COMPREHENSIVE HOUSING MARKET ANALYSIS

Portland-Vancouver-Hillsboro, Oregon-Washington

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of September 1, 2021

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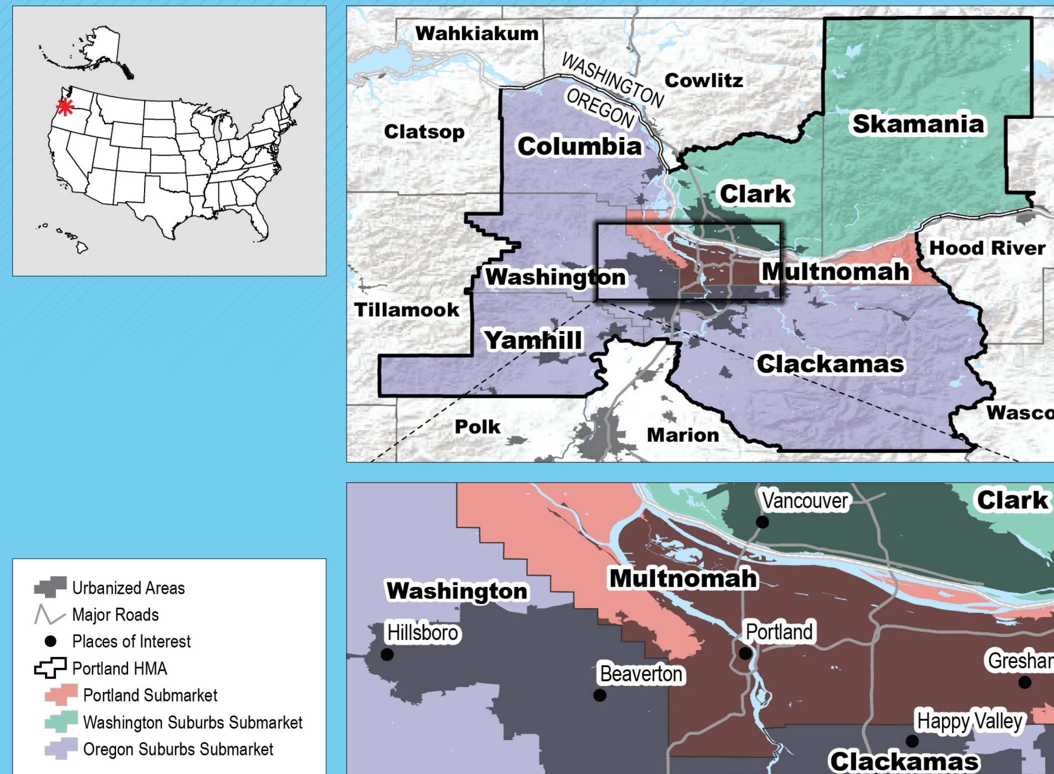
Executive Summary

Housing Market Area Description

The Portland-Vancouver-Hillsboro Housing Market Area (hereafter, Portland HMA) is at the confluence of the Columbia and Willamette Rivers along the Oregon and Washington border. The HMA consists of seven counties and is coterminous with the Portland-Vancouver-Hillsboro, OR-WA Metropolitan Statistical Area, the sixth largest metropolitan area on the West Coast. For purposes of this analysis, the HMA is divided into three submarkets: (1) the Portland submarket, consisting of Multnomah County in Oregon; (2) the Washington Suburbs submarket, consisting of Clark and Skamania Counties in Washington; and (3) the Oregon Suburbs submarket, consisting of Clackamas, Columbia, Washington, and Yamhill Counties in Oregon.

The current population of the HMA is estimated at 2.53 million.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in the supplemental tables for this report.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Weak, but Improving: On a monthly, non-seasonally adjusted basis, nonfarm payrolls in the HMA have recovered approximately 75 percent of COVID-19-related job losses.

Economic conditions in the Portland HMA were strong before the pandemic, with nonfarm payrolls increasing by an average of 23,500 jobs, or 2.0 percent, annually during 2018 and 2019. The interventions taken to slow the spread of COVID-19 weakened economic conditions in the HMA and contributed to declining payrolls during the 12 months ending August 2021, down by 27,900 jobs, or 2.4 percent. The recent job loss is lower than the 44,300 jobs lost, or 3.6 percent, during the 12 months ending August 2020 because a significant recovery has been underway since May 2020, when businesses began reopening. Partly because of improving economic conditions, the unemployment rate decreased from 6.5 to 5.9 percent during the same period. That recovery is expected to continue during the 3-year forecast period, and job growth in the HMA is expected to average 2.0 percent annually.

Sales Market

Tight: The HMA had a 0.9-month supply of homes for sale during August 2021—down from a 1.2-month supply during August 2020 (Redfin, a national real estate brokerage).

The home sales market has a current estimated vacancy rate of 0.8 percent—down from 2.2 percent in 2010. New and existing home sales prices increased 16 percent during the 12 months ending August 2021, following an increase of 6 percent during the previous 12-month period (Zonda). The number of new and existing home sales increased as well, rising 16 percent during the 12 months ending August 2021, to 49,600 sales. During the next 3 years, demand is expected for 22,575 new homes. The 5,300 homes under construction are expected to meet a portion of that demand.

Rental Market

Balanced: The overall rental vacancy rate is estimated at 5.1 percent, down from 5.9 percent in April 2010.

Conditions in the apartment market are slightly soft. During the second quarter of 2021, the apartment vacancy rate was 6.1 percent, up from 5.6 percent during the second quarter of 2020, and the average apartment rent decreased less than 1 percent, to $1,383 (Moody's Analytics REIS). By comparison, apartment rent growth averaged 5 percent annually from 2017 through 2019. During the 3-year forecast period, demand is expected for 11,275 rental units; the 8,050 units already under construction will meet a portion of that demand.

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3-Year Housing Demand Forecast

	Sales Units				Rental Units			
	Portland HMA Total	Portland Submarket	Washington Suburbs Submarket	Oregon Suburbs Submarket	Portland HMA Total	Portland Submarket	Washington Suburbs Submarket	Oregon Suburbs Submarket
Total Demand	22,575	3,250	9,375	9,950	11,275	3,350	4,100	3,825
Under Construction	5,295	420	2,300	2,575	8,050	4,000	2,250	1,800

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of September 1, 2021. The forecast period is September 1, 2021, to September 1, 2024.
Source: Estimates by the analyst

Economic Conditions

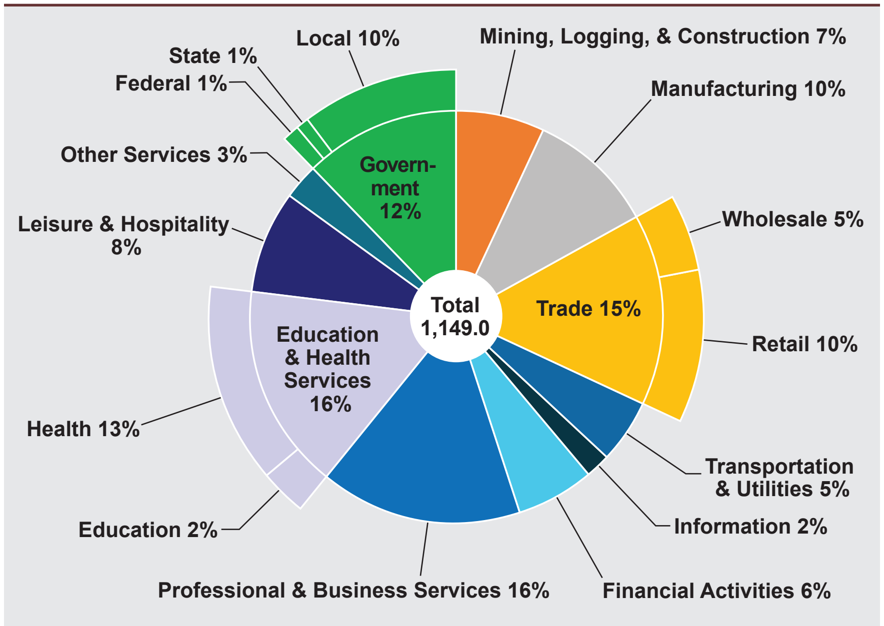
Largest Sector: Professional and Business Services

Nonfarm payrolls in the HMA increased 5.7 percent during the 3-months ending August 2021 on an annual basis but remain below prepandemic levels.

Primary Local Economic Factors

The Portland HMA has a diverse economy and is a commercial hub for Oregon and southern Washington; however, the two largest sectors, the professional and business services and the education and health services sectors (Figure 1), have outsized importance to the local economy.

Figure 1. Share of Nonfarm Payroll Jobs in the Portland HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through August 2021.
Source: U.S. Bureau of Labor Statistics

The professional and business services sector is the largest economic sector in the HMA, with 188,200 jobs during the 12 months ending August 2021 (Table 1). Jobs in this sector have a disproportionate impact on the local economy; average annual pay in this sector was $91,800 during 2020 compared with average annual pay of $67,400 for all jobs in the HMA (Quarterly Census of Employment and Wages). The largest employer in this sector is Nike, Inc., which employs 13,950 people (Table 2) at its headquarters in the suburban city of Beaverton, Oregon. Other sporting goods companies, including Columbia Sportswear Company and Adidas America, Inc. which employ 2,000 and 1,750 people, respectively, have their headquarters in the HMA as well.

The education and health services sector closely trails the professional and business services sector, with 178,300 jobs during the 12 months ending

Table 1. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Portland HMA, by Sector

	12 Months Ending August 2020	12 Months Ending August 2021	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**1,176.9**	**1,149.0**	**-27.9**	**-2.4**
Goods-Producing Sectors	200.1	195.5	-4.6	-2.3
Mining, Logging, & Construction	75.8	75.2	-0.6	-0.8
Manufacturing	124.3	120.3	-4.0	-3.2
Service-Providing Sectors	976.8	953.5	-23.3	-2.4
Wholesale & Retail Trade	168.7	169.7	1.0	0.6
Transportation & Utilities	48.4	52.2	3.8	7.9
Information	25.6	25.3	-0.3	-1.2
Financial Activities	73.3	71.5	-1.8	-2.5
Professional & Business Services	185.6	188.2	2.6	1.4
Education & Health Services	182.1	178.3	-3.8	-2.1
Leisure & Hospitality	104.4	88.0	-16.4	-15.7
Other Services	39.6	38.2	-1.4	-3.5
Government	149.1	142.1	-7.0	-4.7

Notes: Based on 12-month averages through August 2020 and August 2021. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

August 2021 and 5 of the 10 largest employers in the HMA. Since 2001, the number of payrolls in this sector has expanded 70.1 percent, faster than any other payroll sector in the HMA (Figure 2). The education and health services sector added jobs every year from 2001 through 2019, including recessions and periods of overall job losses, although job growth in the sector was generally outpaced by the professional and business services sector during periods of economic expansion. Increased spending on health care, an aging population, and the role of the HMA as a healthcare hub for Oregon and southern Washington all contributed to the growth of healthcare-related jobs in the HMA.

Current Conditions—Nonfarm Payrolls

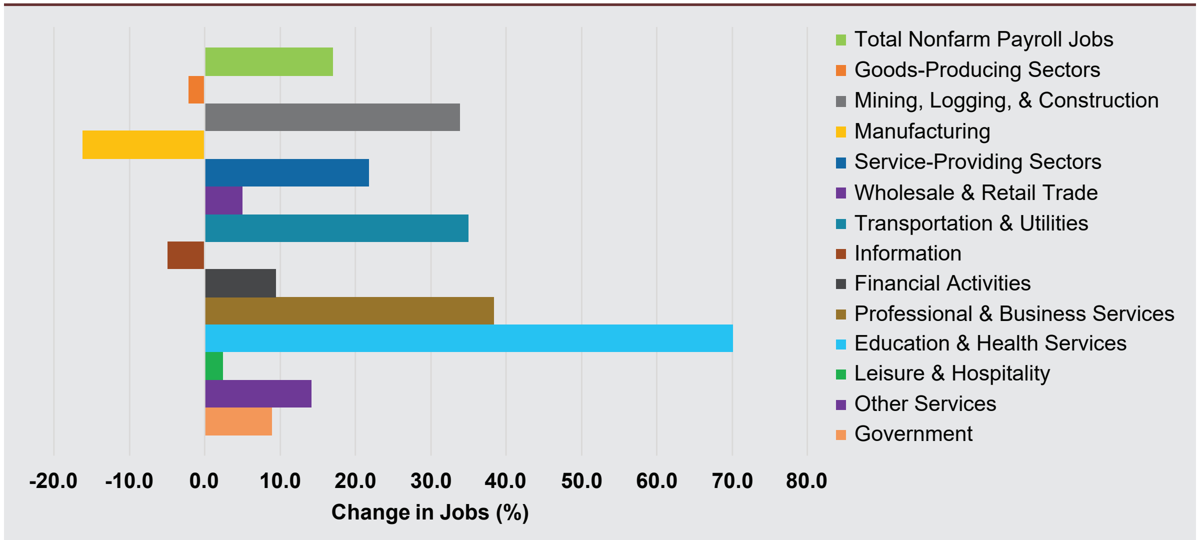
Economic conditions in the Portland HMA have improved since May 2020, when businesses began to gradually reopen following the closure of nonessential businesses to slow the spread of COVID-19. Because of this improvement, job losses have slowed during the most recent 12-month period. Nonfarm payrolls declined by 27,900 jobs, or 2.4 percent, to an average of 1.15 million jobs during the 12 months ending August 2021, compared with the previous 12-month period, when nonfarm payrolls decreased by 44,300, or 3.6 percent.

Table 2. Major Employers in the Portland HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Intel Corporation	Manufacturing	21,000
Providence Health & Services	Education & Health Services	21,000
Oregon Health & Science University	Government	18,050
Nike, Inc.	Professional & Business Services	13,950
Legacy Health	Education & Health Services	13,100
Kaiser Permanente	Education & Health Services	11,150
The Kroger Co. / Fred Meyer	Wholesale & Retail Trade	9,525
U.S. Department of Veterans Affairs	Government	4,775
Walmart Inc.	Wholesale & Retail Trade	4,500
PeaceHealth	Education & Health Services	4,475

Note: Excludes local school districts.
Source: *Portland Business Journal*, 2021

Figure 2. Sector Growth in the Portland HMA, 2001 to Current



Note: The current date is September 1, 2021.
Source: U.S. Bureau of Labor Statistics

Three-month average data show that a significant recovery is underway following a dramatic decline in nonfarm payrolls in mid-2020. From the 3 months ending August 2019 to the 3 months ending August 2020, nonfarm payrolls declined by 113,800 jobs, or 9.3 percent, with every payroll sector except transportation and utilities losing jobs. Job losses were largest in the leisure and hospitality sector, which contracted by 46,900 jobs, or 35.8 percent, after indoor dining and recreational activities were curtailed in mid-March 2020. The arts, entertainment, and recreation and the accommodation industries lost a higher percentage of jobs than the sector at large, declining by 9,800 and 6,300 jobs, or 48.8 and 53.1 percent, respectively. The professional and business services sector had the second largest decline in payrolls, falling by 12,800 jobs, or 6.7 percent. Most of these job losses occurred in the administrative and support and waste management and remediation services industry, which contracted by 9,000 jobs, or 13.0 percent. This industry includes janitorial services, security firms, and office administrative services that lost demand due to the increased use of remote work. The third largest decline in payrolls occurred in the education and health services sector, which fell by 12,300 jobs, or 6.7 percent. A moratorium on nonessential medical procedures implemented to preserve healthcare resources and minimize transmission of COVID-19 caused the loss of many jobs in this sector.

Although nonfarm payrolls remain below August 2019 levels, the economy has grown significantly since mid-2020. Compared with the 3 months ending August 2020, nonfarm payrolls during the 3 months ending August 2021 increased by 63,200 jobs, or 5.7 percent, with every payroll sector adding jobs. The fastest growth occurred in the leisure and hospitality sector, which recovered 17,000 jobs, or 20.2 percent, because restaurants adjusted to public health countermeasures and in-person dining and recreation resumed in February 2021. Despite growth in this sector, the number of jobs remains 23 percent below levels during the 3 months ending August 2019. The industries with the largest COVID-19-related job losses—the arts, entertainment, and recreation and the accommodation industries—had strong job growth during the 3 months ending August 2021, increasing by 2,800 and 1,800 jobs, or 27.4 and 31.5 percent, compared with the 3 months ending August 2020. Payroll growth in the professional and business services sector was high as well, increasing by 16,600 jobs, or 9.3 percent, to 2 percent above levels during the 3 months ending August 2019. Most of the growth in this sector was caused by increased in-person work creating demand for more jobs in the administrative and support and waste management and remediation services industry, which expanded by 10,400 jobs, or 18.0 percent. Despite overall payroll growth in the professional and business services sector, Nike, Inc., laid off an estimated 700 employees during this period.

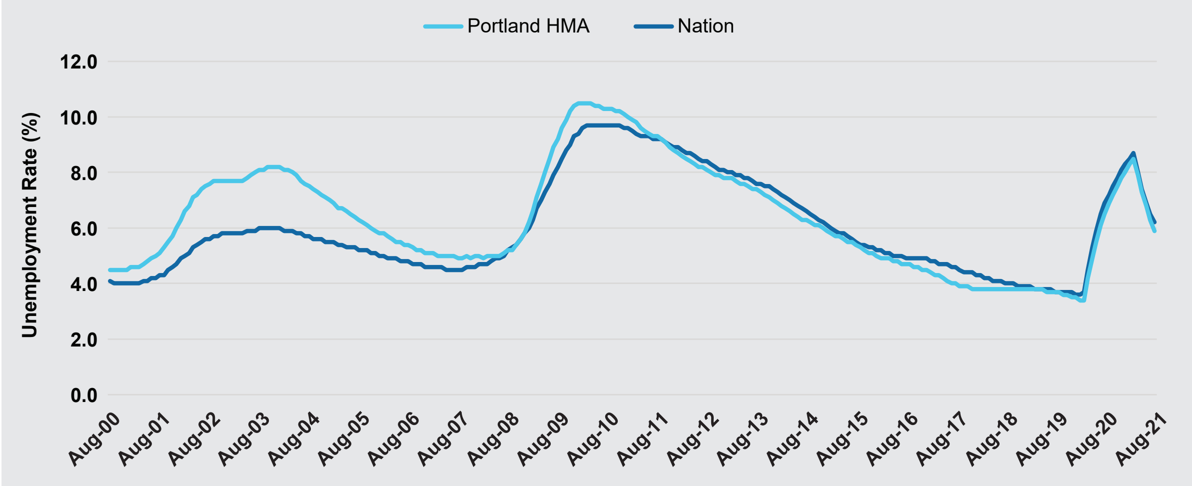
During August 2021, total payrolls in the HMA were 3.3 percent below prepandemic levels during March 2020 (not seasonally adjusted). By comparison, national payrolls during August 2021 were only 2.1 percent below prepandemic levels. Some sectors have much farther to go before reaching prepandemic levels. The leisure and hospitality, the government, and the education and health services sectors have the most depressed payrolls, with job totals 14.0, 9.2, and 7.9 percent below their prepandemic levels.

Unemployment Trends

The recovery of jobs lost after the onset of the COVID-19 pandemic caused the unemployment rate to decline. The unemployment rate in the HMA decreased from an average of 6.5 percent during the 12 months ending August 2020 to 5.9 percent during the 12 months ending August 2021; the national rate averaged 6.2 percent. The unemployment rate in the HMA declined during the most recent 12-month period because the monthly unemployment rate began decreasing in May 2020, reaching 4.4 percent in August 2021; the national unemployment rate was 5.3 percent during August 2021. By comparison, the previous 12-month average unemployment rate was higher in the HMA because the monthly rate increased sharply from March to April 2020, rising from 4.0 to 13.1 percent when public health measures taken to slow the spread of COVID-19 were implemented.

Before the economic downturn that occurred in 2020, the unemployment rate in the HMA had declined throughout the 2010s (Figure 3). Due in large part to job losses during the Great Recession, the unemployment rate in the HMA averaged 10.4 percent in 2009—up from 5.0 percent in 2007. The unemployment rate in the HMA declined from 2010 through 2019, to a low of 3.5 percent in 2019.

Figure 3. 12-Month Average Unemployment Rate in the Portland HMA and the Nation



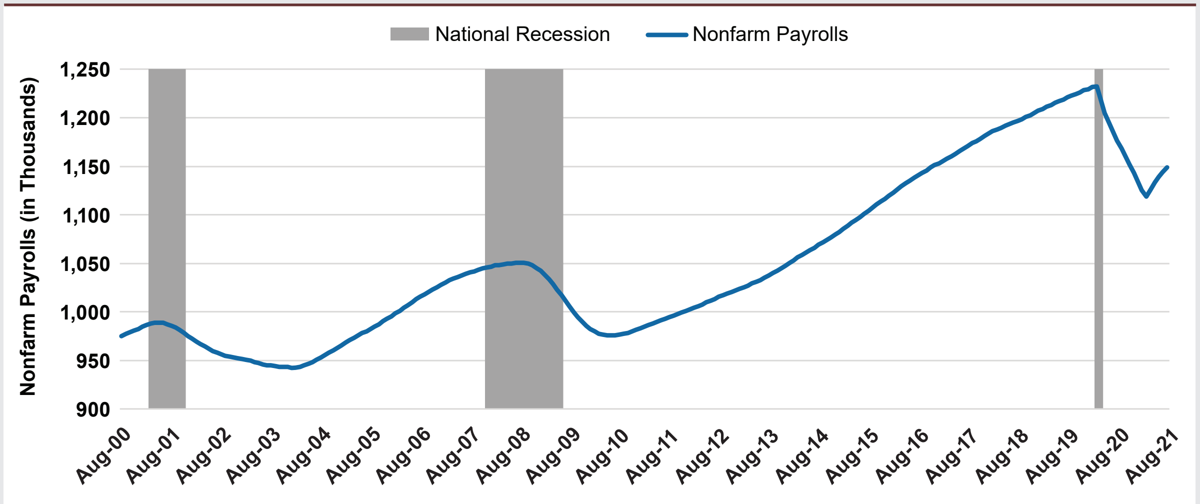
Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

Expansion: 2004 Through 2007

From 2004 through 2007, nonfarm payroll growth in the HMA resumed, following an average annual decline of 13,200 jobs, or 1.4 percent, from 2001 through 2003. Nonfarm payrolls increased by an average of 25,700 jobs, or 2.6 percent, annually during this period, to 1.05 million in 2007 (Figure 4), compared with average growth of 1.4 percent nationally. Job growth in the HMA was broad based during this period, with every economic sector adding to payrolls. The mining, logging, and construction sector had the highest growth in percentage terms, increasing an average of 6.6 percent annually—more than twice the overall rate of

Figure 4. 12-Month Average Nonfarm Payrolls in the Portland HMA



Note: 12-month moving average.
Sources: National Bureau of Economic Research; U.S. Bureau of Labor Statistics

nonfarm payroll growth—supported by high rates of residential and commercial construction. The professional and business services sector added the most jobs, increasing by an average of 5,000 jobs, or 3.8 percent, annually.

The Great Recession and Local Economic Downturn: 2008 Through 2010

Nonfarm payrolls remained stable in 2008, a consequence of the national recession and housing crisis that began in 2007. During 2009 and 2010, nonfarm payrolls declined by an average of 31,900 jobs, or 3.1 percent, annually. Approximately 50 percent of the job losses during 2009 and 2010 were in goods-producing sectors, despite these sectors accounting for only 18 percent of overall payrolls in 2007. During 2009 and 2010, the mining, logging, and construction sector decreased by an average of 8,100 jobs, or 13.8 percent, annually because of decreased residential and commercial construction. During the same period, manufacturing payrolls decreased by an average of 8,000 jobs, or 6.8 percent, annually. Layoffs occurred at many of the largest manufacturers in the HMA during 2009 and 2010, including 900 jobs at Daimler Trucks North America LLC. Although job losses were concentrated in the goods-producing sectors during 2009 and 2010, payrolls declined in every sector except education and health services, which increased by an average of 4,300 jobs, or 3.1 percent, annually and government, which was relatively unchanged.

Economic Recovery and Expansion: 2011 Through 2019

From 2011 through 2019, nonfarm payroll growth in the Portland HMA was high, exceeding the national growth rate every year. Nonfarm payrolls in the HMA began to recover in 2011 and increased by an average of 22,100 jobs, or 2.2 percent, annually, from 2011 through 2013, with the number of nonfarm jobs exceeding the prerecession peak in 2013. During the same period, jobs rose an average of 1.5 percent a year in the nation. Payroll growth accelerated during the 2014-through-2017 period, averaging an increase of 33,300 jobs, or 3.0 percent, annually—faster than the national rate of 1.8 percent. During 2018 and 2019, the economic expansion in the HMA slowed, with payroll growth averaging 23,500, or 2.0 percent, annually, compared with 1.5 percent nationwide. From 2011 through 2019, job growth was broad based, with every economic sector except government expanding by at least 1.0 percent annually. The largest sources of growth from 2011 through 2019 were the professional and business services and the education and health services sectors, which increased by averages of 5,900 and 4,900 jobs annually, or 3.7 and 3.0 percent, respectively. A significant contributor to the growth of the professional and business services sector was Nike, Inc., which is estimated to have added more than 4,000 employees and contract workers in the HMA in the 2011-through-2019 period.

The fastest rate of growth occurred in the mining, logging, and construction sector, which increased by an average of 3,400 jobs, or 5.8 percent, annually from 2011 through 2019. Growth in this sector accelerated throughout the period, increasing from an average of 4.5 percent from 2011 through 2013 to an average of 6.0 percent from 2018 through 2019, as the volume of residential and commercial construction increased.

Commuting Patterns

The Portland submarket has a plurality of jobs in the HMA. During 2018, approximately 485,200 jobs were located in the Portland submarket, 33 percent higher than the number of workers who live in the submarket (Census Bureau OntheMap data). This fact implies that approximately, on net, 119,800 workers commute to the Portland submarket to work. Conversely, there were 151,200 jobs in the Washington Suburbs submarket, 28 percent fewer than the 211,400 workers living in the submarket. This submarket is primarily a bedroom community because many residents commute to work elsewhere. The Oregon Suburbs submarket was more balanced, with 476,800 jobs, 6 percent fewer than the number of workers in the submarket. In the Oregon Suburbs submarket, Washington County, which contains the corporate headquarters of Intel Corporation and Nike, Inc., had 5 percent more jobs than workers, whereas all other counties had fewer jobs than workers.

Forecast

During the 3-year forecast period, the economy of the HMA is expected to expand, with nonfarm payrolls increasing an average of 2.0 percent annually. Payroll growth is expected to be faster during the first year and to slow during the second and third years of the forecast. The leisure and hospitality, the government, and the education and health services sectors are expected to disproportionately contribute to growth as they recover from job losses related to the COVID-19 pandemic.

Population and Households

Current Population: 2.53 Million

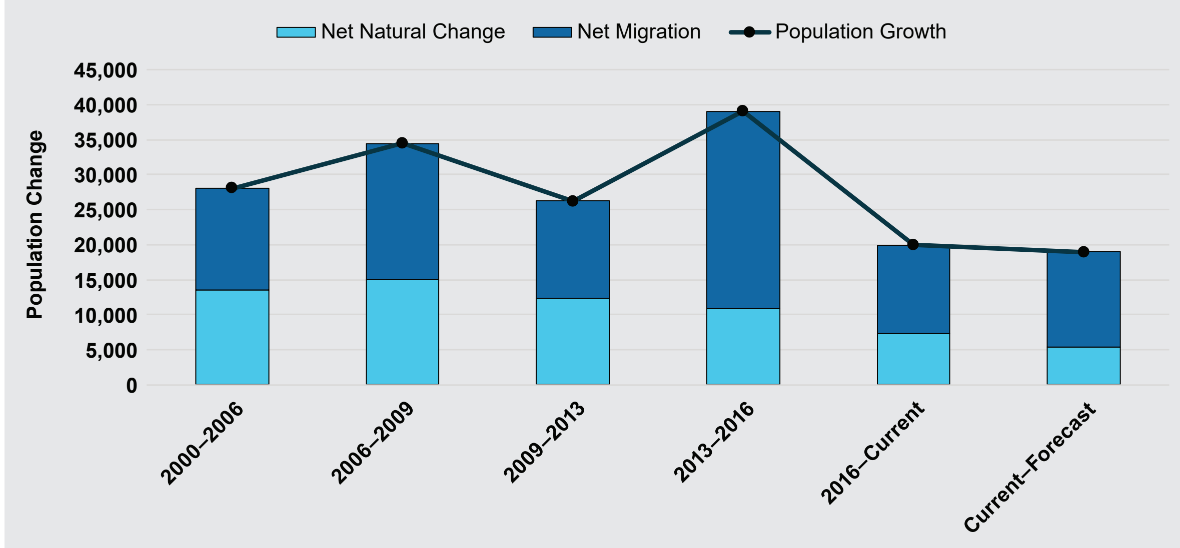
Population growth has slowed since 2016 because of reduced net-in migration to the HMA.

Population Trends

Population growth in the HMA has tended to follow changes in economic conditions, with a 1- to 2-year lag. Population growth averaged 28,050 people, or 1.4 percent, annually from 2000 to 2006 and accelerated to an average of 34,500 people, or 1.6 percent, annually from 2006 to 2009 (Figure 5). The rate of population growth increased primarily because of high rates of job growth from 2004 through 2007, which attracted workers to the area. From 2000 to 2009, the population of the HMA increased faster than that of the nation at large, where the population grew an average of 0.9 percent annually.

Following job losses that began in 2009, population growth in the HMA slowed to an average of 26,300 people, or 1.2 percent, annually from 2009 to 2013. The slowdown was primarily caused by decreased net in-migration, which averaged 19,550 people a year from 2006 to 2009 but only 13,900 people annually from 2009 to 2013. During the same period, net natural change (resident births minus resident

Figure 5. Components of Population Change in the Portland HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (September 1, 2021) to September 1, 2024.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

deaths) decreased from an average of 14,950 people to 12,400 people annually. By comparison, the national population increased an average of 0.6 percent annually from 2009 to 2013.

As the economy of the HMA improved and jobs surpassed prerecession payroll levels, population growth accelerated. From 2013 to 2016, the population of the HMA increased by an average of 39,150, or 1.7 percent, annually, compared with average growth of 1.0 percent nationally. During the period, net in-migration increased by an average of 28,350 people annually, and net natural change slowed to an average of 10,800 people a year.

Since 2016, population growth has slowed to an average of 19,950 people, or 0.8 percent, annually. The slowdown in population growth was caused by a combination of decreased net natural change, which averaged 7,300 people a year, and decreased net in-migration, averaging 12,650 people annually. This period included slowing economic growth during 2018 and 2019 and the impacts of the COVID-19 pandemic on the local economy since March 2020. By comparison, the national population increased an average of 0.7 percent annually from 2016 to 2020.

Migration Trends

Since 2010, more than 70 percent of net in-migration to the HMA has been domestic in origin and mostly from California. The Census Bureau estimated that net in-migration from metropolitan areas in California was 11,650 people annually from 2015 through 2019 (American Community Survey [ACS] 5-year data; Census Bureau Metro-to-Metro Migration Flows). During the same period, an estimated 2,250 people moved out of the HMA annually to metropolitan areas elsewhere in the nation. Of the top five sources of domestic in-migration to the HMA, four are large metropolitan areas in California (Table 3). Although average home prices in the HMA are higher than in smaller metropolitan areas in Oregon and Washington, they were 59, 50, and 65 percent lower than in the Los Angeles-Long Beach-Anaheim, San Francisco-Oakland-Berkeley, and San Jose-Sunnyvale-Santa Clara metropolitan areas, respectively.

Table 3. Metro-to-Metro Annual Migration Flows in the Portland HMA: 2015–19

Into the HMA	
Los Angeles-Long Beach-Anaheim, CA	2,801
San Francisco-Oakland-Berkeley, CA	2,541
San Jose-Sunnyvale-Santa Clara, CA	1,536
San Diego-Chula Vista-Carlsbad, CA	1,260
Washington-Arlington-Alexandria, DC-VA-MD-WV	1,008
Out of the HMA	
Seattle-Tacoma-Bellevue, WA	1,803
Phoenix-Mesa-Chandler, AZ	1,704
Longview, WA	1,671
Bend, OR	1,033
Spokane-Spokane Valley, WA	1,010

Source: 2015–19 American Community Survey 5-year data; U.S. Census Bureau Migration Flows

Portland Submarket

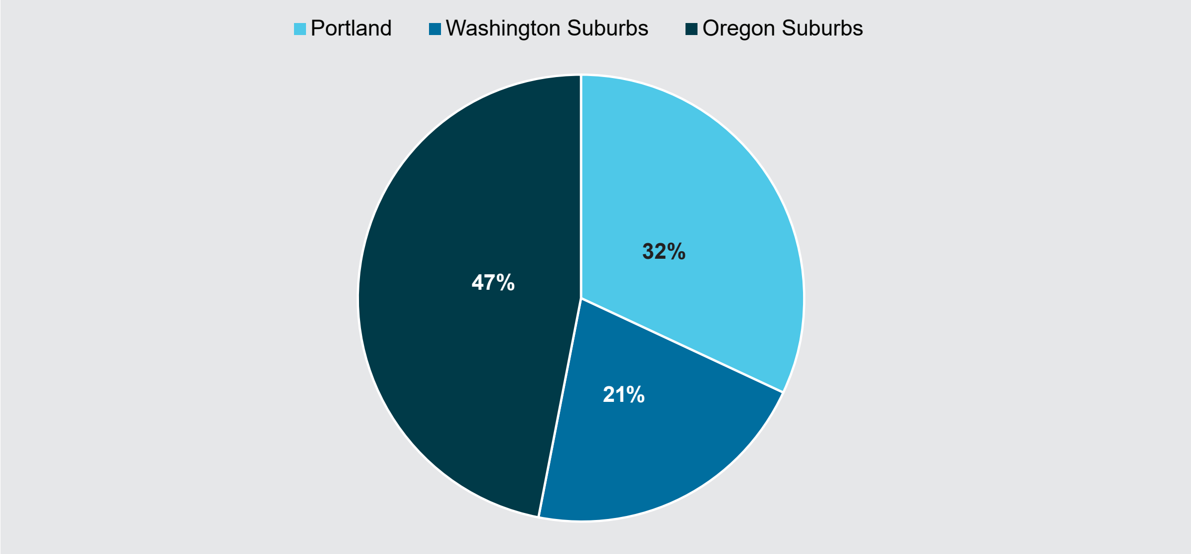
Population growth in the Portland submarket has generally been slower than in the Suburban submarkets. From 2000 to 2006, population growth in the Portland submarket averaged 3,725 people, or 0.6 percent, annually, compared with 1.3 percent in the HMA. Population growth in the submarket accelerated from 2006 to 2012, averaging 12,750 people, or 1.8 percent, annually compared with 1.4 percent in the HMA. During this period, relatively low home prices and rents and increased popularity of urban living attracted many to the submarket; annual net in-migration increased from an average of 75 people during the 2000-to-2006 period to 8,250 people during the 2006-to-2012 period. Population growth fell to 6,350 people, or 0.8 percent, from 2012 to 2013 but recovered to an average of 12,250 people, or 1.6 percent, annually from 2013 to 2016. Although population growth remained strong in the submarket during this period, increasing home sales prices and rents caused an increase in the share of population growth to occur in the largely suburban submarkets. Population growth in the Portland submarket has slowed from 2016 to the current date, averaging only 0.3 percent, or 2,825 people, annually. In addition to the high cost of living in the Portland submarket, the increased use of telework and closure of dining and in-person entertainment associated with the COVID-19 pandemic have lessened the appeal of living in and near downtown Portland.

Washington Suburbs Submarket

The Washington Suburbs submarket has consistently been the fastest growing submarket in the HMA, as its lower relative cost of housing than elsewhere in the HMA attracts migrants to the area. In addition, the lack of an income tax in the state of Washington draws migrants to the submarket. Population growth was rapid from 2000 to 2006, averaging 9,150 people, or 2.4 percent, annually. The housing crisis and the national recession that began in 2007 sharply reduced population increases in the submarket.

At the same time, the single-family suburban homebuilding that supported this growth was curtailed by poor economic and housing market conditions. The 2006-to-2012 period was the only period in which population growth in the submarket did not exceed that of the HMA, with an average increase of 6,025 people, or 1.4 percent, annually. When the economy of the HMA improved, population growth in this submarket increased, despite increasing housing costs. From 2012 to 2016, population growth averaged 8,150 people, or 1.8 percent, annually. Since 2016, population growth has remained steady in the Washington Suburbs submarket, averaging 8,475 people, or 1.7 percent, annually, compared with average growth of 0.8 percent in the HMA. Approximately 98 percent of the population in this submarket resides in Clark County, which includes the city of Vancouver.

Figure 6. Current Population in the Portland HMA, by Submarket



Source: Estimates by the analyst

Oregon Suburbs Submarket

The Oregon Suburbs submarket has the largest share of the population of the HMA, at 47 percent (Figure 6), and had the highest numerical population growth in every period except 2006 to 2012. From 2000 to 2006, the population of the submarket increased by an average of 15,150 people, or 1.6 percent, annually, the only period in which population growth in this submarket significantly exceeded that of the HMA, although the population growth rate still trailed that of the Washington Suburbs submarket. Population growth contracted to an average of 12,200 people, or 1.2 percent, annually from 2006 to 2012 because of the same economic factors that constrained population growth in the Washington Suburbs submarket during this period. From 2006 to 2012, the Oregon Suburbs submarket recorded the lowest rate of population growth in the HMA, compared with that of the other two submarkets. From 2012 to 2016, an expanding economy and strong housing market resulted in increased population growth, averaging 16,100 people, or 1.5 percent, annually, faster than the Portland submarket but slower than the Washington Suburbs submarket. Population growth has slowed from 2016 to the current date, with an average increase of 8,675, or 0.7 percent, annually. Although population growth has slowed in this submarket, growth remains well above levels in the Portland submarket.

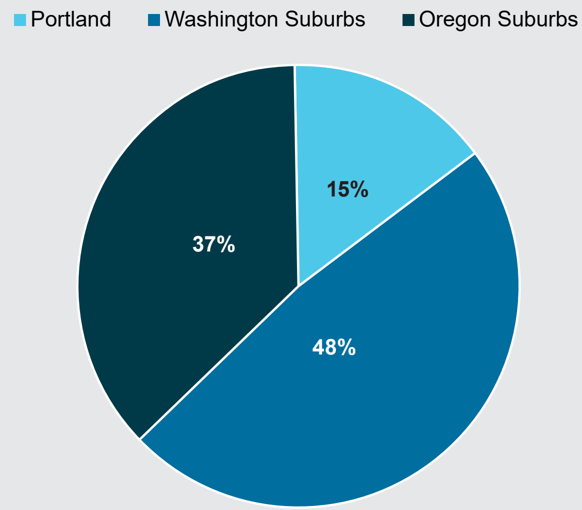
Population Forecast

Population growth is expected to continue during the 3-year forecast period at a similar rate to that of the 2016-to-current period. A modest recovery in net in-migration to the area because of improving economic conditions is expected to mostly offset an expected decline in net natural change. The population in the HMA is expected to reach 2.59 million by September 1, 2024, reflecting average annual growth of 18,950 people, or 0.7 percent. The fastest population growth is expected to occur in the Washington Suburbs submarket, which is expected to grow 1.7 percent annually, more than double the rate of population growth in the HMA. Because of the fast rate of growth, the population of the Washington Suburbs submarket will increase more than the other submarkets in the HMA (Figure 7), despite currently being the least populated submarket. The Oregon Suburbs submarket is expected to grow by 0.6 percent annually, whereas the Portland submarket is expected to have relatively slow growth of 0.3 percent annually.

Household Trends

The rate of household growth in the HMA has exceeded population growth since 2010. As of September 1, 2021, the number of households is estimated at 1.00 million, an increase of 11,700 households, or 1.3 percent, annually since 2010 (Table 4). By comparison, household growth averaged 12,250, or 1.5 percent, annually from 2000 to 2010. Since 2010, household growth has increased faster than population growth in the HMA partly because of faster growth among households without children. The largest divergence between household and population growth occurred in the Portland submarket, where the number of households increased 1.2 percent annually, 0.3 percentage point above the rate of population growth. In this submarket, increased rental construction activity contributed to household growth; approximately 45 percent of rental construction activity was one-bedroom units, and a dramatic increase in production of accessory dwelling units since 2010 made it easier for one- and two-person households to live without roommates. The number of households in the Washington Suburbs

Figure 7. Share of Forecast Population Growth by Submarket



Source: Estimates by the analyst

Table 4. Portland HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	Population	2,226,009	2,532,000	2,589,000
	Average Annual Change	29,800	26,850	18,950
	Percentage Change	1.4	1.1	0.7
		2010	Current	Forecast
Household Quick Facts	Households	867,794	1,002,000	1,029,000
	Average Annual Change	12,250	11,700	9,100
	Percentage Change	1.5	1.3	0.9

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (September 1, 2021) to September 1, 2024.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

submarket increased 1.7 percent annually, 0.1 percentage point above the average rate of population growth, whereas the number of households in the Oregon Suburbs submarket grew 1.1 percent annually, the same rate as population growth.

The homeownership rate in the HMA is estimated at 62.3 percent as of September 1, 2021, up from 61.7 percent in April 2010. The homeownership rate increased in all three submarkets. In the Portland submarket, the homeownership rate increased from 54.6 to 54.9 percent, partly because of rental single-family homes returning to the sales market and offsetting increased rental construction. The homeownership rate in the Washington Suburbs and the Oregon Suburbs submarkets increased from 66.0 to 66.8 percent and 65.4 to 66.0 percent, respectively.

Household Forecast

Household growth during the next 3 years is expected to average 9,100 households, or 0.9 percent, annually—a decrease compared with the 2010-to-current period but still above the expected rate of population growth. The trends that contributed to higher household growth in the 2010-to-current period are expected to continue into the forecast. In the Washington Suburbs submarket, household growth is expected to increase 1.9 percent annually, whereas, in the Oregon Suburbs and Portland submarkets, it is expected to slow to average annual rates of 0.8 and 0.5 percent, respectively. Owner and renter households in the HMA are expected to increase by averages of 6,475 and 2,625, or 1.0 and 0.7 percent, annually, respectively, with the homeownership rate increasing in all three submarkets.

Home Sales Market

Sales Market—Portland HMA

Market Conditions: Tight

The sales market in the HMA has tightened considerably since the emergence of the COVID-19 pandemic in March 2020.

Current Conditions

The sales housing market in the Portland HMA is currently tight. As of September 1, 2021, the overall sales vacancy rate is estimated at 0.8 percent (Table 5)—down from 2.2 percent during 2010. A limited supply of for-sale inventory, in conjunction with consistent population growth and demand for housing, has contributed to the decline in the vacancy rate since 2010.

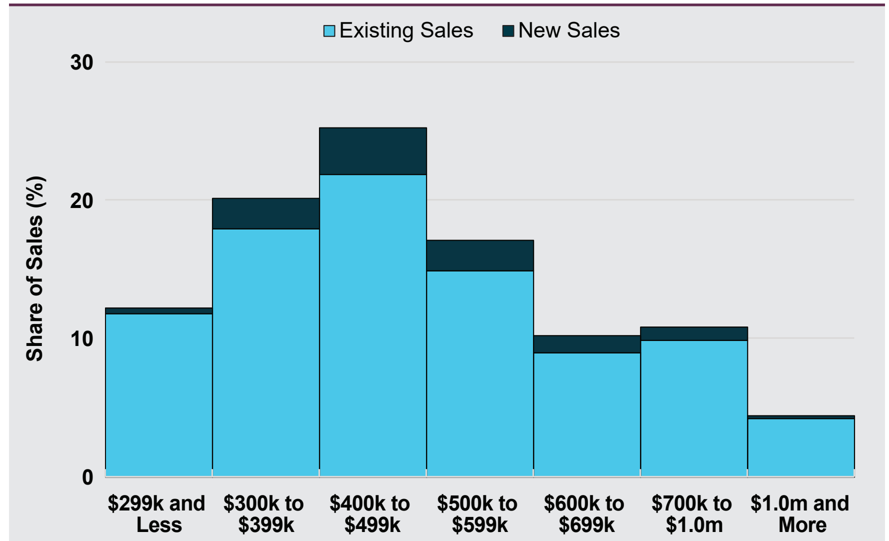
The sales market has tightened since the onset of the COVID-19 pandemic. During August 2021, there were 8,175 single-family homes, condominiums, and townhomes for sale in the HMA, representing a 0.9-month supply—down from 9,475 homes for sale, or a 1.2-month supply, during August 2020 (Redfin, a national real estate brokerage). By comparison, there were 11,950 homes for sale, or a 2.1-month supply, in August 2019, before the beginning of the COVID-19 pandemic. The current low level of for-sale housing inventory and robust demand for sales housing resulted in the average sales price, including new and existing homes, increasing 16 percent, to $522,800, during the 12 months ending August 2021 compared with the preceding 12-month period (Zonda). Approximately 15 percent of all home sales in the HMA were priced more than $700,000, up from 12 percent during the 12 months ending August 2020 (Figure 8). Despite low levels of available for-sale housing inventory, the number of home sales increased 16 percent, to 49,600, during the 12 months ending August 2021. The pandemic and the subsequent rise in remote work, particularly among high-earning workers, may have contributed to the increase in home prices as more workers from higher cost west coast metropolitan areas moved to the HMA.

Table 5. Home Sales Quick Facts in the Portland HMA

		Portland HMA	Nation
Home Sales Quick Facts	Vacancy Rate	0.8%	NA
	Months of Inventory	0.9	1.3
	Total Home Sales	49,600	1,748,000
	1-Year Change	16%	12%
	Total Home Sales Price	$522,800	$416,600
	1-Year Change	16%	24%
	Mortgage Delinquency Rate	1.8%	2.7%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending August 2021; months of inventory data are as of August 2021; and mortgage delinquency rate data are as of August 2021. The current date is September 1, 2021.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; home sales and prices—Zonda

Figure 8. Share of Overall Sales by Price Range During the 12 Months Ending August 2021 in the Portland HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

Housing Affordability

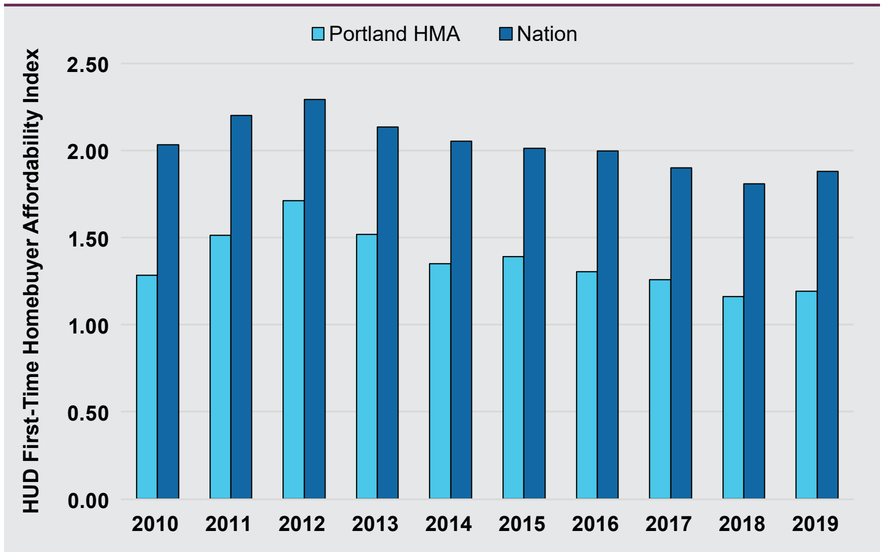
Although home prices in the HMA are lower than in other large west coast metropolitan areas, homeownership is still expensive compared with the national average. Since 2012, home prices have generally increased at a faster rate than the median income. The National Association of Home Builders (NAHB)/Wells Fargo Housing Opportunity Index for the HMA—which represents the share of homes sold that would have been affordable to a family earning the local median income—was 44.9 percent during the second quarter of 2021, down from 57.1 percent during the second quarter of 2020 and far below 72.9 percent during the second quarter of 2012 (Figure 9). The housing market in the HMA was trending toward affordability in 2019, when growth in home prices slowed, but the market became significantly less affordable after the onset of the COVID-19 pandemic because of the rapid increase in average home prices. The Portland HMA was the 80th least affordable metropolitan area in the nation during the second quarter of 2021, when 188, or 70 percent, of the 268 ranked metropolitan areas in the nation were more affordable than the HMA.

High rates of home price growth since 2012 have made it harder for families to obtain homeownership. The HUD First-Time Homebuyer Affordability Index measures the median household income for householders age 25 to 44 years old relative to the income needed to purchase the 25th-percentile-priced home. The index has declined nearly every year since peaking at 1.71 in 2012, when the median income for householders age 25 to 44 years old was 1.71 times the income needed to afford the 25th-percentile-priced home (Figure 10). During 2019, the index for the HMA was 1.19, up from 1.16 in 2018, reflecting a 5-percent year-over-year increase in the 25th-percentile-priced home, to $309,400, being offset by decreased borrowing costs. Very

Figure 9. Portland HMA Housing Opportunity Index

Q2 = second quarter. NAHB = National Association of Home Builders.
Sources: NAHB; Wells Fargo

Figure 10. Portland HMA HUD First-Time Homebuyer Affordability Index



Sources: American Community Survey 1-year data; Federal Housing Finance Agency; Zonda high levels of home price growth since the emergence of the COVID-19 pandemic have likely made homeownership even more unaffordable to first-time homebuyers.

To promote affordable homeownership, the city of Portland passed a set of zoning changes in 2020 called the Residential Infill Project, which went into effect on August 1, 2021. This legislation significantly reimagines low-density residential zoning. Duplex, triplex, and fourplex housing construction will be allowed in almost all residential areas, and sixplexes can be built if at least one-half the units are affordable to households earning at or below 60 percent of the Area Median Income. Small multifamily housing will be allowed to be built larger than single-family homes on identical lots, making them more financially viable; fourplexes and duplexes may cover up to 70 and 60 percent of their lots, respectively; and single-family homes may cover only 50 percent. In addition, onsite parking is no longer required for either single-family homes or small multifamily structures, reducing the cost of new construction. Finally, the Residential Infill Project makes it easier to build nonstandard housing, such as cottage clusters, basement apartments, and accessory dwelling units.

REO Sales and Delinquent Mortgages

Although the sales market is tight, a portion of mortgage borrowers have been hit hard by the pandemic-induced economic downturn. As of August 2021, 1.8 percent of home loans were seriously delinquent or had transitioned into real estate owned (REO) status—down from 3.0 percent in August 2020, but up compared with 0.6 percent in August 2019. The rate of seriously delinquent mortgages increased sharply following May 2020, when only 0.7 percent of mortgages were seriously delinquent. The sharp increase likely reflects the number of homeowners who stopped paying their mortgages at the onset of the pandemic in March 2020 and became 90 days delinquent on their mortgages. That trend occurred on a national level as well, with the percentage of seriously delinquent mortgages and REO properties increasing from 1.6 percent in May 2020 to 4.4 percent in August 2020. The number of mortgages 90 or more days delinquent in the HMA increased from 2,550 in May 2020 to 11,700 in August 2020 and remained at 6,675 during August 2021. The Portland submarket had the highest percentage of seriously delinquent home loans, at 2.1 percent, whereas 1.6 percent of home loans in both suburban submarkets were seriously delinquent or had transitioned into REO status. Despite the increase in delinquencies, the number of foreclosures decreased from 6,300 during the 12 months ending August 2020 to 3,975 during the 12 months ending August 2021. The Coronavirus Aid, Relief, and Economic Security (CARES) Act enables mortgage forbearance of up to 360 days for federally backed home loans, helping residents in the HMA avoid foreclosure. Despite the elevated level during the past year, the current percentage of seriously delinquent mortgages and REO properties in the HMA is much lower than the peak rate of 5.8 percent in July 2011, during the Great Recession.

Forecast

During the 3-year forecast period, demand is expected for 22,575 new homes for sale (Table 6). The 5,300 homes currently under construction will satisfy a portion of the demand in the first year of the forecast. Approximately 86 percent of the demand will be in the suburban submarkets, which have a majority of the population and almost all the greenfield land available for home construction.

Table 6. Demand for New Sales Units in the Portland HMA During the Forecast Period

	Sales Units
Demand	22,575 Units
Under Construction	5,300 Units

Note: The forecast period is from September 1, 2021, to September 1, 2024.
Source: Estimates by the analyst

Sales Market—Portland Submarket

Market Conditions: Tight

Although the sales market in the Portland submarket is tight, there are more months of available inventory and slower price growth than in the two suburban submarkets.

Current Conditions

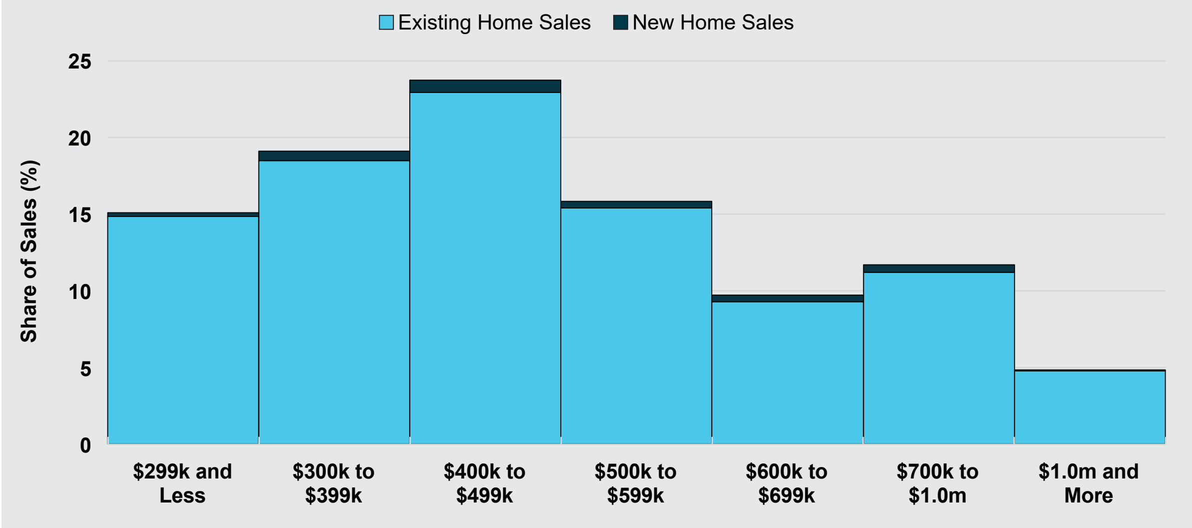
Sales housing market conditions in the Portland submarket are tight, with an estimated vacancy rate of 0.9 percent (Table 7), down from 2.6 percent in April 2010. Approximately 2,975 existing single-family homes, condominiums, and townhomes were available for sale in August 2021, representing a 1.1-month supply—down from 1.4 months during August 2020 (Redfin, a national real estate brokerage). Although market conditions are tight in the submarket, both the vacancy rate and months of available, for-sale inventory of homes are higher than in the suburban submarkets. During the 12 months ending August 2021, the average price of all homes, including new and existing homes, in the submarket increased 15 percent, to $518,900, and home sales increased 22 percent, to 16,100. New home sales make up a smaller portion of the sales market in this HMA, accounting for only 3 percent of all sales during the 12 months ending August 2021 (Figure 11).

Table 7. Home Sales Quick Facts in the Portland Submarket

		Portland Submarket	Portland HMA
Home Sales Quick Facts	**Vacancy Rate**	0.9%	0.8%
	Months of Inventory	1.1	0.9
	Total Home Sales	16,100	49,600
	1-Year Change	22%	16%
	Total Home Sales Price	$518,900	$522,800
	1-Year Change	15%	16%
	Mortgage Delinquency Rate	2.1%	1.8%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending August 2021; and months of inventory data and mortgage delinquency rate data are as of August 2021. The current date is September 1, 2021.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; home sales and prices—Zonda

Figure 11. Share of Overall Sales by Price Range During the 12 Months Ending August 2021 in the Portland Submarket



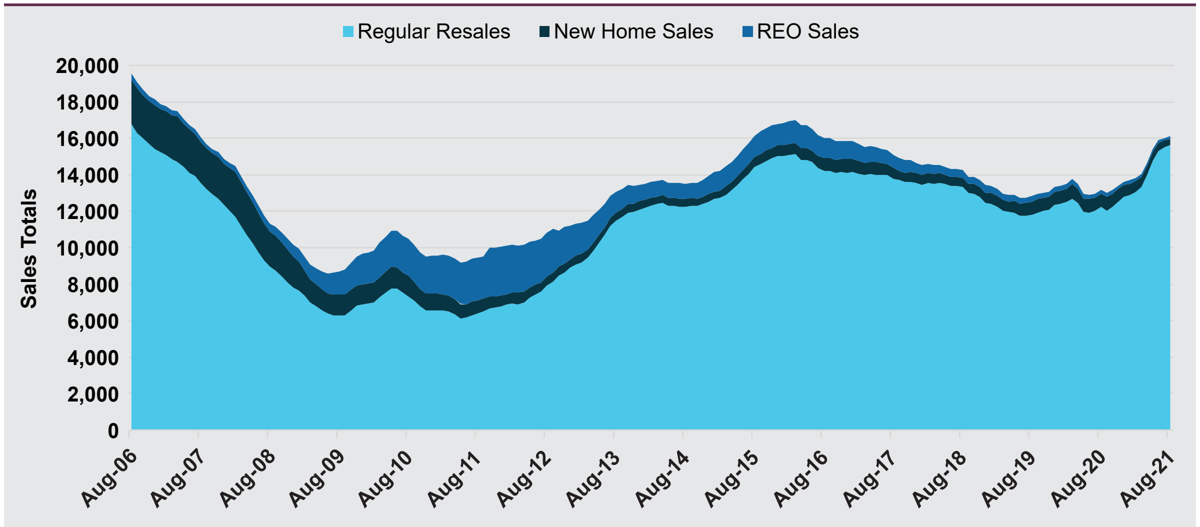
Source: Zonda

Home Sales and Prices—Portland Submarket

Both home sales and prices fell sharply because of the housing crisis and the Great Recession. Home sales activity was high during 2005, with 20,800 new and existing homes sold, but declined by an average of 2,775 home sales, or 17 percent, annually during the next 4 years, to an average of 9,625 sales from 2009 through 2010. The average home sales price, including new and existing homes, increased before the national recession of the late 2000s, averaging growth of 13 percent annually during 2006 and 2007. During that period, strong economic conditions in the submarket and increasing population growth led to increasing demand for homes, which caused upward pressure on home sales prices. Weak economic conditions and an increased share of REO sales caused home sales prices to decrease an average of 8 percent annually from 2008 through 2011, to a low of $239,300 during 2011.

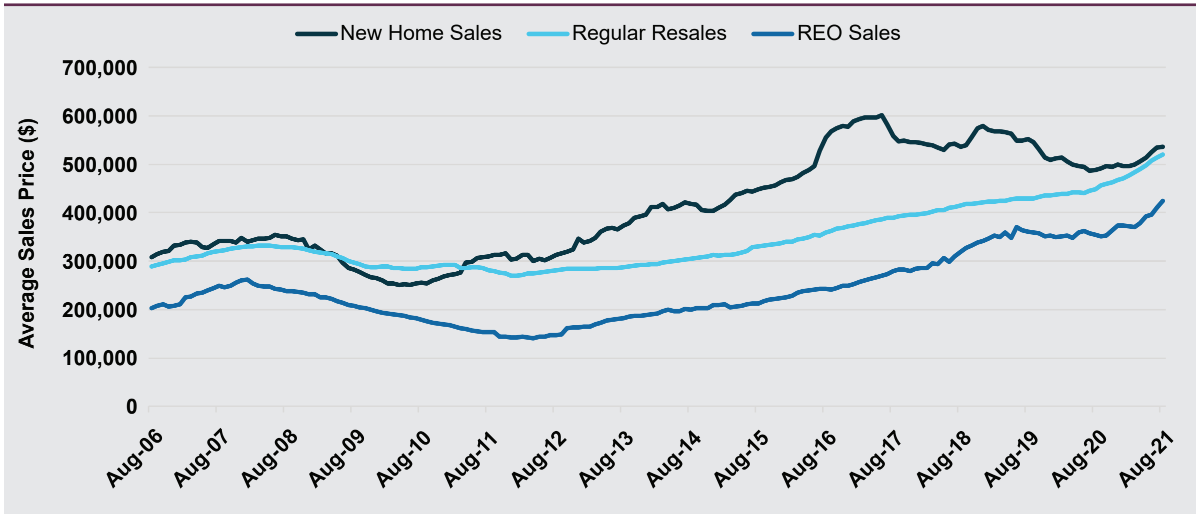
Total home sales increased at an average annual rate of 12 percent from 2011 through 2015 (Figure 12), when economic growth returned. Home prices began increasing shortly thereafter, growing an average of 9 percent annually from 2012 through 2016. Total home sales peaked at 16,775 during 2015 and decreased by an average of 6 percent annually from 2016 through 2019; meanwhile, REO sales declined, the inventory of homes for sale contracted, and population growth in the submarket slowed. During 2017 and 2018, the average home price increased an average of 7 percent annually, then slowed to growth of 3 percent during 2019 (Figure 13). From 2017 through 2019, home price growth in the submarket trailed the HMA by an average of 1 percentage point annually. Home price growth in the submarket accelerated during 2020, with the average sales price increasing 7 percent

Figure 12. 12-Month Sales Totals by Type in the Portland Submarket



Source: Zonda

Figure 13. 12-Month Average Sales Price by Type of Sale in the Portland Submarket



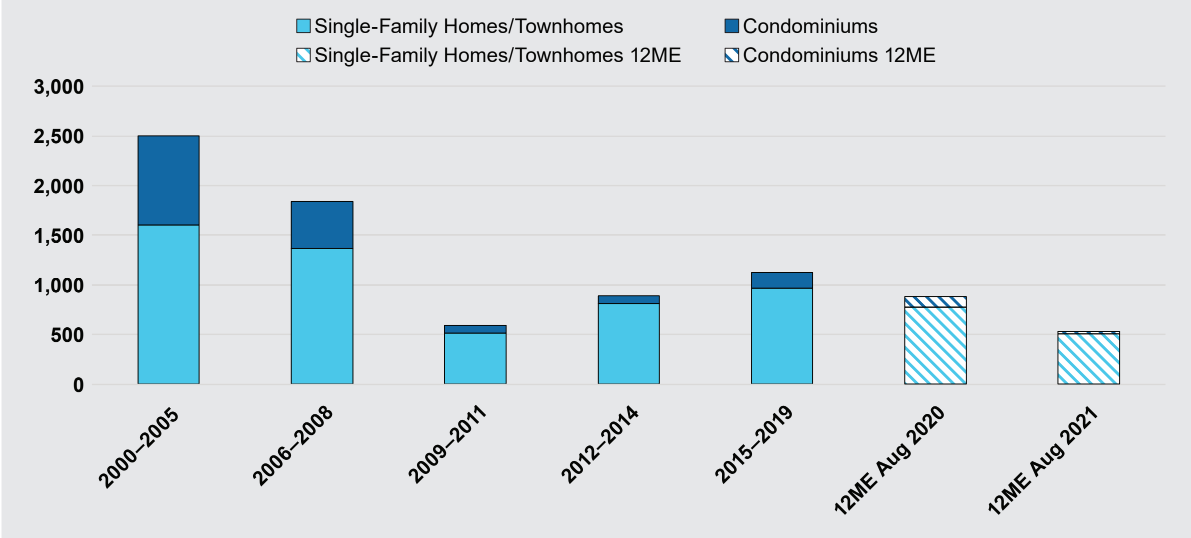
REO = real estate owned.
Source: Zonda

and home sales rising 2 percent. By comparison, home prices in the HMA increased 9 percent during this period.

Sales Construction Activity

In line with national trends, sales housing construction was strong in the early 2000s. From 2000 through 2006, an average of 2,550 homes were permitted annually, then declined to an average of 1,350 homes permitted annually during 2007 and 2008 as the housing crisis took hold in the HMA. Building activity was low from 2009 through 2011, when an average of 590 homes were permitted annually, but increased by an average of 160 homes, or 21 percent, annually from 2012 through 2014 (Figure 14), as economic conditions improved and the demand for new homes increased. From 2015 through 2019, an average of 1,125 homes were permitted annually, less than one-half the 2000 through 2006 average. During the 12 months ending August 2021, construction decreased 40 percent, to 530 homes, compared with the 12 months ending August 2020, when 880 homes were permitted (preliminary data, with adjustments by the analyst). By comparison, 1,075 homes were permitted during the 12 months ending August 2019, before the beginning of the COVID-19 pandemic.

Figure 14. Annual Sales Permitting Activity in the Portland Submarket



12ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

The Portland submarket has several constraints to sales housing construction. The first is the general scarcity of vacant, developable land, which means infill construction in previously developed residential areas makes up the majority of sales housing construction. Although the city of Portland has taken steps to make it easier to build relatively denser housing in these neighborhoods, it is still not possible to build housing on the scale of new suburban subdivisions. A second factor is the sharp decrease in condominium construction that occurred after the housing crisis and recession of 2008 through 2010. From 2000 through 2006, an average of approximately 920 condominium units were permitted annually, constituting 36 percent of all sales housing construction, and an average of 80 condominium units were permitted annually from 2009 through 2011, constituting only 14 percent of sales housing construction. Condominium construction remains low; from 2015 through 2019, an average of 160 condominium units were permitted annually, or 14 percent of all sales housing construction. High rent growth in the post-2014 period and lower legal liability for construction defects in rental housing have induced developers to build apartments instead of condominiums.

About 75 percent of new home construction in the submarket is occurring in the city of Portland. Almost all the sales homebuilding in the city of Portland is occurring in small developments—no single-family or townhome development sold more than 10 units in either 2020 or 2021.

Accessory Dwelling Units

Accessory dwelling units (ADUs), small residential units built on the lot of a single-family home, present a way to add housing to low-density neighborhoods without demolition or large capital expenses. In 2010, the city of Portland waived development fees on ADUs. The number of ADUs permitted increased rapidly, from an average of 95 ADUs permitted annually during 2010 and 2011, to an average of 500 ADUs permitted annually from 2016 through 2018. Approximately 40 percent of ADUs are built alongside new single-family homes, with 60 percent added to the lots of existing structures. Approximately 50 percent of ADUs are rented, with the remainder occupied without charge, seasonally occupied, or vacant.[1] ADU construction decreased during 2019 and 2020, averaging 280 ADUs permitted annually. The Residential Infill Project, which was adopted in the city of Portland in 2020, allows a second ADU to be built on single-family lots, which may lead to an increase in ADU construction.

Forecast

During the next 3 years, demand is expected for 3,250 new homes in the submarket (Table 8). The 420 homes currently under construction will meet a small portion of the demand. Despite low population growth, demand and price growth are expected to remain significant.

Table 8. Demand for New Sales Units in the Portland Submarket During the Forecast Period

	Sales Units
Demand	3,250 Units
Under Construction	420 Units

Note: The forecast period is from September 1, 2021, to September 1, 2024.
Source: Estimates by the analyst

[1] Gebhardt, Matthew, Beth Gilden, and Yael Kidron. 2018. *Accessory Dwelling Units in Portland, Oregon*. Portland, OR: Portland State University, Institute for Sustainable Solutions Publications and Presentations.

Sales Market—Washington Suburbs Submarket

Market Conditions: Very Tight

The Washington Suburbs submarket leads the HMA in home price growth, up 17 percent during the 12 months ending August 2021.

Current Conditions

The sales housing market in the Washington Suburbs submarket is very tight. The estimated sales vacancy rate is currently 0.6 percent (Table 9), lower than the other two submarkets and down from 2.1 percent in 2010. Relatively low home sales prices, strong population growth, and an increased preference for suburban living following the COVID-19 pandemic supported the largest increase in new and existing home sales prices during the 12 months ending August 2021 among the three submarkets, up 17 percent, to $491,400, compared with the 12 months ending August 2020. Approximately 65 percent

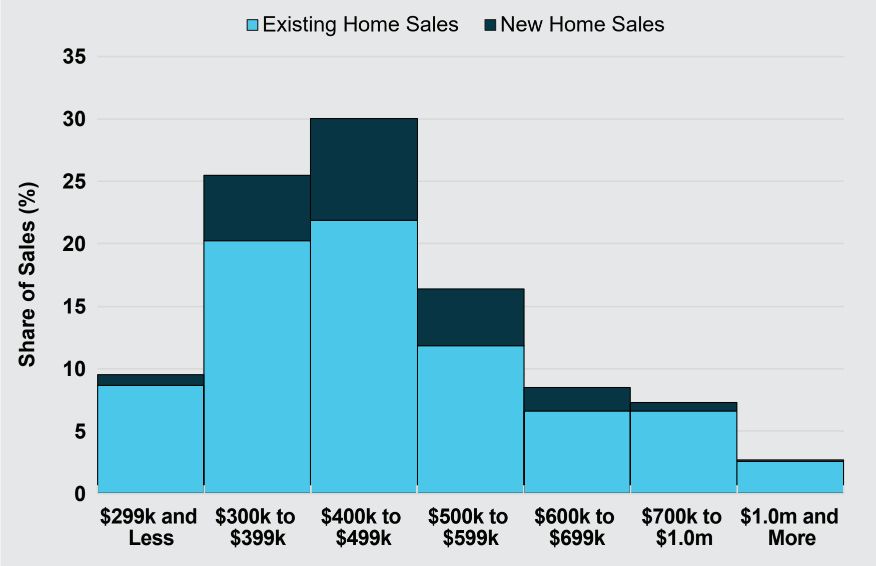
Table 9. Home Sales Quick Facts in the Washington Suburbs Submarket

		Washington Suburbs Submarket	Portland HMA
Home Sales Quick Facts	**Vacancy Rate**	0.6%	0.8%
	Months of Inventory	0.6	0.9
	Total Home Sales	10,650	49,600
	1-Year Change	17%	16%
	Total Home Sales Price	$491,400	$522,800
	1-Year Change	17%	16%
	Mortgage Delinquency Rate	1.6%	1.8%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending August 2021; and months of inventory data and mortgage delinquency rate data are as of August 2021. The current date is September 1, 2021.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; home sales and prices—Zonda

of home sales in this submarket were priced under $500,000 (Figure 15), compared with 58 and 54 percent in the Portland and Oregon Suburban submarkets, respectively. Home prices in this submarket are converging to the HMA average: during the 12 months ending August 2021, new and existing home prices were 6 percent below the HMA average, compared with 9 percent below in 2019 and 12 percent below in 2016. Approximately 1,700 existing single-family homes, condominiums, and townhomes were available for sale in August 2021, representing a 0.8-month supply—compared with 2,100 homes for sale, or a 1.2-month supply, a year ago and 2,775 homes for sale, or a 2.1-month supply, during August 2019, before the COVID-19 pandemic (Redfin, a national real estate brokerage). Approximately 10,650 new and existing homes were sold during the 12 months ending August 2021, up 17 percent from the previous 12-month period.

Figure 15. Share of Overall Sales by Price Range During the 12 Months Ending August 2021 in the Washington Suburbs Submarket

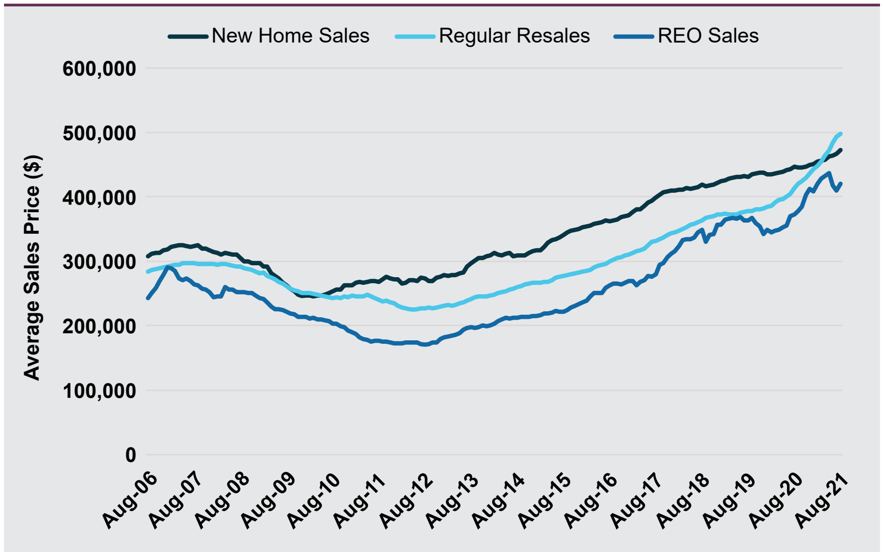


Source: Zonda

Home Sales and Prices—Washington Suburbs Submarket

The number and price of new and existing home sales in the Washington Suburbs submarket decreased rapidly in the years leading up to and during the housing crisis in the late 2000s. Approximately 14,300 homes were sold during 2005, but total home sales decreased an average of 27 percent annually from 2006 through 2008, 3 percentage points higher than the rate of decline in the HMA. The average price of a home sold in the HMA during 2006 and 2007 was $297,500, which decreased an average of 8 percent annually from 2008 through 2011, to reach $218,000 in 2011 (Figure 16), larger than the 7-percent decline in the HMA. This period of falling home prices largely corresponds to the period with the lowest population growth in

Figure 16. 12-Month Average Sales Price by Type of Sale in the Washington Suburbs Submarket



REO = real estate owned.
Source: Zonda

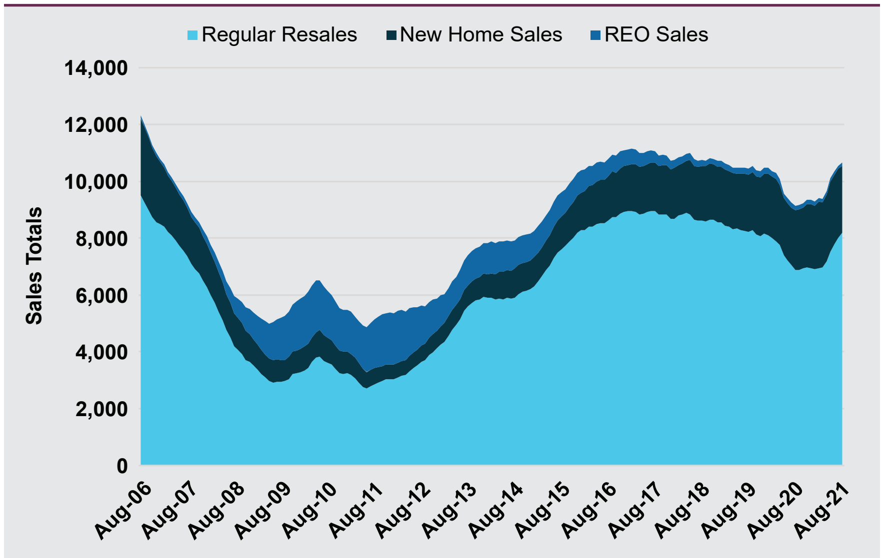
the submarket since 2000. Total home sales fell to an average low of 5,550 homes sold annually from 2008 through 2011.

Home sales and prices increased as economic conditions in the HMA improved and population growth increased in the submarket. From 2012 through 2016, total home sales increased an average of 16 percent annually, and average home prices increased 8 percent annually during the same period. As in the Portland submarket, home sales in the Washington Suburbs submarket became constrained by a dwindling supply of homes for sale and declining numbers of REO sales. From 2017 through 2019, the number of home sales decreased an average of 2 percent annually, to 10,475 in 2019 (Figure 17). Home prices continued to rise, increasing an average of 10 percent annually from 2017 through 2018, then slowing to growth of 3 percent during 2019. The increase in home prices in the Washington Suburbs submarket has exceeded the price growth in the HMA by an average of 2 percentage points annually from 2017 through 2019. During 2020, home sales fell 11 percent and home prices increased 12 percent, which was 3 percentage points more than in the HMA.

Sales Construction Activity

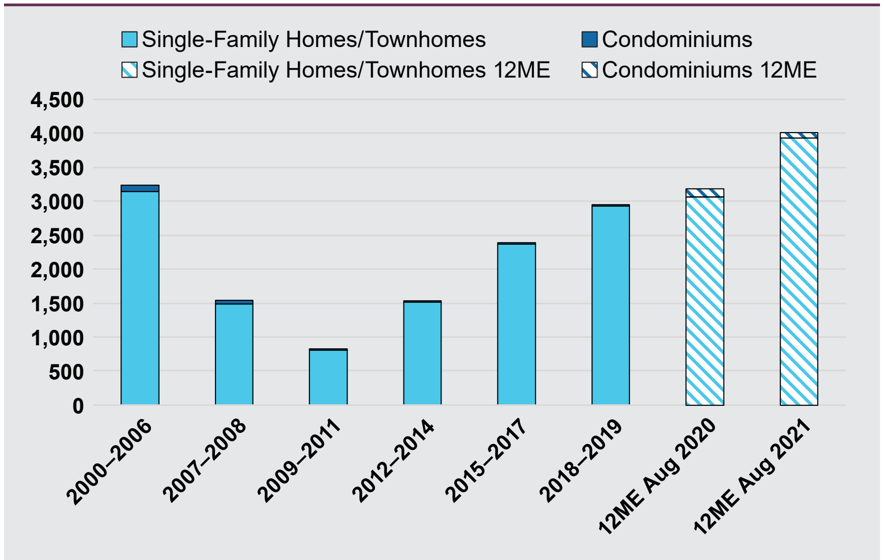
New sales housing construction in the Washington Suburbs submarket has grown strongly since the end of the housing crisis. An average of 3,225 homes were permitted annually from 2000 through 2006, then declined to an average of 1,550 homes permitted annually from 2007 through 2008 as the housing crisis began. Homebuilding reached a low in the submarket from 2009 through 2011, when an average of 810 homes were permitted annually, then increased by an average of 390 homes, or 33 percent, annually from 2012 to 2015 (Figure 18), as the economy expanded and population growth in the submarket was strong. An average of 2,375 homes were permitted each year from 2015 through 2017, and subsequently increased to an average of

Figure 17. 12-Month Sales Totals by Type in the Washington Suburbs Submarket



REO = real estate owned.
Source: Zonda

Figure 18. Annual Sales Permitting Activity in the Washington Suburbs Submarket



12ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

2,950 homes permitted annually in 2018 and 2019. Sales housing construction accelerated after the onset of the COVID-19 pandemic, supported by increased demand for suburban housing and fast population growth. During the 12 months ending August 2021, an estimated 4,025 homes were permitted, up 26 percent from 3,175 homes during the 12 months ending August 2020 (preliminary data, with adjustments by the analyst). By comparison, 2,700 homes were permitted during the 12 months ending August 2019. Homebuilding in the other two submarkets remains below pre-COVID-19 levels.

Although new homes in this submarket are still expensive by national standards, the relative affordability compared with the rest of the HMA attracts a higher percentage of first-time homebuyers than the other submarkets. Development activity in the submarket occurs primarily in subdivisions around and to the north of the city of Vancouver along the I-5 corridor. Pioneer East, a 209-lot subdivision in the city of Ridgefield, is a typical example of a subdivision in this market. The 61-unit first phase was being constructed during 2020 and offered three-bedroom homes starting at around $320,000.

Forecast

During the next 3 years, demand is expected for 9,375 new homes in the Washington Suburbs submarket (Table 10). The 2,300 homes under construction will meet a portion of that demand in the first year. The trends that have supported high levels of sales homebuilding in this submarket—relatively low land costs and increased demand for suburban housing—are expected to continue through the forecast period.

Table 10. Demand for New Sales Units in the Washington Suburbs Submarket During the Forecast Period

Sales Units	
Demand	9,375 Units
Under Construction	2,300 Units

Note: The forecast period is from September 1, 2021, to September 1, 2024.
Source: Estimates by the analyst

Sales Market—Oregon Suburbs Submarket

Market Conditions: Tight

The Oregon Suburbs submarket has the highest average home price in the HMA, which increased 16 percent, to $540,100, during the 12 months ending August 2021.

Current Conditions

Sales market conditions in the Oregon Suburbs submarket are tight, with a 0.8-percent vacancy rate (Table 11), down from 2.1 percent in 2010. As in the other submarkets, high demand for sales housing has resulted in a decrease in the inventory of available homes for sale alongside fast growth in home prices. The two largest counties in the submarket—Clackamas and Washington, which account for 42 and 46 percent of home sales, respectively, in the submarket—had 1,500 and 1,575 existing homes for sale, representing 1.0 and 0.6 months of supply, respectively, during August 2021. This supply was down from 1,775

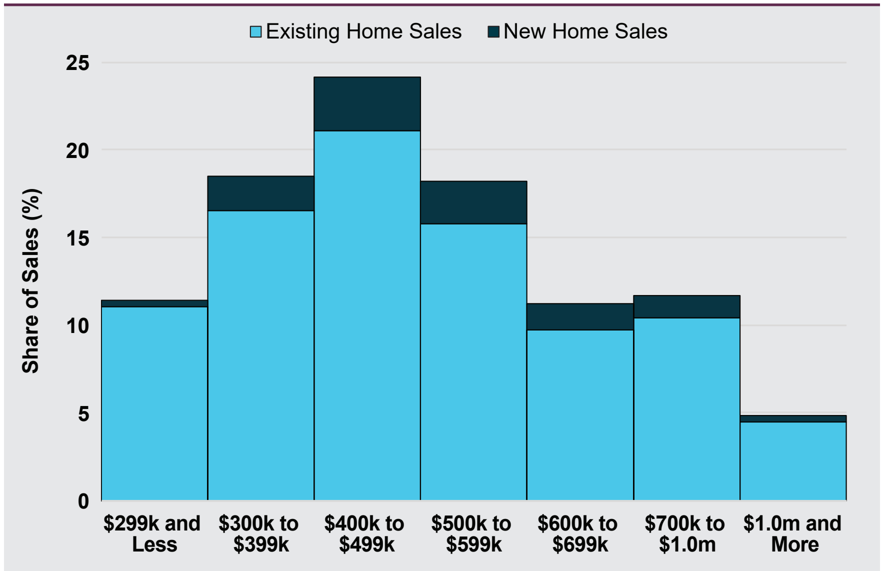
Table 11. Home Sales Quick Facts in the Oregon Suburbs Submarket

		Oregon Suburbs Submarket	Portland HMA
Home Sales Quick Facts	**Vacancy Rate**	0.8%	0.8%
	Months of Inventory	NA	0.9
	Total Home Sales	22,800	49,600
	1-Year Change	12%	16%
	Total Home Sales Price	$540,100	$522,800
	1-Year Change	16%	16%
	Mortgage Delinquency Rate	1.6%	1.8%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending August 2021; and months of inventory data and mortgage delinquency rate data are as of August 2021. The current date is September 1, 2021.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; home sales and prices—Zonda

and 1,950 homes, or 1.2 and 0.9 months of supply, respectively, in August 2020 (Redfin, a national real estate brokerage). By comparison, there were 2,225 and 2,475 existing homes for sale, or 2.1 and 1.7 months of supply, respectively, in August 2019, before the COVID-19 pandemic. A limited supply of sales housing has contributed to increases in the average price of new and existing homes, which grew 16 percent, to $540,100, during the 12 months ending August 2021 compared with the previous 12-month period. Approximately 17 percent of homes sales during the 12 months ending August 2021 were priced more than $700,000, surpassing such home sales prices in the other submarkets (Figure 19). The Oregon Suburbs submarket contains most of the established suburban areas of the HMA and has higher average sales prices than the other two submarkets. The number of total home sales increased 12 percent, to 22,800 sales, during the 12 months ending August 2021 compared with the 12 months ending August 2020.

Figure 19. Share of Sales by Price Range During the 12 Months Ending August 2021 in the Oregon Suburbs Submarket

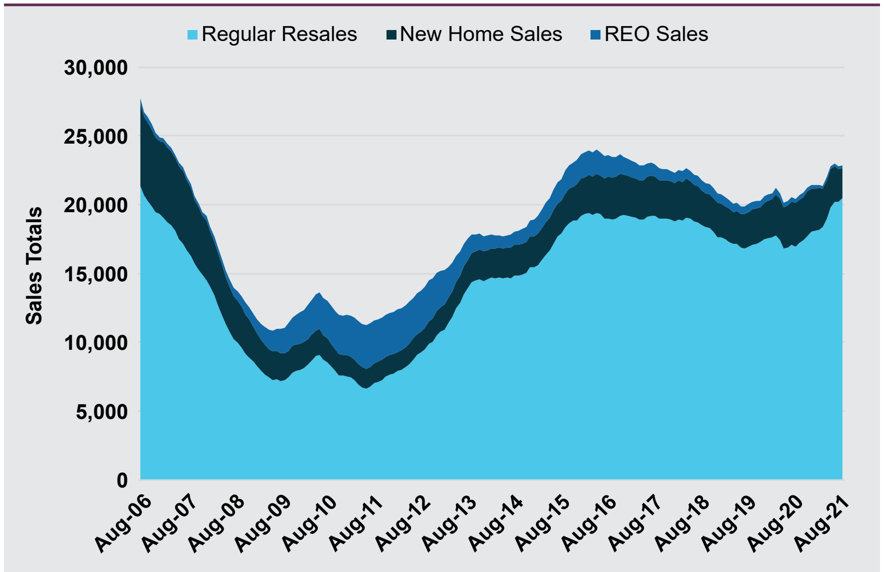


Source: Zonda

Home Sales and Prices—Oregon Suburbs Submarket

Trends in new and existing home sales in the Oregon Suburbs submarket have mirrored the HMA at large, with declining economic conditions and the national housing crisis leading to a decline in home sales during the late 2000s. A total of 30,150 homes were sold in 2005; the number then declined an average of 21 percent annually from 2006 through 2009, to an average of 12,000 homes sales annually from 2009 through 2011 (Figure 20). From 2008 through 2011, the average home sales price decreased an average of 7 percent annually, reaching an average of $257,500 during 2011 and 2012 (Figure 21). Following the return of job growth in 2011, home sales increased an average of 14 percent annually from 2012 through 2016. Home prices began to recover a year later, growing an average of 9 percent annually from 2013 through 2016. During 2017, home sales began to decline—a consequence of

Figure 20. 12-Month Sales Totals by Type in the Oregon Suburbs Submarket



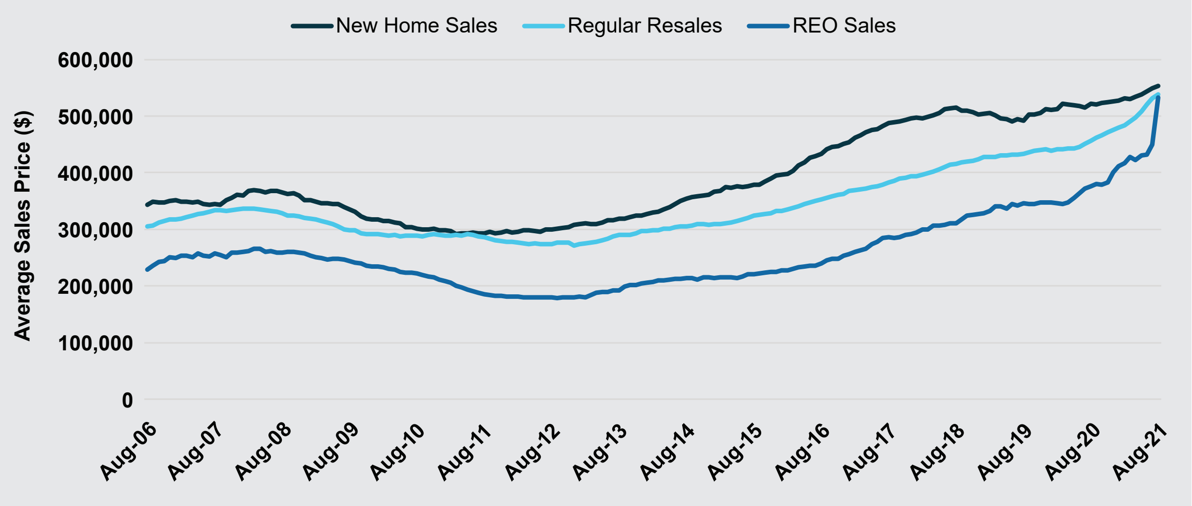
REO = real estate owned.
Source: Zonda

slowing population and economic growth, the exhaustion of REO sales, and a more limited number of homes for sale. From 2017 through 2019, the number of total home sales decreased an average of 4 percent annually, whereas new and existing home prices continued to rise, growing an average of 7 percent annually. During 2020, total home sales in the submarket increased 4 percent, more than any other submarket, and the average sales price of new and existing homes increased 8 percent.

Sales Construction Activity

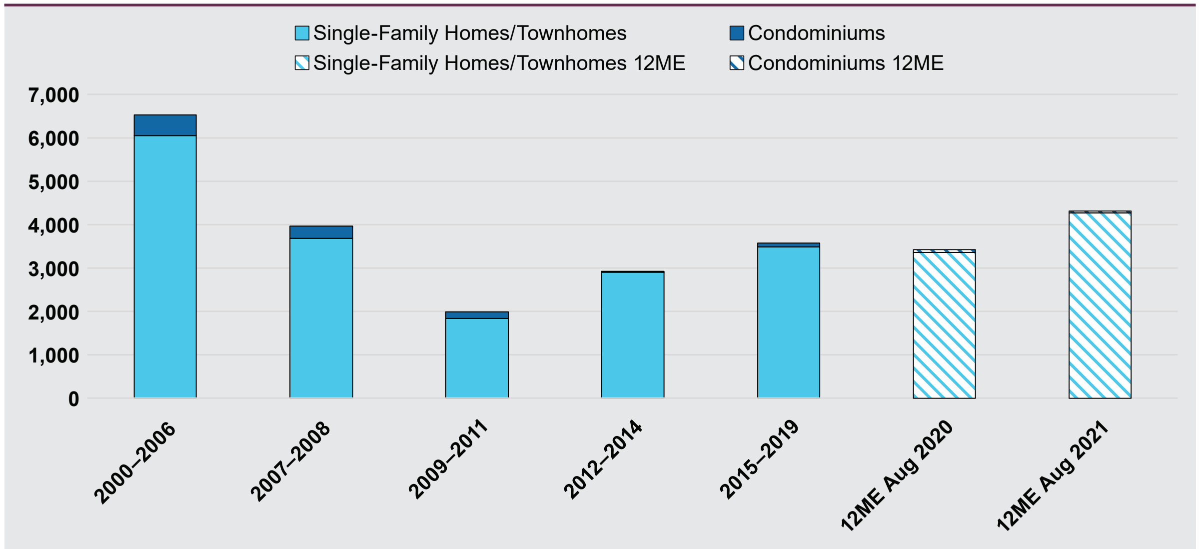
Since 2012, builders have responded to tightening sales market conditions in the Oregon Suburbs submarket by increasing sales housing construction, but homebuilding is below the peak of the previous decade. From 2000 through 2006, an average of 6,525 homes were permitted annually (Figure 22), before decreasing by an average of 1,450 homes, or 32 percent, annually from 2007 through 2009, as population growth slowed and home sales in the submarket declined. From 2009 through 2011, an average of 2,000 homes were permitted annually. Despite the decline in homebuilding, sales construction was more resilient in the Oregon Suburbs submarket than the other two submarkets, decreasing by only 70 percent between the 2000-to-2006 and 2009-to-2011 periods, compared with 78 and 75 percent in the Portland and Washington Suburbs submarkets, respectively.

Figure 21. 12-Month Average Sales Price by Type of Sale in the Oregon Suburbs Submarket



REO = real estate owned.
Source: Zonda

Figure 22. Annual Sales Permitting Activity in the Oregon Suburbs Submarket



12ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

As the economy of the HMA began to strengthen in 2011 and home sales and prices in the submarket increased, home builders responded by increasing construction. From 2012 through 2014, an average of 2,925 homes were permitted annually, increasing to an average of 3,575 units permitted annually from 2015 through 2019. Homebuilding continued to increase through the current period, with 4,325 homes permitted during the 12 months ending August 2021, up 26 percent from the 3,425 homes permitted during the 12 months ending August 2020 (preliminary data, with adjustments by the analyst).

The majority of new home construction in the submarket is in Clackamas and Washington counties. One of the largest sites of new home development is Reed's Crossing, a 456-acre master-planned community in the city of Hillsboro that began construction in 2016. As of April 2021, 517 homes had been sold, with about 13 sales per month during 2020 (*Portland Business Tribune*). Townhomes and single-family homes at Reed's Crossing start at around $400,000 and $600,000, respectively.

Demand

During the next 3 years, demand is expected for 9,950 new homes in the Oregon Suburbs submarket (Table 12). The 2,575 homes under construction will meet a portion of the demand in the first year. The Oregon Suburbs submarket is expected to lead sales housing demand during the next 3 years. Continued population growth and tight sales market conditions are expected to support demand for new homes in the submarket.

Table 12. Demand for New Sales Units in the Oregon Suburbs Submarket During the Forecast Period

	Sales Units
Demand	9,950 Units
Under Construction	2,575 Units

Note: The forecast period is from September 1, 2021, to September 1, 2024.
Source: Estimates by the analyst

Rental Market

Rental Market—Portland HMA

Market Conditions: Balanced

The average apartment rent in the HMA decreased less than 1 percent during the second quarter of 2021 because rent growth in the suburban submarkets was more than offset by declines in the Portland submarket.

Current Conditions and Recent Trends

The overall rental market in the Portland HMA—including apartments, single-family homes, and other housing options available for rent—is balanced; the estimated 5.1-percent vacancy rate is down from 5.9 percent in April 2010, when conditions were slightly soft (Table 13). Rental market conditions range from soft in the Portland submarket to slightly tight in the Washington Suburbs submarket. By comparison, rental market conditions in the HMA were slightly tight before the COVID-19 pandemic.

Table 13. Rental and Apartment Market Quick Facts in the Portland HMA

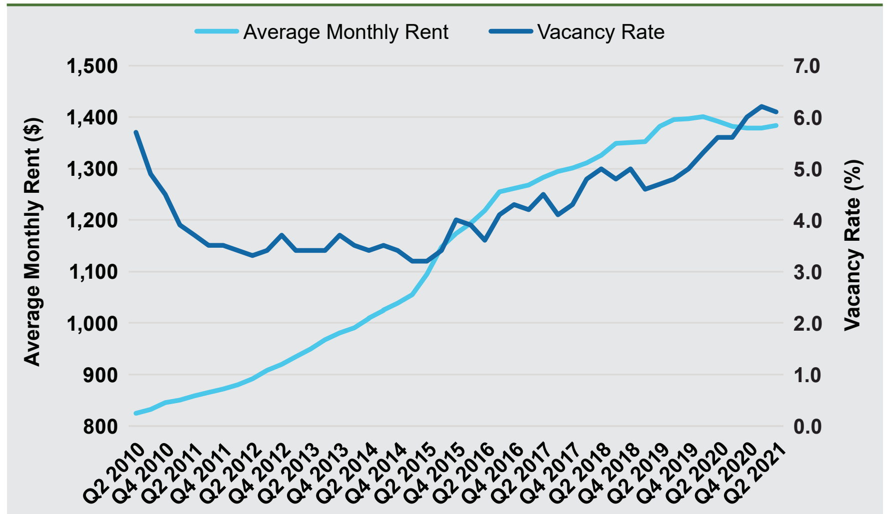
		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	5.9	5.1
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	31.0	28.3
	Multifamily (2–4 Units)	17.0	15.4
	Multifamily (5+ Units)	49.3	54.2
	Other (Including Mobile Homes)	2.7	2.1
		Q2 2021	YoY Change
Apartment Market Quick Facts	Apartment Vacancy Rate	6.1%	0.5%
	Average Rent	$1,383	-1%
	Studio	$1,055	NA
	One-Bedroom	$1,260	NA
	Two-Bedroom	$1,476	NA
	Three-Bedroom	$1,764	NA

Q2 = second quarter. NA = data not available. YoY= year-over-year.
Notes: The current date is September 1, 2021. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—Moody's Analytics REIS

Apartment Market Conditions

The apartment market, which makes up approximately 70 percent of renter-occupied units in the HMA (2019 ACS 1-year data), is slightly soft. Following several years of low vacancy rates, high rent growth, and elevated apartment construction, the apartment vacancy rate increased and rents fell. During the second quarter of 2021, the apartment vacancy rate in the HMA was 6.1 percent, up from 5.6 percent during the second quarter of 2020 and 4.7 percent in the second quarter of 2019, before the COVID-19 pandemic (Moody's Analytics REIS). Average asking rents fell less than 1 percent on an annual basis during the second quarter of 2021, to $1,383, following growth of less than 1 percent during the second quarter of 2020 (Moody's Analytics REIS). The apartment vacancy rate was between 4.0 and 5.0 percent from 2017 through 2019 (Figure 23), and the average asking rent growth was 3 percent annually.

Figure 23. Apartment Rents and Vacancy Rates in the Portland HMA



Q2 = second quarter. Q4 = fourth quarter.
Source: Moody's Analytics REIS

Single-Family Rental Market Conditions

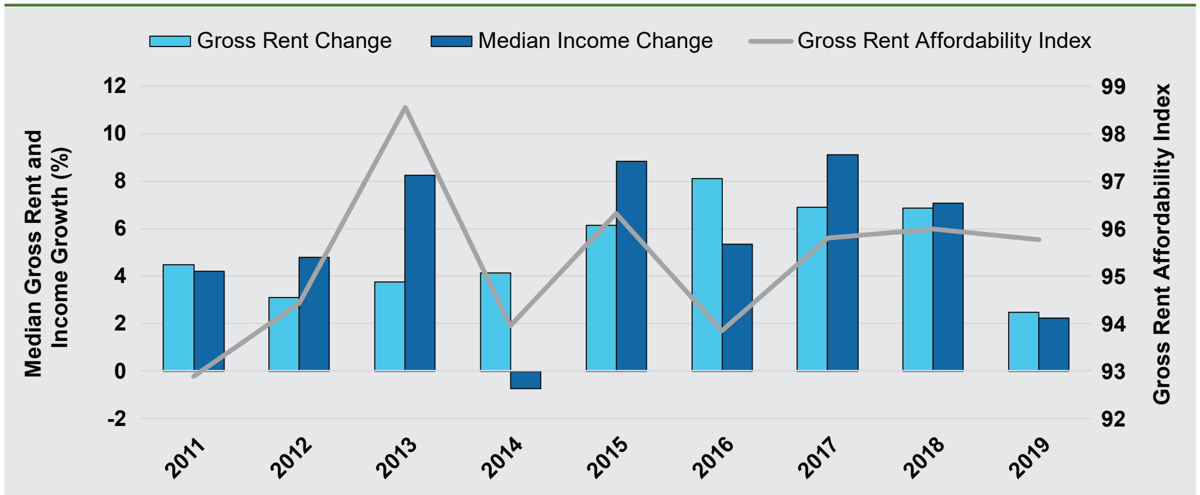
The single-family home rental market in the HMA is slightly tight, unchanged from a year ago and tighter than the apartment market. The greater use of remote work and public health measures that curtail indoor dining and entertainment have increased the appeal of suburban, single-family homes relative to urban apartments, contributing to strong demand in the market for single-family rental homes. As of December 2020, single-family rental homes in the HMA had an estimated vacancy rate of 3.8 percent, down from 3.9 percent during December 2019 (RentRange, as cited in John Burns Real Estate Consulting). As of September 2021, the median single-family rent was $2,158, up 9 percent from September 2020. Single-family home rent growth has accelerated in the past year; from 2017 through 2019, rent growth averaged 4 percent annually. During 2019, single-family homes accounted for 22 percent of the overall rental market, down from 31 percent in 2010 (ACS 1-year data). The strong demand for sales units in the HMA has caused many single-family rental homes to return to the sales market.

Rental Housing Affordability

Rents in the Portland HMA have increased since 2013 but have been mostly offset by high income growth. Between 2013 and 2019, the median gross rent increased 40 percent, whereas the median income of renter households increased 36 percent. This increase caused the HUD Gross Rent Affordability Index—a measure of median renter household income relative to qualifying income for the median-priced rental unit—to decrease from 98.6 in 2013 to 95.8 in 2019, signifying a less affordable rental market (Figure 24). An affordability index below 100 indicates that the median gross rent is unaffordable at the median income of renter households. The affordability index in the HMA was identical to the national average of 95.8 during 2019.

Although the HUD Gross Rent Affordability Index suggests that rental affordability in the HMA is on par with the nation at large, the relatively high overall rents have a disproportionate impact on low-income households. Among households that have incomes below 50 percent of Area Median Family Income, approximately 23.3 percent have a moderate to high cost burden, spending between 31 and 50 percent of their income on rental housing costs; an additional 58.6 percent are severely cost burdened, spending more than 50 percent of their income on rental housing costs. The share of those households spending more than 50 percent of their income on rental housing costs is much higher than the national share. Nationally, 24.7 and 51.2 percent of similar households spend between 31 and 50 percent and more than 50 percent of their income, respectively, on rental housing costs.

Figure 24. Portland HMA Gross Rent Affordability Index



MSA = metropolitan statistical area.
Note: Rental affordability is for the larger Portland MSA. The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions page on the HUD website in that it is based on combined rent and utilities expenditure.
Source: American Community Survey 1-year data

Homelessness

Approximately 7,150 people throughout the HMA were homeless in January 2019—up from 6,650 people in 2017 (Point-in-Time Count). During the same period, the number of unsheltered individuals increased 15 percent, to 3,550. The number of homeless individuals in the HMA has trended upward since 2013, when there were 6,225 people identified as homeless. During 2019, approximately 56 percent of homeless individuals in the HMA resided in the Portland submarket. The homeless population residing in the suburban submarkets increased from 28 percent in 2013 to 44 percent in 2019. The fastest growth in unsheltered homelessness occurred in the Washington Suburbs submarket, where the number of unsheltered homeless people increased from 190 in 2013 to 487 in 2019.

Local governments in the HMA have taken measures to combat homelessness. In 2013, the cities of Portland and Gresham and Multnomah County created A Home for Everyone, a unified organization to prevent homelessness in the Portland submarket. Funding for homelessness prevention was significantly increased in 2015 when the city of Portland declared homelessness an emergency. The number of people in permanent housing intended for homeless individuals in the Portland submarket increased from approximately 6,000 people in 2013 to 12,000 people in 2019.

Current Affordable Housing Options: LIHTC, PBRA, HCV

The Low-Income Housing Tax Credit (LIHTC) program is the primary source of funding for new affordable rental housing in the nation. From 2000 through 2009, approximately 7,650 new LIHTC units were placed in service in the HMA—an average of nearly 770 units annually. Since 2010, 3,675 new LIHTC units—or an average of nearly 370 units annually—have been placed in service in the HMA. Of those units placed in service since 2010, approximately 55 percent have been in the Portland submarket, 24 percent in the Oregon Suburbs submarket, and 21 percent in the Washington Suburbs submarket.

In addition to LIHTC, income-eligible residents may qualify for project-based rental assistance (PBRA) or housing choice vouchers (HCVs) through the local public housing authorities (PHAs). The PHAs in the HMA administered approximately 31,750 HCVs in 2020. The waitlists for HCVs and public housing in the HMA are currently closed, with an approximate waiting time of 5 years. Approximately 7,200 units are subsidized through PBRA or public housing programs (Picture of Subsidized Households). The number of households that receive rental assistance in the HMA has increased an average of 0.9 percent annually since 2010, less than the rate of overall household growth.

Policy Initiatives

Several local policy initiatives address housing affordability in the HMA. In 2017, the city of Portland implemented an inclusionary housing mandate—all new apartment buildings with at least 20 units must set aside one-fifth of their units with reduced rents for households making up to 80 percent of area median income. The city hopes this will increase the affordable housing stock, although it will also increase the development costs of new apartments. In addition, the cities of Portland and Vancouver offer property tax exemptions to apartment properties that set aside a portion of their units as affordable to households making below the median income in the area.

Forecast

During the next 3 years, demand is estimated for 11,275 rental units in the HMA (Table 14). The 8,050 units under construction are expected to be completed during the next 3 years and will meet most of the demand during the first 2 years of the forecast period.

Table 14. Demand for New Rental Units in the Portland HMA During the Forecast Period

Rental Units	
Demand	11,275 Units
Under Construction	8,050 Units

Note: The forecast period is September 1, 2021, to September 1, 2024.
Source: Estimates by the analyst

Rental Market—Portland Submarket

Market Conditions: Soft

The average apartment rent decreased 4 percent during the second quarter of 2021—the first time rents declined in the submarket in more than a decade.

Current Conditions and Recent Trends

Rental market conditions in the Portland submarket are soft, following a significant decline in population growth since 2017. Elevated levels of rental construction and public health countermeasures to prevent COVID-19 have impacted resident interest in living in and near the urban core of the HMA. The rental vacancy rate is currently estimated at 6.5 percent, up from 5.5 percent in April 2010, when market conditions were slightly soft (Table 15).

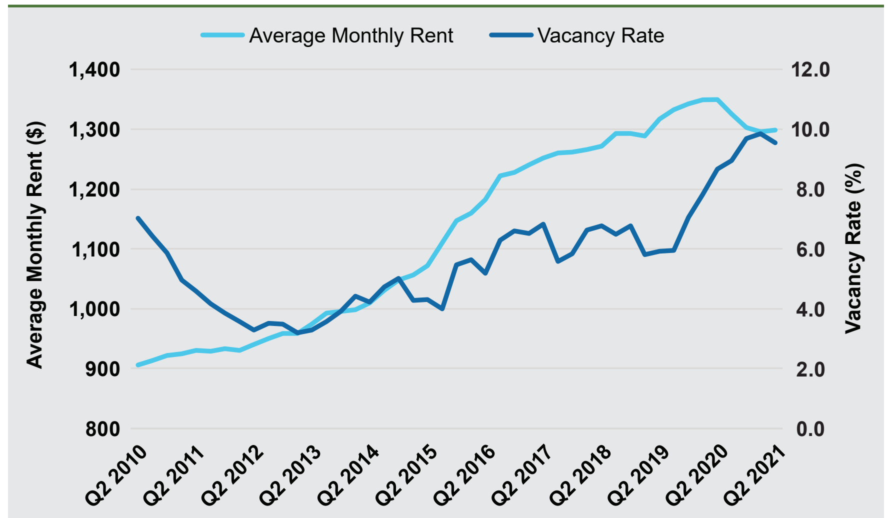
Table 15. Rental and Apartment Market Quick Facts in the Portland Submarket

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	5.5	6.5
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	27.1	25.6
	Multifamily (2–4 Units)	18.7	15.7
	Multifamily (5+ Units)	52.3	58.0
	Other (Including Mobile Homes)	1.8	0.7
Apartment Market Quick Facts		Q2 2021	YoY Change
	Apartment Vacancy Rate	9.5%	0.8%
	Average Rent	$1,299	-4%
	Studio	$1,019	NA
	One-Bedroom	$1,221	NA
	Two-Bedroom	$1,471	NA
	Three-Bedroom	$1,563	NA

Q2 = second quarter. NA = data not available. YoY= year-over-year.
Notes: The current date is September 1, 2021. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—Moody's Analytics REIS

The apartment market, which makes up almost 75 percent of renter-occupied units in the HMA, is also soft (2019 ACS 1-year data). The apartment vacancy rate averaged 9.5 percent during the second quarter of 2021, up from 8.7 percent a year earlier (Moody's Analytics REIS). The apartment vacancy rate increased sharply following the emergence of COVID-19—the vacancy rate was only 5.9 percent during the second quarter of 2019 (Figure 25). Before 2020, the apartment vacancy rate averaged between 5.0 and 7.0 percent from 2015 through 2019. The large apartment pipeline and the correspondingly high number of apartment properties undergoing lease up have contributed to the relatively high vacancy rate in this submarket since 2015. During the second quarter of 2021, the average asking rent for apartments in the submarket decreased 4 percent, to $1,299, compared with the second quarter of 2020, when rents increased 2 percent. By comparison, rents increased an average of 7 percent annually from 2014 through 2016 before slowing to average annual growth of 3 percent from 2017 through 2019.

Figure 25. Apartment Rents and Vacancy Rates in the Portland Submarket



Q2 = second quarter.
Source: Moody's Analytics REIS

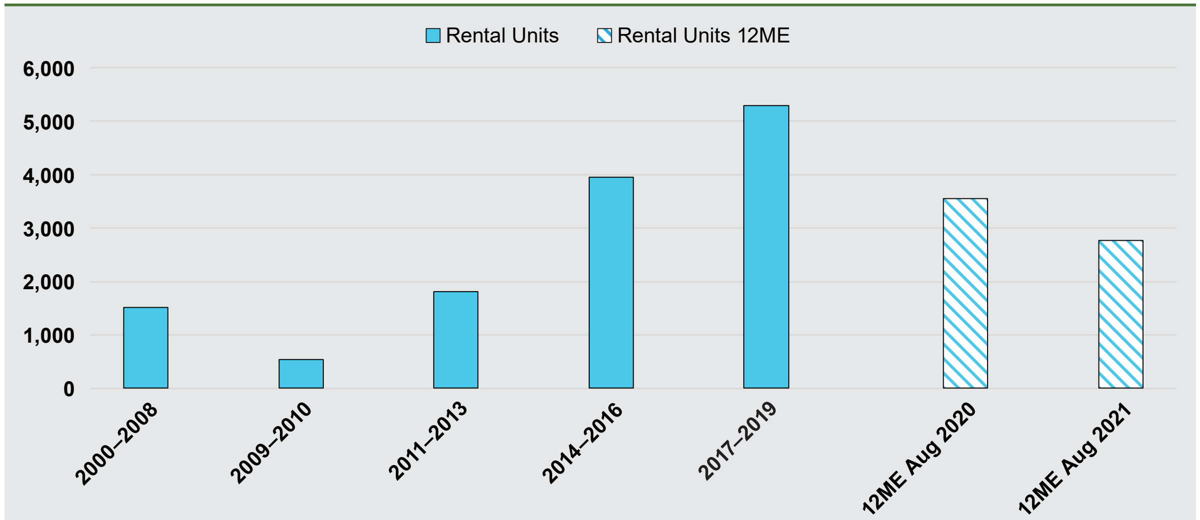
During the second quarter of 2021, the highest apartment vacancy rates in this submarket occurred in the REIS-defined Northeast and Northwest market areas, which are bisected by the Willamette River and together make up most of the city of Portland west of I-205. The Northeast market area, which includes most of the city of Portland east of the Willamette River, had the highest apartment vacancy rate, at 13.3 percent, up from 13.0 percent during the second quarter of 2020, and rents decreased 2 percent. The Northwest market area, which includes the downtown core of the city of Portland, had a somewhat lower apartment vacancy rate, at 11.2 percent, up from 10.0 percent, but a much larger drop in rent, which decreased 9 percent, to $1,415. Although rental market conditions in these market areas softened considerably after the onset of COVID-19, the apartment vacancy rate was already elevated—both market areas had apartment vacancy rates of 7.8 percent during the second quarter of 2019. Conversely, the more suburban REIS-defined East Gresham market area, which includes east Portland and the city of Gresham, had a vacancy rate of 2.3 percent during the second quarter of 2021, up from 1.5 percent during the second quarter of 2020 and the lowest in the HMA. The East Gresham market area also had the lowest rent in the HMA, at $1,019, up 1 percent on an annual basis. The low vacancy rates in this market area relative to market areas in the city of Portland illustrate the increased draw of suburban housing since the COVID-19 pandemic began.

Rental Construction Activity

Rental construction activity, as measured by the number of rental units permitted, has increased significantly since the 2009-through-2010 period. Rental construction was low during 2009 and 2010, averaging 540 units annually, because of poor economic conditions, compared with an average of 1,525 units permitted annually from 2000 through 2008. Rental construction increased by an average of 860 units, or 62 percent, annually from 2011 through 2014, when the economy expanded, and apartment vacancy rates were low. From 2014 through 2016, an average of 3,950 rental units were permitted annually (Figure 26), and rent growth was high. From 2017 through 2019, rental construction activity increased further, to an average of 5,300 units annually. Increased rental construction contributed to slowing rent growth and increased apartment vacancy rates in the submarket. As the rental market in the submarket softened, rental construction declined. During the 12 months ending August 2021, approximately 2,775 rental units were permitted, down 22 percent from 3,550 units permitted during the 12 months ending August 2020 (preliminary data, with adjustments by the analyst).

An estimated 4,000 apartments are under construction in the Portland submarket. Approximately 80 percent are in the REIS-defined Northeast and Northwest market areas; the remaining 20 percent

Figure 26. Annual Rental Permitting Activity in the Portland Submarket



12ME = 12 months ending.
Notes: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

are in the East Gresham market area. About 35 percent of the apartments under construction are in downtown Portland, where apartment rents have decreased the most. One of the larger apartment developments under construction in the submarket is Alta ART Tower, a 21-story, 314-unit tower in downtown Portland. Alta ART Tower will offer 214, 50, and 50 one-, two- and three-bedroom units, respectively, and is expected to open in 2022. Albertina Kerr, a service provider to people with intellectual and developmental disabilities and mental health challenges, is building 150 units of affordable rental housing on its Gresham Campus. This housing development will be one of the first affordable housing projects in the nation to have net-zero energy impact, using a 600kw solar photovoltaic system to allow the building to have no net energy cost. All units at this development will be offered to households with incomes at or below 30 to 80 percent of the Area Median Income, and 30 units will be reserved for people with intellectual and developmental disabilities.

Forecast

During the next 3 years, demand is estimated for 3,350 rental units (Table 16). Rental demand in the Portland submarket is estimated to decline significantly compared with prepandemic levels because of low levels of expected population growth and an increasing preference for homeownership. The 4,000 units under construction will fulfill all expected demand during the 3-year forecast period.

Table 16. Demand for New Rental Units in the Portland Submarket During the Forecast Period

	Rental Units
Demand	3,350 Units
Under Construction	4,000 Units

Note: The forecast period is September 1, 2021, to September 1, 2024.
Source: Estimates by the analyst

Rental Market—Washington Suburbs Submarket

Market Conditions: Slightly Tight

Apartment rents in the Washington Suburbs submarket increased 4 percent during the second quarter of 2021, more than any other submarket in the HMA.

Current Conditions and Recent Trends

The rental market in the Washington Suburbs submarket is slightly tight, with an estimated 3.5-percent rental vacancy rate, down from 6.0 percent during 2010 (Table 17). High rates of rental household growth since 2010 in this submarket resulted in the largest decline in the rental vacancy rate in

Table 17. Rental and Apartment Market Quick Facts in the Washington Suburbs Submarket

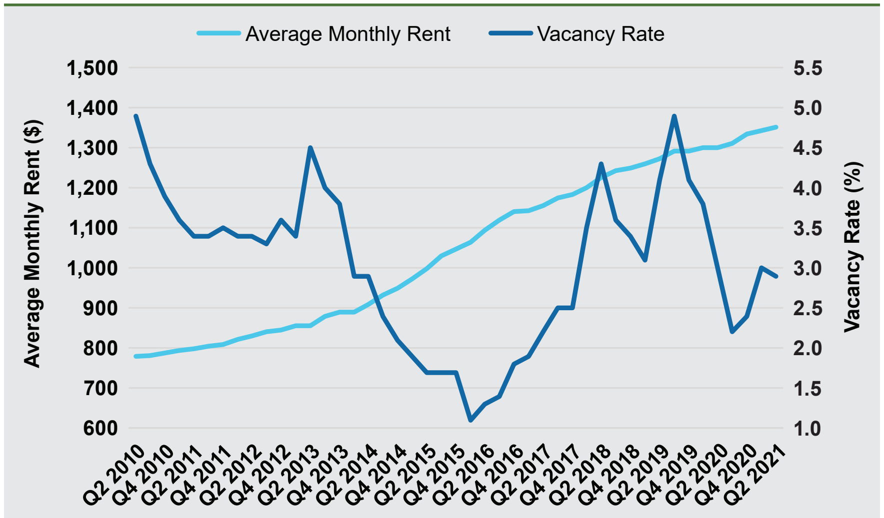
		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	6.0	3.5
		2010 (%)	**2019 (%)**
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	40.4	33.6
	Multifamily (2–4 Units)	17.9	17.1
	Multifamily (5+ Units)	39.1	45.4
	Other (Including Mobile Homes)	2.7	3.8
		Q2 2021	**YoY Change**
Apartment Market Quick Facts	**Apartment Vacancy Rate**	2.9%	-0.1%
	Average Rent	$1,352	4%
	Studio	$1,089	NA
	One-Bedroom	$1,189	NA
	Two-Bedroom	$1,378	NA
	Three-Bedroom	$1,682	NA

Q2 = second quarter. NA = data not available. YoY= year-over-year.
Notes: The current date is September 1, 2021. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—Moody's Analytics REIS

the HMA. The apartment market accounts for 62 percent of the overall rental market—less than the other two submarkets—and is also slightly tight (2019 ACS 1-year data). During the second quarter of 2021, the apartment vacancy rate was 2.9 percent, down from 3.0 percent a year earlier, and average asking rents increased 4 percent, to $1,352 (Moody's Analytics REIS). The Washington Suburbs submarket was the only submarket in the HMA where the apartment vacancy rate declined or rents increased significantly during the past year. During the past year, apartment rents in the Washington Suburbs submarket exceeded those in the Portland submarket for the first time, although they are still below those in the Oregon Suburbs submarket.

Apartment vacancy rates were below 3.0 percent in this submarket from 2014 through 2017 (Figure 27). During this period, strong population growth and a tight apartment market resulted in average asking rent growth of 7 percent annually. The apartment vacancy rate increased to more than 4 percent during 2018, partially because of increased rental construction and slowing population growth. As the vacancy rate increased, apartment rent decreased an average of 4 percent annually from 2018 through 2020.

Figure 27. Apartment Rents and Vacancy Rates in the Washington Suburbs Submarket

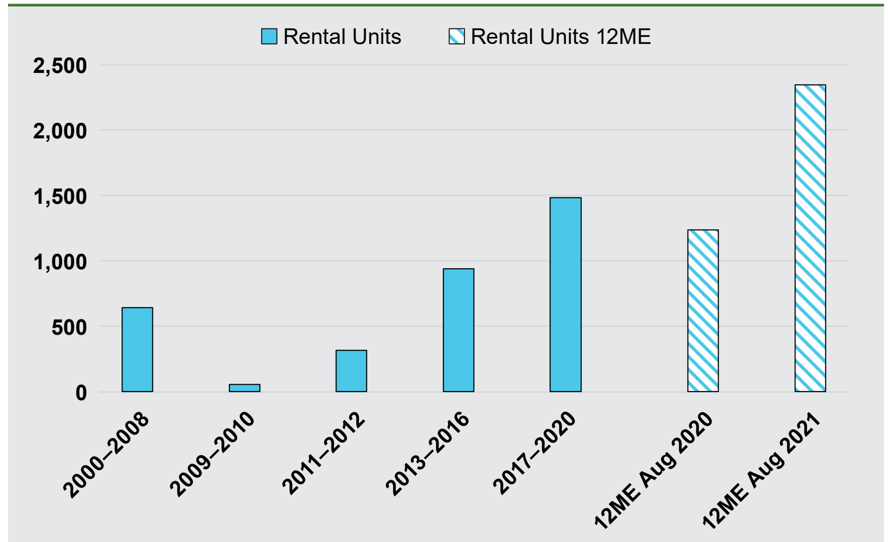


Q2 = second quarter. Q4 = fourth quarter.
Source: Moody's Analytics REIS

Rental Construction Activity

Rental construction activity, as measured by the number of rental units permitted, has increased sharply in the Washington Suburbs submarket since 2017. Rental construction was moderate from 2000 through 2008, averaging 650 rental units permitted annually. During that period, relatively low home prices in this submarket and easy access to credit limited the demand for suburban rental housing. During 2009 and 2010, rental construction in the submarket fell sharply, to an average of only 60 units permitted annually (Figure 28) because of poor economic and housing market conditions.

Figure 28. Annual Rental Permitting Activity in the Washington Suburbs Submarket



12ME = 12 months ending.
Notes: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Rental construction rose from 2011 through 2013, increasing by an average of 380 units permitted, or more than doubling, annually. Since 2013, strong population growth, low vacancy rates, and increased rent growth have supported high rates of rental construction. From 2013 through 2016, an average of 940 rental units were permitted annually, which then increased to an average of 1,475 units permitted annually from 2017 through 2020. During the 12 months ending August 2021, an average of 2,350 rental units were permitted in the submarket, up 90 percent from the 12 months ending August 2020. During the most recent 12 months, rental permitting decreased in the other submarkets.

An estimated 2,250 rental units are under construction as of September 1, 2021. Of these, most are in and around the city of Vancouver. Since 2010, a significant amount of infill construction has taken place in downtown Vancouver and near the riverfront of the Columbia River. Aegis Apartments, a 134-unit market-rate apartment property, began construction in downtown Vancouver during the summer of 2021.

Forecast

During the 3-year forecast period, demand is estimated for 4,100 rental units in the submarket (Table 18). Demand is expected to be similar to demand during the 2017-through-current period. The 2,250 units under construction will fulfill most of the expected demand during the first and second years of the forecast period. Fast population growth in this submarket will continue to support high levels of rental construction.

Table 18. Demand for New Rental Units in the Washington Suburbs Submarket During the Forecast Period

Rental Units	
Demand	4,100 Units
Under Construction	2,250 Units

Note: The forecast period is September 1, 2021, to September 1, 2024.
Source: Estimates by the analyst

Rental Market— Oregon Suburbs Submarket

Market Conditions: Balanced

Apartment market conditions in the Oregon Suburbs submarket did not change significantly during the second quarter of 2021 compared with a year earlier.

Current Conditions and Recent Trends

Rental market conditions in the Oregon Suburbs submarket are balanced, with a 4.2 rental vacancy rate, down from 6.3 percent in 2010 (Table 19). Before the COVID-19 pandemic, consistent population growth alongside moderate rental construction activity produced high rent growth. The apartment market in this

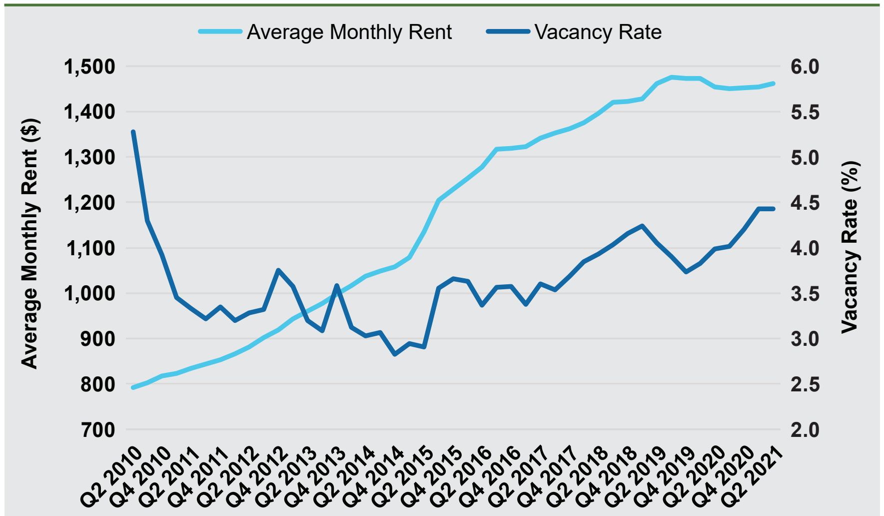
Table 19. Rental and Apartment Market Quick Facts in the Oregon Suburbs Submarket

		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	6.3	4.2
		2010 (%)	**2019 (%)**
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	31.3	28.9
	Multifamily (2–4 Units)	14.9	14.4
	Multifamily (5+ Units)	50.2	53.8
	Other (Including Mobile Homes)	3.7	0.0
		Q2 2021	**YoY Change**
Apartment Market Quick Facts	**Apartment Vacancy Rate**	4.4%	0.4%
	Average Rent	$1,461	0.4%
	Studio	$1,170	NA
	One-Bedroom	$1,304	NA
	Two-Bedroom	$1,497	NA
	Three-Bedroom	$1,847	NA

Q2 = second quarter. NA = data not available. YoY= year-over-year.
Notes: The current date is September 1, 2021. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—Moody's Analytics REIS

submarket is also balanced. During the second quarter of 2021, the apartment vacancy rate was 4.4 percent and rents increased less than 1 percent, to $1,461, on an annual basis, compared with the second quarter of 2020, when the vacancy rate was 4.0 percent and rents decreased by less than 1 percent (Moody's Analytics REIS). Apartment market conditions did not significantly change in response to the COVID-19 pandemic—the apartment vacancy rate was 4.1 percent during the second quarter of 2019. From 2014 through 2017, the apartment vacancy rate in the submarket was higher than in the Washington Suburbs submarket but remained below 4 percent (Figure 29). During the same period, the submarket led rent growth in the HMA, with average asking rents increasing an average of 8 percent annually. After 2017, as population growth in the submarket slowed, the apartment vacancy rate trended up, ranging from 3.7 to 4.2 percent from 2018 through 2020, and average rents increased an average of 2 percent annually.

Figure 29. Apartment Rents and Vacancy Rates in the Oregon Suburbs Submarket

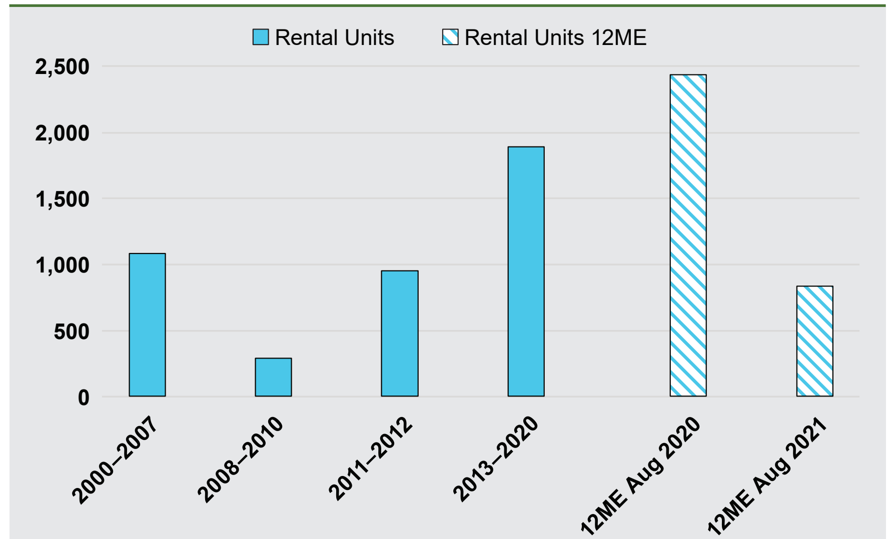


Q2 = second quarter. Q4 = fourth quarter.
Source: Moody's Analytics REIS

Rental Construction Activity

Rental construction activity in the Oregon Suburbs submarket, as measured by the number of rental units permitted, increased sharply after 2010 but less than the other submarkets. From 2008 through 2010, an average of 290 rental units were permitted annually (Figure 30), but construction began to increase in this submarket before the rest of the HMA, with the number of units permitted increasing by 490 units, or 86 percent, annually from 2011 through 2013. From 2013 through 2020 rental construction was relatively stable, with an average of 1,900 units permitted annually, higher than the average of 1,075 units permitted annually from 2000 through 2007. During the 12 months ending August 2021, only 840 rental units were permitted, down 66 percent from the 2,425 units permitted during the 12 months ending August 2020 (preliminary data, with adjustments by the analyst).

Figure 30. Annual Rental Permitting Activity in the Oregon Suburbs Submarket



12ME = 12 months ending.
Notes: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Approximately 1,800 apartments are under construction in the Oregon Suburbs submarket. About two-thirds of those units are estimated to be in Washington County, with almost all of the remainder in Clackamas County. One of the largest apartment developments is the market-rate West End District in the city of Beaverton in Washington County. The West End District is a partially complete 424-unit apartment property, with rents for studios, one-bedroom, and two-bedroom units starting at $1,535, $1,710, and $1,825, respectively. In addition to market-rate apartments, income-restricted rental housing is under construction in the submarket at Fuller Road Station, a 100-unit apartment building in the city of Happy Valley in Clackamas County. When complete in 2022, 22 units will be reserved for households experiencing or at risk of homelessness, and all units will be income restricted to households ranging from 30 to 80 percent of Area Median Income.

Forecast

During the next 3 years, demand is estimated for 3,825 rental units (Table 20), slightly below the 2013-to-current level. Some of this demand will be met by the approximately 1,800 rental units under construction. Slowing population growth in the submarket is expected to contribute to falling rental demand.

Table 20. Demand for New Rental Units in the Oregon Suburbs Submarket During the Forecast Period

	Rental Units
Demand	3,825 Units
Under Construction	1,800 Units

Note: The forecast period is September 1, 2021, to September 1, 2024.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Cost Burden	Spending more than 30 percent of household income on housing costs. Moderate to high cost burden refers to households spending 31 to 50 percent of income on housing costs. Severe cost burden refers to households spending 51 percent or more of income on housing costs.
Cottage Clusters	A collection of detached single-family housing units less than 900 square feet that share a common courtyard.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Downtown Portland	The area in ZIP Codes 97205 and 97209.
Existing Home Sales	Include regular resales and REO sales.
Forecast Period	9/1/2021–9/1/2024—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.

Net Natural Increase	Resident births minus resident deaths.
Regular Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party and include short sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

D. Photo/Map Credits

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