



Monthly Newsletter

June 2013

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A short list of available rentals means a strong economy; a long list of available rentals signals a weak economy. By this metric, the local economy is stronger than ever.

The local economy is humming according to Carroll Pruett's rental barometer.

Over the years, Carroll Pruett, the former longtime President, CEO, and Chairman of Mid-State Bank, would give talks describing the state of the local economy.

In those talks, one of the barometers that he would often use to measure the strength of the economy was the length of California West's rental list.

A short list of available rentals means a strong economy; a long list of available rentals signals a weak economy. By this metric, the local economy is stronger than ever.

In the 30+ years that California West and its managers have been renting local property, the list for the 5-Cities and Santa Maria market is shorter than it has ever been. On top of that, we have more rentals under management than at any previous time.

In San Luis Obispo, one of our larger student apartment buildings is already entirely rented and another is very close.

In fact, in San Luis Obispo, California West is almost done pre-leasing its student units for next year. Last year, we began with 219 units available at the beginning of the season, and as of June 25 we had only 32 units remaining. This year, we began with 239 units available at the beginning of the season, and as of June 21 we have only 17 units remaining.

Finally, we have been seeing more sales of investment property to or by our existing clients. We are told that purchase and sale inventory is low, which means that buyers are apparently willing to bid for desirable properties.

In sum, it certainly appears from California West's perspective that the local economy is quite strong right now.

Beware of summer expenses in San Luis Obispo.

Now that most of California West's property owners in San Luis Obispo have rented their units for the coming year, the next step in the process is preparing those units for new residents, which is an expensive part of owning investment property.

Property owners in San Luis Obispo need to expect to pay for both direct and indirect expenses at this time of year. Direct expenses may include cleaning, painting, hauling, floors, appliances, window coverings, landscaping, and other problems depending on the property. Some of those direct expenses can be recouped as tenant charges, but not all. In light of these expenses, we encourage our San Luis Obispo owners to carefully review their monthly financial statements at this time of year.

The popular expression that "time is money" is very true when it comes to preparing vacant units for rent.

The biggest indirect expense is from vacancy.

To illustrate vacancy expense, on a \$1,000 unit, every day of vacancy equals \$33.33 in lost rent (\$1,000 divided by 30 days), which is money that will never be recovered. Delaying the turnover for even a few days can get very expensive, especially on higher priced units. A mere five days of lost rent on a \$2,000 per month rental equals \$333.33.

The popular expression that "time is money" is very true.

That said, the average number of days that California West needs to turn over a unit – and what owners need to budget for – is 7-10 calendar days.

Smokers: not a protected class.

For many years, California West has taken the position in our standard rental agreement that smoking is not allowed inside any of the properties that we manage. This policy arises because of the harm that smoking causes to the interior of a rental unit. In short, it can be very expensive to remove the odor and stains from long term smokers and we believe that requiring smokers to smoke outside is reasonable under the circumstances.

That said, there was always a possibility that a person could contend that smoking is a disability and therefore should be allowed. However, ever since January 1, 2012 the California legislature has expressly decided that smokers are not a protected class and that landlords may discriminate against them.

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