

Multifamily Metro Outlook:

Portland - Q2 2024

Overview:

- Portland's multifamily market has proved to be unpredictable on its path to recovery. But this quarter, the metro is showing some positive signs, while still having some areas for improvement. The economy has been driven by strong demographic trends and a resilient spending base, as inflation-adjusted economic output expanded 1.4% in Q2 2024. It is not all good news, however, as job net losses reached 9,600, shrinking the employment base by 1.5%, according to RealPage. On the construction side, previously elevated levels of new multifamily supply weakened rent growth in the past few years, but it appears that the supply pipeline is finally slowing down.
- Portland is home to the growing "silicon forest" area, which draws a large young workforce as well as a cluster of export-intensive industries. Long term, Portland is expected to do well with onshore chip manufacturing jobs and leveraging its silicon forest makeup to bolster its technology and business sectors.
- Because absorption outpaced new unit deliveries during the second quarter of 2024, rent growth increased 100 basis points compared with last quarter, from 0.75% to 1.75%, with vacancy remaining steady around 6.0%. CBRE estimates that the difference between absorption and deliveries was nearly 600 units, proving that demand might be here to stay after a tumultuous few years post-COVID.

Market Strengths:

- Portland has decent demographics, with the metro's 20- to 34-year-old cohort, a critical component of the apartment market, making up 20.6% of the total population, larger than the national share of 20.3%. In addition, 41.3% of Portland's working-age population has a bachelor's degree or higher, compared with 34.3% nationally.
- 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 should allow more developers to build affordable housing in underserved areas.

Market Weaknesses:

- Rent growth in the metro's downtown area has not kept up with the overall market. This decline was primarily due to renters still marginally preferring the suburbs and a continued decrease in in-person office activity. This weakness can also be shown through the Central Portland submarket's vacancy rate of around 8.1%, according to RealPage. Downtown continues to struggle due to remote worker flexibility, something many other areas of the nation are also facing as a result of high employment levels of white-collar workers.
- Two large employers in the area, Nike and Columbia Sportswear, have struggled with decreases in retail demand as well as continued high input costs cutting into their margins.
- Portland has one of the strictest rent control laws in the nation, with rent increases capped at 10%.

Development:

- Portland's multifamily market currently has 7,500 units under construction, per Dodge Construction, representing a 3.2% increase in new inventory. Submarkets seeing the highest levels of building include East Portland and Vancouver, with 1,858 and 2,095 units underway, respectively.

Outlook:

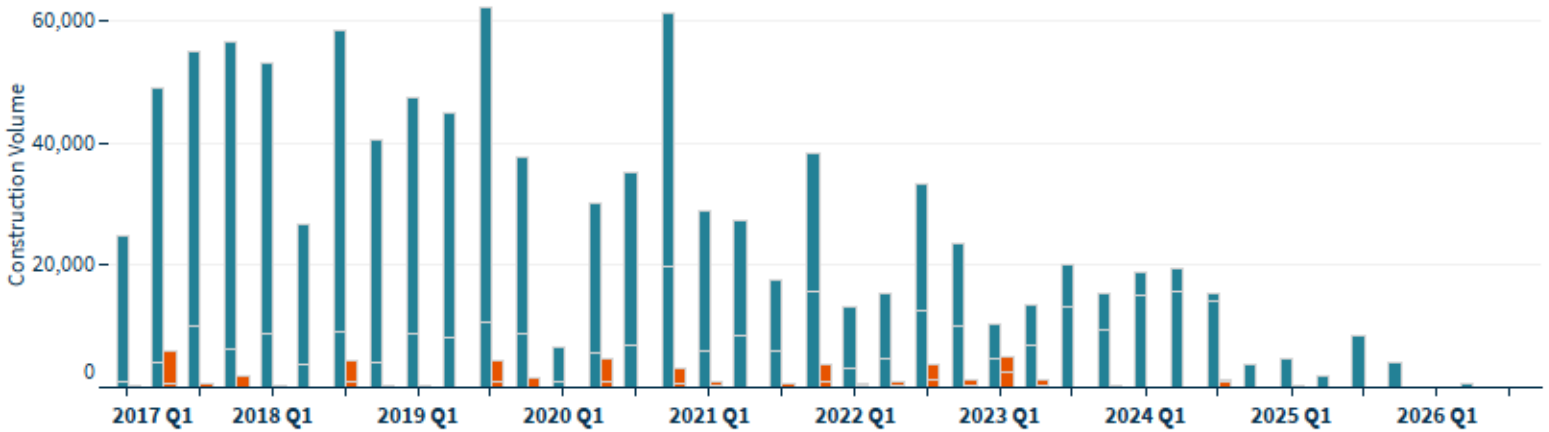
- Portland's multifamily market has recovered significantly from the impact of the pandemic and is seeing signs of easing from the rebound. Demographic trends continue to be favorable, as more people move to the area due to the low cost and high quality of living relative to other West Coast cities. However, layoffs in the tech sector, as well as an elevated vacancy level in certain submarkets, could create some drag on Portland's performance.
- Portland's economy is still in recovery but does have the benefit of industry diversification with a young and skilled workforce. Despite this, the local economy has continued to see pullbacks in the information and professional services industries. Job growth has been buoyed by education and health services as well as by government payrolls (4.0% and 2.7% year-over-year growth, respectively, according to Yardi), but this has only served to balance things out rather than drive overall growth. Job metrics remained meek in the second quarter of 2024.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

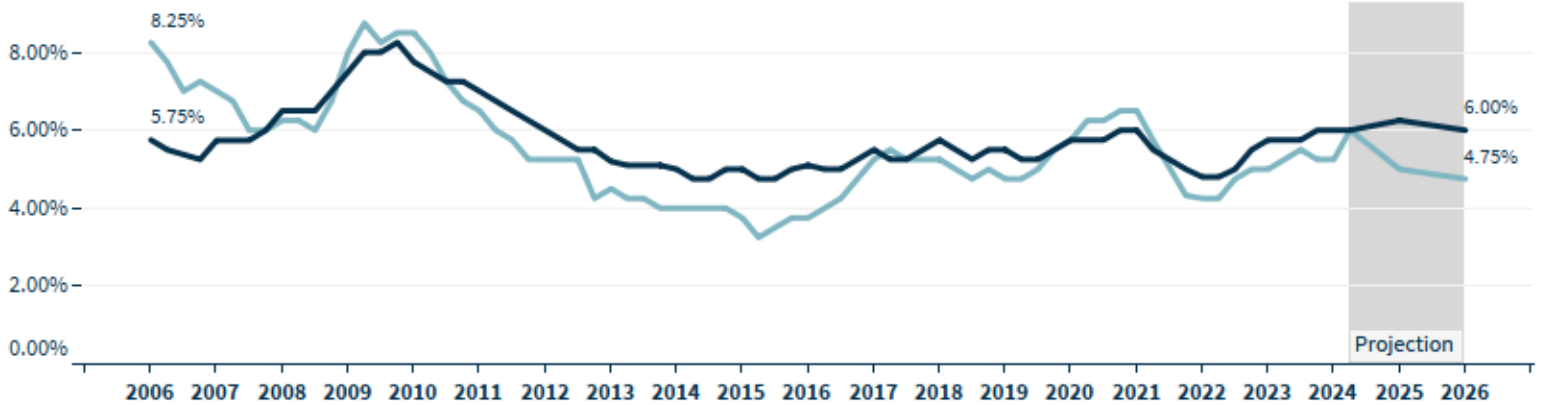
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Portland | National

Q2 2024 Vacancy Rate:

6.00%



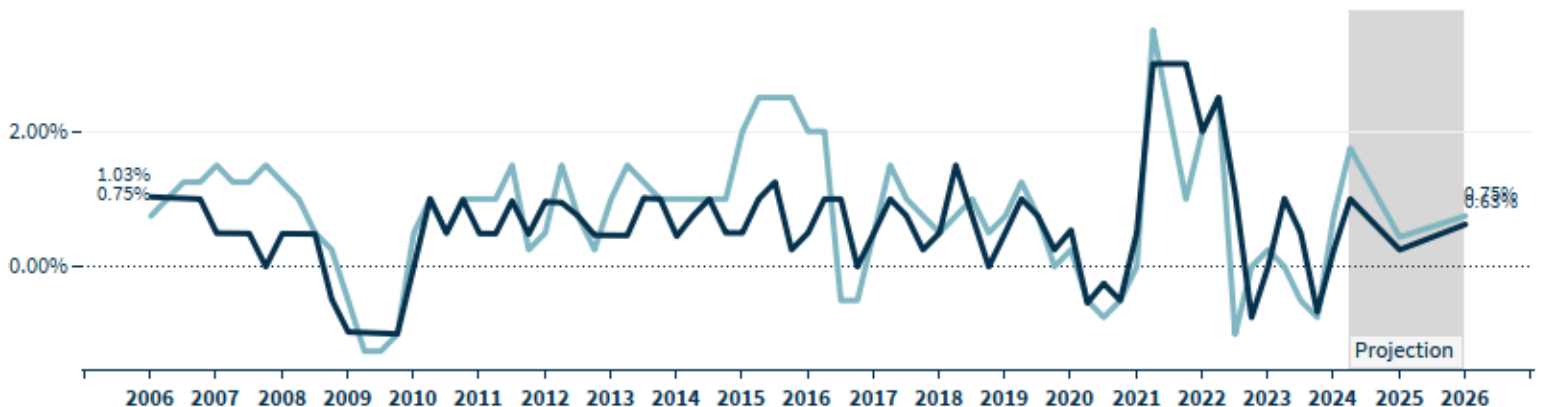
Projection

Asking Rent Growth

Portland | National

Q2 2024 Asking Rent:

\$1,510

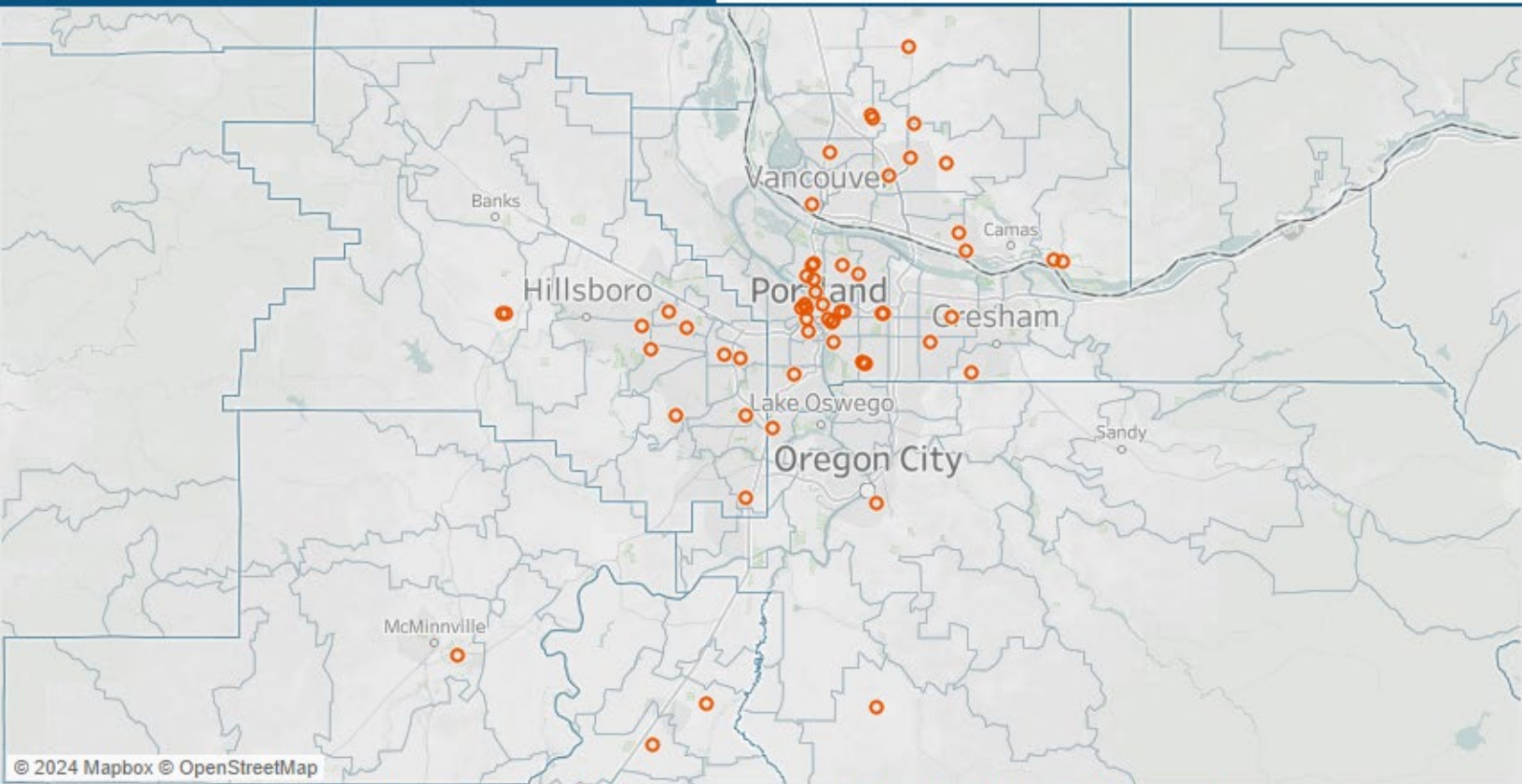


Projection

Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Aloha/West Beaverton	4	1,169
Central Portland	5	854
East Beaverton	2	582
East Portland	15	1,858
Gresham/Far East Portland	3	216
Hillsboro	3	75
Lake Oswego/Tualatin/Wilsonville	3	449
NA	2	12
Northwest Portland	5	137
Southeast Portland	2	44
Southwest Portland/Tigard	2	28
Vancouver	13	2,095
Grand Total	59	7,519

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

Multifamily Metro Outlook: Portland OR Q2 2024

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
- Greenstreet
- Dodge Data and Analytics SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

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