Eastern Michigan Real Estate Investment Association

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Rules for Avoiding Source-of-Income Discrimination

by MICHIGAN LANDLORD

Rule #1

Get to Know State and Local Law

Find out whether your community is subject to state or local laws banning discrimination based on source of income. Currently, 12 states and the District of Columbia include protections based on source of income in their fair housing or civil rights laws.

They include:

California	Connecticut	Maine	Massachusetts
Minnesota	New Jersey	North Dakota	Oklahoma
Oregon	Utah	Vermont	Wisconsin

If your state is on the list, check the details to determine what the law covers—and specifically what it says about Section 8 housing vouchers and other housing subsidies. In Massachusetts, for example, the law bars communities from discriminating against individuals who receive public assistance or rent subsidies, including Section 8 housing vouchers. But in Oregon, the law bans discrimination based on source of income, but it specifically excludes federal housing subsidies under the Section 8 housing program.

Even if your state isn't on the list, it's important to check the details of local fair housing laws. In many states, county and municipal governments have taken the lead to ban discrimination based on source of income, with particular attention to Section 8 housing vouchers. As many as 40 jurisdictions have adopted such measures, including New York, Chicago, Los Angeles, Philadelphia, Seattle, and many smaller cities, along with county governments in Illinois, Maryland, Oregon, Washington, and other states.

> **COACH'S TIP:** In the absence of current laws regarding source of income, ask your attorney to keep you apprised of any pending changes to the law in your state and local area. Each year, state and local lawmakers across the country consider proposals to add fair housing protections based on source of income, including housing subsidies. For example, discrimination against voucher holders was already outlawed in Chicago, but in May 2013, lawmakers in Cook County, 111., extended the ban to the rest of the county by amending its source-of-income protections to cover Section 8 voucher holders.

Rule #2

Don't Reject Applicants Based on Source of Income

Failure to abide by state, county, or local laws banning discrimination based on source of income can lead to fair housing trouble. Last year saw a 38 percent spike in the number of complaints based on lawful source of income, according to the National Fair Housing Alliance's (NFHA's) 2013 report, which noted that fair housing organizations (continued on page 2)

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reported 569 complaints in 2012-up from 353 in 2011.

But that's only the tip of the iceberg, according to the NFHA, which pointed to recent fair housing tests that revealed significant levels of discrimination in jurisdictions where only a few formal complaints were filed. Meanwhile, fair housing advocates continue to pursue active investigations into compliance with laws banning discrimination based on source of income.

Example: In March 2013, the Equal Rights Center (ERC) released the latest in a series of reports in its ongoing investigation into discrimination against Section 8 voucher holders in the District of Columbia. The latest investigation found that 28 percent of voucher holders encounter housing discrimination, down from 45 percent in 2010 and 65 percent in 2005.

In the most recent investigation, the ERC conducted 90 phone tests of rental housing providers, ranging from large and small apartment complexes to basement apartments in row houses. In 28 percent of the tests, a caller inquiring about renting an apartment with a voucher was subjected to some form of discriminatory treatment-including outright refusal to accept the voucher, limiting the use of the voucher, imposing different terms or conditions for a voucher holder, or imposing limitations that would effectively bar a voucher holder from obtaining the housing.

"The fact that the rate of source-of-income discrimination in the District has decreased by more than 50 percent in less than 10 years confirms that continued education, outreach, and monitoring is improving many families' ability to use their vouchers," Executive Director Don Kahl said in a statement. "Despite this progress, more than one in four voucher holders continue to face discrimination. These kinds of barriers to equal housing opportunity simply cannot continue to be tolerated in the nation's capital."

To comply with laws banning discrimination based on source of income, communities should make sure that they don't turn away applicants simply because they're unemployed or receive financial assistance, such as rental assistance or disability benefits. Otherwise, you could trigger a fair housing complaint-win or lose, it still can be costly to solve.

Example: In May 2013, a Connecticut landlord and his former property manager agreed to pay $150,000 to settle a fair housing case alleging that they unlawfully refused to accept lawful sources of income that also served to discriminate against individuals with disabilities.

The lawsuit was filed by the Connecticut Fair Housing Center, based on the results of fair housing testing dating back to 2009. The complaint alleged that the owner and manager repeatedly expressed an unwillingness to rent to individuals because they either attempted to use state assistance programs or disability benefits to pay their rent or security deposits, or they could not demonstrate they were employed.

Without admitting liability, the owner and property manager agreed to a settlement, which requires them to pay $150,000, adopt a fair housing policy, receive fair housing training, and cooperate with the monitoring of certain rental practices for three years.

"Source-of-income discrimination such as the refusal to accept rental assistance programs or other government aid causes real harm to individuals and families, particularly those with disabilities, seeking housing," the Center's Legal Director Greg Kirschner said in a statement. "These types of settlements underscore the severity of these violations and further the Center's mission of ensuring all people have access to the housing of their choice, free from discrimination."

Rule #3

Watch Your Language

Make sure that your compliance efforts extend to what you say in your advertising-and how you respond to telephone or online inquiries-about your willingness to accept Section 8 housing vouchers or other forms of public assistance. The wrong message may trigger a fair housing complaint-or draw the attention of fair housing enforcement officials or organizations, who are monitoring online advertising for compliance with state and local laws banning discrimination based on source of income.

If these laws apply to your community, then it's unlawful to make statements or disseminate advertising that indicates a preference or limitation based on a prospect's source of income. For example, your community may not publish advertisements that say, "No Section 8," or tell prospects over the phone that you don't accept Section 8 housing vouchers. If you do, you may trigger a fair housing complaint because you're effectively screening out all Section 8 prospects before they even apply.

In addition, it's unlawful to provide inaccurate or untrue information about the availability of units for discriminatory reasons. Such prohibited conduct, that an available unit has been rented, or limiting information about suitably priced available units, because of the prospect's source of income.

> **COACH'S TIP:** When meeting with prospects, make sure to tell them about all vacancies that meet their needs, regardless of their source of income. Telling applicants receiving housing assistance about vacancies in only particular sections of the community amounts to unlawful steering, a form of discrimination based on source of income.

Rule #4

Follow Standard Procedures Regardless of Source of Income

Follow standard policies and procedures when dealing with prospects and applicants to ensure that every prospect visiting your leasing office is treated the same way, regardless of her source of income. For example, you should offer every prospect-regardless of her source of income-a rental application and invite her to fill it out. Be consistent in applying your screening criteria-including credit history, rental history, criminal background, and the like-to all applicants, regardless of the source of funds used to pay rent.

It's unlawful to refuse to allow a prospect to apply to live in

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the community-or to impose procedural hurdles that make it more difficult for prospects with housing assistance to get through the application process.

Example: In April 2013, the Fair Housing Justice Center (FHJC) filed a lawsuit on behalf of a woman living with AIDS, who claimed that she had been denied a unit in a 5,000-unit community in New York City because she intended to pay her rent using a housing subsidy for people with HIV/AIDS issued by a city agency (HASA).

According to the FHJC, the owner and its affiliates are among the nation's largest landlords, with rental communities in New York, California, New Jersey, Oregon, and Washington. Based on the complaint, the FHJC conducted an investigation, which allegedly revealed systemic discrimination based on source of income and disability at all the owner's rental buildings in New York City.

The lawsuit accused the community and its rental management company of treating applicants with rental assistance of any kind, including persons with a HASA housing subsidy, differently and less favorably than applicants with income from employment. For example, the complaint alleged that applicants who were employed were allowed to go directly to a convenient on-site leasing office, meet with a leasing agent, obtain floor plans, and view available apartments before having any income verified or completing a rental application.

In contrast, the complaint alleged that applicants with any type of rental assistance, including persons with a HASA rental subsidy, were required to go to a separate off-site leasing office, speak with employees behind a glass window, complete a rental application, submit to a credit and criminal background check, and provide other documentation just to be placed on a waiting list and before any information would be provided about apartments for rent or available apartments would be shown. The lawsuit alleged that this different treatment constitutes intentional source-of-income discrimination under the New York City Human Rights Law.

The complaint is the latest of a series of lawsuits filed by the FHJC on behalf of prospects attempting to rent a unit with a HASA housing subsidy in New York City. In March 2013, a large realty company agreed to pay $212,500 to settle a lawsuit involving the city's ban on discrimination based on source of income.

And in December 2012, a court ordered two New York City real estate firms to pay $25,000 in damages for source-of-income discrimination against a HASA client and others using government subsidies. According to the court, one of the brokers refused to assist HASA clients altogether. Although the other worked with HASA clients, it refused to show them properties owned by landlords who didn't accept HASA subsidies.

The court rejected the brokers' claim of a legitimate business justification based on delays in the approval process and payment of deposits. Although there could be circumstances when a landlord or realtor might prefer a so-called market-rate client over a RASA client or a person receiving a governmental rental subsidy, that wasn't the case here. The court noted that the broker who worked with the prospect didn't tell him that he was ineligible for certain apartments because they were available immediately and that RASA applications would take too long to process. Rather, it indicated that certain apartments didn't accept programs under any circumstances because they were only for working people. [Short v. Manhattan Apartments, December 2012].

Rule #5

Apply Standard Screening Policies

Source-of-income laws ban discrimination against applicants because of where they get their income not the amount of their income. You may ask about the source of the applicant's income, as long as you don't discriminate based on that information.

Communities have the right to rent only to applicants they believe to be responsible and who will pay the rent. You may require applicants to satisfy your screening criteria-such as credit checks, criminal background checks, and rental history-as long as you apply the same standards to all your applicants, regardless of their source of income.

For example, you don't have to accept an applicant who receives financial assistance if you have other nondiscriminatory reasons for rejecting him, such as a criminal record, as long as you apply that policy consistently to all applicants. Other legitimate, nondiscriminatory reasons for rejecting an applicant might be bad credit history or prior evictions for nonpayment of rent or damage to the apartment.

Regardless of the applicant's source of income, you don't have to accept individuals who can't demonstrate their ability to pay their rent. Communities may require all applicants to satisfy minimum income requirements, such as two or three times the rent, and may verify that the applicant can satisfy that standard. Doing so doesn't violate state or local laws banning discrimination based on source of income-as long as you apply the same income criteria (taking into account their financial assistance) to all applicants.

For example, if your community requires applicants to earn at least three times the rent to live there, you may impose the same requirement on applicants who get Section 8 vouchers or other financial assistance. But you must take into account the amount of their financial assistance to determine whether they meet this requirement, for example, by requiring that they make three times the amount of their portion of rent.

Furthermore, communities may refuse to rent to applicants who can't afford to rent the unit, even with housing subsidies. The Section 8 housing voucher limits the amount of housing assistance based on the amount generally needed to rent a moderately priced unit in the local housing market. If the rent is greater than that amount, then the voucher holder must pay the difference-but by law, a family moving into a new unit may not pay more than 40 percent of its adjusted monthly income for rent.

Rule #6

Apply the Same Terms and Conditions, Regardless of Source of Income.

To comply with laws protecting source of income, communities must treat all applicants and residents equally in the terms, conditions, or privileges of the tenancy, (conclusion on page 10)

Revenue Management Today and Tomorrow

Programs maximize rent and occupancies by Jeffrey Steele

Once utilized only by the largest property management companies, revenue management is now being embraced throughout the apartment industry.

Revenue management systems allow companies to maximize rent revenues on a day-to-day basis, while also providing them greater market insights and the flexibility to accommodate the needs of a broader spectrum of potential renters. As much as the technology has done to make industry pricing more efficient, it has the potential to accomplish even more in the years ahead.

How does revenue management profit property management companies? "We pull in the data in our customers' property management systems and run it through our sophisticated models, which forecast supply and demand," says Andrew Rains, president of Alpharetta, GA.-based Rainmaker LRO.

"Based on those inputs, we produce an optimized price for the apartment unit on a daily basis, which optimizes revenue for the owner."

In addition to maximizing revenue, additional benefits include consistency, discipline and transparency throughout the organization as to how rent prices are being set, he says. The result is that leasing professionals can say "Yes" more often. Some prospective renters might not want the traditional 12-month lease, but three-month, eight-month or 11-month leases. Revenue management allows leasing agents to more often meet the needs of these prospects.

With Rainmaker LRO, "the model looks into lease expiration management, which forecasts future demand and aligns supply in equilibrium to match that forecasted demand," Rains points out.

Before revenue management

Before revenue management systems came into being, lease pricing was handled manually and involved looking at only a few variables in the absence of reliable market data and a true understanding of that data. So says Dharmendra Sawh, industrial principal at Santa Barbara, Calif.,-based Yardi Systems. Even though the intent and methodology were fundamentally correct, the ability to consolidate data correctly and analyze it appropriately did not exist. "The insight needed to successfully execute a pricing methodology was missing," he says.

In addition, because the flexibility provided by revenue management did not yet exist, only six-month and 12-month leases were offered, Rains says.

"There were very limited models," he adds. "For instance, they were quick to offer one month of free rent to generate demand, and that may not be the best approach. As well, they were using a heavy reliance on what competitors were doing. If I'm in a position of pricing strength, why would I focus on competitors?"

Once Irvine, Calif.,-based Western National Property Management (WNPM) adopted revenue management, the company committed to not return to the old-school incentives offered before.

"What's the sense of having it if you're overriding the pricing the system generates?" asks Julie Manthey, vice president of operations for WNPM.

"If you are watching it and making effective moves based on the lease expiration models we have in effect, that makes more sense than manipulating the pricing structures that are provided each day through the system."

Embrace by all

Large companies, in particular REITs, were the first to adopt revenue management systems, and they helped to bring a broader understanding of the importance of revenue management to the real estate industry, Sawh says.

Today, the use of these systems is widespread, from small to large portfolios, and for every type of interest. That's true whether the stakeholder is an investor, owner-operator or property management firm.

"The adoption of revenue management is expanding rapidly, and will likely continue to do so for the foreseeable future," Sawh reports.

For his part, Rains says the adoption is "absolutely across the board. We have an equal distribution across small, medium and large companies. We see it working equally well in 1,500-unit as well as 25,000-unit portfolios. "In fact, some believe revenue management systems have the ability to make small companies operate like much larger corporations.

Rains has a different take. Some large companies operate efficiently, and some don't, he says. Moreover, some small companies intentionally remain small. "Revenue management allows you to apply the best practices of pricing optimization available in the industry, no matter your size," he says.

Sawh believes revenue management "absolutely" allows small companies to operate like much larger ones. Before, small companies did not have the resources to focus on strategic rental pricing that would maximize revenue and occupancy without sacrificing either. With revenue management systems, smaller companies can achieve real-time insight into their revenue performance relative to their inventory, market or other business criteria, enabling them to adjust as quickly as any

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conclusion

other player, large or small, using revenue management.

Manthey believes some companies avoid revenue management systems for fear their pricing will be controlled by a computer.

"They still want to be able to make pricing swings based on market changes and human objectivity," she says, adding that some small companies manage their portfolios to emphasize occupancy rather than rent growth; they don't want to risk available units even if that could lead to growth in rent rates.

These companies, she says, are the very ones that might benefit most from having a system that removes emotion from decisions and helps managers become more dispassionate about issues of occupancy vs. rent growth.

Future evolution

A number of developments will impact revenue management in the years ahead. Rains believes mobile technology will lead the evolution. "No one disagrees, mobile will be the status quo," he says. "Every on-site person will have some type of mobile device in their hands, enabling them to have prices at their fingertips, [as when] they're walking the property with the resident."

Reporting strategy and analytics will also be key. Industry-wide, everyone is seeking business intelligence, the capability to visually and graphically examine performance and determine how their apartments are comparing to one another. "It's having the analytics to manage their portfolios," Rains says. "Business intelligence is giving managers great insight into how their properties are performing. It's the old adage: 'You can't manage what you can't measure.'"

Sawh, too, sees business intelligence becoming an increasingly important part of what revenue management can provide. Leading revenue management systems are evolving to incorporate not only a company's current performance, but to also benchmark performance relative to the industry as a whole, he says.

This trend will blend exceptionally well with progressive business intelligence solutions, as in Big Data.

The most beneficial systems will also reveal the upstream impact of an asset's pricing power, taking into consideration marketing and screening data.

They'll use this information to not only adjust, but also recommend upstream changes that will have a favorable revenue impact. According to Sawh, "This holistic view of a company's operations will no doubt help drive significant efficiencies across the enterprise, today and going forward."

Michigan among top states where home prices are surging

by Eric McWhinnie

The rebound in home prices from post-bubble lows is still intact. With the help of low interest rates and inventory levels, many areas of the country continue to post impressive price gains.

In September, home prices across the nation increased on a year-over-year basis for the 19th consecutive month. According to CoreLogic, a property information and analytics provider, home prices jumped 12% in September from a year earlier. In fact, home prices have posted double-digit gains for eight straight months.

"U.S. home prices continued their ascent in September. Average home prices in nearly half the states are now within striking distance of their pre-downturn pricing peaks," explained Anand Nallathambi, president and CEO of Core Logic.

Home prices are still 17.4% below their bubble peak in April 2006, but every state logged an annual increase in September. West Virginia and Arkansas posted the smallest gains at 0.9% and 1.3%, respectively. As they say in Real Estate 101, it's all about location. Here are the top 10 real estate markets by state, according to year-over-year price gains from CoreLogic.

10. Utah—11.9%
9. Washington—12%
8. Florida—12.1%
7. Idaho—12.4%
6. Oregon—13.6%
5. Michigan—13.9%
4. Georgia—14.4%
3. Arizona—14.6%
2. California—22.5%
1. Nevada—25.3%

Trade Secrets

by Julie Manthey, Western National Property Management

Sometimes the most obvious challenges are the easiest to overlook. Multifamily managers and owners have always faced the challenge of dealing with resident turnover, but how the process is managed can make all the difference.

The average stabilized apartment community faces a turnover rate of 35 to 40 percent, while college adjacent communities can experience up to 60 to 70 percent turnover. Management of this turnover is a large part of a property management company's responsibilities and is the key to the longevity of any community.

The overall objective in managing resident turnover is to minimize profit loss. As a leading property management company for over 40 years, Western National Property Management has always focused on maximizing clients' profits by managing turnover as effectively and efficiently as possible. To do this, we start with the basics, including the understanding of each community's market, renter demographics, strengths and weaknesses.

From there, we employ a number of ongoing strategies that can protect properties as we manage the flow of residents moving in and out. Three major strategies that can assist property managers in managing resident turnover include:

1. First focus on customer service.

On average, residents decide within the first 30 days of their lease whether they will renew at the end of their initial term. That said, the level of customer service and care provided at the beginning of a lease term is a key factor in a community's overall resident retention. To increase a community's success and overall profitability, it is essential for any property management company to make customer service skills a priority.

Moving is always a hassle for renters, and many are likely feeling stress during the rental process. As such, the leasing staff must focus on making the new resident's move as seamless as possible by being available to answer any questions about the new apartment home or the surrounding neighborhood. Residents will be most aware of their community manger's customer service skills during this time, giving the property management team the opportunity to make a good first impression. This first impression will follow a community management team throughout the lease term and will have a large effect on the renter's perception of the community. Ultimately, this initial impression will be a major factor in many residents' decision regarding whether or not to renew a lease.

At Western National Property Management, we recommend going the extra mile with consistent resident follow up. Not only should the leasing team do everything in their power to assist new residents when they are signing papers in the management office, but someone also needs to follow up after the resident has left the office. The property management team should be ready and willing to help throughout a resident's entire move-in process.

For example, at our communities we have our community manager—rather than our leasing staff—follow up personally with each new resident during their move-in. This connection establishes an open line of communication and begins to build a feeling of community for the resident. Residents commonly appreciate the extra effort and will likely be left with a better impression of the staff if they know that their property manager truly cares about their move-in.

Once a move-in is complete, the focus on customer service has only just begun. Customer service must be a consistent focus throughout a resident's lease term. Residents who have a connection with the onsite staff and feel a sense of community in their apartment environment are much more likely to renew their leases. Community managers can assist with this connection by planning community events and encouraging neighbor interaction, which helps residents feel more engaged with the community.

At Western National Property Management, we remain committed to creating this sense of community at each of our properties. In order to implement this, we recently partnered with CARE, an organization that creates onsite programs and events for our residents. The CARE team lives onsite at each property and serves as an arm of our management team. These professionals also meet with every new resident and work to engage them within the apartment community and its residents.

The result of our partnership with CARE has been overwhelmingly positive. The new programs and events have brought many of our residents together, helping them to feel more connected and turning neighbors into friends. Ultimately, this community interaction and connection has helped to boost overall retention. Residents enjoy the community environment and do not want to move at the end of their lease terms.

Overall, investing in partners such as CARE or working diligently with onsite staff to create programs and events for the tenants is a worthwhile investment that can have a positive impact on a property's bottom line.

2. Use software to manage turnover

Property management software systems can be amazing tools for community managers. There are many options today that provide the information needed to best sign and renew leases, while also managing move-outs.

Revenue Management Software systems are especially helpful tools. These programs can give community managers the ability to review a community's history and forecast when turnover is likely to occur within the yearly cycle. Community managers can also use this software to stagger move-out dates and keep track of lease expirations to ensure they are allocated appropriately based on traffic trends. As a result, operations are more manageable for onsite staff, and a community's bottom line is also protected from a sudden dip in rental income.

Revenue management software can also help to determine the rental rate for each unit. These software systems provide daily updates that reflect a community's history and the latest market trends in order to ensure that the property's owner is receiving the maximum rental rate for each unit on any given day.

For example, if a property's best rental month in 2012 happened to occur in June, the software would automatically adjust new rental rates for June 2013, and it would raise them accordingly.

Software programs can be very advantageous in the property management business, and through these systems, we are constantly transforming the way we conduct our business. At Western National Property Management, we have been testing software that would make the move-out process much more seamless for both the property staff and tenants. This particular software gives residents the ability to manage their move-out online, allowing them to place their 30-day notice, schedule a walkthrough, review final inspections, and more.

Although this software can expedite and simplify the move-out process, it is important to remember that this technology also allows for minimal direct communication between the community manager and resident. Community managers must be diligent in maintaining a personal connection with each resident in order to ensure that any appointments made through the software system are kept. By monitoring the software on an ongoing basis, managers can also ensure that no move-outs are delayed due to lack of communication.

Increased use of software can be a fantastic asset to any community, but community managers must not forget to ensure that residents still have personal interaction with team members and the community. This interaction will keep residents engaged and maintain a sense of community that will ultimately protect the property's bottom line from high turnover rates.

3. Make the most out of a move-out

Even if the staff has done all they can to make a resident feel at home in their apartment community, there are always forces beyond the manager's control that can cause residents to move. In these cases, a property management company's move-out process and procedure is of the utmost importance. Being prepared is key for every company, and this preparation can often help to avoid hundreds or thousands of dollars in loss when an apartment turn over.

The standard renewal notice for renters has emerged as 30 or 60 days, and this time period has become even more important as the economy has struggled over the past few years. This notice period gives the renter time to decide if they would like to move, and, in the case of a move-out, allows plenty of time to notify the community in order for the management team to adequately prepare.

When a 30-day notice is received from a resident, the apartment turnover process must begin immediately. Managers must quickly schedule an initial walkthrough with the current resident in order to review the state of the apartment. Following the walk-through, the management team can prepare an estimate of the budget and timeline that will be required in order to restore the property to peak rental condition. A walk-through also gives the maintenance teams the opportunity to order necessary materials, such as carpet and paint, which allows them to begin repairs on a unit the moment it becomes vacant.

An efficient final inspection is also important in managing a successful turnover. The final inspection provides the management team with a complete list of necessary repairs for the unit, while also providing the now former resident with information about the return of his or her deposit. During the final walkthrough with a resident, community managers should thoroughly review the items that will need repair and estimate costs, all while explaining how this will affect the amount of the deposit that is returned. By communicating this information up front, a property management team can help to ensure a smooth transition and assist residents in understanding what is expected of them.

Deposit returns can be beneficial in helping to recoup lost revenue on a unit. If a tenant is behind on rent or utility bills, this amount can be subtracted from the deposit, which can combat potential losses. In addition, if an apartment is left damaged, community managers can utilize the deposit to offset the cost of repairing appliances, walls carpet, fixtures, etc.

In order to ensure these funds are available, a good property management firm must think ahead to ensure that an adequate deposit is collected during the initial lease signing. By requiring a substantial deposit, managers can often save a property from incurring major costs down the road.

Although resident turnover can be a great deal of work for the onsite team and inevitably incurs some cost, the process does have some positive aspects. First, it gives the maintenance team a chance to inspect the entire apartment and make necessary repairs, providing an opportunity for preventative maintenance on a unit. This is especially helpful when inspecting appliances and heating/cooling systems. In addition, when a resident moves out, the rental rate on that particular unit can be raised for the next tenant, ultimately adding to the profitability of a property.

The bottom line: be prepared

Being prepared is a community manager's best defense against the potential loss associated with resident turnover. Having a process in place for each part of the move-in and move-out is integral to the success of any community and will contribute to the overall success of any property management company.

Focusing on customer service, utilizing property management software and making the most of move-outs are three useful strategies that can make the management of resident turnover more effective and efficient. These elements will often make the difference between a property with a high turnover rate and one that benefits from long-term residents and a manageable amount of turnovers.

Leasing Magic Best methods to boost occupancy

By Jessica Fiur

Looking to fill some units at your apartment community? There are many ways to advertise vacancies, but what's the best way to get prospective residents in the door?

These days, with the proliferation of smart phones and tablets, a community greatly benefits from a strong online presence. And sites such as Craigslist are often the first—and last—places people look for open apartments.

"Online advertising and leasing is huge right now for our prospective renters," says Rebecca Gober, community manager at The Mosaic, a Gables Residential property in Dallas. Gober is also the MHN 2013 Excellence Awards Gold winner in the Best Property Manager of the Year category.

"Our renters are the same people who use the Internet to research the reviews of that hot new electronic they are going to purchase or the menus of the restaurants they are planning on visiting," adds Gober.

Particularly when targeting millennials, a strong Internet presence is key for boosting occupancy.

"I can tell you personally, being a millennial myself, that most of our generation does not want to make a phone call to get information," Gober says. "When I am looking to invest in a product, I will look it up online and if I don't find the information I desire quickly, I'll move on to the next listing on the search engine results."

Of course, a good community website with a lot of important property information goes a long way. Gober urges that property managers make sure the community website is up to date so that people can get information on the property quickly and easily. "I think our websites need to become more of a one-stop shop," she says.

Social media can also play a large role when targeting renters.

"There is a lot of use of social media, both in attracting enthusiasm from the existing tenant base, but also attracting new tenants," Michael Makinen, COO, Mall Properties Inc., says.

However, there are some precautions you should take when launching a new social media campaign. And a targeted campaign is critical for success.

"One of the challenges with social media is that it's gotten as competitive as print marketing once upon a time was," Anne Sadovsky says. "It's really hard for our customers to determine where to look for an apartment or who to call or what websites to look at because they're being inundated with marketing messages."

Tried and true

Though online advertising and social media are important for a successful marketing plan when leasing up a community, don't discount all of the older lease-up methods.

For example, Sadovsky still advocates gimmicks directly on the property, particularly if it is located in a highly trafficked area.

"[Putting up signs might seem like an old-fashioned method], but it still works like a charm!" Sadovsky insists.

Makinen also suggests marketing directly to brokers.

"Our most effective approach for driving occupancy levels is a traditional approach with broker blasts," he says. "We definitely find that advertising to the brokers is helpful. They do play a role in driving a lot of traffic to the properties."

And, of course, there is print advertising, though this method seems to be falling more and more out of favor among property managers.

"There are very few markets that [print advertising] is still effective in, and those markets tend to be the ones that have renters that don't have easy access to the computer or Internet," Gober says.

Sadovsky agrees.

"Since social media generally rules today, I don't know what's going to happen with print advertising," she says. "People with a short deadline to move probably go straight to Google."

It's what's on the inside that counts

Sometimes the most effective marketing methods for a unit don't even require a marketing budget.

"We're really touting [our renovation program] heavily in the promotion of our units to the general public. We're finding it's been tremendously valuable for us [in terms of] attracting quality tenants who are signing up for longer-term leases and also as a way to really change the overall quality perception of the building in total," Makinen says. According to Makinen, kitchen and bathroom upgrades are two of the "most showable and impressive upgrades that you can make to a space."

"[The renovations] add to curb appeal—you can see when you first walk in that this is nice, and this is going to be a high-quality place to live," Makinen says.

And perhaps the most important leasing strategy is having an effective team in place. "Put the right people in place and know they know how to close the sale and get traffic through the door," Sadovsky says. "Be fully staffed—especially on the weekend when a lot of people are looking for apartments."

"One of the main things I focus on when going into a community that has occupancy challenges is the team," she says. "Are the team members motivated, are they encouraged and excited about the product? I've found that once I've been able to get the team happy, the leasing always follows."

What you should know before becoming a landlord

by Geoff Williams

Brian Carmen didn't set out to be a landlord. He still doesn't aspire to be one. It's a part-time gig. Full-time, he is a cyber security consultant.

But like many accidental landlords, Carmen, who lives in Baltimore, began construction on a new house about the time he realized that selling his old one wasn't going to be very profitable.

"We quickly realized that in the market today, with what we still owned, if we were lucky, we'd end up walking away from the table with a couple grand in our pockets," Carmen says, adding that the profit wouldn't even cover the down payment on the new house. So Carmen and his wife, Missi, decided to rent out their first house.

They listed the property on Craigslist, and within hours Carmen received a call from a young woman who was interested. She, along with two friends, became the Carmen's tenants on Oct. 1, paying $2,250 in total monthly rent. The three young professionals all have exceptional credit scores, Carmen says, and it's only been about a month, but everything has gone just the way he had hoped.

But not every landlord is so lucky. Some see red flags the day tenants move in. When Aimee Elizabeth, 1 50-year old business consultant, first rented out her home 15 years ago, she discovered her tenants were steeling electricity from a neighbor's house. Later, the tenants were caught steeling electricity, gas and water from the utility companies.

"Not only did I have to pay thousands to the various utility companies to put the meters back on, but I had to have an electrician redo the entire wiring and breaker box, and have it re-inspected by the county before I could get a new electric meter installed," Elizabeth says. After the tenants were evicted, she discovered they had destroyed the meter in their efforts to steal electricity.

"I'm lucky my entire house didn't burn down," says Elizabeth, who now rents out three condos and 18 single-family homes.

So if you're planning to channel your inner Mr. Roper and would rather have an experience more like Carmen's than Elizabeth's, here are a few things-of many-to consider.

Get a background check for any prospective tenant. You'll typically spend between $20 and $30, but the cost for outweighs the risk of landing a bad tenant. Jay Malik, a business accountant and tax coach who advises doctors and dentists, says one reason you want to look at a tenant's history is to see if he or she has been evicted. Some tenants have made getting free rent something of an art, according to Malik, who says many of his physician and dentist clients became accidental landlords when the recession was riding high.

"In most areas, it takes a couple of months to evict a tenant through the local court process. Bad tenants know this," Malik says. He explains the process this way: The tenant gibes a sob story about why the rent is late, and "after a few months, the landlord realizes that he is being played, so he files for eviction."

It may take a couple more months before the court date is set. Once the court orders eviction, the tenant finally leaves-many months of having lived rent-free.

Familiarize yourself with the laws involving landlords and tenants. Every state is different and, generally, you'll find a dizzying array of regulations. You can get started learning some of them by searching online for your state and the words "tenant," "landlord" and "laws." You should find a state government website that outlines the laws and rules you need to be aware of.

"Virtually all laws regarding landlord-tenant issues heavily favor the tenant, and if you-almost literally-forget to dot an 'I,' you can be eviscerated in court," warns Allan Morris, a real estate broker and owner of North Bloomfield Properties, based in West Bloomfield Township, Mich.

An example Morris cities fir his state. "If you neglect to have a tenant fill out a lead paint disclosure and [forget to] give them the required HUD booklet, you just committed a felony punishable by two years in prison."

Consider that you may have to fix things. That's why some homeowners hire companies like North Bloomfield Properties to serve as landlord. Costs are usually around 10 percent of the monthly rent, give or take a few percentage points. Property management companies handle the tasks that some homeowners dread, like collecting rent and making repairs.

If you want to manage your property but aren't a handyman, you could purchase a home warranty that covers major repairs and appliances, suggests Carmen, who say his costs are about $400 annually.

"I've included in the lease a stipulation that any time we need to use the warranty, the lessees and I will split that deductible. It gives them a little skin in the game, so to speak," Carmen says. It's also a fairly common practice when renting single homes.

Set ground rules. Bruce Spector, a loan consultant, suggests limiting the amount of people who can live in your house-and their vehicles.

For example, he says a woman with children moved into one of his properties. "Next thing you know, the boyfriend moves in with his kids and his hobby of restoring junk cars. Next thing you know, we have an episode of "The Brady Bunch' meets 'Sanford & Son,'" he says.

On the plus side, when they moved out, they left the place spotless. May tenants won't, however, which is why security deposits are such a good idea. Morris says he visited a house he had rented after the tenants moved out and found a pig in one of the bedrooms, which was also full of straw, mud and pig droppings. "You've heard of a house being a pig sty? Well, this place literally was a pig sty," Morris says.

Make sure your homeowner's insurance covers your tenants. "The worst possible scenario is that someone is injured on your property and sues the landlord, and the insurance company denies coverage," says Richard Ernsberger, a Pittsburgh real estate attorney.

Be realistic. These days, few tenants will have perfect credit, and looking for someone with a score in the 700s may mean keeping your home empty for a long time.

Besides, "credit isn't the most important issue," Specter says. "It's the rental history and job stability."

And if someone waves a lot of cash in front of you, that's not always a good sign. "Still vet them," urges Specter, who has had two tenants offer six months' rent upfront in cash.

He turned both down, which may have been a good call. A tenant who only pays in cash may not have a bank account, which could mean he or she has money problems—or worse.

One of Malik's clients rented out a house to a "nice family with little kids." The tenants turned out to be drug dealers, and always paid their rent in cash. "Mostly in $20 bills," Malik says. "It never occurred to her to be suspicious of this arrangement."

Why Single Family Rentals are Here to Stay by Chris Clothier

There's only one reason why the housing crash wasn't any worse than it was on the nation's homeowners, mortgage lenders and local communities—and it wasn't the federal government. Private investors have accounted for 15 to 25 percent of home sales since 2008—most of them foreclosures that are poisonous to local home values. In market after market, investors stepped in to stop real estate markets that were in a death spiral and created a price bottom that made recovery possible.

Most investors focused on turning these properties into single family rentals, often to house foreclosure victims. Today, some 52 percent of all rental units in the U.S. are single family homes, housing 27 percent of all renters. Most, 3.6 million, were originally built for owner occupancy but passed into the ranks of rentals when their owners lost them thru foreclosure.

With 1.2 million more foreclosures in the processing pipeline and well-funded hedge funds and REITs now spending billions to buy and manage single family rentals, many wonder whether there will be a market for so many rented houses, which have experienced extraordinary growth. From the peak of the housing boom in 2005 to 2010, single family rentals grew at a new rate of 21 percent versus just a 4 percent increase in total housing units.

Is the single family rental boom just another real estate bubble? Or are we witnessing the expansion of a new housing option, one that has existed for centuries that's perfect for a generation burned by the housing bust and wanting the space, privacy, security and sense of community for their children that they grew up with? A good place to find the answer is to listen to the expectations and dreams of families already living in single family rentals.

We contracted with ORC International, Opinion Research Corporation, one of the most respected Caravan survey companies in the world, to look at both apartment dwellers and single family renters to learn more about them. What transpired was eventually published as the National Survey of Renters.

Some of the findings were expected. Single-family renters tend to place a higher value on safety, cleanliness and friendliness of the area and schools than on access to parks, recreation and community centers. They also tend to be more affluent than multi-family renters and are more apt to have children. In addition, the data showed that single family home renters tend to be a little older. There were also some surprises:

Some 52 percent of all renters, and 60 percent of single family renters, plan on becoming homeowners in the next five years. Clearly, single family rentals are serving as incubators and stepping stones to homeownership for potential buyers who need time to put their finances together and build their credit.

However, 26 percent of single family renters have no plans to move at all. For them, a single family rental is the ideal destination; the amenities of single home living without the risk, cost or obligations.

Finally, 84 percent of single family renters gave their property management company or landlord good to exceptional ratings, significantly higher than apartment dwellers. Only 5 (5) percent rated their property management at poor.

There was one final surprise. We asked those renters who did not plan to buy a home in the next five years if access to financing was a reason, and only 29 percent said it was due to difficulties obtaining a loan. More mentioned that they just didn't want to become owners or that they enjoyed renting.

The housing economy is just beginning to recover from a multi-year nightmare that would have been much worse if the single family rentals that are filled with tenants today were still on the market as foreclosures, infecting home values for blocks. The investors who took a gamble, bought them, spent an average of $11,000 on rehabbing them, and now provide housing for others, have reinvented a traditional housing option and adapted it to the needs of a young generation seeking an alternative to apartment living and owner-occupancy. If it works, as our research suggests it will, the closing chapter on the foreclosure crisis will be a happy one.

Rules for Avoiding Source-of-Income Discrimination

by MICHIGAN LANDLORD

regardless of their source of income. In Jurisdictions where the laws include protections for housing subsidies, it would be unlawful to require Section 8 voucher holders to pay a larger security deposit or higher rent than required of other residents.

It would also be unlawful to treat residents differently or enforce community rules and policies more strictly against them based on their source of income. You could face a discrimination claim, for example, if maintenance requests by individuals using Section 8 housing vouchers are ignored or put at the bottom of the list. The same would be true if you singled out residents receiving housing assistance for rules violations, while ignoring similar infractions by people who don't receive such assistance.

To avoid a potential violation, provide fair housing training to all employees, stressing the need to treat all your residents in the same professional manner-regardless of their source of income or any other protected characteristic.

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