



Shay Castle <boulderbeatnews@gmail.com>

Fwd: Pricing Your Rental Property

1 message

Wed, Mar 30, 2022 at 5:41 PM

To: Shay Castle <boulderbeatnews@gmail.com>

Begin forwarded message:

From: Fox Property Management <41df28bf25e95df07c32247cb0ca1737a7cd79e3a84fca8fa86d65cf42ea29f@foxmgmtservices.mailer.appfolio.us>
Date: March 11, 2022 at 4:41:50 PM MST
Subject: Pricing Your Rental Property

Dear Property Owner,

Happy 2022! We have come through a couple of challenging years and just as we were getting ready for a new start, we got hit with the Marshall Fires. This catastrophic event displaced several thousands of people and hit our entire community hard in many ways. Two months later, the recovery is just beginning and we are only starting to understand all of the impacts this event will have on our community for years to come. Based on our values as a company and as members of these communities, we are committed to doing what we can to care for each other and those around us – including our clients and tenants – as we all navigate this path together.

As a residential property management company, the loss of 1000 homes in Louisville and Superior in a matter of hours threw us and many of you right in the middle of the chaos. In the early days after the fire our focus was on helping hundreds of families that had lost everything relocate and settle into as many homes as we could make available. We emphasized three main things: 1) Speed up and simplify the process for people to apply for and move into a new home; 2) Waive as many of our fees as possible to minimize financial burden to the victims; and 3) Put in extra time on nights and weekends to get the enormous number of requests handled in a timely manner. We also worked with many of you to change short term rentals into long term and approve applicants in record time. Almost all of our clients were on board with keeping their rental rates at the same (or even lower) price. We are so proud of the work we all did and the ways we were able to step in to help, together. At the core, your investment and our company are about providing homes for people and that has never been more evident or essential than right after the fire.

We are now stepping into a new stage in this long process and we're going to be right in the middle of it, again. Rental prices are skyrocketing, and it is clear from this and other similar disasters that we are at risk of facing a second wave of mass displacement, as those not directly impacted by the fire are suddenly unable to afford to live in our communities due to the disaster-induced inflation in housing demand.

In a typical year, rental rates are pretty consistent with slight increases of 2-5%, year over year. If a tenant wants to renew, we will typically look to keep their rent steady or raise it by 2-3% depending on many factors. If a tenant plans to move out, we would take more time to evaluate the current market and we might start by advertising the property at roughly 5% higher than the previous year.

Clearly, the current rental market is anything but typical. First, demand is much greater due to the thousands of people entering the market to look for temporary housing. Secondly, many of these people can pay more because they have higher income than typical renters and they have support from insurance companies to pay higher rents. Lastly, place attachment is driving a particularly strong desire to stay in this area: many fire victims will "pay anything" to keep their kids as close to their old neighborhoods, friends,

schools, family, sports teams, etc. Families who have lost so much are prioritizing their own and their children's mental health over their own financial wellbeing.

This artificial demand is leading to very large increases in rental rates throughout the region. However, there are laws in place that address this exact situation: price gouging is defined as raising the price of any product or service during a crisis if that service or product is not experiencing higher input costs. Simply put, if your expenses (mortgage, insurance, HOAs, maintenance) are not increasing, then substantial increases in rent at this time risk being interpreted as price gouging. The Governor of Colorado and the Attorney General recently warned landlords that price gouging will not be tolerated. The Attorney General sent letters to larger rental companies in January expressing "concern over reports that

some landlords excessively raised their prices after so many Coloradans were displaced from their homes after the fire."

As your agent it is always our goal to maximize the revenue that your investment can bring you while placing the very best tenants into your home. But, if we attempt to maximize your revenue this summer, we could potentially raise rents on all properties by 15-30%, which would certainly put both of us in legal peril as we would displace hundreds of families and be unable to rationalize that increase.

In the wake of the disaster, many of us have been eager to find ways to help in this time of great need. In the end, we can do our part by ONLY increasing our rents by a fair and reasonable amount. Simply not taking advantage of the current crisis and doing business as usual is all that is being asked of us in this tragic moment. Certainly, others will be able to rationalize their decision to put their homes on the market for absurd amounts, but we at Fox cannot be part of that. We care too much about our community and about our tenants and we hope that our clients can join us in keeping our homes priced fairly.

Fox is suggesting the following strategies, but we know that every situation is unique and we can work together to make the right decisions for your property.

1. If you have tenants that are paying rent on time and have taken care of your home and they want to renew, we are suggesting a 0-5% increase. We believe that this is fair and easily defensible considering current inflation and the statewide statistics.
2. If your tenant does not wish to renew or you have reasonable cause to not renew, we suggest that the rental price is increased by 0-8%. 12.5% can be enough to file a complaint and we don't want to be anywhere near that line.

In following our guidelines for determining a rental rate for the 2022-2023 year, you will see an increase in both your rental income and the appreciation of your home, solidifying the strength of your investment.

We trust that you can work with your individual property manager to find a good number for 2022-2023, but if you want to connect directly, please don't hesitate to reach out to us.

Thank you,

Jen and Caleb