

Multifamily Metro Outlook:

Portland - Q4 2023

Overview:

- Portland's multifamily market has rebounded significantly compared to its decline from the pandemic in 2020. The increase is primarily driven by demographic trends and employment growth as inflation adjusted economic output expanded 3.1% as well as job gains over 14,900 in 2023. However, elevated levels of new multifamily supply weakened rent growth and may continue to create challenges with more construction on the way.
- The job market and local economy are going strong despite some setbacks. The industries with pronounced job gains include government sector followed by mining/logging/construction. 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 manufactory jobs and leveraging its silicon forest makeup.

Market Strengths:

- Job and population growth in 2021 and 2022 were above the national average and are expected to continue into 2024 and beyond. In 2023, the employment base increased 1.2% and unemployment decline by -0.9 points year over year to 3.4%, which is below the national average of 3.5%.
- Portland has strong demographics with the metro's 20- to 34-year-old cohort, a critical component of the apartment market, make up 21.1% of the total population, larger than the national norm of 20.4%. In addition, 41.3% of Portland's working age population holds a bachelor's degree or higher compared to 34.3% nationally
- 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 should allow more developers to build affordable housing in underserved areas.

Market Weaknesses:

- Elevated supply levels and less demand for apartments continued through year end, with vacancy rates rising to 5.25%. As a result, rent growth decreased, and averaged about \$1,4804 at the end of the year.
- Rent growth in the downtown area of the metro 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.
- Portland has one of the strictest rent control laws in the nation, with rent increases capped at 10%.

Development:

- Portland's Multifamily market has 8,934 units under construction, possibly expanding existing inventory by more than 2.3% once the units are completed. Areas seeing new construction include East Portland and Central Portland.

Outlook:

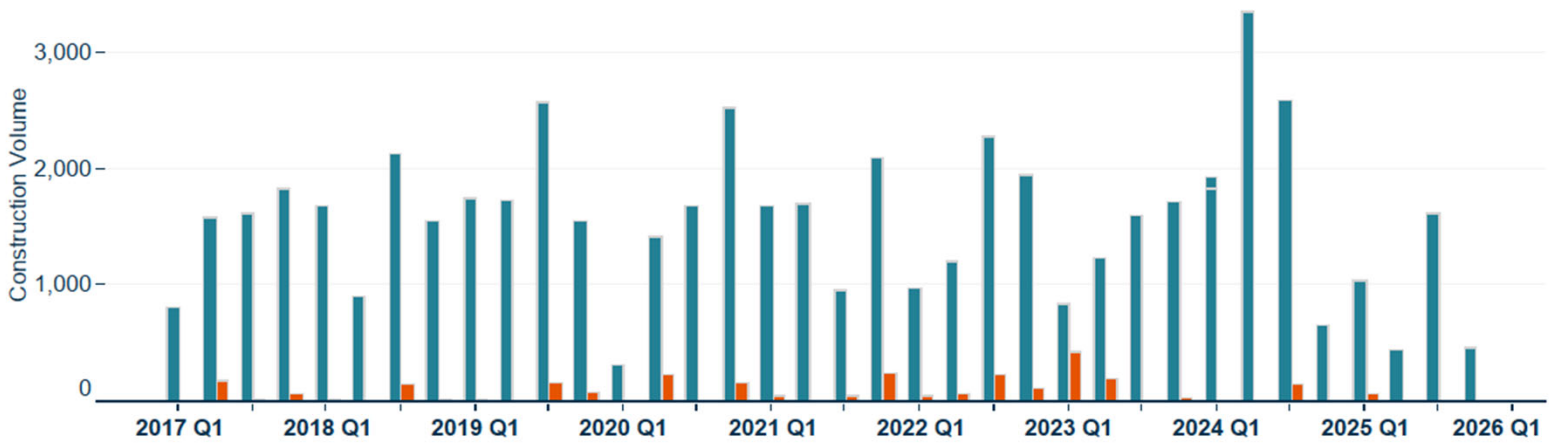
- Portland's multifamily market has recovered significantly from the impact of the pandemic and is seeing signs of easing from the rebound. Demographic trends continue to be favorable as more people move to the area due to low cost and high quality of living relative to other west-coast cities. However, layoffs in the tech-sector, as well as an elevated level of supply may create some challenges as neighborhoods that already received new construction and may continue to experience increased inventory into 2024, 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 an average gain of 29,700 jobs every year. Industries that continue to see growth are business/professional and tech services. These jobs will 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

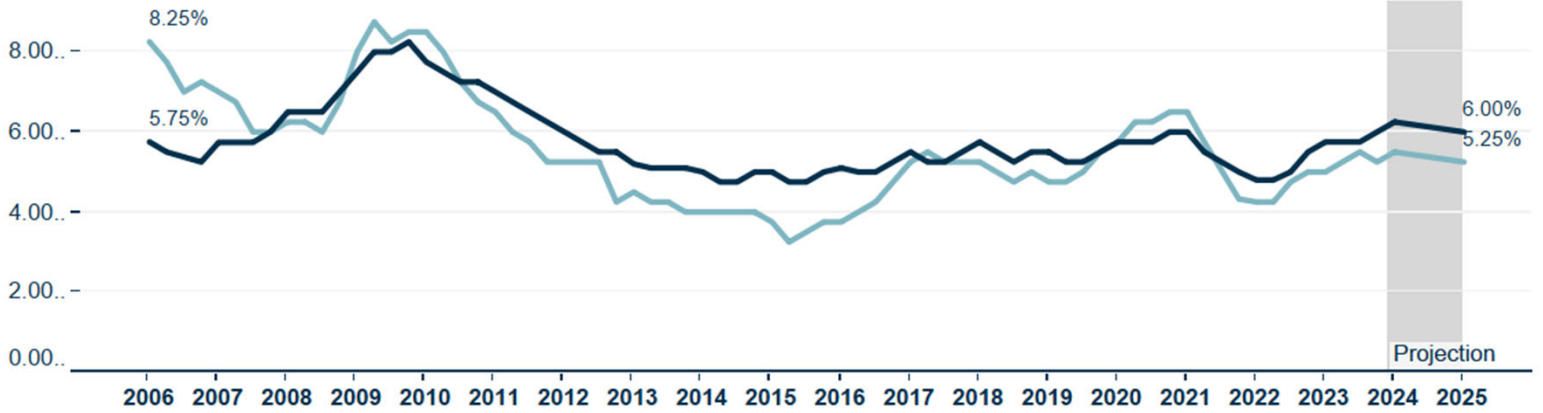


Source: Dodge Data & Analytics SupplyTrack Pipeline

Multifamily Vacancy & Rent Estimates

Vacancy Rates

Portland | National

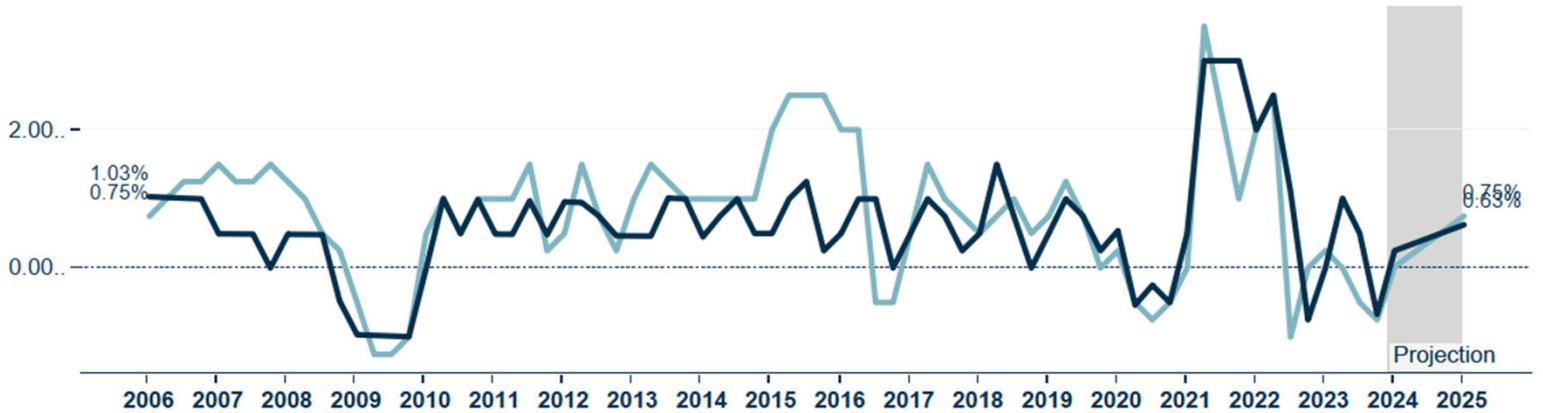


Q4 2023 Vacancy Rate:

5.25%

Asking Rent Growth

Portland | National



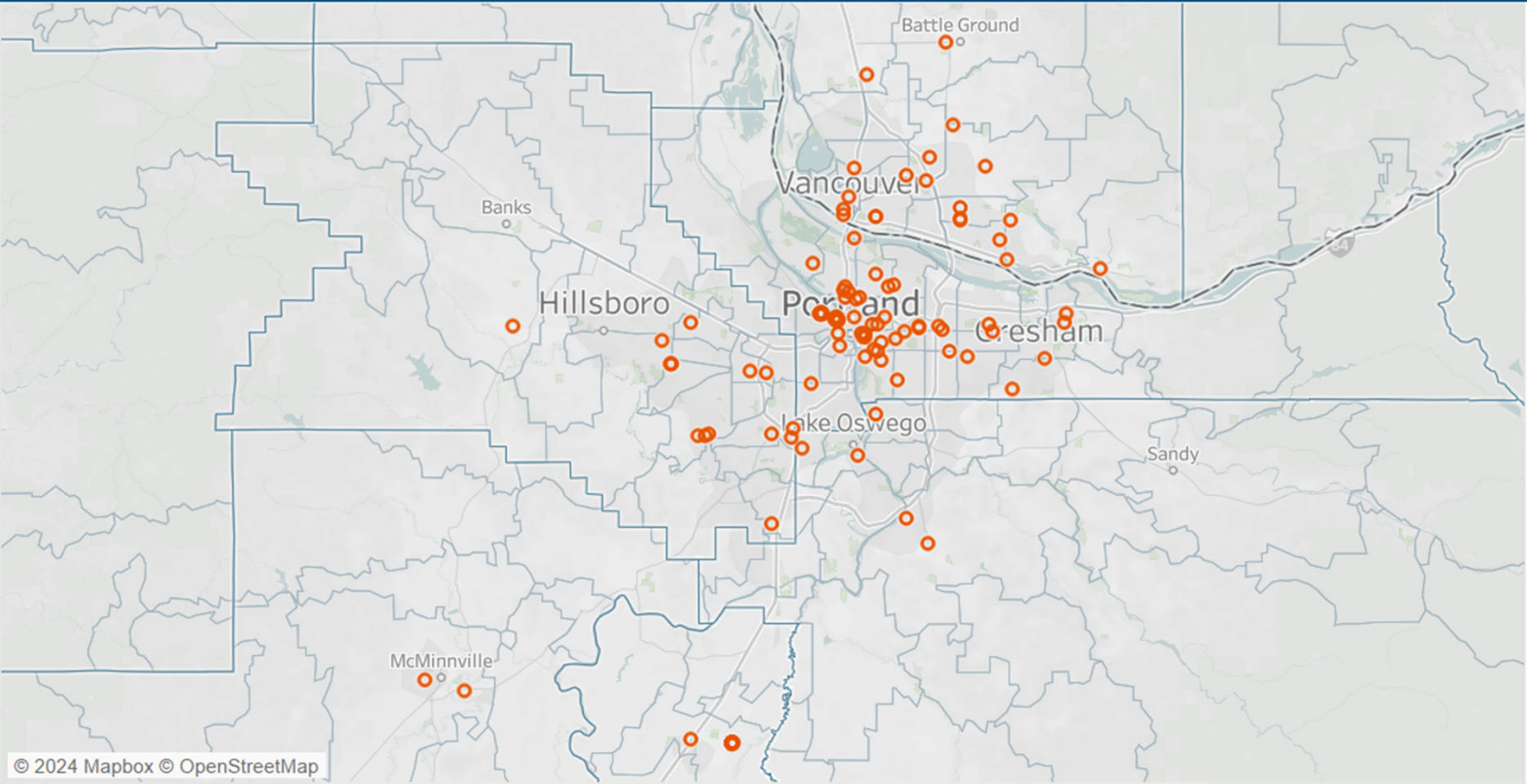
Q4 2023 Asking Rent:

\$1,480

Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Aloha/West Beaverton	7	1,168
Central Portland	8	1,287
East Beaverton	2	582
East Portland	27	2,837
Gresham/Far East Portland	7	593
Hillsboro	2	63
Lake Oswego/Tualatin/Wilsonville	5	553
NA	17	492
Northwest Portland	15	650
Southeast Portland	3	362
Southwest Portland/Tigard	4	283
Vancouver	20	3,119
Grand Total	117	11,989

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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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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