

THE MANAGER

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Perspective on Market Apartment Pricing

Ben Peck

Apartment pricing has remained stable over the last few years even though many investors have expected pricing adjustments. Over time several competing factors have basically washed out potential increases or decreases in market apartment pricing.

2005 to 2007

Starting in the middle of 2005, the Federal Reserve began increasing their target rate, which in turn put upward pressure on all variations of mortgage interest rates. During the period of the increasing rate environment, investors felt that prices would have to respond by pulling back simply because the cost of the debt was significantly higher. However, the overall market pricing for stabilized core-type apartment properties remained flat at historically high levels, in my opinion, simply because the fundamentals were improving. The increasing interest rate environment had a converse affect on the operating fundamentals of apartments by dramatically increasing the pool of available renters. The increased

pool of renters created a landlord-friendly environment with increased market occupancy and market rent growth, which by default increased income for properties. Assuming that expenses remain relatively static, the increased income would fall directly to the Net Operating Income, which is the most basic indication of health for a property. That increased Net Operating Income allowed purchase pricing to stay high because there was more income left over to service the more expensive debt.

2007 and on

The Federal Reserve has now lowered rates three times at this point, so we are arguably back to some form of declining interest rate environment once again. This is a very positive move for the economy and normally signals a return to market appreciation for prices. Over the last six to twelve months, however, some issues have begun to align against the apartment markets that will most likely continue the market price constraint.

One overlooked aspect of single family housing are condominiums. Condominiums should run parallel to the overall single family home market, although there are some variations like vacation and investment

condominiums. As with single family

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Monthly Collection Percentages:		
	2007	2006
January	97.56*	101.20
February	93.03	97.73
March	100.31	103.00
April	91.02	100.46
May	101.02	102.18
June	97.52	105.15
July	100.04	106.44
August	100.72	103.79
September	79.25	102.10
October	102.10	100.57
November	105.90	88.17*
December		90.50*

*We have increased the collection goal by \$50,761 across all properties.

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Questions. Answers. Info!

Sorry that we don't have a question to answer this month. Please check back next month.

If you have a question that you would like to have answered or a tip that you would like to share please email us at the address below.

Send your questions/tips to:
newsletter@alexanderforrest.com

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housing, demand for condominiums has declined or evaporated in some markets. As a remedy, some of the condominium developments that were brought to market over the last three years have actually been converted to rentals, which has added mostly high-end A-class units to many markets. This conversion effect varies greatly by market, but it has reversed some of the positive unit absorption and rent growth that had previously been enjoyed by landlords.



Additionally, due to an increase in bank regulations spurred by the credit crunch, it has become significantly harder to get anything financed, including commercial real estate. This credit crunch, which came to light nationally over the last six months, has been working behind the scenes for at least 18 months and it has forced lenders to constrain their lending habits. Underwriting criteria have become more stringent and borrowers are now having to place more equity into projects in order to get them done. That has put downward pressure on demand because investors are able to do less deals and the deals that they find will have to perform at a greater level than previously. This has even trickled through to appraisals as values are being reigned in due to the more stringent underwriting criteria.

In conclusion, I feel that over the short term, apartment values will not fluctuate dramatically. As the veil of interest rates is finally pulling back, it has simply allowed us to see that a big hurdle is in front of us.



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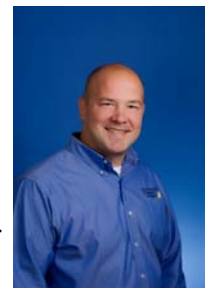
Invest in Assets: Finding Great Tenants

Scott Stout

One of the most fundamental investment and personal financial lessons to be learned is that you should buy assets instead of liabilities. Assets grow or create value while liabilities continue to cost or lose value. The same holds true for tenants. A great tenant is an asset who will pay rent on time and will create value by attracting other great tenants. A great tenant does not create costs related to property damage, eviction, turnover downtime, etc.

The following steps go a long way toward ensuring that an accepted applicant will be a great tenant.

1. **Application Fee** — A great tenant would not balk at an application fee and will appreciate that the property conducts a thorough background screening process which may take up to 24 hours to complete. If the applicant resists paying the fee, they should be avoided.
2. **Identification** — A great tenant will not hesitate to verify their identity. The background screening requires a social security number, birth date, and legal name. To ensure that the applicant is who they claim to be, a manager is required to keep a copy of the drivers license and social security card on file.
3. **Completed Application** — A great tenant will not hesitate to enter all required information requested on the application. Verify that this information is entered and legible before the applicant leaves the office:
 - Phone number and emergency phone number
 - Roommates
 - Spouse information (if applicable)
 - Current address
 - Previous address
 - Current and previous addresses, phone numbers, and length of residences
 - Vehicle information
 - Referral Source
 - Signature on application
4. **Verification** — A great tenant will have great employment and rental history. Verify with the current employer that the dates and monthly salary match-up. If the applicant has not worked at their current employer for at least one year, then contact the previous employer and verify the dates and salary there. Always write down who you speak with and whether the applicant met the criteria. This step makes it easy for the Leasing and Collections department to audit that the verification has taken place, which will prevent time wasted on the phone that could be spent in other tasks which pay you back.
5. **RentGrow Credit Check** — Only after Steps 1 through 4 are complete should you continue to the credit checking process. This step in the process adds expense to the property and is not necessary if the previous steps have already disqualified the applicant. Enter the data into RentGrow. Double and triple check to verify that the application information is entered exactly the way it appears on the application. If the application comes back approved, then and only then should you proceed to Step 6.
6. **RentGrow Criminal Check** — Only after following Steps 1-5 should a criminal check be run. Like the credit check, it is an additional expense that is not necessary. As the final step in the application approval process, a criminal check is the most important step. Any criminal history will result in a failure. Criminals do not belong on your property. The potential costs are just too severe to consider.



This process ensures that an approved applicant starts out as a great tenant. In our system, a manager is ultimately responsible for keeping great tenants great. A manager's failure to execute their duties, particularly communication with a great tenant, may result in a great tenant falling out of line.

Scott Stout, Director of Leasing & Collections
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What Makes a Manager Successful?

Daylon Cassel

Over the past six months I have had the opportunity to relay the accomplishments of Jeremy Price and Vinh Tran in their endeavors as owner-managers of apartment complexes. Through their hard work and ambition, they were able to overcome challenges and achieve success.

This month I examine the qualities that made these accomplishments possible and review what it takes to be a successful manager.

Ambition

The first step necessary to becoming a successful manager is ambition. Both Jeremy and Vinh began their endeavors with the thought of growth. They knew what goals they wished to achieve and never backed down from their pursuits. Without ambition and drive it makes it impossible to take the remaining steps in the process.

Enterprising Work Ethic

This is, without a doubt, one of the most important qualities that a successful manager must have. Stepping into the role of manager creates a responsibility that can be overwhelming if one lacks the ability or desire to work hard and take initiative to solve problems. This is not a nine-to-five job that ends when you go home. A manager is on call 24 hours a day, and because many managers live on site, there is no "going home" from work.

Because the responsibilities of a manager involve the safety and comfort of residents, a wide array of tasks will arise. The manager must be dedicated to solving these problems promptly and thoroughly, despite the discomfort or challenge (Recall Jeremy Price crawling into a manhole to unclog the sewer line). A manager **MUST** be willing to work hard.

Communication

As a manager and owner, communication is essential to success. Being able to communicate well is the cornerstone to building solid relationships with residents,

vendors and community members. When a manager communicates well, all parties are aware of their expectations. This is beneficial in managing residents, as residents understand the role of the manager, and respect him for listening to their problems and giving them feedback. Good communication will also result in a positive feedback from community members. When Jeremy communicated well with his community members and law enforcement, they were able to help present a united front against crime at the complex and surrounding areas. Because of Vinh's communication skills, his residents understood the penalties that ensued when rules were broken, and they began to give him the respect he had earned.

Clearly there are many aspects of a good manager, and the ongoing process of managing an apartment complex will continuously present new challenges.

Honesty

One more quality is necessary. Without honesty, any gains or successes will be short-lived, as dishonest actions will eventually be found out and overcoming them will be difficult or impossible. A manager can be granted certain authority to operate a property but moral authority is *earned*. By maintaining integrity and remaining above reproach, a manager is positioned to have long-term success by having the respect of tenants, vendors and community leaders. Remember that real estate is a long-term game, those that think too short sighted often end up out of the business very quickly.

The four qualities that this article outlines are simply a firm foundation from which to grow. With honest, ambition, a strong work ethic and good communication skills, there are few challenges that cannot be met.

Daylon Cassel, Contributing Writer
Magnus Enterprises, LLC

Beat the Competition:

Advertise to Sell Your Property

TJ Scoggins

Unless you are located at the corner of Main and Main, renters will not know that your property exists without advertising.

Effective advertising can be as small as a FOR RENT sign or as big as a billboard on a major highway or street. With a little research and planning, effective advertising can be tailored to fit any budget and any property.

Aim your resources toward top-of-mind advertising. Because most renters are only in a position to change housing once per year, it is important that you are always reminding the targeted public about your property and the values it offers. This is true even when you are fully occupied.

- #1 Know the competition
- #2 Know your product
- #3 Know your customers
- #4 Maintain curb appeal
- #5 Dress professionally
- #6 Provide outstanding service
- #7 Approach your job with creativity
- #8 Continuously work to improve
- #9 Communicate professionalism in all you do
- #10 Advertise to sell your property



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Finding Vendors

Mary Hawkins

There are many ways to find vendors including searching ads in the phonebook or newspaper or asking trusted current vendors to refer you to someone they know who provides the services or products that you need.

You should never just call someone and hire them immediately. Get references and check up on the quality of service provided to previous customers. Get written bids based on your specific requirements to avoid surprises at a later time. Make sure that you clarify any potential extra or hidden charges like disposal fees or worksite preparation costs. Make sure that all bids account for the same bottom line service or product so that you are comparing like for like.

Once you get in the habit of doing this you will be surprised at the money you are saving by getting the best price for the best service. Remember cheaper is not always better. If you have to redo the work or you have to hire someone else to complete the job, you have not saved anything.

Once the job is completed, make sure the invoice matches the written bid. Never submit an invoice to be paid if you are not satisfied with it or the work completed. Instead contact the vendor and give them the opportunity to rectify the situation before the agreed upon deadline.



Mary Hawkins, Asst. Director of Accounting
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Interested in our Business?

Our readers frequently contact us curious about what we do.

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We work on:

- Developing new properties
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- Redeveloping distressed properties
- Managing commercial and multi-family real estate

If you would like to know more call Ben Peck at (573) 268-0015 or email at

Ben.Peck@AlexanderForrest.com

Invoices 101

Nancy Snyder

Invoices are like snowflakes; no two are the same, but all are built from the same basic components. As you receive invoices from vendors, take a look at them to make sure they include the following basic pieces of information:

- **Name of vendor**—The invoice should clearly state the individual or business that is to be paid.
- **Mailing address where payment is to be sent**—This may be different from the physical business address.
- **Invoice number**—If you use a vendor on a regular basis (such as a carpet cleaner) it is very helpful if they use invoice numbers so that specific jobs can be easily tracked.
- **Date of invoice**—30 days from this date is when the vendor should expect payment. You should always communicate that your property pays on Net 30 terms.
- **Description of work done**—This should include labor, materials, and unit number(s) when applicable. There should be no doubt what work is covered by an invoice.
- **Stamp and transmittal**— Every invoice submitted for payment must be stamped and all the blanks filled in as well as being entered onto the Accounts Payable Transmittal.



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Monthly Collection % Goal: 100%		Renewal Average by Year Goal: 100% Renewal		Paperwork Proficiency Previous Month	
LS	152.44%	SP	72.73%	WDA	Master
CF	122.00%	BBC	56.32%	RA	Master
WG	121.91%	WDA	48.21%	LVC*	Master
S24*	119.80%	ENA	48.04%	CI	Master
CIM*	118.57%	SFV*	47.37%	CF	Master
SP	110.64%	CIM*	45.78%	SP	Master
CI	108.80%	MRM	44.12%	BBC	Master
SB	107.44%	LP	42.55%	CIM*	Master
SFV*	107.16%	CI	41.94%	WG	Master
LVC*	104.32%	HILL*	41.67%	RT	Master
RT	103.64%	WG	41.67%	SB	Paper Knight
WDA	102.20%	RA	41.07%	LP	Paper Knight
WMP	101.24%	CF	40.91%	WMP	Paper Knight
MRM	100.06%	RT	37.04%	ENA	Trainee
HILL*	91.80%	SB	32.08%	HILL*	Trainee
LP	88.81%	S24*	30.19%	MRM*	Trainee
ENA	85.83%	WMP	26.92%	S24*	Trainee
BBC	73.38%	LVC*	21.88%		

**Properties currently under renovation*

Manager/Property Key			
	Property	Manager	Location
BBC	Buttonwood Business Center	Jamie Cooper	Columbia, MO
CF	Claiborne Fox	Andy Mullins	Marshall, MO
CI	Chateau Imperial	Jeff Hodson	Hastings, NE
CIM*	Cimarron Apartments	Jose Diaz	Independence, MO
ENA	Eagles Nest Apartments	Edil Ramos	Kansas City, KS
HILL*	Hillside Apartments	Ben Gallion	Independence, MO
LP	Library Park Apartments	Dan Long	Topeka, KS
LS	Liberty Square	Jessica Hudson	Columbia, MO
LVC*	Lakeview Apartments	Scott Wendland and Aaron Kennedy	Kalamazoo, MI
MRM	Mora Mi Apartments	Kevin Smith	Paducah, KY
RA	Riviera Apartments	Stewart Naidesh	Paducah, KY
RT	Ridgetop Apartments	Brandon Mayfield	Martin, TN
S24*	Sterling 24 Apartments		Independence, MO
SB	Stoney Brook East	Don Wilson	Independence, MO
SFV*	Santa Fe Village	Steve Ipock and Ray	Kansas City, MO
SP	Sterling Price	Tom Evans	Moberly, MO
WDA	Wyandotte Apartments	Maria Cuevas	Kansas City, KS
WG	Windsor Gables	Brandon Mayfield	Martin, TN
WMP	Williamsburg Place	Ben Fisher	Middletown, OH



Front Row (Left to Right): Jessica Hudson, TJ Scoggins, Mirsad Mustafic, Yousef Darkhalil, Scott Stout, Sam Chou, Nancy Snyder, Mary Hawkins



Back Row (Left to Right): Paxton Schneider, Daniel Morris, Makinga Bunyecha, David Atkins, Richmond Wheeler, Scott Adams, Ben Peck

Every project referenced in this publication is individually owned and operated.

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December 2007

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1 Rent Due Don Wilson Birthday
2 Rent Late	3 Lacy Warfel Birthday	4	5 Mary Hawkins Birthday	6 Late Fees	7	8
9	10	11	12 David Atkins Birthday	13 Late Fees	14	15
16	17	18 Andy Mullins Birthday	19 Brandon Mayfield Birthday	20 Late Fees	21	22
23/30	24/31 Mirsad Mustafic Birthday(31st)	25	26	27 Late Fees	28	29