



C.A.R. Business Meetings Report | 2023 Winter Meetings Report

Reporting Member: Scott Haigwood

Meeting Title: Investment Housing Committee

Meeting Date & Time: Wed, 02/08/23 8:00am

CAR Page/Meeting Agenda Link:

1. **Overview of Action Items: None**

2. **Opening Remarks-Tica**

- Potential for ADU's being placed under rent control. Local city governments have ruled that adu's in their municipality will fall within their rent control rules and eviction rules.(SF or LA?)
- LA has expanded Unjust Cause Eviction rules to SFR (which should be exempt) just 2 weeks ago.
- Investment property ownership can help bridge the Home Ownership Gap

3. **Oscar Wei, Deputy Chief Economist: Rental Housing Market Outlook**

- Last year there were signs the rental housing market was slowing down.
- Inflation is continuing to trend down. We may be past the peak and we are moving down. Still a ways to go. Are currently around 6.1 but will hit 2.8 by end of 2023 and 1.8 by end of 2024.
- Fed funds rate will level off in mid 2023 as inflation cools.
- Job growth accelerated but wage growth continued to soften, wage growth IS growing but at a slower rate than preferred.
- US economy solid end of 2022 but will be work Q1 2023.
- Things will slow because people are not saving as much. Saving rate is lower than pre pandemic numbers.
- Inflation at roughly 6% but wage growth at 4% makes it harder to save and puts more pressure on consumer.
- Consumer spending will pick up only because of higher costs not because of increased transactions.
- CEO/Leaders Confidence is declining, leaning towards mild to moderate recession. Likely 2nd to 3rd quarter.
- Mortgage rates likely to fluctuate between 6% and 6.5%
- CA Home sales have been declining by double digits. -44.1% decline YTY
- 2023 will be a tough year but not as bad as anticipated since rates won't be as high as expected. Supply will continue to effect price and home sales numbers.
- Housing affordability could improve a little bit.
- Vacancy Rate is rising as household formation slows and inventory rises. (Nationally)
- Negative Apt demand for first time since 2009.
- Apt. Rent declined for fifth consecutive month YOY(Nationally)
- Single Family Rent is growing at about 6% rate which is a slow down.
- Rent Price Growth has slowed down slightly.
- Cost of ownership has gone up slightly... 80% of owners reported an increase in their costs to ownership.
- Californians have improved on paying their rent on time.
- Short Term Rental Outlook: Will likely slow down
- Short Term Rental Listings increased more than demand.
- Renter households expected to increase by more than 20%

4. **Multi-family Issue Chair Ernie Ochoa**

- 2024 (3rd round) Proposed Statewide Ballot Initiative to Repeal the Costa-Hawkins Rental Housing Act backed by the AIDS Health Foundation. Large voter turn out is expected. Too early to advance a motion to take a position but they are monitoring. Please notify if we see anything at the local level.

5. Prop. Mgmt Chair Teresa Molina

- AB12 (Haney) Reduced Cap on Security Deposits
 - Current law allows landlords to require 2 months rent or 3 months rent (military personnel is 1 month or 2)
 - AB12 would prohibit and restrict security deposit to 1 months rent regardless of furnished or not.
 - CAR Opposes and is monitoring
 - Other states... 20 states have no limit. Some other states do limit to 1 month. California is in a moderate position.

6. Other business

- SB 267 (Eggman) Credit History Discrimination: Government Rent Subsidies
 - Repeat of bill last year
 - Seeks restriction of using credit reports in Landlords screening of tenants.

7. Hot Issue/Audience commentary: COPA: community Opportunities to purchase

- Proposed in San Jose, could spread: Non-profits to get first right to buy off market investment properties. Sellers must hold property (x units+) off market to allow nonprofits opportunity to purchase the property. There is a 10% of sale price penalty if that opportunity is not given.
 - *From San Jose City Website: "A COPA program would give a qualified nonprofit buyer the right to make a first offer on a residential property covered by the program that is up for sale. The purpose of COPA is to enable more properties to become restricted affordable, to the extent that City subsidies were available, and be owned by mission-oriented nonprofit organizations that would cooperate with the City to keep them affordable in perpetuity."*
 - Committee was asked to monitor as this is another step in the direction of reducing the amount of individual property owners and would move property into the hands of NGO's and corporations.

PROPERTY MANAGEMENT LEGAL OPEN FORUM 2023 NEW LAWS AND NEW AND REVISED FORMS

1. Landlords are not required to use an RTSR (Reusable Tenant Screening Report)
 - a. Free to Landlord but Landlord can't charge a screening fee if used.