



# Monthly Newsletter

June 2020

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## The COVID-19 re-opening remains a work in progress.

On Tuesday, June 16 California West re-opened our doors to the public with added precautions to protect the health and safety of our staff and visitors. We have also partly re-opened some of the swimming pools at larger properties that we manage. This follows our decision in May to resume showings of occupied units. In short, we are slowly and cautiously re-opening for business.

To enter our office, visitors must wear a face mask and must sanitize their hands prior to entering. We are allowing only one group of people into our office at a time and our lobby areas have only limited access. We have six-foot spaced markers outside our offices for people to wait on before entering. The reaction from people has been mostly positive. There was one person who stormed away from our San Luis Obispo office when informed that he must wear a face mask to enter and also a few people have rolled their eyes but still complied with the policies.

For showings of occupied units, we continue to enforce our policy of one person at a time, a face mask required, and hands must be sanitized before entering. Waiver forms must also be signed. As for current tenants, there are a handful who are not comfortable with allowing us to enter their homes even with these precautions. In those cases we are not pressing the issue and are simply waiting until they vacate to do any showings. We are also not showing vacant units while our maintenance staff and vendors are working there.

Another issue that has come up during the entire re-opening phase of things is whether to re-open swimming pools at apartment buildings. We are re-opening those on a limited basis and by appointment but only where we have a full-time resident manager who can take reservations, watch people while they use the pool, and make sure that everyone practices safe social distancing and other precautions. We have had tenant complaints about this at properties where the pools are not yet open but in our estimation it is simply not worth the risk to prematurely open a swimming pool while COVID-19 is still spreading through the community.

All told, the re-opening continues with precautions in place and we do not expect to be fully back to normal until there is an effective and widely deployed vaccine so that the risk of spreading COVID-19 is no longer a significant issue in our area.

## **San Luis Obispo requires pricing adjustments for lower density living.**

Prices are generally stable throughout our Five Cities and San Luis Obispo inventory even with COVID-19 and all its impacts. That said, in San Luis Obispo one of the phenomena with student housing is that density fluctuates with demand. This is not unique to COVID-19, we have seen it happen in previous cycles when the University has either increased dorm capacity or reduced enrollment. COVID-19 no doubt presses this issue even more because living with fewer roommates is safer in times such as this.

*In a tight rental market students will pack as many bodies as possible into an apartment or house to keep the per person rent as low as possible.*

What happens in San Luis Obispo is that in a tight rental market students will pack as many bodies as possible into an apartment or house to keep the per person rent as low as possible. A two bedroom home may accommodate up to four students with two students per room. Students are more willing to share bedrooms in this manner to keep the cost of housing as affordable as possible. When conditions loosen up, though, students often reduce the density of their living situations as their budgets may allow. That same two bedroom apartment changes from a density of four persons down to two or three persons. Likewise with other configurations. We see more one person occupancy of one bedroom apartments as market conditions become more friendly to renters.

What we are doing to adjust to current market conditions is that we have begun pricing some of our apartment inventory on a per person basis. So, for example, a one bedroom apartment may rent for \$1,475 to two persons but \$1,325 if there is only one occupant. By taking this approach, we make sure to capture more of the renters who are looking for lower density options.

## **Application activity remains steady but the quality of applicants is deteriorating.**

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We have been noticing steady demand for housing as the economy re-opens. As we mentioned in prior months, the demand for sub \$1,500 units never really disappeared whereas demand for higher priced homes of \$3,000 and greater completely disappeared for a while. Lately, demand is back to pre-shutdown levels across all price points.

Nevertheless, the quality of applications that we are seeing seems to be deteriorating. More applicants are showing up with income from temporary sources and with credit problems. This is of course not unexpected.

We have to be far more careful on the employment verification side of things to make sure that an applicant's job is likely to continue and that income is not temporary. Credit quality and prior landlord references remain important as well but those checks are basically the same as always. The employment verification side of things requires more attention these days.