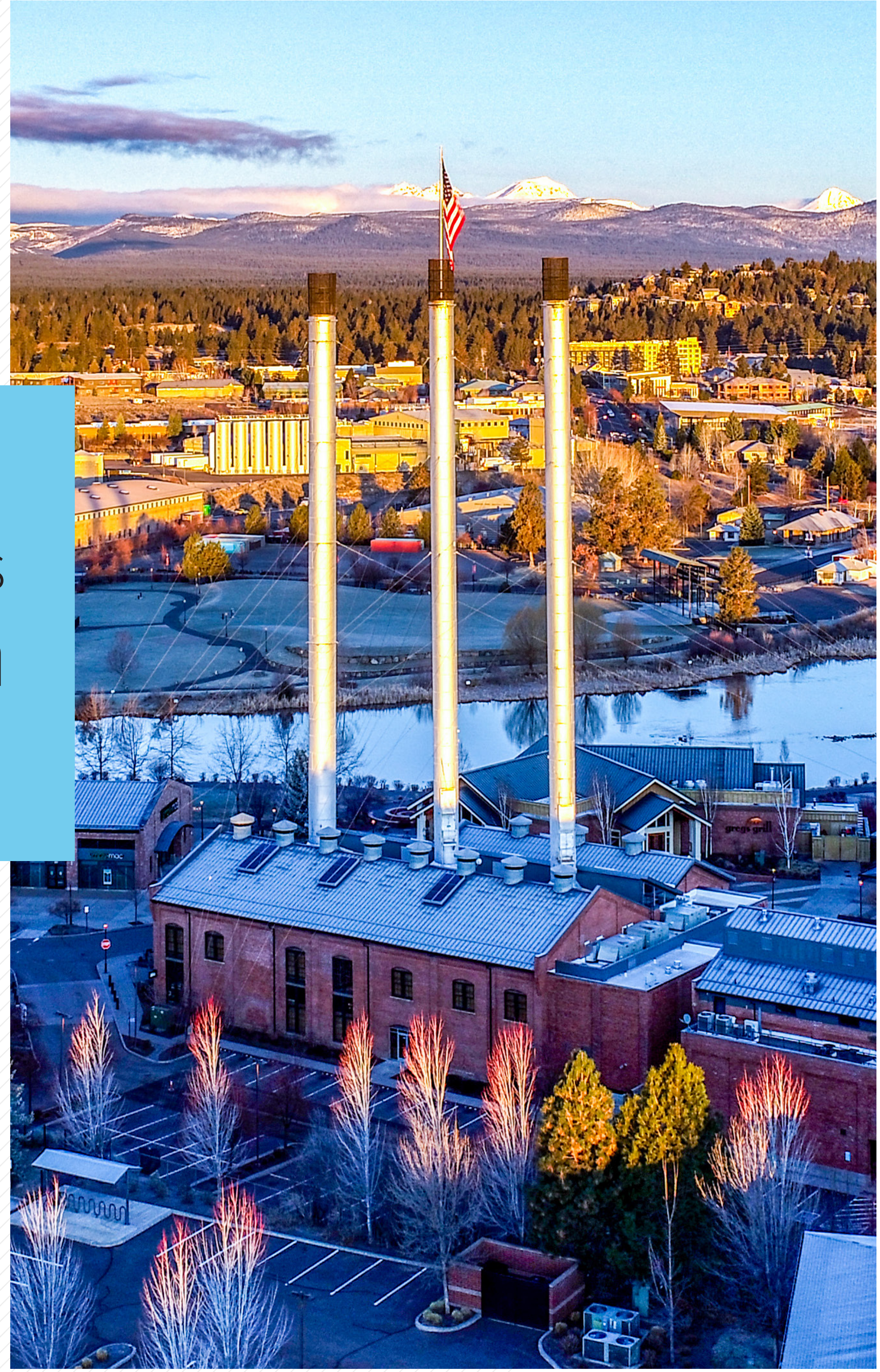
COMPREHENSIVE HOUSING MARKET ANALYSIS

Bend-Redmond, Oregon



U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of April 1, 2024

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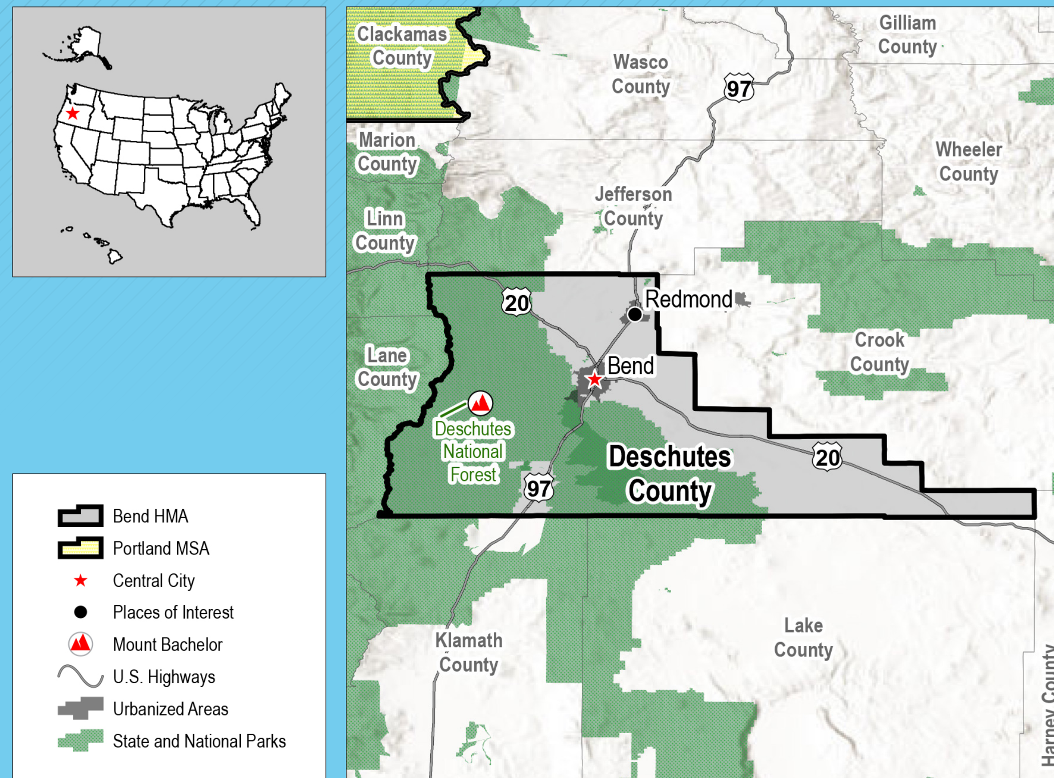
Executive Summary

Housing Market Area Description

The Bend-Redmond Housing Market Area (hereafter, Bend HMA) in central Oregon includes Deschutes County and is coterminous with the metropolitan statistical area of the same name. The Deschutes River bisects the principal city of Bend, which is approximately 20 miles east of Mt. Bachelor, making the HMA a regional destination for outdoor recreation and tourism. The local amenities have led to net in-migration for more than a decade, especially from remote workers.

The current population of the HMA is estimated at 215,300.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Strong: Nonfarm payroll growth in the Bend HMA accelerated during the past 12 months.

During the 12 months ending March 2024, nonfarm payrolls in the HMA increased by 3,400 jobs, or 3.7 percent, to 94,600 jobs compared with an increase of 3.2 percent a year earlier. The leisure and hospitality and the education and health services sectors led job growth during the past 12 months, accounting for a combined 68 percent of total job gains. The unemployment rate averaged 3.8 percent during the past 12 months compared with 3.9 percent a year ago because employment growth outpaced labor force growth. Nonfarm payroll growth is expected to moderate to an average of 2.8 percent annually during the 3-year forecast period.

Sales Market

Balanced: The average home sales price in the HMA was $686,600 during the 12 months ending March 2024, up 1 percent from a year ago (Zonda).

The sales vacancy rate in the HMA is currently estimated at 1.2 percent compared with 1.4 percent in April 2020. The vacancy rate decline is due to a steep drop in the amount of for-sale inventory in the HMA, which fell 14 percent year over year as of March 2024 (CoreLogic, Inc.). Home price growth during the past 12 months slowed from a gain of 17 percent a year earlier, and home sales fell 16 percent, slowing from a 34-percent drop a year ago. During the forecast period, demand is anticipated for 4,525 new sales units in the HMA, and the 400 homes under construction will meet some of that demand.

Rental Market

Balanced: The average apartment rent increased 3 percent year over year as of the first quarter of 2024 compared with nearly 4 percent a year ago (CoStar Group).

The overall rental market in the HMA is balanced, with the rental vacancy rate currently estimated at 5.5 percent, down from 6.2 percent in 2020. Apartment market conditions are also balanced but weaker than the overall rental market, with an apartment vacancy rate of 6.8 percent as of the first quarter of 2024 compared with 6.6 percent a year ago. Recent apartment rent growth moderated compared with average annual rent gains of 7 percent as measured in the first quarters 2021 and 2022. During the forecast period, demand is estimated for 1,625 rental units in the HMA. The 1,250 units under construction, and the 230 additional planned completions will meet most of that demand.

TABLE OF CONTENTS

3-Year Housing Demand Forecast

		Sales Units	Rental Units
Bend HMA	Total Demand	4,525	1,625
	Under Construction	400	1,250

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2024. The forecast period is April 1, 2024, to April 1, 2027.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Education and Health Services

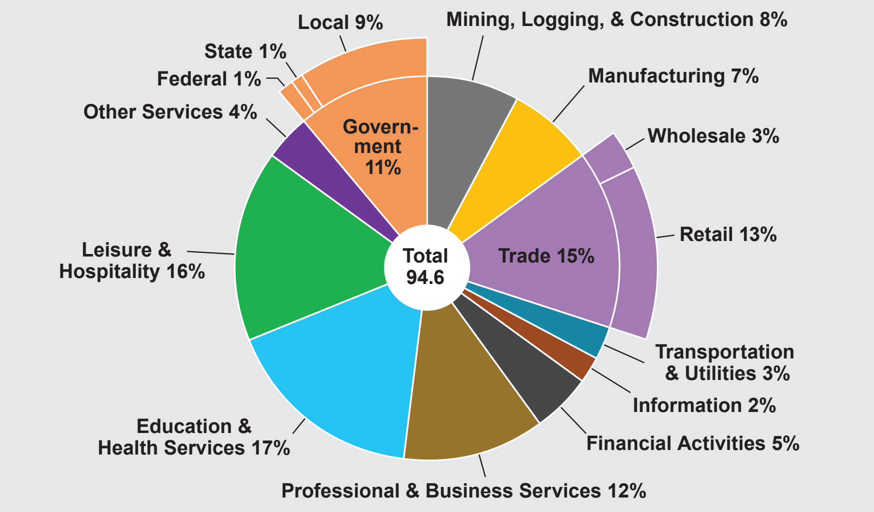
> Approximately 23 percent of the workforce in the Bend HMA works remotely, higher than the national and state rates of 15 and 19 percent, respectively (2022 American Community Survey [ACS] 1-year data).

Primary Local Economic Factors

The HMA is unique in that it offers a small-town atmosphere, with all the amenities of an urban center, and an abundance of recreational opportunities that attract an affluent and active demographic. Net in-migration to the HMA is strongest from higher-cost metropolitan areas on the West Coast—a trend that remote work opportunities during the pandemic intensified. However, remote workers were a relatively large share of the workforce before the pandemic, accounting for 12 percent of the HMA workforce in 2019, double the national share and compared with 7 percent at the state level (ACS 1-year data). The average income of those moving to the HMA is considerably higher than the average household income in the HMA, which has inflated housing prices, especially in the city of Bend. This dynamic has resulted in increased new home construction in the city of Redmond—approximately 20 miles north of the city of Bend—where housing costs are considerably less.

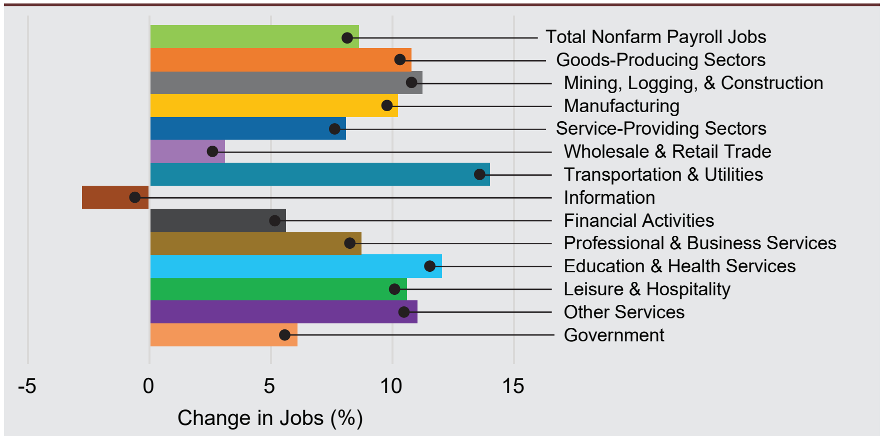
As the most populous metropolitan area in central Oregon, the HMA is a regional hub for outdoor recreation, tourism, and healthcare. The education and health services sector is the largest in the HMA, accounting for 17 percent of nonfarm payrolls (Figure 1). It has been the second fastest growing sector since 2020 (Figure 2). The leisure and hospitality sector is the second largest, accounting for 16 percent of nonfarm payrolls compared with 10 percent nationally, and it includes two of the largest employers in the HMA. Direct travel spending in the HMA totaled $1.1 billion in 2023, down almost 2 percent from 2022 but up 25 percent from 2019 levels before the pandemic (Travel Oregon).

Figure 1. Share of Nonfarm Payroll Jobs in the Bend HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through March 2024.
Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Bend HMA, 2020 to Current



Note: Current data are based on the 12-month averages ending March 2024.
Source: U.S. Bureau of Labor Statistics

Current Conditions—Nonfarm Payrolls

Economic conditions in the HMA are currently strong, with accelerating job growth during the past 12 months—a trend counter to that of the state and nation. During the 12 months ending March 2024, nonfarm payrolls increased year over year by 3,400 jobs, or 3.7 percent, to 94,600 jobs compared with 3.2 percent annual growth a year earlier (Table 1). Nationally, payrolls increased 2.1 percent year over year during the past 12 months compared with 3.7 percent growth a year ago. In Oregon, growth slowed from 0.9 to 0.8 percent.

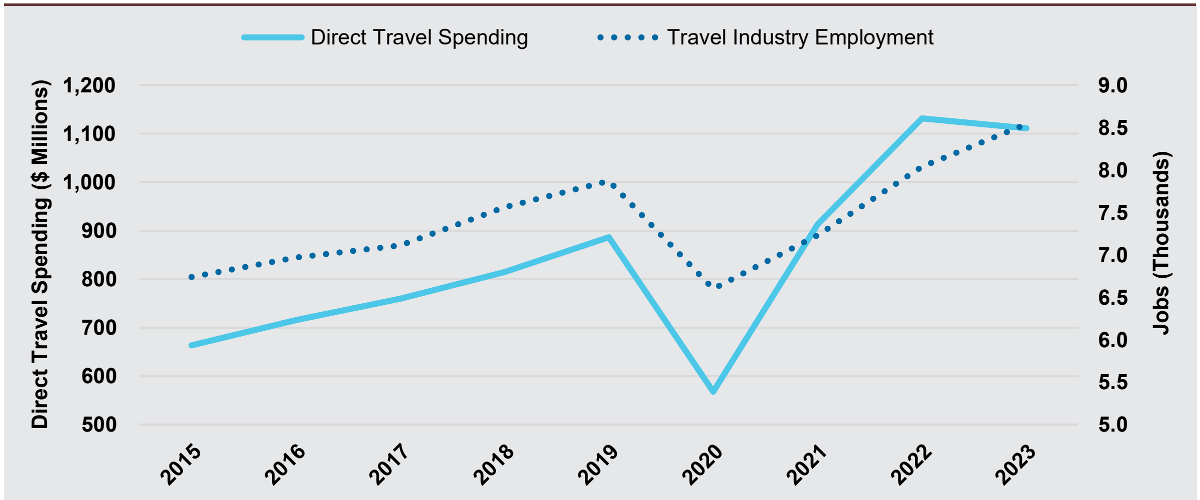
The leisure and hospitality sector led job growth during the past 12 months, with the addition of 1,300 jobs, or 9.5 percent, year over year to 15,000 jobs. The sector also led growth during the prior year, increasing by 1,000 jobs, or 7.7 percent. Strong job gains in the sector stem from the tourism industry, which has expanded considerably since the pandemic. In 2023, tourism employment rose by 500 jobs, or 6.2 percent, to an estimated 8,550 jobs (Travel Oregon; Figure 3). Hiring at Mt. Bachelor, Inc., which added approximately 280 jobs related to recreational activities in the past 2 years, contributed to the recent job growth. In addition, more than 50 food and drinking establishments opened in the HMA during the past year, and fewer than 15 closed (qualityinfo.org).

Table 1. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Bend HMA, by Sector

	12 Months Ending March 2023	12 Months Ending March 2024	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**91.2**	**94.6**	**3.4**	**3.7**
Goods-Producing Sectors	14.2	14.3	0.1	0.7
Mining, Logging, & Construction	8.0	8.0	0.0	0.0
Manufacturing	6.2	6.3	0.1	1.6
Service-Providing Sectors	77.0	80.3	3.3	4.3
Wholesale & Retail Trade	14.2	14.4	0.2	1.4
Transportation & Utilities	2.3	2.5	0.2	8.7
Information	1.8	1.8	0.0	0.0
Financial Activities	5.3	5.2	-0.1	-1.9
Professional & Business Services	11.3	11.4	0.1	0.9
Education & Health Services	15.4	16.4	1.0	6.5
Leisure & Hospitality	13.7	15.0	1.3	9.5
Other Services	3.2	3.4	0.2	6.3
Government	9.8	10.2	0.4	4.1

Notes: Based on 12-month averages through March 2023 and March 2024. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

Figure 3. Tourism Spending and Employment in the Bend HMA



Source: Travel Oregon

Strong population growth in the HMA has led to increased demand for healthcare and government services. During the past 12 months, the education and health services sector increased by 1,000 jobs, or 6.5 percent, to 16,400 jobs, partly because St. Charles Health System, Inc. hired more than 390 workers. By comparison, the sector expanded by 300 jobs, or 2.0 percent, year over year during the 12 months ending March 2023. The government sector increased year over year by 400 jobs, or 4.1 percent, during the most recent 12-month period, slowing from a gain of 500 jobs, or 5.7 percent, during the previous 12 months.

The manufacturing sector is growing in importance for the local economy despite slow job gains during the past year. The sector accounted for 6 percent of nonfarm payrolls in 2010. That share rose to 9 percent as of the current date, with the addition of 100 jobs, or 1.6 percent, during the past 12 months. By comparison, the sector increased by 300 jobs, or 2.4 percent, year over year during the 12 months ending March 2023. BASX Solutions (parent company AAON, Inc.) propelled job growth in the sector and is one of the largest employers in the HMA (Table 2). It specializes in high-tech data center commercial HVAC systems and cleanroom manufacturing. Since opening in the city of Redmond in 2014, the company has hired approximately 660 people, including 400 since the start of 2022 (*Cascade Business News*).

Current Conditions—Unemployment

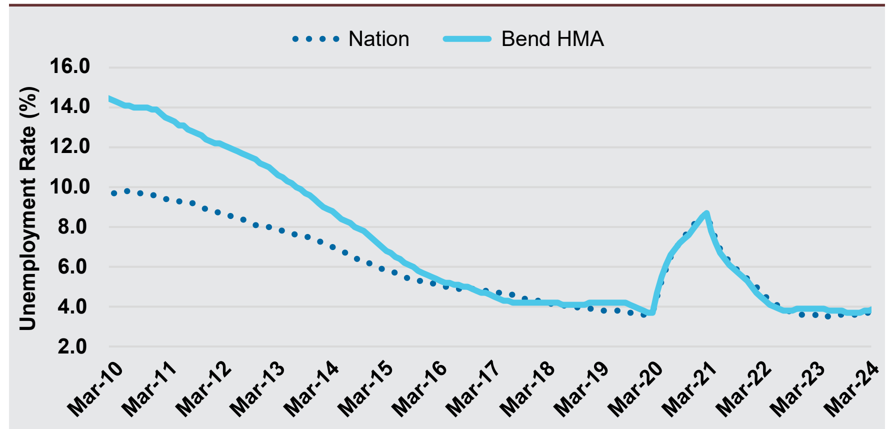
The unemployment rate in the HMA averaged 3.8 percent during the 12 months ending March 2024, down slightly from an average of 3.9 percent during the previous 12-month period. The decline was due to resident employment growth of 3.0 percent outpacing the 2.9-percent increase in the labor force. The average unemployment rate rose from 3.9 percent in 2019 to 7.9 percent in 2020 because of the countermeasures to slow the spread of COVID-19, and it has generally declined since. The current rate in the HMA has tracked closely with that of the nation since 2020, in contrast to the trend from 2010 through 2015, when the HMA rate was considerably higher (Figure 4).

Table 2. Major Employers in the Bend HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
St. Charles Health System, Inc.	Education & Health Services	4,791
Mt. Bachelor, Inc.	Leisure & Hospitality	1,117
Les Schwab Tire Centers	Wholesale & Retail Trade	985
Bright Wood Corporation	Manufacturing	975
Safeway, Inc. (Albertsons Companies, Inc.)	Wholesale & Retail Trade	964
Sunriver Resort	Leisure & Hospitality	950
Summit Medical Group Oregon–Bend Memorial Clinic	Education & Health Services	736
BASX Solutions (AAON, Inc.)	Manufacturing	661
McDonald's Corporation	Leisure & Hospitality	611
Meta Platforms, Inc.–Facebook Data Center	Professional & Business Services	600

Notes: Excludes local school districts. Data are for Central Oregon, which includes Crook, Deschutes, and Jefferson Counties.
Source: Economic Development for Central Oregon, 2024

Figure 4. 12-Month Average Unemployment Rate in the Bend HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

2010 Through 2012: Return to Growth

Job growth in the HMA resumed in 2011 after 3 years of job losses due to the Great Recession. During 2011 and 2012, nonfarm payrolls increased by an average of 500 jobs, or 0.8 percent, annually, similar to the national rate of growth. The education and health services, the leisure and hospitality, and the wholesale and retail trade sectors added a combined average of 800 jobs each year. Following 3 years of net out-migration, the resumption of net in-migration—especially from retirees attracted to the plethora of outdoor recreation and relatively low housing prices—supported growth in these sectors. Housing market conditions remained weak during this period, and job losses continued in the mining, logging, and construction and the financial activities sectors.

2013 Through 2019: Recovery and Expansion Growth

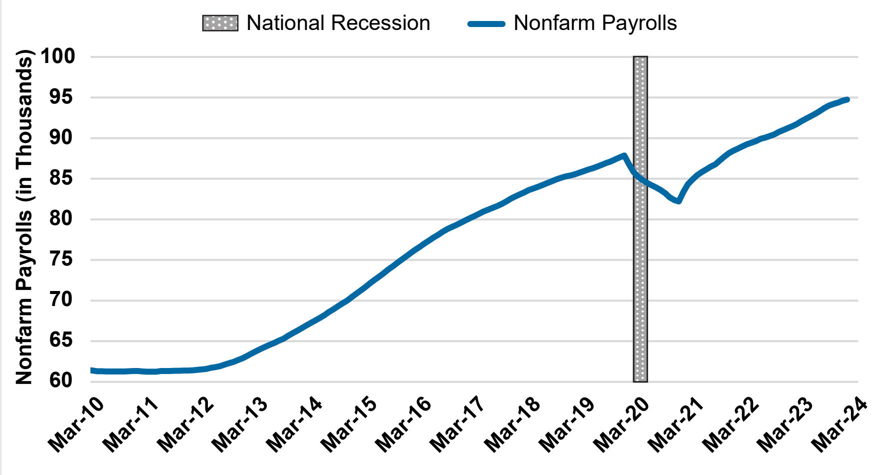
From 2013 through 2016, nonfarm payrolls increased by an average of 4,100 jobs, or 6.0 percent, annually, more than triple the national rate, and the number of nonfarm payrolls in the HMA recovered to prerecession levels in 2015. Swift population growth during this period contributed to a surge in demand for homes as the excess inventory from the housing downturn was absorbed. New home production rose in response to increased demand, and the mining, logging, and construction sector added an average of 700 jobs, or 17.0 percent, annually from 2013 through 2016. The increasing population also caused the demand for healthcare services to rise quickly, and the education and health services sector added an average of 700 jobs, or 6.2 percent, annually. Improving household finances allowed for increased discretionary spending and tourism in the HMA, resulting in substantial job gains in the wholesale and retail trade and the leisure and hospitality sectors, which increased by 500 and 600 jobs, or 4.0 and 5.7 percent, a year, respectively. Job growth moderated from 2017 through 2019, averaging a gain of 2,800 jobs, or 3.4 percent, annually but was still more than double the national average rate of 1.6 percent.

2020 Through 2022: Pandemic and Recovery

In 2020, countermeasures to slow the spread of COVID-19 contributed to payrolls falling by 3,900 jobs, or 4.5 percent, in the HMA compared with a 6.0-percent decline nationally (Figure 5). The local impact was less severe than for the nation overall, partly because of the already high concentration of remote workers in the HMA who were less affected by business closures. Although nearly all payroll sectors lost jobs in 2020, nearly two-thirds of the jobs lost were in the leisure and hospitality sector, largely because direct travel spending fell 36 percent (Travel Oregon). The mining, logging, and construction and the financial activities sectors were the only two that continued adding jobs in 2020, largely because the demand for home sales increased considerably when mortgage rates were historically low and the demand for financial services was high.

Job growth resumed in 2021—corresponding with the economy fully reopening with the availability of the COVID-19 vaccines—and the HMA added 4,100 jobs, or 4.9 percent. All employment sectors added jobs, and

Figure 5. 12-Month Average Nonfarm Payrolls in the Bend HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

all but three—the leisure and hospitality, the other services, and the government sectors—gained more jobs than were lost in 2020. Job gains decelerated following the swift economic recovery, with the addition of 3,200 jobs, or 3.7 percent, in 2022. The slowdown occurred partly because the demand for construction labor and mortgage lending services fell when mortgage rates rose sharply in early 2022, which led to slower growth in the related payroll sectors. The tourism industry continued to rebound during the period, and population growth—especially from remote workers relocating to the HMA—led to increased demand for services. Combined, the education and health services and the leisure and hospitality sectors accounted for almost 60 percent of job gains in 2022. By year end, the leisure and hospitality sector recovered 99 percent of prerecession job counts.

Forecast

During the 3-year forecast period, job growth in the HMA is expected to remain above the national rate but slow from the recent pace during the economic recovery. Nonfarm payroll growth is expected to average 2.8 percent annually during the next 3 years, with gains in most economic sectors. Strong population growth will continue to support ongoing job gains in service-providing sectors. St. Charles Health System, Inc. has a $90 million expansion underway in the city of Redmond, expected to be complete in 2025, which will increase the number of cancer patients the medical system can support and contribute to job growth. Moderate job gains are expected in the wholesale and retail trade and the transportation and utilities sectors. The manufacturing sector will be a strong source of job growth during the forecast period. BASX Solutions is expected to hire 150 additional employees by the end of June 2024 and will hire more than 30 new welders when its new 36,000-square-foot shop is complete in 2025 (*Cascade Business News*; BASX Solutions). Job growth is anticipated to continue in the mining, logging, and construction sector, supported by increased demand for residential and commercial construction.

Population and Households

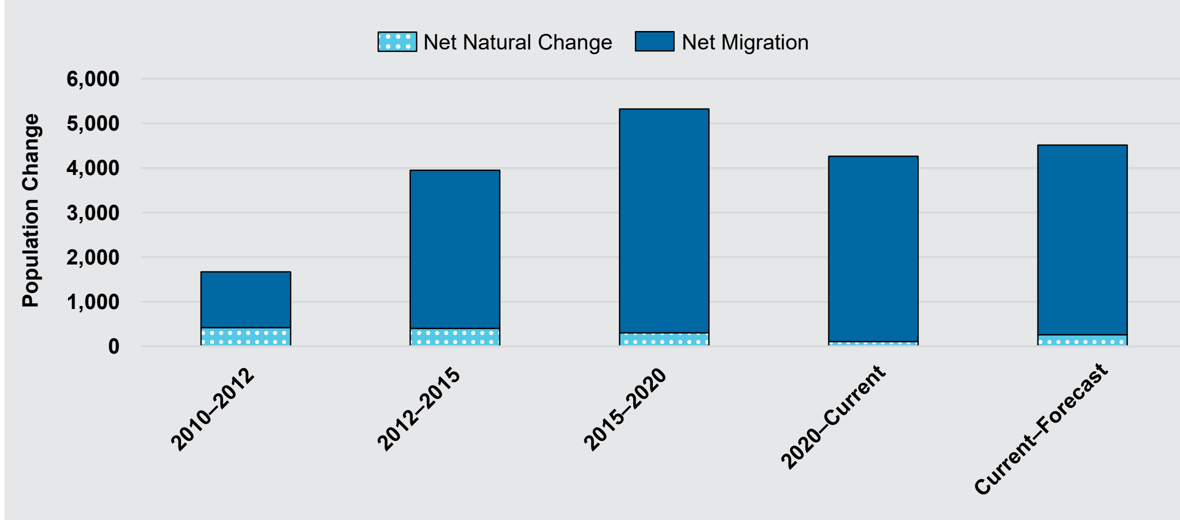
Current Population: 215,300

On average, net natural change has accounted for 7 percent of population growth since 2010.

Population Trends

Population growth in the Bend HMA since 2020 has been slower than during the high growth of the mid- to late 2010s (Figure 6). The HMA is a prime destination for relocation for households able to take advantage of remote work. Conversely, the high concentration of jobs in sectors and industries not able to adapt to remote work, most notably the leisure and hospitality sector, had the opposite effect, with people moving out to seek better economic opportunities elsewhere. Furthermore, increased housing costs stemming from a prolonged influx of people moving to the HMA from higher-cost metropolitan areas has eroded much of the affordability that attracted people, contributing to slowing net in-migration since 2020. As of April 1, 2024, the population of the HMA is estimated at 215,300, reflecting an average annual increase of 4,275, or 2.1 percent, since 2020, and 98 percent was from net in-migration (Table 3).

Figure 6. Components of Population Change in the Bend HMA, 2010 Through the Forecast Period



Notes: Data displayed are average annual totals. The forecast period is the current date (April 1, 2024) to April 1, 2027.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

Table 3. Bend HMA Population and Household Quick Facts

		2020	Current	Forecast
Population Quick Facts	Population	198,253	215,300	228,800
	Average Annual Change	4,050	4,275	4,500
	Percentage Change	2.3	2.1	2.0
		2020	Current	Forecast
Household Quick Facts	Households	80,217	88,600	94,350
	Average Annual Change	1,625	2,100	1,925
	Percentage Change	2.3	2.5	2.1

Notes: Average annual changes and percentage changes are based on averages from 2010 to 2020, 2020 to current, and current to forecast. The forecast period is the current date (April 1, 2024) to April 1, 2027.
Sources: 2010 and 2020—2010 Census and 2020 Census; current and forecast—estimates by the analyst

Net out-migration from the HMA occurred from 2008 to 2010 because of the Great Recession, and net in-migration returned slowly, similar to economic growth patterns. From 2010 to 2012, the population increased by an average of 1,500, or 0.9 percent, annually, and net in-migration accounted for nearly three-fourths of the growth. As economic growth accelerated and housing remained affordable, net in-migration rose quickly, averaging 3,550 people a year from 2012 to 2015, contributing to the average annual population growth of 3,950 people, or 2.4 percent. These same factors resulted in even stronger net in-migration from 2015 to 2020, which averaged 5,025 people a year, contributing to the average annual population growth of 5,325 people, or 2.9 percent, annually. From 2015 through 2019, the HMA consistently ranked in the top 10 fastest growing metropolitan areas of the country (U.S. Census Bureau).

Population Trends by Geography

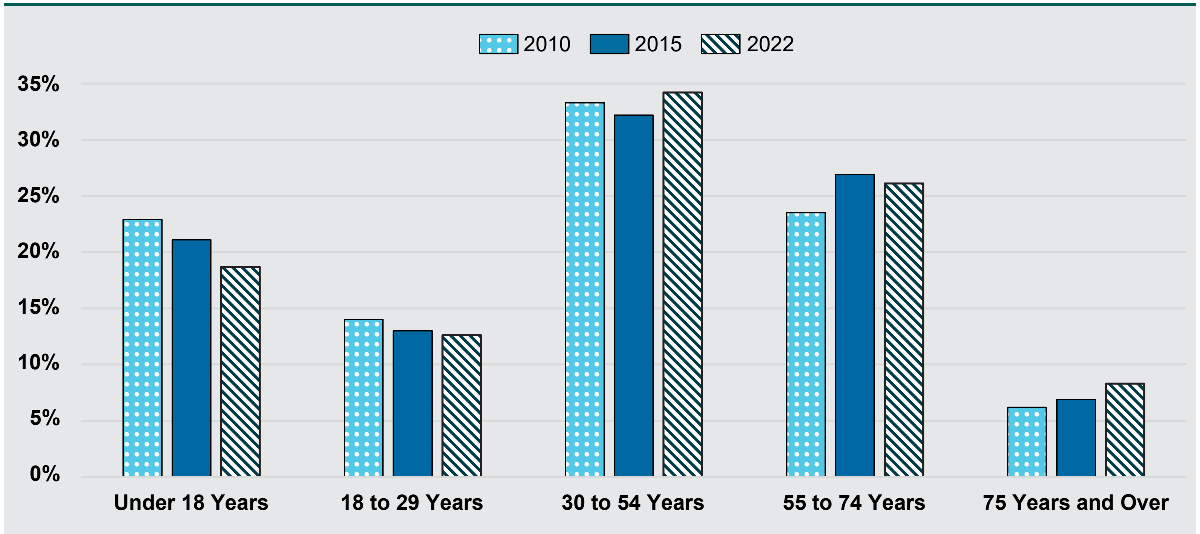
Deschutes County was the second fastest growing county in Oregon from 2020 to 2023, increasing at an average annual rate of 2.1 percent compared with 0.4-percent average annual growth for the state (Portland State University). Crook County, adjacent to the HMA, was the fastest growing county in the state from 2020 to 2023, with average annual population gains of 2.2 percent. Crook County has grown as a bedroom community for people working in the HMA because home prices there are considerably lower.

The city of Bend is the largest city in the HMA, accounting for 50 percent of the population as of 2023, followed by the city of Redmond, accounting for 18 percent. From 2020 to 2023, the population in the city of Bend increased at an average annual rate of 2.3 percent compared with 2.6 percent from 2010 to 2020. Conversely, the population in the city of Redmond increased at an average annual rate of 4.7 percent from 2020 to 2023, nearly double the average annual growth of 2.4 percent from 2010 to 2020.

Age Cohort Trends

The largest and fastest growing cohort in 2022 was residents aged 30 to 54, a cohort that generally includes people in their prime working years who can afford the high cost of living in the HMA (Figure 7). From 2015 to 2022, this cohort increased as a share of the total population from 32 to 34 percent, and the number of people increased at an average annual rate of 3.3 percent. The city of Bend had the fourth fastest increase in the cost of living among small cities in the nation, with costs increasing nearly 23 percent from 2010 to 2020 (2022 Filterbuy study based on U.S. Bureau of Economic Analysis data). The increased cost of living in the HMA contributed to a decline in residents aged 18 to 29, falling at an average annual rate of almost

Figure 7. Share of Population by Age Range in the Bend HMA



Source: 2022 American Community Survey 1-year data

2 percent from 2015 to 2022. The median age in the HMA was 43.6 years in 2022 compared with 39.0 years for the nation (Table 4).

Migration Trends

The HMA has been a popular destination for people leaving higher-cost metropolitan areas on the West Coast. The inflow of spending power has had significant implications on development patterns in the HMA as housing has become increasingly less affordable. Consequently, net out-migration from the HMA is concentrated in lower-income households that leave for more affordable housing and economic opportunity elsewhere in the state.

Net in-migration from 2016 to 2020 was highest from the Los Angeles, California, and the Portland, Oregon, metropolitan areas, a trend that has persisted for more than a decade (Table 5).

In 2019, the average income of HMA residents was $82,100 (Internal Revenue Service [IRS] data), considerably less than the average income of those moving to the HMA. From 2019 to 2020, the average income of those moving to the HMA from Los Angeles County was $161,222 and $195,932 for those moving from Multnomah County, Oregon—the most prominent county of the Portland, Oregon, metropolitan area (IRS Migration data, 2019–20). For those leaving the HMA but staying in the state, the average income was $54,618 compared with $131,753 for those moving to out-of-state destinations. The most popular destination was

Table 4. Selected Population and Household Demographics

	Bend HMA	Nation
Population Aged 18 and Under	18.7%	21.7%
Population Aged 55 to 74 Years	26.1%	22.8%
Median Age	43.6	39.0
Median Household Income	$82,983	$74,755
Households With One or More People Under Age 18	25.3%	29.1%
Households With One or More People Aged 65 Years and Over	34.0%	31.7%
Share of Population Aged 25 Years and Over With a Bachelor's Degree or Higher	44.8%	35.7%

Source: 2022 American Community Survey 1-year data

Table 5. Metro-to-Metro Migration Flows in the Bend HMA: 2016–20

Into the HMA	
Portland-Vancouver-Hillsboro, OR	2,419
Los Angeles-Long Beach-Anaheim, CA	1,277
Corvallis, OR	575
Seattle-Tacoma-Bellevue, WA	539
Eugene-Springfield, OR	506
Out of the HMA	
Portland-Vancouver-Hillsboro, OR	1,485
Salem, OR	825
Eugene-Springfield, OR	610
Medford, OR	485
Phoenix-Mesa-Chandler, AZ	411
Net Migration	
Los Angeles-Long Beach-Anaheim, CA	981
Portland-Vancouver-Hillsboro, OR	934
San Francisco-Oakland-Berkeley, CA	409
Seattle-Tacoma-Bellevue, WA	322
Anchorage, AK	305

Source: 2016–2020 American Community Survey 5-year data the Portland, Oregon, metropolitan area, where job opportunities were greater, followed by lower-cost metropolitan areas within the state.

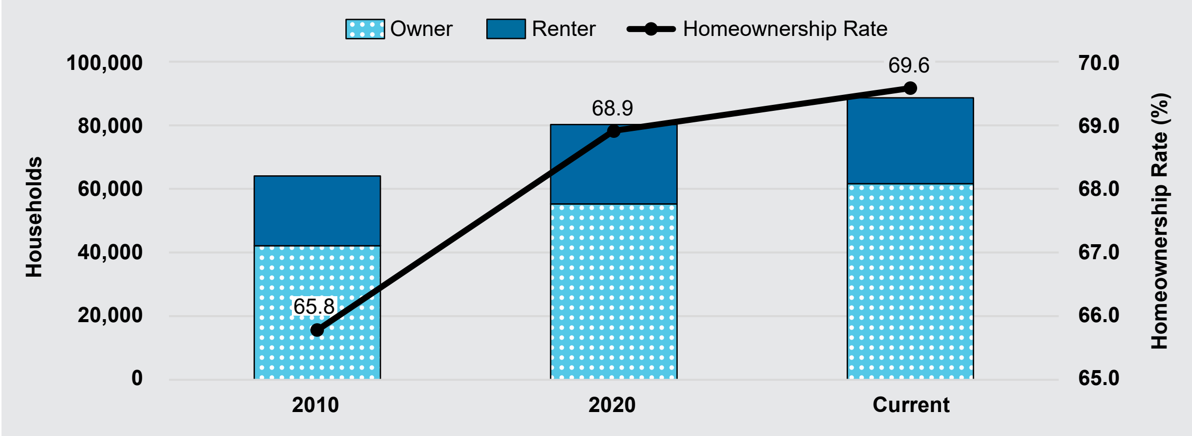
Household Trends

Household growth in the HMA generally has reflected population growth trends since 2010, although an increase in the number of smaller households has caused household growth to exceed population growth since 2020. As of April 1, 2024, an estimated 88,600 households reside in the HMA, representing an average annual increase of 2,100 households, or 2.5 percent, since 2020, outpacing the annual population growth of 2.1 percent. By comparison, households in the HMA increased by an average of 1,625, or 2.3 percent, annually from 2010 to 2020, equal to the rate of population growth.

Households by Tenure

An estimated 69.6 percent of households, or 61,650, are currently homeowners compared with a homeownership rate of 68.9 percent in 2020 and 65.8 percent in 2010 (Figure 8). From 2010 to 2020, owner household growth of 2.7 percent outpaced the 1.3-percent average annual increase in renter households. In the early 2010s, owner household growth rose because of an excess of affordable sales housing caused by a high level of distressed homes selling at considerable discounts. Homeownership continued to increase during the decade, largely because of increased net in-migration from high-income households.

Figure 8. Households by Tenure and Homeownership Rate in the Bend HMA



Note: The current date is April 1, 2024.
Sources: 2010 and 2020—2010 Census and 2020 Census; current—estimates by the analyst

Owner household growth since 2020 has been similar to the previous decade, averaging a gain of 2.8 percent a year. The cost of homeownership has increased considerably since 2022, when mortgage interest rates started to rise. However, the demographic of people with relatively high incomes moving to the HMA largely mitigated the ensuing effect on demand. Renter households have increased at an average annual rate of 2.0 percent since 2020, accelerating compared with the previous decade, partly because of a shortage of for-sale housing and increased obstacles to homeownership.

Forecast

The HMA population is expected to increase by an average of 4,500, or 2.0 percent, annually during the 3-year forecast period, reaching 228,800 by April 1, 2027. Net in-migration is estimated to average 4,250 people annually, accounting for more than 94 percent of the growth, a lower share than recent trends because net natural change is expected to rise slightly with fewer pandemic-related deaths.

Based on anticipated population and economic growth in the HMA, households are expected to increase by an average of 1,925, or 2.1 percent, annually during the forecast period, reaching 94,350 by April 1, 2027. Owner household growth is expected to slow, averaging 2.2 percent a year in response to high interest rates and a shortage of affordable for-sale inventory. Renter household growth is expected to be similar to recent trends as the obstacles to homeownership persist during the forecast period.

Home Sales Market

Market Conditions: Balanced

Home sales price growth decelerated to 1.0 percent year over year during the 12 months ending March 2024 compared with 17 percent average annual growth during the same 12-month periods from 2020 through 2023 (Zonda).

Current Conditions

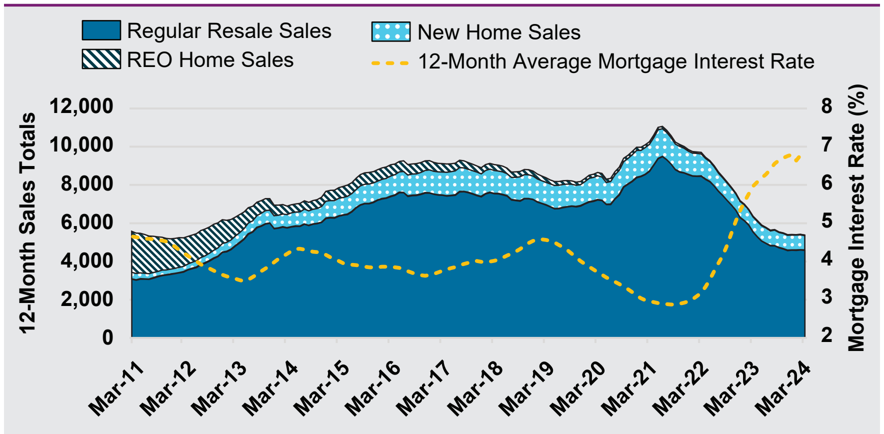
Sales market conditions in the HMA are currently balanced. The sales vacancy rate is estimated at 1.2 percent compared with 1.4 percent in April 2020. The recent drop in the rate is due to a steep decline in the for-sale inventory. In March 2024, 1,250 homes were listed for sale, a 14-percent increase from a year earlier but lower than the March average of 1,575 active listings from 2016 through 2020 (Redfin, a national real estate brokerage). Initially, market conditions tightened following the onset of the pandemic, when sales demand increased as mortgage rates fell to historic lows. Conditions eased when interest rates started to rise in 2022, causing home sales to plummet and sales price growth to slow. However, the rise in rates has also deterred potential sellers from listing homes if a subsequent purchase would require financing at a higher rate, restricting the supply of for-sale housing, which has helped prevent conditions from becoming soft. The rate for a 30-year fixed-rate mortgage averaged 6.8 percent during the 12 months ending March 2024, up from 6.0 percent during the same time a year earlier and a March low of 3.0 percent during the 12 months ending March 2021 (Freddie Mac; Figure 9). More than 59 percent of outstanding mortgages nationwide have an interest rate below 4.0 percent (Redfin, a national real estate brokerage).

Table 6. Home Sales Quick Facts in the Bend HMA

		Bend HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	1.2%	NA
	Months of Inventory	2.6	3.0
	Active Listings	1,250	1,562,000
	1-Year Change	14%	7%
	Total Home Sales	5,400	4,805,000
	1-Year Change	-16%	-18%
	New Home Sales Price	$719,200	$507,000
	1-Year Change	1%	0%
	Existing Home Sales Price	$681,200	$410,900
	1-Year Change	1%	-19%
	Mortgage Delinquency Rate	0.4%	1.0%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending March 2024; and months of inventory and mortgage delinquency data are as of March 2024. The current date is April 1, 2024.
Sources: Vacancy rate—estimates by the analyst; months of inventory, active listings, and mortgage delinquency rate—Redfin, a national real estate brokerage; home sales and prices—Zonda

Figure 9. Mortgage Interest Rates and 12-Month Sales Totals by Type in the Bend HMA



REO = real estate owned.
Note: The mortgage interest rate is the 12-month average rate for a 30-year fixed-rate mortgage.
Sources: Home sales and prices—Zonda, with adjustments by the analyst; mortgage interest rates—Freddie Mac

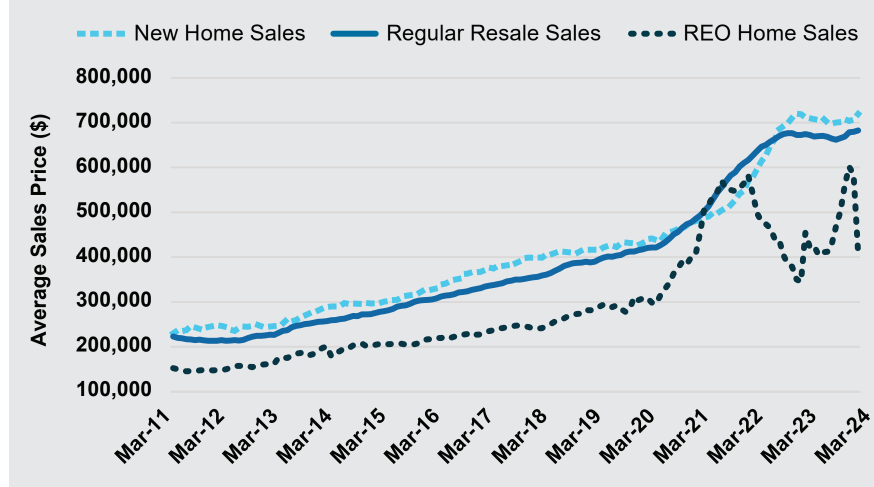
Home Sales and Price Trends

2020 Through the Current Date

Recent home sales trends in the HMA reflected rising mortgage interest rates and reduced sales housing affordability. Existing home sales totaled 4,625 during the 12 months ending March 2024, down 17 percent year over year compared with a 35-percent annual decline during the 12 months ending March 2023 (Zonda). Home sales peaked from 2020 through 2022—when interest rates were historically low, and the supply of for-sale housing was greater—and an average of 7,850 existing homes sold annually. Real estate owned (REO) home sales have accounted for 1 percent of total home sales since 2020, well below the 26-percent average from 2010 through 2012, when the HMA was still recovering from the Great Recession. New home sales totaled 770 during the 12 months ending March 2024, down 2 percent year over year compared with a 33-percent annual drop during the previous 12-month period. New home sales also peaked from 2020 to 2022, when an average of 1,175 new homes sold each year.

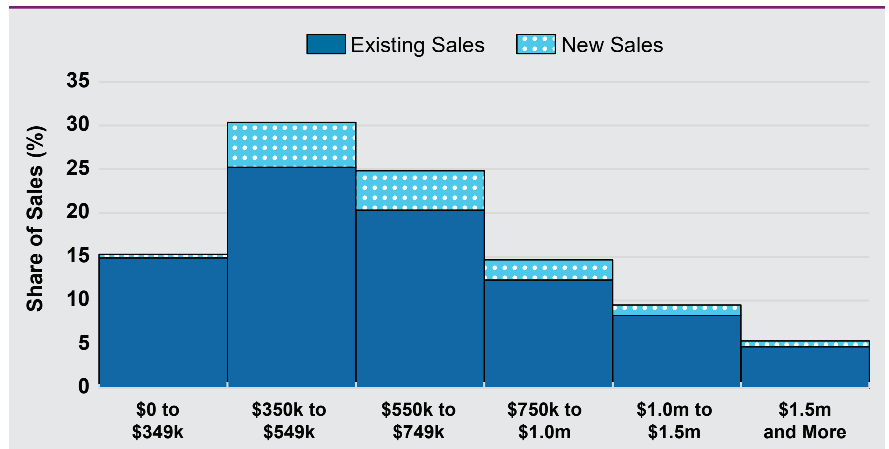
Sales price growth in the HMA since 2020 was initially strong but has slowed as mortgage rates increased (Figure 10). During the 12 months ending March 2024, the average price of an existing home was $681,200, up 1 percent from a year ago compared with 8-percent year-over-year growth during the 12 months ending March 2023. Despite much slower growth in the past year, the average existing home price has increased 62 percent from the average of $418,200 during the 12 months ending March 2020, before mortgage rates fell to historic lows and sales demand surged. The average new home price increased 1 percent on an annual basis during the past 12 months to $719,200, significantly slower than the 18-percent average annual increase from 2020 through 2022. The current average new home price increased 63 percent from an average of $440,300 during the 12 months ending March 2020. Most of the homes sold in the HMA during the past 12 months were priced between $350,000 and $749,999 (Zonda; Figure 11).

Figure 10. 12-Month Average Sales Price by Type of Sale in the Bend HMA



REO = real estate owned.
Source: Zonda, with adjustments by the analyst

Figure 11. Share of Overall Sales by Price Range in the Bend HMA During the 12 Months Ending March 2024



Note: New and existing home sales include single-family homes, townhomes, and condominiums.
Source: Zonda

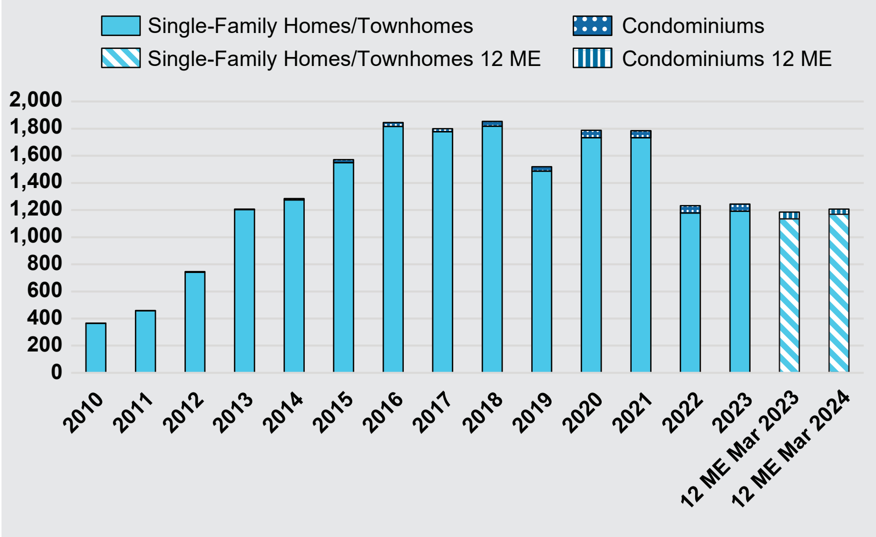
2010 Through 2019

Home sales in the HMA started to increase in 2012, hitting a plateau later in the decade, largely due to supply-side constraints limiting the amount of for-sale housing. An average of 6,450 existing homes sold each year in 2012 and 2013, and 14 percent were REO sales. From 2014 through 2016, existing home sales increased an average of 8 percent annually to a relative peak of 8,350, and the share that was REO sales fell by more than one-half. The excess supply of REO properties from the housing crash was mostly absorbed, and new home production plateaued despite increasing net in-migration. From 2017 through 2019, an average of 7,575 existing homes sold annually, and less than 3 percent were REO sales. Low levels of new construction and competition from the excess supply of REO properties suppressed new home sales in the early 2010s. During 2013 and 2014, an average of 790 new homes sold each year compared with an average of 370 each year from 2010 through 2012. New home sales from 2015 through 2019 were relatively flat, averaging 1,175 annually. Home prices increased at a steady rate during most of the 2010s, supported by swift population growth and moderate mortgage interest rates. Following a 3-percent decline in 2011, existing home prices increased an average of 10 percent annually through 2019 to $412,500. New home prices increased at an average annual rate of 7 percent during the same period to $430,700.

Sales Construction

Home construction in the HMA, as measured by the number of sales units permitted, has been subdued since 2022 compared with relatively high levels of construction from 2015 through 2021 (Figure 12). The decline in home construction is correlated with suppressed sales demand as rising interest rates—in addition to the prolonged period of high-income earners moving to the HMA—have eroded housing affordability. Approximately 1,200 new homes were permitted during the 12 months ending March 2024, up 2 percent compared with 1,175 homes permitted a year ago.

Figure 12. Annual Sales Permitting Activity in the Bend HMA



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Weak home sales demand during the start of the 2010s led to low levels of home construction, and an average of 520 homes were permitted annually from 2010 through 2012. As home price growth resumed, new home construction more than doubled, averaging 1,250 homes permitted annually in 2013 and 2014. Despite increasing population growth during most of the period, new home construction was relatively flat but strong from 2015 through 2021, averaging 1,750 homes permitted annually, reflecting strong demand for new home sales.

Home Sales and Construction by Geography

A growing share of new home construction is concentrated in the city of Redmond—which had the fastest population growth in the HMA from 2020 to

2023—largely because home prices are significantly lower than in the city of Bend. During the past 12 months, the average home price was $658,400 in the city of Bend, 34 percent higher than the $490,400 average price in the city of Redmond (Zonda). Since 2020, the average price in the city of Redmond has increased 63 percent compared with a 47-percent increase to $658,400 in the city of Bend. As a result, nearly one-fourth of new home construction in the HMA has been in the city of Redmond since 2020 compared with 16 percent from 2010 through 2019.

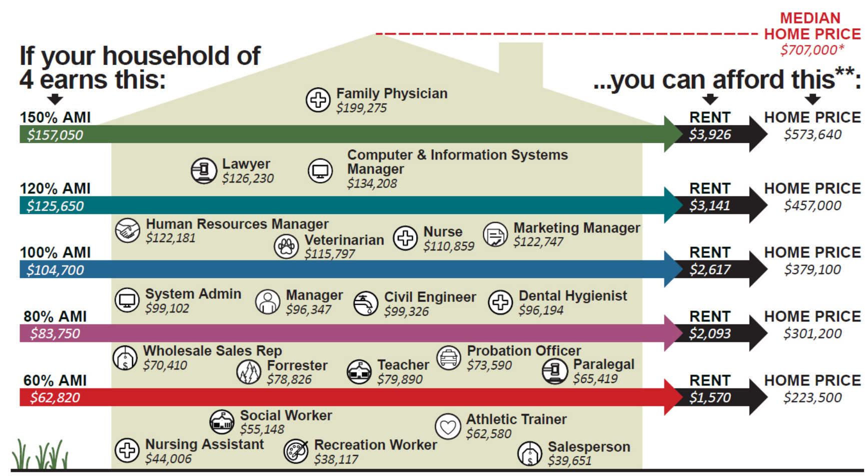
The most affordable and fastest selling new home communities in the HMA are in the city of Redmond. Hayden Homes, Inc. is the most prominent builder, with more than 170 new home sales in more than five subdivisions since the start of 2023 at a median sales price of $457,900 (Zonda). This same builder has less of a presence in the city of Bend but sold almost 30 homes in the city at a median price of $579,500. Pahlisch Homes Inc. is the largest home builder in the city of Bend. The company has sold 180 homes since the start of 2023 in more than five different communities, with a median price of $886,200.

New home construction in Crook County, adjacent to the HMA, has increased considerably since the mid-2010s, concurrent with declining sales affordability in the HMA. From 2010 through 2017, an average of 85 homes were permitted annually, increasing to an average of 250 homes a year through 2023. Approximately 65 new homes sold during the past 12 months, up 16 percent from a year ago, and the average price fell 6 percent to $501,900, 30 percent less than the average sales price of a new home in the HMA.

Housing Affordability: Sales

Homeownership in the HMA has become increasingly less affordable because wage growth has not kept pace with home price growth. Average annual wages in the HMA increased an average of 3 percent annually from 2010 through 2019 compared with 10-percent average annual sales price growth (U.S. Bureau of Labor Statistics, Quarterly Census of Earnings and Wages; Zonda). Similarly, wages increased at an average annual rate of 7 percent from 2020 through 2023 compared with 13-percent average annual growth in home prices. Sales market conditions have remained balanced to tight during most of these two periods because of strong population growth from high-income earners. Figure 13 depicts the current state of sales housing affordability in the HMA. Assuming a 10-percent downpayment, good credit, and no additional debt, an average four-person household earning 150 percent of the Area Median Income is unable to afford a median-priced home in the HMA with traditional financing (see Figure 13 note for more detail).

Figure 13. Sales Housing Affordability in the Bend HMA



*Beacon Report April 2024
**Numbers based on 10% down payment, 6.75% interest over 30 years, no mortgage insurance, no HOA, good credit, and no debt. Median Wages from State of Oregon Employment Department 2023 Wages for Deschutes County.
AMI = Area Median Income.
Source: City of Bend

Forecast

During the 3-year forecast period, demand is expected for 4,525 new homes in the HMA (Table 7). The 400 homes currently under construction will meet a small portion of that demand. A high concentration of new home construction is expected in the city of Redmond as mortgage rates stay elevated, and the demand for affordable sales housing remains strong. Continued net in-migration from high-income earners will support ongoing development in the city of Bend, but a rising share of luxury housing construction is expected in unincorporated areas of the HMA, where lot sizes are generally larger.

Table 7. Demand for New Sales Units in the Bend HMA During the Forecast Period

	Sales Units
Demand	4,525 Units
Under Construction	400 Units

Note: The forecast period is April 1, 2024, to April 1, 2027.
Source: Estimates by the analyst

Rental Market

Market Conditions: Balanced

The overall rental market has an estimated vacancy rate of 5.5 percent, down from 6.2 percent in 2020, when conditions were also balanced.

Table 8. Rental Market Quick Facts in the Bend HMA

Rental Market Quick Facts		2020 (%)	Current (%)
	Rental Vacancy Rate	6.2	5.5
		2010 (%)	2022 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	53	51
	Multifamily (2–4 Units)	18	23
	Multifamily (5+ Units)	23	23
	Other (Including Mobile Homes)	6	3

Notes: The current date is April 1, 2024. Percentages may not add to 100 due to rounding.
Sources: 2020 vacancy rate—2020 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2022 American Community Survey 1-year data

Current Conditions and Recent Trends

The overall rental housing market in the Bend HMA—including apartments, single-family homes, and other housing units available for rent—is balanced. Rental market conditions tightened initially in 2021, partly because of a shortage of for-sale housing concurrent with an increase in smaller households as people sought more separated living arrangements to avoid contracting the COVID-19 virus. Market conditions have since balanced because apartment production has been elevated, and population growth has slowed.

In 2022, approximately 51 percent of renter households in the HMA lived in single-family homes compared with 53 percent in 2010, and 46 percent lived in multifamily structures with two or more units per building, typically apartments, compared with 41 percent in 2010 (ACS 1-year data; Table 8). As of March 2024, the vacancy rate for professionally managed single-family rentals was 1.8 percent, down from 2.0 percent a year ago and an average rate of 2.5 percent in March from 2017 through 2021 (CoreLogic, Inc.). The average rent for a three-bedroom home was $2,760 in March 2024, up 5 percent from a year ago. Rents have increased considerably from the March average of $1,875 from 2017 through 2021.

Apartment Market Conditions—HMA

Apartment market conditions in the HMA are also currently balanced but weaker than the overall market because of an elevated number of units in lease up. An average of 440 apartments were absorbed annually as of the first quarters of 2022 through 2024, following a spike to 750 units during the corresponding period in 2021, when households were decoupling because of the contagious COVID-19 virus (CoStar Group). The apartment vacancy rate was 6.8 percent as of the first quarter of 2024, up from 6.6 percent a year earlier and an average rate of 5.3 percent in the first quarters of 2020 through 2022 (Figure 14). The average first quarter apartment rent in the HMA has increased at a steady pace, averaging 3-percent annual growth as of the first quarters of 2023 and 2024 to $1,663. However, annual rent growth was more than double as of the first quarters of 2021 and 2022, averaging nearly 7 percent each year.

For much of the mid to late 2010s, apartment market conditions in the HMA were balanced with relatively stable vacancy rates and rent growth as apartment construction kept pace with moderate renter household growth. Despite small fluctuations, the apartment vacancy rate stayed in a relatively narrow band, ranging from 4.0 to 6.0 percent from the first quarters of 2015 through 2020, with an outlier of 3.5 percent in 2016. The average rent increased at an average annual rate of 4 percent.

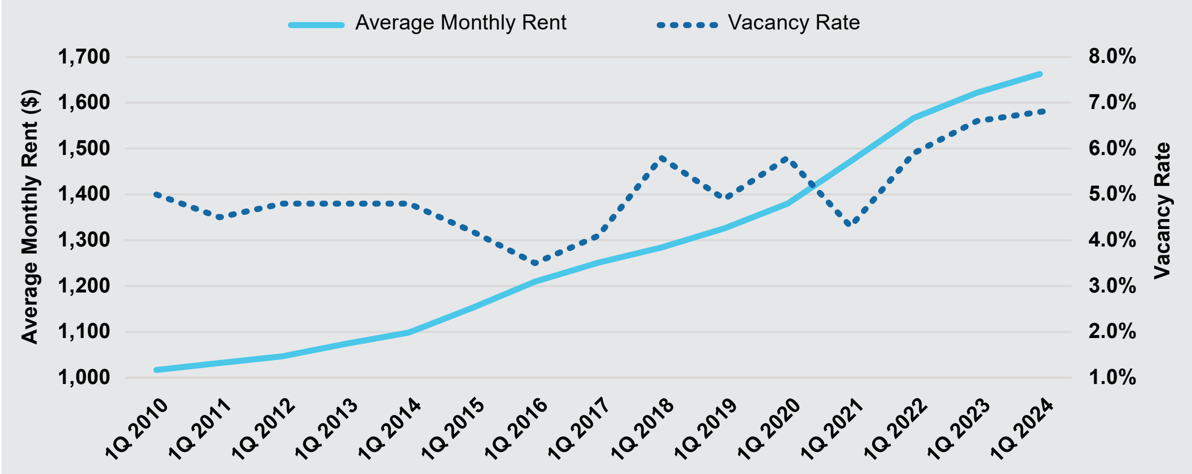
Market Conditions by Geography

The CoStar Group-defined Bend/Central Deschutes County market area accounts for almost three-fourths of the covered apartment market in the HMA, with the remaining inventory in the Redmond/North Deschutes County market area. As of the first quarter of 2024, the apartment vacancy rate was highest in the Redmond/North Deschutes County market area at 9.1 percent, up from 7.4 percent a year ago because 29 percent of the units added to the inventory are still leasing up. However, rents have increased at an average annual rate of 3 percent in the past year compared with 1-percent rent growth in the Bend/Central Deschutes County market area. As of the first quarter of 2024, the average rent in the Redmond/North Deschutes County market area was $1,559, approximately 13 percent less than the average of $1,796 in the Bend/Central Deschutes County market area.

Rental Construction

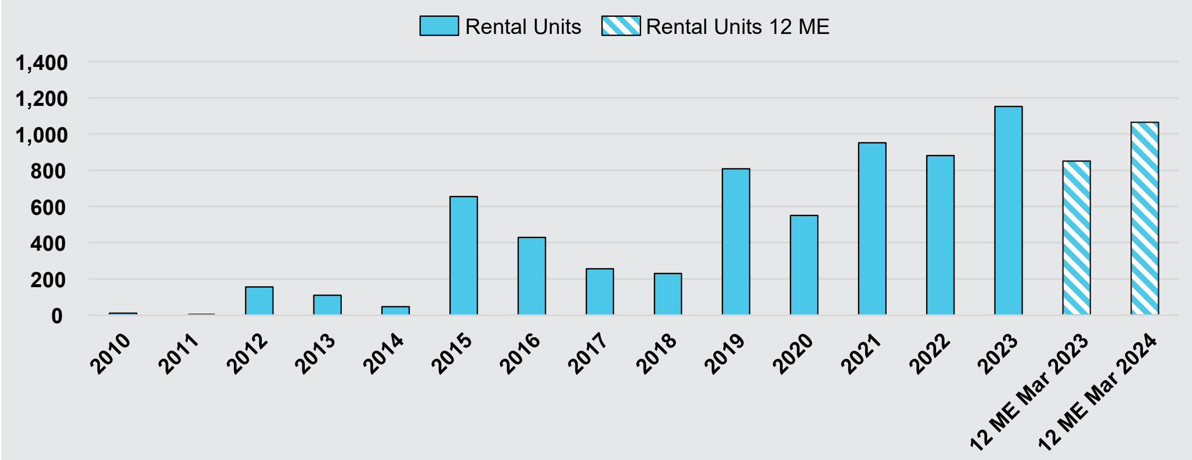
Rental construction, as measured by the number of rental units permitted, has been elevated since 2019 to meet the increase in renter household demand (Figure 15). Production generally increased throughout most of the 2010s in response to moderate vacancies and rent growth supported by strong population gains. Approximately 810 rental units were permitted in 2019 compared with an average of 390 units permitted annually from

Figure 14. Apartment Rents and Vacancy Rates in the Bend HMA



1Q = first quarter.
Source: CoStar Group

Figure 15. Annual Rental Permitting Activity in the Bend HMA



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

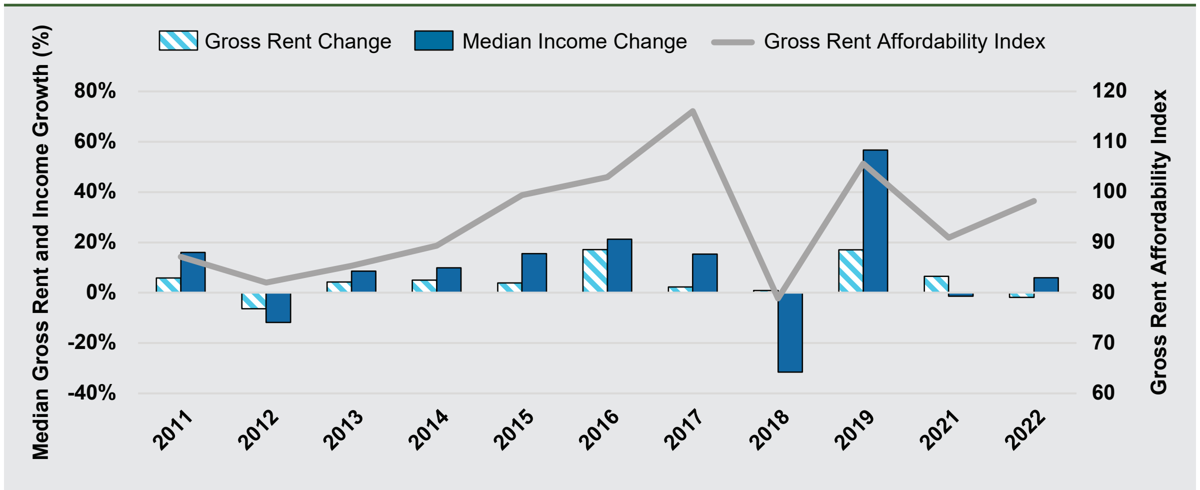
2015 through 2018. The latter period was one of relatively high construction compared with an average of 65 units permitted each year from 2010 through 2014, when homeownership was more affordable. Rental permitting fell in 2020, largely due to construction delays associated with the COVID-19 pandemic, but increased considerably in the subsequent years, and rental demand remained elevated. An average of 920 rental units were permitted each year in 2021 and 2022. Approximately 1,050 rental units were permitted during the 12 months ending March 2024, up from 850 units during the previous 12 months. Most of the rental construction activity in the HMA since 2020, 72 percent, has been in the city of Bend compared with 74 percent from 2010 through 2019. Approximately 680 units were permitted during the period in the city of Redmond compared with 550 units during the entire period from 2010 to 2019.

One of the largest developments to recently open in the HMA was the 260-unit Solis at Petrosa Apartments, which is part of the Petrosa master-planned community in northeastern Bend being developed by Pahlisch Homes Inc. The community will include nearly 700 single-family homes and townhomes, 460 apartments, and a 210,000-square-foot commercial center at buildout. Rents at Solis reflect the high end of the market, averaging $1,964, $2,363, and $2,760 for one-, two-, and three-bedroom units, respectively. Absorption at the property has averaged almost 19 units a month.

Housing Affordability: Rental

Rental housing has become less affordable in the HMA since 2019. The HUD Gross Rent Affordability Index, a measure of median renter household income relative to the qualifying income for the median-priced rental unit, vacillated from 2011 through 2019 but generally trended upward (Figure 16). The index was above 100 from 2015 through 2019, except for a steep decline in 2018. In 2019, the index reached 105.6 because of a sharp increase in median income compared with 78.9 in 2018 but down from a high of 116.1 in 2017, when net in-migration, especially from higher cost metropolitan areas, was highest. The most recent index for the HMA was 98.2 in 2022.

Figure 16. Bend HMA Gross Rent Affordability Index



Notes: Rental affordability is for the Bend Metropolitan Statistical Area. The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website in that it is based on combined rent and utilities expenditure. Data for 2020 are not available.
Source: American Community Survey 1-year data

A relatively high percentage of all renter households in the HMA were cost burdened from 2016 to 2020 (Table 9). An estimated 25.1 percent of all renter households had moderate to high cost burdens, spending between 31 and 50 percent of income on rent, and 22.5 percent of renter households were severely cost burdened, spending 51 percent or more of income on rent. By comparison, 21.6 percent of renter households nationally had moderate to high cost burdens, and 22.0 percent of renter households were severely cost burdened. A significantly larger share of lower-income renter households in the HMA—those with incomes less than 50 percent of the Area Median Family Income (AMFI)—had severe cost burdens compared with the nation. Approximately 59.6 percent of renter households with incomes less than 50 percent of the AMFI in the HMA were paying 51 percent or more of income toward rent compared with 47.9 percent nationally.

Forecast

During the next 3 years, demand is expected for 1,625 rental units (Table 10). The 1,250 units under construction and an additional 230 planned completions will satisfy a significant portion of the demand. Demand for new rental units is expected to be relatively stable during each year of the 3-year forecast period and concentrated in the city of Bend, with a smaller share in the city of Redmond.

Table 9. Percentage of Cost-Burdened Renter Households by Income, 2016–20

	Moderate to High Cost Burden: 31–50 Percent of Income Toward Housing Costs		Severe Cost Burden: 51 Percent or More of Income Toward Housing Costs	
	Bend HMA	Nation	Bend HMA	Nation
Renter Households with Income <50% HAMFI	23.4	27.1	59.6	47.9
Total Renter Households	25.1	21.6	22.5	22.0

CHAS = Comprehensive Housing Affordability Strategy. HAMFI = HUD Area Median Family Income.
Sources: Consolidated Planning/CHAS Data, 2016–2020 American Community Survey 5-year estimates

Table 10. Demand for New Rental Units in the Bend HMA During the Forecast Period

	Rental Units
Demand	1,625 Units
Under Construction	1,250 Units

Note: The forecast period is April 1, 2024, to April 1, 2027.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Absorption	The net change, positive or negative, in the number of occupied units in a given geographic range.
Apartment Vacancy Rate/Average Monthly Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.
Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Cost Burdened	Spending more than 30 percent of household income on housing costs. Moderate to high cost burden refers to households spending 31 to 50 percent of income on housing costs. Severe cost burden refers to households spending 51 percent or more of income on housing costs.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Existing Home Sales	Includes regular resales and REO sales.
Forecast Period	4/1/2024–4/1/2027—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.

Regular Resales	**These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party and include short sales.**
Rental Market/ Rental Vacancy Rate	**Includes apartments and other rental units such as single-family, multifamily, and mobile homes.**
Stabilized	**A property is stabilized once a 90-percent or above occupancy rate is reached, or at least 18 months pass since the property was changed from under construction to existing on the CoStar Group website.**

B. Notes on Geography

1.	**The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.**
2.	**Urbanized areas are defined using the U.S. Census Bureau's 2020 Census Urban and Rural Classification and the Urban Area Criteria.**
3.	**The census tracts referenced in this report are from the 2020 Census.**

C. Additional Notes

1.	**This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.**
2.	**The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.**

D. Photo/Map Credits

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