



# SAN LUIS OBISPO COUNTY

## SHORT-TERM VACATION RENTALS AND WORKFORCE HOUSING NEXUS STUDY







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# EXECUTIVE SUMMARY

- Communities throughout the United States are grappling with the rise of short-term rentals (STRs).
- These communities are weighing the benefits that short-term rentals bring against the perceived costs they generate.
- Opponents assert that STRs have a negative impact on local housing markets, that they create housing shortages and are driving up rents and housing prices.
- This study explores the relationship between short-term vacation rentals and housing affordability in San Luis Obispo County (SLO CAL) and its communities. The findings of the report are as follows:



## TOURISM IN SAN LUIS OBISPO COUNTY

- Visitors bring a significant amount of economic activity to San Luis Obispo County. Tourism accounts for nearly 10% of countywide GDP, generating \$2.15 billion per year in economic benefits.
- Following steep drops during the pandemic, hotel occupancy rates are on par with pre-pandemic figures, despite a 3.8% increase in supply, while nightly rates and revenue per available room (RevPAR) exceed pre-pandemic levels.
- Overall, the tourism industry in SLO CAL is crucial to the local economy. The enduring health of the hotel sector reveals that, rather than reducing activity at existing businesses, short-term rentals are providing additional lodging capacity, enabling more visitors to come to the region.

## SHORT-TERM RENTALS IN SAN LUIS OBISPO COUNTY

- Short-term rentals long pre-date the rise of online platforms like Airbnb and Vrbo, although the emergence of these services has added great demand to the STR market.
- Over the past ten years, the number of STR days reserved on these platforms has more than quadrupled, totaling over 40,000 by late 2022.
- There are almost 4,500 properties in the county that engage in STR activity in some way, although roughly one-third of these are not available for booking in any given month.
- The number of SLO CAL properties listed on STR platforms has increased eight-fold over the past 10 years, primarily in Paso Robles, Pismo Beach, and Arroyo Grande.

- Paso Robles accounts for a quarter of all short-term rentals in the community, followed by San Luis Obispo (10%).<sup>1</sup> Combined, the unincorporated areas of the county account for one third of STR rentals.
- Short-term rentals encompass a wide range of property types, from single-family homes to boats, providing visitors with a wide range of accommodation options.
- As of February 2023, roughly 86% of active listings (properties that are listed for short-term rentals) on STR platforms sought to rent an entire housing unit. In other words, few multi-family properties are listed as short-term rentals.
- Short-term rentals comprise an increasing share of Transit Occupancy Tax (TOT) revenues in the county, up from around 15% prior to the pandemic to 19% of the total since the beginning of the pandemic.
- One of the issues raised in the regional community of San Luis Obispo is compliance regarding short-term rentals. In general, most short-term rentals are compliant with local regulations.

## HOUSING IN SAN LUIS OBISPO COUNTY

- Like much of California, SLO CAL has seen limited growth in its housing stock over the last decade, adding just 7,796 units from 2013 to 2023, a 6.6% increase, slightly below the state average.
- Most housing units in San Luis Obispo County are single-family, with a higher share of single-family housing compared to other parts of California.
- In a community where the median single-family home costs more than \$800,000, the relative lack of multi-family housing limits the ability of low-income workers to live in the community.
- Like many parts of California, SLO CAL is in the midst of a housing accessibility and affordability crisis.
- In the first quarter of 2023, just 12% of households could afford a single-family home in SLO CAL, at current market prices.
- High housing costs mean that lower-income households have to devote a significant portion of their incomes to housing, move further away from job centers, or move to lower-cost areas of the state or country.
- In San Luis Obispo County, 92% of households earning less than \$20,000 are rent burdened, meaning they spend over 30% of their household income on housing.
- It is widely agreed that limited housing supply in the face of strong demand is the primary driver of high housing costs, and that to solve the housing affordability crisis, more housing is required.

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<sup>1</sup> These figures are based on a city identifier provided by AirDNA. The data provided by AirDNA includes approximate (not exact) coordinates for the property. It is possible that these fields consider properties outside of the city limit. Matching the property based on its coordinates suggests Paso Robles comprises 12.4% of active properties, while City of San Luis Obispo amounts to roughly 6.5%. Please see the table in the appendix.

# THE RELATIONSHIP BETWEEN SHORT-TERM RENTAL ACTIVITY AND HOUSING MARKETS

- For STRs to affect housing affordability in a community, two things should hold true. First, STR activity should reduce the supply of housing in a community. And second, STR activity should specifically remove lower-income housing from the market.
- Across the county, around 2.7% of the housing stock is devoted to STR activity. Active listings account for around 2% of the total housing stock in SLO CAL.
- Across Grover Beach, Paso Robles, the City of San Luis Obispo, and the unincorporated areas of the county<sup>2</sup>, more than one in five listings (22.3%) are non-compliant.
- It is unlikely that all housing currently devoted to STR activity would be converted to long-term rentals, and therefore increase local housing supply, in the absence of STR activity.
- Many STR properties in SLO CAL are second homes. Removing all STR activity, therefore, would not necessarily lead to a 2-3% increase in housing supply since it is likely that many of these units would remain vacation homes for property owners.
- Based on the best available research, converting all short-term rental properties in the community to long-term rentals would effectively reduce rents by less than 1%. This changes very little if non-compliant properties are included.
- STR properties across SLO CAL are typically larger than those in which lower-income households reside. On average, STR properties have 3.4 bedrooms, while lower-income households typically live in much smaller properties.
- STR properties in SLO CAL have an average value of more than \$1.2 million, far beyond the reach of lower-income households.
- Overall, STR activity is occurring in the wealthiest, least affordable parts of the community, home to few low-income households.
- If STR properties were converted to long-term rentals, based on prevailing market prices, households earning \$100,000 would only be able to afford 5% of the properties listed as STRs.
- If local leaders are seeking to increase housing supply in their communities, there are more direct ways to achieve this by zoning for more housing.

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<sup>2</sup> Compliance status is not available for Pismo Beach, Arroyo Grande, Atascadero, and Morro Bay.



# INTRODUCTION

San Luis Obispo County (SLO CAL) is located on California's Central Coast. In a state that offers an abundance of tourist destinations, SLO CAL more than holds its own. Visitors are drawn to the region for its beautiful coastline, charming communities, bountiful vineyards and first-class restaurants. On average, around two million tourists visit the San Luis Obispo County each quarter, generating an annual economic impact of \$2.15 billion. The county's Leisure and Hospitality industry<sup>3</sup> directly employs around one in six workers (17%), which is around 50% higher than the statewide figure.

Short-term rentals are an increasingly popular choice of accommodation for travelers throughout the United States. With the growth of online platforms such as Airbnb and Vrbo, visitors have an enormous range of accommodations to choose from. However, communities are grappling with the growth of these platforms and are increasingly focused on how best to appropriately incorporate STR properties into their existing regulatory and fiscal framework, and to better understand the role they play in local economies and housing markets.

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<sup>3</sup> Leisure and Hospitality consists of two sectors: Arts, Entertainment, and Recreation (NAICS 71) and Accommodation and Food Services (NAICS 72).

The rapid growth of the STR market has generated both supporters and opponents in the seven incorporated cities and unincorporated communities in SLO CAL. Supporters point to the popularity of STRs with visitors, and the ability of homeowners and tenants to generate additional sources of income. STRs provide a range of lodgings, sometimes in places where there are few alternative options. Opponents worry that STRs are changing the character of neighborhoods and leading to housing shortages, which in turn drive up rents and house prices in local communities. Of particular concern is how low-income households might be affected by the rise in STR activity.

This research study tackles one aspect of the debate surrounding short-term rentals: whether there is a relationship between short-term rental activity in San Luis Obispo County and housing affordability for low-income residents. The report relies on short-term rental data obtained from AirDNA, a leading provider of comprehensive short-term rental market data. AirDNA aggregates data from various sources, including major vacation rental platforms like Airbnb and Vrbo. AirDNA data measures key short-term rental metrics such as occupancy rates, average daily rates, revenue trends, and property characteristics dating back to October 2014. The analysis also uses Host Compliance data provided by Granicus, which tracks short-term rental compliance at the listings level. The research team also held a focus group with STR property management owners in the region to better understand the short-term rental environment across SLO CAL communities.

The data provided by AirDNA and Granicus differ in terms of their unit of measurement. AirDNA's data is reported at the property level, whereas Granicus presents data by listing. This distinction is important since it impacts the interpretation of the figures. In the case of AirDNA, their data captures information specific to unique properties. If a property is listed on multiple platforms, it would still be counted as a single property in AirDNA's dataset.<sup>4</sup> Granicus' data is measured by listing, which means that a property can be listed on multiple platforms. For example, a property may be listed on both Airbnb and Vrbo simultaneously, resulting in multiple listings for a single property.

This study has two primary goals. First, to provide data and empirical analysis to help inform stakeholders and policymakers in San Luis Obispo County and its communities about the nature of the local STR market. Second, to understand the relationship between STRs and the broader housing market in the county and its communities, and to assess the impact of STR activity on the supply of housing for low-income members of the community.

The study is divided into four primary parts. Part One establishes the importance of the tourism industry to the county's economy. Part Two traces STR activity in the county and its communities over the past decade. Part Three assesses the local housing market and housing affordability in the community. Finally Part Four analyzes the relationship between STR activity and housing affordability throughout San Luis Obispo County.

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<sup>4</sup> For more information see <https://enterprise-help.airdna.co/hc/en-us/articles/14527029817869-How-AirDNA-Identifies-Duplicate-Listings#how-airdna-identifies-duplicate-listings-0-0>

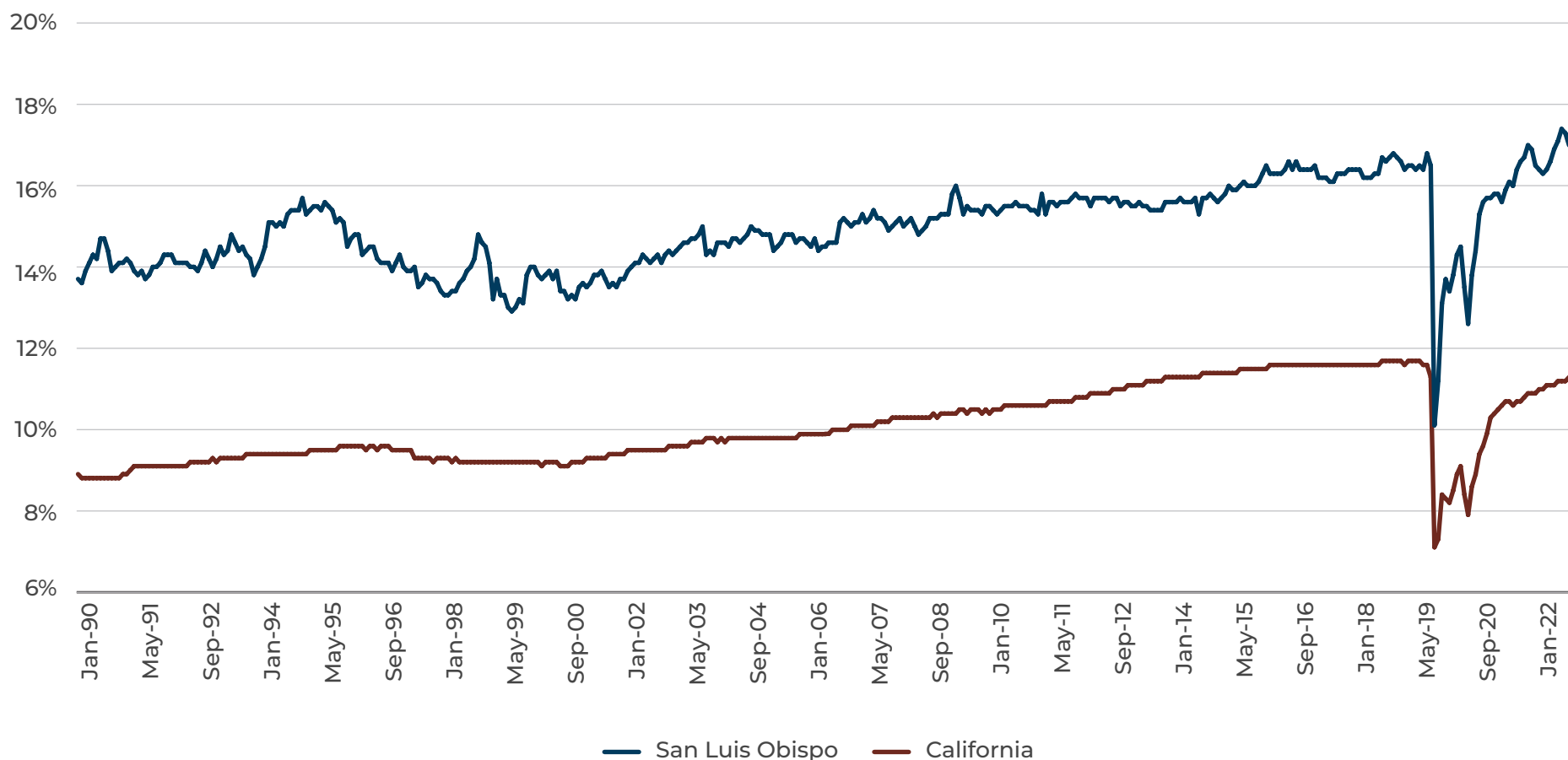


## PART 1: TRACKING VISITOR ACTIVITY IN SAN LUIS OBISPO COUNTY (SLO CAL)

Tourism is an important industry to SLO CAL's economy. This is borne out by a number of different metrics. The county's Leisure and Hospitality industry<sup>5</sup> directly employs around one in six workers (17%). In the State of California, the industry employs around 11% of the total workforce. With respect to real GDP, the industry is similarly around 50% more important to the county's

economic output than it is to the state's economy. When the impact of leisure and hospitality is extended to include tourism's total impact, tourism accounts for nearly 10% of countywide GDP. The following analysis reveals the health of the tourism industry in SLO CAL.

### Leisure and Hospitality as a Percent of Non-farm Employment

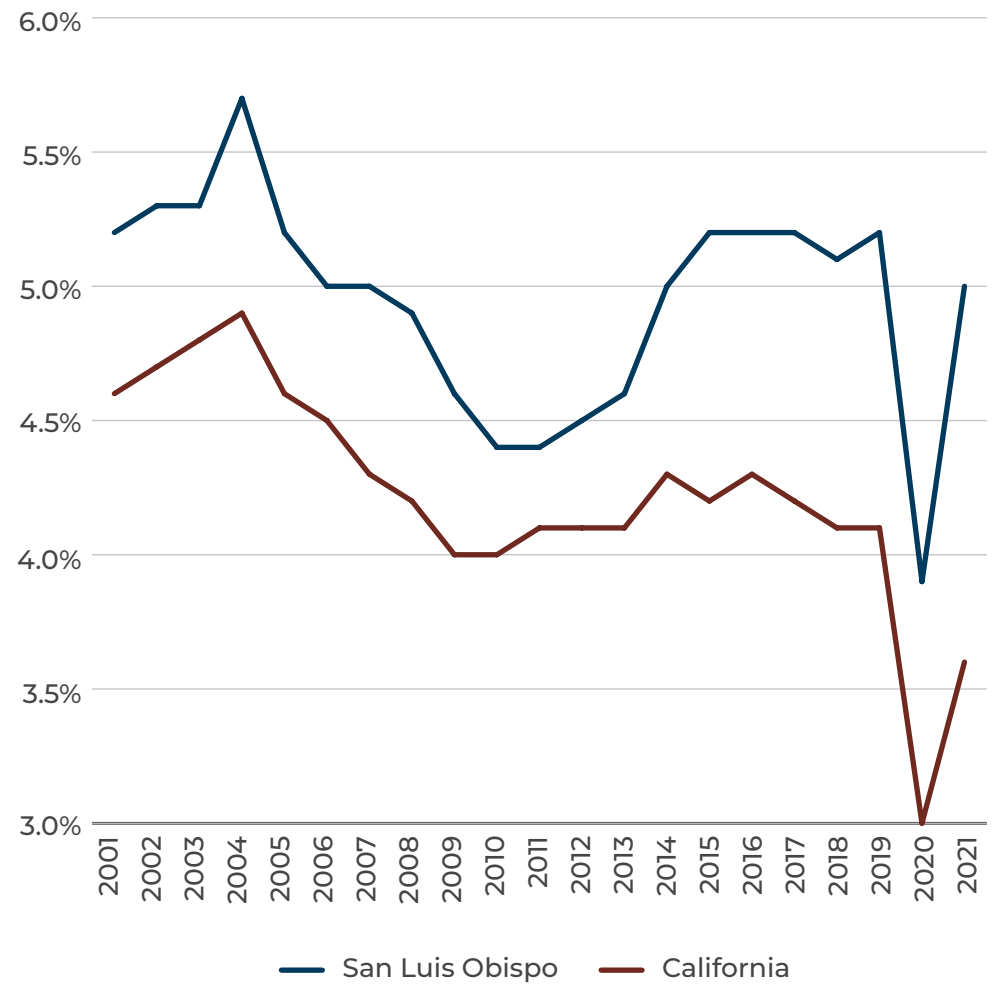


Source: California Employment Development Department, US Bureau of Labor Statistics; Analysis by Beacon Economics

<sup>5</sup> Leisure and Hospitality consists of two sectors: Arts, Entertainment, and Recreation (NAICS 71) and Accommodation and Food Services (NAICS 72).



## Leisure and Hospitality as a Percent of Real GDP



Source: US Bureau of Labor Statistics; Analysis by Beacon Economics

## VISITORS TO THE REGION

The tourism industry was hit especially hard by the pandemic, as regulations constraining in-person activity and travel restricted the number of visitors to the region by nearly two-thirds. The number of visitors to the SLO CAL region is now roughly equal to pre-pandemic figures. The continued influx of visitors has helped support the recovery of Leisure and Hospitality employment in the county. Employment in Leisure and Hospitality in the County of San Luis Obispo is now 4.4% higher than it was before the pandemic. Statewide, employment in this industry was still 0.5% below pre-pandemic levels in May 2023. In fact, Leisure and Hospitality payrolls have expanded at a faster rate than total employment, which now stands 1.2% above February 2020 figures.

Total Vistors to San Luis Obispo County in Millions

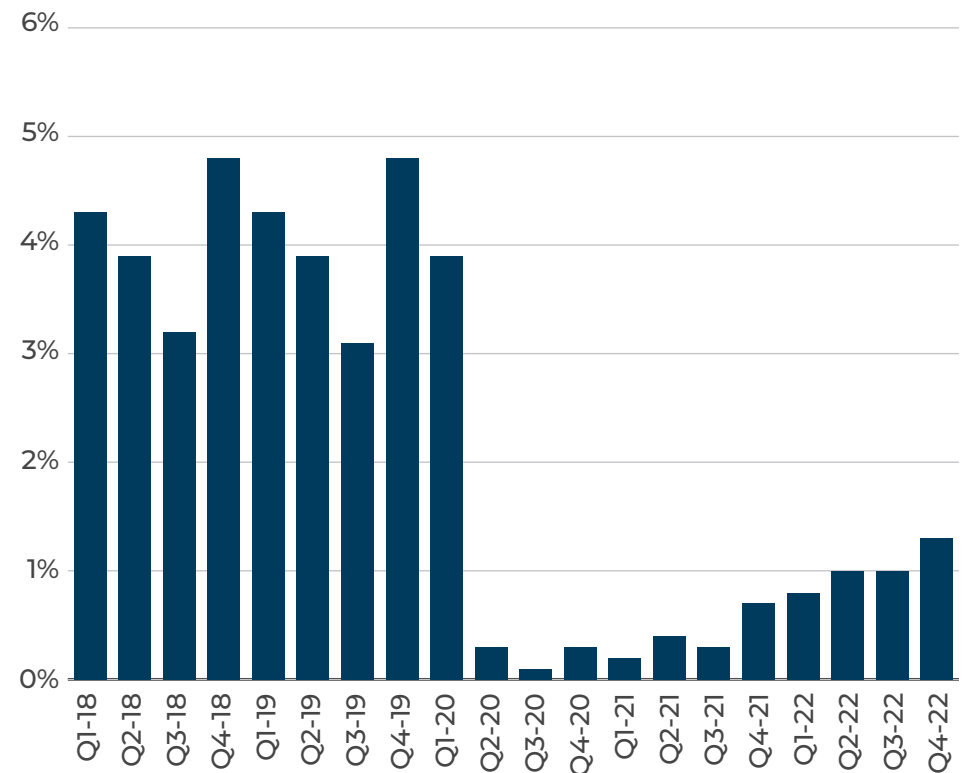


Source: Tourism Economics; Analysis by Beacon Economics



The primary driver of this recovery is domestic travel, with foreign travel yet to fully rebound. While the proportion of international visitors has risen slightly since the height of the pandemic, growing to just over 1% of total visitors, it is still significantly lower than it was before the pandemic, when it hovered around 4%. The lion's share of visitors to SLO CAL travel from within the state and tend to come from the Central Valley and Southern California.

### International Visitors as a Percent of Total Visitors

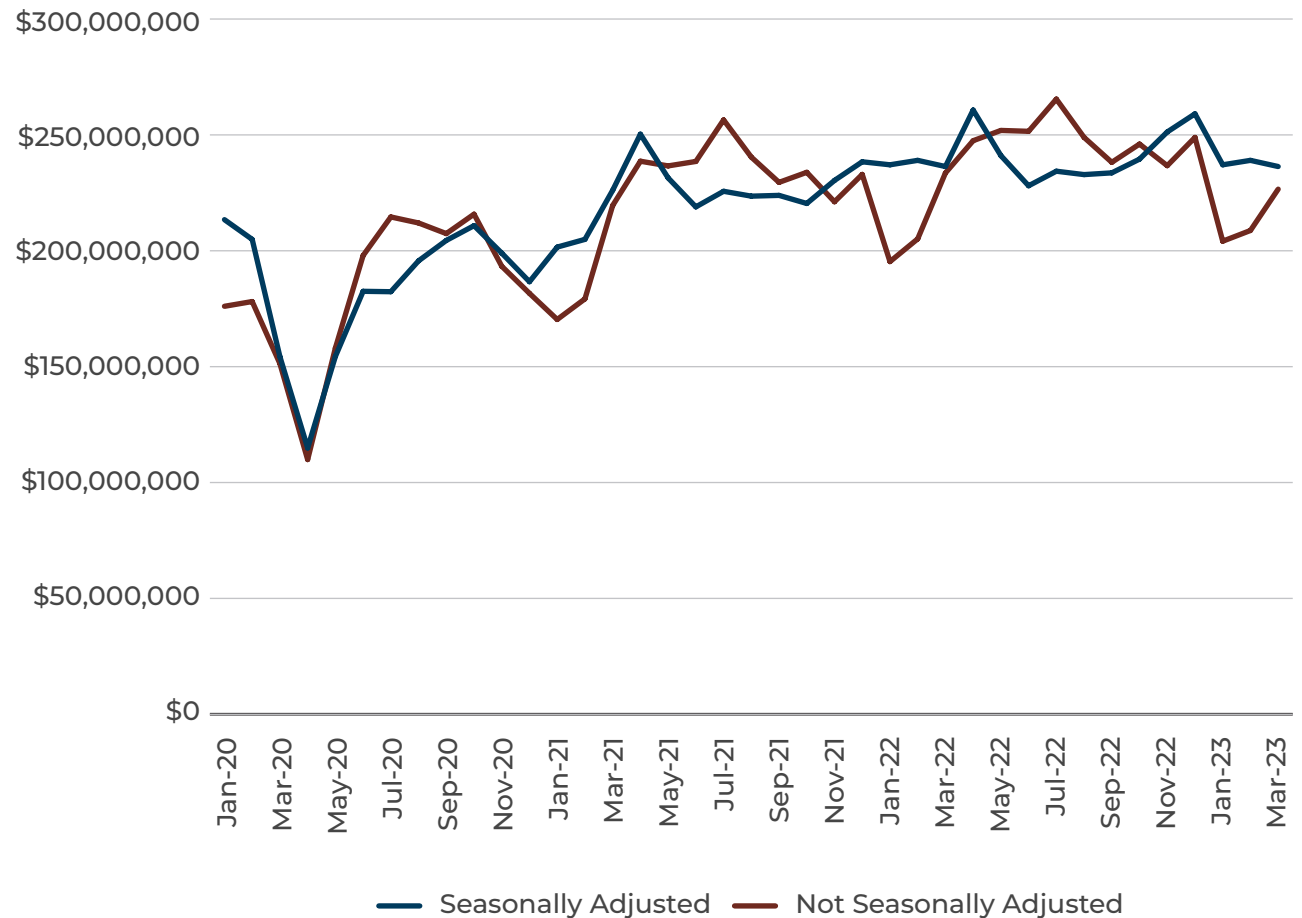


Source: Tourism Economics; Analysis by Beacon Economics

## VISITOR BEHAVIOR

Visitors bring significant economic activity to the county, generating \$5.9 million per day in 2022 (\$2.15 billion annually), an increase of 13.8% year-over-year. Every dollar spent by tourists reverberates through various other sectors, from accommodations and dining to transportation and retail. This spending, whether on hotel stays, meals at local restaurants, souvenirs, or recreational activities, directly supports local jobs. According to spending data from Visa Destination Insights, roughly \$12 million of monthly credit card spending is on hotels and other accommodation, meaning the vast majority is spent in other sectors of San Luis Obispo County's economy, contributing significant support to the country's small businesses, such as retail outlets and restaurants.

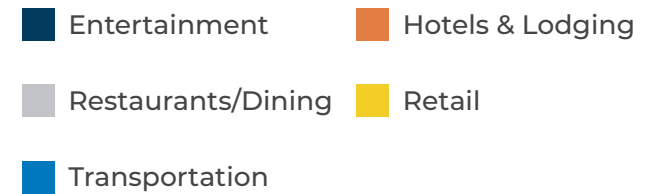
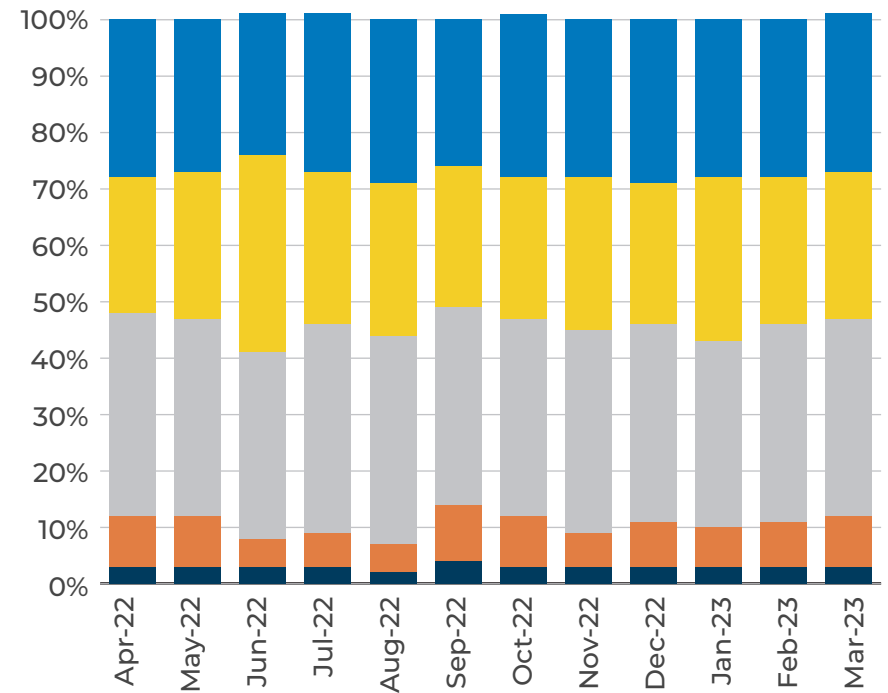
### Visitor Credit Card Spending



Source: Visa Destination Insights; Analysis by Beacon Economics



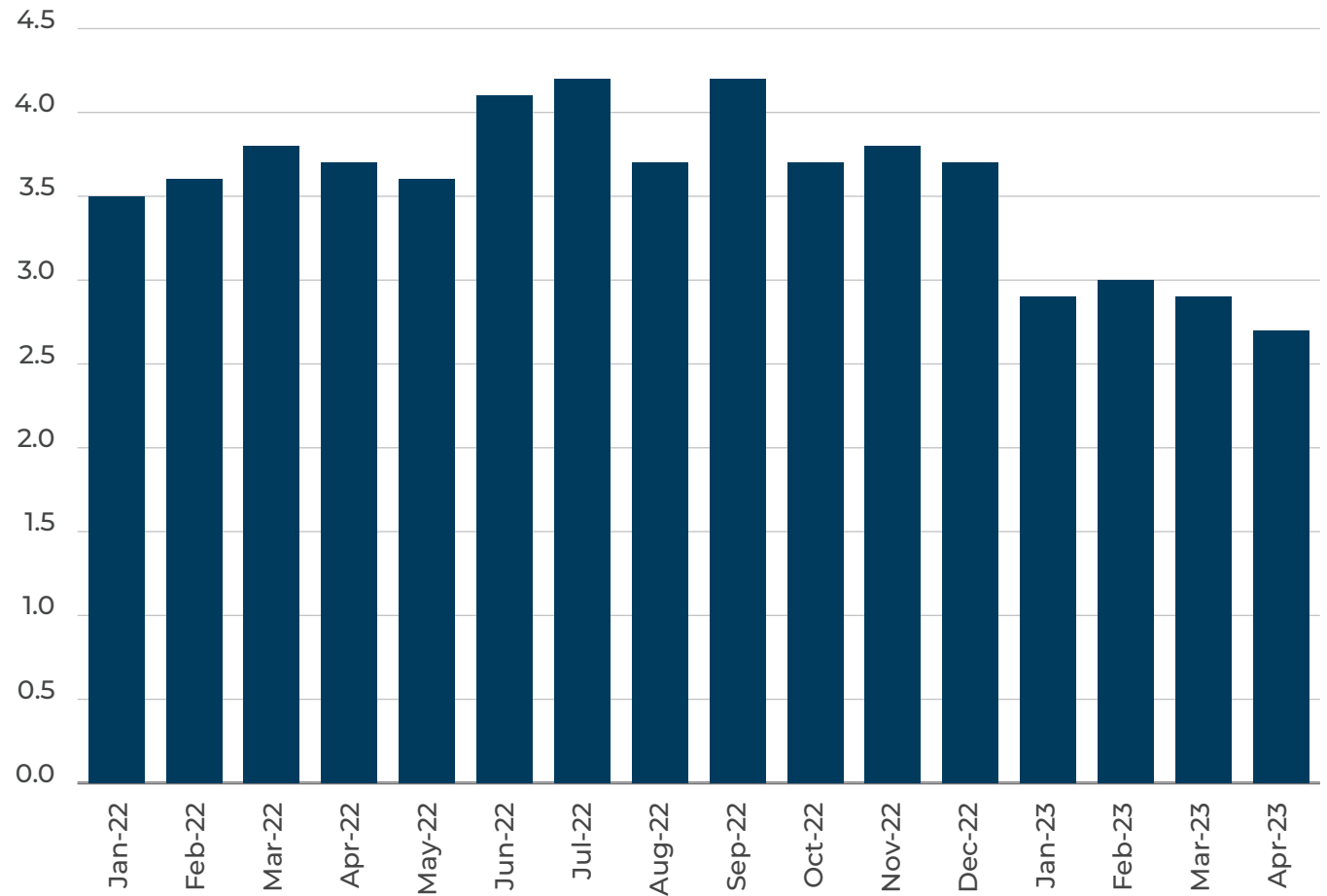
## Visitors Share of Total Spending



Source: Visa Destination Insights; Analysis by Beacon Economics

Visitors to SLO CAL typically stay for a relatively short time – approximately three days, with visitors from further afield typically staying longer. For example, visitors from California spend, on average, less than three nights in the region (2.7), while out-of-state visitors spend an average of 3.5 nights. Topping the list of primary destinations for visitors is the City of San Luis Obispo. Pismo Beach and Shell Beach, located in the City of Pismo Beach, are also very popular. Combined, these three locations account for 15.7% of total visitors and offer a diverse range of attractions, from the vibrant downtown area of San Luis Obispo to the scenic coastline and sandy shorelines of Pismo Beach and Shell Beach.

### Average Trip Duration for Visitors to San Luis Obispo County

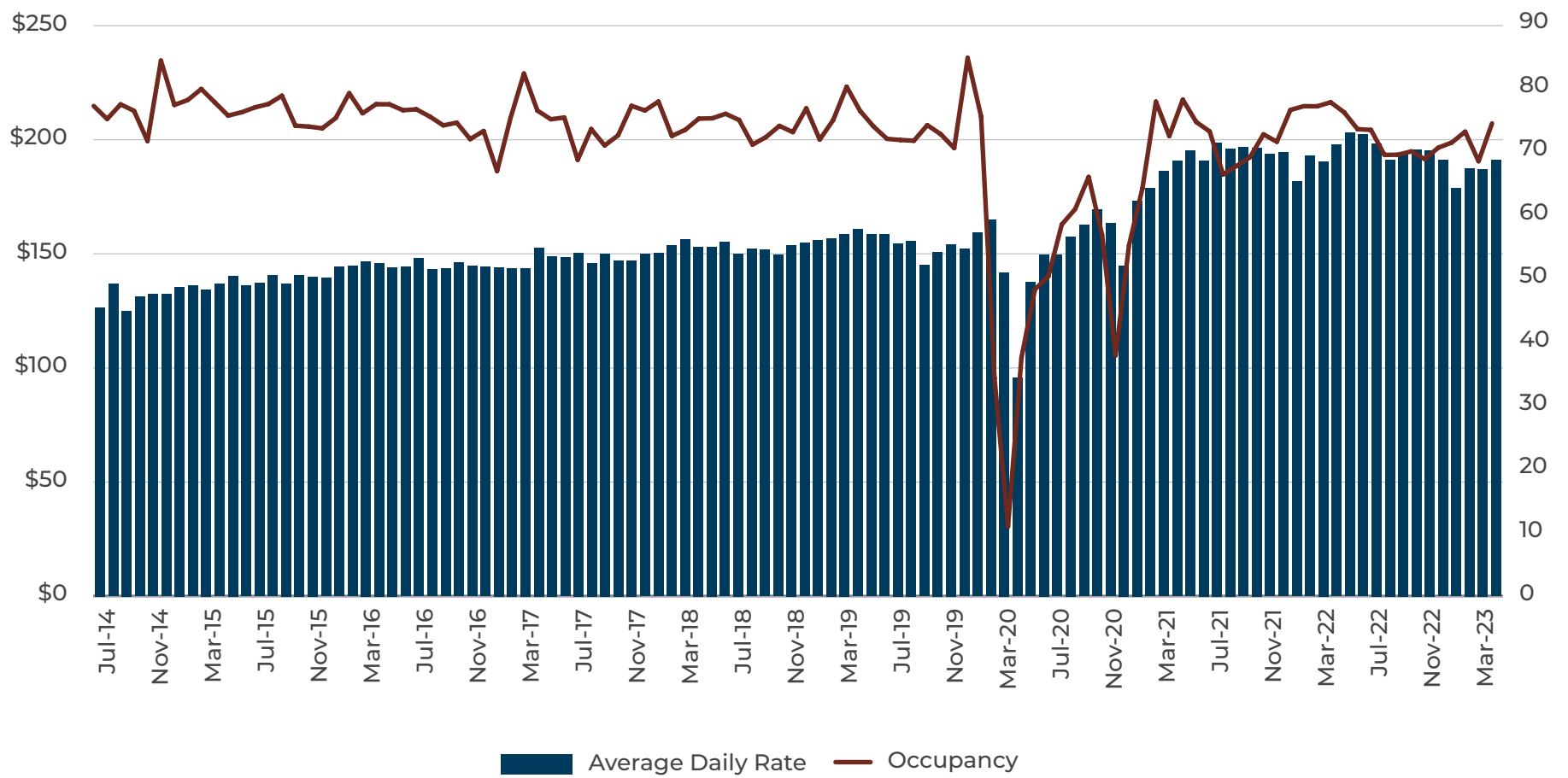


Source: Tourism Economics/Arrivalist; Analysis by Beacon Economics

## VISITOR LODGING

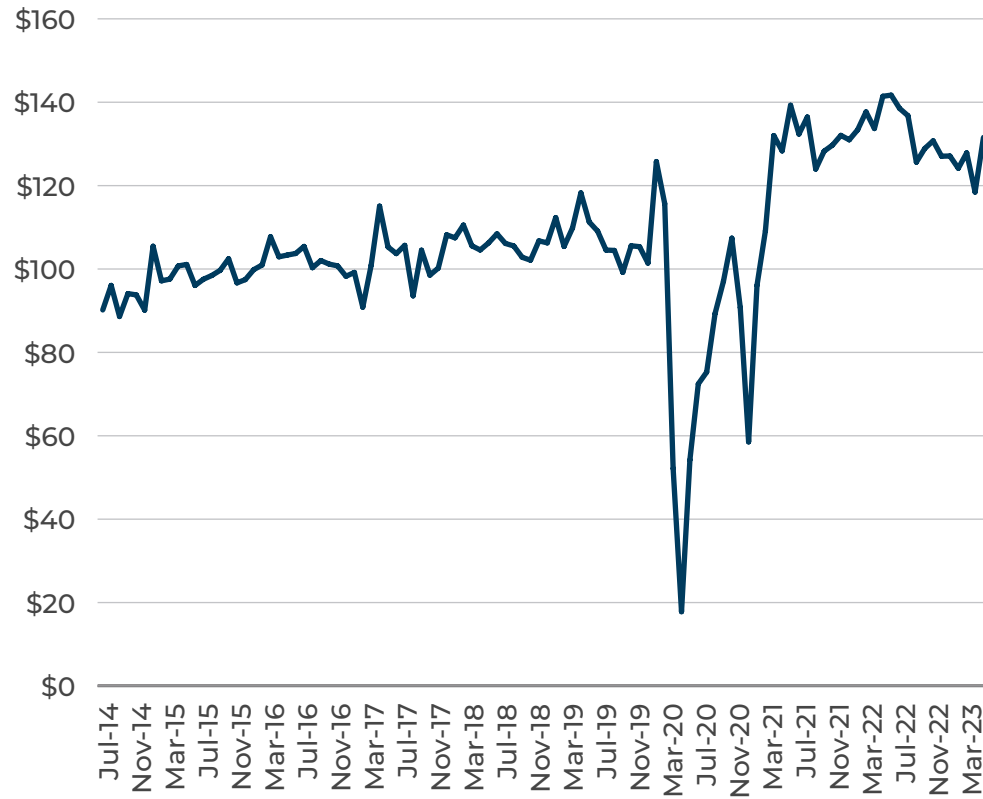
In line with trends in visitor spending, there has been a noticeable resurgence in demand for leisure and travel. Hotel statistics in San Luis Obispo County reflect this, showing significant improvements in occupancy rates, revenue per available room (RevPAR), and overall bookings. The continued health of the hotel industry has occurred against the backdrop of a growing proliferation of short-term rentals.

### San Luis Obispo County Hotel Occupancy and Average Daily Rates



Source: Tourism Economics/Visit SLO CAL; Analysis by Beacon Economics

## San Luis Obispo County Revenue Per Available Unit



Source: Tourism Economics/Visit SLO CAL; Analysis by Beacon Economics



While destinations within the county differ in revenue and occupancy rates, the three largest hotel markets – the City of San Luis Obispo, Pismo Beach, and Paso Robles – are all performing strongly, with high occupancy rates and revenues per available room. These three destinations account for more than 60% of the hotel rooms in the county and continue to be the engine of SLO CAL’s tourism industry.

### Community Hotel Statistics (as of April 2023, Seasonally Adjusted)

	Occupancy Rate	RevPAR	Avg Daily Rate	Supply	Percent of County
Atascadero	69.6	\$106.27	\$150.88	18,510	6%
Cambria	63.2	\$139.78	\$219.36	22,620	7%
Morro Bay	61.0	\$96.70	\$156.34	26,400	9%
Paso Robles	74.5	\$134.86	\$180.17	44,220	15%
Pismo Beach	69.2	\$165.76	\$232.50	63,090	21%
San Luis Obispo	70.5	\$137.59	\$192.91	75,600	25%
San Simeon	59.2	\$86.61	\$145.13	18,030	6%
County	68.6	\$131.75	\$190.72	304,500	-

Source: Tourism Economics/Visit SLO CAL; Analysis by Beacon Economics

Hotels play a crucial role in generating revenue for the general fund through the collection of Transient Occupancy Tax (TOT). This tax, commonly known as a hotel tax or bed tax, is levied on guests staying in hotels, motels, and other lodging establishments. TOT revenue is an increasingly significant source of income in SLO CAL, accounting for 6.7% of general fund revenues in fiscal year 2021-2022, up 1.6 percentage points from the prior fiscal year.

The table below gives an interesting insight into the contribution of different areas within San Luis Obispo County. Overall, Pismo Beach and the City of San Luis Obispo accounted for 41% of TOT revenues in the twelve-month period ending in April 2023. Notably, nearly 60% of TOT from short-term rentals is collected from the unincorporated portion of the county, which also comprises a sizable share of overall TOT (27%).

Transient Occupancy Tax Share  
(12-month sum ending April 2023)

	Percent STR	Total
Arroyo Grande	2.0%	2.1%
Atascadero	2.6%	3.5%
Grover Beach	3.6%	1.3%
Morro Bay	6.6%	7.3%
Paso Robles	9.9%	15.5%
Pismo Beach	9.7%	25.9%
San Luis Obispo	5.7%	17.5%
Unincorporated	59.9%	27.0%

Source: Tourism Economics/Visit SLO CAL; Analysis by Beacon Economics

The tourism industry in SLO CAL is crucial to the local economy, through both direct employment and by generating spending in other sectors. The continued health of the hotel sector reveals that, rather than reducing activity at existing businesses in the community, short-term rentals are providing additional lodging capacity, enabling more people to visit the region.





## **PART 2: TRACKING SHORT-TERM RENTAL ACTIVITY IN SAN LUIS OBISPO COUNTY (SLO CAL)**

## TRACKING SHORT-TERM RENTAL ACTIVITY IN SAN LUIS OBISPO COUNTY

Although short-term rentals have existed for some time, the rise of platforms like Airbnb and Vrbo have seen their popularity soar over the past decade. After exploring the travel and tourism trends in San Luis Obispo County, focus now shifts to short-term rental activity. The county's appeal as a vacation destination has resulted in a substantial number of housing units being used for seasonal and recreational purposes. Many homeowners have recognized the potential benefits of listing their second homes on popular short-term rental platforms. By capitalizing on the growing demand for vacation rentals, property owners can generate additional income and maximize the occupancy of their second home. In this section, we examine the rise in STR activity in SLO CAL using data provided by AirDNA, which includes comprehensive coverage of vacation rentals from both Airbnb and Vrbo. We also supplement the analysis using data from Granicus, which monitors STR compliance.

### THE COUNTY LANDSCAPE

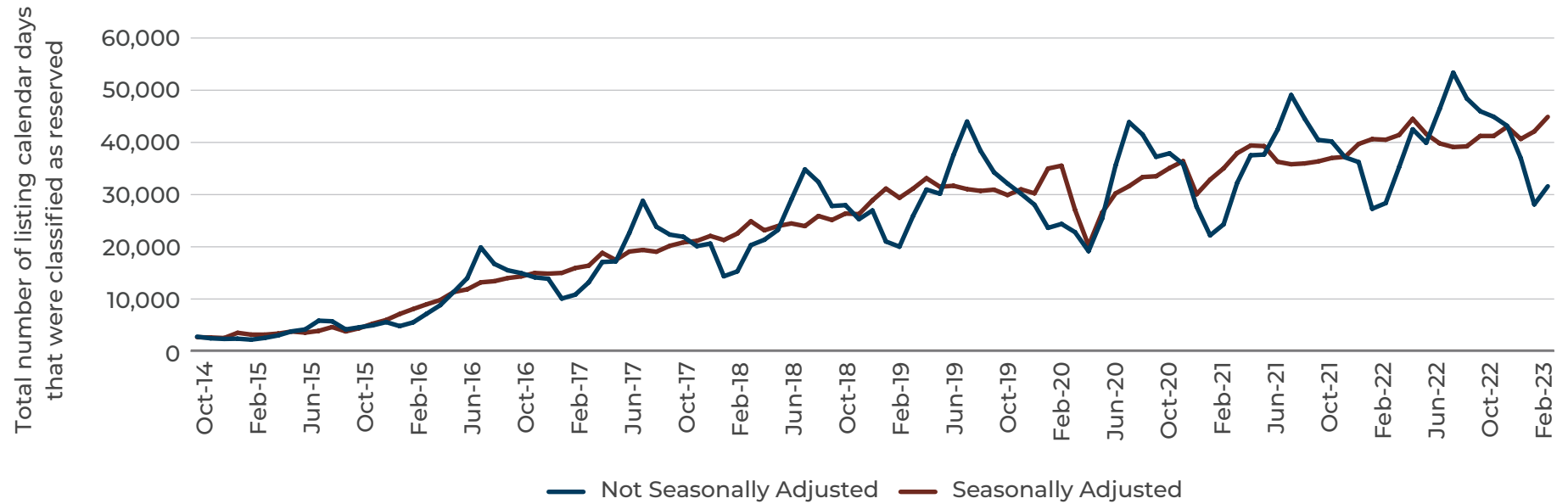
The County of San Luis Obispo has experienced a steady rise in short-term rental activity over the past decade. There is a strong seasonal pattern across most indicators related to short-term rental activity, with July marking the most active period and February the low point. As a result, data has been adjusted here and throughout the report for seasonal fluctuations to make longer-term trends more discernable.

Across the county, the total number of reservation days has grown markedly. The number of reservation days (i.e., the number of calendar days when reservations occurred) reached more than 40,000 by late 2022, on a seasonally adjusted basis. Although the market took a sizable hit during the pandemic, the total number of reserved nights in SLO CAL has doubled since the trough of the pandemic-induced recession. We can also understand the sense of the scale by dividing the total number of reservation days by the active <sup>6</sup> count of properties in each month. The average STR property in the County of San Luis Obispo is reserved for nearly 15 days per month. As was shown earlier, hotel occupancy rates have remained stable over the last decade, which suggests that STRs are not reducing activity in the hotel industry but are instead affording the tourism industry in SLO CAL more capacity to grow.

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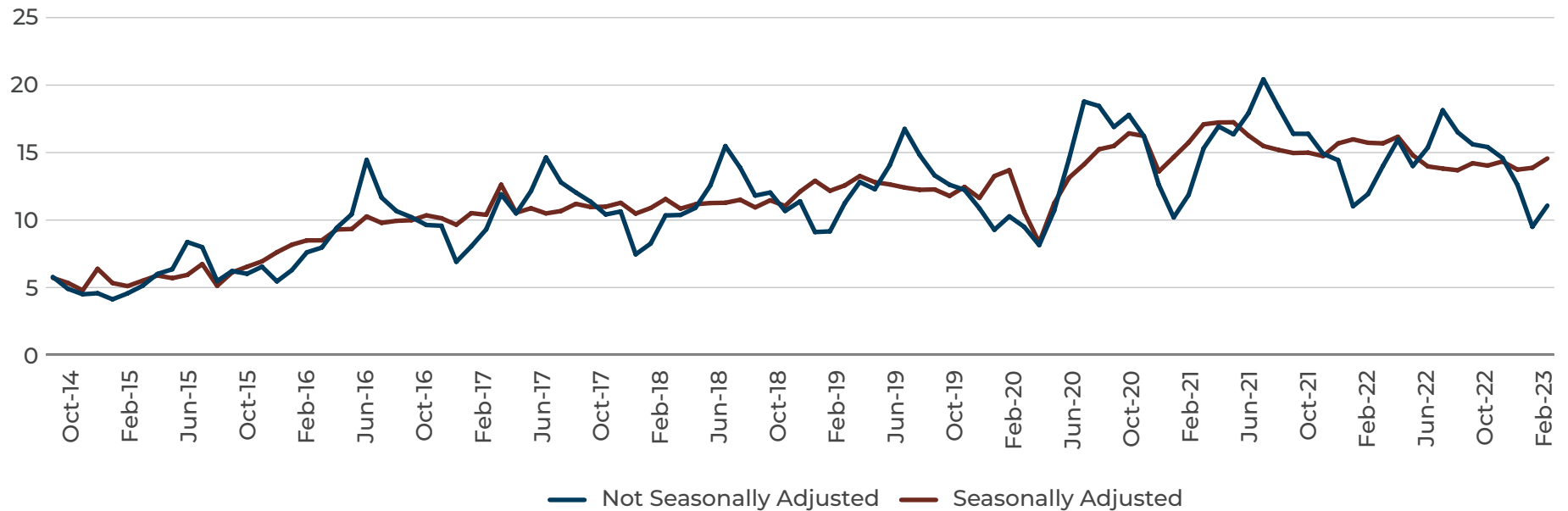
<sup>6</sup> Throughout this report, 'active' properties are those that had at least one calendar day classified as reserved or available during a given month. Unless otherwise noted, all figures refer to active properties. Proportions of housing stock reflect listings for the entire unit.

## Total STR Reservation Days in San Luis Obispo County



Source: AirDNA; Analysis by Beacon Economics

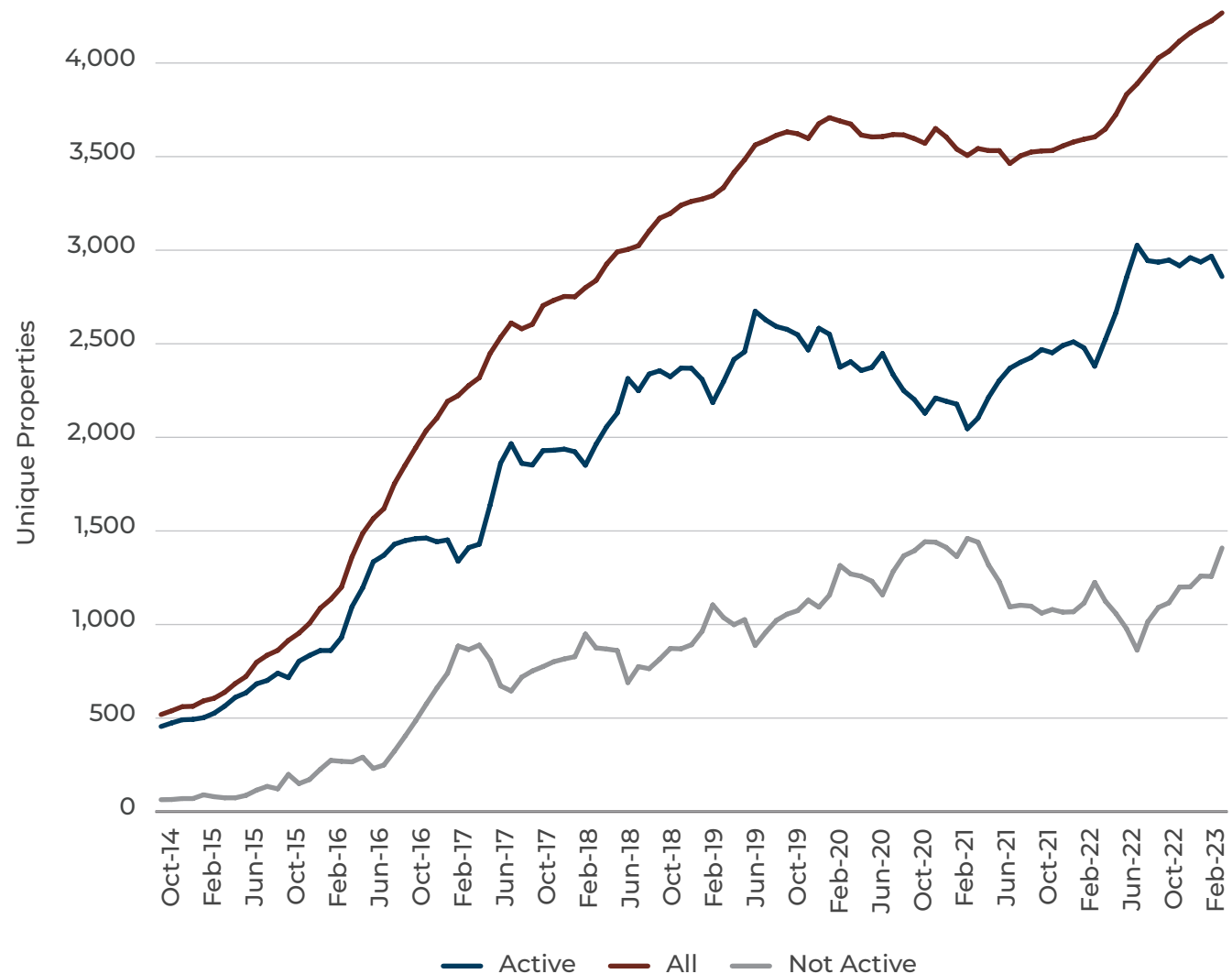
## STR Reservation Days per Active Property in San Luis Obispo County



Source: AirDNA; Analysis by Beacon Economics

There has been a sizable uptick in the number of listed properties on STR platforms. This has given visitors to SLO CAL a wider range of options, catering to different preferences and budgets. Since late 2014, the total number of properties listed as STRs has increased eightfold to more than 4,000.<sup>7</sup> However, many of the properties listed are not active. As noted in footnote six, active properties are those that had at least one calendar day classified as reserved or available during a given month. In other words, while there are a lot of properties listed, roughly one-third of those listings are not available for booking in any given month. As of February 2023 (the latest available data point at the time of writing) there were 2,859 unique properties on the market for booking.<sup>8</sup>

### Total STR Properties in San Luis Obispo County



Source: AirDNA; Analysis by Beacon Economics

<sup>7</sup> City and community level estimates are provided later in the report.

<sup>8</sup> The property listing data are not seasonally adjusted.



Unlike traditional hotels, which have a finite number of rooms, short-term rentals offer a wide range of property types, providing visitors with a broad array of options. Perhaps unsurprisingly, single-family homes are the most common property type in SLO CAL, accounting for roughly 51% of active properties. The next most common is guesthouses, which account for roughly one in every thirteen properties listed in the county. The majority of properties listed on the short-term rental market are for the entire property. As of February 2023, roughly 86% of active properties listed were for the entire unit, while the remainder were for single rooms. In other words, few multi-family properties are listed as short-term rentals.

### San Luis Obispo County STRs by Property Type

	Active Properties	Percent Total
Home	1,454	50.9
Guesthouse	219	7.7
Guest suite	170	5.9
Condo	159	5.6
Other <sup>9</sup>	145	5.1
Rental unit	139	4.9
Cottage	99	3.5
Farm stay	91	3.2
Camper/RV	61	2.1
Room in hotel	61	2.1
Bungalow	52	1.8
Room in boutique hotel	49	1.7
Townhouse	45	1.6
Villa	42	1.5
Bed and breakfast	40	1.4
Tiny home	33	1.2

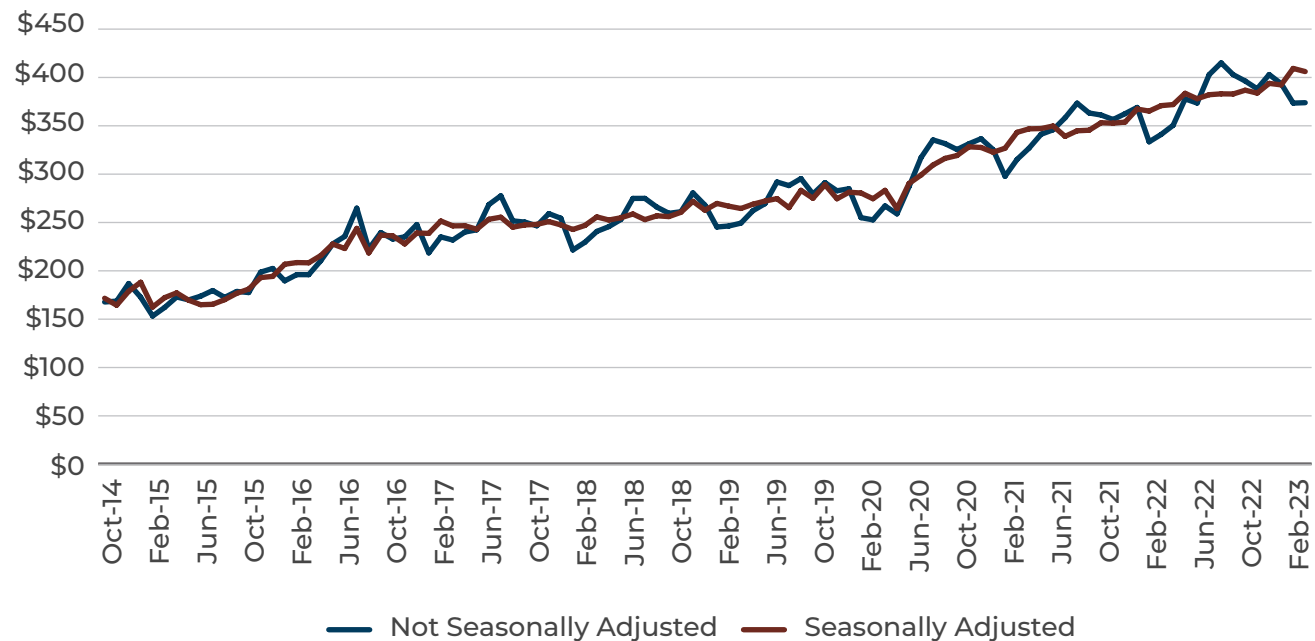
Source: AirDNA (Feb.2023); Analysis by Beacon Economics

<sup>9</sup> 'Other' is an aggregation of less common home types in SLO CAL such as campsites, tents, yurts, boats, domes, and religious buildings.

As reported earlier, strong demand for tourism to the region has led to a significant upturn in STR activity. The average daily rate (ADR) for short-term rentals is considerably higher than the ADR for hotels in San Luis Obispo County. In the post-pandemic period, the average rate for hotels in the county was under \$200 per night, while the average daily rate for STRs has steadily increased to over \$400 per night. However, there are key differences between the two types of accommodations. Typically, more people can stay in a short-term rental than a hotel room. This would imply that STRs potentially cater to a separate market compared to hotels but are also important for the generation of TOT. The size of STRs has also increased markedly over time. On average, short-term rentals in SLO CAL have 2.2 bedrooms and have averaged above two rooms since late 2018.

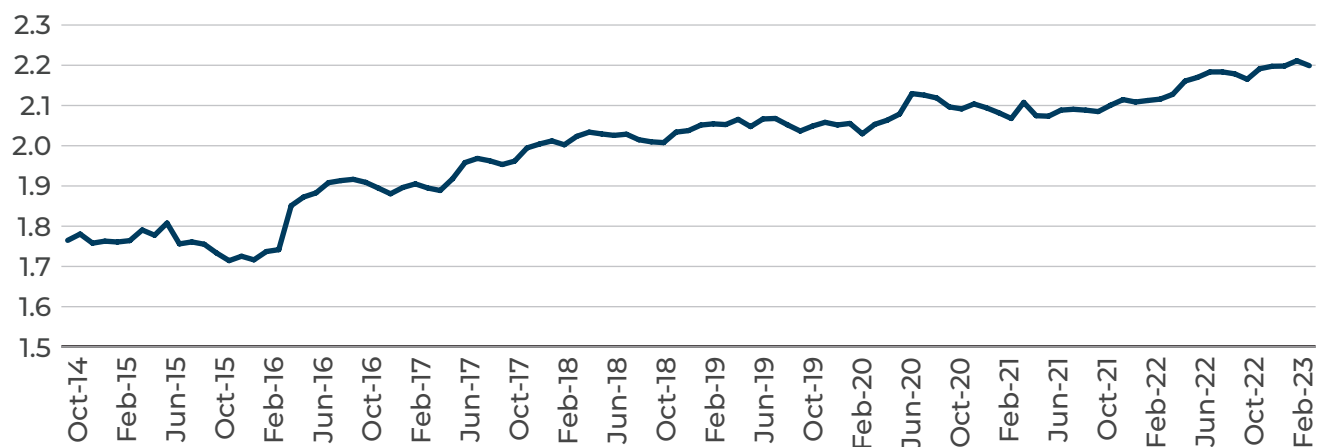
Although STRs have higher average daily rates, they also tend to have lower occupancy rates overall. Prior to the pandemic, the occupancy rate for short-term rentals stood below 50%. Since then, the rate has rebounded and has now settled around 55%. This compares to hotels, where occupancy rates were closer to 70% prior to the pandemic and have reverted to this figure since the depths of the pandemic. In short, STRs have not caused any harm to the SLO CAL hotel industry, but rather have expanded the options available to visitors.

### San Luis Obispo County Average Daily Rate for STRs



Source: AirDNA; Analysis by Beacon Economics

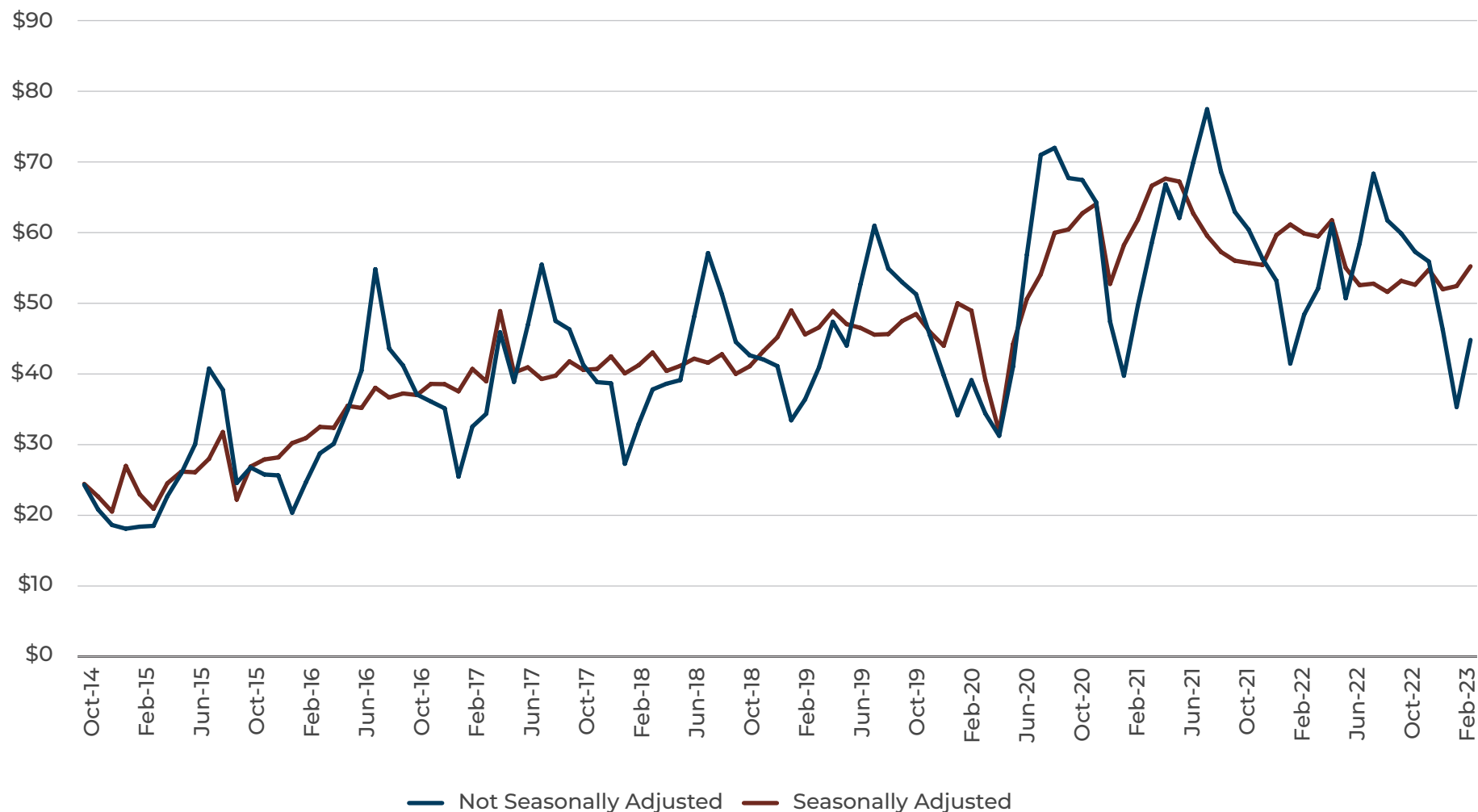
### San Luis Obispo County Average Number of Bedrooms for STRs



Source: AirDNA; Analysis by Beacon Economics

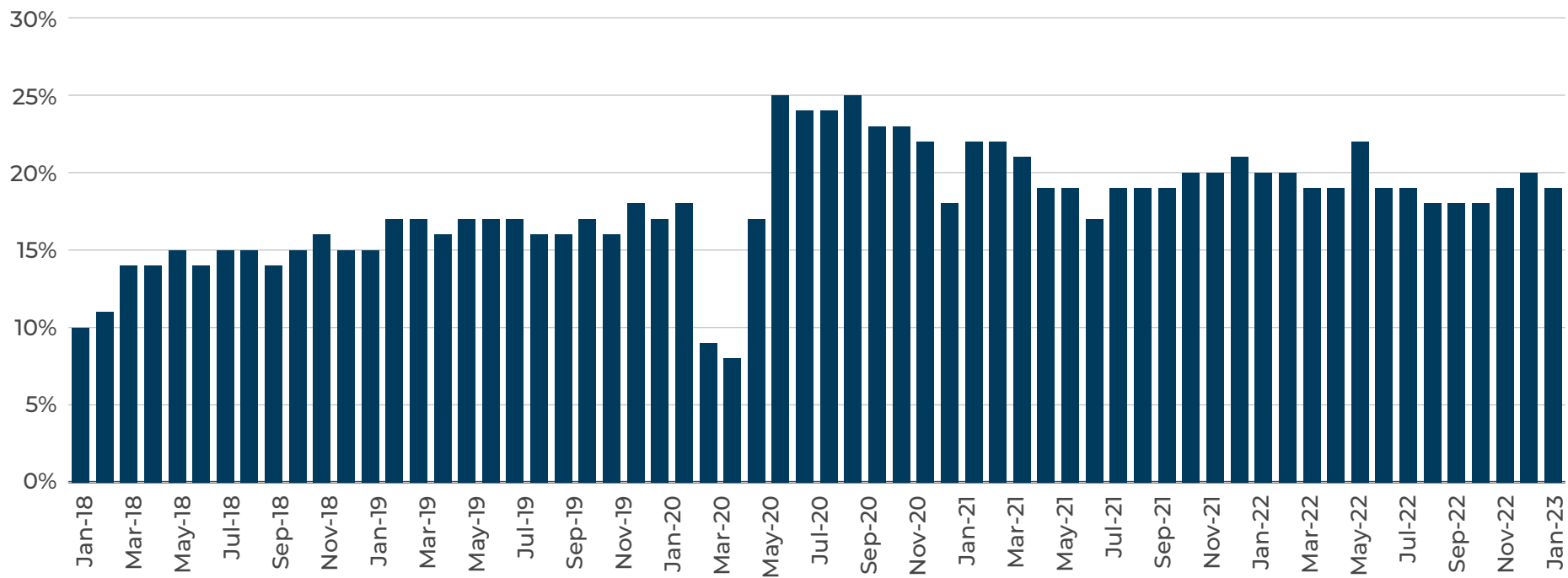
Short-term rentals continue to contribute an increasing share of TOT revenue in SLO CAL. In fact, short-term rentals comprised 19.5% (\$12.2 million) of the total TOT (\$62.7 million) collected in 2022. Prior to the pandemic, short-term rentals accounted for around 15% of the county's total TOT but have comprised on average around 19% in the post-pandemic period.

### San Luis Obispo County Average Daily Rate for STRs



Source: AirDNA; Analysis by Beacon Economics

San Luis Obispo County STRs Share of TOT



Source: Tourism Economics, Visit SLO CAL ; Analysis by Beacon Economics

SHORT-TERM RENTAL ACTIVITY ACROSS COMMUNITIES

The County of San Luis Obispo is home to seven incorporated cities and several unincorporated communities. San Luis Obispo and Paso Robles are the two largest cities (by population), and roughly one in four residents reside in these cities. The unincorporated portion of the county is also large, accounting for more than half of the county’s population. According to data from AirDNA, Paso Robles accounts for the most STR activity, comprising one-quarter of all short-term rentals, even though it accounts for less than 10% of the county’s housing stock. This count is based on a city identifier provided by AirDNA. Many unincorporated areas have a mailing address indicating the name of an incorporated city, even though they are physically beyond the city limits. This can inflate counts in incorporated cities and suppress unincorporated short-term rental figures, as shown in the table below. Matching the properties based on their approximate coordinates suggests Paso Robles comprises 12.4% of active properties, while the City of San Luis Obispo amounts to roughly 6.5%. Interestingly, the City of San Luis Obispo, the largest incorporated city in terms of population, has an insignificant share of overall short-term rentals. The primary reason for this is likely the type of housing that is available in the City of San Luis Obispo.

In most communities, single-family housing is the most prominent housing unit type. For example, in Paso Robles, three in four housing units are single-family, while the remainder is split between group quarters and multifamily housing. In the City of San Luis Obispo, single-family homes account for less than 54% of total housing units.

### Active STR Properties in San Luis Obispo County (2,859 Units)

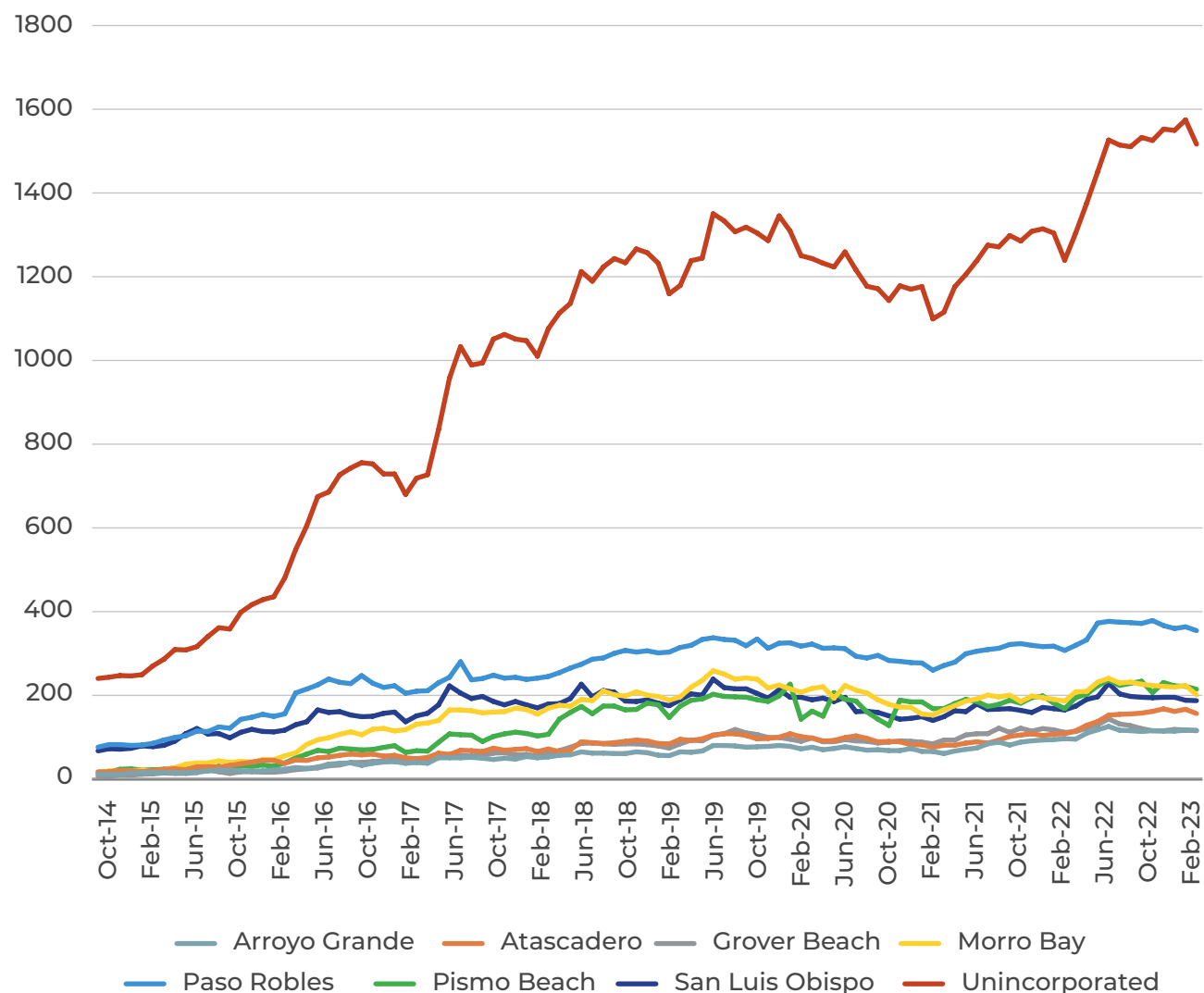
City/Community	Spatial Match	AirDNA field	City/Community	Spatial Match	AirDNA field
Arroyo Grande	116	242	Morro Bay	201	205
Atascadero	156	187	Nipomo	35	49
Avila Beach	4	N/A	Oceano	121	133
Blacklake	5	N/A	Paso Robles	354	715
California Polytechnic State University	1	N/A	Pismo Beach	214	220
Callender	10	N/A	San Luis Obispo	187	289
Cambria	179	201	San Miguel	7	58
Cayucos	151	154	San Simeon	9	10
Creston	1	10	Santa Margarita	6	27
Edna	5	N/A	Shandon	1	2
Grover Beach	115	114	Templeton	89	152
Lake Nacimiento	4	N/A	Unincorporated	777	N/A
Los Berros	8	N/A	Whitley Gardens	2	N/A
Los Osos	90	91	Woodlands	2	N/A
Los Ranchos	9	N/A	Harmony	N/A	N/A

Source: AirDNA (Data as of Feb 2023); Analysis by Beacon Economics

The unincorporated portion of San Luis Obispo County accounts for nearly one-third of all STR activity in the county. Using spatially matched properties, the unincorporated portion of San Luis Obispo County accounts for nearly 60% of all STR activity in the county. Eight out of ten housing units in unincorporated areas are single-family. Unincorporated communities also account for 45% of total single-family units in San Luis Obispo County. Cities and communities with a larger number of single-family homes also tend to have a larger number of short-term rentals.<sup>10</sup>

The following chart displays the growth of short-term rentals by community. The biggest growth in recent years has occurred in Paso Robles and the unincorporated parts of the county. In the unincorporated areas, the sharpest rise has occurred in coastal communities such as Cambria, Cayucos and Oceano.

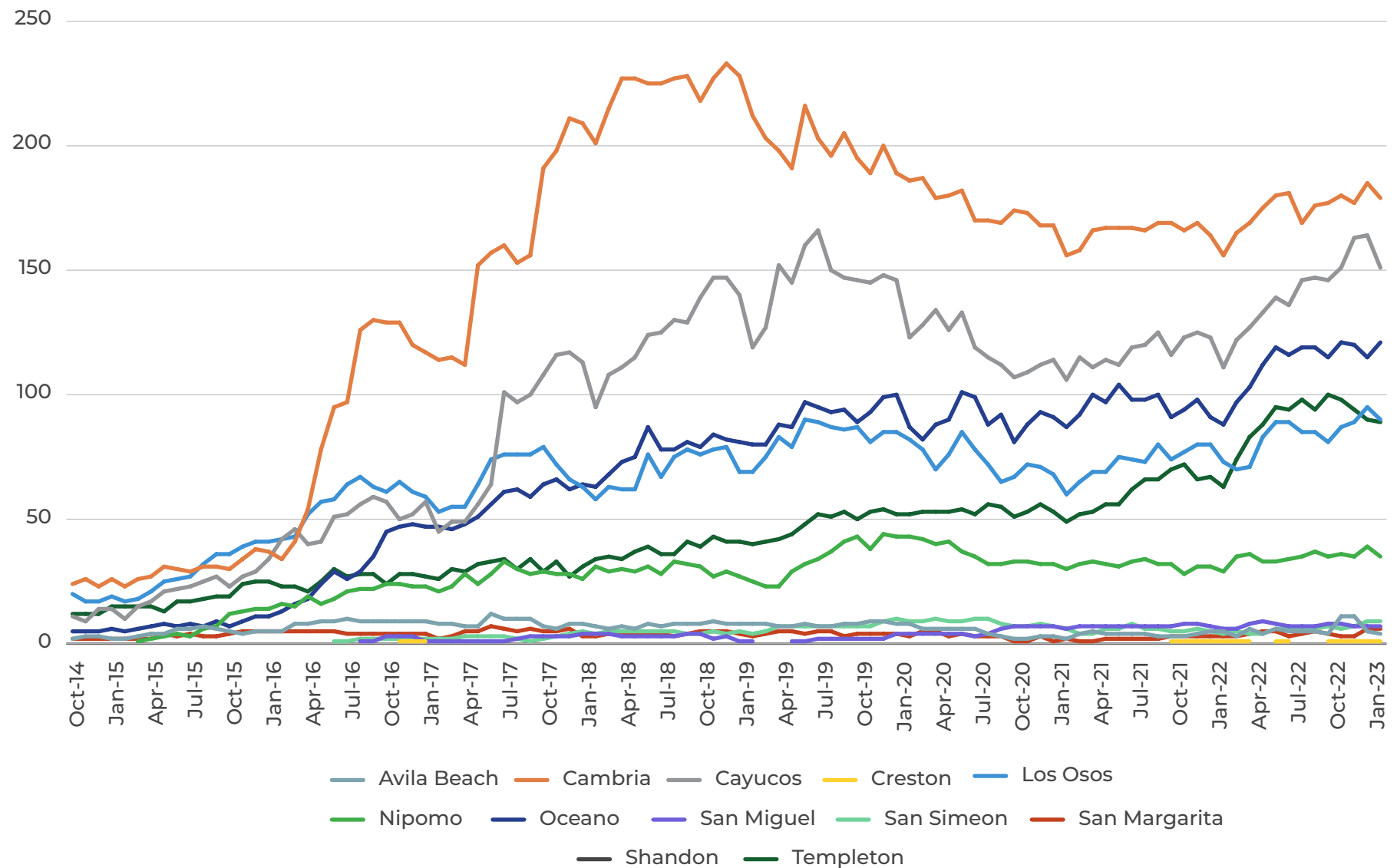
Active STRs by Incorporated City (Spatial Match)



Source: AirDNA; Analysis by Beacon Economics

<sup>10</sup> Active properties are not necessarily licensed. Licensed, compliant STR properties in each community are addressed later in this report.

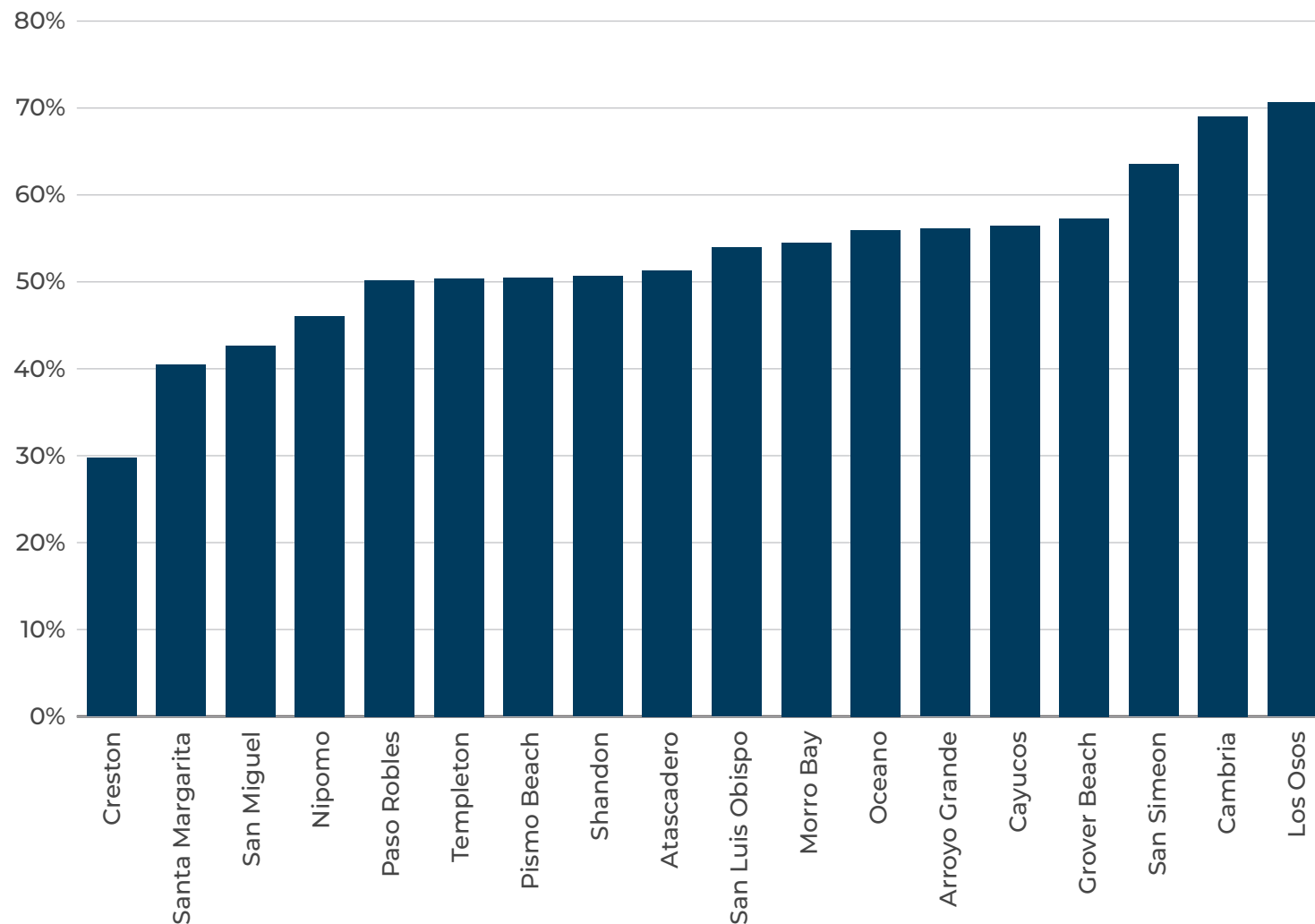
## Active STRs by select Community (Spatial Match)



Source: AirDNA; Analysis by Beacon Economics

Measured by occupancy rate, Cambria and Los Osos are among the most sought-after communities, with occupancy rates for short-term rentals of 70.6% and 69% respectively. Paso Robles has more short-term rentals than any other community, but short-term rentals there have close to a 50% occupancy rate. Even the most actively booked communities tend to have lower vacancy rates than the average hotel in the county.

STR Occupancy Rates by City/Community for the Last 12 Months (Ending February 2023)



Source: AirDNA ; Analysis by Beacon Economics

## COMPLIANCE STATUS WITH SHORT-TERM RENTALS

One of the issues raised in the regional community of San Luis Obispo is compliance regarding short-term rentals. Throughout the county, regulations for short-term rentals vary depending on the specific jurisdiction. Cities and unincorporated areas in the county have established their own rules and guidelines to govern STRs. In unincorporated areas of San Luis Obispo County, for example, all lodging businesses (including private home vacation rentals) must register for an annual county business license and must collect TOT. In Pismo Beach, short-term rentals are only permitted in detached single-family homes in select zones.

### Illegal STR Listings in San Luis Obispo County

City/Community	Illegal Listings*
Arroyo Grande	N/A
Atascadero	N/A
Avila	29
Greater Lake Nacimiento	22
Cambria	48
Cayucos	34
Creston	5
Grover Beach	0
Harmony	N/A
Los Osos	31
Morro Bay	N/A
Nipomo	16
Oceano	68
Other Unincorporated	276
Paso Robles	23
Pismo Beach	N/A
San Luis Obispo	99
San Miguel	22
San Simeon	5
Santa Margarita	11
Santa Maria	2
Templeton	80

Source: Host Compliance; Analysis by Beacon Economics

\* Meets STR definition and is advertised

Host Compliance data from Granicus provides an overview of compliant and non-compliant short-term listings. Illegal Airbnb listings have been a recurring issue not just in SLO CAL, but throughout the state.

In the City of Grover Beach, 17 short-term rentals had a compliance status that was not yet determined, but none were found to be non-compliant. Arroyo Grande passed a short-term rental ordinance last year, establishing a cap on the number of vacation rentals that can be permitted and increasing the distance between any two rentals from 300 feet to 500 feet. On June 6, 2023, The Pismo Beach City Council adopted an ordinance (O-2023-003) extending a moratorium on the issuance of short-term rental licenses. The city is currently not accepting applications and no new permits will be issued until further notice.

Compliance is also a major issue in both the unincorporated areas of San Luis Obispo County and the City of San Luis Obispo. Data from Host Compliance suggests that 649 listings<sup>11</sup> in unincorporated parts of the county were found to be non-compliant, while in the City of San Luis Obispo, 99 listings were found to be non-compliant. Cambria, Cayucos, and Oceano have all imposed ordinances to reduce vacation rentals over the past few years but still have illegal listings. Clearly, enforcement is a concern in these communities. In the City of Paso Robles, 23 (nearly 7%) of listings were found to be non-compliant.

Non-compliance shapes residents' views on how STRs affect their communities. Airbnb and other platforms have taken steps to address concerns by implementing stricter host verification processes and collaborating with communities that have a contract with Airbnb to ensure compliance with regulations. To combat non-compliance, local governments must crack down on illegal listings, implement stricter enforcement measures, and impose fines on violators.

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<sup>11</sup> Those advertised and short-term rentals.





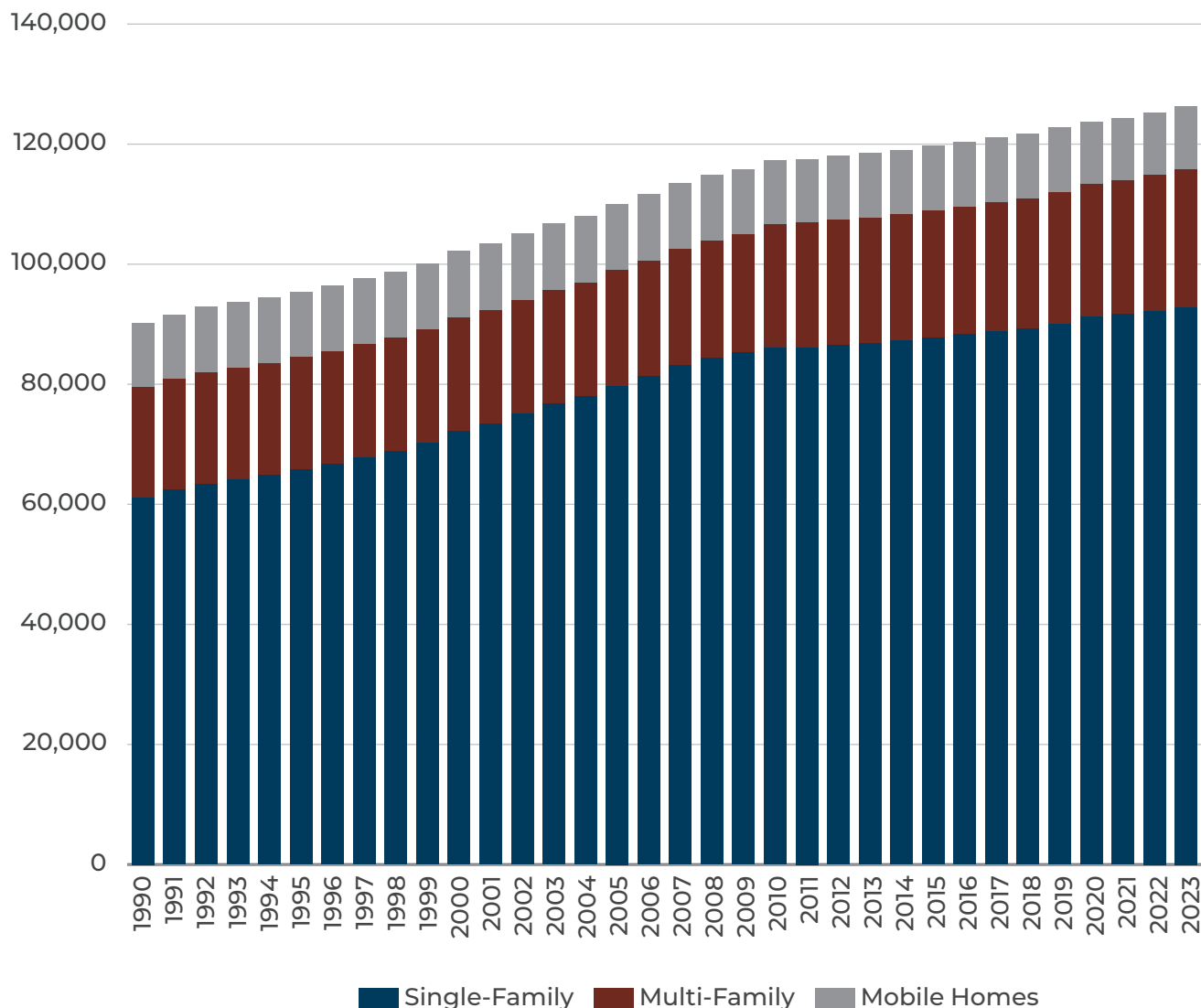
## PART 3: HOUSING MARKET ANALYSIS IN SAN LUIS OBISPO COUNTY (SLO CAL)

Situated halfway between the Bay Area and Los Angeles, San Luis Obispo has long been a prime destination for tourists and permanent residents looking for a more relaxed lifestyle. This has affected the local housing market in several ways. First, the region's housing stock has a higher percentage of second homes than many other parts of California. Second, with a year-round Mediterranean-like climate, a world-class university, and access to local amenities there is strong demand for housing in the region, which has pushed housing costs up. And third, lower-income workers have put pressure on the region's already limited multi-family real estate market. These topics are discussed in more detail below.

## HOUSING STOCK

San Luis Obispo, like much of California, has seen limited growth in its housing stock over the last decade, adding just 7,796 units from 2013 to 2023, a 6.6% increase. This growth is on par with California, which saw a 6.7% increase over the same period.

### San Luis Obispo County Housing Stock



Source: California Department of Finance; Analysis by Beacon Economics

At the local level, unincorporated parts of the county led growth with 2,968 units added between 2013 and 2023, accounting for 38% of units permitted in the county during this period. These figures confirm that coastal areas of the county have increased housing stocks at a slower pace than inland areas.

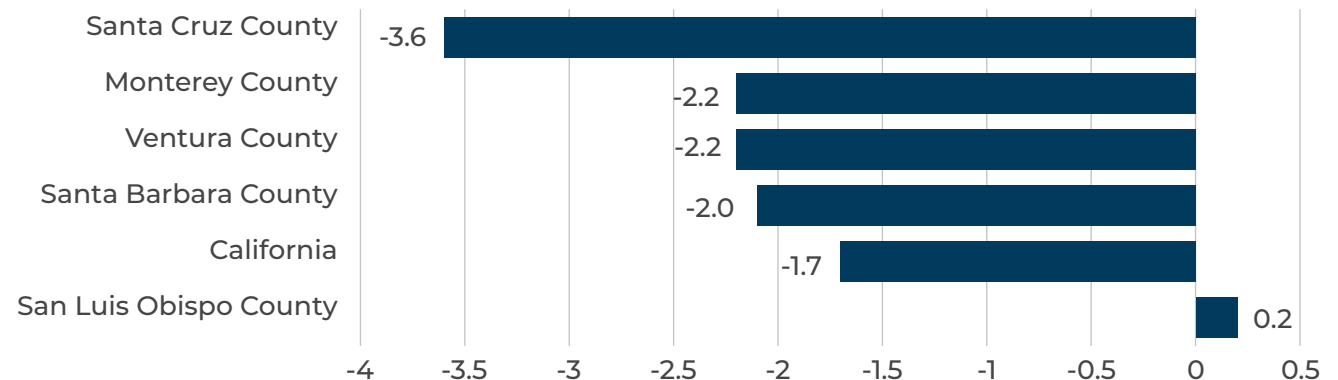
While other parts of California have seen population declines since the start of the pandemic, San Luis Obispo County's population has expanded. From 2019 to 2023, the county's population expanded by just 0.2%. While this is modest growth, California saw its population contract by 1.7% over the same period. San Luis Obispo County has also been a standout on the Central Coast, with the counties of Santa Barbara (-1.7%), Ventura (-2.2%), Monterey (-2.2%), and Santa Cruz (-3.6%) all posting significant population declines over this period.

### Housing Unit Growth: 2013 to 2023

City	Housing Units	Change (#)	Change (%)
San Luis Obispo	22,845	2,148	10.4
Atascadero	12,434	844	7.3
Paso Robles	12,431	799	6.9
Unincorporated	52,087	2,968	6.0
Arroyo Grande	8,086	414	5.4
Pismo Beach	5,861	246	4.4
Morro Bay	6,567	211	3.3
Grover Beach	5,923	166	2.9
County Total	126,234	7,796	6.6

Source: California Department of Finance; Analysis by Beacon Economics

### Percent Change in Population (2019-2023)



Source: California Department of Finance; Analysis by Beacon Economics



San Luis Obispo County Population Growth by City: 2019 to 2023

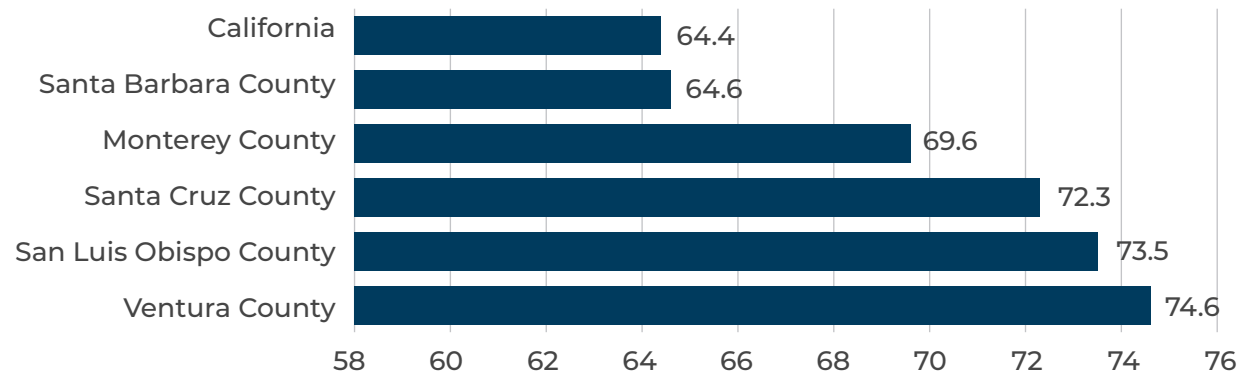
City	Population (2023)	Change from 2019 (#)	Change from 2019 (%)
San Luis Obispo City	47,788	1,816	4.0
Unincorporated	121,133	272	0.2
Arroyo Grande	17,922	165	0.9
Morro Bay	10,275	40	0.4
Atascadero	30,206	-94	-0.3
Pismo Beach	7,865	-407	-4.9
Paso Robles	30,692	-457	-1.5
Grover Beach	12,467	-837	-6.3
County Total	278,348	498	0.2

Source: California Department of Finance; Analysis by Beacon Economics

In 2023, 73.6% of San Luis Obispo County's housing units were single-family, a lower share than Ventura County (74.6%), but higher than California (64.4%) and the counties of Santa Cruz (72.3%), Monterey (69.6%), and Santa Barbara (64.6%). The limited inventory of multi-family housing in the region has created high demand and pushed up costs in the rental market.

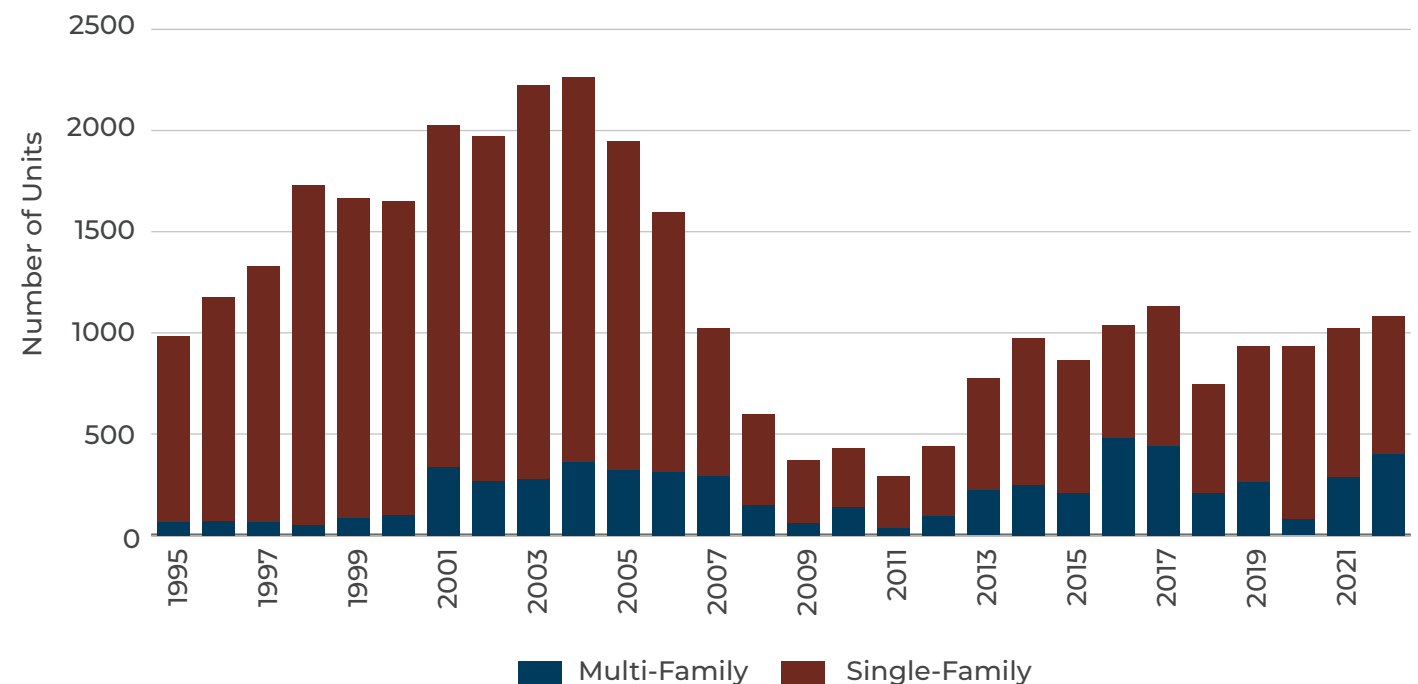
Developers have begun to take notice of the demand for multi-family units in San Luis Obispo County. In 2022, multi-family units accounted for 37.1% of housing units permitted. Over the last ten years, multi-family permits have accounted for 29.9% of housing units permitted. This is a significant increase from 2001 to 2010, when multi-family permits accounted for just 17.5% of housing units permitted. While SLO CAL has increased its multi-family housing stock in recent years, additional permitting is essential for continued growth and for maintaining and expanding the region's workforce.

### Single-Family Share of Housing Stock (%)



Source: California Department of Finance; Analysis by Beacon Economics

### San Luis Obispo County Building Permits



Source: Construction Industry Research Board; Analysis by Beacon Economics

In 2023, 40.4% of the City of San Luis Obispo's housing stock was multi-family, the largest share in the county. This was followed by Grover Beach (24.7%), Paso Robles (21.3%), Atascadero (21.3%), Pismo Beach (17.6%), Arroyo Grande (15.8%), Morro Bay (15.4%), and the unincorporated parts of the county (7.1%). For comparison, multi-family units account for 31.9% of California's housing stock.

### San Luis Obispo County Housing Units by Type and by City (2023)

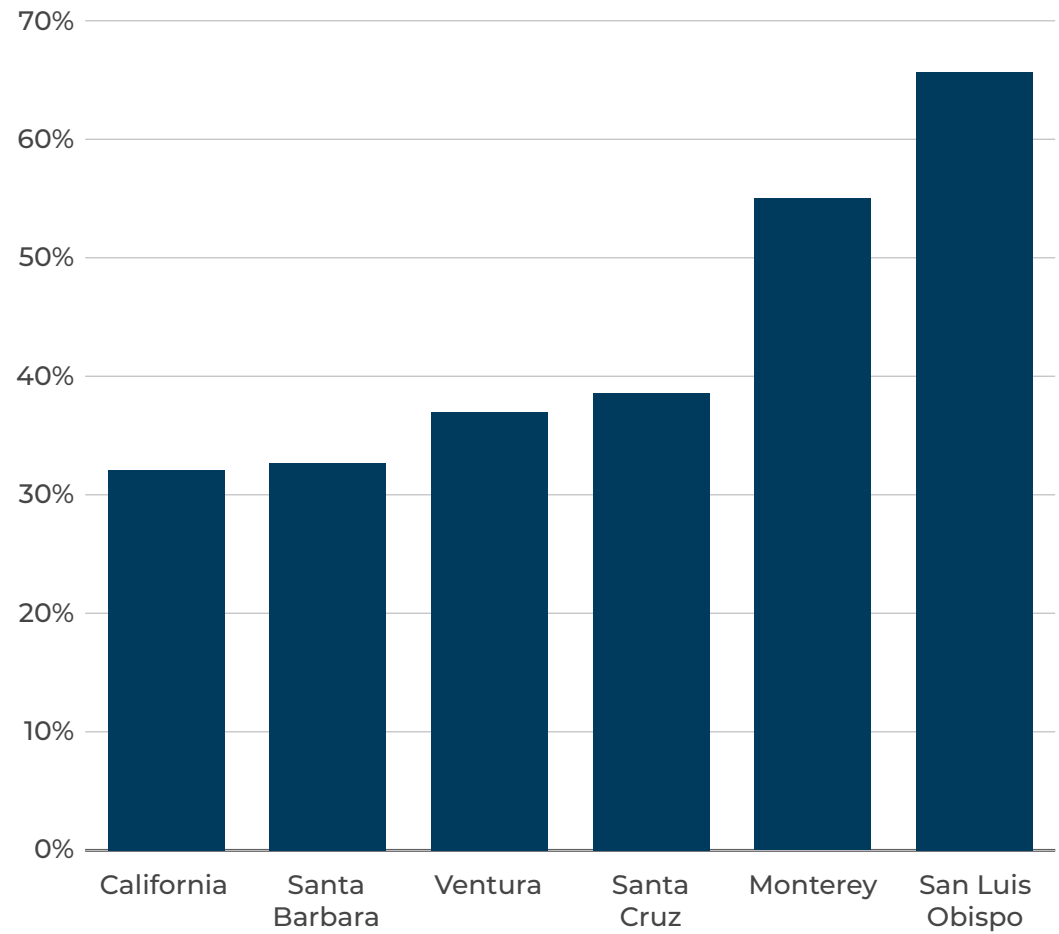
City	Housing Units	Single Family	Multi Family	Mobile Homes	Multi Family Share of Total
San Luis Obispo	22,845	12,210	9,226	1,409	40.4
Grover Beach	5,923	4,264	1,461	198	24.7
Atascadero	12,434	9,272	2,653	509	21.3
Paso Robles	12,431	9,496	2,652	283	21.3
Pismo Beach	5,861	4,105	1,031	725	17.6
Arroyo Grande	8,086	6,233	1,279	574	15.8
Morro Bay	6,567	5,091	1,009	467	15.4
Unincorporated	52,087	42,153	3,695	6,239	7.1
County Total	126,234	92,824	23,006	10,404	18.2

Source: California Department of Finance; Analysis by Beacon Economics



Home vacancy rates are higher in San Luis Obispo County than in California overall. These rates are mostly driven up by the number of second homes in the region.

### Second Homes Share of Vacant Units



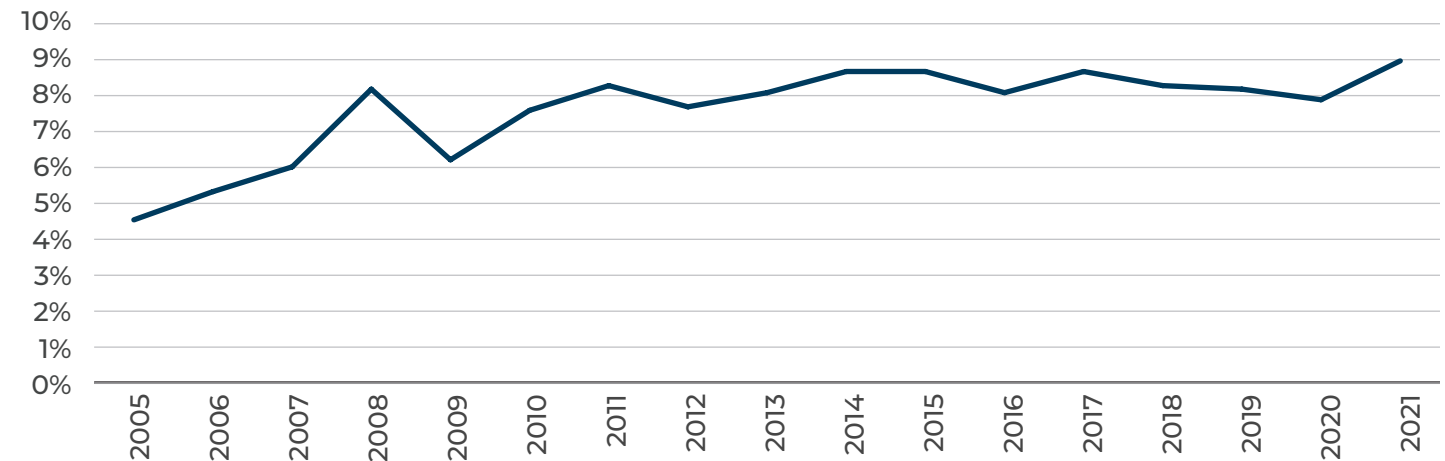
Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

In 2023, 12.9% of homes were vacant in San Luis Obispo County, significantly higher than the 6.6% vacancy rate in California. However, most vacant properties in the county are second homes. In 2021, second homes accounted for 65.7% of vacant units in San Luis Obispo County, as compared to just 32.1% in California. Removing second homes from the vacancy rate tally brings San Luis Obispo County in line with California.

Second homes account for 9.0% of SLO CAL's total housing stock, compared to just 2.4% in California.

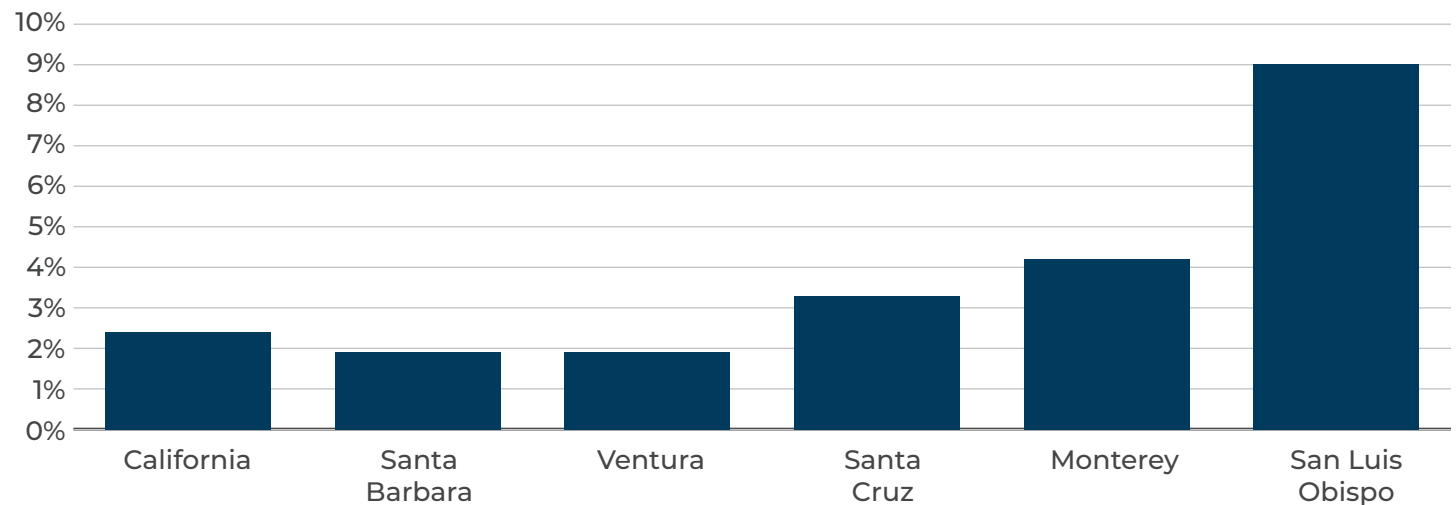
San Luis Obispo County also has a larger share of housing stock devoted to second homes than its Central Coast neighbors: Monterey (4.2%), Santa Cruz (3.3%), Ventura (1.9%) and Santa Barbara (1.9%). While the pandemic increased demand for second homes in 2021, the high proportion of second homes in San Luis Obispo County is not a recent development.

### San Luis Obispo County Second Homes as a Percent of Housing Stock



Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

### Second Homes Share of Total Units

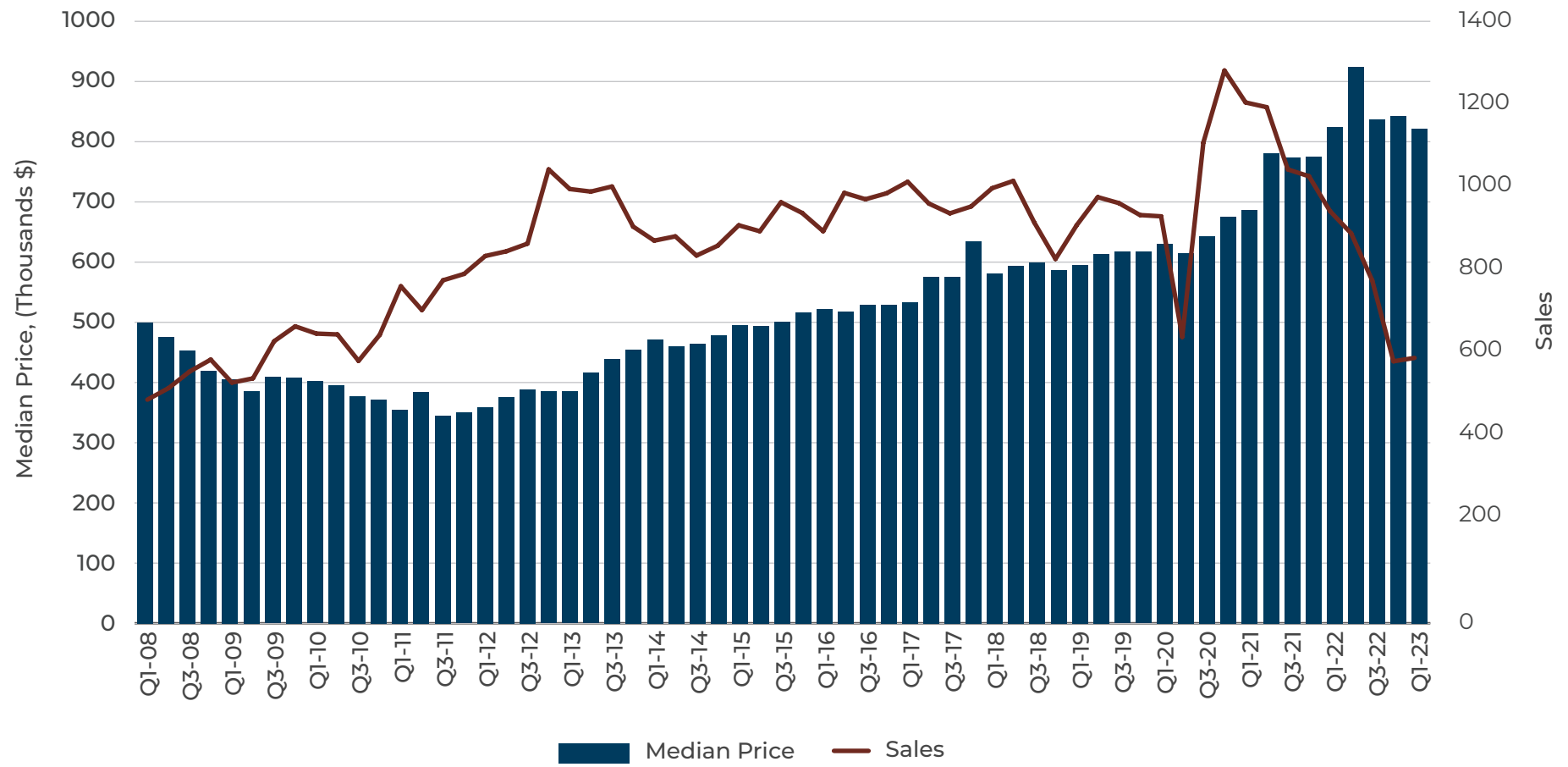


Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

## AFFORDABILITY

With strong demand and limited inventory, house prices have risen significantly in San Luis Obispo County in recent years. From the first quarter of 2018 to the first quarter of 2023, the median price for an existing single-family home grew 41.4% to \$821,400. Home prices in SLO CAL were just 1.8% below California overall in the first quarter of 2023. At the city level, in the first quarter of 2023, the median price for an existing single-family home reached \$953,000 in Arroyo Grande, \$646,100 in Paso Robles, and \$908,500 in the City of San Luis Obispo.

### San Luis Obispo County Existing Home Prices and Sales



Source: CoreLogic; Analysis by Beacon Economics

Rising prices are not the only factor in increasing housing costs for San Luis Obispo County households; higher interest rates are also hiking monthly mortgage payments. The typical mortgage cost for an existing single-family home rose 60.5% from the first quarter of 2018 to the first quarter of 2023, reaching \$4,527 per month, outpacing the 41.4% increase in home prices over this period by a wide margin.

Increased prices and higher interest rates have significantly reduced the number of buyers who can afford a home in San Luis Obispo County. In the first quarter of 2023, just 12% of households could afford a single-family home in the county. San Luis Obispo County is among the least affordable areas in the state, where 19.5% of households can afford a single-family home. In terms of housing affordability, SLO CAL and California both fall well behind the U.S., where 40% of households can afford a single-family home.

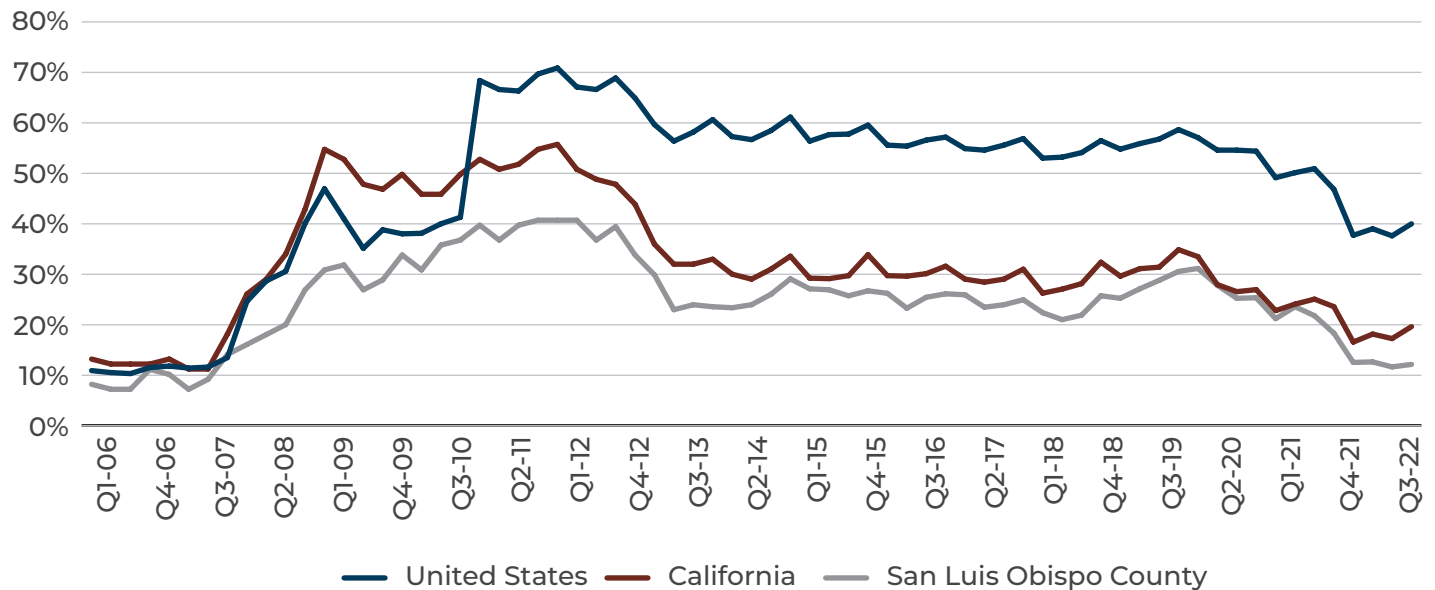
Affordability is not a recent trend in either the county or California, however. In the first quarter of 2013, 34% of households could afford a single-family home in SLO CAL compared to 44% in California and 65% in the U.S. overall.

## San Luis Obispo County Monthly Mortgage Cost for Existing Single-Family Homes



Source: CoreLogic; Analysis by Beacon Economics

## Traditional Housing Affordability Index

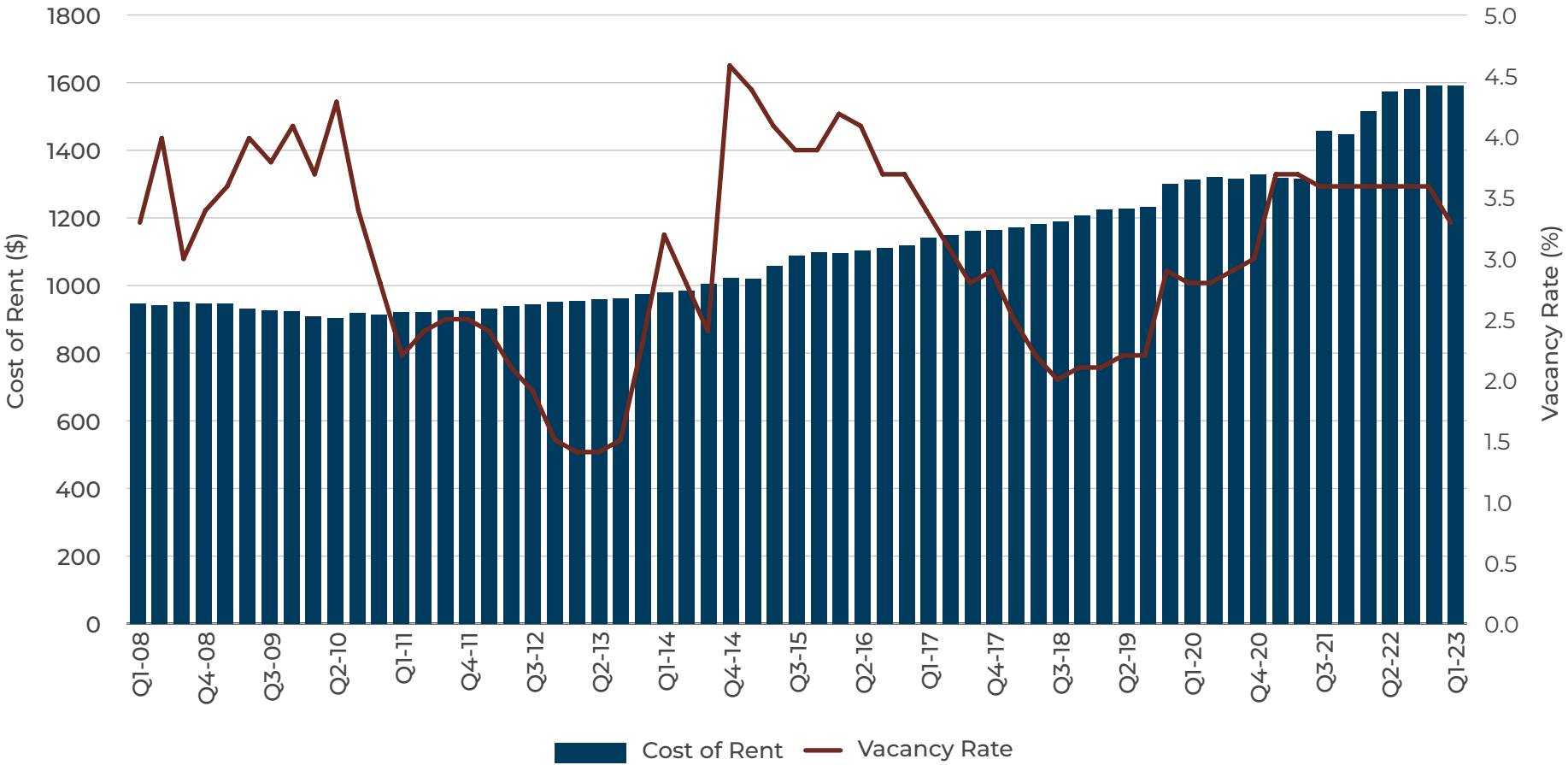


Source: California Association of Realtors; Analysis by Beacon Economics

Rents have also risen significantly across the county over the last decade, but not as rapidly as home prices or mortgage costs. From the first quarter of 2018 to the first quarter of 2023, the rent for an average apartment grew 35.8%, reaching \$1,589. While home prices are significantly above the U.S. average, apartment rents in SLO CAL are 10.7% below the United States average. Additionally, vacancy rates in San Luis Obispo County were just 3.3% in the first quarter of 2023, well below the U.S. average of 4.9%.

With more people being priced out of the local housing market, demand should remain strong for the multi-family market in the coming years.

Apartment Market in San Luis Obispo County



Source: REIS (Moody's Analytics); Analysis by Beacon Economics

## WORKFORCE HOUSING

High housing costs in San Luis Obispo County have disproportionately hit lower-income households who must now either devote a significant portion of their income to housing, move to areas further away from job centers, or move to lower-cost areas of the state or country.

Unsurprisingly, lower-income households are more likely to live in rented accommodation than higher-income households. San Luis Obispo County sees a higher share of households in owner-occupied housing compared to other parts of California. In 2021, 86% of households earning \$150,000 or more lived in owner-occupied housing, a higher share compared to the 76.5% in California. For households earning less than \$25,000, 44.3% live in owner-occupied housing in San Luis Obispo, compared to 34.2% in California.

### Housing Tenure by Income

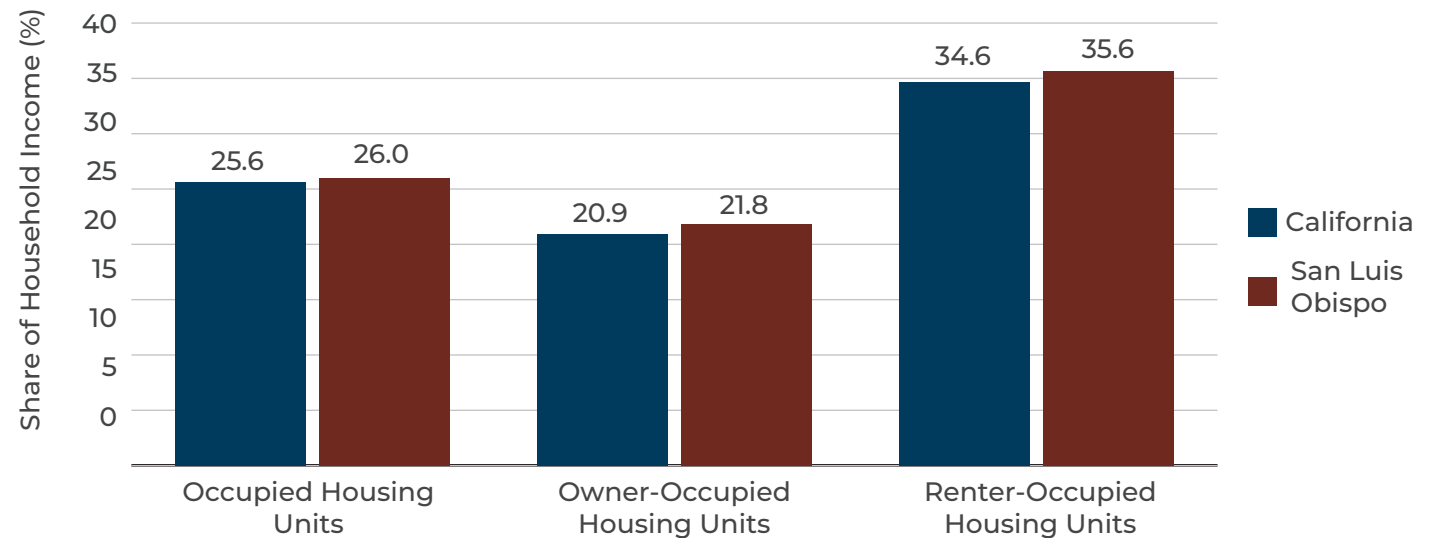
Income	<u>San Luis Obispo County</u>		<u>California</u>	
	Owner-Occupied Housing Units	Renter-Occupied Housing Units	Owner-Occupied Housing Units	Renter-Occupied Housing Units
Less than \$25,000	44.3	55.7	34.2	65.8
\$25,000 to \$49,999	54.0	46.0	42.0	58.0
\$50,000 to \$74,999	54.9	45.1	48.1	51.9
\$75,000 to \$99,999	57.4	42.6	54.9	45.1
\$100,000 to \$149,999	69.8	30.2	63.5	36.5
\$150,000 or more	86.0	14.0	76.5	23.5

Source: U.S. Census Bureau American Community Survey, Analysis by Beacon Economics

San Luis Obispo County households spend a higher share of their incomes on housing compared to other parts of California. In 2021, the average household in San Luis Obispo County paid 26.0% of their income on housing, just above the 25.6% average for California. Households in owner-occupied housing in San Luis Obispo County spent 21.8% of their incomes on housing, compared to 20.9% in California. Households in renter-occupied housing in San Luis Obispo County spent 35.6% of their incomes on housing, compared to 34.6% in California.

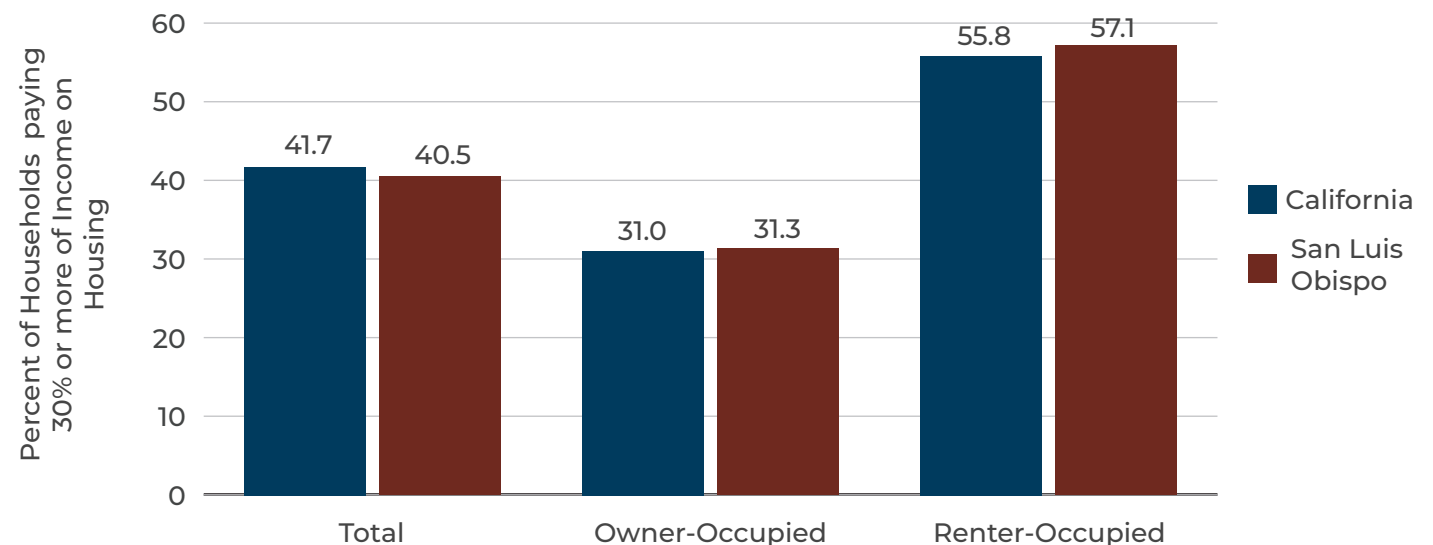
While San Luis Obispo County households spend a higher share of their income on housing than those other parts of California, there are fewer households burdened by high housing costs than in much of the state overall because of a greater rate of homeownership. In 2021, 40.5% of households in San Luis Obispo County spent over 30% of their income on housing, as opposed to 41.7% in California. Renter households were more likely to be housing-cost burdened, with 57.1% of renter households in San Luis Obispo County spending over 30% of their income on housing, as opposed to just 31.3% for owner-occupied housing units.

## Housing Costs



Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

## Housing Costs Burden by Tenure

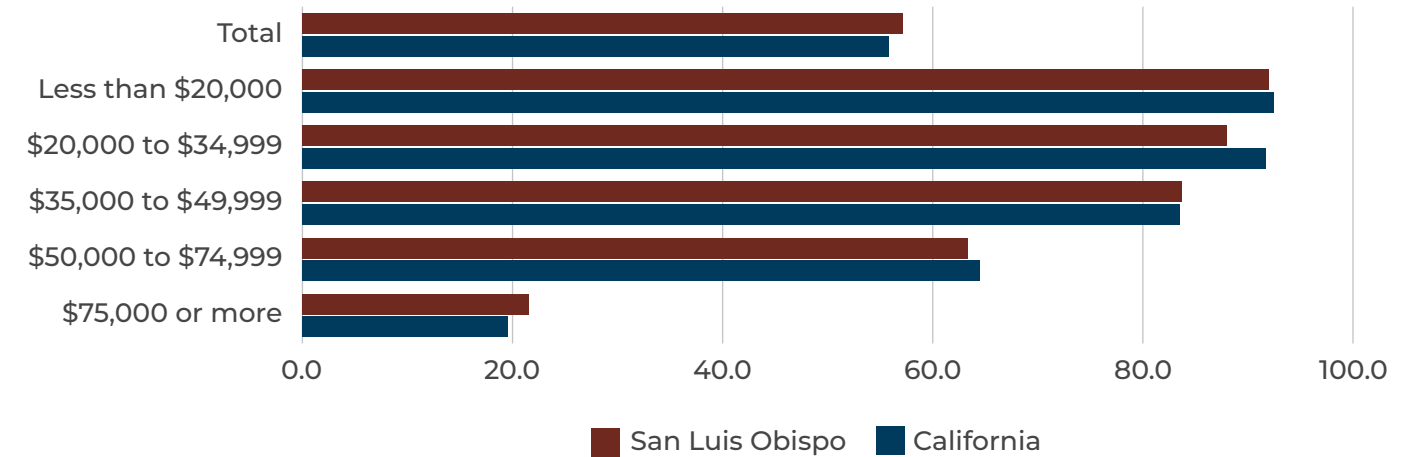


Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

In San Luis Obispo County, 92% of households earning less than \$20,000 are rent burdened, meaning they spend over 30% of their household income on housing. Similarly, 92.4% of households in California earning less than \$20,000 are rent burdened. In contrast, just 21.6% of households earning over \$75,000 faced housing costs that exceeded 30% of their income. This compares to 19.6% in California.

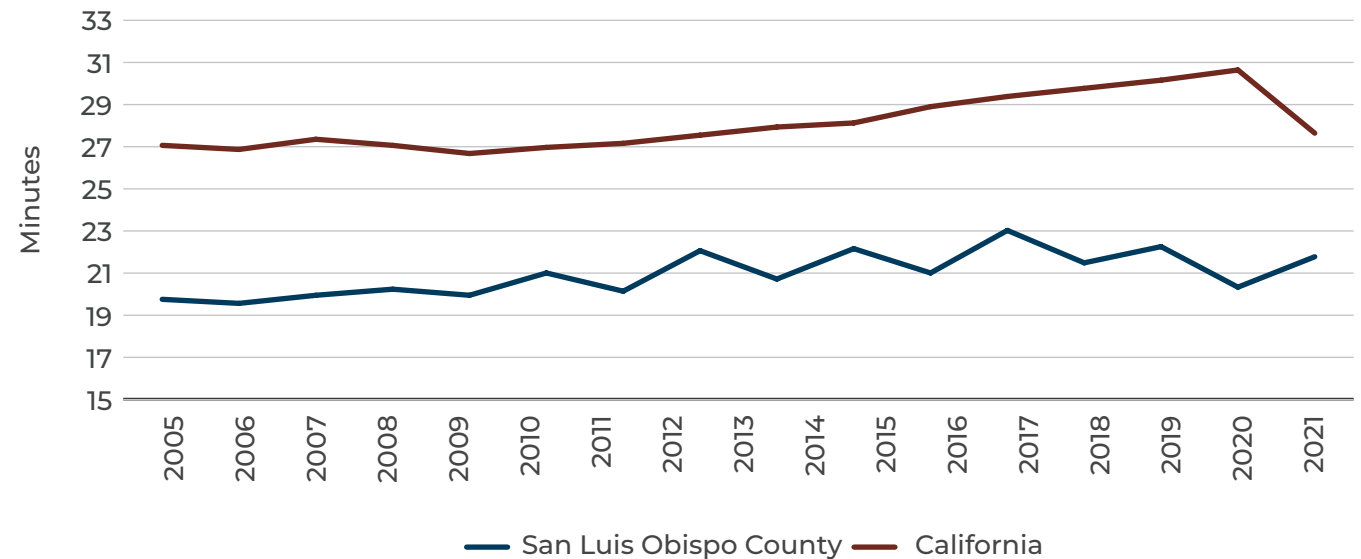
In 2021, despite high housing costs, 89.3% of San Luis Obispo County workers lived and worked in the county. This is slightly higher than the 86.1% figure for the state as a whole. With more people working in the county, commute times are shorter. In 2021, the average commute to work for San Luis Obispo County residents was just 21.8 minutes, well below the statewide average of 27.6 minutes. Assuming a five-day work week, this amounts to a time saving of nearly one hour per week for SLO CAL residents compared to California overall.

## Rent Burdened Households by Income



Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

## Average Commute Time to Work



Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

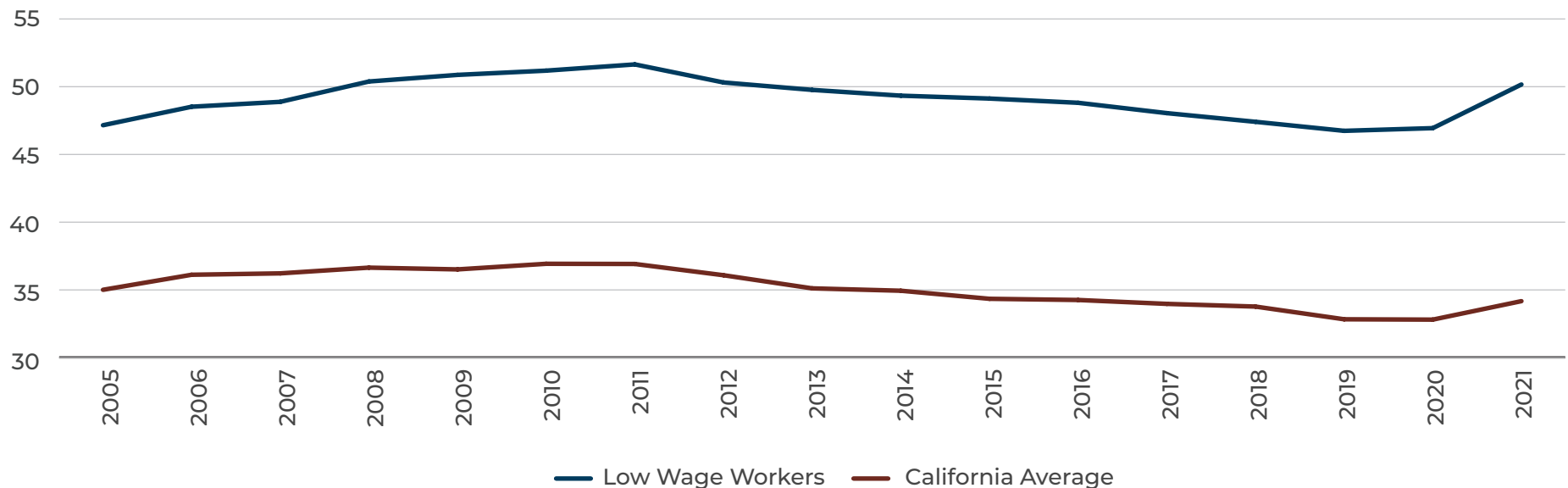


**PART 4: SHORT-TERM RENTAL ACTIVITY  
AND THE HOUSING MARKET IN SAN  
LUIS OBISPO COUNTY**

Following the rapid rise of short-term rentals, local governments throughout the U.S. have wrestled with how to best to regulate them. This report is primarily concerned with the notion that short-term rentals accentuate concerns over housing affordability and that STRs particularly burden and remove housing for low-income households. The final part of this analysis considers the extent to which short-term rentals affect the local housing market and low-income households in particular.

As the housing market analysis demonstrates, communities throughout San Luis Obispo County are in the midst of a long-term housing affordability crisis, which considerably pre-dates the emergence of STR platforms like Airbnb and Vrbo. California's affordability crisis has implications for most households except the very wealthiest. Low-income households are especially burdened. The chart below shows housing costs as a percentage of household income. For the lowest 20% of earners in the state, housing costs make up more than 50% of their income. Households are widely considered to be cost-burdened if they spend more than 30% of their income on housing.

### Housing Cost as a Percentage of Household Income in San Luis Obispo County



Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

For STRs to affect housing affordability in a community, two things should be true:

- 1) STR activity should reduce the supply of housing in that community.
- 2) STR activity should specifically remove from the market the type of housing in which lower-income households reside.

The following analysis considers each of these aspects of STR activity.

## SHORT-TERM RENTAL HOUSING AND HOUSING SUPPLY

Only 2.7% of San Luis Obispo County's existing housing stock is devoted to STR activity (this includes both legal and illegal listings). These figures vary by community, as shown in the table on the right. STR listings as a share of the housing stock is highest in Creston (29.3%), although this is a community with only 41 housing units. However, using spatial matching, short-term rentals account for only 2.4% of housing stock. In most other communities, less than 5% of housing units contain STR activity. Theoretically then, converting all STR housing to long-term rentals could increase the county's housing supply by around 2%-3% on average.

### Share of Housing by City/Community

Community	Housing Units (2021)	STR % of Housing <sup>12</sup>	STR % of Housing (Spatial Match)
Arroyo Grande	8,035	2.7	1.2
Atascadero	12,170	1.2	0.9
Avila Beach	1,031	N/A	0.4
Cambria	4,139	4.6	3.9
Cayucos	2,467	7.4	7.3
Creston	41	29.3	2.4
Grover Beach Harmony	5,913	2.1	2.2
Los Osos	6,605	1.2	1.2
Morro Bay	6,304	3.1	2.9
Nipomo	6,057	0.6	0.4
Oceano	3,451	3.9	3.3
Paso Robles	12,556	4.9	2.6
Pismo Beach	6,040	4.1	3.9
San Luis Obispo	21,032	1.3	0.9
San Miguel	853	4.5	0.8
San Simeon	307	3.3	2.0
Santa Margarita	543	3.7	0.6
Shandon	372	0.3	N/A
Templeton	3,303	4.2	2.0

<sup>12</sup> The percentage of STRs in the total housing mix does not address licensed or unlicensed STRs, but total active units. The percentage of STRs could be lower if licensed and illegal STRs were removed.

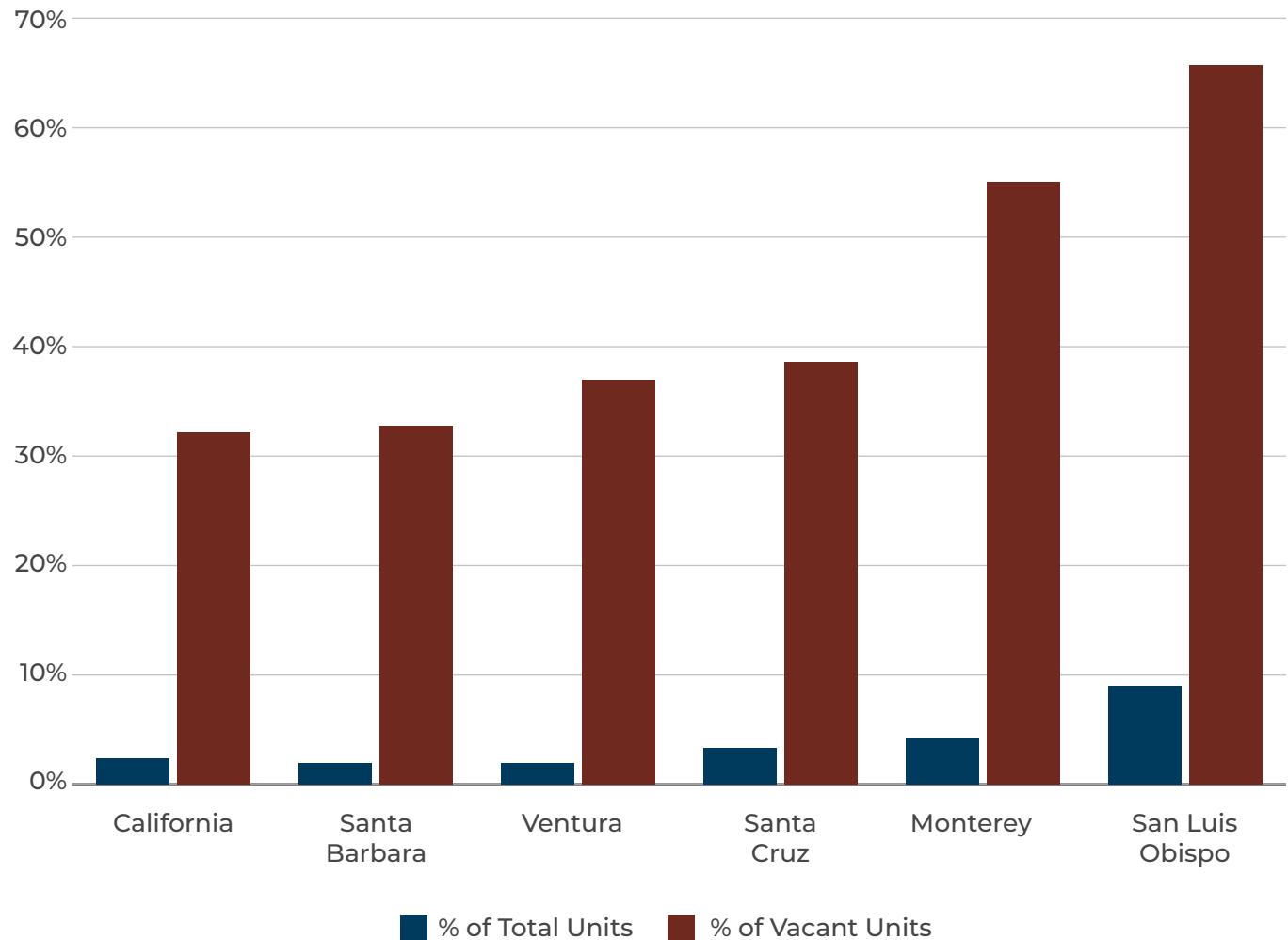
Source: US Census Bureau, AirDNA; Analysis by Beacon Economics

\*Applies to properties listed as entire unit. Excludes non-housing and non-active properties. Also excludes listings such as buses, campsites, boats, barns, tents, yurts, and religious buildings.

It is unlikely that all housing currently devoted to STR activity would be converted to long-term rentals, and therefore increase local housing supply, since a relatively large share of housing units in communities across the county (9%) are second homes (i.e., not the homeowner's primary residence). This compares to 2.4% in California as a whole and is more than double the rate in similar neighboring communities such as Santa Cruz, Monterey, and Santa Barbara. The rate of second homes in SLO CAL has doubled over the past 15 years.

A proportion of the STR properties in the community are second homes, although it is not possible to measure exactly how many. Therefore, removing all STR activity would not necessarily lead to a 2-3% increase in housing supply since it is likely that many of these units would remain vacation homes for property owners. Furthermore, if local leaders seek to increase the supply of housing in their communities, there are more direct ways to achieve this by zoning for more housing.

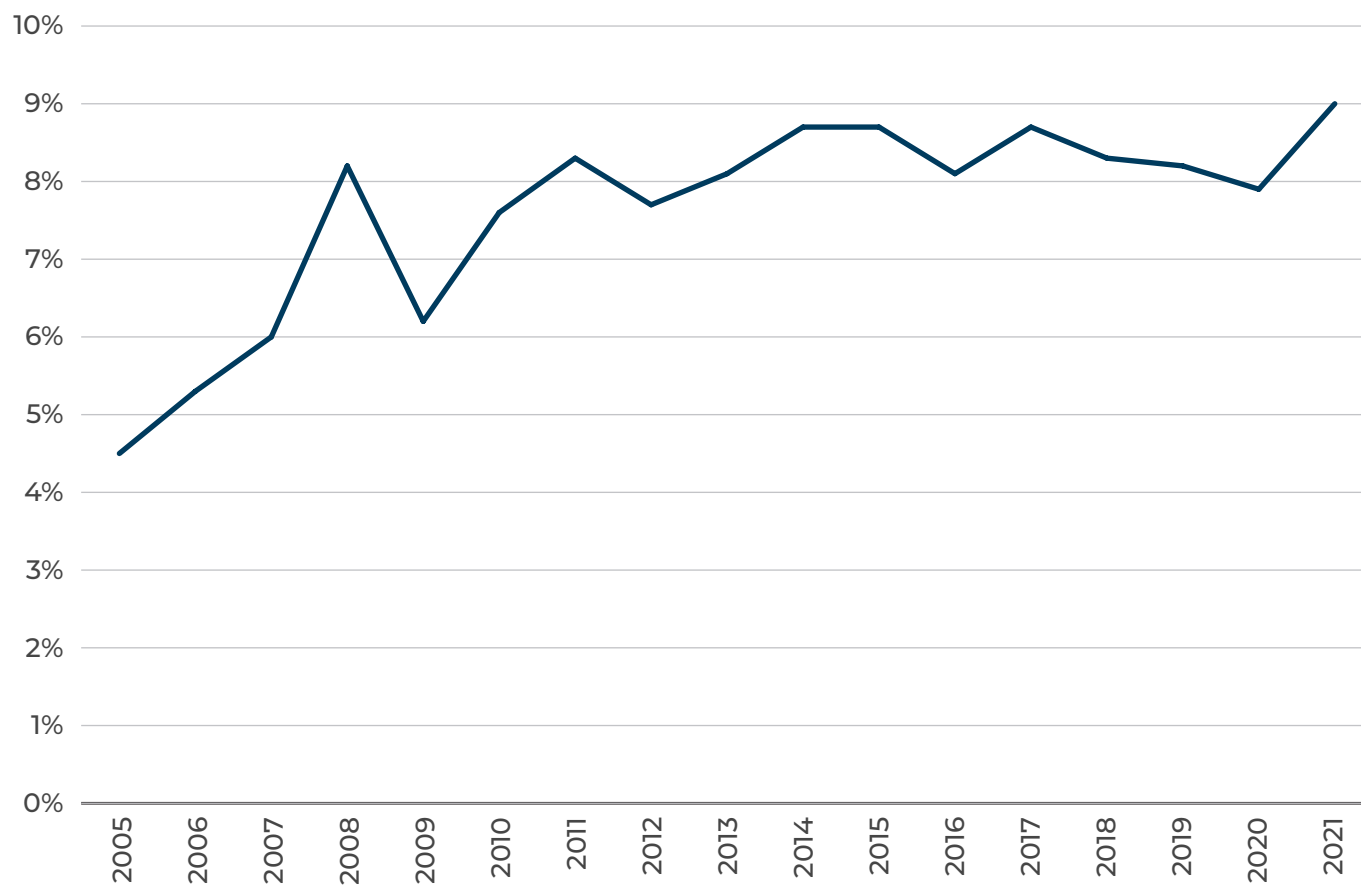
### Second Homes by County as a Percent of Stock



Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

Assuming the removal of STR activity would increase the long-term housing supply in the community by 2-3%, what impact would that have on housing costs?<sup>13</sup> A recent report by the Federal Reserve finds that increasing the housing supply by 1% reduces rents in a neighborhood by 0.07%, on average. The table below shows by how much housing costs might fall in communities if all STRs were converted to long-term rentals.<sup>14</sup> The table displays the average, maximum, and minimum price change that could occur for each community. The maximum and minimum values represent the largest and smallest changes that could occur, based on the estimates in the Federal Reserve's study (apart from Creston where the numbers are skewed due to the community's small size). In all other communities, converting STRs to long-term rentals would lead housing costs to drop by less than 0.5%. These estimates are inflated, however, because not all properties would be converted to long-term rentals.

### San Luis Obispo County Second Homes as a Percent of Housing Stock



Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

<sup>13</sup> Anenberg, Elliot, and Edward Kung. "Can more housing supply solve the affordability crisis? Evidence from a neighborhood choice model." *Regional Science and Urban Economics* 80 (2020): 103363.

<sup>14</sup> Please see the appendix for spatially matched versions of the short-term rental tables in this section."

## Short-Term Rental Characteristics and Elasticity Effects from Conversion to Housing

City/Community	Poverty Rate (%)	PP Change from 2012	Housing Units	Active STRs*	STR % of Housing	Elasticity Effect*		
						Average	Max	Min
Arroyo Grande	5.6	-1.6	8,035	213	2.65	-0.18	-0.27	-0.13
Atascadero	8.8	-2.0	12,170	147	1.21	-0.08	-0.12	-0.06
Avila Beach	8.6	N/A	1,031	N/A	N/A	N/A	N/A	N/A
Cambria	19.2	3.3	4,139	190	4.59	-0.31	-0.46	-0.23
Cayucos	18.7	2.9	2,467	183	7.42	-0.50	-0.74	-0.37
Creston**	N/A	N/A	41	12	29.27	-1.99	-2.93	-1.46
Grover Beach	9.4	-4.3	5,913	127	2.15	-0.15	-0.21	-0.11
Harmony	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Los Osos	10.0	1.9	6,605	79	1.20	-0.08	-0.12	-0.06
Morro Bay	7.9	-4.5	6,304	197	3.13	-0.21	-0.31	-0.16
Nipomo	9.6	-0.1	6,057	38	0.63	-0.04	-0.06	-0.03
Oceano	11.3	-5.0	3,451	133	3.85	-0.26	-0.39	-0.19
Paso Robles	9.2	-3.1	12,556	611	4.87	-0.33	-0.49	-0.24
Pismo Beach	6.8	2.0	6,040	246	4.07	-0.28	-0.41	-0.20
San Luis Obispo	29.6	-0.9	21,032	274	1.30	-0.09	-0.13	-0.07
San Miguel	30.0	9.7	853	38	4.45	-0.30	-0.45	-0.22
San Simeon	6.4	6.4	307	10	3.26	-0.22	-0.33	-0.16
Santa Margarita	8.5	-11.5	543	20	3.68	-0.25	-0.37	-0.18
Shandon	6.4	-10.7	372	1	0.27	-0.02	-0.03	-0.01
Templeton	4.4	-2.4	3,303	138	4.18	-0.28	-0.42	-0.21

Source: AirDNA, US Census Bureau, Kung et. al 2021. Data as of 2021. ; Analysis by Beacon Economics

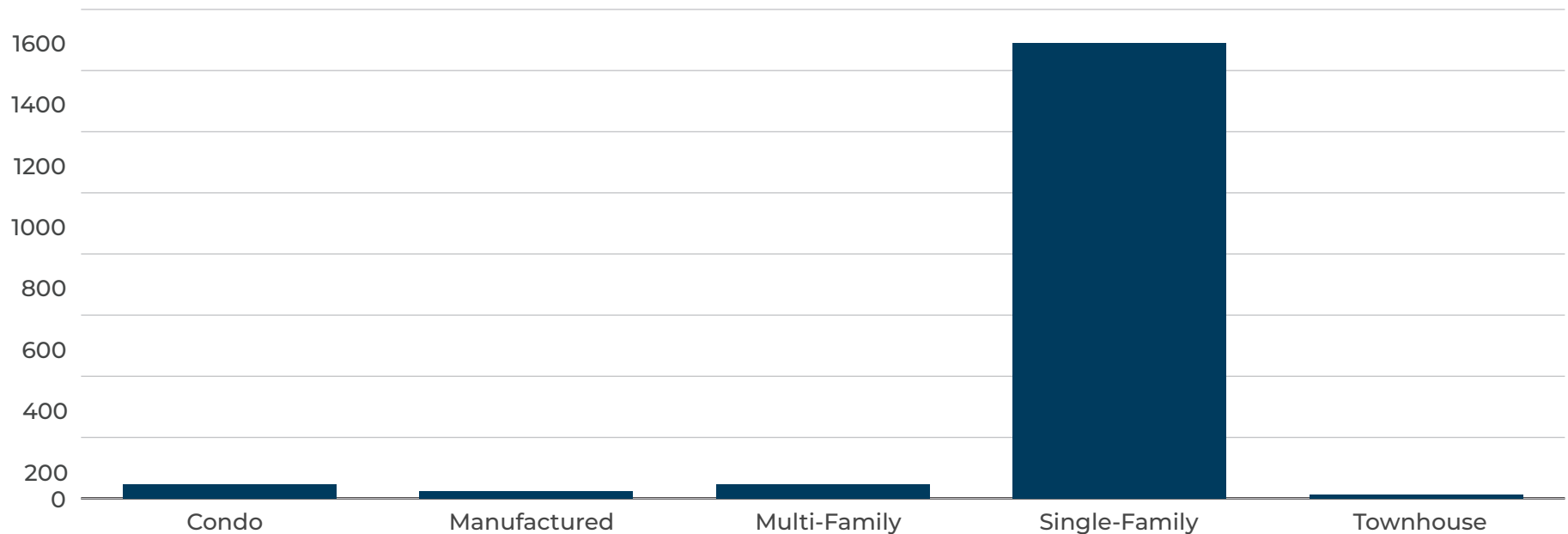
\*Entire Unit. Excludes non-housing. \*\* 2020 Decennial Census

## THE NATURE OF SHORT-TERM RENTAL HOUSING IN SAN LUIS OBISPO COUNTY

As Part 2, Tracking STR Activity, reveals, short-term vacation rental activity in SLO CAL is concentrated in certain types of housing. It is also concentrated in certain communities within the county. Part 2 displayed the types of housing devoted to STR activity using Airbnb's definition of housing units. These data revealed that the majority of STR housing is comprised of non-multi-family housing.

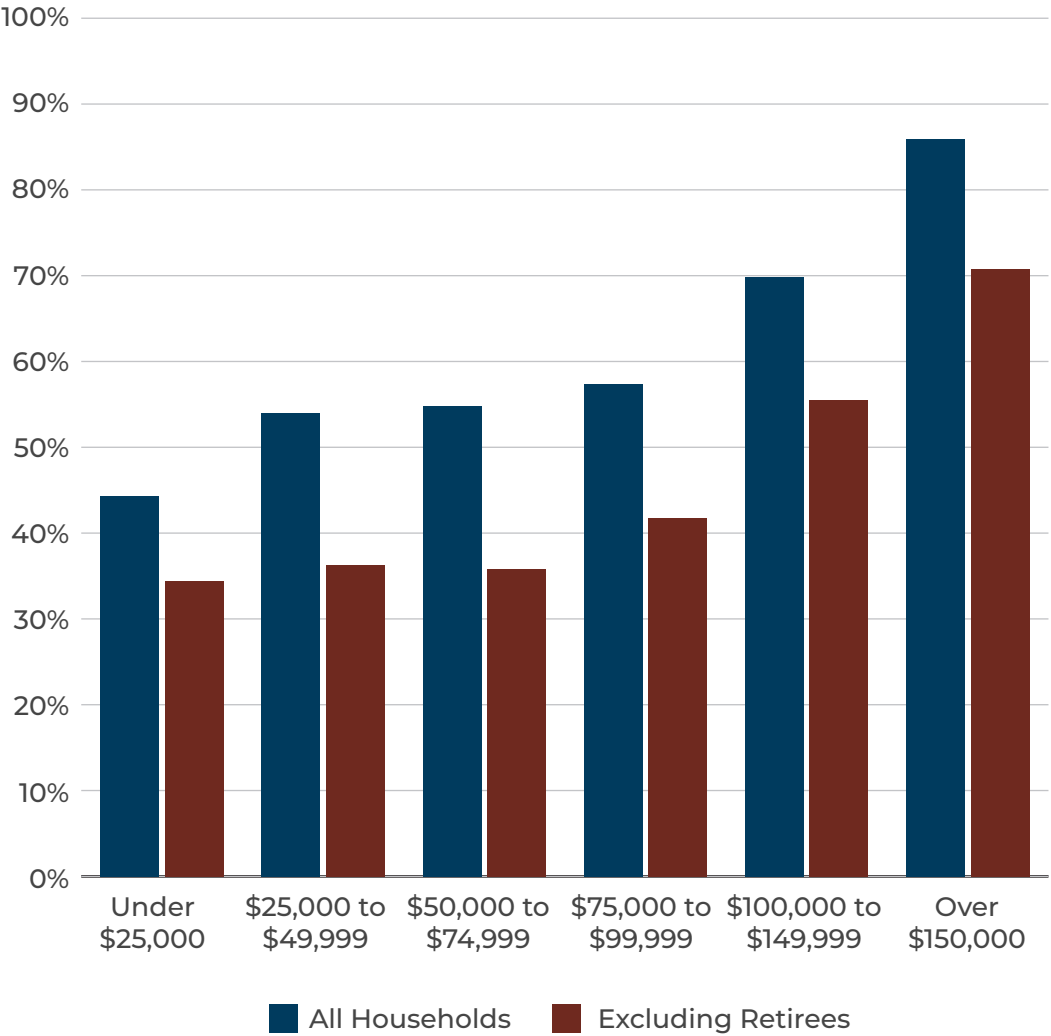
Data provided by Granicus can be matched to property-level data provided by Zillow. Granicus monitors short-term rental activity and provides physical addresses for all short-term rentals in a jurisdiction. This data can then be matched to Zillow's property database, which contains information on 104 million homes across the country, where property-level estimates are available. In some cases, STRs such as yurts, buses, religious buildings, and so on are not properties that have a rent or home value estimate. The Granicus data reveal that 92% of STRs across San Luis Obispo County are single-family homes. This fact immediately suggests that STR activity is not removing housing from low-income residents in the community. As the chart on the next page shows, homeownership rates are low for lower-income households.

Count of Property Types for STRs in San Luis Obispo County



Source: Granicus/Zillow; Analysis by Beacon Economics

Home Ownership Rates by Income in San Luis Obispo County

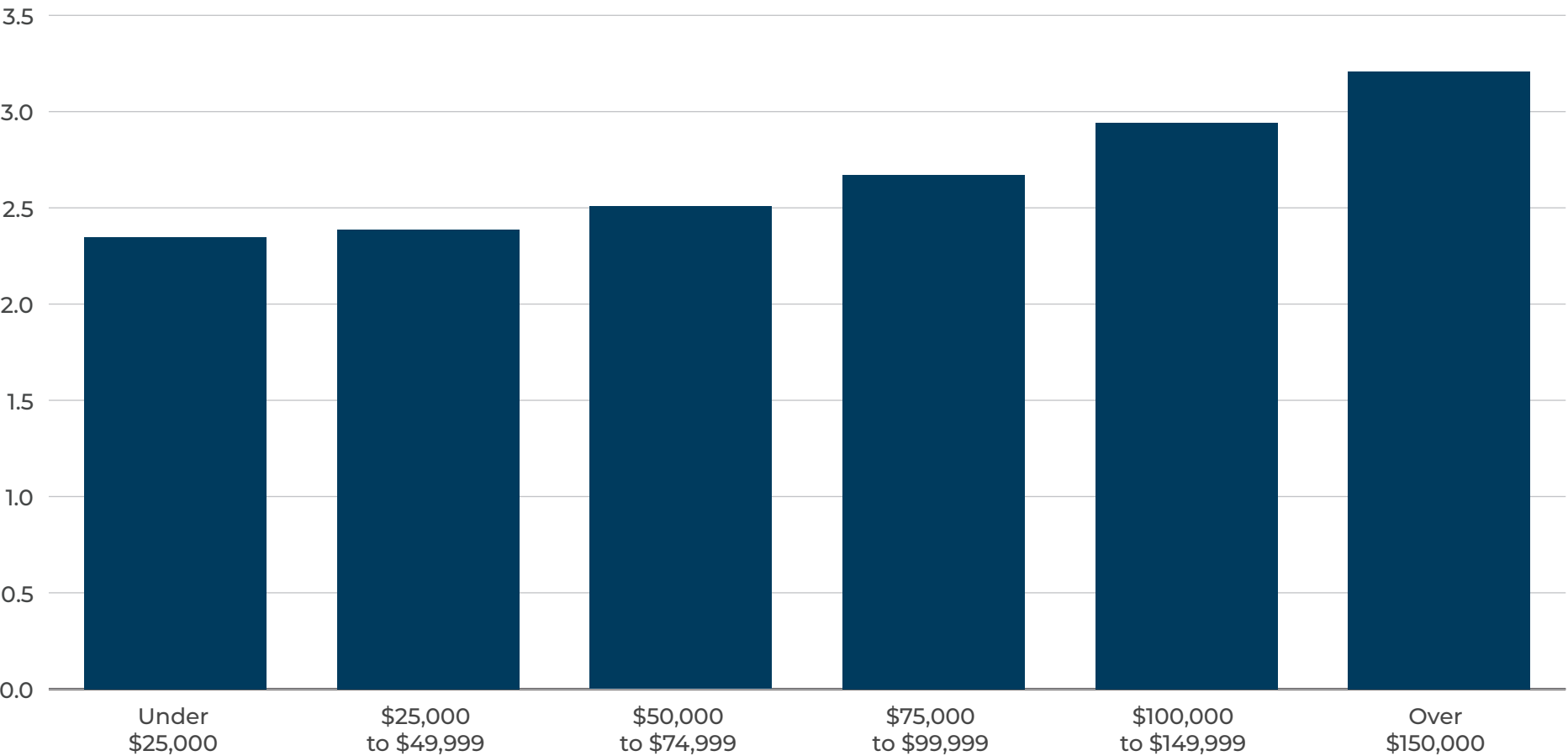


Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics



The Granicus-Zillow data reveals that STR properties are typically larger than those in which lower-income households reside. The average STR property contains 3.4 bedrooms, while lower-income households typically live in much smaller properties (2.2 bedrooms).

Average Number of Bedrooms by Household Income in San Luis Obispo County



Source: U.S. Census Bureau American Community Survey; Analysis by Beacon Economics

Furthermore, STR properties in San Luis Obispo County have an average value of more than \$1.2 million, far out of the reach of lower income households, and higher than the median home value across most communities in the county. The following table summarizes the characteristics of SLO CAL communities along with their related STR activity.

## Housing Characteristics by City/Community

City/Community	Median Household Income	Housing Units	Poverty Rate (%)	PP Change from 2012	Active STRs*	STR % of Housing	Share of STRs in County
Arroyo Grande	\$90,405	8,035	5.6	-1.6	213	2.65	8.0%
Atascadero	\$82,777	12,170	8.8	-2.0	147	1.21	5.5%
Avila Beach	\$113,704	1,031	8.6	N/A	N/A	N/A	N/A
Cambria	\$87,744	4,139	9.2	3.3	190	4.59	7.2%
Cayucos	\$77,963	2,467	18.7	2.9	183	7.42	6.9%
Creston**	N/A	41	N/A	N/A	12	29.27	0.5%
Grover Beach	\$77,637	5,913	9.4	-4.3	127	2.15	4.8%
Harmony	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Los Osos	\$82,894	6,605	10.0	1.9	79	1.20	3.0%
Morro Bay	\$80,808	6,304	7.9	-4.5	197	3.13	7.4%
Nipomo	\$88,525	6,057	9.6	-0.1	38	0.63	1.4%
Oceano	\$68,495	3,451	11.3	-5.0	133	3.85	5.0%
Paso Robles	\$75,569	12,556	9.2	-3.1	611	4.87	23.0%
Pismo Beach	\$94,268	6,040	6.8	2.0	246	4.07	9.3%
San Luis Obispo	\$61,862	21,032	29.6	-0.9	274	1.30	10.3%
San Miguel	\$66,496	853	30.0	9.7	38	4.45	1.4%
San Simeon	\$50,486	307	6.4	6.4	10	3.26	0.4%
Santa Margarita	N/A	543	8.5	-11.5	20	3.68	0.8%
Shandon	\$77,734	372	6.4	-10.7	1	0.27	0.0%
Templeton	\$104,340	3,303	4.4	-2.4	138	4.18	5.2%

Source: AirDNA, US Census Bureau (Data as of 2021); Analysis by Beacon Economics

\*Entire Unit. Excludes non-housing. \*\* 2020 Decennial Census

Many of the more affordable parts of the county are inland, away from major job centers. Shandon is one of the most affordable communities and the only one where the average home value is below \$500K. However, virtually no short-term rental activity takes place in Shandon. The Granicus data suggests there were at most seven short-term rental properties, but only three were listed.

Some communities have a high proportion of short-term rentals. Cambria and Cayucos has a comparatively large share of housing units devoted to STR activity. In Cambria, for example, 4.6% of housing units were short-term rentals. However, Cambria is also largely an ocean-front community with million-dollar

homes. The same is true for Cayucos, where nearly half of all housing units are second homes, but only 7.4% are short-term rentals.

As the findings in this report reveal, San Luis Obispo County has become increasingly unaffordable for lower-income households. For ease of analysis, STR activity in the community is collapsed into two groups. One group contains 85% of the STR activity in the county, the other group contains the rest. Areas of the county with the highest prevalence of STR activity are less affordable than the rest of the county. Within high frequency STR communities, home values are around 6% higher than in the communities that contain 15% of STR properties.

### Housing Characteristics by Major ZCTA Grouping

Group	Short-Term Rentals	Share of County STRs	Home Value	Housing Units	STRs % of Housing	Second Home Share of Total
Top 10	2422	85%	\$888,288	86,653	2.8%	8.4%
Bottom	436	15%	\$833,837	34,628	1.3%	5.1%

Source: AirDNA, Zillow, US Census Bureau; Analysis by Beacon Economics

\* Active properties as of Feb 2023. Zillow Home value as of May 2023.

Furthermore, STR activity is occurring in wealthier communities. Median household incomes are 15% higher in the communities that contain 85% of STR activity, and these communities are home to fewer households with incomes below \$30,000 per year.

### Income Characteristics by Major ZCTA Grouping, 2021

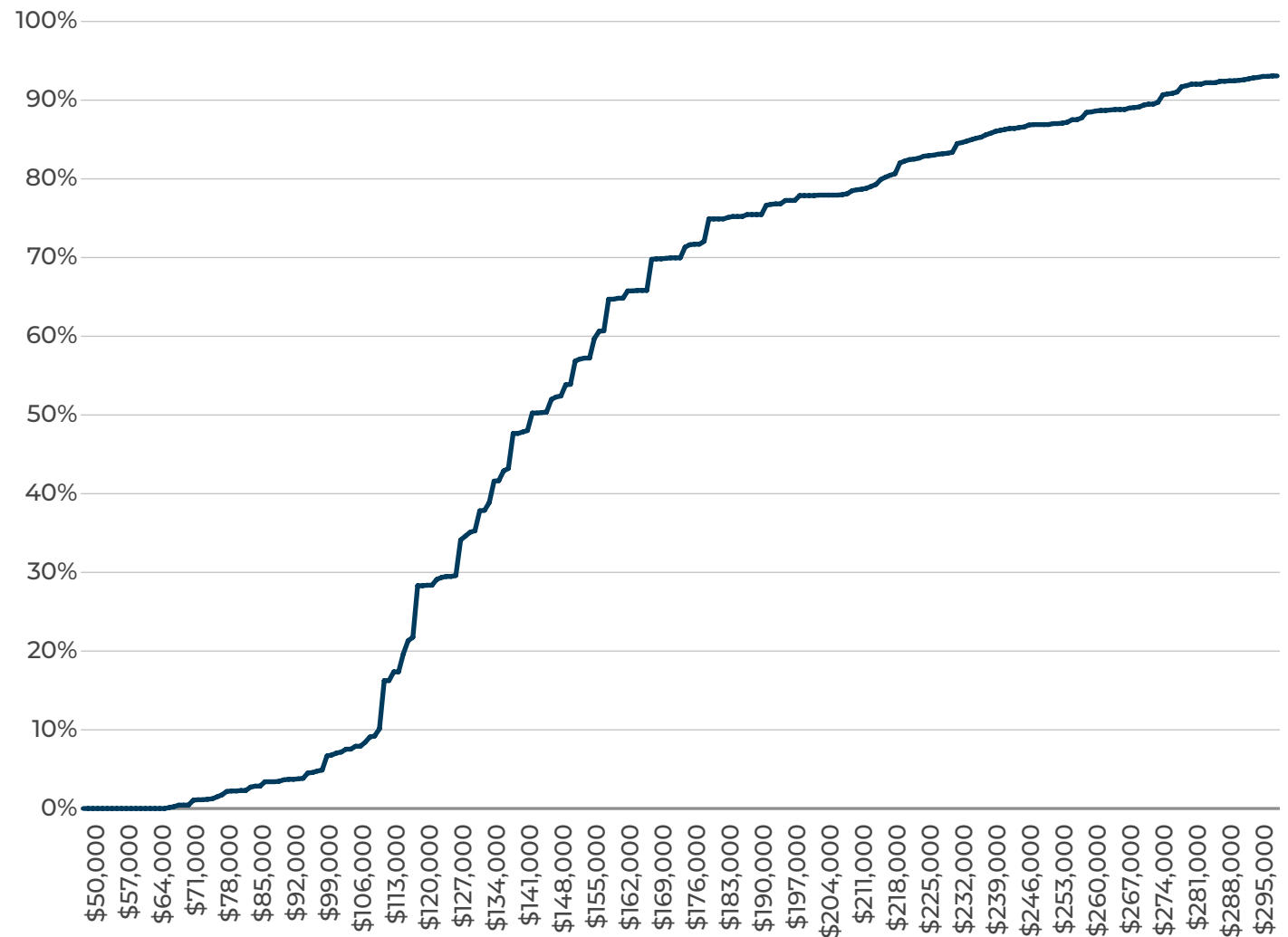
	Percent Households: Less \$30,000 Income	PP Change (from 2012)	Percent Households: More than \$200,000 Income	PP Change (from 2012)	Median HH Income	% Change (From 2012)
Top 10	12.1	-6.3	12.62	7.6	\$86,329	36.4
Bottom	14.5	-5.4	9.12	5.3	\$74,900	44.4

Source: US Census Bureau; Analysis by Beacon Economics

Overall, STR activity is occurring in the wealthiest, least affordable parts of the county, which are home to fewer low-income households. To further illustrate this point, consider the following chart which displays the affordability of STR properties by income. Housing is deemed unaffordable if it accounts for more than 30% of a household's income. If STR properties were converted to long-term rentals, based on prevailing market prices, households earning \$100,000 would only be able to afford 5% of the properties listed as STRs.

In summary, if STR properties in San Luis Obispo County were converted to long-term rentals, they would not provide accessible and affordable housing options for lower-income residents.

### Income Level and Percent of Short-Term Rentals That Would be Affordable for Renters in San Luis Obispo County



Source: Granicus/Zillow; Analysis by Beacon Economics



# CONCLUSION

As has been the case throughout the U.S. over the past ten years, the number of properties listed as short-term rentals in SLO CAL communities has risen sharply. STRs have provided greater accommodation choices for visitors to the region, and data reveals that STR activity has complimented, rather than replaced hotel occupancy.

Communities nationwide are, like those in SLO CAL, grappling with the rise of short-term rentals. Inherently, these communities are weighing the benefits that short-term rentals bring against the perceived costs they generate. In particular, opponents assert that short-term rentals have a negative effect on local housing markets – that STRs create housing shortages and are driving up rents and house prices.

The analysis in this report reveals that housing affordability issues are not new to SLO CAL, and long pre-date the rise in STR activity. Like so many others in California, SLO CAL communities have failed to build sufficient multi-family housing for decades. STR activity is occurring in the least affordable parts of the community, and even if all STR activity were converted to long-term rentals, it would do very little to improve housing affordability.

If there are concerns that STR activity reduces community housing supplies, there are more direct ways to increase those supplies through zoning reform.

# APPENDIX

## Active STRs by City/Community (2,859 Units) <sup>15</sup>

	Properties	Percent(%)
Paso Robles	715	25.01
San Luis Obispo	289	10.11
Arroyo Grande	242	8.46
Pismo Beach	220	7.69
Morro Bay	205	7.17
Cambria	201	7.03
Atascadero	187	6.54
Cayucos	154	5.39
Templeton	152	5.32
Oceano	133	4.65
Grover Beach	114	3.99
Los Osos	91	3.18
San Miguel	58	2.03
Nipomo	49	1.71
Santa Margarita	27	0.94
Creston	10	0.35
San Simeon	10	0.35
Shandon	2	0.07

Source: AirDNA (Feb.2023); Analysis by Beacon Economics

<sup>15</sup> Based on a city identifier provided by AirDNA.

## ZCTA Groupings

Zip Code	Grouping
93446	TOP
93420	TOP
93449	TOP
93401	TOP
93442	TOP
93428	TOP
93422	TOP
93430	TOP
93465	TOP
93445	TOP
93433	BOTTOM
93402	BOTTOM
93405	BOTTOM
93451	BOTTOM
93444	BOTTOM
93453	BOTTOM
93432	BOTTOM
93452	BOTTOM
93461	BOTTOM

## Short-Term Rental Characteristics and Elasticity Effects from Conversion to Housing (Spatially Matched)

City/Community	Poverty Rate (%)	PP Change from 2012	Housing Units	Active STRs*	STR % of Housing	Elasticity Effect*		
						Average	Max	Min
Arroyo Grande	5.6	-1.6	8,035	97	1.21	-0.08	-0.12	-0.06
Atascadero	8.8	-2.0	12,170	115	0.94	-0.06	-0.09	-0.05
Avila Beach	8.6	N/A	1,031	4	0.4	N/A	N/A	N/A
Cambria	9.2	3.3	4,139	163	3.94	-0.27	-0.39	-0.20
Cayucos	18.7	2.9	2,467	181	7.34	-0.50	-0.73	-0.37
Creston**	N/A	N/A	41	1	2.44	-0.17	-0.24	-0.12
Grover Beach	9.4	-4.3	5,913	128	2.16	-0.15	-0.22	-0.11
Harmony	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Los Osos	10.0	1.9	6,605	77	1.17	-0.08	-0.12	-0.06
Morro Bay	7.9	-4.5	6,304	185	2.93	-0.20	-0.29	-0.15
Nipomo	9.6	-0.1	6,057	23	0.38	-0.03	-0.04	-0.02
Oceano	11.3	-5.0	3,451	114	3.30	-0.22	-0.33	-0.17
Paso Robles	9.2	-3.1	12,556	323	2.57	-0.17	-0.26	-0.13
Pismo Beach	6.8	2.0	6,040	238	3.94	-0.27	-0.39	-0.20
San Luis Obispo	29.6	-0.9	21,032	182	0.87	-0.06	-0.09	-0.04
San Miguel	30.0	9.7	853	7	0.82	-0.06	-0.08	-0.04
San Simeon	6.4	6.4	307	6	1.95	-0.13	-0.20	-0.10
Santa Margarita	8.5	-11.5	543	3	0.55	-0.04	-0.06	-0.03
Shandon	6.4	-10.7	372	0	-	N/A	N/A	N/A
Templeton	4.4	-2.4	3,303	67	2.03	-0.14	-0.20	-0.10

Source: AirDNA, US Census Bureau, Kung et. al 2021. Data as of 2021. ; Analysis by Beacon Economics

\* Entire Unit. Excludes non-housing. \*\* 2020 Decennial Census

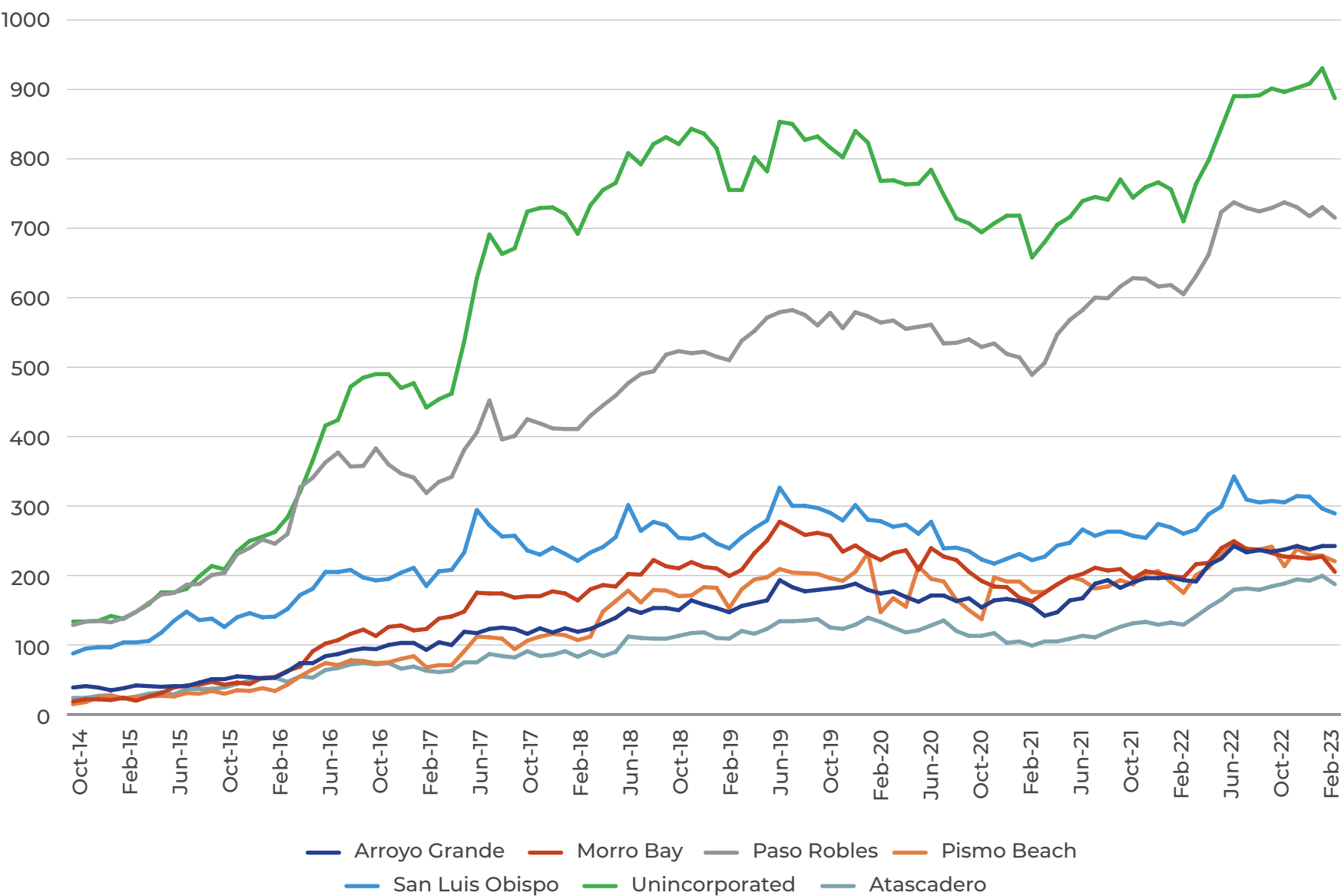
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Avila Beach	\$113,704	1,031	8.6	N/A	4	0.4	N/A
Cambria	\$87,744	4,139	9.2	3.3	163	3.94	6.1%
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Creston**	N/A	41	N/A	N/A	1	2.44	0.0%
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Harmony	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Los Osos	\$82,894	6,605	10.0	1.9	77	1.17	2.9%
Morro Bay	\$80,808	6,304	7.9	-4.5	185	2.93	7.0%
Nipomo	\$88,525	6,057	9.6	-0.1	23	0.38	0.9%
Oceano	\$68,495	3,451	11.3	-5.0	114	3.30	4.3%
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Santa Margarita	N/A	543	8.5	-11.5	3	0.55	0.1%
Shandon	\$77,734	372	6.4	-10.7	N/A	N/A	N/A
Templeton	\$104,340	3,303	4.4	-2.4	67	2.03	2.5%

Source: AirDNA, US Census Bureau, Kung et. al 2021. Data as of 2021; Analysis by Beacon Economics

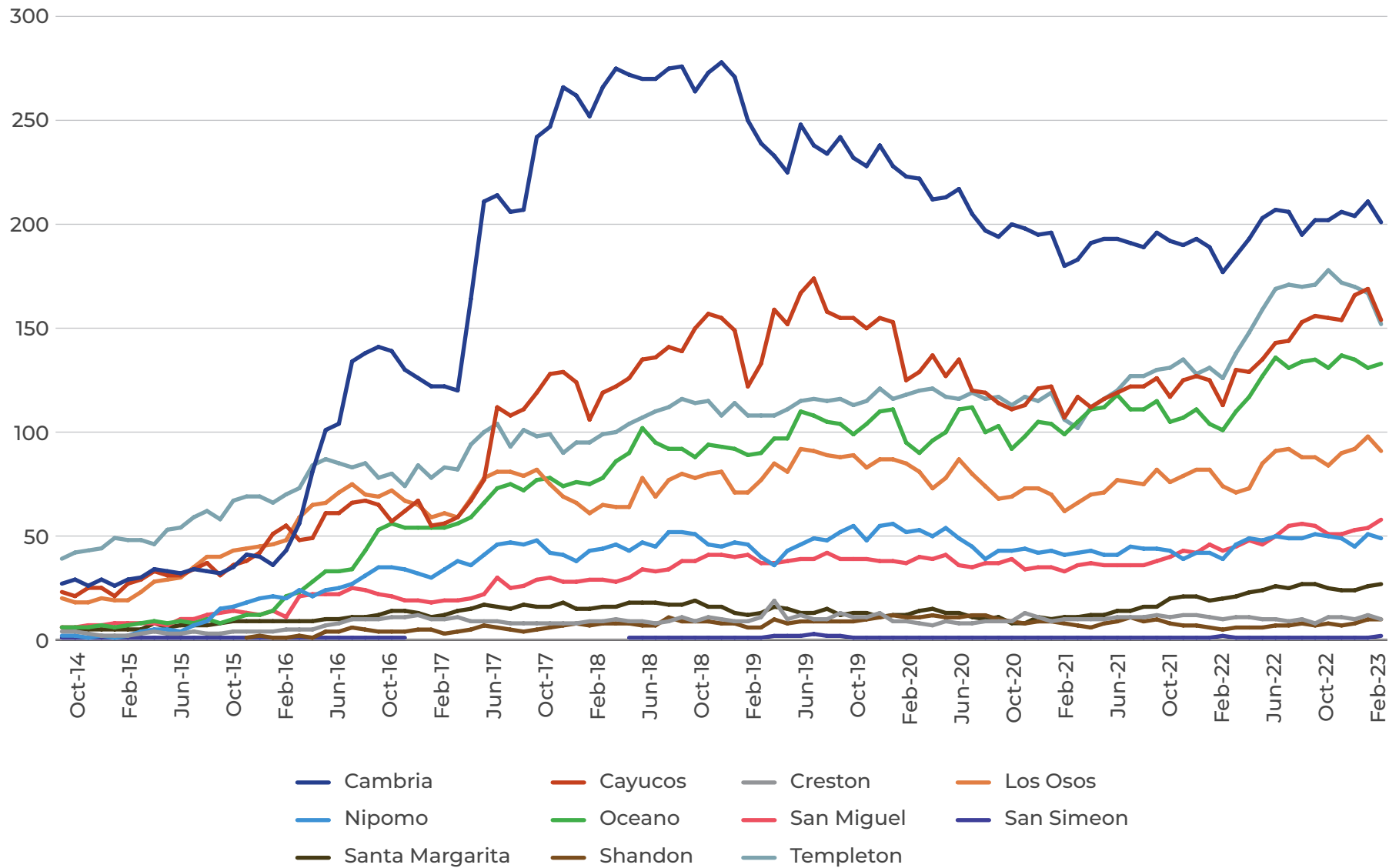
\* Entire Unit. Excludes non-housing. \*\* 2020 Decennial Census

Active STRs by Incorporated City (AirDNA Field)



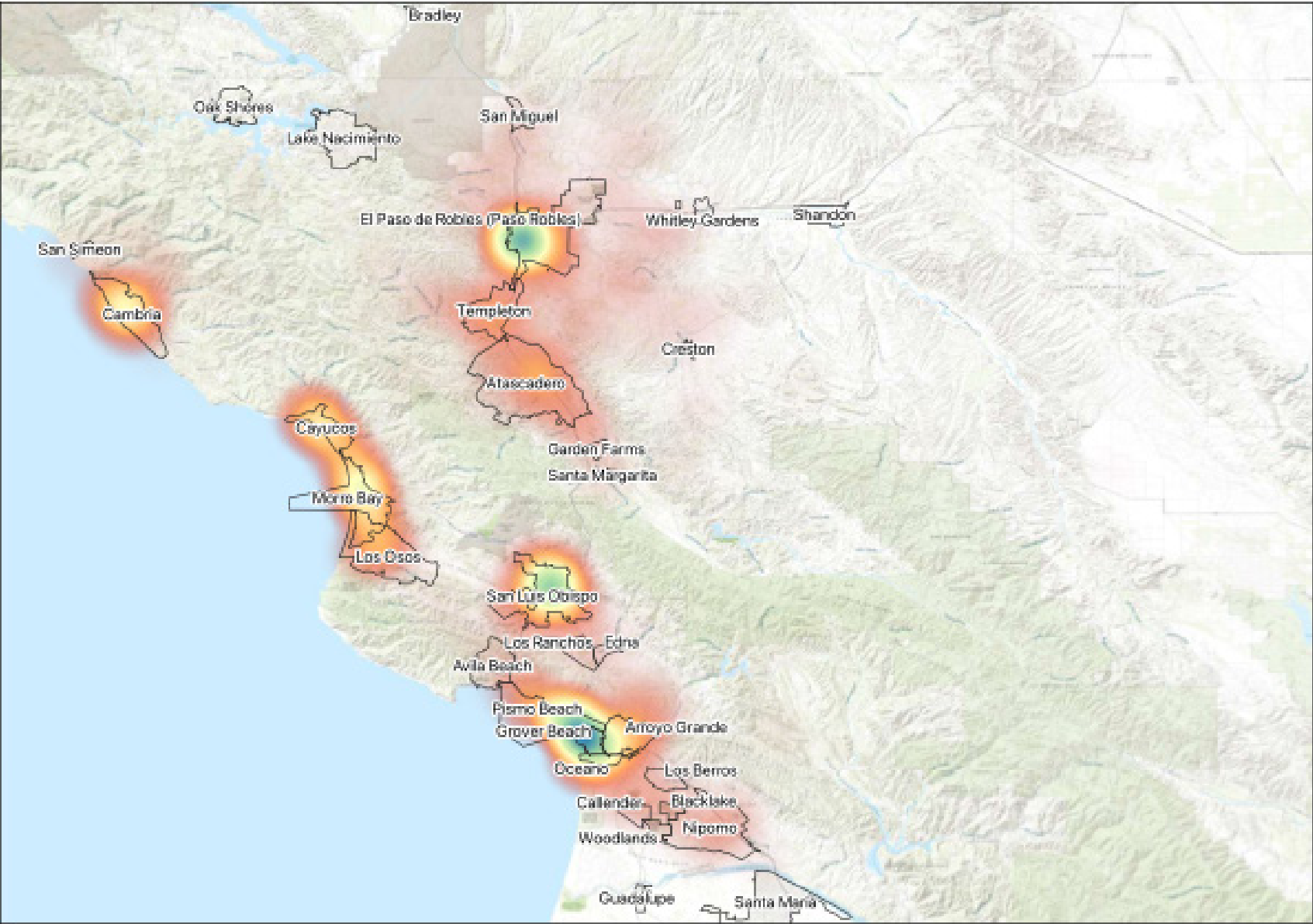
Source: AirDNA; Analysis by Beacon Economics

## Active STRs by Unincorporated Community (AirDNA Field)



Source: AirDNA; Analysis by Beacon Economics

Map: Hot Spots of Short-Term Rentals in San Luis Obispo County





# About Beacon Economics

Founded in 2007, Beacon Economics, an LLC and certified Small Business Enterprise with the state of California, is an independent research and consulting firm dedicated to delivering accurate, insightful, and objectively based economic analysis. Employing unique proprietary models, vast databases, and sophisticated data processing, the company's specialized practice areas include sustainable growth and development, real estate market analysis, economic forecasting, industry analysis, economic policy analysis, and economic impact studies. Beacon Economics equips its clients with the data and analysis required to understand the significance of on-the-ground realities and to make informed business and policy decisions.

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VISIT

