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Equity Capital Eyes The Apartment Sector Says NMHC Quarterly Market Conditions Survey

The apartment industry continues its broad-based recovery, according to the National Multi Housing Council's (NMHC) latest Quarterly Survey of Apartment Market Conditions.

For the second consecutive quarter, 60% of respondents said markets were tighter (lower vacancies and/or higher rents) than three months ago. The Market Tightness Index recorded its second-highest January reading on record at 78. (A reading above 50 indicates improving market conditions.)

"Rising apartment demand reflects a drop in demand for homeownership in recently's marketplace," said NMHC Chief Economist Mark Obrinsky. "This growing demand against the backdrop of the lowest apartment starts in 40 years—barely enough to offset the units lost to demolition and obsolescence—will result in further tightening in the apartment sector in the near term."

These strong fundamentals are bringing investors off the sidelines. The Equity Financing Index rose to a record high of 74, with the highest

percentage (52%) ever of respondents saying they had greater access to equity capital in the past three months. Sales volume also remains strong, with an Index score of 62, the sixth consecutive quarter it has remained above 50.

"While the apartment sector outperformed the overall economy in 2010," noted Obrinsky, "that can't continue indefinitely. The consensus forecast is for moderate economic growth this year, which should provide additional support to the apartment market."

Key findings include:

The Market Tightness Index rose slightly from 77 to 78. The majority (60%) of respondents reported tighter markets; only four percent said markets were looser. This is the fourth straight quarter that the index topped 50.

The Equity Financing Index rose to a record high of 74. More than half (52%) indicated that equity financing conditions were better than three months earlier—also an all-

Continued on page 2



A Decade of Resident Screening: 4 Points of Progress

Georgina Bockel, Sales Consultant at RentGrow, Inc.

What a decade it has been! A lot has changed and everyone has adapted to keep their business thriving. Let's take a look at four major points of progress in resident screening that have impacted both your business and ours.

1. Criminal Background Checks

Resident screening used to be credit-centric, with less than 15% of RentGrow clients running criminal background checks in 2000. Recently, criminal data is accepted industry-wide as a critical component of applicant screening with over 95% of RentGrow clients using criminal data as a part of their resident screening process!

So, what contributed to this dramatic increase?

To start, technological advances changed the data landscape. Criminal data became more accessible and affordable as court houses and data providers began consolidating court records online. As the renter population became increasingly mobile, these online databases helped overcome data challenges with screening out-of-state applicants. Additionally, state courts began ruling that property managers would risk potential liability if they failed to use available resources to identify and reject criminal applicants, such as sex offenders or terrorists, which may threaten the safety of other

residents. All of these factors increased the value of criminal screening and led the multifamily industry to embrace it.

2. Streamlining the User Experience

The multifamily trend to simplify and consolidate systems has changed how we all do business. People wanted fewer databases for better analytics and a streamlined user experience to minimize logins, platforms, data entry and training. Founded in 2002, Multifamily Information and Transactions Standards (MITS) initiated a coordi-

Continued on page 7

How to Reduce Chance of a Liability Loss

By Eric Torkelson,
LaPorte & Associates

- Conduct a Smoke Detector Battery Exchange twice per year at all properties. Keep a log of the exchange with tenant's acknowledgement.
- Perform routine maintenance and have maintenance contracts (i.e. yearly furnace cleaning and inspection, snow and ice removal, etc.)
- Have a snow and ice removal plan. Keep a log of when snow was removed and the surfaces treated at each property.
- Check for and remove any accumulations of debris around furnaces, within three (3) feet of circuit boards or fuse boxes
- Exterior Maintenance
 - o Keep trees, bushes and other landscaping trimmed back to improve visibility
 - o Maintain exterior lighting
- Sidewalks, driveways and parking areas should present a smooth safe walking surface.
- Keep paper records of interactions with tenants, including a phone log of all calls from tenants.
- Use an inspection checklist for every visit to the apartment.
- Have signs posted at the playground and pool if the areas are unsupervised.
- Prior to applying any chemicals to the interior or exterior of the building, advise the tenants.
- To minimize reactions to paints, thinners, carpet glues or new carpet, ventilate the area.
- Address the presence of mold as quickly as possible to reduce tenant reactions to mold spores.
- In buildings built prior to 1970, check for, then remediate any lead paint present in the building.
- Fence pools and use self-closing gates, mark the depths and place signs if lifeguards are not present.
- Keep emergency exits clear and unobstructed in common areas; install exit signs and emergency lights.
- Handrails 42 inches high with openings between balusters no larger than 4 inches should be installed on all stairs and ramps.
- Current Certificates of Insurance should be maintained for all contractors who perform work on your premises. You should be named as an 'Additional Insured' whenever possible. This will serve to reduce your liability, damage or injury exposure if a loss is caused by the

Continued on page 4

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Tenant Satisfaction ...continued from page 6

Once you have developed the questions that work for you and surveyed your tenants, you need to respond to their needs. If there are problems discovered by the survey, solve the problems and fix what is broken. If you do not, no one will respond to your next survey since you did not follow through with resolving the problems identified by the survey.

How to read and use the information

First, know not all of your tenants will return the survey. If you are lucky you will get a response rate of 10 - 30% of your tenants. You can increase your response by offering incentives (a free Pizza, movie night) to those who respond. We pre-label (pre-identify) all of our surveys so that when they come back, we can identify the tenant and the location of the unit and sort out the problems at that unit (maintenance, co-tenant issues, problems with the onsite manager, etc.).

We survey annually and compare our results to the previous year to see if we are improving. While all of the information is critical, the most important question in our opinion, is "would you rent from us again?" This gives us insight into tenant satisfaction. Our goal is to exceed 85%. If you can reach that number you are on the right track.

Bear in mind, you will not make everyone happy all of the time, but how you respond to an issue will make a big impact. If the tenants only get voice-mail, and never a human being or have to call numerous times before getting a response or wait an extended period of time for a resolution, they are more likely not to rent from you again. You should also consider the survey respondents fall into two extremes: those that are extremely happy/impressed, and those that are extremely unhappy and disappointed. The middle, silent majority are often too busy or neutral to take the time to respond. Don't lose your perspective when reviewing your survey results.

Summary

In summary, surveys often uncover the most amazing information. Don't survey your residents unless you are ready to receive both good and bad news; remember they are just giving you their opinion as they see it. If you don't have the time, money or staff in place to respond to the issues which may arise from the survey, you are only worsening your standing. Most importantly, remember there is always room to improve and you may be pleasantly surprised by some of the good ideas that come from the process.

Using surveys helps you gauge tenant satisfaction. The higher the tenant satisfaction the longer tenants will stay and when they move, the word of mouth advertising will fill your units right up again, whether your property is a four-plex or a hundred unit property. Finally, happy tenants mean increased revenue, reduced costs and improved positive cash flow for you.

Clifford A. Hockley is President of Bluestone & Hockley Real Estate Services, greater Portland's full service real estate brokerage and property Management Company. Founded in 1972, Bluestone & Hockley's staff totals nearly 110 employees, including 20 licensed brokers. The company's property management division serves commercial buildings, apartments, condominium associations and houses in the Portland / Vancouver metro area, while the brokerage division facilitates both leasing and sales of investment properties throughout Oregon and Washington.

Cliff earned a degree in Political Science from Claremont McKenna College and holds an MBA from Willamette University. He is a Certified Property Manager and has achieved his Certified Commercial Investment Member designation (CCIM). Bluestone & Hockley Real Estate Services is an Accredited Management Organization (AMO) by the Institute of Real Estate Management (IREM). Cliff is a member of the Institute of Real Estate Management and was named Certified Property Manager of the year in 2001 and 2003. Cliff is a frequent contributor to industry newsletters.

Bluestone & Hockley offers customized brokerage, property and asset management, as well as maintenance services to property owners and investors throughout the Portland/Vancouver metro area. The company's full-service approach benefits busy property owners and investors, who know they can count on Bluestone & Hockley for high quality real estate services start to finish.

A Decade ...continued from front page

nated effort to create shared data standards among multifamily vendors so that different software programs can "talk to each other."

3. More to Screening than Just Background Checks

Years ago, screening analytics were limited because of higher costs and technological limitations. Recently's much improved data infrastructure

and visualization tools make it possible to generate executive screening analytics more frequently, with faster delivery and better quality. Ask your screening provider how you can apply screening analytics to improve your business.

4. Consumer Awareness & Dispute Resolution

Recently, credit monitoring services

and the high exposure of digital identity theft has caused prospective renters to become much more aware of their personal data and its potential implications. As a result, they are more likely to challenge property managers and data providers if they suspect inaccuracies or discrimination. Consequently, it is invaluable to handle applicant disputes in a responsive way because you never want to wrongly reject a quali-

fied applicant! Talk to your resident screening provider about their applicant dispute resolution process.

Georgina Bockel is the local sales consultant of RentGrow, Inc., the resident screening experts (www.rentgrow.com). She can be reached at bockelg@rentgrow.com or call (800)736-8476.

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