



Monthly Newsletter

December 2021

In this issue

- **Drought measures and mandatory conservation ordinances are starting to come back.**
- **Review of 2021 Predictions.**
- **Predictions for 2022.**
- **Occupancy Rates in Local Cities.**

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Drought measures and mandatory conservation ordinances are starting to come back.

Recent rains notwithstanding, California again finds itself facing drought conditions. When this happens, local water agencies impose conservation requirements that force residents to be mindful of water usage.

As of right now, the drought conditions are not nearly as bad as they were a few years ago, and late December rains were certainly helpful, but the past year was unusually dry and it seems as if drought is a constant concern on the Central Coast.

In an effort to detect water leaks quicker, the Nipomo Community Services District has adjusted its billing from every 60 days to every 30 days. This means that they will be reading meters more frequently and hopefully catching water leaks sooner.

In Arroyo Grande, the City has declared a “Stage 1 Water Shortage Emergency.” According to their website, this means that residences “will be required to reduce consumption by a certain percentage ... compared to the same billing period in 2020.” For residences who fail to comply, “[w]arning letters will begin being sent with the February and March 2022 billing.”

The City of Pismo Beach is under a “Moderately Restricted Water Supply” condition. Among other restrictions, outdoor irrigation is prohibited between 10am and 4pm and is permitted at even-numbered addresses only on Mondays and Thursdays, and at odd-numbered addresses only on Tuesdays and Fridays.

At California West, our standard lease requires tenants to comply with all such ordinances while at the same time being mindful of watering lawns and other landscaping as needed for proper maintenance. When there are drought ordinances in place, this often creates a very fine line of what is allowed and we do our best to encourage conservation without allowing our clients’ properties to deteriorate.

Review of 2021 Predictions.

1. **Pandemic will subside by Fall 2021.** Sort of right, sort of wrong. Omicron is here but things were looking better until recently. Businesses are mostly open and the pandemic seems to have entered a new phase. Cal Poly is conducting in-person classes.
2. **People return to the office but still use Zoom.** Sort of right, sort of wrong. Remote work is helping support higher rents, as people from SF and LA are able to work remotely on the Central Coast.
3. **Mortgage rates will rise but only slightly.** Right. 30 year fixed rate mortgages rose from around 2.75% to around 3.10%.

There is no substitute for face-to-face interactions but Zoom does have its place in a modern world and it's nice being able to share a computer screen while on a conference call or watch a seminar remotely. Zoom is not an adequate substitute for in-person academic classes.

Predictions for 2022.

1. **Rental prices continue to rise.** Inflation is finally making headlines and the Fed will do its best to hold things in check. Nevertheless, the Fed is unlikely to be able to hold down wages, given the tight job market, and higher wages should mean higher rents as people use those higher wages to bid up housing costs.
2. **Rent control will come in at 10% starting in August 2022.** Rent increases are limited to 5% plus CPI, not to exceed 10%. At present, the limit is 9% (5% + 4% CPI). When that gets adjusted in August, it will likely be at the max rate of 10%.
3. **Cal Poly will not go to remote learning at any point in 2022.** With Omicron surging, several colleges and universities around the country are switching back to remote learning. It seems very unlikely that Cal Poly will follow this trend.

Occupancy Rates in Local Cities.

Occupancy rates for local cities where we manage more than 20 units:

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
 DRE Lic. No. 01276163

City	December 2020	December 2021
Arroyo Grande	98.9%	96.9%
Atascadero	100.0%	97.1%
Grover Beach	96.5%	94.6%
Los Osos	95.7%	95.8%
Nipomo	96.4%	96.6%
Oceano	96.9%	96.9%
Pismo Beach	95.7%	91.1%
San Luis Obispo	95.6%	96.7%
Santa Maria	100.0%	98.4%
Shell Beach	100.0%	100.0%