



November, 2020

To our valued clients:

I really had to laugh when it came time to compose this years “end of the year” report.” As you know, I kind of try to forecast the coming years’ activities. Who could have guessed 2020?

As usual, we want to thank all of you for your continued support. Our job is a pleasure because our clients are accessible, reasonable, and appreciative. This year it was particularly important because of the ever changing situations. Everyone was most understanding, patient and helpful.

During the fires, we had evacuated the office, but only as far as our cars in the parking lot. So—if you asked a question that involved a file, we had to know which car had files C-H and go find it. Pretty crazy and I hope never to be repeated.

A number of the properties we manage were evacuated but none of the structures were burned. We did lose some outbuildings, fences, and a damaged roof, but overall came out pretty good.

The same could be said about the rent control laws put into effect during the Covid 19 crisis. We were prepared the first month to have up to 10% of tenants not paying rents, even though we had not received any requests for deferral. We were shocked that we saw barely any change at all and that has continued for the rest of the year.

We have a few tenants on payment plans, and they are actually sticking to those plans. No tenants have been evicted for non-payment of rents. We are currently working on evicting two tenants for non-compliance of lease issues, which is certainly complicated by the Covid 19 restrictions.

Proposition 19: As you know, proposition 15 and 21, which may have affected investment properties, did not pass. However, Proposition 19 appears to have passed.

The good news: if you are over 55 and want to move elsewhere in California and want to purchase a home valued at more than the one you are currently living in, it will save you in property taxes. How much is determined by several factors.

The bad news: until this proposition passed, upon your death you could leave to your children any property and they would continue to be taxed at the same rate as you are now. With the new provisions, that is only the case if it is a principle residence or farmland and is worth under \$1,000,000. Otherwise, the property taxes will be brought to market rate. This will substantially affect those of us who have had rental properties in the family for a long time and are looking forward to keeping them in the family.

Values, Rents: I cannot emphasize enough to follow your Property Managers suggestions when it comes to increasing rents. An apparent side effect of the Covid 19 restrictions is that people that are being forced to work from home are finding it not as hard as they thought. There is some evidence that this

BACKUS

PROPERTIES

A California Corporation

will continue to a greater degree than anticipated even after the restrictions are lifted. It is logical that people will move to areas that are less expensive than where they work, but still accessible for the once a month meeting or whatever. Monterey County is perfectly situated for the people currently living in Silicon Valley and San Francisco. Our climate is perfect, we are close to a major airport, our real estate prices are more reasonable than theirs and the air quality is the best in California.

The only problem? We are still not building any housing to speak of. Values are headed up and so are rents. I suspect we will be getting hit hard with rent control or rent limitations this next year and the only defense you have is to have your rents as close to market as you can. So far the rent control provisions have not been difficult if that is the case.

Rental process: Because of the Covid 19 restrictions, our rental process has changed quite a bit but it has not changed the turnover time. More is being done on-line. We hope to bring some of that back in the office, when possible. There is definitely less turnover this year.

Management Fees: **Once again there will be NO increase in management fees.** The unexpected government interference with rent payment (prohibiting evictions in some circumstances) has caused some companies to add a provision that management fees will be due if rent is not paid due to third party interference. Actually reasonable, because we certainly do all of the regular work and could reasonably expect to be paid. We have decided not to add that provision into our Management Agreement for now, at least. It has worked so far and we have always prided ourselves in the fact that we get paid when our clients get paid.

Annual administration fee: \$100 per property, as before. As you know, we do not charge for long distance calls, faxes, priority mail, extra copies of statements or bills, preparations of IRS forms, end of year statements, copies of 1099s, multiple emails, customized statements, mailed statements, etc. We also do not charge leasing fees (except for commercial properties) or maintenance cost overrides.

Bi-annual yard fertilizing, inspections: We are continuing the regular weed and feed on most of the properties we manage. At that time, pictures are taken of the yard for reference and recommendations are made for any trimming needed. About half of the time we are sending letters to the tenants because the pictures show mowing, watering or weeding is necessary. On single family homes, the shrubs and trees should be trimmed at least once a year. Gutters are cleaned on most of the properties every fall, unless you notify us otherwise. If you are not currently on this program, we highly recommend it as clean gutters are the least expensive way to maintain the roof and soffits. Please call your property manager if you'd like to include your property in the Weed and Feed or gutter cleaning programs.

Banking: If you are still receiving a check monthly, we request that you allow us to electronically deposit your funds to your account. Your statement would be sent as usual. The owners that use the electronic transfer service are happy to get their funds up to one week earlier, because of the "snail mail" time avoided. There is no additional cost for this service. Our checks now also expire after 90 days—so if you have any old checks out there, please get them cashed! If a check is not cashed within the 90 days, we are required to stop payment on the check and hold the funds in the owner account. If you would like to switch to electronic transfer of funds, just call your Property Manager.

BACKUS

PROPERTIES

A California Corporation

Software: Are you using your "Owner Portal" to review your monthly statements? If you have questions regarding this or would like to switch to online statements, contact your Property Manager.

Report Card: We are still the largest management company in Monterey County for single family homes. One of the reasons for that success is that we collected over 99% of rent owed this last year.

Continuing Education: Bill, Sally, Michele, and Cindy are active members of the National Association of Residential Property Managers (NARPM.) We attend local, regional and national conferences to be on top of any law changes, improve our management skills and learn about new techniques and software that can improve our performance. Sally is once again a certified National Instructor for NARPM and has useful contacts all over the United States, should you need a referral in another area.

Office Location: Our physical address is 19000 Portola Drive, Suite 107, off Highway 68. Our office in Monterey at 887 Abrego St. is open by appointment. We do not get mail at either physical location due to security reasons. Our mailing address is PO Box 1089, Salinas, CA. 93902.

Phone numbers: Our primary phone number is 831-455-2052. We have discontinued some old numbers, so make sure this one is on your list.

Holiday Hours: As usual we will officially be closing the office on December 21st to January 4th to do the necessary end of year reports, auditing, 1099s, etc. We are actually here in the office and return calls quickly.

Sales: As you know, we can handle selling your property or help you purchase a new one. Bill supervises and handles that part of the business. A number of our owners have elected to sell their properties this past year and Bill has a 100% success rate.

Why is Backus Properties your best choice for selling your property?

1. We know the property. The description and disclosures will be thorough and accurate.
2. Transition will be smooth because we have a relationship with the tenant.
3. Backus Properties has a top reputation in the community for working with other agents. We are accessible, fair and pleasant.
4. The relationship and trust already established with our clients assures that the transaction will be smooth and quick.

This last year we have sold 28 properties in Monterey, Salinas, Highway 68, and throughout Monterey County including single homes, multifamily, commercial and industrial.

We can also easily give you an idea of current value if you are considering the possibility, but need more information to make a decision.

Have you considered doing a 1031 exchange to sell a property in another area and buy a property here? Sally is particularly experienced in exchanges and would be happy to work you through the process.

BACKUS

PROPERTIES

A California Corporation

The advantage of an exchange is that you delay the capital gains on the appreciation and can have your investment property in this area, managed by a great manager!

Please indicate on the questionnaire on page 4 if you are interested in any of these services. Thank you again for your business, and we look forward to serving you again in 2020.

Best regards,

Sally Backus, MPM® Broker

Bill Backus, Associate Broker, Senior Property Manager

Michele Backus, Licensed Real Estate Agent, Property Manager

Cindy Vargas, Licensed Real Estate Agent, Property Manager

Backus Properties Staff

Please complete the following questionnaire if you have any changes or interest in any of the new services. Name:

Mailing address

Home phone:

Cell phone:

Email address:

Are you interested in on-line statements?

Are you interested in the automatic deposit of your funds?

Are you interested in possibly selling your property?

Are you interested in doing a 1031 exchange?

Do you have any suggestions for improvement in our services?