

Multifamily Metro Outlook:

Portland - Q1 2022

Overview:

- Portland's multifamily market has rebounded significantly compared to its decline from the pandemic in 2020. As a result, the annual demand of 10,654 units exceeded the supply of 6,855 units in 2021. The increase is primarily driven by demographic trends, as population and employment continued to grow, surpassing the U.S. total average in 2021 by 0.5% and 1.0%, respectively. However, elevated levels of new supply weakened rent growth and may continue to create challenges with more construction on the way in oversupplied areas.
- The job market and local economy are going strong despite some setbacks. 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 were above the national average and are expected to continue through 2022. According to REIS, for 2022, employment/population are forecasted to increase by 3.8% and 1.2%, compared to the U.S. average of 3.3% and 0.7%.
- Despite elevated supply levels, demand for apartments continued for the first quarter, with vacancy rates declining to 4.25%. As a result, rent averaged about \$1,470.
- 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 2021 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 remainder of 2022 will be concentrated in Central Portland, East Portland, and Vancouver, markets which already received 75% of total units under construction in 2021. This possible oversaturation may increase competition with existing properties and may cause prices to weaken.
- Rent growth in the downtown area of the metro has not kept up with the overall market. According to Costar, downtown rent increased 5% year-over-year in Q1 22 compared to the 9.2% average for the market. This decline was primarily due to renters moving out to the suburbs and decreased in-office foot activity.
- Portland has one of the strictest rent control laws in the nation, with rent increases cap at 7% plus inflation.

Development:

- Portland's Multifamily market has 9,800 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.

Outlook:

- Portland's multifamily market has recovered significantly from the impact of the pandemic in 2020. Demographic trends continue to be favorable as more people move to the area due to low cost and high quality of living. However, an elevated level of supplies may create some challenges as neighborhoods that already received new construction in 2021 may continue to experience increased inventory throughout 2022.
- 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 70,000 jobs, 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 support consumer-driven industries hit hard during the pandemic. 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.

Five Year Metro Area Growth Forecast

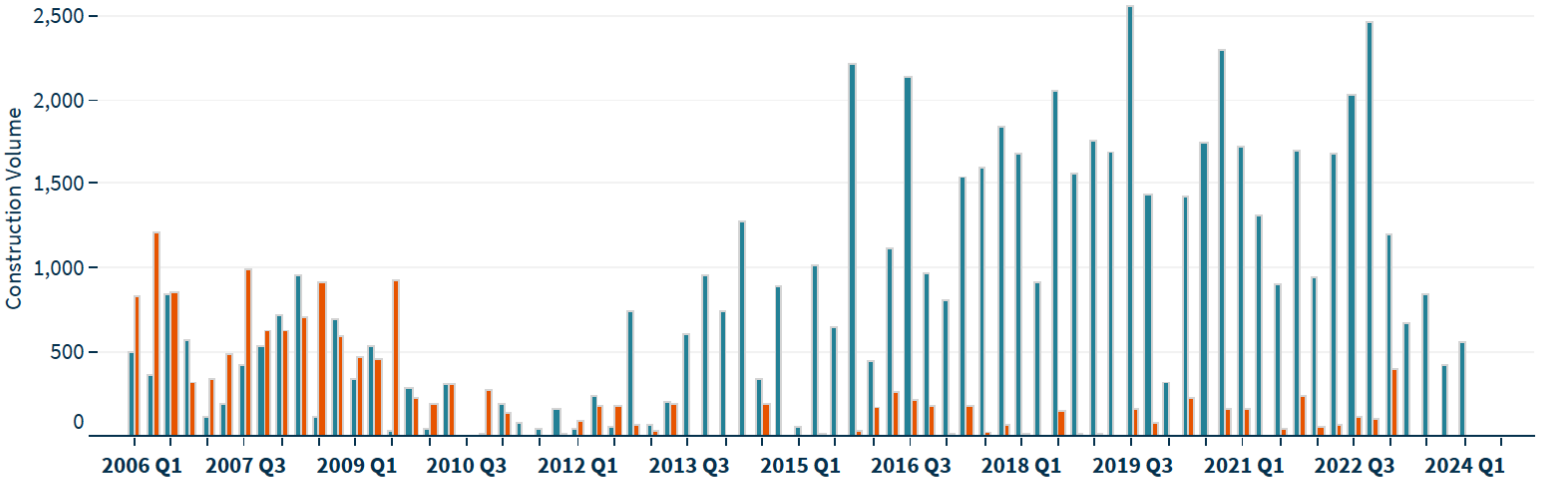
	Q4 2021	Q4 2026	Portland OR (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	2,548	2,677	0.99%	0.47%
Households (000s)	995	1,085	1.75%	0.90%
Renting Cohort (Ages 20-34) (000s)	535	543	0.32%	-0.30%
Total Employment (000s)	1,196	1,301	1.69%	1.08%
Median Household Income	\$83,842	\$98,032	3.18%	3.30%
Median SF Home Price	\$554,403	\$638,551	2.87%	1.93%
Net Migration	21,688	18,902		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



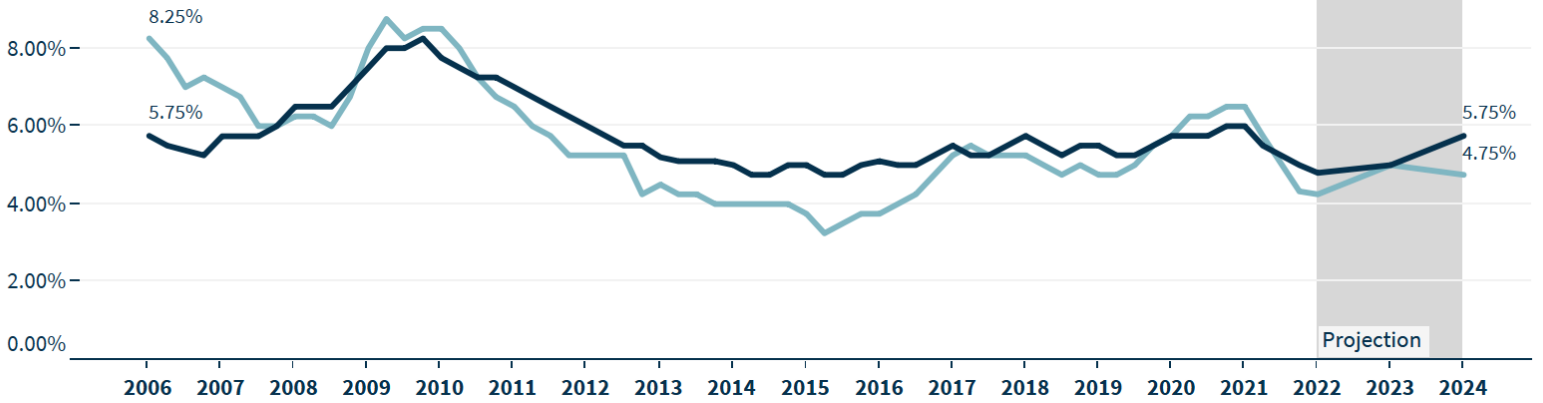
Vacancy & Rent Composite Estimates

Vacancy Rates

Portland | National

Q1 2022 Vacancy Rate:

4.25%

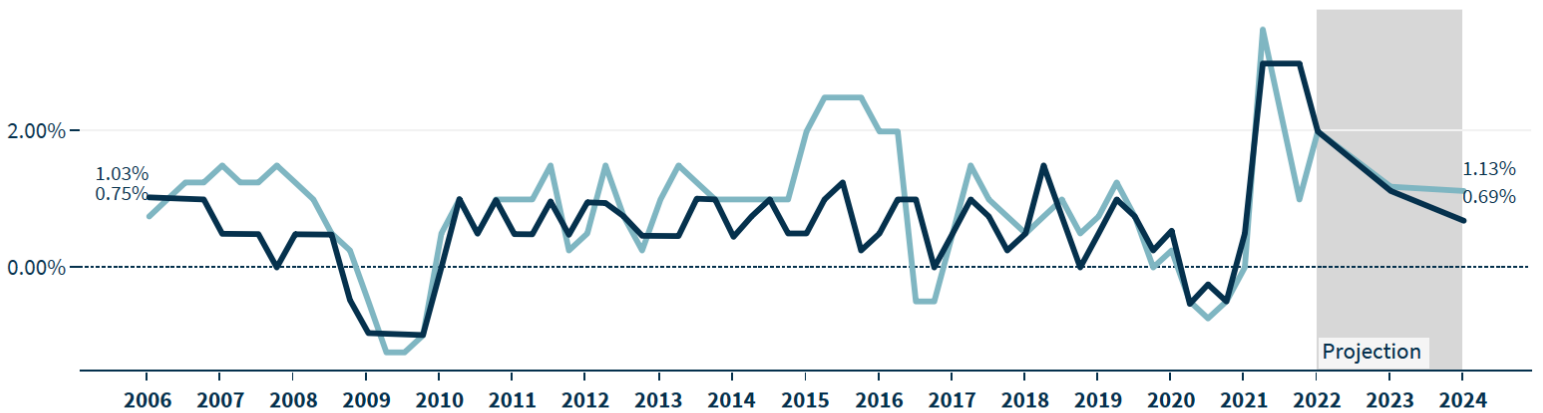


Asking Rent Growth

Portland | National

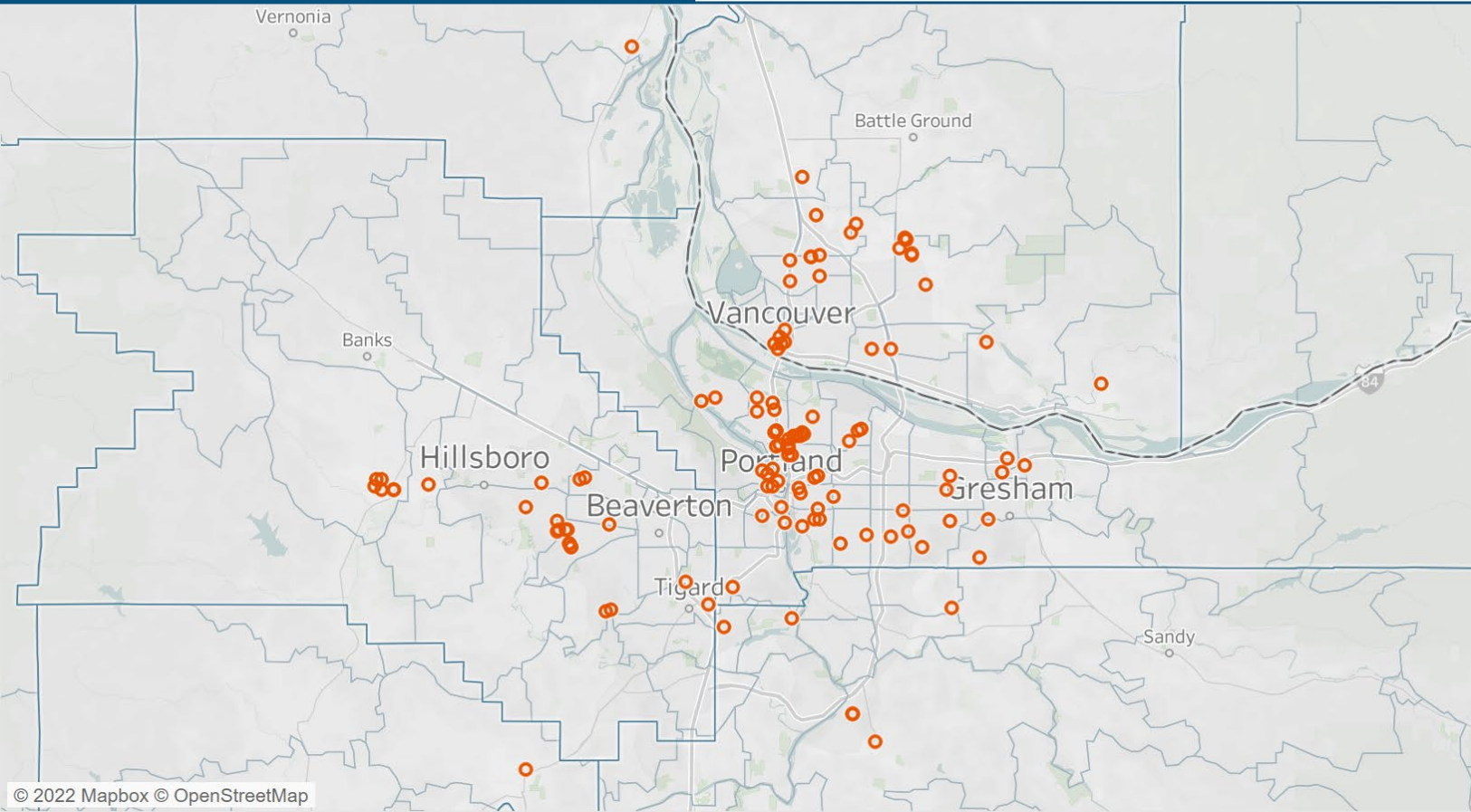
Q1 2022 Asking Rent:

\$1,470



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>	<i>Building Area SF</i>
Aloha/West Beaverton	14	786	0.96M
Central Portland	8	1,336	1.59M
East Portland	30	2,392	2.16M
Gresham/Far East Portland	9	673	0.75M
Hillsboro	10	557	0.64M
Lake Oswego/Tualatin/Wilsonville	3	248	0.28M
Northwest Portland	12	1,004	0.87M
Southeast Portland	4	322	0.31M
Southwest Portland/Tigard	3	369	0.39M
Vancouver	28	2,066	2.26M
Grand Total	121	9,753	10.23M

Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

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

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