



Monthly Newsletter

November 2021

In this issue

- **Traditionally slow time of year remains strong but with more turnover than usual.**
- **Working through an eviction backlog is a process that will take some time.**

Surprisingly for this time of year, demand for rental housing remains strong and even more surprisingly this past month we have been getting an unusual volume of notices to vacate from tenants who have been longtime residents who rent from our Arroyo Grande office.

Traditionally slow time of year remains strong but with more turnover than usual.

As we mentioned last month, the holiday season of Thanksgiving through the New Year is traditionally a slow time of year in the property management business when it comes to turnover. People usually avoid moving at this time of year for obvious reasons.

Nevertheless, we live in unusual times. Surprisingly, demand for rental housing remains strong and even more surprisingly this past month we have been getting an unusual volume of notices to vacate from tenants who have been longtime residents who rent from our Arroyo Grande office. Tenants are moving for various life events.

For the units that are coming vacant, we still have plenty of qualified demand for housing, even at higher prices.

In a fast moving market, such as we have now, the dynamics are a little bit different than in slower times. The cap on annual rent raises for multifamily properties is presently 9% and there is no cap for single family homes. That said, for multifamily there is no statewide “vacancy control” which means that if a unit becomes vacant then we can charge market rate rent regardless of how much the prior renter was paying.

Rent control advocates are of course agitating in Sacramento and elsewhere to add “vacancy control” to their wishlist of rent control rules in California. The threat to landlords is not imminent but it is definitely something to keep an eye on going forward because as inflation takes hold people will become desperate to control prices in whatever way they can. Misguided legislative proposals are common in times such as these.

From an operations perspective, it is hard for us to approach a tenant and demand a rental increase of more than 9% and expect that tenant to stay, even if such an increase is allowed by law, because that is a big shock to any person’s budget. However, it is much easier to price a vacant unit at market rates and expect that anyone who applies is willing to pay the asking price.

Working through an eviction backlog is a process that will take some time.

We are just now able to process evictions again, as of October 1, and we are starting to get a better understanding of how that process works going forward. Basically, the biggest complication is that for nonpayment actions we have to certify that we've applied for rental assistance from the state of California and waited 20 days for payment.

We have only a handful of problem cases but those few problems are much larger problems than they would have been if we had been allowed to process evictions for the past year and a half.

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The thing about problem tenants is that they typically don't pay rent and that is one of the first problems that arises. In ordinary times, that is a relatively easy eviction case to win because it is easy to prove. A tenant has either paid rent or not. The much harder case is to prove that a tenant is causing nuisance to neighbors or otherwise breaching a lease. Those sorts of cases require lots of testimony and subjective determinations of who is telling the truth and also procedurally require giving the tenant notice of the problem, an opportunity to cure, and using all the appropriate legal forms when doing this.

Part of good property management has always been to enforce prompt payment because not only does that ensure that property owners get paid what they are owed but also it gets rid of bad tenants who will cause bigger problems if allowed to continue living in a property. Basically, it allows us to nip a problem in the bud when it is still relatively small, so to speak. Unfortunately, Covid messed this all up for landlords in California because we have been prohibited from evicting tenants for non-payment of rent until very recently, and even now the hurdles to succeed on such claims are far higher than before.

Not only do we have to deal with applying for state rental assistance and wait 20 days but we also are seeing more aggressive filings from local legal aid organizations who are slowing down the process and clogging the court dockets by filing what are called "demurrers" that challenge whether a complaint for eviction is correctly pled. If successful, the complaint must be filled out differently and re-filed.

Demurrers are a very common litigation tactic that mostly serve to drive up the cost and time of litigation.

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