



Monthly Newsletter

February 2023

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Higher interest rates are keeping homeowners in their homes but rentals remain mostly unaffected.

Reports from sales agents indicate that rising interest rates are causing homeowners to remain in their homes, to avoid losing the benefits of low rates on existing home loans.

This is resulting in a lower than normal inventory of homes for sale because people sell their homes today, they are unable to buy comparable homes at a similar price unless they are willing to pay a higher interest rate, which means higher monthly payments.

Of course, there will always be circumstances where some people always must sell a home because of life events (death, divorce, job relocation, etc.) but anyone who is on the bubble about moving has an economic incentive to not sell at the moment if doing so would result in paying a much higher interest rate for a same or similar home.

Furthermore, since most of these low interest rate home loans were taken out in recent years, the change in interest rate is still very noticeable. Over time, the difference in rate will become less noticeable to homeowners as their loan balances are paid down. As that happens, the monthly payments on new loans will not be as dramatically different as they are now and the benefit of holding on to that below market interest rate will diminish.

Some of our clients, who own investment property, have been asking us if we are seeing much impact in terms of increased or decreased demand for rentals as a result of rising interest rates. The answer to that question is "no," we have not seen any noticeable impact from rising interest rates on the rental side of things.

The rental market remains strong but seems to have leveled off in the past six months. Renters are still renters and homeowners are still homeowners. In short, there is not much economic impact to renters when interest rates rise or fall. If anything, the rising rates will make it harder for renters to buy new homes and more reluctant to make that investment as they anticipate, probably wrongly, that the price of new homes will come down in the near future.

Second Installments of property taxes were due February 1 and are late after April 10.

As always, our accounting staff at California West is busy paying bills from our clients' trust accounts and that includes property tax bills for many of our clients.

Please make sure to check your financial statements this month and confirm whether we have paid second installments of property taxes for you. If we have not, and you are expecting us to do so, please forward the property tax bill to our staff and we will make sure to get that paid from your account when funds are available for doing so.

If on your Owner Statement you see a property tax bill that is unpaid then that means we have a copy of the bill already but are waiting to collect rents from your tenants to be able to pay the bill.

If you have any questions, please do not hesitate to contact us for assistance or clarification.

Refusing to accept government subsidies is now on par with discriminating on the basis of race or religion or any other protected class

Reminder: Landlords in California may no longer discriminate against Section 8 tenants.

In 2019, the state of California passed a law prohibiting landlords from discriminating against Section 8 voucher holders. Basically, refusing to accept government subsidies is now on par with discriminating on the basis of race or religion or any other protected class.

The negative ethical and policy implications of this new law are of course hard to ignore, but as property managers we must follow the law and that means we cannot allow our clients to refuse to accept government vouchers.

Recently, we had a difficult situation where one of our clients was refusing to accept Section 8 applicants. We received a number of clearly unqualified applicants and the landlord refused them on grounds other than Section 8. Although we suspected unlawful motives it was moot because there were other clearly valid reasons to deny the rental applications. However, once we received a clearly qualified applicant who had no blemishes and the landlord could not articulate a legally acceptable reason to deny the applicant, we had to tell the client that their choice was to either accept the applicant or we couldn't work with them. This client decided to sell the home in question, and stop being a landlord, because accepting government subsidies is not something that this client wishes to do.

We understand and respect that decision and clearly wish the law was different than it is, but, at the end of the day, we must do as our wise legislature and governor demand.

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