

The Apartment Business

by Louie Micheli, President

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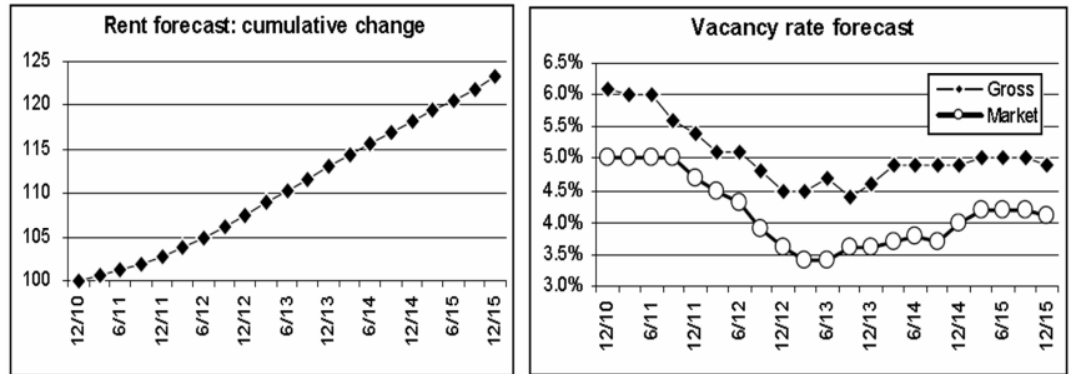
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The year 2010 was a transition year for many in the Apartment business; we saw higher vacancies and reduced rents and more incentives to attract tenants. 2011 brings signs of **improved market conditions**, lower vacancies in many areas and the ability to raise rents in others. Jobs are key to the recovery, the experts predict the Puget Sound area will add 31,000 jobs this year, an increase of 1.9 percent, and developers will deliver 4,800 new apartment units, compared with 3,859 last year. The increase in employment should fuel the market recovery.

Phillips Real Estate Services will be keeping a close watch on the market conditions and on the properties you have entrusted us to manage. We will make every effort to keep you informed of any changes in the market and take whatever steps necessary to keep your investments performing with positive results.

The tri-county market 5 year forecast charts below are provided by Dupre+Scott Advisors©



Adding Felons as a Protected Class?

by Diane Castanes, Vice President

A local women’s shelter recently approached the City of Seattle’s Office of Civil Rights after observing many of their clients unable to secure permanent housing due to their criminal records. To address that issue and secondarily to support jail diversion efforts, the City Council is considering **adopting convicted felons as an added ‘protected class’**.

As your managing agent, we have taken steps to create a safe environment for your tenants and deter criminal activities from the premises with proper screening. While some cities, such as Tukwila and Kent, are promoting Crime Free Housing practices, Seattle is promoting acceptance of criminals into the city’s rental housing units. Exceptions were allowed for those with violent or sexual crimes, but no exceptions were made for drug trafficking or theft records, which are of great concern to rental housing.

This new practice would prohibit us from declining applicants based on their felony record. This practice applies to single family homes, rental condominiums and apartments. This could potentially put our on-site client employees, law abiding tenants, tenant’s families and personal property at risk. This action gives the government more control over how you operate your rental property and forces you to lower your screening standards. The insurance industry is stepping up to fight this due to increased liability implied. Industry membership groups are leading the battle but City Council needs to hear from property owners’ and their tenants’. City Council is set to review and vote on this proposal shortly. Voice your concerns to:

Seattle City Council Member Nick Licata 206.684.8803 nicklicata@seattle.gov
Office of Civil Rights’ Brenda Anibarro at 206.684.4500

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MANDATORY Rental Housing Inspections Return

by Sherry Zane, Director of Apartment Operations

Rental Housing Inspections are returning. Several municipalities, including Seattle, have developed or are developing programs to inspect every rental unit, including single family homes, duplexes and apartments within their jurisdiction.

To give you some background, on June 6, 2010 new state legislation went into effect to establish state-wide guidelines for all local rental inspection programs. These state guidelines limited local rental inspection programs to problem properties and properties with complaints. Seattle and Tukwila rushed to pass their own legislation to establish rental housing inspection programs before June 6, 2010 so the new state guidelines would not apply to them.

The details of the Seattle Rental Housing program are being established now. A part of the proposed program includes rental property owners in Seattle being charged a **registration fee and inspection fee** to the City for every rental unit.

As professional property managers, we operate your buildings to preclude potential building, fire or health code violations. If there is a building or unit problem, we strive to see it is corrected to the satisfaction of our valued tenants. The City of Seattle has more than sufficient laws already in place to address rental property owners that do not remedy defective rental housing, through enforcement of the existing building and fire codes through the Department of Planning and Development. A new law is not needed.

If the City of Seattle still insists on having their own rental inspection program, we urge the Seattle City Council to have their program comply with state legislation. **Contact the Seattle City Council to voice your opinion, specifically Tom Rasmussen at tomrasmussen@seattle.gov.**

Carbon Monoxide Detectors

The State Building Code Council (SBCC) voted to revise current requirements for carbon monoxide alarms postponing the requirement for installation in rental properties from July 1, 2011 to **January 1, 2013**.

The next step is rulemaking, which will allow stakeholders and the Council to make further considerations. RHA is hoping the SBCC's revised language will match the International Code Council's (ICC) recently adopted code: "Existing dwelling units located in a building containing a fuel-burning appliance or a building which has an attached garage shall be provided with a single station carbon monoxide alarm by January 1, 2013." Currently the SBCC's proposed language requires carbon monoxide alarms in *all* rental units.

What's Bugging Them

You've seen Bed Bugs reported in the media as nearly a nationwide epidemic with infestations found from five star hotels to low income housing, transported most frequently in suitcases and second hand furniture. Rental properties are vulnerable to bed bug infestation. We have heard many stories from our industry associates; however, Phillips is pleased to report very few incidents of bed bugs in our managed properties. When and if this happens at your property, be prepared to respond to your property manager quickly in attempt to confine the issue. The costs to mitigate infestation will increase rapidly with any delay.

We have heard of **various treatment options**: inexpensive perimeter spraying, use of trained insect detecting dogs and the more costly high heat extermination method. Thoughtful communications are needed to prompt tenant cooperation in disposing of infested home furnishings. With the assistance of a professional pest control firm your property manager can help uncover the extent of the infestation and offer optional potential solutions.

Investment Strategies

by Matthew Geise, Executive Director

In the last twelve months our commercial brokerage team was successful in assisting a number of existing clients with their long and short term real estate investment strategies:

- Phillips **sold 6 duplexes** totaling 12 units for a long term client who successfully traded up to purchase a 24 unit apartment complex.
- We improved the value of a 7 property portfolio trust, with a face lift and improved revenues and then successfully **sold 3 apartment buildings** within that trust to help fund the charitable giving plan established by its owner. We continue to manage the 4 remaining properties.
- Our brokers assisted two separate family estates in providing a **brokers opinion of value** on their portfolio to help the estate decide whether to hold or sell. Both concluded that a hold was their best choice for the short term.

If you are reviewing options within your real estate portfolio feel free to call me, Matt Geise at 206.694.1764. I'd be glad to add value to our service package by providing you with a strategic approach.

Community Association Group

by Tim Pfohl, Director

Phillips **condominium management** portfolio has grown with great success to nearly 100 associations under management. If you have an affiliation with a Puget Sound Area condominium, co-op or home owners association, feel free to refer the services of Phillips Real Estate Services for consideration. Our team of seven Community Association Managers, four accounting staff and two dedicated administrators, backed by our strong upper management team, brings each association's board of directors the breadth of knowledge, customer service and experience needed for a successful management experience. Call me at 206.694.1718 for more information.

New Asset Manager on Board

Kevin Suther recently joined Phillips to provide **Asset Management** advice for properties currently managed by Phillips Real Estate Services. Kevin is a CCIM, (Certified Commercial Investment Member) and brings over 24 years of experience in Commercial Real Estate lending, development, management and ownership to Phillips. Kevin was a Commercial Real Estate loan officer for over 15 years and has analyzed and/or fully evaluated hundreds of different real estate properties. A 1978 graduate of Seattle University, Kevin's past and present affiliations include the Building Owners and Management Institute, NAIOP, Rental Housing Association of Puget Sound Board Member and the Seattle University Board of Regents & Presidents Club. Prior to beginning his lengthy business career in real estate Kevin had a sports career in professional basketball in France and Switzerland. We welcome Kevin to Phillips' team. He will be available to discuss the asset management needs of our clients based on each individual's long term goals for their investment, whether holding it as an estate planning strategy, using its tax advantage, or creating a step towards further diversification. Kevin can be reached at 206.694.1724 or ksuther@phillipsre.com.

Phillips Rebranded

Have you noticed the change? We have reshaped our former logo into an icon and brightened the Phillips' blue for added impact to achieve an **updated look and refreshed branding** of Phillips. These changes are sparked by the high volume internet use of our logo. The logo itself becomes an icon for quick click-throughs to our firm's website from various internet links, rental ads and marketing promotions. Our stationery, forms and advertising will reflect this new branding and cross market our three specialized management groups: multi-family, community associations and single family residential. Rebranding keeps Phillips' image reflective of the forerunner we are in the ever changing property management and brokerage industry.

Did you know that Phillips offers RESIDENTIAL SALES services? Are you looking to buy or sell a home, condo or townhouse? Our Residential Group closed over \$2,875,000 in residential sales in 2010, while the market was otherwise slow. With interest rates at an all-time low, but soon to rise, now is the time to evaluate your real estate portfolio. Growth, reduction, stabilization? Rent, sell or buy? Whichever you choose, we can assist with the support of our sales, leasing or management team.

Choose a broker you already know and trust, Phillips Real Estate Services.