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Multifamily Rent Growth Reaching Unprecedented Levels

Rental Housing Journal

People moving around due to the pandemic and job changes or losses, government stimulus, and a hot housing market have all contributed to unprecedented levels of multifamily rent growth, Yardi Matrix says in its latest report.

"A slew of factors has pushed asking-rent growth across the country to levels not seen in decades," Yardi Matrix says in the multifamily report.

"Rent growth will not be able to continue at these levels indefinitely, but conditions for above-average growth are likely to persist for months," the report says.

Highlights of the multifamily rent-growth report include:

- Multifamily asking rents increased by 6.3 percent on a year-over-year basis in June. "This is the largest year-over-year national increase in the history of our data set," the report says.
- Rents grew an amazing $23 in June to $1,482—another record-breaking increase. Lifestyle rents are growing at a faster pace than Renter-by-Necessity rents, "something we have not seen since 2011 and another sign of a hot market."
- Single-family (Built-to-Rent) rents grew even faster, at an 11 percent

See '3 Factors' on Page 8

Portland Among Cities with Least Environmental Risk for Investors

Rental Housing Journal

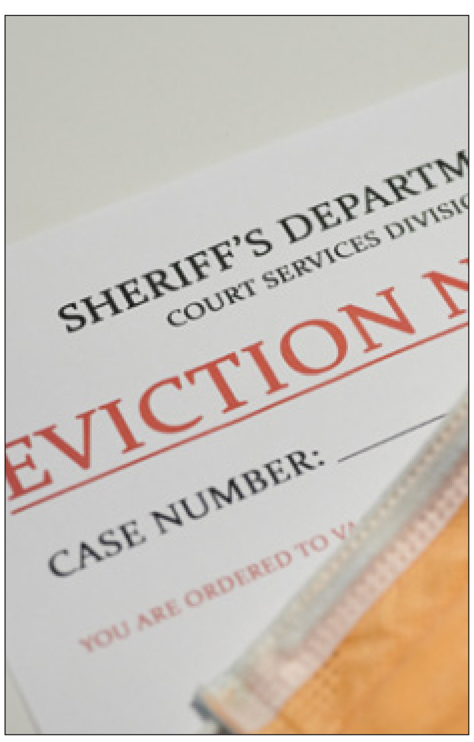
Four metro areas stand out as having the least overall environmental risk for commercial real estate and multifamily investors, according to a new rating from Yardi Matrix.

The company said they did the study because events over the past year "have brought environmental, social and governance (ESG) front of mind for investors and experts in commercial real estate. "

Yardi Matrix said more and more weather-related disasters "that produce billions of dollars of property damage, changes in work practices spurred by the COVID-19 pandemic, and recognition of the need for equity and diversity have created an urgency for businesses to act" on environmental, social and governmental criteria.

The report also cites the 2020 Urban Land Institute report on Climate Risk and Real Estate: Emerging Practices for Market Assessment. That study by real-estate investment-management firm Heitman and the Urban Land

See 'Portland' on Page 4



Corporate Landlords Told They Must Explain Evictions Made During Moratorium

Rental Housing Journal

A House panel studying evictions during the COVID-19 moratorium has asked four large corporate landlords to explain and provide documentation on 5,000 evictions they filed, according to *The Washington Post.*

Invitation Homes, Pretium Partners, Ventron Management, and the Siegel Group were all asked to provide documentation on evictions filed while the federal eviction moratorium was place, in letters sent from Rep. James E. Clyburn (D-S.C.), the Select Subcommittee on Coronavirus Crisis panel's chairman to the landlords.

Some of these companies "refused to accept rental-assistance funds" as an alternative to eviction, the letters stated, while others have accepted funds and moved to evict families anyway. As a result, such practices have had a "substantial negative impact" on struggling American families, the letters said, according to The Washington Post.

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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.

KAY PROPERTIES & INVESTMENTS LLC

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John Triplett

Editor-in-Chief
Linda Wienandt

Associate Editor
Diane Porter

Vice President/Sales
Terry Hokenson

Accounting Manager
Patricia Schluter

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Mailing Address
4500 S. Lakeshore Drive, Suite 300
Tempe, AZ 85282

Website
www.RentalHousingJournal.com

Email
info@rentalhousingjournal.com

Phone
(480) 454-2728 - main
(480) 720-4385 - ad sales

Portland Among Cities with Least Environmental Risk for Investors

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Institute said, "Leading real-estate investment managers and institutional investors are increasingly recognizing climate risk as a core real-estate issue that is beginning to affect their decisions at the market level as well as at the asset level. As this market-scale analysis of climate risks and cities' resilience strategies advances, investors will better assess both the economic impact of climate-related events and the cost and ability of cities to mitigate the impact of climate change through their resilience strategies."

Yardi Matrix graded and ranked 21 top metros for risk for commercial real estate investing using natural disasters, pollution, water quality and state and local government investment.

Combing these four risk factors, Yardi Matrix said the top four metros with the least risk were Boston, Indianapolis, Minneapolis and Portland.

"The commonality for all was being in states that are taking environmental risk seriously. Boston and Indianapolis received the highest grades in three categories and the lowest grade in one, while Minneapolis and Portland received high marks for government action and propensity for natural disasters and middle grades for pollution and water quality," Yardi Matrix said in the report.

The Yardi Matrix report said the bottom five metros "include three in Texas: Houston, Austin, and Dallas, along with Tampa and Los Angeles. The Texas metros' grades were dragged down by low scores in the "natural disasters" and "government-response" categories. The severe winter storm that hit Texas causing massive power outages was a key factor in the ranking, including lack of government response.

"The Texas storms are a demonstration of the stakes. Texas has reaped the benefits of deregulation and low taxes/utility costs, but utility providers' lack of investment to winterize the power grid left the state unprepared to handle extreme weather. Without collective action to mitigate environmental risk, such disasters with high damages will recur," Yardi Matrix said in the report.

"Some will no doubt question the categories we chose, the methods we used to grade metros, or what constitutes a proper response to environmental risk. This is our intention," the report noted.

"Our rankings are not meant as a final word on the topic, but rather, a first attempt to understand the issues and develop a model for how to approach the topic—which is of increasing importance for commercial real estate.

"We encourage all to develop their own views about which metrics will have the most impact on the property sector and the appropriate response" in regards to environmental, social and governance factors, wrote Paul Fiorilla, director of research, and Claire Anhalt and Maddie Harper, senior analysts, for Yardi Matrix.

10520 NE Weidler, Portland, OR 97220
503-254-4723 • Fax 503-254-4821

info@rhaoregon.org
www.rhaoregon.org

From the Desk of the Executive Director

For the 100th Time, You Can't Terminate a Tenancy in Order to Sell Your Property

It seems like the most common question I am hearing from smaller landlords these days goes something like this: "How can I terminate my tenants if I want to sell my rental?"

When I hear it, I wonder to myself, where have these folks been for the last two years?

The answer is (for the hundredth time), "You cannot terminate your tenants in order to sell your rental."

In 2019, SB 608 was passed, specifically eliminating the option of terminating a tenancy after the tenant's first year of occupancy for anything other than a for-cause eviction (or by proving there were three documented violations during the current lease); and there are only four landlord-based exclusions to this law. The exclusion for the sale of a property requires that the owner provide written evidence to the tenant that the property has already been sold to a purchaser who intends to owner-occupy the unit. The tenant then has 90 days, or the lease- termination date (whichever is longer) to move out. When serving that notice, the owner must show the tenant the purchase contract and pay any applicable relocation fees to the tenant, as required by the state and/or locality.

"So," the landlords ask, "we can't get into the property to fix it up to help us get top dollar?" No.

"And we have to list the property for sale while the tenants still live there?" Yes.

"Then we can only have it shown to prospective buyers by posting a 24-hour notice of entry?" Yes.

"But isn't it common that a tenant-occupied listing is harder to sell and that it doesn't show as well because they don't really want to move?" That is the historically based stereotype, yes.

"And after all that, we still have to pay them a relocation fee to move out?" In Portland, yes. In the rest of the state, yes if you own five or more units.

"Why is the government making it so hard on landlords these days?!" I have no good answer for that.

The logic behind SB 608 was to keep tenants housed by preventing no-cause terminations and capping the amount of rent increases per year. The eviction moratorium during the pandemic added a host of additional burdens and regulations, and it heightened owner anxieties. Consequently, even while most tenants continued to pay rent during this time, many landlords have become ever more worried about the increasing risks of owning rental properties. Thus, they are considering whether to just get out of the business, and that's when they call, and that's when we keep having this same conversation over and over.

With all this discussion, what seems to be the outcome of all these calls and concerns?

After the initial confusion and the frustration subsides, it ironically motivates owners even more to want to sell.

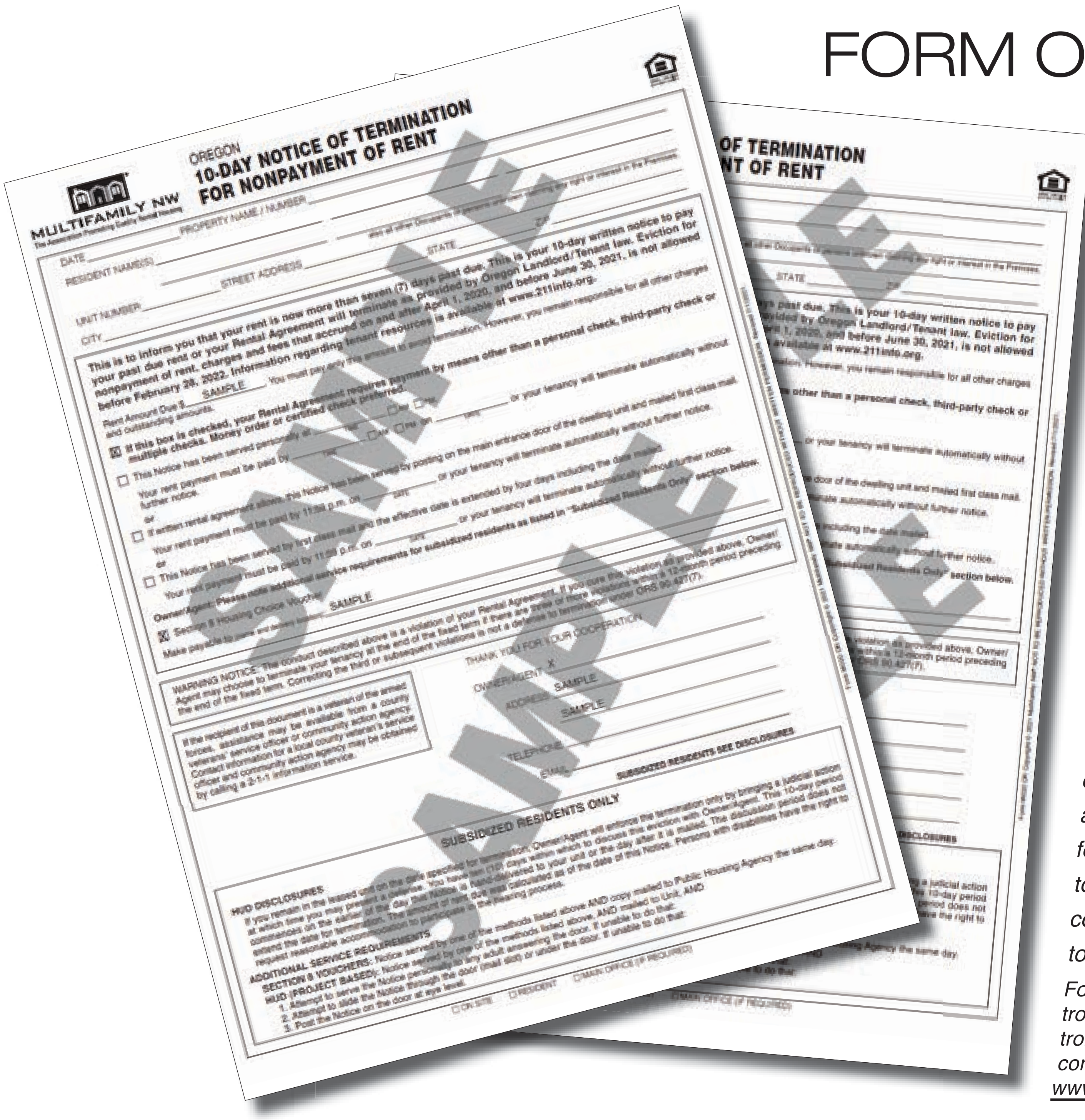
I once heard that "confusion leads to doubt; doubt leads to fear; and fear leads to the desire to escape" (the flight-or-fight response). It is hard to fight an invisible enemy, and a new "housing pandemic" is being stimulated. The deadly symptoms of this disease are fewer rentals due to sales and more tenants with higher rents. With the current legislative trends, there is no immunity in sight. Maybe we need a new vaccination — one that prevents the spread of greater state regulations against landlords — in order to actually balance tenants' rights.

Is there any way to fight this virus instead of giving up? I think we lived through that model last year, with social distancing, self-quarantines and wearing masks. In housing we can translate that to staying up-to-date with new laws, avoiding conflict with tenants and keeping your properties well-maintained. As for a shot in the arm — maybe it's time to just go out and buy another rental and save the system!

MULTIFAMILY NW

The Association Promoting Quality Rental Housing

FORM OF THE MONTH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The Association Promoting Quality Rental Housing

OREGON
10-DAY NOTICE OF TERMINATION
FOR NONPAYMENT OF RENT

This is to inform you that your rent is now more than seven (7) days past due. This is your 10-day written notice to pay your past due rent or your Rental Agreement will terminate as provided by Oregon Landlord/Tenant law. Eviction for nonpayment of rent, charges and fees that accrued on and after April 1, 2020, and before June 30, 2021, is not allowed before February 28, 2022. Information regarding tenant resources is available at www.211info.org.

SUBSIDIZED RESIDENTS ONLY

THANK YOU FOR YOUR COOPERATION.

SAMPLE

M020 OR 10-Day Notice of Termination for Nonpayment of Rent

The M020 OR 10-Day Notice of Termination for Nonpayment of Rent form, was previously know as the "72-Hour Notice." It was changed to a 10-day timeline early in 2020, and is set to sunset and revert to 72-hours in 2022. Until then, the 10-Day of Termination for Nonpayment of Rent form remains the standard to communicate a current nonpayment status to a resident. Recent disclosures mandated by the Legislature have been added to this form. As we transition away from the COVID-19 Pandemic eviction moratorium rules, this form may again be used to prompt payment of the current rent due. Keep in mind there are still scenarios that don't allow use of this form. Double check with your legal counsel to ensure your resident communication is in compliance with federal, state and local laws to avoid fines and penalties. The Multifamily NW *Forms Collection is available immediately and electronically at www.RentalFormsCenter.com, via electronic subscription software through www.tenanttech.com & by mail or pick-up of printed triplicate forms at www.multifamilynw.org.*

Multifamily NW Schedule

AUGUST 2	WEBINAR: LANDLORD TENANT LAW 1-PART A	10:00 AM - 12:00 PM
AUGUST 4	WEBINAR: AUGUSTUST LANDLORD STUDY HALL - HOARDING AND THE LANDLORD'S ROLE	6:30 PM - 8:00 PM
AUGUST 9	WEBINAR: LANDLORD TENANT LAW 1-PART B	10:00 AM - 12:00 PM
AUGUST 16	WEBINAR: LANDLORD TENANT LAW 2-PART A	10:00 AM - 12:00 PM
AUGUST 19	UNWIND WITH MULTIFAMILY NW: COMEDY IMPROV WORKSHOP	5:00 PM - 6:00 PM
AUGUST 23	WEBINAR: LANDLORD TENANT LAW 2-PART B	10:00 AM - 12:00 PM
AUGUST 26	2021 SWV CHARITY GOLF TOURNAMENT	11:00 AM - 6:00 PM
AUGUST 30	WEBINAR: ADVANCED LANDLORD/TENANT LAW	10:00 AM - 12:00 PM
SEPTEMBER 23	SPECTRUM 2021 EDUCATIONAL CONFERENCE & TRADE SHOW	8:00 AM - 4:00 PM
OCTOBER 7	VIRTUAL SPECTRUM 2021 EDUCATIONAL CONFERENCE	8:00 AM - 4:00 PM
OCTOBER 14	FALL 2021 APARTMENT REPORT BREAKFAST	7:30 AM - 9:00 AM

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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 appreciation[1].

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% increase[2].

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 exchange[3]. 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 rate[4].

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 estate[5]. 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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For more information, contact Evan@AshcroftCapital.com or visit the website at www.AshcroftCapi-

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.

3 Factors Leading to Drastic Rent Growth

Continued from Page 1

year-over-year pace.

- "To be clear, the increases represent growth in what landlords are asking for (in) unleased apartments. Increases are smaller for tenants that are rolling over existing leases."

Three big factors are pushing rent growth:

1. Migration

Job loss during the pandemic plus the ability to work from home meant lots of people moving around. Rents are growing rapidly in both the Southwest and Southeast. Phoenix is up 17 percent, Tampa and the Inland Empire in California are up 15.1 percent. Not far behind are Las Vegas at 14.6 percent and Atlanta at 13.3 percent. "These metros were lower cost compared to larger gateway metros, but with double-digit rent increases the affordability of these metros has begun to decline," Yardi Matrix said in the report.

2. Government stimulus

Government stimulus checks,

enhanced unemployment benefits and more than $45 billion of direct renter payments have all helped to prop up the multifamily industry. "All of this stimulus led to consistent levels of collections across the country," the report says.

3. Hot housing market

The S&P Case-Shiller Index shows home prices are up 14 percent year-over-year through June. "Many potential home buyers have been forced out of the market, and in turn, decided to rent an apartment for another year. Another pressure on the cost of housing is the lack of new supply. The U.S. is on track to build 1.5 million units in 2021, according to the Census Bureau, but that will not be enough to satisfy the demand for housing," Yardi Matrix said in the report.

Landlords Must Explain Evictions During Moratorium

Continued from Page 1

The Federal Trade Commission (FTC) and Consumer Financial Protection Bureau (CFPB) on March 29 announced they would investigate evictions by "private equity firms" and "major multistate landlords," amid "reports that major multistate landlords are forcing people out of their homes despite the government prohibitions or before tenants are aware of their rights."

The Las Vegas Review–Journal in June reported on The Siegel Group. *The Review-Journal* investigation found The Siegel Group had evicted hundreds of tenants at its Siegel Suites and Siegel Select during the pandemic last year. The Siegel Group declined comment. The House panel cited the newspaper's reporting in letters from Clyburn to company CEO Stephen Siegel, informing him of the inquiry.

The Private Equity Stakeholder Project (PESP) published a report in April detailing how Progress Residential and Front Yard Residential, owned by the private equity firm Pretium Partners, have filed to evict more than 1,300 residents during the COVID-19 pandemic, with the companies filing most evictions after the Centers for Disease Control and Prevention (CDC) Eviction Moratorium went into effect in September 2020.

In "Pandemic Evictor: Don Mullen's Pretium Partners Files to Evict Black Renters, Collects Billions From Investors," PESP writes that despite the CDC Eviction Moratorium that took effect on September 4, 2020 and was later extended, Progress Residential and Front Yard Residential have filed to evict growing numbers of residents. Pretium Partners is the top evictor since the beginning of the year within the seven states that the Private Equity Stakeholder Project has been tracking.

The companies filed more than 500 eviction actions in the first 10 weeks of 2021. Almost half (246) of these filings were in two Georgia counties – DeKalb and Clayton – which have majority Black populations.

Also, Sen. Sherrod Brown (D-OH) has asked for answers from a corporate landlord according to an NPR report after the report by PESP found the firm has been filing for eviction much more often in predominantly Black neighborhoods during the pandemic.

"While evictions can have long-lasting, damaging effects on renters in normal times, they are especially troubling during a pandemic where safe, stable housing can literally mean the difference between life and death," Brown wrote in his letter to Don Mullen, a former Goldman Sachs partner and founder and CEO of Pretium Partners, NPR reported.

In response to Brown's letter, a spokesperson for Pretium Partners said in a statement that the company can "unequivocally confirm that no individual covered by a valid CDC declaration has been evicted from our properties."