Multifamily Metro Outlook: Portland – Q1 2021

Overview:
- Prior to the COVID outbreak, Portland's multifamily market had eased off its exceptional performance of 2014-16 but remained a healthy apartment market. Like every other market in the country, rents and vacancies were soft as tenants and landlords adjusted to tremendous job losses that were experienced. Fortunately, the outbreak has not been especially widespread in the metro and a recovery is well underway, though there have been occasional interruptions.
- The metro was in the midst of a long-term expansion of its economy prior to the outbreak, and local developers were responding to the strong multifamily fundamentals by building new units. A slight cooling of the economy, and the competitive pressures of these new units brought market fundamentals back to more reasonable levels. This will likely be the case when the metro area resumes growing post-outbreak.
- Oregon enacted state-wide rent control legislation in February 2019. The new law limits annual rent increases in the state to 7% plus the consumer price index. While there are several important exceptions, like for new properties, 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, which were quite favorable to tenants. While the laws have not yet greatly changed the operating environment in Portland, the changing legal environment is an important concern for the metro's apartment markets.

Market Strengths:
- 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 2019, high tech employment accounted for 7.5% of local jobs, well above the 5.0% national average. Intel is the metro's largest employer, with over 20,600 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 in the metro, as well as some manufacturing, and the company is reportedly the fourth largest employer in the metro with 12,000 employees.
- Job and population growth expectations are quite favorable for the local apartment market. In 2019, the metro's job market expanded +1.8%, above the 1.3% national average, and the population grew +0.8%, also above the national average of +0.5%. Both measures are expected to best the national average over the next five years.

Market Weaknesses:
- Portland has seen a surge in new apartment deliveries in response to its previously strong economy. Since 2014, nearly 30,300 new units have been completed in the metro, and another 7,200 are underway. While deliveries are expected to slow down over the next several years, and get delayed due to COVID shutdowns, vacancies are expected to modestly increase.
- Housing affordability has also become an issue in the metro. Recent economic growth in the metro has been driven by high paying industries, which has resulted in rising rents and home prices, as well as gentrifying neighborhoods.

Development:
- Condo development is not a significant concern in Portland. While around 12,500 units were added between 2006 and 2021, fewer than 300 are currently underway.

Outlook:
- Portland’s multifamily market was in good shape prior to the outbreak but was already poised for some easing after several years of strong rent growth. Rent levels achieved double digit increases in 2014-16, which was unsustainable long-term. The market had settled into a more reasonable normal since then, and it will likely return to that performance once conditions stabilize and the outbreak is eradicated. 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 government intervention into the apartment market is a concern and rent payment levels have been persistently low during the COVID recovery.
- 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 also has become an area that start-ups and internet companies establish satellite offices. This strong growth is likely to continue, but the area is also likely to see occasional contractions as underlying corrections happen in the potentially volatile industries.

### Five Year Metro Area Growth Forecast

<table>
<thead>
<tr>
<th></th>
<th>Q4 2020</th>
<th>Q4 2025</th>
<th>Portland OR (5-Year Annual Average Change)</th>
<th>National (5-Year Annual Average Change)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population (000s)</strong></td>
<td>2,534</td>
<td>2,668</td>
<td>1.04%</td>
<td>0.52%</td>
</tr>
<tr>
<td><strong>Households (000s)</strong></td>
<td>969</td>
<td>1,084</td>
<td>2.26%</td>
<td>1.41%</td>
</tr>
<tr>
<td><strong>Renting Cohort (Ages 20-34) (000s)</strong></td>
<td>534</td>
<td>545</td>
<td>0.43%</td>
<td>-0.26%</td>
</tr>
<tr>
<td><strong>Total Employment (000s)</strong></td>
<td>1,134</td>
<td>1,278</td>
<td>2.42%</td>
<td>1.71%</td>
</tr>
<tr>
<td><strong>Median Household Income</strong></td>
<td>$77,712</td>
<td>$87,741</td>
<td>2.46%</td>
<td>2.83%</td>
</tr>
<tr>
<td><strong>Median SF Home Price</strong></td>
<td>$479,259</td>
<td>$622,446</td>
<td>5.37%</td>
<td>4.30%</td>
</tr>
<tr>
<td><strong>Net Migration</strong></td>
<td>15,511</td>
<td>19,469</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Moody’s
SupplyTrack Pipeline

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

Vacancy & Rent Composite Estimates

Vacancy Rates
- Portland
- National
Q1 2021 Vacancy Rate: 6.50%

Asking Rent Growth
- Portland
- National
Q1 2021 Asking Rent: $1,370

Source: Multifamily Economics and Research
## Construction: Bidding & Underway

<table>
<thead>
<tr>
<th>Sub-Market</th>
<th>Projects</th>
<th>Units</th>
<th>Sq. Ft. (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aloha/West Beaverton</td>
<td>1</td>
<td>3</td>
<td>0.02M</td>
</tr>
<tr>
<td>Central Portland</td>
<td>12</td>
<td>2,062</td>
<td>2.62M</td>
</tr>
<tr>
<td>East Beaverton</td>
<td>3</td>
<td>650</td>
<td>0.76M</td>
</tr>
<tr>
<td>East Portland</td>
<td>14</td>
<td>330</td>
<td>0.28M</td>
</tr>
<tr>
<td>Gresham/Far East Portland</td>
<td>7</td>
<td>1,023</td>
<td>1.09M</td>
</tr>
<tr>
<td>Lake Oswego/Tualatin/Wilsonville</td>
<td>4</td>
<td>277</td>
<td>0.38M</td>
</tr>
<tr>
<td>Northwest Portland</td>
<td>13</td>
<td>514</td>
<td>0.35M</td>
</tr>
<tr>
<td>Southeast Portland</td>
<td>3</td>
<td>301</td>
<td>0.38M</td>
</tr>
<tr>
<td>Southwest Portland/Tigard</td>
<td>1</td>
<td>80</td>
<td>0.09M</td>
</tr>
<tr>
<td>Vancouver</td>
<td>17</td>
<td>2,009</td>
<td>2.22M</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>75</strong></td>
<td><strong>7,249</strong></td>
<td><strong>8.20M</strong></td>
</tr>
</tbody>
</table>
We welcome your feedback! Please give us a call or send an email with any comments, suggestions, or insight you may have or information you’d like covered in future editions.

Multifamily Metro Outlook: Portland Q1 2021

Multifamily Economics and Market Research Team

Tim Komosa, Economic and Strategic Research

Sources Used

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

Opinions, analyses, estimates, forecasts, and other views of Fannie Mae’s Economic and Strategic Research (ESR) Group included in these materials should not be construed as indicating Fannie Mae’s business prospects or expected results, are based on a number of assumptions, and are subject to change without notice. How this information affects Fannie Mae will depend on many factors. Although the ESR Group bases its opinions, analyses, estimates, forecasts, and other views on information it considers reliable, it does not guarantee that the information provided in these materials is accurate, current, or suitable for any particular purpose. Changes in the assumptions or the information underlying these views could produce materially different results. The analyses, opinions, estimates, forecasts, and other views published by the ESR Group represent the views of that group as of the date indicated and do not necessarily represent the views of Fannie Mae or its management.

© Copyright 2021