



Monthly Newsletter

November 2017

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The fact that there is less demand for rental housing in November and December means that the market price for rentals at this time of year is usually less than market price in the summer months.

The holiday season is a slow time of year for rental activity.

The holiday season from Thanksgiving through the New Year is typically a slow time for rental housing. Nobody enjoys moving during this time of year, so the only people who do move are people who must for whatever reason. Everyone else postpones moving until some time after the New Year.

Along these lines, families tend to postpone moving until the the summer months to avoid disrupting school schedules for their kids. Similarly, college students in San Luis Obispo tend to move in the summer because of their academic schedule. Everyone else tends to move around at all times of the year except for November and December.

From a management perspective, we often try to avoid having properties come available in November and December by offering leases for a period that ends at another time, preferably in the summer. For rentals that are available now, and that we do not anticipate letting roll into month-to-month agreements, we will often recommend to property owners that we offer a six month lease rather than the more typical twelve month lease.

This approach is not perfect. The drawback is the risk of a quick turnover in six months if a tenant chooses to move at that time. However, that usually does not happen and it is generally better to take this risk than to have a property that always comes available during the holiday season. If we do go with a six month lease, then we contact the tenant before their lease expires and ask them to sign a twelve month lease at that time, to get it on a summer to summer cycle.

Another approach we take at this time of year is to advise our clients to reduce rates to attract more tenants. The fact that there is less demand for rental housing at this time of year means that market prices in December are often less than market prices in July unless rents are rising so fast that it offsets the seasonal differences. Adjusting expectations accordingly is often necessary to avoid expensive vacancy losses. Accepting slightly less per month is almost always better than suffering lengthy vacancy.

New disclosure requirements in leases and rental agreements take effect on July 1, 2018.

Disclosures. *More disclosures. Even more disclosures.* Welcome to doing business in the state of California.

New California legislation requires in every lease or rental agreement for residential property entered into on or after July 1, 2018 that landlords must make the following disclosures in addition to those already required by law:

Beginning on July 1, 2018, property owners must disclose to tenants that a rented property is located in a special flood hazard area or an area of potential flooding, if the owner has actual knowledge of that fact.

1. That the subject property is located in a special flood hazard area or an area of potential flooding, if the owner has actual knowledge of that fact.
2. A tenant may obtain information about hazards, including flood hazards, that may affect the subject property from the website of the Office of Emergency Services. The disclosure shall include the website address for the MyHazards tool maintained by the office.
3. That the owner's insurance does not cover the loss of the tenant's personal possessions and it is recommended that the tenant consider purchasing renter's insurance and flood insurance to insure his or her possessions from loss due to fire, flood, or other risk of loss.
4. That the owner is not required to provide additional information concerning the flood hazards to the property and that the information provided pursuant to this section is deemed adequate to inform the tenant.

At California West, we will be adding these new disclosures to our standard lease and rental agreement. With respect to the first of these disclosures regarding "actual knowledge" of whether a property is located in a special flood hazard area or an area of potential flooding, that is defined to include the following:

1. If an owner has received written notice from any public agency stating that the property is located in a special flood hazard area or an area of potential flooding.
2. If a property is located in an area in which the owner's mortgage holder requires the owner to carry flood insurance.
3. If an owner currently carries flood insurance.

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We encourage property owners to let us know if they have "actual knowledge" that their property is in a flood zone as set forth above or otherwise so that we may make the appropriate disclosure.