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

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Oregon Office of Economic Analysis
Josh Lehner
Recovery will take years

- 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

**Oregon Employment Loss by Recession**

Percent Change from Pre-Recession Peak

Source: Oregon Employment Department, Oregon Office of Economic Analysis
• 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

Source: Census, Oregon Office of Economic Analysis

Source: Oregon Employment Department, Oregon Office of Economic Analysis
Reason 1: Nature of the cycle

- 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
Reason 2: Low 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

- 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

**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)

Source: BLS, Federal Reserve Bank of New York, Portland State, Oregon Office of Economic Analysis
Risk 1: Pandemic hasn’t gone away

- 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

- 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

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

Source: BEA, Oregon Office of Economic Analysis
Wild Card: Actually using that home office

- 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
Bottom Line: Structural > Cyclical

- 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

Portland MSA Households
Change Since 2000

Latest Data: 2017 | Source: Census, Portland State PRC, WA OFM, Oregon Office of Economic Analysis
Contact

joshua.lehner@oregon.gov
(971) 209-5929

www.OregonEconomicAnalysis.com
@OR_EconAnalysis