



Lane County's Current Employment Situation and Forecast

Multifamily Northwest

Brian Rooney
November 29, 2018

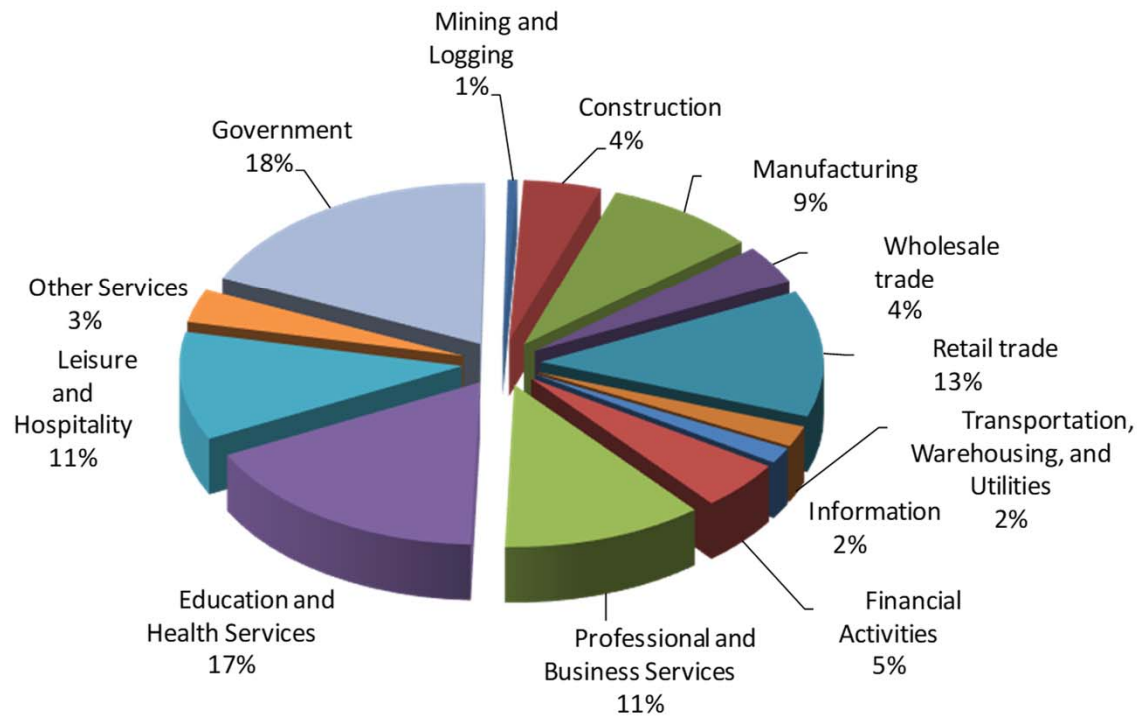
Agenda today

- Overview of the Lane County economy
- Housing market
- Forecast



Lane County's economy is diverse.

Lane County Employment May 2018



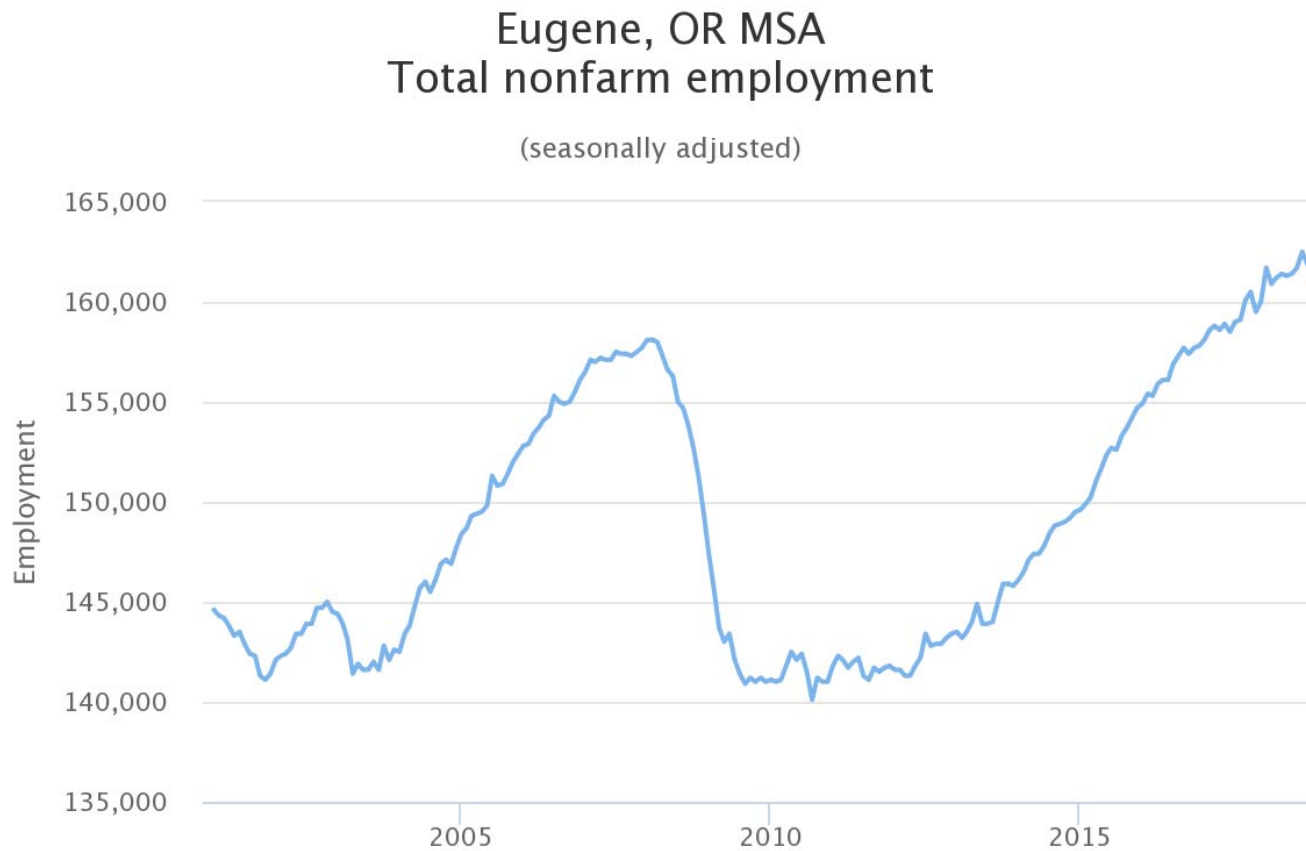
- ✓ *U of O is included in government.*
- ✓ *Private education and health services is almost all health services. Lane County is a regional health care center.*
- ✓ *Above the national average for percent of employment in manufacturing.*



Employment Trends



Lane County began a slow employment recovery in early 2012.



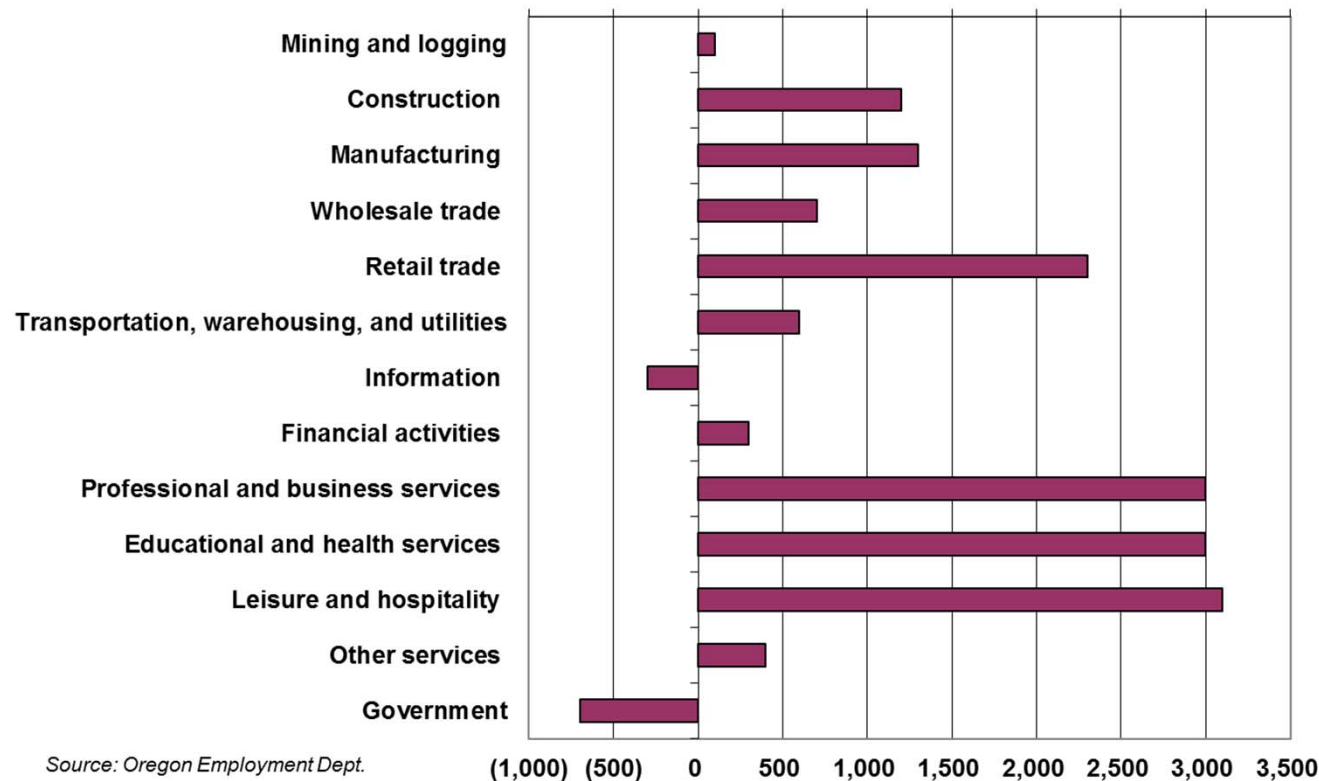
Source: Oregon Employment Department QualityInfo.org

- ✓ **Lane County lost 18,000 (11.4%) of its jobs during the Great Recession. This compares to a loss of 8.5% statewide during the recession.**
- ✓ **The lost jobs were gained back by January 2017.**
- ✓ **Lane County is now 3,800 jobs or 2.4% above the previous peak.**



Most private sector industries joined in the recovery. Government dropped at all levels, especially local education.

Lane County Employment Change,
2010 to 2016



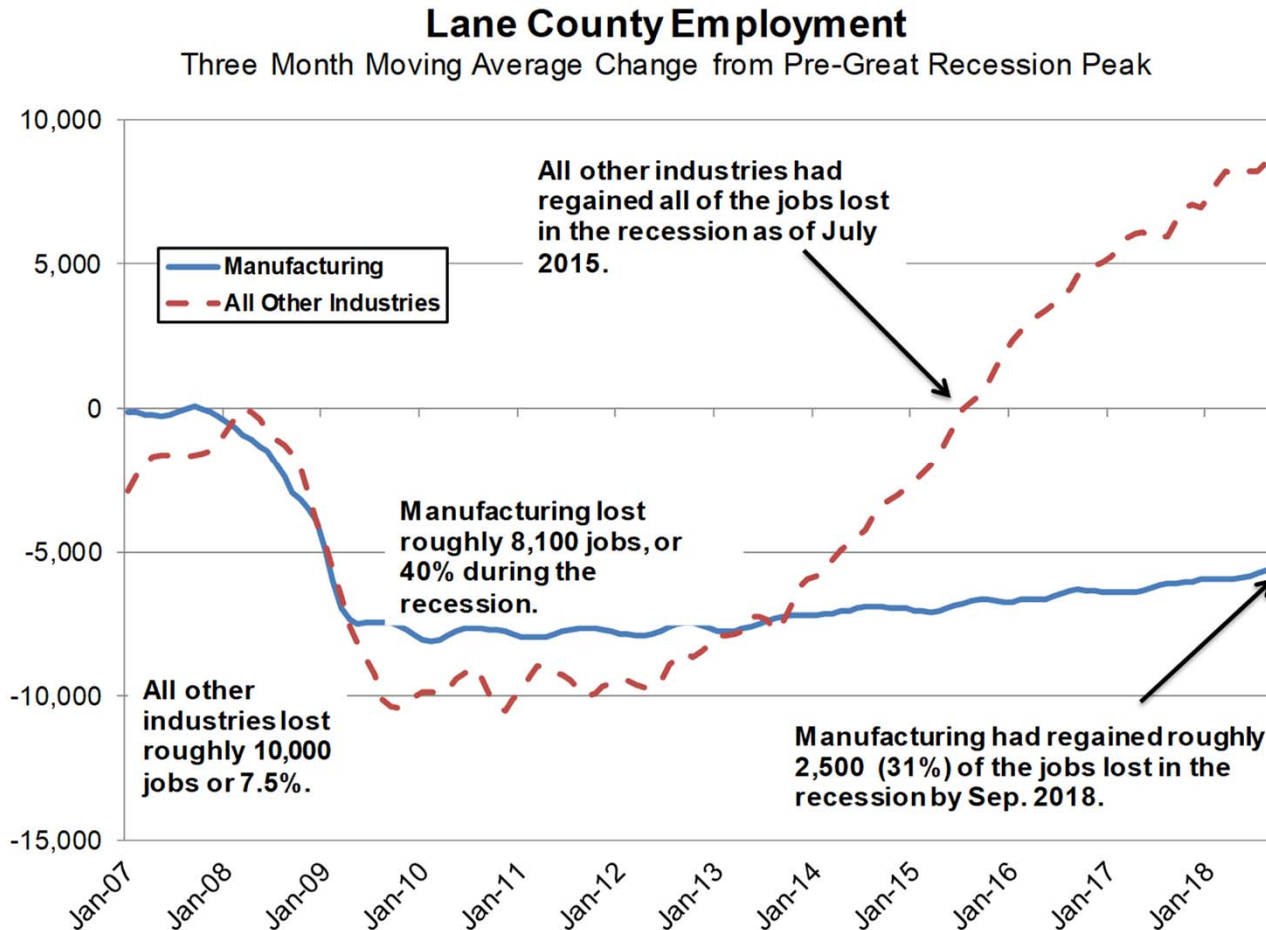
✓ **Employment grew 15,200 (10.7%) between 2010 and 2016.**

✓ **The private sector grew 15,900 (14.4%).**

✓ **The public sector lost 700 (-2.3%).**



In Lane County, manufacturing has gained back roughly 31% of the employment lost in the recession while all other industries combined were back to prerecession levels in July 2015.

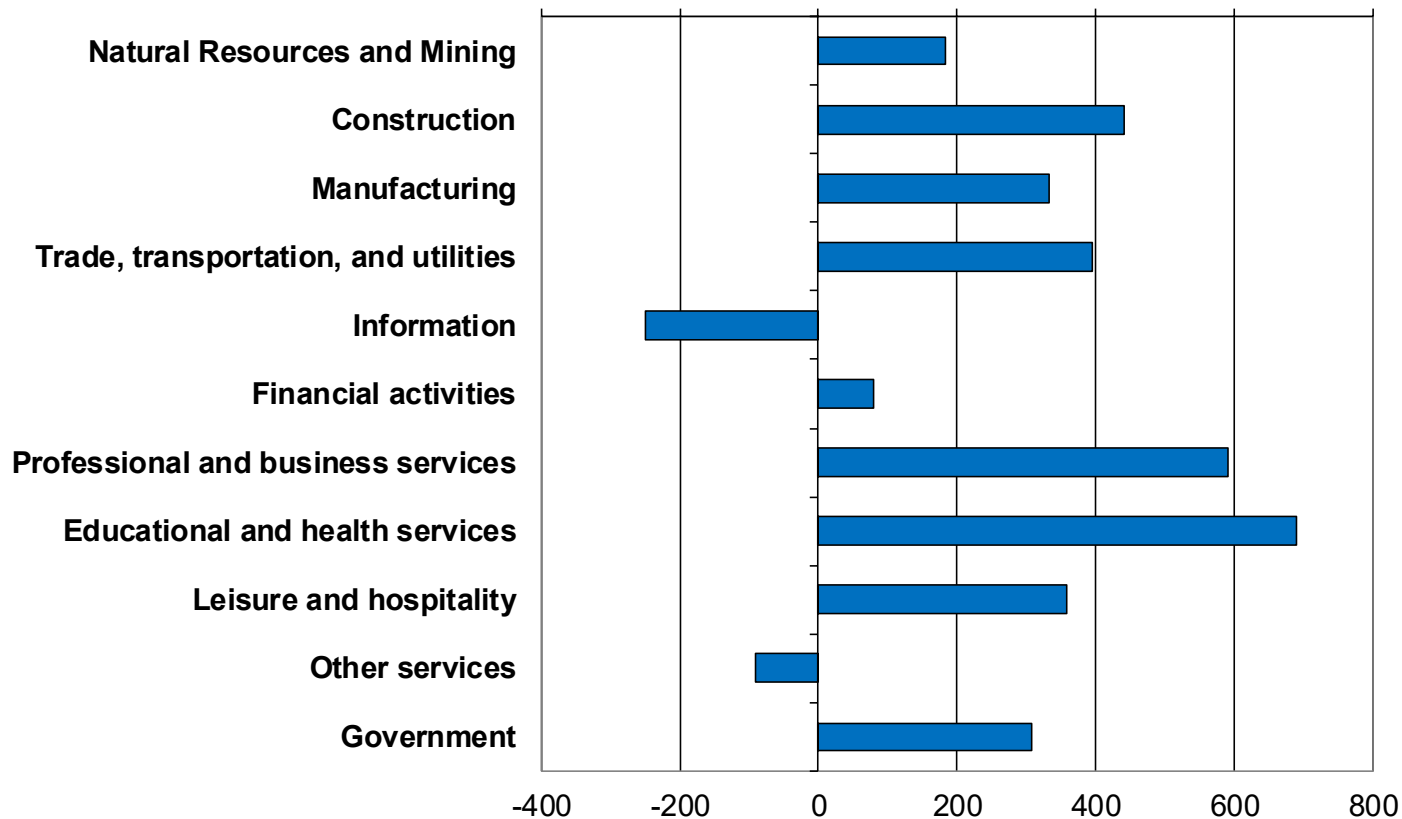


✓ *Lane County experienced a structural change during the recession with the loss of manufacturing.*



The latest estimates show that moderate to strong employment growth continues, but may be slowing.

**Lane County '16 to '17 Employment Change
(Annual Average)**



✓ Over-the-year employment growth in 2017 was 1.7% compared to 2.8% in 2016.

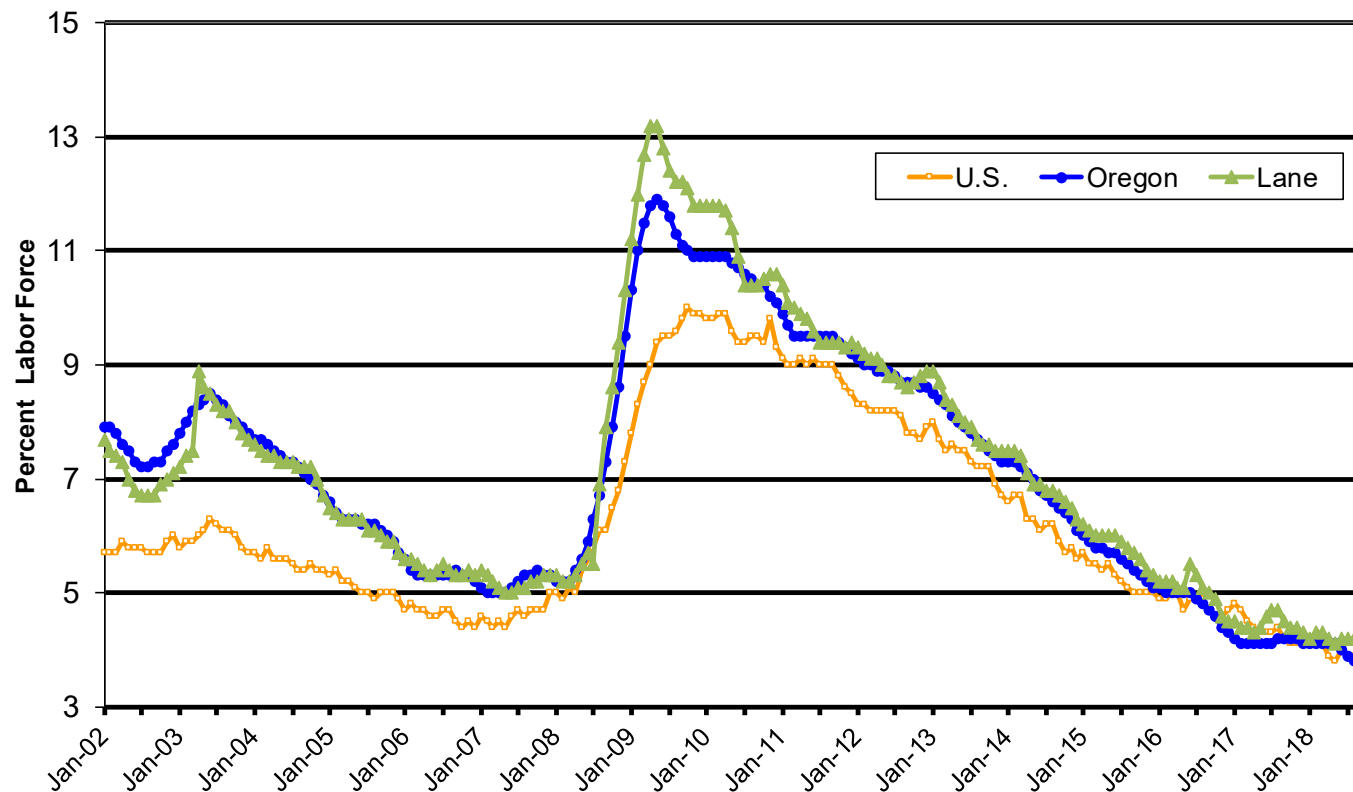


Unemployment Rates



Lane County's October 2018 unemployment rate stood at 4.5 percent, up from 4.4 percent in October 2016 and a high of 13.2 percent in April 2009.

Seasonally Adjusted Unemployment Rates, 2000 to Present



- ✓ *Lane's 4.1% rate in May 2018 is a record low.*
- ✓ *Oregon's statewide rate was 3.8% in October.*
- ✓ *U.S. unemployment rate was 3.7% in October.*



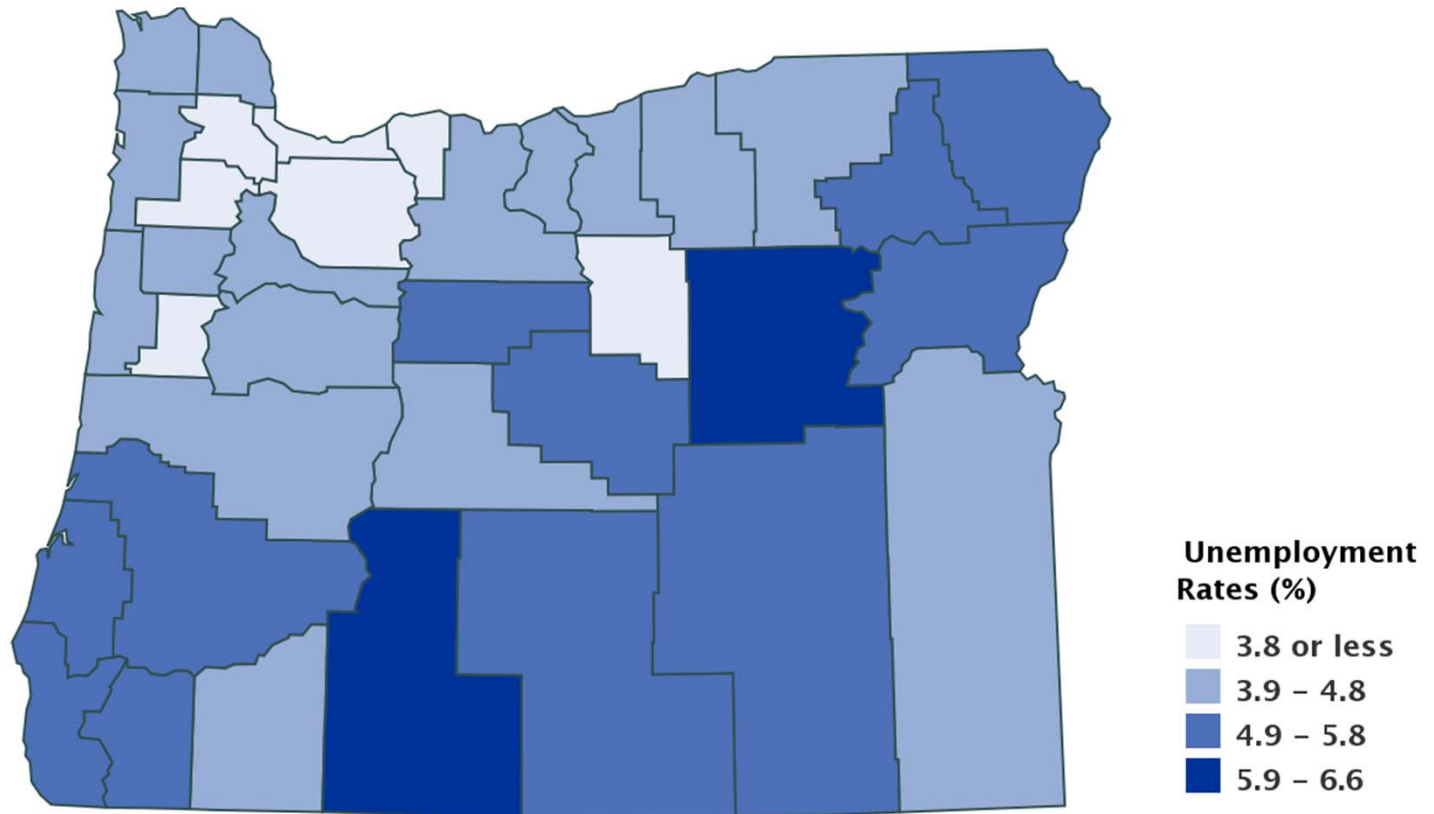
Many counties remain near their historic low unemployment rates.

Seasonally adjusted unemployment rates were tied for lowest at 3.3 % in Benton, Hood River and Washington Counties. Grant County was highest at 6.6%.

Harney County saw the largest improvement over the year with a drop of 0.7 percentage points. Morrow County saw the largest increase at 0.4 percentage points.

Seven of Oregon's 36 counties have rates at or below the statewide level of 3.8%.

Seasonally Adjusted Unemployment Rate, October 2018



Oregon Employment Department, Local Area Unemployment Statistics

GDP Growth



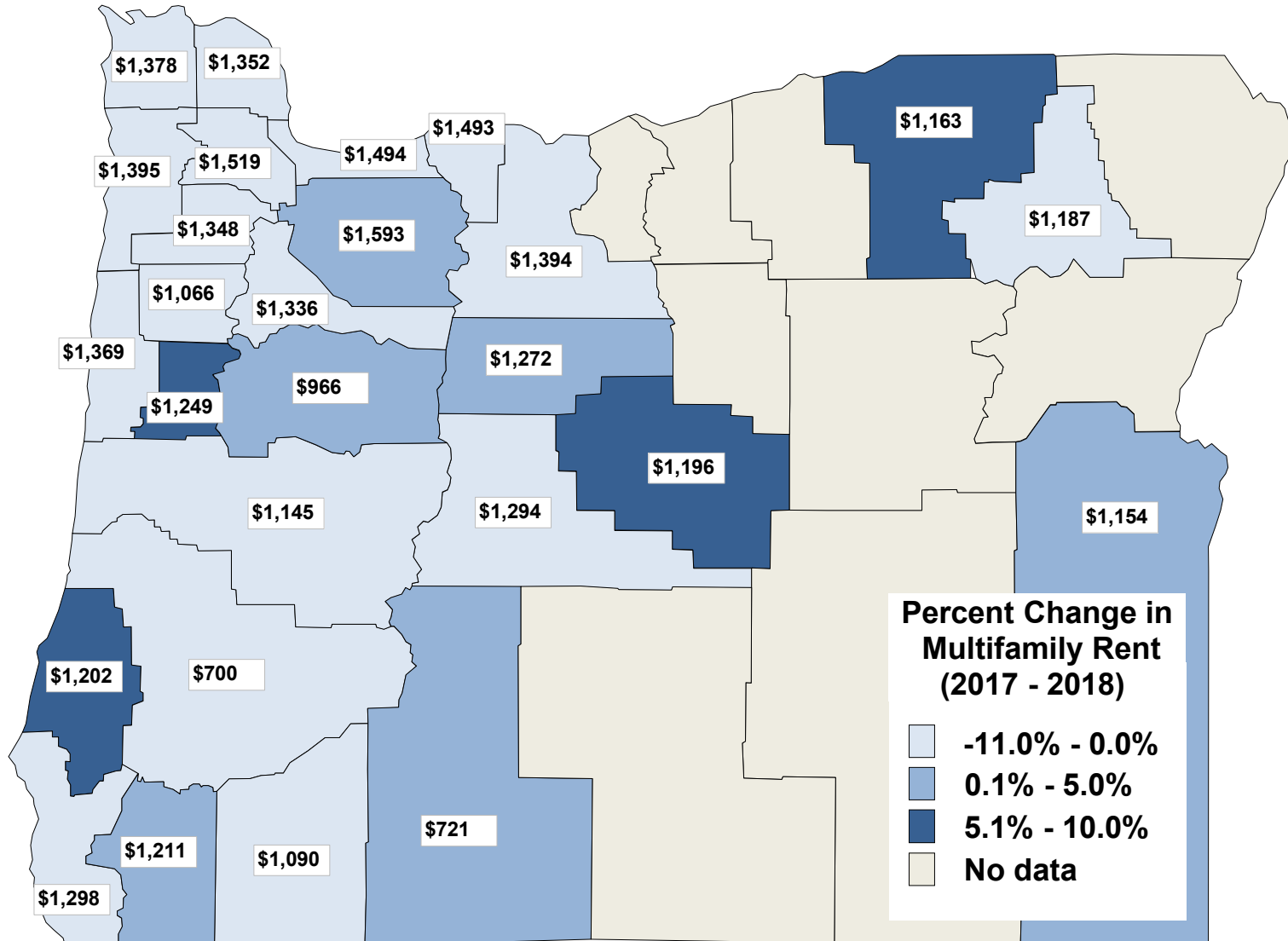
Lane County's 2017 GDP growth was comparable to other MSAs.

- ✓ Lane County was 2.0% in 2017.
- ✓ Nationally metropolitan areas grew by 2.1%.
- ✓ The percent change in real GDP by metropolitan area ranged from 12.1 percent in Odessa, TX to -7.8 percent in Enid, OK.
- ✓ Lane County was led by the financial activities, health services and retail trade industries.

Housing Market



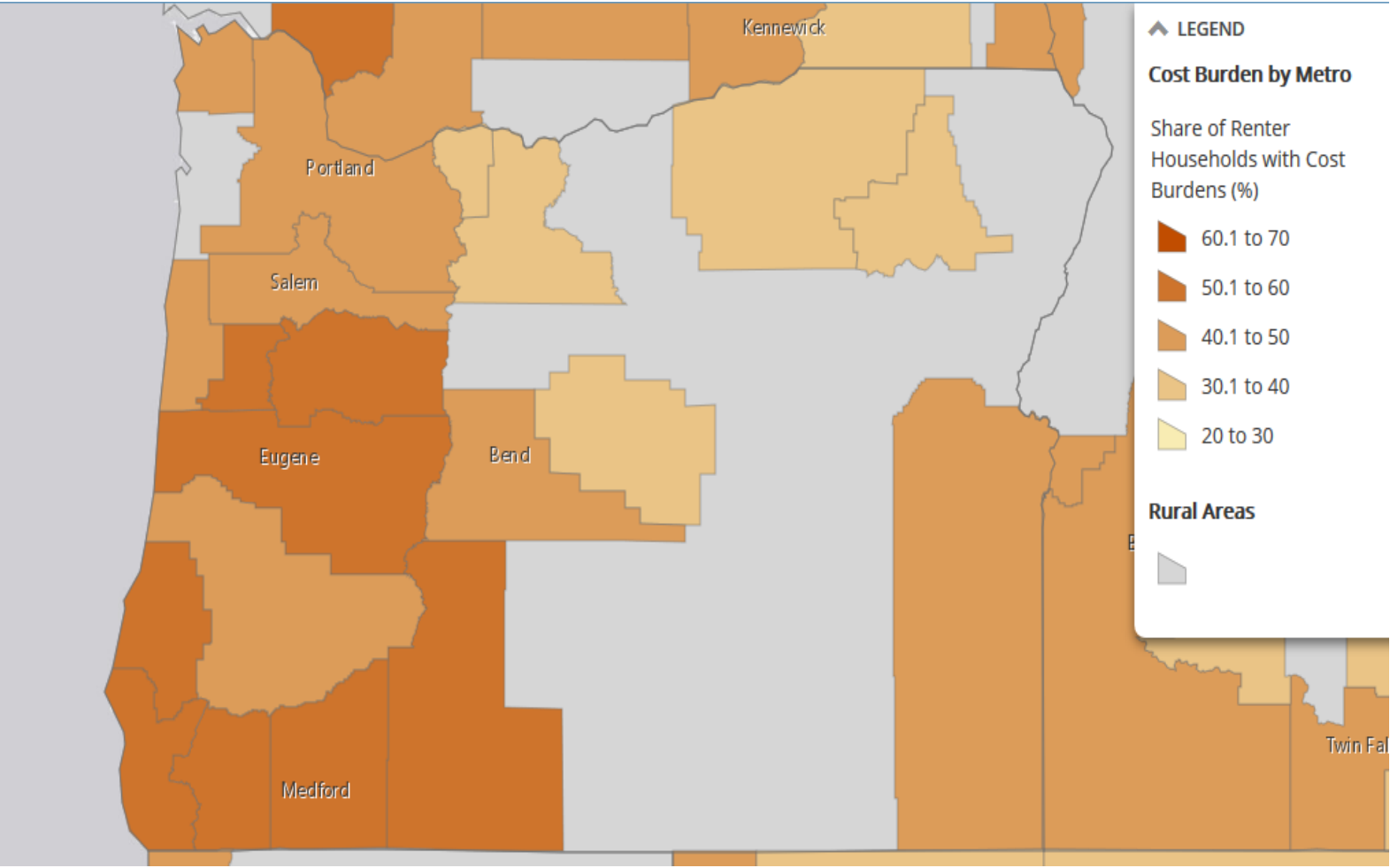
2017 to 2018 Average Apartment Rent Growth



Source: Zillow, ZRI Time Series Multifamily, August 2017-2018



Renter Cost Burden by County



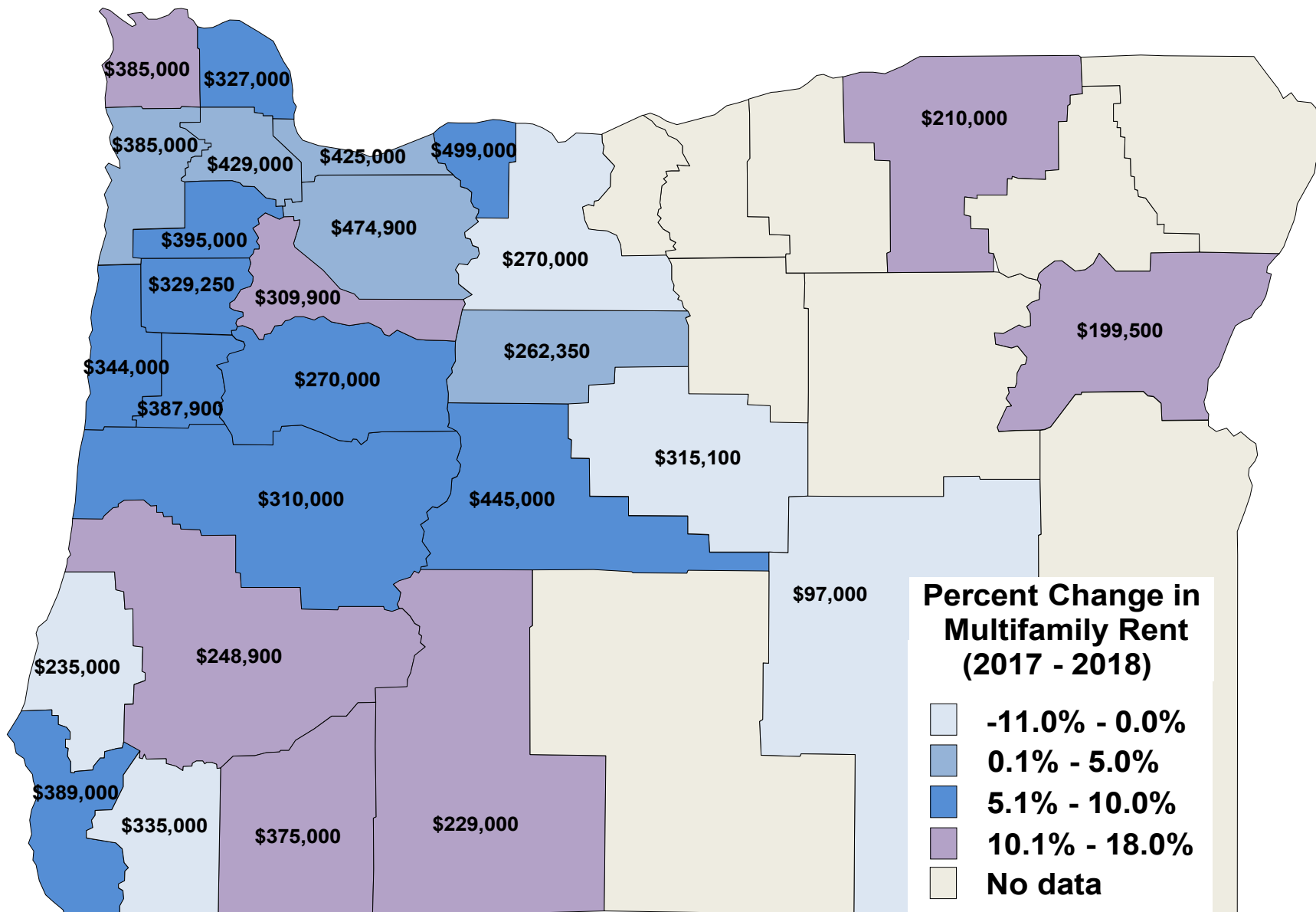
Eugene MSA's (Lane County's) renter cost burden = 51% with a median cost to income ratio = 32.3%.

Rent Burden = Spending more than 30% of gross income on rent.

Source: Harvard Joint Center for Housing Studies



2017 to 2018 Average Home Price Growth

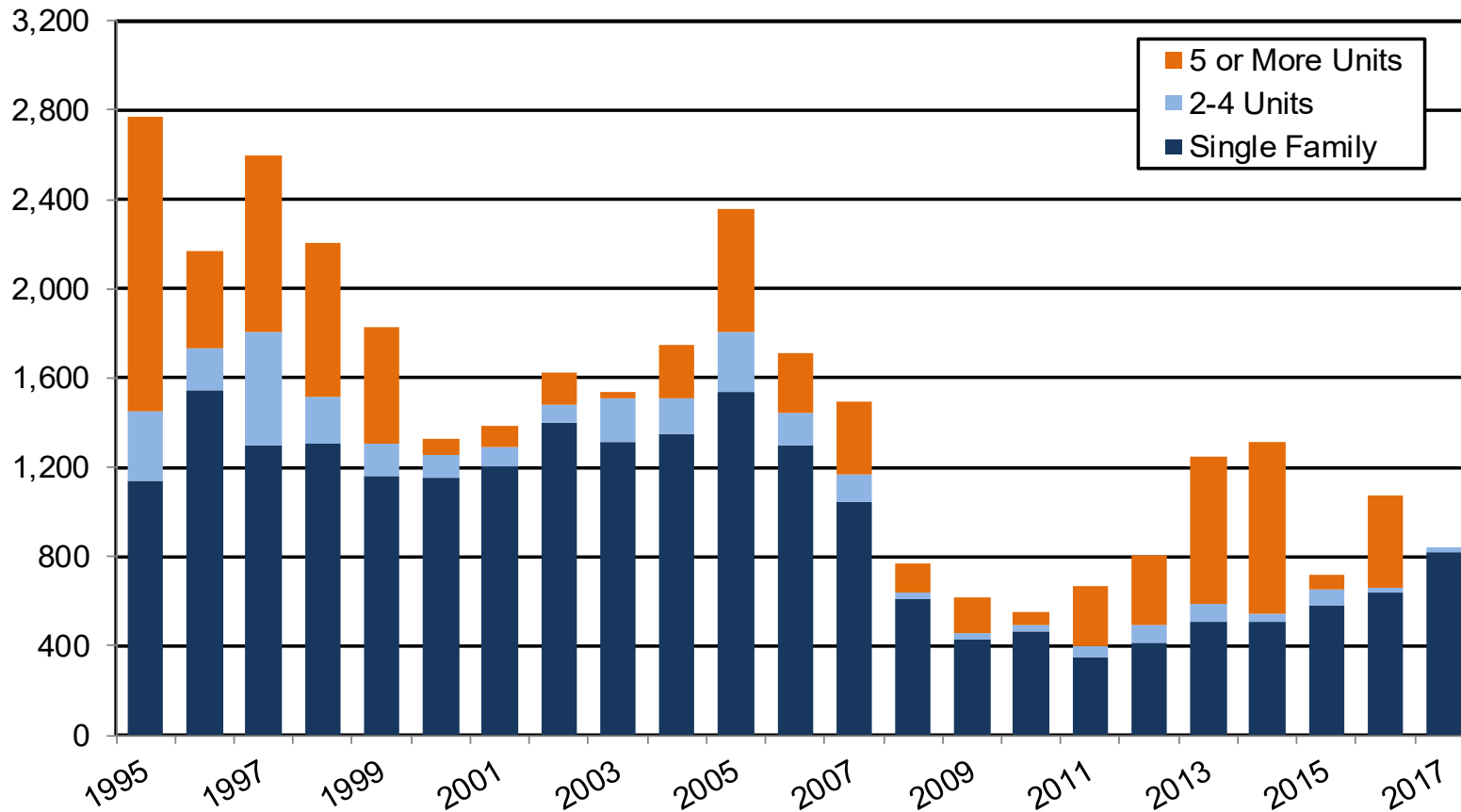


Source: Zillow, ZRI Time Series Multifamily, August 2017-2018



Total building permits were down in 2017, but are trending higher in 2018.

**Building Permits
Eugene MSA (Lane County)**

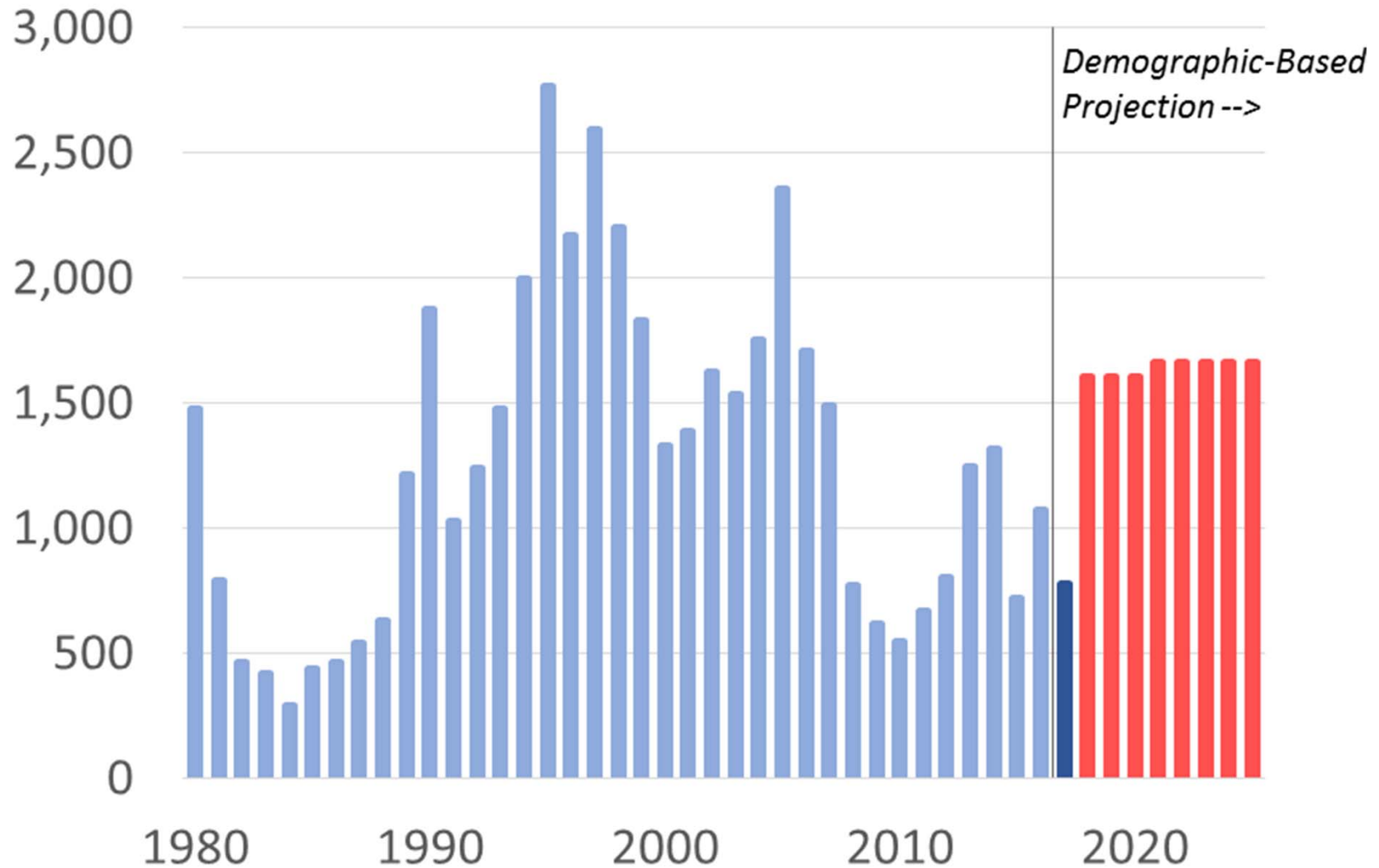


✓ *As of September 2018 there were 906 total units, 262 of which were in 21 buildings of 5 or more units.*



Lane Issue: Not Enough Building

Lane County Housing Permits Outlook

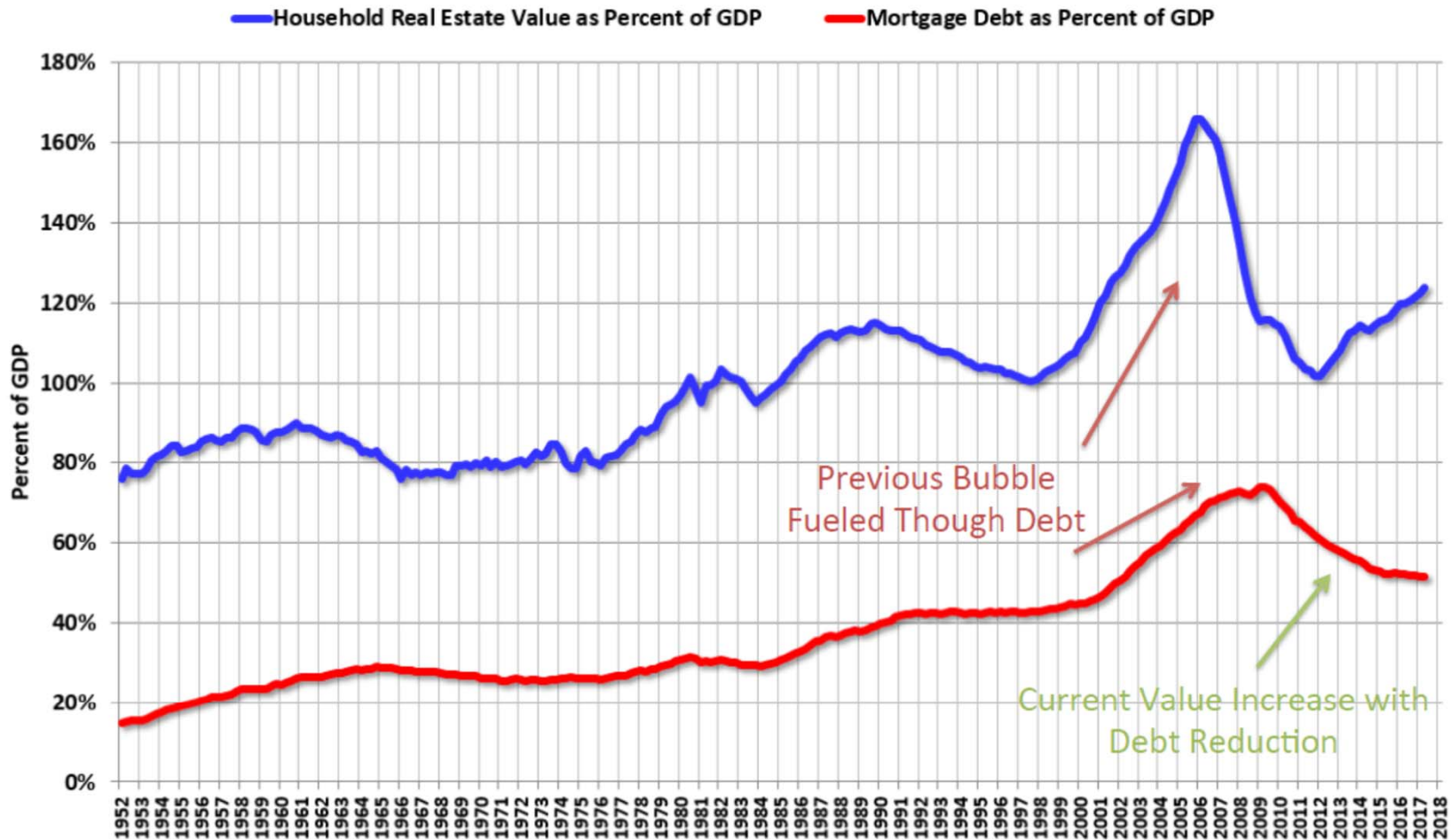


Source: HUD, Portland State - Population Research Center, Oregon Office of Economic Analysis



Are we in a housing bubble?

Real Estate Value and Debt vs. GDP



<http://www.calculatedriskblog.com/> Source: Federal Reserve Flow of Funds

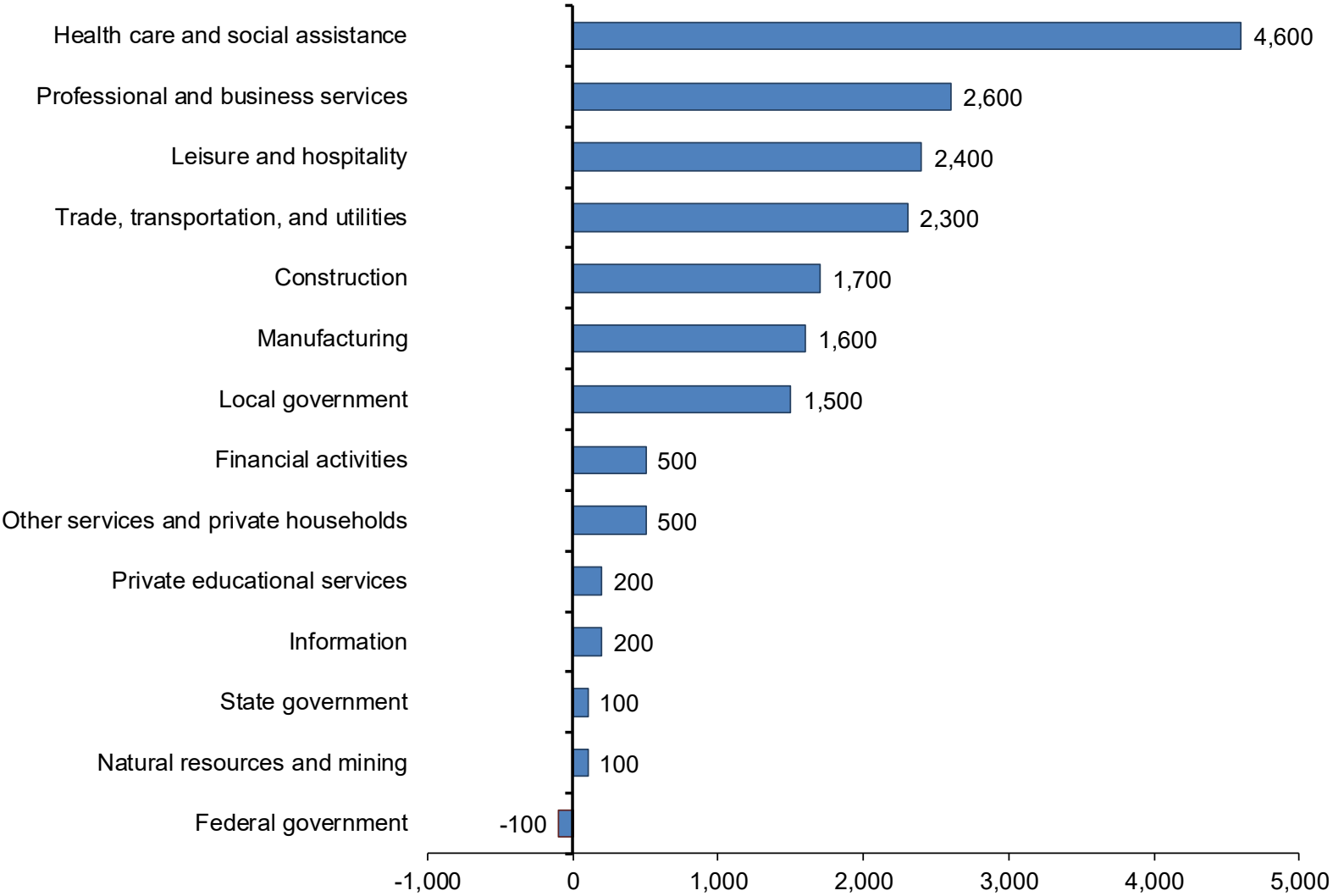


Now for a look forward...



All Lane County industries are expected to add jobs between 2017 and 2027, but at a slower rate than previous forecasts.

Lane County Long-Term Employment Growth Numeric Change, 2017-2027



✓ **2010 – 2020 forecast = 18% growth.**

✓ **2012 – 2022 forecast = 15%.**

✓ **2014 – 2024 forecast = 11% (17,700 jobs).**

✓ **2017 – 2027 forecast = 11% (19,300)**



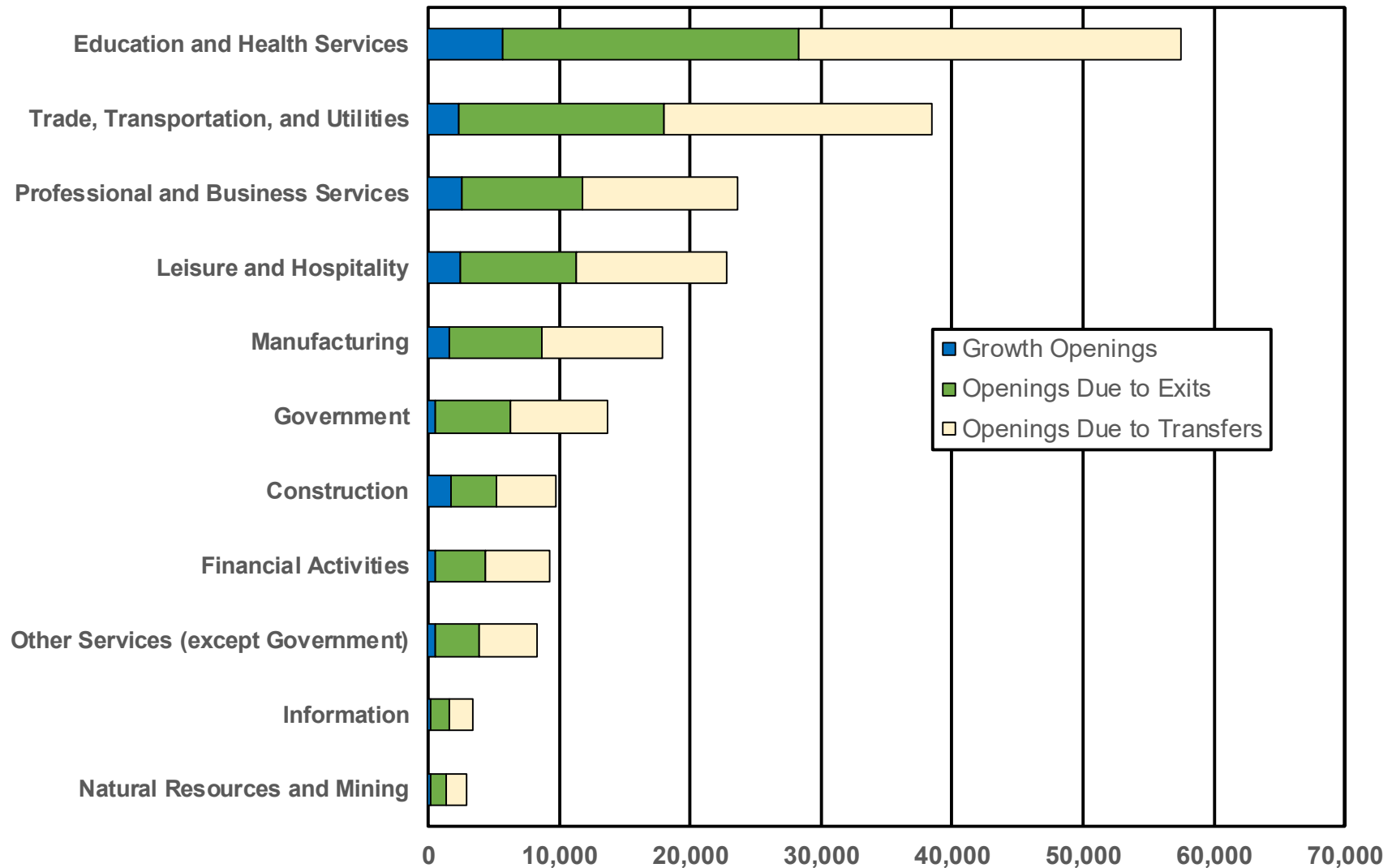
LANE COUNTY EMPLOYMENT GROWTH HIGHLIGHTS:

- Health care and social assistance adds 4,600 jobs due to a growing and aging population, but is not the fastest growing industry as efficiencies are realized.
- Construction grows the fastest (25%, +1,700 jobs). It is expected to reach its prerecession annual average peak of 8,200 late in the forecast period.
- Information grows slowly, adding 200 jobs (+7%) as growth in software publishing combines with losses in print publishing.
- Leisure and hospitality will add 2,400 jobs due to tourism and retirees.
- Manufacturing grows by 1,600 jobs (+12%). Durable goods manufacturing grows with the additions in transportation equipment (Arcimoto) early in the forecast. Nondurable goods manufacturing grows, adding 700 jobs (+14%), largely from food and beverage manufacturing.
- Federal government loses 100 jobs (-6%) due to small losses in the postal service and other federal employment.



Additional opportunities will be created by replacement openings, largely from retirements and transfers.

Lane County Projected Job Openings by Industry Growth and Replacement, 2017-2027



What we know is going to happen is mostly positive.

- **SentinelOne**, a California cybersecurity firm, opened a location in **Eugene**. It expects to hire 50 people by 2019 and could double that number by 2020.
- **Northern Gold Foods**, a cereal and granola bar maker, plans to build a 300,000-square-foot factory near **Junction City** that will employ about 75 people.
- Nike co-founder Phil Knight and his wife, Penny, have donated \$500 million to the **University of Oregon**. It will be used to launch a \$1 billion effort to build a three-building science complex in **Eugene**. The new facility would hire 30 new faculty, 250 new graduate students, and 150 new post-doctoral researchers.
- **Bartels Farms**, a slaughterhouse and meat-packing operation in **Eugene**, closed. It employed 142 people.
- **Arcimoto**, a Eugene-based electric vehicle company, raised \$19.5 million, allowing it to boost production at its west **Eugene** factory. It plans to add workers as production ramps up.



Bottom line. For the near term, moderate growth is expected to continue, but slowing into the future.

- Still in a “sweet spot” with a strong labor market and increasing real household income.
- Rising wages create more demand, but can lead to inflation.
- Near full employment. Slower more, sustainable growth rates are expected.
- Rising interest rates that can put a damper on the housing market. As the economy improves though, there should be more household formation. Affects Lane County primarily through less construction and less demand for wood products.
- Next recession? Don’t know. Many economists forecast sometime in the next 2 to 3 years.



Thank you!

Questions?

Brian Rooney
(541)359-9548

Brian.T.Rooney@oregon.gov

Website:

www.qualityinfo.org

