



# Monthly Newsletter

February 2020

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## Rental market remains steady with resistance to price increases.

One simple way to quickly assess the rental market is to look at how long our list of available rentals is at any given time, especially in our Arroyo Grande office which tends to be less seasonal than our San Luis Obispo office.

For our Arroyo Grande office, in a good market we generally have a list that is 1-2 pages long. That office manages rentals from Santa Maria to Shell Beach. For the past couple of months, our list in Arroyo Grande has been hovering between 3-4 pages in length.

A list that is any shorter than 1 full page likely means that our prices are too low and we are not keeping up with market increases. A list that is longer than 2 full pages means we are having trouble renting at desired prices.

As of right now, although we are trying to achieve rent increases for our clients the market is turning us down in many instances and we are having to accept rents remaining at current levels.

The San Luis Obispo market is a bit more complicated because of the University and its academic schedule. Tenants tend to move only during the months of June - September. In light of that short rental season, we send early renewal offers to people and pre-lease every year by publishing a list of future available rentals. This year we published that list on February 1. Activity has been steady, units are renting, but we did not push rents this year and the amount of activity is merely steady, not as frantic as in some prior years.

The decision to maintain rents at current levels in San Luis Obispo seems to have been the correct approach this year. We also started pre-leasing earlier than ever before and that seems to also have been a good decision as we are capturing tenants who may have otherwise rented from somewhere else.

Really, the bottom line in all our markets seems to be that rents are remaining steady with little room for increase. That said, we will continue testing the market on a case by case basis and adjusting as needed.

## Online rent payments are becoming more popular.

Tenants are choosing to pay online with greater regularity. Each month we are collecting around 50-55% of rent payments via our online portal. The online portal offers free electronic check payments. There is a fee to our vendor for payment by credit card or debit card and we encourage tenants to avoid selecting that option so they do not have to pay the fee.

We also are able to receive money from property owner clients through our online portal and that is sometimes a convenient option.

For example, we are presently working with one of our clients on an improvement project and the client lives abroad. He is able to send us money through the portal that we can then forward to the contractor to make progress payments as the work gets done.

Many people prefer the option of paying electronically and that is working well for us as well.

## Slow leaks versus sudden bursts: it makes a big difference to your insurance company.

Water leaks happen and the resulting damage can be quite expensive to fix. We recently had a situation where a tenant moved into a home that we manage because the tenant's previous home had mold. Well, as Murphy's Law would predict, this home also ended up having mold and the tenant had to move out.

The first issue we found was in the master shower. There was some cracked tile that was allowing water intrusion. When we started peeling everything away it turned out that the problem was much greater than we could originally see. As it turns out, there was a previous leak that a prior owner had covered up more than actually fixed and that leak was resulting in further damage to the property. We also found evidence of elevated moisture levels in the guest bathroom, indicating some sort of leak there as well that the contractors are now having to diagnose and fix. This is becoming very expensive for the property owner.

To make matters worse, the property owner's insurance company is declining coverage for all this because the damage was from a slow leak and not from a sudden burst. Slow leaks are not covered, sudden bursts are covered.

The difference is that if an angle stop bursts and floods a home then that will likely result in coverage by your insurance company. However, if there is a crack in a tile that causes damage over time then that is not covered.

*Our client's insurance company is declining coverage for water damage because it was from a slow leak and not from a sudden burst. Slow leaks are not covered, sudden bursts are covered.*

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