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## Senate Bill 608 Testimony

No one wants to inhibit new supply or see good maintenance reduced on existing apartments. However, SB 608 will start us down that path. It may make good politics relative to some constituents of some politicians but so does Trump's wall.

Over the last 13 years average rent in the Portland Vancouver area has increased at an average annual rate of 7.2%, according to multi family NW's Apartment Reports. Between Fall 2015 & 2016 they were up 10.5%, from fall 2016 to fall 2017 up 6.8%, 2017 to 2018 3.2% with 59,054 units reporting from 762 properties.

The point is that increased supply is closer to demand so that healthy competition market forces are seriously slowing rent increases without stifling the creators of more supply, private capital. Government is not having to make up the short supply with tax dollars need elsewhere.

### PORTLAND / VANCOUVER RENTS HAVE REACHED A PLATEAU

Had rents not gone up enough to attract private capital to create more housing we would now be facing an even greater supply-demand issue. But also, regular maintenance of existing properties would have declined.

Maintenance is one of the few expenses apartment owners have any serious influence (not control) of. Taxes, insurance, mortgage payment, labor, materials, and management are fixed expenses. So, when demand is much greater than supply and income is inhibited while expenses aren't, regular maintenance goes down. Once that pattern is started it compounds and accelerates unless owners bring in more capital. That doesn't happen when market values are flat or going down based on inhibited net operating income.

The largest single expense for an apartment operation is the monthly mortgage payment, 35% to 45% unless it's owned free and clear which is not normal. When lenders become concerned about the security for their loans remaining healthy enough to ensure repayment of the loan, they adjust interest rates and terms almost as fast as gas prices.

No one wants to inhibit the flow of more supply and see good maintenance reduced on existing properties. However, well intended SB 608 may be, it's a prime example of shooting ourselves in the foot.

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