

The background of the slide features a large, faint, circular seal of the State of Oregon. The seal contains an eagle with wings spread, perched on a shield. Above the eagle is the word "OF" and below it is "OREGON". The outer ring of the seal contains the words "STATE OF OREGON" and the year "1859" at the bottom.

How COVID-19 Impacts Oregon's Economic and Housing Outlook

July 29th, 2020

Oregon Office of Economic Analysis

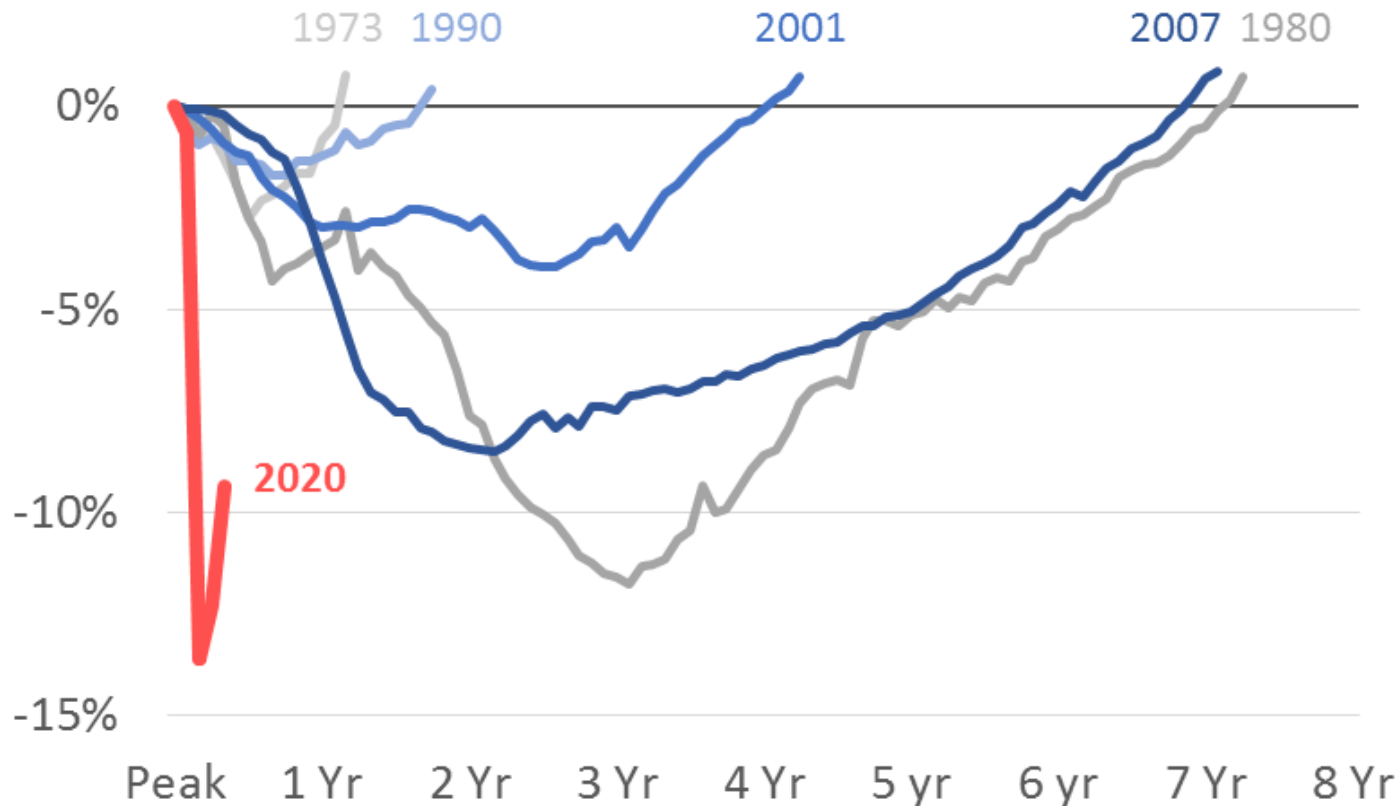
Josh Lehner



Recovery will take years

Oregon Employment Loss by Recession

Percent Change from Pre-Recession Peak



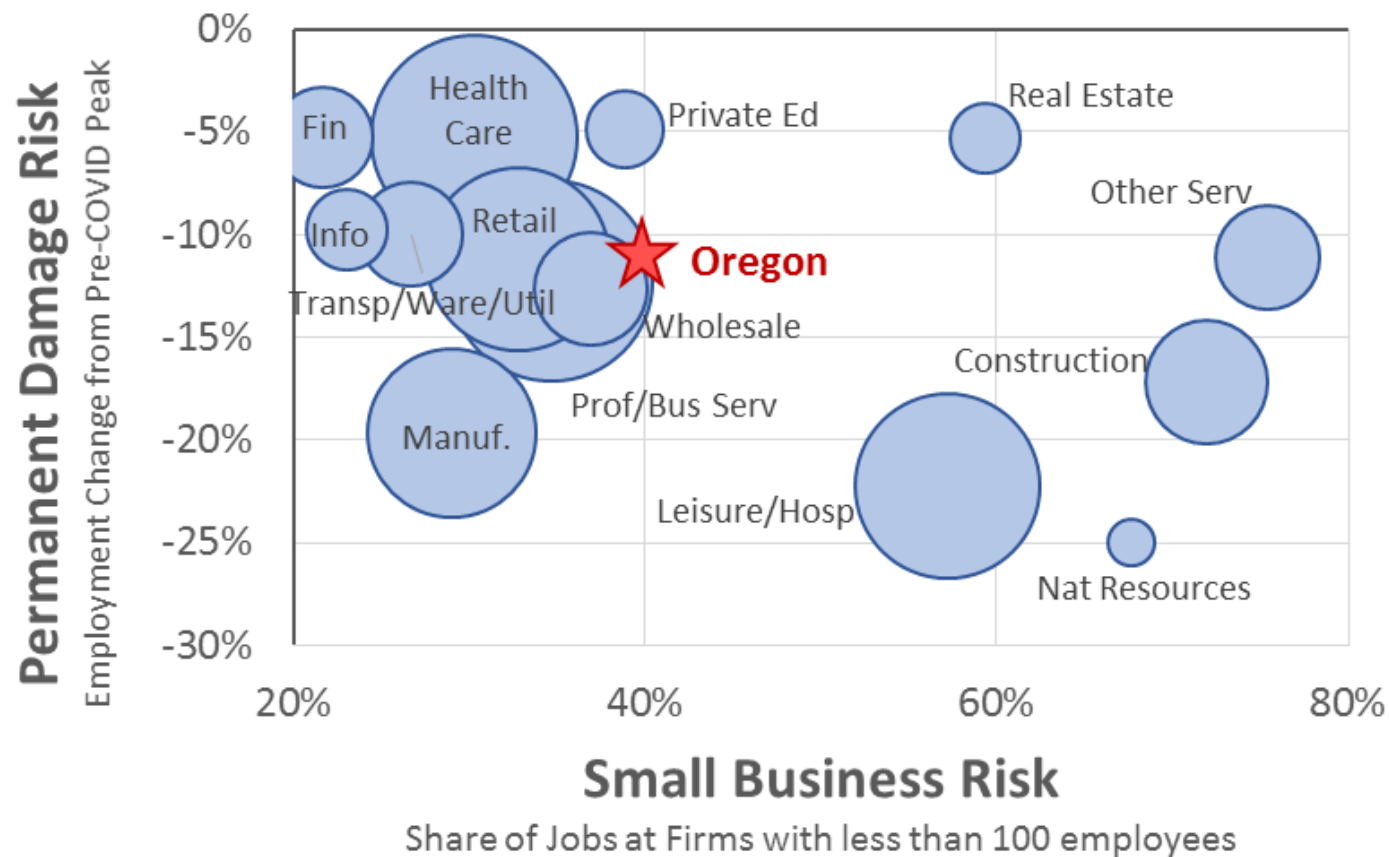
- As economy reopens, strong but incomplete initial rebound
- Slower growth ahead due to uncertainty over virus and income losses
- Once medical treatment widely available, stronger recovery expected
- Economy returns to health by mid-decade





Permanent damage concerns

Oregon Industries at Risk



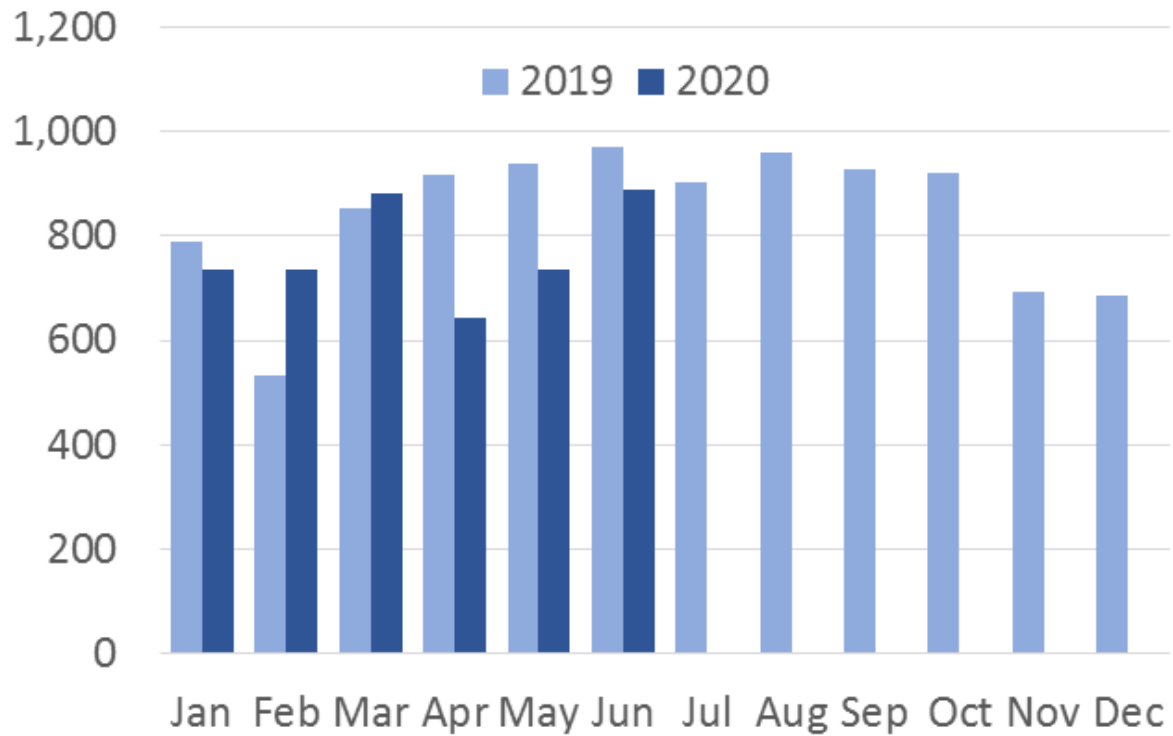
- The more firm closures and permanent layoffs, the longer, and tougher the recovery
- Federal aid to small businesses and households has been very helpful
- More assistance is needed until the pandemic subsides





So far construction is strong-ish

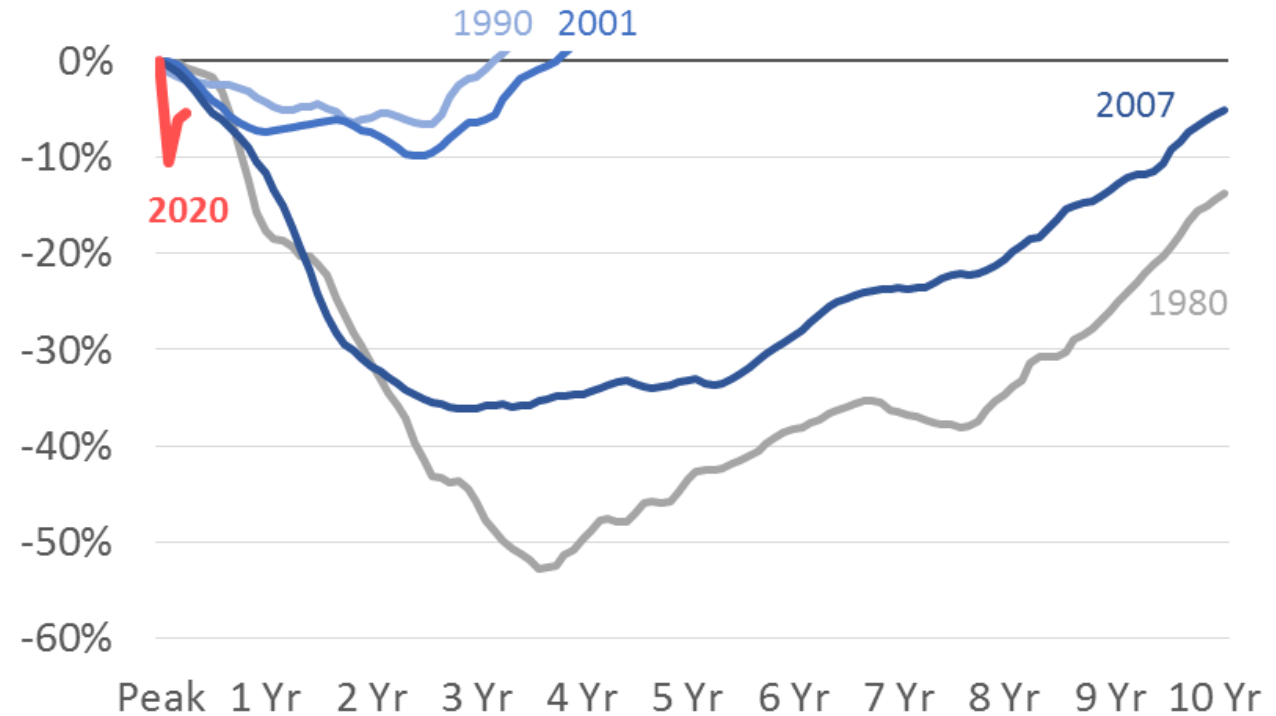
Oregon Single Family Permits



Source: Census, Oregon Office of Economic Analysis

Oregon Construction Loss by Recession

Percent Change from Pre-Recession Peak Employment



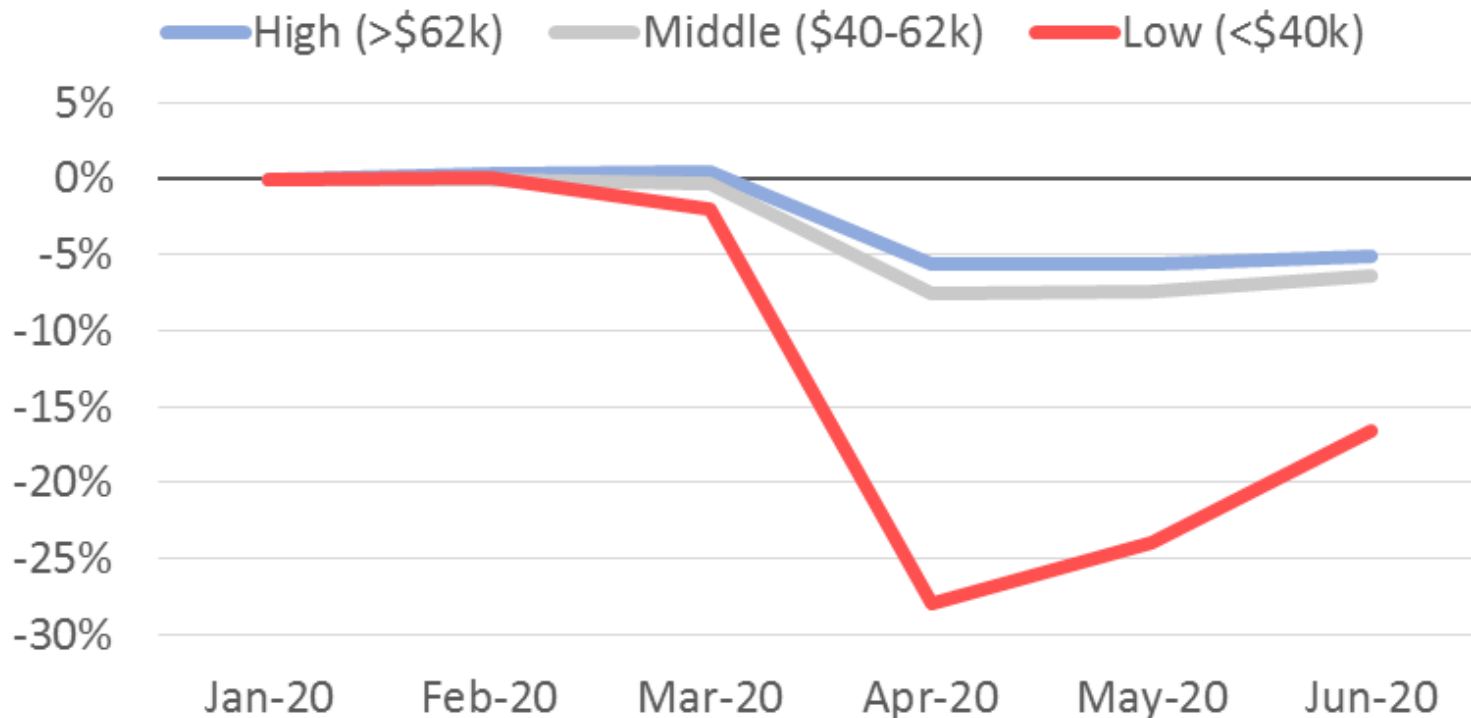
Source: Oregon Employment Department, Oregon Office of Economic Analysis



Reason 1: Nature of the cycle

Oregon Employment by Wage

Percent Change Since January 2020, Terciles Based on Industry Average Wage



- Job losses to date concentrated in low-wage sectors
- High-wage jobs are down, but less severe
- Higher income households more likely to be owners

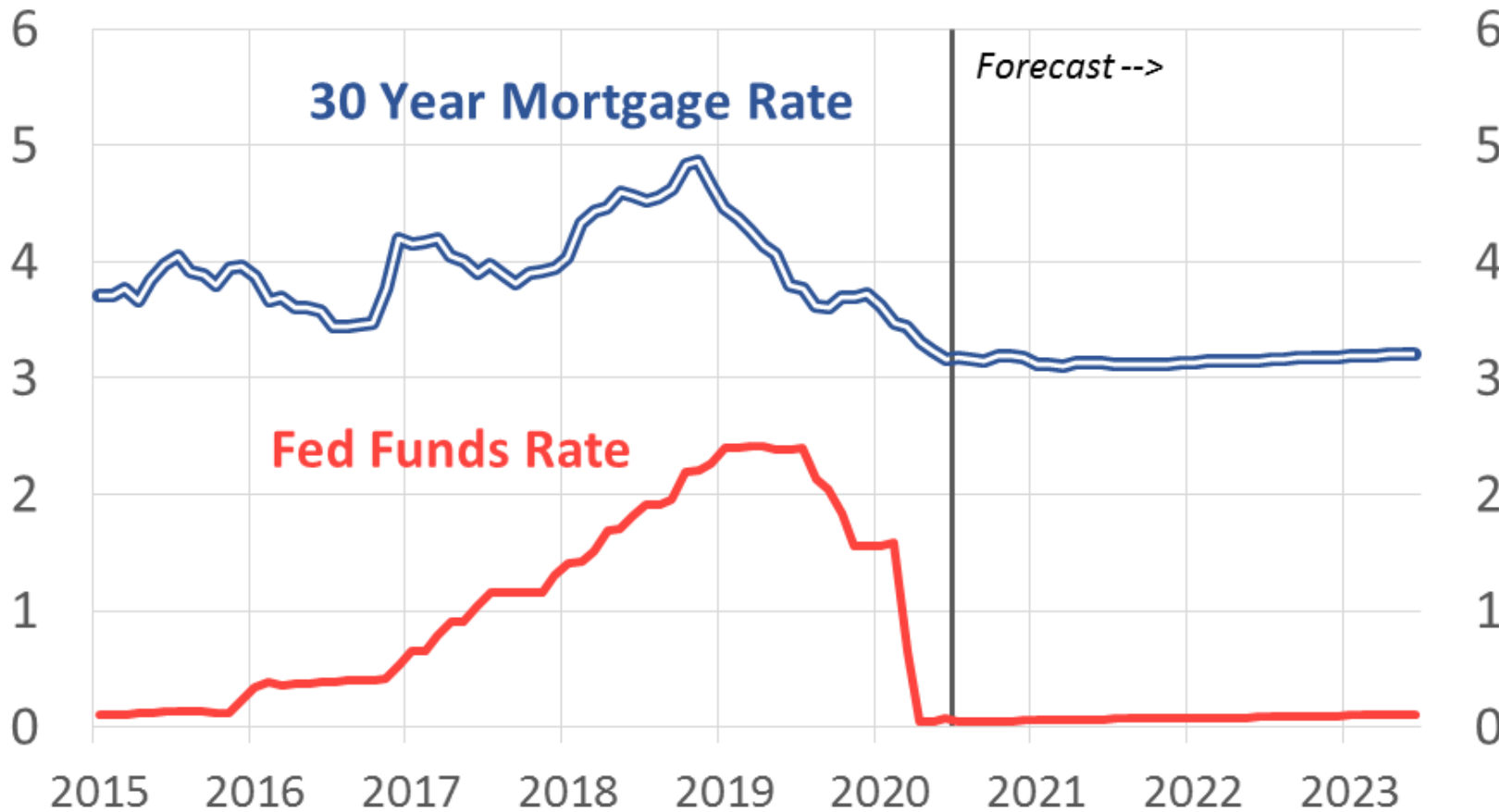
Source: Oregon Employment Department, Oregon Office of Economic Analysis





Reason 2: Low interest rates

The Federal Reserve and Interest Rates



- Low mortgage rates help affordability
- Next rate hike is when?
 - Fed: 2023 or later
 - Wall Street: 2025
 - IHS Markit: 2027
- Actual inflation plus strength of economy will determine when rates rise

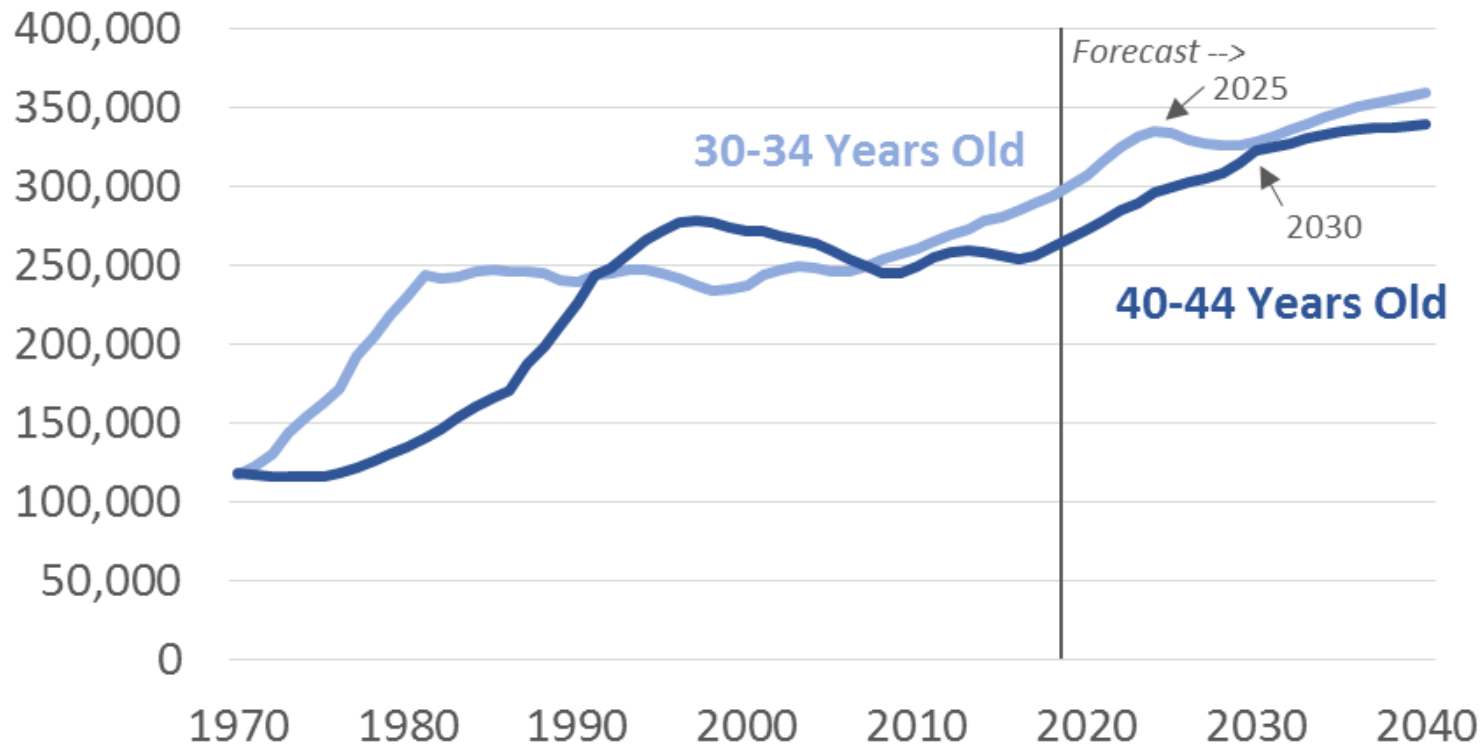




Reason 3: Millennials

Housing's 2020s Demographic Tailwind

Oregon Population for Key Age Cohorts for First-Time Buyers (30-34 Yrs Old) and Peak Housing Expenditures (40-44 Yrs Old)



- This decade Millennials will fully age into their 30s and 40s
- 2020s are among best demographics for home buying ever
- Kids were leaving the basement prior to pandemic

Source: BLS, Federal Reserve Bank of New York, Portland State, Oregon Office of Economic Analysis

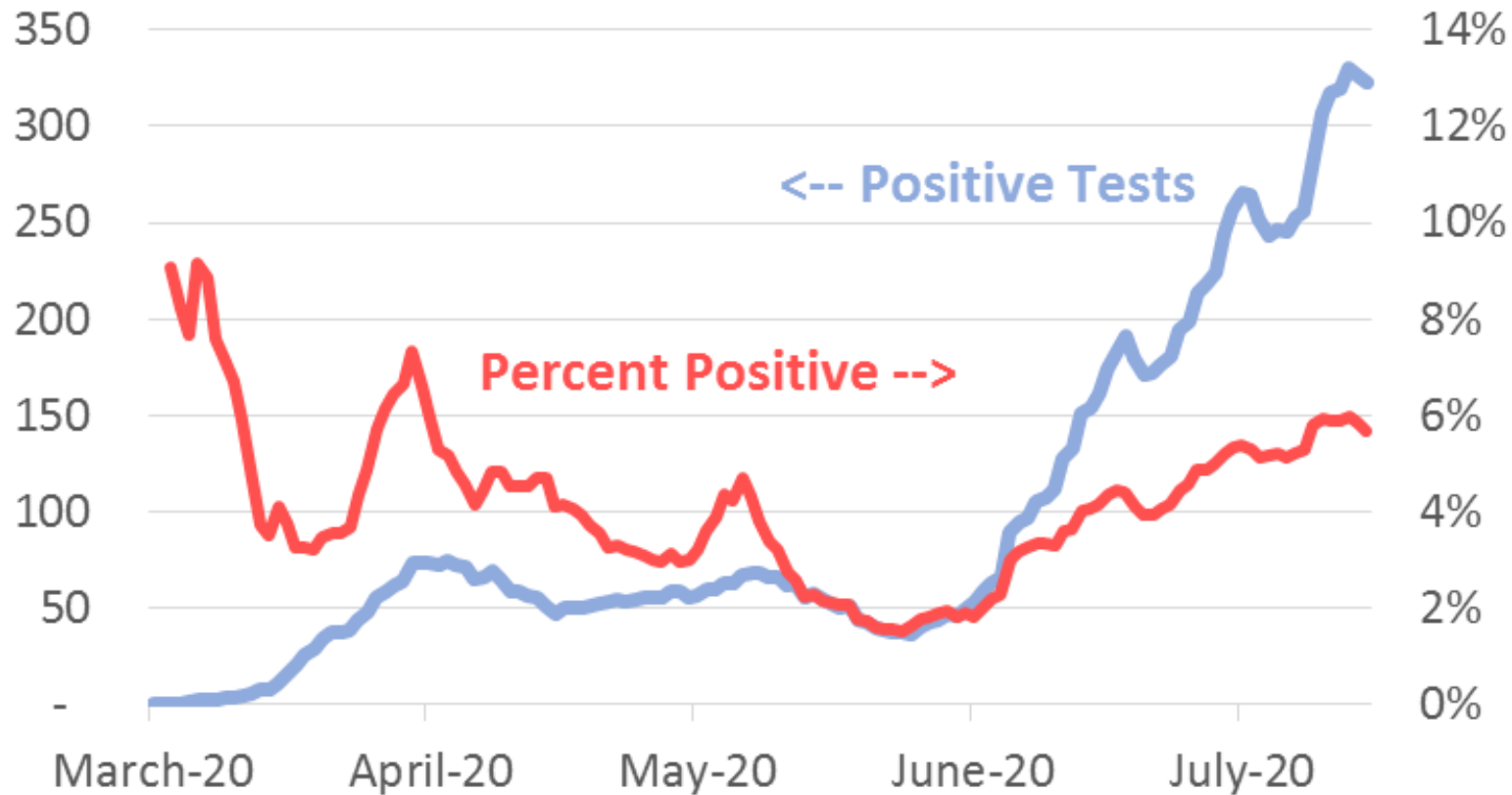




Risk 1: Pandemic hasn't gone away

Oregon COVID-19 Cases

7 Day Average



- Cases are up, not just due to more testing
- There is no trade off between the economy and public health
- Waning business and consumer confidence

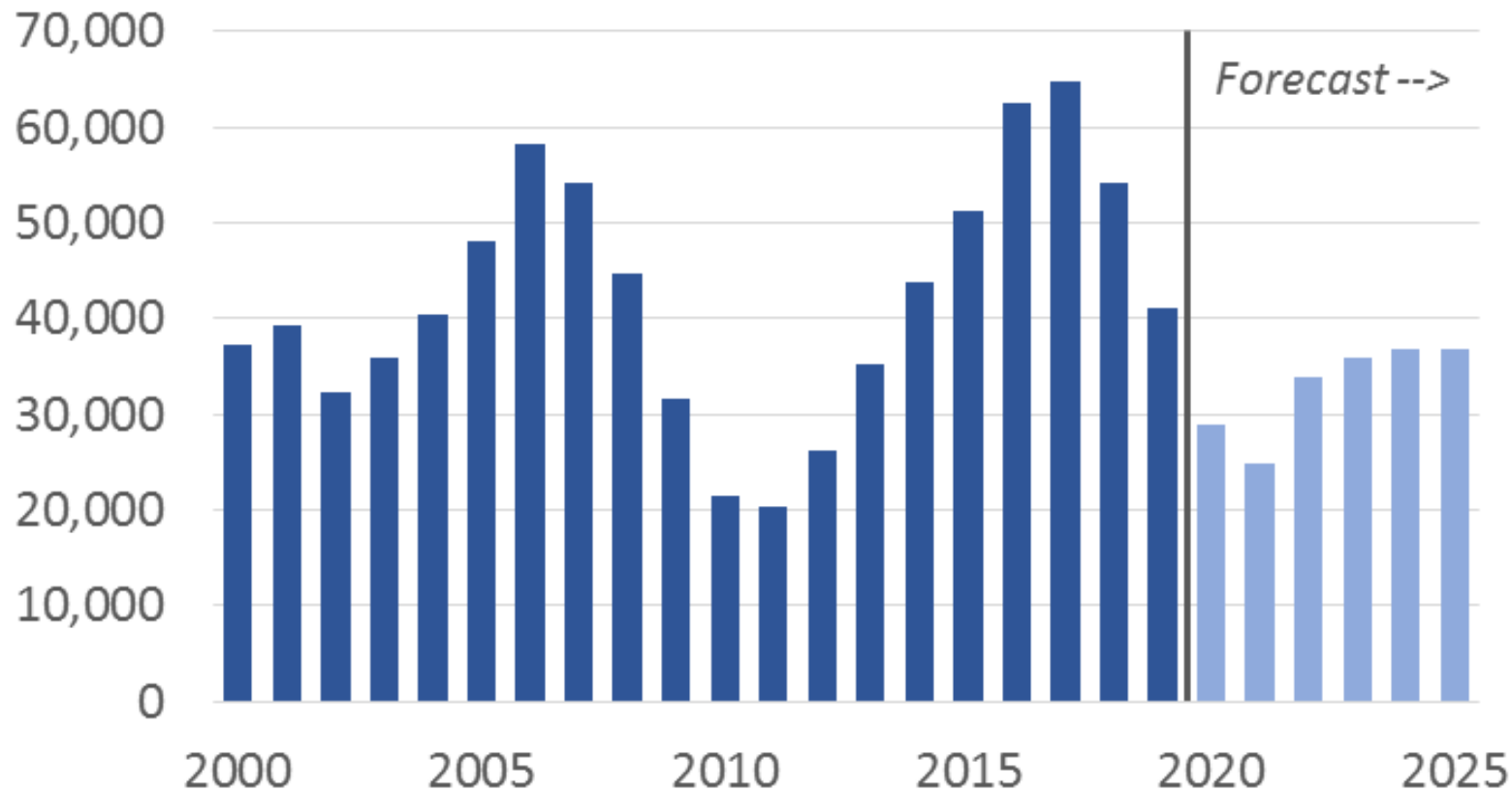




Risk 2: Slower migration

Oregon Population Growth

Annual Change in the Total Population



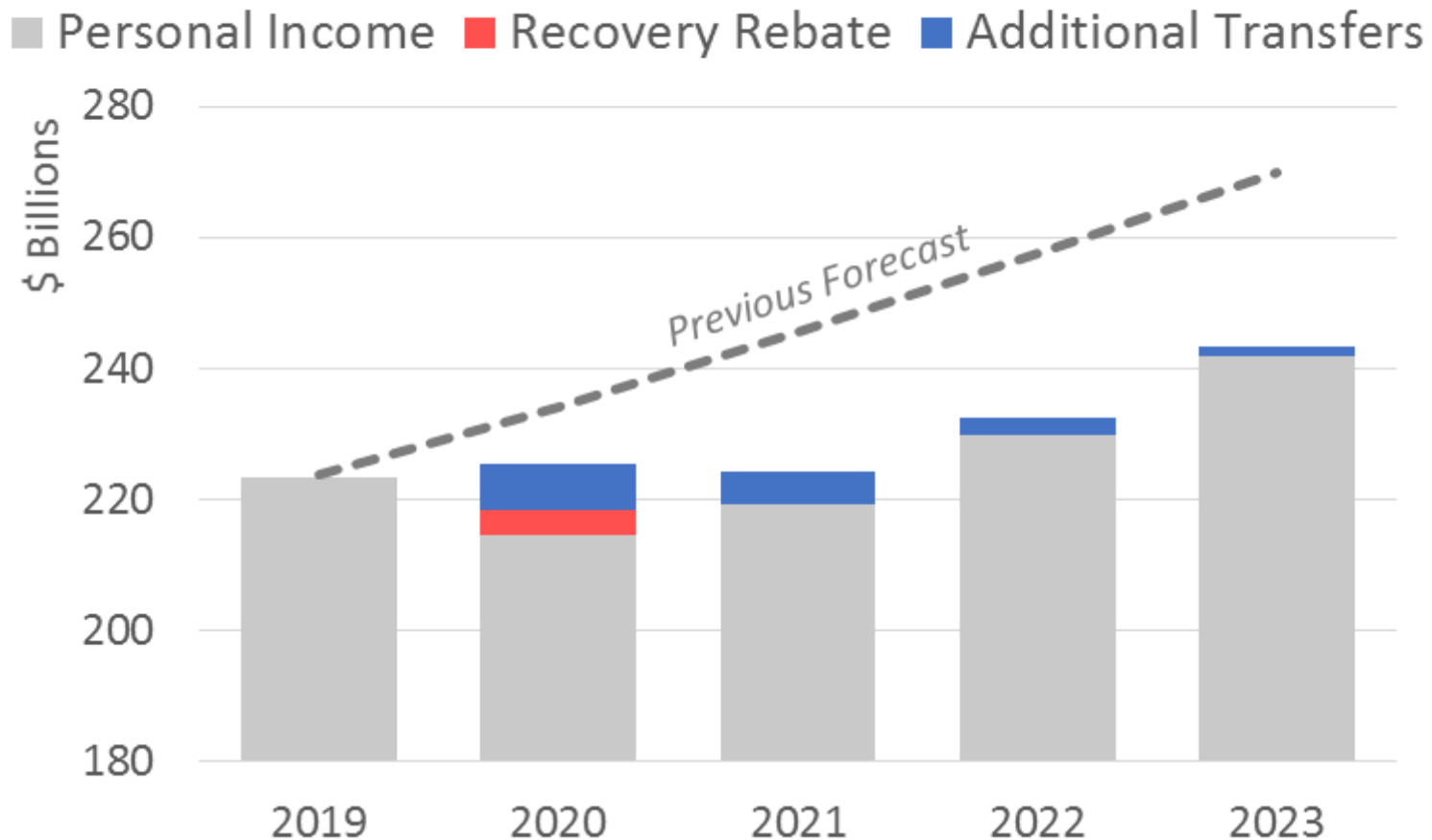
- Near Term: no one is moving during the pandemic
- Medium Term: migration reduced due to recession
- Long Term: Oregon's ability to attract and retain working-age households is expected to remain intact
- COVID-19 impacts still TBD
 - Oregon vs Rest of Country
 - Urban vs Rural
 - Suburbs vs City Center
 - **Detached Single Family vs Multifamily**





Risk 3: Stagnant incomes

Oregon Personal Income



- So far household incomes holding up due to federal assistance
- As pandemic and recovery drag on, incomes likely to stagnate, drop in inflation-adjusted terms
- Buyer confidence and ability to pay sags in recessions

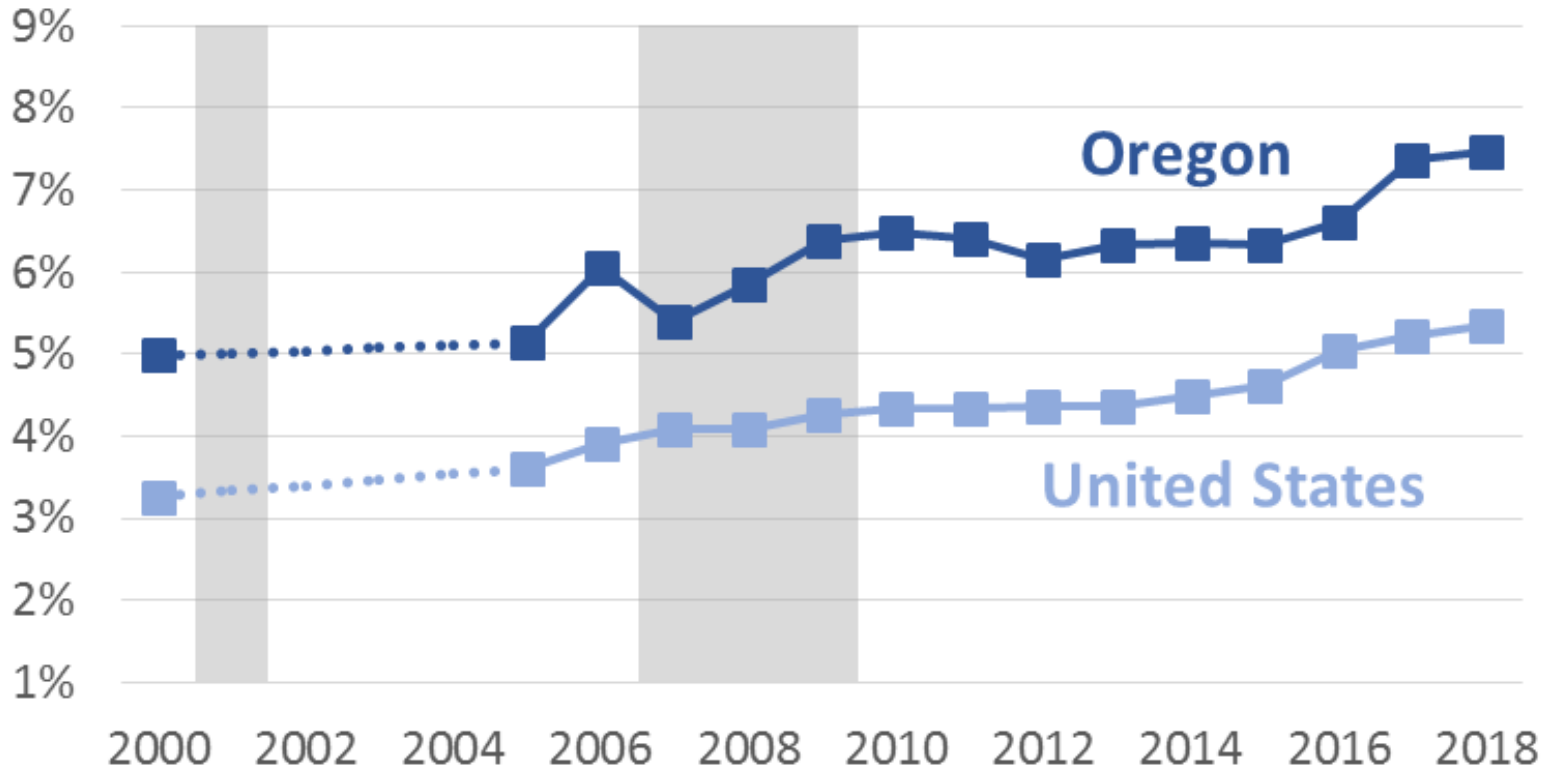




Wild Card: Actually using that home office

Working at Home on the Rise

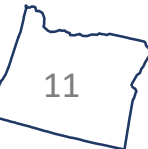
Share of Employed that Work from Home



- Oregon #2 state for working from home
- Short-term working from home all about the pandemic
- Long-term working from home about where people want to live
- Other estimates indicate 15-20% of workers do some remote work

Data: 2000 Census, 2005-18 ACS | Source: Census, Oregon Office of Economic Analysis

For more: <https://oregoneconomicanalysis.com/2020/07/22/working-from-home-and-broadband-access-in-oregon/>

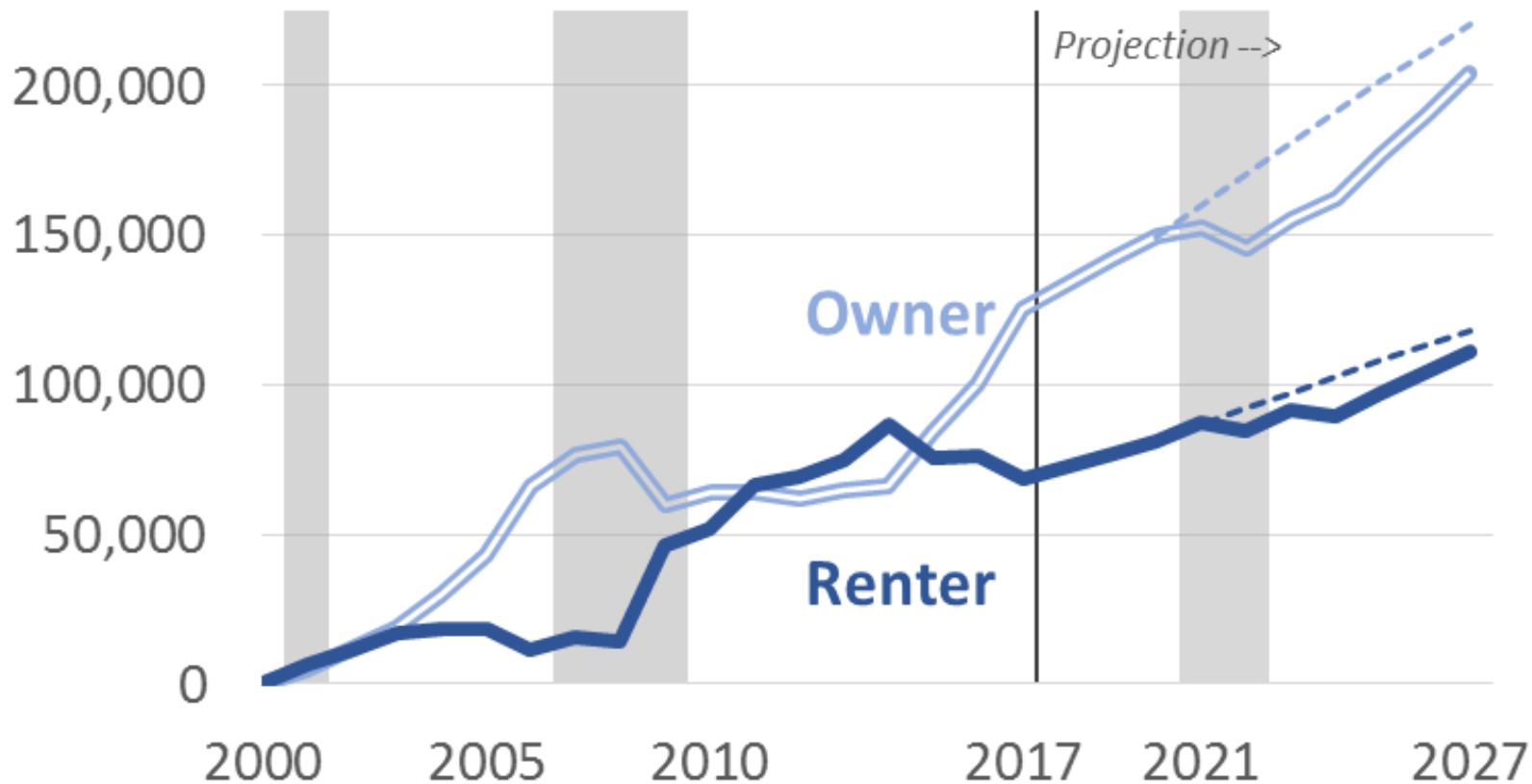




Bottom Line: Structural > Cyclical

Portland MSA Households

Change Since 2000



- Chart from 2018 forecast breakfast(!) and not updated
- Expect a couple soft years but no massive declines
- Impact of aging Millennials offsets cyclical effects of migration and income
- Supply Constraints
 - Lending
 - Lots
 - Land Use
 - Labor
 - Confidence
- State Policy Supply Boosts
 - Duplex legalization
 - Regional housing needs analysis





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