



Monthly Newsletter

January 2024

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Student rental season kicks off strong in San Luis Obispo.

As always, our student rental season is kicking off in San Luis Obispo on February 1. This is when we begin pre-leasing for the upcoming 2024-25 academic year. Over the past couple of months, our staff has been working with clients and tenants to secure as many renewals as possible. On February 1, we will begin pre-leasing to new tenants.

The renewal rate at our larger student buildings remains high, in the range of 40-50% at most properties, which for student rentals in San Luis Obispo is historically impressive. This is a new post-Covid and post-AB1482 (rent control) phenomenon. We never saw these sorts of renewal rates prior to 2022.

One possible explanation has to do with statewide rent control (AB 1482), which has created a consistent benchmark for all property owners to use when deciding on whether to raise rents for existing tenants. When students talk to their classmates, as they do, and hear that everyone is getting a rent raise then that creates a sense of urgency to lock down housing for the upcoming year. Historically, that sense of urgency ebbs and flows with Cal Poly's tuition numbers but it seems as if that urgency is stronger now than before.

In the past, we would always see lower renewal rates when raising rents and it was hard to know exactly how much to raise rents even when the market was strong. Now, though, all landlords are in essence forced to raise rents by the maximum allowed by law, just to avoid falling behind.

Prior to rent control, some landlords would choose to hold off on increasing rents or keep the increases low to keep strong tenants, but doing so now is financial suicide as you can never ask for the increase again and it will take years to catch up to market if you fall too far behind.

Also, if you misjudge and ask too much then you simply have to find a new tenant at wherever market rate lies, which is a far better problem than being locked into an artificially low rate for years.

Evictions are taking longer to process than before, but are moving forward in a reliable but slow manner.

Evictions are slow and expensive, but sometimes necessary. What we saw during Covid was a complete roadblock to the process, as courts simply refused to process eviction cases for nearly two years.

Once Covid was over, it took a while to work through all the cases that had been piling up. Now that we are through all that, the next chapter in California is figuring out the impact of all the tenant protection laws that have been passed in recent years, and are still being passed, most notably “AB 1482” which is also known as the “Tenant Protection Act of 2019” or “TPA.”

At California West, we still have new clients come to us and inquire about how to get rid of long term problem tenants, whose tenancies are not working out for whatever reason.

The new client often assumes that ending the tenancy must require a traditional 60 day notice. Although that is true for exempt properties, the paperwork and magic words needed to perfect most exemptions are often lacking from the leases and rental agreements that we inherit and ending a bad tenancy is far more complicated than simply serving a 60 day notice.

In the olden days, the before-time, we could give clients some simple guidelines as to what needed to be done for us to help them end a bad tenancy. Basically, the rule was to serve a 60 day notice or, if you are in a hurry and the tenant is causing problems that we can easily prove, then serve a 3 day notice to the tenant. Now, though, there is a Byzantine maze of new and always changing laws that truly requires case-by-case analysis, usually with the help of an eviction attorney, all of which is necessary to end even the worst tenancies.

One of the challenges that we face once when helping our clients hire an eviction attorney has to do with the frustration that comes in dealing with complex court approved forms that attorneys must use, but that often get rejected by court staff without explanation and that must then be resubmitted or somehow brought before a judge. This adds expensive delay and ultimately results in eviction cases taking far longer to process than what we saw in prior years. Also, attorneys charge by the hour so staying on top of all this is a balancing act, as you don’t want to waste their time with unnecessary requests for detailed explanation.

The upside to being past Covid is that evictions are being processed and with enough tenacity they will eventually succeed when there is merit. However, the path to success is often to travel down a slow and winding road with the knowledge that getting to the final destination is usually an expensive 3-9 month journey, during which time the tenant is living rent free in the property.

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