

HUD PD&R Housing Market Profiles

Portland-Vancouver-Hillsboro, Oregon-Washington



Quick Facts About Portland

- **Current sales market conditions: tight**
- **Current apartment market conditions: slightly tight**
- **The six campuses of Intel Corp., the largest employer in the area, are the world's preeminent center of semiconductor research and manufacturing. During 2018, Intel Corp. has increased employment in the metropolitan area by approximately 700 workers.**



By Adam Tubridy | As of October 1, 2018

Overview

The Portland-Vancouver-Hillsboro Metropolitan Statistical Area (hereafter, the Portland metropolitan area) is located at the confluence of the Columbia and Willamette Rivers along the border of Oregon and Washington and consists of seven counties: Clackamas, Columbia, Multnomah, Washington, and Yamhill Counties in Oregon and Clark and Skamania Counties in Washington. The economy of the metropolitan area is broad-based, with leading industries including advanced manufacturing, outdoor and athletic apparel, healthcare, and technology.

- As of October 1, 2018, the population of the metropolitan area is estimated at 2.5 million, compared with 2.23 million in 2010. Population growth has averaged 36,450 people, or 1.5 percent, annually from 2013 to the current date, up from 25,600 people, or 1.1 percent, annually from 2010 to 2013.
- Increased net in-migration was responsible for the rise in population growth after 2013; net natural change (resident births minus resident deaths) decreased from 11,900 from 2010 to 2013 to 10,550 from 2013 to 2018.
- Increased movement of educated migrants to the Portland metropolitan area has had a significant effect on the local economy. From 2007 to 2017, the share of residents with college degrees in the Portland metropolitan area has increased from the 27th to 16th highest among large metropolitan areas in the nation, while median household income has gone from 32nd to 19th (American Community Survey 1-year data).



Goods-producing sectors accounted for approximately 40 percent of all nonfarm payroll growth in the Portland area.

	3 Months Ending		Year-Over-Year Change	
	September 2017 (Thousands)	September 2018 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,175.2	1,203.8	28.6	2.4%
Goods-Producing Sectors	195.8	207.5	11.7	6.0%
Mining, Logging, & Construction	71.4	77.6	6.2	8.7%
Manufacturing	124.4	129.9	5.5	4.4%
Service-Providing Sectors	979.4	996.3	16.9	1.7%
Wholesale & Retail Trade	177.0	181.6	4.6	2.6%
Transportation & Utilities	38.9	39.3	0.4	1.0%
Information	25.7	25.6	- 0.1	- 0.4%
Financial Activities	71.1	72.0	0.9	1.3%
Professional & Business Services	182.6	181.0	- 1.6	- 0.9%
Education & Health Services	166.2	181.3	15.1	9.1%
Leisure & Hospitality	126.3	129.9	3.6	2.9%
Other Services	41.9	43.6	1.7	4.1%
Government	149.6	142.0	- 7.6	- 5.1%
	(Percent)	(Percent)		
Unemployment Rate	4.1%	3.7%		

Source: U.S. Bureau of Labor Statistics

Economic Conditions

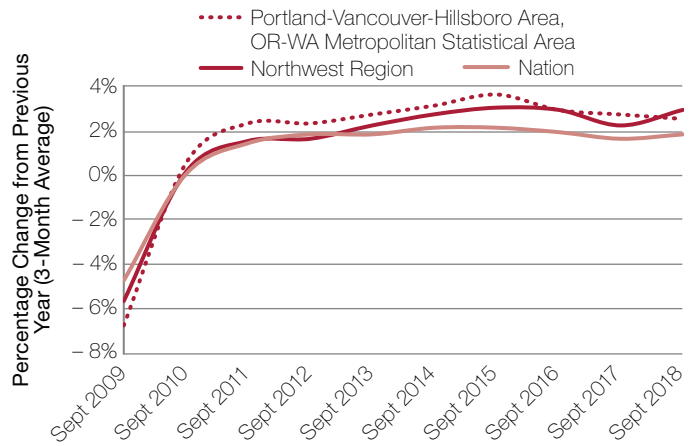
The Portland metropolitan area has expanded strongly since 2011. From 2011 through 2013, nonfarm payrolls increased by an average of 21,800 jobs, or 2.1 percent, annually, before accelerating to an average annual increase of 32,100 jobs, or 2.9 percent, from 2014 through 2017. Nonfarm payroll growth has outpaced the nation-at-large, which averaged payroll growth at 1.7 percent annually from 2011 through 2017, compared with 2.6 percent in the Portland metropolitan area. Since 2011, economic growth has been broad-based, with each private payroll sector averaging annual growth of at least 1.5 percent.

During the third quarter of 2018—

- Nonfarm payrolls averaged 1.2 million, an increase of 28,600 jobs, or 2.4 percent, from a year earlier. The unemployment rate averaged 3.7 percent during the period, down from 4.1 percent a year earlier, because resident employment increased at a faster rate than the labor force.
- Education and health services led job growth, adding 15,100 jobs, or 9.1 percent. However, this rapid growth rate was caused, in part, by the reclassification of approximately 8,000 home healthcare workers on January 1, 2018, from the government sector, where they were previously categorized.

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Nonfarm payroll growth in the Portland area has been above 2 percent since 2011.



Note: Nonfarm payroll jobs.

Source: U.S. Bureau of Labor Statistics

Largest Employers in the Portland Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Intel Corp.	Manufacturing	19,300
Providence Health Systems	Education & Health Services	17,550
Oregon Health & Science University	Government	16,200

Note: Excludes local school districts.

Source: Moody's Analytics



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- The goods-producing sectors of mining, logging, and construction and manufacturing grew rapidly, adding 6,200 and 5,500 jobs, or 8.7 and 4.4 percent, respectively. Job growth in the mining, logging, and construction sector was caused by increased residential and commercial construction activity. Both sectors lost a higher percentage of their payrolls during the period from 2008 through 2010 than any other sector and payrolls in the manufacturing sector were still below the 2006 peak of 126,700 payrolls in 2017.
- Payrolls in the professional and business services sector declined by 1,600, or 0.9 percent. From 2011 through 2017, the professional and business services sector led job growth, adding an average of 6,400 payrolls, or 4.1 percent, annually.

The Portland metropolitan area is a center of the sporting goods industry, with the headquarters of both Nike, Inc. and Adidas North America located in the metropolitan area. Employment at Nike, Inc. increased by 1,300 in 2017 to 12,000 employees and is expected to continue to increase as the corporation expands its headquarters in the city of Beaverton by 3.2 million square feet. Adidas North America is beginning construction to expand its headquarters in the city of Portland; when construction is complete in 2020 the firm's workforce in the metropolitan area is expected to expand from 1,700 to 2,800 employees. Additionally, Columbia Sportswear is headquartered in the city of Portland and has approximately 1,800 employees throughout the metropolitan area.

Sales Market Conditions

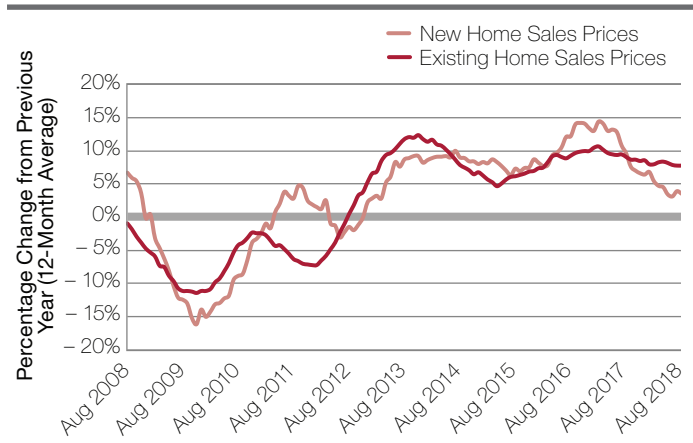
The sales housing market in the Portland metropolitan area is tight, with an estimated vacancy rate of 0.9 percent, down from 2.2 percent in April 2010. Since 2012, rising job growth and continued population growth has increased demand for housing, with new and existing home sales (hereafter home sales) increasing an average of 16 percent annually from 2012 through 2015 (CoreLogic, Inc., with adjustments by the analyst). Increased home sales have contributed to the absorption of excess inventory, with a less than 3-month inventory of unsold, available homes since 2014 (Redfin). During 2016 and 2017, home sales remained stable because of low levels of for-sale inventory, high home prices, and increasing borrowing costs. Limited supply and high demand caused home prices to increase rapidly, rising by an average of 9 percent annually from 2013 through 2017.

During the 12 months ending August 2018—

- Existing home sales totaled 44,800, down 4 percent compared with the preceding 12 months. Decreased levels of home sales caused the inventory of unsold, available homes to increase from 1.8 months of supply during September 2017 to 2.9 months during September 2018.
- The average sales price of existing homes increased 8 percent to \$404,800. Existing home prices in Multnomah County, Oregon, which includes the city of Portland, are the highest in the metropolitan area, averaging \$429,100, up 6 percent from the previous 12-month period.
- New home sales totaled 5,175, down 11 percent from the 12 months ending August 2017. During 2016, new home sales

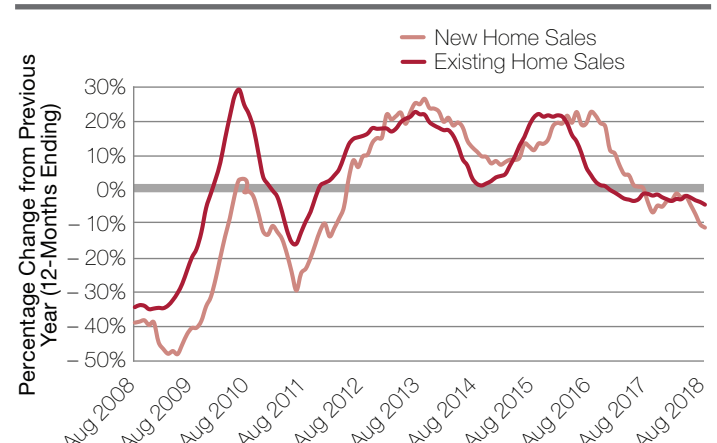
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Growth in new home sales prices in the Portland area is at the lowest rate since 2013.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

Sales of new and existing homes in the Portland area have declined since 2017.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst



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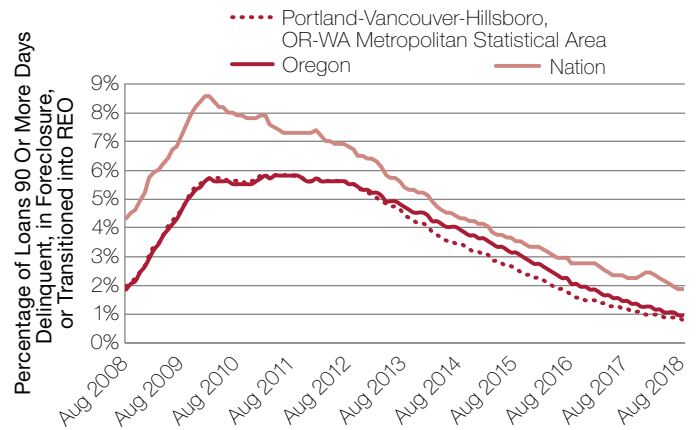
reached a post-recession peak of 5,950, compared with an annual average of 11,550 new home sales from 2004 through 2006.

- The average sales price of new homes increased an average of 4 percent to \$464,100, a smaller increase than any year since 2012. Washington County, Oregon, which includes the suburbs of Beaverton and Hillsboro, led the metropolitan area in average new home sales prices, at \$524,800, for the first time since 2002.
- As of August 2018, 0.7 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or had transitioned into real estate owned (REO) status, down from 1.1 percent a year ago and 1.1 percentage points less than the national average (CoreLogic, Inc.).

Single-family homebuilding activity in the Portland metropolitan area, as measured by the number of single-family homes permitted, has increased substantially since 2012, but is below the average of 11,450 homes permitted annually from 2004 through 2006.

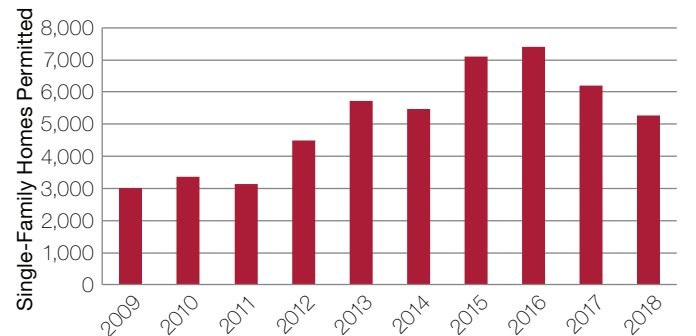
- During the 12 months ending September 2018, approximately 6,875 single-family homes were permitted, a 4-percent increase compared with a year earlier (preliminary data). Despite high home prices, homebuilding has been constrained by a limited supply of lots within the urban growth boundaries of the metropolitan area.
- Clark County, Washington, which contains the suburb of Vancouver, accounted for almost 40 percent of all homebuilding during the 12 months ending September 2018, up from 34 percent during the previous 12-month period. New home prices in Clark County are, on average, approximately 25 percent lower than in Multnomah or Washington Counties.
- The largest ongoing single-family home development in the metropolitan area is Villebois, in the city of Wilsonville in Clackamas County. During 2017, approximately 230 new single-family homes and townhomes were sold in this community at prices ranging from \$270,000 to \$800,000; when built out during the next 3 years, Villebois is expected to include at least 2,300 residential units.

The rate of seriously delinquent mortgages and REO properties in the Portland area is approximately one-half the national rate.



REO = real estate owned.
Source: CoreLogic, Inc.

Single-family permitting activity in the Portland area has declined since 2016.



Note: Includes preliminary data from January 2018 through September 2018.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

The apartment housing market in the Portland metropolitan area is slightly tight. Strong economic and population growth and prohibitively high sales housing prices for some households have contributed to increased demand for rental housing since 2010. After very high growth in rents from 2013 to 2016, increased rental production resulted in rents stabilizing during 2017 and 2018.

During the third quarter of 2018—

- The apartment vacancy rate was 3.9 percent in the metropolitan area, down from 4.4 percent during the third quarter of 2017

(Real Page, Inc.). The apartment vacancy rate peaked at 5.2 percent in during the first quarter of 2017 because of an increased number of apartment completions.

- The Real Page, Inc. defined-Central Portland market area had the highest vacancy rate in the metropolitan area, at 5.4 percent. The Central Portland market area had the largest influx of supply during the past 2 years; approximately 11 percent of all units in the market area opened after the third quarter of 2016.

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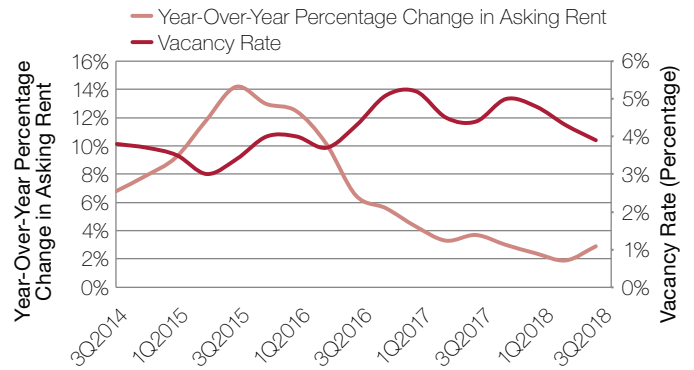
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- The average asking rent in the metropolitan area increased nearly 3 percent to \$1,365 from the third quarter of 2017. By comparison, rents increased an average of 9 percent annually from 2014 through 2016.
- A large supply of recently completed properties caused an average vacancy rate of 5.7 percent in Class A apartment properties, compared with 3.9 and 2.0 percent for Class B and C properties, respectively. Likewise, apartments built since 2010 had an average vacancy rate of 5.4 percent, whereas apartments built before 2010 had vacancy rates below 4.0 percent.

Multifamily construction in the Portland metropolitan area, as measured by the number of multifamily units permitted, has been high, averaging 7,025 units permitted annually from 2014 through 2016 compared with an average of only 1,075 units annually during 2009 and 2010. During 2017, approximately 9,775 multifamily units were permitted, the highest annual level of multifamily permitting on record.

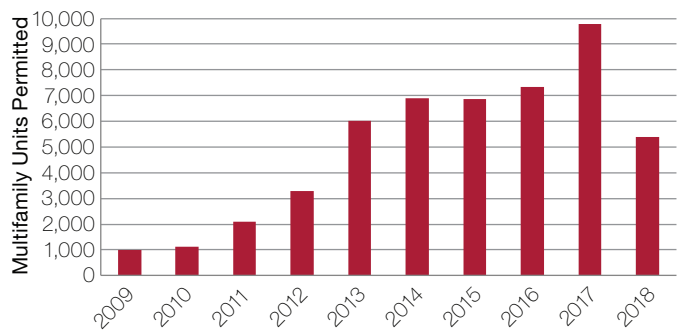
- During the 12 months ending September 2018, 8,250 multifamily units were permitted, down 9 percent from the same period a year earlier (preliminary data).
- The city of Portland adopted a policy that requires a portion of apartments to be set at below-market rates in February 2017 that is partially responsible for the increase in multifamily permitting during 2017 and 2018; many developers rushed to have their permit applications in before February 2017, so they would not be subject to this ordinance. The permit approval process can be lengthy, with many of these projects not being issued permits until late 2017 or 2018.
- Approximately two-thirds of all apartments under construction are in the Real Page, Inc. defined-Central Portland and East Portland market areas.
- Opening in late 2018, The Ella Marie Apartments, a 39-unit apartment complex in east Portland, is approximately one-half mile from the Willamette River and downtown Portland, with rents starting at \$1,575 and \$1,925 for one- and two-bedroom units, respectively.

The large number of apartment completions during 2016 and 2017 slowed rent growth in the Portland area.



Source: RealPage, Inc.

Multifamily permitting activity in the Portland area has been high since 2013.



Note: Includes preliminary data from January 2018 through September 2018. Source: U.S. Census Bureau, Building Permits Survey

