

The Northwest Report

Issue 82 / January 2025

For Owners, Operator's, and Investors in Manufactured Housing Communities Nationwide

Proposed Rent Control Legislation Looms Large in Two States

The legislatures in both Oregon and Washington will be faced with addressing rent control bills aimed at manufactured home communities, and they are the most onerous pieces of legislation the industry has faced in recent memory.

In Oregon, legislators didn't wait long to file a proposal to further restrict the ability of manufactured and floating home providers to raise rents. HB 3054 specifically targets manufactured and floating home communities by limiting future rent increases to CPI only, and significantly further restricting the ability to raise rents on new tenancies to market rent. "This is one of the most extreme and catastrophic proposals to come out of the Oregon Legislature that targets a specific housing sector" states Manufactured Housing Communities of Oregon. The legislative proposal will have its first public hearing on Monday February 3rd in Salem, Oregon.

The legislative proposal restricts annual rent increases for tenants in parks and marinas to increases in the Consumer Price Index, and it amends previous legislation regarding rent increases (ORS 90.600) to limit any rent charged to a new tenant who purchases a home from a former tenant to no more than a ten percent increase over the selling tenants rent. Additionally, it amends previous legislation (ORS 90.680) to prohibit a facility landlord from requiring a selling tenant or prospective home buyer from an existing tenant to make aesthetic or cosmetic improvements to the home being sold, only maintenance or repair items can be required. Commonly known as "resale compliance" rules and standards currently in place, the new legislation would make this type of requirement unlawful. Also in the legislation is language that would prohibit a facility landlord from requiring a selling tenant or prospective purchaser to provide or allow an inspection of the interior of the home as a condition of accepting a notice of sale, approving a sale, or approving a purchase as a new tenant. This would include any inspections relating to safety or fire control.

Under current Oregon law, by September 30 of each year, the Oregon Office of Economic Analysis is responsible for calculating and publishing the maximum annual rent increase percentage allowed by law for the following year. This amount is 7% plus the annual 12-month average change in the CPI for All Urban Consumers, West Region, or 10%, whichever is lower. The allowable annual rent increase in Oregon for 2025 is 10%. Only one increase may be issued in any 12-month period.

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In Washington, rent control legislation is on the agenda this session. According to recently published reports, housing affordability is a big concern among Washingtonians who feel “crushed” under the weight of inflation and rising rents. It’s why Democratic lawmakers in this session are again trying to limit annual rent hikes to no more than 7%.

State Senator Yasmin Trudeau of Tacoma and State Representative Emily Alvarado of Seattle are sponsoring House Bill 1217 that would place the limits on annual rent hikes to no more than 7%. A similar push failed last legislative session, but the lawmakers think that 2025 will be their year. The legislation would also require landlords to give tenants six months’ notice before increasing rent by 3% or more. Specifically, it limits rent and fee increases to 7% during a 12-month period and prohibits rent and fee increases during the first 12-months of a tenancy for tenants subject to the Residential Landlord-Tenant Act and the Manufactured/Mobile Home Landlord-Tenant Act, regardless of the length or type of lease, with certain exemptions.

Additionally, it would provide protections for tenants, such as rent and fee increase notice requirements; tenant lease termination provisions; and limits on move-in fees, security deposits and late fees. Interestingly, it also requires the Department of Commerce to create an online landlord resource center and to contract with an independent third party to carry out a “social vulnerability assessment” of the impacts of “rent stabilization”.

There is plenty of opposition to the legislation, with many arguing that it would make the housing shortage worse. They say that rent control would chase away new investment capital, which would prevent new units from being built. Hundreds of people opposed to the measure gathered in the capitol rotunda wearing bright red shirts that read, “No CAP, say no to rent control” on the very first day the legislature convened. Sean Flynn, board President and Executive Director of the Rental Housing Association of Washington spoke ahead of the planned hearing on the bill, stating “RHA and the industry has a strong showing here today because this is important, and we are here to have our voices heard”. Flynn said rent control is dangerous and reiterated that it ultimately hurts people and makes the housing shortage much worse.

When you cap the amount of rent a property owner can charge, regardless of the circumstances, you are going to chase new capital away and new units, which are needed, won’t be built. Also, units will be chased out of the market, and they will no longer be in the rental market at all. Washington State has a housing supply shortage and rent control can make the rental housing shortage permanent. Capital for new housing has choices and options – it doesn’t have to come to Washington, it can go to Idaho, Utah or Texas where the economic climate is friendlier to developers and builders.

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Can the New Administration Move Interest Rates Lower?

Several regional and national groups have scheduled housing economic summits in February and March so they can understand what President Trump's priorities will be when it comes to housing and how those changes could affect forecasts and business planning in 2025. We have so much to talk about" says the Housing Wire's Lead Analyst Logan Mohatashami. "We have a new administration, President Trump, Mr. Real Estate is in charge. Is he going to do what he can to get mortgage rates lower?" The president has already made one notable appointment, his nominee to lead the Federal Housing Finance Agency (FHFA) is Bill Pulte, the grandson of William J. Pulte who founded the Pulte Group, a housing and construction conglomerate.

Housing demand is already high, and recent remarks from Fed Governor Chris Waller that more rate cuts are coming helped the 10-year Treasury yield and mortgage rates to fall slightly, as many felt his remarks were timely and a hint of what's to come.

Interestingly, new home sales grew over last month in the latest Census report, but homebuilders are now facing a supply issue – their inventory is building up. This is the reason why site-built housing starts are at recession levels today. Monthly new home sales have been stagnant for the past two years. When mortgage rates decline, sales improve, but it becomes more challenging for builders and buyers when rates rise. Housing starts and permits are in a recession today while the number of completed units from site-built homebuilders is increasing. The situation poses a risk to construction labor in 2025.

If mortgage rates stay at current levels, this doesn't bode well for housing starts growing meaningfully. Is 2025 the first year we start losing residential construction jobs? Earlier this year, mortgage rates were trending at 7.5%; during that time, we received one negative monthly residential construction labor report. Recently, mortgage rates briefly dropped back to 6% but have now risen to above 7%. This extends beyond housing. With private payroll growth slowing there is increasing pressure on the Federal Reserve and the unemployment rate for the new year, especially if job losses among residential construction workers increase. Historical trends in economic cycles are clear; when housing permits and housing starts decline together, residential construction workers often lose their jobs at some point in the future. The new administration must take steps to prevent this.

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Interest Rates for Manufactured Housing Community's

Interest rates for Manufactured Home Communities for loans \$1,000,000 to \$5,000,000 change regularly. These rates were currently published by one major lender:

-50% LTV, 3 Year Fixed Rate Period, 6.46%, 60% LTV 6.535%, 65% LTV 6.835%.

-50% LTV, 5 Year Fixed Rate Period, 6.470%, 60% LTV 6.545%, 65% LTV 6.845%.

-50% LTV, 10 Year Fixed Rate Period 6.970%, 60% LTV 7.045%, 65% LTV 7.345%.

Loans are adjustable-rate mortgages with an initial fixed rate period for the term indicated. Rate locks are available up to 90 days prior to closing. Closing costs capped at \$2,000 plus appraisal.

Consumer Demand for Homes in Communities is Brisk

Most manufactured home community operations in Washington, Oregon and Idaho report that demand remains strong for pre-owned and new homes in their communities. With comparably sized stick-built homes often starting at \$500,000 or more, a manufactured home is a very attractive alternative for homebuyers. Manufactured home builders in all three states have confirmed that their new home orders from "park owners" are strong and consistent, with the average home being 1500 square feet, Energy Star rated, and 2 or 3 bedrooms. If you are a community owner and have vacant spaces, you may want to consider establishing a relationship with one of the regional home builders.

In Oregon, manufacturers include Fleetwood Homes of Oregon in Woodburn, Golden West/Clayton Homes in Albany, Palm Harbor Homes in Albany, Skyline Homes in McMinnville, Blazer Homes in Aumsville and Marlette Homes in Hermiston. In Idaho, manufacturers include Fleetwood Homes in Nampa, Kit Homebuilders in Caldwell, and Champion Homebuilders in Weiser. All these manufacturers deliver homes to Washington, Oregon, Idaho, Utah, Wyoming, and Montana.

Industry New Home Production Rises

According to official statistics compiled on behalf of the U.S. Department of Housing and Urban Development (HUD) and verified by the Manufactured Housing Association for Regulatory Reform (MHARR), HUD Code manufactured home year-over year production increased in November 2024, according to just released statistics.

Current data indicates that HUD Code manufacturers produced 8,597 homes in November 2024, a 10.6% **increase** over the 7,769 new HUD Code homes produced in November of 2023. Cumulative new home production for 2024 is now 96,236 homes, a 16.2% increase from the 82,809 homes produced over the same 11-month period in 2023. This is more welcome news for the manufactured

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home industry nationwide, which has struggled to maintain production stability in an uncertain interest rate climate and fluctuating economic and inflationary period.

A further analysis of the official industry statistics shows that the top ten manufactured home shipment states – with monthly, cumulative, current production year (2024) and prior year (2023) shipments per category as indicated – are: 1) Texas, 2) Florida, 3) North Carolina, 4) Alabama, 5) South Carolina, 6) Louisiana, 7) Georgia, 8) Kentucky, 9) Tennessee, and 10) Mississippi.

Industry leaders must continue to combat the discriminatory zoning exclusion and concurrent failure of Fannie Mae and Freddie Mac to implement the Duty to Serve (DTS) mandate with respect to the 80% of the mainstream manufactured housing consumer finance market represented by personal property loans, which have – and continue to – undermine the manufactured housing market. Even with new manufactured home production and shipment numbers on the rise, manufactured housing continues to significantly underperform, with production levels for 2024 remaining far below the industry's potential to supply the country with much needed affordable housing, which is still in short supply across the U.S. Decisive industry action to address and resolve these postproduction issues - (zoning, placement, consumer financing discrimination) in the nation's capitol is long overdue, and with a new administration in place, the timing is excellent to lobby for significant and meaningful change.

Upcoming Events

MHI Winter Meeting

February 3-5, 2025

Omni La Mansión del Rio

San Antonio, TX

www.manufacturedhousing.org

2025 MHI Congress & Expo

May 5-7, 2025

Rosen Shingle Creek

Orlando, FL

www.manufacturedhousing.org

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MHI Annual Meeting

September 29 – October 1, 2025

Omni La Costa

Carlsbad, CA

www.manufacturedhousing.org

MHI National Communities Council

Fall Leadership Forum

November 5-7, 2025

Westin Michigan Avenue

Chicago, IL

www.manufacturedhousing.org

Manufactured Housing Communities of Washington

2025 MHCW Legislative “Day on The Hill”

Tuesday February 11, 2025 – 9am-5pm

Double Tree by Hilton

415 Capitol Way North, Olympia WA

www.mhcnw.org/events

Upcoming Manager Training

Manufactured Housing Communities of Oregon

February 27, 2025

Conducted Via ZOOM Online

8:30am to 1:30pm

\$185/Members \$250/Non-Members

<https://register.mhco.org>

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Manufactured Housing Communities of Oregon

May 5, 2025

Wilsonville Holiday Inn – In Person Training

8:30am to 1:30pm

\$185/Members \$250/Non-Members

<https://register.mhco.org>

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