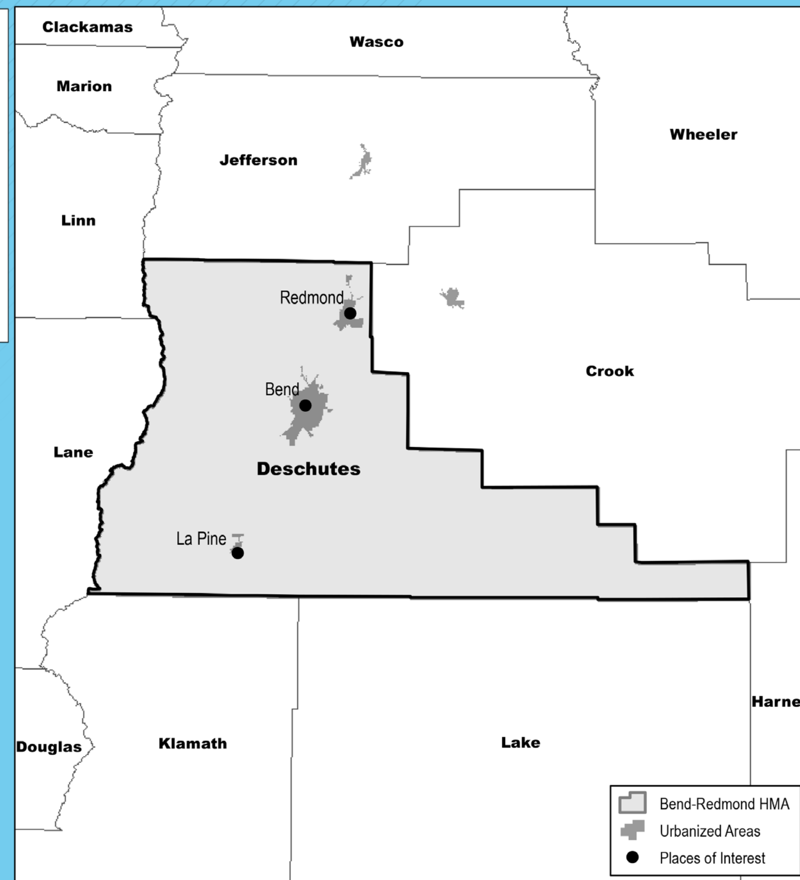
COMPREHENSIVE HOUSING MARKET ANALYSIS

Bend-Redmond, Oregon

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of August 1, 2018

Executive Summary



Housing Market Area Description

The Bend-Redmond Housing Market Area (hereafter, the Bend HMA) comprises Deschutes County, Oregon, and is coterminous with the Bend-Redmond, OR Metropolitan Statistical Area, the largest metropolitan area in Central Oregon. The principal city, Bend, is bisected by the Deschutes River and is approximately 20 miles east of Mt. Bachelor, making the HMA a regional and, increasingly, a national destination for outdoor recreation and tourism. The population of the HMA is estimated at 189,400 as of August 1, 2018.

Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-At-A-Glance tool.
For additional information pertaining to the housing market for this HMA, go here.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Strong: Nonfarm payrolls **increased 3.7%** during the 12 months ending July 2018

Economic conditions in the Bend HMA are currently strong, in large part due to job growth of more than double the national rate since 2013. Nonfarm payrolls in the HMA averaged 83,200 during the 12 months ending July 2018, reflecting a 3.7-percent increase compared with the same period a year ago, and the unemployment rate declined from 4.3 to 4.1 percent. The mining, logging, and construction sector led job growth during the period. Job growth is expected to remain strong at an average annual rate of 3.1 percent during the 3-year forecast period.

Sales Market

Tight: The average sales price of a home **increased 11%** during the 12 months ending July 2018

Sales housing market conditions are currently tight in the HMA. Strong population growth and increased demand for sales housing since 2012 has resulted in low levels of for-sale inventory, putting upward pressure on home sales prices. During the 12 months ending July 2018, home sales were relatively unchanged, while the average sales price rose 11 percent. (CoreLogic, Inc., with adjustments by the analyst). Demand is expected for 5,550 new homes during the forecast period. The estimated 760 homes currently under construction will satisfy part of the demand.

Rental Market

Slightly tight: The apartment vacancy rate **increased from 3.3%** during the second quarter of 2017 **to 4.0%** during the second quarter of 2018

The overall rental housing market in the HMA is slightly tight, with an estimated vacancy rate of 4.0 percent, down from 10.9 percent in April 2010. Apartment market conditions are also slightly tight, with a vacancy rate of 4.0 percent during the second quarter of 2018, compared with 3.3 percent a year prior when market conditions were tight. During the forecast period, demand is expected for 1,850 units. Approximately 390 units that are currently under construction and an estimated 370 units expected to start construction in the next 3 years will satisfy a portion of the demand.

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3-Year Housing Demand Forecast

		Sales Units	Rental Units
Bend-Redmond HMA	Total Demand	5,550	1,850
	Under Construction	760	390

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

Economic Conditions

Largest sector: Education and health services and wholesale and retail trade

> Leisure and hospitality, the third largest sector in the economy, is largely supported by the strong tourism industry in the HMA. The sector has added the third highest number of jobs among all sectors since 2012.

Primary Local Economic Factors

The Bend HMA is uniquely positioned in that it offers a small-town atmosphere with all the amenities of an urban center, but also an abundance of recreational opportunities that rival more established vacation-destinations in the West like Aspen and Lake Tahoe. It is this juxtaposition that has garnered the HMA national recognition, contributing to very strong population growth and a booming tourism industry. The HMA had the sixth fastest rate of population growth among all metropolitan areas in the country in 2017 (Census), and the estimated economic impact of tourism was almost $1.2 billion in the tri-county region known as Central Oregon (The Central Oregon Visitors Association).

Current Conditions – Nonfarm Payrolls

Economic growth in the HMA is currently strong, however, the rate of job growth slowed recently. During the 12 months ending July 2018, nonfarm payrolls increased by 3,000 jobs, or 3.7 percent, compared with a gain of 3,500 jobs, or 4.6 percent, during the previous 12-month period (Table 1).

The mining, logging, and construction sector has been the fastest growing sector in the HMA in percentage terms and number of jobs added since economic recovery began in 2012, despite declining the most during the Great Recession. During the 12 months ending July 2018, sector payrolls increased by 800, or 12.0 percent, compared with a gain of 500, or 7.9 percent, during the 12 months ending July 2017; approximately 90 percent of sector payrolls are in the construction subsector. Increased residential and commercial construction throughout the HMA contributed to the increase. At least four hotels are under construction with more than 450 rooms combined, including a Hampton Inn and Suites and a Woodspring Suites Hotel, both in Redmond, being developed by Heritage Hospitality Group. Residential construction is also elevated in response to very strong population growth. The manufacturing sector grew during the past 12 months, up 300 jobs, or 5.9 percent, compared with a similar gain during the previous 12 months. Part of the recent job growth is attributable to the growing beer industry as new breweries develop and existing firms expand. In 2017, 10 Barrel Brewing expanded their operations in a new, 60,000-square-foot

Table 1. 12-Month Average Nonfarm Payroll Jobs in the Bend-Redmond HMA, by Sector

	12 Months Ending July 2017	12 Months Ending July 2018	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	80.2	83.2	3.0	3.7%
Goods-Producing Sectors	11.6	12.6	1.1	9.2%
Mining, Logging, & Construction	6.2	7.0	0.8	12.0%
Manufacturing	5.3	5.6	0.3	5.9%
Service-Providing Sectors	68.6	70.6	1.9	2.8%
Wholesale & Retail Trade	13.3	13.6	0.2	1.8%
Transportation & Utilities	1.9	1.9	0.1	3.6%
Information	1.6	1.7	0.1	3.6%
Financial Activities	4.6	4.8	0.2	4.5%
Professional & Business Services	9.9	10.2	0.3	3.5%
Education & Health Services	12.8	13.3	0.5	4.0%
Leisure & Hospitality	12.3	12.8	0.5	4.0%
Other Services	2.8	2.8	0.0	0.0%
Government	9.6	9.6	0.0	0.0%

Notes: Based on 12-month averages through July 2017 and July 2018. Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

facility that contains warehousing, packaging, and shipping operations, and 138-seat pub. The brewery produced 73,000 barrels a year before the expansion and now has the capacity for 124,000 barrels, annually. In addition, three breweries opened year-to-date in 2018, including Geist Beerworks, Boss Rambler Beer Club, and Good Earth Brewing. Furthermore, the industrial vacancy rate in the city of Bend dropped to 1.0 percent during the second quarter of 2018, the lowest rate recorded since at least 1994 (Compass Commercial).

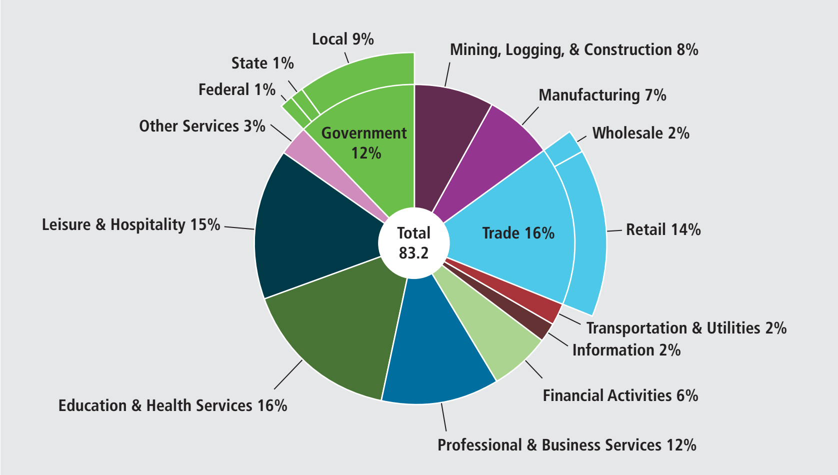
Nearly all service-providing sectors added jobs during the past 12 months except for the government and other services sectors, which remained stable. The leisure and hospitality sector added 500 jobs, or 4.0 percent, to meet the needs of the ever-growing tourism industry in the HMA. The education and health services sector also added 500 jobs, or 4.0 percent, mainly due to small health care clinics opening and expanding throughout the HMA to meet the demand imposed by the strongest population growth in a decade. The education and health services sector is tied for largest in the HMA economy with wholesale and retail trade, each comprising 16 percent of nonfarm payrolls, and has grown more than 130 percent since 2000 (Figures 1 and 2). Two clinics opened in May 2018: High Lakes Health Care in the city of Bend and St. Charles Health System, Inc., the largest employer in the HMA (Table 2), in La Pine. Notable job growth occurred in the professional and business services sector during the past 12 months, up 300 jobs, or 3.5 percent, partially due to hiring at Ibex Global, which provides call center agents for their customers.

Table 2. Major Employers in the Bend-Redmond HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
St. Charles Health System, Inc.	Education & Health Services	3,409
Sunriver Resort	Leisure & Hospitality	1,100
Central Oregon Community College	Government	936
Bright Wood Corporation	Manufacturing	855
Mt. Bachelor Inc.	Leisure & Hospitality	770
McDonald's Corp.	Leisure & Hospitality	735
Safeway (Albertsons Companies, Inc.)	Wholesale & Retail Trade	648
Walmart Inc.	Wholesale & Retail Trade	639
Summit Medical Group Oregon – Bend Memorial Clinic	Education & Health Services	617
Consumer Cellular	Information	580

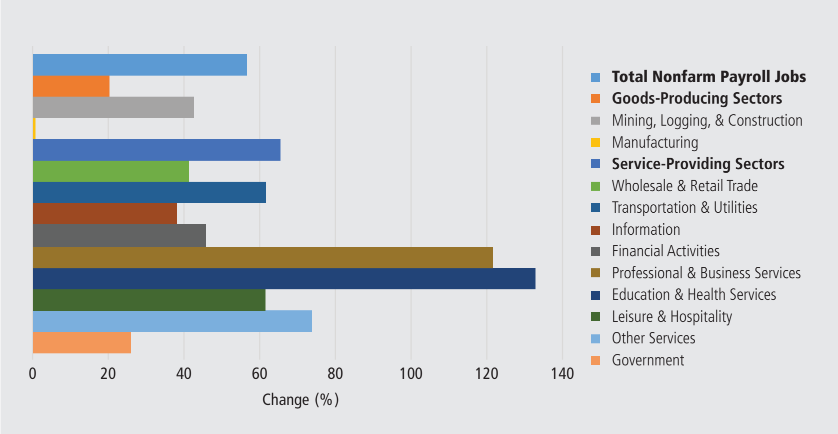
Note: Excludes local school districts.
Source: Moody's Economy.com

Figure 1. Current Nonfarm Payroll Jobs in the Bend-Redmond HMA, by Sector



Note: Total nonfarm payrolls is in thousands. Numbers may not add to 100 percent due to rounding.
Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Bend-Redmond HMA, 2000 to Current

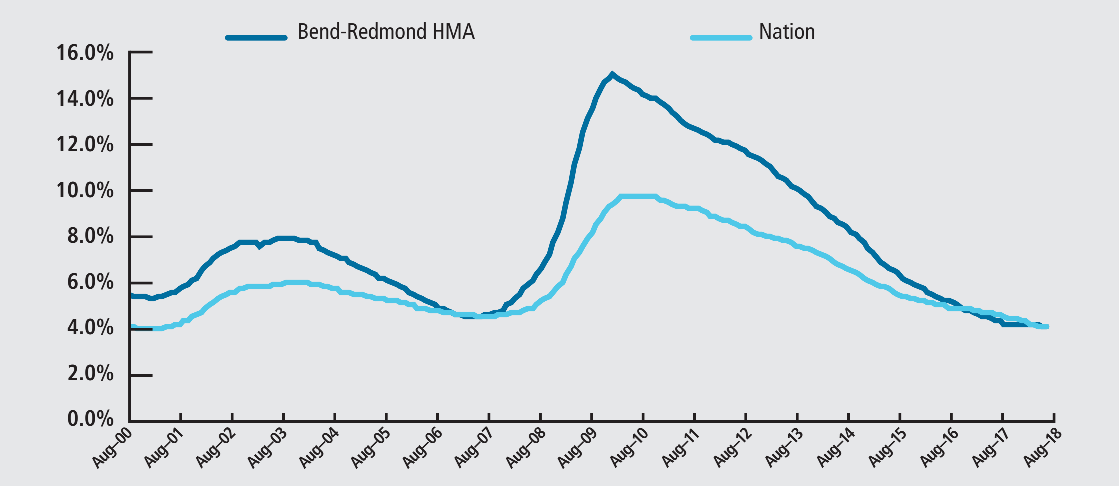


Source: U.S. Bureau of Labor Statistics

Current Conditions – Unemployment

The unemployment rate averaged 4.1 percent during the 12 months ending July 2018, down from 4.3 percent during the previous 12 months and is currently at the lowest level since at least 1990 (Figure 3). During the most recent 12-month period, the respective rates for the state and nation were 4.0 and 3.9 percent.

Figure 3. 12-Month Average Unemployment Rate in the Bend-Redmond HMA and Nation

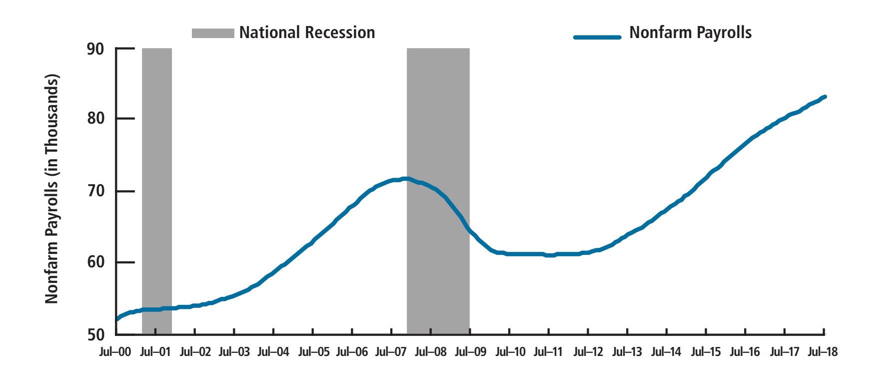


Source: U.S. Bureau of Labor Statistics

Historic Trends: Overview

The HMA weathered the dot.com recession with nonfarm payroll growth averaging 1.3 percent from 2001 through 2002 (Figure 4) despite job losses in both goods-producing sectors and an elevated unemployment rate that averaged 6.5 percent. Subsequently, the economy expanded, and nonfarm payroll growth accelerated to an average annual rate of 5.6 percent from 2003 through 2007, and the unemployment rate averaged 5.9 percent. Growth during the period was broad-based across all sectors of the economy as rapid population growth and development occurred in the HMA. The effects of the Great Recession that followed were severe in the HMA, and from 2008 through 2010, nonfarm payrolls fell an average of 5.1 percent with only two sectors avoiding job losses: education and health services and government. After a year of stagnation in 2011, economic growth returned, and payrolls increased at an average annual rate of 4.9 percent through 2017, with payrolls exceeding pre-recessionary levels in 2015.

Figure 4. 12-Month Average Nonfarm Payrolls in the Bend-Redmond HMA



Source: U.S. Bureau of Labor Statistics

2000 through 2007

Despite a slow start in the beginning of the decade, nonfarm payrolls in the HMA increased at an average annual rate of 4.4 percent, or 2,600 jobs a year, from 2001 through 2007. During this period, most payroll sectors were growing at a healthy pace, but a few key sectors contributed the most to the economic expansion. An influx of new residents coming from higher cost metropolitan areas, especially in California, resulted in a sharp increase in the demand for new homes, boosting job growth in the mining, logging, and construction sector, which added an average of 500 jobs, or 7.6 percent, a year. The professional and business services sector, which also added an average of 500 jobs, annually, or 7.8 percent a year, matched this growth. The education and health services and wholesale and retail trade sectors also expanded quickly during the period to serve the rapidly growing population, each adding an average of 400 jobs, or 6.1 and 3.7 percent a year, respectively. Most of the job gains in these two sectors resulted from hiring at hospitals and healthcare clinics and from big-box retailers expanding to the HMA. The tourism industry in the HMA began to gain traction during the period, and the leisure and hospitality sector added an average of 300 jobs, or 3.6 percent, a year. The manufacturing and transportation and utilities sectors combined to account for almost 13 percent of total nonfarm payrolls in 2000 and ended the period comprising less than 10 percent, netting zero job growth. Although average annual payroll growth was strong during the 2000-through-2007 period, growth slowed to 2.3 percent, or 1,600 jobs, in 2007 because of job losses that started in the mining, logging, and construction and manufacturing sectors, signaling a turning point in the economy.

2008 through 2011

The effects of the Great Recession were harsh in the HMA because the rapid population growth that was causing much of the previous economic expansion slowed dramatically. From 2008 through 2010, nonfarm payrolls declined at an average annual rate of 5.1 percent, or 3,500 jobs, a year. Mining, logging, and construction sector payrolls, which began to struggle a year prior, lost an average of 1,600 jobs, or 25.4 percent, annually, accounting for almost one-half of all jobs lost during the recession. The sector accounted for 12 percent of payrolls in 2006 before job losses began, and ended the recession comprising less than 6 percent. The weak housing markets also caused the demand for wood products manufacturing to plummet, which contributed to the average annual loss of 700 jobs, or 14.2 percent, in the manufacturing sector. In addition, the recession put a substantial strain on household finances, negatively impacting nearly all service-providing sectors; the wholesale and retail trade sector, which lost an average of 600 jobs, or 4.8 percent, a year, led this loss, followed by the leisure and hospitality sector, which suffered an average annual loss of 400 jobs, or 3.8 percent. Education and health services and government were the only two sectors to grow during the recession, each adding 200 jobs, or 2.6 and 2.7 percent, respectively. In 2011, nonfarm payrolls stopped declining, and net in-migration improved slightly, indicating the start of economic recovery.

2012 through 2016

Economic recovery in the HMA was in full effect from 2012 through 2013, with nonfarm payrolls increasing by an average of 2,000 jobs, or 3.2 percent a year; all sectors added jobs. As the recovery transitioned into an expansion, payroll growth more than doubled, averaging a gain of 4,400 jobs, or 6.3 percent, annually, from 2014 through 2016, with the HMA achieving the number one spot on Forbes' list of "The 2016 Best Small Places for Business and Careers."

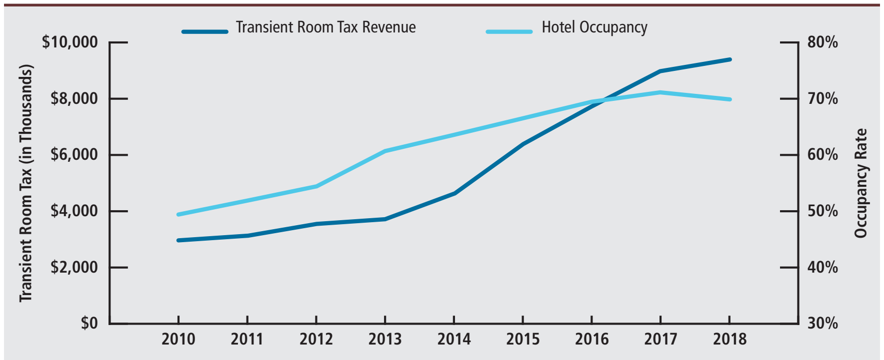
During the early years of the recovery, improving household finances allowed for increased discretionary spending, contributing to job gains in service-providing sectors including the wholesale and retail trade and leisure and hospitality sectors, which added 400 and 300 jobs, or 3.2 and 3.1 percent, a year, respectively, from 2012 through 2013. The education and health services sector continued an uninterrupted growth trend since 2000, adding 400 jobs, or 3.6 percent, annually. Increased net in-migration in response to stronger economic conditions resulted in rapidly tightening housing markets and increased demand for new homes, contributing to an average annual increase of 300 jobs, or 9.0 percent, in the mining, logging, and construction sector. The information sector was the only sector to add less than an average of 100 jobs a year during the recovery.

All payroll sectors added jobs at an accelerated pace during the economic expansion from 2014 through 2016 compared with the early years of the recovery. The largest job gains occurred in the professional and business services sector, which added an average of 800 jobs, or 10.6 percent, annually, mainly because of new and existing call centers hiring hundreds of workers. Almost 50 percent of job growth during the period was a result of jobs added in the mining, logging, and construction, education and health services, and leisure and hospitality sectors, each adding an average of 700 jobs, or 16.4, 6.4, and 6.3 percent, a year, respectively.

Tourism

The vast array of outdoor recreation opportunities that can be easily accessed in the HMA, a high desert climate, and a growing beer industry have contributed to a quickly growing tourism industry. The leisure and hospitality sector is the second largest in the economy, accounting for 12,800 jobs, or 15 percent of total nonfarm payrolls, and includes two of the largest employers in the HMA: Sunriver Resort and Mt. Bachelor. Payrolls in the leisure and hospitality sector have increased more than 40 percent since 2010, after losing an average of 400 jobs, or 3.8 percent, annually during the recession. Likewise, since 2010, hotel occupancy has consistently risen, and transient room tax collections have increased at an average annual rate of more than 15 percent (Figure 5). In 2017, the estimated economic impact of tourism on Central Oregon (which includes Crook, Deschutes, and Jefferson Counties) was estimated at nearly $1.2 billion. Accolades such as being ranked number one on Outside Magazine's list of "Best Multi-Sport Towns" (2017), and 14th on National Geographic's list of "Best Ski Towns in the World" (2017) continue to promote the local tourism industry and will have a beneficial impact on the overall economic health of the HMA during the next 3 years and beyond.

Figure 5. Hotel Occupancy and Tax Revenue in the City of Bend



Note: Data represent the fiscal year ending in July, meaning 2010 data in the chart represent the average from July 2009 through June 2010.
Sources: www.visitbend.com and Central Oregon Visitors Association

Employment Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase at an average annual rate of 3.1 percent, with job growth occurring in all sectors of the economy. The expectation is for economic conditions to remain strong, as they currently are, but for growth to continue at a slower and more sustainable pace than the 2014-through-2016 period. Labor shortages will also suppress job growth from reaching previous highs. The mining, logging, and construction sector will continue to contribute greatly to job growth in the HMA as population growth remains strong, increasing the demand for new housing. Increased commercial construction, especially with industrial vacancies at historic lows, will also support job growth in the sector. Strong economic conditions regionwide will support growth in the tourism industry, which will sustain job growth in the leisure and hospitality sector. Furthermore, Oregon State University (OSU) opened a satellite campus in the city of Bend in 2017, OSU-Cascades. Only phase one of the planned $250 million campus is complete with enrollment in 2017 of approximately 1,200 students. In addition to the positive impact it will have on the construction subsector, the university hopes to have 5,000 students enrolled by 2025, which will positively impact all sectors of the economy. Ibex Global announced plans to hire at least 200 workers by the end of 2018 which will contribute to continued growth in the professional and business services sector.

Population and Households

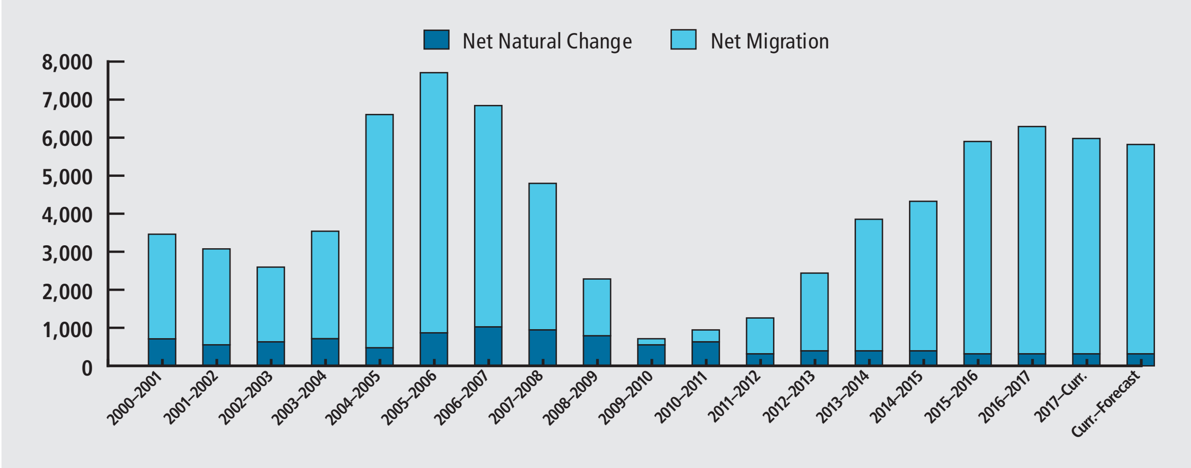
Current population: 189,400

Net in-migration has accounted for approximately 90 percent of population growth since 2010.

Population Trends

Population growth in the HMA is mainly a function of migration patterns, which tend to lag turning points in the economy by a year or two but follow the same trend. On average, net natural change (resident births minus deaths) has accounted for less than 14 percent of annual population growth in the HMA since 2000 and has generally trended down since 2007 (Figure 6). Population growth was modest in the early part of the 2000s, consistent with relatively slow economic growth following the dot.com recession. Net in-migration increased each year from 2003 to 2006, largely in response to increased job growth during the period, averaging 5,300 people a year and contributing to average annual population growth of 5,975, or 4.6 percent, a year. From 2006 to 2008, net in-migration remained elevated, but was on a downward trend, averaging 4,825 people a year, and average annual population growth declined to 5,800 people, or 4.0 percent, a year. A similar trend is visible in payroll data: although job growth continued throughout 2007, the rate of growth was less than one-half the year prior. From 2008 to 2010, net in-migration plummeted to an average of 870 people a year,

Figure 6. Components of Population Change in the Bend-Redmond HMA, 2000 through the Forecast



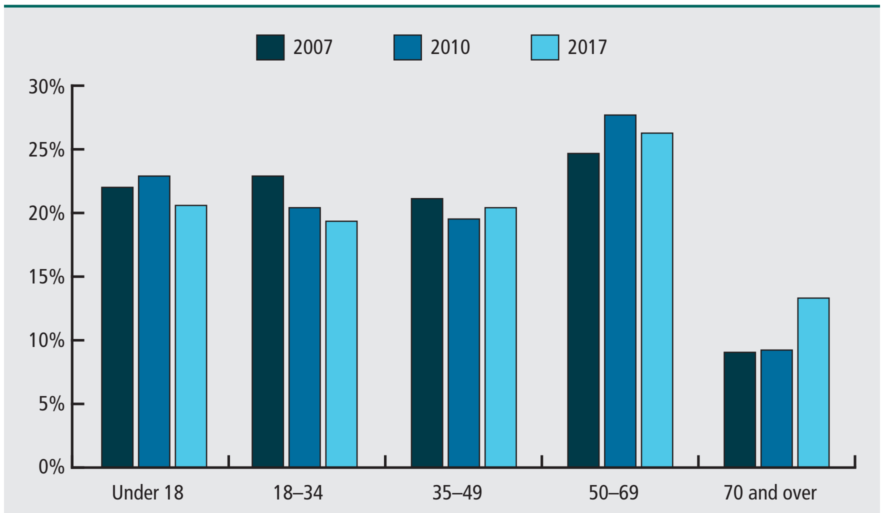
Note: Net natural change and net migration totals are average annual totals over the time period.
Sources: U.S. Census Bureau, Bureau of Labor and Statistics

comprising less than 60 percent of total population growth, which averaged 1,500 people, or 1.0 percent, annually. During this period, rapidly declining home prices and homebuilding activity led to a quick downturn in construction subsector payrolls and in the number of people moving to the HMA who had been attracted to strong hiring in the industry. Net in-migration rebounded slowly following the end of the recession, averaging 1,125 people a year from 2010 to 2013, but was offset by a decline in net natural change during the period, and average annual population growth remained at 1.0 percent. As economic growth accelerated, net in-migration started to rise quickly, averaging 4,975 people a year, contributing to average annual population growth of 5,300 people, or 3.1 percent, annually, from 2013 to the current date.

Age Cohort Trends: 2010 to 2017

The largest age cohort in the HMA is residents 50 to 69 years of age, and it has remained the largest segment going back to 2007, comprising more than 26 percent of the total population in 2017 (Figure 7). This demographic cohort is generally defined as middle-aged with established careers and those getting ready to retire. The HMA has attracted and retained members of this age cohort because of the many quality of life factors previously discussed, along with the relative affordability of the HMA. This cohort may also choose to live in the HMA with plans of retiring there, contributing to the rise in residents aged 70 years and over, which comprised more than 13 percent of the population in 2017, up from 9 percent in 2010. The rising share of older residents contributed to the decline in net natural change during the past decade.

Figure 7. Population by Age in the Bend-Redmond HMA



Source: American Community Survey, 2007, 2010, and 2017, 1-year data

Population Forecast

Population growth is expected to continue during the 3-year forecast period, with the population reaching 206,900 people by August 1, 2021, reflecting average annual growth of 5,825 people, or 3.0 percent (Table 3). More than 95 percent of the growth will come from net in-migration, as the rising share of older residents is expected to temper net natural change, which is already at historically low levels.

Table 3. Bend-Redmond HMA Quick Facts

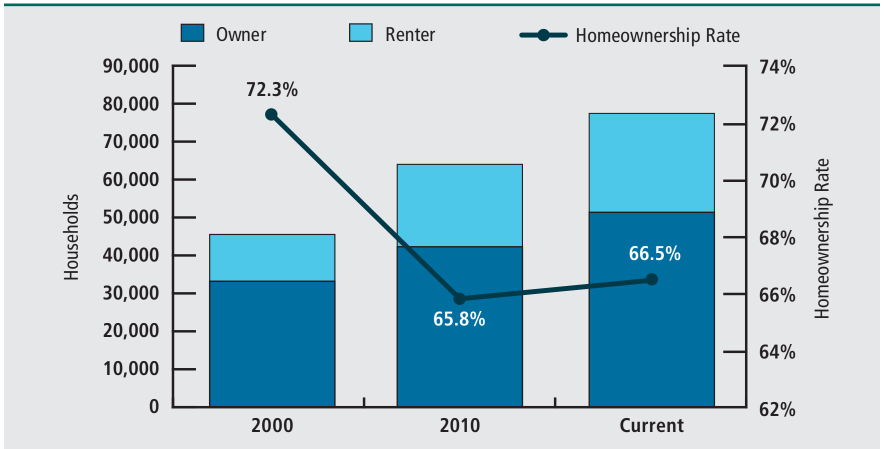
		2010	Current	Forecast
Population Quick Facts	**Population**	157,733	189,400	206,900
	Average Annual Change	4,225	3,800	5,825
	Percentage Change	3.2%	2.2%	3.0%
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	64,090	77,350	84,300
	Average Annual Change	1,850	1,600	2,325
	Percentage Change	3.5%	2.3%	2.9%

Note: Average annual changes and percentage changes are based on averages from 2000–2010, 2010 to current, and current to forecast.
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast–estimates by analyst.

Household Trends

Household growth in the HMA remains below the average growth rate from 2000 to 2010 but has increased since the late 2000s. As of August 1, 2018, an estimated 77,350 households reside in the HMA, reflecting an average annual increase of 1,600 households, or 2.3 percent, since 2010. By comparison, from 2000 to 2010, households increased by an average of 1,850, or 3.5 percent, a year. An estimated 66.5 percent of current households, or 51,450 households, are homeowners and the remaining 25,900 are renter households (Figure 8). The homeownership rate has increased since 2010, when 65.8 percent of households were homeowners, because the prolonged period of economic expansion since the Great Recession and strong housing market conditions are more conducive to homeownership.

Figure 8. Households by Tenure and Homeownership Rate in the Bend-Redmond HMA



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

Household Forecast

As economic conditions remain strong and net in-migration continues, households in the HMA are expected to increase by an average of 2,325, or 2.9 percent, annually during the next 3 years, reaching 84,300 by August 1, 2021 (Table 3). Approximately two-thirds of the additional households are expected to be owner households, which will cause the homeownership rate to rise further.

Home Sales Market Conditions

Market Conditions: Tight

Home sales prices continued a 6-year trend of increasing during the 12 months ending July 2018 despite total home sales declining.

Current Conditions

The sales housing market in the HMA is currently tight, as job growth, increased net in-migration, and low levels of new home construction have contributed to the absorption of the excess inventory created during the build up to the housing market crash and Great Recession. As of August 1, 2018, the sales vacancy rate is estimated at 2.2 percent, down from 4.2 percent in 2010 (Table 4). New and existing home sales prices continued to increase during the 12 months ending July 2018, a trend that has been sustained for the past 6 years. However, the number of new homes sold during the past 12 months declined, and existing home sales were stagnant. The decline in home sales is largely attributable to low levels of for-sale inventory; in July 2018, 3.2 months of supply was available, up from 3.0 months in July 2017 (Redfin). The last time more than 6 months' worth of supply was for sale, which is generally indicative of a balanced market in this HMA, was in February 2014.

Table 4. Home Sales Quick Facts in the Bend-Redmond HMA

		Bend-Redmond HMA	Nation
Home Sales Quick Facts	Vacancy Rate	2.2%	NA
	Months of Inventory	3.2	2.7
	Total Home Sales	13,100	6,038,000
	1-Year Change	– 0.6%	– 1.6%
	Average Price-New	$415,000	$378,900
	1-Year Change	6.8%	3.0%
	Average Price-Existing	$395,100	$285,400
	1-Year Change	11.5%	6.2%
	Mortgage Delinquency Rate	0.6%	1.8%

NA = data not available.
Note: Vacancy rate is as of the current date, home sales and prices are for the 12 months ending July 2018, and months of inventory and mortgage delinquency data is as of July 2018.
Sources: Months of inventory is from Redfin. Home sales, prices, and delinquency rates are from CoreLogic, Inc., with adjustments by the analyst

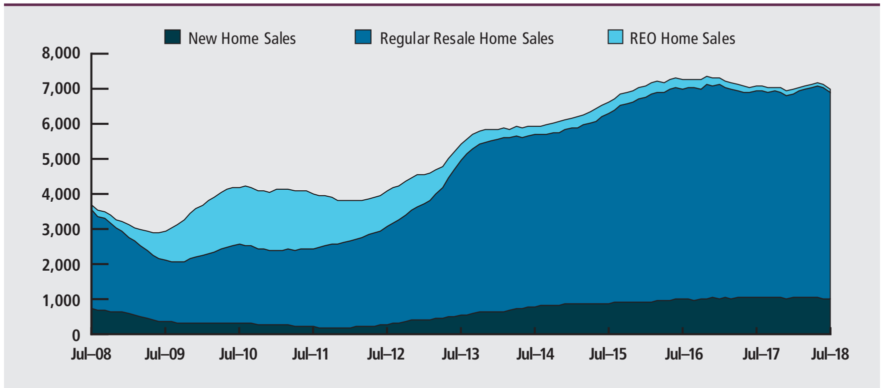
New Home Sales

Approximately 1,000 new homes sold in the HMA during the 12 months ending July 2018, down 7 percent from the 1,075 homes sold during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). Sales averaged 2,350 from 2004 through 2006 during a period of strong economic growth, but declined at an average annual rate of 37 percent, to a low of 200 in 2011, because of the Great Recession and housing market collapse. Sales improved in stride with the economy, increasing at an average annual rate of 40 percent from 2012 through 2016.

Existing Home Sales

During the 12 months ending July 2018, 6,075 existing homes sold, which consists of both regular resale and real estate owned (REO), in the HMA, unchanged from the previous 12-month period, and REO properties accounted for less than 2 percent of all existing home sales (CoreLogic, Inc., with adjustments by the analyst). Home sales peaked from 2004 through 2005, averaging 8,175 a year, and REO sales comprised only 1 percent of the total. From 2006 through 2008, home sales declined at an average annual rate of 32 percent, to a low of 2,800, but rebounded well before the end of the Great Recession, largely because of an increase in REO sales. From 2009 through 2011, existing home sales increased an average of 17 percent annually, and REO sales comprised nearly 30 percent of existing home sales during the period (Figure 9). Home sales increased at an average annual rate of 8 percent from 2012 through 2016, while REO sales declined, constituting only 7 percent of the total.

Figure 9. 12-Month Average Total Sales By Type in the Bend-Redmond HMA



Source: CoreLogic, Inc., with adjustments by analyst

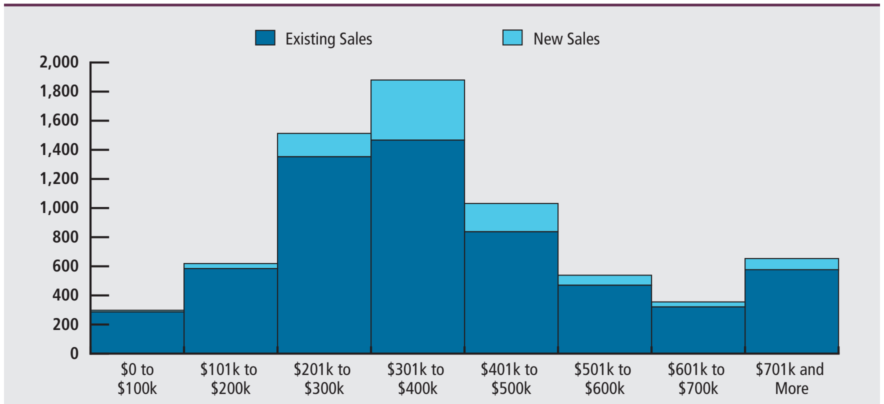
Delinquent Mortgages

The rate of seriously delinquent home loans and REO properties in the Bend HMA peaked in June 2010 at 10.3 percent, compared with a 5.6-percent statewide rate and an 8.0-percent rate nationwide (CoreLogic, Inc.). The delinquency rate in the HMA has fallen consistently since 2010, and was 0.6 percent in July 2018, compared with 0.9 percent statewide and 1.8 percent nationwide.

New Home Sale Prices

The average sales price of a new home was $415,000 during the 12 months ending July 2018, a 7-percent increase from a year ago. The current price is 6 and 73 percent greater than the pre-recession peak and post-recession trough, respectively. During the past 12 months, sales were greatest among new homes priced from $301,000 through $400,000 (Figure 10). New home prices increased at an average annual rate of 15 percent from 2002 through 2007, while the economy was expanding, to $393,400. The recession caused new home prices to fall considerably, declining an average of 9 percent a year from 2008 through 2012 to a low of $240,800. As the economic recovery transitioned to economic expansion, the demand for homes improved, and price growth accelerated to an average annual increase of 11 percent through 2016.

Figure 10. Sales by Price Range During the 12 Months Ending July 2018 in the Bend-Redmond HMA

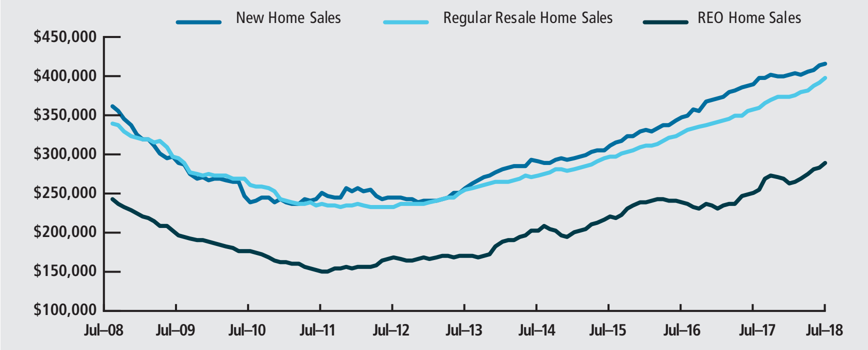


Source: Metrostudy, A Hanley Wood Company

Existing Home Sale Prices

The average sales price of an existing home was $395,100 during the past 12 months, up almost 12 percent from the 12 months ending July 2017. The largest concentration of home sales during the past 12 months has been for homes priced from $201,000 through $400,000. Prices increased at an average annual rate of 18 percent from 2004 through 2007, during a period of strong economic growth and looser lending practices. Subsequently, the recession hit, and demand for homes plummeted. From 2008 through 2011, existing home prices dropped an average of 13 percent annually, to a low of $203,400. Part of the decline was the result of an increase in REO homes sales, which sold at a discount of 20 to 30 percent compared with regular resale home sales (Figure 11). Prices increased along with the improving economy, and from 2012 through 2016, prices increased an average of 10 percent annually.

Figure 11. 12-Month Average Sales Price By Type of Sale in the Bend-Redmond HMA



Source: CoreLogic, Inc., with adjustments by analyst

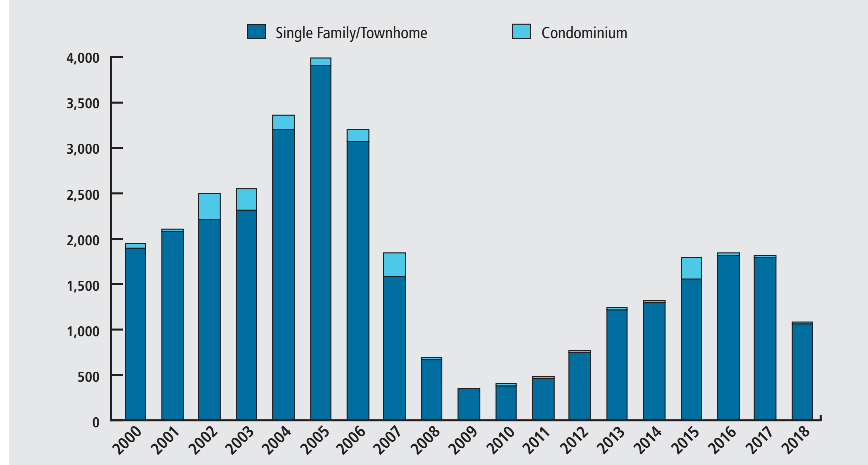
Sales Permit Activity

Permitting of homes for sale has trended upward since 2010 but is well below the historically high levels reached during the housing boom of the mid-2000s (Figure 12). During the 12 months ending July 2018, 1,725 homes were permitted, a 3-percent decrease from the 1,775 homes permitted during the previous 12 months. An average of 1,375 homes were permitted from 2012 through 2016, up from an average of 460 from 2008 through 2011, but down from an average of 2,675 from 2000 through 2007.

New Construction

New home construction in the HMA is concentrated in the cities of Bend and Redmond. In Bend, Hayden Homes has 15 homes available in the Leehaven subdivision approximately 3 miles east of downtown Bend. On completion, the subdivision will have approximately 80 homes. Homes range from 1,750 to 3,200 square feet, and list prices range from $374,100 to $575,000. Brooksmill Estates, within walking distance of the popular Old Mill District in Bend, will consist of 48 homes once all four phases are complete. Currently, 21 lots are complete, 8 have sold, and 2 are reserved. Homes range from 1,663 to 2,800 square feet and are priced between $600,000 and $900,000. In Redmond, approximately 20 miles north of Bend, six new homes are for sale in the Maple Meadows

Figure 12. Annual Average Sales Permitting Activity in the Bend-Redmond HMA



Notes: Includes single-family, townhomes, and condominiums. 2018 includes data through July 2018.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2017 final data and estimates by analyst; 2018 preliminary data and estimates by analyst

subdivision, ranging from 1,200 to 2,470 square feet with prices from $257,000 to $324,000.

Forecast

Based on current and anticipated economic growth and the currently tight sales market conditions in the HMA, demand is estimated for 5,550 new homes during the next 3 years, with demand evenly distributed each year of the forecast (Table 5). The 760 homes currently under construction are expected to meet a portion of the demand during the first year of the forecast. New homes priced under $500,000 are expected to account for most of the demand.

Table 5. Demand for New Sales Construction Units in the Bend-Redmond HMA During the Forecast Period

	Sales Units
Demand	5,550 Units
Under Construction	760 Units

Source: Estimates by analyst

Rental Market Conditions

Market Conditions: Slightly tight

Previously very tight apartment market conditions have started to ease because of increased rental unit construction since 2014.

Current Conditions and Recent Trends

Overall rental housing market conditions (which includes single-family rentals, townhomes, and mobile homes) in the HMA are currently slightly tight, with an overall estimated rental vacancy rate of 4.0 percent, down from 10.9 percent in 2010 (Table 6). Relatively slow multifamily construction in the late 2000s and increased rental household growth spurred by the housing crisis contributed to declining vacancy rates and rising rents. Recently, however, increased multifamily construction has eased some of the strain on the market.

Table 6. Rental and Apartment Market Quick Facts in the Bend-Redmond HMA

		2010	Current
Rental Market Quick Facts	**Rental Vacancy Rate**	10.9%	4.0%
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	53%	54%
	Multifamily (2-4 Units)	18%	19%
	Multifamily (5+ Units)	22%	21%
	Other (including Mobile Homes)	7%	5%

		Current	YoY Change
Apartment Market Quick Facts	**Apartment Vacancy Rate**	4.0%	0.7
	Average Rent	$1,016	6%
	Studio	$841	
	One-Bedroom	$934	
	Two-Bedroom	$1,032	
	Three-Bedroom	$1,154	

YoY = year-over-year.
Notes: The current date is as of August 1, 2018. Current data for "rental units by structure" is American Community Survey, 2017 1-year data. Apartment data is American Community Survey, 1-year data; Reis, Inc.
Sources: American Community Survey, 1-year data; Reis, Inc.

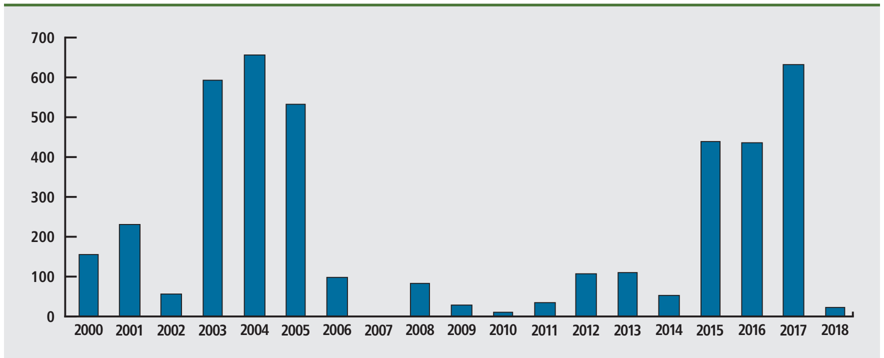
Almost 60 percent of renter households in the HMA live in single-family homes, townhomes, and mobile homes (American Community Survey, 2017 1-year data). Approximately 20 percent live in buildings with two to four units, and 20 percent live in larger buildings with five or more units. For professionally managed units, the single-family rental vacancy rate was 2.5 percent in July 2018, down from 2.7 percent in July 2017, and the average rent for a single-family home increased 11 percent to $1.39 per square foot (CoreLogic, Inc.). Rents for professionally managed units averaged $1,400, $1,735, $2,066, and $2,586 for one-, two-, three-, and four-bedroom units, respectively. The vacancy rate among single-family rentals that were professionally managed averaged 3.7 percent from 2012 through 2016 (data only available since 2012), with average annual rent growth of 8 percent.

During the second quarter of 2018, the apartment vacancy rate was estimated at 4.0 percent, up from 3.3 percent during the second quarter of 2017 (Reis, Inc.). Although the vacancy rate increased during the past year, it has remained under 4.5 percent since 2012, with a low of 2.9 percent in 2015 (data only available since 2012). The average apartment rent increased 6 percent from the second quarter of 2017 to the second quarter of 2018, to $1,016, averaging $841 for a studio, $934 for a one-bedroom unit, $1,032 for a two-bedroom unit, and $1,154 for a three-bedroom unit. By comparison, average annual rent growth was 10 percent from 2015 through 2017.

Rental Permit Activity

Permitting of rental units has generally trended upward since the housing market collapse, but did not start to take off until 2015, well into the economic expansion that spurred net in-migration (Figure 13). During the 12 months ending July 2018, approximately 120 rental units were permitted, down 77 percent compared with the 530 units permitted during the same period in 2017. In 2014, 50 rental units were permitted, followed by an average of 440 units each year in 2015 and 2016, approaching the level of rental permitting during the previous economic expansion. These units have entered the market and are the main reason the apartment vacancy rate increased during the past year. For context, rental permitting averaged 460 units, annually, from 2002 through 2005. The subsequent slowing of the economy, followed by the Great Recession, caused rental permitting to fall dramatically, averaging only 60 units each year from 2006 through 2013. An estimated 390 rental units are currently under construction, primarily in the city of Bend, including 180 units at two separate developments targeted at seniors.

Figure 13. Annual Average Rental Permitting Activity in the Bend-Redmond HMA



Notes: Includes apartments and units designed for rental occupancy. 2018 includes data through July 2018.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2017 final data and estimates by analyst; 2018 preliminary data and estimates by analyst

Recently Completed Rental Properties

Nearly all new rental permitting is concentrated in the city of Bend. Among several recently completed apartment developments is the 228-unit Seasons at Farmington Apartments that opened in 2017 approximately 2 miles southeast of downtown and is currently 85-percent occupied. The unit mix includes one- and two-bedroom units ranging from 450 to 1,150 square feet with rents ranging from $995 to $1,570. Another example of new construction is Outlook at Pilot Butte, built in 2016 a mile and a half east of downtown. The property consists of 205 units and is currently 97-percent occupied. Rents start at $1,150 for studio units, $1,200 for one-bedroom units, and $1,460 for two-bedroom units.

Forecast

During the 3-year forecast period, demand is estimated for 1,850 apartments in the HMA (Table 7). Demand is expected to be evenly distributed among all years of the forecast period. The 390 units currently under construction and the 370 additional planned completions during the period will meet a portion of the forecast demand.

Table 7. Demand for New Rental Construction Units in the Bend-Redmond HMA During the Forecast Period

	Rental Units
Demand	1,850
Under construction	390

Source: Estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 8/1/2018—Estimates by the analyst
Forecast period: 8/1/2018–8/1/2021—Estimates by the analyst

A. Terminology Definitions

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.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.

Forecast Period	8/1/2018–8/1/2021—Estimates by the analyst

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based upon the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.
2.	The Census Tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	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.
2.	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.

D. Photo Credit

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For additional data pertaining to the housing market for this HMA, go to huduser.gov/portal/ushmc/chma_archive.html.