

LAKESHORE APARTMENT ASSOCIATION
PO BOX 1312
SHEBOYGAN, WI 53082

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LAKESHORE APARTMENT ASSOCIATION NEWSLETTER



The Lakeshore Apartment Association publishes this newsletter for its members. Information included was obtained from sources deemed to be reliable and accurate. No warranty or representation is made as to the

accuracy thereof and is subject to correction. Members are invited to submit articles and ideas for publication. Items are to be submitted by the 30th of each month prior to publication.

Place your rental Ads on our website as a free service with your membership:

www.SheboyganAreaRentals.com

INSIDE THE JULY ISSUE

PAGES:

- 2 PRESIDENT'S LETTER
- 5 WAIT TO BUY?
- 8 RASING RENT

<http://laa.rentals/>

PRESIDENT'S LETTER

Hello All,

Hopefully this finds everyone safe and healthy!

We had a very good turn out last month after not having meetings for several months. The city planning department including code enforcement and building inspection. The city police department gave a good over view and answered many questions. Check either department's websites or call direct if you have questions. They want the communication. Without it, is when problems can escalate. The departments have stated over and over that the problems they encounter with landlords generally are for those outside of our professional organization.

The entire city is getting used to the change of garbage from the bags to the bins. It truly has cleaned up the city. No more loose trash and no more animals and birds spreading it around. Sanitation Department has the power to write citations. Several employees drive ahead of the garbage trucks in pickup trucks looking for violations. They can and will write you a ticket as the landlord. Please stay on top of your tenants that they are following the guild lines the city has set up. When your tenants or yourself have questions refer to the city web-site. <https://sheboygandpw.com/>

July, we will go over correct forms to use and how to make money with your rentals.

August, we have an attorney that specializes in trusts. So he will help us to protect our assets.

September is our annual banquet. Advertisers will be there to help answer questions, good food, lots of door prizes and a great time to be had by all. Many new members have joined our organization at the banquet over the years. Including myself. Bring a guest. It's a great time for someone new to see our group.

October, review of forms and general discussion.

November, State lobbyist for landlords. They help fight for legislation for all of us some of which we may not see in the news.

December, general meeting with snacks.

January, eviction process

February, fair housing.

This should give you a good over-view of what is to come. I see a clear vision of this organization increasing its members to over 300 strong. We are a good group that has great things to offer others. Networking among other landlords. Questions, concerns or problems you encounter I bet someone else in the group has already been there. There are power in numbers. Together we can build this group!

WE CAN DO IT!

Respectfully yours,

Jim Longo

President LAA

We will be using a P.A. system and having chairs and tables spread out. It's your choice if you want to wear a mask. If you are sick or just not feeling well then by all means please stay home. We are trying to make this comfortable for everyone.

LAKESHORE APARTMENT ASSOCIATION IMPORTANT DATES

Monthly Meetings Under Way!

Mark your Third Thursdays for LAA!

7pm at the Lakeshore Lanes

Invite a Real Estate Investor friend!

July 16th

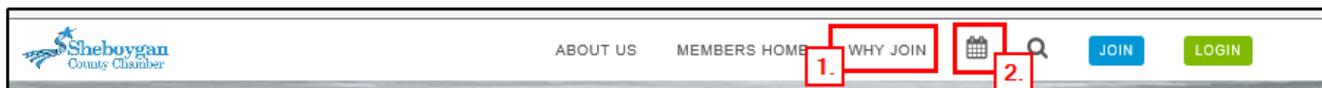
Forms

August 20th

Trusts

FEATURED MEMBER BENEFITS:

- LAA has a private **Facebook** page called “**Landlord Connections**”. Get access by sending a Friend request to **David Humbracht** and asking him for “Landlord Connections.” This is a great way to communicate with other members between our meetings. Ask for help or reply to another post! The power of Facebook! - David Humbracht
- LAA is a member of the **Sheboygan Chamber of Commerce**, which means you are too! They have orientation meetings on their calendar that you will to attend one time to unleash the full benefits of the Chamber. Directions: Go to <https://sheboygan.org/> =look at the top bar:



1. Explains why you should consider using the Chamber
 2. **Calendar**... Chamber Calendar -click here to find the next **Member Orientation** event and register
- **LAA advertisers**... new ads for 2019! Many of our advertisers are offering **members-only discounts**... see last page for details!! -more to come

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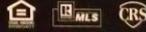

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SHOULD I WAIT UNTIL THE MARKET DROPS TO BUY AN INVESTMENT PROPERTY? (HINT: IT DEPENDS ON YOUR STRATEGY)



Brad Uhlig

According to a recent article in *The New York Times*, based on data from the Bureau of Economic Analysis, [the United States officially entered into a recession in February](#). Some economists believe this will be a very short [recession](#)—only lasting months—and some believe it will last for a couple of years. Either way, this [downturn](#) ends the longest U.S. economic expansion on record.

Oh, and there's still the coronavirus, mass protesting, and an impending presidential election.

With all this going on, the biggest question I am getting from investors is, "Is now a good time to buy an investment property or should I wait until the [real estate](#) market drops?"

Anyone asking this question is really asking a different question in disguise. The real question is, "Will I make money or lose money if I buy a real estate investment now?"

The answer depends on whether you have a long-term strategy or a short-term strategy in place.

LONG-TERM STRATEGY

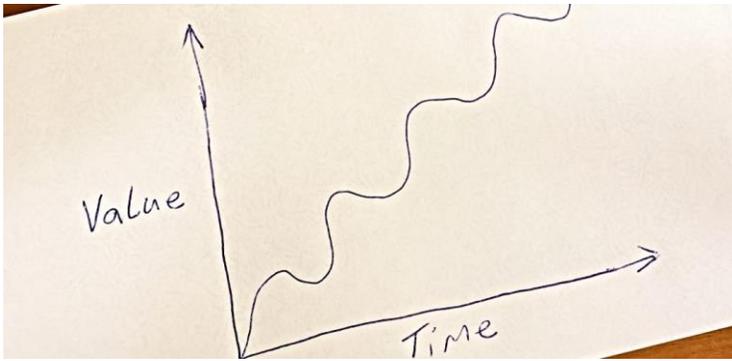
If you have a long-term strategy, I believe now is always the right time to buy, as long as the fundamentals of the purchase are sound. By that I mean:

1. It cash flows.
2. It is a good product in a decent location.
3. You're not over-leveraged.

Related: [Flipping vs. Buy & Hold: What Are the Pros & Cons And Which is Best for Me?](#)

Here's my back of the envelope representation of the real estate value graph I show people when they ask this question.



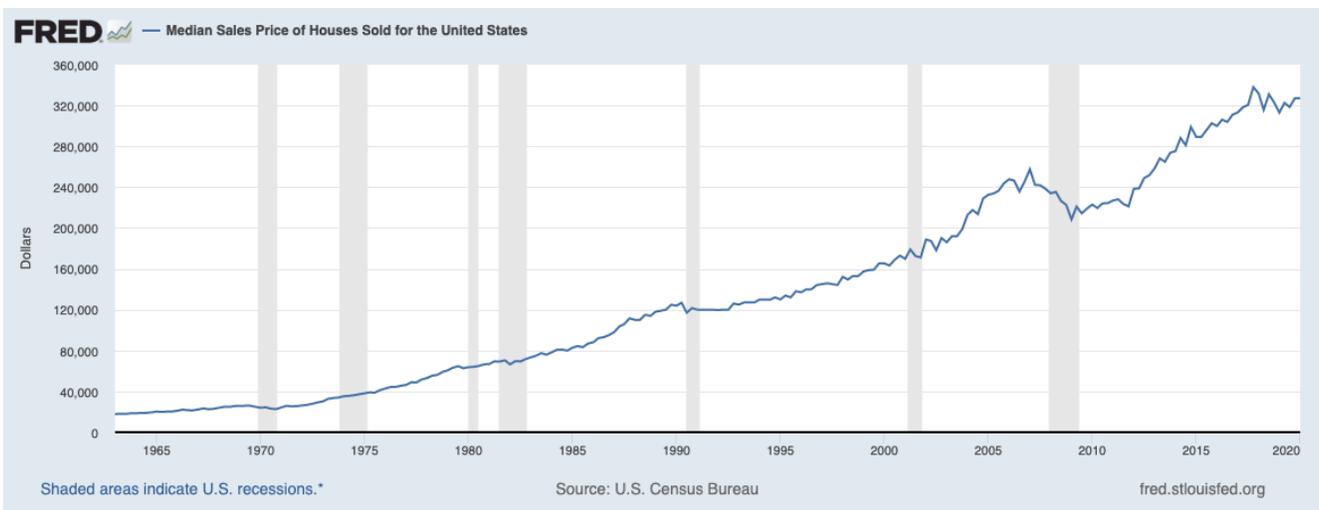


There are cycles, yes. But over the long run, values almost always go up.

I touched on this briefly in a [previous article](#) I wrote on the benefits of buying and holding. Let's look at the actual data to see if it supports my claim.

According to the Federal Reserve Economic Data graph below, the median

home price in the U.S. has risen from \$17,800 in 1963 to \$327,100 today. The shaded areas in the graph represent recessions. You can see that prices do go through temporary adjustments, but over the long run, values rise.



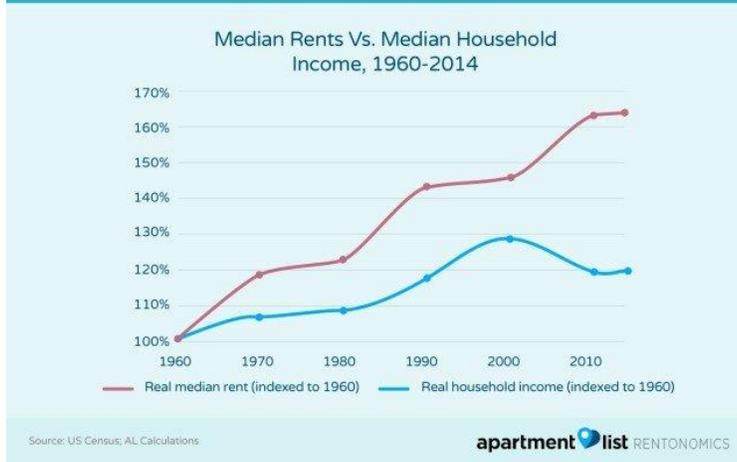
The two main ways investors make money on real estate over time are through [appreciation](#) and rent growth. We can see the property value will go up over time, but what about rent growth?

The graph below from Apartment List, based on U.S. Census data, shows the median rent growth in the U.S. since 1960 along with the median income growth.

The red line on this graph shows the rent growth. Median rent nationwide is up roughly 165% since 1960. Adjusted for [inflation](#), rents are up 64% since 1960. As you can see, rents go through periods of growth and periods of remaining flat. Over the long run, they go up. Rarely do they go down.

The blue line on this graph shows the median income. As you can see, incomes have not been keeping up with rent increases, putting a greater burden on renters to pay their rent and leaving little money to pay for everything else. This is a general indication that you can expect rents to rise at a slower pace or remain flat over the next few years.

How Have Rents Changed Since 1960?



Of course, all of these numbers are taken on a national level and local markets vary widely. Make sure you understand the numbers and trends for any specific market you plan to invest in.

Related: [10 Ways Recessions Impact Real Estate \(& How to Dodge the Worst of It\)](#)

SHORT-TERM INVESTING

If you are looking at doing a fix and flip or a new build and planning to sell out in the next three to 12 months, you need to have a good grasp of the current supply and demand dynamics of your

local market.

We entered this recession with a shortage of supply for both new construction and rental property in most markets of the U.S., and people still need a place to live.

Since the 2008 recession, building (supply) has lagged demand in most markets, propping up prices. Since February, my local market, Denver, has seen even fewer properties on the market and prices continue to rise.

What could lead to an increase in supply?

Foreclosures. Over the last few years, couples have been buying homes with as little as 3-5% down, while relying on two jobs to make ends meet. We could see more distressed properties coming to market in the next six to 12 months if, for example, one person loses their job and they are not able to make their payments.

But foreclosures don't necessarily mean deals. Banks will still seek the highest and best offers for properties, so if there are 10 buyers for every [foreclosure](#), there won't be any fire sales.

The bigger question when looking at short-term values is the demand. Demand is driven by people's willingness and ability to buy. If there are still people with good jobs and [loans](#) are available at decent rates, then there will still be buyers.

In the 2008 recession, there were very few buyers because lending requirements tightened and people couldn't get loans. So far, that hasn't been the case with this downturn. There are people who can no longer qualify for a [loan](#) based on job loss, but it hasn't reached the proportions of the last recession.

BOTTOM LINE

If you have a long-term strategy, now is always a good time to buy and you will do well over time. If you are looking for short-term gains on flips or developing new builds, then you need to keep a close eye on the current supply and demand dynamics of your local market.

You may want to hold off temporarily until the economy has somewhat stabilized. Then you will be better able to determine how demand for what you want to sell has been affected. We'll have a

better picture when we get the third quarter reports on jobs, the economy, and corporate performance.



By [Brad Uhlig](#)

Brad Uhlig is a real estate broker and property investor in the Denver Metro Area. He has been investing in real estate for over 20 years—currently specializing in buying and holding—and has been an investment-minded broker for 13 years.

THE RIGHT WAY TO RAISE YOUR TENANTS' RENT (PLUS: SAMPLE RENT INCREASE NOTICE)



Mindy Jensen

Expertise: Real Estate Investing Basics, Real Estate News & Commentary, Personal Development, Flipping Houses, Landlording & Rental Properties, Personal Finance

Regularly raising the rent keep your properties in line with market rate. But you can't just issue a [rent increase](#) willy-nilly—the first step is finding out if it's even possible. When a tenant is in a [lease](#), the rent is fixed for the term of that lease and cannot be raised until after the lease is over. This is why rent raises are most common upon the renewing of one's lease.

However, month-to-month rental agreements typically allow you to raise the rent at any point, as long as you give enough notice.



Usually, that means 30 days—but sometimes 60 days' notice is required. Check your local [landlord](#)-tenant laws.

Purchasing your first rental property is just the beginning of your real estate journey, because being a good landlord is almost as important as making good deals. BiggerPockets' free guide [How to Become a Landlord: Managing Rental Properties for Real Estate Investors](#) will teach you everything—from setting rent to handling evictions.

Also, if you are in an area with [rent control](#), where the government controls rental prices, check carefully with your local laws. There is a good chance you won't be able to raise the rent at all. (Despite this, there are [pros and cons to rent control](#). Investors shouldn't always shy away from these properties!)

RELATED: [How Much to Charge for Rent: A Landlord's Guide](#)

IS IT TIME TO RAISE MY RENT?

There's an easy way to know when it's time to increase rents: Look at the local rental market.

Compare your property to what is available at the time you are considering the rent increase. Other properties offering fewer amenities at a higher price are a good indicator you're under market—and you should raise your rent.

Remember, most tenants expect incremental rent increases when the lease is renewed. And if you raise rents right, the change won't be a surprise.

HOW MUCH NOTICE SHOULD I GIVE?

The answer to this question depends on where you live. Some states or municipalities require giving at least 30 days' notice—but others insist on 60 or even more. Pay attention to local laws and get the appropriate legal advice before sending out rent increase letters.

HOW TO INCREASE RENT... THE RIGHT WAY

Let's play pretend and say you have a vacancy with a current market rent of \$1,000. Your screening finds you a well-qualified new tenant who can easily afford the monthly payments, so you sign them up.



When onboarding your tenant, tell them that you keep your property rents in line with the market. Because of this, rents may or may not increase for the next lease term, depending on the market rate. This gives them a heads-up about what to expect, ensuring no surprises.

Related: [6 Tips for Raising the Rent Painlessly \(Without Losing a Single Tenant!\)](#)

The first year goes well. You contact them 30, 60, or 90 days before the end of the lease term, depending on local laws, to see if they want to stay another year. Your local market rents have increased \$100 a month. Here's where the tricky part comes in.



HOW MUCH CAN YOU INCREASE RENT?

You've already set the stage by mentioning that rents may increase. A \$100 increase will give you an additional \$1,200 during their second year—but if they choose to leave, or you're forced into eviction, how long will it take you to turn it around? One lost month of rent will all but eat up that rent increase.

Is it worth the gamble?

Related: [What's More Costly: Rental Vacancies or Filling Rentals With Subpar Tenants?](#)

What if you split this year's increase with them? Or only increase it \$75 instead? Most tenants who were considering staying won't leave over a new rent that's only \$50 more—especially if you properly screened them and they are financially able to afford the payments in the first place.

WHEN RAISING RENTS, TAKE A CUE FROM MARKETERS

Here's another option for raising your rents—stolen from smart marketers. Don't tell them what the new rental price is going to be. Instead, give them three price options to choose from.

Think about it. Almost every big business offers three price tiers:

- Small, medium, large
- Basic, premium, platinum
- Bronze, silver, gold
- Regular, premium, plus

By offering three choices, individuals tend to compare the choices given, rather than comparing the price to other businesses.

A coffee at Starbucks may be ridiculously priced, but by giving the customer options—the “Tall” for \$3.25, the “Grande” for \$3.75, or the “Venti” for \$4.25—people rarely even consider the \$0.99 cup of coffee they can get at the local diner across the street. Instead, they choose from the options they have been given. Of course, there are other reasons a person pays \$4 for a drink, but the pricing tiers help to take attention off the price and give people the power to choose what price they want to pay.

Related: [What Does a Property Manager Do? Here's the Job Description](#)

Of course, you're not asking your renters to choose between small, medium, and large. Instead, we recommend offering them lease length options with different rent amounts: two-year, year-long, six-month, or month-to-month. You should charge the most for month-to-month leases, because they are the riskiest.

SAMPLE NOTICE OF RENT INCREASE

The marketer's tactic may not be for everyone. For instance, if you don't want to encourage renters to switch to month-to-month or six-month leases, you may only [offer](#) a flat-rate increase. There's no wrong choice—choose whatever option works for you. (We do recommend sending any letter via certified mail to ensure your tenants have received it.)

SAMPLE RENT INCREASE NOTICE WITH OPTIONS

Dear John Tenant,

Thank you for your tenancy at 123 Main St, Apt 1! We've really appreciated having you here this past year and look forward to continuing our relationship with you. It is a privilege to be able to work with you, and we thank you for your business.

According to our records, it appears that your lease term is coming up at the end of next month and, as such, we need to discuss your future plans to make sure we are all on the same page. Due to naturally increasing expenses for the owner, it is necessary to gradually increase rent over time. Therefore, a slight monthly bump in your monthly rental rate will take place soon. However, we would like your input on where to go from here.

Please choose from one of the following options for your future at your home. Simply circle the option below you would like to choose and send the form back to us. We will prepare a new lease with the proper information and mail it to you within seven days.

Sign a new one-year lease at \$1,050 per month, which will begin on September 1, 2020, and end on August 30, 2021. This is an increase of \$50 per month.

Sign a new six-month lease at \$1,075 per month, which will begin on September 1, 2020, and end on February 28, 2021. This is an increase of \$75 per month.

Sign a new month-to-month lease at \$1,100 per month, which will begin on September 1, 2020. This is an increase of \$100 per month.

Although we hope you'll stay with us forever, if you do not plan on renewing your lease, please let us know immediately. Our state law requires tenants to give 30 days' written notice to vacate before the end of their lease. Therefore, please return this form and let us know your plans by August 1, 2020 so we can make that work for everyone.

Once again, thank you for your residency here at 123 Main St, Apt 1. We look forward to many more years of working with you.

Sincerely,

Management

SAMPLE RENT INCREASE NOTICE WITHOUT OPTIONS

Colleen F. shared this letter in the [BiggerPocket Forums](#) a while back. She sends this out in accordance to her state's timeline for rent increase notices:

Dear John Tenant,

Thank you for being a tenant here at 123 Main St, Apt 1. Our goal is always to provide a nice place to live, at a fair price. Whenever the prospect of raising rent comes up at any property, we take a good hard look at it to make sure it's necessary.

In that light, we have decided it is necessary to raise the monthly rent on your unit, effective September 1, 2020, to \$1,050 from \$1,000. This is partly to offset the increasing cost of property taxes, insurance, high heating expenses, maintenance costs, and upgrades since our purchase of the building in 2010.

Even after this increase, we believe we are still at or below the average market rent for a unit of this type. Rather than pay an increase, you may choose other housing. Should you intend to vacate at the termination of your lease, the original lease agreement states that you have to provide 30 days' written notice of your intent to move. If you choose, signing this form checking off that you will not renew and returning the form to us 30 days in advance of your expected renewal will be considered your written notice.

Sincerely,

Management

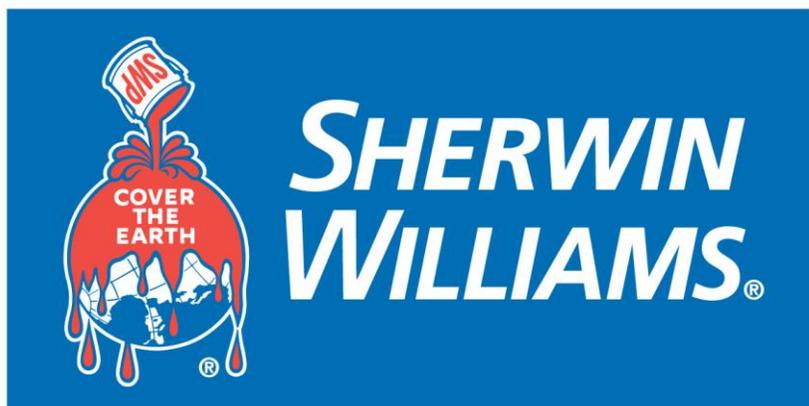
Of course, some tenants may still call and complain about the rent increase, or they may even decide to move, but most likely they will simply chalk it up to one of the realities of renting.

This article contains an excerpt from Brandon Turner's [The Book on Managing Rental Properties](#).

By [Mindy Jensen](#)



Mindy Jensen has been buying and selling homes for more than 20 years. She buys houses, moves in, makes them beautiful, sells them, and starts the process all over again. She is a licensed real estate agent in Colorado, author of [How to Sell Your Home](#), and the community manager for BiggerPockets, where she helps new and experienced investors learn the proper ways to invest in real estate to grow their wealth.



Charlton & Morgan Ltd.

Andrew H. Morgan
Attorney at Law

Telephone 920.458.4566
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