

# Multifamily Metro Outlook

## Portland OR - Fall 2019

### Overview

- Portland's multifamily market has eased off its exceptional performance between 2014 and 2016 but remains a healthy apartment market. The metro is in the midst of a long-term expansion in its economy, and local developers have been responding to the strong multifamily fundamentals by building new units. A slight cooling of the economy — and the competitive pressures of these new units — has brought market fundamentals back to more reasonable levels.
- Oregon enacted state-wide rent control legislation in February 2019. The new law limited annual rent increases in the state to 7 percent plus the consumer price index. While there are several important exceptions, investors are concerned that the initial limitations are just a first step in significantly limiting landlords' ability to raise rents in Portland and across the state. The law also included more restrictive eviction requirements. While this legislation has not yet greatly changed the operating environment in Portland, the changing legal environment is an important concern for the metro's apartment markets.
- Portland is a lower-cost alternative to Seattle and San Francisco, and technology companies have been significantly expanding in the area over the past several years. As of the end of 2018, high-tech employment accounted for 7.5 percent of local jobs, well above the 4.8 percent national average. Intel is the metro's largest employer, with over 19,000 jobs in the area.
- Portland has also become a center for manufacturing, for both high- and low-tech industries. Aside from Intel's significant presence in the metro, Nike has both design and management jobs as well as some manufacturing in the metro. With 12,000 employees, Nike is the fifth-largest employer in the metro.
- Job and population growth are quite favorable for the local apartment market. In the year-ending Q2 2019, the metro's job market expanded +1.8 percent, above the 1.4 percent national average, and the population grew +0.9 percent, above the national average of +0.7 percent. Both measures are expected to beat the national average over the next five years.
- Housing affordability has also become an issue in the metro. Recent economic growth in the city has been driven by high-paying industries, which has resulted in rising rents and home prices, as well as gentrifying neighborhoods.

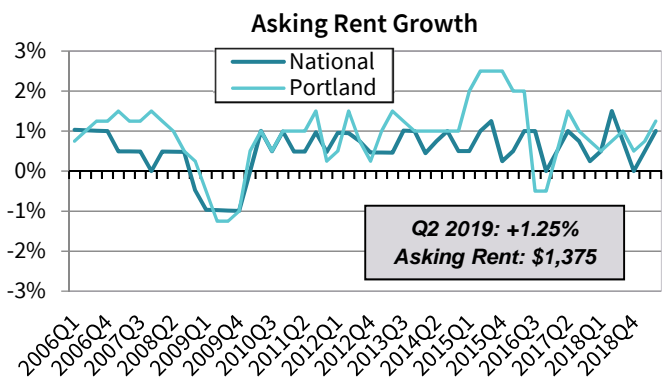
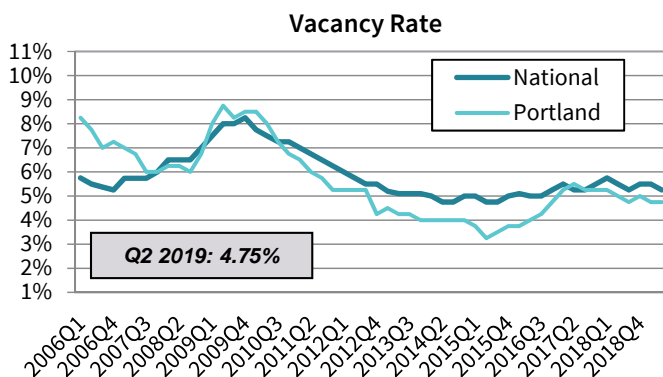
### Development

- Portland has seen a surge in new apartment deliveries in response to its strong economy. Since 2014, nearly 27,200 new units have been completed in the metro, and another 6,300 are currently underway. While deliveries are expected to slow down over the next several years, vacancies are expected to modestly increase. Condo development is not a significant concern in Portland. While around 12,500 units were added between 2006 and 2018, fewer than 300 are currently underway.

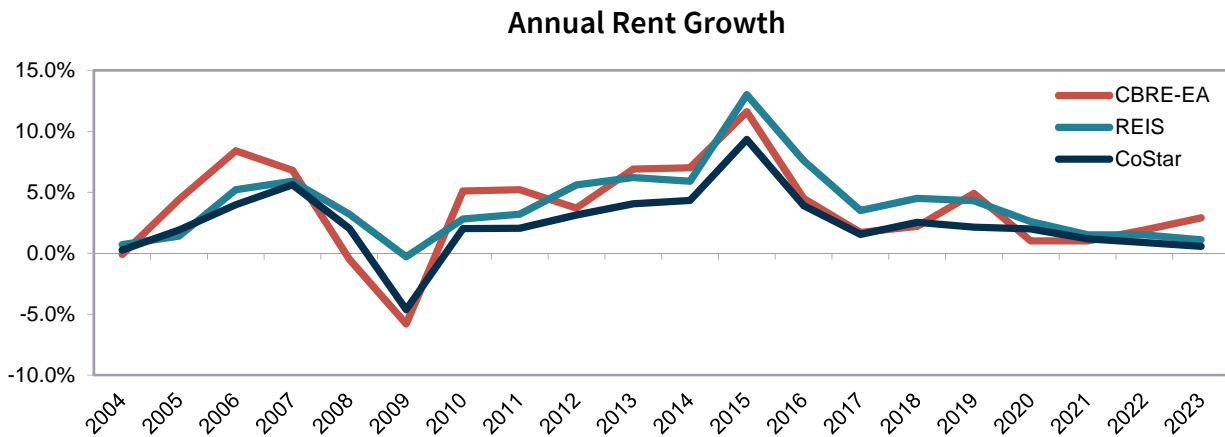
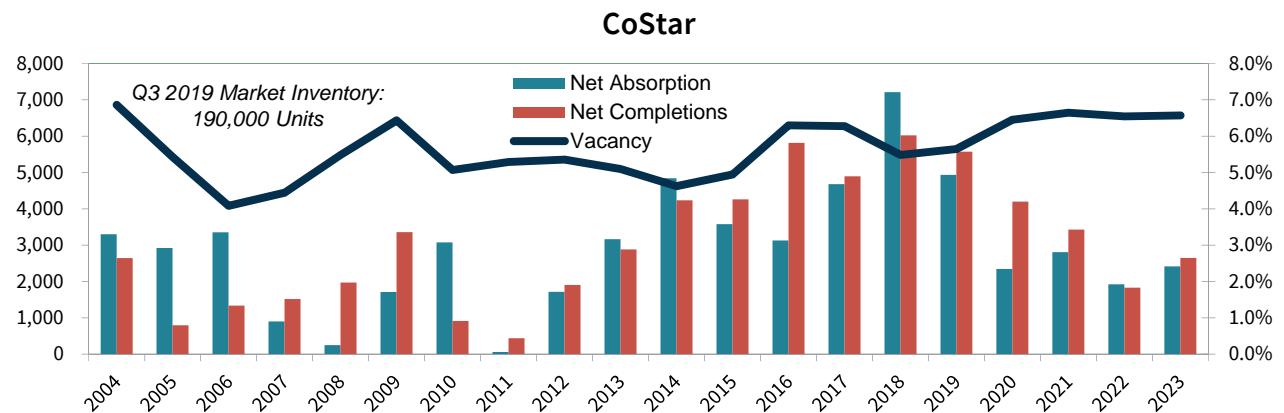
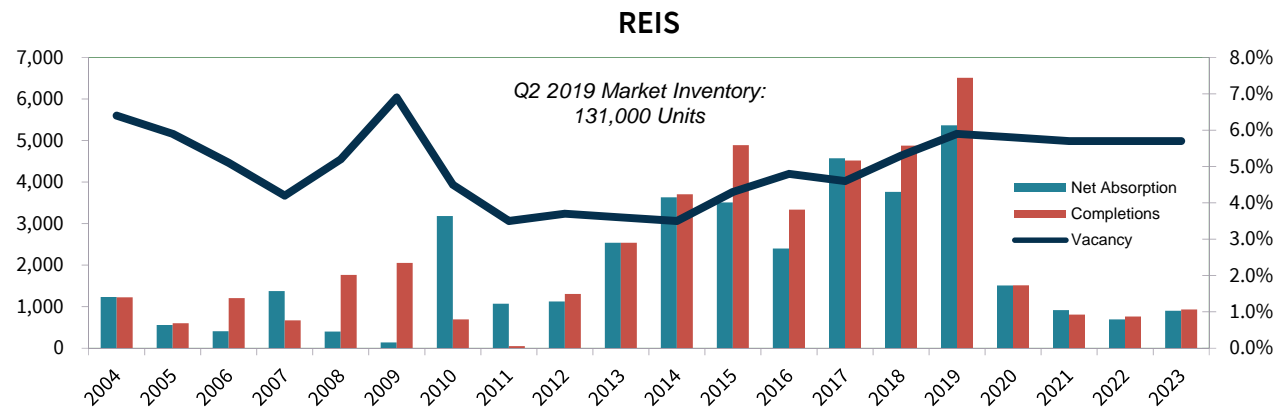
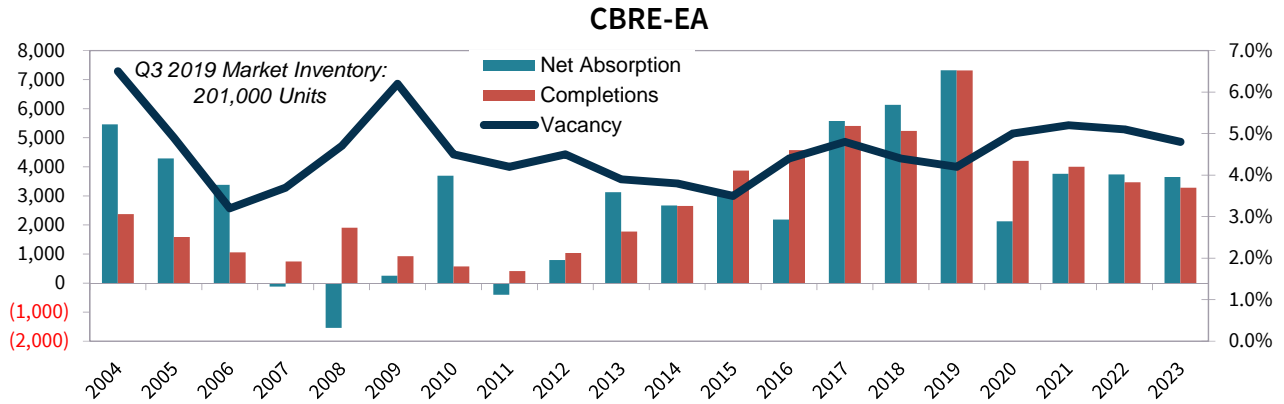
### Outlook

- Portland's multifamily market is in good shape but is poised for some likely easing after several years of strong rent growth. Rent levels achieved double-digit increases between 2014 and 2016, which was unsustainable in the long-term. The market has settled into a more reasonable range since then. The metro's recently strong economy, and its relative low cost compared to west-coast metros, should sustain a steadily expanding multifamily market. However, recent rent control laws bear watching.
- Portland has been significantly expanding its economy over the past decade, with job growth consistently outpacing the national average. The metro's boom has been fueled by the expansion of the local technology industry, which includes one of the world's most important companies — Intel — but it has also become an area where start-ups and internet companies establish satellite offices. This strong growth is likely to continue, but the area is also expected to see occasional contractions, as underlying corrections tend to happen in potentially volatile industries.

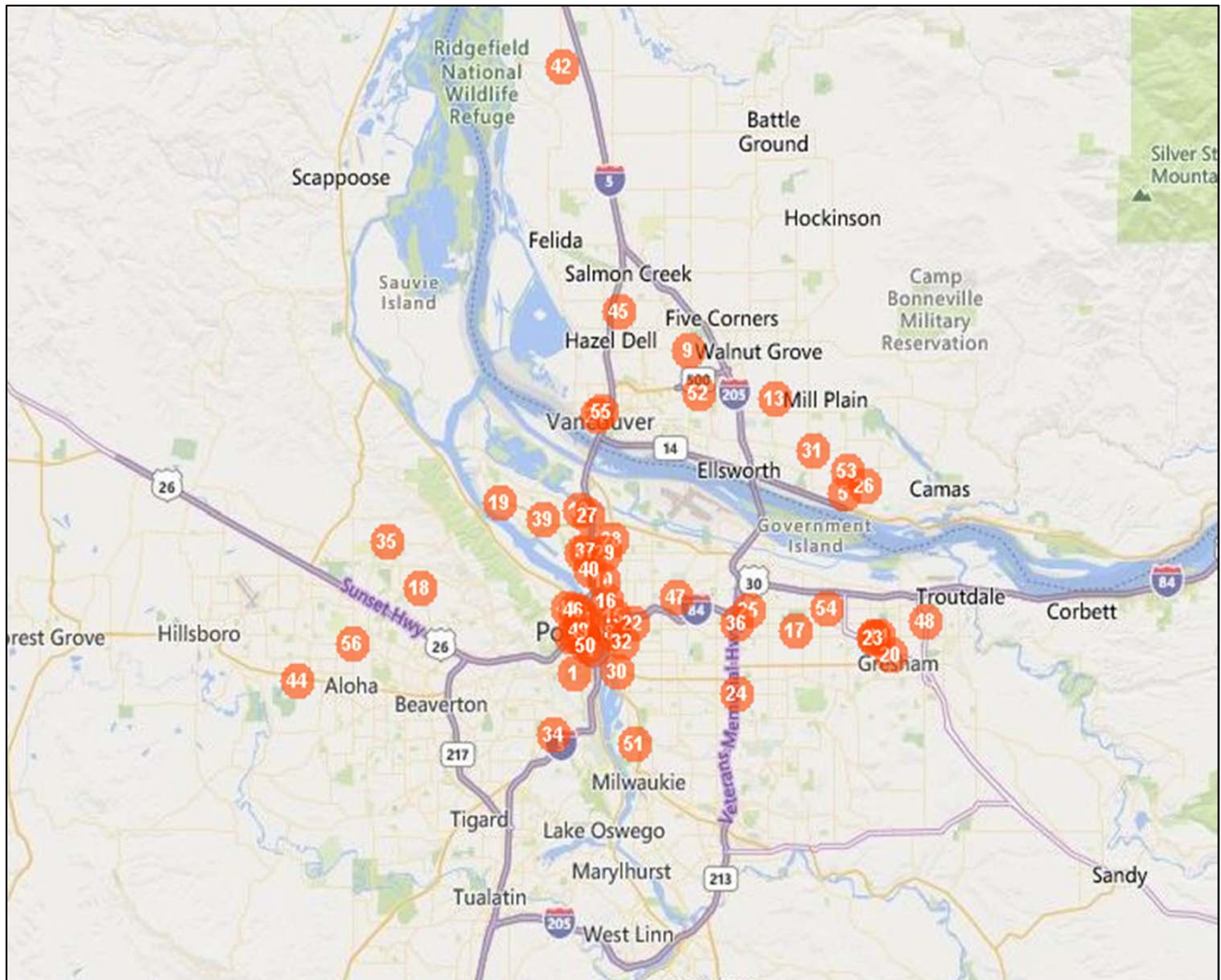
### Vacancy and Rent Composite Estimates



Source: Fannie Mae Multifamily and Economics Research



### Construction Bidding/Underway (56 projects/6,300 Units/6.2 M Sq. Feet)



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Beaverton	4	531	509
East Gresham	10	1026	1149
Northeast	18	1609	1733
Northwest	13	2064	1902
Vancouver	11	933	1023

Source: Dodge Data & Analytics SupplyTrack

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**Fannie Mae Multifamily Economics and Research**  
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## Sources Used

- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics SupplyTrack
- Moody's Analytics
- Real Capital Analytics
- RealPage
- Reis, Inc.

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