

COMPREHENSIVE HOUSING MARKET ANALYSIS



Portland-Vancouver-Beaverton, Oregon-Washington

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of October 1, 2006

PD&R

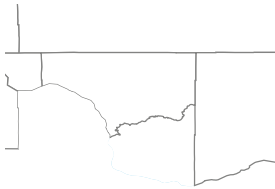


Table 1. Housing Demand in the Portland-Vancouver-Beaverton HMA, 3-Year Forecast, October 1, 2006 Through October 1, 2009

	Portland-Vancouver-Beaverton HMA		Portland Submarket		Vancouver Submarket		Beaverton Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	38,375	6,275	14,550	2,950	10,400	1,300	13,425	2,025
Under Construction	8,075	1,575	3,950	750	1,350	100	2,775	900

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Under construction as of October 1, 2006.

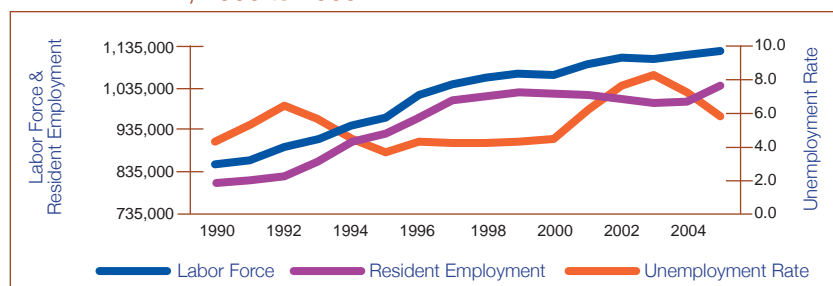
Source: Estimates by analyst

Economic Conditions

An expanding national economy, strong Asian markets for electronics and computer equipment, record-pace construction, and steady population growth are major factors behind 2 consecutive years of job growth in the Portland-Vancouver-Beaverton HMA. For the 12-month period ending September 2006, nonfarm employment rose 2.8 percent. The unemployment rate fell from 6 percent for the 12-month period ending September 2005 to 5.3 percent as of the current date, the lowest unemployment rate in 6 years (see Figure 1). Employment in the goods-producing sectors increased by 9,400 jobs, or 5.2

percent, the largest annual gain since 1997. The construction sector led all goods-producing sectors, increasing by 4,500 jobs, or 8 percent, primarily as a result of increased residential building activity. Business spending on electronics and computer equipment in the United States, China, and Malaysia resulted in 1,500 new jobs in the electronics industry, which increased by 4 percent compared with the 12-month period ending September 2005. Employment in the semiconductor industry likewise increased by 4 percent to 1,200 jobs. Steady national economic growth led to increased demand for trucks and railroad cars, resulting in 700 new transportation equipment jobs, a 7-percent gain, for the 12-month period ending September 2006. See Table 2 for employment trends in the HMA by sector.

The Port of Portland manages extensive marine and aviation operations that affect one out of six jobs in the HMA. Marine and aviation activity generates \$1.7

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Portland-Vancouver-Beaverton HMA, 1990 to 2005

Source: The Oregon Employment Department

billion a year in direct earnings for the local workforce, according to an economic impact study completed in 2000 by the Port of Portland. The port's maritime facilities export the largest volume of wheat of any port in the United States and the third largest volume of wheat in the world. Automobile import volume at the port is the largest of any port on the west coast.

Population growth and the expanding national economy caused employment in the service-providing sectors to grow by 20,200 jobs during the 12 months ending September 2006. This growth represents a 2.5-percent annual gain, the largest increase in the sectors in 5 years. Hiring by employment agencies, ambulatory healthcare firms, educational services businesses, and full-service restaurants accounted for nearly half of the service-providing sector jobs created during the year. Retail establishments added another 3,400 jobs during the 12-month period ending September 2006, almost twice the increase that occurred during the previous 12-month period. One-third of the new retail jobs created during 2006 were at apparel stores. Figure 2 illustrates the current composition of employment in the HMA by sector.

Table 2. 12-Month Average Employment in the Portland-Vancouver-Beaverton HMA, by Sector

Employment Sector	12 Months Ending September 2005	12 Months Ending September 2006	Percent Change
Total Nonfarm Employment	974,300	1,001,900	2.8
Goods Producing	180,000	189,400	5.2
Natural Resources, Mining, & Construction	58,900	63,200	7.3
Manufacturing	123,100	126,200	2.5
Service Providing	792,400	812,600	2.5
Trade	158,900	163,200	2.7
Transportation & Utilities	36,900	37,300	1.1
Information	22,600	22,900	1.3
Financial Activities	67,200	68,600	2.1
Professional & Business Services	126,900	131,800	3.9
Education & Health Services	117,900	122,300	3.7
Leisure & Hospitality	89,900	92,200	2.6
Other Services	34,700	34,800	0.3
Government	137,400	139,500	1.5

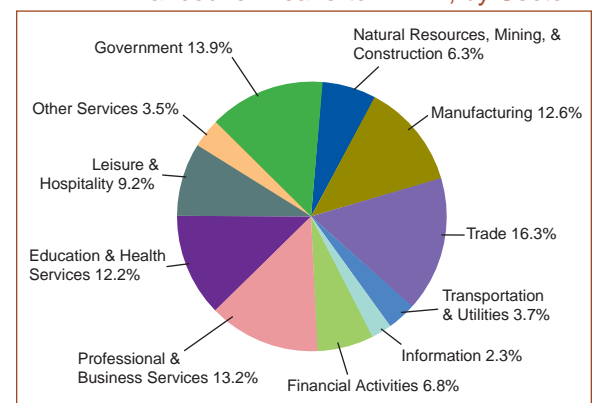
Notes: Based on 12-month averages through September 2005 and September 2006. Numbers may not add to totals due to rounding.

Source: The Oregon Employment Department

Job growth in sectors that have led the economy since 1990—professional and business services, education and health services, and construction—represents 50 percent of the 255,000 jobs created in the HMA since 1990 compared with 46 percent of the jobs created in the HMA in both 2004 and 2005. Between 1990 and 2000, employment in the manufacturing sector increased by nearly 15 percent from 124,900 jobs to 143,300. Job growth was concentrated in the semiconductor and computer and electronic component industry groups due to nearly \$12 billion of private investment by firms such as Intel Corporation, the leading employer in the HMA; SEH America, Inc.; Hewlett-Packard Development Company; Fujitsu Ltd.; Sharp Electronics Corporation; LSI Logic Corporation; Siltronic AG; and Seiko Epson Corporation. See Table 3 for a list of major employers in the HMA. See Figure 3 for the percentage of change in employment sectors in the HMA from 1990 to the current date.

The collapse of business spending during the national economic recession that occurred from 2001 through 2003 reversed the 11 consecutive years of job growth among high-technology firms, resulting in a loss of 25,200 jobs in the HMA. One-third of these job losses occurred in the semiconductor and computer-related industries. Business high-technology retooling has led to the recovery of more than 5,000 jobs in the semiconductor and computer-related industries since 2003. Over the past several years, the HMA has emerged

Figure 2. Current Employment in the Portland-Vancouver-Beaverton HMA, by Sector



Note: Based on 12-month averages through September 2006.

Source: The Oregon Employment Department

as the leading area in the country for the development of open-source software that permits users to modify and redistribute software

applications and nanotechnology research aimed at developing materials and devices that operate at a scale of one-billionth of a meter, such as nanotubes used in flat-screen displays.

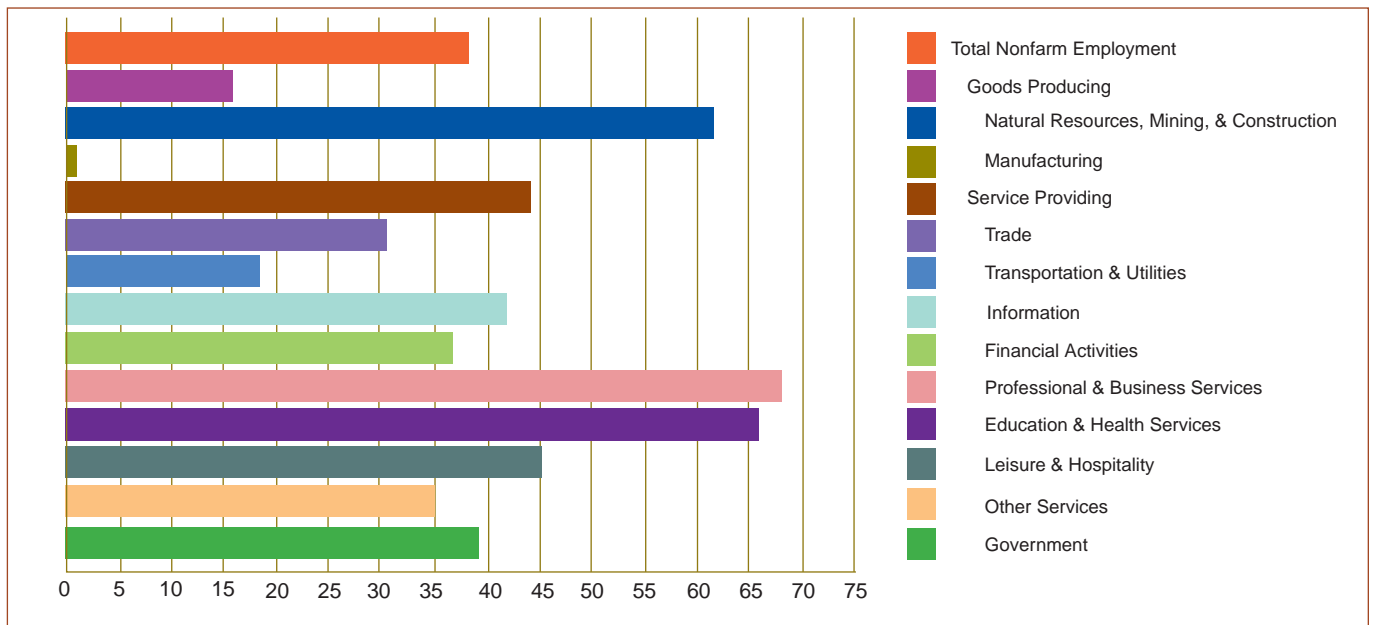
Table 3. Major Employers in the Portland-Vancouver-Beaverton HMA

Name of Employer	Employment Sector	Number of Employees
Intel Corporation	Manufacturing	15,500
Providence Health System	Health Services	13,500
Oregon Health & Science University	Education	11,400
The Kroger Company	Retail	9,700
Legacy Health System	Health Services	8,000
Nike, Inc.	Manufacturing	6,100
Well Fargo & Company	Financial Services	4,285
Shari's Restaurants	Leisure & Hospitality	3,750
Hewlett-Packard Development Company	Manufacturing	3,500
Freightliner LLP	Manufacturing	3,500

Source: Portland Development Commission

Led by job gains in the education and health services, trade, and leisure and hospitality sectors as well as expected global demand for computers and related products and services, employment growth is forecast at 14,700 nonfarm jobs a year during the next 3 years. This anticipated growth is expected to contribute to a total nonfarm employment forecast of 1,046,000 jobs by October 2009.

Figure 3. Sector Growth in the Portland-Vancouver-Beaverton HMA, Percentage Change, 1990 to Current



Note: Current is based on 12-month averages through September 2006.

Source: The Oregon Employment Department

Population and Households

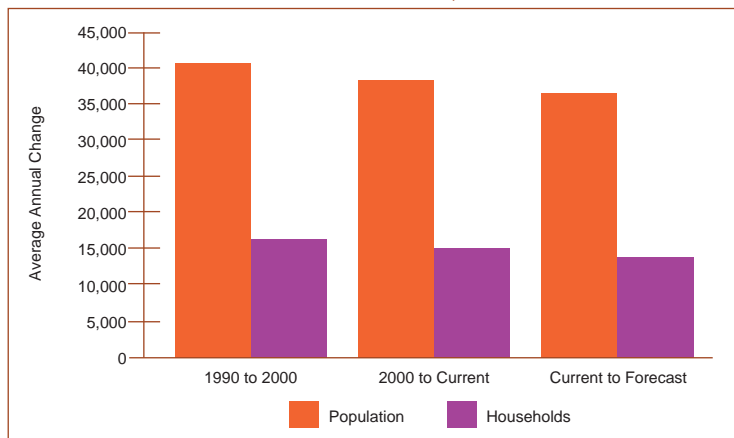
The population of the Portland-Vancouver-Beaverton HMA is 2,174,250 as of October 2006, up 37,900 annually since 2000, or by an average annual rate of 1.9 percent, compared with an increase of 40,400 annually, or an average annual rate of 2.4 percent, during the 1990s. See Figure 4 for population and household growth trends in the HMA.

Net in-migration accounted for 63 percent of the increase in population between 2000 and the current date (see Figure 5). Nearly one-third of the net in-migration originated from other countries. Job growth in construction, nursery wholesale trade, semiconductor manufacturing, computer

component production, software development, and transportation equipment production attracted workers from Mexico, Central America, Europe, Asia, and India. Quality-of-life factors and affordable housing prices relative to other west coast cities attracted young professionals and retirees to the HMA. An active nightlife, a variety of international restaurants, and nearby recreational opportunities such as skiing and surfing are the primary nonjob-related reasons why newcomers move to the HMA.

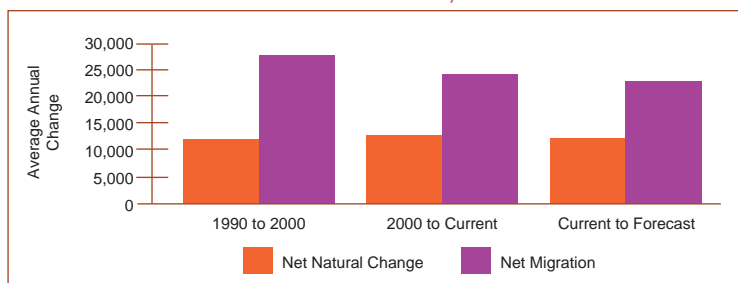
The forecast for population growth is 36,500 a year, or an average annual rate of 1.7 percent, with the total population forecast at 2,284,000 by October 2009.

Figure 4. Population and Household Growth in the Portland-Vancouver-Beaverton HMA, 1990 to Forecast



Sources: 1990 and 2000—U.S. Census Bureau; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Portland-Vancouver-Beaverton HMA, 1990 to Forecast



Sources: 1990 and 2000—U.S. Census Bureau; current and forecast—estimates by analyst

Between 2000 and the current date, the number of households in the HMA increased from 745,525 to 844,000, an average annual increase of 1.9 percent, or 15,150 households a year. Due to an expanding local economy, lower home sales prices compared with other submarkets in the HMA, and the relative tax advantages of living in Washington State, household growth increased the fastest in the Vancouver submarket, averaging 2.8 percent a year between 2000 and the current date. Principally due to expanding employment opportunities in the computer component and software industries, household growth in the Beaverton submarket also outpaced the HMA average, increasing by 2.4 percent a year. Growth in the number of households in the Portland submarket occurred at an average annual rate of 1.4 percent, making this submarket the only one in which the average household size

decreased between 2000 and the current date. Lower mortgage rates during the 2002-through-2005 period, which increased home purchases by younger, first-time buyers, and the in-migration of seniors purchasing condominiums caused the decrease in household size.

The rate of household growth is forecast to be greatest in the Vancouver submarket, where the

number of households is expected to increase at an average annual rate of 2.4 percent through September 2009. The forecast for annual household growth is 2.1 percent for the Beaverton submarket and 1.2 percent for the Portland submarket. Additional data for the HMA and the three submarkets appear in Tables DP-1 through DP-4 at the end of this report.

Housing Market Trends

Sales Market—Portland Submarket

The Portland submarket has the most active sales housing market in the HMA, accounting for half of all homes sold in the area. According to data from RMLSTM, 21,975 existing and new homes sold in the Portland submarket during the 12-month period ending September 2006, 9 percent less than the number sold during the previous 12-month period but 2 percent more than the 21,449 homes sold during the 12-month period ending September 2004. Decreased home sales activity during 2006 eased tight conditions and brought the market back into balance as of the current date. The average home sales price for the 12-month period ending September 2006 was \$320,800, up 16 percent from the same period a year ago. The demand for sales housing has been strong in the Portland submarket because of newly created neighborhoods near the central business district, historically low interest rates, and the relative affordability of housing compared with housing costs in other west coast cities.

The addition of condominiums has made the most significant changes to

the housing inventory in the Portland submarket in recent years. Based on data from the Oregon Real Estate Agency, since 2000 an estimated 20,000 condominiums have been built, are being planned, or are under construction in the Portland-Vancouver-Beaverton HMA. For the Portland submarket, this figure includes approximately 15,000 units in Multnomah County, 1,700 in Clackamas County, and 100 in Columbia County. According to a report by the Portland Development Commission, nearly 1,300 condominiums were built in downtown Portland and 2,200 were under construction between 2002 and 2005. Construction prices range between \$375 and \$600 a square foot. Condominium developments are frequently presold before completion; sales prices start at \$200,000 for loft and one-bedroom units and go up to \$3,000,000 for penthouses. A 1,000-square-foot condominium in the central city area of Portland typically sells for \$450,000. Upon completion of the condominium projects under construction, the inventory of owner-occupied housing in the central city will have increased by 21 percent

Housing Market Trends

Sales Market—Portland Submarket *Continued*

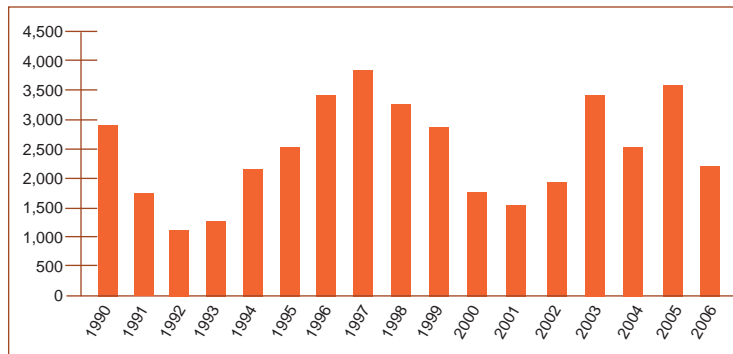
since 2002. See Figure 6 for the number of multifamily building permits issued in the submarket since 1990.

Many condominium buyers are seniors from California who consider condominiums for sale in the Portland area affordable compared with

units for sale in other west coast cities. Young professionals attracted to downtown Portland and suburban seniors downsizing from single-family homes also make up a significant component of condominium demand. The combination of a strong sales market for new and existing units and the greater number of condominium sales that has occurred since 2000 has increased the number of owner-occupied households by 15 percent as of the current date; in comparison, the number of renter-occupied households has increased by just 3 percent. Figure 7 shows trends in household growth by tenure in the submarket from 1990 to the current date. Additional data for the Portland submarket appears in Table DP-2 at the end of this report.

The demand for 14,550 new single-family homes and condominiums is forecast for the period from October 2006 to October 2009. As of the current date, nearly 3,950 units are under construction, including approximately 1,625 single-family detached homes, 2,200 condominiums, and 120 townhomes, according to data from Reis, Inc. For the number of single-family building permits issued in the submarket since 1990, see Figure 8. Table 4 describes an estimated distribution of the demand for new market-rate sales housing by price range in the Portland submarket during the forecast period.

Figure 6. Multifamily Building Permits Issued in the Portland Submarket, 1990 to 2006



Notes: Includes all multifamily units in structures with two or more units. Includes data through September 2006.

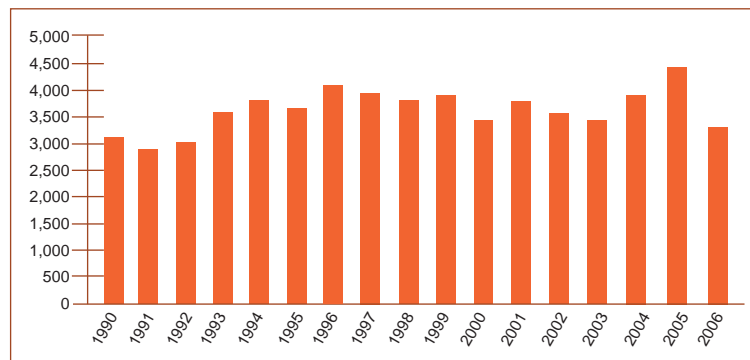
Source: U.S. Census Bureau, Building Permits Survey

Figure 7. Number of Households by Tenure in the Portland Submarket, 1990 to Current



Sources: 1990 and 2000—U.S. Census Bureau; current—estimates by analyst

Figure 8. Single-Family Building Permits Issued in the Portland Submarket, 1990 to 2006



Notes: Includes only single-family units. Includes data through September 2006.

Source: U.S. Census Bureau, Building Permits Survey

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Portland Submarket, October 1, 2006 Through October 1, 2009

Price Range (\$)		Units of Demand	Percentage of Total
From	To		
120,000	149,999	825	5.7
150,000	179,999	1,875	12.9
180,000	209,999	2,050	14.1
210,000	239,999	2,475	17.0
240,000	269,999	1,700	11.7
270,000	299,999	1,500	10.3
300,000	329,999	575	4.0
330,000	359,999	700	4.8
360,000	389,999	475	3.3
390,000	419,999	475	3.3
420,000	449,999	475	3.3
450,000	479,999	125	0.9
480,000	and above	1,300	8.9

Source: Estimates by analyst

Rental Market—Portland Submarket

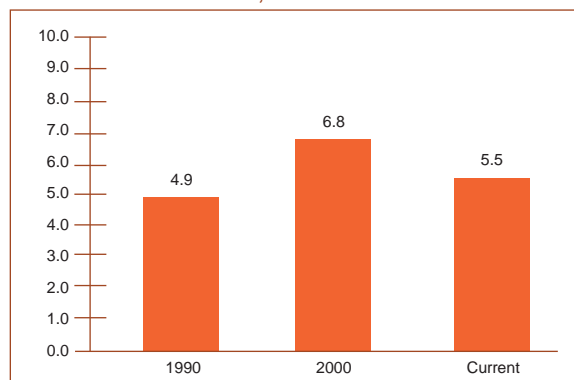
Condominium conversions, rising interest rates, and a lack of new rental apartment construction during 2006 helped the rental housing market in the Portland submarket return to more balanced conditions during the past year. The rental vacancy rate as of the current date returned to the 5.5-percent rate reported in the 2000 Census after 3 consecutive years of softer market conditions caused first by the national recession and later by increased competition from the sales housing market. See Figure 9 for Portland submarket rental vacancy rates for 1990, 2000, and the current date. In response to job losses attributed to the national recession in 2001, the rental apartment vacancy rate increased from 4 to 6 percent between May 2001 and May 2002, according to the Millette & Rask Report. By the time the economic recovery began in 2004, competition from the sales housing market, prompted by historically low interest rates, caused the rental apartment vacancy rate to rise to 8 percent. Between 2001 and 2004, apartment rents increased from an average of \$660 to \$675, a 2.2-percent rise for the entire 3-year period. As of the current date, the average apartment rent in the submarket, based on data from the Metro Multifamily Hous-

ing Association (MMHA) Fall 2006 Apartment Report, is estimated at \$718, up approximately 5 percent from the estimate reported in MMHA's fall 2005 report.

The conversion of condominiums between 2000 and 2005 resulted in the loss of nearly 2,000 rental apartments, according to data from the Oregon Real Estate Agency. When combining the losses through conversion with losses due to demolition and other factors, the net increase in rental units between 2000 and the current date was 2,700 units in the Portland submarket compared with a net increase of 4,200 units in the Vancouver submarket and 4,500 units in the Beaverton submarket. During 2006, with an additional 3,000 conversions expected and when combined with the 575 rental units currently under construction, a net loss of approximately 2,425 apartments is estimated for the first 2 years of the forecast period. See Figure 6 for the number of multifamily building permits issued in the submarket from 1990 to the current date. Competition from condominium and townhome developers has caused land prices to escalate beyond levels that local rental apartment developers can afford to pay to make rental apartments projects economically feasible. As a result, conditions in the Portland submarket are expected to tighten during the first 2 years of the forecast period.

The demand for rental units during the 3-year forecast period from October 2006 through October 2009 is estimated at 2,950 units. Higher mortgage interest rates, increasing prices for sales housing, and continued household growth are major factors contributing to greater demand for rental housing. Table 5 provides an estimate of the noncumulative distribution of demand for rental housing in the submarket by rent levels and the number of bedrooms per unit.

Figure 9. Rental Vacancy Rates in the Portland Submarket, 1990 to Current



Sources: 1990 and 2000—U.S. Census Bureau; current—estimates by analyst

Housing Market Trends

Rental Market—Portland Submarket *Continued***Table 5.** Estimated Demand for New Market-Rate Rental Housing in the Portland Submarket, October 1, 2006 Through October 1, 2009

1 Bedroom		2 Bedrooms		3 or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
675	750	825	1,725	1,000	475
725	650	875	1,425	1,050	400
775	600	925	1,300	1,100	350
825	550	975	1,175	1,150	300
875	475	1,025	1,000	1,200	250
925	400	1,075	850	1,250	225
975	325	1,125	725	1,300	200
1,075	275	1,225	575	1,400	150
1,175	200	1,325	375	1,500	100
1,275	175	1,425	250	1,600	75
1,375	125	1,525	175	1,700	50
and higher		and higher		and higher	

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Sales Market—Vancouver Submarket

As with the Portland and Beaverton submarkets, sales housing activity in the Vancouver submarket also slowed in 2006, but sales remain strong. According to RMLS, for the 12-month period ending September 2006, 8,785 homes were sold, an 11-percent loss when compared with 9,888 sold a year earlier. Compared with sales volume for the 12-month period ending September 2004, sales in 2006 were up 8 percent. If sales maintain their current pace, 2006 will be the second strongest year on record.

The average home sales price for the 12-month period ending September 2006 was \$289,000, 16 percent higher than a year ago. Home sales prices in the Vancouver submarket are typically \$20,000 less than those in the Portland submarket and \$15,000 less than those in the Beaverton submarket.

Relatively lower home sales prices, a strong local economy, and a more favorable tax environment are the main factors contributing to the strength of the sales market. Nonfarm employment increased by 3,500 jobs, or 3 percent, to 135,200 jobs for the 12-month period ending September 2006. Industries in which employment gains

were the strongest include health care, computer and electronic component manufacturing, and construction. The outlook for the Vancouver submarket economy is bright given anticipated steady population growth and the decision by silicon wafer maker SEH America, Inc., to expand production to 12-inch wafers at its Vancouver facility, which will add 100 workers to the company's current workforce of 850.

The Vancouver submarket is located on the Washington state bank of the Columbia River. Residents in Washington pay no state income taxes, and property taxes are lower in the submarket counties of Clark and Skamania than in Oregon. Throughout the 1990s and up to the current date, retirees and families from Oregon who are attracted by lower housing prices and lower taxes have been a major source of demand for sales housing in the submarket. Single-family building permit activity averaged 3,050 units a year between 1990 and 1999 and increased to 3,250 units a year between 2000 and the current date. Figure 10 illustrates single-family building permit activity in the submarket from 1990 to the current date. The low mortgage rate environment of the past 4 years and more

Housing Market Trends

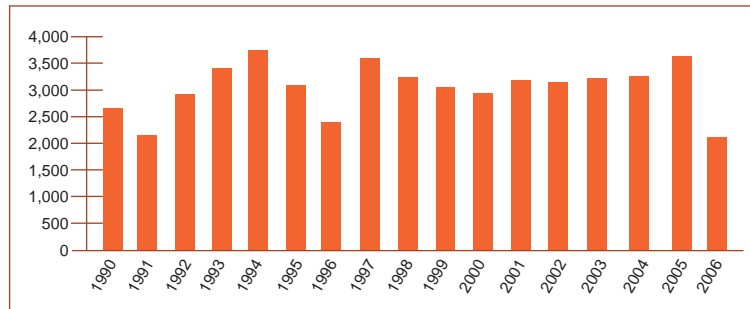
Sales Market—Vancouver Submarket *Continued*

affordable home sales prices have made the Vancouver area attractive to first-time homebuyers and young families with school-age children relocating from the Portland submarket. Many new arrivals to the Vancouver submarket work in the Portland and Beaverton submarkets. Since 1990, the number of owner-occupied households has increased by slightly more than 20,000, four times the rate of increase in renter-occupied households. See Figure 11 for trends in household growth in the submarket by tenure from 1990 to the current date and Table DP-3 for additional data on the Vancouver submarket.

During 2005, the average sales price for a newly constructed home in the Vancouver submarket was \$292,150. New homes listed at the average sales price are typically 2,000 square feet, have three bedrooms and two and a half baths, are located on 6,000- to 7,000-square-foot lots, and are in subdivisions of fewer than 100 homes.

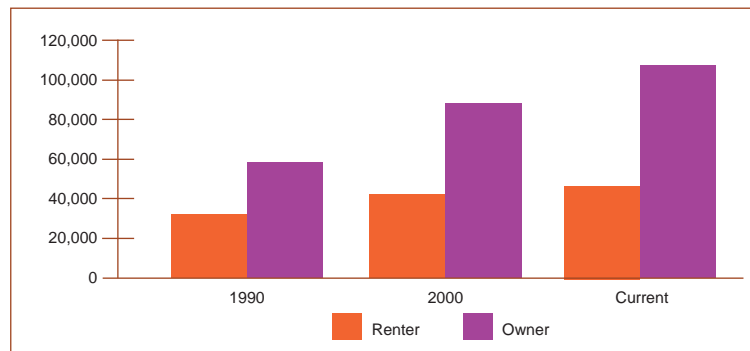
Household growth is expected to remain strong in the Vancouver submarket because of a healthy labor market, income and property tax advantages, and relatively affordable housing prices. The demand for sales housing is forecast at 10,400 homes over the 3-year forecast period. Table 6 shows an estimated distribution of the demand for new market-rate sales housing in the Vancouver submarket by price range during the forecast period. Currently, 1,350 new sales housing units are under construction.

Figure 10. Single-Family Building Permits Issued in the Vancouver Submarket, 1990 to 2006



Notes: Includes only single-family units. Includes data through September 2006. Source: U.S. Census Bureau, Building Permits Survey

Figure 11. Number of Households by Tenure in the Vancouver Submarket, 1990 to Current



Sources: 1990 and 2000—U.S. Census Bureau; current—estimates by analyst

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Vancouver Submarket, October 1, 2006 Through October 1, 2009

Price Range (\$)		Units of Demand	Percentage of Total
From	To		
140,000	159,999	1,025	9.9
160,000	179,999	1,150	11.1
180,000	199,999	1,300	12.5
200,000	219,999	1,800	17.3
220,000	239,999	1,250	12.0
240,000	259,999	925	8.9
260,000	279,999	625	6.0
280,000	299,999	400	3.8
300,000	349,999	600	5.8
350,000	399,999	300	2.9
400,000	449,999	300	2.9
450,000	499,999	75	0.7
500,000	and above	650	6.3

Source: Estimates by analyst

Rental Market—Vancouver Submarket

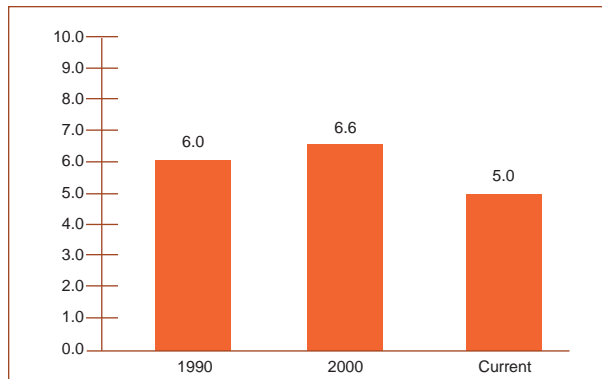
The Vancouver rental housing market is balanced as of the current date with an estimated rental vacancy rate of 5 percent. Rental apartment vacancy rates remained at around 7 percent during the recession years of 2001 and 2002 despite increased competition from the sales housing market from 2002 through 2004. Figure 12 provides rental vacancy rate trends in the submarket from 1990 to the current date. Rental market stability is due to average annual household growth of nearly 3 percent from 2000 to the current date. During 2005, competition from the sales housing market subsided in response to rising mortgage rates, reducing home purchases by first-time homebuyers and resulting in increased demand for rental units.

Trends in rental rates between 2001 and 2005 reflected a competitive market with rents increasing by just 3 percent over the 4-year period. Estimates of the marketwide average rent based on data from Norris, Beggs & Simpson show rents increasing from an average of \$653 in 2001 to \$670 in 2005. According to MMHA's Fall 2006 Apartment Report, the average submarket rent is \$693, up 8 percent from a year ago.

Since 2000, 3,600 multifamily units have been added to the rental housing inventory, an annual average of 550 units compared with an annual average of 1,100 units during the 1990s. Figure 13 provides data on multifamily building permit activity in the Vancouver submarket from 1990 to the current date. Competition for land from home builders has been pricing apartment developers out of the market, resulting in fewer new rental units. One of only two large-scale apartment complexes under construction in the HMA is in the Vancouver submarket. The project opened in June 2006 with rents ranging from \$745 for a one-bedroom unit to \$1,380 for a three-bedroom unit.

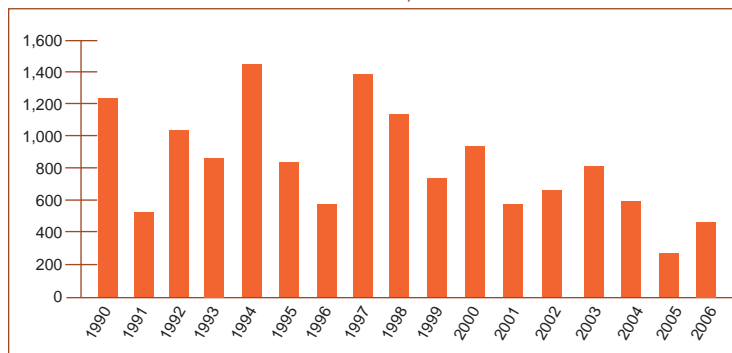
Factors such as the relative affordability of rents in the Vancouver submarket, which are, on average, \$60 lower than average rents in the Beaverton submarket and \$120 lower than in the Portland submarket; continued household growth; and the increased costs of financing a home purchase will prompt demand for an estimated 1,300 rental units during the forecast period. Table 7 describes an estimate of the noncumulative distribution of demand for rental housing in the submarket by rent levels and the number of bedrooms per unit.

Figure 12. Rental Vacancy Rates in the Vancouver Submarket, 1990 to Current



Sources: 1990 and 2000—U.S. Census Bureau; current—estimates by analyst

Figure 13. Multifamily Building Permits Issued in the Vancouver Submarket, 1990 to 2006



Notes: Includes all multifamily units in structures with two or more units. Includes data through September 2006.

Source: U.S. Census Bureau, Building Permits Survey

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Vancouver Submarket, October 1, 2006 Through October 1, 2009

1 Bedroom		2 Bedrooms		3 or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
625	325	750	775	900	200
675	300	800	650	950	175
725	275	850	600	1,000	150
775	250	900	525	1,050	150
825	225	950	450	1,100	125
875	175	1,000	400	1,150	100
925	150	1,050	325	1,200	100
1,025	125	1,150	250	1,300	75
1,125	100	1,250	175	1,400	50
1,225	75	1,350	125	1,500	25
1,325 and higher	50	1,450 and higher	75	1,600 and higher	25

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

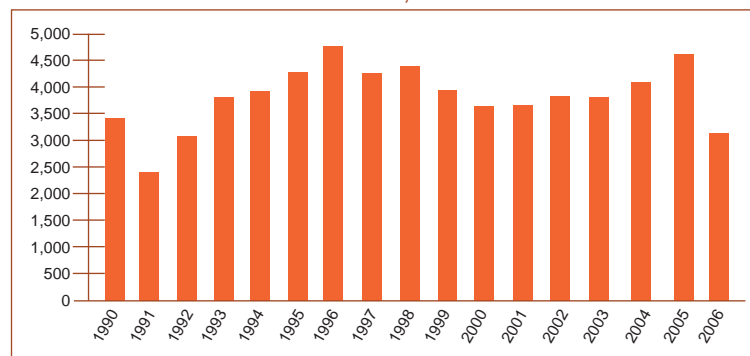
Source: Estimates by analyst

Sales Market—Beaverton Submarket

The demand for sales housing remains strong in the Beaverton submarket, with sales activity occurring at slightly below the record pace set in 2005. According to RMLS, for the 12-month period ending September 2006, sales of new and exiting homes equaled 11,900 transactions, down 9 percent from the 12,985 homes sold during the previous 12 months but 8 percent higher than the number sold during the 12-month period ending September 2004. The Beaverton submarket accounted for 28 percent of all home sales in the HMA. The average home sales price for the 12-month period ending September 2006 was

\$306,650, compared with \$265,675 a year ago, a 15-percent increase. Sales housing demand was strong due to historically low interest rates, hiring in the computer industry during 2004 and 2005, and a steady flow of families moving to newer housing stock in the suburban communities of Beaverton, Hillsboro, Forest Grove, Newberg, Tigard, and Tualatin.

Since 2000, 33,300 new residential units have been added to the submarket inventory for an average addition of 5,000 units a year, compared with 6,100 a year in the 1990s. Figure 14 illustrates the number of single-family building permits issued in the submarket from 1990 to the current date. During the 1990s, two-thirds of the total units permitted were targeted for owners. Between 2000 and October 2006, 84 percent of the permits were issued for owner-occupied units. Figure 15 shows the growth in households by tenure from 1990 to the current date. The higher incidence of dwellings targeted for owners has been accompanied by significant expansion in more affordable housing styles such as rowhouses, townhouses, very-small-lot subdivision development, and condominiums. Although sales prices for rowhouses, townhomes,

Figure 14. Single-Family Building Permits Issued in the Beaverton Submarket, 1990 to 2006

Notes: Includes only single-family units. Includes data through September 2006.

Source: U.S. Census Bureau, Building Permits Survey

Housing Market Trends

Sales Market—Beaverton Submarket *Continued*

and condominiums start as low as \$130,000 in the Beaverton submarket, prices of \$200,000 and above are typical. The steady supply of a wide range of housing styles has kept market conditions balanced during 2006.

Based on the strength of employment opportunities and the attractive quality-of-life factors in the Beaverton submarket, estimates indicate the demand for sales housing in the submarket at 13,425

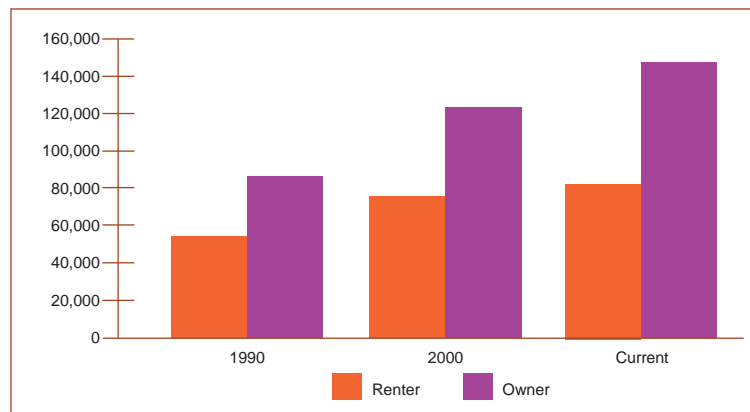
homes for the 3-year forecast period. Table 8 provides an estimated distribution of the demand for new market-rate sales housing in the Beaverton submarket by price range during the forecast period. Currently, 2,775 new sales housing units are under construction.

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Beaverton Submarket, October 1, 2006 Through October 1, 2009

Price Range (\$)		Units of Demand	Percentage of Total
From	To		
140,000	159,999	1,050	7.8
160,000	179,999	1,225	9.1
180,000	199,999	1,475	11.0
200,000	219,999	1,975	14.7
220,000	239,999	1,475	11.0
240,000	259,999	1,300	9.7
260,000	279,999	850	6.3
280,000	299,999	650	4.8
300,000	349,999	1,000	7.4
350,000	399,999	500	3.7
400,000	449,999	500	3.7
450,000	499,999	125	0.9
500,000	and above	1,300	9.7

Source: Estimates by analyst

Figure 15. Number of Households by Tenure in the Beaverton Submarket, 1990 to Current



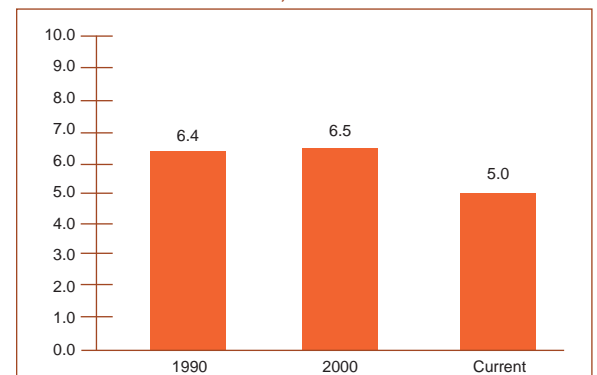
Sources: 1990 and 2000—U.S. Census Bureau; current—estimates by analyst

Rental Market—Beaverton Submarket

After several years of very competitive market conditions, as of the Current date the rental housing market in the Beaverton submarket is balanced. The current vacancy rate is estimated at 5 percent, a decrease from the 6.5-percent vacancy rate reported in the 2000 Census. See Figure 16 for rental vacancy rate trends in the submarket from 1990 to the current date. Job losses due to plant closings and staff reductions at several semiconductor and computer equipment firms in 2001 resulted in vacancy rates rising from 4 percent to 7.5 percent in the fall of 2004. Between 2001 and 2004, apartment rents fell by an average of 5 percent. Based on data from MMHA's Fall 2006 Apartment Report, the average apartment rent in the Beaverton submarket is \$704 compared with \$675 a year ago. Led by aggressive hiring in the computer industry in

2004 and 2005, employment opportunities improved in the submarket, and, as a result, demand for rental housing increased as new households moved to the area.

Figure 16. Rental Vacancy Rates in the Beaverton Submarket, 1990 to Current



Sources: 1990 and 2000—U.S. Census Bureau; current—estimates by analyst

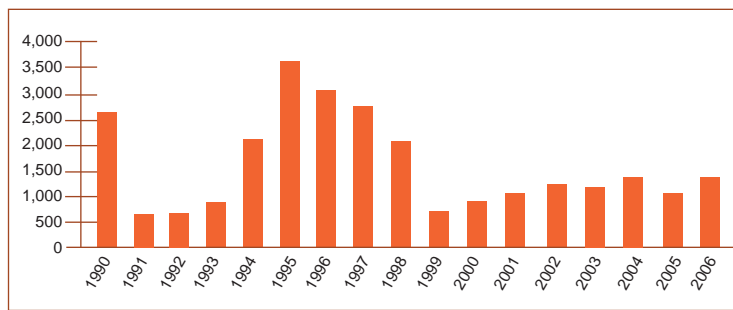
Housing Market Trends

Rental Market—Beaverton Submarket *Continued*

During the 12-month period ending October 2006, 1,410 multifamily units have been permitted. Figure 17 illustrates multifamily building permit activity in the submarket from 1990 to the current date. Condominium developments account for approximately half the total units permitted. As of the current date, only 650 rental units are under construction. Future development of rental apartment

projects will be constrained by the lack of land zoned for moderate- and high-density residential construction. According to city planners in Beaverton and Hillsboro, the two largest cities in the Beaverton submarket, all the large parcels currently zoned for multifamily development have been built out. Rents at the most recently completed, amenity-rich, large-scale apartment complex, which has 122 units, are \$785 for a one-bedroom apartment, between \$850 and \$975 for a two-bedroom apartment, and \$1,060 for a three-bedroom apartment. Table DP-4 at the end of the report includes additional data on the Beaverton submarket.

Figure 17. Multifamily Building Permits Issued in the Beaverton Submarket, 1990 to 2006



Notes: Includes all multifamily units in structures with two or more units. Includes data through September 2006.

Source: U.S. Census Bureau, Building Permits Survey

Due to both the strength of the submarket economy and the preference for suburban living in the HMA, the demand for rental housing is forecast at 2,025 units for the 3-year forecast period. Table 9 provides an estimate of the noncumulative distribution of demand for market-rate rental housing in the submarket by rent levels and the number of bedrooms per unit.

Table 9. Estimated Demand for New Market-Rate Rental Housing in the Beaverton Submarket, October 1, 2006 Through October 1, 2009

1 Bedroom		2 Bedrooms		3 or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
675	525	850	1,250	1,100	250
725	450	900	1,050	1,150	225
775	425	950	950	1,200	200
825	375	1,000	850	1,250	175
875	325	1,050	750	1,300	150
925	275	1,100	625	1,350	125
975	225	1,150	525	1,400	100
1,075	200	1,250	425	1,500	75
1,175	150	1,350	275	1,600	50
1,275	125	1,450	200	1,700	50
1,375	100	1,550	125	1,800	25
and higher		and higher		and higher	

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Data Profiles

Table DP-1. 7 VY[SHUK =HUJV\]LY)LH]LY[VU /4(+H[H 7YVÄSL

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	816,580	1,029,151	1,053,975	2.3	0.4
Unemployment Rate (%)	4.3	4.5	5.3		
Nonfarm Employment	726,900	969,000	1,001,900	2.9	0.5
Total Population	1,523,741	1,927,881	2,174,275	2.4	1.9
Total Households	592,507	745,531	843,075	2.3	1.9
Owner Households	365,133	469,156	551,400	2.5	2.5
Percent Owner (%)	61.6	62.9	65.4		
Renter Households	227,374	276,375	291,675	2.0	0.8
Percent Renter (%)	38.4	37.1	34.6		
Total Housing Units	624,011	790,876	889,850	2.4	1.8
Owner Vacancy Rate (%)	1.1	2.2	2.5		
Rental Vacancy Rate (%)	5.4	6.7	5.3		
Median Family Income	\$36,896	\$55,669	\$67,900	4.2	3.1

Note: Median Family Income data are for 1989, 1999, and 2006.

Sources: U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Department of Housing and Urban Development; analyst estimates

Table DP-2. 7 VY[SHUK : \ITHYRL[1990 to Current VÄSL

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Population	900,294	1,042,437	1,132,850	1.5	1.3
Total Households	359,580	416,674	456,200	1.5	1.4
Owner Households	218,502	258,366	293,250	1.7	2.0
Percent Owner (%)	60.8	62.0	64.3		
Rental Households	141,078	158,308	162,950	1.2	0.4
Percent Renter (%)	39.2	38.0	35.7		
Total Housing Units	379,330	443,087	483,075	1.6	1.3
Owner Vacancy Rate (%)	1.2	2.2	2.6		
Rental Vacancy Rate (%)	4.9	6.8	5.5		
Median Family Income	\$36,896	\$55,669	\$67,900	4.2	3.1

Note: Median Family Income data are for 1989, 1999, and 2006.

Sources: U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Department of Housing and Urban Development; analyst estimates

Table DP-3. HOUSING INVENTORY WITH RENTAL, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Population	246,342	355,110	423,800	3.7	2.8
Total Households	91,506	130,963	156,425	3.7	2.8
Owner Households	59,127	88,323	108,925	4.1	3.3
Percent Owner (%)	64.6	67.4	69.6		
Rental Households	32,379	42,640	47,500	2.8	1.7
Percent Renter (%)	35.4	32.6	30.4		
Total Housing Units	96,237	138,991	164,300	3.7	2.6
Owner Vacancy Rate (%)	1.1	2.0	2.2		
Rental Vacancy Rate (%)	6.0	6.6	5.0		
Median Family Income	\$36,896	\$55,669	\$67,900	4.2	3.1

Note: Median Family Income data are for 1989, 1999, and 2006.

Sources: U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Department of Housing and Urban Development; analyst estimates

Table DP-4. HOUSING INVENTORY WITH RENTAL, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Population	377,105	530,334	617,625	3.5	2.4
Total Households	141,421	197,894	230,450	3.4	2.4
Owner Households	87,504	122,467	149,225	3.4	3.1
Percent Owner (%)	61.9	61.9	64.8		
Rental Households	53,917	75,427	81,225	3.4	1.1
Percent Renter (%)	38.1	38.1	35.2		
Total Housing Units	148,444	208,798	242,475	3.5	2.3
Owner Vacancy Rate (%)	0.9	2.3	2.6		
Rental Vacancy Rate (%)	6.4	6.5	5.0		
Median Family Income	\$36,896	\$55,669	\$67,900	4.2	3.1

Note: Median Family Income data are for 1989, 1999, and 2006.

Sources: U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Department of Housing and Urban Development; analyst estimates

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 10/1/2006—Analyst's estimates

Forecast period: 10/1/2006–10/1/2009—
Analyst's estimates

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.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_PortlandOR.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. 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 wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.