Monthly Newsletter

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San Luis Obispo office to stay open for extended hours during the pre-leasing season.

Beginning in the first part of April and continuing through the first part of September, California West will be open for extended hours from 10am until 2pm on Saturdays in San Luis Obispo.

In previous years, we have been the only management company in town offering extended Saturday hours and it helps us attract tenants who are visiting the area over the weekend.

On March 1, our San Luis Obispo office began pre-leasing at three of its larger student apartment buildings, the Garfield Arms, 555 Westmont Apartments, and 607 Grand Apartments.

Results are strong so far, with each of these properties asking higher rents and receiving historically strong rates of renewal. The renewal rate overall currently exceeds 20%, which for those buildings is quite strong because students tend to move around.

This early strength is indicative of a strong rental market that we have been experiencing for the past few years in both our San Luis Obispo and Arroyo Grande offices.

Starting on April 1, California West will begin pre-leasing all its properties in San Luis Obispo for the following academic year. Leases will begin in late June through early September and continue for the following twelve months.

We are presently contacting property owners to discuss their plans for the upcoming year and set renewal offer rates.

Larger houses near Cal Poly are always popular and the first to be rented. Smaller units and those furthest from Cal Poly tend to be the last be rented. Overall, we remain optimistic about the local rental market.

The four ways to make money from investment real estate

There are four general ways to make money from investment real estate:

1. Cash flow;
2. Capital appreciation;
3. Equity build-up; and
4. Tax savings.

The total return on your real estate investment equals the sum of your return from cash flow, capital appreciation, equity build-up, and tax savings.

Cash flow is the flow of cash to you from your property. If California West rents your property for $2,000 per month to a tenant, you pay operating expenses of $200, plus a mortgage of $1,500 per month, then your cash flow is $300 per month. In other words, there is $300 of cash that is flowing from the property to you. Cash flow is different from “net income” because it takes into account loan payments whereas “net income” would not take that into account.

Capital appreciation is the increase in the value of your investment over time. If you purchased an investment property for $500,000 and today it is worth $600,000 then the capital appreciation on your investment is $100,000.

Equity equals the market value of an investment minus any loan balance. If you have a thirty year loan with an original balance of $400,000 at 5% interest then the remaining balance at the end of 12 months will be 394,098. Even with no capital appreciation, you will have equity build-up of $5,902 in the first year of that loan because the amount that you owe will have fallen by that amount. At the end of thirty years, the equity build-up will total $400,000.

Tax savings from investment real estate include such things as the mortgage interest deduction and depreciation. Using the $400,000 loan example above, you will pay $19,866 in interest during the first twelve months of the loan and that amount is deductible as an investment expense. In addition, the value of improvements on the property can also be deducted over 27.5 years for a residential property and 39.5 years for a commercial property. There are important limitations to these deductions, so you should inquire with a tax professional for the finer details.

The total return on your real estate investment equals the sum of these four components.

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