



# Monthly Newsletter

November 2016

## In this issue

- **Election results: some comments on how election results may impact local real estate.**
- **Local rental markets are healthy: not too hot, not too cold.**

*Part of California's new marijuana law expressly allows property owners to discriminate against renters based on marijuana usage.*

## **Election results: some comments on how election results may impact local real estate.**

**National election.** The Republican sweep of Congress and the Presidency likely has mixed meaning for local real estate investors. Federal tax relief is obviously a big potential benefit. On the other hand, if the new administration follows through on its promise to crackdown on illegal immigration then one likely result of such a policy is higher costs to hire trades people who rely on illegal immigrants to keep labor costs down.

Also, in certain markets such as Oceano, Santa Maria, south Grover Beach, and some other local areas we may see downward pressure on rents resulting from fewer residents and therefore less demand for housing. This of course depends on the extent to which the new administration follows through on its campaign promise to deport illegal immigrants.

**Marijuana.** Marijuana was approved for recreational use by California voters. However, part of that new law also expressly allows property owners to discriminate against renters based on marijuana usage. As a practical matter, we are advising clients to continue prohibiting the use of marijuana because it is still illegal at the federal level and the new administration may choose to enforce those laws to an extent that the previous administration did not. If that happens, we do not want to be needlessly dragged into such a dispute. Also worth noting is the fact that there exists a 2005 Supreme Court decision which definitely states that federal law supersedes state law on the issue of marijuana regulation.

**Rental Inspection Housing Ordinance.** It appears that there is now a majority of elected officials on the San Luis Obispo City Council who are willing to repeal the Rental Housing Inspection Ordinance. The matter is currently on the City's agenda to be discussed in March of 2017, so that is probably when we will find out if the new City Council is actually willing to repeal the ordinance and how exactly that may be done.

## Local rental markets are healthy: not too hot, not too cold.

Former longtime Mid-State Bank CEO, Carroll Pruett, had an economic barometer that he would sometimes mention when giving talks about the local economy. Pruett would say that the length of California West's list of available rentals is a barometer of how well the economy is performing.

If our list is longer than usual then the economy is struggling whereas if the list is shorter than usual then the economy is doing well.

*As of right now, our Arroyo Grande and San Luis Obispo offices each have "ordinary" length rental lists. Not too long, not too short.*

Using that barometer, the economy is currently stable. As of right now, our Arroyo Grande and San Luis Obispo offices each have "ordinary" length rental lists. The list from each of our offices is about 1-1 ½ pages in length, which is a good length for this time of year.

If a list is too short then that usually means that the properties we manage are under-priced and if the list is too long then the properties are too expensive for current market conditions.

This arises because in a slowing economy our list gets longer as tenants' ability to pay declines. If tenants are less able to pay what we are asking for rent, the units on our list then sit vacant for longer periods of time. Similarly, in an expanding economy our list shortens as people are able to pay more for rental housing due to improving economic fortunes and therefore they immediately rent whatever we put on our list until we adjust rates higher.

On the topic of rental pricing, our clients each have different goals and investment objectives which means that we price each of the properties that we manage differently depending on the needs and wishes of our clients.

**San Luis Obispo Office**  
1380 Broad Street  
San Luis Obispo, CA 93401  
Ph: (805) 543-9119  
E-mail: [slo@calwest.com](mailto:slo@calwest.com)

Some clients prefer to push the market and achieve maximum rents whereas other clients prefer to lag the market and keep quality tenants in place for as long as possible. Still other clients prefer taking a more hands-off approach and leaving rental rate decisions to our professional discretion.

**Arroyo Grande Office**  
145 S. Halcyon #H  
Arroyo Grande, CA 93420  
Ph: (805) 489-9400  
E-mail: [ag@calwest.com](mailto:ag@calwest.com)

When asked to set prices at our own discretion, we usually recommend re-renting units at market rate while trying to keep current tenants at slightly below market to discourage turnover.

[www.california-west.com](http://www.california-west.com)

Whatever approach our clients prefer, however, we view our role as advising clients as to current market rates and helping our clients to achieve their goals, whatever those goals might be. With that in mind, we currently see a stable market and are recommending only modest rental price increases except in cases where a property is far behind market rates.

CalBRE Lic. No. 00528841