

# Multifamily Metro Outlook:

## Portland - Q3 2024

### Overview:

- Portland's multifamily market and local economy have proven unpredictable on their path to recovery. This quarter is no different, with uninspiring economic trends. In the year ending third quarter 2024, Portland's inflation-adjusted economic output expanded only 0.1%, per RealPage. Additionally, the employment base had a net gain of 2,200 jobs, an expansion of only 0.1%. The total employment base is just 1% above prepandemic levels from February 2020. 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. In the long term, Portland is expected to do well with onshore chip manufacturing jobs and the ability to leverage its employment makeup to bolster its technology and life science sectors.
- Multifamily demand has spiked back to form in 2024, particularly in the third quarter. Absorption reached just under 3,200 units this quarter, according to CBRE — right around the long-term average seen over past decades.

### 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 norm of 20.3%. In addition, 41.3% of Portland's working-age population has a bachelor's degree or higher, compared to 34.3% nationally.
- With the goal of increasing supply of affordable housing, Portland's City Council approved updates to the 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.
- The metro's median income was around \$95,400 as of Q4 2023, compared with the national level of \$80,900. The relatively high income levels will allow consumers to weather regional pressures as well as future rent increases.

### Market Weaknesses:

- While many semiconductor manufacturers have done well in recent quarters due to the boom in artificial intelligence, Intel was an exception. Because of a series of strategic mistakes, the firm was unable to capitalize on chip demand and announced in August that it would lay off 15,000 workers nationally. While it is unclear how many of these layoffs will be occurring in Portland, it is sure to have a significant impact, as Intel is firmly entrenched as the top employer in the metro with over 22,000 employees.
- Portland has one of the strictest rent control laws in the nation, with rent increases capped at 10% as of 2024. This legislation, however, does not apply to apartments built in the last 15 years.

### Development:

- Portland's multifamily market currently has 8,100 units under construction, per Dodge Data & Analytics, up from 7,500 units last quarter. Submarkets seeing the highest levels of building include East Portland and Vancouver, with 1,900 and 2,700 units underway, respectively. Vancouver has become a hot submarket, with residents flocking there for job opportunities and favorable tax advantages.

### Outlook:

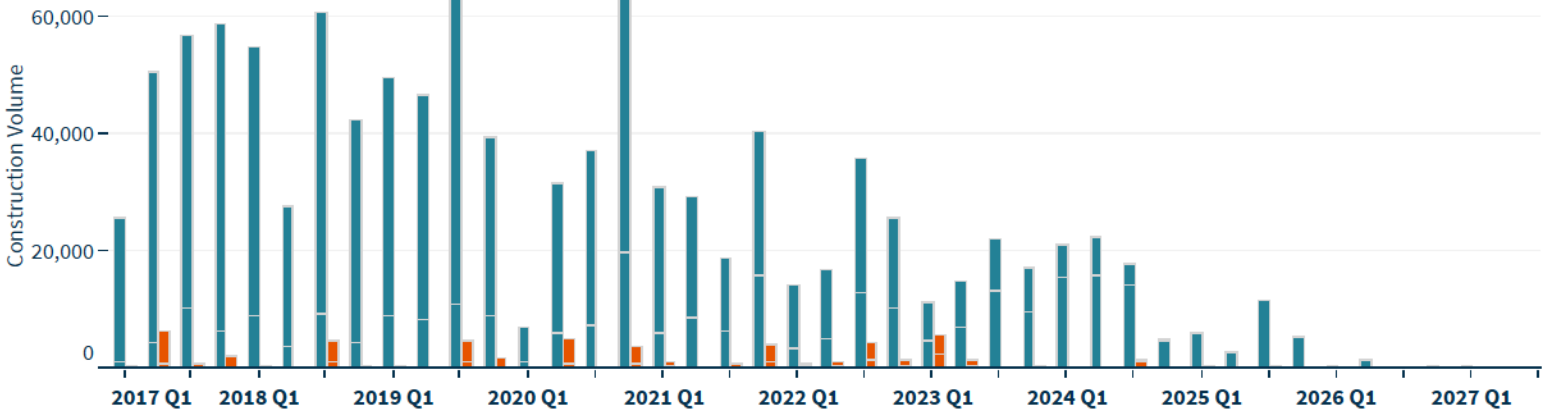
- Portland's multifamily market has recovered significantly and posted strong demand in the third quarter of 2024, leading to a decrease in the overall vacancy rate to 5.8%. In addition, rent growth was positive at around 0.8% this quarter, marking a complete turnaround from the end of last year and the first quarter of 2024 when rent growth was negative. Demographic trends continue to be favorable as more people move to the area due to lower 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, such as central Portland, 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 industries of information and professional services. Job growth has been buoyed by education and health services as well as government payrolls (5.1% and 2.5% year-over-year growth, respectively, according to Yardi), but this has only served to balance the total employment base rather than drive overall growth.



## Multifamily Apartment Pipeline

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

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

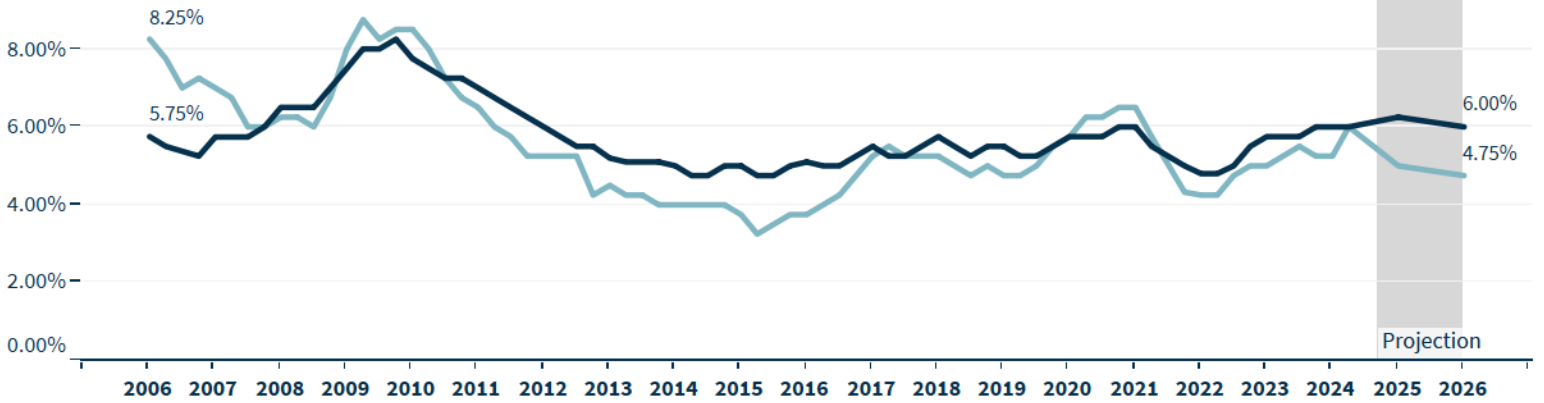
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Portland | National

Q3 2024 Vacancy Rate:

5.80%



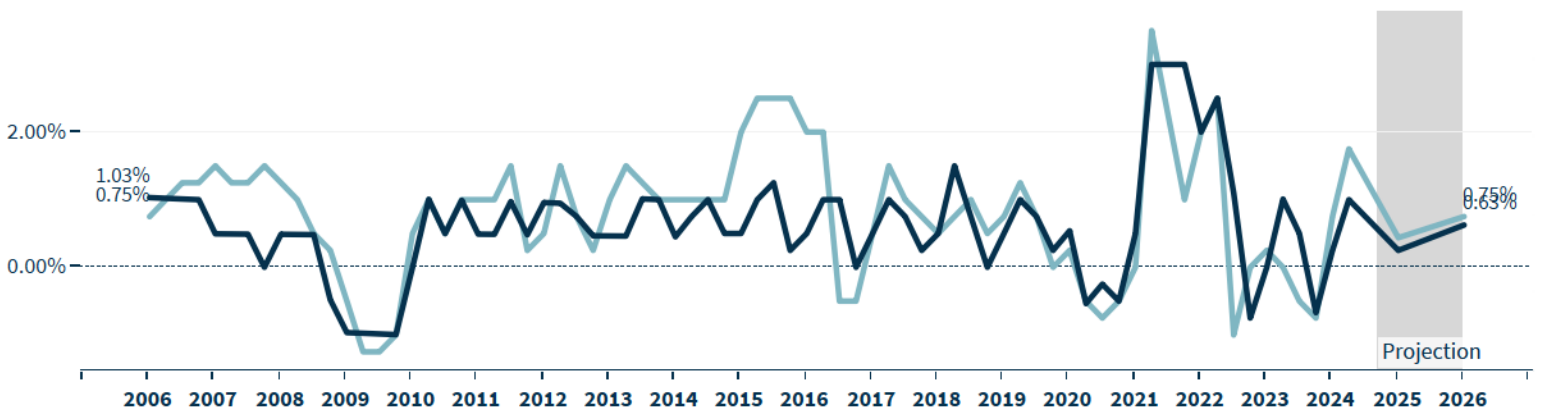
Projection

### Asking Rent Growth

Portland | National

Q3 2024 Asking Rent:

\$1,520

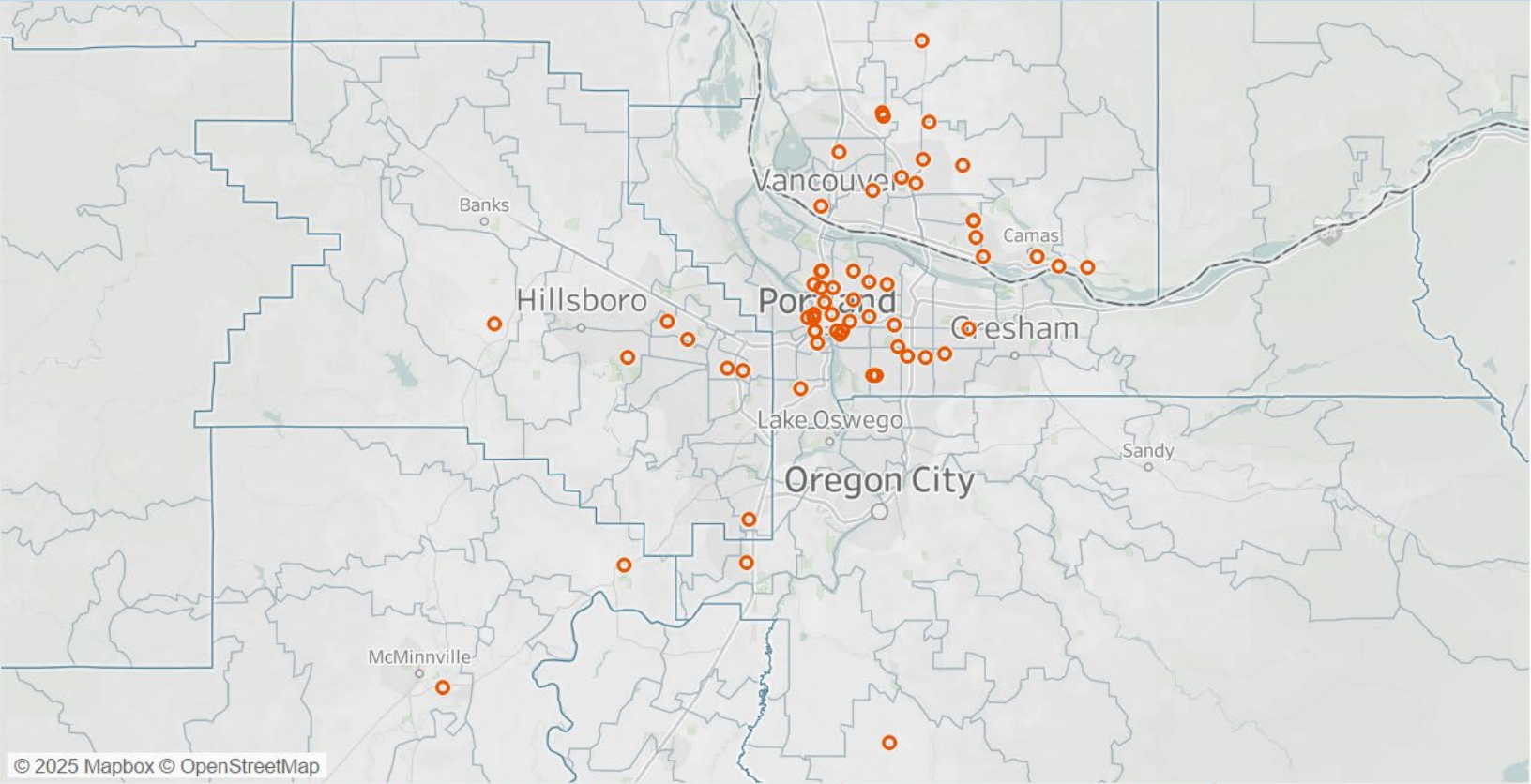


Projection

Source: Fannie Mae Multifamily Economics and Research



# Multifamily Construction: Bidding & Underway



<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
Aloha/West Beaverton	2	848
Central Portland	6	860
East Beaverton	2	582
East Portland	17	1,897
Gresham/Far East Portland	2	209
Hillsboro	2	117
Lake Oswego/Tualatin/Wilsonville	4	608
Northwest Portland	6	212
Southeast Portland	1	40
Southwest Portland/Tigard	1	6
Vancouver	19	2,728
<b>Grand Total</b>	<b>62</b>	<b>8,107</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

# Multifamily Metro Outlook: Portland OR Q3 2024

## Multifamily Economics and Market Research Team

John Collier, Economic and Strategic Research

### Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Greenstreet
- Dodge Data and Analytics Real Estate Analyzer
- CBRE-Econometric Advisors
- Yardi

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