PORTLAND METRO AREA ECONOMIC FORECAST FOR 2017

Home Builders Association of Metropolitan Portland

Jerry Johnson

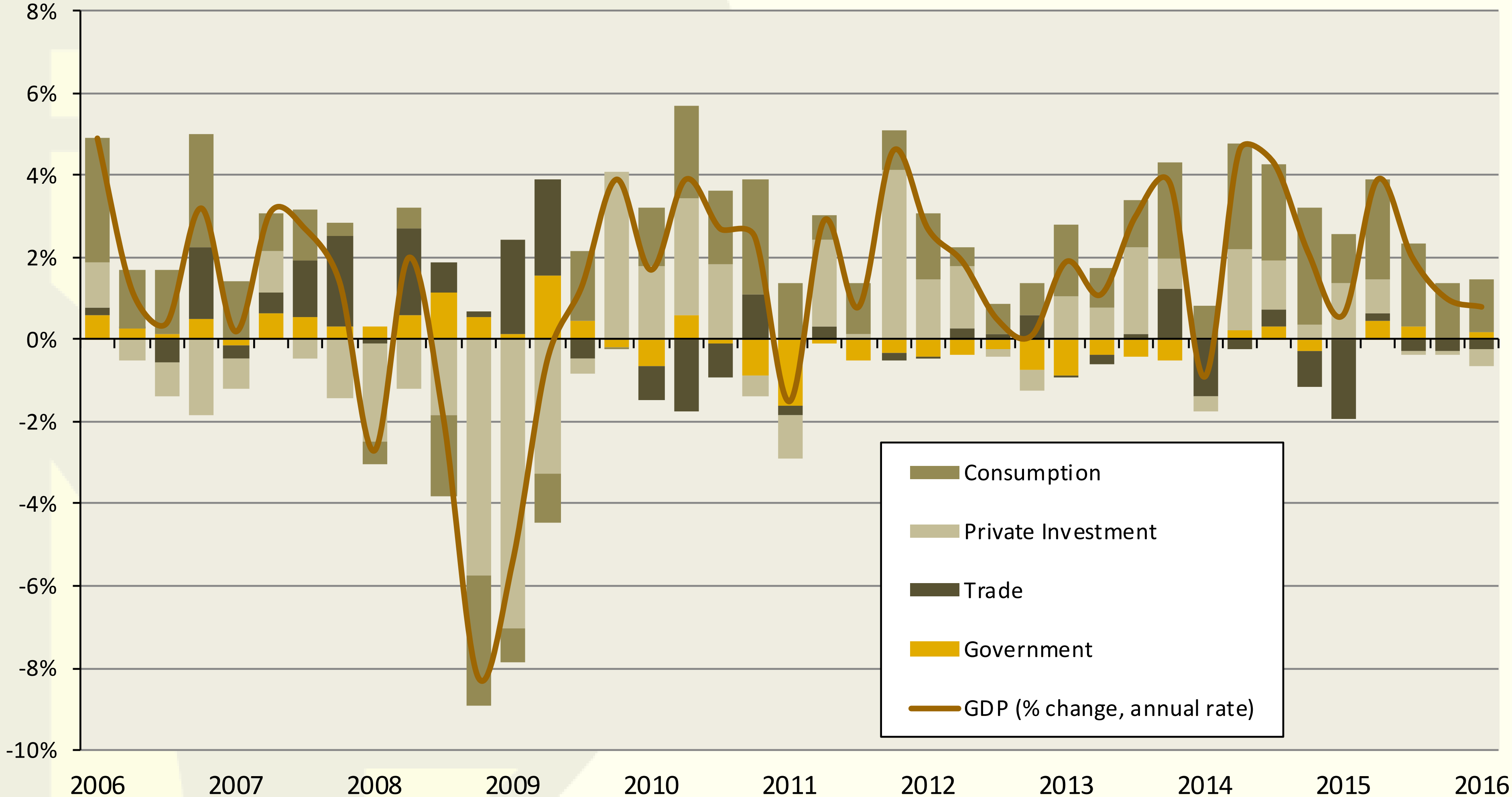
Principal

Johnson Economics

JOHNSON ECONOMICS

NATIONAL ECONOMIC TRENDS

GDP TRENDS



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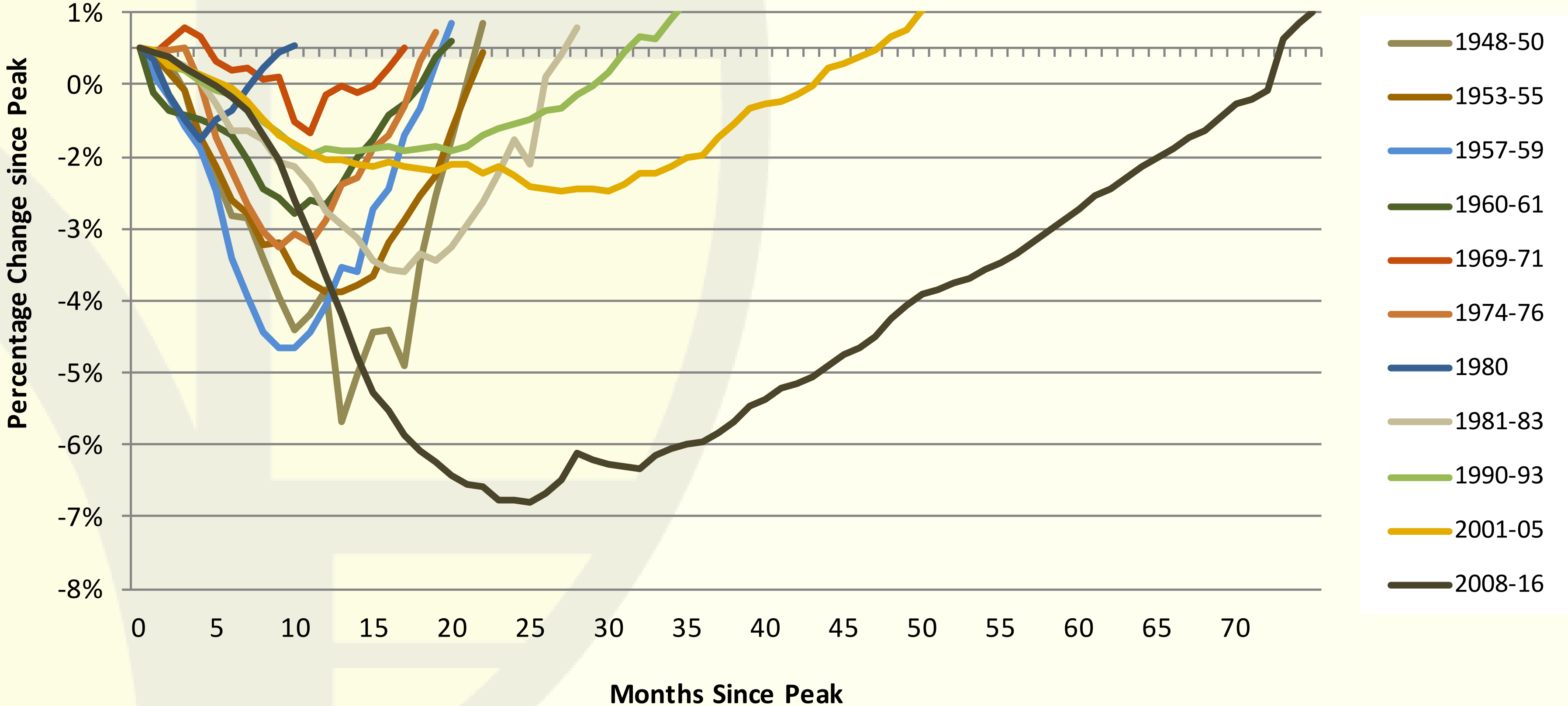
RECESSION COMPARISON POST WWII



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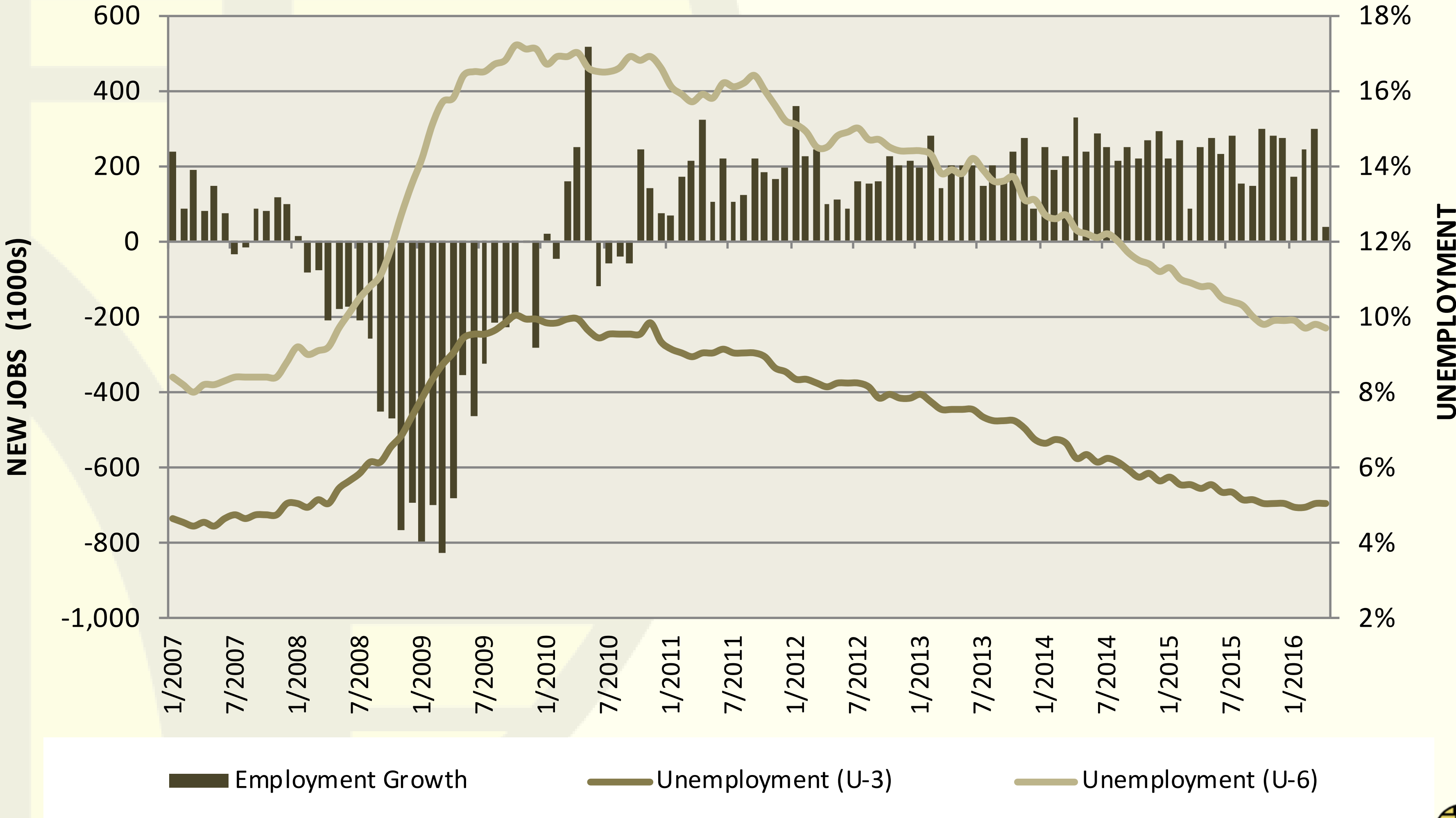
EMPLOYMENT GROWTH AND UNEMPLOYMENT TRENDS



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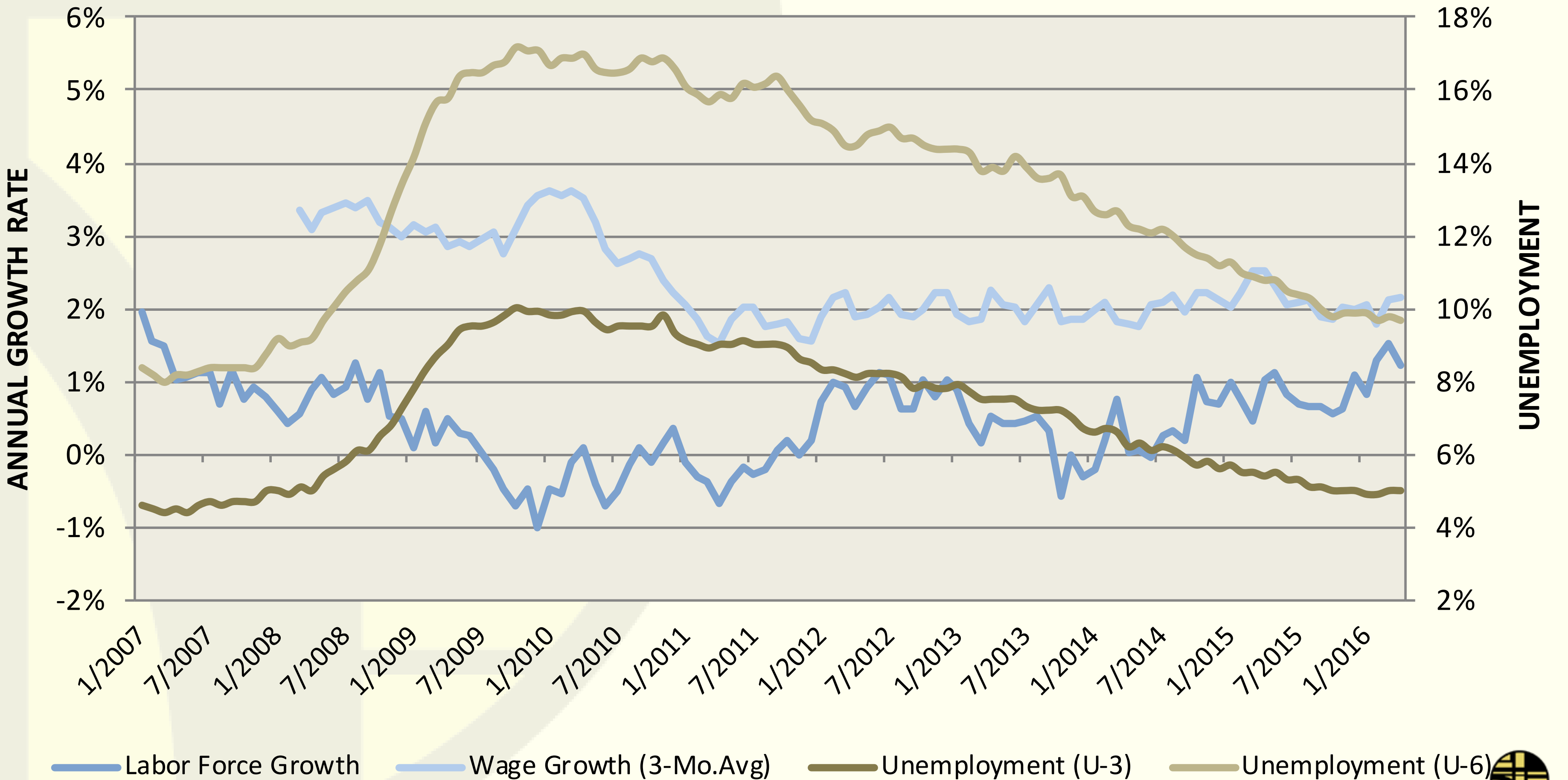
UNEMPLOYMENT, LABOR FORCE, AND WAGES



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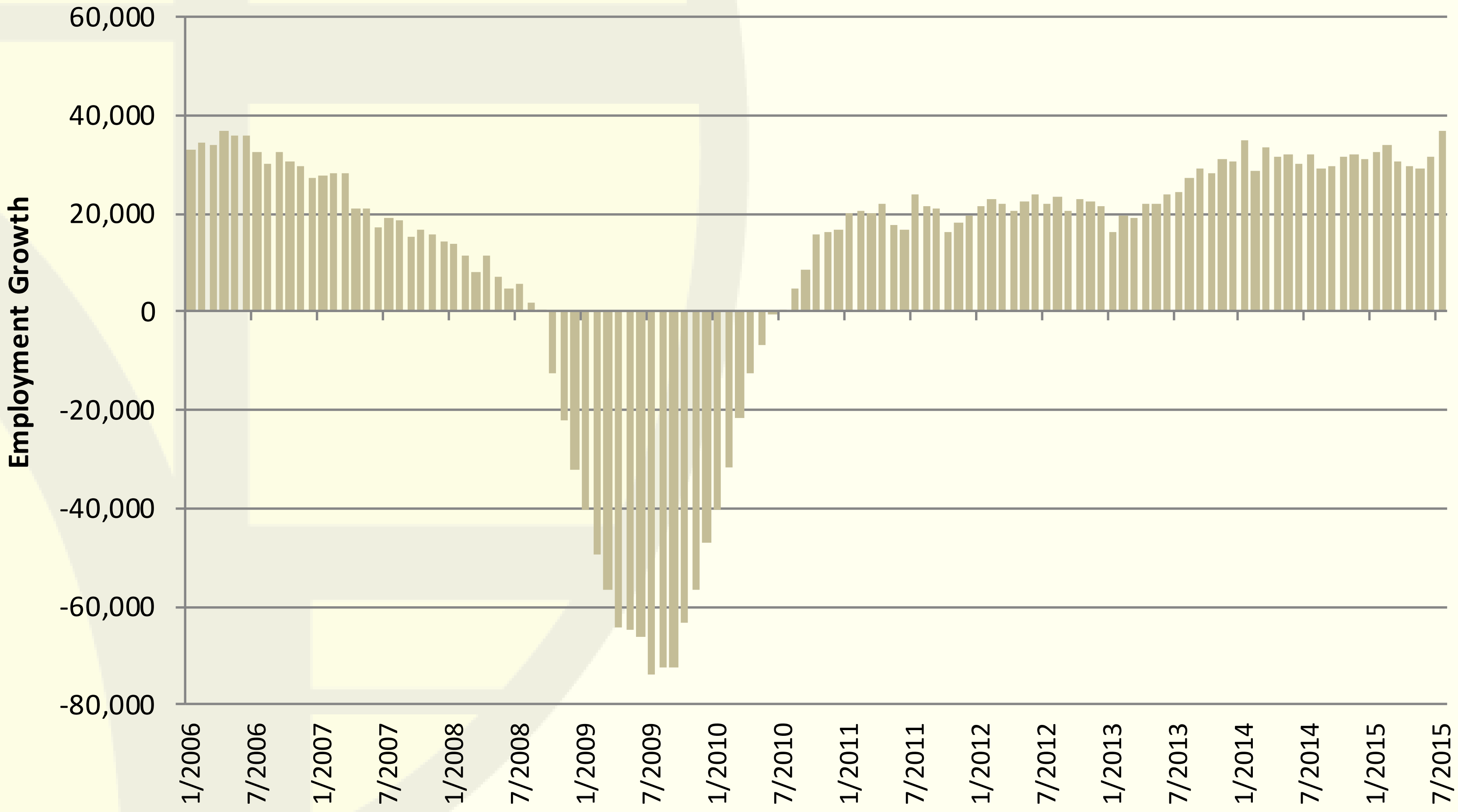
EMPLOYMENT TRENDS PORTLAND METRO AREA



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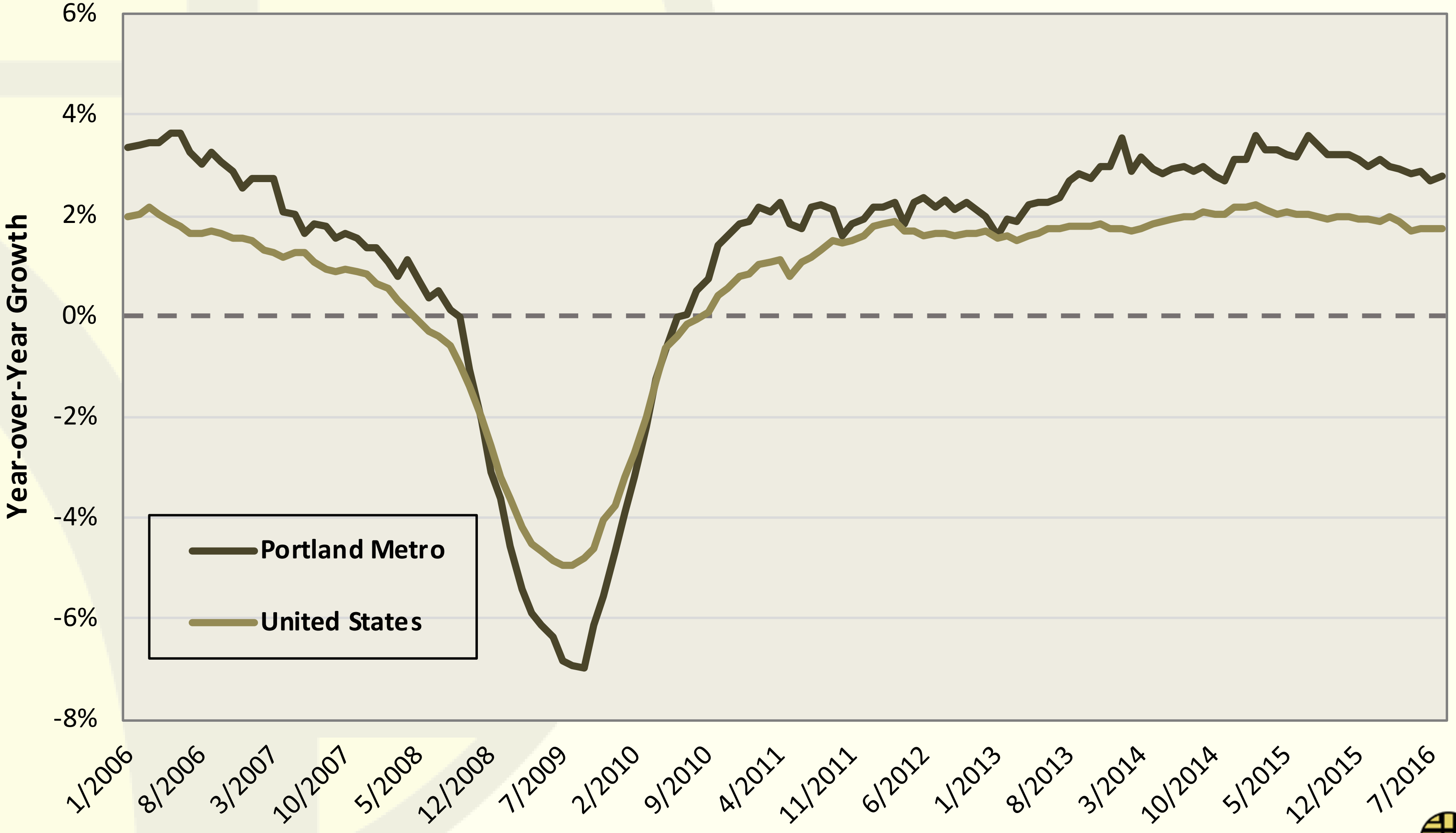
EMPLOYMENT TRENDS PORTLAND METRO AREA



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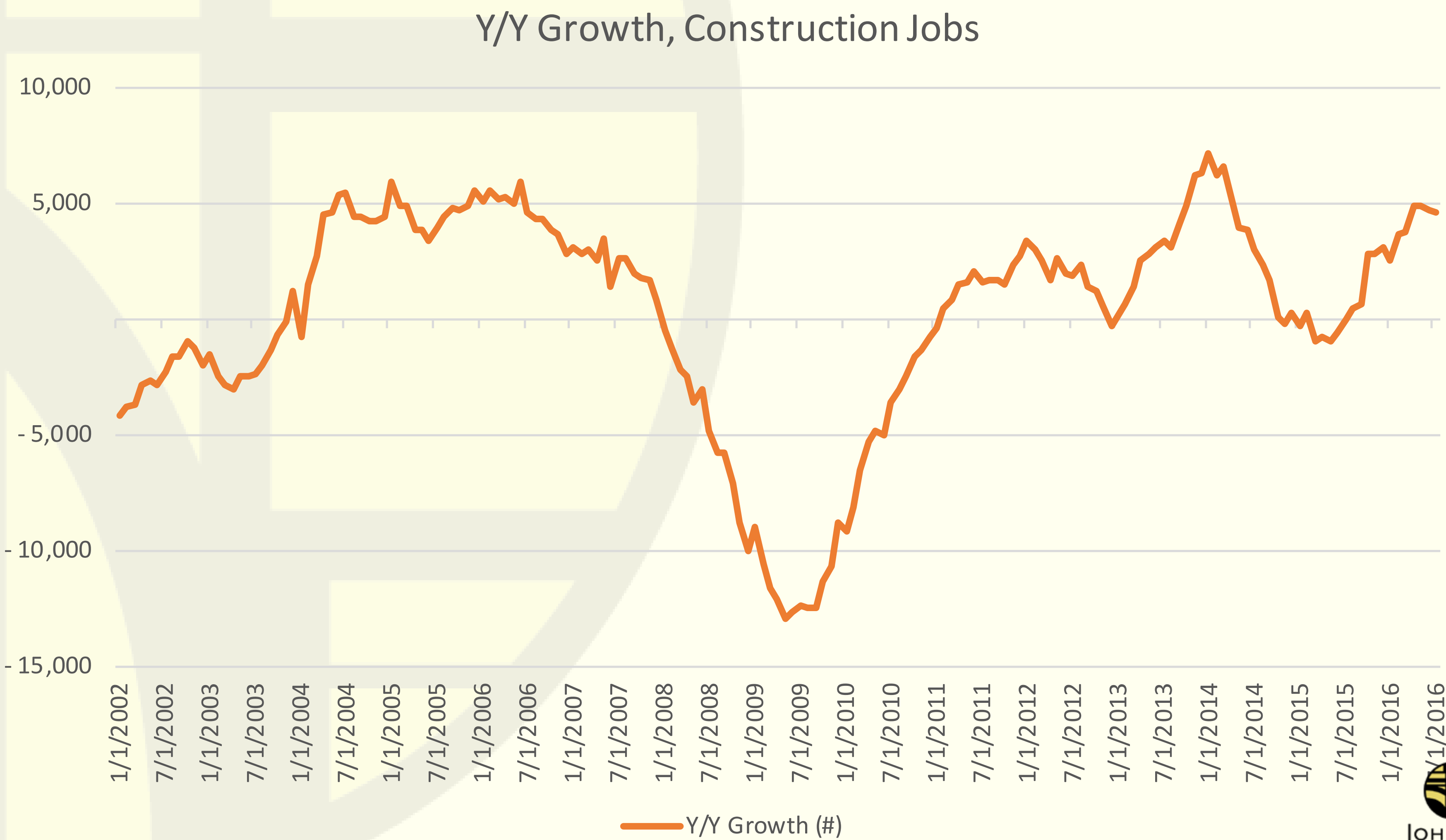
CONSTRUCTION EMPLOYMENT PORTLAND METRO AREA



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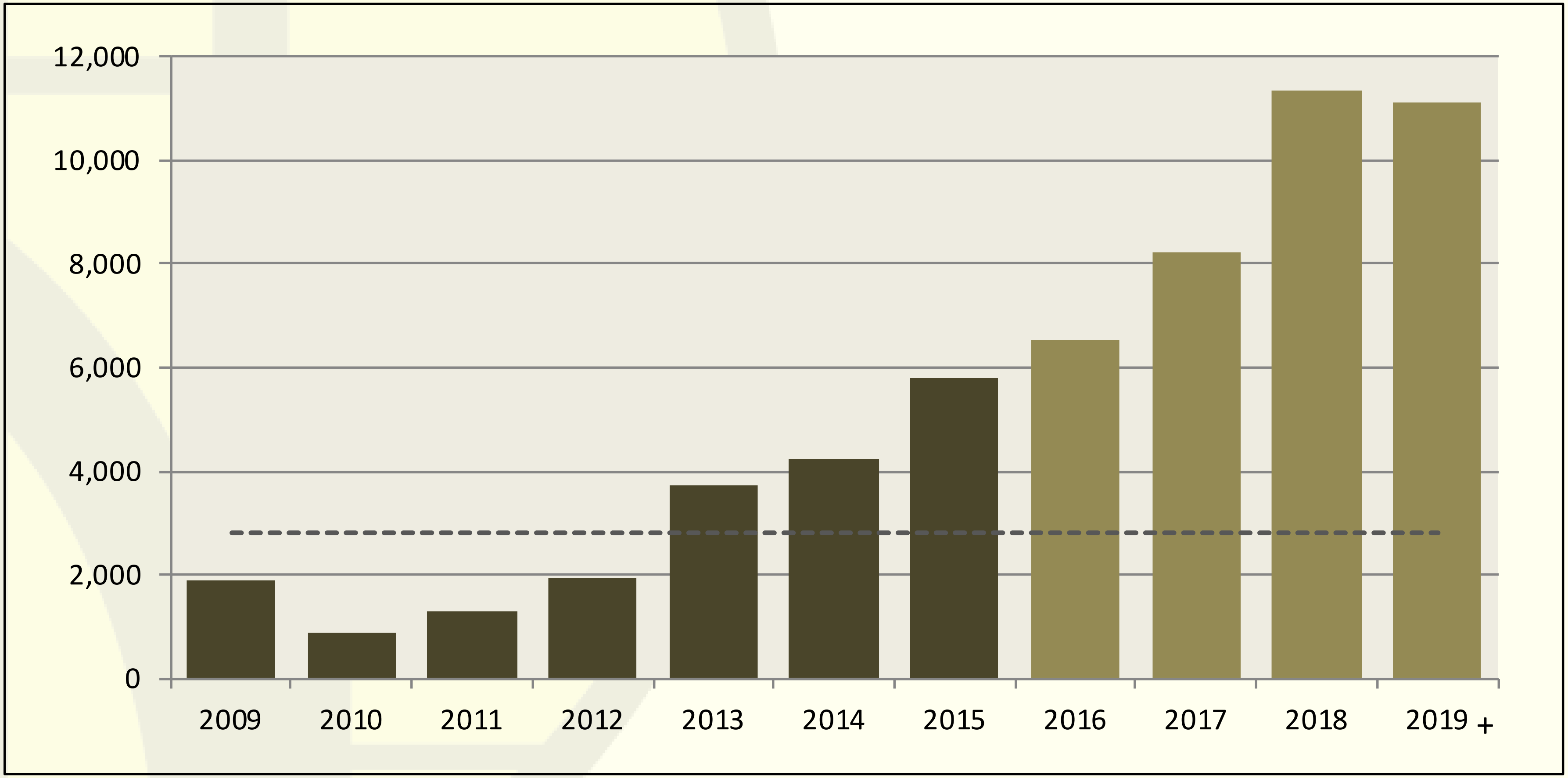
RENTAL APARTMENT UNIT DELIVERIES
PORTLAND METRO AREA



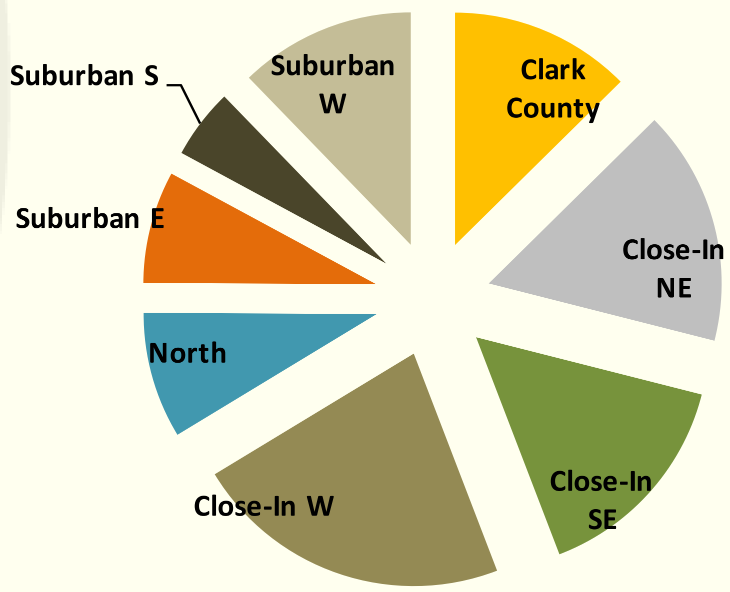
SOURCE: Johnson Economics

JOHNSON ECONOMICS

CURRENT RENTAL APARTMENT PIPELINE PORTLAND METRO AREA, 3Q16

Submarket	Units	%	Qtly Δ
Clark County	4,038	13%	496
Close-In Northeast	5,248	16%	322
Close-In Southeast	4,877	15%	429
Close-In Westside	7,098	22%	-529
Close-In North	2,815	9%	35
Suburban East	2,501	8%	515
Suburban South	1,561	5%	38
Suburban West	3,923	12%	323
Total	**32,061**	**100%**	**1,629**

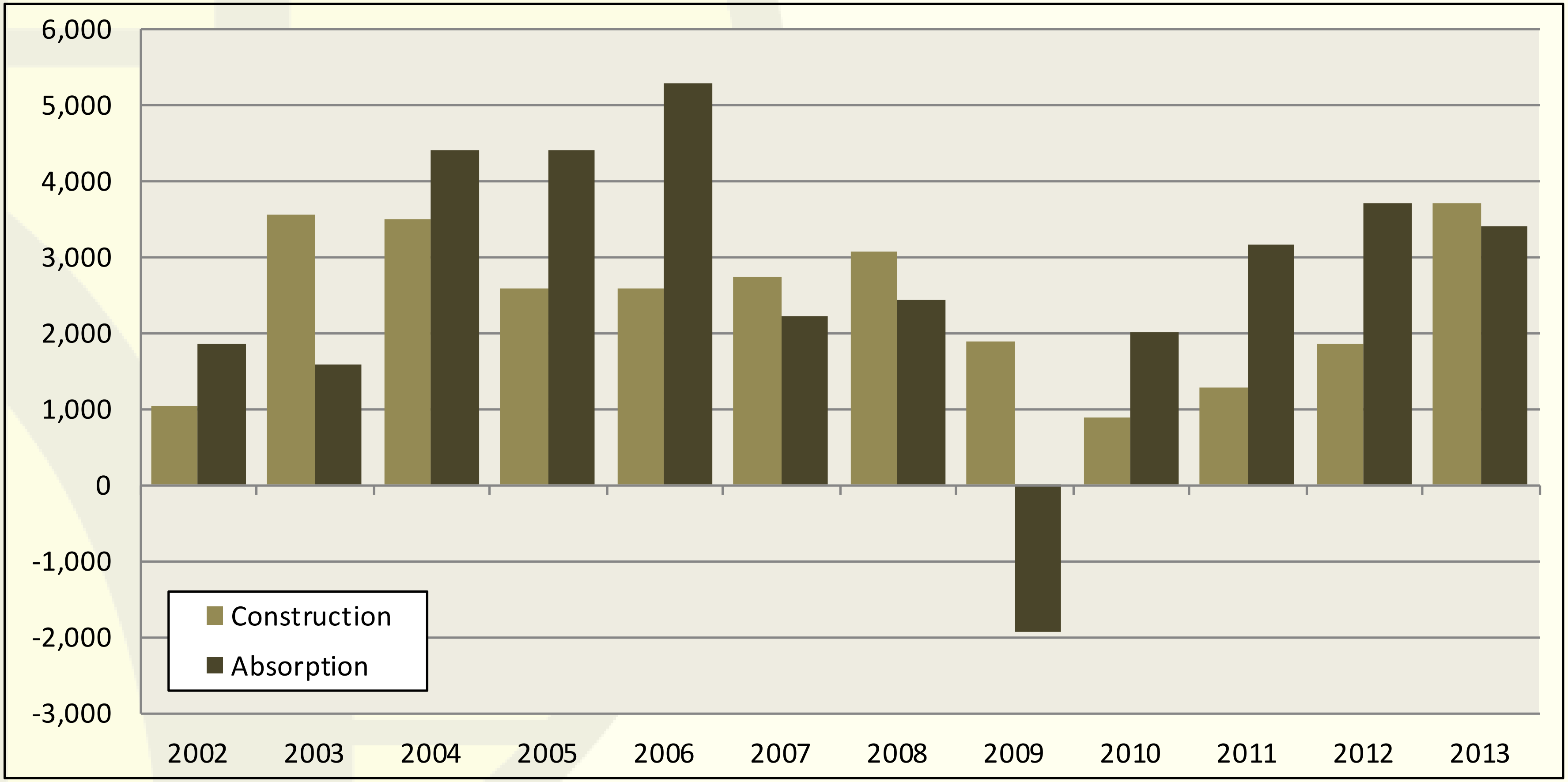
Distribution



SOURCE: Johnson Economics

JOHNSON ECONOMICS

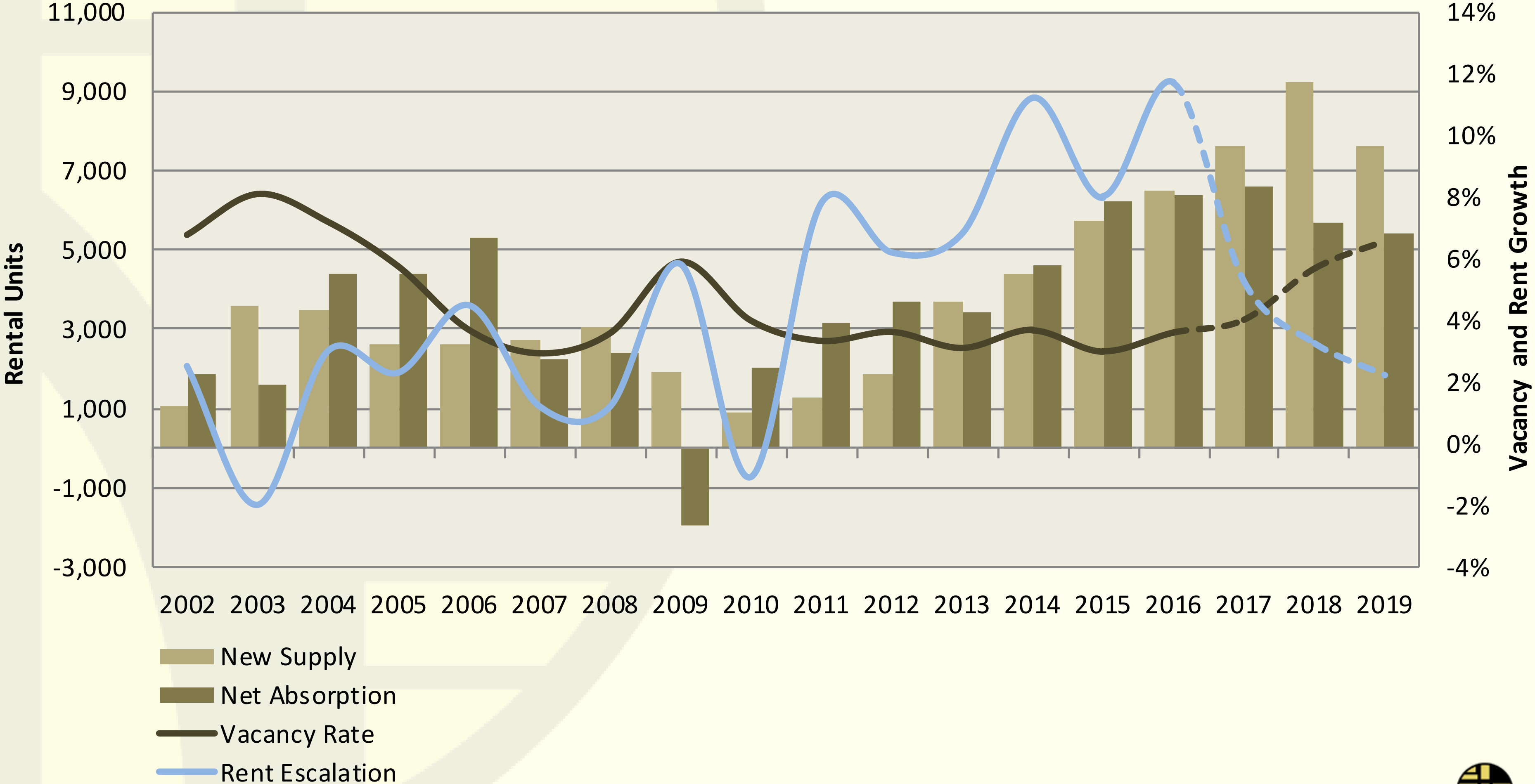
ANNUAL CONSTRUCTION AND ABSORPTION



SOURCE: Johnson Economics

Johnson Economics

RENTAL APARTMENT MARKET TRENDS
PORTLAND METRO AREA



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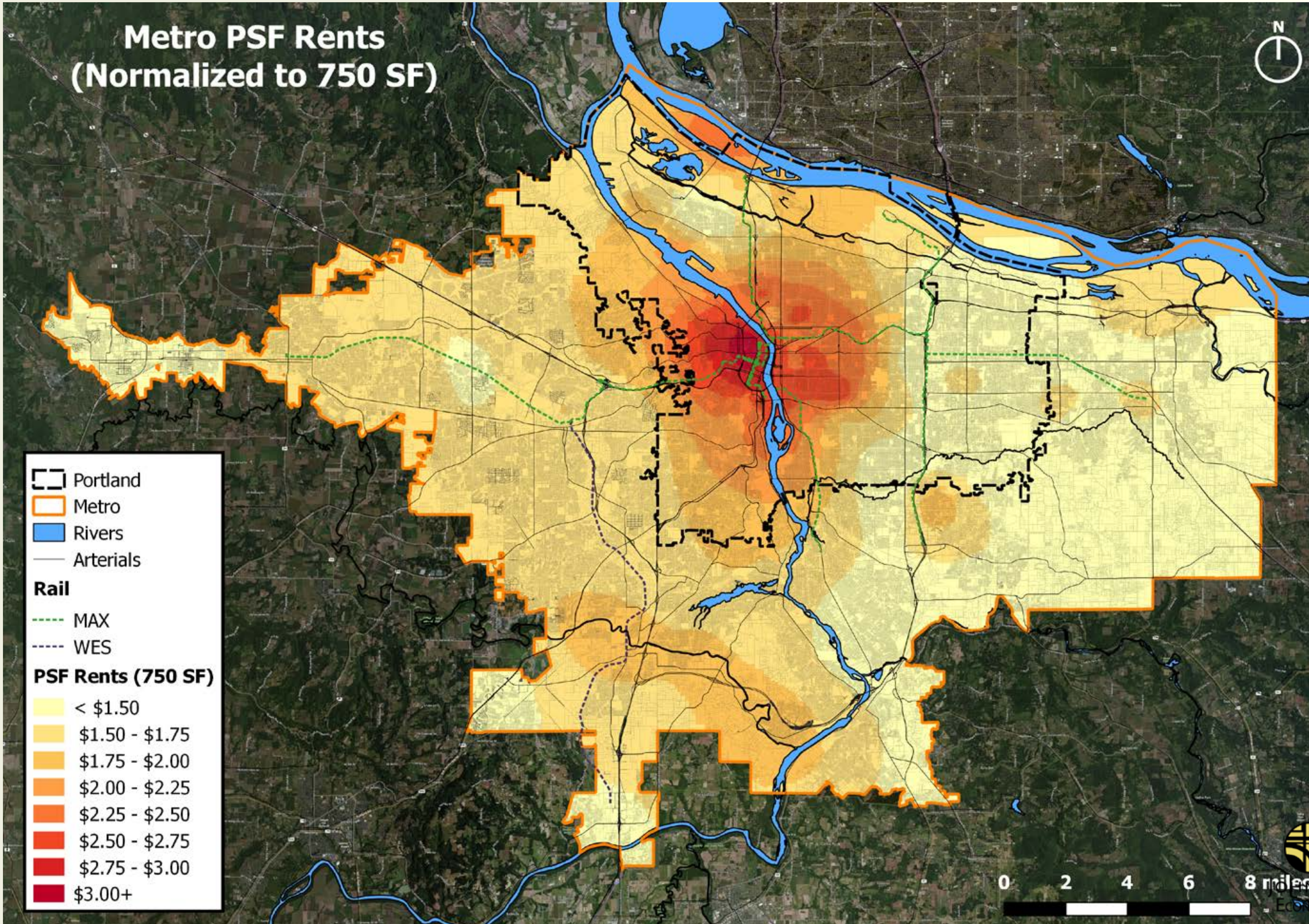
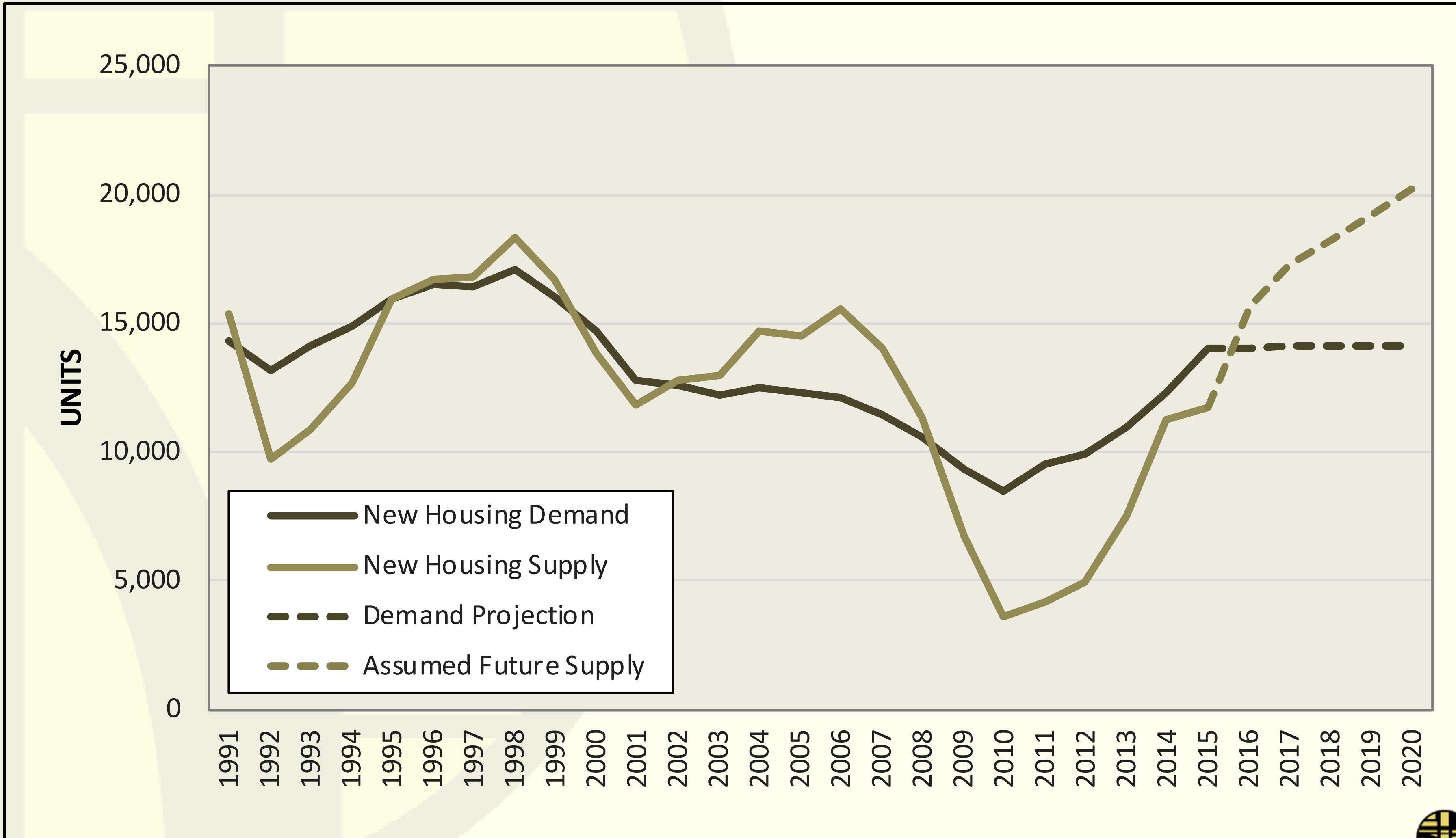
RENTAL APARTMENT RENT GRADIENT



LOCAL HOUSING MARKET TRENDS

JOHNSON ECONOMICS

HOUSING DEMAND AND SUPPLY ALL RESIDENTIAL UNITS



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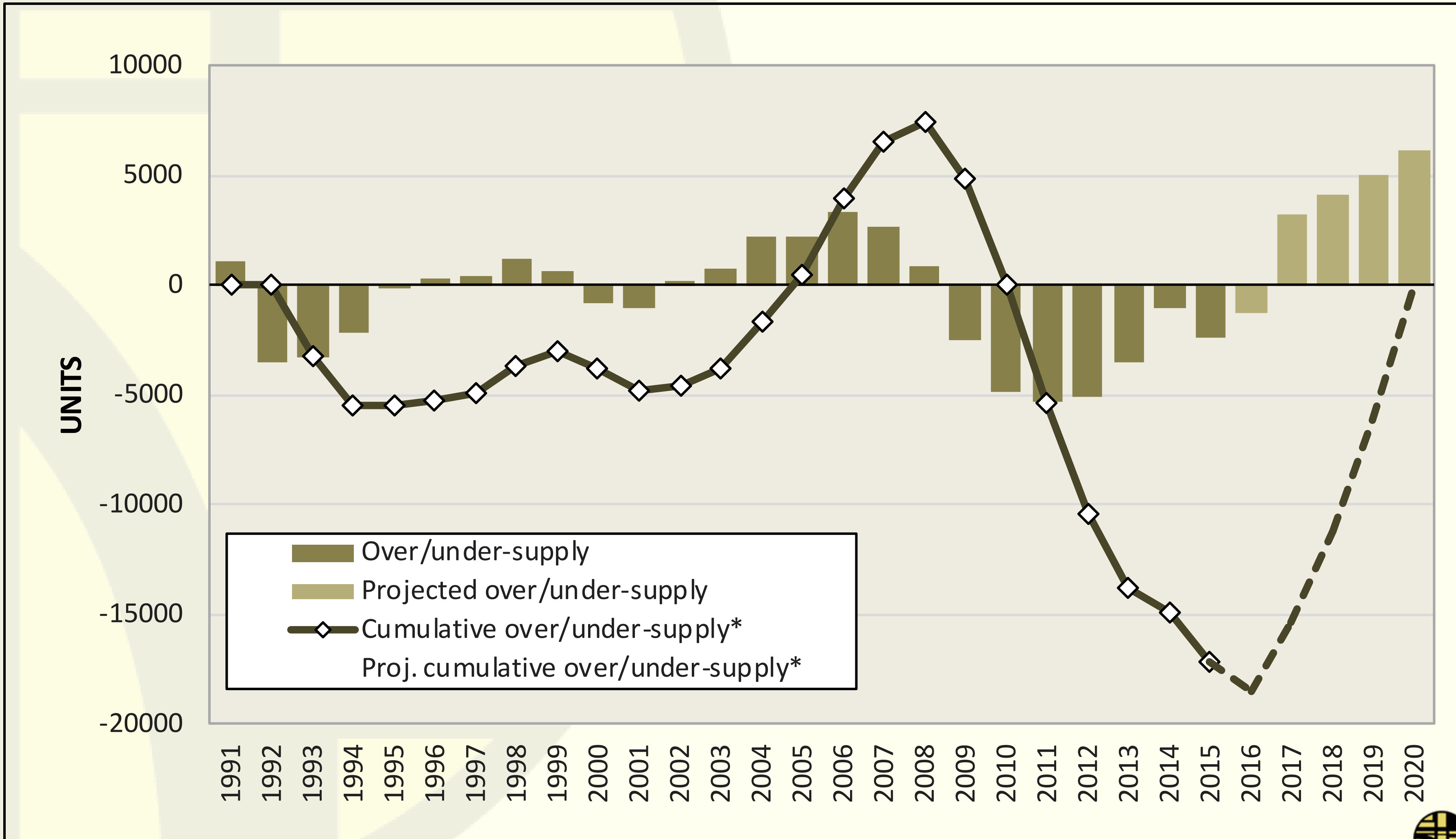
CUMULATIVE DEMAND AND SUPPLY ALL RESIDENTIAL UNITS



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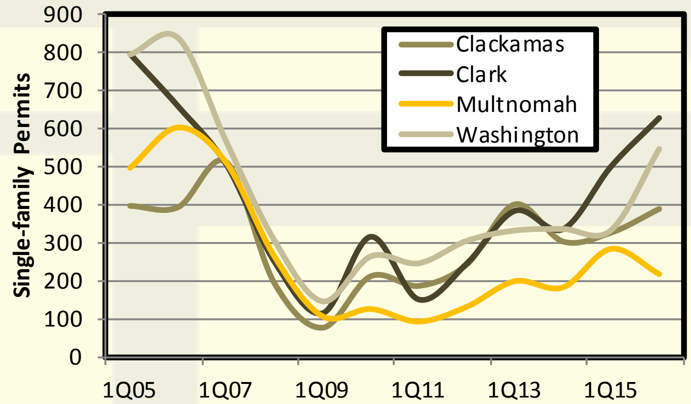
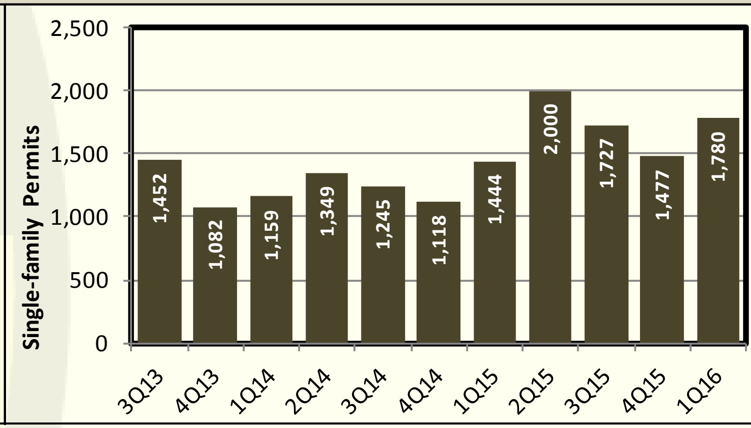
SINGLE FAMILY PERMIT TRENDS

SINGLE FAMILY DETACHED PERMIT TRENDS

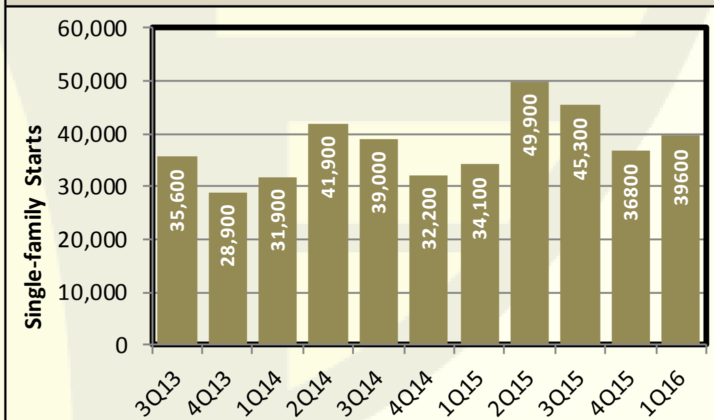




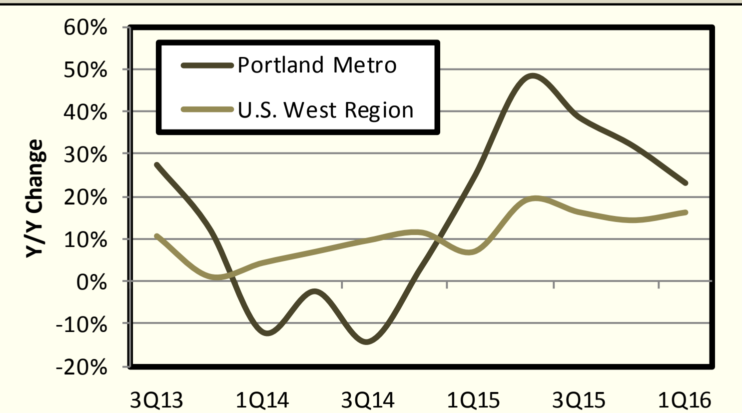
SINGLE FAMILY DETACHED RESIDENTIAL PERMITS

Period	Clackamas	Clark	Multnomah	Washington	Metro Total
1Q15	325	500	285	334	1,444
1Q16	387	627	219	547	1,780
YOY Δ	**19%**	**25%**	**-23%**	**64%**	**23%**

U.S. WEST REGION HOUSING STARTS



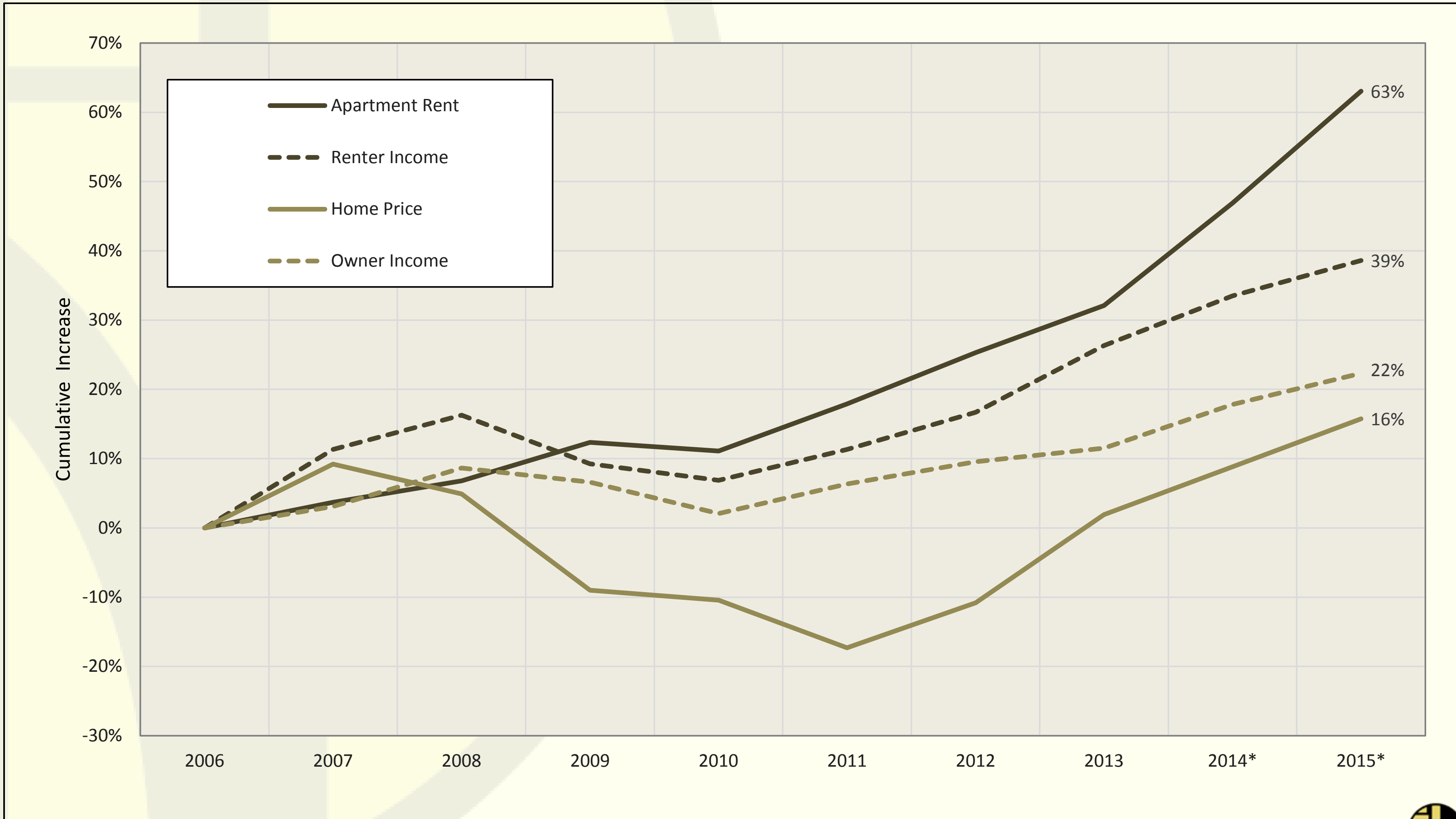
WEST REGION STARTS VS. PORTLAND METRO PERMITS



SOURCE: US Census and Johnson Economics

JOHNSON ECONOMICS

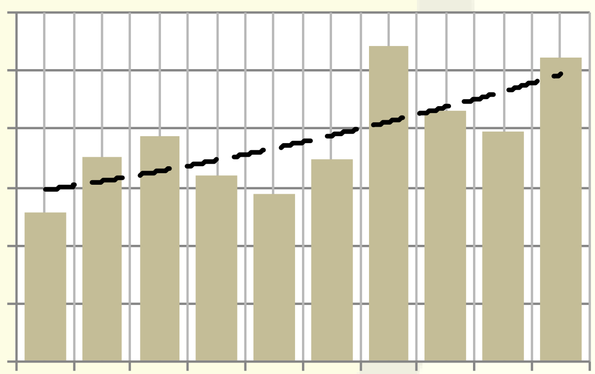
CUMULATIVE INCREASE IN RENTS AND HOME PRICES SINCE 2006



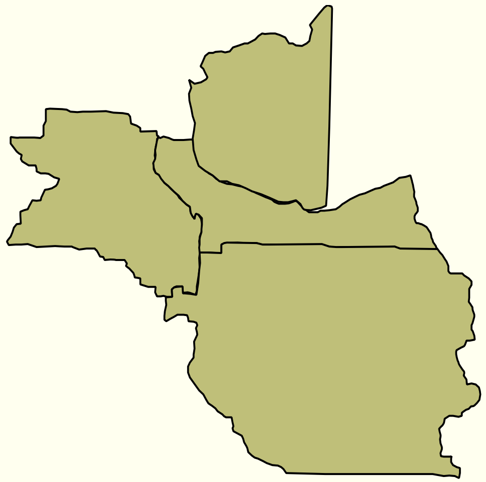
NEW CONSTRUCTION SALES
SINGLE FAMILY

Period	Sales
4Q13	514
1Q14	701
2Q14	776
3Q14	638
4Q14	576
1Q15	700
2Q15	1,089
3Q15	860
4Q15	788
1Q16	1047

Sales Trend



Sales By County (12-months)



Trailing 12-Month Sales, by County and Quarter

	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
Clackamas	637	679	699	713	730	827	829	896	881
Clark	927	923	996	1,044	1,016	1,348	1,399	1,458	1,502
Multnomah	78	76	80	88	96	123	152	164	191
Washington	840	850	854	846	848	934	1,071	1,133	1,210
PORTLAND METRO	***2,482***	***2,528***	***2,629***	***2,691***	***2,690***	***3,232***	***3,451***	***3,651***	***3,784***

SOURCE: Johnson Economics, New Home Trends, and RMLS

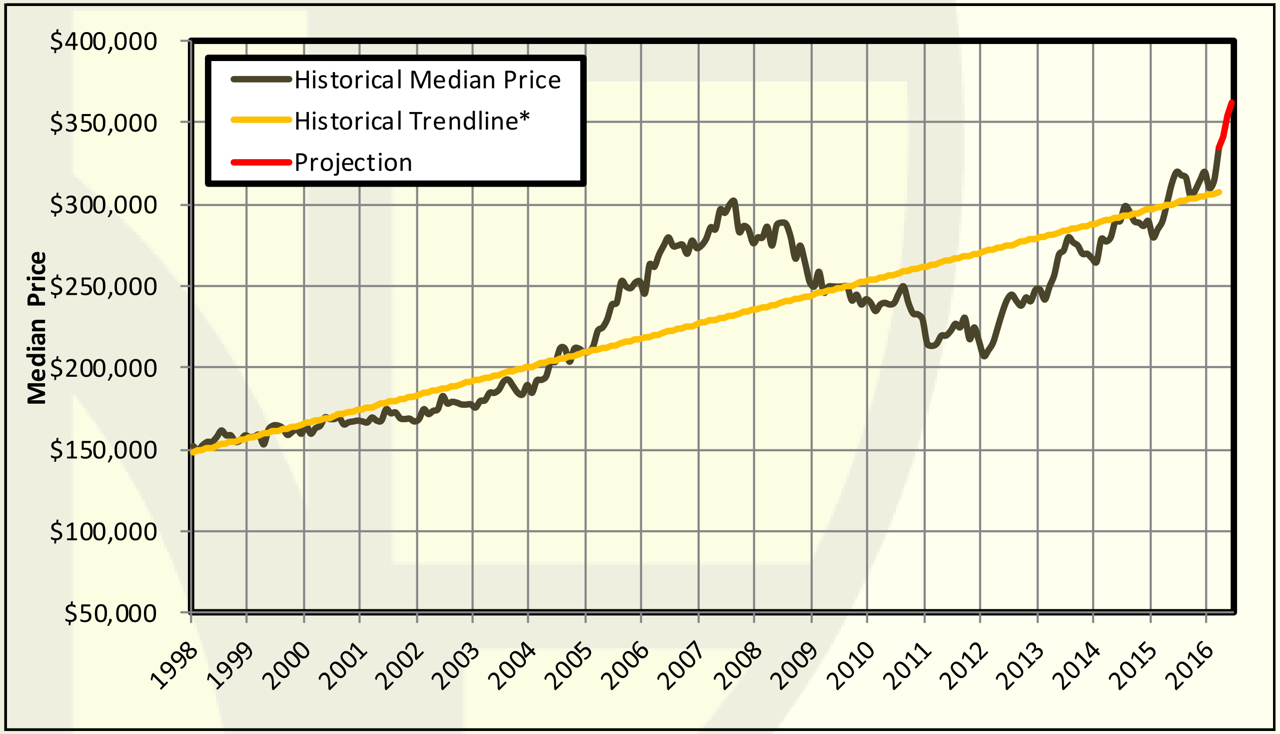
Johnson Economics

CURRENT INVENTORY OF HOMES SINGLE FAMILY

INVENTORY OF HOMES/UNITS						
	UNIT INVENTORY			PERCENT SHARE		
	New Construction[1]	Existing Homes[2]	All Homes	New Construction	Existing Homes	All Homes
Clackamas County	151	857	1,008	24%	28%	27%
Clark County	175	816	991	28%	26%	27%
Multnomah County	20	827	847	3%	27%	23%
Washington County	274	606	880	44%	20%	24%
TOTAL	***620***	***3,106***	***3,726***	***100%***	***100%***	***100%***

Johnson Economics

HISTORIC PRICE TRENDS AND NEAR TERM FORECAST



* Based on the long-range trendline between 1994 and 2005

SOURCE: RMLS and Johnson Economics

Year-over-Year Price Change	15.5%
Percent (%) Change from 2007 Peak	10.9%
Percent (%) Relative to Long-run Trend	8.9%
2Q16 Median Price Forecast	$353,000

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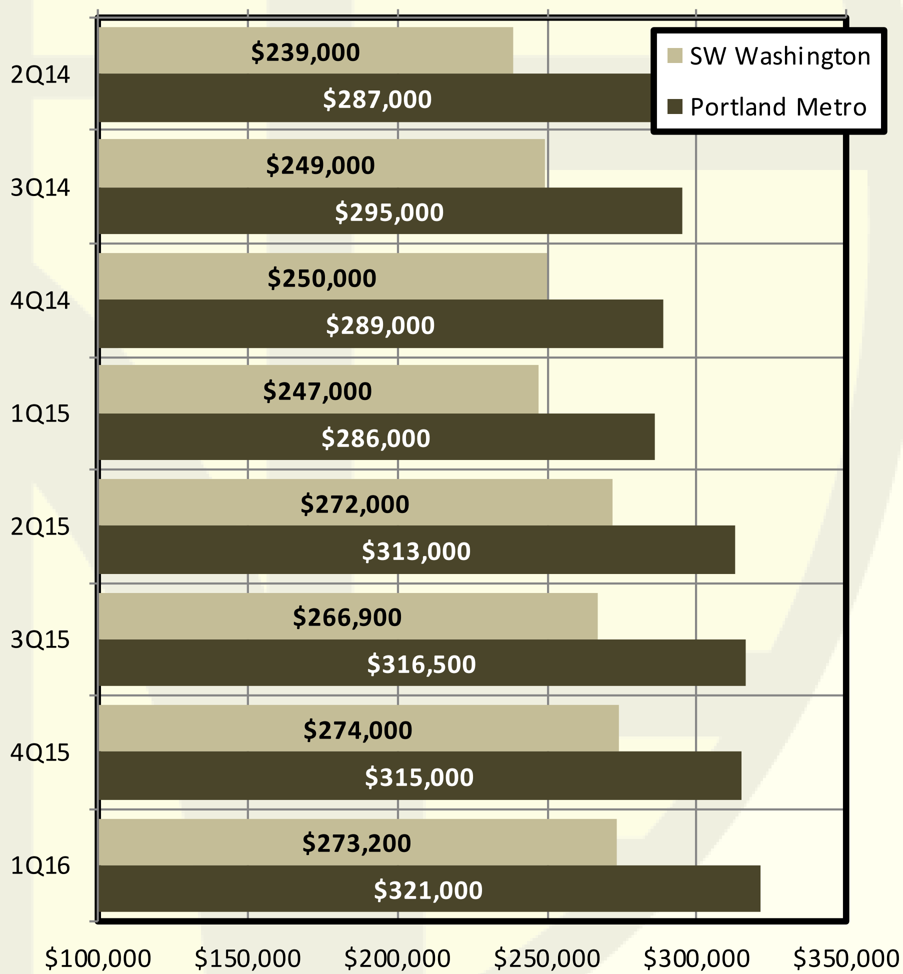
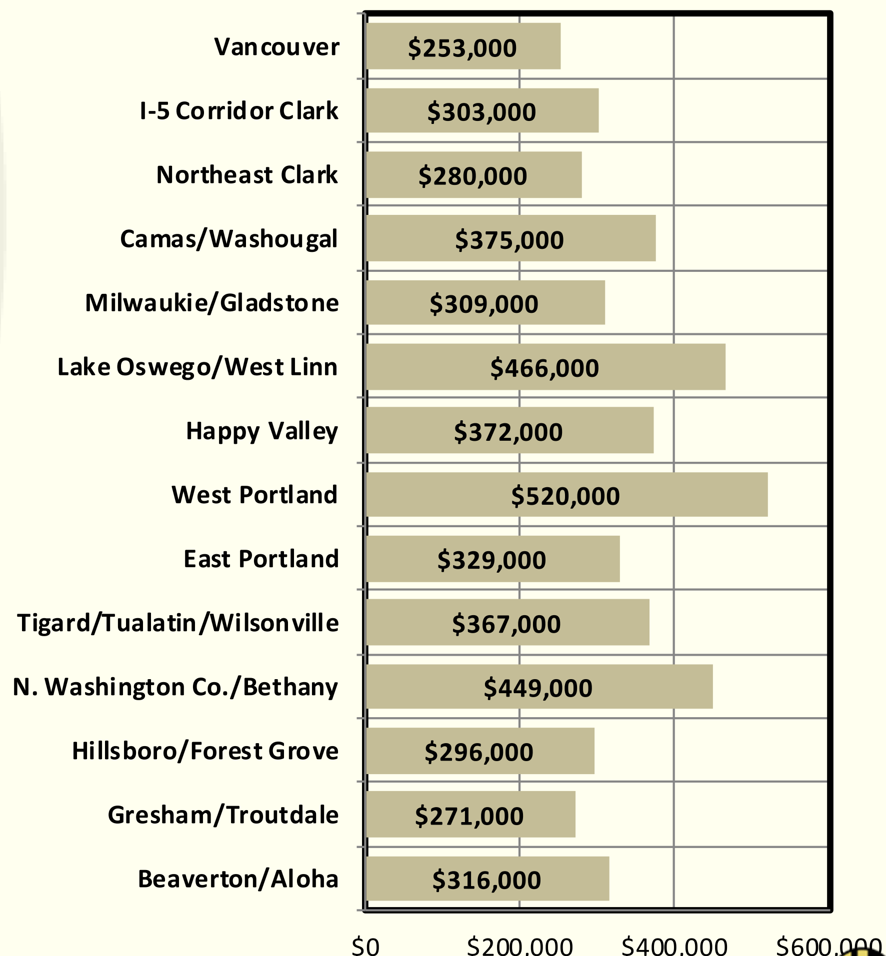
PRICE TRENDS, ALL HOMES

MEDIAN PRICE BY QUARTER



MEDIAN PRICE BY SUBMARKET, 1Q16

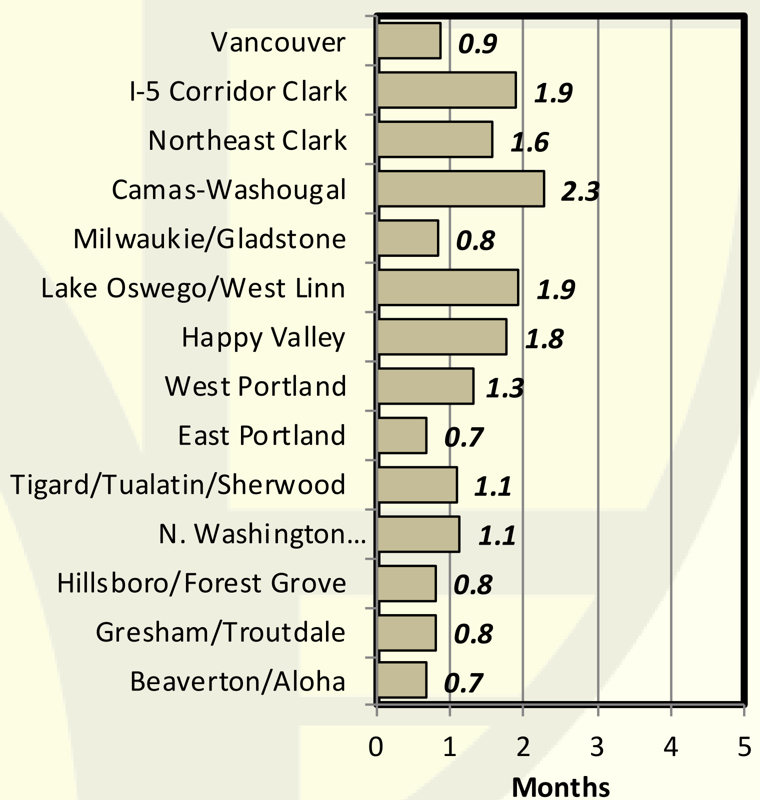


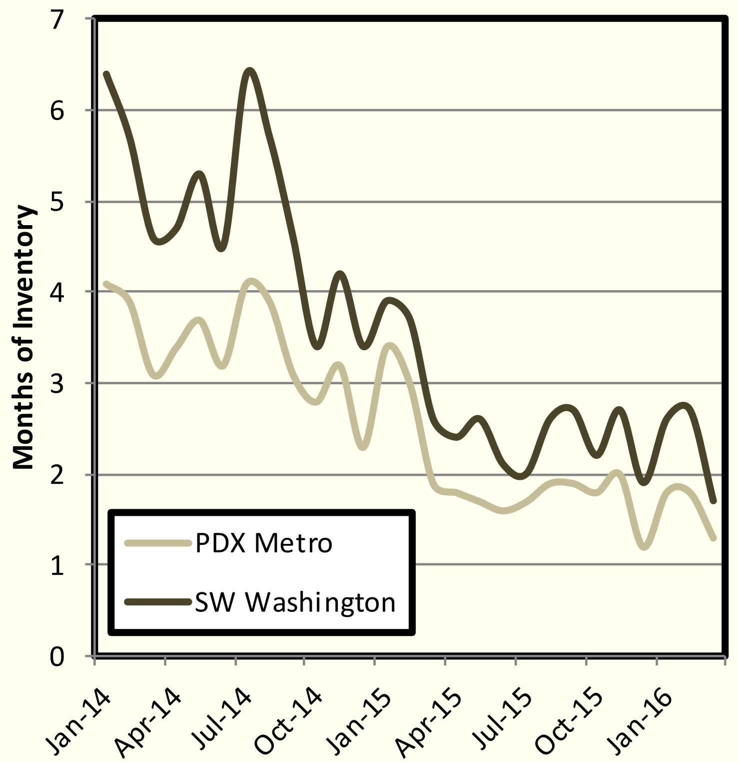
SOURCE: Johnson Economics and RMLS

Johnson Economics

CURRENT INVENTORY OF HOMES SINGLE FAMILY

INVENTORY IN MONTHS





1 Unsold Spec Inventory

2 Current Listings not new construction

SOURCE: Johnson Economics, New Home Trends, and RMLS

JOHNSON ECONOMICS

SHORT-TERM LOT INVENTORY

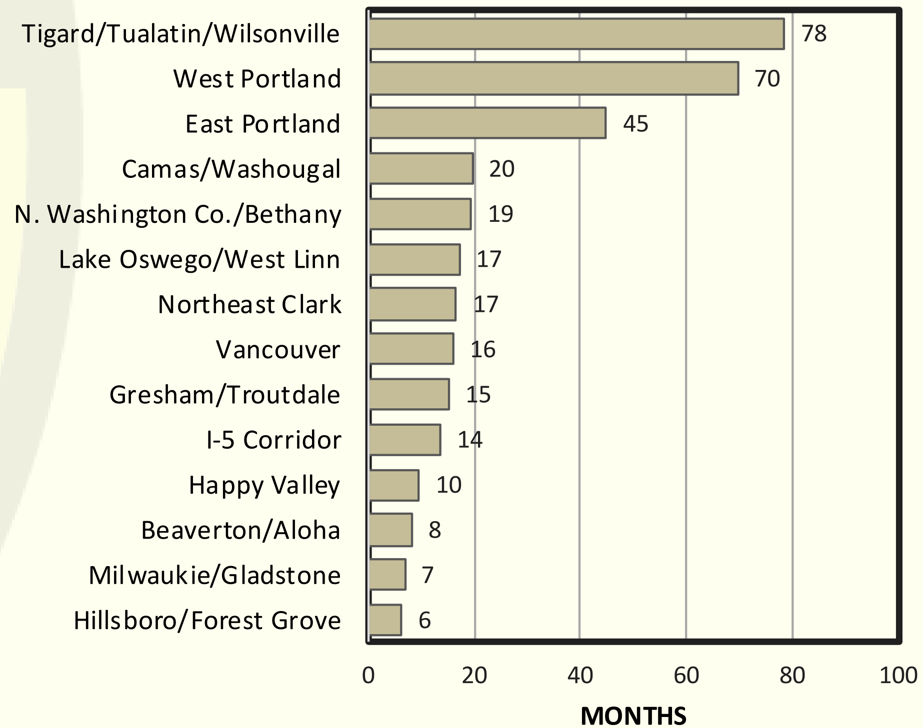
SHORT-TERM LOT INVENTORY BY GEOGRAPHY

COUNTY	Recorded Lots	Spec Homes	Vacant Lots
CLACKAMAS	1,998	151	557
CLARK	6,036	175	1,703
MULTNOMAH	753	20	260
WASHINGTON	3,214	274	1,342
PORTLAND METRO	***12,001***	***620***	***3,862***

VACANT LOT INVENTORY BY QUARTER

Period	Clackamas	Clark	Multn.	Wash.	*METRO*
1Q14	631	2,196	233	980	***4,040***
2Q14	606	2,079	220	874	***3,779***
3Q14	581	1,962	206	768	***3,517***
4Q14	666	2,067	227	980	***3,940***
1Q15	750	2,172	248	1,192	***4,362***
2Q15	815	2,061	228	1,134	***4,238***
3Q15	735	1,755	222	965	***3,677***
4Q15	632	1,736	228	1,141	***3,737***
1Q16	557	1,703	260	1,342	***3,862***

MONTHS' SUPPLY OF VACANT LOTS



SOURCE: New Home Trends and Johnson Economics

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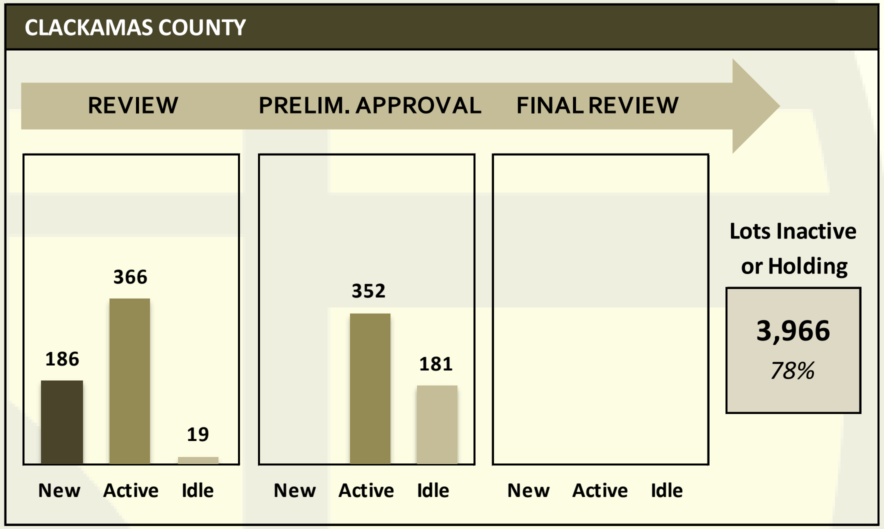
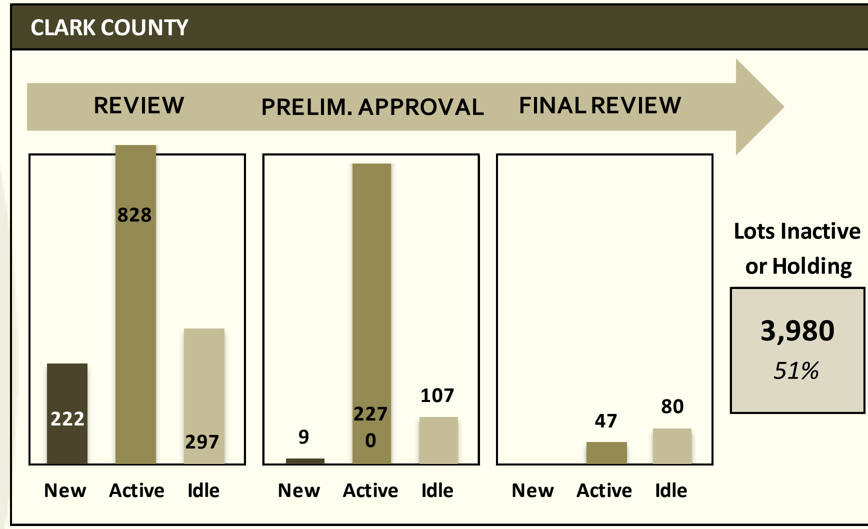
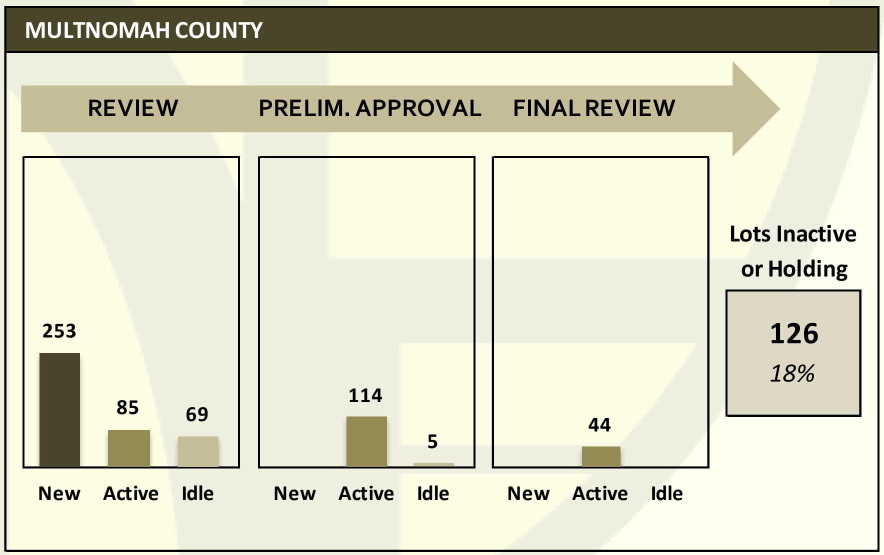
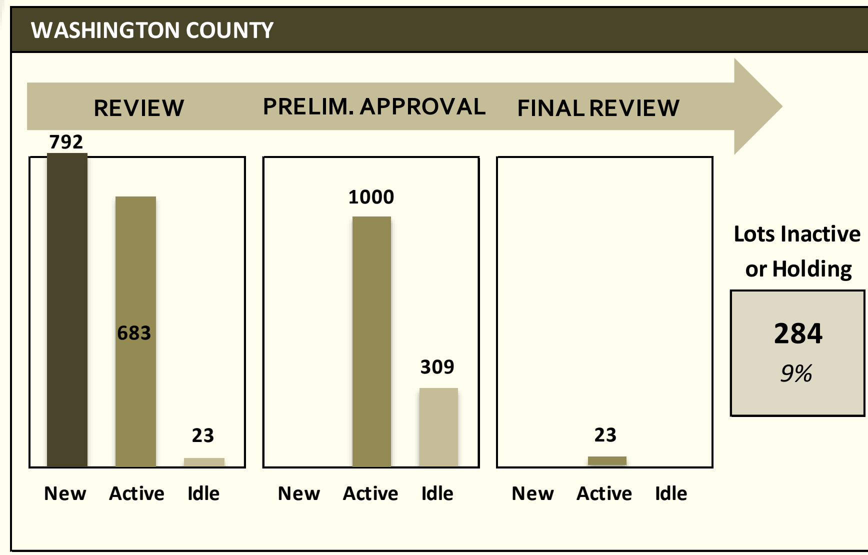
LONG-TERM LOT INVENTORY









New = application in past 6 mos; **Active** = application/hearing/decision in past 6-18 mos; **Idle** = application/hearing/decision in past 18 to 36 mos; **Inactive** = no activity in past 36 mos

Proposed developments generally move from left to right through the three approval stages, though the amount of time spent in each stage can vary from a few months to several years. The classification based on recorded activity is intended to indicate the likelihood and timing of final approval and subsequent market introduction.

SOURCE: New Home Trends and Johnson Economics

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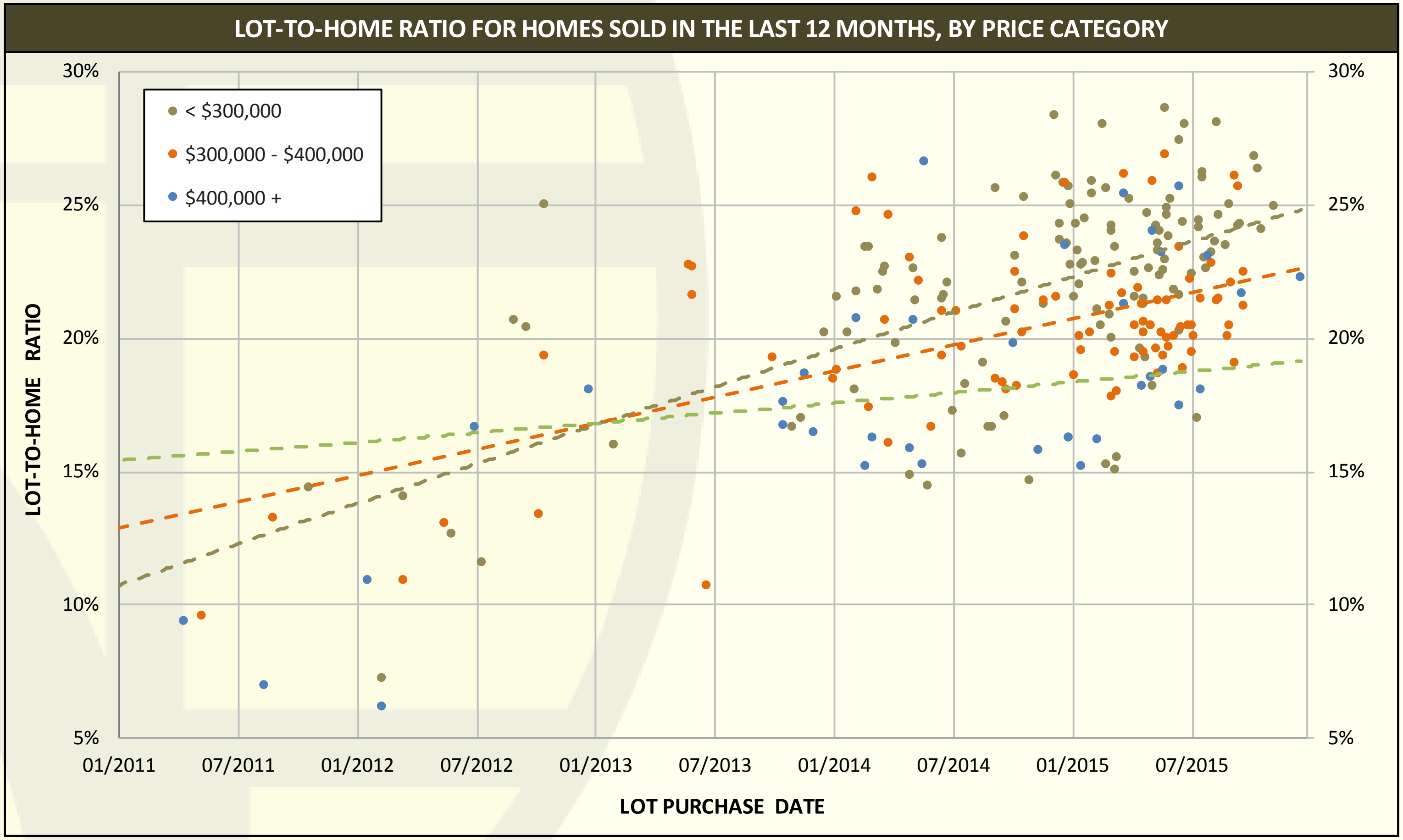
LOT-TO-HOME RATIO TRENDS



Average Lot-to-Home Ratio by Price Category and Lot Purchase Year	2011	2012	2013	2014	2015
< $300,000	14%	12%	18%	23%	23%
$300,000 - $399,999	10%	14%	20%	22%	21%
$400,000+	7%	12%	17%	20%	21%

Notes

Majority of sales in Clark County and Happy Valley

Sales in 12-month period ending 3/31/2016

Fewer than 10 observations

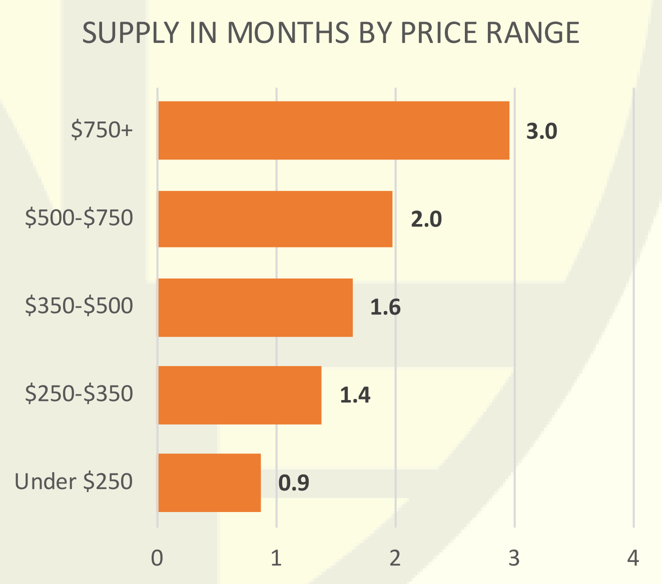
Fewer than 5 observations

SOURCE: New Home Trends and Johnson Economics

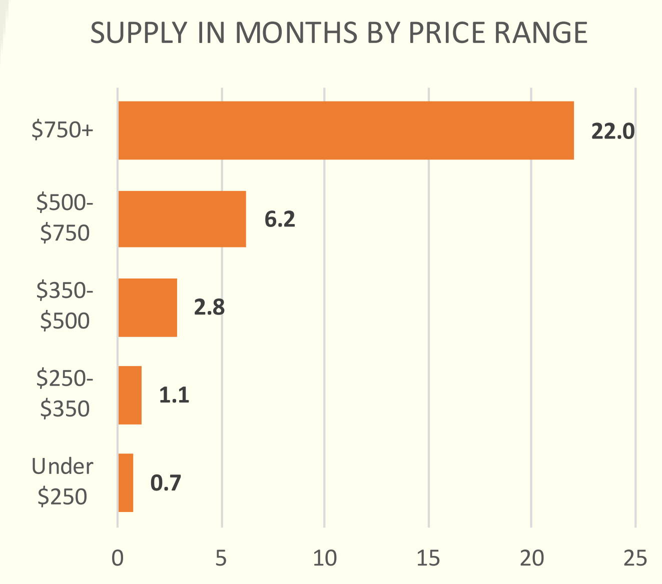
Johnson Economics

ESTIMATED INVENTORY IN MONTHS BY PRICE RANGE

Portland Eastside	12 Month Sales	Current Listings	Supply/ Months
Under $250	1,682	122	0.9
$250-$350	2,385	275	1.4
$350-$500	2,205	301	1.6
$500-$750	1,265	209	2.0
$750+	309	76	3.0



East Multnomah County	12 Month Sales	Current Listings	Supply/ Months
Under $250	754	46	0.7
$250-$350	1,032	97	1.1
$350-$500	374	88	2.8
$500-$750	77	40	6.2
$750+	12	22	22.0



SOURCE: RMLS and Johnson Economics

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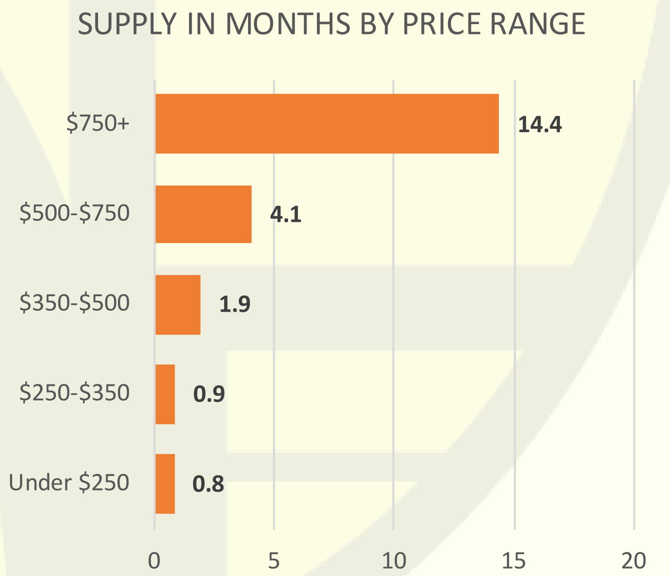
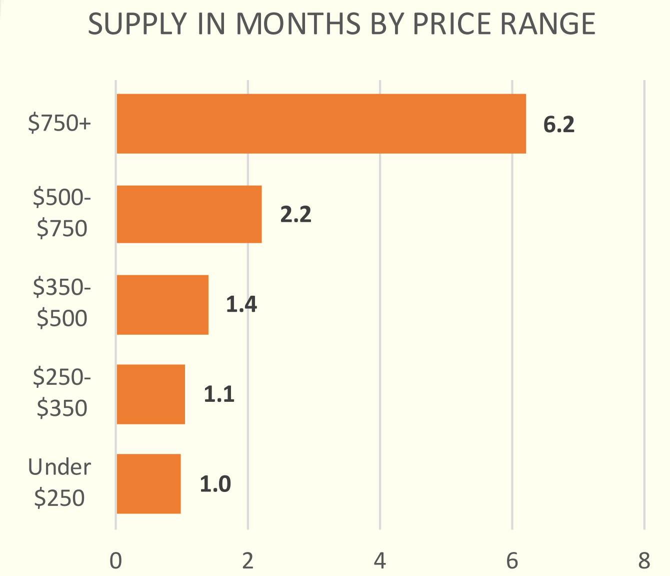
ESTIMATED INVENTORY IN MONTHS BY PRICE RANGE

Milwaukie/Oregon City	12 Month Sales	Current Listings	Supply/ Months
Under $250	582	41	0.8
$250-$350	1,756	129	0.9
$350-$500	1,479	240	1.9
$500-$750	461	157	4.1
$750+	85	102	14.4



Lake Oswego/West Linn	12 Month Sales	Current Listings	Supply/ Months
Under $250	218	18	1.0
$250-$350	194	17	1.1
$350-$500	372	43	1.4
$500-$750	488	90	2.2
$750+	366	189	6.2

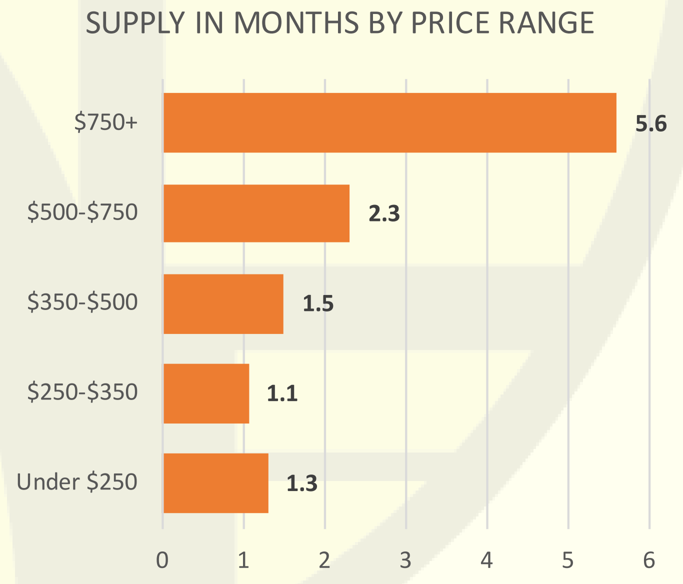


SOURCE: RMLS and Johnson Economics

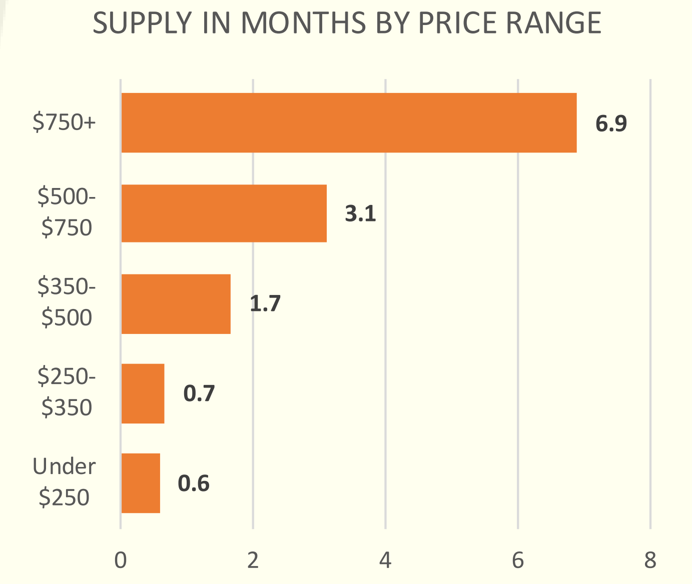
JOHNSON ECONOMICS

ESTIMATED INVENTORY IN MONTHS BY PRICE RANGE

Portland Westside	12 Month Sales	Current Listings	Supply/ Months
Under $250	304	33	1.3
$250-$350	498	44	1.1
$350-$500	950	119	1.5
$500-$750	849	164	2.3
$750+	503	235	5.6



Beaverton/Hillsboro	12 Month Sales	Current Listings	Supply/ Months
Under $250	1,501	74	0.6
$250-$350	2,449	138	0.7
$350-$500	1,904	265	1.7
$500-$750	891	231	3.1
$750+	174	100	6.9

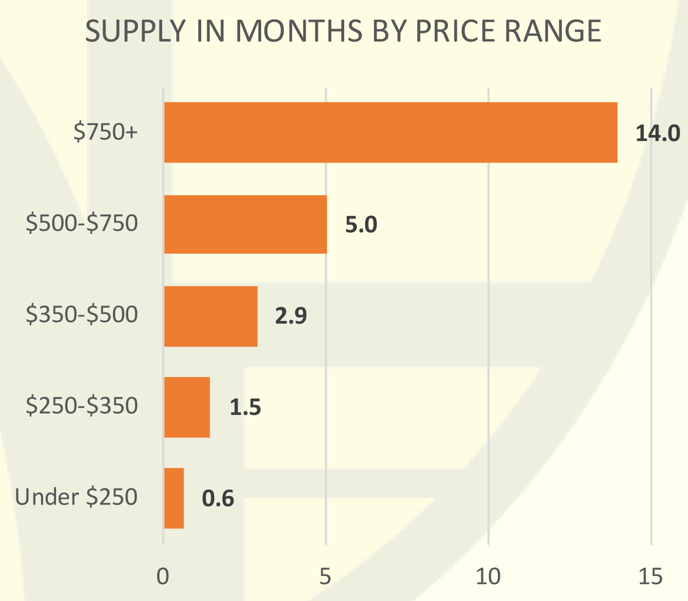


SOURCE: RMLS and Johnson Economics

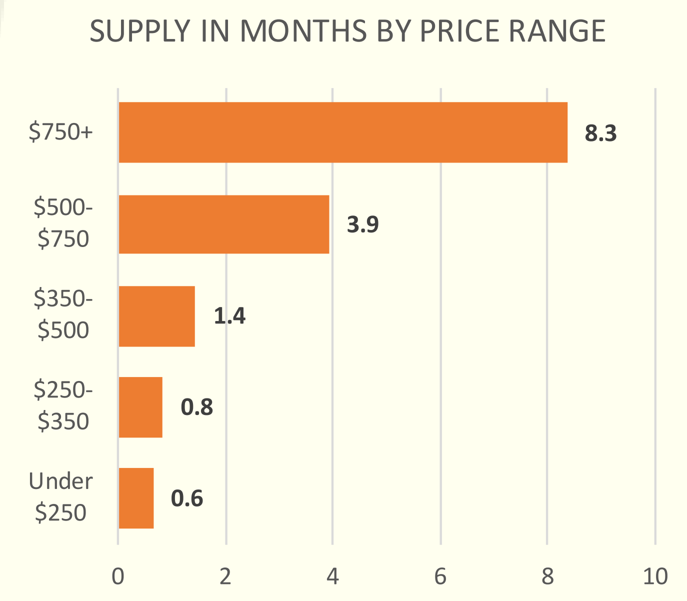
Johnson Economics

ESTIMATED INVENTORY IN MONTHS BY PRICE RANGE

CLARK COUNTY	12 Month Sales	Current Listings	Supply/ Months
Under $250	2,628	140	0.6
$250-$350	3,071	378	1.5
$350-$500	1,808	434	2.9
$500-$750	641	269	5.0
$750+	135	157	14.0



Tigard/Tualatin/Wilsonville	12 Month Sales	Current Listings	Supply/ Months
Under $250	372	20	0.6
$250-$350	840	58	0.8
$350-$500	1,204	144	1.4
$500-$750	429	140	3.9
$750+	92	64	8.3



SOURCE: RMLS and Johnson Economics

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