If you have a 1031 exchange coming up, you have multiple choices to reinvest the proceeds from your sale. That's a good thing, because coming out of your prior investment, maybe you're tired of the three Ts — tenants, toilets and trash — and you'd rather leave the day-to-day property management to others.

A 1031 exchange (also known as a like-kind exchange) allows an investor to defer capital gains, depreciation recapture and other taxes at the time an investment or business property is sold if the net equity from the sale is reinvested in a property of the same or greater value. Fortunately, "property" does not mean the proceeds have to be reinvested directly into another property that you purchase outright and manage on your own. There are multiple ways the gain can be reinvested to qualify for preferential tax treatment.

Here's a look at four alternative 1031 exchange investment options for investors to know.

#1: Qualified Opportunity Zone Funds

Qualified Opportunity Zone Funds, which were enabled by the Tax Cuts and Jobs Act of 2017, offer benefits including tax deferral and elimination that many investors nationwide have utilized. A fund of this type can invest in real property or operating businesses within an Opportunity Zone, typically a geographic area in the U.S. that has been so designated because it may be underserved or neglected. As such, there may be a higher level of investment risk. Also, the time horizon of the fund may be as long as 10 years, which means tying up your capital for that length of time in an illiquid real estate fund.

If you seriously consider this investment option, be aware that these funds may have been set up to invest in only one property or business, in which case there is no diversification. But the opposite may also be true. With a fund of this type, there can be potential cash flow and appreciation, as well as positive economic and social impacts on a community. This fund option also works if you are selling other appreciated assets like stocks or businesses.

#2: Tenants-in-Common Cash-Out

In addition to using a 1031 exchange to defer taxes, some investors also want to improve liquidity so they can potentially take advantage of other buying opportunities in the future. With a Tenants-in-Common (TIC) investment, you own a fractional interest in a commercial, multifamily, self-storage or other type of investment property. The TIC cash-out is a specific strategy where the investment property is purchased using zero leverage so it is debt-free, with no mortgage, going in. Then, after a year or two, the property can be refinanced at 40% to 60% loan to value, effectively providing investors with a large portion of their initial invested principal tax-free in the form of a cash-out refinance. Under this scenario, the remaining equity in the investment stays in the TIC property, providing potential distributions to investors while they get to enjoy liquidity with a large portion of their funds.

#3: Direct Purchase of Triple-Net (NNN) Properties

With a triple-net leased property, the tenant is responsible for the majority, if not all, of the maintenance, taxes and insurance expenses related to the real estate. Investors utilizing a 1031 exchange often are interested in purchasing NNN properties, which typically are retail, medical or industrial facilities occupied by a single tenant. On the surface, these investments may seem passive, but there are three distinct downsides, namely concentration risk if an investor places a large portion of their net worth into a single property with one tenant; potential exposure to a black swan event like COVID-19 if the tenant turns out to be hard hit; and management risk.

Remember the three Ts I alluded to above. If you'd prefer a passive investment, the direct purchase of a triple-net property is not likely for you. Others may allude to triple-nets being management free. However, having owned dozens of net lease properties throughout my career I can tell you they are anything but management free. (Just ask my in-house legal counsel, and asset management and accounting teams.)

#4: Delaware Statutory Trusts

In contrast to the example above where you buy the whole property yourself, Delaware Statutory Trusts (DSTs) are a form of co-ownership that allows diversification and true passive investing. Most types of real estate can be owned in a DST, including retail, self-storage, industrial and multifamily properties. A DST can own a single property or multiple properties. In a 1031 exchange scenario, you can invest proceeds from the prior property sale into one or more DSTs (holding one or more properties) to achieve diversification.

DSTs often hold institutional-quality properties. The properties could be occupied by single tenants operating under long-term net leases, such as a FedEx distribution center, an Amazon distribution center, a Walgreens Pharmacy or a Fresenius dialysis center. DSTs can be one of the easiest 1031 replacement property options to access because the real estate already has been acquired by the DST sponsor company that offers the DST to investors.

Regardless of the approach you choose to reinvest the proceeds from your prior sale, the net effect of 1031 exchange investing is generally the same. The initial invested capital and the gain can continue to grow, potentially, without immediate tax consequences. Then, if and when the new investment is sold down the road without the equity reinvested in another exchange property, the prior gain would be recognized.

Dwight Kay is founder and CEO of Kay Properties and Investments, LLC, which operates a 1031 exchange property marketplace at www.kpi1031.com.

How Tenants' COVID-Era Behavior Can Serve as a Predictor of the Future

By David Pickron

Knowing how your applicant did in the COVID-19 times will be important information to protect yourself in the future.

As a newly married couple in our 20s, my wife and I went out and looked at new homes as we were trying to decide where to lay down our roots and start our little family. We walked through what seemed like a never-ending parade of homes to see what was on the market. When my wife walked in the last model home, which was decked out and highly upgraded, her jaw hit the floor and she looked at me, communicating non-verbally that this was the one; she had found her dream home.

Being new to the house-buying game and admittedly a little naïve to the process, we started our journey to purchasing our first home. Finding the home was the fun part, but qualifying, along with the accompanying mountains of paperwork, was another. After my wife picked out her upgraded white cabinets our first home cost $114,000, and all I could think about was how am I ever going to qualify and afford the payment? But after looking at my wife and seeing that look in her eyes, I knew one thing for certain, I was buying that house.

The lengthy purchasing process began, and I was soon being asked for bank statements, canceled checks, and explanations on deposits and activity that were on my young credit report. I had to produce paycheck stubs and tax returns and other things I couldn't understand why they were possibly needed. I remember getting a request for an explanation on why First Mortgage had pulled my credit, especially because it was First Mortgage who was processing the loan.

As many of you have been through this process, sometimes it's just better to write the letter than to fight the stupidity, as it seems the process becomes more about getting the file to a particular thickness to show all the things the underwriters did to approve the loan.

Those days were tough for a young 20-something, but I eventually got the home. I continued purchasing homes through 2007, with relative ease and minimal down payments. In fact, I even went the route of "stated income" and bought three homes at one time; no one even questioned me.

Then came the 2007 housing crash and everything changed. No more easy qualifying, 25 percent down payments on investment homes, and maximum cap on the number of homes you could own as an investor, etc. Underwriters were now responsible if you defaulted on future mortgages, and that completely changed the game.

What I thought was hard in my 20s became impossible in the late 2000s. The files went from an inch to five inches thick. Mortgage providers were paying the price, resulting from the laziness they created in prior years.

Similarly, today we find some of our landlords effectively "bleeding out" because the rental game has changed. The major question plaguing landlords is, "How do I rent to someone when I know I might not be able to evict them for non-payment of rent?" Secondarily, you must ask yourself how will you know in the future if your applicants had been financially responsible during this period affected by COVID-19?

Like the underwriters post-2007, it's time to demand more information and make qualifying to rent a home a little harder in order to protect yourself in the future.

As a landlord, I want to know two things outside of the standard criminal, credit, and eviction search that I require for every applicant:

- First, do you have a solid job that will allow you to afford the rent? The importance of this is obvious, but often overlooked by anxious landlords who are just hoping to make next month's mortgage payment.
- The second and equally important question is, "Did you get laid off during the shutdown, file for unemployment, and still pay your rent?" This is a critical factor in knowing how responsible this applicant is in handling his or her financial obligations.

I found the easiest way to get these answers are first, get the last two months' paycheck stubs and look at the year to date. If it is January, the December paycheck stub should show you how long they worked with their current employer by reviewing the year-to-date totals. If it is February, you might want to go back a few months, so you have more data than just the current year. Do not hesitate to ask for the same information from a prior employer paycheck stub if needed.

Second, I want to see the last 12 months' rent payments, either by reviewing copies of their bank statements for that time period or seeing 12 canceled checks.

When applicants do not want to give you this information, let them walk. There is no reason to take a chance on someone who cannot produce the proof you need. It's much healthier for you to view this as avoiding a certain problem than losing a potential tenant.

The right tenant who really wants your property will produce the information. Just like those late 2000s underwriters, it's time to tighten up our criteria and ask for more proof to make sure we protect ourselves and our investments during these high-risk years.

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

Ways to Remove Smoke Smells From a Rental Unit

Continued from Page 1

bags of activated charcoal around the property to absorb odors. Expedite the process by using a few air purifiers as well.

2. Deodorize Carpets

Remove smoke smells from carpets with baking soda. Sprinkle the white powder over the stinkiest areas and allow it to sit for a few hours before vacuuming.

This deodorizing method is generally safe for all carpets. However, it may not be strong enough to eliminate more stubborn fumes. In this case, property managers should hire a professional dry cleaner or replace the carpeting altogether.

3. Mop Hard Floors

Next, tackle hardwood and tile floors. Sweep the surface to remove dust and dirt. Then, apply a disinfectant and mop it up using warm, soapy water. Water should be replaced periodically so stinky ash and residue aren't spread around the floors.

If a mop doesn't do the trick, steam the floors to melt the tar and oils from smoke molecules. Otherwise, a professional cleaner might be needed.

4. Replace HVAC Filter

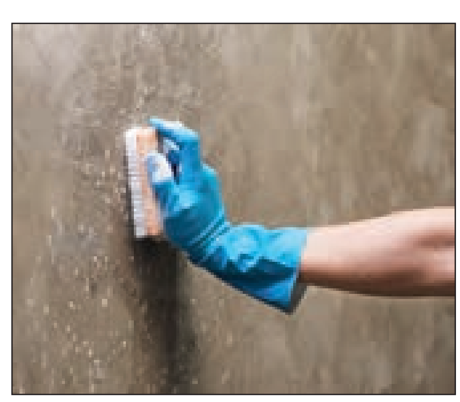
Each unit's HVAC filter should be changed every few months. However, after a smoker's lease is up, replacing the filter becomes an absolute necessity.

Switching out the filter is simple, relatively affordable and will help eliminate odors left from cigarette smoke. Plus, it will allow the entire system to work more efficiently and effectively improve the unit's air quality.

5. Scrub the Walls

The stale stench of ash and cigarettes can cling to the walls, too. In some cases, tar may even harden on the walls and discolor them. Remove both soot and foul smells by scrubbing walls down with a solution of white vinegar and warm water. Landlords can also use a mixture of ammonia and water, allowing it to sit for a few minutes before rinsing the walls.

For tougher stains, try trisodium phosphate (TSP). This is a cleaning product that is mixed into hot water, which you can then apply with a sponge or brush. It contains about 75 percent TSP and 25 percent sodium carbonate. This compound degreases the tars in cigarette smoke, making them easier to remove. If



this method doesn't work, priming and repainting might be necessary.

A note: Phosphates and phosphate detergents are banned in several states, because as they make their way into bodies of water, they can increase algae and bacteria growth, which reduces the amount of oxygen other wildlife may need. If you're in an area where TSP is banned, look for low-phosphate substitutes, like Seventh Generation, Simple Green, Clorox's Green Works, or Orange Power Cleaner.

6. Call a Professional

Sometimes, smoke damage is so severe that the stench has infiltrated every nook and crevice of the property. If this happens to be the case, it's best to call in a professional. They'll use stronger chemicals and industrial cleaning methods that a typical consumer simply can't find elsewhere.

While hiring a professional cleaner may sound expensive, it's best to think of it as an investment in the property's success. After all, prospective tenants appreciate units that smell fresh and clean.

Guard Against Future Smoke Damage

Landlords can prevent further damage and smoke smells by screening potential renters before allowing them to sign a contract. They might also include a no-smoking clause in the lease agreement. Outline fines and additional cleaning fees to discourage guests from disregarding the rules.

By acting preemptively, property managers can avoid another smoke situation and keep both current and future tenants happy and healthy.

Holly Welles writes about real estate market trends from a millennial perspective. She is editor of The Estate Update, a residential real estate blog, and keeps up with the industry over on Twitter @HollyAWelles.

Even During Pandemic, Phoenix is a Job Magnet

Rental Housing Journal

"Phoenix is a job magnet," says a study highlighting key marketing in the West, by John Burns Real Estate Consulting.

The Phoenix economy and the region's growth has barely paused during the pandemic, with 79,000 new jobs in August.

"Many of those jobs are coming from businesses either exiting high-cost states or targeting Phoenix for their expansions, especially in industries like e-commerce, logistics, and manufacturing," Burns writes.

Salt Lake City also booming

While other markets in the country are registering double digits, the unemployment rate in Salt Lake City is less than 5 percent today, the Burns report says.

"The market's diverse job base includes tourism, health care, government, education, manufacturing, and technology. Salt Lake City's Silicon Slopes are home to some of the biggest tech giants in the country, including Adobe, Oracle, and Microsoft."

Southern California's Inland Empire has an improving job base, although this varies greatly by sector, according to the report.

Residential construction is booming. The massive growth in the distribution and logistics sector has slowed but appears poised to ramp back up. Northern California has experienced some tech "flight," but the major tech employers have remained within shouting distance of the mother ship in Mountain View, Cupertino, or Redwood City.

Advantage: Phoenix and Salt Lake City

Phoenix is one of the most generationally diverse housing markets in the country.

"Entry-level and move-up buyers started the trend in Phoenix with in-migration from expensive California markets," the report says. "Add the active adult buyer, and Phoenix is now one of 12 housing markets we rate as very strong.

"Our September survey determined that year-over-year (YOY) new home prices were up 10 percent in Phoenix (the national average was 8 percent), and actively selling new home communities averaged better than six sales per month.

"The great American move has been a huge boon to Salt Lake City, and as of September, new home prices were up an astounding 13 percent YOY, the highest rate in the nation. And builders are realizing these types of home-price increases while they artificially restrict supply because they just can't keep up with demand. Home-price increases are putting pressure on affordability, and some long-time locals are considering more attainably priced homes in places like Boise, Idaho."

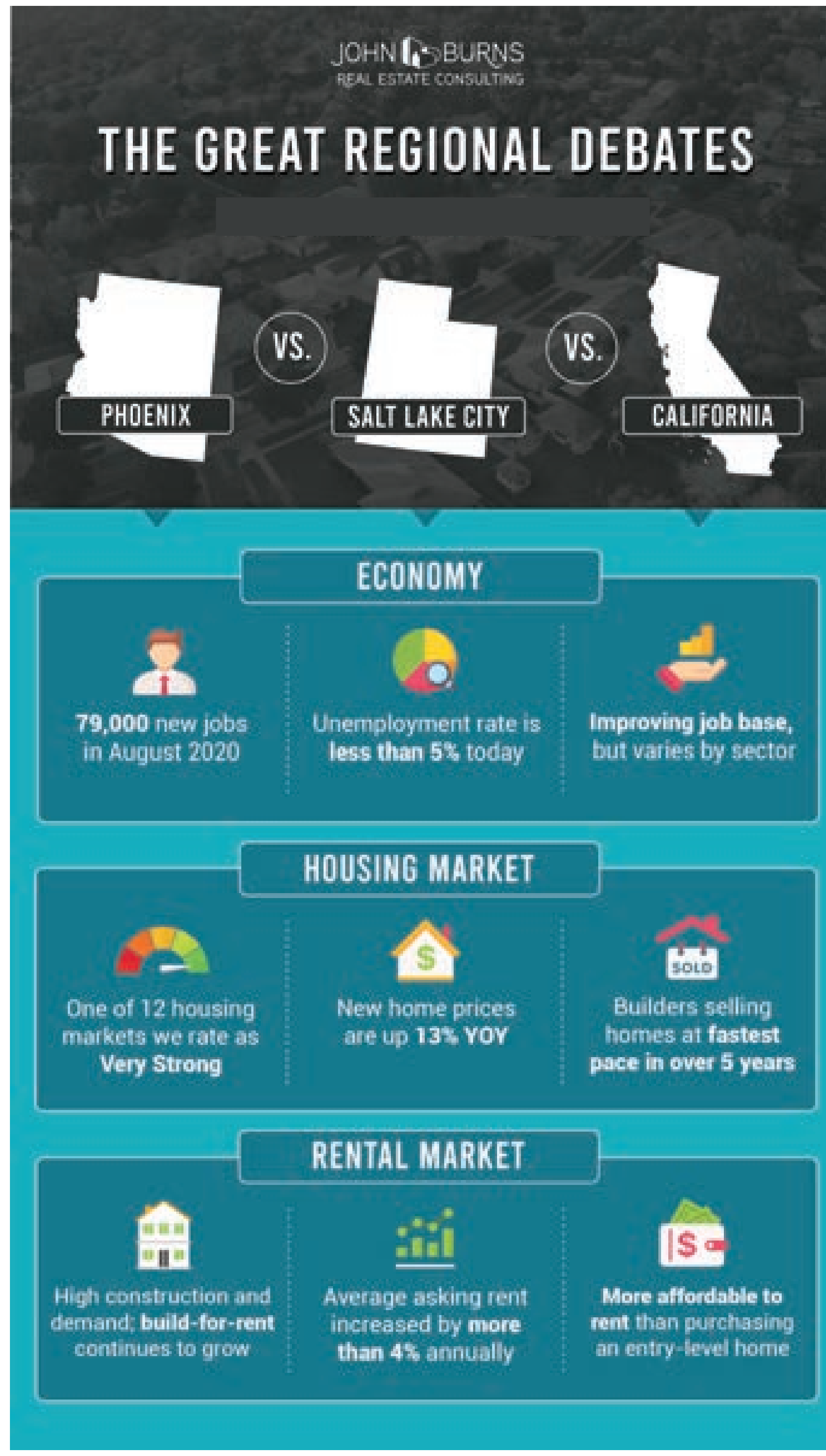
The apartment-rental market

"The apartment market in Phoenix experienced some of the highest level of new construction in the last five-plus years, but demand more than kept pace with construction, leaving very little overhang when the pandemic hit," the report says.

"The build-for-rent industry that was largely created in Phoenix continues to grow with new innovations in horizontal apartment- and townhome-style offerings.

"Salt Lake City's average asking rent has increased by more than four percent annually over the last five years. Occupancy rates haven't moved much despite the increases, still hovering just below 95 percent."

In California, the Burns report says it is still more affordable to rent an apartment in the Inland Empire than to purchase an entry-level single-family home, and average annual apartment occupancy hasn't dropped below 96 percent since 2012.



The report says Phoenix has the advantage, as "Western markets have some great runway ahead of them, with the key markets we've highlighted commonly linked by either great job bases or the ability to access them when needed, relative housing affordability (when compared to higher-priced coastal markets), and great lifestyle advantages as well.

"While we think there are a ton of great places to live across the country, some of us on the West Coast are pretty partial to these markets."

Please contact Ken Perlman or Lesley Deutch for more local insight. The team is always available for assistance. Here is the local expert covering the markets discussed in this article: Phoenix - Jeff Brazel, Vice President, Consulting, jbrazel@realestateconsulting.com.

What to Ask a Previous Landlord About an Applicant

By Hank Rossi

Dear Landlord Hank,

What should I be asking a prospective tenant's landlord, or previous landlord, before renting to them? — Richard

Dear Landlord Richard,

When checking an applicant's rental history, you must make sure that you are speaking to a real landlord and not the applicant's brother or friend.

This can be tricky if your applicant is not renting from an apartment complex or rental agency, so be very careful here.

Your rental application should have an information release at the bottom, signed by the applicant so you can legitimately seek the information you need to decide if you would like this applicant as a tenant. So send this release to applicant's prior landlords.

Also, try to get more than one rental history. I ask for the last five years of rental history and will check with all old

landlords. I want to make sure the facts line up, such as dates that tenant occupied a certain address, the amount of rent paid, whether rent was paid in timely manner, or were there late payments or NSFs (not-sufficient-funds checks)?

Did this applicant take care of the property? Any damage on move-out? Did the tenant have unauthorized pets or guests, or any criminal activity? Did the tenant get along with neighbors, or was there friction – maybe noise late at night, etc.?

Did the tenant give prior landlord 30-day notice of vacating?

And, the most important question, would the old landlord re-rent to this person?

The information you receive in this section of your application is to me the most vital in determining if I want this person to be my next tenant. Usually, if an applicant has a great and long rental history, that is a good sign that you will have a trouble free tenant.

Hank Rossi started in real estate as a child watching his father take care of the family rental maintenance business and later got into the rental business as a sideline. After he retired, Hank managed his own investments, for the next 10 years. A few years ago he 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

The 20 Healthiest U.S. Rental-Housing Markets

Rental Housing Journal

Rental-housing market fundamentals have remained strong despite COVID-19, and a new study shows the 20 healthiest rental housing markets in the United States.

For the study, Mynd Management analyzed occupancy-rate growth nationwide over the course of one year, from the second quarter of 2019 through the second quarter of 2020.

The three healthiest metros based on the highest occupancy-rate growth are Richmond, Va.; Louisville, Ky; and Fresno, Calif.

Richmond's vacancy rate fell to 2.7 percent, a 10.9 percent drop since the second quarter of 2019. Louisville's 4.3 percent vacancy rate in the second quarter of 2020 represents a decline of nine percentage points year-over-year. In Fresno, the vacancy rate declined 6.8 percent to a scant 0.7 percent year-over-year. A city-imposed eviction ban and suburban flight from the Bay Area to Fresno likely contributed to the metro area's historically low vacancy rate.

"This is an unprecedented trend: The top two metros in our study are located in Appalachia, a region that traditionally flies under the radar for many real-estate investors," said Doug Brien, CEO and co-founder of Mynd Management, in a release. "However, the health of this area isn't surprising given the state of rental housing. In spite of the coronavirus pandemic, rental demand remains healthy and the national vacancy rate declined 1.1 percent year-over-year to 5.7 percent in the second quarter.

"While some of these low vacancy rates can be attributed to metro areas with eviction moratoriums in place, we remain bullish on the rental-housing sector. According to Mynd's Rental Housing Tracker, rents have increased 7.2 percent as of mid-September across our portfolio of properties in 19 U.S. metro areas. Strong supply-and-demand fundamentals, low mortgage rates and ongoing stock-market fluctuation make now an opportune time to invest in residential real estate."

Metro Area	Q2 2020 Vacancy Rate %	Q2 2019 Vacancy Rate %	% Change	Occupancy Growth Rank
Richmond, VA	2.7	13.6	-10.9	1
Louisville, KY	4.3	13.3	-9	2
Fresno, CA	0.7	7.5	-6.8	3
Columbia, SC	1.9	8.6	-6.7	4
Raleigh, NC	1.9	8	-6.1	5
Greensboro, NC	1.2	7.1	-5.9	6
Knoxville, TN	4.4	9.7	-5.3	7
San Antonio, TX	8.3	13.1	-4.8	8
San Diego, CA	2.4	7	-4.6	9
Cincinnati, OH	6.5	10.9	-4.4	10
Albany, NY	6.7	10.8	-4.1	11
Oklahoma City, OK	7.8	11.9	-4.1	12
Stamford, CT	1.7	5.5	-3.8	13
Sacramento, CA	2.3	5.9	-3.6	14
Baton Rouge, LA	5.6	9	-3.4	15
Nashville, TN	7	10.4	-3.4	16
Rochester, NY	0.6	4	-3.4	17
St Louis, MO	4.4	7.6	-3.2	18
New Orleans, LA	4.7	7.8	-3.1	19
Toledo, OH	4.5	7.4	-2.9	20

At left is a list of the 20 healthiest rental housing markets based on occupancy rate growth through the second quarter of 2020. Mynd manages and sells single-family rental (SFR) properties in many of these areas through its Investimate platform:

Metro areas with traditionally low vacancies and limited supply, such as San Francisco and New York, ranked in the middle of this study. San Francisco ranked 34th with a 1.7 percent decline in vacancy to 3.0 percent in 2020, while New York ranked 38th with a 3.3 percent vacancy rate in the second quarter, a 1.3 percent decline.

Mynd Management is a tech-enabled property-management and real-estate investment company serving the non-institutional sector of the single-family rental housing market.

Monthly Meeting Schedule for the Arizona Real Estate Investors Association

PHOENIX MEETING
MONDAY, NOV. 9, 2020
5:45 P.M.

The Phoenix meeting is held on the second Monday of the month. These meetings are full of education, information, and networking.

Open Networking: The perfect time to get checked in to the event and chat with other local real estate investors in attendance.

Market Trends & Outlook: Your up-to-date analysis on the trends in national, regional, and local areas. Come find out where the market is heading – valuable information no real estate investor should do without.

Association Update: Find out about what's happening at AZREIA, how to best leverage your membership benefits, and get the best prices on upcoming events!

Trade Show, Networking & Guest Orientation: Spend time meeting AZREIA business associates, other investors and build your team. (Live meetings)

Market Update for Fix & Flip and Rentals: Full analysis of fix & flip and rental markets. Plus, the latest market news affecting your business.

Main Presentation: This presentation features a national, local 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. These are "you can't afford to miss" meetings.

TUCSON MEETING
TUESDAY, NOV. 10, 2020
5:45 P.M.

The Tucson meeting is held the Tuesday after the Phoenix monthly meeting each month. These meetings are full of education, information, and networking.

Investor-to-Investor Networking and Dynamic Haves & Wants are an important part of the Tucson AZREIA meeting. This is your chance to meet local investors, ask for what you need, and share what you have. Deal of the Month is your chance to find out what your local investors are doing and how they are doing it. Don't miss this opportunity!

Open Networking: The perfect time to get checked in to the event and chat with other local real estate investors in attendance. (Live meetings)

Local Market Update: Bob Zachmeier presents the latest in trend analysis for the U.S., Arizona and Greater Tucson area, including existing homes, new homes, foreclosures, REO, short sales and traditional sales. What investment strategies are working and why? This is must-know information for the serious real estate investor.

Main Presentation: This presentation features a national, local 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. These are "you can't afford to miss" meetings.

The cost for meetings is $10 for AZREIA Members and $20 for Guests. PLUS members can attend free of charge.
Please refer to the website www.azreia.org closer to the meeting time for up-to-date information on meeting place/format and agenda.

REGISTER ONLINE AT: www.azreia.org

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How Property Managers Can Build a Winning Tenant Referral Program

By Dhiraj Nallapaneni
BirdEye

Nobody can sell your properties quite like your own tenants. Let's talk about some of the benefits of tenant referrals, some common challenges, and how you can build a tenant referral program that helps your property management business grow revenue.

Benefits of a tenant referral program

Here are a couple of the reasons you should consider setting up a referral marketing program.

1. It works: Trust for traditional marketing is at an all-time low. But customer referrals work precisely because it's so different from traditional marketing. While paid ads are often ignored, tenants trust the opinions of their social networks.
2. It's cost-effective: Because referrals leverage the trust tenants have for friends and family members, leads that come in from referrals are more cost-effective than leads that come in from other channels. According to McKinsey, customer referrals generate 2x the sales of paid advertising.

Why collecting referrals is so hard

Why don't more tenants refer your business? Usually, it's because your tenants are busy and don't actively think about promoting your business when they're with family and friends. To get great results, make the process easy. Ideally, a winning referral program allows tenants to refer your business with just a few clicks. No matter how busy they may be, they'll still be able to spread the word about you with little effort.

Creating a successful tenant referral program

Here are a few steps that your business can take to build a referral program that converts.

- Send referral requests via email and text

  Again, getting tenants to refer your business is all about making the process easy. We recommend sending referral requests via text messaging and email with direct links to share your business on social media.

- Get the timing right

  Sending a referral request six months after a tenant has already moved in is too late. They may have already forgotten the joy that they experienced when they moved in. Aim to send referral requests when your business is fresh in the tenant's mind. This might be after a move-in, a service request, or a move-out.

- Determine the right incentives

  Determine the right incentives for your referral program. This can be cash, gift cards, or discounted parking and utilities. If you're not sure what reward to offer, take some time to experiment and see what leads to the best results. In addition, take a look at what competitors in your area are offering.

- Use referral tracking software for incentives

  It's incredibly difficult to track referrals and incentive payouts manually. But taking too long to send rewards will frustrate your tenants. We recommend using a referral tracking software instead. Instead of having to track down referrals from different sources on your own, you'll be able to see all the different tenant referrals in one place and pay out incentives in a timely manner.

In conclusion

While implementing a successful tenant marketing referral program isn't easy, it's a worthwhile investment in growing business. By leveraging the power of word-of-mouth, you can make sure that more people are aware of your brand than ever before.

Dhiraj Nallapaneni is a Product Marketing Writer for Birdeye. He writes content on how businesses can be found online, be connected with customers, and be the best with customer surveys.

Birdeye is an all-in-one customer experience platform that provides businesses with the tools to deliver great experiences at every step of the customer journey. More than 60,000 businesses of all sizes use Birdeye every day to be found and chosen by new customers, be connected with their existing customers, and deliver the best end-to-end customer experience.

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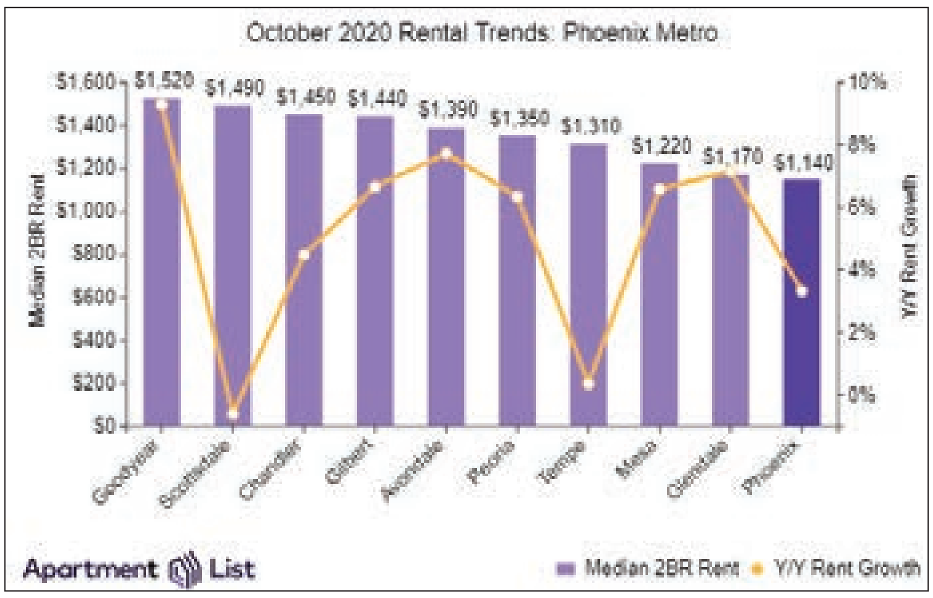

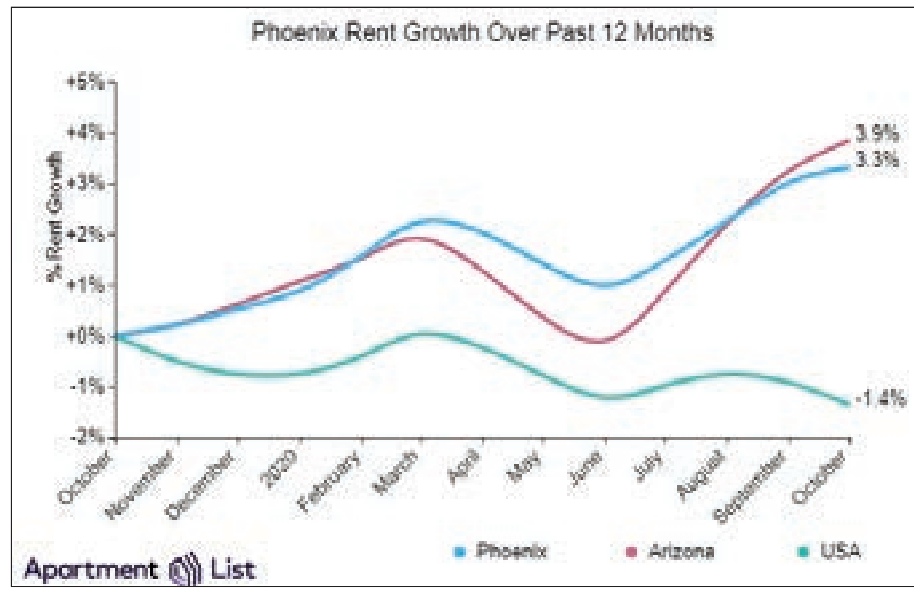

Arizona Rents Climb

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area.

Of the 10 largest cities in the Phoenix metro, nine have seen continued rent increases.

East Valley rents growing

Chandler rents were also up for the fourth straight month, by 0.1 percent, and showing a strong 4.5 percent year-over-year rent growth. Median rents in Chandler are $1,275 for a one-bedroom apartment and $1,448 for a two-bedroom.

Gilbert continues to be the East Valley leader, with rents up 6.7 percent year-over-year and increasing another 1.4 percent in October. Median rents in Gilbert are $1,239 for a one-bedroom apartment and $1,440 for a two-bedroom.

Mesa rents were not far behind Gilbert's in terms of growth, showing a strong 6.6 percent year-over-year increase with another 0.4 percent increase in October to also tally the fourth straight month of rent increases.

Scottsdale is the only major city in the metro showing a rent decline. While Scottsdale rents are down 0.6 percent year-over-year, they have recently increased. Scottsdale rents have increased 0.7 percent over the past month, again recording four straight months of rent increases.

Tempe rents have increased 0.3 percent over the past month and generally held steady over the past year. Median rents in Tempe are $1,097 for a one-bedroom apartment and $1,311 for a two-bedroom.

West Valley rents booming

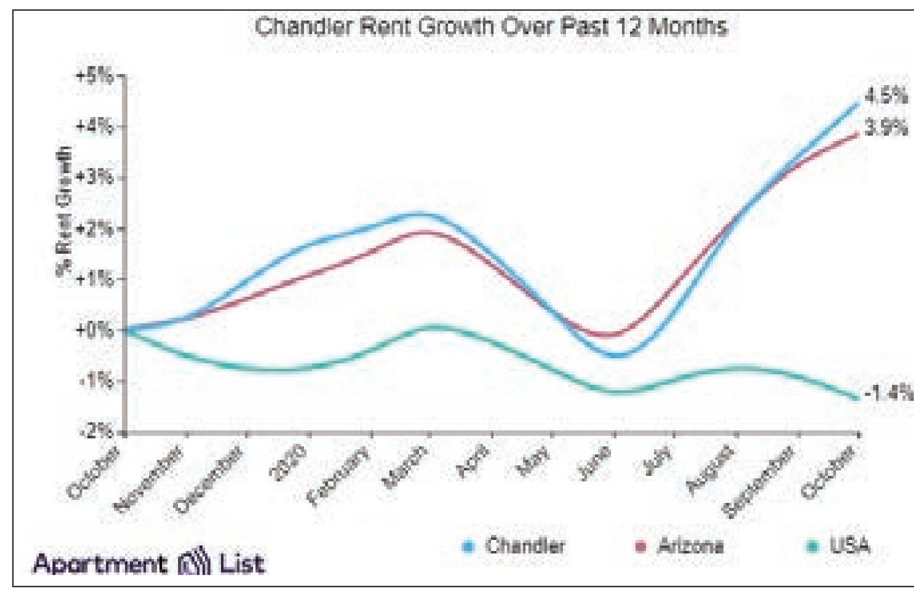
Avondale rents show some of the strength of the West Valley and are up a strong 7.7 percent year-over-year and showing a 0.7 percent increase over the past month. Median rents in Avondale are $1,192 for a one-bedroom apartment and $1,387 for a two-bedroom.

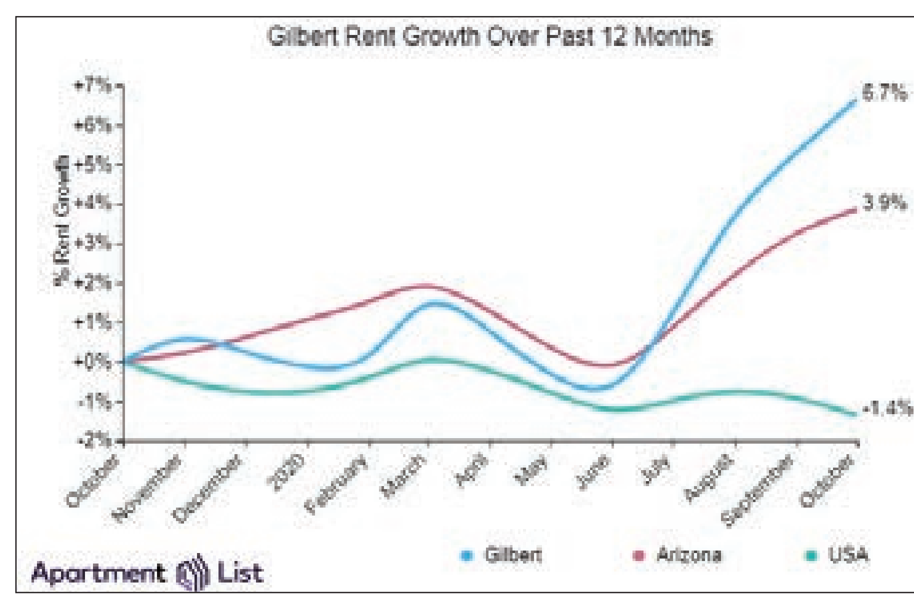
Goodyear is the star of the West Valley with rents jumping 9.3 percent year-over-year and increasing again in October by 1.7 percent. Goodyear has seen six straight months of rent increases. Median rents in Goodyear are $1,200 for a one-bedroom apartment and $1,523 for a two-bedroom.

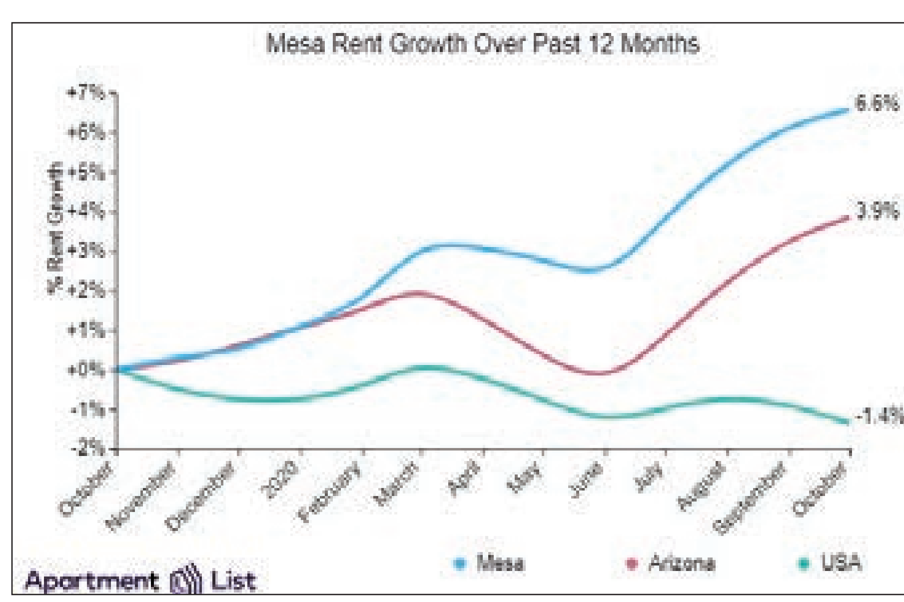
Glendale has seen five straight months of rent increases and now shows a 7.1 percent increase year-over-year and a 1.3 percent increase over the past month. Median rents in Glendale are $926 for a one-bedroom apartment and $1,170 for a two-bedroom.

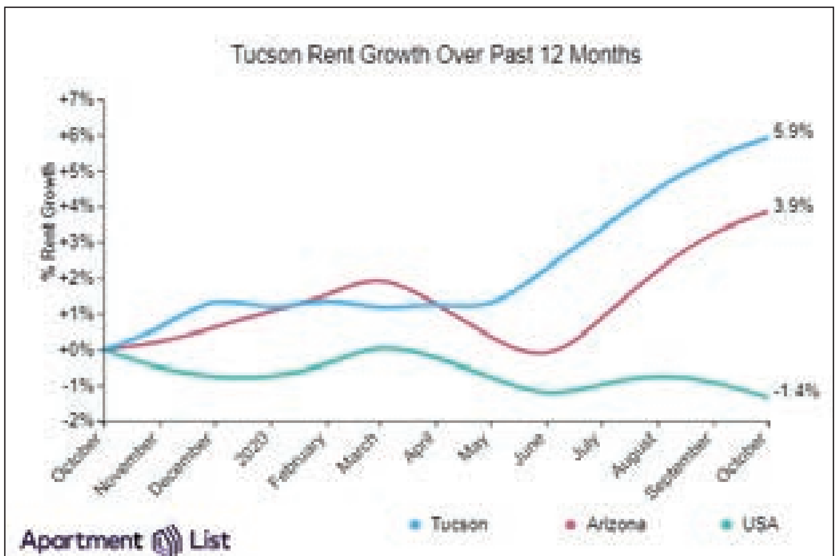
Peoria continues the West Valley's rent-growth pattern, showing a 6.3 percent year-over-year rent increase and a strong 1.7 percent increase over the past month. Median rents in Peoria are $1,294 for a one-bedroom apartment and $1,347 for a two-bedroom.

Surprise rents are up 5.2 percent year-over-year and showed a strong increase in October, jumping 2.1 percent for the month. Current median rents in Surprise are $1,228 for a one-bedroom apartment and $1,438 for a two-bedroom.







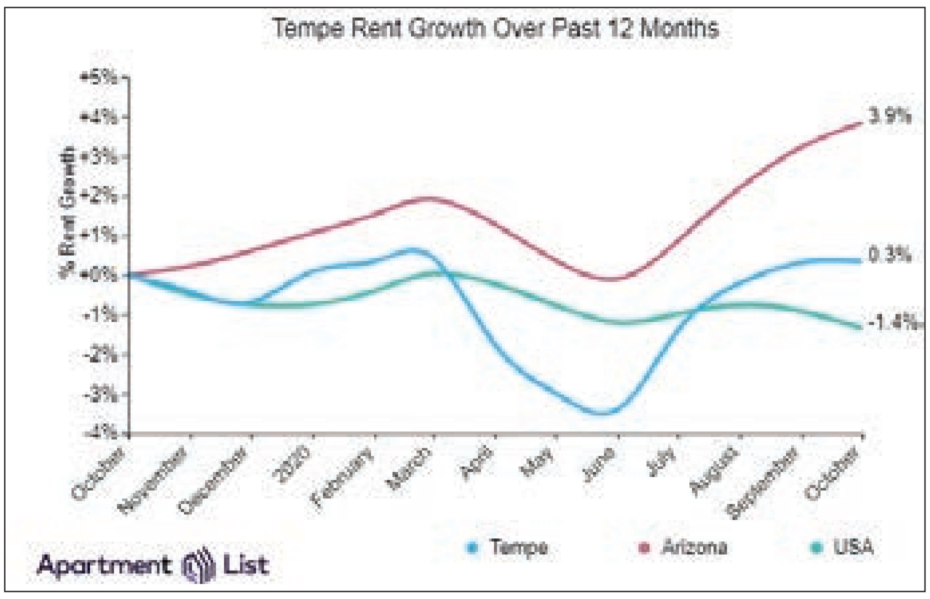


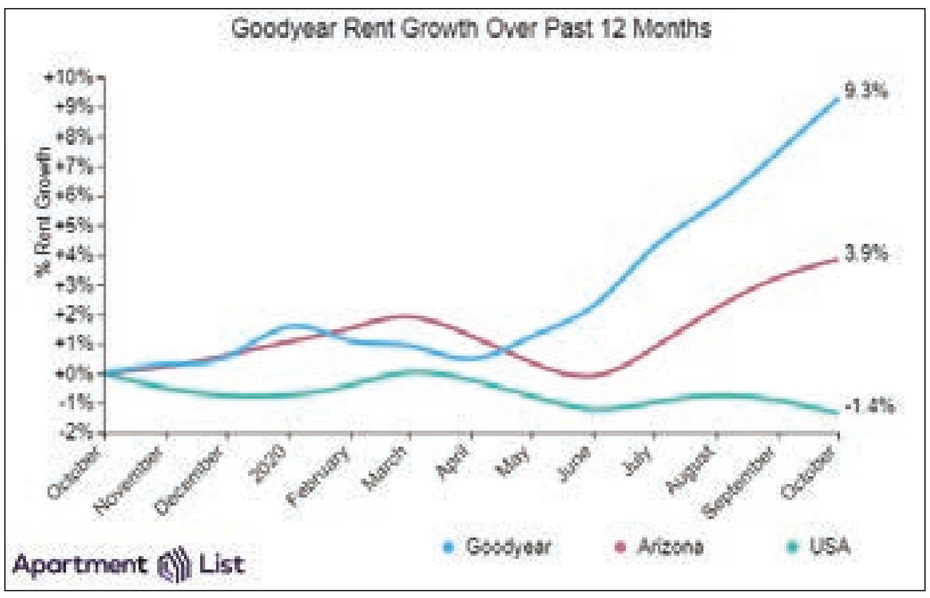
7 Months of Growth in Tucson

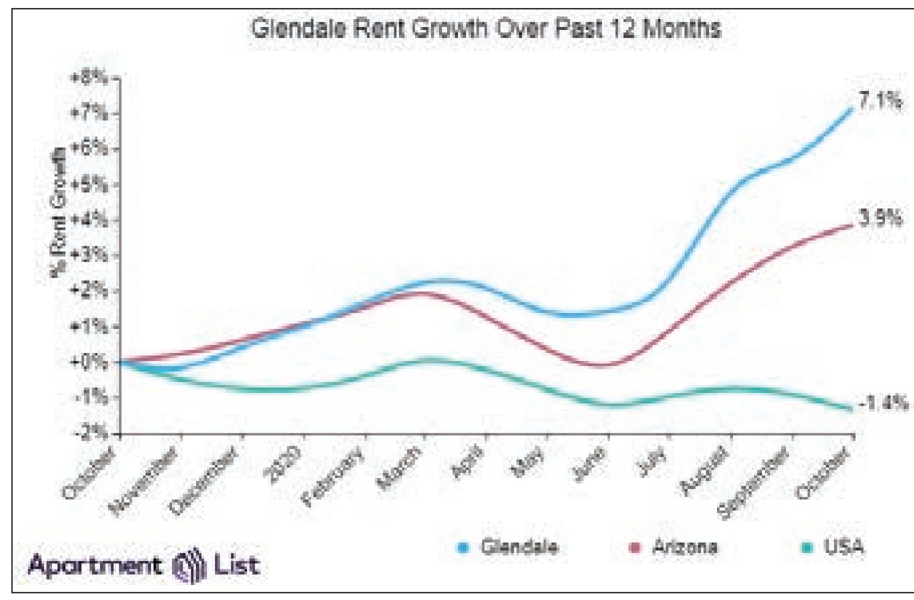
Tucson rents have increased for seven straight months, and are up a strong 5.9 percent year-over-year according to the latest report from Apartment List.

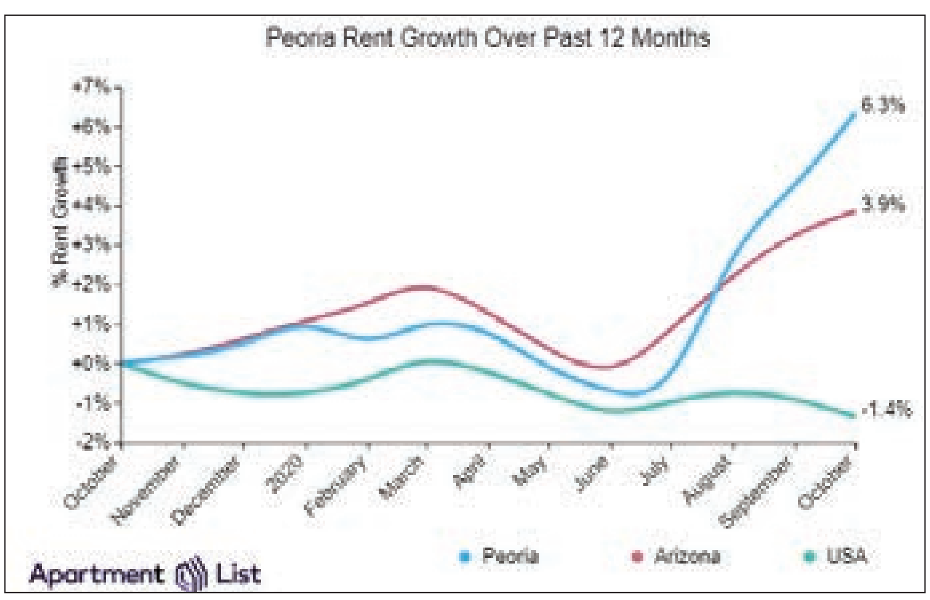
Over the past month, rents increased 0.6 percent.

Currently, median rents in Tucson are $805 for a one-bedroom apartment and $1,076 for a two-bedroom.









City	Median 1BR Rent	Median 2BR Rent	M/M Rent Growth	Y/Y Rent Growth
Phoenix	$940	$1,140	0.3%	3.3%
Mesa	$1,060	$1,220	0.4%	6.6%
Chandler	$1,270	$1,450	1%	4.5%
Glendale	$930	$1,170	1.3%	7.1%
Scottsdale	$1,260	$1,490	0.7%	-0.6%
Gilbert	$1,240	$1,440	1.3%	6.7%
Tempe	$1,100	$1,310	0	0.3%
Peoria	$1,290	$1,350	1.7%	6.3%
Avondale	$1,190	$1,390	0.7%	7.7%
Goodyear	$1,200	$1,520	1.7%	9.3%

Phoenix Seen as Both Affordable, Tax-Attractive

Continued from Page 1

"You look at commercial and you look at retail and if you're a real estate deployment fund of any kind, and you've been buying retail, you're not buying it probably right now. Or, your strategy certainly changed (to) commercial too. Don't know how to underwrite. Don't know what the occupancy levels are going to be. We're already seeing a shift into even more demand into the industrial and multifamily spaces."

LePage said the other thing she is seeing is that in New York, California and some other states, collections have not been as strong.

"For more certainty, you're seeing a shift in that demand is even more so coming into places like Phoenix. I've seen that in the open-market bidding, for sure. I think between the job market and affordability, Phoenix has performed incredibly well with respect to collections.

"The only worry I have is whether or not I'm going to be able to afford to keep buying there because people with a lot cheaper equity are coming in to compete. That's what we're seeing," LePage said.

How Did You Get Started?

Coming from Canada, LePage says she now considers Phoenix "our homeland."

"I actually bought my first two investment homes in Phoenix during what I thought was a great market in 2008. The dollar was at par," she said. Living in Vancouver, Canada, at the time, you couldn't find "cash flow. The concept of cash flow didn't exist."

In 2008, even in the recession, "the fundamentals of Phoenix even at that time were strong," she said. "We didn't realize how much more of a recession was going to come to be.

"Those didn't end up being the two best investments that I made. But I was spending a lot of time down there. I started flipping auction homes and I did that for two years while I worked full-time. Then I bought my first apartment building in Phoenix. "How much can you own up here in Canada?" she asks.

She said Phoenix has always been her favorite city in which to invest, and in early 2014, she left her corporate position and went forward just buying multifamily properties. The company expanded outside Phoenix in late 2016 and early 2017. It now owns 78 multifamily properties; in addition to Phoenix, they are located in Houston, Dallas, Atlanta, and San Antonio.

Launch of the business

LePage said that up until a recently, the company only used third-party property management. But in May, they launched Western Wealth Communities, their own property-management company, and now a third of their portfolio is managed by that company. Western Wealth Capital still uses third-party management for the other properties.

"I believe technology is such a big part of the future of property management. Quite frankly, technology's very archaic in the property management industry. COVID has basically propelled that forward five years."

LePage said that such things as the concept of virtual tours, contactless leases and paying by text became necessities because of the pandemic. She said the evolution was a priority because of limitations of some of the property-management companies they worked with.

"We're able to remake it with today's technology from top to bottom. I have seen huge value in the capabilities presented to us" due to the pandemic.

"Quite frankly, it should have changed a long time ago. The idea that you have to meet somebody during banking hours, Monday to Friday" to then tour a place to rent and print out paper to sign, "it's not how the world works. Yet we're still doing it in general terms in the property-management industry," LePage said. "It wasn't to change everything, but it's certainly been a really good learning (experience) and we've seen great value in those technologies."

When asked what LePage sees as the biggest challenge today in property management, she noted that the answer is different depending on whether you look at it from the owner's side and the property-management side.

"As an owner, I would make different decisions than I would from the perspective of a property-management company," LePage said. "Because both of you are paid differently. Multiple times I've crossed the bridge with property-management relationships" with the question, "How do we align this?

"Because you taking a fee (as a property-management company) versus what our NOI (net operating income) is, are two totally different drivers, and neither is wrong, but they actually don't align. They just don't, because the real wealth that my company and my investment partners make, isn't the cash yield in that given year. It's the value change in the overall property."

She said having a good relationship with a property-management company certainly helps because "it's a lean business. It's a margin business. There's not a ton of margin in there to make. We didn't bridge that with the relationships we had. We had tight ones that understood it, but we never solved the complete alignment with it. I think that if property-management companies could get there that would be a huge win, a huge one."

Property managers are heroes today

One thing the pandemic has also made LePage more aware of is property-management employees. She said property management companies must advocate for their employees.

"If a decision was made to close an office, because they thought that was best, was it best for the owner? There's that trade-off, right?"

Another point she made is to look at the core competencies of relationships, knowing no one company can do it all. Some are better at some pieces, such as sales, but not all the elements of property management.

"Of course a company says it can do it all, but none of us are built that way. As we're taking over our management, I'm not doing it on certain assets, unless that's a core competency of ours. We have different diversified reasons for doing it."

LePage said the hardest thing about property management is that "you have to wear your heart and your sword on the line at the same time."

As to the property managers having to collect rent during the pandemic: "I mean, they're heroes in my mind. The employees on site every day, they're heroes, because (a) it's scary, (b) it's sad, and (c) they still need to collect rent. It's this misconception that somehow, just because you're an apartment building, there's a ton of money there. It's not, it's leveraged by debts and expenses. Like the margin is tiny, but to go out and face that every day, that's a challenge.

"I have so much respect for everyone who does it. So that's been a big part of being an owner is recognizing - even though they're not our employees- they're still in my eyes, they're still part of our team and recognizing them and motivating them is important because it's really hard."

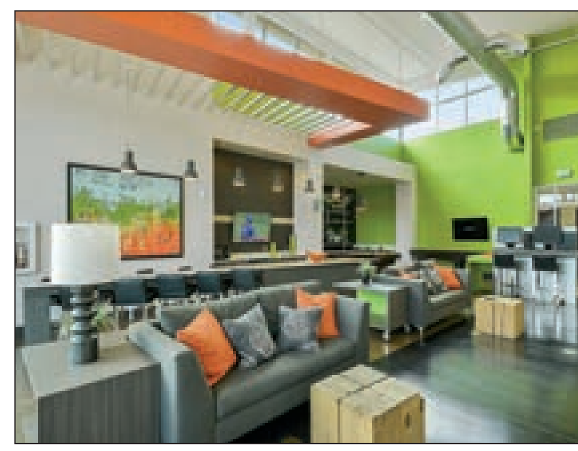
She said her company tries hard as owners to let property managers know they are appreciated. "We recognize them and we buy lunches and gift cards. I've had people say, 'For 28 years, I've never had an owner recognize me or know my name.'

"And I think to myself, that's the easiest thing I could do to drive value for my company, or my asset, is if they go that bit above and beyond. It's can be astronomical to the value of my company, like fixing the plumbing problem and caring enough to not call the plumber."

Janet LePage is the co-founder and CEO of Western Wealth Capital. For the past decade, she has been focused on creating wealth through well-selected real estate investments. She has grown her precise business strategy from more than 50 residential transactions in Arizona to the purchase of multifamily buildings. Under LePage's leadership, WWC has acquired 70+ multifamily properties, comprising more than 16,000 rental units, with a transactional value of more than $2.3 billion. In 2019, Janet was recognized in Canada's Top 40 Under 40 for Business and RBC's 2019 Canadian Female Entrepreneur of the Year.

Western Wealth Capital Acquires 659-Unit Community in Tempe

Rental Housing Journal



Western Wealth Capital (WWC) has acquired Onnix, a 659-unit apartment community in Tempe at 1500 E. Broadway Road, the company said in a release.

Onnix was built in 1984 and features 38 apartment buildings, in addition to abundant parking.

The community offers studio, one- and two-bedroom apartments with vaulted ceilings, oversized closets, private balconies or patios, granite countertops in kitchens, wood-style flooring and stainless-steel appliances.

Onnix amenities include four resort-style pools with hammocks, barbeque grills, cabanas, a clubhouse featuring a full kitchen, large-screen television, full-size pool table and shuffleboard, as well as a sauna, dog park, yoga studio, tennis courts and sand volleyball courts.

"One goal of this acquisition is to add value to the community as we maximize returns for investors and create an even better place to live for residents. Upgrades are planned for the property's common areas to heighten their usability and desirability, which is part of the partnership's focus on community engagement and resident programs," said WWC CEO Janet LePage. "We are thrilled to add Onnix to our growing national portfolio."

The acquisition also marks WWC's 54th acquisition in the Phoenix market. "We continue to acquire multifamily communities in the Phoenix area as the Valley has been a key market for WWC for many years," added LePage.

5 Rental-Property Management Mistakes to Avoid

Keepe

Managing a rental property can be challenging even for the most experienced property managers. As a property manager, you need to ensure that your tenants, workers, contractors, and your properties are in good shape.

If you are a property manager managing 1 or 100 rental properties, here are five rental-property management mistakes that you want to avoid.

No. 1: You Don't Have A Screening Process in Place

As a property manager you are most likely to deal with all kinds of tenants.

When you rent your property to a destructive or troublesome tenant, you are sure to lose money and deal with problems every day. One sure way to save yourself of these issues is to have a detailed formal tenant-screening process that helps you select the right kind of tenants for your rental.

No. 2: You Don't Have A Reliable Contractor When Issues Happen

Your tenants want the best service and quick solutions to their maintenance problems.

Not having a dedicated and reliable handyperson you can call immediately will likely affect your tenant satisfaction and retention rates.

As a property manager, you should have a list of reliable contractors for specific types of property-maintenance issues.

No. 3: You Don't Have A Maintenance Schedule

Most property managers wait until the appliances in their property develop faults or cause damage before doing maintenance.

Not only does this delay aggravate the repair issue, you may be face with constant crises. As a property manager seeking to offer your tenants the best service, you should have a dedicated monthly or quarterly maintenance schedule.

Do a monthly maintenance check of your property alarms, electrical fittings, and outdoor landscape. By being proactive in your property maintenance, you keep your tenants satisfied and your home safe from sudden equipment breakdown.

No. 4: You Don't Understand How To Attract New Tenants

Just as with any other businesses, managing a rental property requires that you market your property aggressively to attract new renters.

You need to understand what potential renters are looking for and what attracts new renters.

An easy way to do this is to create a profile of the neighborhood where your rental property is located and make a list of the amenities, economic activities, recreational centers, and the type of schools. This will help you target the right potential renters during your marketing process.

No. 5: Your Management System is Still Paper-Based

Shockingly, many property-management companies' systems are purely paper-based, with little or no influence of technology.

Not only does it make the process unorganized, it also leaves room for failure. As a property manager, you should adopt more technology in the day-to-day running of your properties to save you and your tenants' time.

And with the coronavirus pandemic, there has never been a better time to make the switch. Property managers are beginning to adopt online showings of their properties to potential renters.

Potential tenants can now pay rent online, tour houses, and electronically sign lease agreements without the need to physically visit the property.

Conclusion

As a property manager, it is important that you satisfy your tenants and keep your rental properties in great condition. By having a dedicated maintenance schedule, you save not only money but improve the safety of your rental.

Most importantly, having a reliable contractor on call to handle your rental repair issues will help in increasing your tenant satisfaction rate.

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.

Pandemic Policy Responses Could Increase Rent Regulation

National Apartment Association Expects More State Legislatures to Act

National Apartment Association

Government policy response to the pandemic has also created the conditions for the spread of rent regulation such as rent freezes and rent cancellation in many places, the National Apartment Association (NAA) writes this month.

The NAA says they expect more state legislatures to propose rent regulation on an emergency basis, opening the door for consideration of more permanent legislative changes.

At the state and local levels, several jurisdictions have considered or enacted temporary rent-freeze or rent-cancellation policies during COVID-19. California and New York have seen rent-cancellation bills introduced and gain some support. Washington State, Los Angeles, Washington, D.C., and Baltimore, Howard County, and Salisbury in Maryland have passed temporary rent freezes through the end of their local emergencies, via either executive order or city council ordinance. The Massachusetts legislature is considering similar legislation that would allow cities and towns to implement a rent freeze or rent control for the duration of the state and federal state of emergency declarations due to COVID-19.

"The economic effects of COVID-19 have spurred policymakers at all levels of government to employ eviction moratoriums of varying lengths to protect renters, particularly those of low- or moderate-income, from displacement," the NAA writes.

"While these restrictions have largely achieved that aim – at the expense of the rental-housing industry – the results are merely temporary and have led renters to accumulate large amounts of debt that, based on past industry experience, will never fully be repaid.

"Unpaid rent will eventually come due and, when it does, renters who have not received rental-assistance dollars will be on the hook. In response, renters' rights advocates have promoted various types of rent regulations as one of a group of policies intended to protect renters from eviction and displacement."

Housing is healthcare argument

The NAA cites as an example Our Homes, Our Health, a renter advocacy group that has been pushing for drastic policy changes to protect renters during COVID-19, leaning on the argument that "housing is health care."

Recently, these advocacy groups have begun using a "price-gouging" argument to push for removing rent-control preemptions and passing rent-cancellation legislation.

"They contend that COVID-19 and the economic instability it has wrought necessitates regulating rent increases to prevent widespread displacement. With additional aid from Congress looking increasingly unlikely until at least after the election, policymakers could see aggressive rent-regulation policies as a low-cost option for cas- strapped jurisdictions searching for ways to protect vulnerable renters.

"While there are only six states that have either enacted statewide rent regulation or allow for local rent regulation, price-gouging laws are much more common, with 36 states having such laws on the books. Generally, price-gouging laws prohibit the sale of "necessities" for an excessive price during state and local emergency declarations. COVID-19, and the substantial job losses that have resulted, has bolstered the case for making it more explicit that housing is a necessity covered by price-gouging measures or going a step further, enacting even more stringent rent-regulation laws," the NAA writes.

Advocacy Strategy

To help combat the ongoing push for increased rent regulation, the rental housing industry will have to use multiple tactics and messages. One example is to articulate the pivotal role apartment properties play in supporting municipal tax bases. Nationwide, apartments contribute $58 billion in taxes to the local economy each year. Cities across the country are facing massive budget shortfalls from the COVID-19 pandemic, increasing the importance of these tax contributions.

Continuing to push for the funding of rental-assistance programs will also be crucial to staving off rent-regulation policies. If designed appropriately, these programs support struggling renters and housing providers equally and preserve tax contributions and the 17.5 million of jobs supported by the rental-housing industry, reducing the perceived need for rent regulation.

Like eviction moratoriums, rent control and other rent-regulation policies fail to address the ongoing housing and financial instability of renters. Eviction and rent restrictions will only exacerbate the housing-affordability crisis by placing increased financial pressure on housing providers, especially small mom-and-pop owners who operate much of the nation's naturally occurring affordable housing. Balanced housing policy is needed to address the supply and demand imbalance that inflates rents and facilitate the construction of more housing at affordable price points.

To learn more about rent regulation, please contact Alex Rossello, Manager of Public Policy or visit the Rent Regulation Policy Page on the NAA website. For more information on the newest research tools on rent regulation and eviction moratoriums from NAA's research team, please contact Leah Cuffy, Research Analyst.

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