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Portland Multifamily Construction Continues to Slump

October 1, 2024 Written by Will Gent, Partner Tonkon Torp, LLP



Brand Story – From the campaign trail to the kitchen table, it's hard to avoid the fact that Oregon has a housing shortage. That crunch is perhaps most severe when it comes to the construction of affordable, multifamily units.

Across the state, elected officials have **taken notice**. In Salem, Governor Tina Kotek set an **ambitious goal** of adding 36,000 new units of housing per year. In the 2024 session, the Oregon legislature **passed a wide-ranging housing bill**, devoting \$376 million to combat the housing shortage and temporarily **relaxing Oregon's land use laws** to encourage the construction of affordable housing. And in Portland, the City has **streamlined its permitting process and passed financial incentives** to spur new construction.

Despite those efforts, the production of multifamily housing in Portland remains in free fall. According to City of Portland data **analyzed by ECONorthwest**, the City has or is processing permits for just 312 units of multifamily housing through July 31, 2024. That puts the City on track to green light just 500 multifamily units this year—its lowest since 2009. For comparison, the City issued, inspected, or approved permits for 1,995 multifamily units in 2023, 4,112 units in 2022, and 3,767 in 2021. Statewide permit numbers show **similar trends**. Because multifamily construction is a lengthy process, this data suggests that housing production will remain anemic for years to come.

Those numbers, of course, may not tell the whole story. On the one hand, it's likely too soon to see the effects of recent policy changes in permit data. On the other hand, some of the recent reforms have **faced criticism** that they did not go far enough. Meanwhile, developers continue to be squeezed by high interest rates, rising construction costs, and steep systems development charges.

In any event, the housing crunch isn't going away any time soon. With more regulatory changes on the horizon, Tonkon Torp's **Real Estate & Land Use** team will continue monitoring this key area for owners, developers, and contractors alike.

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