



New Construction's Impact and Rent Control's Future Impact on Existing Product

BY PETER ROSE

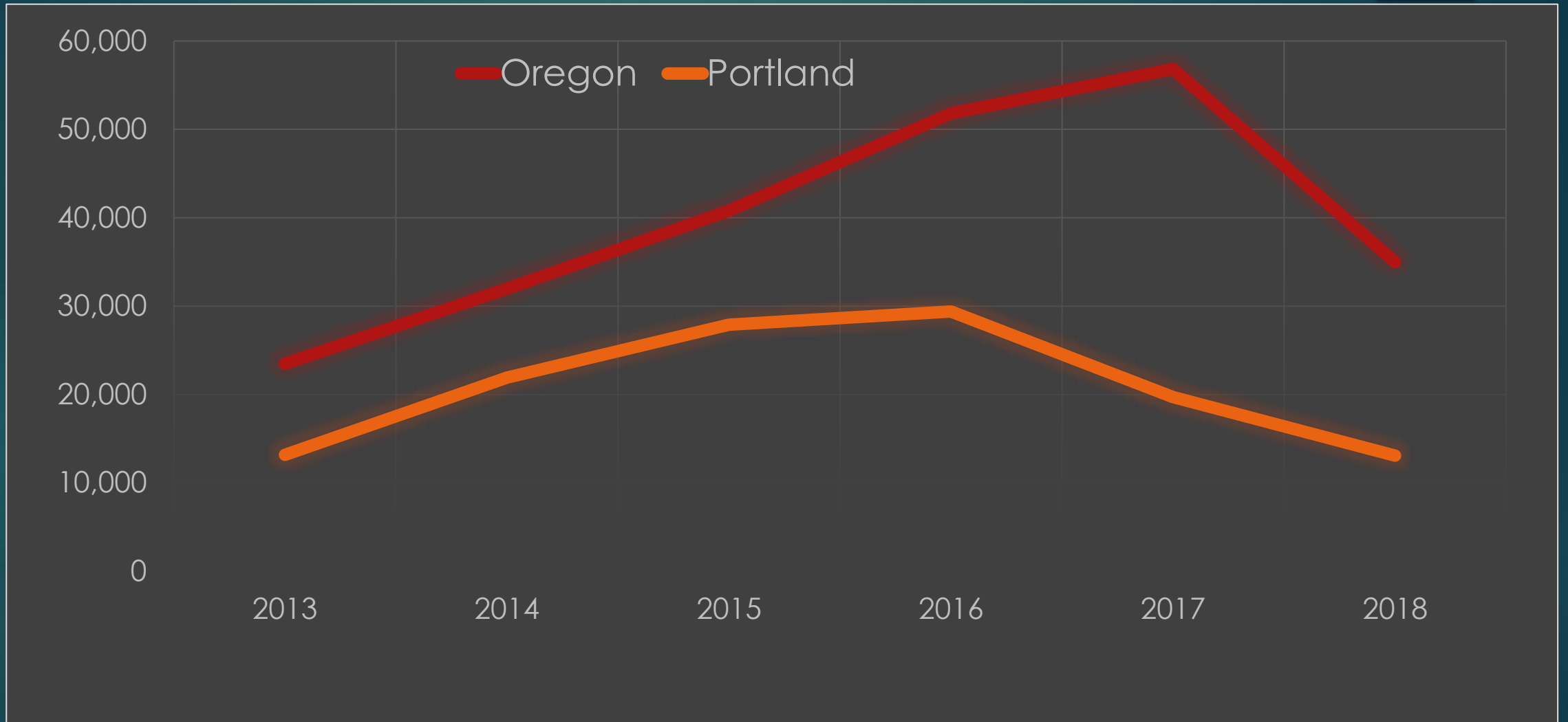
DIRECTOR OF PROPERTY MANAGEMENT

About Bristol Urban

- Established in 1990
- Locally owned and managed
- Specialize in the preservation and long term management of buildings in the urban core
- Own and manage 868 multifamily units over 35 buildings
- Own 5 retail/mixed use buildings

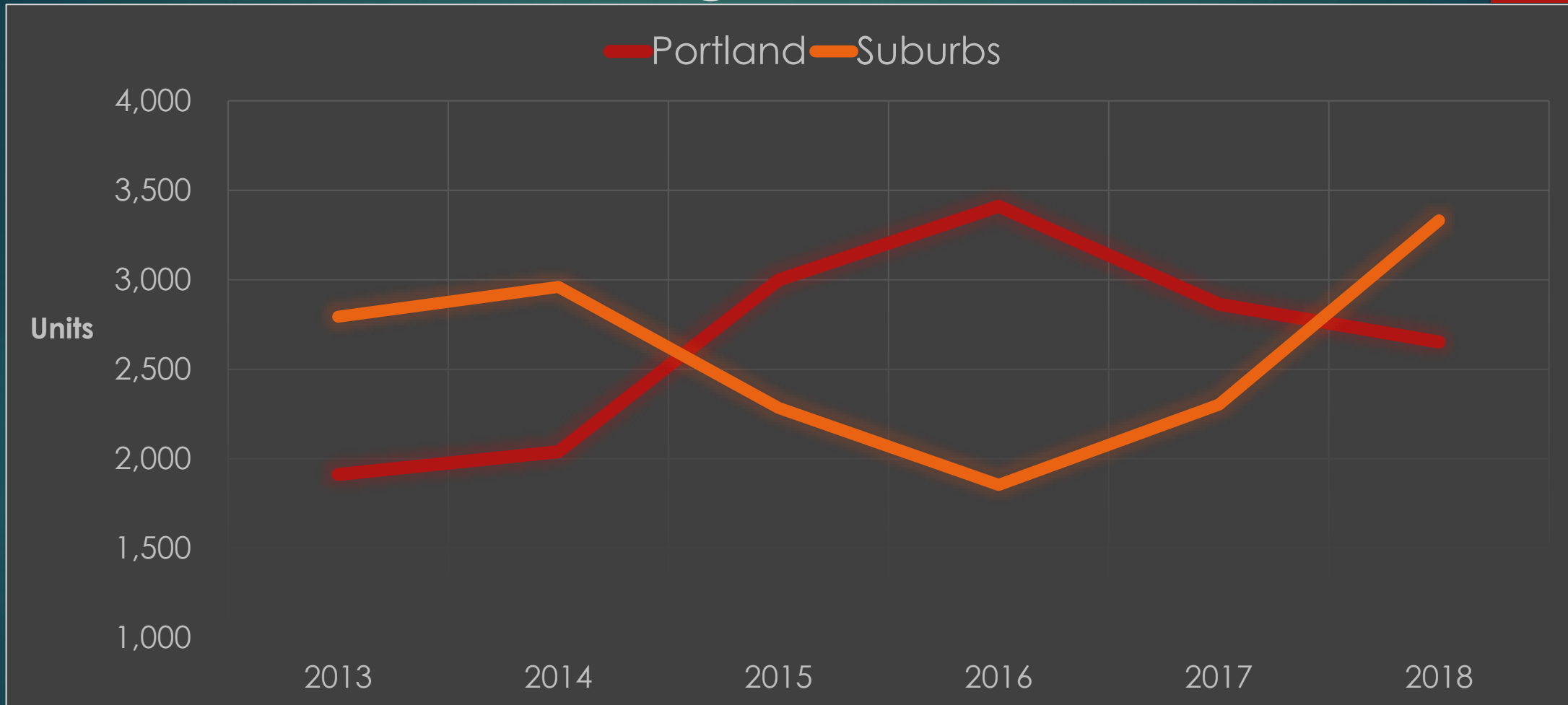


Net Migration



Source: US Census Bureau

New Units Entering the Market



Source: HFO Real Estate

2019: 17,554 permits issued

- 10,818 Portland
- 6,736 Suburbs

Underbuilt but with more options

- ▶ Despite 31K+ unit deliveries from 2013-2018, housing deficit still estimated with slowing net migration
 - ▶ New construction slowly catching up with big surge of projects under construction: 17k in 2019
 - ▶ 62% Portland 38% Suburbs
- ▶ Consumers have more options now than in 2013 despite prolonged housing shortage

Incentives

☆ \$1160 / 484ft² - 4 WEEKS FREE!!!! Great Studio in NE Portland, \$500 Gift Card (NE PDX/Kent/Brooklyn/Burnside) 🏠

☆ \$1525 / 1br - 874ft² - Spacious 1x1 in NE Portland at Granada Court! Move In SPECIAL! (Portland)

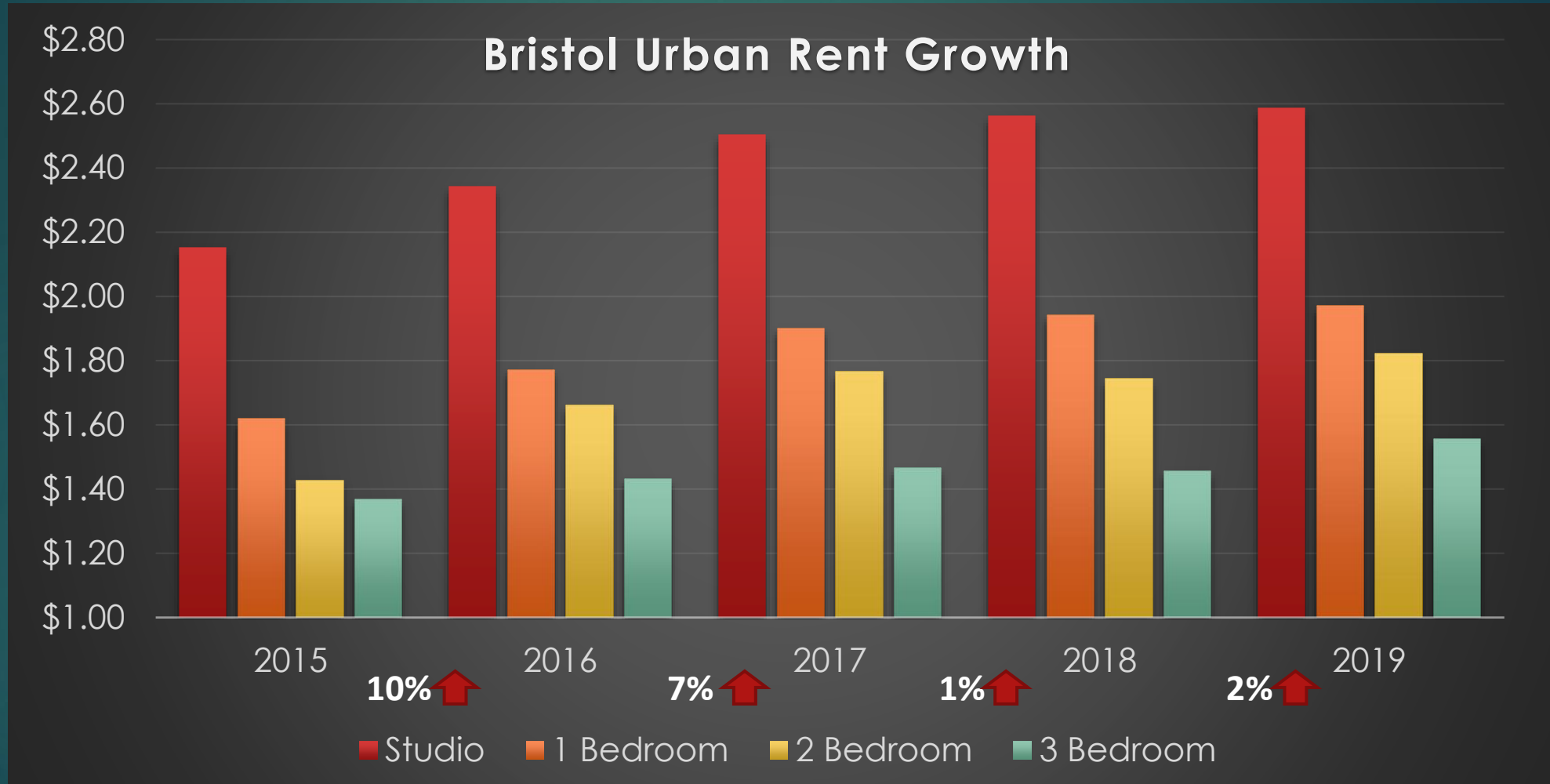
☆ \$2343 / 2br - 1192ft² - 2 Bedroom With A \$99 Deposit OAC! With A \$500 Gift Card! (Pearl District) 🏠

☆ \$880 / 350ft² - Natural Day Light Studio in SE! \$150 Visa! 824 SE 30th Ave. #4 (SE 824 SE 30th Ave. #12)

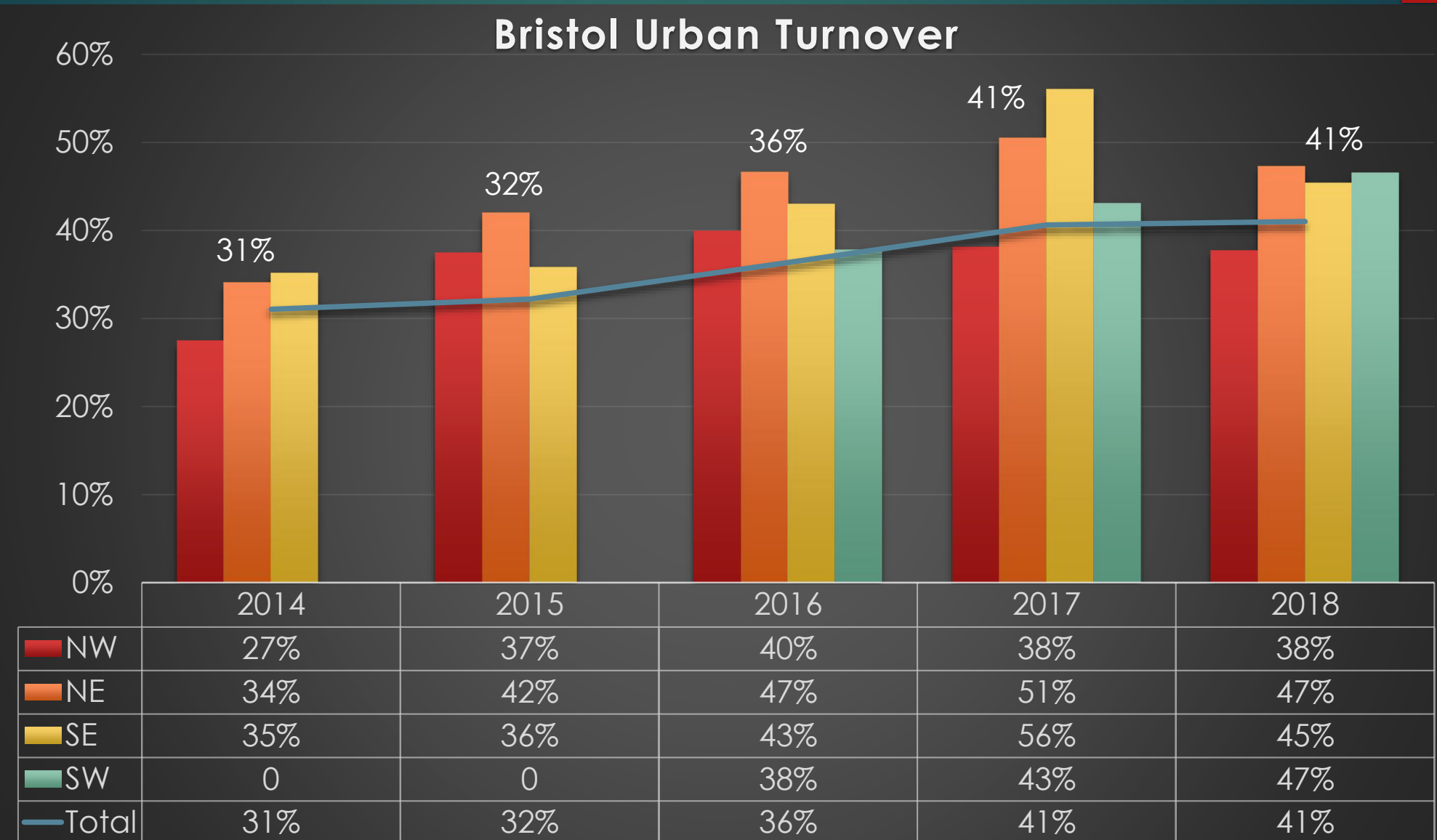
☆ \$1795 / 593ft² - Luxurious 1 Bedroom Walk Up in Heart of NW 23rd! 6 Weeks FREE Rent!



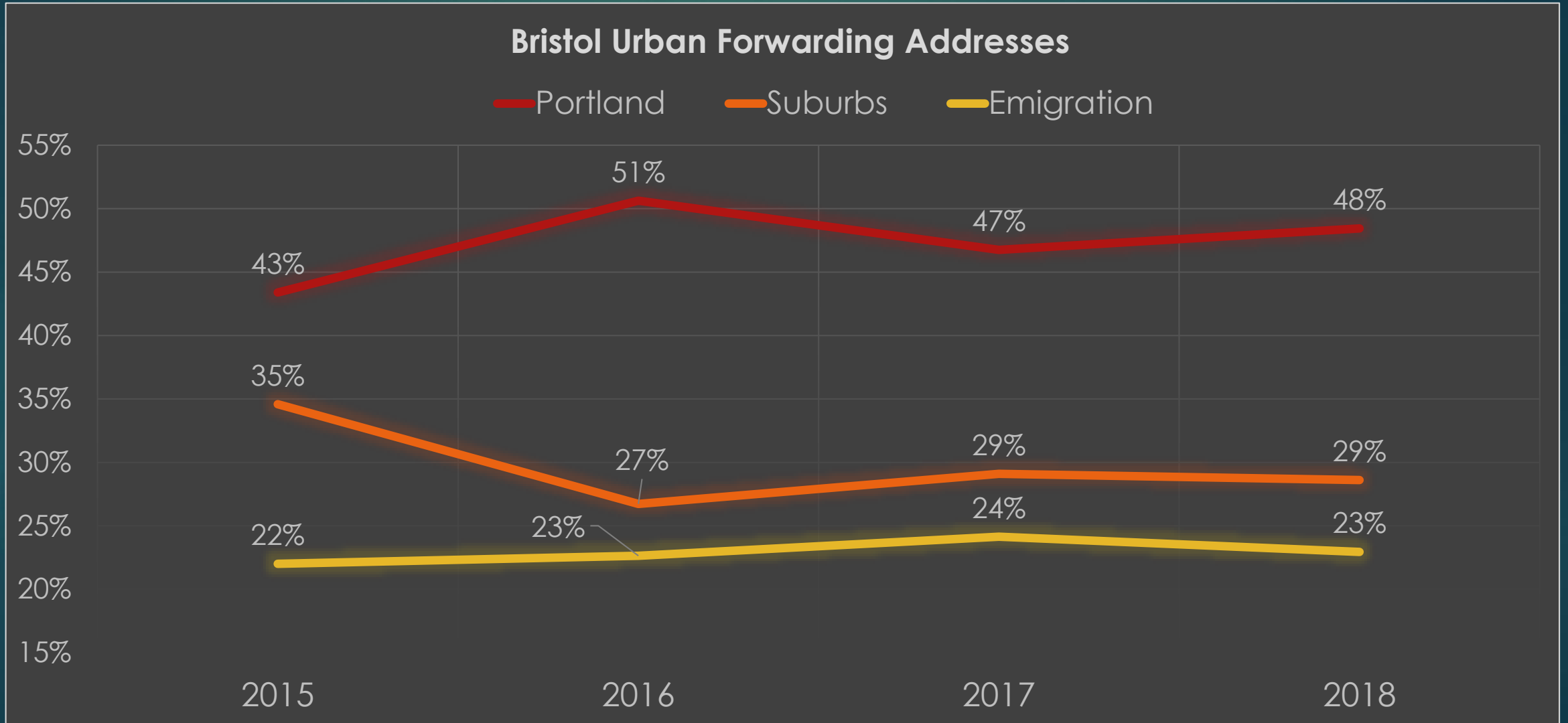
Slower Rent Appreciation



Increased Turnover



Where are they Moving?



Long-term Rent Control Impact



Reduces New Construction/Supply by 15%



- Increases incentives by 8% for owners to convert to condos or TIC's
- Increases gentrification and displacement
 - Short term (8 years after) 4.5% of residents were able to stay in rent control units vs 3.7% just 5 years later which will continue to decline
 - Increases income inequality and removes of minorities who are most likely to benefit from rent control

Diamond, McQuade, Qian, 2018

Long-term Rent Control Impact (continued)



Reduces Turnover

- Limits mobility by 10-20% Diamond, McQuade, Qian, 2018
 - Renters less likely to upgrade for housing with life changes
 - Cambridge Massachusetts saw- 10% increase in turnover over a 3 year period after the elimination of rent control

Autor, Palmer, Pathak 2012

Long-term Rent Control Impact (continued)



Reduces Investment

Table 2.3. Measures of rental housing quality, 1987 (percentages)

Unit problems	New York	Chicago	All U.S. cities
Large wall cracks and holes	22.6	14.8	13.2
Broken plaster	16.7	10.0	8.0
Peeling paint	22.7	11.8	9.7
Holes in floors	9.7	5.2	4.7
Leaking roofs	14.0	9.6	9.3
Exposed wiring	5.8	3.3	3.8
Broken toilets	5.6	2.2	4.2
Broken heating systems	26.1	8.6	9.2

Source: U.S. Department of Housing and Urban Development and U.S. Bureau of the Census, Annual Housing Survey, 1987.

Source: Salins & Milder. Scarcity by Design, 1992

Long-term Rent Control Impact (continued)




Rental Rates

- Due to reduction of new supply
 - Uncertainty with long term returns and new construction 15 year exemption
- Higher end housing constructed attracting residents with 18% higher income

Diamond, McQuade, Qian, 2018

Summary

- ▶ New construction slowing appreciation of rents and increasing turnover of existing product
- ▶ Consumers starting to realize the benefit from new inventory through incentives and leveling rents
- ▶ Benefits to the consumer from the free market are under risk from rent control and development polices like inclusionary zoning
 - ▶ Based on several studies in different markets with different types of rent control/stabilization, owners and renters will suffer from disinvestment, disparity in affordability and gentrification



‘In the world of New York politics, a deal is never a deal, but a new basis from which to bargain.’

Salins & Milder. Scarcity by Design, 1992