

HUD PD&R Housing Market Profiles

Portland, Oregon—Spotlight: Multnomah County, Oregon



Quick Facts About Multnomah County

- Current sales market conditions: tight
- Current apartment market conditions: slightly soft
- The city of Portland was the eighth most-popular moving destination for millennials during 2019 (SmartAsset).

Portland, Oregon

By Adam Tubridy | As of January 1, 2022

Overview

Multnomah County is the largest of the eight counties in the Portland-Vancouver-Hillsboro, WA-OR (hereafter Portland) metropolitan area by population, and it contains the city of Portland. Job growth in Multnomah County has lagged behind the Portland metropolitan area at large since 2017. The recovery of the labor market from the impact of COVID-19 has been slower in Multnomah County than the rest of the metropolitan area. Population growth in Multnomah County has been slow since 2016, relative to the remainder of the metropolitan area. In both Multnomah County and the Portland metropolitan area, a limited supply of for-sale inventory, strong demand for sales housing, and low interest rates have contributed to tight sales market conditions and strong home price growth since 2012. Apartment market conditions are slightly soft in Multnomah County, compared to balanced elsewhere in the metropolitan area. Increased use of telework and restrictions on in-person entertainment and dining contributed to a shift in renter demand to more suburban areas in the Portland metropolitan area.

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- The current population of Multnomah County is estimated at 818,700, accounting for approximately 32 percent of the population of the Portland metropolitan area, which is estimated at 2.53 million.
- In Multnomah County, population growth slowed, falling from an average of 12,250, or 1.6 percent, annually from 2013 to 2016 to 2,775, or 0.3 percent, from 2016 to the current date. Slower economic growth relative to the metropolitan area at large and barriers to new home construction have contributed to declining population growth in Multnomah.

Population growth slowed in the Portland metropolitan area to a lesser extent, decreasing from average annual growth of 37,500, or 1.6 percent, from 2013 to 2016 to 19,150, or 0.8 percent, from 2016 to the current date.

- Domestic migration from California has supported population growth in Multnomah County. From 2015 through 2019, the Census Bureau estimated that four of the five counties with the most net migration to Multnomah County were in California (American Community Survey [ACS] 5-year data; Census Bureau Metro-to-Metro Migration Flows).

Economic Conditions

Economic conditions in Multnomah County improved during the past year, and the local economy continues to recover from the impacts of the COVID-19 pandemic. Multnomah County has recovered approximately 62 percent of the nonfarm payroll jobs (not seasonally adjusted) that were lost during March and April 2020. Multnomah County is recovering slower than the Portland metropolitan area, where 86 percent of lost payrolls have been recovered. Only two economic sectors—the transportation and utilities sector and the information sector—have recovered all of the jobs lost during the pandemic-related downturn and have surpassed February 2020 job levels. Multnomah County was disproportionately hurt, relative to the remainder of the metropolitan area, by the economic downturn associated with the COVID-19 pandemic. During December 2021, retail foot traffic in Multnomah County was down 9 percent

compared with December 2019; by comparison, foot traffic in the remainder of the metropolitan area declined 3 percent during the same period (Placer.ai). Tourism fell 9 percent between December 2019 and December 2021 in Multnomah County but increased 46 percent in the remainder of the metropolitan area. Approximately two thirds of all restaurants in the Portland metropolitan area have reopened and begun accepting reservations, compared with approximately 80 percent nationally, while total diners during December 2021 remain 43 percent below December 2019 levels, compared with a 13-percent decline nationally (OpenTable).

During the fourth quarter of 2021—

- Nonfarm payrolls in Multnomah County averaged 503,000 jobs, up by 21,500, or 4.5 percent, compared with the

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During the fourth quarter of 2021, 8 of 11 payroll sectors in Multnomah County added jobs.

	3 Months Ending		Year-Over-Year Change	
	December 2020 (Thousands)	December 2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	481.5	503.0	21.5	4.5
Goods-Producing Sectors	54.9	54.9	0.0	0.0
Mining, Logging, & Construction	24.9	24.5	-0.4	-1.6
Manufacturing	30.0	30.4	0.4	1.3
Service-Providing Sectors	426.6	448.3	21.7	5.1
Wholesale & Retail Trade	62.5	64.2	1.7	2.7
Transportation & Utilities	35.3	33.9	-1.4	-4.0
Information	11.3	11.9	0.6	5.3
Financial Activities	34.3	33.4	-0.9	-2.6
Professional & Business Services	80.4	82.2	1.8	2.2
Education & Health Services	77.8	78.8	1.0	1.3
Leisure & Hospitality	33.3	46.9	13.6	40.8
Other Services	17.3	19.5	2.2	12.7
Government	74.4	77.5	3.1	4.2
Unemployment Rate	7.3%	3.6%		

Note: Numbers may not add to totals due to rounding.
Source: Oregon Employment Department



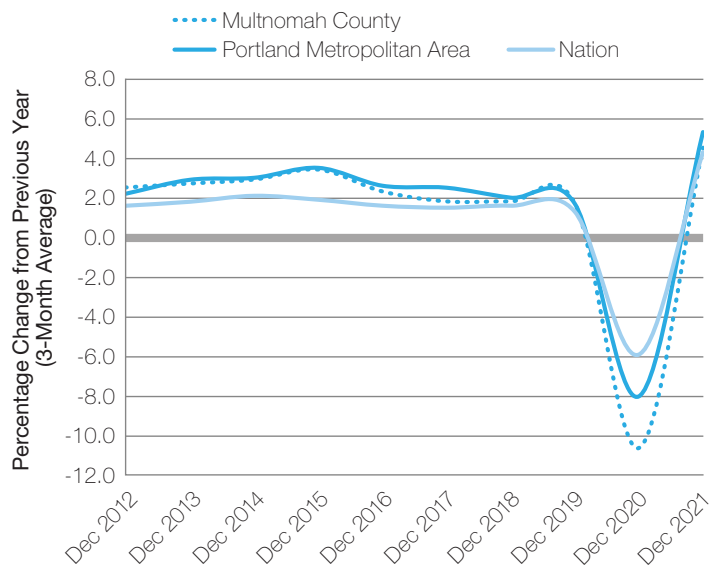
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fourth quarter of 2020, when payrolls fell year over year by 56,900, or 10.6 percent. By comparison, the percent of jobs lost was not as large in the Portland metropolitan area at large, where payrolls increased by 60,400, or 5.3 percent, compared with the fourth quarter of 2020, when payrolls fell by 99,900, or 8.0 percent.

- Almost two thirds of job growth in Multnomah County came from the leisure and hospitality sector, where the number of jobs rose by 13,600, or 40.8 percent, year over year. Despite the rapid rate of job growth, the number of leisure and hospitality jobs remained 20.8 percent below levels during the fourth quarter of 2019, when there were 59,300 jobs in this sector.
- The second largest source of job growth in Multnomah County was the government sector, up by 3,100 jobs, or 4.2 percent, year over year. Most of this growth occurred in public schools, where the number of jobs increased by 2,500 jobs, or 9.1 percent, following a decline of 3,000 jobs, or 9.8 percent, during the fourth quarter of 2020. Students in the Portland School District returned to in-person learning during the fourth quarter of 2021.
- In Multnomah County, the unemployment rate was 3.6 percent, down from 7.3 percent during the fourth quarter of 2020 but above the rate of 2.6 percent during the fourth quarter of 2019. In the Portland metropolitan area, the unemployment rate was 3.4 percent, down from 6.4 percent during the fourth quarter of 2020.

Multnomah County is the economic center of the Portland metropolitan area. During 2019, approximately 533,600 jobs, or 43 percent of the jobs in the Portland metropolitan area, were located in Multnomah County, and 401,300 workers live in the county (Census Bureau OntheMap data). This implies that, on net, 132,300 workers commute to Multnomah County. Annual nonfarm job growth in Multnomah County and the Portland metropolitan area was strong from 2014 through 2016, averaging 3.0 and 3.2 percent, respectively. Job gains slowed from 2017 through 2019, contributing to slowing population growth in both areas. During this period, the number of nonfarm

The economic contraction in 2020 was more severe in Multnomah County than in the Portland metropolitan area or the nation.



Sources: Oregon Employment Department; U.S. Bureau of Labor Statistics

Largest Employers in Multnomah County

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Providence Health & Services	Education & Health Services	21,000
Oregon Health & Science University	Government	18,050
Legacy Health	Education & Health Services	13,100

Notes: Excludes local school districts. Employment figures may include employees elsewhere in the Portland metropolitan area. Source: *Portland Business Journal*, 2021

payrolls grew an average of 1.8 percent annually in Multnomah County and 2.2 percent in the Portland metropolitan area. During this period, the two largest employers in the county, Providence Health & Services and Oregon Health & Science University added over 2,000 and 1,000 jobs, respectively.

Sales Market Conditions

The home sales market in Multnomah County is tight, with an estimated sales vacancy rate of 0.9 percent, down from 2.6 percent in April 2010. A limited supply of for-sale inventory, in conjunction with low mortgage rates and high demand for sales 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 December 2021, there were 1,625 single-family homes, condominiums, and townhomes for

sale in Multnomah County, representing a 0.7-month supply—down from 2,000 homes for sale, or a 1.0-month supply, during December 2020 (Redfin, a national real estate brokerage). By comparison, there were 2,275 homes for sale, or a 1.7-month supply, in December 2019, before the beginning of the COVID-19 pandemic. The current low level of for-sale housing inventory and the robust demand for sales housing contributed to both new and existing home sales prices increasing sharply

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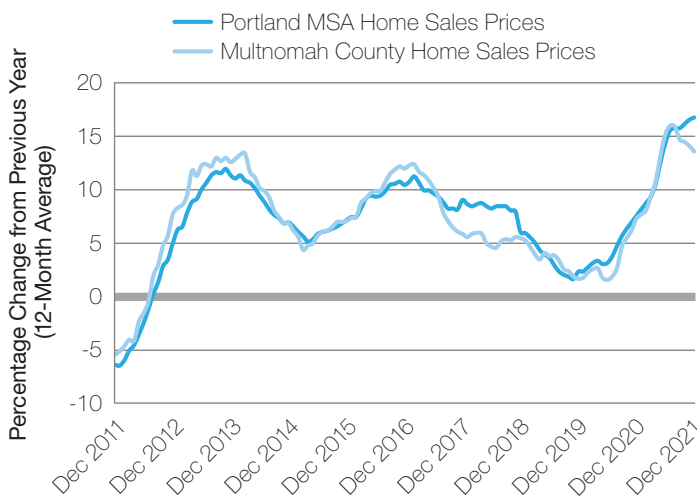
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during 2021. The reduction of available inventory, along with rising home sales and prices, has contributed to a declining number of loans that are seriously delinquent (90 or more days delinquent or in foreclosure), because homeowners are more likely to sell their houses if they cannot make their payments.

During 2021 —

- The average sales price of an existing home in Multnomah County increased 14 percent, to \$544,100, compared with an 18-percent gain to \$537,600 in the Portland metropolitan area (CoreLogic, Inc., with adjustments by the analyst). From 2012 through 2018, existing home prices in both Multnomah County and the Portland metropolitan area increased an average of 8 percent annually.
- Existing home sales in Multnomah County totaled 16,950, up 21 percent from a year ago and following a 5-percent increase during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). In the Portland metropolitan area, existing home sales grew at a slower rate, rising 13 percent in 2021.
- Approximately 610 new homes sold in Multnomah County, down nearly 31 percent from 2020, while new home sales decreased at a lower rate in the metropolitan area, falling 15 percent to 5,650. New home sales in Multnomah County were fairly stable from 2015 through 2019, averaging 830 homes sold annually. Low population growth since 2016, difficulty building homes in a built-out urban area, and barriers to condominium construction all contributed to sluggish growth in new home sales.

Home sales price growth in the Portland metropolitan area outpaced Multnomah County during late 2021.



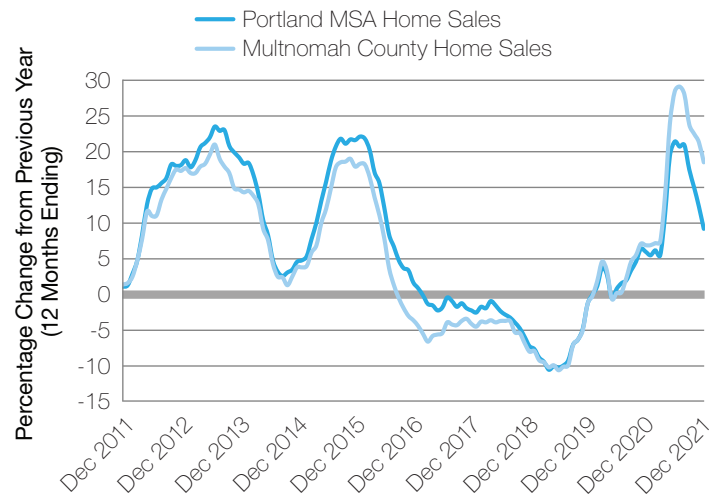
Note: Prices are for new and existing single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

- The average sales price of a new home increased 10 percent year over year in both Multnomah County and the Portland metropolitan area.

New home construction in Multnomah County, as measured by the number of single-family homes, townhomes, and condominiums permitted, was low during 2020 and 2021 and fluctuated slightly from 2014 through 2019.

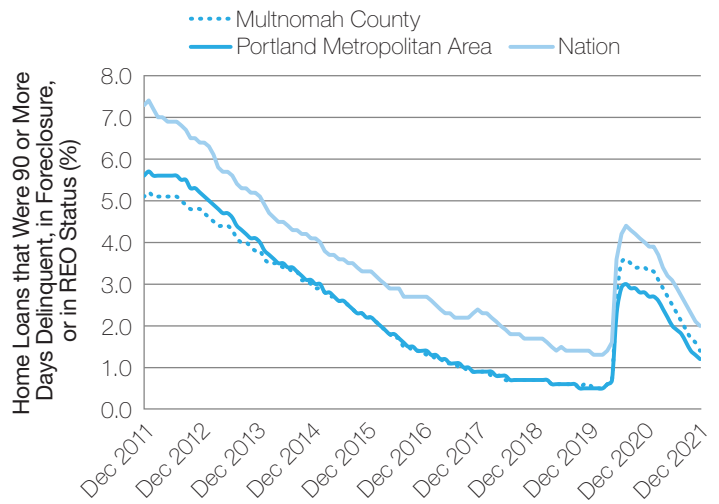
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In Multnomah County, growth in home sales tended to lag behind the Portland metropolitan area before 2019.



Note: Sales are for new and existing single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

The percentage of delinquent home loans and REO properties in Multnomah County and the Portland metropolitan area has been consistently below national levels.



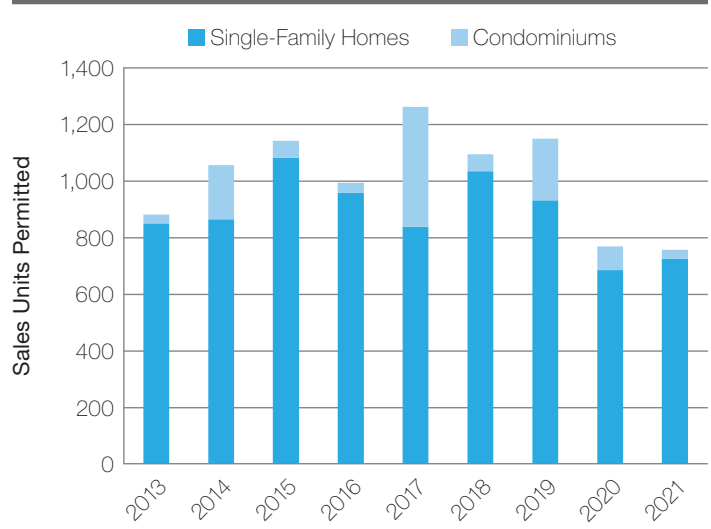
REO = real estate owned.
Source: CoreLogic, Inc.



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- During 2021, approximately 760 homes were permitted in Multnomah County, down from 770 homes permitted during 2020 (preliminary data). By comparison, an average of 1,125 homes were permitted annually from 2014 through 2019. In the Portland metropolitan area, home construction grew an average of 7 percent annually from 2014 through 2019.
- From 2000 through 2007, before the housing crisis and Great Recession, an average of 2,450 new homes were built annually in Multnomah County. Home construction has declined partially because of a general scarcity of vacant, developable land and decreased condominium construction.
- Condominium construction accounted for 30 percent of all sales housing construction from 2000 through 2007, but only 11 percent from 2014 through 2019. High rent growth in the post-2014 period, and higher insurance costs for condominium developments because of the potential for lawsuits from homebuyers, have induced developers to build apartments instead of condominiums.
- New home construction in Multnomah County accounted for 23 percent of all home construction in the Portland metropolitan area from 2000 to 2007. New home construction declined to 16 percent of new construction from 2014 through 2019 and only 10 percent of new home construction during 2020 and 2021.

Production of sales units in Multnomah County fluctuated from 2014 through 2019.



Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; 2021—preliminary data and estimates by the analyst

Apartment Market Conditions

Apartment market conditions in Multnomah County are slightly soft, compared with balanced apartment market conditions in the Portland metropolitan area at large. The Multnomah County apartment market was also softer than the remainder of the Portland metropolitan area before the COVID-19 pandemic. From 2014 through 2019, the average apartment vacancy rate in Multnomah County was at least 0.7 percentage point higher than the Portland metropolitan area during every fourth quarter (CoStar Group). During this period, almost 60 percent of all apartment construction in the metropolitan area occurred in Multnomah County, despite slowing population growth, contributing to the apartment vacancy rate increasing from 5.0 percent during the fourth quarter of 2013 to 8.0 percent during the fourth quarter of 2019. Although apartment development activity was high in Multnomah County, rent growth was sluggish compared with the remainder of the metropolitan area. From 2014 through 2019, average asking rents in Multnomah County increased at an average annual rate of 3 percent, with rent growth below the corresponding level in the metropolitan area each year, where rents increased at an average annual rate of 4 percent.

During the fourth quarter of 2021 —

- In Multnomah County, the apartment vacancy rate fell to 7.1 percent from 10.2 percent during the fourth quarter of 2020, and it is now lower than the rate of 8.0 percent during the fourth quarter of 2019, before the onset of the COVID-19 pandemic. By comparison, the apartment vacancy rate in the Portland metropolitan area decreased from 6.8 percent in the fourth quarter of 2020 to 5.1 percent during the fourth quarter of 2021.
- Average asking rents in Multnomah County increased 6 percent to \$1,505, following a decline of 2 percent during the fourth quarter of 2020. Rents in the Portland metropolitan area increased at a faster rate, rising 9 percent year over year during the fourth quarter of 2021. The COVID-19 pandemic, and the associated increase in teleworking and restrictions on in-person entertainment and dining, made living in or near downtown Portland less attractive than the more suburban areas of the metropolitan area.
- The CoStar-defined Downtown Portland market area had the highest vacancy rate in Multnomah County at 9.4 percent,

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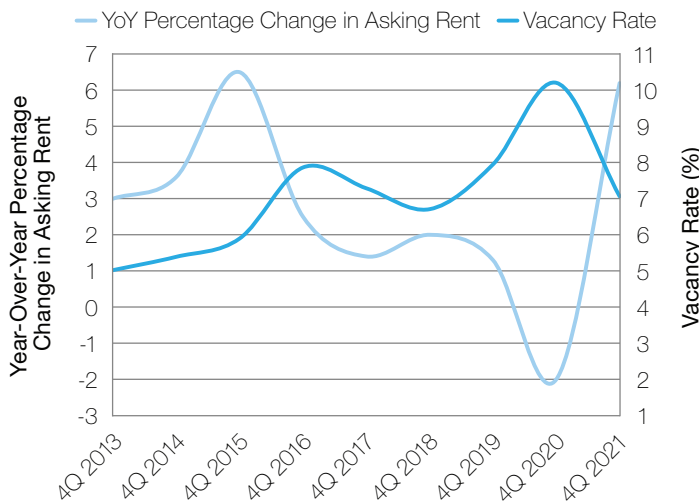
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down from 16.3 percent during the fourth quarter of 2020 and lower than the 12.2-percent rate during the fourth quarter of 2019. Average asking rent growth was 8 percent, the second highest in Multnomah County, but that increase occurred after average rents fell 7 percent during the fourth quarter of 2020, the largest decline in the county. Factors associated with the COVID-19 pandemic that have made suburban living more attractive are especially acute in downtown Portland, contributing to falling rental demand in an already soft market area.

- The tightest apartment market area in Multnomah County was in the CoStar-defined Troutdale/Gresham market area, where the vacancy rate declined from 5.9 to 5.1 percent and rents increased 8 percent to \$1,390, following growth of 3 percent during the fourth quarter of 2020. The Troutdale/Gresham area had a 5.4 percent apartment vacancy rate during the fourth quarter of 2019, the third lowest among the eight CoStar-defined market areas, and it is the only area in the county located outside of the city of Portland.

Production of rental units since 2020 in Multnomah County has been below the levels from 2014 through 2019. Softer apartment market conditions than elsewhere in the metropolitan area, and decreased demand for living in and near downtown Portland, have contributed to lowered apartment production since 2020.

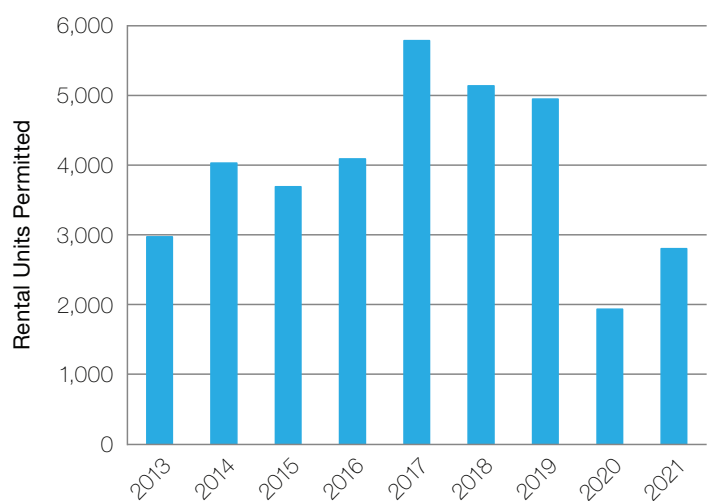
Rent growth in Multnomah County spiked during the fourth quarter of 2021.



4Q = fourth quarter. YoY = year-over-year.
Source: CoStar Group

- During 2021, 2,800 rental units, as measured by the number of rental units permitted, were permitted in Multnomah County, up 45 percent from the 1,950 units permitted during 2020 (preliminary data).
- From 2017 through 2019, an average of 5,300 rental units were permitted annually in Multnomah County, up from an average of 3,950 rental units permitted annually from 2014 through 2016. Rental construction did not exceed 3,000 units during any year from 2000 through 2013.
- Despite soft apartment market conditions, the CoStar-defined Downtown Portland market area led Multnomah County in apartment construction. There were approximately 790 apartment units under construction in this market area during the fourth quarter of 2021, or 1 for every 15 existing apartments.
- From 2014 through 2019, Multnomah County accounted for 59 percent of all rental unit construction in the Portland metropolitan area, but only 37 percent during 2020 and 2021. Excluding Multnomah County, rental construction in the remainder of the Portland metropolitan area increased from an average of 3,175 units permitted annually from 2014 through 2019 to an average of 4,000 units permitted annually during 2020 and 2021.

Rental unit construction in Multnomah County during 2020 and 2021 was lower than in preceding years because of soft market conditions.



Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; 2021—preliminary data and estimates by the analyst

