WILSONVILLE
OREGON

BASALT CREEK CONCEPT PLAN

Attachment 18: Testimony from Peter O. Watts
(received 8.6.2018 4:00 pm)

Dear Mayor Knapp and members of the Council,

Thank you for accepting this testimony. I recognize that the Wilsonville City Council does not have discretion regarding determining the proper zoning for the Basalt Central area, and that per the IGA that the city signed, the city is required to adopt whatever zoning Metro instructs the city to adopt. Because Metro did not conduct a public hearing or allow the public to rebut the Chief Operating Officer's report, I believe that Metro's decision is in violation of the minimum standards for a zoning decision hearing as articulated by the Oregon Supreme Court in *Fasano v. Board of County Commissioners of Washington County* 507 P2d 23 (1973).

As the Court articulated in *Fasano*, "Parties at the hearing before the county governing body are entitled to an opportunity to be heard, to an opportunity to present and rebut evidence, to a tribunal which is impartial in the matter i.e., having had no pre-hearing or ex parte contacts concerning the question at issue and to a record made and adequate findings executed." *Id* at 30. Metro has dictated the zoning which you must adopt, without allowing public participation during its hearing or giving members of the general public an opportunity to present or rebut the evidence in the Metro Chief Operating Officer's staff recommendation. I understand you have no discretion regarding the zoning, and therefore cannot function as an impartial tribunal.

With that said, I would like to enter the following abbreviated comments and attachments into the record. I have previously provided written testimony to Metro, which your city attorney has a copy of, and I would like to incorporate that testimony by reference. As part of its Title 4 process, during adoption of Ordinance No. 04-1040B Metro mapped prospective Employment Land, Industrial Land, and Regionally Significant Industrial Areas. The central subarea received none of those designation. *See attachment 1.* Additionally, the slope the slope suitability that Metro used was "less than 10%" *See attachment 1(a).* As previously provided, the subject property has slope of over 20%. Metro has recently released a draft of its Urban Growth Report (UGR), which I have *See attachment 2.* Page 11 the UGR forecasts a "net decrease of 9,000 industrial jobs during the 2018 to 2038 time period" and concludes that there is "no need for additional industrial land to support employment growth." If no additional land is needed in the region over the next two decades it is unclear what Metro's COO's recommendation would be for an Industrial designation? This is particularly true given the immediate need for residential land in our region.

Metro has also released a Buildable Land map for the 2018 UGR. Metro has mapped the Basalt Central Area, at issue here, as Single Family Residential. Its map shows capacity for 380 single family housing units, in Basalt Central Area. *See attachments 3 and 3(a).*

Although the Chief Operating Officer and Metro Council have identified the issue of housing affordability in our region, Metro's BLI is predicated on significant redevelopment/gentrification of affordable housing in our region. For instance, the apartments owned by Central City Concern at 8018-8066 SE Taggart St., in Portland are slated for redevelopment. *See attachment 4.* Metro plans for many of our region's manufactured parks to be redeveloped, including the property in Cully that the City of Portland has taken steps to keep from redeveloping. *See attachment 5.* Additionally, manufactured housing on Hayden Island, *See attachment 6*, Fairview, *See attachment 7,* Wood Village, *See attachment 8*, Gresham *See attachment 9*, Gladstone, *See attachment 10,* unincorporated Clackamas County *See attachment 11,* Washington County *See attachment 12 and 13* are some of the properties slated for redevelopment. It is unclear whether the Johnson City City Council is aware that all homes in their city are slated for redevelopment *See attachment 14.*

The U.S. Department of Housing and Urban Development (HUD) has an Office of Policy Development and Research. It prepared a Comprehensive analysis for our seven county region on May 1, 2016. *See attachment 15.* The analysis showed there was a total demand of 27,225 for sales units between 5/1/16 and 5/1/19, and that 2,810 units were under construction. Of the 19,925 rental units needed to meet regional demand, 6,995 were under construction. *See attached report p.1-p.2.* This illustrates an immediate need for housing units in our region. A breakdown of the Washington County, titled Hillsboro Beaverton sub-region is on p. 14 - p.18

Additionally, HUD calculated housing demand in the Salem HMA. *See attachment 16.* Of the 3,075 sales units needed 260 were under construction, and of the 2,025 rental units needed, 520 were under construction. As a result, we cannot rely on Marion or Polk counties to pick up the additional housing need which is not being met in the 7 County Portland HMA.

The correlation between insufficient new housing inventory and increased prices is well documented as economist Joe Cortright wrote in the article I have attached, "demand for new housing that isn't met by the construction of new high-end units doesn't disappear, it spills over into more modest housing, driving up rents for everyone." *See attachment 17.* While the housing anticipated for the Central Basalt Area isn't necessarily predicted to be high end, the fact that it is not being built will impact housing prices and affordability around our region.

In Metro's 2015 25 year projected population distribution, Tualatin's 2015 population was estimated at 26,590. Tualatin 2040 population projection was estimated at 27,373, or an increase of 782 people over the 25 year period. *See attachment 18.* When the U.S. Census Department released their 2016 census estimate for Tualatin, they projected population at 27,545 meaning that Tualatin had exceeded 25 years of population growth in the first year of the 25 year period. *See attachment 19.* A chart comparing the projections for Metro cities to 2016 census estimates is attached, and shows that the US Census estimates substantially higher population numbers than Metro projected. A look at historic census data for Tualatin and Wilsonville shows that both jurisdictions have experienced significant population growth. While population growth was far more modest during and immediately after the great recession, both jurisdictions are far exceeding Metro's projected growth, illustrating a need for buildable lands.

Tualatin:

1970 - 750
1980 - 7,348
1990 - 15,013
2000 - 22,791
2010 - 26,054
2020 - TBD

Wilsonville:
1980 - 2,920
1990 - 7,106

2000 - 13,991
2010 - 19,509
2020 – TBD

The record in front of this Council, and Metro's own documents illustrate that this land was never planned to have an employment or industrial designation, there is no need for additional land in our region, and there is an acute need for housing in our region. This need and the impact of lack of supply is illustrated by an article in the Wilsonville Spokesman *See attachment 21* and KOIN *See attachment 22.* Thank you for adding my documents into the record.

Sincerely,

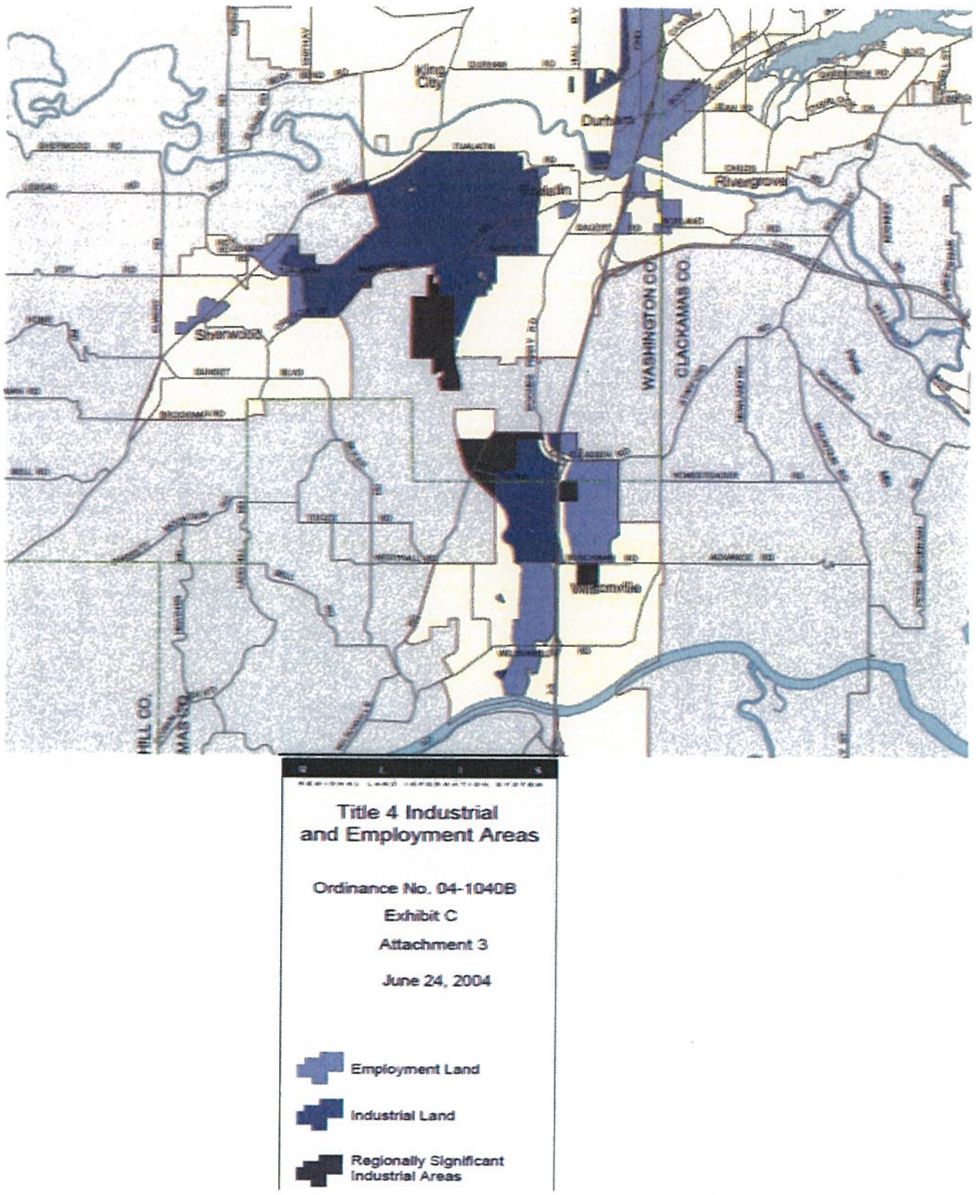
Peter O. Watts

Peter O. Watts

6. **METRO 04-1040b INCLUDES MAP OF TITLE 4 INDUSTRIAL AND EMPLOYMENT AREAS**
- <u>NO INDICATION THE TUALATIN CENTRAL SUB AREA IS TO BE INCLUDED WITHIN INDUSTRIAL AND/OR EMPLOYMENT AREA</u>

Page 79 Metro 04-1040B

Enlargement of Tualatin- Basalt Creek Area of
Metro Map -Title 4 Industrial and Employment Areas Ordinance No. 04 -1040B
Attachment 3



It appears the east side of Grahams Ferry Road is not included within the 3 designations provided within Exhibit C Attachment 3

- Not within area designated as Employment Land
- Not within area designated as Industrial Land
- Not within area designated as Regional Significant Industrial Areas

1

should be planned for industrial development and receive a 2040 designation of RSIA. The 20 year housing supply is not affected because Metro had a surplus of 666 net acres of residential land.

Completing Periodic Review

After adjustments the remaining industrial land need is 1,1180 net acres. The Metro Council expanded the UGB by adding 1,047 acres of land to substantially satisfy the need for Industrial land over the next 20 years. These lands area located in the following areas: Damascus West, Tulatin, Beavercreek, Quarry, Coffee Creek, Cornelius and Helvetia. The areas are shown in Table 3. Metro Council UGB Expansion Areas, were chosen because they meet the requirements in Goal 14 in the following order:

- Exception lands that meet the suitability factors identified for warehouse and distribution; general industrial and tech flex uses;
- Successively lowest capability farmlands which meet the suitability factors or;
- Located on lower priority farmland but are necessary to meet specific industry needs.

Specifics of the suitability factors are outlined in the April 5, 2004 staff report. Departure from either the COO recommendation or the MPAC recommendation is discussed below. Careful consideration was paid to the potential impacts on farmland and farm industry operations.

Table 2. Chief Operating Officer's Recommendation

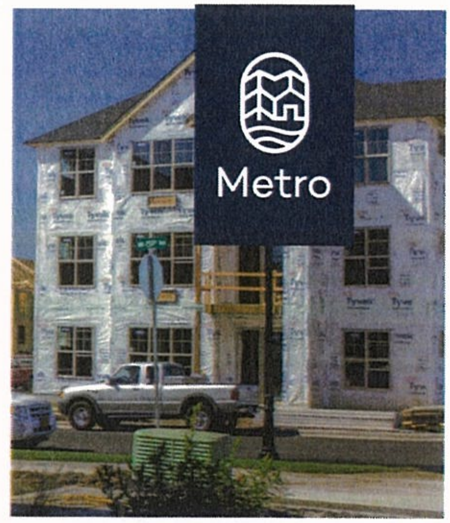
				SUITABILITY FACTORS		
EXPANSION AREAS	**Total Acres**	**Net Acres**	**Dominant Earthquake Zone**[4]	**Access**	**Proximity**	**Slope less 10%**
Damascus West	102	69	D	✓	✓	✓
Tualatin ***(MPAC-partial)***	646	339	D	✓	✓	✓
Quarry ***(partial)***	354	236	D	✓	✓	✓
Borland Rd N. ***(partial)***	575	164	A	✓	✓	✓
Beavercreek. ***(partial)***	63	30	D	--	✓	✓
Coffee Creek ***(partial)***	264	97	D	✓	✓	✓
Wilsonville East ***(partial)***	641	460	B	✓	✓	✓
Cornelius ***(partial)***	206	91	B	✓	✓	✓
Helvetia ***(partial)***	249	149	A	✓	✓	✓
Additional Areas						
Evergreen	985	730	A	✓	✓	✓
West Union	368	133	A & B	✓	--	✓
TOTAL	3,100	1,635				

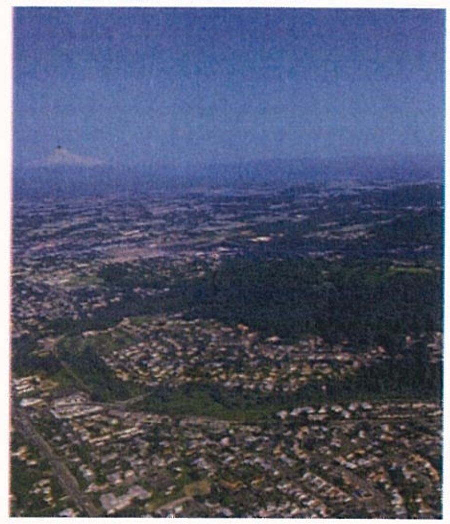
**Areas shown in bold/ italics were included in MPAC's June 9th recommendation*

Soil Classifications of Areas Under Consideration

Soil classifications of all areas under study. The soils were mapped to facilitate studying and choosing appropriate lands for UGB expansion that conform to Oregon Revised Statute 197.298. ORS 197.298 establishes a hierarchy of lands based on soil quality which is divided into tiers. These tiers establish a priority for urbanizing land with exception land being the first priority followed successively by better quality soils. The tier system used for analysis examined the class of soils in each area and determined which soil class was most prominent. As study area boundaries have changed over the course of the analysis the predominant soil type changed in some cases. Table 3. Metro Council UGB Expansion Areas, shown on page 10 contains the predominant soil type unique to each area. Attachment 1 contains a complete discussion of the soil classes in all areas.

[4] Based on 1997 Department of Geology and Mineral Study. Rating of A-D with D being the lowest hazard area.





DISCUSSION DRAFT

2018 GROWTH MANAGEMENT DECISION

Urban Growth Report

Published July 3, 2018

oregonmetro.gov/ugb

2

Industrial land demand

As our nation's economy has evolved from farming roots through the industrial revolution and into a knowledge-based economy, several dynamics have been at play that influence the nature of industrial land demand:

- As technology has improved over the last century, industrial workers have become more productive. This means that industrial job growth is stagnant and that demand for space is driven less by employment than it was in the past.
- E-commerce has driven demand for close-in warehousing and distribution facilities to enable quick deliveries. This may increase the likelihood of redevelopment of some sites.
- Data centers have emerged as users of industrial land, but they provide relatively few jobs (instead, they pay franchise fees that benefit cities).
- Large industrial firms seeking new locations consider sites all around the country or world, making it impossible to forecast regional land demand for large industrial sites.
- Site requirements for industrial uses can be very specific. For instance, some industrial users require rail access, others require redundant power sources, others require an educated workforce, and others require manual laborers. Forecasting those specific requirements would imply more certainty about the future than is possible.
- Providing raw land is just one step of many for producing industrial jobs. Typically, infrastructure investments and site assembly are also required. Brownfield cleanup and wetland mitigation are also common needs.

These dynamics mean that it is challenging to estimate land needs based on an employment forecast. This difficulty is amplified by the additional uncertainty surrounding employment forecasts since job growth can be influenced – for better or worse – by international relations, monetary policy and many other factors that lie outside the control of cities, counties, the region or state.

For these reasons, determining industrial land needs is best understood as an exercise in economic development goal setting rather than forecasting. This is true at the regional level and even more so at the local level.

The peer-reviewed baseline employment forecast for the seven-county area shows a net decrease of about 9,000 industrial jobs during the 2018 to 2038 time period. While some new industrial firms may emerge and some existing industrial firms may grow, those gains are outweighed by expected employment decreases at other industrial firms. The expected net decrease in regional employment in industrial sectors such as manufacturing, warehousing and distribution means that there is not a regional need for more industrial land to support employment growth. Even under the high growth forecast, industrial employment remains essentially unchanged from 2018 to 2038, again pointing to no need for additional industrial land to support employment growth.

Likewise, for the 2018 decision, no cities have proposed UGB expansions for industrial uses. There is no indication that adding land to the UGB when it has not been proposed by a city would result in industrial employment. For all of these reasons, there is not a regional need for additional land to be added to the UGB for industrial employment, including employment on large industrial sites.

The Metro Council has put into place a process for considering specific non-residential UGB expansion proposals outside of the standard growth management cycle. If cities develop an employment concept plan for an urban reserve area, that "major amendment" process can address needs that aren't anticipated in the 2018 growth management decision.

Is there a need for more land to support household growth?

Urban growth scenarios

To inform the Metro Council's determination of whether there is a need for residential UGB expansions in 2018, Metro staff produced a number of scenarios that tested different permutations of a few assumptions:

- varying levels of population, household and employment growth (using the range forecast for the seven-county metropolitan area)
- different amounts of buildable land in the Metro UGB (varying amounts of redevelopment capacity)
- UGB expansions as proposed by four cities vs. no UGB expansion.

The scenarios are described in more detail in Appendix 3. Several general observations can be made about the scenarios:

The region is on track to continue using land efficiently

- Most capacity for housing production within the existing UGB comes through redevelopment and infill.
- Redevelopment and infill construction thrives when there is strong economic and population growth.

Increased spillover growth to neighboring cities does not appear to be a threat

- The original Metro UGB was adopted in 1979. Since then, about 61 percent of the new households in the larger seven-county metropolitan area have located inside the Metro UGB.
- In all scenarios, the share of the seven-county area's new households that locate in the Metro UGB (the "capture rate") is higher than historic rates, ranging from 63 to 72 percent.

- Barring unanticipated changes in the growth capacity of neighboring jurisdictions, a decision not to expand the UGB will not cause excessive spillover growth into neighboring jurisdictions like Sandy, Newberg, or Clark County, Washington.

More housing production is needed to keep up with household growth

- The region needs more housing production to keep up with population growth, particularly for households earning lower incomes.
- If development of the four proposed UGB expansions is viable, they can modestly increase housing production in the region.
- Regional scale analysis is not sensitive enough to distinguish between the effects of the individual proposed expansions.

Housing affordability will remain a challenge

- As in other regions around the country, housing affordability will remain a challenge.
- Encouraging more redevelopment and infill is the most effective means of keeping housing prices in check for renters.
- If developed, the four proposed UGB expansions would result in modest reductions[11] in housing prices for owner-occupied housing by providing additional housing supply.
- If developed, the four proposed UGB expansions would have little impact on prices for renter-occupied housing given that one-third of the planned housing in those areas would be multifamily.

Most housing will remain single-family housing, but most most growth capacity is for apartments and condominiums

- Currently, about 68 percent of all housing is single-family housing. All scenarios show that share decreasing in the future, with most resulting in about 60 percent single-family housing (still a majority).
- In keeping with regional and local plans, infrastructure funding realities and smaller household sizes, most growth capacity is for apartments and condominiums.
- If developed, the four proposed UGB expansions would result in a modest increase in choices for single-family housing for ownership.
- While demand for owned and single-family housing is strong, households appear willing to substitute rental and multifamily housing to a certain extent.

The region is on track to stay within the urban reserves "budget"

- There are approximately 23,000 gross acres of urban reserves that are candidates – if needed – for UGB expansions through the year 2045 (to address regional land needs to the year 2065).
- If urban reserves were added to the UGB at the average rate of about 850 acres per year, all urban reserves would be used (added to the UGB) by the year 2045.
- The four city-proposed expansions total 2,200 gross acres. At the above-described "budget" of 850 acres per year, this amounts to about 2.5 years of usage.

11. The amount of potential housing price reduction varies depending on other assumptions about redevelopment potential, household growth, and future UGB expansions (beyond the 2018 decision). All other things being equal, however, the proposed expansions could help moderate housing prices somewhat.

Changes in where we live and work

Where we stand today with housing

Greater Portland came roaring out of the Great Recession. In less than 10 years, the region grew its economy and added high-wage jobs at higher rates than almost any other large U.S. metro area. Median incomes went up. The poverty rate went down. Thousands of young, educated workers migrated to the region drawn by the high quality of life and the opportunity of a booming economy.

This influx of new affluence and new people brought both economic growth and new challenges , changing the dynamics of our housing market and shifting the geography of affordability in a short period of time.

But longer-term trends also shaped our housing supply, and those trends continue to challenge our ability to create housing choices that meet the needs of our changing region.

Housing construction came to a halt in the Great Recession, driving up housing costs

All around the country, housing construction came to a halt during the Great Recession. As the population continued to grow, demand intensified and housing prices rose – slowly at first, but gaining momentum with each passing year. Rent and home price increases were among the highest in the nation; vacancy rates, the share of unoccupied rental units, were among the lowest. This was true in greater Portland and dozens of other cities around the country.

Long-term residents living in rental housing found themselves priced out of their neighborhoods, while would-be homebuyers struggled to save for down payments that seemed to double overnight. Renters suffered the most, often facing substantial rent increases with little notice.

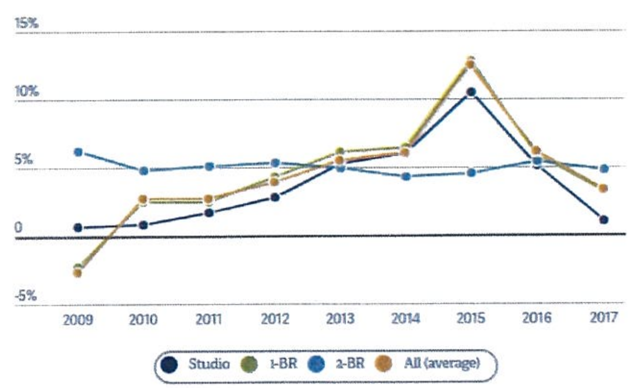
Like most regions, we are playing catch-up with housing construction

Housing construction took off again as the region emerged from the Great Recession. Increased housing supply has begun to temper housing rents and prices, which are still rising, but not as quickly.

Though it's of little consolation to people who work and struggle to keep a roof over their heads, rents here are similar to those in cities around the country. For one-bedroom apartments, the Portland region is in the same rental price range as Atlanta, Minneapolis, Nashville, Denver and Chicago. Rents are more expensive here than a number of other cities, but still represent a value compared to other coastal cities.

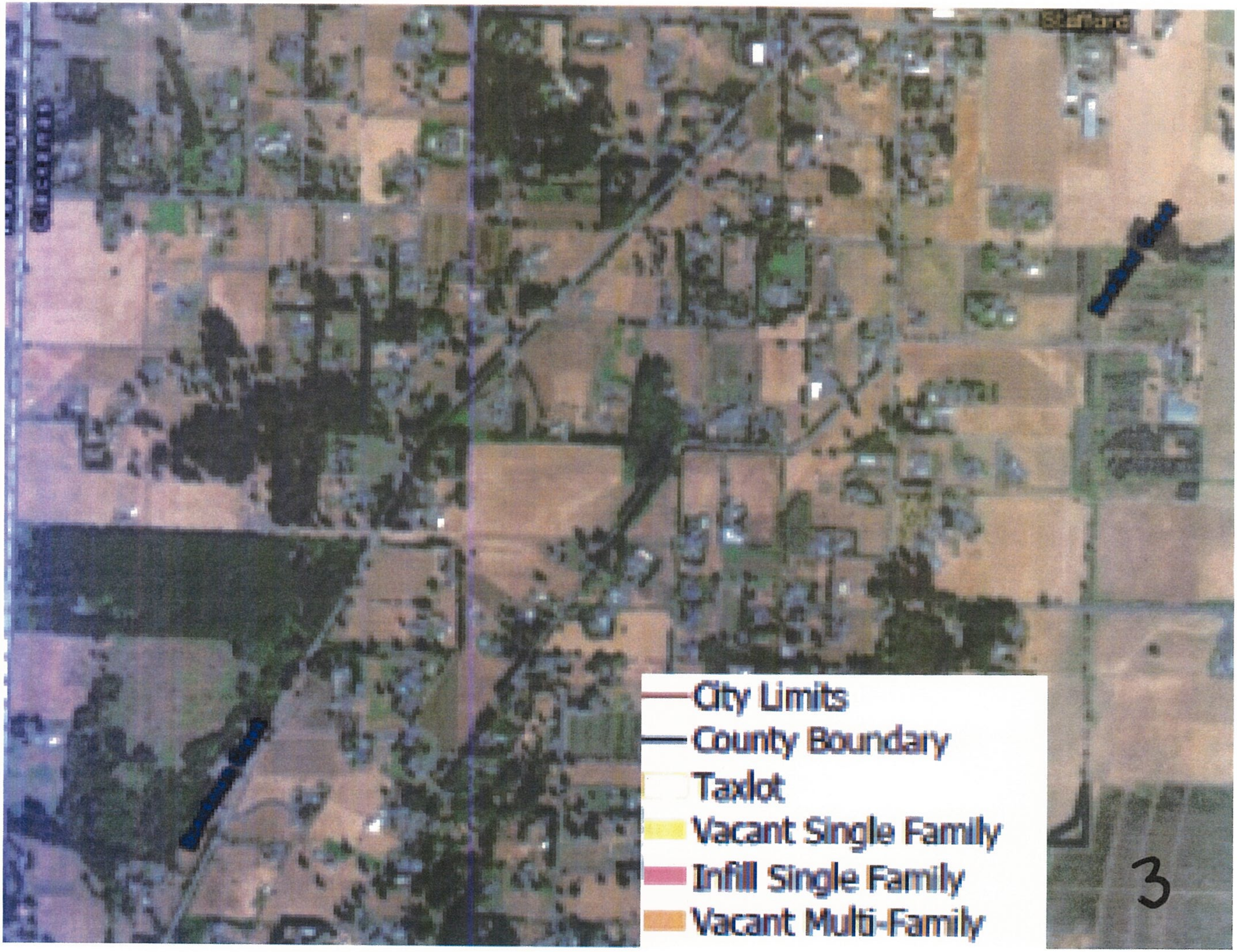
When it comes to rents, location matters. To live close to jobs, amenities, and transit, people have to pay a premium that is often out of reach.

Figure 5: Annual percentage change in rental unit costs by size, Portland metro area, 2009-2017.



Sourc: Data courtesy of CoStar commercial real estate company

3. See Appendix 5 for more information on historic residential development trends.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Vacant Multi-Family
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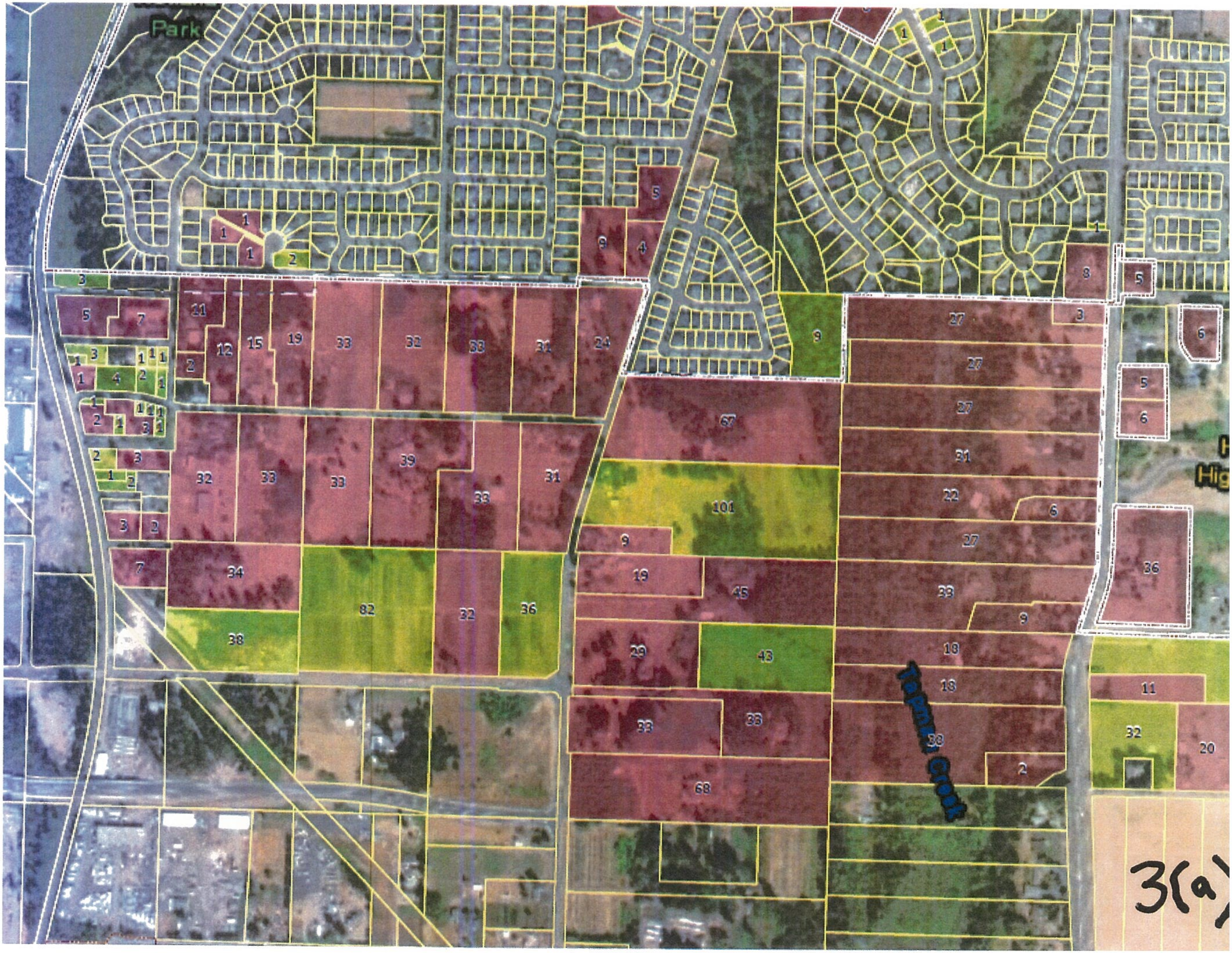
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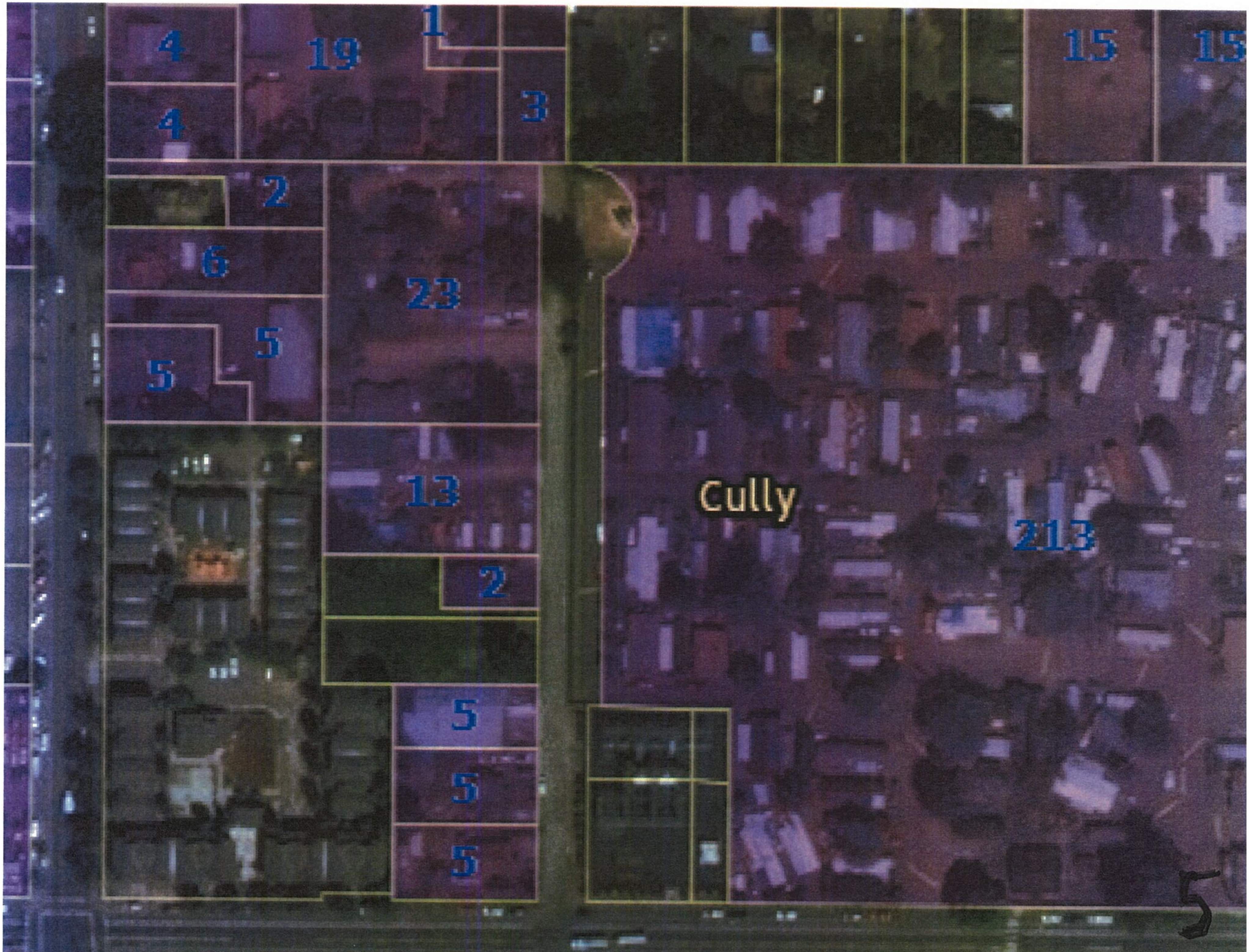

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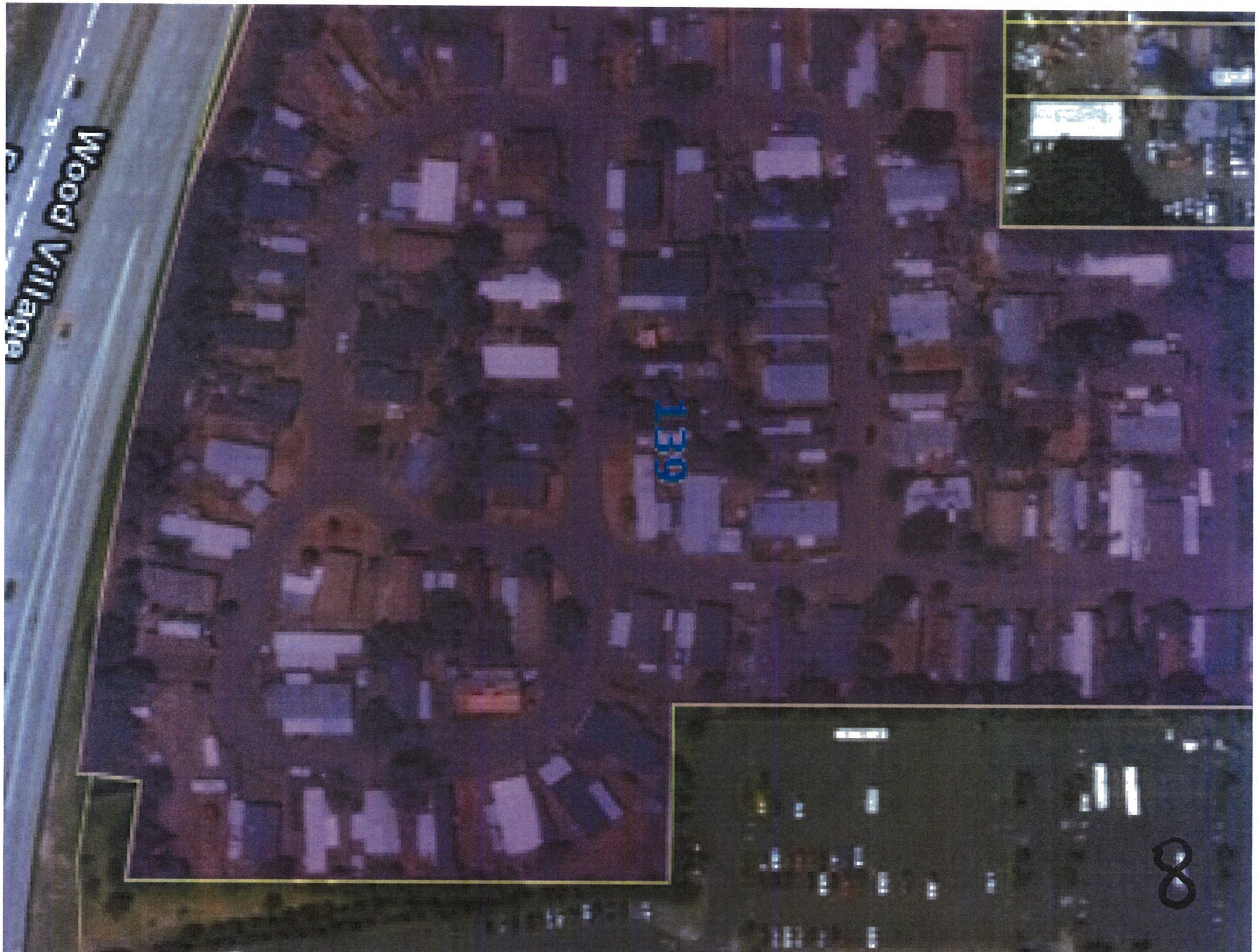

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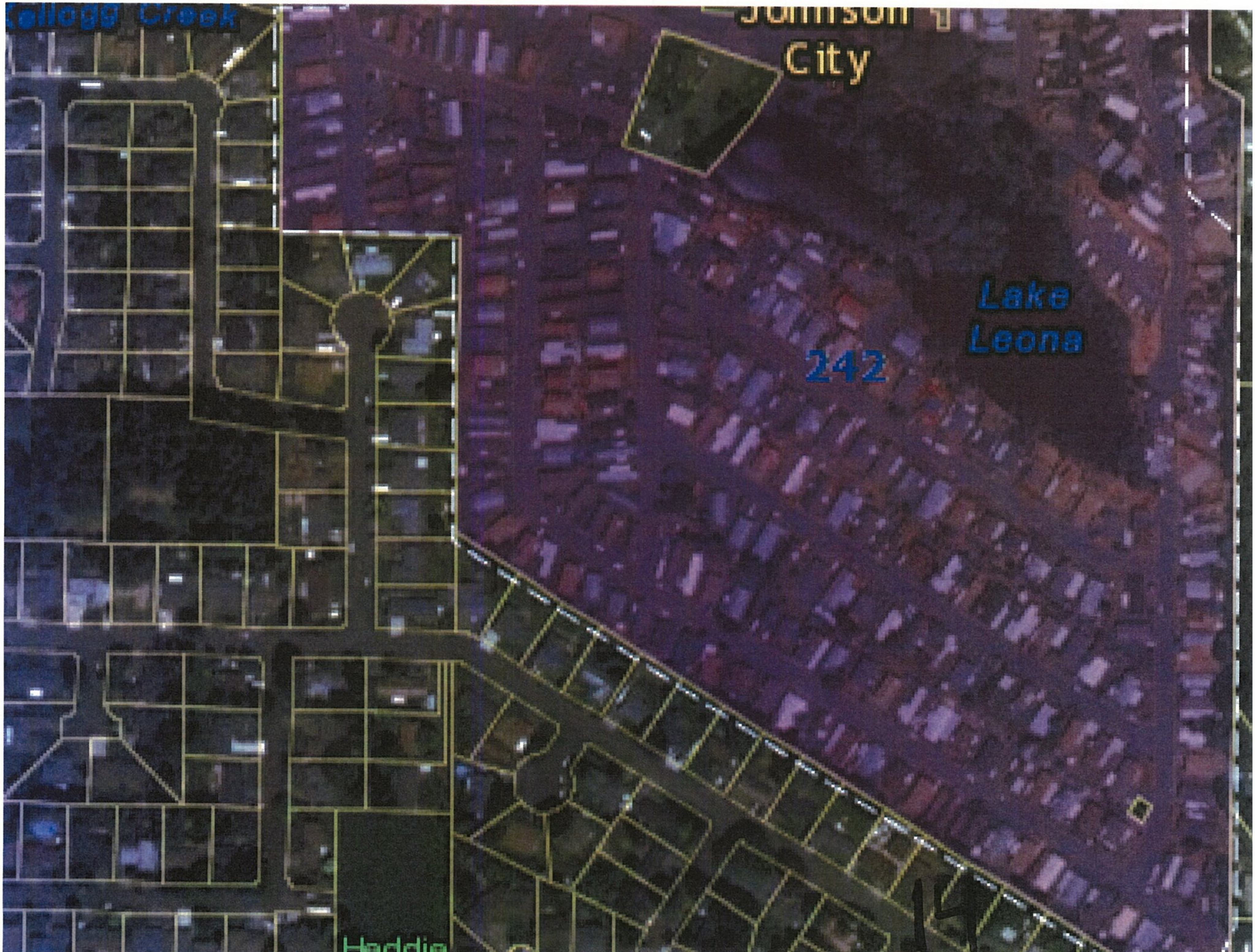
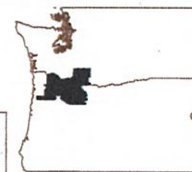

Kellogg Creek
Johnson City
Lake Leona
242
Haddie
14

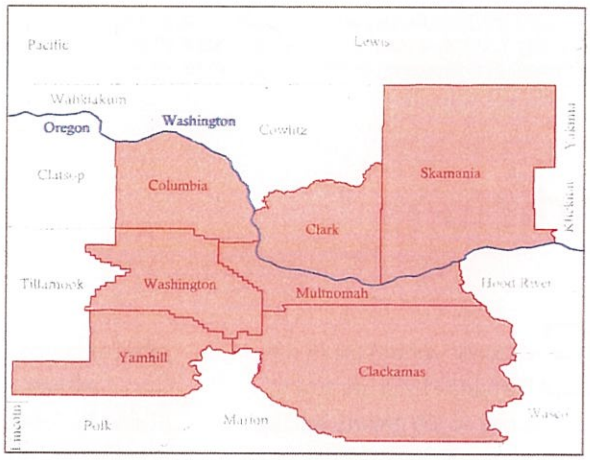
COMPREHENSIVE HOUSING MARKET ANALYSIS

Portland-Vancouver-Hillsboro, Oregon-Washington

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of May 1, 2016

PD&R





Housing Market Area

The Portland-Vancouver-Hillsboro Housing Market Area (hereafter, the Portland HMA) consists of seven counties located at the confluence of the Columbia and Willamette Rivers in northwestern Oregon and southwestern Washington. The HMA is coterminous with the Portland-Vancouver-Hillsboro, OR-WA Metropolitan Statistical Area. For purposes of this analysis, the HMA is divided into three submarkets: (1) the Portland submarket, consisting of Clackamas, Columbia, and Multnomah Counties in Oregon; (2) the Beaverton-Hillsboro submarket, consisting of Washington and Yamhill Counties in Oregon; and (3) the Vancouver submarket, which consists of Clark and Skamania Counties in Washington.

Summary

Economy

After losing jobs from 2008 through 2010, nonfarm payrolls in the Portland HMA have expanded every year since 2011 as a result of strong economic conditions. During the 12 months ending April 2016, nonfarm payrolls in the HMA increased by 35,200 jobs, or 3.2 percent, to 1.12 million jobs compared with a gain of 32,400 jobs, or 3.1 percent, during the 12 months ending April 2015. During the same time, the unemployment rate declined from 5.8 to 5.0 percent. Nonfarm payrolls are projected to increase at an average annual rate of 2.7 percent during the 3-year forecast period.

Sales Market

The current sales housing market in the HMA is tight, with an estimated vacancy rate of 1.0 percent, down from 2.2 percent in April 2010 (Table DP-1 at the end of this report). New and existing home sales totaled 52,900 during the 12 months ending March 2016, up 19 percent from a year earlier (CoreLogic, Inc., with adjustments by the analyst). As of April 2016, a 1.4-month supply of homes was available for sale, down from a 1.8- and 2.8-month supply in April 2015 and 2014, respectively, in the HMA (RMLS™). During the next 3 years, demand is expected for 27,225 new single-family homes (Table 1). The 2,810 homes under construction and some of the 20,700 other vacant units that may return to the market will satisfy a portion of the demand.

Rental Market

Rental housing market conditions in the HMA are tight, with an estimated vacancy rate of 2.9 percent compared with 5.9 percent in April 2010 (Table DP-1). The apartment vacancy rate was 3.0 percent during the first quarter of 2016, up from 2.5 percent a year ago; however, the average rent increased 13 percent to $1,185 (MPF Research). During the 3-year forecast period, demand is expected for 18,925 market-rate rental units. The 6,995 units under construction will meet a portion of that demand (Table 1).

Market Details

Table 1. Housing Demand in the Portland HMA* During the Forecast Period

	Portland HMA*		Portland Submarket		Beaverton-Hillsboro Submarket		Vancouver Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	27,225	18,925	12,750	10,650	7,675	5,325	6,800	2,950
Under construction	2,810	6,995	1,050	4,900	820	970	940	1,125

*Portland-Vancouver-Hillsboro HMA.

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of May 1, 2016. A portion of the estimated 20,700 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is May 1, 2016, to May 1, 2019.

Source: Estimates by analyst

Economic Conditions

Economic conditions in the Portland HMA are strong, with the rate of job growth having outpaced growth in the nation since 2011. Nonfarm payroll growth in the HMA averaged 2.6 percent a year from 2011 through 2015, far exceeding the national average of 1.7 percent. During the 12 months ending April 2016, job growth accelerated, increasing by an average of 35,200 jobs, or 3.2 percent, to 1.12 million jobs compared with job gains during the 12 months ending April 2015 (Table 2). Job gains occurred in every nonfarm payroll sector during the past 12 months. The unemployment rate averaged 5.0 percent during the 12 months ending April 2016, down from 5.8 percent a year earlier, because growth in employment far outpaced growth in the labor force (Figure 1). Top employers in the HMA include Intel Corporation, Providence Health Systems, and Oregon Health & Science University, with 17,500, 15,239, and 14,616 employees, respectively (Table 3).

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

	12 Months Ending April 2015	12 Months Ending April 2016	Absolute Change	Percent Change
Total nonfarm payroll jobs	1,087,700	1,122,900	35,200	3.2
Goods-producing sectors	176,100	180,100	4,000	2.3
Mining, logging, & construction	56,600	57,700	1,100	1.9
Manufacturing	119,500	122,400	2,900	2.4
Service-providing sectors	911,600	942,800	31,200	3.4
Wholesale & retail trade	167,300	171,200	3,900	2.3
Transportation & utilities	36,100	37,300	1,200	3.3
Information	23,700	25,100	1,400	5.9
Financial activities	64,800	67,200	2,400	3.7
Professional & business services	166,500	172,900	6,400	3.8
Education & health services	157,500	163,500	6,000	3.8
Leisure & hospitality	109,500	114,700	5,200	4.7
Other services	38,500	39,800	1,300	3.4
Government	147,800	151,100	3,300	2.2

*Portland-Vancouver-Hillsboro HMA.

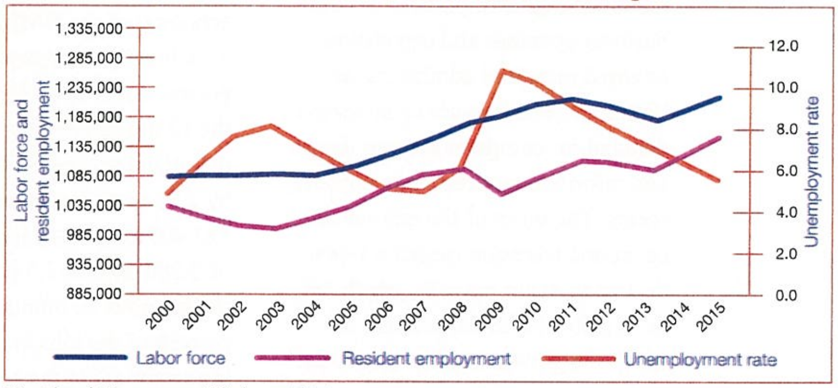
Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through April 2015 and April 2016.

Source: U.S. Bureau of Labor Statistics

The economy of the HMA experienced two separate periods of substantial job losses during the 2000s—from 2001 through 2003, when the dot.com bubble burst, and from 2009 through 2010, when the economy experienced the nationwide economic recession and housing market collapse. The HMA is a regional center for the high-technology (hereafter, high-tech) industry, earning the region the nickname "Silicon Forest." During the 1990s, the HMA experienced particularly strong economic growth because the high-tech industry was expanding rapidly (referred to as the dot.com bubble); however, when the dot.com bubble burst, it disproportionately impacted firms in the high-tech industry, causing a more severe downturn in the HMA compared with the economic downturn in the nation. From 2001 through 2003, payrolls in the HMA declined by an average of 13,300 jobs, or 1.4 percent, annually; nationwide, payrolls fell an average of 0.4 percent a year. Economic growth returned from 2004 through 2007, with payroll gains averaging 25,500 jobs, or 2.6 percent, annually compared with the national rate, which averaged 1.4 percent a year. The national recession and housing market collapse subsequently caused economic conditions in the HMA to weaken. After reaching a plateau of 1.04 million jobs in 2007 and 2008, nonfarm payrolls fell by 60,000 jobs, or 5.8 percent, in 2009 and the unemployment rate spiked to 10.9 percent; national payrolls fell 4.3 percent. The weak economy caused a sharp reduction in planned spending, both from households and businesses, causing job losses in nearly every sector of the economy. Payrolls continued to decline in 2010, but at a much slower rate, down 4,200 jobs, or 0.4 percent, to 979,200 jobs.

The professional and business services sector, the largest in the HMA economy, represents slightly more than 15 percent of total nonfarm payrolls (Figure 2). During the 12 months ending April 2016, the sector added more jobs than any sector, increasing by 6,400 jobs, or 3.8 percent, to 172,900 jobs, compared with an increase of 7,800 jobs, or 4.9 percent, during the previous 12 months. Growth in this sector has been boosted by hiring in the high-tech industry, including computer systems design and scientific, professional, and technical services, and also by increased administrative hiring with the presence of corporate headquarters such as adidas North America,

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Portland HMA,* 2000 Through 2015



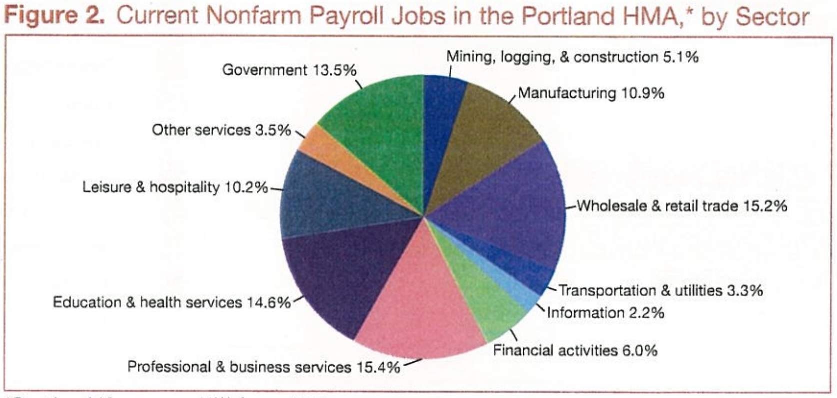
*Portland-Vancouver-Hillsboro HMA.
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Portland HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Intel Corporation	Manufacturing	17,500
Providence Health Systems	Education & health services	15,239
Oregon Health & Science University	Government	14,616
Kaiser Permanente	Education & health services	11,881
Legacy Health Systems	Education & health services	10,436
Fred Meyer Stores	Wholesale & retail trade	10,237
Nike, Inc.	Professional & business services	8,000
Wells Fargo & Co.	Financial activities	4,617
Portland State University	Government	4,153
U.S. Bank	Financial activities	4,000

*Portland-Vancouver-Hillsboro HMA.
Note: Excludes local school districts.
Sources: Moody's Economy.com; Portland Business Journal: Book of Lists 2015

Figure 2. Current Nonfarm Payroll Jobs in the Portland HMA,* by Sector

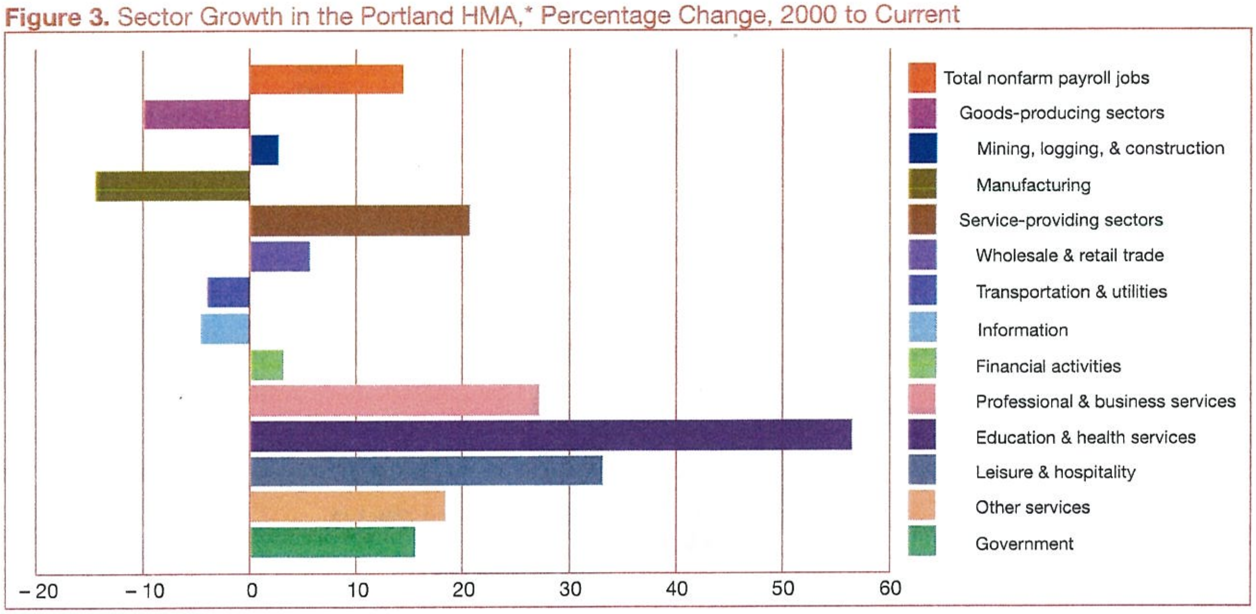


*Portland-Vancouver-Hillsboro HMA.
Note: Based on 12-month averages through April 2016.
Source: U.S. Bureau of Labor Statistics

Columbia Sportswear Company, Daimler Trucks North America, Intel Corporation, and NIKE, Inc. Growth trends in this sector mirrored overall economic conditions in the HMA, with strong growth during the buildup of the dot.com bubble, followed by a sharp drop as it burst. The sector rebounded quickly, partially because business openings and expansions required increased administrative hiring, but also because of increased demand for computer systems design and information technology improvements. The onset of the nationwide economic recession caused a 1-year decline in sector payrolls, which fell by 11,600 jobs, or 8.0 percent, in 2009. Job growth in the professional and business services sector recovered faster than any sector in the HMA, and, from 2011 through 2014, payrolls increased by an average of 7,000 jobs, or 4.8 percent, annually. In April 2016, NIKE, Inc., announced a $380 million expansion of its corporate headquarters campus in the Beaverton-Hillsboro submarket. With a target completion date of 2018, the expansion will add approximately 3.2 million square feet of office, mixed-use, and parking facilities to the campus, with the potential to create thousands of jobs during the 3-year forecast period.

The manufacturing sector continues to play a significant role in the economy of the HMA, despite a decline in employment of 15.0 percent since 2000 (Figure 3). During the 12 months ending April 2016, manufacturing payrolls increased by 2,900 jobs, or 2.4 percent, to 122,400 jobs, compared with a gain of 3,200 jobs, or 2.5 percent, during the previous 12 months. Nearly 60 percent of the jobs in the manufacturing sector are in the computer and electronic product manufacturing or semiconductor and other electronic component manufacturing industries. Both these industries are considered part of the high-tech industry; consequently, the collapse of the dot.com bubble caused a major decline in manufacturing jobs. From 2001

Figure 3. Sector Growth in the Portland HMA,* Percentage Change, 2000 to Current



*Portland-Vancouver-Hillsboro HMA.

Note: Current is based on 12-month averages through April 2016.

Source: U.S. Bureau of Labor Statistics

through 2003, manufacturing sector payrolls declined by an average of 8,400 jobs, or 6.2 percent, annually, the largest payroll decline of any sector. Manufacturing payroll growth resumed from 2004 through 2006, during a period of economic expansion in the HMA, but the average growth of 2,800 jobs, or 2.3 percent, annually was not enough to compensate for all the job losses during the previous recession. The most recent economic recession caused payrolls to decline even further, losing an average of 4,900 jobs, or 4.1 percent, annually from 2007 through 2010. The manufacturing sector began to recover in 2011, when the high-tech industry began to expand; from 2011 through 2014, payrolls increased by an average of 2,800 jobs, or 2.5 percent, a year. This trend is expected to moderate during the forecast period because of planned layoffs at Intel Corporation, the largest employer in the HMA and in Oregon, which specializes in semiconductor manufacturing. In April 2016, the company announced plans to cut its global workforce by 11 percent, or 12,000 workers, beginning immediately. Already, nearly 800 employees have been laid off in Oregon, but that could climb to an estimated 2,150 jobs if the 11-percent cut is applied evenly across all locations. Reducing its workforce is not uncommon for Intel Corporation, however, and is not necessarily indicative of industry performance. It is likely that a large portion of these highly skilled workers will find employment at other high-tech firms that are expanding within the HMA.

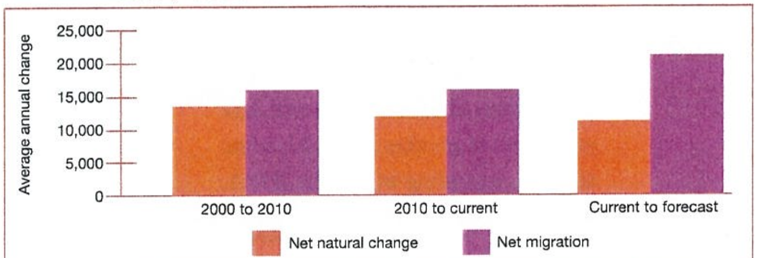
During the past 5 years, the HMA has gained national attention for its lifestyle and culture, with numerous accolades, including being ranked number 1 in 2015 on the *Washington Post*'s list of "The 10 Best Food Cities in America." Recognition such as that has contributed to strong growth in the leisure and hospitality sector, which largely comprises jobs in the accommodations and food services industry. During the 12 months ending April 2016, sector payrolls increased by an average of 5,200 jobs, or 4.7 percent, to 114,700 jobs, compared with an increase of 3,900 jobs, or 3.7 percent, during the previous 12 months. Sector payrolls declined sharply in response to both economic downturns but have fully recovered, adding an average of 3,300 jobs, or increasing 3.3 percent, annually from 2011 through 2014. Part of this growth can be attributed the HMA's growing beer industry. The number of brewing companies in the HMA increased from 83 in 2014 to 91 in 2015, and the industry had an economic impact of $2.83 billion in Oregon in 2014 (Oregon Craft Beer). Job growth in the leisure and hospitality sector is expected to continue at a strong pace during the forecast period as the HMA continues to be nationally highlighted, boosting population growth and tourism and elevating the demand for accommodations and drinking and dining establishments.

The recent and future growth in the local high-tech industry is expected to positively affect employment in the manufacturing and the professional and business services sectors. Other sectors, such as the leisure and hospitality and the wholesale and retail trade sectors, are expected to indirectly benefit from growth in core industries. Nonfarm payrolls are expected to increase at an average annual rate of 2.7 percent, or by 29,950 jobs, annually during the 3-year forecast period.

Population and Households

As of May 1, 2016, the population of the Portland HMA is estimated at 2.4 million, increasing at an average annual rate of 1.2 percent, or 27,800, since 2010, with net in-migration accounting for 15,800 people a year, or approximately 57 percent of the increase (Figure 4). Population growth averaged 1.5 percent a year from 2000 to 2004, despite the collapse of the dot. com bubble, with net in-migration accounting for 51 percent of the increase. Economic growth rebounded, and population growth accelerated moderately from 2004 to 2007, averaging 1.7 percent, or 35,050 people, annually; approximately 63 percent of the growth came from net in-migration. Population growth in the HMA slowed sharply in response to the nationwide economic recession that began in 2007, and, from 2007 to 2012, growth averaged 20,900 people, or 0.9 percent; net in-migration decreased, comprising 32 percent of the increase. Strengthening economic conditions boosted population growth to an average of 26,700 people, or 1.2 percent, from 2012 to 2013, because of increased net in-migration, which averaged 15,000 people and comprised 56 percent of the increase. Since 2013, population growth in the HMA has averaged 35,800 people, or 1.5 percent, annually, and strong labor market conditions helped boost net in-migration, which has accounted for nearly 69 percent of total population growth, or 24,800 people, annually. During the next 3 years, population growth is expected to slow slightly because of moderating economic growth, reaching an estimated 2.49 million people by May 1, 2019, reflecting an average annual increase of 32,000 people, or 1.3 percent, a year.

Figure 4. Components of Population Change in the Portland HMA,* 2000 to Forecast



*Portland-Vancouver-Hillsboro HMA.

Notes: The current date is May 1, 2016. The forecast date is May 1, 2019.

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

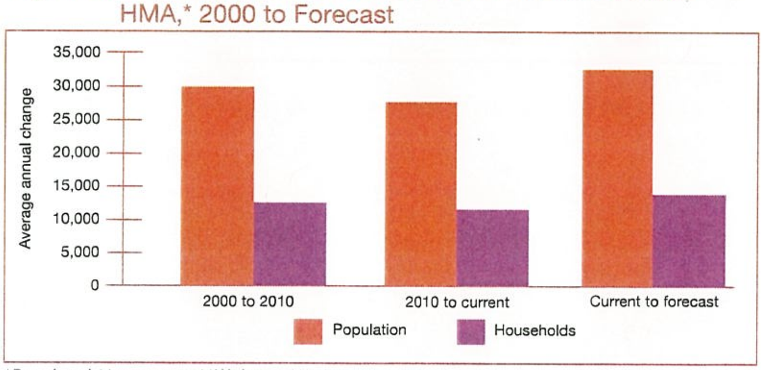
The Portland submarket is the most populous of the three submarkets in the HMA, with an estimated population of 1.24 million, followed by the Beaverton-Hillsboro submarket with an estimated population of 683,400, and the Vancouver submarket with approximately 472,200, increasing at average annual rates of 1.1, 1.4, and 1.3 percent, respectively, since 2010. Net in-migration in the HMA has averaged 15,800 people annually since 2010, with nearly 50 percent being in the Portland submarket, 28 percent in the Beaverton-Hillsboro submarket, and 22 percent in the Vancouver submarket. From 2000 to 2004, suburban growth was more prevalent, and net in-migration was strongest in the Vancouver submarket, which comprised 46 percent of total net in-migration to the HMA. The Vancouver submarket historically has been a bedroom community for the city of Portland, attracting new residents because of its relatively low cost of living compared with the other two submarkets. The Portland submarket captured approximately 32 percent of total net in-migration during this period, and the Beaverton-Hillsboro submarket accounted for 22 percent.

Population growth in the HMA increased from 2004 to 2007 because of strong economic conditions that bolstered net in-migration, which averaged 22,150 people annually. During this period of economic expansion, household preferences shifted toward more urban areas that tend to be closer to job opportunities, and the share of net in-migration attributable to the Portland submarket increased from 32 to 43 percent. In the Beaverton-Hillsboro submarket, net in-migration increased, accounting for 30 percent of the total, largely a result of job growth in the high-tech industry, which is more concentrated in the submarket. Population growth slowed in the Vancouver submarket, and its share of net in-migration declined from 46 to 27 percent. The trend of moving into urban centers continued during the nationwide economic recession, although total population growth in the HMA slowed substantially and net in-migration declined to an average of 6,750 people annually from 2007 to 2012. The Portland submarket captured 52 percent of total net in-migration to the HMA during this time. The Beaverton-Hillsboro submarket accounted for 35 percent of all net in-migration, mainly because it has a stronger economic base than does the Vancouver submarket and it has easier access to the city of Portland, which is the economic center for the HMA. The recession caused population growth in the Vancouver submarket to plummet and net in-migration fell to 13 percent of the HMA total from 2007 to 2012. Since 2013, improving economic conditions in the HMA have led to increased net in-migration, averaging 24,800 people annually, with the Portland, Beaverton-Hillsboro, and Vancouver submarkets comprising 47, 28, and 25 percent of the HMA total, respectively.

During the next 3 years, population growth is expected to accelerate slightly compared with the 2010-to-current period in the Portland submarket, increasing by an average of 15,350 people, or 1.2 percent, annually, reaching 1.29 million people by May 1, 2019. The population of the Vancouver submarket is also anticipated to grow at a faster rate than the 2010-to-current period, increasing by an average of 7,000, or 1.5 percent, annually, to 493,200, by May 1, 2019, largely because job growth in the submarket has been strong since 2013 and the cost of living continues to be relatively less than in the other two submarkets. Population growth in the Beaverton-Hillsboro submarket is anticipated to continue at the same rate, gaining 9,975 people, or 1.4 percent, a year, reaching 713,300 people by the end of the 3-year forecast period.

An estimated 936,700 households currently reside in the HMA, with 504,500, 254,800, and 177,350 being in the Portland, Beaverton-Hillsboro, and Vancouver submarkets, respectively. From 2010 to the current date, the number of households in the HMA increased by an average of 11,350, or 1.3 percent, annually compared with an average annual increase of 12,250 households, or 1.5 percent, from 2000 to 2010 (Figure 5). From 2000 to 2010,

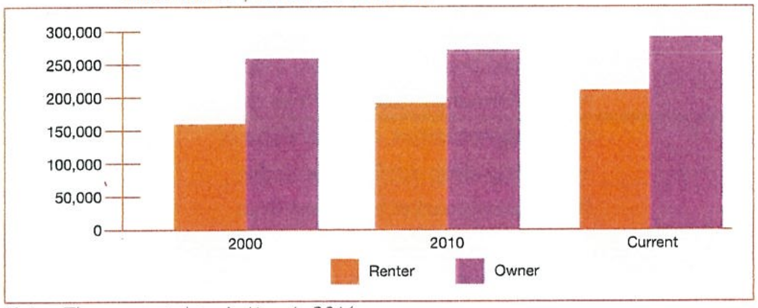
Figure 5. Population and Household Growth in the Portland HMA,* 2000 to Forecast



*Portland-Vancouver-Hillsboro HMA.

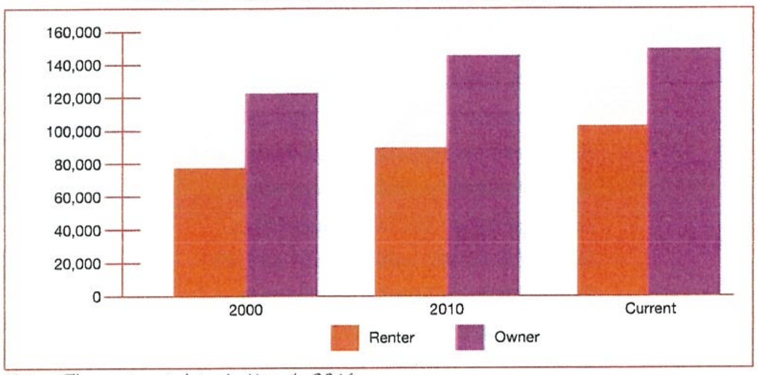
Notes: The current date is May 1, 2016. The forecast date is May 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Portland Submarket, 2000 to Current



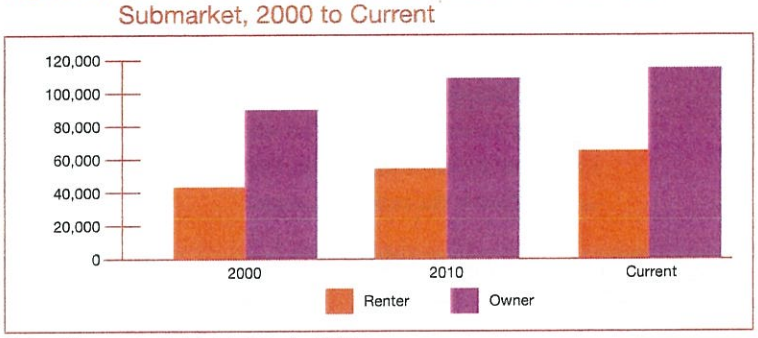
Note: The current date is May 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 7. Number of Households by Tenure in the Beaverton-Hillsboro Submarket, 2000 to Current



Note: The current date is May 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 8. Number of Households by Tenure in the Vancouver Submarket, 2000 to Current



Note: The current date is May 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

the rate of household growth was highest in the Vancouver submarket, at 3,175 households, or 2.2 percent, followed by the Beaverton-Hillsboro submarket, at 3,775 households, or 1.8 percent, and the Portland submarket at 5,275 households, or 1.2 percent. Household growth slowed from 2010 to the current date in the Beaverton-Hillsboro and Vancouver submarkets because of the prolonged effects from the national recession and the shift toward urban living, with average annual increases of 3,150 households, or 1.3 percent, and 2,425 households, or 1.4 percent, respectively. The household growth rate in the Portland submarket remained unchanged, increasing by an average of 5,750 households, or 1.2 percent. During the 3-year forecast period, the number of households in the HMA is estimated to increase to 978,200, reflecting an average annual increase of 13,850 households, or 1.5 percent. The household growth rate is anticipated to increase in each submarket, reaching 525,400, 266,500, and 186,200 households in the Portland, Beaverton-Hillsboro, and Vancouver submarkets, respectively. Figures 6, 7, and 8 illustrate the number of households by tenure in each submarket from 2000 to the current date.

Housing Market Trends

Sales Market—Portland Submarket

Current sales housing market conditions in the Portland submarket are tight, with an estimated vacancy rate of 1.0 percent, down from 2.4 percent in April 2010 (Table DP-2 at the end of this report). The decline reflects increased demand because household finances and access to credit continue to improve, and much of the excess inventory that resulted from the foreclosure crisis has been absorbed.

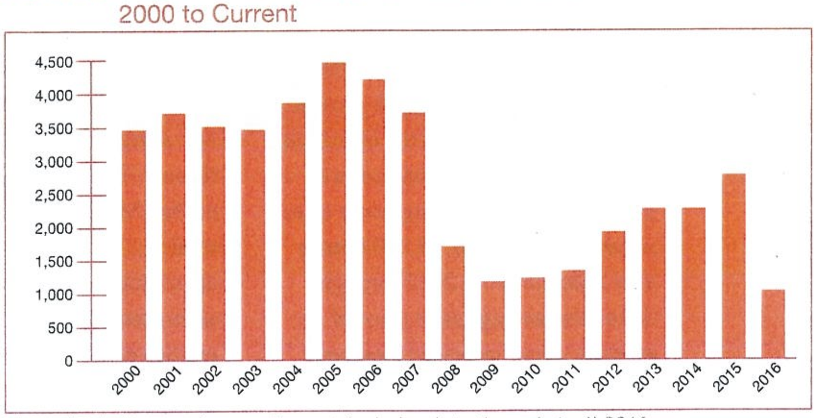
During the 12 months ending March 2016, 24,300 existing single-family homes, townhomes, and condominiums (hereafter, existing homes) sold in the submarket, up 17 percent from a year ago (CoreLogic, Inc., with adjustments by the analyst). By comparison, existing home sales totaled 20,700 during the 12 months ending March 2015, representing a 9-percent increase from a year earlier. Existing home sales peaked from 2003 through 2005 during a period of strong economic expansion following the collapse of the dot.com bubble, averaging 28,650 sales annually. The nationwide recession and housing market collapse subsequently caused existing sales to decline at an average annual rate of 19 percent, or 4,525 homes sold, a year from 2006 through 2009, to a low of 13,750 homes sold. Existing sales increased modestly in 2010 when job losses moderated and again in 2011 when job growth gradually returned. As the economic recovery accelerated and access to credit improved, existing home sales increased, averaging 18,150 homes sold annually from 2012 through 2014. The average sales price of an existing home increased 9 percent, to $356,000, during the 12 months ending March 2016 compared with the previous 12 months when the average sales price increased 5 percent, to $325,000. The current average sales price is approximately 9 percent higher than the previous peak of $326,400 in 2007. The national recession caused a significant amount of strain on household finances and tighter mortgage lending standards. Combined, these two factors caused a sharp reduction in the number of potential homebuyers, and demand and prices fell quickly. From 2008 through 2011, the average sales price declined at an average annual rate of 6 percent, to a low of $254,500. The average sales price began increasing in 2012 in response to increased demand as the economy improved, and, from 2012 through 2014, the average sales price increased at an average annual rate of 8 percent.

Seriously delinquent (90 or more days delinquent or in foreclosure) loans and real estate owned (REO) properties have become a less significant part of the sales market in the submarket than they were during the worst of the housing crisis from 2009 through 2012. During March 2016, 2.2 percent of mortgages were seriously delinquent or had transitioned into REO status, down from 3.1 percent in March 2015, but still above the average rate of 1.2 percent from 2000 through 2007 (CoreLogic, Inc.). By comparison, the delinquency rate averaged 5.4 percent from 2009 through 2012. During the 12 months ending March 2016, REO sales totaled 1,175, comprising 5 percent of all existing sales. By comparison, REO sales accounted for 21 percent of total existing sales from 2009 through 2012 and only 3 percent from 2000 through 2007. The average sales price of an REO home was $225,000 during the

12 months ending March 2016, approximately 38 percent less than the sales price of a regular resale home.

Approximately 2,175 new single-family homes, townhomes, and condominiums (hereafter, new homes) sold during the 12 months ending March 2016, up 18 percent from the 1,850 new homes sold during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). New home sales averaged 4,075 homes sold annually from 2001 through 2006, before declining at an average annual rate of 25 percent from 2007 through 2011 to a low of 1,275 new homes sold, a direct result of the nationwide recession and housing market crisis. As the economic recovery strengthened, the demand for new homes returned; sales increased an average of 25 percent a year from 2012 through 2014, averaging 1,600 homes sold annually. During the 12 months ending March 2016, the average sales price of a new home increased 5 percent from a year ago, to $401,200, surpassing the previous peak of $361,500 in 2008 by more than 11 percent. Sales prices increased at an average annual rate of 9 percent from 2003 through 2008 and, as a result of the national recession, subsequently declined by an average of 10 percent a year in 2009 and 2010, to a low of $295,100. Strong economic conditions from 2011 through 2014 led to an increase in the demand for new homes, and the average sales price increased at an average annual rate of 6 percent during this time.

Figure 9. Single-Family Homes Permitted in the Portland Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through April 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

New home construction, as measured by the number of single-family homes permitted, was relatively stable from 2000 through 2004, despite the economic impact of the dot.com bubble collapse; an average of 3,600 new homes were permitted annually (Figure 9). The buildup during the growth of the housing market bubble was fairly mild in the submarket, with new home construction increasing to an average of 4,150 homes permitted a year in 2005 and 2006; the limited amount of developable land in the submarket helped to constrain the amount of new home construction during this time. Conversely, the nationwide recession and housing crisis had a severe impact on new home construction in the submarket, causing permitting activity to decline an average of 35 percent annually from 2007 through 2009, to a low of 1,150 homes in 2009. New home construction stabilized in 2010 and increased gradually from 2011 through 2014, averaging 1,925 single-family homes permitted annually. During the 12 months ending April 2016, 2,725 single-family homes were permitted, up 11 percent from the 2,450 homes permitted during the 12 months ending March 2015 (preliminary data).

Nearly all new home construction in the Portland submarket is in smaller subdivisions with fewer than 50 homes, because available land is becoming harder to acquire. As the average sales prices continues to climb, the most common target market for new single-family homes is second- and third-time homebuyers looking to upgrade into a larger home, rather than the first-time home-buyer demographic that was most prevalent during the early stage of the housing market recovery (local developers). Numerous communities are under construction throughout the submarket, mainly concentrated in suburban cities that surround the city of Portland, and prices range considerably. New homes are typically priced higher in the city of Portland; for example, home prices in the new subdivision of Cedar Mills in northwest Portland start in the mid-$600,000s, whereas new homes in Legend at Villebois in Wilsonville in the southeastern part of the submarket start in the high $200,000s. In the city of Happy Valley in the eastern portion of the submarket, two communities have new homes for sale, both with starting prices in the high $300,000-to-mid-$400,000 range.

During the 3-year forecast period, demand is expected for 12,750 new homes in the Portland submarket (Table 1). The 1,050 homes currently under construction and a portion of the 13,000 other vacant units that may return to the market will satisfy some of the forecast demand. Table 4 illustrates the estimated demand for new sales housing in the submarket by price range. Demand is expected to increase modestly during each year of the forecast period as economic conditions remain strong and as household finances and access to credit improve.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Portland Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
200,000	299,999	1,525	12.0
300,000	399,999	3,175	25.0
400,000	499,999	3,175	25.0
500,000	599,999	2,550	20.0
600,000	699,999	1,275	10.0
700,000	and higher	1,025	8.0

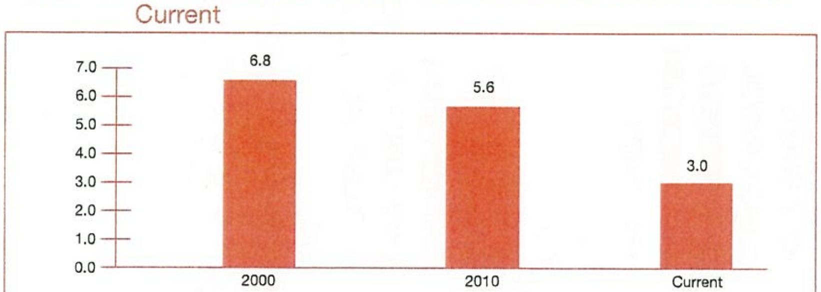
Notes: The 1,050 homes currently under construction and a portion of the estimated 13,000 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is May 1, 2016, to May 1, 2019.

Source: Estimates by analyst

Rental Market—Portland Submarket

The current rental housing market in the Portland submarket is tight, with an overall estimated vacancy rate of 3.0 percent, down from 5.6 percent in April 2010 (Figure 10). Along with increasingly high sales prices, strong economic growth and net in-migration in the submarket since 2010 have contributed to increased demand for rental housing. The apartment market is also tight, despite the addition of an estimated 3,200 units since the first quarter of 2015 (MPF Research). By comparison, approximately 1,125 units were added to the inventory during the first two quarters of 2014, and only 510 units during the first two quarters of 2015. Within the seven MPF-defined areas (hereafter areas) in the Portland

Figure 10. Rental Vacancy Rates in the Portland Submarket, 2000 to Current

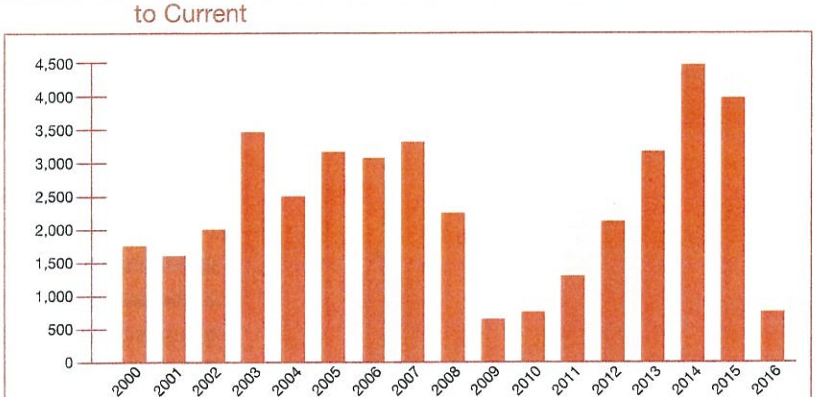


Note: The current date is May 1, 2016.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst submarket, the apartment vacancy rates range from a high of 4.4 percent in the Central Portland area, up from 3.0 percent a year ago, to a low of 1.9 percent in the Gresham area, up from 1.4 percent a year ago. The increase in the vacancy rate in the Central Portland area is mainly because it is the location of more than one-third of the recently completed units in the submarket. Multifamily construction has been relatively limited in the Gresham area, contributing to the very low vacancy rate. Of the 3,200 units completed in the submarket during the past year, approximately 42 percent, or 1,325 units, were in the East Portland area, which reported a vacancy rate of 3.8 percent during the first quarter of 2016, up from 2.0 percent a year ago. Since 2010, the only area to have a vacancy rate above 5.0 percent was Central Portland during the first quarter of 2011.

Rent growth occurred in each MPF-defined area from the first quarter of 2015 to the first quarter of 2016. Except for the Central Portland area, which reported rent growth of 9 percent, all other areas in the submarket reported increases of more than 10 percent, with the largest increase in the Gresham area, at 17 percent.

Figure 11. Multifamily Units Permitted in the Portland Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through April 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

The highest average asking rent was $1,506 in the Central Portland area. Average asking rents by unit type were $1,066 for a studio unit, $1,406 for a one-bedroom unit, $1,961 for a two-bedroom unit, and $2,341 for a three-bedroom unit. The lowest average asking rent was $1,037 in the Gresham area, where asking rents by unit type were $867 for a studio unit, $878 for a one-bedroom unit, $1,067 for a two-bedroom unit, and $1,296 for a three-bedroom unit. Average rent growth was more moderate in the submarket from 2011 through 2014, with no area reporting average annual rent growth above 10 percent. Properties offering concessions were more common in 2011 and 2012, when market conditions were not as tight; as of the first quarter of 2016, the Southwest Portland area was offering the most in concessions, at slightly more than 2 percent.

Because of job losses and reduced rental demand in the Portland submarket, multifamily construction, as measured by the number of multifamily units permitted, slowed to an average of 710 units a year in 2009 and 2010 compared with an average of 3,100 units permitted annually from 2003 through 2007, when economic growth was strong (Figure 11). Multifamily permitting began to increase after 2010 in response to increased rental demand, partially because the foreclosure crisis caused households to shift toward renting, but also because of rapidly increasing net in-migration. From 2011 through 2015, multifamily permitting increased at an average annual rate of 39 percent, averaging 3,000 units permitted each year. During the 12 months ending April 2016, approximately 4,775 multifamily units were permitted, up 25 percent from the 3,825 units permitted during the previous 12 months (preliminary data). Since 2010, condominium construction has comprised less than 8 percent of total multifamily construction compared with the peak period of 2000 through 2007, when approximately 37 percent of multifamily construction was intended for condominiums. Currently under construction is the 28-story condominium tower Cosmopolitan On the Park, which will feature 150 units in downtown Portland's most popular neighborhood, the Pearl District. The development is expected to be complete in August 2016, with sales prices ranging from the low $400,000s for a one-bedroom/one-bathroom unit to $3.8 million for the largest penthouse suites.

Within the submarket, apartment development is most popular in areas close to the downtown Portland core, including the Central Portland and the East Portland areas. Examples of developments currently under construction include the three-tower, 657-unit Hassalo on Eighth in the East Portland area and the 267-unit Modera Pearl apartments, in the Central Portland area. The first tower of Hassalo on Eighth opened in the summer of 2015, and the other two are preleasing, with expected completion dates in late 2016 and early 2017; asking rents range from $990 to $1,809 for studio units, $1,680 to $3,225 for one-bedroom units, $2,380 to $3,850 for two-bedroom units, and $3,043 to $3,722 for three-bedroom units. Unit rents for Modera Pearl apartments are not available yet, because it will not be finished until late 2017. At the 244-unit Waterline Apartments, which was recently completed in the Central Portland area, asking rents are $1,469 for studio units and range from $1,560 to $1,883 for one-bedroom units and from $1,945 to $2,422 for two-bedroom units.

During the 3-year forecast period, demand is expected for 10,650 new market-rate rental units in the Portland submarket (Table 1). The 4,900 units estimated to be under construction will satisfy part of the forecast demand. Demand is expected to be strongest in the first year of the forecast period and moderate in the second and third years as the new inventory is absorbed and market conditions become more balanced. Table 5 shows the estimated demand by rent level and number of bedrooms for new market-rate rental housing in the submarket during the forecast period.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Portland Submarket During the Forecast Period

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
1,000 to 1,199	470	1,100 to 1,299	1,275	1,300 to 1,499	1,675	1,500 to 1,699	230
1,200 to 1,399	530	1,300 to 1,499	1,700	1,500 to 1,699	2,150	1,700 to 1,899	85
1,400 or more	180	1,500 or more	1,275	1,700 or more	960	1,900 to 2,099	65
						2,100 or more	45
Total	1,175	Total	4,275	Total	4,800	Total	430

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 4,900 units currently under construction will likely satisfy some of the estimated demand. The forecast period is May 1, 2016, to May 1, 2019.
Source: Estimates by analysts

Sales Market—Beaverton-Hillsboro Submarket

The current sales housing market in the Beaverton-Hillsboro submarket is tight as the demand for homes increases and prices continue to appreciate, a trend that has been sustained since 2012. The current estimated sales vacancy rate is 1.0 percent, down from 2.1 percent in April 2010 (Table DP-3 at the end of this report). During the 12 months ending March 2016, 12,650 existing homes sold in the submarket, up 29 percent from a year ago (CoreLogic, Inc., with adjustments by the analyst). By comparison, existing home sales totaled 10,100 homes sold during the 12 months ending March 2015, up 13 percent from a year earlier. The high-tech industry recovered from the dot.com bubble collapse, and the submarket experienced strong job growth from 2004 through 2005, which resulted in strong household growth. An average of 14,750 homes sold annually from 2004 through 2005. Although existing home sales remained elevated in 2006, it marked the first year of declining sales; from 2006 through 2009, existing home sales fell by an average of 28 percent annually, to a low of 6,000 homes sold. Existing home sales increased modestly in 2010, boosted by the first-time homebuyers tax credit program, but fell again in 2011 when the program expired. The economic recovery accelerated from 2012 through 2014, causing household finances to improve and banks to ease their lending standards, which resulted in increased demand for homes; an average of 9,400 homes sold annually.

The average sales price of an existing home increased 8 percent, to $318,300, during the 12 months ending March 2016, exceeding the previous peak of $309,600 in 2007 by nearly 3 percent. By comparison, the average sales price increased 3 percent, to $295,100, during the 12 months ending March 2015. The national recession caused the demand for homes to drop substantially, which put downward pressure on sales prices. From 2008 through 2011, the average sales price declined at an average annual rate of 6 percent to a low of $241,400. Housing market conditions started to improve as the economic recovery accelerated, and, from 2012 through 2014, the average sales price increased 7 percent a year.

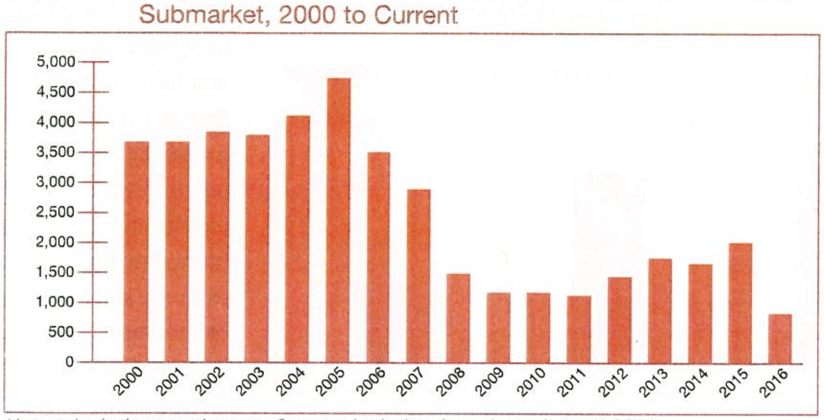
During 2005 and 2006, before the housing market downturn, the rate of home loans that were seriously delinquent or had transitioned into REO status in the submarket averaged 0.5 percent, and REO sales accounted for 1 percent of all existing home sales (CoreLogic, Inc.). The foreclosure crisis that resulted from the national recession had a damaging impact on the housing market, however, and the percentage of home loans that were seriously delinquent or in REO status averaged almost 5.0 percent from 2009 through 2011, and REO sales accounted for 23 percent of total existing home sales. By comparison, the delinquency rate averaged 0.9 from 2000 through 2007, during a period of strong housing market conditions, and REO sales accounted for only 2 percent of existing home sales. Housing market conditions have improved consistently since 2011 as a result of the strong economic recovery, and, as of March 2016, 1.9 percent of home loans in the submarket were seriously delinquent or in REO status, down from 2.8 percent in

March 2015, and REO sales totaled 850, falling to 7 percent of all existing home sales. The average sales price of an REO home was $226,500 during the 12 months ending March 2016, approximately 30 percent less than the sales price of a regular resale home.

The volume of new home sales in the submarket increased 14 percent, to 1,675 homes sold during the 12 months ending March 2016. By comparison, new home sales totaled 1,475 homes sold during the 12 months ending March 2015, up 3 percent from a year earlier. The economic expansion that occurred in the HMA from 2004 through 2007 especially benefited the submarket because of the relatively large number of rapidly expanding high-tech firms located in the submarket. New home sales peaked at an average of 4,125 homes sold annually in 2004 and 2005 and declined to an average of 3,300 homes sold a year in 2006 and 2007. Sales declined further as the housing market crisis worsened, averaging 1,335 homes sold a year from 2008 through 2010, before reaching a record low of 1,000 homes sold in 2011. The number of new home sales increased to an annual average of 1,375 homes sold from 2012 through 2014 because of strong economic growth. During the 12 months ending March 2016, the average sales price of a new home increased 4 percent from a year ago, to $382,700, exceeding the previous peak of $339,400 in 2008 by 13 percent. By comparison, the average sales price increased 16 percent during the 12 months ending March 2015 compared with prices during the previous 12 months. New home sales prices increased at an average annual rate of 9 percent from 2004 through 2008 and subsequently declined by an average of 5 percent a year from 2009 through 2012, to a low of $277,200. Strong job growth and access to mortgage financing boosted the demand for new homes, causing prices to increase at an average annual rate of 13 percent from 2012 through 2014.

New home construction, as measured by the number of single-family homes permitted, has increased in the Beaverton-Hillsboro submarket since 2011 but remains below historical averages. During the 12 months ending April 2016, 2,250 single-family homes were permitted, a 36-perecnt increase from the 1,650 new homes permitted during the previous 12 months (preliminary data). New home construction was strong from 2000 through 2004, averaging 3,775 homes permitted annually despite the economic downturn that resulted from the collapse of the dot.com bubble, and permitting peaked in 2005, when 4,700 homes were permitted (Figure 12). Single-family home construction fell at an average annual rate of 30 percent from 2006 through 2009, to a low of 1,125 homes permitted, as a result of weakening housing market conditions and job losses brought on by the national recession.

Figure 12. Single-Family Homes Permitted in the Beaverton-Hillsboro Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through April 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

From 2010 through 2014, an average of 1,400 new homes were permitted annually. New home construction in the submarket has generally concentrated in the cities of Beaverton and Hillsboro. The most common target market for new single-family homes is second- and third-time homebuyers looking to upgrade into a larger home or new families earning high-tech industry wages that are typically much higher than the Area Median Income (local real estate agents).

Demand is expected for 7,675 new homes in the Beaverton-Hillsboro submarket during the next 3 years (Table 1). The 820 homes currently under construction and a portion of the 3,800 other vacant units that may return to the market will satisfy some of the forecast demand. Table 6 illustrates the estimated demand for new sales housing in the submarket by price range. Demand is expected to be evenly distributed during each year of the forecast period.

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Beaverton-Hillsboro Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
150,000	249,999	770	10.0
250,000	349,999	1,925	25.0
350,000	449,999	2,300	30.0
450,000	549,999	1,525	20.0
550,000	649,999	770	10.0
650,000	and higher	380	5.0

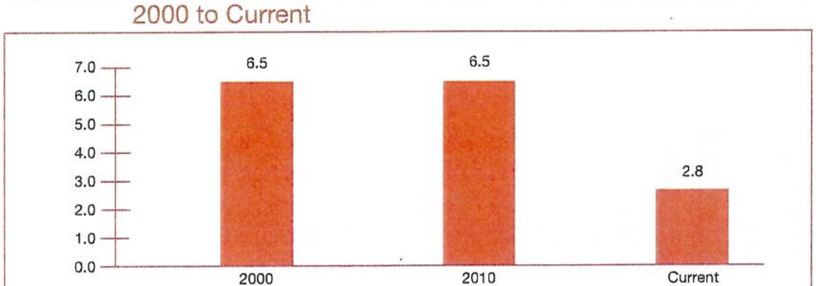
Notes: The 820 homes currently under construction and a portion of the estimated 3,800 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is May 1, 2016, to May 1, 2019.

Source: Estimates by analyst

Rental Market—Beaverton-Hillsboro Submarket

As a result of increased population growth since 2010, the rental housing market in the Beaverton-Hillsboro submarket remains tight, with an overall estimated vacancy rate of 2.8 percent compared with 6.5 percent in April 2010 (Figure 13). Despite a spike in multifamily rental construction since 2012, the apartment market has also remained tight. MPF Research defines three areas in the Beaverton-Hillsboro submarket: East Beaverton, Aloha/West Beaverton, and Hillsboro. The apartment vacancy rate increased from 2.4 to 2.9 percent in the East Beaverton area and from 3.0 to 4.8 percent in the Hillsboro area, largely because household preferences have shifted toward the Aloha/West Beaverton area, which has experienced the largest gain in new inventory during the past 3 years and is closest to the Intel Corporation and NIKE, Inc. campuses. Of the 1,900 new units that have entered the market since the first quarter of 2014, 1,200 have been in the Aloha/West Beaverton area, but the vacancy rate has continued to decline and is estimated at 2.4 percent during the first quarter of 2016, down from 3.3 percent in the first quarter of 2015. Since 2010, the vacancy rates in all three areas have remained below 5.0 percent.

Figure 13. Rental Vacancy Rates in the Beaverton-Hillsboro Submarket, 2000 to Current

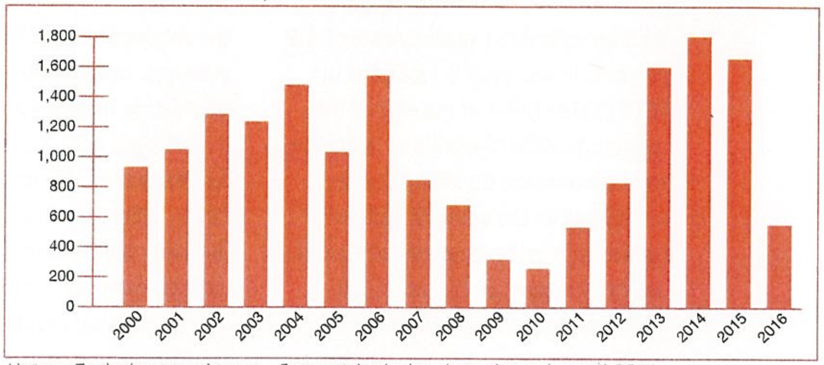


Note: The current date is May 1, 2016.

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

In percentage terms, the submarket has reported the strongest rent growth in the HMA from the first quarter of 2015 to the first quarter of 2016. The fastest rate of rent growth occurred in the East Beaverton area, at 19 percent, to an average of $1,128; asking rents averaged $848 for a studio unit, $989 for a one-bedroom unit, $1,182 for a two-bedroom unit, and $1,411 for a three-bedroom unit. The average asking rent in the Hillsboro area increased 16 percent, to $1,383, despite an increase in the vacancy rate; rents averaged $1,180 for studio units, $1,187 for one-bedroom units, $1,425 for two-bedroom units, and $1,719 for three-bedroom units. The smallest rent growth recorded in the submarket was in the Aloha/West Beaverton area, up 12 percent to $1,226; rents averaged $1,239 for studio units, $1,081 for one-bedroom units, $1,275 for two-bedroom units, and $1,499 for three-bedroom units. Rent growth in the Aloha/West Beaverton area averaged 10 percent annually from the first quarter of 2013 through the first quarter of 2015. The East Beaverton and Hillsboro areas experienced milder average annual rent increases of 2 and 9 percent, respectively, during the same time. Studio units are most popular in newer developments, with three-bedroom units taking the longest to lease (local property managers).

Figure 14. Multifamily Units Permitted in the Beaverton-Hillsboro Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through April 2016.
Sources: U.S. Census Bureau, Building Permits Survey: estimates by analyst

An average of 1,175 multifamily units were permitted in the Beaverton-Hillsboro submarket annually from 2000 through 2005, during a period of strong population growth (Figure 14). Multifamily permitting peaked in 2006, at 1,525 units, but subsequently declined at an average annual rate of 37 percent through 2010, to a low of 250 units permitted, because weak economic conditions resulted in reduced demand for condominiums and rental units. The foreclosure crisis fueled an increased demand for rental units, and multifamily permitting increased, averaging 670 units permitted a year in 2011 and 2012. As rental market conditions tightened further, builders responded by increasing multifamily building activity, which averaged 1,700 units annually in 2013 and 2014. During the 12 months ending April 2016, multifamily permitting decreased 6 percent, to 1,650 units permitted, compared with the number permitted during the previous 12 months (preliminary data). From 2004 through 2007, condominium construction peaked at nearly 40 percent of all multifamily building activity, as measured by the number of multifamily units permitted, in the submarket. The housing market collapse, however, caused a shift in preferences toward renting, increasing the demand for new apartment construction, and, since 2010, condominiums have comprised less than 10 percent of all multifamily units permitted.

Rental developments currently under construction or recently completed in the submarket include both affordable and market-rate apartment projects. Sunset View Apartments is currently under construction with an expected completion date in the summer of 2016. The development will consist of 236 affordable apartment units close to the NIKE, Inc. headquarters campus in the city of Beaverton. The 352-unit Amberglen West apartments in the Aloha/West Beaverton area is currently under construction and expected to be complete in August 2017; asking rents will range from \$1,266 to \$1,598 for one-bedroom units, \$1,352 to \$2,033 for two-bedroom units, and \$1,904 to \$1,961 for three-bedroom units. Construction of the 255-unit Rowlock Apartments was completed in August 2015 in the Hillsboro area, with rents starting at \$1,425 for studio units and ranging from \$1,425 to \$1,580 for one-bedroom units and from \$1,915 to \$2,070 for two-bedroom units.

During the next 3 years, demand is expected for 5,325 new market-rate rental units in the Beaverton-Hillsboro submarket (Table 1). The 970 units under construction will meet a portion of the forecast demand. Demand is expected to be strongest in the first year of the forecast period and moderate in the second and third years as the new inventory is absorbed and the market becomes more balanced. Table 7 shows the estimated demand by rent level and number of bedrooms for new market-rate rental housing in the submarket during the forecast period.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Beaverton-Hillsboro Submarket During the Forecast Period

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
1,000 to 1,199	160	1,150 to 1,349	930	1,250 to 1,449	1,325	1,550 to 1,749	370
1,200 or more	110	1,350 to 1,549	470	1,450 to 1,649	800	1,750 or more	160
		1,550 or more	370	1,650 or more	400		
Total	270	Total	1,775	Total	2,525	Total	530

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 970 units currently under construction will likely satisfy some of the estimated demand. The forecast period is May 1, 2016, to May 1, 2019.
Source: Estimates by analysts

Sales Market—Vancouver Submarket

The current sales housing market in the Vancouver submarket is tight, with an estimated vacancy rate of 1.0 percent, down from 2.1 percent in 2010 (Table DP-4 at the end of this report). Similar to trends in the other two submarkets, housing market conditions in the submarket have tightened rapidly since the economic recovery began, and most of the excess vacancies that resulted from the housing market collapse have been absorbed.

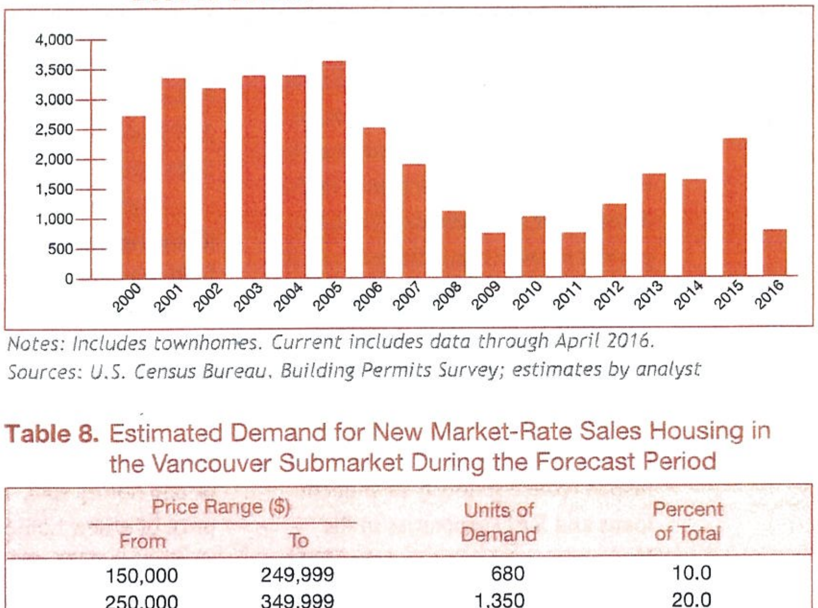
During the 12 months ending March 2016, 9,450 existing homes sold in the submarket, up 22 percent from a year ago, marking the largest number of existing homes sold since 2006 (CoreLogic, Inc., with adjustments by the analyst). From 2003 through 2005, relatively affordable sales housing in the submarket attracted new households, with an average of 11,950 existing homes sold annually. Existing home sales fell 22 percent in 2006, when economic growth began to slow, and, from 2007 through 2010, existing home sales fell by an average of 17 percent a year, to a low of 4,925 homes sold. Economic conditions moderated in 2010, and new home sales remained unchanged. Growth in existing home sales resumed as the economy fully recovered, and, from 2011 through 2014, an average of 6,400 existing homes sold annually. The average sales price of an existing home increased 8 percent, to $283,300, during the 12 months ending March 2016, approximately 20 and 10 percent less than the average existing home sales prices in the Portland and Beaverton-Hillsboro submarkets, respectively. The current average sales price remains 2 percent less than the peak sales price of $289,400 in 2007. From 2008 through 2011, the average sales price declined at an average annual rate of 8 percent, to a low of $210,500, because substantial job losses caused a sharp drop in the demand for sales homes. When job growth recovered and the demand for homes increased, the average sales price increased an average of 8 percent annually from 2012 through 2014.

Strong job growth and increasing home values during the past 3 years helped reduce seriously delinquent loans and REO properties in the Vancouver submarket and the HMA. During March 2016, 1.8 percent of all home loans in the submarket were seriously delinquent or had transitioned into REO status, down from 2.6 percent in March 2015, and REO sales declined from 6 to 4 percent of total existing home sales (CoreLogic, Inc., with adjustments by the analyst). By comparison, the delinquency rate, including homes in REO status, averaged approximately 7.0 percent from 2009 through 2011, during the worst of the foreclosures crisis, and REO sales comprised almost one-fourth of all existing home sales. By comparison, from 2000 through 2007, the delinquency rate averaged 1.3 percent and REO sales accounted for less than 2 percent of existing home sales. The average sales prices of an REO home sale in the submarket was $232,000 during the 12 months ending March 2016, approximately 18 percent less than the sales price of a regular resale home.

The new home sales market has improved dramatically since 2011, with home sales increasing an average of 25 percent annually. During the 12 months ending March 2016, new home sales totaled 1,700 homes sold, up 32 percent from the 1,300 new homes sold during the 12 months ending March 2015. An average of 2,875 new homes sold annually from 2003 through 2005, when economic conditions were strong and access to financing was more readily available. Following the national and regional trend, however, new home sales declined with the onset of the recession, and, from 2006 through 2011, new home sales fell at an average annual rate of 23 percent, to a low of 650 homes sold. The average sales price of a new home increased 10 percent, to $328,400, during the 12 months ending March 2016 compared with a 7-percent increase during the previous 12 months. Sales prices increased at an average annual rate of 3 percent from 2004 through 2006 and subsequently declined an average of 9 percent a year from 2007 through 2009, to a low of $237,600. Prices increased at an average annual rate of 5 percent from 2010 through 2014, when economic conditions improved and demand for new homes returned.

Strong housing demand and increasing sales prices have led to an increase in new home construction in the Vancouver submarket since 2011. During the 12 months ending April 2016, 2,525 single-family homes were permitted, up 45 percent from the 1,750 homes permitted during the previous 12 months (preliminary data). Single-family homebuilding was robust from 2000 through 2005, when population growth in the submarket was strongest, and an average of 3,250 single-family homes were permitted annually (Figure 15). Homebuilding dropped dramatically following the onset of the national recession as net in-migration to the submarket plummeted. From 2006 through 2009, homebuilding activity declined at an average annual rate of 33 percent, to a low of 720 single-family homes permitted. After the economic recovery was fully under way, homebuilding increased and an average of 1,525 new single-family homes were permitted a year from 2012 through 2014. Most buyers are second- and third-time homebuyers looking to upgrade to larger homes; however, more first-time homebuyers are purchasing in the Vancouver submarket than in the Portland or Beaverton-Hillsboro submarkets because housing in the submarket is still relatively affordable (local developers and real estate agents). Single-family development is concentrated in Ridgefield in the northeastern portion of the submarket and in Camas in the eastern section of the submarket. In Ridgefield, new home prices range from the mid-$200,000s to the upper $600,000s. New homes in Camas start in the mid-$300,000 range and increase to the mid-$900,000s.

Figure 15. Single-Family Homes Permitted in the Vancouver Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through April 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Demand is expected for 6,800 new homes in the Vancouver submarket during the next 3 years (Table 1). The 940 homes currently under construction and a portion of the 3,900 other vacant units that may return to the market will satisfy some of the forecast demand. Table 8 illustrates the estimated demand for new sales housing in the submarket by price range. Demand is expected to be evenly distributed during each year of the forecast period.

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Vancouver Submarket During the Forecast Period

Price Range ($) From	Price Range ($) To	Units of Demand	Percent of Total
150,000	249,999	680	10.0
250,000	349,999	1,350	20.0
350,000	449,999	2,375	35.0
450,000	549,999	1,350	20.0
550,000	649,999	680	10.0
650,000	and higher	340	5.0

Notes: The 940 homes currently under construction and a portion of the estimated 3,900 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is May 1, 2016, to May 1, 2019.
Source: Estimates by analyst

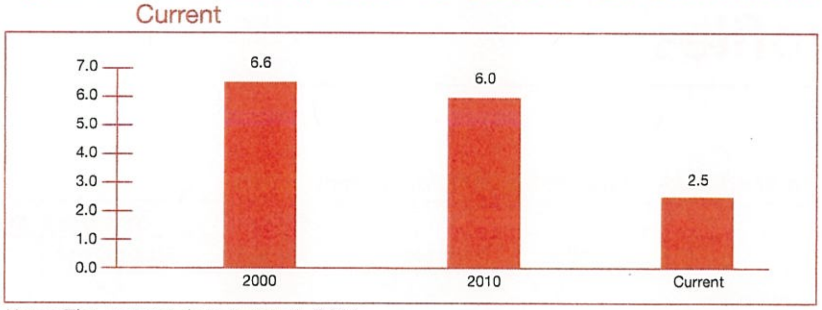
Rental Market—Vancouver Submarket

The current rental housing market in the Vancouver submarket is tight, with an overall estimated vacancy rate of 2.5 percent, down from 6.0 percent in April 2010 (Figure 16). The nationwide recession and housing market collapse caused a decrease in homeownership and a surge in demand for rental units since 2011. Although apartment construction has increased substantially during the past several years, it has not been strong enough to compensate for the record low level of construction from 2008 through 2012, and market conditions remain tight, with an estimated apartment vacancy rate of 2.5 percent during the first quarter of 2016, up from 1.7 percent a year ago (MPF Research). During the same time, the average asking rent in the submarket increased 10 percent, to $1,068, despite the uptick in the vacancy rate. Rents averaged $777 for studio units, $919 for one-bedroom units, $1,150 for two-bedroom units, and $1,294 for three-bedroom units. By comparison, rent growth averaged 8 percent annually from the first quarter of 2011 through the first quarter of 2014.

An average of 570 multifamily units were permitted annually in the Vancouver submarket from 2000 through 2007 (Figure 17). The national recession and housing market collapse caused multifamily construction to plummet from 2008 through 2011, when an average of 150 multifamily units were permitted annually. With increased rental demand stemming from the effects of the housing market crisis, the apartment market began to tighten quickly, and builders responded by increasing apartment construction 35 percent in 2012, to 370 units permitted. Apartment construction spiked in 2013, when 1,250 units were permitted, followed by a drop to 660 units permitted in 2014. During the 12 months ending April 2016, 1,050 multifamily units were permitted, up 33 percent from the 790 units permitted during the 12 months ending April 2015 (preliminary data). Condominium construction has accounted for less than 5 percent of total multifamily building activity in the submarket since 2010. By comparison, from 2004 through 2007, when financing was easier to obtain, condominium construction peaked at 37 percent of all multifamily building activity, as measured by the number of multifamily units permitted in the submarket.

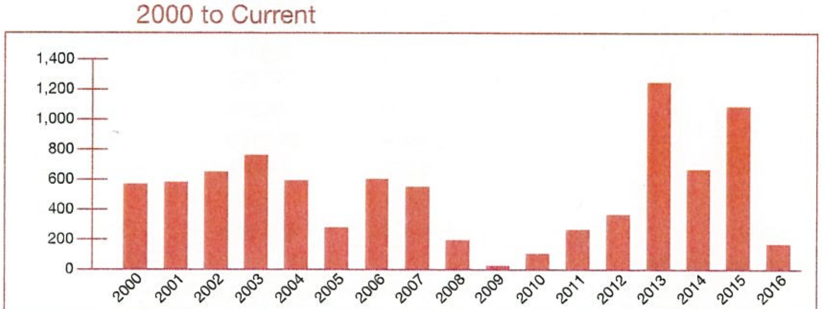
Two of the larger developments currently under construction in the submarket are the 155-unit Columbia

Figure 16. Rental Vacancy Rates in the Vancouver Submarket, 2000 to Current



Note: The current date is May 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 17. Multifamily Units Permitted in the Vancouver Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through April 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

View Apartments Phase 2 and the 156-unit Four Seasons Central. The mix of units for the Columbia View Apartments includes one-, two-, and three-bedroom units; the anticipated completion date is in late 2017, and asking rents are unavailable. Construction of the Four Seasons Central is expected to be complete in October 2016; asking rents range from $1,199 to $1,575 for one-bedroom units and from $1,544 to $1,699 for two-bedroom units and are $1,705 for three-bedroom units.

During the next 3 years, demand is expected for 2,950 new market-rate rental units in the Vancouver submarket (Table 1). The 1,125 units under construction will meet a portion of the forecast demand. Demand is expected to be evenly distributed during each year of the forecast period. Table 9 shows the estimated demand by rent level and number of bedrooms for new market-rate rental housing in the submarket during the forecast period.

Table 9. Estimated Demand for New Market-Rate Rental Housing in the Vancouver Submarket During the Forecast Period

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
800 to 999	95	850 to 1,049	580	1,100 to 1,299	1,050	1,350 to 1,549	190
1,000 or more	50	1,050 or more	310	1,300 or more	570	1,550 or more	100
Total	150	Total	890	Total	1,625	Total	300

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 1,125 units currently under construction will likely satisfy some of the estimated demand. The forecast period is May 1, 2016, to May 1, 2019.
Source: Estimates by analysts

Data Profiles

Table DP-1. Portland HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	1,031,816	1,084,124	1,179,000	0.5	1.6
Unemployment rate	4.5%	10.2%	5.0%		
Nonfarm payroll jobs	981,500	979,200	1,123,000	0.0	2.6
Total population	1,927,881	2,226,009	2,395,000	1.4	1.2
Total households	745,531	867,794	936,700	1.5	1.3
Owner households	469,156	535,433	559,500	1.3	0.7
Percent owner	62.9%	61.7%	59.7%		
Renter households	276,375	332,361	377,200	1.9	2.1
Percent renter	37.1%	38.3%	40.3%		
Total housing units	790,876	925,076	974,100	1.6	0.9
Owner vacancy rate	2.2%	2.2%	1.0%		
Rental vacancy rate	6.7%	5.9%	2.9%		
Median Family Income	$52,400	$70,000	$73,300	2.9	0.9

*Portland-Vancouver-Hillsboro HMA.
Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through April 2016. Median Family Incomes are for 1999, 2009, and 2014. The current date is May 1, 2016.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Portland Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	2010 to Current
Total population	1,042,437	1,160,677	1,239,000	1.1	1.1
Total households	416,674	469,513	504,500	1.2	1.2
Owner households	258,366	281,474	294,100	0.9	0.7
Percent owner	62.0%	60.0%	58.3%		
Rental households	158,308	188,039	210,400	1.7	1.9
Percent renter	38.0%	40.0%	41.7%		
Total housing units	443,087	502,475	527,000	1.3	0.8
Owner vacancy rate	2.2%	2.4%	1.0%		
Rental vacancy rate	6.8%	5.6%	3.0%		

Notes: Numbers may not add to totals because of rounding. The current date is May 1, 2016.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Beaverton-Hillsboro Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	2010 to Current
Total population	530,334	628,903	683,400	1.7	1.4
Total households	197,894	235,660	254,800	1.8	1.3
Owner households	122,467	146,604	152,800	1.8	0.7
Percent owner	61.9%	62.2%	60.0%		
Rental households	75,427	89,056	102,000	1.7	2.3
Percent renter	38.1%	37.8%	40.0%		
Total housing units	209,183	249,560	263,100	1.8	0.9
Owner vacancy rate	2.3%	2.1%	1.0%		
Rental vacancy rate	6.5%	6.5%	2.8%		

Notes: Numbers may not add to totals because of rounding. The current date is May 1, 2016.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-4. Vancouver Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	2010 to Current
Total population	355,110	436,429	472,200	2.1	1.3
Total households	130,963	162,621	177,350	2.2	1.4
Owner households	88,323	107,355	112,600	2.0	0.8
Percent owner	67.4%	66.0%	63.5%		
Rental households	42,640	55,266	64,750	2.6	2.6
Percent renter	32.6%	34.0%	36.5%		
Total housing units	138,606	173,041	184,000	2.2	1.0
Owner vacancy rate	2.0%	2.1%	1.0%		
Rental vacancy rate	6.6%	6.0%	2.5%		

Notes: Numbers may not add to totals because of rounding. The current date is May 1, 2016.
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: 5/1/2016—Analyst's estimates
Forecast period: 5/1/2016–5/1/2019—Analyst's estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

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 huduser.gov/publications/pdf/CMARtables_Portland_Vancouver_HillsboroOR_WA_16.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.

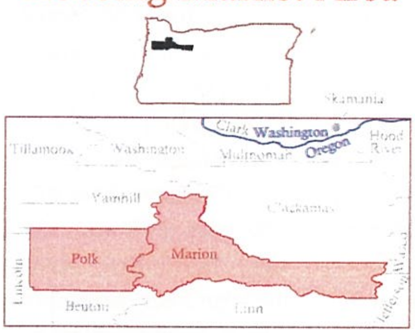
For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.

Salem, Oregon

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of August 1, 2016

PD&R

Housing Market Area



The Salem Housing Market Area (HMA), coterminous with the Salem, OR Metropolitan Statistical Area, consists of Marion and Polk Counties in the Willamette Valley region of Oregon, midway between Portland and Eugene along Interstate 5. The principal city, Salem, is the state capital.

Market Details

Summary

Economy

The economy of the Salem HMA has steadily improved since 2012 and has recovered all jobs lost as a result of the national recession. Nonfarm payrolls averaged 158,500 jobs during the 12 months ending July 2016, an increase of 4,800 jobs, or 3.1 percent, from the previous 12 months. During the same period, the unemployment rate declined from 6.4 to 5.4 percent. Nonfarm payrolls are expected to expand by an average of 4,800 jobs, or 3.0 percent, a year during the 3-year forecast period, led by growth in industries related to health care and business services.

Sales Market

Sales housing market conditions in the Salem HMA are currently tight, with an estimated vacancy rate of 2.0 percent, down from 2.4 percent in 2010. During the 12 months ending July 2016, sales of new and existing single-family homes, townhomes, and condominiums increased more than 15 percent from the previous 12-month period, and the average sales price was up almost 9 percent (CoreLogic, Inc., with adjustments by the analyst). Demand is expected for 3,075 new homes in the HMA during the 3-year forecast period (Table 1). The 260 units currently under construction and a portion of the 4,000 estimated other vacant units in the HMA will fulfill some of the forecast demand.

Rental Market

Overall rental housing market conditions in the Salem HMA are currently slightly tight, with an estimated 4.5-percent vacancy rate as of August 1, 2016, down from 7.0 percent in April 2010. The decline in the vacancy rate is largely because the foreclosure crisis caused a shift in household preferences toward renting, and the rate of new apartment construction and conversion of single-family homes to rentals has not kept up with the rate of renter household growth. During the 3-year forecast period, demand is estimated for 2,025 rental units; the 520 units currently under construction will satisfy part of that demand (Table 1).

Table 1. Housing Demand in the Salem HMA During the Forecast Period

	Salem HMA	
	Sales Units	Rental Units
Total demand	3,075	2,025
Under construction	260	520

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of August 1, 2016. A portion of the estimated 4,000 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is August 1, 2016, to August 1, 2019.
Source: Estimates by analyst

Economic Conditions

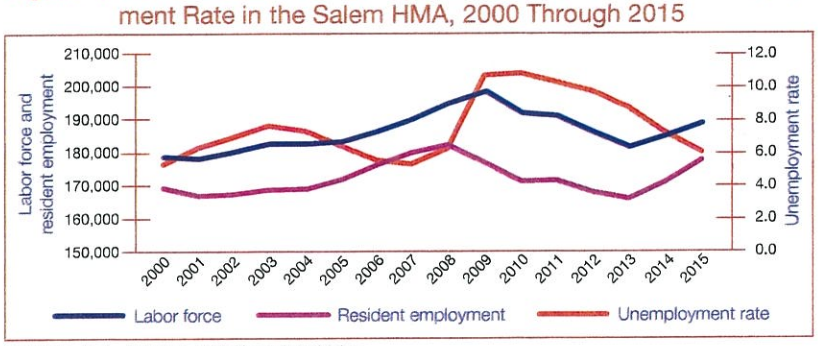
The economy of the Salem HMA has been expanding since 2012, and the current level of nonfarm payrolls, 158,500 jobs, surpasses by nearly 4 percent the peak before the downturn of 152,600 jobs, recorded in 2008. During the 12 months ending July 2016, nonfarm payrolls increased by an average of 4,800 jobs, or 3.1 percent, from a year earlier (Table 2), which was higher than the average annual growth of 3,500 jobs, or 2.4 percent, from 2012 through 2015. The current economic expansion is also significantly stronger than the previous period of expansion from 2004 through 2008, when nonfarm payroll growth averaged 2,500 jobs, or 1.8 percent, annually. These recent job gains are in sharp contrast to annual declines of 3,600 jobs, or 2.4 percent, from 2009 through 2011 as a result of the national recession and sluggish consumer spending. The unemployment rate averaged 5.4 percent during the 12 months ending July 2016, down from 6.4 percent a year prior, the lowest rate recorded since 2007. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate from 2000 through 2015.

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

	12 Months Ending		Absolute Change	Percent Change
	July 2015	July 2016		
Total nonfarm payroll jobs	153,700	158,500	4,800	3.1
Goods-producing sectors	22,300	23,300	1,000	4.5
Mining, logging, & construction	9,600	10,200	600	6.3
Manufacturing	12,700	13,100	400	3.1
Service-providing sectors	131,400	135,200	3,800	2.9
Wholesale & retail trade	21,700	22,200	500	2.3
Transportation & utilities	3,900	3,900	0	0.0
Information	1,000	1,000	0	0.0
Financial activities	6,900	6,900	0	0.0
Professional & business services	13,000	14,200	1,200	9.2
Education & health services	24,300	25,200	900	3.7
Leisure & hospitality	14,000	14,600	600	4.3
Other services	5,200	5,300	100	1.9
Government	41,400	42,000	600	1.4

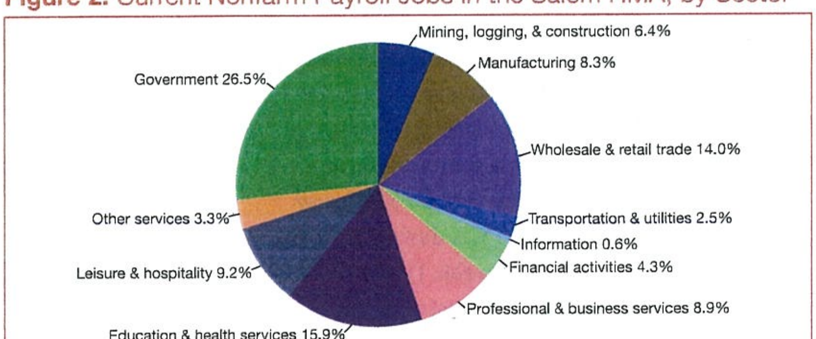
Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through July 2015 and July 2016.
Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Salem HMA, 2000 Through 2015



Source: U.S. Bureau of Labor Statistics

Figure 2. Current Nonfarm Payroll Jobs in the Salem HMA, by Sector



Note: Based on 12-month averages through July 2016.
Source: U.S. Bureau of Labor Statistics

The government sector serves as the foundation of the economy, representing more than one-fourth of all nonfarm payroll jobs in the HMA (Figure 2) due to the presence of the Oregon state capital and assorted state and local agencies, including the Oregon State Hospital, Oregon State Penitentiary, the Mill Creek Correctional Facility and Santiam Correctional Institution, Spirit Mountain Casino, and Chinook Winds Casino Resort. Also included in the government sector are public colleges Western Oregon University and Chemeketa Community College, which in 2014 had enrollments of 6,050 and 11,100 students and employed 900 and 1,150 workers, respectively. The HMA's largest employer (Table 3), the State of Oregon, employs approximately

Table 3. Major Employers in the Salem HMA

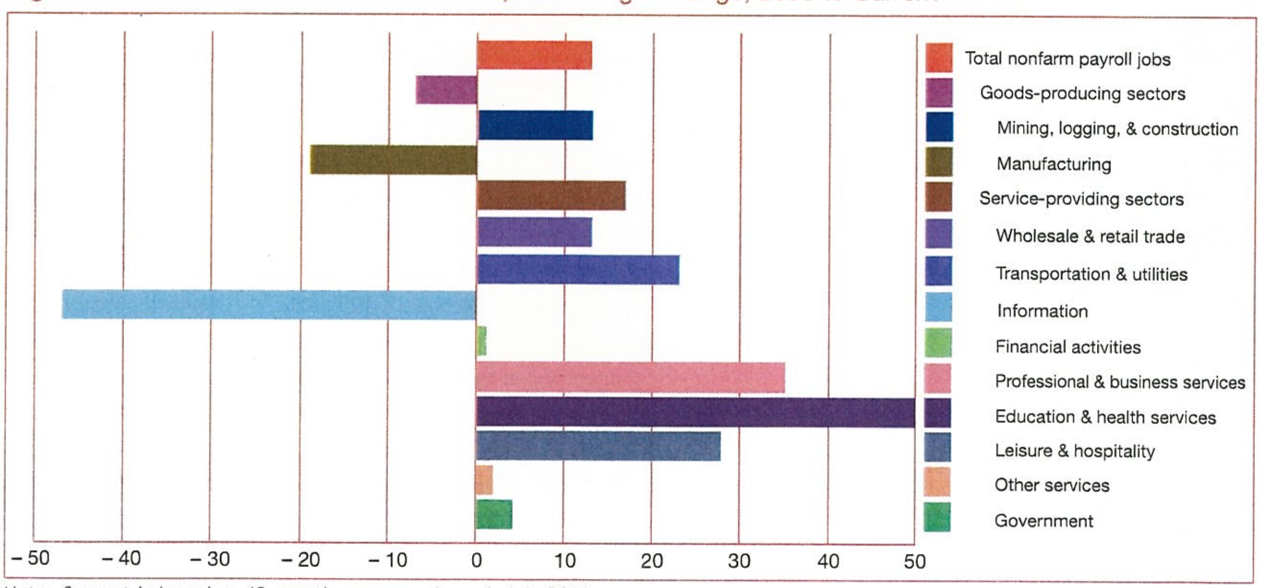
Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Oregon	Government	22,500
Salem Health	Education & health services	3,900
Dex Media	Professional & business services	3,000
Association of Salem Keizer Education Support Professionals	Education & health services	2,100
Fred Meyer Stores	Wholesale & retail trade	1,710
Spirit Mountain Casino	Government	1,500
NORPAC Foods, Inc.	Manufacturing	1,106
SAIF Corporation	Financial activities	854
Wal-Mart Stores, Inc.	Wholesale & retail trade	820
Chinook Winds Casino Resort	Government	785

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

22,500 people, accounting for more than one-half of all government sector jobs in the HMA. The effects of the national recession that began in 2007 did not start to negatively impact the HMA until 2009, in large part because of the relative stability of employment in the government sector, which added an average of 900 jobs, or 2.3 percent, a year from 2007 through 2009 before declining by an average of 900 jobs, or 2.0 percent, annually from 2010 through 2011. Taxable incomes increased as job growth returned to the HMA in 2012, allowing increased government hiring, which further advanced the economic recovery. During the 12 months ending July 2016, government sector payrolls increased by 600 jobs, or 1.4 percent, including gains of 300 jobs each in the local government and state government subsectors. Job growth in the government sector is anticipated to continue at a similar pace during the 3-year forecast period as the economy continues to expand.

The education and health services sector has grown the most of any sector since 2000 (Figure 3) and currently accounts for 25,200 jobs, or 16 percent of total nonfarm payrolls. During the 12 months ending July 2016, payrolls increased by 900 jobs, or 3.7 percent, compared with a gain of 1,100 jobs, or 4.5 percent, during the 12 months ending July 2015. Part of the growth can be attributed to increased demand for healthcare services as the population continues to grow and age; from 2010 to 2015, the population of residents ages 62 years and older was the fastest-growing

Figure 3. Sector Growth in the Salem HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through July 2016.
Source: U.S. Bureau of Labor Statistics

cohort in the HMA, increasing from 16.6 to 18.7 percent of the total population (American Community Survey 1-year data [ACS]). In addition, Salem Health, the HMA's second largest employer, opened a $15 million outpatient clinic in February 2016, employing approximately 50 new providers servicing an estimated 250 clients per day. Unlike the cyclical nature of other sectors, the education and health services sector has added jobs every year since 2000, increasing by an average of 500 jobs, or 2.6 percent, annually from 2001 through 2015. The sector is expected to continue growing at a healthy rate during the forecast period as the healthcare industry expands to meet the increasing need for services as a result of strong population growth and an aging population.

The greatest nonfarm payroll gains during the 12 months ending July 2016 occurred in the professional and business services sector, which added 1,200 jobs, or 9.2 percent, increasing to 14,200 jobs compared with an increase of 300 jobs, or 2.6 percent, during the previous 12 months. Job gains in the sector have been caused by a mix of increased hiring at staffing agencies within the administrative and support services industry and in the management of companies industry, a result of the broad-based economic expansion occurring in the HMA. From 2001 through 2008, the professional and business services sector added an average of 300 jobs, or 2.8 percent, a year. As with most other sectors in the economy, the professional and business services sector lost jobs as a result of the national recession, declining by an average of 700 jobs, or 5.7 percent, annually from 2009 through 2011. Growth resumed in 2012 and, from 2012 through 2015, sector payrolls increased by an average of 600 jobs, or 4.7 percent, per year. The professional and business services sector is expected to continue to grow during the next 3 years as local firms increasingly make use of temporary workers and contract out work that is not part of their core product.

Several other sectors benefit from the strong performance in the core sectors discussed previously. The mining, logging, and construction, the leisure and hospitality, and the wholesale and retail trade sectors increased by 600, 600, and 500 jobs—or 6.3, 4.3, and 2.3 percent, respectively—during the 12 months ending July 2016. These sectors are the most responsive to changing economic conditions, because they rely heavily on consumer confidence and spending habits. All three sectors lost a substantial amount of jobs as a consequence of the national recession but have added jobs consistently since the economic expansion began in 2012. Payrolls in the wholesale and retail trade sector have finally recovered all jobs lost during the recession, and those in the leisure and hospitality sector have surpassed their prerecession peak by 15 percent. Although a recent boom in residential and commercial construction has bolstered job growth in the mining, logging, and construction sector, payrolls remain 11 percent below their prerecession level. No payroll sector reported job losses during the most recent 12 months, but three sectors—the transportation and utilities, information, and financial activities sectors—were stagnant. These three sectors combine to account for only 7 percent of nonfarm payrolls in the HMA; therefore, their impact on overall economic growth is minimal.

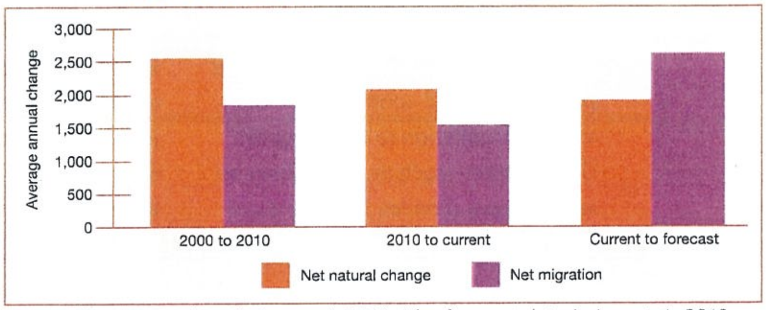
Strong population growth is expected to positively affect employment in the education and health services sector during the next 3 years, while the large public sector will continue providing a stable foundation to the economy. Other sectors—such as the professional and business services, the wholesale and retail trade, the mining, logging, and construction, and the leisure and hospitality sectors—are expected to indirectly benefit from growth in core sectors. Nonfarm payrolls are expected to expand by an average of 4,800 jobs, or 3.0 percent, a year during the forecast period. Table DP-1 at the end of this report provides additional employment data.

Population and Households

As of August 1, 2016, the population of the Salem HMA is estimated at 413,500, increasing at an average annual rate of 0.9 percent, or by 3,600, since 2010, with net in-migration accounting for 1,525 people a year, or approximately 42 percent of the increase. Population growth was strongest from 2004 to 2009, during a time of economic expansion, averaging 4,700 people, or 1.3 percent, annually, with net in-migration comprising 46 percent of the growth, or 2,175 people each year (Portland State University July 1 estimates, with adjustments by the analyst). The HMA is a popular destination for retirees, and an influx during this time furthered population growth; the number of residents in the HMA 62 years and older increased at an average annual rate of almost 6.0 percent from 2005 to 2009, increasing from 14.5 to 16.4 percent of total population (2005 and 2009 ACS 1-year data). From 2009 to 2012, as economic conditions weakened because of the national recession, population growth fell to an average of 3,400 people, or 0.9 percent, annually. Net in-migration declined to an average of 1,025 people a year and comprised only 30 percent of population growth, partially because the weak labor market kept jobseekers from moving to the HMA, and also because the housing market collapse left many homeowners with negative equity and unable to relocate. The growth rate in the retired-age population also slowed, averaging only 2.0 percent a year, but its share of the overall population still increased from 16.4 to 17.3 percent of total population.

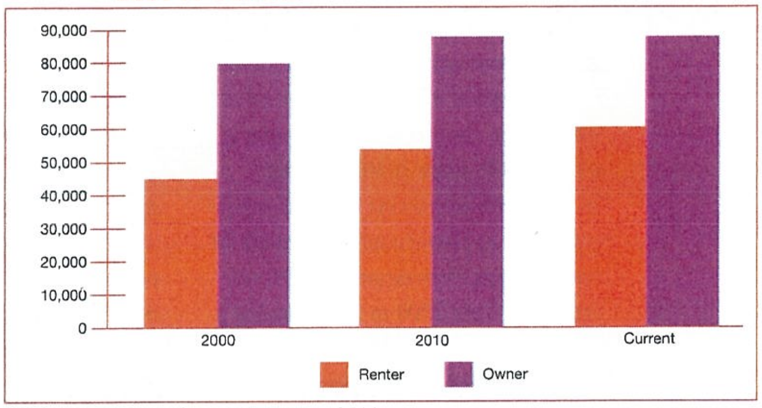
Since 2012, strengthening economic conditions have boosted population growth to an average of 4,000 people, or 1.0 percent, annually because of increased net in-migration, which has averaged 2,125 people annually, comprising 53 percent of the increase. The retired-aged population continued to increase from 2012 to 2015 at an average annual rate of nearly 4.0 percent, comprising 18.7 percent of total population, up from 17.3 percent. As economic conditions remain strong, inducing net in-migration from jobseekers, along with the continued attraction of retirees to the HMA, the population is expected to increase by an average of 4,475, or 1.1 percent, annually during the 3-year forecast period, with more than 58 percent of the growth resulting from net in-migration. The population of the

Figure 4. Components of Population Change in the Salem HMA, 2000 to Forecast



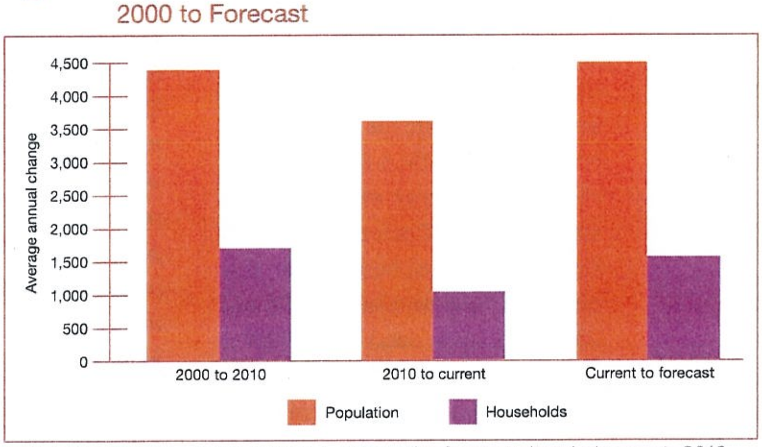
Notes: The current date is August 1, 2016. The forecast date is August 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Number of Households by Tenure in the Salem HMA, 2000 to Current



Note: The current date is August 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 6. Population and Household Growth in the Salem HMA, 2000 to Forecast



Notes: The current date is August 1, 2016. The forecast date is August 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

HMA is expected to reach 426,900 by August 1, 2019. Figure 4 shows the components of population change from 2000 to the forecast date.

An estimated 147,700 households reside in the HMA, reflecting an average annual increase of 1,025 households, or 0.7 percent, since 2010. By comparison, from 2000 to 2010, when population growth was stronger because of increased net in-migration, the number of households expanded by an average of 1,650, or 1.3 percent, annually. An estimated 59.2 percent of current households, or 87,450 households, are homeowners and the remaining 60,250 are renter households, compared with homeownership rates of 62.1 and 64.0 percent in April 2010 and 2000, respectively (Figure 5). The decline in homeownership reflects the prolonged effects from the foreclosure crisis, including stricter lending standards and a shift in household preferences toward renting. Renter households accounted for slightly more than one-half of household growth from 2000 to 2010 but have accounted for all of household growth since 2010. The number of households in the HMA is expected to grow by 1,525, or 1.0 percent, annually during the next 3 years, reaching 152,300 households by August 1, 2019. During the forecast period, renter households are projected to comprise approximately 41 percent of new households, mainly because the strong economy has helped improve household finances and access to credit, allowing more households the opportunity to purchase homes. Figure 6 shows population and household growth trends from 2000 to the forecast date.

Housing Market Trends

Sales Market

Sales housing market conditions in the Salem HMA are currently tight, with an estimated vacancy rate of 2.0 percent, down from 2.4 percent in April 2010. The decline in new home production following the collapse of the housing market, combined with improving economic conditions, contributed to the absorption of excess vacancies and to the tight market conditions. The inventory of homes for sale represented a 2.9-month supply in August 2016 compared with a 4.5-month supply in August 2015. During the same time, the number of active listings increased 36 percent, to 286, while the total marketing time declined from 79 to 46 days (RMLS™).

During the 12 months ending July 2016, approximately 6,850 existing single-family homes, townhomes, and condominiums (hereafter, existing homes) sold, up 17 percent from the 6,000 existing homes sold during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). By comparison, existing home sales averaged 8,175 during the buildup of the housing boom from 2003 through 2007 before declining from 2008 through 2011 at an average annual rate of 18 percent to a low of 3,475 existing home sales. Since 2013, demand for homes has increased faster than the available supply, putting upward pressure on home prices. The average sales price increased 8 percent during the 12 months ending July 2016 to $225,300, which is 32 percent higher than the trough in 2012 and 3 percent higher than the prerecession peak of $213,400 reached in 2007.

In response to strong economic conditions in the HMA, seriously delinquent (90 or more days delinquent or in foreclosure) loans and real estate owned (REO) properties have become a less significant part of the sales market than they were during the worst of the housing crisis from 2009 through 2012. During July 2016, 2.8 percent of mortgages in the HMA were seriously delinquent or in REO status, down from 4.1 percent in July 2015 and well below a July high of 6.4 percent in 2012 (CoreLogic, Inc.). As a result of weak economic conditions and the foreclosure crises, REO home sales accounted for almost one-fourth of all existing home sales from 2009 through 2012; however, REO sales comprised only 10 percent of existing home sales during the 12 months ending July 2016. The average sales price of an REO home was $162,600, almost 30 percent less than the average sales price of a regular resale home (CoreLogic, Inc., with adjustments by the analyst).

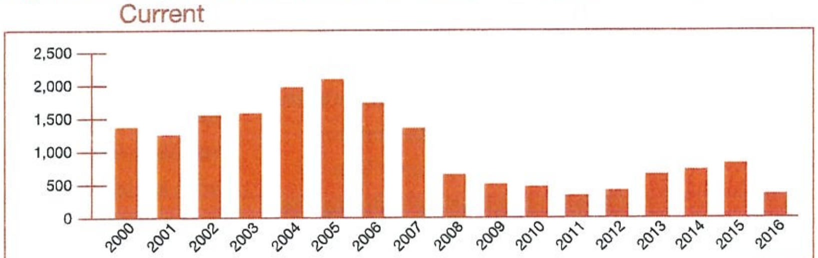
Sales of new single-family homes, townhomes, and condominiums (hereafter, new homes) have increased each year since 2013. Approximately 570 new homes sold during the 12 months ending July 2016, reflecting an increase of almost 20 percent from a year ago. By comparison, an average of 1,275 new homes sold annually from 2001 through 2007. After the housing bubble burst, the demand for new homes declined as a result of poor labor market conditions, decreased access to credit, and increased competition from existing homes. From 2008 through 2012, new home sales declined at an average annual rate of 26 percent to a low of 220 new homes sales. During the 12 months ending July 2016, the average sales price of a new home increased 10 percent to $272,100, still 3 percent less than the prerecession peak of $280,500 in 2008 but 42 percent higher than in 2013, when new home sales prices bottomed out.

Single-family home construction, as measured by the number of single-family homes permitted, reached a 20-year low in 2011, when only 320 homes were permitted, in response to decreased demand for new homes as a consequence of the housing market collapse and national recession. Beginning in 2012, however, builders responded to the improving sales market by increasing new home construction (Figure 7). During the 12 months ending July 2016, 400 single-family homes were permitted, a decline of approximately 5 percent compared with the preceding 12-month period; however, single-family permitting levels in 2015 were the highest recorded since 2007 (preliminary data subject to revisions). By contrast, an average of 1,600 homes were permitted annually from 2000 through 2007.

New home construction is occurring throughout the HMA, with a higher concentration in the southeast portion of the city of Salem. Examples of larger communities currently under construction include Cottonwood Lakes Phase III and Bailey Ridge Phase II. Cottonwood Lakes comprises 102 lots, with homes ranging from 1,425 to 2,300 square feet and an average list price of $352,300. Bailey Ridge consists of 159 lots; Phase II is under construction with 5 homes available for purchase with an average list price of $432,500, and 10 homes will be available within the coming year. Currently, an estimated 260 single-family homes are under construction in the HMA.

During the 3-year forecast period, demand is estimated for 3,075 new homes in the HMA, with increasing demand during the second and third years of the forecast period (Table 1). The 260 homes currently under construction and a portion of the 4,000 other vacant units that may reenter the sales market will satisfy some of the demand. Demand is expected to be greatest in the $300,000-to-$399,999 price range. Table 4 shows the estimated demand for market-rate sales housing by price range.

Figure 7. Single-Family Homes Permitted in the Salem HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through July 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Salem HMA During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
250,000	299,999	310	10.0
300,000	349,999	920	30.0
350,000	399,999	920	30.0
400,000	449,999	370	12.0
450,000	499,999	250	8.0
500,000	599,999	180	6.0
600,000	and higher	120	4.0

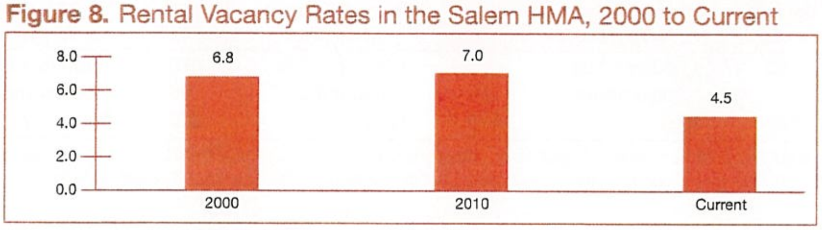
Notes: The 260 homes currently under construction and a portion of the estimated 4,000 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is August 1, 2016, to August 1, 2019.
Source: Estimates by analyst

Rental Market

Rental housing market conditions in the Salem HMA are currently slightly tight, with an overall rental vacancy rate estimated at 4.5 percent as of September 1, 2016, down from 7.0 percent in April 2010 when market conditions were soft (Figure 8). Rental market conditions in the Salem HMA have tightened considerably because growth in renter households has outpaced the increase in rental inventory since 2010. The apartment market, which comprises approximately 65 percent of renter-occupied units in the HMA, is very tight, but the vacancy rate increased to 2.7 percent during the second quarter of 2016, up from 1.3 percent a year prior, because approximately 320 new units entered the market in the past year (Reis, Inc.). Since 2005, limited apartment construction has kept the vacancy rate under 6 percent, even during periods when market conditions were soft, rent growth was slower, and concessions were more prevalent (data available only beginning in 2005). The average apartment rent increased 9 percent from the second quarter of 2015 to the second quarter of 2016, to $790, marking the fourth consecutive quarter with year-over-year rent growth of 9 percent or higher. Rents averaged $578 for studios, $658 for one-bedroom units, $799 for two-bedroom units, and $1,042 for three-bedroom units. As market conditions tightened, the percentage of units offering concessions declined from 100 percent during the second quarter of 2011 to 0 percent during the second quarter of 2016 (MPF Research).

Multifamily construction activity, as measured by the number of units permitted, has generally improved since the 2009-through-2011 period, when permitting was lower than during any other 3-year period since the late 1980s. Approximately 290 multifamily units were permitted in the HMA during the 12 months ending July 2016 compared with 110 units permitted during the previous 12 months (preliminary data subject to revisions). By comparison, an average of 450 multifamily units were permitted annually from 2000 through 2009 (Figure 9). The onset of the national recession and subsequent housing market collapse caused multifamily construction to decline at an average annual rate of 35 percent from 2009 through 2011, to a low of 110 multifamily units permitted. During this time, financing for new construction was particularly difficult to obtain, despite an increased demand for rental units brought on by the foreclosure crisis. This obstacle resulted in a very limited supply of new apartments, which, coupled with

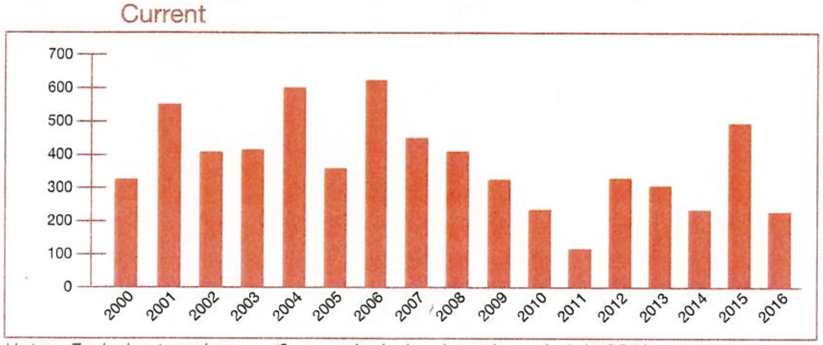
Figure 8. Rental Vacancy Rates in the Salem HMA, 2000 to Current



Note: The current date is August 1, 2016.

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

Figure 9. Multifamily Units Permitted in the Salem HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through July 2016.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts increased demand, caused apartment market conditions to tighten. As lenders became increasingly confident in the economic recovery, financing returned and builders increased apartment construction to an average of 240 units annually from 2010 through 2014.

An estimated 520 multifamily units are currently under construction, 200 of which are units in assisted living facilities. The most recent market-rate apartment complex to open was the 108-unit Encore Apartments in January 2016 in downtown Salem. Rents start at $900 for one-bedroom units, $1,015 for two-bedroom units, and $1,325 for three-bedroom units. The 115-unit South Block Apartments opened in August 2015 in downtown Salem. The property began preleasing in May 2015 and was fully occupied by December 2015, averaging an absorption rate of 16 units per month. Monthly rents by bedroom range from $995 to $1,300 for studios, from $1,100 to $1,400 for one-bedroom units, and from $1,300 to $2,500 for two-bedroom units and start at $2,000 for three-bedroom units. Phase II of South Block Apartments is under construction and will consist of 63 units on completion in December 2016. Currently, 75 percent of the units have been preleased, and unit rents are the same as those for Phase I.

During the next 3 years, demand is expected for 2,025 new market-rate rental units in the HMA (Table 1), with demand the highest in the first year and tapering off in the second and third years. The 520 units currently under construction will satisfy part of the demand. Table 5 shows the forecast demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Salem HMA During the Forecast Period

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
800 or more	100	1,000 to 1,199	550	1,200 to 1,399	870	1,400 to 1,599	310
		1,200 or more	60	1,400 or more	95	1,600 or more	35
Total	100	Total	610	Total	970	Total	340

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 520 units currently under construction will likely satisfy some of the estimated demand. The forecast period is August 1, 2016, to August 1, 2019.

Source: Estimates by analyst

Data Profile

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	169,023	170,874	182,900	0.1	1.2
Unemployment rate	5.3%	10.9%	5.4%		
Nonfarm payroll jobs	140,700	143,700	158,500	0.2	1.8
Total population	347,214	390,738	413,500	1.2	0.9
Total households	124,699	141,245	147,700	1.3	0.7
Owner households	79,746	87,643	87,450	0.9	0.0
Percent owner	64.0%	62.1%	59.2%		
Renter households	44,953	53,602	60,250	1.8	1.9
Percent renter	36.0%	37.9%	40.8%		
Total housing units	132,635	151,250	156,400	1.3	0.5
Owner vacancy rate	2.5%	2.4%	2.0%		
Rental vacancy rate	6.8%	7.0%	4.5%		
Median Family Income	$43,200	$58,200	$57,200	3.0	– 0.3

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through July 2016. Median Family Incomes are for 1999, 2009, and 2015. The current date is August 1, 2016.

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: 8/1/2016—Analyst's estimates
Forecast period: 8/1/2016–8/1/2019—Analyst's estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

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 huduser.gov/publications/pdf/CMARtables_SalemOR_17.pdf.

Contact Information

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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 huduser.gov/portal/ushmc/chma_archive.html.

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How Luxury Housing Becomes Affordable

August 3, 2017 Heather Poston

By Joe Cortright via **City Lab**

Smart Growth Image Libraries

SMART GROWTH IMAGE LIBRARY

This compilation contains links to more than two dozen online collections with thousands of images that illustrate smart growth principles.

Most Recent Blog Articles

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(Lucas Jackson/Reuters)

One of the most common refrains in the affordable housing discussion is "developers are targeting the high end of the market" and new apartments are just unaffordable.

Of course, it's not that simple. Demand for new housing that isn't met by the construction of new high-end units doesn't disappear, it spills over into more modest housing, driving up rents for everyone. Building more high-end housing helps with affordability, because it keeps those with high incomes from **outbidding** those with lower incomes for the existing housing stock. (Just imagine what would happen to housing prices if you **suddenly demolished** 10,000 units of expensive housing.) And often, today's luxury units become tomorrow's affordable homes.

To understand this, just look to Portland's recent history. Housing blogger **Iain MacKenzie**, who tracks new housing and commercial developments at the definitive **Next Portland** website, shared with us a couple of fascinating historical clips from the city's paper of record, *The Oregonian*. They show that today's affordable housing often started life as selfdescribed "luxury" housing when it was originally built.

The first example dates back a half century, to the 1960s, when in the wake of urban renewal the city was building a wave of new apartments. *The Oregonian* on January 9, 1966, described the city's booming market for new luxury accommodation:

> Luxury apartments, which start at $135 for a one bedroom unit and rapidly climb out of sight, have been sprouting in Portland at a breathless rate, and more are planned or abuilding. The total investment in such properties is certainly above the $100 million mark here.

One of these complexes was the Timberlee in suburban Raleigh Hills, a close-in suburban neighborhood. According to *The Oregonian*, the Timberlee on SW 38th Place was one of the most prosperous of the 13 apartment complexes it examined in its story, with 97 percent of its 214 units rented.

The Timberlee Apartments are still around today. While none of the units are currently for rent, according to Apartments.com, rents in the area run from about $1,000 for studios and one-bedroom units to $1,300 and more for two-bedroom and larger apartments. By today's standards, the Timberlee seems modest, and a bit dated, rather than luxurious.

The Timberlee apartments are typical of those that were built around the country in the 1960s and 1970s. As I've **chronicled**, similar vintage apartments in the Atlanta suburb of Marietta, started life as the preferred housing of (mostly white) young couples and singles, but as they aged, became so affordable that they constituted low-income housing. The city spent $65 million of taxpayer money to buy and demolish these apartments, displacing hundreds of families.

A second clipping goes back just more than a century, to Christmas Day, 1910, when Portland was enjoying a small construction boom—interestingly, triggered by the advent of a tougher building code that would have made apartments more expensive or impossible to build in some neighborhoods. Just as with today's **inclusionary housing ordinance**, there was a land rush as developers filed for building permits in advance of the deadline.

The 1910 article plays up the luxury of the new dwellings under construction.

> The purpose of the builds is to establish a model for high-class apartments... The building will follow the latest style of construction in vogue in New York, and will embody the extreme of luxury with every possible attention given to comfort. Some new features in the way of modern conveniences will be introduced, the aim being to attract the desirable class of patrons, those

> who will be willing to pay as high as $150 a month for the five and six room apartments which they house will contain.

One of the new luxury apartment buildings constructed in 1910 was the Belmont Court, on the city's growing East Side. Plans called for a modern 24-unit apartment building with a range of conveniences.

> Some fine dwellings of this class are being planned for the East Side. MacNaughton & Raymond have designed for E. L. Taylor a three-story brick veneer apartment-house 50×100, to be built at East Fifteenth and Belmont Streets and to cost $30,000. It will have seven three-room apartments on each floor and 24 in all, including the janitor's quarters and two other suites in the basement.

More than a century later, the Belmont Court building still stands. In fact, two of its apartments are for rent just now. According to Zillow, average apartment rents in Portland are about $1,600 per month. With studio apartments renting at just under $1,100, they're not exactly cheap, but they cost less per square foot than newly built units, and with a Walk Score of 92, there located in a neighborhood where one can conveniently live without a car.

Another interesting historical change. Described as three-room apartments when they were built, the Belmont Court apartments are **today described as studios**. They have a separate living area, kitchen and bathroom (each of which, a century ago, merited counting as a separate room). In an era when a large fraction of urban residents were boarders in boarding houses, a private kitchen and bathroom may indeed have been a luxury.

New housing is almost always built for and sold to the high end of the marketplace. It was that way 100 years ago and 50 years ago. But as it ages, housing depreciates and moves down market. The luxury apartments of two or three decades ago have lost most of their luster, and command relatively lower rents. And the truth is, that's how we've **always generated** more affordable housing, through the process that economists call "filtering." And the new self-styled "luxury" apartments we're building today will be the affordable housing of 2040 and 2050 and later.

What causes affordability problems to arise is when we stop building new housing, or build it too slowly to cause aging housing to filter down-market. When new high-priced housing doesn't get built, demand doesn't disappear, instead, those higher-income households bid up the price of the existing housing stock, keeping it from becoming more affordable. Which is why otherwise prosaic 1,500-foot **ranch houses in Santa Monica** sell for a couple of million bucks, while physically similar 1950's era homes in the rest of the country are either now highly affordable—or candidates for demolition.

View original article **here**

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Blog, Create a Range of Housing Opportunities and Choices

Affordable Housing, Apartments, Housing, Luxury Living

How Urban Planners Can Promote Health and Wellness

2 Aug 2018

By Patrick Sisson via Curbed Facebook0Twitter0Google plus0...

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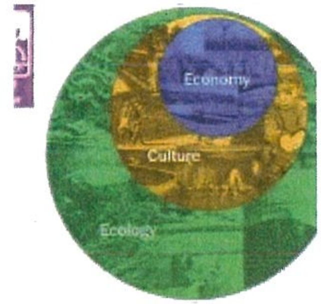
Sustainability Versus Resiliency: Designing For a Trajectory of Change

20 Jul 2018



By Keith Bowers via The Field Facebook0Twitter0Google plus0...

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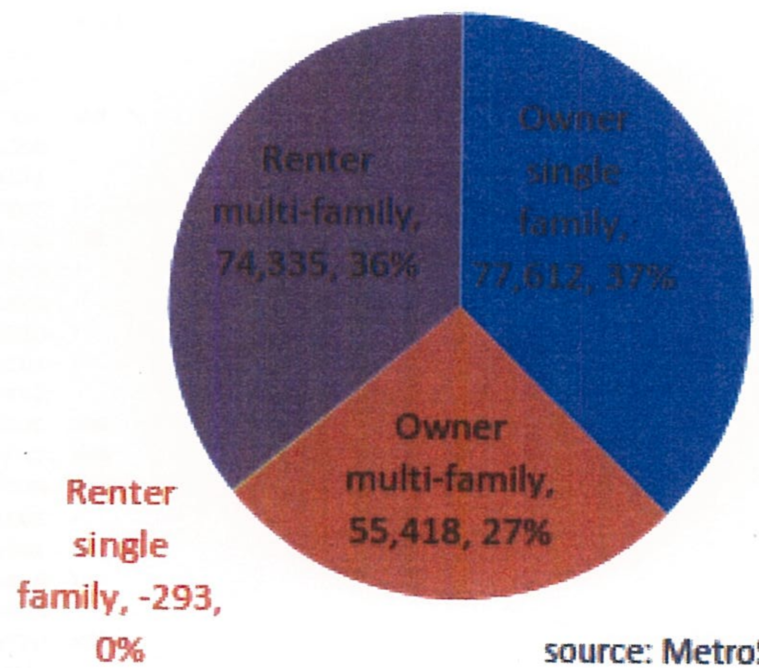
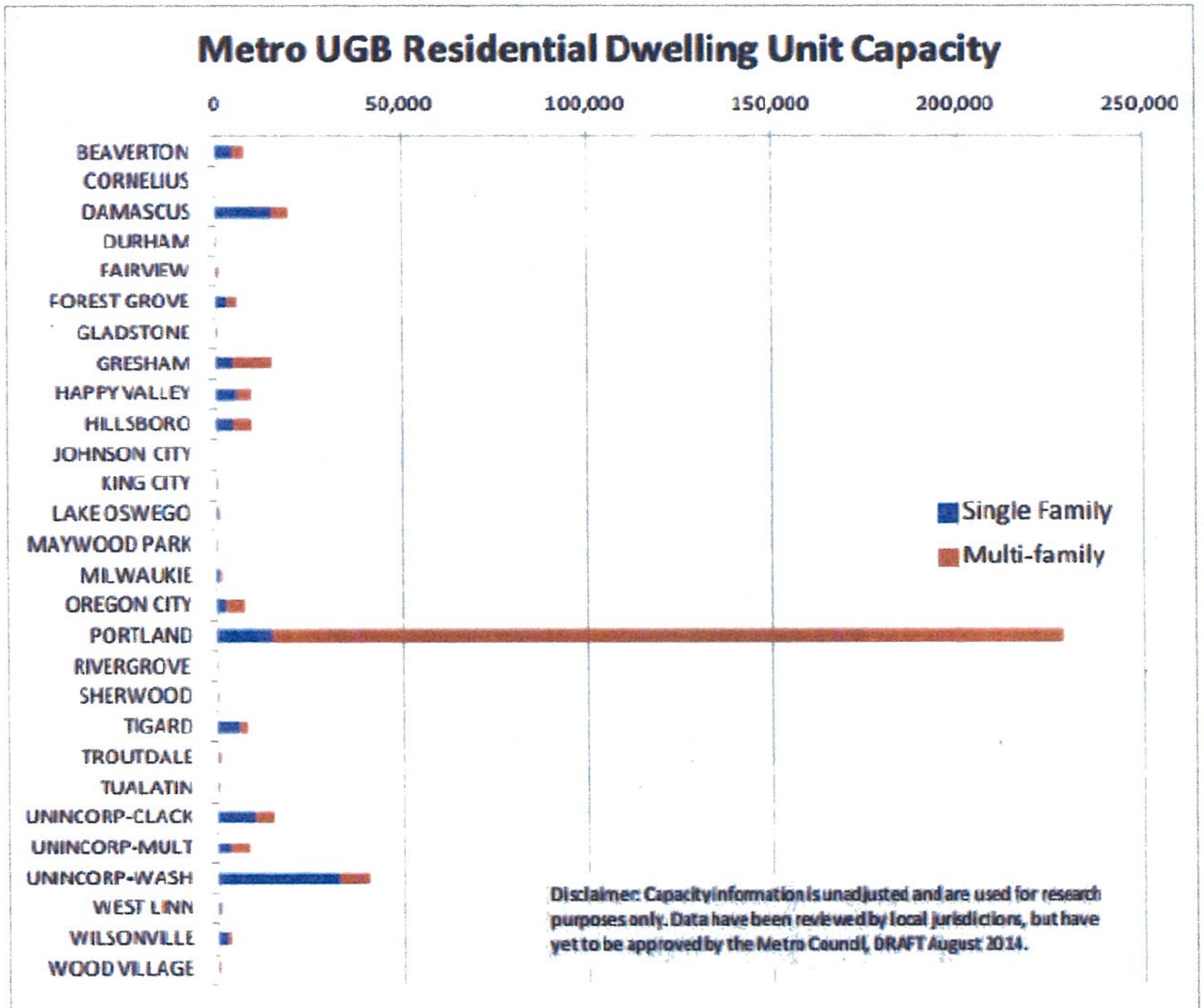
This website is a project of the Maryland Department of Planning and is funded by the U.S. EPA Office of Sustainable Communities

[redacted]

Change in Residential Demand 2015-35



source: MetroScope Scen #1462



SOURCE: 2014 UGR (Appendix 4, Figure 7)

Exhibit A

2040 POPULATION FORECAST DISTRIBUTION

Created: July 12, 2016

City population prorated to match 2015 PSU population estimates.
Estimates and forecasts are bounded by today's city limits.

	2015 Population Estimate (PSU estimate)	FINAL 2040 Population Forecast
INSIDE Metro UGB		
Clackamas County		
Gladstone	11,505	12,083
Happy Valley	17,510	32,314
Johnson City	565	561
Lake Oswego	37,300	40,311
Milwaukie	20,505	23,149
Oregon City	33,940	41,857
Rivergrove	495	515
West Linn	25,605	27,861
Wilsonville	22,870	27,046
Uninc. Clackamas + formerly Damascus	104,353	148,716
Uninc. Clackamas County / future city annex.	93,728	116,447
Damascus / area within 2015 city boundary	10,625	32,269
Clackamas County inside UGB total *	274,648	354,414
Multnomah County		
Fairview	8,940	9,708
Gresham	107,065	123,162
Maywood Park	750	771
Portland	613,355	863,509
Troutdale	16,020	17,884
Wood Village	3,910	4,298
Uninc. Multnomah County /future city annex.	17,809	37,448
Multnomah County inside UGB total *	767,849	1,056,780
Washington County		
Beaverton	94,215	103,651
Cornelius	11,900	17,432
Durham	1,880	1,996
Forest Grove	23,080	34,844
Hillsboro	97,480	128,901
King City	3,425	5,310
Sherwood	19,080	20,674
Tigard	49,280	68,701
Tualatin	26,590	27,372
Uninc. Washington County /future city annex.	213,493	303,279
Washington County inside UGB total	540,423	712,160
TOTAL inside today's Metro UGB	1,582,920	2,123,354
OUTSIDE Metro UGB (including urban reserves/ future UGB adds)		
Rural Cities	42,355	59,608
Uninc. Clackamas County / future city annex.	84,667	100,838
Uninc. Multnomah County /future city annex.	9,641	12,315
Uninc. Washington County /future city annex.	25,802	62,017
TOTAL outside Metro UGB	162,465	234,778
Tri-county TOTAL	1,745,385	2,358,132

* Cities in multiple counties are tabulated to the county of majority.

United States Census Bureau

QuickFacts

Tualatin city, Oregon

QuickFacts provides statistics for all states and counties, and for cities and towns with a ***population of 5,000 or more.***

Table

All Topics	Tualatin city, Oregon
Population estimates, July 1, 2016, (V2016)	**27,545**
PEOPLE	
Population	
Population estimates, July 1, 2017, (V2017)	NA
Population estimates, July 1, 2016, (V2016)	**27,545**
Population estimates base, April 1, 2010, (V2017)	NA
Population estimates base, April 1, 2010, (V2016)	26,118
Population, percent change - April 1, 2010 (estimates base) to July 1, 2017, (V2017)	NA
Population, percent change - April 1, 2010 (estimates base) to July 1, 2016, (V2016)	5.5%
Population, Census, April 1, 2010	26,054
Age and Sex	
Persons under 5 years, percent, July 1, 2016, (V2016)	X
Persons under 5 years, percent, April 1, 2010	7.3%
Persons under 18 years, percent, July 1, 2016, (V2016)	X
Persons under 18 years, percent, April 1, 2010	26.9%
Persons 65 years and over, percent, July 1, 2016, (V2016)	X
Persons 65 years and over, percent, April 1, 2010	7.0%
Female persons, percent, July 1, 2016, (V2016)	X
Female persons, percent, April 1, 2010	50.9%
Race and Hispanic Origin	
White alone, percent, July 1, 2016, (V2016) (a)	X
Black or African American alone, percent, July 1, 2016, (V2016) (a)	X
American Indian and Alaska Native alone, percent, July 1, 2016, (V2016) (a)	X
Asian alone, percent, July 1, 2016, (V2016) (a)	X
Native Hawaiian and Other Pacific Islander alone, percent, July 1, 2016, (V2016) (a)	X
Two or More Races, percent, July 1, 2016, (V2016)	X
Hispanic or Latino, percent, July 1, 2016, (V2016) (b)	X
White alone, not Hispanic or Latino, percent, July 1, 2016, (V2016)	X
Population Characteristics	
Veterans, 2012-2016	1,319
Foreign born persons, percent, 2012-2016	12.5%
Housing	
Housing units, July 1, 2016, (V2016)	X
Housing units, April 1, 2010	10,528
Owner-occupied housing unit rate, 2012-2016	55.2%
Median value of owner-occupied housing units, 2012-2016	$337,100
Median selected monthly owner costs -with a mortgage, 2012-2016	$1,896
Median selected monthly owner costs -without a mortgage, 2012-2016	$640
Median gross rent, 2012-2016	$1,078
Building permits, 2016	X
Families & Living Arrangements	
Households, 2012-2016	10,826
Persons per household, 2012-2016	2.49
Living in same house 1 year ago, percent of persons age 1 year+, 2012-2016	85.1%
Language other than English spoken at home, percent of persons age 5 years+, 2012-2016	19.1%
Education	
High school graduate or higher, percent of persons age 25 years+, 2012-2016	93.3%
Bachelor's degree or higher, percent of persons age 25 years+, 2012-2016	43.2%
Health	
With a disability, under age 65 years, percent, 2012-2016	7.1%

Persons without health insurance, under age 65 years, percent	▲ 9.9%

Economy

In civilian labor force, total, percent of population age 16 years+, 2012-2016	72.5%
In civilian labor force, female, percent of population age 16 years+, 2012-2016	64.9%
Total accommodation and food services sales, 2012 ($1,000) (c)	78,342
Total health care and social assistance receipts/revenue, 2012 ($1,000) (c)	D
Total manufacturers shipments, 2012 ($1,000) (c)	2,103,563
Total merchant wholesaler sales, 2012 ($1,000) (c)	785,593
Total retail sales, 2012 ($1,000) (c)	478,254
Total retail sales per capita, 2012 (c)	$17,901

Transportation

Mean travel time to work (minutes), workers age 16 years+, 2012-2016	22.5

Income & Poverty

Median household income (in 2016 dollars), 2012-2016	$71,896
Per capita income in past 12 months (in 2016 dollars), 2012-2016	$37,287
Persons in poverty, percent	▲ 10.9%

BUSINESSES

Businesses

Total employer establishments, 2015	X
Total employment, 2015	X
Total annual payroll, 2015 ($1,000)	X
Total employment, percent change, 2014-2015	X
Total nonemployer establishments, 2015	X
All firms, 2012	2,865
Men-owned firms, 2012	1,572
Women-owned firms, 2012	839
Minority-owned firms, 2012	334
Nonminority-owned firms, 2012	2,316
Veteran-owned firms, 2012	359
Nonveteran-owned firms, 2012	2,244

GEOGRAPHY

Geography

Population per square mile, 2010	3,170.4
Land area in square miles, 2010	8.22
FIPS Code	4174950

Value Notes

▲ This geographic level of poverty and health estimates is not comparable to other geographic levels of these estimates

Some estimates presented here come from sample data, and thus have sampling errors that may render some apparent differences between geographies statistically indistinguishable. Click the Quick Info left of each row in TABLE view to learn about sampling error.

The vintage year (e.g., V2017) refers to the final year of the series (2010 thru 2017). *Different vintage years of estimates are not comparable.*

Fact Notes

- **(a)** Includes persons reporting only one race
- **(b)** Hispanics may be of any race, so also are included in applicable race categories
- **(c)** Economic Census - Puerto Rico data are not comparable to U.S. Economic Census data

Value Flags

- **-** Either no or too few sample observations were available to compute an estimate, or a ratio of medians cannot be calculated because one or both of the median estimates falls in the lowes interval of an open ended distribution.
- **D** Suppressed to avoid disclosure of confidential information
- **F** Fewer than 25 firms
- **FN** Footnote on this item in place of data
- **NA** Not available
- **S** Suppressed; does not meet publication standards
- **X** Not applicable
- **Z** Value greater than zero but less than half unit of measure shown

QuickFacts data are derived from: Population Estimates, American Community Survey, Census of Population and Housing, Current Population Survey, Small Area Health Insurance Estimates, Small Area Poverty Estimates, State and County Housing Unit Estimates, County Business Patterns, Nonemployer Statistics, Economic Census, Survey of Business Owners, Building Permits.

City Population Census - Grown Estimates to 2040

City	2015 Metro Population Estimate	2040 Estimate	25-Year Growth Anticipated	Estimated Straight Line Annual Growth	Actual 1 Year Growth	2016 Census Data	1990 Census Data	Difference from 1990-2015	Difference Divided by 25 Years
Gladstone	11,505	12,083	578	23	611	12116	10152		
Happy Valley	17,510	32,314	14804	592	2194	19704	1519		
Johnson City	565	561	-4	N/A	N/A	N/A	N/A		
Lake Oswego	37,300	40,311	3011	120	1695	38995	30576		
Milwaukie	20,505	23,149	2644	106	424	20929	18692		
Oregon City	33,940	41,857	7917	317	2346	36286	14698		
River grove	495	515	N/A	N/A	N/A	N/A	N/A		
West Linn	25605	27861	2256	90	1254	26859	16367		
Wilsonville	22870	27046	4176	167	898	23768	N/A		
Fairview	8940	9708	768	31	350	9290	2391		
Gresham	107065	123162	16097	643	4458	111523	68235		
Maywood Park	750	771	N/A	N/A	N/A	N/A	N/A		
Portland	613,355	863,509	250154	10006	26508	639863	437319		
Troutdale	16,020	17,884	1864	75	597	16617	7852		
Wood Village	3,910	4,298	N/A	N/A	N/A	N/A	N/A		
Beaverton	94,215	112,651	18463	737	3375	97590	53310		
Cornelius	11900	17432	5532	221	514	12414	6148		
Durham	1,880	1,996	N/A	N/A	N/A	N/A	N/A		
Forest Grove	23080	34844	11764	471	978	24058	13559		
Hillsboro	97480	128901	31421	1257	7684	105164	37598		
King City	3425	5310	N/A	N/A	N/A	N/A	N/A		
Sherwood	19,080	20,674	1594	64	214	19294	3093		
Tigard	49280	68701	19721	777	2622	51902	29334		
Tualatin	26,590	27,372	782	31	955	27545	15013		
TOTALS	1,247,265	1,642,910	393,542	15,728	57,677	1,293,917	765,856		

Priced out of the market: Wilsonville rent increases driving out residents

Claire Green Wednesday, April 12, 2017

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0 Comments
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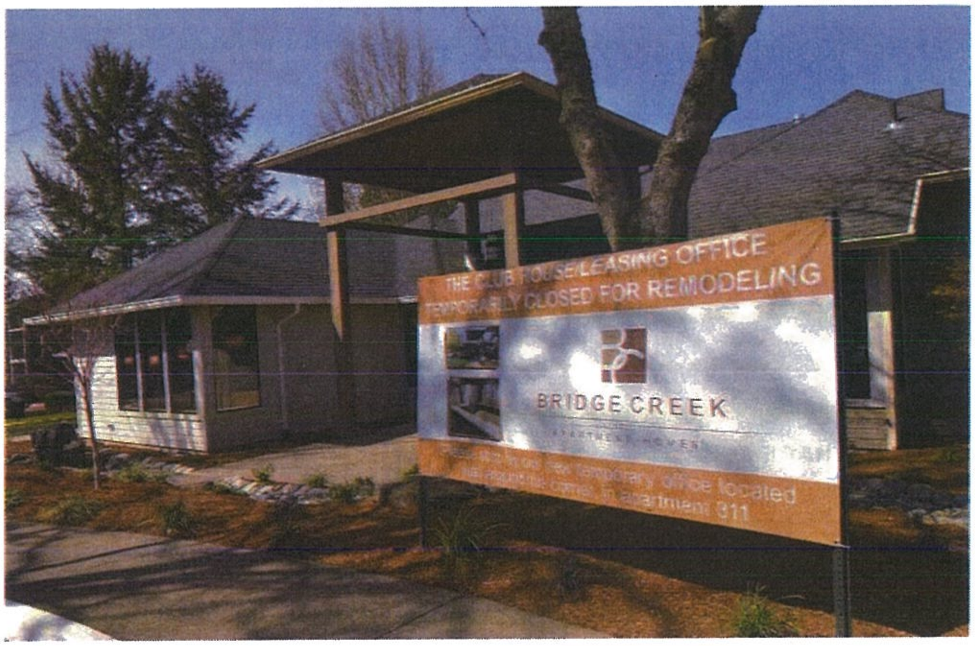
Big-time investors are putting the squeeze on renters scraping by in Wilsonville

Editor's note: This is the second installment of a two-part series. Last week we took a look at how renting trends are personally affecting residents in Wilsonville.

In 2004, Stacy Conger-Kupper and her husband were settling into a new home with their children. During a time when it was good to be a buyer — due to outrageously accessible loans — and good to be a seller — because of gradually climbing market prices — she says things were looking bright for her housing future.

Fast forward to the Great Recession of 2008 as the housing market bubble popped and took millions of homes along with it, including Conger-Kupper's. By 2012, the mother of three moved to a 3-bedroom unit at Boulder Creek Apartments to be close to her work.



SPOKESMAN PHOTO: VERN UYETAKE - Renovations of older properties by investment firms can be seen around Wilsonville, driving up the prices of rent around town and pricing people out of the market.

Having never rented an apartment before, Conger-Kupper says that she didn't have any major complaints because of her lack of comparative experience, other than how expensive she thought the $930 a month price tag was for an apartment. At that time, she worked the night shift to make more money and also had help from her teenage son to make ends meet. But after renting the apartment for three years with gradual increases each time she renewed her lease, in 2015 when her son got closer to moving out and pursuing his own endeavors, Conger-Kupper was faced with a choice: take the risk of staying and being priced into eviction or cutting her losses and looking elsewhere while staying with friends in the meantime.

"I had to make a decision when it came time to renew my lease," Conger-Kupper says, adding that she chose not to renew and gave up her apartment. "It was a rough decision, but it was the right one. However, when I (gave up my apartment), I didn't understand what the market was like."

Three years is a long time in the real estate market and as the economy had rebounded, so did investors' interest in purchasing multifamily complexes to flip and sell as cash-cows as the market continued to raise. As a result, Conger-Kupper says that she's been unable to find a new apartment that she can afford and is currently still displaced and couch surfing.

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According to apartment appraisal specialist Mark D. Barry of Barry & Associates, the Portland metro area has seen a tremendous increase in out-of-state investment development firms coming in and buying up older properties with the express purpose of renovating them and selling them for profit to other rental companies that can charge more per month based on amenities. Due to this, affordable units — costing renters less than 30 percent of their income — became harder to find as multifamily properties continued to renovate and raise their rents.

One specific example of an out-of-state investment giant swooping in to get a scoop of the Wilsonville market is TruAmerica Multifamily. A Californian property investment firm, TruAmerica acquired both the Bridge Creek and Boulder Creek apartment complexes during 2015 as a part of a seven-property, $255 million multifamily portfolio acquisition in the Portland metro area. During the time of TruAmerica's purchase of the property portfolio, the company released a statement saying that it intended to invest $30 million-plus across the portfolio to renovate property amenities. But as with any property investment firm, TruAmerica wanted to make rather than lose money on the renovations. According to Barry, that's just good business.

"There are a lot of stories," Barry says. "Stories about a guy who comes in, buys a property, everybody gets evicted or they raise the rents. But what they're really doing is raising the rents so that everybody moves out so that they can do renovations — the expression on the street is a 'value added' property."

Bridge Creek Property Manager Costin Mironesei disagrees with Barry's assessment, saying that the reason that prices in Wilsonville were significantly lower in the past was because the apartment complexes were keeping rent "artificially low."

"That's an interesting speculation," says Clackamas County Assessments & Taxation Assessor Bob Vroman. "But I would suggest that it doesn't necessarily make a lot of sense."

"We're in a market right now where there is very low inventory in general, so that makes buildings very attractive to come in and upgrade and rise rents to the perception of what the market level is," Vroman says, adding that the market has been getting hotter since 2013, but that there was a definite spike in 2015 across the Portland metro area. "It was just a big year, because we were a couple of years into an improving economy and you had all of these market factors in play, which are low inventory, high demand... and you have big companies and real estate investment trusts that are seeing these attractive investments, and I think that all of these things have led to the current market situation that we have."

For Conger-Kupper and many other Wilsonville residents whose incomes are failing to keep pace with the increases, the current market situation is a crushing one.

"With my wage right now, I can literally break it down into a third right now, which is $600," Conger-Kupper says, exceeding the 30 percent mark of her income. "But there is no place for $600. It doesn't exist!"

Families and individuals who make 60 percent or less of the estimated state median income, which was $54,148 in 2015, according to the Census Bureau's latest American Community Survey (ACS) figures available, qualify for low-income housing. In Wilsonville, there are five complexes that receive property tax exemptions, targeted to low-income families, seniors and financially fragile individuals.

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These property tax exemptions are passed on from property owners to renters to assist in reducing rent rates. Of the five 366 units available in Wilsonville, reduced rates vary based on the property's tax exemption and the number of reduced rate units in the complex.

SPOKESMAN PHOTO: CLAIRE GREEN - Jon Gail, Community Relations Coordinator for the City of Wilsonville, is heading up the Citys Equitable Housing Strategic Plan. Intended to study the housing market specifically in Wilsonville, the project is funded by a Metro Council grant and result in a list of actions that the City can take to improve the renting climate.

But of these apartments, waiting lists for prospective tenants are lengthy and City records indicate that renovations and updates are needed on some of the older properties. But some renters, like Conger-Kupper, make too much to qualify.

"It really sucks because I wouldn't be able to qualify for assistance of any kind because I'm right at that wage where I make too much for that," she says. "The only thing that I could do (to afford an apartment) would be to drop all of my 401K, my health insurance — that I would get penalized later for — and that's the only way that I could put a little bit extra into my bank."

But according to Jon Gail, Community Relations Coordinator for the City of Wilsonville, the City is making efforts to understand and improve the housing situation for residents with its Equitable Housing Strategic Plan.

Funded by a $62,500 Metro Council grant awarded in December 2016, the City is working on finding a consultant that can analyze what is happening in the Wilsonville market to identify gaps in the housing market. With nearly 30 apartment complexes in Wilsonville, the percentage of renters is the largest of any Metro city at more than 55 percent.

"When we looked at the data, it's not rocket science that there are a lot of different people that are paying way too much for housing," Gail says. "Last summer, people started coming in to City Council and said that they've lived in X, Y, Z apartment for eight years for $800 a month and they just got a notice that their rent is going up by $500, and that represents a huge increase for them and is not affordable."

Gail said that the strategy will also specifically address people in Conger-Kupper's situation where they make too much to qualify for assisted or low-income housing but not enough to keep up in the current market of available housing.

"With the market rate being so high and going up everyday, at least for the last couple of years, it becomes problematic to really have a high quality of life if you're paying more than 30 percent of your income on housing, let alone a lot of people who are paying 50 percent, not including (other expenses)."

Gail says that the City is hoping to form a task force in the fall to begin the process and to follow it with a housing summit to get a serious dialog underway in the community with a list of actionable strategies appearing by July 2018. But Gail says that the City — in cooperation with the private sector — will do whatever it can to incentivize more affordable living

with existing options and future development possibilities within the Town Center redevelopment and the upcoming Frog Pond development.

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"We're looking to bring both experts and community members together to really begin to have a conversation about the situation," Gail says. "Metro is looking for us to not just plan it and study it, but to actually do something about it. So in the end, we're going to have a list of strategic, implementable things that we want to do and that council wants to do to address housing."

For Conger-Kupper, rent relief can't come soon enough. She says that the strain of trying and failing to find a good fit that she can afford while still being able live a normal life with her children is beginning to negatively affect her health.

"This has been (nearly) three years of my kids' lives, and it's impacting them more than I want to admit," she says. "I've got to find a place. But when I looked a few weeks ago, the best thing that I could find was in Gladstone, which is close to (my children), but it was a one-bedroom for $900-something and I would have to travel. If you were to take my wage, that's over half of my wage. And here (in Wilsonville)? It's out of the question. And I know that there are a lot of people in the very same spot as me."

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KOIN 6
Watching out for you

News

Wilsonville: A hot rental market?

Wilsonville outpacing other suburban cities with rent increases and unit prices

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With lengthy sections of apartment complexes situated in Wilsonville, many of [illegible] blocks, [illegible] percentage of the population is affected by rent fluctuations. (Spokesman/ Vern Uyetake)

Claire Green, The Wilsonville Spokesman - WILSONVILLE, Ore. (WILSONVILLE SPOKESMAN) --- When Samantha Andrews, 31, moved to Wilsonville in 2011 to be nearer to her job, the choice made sense from both a financial and practical standpoint.

Wilsonville resident and longtime renter Samantha Andrews moved to Wilsonville in 2011 to be closer to her job. Since then, shes put down roots and become attached to the community. But due to rent increases, Andrews may have to start considering relocation. (Spokesman/ Vern Uyetake)

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She found a three-bedroom apartment at Berkshire Court for $1,000 that she shared with a friend. After a year, Andrews moved out on her own and downsized to a two-bedroom, two-bath apartment at Sundial

Apartments for $900 a month in 2012.

But throughout the Portland metro area, rent increases have been hitting multifamily-dwelling residents particularly hard in recent years. Management at apartment complexes largely cite a hot housing market for the trend and industry analysts typically agree, saying that the housing supply falls short of resident demand for space, allowing prices to rise or even skyrocket in some metro pockets.

One of the areas experiencing this climb in rent rates is Wilsonville.

An increase of nearly 100 percent in the last five years following each lease renewal has pushed Andrews' monthly rent up to $1,800 and her financial situation to the brink.

"Me and my fiancé together struggle to make things come together, because when you add in electricity, internet, your cell phone and a car payment, you have nothing left," Andrews says, adding that despite having multiple incomes in her home, after being between jobs for a couple of months she almost couldn't keep the apartment. "I had to use my entire 401k to keep us afloat."

According to Clackamas County Assessments & Taxation Assessor Bob Vroman, a potent combination of market pressures has resulted in the current increases and heating market.

During the 2008 recession, Vroman says that that new construction projects throughout the region typically ground to a halt, with few exceptions. But between 2008 and 2017, in-migration from other states and more rural areas has created an imbalance where there is more demand for housing than there is inventory available. For those with budget limitations, these pressures can be crushing.

"The dynamics of the housing market have changed during these recovery years because of those factors," Vroman says.

According to apartment appraisal specialist Mark D. Barry of Barry & Associates, aside from market pressures, Wilsonville is unique compared to its suburban neighbors because of its optimal position on Interstate 5 between Portland and Salem and close proximity to industrial employers. This combination has attracted many large investment development firms over the years that built a number of complexes with 100-plus units that are run by equally large management companies.

But even for those who may be more willing or able to pay a higher premium for an apartment, pickings are

sparse because of the influx to the market.

When Mike McCarty, native to and longtime resident of California, came to Wilsonville February of 2017 to become the new Wilsonville Parks and Recreation director, he was shocked by the prices and lack of availability of units on the market.

"They told me that it was a 2 percent vacancy rate for renters (in Wilsonville)," McCarty says. "And with my dog, they told me that it was .5 percent."

Even after securing something, McCarty said that the unit was both larger and more expensive than he wanted, but after having already lost one unit after taking time to think it over, he wasn't going to take any more chances.

"It's a hot market for sure," he says. "I just got really fortunate that something fell into my lap, but again, moving in, I had to take it sight-unseen because it was probably going to be the only chance I got."

Looking at countywide rent rates over the past three years collected by Clackamas County and compiled in its annual, countywide rent studies, in 2013 median quality, one-bedroom apartments went for $675. Those same apartments jumped to renting for $825 in 2014 and $950 in 2015.

"Although it's a generalization, we probably haven't seen the same level of increase that you see closer in to the Portland metropolitan core area, because we're still a suburban market, so we probably saw those significant increases start a little bit later and begin to certainly increase," Vroman says.

Although numbers are still coming in from the final quarter of 2016, Vroman estimates that the initial numbers are tracking very closely to Portland numbers, with rents increasing in the 8-11 percent ballpark for 2016.

According to Clackamas County Appraisal Supervisor Lynn Longfellow, the market isn't looking like it it's going to start cooling down anytime soon.

"People are still coming here," Longfellow says. "Our unemployment rate is low so people are employed... but the pressure on the rental market is really, really hard."

For renters like Andrews, these market pressures are inescapable and she says that they're "the reality that we're in right now." But she also admits that this knowledge doesn't make the situation any less bitter a pill to swallow.

"At the very least, people should know what they are getting into before they make the choice to begin a life in Wilsonville," Andrews says. "Had I known this would happen, I might have started my life somewhere else but now I'm rooted in this community and would be very lost if, and probably when, I have to leave it."

***The Wilsonville Spokesman* is a KOIN media partner.**