



Monthly Newsletter

November 2023

In this issue

- **Leasing slows at the holidays while pre-leasing for student rentals begins.**
- **Out of state property owners can obtain withholding waivers online.**
- **Rental rate increases are slowing but max rent increases are still advisable in many cases, to catch up with lower than market rents**

People try to avoid moving in November and December while they are planning events for the holiday season.

Leasing slows at the holidays while pre-leasing for student rentals begins.

As always, leasing is difficult at the end of the year as people are generally not looking to move around the holidays.

Of course, life events do happen and there will always be some demand for rental housing but, in general, people try to avoid moving in November and December while they are planning events for the holiday season.

The most popular time of year to move is in the Summer months when school is not in session. For families, this allows them to keep their kids in school for a full academic year. For college students, they do not care to move while busy attending classes. There is some movement for college students at the beginning of the year, but most leases are for 12 months which limits the availability of new housing. We are mostly working on lease assumption and roommate switches at this time of year.

In San Luis Obispo, we are beginning to make renewal offers to students for the 2024-25 academic year. Our goal is to notify students before they go home for the holidays, so they can discuss future living plans with their parents and give us an answer when they return.

The deadline that we typically give to student renters to respond is sometime in mid-January. For students who do not renew, we are then able to begin pre-leasing their units to new groups starting on February 1 each year. The bigger single family homes near campus are always the most popular to be rented and the ones that get pre-leased first in February.

Students will put together groups of renters and come to us with a full group to rent a 3-5 bedroom house. As those bigger homes get rented, we then see more interest in the smaller configurations of 1-2 bedroom apartments and condos.

So far, this year is likely to be a typical one all around. At present, we are seeing normal trends play out as expected.

Out of state property owners can obtain withholding waivers online.

As a property management company, we must withhold 7% of rents that we collect, minus management fees, and then forward that money to the Franchise Tax Board.

Property owners who reside outside the state of California, and for whom we collect rents, are subject to mandatory withholding rules under California law. Basically, we must withhold 7% of rents that we collect, minus management fees, and then forward that money to the Franchise Tax Board.

Here is a link to an explanation of the rules from the State of California:

<https://www.ftb.ca.gov/about-ftb/newsroom/tax-news/august-2020/property-managers-and-california-withholding.html>

Property owners who reside out of state may apply for a waiver online or through postal mail. Online is usually a more efficient process. Here is a link to the online website where that can be done:

<https://www.ftb.ca.gov/myftb/index.asp>

We will be contacting clients over the next few weeks whose waivers are set to expire at the end of the year and who therefore need to obtain new waivers, to avoid withholding.

San Luis Obispo Office

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

Arroyo Grande Office

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

Lompoc Office

119 E. Walnut Avenue
Lompoc, CA 93436
Ph: (805) 736-1293
lompoc@calwest.com

www.california-west.com

Broker: Derek Banducci
DRE Lic. No. 01276163

Rental rate increases are slowing but max rent increases are still advisable in many cases, to catch up with lower than market rents.

One of the side effects of the Tenant Protection Act of 2019, which imposed statewide rent control, is that it gives property owners an easy metric to use when raising rents and a strong incentive to keep rents at market levels.

Max rent increases are presently 9.2%, which is 5% plus 4.2% inflation. Last year, the max increase was capped at 10%. With inflation being what it is lately, we saw significant rental rate increases over the past few years and in many cases were not able to keep pace with inflation as we were limited in how much we could raise rents.

For those units where we have been forced to keep rents below market, our advice is to raise rents by the maximum allowed each year, to catch up with market rates over time. If a tenant is locked in at a substantially below market rate then there is strong incentive to never move, and therefore for the unit to remain under market for the foreseeable future, which greatly impacts the value of a property.