



Monthly Newsletter

August 2014

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The State Water Board has authorized water agencies to charge people who fail to conserve water up to \$500 per day for violations.

Water conservation becomes serious.

Within the past couple of weeks, California West has begun receiving notices from the City of Grover Beach Department of Public Works informing us that the City is “in a Stage III Water Shortage which requires all customers to reduce their water use by 10%.”

According to the notices, the consequence of failing to comply is “significant penalties on a future billing.” Prior to the penalties being assessed, however, there will be “the opportunity to discuss your particular circumstances.”

As a result of these notices, we are now sending letters to our residents in Grover Beach informing them of the new ordinance and reminding them that their lease and rental agreements obligate them to comply with all city ordinances, including this one. Furthermore, if there are fines assessed to our property owner clients then we will pass along those fines to the responsible tenants.

In other water conservation news, on August 20 the City of San Luis Obispo issued a press release stating that beginning on October 2 outdoor irrigation will be allowed only on Sunday, Tuesday, and Thursday for even numbered addresses and on Monday, Wednesday, and Friday for odd numbered addresses.

These requirements are in addition to statewide conservation requirements by the State Water Board, which are as follows:

- No washing down driveways;
- Excess irrigation runoff prohibited;
- Shut-off nozzle required when washing vehicles; and
- Potable water used in fountains must be recirculated.

Apparently, the State Water Board authorizes water agencies to charge violators up to \$500 per day for violations. There is no indication yet that any local agencies are going to quite that level of enforcement. According to the City of SLO’s press release, “fines will only be a last resort for those who ignore warnings.”

Rental market trends.

According to Reis Reports, which monitors nationwide apartment rental trends, the sector performance for the second quarter of 2014 was as follows:

- The national vacancy rate remained unchanged at 4.1% during Q2.
- Asking and effective rents rose by 0.8% and 0.9% during the quarter.

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Locally, we are seeing similar trends. The number of vacancies is relatively unchanged from the beginning of the year and we are raising rents as leases expire and tenants move out. For most units, as soon as we advertise them on Craigslist we get multiple phone calls.

In San Luis Obispo, a traditionally low income apartment building that we manage on the south end of town is changing from low income housing into a pricier building with multiple applicants whenever we turn over a unit. The apartments are in good condition, but they are next to the railroad tracks and usually not very popular except as a low income alternative to other more desirable options.

As always with residential real estate, price matters but considerable demand exists for well-priced housing.

Holding deposits and re-lease fees.

When tenants apply to rent a unit from California West, the unit may not be immediately available for rent. In fact, units are almost never immediately available in SLO because our student pre-lease program begins many months in advance of availability.

In our Five Cities office, by contrast, units are usually available within a few weeks of when we advertise them. We therefore accept a "holding deposit" from approved tenants in the Five Cities and hold those units until they become available. That deposit is a guarantee that the tenant will not have a change of mind.

In SLO, we require a full deposit and signed agreement to guarantee that the unit is rented. If tenants have a change of mind, then they are still responsible until we find a new renter and, in addition, our owners receive a re-lease fee to compensate for the trouble of re-leasing the unit.

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