



Monthly Newsletter

January 2023

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Market update: Student renewals are strong, other markets are steady

California West manages rentals from Lompoc to Paso Robles, which encompasses a number of submarkets. Here are some observations about each of the markets:

San Luis Obispo (student): Student renewals are strong. Renewal offers with 10% rent increases at many apartment buildings resulted in near record renewal rates. Slightly off of last year's record renewal rates, but with substantial rent increases.

San Luis Obispo (non-student): The non-student rental market in San Luis Obispo is healthy but impacted by significant new inventory. Newly built or nicely maintained inventory is topping out in the high \$3,000 to low \$4,000's.

Five Cities & North Coast: The Five Cities and north coastal markets are oddly stronger than the non-student San Luis Obispo market. This is a relatively new phenomenon.

North SLO County (inland): Strong rental demand. Remains very blue collar. Pricing seems to have leveled out over the past few months. It is still far higher than it was 12 months ago, but leveling off.

Santa Maria: As always, Santa Maria is a difficult market to peg because a lot of the pricing depends on property owner willingness to rent single dwellings to multiple families. As property managers, we have to explain to our clients that when looking at Craigslist, you will see prices all over the place because landlords who turn a blind eye to dense occupancy can demand far more rent than landlords who insist on less dense occupancy.

Lompoc: More turnover and more subsidized housing than what we see in other local markets. Market seems relatively strong. Homes that would go for \$3,000 in the Five Cities market will go for \$2,000 in the Lompoc market.

Overall, we continue to see a strong rental market although it has been leveling off for the past several months.

Intense rains cause maintenance headaches but bring much needed water to local reservoirs.

The recent rains brought much needed water to local reservoirs but also those rains are causing maintenance issues at various properties that we manage. The rains on January 9 were truly epic, breaking single day records, causing road closures and other damage, and the rains continued for a full two weeks after that. Here are some local reservoir numbers:

Lake Nacimiento: 27% capacity (101,790 acre feet) on January 1 to 86% capacity (324,905 acre feet) on January 27.

Lopez Lake: 24.1% capacity (11,908 acre feet) on January 1 to 53.4% capacity (26,367 acre feet) on January 27.

Twitchell Reservoir: 0.1% capacity (1,369 acre feet) to 35.8% capacity (69,878 acre feet) on January 27.

Cachuma Lake: 30.9% capacity (59,650 acre feet) on January 1 to 98.2% capacity (189,501 acre feet) on January 27.

The recent rainfall was good for our area but is keeping our maintenance staff very busy, which is delaying some other less urgent jobs.

The upside of all this is that drought restrictions and fines for excessive water usage will hopefully be relaxed by local agencies, or at least those restrictions will not be tightened any more than they already are.

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

Drought restrictions are difficult for us to manage because our leases generally require tenants to adequately maintain landscaping while also following all required local drought rules. That can sometimes be an impossible task that requires some compromise by both landlords and tenants. So, if these rains eliminate the need for difficult decisions then that is a good thing.

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

However, the downside is that we have had to deal with lots of maintenance issues resulting from all this water. All told, we fared relatively well but with some significant damage at various properties, mostly in dealing with reports of mold and just drying everything out.

Lompoc Office
119 E. Walnut Avenue
Lompoc, CA 93436
Ph: (805) 736-1293
E-mail: lompoc@calwest.com

Curiously, the biggest problems seemed to come at the tail end of the storms after the ground was fully saturated and there was nowhere for the water to drain. This presents some interesting decisions for landlords whose properties were impacted by the storms. We must of course clean everything up and repair any damage. The bigger question, though, is whether to re-engineer drainage systems to withstand a truly historic series of storms or whether to simply chalk this up as a rare occurrence and plan on dealing with any damage every few decades when this sort of thing happens.

www.california-west.com

Broker: Derek Banducci
DRE Lic. No. 01276163

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