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November 3, 2009

Dear Valued Client:

I thought I'd take this opportunity to give you a brief update on the rental market in the Fresno/Clovis/Madera areas and let you know of a couple things affecting your rental property. Your reports for October 2009 are attached.

If your unit(s) is/are occupied consider yourself lucky. As I've mentioned in previous notes and letters, the overall rental market remains VERY slow. Two major forces are coming together to affect this. One is the usual seasonality. That is, people tend to not move in the fall/winter timeframe because of the approaching holidays, etc. Second is the economy. The uncertainty in jobs and other similar factors are making it so that if people don't have to move they don't. Moving to a new neighborhood or to a bigger house/apartment is almost considered a luxury in the current economic situation. Until the job market significantly improves (current unemployment in Fresno County is about 16-18%!) I'm not sure I see that changing. People losing their home through foreclosure (either as an owner or tenant) are always potential applicants but we don't see many of them anymore.

The factors I've mentioned above mean we have a relatively high vacancy rate. The phones are simply not ringing as much as we'd like and there are just not that many people out there looking for housing. These issues are causing some apartment communities to offer move-in specials. Dollars off rentals can sometimes be effective but when the specials include reduced security deposits we feel that's very short-sighted. Past experience tells us that when we reduce the financial criteria for initial move-in, we often have subsequent problems with rent payments. Competition for decent applicants means that we have to be attuned to the market price. That means many new tenants are paying lower rent than last year and some existing tenants are asking for reduced rent on a lease renewal. We'll continue to do all we can to eliminate or avoid a vacancy and, when reasonable, reduce rents to be competitive AND retain a decent tenant. We will continue to require 1-year leases on most initial move-ins and renewals.

Another issue we need to bring to your attention involves billing from some of our vendors. At this point I'm referring specifically to the Fresno Bee and Fresno & Clovis City Utilities. The Fresno Bee recently changed their advertising format AND their accounting software. The change went into effect in July 2009 and affected all subsequent billings. Since early August we have not had fully accurate bills. That means, for units vacant between June and September, we may not have either received bills or paid for advertising. After many calls and emails we finally received a very large batch of bills in early October. You'll see these payments reflected on your October's reports.

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Additionally, in some cases the billing from the Fresno/Clovis water departments were not received for the previous period. That caused double payments in October rather than have them spread out over a normal period. This also occasionally happens with our pool service and gardening vendors too. They either don't send their bills in a timely manner or they send them in in advance (e.g., billing for October in September or October.) Generally, service provider bills are not paid until the month after the service has been completed. In a perfect world each vendor would be paid on a monthly basis for work completed the previous month. Unfortunately, it doesn't always work that way. We apologize for any inconvenience this may cause you. We are very diligent about scrutinizing bills, keeping track of those anticipated, and paying all in a timely fashion.

Lastly, for those whose properties allow Section 8 tenants, let me just say "be patient." As a large bureaucracy (Fresno City and County Housing Authorities) they pay VERY slow and often the first payment for a new tenant is 2-3 months delayed AFTER their initial inspection. Please rest assured that we keep track of the balances and closely monitor them. The tenant is responsible for full rent up to the date of the inspection and for their portion after the inspection.

Because of the importance I place on the subject, I am reprinting a paragraph from my April 30, 2009 letter to clients.

"Without you as clients we do not have a business. We VERY MUCH appreciate that business and we strive to be responsive to your calls, inquiries, and concerns. I emphasize the importance I place on responding to you. Having said that, I ask that you please be patient with us during the last couple of days of each month and the 1st few of the next month. During that time we prepare these reports for you. I personally review each report and try to write a note on each. My objective is to answer all your questions BEFORE you ask them. In many cases the notes only contain "All is going well," etc. When something uncommon takes place (e.g., an unusual repair, a 30-day notice, etc.) I try to explain it so that the reports can stand alone and give you a complete picture of your rental. I do apologize for my bad handwriting – I try to write bigger to make it a little easier for you to read/understand."

Because of you, our valued clients, Fox Property Management continues to grow. My objective is not to grow so large that we lose the personal touch we strive to provide. We appreciate your referrals and I again thank you for your business and pledge to continue to manage your property as if it were my own.

On behalf of our staff we wish you and yours a very happy holiday season. Please call or email me if you have any questions.

Sincerely,

Terry A. Fox, CPM®

Owner/Broker

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Enclosures/TAF:ck