

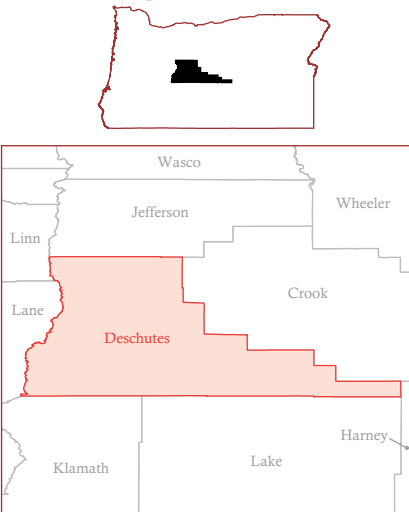


Bend-Redmond, Oregon

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of November 1, 2012



Housing Market Area



The Bend-Redmond Housing Market Area (HMA), which is coterminous with Deschutes County, Oregon, is approximately 120 miles east of Eugene near Mt. Bachelor and the Deschutes National Forest. The HMA is a regional hub for outdoor recreation, tourism, and the wood products and microbrewery industries and is home to the Oregon State University-Cascades campus.

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Summary

Economy

Economic conditions in the Bend-Redmond HMA were stable during the 12 months ending October 2012. Nonfarm payrolls increased by 300 jobs, or 0.5 percent, and the average unemployment rate declined from 12.9 to 11.6 percent. Payrolls are expected to grow at an average annual rate of 1.0 percent during the 3-year forecast period. The largest private employers include St. Charles Medical Centers in Bend and Redmond, Sunriver Resort, Les Schwab Tire Centers, and Mt. Bachelor Ski Resort, with 2,850, 900, 870, and 750 employees, respectively. (Resort figures represent peak seasonal employment.)

Sales Market

Sales housing market conditions in the HMA are soft but improving, with an estimated sales vacancy rate of 3.1 percent. Demand is estimated for 1,600 units during the 3-year forecast period (Table 1), with nearly one-half of that demand falling into the \$100,000-to-\$199,999 price range. The 420 units currently under construction and a portion of the 11,400 other vacant units in the HMA that may reenter the market will likely satisfy some of that demand.

Rental Market

Overall rental housing market conditions are relatively balanced in the HMA, with an estimated rental vacancy rate of 10 percent, but apartment market conditions have tightened because of limited multifamily construction since 2008. Demand is estimated for 260 units during the 3-year forecast period (Table 1). The 45 units currently under construction will likely satisfy a portion of that demand.

Table 1. Housing Demand in the Bend-Redmond HMA, 3-Year Forecast, November 1, 2012, to November 1, 2015

	Bend-Redmond HMA	
	Sales Units	Rental Units
Total demand	1,600	260
Under construction	420	45

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of November 1, 2012. A portion of the estimated 11,400 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

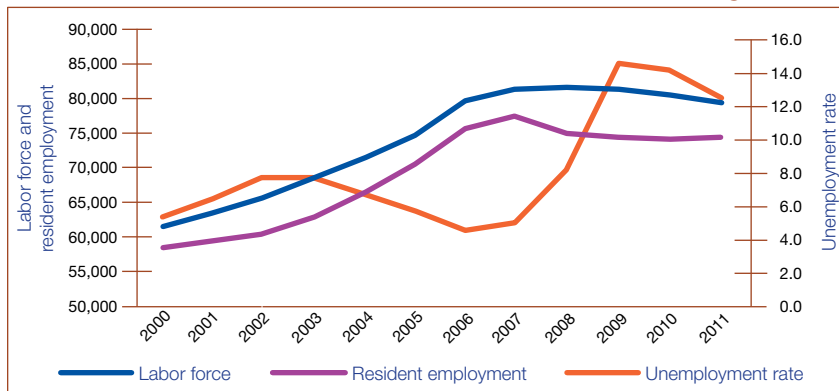
The Bend-Redmond HMA experienced stable economic conditions during the 12 months ending October 2012. Nonfarm payrolls increased by 300 jobs, or 0.5 percent, compared with the increase of 100 jobs, or 0.1 percent, during the previous 12 months and the average annual decline of 3,500 jobs, or 5.1 percent, recorded from 2008 through 2010. One of the most significantly affected sectors during the latter time was the mining, logging, and construction sector, which declined at an average annual rate of 1,600 jobs, or 24.9 percent, from a peak of 8,300 jobs in 2007 to 3,400

jobs during 2010. The average unemployment rate declined to 11.6 percent during the 12 months ending October 2012 from 12.9 percent during the previous 12 months. The primary cause was a decline in the labor force of 1,250 workers, or 1.6 percent (Figure 1).

The HMA's close proximity to Mt. Bachelor and the Deschutes National Forest makes it a major destination for outdoor recreation and tourism in the Pacific Northwest. After declining from 2008 through 2010, the leisure and hospitality sector led payroll growth during the 12 months ending October 2012, with an increase of 300 jobs, or 3.2 percent (Table 2). The leisure and hospitality sector is currently the third largest in the HMA, accounting for 15.7 percent of total nonfarm payrolls (Figure 2) and three of the largest employers in the HMA; Sunriver Resort, Mt. Bachelor Ski Resort, and Eagle Crest Resort have 900, 750, and 530 employees, respectively (Table 3). Tourism recovered steadily during the past 2 years; hotel room tax revenue increased by \$298,900, or 9.3 percent, to \$3.5 million during the 12 months ending October 2012. By comparison, revenue increased by \$199,900, or 6.6 percent, during the same period in 2011. The most common activities enjoyed by summer visitors to the city of Bend included dining (70 percent), hiking or trail running (53 percent), shopping (42 percent), and visiting a brewery or the Bend Ale Trail (40 percent) (RRC Associates, Inc. 2012 study). Visitors were most often from Portland, Oregon (27 percent), Seattle-Tacoma, Washington (12 percent), or Eugene (6 percent).

Manufacturing sector payrolls increased by 100 jobs, or 2.7 percent, to 3,800 jobs during the 12 months ending October

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Bend-Redmond HMA, 2000 Through 2011



Source: U.S. Bureau of Labor Statistics

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

	12 Months Ending October 2011	12 Months Ending October 2012	Absolute Change	Percent Change
Total nonfarm payroll jobs	60,900	61,200	300	0.5
Goods-producing sectors	6,900	6,900	0	0.0
Mining, logging, & construction	3,300	3,100	-200	-6.1
Manufacturing	3,700	3,800	100	2.7
Service-providing sectors	53,900	54,300	400	0.7
Wholesale & retail trade	10,700	10,900	200	1.9
Transportation & utilities	1,100	1,100	0	0.0
Information	1,400	1,400	0	0.0
Financial activities	4,200	4,000	-200	-4.8
Professional & business services	6,600	6,600	0	0.0
Education & health services	9,700	9,800	100	1.0
Leisure & hospitality	9,300	9,600	300	3.2
Other services	2,200	2,200	0	0.0
Government	8,800	8,700	-100	-1.1

Notes: Based on 12-month averages through October 2011 and October 2012. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

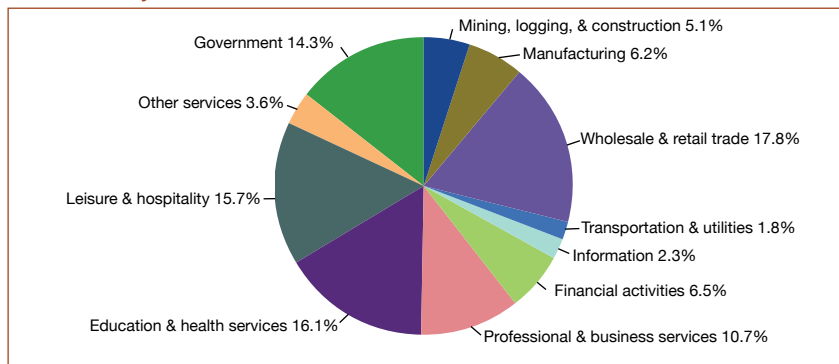
2012, and represent approximately 6 percent of total nonfarm payrolls. The sector reached a peak of 6,100 jobs in 2006 before declining rapidly to a low of 3,600 jobs in 2010. As national and local homebuilding activity decreased after the 2007 recession, demand for wood products declined. Wood product manufacturer Bright Wood Corporation remains one of the largest companies in the HMA, however, with 490 employees. Breweries and brewpubs have bolstered both the manufacturing and the leisure and hospitality sectors; 3 new breweries opened in the summer of 2012, and 3 others were under construction as of November 2012. The HMA had 16 breweries and brewpubs with about 650 employees as of October 2012, up from 14 breweries and brewpubs

with roughly 460 employees in 2011 (Oregon Employment Department). Several local breweries plan to embrace a recent trend in the microbrewery industry and offer beer in cans in addition to the more traditional bottles and kegs. Worthy Brewing Company and Boneyard Beer will include canning lines, and GoodLife Brewing Company plans to use a mobile canning service.

The education and health services sector provided a stable foundation for past economic growth in the HMA, with payroll growth of 73 percent from 2000 to the current date (Figure 3). Payroll growth averaged 500 jobs, or 7.1 percent, annually from 2000 through 2007 before slowing to an average annual increase of 200 jobs, or 2.6 percent, from 2008 through 2010, because hiring in the health services industry declined in response to the weakening local economy and declining patient volumes. St. Charles Medical Centers Bend and Redmond reduced staff hours, initiated a hiring freeze, and laid off 74 workers in 2009, and smaller rounds of layoffs have occurred since 2009. Payrolls in the education and health services sector increased by 100 jobs, or 1.0 percent, during the 12 months ending October 2012. St. Charles Medical Centers Bend and Redmond and the Bend Memorial Clinic are the largest and fifth largest employers in the HMA, with 2,850 and 580 employees, respectively.

The government sector, which represents roughly 15 percent of total nonfarm payrolls in the HMA, decreased by 100 jobs, or 1.1 percent, during the 12 months ending October 2012. The city of Redmond opened the new \$65 million Ridgeview High School for the 2012–13 school year, and the Central Oregon Community College's Bend

Figure 2. Current Nonfarm Payroll Jobs in the Bend-Redmond HMA, by Sector



Note: Based on 12-month averages through October 2012.

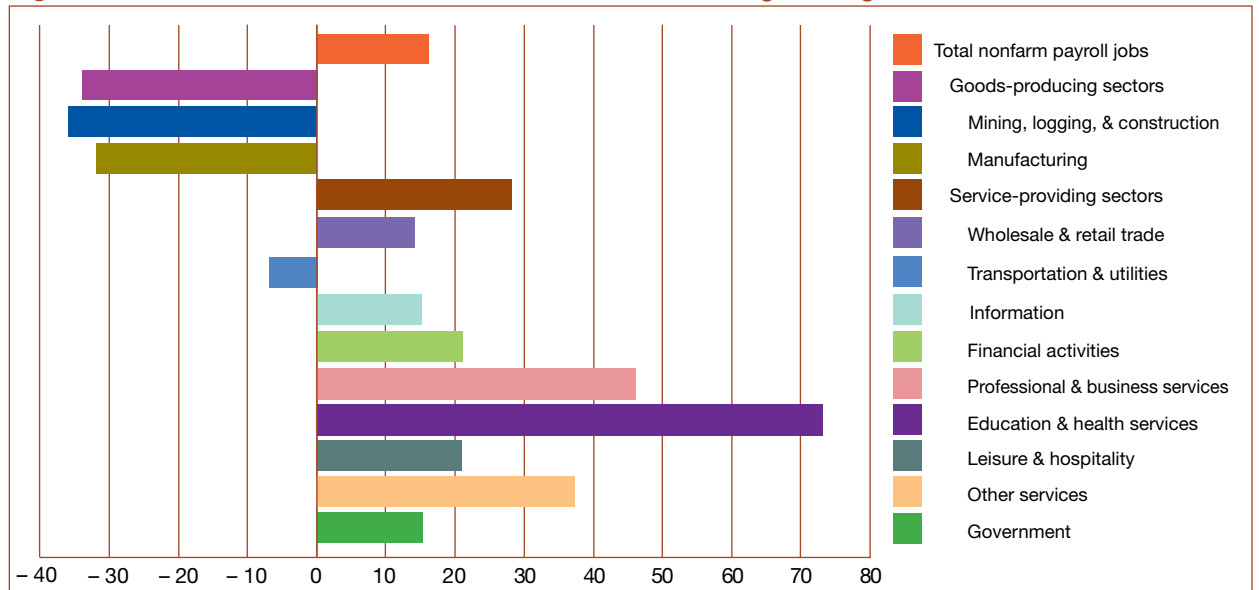
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Bend-Redmond HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
St. Charles Medical Centers (Bend and Redmond)	Education & health services	2,850
Sunriver Resort	Leisure & hospitality	900
Les Schwab Tire Centers	Wholesale & retail trade	870
Mt. Bachelor Ski Resort	Leisure & hospitality	750
Bend Memorial Clinic	Education & health services	580
Safeway, Inc.	Wholesale & retail trade	580
Eagle Crest Resort	Leisure & hospitality	530
Wal-Mart Stores, Inc.	Wholesale & retail trade	520
Fred Meyer Stores, Inc.	Wholesale & retail trade	500
Bright Wood Corporation	Manufacturing	490

Notes: Excludes local school districts. Resort figures reflect peak seasonal employment.

Source: Economic Development for Central Oregon

Figure 3. Sector Growth in the Bend-Redmond HMA, Percentage Change, 2000 to Current

Note: Current is based on 12-month averages through October 2012.

Source: U.S. Bureau of Labor Statistics

campus held grand openings for the \$18.7 million Science Center and the \$16.1 million Health Careers Center in September 2012. A \$6 million renovation of 6th Street in Redmond, which began in November 2012, is expected to be complete by the fall of 2013 (*Bend Bulletin*); this renovation will mark the final portion of a \$100 million investment in Redmond roads and streets during the past 4 years. Oregon's governor and state legislature will discuss plans to expand the Oregon

State University-Cascades campus in the city of Bend into a full 4-year university; if the plan is approved, the university administration hopes to double the current enrollment of nearly 1,050 students by 2019.

Nonfarm payrolls are expected to grow at an average annual rate of 1.0 percent during the 3-year forecast period, led by the ongoing recovery of tourism and the leisure and hospitality sector and by a modest resurgence in homebuilding activity.

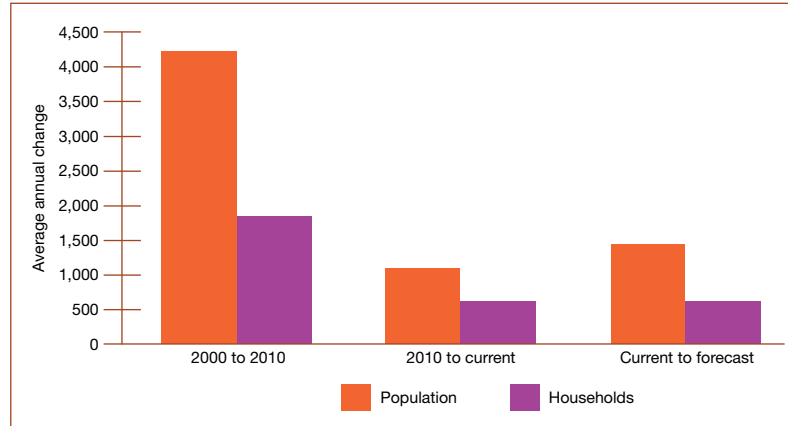
Population and Households

As of November 1, 2012, the estimated population of the Bend-Redmond HMA was 160,600. From 2010 to the current date, the total population grew by an average of 1,100, or 0.7 percent, annually (Figure 4). The number of households increased by an average of 620, or 1.0 percent, annually, to 65,700. Of these

households, an estimated 63.9 percent are owner households, down from 65.8 percent in 2010 (Figure 5). Homeownership rates in the HMA continued to decline because of the lingering effects of the foreclosure crisis and an ongoing shift in household preferences toward renting.

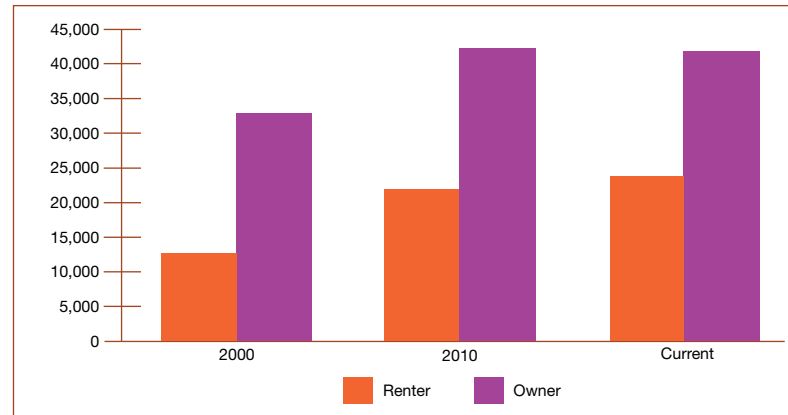
Population and Households *Continued*

Figure 4. Population and Household Growth in the Bend-Redmond HMA, 2000 to Forecast



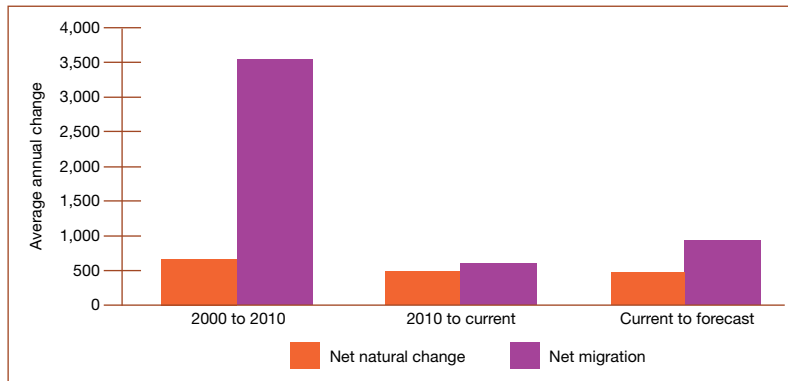
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Number of Households by Tenure in the Bend-Redmond HMA, 2000 to Current



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

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



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

As the rate of homebuilding activity accelerated from 2004 through 2007, job growth in the construction industry attracted new households to the HMA and fueled further increases in homebuilding. The population of the HMA grew by an average of 7,050, or 5.2 percent, annually, and net in-migration averaged 6,275 people a year, or 89 percent of population growth. Beginning in 2007, the national recession produced a sharp change from previous trends; the average annual population growth declined to 1,500 people, or 1.0 percent, from 2008 through 2010 as net in-migration declined to average 760 people a year, or 51 percent of population growth. Figure 6 shows the components of population change in the HMA from 2000 through the forecast period. Rapidly declining housing prices and homebuilding activity led to sharp downturns in construction industry payrolls and in the number of people moving to the HMA, who had been attracted by strong hiring in the industry. Similar, but milder, effects on employment occurred in the leisure and hospitality sector and the retail trade subsector because of declining local tourism.

The population of the HMA is expected to increase by an average of 1,425, or 0.9 percent, annually, reaching 164,900 by the end of the 3-year forecast period. The total number of households is expected to reach 67,550, an average annual increase of 620, or 0.9 percent. For additional population and household data on the HMA, see Table DP-1 at the end of this report.

Housing Market Trends

Sales Market

Sales housing market conditions in the Bend-Redmond HMA are soft but improving, with a current estimated sales vacancy rate of 3.1 percent. During the 12 months ending October 2012, 320 new homes sold, up 78 percent from 180 homes sold during the previous 12 months (CoreLogic, Inc.). During the corresponding period from 2008 through 2010, an average of 400 new homes sold each year. During the 12 months ending October 2012, the average sales price of a new home increased more than 3 percent, to \$252,800, from \$244,400 a year ago. The average sales price of a new home peaked at \$397,400 during the 12 months ending October 2007 before declining 15, 21, and 10 percent during the corresponding periods in 2008, 2009, and 2010, respectively.

Three subdivisions in the HMA accounted for 37 percent of new home sales during the 12 months ending October 2012 (Hanley Wood, LLC). Aspen Rim (13 percent) and NorthWest Crossing (17 percent) are in the western portion of the city of Bend, and Antler Ridge (8 percent) is in the city of Redmond. New home sales amounted to approximately 40 homes in Aspen Rim, 50 homes in NorthWest Crossing, and 25 homes in Antler Ridge, with average sales prices of \$228,000, \$392,300, and \$139,000, respectively.

Sales of existing homes, including distressed properties, increased 5 percent, to 4,350 homes sold, during the 12 months ending October 2012. REO (Real Estate Owned) and short sales represented 40 percent of existing home sales, down from 48 percent a year ago and the peak of 53 percent during the same period in 2010. The

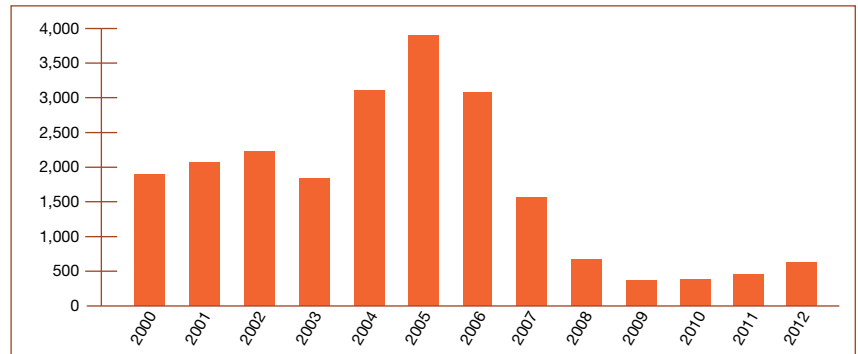
average sales price of an existing home was \$220,800, up 10 percent from \$200,100 during the previous 12 months. As of October 2012, 6.9 percent of home loans were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down from 8.9 percent in October 2011; by comparison, the statewide rate was 5.6 percent and the national rate was 7.2 percent in October 2012 (LPS Applied Analytics). The declining number of distressed home loans and REO or short sale closings suggests that the demand for existing homes has absorbed a substantial portion of the excess supply built from 2004 through 2007. From 2007 through 2010, an average of 3,475 existing homes sold each year. The average sales price of an existing home was \$353,200 during the 12 months ending October 2007, declining 10, 26, and 9 percent during the corresponding periods in 2008, 2009, and 2010, respectively.

Home construction in the HMA is beginning to recover because limited activity from 2009 through 2011 and a declining inventory of distressed homes have bolstered the sales market. Single-family homebuilding, as measured by the number of homes permitted, is not expected to return to the activity levels recorded from 2004 through 2006 during the forecast period, however (Figure 7). Homebuilding activity reached a peak of roughly 3,900 homes in 2005 before declining 21 percent in 2006 and 49 percent in 2007. From 2008 through 2010, an average of 460 homes were permitted annually. During the 12 months ending October 2012, 650 homes were permitted, up 38 percent from 470 during the previous 12 months.

Demand is estimated for 1,600 new homes in the HMA during the 3-year forecast period. The 420 single-family homes currently under construction and a portion of the 11,400 other vacant units in the HMA may satisfy

some of this demand during the forecast period (Table 1). Nearly one-half of the demand is expected to fall in the \$100,000-to-\$199,999 price range (Table 4).

Figure 7. Single-Family Building Permits Issued in the Bend-Redmond HMA, 2000 to 2012



Notes: Includes townhomes. Includes data through October 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Bend-Redmond HMA, November 1, 2012, to November 1, 2015

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	149,999	380	24.0
150,000	199,999	350	22.0
200,000	249,999	180	11.0
250,000	299,999	160	10.0
300,000	349,999	160	10.0
350,000	399,999	130	8.0
400,000	449,999	95	6.0
450,000	and higher	140	9.0

Note: The 420 homes currently under construction and a portion of the estimated 11,400 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market

Overall rental housing market conditions in the Bend-Redmond HMA are relatively balanced, although the apartment market tightened because of limited multifamily construction since 2008. The estimated overall rental vacancy rate is currently 10.0 percent, down from 10.9 percent in April 2010 (Figure 8). Approximately 56 percent of the rental market con-

sisted of single-family units in 2011, up from 47 percent in 2000 (Census Bureau); a portion of these units are seasonal and therefore not in direct competition with the apartment market.

Apartment complexes with 20 or more units reported an average vacancy rate of 4.1 percent during 2012, down from 5.4 percent during 2011 (Central

Housing Market Trends

Rental Market *Continued*

Oregon Rental Owners Association annual survey). The average asking rents were \$565 for one-bedroom units, \$639 for two-bedroom units, and \$732 for three-bedroom units. Multifamily construction, as measured by the number of units permitted, averaged 510 units a year from 2003 through 2007, then declined to average only 40 units a year from 2008 through 2011 (Figure 9). Multifamily construction is beginning to increase in response to a tightening apartment market caused by very limited new construction since 2008. Approximately 60 units were permitted

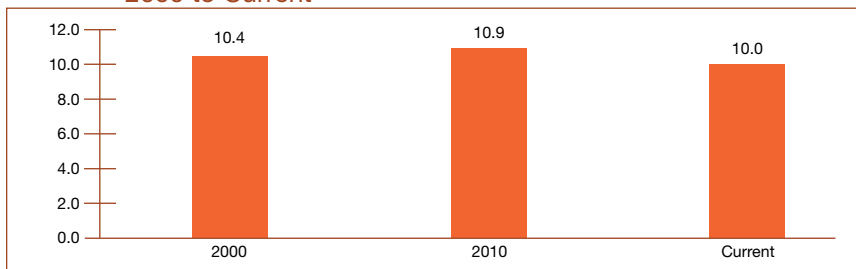
during the 12 months ending October 2012; no units were permitted during the previous 12 months.

The most recently completed market-rate rental project, The Reserves at Pilot Butte, is a 60-unit complex completed in 2008 as condominiums, then converted to apartments as sales housing market conditions worsened. The project currently offers asking rents of \$825 for one-bedroom units, \$1,095 for two-bedroom units, and \$1,195 for three-bedroom units. The developer plans to begin construction on a redesigned 90-unit second phase of the complex by the end of 2013.

One project is currently under construction and one major project is planned in the HMA. The second phase of Little Deschutes Lodge in La Pine, an affordable apartment complex for seniors, is expected to be complete by May 2013, adding 26 units to the existing 26 units. The developers of the proposed 104-unit Sage Springs Apartments plan to break ground by the spring of 2013 and complete construction by the end of the year or in early 2014.

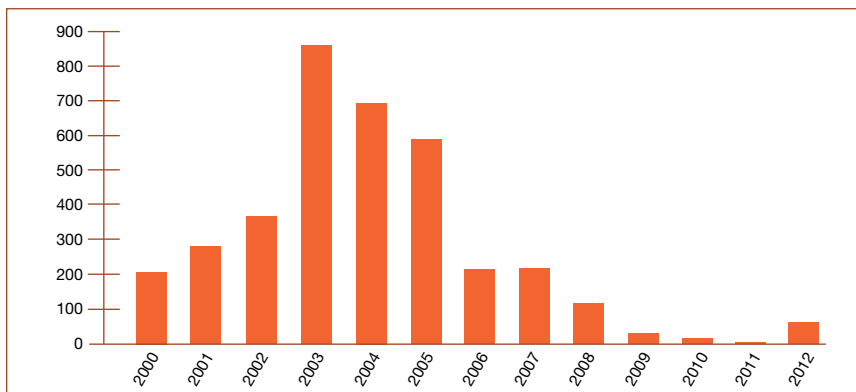
Demand is estimated for 260 new market-rate rental units in the HMA during the 3-year forecast period. The 45 units currently under construction will meet a portion of that demand (Table 1). Table 5 shows the estimated demand for new market-rate rental housing by number of bedrooms and rent level.

Figure 8. Rental Vacancy Rates in the Bend-Redmond HMA, 2000 to Current



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

Figure 9. Multifamily Units Permitted in the Bend-Redmond HMA, 2000 to 2012



Notes: Excludes townhomes. Includes data through October 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Rental Market *Continued*

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Bend-Redmond HMA, November 1, 2012, to November 1, 2015

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
500 or more	10	650 to 849	50	750 to 949	110	850 to 1,049	20
		850 or more	10	950 to 1,149	30	1,050 or more	15
				1,150 or more	15		
Total	10	Total	60	Total	160	Total	35

Notes: Numbers may not add to totals because of rounding. The 45 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profile

Table DP-1. Bend-Redmond HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	58,478	69,087	69,400	1.7	0.2
Unemployment rate	5.4%	14.2%	11.6%		
Nonfarm payroll jobs	52,800	60,800	61,200	1.4	0.4
Total population	115,367	157,733	160,600	3.2	0.7
Total households	45,595	64,090	65,700	3.5	1.0
Owner households	32,971	42,160	42,000	2.5	-0.1
Percent owner	72.3%	65.8%	63.9%		
Renter households	12,624	21,930	23,700	5.7	3.1
Percent renter	27.7%	34.2%	36.1%		
Total housing units	54,583	80,139	81,050	3.9	0.4
Owner vacancy rate	2.3%	4.2%	3.1%		
Rental vacancy rate	10.4%	10.9%	10.0%		
Median Family Income	\$41,500	\$63,500	\$65,500	4.3	1.6

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through October 2012. Median Family Incomes are for 1999, 2009, and 2011.

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

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 11/1/2012—Analyst’s estimates
Forecast period: 11/1/2012–11/1/2015—
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.

Other Vacant Units: In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_Bend-RedmondOR_13.pdf.

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

The factual framework for this analysis follows the guidelines and methods developed by 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 expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

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