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Let The Market Decide The State Of Oil Patch Housing

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Back in 2013 I asked this question: “Should the rapid housing development in North Dakota, and the state government’s efforts to fan the flames of that development, be seen as a good thing?”

Now in post-oil boom 2015, we’re getting headlines like “The Real Estate Crisis in North Dakota’s Man Camps,” from Bloomberg, or “North Dakota’s Housing Boom Is About to Go Bust,” from The Fiscal Times.

Words like “crisis” and “bust” are a bit overblown, having more to do with national media sensationalism than facts on the ground here in North Dakota, but boom-era housing policies are somewhat to blame for exacerbating the post-boom housing issue.

Whether we're talking about Governor Jack Dalrymple's efforts to subsidize developers through a tax credit shell game program or the hostility from local oil patch governments to temporary housing solutions like the much-derided "man camps," intervention by government officials have made things worse, not better.

Taxpayer-backed incentives for development obscured risks and made it harder for developers to find the edge of the housing market. Meanwhile, opposition to more temporary housing solutions for oil patch workers spiked demand for hotels, apartments, and even single family homes. Not only did that drive up rents in the short term, but long term an overbuilt housing market could potentially be an even bigger problem.

Man camps, for the most part, can be disassembled and removed. Empty hotels and apartment buildings would likely sit as vacant eyesores for want of customers and tenants.

But that's all water under the bridge. The question now is, how do we move forward?

In Williston that's at the heart of a fight over man camps policy. Williston Mayor Howard Klug, a hotel industry veteran, wants to crush the "man camps" under his regulatory boot. He even convened a series of ad-hoc meetings about the matter where hotel owners and landlords and man camp operators were welcome but not the public (I've filed an open meetings complaint over the meetings which I feel were illegally held).

His motivations are clear. The demise of the man camps would force the denizens there into hotels and apartments (where prices still don't reflect the fact that the oil boom is over), and that would be profitable for those interests.

Given that we're already dealing with a problem made worse by government intervention, do we really want more government intervention?

Travis Kelley, regional vice president of Target Logistics which operates man camps in the Bakken region, told the Williston City Commission that there is still plenty of demand for his company's services. "He said the market, not the commission, should decide whether his style of company is still needed," reports the Williston Herald.

That's exactly right.

Dealing with the housing needs of an oil boom is tricky enough business without government policies, well intentioned as they may be, distorting market forces.

At this point I don't think there's any way to move into a post-oil boom era without some pain in the housing markets. But better to let things play out as they will. When the man camps aren't needed any more they will fold up and leave.