

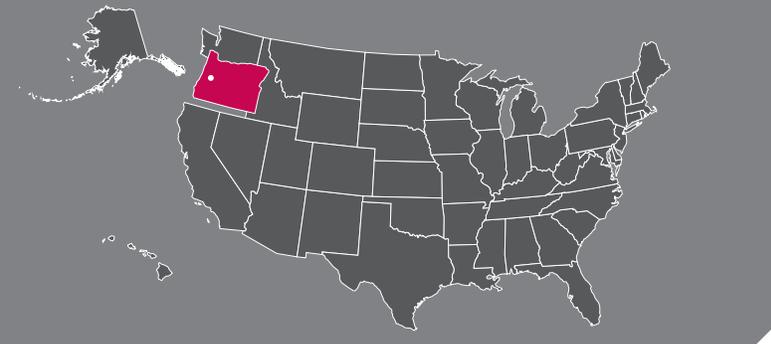
HUD PD&R Housing Market Profiles

Eugene, Oregon



Quick Facts About Eugene

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: tight.**
- **The University of Oregon, one of 36 public members of the Association of American Universities, is in the city of Eugene.**



By Adam Tubridy | As of July 1, 2015

Overview

The Eugene metropolitan area consists of Lane County, Oregon, and is the third largest metropolitan area in Oregon. The metropolitan area is in western Oregon on the Interstate-5 corridor and stretches to the Pacific coast. Approximately 60 percent of the population lives in the central cities of Eugene and Springfield.

- As of July 1, 2015, the estimated population of the Eugene metropolitan area was 361,200, reflecting an average annual increase of 1,800, or 0.5 percent, since 2010. Population growth accelerated in 2014 and has averaged 2,775 people, or 0.8 percent, during the past two 12-month periods.
- Population growth peaked from 2003 to 2007 at an average of 3,950 people, or 1.2 percent, because of strong job growth attracting migrants. Population growth slowed to an average of 1,775, or 0.5 percent, a year from 2007 to 2010, when the number of nonfarm payrolls declined. During this period most population growth was caused by increased enrollment at the University of Oregon.
- Since 2010, approximately 88 percent of population growth in the Eugene metropolitan area came from net in-migration. The metropolitan area's low birth rate and relatively large elderly population caused the high share of net in-migration in population growth. The percentage of people over the age of 65 in Eugene is 19 percent higher than the national average.



PD&R

The government sector is the largest economic sector in the Eugene area.

	3 Months Ending		Year-Over-Year Change	
	June 2014 (thousands)	June 2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	148.5	152.1	3.6	2.4
Goods-producing sectors	19.6	19.7	0.1	0.5
Mining, logging, and construction	6.6	6.5	-0.1	-1.5
Manufacturing	13.0	13.2	0.2	1.5
Service-providing sectors	128.9	132.4	3.5	2.7
Wholesale and retail trade	24.9	26.2	1.3	5.2
Transportation and utilities	3.4	3.6	0.2	5.9
Information	3.5	3.3	-0.2	-5.7
Financial activities	7.4	7.4	0.0	0.0
Professional and business services	15.8	16.3	0.5	3.2
Education and health services	23.1	24.4	1.3	5.6
Leisure and hospitality	15.7	15.9	0.2	1.3
Other services	4.8	4.8	0.0	0.0
Government	30.3	30.6	0.3	1.0
	(percent)	(percent)		
Unemployment rate	6.8	5.6		

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

Economic Conditions

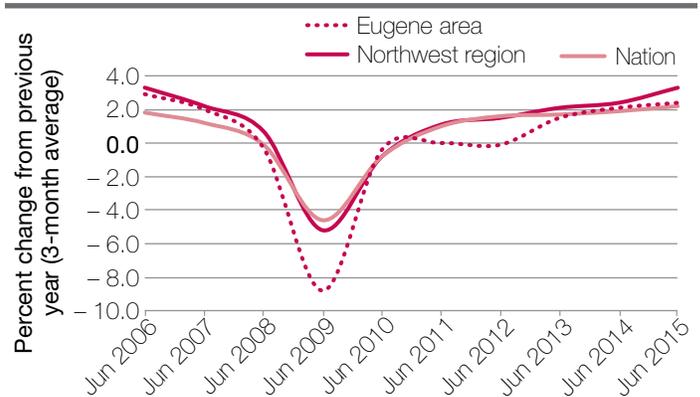
Economic conditions in the Eugene metropolitan area have improved at an accelerating rate since 2012 after the number of nonfarm payrolls declined by 15,800 jobs, or 10.1 percent, from the end of 2007 through 2010. By comparison, in the same period, nonfarm payrolls in the Northwest region and the nation declined only 5.4 and 5.6 percent, respectively. The Eugene area's manufacturing sector was responsible for nearly one-half of all job losses from the end of 2007 through 2010. Approximately 4,000 RV (recreational vehicle) manufacturing jobs and 1,400 semiconductor manufacturing jobs were lost during these years. Job growth in the service-providing industries is driving the economic recovery in the metropolitan area.

During the second quarter of 2015—

- Nonfarm payrolls increased for the third consecutive second quarter, increasing by 3,600 jobs, or 2.4 percent, compared with the number of jobs during the second quarter of 2014. Despite sustained economic growth, the number of nonfarm payrolls in the metropolitan area is still 4.8 percent below the 2007 pre-recession peak on an annualized basis. The number of payrolls in service-providing industries is now 0.6 percent above the 2007 level, whereas the good-producing industries have yet to recover.
- The government sector was the largest economic sector in the metropolitan area, accounting for 30,600 jobs, or 20 percent of all nonfarm payrolls, and grew by 300 jobs, or 1 percent. In

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Nonfarm payrolls in the Eugene area decreased 8 percent in 2009.



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

Largest employers in the Eugene area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Oregon	Government	7,012
PeaceHealth	Education and health services	5,500
Symantec Corporation	Information	1,429

Notes: Excludes local school districts. University of Oregon employment figures exclude undergraduate student employees.
Sources: Lane County; University of Oregon

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addition to the University of Oregon, a state psychiatric hospital in Junction City opened in March 2015, employing 200 people, and a Veterans Affairs outpatient clinic in Eugene is scheduled to open in late 2015 and is expected to employ 200 people.

- The education and health services sector added the most jobs, increasing by 1,300 jobs, or 5.6 percent, to 24,400. The McKenzie-Willamette Medical Center in Springfield is in the beginning stages of a 153,000-square-foot, \$80 million expansion that is expected to be complete in 2018.
- The unemployment rate averaged 5.6 percent, down from 6.8 percent during the second quarter of 2014. The current unemployment rate is significantly lower than the peak of 12.3 percent recorded in 2009.

The University of Oregon is the largest employer and one of the main economic engines in the metropolitan area. The university directly employs 7,012 individuals and supported an additional 1,394 vendors with \$72 million in contracts in the most recent fiscal year (FY). The economic impact of the University of Oregon was estimated at \$1.3 billion for FY 2013–14, an increase of 34 percent from a year earlier (University of Oregon economic impact study). The increase in economic impact was primarily caused by a tripling of construction spending and an increase in the number of out-of-state students. Ongoing construction projects at the university have created an estimated 779 direct and indirect jobs and include a renovation of the student union building, a new softball stadium, and a new science library.

Sales Market Conditions

The sales housing market in the Eugene metropolitan area is balanced, with an estimated sales vacancy rate of 1.5 percent, down from 2.0 percent in April 2010. Strengthening economic conditions and increasing population growth have supported improvement in the sales market, but the sales volume and price of new and existing homes are still below prerecession levels. During the 12 months ending May 2015, approximately 5,650 existing single-family homes, townhomes, and condominiums sold, up 14 percent from the 4,975 homes sold during the preceding 12-month period (CoreLogic, Inc., with adjustments by the analyst). During June 2015, a 2.6-month supply of homes was available for sale, down from a 4.3-month supply in June 2014 (Regional Multiple Listing Service).

The average sales prices of new and existing homes in the Eugene area have increased during the past 12 months.



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

- An average of 8,200 existing homes sold from 2004 through 2007, but only 4,025 existing homes sold from 2009 through 2011 because of poor economic conditions and stricter lending standards. Since 2012, the number of existing homes sold has increased an average of 11 percent annually.
- Increased demand for homes caused the price of existing homes in the metropolitan area to rise. During the 12 months ending May 2015, the average sales price of an existing home increased 3 percent, to \$225,800, after an increase of 9 percent during the preceding 12-month period. The average price of an existing home was \$242,500 during 2007 and 2008.
- Approximately 260 new homes sold during the 12 months ending May 2015, down from 290 during the previous 12 months. During the same period, the average sales price of a new home increased 5 percent, to \$260,400.

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The number of existing homes sold in the Eugene area has increased since 2012.



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



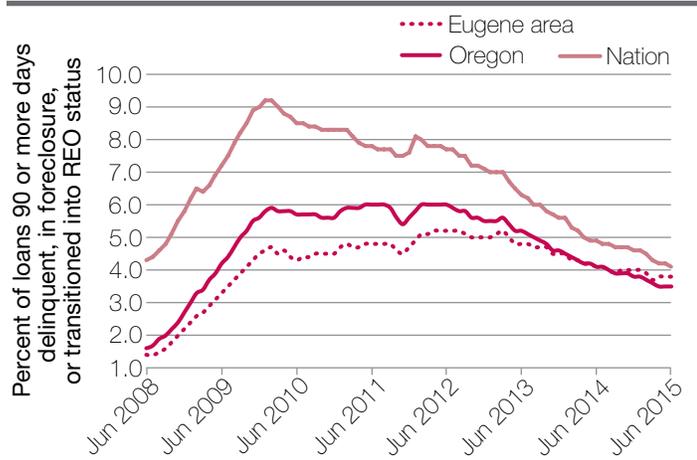
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- The percentage of seriously delinquent loans (loans 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties was 3.8 percent in June 2015 compared with 3.5 and 4.1 percent in Oregon and the nation, respectively. Short sales accounted for 5 percent of all existing home sales during the 12 months ending May 2015, down from nearly 10 percent in 2012.

Improved sales market conditions have contributed to increased single-family home construction activity since 2012.

- Single-family home construction peaked from 2005 through 2007 at an average of 1,400 homes permitted annually, then declined to an average of only 380 homes permitted during 2011 and 2012 because of the local effects of the national recession.

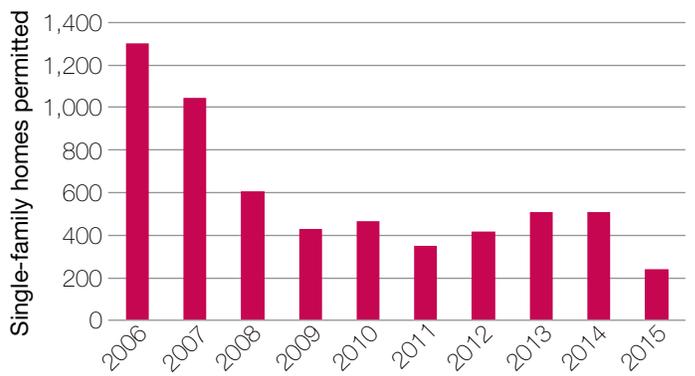
The percentage of seriously delinquent loans and REO properties in the Eugene area was similar to the Oregon and national percentages.



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

- Approximately 490 homes were permitted during the 12 months ending June 2015, an increase of 20 homes, or 3 percent, compared with the previous 12 months (preliminary data). Single-family construction has remained somewhat stable since 2013, averaging 510 homes permitted annually in 2013 and 2014, but is still less than one-half of the prerecession level.
- Subdivisions currently under construction include Wedgewood Meadows in northwest Eugene. The first phase of this project includes 13 lots with three- and four-bedroom homes starting at \$328,000 and \$360,000, respectively.

Single-family construction activity in the Eugene area remained below prerecession levels.



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

Apartment Market Conditions

Apartment market conditions in the Eugene metropolitan area are currently tight. Since 2010, the apartment vacancy rate has remained low and rent growth has been moderate despite increased apartment construction.

- During the second quarter of 2015, the apartment vacancy rate in the metropolitan area was 3.4 percent, up from 2.5 percent during the second quarter of 2014 (Reis, Inc.). The apartment vacancy rate has been below 5 percent since 2010.
- The average asking rent increased 3.7 percent from the same quarter a year ago, to \$795; the second quarter of 2015 was the fourth consecutive second quarter of annual increases in the average asking rent.

- The average rents were \$683, \$813, and \$1,076 for one-, two-, and three-bedroom apartments, respectively, during the second quarter of 2015.
- University of Oregon students significantly affect the metropolitan area's rental market. Students living off campus account for approximately 7,050 renter households; the university houses 3,960 students in dormitories. Apartments within 2 miles of the university had a vacancy rate of 2.2 percent during the second quarter of 2015, lower than the overall rate in the Eugene apartment market (Reis, Inc.).

Developers have responded to increased enrollment at the University of Oregon, increased demand for rental housing, and improving economic conditions by substantially increasing multifamily

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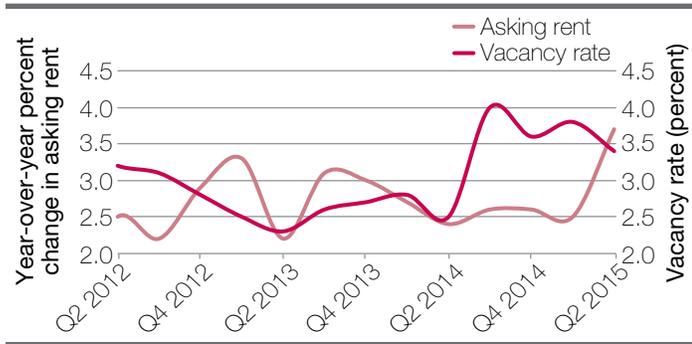


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construction (as measured by the number of units permitted) since 2011. An average of 780 multifamily units were permitted during 2013 and 2014, more than in any other year since 1997.

- Approximately 400 multifamily units were permitted during the 12 months ending June 2015, a decrease of 330 units, or 45 percent, from the 12 months ending June 2014 (based on a comparison of preliminary 2013 and 2014 data). A large decrease in construction during the first 6 months of 2015 caused the decline in construction activity.
- Multifamily construction activity was very low from 2008 through 2010 because of poor economic conditions. During these years an average of only 150 units were permitted annually.

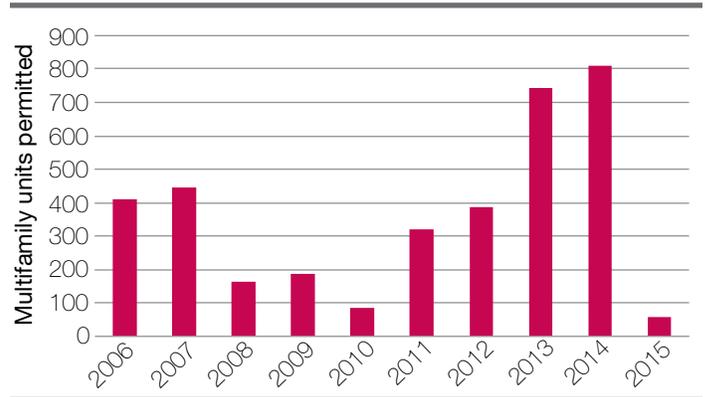
The Eugene area has experienced consistently low apartment vacancy rates.



Source: Reis, Inc.

- Approximately 720 apartments are currently under construction. Approximately 60 percent of these apartments are in the neighborhoods adjacent to the University of Oregon and will be targeted to students.
- Luxury student housing with bedroom leases and higher rents than traditional student housing is a new trend in Eugene. The Hub on Campus is a 182-unit complex opening in the fall of 2015 with one-, two-, and three-bedroom units starting at \$1,175, \$1,650, and \$2,295, respectively.
- Bascom Village, a 101-unit affordable rental housing development, is currently under construction in northeast Eugene. The 53-unit first phase will open in November 2015 and will be restricted to tenants earning less than 50 percent of Area Median Income.

Multifamily construction activity in the Eugene area was greater during 2013 and 2014 than in any other year since 1997.



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

