



Monthly Newsletter

July 2022

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We are excited to announce that on August 16, 2022 California West will be opening a new branch office in Lompoc. This will greatly expand our ability to effectively manage properties on the Central Coast of California, since property management is a business that requires a local presence. We will now have offices in San Luis Obispo, Arroyo Grande, and Lompoc.

The new branch office will be located at 119 E. Walnut Avenue, in the same location as where Wiser Property Management is presently operating. The broker for Wiser Property Management is Cathy Romain and she has decided to retire after 41 years in the real estate business and is referring her clients over to California West.

We will be folding the handful of units that we presently manage in Lompoc into those referrals from Wiser, which has a major presence in the Lompoc market.

To help operate this new branch office, we are welcoming some of Wiser's longtime staff to our team, including Ava, Mark, and Ricardo. Erica Cariaga (DRE Lic# 02154860) will be managing the new office and she has previously worked at our main office in San Luis Obispo. Derek Banducci is California West's responsible broker and he will oversee the operations in Lompoc as well as continuing to oversee operations at our Arroyo Grande and San Luis Obispo locations.

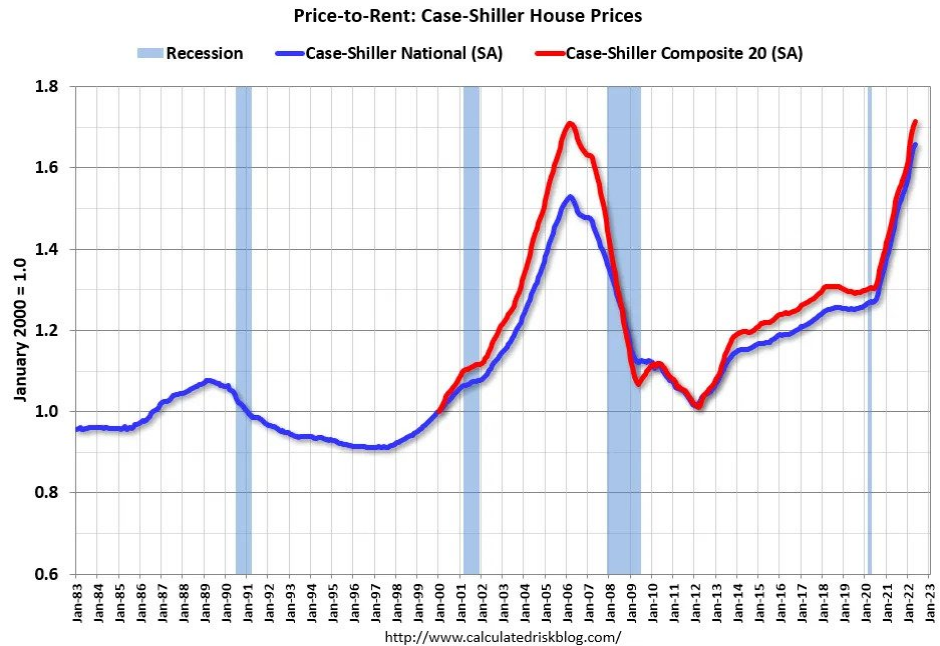
California West and Wiser have similar operations in that we both use the same property management software (AppFolio) and we have similar procedures in terms of when we distribute money to clients and when we prepare monthly financial statements. Our goal will be to make the transition from Wiser to California West as seamless as possible for all of Wiser's clients who choose to allow us to manage their properties.

Needless to say, we are very excited to work with new clients, welcome new members to our team, and to better serve our existing clients with a local presence in the City of Lompoc.

Price-to-rent ratio reaches a record high.

The price-to-rent ratio measures the historic relationship between home prices and rental rates. The ratio increases if the price of buying a home increases faster than the price to rent a home. And vice versa. The graph below shows the price-to-rent ratio since 1983.

In all likelihood, the price-to-rent ratio will correct itself with continuing strong demand for rental housing and a cooling off in the pace of home price inflation as rising interest rates stifle demand for home purchases.



As this graph demonstrates, in times of a “housing bubble” the price-to-rent ratio increases and in times of correction it decreases.

We saw a relatively mild increase in the late 1980’s which corresponded with a spike in home prices, followed by a fall in the ratio as home prices corrected but rents remained stable. The ratio then shot up markedly higher until the financial crises because home prices were rising astronomically while rents were basically tracking with inflation. When the financial crisis caused home prices to plummet, the ratio again corrected downward.

We now see that since the onset of the pandemic the ratio has again spiked higher.

The way for this to correct itself is either lower home prices, higher rents, or some combination of the two.

Recently, rents have been increasing at 20 percent per year on a national basis and the local market has been similarly strong, but home prices have been rising even faster. In all likelihood, this ratio will correct itself with continuing strong demand for rental housing and a cooling off in the pace of home price inflation as rising interest rates stifle demand for home purchases.

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