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The '200% Rule' in a 1031 Exchange *Page 3*

Can You Use Cameras to Help Protect Your Rental Property? *Page 3*

Pivoting Internal Communications During a Pandemic *Page 7*

RHJ RENTAL HOUSING JOURNAL

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

Phoenix Rents Grow Steadily

RENTAL HOUSING JOURNAL

Phoenix rents have continued to grow steadily with the latest monthly increase of 0.6 percent, according to the most recent report from Apartment List.

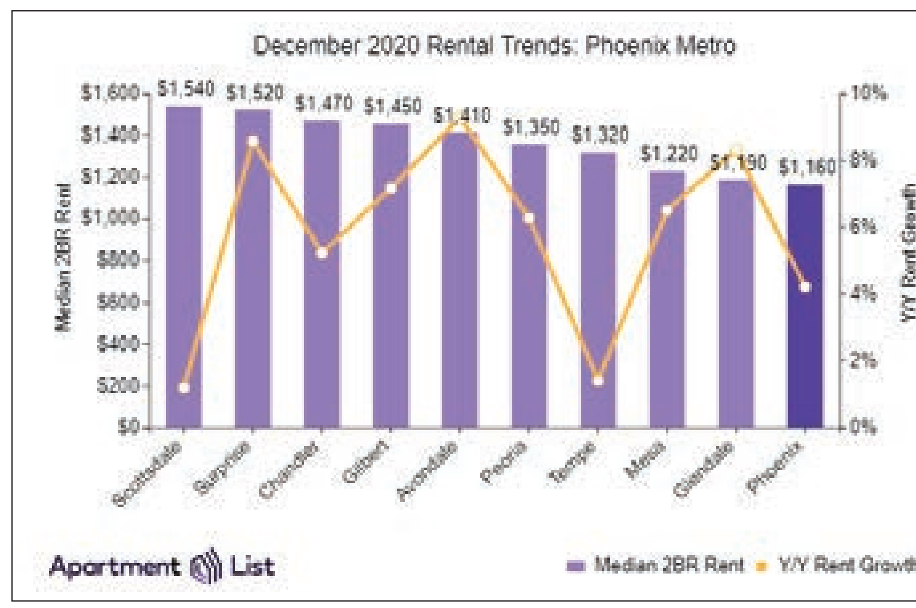
Phoenix rents are up significantly by 4.2 percent year-over-year. Median rents in Phoenix are $950 for a one-bedroom apartment and $1,161 for a two-bedroom. This is the sixth straight month that the city has seen rent increases after a decline in June.

Rents rising across the Phoenix metro

Throughout the past year, rent increases have been occurring not just in the city of Phoenix, but across the entire metro area.

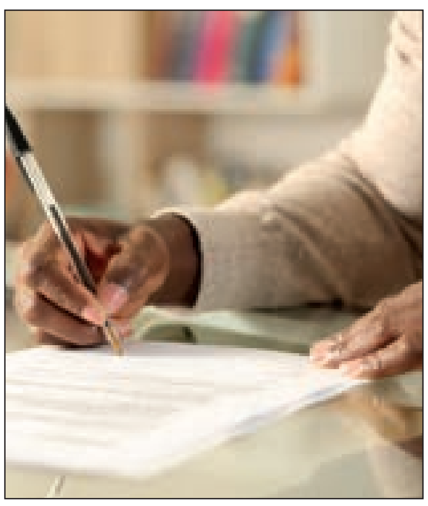
Of the largest 10 cities that Apartment List has data for in the Phoenix metro, all have seen prices rise.

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



- Avondale has seen the fastest rent growth in the metro, with a year-over-year increase of 9.3 percent. The median two-bedroom there costs $1,413, while one-bedrooms go for $1,214.
- Phoenix proper has the least expensive rents in the Phoenix metro.
- Scottsdale has the most expensive rents of the largest cities in the Phoenix metro, with a two-bedroom median of $1,539; rents

See 'Tucson' on Page 6



How to Tell if Applicant Will be a Good Tenant

KEEPE

We all strive to find good tenants, so here are five signs that an applicant will be a good tenant for your rental property from Keepe, the on-demand maintenance and repair company.

When you're receiving lots of applications for tenant positions at your rental properties, sometimes it can be difficult and overwhelming trying to sift through everything.

After all, with so many applications in front of you, where do you begin?

How do you know which applicants will make good tenants?

There are a few telling signs as to whether or not your applicants will be good tenants.

You just have to know what to look for to easily identify the good from the bad and put your mind at ease.

See '5 Signs' on Page 5

Look to Past to Glimpse the Future

BY DAVID PICKRON

With the advent of DNA testing, more and more people are looking at their ancestry and learning vital information. What is their heritage? Do they have a direct line to royalty? Are there certain markers in their genetics that expose them to specific illnesses or maladies? It is often by looking backward that we can discover and prepare for our future.

By applying that same methodology to the business of being a landlord, I have discovered the answer to the question I am repeatedly hearing from hundreds of landlords: What do you think 2021 will bring?

Let me begin with a positive response: Great things are around the corner. I also caution that we must prepare for

See 'A Look' on Page 4

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Understanding the Potential Advantages of the 200% Rule in a 1031 Exchange

By Dwight Kay, Founder & CEO; Betty Friant, Senior Vice President; and The Kay Properties Team

"Is that your final answer?" You may recognize the question made famous by the popular TV game show Who Wants to Be a Millionaire? Choosing the right answer in this game gives you a shot at winning big money, while the wrong answer leaves you with nothing. Investors conducting a 1031 Exchange face a similar make or break decision when it comes to identifying suitable replacement properties.

The right choices can help streamline a smooth and successful execution of a 1031 Exchange. Choosing wrong with properties that may not be viable or deals that are unable to close within the 180-day time period can derail the entire 1031 Exchange. The good news is that investors do get to identify more than one replacement property. However, just like the gameshow, once that 45-day deadline hits for identifying replacement options, those answers are final. Making the most of that short list is one reason that the 200% Rule is a popular choice for many investors. The 200% Rule allows an investor to identify the largest number of replacement options with four or more properties or Delaware Statutory Trust (DST) replacement investments.

Under Section 1031 of the Internal Revenue Code, taxpayers who are seeking to defer recognition of capital gains and related federal income tax liability from the sale of a property are required to formally identify a replacement property or properties within 45-days from the date that the original property is relinquished (the day they closed the escrow on the property they sold). The tax code gives taxpayers three different options for identifying replacement properties on that 45-Day Property Identification Form – the 200% Rule, the 3-Property Rule or the 95% Rule. So, which is the best option to use? Every situation is different. However, for those investors who want to maximize their potential options and identify four or more replacement properties, the 200% Rule is a good choice to explore.

How does the 200% Rule work?

Exchangers can identify any number of properties as long as the gross price does not exceed 200% of the fair market value of the relinquished property (twice the sale price). It is typically used when an investor wants to identify four or more properties. This is the most commonly used rule for investors considering DST investments, because of the flexibility in being able to list multiple properties to build a diversified DST portfolio. The minimum investment amount for DSTs typically starts at $100,000 whereas most commercial real estate properties are priced above $1 million. So, for an investor who has $1 million to reinvest, they could opt to put all of that $1 million into one DST (which is typically not recommended even when the DST has many properties inside of it), or they can divide that $1 million into as many as 10 completely separate DSTs.

An important mistake to avoid is to make sure the list of identified properties does not exceed the 200% limit. The IRS is a stickler for rules. If the combined price of the identified replacement properties exceeds the 200% maximum limit – even by a fraction of a percent – it won't be accepted.

Hypothetical Example: Expanding your options

A married couple sold their manufacturing business that included the sale of the property that housed the business, giving the couple $2 million to invest in a 1031 Exchange. The couple plans to retire and both agree that they don't want a replacement property or properties that will require hands-on management. The husband wants to buy a Triple Net Leased (NNN) fast food restaurant for $1.2 million, while the wife is in favor of a $1.5 million NNN dollar store. Both properties are listed on the 45-Day Form, bringing the total to $2.7 million. They decide to use the 200% Rule, which allows for up to $1.3 million in additional property listings.

The couple agrees to split the remaining $1.3 million across multiple DST investments, and they choose to identify:

- $100,000 in a multifamily apartment DST property located in Denver
- $200,000 in a multifamily apartment DST property located in Dallas
- $250,000 in a debt free DST portfolio of NNN leased pharmacies and e-commerce distribution facilities
- $250,000 in a NNN dialysis facility DST portfolio with locations nationwide
- $500,000 in a DST portfolio of NNN dollar stores

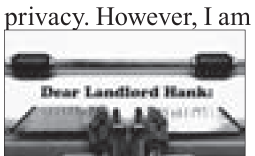
Overall, the 200% Rule allows the couple to identify these seven possible options within their 45-Day period. The DSTs are all packaged and ready to go with closings that can easily close within a week. The couple uses the remaining time to conduct more research and due diligence on the NNN Dollar General and KFC. In the end, they decide to buy the KFC for $1.2 million, but they like the diversity of being about to buy a $500,000 DST interest in a portfolio of dollar stores versus a single location. The remaining $300,000 is spent in the two apartment DSTs.

In this case, the ability to leverage the 200% rule was advantageous in giving the couple more options and more time to make a final investment decision. The outcome also was successful in that their 1031 Exchange was fully executed, and their $2 million is now invested across a diversified portfolio of multiple different income-producing properties versus only one or two. However, it also is important to note that every situation is unique. Individuals should review all three 1031 identification options to choose the rule that works best for your particular situation as well as always should speak with their CPA prior to making any decisions.

Can I Use Cameras to Help Protect My Rental Property?

By Hank Rossi

Dear Landlord Hank: I have been told that cameras are an invasion of privacy. However, I am aware that several professionally managed sites use them.



My situation involves use of cameras (NOT pointed at individual doors) placed to cut down on trash and toys that make my rentals dangerous and unattractive to tenants. Would you please clarify what the law says? We don't want to leave our tenants having to report their neighbors.-**Pam**

Dear Landlord Pam: You'd have to check with your state and local laws, but you should be able to place cameras viewing common areas without an issue as long as the cameras are not hidden and not IN someone's residence, as that could be construed as spying.

Also, cameras with audio capability are another issue you would need to check on.

I think it is a great idea but I would let current and future residents know in advance that cameras are being put in use to cover common areas around the property.

Hank Rossi started in real estate as a child watching his father take care of the family rental maintenance business and now with his sister co- owns a real estate brokerage focusing on property management and leasing, and he also continues to manage his real estate portfolio in Florida and Atlanta. Visit Landlord Hank's website: https://rentsrq.com

A Look to the Past Tells a Lot About the Future

Continued from Page 1

challenges, as the liberal policies that will inevitably come from seemingly united legislative and executive branches of government will directly affect our industry. As a private investigator, if I were hired to do a background check on the more liberal parts of our country in an effort to better understand the how and why of where they are in relation to landlords, I'd simply need to look back at the recent history of actions of city councils, state legislatures and federal agencies across the United States to determine what we can expect in the future.

The Degradation of America's Great Cities

If you've recently visited some of the most notable cities in the country, you see they are riddled with homeless individuals, many mentally ill, some addicted to drugs, some with lengthy criminal records. While it's an admirable position to help where we can, the programs and allowances given to these individuals has created a very challenging environment for landlords in these cities. The shortcomings of government assistance and programs is they rarely fix anything. The government shut down mental institutions in the '70s, leaving no alternative for many who ended up on the streets. Programs to eliminate illegal drugs seem ineffective, as drugs pour over our borders in record numbers. With the legalization of gateway drugs, more and more users could end up committing crimes and eventually joining the ranks of the homeless. On the legal side, courts are deferring and dismissing most cases that come through the court, removing the consequences of illegal behaviors. For example, if you steal something in San Francisco that is valued under $750 and claim it was an act of survival, then in the eyes of the law, no crime was committed. So, who pays for these changes of the past? Not the government. Business owners, like landlords, are seen as the source of funds to subsidize for the effects of these criminal acts. It's a modern-day Robin Hood if I've ever seen one. Its almost as if these government entities are saying "we can't fix it," so let's make landlords responsible for the fix.

Here are a few examples of how landlords are being treated in cities governed by liberal policies around the country:

- **Chicago**: Windy City landlords have to follow a precise onboarding process dictated by the city. A landlord must first run an applicant's credit and give a preliminary approval. After that they can run a criminal history, but if you deny them as a tenant, you must provide a reason as to why that crime would affect the rental.
- **Portland**: Rose City landlords may raise rent only seven percent per year. Landlords can terminate a month-to-month lease for any reason for the first year, but after that, you must have a justified reason to ask your tenant to leave or you will be forced to pay the tenant's relocation cost, which is $4,500 for a three-bedroom.
- **Seattle**: Landlords in the Emerald City must rent to the tenant who has the first qualifying application, called first-in-time, and they cannot perform a criminal background check on a potential tenant. The city controls almost every rent, deposit, and fee you can imagine
- **Colorado**: Centennial State landlords must accept Section 8 housing; they have no choice. They cannot discriminate against "source of income" or who pays the rent.
- **Nationally**: Landlords have been forced to carry tenants for months without being able to evict due to several eviction moratorium decisions handed down through the U.S. Legislature and executive branch.

These are just a few of hundreds of laws stacked against landlords around the country. As you can see, they are coming from all levels of government: city, state and national.

Landlords in Lockstep

As a group, how can smaller landlords even compete with the massive strength of these government entities?

This is the year of banding together. If you are not part of a local or national association, it's time. We need representatives in our local, state, and federal government to fight for us. We need attorneys filing lawsuits and taking our cause to the Supreme Court. I believe property rights will be on the table, and possibly hang in the balance, in the next 4 years.

It's not all doom and gloom … just the opposite. Landlords are smart and, in the end, we will win. Being a landlord is the best job in the world, we just have to be willing to pivot and know we will have some fights that start at city hall and make their way to the highest courts in the land. By banding together, arm in arm, we can overcome any challenge the government throws at us. I am grateful for the amazing years I took for granted, but my instinct says we must roll up our sleeves and get to work; but we as landlords are used to that. In the end, the Constitution drafted by our founders will be the saving grace, as they were wise enough to know that property rights are at the core of being American.

Make 2021 the year of getting your house in order and then banding together with others in your local, state and national landlord associations. To find your local REIA go to https://nationalreia.org/find-a-reia/

David Pickron is president of Rent Perfect, is a private investigator, and a fellow landlord who manages several short- and long-term rentals. Subscribe to his weekly Rent Perfect Podcast (available on YouTube, Spotify, and Apple Podcasts) to stay up to date on the latest industry news and for expert tips on how to manage your properties.

5 Signs an Applicant Will be a Good Tenant

Continued from Page 1

No. 1: They Fill Out the Application Properly

A sign of a good potential tenant is that they properly fill out the application. That may sound overly simple, but this means that they include the appropriate documents that are asked for and fill out everything correctly.

Completing some simple paperwork properly is a good sign that they're responsible and reliable, whereas if the applicant can't even fill out the application correctly or doesn't provide the appropriate documents, that's a bad sign — especially in the very beginning stages of the application process.

No. 2: They Don't Move Too Often

Along with knowing the reason why your applicants want to move, it's also important to know how often they've moved in the past.

One of the main (if not the main) qualities you should be looking for in a tenant is stability and financial responsibility.

If they haven't moved around too much in the past, that's a good indicator that they got along well with their previous landlords and didn't have anything disruptive happen while they were living there.

No. 3: They Have Good References

References are a great way to predict how a tenant will behave. Good references show that a tenant paid rent on time, didn't damage the property and stayed in communication with the property manager.

If a reference from a past landlord says that the tenant did thousands of dollars in damage to their last rental, well, obviously that should be an immediate red flag. Also be sure you are getting the reference from a real landlord and not someone posing as a landlord to help the tenant.

No. 4: A Clean Background Check

During the tenant screening process, of course you'll want to conduct a background check. A good tenant will have no past discretions and a clean criminal record.

If they have a history of drug use or brush-ins with the law, chances are it will become a problem you'll have to deal with, so it's advised to kindly decline and move right along to the next applicant. However, some jurisdictions have restrictions around criminal background checks, so be sure to check your local ordinances.

No. 5: A Good Credit Report

Don't skip or underestimate the credit check; It's a good indicator of the character and payment habits of your applicant.

Neglecting the credit check is the most common mistake landlords make. Not paying their current bills? It's likely they won't pay the rent.

Final Thoughts

Finding a good tenant does take some patience, but it's worth it for later peace of mind. Careful tenant screening is one of the most important tasks for a landlord or property manager, but with these specific screening tips, you'll be on your way to a happy and easy renting experience.

Keepe is an on-demand maintenance solution for property managers and independent landlords. The company makes a network of hundreds of independent contractors and handymen available for maintenance projects at rental properties. Keepe is available in the Greater Seattle area, Greater Phoenix area, San Francisco Bay area, Portland, San Diego and is coming soon to an area near you. Learn more about Keepe at https://www.keepe.com.

Tucson Rents Up Significantly Over Past Month

Continued from Page 1

grew 1.4 percent over the past month and 1.2 percent over the past year.

- Glendale, Gilbert, and Mesa have all experienced year-over-year growth above the state average (8.3 percent, 7.2 percent, and 6.5 percent respectively.)
- Arizona as a whole has logged 4.7 percent year-over-year decline, while other cities across the state have seen rents sharply on the rise.

Tucson rents up significantly

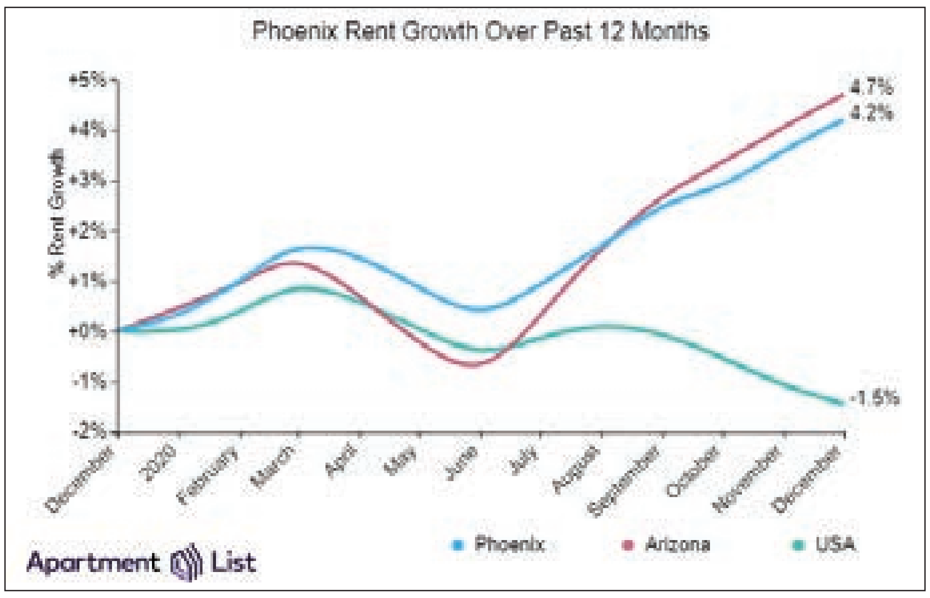
Tucson rents have increased 0.5 percent over the past month, and are up sharply by 6.3 percent in comparison to the same time last year.

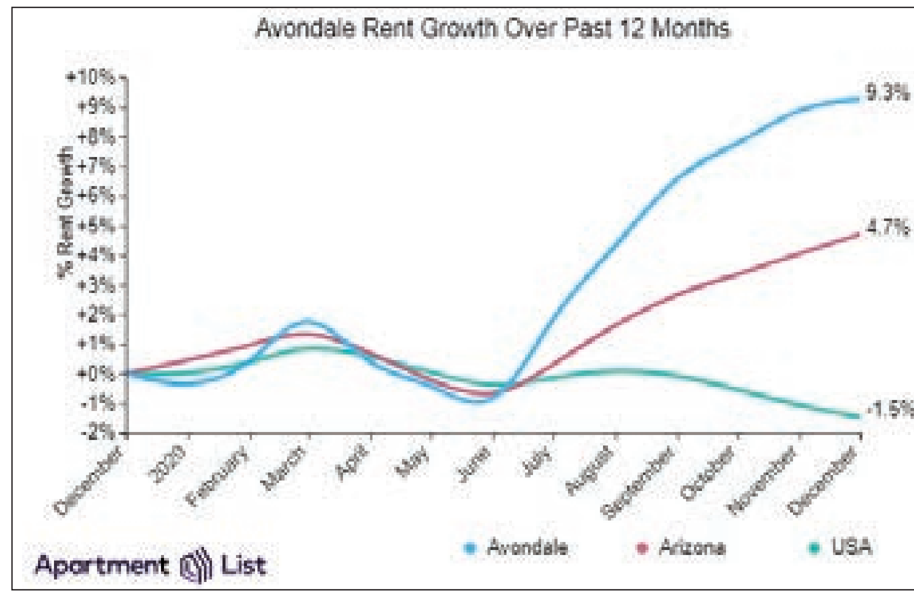
Median rents in Tucson are $818 for a one-bedroom apartment and $1,093 for a two-bedroom.

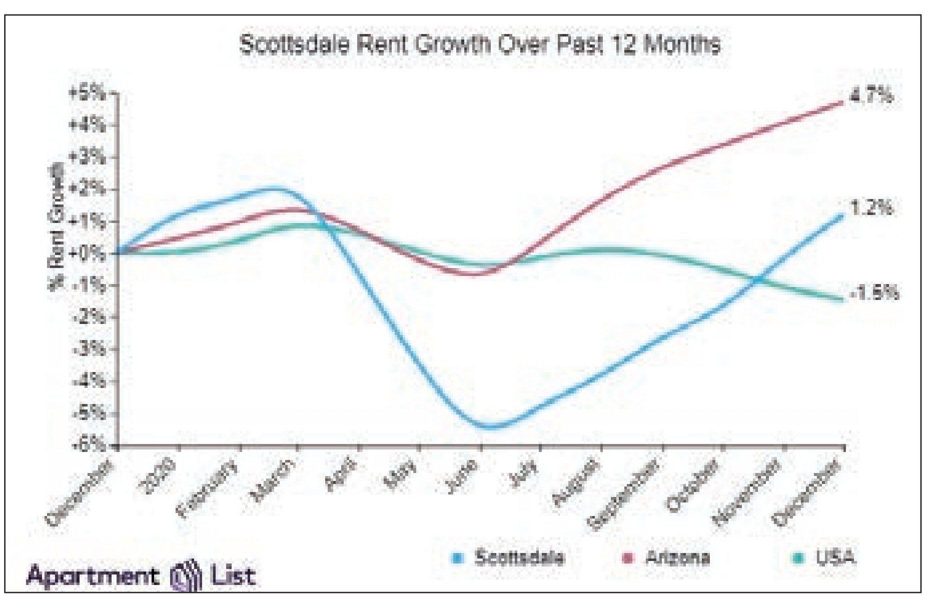
This is the seventh straight month that Tucson has seen rent increases after a decline in May.

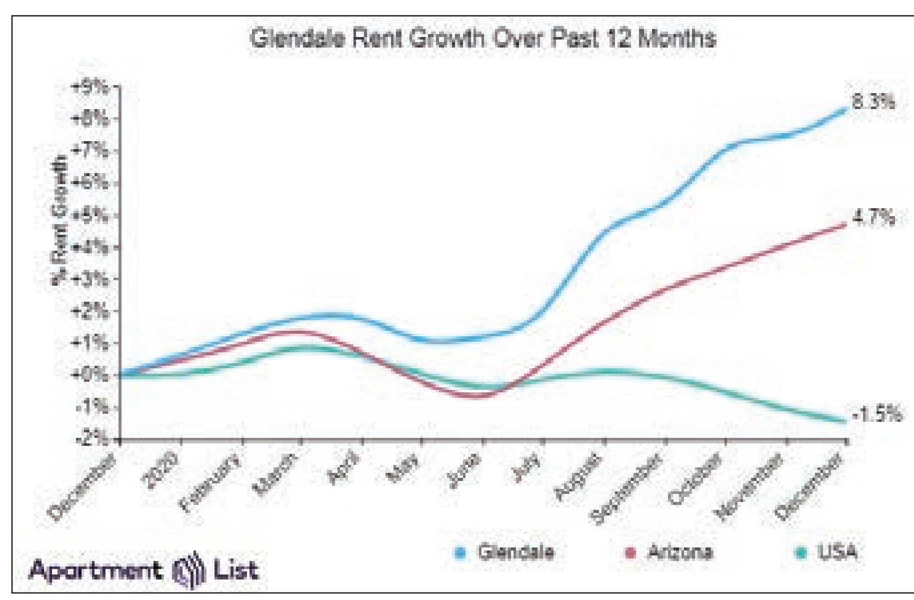
Tucson's year-over-year rent growth leads the state average of 4.7 percent, as well as the national average of -1.5 percent.

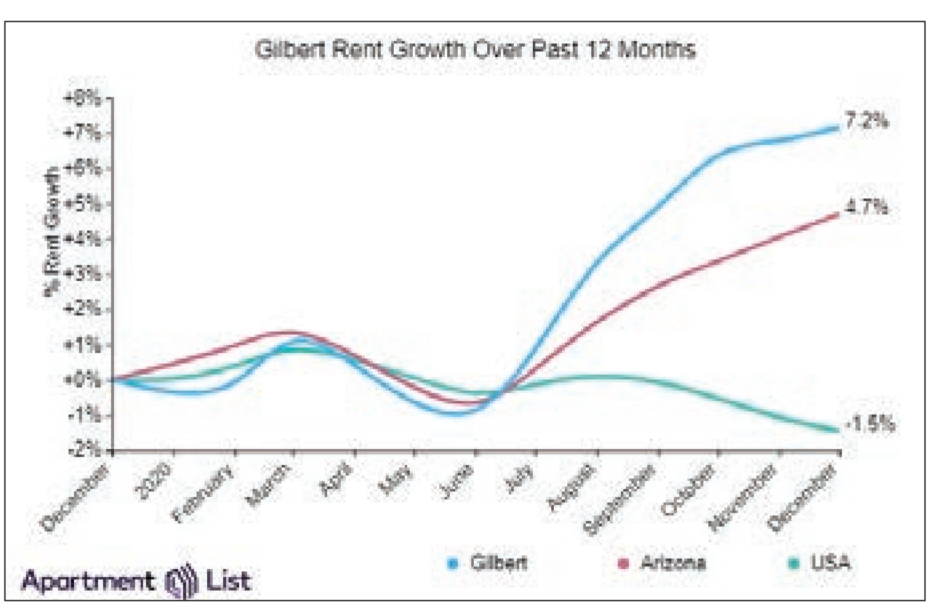
Apartment List is committed to making its rent estimates the best and most accurate available. To do this, they start with reliable median rent statistics from the Census Bureau, then extrapolate them forward to the current month using a growth rate calculated from their listing data. In doing so, they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

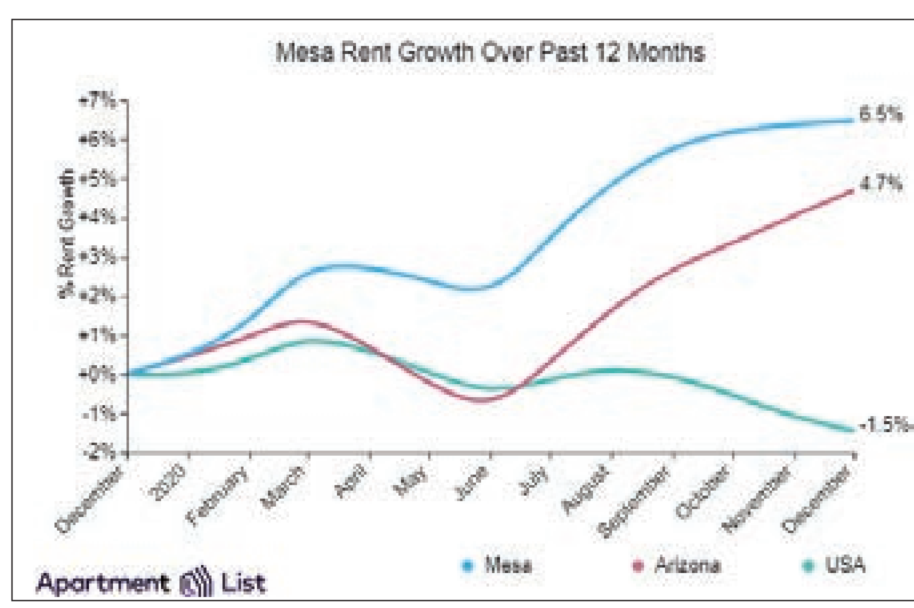


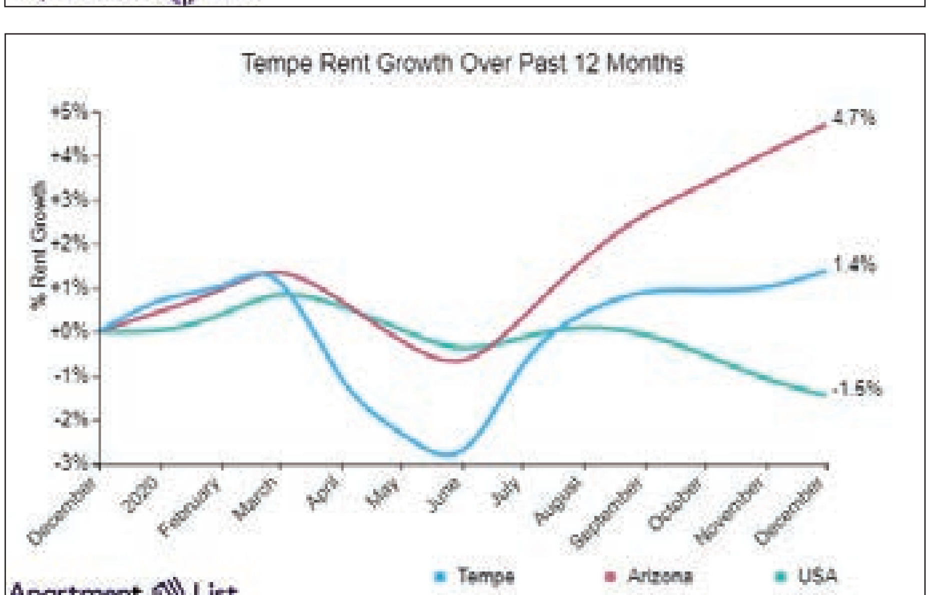


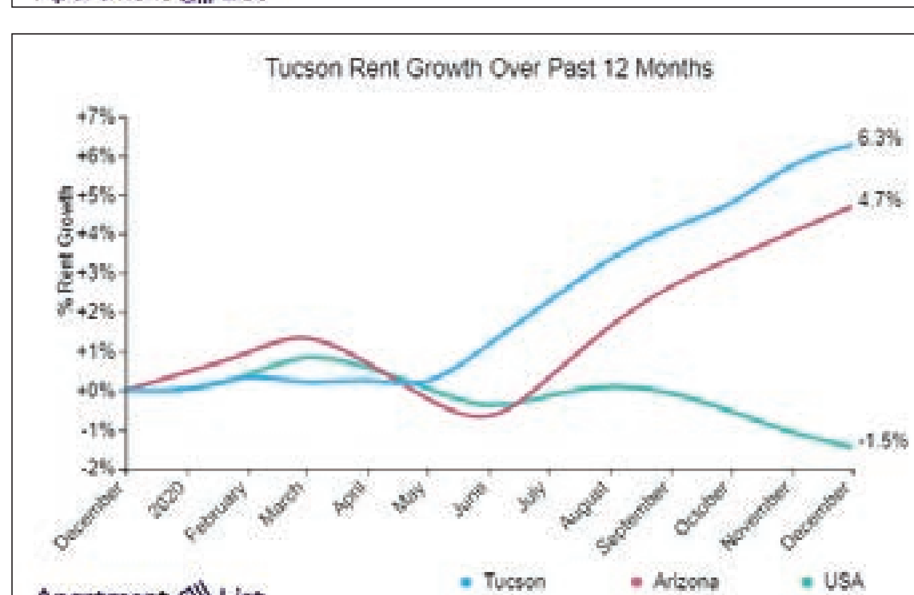












Monthly Meeting Schedule for the Arizona Real Estate Investors Association

PHOENIX MEETING
MONDAY, FEB. 8, 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, FEB. 9, 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 closer to the meeting time for up-to-date information on meeting place/format and agenda.

REGISTER ONLINE AT: www.azreia.org

Pivoting Internal Communications in a Pandemic

By Dustin Lacey / Mark-Taylor Properties

Internal communications are complex, especially in a highly competitive and fast-paced industry such as multifamily. Leaders can often feel pulled in different directions while trying to keep their internal teams up to speed.

How can multifamily executives know what is best for their team members while trying to navigate the current ever-changing environment?

By taking the time to ask them.

Listening and better understanding the needs of the team, your most valuable asset, is always a good idea. It helps frame short-term decisions, while creating long-term goals executives can aspire to meet.

At Mark-Taylor, we manage more than 60 luxury apartment properties in Arizona and Nevada and with more than 500 team members of diverse backgrounds and needs, internal communications, morale and strengthening team culture are always priorities.

Each year for the past several years, our team has worked with an independent third-party agency to conduct an anonymous employee survey. The credibility of an outside firm, its process and the quality of questions helps fuel responses, as do internal campaigns to encourage participation. Each year, the results are studied by executives and help enhance strategic initiatives including retention and recruitment, awards programs, internal communications, and more.

Team members identify areas of improvement, and leadership takes that feedback as an opportunity to understand needs before they become issues. While leadership always garners significant insight from the survey feedback, this year was especially poignant, as employees found the words to share solutions during the pandemic from the front lines.

After taking the time to listen, leadership can also act. While time and budget constraints exist within every team, it is important for leadership to let their team know they've been heard and follow up in a timely manner with what can be refined. Two tactical changes that the Mark-Taylor team made, based on feedback received in 2020, involved teambuilding events and an internal communications tool, which proved to be a better, more flexible fit as needs change rapidly.

Additionally, employee morale needs to consistently be a priority. Typical company picnics, awards ceremonies, and dinners were off this year, so feedback helped us switch gears to involve team members in virtual events, Zoom calls, socially distanced training and even a Halloween costume contest in October and a Ugly Holiday Sweater contest in December.

Despite a year of unprecedented challenges, internal communications and strengthening team culture can remain a priority for leadership teams that are committed to creating incredible places to call home for residents and for valued team members.

Dustin Lacey is the vice president for brand and marketing for Mark-Taylor Companies. He provides strategic direction for the company's marketing, communications and technology. Previously, he led commercial marketing efforts for the world's largest irrigation products manufacturer and currently serves as director of communication of the Arizona Multihousing Association. Dustin earned his undergraduate degree from the University of Arizona and MBA from the Thunderbird School of Global Management.

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