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Multifamily Performance Expected to Stay Strong

RENTAL HOUSING JOURNAL

The first half of this year saw outstanding rent growth in multifamily rental properties and while that is probably not going to be sustained, strong multifamily performance will continue in the second half of 2021, according to Yardi Matrix.

In its summer report for 2021 entitled “Multifamily Emerges Strong from the Pandemic,” the company says that while rent growth seen in the first half of 2021 cannot continue indefinitely, “conditions for above-average growth in these metros (southwest and southeast) are likely to persist for months. With rents increasing by almost double digits in many markets on a year-over-year basis, the cost-of-living gap between what have been considered ‘lower-cost cities and gateway markets is starting to narrow.’”

The rapidly growing tech hubs of Phoenix, Las Vegas, Atlanta and Tampa show that, “People migrating into these

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Seattle-Area Market Rebounds

Downtown Had Been Hardest-Hit Sub-Market

By CORY BREWER

Perhaps the most prevalent 2020 trend in housing was the “migration” of demand. COVID-19 issues, coupled with civil unrest, led prospective renters away from dense in-city multi-family properties to more spacious suburban single-family homes. When I wrote about this before, I covered these issues in detail (health concerns, telecommuting, etc.). As we look back on market activity for the first half of 2021, I’ll focus on how the pendulum is swinging back toward downtown Seattle and also take a look at surrounding areas.

By far, the hardest-hit local sub-market in our region was downtown Seattle. Average rents dropped more than 20 percent in some circumstances, and concessions such as two or three free months on a new lease became common. Market time, or in other words absorption rate, slowed by 35 percent and the number of condos unsuccessfully offered for lease (listing cancelled or expired



without ever finding a tenant) nearly doubled the five-year historical average (statistics gathered from Northwest Multiple Listing Service data).

Now that the numbers are in for the first half of 2021, as the economy has started to

re-open and vaccination rates are climbing, we are again seeing demand return to downtown Seattle. Concession offers have faded away, and rents have begun to tick up (though they remain below pre-pandemic

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Crazy Landlord Times; Are We Near the End?

By DAVID PICKRON

Like many of you, I was blessed to experience the ‘80s as a teenager. The hair, the movies, and most of all the music, were iconic. One of my favorite bands was Journey, and I knew all their lyrics (and air-guitar solos) by heart. Just hearing Steve Perry hit the notes that only he could reach brings the memories flooding back. Unfortunately, he left the band in 1987 and through changes and challenges, things were never really the same for the band.

Similarly, our own industry was riding high in 2019, when we all looked like rock-star investors with a solid, proven rental base. Then COVID-19 hit (a real low note) and things just haven’t been the same.

Hoping to return to form, here is what we have seen over the last month:

- The CDC extended the eviction moratorium to July 31, 2021 and alluded to the fact that there was no intention to renew it.
- A few days later the Supreme Court refused to take a case involving the moratorium, stating it would be expiring within 30 days and therefore there was no need to rule.
- The Consumer Financial Protection Bureau let all the credit-reporting agencies know that they better report evictions and delinquencies correctly or

See ‘Better’ on Page 10



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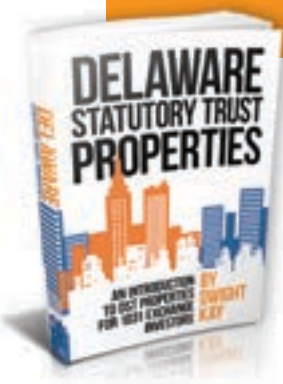
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The Case Study of a 1031 DST Specialist

By STEVE HASKELL
VICE PRESIDENT AT KAY PROPERTIES AND INVESTMENTS

There are various strategies when using DSTs (Delaware Statutory Trusts) in a 1031 exchange. Some investments are as easy as a simple exchange from one property into a single DST. Other times DST's are used to invest leftover equity from an exchange so the investor is not taxed on leftover funds, called "boot". Investors will routinely use DSTs as a backup ID in case their target replacement property doesn't work out. And occasionally, Kay Properties will assist an exchanger to utilize all said strategies in one sophisticated effort to mitigate risk and defer as much tax as possible. Read on for the experience of a highly skilled 1031 DST specialist.

A real estate investor sold an investment property for approximately \$2M. Roughly 25% of his property was leveraged. Therefore, \$1.5M was sitting in his qualified intermediary account. He then contacted Kay Properties to pursue a partial 1031 DST exchange. The exchanger wanted to purchase a property on his own, but something smaller and easier to manage than the property he recently sold. He wanted to put part of his exchange into a completely passive DST option that would require no management on his part. The DST part was relatively easy. However, he was having a hard time finding a replacement property to own outright, and the 45-day clock was ticking. Kay Properties created a multifaceted strategy that supported the investor from a variety of angles.

First, the exchanger used the debt built into the DST to replace his mortgage. The Kay Properties representative created a DST portfolio for the investor with a loan-to-value of approximately 50% to match the exact debt required to satisfy the 1031 exchange regulation. The debt was non-recourse, meaning the investor did not need to apply or sign for the loan, nor did it show up on his

personal balance sheet. This freed him up to purchase a smaller property to own outright without taking out a mortgage, which increased his probability of closing.

Next, the exchanger used a DST as a backup ID in case the target property did not work out. The due diligence period on the replacement property extended past the 45-day period. If inspections exposed an issue that compromised the deal, the exchanger would be vulnerable to over hundreds of thousands of dollars in taxes. However, since the Kay Properties representative advised the client to use a DST as a backup ID, the exchangers risk of a failed exchange was significantly mitigated.

Finally, Kay Properties assisted the investor to ensure there was no leftover equity by using the DST to invest the leftover boot. After the exchanger and the seller agreed on a price, he realized there was approximately \$50,300 of exchange funds left over. Kay Properties found a DST to invest that exact amount to finish up the exchange.

When one has the knowledge and the assistance of a skilled DST 1031 specialist, an investor can mitigate risk and protect themselves from a failed exchange in a variety of ways. Through the assistance and guidance of Kay Properties, the exchanger in this case split funds into both DSTs and his own property, replaced his debt with a non-recourse loan, protected his exchange with a backup ID, and took care of the leftover boot. These high level DST skills often are not available to investors who choose to work with unaware financial planners with little-to-no understanding of real estate, 1031 exchange strategies and DST investments. Fortunately, the client was working with Kay Properties. If you are interested in learning more on how to use a DST to mitigate risk and defer taxes in your 1031 exchange, contact Kay Properties by registering at www.kpi1031.com.

About Kay Properties and www.kpi1031.com

Kay Properties is a national Delaware Statutory Trust (DST) investment firm. The www.kpi1031.com platform provides access to the marketplace of DSTs from over 25 different sponsor companies, custom DSTs only available to Kay clients, independent advice on DST sponsor companies, full due diligence and vetting on each DST (typically 20-40 DSTs) and a DST secondary market. Kay Properties team members collectively have over 115 years of real estate experience, are licensed in all 50 states, and have participated in over \$21 Billion of DST 1031 investments.

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New Online Tool to Help With Access to Federal Assistance

RENTAL HOUSING JOURNAL

The Consumer Financial Protection Bureau has released a new online tool to help renters and landlords find state and local programs distributing federal rental assistance funds, according to a release.

The Rental Assistance Finder, available at www.consumerfinance.gov/renthelp, connects renters and landlords with the state and local programs that are distributing billions of dollars in federal assistance nationwide to help renters stay housed during the pandemic.

According to a CFPB analysis of Census Household Pulse Survey data from June 23–July 5, 16 percent of adults living in households who rent said they are currently behind on their payments. Of adults living in households behind on rent, 49 percent, or approximately 3.6 million, say that eviction in the next two months is somewhat or very likely.

“Millions of people are behind on their rent and at risk of eviction as a result of the pandemic,” said CFPB Acting Director Dave Uejio in the release.


“The Rental Assistance Finder will make it easier for renters and landlords to locate the financial assistance available in their area. People across the country are already receiving billions

of dollars in assistance, and with this new tool we hope even more renters and landlords will take advantage of this emergency relief. This money is a win-win for both landlords and renters and a better outcome for all than costly, needless evictions.”

As part of an unprecedented economic recovery effort, the federal government has allocated more than \$46 billion to assist households unable to pay rent, utilities, and other housing costs. All 50 states and hundreds of local, tribal, and other programs are distributing funds. The CFPB’s Rental Assistance Finder tool will make it easier for renters and landlords to connect with rental-assistance programs in their area, and take the first steps toward accessing available funds, according to the release.

The CFPB has taken other actions to support renters during COVID-19, including promising with the FTC to monitor illegal evictions, monitoring illegal debt-collection practices related to evictions during the pandemic, and monitoring Fair Credit Reporting Act obligations about reporting consumer rental and eviction information during the pandemic, including how rental assistance payments are reported.

Go to <https://www.consumerfinance.gov/coronavirus> to access the Rental Assistance Finder.



Landlords Gave Renters Aid During Pandemic, Survey Says

RENTAL HOUSING JOURNAL

Property owners and landlords worked with tenants on eviction-mitigation efforts and offered solutions for residents facing financial hardships during the COVID-19 pandemic, according to a new survey from the National Multifamily Housing Council (NMHC).

The NMHC Pulse Survey on Eviction Mitigation Practices ran from July 19 to July 26, with 74 leading multifamily firms responding. The most widely offered assistance options and percentage of landlords offering them included:

- Increased cleaning and sanitation – 95 percent
- Connecting residents with food banks, charities, and other local support resources – 86 percent
- Informing residents of healthcare protocols and best practices – 86 percent
- Hosting virtual social or exercise events – 57 percent
- Creating on-site services at communities to support residents – 50 percent
- Made it easier to work from home – 49 percent

Payment plans – 100 percent
Waived late fees – 96 percent
Deferred payments – 78 percent
Extended, shortened or other changes to lease terms – 58 percent
Cash for keys – 54 percent
Fee-free ability to charge rent on credit card – 50 percent

“At the onset of the pandemic we issued a call to our industry to halt evictions, create payment plans and work with residents as they faced this unprecedented hardship. The new data demonstrate how both the multifamily industry and residents alike made monumental sacrifices to meet their obligations during this crisis,” said NMHC President Doug Bibby in a release.

The full survey results are available at <https://www.nmhc.org>.



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Seattle-Area Market Rebounds, Marches On

Continued from Page 1

levels). For units listed on the NWMLS, I took a look at the average number of new leases signed per month dating back to 2017. What a difference! The monthly frequency of new Seattle condo/multi-family leases signed is up 42.7 percent over last year, and is by far the highest it's been over the past five years.

So what is going on in downtown Seattle? Haven't people found that they like working from home? Haven't they decided to live further outside the city where they don't have to worry about a daily commute and can enjoy more space for a home office, classroom, and recreation? Well, yes, they have. It's being reported that the magnet effect of downtown Seattle is attracting younger renters in particular at this time. It's not only that amenities, bars, restaurants, shops, stadiums, and artistic venues are re-opening ... but these renters also realize that pricing is still relatively depressed, and now is the time to get in before rent levels fully recover. It probably doesn't hurt that as a city, Seattle is among the national leaders in accination, offering a buffer against many

of the health concerns that cooled interest in city living last year. Some of the buzz is returning, and I can attest personally that it was an amazing feeling to recently attend a Mariners game after a year off (even though we lost!).

How is the rest of the Seattle Metro area faring at the 2021 midway point?

We are seeing some continuance of 2020 trends, especially with single-family homes on the Eastside.

When people stopped looking for a condo or apartment in Seattle last year, clearly they shifted gears in hopes of finding a rental house, often times on the Eastside. We saw sharp gains in absorption rate (24 percent) and not-insignificant gains in pricing (6.5 percent) across the Eastside single-family submarket. So far this year, absorption rate has sped up by an additional 12 percent and pricing is up an additional 9.7 percent. Part of the reason for this goes back to the statistic that I referenced earlier, which is the number of new leases signed per month. While we see that the frequency of new leases in downtown Seattle is shattering

historical averages in a major way, it is quite the opposite with Eastside single-family homes where opportunities are scarce and competition is fierce. Availability is down eight percent from last year, and down a substantial 34.4 percent from five years ago. We are also seeing price appreciation and reduced availability among single-family homes throughout Seattle, Snohomish County, and South King/Pierce County, though not as pronounced as what is happening on the Eastside. So, if you maintain rental housing in the region, there is strong demand for what you're offering.

Our resident tech giants (Amazon, Microsoft, Google, etc.) continue to bring in new hires from around the world, and they need places to live. With very tight sales inventory available, renting is not only the preferred option for many relocating to the region but it's often the only available option, and even then it can be competitive.

While it has been a hot seller's market, some of this supply loss can be attributed to legal policies that have come down over the last several years. It can be difficult to pinpoint exactly why someone sells their

rental home, as it's often a combination of factors, but plenty of landlords are doing so in response to legal changes that they fear are too risky to absorb. I hear this on a regular basis not only from clients at my own firm, but from other property managers whom I network with from around the state. It's a real issue – single-family rental housing supply loss, that is - and our elected officials had better wake up to the inevitable long-term effects of their very near-sighted decisions. My hope is that the real-estate exemption for the newly introduced state capital-gains tax will encourage investors to remain in the housing sector. I am also hopeful that as we head into an election season, particularly in Seattle, voters have an appetite for a pendulum swing as it relates to housing policy.

Cory Brewer is the general manager at Windermere Property Management / Lori Gill & Associates. He oversees a team of property managers in the greater Seattle area who manage approximately 1,500 rental properties. Brewer can be reached via www.wpmnorthwest.com or coryb@windermere.com

Strong Multifamily Performance to Continue in 2nd Half of 2021

Continued from Page 1

cities can afford the large price increases. But longtime residents are deeply affected by the accelerated rent growth," Yardi Matrix says in the report.

The reasons for predicted continued strong growth include:

- Pent-up demand and the recovering economy have produced robust rent growth this spring.
- The U.S. economy is growing at its fastest rate in decades, as progress with the COVID-19 vaccine has allowed people to resume normal activities.
- Potential headwinds include rising inflation and whether employees can find enough workers.
- Many secondary markets continued to post dazzling

increases, and gateway markets such as New York and San Francisco are rapidly rebounding from the pandemic.

- New apartment supply, which dipped only moderately during the pandemic, is expected to bounce back to about 334,000 units in 2021.
- Capital markets remain one of the strongest aspects of the multifamily business.

While the economy is coming back, employment and labor participation are still lagging, especially in the service sectors that were hit hard by the pandemic, the report says.

New apartment construction is particularly affected by supply-chain issues and challenged with dramatically rising steel, lumber and copper prices; copper and lumber prices

have more than doubled from this time last year. "Not only is demand for building materials coming back in full force but pandemic restrictions are making it more difficult to obtain them," the report says.

"Volatility is likely to continue for a few years as the world fights to contain the virus, until global vaccine implementation allows economies to fully recover and return to pre-pandemic stability. However, that does not mean there won't be strong economic growth in certain sectors and geographies in the short term," Yardi Matrix says in the report.

Visit <https://www.yardimatrix.com/Publications> to get the full report.

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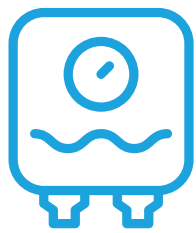


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Leading the Way

It has been an incredibly challenging last 18 months for all of us, both personally and professionally.

A global pandemic first hit the United States in Seattle. And so began non-stop political bickering. Social and racial reckoning. No masks, masks, no masks, masks again. Financial challenges, family challenges, employment challenges, health challenges.

Through it all, WMFHA has been leading the way, supporting our members and the housing industry, serving residents of our communities and the outstanding individuals who call residential property management their career.

Despite stay-at-home orders that sent everyone home with their Zoom cameras at the ready, WMFHA pivoted exceptionally well to continue to provide services and resources for our members to get through all these obstacles.

A NEED FOR PROFESSIONAL DEVELOPMENT

Our goal has always been to find ways to provide meaningful, effective, and engaging learning experiences for our members, and that vision never wavered.

We developed 6 Feet Apart, our free webinar series providing valuable real-time content to members yearning for information and some sense of connection. Educational offerings had to be held virtually, rather than the preferred in-person, classroom environment.

Networking events, crucial for professional development as well as for our supplier partner members to stay connected with their property management clients, had to evolve quickly.

Government affairs efforts were more important than ever, as an onslaught of anti-landlord government actions threatened the industry and our businesses.

Despite the uncertainty and persistent headwinds, WMFHA took a strong leadership role in being the go-to resource for the housing industry in our state. Engagement with us has never been higher.

The industry also bucked up, did what we needed to do to protect our employees, residents, and investment assets, and took one on the chin in the most professional and dedicated manner possible.

ACCOMPLISHMENTS, DEDICATION, FLEXIBILITY

We learned that despite the obvious pitfalls with online-virtual- Zoom everything, we were able to bridge geographic divides and reach an audience far beyond our region and our state. Participants from across the country were able to join us in education and networking events.

Classes that normally held 30 people in our training center now attracted 100-200 attendees. Events that traditionally sold out in person had unlimited potential for member involvement, attracting hundreds of participants. The devotion of our members and their desire to support their association was remarkable.

Our team members Sloane Cerbana, Tricia Johnson, Brett Waller, Katrina Bishop, and Kelly Wakefield stepped up with unwavering dedication to service, personal sacrifice, and passion, meeting the needs of an industry on edge.

Our board of directors and committee volunteers were

crucial in our success during this exciting time. Our committee attendance had never been higher, thanks to the convenience of Zoom and sweatpants.

MISSION OF COMMUNITY SERVICE

WMFHA is deeply committed to using the strength and passion of our membership to make a positive impact in our communities. In 2020 our community service program, WMFHA Gives Back, faced a great challenge in the absence of in-person opportunities.

Initiating creative ways to accomplish our goal of supporting various community organizations, we not only met but surpassed expectations, setting records for fundraising for our community partners.


We were privileged to earn national recognition by winning the prestigious National Apartment Association's 2021 Excellence Award for Affiliate of the Year. We share this accomplishment with our members and supporters for exceptional innovation during a difficult time.

We have moved our offices to a much larger space, so that we can continue to provide first-class services to our members and industry professionals as we begin to return to normalcy. We have begun meeting in person and being together once again, supporting and celebrating each other.

WMFHA ON THE FRONT LINES

Legislatively, 2020 was a year of extremes. The WMFHA Advocacy Team and members used their voices loud and

See 'WMFHA' on Page 7



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Investments Growing in Homes Built for Rental

RENTAL HOUSING JOURNAL

Many investment groups are getting into the growing single-family rental market with build-to-rent communities, a segment rejuvenated due to COVID-19, Yardi Matrix reports in a special bulletin.

“Increasingly, the way institutions are growing their presence is to build their own communities.

Some 12 percent of new single-family construction in 2021 is being done for rentals,” according to John Burns Real Estate Consulting.

“With so much capital looking to invest in the sector and the demand for rentals rising, we would expect build-to-rents to increase rapidly for at least the next several years,” the report says.

The trend of build-to-rent by large institutional investors started after the housing bubble and crash in the early 2000s. The pandemic has revived this niche segment, as homebuilders are now working to develop the single-family homes-to-rent market.

The pandemic created this growing niche, the report says, because “Families wanted more space and the privacy of a detached home, but without the inherent limitations of a mortgage and homeownership.”

Yardi Matrix says this desire by families for more space and privacy without a mortgage “has prompted many institutional players to jump into the niche, with more than \$10 billion allocated to the sector by institutions over the last few years, according to corporate announcements and news reports.”

While there are challenges to build-to-rent, such as finding enough available land to put together a large group of homes, there are also advantages, such as:

- Ease of managing properties close together
- Renters preferring a new home and willing to pay more for it
- Control of the construction and quality of homes

Yardi Matrix says this niche of build-to-rent “does offer a more stable environment in which to grow.”

Although much can still go wrong and space to build remains limited, there are advantages.

“It enables investors to control the product from start to finish, to create a ‘brand’ as opposed to a random pool of assets, to

concentrate a larger number of holdings in fewer locations, and possibly to improve liquidity by adding to the potential number of market participants.

“As such, build-to-rent is likely to flourish in the next economic cycle,” write Paul Fiorilla, director of research, and Casey Cobb, senior analyst, with Yardi Matrix.

Yardi Matrix is a business development and asset management tool for investment professionals, equity investors, lenders, and property managers who underwrite and manage investments in commercial real estate. Email matrix@yardi.com, call 480-663-1149 or visit yardimatrix.com to learn more.

WMFHA - Leading the Way Through a Challenging Time

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clear in a most challenging legal environment. We had 980 members send 1,978 grassroots industry-advocacy messages to lawmakers throughout the year.

We defeated statewide policies including rent control, capital gains taxes, individual utility metering, tenant-screening limitations, and transfers of damages at tenant moveouts.

When COVID-19 hit, we advocated for rental assistance and helped secure \$100 million for our state. We made changes to statewide eviction moratoriums to permit termination for owner sale and occupancy. We worked on clarifying the role sheriff’s offices play in writs of restitution. We engaged at all levels of government, lending our voice and expertise.

The 2021 legislative session was even more challenging, but our industry continued to chalk up wins, even if those wins meant that the legislation that did pass was “less worse” than would have been without our strong advocacy efforts.

FOCUSING ON SOLUTIONS, NOT PUNISHMENT

The increased demand for housing means that prices continue to rise across single-family homes, condos, and apartments. We must create thousands of new housing units at every price point to meet the needs of everyone, especially for those struggling to make ends meet.

Tackling the affordable-housing crisis requires cooperation and partnerships between multiple entities to help communities better address housing supply issues. We need to continue to grow these partnerships and platforms that have a proven success rate lowering barriers to housing and increasing Washington state’s affordable housing capacity.

Now that the 2021 legislative session is over, advocacy groups are targeting city councils across the region and urging them to pass even more tenant protection measures, which will only serve to negatively affect housing providers and renters.

WMFHA will continue to educate elected officials on the harm and illegality of these local laws, and solutions that will work to bring us all together. We will continue to use our voice, our influence, and our political action committee to support candidates less apt for retribution against landlords and more apt to care about solutions and working together.

We need all the support we can get in our quest to lead the way through these choppy waters.

WMFHA supports the rental housing industry by providing quality educational opportunities, coordinating networking events for personal growth, and advocating for legislation equitable to our industry and the broader community. To learn more about membership in this passionate organization, 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.

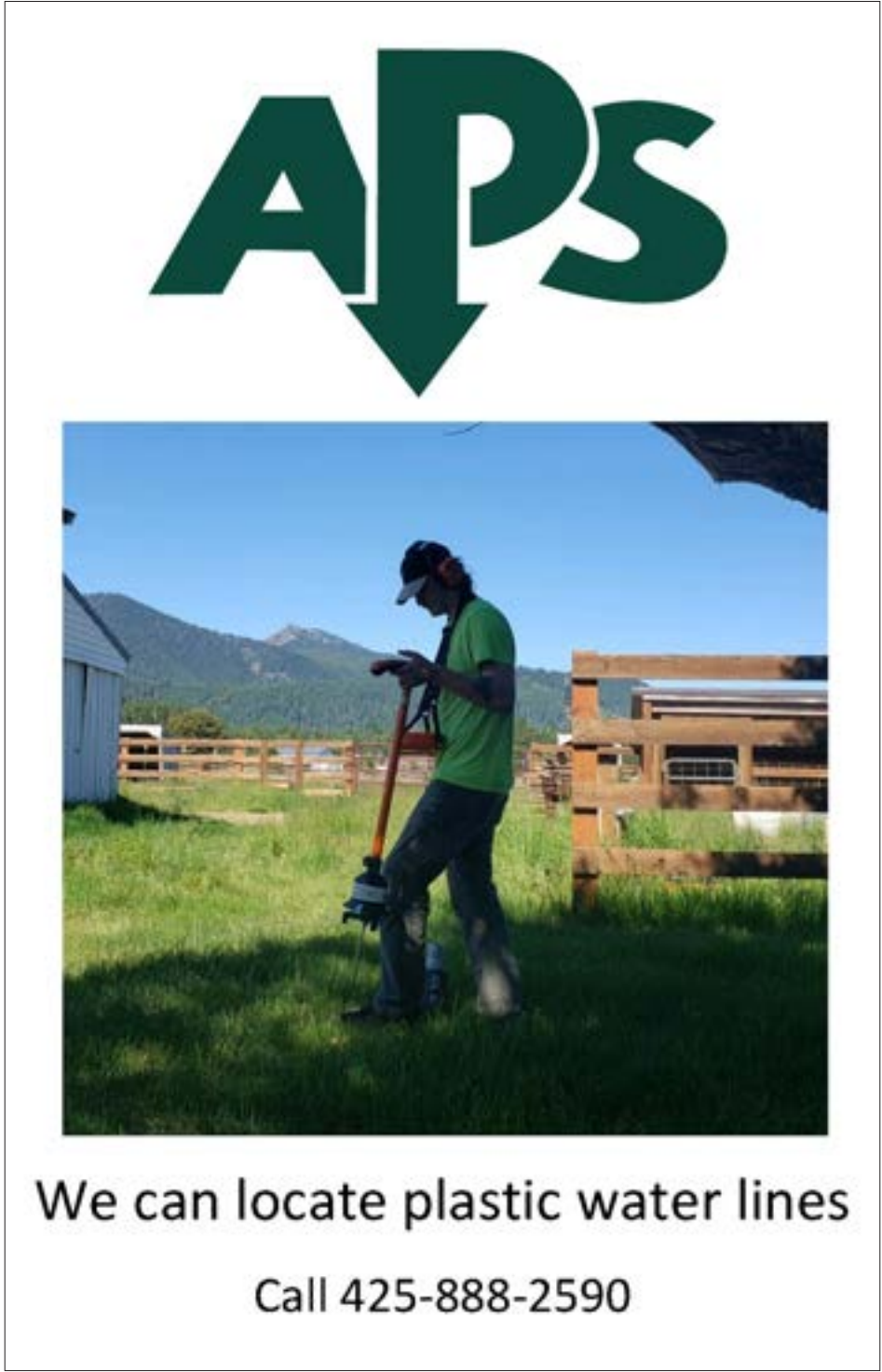


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Three Reasons Investors Target Real Estate

By **EVAN POLASKI**
INVESTOR RELATIONS MANAGER / ASHCROFT CAPITAL

Two common forms of investment strategies that smart investors use to grow their wealth with passive income include creating a diversified portfolio of stocks and investing in real estate. While investing in the stock market is beneficial for numerous reasons, investing in private market properties like multifamily provides several advantages. Here are three important reasons why some investors prefer multifamily private placement investments over stock market investments.

No. 1 - LOWER VOLATILITY

Stocks can have a volatility that's not found with most private placement offerings. Real estate provides a long-term cash flow provides passive income and the promise of appreciation¹.

The stock market is particularly vulnerable to several different forms of risk, which include economic, inflationary, and market risks. This volatility can occur because of company-specific or geopolitical events. The real estate market across the U.S. has been strong for more than a decade. Since 2010, the national housing market added \$11.3 trillion in value – a more than 50% increase².

No. 2 - YOUR GAINS CAN BE DEFERRED

If you sell a property that you've invested in and put the proceeds towards purchasing a similar property, your capital gains taxes can be deferred to a later date, which is called a 1031 tax-deferred exchange³. During this process, a qualified intermediary will hold the proceeds from the sale until the money

can be transferred to the other property's seller. Engaging in a 1031 allows you to avoid the 15-20% long term capital gains tax rate⁴.


No. 3 - CAN BE USED AS HEDGE AGAINST INFLATION

Over time, the value of a dollar increases as a result of inflation. While the value of currency will invariably increase over time, the rate of inflation isn't always consistent. As inflation rises, the cost of everything goes up, including real estate⁵. When property values increase, the property owner can charge more for rent, which ensures a higher revenue stream. By keeping pace with inflation, you gain an advantage that is difficult to obtain with stock market investments.

It's never too early to start generating passive income. Placing some of your money into multifamily private placements could help you balance your portfolio and reduce the potential for losses. To assist you on this journey, download this free 20-page guide to Understanding Real Estate Private Placements.

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1 Investopedia. "Reasons to Invest in Real Estate vs. Stocks"
2 Zillow. "Recovery Added \$11.3 Trillion to U.S. Housing Value in the 2010s."
3 Internal Revenue Service. "IRS 1031 Exchange."
4 Investopedia. "1031 Exchange Rules: What You Need to Know."
5 Forbes. "How Buying a House Can Hedge Against Inflation."



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Better Times Ahead? Don’t Stop Believin’

Continued from Page 1

they will get sued. This was seen as a “shot across the bow” letting us know they will be watching closely; a scare tactic often used by Fair Housing and other government agencies.

- Several states passed legislation saying companies like ours cannot report evictions through 2022.
- Recently a congressional House panel went after four large corporate-housing providers, asking them to produce documentation on how they were able to evict 5,000 residents while there was an active eviction moratorium.

While we may be seeing the light at the end of the tunnel for the eviction moratorium, we are far from “business as usual.” Our industry, and landlords specifically, will continue to be a target as this so called “housing crisis” is figured out. Notice I intentionally did not say until COVID is figured out. It’s no longer about COVID-19, it’s about a bigger problem that is not going away anytime soon.

Within this ever-changing landscape, every landlord can and must protect themselves by utilizing these five critical resources:

1. TURN TO AND TRUST PROFESSIONAL ATTORNEYS FOR ANY ISSUES BETWEEN YOU AND YOUR TENANTS.

As investors we like to save money and handle situations by ourselves. While that is fine most of the time, in today’s environment an attorney could save you money, time and aggravation. Their knowledge of federal, state, and local laws is something we can’t possibly keep up with. City councils and state legislatures are passing laws to protect the tenant at breakneck speeds. For



example, in Chicago, you cannot ask about criminal history until you have made a conditional offer of approval. Asking about criminal history on the initial application is a violation of a Cook County law and could cost you thousands of dollars. Your local landlord attorney will help you navigate these types of changes and save you money.

2. TAKE A FAIR-HOUSING CLASS.

The industry has seen more protected classes added this year around the country than any other year in the past. Know what you can and can’t say in your online ads, over the phone, and in person. Make sure you understand the importance of a detailed written criteria and how to properly use an adverse-action letter. (We can provide you a sample if you email info@rentperfect.com). Some states now protect “source of income,” so landlords now are required to take Section 8 housing and inherit the government as a business partner whether they like it or not.

3. JOIN A LOCAL REIA TO LEARN ABOUT CHANGES IN LAW.

Most Real Estate Investment Associations (REIA) have attorneys and professionals that educate the association to ensure its members are up to date in their practices. If you do not have a local REIA in your area, search for investing or property-management podcasts. There are many professionals around the country who publish something weekly to help keep landlords up to date. Our Rent Perfect podcast drops every Tuesday and covers topics from top attorneys, tricks of the trade, solutions to current problems, and general management topics. You can find us wherever you get your podcasts.

4. REVIEW YOUR ONBOARDING PROCESSES.

Are you getting the information you need to identify the tenant who will stay there for the next five years or longer?

- With so few evictions last year, consider requiring your potential tenants to provide 12 months’ worth of bank statements to prove rent was paid to the current landlord, and look for deposits that match the check

stubs and income amounts on the application.

- Always talk to the previous landlord (or two if possible). Sadly, some current landlords will lie to get a bad tenant out, so talking to another prior landlord is beneficial.
- Review your move-in procedure and ensure that it allows you to document the condition of the property at time of possession so you can prove whether damage was already existing or was caused by your tenant.
- Determine if it is time to accept rent online and have it deposited directly into your bank account. No more waiting for a check in the mail or partial payments.
- Explore new industry technology to see if you can eliminate any of those time-consuming tasks.

5. TAKE CARE OF YOUR CURRENT TENANTS WHO HAVE PAID YOU OVER THE LAST YEAR; THEY ARE WORTH KEEPING.

The tenant pool after the eviction moratorium ends will be teeming with risks you would rather avoid. A big game of musical chairs, or better yet, musical homes, is about to start. Retaining good tenants might mean upgrading your rental with new countertops or discounting the rent for a year. In the end, this strategy will pay for itself. Congratulations on having that great tenant, not everyone had that luxury.

Every investor is asking this question right now: Will we ever get back to normal?

In those immortal lyrics from Journey, “Don’t Stop Believin’.” Believe that it might be a while. Believe that we might need to create and accept a “new” normal. Believe that even with new COVID variants you will survive. Believe that you are still working in the greatest business in the world and controlling your destiny. Believe and focus on what you have and what you know. Believe that there will be more surprises through 2021 and moving forward. Most of all, believe that together we can weather any storm.

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

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NAA Sues to Recover Money Lost During Eviction Moratorium

RENTAL HOUSING JOURNAL

The National Apartment Association has filed suit in U.S. Court of Federal Claims to recover damages on behalf of rental housing providers who have suffered severe economic losses under the U.S. Centers for Disease Control and Prevention’s (CDC) federal eviction moratorium, according to a release.

Though the federal government has allocated roughly \$47 billion in federal rent relief in combined December 2020 and March 2021 legislation, “it took more than nine months for Congress to do it. This prolonged inaction, paired with a sluggish rollout and the CDC eviction moratorium, has allowed rent debt to continue to balloon – devastating the industry in the short-term and fueling the housing affordability crisis, to the detriment of the broader economy, in the long-term.”

Saying the eviction moratorium has “saddled renters with crippling debt,” Bob Pinnegar, NAA President and CEO, said in the release that the eviction ban “has jeopardized not only the availability, but also the future cost of rental housing. NAA is standing up for an industry – and its residents – that are left holding the bag on \$26.6 billion in rental debt after operating under extreme conditions for 16 months.

“The government has intruded into private property and constitutional freedoms, and we are proudly fighting to make owners whole and ensure residents’ debt is wiped from their record,” Pinnegar said.

Apartment owners and operators “have continued good-faith operations throughout the COVID-19 pandemic and are now left to shoulder \$26.6 billion* in debt not covered by federal rental assistance.”

The suit, NAA et al. v. The United States of America, argues that the CDC order

has curbed several rights under the U.S. Constitution, including: the right to access the courts, the freedom to contract with others absent government interference, the right to demand compensation when property is taken by government action, and the limits of federal government power.

“With little hope of receiving additional federal assistance, NAA is seeking to limit the loss borne by rental housing providers and, ultimately, clear the debt records of

their residents. Doing so will help secure the long-term health of the rental housing industry and ensures households across the income spectrum have continued access to rental housing,” the release says.

NAA is represented by two firms, Dorsey & Whitney and the law office of John McDermott.

This lawsuit is open to all rental housing providers who operated under the federal moratorium and who have been damaged

by the CDC eviction moratorium. For more information about the lawsuit, go to: <https://www.naahq.org/CDC-eviction-moratorium-lawsuit>.

**\$57.3 billion in rent debt at the end of 2020 (Urban Institute) + \$8 billion in Q1 2021 (Mortgage Bankers Association) + estimated \$8 billion in Q2 2021 (MBA, Q2 numbers expected soon) - just under \$47 billion in allocated rental assistance = \$26.6 billion in unfunded rent debt (and climbing).*



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