

The background of the slide features a large, faint, light blue seal of the State of Oregon. The seal is circular and contains an eagle with spread wings perched on a shield. Above the eagle are the words "STATE OF OREGON" and below it is "1859". The seal also includes the motto "THE UNION" and various symbols representing the state's history and industry.

# Oregon's Economic and Housing Outlook

November 3<sup>rd</sup>, 2022

Oregon Office of Economic Analysis  
Josh Lehner

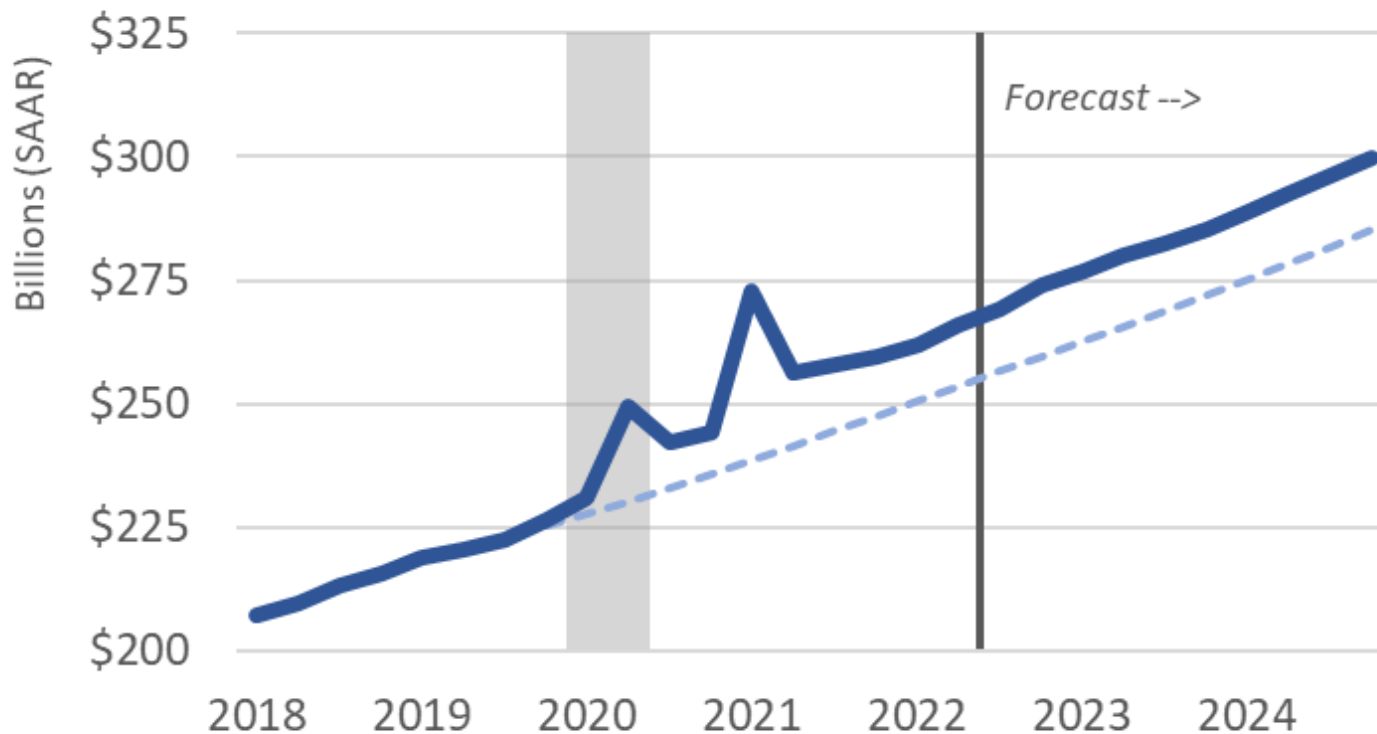


# Housing finances are strong

Dynamics starting to shift from exceptional to normal

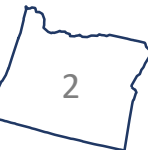
## Oregon Personal Income

Current Forecast | Pre-Pandemic Forecast



Latest Data: 2022q2 | Source: BEA, Oregon Office of Economic Analysis

- Current income higher than forecast
  - Income growth will slow
- Household savings increased \$2.1 trillion early in pandemic
  - \$700 billion of excess savings drawn down due to inflation
- Wealth is up over the pandemic
  - Stocks down big this year, housing starting to turn down
- Debt levels below trend, delinquency rates still low
  - Levels rising but still smaller share of income, delinquencies starting to tick up off historic lows

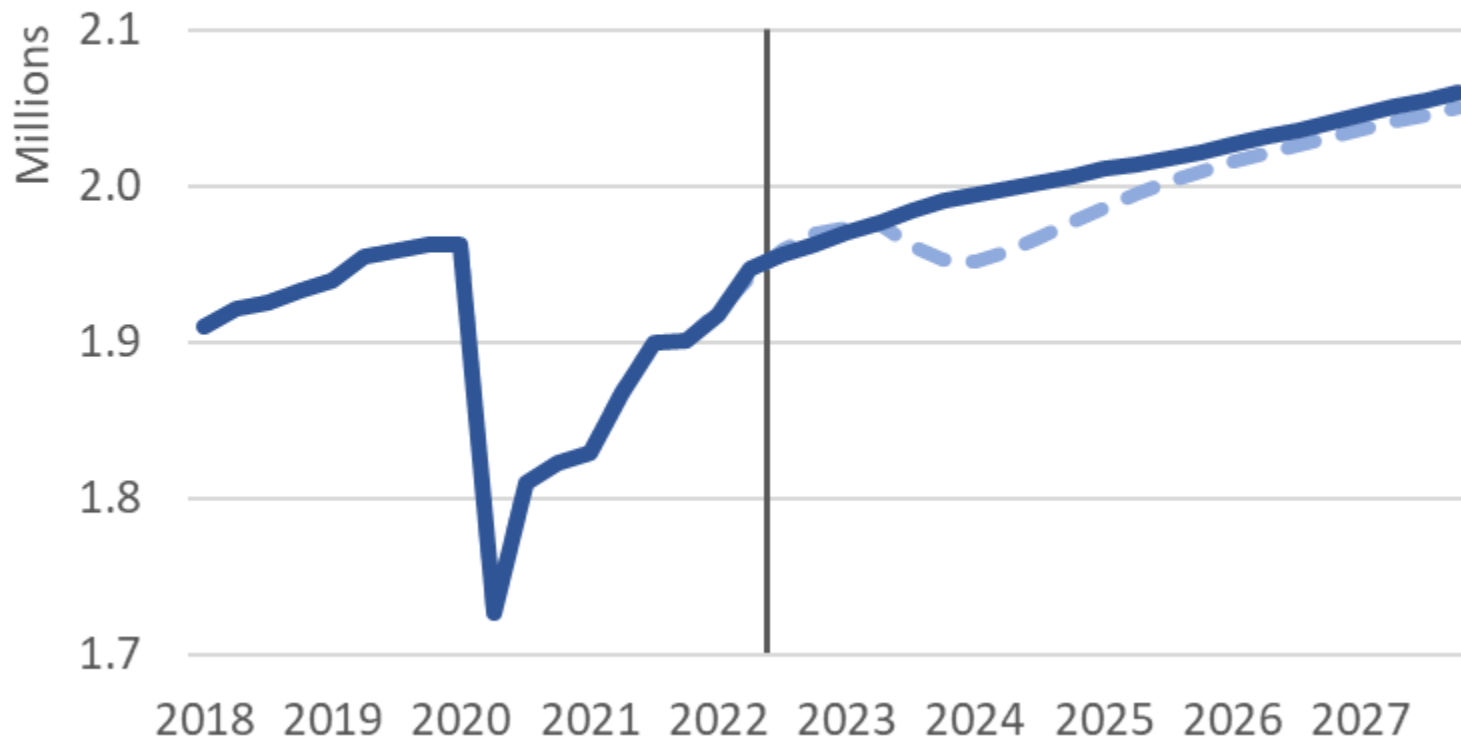




# Inflationary booms don't end well

## Oregon Employment

Soft Landing, No Recession | Boom/Bust Recession



Latest Data: 2022q3 | Source: BLS, Oregon Employment Dept, Oregon Office of Economic Analysis

- Interest rate increases impact financial markets immediately and the real economy down the road
- Recession Scenario
  - Timing: second half of 2023
  - Severity: mild
    - Labor is tight, profits are high
    - Long-term inflation expectations still in the 2-3% range
  - Oregon volatility
    - Industrial structure
    - Migration
  - Risks
    - Start date
    - More severe cycle may be needed if inflation is entrenched

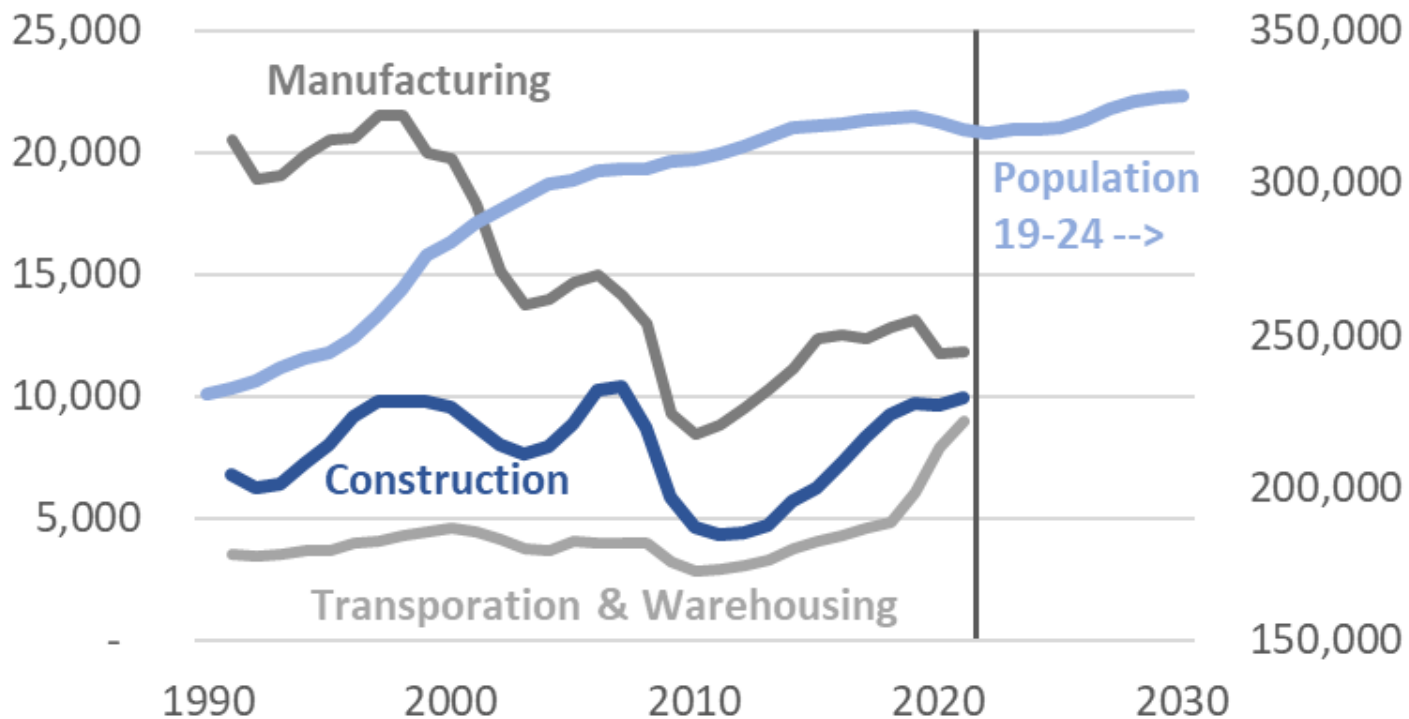




# Labor market is recovered, and tight

## Young Oregonians in the Trades

19-24 Year Olds



Latest: 2021 | Source: Census, 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
- Job vacancies near record highs
  - More self-employment
  - Fewer multiple jobholders
  - More worker quits
- Structural labor challenges
  - Pandemic deaths
  - International migration
  - Demographics

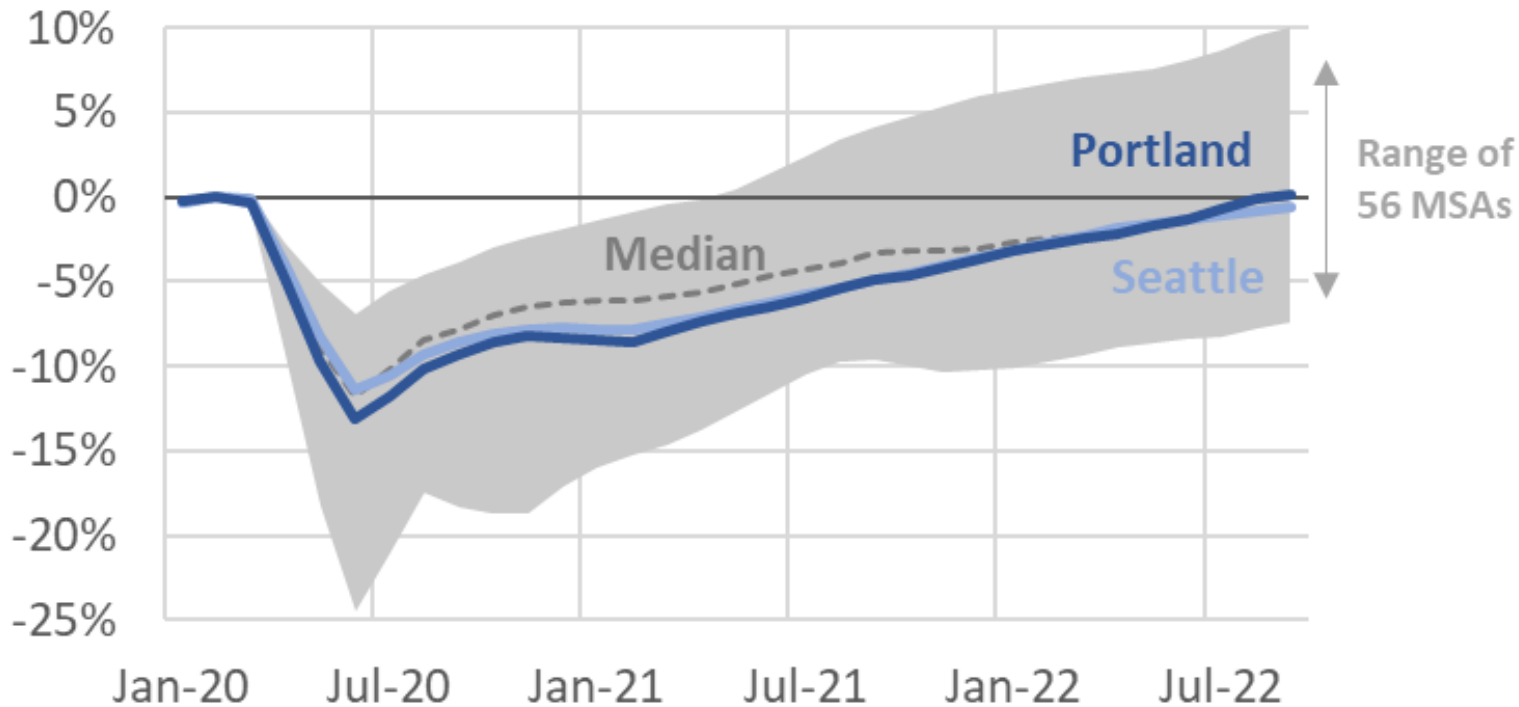




# What's wrong with Portland?

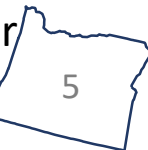
## The Pacific Northwest and Large Metros

Percent change in employment since February 2020 among the 56 metropolitan statistical areas (MSAs) with population greater than 1 million



- Smaller metros and suburbs outperforming urban cores nationwide
  - Loss of business travel, and daily commuters
- Good News/Bad News
  - Portland did not suffer noticeably worse recession and is now above average
  - Portland trails most of its peer comparison metros: Austin, Indianapolis, Nashville, Salt Lake
  - Portland's urban core recovery looks to be slower even if metro is average

Data: 3 month average | Latest: September 2022 | Source: BLS, Oregon Office of Economic Analysis

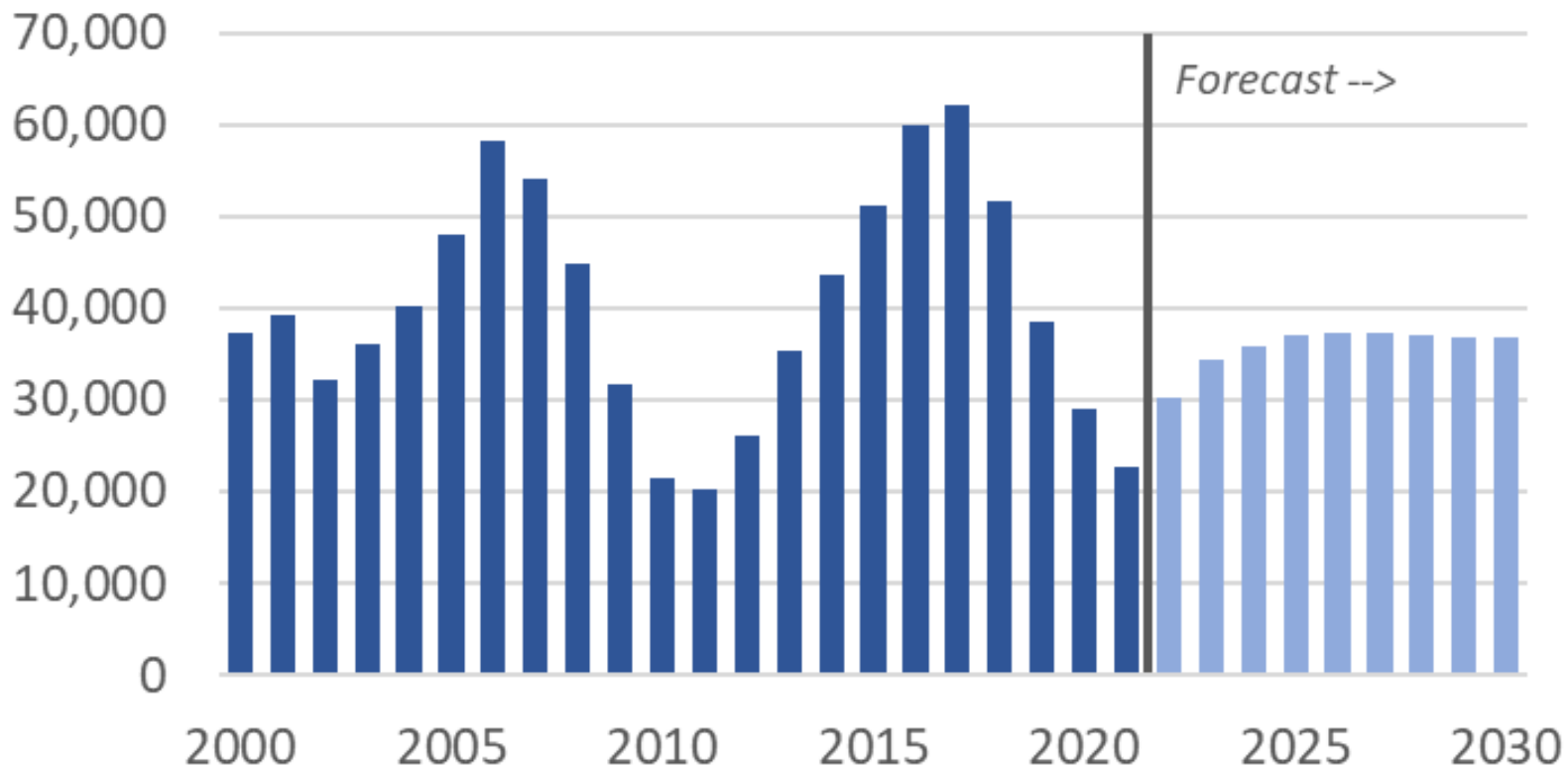




# Population growth is rebounding

## Oregon Population Growth

Annual Change in the Total Population



Latest Data: 2021 | Source: Census, Portland State PRC, Oregon Office of Economic Analysis

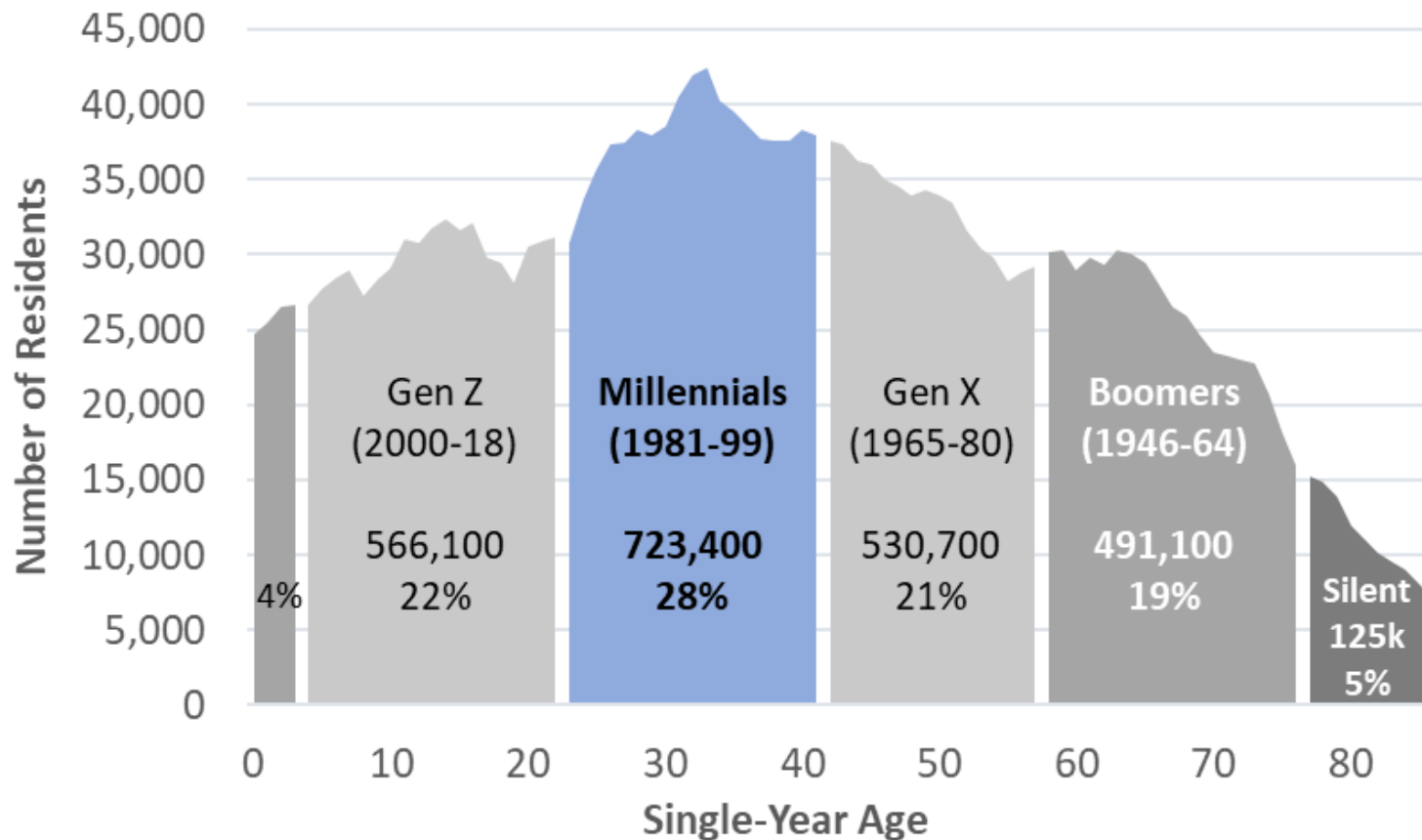
- Primary reason Oregon grows faster than U.S.
  - Local businesses can hire and expand at faster rate
- 2021 Census Estimates
  - Population declines in urban cores of Atlanta, Dallas, Denver, Miami, Minneapolis, Nashville, New York, Orlando, Portland, San Francisco, Seattle
- Forecast
  - Migration is pro-cyclical
  - Rebound already underway given surrendered driver licenses at Oregon DMVs are increasing
  - Deaths are rising, and birthrate is very low





# Demographic tailwind still exists

## Portland MSA Population by Age



- **Millennials**

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

- **Boomers**

- Entering into retirement
- Most have decent savings and are still in good health
- Downsizing in the 2030s, less credit sensitive

- **Gen Z**

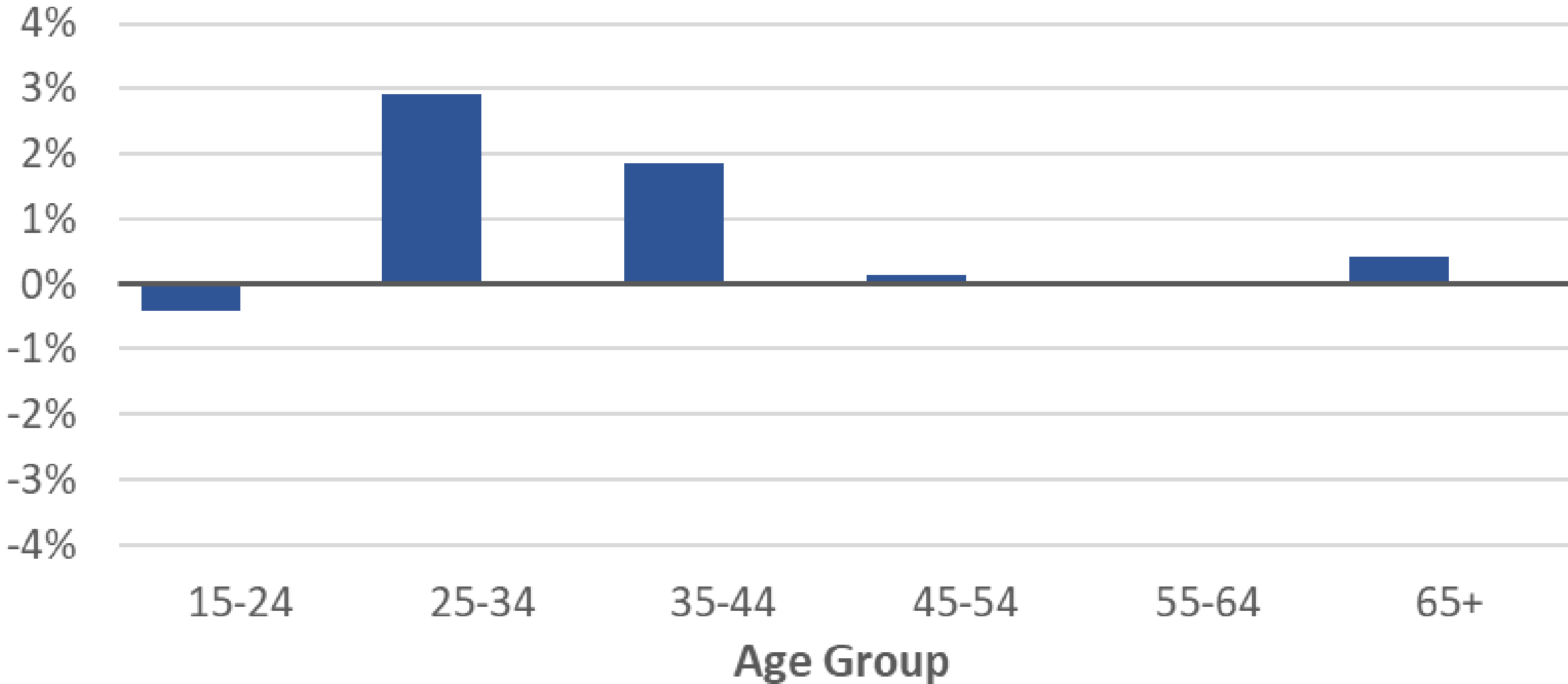
- Somewhat smaller, barely offsets retiring Boomers
- Oregon needs Gen Z to move here like Boomers and Millennials before them
- Economic driver in the 2040s





# Oregon's Pandemic Housing Market

Change in **Headship Rate** in Oregon, 2019 to 2021

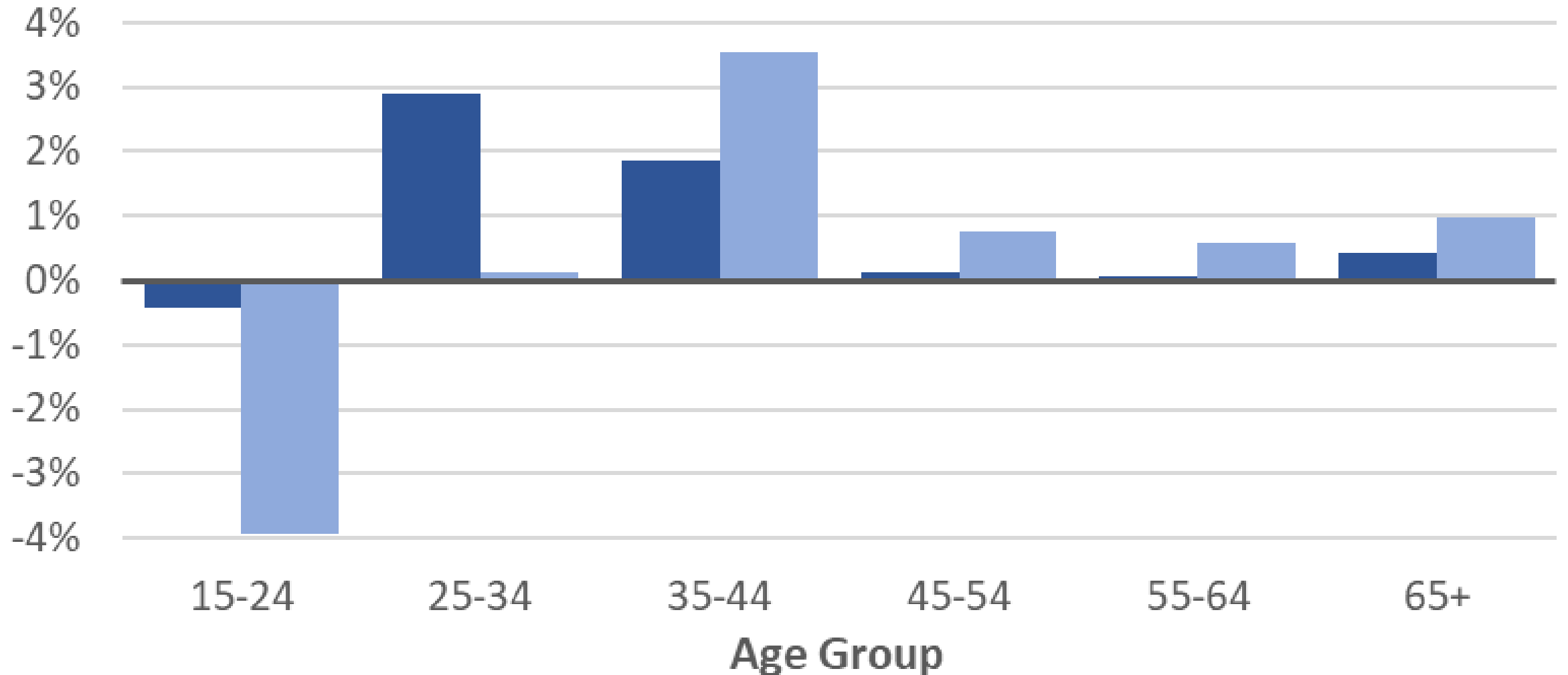


Data: ACS 1 year estimates | Source: Census, Oregon Office of Economic Analysis



# Oregon's Pandemic Housing Market

Change in **Headship Rate** and **Homeownership Rate** in Oregon, 2019 to 2021

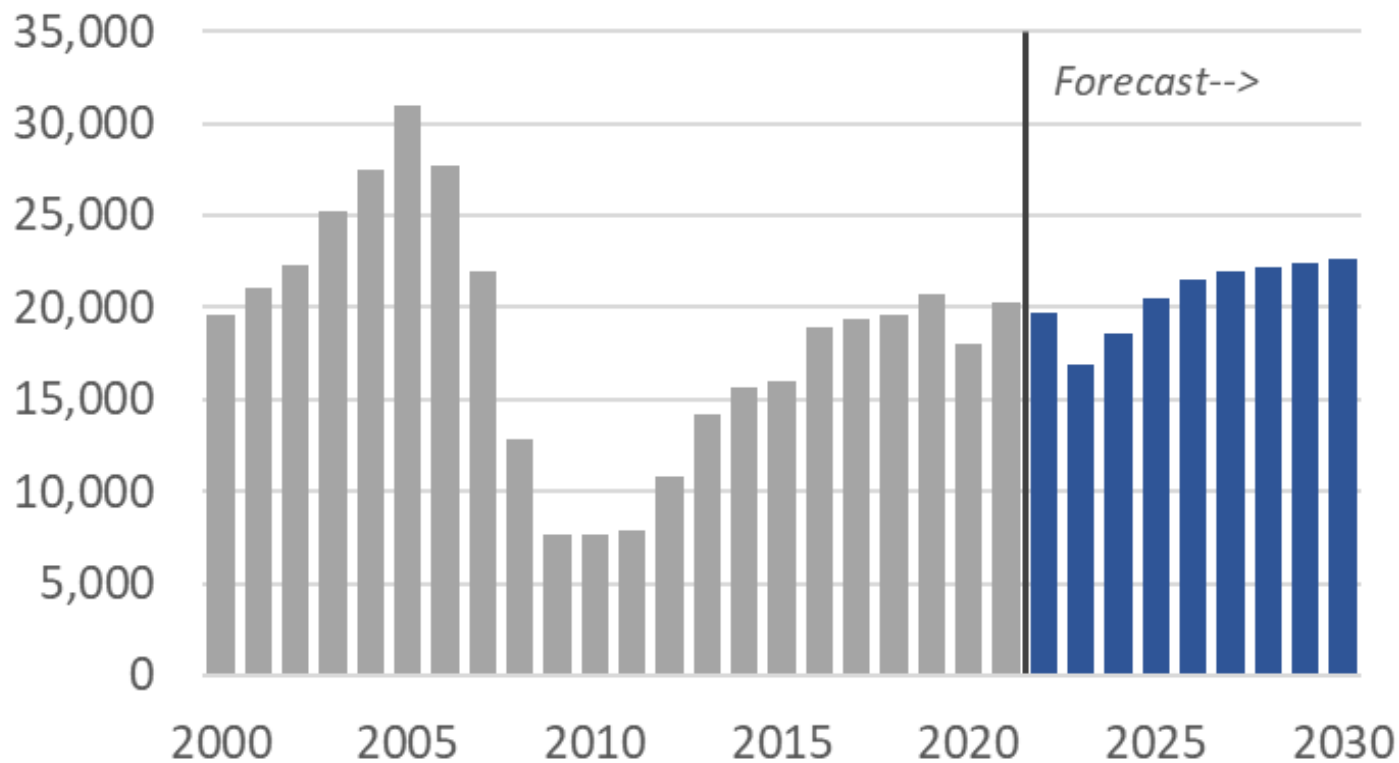


Data: ACS 1 year estimates | Source: Census, Oregon Office of Economic Analysis



# Housing starts will revive when affordability improves

## Oregon Housing Starts



Source: Census, Oregon Office of Economic Analysis

- Decades of underbuilding:
  - Low supply & worse affordability
  - Contributes to homelessness
  - Risk for population outlook
- Volumes pick up with:
  - Population growth
  - Demographics
  - Affordability
- Affordability improves with:
  - Rising incomes
  - Falling prices
  - Normalizing rates





# Increasing Oregon's housing production

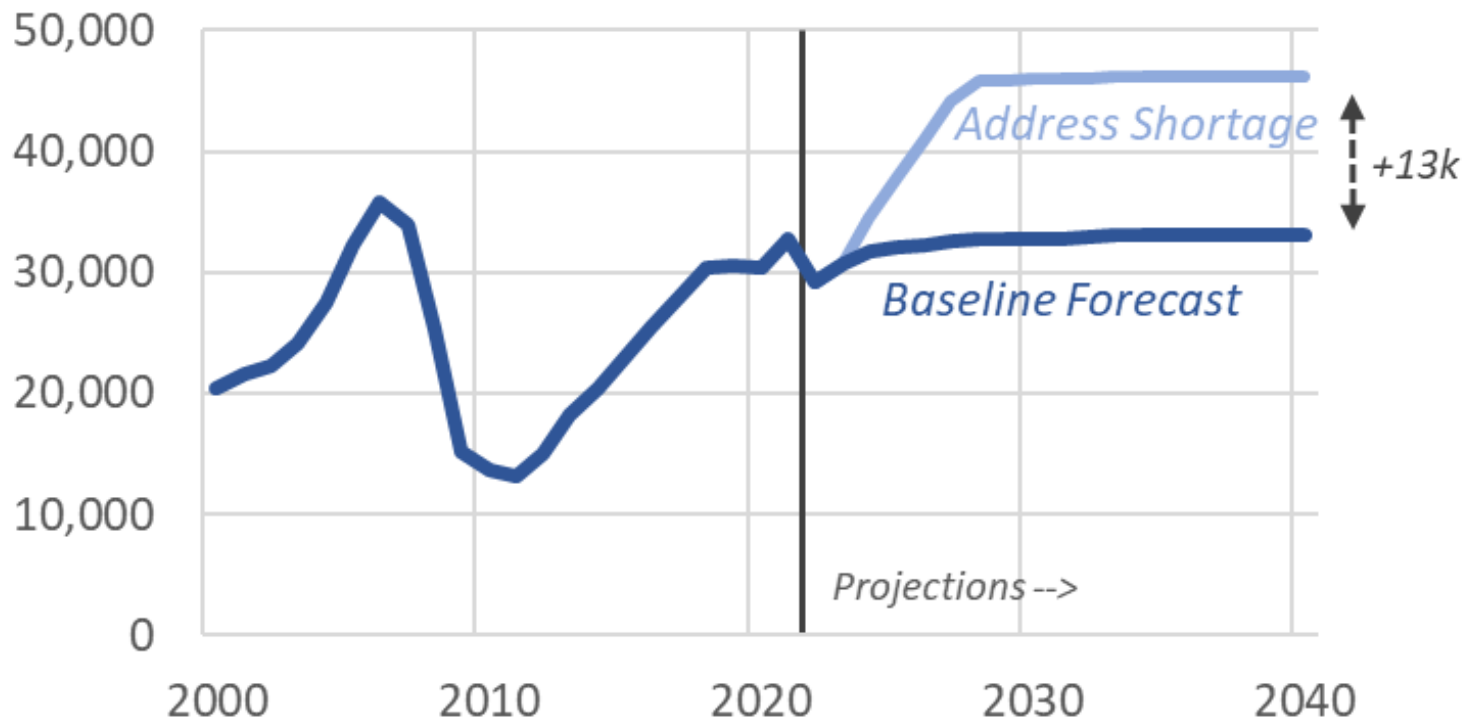
- Increase land availability
- Turn land into buildable lots faster (the *effective* land supply)
- Allow more units to be built
- Decrease, or at least stabilize development costs per unit
- Increase the construction workforce





# Increasing the construction workforce

## Oregon Residential Construction Employment Needs



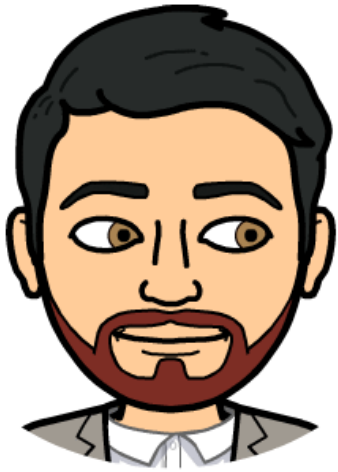
Source: Oregon Office of Economic Analysis

- To build more housing, Oregon needs more workers
- 13,000 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





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