



Monthly Newsletter

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In this issue

- **Cal Poly currently houses 38 percent of its students on campus and hopes to eventually increase that amount to 65 percent.**
- **Governor Brown's water conservation order will impact rental housing.**
- **Property owners: pay attention to security deposit income.**

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On April 24, 2015, Cal Poly released a first look at its updated Master Plan. That Master Plan includes details on Cal Poly's future enrollment growth and its plans to build more on campus housing.

According to an article The Tribune newspaper on Saturday, April 25, about 38 percent of Cal Poly students currently live on campus.

These students include all freshmen and 60 percent of the University's sophomores. According to Cal Poly President Jeffrey Armstrong, as reported by the Tribune, Cal Poly's goal is to increase on campus housing to 65 percent of its total enrollment. That would include all freshmen, all sophomores, and 30 percent of upperclassmen.

Previously, in December 2013, Armstrong announced a plan to add 4,000-5,000 students while building a new 1,400 bed dormitory that he estimated would be ready by 2018-2019. Although the University has not yet broken ground, Armstrong remains optimistic that the University will indeed build those additional beds as planned and according to its original timeline.

With respect to admitting additional students, that seems to be underway. Cal Poly's total enrollment in Fall 2013 was 19,703. According to official enrollment projections released on March 5, 2015, Cal Poly's total Fall enrollment for the 2015-2016 academic year will be 20,527.

At California West, we see a very tight balance between supply and demand for housing in SLO. The slightest imbalance in either direction has a disproportioned impact on rents. For example, although total enrollment has increased only 4.18% since 2013, we have seen rental prices increase during that period in excess of 10%. Similarly, we saw falling rents in 2008-2009 when Cal Poly admitted fewer students and built more on campus housing.

Governor Brown's water conservation order will impact rental housing.

On April 1, 2015, Governor Brown issued an executive order for cities throughout the state to reduce water consumption by an average of 25 percent. From a property management perspective, there are a couple of consequences that will likely come from these efforts to reduce water usage.

California West often forwards security deposit money directly to owners, rather than holding it in a separate account.

First, tenants who rent single family homes will be less likely to adequately maintain lawns and will have more of an excuse to not do so. Those tenants generally pay their own water bills, so they will cut back on landscaping before they reduce personal consumption. Still, they will have incentive to also be smart about personal water consumption.

Second, tenants of apartment buildings will be less likely to conserve water because apartments do not usually have separate meters. Apartment owners may encourage tenants to reduce water consumption but generally lack any way to measure compliance. The only real option for apartment owners is to install more drought tolerant landscaping to reduce water usage.

We may even see the return of water police, which were common in the early 1990's when Cities were coping with a similar water shortage.

Property owners: pay attention to security deposit income.

As California West accepts security deposits from tenants who are pre-leasing for next academic year, this is a time when many property owners are receiving additional deposit income. We have not yet returned a current tenant's deposit, and sending our property owners money for the new deposit.

In other words, California West often forwards deposit money directly to owners, rather than holding it in a separate account.

So, if you receive more income than usual, please take some time to closely review your financial statements to make sure you understand where that money is coming from.

Otherwise, you may be rudely surprised in a few months when a deposit has to be returned to your current tenant.

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