



Monthly Newsletter

July 2025

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New three-day notice forms are necessary in California after a recent court ruling.

On June 26, 2025, the California Court of Appeal changed the requirements for what must appear in a standard three day notice.

In the case of *Eshagian v. Cepeda*, the court ruled that a three day notice to pay or quit must “make clear by when and how [a tenant] had to pay the rent.” The landlord’s notice in this case was defective, among other reasons, because it did not expressly “specify the date on which the three-day notice commenced” but, rather, included a date “on the notice to the left of [the landlord’s] signature with no explanation.”

The Court ruled in favor of the tenant because “the notice did not state when the notice period commenced or ended, nor did it inform [the tenant] that the three-day period excluded weekends and judicial holidays.”

Traditionally, courts have allowed three day notice forms that merely state that the rent must be paid within three days of service of the notice, but which do not expressly state the commencement date.

This is a surprising decision because it establishes additional requirements for explaining to tenants the date by which they must comply with a notice. One of the most frustrating parts of this, at least from a landlord’s perspective, is that these notices are only served after a tenant has already missed a clear deadline.

The notice in this particular case had other defects as well. More specifically, the notice failed to “provide a clear address where rent could be paid” and except in its title “it did not state that [the landlord] would repossess the premises if [the tenant] did not pay rent prior to expiration of the three-day notice period.”

The takeaway from this case is a reminder that California landlords must always be careful in everything they do and must also prepare for surprising results from tenant friendly judges who change the rules whenever possible. At California West, we are of course updating our forms.

Market trends: Year-over-year rent increases in various Cities.

The rental market remains stable with annual rent increases but we are seeing softness in demand for student rentals in San Luis Obispo and will likely advise caution on rent raises to our clients when it comes time to offer renewals for the 2026-27 academic year.

Two issues of caution are on our radar: immigration enforcement and the state budget.

First, enhanced enforcement actions by Immigration and Customs Enforcement (“ICE”) officials have not yet hit our area to the same extent as in other parts of the Country. If major ICE operations do result in significant deportations in our area then that may have a noticeable effect on demand for rental housing.

Second, the State of California is experiencing budget problems and that is resulting in cuts to the California State University system's funding. Based on prior experience with how Cal Poly reacts to this sort of problem, it may mean less enrollment or more of a push to fully utilize on-campus housing, which generates revenue for schools such as Cal Poly.

This month, we are comparing rent for a 3 bed, 2 bath single family home in some of the cities where we manage properties:

San Luis Obispo Office

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Arroyo Grande Office

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Broker: Derek Banducci
DRE Lic. No. 01276163

3 bed, 2 bath (single family)			
	July 2025	July 2024	% Change
Arroyo Grande	\$2,525	\$2,455	2.9%
Grover Beach	\$2,330	\$1,915	21.7%
Lompoc	\$2,170	\$1,880	15.4%
Nipomo	\$2,630	\$2,535	3.7%
San Luis Obispo	\$3,480	\$3,005	15.8%
Santa Maria	\$2,545	\$2,270	12.1%

Many of our clients will raise rents to market rate at turnover, but not before. The actual percentage increase in rent is likely close to 3% in all markets, but since many of our clients prefer keeping good tenants at below market rents to limit turnover expenses. We advise our clients on what rents they can likely achieve at market and recommend based on their preferences. Every client is different and we do our best to tailor recommendations to each client's needs.