

Oregon Housing Market Overview



January, 2025



Presentation Agenda

- Introductions
- Why is there a housing crisis?
- How do housing markets function?
- How unaffordable are we?
- How much do we need to build?
- What's going on in the development market?
- How does middle housing fit in?
- Where might things go from here?

Introductions



Lorelei Juntunen
President and CEO



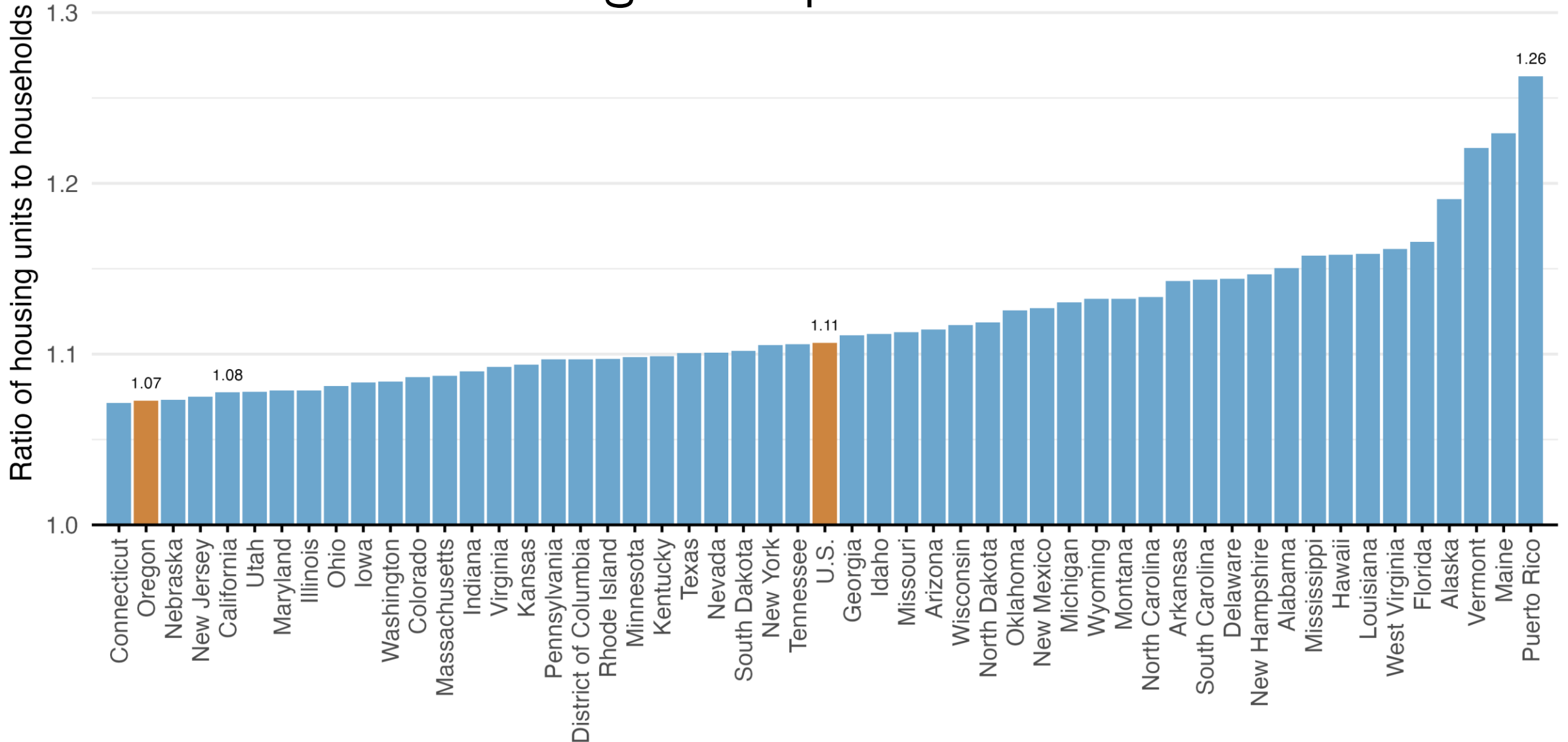
Madeline Miller
Senior Project Manager

Why is there a housing crisis?

Supply and demand imbalances across the state

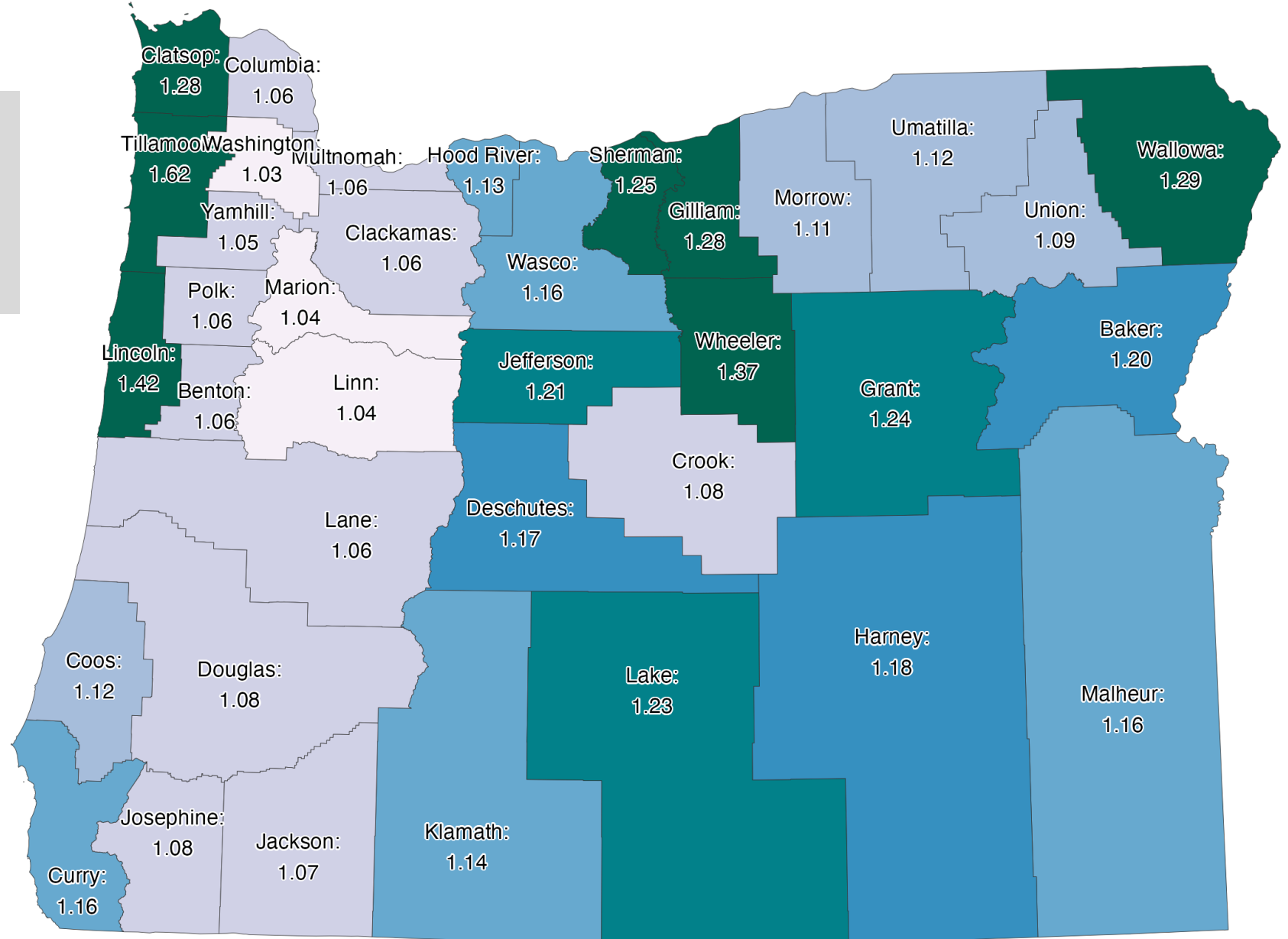
Oregon has the 2nd most constrained housing market in the country

Ratio of housing units per household in 2023



The entire Willamette Valley is below the national vacancy rate

Nationally there are
1.11 housing units
per household

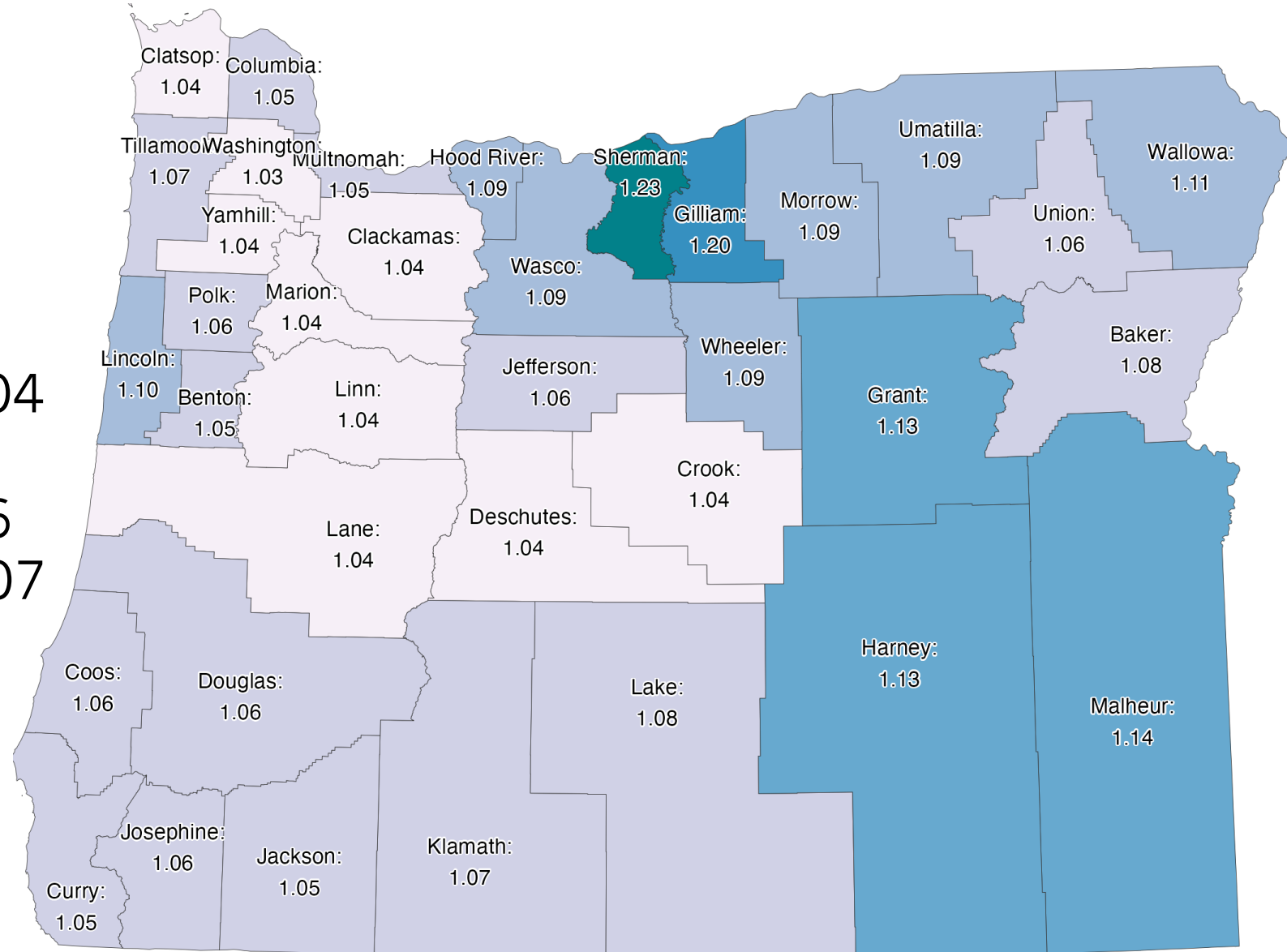


Removing 2nd & vacation homes reduces the statewide ratio to 1.05

Housing unit to household ratio after removing 2nd & vacation homes

Impact of removing 2nd / vacation homes

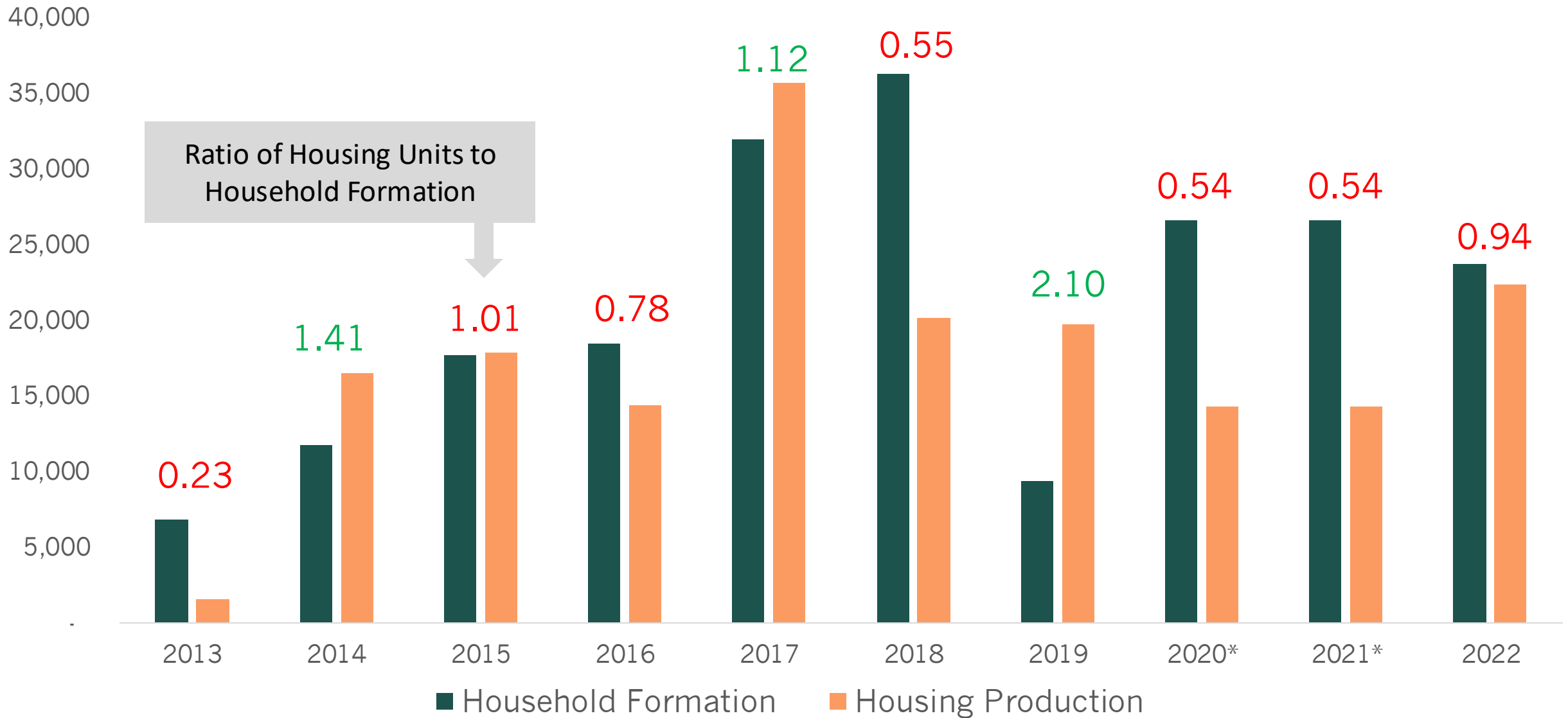
- Deschutes from 1.17 to 1.04
- Clatsop from 1.28 to 1.04
- Jefferson from 1.21 to 1.06
- Tillamook from 1.62 to 1.07
- Lincoln from 1.42 to 1.10
- Wallowa from 1.29 to 1.11



Source: Census ACS, 2023 5-year sample

0.84 housing units were produced per household formed over last decade

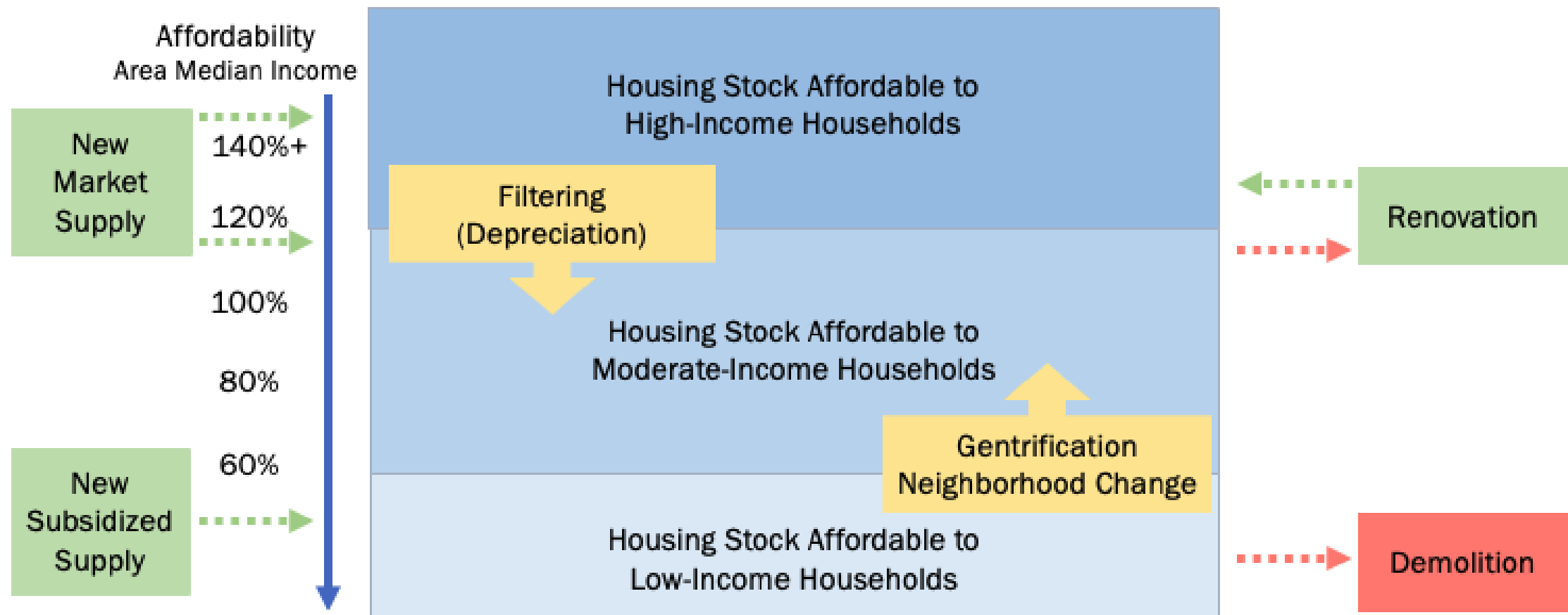
Annual Housing Production vs. Household formation, Statewide Oregon



How do housing markets function?

Supply changes, filtering, and cost burdening

New production has limited impact on affordability in the short run



How does increasing supply impact affordability?

1. Elasticity

The relationship between supply and price, building more units delivers some broad-based price/rent reduction

2. Filtering

Depreciation of older housing stock over time, the rate at which this happens is determined by the vacancy rate and the amount of new construction

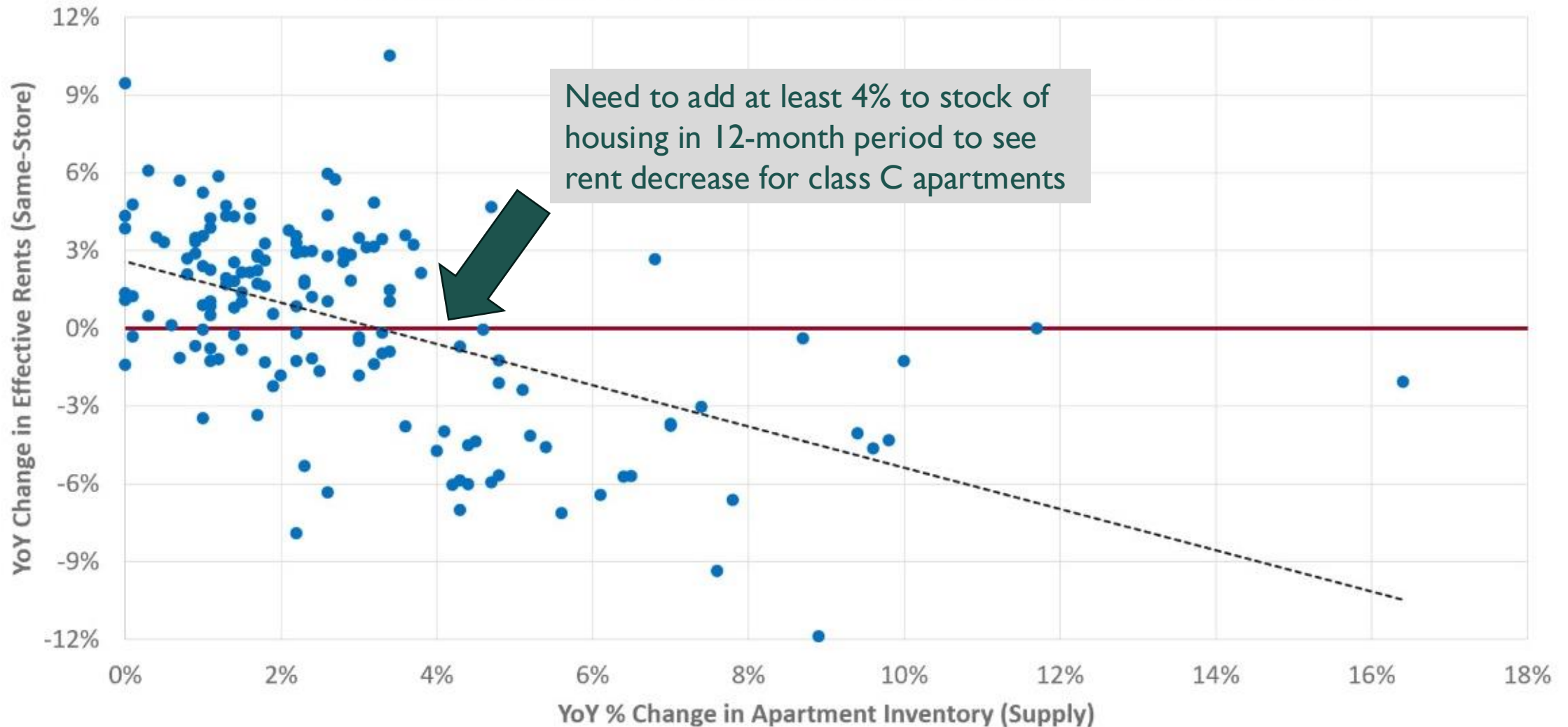
3. Income Sorting / Mismatch

Households rarely spend exactly 30% of their income on housing, households that spend less crowd out lower income households, causing increased cost burdening—the availability of units is a big contributor to lack of affordability

Building market rate housing only offers short-run rent relief

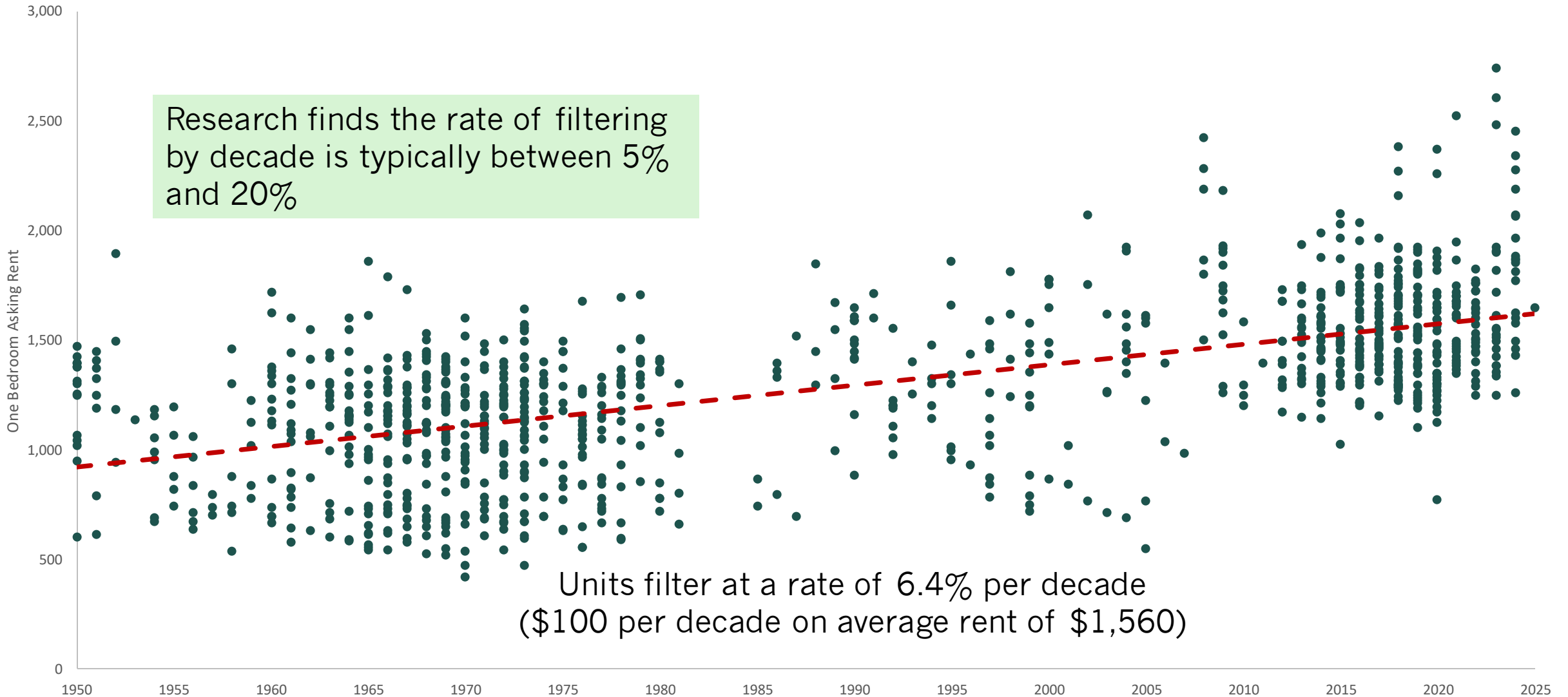
Class C Apartment Rents are Falling in High-Supplied Markets

T-12 Supply Change vs. Rent Change, Top 150 U.S. Markets, September 2024



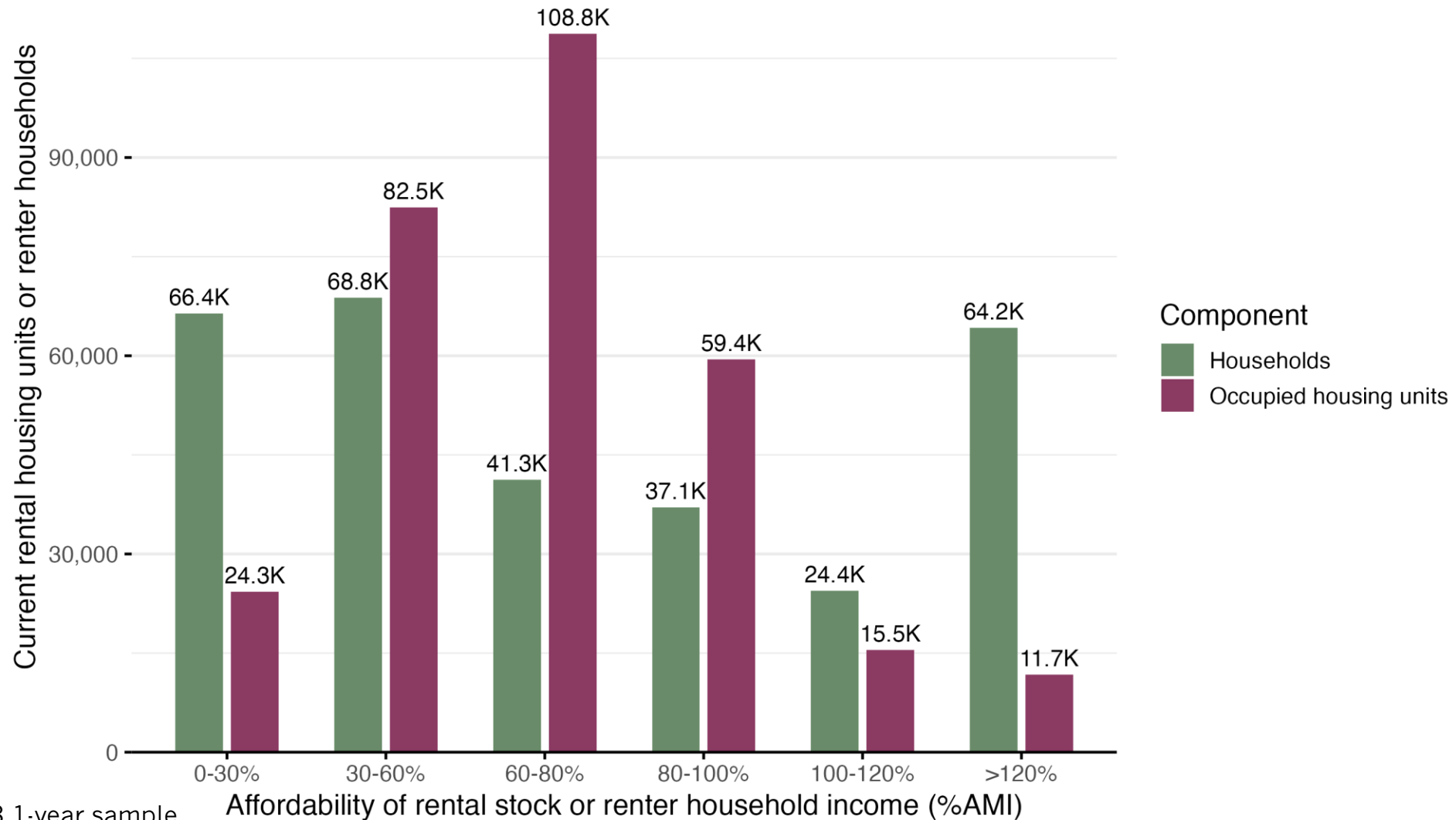
Apartment filtering is slow due to supply constraints

One Bedroom Apartment Rent, 4Q 2024 City of Portland



Within a regional housing market, low-income structural mismatch

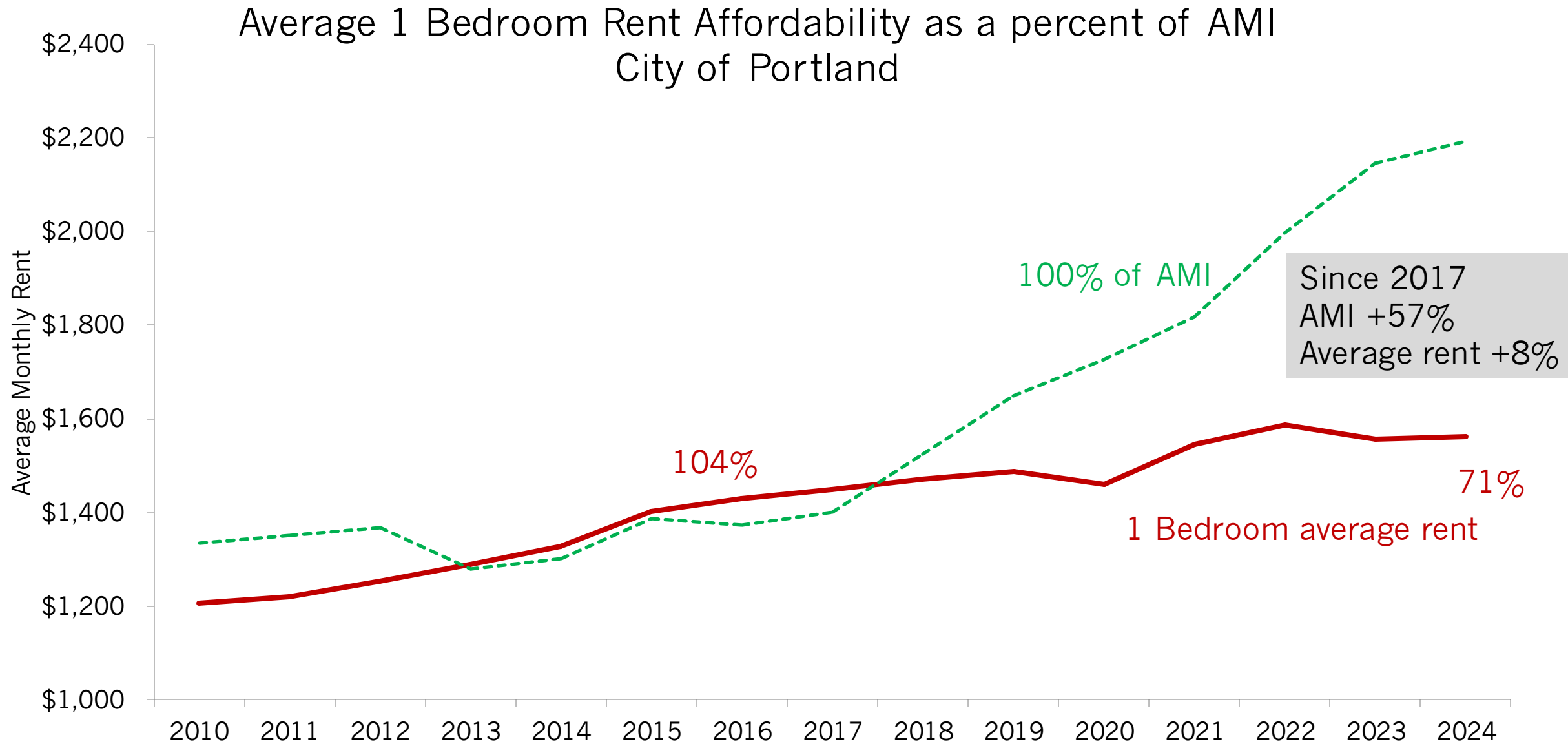
Comparing Rental Unit Affordability to Household Income of Residents Portland Metro Tri-County 2023



How unaffordable are we?

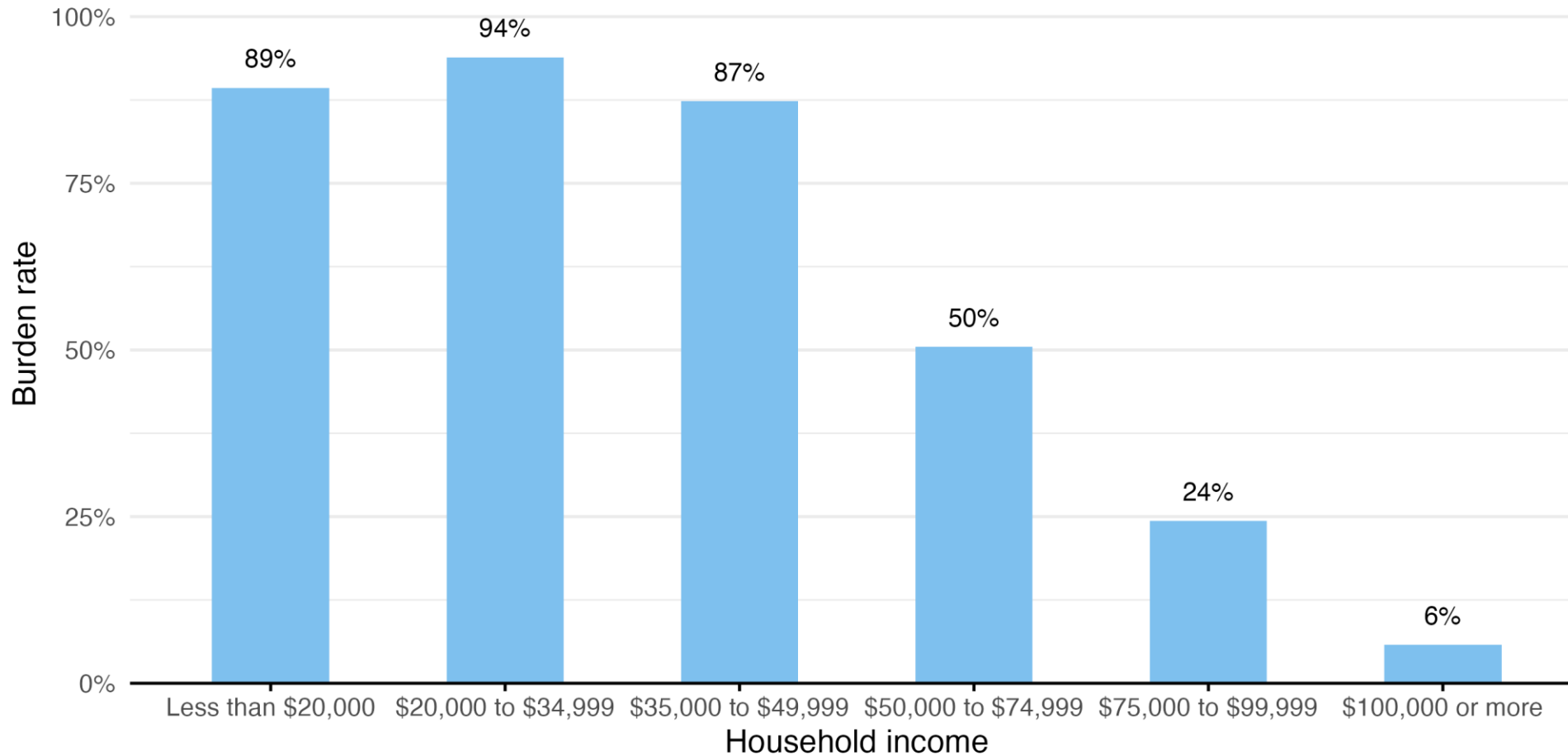
Housing costs compared to incomes

Rents became more affordable as AMI grew rapidly post 2017



Cost burdened renters concentrated below 70% of AMI

Share of cost burdened renters in City of Portland, by income in 2023



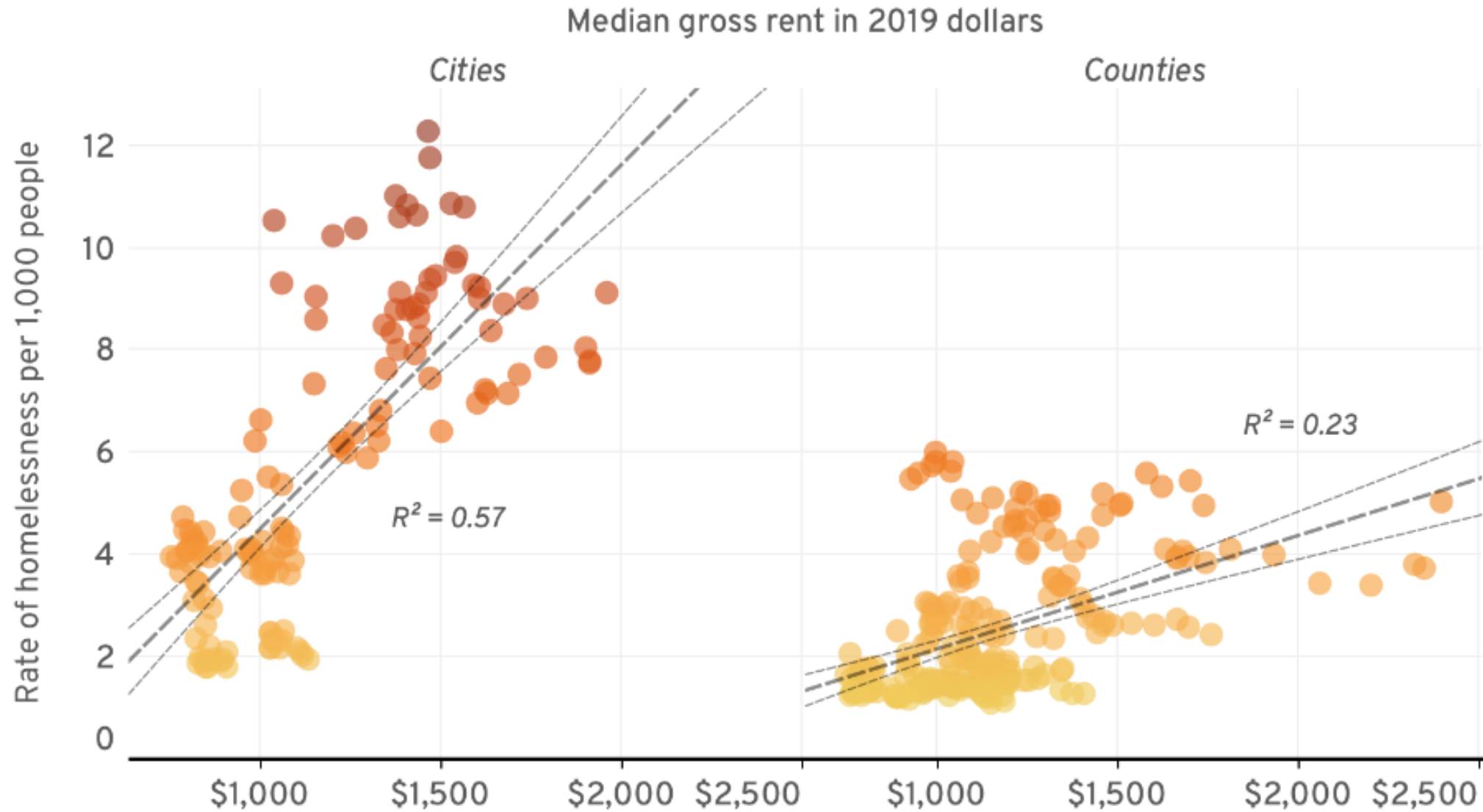
Renter Cost Burdening Rates

Gresham – 61%
Eugene – 56%
Medford – 55%
Salem – 54%
Bend – 50%
Portland – 50%

Cost burdened households spend more than 30% of their gross income on rent

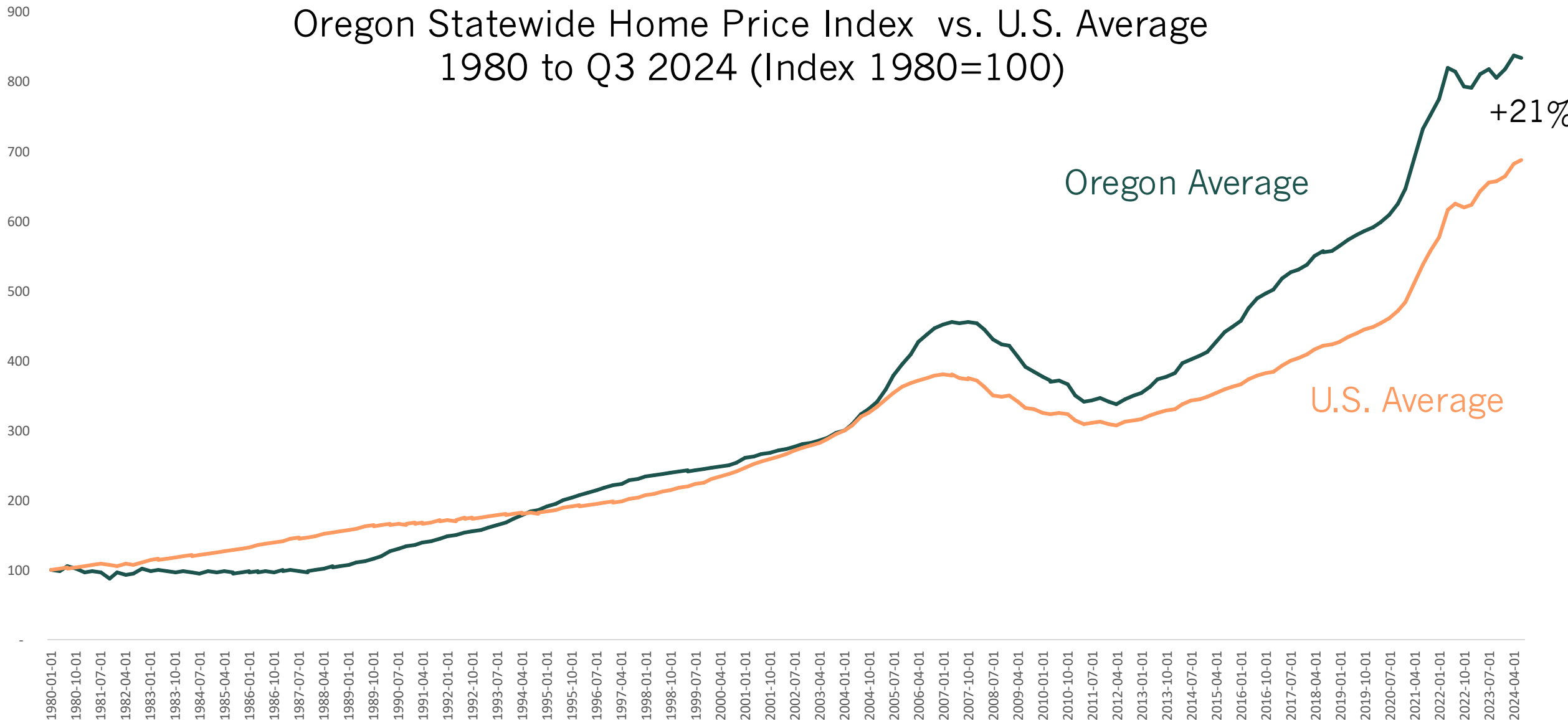
High rents and high cost burdening predict homelessness

A 2020 GAO report found that a \$100 increase in a region's median rent led to a 9% increase in its rate of homelessness.



Since 1980, prices have gone up faster in 11 states than in Oregon

Oregon Statewide Home Price Index vs. U.S. Average
1980 to Q3 2024 (Index 1980=100)



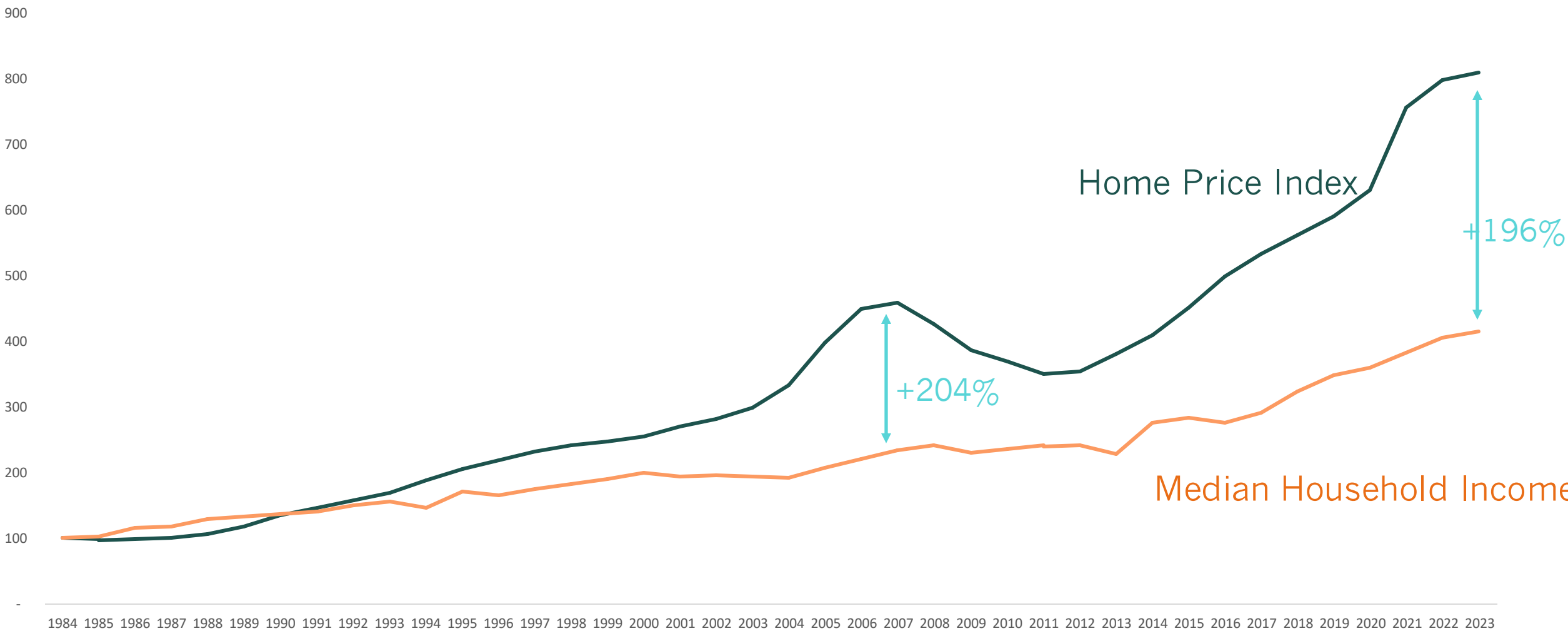
+21%

Oregon Average

U.S. Average

Since 1984 prices have increased twice as fast as the median income

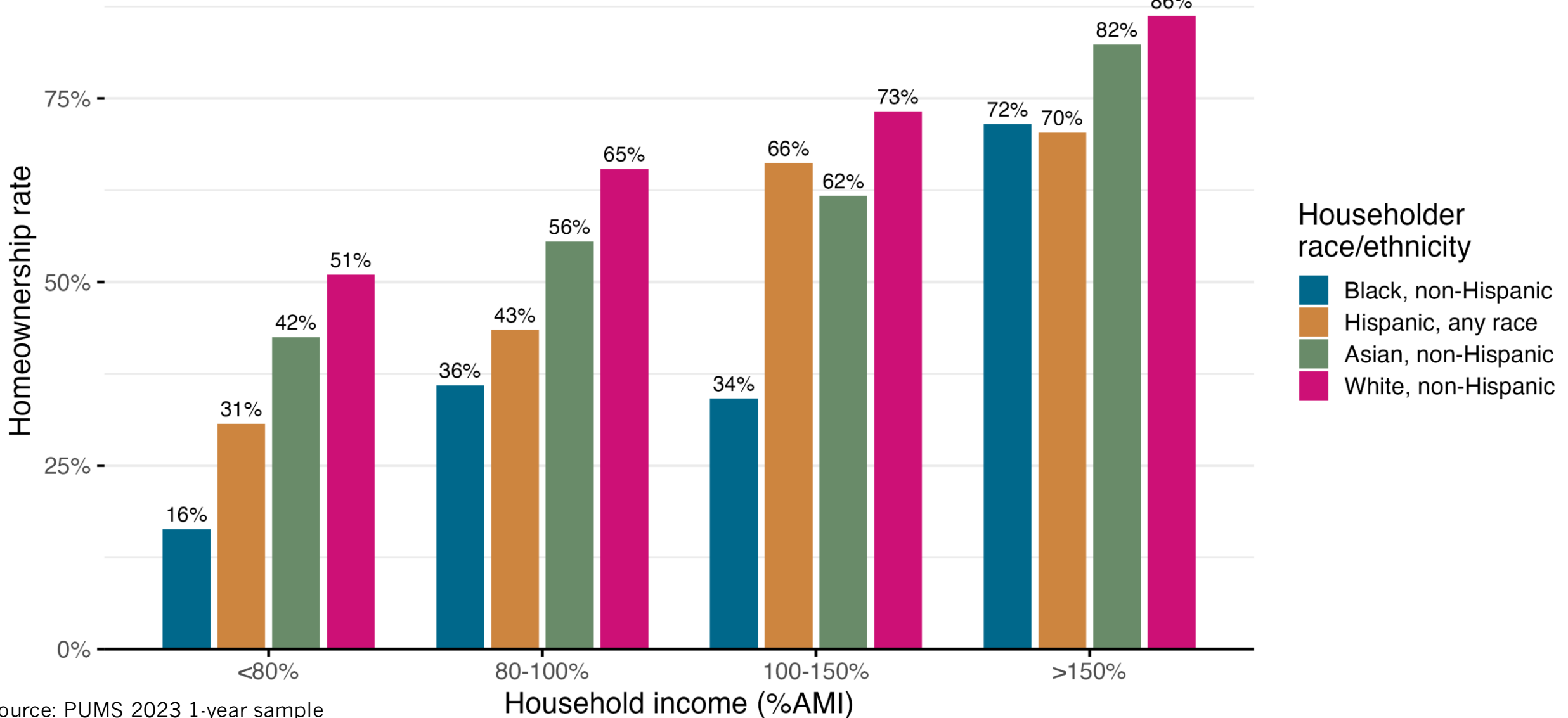
Oregon Average Home Prices Increase vs. Median Household Income
(Index 1984=100)



Source: U.S. Census, FHFA

Homeownership rate related to both income and race/ethnicity

Homeownership Rate by Race/Ethnicity in Oregon

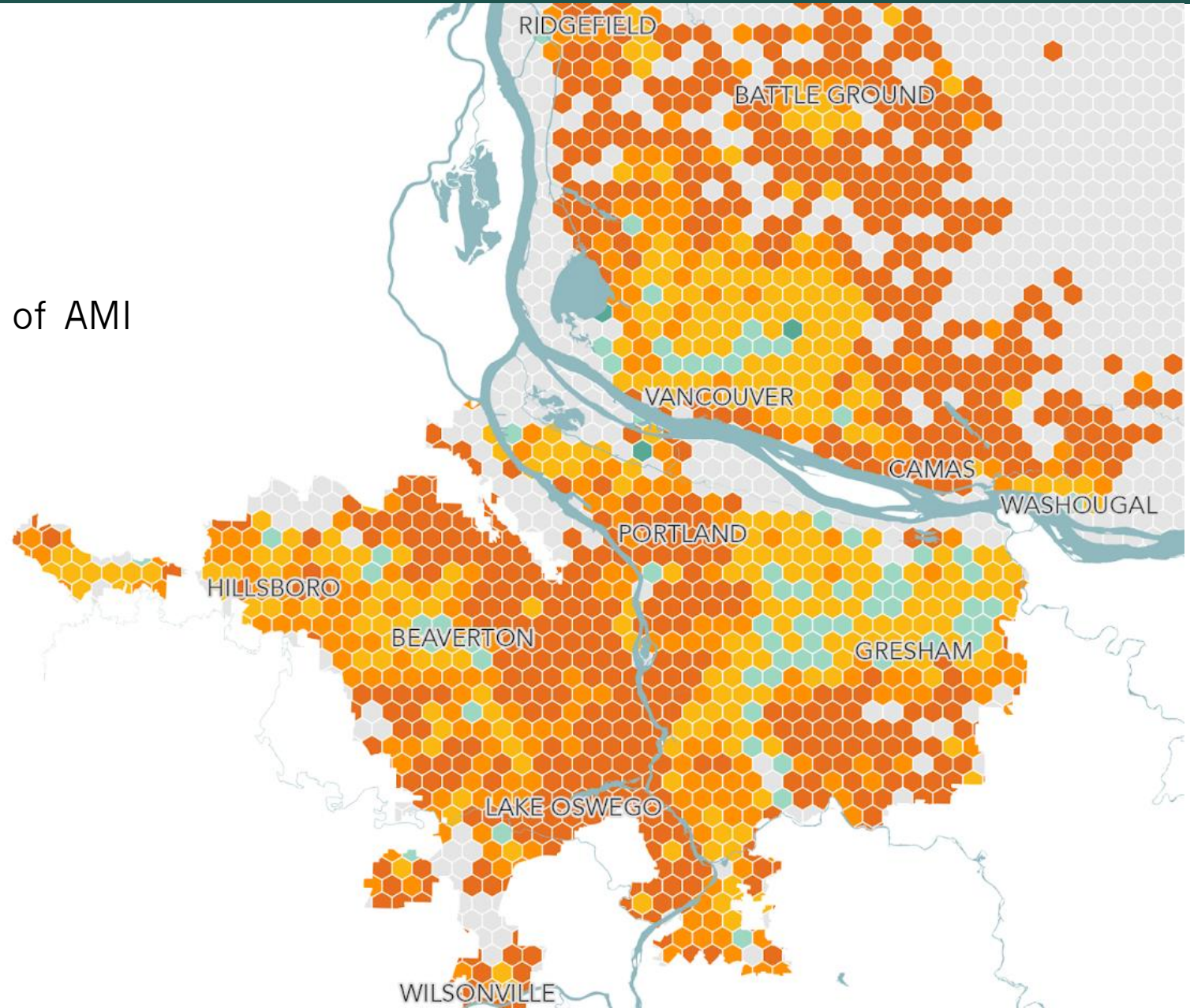
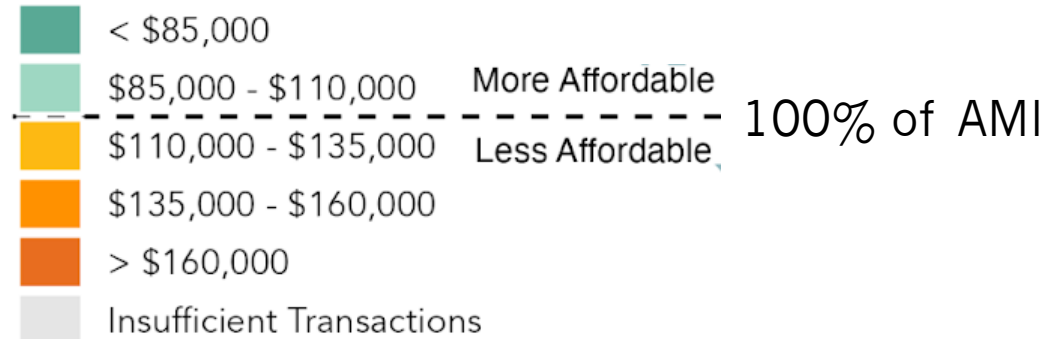


Source: PUMS 2023 1-year sample

Housing unaffordable in most of the region for households at 100% of AMI

Assuming 20% down payment
6.5% mortgage rates

Income level necessary to purchase



How much do we need to build?

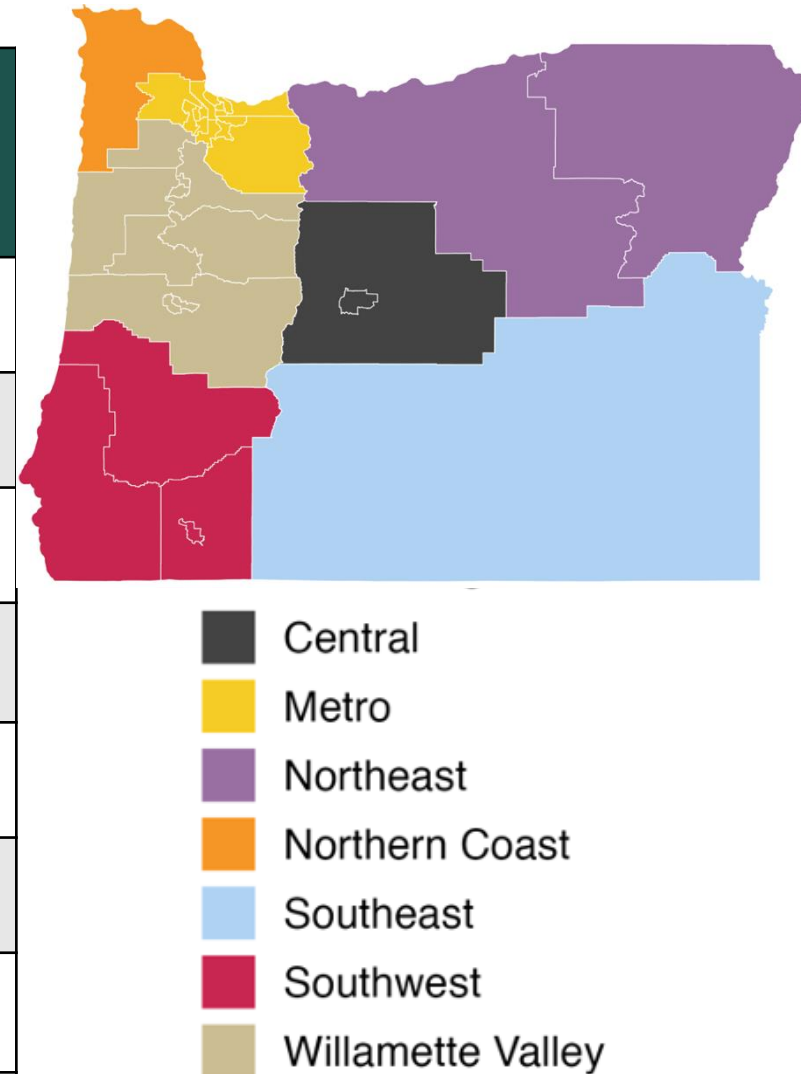
Results from the first run of the Oregon Housing Needs Analysis

OHNA Statewide Results by Income Level

Current Need			Future Need				
Income Level	Under-production	Units for Homelessness	Second & Vacation Homes	Demographic Change	Pop. Growth	Total Needs	% of Total
0-30%	15,049	35,287	.	17,377	29,818	97,529	20%
31-60%	16,630	8,221	.	22,683	38,840	86,373	17%
61-80%	7,953	2,129	.	15,616	27,292	52,990	11%
81-120%	7,368	.	11,370	27,572	48,329	94,638	19%
>120%	3,301	.	5,930	55,938	97,803	162,972	33%
Total	50,300	45,637	17,300	139,185	242,081	494,503	

OHNA Results By Region and Income Level

Region	Income Level					Total Need
	0-30%	31-60%	61-80%	81-120%	>120%	
Central	8,151	8,568	6,853	12,759	22,071	58,401
Metro	31,034	32,156	20,591	36,566	67,929	188,276
Northeast	3,598	3,230	2,088	4,458	6,593	19,966
Northern Coast	4,554	3,364	1,350	3,450	3,574	16,292
Southeast	3,088	2,308	1,290	2,242	3,667	12,594
Southwest	13,200	11,002	6,476	10,724	21,150	62,551
Willamette Valley	33,905	25,746	14,342	24,440	37,989	136,421
Oregon	97,529	86,373	52,990	94,638	162,972	494,503



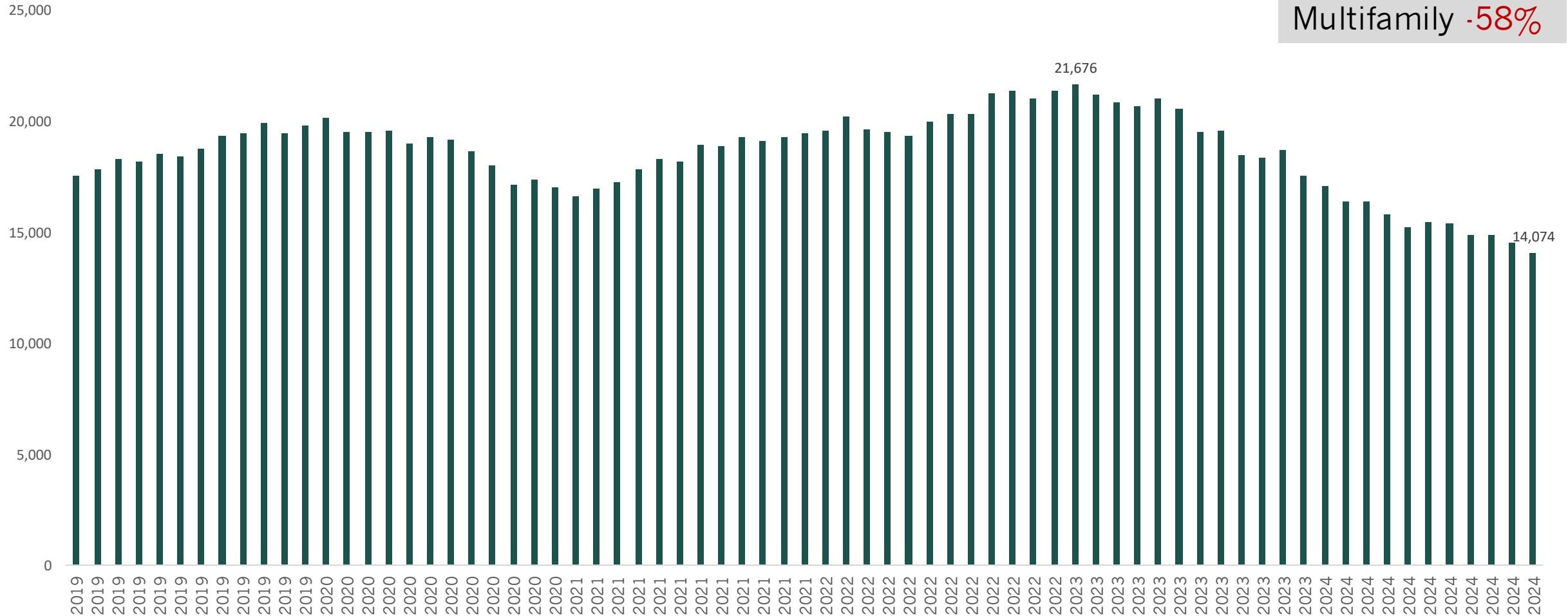
What's going on in the development market?

What does construction activity look like?

Housing permits down statewide 35% since beginning of 2023

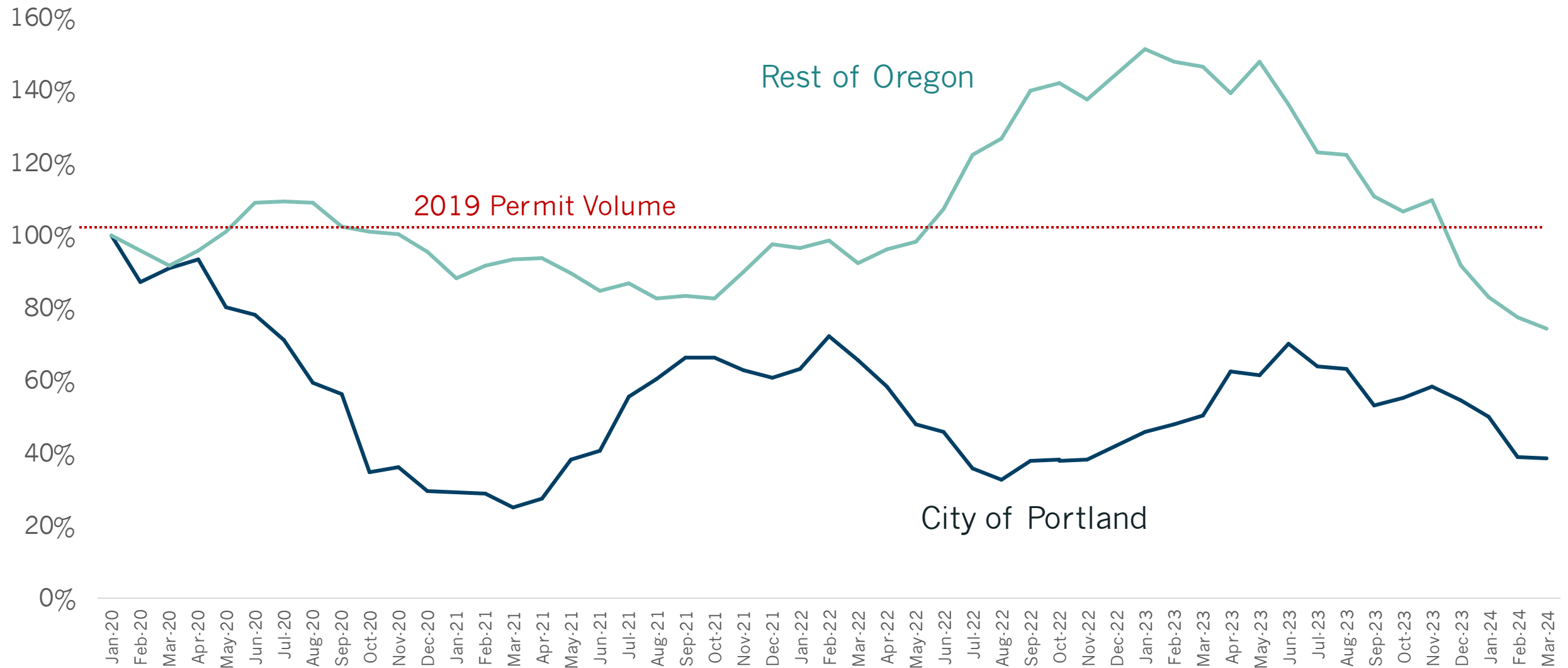
Total housing permits in rolling 12 month period Statewide in Oregon

Since Jan 2023
Single Family -7%
Multifamily -58%



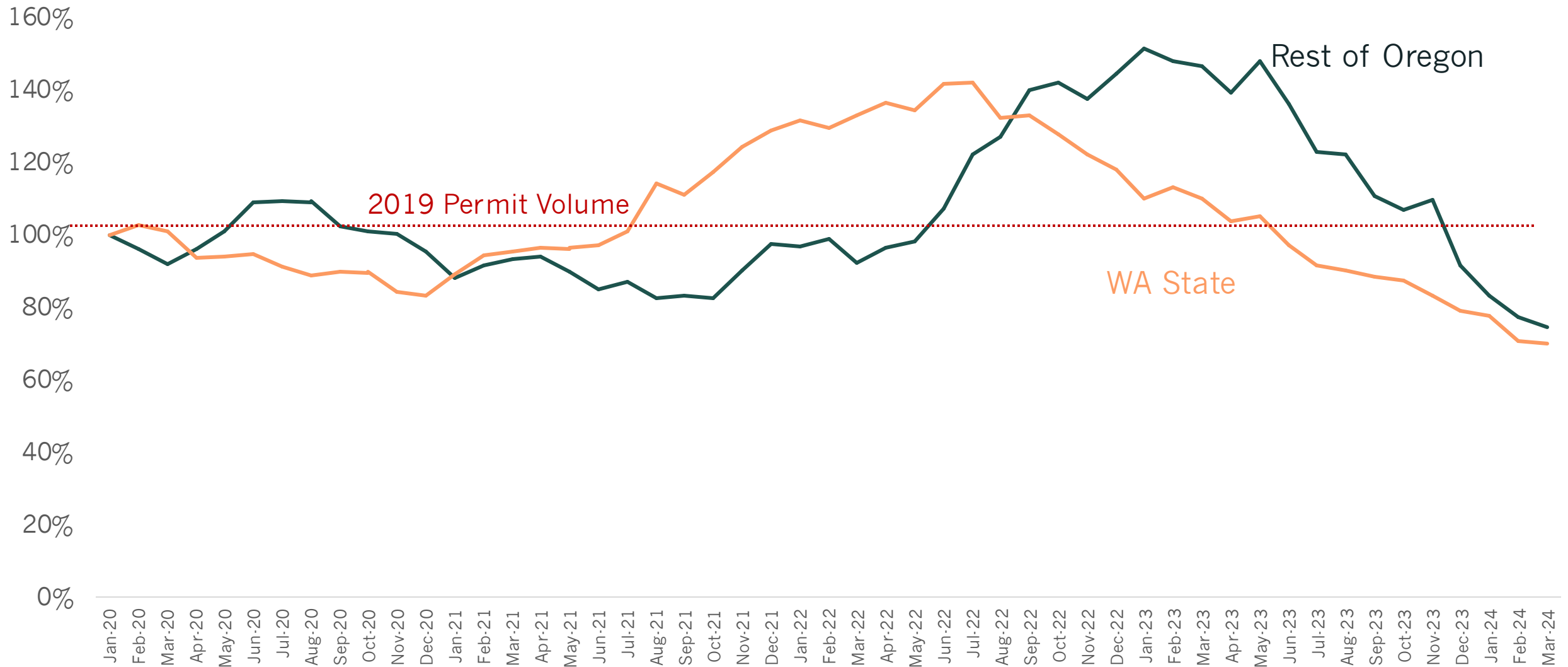
Statewide multifamily permitting dragged down by City of Portland

Annual Multifamily permit volume compared to 2019 Level

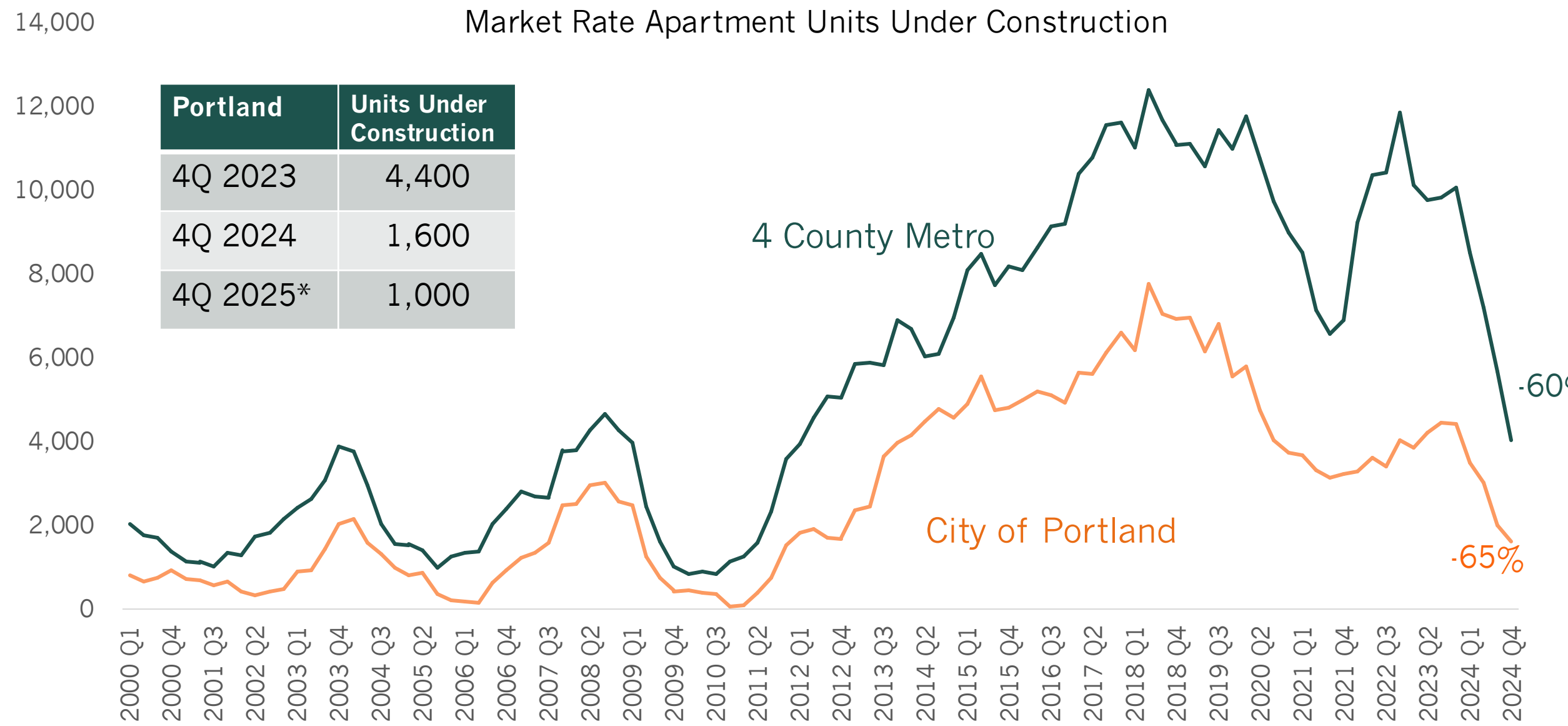


Rest of Oregon without Portland tracks WA state permitting

Annual Multifamily permit volume compared to 2019 Level



Fewest apartments under construction in PDX since 2011, still declining



How does middle housing fit in?

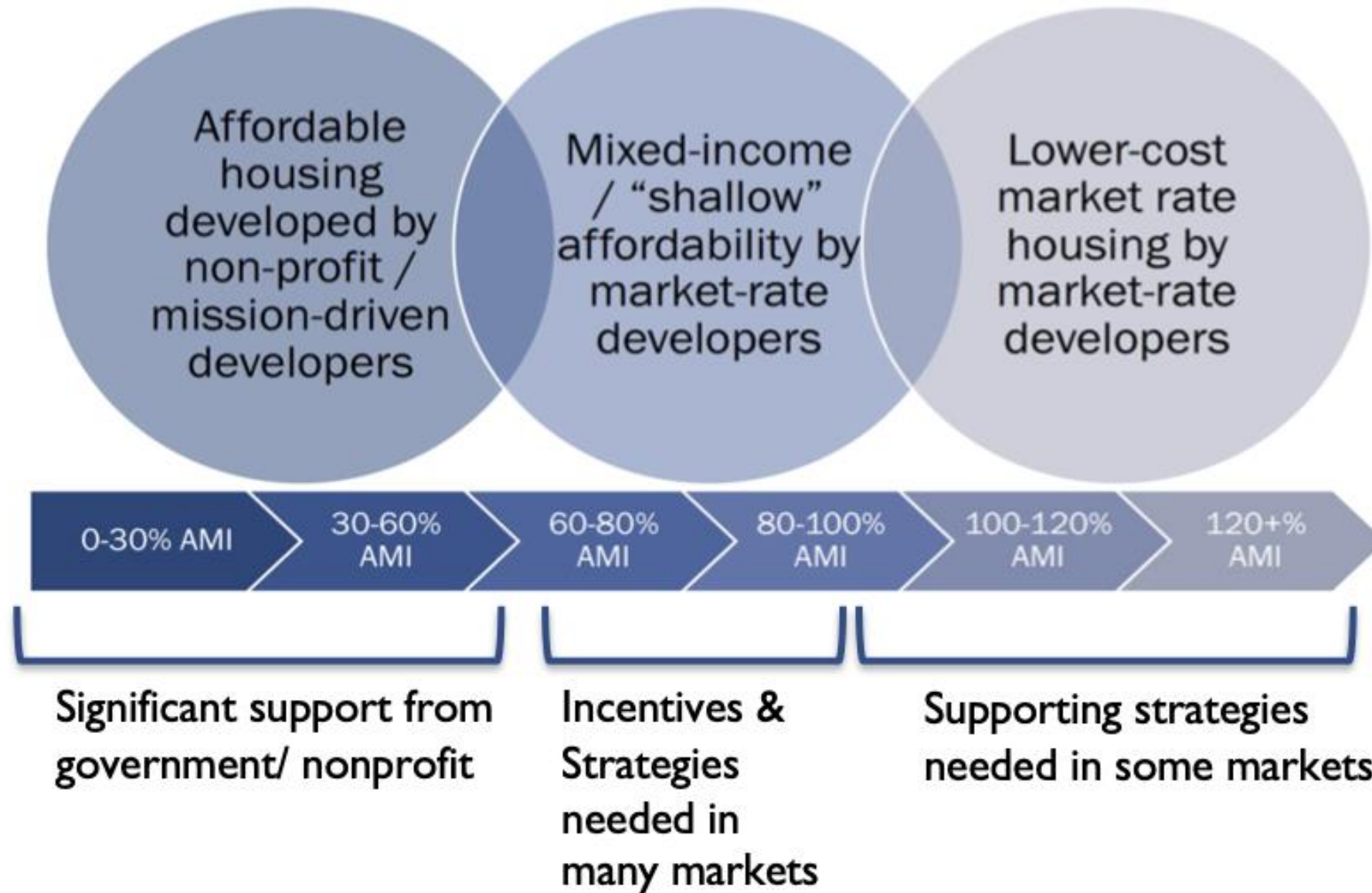
Middle income and “missing middle” units

Middle housing can increase housing choice

- Accessory dwelling units (ADUs)
- Manufactured and modular homes
- Duplex, triplex, quadplexes
- Townhomes
- Cottage clusters



Missing middle housing can be middle income housing



Where might things go from here?

Headwinds and tailwinds



Workforce Needs



Capital Markets



Interest Rates



Insurance Access



Infrastructure Needs

Policy Reforms

Funding for
Affordable Housing

Innovation in
Construction

- Keep funding affordable and rental vouchers
- Prioritize middle income and middle housing types
- Remove barriers to production, especially for multi-family development
- Get creative: evaluate role in addressing feasibility headwinds

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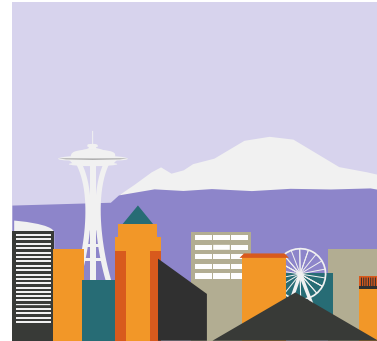
ECONnorthwest



Los Angeles



Portland



Seattle



Boise