

OREGON'S CONSTRUCTION DEFECT LIABILITY LAWS: A BARRIER TO HOMEOWNERSHIP?

Oregon is an outlier in terms of the share of multifamily housing units that are owner occupied. Strong construction defect protections are likely playing a role

Oregon is grappling with a significant housing shortage, intensified by a chronic undersupply that has pushed home prices beyond the reach of many residents. This crisis undermines homeownership, a crucial pathway to accumulating personal and generational wealth, particularly for first-time buyers and middle-income households.

Among the viable solutions to this issue, condominiums and townhouses stand out as accessible options. However, despite their potential to ease the housing crunch, production of these units in Oregon has not kept pace with demand. The peak of **condominium production** in 2006 saw 4,199 units built, but this figure has plummeted to an average of just **309 units annually** since then.

The state needs over **550,000 new housing** units to accommodate projected population growth over the next two decades, with a current shortfall of **65,819 units** already straining existing resources¹. This shortage is particularly acute in the condominium market, which could otherwise provide more affordable homeownership opportunities.

Restrictive Construction Defect Liability (CDL) laws potentially exacerbate this problem by creating significant barriers for developers. These laws not only tend to increase construction costs but also discourage the development of units for sale, leading developers to prefer building rental units due to shorter liability periods.

Examining legal reforms in other states that have successfully balanced homeowner protections with development incentives offers crucial lessons for Oregon policymakers. This report delves into the specific challenges posed by Oregon's CDL laws, comparing them with regulations in other states, assessing their impact on housing development, and proposing avenues for essential legal reforms. By revisiting these laws, Oregon can take significant steps toward revitalizing its housing market, ensuring it meets the needs of its residents, and supports economic stability for future generations.

¹ Oregon Housing Needs Analysis, Oregon Department of Land Conservation and Development

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Key Findings:

- **Oregon is experiencing a severe housing shortage.** The state needs 65,819 units immediately to satisfy the current population's demands. Additionally, to accommodate expected growth, 554,691 new housing units will be necessary over the next 20 years.
- **Condo production in Oregon has dropped significantly.** Between 2006 and 2023, annual condominium development fell by 92%, with only 309 units built per year on average, down from a peak of 4,199 units in 2006.
- **Condos are more affordable entry points to the housing.** The median sale price of a condominium in Oregon was \$341,000 in 2023, 38% lower than the \$552,460 price of a single-family home.
- **Condo prices have increased substantially.** Condominium prices have risen 24% in Oregon over the past five years, contributing to affordability challenges for prospective buyers.
- **Oregon faces significant challenges with owner-occupancy rates.** The proportion of owner-occupied multifamily units in the state is less than half the national average.
- **Housing is more expensive in Oregon than the national average.** The median price for properties in buildings with five or more units is \$380,000—approximately 8.5% higher than the national median of \$350,000 according to the American Community Survey of 2022.
- Oregon arguably has the most restrictive Construction Defect Liability (CDL) protections in the country, with long timeframes for making claims after the construction or conversion of housing units