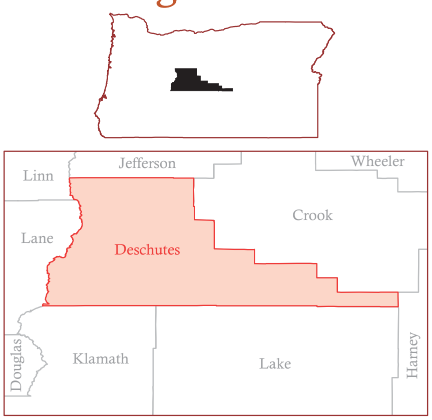
COMPREHENSIVE HOUSING MARKET ANALYSIS

Bend-Redmond, Oregon

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2015

Housing Market Area



The Bend-Redmond Housing Market Area (hereafter, the Bend HMA) comprises Deschutes County, Oregon, and is coterminous with the Bend-Redmond, OR Metropolitan Statistical Area. The HMA is the largest metropolitan area in central Oregon and a 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 HMA a regional destination for outdoor recreation and tourism.

Market Details

Summary

Economy

The 12-month average, year-over-year nonfarm payroll growth has exceeded 3.5 percent every month since June 2013, contributing to very strong economic conditions in the Bend HMA. Nonfarm payroll growth accelerated during the 12 months ending June 2015, increasing by 3,800 jobs, or 5.7 percent, compared with an increase of 3,500 jobs, or 5.4 percent, during the 12 months ending June 2014. Nonfarm payrolls are expected to grow an average of 3.8 percent, or 2,675 jobs, each year during the 3-year forecast period. Table DP-1 at the end of this report provides employment data for the HMA.

Sales Market

The sales housing market in the HMA is slightly tight, with an estimated 2.0-percent vacancy rate, down from 4.2 percent in April 2010. New and existing home sales were up 16 and 5 percent, respectively, during the 12 months ending May 2015 (CoreLogic, Inc., with adjustments by the analyst). Demand is estimated for 3,325 new homes during the next 3 years (Table 1). The 440 homes currently under construction and a portion of the estimated 11,800 other vacant housing units that will likely enter the market will satisfy some of the forecast demand.

Rental Market

Rental housing market conditions in the HMA are tight, with an estimated 7.0-percent vacancy rate compared with 10.9 percent in April 2010. Apartment market conditions are very tight, with an estimated vacancy rate of 2.6 percent, while average asking rents increased 5 percent from the second quarter of 2014 to the second quarter of 2015 (Reis, Inc.). Demand is estimated for 1,100 new market-rate rental units during the forecast period (Table 1). The 50 units currently under construction and the 95 units that will begin construction shortly will meet a portion of the forecast demand.

Table 1. Housing Demand in the Bend-Redmond HMA During the Forecast Period

	Bend-Redmond HMA	
	Sales Units	Rental Units
Total demand	3,325	1,100
Under construction	440	50

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2015. A portion of the estimated 11,800 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is July 1, 2015, to July 1, 2018.

Source: Estimates by analyst

Economic Conditions

Economic conditions in the Bend HMA are very strong, continuing the economic recovery that began in the beginning of 2012, and the rate of job growth is approaching the pace of growth observed before the national recession that began in December 2007. From the end of 2002 through 2007, the HMA had a strong economic expansion, with nonfarm payrolls increasing by an average of 3,400 jobs, or 5.6 percent, annually, while the unemployment rate averaged 6.3 percent. All sectors of the economy were growing at a healthy rate, but a few key sectors contributed most to the economic expansion. The influx of new residents resulted in a sharp increase in the demand for residential construction, increasing the demand for construction labor and wood products and for healthcare services and retail trade. Job growth was strong in the leisure and hospitality sector as well, largely a result of increased recreational tourism to the HMA.

The effects of the subsequent national recession and housing market collapse were severe in the HMA, and, from the beginning of 2008 through 2010, nonfarm payrolls declined by an average of 3,500 jobs, or 5.1 percent, annually, and the unemployment rate spiked to an average of 12.3 percent. Job losses were greatest in the mining, logging, and construction sector as new home construction slowed dramatically, causing the demand for construction labor to fall. The struggling housing markets caused the demand for wood products manufacturing to plummet, which was largely responsible for significant job losses in the manufacturing sector. In addition, the national recession put substantial strain on household finances, causing tourism to slow, which negatively impacted the leisure and hospitality sector.

After a year of stagnation during 2011, economic conditions began to improve, and modest job gains in several nonfarm payroll sectors led to a total increase of 1,000 jobs, or 1.6 percent, in 2012. The economic recovery strengthened in 2013, and payrolls increased by 3,000 jobs, or 4.8 percent. The mining, logging, and construction sector led job growth because of increased demand for construction labor to meet the growth in the demand for new homes. Notable job growth occurred in the professional and business services sector, mainly because of hiring at call centers, and in the leisure and hospitality sector as the tourism industry started to recover. Economic conditions remained strong and job growth accelerated during the 12 months ending June 2015, and nonfarm payrolls increased by an average of 3,800 jobs, or 5.7 percent, to 70,900 jobs, compared with an increase of 3,500 jobs, or 5.4 percent, during the 12 months ending June 2014 (Table 2). The unemployment

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Bend-Redmond HMA, by Sector

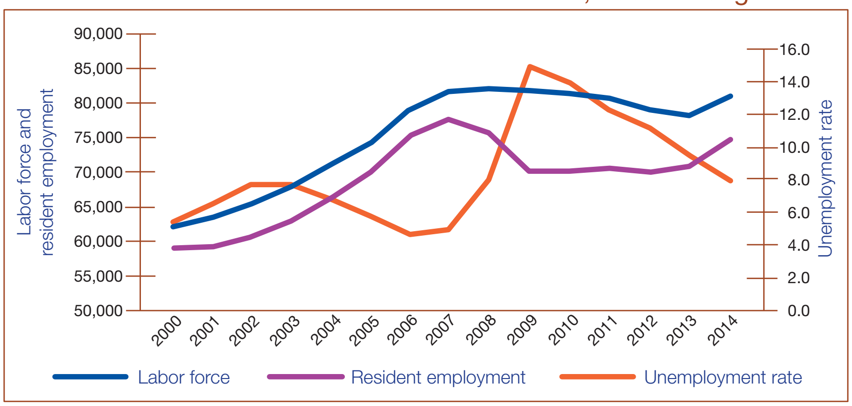
	12 Months Ending June 2014	12 Months Ending June 2015	Absolute Change	Percent Change
Total nonfarm payroll jobs	67,100	70,900	3,800	5.7
Goods-producing sectors	8,500	9,400	900	10.6
Mining, logging, & construction	4,200	4,800	600	14.3
Manufacturing	4,300	4,600	300	7.0
Service-providing sectors	58,600	61,600	3,000	5.1
Wholesale & retail trade	11,500	12,200	700	6.1
Transportation & utilities	1,400	1,600	200	14.3
Information	1,500	1,500	0	0.0
Financial activities	4,300	4,400	100	2.3
Professional & business services	7,500	8,200	700	9.3
Education & health services	10,700	11,400	700	6.5
Leisure & hospitality	10,300	10,700	400	3.9
Other services	2,400	2,400	0	0.0
Government	9,000	9,200	200	2.2

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through June 2014 and June 2015.

Source: U.S. Bureau of Labor Statistics rate averaged 6.7 percent during the 12 months ending June 2015 compared with 8.6 percent a year ago. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate from 2000 through 2014.

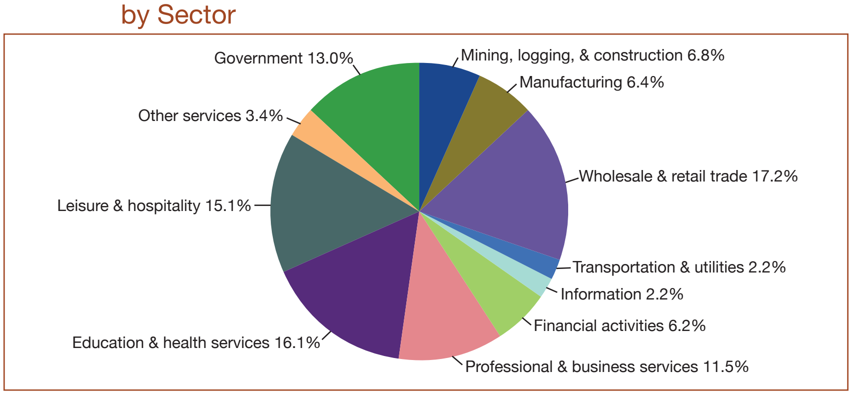
The HMA is a popular destination for outdoor recreation and tourism in the Pacific Northwest because of its close proximity to Mt. Bachelor and the Deschutes River, high desert climate, and growing beer industry. The leisure and hospitality sector is the third largest sector in the economy, accounting for 10,700 jobs, or 15.1 percent of total nonfarm payrolls (Figure 2), and includes two of the largest employers in the HMA: Sunriver Resort, with 900 employees, and Mt. Bachelor, with 756 employees (Table 3). After losing an average of 600 jobs, or 5.6 percent, annually from the beginning of 2008 through 2009, the leisure and hospitality sector added an average of 300 jobs a year, or 2.7 percent, from the beginning of 2010 through 2013, when recreation and tourism slowly began to return. In the city of Bend, transient room tax revenue declined more than 14 percent from 2008 to 2009 (data available back to fiscal year 2006–2007) and increased only 1 percent in 2010 (Visit Bend). From 2011 through 2013, transient room taxes increased an average of 10 percent annually. Tourism strengthened further in 2014, and transient room tax revenue has reached record highs each month since June 2014. In May 2015, transient room taxes totaled $550,843, reflecting a 30-percent increase compared with taxes collected in May 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). During the 12 months ending June 2015, the increase in tourism in the HMA contributed to the addition of 400 jobs, an increase of 3.9 percent, in the leisure and hospitality sector compared with an increase of 500 jobs, or 5.0 percent, during the

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Bend-Redmond HMA, 2000 Through 2014



Source: U.S. Bureau of Labor Statistics

Figure 2. Current Nonfarm Payroll Jobs in the Bend-Redmond HMA, by Sector



Note: Based on 12-month averages through June 2015.
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Bend-Redmond HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
St. Charles Medical Center	Education & health services	2,018
Sunriver Resort	Leisure & hospitality	900
Mt. Bachelor Inc.	Leisure & hospitality	756
IBEX Global	Professional & business services	650
Central Oregon Community College	Government	650
Bend Memorial Clinic	Education & health services	619
Eagle Crest (Northview Hotel Group)	Leisure & hospitality	530
Bright Wood Corp.	Manufacturing	494
Les Schwab Tire Centers	Wholesale & retail trade	482
JELD-WEN Development, Inc.	Manufacturing	480

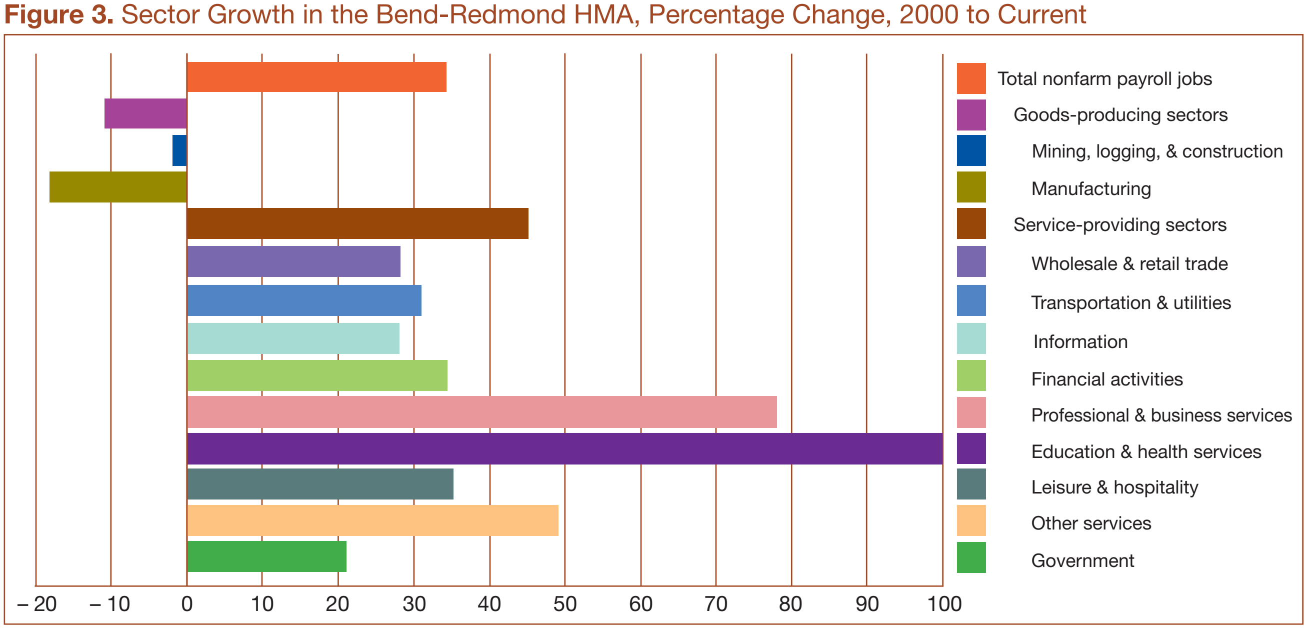
Note: Excludes local school districts.
Source: Moody's

12 months ending June 2014. Growth in this sector is expected to continue as tourism increases. Furthermore, multiple companies have plans to build hotels in the near future, including My Place Hotels of America, which applied to build a $2.7 million, four-story hotel in the city of Bend in January 2016, and Braxton Development, which plans to build a four-story Springhill Suites, with construction slated to begin in the spring of 2016.

The professional and business services sector added 700 jobs, or 9.3 percent, during the 12 months ending June 2015, tying with the education and health services and the wholesale and retail trade sectors for greatest gains in nonfarm payrolls. Much of the job growth in the professional and business services sector can be attributed to hiring at call centers in the HMA. The sector was a source of job growth during the 2002-to-2007 period of economic expansion, adding an average of 500 jobs, or 8.1 percent, annually; however, the national recession caused sector payrolls to decline by an average of 500 jobs, or 6.6 percent, each year in 2008 and 2009. Sector payrolls stagnated in 2011 and declined again in 2012 by 100 jobs, or 1.5 percent. The sector recorded modest growth in 2013, adding 400 jobs, or 6.0 percent, followed by an increase of 800 jobs, or 11.3 percent, in 2014. Job growth in the sector is expected to continue during the forecast period, because IBEX Global, the fourth largest employer in the HMA, announced plans to hire 450 employees at its call center by the fall of 2015.

The HMA is the largest metropolitan area in central Oregon, making it a regional center for education and healthcare services. The education and health services sector has doubled in size since 2000, growing more than any other nonfarm payroll sector (Figure 3), and currently accounts for slightly more than 16 percent of total nonfarm payrolls in the HMA. During the 12 months ending June 2015, sector payrolls increased by 700 jobs, or 6.5 percent, compared with an increase of 500 jobs, or 4.9 percent,

Figure 3. Sector Growth in the Bend-Redmond HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through June 2015.
Source: U.S. Bureau of Labor Statistics

during the previous 12 months. Most of the growth can be attributed to hiring at local hospitals and healthcare clinics and to an increase in ambulatory services, because of increased demand from strong population growth. The education and health services sector is the only sector that did not lose jobs during the most recent economic downturn. From 2000 through 2013, sector payrolls increased by an average of 400 jobs, or 5.1 percent, annually. Growth in this sector is projected to continue during the forecast period as the population continues to grow and age and as the demand for healthcare services increases.

Wholesale and retail trade is the largest nonfarm payroll sector in the economy, comprising 12,200 jobs, or 17.2 percent of total nonfarm payrolls in the HMA. During the 12 months ending June 2015, sector payrolls gained 700 jobs, or 6.1 percent, compared with an increase of 300 jobs, or 2.9 percent, during the 12 months ending June 2014. Employment in this sector is affected by improvements in other core industries of the economy, because it depends heavily on consumer confidence and spending habits, which have improved greatly since 2011. From the beginning of 2002 through 2007, the wholesale and retail trade sector increased by an average of 400 jobs, or 4.0 percent, annually; however, the economic recession caused consumer spending and population growth to slow dramatically, and sector payrolls declined by an average of 600 jobs, or 4.8 percent, annually from the beginning of 2008 through 2010. Job gains in the wholesale and retail trade sector are anticipated to continue during the forecast period as economic conditions and population growth remain strong.

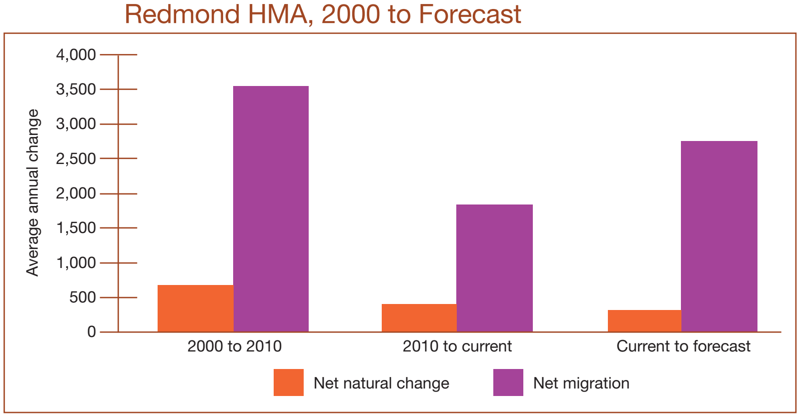
The mining, logging, and construction sector has been one of the fastest growing sectors since the economic recovery began in 2011, despite being one of the most significantly affected sectors during the recent economic recession. During the 12 months ending June 2015, the mining, logging, and construction sector increased by 600 jobs, or 14.3 percent, compared with an increase of 700 jobs, or 18.8 percent, during the previous 12 months; 90 percent of sector payrolls are attributed to the construction subsector. Strong population and economic growth led to a sharp increase in the demand for new homes and construction labor from the beginning of 2002 through 2006, and, during that time, sector payrolls increased by an average of 800 jobs, or 12.8 percent, annually, nearly doubling in size to a peak of 8,400 jobs in 2006. As the HMA subsequently began to feel the effects of the national recession, residential construction slowed significantly, as did the demand for construction labor, and sector payrolls fell by 200 jobs, or 2.4 percent, in 2007, before declining by an average of 2,100 jobs, or 29.3 percent, each year in 2008 and 2009. Sector payrolls continued to decline in 2010 and 2011, but at a slower rate, averaging a loss of 500 jobs, or 11.7 percent, annually. Sector payrolls remained unchanged in 2012, before adding 600 jobs in 2013. Job growth in the mining, logging, and construction sector is expected to continue during the forecast period because of increased demand for new homes.

During the forecast period, nonfarm payrolls are expected to increase by an average of 2,675 jobs, or 3.8 percent, annually, with the growth rate slowing during the forecast period to a more sustainable level, because, although economic conditions are strong, job growth is not expected to return to prerecession levels. The leisure and hospitality and the mining, logging, and construction sectors are expected to lead job growth during the next 3 years.

Population and Households

The population of the Bend HMA is estimated at 169,600, reflecting an average annual growth rate of 1.4 percent, or 2,250, since 2010, with net in-migration accounting for slightly more than 80 percent of the growth, or 1,850 people each year (Figure 4). From July 2000 to July 2008, population growth in the HMA averaged 3.7 percent, or 4,825 people, annually (Census Bureau population estimates, as of July 1). During this time, net in-migration averaged 4,225 people each year and comprised 88 percent of overall population growth. As the rate of homebuilding activity accelerated during this time to meet the increased demand, which resulted from strong population growth, job growth in the construction industry attracted new households to the HMA, which, in turn, encouraged further new home construction. The HMA is also a popular destination for retirees because of its relatively low cost of living, outdoor recreation, and other quality-of-life factors. As a result, service-related industries in the HMA, such as healthcare services and retail trade, expanded to serve the increase in population, which resulted in even stronger labor market conditions, inducing further net in-migration from jobseekers.

Figure 4. Components of Population Change in the Bend-Redmond HMA, 2000 to Forecast



Notes: The current date is July 1, 2015. The forecast date is July 1, 2018.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

The effects of the national recession were severe in the HMA, and population growth decreased to 2,300 people, or 1.5 percent, from July 2008 to July 2009. Rapidly declining home prices and homebuilding activity led to a quick downturn in construction industry payrolls and in the number of new people moving to the HMA who had been attracted to strong hiring in the industry. The recession had similar, but milder, effects on other service-providing sectors, including the leisure and hospitality sector and retail trade subsector. Economic and housing market conditions subsequently worsened further, and, from July 2009 to July 2012, population growth fell to an average of 980 people a year, or 0.6 percent; only 45 percent of the growth resulted from net in-migration. Population growth rebounded in 2012, when labor market conditions improved and tourism began to recover, boosting net in-migration and population growth.

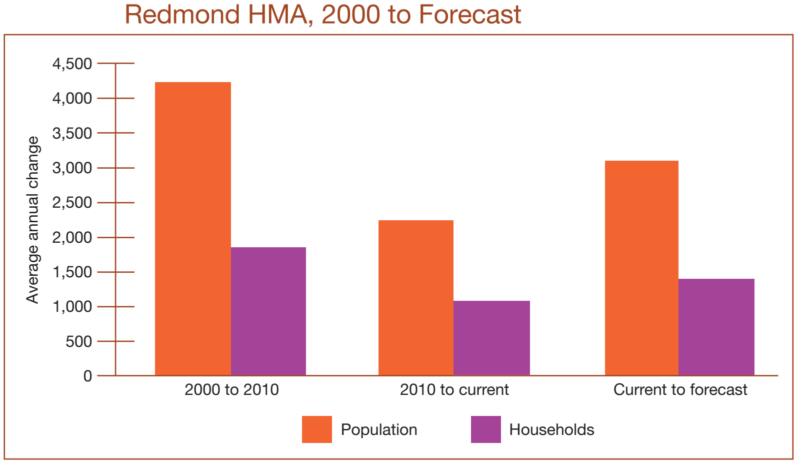
From July 2012 to July 2014, the population increased by an average of 3,125, or 1.9 percent, a year; close to 90 percent of the growth was attributable to net in-migration. The population of the HMA is forecast to reach 179,000 by July 1, 2018, increasing by an average of 3,125, or 1.8 percent, annually. Net in-migration is expected to account for 90 percent of the total estimated growth.

Figure 5. Number of Households by Tenure in the Bend-Redmond HMA, 2000 to Current

Note: The current date is July 1, 2015.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 6. Population and Household Growth in the Bend-Redmond HMA, 2000 to Forecast



Notes: The current date is July 1, 2015. The forecast date is July 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

An estimated 69,550 households reside in the HMA, reflecting an average annual increase of 1,050 households, or 1.6 percent, since 2010. By comparison, from 2000 to 2010, when population growth was stronger as a result of strong economic conditions and increased net in-migration, especially from retirees, the number of households in the HMA increased by an average of 1,850 households, or 3.5 percent. An estimated 63.7 percent of current households, or 44,300 households, are homeowners and the remaining 25,250 are renter households. The homeownership rate has declined since 2010, when 65.8 percent of households were homeowners; the decline is the result of weaker sales housing market conditions, stricter lending practices, and a shift in household preferences toward renting. Figure 5 shows the distribution of households in the HMA by tenure for 2000, 2010, and the current date. As employment and financial conditions improve and net in-migration increases, household growth is expected to increase by an average of 1,375 households, or 1.9 percent, a year during the 3-year forecast period, reaching 73,650 households by July 1, 2018. Figure 6 shows population and household growth trends from 2000 to the forecast date.

Housing Market Trends

Sales Market

The sales housing market in the Bend HMA is slightly tight, with an estimated 2.0-percent vacancy rate as of July 1, 2015, down from 4.2 in April 2010. The decline in vacancies reflects a significant increase in the demand for homes and a decline in the available inventory of homes for sale. In June 2015, the inventory of for-sale homes ranged from a 1.3-month supply of entry level homes with a sales price of less than $200,000 up to a 3.7-month supply of homes priced between $650,000 and $1 million compared with a 1.3- and 6.7-month supply of for-sale inventory in June 2014, respectively (Sotheby's International Realty).

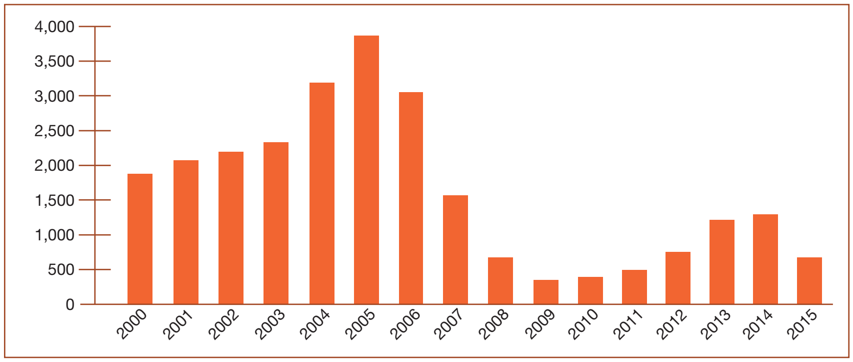
During the 12 months ending May 2015 (the most recent data available), sales of existing single-family homes, townhomes, and condominiums (hereafter, existing homes) totaled 5,150, up 5 percent compared with sales during the 12 months ending May 2014, marking the most existing home sales since 2006 (CoreLogic, Inc., with adjustments by the analyst). Existing home sales peaked from the beginning of 2002 through 2005, when an average of 7,175 homes sold annually. Sales began to decline in 2006 when the demand for homes slowed, and, from the beginning of 2006 through 2008, existing home sales declined at an average annual rate of 22 percent, to a low of 2,075 home sales in 2008. The market for existing home sales began to recover in 2009 and 2010, and sales increased at an average annual rate of 16 percent, to 3,800 sales. Sales declined 5 percent in 2011, to 3,600 existing homes sold, but improved quickly, increasing an average of 18 percent each year in 2012 and 2013, to 5,050 homes sold. Despite the declining sales volume in 2006 and 2007, the average sales price of an existing home continued to increase an average of 16 percent, to a high of $357,200, but subsequently dropped 14 percent in 2008, to $308,400, when the demand for homes fell substantially as a result of the national economic downturn and housing market crisis. Market conditions continued to worsen, and the decline in sales prices accelerated to an average annual rate of 16 percent from the beginning of 2008 through 2010, to a record low of $208,400, nearly 40 percent lower than the peak sales price in 2007. The average sales price stabilized in 2011, when economic condition began to improve, increasing 1.0 percent to $210,300. The average sales price increased further in 2012 and 2013, by an average of 12 percent each year, to $263,400, as the demand for homes continued to increase, and the available inventory of homes for sale declined.

The foreclosure crisis significantly impacted the HMA, causing a sharp increase in the number of seriously delinquent loans (loans 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties, but conditions improved recently. The delinquency rate peaked in April 2010, when a total of 33,750 loans, or 10.9 percent of all home loans, were seriously delinquent or transitioned into REO status compared with a low of 1.4 percent in January 2008 (data available beginning in 2008; Black Knight Financial Services, Inc.). The rate of home loans that were seriously delinquent or had transitioned into REO status declined to 2.7 percent in June 2015, down from 3.8 percent in June 2014. By comparison, during the same time, the state delinquency rate declined from 4.1 to 3.5 percent, and the national rate declined from 4.9 to 4.1 percent. REO home sales averaged 1,425 annually from 2009 through 2011, accounting for 42 percent of all existing home sales (CoreLogic, Inc., with adjustments by the analyst). By contrast, from 2000 through 2008, approximately 95 REO homes sold annually, accounting for only 1 percent of existing home sales. As the economy and sales market conditions began to improve, REO home sales declined, averaging 600 sales a year in 2013 and 2014. During the 12 months ending May 2015, approximately 320 REO homes sold compared with 250 during the previous 12 months, accounting for 6 percent of all existing home sales. Although REO sales have generally declined, they still put significant downward pressure on the average sales price of existing homes. By comparison, during the 12 months ending May 2015, the average sales price of an REO home was $194,100, approximately 33 percent less than a regular resale home.

The market for new single-family homes, townhomes, and condominiums (hereafter, new homes) has improved since 2011, after 6 consecutive years of decline, in response to improving economic conditions and increased population growth. During the 12 months ending May 2015, new home sales increased 26 percent, to 840 homes, the most new homes sold since 2007. New home sales peaked from the beginning of 2002 through 2006, when economic and population growth was strongest and an average of 2,000 new homes sold annually. Although 2006 was a strong year for new home sales, it marked the beginning of the decline, down 30 percent from the volume of new home sales in 2005. New home sales declined rapidly as the economy began to weaken, falling by an average of 37 percent a year from the beginning of 2007 through 2011, to a low of 200 homes sold. The market for new homes followed a similar trend to the market for existing homes, and, as economic conditions began to improve in 2011, new homes sales increased; during 2012 and 2013, an average of 540 new homes sold each year, reflecting an average annual increase of 230 new home sales, or 34 percent, each year. The average sales price for a new home during the 12 months ending May 2015 increased 6 percent, to $304,300. By contrast, prices increased an average of 15 percent a year from the beginning of 2002 through 2007, peaking in 2007 at approximately $393,300. Prices began to decrease with the onset of the national recession, and, from the beginning of 2008 through 2010, the average price declined an average of 21 percent annually, reaching a low of $243,100. As the economy began to improve, an increase in demand, coupled with a limited supply of new homes, caused prices to increase; from the beginning of 2011 through 2013, the average sales price increased an average of 5 percent annually, to $277,200 (CoreLogic, Inc., with adjustments by the analyst).

Although single-family home construction activity, as measured by the number of single-family homes permitted, remains significantly below prerecession levels, building activity has improved significantly since 2012 as a result of improving economic conditions and access to mortgage credit (Figure 7). During the 12 months ending June 2015, approximately 1,350 single-family

Figure 7. Single-Family Homes Permitted in the Bend-Redmond HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through June 2015.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

homes were permitted, up 6 percent from the number of homes permitted during the 12 months ending June 2014 (preliminary data). Single-family construction activity was strong from 2003 through 2005, when builders responded to rapidly increasing sales prices and increased demand, and an average of 3,875 single-family homes were permitted annually. Single-family permitting remained elevated in 2006, when 3,325 permits were issued, although the level of permitting was down 21 percent from 2007, marking the beginning of the downward trend that preceded the housing market crisis. As a consequence, new home construction fell further, and single-family permitting declined almost 50 percent, to 1,575 homes permitted in 2007. As the effects of the national recession worsened, permitting dropped further, and an average of 500 single-family homes were permitted a year from 2008 through 2011, declining at an average annual rate of 29 percent. As the economy continued to recover, new home construction rebounded increasing by 62 percent in 2012, to 790 single-family homes permitted, and increasing by another 62 percent in 2013, when 1,350 single-family homes were permitted.

Numerous subdivisions in the HMA have new homes for sale, and nearly all new construction is concentrated in the city of Bend. Some of the subdivisions with the most new home sales in 2015 include Mirada, with 20 new home sales at an average sales price of $307,300; The Bridges at Shadow Glen, with 19 new home sales and an average sales price of $358,900; and Tetherow, which has sold 15 new homes since the beginning of 2015, with an average sales price of $368,600. In addition, NorthWest Crossing is a large, planned community that includes an elementary and high school; since 2005, this development has sold more than 460 new homes, 22 of which have been sold since the beginning of 2015, with an average sales price of $514,500.

During the 3-year forecast period, demand is expected for 3,325 new homes, with demand evenly distributed annually during the 3-year forecast period. The 440 homes currently estimated to be under construction and a portion of the 11,800 other vacant units that may reenter the market will satisfy some of the demand (Table 1). Demand is expected to be greatest in the $200,000-to-$349,999 price range (Table 4).

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Bend-Redmond HMA During the Forecast Period

Price Range ($) From	Price Range ($) To	Units of Demand	Percent of Total
150,000	199,999	500	15.0
200,000	249,999	660	20.0
250,000	299,999	830	25.0
300,000	349,999	660	20.0
350,000	399,999	330	10.0
400,000	499,999	170	5.0
500,000	and higher	170	5.0

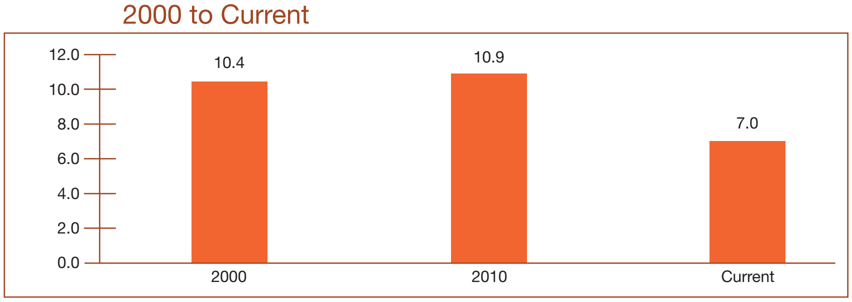
Notes: The 440 homes currently under construction and a portion of the estimated 11,800 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is July 1, 2015, to July 1, 2018.

Source: Estimates by analyst

Rental Market

Rental housing market conditions in the Bend HMA are currently tight, with an estimated vacancy rate of 7.0 percent, down from 10.9 percent in April 2010 (Figure 8). Although a 7.0-percent vacancy rate typically suggests a balanced or slightly soft market, the Bend HMA rental market is neither balanced nor slightly soft. The HMA has a relatively high number of vacation rentals, which have a tendency to result in a higher-than-average balanced market vacancy rate. The market tightened rapidly in 2010 and 2011 because of weak labor market conditions, stricter lending standards, and a shift in household preferences toward renting brought on by the foreclosure crisis, all of which contributed to a decrease in the homeownership rate and an increase in the demand for rental units. Conditions continued to tighten from 2012 through 2014, despite an increase in the inventory of rental units from the conversion of REO homes to rental units. Approximately 49 percent of the rental market consisted of single-family units in 2013, up from 45 percent in 2010 (Census Bureau); because some of these units are seasonal, they are not in direct competition with the apartment market. The rental market for single-family homes is very tight, with an estimated vacancy rate of 1.9 percent in 2014 compared with 2.6 percent in 2013 (Central Oregon Rental Owners Association Annual survey).

Figure 8. Rental Vacancy Rates in the Bend-Redmond HMA, 2000 to Current



Note: The current date is July 1, 2015.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

The apartment vacancy rate in the HMA was estimated at 2.6 percent in the second quarter of 2015, relatively unchanged from the second quarter of 2014 (Reis, Inc.). By comparison, the apartment vacancy rate was 3.8 percent in 2012 (data available only since 2012). From the second quarter of 2014 to the second quarter of 2015, the average asking rent increased 5 percent, to $767, and rents averaged $667 for one-bedroom units, $774 for two-bedroom units, and $898 for three-bedroom units. By comparison, from the second quarter of 2013 to the second quarter of 2014, the average asking rent increased 4 percent.

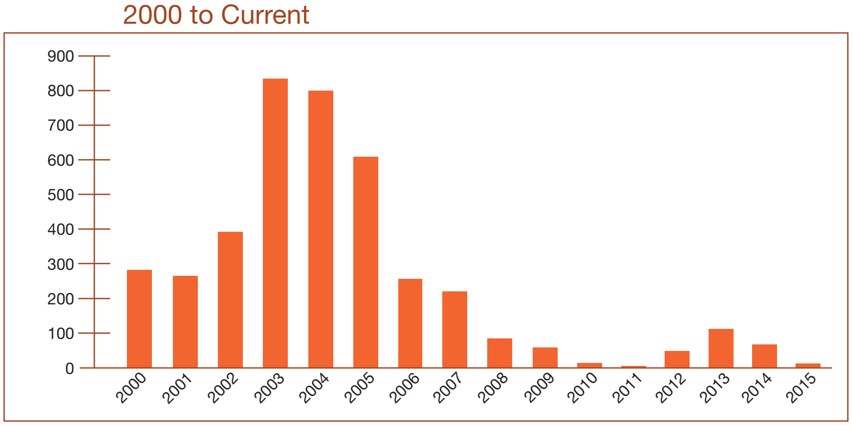
Multifamily construction, as measured by the number of multifamily units permitted, has generally improved since the 2009-through-2011 period (Figure 9) in which multifamily permitting was lower than during any other 3-year period since the late 1980s. Approximately 80 multifamily units were permitted in the HMA during the 12 months ending June 2015 compared with 110 units during the previous 12 months (preliminary data). Multifamily construction activity peaked from the beginning of 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 the beginning of 2006 through 2011, multifamily permitting declined at an average annual rate of 55 percent to a low of only two multifamily units permitted in 2011. Condominiums accounted for approximately 17 percent of all multifamily construction from the beginning of 2000 through 2007, or an average of 45 units each year. As a result of the housing market crisis and the shift in household preferences toward renting, condominium construction halted; none have been built since 2007.

An estimated 50 multifamily units are currently under construction, and a 95-unit project, Boulder Pointe, will begin construction in the fall of 2015. Some of the financial constraints that kept developers from building in the HMA have subsided, making the market more attractive.

Nearly all multifamily construction in the HMA is concentrated in the city of Bend. The most recently completed market-rate rental project in the HMA was the 104-unit Sage Springs in 2014, comprising all two-bedroom units, which were entirely leased before the building was complete (asking rents were not publically available). The Parks at Eastlake, 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 2015 and received more than 150 applications within a day for the 16 units that will be complete by the beginning of July.

During the 3-year forecast period, demand is estimated for 1,100 market-rate rental units in the HMA (Table 1). Demand is expected to be strongest in the first and second years of the forecast period because very limited new construction has resulted in pent-up demand, and then moderate in the third year, when supply and demand become more balanced. The 50 units currently under construction and the 95 units that will begin construction shortly will likely meet a portion of that demand. Table 5 shows the demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

Figure 9. Multifamily Units Permitted in the Bend-Redmond HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through June 2015.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Bend-Redmond HMA During the Forecast Period

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
760 to 959	400	950 to 1,149	500	1,350 to 1,549	100
960 or more	45	1,150 or more	55	1,550 or more	10
Total	440	Total	550	Total	110

Notes: Numbers may not add to totals because of rounding. The 50 units currently under construction will likely satisfy some of the estimated demand. The forecast period is July 1, 2015, to July 1, 2018.

Source: Estimates by analyst

Data Profile

Table DP-1. Bend-Redmond HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	58,778	69,995	76,150	1.8	1.9
Unemployment rate	5.3%	13.8%	6.7%		
Nonfarm payroll jobs	53,000	61,200	70,900	1.4	3.3
Total population	115,367	157,733	169,600	3.2	1.4
Total households	45,595	64,090	69,550	3.5	1.6
Owner households	32,971	42,160	44,300	2.5	0.9
Percent owner	72.3%	65.8%	63.7%		
Renter households	12,624	21,930	25,250	5.7	2.7
Percent renter	27.7%	34.2%	36.3%		
Total housing units	54,583	80,139	84,200	3.9	0.9
Owner vacancy rate	2.3%	4.2%	2.0%		
Rental vacancy rate	10.4%	10.9%	7.0%		
Median Family Income	$41,500	$63,500	$59,700	4.3	– 1.5

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through June 2015. Median Family Incomes are for 1999, 2009, and 2013. The current date is July 1, 2015.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 7/1/2015—Analyst's estimates
Forecast period: 7/1/2015–7/1/2018—Analyst's estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

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.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. 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.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Bend-RedmondOR_15.pdf.

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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.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. 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.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.