



# “COUPLING”

## A NEW TREND FOR RENTERS

By Joseph DeCarlo, MBA, CPM, CCIM – JD Property Management, Inc.

**H**ow are tenants coping with higher inflation and higher rents on re-rented vacancies? They’ve been moving in with roommates, moving back home, and moving out of state, among other things. It used to be just families doubling up in rental units, but now we are seeing an increasing trend of roommates living together to reduce the overall cost of not just the rent, but also food, fuel, clothes, and other items that high inflation has caused. Single-family rentals, which used to be rented to families, are now being sought after by three or more roommates since those types of properties have more bedrooms. Two-bedroom apartments, especially with two-bathrooms, are also in high demand.

Renewal rates today are more than 70% due to rent control and eviction moratoriums. Few tenants move, so there are less units for potential renters to choose from. In other words, rent control and eviction moratoriums are driving up the cost of apartments and single-family homes that are being vacated in amounts of nearly \$300.00 to \$500.00 per month in some instances as there are no limits on rental rates for vacant units (e.g., vacancy decontrol). These higher rents being charged for vacant units cause a financial hardship for renters that are looking to improve their living situation. For example, there is little incentive for a growing family to move into a larger unit because the asking rent is substantially more than what they are currently paying [under rent control]. Instead, the family will remain in the unit. That is just one out of many, many examples.

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In Los Angeles, the city council, again voted to extend the local emergency for COVID-19, and along with that, it extended the eviction and rent increase moratoriums. These moratoriums remain in effect for another 12 months even after they are cancelled pushing their impacts into mid-to-late 2023, which is the earliest the moratoriums would end. That means there would be at least three and a half years of no rent in-creses or most evictions, which makes the vacant housing supply almost negligible. Additionally, landlords use vacancies as an opportunity to update their rental units for the next tenants moving in. Few to no vacancies mean that landlords will not have an opportunity to update their properties.

Despite moratoriums on rent increases, landlords have been getting annual property tax increases, water rate increases, trash hauling rate increases, electric rate increas-es, fuel cost increases and many other increases. If a landlord has an adjustable rate mortgage, the increase in their monthly mortgage payment may go up to 50% more than what they were previously paying. Landlords are becoming an endangered spe-cies that are being put out of business by local and state government through laws that restrict rental income, but not expenses. In other words, Los Angeles, and many parts of California are approaching the level of forcing housing providers into socialist rental housing.

What are some of the effects on the landlord with roommates and doubling up?

- More difficult and time consuming to review rental applications and credit reports.
- What happens when there is a dispute between roommates?
- What happens when one roommate pays their share and the other does not?
- How is a security deposit handled when only one of the roommates moves out?
- How should nuisance complaints be handled?

These very problematic trends are becoming more and more evident in the rental housing business. These trends are caused by high inflation, rent control and other governmental overreach such as moratoriums on evictions and rent increases. De spite housing demand, there are very few vacant units since it is more beneficial for a tenant to just remain in place. Fewer vacancies, among other things, drive up the cost of available rental units. Rent control only helps those that can stay in their units and is very bad for those that must move. The laws have created a two-tier rental rate system. One for existing tenants and another one for new tenants.

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