



Monthly Newsletter

June 2018

In this issue

- **The student rental market in San Luis Obispo is softening.**
- **The Five Cities rental market is steady.**
- **Tenants are adopting online rent payments.**

The student rental market in San Luis Obispo is softening.

The market for student housing in San Luis Obispo is showing unusual weakness in the face of an otherwise strong local economy.

Although we are still seeing year over year price increases for many student rentals, the amounts are small and we are beginning to lower rents on some units because they should already be pre-leased for the 2018-19 academic year but are not.

The softness that we are seeing is surprising because the overall economy is still performing very well. The employment rate in the County is at historic low levels and finding contractors and maintenance help is extraordinarily difficult. Everyone just seems busy.

The way we price student rentals is usually to figure the number of beds that a rental can reasonably accommodate and then multiply that number by whatever the market can bear on a per bed basis. This is different from how we generally price units in the Five Cities or Santa Maria market or even in non-student areas of San Luis Obispo.

Although we are still seeing year over year price increases for most student rentals, the amounts are small and we are beginning to lower rents on some units because in a normal market they should already be pre-leased for the 2018-19 academic year but are not.

Right now, we are told that Cal Poly is charging \$1,000 per bed for dormitories. Our inventory usually rents at a discount to the Cal Poly rate and we are seeing prices in the \$600-\$900 range. Lately, prices are landing closer to the low end of that range whereas in recent years rates have been closer to the high end.

All this said, we are struggling to figure out the reason for the recent shift in market conditions. The most obvious culprit is the new dorms that are being built on Grand Avenue. Those dorms will house approximately 1,400 students when finished and they appear as if they will most likely be ready for occupancy in Fall 2018.

The dorms will be for Freshman and Sophomore students but will free up space in other dorms where upperclassmen, who may have otherwise entered the rental market, will now reside.

In sum, the student rental market is softening in San Luis Obispo.

The Five Cities rental market is steady.

In our Arroyo Grande office, we are seeing a generally stable rental market. Year over year prices are steady to only slightly higher.

When units become vacant after longtime occupants move, we are often recommending modest rent increases because those types of units tend to be held just below market to retain good tenants. As for tenants who moved in recently, we are generally recommending renewals at current rates.

In the Five Cities, the overall economy remains strong and well priced units continue to rent up easily. However, we are definitely seeing that aggressively priced units, i.e. prices that test the market, are sitting without much interest until we make a rent adjustment.

The overall economy remains strong and well priced units continue to rent up easily. However, we are definitely seeing that aggressively priced units, i.e. prices that test the market, are sitting without much interest until we make a rent adjustment.

We have some clients who are more aggressive than others and we are constantly testing the market to see what rents we can achieve. We also monitor Craigslist to see what others are asking for similar properties. We then adjust our prices according to the feedback that we get from the market. Currently, the market is telling us to keep rents steady.

Another thing to note is that June - September is the best time of year to be renting properties because people tend to move during these months to avoid interrupting their kids' school schedules. As a result, there is better demand for rentals in the Summer months. With that in mind, we suspect that if rent raises are going to be achieved, this is the time to do it. Testing the market later in the year is usually less of a success.

Tenants are adopting online rent payments.

When California West upgraded our accounting software from a Windows version of Yardi Enterprise Express to a more modern Web based provider called Appfolio, one of the benefits was that we are now able to accept rent payments online. The service is free to use and we expect to see the adoption rate increase over time as more tenants learn of the feature.

Having implemented the online rent feature in January of 2018, we have seen our adoption rate slowly improve every month. As of May 2018, we collected 12% of our rents online. So far, we have not been marketing this new feature to tenants but rather are offering it as a courtesy to those who ask for the service.

The online rent payment service seems popular with those who are using it and we will continue suggesting it to residents as a convenient way to pay rent on time every month.

San Luis Obispo Office
1380 Broad Street
San Luis Obispo, CA 93401
Ph: (805) 543-9119
E-mail: slo@calwest.com

Arroyo Grande Office
145 S. Halcyon #H
Arroyo Grande, CA 93420
Ph: (805) 489-9400
E-mail: ag@calwest.com

www.california-west.com

Broker: Derek Banducci
CalBRE Lic. No. 01276163