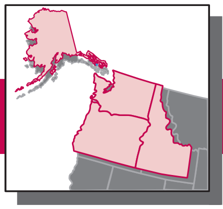
Housing Market Profile



Northwest • HUD Region X

Bend, Oregon

The Bend metropolitan area, which is coterminous with Deschutes County, Oregon, is approximately 120 miles east of Eugene near Mount Bachelor and the Deschutes National Forest. The metropolitan area is known for outdoor recreation and tourism and for its microbrewery and wood product industries. Population in the area has grown at an average annual rate of 0.7 percent since April 1, 2010, reaching an estimated 160,500 as of October 1, 2012. By comparison, the population grew at an average annual rate of 3.1 percent from 2006 to 2009 and slowed to an average of 0.5 percent from 2009 to 2011 as the lingering effects of the national recession continued to impact the local construction and tourism industries. The largest private employers are St. Charles Medical Center, Sunriver Resort, Les Schwab tire centers, and Mt. Bachelor Ski Resort, with 2,850, 900, 870, and 750 employees, respectively. (Resort figures are peak seasonal employment.)

Economic conditions in the metropolitan area improved during the 12 months ending August 2012. Nonfarm payrolls increased by 200 jobs, or 0.3 percent, compared with the decline of 100 jobs, or 0.2 percent, during the previous 12 months and the average annual decrease of 3,400 jobs, or 5 percent, from 2008 through 2010. The leisure and hospitality sector led payroll growth during the 12 months ending August 2012 with a gain of 400 jobs, or 4.2 percent. The leisure and hospitality and the education and health services sectors each represented 16 percent of total nonfarm payrolls during the most recent 12 months, second only to the trade sector, with 18 percent. Tourism in the area rebounded during the past 2 years; hotel room tax revenue increased by $304,400, or 9.5 percent, to $3.5 million during the 12 months ending August 2012. By comparison, revenue increased by $180,400, or 6.0 percent, during the same period in 2011 and by $13,475, or 0.4 percent, in 2010. Manufacturing sector payrolls grew by 100 jobs, or 1.8 percent, to total 3,700 jobs but remained well below the peak of 6,100 jobs, recorded in 2006, because of declining demand for wood products as homebuilding activity tapered off. Breweries and brewpubs have strengthened both the manufacturing and the leisure and hospitality sectors in the metropolitan area: 3 new breweries opened in the summer of 2012, and 3 others are currently under construction. According to the Oregon Employment Department, the metropolitan area had 14 breweries and brewpubs with 513 total employees in 2011, up from 441 employees in 2010.

The government sector also increased by 100 jobs, or 1.0 percent, during the 12 months ending August 2012. The new $65 million Ridgeview High School opened for the 2012–13 school year in Redmond, and the Central Oregon Community College's Bend campus held grand openings of the $18.7 million Science Center and the $16.1 million Health Careers Center in September 2012. The average unemployment rate in the metropolitan area declined from 13.0 percent during the previous 12 months to 11.5 percent during the 12 months ending August 2012.

Sales housing market conditions in the Bend metropolitan area are soft but improving. According to CoreLogic, Inc., 260 new homes sold during the 12 months ending August 2012, up 44 percent from 180 homes during the previous 12 months. The average sales price of a new home increased 2 percent, to $248,900, from $244,500 during the previous 12 months. During the corresponding period from 2008 through 2010, an average of 400 new homes sold each year; the average sales price of a new home was $349,400 in 2008, before a 21-percent decline in 2009 and a 15-percent decline in 2010. Two subdivisions in western Bend, Aspen Rim and Northwest Crossing, accounted for nearly 30 percent of new home sales in 2012. According to Hanley Wood, LLC, approximately 30 new homes sold in Aspen Rim with prices starting at $160,000, and 26 new homes sold in Northwest Crossing with prices starting at $180,000. Sales of existing homes, including distressed properties, increased 3 percent to 3,825 homes sold, during the 12 months ending August 2012. The average sales price of an existing home was $208,500, up 8 percent from $191,200 during the previous year. During the corresponding period from 2008 through 2010, an average of 2,975 existing homes sold each year; the average sales price of an existing home was $306,700 in 2008, then fell 22 percent in 2009 and another 14 percent in 2010. REO (Real Estate Owned) and short sale closings represented 44 percent of all existing home sales, down from an average of 55 percent during the corresponding period in 2010 and 2011. According to LPS Applied Analytics, as of September 2012, 7.2 percent of home loans were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down from 9.6 percent in September 2011.

New home construction in the metropolitan area began to recover from a prolonged downward trend that began in 2006. Homebuilding activity, as measured by the number of single-family homes permitted, reached a peak of 3,900 homes in 2005 before declining to 3,075 homes in 2006 and 1,575 homes in 2007. From 2008 through 2011, an average of 460 homes was permitted annually. Based on preliminary data, 600 homes were permitted during the 12 months ending August 2012, up 33 percent from 450 homes during the previous 12 months.

The rental housing market in the Bend metropolitan area is balanced after experiencing soft market conditions during the past 2 years. The current estimated overall rental vacancy rate is 8.5 percent, down from 10.9 percent in April 2010. According to the Central Oregon Rental Owners Association, the apartment vacancy rate in complexes with 20 or more units was 4.1 percent during the first quarter of 2012 (the most recent data available), down from 5.4 percent during the first quarter of 2011. Average asking rents were $565 for one-bedroom, $639 for two-bedroom, and $732 for three-bedroom units. Multifamily construction, as measured by the number of units permitted, has been limited since 2008. An average of 500 multifamily units was permitted annually from 2003 through 2007, falling to an average of 30 units from 2008 through 2011. Based on preliminary data, approximately 55 units were permitted during the 12 months ending August 2012, up from 5 units permitted during the previous year. The most recently completed market-rate project, The Reserves at Pilot Butte, is a 60-unit complex of former condominiums completed in 2008 that has current asking rents of $825 for one-bedroom, $1,095 for two-bedroom, and $1,195 for three-bedroom units. The second phase of Little Deschutes Lodge in La Pine, an affordable apartment complex for seniors, is the only property currently under construction; the expansion, expected to be complete by March 2013, will add an additional 26 units to the current 26 units.