CALIFORNIA WEST
real estate management

Monthly Newsletter

April 2013

In this issue

- **Watch for extra security deposit money that will have to be refunded in a few months.**
- **Rental market remains strong for AG office.**
- **Early pre-leasing results for SLO.**

Pay special attention to the monthly Assets and Liabilities Statement.

California West reduces turnover expense by collecting security deposits in advance of vacancy.

At California West, one of our priorities is to reduce the turnover expense for our clients.

An "invisible" expense that many property owners overlook, or at least under-appreciate, is the negative impact of vacancy on a property's overall cash flow. For example, if a unit rents for $1,500 per month, then that is basically a $50 per day expense for the property to sit vacant.

If it takes an extra two weeks to rent a property, then that is essentially an extra $750 expense. By comparison, many owners will justifiably want a prompt explanation if a plumbing bill comes in at $750 over expectations, but that is not as often the case with extended vacancy.

One way that California West avoids unnecessary vacancy is by marketing its properties before the current tenants move out. For our AG office, this typically means advertising units when we learn of an upcoming vacancy, which is usually thirty days in advance.

However, for our SLO office which deals with a lot of college rentals, we begin pre-leasing months before a unit comes available. In fact, we start our pre-leasing campaign in April for units that come available in late June through early September.

Since we collect deposits from new tenants as soon as they commit to renting, this means that our clients may collect security deposit funds **months** in advance of an old tenant moving out of a property.

At this time of year, we ask our clients to **pay special attention to the monthly Assets and Liabilities Statement** which is part of our standard monthly financial report. This statement tells you, among other things, whether you have received extra security deposit money that will have to be refunded to departing tenants in a few months.

Rental market remains strong for the AG office.

We are generally recommending rent increases when units become available.

For the AG office, the inventory of available houses in the $2,000 and up price point is very strong, with no currently available inventory and a waiting list.

For generally all units under management by the AG office, we are recommending rent increases when they become available.

That said, smaller units and ones in the Nipomo/Santa Maria markets are moving slower than ones in the Five Cities at higher price points.

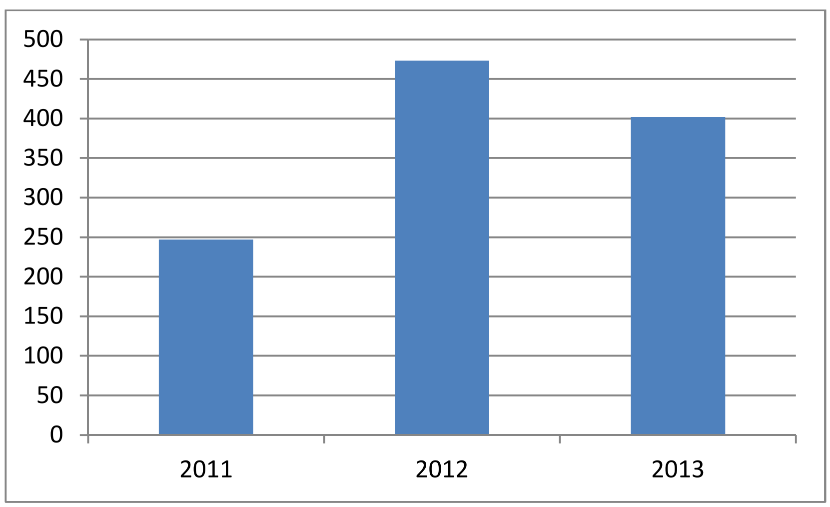
Early pre-leasing results for SLO.

The SLO market remains healthy but not overblown.

The pre-leasing results in SLO for the first three weeks of April are mixed. One way of measuring the results is by comparing the total number of applications that we received during that period with the same period in previous years:

Applications received

April 1 – April 21



The early results are obviously not as strong as last year, but they are still better than the pace in 2011.

We raised rents slightly this year on a number of homes, so this strength is in the face of increasing rents.

In short, the SLO market remains healthy but not overblown.

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