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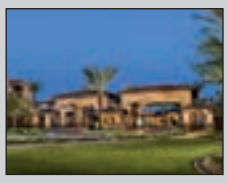
DECEMBER 2020

How to Handle Rent Delinquencies Right Now *Page 4*

COVID-19's Effect on Multifamily Leasing *Page 6*



Who Will Renters be in Future? *Page 11*

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INSIGHT FOR RENTAL HOUSING PROFESSIONALS

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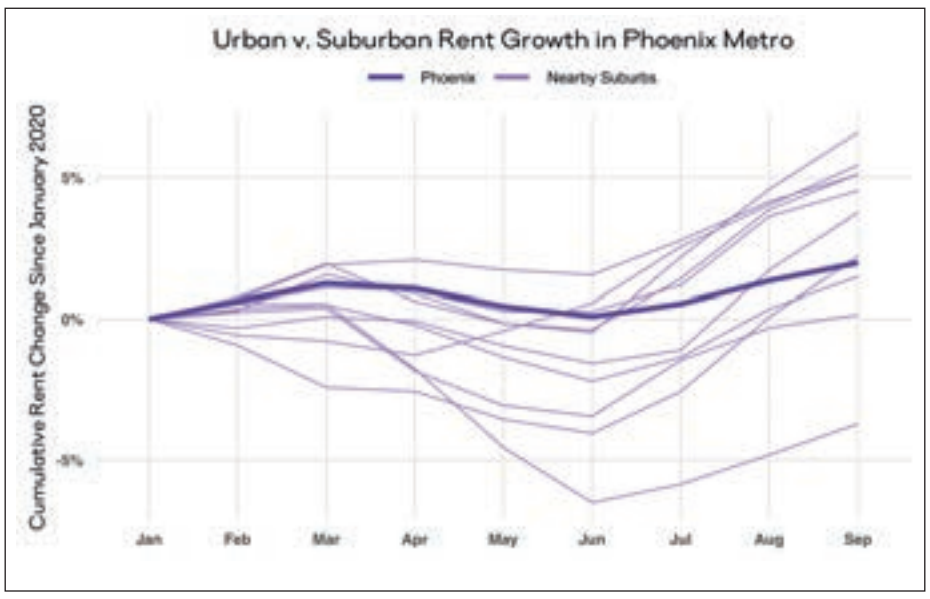
Phoenix Rents Are Growing, but Suburbs Growing Faster



RENTAL HOUSING JOURNAL

Rents in outlying suburbs are growing much faster than rents in core metropolitan areas, according to research from Apartment List.

Here's how things are playing out locally in Phoenix metro:

Since January, rents in the city of Phoenix are up 2.0 percent while rents in nearby suburban areas are, on average, up 2.9 percent.

Of the 10 local suburbs for which Apartment List has data, 7 of them are experiencing higher rent growth than Phoenix.

See 'Rents' on Page 10

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 dedicated and reliable handyperson you can call

See '5' 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-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.

See 'How' on Page 5

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How to Build a Diversified Real Estate Investment Portfolio

Having a diversified commercial and multifamily real estate portfolio is important to potentially reduce risk and create multiple opportunities for potential income and appreciation. Diversification is even more important in tumultuous times like these. Here's a look at how to build a diverse real estate investment portfolio.

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

Recent survey research by National Real Estate Investor magazine indicates that nearly 60% of high-net-worth investors are expected to increase their allocation to investment real estate in the next 12 months. Millions of Americans invest in alternative assets, including real estate. It's an important step towards diversifying a portfolio with investments that don't necessarily correlate with the stock or bond markets.

Once you decide to invest in real estate, the challenge is how to build a diverse portfolio.

Buying a property outright and actively managing it yourself is one way to participate in the market, but that typically requires a substantial initial investment — often hundreds of thousands of dollars to be paid at once. A downside of this approach is that you put all your eggs in one basket.

Owning and managing real estate yourself also means dealing with the three T's: toilets, tenants and trash. If you have the time, and dealing with all that appeals to you, it may be the way to go. Alternatively, you can invest alongside others in a diverse basket of properties. Diversification is even more important now with the pandemic and the additional risk it creates as the looming fear of further economic distress continues to cause concern.

Here are five tips to build a diverse real estate investment portfolio that has the potential to generate income and appreciation, as well as potentially withstand the shock of events, including recessionary downturns and, potentially, extraordinary occurrences like the pandemic and future recessions or even depressions. Please remember: Diversification does not guarantee profits or protection against losses.

5 Tips to Build a Diverse Real Estate Investment Portfolio

1. Diversify by asset type

Investors should diversify their real estate portfolios by asset type to avoid the risk of over-concentration in one particular category of property — same as you would avoid over-concentration in any one stock. Rather, invest capital across asset types, such as industrial, multifamily housing, triple-net-leased retail, medical office and self-storage.

2. Diversify by geography

Similarly, investors should diversify their real estate portfolios across geography to avoid the risk of over-concentration in a particular local or regional market.

3. Avoid high-risk asset types

There is risk in all real estate investments, but some asset types have demonstrated that they are particularly risky, and are thus best avoided by those looking to reduce downside potential. These include hotels and lodging properties, senior housing in all its forms, and real estate used in the production of oil and gas.

Hospitality, for example, has been hit hard by all three recessions since 2000, including the 2001 recession, the Great Recession of 2008-2009 and the current recession related to COVID-19. In all three cases, the standard industry measure of hotel performance (RevPAR, or revenue per available hotel room), declined precipitously. Most recently, Marriott recorded its largest loss ever for the June 2020 quarter, reported The Wall Street Journal in August.

Senior care is another sore spot, which the pandemic has demonstrated once again. First, the population themselves often is at risk, literally. Second, operators of senior care facilities, whether residential housing, long-term care facilities or nursing homes, are subject to all manner of regulations that increase the risk associated with property operational performance.

Finally, oil and gas industry properties have proved to be as subject to volatility over the years as the industry they support. Just think about it: An oil well may or may not produce as expected; thus, the underlying real estate asset is particularly vulnerable to speculative risk. Stay clear if you can!

4. Consider the range of investing options

Unless you want to actively manage your investment properties and embrace the three T's, passive real estate invests can be the way to go. There are a range of options to choose from, including Delaware Statutory Trusts (DSTs), Tenants-in-Common (TIC) properties and private equity funds, such as Qualified Opportunity Zone Funds.

A Delaware Statutory Trust is an entity used to hold title to investments, such as income-producing real estate. Most types of real estate can be owned in a DST, including industrial, multifamily, office and retail properties. Often, the properties are institutional quality similar to those owned by an insurance company or pension fund, such as a 500-unit Class A multifamily apartment community or a 50,000-square-foot industrial distribution facility subject to a 10- to 20-year lease with a Fortune 500 logistics and shipping company. The asset manager takes care of the property day to day and handles all investor reporting and monthly distributions.

A TIC structure is another way to co-invest in real estate. With a TIC, you own a fractional interest in the property and receive a pro rata portion of the potential income and appreciation of the real estate. As a TIC investor you will typically be given the opportunity to vote on major issues at the property, such as whether to sign a new lease, refinance the mortgage and sell the property.

Although TIC investments and DSTs have their nuances and differences, they often will hold title to the same types of property. While the DST is generally considered the more passive investment vehicle, there are some circumstances in which a TIC is desirable, including if the investors wish to utilize a cash-out refinance after owning the TIC investment for a few years in order to get some of their equity back, which can be invested in other assets.

Qualified Opportunity Zone Funds, another option, 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 fund.

5. Remember the tax benefits of real estate investing

Real estate is arguably one of the most tax-advantaged investment classes for U.S investors. Depreciation deductions are available to all investors, and any real estate investment losses may be deductible against other income, which could potentially reduce your tax bill. Additionally, direct real estate investments — including Delaware Statutory Trusts and Tenants-in-Common properties — qualify for like-kind exchange treatment, otherwise known as a 1031 exchange, which can save investors approximately 40% on their tax bills when there are net gains on property sales.

A Sample Basket of Diverse Real Estate Investments

What might a diverse basket of real estate investments look like? Here's one example:

Mary Smith decides to invest $500,000 into commercial and multifamily real estate with the potential for income and appreciation. She makes five investments, allocating her funds equally among these assets:

- $100,000 into an industrial distribution facility with a long-term net lease to a company like Amazon, FedEx or Frito Lay
- $100,000 into a medical dialysis center with a long-term net lease to a company, such as Fresenius or DaVita
- $100,000 into a multifamily apartment community with 300 units in the Southeast
- $100,000 into a self-storage facility in the Midwest
- $100,000 into a debt-free multifamily property with 50 units in Texas

Net-net, Ms. Smith has diversified her portfolio by both asset type and geography. She has avoided more cyclical and highly volatile asset classes, including senior housing and long-term care, hotels and oil and gas. She has made passive investments, leaving day-to-day management of the properties to industry professionals. And she has consulted with her accountant and attorney about the tax advantages of real estate investing, including 1031 exchanges.

She is well positioned for the uncertainty of the future and is aware that all real estate investments have risks, and that income and appreciation are never guaranteed. Even diversification, while desirable, does not guarantee profit or protect against losses, but it can potentially reduce risk and create diverse potential income streams and opportunities for appreciation.

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

How to Handle Rent Delinquencies Right Now

By Justin Becker

There is no denying that right now, COVID-19 continues to impact the real estate and rental market.

As a property manager or landlord of a multifamily housing community or complex, navigating these waters for the last eight months has been somewhat challenging.

Nevertheless, with no real end in sight, mass unemployment, fluctuation in available job opportunities, and the ongoing pandemic, it is still very difficult for tenants to be able to pay their rent and still afford their other monthly expenses.

Working with tenants who are experiencing economic hardships due to COVID-19 has been par for the course for these last couple of months. Moreover, with most property managers' and landlords' hands being essentially tied in regard to legally dealing with late rent payments or lack of payments, it is not too surprising that people are starting to get creative by finding proactive ways to deal with delinquencies.

Other than being more flexible, many property managers are not sure what else they can do during these uncertain times. But the good news is that there is definitely more that can be done. That said, here are the five best ways to deal with delinquencies right now.

1. Building Proactive Partnerships

One of the best things you can do as a property manager at this time is to collaborate with your tenants to ease the pressure and address financial hardships.

Obviously, open lines of communication are key here, and looking for a win-win solution to the problem makes everyone walk away from negotiations feeling a little better. A prime example of building proactive landlord-tenant partnerships is deferring a portion of rent and establishing a reasonable repayment plan.

Alternatively, you can decide if a low rental rate moving forward is a feasible option for tenants impacted by the ongoing pandemic. This may be a better option for property managers who have mobile homes for rent or those leasing single-family dwellings. Otherwise, if you have apartments for rent, then you may need to consider if finding new tenants is more cost-effective in the long run.

2. Invest in Tenant Loyalty

Yet another proactive option for dealing with delinquencies now is to invest in tenant loyalty.

For instance, if you know tenants and residents are struggling during this time but are still finding a way to make the rent, why not acknowledge that?

Try hosting appreciation events that get the community out and having fun (using, of course, the CDC guidelines). This allows your residents to relieve some stress but also breaks down walls between landlord and tenant. Similarly, providing tenants with incentives to stay even after all of this is over, by giving a small rental credit or even a gift basket with needed supplies (masks, hand sanitizers, etc.), can lead to long-term retention. Such incentives can also be effective if you manage a community with mobile homes for sale. Here, homeowners can easily relocate their manufactured home once their lot rent lease is up; thus, it pays to invest in these particular tenants especially.

3. Paying Close Attention to Future Changes

It is also beneficial to keep your ear to the ground.

Apartment eviction moratoriums did not spring up overnight, and there was definitely talk of what local and state governments might do before they happened.

Therefore, as more and more people are falling ill to COVID-19 and businesses continue to close their doors, paying closer attention to what the future of renting and leasing holds is crucial.

Furthermore, it is important to note that landlords and owners are not without a voice right now. Becoming actively involved, as much as you can, may just help save your business and keep roofs over your tenants' heads.

So, stay apprised of relevant industry organizations and support those that will end up playing a role in how things look, legislatively speaking, and moving forward.

4. Offer Job Postings

Along those same lines, if you know of potential job openings or industries that are hiring during COVID-19, then why not share it with your tenants?

There is a whole host of employment opportunities online for remote workers, essential workers, and healthcare providers. So, if you stumble upon jobs that are perfect for any of your unemployed residents, it might be worth the mention.

And, since you are still actively keeping lines of communication open, you can send job posting emails as well as add a section to your website page for local employment opportunities. In fact, little things like this will help your tenants feel like they are not alone in this and will help to foster positive relationships within the community.

5. Provide Assistance Information

Making it easier for your tenants and residents to get in touch with agencies that are providing much needed assistance is also another way to make a difference.

Helping your residents secure food, homeschooling supplies, affordable medications, cleaning supplies, utility payment assistance, and so on makes their financial responsibilities a little easier to manage.

This, in turn, is likely to increase the chances that your tenants or residents will be able to pay rent or adhere to their new rental agreement and payment arrangements. Leasing office staff can help take it a step further by helping to set up appointments with delinquent residents so they can contact the necessary parties via phone with a property management team member.

Remember, at the end of the day, you and your tenants are truly a community; thus, working together in this manner should not be difficult because when your tenants are good, by extension, so are you.

Likewise, you may even want to consider partnering with local charities and non-profit organizations if you know a large sector of your community could benefit. For example, if you have several tenants that are veterans or many residents with kids, then it does not hurt to see what is available in the way of assistance for them right now.

Bonus suggestion: Early Payment Raffles

Lastly, a bonus suggestion that property managers and landlords may want to consider is hosting early payment raffles. This is a great way to show appreciation to tenants that are still meeting their financial obligations. Moreover, early payment raffles can also be a wonderful incentive for people who are torn between paying rent in full or allocating a portion of those funds to something else. Plus, the entire raffle program can be done without requiring anything additional from your residents or making management team members' jobs harder.

Everyone that pays a month in advance will automatically be entered into a raffle each month to receive money off the following month's rent. What's more, you can up the stakes by offering anyone who pays two months' rent upfront a guaranteed $100.00 off of their rent the next month.

Final Thought

Real estate or rental housing is fundamentally a relationship business, even in the midst of an ongoing pandemic. While no one can truly predict the future, people need housing. As a result, looking for viable or proactive solutions to keeping people in their homes is what matters now. That said, property managers or landlords also have financial obligations to meet and their own housing costs.

So, it is imperative that we all work together to weather the storm. Through effective communication and landlord-tenant collaboration, collective anxiety and distrust can be diffused. By following these suggestions mentioned above, you can help curate solutions that will bridge the shutdown, which means landlord-tenant relationships ultimately can be preserved, and on-time rental payments will no longer be a thing of the past.

Justin Becker is a property owner in the state of Michigan and has a passion for managing communities. He owns apartment complexes and mobile home communities, and has been writing his own blogs for his properties for several years

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How 2020 Can Benefit Your Assets in 2021

Continued from Page 1

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.

How COVID-19 Has Changed Multifamily Leasing

By Karen Dwyer
Mark-Taylor Properties

Apartment searching as we know it has changed dramatically.

As the manager of a Mark-Taylor apartment community located in North Scottsdale, Ariz., I have witnessed the current pandemic significantly shift the means in which apartments are being marketed and leased.

While many in the multifamily industry resisted change, the pandemic prompted a much-needed advancement in how we work with potential renters wherein advanced technology is matched with well-trained leasing professionals. Skilled professionals capable of securing high closing ratios while leasing in this diverse "virtual" environment are paramount.

Prior to the pandemic, far fewer apartments were leased sight unseen. Previously, sight-unseen customers were often those relocating hurriedly, who were not available to tour in person. Due to the popularity of mobile searches, we consistently provided virtual tours through our expansive website with 2-D floorplans with relative success.

When the pandemic mandated social distancing restrictions, Mark-Taylor Residential knew we had to act fast. With our previous online experience, coupled with the vision to create hundreds of prerecorded videos of all aspects of our apartment communities, we were well-equipped for virtual leasing. We trained our team on how to communicate effectively, provide links for videos, and other means to create a vision for someone selecting their home virtually.

Self-guided touring had just begun picking up momentum prior to the pandemic. This is a tour that allows a prospect to gain access to a property and tour without a leasing professional present. While this is a new take on self-guided touring with the use of Smart Rent technology, it has become quite popular within our industry, and we expect the majority of tours to occur this way in the future.

Growing Use of Virtual Tours

The vast majority of our leases during the past six months were secured through virtual and self-guided SmartRent tours. Activity from self-guided tours has been highly successful within our communities. We anticipate approximately 70 percent of new touring prospects to choose self-guided as their preferred option. Many potential tenants are using virtual tours to help narrow down their options and then following up with a self-guided, or in-person, showing for their top choices. I expect this trend will continue, especially for relocating renters who can be even more efficient in their research when moving to a new city. Self-guided and virtual leasing creates significant efficiency in apartment leasing.

SmartRent enables communities to offer self-guided tours and more easily reach the large number (approximately 60 percent) of renters who are searching for their next home solely on their mobile device. This allows for viewing a property online, filling out a prequalifying form and receiving a text with access code info for their self- guided tour, all within the same experience. SmartRent has made this possible and many prospective residents are embracing this approach. Prospective renters are appreciative of the social distancing this offers as well as the time to view the homes at their leisure without the pressure of a restrictive timeline.

The main reason most renters enjoy a self-guided tour is to view apartments at their own pace. Today's apartment seekers value the opportunity to enjoy a space without a leasing consultant present, all while envisioning themselves living there.

Leasing Activity on the Increase

Since implementing the SmartRent access, the community I manage, San Portales in Scottsdale, has experienced a substantial gain in leasing activity, a subsequent rise in physical occupancy, and the team is far more productive based on the assistance of this technology. Significant numbers of our touring prospects make their own determination during the self-tour as to whether or not the community is a fit for them, and they return and rent on their own accord after viewing the model homes.

In addition to the ease in which the system operates, it also keeps building entries and gates secure while granting access to prospects. It allows for showing off community model homes while maintaining security for staff and residents with access controls through temporary credentials.

As we enter the next phase of the new normal, meeting customers where they feel most comfortable will be essential in providing the highest level of service. Apartment-leasing innovation was brought on by the pandemic, but these modern variations are here to stay.

Properties have the ability to configure and fully customize their self-guided tour experience, giving prospects detailed information regarding the community's amenity offerings such as a 24-hour pool, clubhouse and fitness center. As a result, the prospect gets the full tour experience and doesn't miss out on any important property features.

The majority of prospective residents use online resources to assist in their search before they even reach out to schedule a tour. And for the most part, they have already formulated a determination based on online reviews, amenities offered, photos of the community or word of mouth. The last step is physically visiting the property before deciding to sign a lease. Offering self-guided tours is an efficient way to keep prospective renters engaged and turn a lead into a lease.

Karen Dwyer is Manager of Community Operations, Mark-Taylor's San Portales Luxury Apartments, Scottsdale, Ariz. Established in 1985, Mark-Taylor Companies is a privately held, Arizona based developer, owner and investment manager of multifamily communities. The company ranks as the largest apartment developer in Arizona's history, the second largest owner of rental communities in the state and is the investment manager to more than $3 billion in multifamily real estate on behalf of numerous third-party owners. For more information, visit www.mark-taylor.com.

5 Property Management Mistakes to Avoid

Continued from Page 1

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

NAA 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).*

Discrimination Charge Lodged by HUD Regarding Emotional-Support Animals

Rental Housing Journal

HUD has charged a Philadelphia apartment owner with discriminating against a person with disabilities based on its refusal to waive pet fees for emotional support animals, according to a release.

HUD is charging Post Presidential Property Owner, LLC, and Post Commercial Real Estate, LLC, the owner and manager respectively of Presidential City Apartments in Philadelphia, with disability discrimination.

A tenant with a disability requiring an emotional-support animal reached out to HUD alleging that she had been denied a reasonable accommodation to have pet fees waived at the apartments for such an animal.

The Fair Housing Act prohibits housing discrimination based on disabilities, including denying reasonable-accommodation requests for the waiver of pet fees for assistance animals and rejecting requests for a designated handicapped parking space needed by a person with a disability.

The complaint said "the tenant received an email from apartment's counsel stating 'a landlord is entitled to charge pet fees for an emotional-support animal, which is considered a pet, unlike a service animal'."

Based upon this evidence, HUD recommended testing the subject property.

The tests focused on reasonable accommodations relating to designated accessible parking and emotional-support animals for prospective tenants with disabilities.

According to the complaint, several testers were told there was a $250 pet deposit required. One tester who visited and toured the property told leasing specialist Dayanna Reeves she was looking for an apartment for her niece. When Reeves asked if the niece had any pets, the tester said that her niece had an emotional-support dog. Reeves told the tester about the $250 refundable deposit for the animal and the monthly pet fee of $25.

Leasing director Crystal Ayers confirmed that the apartments had a policy that it would not waive pet deposits and monthly pet fees for tenants with emotional-support animals. Ayers further stated that respondents applied this policy to all the properties it owned and managed, according to the complaint.

"The department found that respondents denied reasonable accommodation requests of testers representing prospective tenants with a disability-related need for an emotional-support animal."

The Fair Housing Act was violated, according to the complaint, denying testers' reasonable accommodation requests for designated parking and the waiver of pet fees for emotional-support animals for prospective tenants with a disability.

"Reasonable accommodations enable persons with disabilities to fully utilize and enjoy their homes and shouldn't be denied," said Anna María Farías, HUD's Assistant Secretary for Fair Housing and Equal Opportunity, in the release.

"HUD will continue taking action to protect their rights by ensuring that housing providers meet their obligations under the Fair Housing Act."

Can I Evict Tenants Due to Damage to the Home?

By Hank Rossi

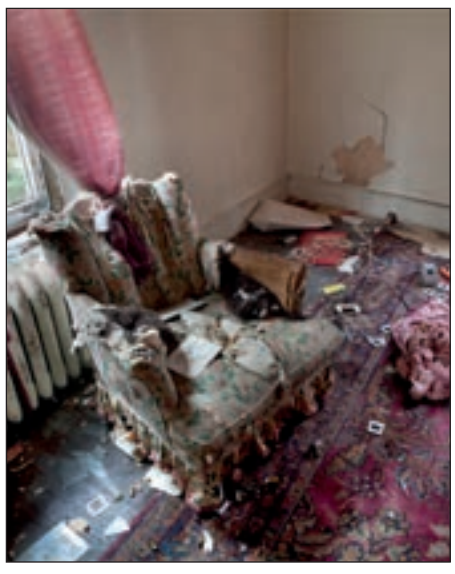
Dear Landlord Hank,

Tenants of 10 years have done substantial damage to the home, not normal wear and tear, but that could be subjective upon the beliefs of a judge.

The home needs a complete renovation that cannot be completed with tenants living in the home. Can they be evicted because the home has become unsafe to continue to inhabit? Without being responsible to pay their rent or moving costs for them to move out? — Yvonne

Dear Landlord Yvonne.

We now have a federal moratorium on evictions until the end of the year, and the interpretation of the order varies from one jurisdiction to another and from one judge to another. If these tenants are paying rent and are satisfied to stay in their rental for now, I would not rock the boat. You can always renovate when their lease is up. When the eviction moratorium has ended, the courts will likely be packed – meaning the time it normally takes to evict a tenant will be substantially increased, and it could take months. If you feel that you can't wait and want to move forward now, I would engage an attorney that specializes in landlord/tenant law, as they will be up to date on the situation in your county. Good luck.



Hank Rossi started in real estate as a child watching his father take care of the family rental maintenance business and was occasionally his assistant. In the mid-'90s he got into the rental business on his own, as a sideline. After he retired, Hank only managed his own investments, for the next 10 years. A few years ago Hank and his sister started their own real estate brokerage focusing on property management and leasing, and he continues to manage his real estate portfolio in Florida and Atlanta. Visit Landlord Hank's website: https://rentsrq.com

Monthly Meeting Schedule for the Arizona Real Estate Investors Association

ALL CHAPTERS
MONTHLY MEETING
MONDAY, DEC. 14, 2020
5:45 P.M.
ONLINE MEETING

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.

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

TUCSON WHOLESALING & CREATIVE FINANCE SUBGROUP
TUESDAY, DEC. 15, 2020
6:00 P.M.
ONLINE MEETING

Bob Zachmeier will teach wholesaling group members a variety of ways to find off-market properties, use different negotiation techniques to get them under contract, and share various exit strategies to either sell or finance the properties to rehabbers or end-user buyers depending on the repairs required and the homeowner's circumstances.

This group meets the third Tuesday of the month. AZREIA Members may attend for $5. Guests are also welcome to attend, and there is a $20 guest fee. Pre-registration is recommended and can be done online until Dec. 15, 2020

For information, contact Bob Zachmeier at bob@notecarry.com

Rents in Outlying Suburbs Outpacing Phoenix Core

Continued from Page 1

The Phoenix suburbs with the fastest-growing rents are Avondale (+7 percent) and Goodyear (+5 percent).

Why Is This Happening?

There are a number of reasons rent trends in principal cities do not mirror those of nearby suburbs.

The pandemic's effects on everyday life have certainly been more pronounced in cities than suburbs. Shelter-in-place requirements and business restrictions have ground to a halt many of the events and amenities that attract people to cities in the first place: live entertainment, bars and restaurants, public festivals, and the like.

Many renters today are questioning whether it still makes sense to pay a premium for city living. As a result, migration plays a big factor in the urban and suburban rent divide.

While rents cool, the for-sale housing market remains hot, and the people who leave the rental market to become homeowners are often creating vacancies in dense, renter-friendly cities. Temporary moves have also been common this summer and are mostly affecting large cities where younger, more mobile residents tend to cluster.

Furthermore, principal cities typically enjoyed an annual influx of new residents each summer (especially college graduates and people pursuing career change), but a shift towards remote work has stifled this inbound migration.

Many renters today are questioning whether it still makes sense to pay a premium for city living.

There are also differences in the types of apartments available in each type of city; dense urban centers are more likely to contain newer, more expensive, more luxurious apartments that are positioned to see more vacancies and steeper rent drops during an economic recession. Meanwhile, suburbs tend to have a greater share of cheaper, lower density homes that remain in high demand even as renters look to cut costs.

In recent years, suburbs have offered cheaper housing options to those willing to sacrifice the benefits of living close to a job center. But in 2020, this affordability gap is shrinking in many metros that command the highest prices. After a decade in which proximity was at a premium, the pandemic has now sparked the flame of suburban rental demand. As a result, we should expect an uneven rental market recovery in the months to come.

Yardi Matrix: Secondary Market Rents Soar While Primary Markets Plummet

Rental Housing Journal

Rent growth is varying across markets as the divide between gateway and secondary metros continues to increase with the pandemic, according to the October report from Yardi Matrix.

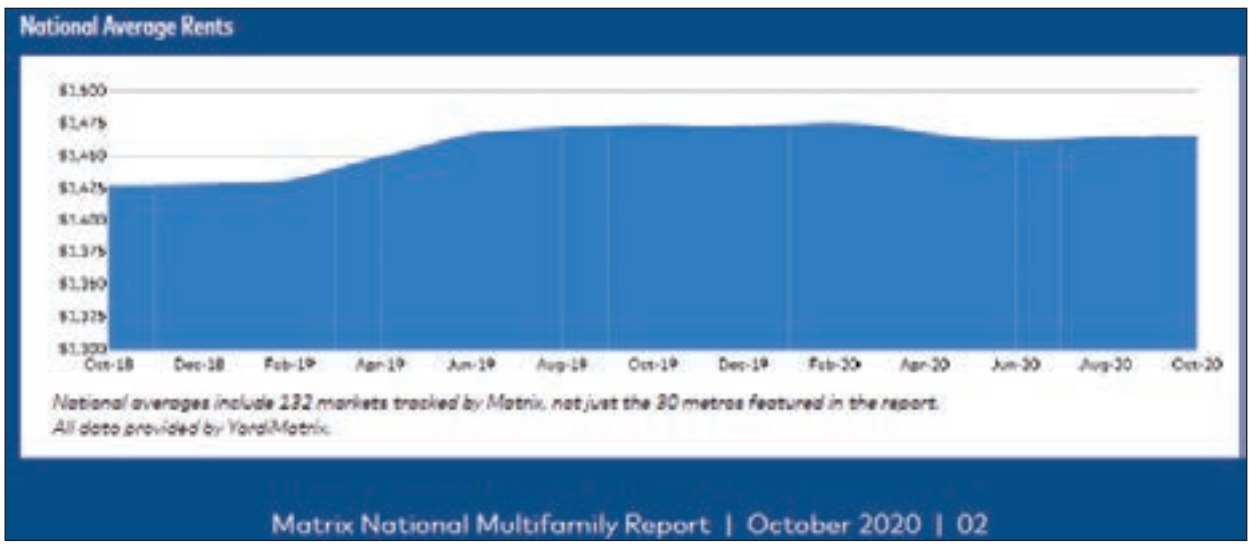
"With each passing month, outmigration from large gateway markets to secondary and tertiary tech hubs is amplifying. At this point, the apparent winners are markets in close proximity to large gateways but with significantly lower costs of living," the report says.

- Multifamily rents were flat for the third consecutive month in October, but the national numbers appear misleading, as the sector is experiencing an ever-increasing divergence between outperforming and underperforming markets. On a year-over-year basis, rents fell 0.6 percent nationwide.
- Secondary and tertiary markets are performing the best, as high costs and limited community amenities drive outmigration from gateway markets. The Inland Empire (6.0 percent), Sacramento (5.0 percent), Las Vegas (3.9 percent) and Phoenix (3.8 percent) lead our top 30 markets, with each market benefiting from migration out of the Bay Area and Los Angeles.
- Not surprisingly, New York (-10.0 percent), San Francisco (-8.2 percent), Washington, D.C. (-3.7 percent), Boston (-3.1 percent), Chicago (-2.9 percent) and Los Angeles (-2.8 percent) all fell at or near the bottom of our rankings.

For example, the average rent in Sacramento is 34 percent less than in San Francisco. The report says even tertiary markets with a strong tech presence, such as Boise, Idaho and Portland, Maine, are attracting people from expensive coastal markets.

"As many workers, especially those in creative and knowledge-based industries, enjoy increased flexibility to work remotely, many individuals are weighing the costs and limitations of gateway markets versus the benefits of smaller cities and are choosing to relocate.

"Demand remains strong, as gateway residents are not only moving to nearby secondary metros but also relocating to other tech hubs in the Sun Belt and Southwest.



"Primary markets will not suffer forever, but their recovery will depend on how much newly relocated individuals enjoy their adopted homes and cities and whether they choose to stay," Yardi Matrix says in the report.

Rents were flat month-over-month in October for the third consecutive month, the report says.

"However, secondary markets made significant rent gains, with the Inland Empire, Las Vegas, Sacramento and Phoenix all increasing 1.0 percent or more on a monthly basis. These markets tend to outperform during fall and winter months, as they are not susceptible to seasonal weather that slows renting in northern markets, but this year's performance is even better than normal, as migration into these markets continues to increase."

Rents are falling in gateway markets, "as some analysts predict five years of outmigration has been accelerated into the past six months," the report says. The trend toward suburban submarkets and smaller markets has hurt the denser urban cores of the major markets. "Some secondary markets—including Seattle, Austin and Minneapolis—are also getting squeezed on both rent and occupancy, specifically in their urban submarkets," the report says.

"There will likely be another round of government stimulus, but given the divided Congress, the total package will be less than if the Senate had flipped Democratic. (A runoff election in Georgia on Jan. 5 will determine the winners of two senate seats).

"For apartment owners and operators, additional stimulus and unemployment benefits paid to residents will help cover housing costs, especially in the workforce housing sector, where job loss is most concentrated.

"As the pandemic grinds on, there does appear to be hope for an economic recovery on the horizon, although there may be a few more months of pain in the near term," Yardi Matrix says in the report.

Yardi Matrix is a business development and asset management tool for investment professionals, equity investors, lenders, and property managers who underwrite and manage investments in commercial real estate. Yardi Matrix covers multifamily, industrial, office and self storage property types. Email matrix@yardi.com, call 480-663-1149 or visit yardimatrix.com to learn more. Yardi develops and supports industry-leading investment and property management software for all types and sizes of real estate companies. Established in 1984, Yardi is based in Santa Barbara, Calif., and serves clients worldwide. For more information on how Yardi is Energized for Tomorrow, visit yardi.com.

Who Are Your Renters Now; Who Will They Be in Future?

Rental Housing Journal

Given current market conditions, now is the time to analyze who your renters are and who they will be in the future, recommends John Burns Real Estate Consulting.

The consulting group analyzes trends for their clients and provides insight into today's renters.

This analysis shows insight into market-appropriate unit sizes and configurations, new amenity trends, and the appropriate rent levels necessary for successful apartment lease-up and tenant retention.

While 26 percent of renter households in the U.S. are between the ages of 25 and 34 today, the next largest segment of the market is between the ages of 35 and 44 (families), and beyond that, between the ages of 45 and 54 (empty nesters).

"These older renters will continue to seek more space in a suburban environment with good work-from-home amenities," write Lesley Deutch and Ken Perlman.

Affordable rents continue to be a challenge

"More than half of renters in the U.S. can only afford rents less than $1,200.

"John Burns Real Estate Consulting's national apartment-demand model is based on income levels across the U.S. and indicates about 60 percent of renter households earn less than $50,000 per year, which translates to a maximum rent of about $1,200 per month.

"While construction activity is increasing for luxury apartments (due largely to increasing costs associated with new building), the affordable sector continues to be hampered by the limited availability of tax credits and capital financing. The opportunity here is not just to provide affordable housing, but creative use of space in market-rate product, including more roommate-friendly units and smaller spaces to keep overall rents lower," they write in the report.

Summary

The apartment market offers many opportunities, even in the era of COVID-19 and a recovering job market. Understanding renter profiles to design the appropriate product will be key in the years ahead as the U.S. economy recovers from the recession.

Please contact Lesley Deutch or Ken Perlman for more local insight. John Burns team is always available for assistance.