CALIFORNIA WEST
real estate management

Monthly Newsletter

July 2017

In this issue

- **Summer is a strong time of year for tenant movement.**
- **Fremont Hall dormitory will not reopen in 2017-18 and Cal Poly enrollment is higher than expected.**

Summer is a strong time of year for tenant movement.

The housing market has some fairly predictable cyclical tendencies. For example, families traditionally prefer to move during the summer season so that their children can avoid disruptions during the school year. As a result, we are currently experiencing the strongest time of year for rental demand.

This is not to say that all other times of the year are weak. In fact, the only time of year that is predictably weak for rental demand is between the Thanksgiving and the New Year holidays. For obvious reasons, people try to avoid moving during the holiday season. That said, it still happens but there are definitely fewer people looking for rentals at that time of year.

All times of the year except around the holiday season are fairly busy but the current summer season is the busiest time for tenant movement.

One common motivating factor for tenant movement is increasing rent. In our Arroyo Grande office, we generally review rents twice a year, for increases on November 1 and April 1. Each property is generally on a one year cycle, so it gets reviewed for increases on either of those dates, but usually not both. In a fast moving market, as we had a few years ago, we may review rents twice a year but that is uncommon. We are currently experiencing a fairly steady market and annual reviews are most appropriate.

To time these rent increases to take effect on November 1 and April 1, we must send out notices of increase at least 30 or 60 days before, depending on whether the amount of increase is less than or greater than 10 percent.

Since rent increases often trigger some turnover, we tend to see elevated tenant movement in September/October and February/March as we receive notices to move from tenants in response to the rent increase notices that we send out.

Finally, other motivating factors for tenant movement have less of a cyclical effect. These include job relocations and life events such as getting married, having a child, or buying a home. These types of events are unpredictable and can happen at any time of year.

In sum, all times of the year except around the holiday season are fairly busy but the current summer season is the busiest time for tenant movement.

Fremont Hall dormitory will not reopen in 2017-18 and Cal Poly enrollment is higher than expected.

In San Luis Obispo, we are finishing up another strong rental season. Unlike other areas, the vast majority of tenant movement in San Luis Obispo takes place ***only*** in the summer months, during summer break.

The strong rental market is a function of higher enrollment, which increases demand for rental housing, and less inventory, from the temporary closing of the Fremont Hall dormitory, which decreases the supply of available rentals.

In February, the Fremont Hall dormitory was closed due to landslides and Cal Poly recently announced that it will not reopen the dormitory for the 2017-18 academic year since the dormitory is still threatened by an unstable hillside.

The 2018-19 academic year should see an additional 1,750 beds coming online at Cal Poly.

The Fremont Hall dormitory has 275 student beds and, in addition, Cal Poly estimates that it admitted anywhere from 750 to 1,200 more students than it was anticipating. Exact enrollment numbers for Fall 2017 are not presently known and media reports are conflicting. Cal Poly usually reports official enrollment numbers in late Fall.

With all of this in mind, next year will really test the strength of the San Luis Obispo rental market because in addition to the Fremont Hall dormitory probably coming back online, Cal Poly is also expecting to open a new dormitory at the front entrance on Grand Avenue that will house 1,475 students. Between these two dormitories, the 2018-19 academic year should see an additional 1,750 beds.

The full impact of those 1,750 new beds will, however, depend on whether Cal Poly chooses to enroll more students in anticipation of the greater rental capacity or whether it simply absorbs students from surrounding areas of town or some combination of both approaches.

In all likelihood, and based on previous experience, Cal Poly will probably enroll more students than it "expects" next year unless there is some sort of statewide budget crisis that requires enrollment reductions. A statewide budget crises seems unlikely at this time.

Therefore, in light of all this, we remain cautiously optimistic that next year will continue seeing a strong rental market but we will also be recommending a very cautious approach to rent increases next year because of all the uncertainty regarding beds and enrollment.

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