COMPREHENSIVE HOUSING MARKET ANALYSIS

Bend-Redmond,Oregon

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

As of September 1, 2021

Share on:

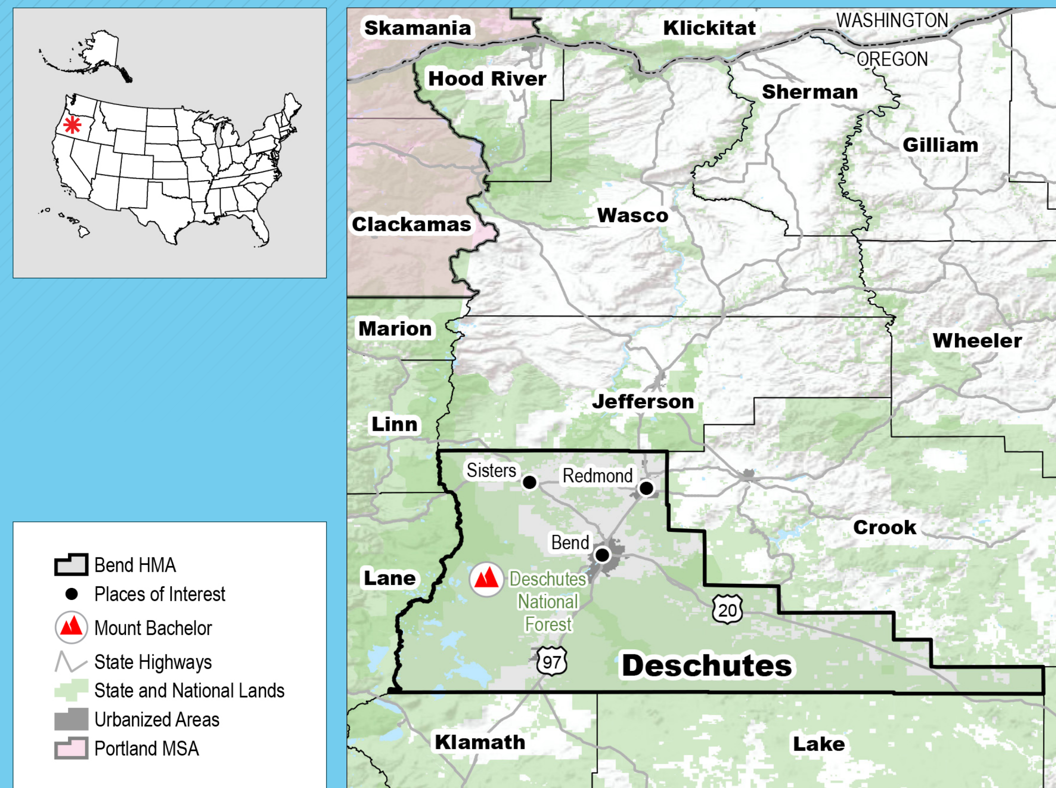
Executive Summary

Housing Market Area Description

The Bend-Redmond Housing Market Area (hereafter, the Bend HMA) includes 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 quality of life in the HMA has attracted net in-migration for more than a decade, and each year from 2015 to 2019, the HMA ranked in the top 10 fastest growing metropolitan areas in the country.

The population of the HMA is estimated at 205,700 as of September 1, 2021.

More than 3 million people visited the HMA each year from 2016 through 2019, while direct travel spending increased at an average annual rate of 6.5 percent to more than $1 billion (traveloregon.com). The measures to slow the spread of COVID-19 had an adverse effect on all sectors of the economy, but the travel industry was hit worst of all. In 2020, direct travel spending in the HMA fell almost 39 percent to $624.2 million, close to the level of spending in 2011, whereas the number of overnight visitors declined to 2.53 million, which was below 2012 levels.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Stable but Improving. More than 87 percent of the nonfarm payroll jobs lost in the HMA during the recession of March and April 2020 were recovered by August 2021 (monthly data, not seasonally adjusted).

Economic conditions in the HMA were relatively stable during the past 12 months, reflecting a significant improvement from the previous 12-month period. Nonfarm payrolls increased year-over-year by 100 jobs, or 0.1 percent, during the 12 months ending August 2021, compared with a loss of 2,000 jobs, or 2.3 percent, a year earlier. The decline a year ago was largely because the HMA has a large share of leisure and hospitality jobs, and travel was the hardest-hit industry from the countermeasures to slow the spread of COVID-19. Before the pandemic, payroll growth averaged 4.5 percent, annually, from 2012 through 2019. The unemployment rate averaged 6.1 percent during the most recent 12 months, down from 6.8 percent a year ago. During the 3-year forecast period, nonfarm payrolls are expected to increase at an average annual rate of 2.5 percent.

Sales Market

Very Tight. As of August 2021, a 1.4-month supply of homes was available for sale (Redfin, a national real estate brokerage).

The home sales market in the HMA is currently very tight, with a sales vacancy rate estimated at 1.0 percent, down from 4.2 percent in 2010. The decline is largely the result of a prolonged shortage of for-sale housing; the inventory of homes for sale has been less than 6 months (typically indicative of a balanced market) since early 2014. Home sales totaled 8,675 during the 12 months ending August 2021, up 18 percent from a year ago, and the average home sales price increased almost 26 percent to $571,300 (CoreLogic, Inc., with adjustments by the analyst). During the forecast period, demand is expected for 5,750 new homes, and the estimated 840 homes currently under construction will meet a small portion of that demand.

Rental Market

Tight. The overall rental market has an estimated rental vacancy rate of 3.5 percent, down from 10.9 percent in 2010 when conditions were very soft.

Apartment market conditions are very tight, with a vacancy rate of 2.2 percent during the second quarter of 2021, compared with 3.2 percent a year ago, and the average asking rent increased 9 percent to $1,266 (Moody's Analytics REIS). Since 2010, nearly three-fourths of apartment completions in the HMA have been in the city of Bend, with the second highest concentration, 10 percent, in the city of Redmond. Approximately 64 percent of renter households live in single-family homes (2019 American Community Survey [ACS], 1-year data); the vacancy rate for professionally managed single-family homes was 2.1 percent in July 2021, down from 2.5 percent a year ago (CoreLogic, Inc.). During the forecast period, demand is expected for 1,975 rental units, and the 990 units under construction will meet a portion of that demand.

TABLE OF CONTENTS

3-Year Housing Demand Forecast

		Sales Units	Rental Units
Bend HMA	Total Demand	5,750	1,975
	Under Construction	840	990

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, 2021. The forecast period is September 1, 2021, to September 1, 2024.
Source: Estimates by the analyst

Economic Conditions

Largest Sectors: Education and Health Services and Wholesale and Retail Trade

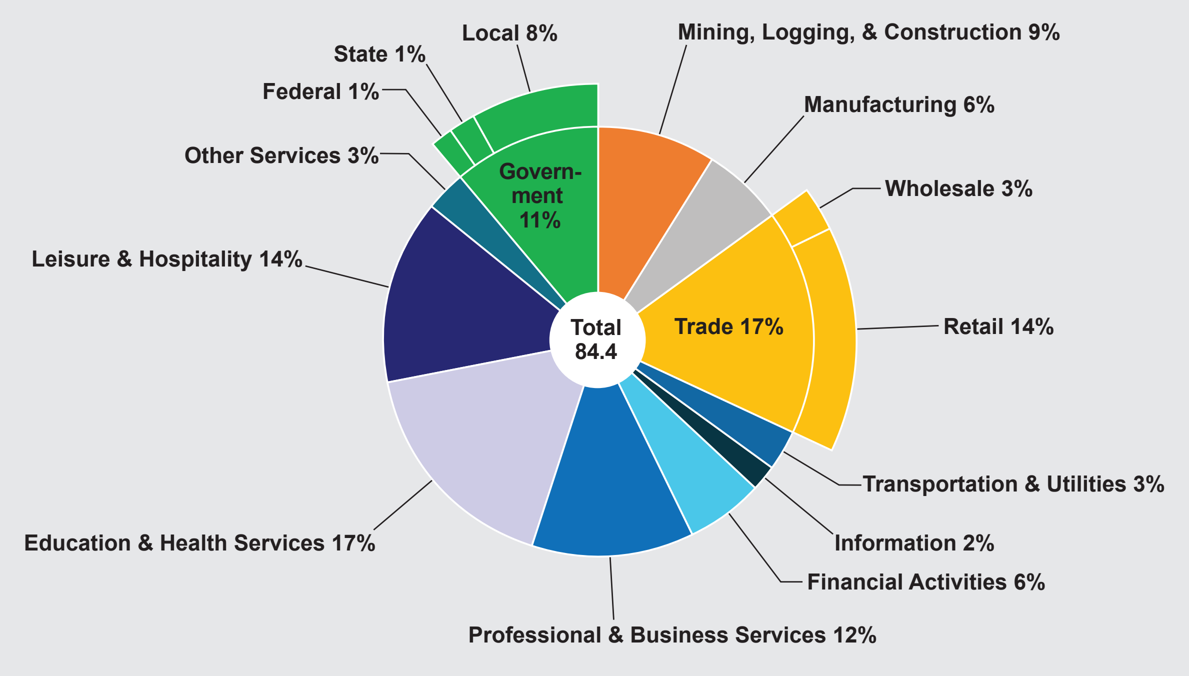
Nonfarm payrolls in the Bend HMA fell at a slower rate than in the nation during the recession in early 2020 and have recovered at a faster pace. During the 12 months ending August 2021, national payrolls were down 0.8 percent from a year ago, compared with a 0.1-percent increase in the HMA.

Primary Local Economic Factors

The Bend HMA is unique 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 western United States, such as Aspen and Lake Tahoe. This juxtaposition has garnered national recognition for the HMA, contributing to very strong population growth and a booming tourism industry. The HMA was third on the list of Fitness-Friendly Places for 2021, according to SmartAsset. Additionally, the HMA consistently ranked in the top 10 of the fastest growing metropolitan areas in the country since 2015. In 2019, before the pandemic, the HMA had the fourth fastest rate of population growth among all metropolitan areas in the country (intercensal population estimates by the Census). The city of Bend ranked seventh on the *Forbes* list of Best Small Places for Business and Careers in 2019, supporting the notion that the HMA is a place for industry as well as leisure.

Travel spending in the HMA increased for 10 consecutive years, at an average annual rate of 5.6 percent through 2019, to more than $1 billion (traveloregon.com). The economic instability and public health and safety measures, which began in March 2020 to slow the spread of COVID-19, severely impacted tourism in the HMA, and direct travel spending fell nearly 39 percent in 2020 to $624.2 million. The HMA has a large leisure and hospitality sector to support the tourism industry, currently accounting for 14 percent of nonfarm payrolls (Figure 1), compared with less than 10 percent for the nation. By comparison, in 2019, before the pandemic, the shares of payrolls in the leisure and hospitality sector were almost 16 and 11 percent, for the HMA and nation, respectively.

Figure 1. Share of Nonfarm Payroll Jobs in the Bend HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to totals due to rounding. Based on 12-month averages through August 2021.
Source: U.S. Bureau of Labor Statistics

One of the consequences of the growing tourism industry in the HMA is reduced housing affordability for permanent residents, especially with the rise in short-term rentals (STRs). STRs increase the supply of accommodations for tourists while reducing the amount of available housing for permanent residents, which then increases housing costs. In 2016, the city of Bend issued 631 STR licenses, and in 2020, the city had 933 active licenses (City of Bend, Office of Performance Management 2020 study). By structure type, STRs make up almost 5.5 percent of condominiums in the HMA, 3.1 percent of apartments, and 2.6 percent of single-family homes. Despite reduced housing affordability because of STRs, a 2017 study found that in Central Oregon, the average daily rate charged for an STR was $209, equating to annual revenue of more than $32.2 million in the city of Bend (Assessing and Responding to Short-Term Rentals in Oregon, Sadie Dinatale, University of Oregon). Furthermore, transient room tax (TRT) collections for the HMA and the city of Bend increased since the onset of the pandemic, mainly due to increased occupancy rates for STRs and other vacation rentals, whereas hotel occupancy rates declined. In total, TRT collections from July 2020 to June 2021 increased 52 and 26 percent in the HMA and city of Bend, respectively, compared with collections during the 2019–20 fiscal year (Central Oregon Visitors Association).

Current Conditions—Nonfarm Payrolls and Pandemic Effects

Economic conditions in the HMA are currently stable but improving. By comparison, during the early stages of the COVID-19 pandemic, when nonessential travel was discouraged—one of the many restrictions enacted in March 2020 to slow the spread of the virus—declining tourism in the HMA contributed to severe job losses. The HMA lost 15,000 nonfarm jobs in March and April 2020, and 7,000 of those jobs, or 47 percent, were in the leisure and hospitality sector. The gradual relaxing of restrictions has contributed to the start of an economic recovery, although, on a monthly basis, current payrolls are still 2.2 percent below prepandemic levels in February 2020 (not seasonally adjusted). During the 12 months ending August 2021, nonfarm payrolls increased year-over-year by 100 jobs, or 0.1 percent (Table 1). While modest, current job growth is in stark contrast to a year-over-year decline of 2,000 jobs, or 2.3 percent, during the 12 months ending August 2020.

The largest payroll gain during the 12 months ending August 2021 occurred in the wholesale and retail trade sector, which added 600 jobs, or 4.4 percent, compared with a loss of 400 jobs, or 2.8 percent, during the previous 12 months. Growth in this sector is highly correlated with consumer confidence and spending, which has improved since the onset of the pandemic. During the current 12-month period, the leisure and hospitality sector—which was responsible for 70 percent of the payroll losses during the 12 months ending August 2020—added the second most jobs, up by 200 jobs, or 1.7 percent. Some of the job gains were from people being rehired when businesses reopened in early 2021; however, according to the state of Oregon (qualityinfo.org), nearly 50 new businesses in the leisure and hospitality sector opened during the past year, whereas only 5 were permanently closed. Monthly payrolls in August 2021 for both of these sectors surpassed

Table 1. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Bend HMA, by Sector

	12 Months Ending August 2020	12 Months Ending August 2021	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	84.3	84.4	0.1	0.1
Goods-Producing Sectors	12.8	12.6	-0.2	-1.6
Mining, Logging, & Construction	7.3	7.3	0.0	0.0
Manufacturing	5.5	5.3	-0.2	-3.6
Service-Providing Sectors	71.5	71.8	0.3	0.4
Wholesale & Retail Trade	13.6	14.2	0.6	4.4
Transportation & Utilities	2.2	2.3	0.1	4.5
Information	1.7	1.7	0.0	0.0
Financial Activities	4.9	5.0	0.1	2.0
Professional & Business Services	10.4	10.0	-0.4	-3.8
Education & Health Services	14.5	14.6	0.1	0.7
Leisure & Hospitality	12.0	12.2	0.2	1.7
Other Services	2.9	2.9	0.0	0.0
Government	9.4	9.0	-0.4	-4.3

Notes: Based on 12-month averages through August 2020 and August 2021. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

prepandemic levels in February 2020 by more than 2.0 percent (not seasonally adjusted), but neither sector has returned to the level of payrolls during the 12 months ending August 2019.

Most of the job gains during the past 12 months were offset by ongoing losses in the government sector, the professional and business services sector, and the manufacturing sector. Both the government sector and the professional and business services sector fell by 400 jobs during the 12 months ending August 2021, declines of 4.3 and 3.8 percent, respectively. The decline in government payrolls was concentrated in the local government subsector, largely because of the transition to remote learning and budget shortfalls that caused furloughs and layoffs. Job losses in the professional and business services sector were mainly attributable to reduced demand for administrative support services related to office work because of a sharp increase in remote workers. This occurred despite ibex Limited, one of the largest employers in the HMA (Table 2), hiring 300 workers at their call center in the city of Bend. Public health and safety concerns led to reduced staffing in many manufacturing facilities to maintain social distancing requirements. Manufacturing sector payrolls declined by 200, or 3.6 percent, during the past 12 months. Furthermore, the pandemic disrupted many supply chains, causing material shortages which slowed the production of goods and, in turn, lowered the need for labor in this sector.

Table 2. Major Employers in the Bend HMA

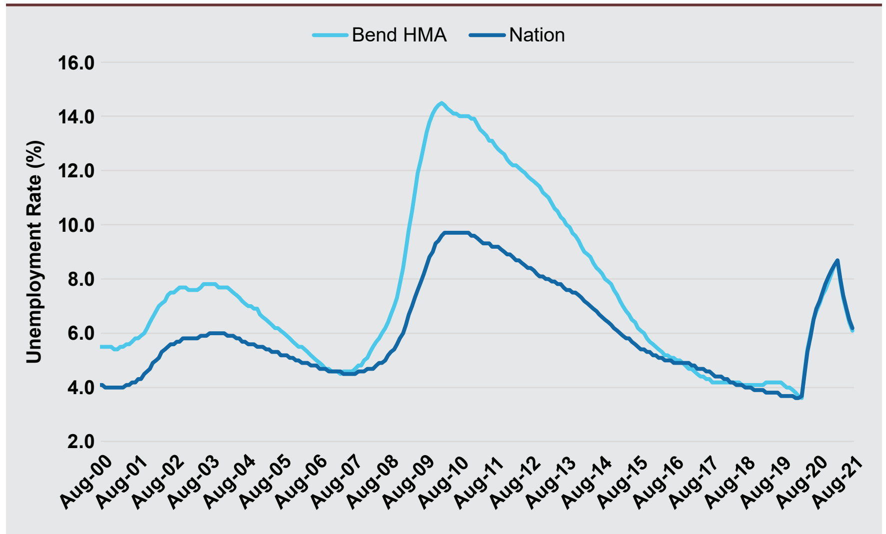
Name of Employer	Nonfarm Payroll Sector	Number of Employees
St. Charles Health System, Inc.	Education & Health Services	3,648
Mt. Bachelor	Leisure & Hospitality	860
Central Oregon Community College	Government	665
ibex Limited	Professional & Business Services	665
Summit Health	Education & Health Services	587
Safeway (Albertsons Companies, Inc.)	Wholesale & Retail Trade	439
Lonza Group	Manufacturing	438
Oregon State University–Cascades	Government	416
Les Schwab Tire Centers	Wholesale & Retail Trade	385
PacificSource Health Plans	Financial Activities	365

Note: Excludes local school districts.
Sources: Moody's Economy.com and additions by the analyst

Current Conditions—Unemployment

The unemployment rate in the HMA, which reached a 12-month average peak of 14.5 percent in February 2010 because of the Great Recession, averaged 6.1 percent during the 12 months ending August 2021, down from 6.8 percent a year prior (Figure 2). The decline in the rate during the past year is due to employment growth outpacing growth in the labor force. The current rate, however, is still higher than the 4.2-percent rate during the 12 months ending August 2019. By comparison, the national jobless rate was 6.2 percent during the 12 months ending August 2021, down from 6.9 percent a year ago but up from 3.7 percent during the 12 months ending August 2019.

Figure 2. 12-Month Average Unemployment Rate in the Bend HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

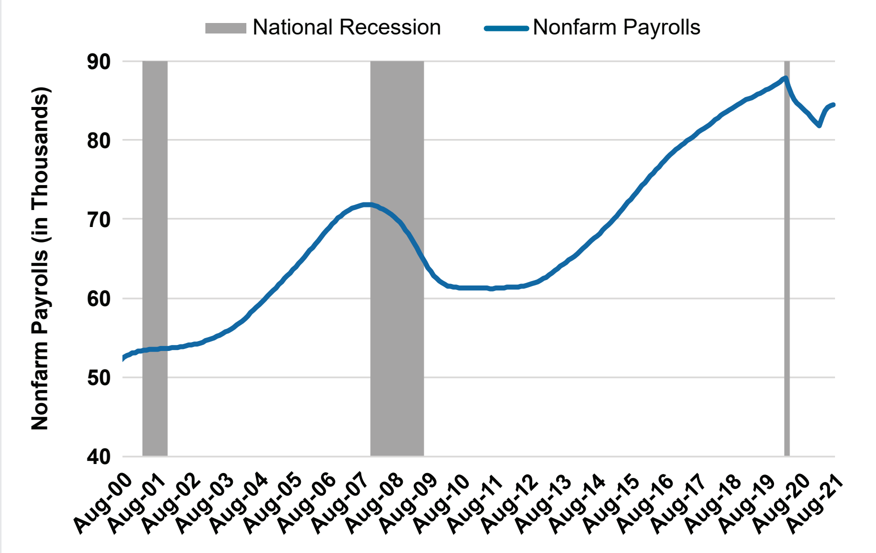
2000 Through 2007: Economic Expansion

Despite a slow start at the beginning of the decade because of the dot-com recession, nonfarm payrolls in the HMA increased from 2001 through 2007 (Figure 3) at an average annual rate of 4.4 percent, or 2,700 jobs a year. During this period, nearly all payroll sectors were growing, but a few sectors contributed 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. This growth was matched by the professional and business services sector, which also added an average of 500 jobs, or 7.8 percent, annually. The education and health services and the 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 6.4 and 3.7 percent, a year, respectively. Most of the job gains were realized through 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 as direct travel spending increased at an average rate of 7.5 percent, or $27.74 million (traveloregon.com), annually, contributing to an average annual increase of 300 jobs, or 3.6 percent, in the leisure and hospitality sector. Although average annual payroll growth was strong during the 2000-through-2007 period, growth slowed to 2.4 percent, or 1,700 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 Great Recession

The effects of the Great Recession were harsh in the HMA because the rapid population growth, which was fueling much of the previous economic expansion, slowed dramatically when net out-migration occurred from 2008 to 2010. Nonfarm payrolls declined from 2008 through 2010 at an average annual rate of 5.1 percent, or 3,500 jobs. Mining, logging, and construction sector payrolls, which began to struggle a year prior, lost an average of

Figure 3. 12-Month Average Nonfarm Payrolls in the Bend HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

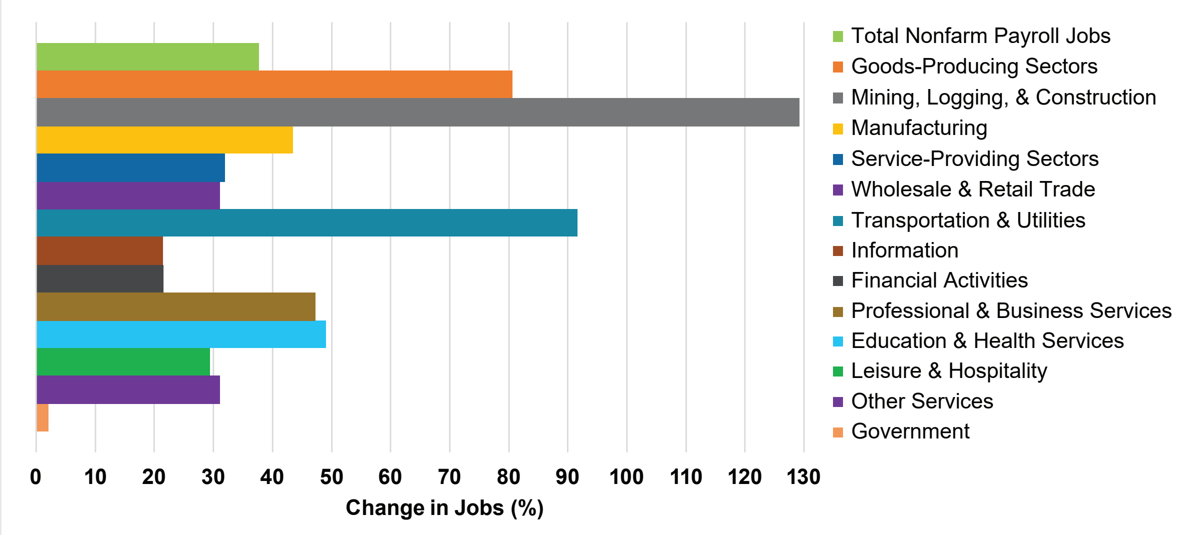
1,600 jobs, or 25.4 percent, annually, accounting for almost one-half of all jobs lost during the recession. The sector accounted for 12 percent of payrolls in 2006 before job losses began, and the sector ended the recession accounting for less than 6 percent. The struggling housing market also caused 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 substantial strain on household finances, negatively impacting nearly all service-providing sectors, led by the wholesale and retail trade sector, which lost an average of 600 jobs, or 4.8 percent, a year, followed by the leisure and hospitality sector, which fell by an average of 400 jobs, or 3.8 percent, annually. Direct travel spending in the HMA continued increasing during the period, but the growth in expenditures slowed to an average annual rate of 2.5 percent from 2008 through 2010 (traveloregon.com). Education and health services and government were the only two sectors to record job gains during the recession. In 2011, nonfarm payrolls bottomed out, and net in-migration returned, indicating the start of economic recovery.

2012 Through 2019: Economic Recovery and Expansion

Economic recovery in the HMA was in full effect from 2012 through 2013, with nonfarm payrolls increasing by an average of 1,900 jobs, or 3.1 percent, a year, and all sectors added jobs. In 2014, payrolls surpassed the prerecession high from 2007, and the recovery transitioned into an expansion. Payroll growth more than doubled, averaging a gain of 4,500 jobs, or 6.5 percent, annually, from 2014 through 2016, landing the HMA a number one spot on *Forbes* list of The Best Small Places for Business and Careers in 2016. The economy continued to expand until the pandemic, although the rate of payroll growth slowed to an average of 3.4 percent, or 2,800 jobs, annually, from 2017 through 2019.

Improving household finances allowed for increased discretionary spending, contributing to job gains in service-providing sectors. Nearly 70 percent of the job growth from 2014 through 2019 was concentrated in four payrolls sectors: the education and health services sector, the professional and business services sector, the leisure and hospitality sector, and the mining, logging, and construction sector. The education and health services sector has continued an uninterrupted growth trend since 2001, adding an average of 700 jobs, or 5.8 percent, each year. During the same period, a rebound in the tourism industry—which saw direct travel spending increase at an average rate of 6.8 percent, or $48.4 million, a year from 2014 to 2019 (traveloregon.com)—contributed to strong gains in the leisure and hospitality sector, which added an average of 600 jobs, or 5.3 percent, annually. Job growth in the professional and business services sector stemmed from hiring at call centers, including ibex Limited, but also from increased hiring at small firms, many of which are in the small, but growing, high-tech industry. From 2014 through 2019, establishments with less than five employees increased 57 percent, from approximately 3,600 firms to 5,650 firms, with the second fastest growth, almost 23 percent, among firms with five to nine employees (Oregon Employment Department). Firms with 50 to 100 employees expanded almost 20 percent during the period, and those with more than 100 workers grew the slowest, at 2 percent. In 2018, approximately 4,500 people were employed in high tech jobs in the HMA, a nearly 74-percent increase from 2013, whereas high tech wages increased almost 6 percent during the period (*Bend Bulletin*). Elevated net in-migration, in response to stronger economic conditions and the quality of life that the HMA offers, resulted in rapidly tightening housing markets and increased demand for new homes. This dynamic contributed to an average annual increase of 600 jobs, or 11.2 percent, in the mining, logging, and construction sector, which has been the fastest growing sector in the HMA since economic recovery began in 2012 (Figure 4).

Figure 4. Sector Growth in the Bend HMA, 2012 to Current



Note: The current date is September 1, 2021.
Source: U.S. Bureau of Labor Statistics

Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 2.5 percent annually. Stronger job growth is anticipated in the early part of the forecast period as COVID-19 restrictions are relaxed further and businesses continue to reopen. Nonfarm payrolls are projected to return to prepandemic levels during the second year of the forecast period, with most of the job growth coming from small firms expanding. Job growth is expected to continue in nearly all sectors of the economy, propelled by increased demand for goods, services, and housing due to strong population growth. Tourism will continue to be a cornerstone of the economy, although labor shortages may curtail otherwise faster job growth in the leisure and hospitality sector. Even though visitor volumes and direct travel spending fell in 2020 because of the measures used to slow the spread of COVID-19, both metrics are anticipated to resume growth similar to prepandemic patterns, which will funnel money into the HMA and support the economy. The growing and aging population will continue to fuel job gains in the education and health services sector. St. Charles Health System recently announced plans to fill 290 positions for nursing specialties and an additional 300 for other support roles in several hospitals throughout the HMA (*The Bulletin*). Lonza Group, another major employer in the HMA, will undergo a $10 million expansion of its manufacturing operations and add 35 jobs during the next several years. Additionally, the mining, logging, and construction sector is expected to add jobs at a strong pace to support the housing needs of the growing population. Pahlisch Commercial plans to start construction in 2022 on a 179-acre, mixed-use development that will include hundreds of apartments, townhomes, and single-family homes, along with space for retail, medical and professional services.

Population and Households

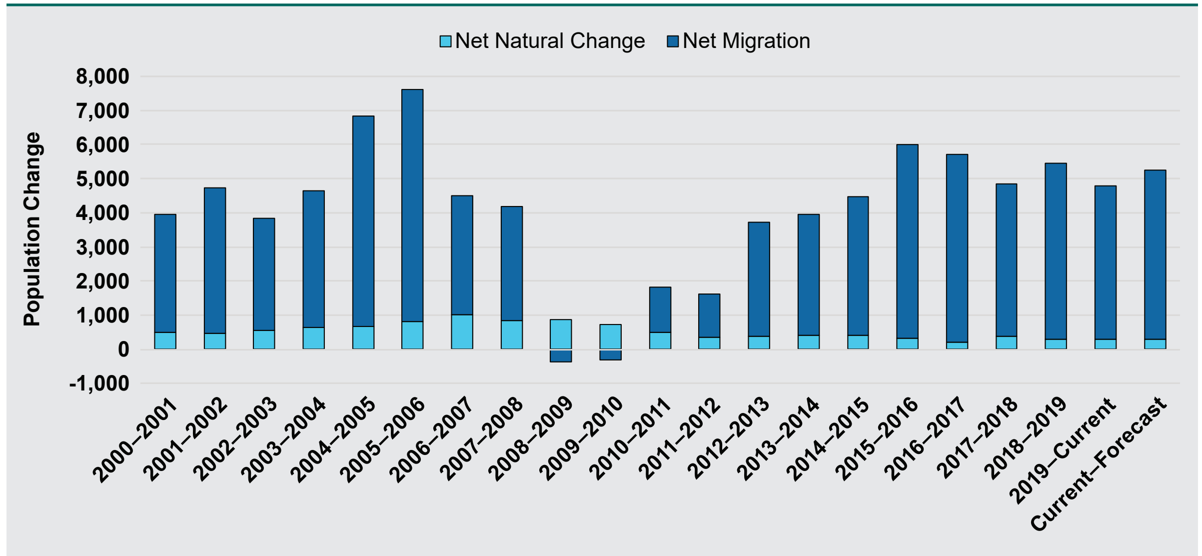
Current Population: 205,700

Net in-migration has accounted for nearly 92 percent of population growth since 2010.

Population Trends

Population growth in the HMA is mainly tied to 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 has accounted for less than 13 percent of annual population growth in the HMA since 2000 and has generally trended down since 2009 (Figure 5). As of September 1, 2021, the population of the HMA is estimated at 205,700, reflecting an average annual increase of 5,250, or 2.8 percent, since 2015; net in-migration accounted for 94 percent of the growth.

Figure 5. Components of Population Change in the Bend HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (September 1, 2021) to September 1, 2024.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

Population growth in the early 2000s was relatively steady as the economy was rebounding from the dot-com recession, and it then accelerated as the economy expanded until the onset of the Great Recession, which resulted in the only period of net out-migration from the HMA in the last 20 years. From 2000 to 2004, population growth averaged 4,325 people, or 3.5 percent, annually—net in-migration accounted for 87 percent of the increase—and accelerated to growth of 7,200 people, or 5.2 percent, in 2006. During the latter period, net in-migration averaged 6,450 people annually, accounting for 90 percent of the increase. Population growth continued from 2006 to 2008, but at a reduced pace in response to slowing economic growth and the early impacts of the national recession; net in-migration fell to an average of 3,375 people annually, resulting in average annual population growth of 4,325 people, or 2.9 percent. A similar trend is visible in payroll data: although job growth continued throughout 2007, the rate of growth was less than one-half that of the previous year.

The Great Recession had severe consequences on migration patterns in the HMA. Rapidly declining home prices and homebuilding activity led to a quick downturn in construction industry payrolls and in the number of people moving to the HMA who had been attracted to strong hiring in the industry. From 2008 to 2010, net out-migration averaged 360 people annually. Population growth continued during the period by an average of 520 people, or 0.3 percent, a year, because net natural change remained elevated, averaging 880 people annually.

Net in-migration rebounded slowly after the end of the recession, similar to economic patterns. Job growth returned, albeit at a slow rate, in 2011, and from 2010 to 2012, the population increased by an average of 1,525 people, or 1.0 percent, annually; net in-migration averaged 1,125 people a year, accounting for nearly three-fourths of the growth, whereas net natural change slowed to an average of 400 a year.

As economic growth accelerated, net in-migration rose quickly, averaging 3,650 people a year, contributing to an average population growth of 4,050 people, or 2.4 percent, annually, from 2012 to 2015. Older professionals and young retirees, aged 55 to 74 years old, were the strongest growing cohort during the period, partly due to people aging in the HMA, and also from net in-migration from this demographic who are generally physically able to take advantage of the recreational opportunities in the area. Each year from 2015 through 2019, the HMA ranked in the top 10 fastest growing metropolitan areas in the country, largely driven by strong economic growth, but also the unique quality of life. During this time, the population increased by an average of 5,500, or 3.0 percent, annually, and net in-migration accounted for nearly 95 percent of the growth.

Since 2019, the HMA population has increased by an average of 4,800, or 2.4 percent, annually, and the share attributable to net in-migration is 94 percent. The slowdown in the rate of population growth reflects several factors, including the COVID-19 pandemic recession, although the rate of job growth started slowing in 2017. The HMA is a prime destination to relocate for households that were able to take advantage of the increased use of remote work. Conversely, the high concentration of jobs in sectors and industries that were not able to adapt to remote work, most notably leisure and hospitality, likely had the opposite effect, with people moving out to seek more affordable housing arrangements. These opposing factors likely mitigated a sharper response to the pandemic recession.

Household Trends

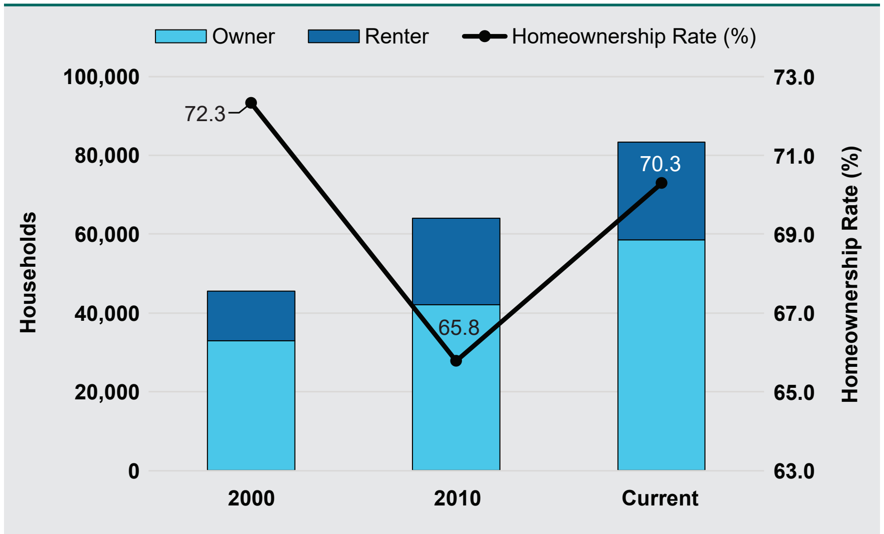
Household growth has generally tracked population growth in the Bend HMA since 2000. An estimated 83,300 households reside in the HMA as of September 1, 2021, reflecting an average annual increase of 1,675 households, or 2.3 percent, since 2010 (Table 3). By comparison, from 2000 to 2010, the number of households increased by an average of 1,850, or 3.5 percent, annually. An estimated 70.3 percent of current households, or 58,550 households, are homeowners, and the remaining 24,750 are renter households (Figure 6). Corresponding with the national trend of declining homeownership—largely a result of the Great Recession—the homeownership rate in the HMA declined from 72.3 percent in 2000 to 65.8 percent in 2010. Owner household growth has exceeded renter household growth in the HMA

Table 3. Bend HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	Population	157,733	205,700	221,500
	Average Annual Change	4,225	4,200	5,250
	Percentage Change	3.2	2.4	2.5
		2010	Current	Forecast
Household Quick Facts	Households	64,090	83,300	89,650
	Average Annual Change	1,850	1,675	2,125
	Percentage Change	3.5	2.3	2.5

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (September 1, 2021) to September 1, 2024.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 6. Households by Tenure and Homeownership Rate in the Bend HMA



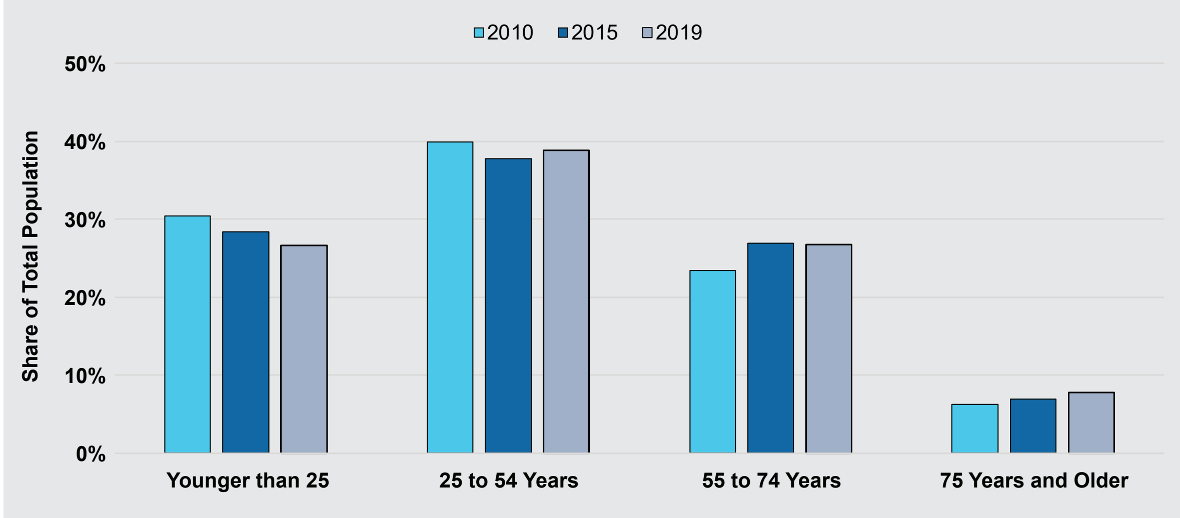
Note: The current date is September 1, 2021.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

since 2010, a reversal of the 2000-to-2010 trend, because demand for homeownership increased when the economy recovered from the Great Recession. From 2010 to the current date, the number of owner households increased at an average annual rate of 2.9 percent, or 1,400 households, compared with 2.5 percent average annual growth from 2000 to 2010. Renter households increased at an average annual rate of 1.0 percent, or 240 households, from 2010 to the current date, compared with an average annual increase of 5.7 percent from 2000 to 2010.

Age Cohort Trends

The largest age cohort in the HMA in 2019 was residents 25 to 54 years of age, constituting approximately 39 percent of the total population, up from 38 percent in 2015 but down from 40 percent in 2010 (Figure 7). This age cohort is anticipated to increase during the forecast period because this group is primed to take advantage of the increased use of remote work and is attracted to the ample outdoor recreational amenities and active lifestyle in the HMA. Despite little change in the share of residents aged 55 to 74 years since 2015, this age cohort added the most people on an average annual basis since 2010, up 4 percent, or 1,750 people. People in this age cohort are generally defined as late-career professionals or early-retirees—they can afford the cost of living in the HMA and partake in the plethora of outdoor recreation opportunities. The share of residents younger than 25 declined

Figure 7. Population by Age Range in the Bend HMA



Source: American Community Survey, 1-year data

during the period, although overall, the number of people in the cohort increased at an average annual rate of 1.0 percent. Residents 75 years of age and older represent the smallest, but fastest growing age cohort, increasing at an average annual rate of 5.1 percent from 2010 to 2019, constituting 8 percent of the total population in 2019, up from 6 percent in 2010. The rising share of older residents contributed to the decline in net natural change during the past decade.

Migration Trends

The quality of life offered in the HMA has attracted people to the area for decades, including a large share of people in the late-career or early-retirement stages of life. The largest share of net in-migration to the HMA stems from the Portland metropolitan area (Table 4), a trend which is anticipated to accelerate with the increased reliance on remote work since the onset of the pandemic. Other popular areas of origin are higher-cost areas in the West, including the Los Angeles and San Francisco, CA metropolitan areas. For those leaving the HMA, the most popular out-of-state destination is the Phoenix, AZ metropolitan area, a desirable place for late-stage retirees seeking a warmer climate, beneficial tax structure, and lower housing costs.

Forecast

Population growth is expected to continue during the 3-year forecast period at an average annual rate of 2.5 percent, or 5,250 people, slightly faster than the 2.4-percent average annual growth rate since 2019. The HMA will continue to benefit from elevated net in-migration, boosted by increased reliance on remote work and quality of life factors that attract people to the area. The population is expected to reach 221,500 by September 1, 2024. Approximately 94 percent of the growth will come from net in-migration.

Based on current and anticipated population growth and economic conditions, households in the HMA during the next 3 years are expected to increase by an average of 2,125, or 2.5 percent, annually, reaching 89,650 by September 1, 2024. Historically low mortgage interest rates should continue to encourage homeownership, and the homeownership rate is expected to increase to 71.5 percent by the end of the forecast period. Owner and renter households are anticipated to increase at average annual rates of 3.0 and 1.1 percent, respectively.

Table 4. Metro-to-Metro Migration Flows in the Bend HMA: 2014–18

Into the HMA	
Portland-Vancouver-Hillsboro, OR-WA	2,547
Los Angeles-Long Beach-Anaheim, CA	934
Eugene, OR	501
Medford, OR	378
Phoenix-Mesa-Scottsdale, AZ	188
Out of the HMA	
Portland-Vancouver-Hillsboro, OR-WA	1,705
Phoenix-Mesa-Scottsdale, AZ	599
Salem, OR	528
Eugene, OR	497
Medford, OR	485
Net Migration	
Portland-Vancouver-Hillsboro, OR-WA	842
Los Angeles-Long Beach-Anaheim, CA	672
Anchorage, AK	449
Tucson, AZ	397
San Francisco-Oakland-Hayward, CA	264

Source: U.S. Census Bureau Migration Flows, 2014–2018 American Community Survey, 5-year data

Home Sales Market

Market Conditions: Very Tight

During the 12 months ending August 2021, home sales and prices increased 18 and 26 percent, year-over-year, respectively (CoreLogic, Inc., with adjustments by the analyst).

Current Conditions

Sales housing market conditions in the HMA are currently very tight, with an estimated sales vacancy rate of 1.0 percent (Table 5), down from 4.2 percent in April 2010 when conditions were soft. A prolonged shortage of for-sale housing, in conjunction with strong population and economic growth before the pandemic, resulted in increased demand for sales housing and contributed to the decline in the vacancy rate. The inventory of homes for sale has been less than 6 months (typically indicative of a balanced market) since early 2014 (Redfin, a national real estate brokerage). As of August 2021, a 1.4-month supply of homes was available for sale, up from a 0.7-month supply a year ago and down from a recent high of 7.6 months in January 2014. Also contributing to the decline in for-sale inventory is a rise in the number of homes purchased as second homes and vacation rentals, which reduce the amount of available housing for permanent residents; since 2015, approximately one-third of home purchases in the HMA have been by absentee owners (Zonda), which are individuals or investment corporations that purchase homes without the intention of being the primary occupant of the property.

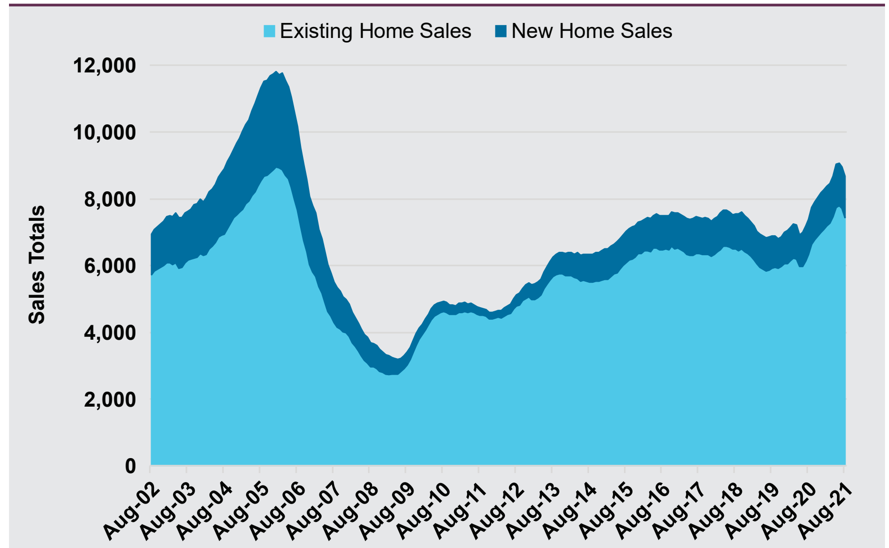
Home sales in the HMA have generally increased since the beginning of economic recovery from the Great Recession (Figure 8). During the 12 months ending August 2021, home sales totaled 8,675, up 18 percent from a year ago, following a 7-percent increase during the 12 months ending August 2020 (CoreLogic, Inc., with adjustments by the analyst). By comparison, from 2012 through 2019, home sales increased at an average annual rate of 5 percent.

Table 5. Home Sales Quick Facts in the Bend HMA

		Bend HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	1.0%	NA
	Months of Inventory	1.4	1.4
	Total Home Sales	8,675	6,896,000
	1-Year Change	18%	16%
	New Home Sales Price	$499,600	$429,800
	1-Year Change	10%	5%
	Existing Home Sales Price	$583,100	$385,400
	1-Year Change	28%	20%
	Mortgage Delinquency Rate	1.1%	2.7%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending August 2021; and months of inventory and mortgage delinquency data are as of August 2021. The current date is September 1, 2021.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; HMA home sales and prices—CoreLogic, Inc., with adjustments by the analyst; national home sales and prices—Zonda; Mortgage delinquency rates—CoreLogic, Inc.

Figure 8. 12-Month Sales Totals by Type in the Bend HMA



Source: CoreLogic, Inc., with adjustments by the analyst

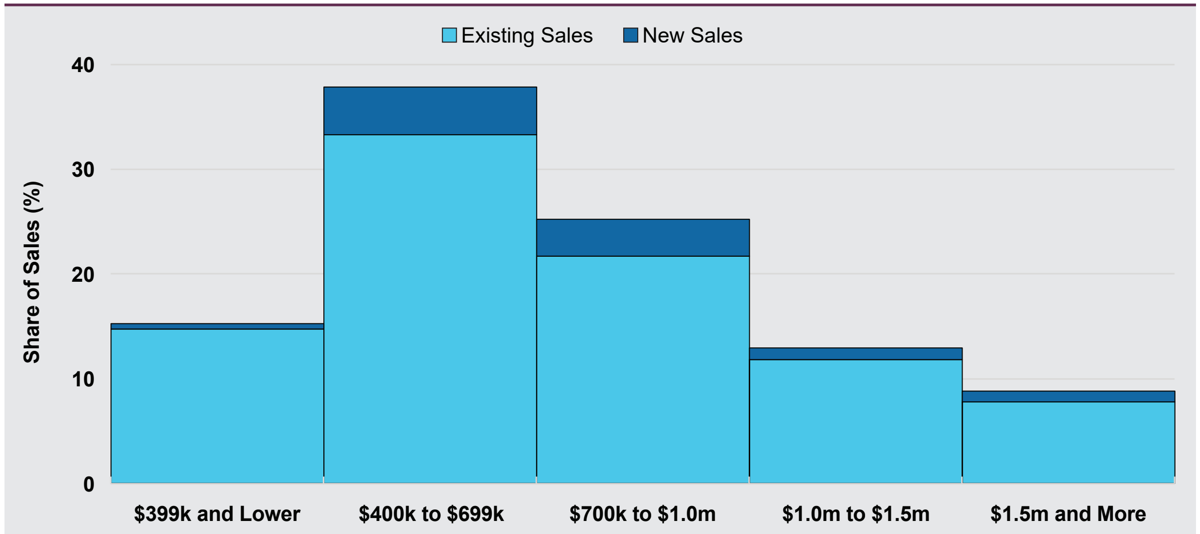
The average home sales price increased 26 percent during the 12 months ending August 2021, to $571,300, compared with a 9-percent increase during the previous 12 months. For historical context, from 2012 through 2019, the average home sales price rose at an average annual rate of 10 percent.

New Home Sales and Prices

During the 12 months ending August 2021, 1,225 new homes sold, up 16 percent from a year ago, accounting for 14 percent of total home sales in the HMA (CoreLogic, Inc., with adjustments by the analyst). By comparison, during the previous 12 months, new home sales increased 9 percent year-over-year. The current level of home sales is 57 percent below the peak of 2,875 new home sales in 2005 but more than five times the level of new home sales in 2011. New home sales were elevated from 2004 through 2006 during the buildup to the housing market crash, averaging 2,350 new home sales a year, and subsequently declined from 2007 through 2011 at an average annual rate of 37 percent to a low of 200 homes. Growth in new home sales was rapid during the early part of the economic recovery, increasing at an average annual rate of 47 percent from 2012 through 2015; during the period, new home sales averaged 730 each year. From 2016 through 2019, new home sales growth slowed to an average annual rate of 1 percent, averaging 1,000 new home sales each year. The deceleration in growth is partly due to supply-side constraints, including a limited supply of buildable land and increasing construction costs; demand remained high as evidenced by concurrent price growth.

The average new home sales price increased nearly 10 percent year-over-year during the 12 months ending August 2021, to $499,600, compared with a 4-percent increase a year before. The current average new home sales price is 27 percent greater than the prerecession peak in 2007 and 75 percent higher than the trough in 2012. The average new home sales price peaked in 2007, at $393,600, ending average annual price growth of 15 percent since 2002. As the economy deteriorated, so did prices; from 2008 through 2012, the average new home sales price fell at an average annual rate of 9 percent, to $241,900 despite a 4-percent increase in 2011. New home sales price growth was most rapid during the economic recovery and early expansion; from 2013 through 2016, prices increased at an average annual rate of 11 percent. Price growth slowed to an average annual rate of 7 percent through 2019. The largest concentration of new home sales during the past 12 months has been for homes priced from $400,000 to $699,999 (Figure 9).

Figure 9. Share of Overall Sales by Price Range During the 12 Months Ending August 2021 in the Bend HMA



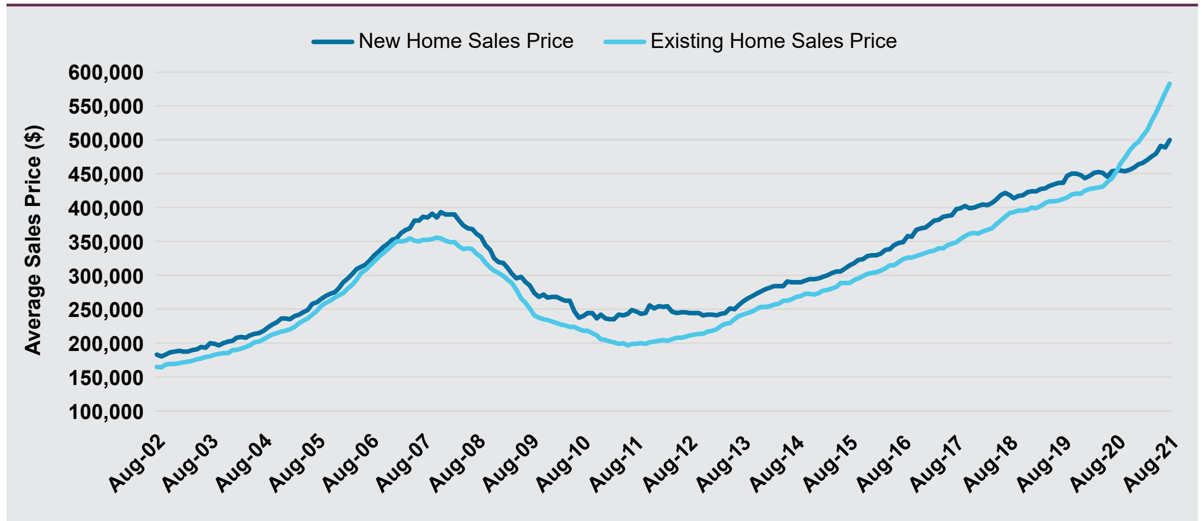
Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

Existing Home Sales and Prices

During the 12 months ending August 2021, 7,450 existing homes sold, up 18 percent from a year ago, compared with a 7-percent increase during the 12 months ending August 2020 (CoreLogic, Inc., with adjustments by the analyst). The current level of home sales is 16 percent below the high of 8,875 existing home sales in 2005 but nearly three times the level of sales in 2008. Existing home sales were elevated from 2002 through 2006 during the economic expansion leading up to the housing crisis, averaging 6,950 existing home sales a year. From 2006 through 2008, existing home sales declined at an average annual rate of 32 percent to a low of 2,800. Despite some fluctuations during the period, existing home sales generally increased from 2009 through 2019 at an average annual rate of 7 percent.

Since August 2020, the average sales price of an existing home has surpassed the average for new homes (Figure 10), partly a result of increased demand because of historically low interest rates, and also because of an increase in sales of higher-priced homes. In 2019, approximately 11 percent of existing home sales were for homes priced above $700,000, and that increased to 18 percent in 2020; year-to-date, 30 percent of home sales in the HMA were priced above $700,000 (Zonda). The average sales price of an existing home increased 28 percent in the HMA during the 12 months ending August 2021, to $583,100, preceded by a 10-percent year-over-year increase during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). The current average existing home sales price is 64 percent greater than the prerecession peak in 2007 and nearly three times higher than the trough in 2011. For context, existing home sales prices rose quickly before the housing market collapse, to a peak of $354,700 in 2007, and declined at an average annual rate of 13 percent through 2011 to a low of $202,100. Sales prices increased in tandem with the economy, and from 2012 through 2019, the average existing home sales price increased at an average annual rate of 10 percent. The largest concentration of existing home sales during the past 12 months has been for homes priced from $400,000 to $699,999.

Figure 10. 12-Month Average Sales Price by Type of Sale in the Bend HMA



Source: CoreLogic, Inc., with adjustments by the analyst

Delinquent Mortgages and REO Properties

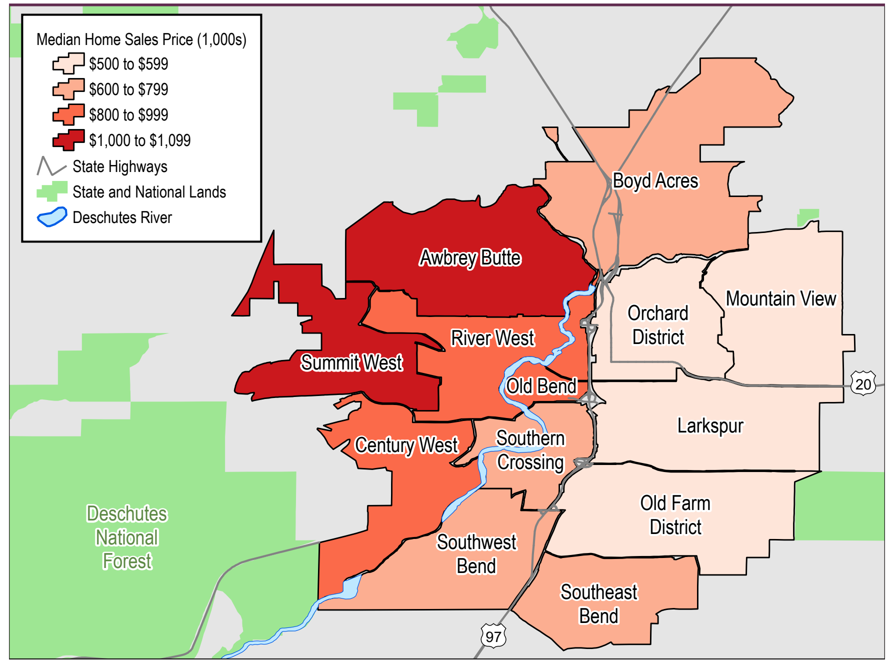
The rate of seriously delinquent mortgages and real estate owned (REO) properties in the HMA has remained below the national rate since mid-2013 (CoreLogic, Inc.). The HMA was slower to recover from the Great Recession than the nation, and the delinquency rate in the HMA surpassed the national rate in mid-2008. In 2010, the rate of seriously delinquent mortgages and REO properties in the HMA peaked at 10.3 percent in June; the national rate reached a high of 8.6 percent in February. Conversely, the HMA fared better than the nation during the recession in early 2020 in terms of mortgage delinquencies. In August 2021, 1.1 percent of mortgages in the HMA were seriously delinquent or in REO status, down from 2.3 percent a year earlier, but up from 0.4 percent in August 2019. Nationally, the rate was 2.7 percent in August 2021, down from 4.4 percent a year earlier, but up from 1.4 percent in August 2019. Mortgage forbearance policies provided through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) likely mitigated an increase in REO properties during the period.

Home Sales by Geography and Short-Term Rentals

While it is difficult to isolate the impact of STRs and second homes, it is evident in the data that home sales prices are greater in areas closest to tourist destinations. STRs exist throughout the HMA, but there is a large concentration in three neighborhoods in the city of Bend: River West, Old Bend—close to the Old Mill District, which is a large draw for tourists—and Century West, which is closest to Mt. Bachelor. The median home sales price was $600,000 in the HMA during the 3 months ending August 2021, up almost 32 percent from a year ago, and approximately 570 homes sold during the period compared with 720 a year earlier (Redfin, a national real estate brokerage). More than 10 percent of current home sales were in the River West neighborhood, where the median sales price was $800,000, up 21 percent from a year ago. The Old Bend neighborhood accounted for only 2 percent of current home sales, and the average price increased 13 percent from a year ago to $818,000. In the Century West neighborhood, 40 homes sold at a median price of $875,000, up 21 percent from a year ago. Map 1 provides median sales prices by neighborhood in the city of Bend during the 3 months ending August 2021.

The two major cities in the HMA are Bend and Redmond. A considerable number of residents who work in Bend commute from Redmond, although a significant manufacturing industry in Redmond produces the reverse flow of commuters. In general, housing costs are lower in Redmond. The median sales

Map 1. Median Home Sales Prices by Neighborhood in the City of Bend



Source: Redfin, a national real estate brokerage

price of a home in Redmond was $465,000 in August 2021, up 28 percent from a year ago and almost 23 percent less than the median sales price of $600,000 in Bend. The disparity in costs has decreased since 2015, when the median sales price in Redmond was 33 percent less than that of Bend.

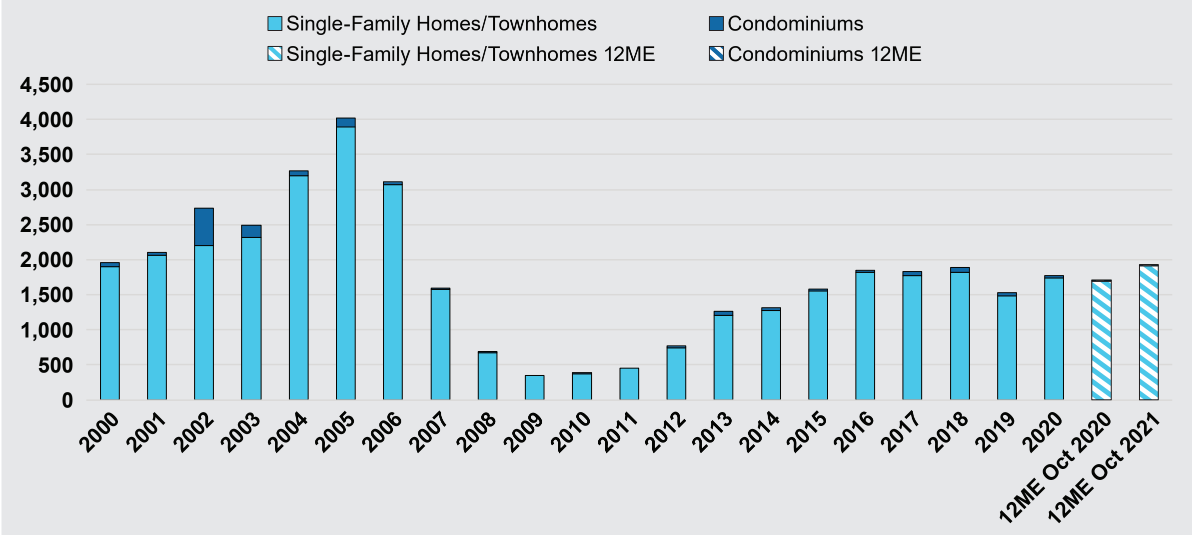
Sales Construction Activity

Economic recovery following the Great Recession began in 2012, and the effects were evident in the sales market a year later. Homebuilders responded to the improving sales market conditions by increasing new home production. Current new home construction, as measured by the number of single-family homes, townhomes, and condominiums permitted (building permits), is well below the levels before the housing collapse and Great Recession but significantly higher than the trough from 2008 through 2012 (Figure 11).

During the 12 months ending August 2021, 1,925 homes were permitted, up 14 percent from the 1,700 homes permitted a year earlier (preliminary data, with adjustments by the analyst). New home construction peaked from 2002 through 2006, averaging 3,125 homes permitted each year, because population and economic growth were very strong leading up to the housing crash. Subsequently, economic conditions weakened, household finances deteriorated, and population growth slowed, causing demand for new housing to drop; new home construction fell 49 percent in 2007 to 1,575. From 2008 through 2012, an average of 520 homes were permitted annually because construction financing was difficult to obtain. New home construction increased from 2013 through 2016 at an average annual rate of 25 percent as net in-migration strengthened and the economy expanded, and then plateaued, averaging 1,850 homes permitted each year from 2016 through 2018. In 2019, new home construction fell 20 percent, largely due to supply-side constraints impeding growth.

New home construction is occurring across the HMA, but the plurality of new home construction is in the city of Bend, accounting for nearly one-half of all new home construction in the HMA from 2015 through the current date. Unincorporated areas of Deschutes County accounted for almost

Figure 11. Annual Sales Permitting Activity in the Bend HMA



12ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

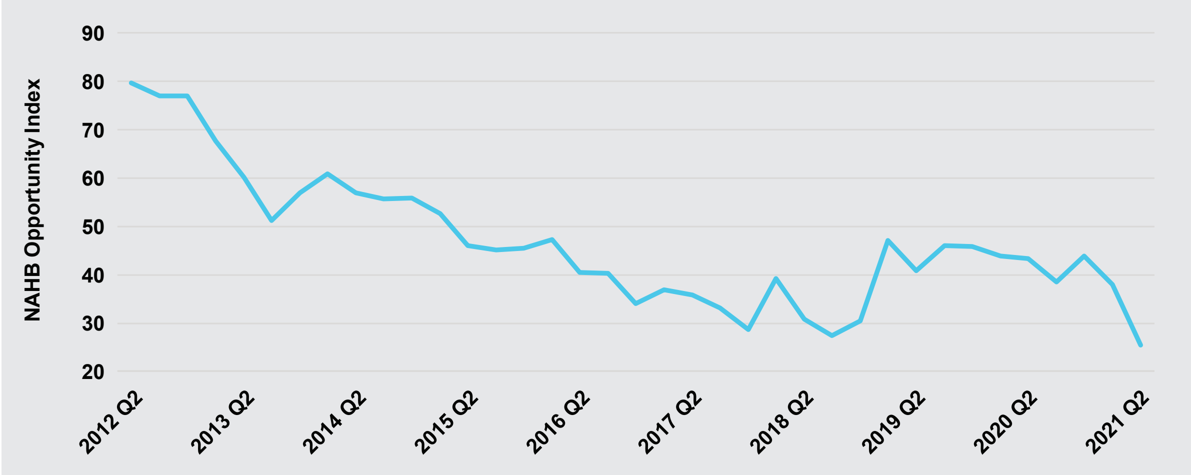
30 percent of new home construction during the same period, and the city of Redmond accounted for 20 percent. One of the larger new home subdivisions is Triple Ridge in Redmond. The final phase consists of 59 homes, of which 12 are currently for sale; sizes range from 1,450 to 2,600 square feet, and sales prices range from $399,900 to $639,900. Twelve of the lots are yet to be built out. Luderman Crossing, in the Larkspur neighborhood of Bend, consists of 118 lots, of which 56 have sold, and 7 are currently for sale; 55 lots are ready for buildout. Square-footage ranges from 1,000 to 2,500, and sales prices range from $444,900 for a two-bedroom home to $669,900 for a three-bedroom home.

Housing Affordability: Sales

Homeownership is becoming increasingly unaffordable in the HMA; affordability has been declining since 2012 because home prices increased faster than incomes. Much of the upward pressure on sales prices has been caused by households moving to the HMA from higher cost metropolitan areas, especially from California, where the average sales price of a home can be more than double that of the HMA, and also the rise in demand for STRs and vacation homes. The NAHB/Wells Fargo Housing Opportunity Index (HOI) for the HMA, which represents the share of homes sold that would have been affordable to a household earning the local median income, was 25.4 during the second quarter of 2021, down sharply from 43.4 during the second quarter of 2020, and down substantially from 79.7 during the second quarter of 2012 (Figure 12). Approximately 92 percent of the 236 ranked metropolitan areas were more affordable than the HMA during the second quarter of 2021.

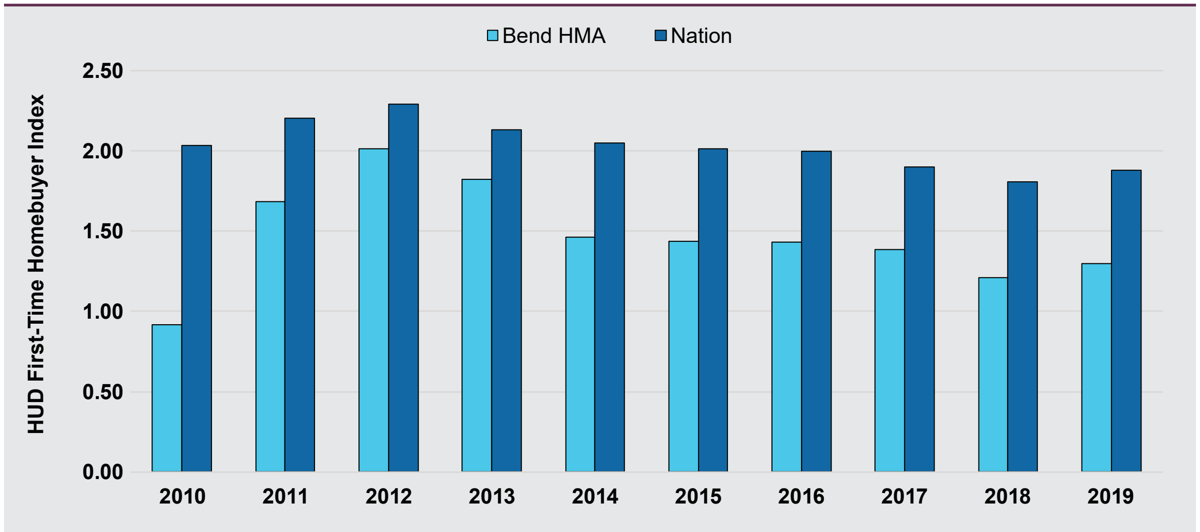
Since the early 2010s, homeownership in the HMA has become less affordable for households in the 25-to-44-year age cohort, a prime group for first-time homebuyers, than the nation as a whole. The HUD First-Time Homebuyer Affordability Index measures the median household income for householders aged 25 to 44 years old relative to the income needed to purchase the 25th percentile-priced home. The index increased from 0.92 in 2010 to a high of 2.02 in 2012 (Figure 13), largely because home prices plummeted during the Great Recession. From 2013 through 2018, the index declined as home prices rose faster than incomes, to a recent low of 1.21. In 2019, the index rose to 1.30, mainly because of low interest rates and increased household income. The HMA index remained notably below that of the nation; however, the national index followed a similar pattern. Although this index indicates relative affordability for first-time homebuyers in the HMA, it assumes a down payment equal to 10 percent of the home value, which is one of the major obstacles impeding homeownership for this age group.

Figure 12. Bend HMA Housing Opportunity Index



NAHB = National Association of Home Builders. Q2 = second quarter.
Sources: NAHB; Wells Fargo

Figure 13. Bend HMA HUD First-Time Homebuyer Index



Sources: American Community Survey, 1-year data; Federal Housing Finance Agency; and Zonda

Several state and local programs provide down payment assistance to qualifying households, typically first-time homebuyers and/or low-income households earning at or below 80 percent of the Area Median Family Income (AMFI), which was $83,000 in the HMA in 2021. One such program run by the state of Oregon awards down payment assistance funds to numerous organizations that serve the HMA, including Habitat for Humanity and NeighborImpact. Qualifying households that complete homebuyer education can receive up to $15,000 in down payment assistance. Furthermore, in 2019, the Oregon Legislature passed House Bill 2001, designed to increase the supply of affordable housing options for owners and renters in cities with 25,000 or more people through increased density and fewer design restrictions in order to lower construction costs.

Forecast

During the next 3 years, demand is estimated for 5,750 new homes (Table 6). The 840 homes currently under construction will meet a small portion of the demand during the first year of the forecast. New home construction during the forecast period would need to exceed the 2018-through-current annual average to meet expected demand and return the home sales market to more balanced conditions.

Table 6. Demand for New Sales Units in the Bend HMA During the Forecast Period

	Sales Units
Demand	5,750 Units
Under Construction	840 Units

Note: The forecast period is from September 1, 2021, to September 1, 2024.
Source: Estimates by the analyst

Rental Market

Market Conditions: Tight

Despite increased apartment construction since 2015, year-over-year apartment rent growth during the second quarter has been 7 percent or greater, except in 2020, when it was 5 percent (Moody's Analytics REIS), due to the negative impacts of the pandemic.

Current Conditions and Recent Trends

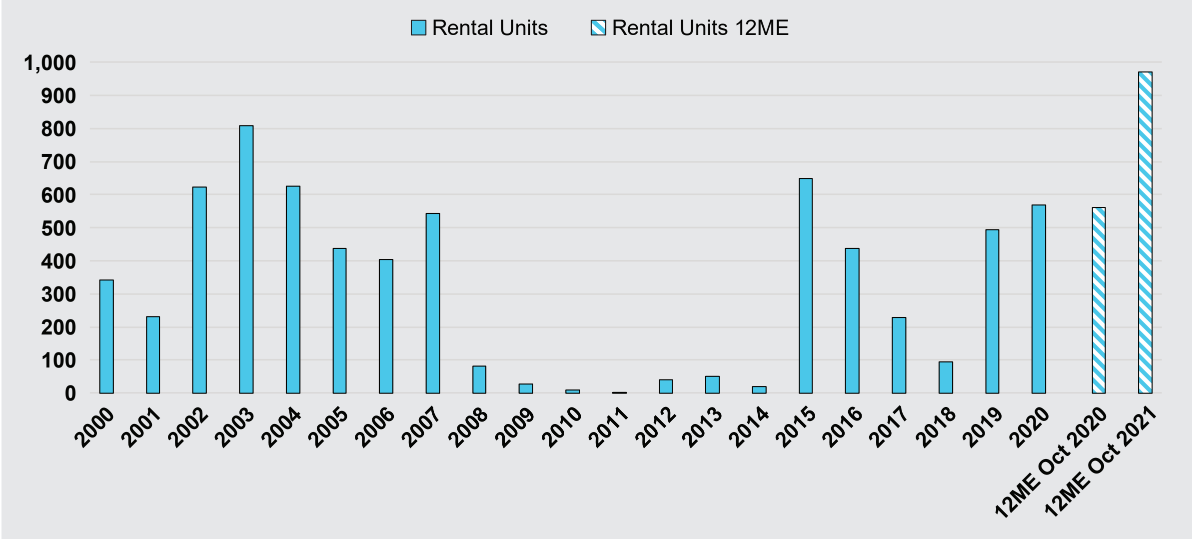
Rental market conditions are currently tight, with an estimated 3.5-percent vacancy rate, down from 10.9 percent in 2010 (Table 7) when conditions were very soft. The decline is due, in part, to elevated net in-migration, combined with very limited multifamily construction during the Great Recession and for several years after. Approximately 64 percent of renter households in the HMA lived in single-family homes in 2019, compared with 45 percent in 2015 (2015 and 2019 ACS 1-year data). Part of the increase in renter-occupied single-family homes is due to 7 years of very limited rental construction from 2008 through 2014 (Figure 14), despite population growth during most of the period. The vacancy rate for professionally managed single-family homes was 2.0 percent in August 2021, compared with 2.5 percent a year before, and the average rent for a three-bedroom home increased 21 percent to $2,047 (CoreLogic, Inc.).

Table 7. Rental and Apartment Market Quick Facts in the Bend HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	10.9	3.5
		2010 (%)	**2019 (%)**
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	52.9	64.0
	Multifamily (2–4 Units)	17.6	12.0
	Multifamily (5+ Units)	22.5	19.0
	Other (Including Mobile Homes)	7.1	5.0

YoY= year-over-year.
Notes: The current date is September 1, 2021. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey, 1-year data; apartment data—Moody's Analytics REIS

Figure 14. Annual Rental Permitting Activity in the Bend HMA

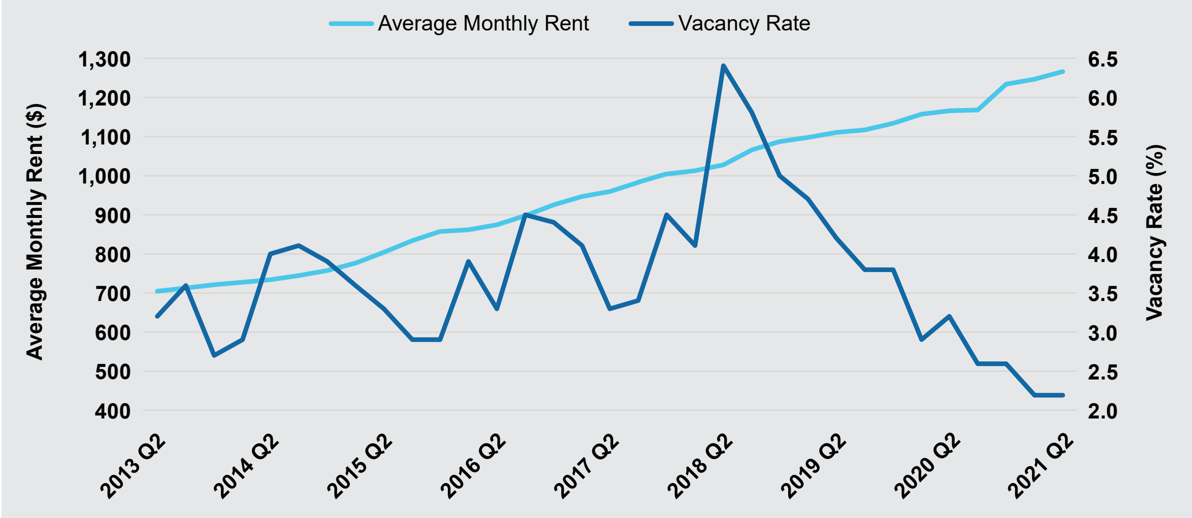


12ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Since 2012, the vacancy rate for single-family homes has been 3.8 percent or less. Year-over-year rent growth averaged 7 percent from 2013 through 2019 but fell 18 percent in 2020 because of public health and safety concerns during the early part of the pandemic.

Apartment market conditions in the HMA are very tight, with a vacancy rate of 2.2 percent during the second quarter of 2021, compared with 3.2 percent a year ago, and the average asking rent increased 9 percent to $1,266 (Figure 15; Moody's Analytics REIS). Federal- and state-level eviction protection policies, that extended through September 2021, likely helped mitigate some of the negative effects from the job losses and reduced income that resulted from measures used to slow the spread of COVID-19. The second quarter apartment vacancy rate was less than 5.0 percent (typically indicative of balanced market conditions in this HMA) since 2013, except in 2018, when it rose to 6.4 percent as the market was absorbing elevated construction that began in 2015. From 2014 through 2019, second quarter apartment rents increased at an average annual rate of 8 percent, despite a slowdown in absorption in 2018.

Figure 15. Apartment Rents and Vacancy Rates in the Bend HMA



Q2 = second quarter.
Source: Moody's Analytics REIS

Rental Construction Activity

Rental construction, as measured by the number of rental units permitted, 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. During the 12 months ending August 2021, approximately 970 rental units were permitted, up 71 percent from the 560 units permitted during the same period in 2020. Year-to-date, rental construction in 2021 is higher than any annual permitting activity since 2003, despite only 8 months worth of activity. For context, rental permitting averaged 690 units, annually, from 2002 through 2004, during the peak years of rental construction, followed by an average of 460 units, annually, through 2007. The subsequent slowing of the economy, followed by the Great Recession, caused rental construction to fall dramatically, and an average of 35 units were permitted annually from 2008 through 2014. Builders responded to tightening market conditions with a surge of rental construction in 2015, following several years of strengthening net in-migration, and 650 units were permitted. Construction remained elevated, but was on a downward trend, and 95 units were permitted in 2018 as builders paused while the market absorbed the high level of building since 2015. As rent growth remained strong, builders resumed at a swift pace, and rental construction increased to almost 500 units in 2019.

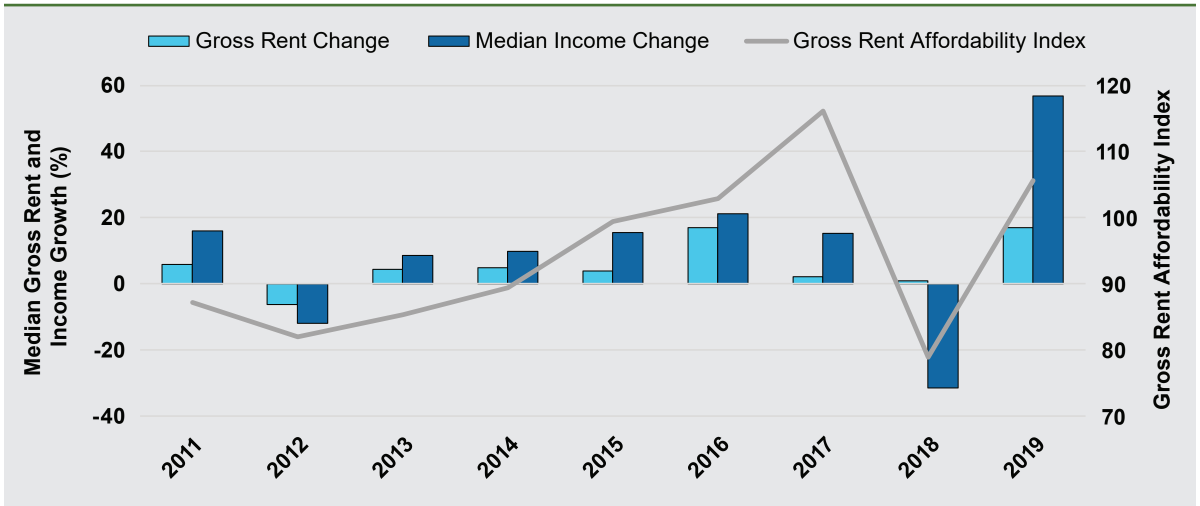
Since 2010, nearly three-fourths of apartment completions in the HMA have been in the city of Bend, with the second highest concentration, 10 percent, in the city of Redmond. One of the most recently completed developments in the HMA is targeted at seniors, who are the fastest growing age cohort in the HMA. The 23-unit Vintage at Bend opened in February of 2021 and is restricted to households 55 years and older. The property consists of one- and two-bedroom units, with rents starting at $736. The second phase of Reserves at Pilot Butte opened 82 units in May 2021, intended for general occupancy, and rents start at $1,820 for onebedroom units and $2,118 for two-bedroom units; the property was 47 percent occupied in August 2021. In 2020, the 203-unit The Hixon at Westside Yard opened, with studio, one-, and two-bedroom units with monthly rents from $1,495 to $1,730; the property is intended for general occupancy.

Housing Affordability: Rental

Rental housing has become increasingly affordable for most households in the HMA, unlike trends in the sales market. The HUD Gross Rent Affordability Index, a measure of median renter household income relative to the qualifying income for the median-priced rental unit, vacillated from 2011 through 2019, but generally trended up (Figure 16). The index was above 100 from 2015 through 2019 except for a steep decline in 2018. Income growth, outpacing rent growth in all but 2 years during the period, has caused affordability to increase in the HMA. In 2019, the index reached 105.6 due to a sharp increase in median income compared with 78.9 in 2018, but down from a high of 116.1 in 2017 when net in-migration, especially from higher cost metropolitan areas, was highest.

During the 2014-through-2018 period, an estimated 23.9 percent of all renter households in the HMA had a moderate to high cost-burden, spending between 31 and 50 percent of their income on rent, while 24.2 percent were severely cost-burdened, spending 51 percent or more of income toward rent (Table 8). Nationwide,

Figure 16. Bend HMA Gross Rent Affordability Index



MSA = metropolitan statistical area.
Notes: Rental affordability is for the larger Bend-Redmond MSA. The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website in that it is based on combined rent and utilities expenditure.
Source: American Community Survey, 1-year data

Table 8. Percentage of Cost Burdened Renter Households by Income, 2018

	Moderate to High Cost Burden: 31–50 Percent of Income Toward Housing Costs		Severe Cost Burden: 51 Percent or More of Income Toward Housing Costs	
	Bend HMA	Nation	Bend HMA	Nation
Renter Households with Income <50% HAMFI	15.9	24.7	69.9	51.2
Total Renter Households	23.9	21.8	24.2	22.6

CHAS = Comprehensive Housing Affordability Strategy. HAMFI = HUD Area Median Family Income.
Source: Consolidated Planning/CHAS Data, 2018 American Community Survey 5-year estimates. (huduser.gov)

a smaller proportion of renter households had moderate to high cost-burdens and severe cost-burdens, at 21.8 and 22.6 percent, respectively. Cost-burdens, however, are particularly notable for lower-income renter households in the HMA. For renter households with incomes less than 50 percent of the AMFI, a lower proportion, 15.9 percent, were paying between 31 and 50 percent of their incomes toward rent, but most of these households at these income levels, or 69.9 percent, were severely cost-burdened.

By comparison, nationwide, 24.7 percent of lower-income renter households were spending 31 to 50 percent of incomes toward rent, and 51.2 percent were spending more than 50 percent of incomes toward rent.

The prolonged period of generally tight rental market conditions in the HMA has led the state of Oregon and the city of Bend to adjust building and zoning regulations, with the most recent example being the passage of House Bill 2001. Additionally, new restrictions were placed on STRs, allowing only one license per property in a residential zone, no matter how many units there are, and requiring at least 250 feet of separation between active STRs. Another form of rental housing that has been gaining traction is accessory dwelling units (ADUs), through changes to zoning codes that began in 2016. From 2016 to 2020, an average of 90 ADUs were permitted in the HMA, annually. That is likely to increase once the cities implement the provisions of House Bill 2001. The plurality of these ADUs would functionally increase the supply of long-term rental housing in the HMA. Approximately 15 percent of the ADUs in the city of Bend have an associated STR license, indicating that most of those that were built to generate income were intended for long-term use (Office of Performance Management 2020 Study, City of Bend).

Forecast

During the next 3 years, demand is expected for 1,975 rental units (Table 9). The 990 units currently under construction will satisfy a portion of the demand. Additionally, some of the forecast rental demand may be met by ADUs. For the rental market to become balanced and meet demand supported by improving economic conditions and population growth, rental construction will need to increase from the current level. Rental construction is expected to be concentrated in the cities of Bend and Redmond, with a sizeable portion targeted at active seniors.

Table 9. Demand for New Rental Units in the Bend HMA During the Forecast Period

	Rental Units
Demand	1,975 Units
Under Construction	990 Units

Note: The forecast period is September 1, 2021, to September 1, 2024.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

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.
CARES Act	The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27th, 2020. The more than $2 trillion in federal funding provides economic assistance in response to the public health and economic impacts of COVID-19.
Cost Burdened	Spending more than 30 percent of household income on housing costs. Moderate to high-cost burden refers to households spending 31 to 50 percent of income on housing costs. Severe cost burden refers to households spending 51 percent or more of income on housing costs.
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.
Existing Home Sales	Include resale sales, short sales, and REO sales.
Forecast Period	9/1/2021–9/1/2024—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes new and existing single-family, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.

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

B. Notes on Geography

1.	**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 April 10, 2018.**
2.	**Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.**
3.	**The census tracts referenced in this report are from the 2010 Census.**

C. Additional Notes

1.	**The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.**
2.	**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.**
3.	**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/Map Credits

Cover Photo	Adobe Stock

Contact Information

Holi Urbas, Regional Economist
Seattle HUD Regional Office
206-220-5291
holi.m.urbas@hud.gov