

# HCM Property Management Monthly Newsletter – September 2023



## Housing Market Predictions:

As temperatures begin to cool, the housing market continues to fizzle, with blisteringly high mortgage rates and scorching home prices becoming too hot to handle for many would-be home buyers.

The national average 30-year fixed mortgage rate blasted through 7% in mid-August, reaching a 2023 high of 7.23%. As of September 21, the average 30-year fixed mortgage rate stands at 7.19%, according to Freddie Mac.

Meanwhile, year-over-year existing monthly home sales sagged in July for the second consecutive month, slipping by 2.2% to a six-month low, with all four major U.S. regions posting year-over-year sales declines, according to the National Association of Realtors (NAR).

Despite ultra-high mortgage rates and home prices, the market remains as competitive as ever, thanks to demand levels surpassing the ongoing inventory crunch and homeowners who locked in low interest rates staying put. These and other factors perpetuate the perfect affordability crisis storm that continues to sideline many aspiring homeowners.

## When Will The Housing Market Recover?

For a housing recovery to occur, Gumbinger says several conditions must unfold.

“For the best possible outcome, we’d first need to see inventories of homes for sale turn considerably higher,” Gumbinger says. “This additional inventory, in turn, would ease the upward pressure on home prices, leveling them off or perhaps helping them to settle back somewhat from peak or near-peak levels.”

And, of course, interest rates would need to cool off.

But Gumbinger says don’t hope they cool too quickly. Rapidly falling rates could create a surge of demand that wipes away any inventory gains, causing home prices to rebound.

“Better that rate reductions happen at a metered pace, incrementally improving buyer opportunities over a stretch of time, rather than all at once,” Gumbinger says.

He adds that mortgage rates returning to a more “normal” upper 4% to lower 5% range would also help the housing market, over time, return to 2014–2019 levels.

Yet, Gumbinger predicts it could be a while before we return to those rates.

## California Lawmakers Vote to Ban Mandatory Evictions for Arrested Tenants



State lawmakers approved legislation late Wednesday that would bar mandatory evictions or exclusion for California tenants and their families based on criminal histories or brushes with law enforcement.

Assembly Bill 1418 combats local policies known as “crime-free housing” that can require landlords to evict tenants for arrests or prohibit landlords from renting to those with prior convictions. The bill would make many of these laws unenforceable, ending the practice in scores of communities.

The bill does not affect landlords’ ability to initiate nuisance-related evictions or screen tenants based on criminal histories of their own accord.

Crime-free housing programs vary widely in California. Less severe ones include police training for landlords on criminal background checks and anticrime lease provisions. But some go much further.



# The Magic of Multifamily Real Estate Investing



So, what is this magic about investing in properties with many homes, like apartments? It may look tough at first, but once you understand it, it's actually pretty simple and exciting. Let's ask ourselves this question – Why should we put our money in multi-family properties?

Here are some awesome reasons!

## **Regular Money Coming In (Cash Flow)**

Imagine owning a big building with many apartments. Now, think of all the families paying you rent every month. That's a lot of money, right? This money that you get each month is called a cash flow. It's a bit like getting an allowance, but way bigger!

## **Spending Less Money (Economy of Scale)**

Now, owning a big building can sound costly. You might be thinking about expenses like fixing broken things or keeping the building clean. But here's the cool part. When you have many apartments in one building, the money you spend on these things gets shared between all the units. This means you end up spending less money per apartment.

## **Making Your Property Worth More (Value Add Opportunities)**

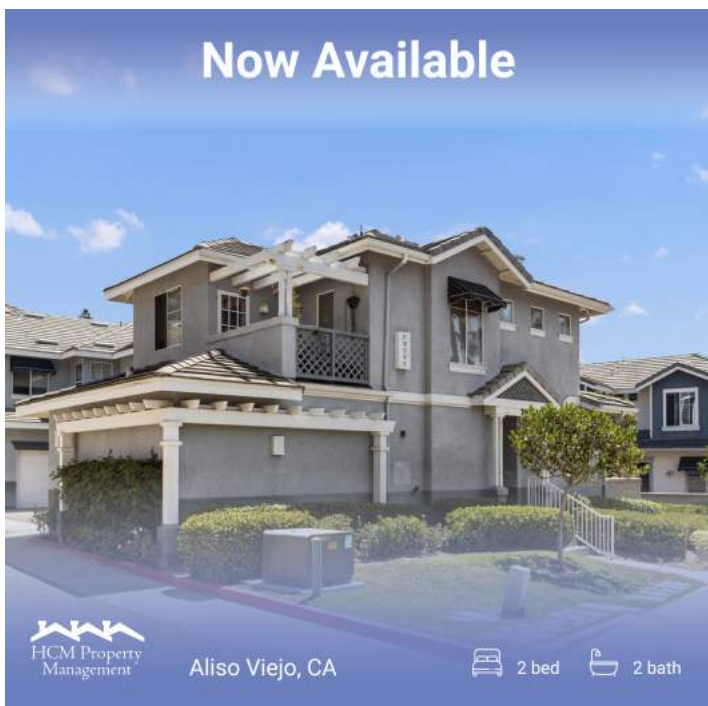
You can make your big building worth more money by making it better. How? Maybe you can make the apartments nicer, or add a play area or a swimming pool. When your building gets better, it becomes worth more money. So if you ever want to sell it, you can sell it for more than you bought it.

## **Less Risk of Losing Money (Risk Mitigation)**

Let's imagine one family moves out of your big building. You might think, "Oh no! I'm going to lose money!" But remember, you have many other families still living there and paying rent. This means that even if a few apartments are empty, you still have money coming in from the other apartments. This makes investing in multifamily properties less risky.

So there you have it! That's the magic of putting your money in properties with many homes. It's a smart way to get regular money, spend less, make your property worth more, and take fewer risks. Isn't that fantastic?

# HCMPM Off-Market Investment Opportunity



2 bedroom, 2 bathroom, 918 sq ft condo in Aliso Viejo with an existing tenant in place. The lease is expiring on 12/31/23, so there is upside for a rent increase. This would be a smooth transition since we are currently managing the property. Perfect for anyone looking to add to their portfolio.

Please contact Lenny Spangler, 949.212.3703, [lenny.spangler@hcmpm.com](mailto:lenny.spangler@hcmpm.com) for more information.

## Steps to Conduct a Mold Inspection

Mold inspections are a must for landlords! They help spot and tackle any potential moldy issues in rental properties, keeping tenants healthy and safe. To ensure accuracy and avoid false alarms, hire a professional mold inspector who knows their stuff and has the right tools.

When assessing, inspect high-risk areas like bathrooms, kitchens, basements, and near windows/plumbing. Plus, use moisture meters and thermal imaging cameras to detect hidden moisture.

Based on the results, landlords should act fast to fix any issues. This may include mending leaks or improving ventilation. In some cases, professional mold remediation services may be needed.

By doing regular inspections and solving issues quickly, landlords can protect tenants' health and their property's value. Thus, mold inspections are vital for maintaining a safe living environment and preserving rental property over time.

### Steps to conduct a mold inspection:

Look at the outside of the property. Are there leaky roofs or broken gutters? These can be entry points for moisture and mold.

Inside, check bathrooms, kitchens, basements, and laundry rooms for visible signs of mold like damp walls, floors, or ceilings.

Use a moisture meter to detect hidden moisture. Mold grows in dampness, like from plumbing leaks or condensation.

Inspect HVAC systems and ventilation openings. Mold spreads from dirty filters.

If you spot suspicious areas or worry about mold, hire a pro to test air samples and take samples for laboratory analysis.

Document findings with photos and notes. This info helps when talking to tenants or contractors.

Preventing mold is better than dealing with consequences. Regular inspections and maintenance help avoid costly repairs and keep tenants safe. Inspect even if no visible mold. Don't wait – do regular inspections to protect your investment and people.





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