

HUD PD&R Regional Reports

Region 10: Northwest



Quick Facts About Region 10

Boise, Idaho

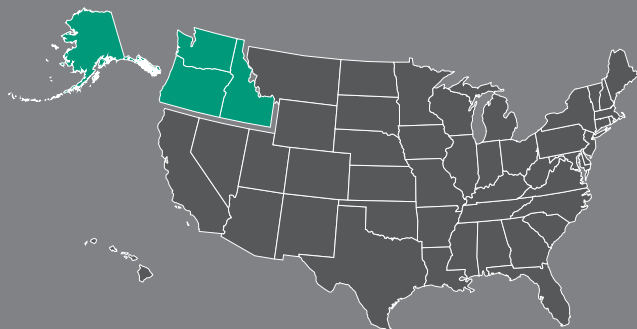
By Tom Aston | 1st Quarter 2020

Sales market conditions—

First quarter 2020: tight
Fourth quarter 2019: mixed (tight to slightly soft)
First quarter 2019: tight

Apartment market conditions—

First quarter 2020: mixed (very tight to very soft)
Fourth quarter 2019: mixed (tight to slightly soft)
First quarter 2019: mixed (very tight to balanced)



Overview

This report reflects market conditions as of the first quarter of 2020. Much of this period was prior to the COVID-19 outbreak in the United States and therefore most of the data in this report do not reflect the economic and housing market impacts of the actions taken to limit contagion of the virus. At this time, the duration and depth of the economic disruption are unclear, as are the extent and effectiveness of countermeasures. Initial unemployment insurance claims in the Northwest region rose to 276,766 claims in the week ending March 28, 2020 compared with 12,054 claims in the same week a year earlier. HUD will continue to monitor market conditions in the region and provide an updated report reflecting conditions during the second quarter of 2020.

The pace of job growth in the Northwest region increased during the first quarter of 2020 compared with job growth a year ago, marking the ninth consecutive quarter that nonfarm payrolls have had year-over-year growth. Sustained job growth in Idaho, Oregon, and Washington spurred population growth in each state, placing them in the top 10 fastest-growing states in the nation from July 1, 2018, to July 1, 2019. The sales housing market was tight in the region, mainly because low for-sale inventories

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constrained sales activity, leading to declining home sales in Idaho, Oregon, and Washington. Apartment market conditions were mixed, ranging from very tight in the Salem metropolitan area to very soft in the Anchorage metropolitan area. Multifamily construction slowed slightly from a year earlier but continues to sustain near-record levels of activity.

- In Idaho, the 1,200 multifamily units permitted was a record high for first quarter activity.

Economic Conditions

Job growth accelerated during the first quarter of 2020 in the Northwest region compared with a year earlier. Nonfarm payrolls increased 1.9 percent, or by 121,900 jobs, to 6.5 million jobs, compared with an increase of 1.7 percent, or 110,800 jobs, a year earlier and slightly faster than the 1.4 percent increase for the nation. Like the first quarter of 2019, job gains during the current quarter were broad-based, with 10 of 11 nonfarm payroll sectors contributing to regional payroll growth. The manufacturing sector was the exception, decreasing 1.0 percent. Washington had the greatest percentage increase in the region at 2.5 percent, or 83,300 jobs, to 3.5 million jobs in the state. Idaho and Oregon followed with job gains of 2.4 and 1.1 percent, or 17,600 jobs and 20,700 jobs, respectively. Nonfarm payrolls in Alaska increased by 300 jobs to 314,900 jobs, the second consecutive year-over-year job gain following 2 successive years of first-quarter job losses.

The information sector led the region with the greatest percentage increase at 5.1 percent, or 9,500 jobs, from the first quarter of 2019. The software publishing industry accounted for slightly over

- During the first quarter of 2020, 10,400 single-family homes were permitted in the Northwest region, the third-highest level of first quarter activity since 2007.
- For the second consecutive year, Idaho led the nation with a 2.1 percent increase in population growth, or approximately 36,500 people.

50 percent of the payroll gain in the sector. The number of job gains in the region was greatest in the professional and business services sector, which increased by 23,000 jobs, or 2.9 percent. The rate of job growth was also strong in the mining, logging, and construction and the leisure and hospitality sectors with increases of 3.8 and 2.4 percent, or 15,400 jobs and 15,300 jobs, respectively. Approximately 70 percent of the job losses in the manufacturing sector were in Oregon, mainly due to layoffs in the wood products industry.

During the first quarter of 2020—

- In both percentage terms and number of jobs, Washington led growth in the region in the information sector with a 5.9-percent increase, or about 8,300 jobs. Approximately 50 percent of the gain was in the software publishing industry because of the presence of software companies including Microsoft Corporation, Amazon.com, Inc., and Tableau Software, LLC.

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During the first quarter of 2020, year-over-year nonfarm payroll gains were led by the professional and business services sector.

	First Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm	6,369.8	6,491.7	121.9	1.9
Goods-Producing Sectors	969.6	979.6	10.0	1.0
Mining, Logging, & Construction	403.5	418.9	15.4	3.8
Manufacturing	566.2	560.7	-5.5	-1.0
Service-Providing Sectors	5,400.2	5,512.2	112.0	2.1
Wholesale & Retail Trade	957.0	972.9	15.9	1.7
Transportation & Utilities	227.7	235.3	7.6	3.3
Information	188.0	197.5	9.5	5.1
Financial Activities	306.7	311.2	4.5	1.5
Professional & Business Services	789.4	812.4	23.0	2.9
Education & Health Services	960.1	976.8	16.7	1.7
Leisure & Hospitality	647.9	663.2	15.3	2.4
Other Services	226.1	230.2	4.1	1.8
Government	1,097.3	1,112.7	15.4	1.4

Note: Numbers may not add to totals due to rounding.

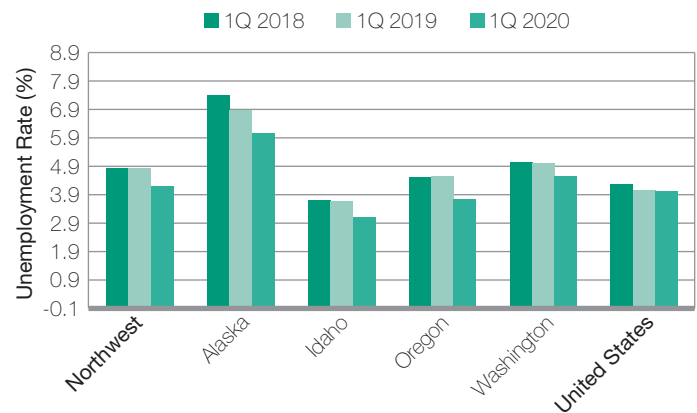
Source: U.S. Bureau of Labor Statistics



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- In percentage terms, Idaho led both the leisure and hospitality and the professional and business service sectors payroll growth in the region, increasing 3.5 and 5.4 percent, or by 2,800 and 5,000 jobs, respectively. Hiring in the arts, entertainment, and recreation industry led the leisure and hospitality sector, and the administrative and support services industry led job gains in the professional and business services sector.
- In the region, Washington led the rate of payroll growth in the mining, logging, and construction sector with a 5.3-percent gain, or by 11,300 jobs, all of which were attributable to hiring in the construction subsector.
- The unemployment rate in the Northwest region averaged 4.3 percent, down from 4.9 percent a year earlier and above the national unemployment rate of 4.1 percent. Strong job growth in Idaho led to a region-low unemployment rate of 3.2 percent, whereas weak labor market conditions in Alaska led to a 6.1-percent unemployment rate, the highest of any state in the region.

Idaho and Oregon were the only states in the region with unemployment rates below the U.S. jobless rate during the first quarter of 2020.



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

Population

As of July 1, 2019, the population of the Northwest region was estimated at 14.4 million compared with 14.2 million a year earlier. The pace of population growth in the Northwest region slowed slightly from 2018 to 2019 to 1.1 percent, or an increase of about 159,800 people, compared with an increase of 1.2 percent, or about 167,000 people, from 2017 to 2018. From 2010 to 2018, annual population growth averaged 1.2 percent, or 165,100 people. Net in-migration to the four states in the region from 2018 to 2019 totaled 109,400 people, down from 129,550 people a year earlier and accounted for 69 percent of the increase in total population. International in-migration decreased from the previous year to 28,225 people, down 34 percent, compared with a 1.9 percent decrease from July 2017 to July 2018.

From July 1, 2018, to July 1, 2019—

- The rates of population growth in the Northwest and Rocky Mountain regions outpaced all other HUD regions for the third consecutive year, mainly due to strong job growth.

- Idaho ranked first among the 50 states for the fastest year-over-year population growth, at 2.1 percent; Washington ranked fourth at 1.2 percent (tied with Colorado), and Oregon ranked seventh at 0.9 percent (tied with Delaware).
- Of the four states in the region, Oregon had the highest rate of net in-migration as a percentage of total population change at 81 percent.
- For the third consecutive year, Alaska is one of several states nationwide where the population declined, decreasing by 0.5 percent, or 3,600 people, compared with a decrease of 0.6 percent, or 4,550 people, from 2017 to 2018, as retirees move away from Alaska and jobseekers pursue opportunities elsewhere in the United States.

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Idaho has led the region in population growth during the past 2 years.

	Population Estimate (as of July 1)			Percentage Change	
	2017	2018	2019	2017 to 2018	2018 to 2019
United States	324,985,539	326,687,501	328,239,523	0.5	0.5
Northwest Region	14,024,402	14,191,430	14,351,240	1.2	1.1
Alaska	739,700	735,139	731,545	-0.6	-0.5
Idaho	1,717,715	1,750,536	1,787,065	1.9	2.1
Oregon	4,143,625	4,181,886	4,217,737	0.9	0.9
Washington	7,423,362	7,523,869	7,614,893	1.4	1.2

Source: U.S. Census Bureau

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Sales Market Conditions

Sales housing market conditions were tight during the first quarter of 2020 in the Northwest region. During the 12 months ending March 2020, new and existing home sales (including single-family homes, townhomes, and condominiums) declined 3 percent to 302,700 homes sold, from a year earlier, mainly due to low for-sale inventories (Metrostudy, A Hanley Wood company, with adjustments by the analyst). This was in contrast to a 1-percent increase for the nation. As of March 2020, the for-sale inventory decreased to a 0.9-, 1.1- and 1.5-month supply of homes from a 1.5-, 1.6- and 2.0- month supply a year earlier in Washington, Idaho, and Oregon, respectively (CoreLogic, Inc.). The average price of a home sold in the region increased for the eighth consecutive first quarter, up 5 percent to \$391,500. The number of real estate owned (REO) homes sold decreased 26 percent, or by 2,325 homes, from a year earlier due to a decline in foreclosures. REO sales comprised 2 percent of existing home sales, compared with 3 percent a year ago.

In February 2020, 0.6 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 0.8 percent a year earlier (CoreLogic, Inc.). The share of seriously delinquent home loans and REO properties for the nation was 1.3 percent, down from 1.7 percent a year earlier. In three states of the region, the percentage of seriously delinquent mortgage loans and REO properties decreased 0.2-percentage points to 0.5 percent in Idaho and to 0.6 percent in both Oregon and Washington. The percentage of seriously delinquent mortgage loans and REO properties decreased slightly to 1.1 percent in Alaska, compared with 1.2 percent a year earlier.

During the 12 months ending March 2020, new and existing home sales (hereafter, home sales) declined in three of the four states in

the region, and average prices increased in all four states. Home sales decreased by the greatest amount in Washington, down 6 percent to 147,600 homes sold, and the average sales price increased 5 percent to \$446,700. Spokane had the largest home sales decrease of the Washington metropolitan areas highlighted in this report, declining 12 percent to 12,100 homes, sold and the greatest gain in the average price of a home sold, increasing 10 percent to \$264,200. Home sales declined for the eighth consecutive quarter in the Seattle metropolitan area, decreasing 3 percent to 71,600 homes sold, whereas the average price of a home sold increased 3 percent to \$586,200. In both the Spokane and Seattle metropolitan areas, the for-sale inventory decreased to a 1.3- and a 0.8-month supply from a 2.2- and a 1.5-month supply a year earlier, respectively.

Weak labor market conditions in Alaska since 2016 continued to constrain home sales activity, leading to a 3-percent decrease to 13,750 homes sold during the 12 months ending March 2020. Home sales have been declining in the state since the second quarter of 2016. The average price of a home sold increased nearly 2 percent to \$307,400. In the Anchorage metropolitan area, where nonfarm payrolls have been increasing at slightly above 0.2 percent annually since the third quarter of 2019, home sales activity declined for the fourth consecutive first quarter, down 3 percent to 8,875 homes sold during the 12 months ending March 2020. The average home sale price in Anchorage increased 1 percent to \$326,100—the lowest percentage gain of any metropolitan area discussed in this report.

In Idaho, home sales decreased 2 percent to 57,700 homes. The average price of a home sold increased 10 percent to \$302,000,

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During the 12 months ending March 2020, the average price of a home sold increased the most in Boise and Spokane.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2019	2020	Percent Change		2019 (\$)	2020 (\$)	Percent Change
Anchorage (N&E)	March	9,150	8,875	-3	AVG	\$321,400	\$326,100	1
Bend-Redmond (N&E)	March	6,625	6,950	5	AVG	\$415,900	\$442,300	6
Boise (N&E)	March	24,900	25,400	2	AVG	\$305,000	\$340,200	12
Coeur d'Alene (N&E)	March	7,550	7,225	-4	AVG	\$313,100	\$340,200	9
Portland-Vancouver (N&E)	March	47,100	47,300	0.4	AVG	\$423,500	\$434,200	3
Salem (N&E)	March	7,175	7,900	10	AVG	\$297,200	\$317,200	7
Seattle (N&E)	March	73,700	71,600	-3	AVG	\$568,800	\$586,200	3
Spokane (N&E)	March	13,800	12,100	-12	AVG	\$240,800	\$264,200	10

AVG = average. N&E = new and existing.

Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst



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the fastest pace in the region; price increases were spurred by robust job and population growth as well as affordable home prices relative to the Portland and Seattle metropolitan areas. Home sales in Boise increased 2 percent to 25,400 homes, and the average price increased 12 percent to \$340,200.

Oregon was the only state where home sales increased, up 1 percent to 83,650 homes sold, and the average sales price increased 4 percent to \$369,800. Of the Oregon metropolitan areas highlighted in this report, home sales and the average price of a home sold increased the greatest in the Salem metropolitan area, increasing 10 percent to 7,900 and increasing 7 percent to \$317,200, respectively. Home sales increased for the first time in 14 quarters in the Portland metropolitan area, increasing by 200 homes to 47,300 homes sold. The average price of a home sold increased 3 percent to \$434,200. In the Bend and Salem metropolitan areas, the for-sale inventory was a 4.6- and a 2.3-month supply, compared with a 2-month supply for the state.

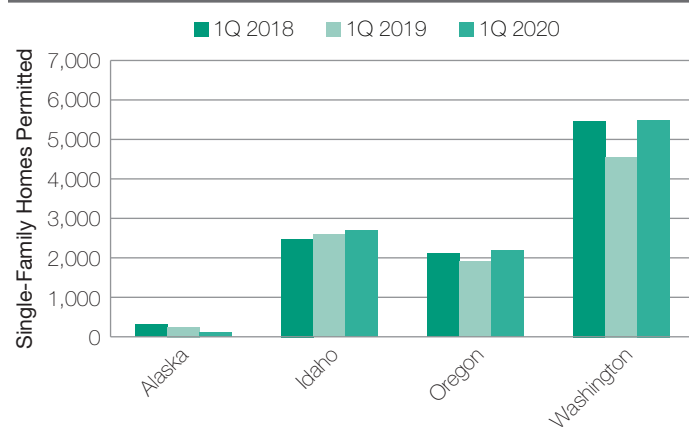
Strong population and job growth in Idaho, Oregon, and Washington, combined with steadily increasing average home prices, spurred single-family permitting activity to increase in the three states.

During the first quarter of 2020 (preliminary data)—

- The number of single-family homes permitted in the Northwest region increased 13 percent to about 10,400 homes from a year earlier, the third-highest level of homes permitted during a first quarter since the home sales market recovery from the Great Recession began in the first quarter of 2012.
- In Idaho, about 2,675 single-family homes were permitted, up 4 percent from a year earlier and the highest number permitted in a first quarter since 2006.

- Single-family permitting activity in Washington increased 21 percent to about 5,475 homes, tied with the first quarter of 2018 for the most active first quarter since 2008.
- The number of homes permitted in Oregon increased 15 percent to about 2,175 homes, the second most active first quarter since 2007.
- In Alaska, the number of single-family homes permitted decreased to about 75 from 220 homes, the lowest level of first quarter activity on record partly due to the impact of the COVID-19 pandemic.

During the first quarter of 2020, single-family home permitting was strong in Idaho, Oregon, and Washington.



1Q = first quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

During the first quarter of 2020, apartment market conditions in the major metropolitan areas of the Northwest region were mixed, ranging from very tight to very soft, compared with very tight to balanced a year ago. Vacancy rates decreased in five of the seven major metropolitan markets highlighted for the quarter, with only Boise increasing slightly by 1.5 percentage points from the first quarter of 2019. Vacancy rates in most of the metropolitan areas highlighted in this report were below or equal to the national rate of 4.4 percent. Average monthly rents increased in all seven major metropolitan areas ranging from 3 percent in Salem to 7 percent in Seattle.

During the first quarter of 2020, the apartment market was very tight in the Salem metropolitan area, with a vacancy rate of 2.4 percent—the lowest vacancy rate of metropolitan areas highlighted in this report—and the average rent increased 3 percent to \$931

(Reis, Inc.). Apartment conditions are very tight, mainly as a result of reduced apartment construction in 2017 and 2018, when about 275 units were completed compared with an average of 400 units annually from 2014 through 2016. In Bend, the apartment market is tight, with a 3.0-percent vacancy rate during the first quarter, down from 4.0 percent a year ago, and the average rent increased 5 percent to \$1,148. Tight apartment conditions were in part caused by apartment construction lagging behind strong population growth, which averaged 3.1 percent, or 5,650, annually from July 2016 to July 2019. Apartment construction averaged 250 units a year from 2017 through 2018, compared with the annual average of 570 units from 2015 through 2016.

The Seattle and Portland metropolitan area apartment markets were tight and slightly tight, respectively, as of the first quarter of 2020. The average vacancy rate in Seattle was 3.9 percent, down

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The Boise metropolitan area was the only area in the region where the vacancy rate increased during the first quarter of 2020.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2019 (%)	1Q 2020 (%)	Percentage Point Change	1Q 2019 (\$)	1Q 2020 (\$)	Percent Change
Anchorage ^a	Very Soft	11.7	8.2	-3.5	1,014	1,045	5
Bend ^b	Tight	4.0	3.0	-1	1,092	1,148	5
Boise ^b	Balanced	4.9	6.4	1.5	977	1,033	6
Portland ^c	Slightly Tight	4.7	4.4	-0.3	1,372	1,431	4
Salem ^b	Very Tight	2.4	2.4	0	902	931	3
Seattle ^c	Tight	4.6	3.9	-0.7	1,788	1,918	7
Spokane ^b	Balanced	4.5	4.4	-0.1	804	841	5

1Q = first quarter.

Sources: Economic and Market Analysis Division; vacancy rate and average market rent—(a) ALN Apartment Data, Inc., with adjustments by the analyst; (b) Reis, Inc.; (c) RealPage, Inc.

from 4.6 percent a year ago. In the Portland metropolitan area, the average vacancy rate decreased to 4.4 percent, from 4.7 percent a year earlier (RealPage, Inc.). Rents spiked 7 percent from the first quarter of 2019 to \$1,918 in the Seattle metropolitan area after averaging a 4-percent increase during the first quarters of 2018 and 2019. The 7,125 units completed did not keep pace with strong job growth, as nonfarm payrolls increased 2.4 percent, or by 41,000 jobs, during the 3-month period ending March 2020 from a year earlier. In Portland, rent growth averaged 4 percent to \$1,431 from a year earlier, consistent with first-quarter rent growth since 2017. The relatively steady vacancy rate and rent growth during the past 24 months is an indication that the nearly 8,500 units completed since April 2018 have kept pace with the demand for apartment units. In Spokane, the vacancy rate declined to 4.4 percent from 4.5 percent a year earlier. The average rent increased 5 percent to \$841 (Reis, Inc.). Since 2016, robust construction activity in response to increasing apartment demand contributed to a balanced market during the past 2 years.

In the Boise metropolitan area, where conditions are balanced, the vacancy rate rose to 6.4 percent from 4.9 percent a year earlier. The average rent increased 6 percent to \$1,033, as the combination of strong job and population growth and new apartment developments contributed to rising rents (Reis, Inc.). Nearly 1,600 apartments arrived in the Boise metropolitan area during 2018 and 2019, and an additional 2,350 units are currently under construction (ALN Apartment Data, Inc., with adjustments by the analyst).

The Anchorage metropolitan area apartment market was very soft, mainly due to 3 successive years of population decline. After 2 consecutive years of nonfarm payroll job losses during the 3 months ending March 2020, however, nonfarm payrolls were unchanged at 172,000 from a year ago. Partially as a result of the labor market recovery, the vacancy rate decreased to 8.2 percent from 11.7 percent during the first quarter of 2019, and the average

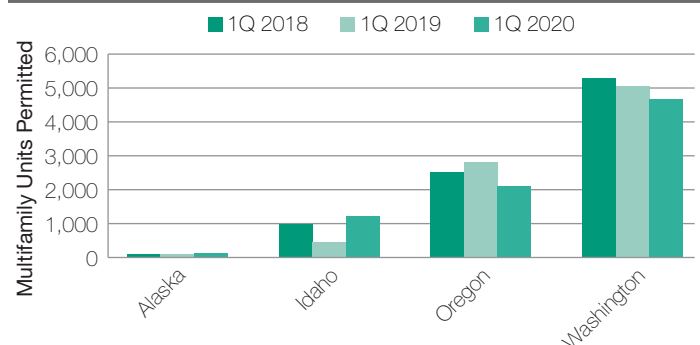
rent increased 5 percent to \$1,045 (ALN Apartment Data, Inc., with adjustments by the analyst).

First quarter multifamily construction activity, as measured by the number of multifamily units permitted, decreased in the Northwest region for the second consecutive first quarter, but the decline in vacancy rate in five of the metropolitan areas highlighted in this report and increasing rents in all seven combined to keep multifamily permitting activity at historic levels.

- Approximately 8,100 multifamily units were permitted in the Northwest region, a 3-percent, or 275-unit, decrease from a year earlier, but the third most multifamily units permitted in the first quarter since the housing market recovery began in 2012.
- Multifamily permitting increased in both Alaska and Idaho, up about 45 units and 775 units, nearly double and triple the number of units permitted a year earlier, respectively. First quarter multifamily permitting set a historical record in Idaho

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During the first quarter of 2020, Idaho had the largest increase in multifamily permitting activity.



1Q = first quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey

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and Alaska, the highest number of units permitted since the first quarter of 2007. In Alaska, 80 percent of the multifamily units permitted in the state were in the Anchorage municipality while the surge in permit activity in Idaho occurred in Boise City.

- The greatest decrease in multifamily units permitted in the region occurred in Oregon, with a 25-percent decline to about 2,100 units, all of which occurred in the city of Portland. First

quarter 2020 multifamily permit activity in Oregon was nearly equal to the average of 2,225 units permitted from 2016 through 2019.

- The number of multifamily units permitted in Washington decreased 8 percent to approximately 4,675 units. By comparison, from 2015 through 2018, an average of 4,400 multifamily units were permitted in the first quarter.