HUD PD&R Regional Reports

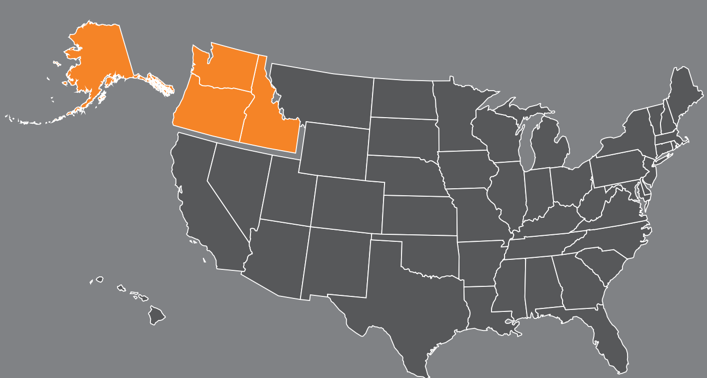
Region 10: Northwest

Anchorage, Alaska

Quick Facts About Region 10

- **Sales market conditions—**
  Second quarter 2021: mixed (very tight to slightly tight)
  First quarter 2021: mixed (very tight to balanced)
  Second quarter 2020: mixed (tight to slightly tight)

- **Apartment market conditions—**
  Second quarter 2021: mixed (very tight to soft)
  First quarter 2021: mixed (balanced to soft)
  Second quarter 2020: mixed (tight to balanced)



By Holi Urbas | 2nd Quarter 2021

Overview

Interventions taken since March 2020 to slow the spread of COVID-19 caused economic activity to slow dramatically in the Northwest region, ending 9 consecutive years of economic expansion that began in 2011; however, year-over-year job growth resumed during the second quarter of 2021—for the first time since the onset of the pandemic—at an average annual rate of 7.7 percent. Despite the strong year-over-year job growth, regional payrolls in June 2021 were 1.7 percent below prepandemic levels in February 2020 (not seasonally adjusted). Home sales market conditions were very tight despite the economic disruption except in Alaska, where market conditions were slightly tight. The supply of homes for sale has declined sharply since March 2020, contributing to increasing home sales prices. Single-family home construction continued to increase and was at the highest level since before the Great Recession. Apartment market conditions in the region were mixed during the second quarter of 2021, ranging from very tight to soft. In the two largest metropolitan areas in the region—Portland and Seattle—apartment markets were soft, with increasing vacancy rates and declining rents—a shift from the slightly tight to balanced conditions a year ago.

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- All states in the Northwest region added jobs during the second quarter of 2021 compared with a year ago, but Idaho was the only state in which second quarter 2021 payrolls exceeded those during the second quarter of 2019.
- During the 12 months ending May 2021, every state in the region had home sales price growth accelerate from a year ago, and home sales significantly increased, whereas home sales declined in all states during the 12 months ending May 2020. New home construction increased year over year by 33 percent regionwide, with gains in all states in excess of 25 percent from a year ago.
- During the second quarter of 2021, apartment market conditions improved in most suburban markets highlighted in this report, whereas major metropolitan areas—namely Seattle and Portland—had deteriorating conditions from a year ago. Multifamily construction increased 17 percent year over year, with increases in all states in the region.

Economic Conditions

Economic conditions in the Northwest region improved significantly during the second quarter of 2021 compared with the same period a year ago, partially because the measures used to slow the spread of COVID-19 caused payrolls to drop 10.1 percent year-over-year during the second quarter of 2020. Despite the strong year-over-year job growth, regional payrolls are still 3.0 percent lower than levels during the second quarter of 2019. Payrolls in the Northwest region totaled 6.33 million during the second quarter of 2021—up by 452,500 jobs, or 7.7 percent, from the same period a year ago. Every payroll sector added jobs except the manufacturing sector. For context, before the pandemic, economic conditions were strong in the region, with 9 years of consecutive payroll growth from 2011 through 2019, averaging 2.1 percent annually.

Goods-producing sectors accounted for slightly more than 7 percent of total year-over-year job gains in the region during the second quarter of 2021, but goods-producing sector payrolls were still 4.1 percent less than during the second quarter of 2019. During the second quarter of 2021, significant year-over-year payroll gains in the mining, logging, and construction sector, largely due to a 26-percent increase in residential construction during the past year, more than offset continued declines in the manufacturing sector. All manufacturing sector job losses occurred in Washington, whereas manufacturing jobs in all other states in the region increased. During 2020, The Boeing Company reduced Seattle-area employment by approximately 15,000, and the company announced plans to cut another 11,000 jobs during 2021, many of which will be in Seattle-area facilities (*Seattle Times*).

The remaining 93 percent of year-over-year jobs gains during the second quarter of 2021 occurred in the service-providing sectors—up by 419,100 jobs, or 8.5 percent, but 3.0 percent

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During the second quarter of 2021, year-over-year nonfarm payrolls increased in the Northwest region for the first time since the onset of the pandemic.

	Second Quarter		Year-Over-Year Change	
	2020 (Thousands)	2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	5,873.9	6,326.4	452.5	7.7
Goods-Producing Sectors	928.9	962.3	33.4	3.6
Mining, Logging, & Construction	401.1	438.1	37.0	9.2
Manufacturing	527.8	524.2	-3.6	-0.7
Service-Providing Sectors	4,945.0	5,364.1	419.1	8.5
Wholesale & Retail Trade	894.5	979.7	85.2	9.5
Transportation & Utilities	222.5	238.2	15.7	7.1
Information	190.8	199.4	8.6	4.5
Financial Activities	302.3	315.7	13.4	4.4
Professional & Business Services	766.9	813.1	46.2	6.0
Education & Health Services	905.3	981.2	75.9	8.4
Leisure & Hospitality	428.9	564.3	135.4	31.6
Other Services	194.8	215.5	20.7	10.6
Government	1,039.2	1,056.9	17.7	1.7

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

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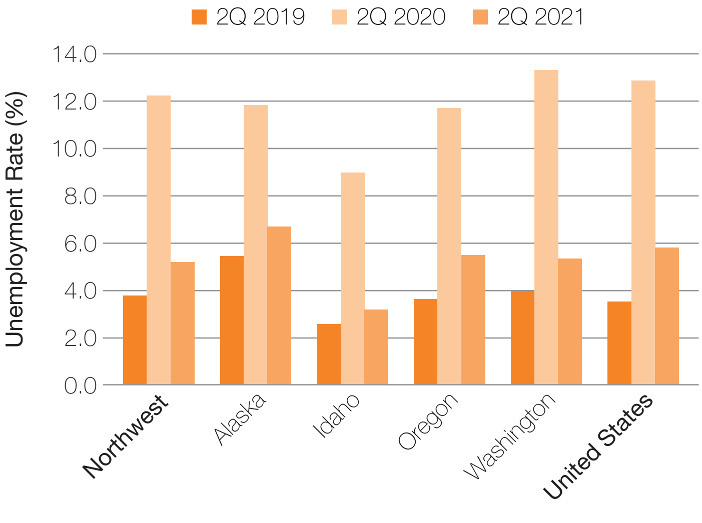
below the second quarter of 2019. The largest year-over-year job gains during the second quarter of 2021, in numeric and percentage terms, were in the leisure and hospitality sector. That sector accounted for 9 percent of regional payrolls but contributed nearly 30 percent of all jobs gained. Although the recent gains were strong, they were preceded by a year-over-year reduction of 37.8 percent during the second quarter of 2020 in response to social distancing mandates; the number of payrolls in the sector is currently 18 percent less than during the second quarter of 2019. Job growth was strong in the wholesale and retail trade and the education and health services sectors during the second quarter of 2021, and payrolls in both sectors surpassed levels during the second quarter of 2019 by approximately 1.0 percent.

The unemployment rate for the region averaged 5.2 percent during the second quarter of 2021—down significantly from 12.2 percent during the second quarter of 2020 but up from 3.8 percent during the same period in 2019. All states in the region had a decline in the unemployment rate of at least 5.0 percentage points during the second quarter of 2021 compared with a year ago, and Alaska was the only state to have a rate higher than that of the nation. The current unemployment rates for each state in the region are higher than their corresponding rates during the second quarter of 2019.

During the second quarter of 2021—

- Idaho had the fastest rate of year-over-year nonfarm payroll growth in the region, at 9.5 percent, or an increase of 68,300 jobs, raising payrolls to a total of 790,100. Furthermore, Idaho is the only state in the region in which current payrolls surpassed the number of payrolls during the second quarter of 2019.
- Payrolls in Washington—which accounted for more than one-half of total regional payrolls—increased by 230,000 jobs, or 7.3 percent, but remain 2.8 percent lower than payrolls during the second quarter of 2019. The mining, logging, and construction, the wholesale and retail trade, the education and health services, and the leisure and hospitality sectors combined to contribute 80 percent of all job gains, with each sector increasing by 10.0 percent or more from a year ago.

All states in the Northwest region except Alaska had unemployment rates below the national rate during the second quarter of 2021.



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

- In Oregon, all nonfarm payroll sectors added jobs except the government sector—which was unchanged—and total payrolls in the state increased overall by 133,700 jobs, or 7.8 percent, from a year ago. Current payrolls in Oregon are 5.0 percent less than during the second quarter of 2019. Almost 32 percent of the job growth was attributable to the leisure and hospitality sector, and more than 17 percent stemmed from gains in the wholesale and retail trade sector.
- In Alaska, nonfarm payrolls increased by 20,500 jobs, or 7.1 percent, compared with a year ago, to 310,000—approximately 6.1 percent less than the number of payrolls during the second quarter of 2019. All payroll sectors added jobs during the current quarter, led by gains in the leisure and hospitality sector. Economic conditions in Alaska were relatively weak before the pandemic, but even with the current job gains, payrolls are still 6.0 percent below the number of jobs during the second quarter of 2019.

Sales Market Conditions

Sales housing market conditions in the Northwest region were very tight during the second quarter of 2021 except in Alaska, where market conditions were slightly tight. The 9 years of economic expansion in the region before the pandemic, coupled with elevated net in-migration, has continued to support price growth of new and existing home sales (including single-family homes, townhomes, and condominiums; hereafter, referred to as home sales) in the region. During the 12 months ending May 2021, home sales price growth accelerated to 16 percent—more than triple the rate of sales price growth during the previous 12 months—to an average of $451,800 (CoreLogic, Inc., with adjustments by the analyst). All states in the region had sales price growth accelerate from the 12 months ending May 2020.

A prolonged shortage of for-sale inventory regionwide inhibited growth in home sales from 2017 through 2019; however,

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historically low interest rates since the beginning of the pandemic have encouraged homebuyers, and home sales increased 15 percent year-over-year during the past 12 months. All states in the region had increased home sales compared with a year ago, whereas home sales declined in all states during the 12 months ending May 2020. In June 2021, the inventory of homes for sale in Idaho, Oregon, and Washington were 0.8, 0.9, and 0.5 month, respectively—down from 1.4, 1.7, and 1.2 months in June 2020 (Redfin, a national real estate brokerage). The inventory of homes for sale was somewhat higher in Alaska, where sales market conditions are only slightly tight, at 1.4 months—down from 3.3 months a year earlier.

Washington tied with Idaho for the fastest home sales price growth in the region during the 12 months ending May 2021, at 18 percent (CoreLogic, Inc., with adjustments by the analyst). In Washington, that growth rate pushed the average sales price to $517,900, accelerating more than threefold from a growth rate of 5 percent during the 12 months ending May 2020. Home sales in Washington increased 15 percent to 169,300—accounting for nearly one-half of all regional home sales—which is in stark contrast to a 4-percent decline during the previous 12-month period. Of the three highlighted metropolitan areas in Washington, the Seattle metropolitan area had the sharpest increase in home sales, at 25 percent, to 62,350 homes sold. The average sales price, however, increased the most in the Tacoma metropolitan area, where prices rose 18 percent year-over-year to $463,500.

In Idaho, the average home sales price rose 18 percent during the 12 months ending May 2021, to $367,000, compared with an increase of 11 percent during the 12 months ending May 2020. During the same time, home sales in Idaho increased 14 percent to 70,550, accounting for 20 percent of regional home sales. In the Boise metropolitan area, home sales increased 4 percent—the slowest growth rate among the highlighted areas in this report—during the 12 months ending May 2021, and the average sales price increased 18 percent—the second fastest among all highlighted areas.

Home sales prices in Oregon increased 14 percent during the 12 months ending May 2021, to $417,500, compared with a 5-percent increase during the previous period. Concurrently, home sales increased 17 percent to 96,700—approximately 27 percent of the region total and compared with a 1-percent decline during the 12 months ending May 2020. Trends in the Portland metropolitan area were similar, with home sales and prices increasing 18 and 12 percent, respectively, from a year ago. The Bend metropolitan area had the strongest growth in home sales and prices relative to the other highlighted areas in this report.

In Alaska, the sales market transitioned from balanced to slightly tight, as the number of homes sold increased 19 percent during the 12 months ending May 2021 to 15,850—the swiftest increase among all states in the region. By comparison, home sales fell 2 percent during the 12 months ending May 2020. During the past 12 months, the average home sales price increased 7 percent to $330,300, marking the slowest rate of price growth among the four states in the region but also the fastest rate of price growth in Alaska since 2005. Two-thirds of statewide home sales during the past 12 months were in the Anchorage metropolitan area, where home sales and home sales prices increased 20 and 7 percent, respectively.

The rate of seriously delinquent mortgages (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the Northwest region has remained well below

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Home sales and prices increased in all highlighted metropolitan areas in the Northwest region during the 12 months ending May 2021.

		Number of Homes Sold			Price			
	12 Months Ending	2020	2021	Percent Change	Average	2020 ($)	2021 ($)	Percent Change
Anchorage, AK (N&E)	May	8,725	10,450	20	AVG	$325,800	$347,400	7
Bend, OR (N&E)	May	6,925	8,950	29	AVG	$433,400	$531,100	23
Boise, ID (N&E)	May	28,400	29,550	4	AVG	$345,800	$408,700	18
Eugene, OR (N&E)	May	6,950	7,400	6	AVG	$313,500	$354,400	13
Portland, OR (N&E)	May	46,450	54,600	18	AVG	$434,700	$488,200	12
Seattle, WA (N&E)	May	49,750	62,350	25	AVG	$651,900	$750,400	15
Spokane, WA (N&E)	May	12,950	13,950	8	AVG	$267,200	$312,000	17
Tacoma, WA (N&E)	May	19,150	21,200	11	AVG	$392,300	$463,500	18

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

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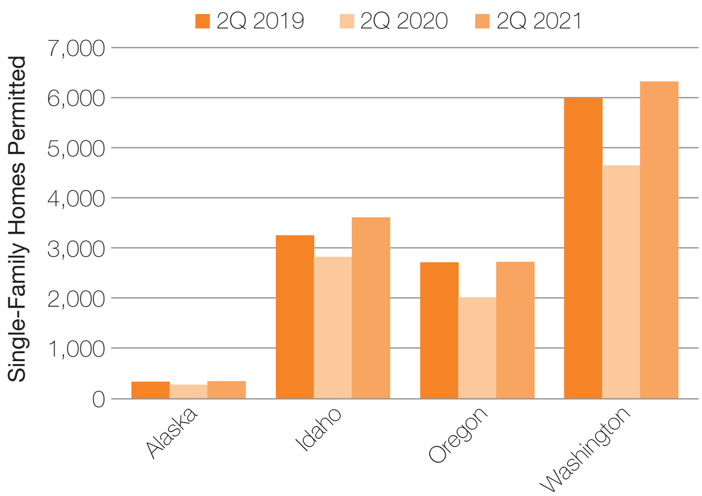
the national rate since 2000 (CoreLogic, Inc.). In July 2012, the rate of seriously delinquent mortgages and REO properties peaked at 6.0 percent; the national rate reached a high of 8.6 percent in February 2010. In May 2021, 2.1 percent of mortgages in the region were seriously delinquent or in REO status—up from 0.8 percent a year earlier but down from a peak of 2.8 percent in August 2020. The increase is attributable to a rise in mortgages 90 or more days delinquent; this category increased more than fourfold from prepandemic levels in February 2020 to the peak in August 2020. Regionwide, foreclosures were down nearly two-thirds in May 2021 compared with prepandemic levels, and REO properties fell 70 percent, marking the lowest level of REO sales since the beginning of 2000, largely because of mortgage forbearance policies provided through the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

During the second quarter of 2021 (preliminary data)—

- New home construction in the region, as measured by the number of single-family homes permitted, totaled 13,000 single-family homes—up 33 percent from the 9,750 homes permitted a year ago and compared with a 21-percent decline from the second quarter of 2019 to the second quarter of 2020. Single-family permitting was up in all states in the region during the second quarter of 2021 compared with the same quarter in 2019. The current level of new home construction is higher than during any second quarter since 2008.
- Approximately 49 percent of the single-family homes permitted in the region were in Washington, where new home construction increased 36 percent to 6,325 homes permitted. The Spokane metropolitan area had the largest percentage increase in single-family homebuilding among the Washington metropolitan areas highlighted in this report, with 480 homes permitted—up 20 percent from the second quarter of 2020. New home construction in the Seattle and Portland metropolitan areas also increased 13 and 14 percent, respectively, to 1,375 and 690 homes permitted.
- In Oregon, single-family home permitting increased 36 percent to 2,725 homes permitted, tying with Washington for the largest year-over-year percentage increase in the region. All three highlighted areas in Oregon increased new home construction from a year ago, and current levels are above those during the second quarter of 2019. New home construction in Portland increased the fastest of any highlighted metropolitan area in the region, up 49 percent, to 2,175 homes permitted.
- Idaho had the slowest growth in new home construction, with single-family permitting up 27 percent from the second quarter of 2020 to 3,600 homes permitted; however, it is the swiftest second quarter year-over-year growth in new home construction in the state since 2013. Approximately 66 percent of statewide new home construction was in the Boise metropolitan area, where single-family permitting increased 31 percent to 2,175 homes permitted.
- Approximately 350 single-family homes were permitted in Alaska—up 31 percent from a year ago. Of those homes permitted, two-thirds were in the Anchorage metropolitan area, where single-family homebuilding increased 16 percent to 230 homes permitted.

New home construction increased in all states of the Northwest region during the second quarter of 2021 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 were balanced in four of the seven metropolitan areas highlighted in this report. In the two largest metropolitan areas—Seattle and Portland—apartment markets were soft. Except in Idaho, apartment rents in the largest metropolitan areas in each state (Anchorage, Portland, and Seattle) decreased, whereas rents in the smaller metropolitan areas increased between 3 and 9 percent (Moody's Analytics REIS). By comparison, during the same quarter a year earlier, year-over-year apartment rent growth was 3 percent or greater in all metropolitan areas except Anchorage, Portland, and Seattle—where rents increased 1 percent or less. Renters in the region were more affected by the recent economic downturn than were owners; 9.2 percent of renters in the region report having no confidence in being

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able to pay or are deferring their next rent payment, whereas 1.7 percent of homeowners report the same regarding their next mortgage payment (U.S. Census Bureau, Household Pulse Survey, June 23–July 5). Despite weak but improving economic conditions, the apartment vacancy rate remained below 5.0 percent (typically indicative of balanced market conditions in the region) in every highlighted metropolitan area except Seattle and Portland, where apartment vacancy rates were above 6 percent. An eviction moratorium was in place throughout the region during the second quarter of 2021, which likely helped stabilize apartment vacancy rates.

During the second quarter of 2020, the Seattle and Portland metropolitan area apartment markets transitioned from slightly tight and balanced conditions, respectively, to soft conditions during the second quarter of 2021. In the Seattle metropolitan area, the apartment vacancy rate increased from 5.4 to 6.2 percent, and the average asking rent fell 5 percent to $1,766, marking the first annual rent decline during the second quarter since 2010. Class A apartments performed worse than the market average, with the average Class A apartment vacancy rate increasing year-over-year from 6.1 to 7.3 percent during the second quarter of 2021 and average rent declining 7 percent to $2,107. In the Portland metropolitan area, the vacancy rate increased to 6.2 percent during the second quarter of 2021 compared with 5.6 percent a year ago, and the average rent fell 1 percent to $1,383. The apartment vacancy rate in the Portland metropolitan area during the second quarter of 2021 was higher than any second quarter rate since 6.2 percent in 2009. From 2013 through 2019, rent growth in the area averaged almost 7 percent. Similar to conditions in the Seattle metropolitan area, Class A apartments in the Portland metropolitan area performed worse than the market average during the second quarter of 2021 compared with the same period a year ago, with vacancy rates increasing from 7.0 to 8.1 percent, and the average rent fell 1 percent to $1,558. The increased use of telework and higher numbers of economically struggling renters contributed to the change in trends. Some tenants moved to less expensive metropolitan areas and suburban submarkets from more expensive buildings in central Seattle and Portland.

The apartment market in the Bend metropolitan area was very tight during the second quarter of 2021, and it was the only metropolitan area highlighted in this report where the vacancy rate declined year over year, to 2.3 percent; it was also the lowest vacancy rate among all seven areas. Concurrently, the average rent in the Bend metropolitan area increased 9 percent, to $1,257—the swiftest rent growth among all highlighted areas. Apartment markets in the Boise, Spokane, and Tacoma metropolitan areas were all balanced, with small increases in the vacancy rates and rent growth of 3 to 4 percent. The apartment market in the Tacoma metropolitan area likely benefited from being adjacent to the Seattle metropolitan area, as increased use of telework made long commutes less of a concern. High levels of population growth in Idaho provided consistent demand for apartments in the Boise metropolitan area.

Alaska was the only state in the region with weak economic conditions and a declining population before the COVID-19 pandemic, leading to persistently soft apartment market conditions throughout much of the state in the 2010s. Apartment market conditions in the Anchorage metropolitan area remained balanced during the second quarter of 2021, with a 3.4-percent vacancy rate—unchanged from the second quarter of 2020. Rent growth in the metropolitan area was slow from the mid- to late 2010s, averaging less than 1 percent annually from 2015 through 2019; the average rent declined 2 percent, to $1,145, during the second quarter of 2021.

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Apartment market conditions deteriorated in the two largest metropolitan areas in the Northwest region—Seattle and Portland—during the second quarter of 2021.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2020 (%)	2Q 2021 (%)	Percentage Point Change	2Q 2020 ($)	2Q 2021 ($)	Percent Change
Anchorage	Balanced	3.4	3.4	0	1,163	1,145	-2
Bend	Very Tight	3.3	2.3	-1	1,154	1,257	9
Boise	Balanced	3.9	4.7	0.8	1,045	1,075	3
Portland	Soft	5.6	6.2	0.6	1,392	1,383	-1
Seattle	Soft	5.4	6.2	0.8	1,851	1,766	-5
Spokane	Balanced	4.3	4.3	0	860	882	3
Tacoma	Balanced	2.4	3.3	0.9	1,178	1,221	4

2Q = second quarter.
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—Moody's Analytics REIS

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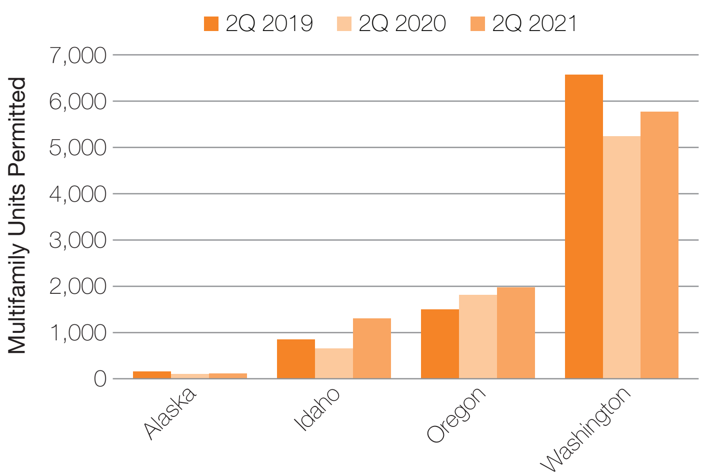
During the second quarter of 2021 (preliminary data)—

- Multifamily construction in the Northwest region, as measured by the number of multifamily units permitted, totaled 9,125 units—up 17 percent from the 7,775 units permitted during the second quarter of 2020 and similar to the 9,050 multifamily units permitted during the second quarter of 2019. Multifamily construction increased in all states of the region during the second quarter of 2021, and almost one-half of the growth was due to increased permitting in Idaho.
- In Washington, multifamily construction rose 10 percent to 5,750 units permitted, accounting for approximately 63 percent of the regional total and nearly 40 percent of the regional increase, but was 12 percent below construction activity during the second quarter of 2019. Multifamily construction in the Seattle metropolitan area, which accounted for 55 percent of statewide construction activity, fell 14 percent, to 3,175 units, during the second quarter of 2021 compared with a 17-percent decrease a year before.
- A 99-percent increase in multifamily construction in Idaho, to 1,300 units permitted, was preceded by a 23-percent reduction from the second quarter of 2019 to the second quarter of 2020. The state accounted for 14 percent of multifamily construction in the region but constituted 47 percent of the regional growth. More than 80 percent of multifamily construction activity in the state during the most recent quarter was in the Boise metropolitan area, where 1,050 units were permitted—up from the 330 units permitted during the second quarter of 2020.
- Approximately 1,975 multifamily units were permitted in Oregon—an increase of 9 percent from a year ago—accounting for nearly one-fourth of the regional total and 12 percent of the regionwide increase. Oregon was the only state in the region to have growth in multifamily construction from the second quarter of 2019 to the second quarter of 2020, an increase of 21 percent. Construction activity during the second quarter of 2021 in the Portland metropolitan area (which includes Clark and Skamania Counties in Washington) totaled 2,100 units—up 49 percent from a year ago—but was preceded by a 15-percent decline during the second quarter of 2020.
- Multifamily construction in Alaska increased 16 percent to 110 units, but current permitting levels are down from the 140 units permitted during the second quarter of 2019. More than 60 percent of statewide multifamily construction occurred in the Anchorage metropolitan area, where 70 multifamily units were permitted during the second quarter of 2021—up from 50 units during the second quarter of 2020.

Multifamily construction in the Northwest region increased 17 percent during the second quarter of 2021 compared with a year ago.



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Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey