

Alternatives to Consider  
for 1031 Exchanges

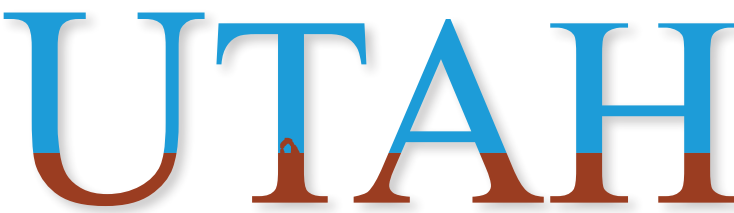
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## Highlighting Your Rental’s Most Sellable Features

### KEEPE

Each property has its own special features that make it unique, and it is these features that attract new tenants and therefore must be showcased in the best possible light.

While this can be tricky, there are ways to do it that don’t require outsourcing expensive professionals and a large budget.

In fact, these five ways to highlight the sellable features of rental properties will help you attract the right tenants easily.

### No.1: SHOWCASE THE SELLABLE FEATURES OF YOUR RENTALS

Quit focusing on what you don’t have, and highlight the amenities and features your apartment does

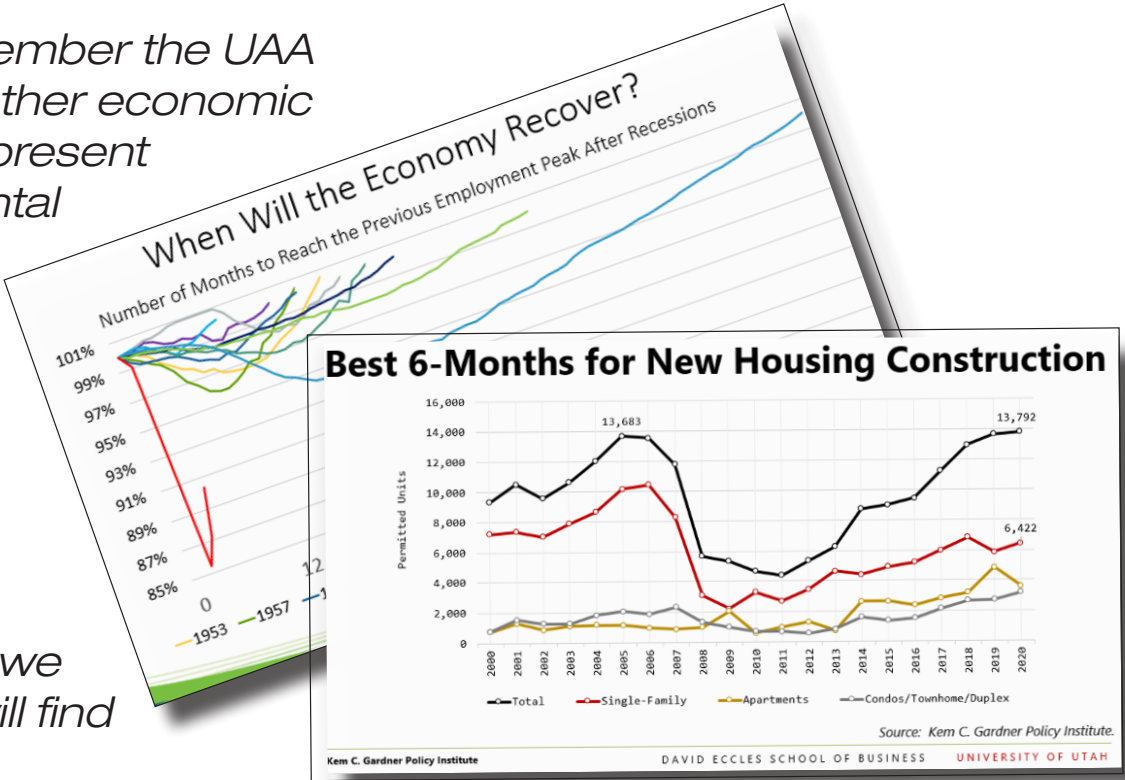
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# Utah’s Economy Recovering Faster Than the Nation’s

Every September the UAA brings together economic experts to present how the rental housing market and Utah Economy are doing. On Page 4 are information and charts we think you will find interesting.



# How Tenants’ COVID-Era Behavior is Predictor of 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.

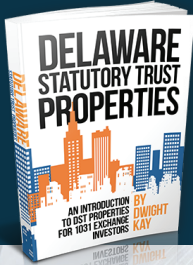
The lengthy purchasing process  
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# Three 1031 Exchange Alternatives

By Jason Salmon

Senior Vice President & Managing Director of Real Estate Analytics, Kay Properties and Investments, LLC

## 1031 Exchange Alternative #1 — Utilizing a 1031 exchange into DST 1031 properties:

Delaware Statutory Trust (DST) real estate has been a great way for investors to participate in passive, professionally managed real estate for their 1031 exchanges since the IRS enacted Revenue Ruling 2004-86 which effectively blessed the use of a properly structured DST 1031 investment as “like kind” for the purposes of a 1031 exchange. The DST investment structure of real estate ownership has given investors the potential to diversify across several property sectors, geographic locations and with various managers. For those that wish to focus on areas of life like family, hobbies and travel instead of dealing with tenants or just having to be constantly concerned with the value of hands-on real estate and the best time to sell, DSTs can potentially be the right thing at the right time.

## 1031 Exchange Alternative #2 — Utilizing a Qualified Opportunity Zone Fund in lieu of a 1031 Exchange:

Qualified Opportunity Zone Funds are relatively recent investment vehicles whereby investors can place capital gains (within a certain timeline of selling) into real estate investments. Through the Tax Cuts and Jobs Act, certain areas that have been mandated as Opportunity Zones according to the IRS as “an economically distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment.” It should be noted though, that Opportunity Zones are not necessarily used as a 1031 exchange, but rather another option in the case of a failed 1031 exchange or a potential tax-deferral tool for other investments with gains such as stock or the sale of a business.

## 1031 Exchange Alternative #3 — The 721 Exchange or UPREIT:

Many investors that want to do a 1031 exchange, but don’t want the hassle of day-to-day management, and/or want diversification—and with a working knowledge of Real Estate Investment Trusts (REITs) ask “why can’t I invest in these vehicles for my 1031 exchange?” Because of very specific guidelines for what is considered “like-kind” real estate, REITs are not eligible for 1031 exchange. However, through an UPREIT transaction which stands for Umbrella Partnership Real Estate Investment Trust, it can potentially be possible through a series of steps. With a 721 exchange, instead of a 1031 exchange, investors may exchange property for OP or Operating Partnership units in the REIT. This might be easier said than done since the REIT would have to want to bring the relinquished property in and all parties would have to agree on terms, but it’s possible. Investors should also consider whether the REIT is public or private and the likelihood that they would have interest in conducting another tax-deferred exchange going forward since that would not be possible once this type of transaction has been made.



### About Kay Properties and www.kpi1031.com

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# Utah's Economy Recovering Faster Than the Nation's

Every September the UAA brings together economic experts to present how the rental housing market and Utah Economy are doing. The following are info and charts we think you will find interesting.

**JOBS AND UNEMPLOYMENT**

Utah Unemployment Rate lowest in country at 5.5% vs 11.2% nationally.

In the COVID-19 shutdowns, Utah lost less jobs as a % than only one other state at 2% vs 7.5% nationally.

**HOUSING CONSTRUCTION AND DEMAND**

Since March, Utah has had the best six months for new home/apartment construction in history.

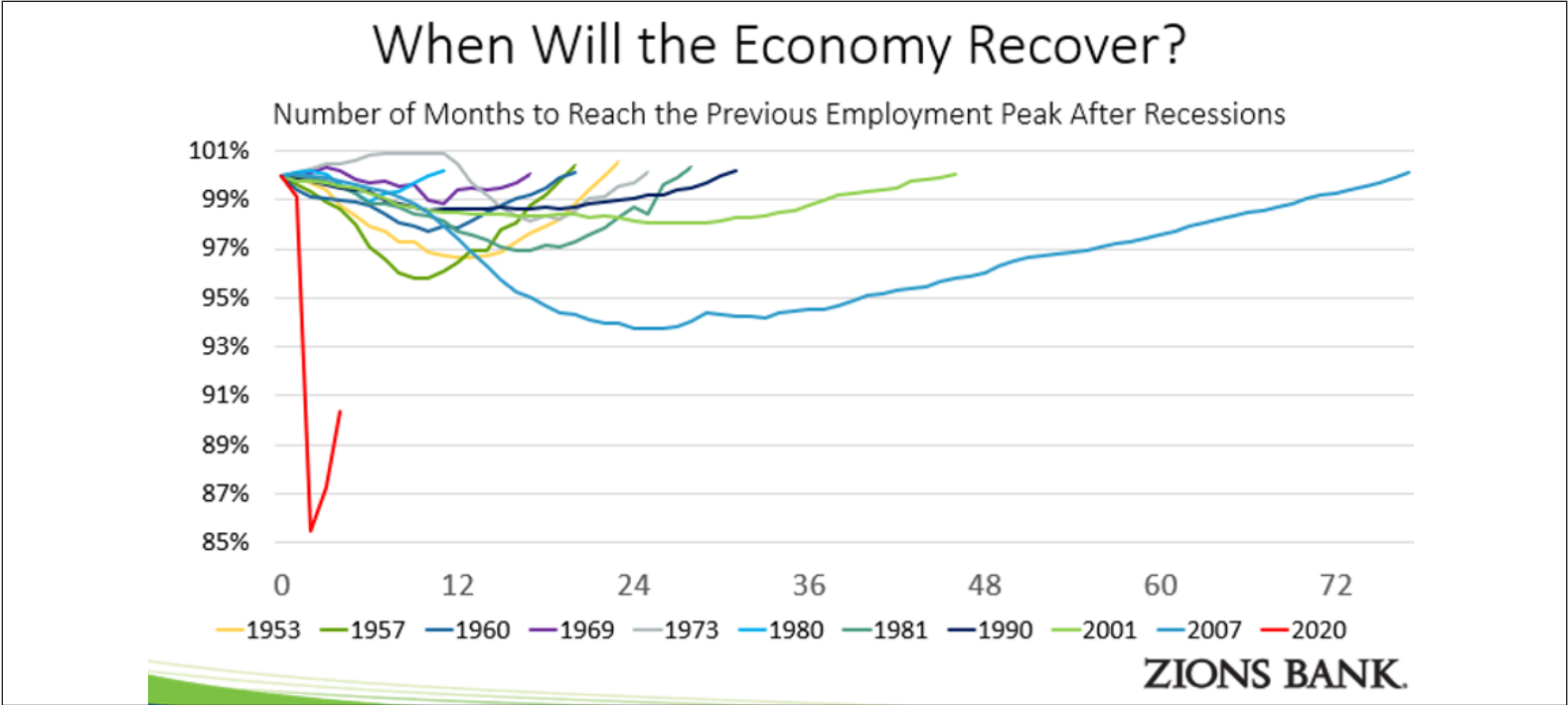
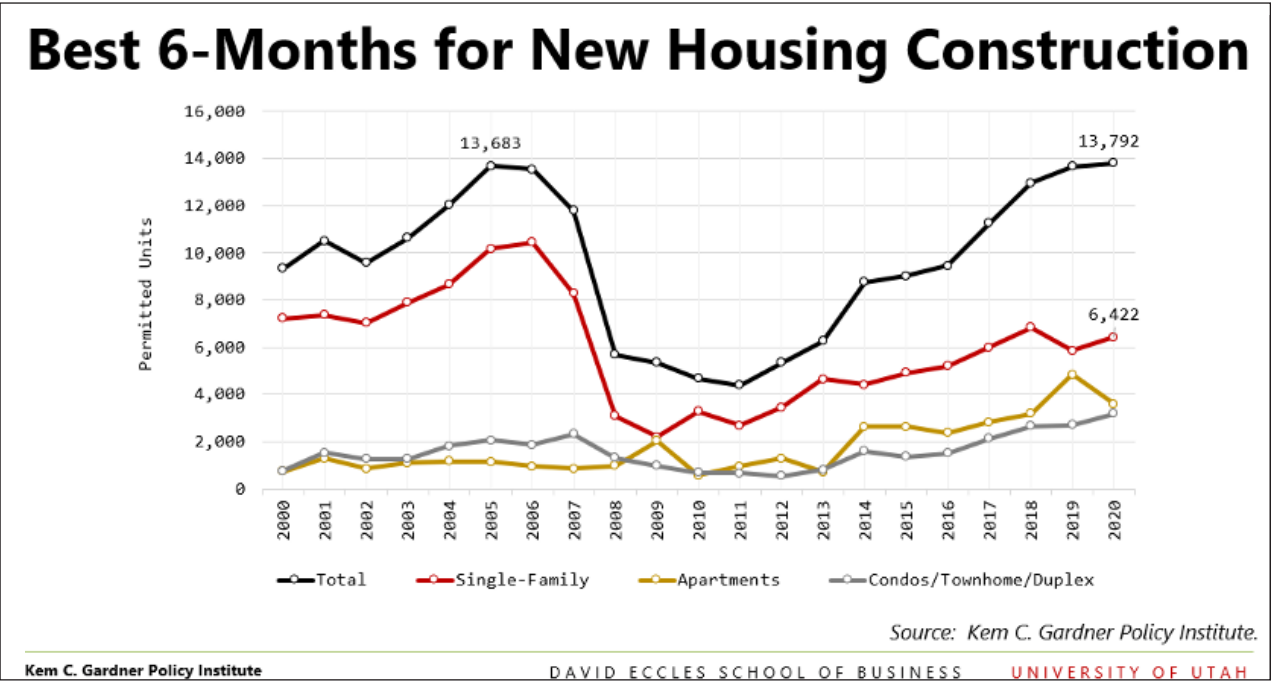
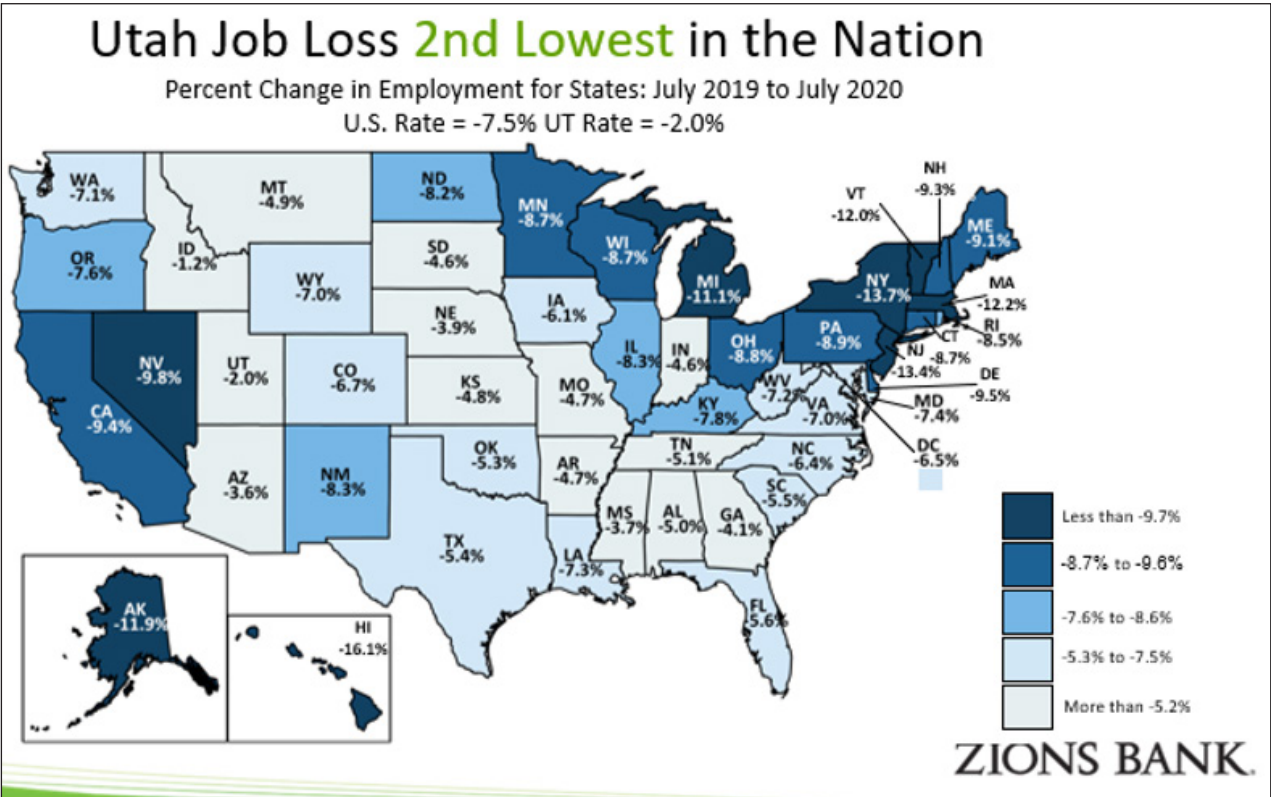
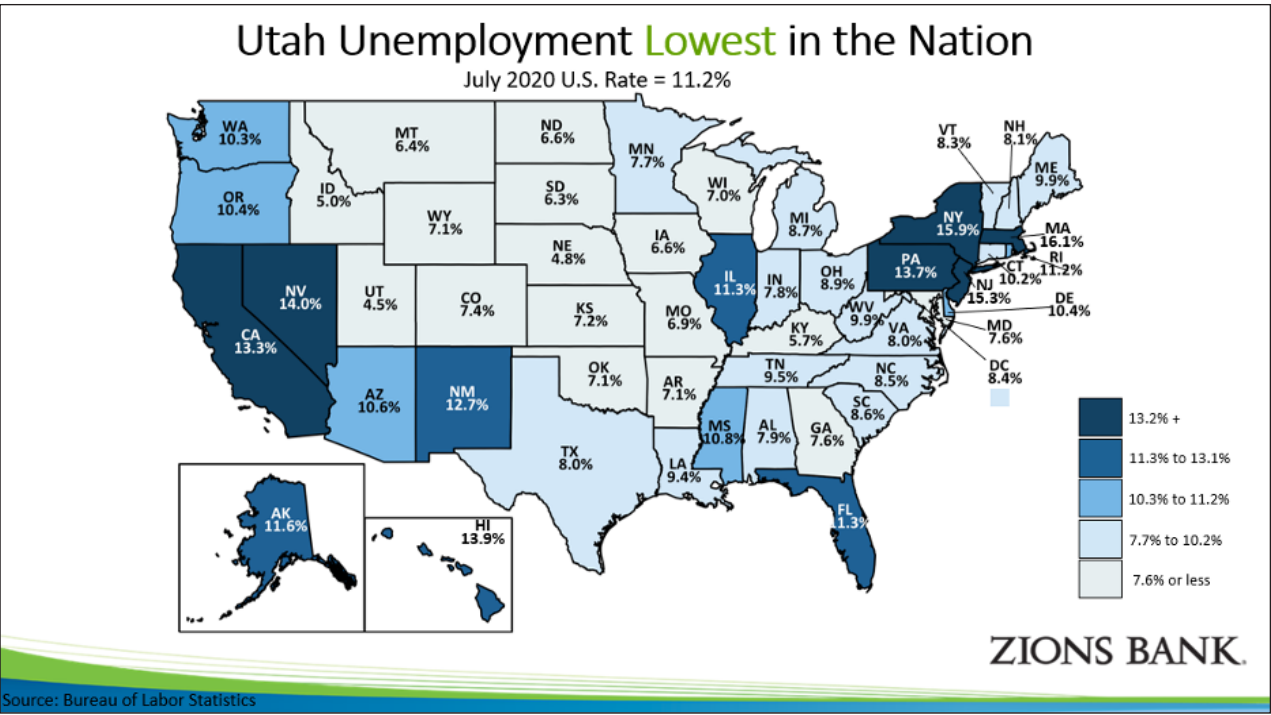
As a state we are still low 53,000 housing units, meaning more demand than supply which is driving production and prices.

**RECOVERY**

Those predicting a V shaped recovery have been right so far, particularly in Utah.

**SUMMARY**

Utah is recovering well, fastest in country and rental housing is in a good position due to the rental assistance we have received, a high rent collections rate due to low unemployment, and continued supply and demand imbalance.





# CDC Offers Clarification on Eviction Moratorium

## RENTAL HOUSING JOURNAL

Some guidance on frequently asked questions about the CDC eviction moratorium has been provided by the CDC, and the National Apartment Association (NAA) has provided a look at these questions and answers, according to a release.

The NAA had asked for the additional guidance from the CDC, which was provided in early October.

“There is no doubt that National Apartment Association’s (NAA) aggressive advocacy and legal efforts, including first-hand conversations with the Trump administration and the U.S. Department of Justice (DOJ), played a major role in this guidance.

“NAA voiced concern over the outstanding issues related to the federal eviction restrictions and requested specific supplemental guidance to help housing providers operationalize these confusing and sometimes conflicting mandates, which ultimately culminated in the CDC’s response. Though we continue to advocate against any extension or expansion of federal eviction restrictions, this significant development creates a path forward for the apartment industry,” the NAA said in the release.

CDC explanations and guidance:

- The CDC order is not intended to terminate or suspend the operations of any state or local court. Nor is it intended to prevent housing providers from starting eviction proceedings, provided that the actual eviction of a covered person for non-payment of rent does NOT take place during the period of the order.
- The order does not preclude a housing provider from challenging the truthfulness of the resident’s declaration in any state or municipal court. The protections of the order apply to the resident until the court decides the issue as long as the order remains in effect.



- Housing providers are not required to make their tenants aware of the order and declaration.
- To seek the protections of the order, each adult listed on the lease, rental agreement, or housing contract should complete and sign a declaration and provide it to the housing provider where they live.
- Covered people still owe rent to their housing provider. The order halts residential evictions only temporarily. Covered persons still must fulfill their obligation to pay rent and follow all the other terms of their lease and rules of the place where they live. Covered persons must use best efforts to make timely partial payments that are as close to the full payment as their individual circumstances permit, considering other nondiscretionary expenses.
- Anyone who falsely claims to be a covered person would be subject to prosecution by the DOJ.

- To make the administration’s stance on these issues abundantly clear, the FAQs represent the views of the U.S. Department of Health and Human Services, U.S. Department of Housing and Urban Development, and DOJ.

“This development is a significant nod to the power of NAA as we continue to lead the fight for our members and the viability of the industry. An additional COVID-19 relief package is likely, and NAA is meeting with lawmakers and staff daily to tell them that apartment owners, operators and residents need direct rental assistance.

“Eviction moratoria are not the answer and will do nothing to solve renters’ housing insecurity. Further, our lawsuit against the CDC is ongoing. While the new guidance provides some important clarification for the industry, we are seeking a final ruling that will decide whether the CDC exceeded its authority; that decision may not come until the new year,” the NAA said in the release.

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# Use COVID-Era Behavior as Predictor of Future

*Continued from Page 1*

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

*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.*

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?" Secondly, 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.*

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- Abandoned property and abandoned premises
- Deposits and dealing with damage to property
- As well as a few other rules and guidelines to being a landlord in Utah

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# Third Quarter 2020 Utah Eviction Report

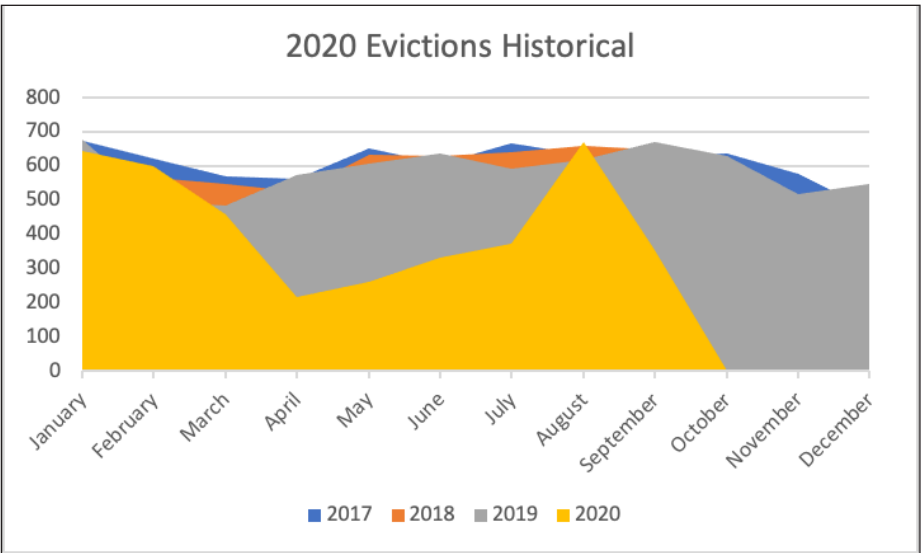
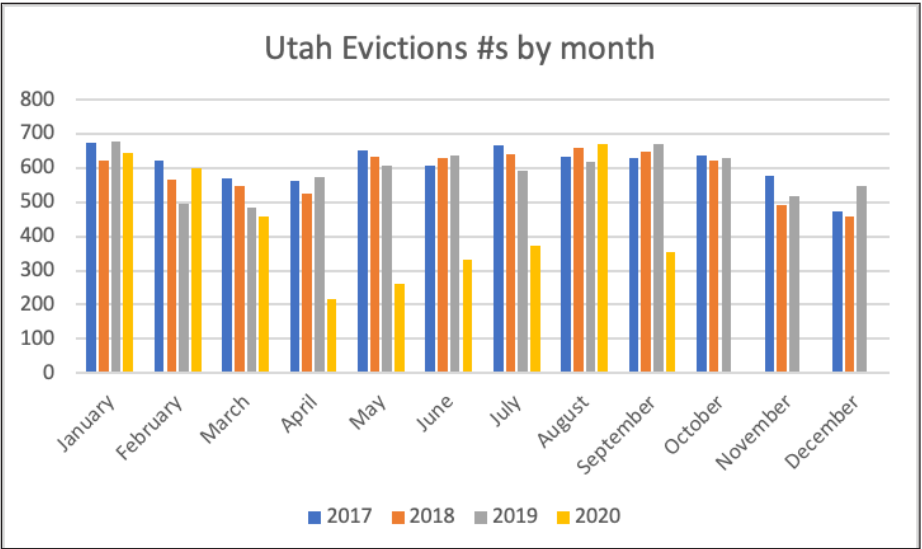
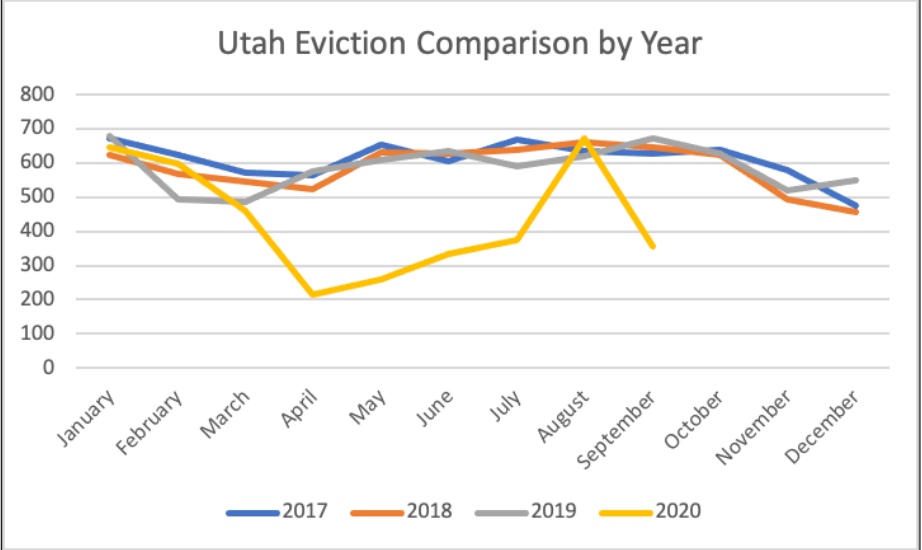
In the first three quarter of 2020, Utah evictions were down 29% year to date, from a three-year (2017-2019) average of 5,484, to 3,913, a reduction in cases of 1,571 from average. Cases since March (COVID) are down 37%, or 1,596 less than average.

A partial eviction moratorium for some tenants for non-payment of rent is in place until December 31, but the state of Utah still has almost \$20 million in unused rental assistance. Landlords can apply on behalf of renters who are not paying.

## Raw Numbers

	2017	2018	2019	2020
January	674	623	678	646
February	623	567	495	599
March	571	546	486	459
April	563	525	574	216
May	653	633	609	261
June	606	629	636	332
July	667	640	591	373
August	635	660	620	671
September	629	648	672	356
October	638	623	629	
November	579	492	518	
December	474	458	548	
TOTAL	7312	7044	7056	3913

	3-YR AVG	2020	CHANGE
January	658.3	646	-1.87%
February	561.7	599	6.65%
March	534.3	459	-14.10%
April	554	216	-61.01%
May	631.7	261	-58.68%
June	623.7	332	-46.77%
July	632.7	373	-41.04%
August	638.3	671	5.12%
September	649.7	356	-45.20%
YTD TOTAL	5484.3	3913	-28.65%



# 5 Ways to Highlight a Property’s Most Sellable Features

Continued from Page 1

have. Even if your unit is a little older or not as newly built as some of the competition in your neighborhood, you can still attract quality renters.

If you have something neighboring residents don’t — think a parking garage in San Francisco or an elevator in NYC — make sure those are prominent features on your listing. Hone in on what your property offers and speak to its strengths. Make sure tenants know what makes your property unique, even if it’s something simple like hardwood flooring.

## No. 2: QUALITY PHOTOS MAKE THE DIFFERENCE

There’s no need to be, or hire, a professional photographer; smartphones these days typically come with expert-quality cameras.

Using your smartphone or even an inexpensive digital camera will allow you to capture depth and field with high

resolution.

Check out the latest devices if yours isn’t quite up to date. It’s a worthwhile investment that will have you capturing the top features like a pro.

## No. 3: INCLUDE TENANT TESTIMONIALS

No one knows more about the features that are most appealing than the people who live or have lived in your rental property.

If you have a good relationship with tenants, ask them to write a small paragraph discussing the features they like most about the property. You can even go further to request a free video testimonial in exchange for a little percent off the rent for that month.

Everyone will like different things, so this allows you to provide a wide, all-encompassing perspective for every potential renter. Feature these on social media, your website, or better yet—

right on the listing page.

## No. 4: USE RENTAL-LOCATION DATA TO YOUR ADVANTAGE

Renters are not only looking to rent an apartment, but to rent one in an excellent location.

They want to rent in an area that matches their living and economic expectations. If your rental is located close to the mall, business district, or other unique public/social amenities, you should use these to your advantage when marketing your rental to potential tenants.

You can also include important data such as low crime rates, school quality, cost of living, ease of transportation, and other relevant data that adds value to your home in your listing.

## No. 5: INVEST IN QUALITY VIDEO TOURS

Real-estate professionals are beginning to adopt virtual tours and

walkthrough due to the continued presence of the coronavirus pandemic.

These days, renters want to see on video what makes your rental property special. You can capture your entire rental property, especially the sellable features, with the high-resolution video capabilities of your mobile device. Map out the best route through the property, highlighting the best features, and record it and upload it on YouTube, Facebook, and Instagram.

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