

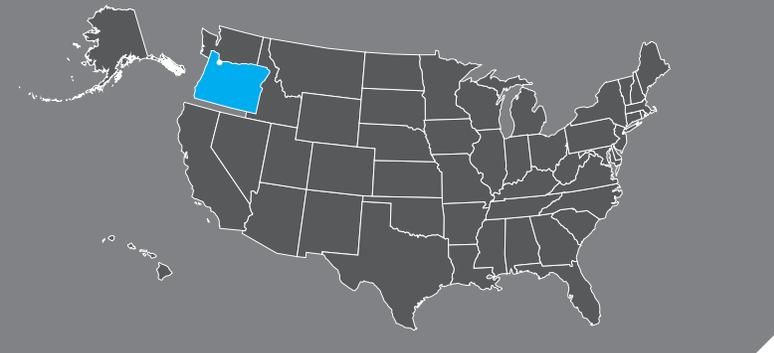
HUD PD&R Housing Market Profiles

Portland-Vancouver-Hillsboro, Oregon-Washington



Quick Facts About Portland-Vancouver-Hillsboro

- **Current sales market conditions: slightly tight.**
- **Current apartment market conditions: very tight.**
- **The NIKE, Inc. world headquarters in the city of Beaverton employs 7,000 workers on its 200-acre campus.**



By Stephen Komadina | As of November 1, 2013

Overview

The Portland-Vancouver-Hillsboro (hereafter, Portland) metropolitan area consists of seven counties: Clackamas, Columbia, Multnomah, Washington, and Yamhill in northwestern Oregon and Clark and Skamania in southwestern Washington. The metropolitan area benefits from substantial export traffic because of its location at the confluence of the Columbia and Willamette Rivers, ranking 11th out of the top 100 U.S. metropolitan areas, with exports of \$33.9 billion in 2012. The semiconductor industry, which received a boost from Intel Corporation's largest research and manufacturing site, topped all industries in exports, with 44.7 percent of the total export value; the computer industry was second, with 8.9 percent. (The Brookings Institution, *Export Nation 2013*).

- The population of the Portland metropolitan area has grown at an average annual rate of 1.2 percent since April 2010, reaching an estimated population of 2.33 million as of November 1, 2013.
- Population growth averaged 1.6 percent a year from July 2004 to July 2008, then decreased to 1.2 percent from July 2009 to July 2012 as a result of the job losses during the national recession that began in December 2007.
- Net in-migration as a percentage of population growth temporarily declined after the recession commenced, declining from an average of 57 percent in July 2007 through July 2009 to 46 percent from July 2009 through July 2010. Since 2010, net in-migration has accounted for an average of 54 percent of population growth.



NIKE, Inc., and Intel Corporation expansions and resurgent apartment construction made mining, logging, and construction a leading growth sector in the Portland area.

	3 Months Ending		Year-Over-Year Change	
	October 2012 (thousands)	October 2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,011.2	1,030.6	19.4	1.9
Goods-producing sectors	167.2	170.8	3.6	2.2
Mining, logging, and construction	51.8	53.9	2.1	4.1
Manufacturing	115.5	116.9	1.4	1.2
Service-providing sectors	844.0	859.4	15.4	1.8
Wholesale and retail trade	160.6	162.9	2.3	1.4
Transportation and utilities	33.8	34.9	1.1	3.3
Information	22.6	23.6	1.0	4.4
Financial activities	62.8	63.1	0.3	0.5
Professional and business services	140.9	145.3	4.4	3.1
Education and health services	144.2	146.3	2.1	1.5
Leisure and hospitality	102.6	105.5	2.9	2.8
Other services	36.7	38.2	1.5	4.1
Government	139.8	139.7	-0.1	-0.1
	(percent)	(percent)		
Unemployment rate	7.8	6.7		

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

Economic Conditions

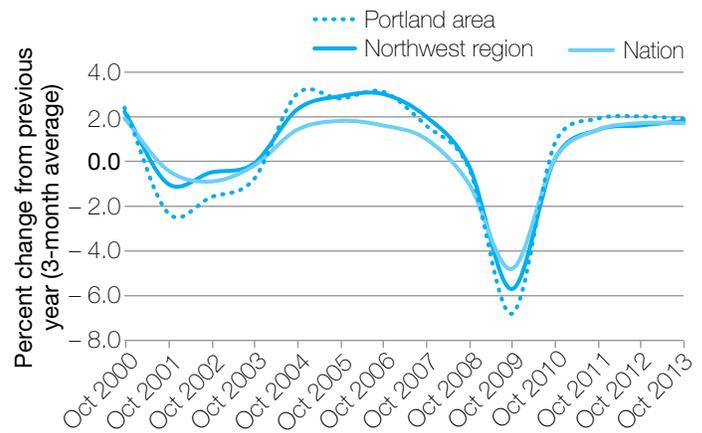
After declining in 2008 and 2009, nonfarm payrolls in the Portland metropolitan area returned to growth of 0.8 percent in 2010, and the area began to outpace the Northwest region and U.S. averages, with job growth stabilizing at an average annual rate of 1.9 percent from 2011 through 2013. Despite the recovery, total nonfarm payrolls remain at less than 2 percent below the peak levels of early 2008.

During the 3 months ending October 2013—

- The average unemployment rate was 6.7 percent, down from 7.8 percent a year earlier, but the primary cause was a decline in the labor force of 14,450, or 1.2 percent.
- Major sectors include wholesale and retail trade at 16 percent of total nonfarm payrolls, education and health services at 14 percent, and professional and business services at 14 percent. Of the top 10 employers, 3 are in the education and health services sector and another is Oregon Health & Science University, a public school in the government sector, which includes a teaching hospital and programs in dentistry, medicine, and nursing.
- The mining, logging, and construction sector was one of the leading growth sectors, with an increase of 2,100 jobs, or 4.1 percent, from the previous year, because of the rapid recovery in apartment building activity since 2011.

continued on page 3

Portland area nonfarm payrolls returned to growth in 2010 that began to outpace job growth in the Northwest region and the nation.



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

Largest employers in the Portland area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Intel Corporation	Manufacturing	15,650
Providence Health Systems	Education and health services	14,100
Oregon Health & Science University	Government	12,000

Note: Excludes local school districts.
Sources: *Book of Lists*, Portland 2012

continued from page 2

Ongoing expansions at two major employers, Intel Corporation and NIKE, Inc., contributed to recent economic growth in the metropolitan area. Construction on the \$3 billion first phase of Intel Corporation's new D1X research factory began in 2010, and operations began in late 2013, creating 800 to 1,000 long-term jobs. The second phase, which began construction in 2013 with an initial budget of \$2 billion, is expected to begin operations in 2015. NIKE, Inc., announced in April 2013 that it would expand

its existing headquarters campus in Washington County with two new buildings containing more than 500,000 square feet of office space. Under the terms of a bill the Oregon legislature passed in December 2012, NIKE, Inc., agreed to invest at least \$150 million and create 500 full-time jobs in Oregon within 5 years. In return, the State of Oregon agreed that any changes to the corporate income tax structure would not apply for 30 years to companies that sign investment contracts.

Sales Market Conditions

The sales housing market is slightly tight in the Portland metropolitan area. Strong growth in average home sales prices and sales volume during the past 12 months sparked a resurgence of single-family home construction and diminished the lingering effect of distressed properties on the market. The percentage of properties with negative equity peaked in September 2011 at 20 percent, and then fell to 18 percent in September 2012 and 7 percent in September 2013. By comparison, the national figures were 24 percent in 2011, 22 percent in 2012, and 13 percent in 2013 (CoreLogic, Inc.).

- During the 12 months ending September 2013, 3,725 new homes and 34,700 existing homes sold, up 22 and 20 percent from the previous year, respectively (CoreLogic, Inc.).
- New home sales prices increased 9 percent, to an average of \$316,400, and existing home sales prices increased 13 percent, to an average of \$280,400.
- The percentage of REO (real estate owned) and short sales in the metropolitan area declined from a peak of 34 percent of existing home sales during the 12 months ending September 2011 to 17 percent during the same period in 2013.

Home prices in the Portland area rebounded in 2013 because of the recovering labor market and limited home sales inventory.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

- The downward trend in the home sales inventory since 2010 contributed to strong home sales price growth. The inventory of unsold homes declined from a 6.8-month supply in October 2011 to a 3.8-month supply in October 2012 and a 3.4-month supply in October 2013 (RMLSTM, *Market Action Report*).

Home builders began to respond to the tightening sales market after 5 years of the lowest levels of single-family permitting in the Portland metropolitan area since the early 1980s.

- During the 12 months ending October 2013, 5,450 homes were permitted, up 23 percent from 4,425 during the same period a year earlier (preliminary data).
- Single-family permitting averaged 10,650 homes a year during the peak years of 2003 through 2007 before declining 70 percent to an average of 3,175 homes a year during 2009 through 2011.
- Of the 4,500 single-family homes permitted in 2012, 28 percent were in Washington County, 26 percent were in Clark County, and 25 percent were in Clackamas County. Development focused in areas with easy access to the TriMet MAX (Metropolitan Area Express) light-rail routes that connect commuters to downtown Portland.

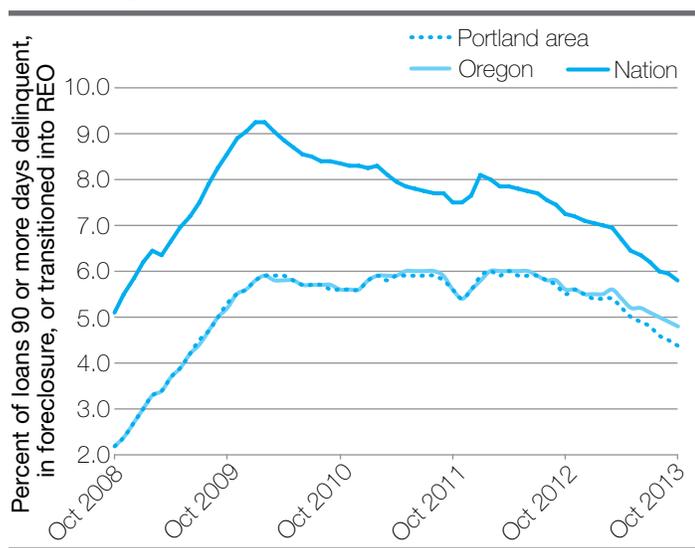
Despite strong growth since 2012, new and existing home sales in the Portland area represented approximately 30 and 58 percent of the peak levels recorded in early 2006.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

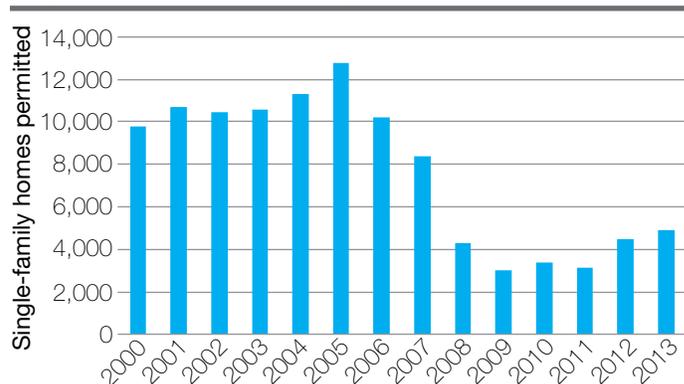


The Portland area had the 211th highest percentage of distressed loans out of 381 metropolitan areas in October 2013.



REO = Real Estate Owned.
Source: LPS Applied Analytics

Single-family permitting in the Portland area declined 76 percent from the 2005 peak to a low in 2009.



Note: Includes preliminary data from January 2013 through October 2013.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

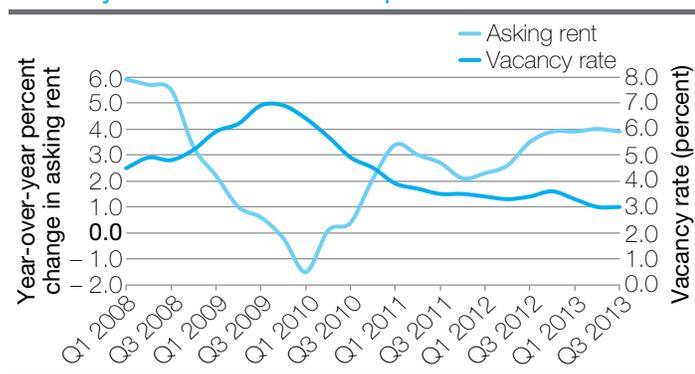
The apartment market in the Portland metropolitan area is very tight because the minimal construction from 2009 through 2011 did not meet demand.

- The apartment vacancy rate was 3.0 percent in the third quarter of 2013, down from 3.4 percent a year earlier (Reis, Inc.)
- Average rent in the third quarter of 2013 was approximately \$920, up 4 percent from the previous year. Unit type averages were \$788 for a studio unit, \$829 for a one-bedroom unit, \$952 for a two-bedroom unit, and \$1,093 for a three-bedroom unit (Reis, Inc.).

- New apartment projects have reached full occupancy within 12 months of completion, and smaller urban properties have leased up faster. Units in the Inner & Central Southeast Portland submarket remain vacant for an average of only 8 days (Multifamily NW).
- North, Inner & Central Northeast and Inner & Central Southeast Portland are the tightest submarkets, with apartment vacancy rates of slightly more than 2 percent. All three submarkets are along the eastern bank of the Willamette River, across the river from downtown Portland (Multifamily NW).

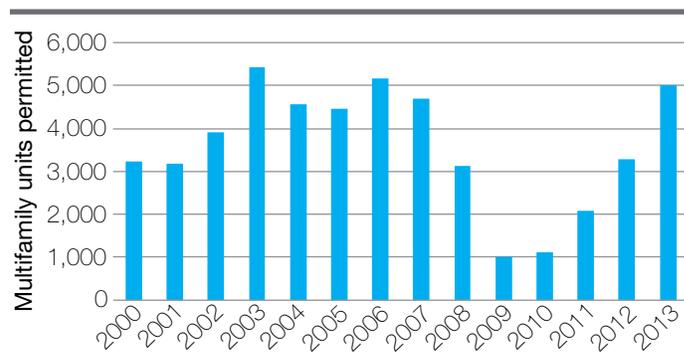
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Despite rapid growth in apartment construction in the Portland area during the past 2 years, apartment vacancy rates remain near 3 percent.



Source: Reis, Inc.

In 2009 and 2010, Portland area multifamily permitting declined to its lowest levels since 1983.



Note: Includes preliminary data from January 2013 through October 2013.
Source: U.S. Census Bureau, Building Permits Survey



continued from page 4

Strong annual rent growth and low apartment vacancy rates attracted the interest of national and regional developers.

- Multifamily building activity reached an average of 4,875 units permitted a year from 2003 through 2007, then declined nearly 34 percent in the wake of the 2007 recession, to 3,125 units in 2008, and further to a low average of 1,075 units a year in 2009 and 2010.
- During the 12 months ending October 2013, 5,550 multifamily units were permitted, up 67 percent from 3,325 during the same period a year earlier (preliminary data).
- Approximately 4,225 apartment units are currently under construction in the metropolitan area; of these units, 2,825 are in the city of Portland, 1,400 are in the cities of Beaverton and Hillsboro, and 340 are in the city of Vancouver (Reis, Inc.).
- Recently completed projects include the 118-unit The Emery in the city of Portland, which was finished in October 2013. Current asking rents range from \$1,110 to \$1,390 for a studio unit, \$1,015 to \$2,000 for a one-bedroom unit, and \$1,670 to \$2,425 for a two-bedroom unit.
- One of the largest projects under construction is the Hassalo on Eighth in the Lloyd District of the city of Portland. The project, which is expected to be complete by early 2015, will consist of three buildings containing 657 apartments and 32,000 square feet of retail space. Rent levels have not been announced.

