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Seattle Rents Continue Decline, Down 20 Percent Year-Over-Year

Analysts Say the Downward Trend May Be Nearing Bottom

Apartment List

Seattle rents are down 20 percent year-over-year, and continued to decline by another 0.8 percent over the past month, according to the latest report from Apartment List.

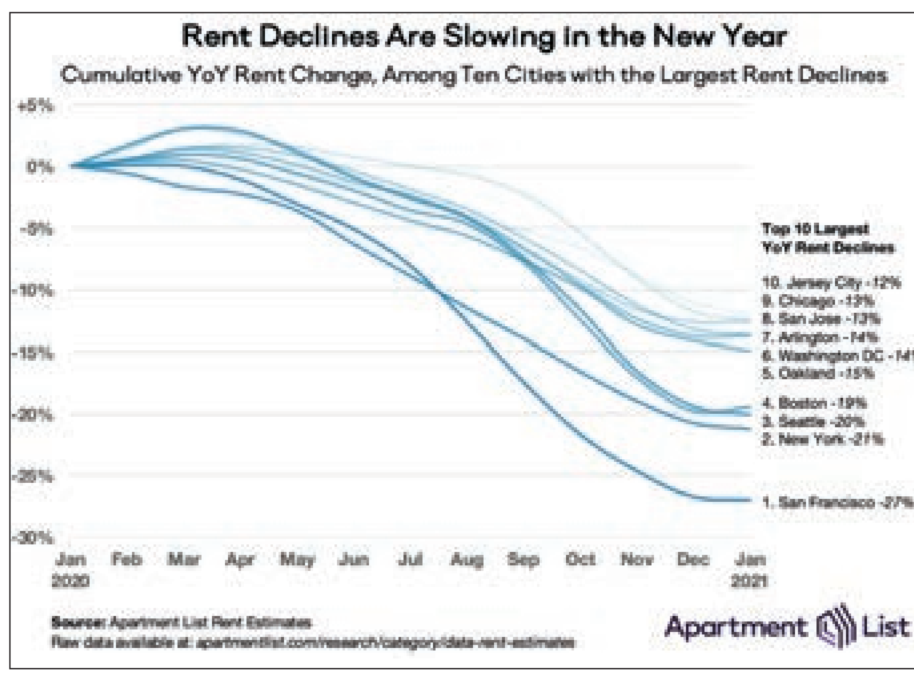
But trends indicate that rent decline may be nearing the bottom, as Apartment List analysts see "calmer waters" ahead with the national index up from December to January.

Median rents in Seattle are $1,336 for a one-bedroom apartment and $1,666 for a two-bedroom.

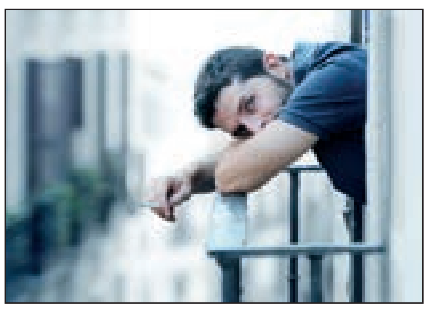
This is the 10th straight month that the city has seen rent decreases after an increase in March of last year.

Seattle's year-over-year rent growth lags the state average of -8.9 percent, as well as

See 'Rent' on Page 4



How to Control Smoking in Non-Smoking Rentals



By Justin Becker

Landlords and building managers have to deal with several kinds of issues daily. Most of these are routine: a leaky faucet, a faulty smoke alarm, and so on. However, in view of the current pandemic, the issue of smoking (especially with a non-smoking building) is more serious than ever.

Here's what's going on right now: A lot more people are at home every single day. The concept of remote working will become even more common in the future. Plus, people are becoming more attuned to their health issues, especially when it comes to their respiratory system. Previously, it wasn't exactly ethical when secondhand smoke from one tenant affected the apartment of their neighbors. Today, a landlord could get sued for the same.

Not sure how to get that smoking issue under control? Here are a few ways to get you started.

1. Resident Surveys

You can start off by conducting resident surveys about the issues of secondhand smoke and how to combat it. This way,

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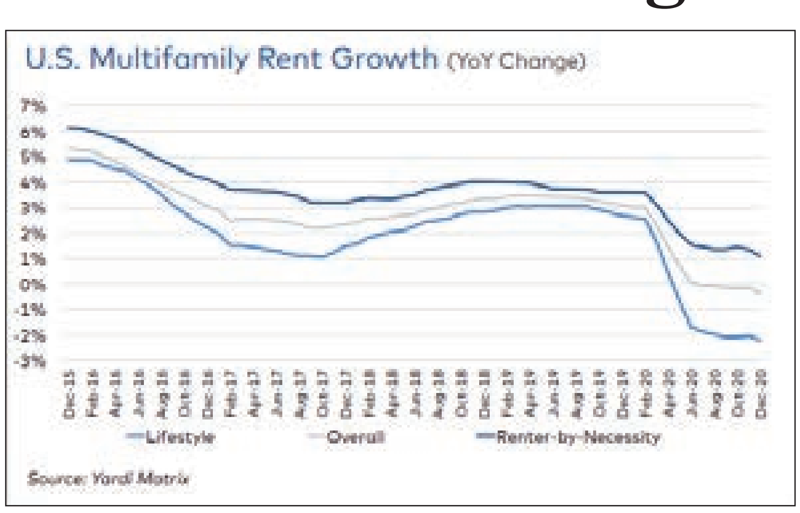
Pandemic Likely to Inflict More Pain on Rental Housing Before Recovery



Rental Housing Journal

The pandemic continues to burden multifamily rental housing as rents continue to fall, and more pain in coming, Yardi Matrix says in their U.S. Multifamily Outlook for winter 2021.

"After a year ravaged by a global pandemic and political division, nothing would be more satisfying in 2021 than a return to normal" … but "it will take some months to get most of the country vaccinated and get businesses operating as normal," the report says.

"Despite the COVID-19 pandemic, national rent growth remained relatively flat on a year-over-year basis, ending the year at -0.8 percent. There was a large divergence in performance between markets, though.

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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

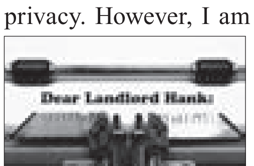
Overall, the 200% Rule allows the couple to identify these seven possible options within their 45-Day period. The DSTs are all packaged and ready to go with closings that can easily close within a week. The couple uses the remaining time to conduct more research and due diligence on the NNN Dollar General 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.



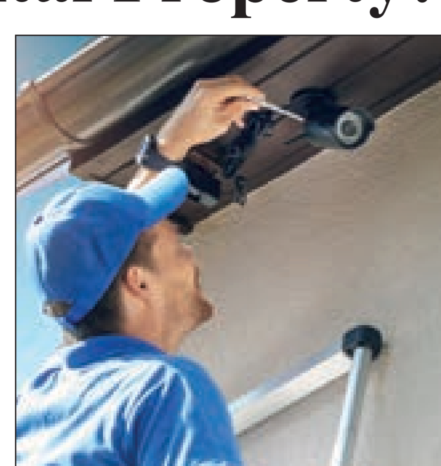
My situation involves use of cameras (NOT pointed at individual doors) placed to cut down on trash and toys that make my rentals dangerous and unattractive to tenants. Would you please clarify what the law says? We don’t want to leave our tenants having to report their neighbors.-**Pam**

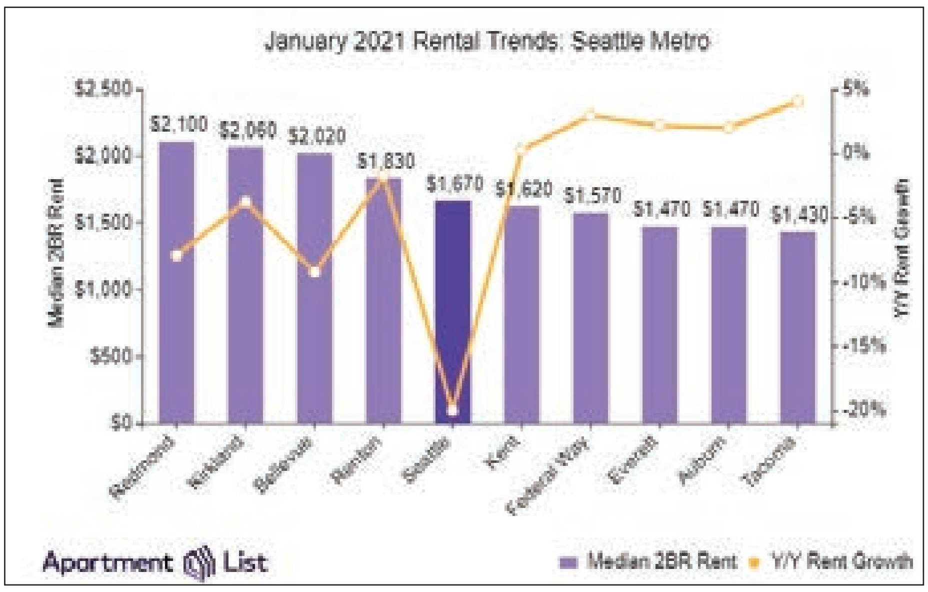
Dear Landlord Pam: You’d have to check with your state and local laws, but you should be able to place cameras viewing common areas without an issue as long as the cameras are not hidden and not IN someone’s residence, as that could be construed as spying.

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





Rent Trends Vary Across Seattle Metro Area

Continued from Page 1

the national average of -1.2 percent.

Rent trends vary across the Metro

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

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

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

- Tacoma has the least expensive rents in the Seattle metro, with a two-bedroom median of $1,428; the city has also experienced the fastest rent growth in the metro, with a year-over-year increase of 4.0 percent.
- Seattle proper has seen the biggest rent drop in the metro.
- Redmond has the most expensive rents of the largest cities in the Seattle metro, with a two-bedroom median of $2,102; rents were up 0.7 percent over the past month but fell 7.9 percent over the past year.
- Washington as a whole has logged -8.9 percent year-over-year decline, while other cities across the state have seen rents significantly on the rise. For example, rents have grown by 6.0 percent in Spokane and 5.5 percent in Vancouver.

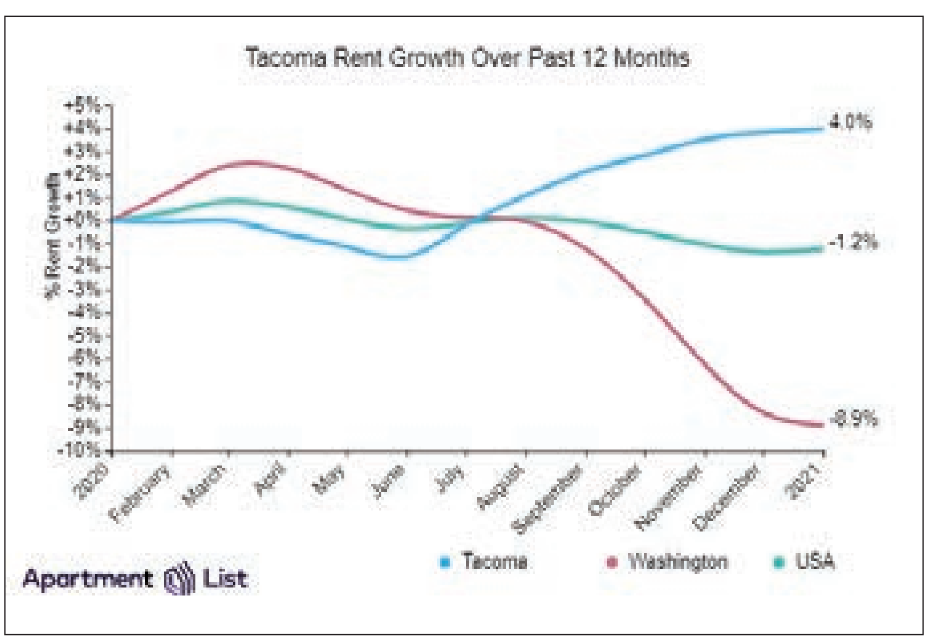
Rents may have reached the bottom

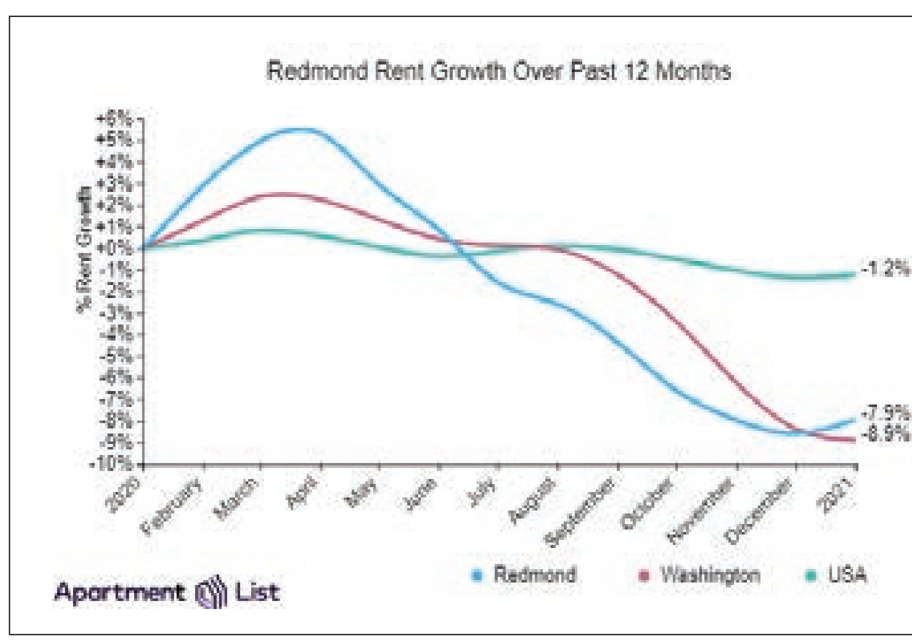
"Our national index ticked up by 0.1 percent from December to January, the first monthly increase that we've seen since last August," the report says.

"Although the data continue to show significant regional variation, the markets that have been most heavily impacted by the pandemic are beginning to enter calmer waters. In the pricey coastal metros where rents have been plummeting, this month's data implies that we may have reached the bottom.

"At the other end of the spectrum, many of the mid-sized markets that have seen rents grow rapidly through the pandemic have seen just modest increases this month," Apartment List says in the most recent report.

At Apartment List, we start with fully-representative median rent statistics for recent movers, estimated using the Census Bureau's American Community Survey. We then extrapolate this data forward to the current month using a growth rate calculated from our listing data. We filter these data to capture the prices at which rental units transact, which quite often differ from initial or average list prices.1 Finally, we calculate growth rates using a same-unit analysis similar to Case-Shiller's approach, comparing only units for which we observe transactions in multiple time periods to provide an accurate picture of rent growth that controls for compositional changes in the available inventory.





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5 Signs an 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.

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.

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Washington Multi Family Housing Association

We Are WMFHA - a Look Back at 2020

The year 2020 will certainly be one to remember, and one to forget. No one would have predicted the immense challenges our state and nation would face as we started this new decade. Expectations were high. Optimism prevailed for a new, exciting year.

Then we all heard of a virus in Wuhan, China. While that seemed far away and mysterious, we then had a report of the first known case of this new coronavirus in Washington state.

From there, the virus spread and the Seattle area became an epicenter of COVID-19 in the United States. None of us could have imagined the magnitude of the worldwide pandemic that would soon follow.

Elected officials were forced to do the previously unthinkable – prohibit all gatherings, shut down businesses, and impose orders to stay home and isolate to stop the spread of the virus.

Housing and WMFHA Step Up

The housing industry was quickly forced to make some big innovations to how we do business, and we dealt with that adversity with professionalism and compassion.

We are a service industry. We are a people industry. We care, and we've shown our mettle during this incredible year by rising to the challenge.

The uncertainty of the time created a thirst for information and connection, and WMFHA stepped up to be the central hub of information and support for our members.

We began our aptly named "6 Feet Apart" webinar series, on the then new-to-us platform called Zoom. WMFHA conducted more than 20 free webinars on valuable subjects of interest, with attendance of more than 2,000 of our members in 2020.

Undaunted, WMFHA developed a virtual Tapas & Topics networking event, once again utilizing Zoom meetings so that we could all see each other's faces and keep connected. EdCon, the hugely successful education conference and trade show exhibition featuring the popular Maintenance Mania competition, had to be canceled for 2020.

But out of adversity comes opportunity, and WMFHA developed in its place APTConnect: an online, multi-day educational conference and supplier-partner marketplace which featured outstanding and informative classes.

We've all become experts at coordinating and attending Zoom meetings and webinars. WMFHA was able to still hold our popular Business Exchange, the speed-dating version of a reverse trade show, virtually.

Still Doing Good for our Community

Devotion to our charitable partners was even more critical during this stressful year. We were not sure if we could raise donations for our non-profit partners. Rather than giving up since we couldn't host events, we doubled down.

Instead of raffles, auctions, and activities for one day, we leaned on social media, marketing, and event-revenue sharing for fundraising.

It started with raising an amazing $15,930

for Northwest Harvest in the spring! In the fall, with WMFHA's match of $25,000 for each organization, our caring membership raised an incredible $63,400 for Domestic Abuse Women's Network (DAWN) and $51,900 for Childhaven! These funds were desperately needed to serve our communities in this trying time.

Focusing on Educational Opportunities

In the fall, our mission to provide educational opportunities to further career development took a turn for the better. We were finally able to hold a virtual, interactive Certified Apartment Manager (CAM) course, honoring educational scholarships totaling $24,000 that were awarded in February. Thirty-three candidates graduated with their CAM credentials.

Fair Housing Fridays, Budget Bootcamp, Basic Pool, and more classes continued, albeit online. Webinars explaining new legal and legislative changes were invaluable for our members. "Ask A Lawyer" presentations were critical in sharing information and best practices.

With more than 3,700 registrations for our various classes and webinars, WMFHA proved its all-in dedication to educating, equipping and motivating our members!

We owe so much to the dedicated efforts of all the onsite associates who have also sacrificed this past year. They are our own front-line workers.

For several weeks during the pandemic, we honored these heroes. We sincerely appreciate the sacrifices that office and maintenance service teams have endured during this crisis.

Strong Advocacy is Needed

Continued threats to our ability to serve residents of this state result from ongoing government regulations. These continue to be our biggest challenge, although we are progressing to becoming a go-to rental-housing resource for policymakers. We have built some valuable coalitions and partnerships to elevate our voice and influence.

The coalition Partnership for Affordable Housing (you can see the website at www.partnershipforaffordablehousing.com) has given us an important platform to fight the never-ending, misguided effort to pass rent control in Washington. Similarly, as in California and Oregon, that type of legislation would be detrimental to our industry.

We will continue to advocate for the industry and to promote housing creation to serve renters in this state and to fight harmful legislation that will make housing more unaffordable.

Looking Forward

Despite all the hardships, there were some tremendous accomplishments for your association in 2020. Now it's time to turn a page in our history and embrace a new year with optimism.

In 2021, one of our initiatives will be to continue our work on Diversity, Equity, and Inclusion (DEI). Our industry and workforces are growing in many ways and we need to grow with them. Our commitment to DEI work will include collaborating with a consultant and developing a road map toward racial justice for our organization and our members.

We hope to once again be able to meet in person this year, whenever that time comes. Connection is a human need. We need WMFHA and we need each other. Our goal will always be to deliver value to our members.

Our resilience and passion prevailed this past year. We are proud of how the rental housing industry has responded to these difficulties.

We continue to support our communities and neighbors and should look back on 2020 with pride for our collective accomplishments.

Best wishes for a brighter year to come.

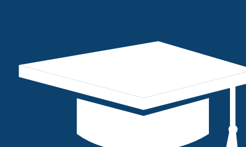
WMFHA supports the rental housing industry by providing quality educational opportunities, coordinating networking events for personal growth, and by advocating for legislation equitable to our industry and the broader community. To learn more about membership in this passionate organization, simply call us at 425.656.9077 or visit our website at www.wmfha.org. Follow us on Facebook and our other social channels for up to date information on association activities.

2020 WMFHA EDUCATION

We are dedicated to multifamily associates' career development. Last year, 32 scholarships were awarded, endless informational emails were sent, and virtual education is here to stay for your future!

WEBINARS
60 virtual educational opportunities

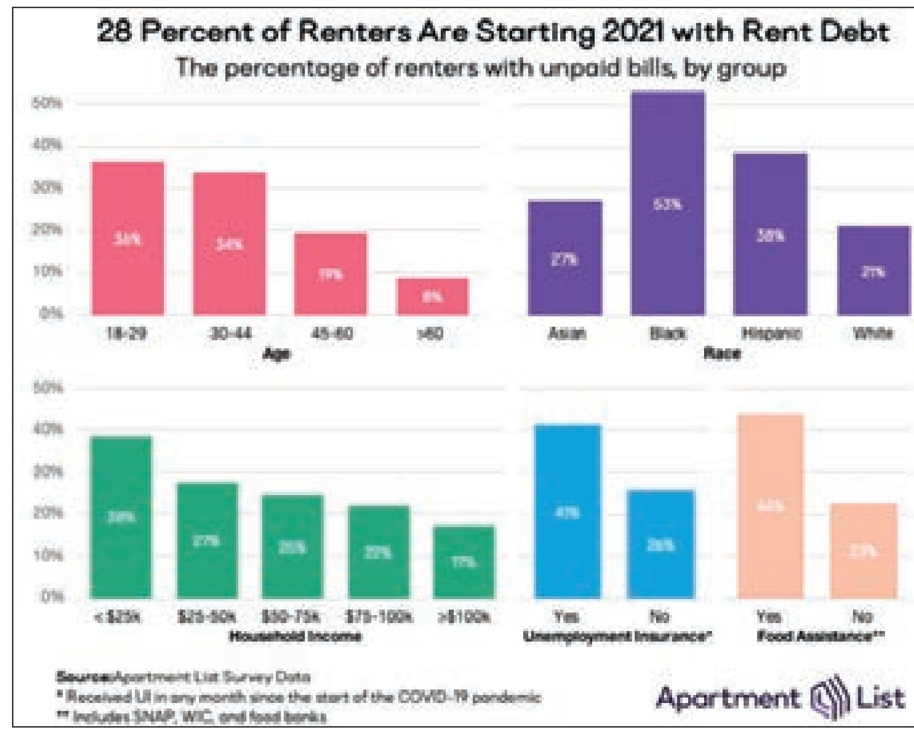
APTCONNECT
18 classes over the course of three days



INDUSTRY CREDENTIALS
36 students completed coursework to earn NAAEI credentials

www.wmfha.org

Growing Rent Debt a Threat to Rental-Housing Security



Rental Housing Journal

Rent debt will be a persistent threat to the housing security of millions of renters as 28 percent of renters are starting the year with unpaid rent bills from previous months, amassed while the economy buckled under the coronavirus pandemic, according to the latest Apartment List survey.

For minority renters, the missed-payment crisis has been even more damaging. In the fall of 2020, the missed-payment rate for non-white renters was nearly 50 percent higher than that of white renters. This is just one of many ways that minority groups are burdened with an outsize share of the pandemic's economic fallout; beyond housing, people of color have disproportionately experienced loss of employment, loss of health insurance, loss of food security, and more severe health impacts.

"As we did throughout much of 2020, our team collected data on housing, race, and financial outcomes using a nationally-representative survey of over 4,000 respondents taken during the first week of January 2021. The findings highlight how the persistent and unequal effects of 2020's housing crisis are spilling over into the new year," Apartment List said in the survey.

Rent Debt Is Driving Concerns About Evictions

There has been some rent debt improvements but those have been concentrated among just the wealthiest set of renters. Since October, the rate of rent debt has nearly halved for households making over $100,000, but fallen just a few percentage points for those earning less than $50,000.

This slight decline in rent debt, coupled with federal and local eviction moratoriums, have allayed some broad concerns about renters being evicted from their homes.

As of January, 51 percent of renters say they are "not at all concerned" about an eviction, up from 39 percent six months ago. But eviction protection does not equal rent forgiveness, and unpaid debts will become due when the federal moratorium expires. This will expose the millions of renters with unpaid bills who aren't protected by additional state or local laws.

"With that in mind, and considering what we now know about where rent debt is concentrated in America, it comes as little surprise that evictions pose a much greater threat to minority renters," Apartment List said in the report, as 31 percent of Black renters are "very" or "extremely concerned" about losing their homes, more than any other group and at more than twice the rate of white renters.

Rent debt and eviction concerns are highly correlated.

More than 80 percent of renters who are extremely concerned about an eviction owe their landlords money, and on average, they owe much more than less-concerned groups; 45 percent owe more than $1,000, compared to just three percent of those who are not worried about losing housing. This highlights how eviction moratoriums may be short-term safety nets, but not sufficient solutions to deep inequalities. For renters coming into the new year with steep debts, these moratoriums may only be delaying the inevitable: a surge of evictions that will disproportionately displace already-vulnerable groups.

Unpaid Rent Causes Additional Downstream Sacrifices

Rent debt - and the looming threat of eviction - are forcing many renters to change the way they spend and save their money, often exacerbating their financial troubles.

"Our survey asks renters what financial sacrifices they have made in response to the pandemic, and in the chart we split the results by whether or not they have accumulated rent debt going into the new year.

"The discrepancies show that for debt-burdened renters, the financial hole can be much greater than just unpaid-rent bills. By creating an immediate need for cash, rent debt leads to new forms of debt and limits short- and long-term savings," Apartment List says in the report.

Summary

This year the pandemic will remain a persistent threat to the health, finances, and housing security of our nation's renters.

"And pre-existing economic inequality is compounding the problem for minority renters. People of color, who tend to work in occupations that are more prone to disease exposure and more susceptible to pandemic-related layoffs, are coming into 2021 with greater rent debt and more salient concerns about losing their housing once eviction protections expire," Apartment List says.

How COVID-19 Has Changed Security for Landlords

By Saurabh Bajaj

Property management requires landlords to be constantly accessible to address physical security matters at their properties. Whether accessibility, mitigation of risk, maintaining security protocols, or promoting safety practices, landlords need to be ready and present.

COVID-19 has created a major barrier to complete these responsibilities in property management, and the consequences have left a gap in physical security that has raised an even bigger issue of business continuity and facility resilience.

Visitor Management and Access Control

With social distancing a necessity, landlords and property managers have had to find new ways to manage tenant and guest access from a distance – this includes replacing lost key cards, changing locks or access permissions after a tenant moves out, and giving consistent access to cleaning staff who need to access the facility more often due to the need for more frequent cleaning.

This becomes complicated with legacy access-control and visitor-management systems that are network-based, meaning they operate onsite at the property. Management gets all the more complicated when landlords have more than one property or a high-occupancy property to manage. Without the ability to be flexible with in-person operations, property security can falter.

Secure Delivery

The rise of e-commerce from months of stay-at-home orders has increased opportunities for package theft. Consequently, that is exactly what happened. During COVID-19 however, package theft goes beyond the usual headache and frustration it typically incites, because the pandemic has forced people to turn to home delivery of essentials like prescriptions, food, confidential work-related documents, and more.

Landlords have had to address the high stakes and high volume of package theft at their property. This is easier said than done if protocols were not already in place.

Tenant Occupancy

Renting an apartment typically requires face-to-face interaction for touring and access to different parts of the buildings. In-person showings also allows the building to be seen while respecting the safety and security of current tenants. COVID-19 has completely eliminated the ability to show properties to prospective tenants. So, landlords have needed to find ways to continue business and bring in tenants to their buildings.

Many have adopted virtual apartment tours and viewings, but it has underscored an ever bigger issue that landlords need to address for the future. If they can't rely on their current operation for business continuity, what is the solution in order to future-proof their property?

Cloud-Based Management

Onsite network security has its setbacks in regards to flexibility. Transitioning to a cloud-based management system gives landlords and property managers the flexibility to manage the security of their property remotely. Cloud-based access control, for example, allows landlords to manage tenant permissions and remotely unlock access points within the property without the need for any face-to-face contact. The landlord doesn't even need to be present to do this.

In addition, remote-management cloud-based systems also offer integration options so that all aspects of facility security can be managed under one platform. Video surveillance can be integrated with access control, for example, so that landlords can get a more holistic idea of the security operations within their property.

The Edge and AI

Artificial intelligence (AI) on edge security such as video surveillance cameras can learn images, patterns, behaviors, and so on. This type of holistic surveillance offers better security for tenants and allows landlords to better understand the physical security behavior in their property.

Contactless and Touchless Solutions

Frictionless security systems are a great solution to combat the risk of COVID-19 and for the future. Granting remote access for authorized visitors reduces the burden on landlords without sacrificing the quality of security, while also keeping physical distance. Touchless solutions eliminate the need to touch high-use surfaces, which mitigates the spread of viruses. Health-conscious solutions like these, which prioritize safety and security, will prevail as a best practice throughout COVID-19 and into the future of rental property security.

Saurabh Bajaj is the founder and CEO of Swiftlane, a modern touchless-access control system for facility security. Before Swiftlane, Saurabh built machine-learning infrastructure at Lyft, specifically working on ML and computer vision for self-driving cars. Prior to Lyft, he worked with Facebook and Instagram.

Delinquent Landlord Payments Are Posing Credit Risk for Banks

Rental Housing Journal

Banks are worried about delinquent landlord payments from small landlords who may not be able to make payments on mortgages for rental property. Smaller landlords are getting hit harder by tenants who miss rent payments due to COVID-19, as well as rent and eviction moratoriums.

About 1.6 percent of an estimated $1.6 trillion market for mortgages on 1- to 4-unit properties were delinquent in November, according to the Mortgage Bankers Association.

And delinquencies are expected to climb.

"Small landlords are getting hit hard with no real way out of the problem until the pandemic ends," said Chris Nichols, chief strategy officer for the nearly $19 billion-asset CenterState Bank in Winter Haven, Fla.,while talking to American Banker.

"Banks have been working closely with landlords to restructure their debt and provide forbearances, but this relief will expire soon and is a concern. Defaults on rental properties are typically caused by mismanagement or economic downturns that are easier to gauge.

"Since none of us have been through a pandemic this large before, there is no playbook and few alternatives," Nichols said.

The stimulus package enacted in December extended the Centers for Disease Control and Prevention's moratorium on evictions through Jan. 31 and granted renters other relief. But for many landlords, their mortgage payments are still due, a reality that translates into a looming credit risk for banks, according to American Banker.

Small landlords getting hit harder

For example, Dawn Garza, a landlord and small-business owner in San Antonio, told American Banker she is hoping to get a second loan from the Paycheck Protection Program to cover her property taxes due at the end of January.

She's short because business is down, and she gave her tenants — one a student and part-time restaurant worker, and the other an out-of-work hairdresser who is recovering from COVID-19 — a three-month break on rent this year.

"I am not going to ask for back rent because I know it's impossible for them," Garza told American Banker.

According to Avail, an estimated 44 percent of renters surveyed by the company in October said they did not expect to make a full rent payment that month, up from 35 percent the previous month. And about 57 percent of landlords who did not receive full rent payments reported feeling pressure to sell, according to the Avail survey.

According to a Bloomberg City Lab article, the total owed by Americans in missed rent, late fees, and unpaid utility bills by Jan. 1 was as high as $7 billion. About 11.4 million U.S. renters struggled under the financial pressures of COVID-19, resulting in each household owing an average of $6,000 in past-due rent alone.

A recent study conducted by Avail and Urban Institute confirmed that large numbers of renters are unsure of whether they can afford their rent; of 2,429 renters that responded to the question, 44 percent said they were not able to pay rent in full for October.

Do-it-yourself landlords, which make up the majority of the country's 48 million rental units, are also struggling to make ends meet due to missed rent. In the same study, Avail and Urban Institute found that delinquent landlord payments represented 12 percent of landlords went into forbearance on at least one of their mortgages due to the pandemic. Of the 12 percent in forbearance, 20 percent are Black and 14 percent are Latino. This is compared to nine percent of white landlords facing the same issue.

Delinquent landlord payments could grow if moratoriums are extended

"I do believe that if the eviction bans are extended much longer, and continuing unemployment rates remain high, we'll begin to see smaller investors, who are often highly leveraged, begin to default on their loans," said Rick Sharga, executive vice president of marketing at RealtyTrac.

"Because rental properties owned by mom-and-pop landlords are generally more affordable than those owned by institutional investors, this pressure (to sell) could cause the housing market—which already had a dearth of available units before the COVID-19 pandemic — to lose even more lower-priced rental housing," researchers at the Urban Institute said in a recent paper regarding the Avail data.

Working from Home Propels Home-Buying Boom in Master-Planned Communities

Rental Housing Journal

Working from home has proven to be a sweet freedom amid a year of COVID-19 restrictions, as there has been a home-buying boom in master-planned communities, according to John Burns Real Estate Consulting.

"For many, work-from-home flexibility eliminated the need for proximity to an office. The usual trade-off between a dream home and a dream job evaporated, as quickly as a ready supply of toilet paper," write Burns consultants Jody Kahn, Devyn Bachman, and Nicole Luszczak.

"Master plans' new-home sales boomed across the country as work-from-home opportunities became permanent for many, and commute times became a drudgery of the past. Our consulting associates connect this newfound flexibility to skyrocketing sales in 2020."

Master-planned communities "embody several trends that our team chronicled in client reports, a podcast, and articles we released in 2020. "

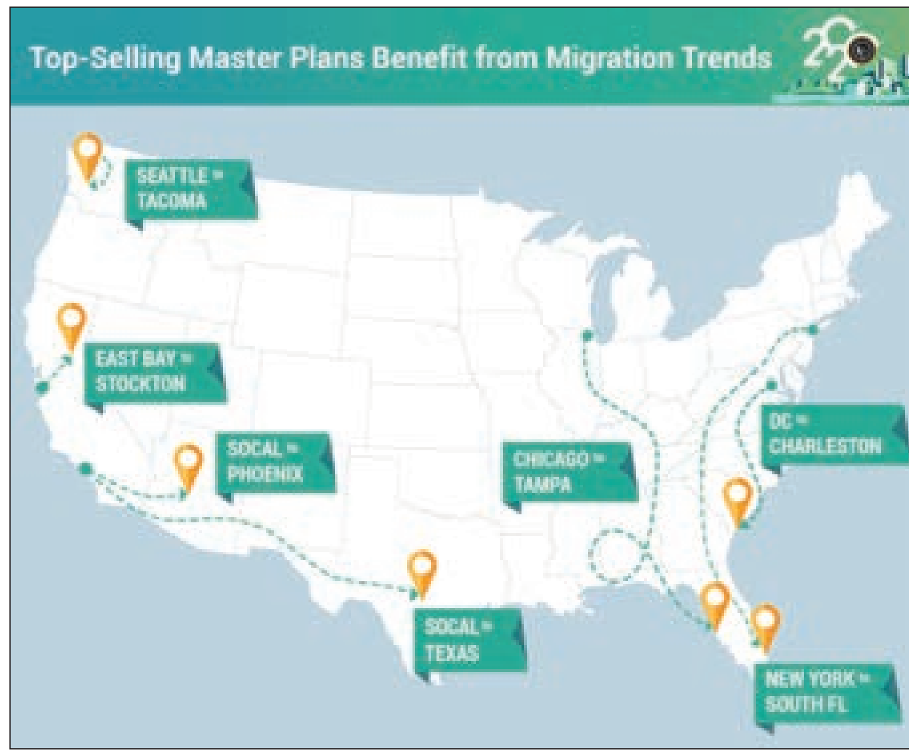
These themes include:

- The home-sales boom supported by massive numbers of buyers working and learning from home;
- A shift to the suburbs (and sometimes other metros) from higher-density urban locations;
- The search for outdoor spaces and ways to exercise and play while socially distanced;
- The balancing of our human need for connection with separation for safety and sanity.

Buyer urgency drives a new Top 50 sales record

"No doubt the low mortgage rates helped, but home buyers' urgency to improve their living spaces contributed significantly to the burst in sales.

"Together, the top 50 (nationwide) master plans sold 37,305 new homes in 2020, setting a new record in our ranking history. Our updated ranking includes a few adjustments to sales numbers and developer names from those quickly shared with us in the first 2–3 days of the new year," the report says.



JOHN BURNS REAL ESTATE CONSULTING

Top 50 Master-Planned Communities

Celebrating **10 Years of Insight**

Ranking	Project Name and Location	Developer	Net Sales 2020	Net Sales 2019	YOY% Δ
1	**THE VILLAGES** Villages, FL	Villages of Lake Sumter, LLC	2,452	2,429	1%
2	**LAKEWOOD RANCH** Sarasota, FL	Schroeder-Manatee Ranch, Inc.	2,149	1,648	30%
3	**SUMMERLIN** Las Vegas, NV	**The Howard Hughes Corporation**	1,456	1,320	10%
4	**WELLEN PARK*** Sarasota, FL	Wellen Park LLLP	1,415	1,273	11%
5	**ONTARIO RANCH'** Riverside-San Bernardino, CA	**Brookfield, DR Horton,** Lennar, Lewis, Stratham	1,292	755	71%
6	**DAYBREAK** Salt Lake City, UT	Daybreak Communities	1,055	753	40%
7	**CANE BAY PLANTATION** Charleston, SC	Gramling Brothers Real Estate & Development	996	625	59%
8	**NOCATEE** Jacksonville, FL	The PARC Group	925	909	2%
9	**BRIDGELAND** Houston, TX	**The Howard Hughes Corporation**	873	740	18%
10	**CADENCE** Las Vegas, NV	The LandWell Company	849	756	12%
11T	**BALMORAL** Houston, TX	**Land Tejas Company**	841	467	80%
11T	**MISSION RIDGE'** El Paso, TX	Hunt Communities	841	838	0%
13	**VERRADO** Phoenix, AZ	**DMB**	809	602	34%
14	**IRVINE RANCH'** Orange County, CA	The Irvine Company	800	850	-6%
15	**EASTMARK** Phoenix, AZ	**Brookfield, DMB**	786	1,007	-22%
16	**SIENNA** Houston, TX	**Johnson Development Corp., Toll Brothers**	773	517	50%
17	**OTAY RANCH'** San Diego, CA	Baldwin, Stratford Land, Cornerstone, & HomeFed	760	813	-6%
18	**VIERA** Brevard County, FL	The Viera Company	723	500	45%
19	**WESTLAKE** West Palm Beach, FL	**Minto Communities**	717	177	305%
20T	**ESTRELLA** Phoenix, AZ	**Newland Communities**	645	452	43%
20T	**LAKE NONA** Orlando, FL	Tavistock Group	645	468	38%
20T	**LATITUDE MARGARITAVILLE** Daytona Beach, FL	**Minto Communities**	645	437	48%
23	**SANTA RITA RANCH** Austin, TX	Mariner Real Estate Management	641	572	12%
24	**RIVER ISLANDS** Stockton, CA	River Islands Development	640	410	56%
25	**SONTERRA** Austin, TX	SunWest	632	700	-10%
26T	**WOODCREEK** Dallas, TX	PMB Capital Investments, Southstar Development	607	401	51%
26T	**UNION PARK** Dallas, TX	**Hillwood Communities**	607	304	100%
28	**BANNING LEWIS RANCH** Colorado Springs, CO	Oakwood Homes	600	371	62%
29T	**INSPIRADA** Las Vegas, NV	Bossart, KB Home, Pardee, **Toll Brothers**	595	645	-8%
29T	**SUNFIELD** Austin, TX	Scarborough Lane Development	595	551	8%
31	**LARKSPUR** Austin, TX	Gehan/**DR Horton**/Milestone	584	39	1,397%
32	**THE GREAT PARK NEIGHBORHOODS** Orange County, CA	FivePoint Communities	580	553	5%
33	**EASTON PARK** Austin, TX	**Brookfield Residential**	573	308	86%
34	**BABCOCK RANCH** Ft. Myers, FL	Kitson Partners	540	244	121%
35	**STARKEY RANCH** Tampa, FL	Wheelock Communities	534	450	19%
36	**CROSS CREEK RANCH** Houston, TX	**Johnson Development Corp.**	510	484	5%
37	**PECAN SQUARE** Dallas, TX	**Hillwood Communities**	509	142	258%
38	**AVE MARIA** Naples, FL	Barron Collier	506	259	95%
39	**ELYSON** Houston, TX	**Newland Communities**	497	347	43%
40	**BEXLEY** Tampa, FL	**Newland Communities**	484	401	21%
41	**HARVEST GREEN** Houston, TX	**Johnson Development Corp.**	481	356	35%
42	**AUDIE MURPHY RANCH** Riverside-San Bernardino, CA	**Brookfield Residential**	479	214	124%
43	**STERLING LAKES** Houston, TX	**Land Tejas Company**	474	346	37%
44	**SKYE CANYON** Las Vegas, NV	Century Communities	472	460	3%
45	**MARLEY PARK** Phoenix, AZ	**DMB**	471	403	17%
46	**FIDDYMENT FARMS'** Sacramento, CA	Taylor Builders	470	213	121%
47	**NEXTON** Charleston, SC	**Newland Communities**	456	331	38%
48	**TEHALEH** Tacoma, WA	**Newland Communities**	447	348	28%
49T	**TRINITY FALLS** Dallas, TX	**Johnson Development Corp.**	437	310	41%
49T	**RIVERTOWN** Jacksonville, FL	**Mattamy Homes**	437	271	61%
		TOTAL	37,305	28,571	31%

'Estimate
*Wellen Park was formerly West Villages
Developers in **Bold**: Multiple MPCs on list
Developer names do not include capital sources
UPDATED JANUARY 20, 2021
SOURCE: *John Burns Real Estate Consulting, LLC (January 2021)*

Tacoma community one of the top in sales

"Seattle's tech companies have embraced working from home, and employees who do not plan on returning to offices five days per week are willing to drive further to find their ideal communities.

"Master plans such as Tehaleh in Tacoma offer family-oriented outdoorsy lifestyles and active adult housing that are attractive to Pacific Northwest buyers," the report says.

For help maximizing sales and price in 2021, please contact our local consulting leaders or Ken Perlman, our Consulting Principal who has become (in our opinion) the national expert on successful master plan segmentation and amenity programs, working closely with our local leadership. For more information on the MPC rankings, metro and regional new home sales and pricing trends, and our residential land, builder, and single-family rental operator surveys, please contact Jody Kahn, Devyn Bachman, or Nicole Luszczak.

How to Control Smoking in Non-Smoking Rentals

Continued from Page 1

you can learn what your residents think about the smoking policy as it stands now.

You'll also be able to receive feedback on any potential restrictions on smoking in the future. By collecting this information, it will be possible to learn about the concerns, potential points of conflict, and questions that your residents might have. When you do start implementing the changes, it will be easier to enforce them.

2. Education

It's also a good idea to educate the people who will be affected by the non-smoking policies. After all, having apartments for rent doesn't mean that you just sit back and collect money. It also means that you have a responsibility to give people the information they need to work as a community.

Start by releasing educational messages that will affect the residents' way of thinking and also prepare them mentally for the changes. Include information on how secondhand smoke affects the health of the whole family. Getting secondhand smoke under control might even help reduce asthma in children. Once you wake people up to their basic right to a clean, healthy, and safe living environment, it will signal a lot of ease for future rules.

3. Clearing up Confusion

When you tell a smoker that they can't enjoy their pipe or cigarette, it often triggers some feelings of rebellion. Make sure that the smoking residents in your apartment buildings don't feel like they're being controlled or that the new policies are extreme.

Clarify how smokers don't have to give up that habit right away, nor do they have to find a new place to live. All the new policies mean is that they won't be able to smoke in certain areas for the good of the community. The policy should also be worded in such a way that the smoke is held up as the culprit, not the smokers.

4. Holding Meetings

It's helpful if you host community meetings to give out the information we've mentioned above. This will also provide a platform where concerned residents can ask questions, discuss answers, and generally reach a mutual agreement about making the air cleaner.

Hold these meetings when you're considering a certain policy or when the new policy is being implemented. Seek out partners who are working on related projects already. This way, you have trusted resources at your disposal. Some examples include asthma programs, health workers, etc.

Above all, these meetings will allow you to give residents information about cessation resources. You'll be acknowledging their concerns and addressing them in the best way possible. People living in your apartments for rent will probably have a more closely knit community as a result. There will be more related advantages when this occurs, including the smoke-free aspect.

5. Sharing Stories

Whether it's at these meetings or just when seeing them in general, encourage your residents to share whatever stories they have about secondhand smoke. Their homes and everyday lives are being changed by the new policies. So, they deserve to be empowered and acknowledged.

What's more, getting to know everyone's perspective will also gain more traction for finally adopting the new policies. This may result in more buy-in from the residents' part as well.

6. Appropriate Outreach

All the community meetings, information, surveys, and signage you use needs to be sensitive and culturally appropriate. This means having the text printed in different languages. It also includes having bilingual and people of color invited to speak at the meetings. Neglecting this aspect of reaching out can alienate some residents and weaken the impact of your efforts.

7. Collaborations

Think about how the existing programs can work with new efforts to go smoke-free. It's important to get in touch with community leaders and stakeholders who agree with your views on providing smoke-free housing. Having partnerships with such groups will also give you the benefit of their trust, goodwill, experience, and connections with both the residents as well as housing providers.

When you sit down with such groups, address the areas where you have common concerns and how all parties can collaborate to achieve their goals. At this point, it's also essential to discuss how the parties can share their recourse, including time and expertise.

It's also best to include all your staff in this kind of planning. Give them the training they need to properly implement, enforce, and uphold the new policies. Staff members should be aware of what the new smoke-free rules entail, when they start, and how they can help residents with their issues and queries.

The Takeaway

Secondhand smoke is harmful to both kids and adults. In condominiums and apartment buildings, this concern is even more pressing due to the pandemic. Ventilation systems, wall cracks, and even plumbing could take the smoke from one place to another.

The only solution here is to make the housing system smoke-free. You'll be safe on the legal front, along with a reduction in fire risk and turnover costs. It's a win-win all around. So, consider following these steps today. You'll feel the difference soon.

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.

More Pain From Pandemic Expected Before Recovery

Continued from Page 1

High-cost gateway markets struggled the most, while many tech hub and tertiary markets thrived," the Yardi Matrix report says. Some highlights of the report:

- "Job growth has been mostly positive since the summer, but the economy remains nearly 10 million jobs off its peak.
- "Nationally, rent growth fell only slightly in 2020, but there was a huge variation among metros. Rents and occupancy levels fell sharply in high-cost gateway markets, as renters left crowded and expensive coastal centers. More affordable markets in the Sun Belt, Southwest, Midwest and Mid-Atlantic saw modest rent growth.
- "The pandemic slowed construction. With more than 750,000 units under construction, new supply should stay in the 300,000 range for a few years.
- "We expect 2021 to be better than 2020, particularly the second half, but the year won't be without tumult. Gateway markets will continue to struggle, and the industry will have to deal with weak rent collections, eviction bans, forbearance requests, lobbying for renter aid and a new federal mortgage oversight regime," Yardi Matrix says in the report.

Rent payment concerns

Yardi Matrix said although rents held up better than expected in 2020, considering the circumstances, the market has issues to work through. One is the rate of collections.

With the excessive job losses caused by COVID-19, many forecasted a decline in rent payments. For the most part, that hasn't materialized, as tenants have prioritized their rent payments.

However, rent payments did decline slightly at year-end as federal aid wound down. According to the National Multifamily Housing Council's Rent Payment Tracker, 93.8 percent of apartment households paid rent by the end of December—down 2.1 percentage points from December 2019.

"There is hope for a strong economic recovery as 2021 proceeds, but much of that hope will depend on the pace of vaccine adoption and the reopening of businesses nationwide. In the early stages, the vaccine rollout appears to be lagging initial expectations; however, a new presidential administration and an organized national effort for vaccine deployment may increase the speed of the recovery," the report says.

ardi 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. YEmail matrix@yardi.com, call 480-663-1149 or visit yardimatrix.com to learn more.

Look to the Past for a Glimpse of 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 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.

Suburbs With Most New Apartments in Last 5 Years

Rental Housing Journal

Some suburbs are better-equipped than others to meet the potential trend to suburban living that has been caused due to the pandemic shift toward work-from-home solutions, according to a study from Rent Café.

If work-from-home is going to become the new normal, we might expect to see a "significant reversal of recent homebuilding patterns," according to a housing study by Harvard University.

Regions that have grown significantly in population in recent years are seeing a boom in apartment development, and the southern states clearly dominate the map.

Suburban Texas is a great example, claiming more than a third of the national list. Out of the top 20 suburbs with the most new apartments delivered since 2016, eight are in the Lone Star state. Second is Colorado with three suburbs in the top for the highest number of newly-built apartments in the country. And Florida, Arizona, and Nevada suburbs are also among the national leaders, the Rent Café study says.

Some highlights:

- Nationwide, there were more than 501,600 apartments delivered in the suburbs in the last five years.
- Out of the top 20 suburbs with the most new apartments delivered, eight are in Texas, with the Dallas metro accounting for the majority of suburban deliveries here.
- With more than 8,000 new units, Frisco, Texas is the suburb with the highest number of apartments built in the last five years. McKinney, Texas came in second with 4,800 new apartments, followed closely by Chandler, Ariz., and Spring Valley, Nev.
- Looking at the 1,300 suburbs analyzed, new apartments account for a 30 percent average of the suburban rental stock. Garden apartments were the most popular type of development.

"To find the suburbs that offer the most options for renters, we analyzed Yardi Matrix data for large-scale apartment buildings of 50 units or more, in search of suburban areas that have developed the most," the report says.

"These locations are also great options for those considering a move to the suburbs because of their proximity to the core cities; 12 out of the 20 suburbs on our list are located no more than 20 miles away from an urban center."

The suburb with the highest number of apartments built in the last five years is Frisco, Texas.

With 8,044 new apartments spread across 25 apartment buildings, this fast-growing city in the Dallas metro area has recently built a significant share of new rentals, most of which are in garden-style apartment complexes. Frisco is located just 28 miles from Dallas. Details:

- New apartments in the last 5 years: 8,044
- Number of new buildings: 25
- Share of new apartments: 42 percent
- Population: 200,513
- Most common type of building: Garden

king

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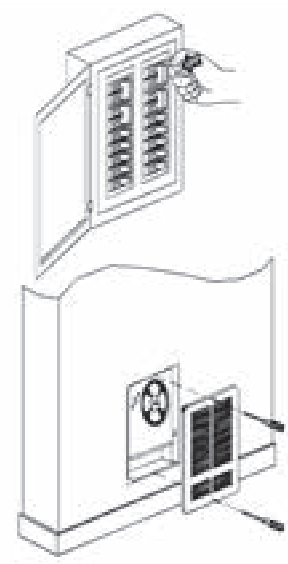
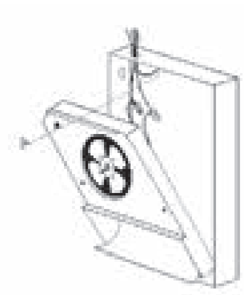
Cleaning and maintenance guide for W-series heater

Regular maintenance on your electric wall heater will prolong the heater's life and keep it operating safely. W-Series heaters should be cleaned and inspected every 6 months. Heaters that are not cleaned regularly can become clogged with foreign matter causing the heater to produce excessively high discharge temperatures. A combustible object placed too close to a heater in this condition could ignite, starting a fire. We recommend that combustible materials always be kept at least 3 feet away from the front of the heater and 1 foot from the sides. This guide will show you in detail how to properly clean and maintain your King electric wall heater. It will also show you when the heater interior should be replaced. Listed below are step by step instructions for cleaning and maintaining the W-Series wall heater. If you do not feel confident preforming the tasks listed in this manual, please contact a professional electrician or qualified repair person to do it for you.

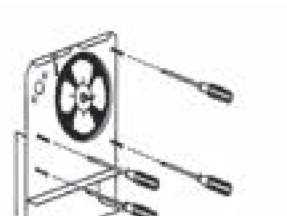


WARNING Take extreme caution when working with electrical heaters. Turn off the electrical power to the heater by switching off the circuit breaker or fuse feeding the heater before removing the grill. Lock, tape or tag the circuit breaker so that the power cannot be turned on accidentally while working on the heater.

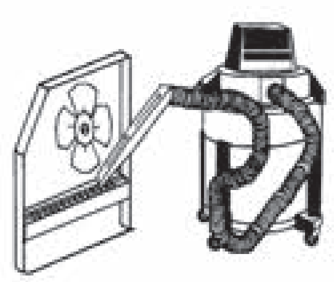
After the power is turned off, remove grill using a #2 square drive or a #2 phillips head screw driver. Clean grill by vacuuming or wiping off before reinstalling.



Remove the heater interior from the wall can. To do this: 1) Unfasten the screw at the top of the wall can as shown. 2) Tip the interior forward to expose the power supply connection wires. 3) Disconnect the power wires, making sure you mark them so you can reconnect them exactly the same way, if wires become crossed they could short causing damage. The interior should pull out easily after the mounting screw and electrical connections are removed.



Use a square drive or phillips to remove the four screws that hold the interior cover. Once removed, you have access to the heating element.



Vacuum out any foreign material that is in the chamber between the fan and heating element by using a vacuum as shown. Use a soft bristled brush, such as a paint brush, to loosen any contaminants that may be stuck to the interior surfaces. Never use water or chemical solvents to remove contaminants. Also, spin the fan by hand to make sure that it spins freely. If it feels like the motor is binding, see the instructions below for oiling the motor. Be careful not to bend the fan blade because it can become out of balance if deformed. The fan can be removed to gain more access by using a 3/32" allen wrench. If done, replace the fan in the same position on the shaft as before.

The useful life for the W-series heater depends on the amount of use, environment, and how often it is cleaned and maintained, generally they will last for 8 to 10 years. Heaters operated beyond their useful life are more prone to safety problems. For example, if a motor slows down due to wear or lack of cleaning it reduces the airflow, which can cause the safety limit to trip due to excessively high temperatures. The limit will cycle the heater on and off and eventually fail. For safety reasons, it is important to clean or replace a cycling heater as soon as possible. Heaters produced after 1992 have an indicating light which will turn on when the limit trips and then turns off after the heater cools down. If you see this light coming on, discontinue use of the heater and inspect it immediately. Heaters prior to 1992 do not have the indicating light. When the limit trips it makes a audible click, so by listening close to the heater on older models you can determine if it is cycling. Heaters manufactured in 2001 were equipped with the Smart Guard® high temperature limit system which does not utilize the warning light lens. Also, look at the grill to see if it has discolored from high temperatures. In either case, if you suspect that your heater is not functioning properly, discontinue use and follow the guidelines mentioned in this manual or call a qualified electrician. As mentioned before, always keep combustible materials at least three feet away from the front of the heater and one foot from the sides. With regular inspection and maintenance of your electric heaters they will operate safely and efficiently.