

# HUD PD&R Regional Reports

## Region 10: Northwest



### Quick Facts About Region 10

Boise, Idaho

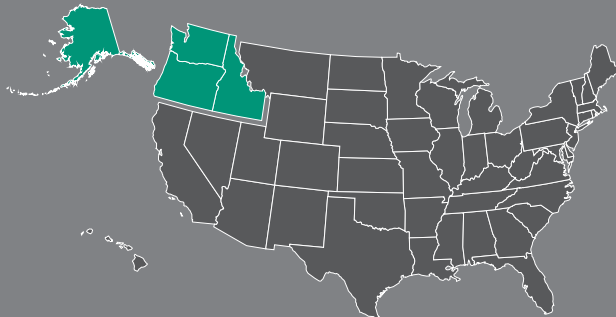
By Thomas E. Aston | 1st quarter 2017

#### ● Sales market conditions—

First quarter 2017: tight.  
Fourth quarter 2016: tight.  
First quarter 2016: tight.

#### ● Apartment market conditions—

First quarter 2017: mixed (tight to balanced).  
Fourth quarter 2016: mixed (very tight to balanced).  
First quarter 2016: mixed (very tight to balanced).



### Overview

During the first quarter of 2017, year-over-year job growth increased for the sixth consecutive year in the region, but the rate of job growth slowed slightly from a year earlier, partly because of energy-related job losses in Alaska and aerospace job losses in Washington. Strong job growth in Idaho, Oregon, and Washington led to robust population growth from 2015 to 2016 in all three states, placing them among the seven states that had the three highest rates of population growth in the United States (Census Bureau population estimates as of July 1). Sales housing market conditions in the region are tight, and a low supply of homes for sale led to only modest gains in new and existing home sales. Apartment market conditions were mixed, ranging from tight to balanced, with average vacancy rates ranging between 2.8 percent in the Anchorage metropolitan area and 4.6 percent in the Seattle metropolitan area.

- After peaking at 3.1 percent during the first quarter of 2016, the annual rate of nonfarm payroll growth slowed for four consecutive quarters to 2.4 percent during the first quarter of 2017.
- During January 2017, the inventory of homes for sale in all the major metropolitan areas in the Northwest region decreased from a year earlier to between 1.0 and 3.4 months of supply.
- Mainly because of a shortage of construction labor, the pace of single-family construction activity, as measured by the number of single-family homes permitted, stalled in the region during the first quarter of 2017.



The mining, logging, and construction sector led all sectors in the Northwest region with a 5.1-percent increase in nonfarm payrolls.

	First Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,965.6	6,107.8	142.2	2.4
Goods-producing sectors	894.4	904.2	9.8	1.1
Mining, logging, and construction	343.0	360.4	17.4	5.1
Manufacturing	551.4	543.8	-7.6	-1.4
Service-providing sectors	5,071.2	5,203.7	132.5	2.6
Wholesale and retail trade	914.2	937.8	23.6	2.6
Transportation and utilities	203.8	208.9	5.1	2.5
Information	165.2	171.7	6.5	3.9
Financial activities	286.8	297.2	10.4	3.6
Professional and business services	735.2	752.2	17.0	2.3
Education and health services	872.8	902.8	30.0	3.4
Leisure and hospitality	596.3	611.5	15.2	2.5
Other services	211.7	218.0	6.3	3.0
Government	1,085.0	1,103.5	18.5	1.7

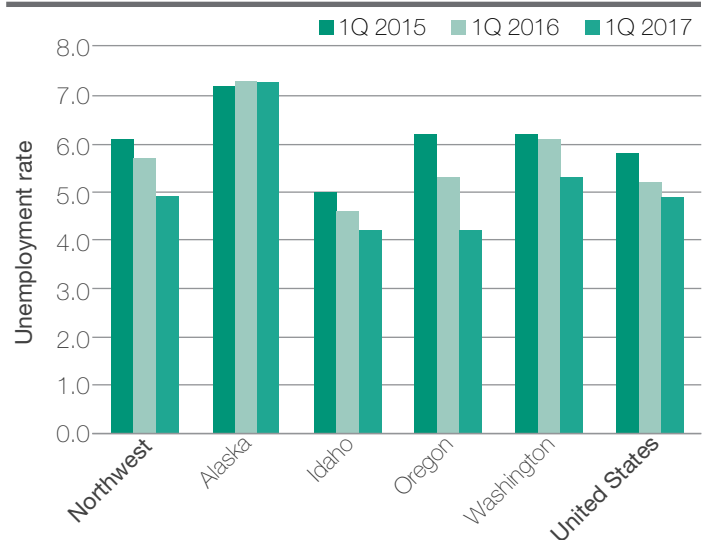
Note: Numbers may not add to totals because of rounding.  
Source: U.S. Bureau of Labor Statistics

## Economic Conditions

During the first quarter of 2017, nonfarm payrolls increased by 142,200 jobs, or 2.4 percent, to an average of 6.1 million jobs compared with an increase of 179,400 jobs, or 3.1 percent, a year earlier. Job growth in the region was broad based, with 8 out of the 11 sectors increasing at a growth rate greater than the regional average. Measured in terms of percentage gains, the mining, logging, and construction sector led all sectors with a 5.1-percent increase, or 17,400 jobs, followed by the information and financial activities sectors, with gains of 3.9 and 3.6 percent, or 6,500 and 10,400 jobs, respectively. With an increase of 30,000 jobs, or 3.4 percent, the education and health services sector led numerical payroll gains. Only the manufacturing sector recorded job losses, with a decline of 7,600 jobs, or 1.4 percent, mainly attributable to aerospace industry payroll declines in Washington. During the first quarter of 2017, strong job growth in Idaho, Oregon, and Washington led to a decline in the average unemployment rate in the region to 4.9 percent compared with 5.7 percent a year earlier. At 4.2 percent, Idaho and Oregon had the lowest average unemployment rate in the region.

- The ongoing impact of relatively low oil prices caused nonfarm payrolls to contract for the second consecutive quarter in Alaska. Year-over-year nonfarm payrolls declined by 6,100 jobs, or 1.9 percent, to an average of 315,100 jobs. Job losses were greatest in the mining, logging, and construction and the manufacturing sectors, where payrolls contracted by 2,700 and 2,600 jobs, or 21 and 16 percent, respectively, accounting for 88 percent of the jobs lost since the first quarter of 2016.

The first quarter unemployment rate in three states in the Northwest region declined for 2 consecutive years.



1Q = first quarter.  
Source: U.S. Bureau of Labor Statistics

- Nonfarm payrolls in Idaho increased by 21,500 jobs, or 3.2 percent, to an average of 697,300 jobs compared with the same quarter a year earlier. Idaho tied with Utah for the fastest growth rate in nonfarm payrolls among all states in the United States. Job gains were greatest in the mining, logging, and construction sector, increasing 7.9 percent, or by 2,900 jobs, nearly all of which were in the construction subsector because of robust commercial and residential construction activity in the southwest region of the state.

continued on page 3



continued from page 2

- Led by an 8-percent increase, or 7,500 jobs, in the mining, logging, and construction sector, nonfarm payrolls in Oregon increased 2.1 percent, or by 38,100 jobs, to an average of 1.84 million jobs compared with a year earlier. All job gains in the mining, logging, and construction sector occurred in the construction subsector, as commercial and residential activity was strong, especially in the Portland metropolitan area.

- In Washington, nonfarm payrolls increased by 88,700 jobs, or 2.8 percent, to an average of 3.3 million jobs. As in Idaho and Oregon, the mining, logging, and construction sector led the percentage gain in job growth, increasing 5.8 percent, or by 10,400 jobs, mainly on the strength of commercial and residential construction activity in the Puget Sound region.

## Population

Population growth in the Northwest region between 2015 and 2016 accelerated to 1.7 percent, or 231,000 people, compared with 1.3 percent, or 169,250 people, from 2014 to 2015. From 2010 to 2016, the population grew at an average annual rate of 1.2 percent, or 139,000 people, to 13.8 million. Net in-migration from 2015 to July 2016 increased to 165,300 people from 115,660 for the same period a year earlier and accounted for 72 percent of the increase in total population. After increasing for 5 consecutive years from 2010 to 2015, the rate of international in-migration declined to 35,100 from 2015 to 2016.

During the 12 months ending July 1, 2016—

- Mainly because of robust job growth, population growth in the Northwest region occurred at the fastest rate of any of the 10 HUD regions.

- Idaho and Washington tied Florida for the second fastest annual growth rate among the 50 U.S. states at 1.8 percent. Oregon tied for third with Arizona and Colorado at an annual increase of 1.7 percent.
- Out of the four states in the region, Oregon had the highest rate of net in-migration as a percentage of total population change at 82 percent.
- Population growth in Alaska was the slowest of any state in the region with an increase of 0.6 percent, or 4,175 people. A net of approximately 2,500 people left the state, in part because of declining job opportunities.

### The population growth rates in Northwest region states Idaho, Oregon, and Washington outpaced the U.S. growth rate by a full percentage point or more.

	Population Estimate (as of July 1)			Percent Change	
	2014	2015	2016	2014 to 2015	2015 to 2016
United States	318,907,401	321,418,820	323,127,513	0.7	0.7
Northwest region	13,406,220	13,575,461	13,806,499	1.3	1.7
Alaska	737,046	737,709	741,894	0.1	0.6
Idaho	1,634,806	1,652,828	1,683,140	1.2	1.8
Oregon	3,971,202	4,024,634	4,093,465	1.4	1.7
Washington	7,063,166	7,160,290	7,288,000	1.5	1.8

Source: U.S. Census Bureau

## Sales Market Conditions

Sales housing markets in the Northwest region have been tight since the third quarter of 2015. During the 12 months ending February 2017, new and existing home sales (including single-family homes, townhomes, and condominiums) increased 4 percent to 309,800 homes sold (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The average price of a home sold was \$321,400, up 8 percent from a year earlier. The number of homes

that had transitioned to real estate owned (REO) status decreased 24 percent from a year ago, to 12,225, and were 4 percent of existing home sales compared with 6 percent a year earlier. The number of active listings declined in every major metropolitan area from the first quarter of 2016, with the rate of decline ranging from 5 percent in the Bremerton-Silverton metropolitan area to 34 percent in the Eugene-Springfield metropolitan area.

continued on page 4



continued from page 3

Strong population and job growth in Washington led to the largest percentage increase of new and existing home sales in the region, 8 percent, to 157,500 homes sold compared with a 17-percent increase to 146,300 homes sold during the previous 12-month period. The average sales price increased 8 percent to \$362,700. The Olympia metropolitan area led all metropolitan areas in the region with an 18-percent gain in homes sold to 6,000, contributing to a year-over-year decline in for-sale inventories from a 2.4- to a 1.5-month supply.

Robust job and population growth led to strong demand for sales housing in Oregon during the 12 months ending February 2017, causing significant declines in active listings in major metropolitan areas. Consequently, the number of homes sold statewide was relatively unchanged from a year earlier at 88,475. The average price of homes sold in Oregon was up 9 percent to \$307,600 compared with the average price a year earlier. Mainly because of the limited supply of homes for sale in the Portland metropolitan area, home sales declined 1 percent to 52,350 homes sold, the first decline in home sales during a 12-month period since the 12 months ending in May 2014.

Despite strong labor market and population growth in Idaho, during the 12 months ending February 2017 the number of new and existing homes sold, 48,450, was relatively unchanged from a year earlier, mainly because of low for-sale inventories. The average price of homes sold in Idaho increased 4 percent to \$227,100 during the 12 months ending February 2017, unchanged from a year earlier.

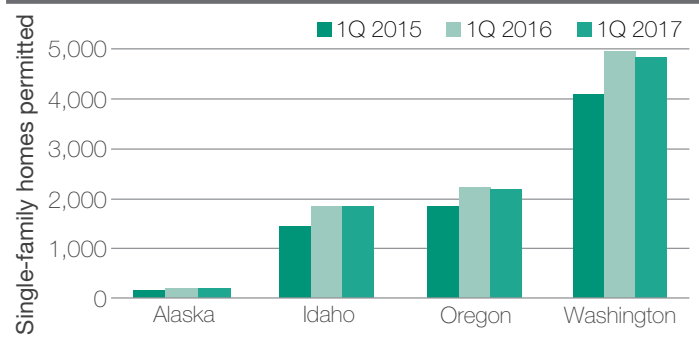
In Alaska, a weakening economy contributed to a 9-percent decrease in homes sold during the 12 months ending February 2017. The 12,850 homes sold was the lowest 12-month total since May 2013. The average price of homes sold was \$282,000, relatively

unchanged from a year earlier. The 33-percent decrease in new homes sold exceeded the 32-percent decline during the 12-month period ending in October 2009, the largest annual decline in new home sales during the housing crisis.

Tight sales housing markets in Idaho, Oregon, and Washington led to a decrease in the rate of seriously delinquent loans (90 or more days delinquent or in foreclosure) and REO properties in the region. As of February 2017, 1.6 percent of home loans in the region were seriously delinquent or had transitioned into REO status compared with 2.2 percent in February 2016; at the same time, the national rate decreased from 3.2 to 2.5 percent. The share of seriously delinquent loans and REO properties decreased from 2.2 to 1.6 percent in Washington, from 2.6 to 1.7 percent in Oregon, and from 1.7 to 1.3 percent in Idaho. In Alaska, the share increased to 1.3 from 1.2 percent in February 2016 in response weak economic conditions.

continued on page 5

**Single-family permitting activity in the Northwest region was relatively unchanged from the first quarter of 2016 after increasing 22 percent a year ago.**



1Q = first quarter.  
 Note: Based on preliminary data.  
 Source: U.S. Census Bureau, Building Permits Survey

**Olympia and Tacoma were the only metropolitan areas in the Northwest region with double-digit percentage gains in the number of homes sold.**

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2016	2017	Percent Change		2016 (\$)	2017 (\$)	Percent Change
Anchorage (N&E)	February	9,275	8,325	- 10	AVG	300,900	302,100	0
Boise (N&E)	February	22,250	23,750	7	AVG	230,200	244,300	6
Eugene (N&E)	February	7,050	7,450	6	AVG	236,200	250,900	6
Olympia (N&E)	February	5,075	6,000	18	AVG	255,300	272,900	7
Portland (N&E)	February	53,050	52,350	- 1	AVG	330,800	366,700	11
Salem (N&E)	February	7,650	8,050	5	AVG	219,000	239,500	9
Seattle (N&E)	February	57,050	59,950	5	AVG	494,900	530,300	7
Tacoma (N&E)	February	17,450	19,350	11	AVG	268,200	291,900	9

AVG = average. N&E = new and existing.  
 Note: Includes single-family homes, townhomes, and condominiums.  
 Source: CoreLogic, Inc., with adjustments by the analyst





continued from page 4

During the first quarter of 2017 (preliminary data)—

- Single-family homebuilding activity in the Northwest region, as measured by the number of homes permitted, was relatively unchanged from a year earlier, decreasing 2 percent to 9,075 homes. First quarter year-over-year building activity has not declined since 2014.
- Idaho was the only state in the region where single-family permitting activity increased to 1,835 homes from 1,828 homes a year earlier, compared with an increase of 360 homes from the first quarter of 2015 to the first quarter 2016.

- In Alaska, Oregon, and Washington, the number of single-family homes permitted decreased from 215 to 210 homes, from 2,240 to 2,183 homes, and from 4,983 to 4,838 homes, respectively, from the first quarter of 2016.
- Though relatively unchanged from a year earlier, single-family permitting in the region was at its highest level since the sales market recovery began in 2012.

## Apartment Market Conditions

During the first quarter of 2017, apartment market conditions in the major metropolitan areas of the Northwest region were mixed, ranging from tight to balanced, compared with ranging from very tight to balanced a year ago. Apartment markets in the Anchorage and Olympia metropolitan areas were tight, with vacancy rates of 2.8 and 3.2 percent, respectively. However, because of sluggish labor market conditions in Anchorage, the average vacancy rate increased 1.1 percentage points from a year earlier compared with only 0.2 percentage points in Olympia, where job growth was strong.

In the Portland and Seattle metropolitan areas, apartment market conditions were slightly tight. Compared with the first quarter of 2016, the average vacancy rates increased 1 percentage point in Portland and 0.4 percentage points in Seattle, mainly because of the completion of 5,600 units in Portland and 9,000 units in Seattle since the first quarter of 2016. Despite rising average vacancy rates, the demand for apartments continues to be strong, as average rents increased 10 and 7 percent in Portland and Seattle, respectively.

Bend was the only major metropolitan area in the region where the apartment market was balanced during the first quarter of 2017, with an average vacancy rate of 4.9 percent, compared with 2.3 percent a year ago. The average vacancy rate increased because, during 2015 and 2016, 1,100 multifamily units were permitted compared with 220 units from 2010 through 2014. Even though the vacancy rate increased, the average rent in the Bend metropolitan area increased 6 percent from the first quarter of 2016, mainly because of a boost in the demand for rental units stemming from an increase of nearly 3,000 nonfarm payroll jobs during the 12 months ending February 2017.

During the first quarter of 2017 (preliminary data)—

- Approximately 6,550 multifamily units were permitted in the Northwest region, an 8-percent, or 500-unit, increase from a year earlier and the second highest number of multifamily units permitted in the first quarter since 2010.

continued on page 6

### Vacancy rates increased in every metropolitan area in the Northwest region except Tacoma.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2016 (%)	1Q 2017 (%)	Percentage Point Change	1Q 2016 (\$)	1Q 2017 (\$)	Percent Change
Anchorage <sup>a</sup>	Tight	1.7	2.8	1.1	1,125	1,125	0
Bend <sup>a</sup>	Balanced	2.3	4.9	2.6	850	900	6
Boise <sup>b</sup>	Slightly tight	2.5	4.2	1.7	800	850	6
Olympia <sup>c</sup>	Tight	3.0	3.2	0.2	970	1,075	11
Portland <sup>d</sup>	Slightly tight	3.1	4.1	1.0	1,210	1,325	10
Seattle <sup>c</sup>	Slightly tight	4.2	4.6	0.4	1,450	1,550	7
Tacoma <sup>c</sup>	Slightly tight	4.1	4.0	-0.1	1,000	1,125	13

1Q = first quarter.

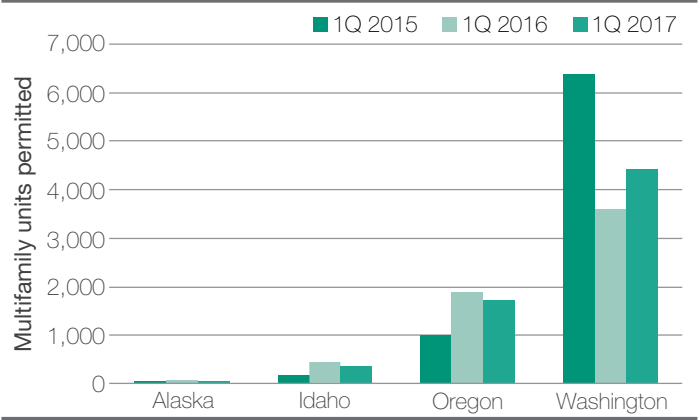
Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) Reis, Inc.; (b) National Association of Property Managers; (c) *Apartment Insights*; (d) MPF Research



continued from page 5

- Multifamily construction activity, as measured by units permitted, remains subdued in Alaska, as only 47 units were permitted during the first quarter of 2017.
- In Idaho, multifamily construction activity declined 22 percent, or 99 units, to 357 units from a year ago, mainly because of a 200-unit decline in the number of multifamily units permitted in the Boise metropolitan area.
- Steady demand for multifamily housing in the Portland and Seattle metropolitan areas, where 9,325 and 23,200 units are currently under construction, respectively, is the main factor for continued high levels of permitting activity in Oregon and Washington. The number of multifamily units permitted decreased 11 percent, to 1,700 units, in Oregon but increased 23 percent, to 4,425 units, in Washington from the first quarter of 2016.

**Washington was the only state in the Northwest region with an increase in the number of multifamily units permitted.**



1Q = first quarter.  
 Note: Based on preliminary data.  
 Source: U.S. Census Bureau, Building Permits Survey

