



Fannie Mae

Multifamily Metro Outlook: Portland Winter 2018

Overview

An elevated level of supply is being delivered to the Portland apartment market with about 20,000 units delivered since 2012 alone, representing a 12 percent increase in inventory. Although there has been strong job and population growth resulting in a solid household formation rate, the cumulative effect of such rapid growth in stock is causing rents to slow substantially as existing units compete with new units for tenants.

While Portland's job growth projection remains healthy and is likely to produce demand for about 6,000 new apartments in 2018, in the near term new supply is expected to continue to outpace demand.

Demographics are in Portland's favor with the population forecast to grow by 1.3 percent on average annually through 2021, almost double the national average. The proportion of the population aged 21 to 34 is above average at 21.1 percent, compared to 20.7 percent for the U.S. This group, attracted by the natural amenities, hip lifestyle, and job opportunities, is expected to grow at a rate twice the national average through 2021.

In addition, Portland's population is well educated with approximately 38% holding a bachelor's degree, compared to the national average of 31%, making it an attractive city for tech companies in particular to locate. Portland's largest employer, Intel, will invest almost \$100 billion over the next 30 years to help solidify Portland as a regional tech hub. Other technology firms with a substantial presence in the metro include Salesforce and eBay.

Jobs in the high-tech sector pay well but are also quite volatile. Nearly 8 percent of Portland's jobs are in the high-tech sector, including electronic component manufacturing.

Affordability is also an issue in Portland. The cost of living is 10 percent above the national average, and state legislation was recently introduced to pave the way for rent stabilization and rent control across Oregon.

Development

While new supply is finally slowing in Beaverton, there remains too much high-rent Class A development in too few submarkets. To address the affordability issue, in 2016, the City Council approved an inclusionary zoning policy that requires apartment and condo developers with projects larger than 20 units to reserve 20 percent of apartments for households making less than 80 percent of the area median income.

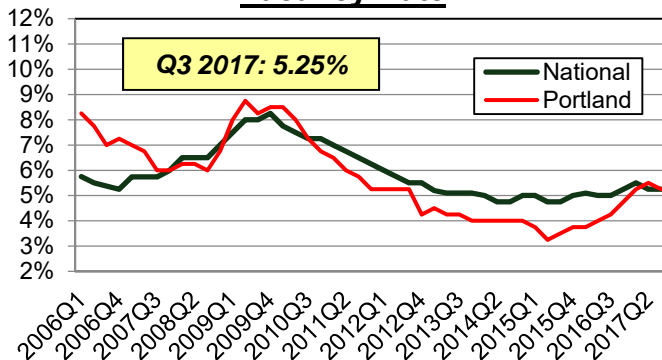
Outlook

While Portland's multifamily rental market remains healthy, expensive new supply continues to be delivered to the market, which is contributing to slowing net absorption. While healthy job growth should limit the rise in vacancies, we expect a significant slowdown in rent growth in 2018, especially in the urban core. However, should the recently passed Tax Cuts and Jobs Act (TCJA) offer the intended stimulus, the slowdown in rent growth may reverse as new jobs are created.

Long term, Portland's unique quality of life and healthy job growth should continue to attract new residents, which bodes well for absorption of oversupply. However, only moderate amounts of new supply will be needed given the recent aggressive expansion of new apartments.

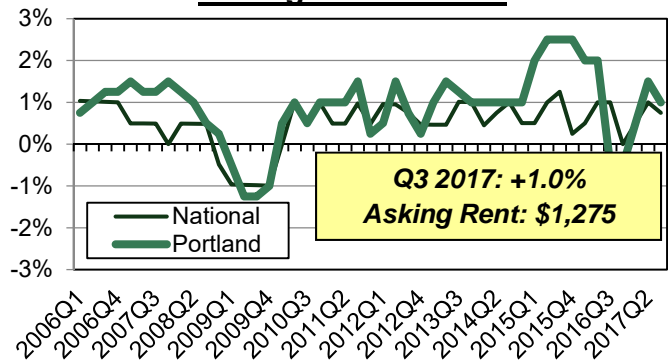
Vacancy and Rent Composite Estimates

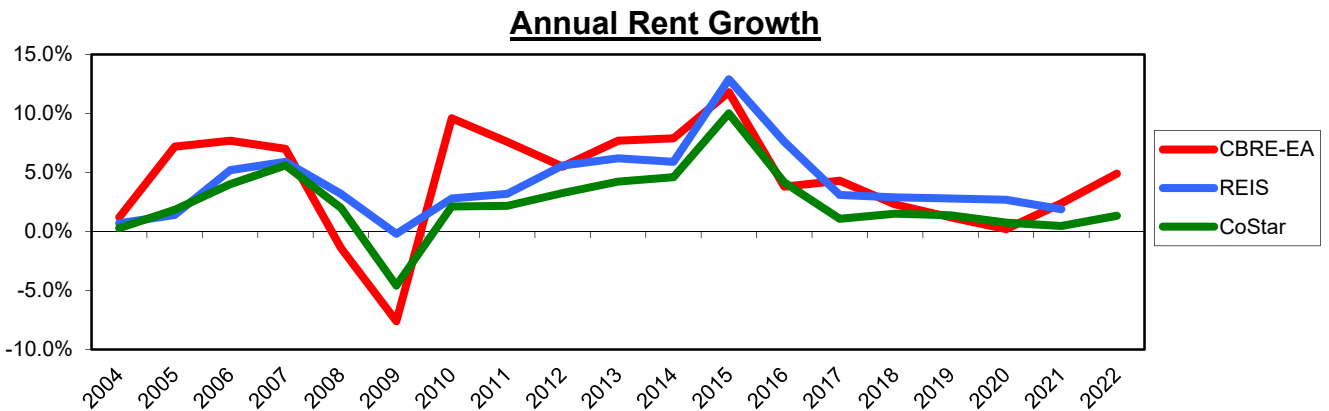
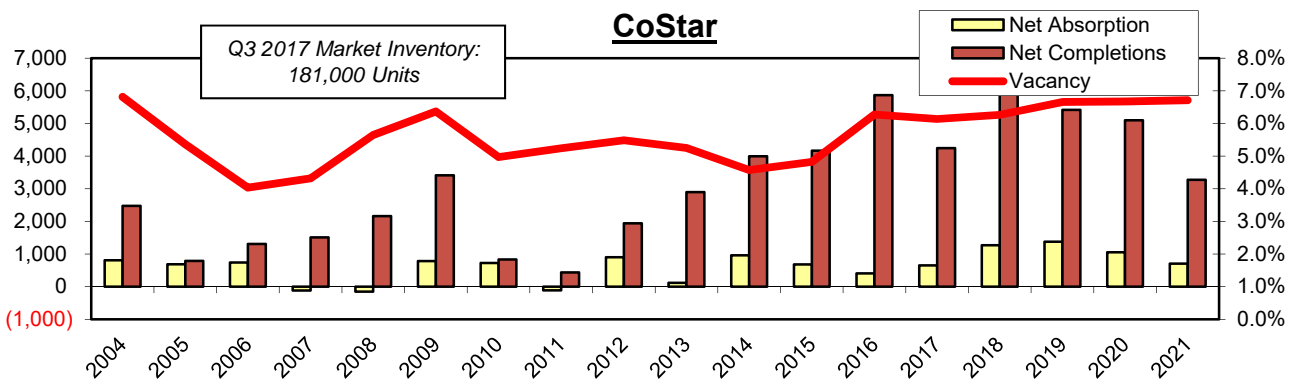
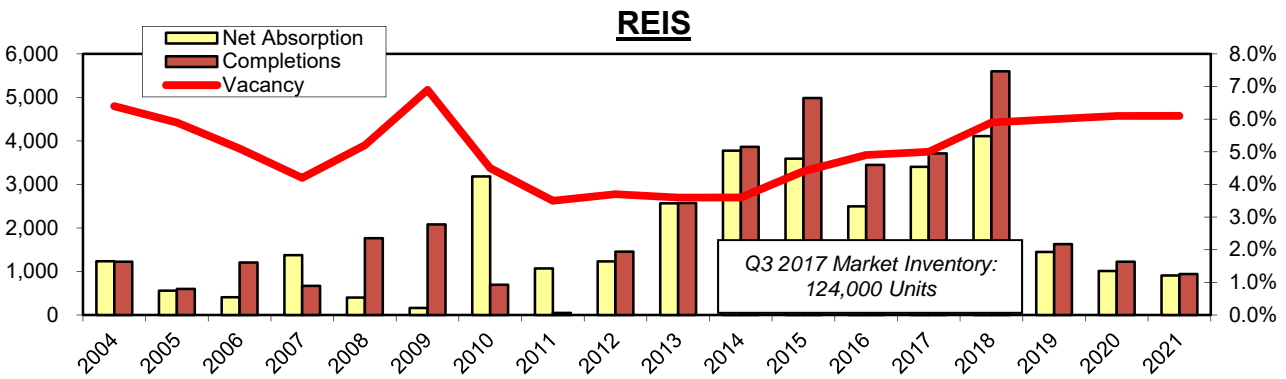
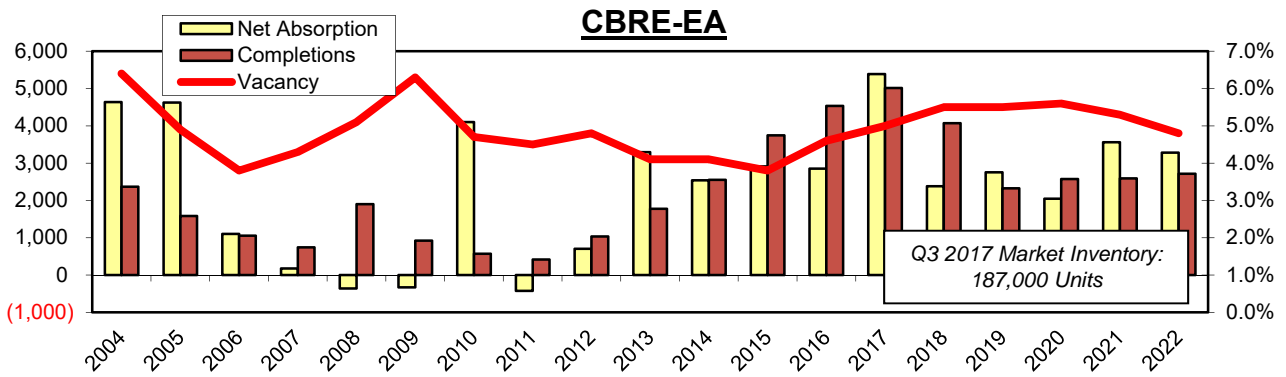
Vacancy Rate



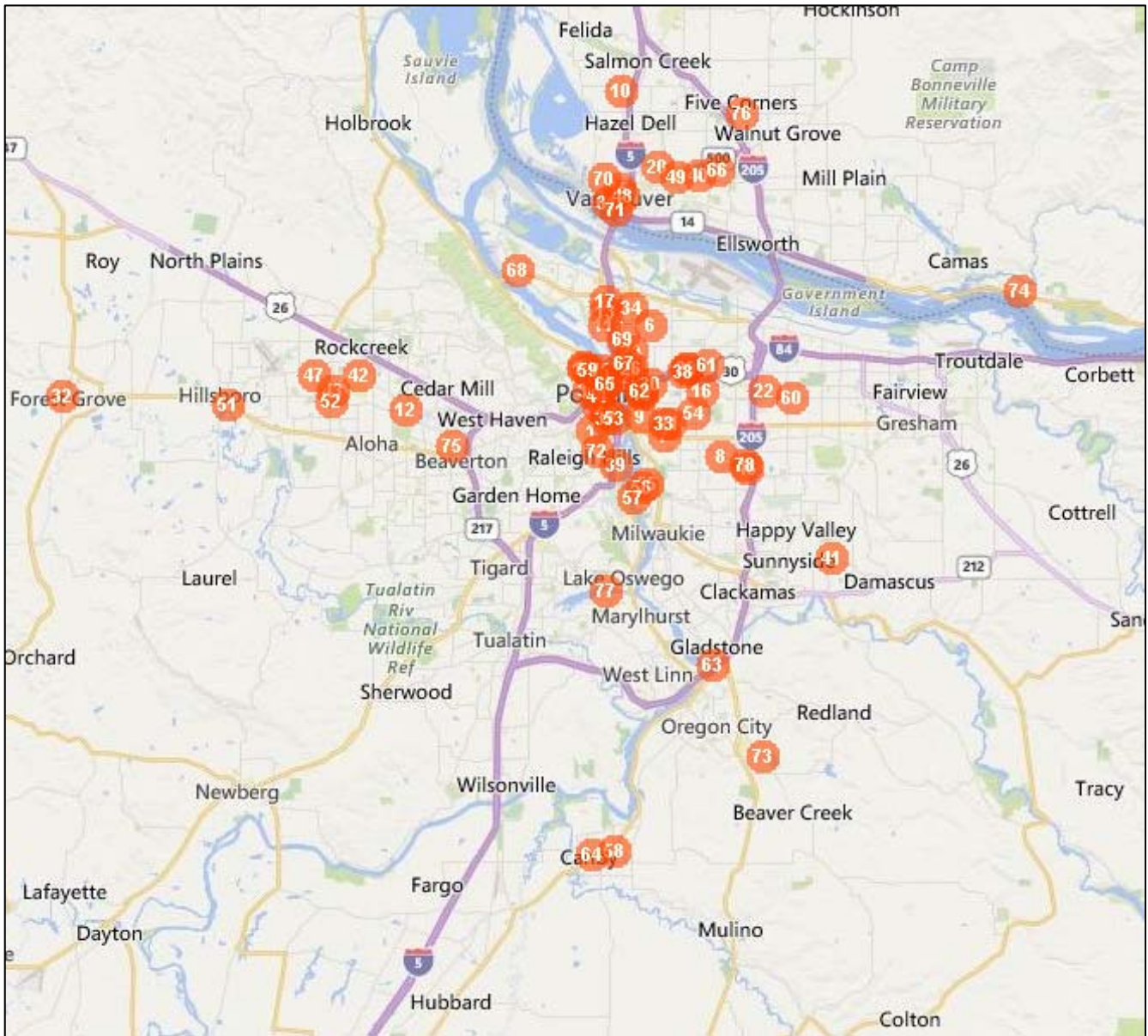
Source: Fannie Mae Multifamily and Economics Research

Asking Rent Growth





Construction Bidding/Underway
(78 projects/8,000 Units/7.8 M Sq. Feet)



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Northwest	19	2741	2742
Northeast	29	1914	2120
Vancouver	12	1135	1087
not available	7	1138	1063
Beaverton	7	537	575
East Gresham	4	353	414



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Multifamily Metro Outlook: Phoenix Winter 2018

Fannie Mae Multifamily Economics and Market Research

Tanya Zahalak, Senior Multifamily Economist

Sources Used

- AxioMetrics
- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics
- Moody's Analytics
- Real Capital Analytics
- Reis, Inc.

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