

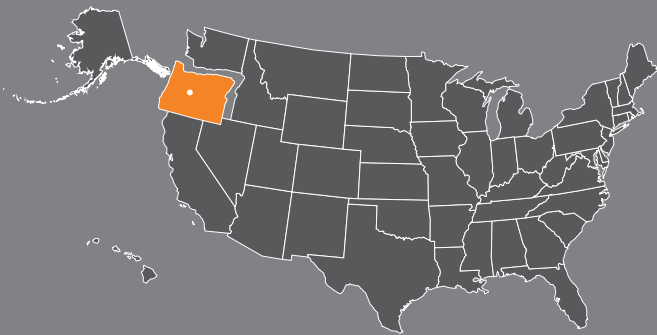
# HUD PD&R Housing Market Profiles

## Bend-Redmond, Oregon



### Quick Facts About Bend-Redmond

- **Current sales market conditions: slightly tight.**
- **Current apartment market conditions: very tight.**
- **The city of Bend has more breweries per capita than any other city in Oregon, including Deschutes Brewery, which ranked seventh on the 2014 list of 50 largest U.S. craft breweries by sales volume (Brewers Association).**



By Holi Weaver | As of May 1, 2015

### Overview

The Bend-Redmond metropolitan area, which is conterminous with Deschutes County, Oregon, is the largest metropolitan area in central Oregon and a regional hub for education and health services. The principal city, Bend, is bisected by the Deschutes River and is approximately 20 miles east of Mt. Bachelor, making the area a regional destination for outdoor recreation and tourism. From July 2013 to July 2014, the population in the Bend-Redmond metropolitan area increased 2.7 percent, making it the seventh fastest growing metropolitan area in the nation (U.S. Census Bureau).

- Population growth in the metropolitan area was strongest from July 2004 to July 2006, averaging 7,200 people, or 5.2 percent, a year because of strong economic conditions and an influx of retirees to the area. Net in-migration accounted for an average of 6,450 people a year, or 90 percent of the growth during that time.
- As the effects of the 2007-to-2009 national recession began to affect the local construction and tourism industries, net in-migration slowed, causing population growth to decrease to an average of 4,325 people, or 2.9 percent, a year from July 2006 to July 2008. Subsequently, economic conditions worsened further, and from July 2008 to July 2012 population growth slowed to an average of 1,225 people, or 0.8 percent, a year; only 60 percent of the growth resulted from net in-migration.

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- Population growth rebounded sharply in 2012 as economic and housing market conditions improved, boosting net in-migration. From July 2012 through July 2014, the population increased by an average of 4,321, or 2.6 percent, a year; nearly 91 percent of the growth was attributed to net in-migration.
- As of May 1, 2015, the population in the Bend-Redmond metropolitan area was estimated at 174,600, reflecting an average annual increase of 5,100 people, or 3.0 percent, since July 2014. An estimated 4,700 people, or 92 percent of the growth, resulted from net in-migration.

## Economic Conditions

Nonfarm payroll growth has exceeded 3.0 percent annually since the first quarter of 2012, contributing to strong economic conditions in the Bend-Redmond metropolitan area, although nonfarm payrolls remain 3.0 percent below the peak level of jobs recorded in 2007.

During the 3 months ending April 2015—

- Nonfarm payrolls increased by 3,800 jobs, or 5.7 percent, to 70,500 jobs compared with the number of jobs a year earlier. During the 3 months ending April 2014, nonfarm payrolls increased by 3,800 jobs, or 6.1 percent, from the same period in 2013.
- Increased residential construction was largely responsible for payroll gains in the mining, logging, and construction sector of 500 jobs, or 12.2 percent, the highest rate of job growth in the metropolitan area. In terms of growth rates, the sector has been the fastest growing sector since the economic recovery began, adding an average of 800 jobs, or 20.0 percent, a year in 2013 and 2014. By contrast, the sector was the worst hit during the national recession, losing an average of 1,000 jobs, or 21.0 percent, annually from 2007 through 2011 and stagnating in 2012, mainly because of a sharp decline in new home construction.
- Strong economic conditions and population growth in the metropolitan area led to an increase in consumer confidence, leading to more spending on goods and services. The wholesale and retail trade sector led job growth, increasing 8.0 percent, or by 900 jobs, 800 of which were in the retail trade subsector. The education and health services sector followed, increasing by 700 jobs, or 6.4 percent.

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### Year-over-year nonfarm payroll growth has exceeded 5 percent since January 2014 in the Bend-Redmond area.

	3 Months Ending		Year-Over-Year Change	
	April 2014 (thousands)	April 2015 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	66.7	70.5	3.8	5.7
Goods-producing sectors	8.4	9.1	0.7	8.3
Mining, logging, and construction	4.1	4.6	0.5	12.2
Manufacturing	4.3	4.5	0.2	4.7
Service-providing sectors	58.3	61.4	3.1	5.3
Wholesale and retail trade	11.3	12.2	0.9	8.0
Transportation and utilities	1.4	1.6	0.2	14.3
Information	1.5	1.6	0.1	6.7
Financial activities	4.2	4.3	0.1	2.4
Professional and business services	7.5	8.1	0.6	8.0
Education and health services	10.9	11.6	0.7	6.4
Leisure and hospitality	9.9	10.1	0.2	2.0
Other services	2.3	2.4	0.1	4.3
Government	9.4	9.5	0.1	1.1
	<b>(percent)</b>	<b>(percent)</b>		
Unemployment rate	9.2	6.3		

Note: Numbers may not add to totals because of rounding.  
Source: U.S. Bureau of Labor Statistics

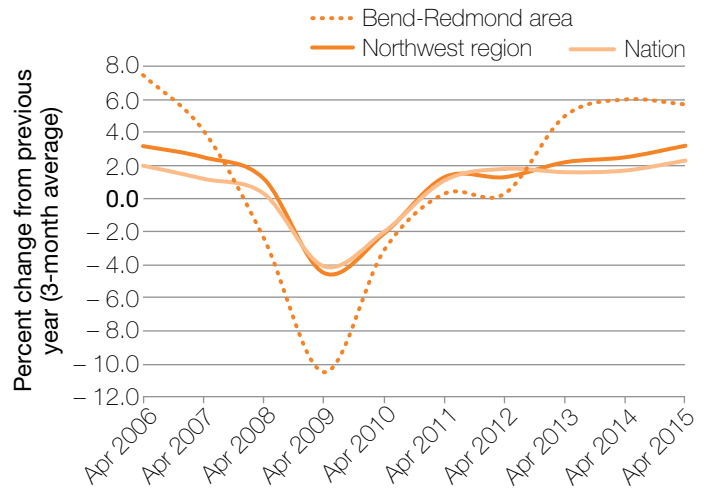


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- The unemployment rate declined to 6.3 percent, down from 9.2 percent during the same period a year ago because resident employment growth of 3,825, or 5.3 percent, significantly outweighed labor force growth of 1,625, or 2.1 percent.

The metropolitan area is a regional destination for outdoor recreation and tourism in the Pacific Northwest because of its proximity to Mt. Bachelor and the Deschutes River, high desert climate, and growing beer industry. After declining from 2007 through 2009, the leisure and hospitality sector added an average of 300 jobs a year from 2010 through 2014 and, during the 3 months ending April 2015, sector payrolls increased further, adding 200 jobs, an increase of 2.0 percent from the 3 months ending April 2014. Currently, the leisure and hospitality sector is the third largest sector in the economy, accounting for 10,100 jobs, or 14.3 percent of total nonfarm payrolls, and includes two of the largest employers in the metropolitan area—Sunriver Resort, with 900 employees, and Mt. Bachelor Inc., with 756 employees. Tourism has strengthened in the metropolitan area in the past year, with record high transient room tax revenue (data available back to fiscal year 2006–07) each month since April 2014. In March 2015, transient room taxes totaled \$478,850, reflecting an increase of 37 percent compared with taxes collected in March 2014 (Visit Bend). Summer is the peak season for tourism, with an estimated average of 18,000 visitors on any given day, compared with 12,000 during the winter months (RRC Associates, Inc. 2015 study).

The Bend-Redmond area has recovered faster than the Northwest region and the nation despite suffering a much steeper decline in nonfarm payrolls during the recession.



Note: Nonfarm payroll jobs.  
Source: U.S. Bureau of Labor Statistics

### Largest employers in the Bend-Redmond area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
St. Charles Medical Center	Education and health services	2,018
Sunriver Resort	Leisure and hospitality	900
Mt. Bachelor Inc.	Leisure and hospitality	756

Note: Excludes local school districts.  
Source: Moody's economy.com

## Sales Market Conditions

Sales housing market conditions in the Bend-Redmond metropolitan area are currently slightly tight with an estimated sales vacancy rate of 2.0 percent, down from 4.2 percent in April 2010. Strong employment and population growth during the past 3 years contributed to increased demand for single-family homes that led to a decline in the inventory of homes for sale. Combined, these two factors put substantial upward pressure on sales prices. From March 2012 to March 2015 (most recent data available), the average sales price of an existing single-family home, townhome, or condominium (hereafter, existing home) increased 17 percent, and the average sales price of a new single-family home, townhome, or condominium (hereafter, new home) increased 37 percent. In April 2015, a 2.4-month supply of homes was available for sale, down from a 2.8-month supply in April 2014 (Central Oregon Association of Realtors®).

- During the 12 months ending March 2015, approximately 5,025 existing homes sold, up 1 percent from the same period a year earlier. By comparison, existing home sales peaked from 2003

through 2006 at an average of 7,275 homes sold each year. The foreclosure crisis had a significant effect on the metropolitan area and, from 2006 through 2009, existing home sales fell an average of 34 percent each year before reaching a low in 2009 of 2,500 homes sold (CoreLogic, Inc., with adjustments by the analyst).

- Approximately 850 new homes sold during the 12 months ending March 2015, up 25 percent from the same period a year ago. By comparison, new home sales peaked in 2005 and 2006, when an average of 2,625 homes sold each year.
- During the 12 months ending March 2015, the average sales price of an existing home increased nearly 8 percent, to \$286,600, and the average sales price of a new home was up 4 percent, to \$297,000, the highest average sales prices recorded since 2009.
- The percentage of seriously delinquent loans (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties declined steadily from a high of 10.9 percent in April 2010 to 2.9 percent in April 2015 (Black Knight Financial Services, Inc.).

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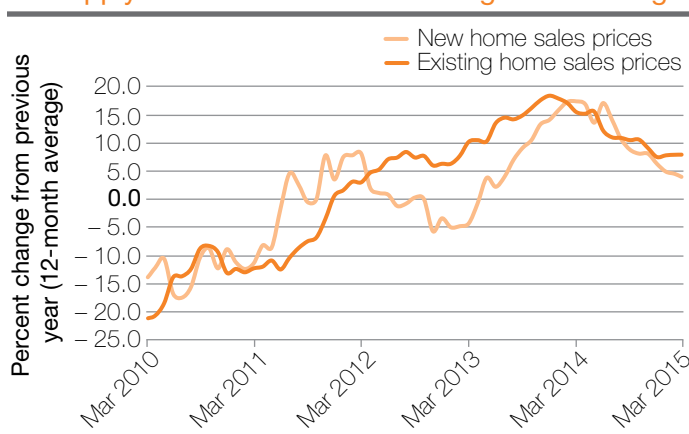


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Although single-family home construction activity, as measured by the number of single-family homes permitted, remains significantly below prerecession levels, building activity has increased since 2009 as a result of improving economic conditions and access to mortgage credit.

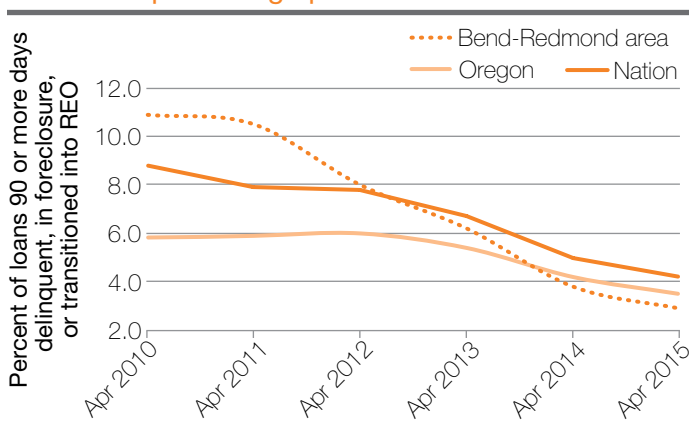
- During the 3 months ending April 2015, 330 single-family homes were permitted, a 3-percent decline compared with the 340 homes permitted during the 3 months ending April 2014 but a 20-percent increase from the number of homes permitted during the 3 months ending April 2013 (preliminary data).

The rate of growth in sales prices for new and existing homes in the Bend-Redmond area has slowed as the supply and demand for homes began to converge.



Note: Includes single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc., with adjustments by the analyst

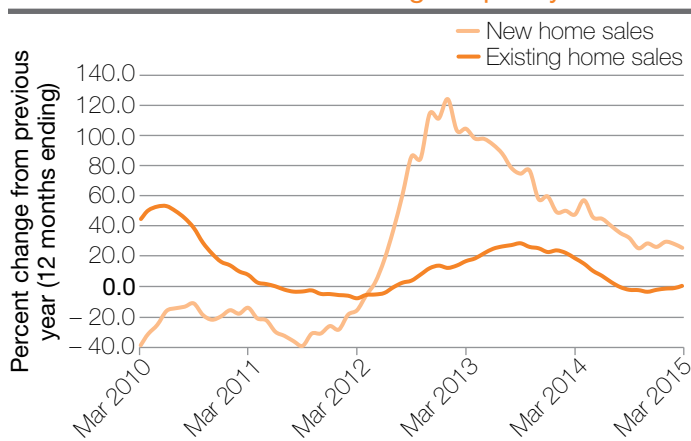
The percentage of seriously delinquent loans and REO properties in the Bend-Redmond area has declined 8 percentage points since 2010.



REO = real estate owned.  
Source: Black Knight Financial Services, Inc.

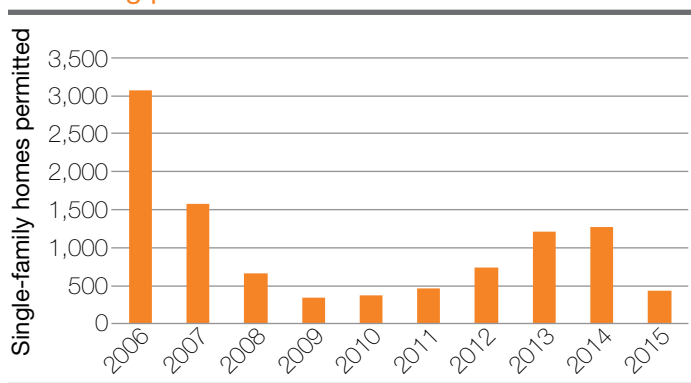
- Single-family construction activity was strongest from 2004 through 2006, when builders responded to rapidly increasing sales prices and increased demand and an average of 3,375 single-family homes were permitted annually. Subsequently, single-family permitting declined nearly 50 percent, to 1,575 single-family homes permitted in 2007. As the effects of the national recession worsened, single-family permitting dropped further, and an average of 515 single-family homes a year were permitted from 2008 through 2012.

The rate of growth in home sales in the Bend-Redmond area stabilized during the past year.



Note: Includes single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc., with adjustments by the analyst

Single-family building activity in the Bend-Redmond area has increased as builders have responded to increasing prices and sales volume.



Note: Includes preliminary data from January 2015 through April 2015.  
Source: U.S. Census Bureau, Building Permits Survey

## Apartment Market Conditions

The apartment market in the Bend-Redmond metropolitan area is currently very tight. Demand for apartments and other rental units has increased steadily since 2010 because the effects of the foreclosure crisis caused a shift in household preferences towards renting.

During the first quarter of 2015—

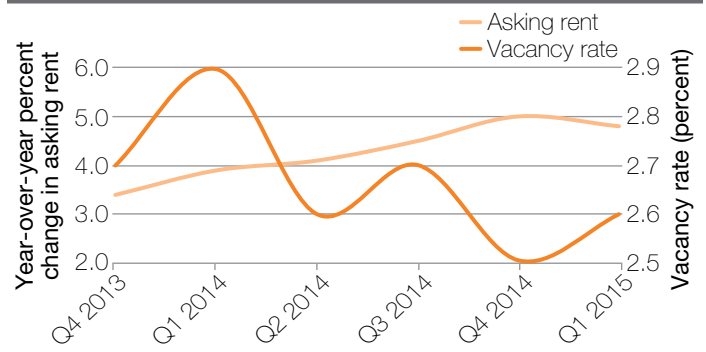
- The apartment vacancy rate was estimated at 2.6, down from 2.9 percent during the first quarter of 2014 (Reis, Inc.).
- The average asking rent was \$762, reflecting a 5-percent increase from a year earlier, and rents averaged \$664 for one-bedroom units, \$767 for two-bedroom units, and \$915 for three-bedroom units (Reis, Inc.). By comparison, from the first quarter of 2013 to the first quarter of 2014, the average asking rent increased 4 percent, to \$727 (Reis, Inc.).
- The market is tightest for units built since 2000, which have no vacancies and an average asking rent of \$816, nearly 7 percent higher than the overall market average. Conversely, units built from 1980 to 1989 have the highest vacancy rate, estimated at 5.1 percent, with an average asking rent of \$690, nearly 10 percent less than in the overall market (Reis, Inc.).

Multifamily construction activity, as measured by the number of units permitted, has generally improved since the 2009-through-2011 period, when permitting was lower than during any other 3-year period since the late 1980s.

- Approximately 70 multifamily units were permitted in the Bend-Redmond metropolitan area during the 12 months ending April 2015 compared with 110 units permitted during the previous 12 months (preliminary data).
- Multifamily construction activity peaked from 2003 through 2005, when an average of 700 multifamily units were permitted annually. Although multifamily construction activity remained elevated, 2004 was the start of the slowdown and, from 2006 through 2011, multifamily permitting declined at an average annual rate of 55 percent to a low of only 2 multifamily units permitted in 2011.
- Nearly all the multifamily construction in the metropolitan area is concentrated in the city of Bend.

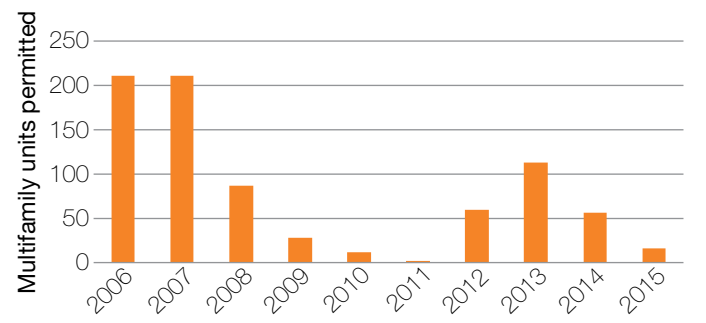
- The Parks at Eastlake Village, a 40-unit apartment complex with rents affordable to households earning 50 to 60 percent of the Area Median Income, began preleasing in mid-June and received more than 150 applications within a day for the 16 units that will be finished by the beginning of July 2015.
- More than 1,000 multifamily units are in various stages of planning and development in the metropolitan area, all proposed in the city of Bend.

**In the Bend-Redmond area, increased demand for rental units, coupled with very limited new construction, has caused apartment market conditions to tighten.**



Source: Reis, Inc.

**Multifamily construction in the Bend-Redmond area has fluctuated greatly during the past 10 years but increased compared with the record-low levels from 2009 through 2011.**



Note: Includes preliminary data from January 2015 through April 2015. Source: U.S. Census Bureau, Building Permits Survey