



Monthly Newsletter

December 2018

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Happy New Year! Here are some predictions for 2019.

It is now 2019 and that means it is time to break out the crystal ball and try to predict what will happen this year. Here are few such predictions:

1. **We will see overall economic growth in 2019 of 2.0%.** Growth for the past 12 months was around 2.9% pending final numbers for Q4. Annual growth has been between 1.6% - 2.9% each year since 2010, so this past year was relatively strong. As a result, the Federal Reserve is now tightening its monetary policy and that is slowing the economy. Also, the current trade war with China is not helping matters. On the local side of things, housing projects already under construction in our area will continue providing economic strength through at least 2019 but the slower national economy will likely delay some future projects that are still in the planning stages.
2. **By the end of 2019, the 30 year fixed rate mortgage will cost more than 4.51%,** which is what Bankrate.com reports is currently the average price for such a loan. The Federal Reserve will likely raise its short term rate one more time in 2019 and continue to reduce the size of its balance sheet. During the last recession the federal government bought bonds, including mortgage securities, using, in essence, a credit line that it had with itself. To supply funds for the credit line, the government would do the electronic equivalent of printing money. As those bonds are repaid by third party creditors, the government is now using those funds to pay back its credit line. This raises the cost of borrowing by reducing the demand for mortgage securities that was previously at artificially high levels due to prior government policy.
3. **By the end of 2019, the local unemployment rate will rise to 3.5%.** Historically speaking, a 3.5% unemployment rate is very low but it is higher than the 2.8% probable unemployment rate for October 2018 as reported by the Bureau of Labor Statistics. Economic headwinds will mean higher, but still historically low, unemployment in this area.

All told, 2019 will likely be a good year for the local economy by historical standards, and probably see some modest rent increases, but conditions will not justify any huge rent increases. We will review these predictions at the end of 2019 to see how clear our crystal ball was for the year!

Property owners may now contribute money to their property accounts electronically.

At California West, one of the services that we provide to our clients is an online portal for property owners to receive and store their financial statements electronically each month.

This ability to contribute money electronically to a property account is potentially useful for when there is a sudden expense that arises and for which we need money to pay a contractor for services.

Separately from the online portal, we also are able to send monthly disbursements to our clients via electronic transfer. Now, in addition to those two services we also offer owners the ability to contribute funds to their property accounts electronically through the online portal via electronic bank transfer and at no fee. This service is now included with the accounting software that we use to help us manage properties.

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Of course, there is also still the option of sending us a paper check but this electronic method is sometimes more convenient for certain owners.

If you wish to know more about this option, please visit your online portal or contact our office for instructions.

Current Vacancy Rates in Local Cities.

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Here are California West’s current vacancy rates for local cities where we manage more than 20 units:

City	Vacancy Rate
Arroyo Grande	98.0%
Atascadero	100.0%
Avila Beach	96.9%
Grover Beach	97.8%
Los Osos	100.0%
Oceano	100.0%
Pismo Beach	92.5%
San Luis Obispo	98.4%
Santa Maria	97.1%
Shell Beach	91.3%