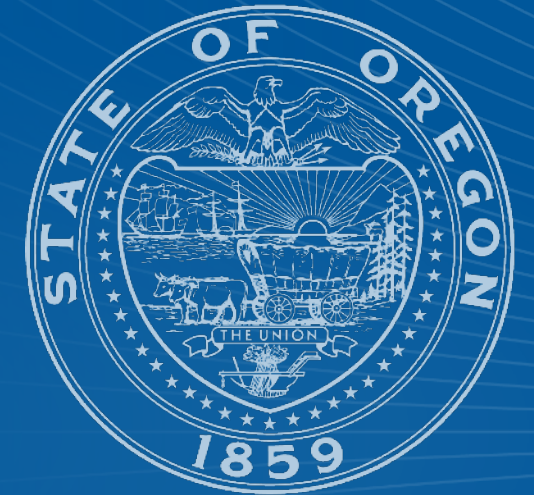


# Oregon's Economic and Housing Outlook



November 2<sup>nd</sup>, 2023





Source: DowntownPortland.org



Source: WillametteWeek.com





# Urban areas still matter

## Pacific Northwest Employment



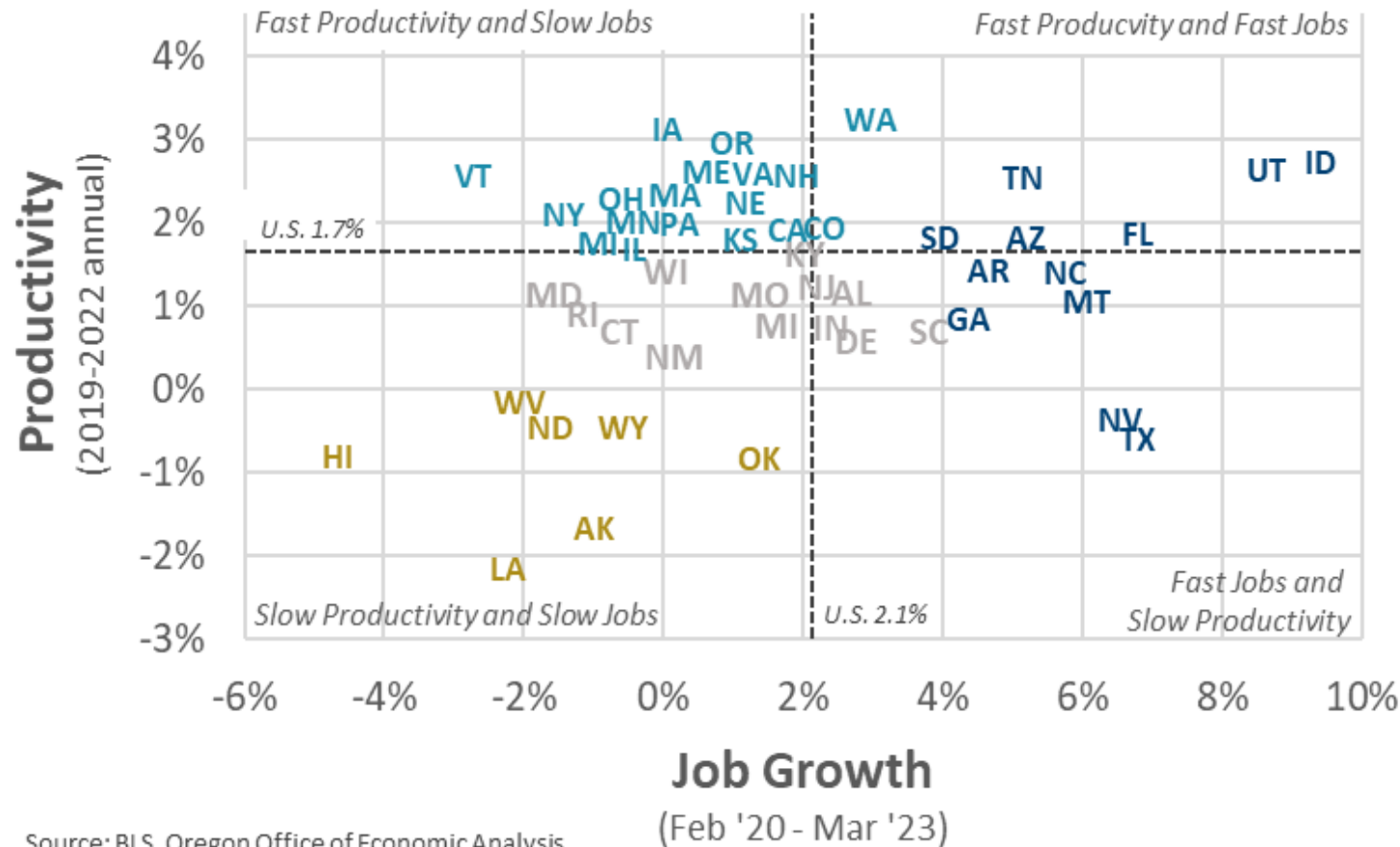
# Economic Outlook



# Economies rely on labor and capital



## Pandemic Economic Growth Across States



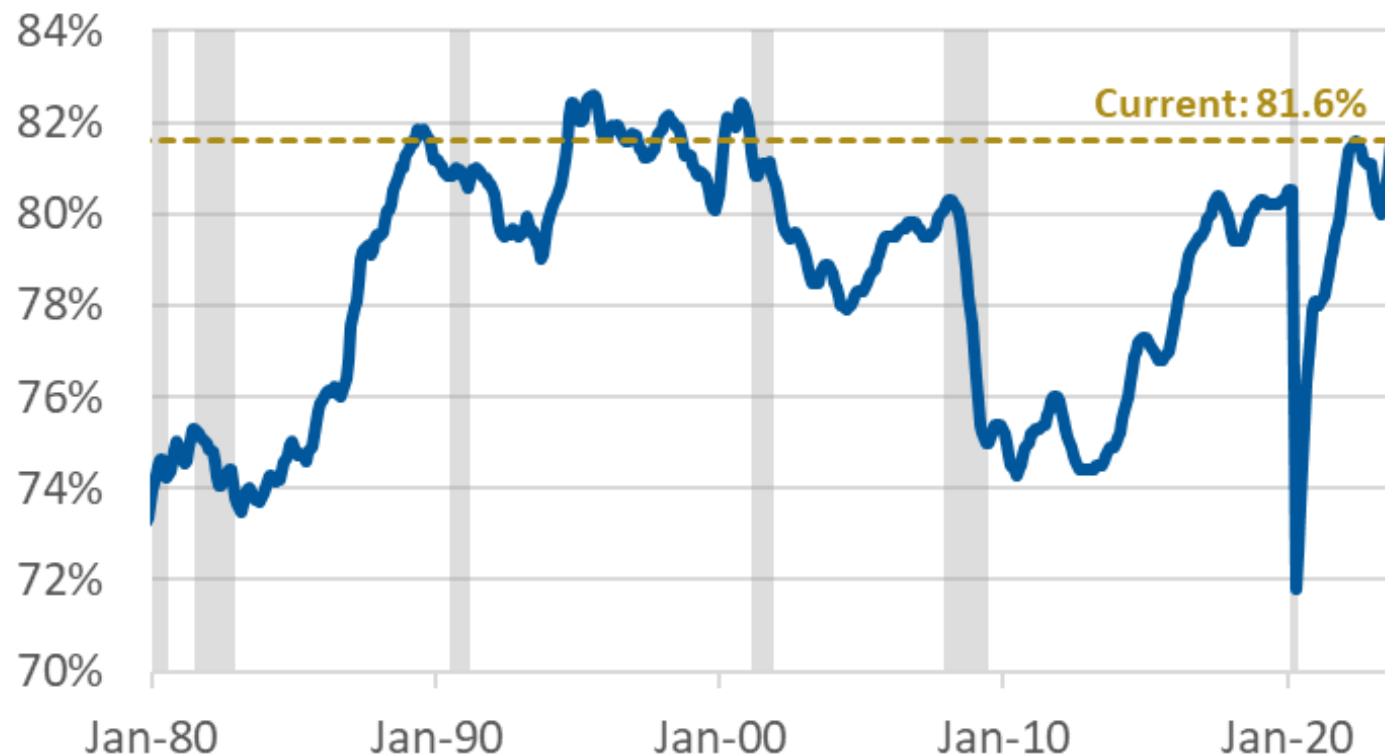
- Labor
  - Population growth and working-age demographics
- Productivity
  - Business & capital investment
  - Start-ups help bring new products & efficiencies to market
  - Types of capital
    - Financial
    - Human
    - Natural
    - Physical
    - Social

# Labor market is *cyclically* strong



## More Oregonians are Working

Share of 25-54 year olds with a job (Prime-Age EPOP)



Latest Data: September 2023 | Source: IPUMS-CPS, Oregon Employment Dept, Oregon Office of Economic Analysis

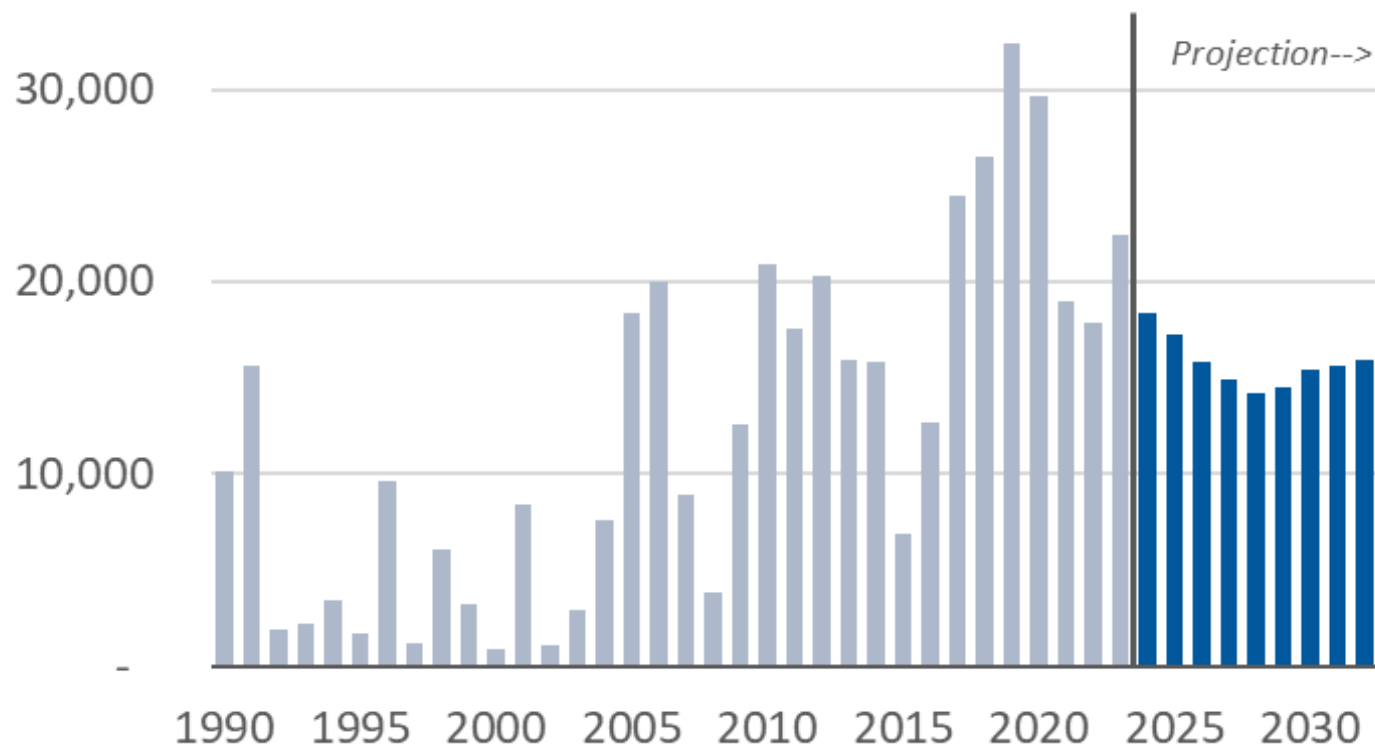
- Strong, inclusive recovery
  - Disparities did not widen based on age, educational attainment, gender, geographic location, or race and ethnicity
  - Disparities did widen based on wealth
- Labor market is tight
  - Cyclically due to strong economy
  - Structurally due to demographics of increased retirements and slower population growth
- Forecast
  - Oregon's potential labor force expected to increase just 0.6% per year this decade
  - Latent Labor Force: reducing historical disparities based on sex, race and ethnicity, and educational attainment among existing Oregonians would boost the workforce

# Labor market is *structurally* tight



## Oregon Retirements

Annual change in Oregonians 60+ years old not in the labor force



Latest Data: 2023 | Source: IPUMS-CPS, Oregon Office of Economic Analysis

- Strong, inclusive recovery
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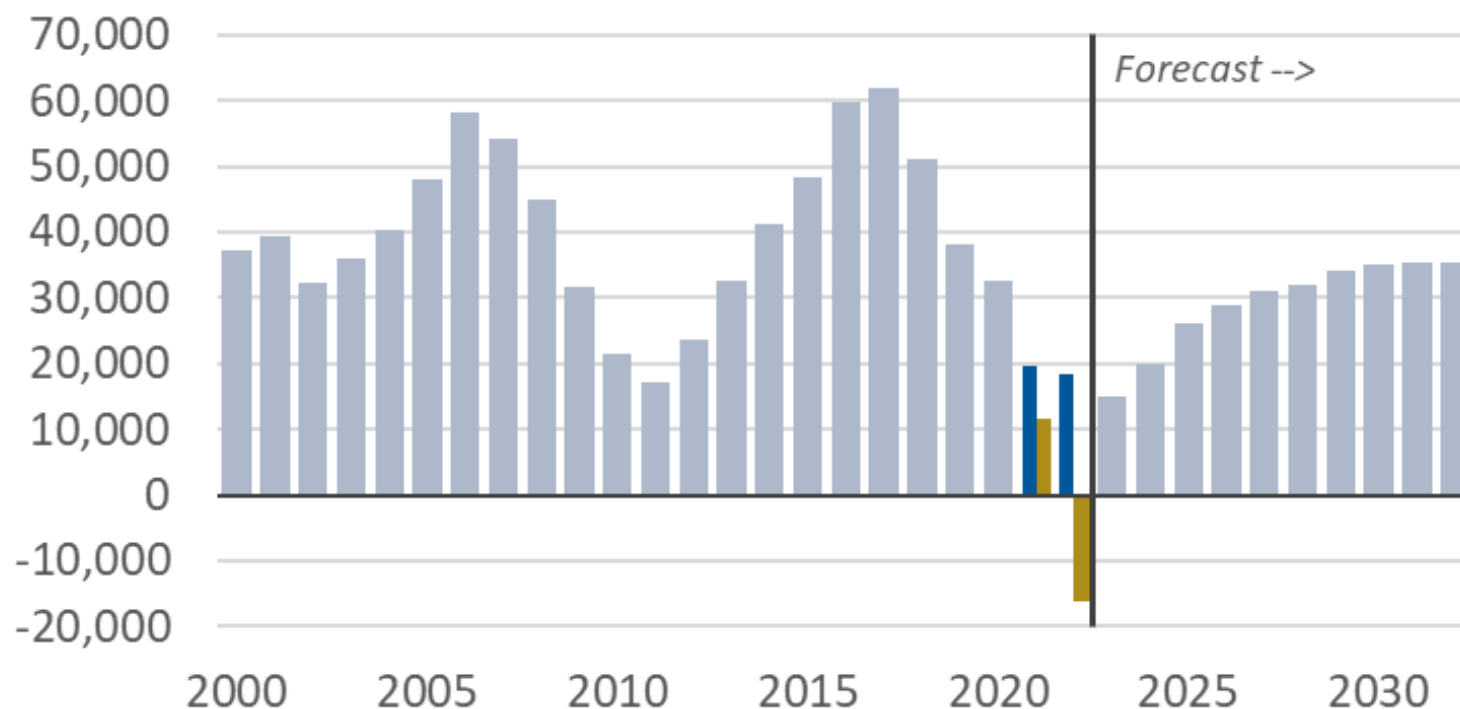


# Population growth slowly returns

## Oregon Population Growth

Annual change in total state population

OEA History and Forecast, **Portland State Estimates**, **Census Estimates**



Latest: 2022 | Source: Census, Portland State Population Research Center, Oregon Office of Economic Analysis

- 2023 population estimates released in Nov (PSU) and Dec (Census)
- Migration is the primary reason Oregon grows faster than the U.S. It allows local businesses to hire and expand at a faster rate.
- Updated Population Data
  - Deaths continue to outnumber births
  - Surrendered driver licenses at Oregon DMVs continues to match levels seen last decade
  - New data from the Cleveland Fed based on credit reports, shows the Portland metro population may be stabilizing, even as the urban core continues to lose residents

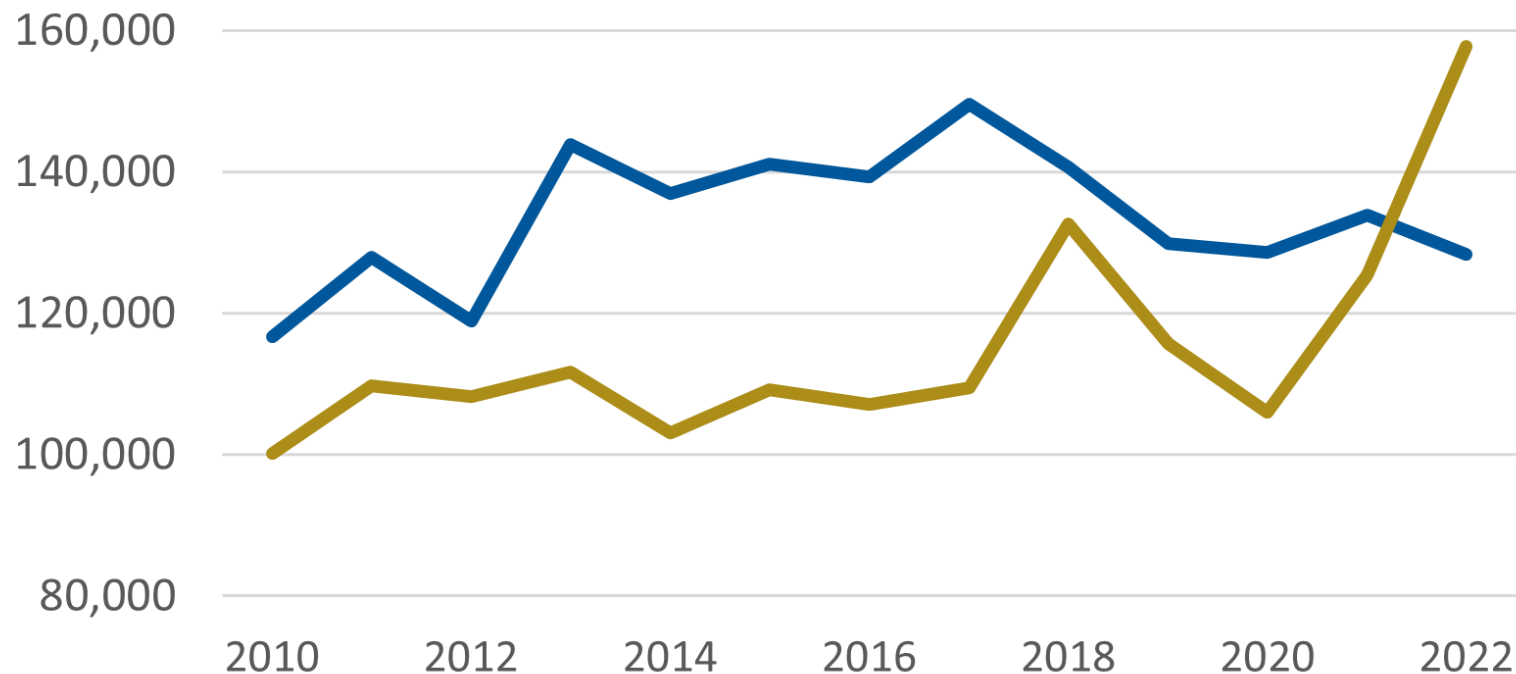


# Who Left?



## Oregon Domestic Migration

Number of people moving *Into Oregon* and *Out of Oregon*



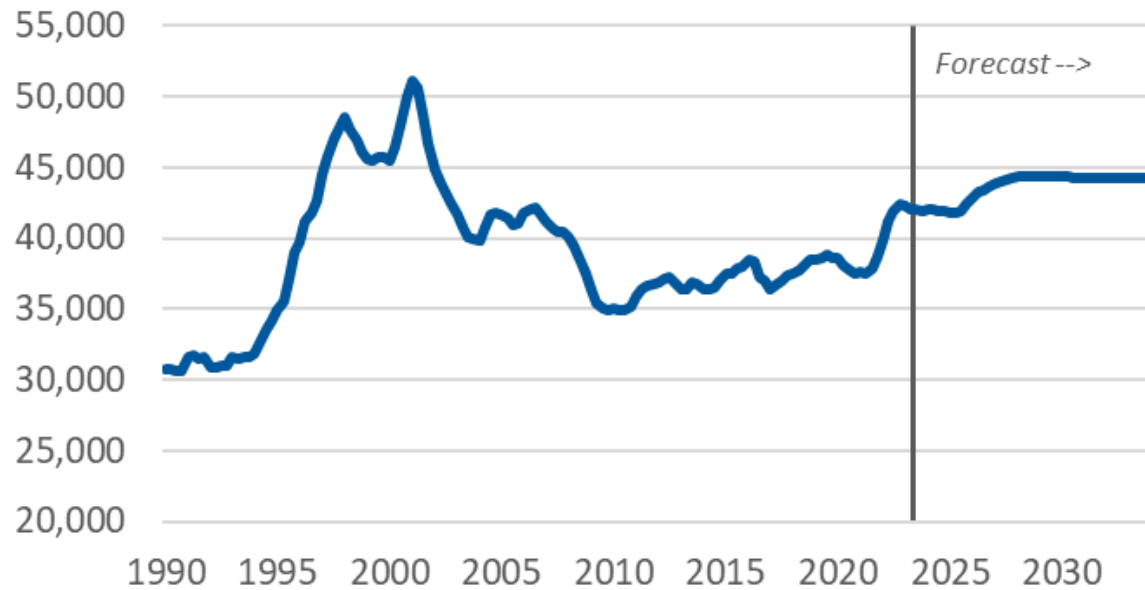
Data: ACS 1 year estimates | Source: Census, IPUMS-USA, Oregon Office of Economic Analysis

- Population declines driven not by fewer people moving to Oregon, but due to more people packing up and leaving Oregon
- Net out-migration was evident across the board, broadly speaking
  - Half children, half adults
  - Half college graduates, half non-college graduates
  - Nearly 50/50 for white, non-Hispanic, and BIPOC Oregonians
  - Out-migration across all major income brackets
- Positive in-migration among 18-24 year olds

# CHIPS Act Impacts Expected



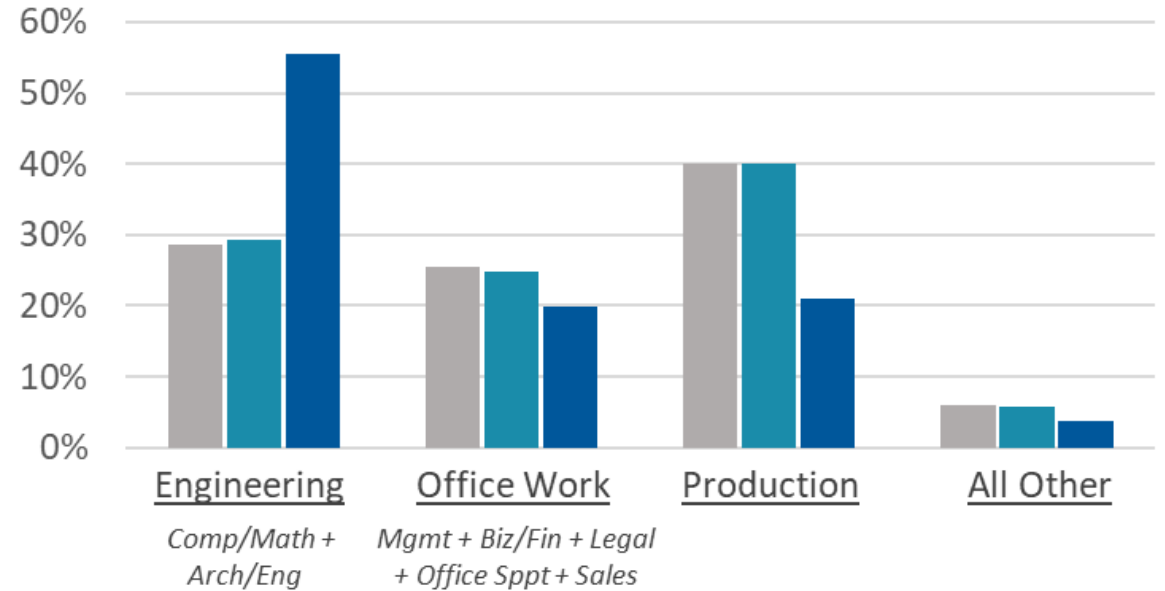
## Oregon Computer and Electronic Product Manufacturing Employment



Latest Actual: 2023q2 | Source: Oregon Office of Economic Analysis

## Semiconductor Workforce

Share of all jobs by occupation in the *United States*, the *10 States with the Largest Semiconductor Workforce*, and *Oregon*



Data: 2022 | Source: BLS, Oregon Office of Economic Analysis

# Housing Outlook

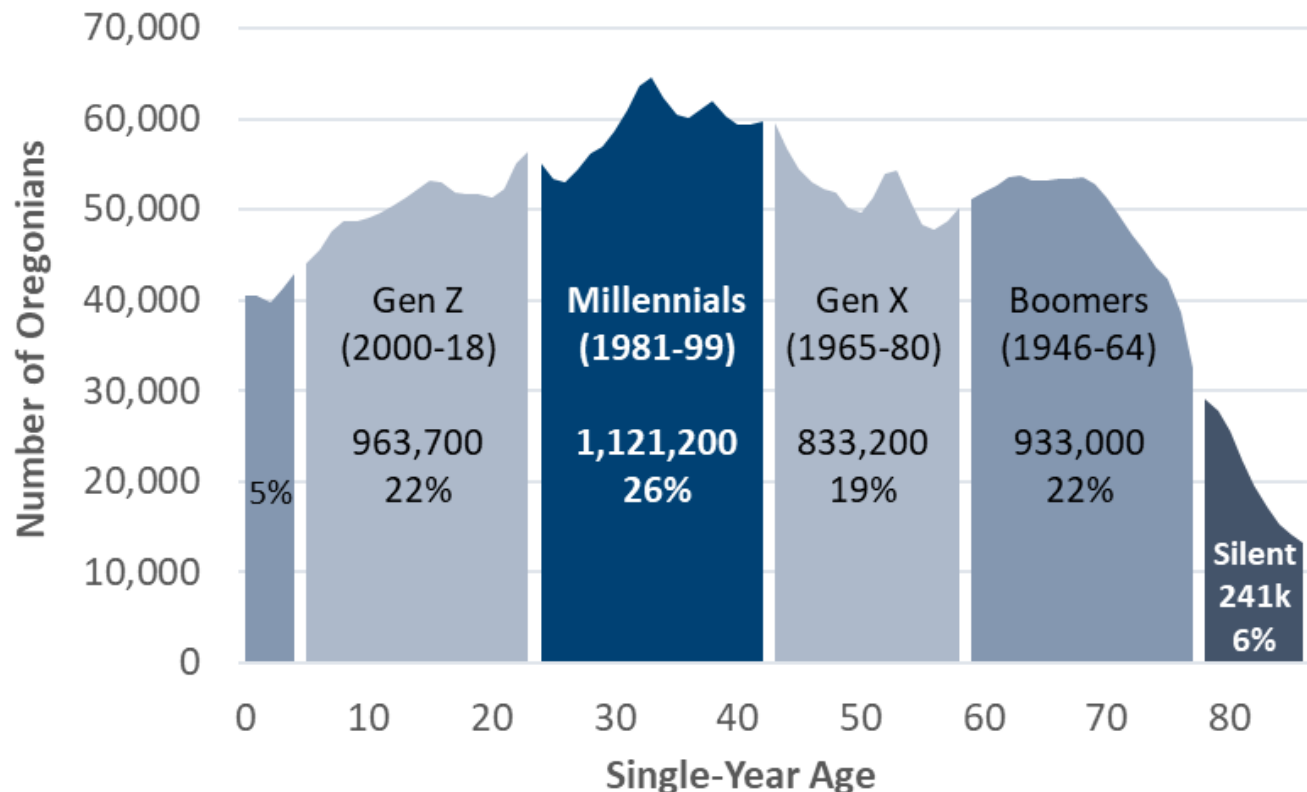




# Current Demographics are Great



## Oregon Population and Generations



Data: 2023 Estimates | Source: Oregon Office of Economic Analysis

### • Millennials

- Largest generation alive
- Now middle-age and a key economic force
- Huge homeownership demand
- Credit sensitive

### • Boomers

- Entering into traditional retirement years
- Most have decent savings and are still in good health
- Downsizing in the 2030s
- Less credit sensitive (and may gift inheritance to children to help with down payment)

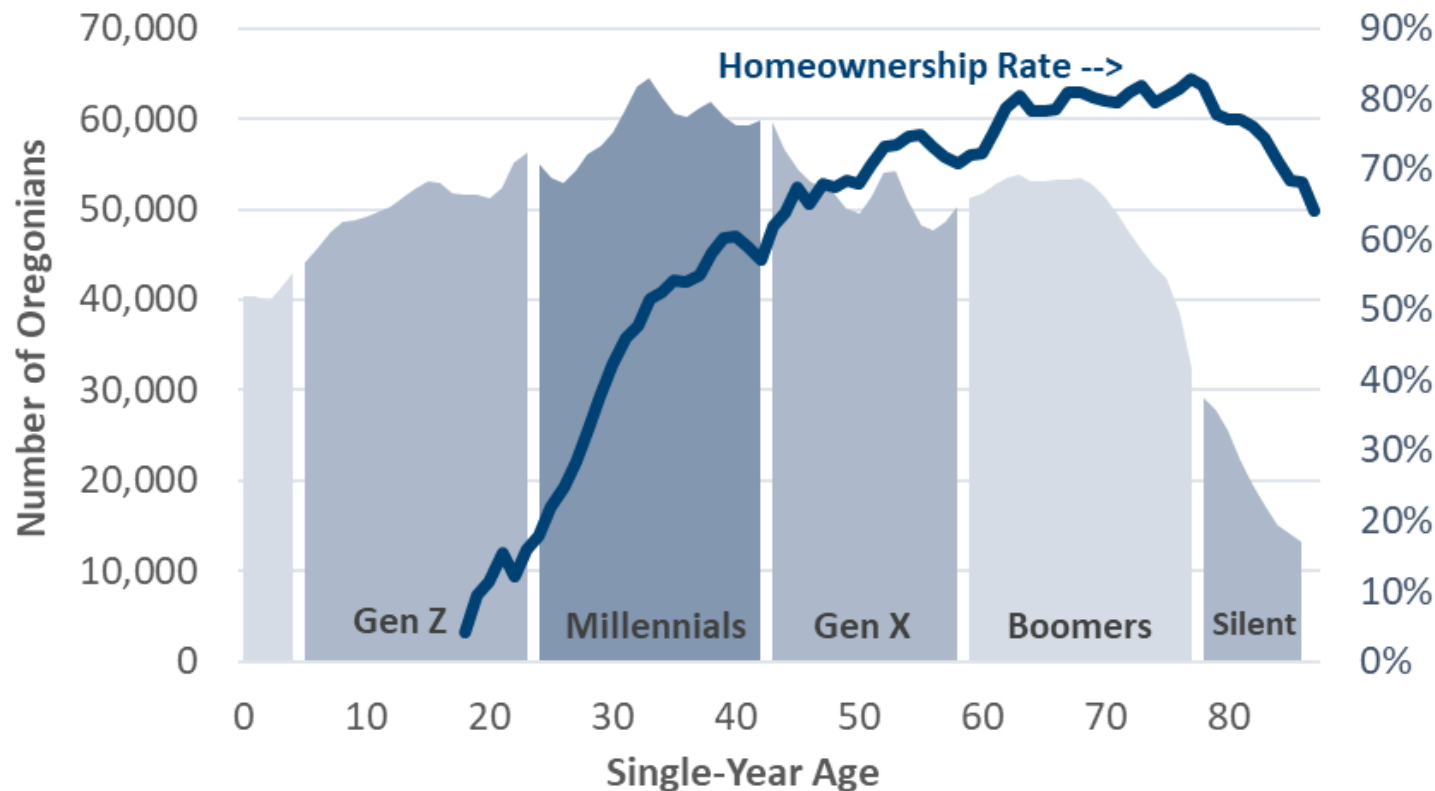
### • Gen Z

- Somewhat smaller, barely offsets retiring Boomers
- Oregon needs Gen Z to move here like Boomers and Millennials before them
- Economic driver in the 2040s

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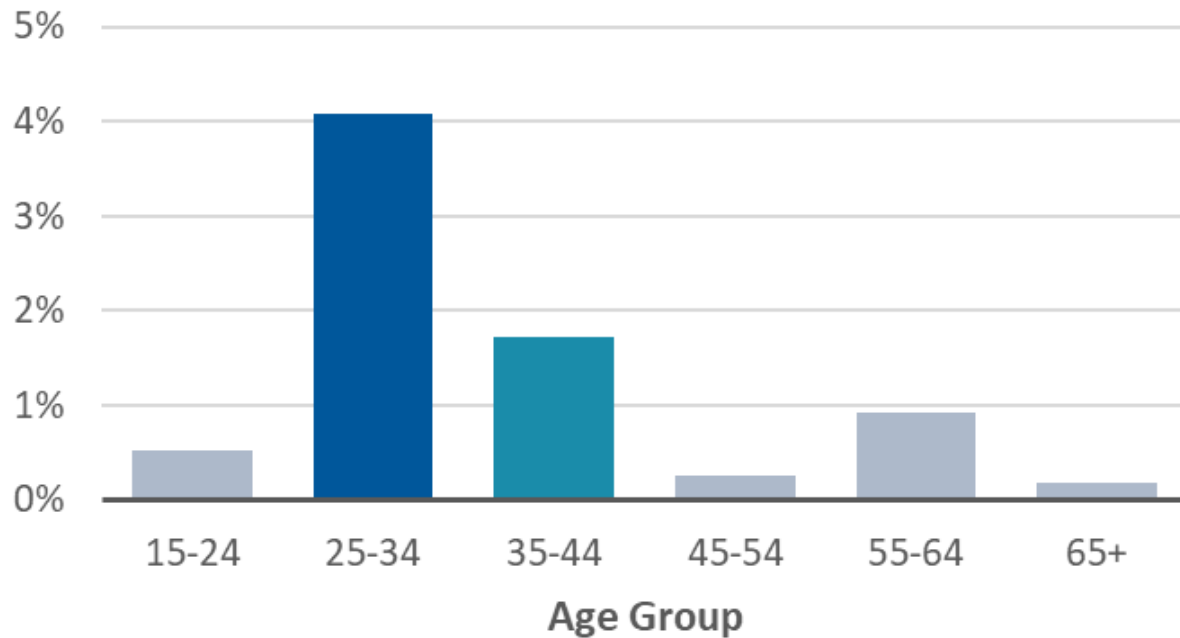
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- Economic driver in the 2040s

# Household formation picked up



## Oregon's Household Formation Boom

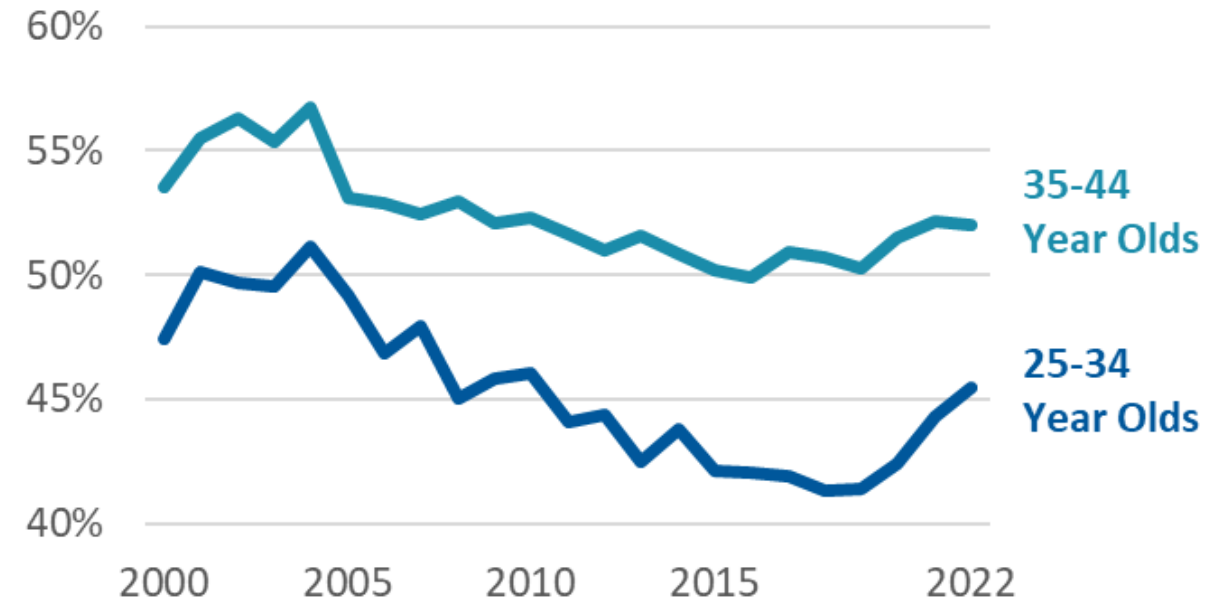
Change in headship rate by age in Oregon, 2019 to 2022



Data: ACS 1 year estimates | Source: Census, Oregon Office of Economic Analysis

## Millennials Drive Headship Rebound

Share of population that is a householder (formerly head of household)



Data: ACS | Source: Census, IPUMS-USA, Oregon Office of Economic Analysis

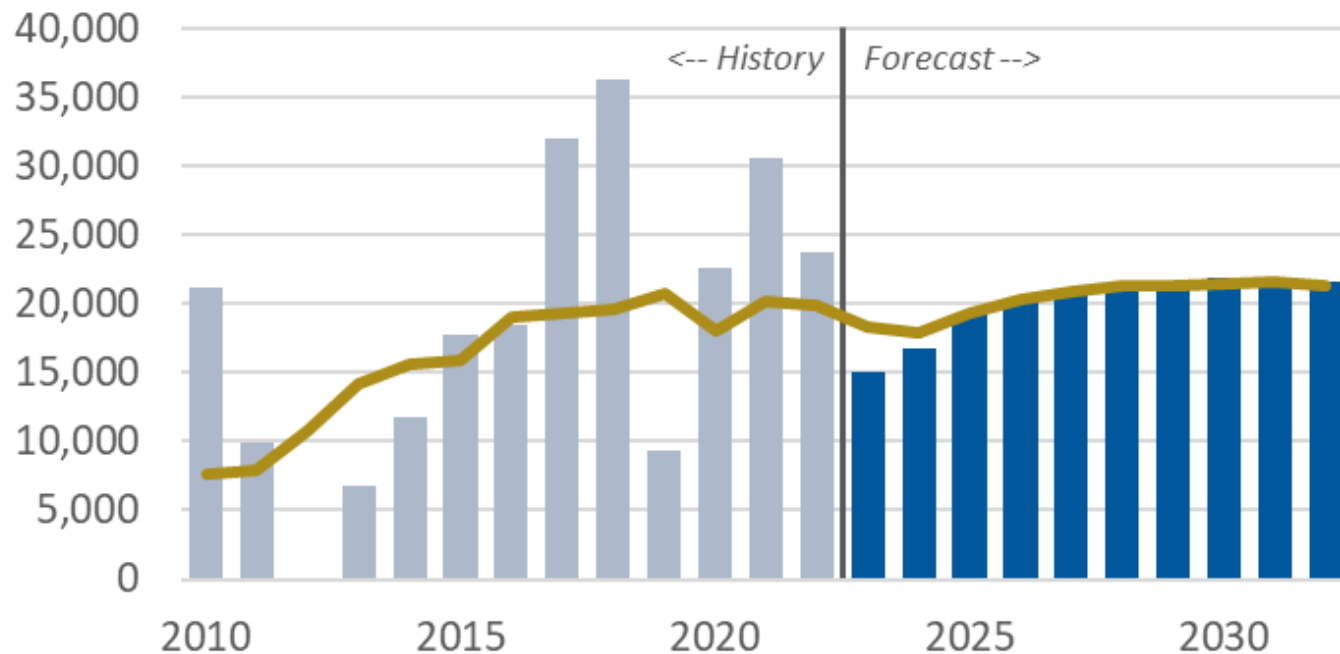


# Housing supply matters



## Oregon Housing Fundamentals

Annual **Housing Starts**, **Change in No. of Household**, and **Projected Household Formation** based solely on population and demographics



Housing starts based on OEA estimates and forecast. Change in number of households from ACS 1 year estimates. Projected household formation based on OEA population forecast, using 2000 ACS headship rates by age  
Source: Census, IPUMS-USA, Oregon Office of Economic Analysis

- Oregon has historically underbuilt housing
- Industry running into supply side constraints
- Affordability issues impact all Oregonians, especially low-income households, and slows future growth
- During the pandemic, household formation boomed even with a stagnant population
- Outlook
  - Near-term decline due to high rates and bad affordability
  - Long-term closely tied to population and demographics
  - Underproduction shortfall not made up in the baseline

# Oregon Housing Needs Analysis (OHNA)

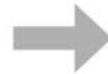


## FOUR COMPONENTS OF NEED → UNIT INCOME DISTRIBUTION

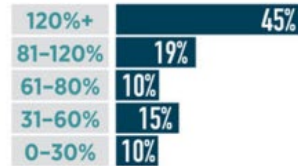
**1**  
PROJECTED  
NEED



Units needed to accommodate future population growth over 20 years



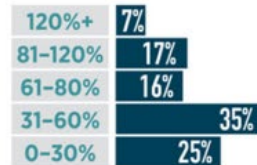
DISTRIBUTION OF UNITS BY PERCENTAGE OF MFI  
(Data from Willamette Valley Region)



**2**  
UNDERPRODUCTION



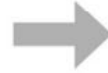
Units that have not been produced to date in the region, but are needed to accommodate current population (often referred to as housing shortage)



**3**  
UNITS LOST TO  
2ND & VACATION  
HOMES



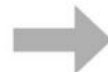
Units needed to replace units lost to second and vacation homes



**4**  
HOUSING FOR  
THE HOMELESS



Units needed to house those who are currently experiencing homelessness



- Housing needs analyzed at the city and regional level, with breakdowns by income bracket based on the local income distribution
- Oregon Office of Economic Analysis (OEA) will do the analysis, Oregon Housing and Community Services (OHCS), and Department of Land Conservation and Development (DLCD) will implement the policy and assist local governments

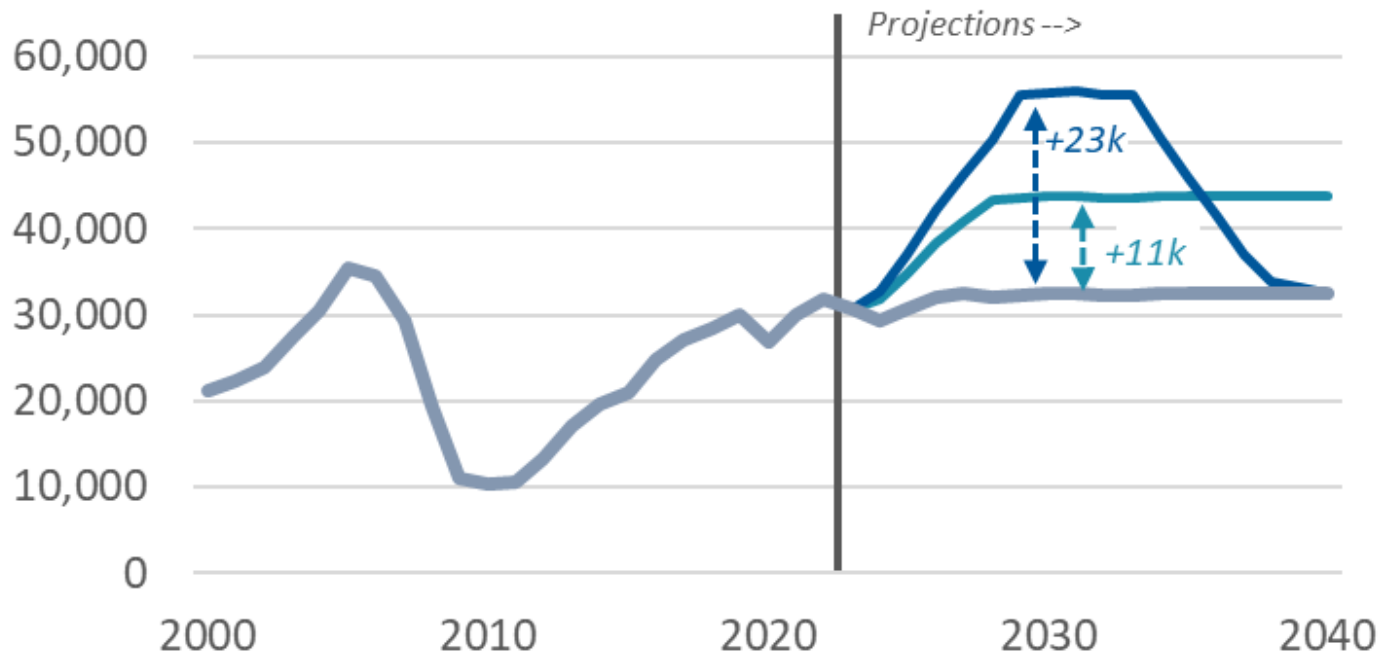
Note: Data for unites distributed by income are for the Willamette Valley Region  
Source: ECONorthwest

# Need more workers to make up for historical underproduction



## Residential Construction Employment

Baseline Forecast | 10 Year Scenario | 20 Year Scenario



Latest: 2022 | Source: Oregon Office of Economic Analysis

- To build more housing, Oregon needs more workers
- 11,000 – 23,000 more construction workers per year to build more units
  - Challenge: Labor market is tight, and residential pay is 15% below average
  - Increase number of construction firms
- 400-500 more public sector workers per year to approve, permit, and inspect more units
  - Based on current staffing ratios of 0.04-0.05 FTE per housing permit
  - Larger increases likely needed to improve timeliness
  - Challenge: Decentralized need; every city and county needs to hire a couple to a couple dozen such workers

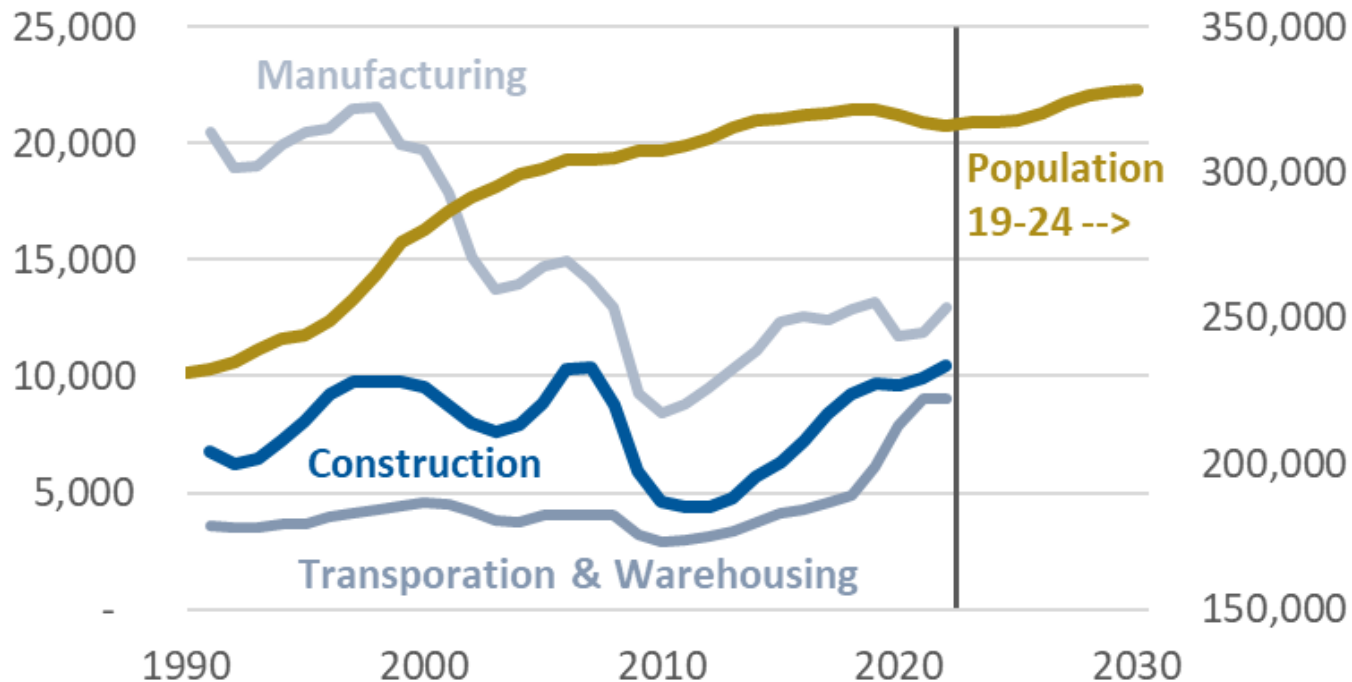


# How are we going to build all the projects we need?



## Young Oregonians in the Trades

19-24 Year Olds



Latest: 2022q4 | Source: Census, Oregon Office of Economic Analysis

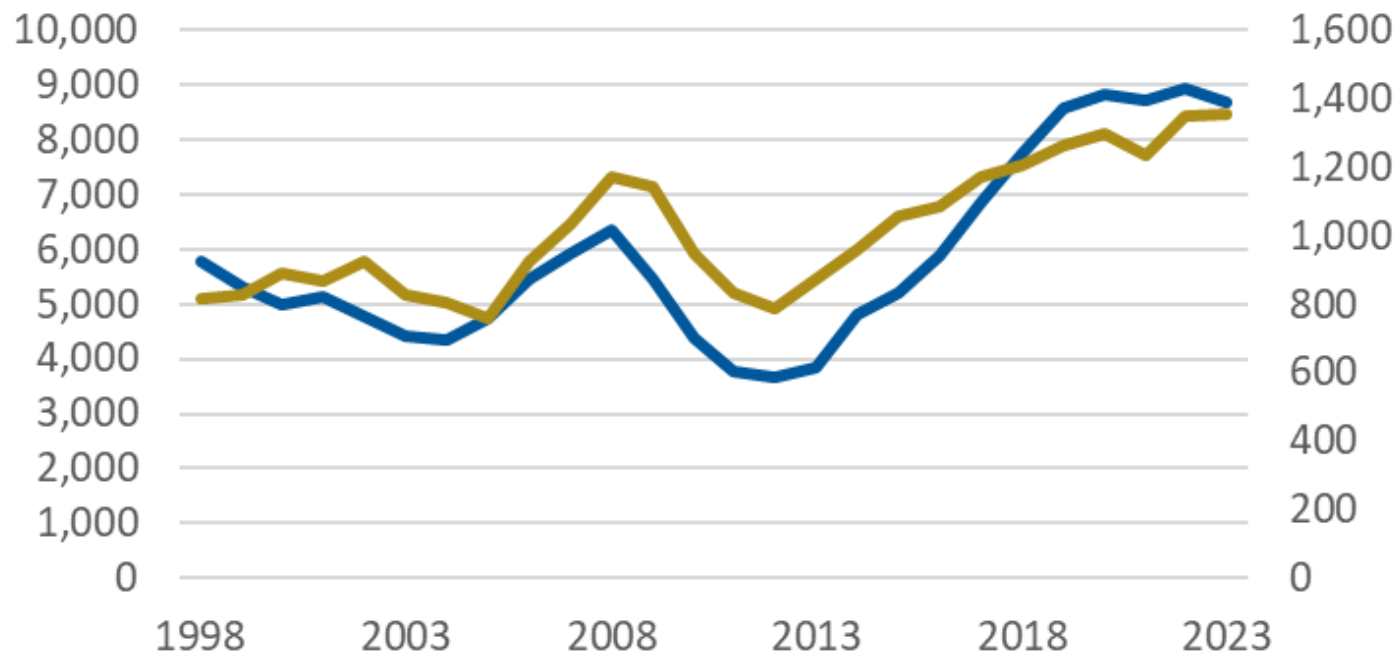
- Increased federal investment, in addition to private sector investment, state and local infrastructure, and goal of increasing housing production
- Construction industry has zero productivity gains in recent *generations*
- Good News:
  - Young Oregonians in the trades has never been higher
  - Young (men) work in the trades at same rate they historically have
- Bad News:
  - Demographics are bad
  - It takes a few years for workers to make their way into the trades

# How are we going to build all the projects we need?



## Oregon Apprenticeship Enrollment

Construction, left | Install/Maint/Repair, right



Source: Oregon BOLI

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# Contact Information

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