



Monthly Newsletter

April 2020

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COVID-19 continues impacting operations at California West.

The full impact of COVID-19 will not be known for some time but the immediate impact remains extreme as the State and County shelter-in-place orders remain in effect.

As we reported last month, both of our offices are closed to the general public. Nevertheless, our office staff is still reporting to work for the most part. We are encouraging more vacation time as things are slow and we are requiring anyone who has any signs of illness to stay home. With those caveats, we remain fully staffed in the office.

Our maintenance department, on the other hand, is operating at only 50% capacity. We employ eight full time maintenance workers plus one maintenance supervisor and of that group four of the maintenance workers have been sent home and are without work except for sporadic small projects here and there.

In the office, the amount of time that we have had to spend on collecting rent was far greater in April than it was in prior months, which was to be expected. That said, collections trended at around 96% for most of April before settling at approximately 98% by the time of this newsletter. This is far better than many were predicting. Hopefully May collections go equally well.

On a positive note, people are generally behaving like reasonable adults. Our property owner clients have been patient with tenants, accepting our advice to work with them and be understanding of their needs. Tenants, meanwhile, have been similarly reasonable to work with on the vast majority of occasions. There are of course difficult people who try to take advantage of situations such as this and we have a handful of those tenants to deal with. So far, though, the number of truly difficult people has been small and manageable.

For our part, we have been liberally waiving late fees for tenants. Late fees are an income source for California West but one that we would happily forgo if it meant always receiving timely payment of rent. Our only requirement to waive a late fee in April was that tenants communicate with us in advance if they needed more time to pay. We waived late fees as a matter of course so long as that communication happened. Our goal is to make sure that tenants are applying for government assistance when needed and keeping us informed of their efforts to pay so we know what is happening and can keep our clients informed of what to expect.

COVID-19's impact on student housing in San Luis Obispo.

Many of the students at Cal Poly have left San Luis Obispo to stay with family during these tough times. Nevertheless, many still remain in San Luis Obispo. Driving through parking lots and looking at numbers of cars seems to indicate overall occupancy of around 25-50 percent. Using this same eye-ball test, it dipped to about 10 percent immediately following the shelter-in-place order but students have returned over time.

Reports from resident managers at some of the larger apartment buildings that we manage is that many of the units have lights on at night but are occupied by maybe only 1 person while there could be up to 4 people on the lease. So, while overall occupancy is only around 25-50 percent the number of occupied units is greater than that amount.

Our efforts to pre-lease for the 2020-2021 season remain at a standstill. We started our pre-leasing efforts at the beginning of February and were able to get about 50% pre-leased. The larger houses mostly got pre-leased and it's mostly apartments that remain, though we do still have some larger houses that will need to be filled once the shelter-in-place order lifts. The big question for student housing is whether the University will be conducting live classes in Fall 2020. If not, then that will likely have a substantial impact on demand for housing near the campus. The University has discussed various plans but has not yet decided on what will happen.

We have had some internal discussions about how to go about showing occupied units once the shelter-in-place order lifts but have not yet come up with any firm plan. Generally speaking, we do not want to place either our staff or our tenants in potential danger by entering homes with groups of people but we still need to get places rented. We will make sure to follow whatever precautions health professionals advise. We continue taking it day by day and waiting for the shelter-in-place order to lift so we can see how various approaches may work in actual practice.

COVID-19's impact on rental housing in the Five Cities.

In the Five Cities, our inventory of vacant units that are priced below \$2,000 per month are still getting rented. Our practice is to check out keys to prospective tenants and then let them apply for units by either emailing us an application or dropping one through our door slot.

Higher priced inventory, especially homes that are more expensive than \$3,000 per month, are getting pretty much zero interest right now.

We have remained surprisingly busy in our Arroyo Grande office with move-in and move-out work over the past couple of weeks.

Our efforts to pre-lease student housing in San Luis Obispo for the 2020-2021 season remain at a standstill.

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