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Denver Rents Decline — Again

Trends Vary Across the Metro Region

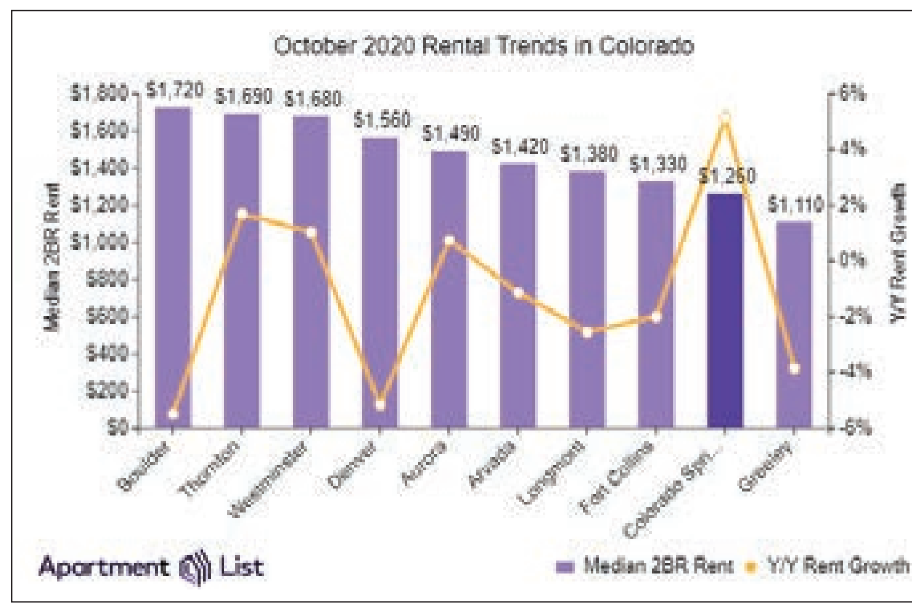
Rental Housing Journal

Denver rents have declined 0.8 percent over the past month, and have decreased sharply by 5.2 percent year-over-year, according to the most recent report from Apartment List.

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

Currently, median rents in Denver are $1,277 for a one-bedroom apartment and $1,564 for a two-bedroom. Denver's year-over-year rent growth lags the state average of -1.7 percent, as well as the national average of -1.4.

"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 at 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," Salviati said.

See 'Rent' on Page 5

Management Mistakes You Should 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.

1. No Screening Process

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.

2. No Reliable Contractor

Your tenants want the best service and quick solutions to their maintenance problems. Not having a

See '5 Mistakes' on Page 6

How 2020 Can Positively Affect Your Assets in the Coming Year

By David Pickron

As an early adopter of new technology, I was so excited when MapQuest became mainstream in the early 2000s. After having worked as a process server for about 10 years at thet time, I knew my way around my home city of Phoenix fairly well. But with this new technology I felt that I could work faster and smarter than anyone else out there. I began relying on the directions provided by this service, setting aside my hard-earned knowledge of a growing metropolis. Like anyone who has relied wholly on a mapping software, I soon found myself becoming an expert "U-turner," as I was often off-

See 'How' on Page 6

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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.

Sponsored Content

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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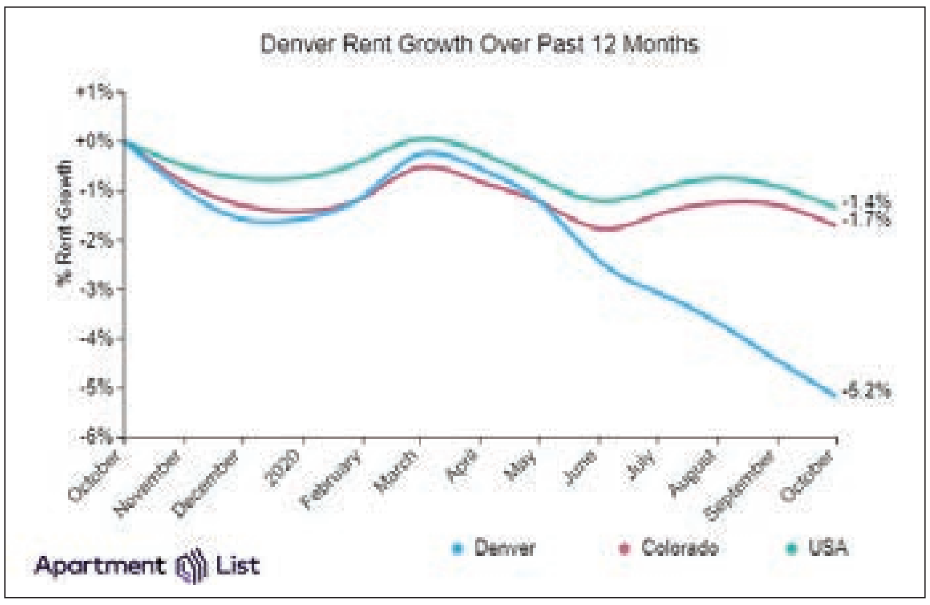
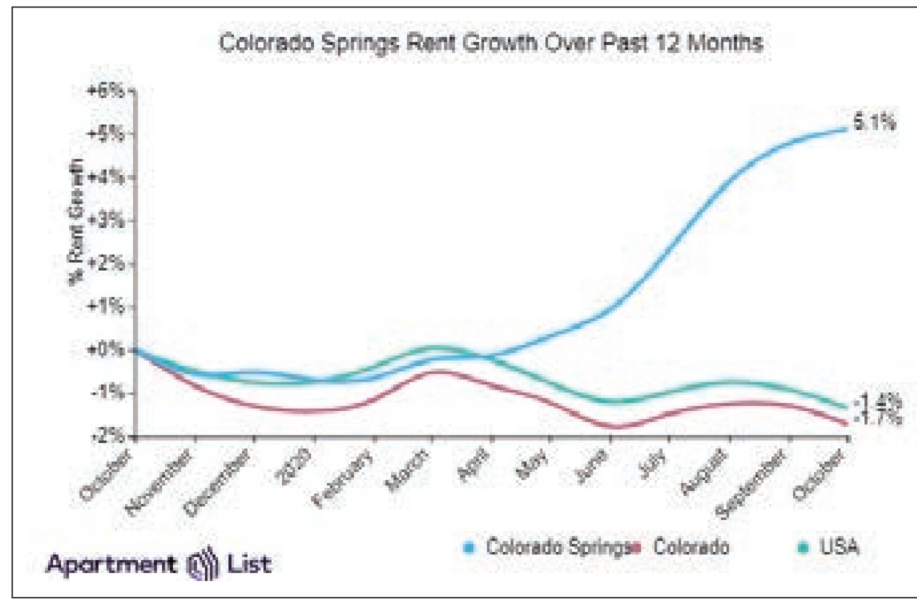




Rent Trends Vary Across Denver Metro Area

Continued from Page 1

While rent prices have decreased in Denver over the past year, the rest of the metro is seeing varying rent trends.

Of the largest 10 cities that Apartment List has data for in the Denver metro, half have seen increases, while the other half have been decreasing.

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

- Over the past year, Denver proper has seen the biggest rent drop in the metro.
- Thornton has seen the fastest rent growth in the metro, with a year-over-year increase of 1.7 percent. The median two-bedroom there costs $1,693, while one-bedrooms go for $1,493.
- Arvada has the least expensive rents in the Denver metro, with a two-bedroom median of $1,424; rents fell 0.1 percent over the past month and 1.2 percent over the past year.
- Lone Tree has the most expensive rents of the largest cities in the Denver metro, with a two-bedroom median of $2,048; rents were up 0.2 percent over the past month but fell 1.3 percent over the past year.

Colorado Springs rents increased again over the past month

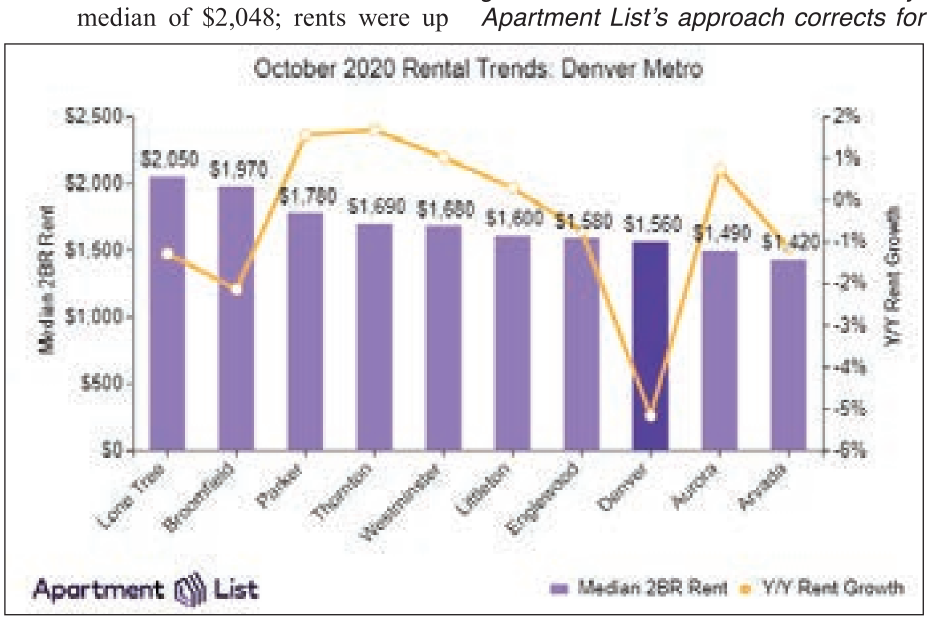
While Denver rents have been falling, Colorado Springs continues to see rent growth.

Colorado Springs rents have increased 0.3 percent over the past month, and have increased significantly by 5.1 percent in comparison to the same time last year.

Currently, median rents in Colorado Springs are $991 for a one-bedroom apartment and $1,257 for a two-bedroom. This is the ninth straight month that the city has seen rent increases after a decline in January.

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

City	Median 1BR Rent	Median 2BR Rent	M/M Rent Growth	Y/Y Rent Growth
Denver	$1,280	$1,560	-0.8%	-5.2%
Aurora	$1,180	$1,490	-0.4%	0.7%
Thornton	$1,490	$1,690	1.2%	1.7%
Arvada	$1,140	$1,420	-0.1%	-1.2%
Westminster	$1,370	$1,680	-0.3%	1%
Broomfield	$1,630	$1,970	-0.4%	-2.1%
Parker	$1,570	$1,780	-0.3%	1.5%
Littleton	$1,200	$1,600	0.2%	0.3%
Englewood	$1,020	$1,580	0.6%	-0.8%
Lone Tree	$1,650	$2,050	0.2%	-1.3%



How 2020 Can Benefit Your Assets in 2021

Continued from Page 1

course.

Off-course may be the perfect term to sum up 2020. But like any challenging circumstance, it does give us the time to pause and reflect on what we learned and how that will serve as a guide moving forward.

As a serious investor, I spend a good part of my end-of-year review with my wife (who runs our investments) analyzing our current situation and then creating a plan for the next year.

Below are two of the key areas that we analyze annually and recommend focusing on as you look to a new year and new opportunities.

Acquire, Sell, or Hold Steady

If there were ever a year where we may have felt like throwing our hands in the air and selling everything, 2020 fits the bill: COVID-19, the loss of income and resulting inability for some of our renters to pay, and eventually an eviction moratorium mandate from the federal government.

Hard times call for hard decisions. Your analysis in this area must involve thoroughly reviewing each of your properties and devising a game plan specific to each one.

As an example, after one of our review and planning sessions five years ago, we made the decision to acquire some short-term rentals. Being in Phoenix, we focused on winter visitors looking to escape the cold for three months.

We mapped out how and where we wanted to buy, considered if any of our current properties could work in this model, determined the platform we would use to advertise, and evaluated the ROI for this model versus traditional renting.

We executed our plan and eventually bought six homes and condos that worked well for winter visitors, but also have been filled year-round with other short-term renters. They have been great investments so far, generating four times more income than a traditional rental. But the big question is, will they be the same in 2021?

Pivot Usage Type

Continuing our story, due to COVID-19 our winter visitors are not booking like they have in the past. This has led us to a healthy discussion on how we can pivot the primary usage of our properties to ensure they are still income generators.

That discussion created a lot of questions:

- Is it time to convert these short-term rentals into more of a traditional model?
- What would we do with 6 washers and dryers, 18 beds, 8 couches, dining room tables and more?
- What happens next year if the rentals come back?
- Will that require $30,000 for furnishing those units again?
- Where is the market today in regard to new homes in a hot market like ours?

Answering those questions led us to decide to keep these properties as furnished short-term rentals, but to switch our focus to people who are between selling their existing home and buying a new one.

This decision then generated a whole slew of new questions, such as how would we find renters, what would we charge for rent, and how are these renters different from winter visitors? All valid questions that we are figuring out.

My next step is to visit the realtors in the new-home communities to let them know what I have available. Although this is a new strategy that pivots from where we were previously, I am confident it will work based on our analysis.

These are just two of the many topics we review in-depth each year. Every rental is unique and poses different challenges and opportunities.

Other Considerations

In addition to the two key areas we discussed, we also consider the following:

- **Location**: Is it time to sell or acquire based on what is happening in a certain market?
- **Tenants**: Are we happy with our current tenants or should we be looking for someone new?
- **Government regulations**: Are there changes that help or hurt our investments?
- **Improvements**: What does each property need to ensure it is desirable?
- **Taxes**: How do changes in state, county and city taxes affect our bottom line?
- **Vacancy**: What vacancy rate do we aim for to ensure short- and long-term profitability?
- **Policies**: Do we add, alter, or eliminate current policies to entice renters to stay or rent?

Performing this type of analysis will easily help you identify whether you are currently in the best position with your properties or if you need to change a few things.

These property-specific questions are great, but you also need to consider how you manage your property. Is it time to hire a property-management company, or can you continue doing it yourself? Are there available technology platforms that help you onboard tenants, manage, and collect rent?

No doubt there is room for adjustment or improvement in how we manage our properties.

Although 2020 has taken most of us into uncharted territory, investing the time to map out your 2021 goals will make you a better investor and manager.

After all, U-turns or adjustments are okay as long as they help us successfully reach our destination.

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.

5 Mistakes You Should Avoid

Continued from Page 1

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.

3. No 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.

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.

5. 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 with a network of hundreds of independent contractors and handymen Learn more about Keepe at https://www.keepe.com.

Total Q3 Job Postings in Apartment Industry (% of Real Estate Sector)

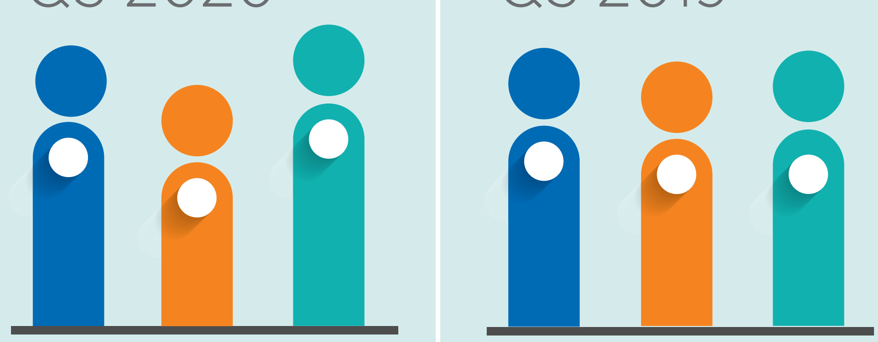
Q3 2020: **43.6%**

Q3 2019: **41.6%**

2014-2019 Average: **30.9**

Summary:
Nearly 44 percent of available real estate jobs in the U.S. were in the apartment sector during Q3 2020, exceeding the five-year average of 30.9 percent. Demand for multifamily talent was high as leasing momentum returned to normal levels. According to RealPage, net move-ins totaled 146,517 units in the third quarter.

Job Postings by Major Category (As a percent of all Apartment Jobs)



Q3 2020			Q3 2019		
26.9%	23.1%	28.8%	26.6%	25.3%	26.3%
Property Management	Leasing	Maintenance	Property Management	Leasing	Maintenance

Summary:
Maintenance talent was the most sought after during the third quarter and had the largest growth in demand, increasing by almost three percentage points. As more residents stay in their homes during the pandemic, the need for repairs and maintenance has increased significantly.
Note: Q2 2019 figures have been revised

Top MSAs* (As a percent of all U.S. Apartment Jobs)

Q3 2020		Q3 2019	
Dallas	5.6%	Dallas	5.9%
Los Angeles	5.1%	Los Angeles	5.3%
Washington, D.C.	3.3%	Washington, D.C.	4.2%
Atlanta	3.3%	Seattle	3.7%
Houston	3.2%	Phoenix	3.4%

Summary:
Dallas, Los Angeles, Washington, D.C, Atlanta and Houston were the leading markets for highest concentration of apartment job openings. RealPage reported that Dallas, Atlanta and Houston combined accounted for 17% of U.S. apartment absorption in the third quarter.

September 2020: % Apartment Jobs of Total Real Estate Jobs

Houston	57.2%
Dallas	55.4%
Austin	54.8%
Kansas City	54.0%
Columbus, OH	52.3%

Summary:
During September, major Texas markets including Houston, Dallas and Austin led the nation in available apartment jobs as measured against total real estate jobs.. Kansas City, Austin and Dallas ranked in the top 10 for most improved labor market conditions as of August.

Student Housing Job Postings** (% of all student job postings)

Top Cities**
(12 months ending September 30, 2020)

College Station, TX	2.8%
Columbus, OH	2.7%
Louisville, KY	2.2%
Chicago, IL	2.2%
Austin, TX	2.1%

Top Student Housing Job Titles

Leasing Consultant	7.6%
Property Manager	5.4%
Maintenance Technician	5.2%
Maintenance Supervisor	4.7%
Leasing Manager	3.5%

Summary:
During the past 12 months ending September 30, 2020, demand for student housing management professionals was highest in College Station, Columbus, Louisville, Chicago and Austin. Leasing consultants were in highest demand, representing almost 8.0 percent of all student housing job postings. Overall, the off-campus student housing sector remains resilient. Demand has been solid, mainly driven by students who prefer to live nearby their campus.

Competing Sectors (Highest Location Quotients)***

Apartments		Retail Trade		Hospitality	
Denver	2.7	Kankakee, IL	5.5	Savannah	2.7
Dallas	2.4	Greeley, CO	5.1	Reno	2.5
Seattle	2.4	Boulder, CO	3.1	Lubbock, TX	2.3
Atlanta	1.9	Waterbury, CT	2.9	Virginia Beach	2.2
Phoenix	1.9	Denver	2.8	Colorado Springs, CO	2.2

NATIONAL APARTMENT ASSOCIATION
Education Institute

Apartment Jobs Snapshot

Q3 2020

Strong Leasing Leads to Higher Job Demand

National Apartment Association Education Institute

A resurgence of apartment leasing activity during the third quarter of 2020 yielded a strong demand for skilled professionals, according to the latest jobs report from the National Apartment Association (NAA).

The NAA Education Institute's Apartment Jobs Snapshot showed job openings in the multifamily sector comprised nearly 44.0 percent of positions available in the real estate sector, surpassing the 5-year average of 30.9 percent.

Maintenance talent was the most sought after; with residents spending more time at home, the need for repairs and maintenance has increased significantly.

Dallas, Los Angeles, Washington, D.C., Atlanta, and Houston lead the nation for apartment job demand.

Leasing activity was also resilient in the student housing sector, as students are in search of housing near their campuses.

NAAEI's mission is to provide broad-based education, training and recruitment programs that attract, nurture and retain high-quality professionals and develop tomorrow's apartment industry leaders.

Common Skills (Percent of Jobs Requiring Skill)

	Apartments	Retail Trade	Hospitality
Specialized Skills			
Customer Service	32.0%	39.4%	27.0%
Sales	18.4%	37.7%	7.5%
Scheduling	15.6%	24.8%	17.8%
Baseline Skills			
Communication Skills	39.5%	33.2%	30.6%
Organizational Skills	28.4%	18.9%	18.8%
Detail-Oriented	22.1%	14.3%	14.8%
Teamwork/Collaboration	15.2%	14.6%	23.3%

Summary:
The apartment sector often competes with the hospitality and retail sectors for personnel with similar experience and skills. Customer service, communication, and organizational skills were among the most desired skills across all three sectors. Demand for talent in these sectors was most prominent in Colorado markets, indicating a highly competitive labor market.

Sources: NAA Research; Burning Glass Technologies; RealPage; Greystar student housing job postings as of October 14, 2020; Bureau of Labor Statistics

* MSAs with 100 or more apartment job postings.
** Cities with 75 or more job postings.
*** Location quotients show how concentrated demand is within a particular geography. US-wide average demand equals 1.0; an LQ of 1.2, for example, indicates 20% higher demand than the US average (or 1.2 times the US concentration).

Like many other parts of the country, Colorado's 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 Colorado residents.

Colorado has seen a sharp population increase, with 13.2% growth since 2010.

More than 717,000 Coloradans call an apartment home, with demand on the rise.

76% of extremely low-income renters spend more than half of their income on housing.

Between now and 2030, Colorado will need to build 7,178 new apartment homes each year to keep up with demand.

Legal Landscape

The state of Colorado preempts local municipalities from implementing rent control. According to Colorado legislation, "No county or municipality may enact any ordinance or resolution that would control rent on either private residential property or a private residential housing unit."

CONTINUE PREEMPTION

Rent control is an outdated concept. It benefits the very few.

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.com

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.