

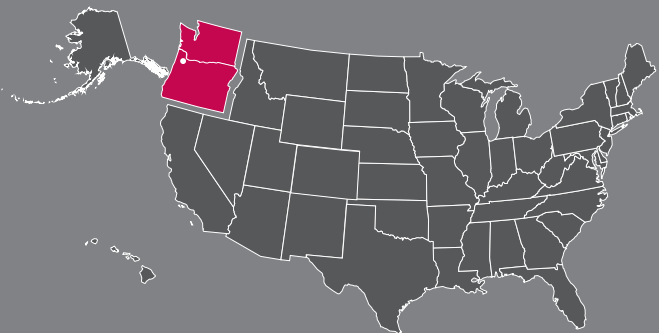
HUD PD&R Housing Market Profiles

Portland-Vancouver-Hillsboro, Oregon-Washington



Quick Facts About Portland-Vancouver-Hillsboro

- **Current sales market conditions: tight.**
- **Current apartment market conditions: balanced.**
- **The Nike Inc. world headquarters in the city of Beaverton employs 8,500 workers. A 3.2-million-square-foot expansion to its already 200-acre campus is currently under way with an estimated cost of \$1 billion, expected to be finished in 2018.**



By Holi Weaver | As of October 1, 2017

Overview

The Portland-Vancouver-Hillsboro (hereafter, Portland) metropolitan area is coterminous with the Portland-Vancouver-Hillsboro, OR-WA Metropolitan Statistical Area. It consists of seven counties at the confluence of the Columbia and Willamette Rivers in northwestern Oregon and southwestern Washington—Clackamas, Columbia, Multnomah, Washington, and Yamhill Counties in Oregon and Clark and Skamania Counties in Washington. Since the beginning of the decade, the metropolitan area has gained national attention for its lifestyle and culture, with numerous accolades, including being ranked number 1 in 2015 on *The Washington Post*'s list of "The 10 Best Food Cities in America," number 10 in 2016 on *Lonely Planet*'s "Best in Travel: Top Cities," and number 49 on *The New York Times*' "52 Places to go in 2017."

- The population of the Portland metropolitan area is estimated at 2.46 million as of October 1, 2017.
- From July 2004 to July 2008, during a period of economic expansion, population growth averaged 1.6 percent a year, then decreased to 0.9 percent, annually, from July 2008 to July 2013 as a result of weak economic conditions brought on by the Great Recession. Population growth accelerated in response to the economic recovery and expansion, increasing at an average annual rate of 1.7 percent from July 2013 to the current date.

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- Net in-migration as a percentage of population growth temporarily declined as a result of the recession, dropping from an average of 59 percent from July 2004 to July 2008 to 35 percent from July 2008 to July 2013. Net in-migration has averaged

approximately 29,200 people, annually, since 2013, accounting for more than 72 percent of total population growth during this time, contributing to the strongest 4-year period of population growth in the metropolitan area since at least 2000.

Economic Conditions

Economic conditions in the Portland metropolitan area have strengthened each year since 2010 after 3 years of job losses. Nonfarm payroll growth averaged 21,800 jobs, or 2.2 percent, annually from 2011 through 2013 before accelerating to an average annual increase of 33,300 jobs, or 3.1 percent, from 2014 through 2016, the highest nonfarm payroll growth rate of any 3-year period since the late 1990s when high-technology industries expanded rapidly during the dot-com bubble.

During the third quarter of 2017—

- Nonfarm payrolls increased by an average of 30,600 jobs, or 2.7 percent, compared with the level of jobs during the third quarter of 2016, reaching 1.18 million jobs, approximately 13 percent greater than the prerecession peak in 2007.
- The mining, logging, and construction sector (almost entirely comprised of jobs in the construction subsector) led job growth,

adding 8,900 jobs, or 13.5 percent, the strongest year-over-year job growth recorded in the sector since at least 1990 (the earliest year for which data is available). Record-high population growth during the past several years resulted in a surge in new residential and commercial construction, boosting the demand for construction labor.

- Education and health services sector payrolls, with the second largest number of jobs added, increased by 8,300 jobs, or 5.1 percent, almost double the gain of 4,200 jobs, or 2.7 percent, recorded from the third quarter of 2015 to the third quarter of 2016. The health care and social assistance industry realized the most job gains.
- The unemployment rate averaged 4.1 percent, down from 4.9 percent during the third quarter of 2016, less than the 4.3-percent jobless rate during the dot-com bubble.

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During the third quarter of 2017, three sectors were responsible for nearly 70 percent of total job growth in the Portland area—the mining, logging, and construction, the education and health services, and the leisure and hospitality sectors.

	3 Months Ending		Year-Over-Year Change	
	September 2016 (thousands)	September 2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,145.7	1,176.3	30.6	2.7
Goods-producing sectors	189.2	200.5	11.3	6.0
Mining, logging, and construction	65.8	74.7	8.9	13.5
Manufacturing	123.4	125.8	2.4	1.9
Service-providing sectors	956.5	975.8	19.3	2.0
Wholesale and retail trade	173.4	173.7	0.3	0.2
Transportation and utilities	37.4	39.9	2.5	6.7
Information	25.1	25.0	- 0.1	- 0.4
Financial activities	69.0	70.2	1.2	1.7
Professional and business services	178.9	181.8	2.9	1.6
Education and health services	161.8	170.1	8.3	5.1
Leisure and hospitality	122.6	126.4	3.8	3.1
Other services	42.0	41.1	- 0.9	- 2.1
Government	146.3	147.7	1.4	1.0
	(percent)	(percent)		
Unemployment rate	4.9	4.1		

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



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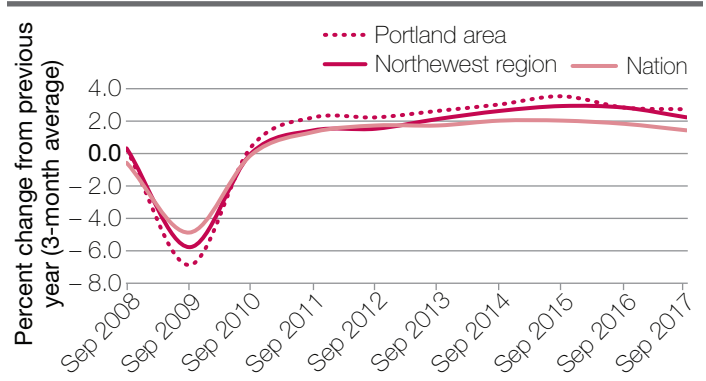
The aforementioned national attention the metropolitan area has received for its lifestyle and culture led to strong growth in the leisure and hospitality sector, which added an average of 3,400 jobs, or 3.2 percent, annually from 2010 through 2016. During the third quarter of 2017, sector payrolls increased by 3,800 jobs, or 3.1 percent, compared with a year earlier. Part of this job growth can also be attributed to the growing beer industry in the metropolitan area, as the number of brewing companies increased from 83 in 2014 to 105 in 2016. The number of brewing companies statewide increased from 179 in 2014 to 230 in 2016, with the estimated statewide economic impact increasing from \$2.83 to \$4.49 billion (Oregon Craft Beer).

Largest employers in the Portland area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Intel Corporation	Manufacturing	18,600
Providence Health & Services	Education and health services	16,139
Oregon Health & Science University	Government	14,963

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

The rate of nonfarm payroll growth in the Portland area has exceeded that of the nation for the past 7 years and was almost double the national rate as of October 1, 2017.



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

Sales Market Conditions

Sales housing market conditions in the Portland metropolitan area are currently tight, with an overall estimated vacancy rate of 1.0 percent compared with 2.2 percent in April 2010. The decline reflects increased demand and a limited supply of for-sale housing. The inventory of homes for sale represented a 1.9-month supply in September 2017, relatively unchanged from a year ago and compared with a 3.2-month supply nationally (Redfin). By comparison, the supply of for-sale housing reached a high of 9 months in February 2011 compared with a national high of 8 months during the same time. Other indicators that market conditions are tight are the median days on the market, which declined from 18 in September 2016 to 14 in September 2017, and the percentage of homes that sold above list price, which decreased from 38 to 31 percent in the past year but remains significant.

- During the 12 months ending August 2017, approximately 45,850 existing single-family homes, townhomes, and condominiums (hereafter, existing homes) sold, down almost 1 percent from a year ago. The average sales price increased more than 8 percent to \$375,700, marking the fifth consecutive year of increasing sales prices. By comparison, an average of 53,400 homes sold annually from 2003 through 2006, as the economy was expanding, and the average sales prices peaked at \$300,300 in 2008, approximately 20 percent less than the current average sales price (CoreLogic, Inc., with adjustments by the analyst).

- In response to strong economic conditions in the metropolitan area, distressed home sales (short sales and real estate owned [REO] sales) are a less significant part of the sales market than during the worst of the housing crisis from 2008 through 2012. During the housing crisis, REO home sales accounted for more than 16 percent of all existing homes sales but decreased to less than 3 percent during the 12 months ending August 2017 (CoreLogic, Inc., with adjustments by the analyst).
- The percentage of home loans in the metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status was 1.1 percent in August 2017, down from 1.5 percent a year ago and well below 5.8 percent reached from April through September of 2011 (CoreLogic, Inc., with adjustment by the analyst).
- Approximately 5,325 new single-family homes, townhomes, and condominiums (hereafter, new homes) sold during the 12 months ending August 2017, down more than 9 percent from a year prior, and the average sales price increased more than 9 percent to \$477,600. For context, from 2001 through 2007, an average of 10,100 new homes sold annually, almost double the current number of new home sales. The precession peak average sales price was \$341,800, or 28 percent less than the current average sales price (CoreLogic, Inc., with adjustments by the analyst).

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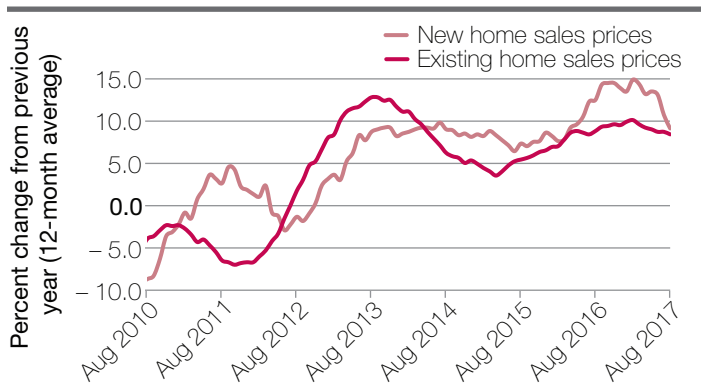


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Single-family home construction, as measured by the number of single-family homes permitted, reached a 30-year low in 2009, when only 1,000 homes were permitted in response to decreased demand for new homes as a consequence of the Great Recession, and remained at record lows through 2011. Beginning in 2012, builders responded to the improving sales market by increasing new home construction.

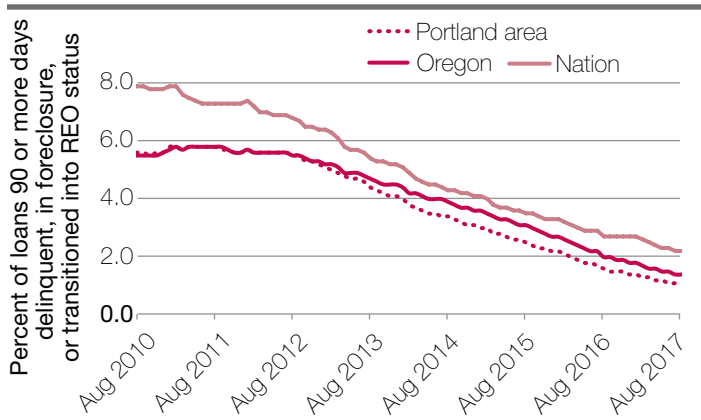
- The number of single-family homes permitted declined to 6,650 during the 12 months ending September 2017, down 11 percent from the 7,450 homes permitted during the previous 12 months (preliminary data). The urban growth boundary of the metropolitan area limits the amount of available land for development, contributing to the decrease.

Strengthening economic conditions and accelerating population growth have contributed to increasing sales prices in the Portland area since the second half of 2012.



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

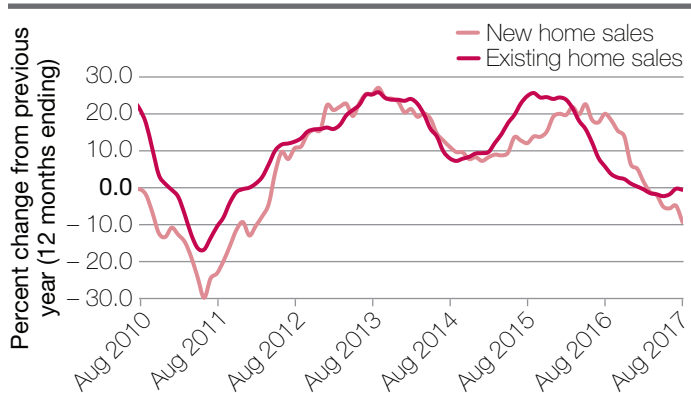
The rate of seriously delinquent mortgages and properties in REO status in the Portland area was one-half the national rate.



REO = real estate owned. Source: CoreLogic, Inc.

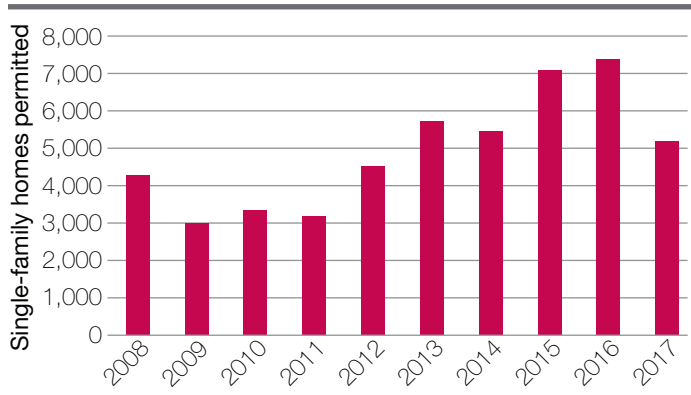
- Single-family construction activity averaged 6,025 homes permitted annually from 2012 through 2016, up from an average of 3,175 homes a year from 2009 through 2011 but far less than the average of 10,500 each year from 2000 through 2008.
- Examples of single-family developments under construction in the metropolitan area include Cedar Ridge in Portland, with 11 new homes ranging from 2,675 to 3,775 square feet and priced from \$640,000 to \$740,000, Herzog Farm in Vancouver, with 24 new homes ranging from 1,950 to 3,525 square feet and priced from \$446,000 to \$608,000, and Hockinson Meadows also in Vancouver, with 19 new homes for sale ranging from 1,675 to 3,375 square feet and priced from \$385,000 to \$491,000.

New and existing home sales recently declined in the Portland area for the first time since the housing market recovery began in 2012.



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

Single-family permitting activity in the Portland area generally has trended upward since the housing market recovery began in 2012.



Note: Includes preliminary data from January 2017 through September 2017. Source: U.S. Census Bureau, Building Permits Survey



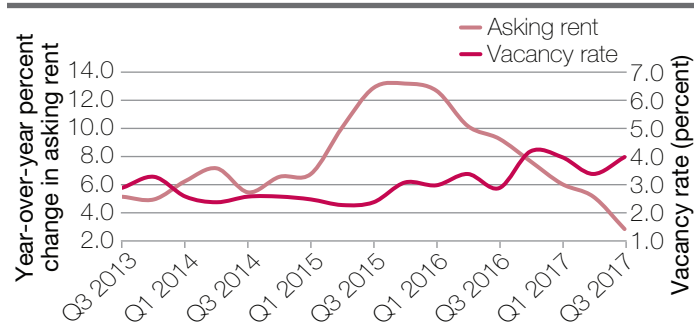
Apartment Market Conditions

Apartment market conditions in the Portland metropolitan area are currently balanced. Conditions tightened following the housing market collapse that started in 2007 and were tight for much of the early 2010s, but high levels of apartment construction contributed to a notable increase in the apartment vacancy rate during the past year. The rate was 4.0 percent during the third quarter of 2017 compared with 2.9 percent a year prior, and rent growth slowed to 3 percent compared with 9 percent (MPF Research).

During the third quarter of 2017—

- The apartment vacancy rate increased in 9 of the 10 MPF Research-defined market areas within the Portland metropolitan area, with rates ranging from 2.8 percent in Vancouver to 6.6 percent in Hillsboro. Asking rents declined 3 percent in the Central Portland market area. The remaining 9 market areas experienced rent growth ranging from a 1-percent increase in East Beaverton to a 7-percent increase in Southeast Portland.
- The largest increase in the vacancy rate occurred in the East Portland market area, where the vacancy rate was 5.6 percent, up from 2.8 percent a year ago, partially a result of almost 2,000 new units completed in the market area during the past year, comprising nearly 30 percent of all new apartments completed in the metropolitan area during the past year.
- The vacancy rate in the Central Portland market area declined from 4.8 to 4.0 percent; however, approximately 2,400 units are under construction in the market area, accounting for more than 33 percent of all units under construction in the metropolitan area, which likely will result in an increased vacancy rate during the next 2 years. Additionally, asking rents declined 3 percent from a year ago, and 10 percent of all units were offering concessions.

Year-over-year rent growth in the Portland area has slowed significantly since 2015, largely because of the high level of multifamily construction during the past several years.



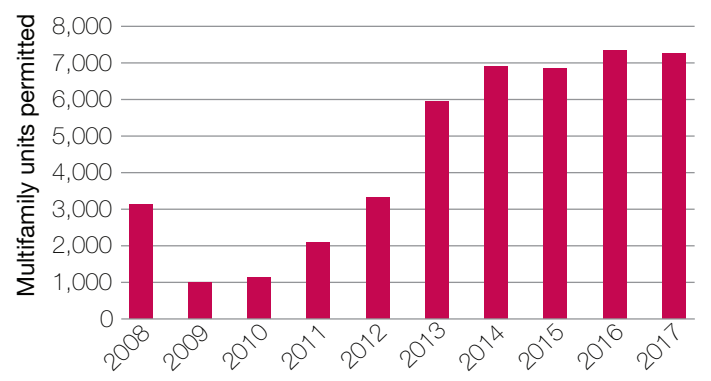
Q1 = first quarter. Q3 = third quarter.
 Note: Includes data from the Salem metropolitan area, which accounts for less than 5 percent of total inventory.
 Source: MPF Research

- The average asking rent in the metropolitan area was \$1,295, up from \$1,259 a year ago, and averaged \$1,075 for studios, \$1,175 for one-bedroom units, \$1,336 for two-bedroom units, and \$1,611 for three-bedroom units.

Apartment market conditions began to tighten considerably in the early 2010s. By 2012, financing was more readily available, and builders responded by increasing apartment construction, as measured by the number of multifamily units permitted. During the 12 months ending September 2017, 8,875 multifamily units were permitted, up 19 percent from a year earlier (preliminary data).

- Approximately 6,775 units were permitted a year from 2013 through 2016, more than triple the average of 2,125 units permitted from 2008 through 2011 when apartment market conditions were weak.
- The most recent period that the metropolitan area experienced multifamily construction on the same scale as the past 4 years was from 1995 through 1998, during the buildup of the dot-com bubble.
- Approximately 11,300 multifamily units are currently under construction in the metropolitan area, with more than 60 percent in the East and Central Portland market areas.
- Examples of large-scale developments currently under construction in the Central Portland market area include Slabtown Block 294, a 14-story, 226-unit development to be completed in June 2018, and The Collective on 4th, a 15-story, 417-unit apartment building with an anticipated completion date in early 2019. Approximately 400 units are under construction in the East Portland market area, mainly in 4-story structures with 50 to 75 units per building.

Multifamily construction in the Portland area has remained elevated since 2013.



Note: Includes preliminary data from January 2017 through September 2017.
 Source: U.S. Census Bureau, Building Permits Survey

