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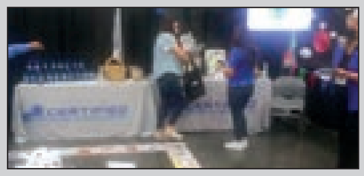

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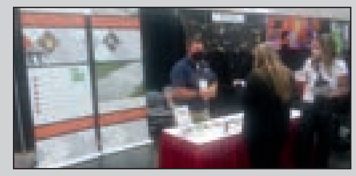

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Rents are Continuing to Rise, But at a Slightly Slower Pace

RENTAL HOUSING JOURNAL

Nationwide rents continued rising from August to September but at a slightly slower pace – 2.1 percent – than in previous months, according to the latest report from Apartment List.

"Although month-over-month growth has slowed slightly from its July peak, rents are still growing much faster than the pre-pandemic trend," Apartment List said in the report.

"Since January of this year, the national median rent has increased by a staggering 16.4 percent. To put that in context, rent growth from January to September averaged just 3.4 percent in the pre-pandemic years from 2017-2019," the report says.

This is the time of year when rents

See 'Rents' on Page 4

Renters Now the Majority in 103 Suburbs

RENTAL HOUSING JOURNAL

Renters are now "the majority in 103 suburbs that were previously homeowner territory 10 years ago, and 57 other suburbs are expected to follow suit in the next five years," according to research from RentCafe.

Renters became the majority in many suburbs in the nation's 50 largest metros, which gained a total of 4.7 million people since 2010 — and of these, 79 percent were renters, according to the latest U.S. Census data.

Nearly 40 of the suburbs that transitioned to renter-majority in the last decade belong to just three metros: Washington, D.C. (14); Miami (13); and Los Angeles (12).

"We have reimagined the American dream for a modern, more diverse society where people are having fewer children and getting married much later in life (if at all), and where most good job/career opportunities require one to be flexible," said Dr. Kenneth Laundra, associate professor of sociology at

See 'Suburbs' on Page 6

Online Rent Payment a Game Changer

BY DAVID PICKRON

History is littered with what at the time were considered "game changers." Those game changers have become commonplace in our current world; when was the last time you marveled at the technological breakthrough we know as the wheel? Or the lightbulb? Or even the fact that we fly in airplanes all around the world? The likelihood is we dismiss or overlook these incredible technologies and innovations because we have become so familiar with them. We don't see just how amazing these everyday conveniences are and how our lives are better for them.

In the world of landlords and property management, game-changing circumstances might be even harder to

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✔ Tenants include Amazon, FedEx, Dollar General, Walgreens, CVS, Fresenius And More
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Why the Delaware Statutory Trust Specialist Can be a Real Estate Broker's Best Friend

By Chay Lapin
President Kay Properties & Investments

Key Takeaways:

- Why should real estate brokers present a DST 1031 Expert to their clients?
- Why is a DST 1031 perfect for a multifamily investor who is ready to sell their asset?
- What is "mortgage boot" and why should it be avoided?
- What do DST 1031 experts bring to the table for both the seller and real estate broker?

Today's multifamily market is bustling with activity as the number of owners and investors from Maine to California are executing thousands of sell/buy transactions every single day. According to a recent multifamily market report by CBRE Real Estate Group, this frothy deal velocity can be attributed in part to favorable economic conditions and reduced negative impacts from COVID-19. So far in 2021, the multifamily market saw $148 billion in transactional activity, a 33 percent total increase over the previous year. Owners of appreciated rental properties may have potential equity "locked up" in their investment real estate. Selling in this bustling market can unlock this trapped equity. Finding replacement properties to 1031 exchange into that provide passive income and potential for diversification is a challenge many sellers face. DST specialists can advise on a potential solution to this challenge. That's why more and more brokers are turning to Delaware Statutory Trust (DST) 1031 experts to help advise their clients on how to avoid being hit with a large capital gains tax following the sale of their multifamily investment property.

In a nutshell, DST 1031 exchanges allow multifamily sellers to defer the income from the sale of their property by investing in a co-ownership real estate portfolio as outlined in the Internal Revenue Service Revenue Ruling 2004-86. The DST 1031 structure allows a trust to be set up that consists of multiple investors who share passive ownership of a designated building or entire portfolio. This strategy allows investors to create customized and diversified portfolios, alleviate the daily landlord duties, reduce the financial burden by spreading costs across multiple investors, provide investors the potential for monthly income potential, and offers significant tax advantages. DST properties are typically institutional-grade real estate assets like net lease buildings, self-storage facilities, logistics and transportation centers, and multi-family apartments, offering investors the opportunity to own assets that would normally be financially out of reach for them.

Brokers Need a Delaware Statutory Trust 1031 Specialist to Help Them Advise Their Clients

1031 exchanges are often the "preferred solution" for investors who have sold their investment property. Because no matter who the investor is or what type of investment asset that has been sold, they will always face the same challenge at the end of disposition: a big tax bill. This tax event is called "capital gains" and is calculated by taking the difference between a property's cost basis and the sale price, typically at a rate of somewhere between 15 percent and 28 percent. Add to that depreciation recapture rate of 25 percent state sales tax, and medicare surcharge and the tax consequences could be devastating. In fact, many potential multifamily investment owners decide not to sell because of the significant tax implications.

A DST 1031 Over a Straight 1031 Exchange?

At this point, the real estate broker will most likely recommend the seller enter a "1031 exchange". This strategy is named after section 1031 of the Internal Revenue Code and allows a property owner to defer capital gains taxes on a profitable sale by reinvesting the proceeds into another property of "like kind," and there is no limit to how many times it can be done. In theory, there could be a successive series of exchanges that defer capital gains taxes indefinitely, which allows an investor's income to grow tax-free over a long period of time.

However, the rules of a 1031 exchange can be complicated and incredibly difficult (and potentially expensive) to accomplish without the advice of a true 1031 expert. For example, all 1031 exchanges must follow these parameters:

- The new property must be "of the same nature or character" as the old one.
- The new property must be "identified" within 45 days of the close of the sale, and the purchase transaction must be completed within 180 days of the sale.
- The amount of money invested into the new property must be the same as the sale proceeds from the old property. If there is a difference, it is known as "boot," and it becomes taxable.
- Exchangers must hold title to replacement property in the same way as the relinquished property.
- Any errors in the transaction or violations of the rules can cause the transaction to become a failed exchange.

Many brokers confess that identifying a replacement property and then successfully completing the exchange is exceedingly difficult to accomplish in the required timeline. That's why brokers sometimes can only present their clients with properties that are not turnkey deals and that have a lot of moving parts. In addition, very few brokers can find appropriate property options for their investors that fit their client's specific required debt replacement parameters.

Enter the Delaware Statutory Trust Specialist

This is where a Delaware Statutory Trust specialty firm can be of real value to a real estate broker who is representing a multifamily investor who just sold a property. One of the potential advantages of a DST is that it provides beneficial interest in a property that has non-recourse debt that is already "pre-packaged" for a 1031 exchange. Effectively, what that means is that it is relatively simple to make the 1031 exchange math work – almost down to the penny. Investors also have greater flexibility in putting their investment dollars into multiple DSTs in a variety of real estate combinations and still achieve their desired equity and debt targets.

A hypothetical investor named Alison T. needs to replace $200,000 in equity and $100,000 in debt. Now she could put $100,000 into one DST with no debt (an all-cash debt free DST) and the remaining $100,000 into a DST that has a loan on the property at 50% Offering Loan to Value (LTV). Another option would be to put $50,000 into a DST with no debt and $75,000 each into two additional DSTs that both have 40% LTV.

An Example of How a DST 1031 Exchange Can Replace Both Equity and Debt

1031 Debt & Equity Replacement Amounts	*Option One*	*Option Two*	*Option Three*
Need to Replace $100,000 in Debt	Invest $100,000 into one all cash DST	Invest $50,000 into an all cash DST	$67,000 with a 60% LTV
Need to Replace $200,000 in Equity	Invest $100,000 into a DST with a loan at 50% Offering Loan to Value	Invest $75,000 into two DSTs that have a 40% LTV each.	$133,000 All-Cash/Debt-Free DST Investment

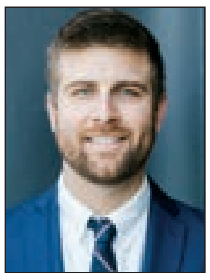
In comparison, an investor conducting an exchange with a single property, such as a rental home, would have to find a property they want to buy at the desired $300,000 price. They would then have to bring their own money to the table for an all-cash purchase or secure a $100,000 mortgage. Effectively, investors are working in a much narrower box with fewer alternatives – all while the clock is winding down on the 180-day timeframe allowed to complete an exchange. Including a DST 1031 property option creates a reliable backup plan for investors like Alison T. in case her original property exchange falls through. That's why DST specialists are a great resource for real estate brokers because they can help ensure the client has a reliable backup plan ready to go.

Smart brokers who represent investment property owners should always have a relationship with a DST 1031 specialist advisory firm like Kay Properties and Investments. They can present the DST 1031 strategy to their clients as an added benefit that they bring to the table, while also providing an expert resource for creating a back-up 1031 identification tool and creating a safe tactic to avoid a mortgage "boot".

(*Every investor's tax situation is different, and this article is not tax or legal advice. Investors should inquire with their CPA/Accountant to verify their 1031 requirements)

"When brokers are getting close to listing a property, it is important that they contact Kay Properties in an ample amount of time before their client's deadline. This will give them enough time to understand the risk and business plan of each offering. We are always available for conference calls and or in-person meetings with your clients," said Dwight Kay, founder and CEO of Kay Properties & Investments.

About the Author



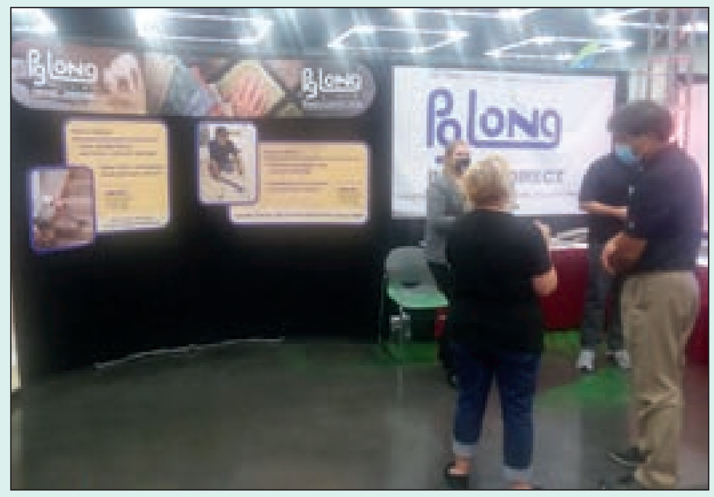
Chay Lapin is President of Kay Properties & Investments where he helps advise clients nationwide about Delaware Statutory Trust 1031 exchange investments including multifamily, commercial, and fractional NNN properties. Additionally, Chay has sponsored and co-sponsored the syndication of over two million square feet of DST properties in the multifamily, net lease, industrial and office sectors as well as invested in and operated multiple net lease assets and residential properties throughout the United States.

A graduate of the University of California at Los Angeles, Chay was a four-time Academic All-American water polo athlete and recipient of the prestigious UCLA Athletic Department Most Courageous and Character Award. Chay was a top-ranked United States performer and represented the USA in the 2012 London Olympic Games on the U.S. Men's National Water Polo Team.

SPECTRUM SCRAPBOOK

A return to the in-person event for 2021 last month was enjoyed by many vendors and attendees. Thanks to Multifamily Northwest for a great time, and we look forward to seeing you all again next year!

Photos by Terry Hokenson



Rents Rise, But Pace is Slower

Continued from Page 1

typically begin declining due to seasonality, but that has not yet showed up in reports. So no signs yet of a seasonal dip in rents.

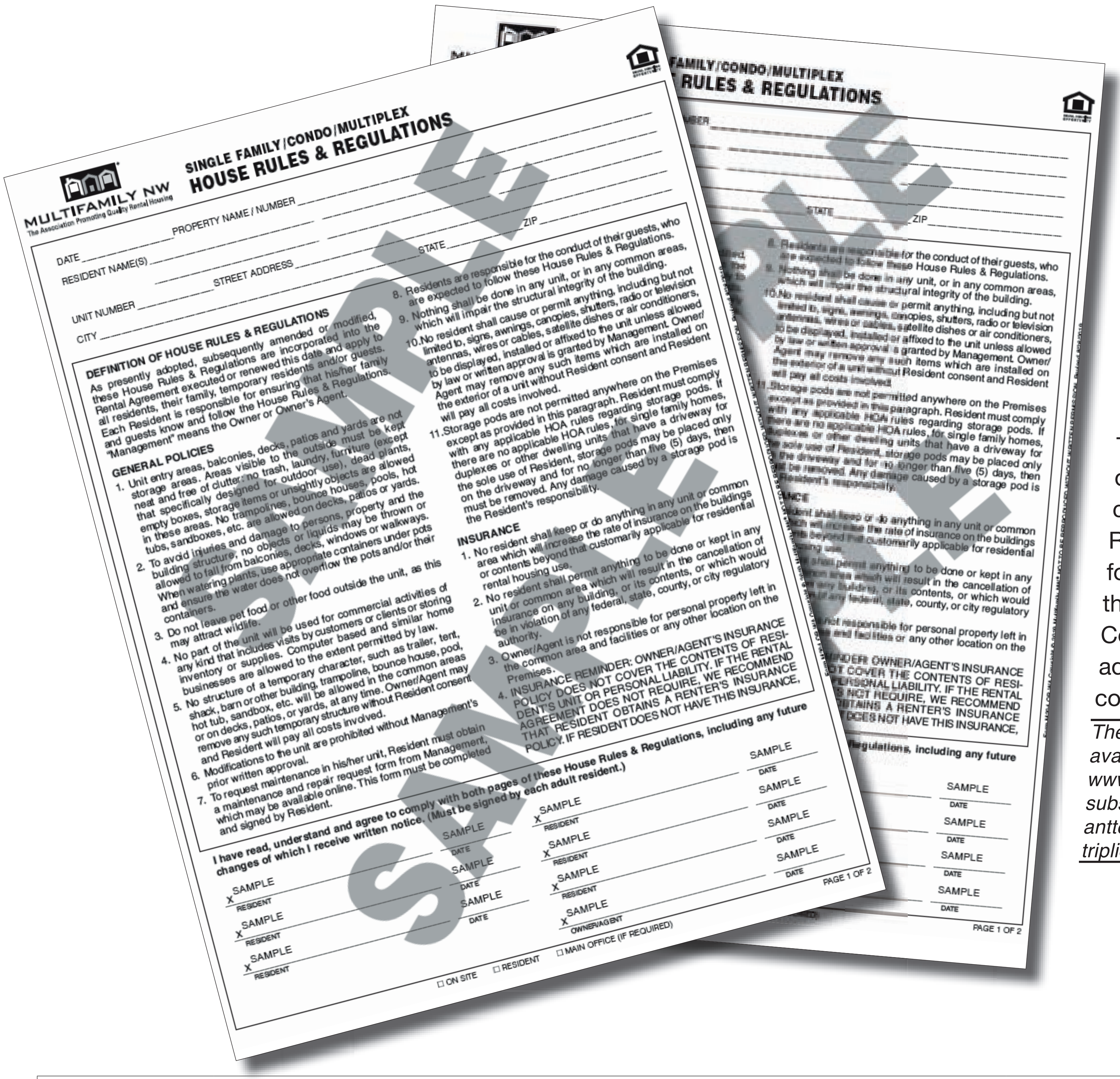
"As we've explored in detail, much of this year's boom in rent prices can be attributed to a tight market in which more and more households are competing for fewer and fewer vacant units. Our vacancy index spiked from 6.2 percent to 7.1 percent last April, as many Americans moved in with family or friends amid the uncertainty and economic disruption of the pandemic's onset.

"Since then, however, vacancies have been steadily declining. For the past several months, our vacancy index has been hovering just below 4 percent, significantly lower than the 6 percent rate that was typical pre-pandemic," the report says.

As prices rebound rapidly even in the cities that saw the sharpest declines last year, there are now just five cities remaining where rents have yet to surpass pre-pandemic levels.

That said, certain markets, such as Boise, Idaho and Spokane, Wash., appear to be cooling off.

"While the market remains extremely tight, we're now seeing the first signals of that pressure beginning to ease," the report says.



FORM OF THE MONTH

House Rules & Regulations M204 OR-WA

This versatile 2-page form is designed for single family home or condo rental homes. The House Rules provides useful specifics for critical policies overviewed in the Rental Agreement's Terms & Conditions. The House Rules forms addresses common renter non-compliant behaviors.

The Multifamily NW Forms Collection is available immediately and electronically at www.RentalFormsCenter.com, via electronic subscription software through www.ten-anttech.com & by mail or pick-up of printed triplicate forms at www.multifamilynw.org.

Multifamily NW Schedule

OCTOBER 6	WEBINAR: LANDLORD STUDY HALL - FAIR HOUSING INDIVIDUALIZED ASSESSMENTS	6:30 PM - 8:00 PM
OCTOBER 7	VIRTUAL SPECTRUM 2021	8:00 AM - 4:00 PM
OCTOBER 14	FALL 2021 APARTMENT REPORT VIRTUAL PANEL	7:30 AM - 9:00 AM
OCTOBER 20	2021 REVERSE TRADE SHOW - TRICK OR TREAT	1:00 PM - 6:00 PM
OCTOBER 22	WEBINAR: LEASING WITH CONFIDENCE ONLINE MARKETING	10:00 AM - 12:00 PM

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Suburbs Where Renters Became the Majority

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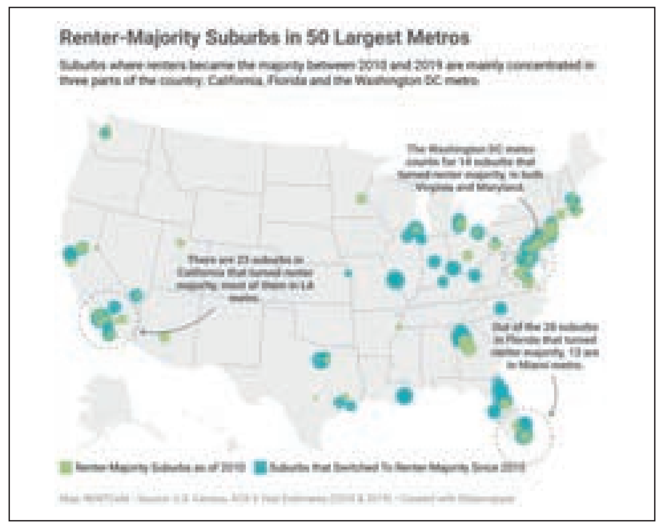
Millikin University. He said today's suburbia is far different from the "baby boomer fantasyland" it used to be.



According to Laundra, many people will take advantage of the flexibility that remote work offers in the post-COVID-19 era — to the benefit of the suburbs closest to urban areas.

"With the increase in remote work, short-term projects and 'side hustles,' there's every reason to believe that the future will be a more transitory, migratory existence. Most of this migration will be toward cities and urban landscapes, where even the suburbs will cluster most closely to urban areas," he said

The RentCafé report points out that, "During the past decade, the migration toward the suburbs developed fast: The number of suburban areas where renters are the majority grew by a staggering 69 percent. Now, following the switch to renter majority of these 103 suburbs, there are a total of 242 renter-dominated suburbs out of 1,105 suburbs analyzed in our 50 largest metros."

Since 2010, the rental market has been building up in places previously dominated by homeowners. Specifically, the largest increases in renter share took place in a number of suburbs in the Midwest and were led by Maple Heights, Ohio, where the share of renters grew by 87 percent. Second was Eastpointe, MI — a bedroom community located within a short drive of Detroit that registered a record 83 percent increase in renter share.

"We estimate that 57 more suburbs will be dominated by renters during the next five years if their share of renters continues to grow at the same rate. Notably, the pandemic has further extended this trend, having triggered an acute need for more living and breathing space — which the suburbs traditionally offer — as more Americans try to make the most of the new work-from-home trend," the report says.

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3 Reasons Investors Prefer Real Estate

Contributed by 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. 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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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."

Are You 10-for-10 in Collecting the Rent?

Continued from Page 1

identify, as many operate by the "If it's not broke, don't fix it" rule.

Having nearly 30 years of experience in this field, I have seen a lot of ideas come and go, but nothing has struck me as a game changer more directly than the introduction of online rent payments. After all, if I'm not collecting rent, then I have no business being in this business.

The following are the three main reasons I view online rental payment programs as a true game changer.

The System Collects Rent for You

For far too many years, I had a renter who consistently paid rent on the fifth of each month (or later) and was never charged a late fee, even though they should have incurred one every month.

Why did this happen?

First, I allowed it to. Second, I was always busy with other things and was genuinely happy when the check finally did appear.

With the advent of rental payment programs, I was able to take back control of who is in my property and get paid on time, every time.

Imagine your tenant receives an email from the rental collection system prior to the due date indicating that rent is due in 5 days, then 4, then 3, etc. If they don't pay, the system automatically reminds them that rent is due. If rent becomes past due, the system automatically begins calculating and assessing late fees starting on the date indicated by your lease. If a tenant calls, seeking permission to make a partial payment or waive fees, you simply tell them there is no way to do that because the system won't allow it; the system will only let them pay the full amount including late fees.

It's an easy way to play "good landlord, bad landlord" without getting your hands too dirty.

Rent Collection Consistency

As with all things in our industry, consistency is the name of the game when it comes to anything that can be regulated or overseen. This is especially true in regard to all interactions with your tenant, including collecting rent.

In my early years I had multiple properties and each tenant paid differently. One would bring a check to my home, another would mail theirs, and I even had one that would go directly to my bank and deposit directly into my account (with my bank account numbers, which I provided).

I was scoring a 0/10 when it came to rent-collection efficiency and consistency.

With my current rental-payments system I now have the ability to look at an online ledger and easily see the payment status of every property at a glance. Knowing who has paid, who is outstanding and who owes late fees puts me squarely in control of my business.

Having the ability to effectively "set it and forget it" when it comes to collecting rent will allow you to be consistent in your practices and get paid consistently.

Benefit to the Tenant

Unlike the heartless, greedy persona that many use to describe their landlords, the overwhelming majority of us truly do want to provide some benefit to our tenants. Online rental-payment programs allow our tenants to 1) stop writing checks, which no one wants to do anymore, 2) set up automatic payments so you get your money at the same time every month, and 3) have successful payments be reported to the credit bureaus, helping to boost their credit.

Strangely enough, the things that benefit your tenant also benefit you. I challenge you to show me a landlord who doesn't benefit from getting paid on time on a more consistent basis; it's a win-win for both parties.

Recently Rent Perfect had our own game-changing moment with the launch of our own online rental-payment system. Regardless of whether you use Rent Perfect for tenant background checks or to create your own custom leases, rent pay is available to all landlords and tenants. All landlords now have the ability to use the exact same process I use to manage the oft-challenging tenant life cycle.

Designed with input from seasoned landlords across the country, this program was built to help you collect rent in a consistent manner to the benefit of every tenant… and yourself. When you are ready for a game changer for your business, we invite you make your life easier with rent pay.

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 Podcasts) to stay up to date on the latest industry news and for expert tips on how to manage your properties.