



Monthly Newsletter

June 2019

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Leasing efforts in the San Luis Obispo market continue to suffer from new inventory.

The San Luis Obispo leasing season is proving far more difficult this year than we have seen in recent years. By the end of June we usually have pre-leased all of the houses on our list but that is not true this year. This is very unusual. Houses are always very popular and get rented quickly but not this year. We still have a handful that we have been trying to pre-lease since April 1.

As for apartments, those are also proving to be difficult and pre-leasing is far behind its usual pace, with plenty of two bedroom and larger configurations still on our list. We often see one bedroom units still available at this time of year because smaller groups tend to be more common later in the season but the larger configurations should all be rented by now and they are not.

A recent informal survey of apartment buildings around town that one of our clients conducted reveals that most buildings are about 60% pre-leased, which is in line with what we are seeing at the larger properties that we manage. That number should be around 90% pre-leased based on past experience.

The most likely cause of this unusually difficult rental season is more inventory. Cal Poly University came online with 1,475 new beds last year and, equally important, there has also been a good amount of private construction as well.

In terms of private construction, it is not just the projects that we see when driving around town. We are also seeing a City planning department that is approving additional units in ways that would never have been possible in previous years. For example, we have one client who owns a building near campus, on Foothill Boulevard, and she is in the process of trying to obtain approval to add an additional 2 bedroom apartment where there is currently some storage space. In the past, this is the sort of request that would have been rejected immediately on the pretext of inadequate parking. But this client is past planning and is now in the building permit phase of her project. We've also seen more permits being allowed for the construction of "granny units" on single family lots. Again, this is the sort of thing that previously would never have been allowed but which is now being approved by the City.

These sorts of small developments are not too visible but they do add up and are likely keeping us from raising rates and renting units as quickly as we have in recent years.

Doorbell cameras and other modern surveillance devices pose unique issues in the context of rental housing.

At California West, we are starting to deal with privacy issues arising from modern surveillance gadgets such as doorbell cameras.

We recently had a situation where a tenant at an 8 unit apartment building that we manage was using a camera to record the activities of his neighbors. After he caught a teenage girl kissing her boyfriend in the parking lot and he shared that video with others we were forced to take action to stop him from engaging in such misconduct and we required him to remove his cameras.

If a tenant is engaging in unreasonable surveillance of a neighbor then that is a nuisance that our lease prohibits. Similarly, if a tenant installs a camera or some other device without prior authorization from us, then that is an alteration to the property that is also a breach of lease.

Our standard lease does not yet have anything that specifically addresses whether a tenant may install cameras or other surveillance devices and we are not inclined to add any specific language quite yet. For now, we prefer to continue relying on the general requirement that a tenant may not cause any sort of nuisance to neighbors and must get prior approval from us before making any alterations to a property. These two requirements seem to cover most situations that could arise while providing us with flexibility to deal with situations on a case-by-case basis. If we find ourselves dealing with the same issues time and again then we will have to come up with some sort of standard policy but that is not yet happening.

In a general sense, if a tenant is engaging in unreasonable surveillance of a neighbor then that is a nuisance that our lease prohibits. Similarly, if a tenant installs a camera or some other device without prior authorization from us, then that is an alteration to the property that is also a breach of lease.

There are situations, though, when it may be appropriate to allow a tenant to install cameras if the tenant requests to do so prior to installing the device and for a reasonable purpose. For instance, in a house with a private porch it might be proper to allow a tenant to install a doorbell camera to monitor package deliveries or for security reasons. Of course, we would want to make sure that the device is properly installed and that it will either be removed or not cause problems when the tenant moves out. But as long as the device is not a nuisance to anybody else and is serving a reasonable purpose we would probably recommend to our property owner clients that they allow their tenants to install such a device.

Modern technology will continue evolving and our general requirement that tenants may not cause nuisances and must get prior approval before making alterations to a property offers us the flexibility we need to deal with whatever situations may arise.

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