

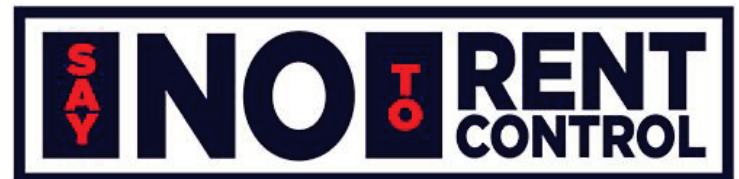
The Battle Over Rent Control

The battle for rent control is heating up at both the state and local levels. At the state level, tenant activist groups are lobbying for the repeal of the Costa Hawkins Rental Housing Act. This is the statewide protection that prevents local cities from implementing rent control on single family dwellings, new construction built after 1995, and allows for vacancy decontrol (i.e. allowing landlords to raise rents to fair market value once a tenant vacates a unit that is governed by rent control). Assembly Bill 1506 was proposed for the sole purpose of repealing Costa Hawkins. On January 11th, hearings for AB 1506 were heard at the Capitol building by the Assembly Housing and Community Development Committee. Over 400 rental property owners waited in line to voice their opposition to the bill before the committee. By the end of the day, the bill failed to pass. Thanks to all of you who showed up at the Capitol and stood united against a measure that would have greatly hurt California's real estate market. Our state is in a housing crisis primarily because supply has not kept up with ever increasing demand. If rent control could be applied to new construction and even single family homes, much needed construction projects would be shelved by builders and developers who can no longer pencil all the costs associated with new development. However, the fight is far from over. In just two weeks, activist groups gathered 100,000 signatures to put the repeal of Costa Hawkins on the November ballot. 365,880 signatures are required by June to place the measure on the Nov 2017 ballot. At the local level, tenant activist groups have joined forces with organized labor & socialist groups forming a united front that is lobbying the City of Sacramento to implement rent control. For more information on these activist groups, visit their website:

www.housing4sacramento.org

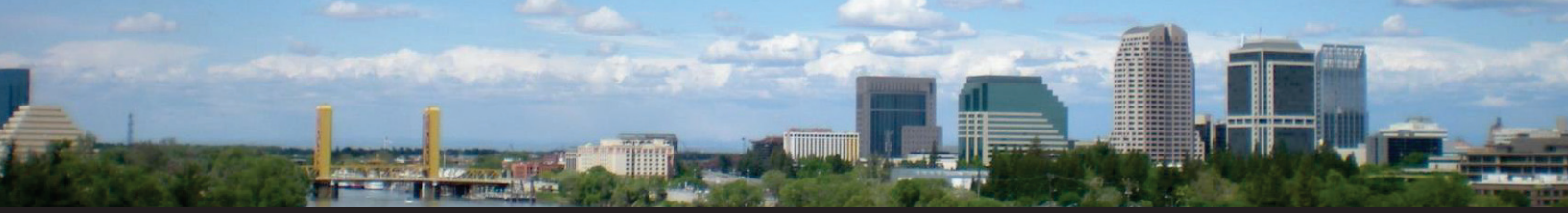
To prevent the implementation of rent control in the Capitol City, it is imperative for rental property owners to take coordinated action. The Sacramento Residential Housing Association has become a chapter

of the California Apartment Association now known as CAA Sacramento Valley. They are on the front lines of the rent control battle disseminating the latest news and calls for action. They are also raising money for the California Apartment Association Political Action Committee to lobby against rent control measures. We also recommend reaching out to the local Sacramento city councilperson leading the district where your rental properties are located. In addition to voicing your opposition to rent control for the obvious reasons of how this will negatively impact your business, it is advised that you also bring up the negative impacts for tenants and the city. For example, many landlords in Sacramento are charging rents far below market value because they have good, long-term tenants, or they have owned the property for years and now have no debt service, or various other reasons. Under the threat of rent control, many of these property owners will raise rents as high as possible in preparation for capped rent growth. This could potentially displace many good tenants. On the other hand, should Sacramento implement a form of rent control like the city of Richmond did last year by rolling rents backwards 17 months in addition to capping future rent growth tied to the Consumer Price Index, **fair market values of rental properties could see a drop of 20% or more!** This would greatly decrease the city's revenue generated from property taxes. If enough owners make logical arguments to our city council, hopefully it will help sway their decision when the time comes to vote on the implementation of local rent control.



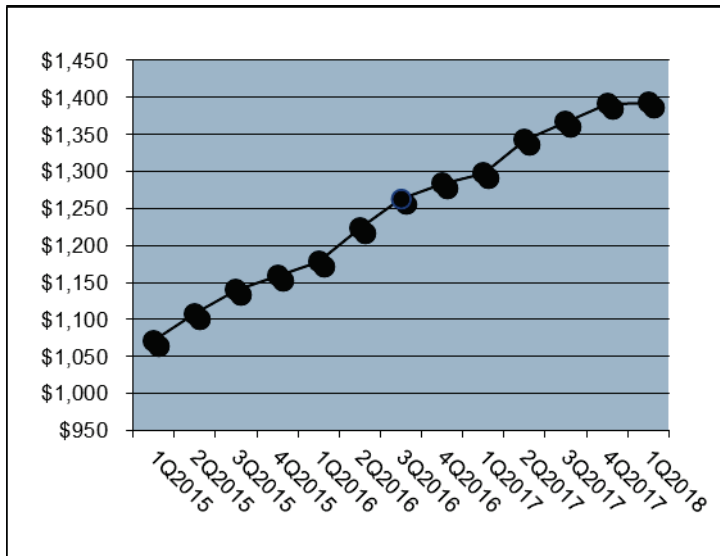
Article Authored by Shane Clark. Please feel free to contact me for more information on the Sacramento multifamily market.

~ John Gallagher

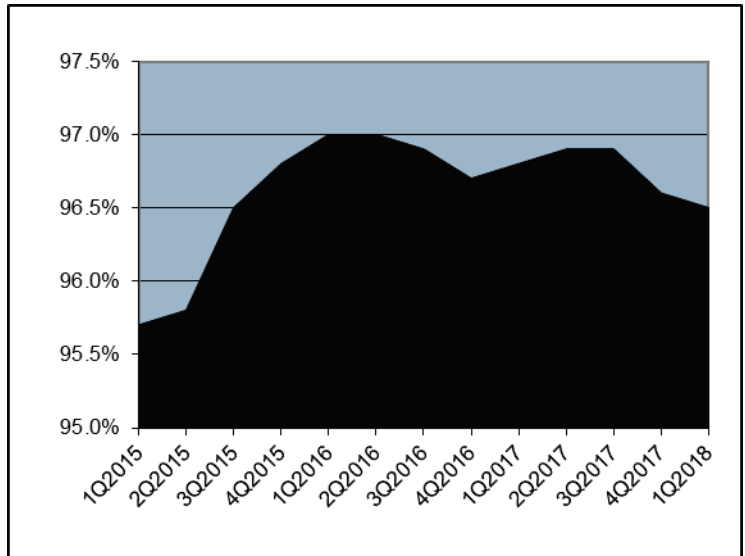


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Greater Sacramento Rents*



Greater Sacramento Occupancy*

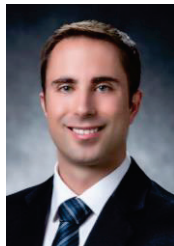


* Rents & Occupancy data is obtained through Yardi Matrix: Q1 in progress as of 2/21/18.

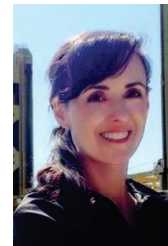
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If you would like to be added to our email database to receive our Available Apartment Report every month, please send me an email.

Sources may include: CoStar, Rosen Consulting Group, Yardi Matrix, REBusinessOnline, Sacramento Business Journal

