



Spotlight on the Housing Market in the Portland-Vancouver-Hillsboro, OR-WA MSA



The Obama Administration's Efforts to Stabilize the Housing Market and Help American Homeowners | June 2013

The Portland-Vancouver-Hillsboro, OR-WA Metropolitan Statistical Area (Portland) is located on the border of Oregon and Washington in the western part of the states and includes five counties in Oregon and two counties in Washington. The foreclosure crisis in the Portland MSA developed later and differently than in many areas of the nation. Home price appreciation during the housing bubble started and peaked more than a year later in Portland than nationally, and although home prices rose less steeply, their decline was nearly as sharp. Falling property values and the resulting underwater mortgages were partially fueled by investor speculation and excess housing construction in the years leading up to the housing crisis. Rising defaults due to unsustainable mortgage lending and rising unemployment during the subsequent recession added further to the decline in property values. Aided by a strong economy, the share of distressed mortgages in the Portland MSA— those 90 or more days delinquent or in the foreclosure process—actually declined from 2003 through 2006, whereas, comparable shares in the rest of the nation generally remained flat or increased slightly. When the rapid rise of distressed mortgages in the nation began in 2007, the share of distressed mortgages in Portland soon followed suit. As with the nation, rapid increases in local mortgage distress continued in 2009 with the downturn in the economy, but the share has remained below the national rate. Economic and housing market conditions in the Portland MSA are improving, but the foreclosure crisis has taken its toll. The Administration's broad approach to stabilize the housing market has been a real help to homeowners in Portland and surrounding cities. This addendum to the Obama Administration's Housing Scorecard provides a summary of trends and conditions in the local economy and the impact of the Administration's efforts to stabilize the housing market and help local homeowners.

Population Growth, Employment, and Housing Market:

With 2.2 million people according to the most recent Census, the Portland MSA is the 23rd largest in the nation. From 2000 to 2010, the population increased by an average of 29,800 people, or 1.5 percent a year. In addition to natural population growth (births minus deaths), 53 percent of the population increase was the result of people moving to the area. Over the last decade, an average of 15,900 people per year moved to Portland, with this number increasing to 19,100 per year during the economic expansion of 2004 to 2008.

During the decade spanned by the Census, new housing production exceeded household growth in the Portland MSA. Net annual housing unit growth of 1.7 percent was

greater than the corresponding population and household growth rates of 1.5 and 1.6 percent, respectively. This excess construction, while not as great as in some parts of the nation, nevertheless contributed to an oversupply of housing. According to the Census Bureau, the number of vacant units increased by an average of 1,200 units, or 2.6 percent annually during the 2000s, compared to a 4.4-percent national increase. The excess supply of housing is likely to have influenced the sharp decline in house prices that began in 2007. Investor speculation was a factor in the overbuilding in the years leading up to the housing crisis, as a large share of Portland area home purchases were by non-occupant investors. Specifically, from 2000 to 2006 investor home sales rose from 7.2 to 15.1 percent of total sales in Portland while the corresponding increase for the nation was from 7.8 to 14.6 percent of sales. As reported by the Oregonian, another cause of overbuilding in Portland was speculative construction of condominiums in and around the central business district. From 2000 through 2007, approximately 50 projects consisting of 6,100 condominiums were built and by 2008, the excess supply of condominiums on the market resulted in the conversion of 900 planned condominiums to apartments. Subprime lending also contributed to the overbuilding in Portland. A study by the National Bureau of Economic Research indicates that in 2005, Portland ranked 37th out of the top 107 metropolitan areas with the highest share of subprime mortgage originations relative to housing units. In addition, a conservative estimate based on HMDA (Home Mortgage Disclosure Act) data indicates that subprime originations tripled nationally between 1998 and 2005. According to a study by the Center for Responsible Lending, approximately 90 percent of subprime mortgages experience increases in monthly payments of 30 to 50 percent within a few years, causing subprime loans to typically default at more than 7 times the rate of other mortgages.

Portland Housing Unit Growth Outpaced Population and Household Growth During the Past Decade		
Date of Census	4/1/2000	4/1/2010
Portland MSA Population	1,927,883	2,226,009
Annual Growth Rate	-	1.5%
Portland MSA Households	745,531	867,794
Annual Growth Rate	-	1.6%
Portland MSA Housing Units	790,876	925,076
Annual Growth Rate	-	1.7%

Source: Census Bureau (2000 and 2010 Decennial)



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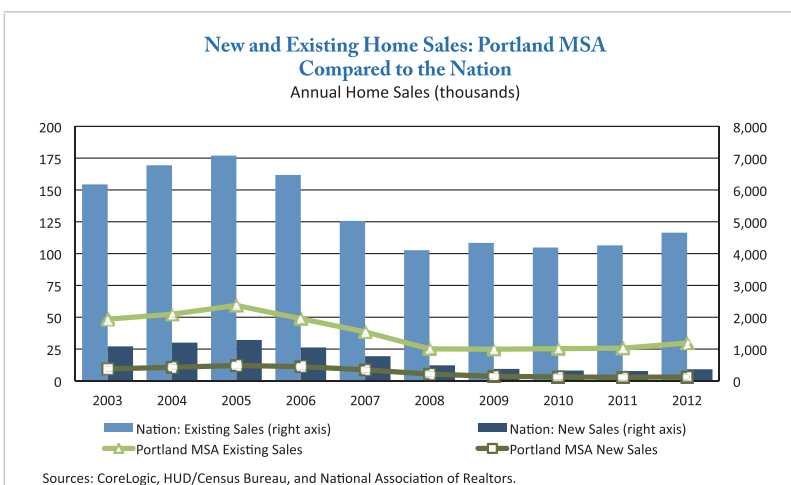
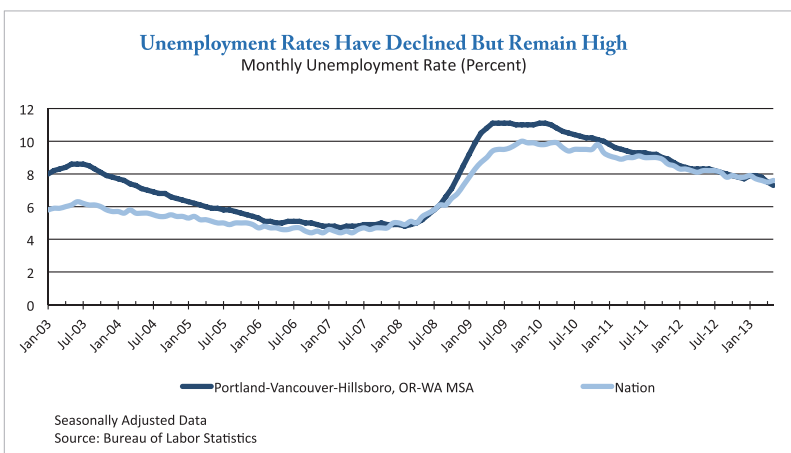
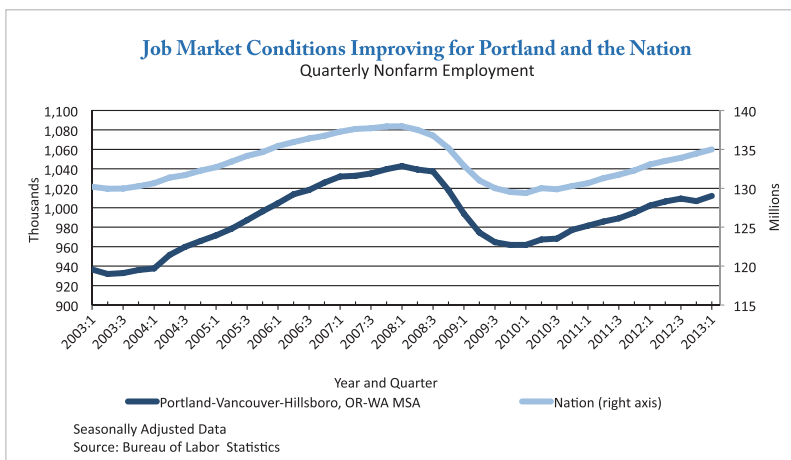
An economic recovery is underway in Portland.

The local economy grew fairly rapidly after the 2001 recession, with nonfarm payrolls increasing at an average annual rate of 23,350 jobs, or 2.5 percent, from the third quarter of 2003 through the first quarter of 2008, compared with a national increase of 1.3 percent over the same period. The impact of the 2007-2009 Recession was more severe on Portland than for the nation. Jobs in the Portland MSA declined at an average annual rate of 46,350, or 4.4 percent, from the second quarter of 2008 through the end of 2009, compared with a national annual decline of 3.5 percent over the same period. Recovery from the Great Recession has been slightly stronger in Portland, with jobs increasing at an average annual rate of 15,500, or 1.6 percent, from the first quarter of 2010 through the first quarter of 2013, compared with a national rate of 1.3 percent.

The Portland MSA is known for its diverse local economy. During the recent recession, job losses were severe in the construction and manufacturing sectors, which declined at average annual rates of 13.1 and 8.2 percent, respectively; declines also occurred in financial activities (4.8 percent), and professional and business services (-4.6 percent). The professional and business services and manufacturing sectors have led the recovery in the Portland economy, growing at average annual rates of 3.2 and 2.0 percent, respectively, with education and public health (1.6 percent) and the leisure and hospitality sector (1.5 percent) also contributing to the expansion. Growth in these sectors have more than offset average annual job losses in construction (-1.6 percent), government (-0.5 percent), and financial activities (-0.4 percent). The unemployment rate for the Portland MSA peaked at 11.1 percent in May 2009 and has since fallen to 7.3 percent as of May 2013. The national unemployment rate peaked in October 2009 at 10.0 percent, falling to 7.6 percent by June 2013.

Existing and new home sales in the Portland MSA began a dramatic decline in 2005 but stabilized in 2009, and a recovery took hold in 2012. After reaching a peak of 59,300 units sold in 2005, existing home sales dropped by an average annual rate of 19 percent between 2006 and 2008. Existing home sales stabilized from 2009 through 2011 and began to rise in 2012, increasing at an average annual rate of 16 percent (albeit on a low base) and reaching a pace of 29,700 homes sold. New home sales also peaked in 2005 at 12,125, before falling between 2006 and 2011 by an annual average of 13 percent. New home sales increased by 7 percent in 2012 to 3,000 homes sold.

Portland MSA house prices rose later and somewhat less steeply than for the nation during the housing bubble. The CoreLogic repeat-sales house price index (HPI) shows that during the housing bubble, home prices increased at close to 90 percent of the national rate in Portland and peaked more than a year



later. However, house prices fell by 29 percent from their peak in July 2007 to their low in April 2011, nearly the same as the national peak-to-low decline of 31 percent. A relatively high level of distressed sales (involving bank-owned properties or short sales) played a role in the price decline in the Portland MSA, as distressed sales—at 22 percent of existing home sales during this period—were close to the 25 percent national rate. In the last 12 months, the share of distressed sales averaged 25 percent in Portland compared to 24 percent



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nationally. The rise in house prices in Portland during the bubble was likely spurred by investor speculation, as home sales to investors averaged 13.8 percent during the upturn in the bubble—slightly higher than the 13.2 percent share for the nation. As described earlier, subprime lending is also likely to have spurred demand and fueled home prices. Home prices in Portland have since bounced back by 16 percent from their 2011 low, outpacing a 12 percent national increase in prices since the end of the bubble.

The Portland rental market continues to be tight despite increased apartment construction activity.

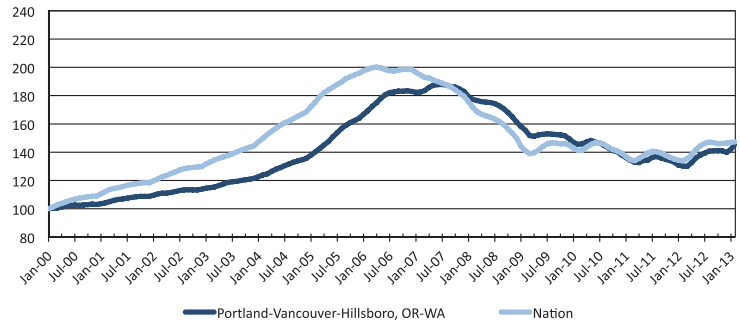
According to Reis, Inc., the Portland-Vancouver-Hillsboro apartment vacancy rate was 4.7 percent in the first quarter of 2013, down from 4.9 percent a year earlier, representing tight market conditions. The slight decrease in the vacancy rate occurred despite the large number of new apartment projects entering the market during the past year; the demand for rental units has been especially strong in inner-city Portland. The national apartment vacancy rate declined from 6.3 to 5.8 percent over the same period. During the first quarter of 2013, the average apartment rent in the Portland MSA increased by 9.6 percent from a year ago to \$1,006; the average rent nationwide increased by 4.0 percent to \$1,080 during the same period.

Trends in Mortgage Delinquencies and Foreclosures:

Portland homeowners continue to struggle with high rates of mortgages at risk of foreclosure. According to LPS Applied Analytics, as of April 2013, Portland placed 176th out of 381 metropolitan areas ranked by share of mortgages at risk of foreclosure (90 or more days delinquent or in the foreclosure process). LPS data show that mortgages at risk of foreclosure decreased by 19 percent during the last year in the Portland MSA to 15,650 by April 2013, compared with a national decline of 26 percent during the same period. CoreLogic data since 2000 indicate that the rate of mortgages at risk of foreclosure in the Portland MSA have been consistently below the national rate, with the gap starting to widen in 2003. Mortgages at risk of foreclosure in the Portland MSA actually declined from 1.3 to 0.6 percent between 2003 through 2006, when the average share of distressed mortgages for the nation had remained steady or increased slightly. In 2007, when the foreclosure crisis began for most of the nation, mortgages at risk of foreclosure in the Portland MSA followed the national trend but had a significantly smaller share of mortgages in distress—rising from 0.6 percent in December 2006 to 2.3 percent by the end of 2008 compared with a rise of 1.6 percent to 4.4 percent nationally. In 2007 and 2008, single-family foreclosures were largely driven by unaffordable loan products. Beginning in 2009, foreclosures were increasingly driven by loss of income, unemployment, and strategic defaults as the economy worsened according to research by the Federal Reserve Bank of Chicago. A sharp spike upward

Portland Home Prices Increased Later and Less Steeply Than for the Nation

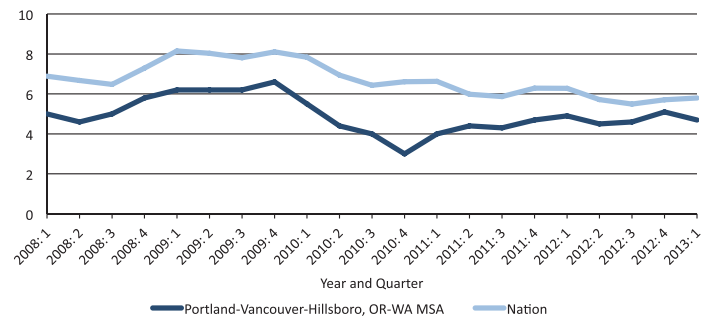
Repeat-Sales House Price Index (Jan 2000 = 100)



Source: CoreLogic

Portland Rental Vacancy Rate is Consistently One of the Lowest in the Nation

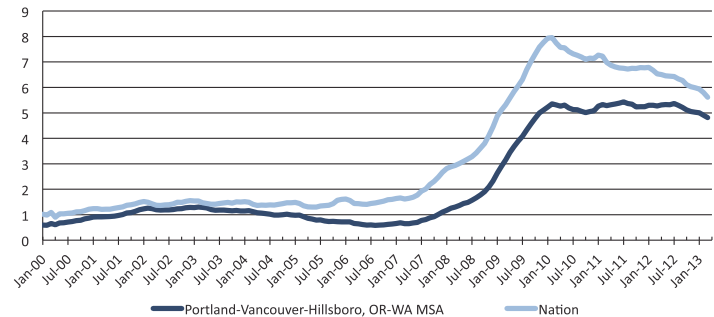
Quarterly Apartment Rental Vacancy Rates (Percent)



Source: Reis Inc.

Share of Distressed Mortgages Has Been Consistently Lower in Portland Than the Nation; Both Remain High But Are On the Decline

Mortgages 90+ Days Delinquent or in Foreclosure (Percent of All Active Mortgages)



Source: CoreLogic

in the rate of distressed mortgages occurred in 2009 for both Portland and the nation. By early 2010, mortgages at risk of foreclosure reached a peak of 8.0 percent nationally, and have since fallen to 5.6 percent. The share of distressed mortgages in the Portland MSA reached a much lower peak of 5.4 percent in early 2010 and has since fallen to 4.8 percent as of March 2013.



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Realty Trac data indicate that the foreclosure completion rate in the Portland MSA has been comparable to the national rate. As of May 2013, the number of foreclosure completions as a percent of all housing units in Portland since April 1, 2009 is 2.7 percent compared to a national rate of 2.6 percent. Foreclosure completions have been trending downward nationally and in the Portland metro area. For the first quarter of 2013, completed foreclosures in Portland were down 57 percent from one year ago, while completed foreclosures in the nation fell by 25 percent during the same period.

For the first quarter of 2013, the rate of foreclosure completions in Portland was 0.06 percent compared to a national rate of 0.11 percent. This lower foreclosure rate is likely the result of successful lawsuits against lenders for improper foreclosure procedures and a decision by the Oregon Court of Appeal's in July 2012 that ruled against most non-judicial foreclosures (see Realty Trac's May 2013 Foreclosure News Report), which have caused foreclosure completions to drop dramatically in Portland in the last two quarters. The impact of recent legislation on foreclosure procedures in Oregon is uncertain, however. In June 2013, Oregon's Supreme Court partially reversed the Court of Appeals July 2012 decision and reinstated non-judicial foreclosures in certain cases.

The efforts of numerous state and local entities and financial institutions in partnership with the federal government have helped contain the rate of foreclosures. Lender processing delays and a lengthy judicial process have also contributed to the national decline in foreclosure activity. In the wake of the February 2012 National Mortgage Servicing Settlement, foreclosure activity has started to pick up a bit, primarily in states where the process slowed dramatically in the last two years. CoreLogic reports that 11.7 percent of mortgages in the Portland MSA were underwater as of the first quarter of 2013—far lower than the 19.8 percent nationally—but still representing additional homeowners potentially at risk.

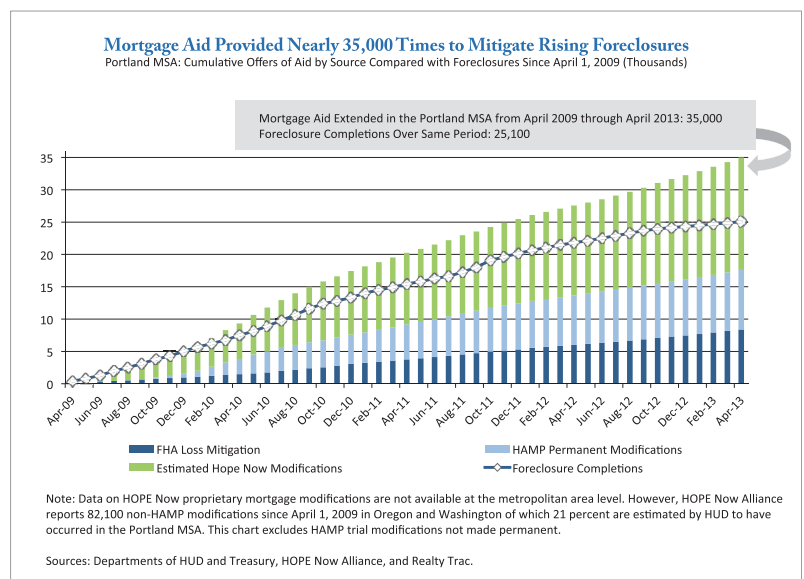
Foreclosure Completion Rates in the Portland MSA				
Area	First Quarter 2013		Since April 1, 2009	
	Foreclosure Completions	Foreclosure Rate	Foreclosure Completions	Foreclosure Rate
Portland MSA	550	0.06%	25,230	2.7%
Nation	139,100	0.11%	3,392,100	2.6%

Note: Foreclosure Rates as Percent of All Housing Units;
Data through May 2013 for foreclosures since April 2009
Source: Realty Trac and Census Bureau

The Administration's Efforts to Stabilize the Portland MSA Housing Market:

The Administration's mortgage and neighborhood assistance programs – the Home Affordable Modification Program (HAMP), the Federal Housing Administration (FHA) mortgage assistance programs, the Neighborhood Stabilization Program (NSP), and the Hardest Hit Fund (HHF) program – combined with assistance from the HOPE Now Alliance of mortgage servicers and the National Mortgage Servicing Settlement have helped stabilize the Portland MSA housing market.

From the launch of the Administration's assistance programs in April 2009 through the end of April 2013, nearly 35,000 homeowners received mortgage assistance in the Portland metropolitan area. Nearly 17,600 interventions were completed through the HAMP and FHA loss mitigation and early delinquency intervention programs. An estimated additional 17,400 proprietary mortgage modifications have been made through HOPE Now Alliance servicers. While some homeowners may have received help from more than one program, the number of times assistance has been provided in the Portland MSA is 40 percent greater than the number of foreclosures completed during this period (25,100). Under the landmark National Mortgage Servicing Settlement, nearly 7,000 Oregon homeowners had benefitted from over \$450 million in refinancing, short sales and completed or trial loan modifications, including principal reduction on first and second lien mortgages provided as of March 31, 2013. In Washington, more than 15,000 homeowners had benefited from over \$1.2 billion in consumer relief. Nationwide, the settlement has provided more than \$50 billion in consumer relief benefits to more than 620,000 families. That is in addition to the \$2.5 billion in payments to participating states and \$1.5 billion in direct payments to borrowers who were foreclosed upon between 2008 and 2011.



Given over three rounds, the **Neighborhood Stabilization Program** has invested \$7 billion nationwide to help localities work with non-profits and community development corporations to turn tens of thousands of abandoned and foreclosed homes that lower property values into homeownership opportunities and the affordable rental housing that communities need.



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NSP1 funds were granted to all states and selected local governments on a formula basis under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008; NSP2 funds authorized under the American Recovery and Reinvestment Act (the Recovery Act) of 2009 provided grants to states, local governments, nonprofits and a consortium of nonprofit entities on a competitive basis; and NSP3 funds authorized under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 provided neighborhood stabilization grants to all states and select governments on a formula basis.

In addition to stabilizing neighborhoods and providing affordable housing, NSP funds have helped save jobs. Each home purchased, rehabilitated and sold through the NSP program is the result of the efforts of 35 to 50 local employees.

Overall, a total of \$31 million has been awarded to the State of Oregon through NSP1, NSP2, and NSP3. Of this, \$10,681,706 has been expended to recipients in the Portland MSA. The State of Washington was awarded a total of \$33 million through NSP1 and NSP3 and the State has expended approximately \$2,397,160 in the Portland metropolitan area. Approximately 127 households in Portland have already benefited from NSP, and activities funded by the program are expected to provide assistance to an additional 163 owner-occupied and renter households. Examples of how these funds have been put to use are provided below.

- The **City of Portland** and **Multnomah County** received a total of \$3,255,160 in NSP1 funds and \$787,409 in NSP3 funds. The City and County's NSP programs have focused on providing homebuyer assistance through down payment, closing cost, and rehabilitation assistance loans. To date, 17 households have received these loans, four of which were female headed households. The City of Portland and Multnomah County partnered with, Proud Ground, a local land trust to create permanently affordable housing through the purchase and rehabilitation of foreclosed homes; to date, eleven households have benefitted from this program. The City and County used some of the NSP funds to partner with Habitat for Humanity in Portland, which purchased foreclosed property and built 45 condos on the land. Thirteen of the condos have already been sold to buyers with income at or below 50 percent of median income in the area.

- **Clackamas County** received \$2,229,334 in NSP1 funds and \$997,347 in NSP2 funds. The County has used some of these funds to assist households through down payment, closing costs, and principal write-down assistance and rehabilitation loans. Twenty-five households have already benefitted from this program. The County has also used these funds to purchase, rehabilitate, and sell homes to buyers through a community land trust (CLT). The CLT retains ownership of the land and sells homes on the land to low-income homebuyers, who lease the land from the CLT under a 99-year contract; this arrangement insures the future affordability of the homes when there is a change in ownership. To date, nine homebuyers have been assisted through this program. A tenth structure was purchased and rehabilitated by a nonprofit and converted into a 5-unit building for very low income persons with disabilities.
- **Washington County** received \$2,420,807 in NSP1 funds and \$904,807 in NSP2 funds. The County used NSP1 funds to provide homebuyer assistance and loans for rehabilitation, and partnered with a local non-profit to acquire and rehabilitate homes for income-qualified buyers. So far, 19 households have benefitted from these programs. NSP2 funds have been used by the County to provide homebuyer assistance and to create rental properties through a local non-profit, with an additional 8 households benefiting from these programs.
- The **City of Vancouver and Clark County, WA** received a total of \$2,397,160 in NSP1 funds. The City and County partnered with nonprofits to purchase and rehabilitate abandoned and foreclosed properties with the NSP funds. The City and County also worked with the Vancouver Housing Authority (VHA) to recover a large foreclosed parcel within the city limits. With the help of a number of different funding sources, this parcel is now being developed by the VHA to provide over 100 units of much needed low and moderate income, multi-family rental housing. The City and County also partnered with the local nonprofit, SHARE, to purchase and rehabilitate rental property and to provide group homes to homeless veterans and individuals struggling with substance abuse.

The Administration allocated \$220 million from its **Hardest Hit Fund** to the state of Oregon. The Oregon Department of Housing and Community Services administers these Hardest Hit funds through the **Oregon Homeownership Stabilization Initiative (OHSI)**, which was launched in December 2010. OHSI provides several programs to assist Oregon homeowners who are at high risk of default or foreclosure. These programs include: the Home Rescue Program (unemployment and reinstatement assistance), the Rebuilding American Homeownership Assistance Pilot Program, and the Loan Refinancing Assistance Pilot Project. Under the Home Rescue Program, OHSI provides the lesser of 12 months of mortgage payment assistance or \$20,000 to qualified borrowers; they also bring delinquent mortgages current if homeowners are no more than \$10,000 behind on their payments.

Available in Crook, Deschutes, Jackson, Jefferson, and Josephine Counties, the Loan Refinancing Assistance Pilot Project uses HHF funds to purchase underwater loans at a discounted price to refinance and lower mortgage payments (\leq 35% of monthly income). The Rebuilding American Homeownership Assistance Pilot Program provides funds to assist underwater Multnomah County homeowners to refinance into a new loan with lower monthly payments and permit them to rebuild equity faster than their existing payments will allow. As of the first quarter of 2013, the most recent quarter for which data are available, OHSI had assisted 7,787 homeowners, with more than 80 percent of program funds already spent or committed. For additional information, see <http://www.oregonhomeownerhelp.org/>.

Portland MSA NSP Activity (Housing Units)	Projected	Completed
NSP1 Total	290	127
Homeownership assistance to low-and moderate income	55	41
Rehabilitation/reconstruction of residential structures	235	86
NSP2 Total	23	23
Homeownership assistance to low-and moderate income	16	16
Rehabilitation/reconstruction of residential structures	7	7
NSP3 Total	5	-
Rehabilitation/reconstruction of residential structures	5	-