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THE IMPACTS OF THE LACK OF HOUSING AFFORDABILITY ON ECONOMIC GROWTH



Prepared
for the Bend
Chamber of Commerce



ECONorthwest
ECONOMICS • FINANCE • PLANNING

The Lack of Housing Affordability Limits Economic Growth

Purpose and Summary of the Report

Employers in the Greater Bend-Redmond region are struggling to hire workers. Two factors drive the challenge—one is cyclical and the other is structural. The region, like most other places in the U.S., has faced an unusually tight labor market after the pandemic as businesses have reopened and workers have been somewhat selective in their return. That’s a cyclical problem that will ease with time. But the region simultaneously faces a structural problem that adds to the hiring challenge: the high and rising cost of housing.

Recognizing the threat that housing costs pose to talent attraction, and the regional economy generally, the Bend Chamber of Commerce asked ECONorthwest to assess labor market conditions and their relationship to housing unaffordability. The report draws on labor and housing market data and a survey of over 200 regional employers conducted during September-October 2022.

Key findings include:

Impact on Workforce:

- **Nearly all survey respondents said the limited supply and high cost of housing impact their ability to hire.** 81 percent of regional employers said housing had a high impact on hiring, and another 14 percent said it had a moderate impact. Other challenges included the general cost of goods and services in the region (50 percent high impact, 30 percent moderate impact), cost of transportation (17 percent high impact, 31 percent moderate impact), and the lack of childcare (41 percent high impact, 35 percent moderate impact).
- **The high cost of housing in the region has adversely affected employers’ existing workforce and company growth.** 91 percent of regional employers stated that the high cost of housing limits their growth and strains their existing workforce. 43 percent of employers indicated that they have considered direct housing interventions such as offering land for residential development, buying rental units for their workforce, or offering mortgage and down payment assistance to ease the cost of housing for their employees.

Remarks from employers in the area:

“There needs to be a big push for more affordable housing in all new developments. It's sad when we see people who have \$200k in their account and yet still can't afford to purchase a home with a large down payment.”

“As a truly small business, I have limited resources to mitigate the cost-of-living crisis; A constricting market of this nature usually means my employees will seek more consistent work elsewhere.”

“We have lost potential great hires because they cannot afford to move to and live in Bend. More and more people need flexible schedules to get kids to and from school/ daycare.”

- **On average, employers reported that 39 percent of their employees have difficulty paying for basic necessities such as housing, transportation, food, and childcare.** Basic necessities cost more in Bend than across Oregon as a whole. Households in Deschutes County must earn 8 percent more to cover the cost of basic necessities compared to the rest of Oregon.¹
- **Employers have taken on the burden of helping their employees mitigate the high cost of living.** 83 percent of employers have increased wages and 76 percent have allowed for more flexible work schedules. Employers indicated they have allowed their employees to move to other western states where the cost of living is cheaper, offered relocation bonuses for employees moving to the Bend area, allowed their employees to use company vehicles for transportation, and offered annual memberships to food CSAs.
- **A sizable majority of employers (89 percent) report that recruiting and hiring has been a significant challenge in the last 12 months.** Although hiring shortages hinder businesses nationwide, those in areas with higher housing costs may face more acute challenges.²
- **Most employers report that the hiring shortage has strained their existing workforce.** 89 percent of employers stated that their existing workforce had to take on a larger workload, leading to burn out. Nearly two-thirds of respondents said their existing workforce has asked for increased wages or benefits to compensate for their workload.

Impact on Revenues:

- **Two-thirds of employers reported that the inability to hire decreased revenues.** 13 percent of employers said the hiring shortage led to a 5 percent decrease in revenues, 28 percent of employers said it led to a 5–10 percent decrease, and 24 percent said it led to a decrease of 11 percent or more. **In addition,** roughly half of employers reported that they were not able to serve as many customers, remain open for their usual business

¹ University of Washington. (2021) *Self-Sufficiency Standard*. Accessed at: selfsufficiencystandard.org/oregon/. Calculations based on a two-person household with no children.

² Patrick Harker. (2021), *The Economy, Inflation, and Housing*. Economic Club of New York. Accessed at: www.philadelphiafed.org/-/media/frbp/assets/institutional/speeches/harker/2021/11-08-21-the-economic-club-of-new-york.pdf

hours, or deliver the quality of product or service they wish to because of their challenges with hiring.

- **Due to the hiring shortage, smaller businesses experienced decreased revenues at higher rates. 67 percent of all respondents experienced decreased revenues.** Of the regional employers who experienced decreased revenues, 65 percent were businesses with revenues below \$5 million per year.

The balance of this report is organized in two sections. Part 1 provides a contextual overview of the region’s economy, labor market, and housing market. Part 2 describes the survey of regional employers and summarizes their responses.

PART 1: Economic, Labor, and Housing Market Conditions in the Bend-Redmond Region

Housing and the Economy

Bend offers the amenities of a city combined with natural beauty and recreation, creating a hub for business and talent. Between the bustling shops and restaurants, Mt. Bachelor ski resort, and the numerous outdoor recreation sites around, Bend attracts 2.5 to 3 million visitors annually, helping to support Bend’s economy, which was valued at over \$9.2 million in 2019.³ The population in Bend grew 25.7 percent between 2010-2020 and net migration into Deschutes County is projected to hover around 4,000-5,000 people annually.⁴

However, the high cost of housing in the region has driven a high share of households into cost burdened status.⁵ As households spend more on housing, they substitute away from purchasing goods and services that help bolster the economy and the economic growth of local businesses. Without housing that is affordable for the workforce in Bend, employers struggle to attract and retain workers, and often their operations bear the consequences.

Economists widely attribute the lack of housing affordability to supply constraints driven by many factors, including land-use regulations, interest rates, and lack of infrastructure. In Central Oregon, the type and quantity of housing is not sufficient to meet current demand for

³ Visit Bend. (2015) *RRC Estimates of Bend Visitor Trips and Visitor Days*. Accessed at: www.visitbend.com/wp-content/uploads/2018/03/RRC-estimate-Bend-visitor-days-visitor-trips-2015.pdf and Bureau of Economic Analysis. (2020) *GDP by Metropolitan Statistical Area*. Accessed at: www.bea.gov

⁴ Portland State University. (2022) *Coordinated Population Forecast, Deschutes County*. Accessed at: www.pdx.edu/population-research/sites/g/files/znlchr3261/files/2022-06/Deschutes.pdf and U.S. Census Bureau. (2020) *Bend Quick Facts*. Accessed at: www.census.gov/quickfacts/bendcityoregon

⁵ According to the U.S. Department of Housing and Urban Development (HUD), a household is cost burdened if they spend more than 30 percent of their gross income on housing and related utilities.

housing. This gap between supply and demand impacts the regional economy through direct and indirect channels.

The supply and affordability of housing in an area directly impacts the available workforce and indirectly impacts household discretionary spending. Both impacts can bolster or hinder economic growth and sustainability of an area. When the housing market is tight, businesses face limited ability to retain and hire a high-productivity workforce.⁶

The lack of housing affordability in an area holds down employment, discourages capital construction, and decreases tax revenue. When housing is too expensive given the potential wages that a worker can earn, the individual or household will relocate to an area where the cost of housing and living aligns with their potential wages, depressing output in the area with a tight housing market. Indirect impacts include the forgone spending in the regional economy from households that would have occupied that housing, decreased job creation and productivity, and increased income inequality. Households who spend a reasonable amount on housing possess more income to spend on goods and services at their local businesses. Additionally, housing affordability allows households upward mobility by increasing their ability to save and support the growth of businesses who in turn hire more employees, leading to less income inequality. When businesses have access to an adequate labor market for the needs of their operations, their productivity and output increase.

Wages and Costs in the Region

A talented workforce is critical to the regional economy. With the high cost of housing and living in Bend, some workers face challenges finding employment that provides enough for sustainable living. This section details the composition of employment and earnings in the Bend-Redmond MSA and places them in context of the cost of living.

In 2022, employment was 93,000 in the Bend area and grew 18.2 percent between 2015 and 2021, adding 14,252 jobs.⁷ The Bureau of Labor Statistics reports median earnings as \$59,800, as of the second quarter of 2022, with real wages growing by 21 percent or approximately \$10,200 between 2015-2021.⁸

The MIT Living Wage project calculates that a household with two working adults must earn at least \$55,428 (57 percent of AMI) to afford basic necessities in Bend; a household with two working adults and one child must earn at least \$80,946 (83 percent of AMI).⁹ The average household with two working adults must spend \$42,845 on basic necessities such as food, transportation, housing, and technology, while the average household with two working adults

⁶ Hsieh and Moretti. (2019) Housing Constraints and Spatial Misallocations. *American Economic Journal: Macroeconomics*, 11(2), 1-39. Accessed at: doi.org/10.1257/mac.20170388

⁷ Bureau of Labor Statistics. (2021) *Quarterly Census of Employment and Wages, Bend-Redmond-Prineville, CSA*. Accessed at: www.bls.gov/data/

⁸ Ibid.

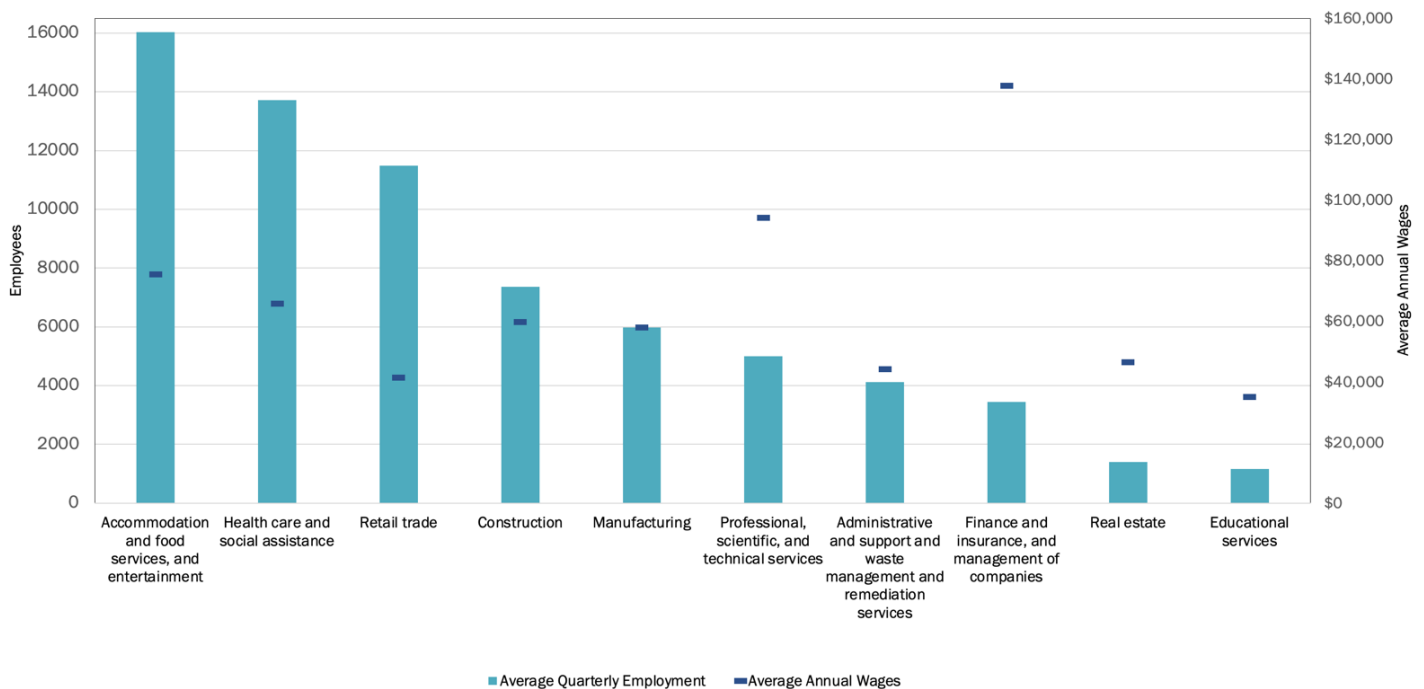
⁹ Massachusetts Institute of Technology. (2021) *Living Wage Calculator*. Accessed at: livingwage.mit.edu/metros/13460

and one child must spend \$62,571 on basic necessities.¹⁰ This does not include any leisure activities or budgeted savings for large purchases such as a home. Compared to Jefferson County and Crook County, the Bend-Redmond MSA is only slightly more expensive for a household with no children, but 7 percent more expensive for a household with at least one child, mostly driven by the increased housing cost in Bend. The University of Washington publishes the self-sufficiency standard, which estimates the wage needed for a household to afford basic necessities, and generally follows a more conservative budget compared to MIT’s Living Wage. The self-sufficiency wage for Deschutes County is 9 percent higher than the rest of Oregon for a household with two working adults.¹¹

Exhibit 1. Employment and Wages by Industry presents employment and average annual earnings across industries of interest for the second quarter of 2022. Nurses, teachers, construction, and service workers support essential components of the Bend-Redmond MSA, yet do not always earn enough to afford basic necessities—nor enough to not be cost burdened by their housing expenses

Exhibit 1. Employment and Wages by Industry

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Q2 2022, Bend-Redmond MSA



Health and social assistance, retail trade, accommodation and food services, construction, and manufacturing employ the highest percentage of employees in Bend (64 percent) and pay average wages of \$50,814 (52 percent of AMI). While supporting housing affordability for all workers provides economic benefits, the focus of this report is on households earning 80 to 150

¹⁰ Ibid.

¹¹ University of Washington. (2021) *Self-Sufficiency Standard*. Accessed at: selfsufficiencystandard.org/oregon/

percent of the AMI.¹² Households with teachers, nurses, or construction workers earn between 80 and 150 percent of the AMI. These workers support the essential functions for economic growth of the area through the promotion of human capital development and technological advancement in their sectors. The workers in these industries compose 65 percent of the total employment in the Bend-Redmond MSA, underlining their necessary role in sustaining the local economy. **Exhibit 2. Wages per Worker and Percent of AMI per Household** presents the wages per worker for selected industries. These industries pay employees such that two full-time workers in these industries earn, on average, 80 to 150 percent AMI.

Exhibit 2. Wages per Worker and Percent of AMI per Household

Source: BLS Q2 2022¹³

Industry	Wages Per Worker	Percent of AMI with Two Workers
Retail trade	\$41,392	85%
Agriculture, forestry, fishing and hunting	\$42,016	86%
Administrative and support and waste management and remediation services	\$44,252	91%
Real estate and rental and leasing	\$46,436	95%
Manufacturing	\$57,980	119%
Transportation and warehousing	\$59,748	122%
Construction	\$59,800	122%
Mining, quarrying, and oil and gas extraction	\$60,632	124%
Health care and social assistance	\$65,884	135%

Regional Housing Affordability

Bend attracts young professionals and retirees, translating to households that generally own property rather than rent and have fewer children than other cities in Oregon. With 83,763 households in the Bend-Redmond MSA, most households own homes (75 percent) and do not have children under 18 years old (76 percent).¹⁴

The housing market in Bend and the surrounding areas has become increasingly tight as housing vacancy rates have decreased since the 2010s.¹⁵ The vacancy rate for rental properties has decreased from 10.9 percent in 2010 to 3.5 percent in 2021, despite the increase in rental units permitted for construction.¹⁶ The HUD Gross Rent Affordability index, which measures

¹² For additional context, one worker in the accommodation and food services industry earns 30 percent of the AMI while a household with two workers in this industry would earn 59 percent of the AMI.

¹³ Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Q2 2022, and U.S. Department of Housing and Urban Development, 2022, Bend-Redmond MSA.

¹⁴ U.S. Census Bureau. (2021) *American Community Survey 1-Year Estimates, Table S1101*. Accessed at: data.census.gov

¹⁵ Department of Housing and Urban Development. (2021) *Comprehensive Housing Market Analysis for Bend-Redmond MSA, Oregon*. Accessed at: www.huduser.gov/portal/publications/pdf/BendRedmondOR-CHMA-21.pdf

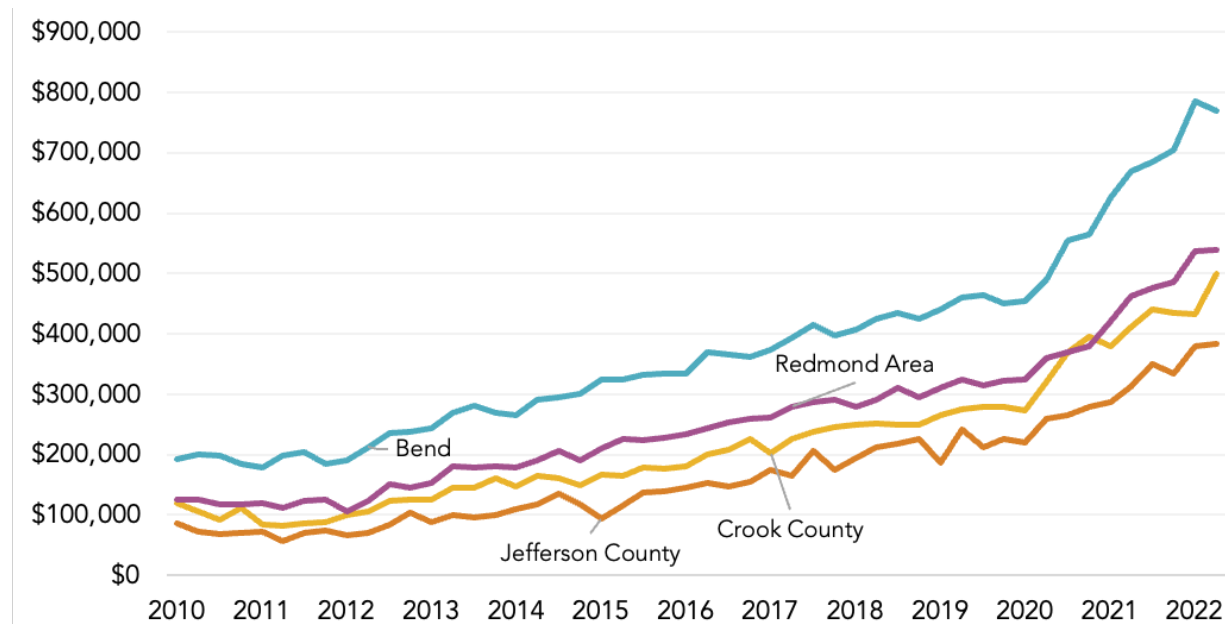
¹⁶ Ibid.

gross rent relative to the change in median income, has increased substantially in recent years. These factors point to a housing market that does not keep pace with the increasing population and migration into the Bend-Redmond MSA. Median prices of homes sold in Bend increased 75 percent between 2019 and the second quarter of 2022, from \$441,000 to \$770,000, making it difficult to purchase a home when earning in the middle-income group (80 to 150 AMI).¹⁷

As illustrated in **Exhibit 3. Median Sale Price of Houses**, median price for homes sold in Bend lies above all other areas in the region. Median home prices in the surrounding areas have increased at higher rates than those in Bend, signaling a tight housing market in the entire region.¹⁸ Workers face limited options for housing that is affordable, even if they relocate outside of Bend, placing further constraints on their household budget and on the ability of local businesses to find an adequate workforce.

Exhibit 3. Median Sale Price of Houses

Source: Central Oregon Association of Realtors, 2010 – Q2 2022



In 2019, 57 percent of Bend households were cost burdened, a total of 42,740 households.¹⁹ As household income increases, likelihood of being cost burdened increases. Most cost-burdened households earn between 80 and 150 percent of the AMI and own their homes (63 percent).²⁰

Exhibit 4. Cost-Burdened Households by Income and Type shows the breakdown of cost-burdened households by renters and homeowners.

¹⁷ Central Oregon Association of Realtors. (2022) *Median Price of Home Sold*.

¹⁸ Median home prices in Jefferson County increased by 89 percent and Crook Counties increased by 104 percent between 2019 and Q2 2022.

¹⁹ Department of Housing and Urban Development. (2019) *Comprehensive Housing Affordability Strategy (CHAS) data*. Accessed at: www.huduser.gov/portal/datasets/cp.html

²⁰ Ibid.

Exhibit 4. Cost-Burdened Households by Income and Type

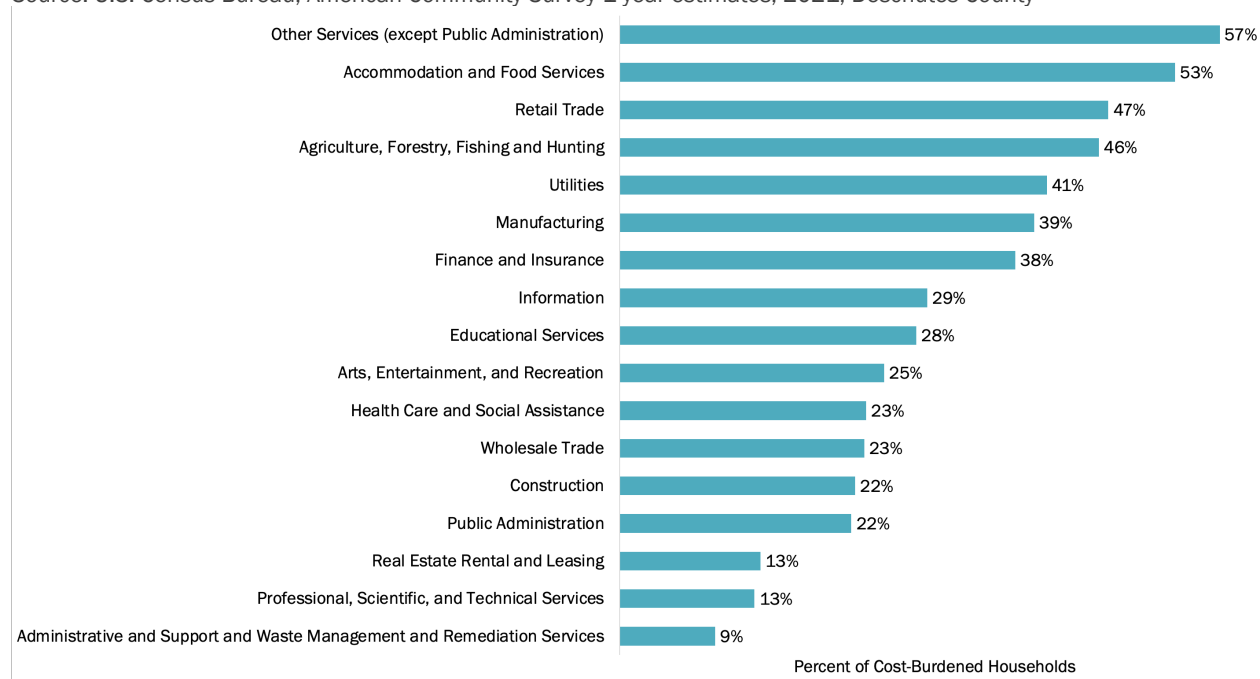
Source: Department of Housing and Urban Development, CHAS, 2019

Household Income as Percent of AMI	Homeowners as a Percent of Cost-Burdened Households	Renters as a Percent of Cost-Burdened Households
Less than 30 percent	4%	6%
30 to 50 percent	5%	5%
50 to 80 percent	10%	8%
80 to 100 percent	5%	4%
More than 100 percent	40%	14%
Total	63%	37%

Exhibit 5. Percent of Cost-Burdened Owner Households by Industry presents the cost-burdened rates by industry in Deschutes County. The highest cost-burdened rates are found for heads of household employed in in food service and accommodations; retail trade; or agriculture, forestry, fishing, and hunting sectors.²¹ Those earning 80–150 percent of AMI and working in finance and insurance; information; professional, scientific, and technical services; utilities; wholesale trade; and health care and social assistance are cost burdened at lower rates.

Exhibit 5. Percent of Cost-Burdened Owner Households by Industry

Source: U.S. Census Bureau, American Community Survey 1-year estimates, 2021, Deschutes County



Note: Renter households not included due to small sample sizes.

²¹ U.S. Census Bureau. (2021) American Community Survey 1-year estimates, Public Use Microdata Sample (PUMS), Deschutes County. Accessed at: www.census.gov/programs-surveys/acs/microdata.html

PART 2: Regional Employer Perspectives on Housing Affordability, the Labor Market, and General Business Conditions

ECONorthwest created an employer survey to assess the degree to which the lack of housing affordability has impacted businesses in the Bend-Redmond MSA. The Bend Chamber of Commerce cast a wide net to elicit responses from businesses across sectors, size, and region. More than 200 businesses in the area responded to explain their issues with hiring and retention, the impact of the high cost of housing on their workforce, strategies they have taken to mitigate these impacts, and the effects of these issues on their operations. Businesses from 19 different sectors responded to the survey, with the highest percentage of businesses in banking, finance, insurance, and real estate; business and professional services; and the nonprofit sectors. Most businesses operated in Deschutes County or had multiple locations across Jefferson, Crook, and Deschutes counties, with approximately one-third of their business' work conducted at home. The average company size of respondents was 127 employees, and most businesses generated \$1 million to \$5 million in revenues each year.

Impacts to Hiring and Retention

How the hiring shortage has impacted businesses:

“Our team has covered for the lack of additional support, but they are getting worn out from the extra workload.”

“BURN OUT.”

“Call outs are insane. All of our hourly employees are juggling multiple jobs which in turn causes more burnout and sickness due to be worn out.”

Most employers (66 percent) indicated that hiring has been a significant challenge in the past 12 months, with entry-level, professional, and technical roles the hardest to fill. Businesses enacted one or more strategies to encourage recruitment and retention, such as allowing for more flexible work schedules (40 percent), expanding their search to a broader geographic area (47 percent), and offering more competitive wages (80 percent). Businesses cited the high cost of housing, goods, and services as having the greatest impact on their ability to hire, with **81 percent** of respondents indicating that the high cost of housing limited their hiring pool and 50 percent indicating that the general high cost of goods and services limited their hiring pool. The constraint on hiring, due in part to the high cost of housing, has limited the quantity and quality of the services these businesses provide, with **54 percent** of businesses

indicating that they have served fewer customers or had to close their operations early, and **48 percent** indicating that the quality of their product or service has diminished.

Impacts to Existing Workforce

91 percent of businesses agreed with the statement: “The high cost of housing has adversely affected your existing workforce and growth as a company.”

When we asked businesses how the lack of housing affordability impacts their existing workforce, their answers overwhelmingly indicated that their current workforce faces challenges affording basic necessities (including housing) and that these impacts have prevented their firms from growing. Businesses indicated that almost **39 percent** of their existing workforce faces challenges affording housing, childcare, food, and transportation. Businesses attempt to mitigate these issues

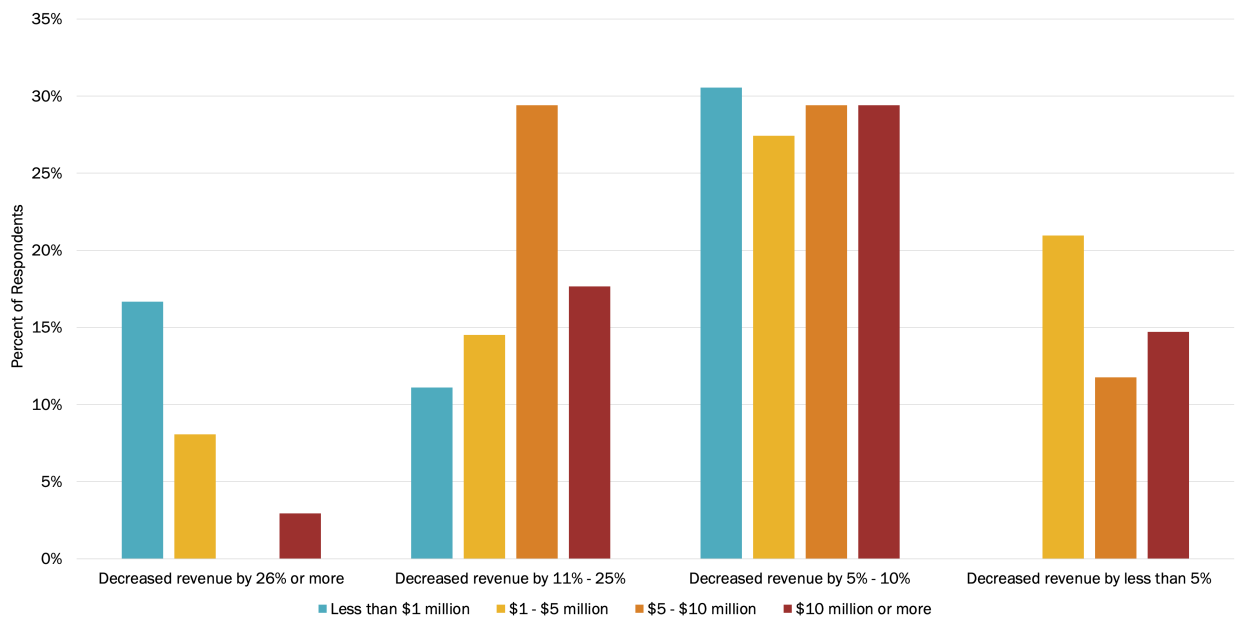
through increasing hiring, increasing salaries beyond the standard amount, offering transportation and childcare stipends, increasing paid time off, and allowing for more flexible work arrangements. 83 percent have increased salaries and 76 percent have allowed for flexible work arrangements. Some businesses have considered providing workforce housing through supporting residential development on organization-owned property or acquiring rental properties for their employees.

Impacts to Revenue

When a business lacks the proper workforce, they must slow the introduction and development of improved products or workplace practices, leading to a decrease in productivity, and in quality of services or products. The result of these impacts has been decreased revenue, with **52 percent** of businesses indicating that their revenue has decreased over 5 percent because of the hiring shortage. As illustrated in **Exhibit 6. Revenue Impacts by Size of Business**, businesses earning \$5 million or less in annual revenue faced the largest impact to revenues from the hiring shortage.

Exhibit 6. Revenue Impacts by Size of Business

Source: ECONorthwest Analysis of Employer Survey, 2022 | NOTE: Respondents who indicated no impact to revenue not shown.



Survey Summary

Exhibit 7. What industry does your organization operate in?

N = 228

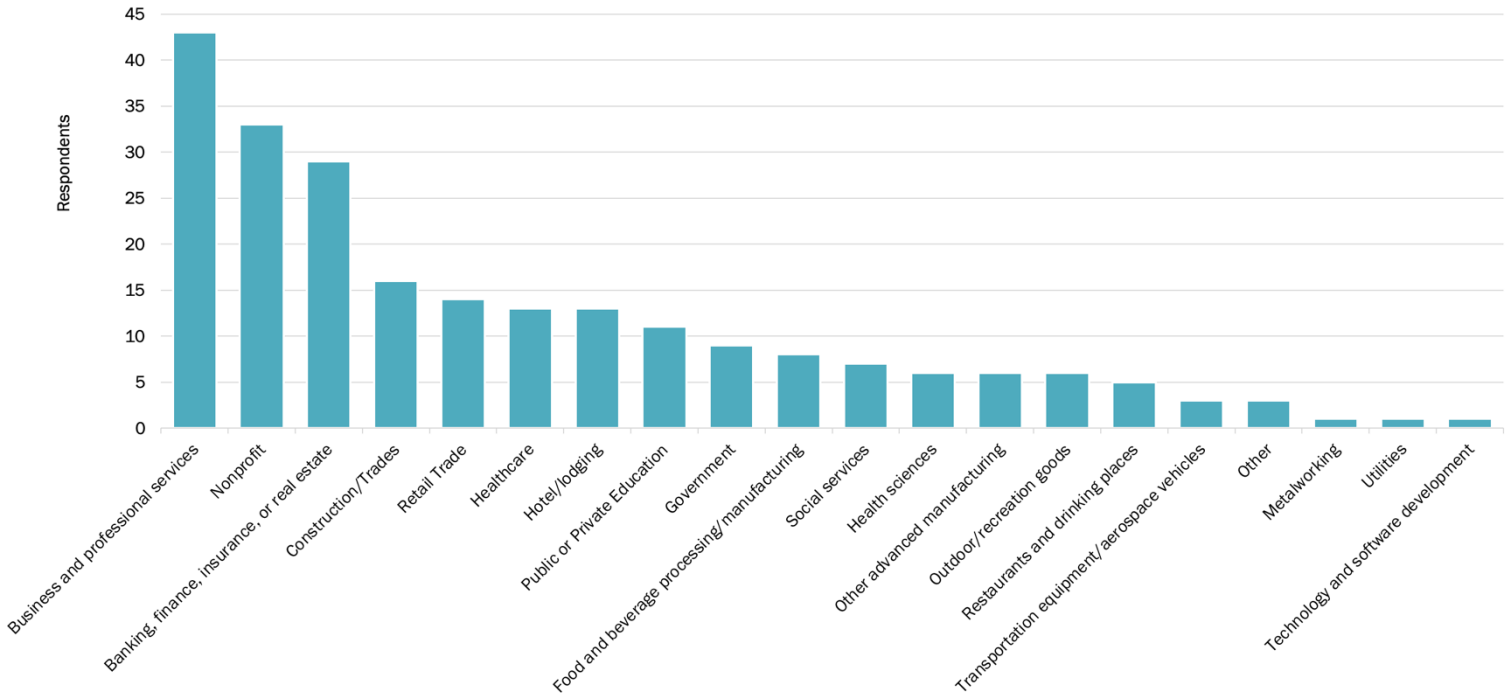


Exhibit 8. Level of Agreement with following statement: “Recruiting and hiring employees in the Bend/Redmond area has been a significant challenge during the past 12 months.”

N = 201

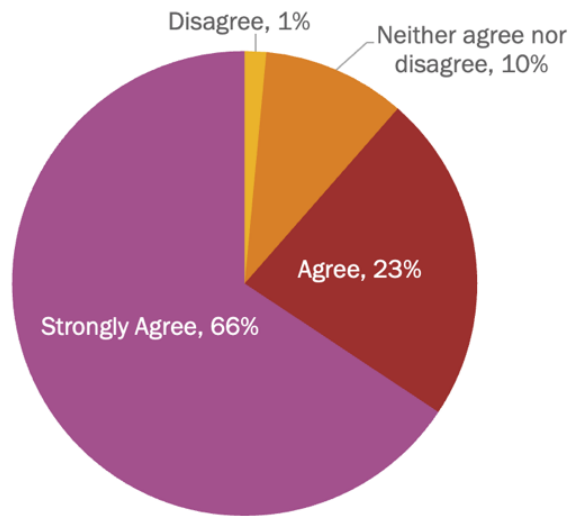


Exhibit 9. How much of an impact do the following conditions have on your ability to hire?

N = 168

	No impact	Low impact	Moderate impact	High impact	Not sure
Limited housing supply and high cost of housing	2%	2%	14%	81%	1%
Limited transportation options and the high cost of transportation	11%	35%	31%	17%	6%
High cost or unavailable childcare	4%	11%	35%	41%	8%
Generally high, and rising, costs of goods and services in the region	1%	15%	30%	50%	4%

Note: Dark teal indicates a relatively high percentage of respondents.

Exhibit 10. Which of the following organization-level issues resulted from hiring shortages?

N = 166

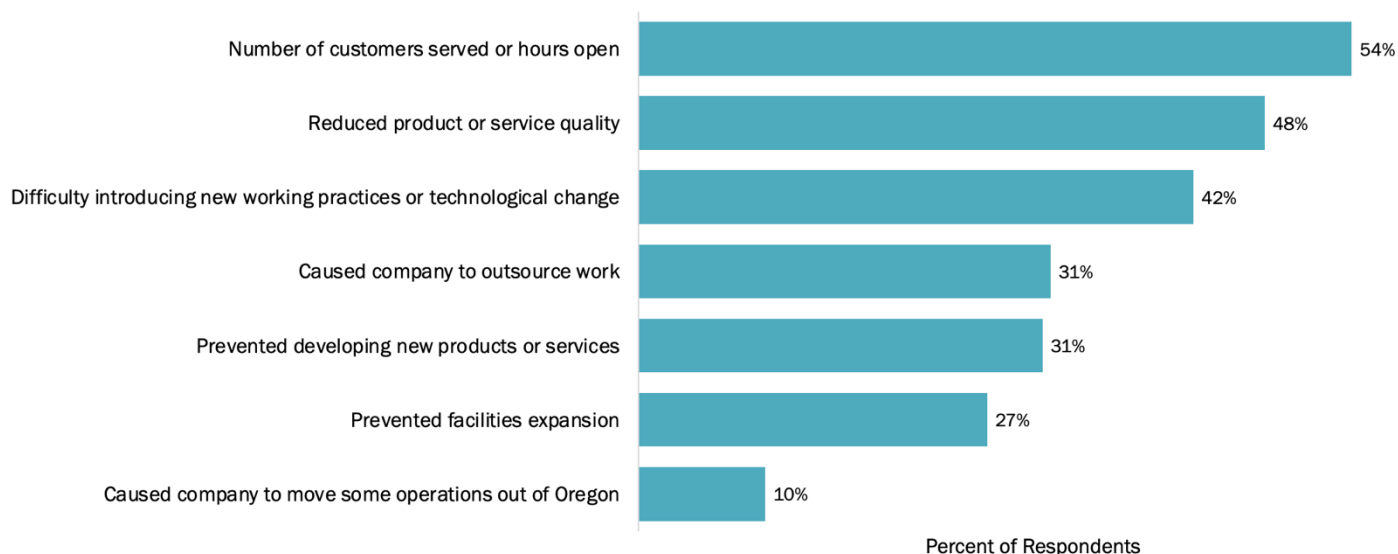


Exhibit 11. How has the hiring shortage impacted your existing workforce?

N = 167

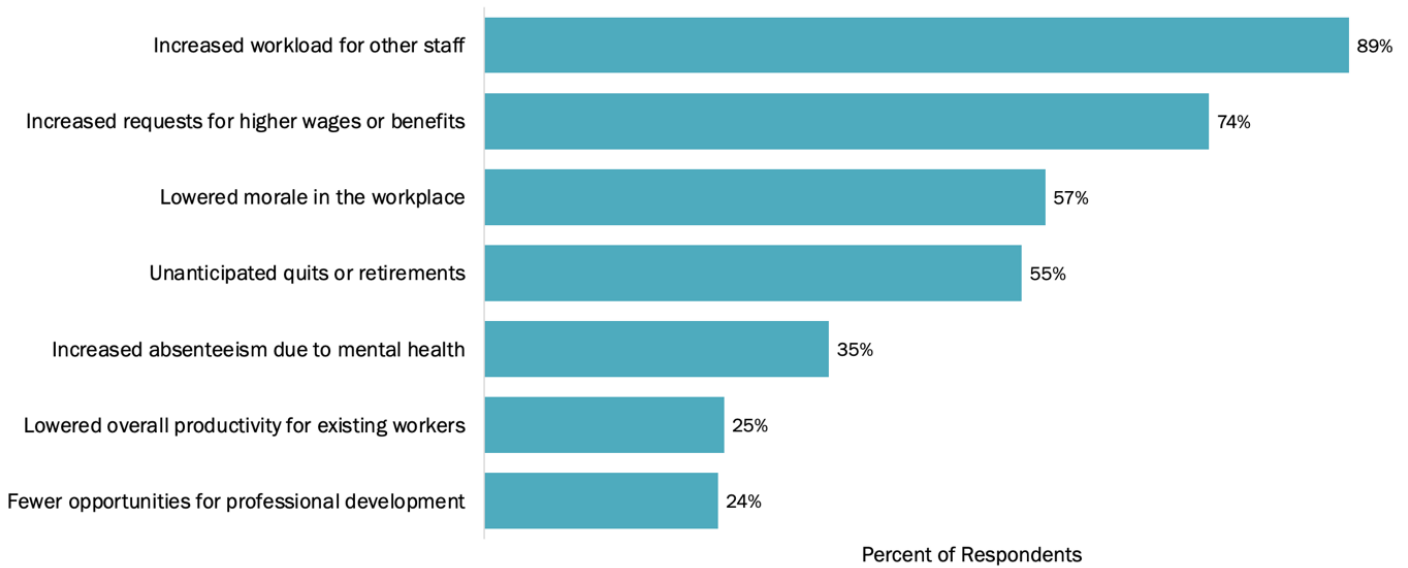
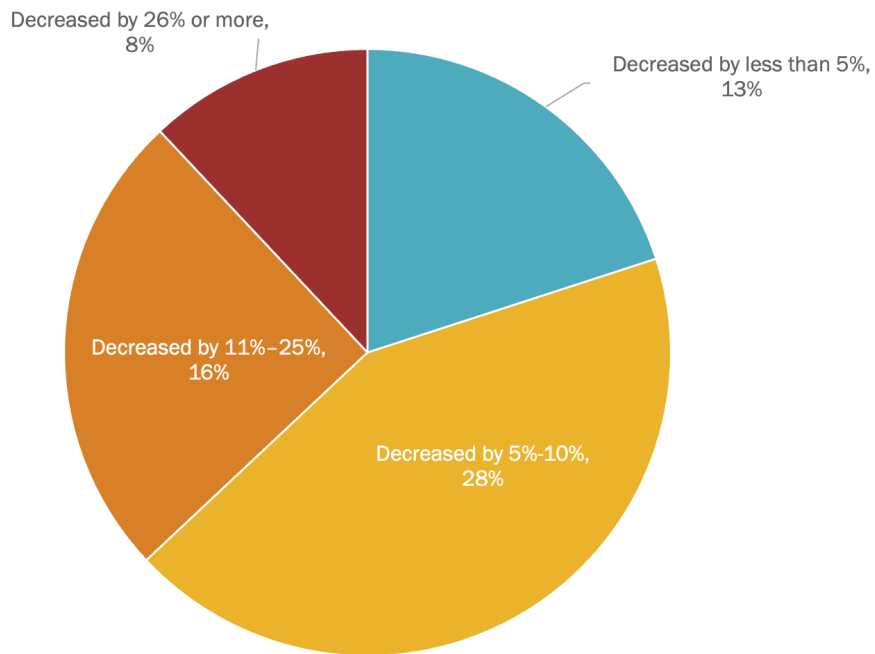


Exhibit 12. What impact has the hiring shortage had on your revenues?

N = 152



Note: 34% of respondents answered that they experienced no impact to revenues.

Exhibit 13. Level of Agreement with the following statement: “The high cost of housing in the region has adversely affected your existing workforce and growth as a company.”

N = 165

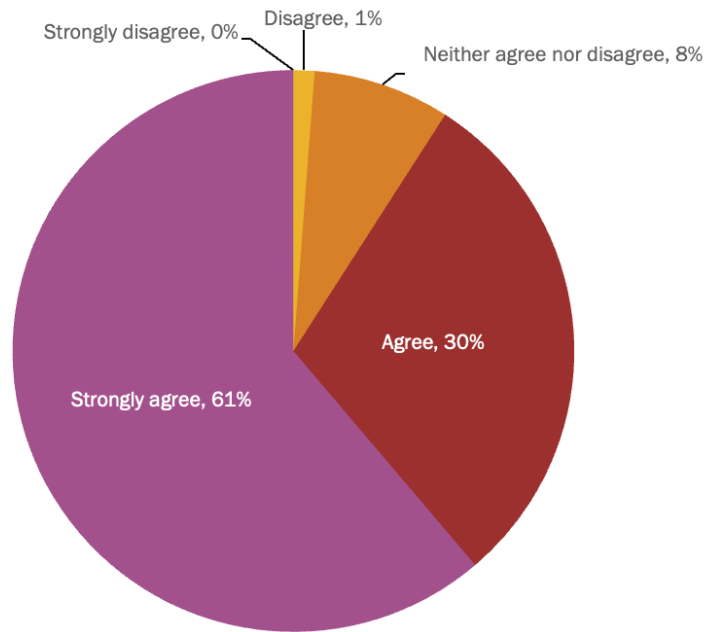


Exhibit 14. Has your organization conducted any of the following to mitigate cost of living expenses for employees?

N = 159

