



## Monthly Newsletter

May 2023

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### **Laundry rooms are more profitable when landlords own the machines and new technology eliminates the hassle of collecting quarters.**

Over the years, the traditional approach with apartment building laundry rooms has been to either lease an available space to a third party operator, who shares the revenue in return for being allowed to use the space, or for the landlord to operate a laundry room themselves. Either way, laundry rooms are usually a desirable amenity for residents, regardless of direct income to the landlord.

There is of course a cost to landlords for buying laundry equipment, but the biggest challenge has traditionally been with collecting, counting, and lugging quarters to the bank, which takes a lot of time and the amount of dollars in question makes it hard to justify paying someone to do the task.

On the other hand, when splitting revenue with third party operators, such as WASH or Coinmach or Dadson, you must trust that these companies will give you the agreed split even though none of them provide detailed reporting to explain their payment calculations. Often, they also require a lien on your property. You also have no control over machine maintenance when residents call to complain about a broken machine. Frankly, as a management company, it is easier to be in charge of calling a repair person because then we at least know the status of the repair and can more efficiently answer phone calls from tenants. If we have to rely on a third party operator then all we can tell residents is to call an 800 number.

Lately, though, there are new solutions because quarters are being replaced by payments via app. The two biggest providers seem to be PayRange and ShinePay. At California West, we have a number of clients who have invested in ShinePay devices for their laundry equipment. We have no experience with PayRange but have heard good things about them as well.

Older laundry machines with slide devices are not compatible with ShinePay or PayRange but newer electronic machines with digital displays are compatible. From what we are told, the best in class laundry equipment is made by Speed Queen and these new payment devices are added to the Speed Queen machines.

At California West, we will continue working with clients to make their property operations more efficient and profitable. Switching to new laundry technology is one such example.

## **Pre-leasing to students in San Luis Obispo is quite strong.**

In San Luis Obispo, we began pre-leasing our student rentals in February and are mostly done with all the pre-leasing, even after substantial rent raises.

Most of our larger apartment properties were able to achieve increased rents of 10% or more. In California, rent raises on existing tenants are not allowed to exceed 10% for multi-family rentals, but rates for new tenants are allowed to reach the market rate. As a result, if we had tenants who were locked in at below market rate last year, then we were able to raise those rates to market this year if the student chose not to renew, and that increase is sometimes much greater than 10%. On the whole, we are seeing increases of between 10-15% on many of the properties that we manage, after taking into account the higher rates from tenants who did not renew.

An interesting dynamic with student rentals is that rent control laws are less impactful to landlords because students will move around, even if the student renter has a favorable rent controlled rate. This is a blessing and a curse for landlords. Frequent turnover is expensive and so although the income is higher, so are the expenses.

Over the last couple of years, we have seen higher than normal renewal rates. Historically, it is common to see renewal rates for students come in at around 20%. Lately, though, we have been seeing greater than 50% renewal rates.

An exception to this is that single family homes near campus have much higher renewal rates because students are very reluctant to give up prime location and will usually find someone to assume their spot on a lease when they move.

## **Demand for non-student rentals on the Central Coast remains strong but finding acceptable tenants is a challenge.**

In our Lompoc and Arroyo Grande offices, our list of available rentals is shorter than normal at this time of year, and rent raises continue to be a theme, but the quality of applications that we are seeing is definitely less than we have traditionally seen.

On top of that, the need to be selective about tenants has never been greater. With just cause eviction laws now in place, it is very difficult to terminate a tenancy and so placing an applicant into a rental when that applicant might deserve a chance, but does not look good on all criteria, is now a very bad idea.

In the past, a borderline applicant could be approved and if it did not work out then we could serve a 30 or 60 day notice of termination and everybody could move on. These days, that's just not an option. Therefore, our clients must be very selective as to who they approve as tenants and we are advising them to pass on anything that is borderline.

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