



Monthly Newsletter

December 2019

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Happy New Year! Predictions for 2020 and a review of 2019.

Despite a rather poor performance at predicting what would happen in 2019, we are again gazing into our crystal ball and will try to predict what will happen in 2020.

Review of 2019 Predictions.

1. Prediction: Economic growth will be 2.0%. What happened: Year over year economic growth at the end of the 3rd quarter was 2.1%.
2. Prediction: Mortgage rates will exceed 4.51%. What happened: Bankrate.com reports that the current cost of a 30 year fixed rate mortgage is 3.86%.
3. Prediction: Local unemployment rate will rise to 3.5%. What happened: Unemployment remains at historic lows. In October 2019 it was 2.4% in the San Luis Obispo area.

Predictions for 2020.

1. **More housing legislation.** 2019 was a significant year for housing legislation in California and we will likely see more of the same in 2020. The hot topics now are a partial repeal of Proposition 13 and vacancy control. Legislative efforts to partly repeal Proposition 13 will focus on a split tax roll where commercial properties are periodically subject to market value assessment. In terms of vacancy control, rent control advocates will try to prohibit landlords from raising rents when there is a vacancy.
2. **Local unemployment will remain below 3.0%.** Hiring workers remains a challenge in this economy and there is no sign that things will be letting up anytime soon. With all the new local development underway we are likely to continue seeing much of the same.
3. **Mortgage rates will remain between 3.75% - 4.25%.** The Federal Reserve is unlikely to make significant changes to monetary policy during this election year unless some unexpected event happens that forces a change.

End-of-year financial statements are going out slightly later than normal monthly statements for tax reasons.

At California West, we usually send end of month financial statements sometime around the 26th of the month, along with monthly disbursements of funds at the same time. Nevertheless, as we did last year, in December we disbursed funds as normal but held off on preparing financial statements so that we could capture all the financial activity for the year.

The reason we do this is to make sure that our clients have correct financial information when they prepare their tax returns. This is especially important now that we accept online payments for rent and more than half of our tenants pay in that manner. Tenants can literally pay until 11:59 pm on December 31 and there is nothing we can do to control when they pay, so we need to make sure that the receipts appear on the correct financial statement.

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Also, on the topic of taxes, we will be sending 1099's to our clients at the end of January and we always get questions about why the "Total Rent" does not necessarily match the amount on the 1099. This happens if there was any prepaid income during the year. We record receipts as prepaid income if a tenant pays for January rent anytime before January. The "Total Rent" does not include prepaid income but we do have to report prepaid income to the Internal Revenue Service because it is money that we did collect on behalf of our clients. We will send a reminder of this along with the 1099's.

Occupancy Rates in Local Cities.

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

San Luis Obispo Office

1380 Broad Street
 San Luis Obispo, CA 93401
 Ph: (805) 543-9119
 E-mail: slo@calwest.com

Arroyo Grande Office

145 S. Halcyon #H
 Arroyo Grande, CA 93420
 Ph: (805) 489-9400
 E-mail: ag@calwest.com

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Broker: Derek Banducci
 DRE Lic. No. 01276163

City	December 2018	December 2019
Arroyo Grande	98.0%	97.0%
Atascadero	100.0%	97.2%
Avila Beach	96.9%	90.9%
Grover Beach	97.8%	96.4%
Los Osos	100.0%	95.8%
Oceano	100.0%	98.4%
Pismo Beach	92.5%	90.2%
San Luis Obispo	98.4%	97.6%
Santa Maria	97.1%	93.8%
Shell Beach	91.3%	100.0%