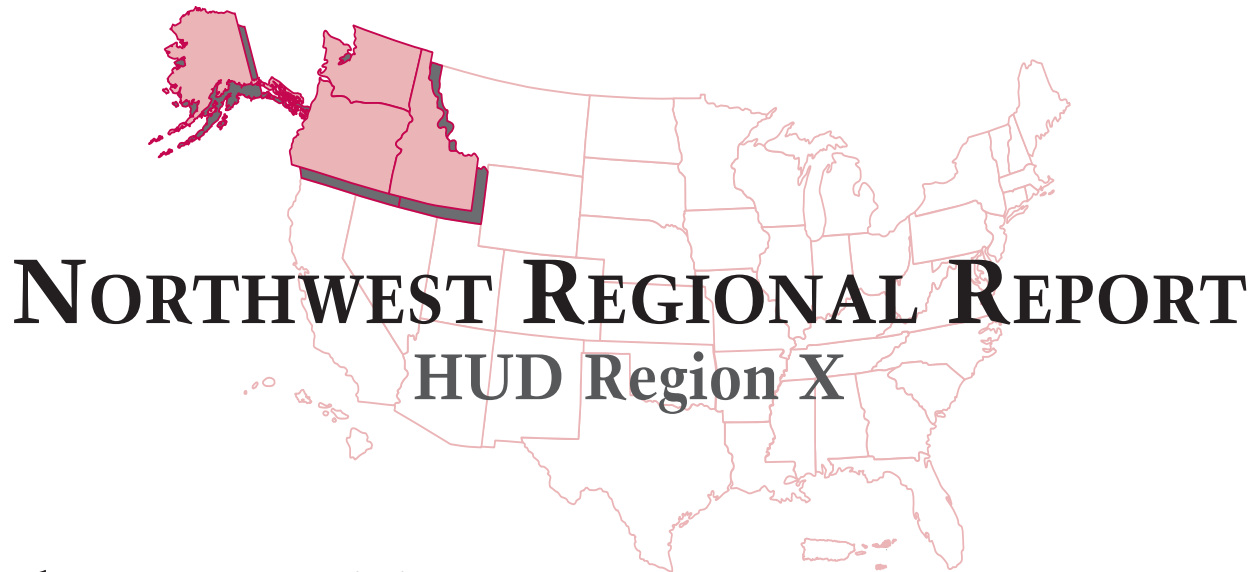




U.S. Housing Market Conditions



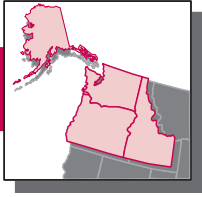
3rd Quarter Activity

The following summary of the Northwest region's housing market conditions and activities has been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The report provides overviews of economic and housing market trends within the Northwest region. The report is based on information obtained by HUD economists from state and local governments, from housing industry sources, and from their ongoing investigations of housing market conditions carried out in support of HUD's programs.

The third quarter of 2011 marked three consecutive quarters of year-over-year job gains in the Northwest region compared with 2 years of job losses from December 2008 through December 2010. During the 12 months ending September 2011, average nonfarm payrolls in the Northwest region increased by 56,400 jobs, or 1.1 percent, to a total of 5.36 million jobs, compared with a loss of 133,200 jobs, or 2.5 percent, during the 12 months ending September 2010. Despite recent growth, payrolls remain 340,000 jobs below the peak average in the 12 months ending December 2008. In Alaska, nonfarm payrolls increased by 6,500 jobs, or 2 percent, to an average of 329,100 jobs. In Oregon, nonfarm payrolls gained 21,100 jobs, a 1.3-percent increase, bringing total nonfarm payroll jobs to 1.62 million. In Idaho, average nonfarm payrolls

totalled 606,800 jobs, up by 3,800 jobs, or 0.6 percent. During the same period, in Washington, average nonfarm payrolls increased by 24,900 jobs, or 0.9 percent, for a total of 2.8 million jobs. Among the metropolitan areas in the Northwest region, during the 12 months ending September 2011, the rate of nonfarm payroll growth was strongest in the Wenatchee-East Wenatchee, Washington area, where jobs increased by 2.7 percent to 39,400; in the Corvallis, Oregon area, where nonfarm payrolls increased by 2.1 percent to 38,000 jobs; and in the Kennewick-Pasco-Richland, Washington area, where nonfarm payrolls increased by 1.8 percent to 100,100 jobs.

Nonfarm payroll gains in the region were greatest in the business and professional services sector, which increased by 23,500 jobs, or 3.9 percent, followed by the education and health services sector, which grew by 17,300 jobs, or 2.4 percent. Washington contributed 80 percent of the business and professional services sector gains, adding 18,700 jobs, a 5.8-percent increase. Oregon represented 37 percent of the job increase in the education and health services sector, adding 6,400 jobs, or 2.8 percent. Significant job losses in the construction subsector continued the downward trend that began in the region during the 12 months ending February 2008. During the 12 months ending September 2011, construction subsector payrolls in the region fell by 6,100 jobs, or 2.3 percent, because



of declines in commercial and single-family residential construction. Manufacturing sector payrolls increased by 9,100 jobs, or 1.9 percent. Improvements in the regional labor market led to a decline in the average unemployment rate from 9.9 to 9.4 percent.

Despite an improving labor market, the sales housing market in the Northwest region remained soft as limited mortgage credit availability continued to constrain sales housing demand. According to data from Hanley Wood, LLC, during the 12 months ending September 2011, an average of approximately 117,600 new and existing single-family homes sold, a 12-percent decrease compared with the number of homes sold during the 12 months ending September 2010. During the 12 months ending September 2011, in Washington, an average of 55,900 new and existing homes sold, reflecting a 15-percent decline compared with the number sold during the previous 12 months. The average home sales price decreased by 2 percent, to \$259,300. In the Seattle metropolitan area, during the same period, 29,050 new and existing single-family homes sold, an 11-percent decrease compared with the number sold during the previous 12 months. The average home sales price in the Seattle metropolitan area declined 4 percent to \$406,100. The number of homes sold in the Tacoma metropolitan division decreased by 14 percent to 7,350 homes sold, and the average home sales price decreased 9 percent to \$225,400.

During the 12 months ending September 2011, according to data from Hanley Wood, LLC, the number of new and existing single-family homes sold in Oregon averaged approximately 34,600, a 12-percent decrease compared with the number sold during the previous 12-month period. The average new and existing single-family home sales price decreased by 4 percent to \$231,000 during the 12 months ending September 2011. In the Portland-Vancouver-Beaverton, Oregon-Washington metropolitan area, 21,450 new and existing homes sold, down 12 percent compared with the number sold during the previous 12-month period, and the average home sales price decreased 5 percent to \$261,100. In Idaho, during the 12 months ending September 2011, the number of new and existing homes sold declined by 6 percent to 21,200, and the average home sales price decreased 3 percent to \$163,500. In the Boise-Nampa metropolitan area, 13,350 new and existing homes sold, down 4 percent from the 12 months ending September 2010, and the average home sales price declined by 4 percent to \$159,900. In Anchorage, sales housing market conditions were slightly soft during the same period, with the number of new and existing homes sold declining by 9 percent to 4,450 homes; the average home sales price increased by 1 percent to \$289,300.

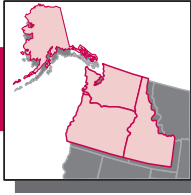
A decrease in foreclosure activity in Alaska and Idaho offset an increase in both Washington and Oregon, resulting in relatively no change from August 2010 in the percentage of mortgage loans 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) in the region at

6 percent, according to LPS Applied Analytics. By state, the rate increased from 6.0 to 6.4 percent in Washington and from 5.7 to 6.0 percent in Oregon. The rate declined from 6.7 to 5.7 percent in Idaho and from 3.0 to 2.7 percent in Alaska. All these rates remained below the 7.7-percent national average rate.

New single-family home construction activity, as measured by the number of building permits issued, decreased in the 12 months ending August 2011, a trend that began 4 years earlier. Based on preliminary data, 15,875 homes were permitted in the region, a decline of 2,250 homes, or 12 percent, compared with the number permitted during the previous 12 months. In Oregon and Idaho, during the 12 months ending June 2011, the number of home permits fell by 520 and 675 homes, or 13 and 23 percent, to total 3,575 and 2,325 homes permitted, respectively. In Washington, the number of permitted homes decreased by 1,025 homes, or 10 percent, to 9,425 homes. In Alaska, single-family construction activity decreased by 125 homes, or 19 percent, to 525 homes permitted.

During the 12 months ending August 2011, in response to tightening rental housing markets, multifamily construction activity, as measured by the number of units permitted, increased by 24 percent in the Northwest region. Based on preliminary data, the number of units permitted in the region totaled 6,800 units, an increase of 1,300 units, from the number of units permitted during the previous 12-month period. In Oregon, 1,400 multifamily units were permitted, which represents an increase of 44 percent, or 425 units, compared with the number of multifamily units permitted during the 12 months ending August 2010. In Washington, the gain in multifamily building activity totaled 875 units, a 22-percent increase from the number of units permitted for the 12-month period ending August 2010. In Idaho, during the same period, the number of multifamily units permitted was unchanged at 350 units. During the 12 months ending August 2011, the number of multifamily units permitted in Alaska decreased 45 percent, or 100 units, to 125 units permitted compared with the number permitted during the previous 12 months.

Rental housing market conditions in the region's major metropolitan areas were tight to balanced as of the third quarter of 2011. According to data from Dupre+Scott Apartment Advisors, Inc.'s September 2011 survey of the Seattle Tri-County area, consisting of King, Pierce, and Snohomish Counties, the apartment vacancy rate was 5 percent, unchanged from a year ago. The average asking rent for apartments in the Seattle Tri-County area was \$1,011, up 5 percent from a year earlier. According to the Metropolitan Multifamily Housing Association *Apartment Report* for the fall of 2011, the apartment vacancy rate in the Vancouver metropolitan area was 4.4 percent compared with 6.4 percent a year ago, and the average asking rent increased by 5 percent to \$772.



Rental housing market conditions tightened in Oregon during the third quarter of 2011. In the Portland metropolitan area, the average apartment vacancy rate fell to 3.2 percent from 4.9 percent between the third quarters of 2010 and 2011, according to Reis, Inc. The average asking rent in the Portland area increased by 3 percent to \$852. In the Eugene metropolitan area, the average asking rent was \$720 compared with \$711 a year ago, and the apartment vacancy rate decreased to 4.3 percent from 4.7 percent. In the Salem metropolitan area, the asking rent averaged \$648 as of the third quarter of 2011,

an increase of 2 percent from a year ago while the apartment vacancy rate decreased to 3.0 from 4.6 percent. In Anchorage, Reis, Inc. survey results showed the apartment vacancy rate during the third quarter of 2011 was 3.2 percent compared with 3.6 percent a year ago, and the average asking rent increased by 3 percent to \$1,042. Rental housing market conditions were balanced in the Boise metropolitan area during the third quarter of 2011 as the vacancy rate decreased to 5.4 percent compared with 8.1 percent a year ago, and the average asking rent increased by 3 percent to \$708.