SUMMARY AND EDITORIAL

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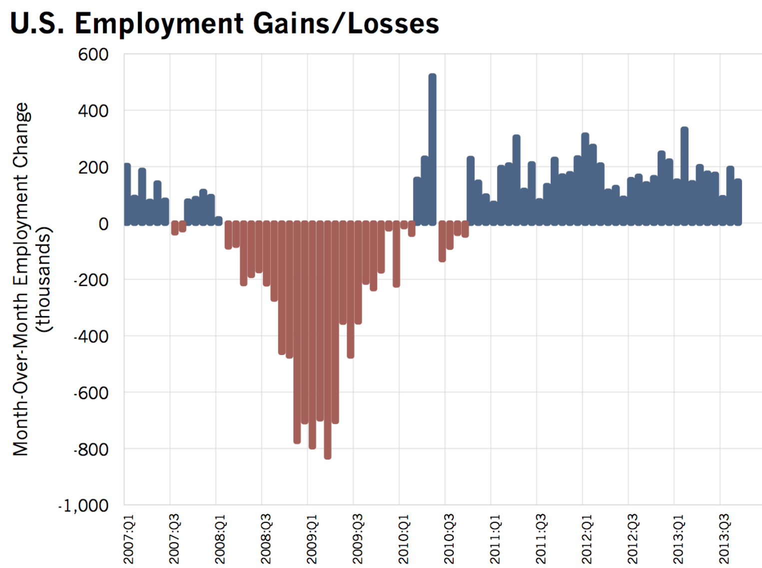
This Fall issue of the *Quarterly Report* is the last issue for 2013. Looking back to the last year-end issue, it is stunning how little has changed. Last year, I predicted that 2013 would be "disappointing, but not disastrous." It now looks like 2014 will probably be more of the same, with a slightly bigger chance of disaster. Last year, I reported that economists surveyed by the Wall Street Journal set a 1-in-5 chance of recession. This year the odds have more than doubled, with the Journal's forecasters putting the chance of recession at 42 percent.

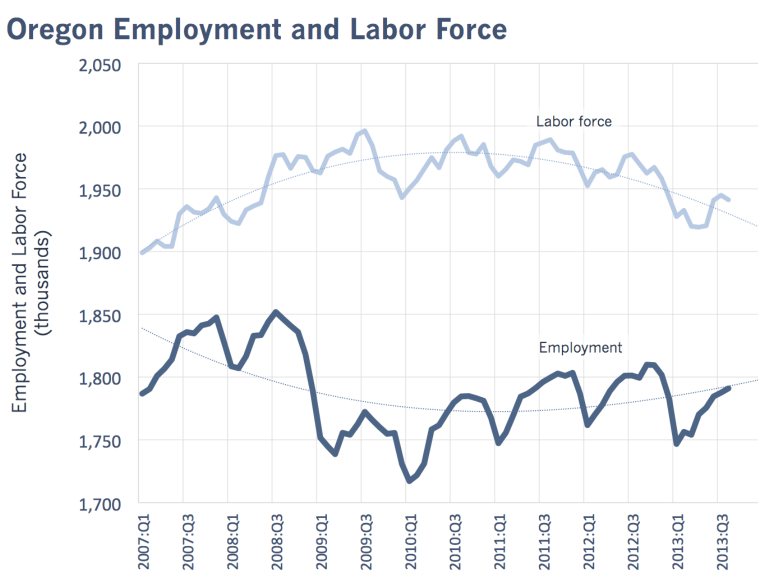
Economists surveyed by the Journal project that home prices in the U.S. will grow by just under five percent next year, which represents a slow down relative to this year. The Oregon Office of Economic Analysis projects Oregon home prices will be virtually unchanged next year, representing a potential stall in the housing market. The U.S. housing market is driven largely by the growth in U.S. economy and employment, which may remain sluggish until 2015 or longer. For example, after a strong start to the year, the pace of job creation has slowed lately and is not keeping pace with population growth.

■ Eric Fruits, Ph.D. is editor of the Center for Real Estate Quarterly Report and an adjunct professor at Portland State University. He is a managing economist with Nathan Associates Inc., where he directs the firm's Pacific Northwest practice. Any errors or omissions are the author's responsibility. Any opinions expressed are those of the author solely and do not represent the opinions of any other person or entity.



Oregon's employment growth has been driven largely by growth in the Portland area. Bend and Medford have also seen relatively rapid employment growth, which has, in turn, fed a somewhat robust residential real estate market in those areas. The rest of the state, however, is languishing with employment levels down roughly eight percent since before the recession.

Perhaps more troubling is the decline in labor force participation in Oregon. Across the U.S., the combination of a deep recession and sputtering recovery has sent labor force participation rates to the lowest levels since the bad ol' days of bell bottoms and stagflation. Approximately half of the "improvement" in Oregon's unemployment rate can be attributed to fewer people in the labor force.



In this issue of the *Quarterly Report*, **Angela Guo** provides a comprehensive review of the real estate and development activity around the rapidly redefined Lloyd District. **Evan Abramowitz** reports on residential real estate markets and **Geoff Falkenberg** provide and update on Portland's office, industrial, and retail real estate markets.

I hope you enjoy this latest issue of the Center for Real Estate Quarterly Report and find it useful. The Report is grateful to the Oregon Association of Realtors (OAR) for their continued support. ■