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Demand for traditional rentals remains strong but finding qualified tenants is more challenging than normal.

Demand for rental housing remains strong, even during the traditionally slow holiday season. However, we are noticing in our Lompoc and Arroyo Grande offices that, despite strong demand, the quality of applicants is lower than we would like to see. Our clients are being forced to turn down more applicants than normal because people seem to be unrealistically stretching their budgets in an effort to find housing.

On a related note, both offices continue implementing significant rent increases on newly vacant rentals and more modest increases on occupied properties. The challenge from our perspective is to find a price point that attracts qualified applicants but that is not so low as to cause us to essentially conduct a lottery for applicants whenever a house or apartment becomes available.

There is a fine balance between pricing a rental home too low and being too aggressive. Our clients obviously benefit from higher prices and tenants benefit from lower prices and finding the correct balance is difficult in times such as we have right now.

Nationally, there have been some reports of weakening demand for rental housing but, even so, the pace at which prices rose over the past 12-24 months was so fast that weakening demand still means significant rent raises for people whose leases are expiring or who are looking for new housing.

Another trend nationally is that average household size has continued to fall while total household formations have risen. According to some reports, household formations are likely to level off or even decline in coming years, as the effects of Covid go away, while household size is unlikely to change course.

Finally, layoffs in the technology sector and demands that workers return to the office might also have an impact on local rental demand, as we did see more remote workers moving from the Bay Area to the Central Coast in recent years.

All things considered, rental demand remains strong and we are struggling to find where exactly the market rate is for most of the rental housing that we manage.

We are sending early renewal offers to San Luis Obispo student renters, for the 2023-24 academic year at mostly maximum increase rates.

Over the past month, our San Luis Obispo office has been working on reaching out to clients who own student rentals and working with those clients to make early renewal offers to residents.

In general, we have been recommending 10 percent rent increases across the board, especially for the apartments that we manage. This is the maximum increase that is presently allowed under California law and we are recommending maximum increases because we saw extraordinary demand when leasing up for the 2022-23 academic year.

In San Luis Obispo, we have generally been recommending 10 percent rent increases across the board, especially for the apartments that we manage.

Our goal is to have all our renewal offers out to tenants by early December, so that will give students plenty of time to discuss their options with family over the holidays. They will then have to respond to us by early January so that we may begin marketing any non-renewals on February 1, 2023.

The February 1 marketing list will be for housing units that come available in June and July 2023 and will be leased for the following twelve months.

Efforts to increase legal protections for tenants remain popular in Sacramento.

The amount of forms, paperwork, and legal landmines that we are now required to navigate in California is significantly greater now than it was when the Tenant Protection Act of 2019 was passed, just prior to the Covid pandemic.

With Covid seemingly fading from memory, legislative attention is now returning to the ever popular topic of how to make it more difficult and costly for landlords to own and manage rental property in California. This is of course a cynical perspective from the point of view of a cynical property manager, but it is nevertheless quite true.

A newly passed law limits a landlord's ability to collect unpaid rent through wage garnishments. In our experience, wage garnishment was rarely a cost effective way to collect rental housing debts but, still, the law does hurt landlords' ability to collect and makes the applicant screening process all that more important.

In addition, efforts to increase taxes on the sale of rental housing, to require a statewide rental registry, and to prohibit the use of credit reports when screening applicants were all defeated for the time being. Some or all of these measures will no doubt resurface next year.

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