

# Metro Housing Outlook:

Portland OR – Q2 2023

## Overview:

- Portland's multifamily market has rebounded significantly. The increase is primarily driven by demographic trends, as population and employment continued to grow, surpassing the U.S. total average in the year ending Q2 2023 by 0.5% and 0.6%, respectively. However, elevated levels of new supply weakened rent growth and may continue to create challenges with more construction on the way in several areas with high levels of inventory underway.
- The job market and local economy are still going strong despite slowdowns from the post-pandemic rebound. The industries with pronounced job gains include Leisure/Hospitality followed by professional services and business. Although Leisure/Hospitality accounts for 20% of the workforce in Portland, an increase in professional, scientific, and technical services will diversify the economy and support its growth in the long term.

## Market Strengths:

- Job and population growth in 2021 and 2022 were above the national average and are expected to continue into 2024 and beyond. According to Moody's, over the next five years, employment/population are forecasted to increase by 1.0% and 0.8%, compared to the U.S. average of 0.5% and 0.4%.
- Despite elevated supply levels, demand for apartments continued through year end, with vacancy rates rising only modestly to 5.25%. As a result, rent growth remained positive, and averaged about \$1,490 at the end of Q2 2023.
- Constraints on homeownership have pushed many to rent in the metro, with about 45% of households renting, compared to around 33% nationally. In addition, median home prices in 2022 increased 15%, with homes selling at an average median price of \$548,000.
- In an effort to increase the supply of affordable housing, Portland's City Council approved updates to the city's historic resource code, giving developers more flexibility and fewer restrictions in historically significant neighborhoods. These modifications will allow more developers to build affordable housing in underserved areas.

## Market Weaknesses:

- Incoming new supply for the rest of 2023 will be concentrated in Central Portland, East Portland, and Vancouver, markets which already received 75% of total units under construction in 2021-22. This possible surge may increase competition with existing properties and may cause rent to weaken or concessions to rise for the top end of the market.
- Rent growth in the downtown area of the metro has not kept up with the overall market. Estimates indicate that downtown rent decreased -4.7% year-over-year in Q2 2023 compared to a more modest decline of -1.75% average for the market. This decline was primarily due to renters still marginally preferring the suburbs and the continued dearth of in-person office activity.
- Portland has one of the strictest rent control laws in the nation, with rent increases capped at 7% plus inflation.

## Development:

- Portland's Multifamily market has 11,000 units under construction, possibly expanding existing inventory by more than 4% once the units are completed. Areas seeing new construction include Southwest Portland, East Side, and Tigard market.

## Multifamily Outlook:

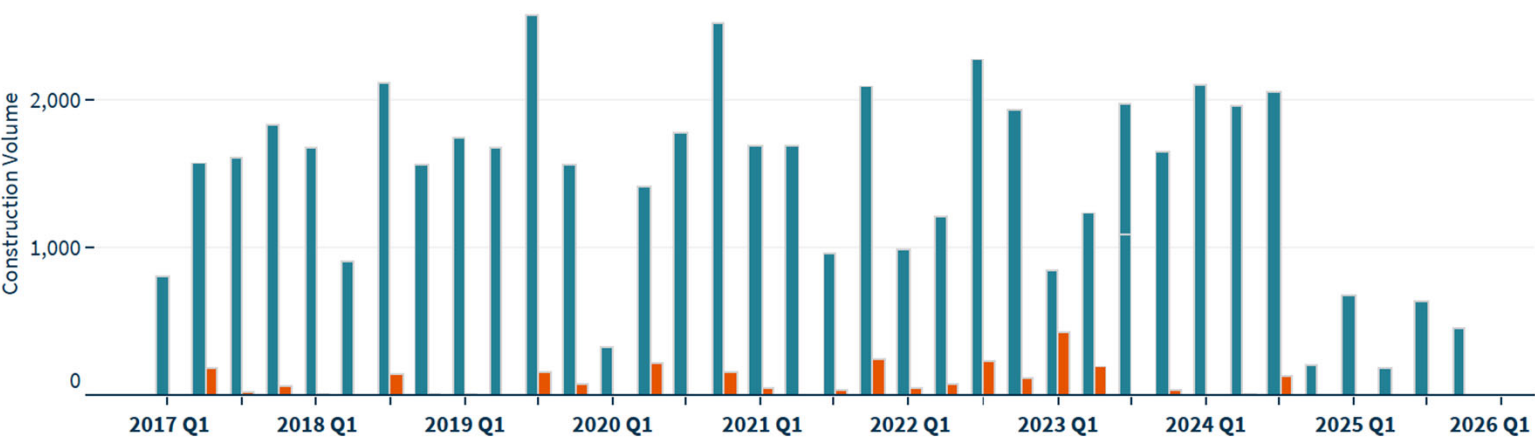
- Portland's multifamily market has recovered significantly from the impact of the pandemic, and is seeing signs of easing from the rebound, as well as experiencing slowing from a forecasted national recession. Demographic trends continue to be favorable as more people move to the area due to low cost and high quality of living relative to other west-coast cities. However, layoffs in the tech-sector and a potential recession in 2024, as well as an elevated level of supplies may create some challenges as neighborhoods that already received new construction and may continue to experience increased inventory through the rest of 2023, and possibly limited demand.
- Portland's economy continues to recover and has the added benefits of a diversified economy with a young skilled workforce. Increased business investment has led to a net gain of more than 73,000 jobs over the past few years, which expanded the employment base by over 7%. Industries that continue to see growth are business/professional and tech services. These jobs should boost households' median income, and should support consumer-driven industries. All in all, these factors should continue to maintain and support Portland's economy, though its growth rates may see peaks and valleys along the way.



## Multifamily Apartment Pipeline

### Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

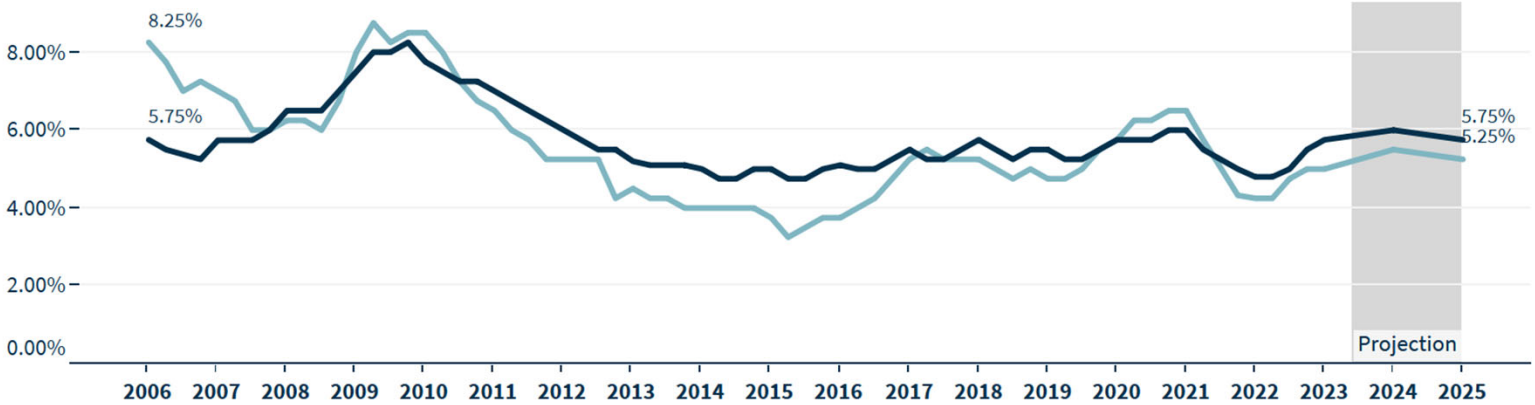
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Portland | National

Q2 2023 Vacancy Rate:

5.25%



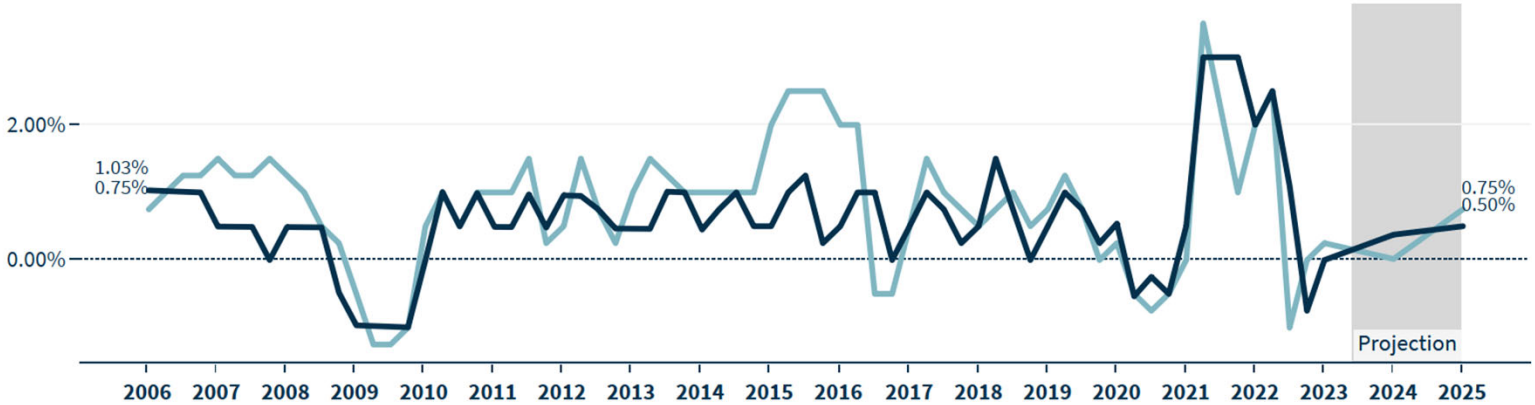
Projection

### Asking Rent Growth

Portland | National

Q2 2023 Asking Rent:

\$1,490

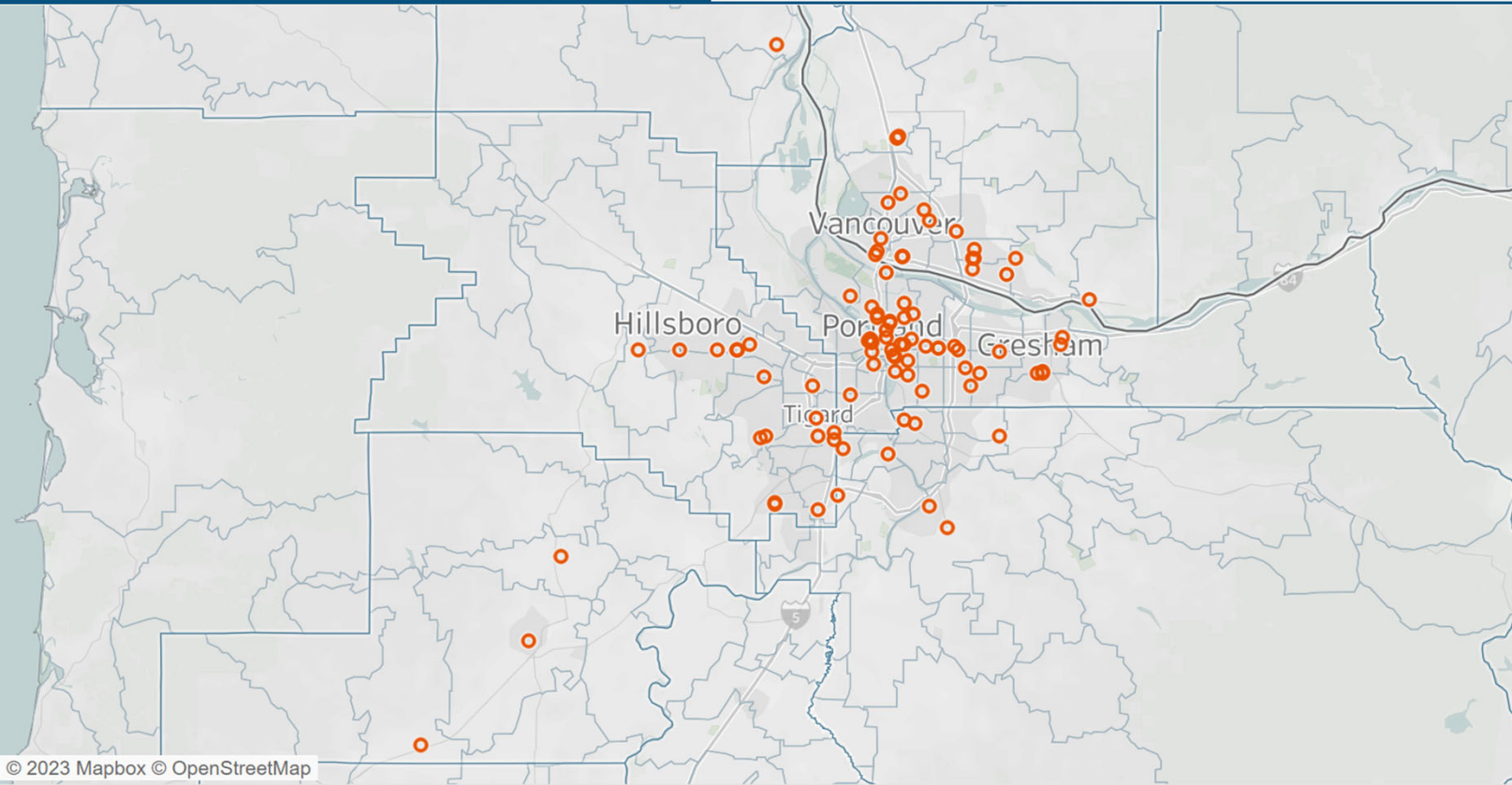


Projection

Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Aloha/West Beaverton	6	828
Central Portland	6	1,036
East Beaverton	1	270
East Portland	24	2,845
Gresham/Far East Portland	7	630
Hillsboro	4	304
Lake Oswego/Tualatin/Wilsonville	9	444
Northwest Portland	7	1,029
Southeast Portland	5	739
Southwest Portland/Tigard	5	427
Vancouver	21	2,485
Grand Total	95	11,037

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

# Multifamily Metro Outlook: Portland, Oregon Q2 2023

## Multifamily Economics and Market Research Team

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### Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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