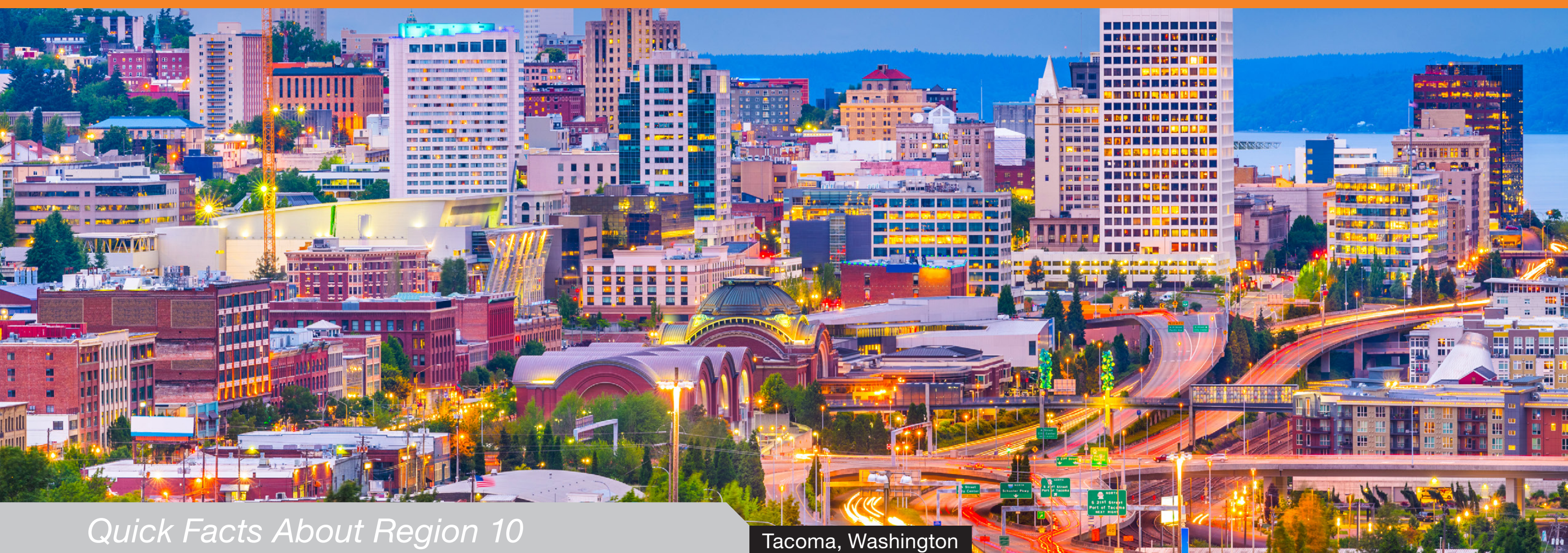
HUD PD&R **Regional Reports**

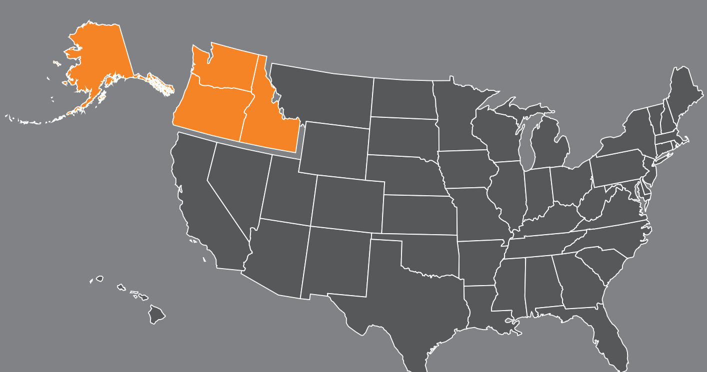
Region 10: Northwest


Tacoma, Washington

Quick Facts About Region 10

- **Sales market conditions—**
  Second quarter 2020: mixed (tight to slightly soft)
  First quarter of 2020: tight
  Second quarter 2019: mixed (very tight to balanced)

- **Apartment market conditions—**
  Second quarter 2020: mixed (tight to balanced)
  First quarter of 2020: mixed (very tight to very soft)
  Second quarter 2019: mixed (very tight to balanced)



By Holi Urbas | 2nd Quarter 2020

Overview

The first case of COVID-19 in the United States was reported in the Seattle metropolitan area of the Northwest region on January 21, 2020. Interventions taken in mid-March to slow the spread of the virus caused economic activity in the Northwest region to slow dramatically, ending the economic expansion that began in 2011. Recent job losses were greatest in sectors with a large concentration of jobs that rely on in-person interactions, whereas those that were easily adapted to a telework model lost the least amount of jobs. Although all states in the region are in some phase of reopening, modest month-over-month job gains in May and June 2020 were not large enough to compensate for the steep decline in April 2020, and the average unemployment rate increased to 12.8 percent compared with 4.0 percent a year ago. Sales housing markets ranged from tight to slightly soft, with low for-sale inventory in all seven metropolitan areas discussed in this report; these conditions contributed to a decrease in home sales and an increase in sales prices compared with the second quarter of 2019. Apartment market conditions in the region were mixed, ranging from tight to balanced; vacancy rates increased in six of the seven metropolitan areas cited in this report and average

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monthly rents increased in all seven, ranging from 1- to 5-percent increases. A temporary stoppage in nonessential construction from mid-March to mid-April contributed to a large drop in regional new home and apartment construction.

- Nonfarm payrolls in the Northwest region declined 10.8 percent during the second quarter of 2020 compared with a year ago, less than the 11.3-percent decline nationally. Compared with other regions in the west, job losses in the Northwest region were fewer than the 11.8-percent decline in the Pacific region and greater than the 7.6-percent decline in the Rocky Mountain region.
- Regional home sales decreased 8 percent during the second quarter of 2020, whereas the average sales price increased almost 6 percent. All metropolitan areas cited in the sales section of this report had less than 3 months of for-sale inventory.
- Some negative impacts of the pandemic on the home sales and apartment markets in the region may have been mitigated during the current quarter due to federal interventions including the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act; this act is a $2.2 trillion stimulus bill that provided, among other things, individual stimulus checks, mortgage forbearance through August 2020, and a moratorium on evictions through late July 2020.

Economic Conditions

Economic conditions in the Northwest region deteriorated considerably during the second quarter of 2020 compared with a year ago, which was largely the result of countermeasures used to slow the spread of COVID-19. Those countermeasures included enforcing social distancing, encouraging nonessential businesses to close, and discouraging nonessential travel. Before the pandemic, economic conditions were strong in the Northwest region, with 9 years of consecutive payroll growth from 2011 through 2019 averaging 2.1 percent annually. During the 12 months ending June 2020, regional nonfarm payrolls totaled 6.35 million, down by 87,400 jobs or 1.4 percent from the 12 months ending June 2019. By comparison, regional payrolls increased by 126,500 jobs or 2.0 percent from the 12 months ending June 2018 to the 12 months ending June 2019.

A comparison of the most recent quarter of payroll data to the same quarter a year ago illustrates the sharp impact the measures executed to slow the spread of COVID-19—implemented in mid-March—have had on the economy. Payrolls in the Northwest region totaled 5.82 million during the second quarter of 2020, down by 701,700 jobs or 10.8 percent from the same period a year ago, and all 11 payroll sectors lost jobs. National payrolls fell by 11.3 percent during the same period. A gain of 123,800 jobs, or 1.9 percent, from the second quarter of 2018 to the second quarter of 2019 preceded the recent regional decline in payrolls.

More than 42 percent of all jobs lost during the second quarter of 2020 were in the leisure and hospitality sector, which fell by 295,700 jobs, a decline of 42.8 percent from a year ago. This sector was particularly hard hit by the pandemic because it relies heavily on in-person interactions and cannot easily adapt to social distancing guidelines. By comparison, the sector added jobs every year from 2011 through 2019 at an average annual rate of 2.2 percent. The second largest source of job declines in the region during the most recent quarter occurred in the education and health services sector, which declined by 90,300 jobs or 9.4 percent. Nearly 40 percent of jobs lost in the sector were in the ambulatory healthcare services industry, which includes outpatient clinics, dentist offices, and private practice medical offices. All of these services were limited to emergency response only as it was one of the many interventions used to slow the spread of COVID-19. For context, the education and health services sector added jobs every year for the past two decades.

Although all 11 payroll sectors lost jobs during the second quarter of 2020, the smallest losses in numerical and percentage terms were in sectors with a high concentration of jobs that can be easily transitioned to a telework model, including the professional and business services, the information, and the financial activities sectors. Combined, these three sectors accounted for 22 percent of all payrolls in the region but contributed only 7 percent of the losses during the second quarter of 2020. By comparison, these three sectors accounted for more than 25 percent of all job gains in the Northwest region from the second quarter of 2018 to the second quarter of 2019.

During the second quarter of 2020—

- Approximately 5 percent of regional payrolls were in Alaska, which lost the most jobs in the Northwest region in percentage terms; payrolls in Alaska fell 12.7 percent or by 42,700 from a year ago. Job losses in the leisure and hospitality sector and the local government subsector accounted for one-half of all jobs lost. Economic conditions in Alaska were relatively weak prior to the pandemic because of low oil and commodity prices; payrolls increased 0.7 percent from the second quarter of 2018 to the second quarter of 2019, compared with a regional growth rate of 1.9 percent during the period.
- Payrolls in Washington—which accounted for more than one-half of all regional payrolls—decreased by 400,100 or 11.5 percent, compared with year-over-year growth of 70,800 or 2.1 percent in the second quarter of 2019. Approximately 45 percent of the recent job losses were in the leisure and hospitality sector, despite the sector accounting for 6 percent of state payrolls. Conversely, 23 percent of state payrolls were concentrated in three sectors—information, professional

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More than 40 percent of total jobs lost in the Northwest region during the second quarter of 2020 were in the leisure and hospitality sector.

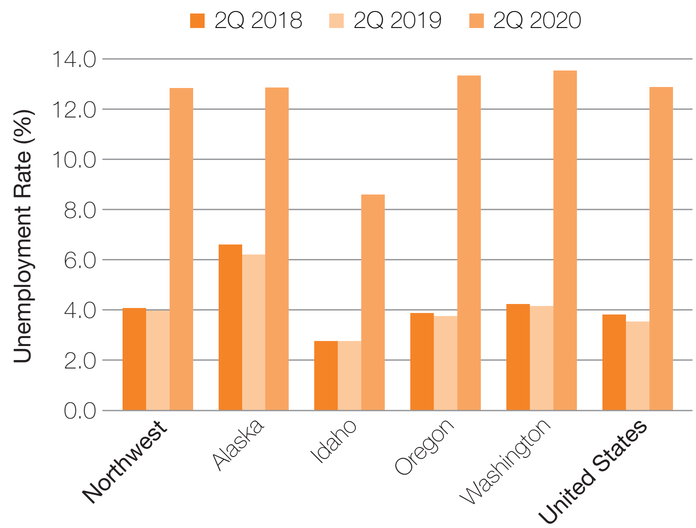
	Second Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm	6,519.4	5,817.7	-701.7	-10.8
Goods-Producing Sectors	1,002.9	910.9	-92.0	-9.2
Mining, Logging, & Construction	429.1	384.6	-44.5	-10.4
Manufacturing	573.8	526.3	-47.5	-8.3
Service-Providing Sectors	5,516.5	4,906.9	-609.6	-11.1
Wholesale & Retail Trade	969.2	919.4	-49.8	-5.1
Transportation & Utilities	231.7	220.2	-11.5	-5.0
Information	192.0	187.6	-4.4	-2.3
Financial Activities	311.7	299.7	-12.0	-3.8
Professional & Business Services	811.3	778.0	-33.3	-4.1
Education & Health Services	965.2	874.9	-90.3	-9.4
Leisure & Hospitality	690.2	394.5	-295.7	-42.8
Other Services	232.2	188.0	-44.2	-19.0
Government	1,113.0	1,044.7	-68.3	-6.1

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

and business services, and financial activities—but they contributed only 5 percent of total jobs lost.

- Oregon lost 213,100 jobs, a 10.9-percent decline, compared with a gain of 29,100 jobs or 1.5 percent a year prior. Payroll losses in the leisure and hospitality and the education and health services sectors combined to account for 56 percent of jobs lost; both sectors added jobs every year from 2011 through 2019. Approximately 8 percent of jobs lost in the state were in the wholesale and retail trade sector, which contracted 6.1 percent, compared with a 0.2-percent drop during the second quarter of 2019, because social distancing requirements further exacerbated challenges facing the brick-and-mortar retail industry.
- In Idaho, payrolls declined by 45,700 jobs, or 6.0 percent, compared with an increase of 21,700 jobs, or 2.9 percent, during the second quarter of 2019; 72 percent of the recent losses were in the leisure and hospitality and the education and health services sectors. Idaho is the only state in the region with payroll sectors that added jobs during the most recent quarter. The mining, logging, and construction sector added 1,200 jobs, or 2.1 percent, a sharp deceleration compared with a 7.5-percent increase a year earlier, whereas growth in the financial activities sector accelerated, increasing by 1,300 jobs, or 3.5 percent, compared with a gain of 700 jobs, or 2.0 percent, a year ago.
- The unemployment rate in the Northwest region was 12.9 percent, more than three times the 3.5-percent jobless rate during the second quarter of 2019. Washington reported the highest unemployment rate in the region at 13.5 percent compared with 4.1 percent a year ago. The lowest unemployment rate, 8.6 percent, was in Idaho, up from 2.7 percent a year ago. The jobless rate in Alaska more than doubled to 12.9 percent and the rate increased in Oregon from 3.8 to 13.3 percent.

The unemployment rate in the Northwest region averaged 12.9 percent, more than triple the rate during the second quarter of 2019.



2Q = second quarter.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Sales housing market conditions in the Northwest region were generally tight during the second quarter of 2020 except for in Alaska, where market conditions were slightly soft. New and existing home sales (including single-family homes, townhomes, and condominiums; hereafter, referred to as home sales) totaled 286,200 during the 12 months ending May 2020, reflecting a decline of 8 percent from the same time a year ago and similar to the 8-percent decline during the 12 months ending May 2019 (CoreLogic, Inc., with adjustments by the analyst). All the decline during the past 12 months came from a decrease in existing home sales, whereas new home sales rose 2 percent. Part of the decline in existing home sales was because of a shortage of for-sale inventory, with active listings down 28 percent from the second quarter of 2019 (Redfin, a national real estate brokerage). Before the pandemic, strong economic and population growth led to increased demand for housing and the resulting prolonged shortage of for-sale inventory put upward pressure on home sales prices. During the 12 months ending May 2020, the average home sales price in the Northwest region was $390,500, approximately 19 percent higher than the national average and up almost 6 percent from a year ago, marking the eighth consecutive year of price growth. Nationally, the average sales price increased 4 percent during the past 12 months. The share of seriously delinquent home loans (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the region was 0.8 percent in May 2020, up slightly from 0.7 percent in May 2019 (CoreLogic, Inc.). Mortgage forbearance mandates included in the CARES Act partly contributed to the relatively steady rate.

Home sales declined in every state in the region. Washington, where sales fell nearly 12 percent from a year ago to 136,000 and where the average sales price increased 6 percent to $448,300, led this decline (CoreLogic, Inc., with adjustments by the analyst). Of the Washington metropolitan areas highlighted in this report, the Spokane metropolitan area had the fastest rate of sales price growth at 10 percent, more than triple the rate of price growth in the Seattle metropolitan area. Home sales declined by the largest percentage in the Tacoma metropolitan area, where the average sales price increased 7 percent to $389,640, almost 60 percent less than the average sales price in the neighboring Seattle metropolitan area. The Seattle metropolitan area had the largest inventory of homes for sale in June 2020, with an estimated 1.0-month supply, compared with 1.7 months a year ago (Redfin).

Idaho tied Alaska for the fastest sales price growth in the region during the 12 months ending May 2020, with an increase of 10 percent to $306,500, and the number of home sales declined 7 percent to 56,600 (CoreLogic, Inc., with adjustments by the analyst). Approximately 45 percent of all home sales in Idaho during the past 12 months were in the Boise metropolitan area—the largest metropolitan area in the state—where 25,350 homes sold, down 7 percent from a year ago. Sales price growth in the Boise metropolitan area led all metropolitan areas

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A prolonged shortage of for-sale inventory in the Northwest region resulted in decreasing home sales but increasing sales prices during the second quarter of 2020.

		Number of Homes Sold			Price			
	12 Months Ending	2019	2020	Percent Change	Average	2019 ($)	2020 ($)	Percent Change
Anchorage (N&E)	May	8,750	7,725	-12	AVG	$314,328	$323,725	3
Bend-Redmond (N&E)	May	6,777	6,733	-1	AVG	$414,989	$438,043	6
Boise (N&E)	May	27,352	25,365	-7	AVG	$308,285	$340,832	11
Portland-Vancouver (N&E)	May	46,647	44,919	-4	AVG	$421,808	$434,412	3
Salem (N&E)	May	7,220	7,486	4	AVG	$290,276	$309,596	7
Seattle (N&E)	May	52,419	48,193	-8	AVG	$637,225	$657,350	3
Spokane (N&E)	May	13,110	11,394	-13	AVG	$242,539	$267,975	10
Tacoma (N&E)	May	21,003	17,429	-17	AVG	$362,628	$389,640	7

AVG = average. N&E = new and existing.
Sources: CoreLogic, Inc., with adjustments by the analyst

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cited in this report with an 11-percent increase from a year ago to $340,800. A 0.6-month supply of for-sale inventory was available in the metropolitan area in June 2020, down from 1.9 months in June 2019 (Redfin).

In Oregon, home sales declined 2 percent—the smallest decline in the region—to 81,650 home sales during the 12 months ending May 2020 and the average sales price increased 5 percent to $365,650 (CoreLogic, Inc., with adjustments by the analyst). The Salem metropolitan area was the only highlighted area in this report that had an increase in home sales during the past 12 months and the average sales price increased 7 percent, exceeding the 6-, and 3-percent increases in the Portland-Vancouver and Bend-Redmond metropolitan areas, respectively. The supply of for-sale inventory was highest in the Salem metropolitan area at 2.2 months, compared with a 2.8-month supply in June 2019 (Redfin).

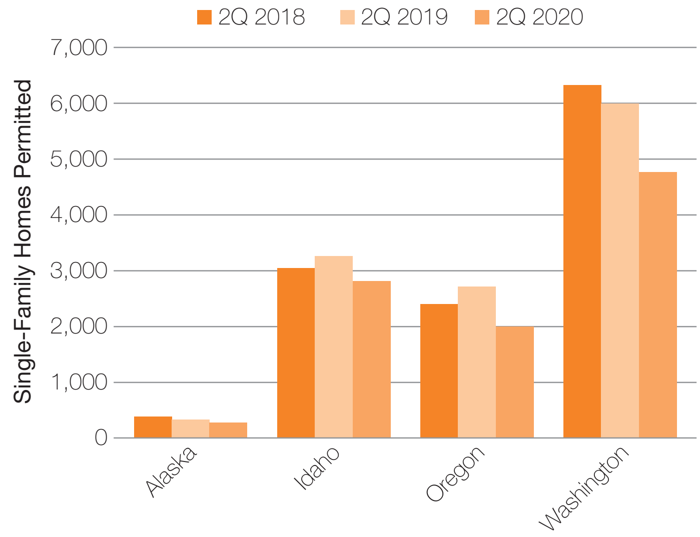
Sales housing market conditions in Alaska are slightly soft, largely the result of weak economic conditions, a declining population, and a sharp drop in for-sale inventory during the past year. Home sales declined almost 50 percent during the 12 months ending May 2020 to 1,825, compared with a 2-percent increase during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). During the same time, the average sales price increased 10 percent to $328,200 compared with a 2-percent decline a year earlier. In the Anchorage metropolitan area—the largest in the state—homes sales fell 12 percent to 7,725 during the past 12 months, while the average sales price increased 3 percent to $323,725. In June 2020, a 2.9-month supply of for-sale housing was in the Anchorage metropolitan area, down from 5.4 months a year ago (Redfin).

New home construction, as measured by the number of single-family homes permitted, dropped sharply in the Northwest region during the second quarter of 2020 compared with a year ago, in part because nonessential construction developments were put on hold as one of the countermeasures used to slow the spread of COVID-19 at the beginning of the pandemic.

During the second quarter of 2020 (preliminary data)—

- New home construction in the region totaled 9,850 homes, down 20 percent from the 12,300 new homes permitted a year ago and compared with a 1-percent increase a year ago. Nationally, construction activity fell 9 percent during the past 12 months compared with a 5-percent reduction a year before. During the second quarter of 2020, year-over-year declines in new home construction were 14 percent in Idaho, 20 percent in Alaska, 21 percent in Washington, and 26 percent in Oregon.
- Approximately 48 percent of regional new home construction was in Washington, which was responsible for 50 percent of the regional decline. New home construction fell the most in the Seattle and Spokane metropolitan areas; permitting fell by 30 and 25 percent, to 1,200 and 400 homes, respectively. In the Tacoma metropolitan area, new home construction declined 14 percent to 600 homes.
- In Oregon, which accounted for 20 percent of regional new home construction and 29 percent of the regional decline, all metropolitan areas reported a decline in new home construction compared with a year ago. In the Portland metropolitan area, new home construction totaled 1,575 homes, down 27 percent from a year ago compared with a 15-percent increase the year before.
- New home construction in Idaho, which accounted for almost 29 percent of regional construction activity but 18 percent of the regional decline, totaled 2,825 homes, down 14 percent from a year ago and compared with a 7-percent increase a year before. The Boise metropolitan area reported a 14-percent reduction in new home construction during the second quarter of 2020.
- More than 70 percent of new home construction in Alaska was in the Anchorage metropolitan area, where single-family permitting fell 20 percent to 190 homes.

Single-family permitting declined in all states in the Northwest region during the second quarter of 2020 compared with a year ago.



2Q = second quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment markets in the Northwest region ranged from tight to balanced during the second quarter of 2020 compared with very tight to balanced conditions during the second quarter of 2019. Although renter households are more mobile than homeowners, apartment markets in the region were not as adversely affected by countermeasures used to slow the spread of COVID-19 during the second quarter of 2020, partly because of the federal moratorium on evictions. Conditions may change, however, after the moratorium expires, which is expected in late July 2020. Apartment completions in the region, one-third of which were in Washington, fell 13 percent during the second quarter of 2020 to 5,175 units (McGraw-Hill Construction Pipeline database), largely because of the temporary halt of all nonessential construction. Despite the decline in new supply during the quarter, vacancy rates increased in six of the seven metropolitan areas cited in this report and rent growth ranged from 1 to 5 percent. According to a survey conducted by Pew Research Center in early June 2020, nationally, 22 percent of adults relocated or knew someone who did because of the pandemic. That percentage increased to 37 percent for respondents aged 18 to 29 years, an age cohort more likely to rent than own a home.

In Washington, the number of new apartments completed during the second quarter of 2020 dropped 21 percent from a year ago to 3,200 units (McGraw-Hill Construction Pipeline database). Vacancy rates in the three Washington areas in this report increased, whereas rent growth in those areas was sustained. Apartment market conditions in the Seattle metropolitan area—where 54 and 83 percent of regional and state apartment completions were concentrated, respectively—were slightly tight compared with tight conditions a year ago, as the vacancy rate increased 0.7 of a percentage point to 4.6 percent and rent growth was unchanged at 3 percent (RealPage, Inc.). The Spokane metropolitan area had the strongest rent growth at 5 percent and also the smallest increase in vacancies (Reis, Inc.). Rent growth in the Tacoma metropolitan area slowed to 3 percent compared with 6 percent a year prior and the vacancy rate increased from 2.8 to 3.3 percent.

Almost 30 percent of apartments completed in the region during the second quarter of 2020 were in Oregon, where completions declined 21 percent from a year ago to 1,525; 97 percent of the completions were in the Portland-Vancouver metropolitan area (McGraw-Hill Construction Pipeline database). Market conditions were mixed among the three Oregon metropolitan areas discussed in this report, ranging from tight in the Bend-Redmond metropolitan area—which reported the only decline in vacancies and the strongest rent growth among the metropolitan areas cited in this report—to balanced in the Portland-Vancouver metropolitan area, where conditions were tight during the second quarter of 2019 (Reis, Inc. and RealPage, Inc.). The vacancy rate in the Salem metropolitan area increased from 2.4 to 3.4 percent during the second quarter of 2020, the largest increase among all areas in the region highlighted in this report.

Nearly 75 percent of the 480 apartments completed in Idaho during the second quarter of 2020 and all 50 units completed during the second quarter of 2019 (McGraw-Hill Construction Pipeline database) were in the Boise metropolitan area, where market conditions were balanced, similar to conditions a year ago. Rent growth in the metropolitan area remained steady at 4 percent, while the vacancy rate increased from 4.6 to 4.9 percent (Reis, Inc.). No apartments were completed in Alaska during the second quarter of 2020, nor were any completed during the same quarter a year prior.

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Rent growth in the Northwest region continued during the second quarter of 2020, despite vacancies increasing in nearly all major metropolitan areas below.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2019 (%)	2Q 2020 (%)	Percentage Point Change	2Q 2019 ($)	2Q 2020 ($)	Percent Change
Bend-Redmond[a]	Tight	3.8	3.3	-0.5	1,103	1,154	5
Boise[a]	Balanced	4.6	4.9	0.3	994	1,038	4
Portland-Vancouver[b]	Balanced	4.0	4.9	0.9	1,415	1,423	1
Salem[a]	Slightly Tight	2.4	3.4	1	913	939	3
Seattle[b]	Slightly Tight	3.9	4.6	0.7	1,845	1,904	3
Spokane[a]	Slightly Tight	4.4	4.5	0.1	812	846	4
Tacoma[a]	Slightly Tight	2.8	3.3	0.5	1,125	1,164	3

2Q = second quarter.
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) Reis, Inc.; (b) RealPage, Inc.

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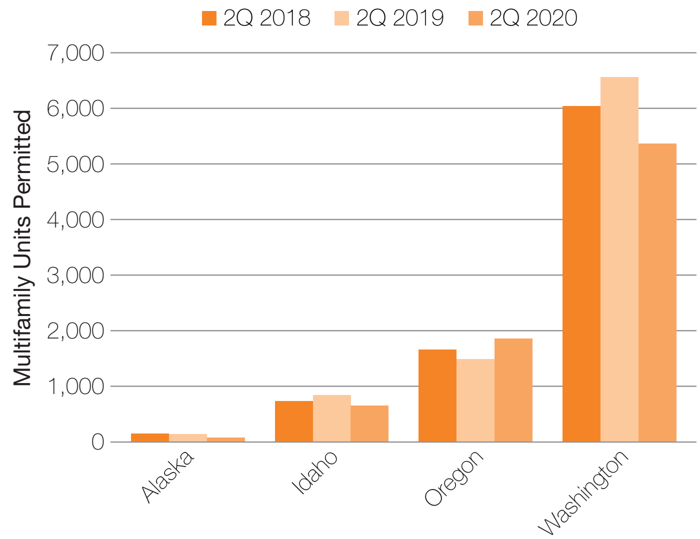
During the second quarter of 2020 (preliminary data)—

- Multifamily construction in the Northwest region totaled 7,950 units, down 12 percent from the 9,050 units permitted during the second quarter of 2019. A 24-percent increase in multifamily construction in Oregon was not large enough to offset declines in the remaining states in the region.
- Approximately 5,375 multifamily units, or 68 percent of the regional total, were permitted in Washington, down 18 percent from a year ago. By comparison, multifamily construction in Washington increased 9 percent from the second quarter of 2018 to the second quarter of 2019 to 6,550 units. Multifamily construction in the Seattle metropolitan area, which captured 71 percent of regionwide multifamily construction activity, fell 13 percent to 3,850 units during the second quarter of 2020, compared with a 4-percent decline a year before.
- The 24-percent increase in multifamily construction in Oregon was preceded by a 10-percent decline from the second quarter of 2018 to the second quarter of 2019. Construction activity in the Portland metropolitan area totaled 1,375 units, almost three-fourths of the 1,850 multifamily units permitted in the state during the current quarter and down 18 percent from a year ago.
- In Idaho, multifamily construction totaled 650 units, down 23 percent from a year ago, accounting for slightly more than 8 percent of the regional total. By comparison, construction activity increased 15 percent to 840 units from the second quarter of 2018 to the second quarter of 2019. Slightly more than 50 percent of multifamily construction activity in the state during the most recent quarter was in the Boise metropolitan area, where 330 units were permitted, down 30 percent from a year ago.
- Approximately 40,200 units were under construction in the region; 66 percent were in Washington, followed by 27 percent in Oregon and 7 percent in Idaho (McGraw-Hill Construction Pipeline database).

In the Northwest region, multifamily construction activity was down sharply during the second quarter of 2020 despite an increase in Oregon.



2Q = second quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey