



Monthly Newsletter

December 2016

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As in previous years, in January and February we will begin contacting clients who own properties in San Luis Obispo to discuss rental rates for the next academic year at Cal Poly beginning in September 2017. This is different from our strategy for other local cities where the student population does not drive the market. In those other cities, we generally have such discussions throughout the year.

Our strategy in San Luis Obispo is to discuss rates with clients, then contact tenants in late February. Finally, we put together a list for April 1 and begin marketing to new tenants the units that will be turning over during the summer months.

Even though this pre-marketing schedule may seem early to some people, we are actually one of the last property management companies in town to begin our program. Many competitors begin pre-leasing at the beginning of the calendar year. We feel that is a mistake because it leads to higher turnover.

With regard to rental rate recommendations, rates obviously depend on property condition, type, and location. However, a general rule of thumb for pricing units in San Luis Obispo is to figure out how many people can reasonably fit into a unit and multiply that by an appropriate rate. This year, the appropriate rental rate is probably \$800-\$850 per person.

For the past couple years we have been implementing very substantial price increases. However, this year we are more cautious because the market appears to be leveling off.

In late 2015, for example, we had no units on our available units list. That was the first time that had ever happened, at least since 1997, and we have more units under management than at any previous time. This year, however, we have seen a strong but healthier market. Our available units list remains an ordinary length and we seem to have caught up to market in terms of pricing. Therefore, we are optimistic about prices but not overly so.

Retain and use your December financial statements for tax preparation and look for 1099's in January.

One of the benefits of using a property management company such as California West is to receive financial statements at the end of every month and especially at the end of the year. The end of year statements are very useful when it comes time to prepare tax returns.

End of year financial statements are very useful when it comes time to prepare tax returns. Make sure to set them aside.

We encourage our clients to set aside their December financial statements for tax preparation purposes. In addition, we will send 1099's in January. The amounts that we state on those 1099's will correspond to the rental income that you see on the December financial statements.

Also, if California West is paying your property taxes and/or property insurance then those expenses will appear on your financial statements.

If you are paying those bills directly (or any other bills directly) then you will need to set aside that information with your December financial statements for use when preparing your tax return.

Finally, make sure to look for the 1098 form that you receive from your bank because it will show your interest expense for the year, and that will be an expense that you will want to report on your tax return as well.

San Luis Obispo's Rental Housing Inspection program faces new scrutiny in early February.

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Previous mayor Jan Marx, who voted in favor of the Rental Housing Inspection Program, had scheduled an agenda item to discuss the program in March. However, according to a news story in the San Luis Obispo Tribune, the newly elected mayor, Heidi Harmon, has announced that she wants to address the issue sooner.

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According to that news article, City Manager Katie Lichtig said a special meeting in early February would allow city staff time to prepare an updated evaluation of the program and address questions.

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There is also an ongoing effort by previous council member Dan Carpenter and others who are attempting to repeal the ordinance in its entirety through a special election. They are in the process of collecting signatures in support of that measure.

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