

# REAL ESTATE ANALYSIS



Cascade  
**Sotheby's**  
INTERNATIONAL REALTY

## STATE OF THE MARKET

Spring 2022 | 5<sup>th</sup> Edition

Photo by Brian Niles | [treelinecinematic.com](http://treelinecinematic.com)

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# A LETTER FROM BRIAN LADD

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## SPRING 2022 UPDATE AND OUTLOOK

Two years have passed since the official start of the COVID-19 pandemic. Its effect on our economy, specifically housing, has been shocking, to say the least. The pandemic has changed how we interact, how and where we work, and the overall definition of “home”. As society locked down, the definition and needs placed on a home expanded to now regularly include multiple home offices, spaces for homeschooling, room for extended family, and even workout and mental health sanctuaries.

Perhaps most visible to residents of Bend in the last two years is the accelerated migration from urban cores such as Seattle, San Francisco and Portland to suburbs and smaller lifestyle-oriented metropolitan areas. Bend has been in the cross-hairs of this trend with a large influx of out-of-town and state residents bringing new ideas, businesses and energy into our community, however, the strain this migration has had on our housing stock is significant.

With the expectation that COVID-19 will become endemic, and life hopefully returns to normal, I have thought hard about how this transition could affect housing and real estate. This report touches on many aspects of our current economy and real estate market, and we welcome you to continue the conversation with us anytime. While there is no crystal ball, we feel that knowledge is power for our clients and hopefully these insights help you make wise decisions regarding housing and real estate.

## INFLATION - HOUSING AND MORTGAGE RATES

Without getting too deep into an overall economic discussion, I feel it is fair to talk about the inflationary pressures we are experiencing and how housing and mortgage rates factor into this dynamic. With the pandemic driven housing demand and increased labor and materials costs for new construction, (See *chart 1*) it seemed that housing was the first part of the economy to see significant price growth. Those inflationary pressures are now trickling into all other parts of the economy and inflation is becoming a very real factor.

Historically, housing and real estate have been a relatively safe haven and strong performing asset class during inflationary cycles. We also have the added benefit of historically low mortgage rates, which allows a homebuyer to fix their payments for 15 or 30 years, while inflationary prices push up everything else from wages to home costs. As mortgage rates start to climb, currently predicted by many to be in the upper 3% 's by year-end, affordability and buyer purchasing power will be impacted. That said, a sub 4% rate is still a rate rarely seen in history, and I feel that securing these rates provides a hedge against housing prices going up, down, or otherwise. (See *chart 2*) Considering that the majority of house payments go to interest, securing a lower rate now often costs less than waiting to purchase at higher rates even if housing prices fall.

## SUPPLY AND DEMAND

While we could spend days discussing all of the ancillary factors affecting real estate, it is primarily a supply and demand industry. These simple forces more clearly predict housing performance than the overall economy, the stock/ equities market, mortgage rates or even the job market.

So where do we stand with supply? Quite simply, we have never had fewer homes available in Oregon or the Nation. For the last ten years we have been undersupplying homes nationwide, (to the tune of 1,000,000/year) as construction, development, and banking never got back into the housing market following the great recession from 2007-2009. Even with the recent increase in demand, Bend lacks the land, labor and materials to efficiently catch up to this missing inventory in any meaningful way. We currently stand at about ¼ of needed inventory both in Bend and nationwide. (See *chart 3*)

And what about demand? The pandemic migration exacerbated an already thin housing supply and it shows no sign of slowing down. This pandemic seemed to remove any remaining stigma around remote-working and the cities and large employers have been slow to call their employees back to their desks. That enduring migration combined with a strong job market and economy of Bend,

rated the #13 small metro area in the Nation by the Milken Institute, has caused additional demand on our housing stock.

Perhaps the most noticeable trend in demand is the absorption of luxury homes. If we use \$1,500,000 and up as the definition of a luxury home, the statistics clearly show that today's buyers are demanding larger and more expensive homes more than ever. In 2019, only 52 homes sold in this price range compared to 140 sales in 2020 and 256 homes in 2021. In two years Bend experienced a 484% increase in the amount of luxury homes sold. (See *chart 4*)

Another factor driving demand is that the Millennial generation is entering their peak home-buying years, a trend that was not expected to peak for another 2-3 years.

While new construction is visible in many areas of town, especially in the SE and NW quadrants of Bend, it pales in comparison to the housing need. This shows up in the average of 19 days on market for a home in Bend and the uncomfortably high median sales price of \$700,000.

## HOUSING PRICES

Given that shocking median sales price of nearly \$700,000, which is up 24.3% over 2020, it naturally leads one to consider a housing bubble. (See *chart 5*) While it is easy to draw a connection between today's high prices and a housing bubble, the data I have found does not support this correlation. The most recent housing bubble of 2004-2007 was fueled by “liar’s loans” and loose underwriting for mortgages (i.e. loans for those who shouldn’t have qualified), an increase and oversupply of homes (inventory grew from 2003 to 2009), and vacancy rate that approached 9%. Fast forward to today and loans require high credit scores and thorough underwriting, housing supply has fallen for 10 years straight, and vacancy rates are hovering around 3%.

While I am a realist that believes in market cycles, the industry professionals and experts are all predicting positive price growth in 2022. (See *chart 6*)

As an aside, these housing prices and lack of inventory are heartbreaking for those struggling to find affordable housing, perhaps most evident by the increasing homeless population within our community. I believe that everyone deserves a roof over their head and I encourage everyone to get involved. There are many ways to make your voice heard and put your donations to use. This April I look forward to launching Bend 101, a series designed to be an on-ramp to becoming an engaged citizen focused on assisting our community. In the meantime, I encourage you to support organizations such as Neighborhood Impact and shelters such as Bethlehem Inn. (See references)

## FINAL THOUGHTS AND LOOKING FORWARD

While data can be drawn to support any belief, we must keep our eyes open for new trends that may change our course. Some of the factors that I will be watching closely in the coming years that would indicate a shift in the market are slowing absorption and increased inventory of homes, increases in vacancy rates in rental homes, a slowing job market or job losses, and any rise in foreclosure rates.

It is our goal to provide you with the most current information available to keep you “in the know” of housing trends. This report and our newsletters help summarize the data that we are tracking on a monthly, weekly, and daily basis. Even the most current data is usually a lagging indicator and represents past data. Where our experience as the top producing group in Bend can provide added value is by sharing with you what we are seeing every day on the ground with buyers and sellers. This is where our experience and a personalized approach are essential to creating a plan that allows you to achieve your real estate goals.

Real estate decisions are some of the most difficult and financially impactful moments in our clients’ lives. We are acutely aware of our responsibility and we look forward to serving them, and you, with knowledge, experience and integrity.

# STATISTICS

## MATERIAL COST CHART FOR HOME CONSTRUCTION

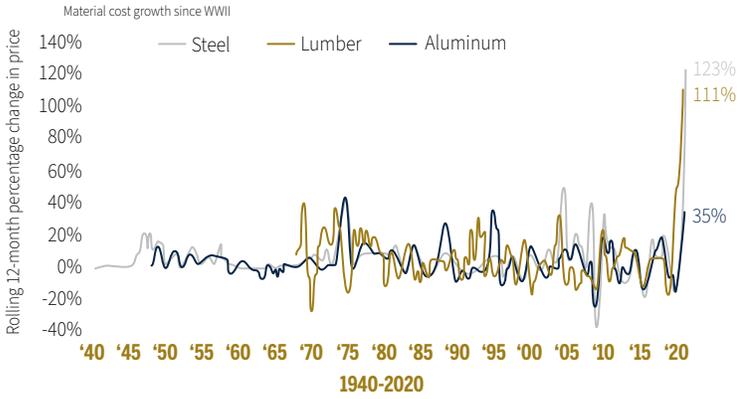


CHART 1

## MORTGAGE RATE

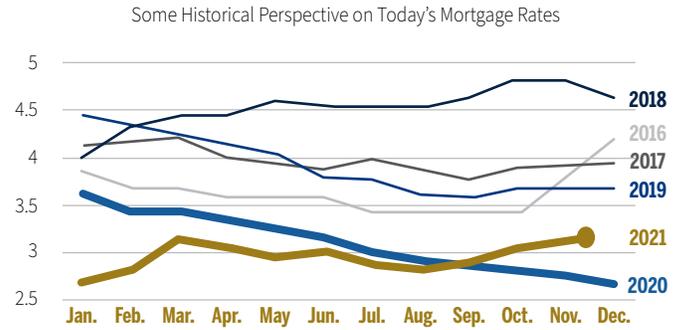


CHART 2

## BEND INVENTORY CHART

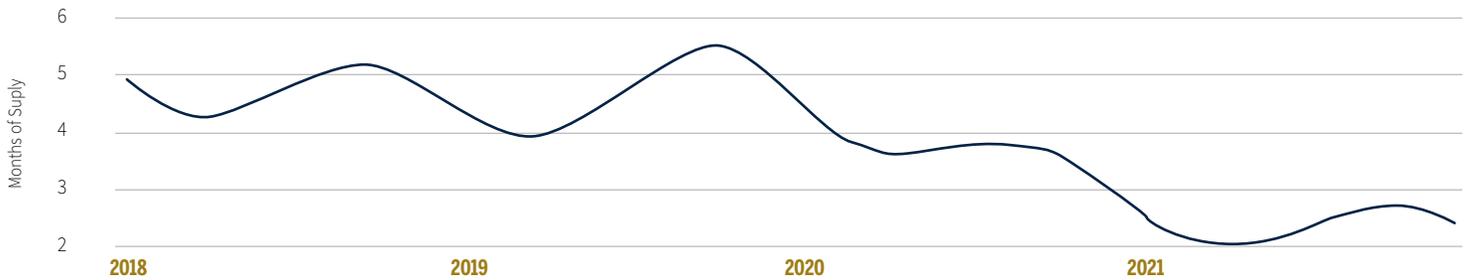


CHART 3

## BEND LUXURY SALES BAR GRAPH : NUMBER OF \$1,500,000 HOMES SOLD/YEAR

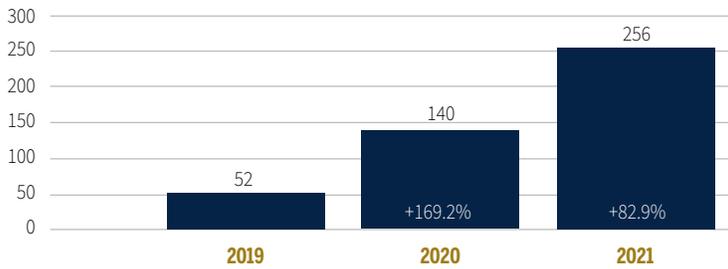


CHART 4

## HOUSING PRICE BEND SINGLE FAMILY MEDIAN

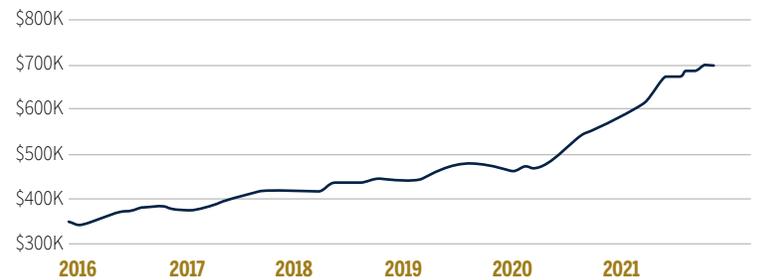


CHART 5

## PRICE FORECAST FOR 2022

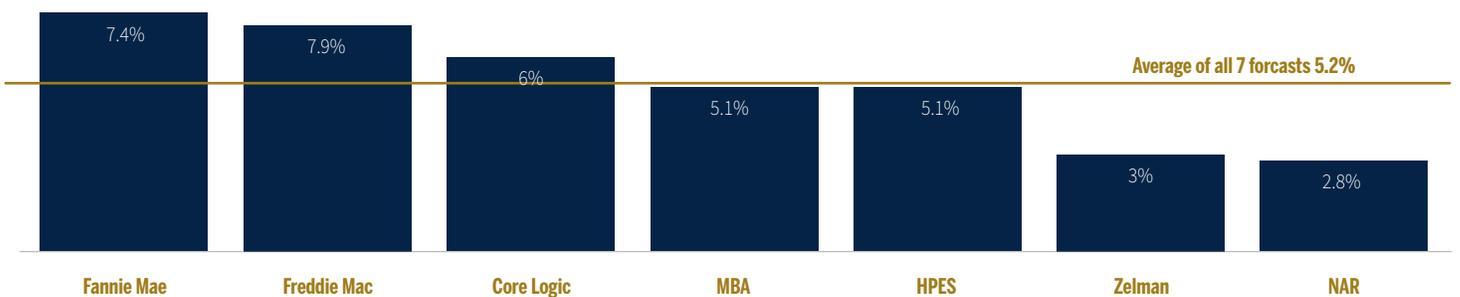


CHART 6

# BUYER'S CORNER

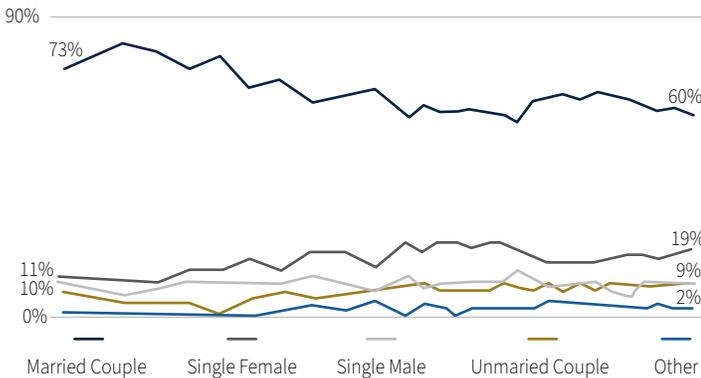
## WHERE ARE THE BUYERS COMING FROM?

Buyers know they are competing with plenty of other people who are also looking to get into this market. We have outlined ways to be competitive and have provided tips for succeeding as a buyer in this market. Now, we thought it would be valuable to look closely at who the competition is and where they are coming from. We will break this down from a few angles and then summarize the resulting population changes in Central Oregon.

## PHYSICAL BUYER TRENDS

As many people know, California is a big feeder market for Bend and we definitely saw continued inward migration from there. But we believe it would surprise some to see that although Bend saw the most arrivals from LA County, the next four counties on the list were all from Oregon (Clackamas, Washington, Multnomah, and Lane respectively). This means that most of the influx is actually coming from within Oregon and just across the Cascades.

### HOUSEHOLD COMPOSITION OF HOME BUYERS



## DEMOGRAPHIC BUYER TRENDS

The number of single women in the market has increased again in 2021, making this demographic the second largest group of buyers at 19%. This is almost double the number of single men purchasing homes (9%), but both groups are still behind married couples (60%). Looking at the chart below, you can see how from 1980 until this year, the number of married buyers has slid by 18%, the number of single male buyers has been relatively constant, and the number of female buyers has increased by 72%.

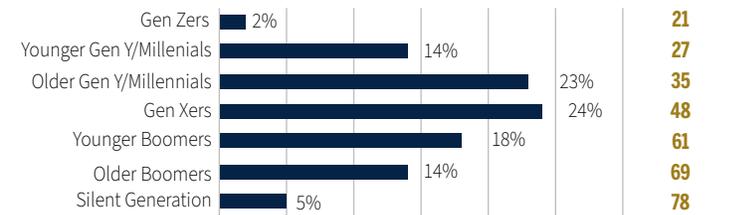
## GENERATIONAL BUYER TRENDS

The chart below helps emphasize the generational distribution of buyers over the last year. The number of buyers in the Millennial/Gen Y demographic is the largest collection of buyers and is expected to continue growing as they approach their peak earning years.

## SO JUST HOW MANY BUYERS ARE COMING TO DESCHUTES COUNTY?

Although 2021 net migration numbers are not finalized yet, the numbers are expected to show just over a 2% population increase in Deschutes county between 2020 and 2021. This would rank Deschutes as the fastest growing county in OR (for counties over 100,000) people. The only counties to show higher population growth all had less than 25,000 residents.

## AGE OF HOME BUYERS



# SELLER'S CORNER

## WHERE ARE SELLERS HEADED?

Homeowners choose to sell for many reasons, whether related to physical space, phase of life, setting, aesthetics, or sometimes, abrupt situational changes. For sellers aiming to maximize the return on their largest investment this spring specifically, here are a few key things our team expects for the Central Oregon market.

## OUTBOUND MIGRATION

A subtle evolution has begun in Central Oregon, wherein longtime residents who may have raised children, built businesses, or established deep roots are shifting their focus toward warmer climates. Still, others may be moving out of the area as they are not comfortable with the growth and progression of Bend. Both are contributing toward an outbound migration for sellers who own homes in the Central Oregon market, especially among those who have owned for ten years or longer. Metrics derived from tax records show the greatest movement toward outlying areas in Oregon, as well as Arizona, Washington, and Idaho.

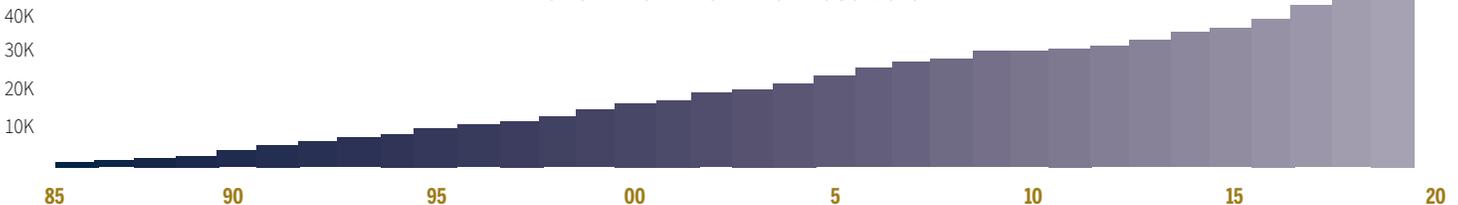
Potential changes to the capital gains laws may also accelerate plans to move, as sellers with substantial equity look to get ahead of proposed legislation that could tax long-term capital gains more aggressively.

## NAVIGATING THE MARKET

After two years of upheaval, the pace and tone of this spring market indicates solid activity at the newly established "baseline" for pricing - which is of course 30%+ higher than pre-pandemic. However, sellers are not likely to expect the many multiple offers and exorbitant over-asking pricing in the first hours of launch as they have during the peak selling seasons of late (caveat: unless the home is notably underpriced!).

Instead, reaching peak performance for a home this season will take skill, precision, and a comprehensive launch strategy. Sellers can expect a healthy average days on market from 5 to 25, with the exception of luxury price points or acreage properties, and general list to sale price of 95% or higher with the right selling strategy.

## DESCHUTES COUNTY (OR) GAINED 49,350 PEOPLE POPULATION MIGRATION 1985-2019



### GAINED POPULATION FROM:

3,141	Los Angeles County, CA
2,763	Clackamas County, OR
2,529	Washington County, OR
2,427	Multnomah County, OR
2,256	Lane County, OR

### LOST POPULATION TO:

278	Crook County, OR
245	Canyon County, ID
233	Ada County, ID
181	Pinal County, AZ
110	Monave County, AZ

### GAINED WEALTH FROM:

\$319.49 M	Multnomah County, OR
\$282.93 M	Washington County, OR
\$246.10 M	Clackamas County, OR
\$230.84 M	Los Angeles County, CA
\$212.17 M	King County, WA

### LOST WEALTH TO:

\$46.13 M	Crook County, OR
\$22.61 M	Maricopa County, AZ
\$16.03 M	Clark County, WA
\$13.03 M	Pinal County, AZ
\$7.51 M	Spokane County, WA

## RESOURCES



**Visit our digital resources for more information on trending real estate topics and up-to-date market statistics and data.**



**Webinars**



**YouTube Videos**



**Stats and Data**



**Whether you're buying or selling, we're here to help explain how this data applies to your unique situation. A one-on-one consultation with one of our brokers can help guide your next steps with no obligation to you.**

**Text LADD35 to 88000**

### REFERENCES:

<https://www.whitehouse.gov/cea/written-materials/2021/09/09/housing-prices-and-inflation/>  
<https://milkeninstitute.org/sites/default/files/reports-pdf/Best-Performing-Cities-2021.pdf>  
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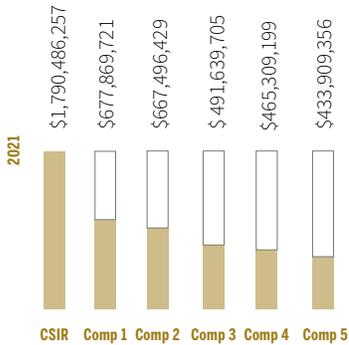
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“Working with Steve LaCrosse was without a doubt the best experience I have ever had working with an agent. We had so many curve balls thrown our way and Steve managed them with grace and patience. He really helped us to make the best decisions along the way. If I could give him 6 stars I would.”



**Don't take our word for it...**

“Bryan Hilts was recommended to us and he couldn't have been more professional. Our plans to visit were thwarted due to the pandemic, and Bryan patiently waited for us until the timing was right. We love our new home and look forward to being a part of the Bend community.”

“Highly recommend The Ladd Group. Erin was an amazing partner to us in every step of the process as we sold our home.”

“Jaclyn is not only a fantastic realtor, she is an excellent support system and talked me off the ledge a few times. ANYTIME there was a house I wanted to see, Jaclyn moved fast as houses were flying off the market. She negotiated and helped me to obtain the home of my dreams, working hard to make sure all communication was clear and I understood all the nuances of buying a home. Jaclyn is amazing and I would highly recommend her to anyone looking to purchase a home. You won't regret it.”

“I had such a wonderful experience working with realtor, Alice Fairbairn. From start to finish, the process of selling my property was flawless, despite the fact that I lived about 170 miles from the property itself and had never met Alice. Alice and I had wonderful communication. She kept me current on every aspect of the selling process, from the initial listing to the eventual sale and closing.”

“Stephanie was very easy to work with. She stuck to the criteria I requested, sent me many listings, and was patient. When I had questions about a property, she was very responsive, and gathered the information I needed in a timely manner. I am happy with the home we found, and would not hesitate to contact her in the future.”