



**November, 2021**

To our valued clients:

This is the time of year we try to summarize the current year and make projections for the next year. After all the confusion of the last two years, I may just give up on the “project next year” part!

As usual, we 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 constantly changing situations. Everyone has been most understanding, patient and cooperative.

**Values, Rents:** I cannot emphasize enough to follow your Property Managers suggestions when it comes to increasing rents. We anticipate rents will continue to be strong, but there are limitations on increases allowed for current tenants. So far there are no limitations at turnover. In multifamily units (two or more) annual rent increases cannot be more than 5% plus CPI (currently 3.7%), with a maximum of 10%. Single family homes are limited to 10%. As long as the rents have been kept close to market, these limitations have not been a problem. Over the last 20 years, increases have averaged 5% a year. There is still a strong demand because of two forces: a continued lack of building in Monterey County and a continued number of people who work from home. This last factor has caused a number of people to commute to San Jose area, but live in this area. Those areas have even higher rents and lack our perfect climate and air quality. We do not see any additional rent control issues on the horizon.

The change in the law that prohibits “no cause” evictions in multifamily units has caused a few bumps in the road. As you may remember, the standard way to remove less than satisfactory tenants in the past is to issue a “no cause” rental termination. This gives them 60 days to move, but does not put an eviction on their records. Please know that there is always a reason: no landlord will remove a tenant that is paying rent on time, taking care of the property and following the rules. The “no cause” allows us to remove that tenant without having to prove the cause, such as drug sales, too many occupants, smoking in the property, too many cars, damaging the property. Those issues are probably very evident but may be difficult to prove if no one is willing to testify. We do our best to talk them in to leaving but legal action may be necessary if they do not. Our track record is good—so far no legal evictions, but it also makes us be very careful who we rent to. With a strong market, we can be very picky.

We are now able to evict for non-payment of rent much easier, both multifamily and single family. There are some hoops to go through such as sending them the information to request rental assistance and waiting for that request to be approved. We currently are in that process with several tenants. The tenants that deferred rent during Covid now owe all the past due rent, but that also only affects a few tenants.

**Rental process:** Because of the Covid 19 restrictions, we still do most of the work with prospective tenants on the phone or on-line. Our office is still not open to the general public, only by appointment, but we are here full time. Those restrictions will probably loosen some this year. The lack of turnover has made those restrictions easier. You, of course, are welcome anytime!

**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.

**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.

**Holiday Hours:** As usual we will officially be closing the office on December 20<sup>th</sup> to January 3<sup>rd</sup> 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 easy to work with.
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 21 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.

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 2022.

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

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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?