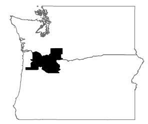
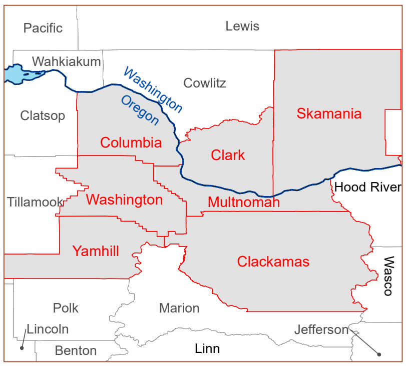
COMPREHENSIVE HOUSING MARKET ANALYSIS

# Portland-Vancouver-Hillsboro, Oregon-Washington

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of September 1, 2018






## Housing Market Area

The Portland-Vancouver-Hillsboro Housing Market Area (hereafter, the Portland HMA) is at the confluence of the Columbia and Willamette Rivers along the border of Oregon and Washington. The HMA consists of seven counties and is coterminous with the Portland-Vancouver-Hillsboro, OR-WA Metropolitan Statistical Area. For purposes of this analysis, the HMA is divided into three submarkets: (1) the Portland submarket, consisting of Clackamas, Columbia, and Multnomah Counties in Oregon; (2) the Beaverton-Hillsboro submarket, consisting of Washington and Yamhill Counties in Oregon; and (3) the Vancouver submarket, consisting of Clark and Skamania Counties in Washington.

# Summary

## Economy

Nonfarm payrolls in the Portland HMA have increased every year since 2011 at an average annual rate of 2.6 percent, compared with a national rate of 1.7 percent. During the 12 months ending August 2018, nonfarm payrolls in the HMA increased by 26,000 jobs, or 2.2 percent, to 1.19 million jobs, while the unemployment rate declined from 4.0 to 3.8 percent. During the next 3 years, nonfarm payrolls are expected to increase at an average annual rate of 2.4 percent.

## Sales Market

The current sales housing market in the HMA is very tight, with an estimated vacancy rate of 0.9 percent, down from 2.2 percent in April 2010. During the 12 months ending July 2018, 49,750 new and existing homes sold, down 6 percent from the previous 12 months, and the average sales price increased 7 percent to $408,300 (CoreLogic, Inc., with adjustments by the analyst). During the next 3 years, demand is estimated for 24,700 new homes (Table 1). The 2,825 homes currently under construction will satisfy some of the demand.

## Rental Market

Rental housing market conditions in the HMA currently are slightly tight, with an estimated rental vacancy rate of 3.4 percent, down from 5.9 percent in April 2010. The apartment market is also slightly tight, with an apartment vacancy rate of 4.2 percent in the second quarter of 2018 and annual rent growth of 2 percent (RealPage, Inc.). During the forecast period, demand is estimated for 19,050 new market-rate rental units (Table 1). The 10,700 units currently under construction will satisfy more than one-half of the demand during the forecast period.

# Market Details



**Table 1.** Housing Demand in the Portland HMA* During the Forecast Period

| | Portland HMA | | Portland Submarket | | Beaverton-Hillsboro Submarket | | Vancouver Submarket | |
|---|---|---|---|---|---|---|---|---|
| | Sales Units | Rental Units | Sales Units | Rental Units | Sales Units | Rental Units | Sales Units | Rental Units |
| Total Demand | 24,700 | 19,050 | 9,650 | 10,150 | 7,250 | 4,775 | 7,800 | 4,125 |
| Under Construction | 2,825 | 10,700 | 1,125 | 8,000 | 700 | 1,300 | 1,000 | 1,400 |

*Portland-Vancouver-Hillsboro

*Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of September 1, 2018. The forecast period is September 1, 2018, to September 1, 2021.*

*Source: Estimates by analyst*

# Economic Conditions

Economic conditions in the Portland HMA are strong, with nonfarm payrolls increasing each year since 2011. From 2011 through 2013, nonfarm payrolls increased by an average of 21,800 jobs, or 2.1 percent, annually. In 2013, 1.05 million nonfarm jobs were in the HMA, above the prerecession peak of 1.04 million jobs in 2007. Payroll growth accelerated during the 2014-through-2016 period, averaging an increase of 33,500 jobs, or 3.1 percent, annually, with every private economic sector adding jobs each year. During the 12 months ending August 2018, the number of nonfarm payrolls averaged 1.19 million jobs, an increase of 26,000 jobs, or 2.2 percent from the previous 12-month period (Table 2). Nonfarm growth has outpaced the nation at-large, which averaged payroll growth of 1.7 percent annually from 2011 through 2017, compared with 2.6 percent in the HMA. The unemployment rate peaked at 10.9 percent in 2009 and declined in every subsequent year (Figure 1). During the 12 months ending August 2018, the unemployment rate averaged 3.8 percent, down from 4.0 percent during the preceding 12-month period and lower than any year since 1990.

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

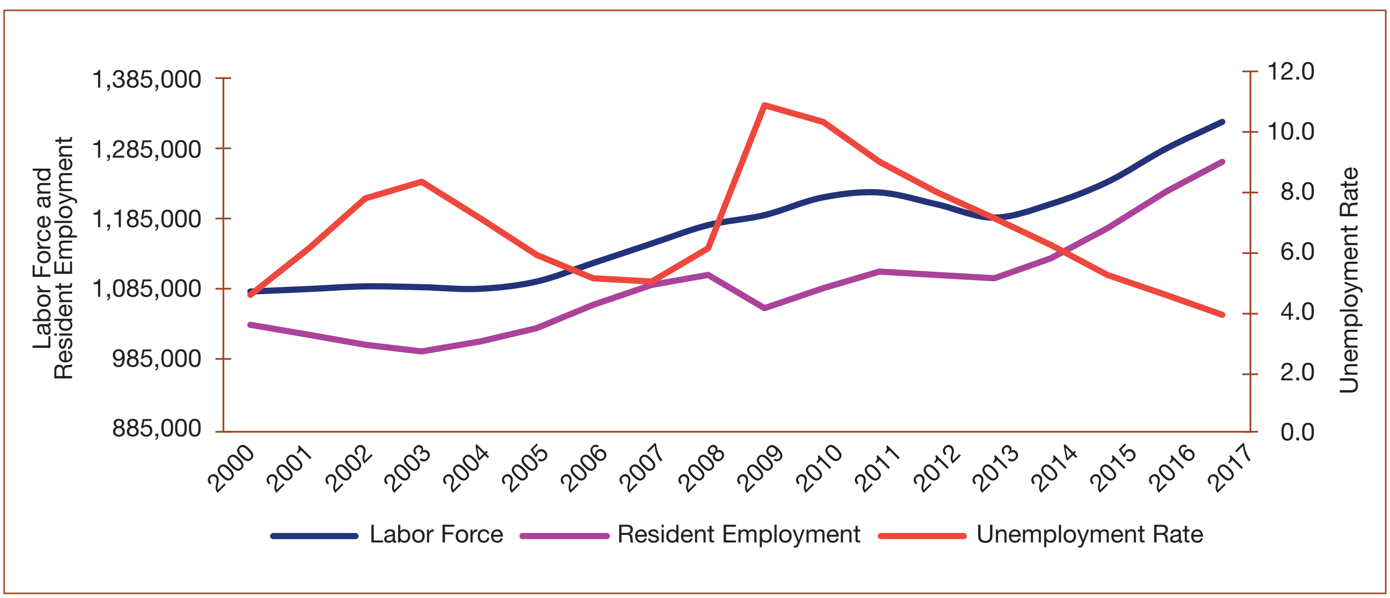
| | 12 Months Ending | | Absolute Change | Percent Change |
|---|---|---|---|---|
| | August 2017 | August 2018 | | |
| Total Nonfarm Payroll Jobs | 1,164,000 | 1,190,000 | 26,000 | 2.2 |
| Goods-Producing Sectors | 189,300 | 196,800 | 7,500 | 4.0 |
| Mining, Logging, & Construction | 66,800 | 70,700 | 3,900 | 5.8 |
| Manufacturing | 122,500 | 126,100 | 3,600 | 2.9 |
| Service-Providing Sectors | 974,700 | 993,100 | 18,400 | 1.9 |
| Wholesale & Retail Trade | 175,200 | 178,600 | 3,400 | 1.9 |
| Transportation & Utilities | 39,200 | 40,000 | 800 | 2.0 |
| Information | 25,800 | 25,500 | – 300 | – 1.2 |
| Financial Activities | 69,800 | 71,300 | 1,500 | 2.1 |
| Professional & Business Services | 179,300 | 179,900 | 600 | 0.3 |
| Education & Health Services | 167,500 | 179,300 | 11,800 | 7.0 |
| Leisure & Hospitality | 121,100 | 124,000 | 2,900 | 2.4 |
| Other Services | 41,400 | 42,500 | 1,100 | 2.7 |
| Government | 155,500 | 151,900 | – 3,600 | – 2.3 |

*Portland-Vancouver-Hillsboro

*Notes: Based on 12-month averages through August 2017 and August 2018. Numbers may not add to totals because of rounding.*

*Source: U.S. Bureau of Labor Statistics*

**Figure 1.** Trends in Labor Force, Resident Employment, and Unemployment Rate in the Portland HMA*, 2000 Through 2017



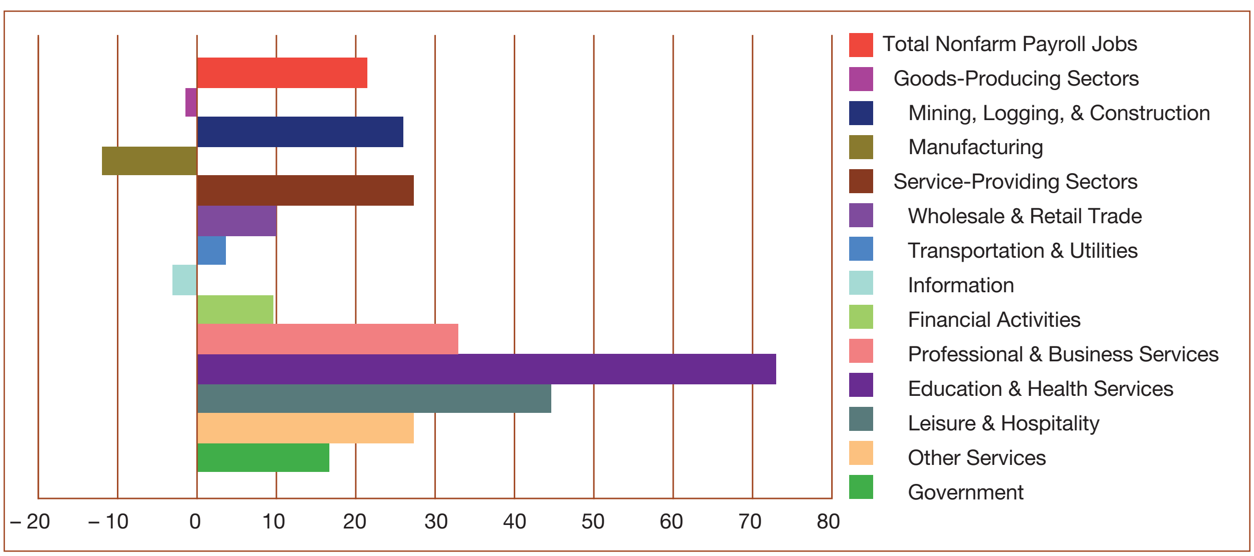

*Portland-Vancouver-Hillsboro

*Source: U.S. Bureau of Labor Statistics*

The post-2010 economic expansion has allowed the HMA to recover from the lingering impacts of the Great Recession from 2008 through 2010. In an earlier recession during the early 2000s, nonfarm payrolls decreased by an average of 13,300, or 1.4 percent, annually from 2001 through 2003. From 2004 through 2007, nonfarm payrolls increased by an average of 25,500, or 2.6 percent, annually, reaching a peak of 1.04 million in 2007. Job growth was broad based from 2004 through 2007, with every economic sector adding payrolls. Nonfarm payrolls remained stable during 2008 but declined by an average of 32,100 annually, or 3.1 percent, during 2009 and 2010. Approximately 50 percent of the job losses during this period occurred in goods-producing sectors, despite these sectors accounting for only 18 percent of overall payrolls. During 2009 and 2010, the mining, logging, and construction sector decreased by an average of 8,100 jobs, or 13.8 percent, annually because of decreased residential and commercial construction. During the same period, manufacturing payrolls decreased by an average of 8,100 jobs, or 6.8 percent, annually. Layoffs occurred at many of the largest manufacturers in the HMA during 2009 and 2010, including 900 jobs at Daimler Trucks North America LLC and 500 jobs at Nike, Inc. Although job losses were concentrated in the goods-producing sectors during 2009 and 2010, payrolls declined in every sector except education and health services and government.

The education and health services sector has led job growth in the HMA since 2000 (Figure 2) and was the only economic sector to add payrolls every year. Although nonfarm payrolls in the HMA declined during 2009 and 2010, the education and health services sector added an average of 4,000 jobs, or 2.9 percent, annually, and continued to grow by an average of 3,800 jobs, or 2.5 percent, annually, from 2011 through 2017. About 77 percent of job growth in the sector from 2011 through 2017 occurred in the healthcare and social assistance industry, which makes up approximately 83 percent of jobs in the education and health services sector. Within this industry, nursing and residential care facilities and social assistance led growth, adding payrolls at an average rate of 3.2 and 3.8 percent, respectively,

**Figure 2.** Sector Growth in the Portland HMA*, Percentage Change, 2000 to Current




**Portland-Vancouver-Hillsboro*
*Note: Current is based on 12-month averages through August 2018.*
*Source: U.S. Bureau of Labor Statistics*

from 2011 through 2017. Four of the top 10 largest employers in the HMA are included in this sector (Table 3). Since 2013, the three largest employers in this sector—Providence Health Systems, Legacy Health System, and the Kaiser Foundation Health Plan of the Northwest—are estimated to have added about 3,500, 3,200, and 2,900 employees in the HMA, respectively. Increased healthcare employment since 2013 was partially caused by the expansion of Medicaid programs in both Oregon and Washington during 2014. During the 12 months ending August 2018, payrolls in the education and health services sector increased by 11,800, or 7.0 percent, compared with the previous 12 months, leading all sectors in job growth. However, this rapid growth rate was caused by the reclassification of approximately 8,000 home health workers on January 1, 2018, from the government sector, where they were erroneously categorized. If this recategorization is discounted, then job growth in the education and health services sector was likely similar to its post-2010 trend. Continued payroll growth in this sector is expected during the next 3 years as the population of the HMA grows, ages, and uses more healthcare services.

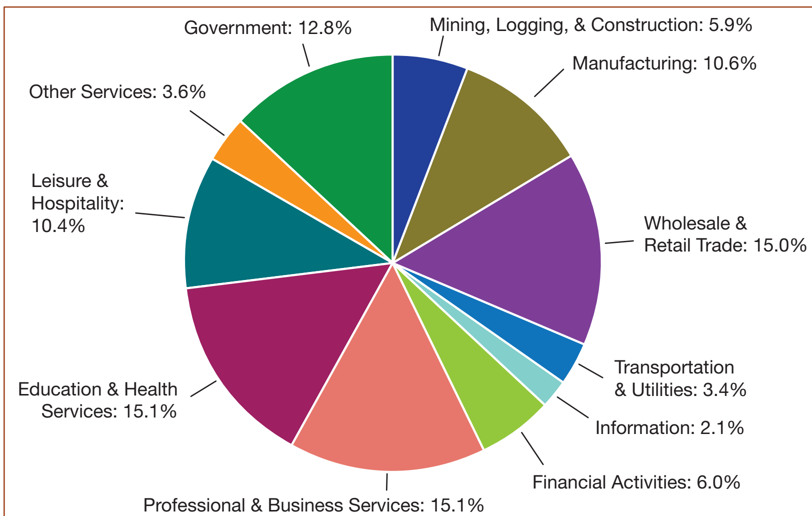
The professional and business services and the education and health services sectors are the largest payroll sectors in the HMA, each accounting for 15.1 percent of nonfarm payrolls (Figure 3). Since declining by 11,600 jobs, or 8.0 percent, during 2009, the professional and business services sector has grown an average of 6,000 jobs, or 3.9 percent, annually from 2010 through 2017, more than any economic sector during the same period. Contributing to this growth was Nike, Inc., which is expanding its headquarters, in the city of Beaverton, by 3.2 million square feet. Employment in the HMA at Nike, Inc. is estimated to have expanded by 1,300 people in 2017 and will likely continue to increase as the headquarters expansion is completed. The largest component of the professional and business services sector is the professional, scientific, and technical services industry, which includes legal, architectural, accounting, and computer design firms. This industry accounts for 41.5 percent of all payrolls in the professional and business services sector and grew at an average rate of 4.4 percent from 2010 through 2017.

**Table 3.** Major Employers in the Portland HMA*

| Name of Employer | Nonfarm Payroll Sector | Number of Employees |
|---|---|---|
| Intel Corporation | Manufacturing | 19,300 |
| Providence Health Systems | Education & Health Services | 17,550 |
| Oregon Health & Science University | Government | 16,200 |
| Legacy Health System | Education & Health Services | 12,950 |
| Nike, Inc. | Manufacturing | 12,000 |
| Kaiser Foundation Health Plan of the NW | Education & Health Services | 11,900 |
| Fred Meyer, Inc. Stores | Wholesale & Retail Trade | 10,650 |
| Peace Health | Education & Health Services | 4,450 |
| Portland State University | Government | 3,300 |
| Daimler Trucks North America LLC | Manufacturing | 2,800 |

**Portland-Vancouver-Hillsboro*
*Note: Excludes local school districts.*
*Source: Moody's Economy*

**Figure 3.** Current Nonfarm Payroll Jobs in the Portland HMA*, by Sector




**Portland-Vancouver-Hillsboro*
*Notes: Based on 12-month averages through August 2018. Numbers may not add to 100 percent due to rounding.*
*Source: U.S. Bureau of Labor Statistics*

This sector is likely to continue to expand during the next 3 years as the growing economy creates additional demand for professional services. A major source of future growth will be Adidas North America, which is beginning construction to expand its headquarters, in the city of Portland. When construction is complete in 2020, the firm's workforce in the HMA is expected to expand from 1,700 to 2,800 employees.

The manufacturing sector constitutes less than 11 percent of all payrolls but is responsible for 26 percent of the economic output in the HMA (Portland Business Alliance). Nonfarm payrolls have increased in this sector after declining by an average of 4,900 jobs, or 4.1 percent, annually from 2007 through 2010. Manufacturing payrolls increased at a rate of 3,000 jobs, or 2.7 percent, annually from 2011 through 2015 before declining to an average annual growth of 500 jobs, or 0.4 percent, during 2016 and 2017. The principal cause of the slowdown in manufacturing job growth was layoffs at Intel Corporation, the largest employer in the HMA. During 2016, Intel laid off approximately 800 employees in the HMA and made early, voluntary retirement offers to an additional 2,000. Offsetting these losses was the opening of the new headquarters of Daimler Trucks North America LLC in 2016, which was expected to create 220 jobs. During the 12 months ending August 2018, manufacturing payrolls increased by 3,600, or 2.9 percent, to 126,100. Despite payroll growth since 2011, the number of payrolls in the manufacturing sector is still below the peak of 126,700 in 2006. Genentech, a pharmaceutical manufacturer, will increase its local workforce by 300 when it opens a new office facility in downtown Portland during the 3-year forecast period.

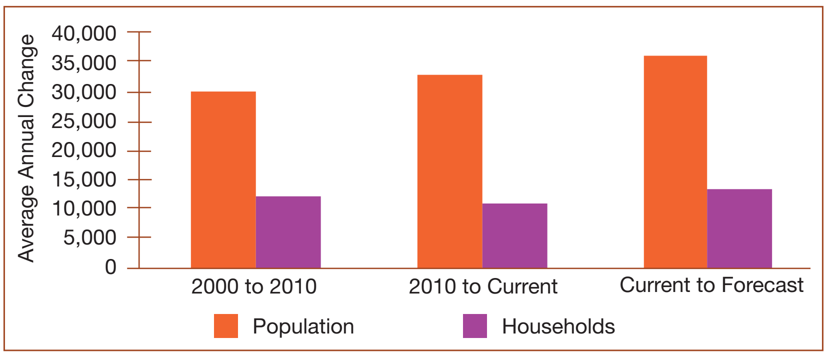
The mining, logging, and construction sector led growth during 2016 and 2017, adding an average of 5,400 jobs, or 8.9 percent, annually. During this period, high levels of residential and commercial construction supported expansion of the construction subsector, which accounts for approximately 98 percent of all payrolls in the sector. The mining, logging, and construction sector lost more payrolls than any other sector from 2008 through 2010, declining by an average of 7,000 jobs, or 11.6 percent, annually. As construction activity increased, the sector increased by an average of 2,200 jobs, or 4.2 percent, annually from 2011 through 2015. In 2017, payrolls in the sector surpassed the prerecession peak of 67,600 in 2007. During the 12 months ending August 2018, the mining, logging, and construction sector added 3,900 jobs, or 5.8 percent, compared with the 12 months ending August 2017, to 70,700 jobs. Payroll growth in this sector is expected to continue during the next 3 years as construction activity remains high. The largest ongoing construction projects are the Nike, Inc. headquarters, with an estimated cost of more than $1 billion, and the redevelopment of the Vancouver waterfront, which has an estimated cost of $1.5 billion and includes a combination of residential, hotel, office, and retail properties.

During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 28,600 jobs, or 2.4 percent, annually, similar to the 2017-through-2018 period. Economic expansion is expected to continue to be broad based, with payroll growth occurring in most or all economic sectors.

# Population and Households

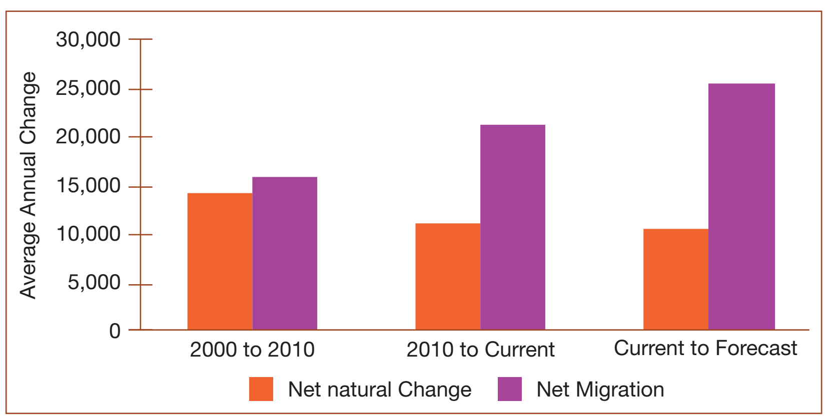
As of September 1, 2018, the estimated population of the Portland HMA was 2.50 million, an average increase of approximately 32,300, or 1.4 percent, annually from the April 1, 2010 population of 2.23 million (Figure 4). Since 2010, net in-migration has accounted for nearly two-thirds of population growth in the HMA (Figure 5). Population growth in the HMA was high from 2005 to 2009, increasing by an average of 34,850, or 1.6 percent, annually. From 2009 to 2013, population growth slowed to an average annual rate of 25,650 people, or 1.1 percent, because of weak labor market conditions in the HMA (U.S. Census Bureau July 1 estimates). As sustained job growth continued and the unemployment rate approached prerecession levels, population growth increased; from 2013 to 2018, the population of the HMA increased by an average of 36,500, or 1.5 percent, annually. Increased net in-migration caused all that change in population growth; net in-migration increased from 13,250 in the 2009-to-2013 period to 25,950 in the 2013-to-2018 period, whereas net natural change (resident births minus resident deaths) decreased from 12,400 to 10,550. Population growth in the HMA has been fairly stable since 2000, with annual growth ranging from 1 to 2 percent in every year but one. During the next 3 years, population growth is expected to slow slightly, reaching an estimated 2.61 million people by September 1, 2021, reflecting an average annual increase of 35,650 people, or 1.4 percent, a year.

**Figure 4.** Population and Household Growth in the Portland HMA*, 2000 to Forecast




**Portland-Vancouver-Hillsboro*
*Notes: The current date is September 1, 2018. The forecast date is September 1, 2021.*
*Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst*

**Figure 5.** Components of Population Change in the Portland HMA*, 2000 to Forecast




**Portland-Vancouver-Hillsboro*
*Notes: The current date is September 1, 2018. The forecast date is September 1, 2021.*
*Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst*

The Portland submarket is the most populous of the three submarkets in the HMA, with an estimated population of 1.29 million, followed by the Beaverton-Hillsboro submarket with an estimated population of 706,800, and the Vancouver submarket with approximately 498,200. Since 2010, the Portland submarket has had the slowest rate of population growth at 1.3 percent but was the only submarket to grow at a higher rate than during the 2000-to-2010 period, when population growth was 1.1 percent. Slow growth during the 2000-to-2010 period was caused by population growth in the 2000-to-2005 period, which averaged 0.7 percent annually, compared with 1.5 percent from 2005 to 2010. The post-2005 increase in population growth in the Portland submarket was largely caused by increased desirability of living near the urban core of the city of Portland and an increasing propensity to rent; the Portland submarket has the highest rental share in the HMA. The decrease in the population growth rate of the Portland submarket during the 2010-to-2018 period to 1.3 percent, compared with the 2005-to-2010 period, was entirely caused by net natural change decreasing from an average of 6,000 annually to 4,625; net in-migration averaged an increase from 10,450 a year to 11,300 during this period.

Since 2010, the population of the Beaverton-Hillsboro submarket has increased at a rate of 1.4 percent. Population growth in this submarket peaked at an average rate of 1.9 percent annually from 2000 to 2006, then declined to an average of 1.5 percent annually from 2006 to 2009 and 1.2 percent from 2009 to 2014. Decreased net in-migration contributed to the decline in population growth in the Beaverton-Hillsboro submarket, with net in-migration averaging 5,050 annually from 2000 to 2006, 3,675 from 2006 to 2009, and 3,200 from 2009 to 2014. A portion of this decline was likely caused by new residents increasingly preferring to live in the Portland submarket than the suburban Beaverton-Hillsboro submarket. Population growth in the Beaverton-Hillsboro submarket increased during the 2014-to-2018 period, averaging 1.6 percent annually, while net in-migration rose to 6,750. During this period, sharp increases in home prices and rents in the Portland submarket contributed to the reversal of preferences back to the suburban submarkets.

The Vancouver submarket is the least populous but fastest growing submarket, with its population increasing 1.6 percent annually since 2010. From 2000 to 2005, the population of this submarket grew at a rate of 2.5 percent annually, as migrants were attracted to its relatively lower home prices. Population growth in the Vancouver submarket decreased to an average of 1.8 percent from 2005 to 2007, and 1.3 percent from 2007 to 2013, as the city of Portland and its submarket became the center of population growth in the HMA. Since 2013, population growth in the Vancouver submarket has increased sharply, averaging 1.9 percent annually, while net in-migration has more than doubled to 6,650, compared with 2,825 during the 2007-to-2013 period.

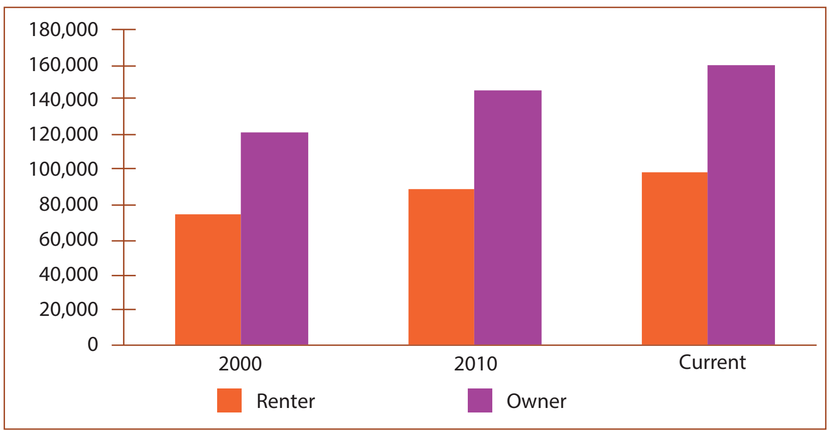
During the next 3 years, the population is expected to grow at a slightly slower rate compared with the 2010-to-current period in the Portland submarket, at an average of 15,000 people, or 1.1 percent, annually, reaching 1.34 million people by September 1, 2021. The population of the Beaverton submarket is expected to grow at a slightly faster rate than it did in the 2010-to-current period, at an average of 10,400 people, or 1.5 percent, to 738,000 at the end of the 3-year forecast period. Population in the Vancouver submarket is expected to grow

**Figure 6.** Number of Households by Tenure in the Portland Submarket, 2000 to Current


*Note: The current date is September 1, 2018.*

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

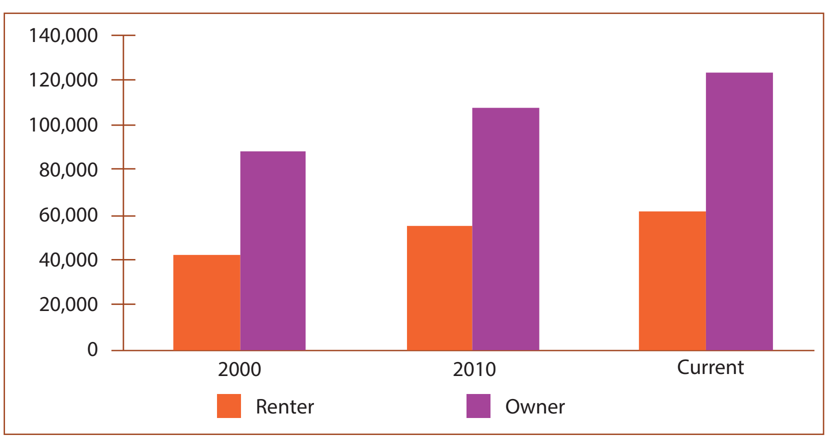
**Figure 7.** Number of Households by Tenure in the Beaverton-Hillsboro Submarket, 2000 to Current




*Note: The current date is September 1, 2018.*

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

**Figure 8.** Number of Households by Tenure in the Vancouver Submarket, 2000 to Current




*Note: The current date is September 1, 2018.*

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

more quickly compared with the 2010-to-current period, increasing to an average rate of 10,050, or 2.0 percent, annually, to 528,400, by September 1, 2021.

An estimated 960,600 households currently reside in the HMA, with 515,900, 260,000, and 184,700 in the Portland, Beaverton-Hillsboro, and Vancouver submarkets, respectively. From 2010 to the current date, the number of households in the HMA has increased an average of 11,050, or 1.2 percent, annually compared with an average annual increase of 12,250 households, or 1.5 percent, from 2000 to 2010 (Table DP-1 at the end of this report). From 2000 to 2010, the rate of household growth was highest in the Vancouver submarket, at 3,175 households, or 2.2 percent, followed by the Beaverton-Hillsboro submarket, at 3,775 households, or 1.8 percent, and the Portland submarket, at 5,275 households, or 1.2 percent. Household growth slowed from 2010 to the current date in the Beaverton-Hillsboro and Vancouver submarkets because of lower rates of population growth and increased household sizes. In the Portland submarket, household growth slowed to an average annual increase of 5,500 households, or 1.1 percent, despite increased population growth; increases in housing costs and shifts toward living with more roommates led to an increased average household size. During the forecast period, the number of households in the HMA is estimated to increase to 1.00 million, reflecting an average annual increase of 13,150 households, or 1.3 percent. The household growth rate is anticipated to increase in each submarket, increasing at an average rate of 5,825, 3,700, and 3,700 households, or 1.1, 1.4, and 2.0 percent, in the Portland, Beaverton-Hillsboro, and Vancouver submarkets, respectively. Figures 6, 7, and 8 illustrate the number of households by tenure in each submarket from 2000 to the current date.

# Housing Market Trends

## Sales Market—Portland Submarket

The sales housing market in the Portland submarket is very tight, with an estimated sales vacancy rate of 0.9 percent, down from 2.4 percent in 2010 (Table DP-2 at the end of this report). Since 2012, rising job growth and continued population growth has increased demand for housing and contributed to the absorption of excess inventory. As of July 2018, there is a 2.9-month's supply of unsold, available existing homes in the submarket, compared with 2.6-months' supply in July 2017 (CoreLogic, Inc., with adjustments by the analyst). The submarket has had fewer than 4 months of available inventory since 2014. The Portland submarket has average existing home sales prices 9 and 18 percent higher than the Beaverton-Hillsboro and Vancouver submarkets, respectively, and has experienced the most price appreciation of existing homes in dollar terms since 2012.

Existing home sales in the Portland submarket have increased substantially since 2012 following the effects of the national recession and housing crisis. The number of existing single-family home, townhome, and condominium (hereafter, existing home) sales averaged 28,300 annually from 2003 through 2006, then declined by an average of 27 percent annually during 2007 and 2008, to an average of 14,175 homes sold annually from 2008 through 2011 (CoreLogic, Inc., with adjustments by the analyst). Despite strong population growth, the number of existing home sales declined and remained low during these periods because of weak economic conditions and increased credit requirements. As the number of homes sold decreased, both the number and percentage of distressed sales (real estate owned [REO] and short sales) increased substantially. Less than 2 percent of all existing homes sold in 2006 were distressed, but by 2010, the percentage had increased to 30 percent. The home sales market began to recover in 2012 as substantial job growth returned to the HMA. Existing home sales increased an average of 14 percent annually from 2012 through 2015. During 2016 and 2017, existing home sales decreased by an average of 2 percent annually because of low levels of for-sale inventory and sharply decreasing numbers of distressed sales. During the 12 months ending July 2018, this trend continued, with existing home sales declining by 2 percent to 23,450 home sales, only 3 percent of which were distressed sales.

The average price of an existing home in the submarket fell sharply from 2009 through 2011, decreasing by an average of 7 percent, reaching a low of $252,700 during 2011. By comparison, the average existing home price was $319,900 during 2007 and 2008. REO and short sales accounted for 22 and 8 percent, respectively, of all existing home sales in 2011 with average prices of $171,100 and $223,041, respectively—substantially less than the $282,540 for conventional existing sales. Existing home sales prices began to increase rapidly in 2012, growing by an average of 8 percent annually from 2012 through 2017. In addition to increases in the average price of conventional existing sales, the declining number of lower priced distressed sales during this period contributed to increasing average prices for existing home. The average existing home sales price was $424,400 during the 12 months ending July 2018, up 7 percent from the previous 12 months.

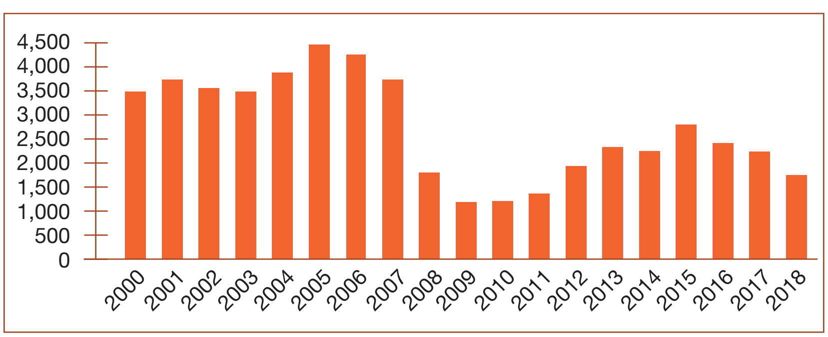
Foreclosures no longer significantly affect existing home sales prices within the submarket. As of July 2018, 0.8 percent of home loans were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 1.2 percent in July 2017 and below the national rate of 1.8 percent (CoreLogic, Inc.). The current percentage of seriously delinquent loans and REO properties represents a significant improvement from a high of 5.6 percent in July 2011, when the national rate was 7.3 percent.

During the 12 months ending July 2018, 1,625 new homes sold in the Portland submarket, down 14 percent from the 12 months ending July 2017, which continued the decline of new home sales by 15 percent from the preceding 12-month period. New home sales have declined during the past 12 months because of low levels of available lots and increased borrowing costs. New home sales peaked in 2006 and 2007, when an average of 5,175 new homes sold annually, then declined by an average of 28 percent annually, from 2008 through 2011, as the home sales market weakened. The average number of new home sales reached a low of 1,225 homes sold annually in 2011 and 2012, then increased by an average of 15 percent annually from 2013 through 2016. After reaching a low of $295,000 during 2010, new home sales prices increased at an average annual rate of 8 percent from 2011 through 2017. During the 12 months ending July 2018, the average new home sales price was $495,300, unchanged from the previous 12-month period.

New condominium sales peaked from 2006 through 2009, when they accounted for about 30 percent of all new home sales in the submarket, but subsequently declined to about 4 percent of new home sales from 2014 through 2017 (Metrostudy, A Hanley Wood Company). The principle cause of this decline was developers choosing to build apartments rather than condominiums because of decreased liability risks and quickly rising rents. By comparison, condominiums' share of the existing home sales market increased from 9 percent from 2006 through 2009 to 15 percent from 2014 though 2017.

Single-family home construction activity in the Portland submarket, as measured by the number of single-family homes permitted, has decreased since 2015 but remains well above 2009-through-2011 levels (Figure 9). Single-family home construction peaked from 2004 through 2007 at an average of 4,050 homes permitted annually. Building activity decreased sharply in 2008 and 2009, by an average of 1,275 homes permitted, or 44 percent, annually because of increased unemployment and potential homebuyers' decreased access to credit. Single-family homebuilding activity remained low from 2009 through 2011, averaging 1,225 homes permitted annually. As economic conditions in the HMA improved, homebuilding activity in the submarket increased by an average of 470 homes, or 31 percent, annually during 2012 and 2013. Homebuilding activity has been fairly stable since 2013, averaging 2,400 single-family homes permitted annually from 2013 through 2017. During the 12 months ending August 2018, the number of single-family homes permitted increased by 60 homes, or 3 percent, from the previous 12 months, to 2,450 homes permitted (preliminary data). Homebuilding activity throughout the HMA is limited as a result of urban growth boundary legislation in Oregon and Washington, which restricts the conversion of agricultural and rural land to suburban development.

**Figure 9.** Single-Family Homes Permitted in the Portland Submarket, 2000 to Current




*Notes: Includes townhomes. Current includes data through August 2018.*

*Sources: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and analyst estimates; 2017–2018 preliminary data and analyst estimates*

Since 2014, Clackamas, Multnomah, and Columbia Counties have accounted for approximately 55, 40, and 5 percent, respectively, of single-family homebuilding in this submarket. Most new subdivisions consist of communities of fewer than 100 homes because of the difficulty of obtaining large parcels of developable land. The largest ongoing single-family home development in the submarket is Villebois, in the city of Wilsonville in Clackamas County. During 2017, approximately 230 new single-family homes and townhomes were sold in this community at prices ranging from $270,000 to $800,000. Villebois is expected to include at least 2,300 residential units and to be completed during the 3-year forecast period. The Vista Pearl, in the Pearl District in the city of Portland, is typical of the luxury condominium buildings that have been built near the urban core of Portland. When complete in late 2018, the 143-unit, 21-story tower will offer condominiums ranging from $420,000 to $3 million.

During the forecast period, demand is expected for an estimated 9,650 new homes in the Portland submarket, with constant demand throughout the forecast period (Table 1). The 1,125 homes currently under construction will satisfy some of the demand. Demand is expected to be greatest in the $350,000-to-$549,999 price range. Table 4 shows the estimated demand for new market-rate sales housing by price range.

**Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Portland Submarket During the Forecast Period

| Price Range ($) | | Units of Demand | Percent of Total |
|---|---|---|---|
| From | To | | |
| 250,000 | 349,999 | 1,450 | 15.0 |
| 350,000 | 449,999 | 2,400 | 25.0 |
| 450,000 | 549,999 | 2,400 | 25.0 |
| 550,000 | 649,999 | 1,650 | 17.0 |
| 650,000 | 749,999 | 970 | 10.0 |
| 750,000 | and Higher | 770 | 8.0 |

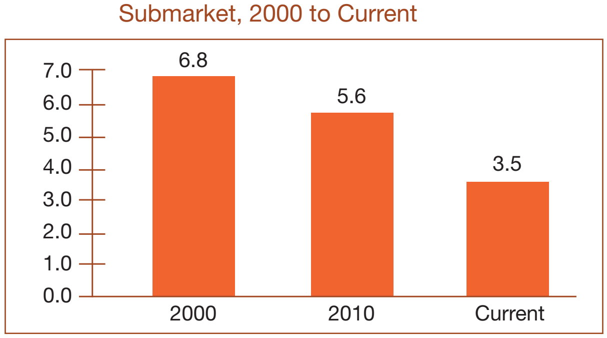
*Notes: Numbers may not add to totals because of rounding. The 1,125 homes currently under construction in the submarket will likely satisfy some of the forecast demand.*

*Source: Estimates by analyst*

## Rental Market—Portland Submarket

Rental housing market conditions in the Portland submarket are currently slightly tight, with an overall vacancy rate of 3.5 percent, down from 5.6 percent in 2010 (Figure 10). Strong economic and population growth and prohibitively high sales housing prices for some households have contributed to increased demand for rental housing since 2010. After very high growth in rents from 2013 to 2016, increased rental production resulted in stabilization of rents during 2017 and 2018. Recent rental production has been concentrated in Class A units near the urban core of the city of Portland, causing vacancy rates to increase and rents to decrease in those segments of the rental market. Older apartments with fewer amenities and outlying submarkets have been less affected by this trend.

**Figure 10.** Rental Vacancy Rates in the Portland Submarket, 2000 to Current




*Note: The current date is September 1, 2018.*

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

Approximately two-thirds of all renter households in the submarket reside in apartments, whereas almost all the remainder live in single-family homes. Like the overall rental market, the apartment market is slightly tight, with a vacancy rate of 4.3 percent during the second quarter of 2018, down from 4.7 percent during the second quarter of 2017 (RealPage, Inc.). The apartment vacancy rate in the submarket remained below 4.0 percent from the second quarter of 2013 through the second quarter of 2016 but increased to more than 5 percent in late 2016 and early 2017 because of an increased number of apartment completions. During the second quarter of 2018, vacancy rates in the submarket ranged from a high of 5.2 percent in the MPF Research-defined Central Portland market area, down from 5.8 percent during the second quarter of 2017, to a low of 3.5 percent in the Gresham/Far East Portland market area, down from 3.9 percent during the second quarter of 2017. The Central Portland market area had the largest influx of supply during the past 2 years; approximately 11 percent of all units in the market area opened after the second quarter of 2016. Conversely, less than 1 percent of all units in the Gresham Far East Portland market area were completed during the same period—the lowest of any market area in the submarket. Of the seven market areas in the submarket, the East Portland market area is the largest, with approximately 35,000 apartments; this market area had an apartment vacancy rate of 4.5 percent during the second quarter of 2018, down from 5.3 percent during the preceding quarter.

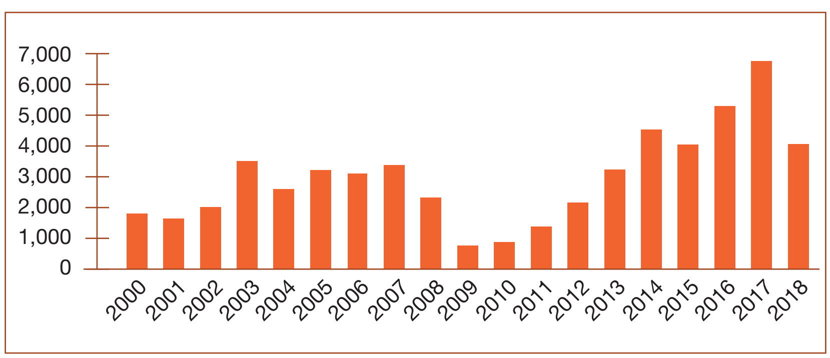
The submarket vacancy rates tend to be higher than average at newer apartment properties and those with high-end amenities. Apartment properties built since 2000 have an average vacancy rate of 6.2 percent, whereas those built during the 1970s have a vacancy rate of 3.3 percent. Likewise, Class A apartments have an average vacancy rate of 5.9 percent, whereas Class B and C properties have average vacancy rates of 4.4 and 2.2 percent, respectively.

During the second quarter of 2018, average apartment rents in the submarket increased 2 percent to $1,354, compared with rents in the second quarter of 2017. By comparison, apartment rents increased at an average annual rate of 8 percent from 2014 through 2016. Rents are highest in the Central Portland market area, averaging $1,610 during the second quarter of 2018, but had declined 1 percent since the second quarter of 2017. The market area with the lowest rents and vacancy rate, Gresham/Far East Portland, had the highest rate of rent growth, increasing 4 percent to $1,171. All rent growth in the submarket occurred in Class B and C apartment properties during the second quarter of 2018, which increased by 2 and 4 percent, respectively; average rents at Class A properties declined by 1 percent during the same time period. The average rent at apartments built since 2000 have not increased during the past 24-month period.

Multifamily construction in the Portland submarket, as measured by the number of multifamily units permitted, has been high since 2014. Multifamily construction averaged 2,950 units permitted annually from 2003 through 2008 but reached a low of 710 units permitted annually in 2009 and 2010 because of weak economic conditions. As job growth resumed and rental demand increased, multifamily permitting increased by an average of 920 units, or 55 percent, annually from 2011 through 2014 (Figure 11). From 2014 through 2016, an average of 4,550 multifamily units were permitted annually, whereas 6,700 units were permitted in 2017, the highest level of annual multifamily permitting on record in both the submarket and the HMA. During the 12 months ending August 2018, approximately 6,700 multifamily units were permitted, up 13 percent from the 5,950 units permitted during the previous 12 months (preliminary data). The city of Portland adopted an inclusionary zoning requirement in February 2017 that is partly responsible for the increase in multifamily home permitting during 2017 and 2018; many developers rushed to have their permit applications in before February 2017 so they would not be subject to that ordinance. The permit approval process can be lengthy, and many projects were not issued permits until late 2017 or 2018. Condominium construction in the Portland submarket has been low since 2010, accounting for less than 5 percent of all multifamily construction. By comparison, from 2000 to 2010, condominiums accounted for about one-third of all multifamily construction in the submarket.

Apartment development in the submarket has been concentrated in areas close to downtown Portland; approximately two-thirds of all apartment completions since the second quarter of 2016 have occurred in the Central Portland or East Portland market areas (RealPage, Inc.). The Ella Marie Apartments, a 39-unit apartment complex in east Portland, is representative of that trend. Opening in late 2018 and located approximately one-half mile from the Willamette River and downtown Portland, the development offers apartments at rents start at $1,575 and $1,925 for one- and two-bedroom units, respectively. The largest apartment complex built in recent years is the Collective on 4th, a 417-unit, 15-story tower in downtown Portland. The apartment complex opened in the summer of 2018, and rents start at $1,250, $1,450, and $2,125 for studios, one-bedroom, and two-bedroom units, respectively. In addition to market-rate apartments, several affordable properties are under construction. RiverPlace Parcel 3 Apartments in downtown Portland is one such development. When open in 2019, all 203 of its units will be offered at below-market rents, with 70 units having Project-based Section 8 vouchers and 10 units reserved for formerly homeless veterans.

**Figure 11.** Multifamily Units Permitted in the Portland Submarket, 2000 to Current




*Notes: Excludes townhomes. Current includes data through August 2018.*
*Sources: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and analyst estimates; 2017–2018 preliminary data and analyst estimates*

During the next 3 years, demand is expected for 10,150 new market-rate apartment units in the Portland submarket, with constant demand throughout the forecast period. The 8,000 units currently under construction will meet all the demand during the first 2 years of the forecast period. In addition, an estimated 2,000 apartments are in the final stages of planning and will likely begin construction soon. When those units are considered, nearly all forecast demand will be fulfilled by units under construction and in the current development pipeline. Table 5 shows the forecast demand for new market-rate rental housing in the submarket by rent level and number of bedrooms.

**Table 5.** Estimated Demand for New Market-Rate Rental Housing in the Portland Submarket HMA During the Forecast Period

| Zero Bedrooms | | One Bedroom | | Two Bedrooms | | Three or More Bedrooms | |
|---|---|---|---|---|---|---|---|
| Monthly Rent ($) | Units of Demand | Monthly Rent ($) | Units of Demand | Monthly Rent ($) | Units of Demand | Monthly Rent ($) | Units of Demand |
| 1,100 to 1,299 | 610 | 1,200 to 1,399 | 1,075 | 1,500 to 1,699 | 1,025 | 1,800 to 1,999 | 410 |
| 1,300 to 1,499 | 460 | 1,400 to 1,599 | 1,075 | 1,700 to 1,899 | 1,225 | 2,000 to 2,199 | 300 |
| 1,500 or More | 460 | 1,600 to 1,799 | 890 | 1,900 to 2,099 | 1,225 | 2,200 to 2,399 | 100 |
| | | 1,800 to 1,999 | 360 | 2,100 to 2,299 | 410 | 2,400 to 2,599 | 100 |
| | | 2,000 or More | 180 | 2,300 or More | 200 | 2,600 or More | 100 |
| Total | 1,525 | Total | 3,550 | Total | 4,050 | Total | 1,025 |

*Notes: Monthly rent does not include utilities or concessions. Numbers may not add to totals because of rounding. The 8,000 units currently under construction will likely satisfy some of the estimated demand.*
*Source: Estimates by analyst*

## Sales Market—Beaverton-Hillsboro Submarket

The sales housing market in the Beaverton-Hillsboro submarket is very tight, with improved economic conditions, increasing population growth, and relative affordability compared with that of the Portland submarket, contributing to increases in home prices since 2012. The current sales vacancy rate is 1.0 percent, down from 2.1 percent in 2010 (Table DP-3 at the end of this report). During July 2018, 2.1 months of available supply was in the submarket, down from 2.2 months during July 2017 and 9.0 months during July 2010 (CoreLogic, Inc., with adjustments by the analyst).

Existing home sales in the Beaverton-Hillsboro submarket have followed similar trends as those in the Portland submarket, with significantly increased sales and prices since 2012. After reaching a peak of 16,000 existing home sales in 2005, sales declined by an average of 26 percent annually from 2006 through 2008, reaching an average of 6,200 home sales annually from 2008 through 2011. The decline from the prerecession peak to the postrecession low was greater in this submarket than in any other. During the housing downturn, distressed sales constituted a larger portion of home sales in this submarket than they did in the Portland submarket, reaching a high of 35 percent of all existing home sales in 2011. As economic conditions improved, existing home sales increased by an average of 20 percent annually from 2012 through 2015. The number of existing home sales decreased an average of 2 percent during 2016 and 2017, as the inventory of homes for sale reached 2.0 months and the number of distressed sales dropped below 5 percent. During the 12 months ending July 2018, the number of existing home sales declined by 6 percent to 11,775, compared with the number of sales in the previous 12-month period.

Average existing home sales prices in the submarket reached a low of $240,600 during 2011 and 2012 after decreasing an average of 6 percent annually from 2008 through 2011 from a high of $310,600 during 2007. REO homes and short sales accounted for 19 and 13 percent of the existing sales market during 2011 and 2012, selling for an average of $179,200 and $207,200, respectively, whereas conventional existing homes sold for $266,600. Since 2012, existing home prices have increased an average of 8 percent annually, as increased competition among potential homebuyers for a smaller supply of available homes caused home prices to increase. Existing home sales prices continued to increase at a rate of 8 percent during the 12 months ending July 2018 to an average of $389,400, 8 percent lower than prices in the Portland submarket. As in the Portland submarket, foreclosures and distressed sales no longer have a significant effect on this submarket. During July 2018, 0.7 percent of home loans in this submarket were seriously delinquent or had transitioned into REO status, down from 0.9 percent in July 2017 and from a high of 5.3 percent during July 2011.

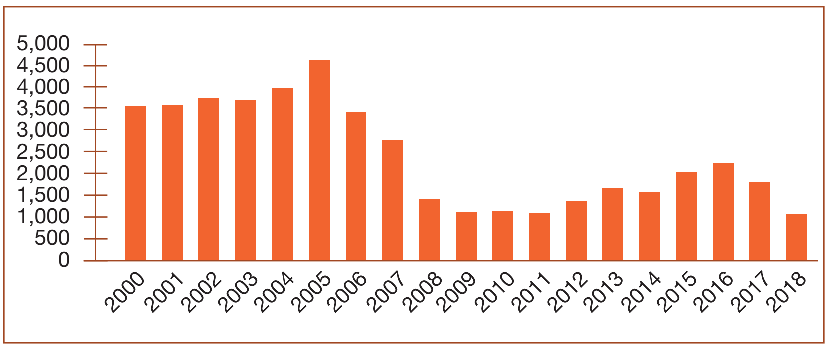
The number and the average price of new home sales in the Beaverton-Hillsboro submarket have increased each year since 2012 and 2013, respectively. New home sales peaked from 2004 through 2008, when an average of 4,025 new homes were sold annually, then declined an average of 27 percent annually to an average low of 1,025 new home sales during 2010 and 2011. New home sales prices peaked later, at an average of $335,800 during 2007 and 2008, before declining an average of 5 percent annually from 2009 through 2012. Since 2012, new home sales have increased an average of 13 percent annually whereas new home sales prices have increased an average of 12 percent annually since 2013. During the 12 months ending July 2018, the number of new home sales fell by 21 percent to 1,600, but average prices continued to increase, up 8 percent to $510,400, compared with the 12 months ending July 2017. As in the Portland submarket, increasing home and borrowing costs along with declining inventories of developable lots have constrained new home sales. During the most recent 12-month period, average new home sales prices in the Beaverton-Hillsboro submarket surpassed average new home sales prices in the Portland submarket for the first time since 2002. That relative increase in prices was primarily caused by differences in the types of homes built in the two submarkets. Since 2013, the average size of a new home in the Beaverton Hillsboro submarket has increased by approximately 20 percent, but it has not changed in the Portland submarket.

New home construction in the Beaverton-Hillsboro submarket, as measured by the number of single-family homes permitted, remains at a lower percentage of prerecession levels than it is in the other two submarkets. From 2003 through 2005, the 3 years with the highest level of single-family homebuilding activity in the HMA since 2000, the submarket led the HMA with an average of 4,175 homes permitted. From 2005 through 2009, the rate of homebuilding fell rapidly, decreasing by an average of 900 homes, or 30 percent, annually, to a low of an average of 1,125 homes permitted from 2009 through 2011 (Figure 12). The number of single-family homes permitted increased an average of 240 homes, or 17 percent annually, from 2012 to 2015; it reached an average of 2,075 permits issued annually from 2015 through 2017, less than the other two submarkets in the HMA. The relative decline in homebuilding since 2015 in this submarket compared with the other submarkets has been primarily caused by the difficulty of obtaining large parcels of land near the established suburbs of Beaverton and Hillsboro and lower levels of infill construction compared with the Portland submarket. During the 12 months ending August 2018, 1,625 single-family homes were permitted, a 20-percent decrease from the previous 12 months (preliminary data).

Most of the home construction in the Beaverton-Hillsboro submarket is occurring in the cities of Beaverton and Hillsboro and in unincorporated eastern Washington County. A representative example of suburban development occurring in the submarket is River Terrace, a planned community in the city of Tigard in eastern Washington County. When build out is complete in the 2030s, the community is expected to include 2,500 homes on 500 acres. During 2017, approximately 250 homes were sold in this community, including condominiums starting at $200,000 and detached homes starting at $320,000.

Demand is expected for 7,250 new homes in the Beaverton-Hillsboro submarket during the next 3 years (Table 1). The 700 homes currently under construction will satisfy some of the forecast demand. Table 6 illustrates the estimated demand for new sales housing in the submarket by price range. Demand is expected to be evenly distributed across each year of the forecast period.

**Figure 12.** Single-Family Homes Permitted in the Beaverton-Hillsboro Submarket, 2000 to Current




*Notes: Includes townhomes. Current includes data through August 2018.*

*Sources: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and analyst estimates; 2017–2018 preliminary data and analyst estimates*

**Table 6.** Estimated Demand for New Market-Rate Sales Housing in the Beaverton-Hillsboro Submarket During the Forecast Period

| Price Range ($) | | Units of Demand | Percent of Total |
|---|---|---|---|
| From | To | | |
| 200,000 | 299,999 | 870 | 12.0 |
| 300,000 | 399,999 | 1,825 | 25.0 |
| 400,000 | 499,999 | 2,175 | 30.0 |
| 500,000 | 599,999 | 1,450 | 20.0 |
| 600,000 | 699,999 | 580 | 8.0 |
| 700,000 | and Higher | 360 | 5.0 |

*Notes: Numbers may not add to totals because of rounding. The 700 homes currently under construction in the submarket will likely satisfy some of the forecast demand.*

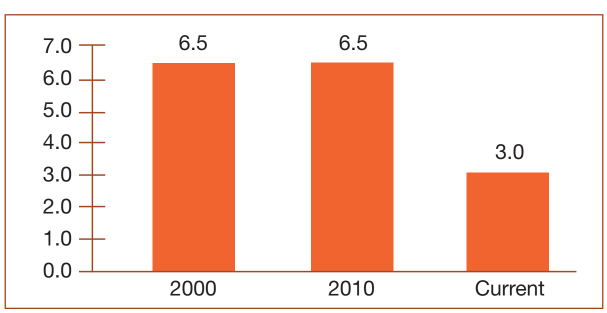
*Source: Estimates by analyst*

## Rental Market—Beaverton-Hillsboro Submarket

Rental housing market conditions in the Beaverton-Hillsboro submarket are slightly tight, with increased population growth and improved economic conditions contributing to increased rental demand. The current estimated rental vacancy rate is 3.0 percent, down from 6.5 percent in April 2010 (Figure 13). As in the Portland submarket, however, high levels of rental construction in the submarket and throughout the HMA have dramatically slowed rent growth since 2017. Approximately two-thirds of renter households in this submarket live in apartments, and almost all the remainder occupy single-family homes.

The apartment market in the Beaverton-Hillsboro submarket is also slightly tight, with an average vacancy rate of 4.3 percent during the second quarter of 2018, down from 4.4 percent during the second quarter of 2017. The apartment vacancy rate in the submarket remained below 5.0 percent from 2013 through the fourth quarter of 2016, when a period of slower-than-average absorption led to the vacancy rate rising above 5.0 percent. Vacancy rates are similar across all three market areas, with the market areas of Hillsboro, East Beaverton, and Aloha/West Beaverton at 4.9, 4.4, and 3.9 percent vacancy, respectively.

**Figure 13.** Rental Vacancy Rates in the Beaverton-Hillsboro Submarket, 2000 to Current




*Note: The current date is September 1, 2018.*

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

Despite its low vacancy rate, the Aloha/West Beaverton market area has the highest number of completions in the submarket during the past 2 years, with approximately 4 percent of all apartments in the market area less than 24 months old. Like the Portland submarket, vacancy rates at Class A properties are higher than at Class B and C properties, at 5.4 percent, compared with 4.5 and 2.7 percent, respectively.

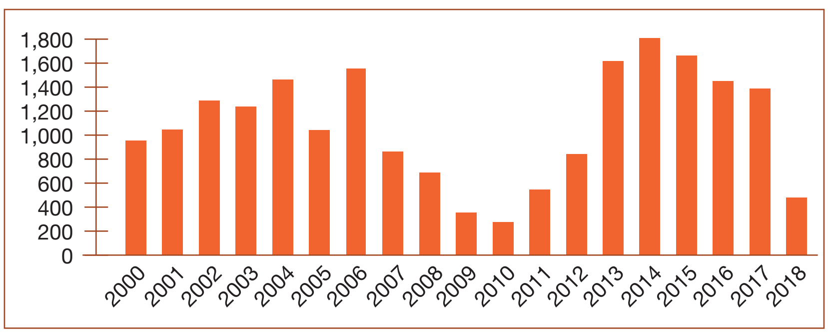
Average apartment rents in the submarket increased very little, at less than 1 percent, to $1,364, during the second quarter of 2018, compared with $1,355 during the second quarter of 2017. Rent growth averaged 10 percent annually from 2014 through 2016, with a peak of 17-percent growth in 2015. During that period, rent growth was widespread throughout the submarket, with average rents increasing in the Hillsboro, East Beaverton, and Aloha/West Beaverton market areas at 9, 11, and 9 percent, respectively, on an annual basis. Rents are highest in the Hillsboro market area, at $1,503—unchanged since the second quarter of 2017—followed by the Aloha/West Beaverton, unchanged at $1,334, and East Beaverton, up 1 percent to $1,216. Although the Hillsboro market area is the farthest from downtown Portland, it includes the headquarters of Intel and many other high-wage employers, supporting high rents in the surrounding area.

Multifamily construction in the Beaverton-Hillsboro submarket, as measured by the number of multifamily units permitted, has increased substantially since 2010. After declining an average of 400 units, or 40 percent annually, from 2007 through 2009, multifamily permitting reached a low of an average of 290 units permitted annually during 2009 and 2010 (Figure 14). Multifamily construction increased beginning in 2011 as economic conditions in the HMA improved and households turned to renting because of the lingering effects of the housing crisis and limited access to credit. From 2011 through 2013, multifamily permitting increased an average of 450 units, or 86 percent annually, reaching an average of 1,675 units permitted annually from 2013 through 2015, the 3 highest years of multifamily production since 2000. The post-2012 level of multifamily production in the submarket represents a much higher rate of growth in the rental stock than that of the 2000-to-2006 period, when 1,225 multifamily permits were issued annually; that is because almost all units permitted after 2010 were apartments, whereas almost 40 percent of permits issued prior to 2010 were for condominiums. Multifamily construction has declined since 2015, averaging 1,400 units permitted in 2016 and 2017 and 820 units during the 12 months ending August 2018, down 35 percent from the previous 12 months (preliminary data). Despite the post-2015 decline, apartment construction in the Beaverton-Hillsboro market remains high compared with historical levels.

Most of the apartment development in the Beaverton-Hillsboro submarket is occurring in the cities of Beaverton and Hillsboro. Baseline 158, a 207-unit apartment complex, is under construction in the city of Beaverton. When the development is complete in November 2018, one- and two-bedroom apartments will be available starting at $1,300 and $1,950, respectively. Orchards at Orenco Phase III is a 52-unit affordable apartment complex under construction in the transit-oriented, new urbanist Orenco Station neighborhood. When open in September 2018, Orchards at Orenco Phase III will offer 33 two-bedroom and 19 three-bedroom apartments to households earning less than 60 percent of area median income.

Demand is expected for 4,775 new market-rate apartment units in the Beaverton-Hillsboro submarket during the next 3 years, with constant demand throughout the 3-year period. The 1,300 units currently under construction will meet a portion of this demand during the first year of the forecast period. Table 7 shows the forecast demand for new market-rate rental housing in the submarket by rent level and number of bedrooms.

**Figure 14.** Multifamily Units Permitted in the Beaverton-Hillsboro Submarket, 2000 to Current




*Notes: Excludes townhomes. Current includes data through August 2018.*

*Sources: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and analyst estimates; 2017–2018 preliminary data and analyst estimates*

**Table 7.** Estimated Demand for New Market-Rate Rental Housing in the Beaverton-Hillsboro Submarket During the Forecast Period

| Zero Bedrooms | | One Bedroom | | Two Bedrooms | | Three or More Bedrooms | |
|---|---|---|---|---|---|---|---|
| Monthly Rent ($) | Units of Demand | Monthly Rent ($) | Units of Demand | Monthly Rent ($) | Units of Demand | Monthly Rent ($) | Units of Demand |
| 1,100 to 1,299 | 170 | 1,200 to 1,399 | 1,000 | 1,450 to 1,649 | 1,425 | 1,700 to 1,899 | 500 |
| 1,300 or More | 70 | 1,400 to 1,599 | 290 | 1,650 or More | 950 | 1,900 to 2,099 | 140 |
| | | 1,600 or More | 135 | | | 2,100 or More | 80 |
| Total | 240 | Total | 1,425 | Total | 2,375 | Total | 720 |

*Notes: Monthly rent does not include utilities or concessions. Numbers may not add to totals because of rounding. The 1,300 units currently under construction will likely satisfy some of the estimated demand.*

*Source: Estimates by analyst*

## Sales Market—Vancouver Submarket

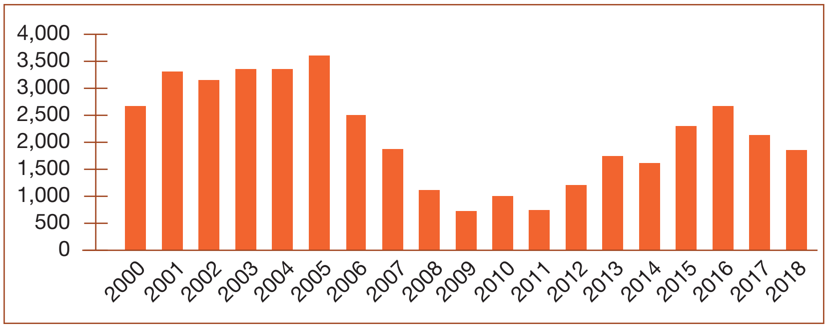
The sales housing market in the Vancouver submarket is very tight, with an estimated vacancy rate of 0.9 percent, down from 2.1 percent during 2010 (Table DP-4 at the end of this report). As in the other two submarkets, housing market conditions in the Vancouver submarket have tightened substantially since the economic recovery began, with large increases in home prices since 2012. A high rate of population growth has caused both home sales and single-family home construction in the Vancouver submarket to recover more of their prerecession peak, percentage-wise, than those in the other two submarkets.

From 2003 through 2006, an average of 11,500 existing homes sold in the submarket annually, which decreased an average of 29 percent annually during 2007 and 2008 as a result of the economic downturn and housing crisis (CoreLogic, Inc., with adjustments by the analyst). From 2008 through 2011, an average of 5,050 existing homes were sold annually in the submarket. The percentage of distressed home sales in this submarket was the highest in the HMA, reaching 36 percent of all existing sales in 2009 and again in 2011. As in the other submarkets, existing home sales began to increase rapidly in 2012, growing by 18 percent from 2012 through 2015. Unlike the other submarkets, the Vancouver submarket sustained growth in existing home sales through 2016, when it grew by 7 percent, before declining by 2 percent in 2017. The continued growth of existing home sales in the submarket during 2016 was partly caused by a larger supply of homes for sale; a 1.9-month supply of homes for sale was available in the submarket during 2016, compared with 1.7 months of supply in both the Portland and Beaverton submarkets. During the 12 months ending July 2018, 9,300 existing homes were sold in the Vancouver submarket, down 10 percent from the previous 12 months.

Existing home prices in the Vancouver submarket have been lower than those in the other two submarkets since 2000 but have followed the same trends. During 2006 and 2007, average existing home prices peaked at an average of $283,200 before declining an average of 8 percent annually from 2008 through 2011, reaching a low of $208,500 during 2011. During 2011, approximately 20 percent of all existing home sales were REO sales, with an average price of $171,500, whereas 16 percent were short sales, with an average price of $195,400. From 2012 through 2017, average existing home prices increased an average of 9 percent annually, more than the other two submarkets in terms of percentage. During the 12 months ending July 2018, the average price of an existing home in the submarket was $357,500, up 10 percent compared with the average price during the 12 months ending July 2017—the largest percentage increase in the HMA. Foreclosures, seriously delinquent loans, and REO properties had a larger impact on the Vancouver submarket than on the other two, with a peak of 7.4 percent of home loans during February 2010. Only 0.7 percent of all mortgages were similarly distressed during July 2018, however, down from 1.0 percent during July 2017.

Despite being the least populous of the three submarkets, the Vancouver submarket leads the HMA in new home sales, with 1,950 new home sales during the 12 months ending July 2018, relatively unchanged from the preceding 12-month period. New home sales peaked in 2005, when an average of 3,175 new homes sold annually, then declined an average of 23 percent annually, from 2006 through 2011, to a low of 650 sales in 2011. New home sales have recovered strongly, increasing at an average of 21 percent annually from 2012 through 2016. New home sales in the Vancouver submarket are currently at about 60 percent of the prerecession peak, whereas in the Beaverton-Hillsboro and Portland submarkets, new home sales are at about 40 and 30 percent of the prerecession peak, respectively. The continued expansion of home sales in this submarket was likely caused by a larger supply of vacant, developable lots; the submarket had 2,375 lots available in 2016, compared with 1,525 and 1,325 lots available in the Beaverton-Hillsboro and Portland submarkets, respectively (Metrostudy, A Hanley Wood Company). Average new home prices in the submarket peaked at an average of $317,900 during 2006 and 2007, then declined an average of 9 percent annually from 2007 through 2009 to a low of $237,600 during 2009. The decrease in new home prices from the highest prerecession year to the lowest postrecession year was 26 percent in the Vancouver submarket, compared with 18 and 17 percent in the Beaverton-Hillsboro and Portland submarkets, respectively. New home prices in this submarket began to recover earlier than in the other submarkets, with average annual price increases of 6 percent from 2010 through 2017. This trend continued during the 12 months ending July 2018, with the average price of a new home increasing 8 percent to $401,800, a lower average price than those of the other two submarkets.

**Figure 15.** Single-Family Homes Permitted in the Vancouver Submarket, 2000 to Current




*Notes: Includes townhomes. Current includes data through August 2018.*

*Sources: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and analyst estimates; 2017–2018 preliminary data and analyst estimates*

The Vancouver submarket currently leads the HMA in new home construction, as measured by the number of single-family homes permitted. From 2003 through 2005, prerecession homebuilding in the submarket peaked at an average of 3,450 permits issued annually, less than the other two submarkets during the same time period (Figure 15). From 2006 through 2009, homebuilding declined an average of 720 homes, or 33 percent, annually, reaching a low of an average of 810 permits issued annually from 2009 through 2011, which was also lower than the other submarkets during the same time period. Since 2012, however, homebuilding has recovered strongly, increasing an average of 390 homes, or 30 percent, annually from 2012 through 2016 to a high of 2,675 in 2016. The high level of homebuilding activity in this submarket has been supported by a significant increase in population growth in the post-2013 period and by lower priced and more easily available land.

Although new homes in this submarket are still expensive by national standards, the relative affordability compared with the rest of the HMA attracts a higher percentage of first-time homebuyers than the other submarkets. Development activity in the submarket is concentrated in subdivisions in and around the city of Vancouver. Rivendell, a 100-lot subdivision in the city of Vancouver, is a typical single-family home development, with three-bedroom homes starting at $400,000.

During the next 3 years, demand is expected for 7,800 new homes in the Vancouver submarket (Table 1). The 1,000 homes currently under construction will satisfy some of the demand during the first year of the forecast period. Table 8 illustrates the estimated demand for new sales housing in the submarket by price range. Demand is expected to be evenly distributed across each year of the forecast period.

**Table 8.** Estimated Demand for New Market-Rate Sales Housing in the Vancouver Submarket During the Forecast Period

| Price Range ($) | | Units of Demand | Percent of Total |
|---|---|---|---|
| From | To | | |
| 200,000 | 299,999 | 620 | 8.0 |
| 300,000 | 399,999 | 1,950 | 25.0 |
| 400,000 | 499,999 | 2,350 | 30.0 |
| 500,000 | 599,999 | 1,725 | 22.0 |
| 600,000 | 699,999 | 780 | 10.0 |
| 700,000 | and Higher | 390 | 5.0 |

*Notes: Numbers may not add to totals because of rounding. The 1,000 homes currently under construction in the submarket will likely satisfy some of the forecast demand.*

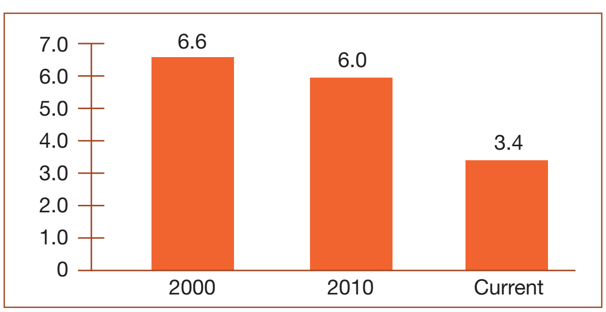
*Source: Estimates by analyst*

## Rental Market—Vancouver Submarket

Rental housing market conditions in the Vancouver submarket are currently slightly tight, with an overall vacancy rate of 3.4 percent, down from 6.0 percent in 2010 (Figure 16). The same economic and demographic factors that have caused low vacancy rates and high rent growth in the other submarkets have had a similar effect on the Vancouver submarket.

Apartments constitute a smaller portion of the rental stock in the Vancouver submarket than they do in the remainder of the HMA; only about 55 percent of all rental households in the submarket reside in apartments, compared with about 67 percent in the overall HMA, whereas 40 and 5 percent live in single-family and mobile homes, respectively. The apartment market is also slightly tight, with a vacancy rate of 3.6 percent during the second quarter of 2018, up from 3.5 percent during the second quarter of 2017. The apartment vacancy rate has been low since 2013, never rising above 4.0 percent. Rent growth has been strong, averaging 10 percent annually from 2014 through 2016. As in the other submarkets, annual rent growth decreased during the second quarter of 2018, increasing 3 percent to $1,219. On average, rent is lower in the Vancouver submarket than in any area of the other two submarkets except the Gresham/Far East Portland market area. Almost all the apartment stock in the submarket

**Figure 16.** Rental Vacancy Rates in the Vancouver Submarket, 2000 to Current



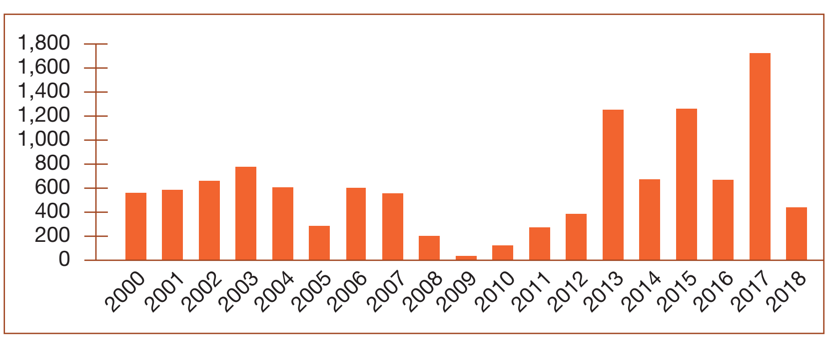

*Note: The current date is September 1, 2018.*

*Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst* consists of Class B or C units; few apartment communities have been built that compete with the amenities of the top tier properties in the Portland and Beaverton-Hillsboro submarkets. Average vacancy rates across all apartment complex age groups are similar; apartment properties built post-2000, in the 1990s, and in the 1980s have average vacancy rates of 3.6, 4.2, and 3.9 percent, respectively.

Multifamily construction in the submarket, as measured by the number of units permitted, was stable from 2000 through 2007, averaging 570 units permitted annually (Figure 17). The impact of the national recession, housing crisis, and decreased population growth caused multifamily construction to decline to an average of 100 units permitted annually from 2008 through 2010. As job growth returned to the HMA and the apartment market tightened, builders responded by increasing the number of multifamily units permitted by an average of 130 units annually in 2011 and 2012. During 2013, multifamily construction increased dramatically, and construction levels have remained high, averaging 1,100 units built annually from 2013 through 2017. Despite a decline in the past year, multifamily construction remained elevated during the 12 months ending August 2018, with 1,400 units permitted, down 8 percent from the previous 12 months. Unlike in the other submarkets, the level of condominium construction in the Vancouver submarket has been low since 2000.

Most of the apartment construction in the Vancouver submarket consists of low- or mid-rise apartments in or around the city of Vancouver. Arcadia Crossing, a 126-unit apartment complex in the city of Vancouver, is representative of development in the submarket. Opened in mid-2018, the apartment property offers one- and two-bedroom units starting at $1,200 and $1,300, respectively. A 32-acre site in downtown Vancouver on the Columbia River is currently undergoing redevelopment, with the first commercial and residential properties opening in late 2018. The 63-unit Rediviva apartments are expected to open during this period and will have rents that will be among the highest in the submarket. Studio, one-bedroom, and two-bedroom units are currently preleasing at $1,800, $2,100, and $2,900, respectively. In addition to market-rate developments, several ongoing affordable or below-market-rate apartments are under construction or in planning. Meriwether Place is a 30-unit, subsidized apartment complex that opened in August 2018; 23 of the units in the property are reserved for formerly homeless individuals, whereas the remaining units will be available to households making less than 50 percent of area median income.

**Figure 17.** Multifamily Units Permitted in the Vancouver Submarket, 2000 to Current




*Notes: Excludes townhomes. Current includes data through August 2018.*

*Sources: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and analyst estimates; 2017–2018 preliminary data and analyst estimates*

During the next 3 years, demand is expected for 4,125 new market-rate rental units in the Vancouver submarket (Table 1). The 1,400 units under construction will meet a portion of the forecast demand. Demand is expected to be evenly distributed across each year of the forecast period. Table 9 shows the estimated demand by rent level and number of bedrooms for new market-rate rental housing in the submarket during the forecast period.

**Table 9.** Estimated Demand for New Market-Rate Rental Housing in the Vancouver Submarket During the Forecast Period

| Zero Bedrooms | | One Bedroom | | Two Bedrooms | | Three or More Bedrooms | |
|---|---|---|---|---|---|---|---|
| Monthly Rent ($) | Units of Demand | Monthly Rent ($) | Units of Demand | Monthly Rent ($) | Units of Demand | Monthly Rent ($) | Units of Demand |
| 900 to 1,099 | 120 | 1,000 to 1,199 | 620 | 1,200 to 1,399 | 1,025 | 1,400 to 1,599 | 310 |
| 1,100 to 1,299 | 60 | 1,200 to 1,399 | 370 | 1,400 to 1,599 | 820 | 1,600 to 1,799 | 190 |
| 1,300 or More | 20 | 1,400 or More | 250 | 1,600 or More | 210 | 1,800 or More | 120 |
| Total | 210 | Total | 1,225 | Total | 2,050 | Total | 620 |

*Notes: Monthly rent does not include utilities or concessions. Numbers may not add to totals because of rounding. The 1,400 units currently under construction will likely satisfy some of the estimated demand.*

*Source: Estimates by analyst*

# Data Profiles

**Table DP-1.** Portland HMA* Data Profile, 2000 to Current

| | 2000 | 2010 | Current | Average Annual Change (%) 2000 to 2010 | Average Annual Change (%) 2010 to Current |
|---|---|---|---|---|---|
| Total Resident Employment | 1,031,816 | 1,084,124 | 1,270,000 | 0.5 | 2.1 |
| Unemployment Rate (%) | 4.5 | 10.2 | 3.8 | | |
| Total Nonfarm Payroll Jobs | 981,500 | 979,200 | 1,190,000 | 0.0 | 2.6 |
| Total Population | 1,927,881 | 2,226,009 | 2,498,000 | 1.4 | 1.4 |
| Total Households | 745,531 | 867,794 | 960,600 | 1.5 | 1.2 |
| Owner Households | 469,156 | 535,433 | 587,500 | 1.3 | 1.1 |
| Percent Owner (%) | 62.9 | 61.7 | 61.2 | | |
| Renter Households | 276,375 | 332,361 | 373,100 | 1.9 | 1.4 |
| Percent Renter (%) | 37.1 | 38.3 | 38.8 | | |
| Total Housing Units | 790,876 | 925,076 | 1,003,000 | 1.6 | 1.0 |
| Sales Vacancy Rate (%) | 2.2 | 2.2 | 0.9 | | |
| Rental Vacancy Rate (%) | 6.7 | 5.9 | 3.4 | | |
| Median Family Income | $52,400 | $70,000 | $74,700 | 2.9 | 0.8 |

**Portland-Vancouver-Hillsboro*

*Notes: Median Family Incomes are for 1999, 2009, and 2017. Employment data represent annual averages for 2000, 2010, and the 12 months through August 2018.*

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

**Table DP-2.** Portland Submarket Data Profile, 2000 to Current

| | 2000 | 2010 | Current | Average Annual Change (%) 2000 to 2010 | Average Annual Change (%) 2010 to Current |
|---|---|---|---|---|---|
| Total Population | 1,042,437 | 1,160,677 | 1,293,000 | 1.1 | 1.3 |
| Total Households | 416,674 | 469,513 | 515,900 | 1.2 | 1.1 |
| Owner Households | 258,366 | 281,474 | 303,400 | 0.9 | 0.9 |
| Percent Owner (%) | 62.0 | 60.0 | 58.8 | | |
| Renter Households | 158,308 | 188,039 | 212,500 | 1.7 | 1.5 |
| Percent Renter (%) | 38.0 | 40.0 | 41.2 | | |
| Total Housing Units | 443,087 | 502,475 | 540,400 | 1.3 | 0.9 |
| Sales Vacancy Rate (%) | 2.2 | 2.4 | 0.9 | | |
| Rental Vacancy Rate (%) | 6.8 | 5.6 | 3.5 | | |
| Median Family Income | $52,400 | $70,000 | $74,700 | 2.9 | 0.8 |

*Note: Median Family Incomes are for 1999, 2009, and 2017.*

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

**Table DP-3.** Beaverton-Hillsboro Submarket Data Profile, 2000 to Current

| | | | | Average Annual Change (%) | |
|---|---|---|---|---|---|
| | 2000 | 2010 | Current | 2000 to 2010 | 2010 to Current |
| Total Population | 530,334 | 628,903 | 706,800 | 1.7 | 1.4 |
| Total Households | 197,894 | 235,660 | 260,000 | 1.8 | 1.2 |
| Owner Households | 122,467 | 146,604 | 161,100 | 1.8 | 1.1 |
| Percent Owner (%) | 61.9 | 62.2 | 62.0 | | |
| Renter Households | 75,427 | 89,056 | 98,900 | 1.7 | 1.3 |
| Percent Renter (%) | 38.1 | 37.8 | 38.0 | | |
| Total Housing Units | 209,183 | 249,560 | 270,700 | 1.8 | 1.0 |
| Sales Vacancy Rate (%) | 2.3 | 2.1 | 1.0 | | |
| Rental Vacancy Rate (%) | 6.5 | 6.5 | 3.0 | | |
| Median Family Income | $52,400 | $70,000 | $74,700 | 2.9 | 0.8 |

*Note: Median Family Incomes are for 1999, 2009, and 2017.*
*Sources: Estimates by analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development*

**Table DP-4.** Vancouver Submarket Data Profile, 2000 to Current

| | | | | Average Annual Change (%) | |
|---|---|---|---|---|---|
| | 2000 | 2010 | Current | 2000 to 2010 | 2010 to Current |
| Total Population | 355,110 | 436,429 | 498,200 | 2.1 | 1.6 |
| Total Households | 130,963 | 162,621 | 184,700 | 2.2 | 1.5 |
| Owner Households | 88,323 | 107,355 | 123,000 | 2.0 | 1.6 |
| Percent Owner (%) | 67.4 | 66.0 | 66.6 | | |
| Renter Households | 42,640 | 55,266 | 61,700 | 2.6 | 1.3 |
| Percent Renter (%) | 32.6 | 34.0 | 33.4 | | |
| Total Housing Units | 138,606 | 173,041 | 192,300 | 2.2 | 1.3 |
| Sales Vacancy Rate (%) | 2.0 | 2.1 | 0.9 | | |
| Rental Vacancy Rate (%) | 6.6 | 6.0 | 3.4 | | |
| Median Family Income | $52,400 | $70,000 | $74,700 | 2.9 | 0.8 |

*Note: Median Family Incomes are for 1999, 2009, and 2017.*
*Sources: Estimates by analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development*

## Terminology Definitions and Notes

2000: 4/1/2000—U.S. Decennial Census

2010: 4/1/2010—U.S. Decennial Census

Current date: 9/1/2018—Estimates by the analyst

Forecast period: 9/1/2018–9/1/2021—Estimates by the analyst

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 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 this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), 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_PortlandOR_18.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 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.

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