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# ARIZONA

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Circulated Monthly To Thousands Of Apartment Owners, Property Managers, On-Site & Maintenance Personnel



## 9 Suggestions for Getting Rid of (Eek!) Mice

By EVELYN LONG

Mice are an occasional reality for any homeowner, but they can wreak even more havoc in a rental property. Multiple units and occupants can attract rodents in different ways, and it's hard to properly control an infestation once it's under way. Property managers know they need to remedy the problem immediately, but how can they do so effectively?

Prevention, management and communication with tenants can help everyone get on the same page to drive rodents out. The following nine tips can help landlords effectively get rid of mice in their units.

### 1. ELIMINATE POINTS OF ENTRY

The first step is to determine how the little pests gain access in the first place. Unfortunately, even the smallest crack

*See '9 Ways' on Page 4*

## Legalized Marijuana: Its Impact on Your Rental Properties

By DAVID PICKRON

The 2020 elections will go down as one of the most memorable for our great country.

Along with the obvious reasons, it is also historic for landlords, as almost every state now has adopted some form of legalized use of marijuana, whether recreational, medical or both.

Why landlords, you ask?

In my experience, landlords are primarily interested in two things:

1. Protecting their ability to collect rent, and
2. Protecting the value of their property.

*See 'Legalized' on Page 7*



## Rents Fell, as Renters Stayed Put in 2020

RENTAL HOUSING JOURNAL

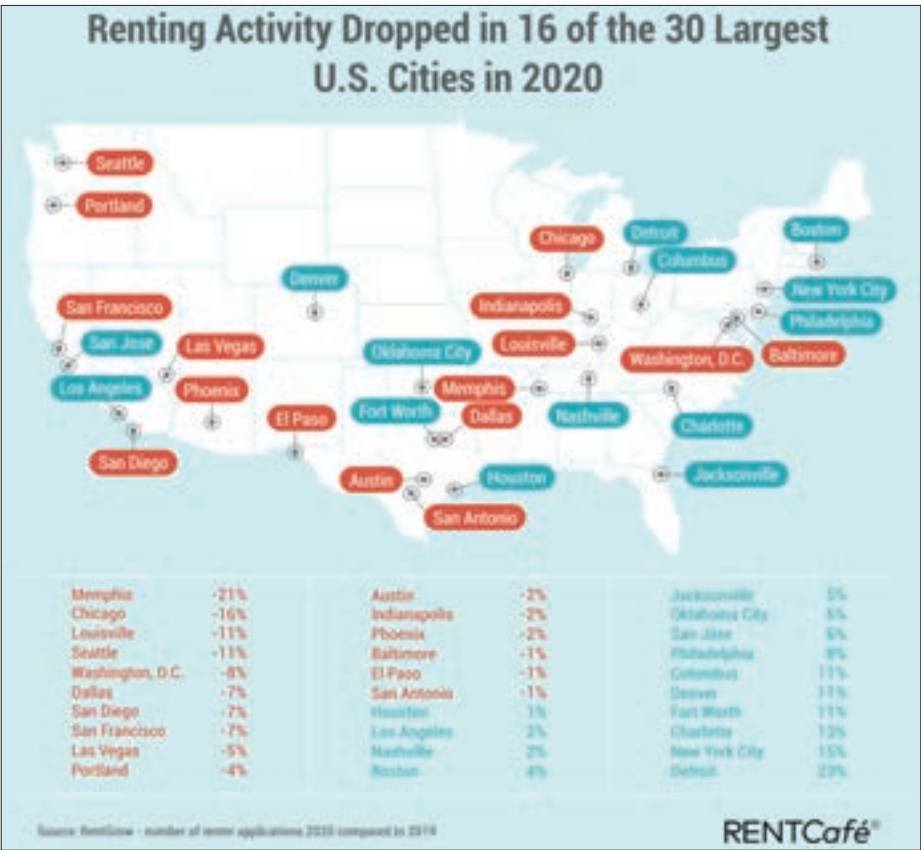
An analysis of actual rental prices and applications shows a 10 percent drop in rental applications in the 2020 rental season, as the pandemic motivated renters to stay in their apartments, according to RentCafe.

RentCafe analyzed renter activity from more than five million applications for leases, and rents charged in more than 17 million apartments, for their 2020 Year-End Report.

"With such a challenging year, we wanted to present the best perspective on the rental market by analyzing actual prices and applications, which unlike data from online searches or listings can bring an additional level of detail and accuracy regarding renters' plans," the report says.

The pandemic hindered moving plans in 16 of the nation's 30 largest cities, as the number of applications for apartments in these hubs went down compared to the previous years.

*See 'National' on Page 3*



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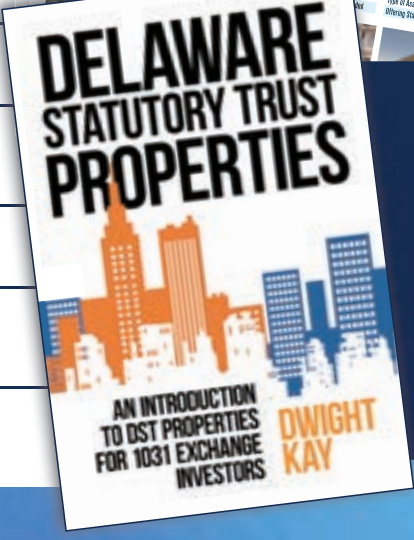
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# What Properties Can be Used in a 1031 Exchange?

By The Kay Properties Team

If you are interested in selling your real estate, the phrase “1031 Exchange” has certainly come up once or twice in your research, as an outright sale can trigger large tax consequences. The capital gains and depreciation recapture taxes can be a serious dent in the return you expected to earn from the sale of your real estate. A 1031 exchange is a process by which an investor can defer the taxes they would pay upon sale of their investment property. It is important to understand how the 1031 exchange can be utilized.

A 1031 exchange may be performed if the property sold and the following property or properties purchased are both considered investment property. Investment properties are those that are used for business or investment purposes. Raw land,

land with mineral rights, multi-family, and commercial real estate can all qualify as “like-kind” for the purposes of a 1031 exchange. Any property that falls outside that definition would not qualify. A primary residence or any property in which one stays more than two weeks in a year is NOT considered an investment property.

Again, an investment property must be exchanged for another investment property. Properties can only be exchanged if they are used for investment purposes like residential rentals, multifamily, condominiums for rent, commercial, industrial, retail etc. Furthermore, there are many 1031 exchange alternatives one may consider. A Delaware Statutory Trust is a great example. With DST real estate, an investor is able to exchange into properties and own a fractional interest in the real estate. Instead of investing the entirety of the proceeds

into another property, one for one, an individual is able to invest in multiple pieces of property as a fractional and passive owner. Under the DST structure, fractional real estate ownership is still considered eligible for 1031 exchange. This is a helpful way to potentially diversify into a portfolio of properties, thereby buffering the risk of having “all your eggs in one basket” by buying a single property. Utilizing the DST structure, one can own fractional interest of multiple properties with the opportunity for several geographic locations as well as with various asset managers running each real estate investment as part of a diversified 1031 solution into DSTs.

These are illustrative examples of 1031 DST offerings. Future available 1031 DST offerings and tenants may be different. Diversification does not guarantee profits or protect against losses.



**About Kay Properties and [www.kpi1031.com](http://www.kpi1031.com)**

Kay Properties is a national Delaware Statutory Trust (DST) investment firm. The [www.kpi1031.com](http://www.kpi1031.com) platform provides access to the marketplace of DSTs from over 25 different sponsor companies, custom DSTs only available to Kay clients, independent advice on DST sponsor companies, full due diligence and vetting on each DST (typically 20-40 DSTs) and a DST secondary market. Kay Properties team members collectively have over 115 years of real estate experience, are licensed in all 50 states, and have participated in over 15 Billion of DST 1031 investments.

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ation. There are material risks associated with investing in real estate securities including illiquidity, vacancies, general market conditions and competition, lack of operating history, interest rate risks, general risks of owning/operating commercial and multifamily properties, financing risks, potential adverse tax consequences, general economic risks, development risks and long hold periods. There is a risk of loss of the entire investment principal. Past performance is not a guarantee of future results. Potential cash flow, potential returns and potential appreciation are not guaranteed.

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## National Average Rent Was Stagnant in 2020

Continued from Page 1

Also, the national average rent stagnated this year at \$1,465 as of November. Rents decreased or stagnated in 18 of the 30 largest U.S. cities, and increased in 13. For example, Seattle saw prices drop the third fastest, by 8.5 percent, while Phoenix’s average rent is still going strong, registering the most significant yearly surge among the nation’s 30 largest cities.

**SOME HIGHLIGHTS OF THE RENTAL-SEASON REPORT**

- Gen Z officially became the second most active renter generation after millennials and was the only cohort to see an upward trend in movement this year. Twenty-three percent of this year’s applications came from Gen Z renters, surpassing Gen Xers.
- Renter income stagnated for the first time in three years, hovering around \$38,400, the same as in 2019. Middle-income renters (25K – 50K) were the only ones who moved more in 2020 than in 2019.
- Renter activity slowed down in 16 of the nation’s 30 largest cities. Memphis saw the most significant decrease in the number of applications, -21 percent, followed by Chicago with -16 percent. At the other end, there is Detroit and New York City with 23 percent and 15 percent increases in rental applications, which isn’t always a


good thing for a city.

- Eighteen of the 30 largest cities saw more renters leaving compared to 2019. Detroit (36 percent), Oklahoma City (34 percent), and New York (25 percent) saw the highest increases in the number of renters moving out of the city.
- The priciest cities for renters saw the sharpest drops in rent. San Francisco apartment prices plummeted to \$3,055 after a 17.3 percent decrease year-over-year. Manhattan (\$3,761) came in second with a 10.8 percent drop.

**18 OF THE 30 LARGEST U.S. CITIES SAW MORE RENTERS LEAVE THIS YEAR**

“We looked at renter activity from three angles: renters moving out of a particular city, renters moving within a city, and renters moving into a city,” RentCafe said in the report.

“There has been much speculation around the topic (of) whether people are leaving dense large cities for more space elsewhere in the context of the pandemic. As far as renters are concerned, this trend confirms for a handful of the nation’s largest cities. This year, 18 of the 30 largest U.S. cities saw more renters leaving compared to 2019. Furthermore, half of the largest cities registered more pronounced activity in terms of renters moving out of the city rather than renters moving in.”



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# 9 Ways to Get Rid of Mice in Rental Properties

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or entry point can invite mice inside. Mice can eat through walls and they only need a hole the size of a dime to get inside.

The bulk of prevention here can be done with thorough inspection. Landlords should schedule appointments to walk through the property — if it is occupied, they need to give their tenants notice — and seal up any cracks in doors or windows. Steel wool and caulk work best because rodents can't chew through them. Pay close attention to areas around plumbing fixtures and cable lines — these can provide ingress points.

If a tenant is dealing with an ongoing mouse problem, ask them to look for these holes on a regular basis and share tips for plugging them quickly with steel wool. Then, you can find time to do a more thorough repair job to keep the rodents at bay.

## 2. BANISH TEMPTATION AS MUCH AS POSSIBLE

It isn't that mice eat much — but they can contaminate entire stashes of food. That giant box of cereal a tenants bought at Costco is now waste unless they want to risk a bowl of hantavirus for breakfast. Mice are resourceful creatures and will investigate kitchens to find new things to eat.

Tenants should banish temptation by keeping the premises clean. While property owners can't demand they mop and dust weekly, they can include clauses to prevent common causes of mouse bait — like leaving out used pizza boxes.



Landlords should review these documents when their properties are unoccupied, because you can't issue one retroactively once a prospective customer signs.

Another tactic to use — with caution — is the right to inspect. While states usually require a 24-hour or more notice, property owners may go through and document the unit's condition. Photographs will become valuable evidence should an infestation result in a court battle.

Bear in mind that even the best tenants won't appreciate having someone tramping through their home, particularly during a pandemic. However, when mice

are threatening not only your tenants' health but your other units and property as a whole, be firm in reminding troublesome renters of their responsibilities to keep their property clean.

## 3. LAY TRAPS

Traps should be laid to get rid of an existing infestation. Mice typically travel with family, so multiple traps will be required. Whether you prefer the classic snap trap or the capture-and-release, be prepared to check frequently for success, and dispose of mice quickly.

Property managers and tenants, depending on whether the unit is occupied, should place traps along walls and consider bait such as peanut butter to attract mice. Rodents are smart, so you may need to switch up tactics and try new traps or locations if nobody is biting.

## 4. PREVENT PROPERTY PROBLEMS WITH BETTER TRAPS

It's often better to stay away from the inhumane glue traps that leave mice to dehydrate and starve to death, especially if they can't be checked frequently. Mice may even chew off their limbs in an attempt to escape, which can also leave an unpleasant clean-up for property managers or tenants once the trap is found.

The same goes for poison pellets. These don't kill instantly by design, meaning mice will wander off after consumption. The sick animal can crawl off into a wall or hidden area to decompose, which can lead to odor concerns later.

If you don't have much empathy for mice, the classic snap trap is reliable and quick to kill without prolonging suffering. Considering the catch-and-release method? Varmints should be released at a considerable distance from the property to prevent re-entry. Mice have a keen sense of smell. Plus, no one wants them potentially infesting other units.

## 5. CLEAN OUT STORAGE AREAS

If you own a building with shared space like an attached storage unit or basement, rodents can infest these areas before you or your tenants notice. Landlords should host an annual cleanout and inspect and treat the space for pests in order to prevent greater infestation.

Stacks of old books and magazines

make ripe nesting grounds for mice and insect pests alike. Control efforts should continue year-round. Don't slack off in the winter — that's when rodents reproduce and add to their broods.

## 6. TRY PEPPERMINT OIL

Some people claim that peppermint essential oil or peppermint plants effectively dissuade both mice and spiders — two critters most tenants are happy to bid farewell to.

Property managers can apply a small amount of peppermint oil around areas of potential ingress. However, repeated applications are required, so work with tenants if choosing this method. Tenants with a green thumb can even consider growing some peppermint at home — even if it isn't the most effective, they can still enjoy a pleasant smell.

## 7. GO ULTRASONIC

Another humane way to deter rodents from returning is to use ultrasonic repellers. These devices emit a high-pitched sound that's inaudible to humans but painful to rodents. Most models are safe to use around household pets like dogs and cats.

However, actual results are mixed with this method, and property managers may not get a strong return on investment in providing these systems to tenants. If attempted, these repellents are best used in conjunction with more proven traps.

## 8. KEEP LANDSCAPING TRIMMED

Mice are little thieves, and as with the human variety, they seek places to hide when breaking and entering. Keeping outside landscaping trimmed can deter both types of miscreants. Property managers who practice regular upkeep can enjoy pest prevention on top of other benefits, like curb appeal.

## 9. SAY YES TO CATS

This isn't a guaranteed solution, but there's something to be said for having a nature-engineered pest-control service living in a unit. If you're on the fence about pets, allowing responsible tenants to have cats could entice renters while taking care of mice in rental properties.

As with any allowance, review your lease and add protective clauses to make sure the arrangement works for both parties. Landlords should set a reasonable limit on the number of animals allowed per residence, but most felines adore keeping the rodent population in check.

## CONCLUSION

Getting rid of mice can take time and dedication. If possible, it's best to focus on prevention so tenants don't have to worry about pest-control visits and trap management. However, since mice are a fact of life, a combination of property maintenance and pest control is usually the key to solving the problem.

Property owners can get rid of mice with the nine tips above. Doing so protects their investment and can attract a more highly qualified — and timely-paying — tenant.

*Evelyn Long is the editor-in-chief of Renovated, where she shares real-estate market and maintenance advice for investors and their tenants. Based in Baltimore, Evelyn is enthusiastic about both brownstones and crab cakes.*



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# Arizona Rentals Bouncing Back

RENTAL HOUSING JOURNAL

The big story in Arizona is that rental markets have bounced back quickly after some early uncertainty at the start of the pandemic.

“Every Arizona market in our database has experienced positive year-over-year rent growth, although Phoenix and Tempe are two of the slowest-moving markets,” said Rob Warnock, Research Associate with Apartment List.

“In Phoenix, rents are up 1.9 percent since the start of the pandemic in March, and up 3.9 percent year-over-year (roughly in line with state average).

“For example In Tempe, rents are actually down 0.1 percent since March and up only 0.7 percent year-over-year.

“It’s looking like the further you move out from the core Phoenix area, the stronger local rents are appreciating. This speaks to a broader trend we’ve seen in metros across the country, which was discussed in our recent report The Suburban Rent Rebound, whereby lower-density suburban areas are getting more expensive faster than the denser urban cores they surround.”

*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.*

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## Monthly Meeting Schedule for the Arizona Real Estate Investors Association

**PHOENIX MEETING**  
**MONDAY, JAN. 11, 2021**  
**5:45 P.M.**  
**ONLINE**

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

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

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

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

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

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

**Main Presentation:** This presentation features a national, local or panel of experts on general topics such as fix & flip, buying notes, private money lending, marketing strategies, buying land or commercial/multi-family property. These are “you can’t afford to miss” meetings.

**TUCSON MEETING**  
**TUESDAY, JAN. 12, 2021**  
**5:45 P.M.**  
**ONLINE**

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

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

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

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

**Main Presentation:** This presentation features a national, local or panel of experts on general topics such as fix & flip, buying notes, private money lending, marketing strategies, buying land or commercial/multi-family property. These are “you can’t afford to miss” meetings.

*The cost for meetings is \$10 for AZREIA Members and \$20 for Guests. PLUS members can attend free of charge. Please refer to the website [www.azreia.org](http://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](http://www.azreia.org)**

# Legalized Marijuana’s Effect on Your Rental Properties

*Continued from Page 1*

Let’s examine both in more detail in relation to legalized marijuana and its effects on your individual properties.

### PROTECT MY ABILITY TO COLLECT RENT

Your ability to collect rent is the lifeline of managing and maintaining your asset.

As I have discussed in prior articles, that ability has come under attack earlier this year with eviction moratoriums. Now, with the legalization of marijuana, it is under attack again, although this time it is a little less straightforward. Tenant-screening company Rent Perfect has data for 2020 that shows the average credit score for every applicant that applies through their system. Here is a breakdown that you may find alarming:

- Average credit rental score for all applicants.....633
- Average for applicants with no criminal history in 7 years.....646
- Average for applicants with a drug conviction.....574
- Average for applicants with any criminal history.....567

Based on these numbers, it’s quite possible that an individual who smokes marijuana (or uses other drugs) does represent a higher risk to a landlord not being paid rent. This does not indicate that every person who smokes marijuana has a mid-500 score, but that it’s possible that on average they have a lower score than the average renter or those with no criminal history.

As a seasoned landlord I know that an applicant’s credit score reflects their reliability and responsibility in paying rent. The numbers indicate that a non-criminal, non-drug user (illegal or otherwise) is most likely to pay you rent every month over someone with a drug conviction or other criminal history.

### PROTECT MY PROPERTY VALUE

If you’ve ever been in a property that

has been affected by traditional cigarette smoke, the impact is obvious.

Why would we ever think that smoke from marijuana would have any less of an impact?

Truth is, it is nearly impossible to remove smoke damage from drapes, ceilings, walls, and carpet. In addition, individuals who smoke marijuana recreationally don’t always do so alone; it often is more of a social thing.

So, you don’t just have one smoker in your property, you now have the potential of several users, who just multiply the damage.

That is why most landlords do not support smoking of any type.

When you have a no-smoking policy, that already includes marijuana smoke. No smoking literally means no smoking. You don’t have to provide a 100-page document listing every type of pet by name that isn’t allowed in your no-pet policy, so why should you have to identify what can or cannot be smoked in your property?

Critics may cry that marijuana is legal and it’s not fair to prohibit its use on your property. But tobacco is legal, and you don’t want it in your property either. Bottom line, you own the property, you make the rules.

In early December 2020, the House of Representatives passed sweeping legislation that would decriminalize marijuana.

If that becomes law, as a landlord I would say “no big deal,” as we already have that covered. As landlords we should care about smoke damage from marijuana use and not the drug itself. If alcohol, which is legal, caused extensive and expensive damage to my property, I would prohibit its use as well.

Again, my property, my rules. Landlords have the right to protect their property and to create criteria and rules that will allow them to collect rent and maintain their investment well into the future.

After all, you’d hate to see the value of your property go up in smoke due to the actions of your renter.

*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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The image shows a male technician in a green uniform and cap walking towards the camera on a concrete sidewalk. To his left is a white service van with green accents. The van features the company logo, a phone number, and a cartoon monkey character. The background shows a residential neighborhood with houses and trees.



A cartoon illustration of a monkey wearing a green uniform and cap, holding a large red and silver adjustable wrench over its shoulder. The monkey is standing on a white circular base.

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