

HUD PD&R Regional Reports

Region 10: Northwest

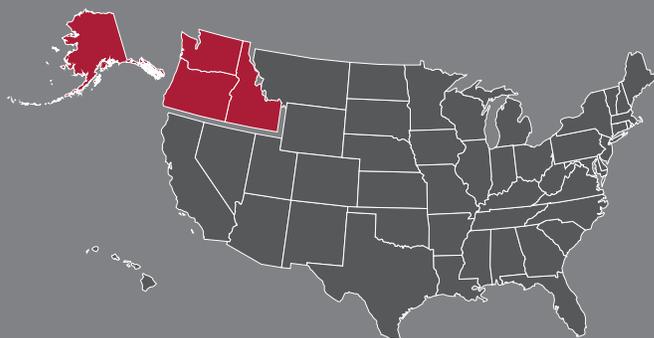


Quick Facts About Region 10

Spokane, Washington

By Tom Aston | 3rd Quarter 2019

- **Sales market conditions—**
Third quarter 2019: tight
Second quarter 2019: tight
Third quarter 2018: mixed (tight to slightly soft)
- **Apartment market conditions—**
Third quarter 2019: mixed (very tight to balanced)
Second quarter 2019: mixed (very tight to balanced)
Third quarter 2018: mixed (very tight to balanced)



Overview

Nonfarm payroll growth accelerated during the third quarter of 2019 to an average annual rate of 2.4 percent, outpacing the other nine HUD Regions and the United States. Job gains occurred in all four states in the region. Sales housing market conditions ranged from slightly soft in Alaska to tight in Idaho, Oregon, and Washington. Single-family construction activity, as measured by the number of homes permitted, was mixed, increasing in Idaho, Oregon, and Washington and declining in Alaska. Apartment market conditions ranged from very tight to balanced, with vacancy rates declining in Anchorage, Portland, and Seattle and increasing in Boise, Eugene, and Spokane. Construction of multifamily units, consisting mostly of apartments, increased in all four states during the third quarter of 2019 compared with a year earlier when multifamily units permitted declined in Alaska, Oregon, and Washington. Strong residential construction activity combined with major infrastructure and corporate projects in Idaho, Oregon, and Washington are keeping construction workers in high demand, making the mining, logging, and construction sector one of the strongest growth sectors in the region.

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- Nonfarm payroll growth has accelerated in 2019, increasing from an average of 125,100 jobs during the first quarter to an average of 155,500 jobs during the third quarter.
- The increase in the average price of a home sold during the third quarter of 2019 slowed from a year earlier. During the third quarter of 2019, the average price of a home sold increased

8, 4, 3, and 1 percent in Idaho, Washington, Oregon, and Alaska, respectively, compared with respective increases of 10, 9, 7, and 4 percent in those states a year earlier.

- The number of multifamily units permitted increased in 2019 from 8,450 units during the first quarter to 10,775 units during the third quarter.

Economic Conditions

During the third quarter of 2019, economic conditions in the Northwest region were strong, with nonfarm payrolls expanding in every state. Nonfarm payrolls increased to 6.58 million in the region, with the net addition of 155,500 jobs, or 2.4 percent, outperforming growth of the 134,600 jobs, or 2.1 percent, from a year earlier. The large number of job gains in the education and health services sector and the high rate of growth in the manufacturing sector led job gains, which occurred in every nonfarm payroll sector.

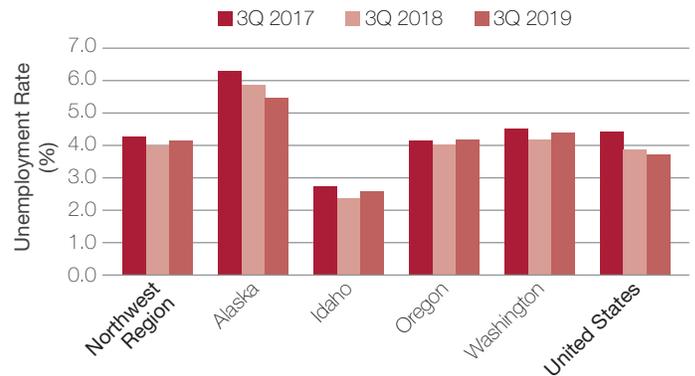
The education and health services sector led job growth in the region with a gain of 35,300 jobs, or 3.8 percent, to 967,500, with a majority of the increase the result of hiring in the social assistance industry and hospitals. Job growth in the professional and business services sector increased by 26,400 jobs, or 3.3 percent, to 835,400 nonfarm payrolls, the second largest payroll gain in the region. Job gains in this sector were strongest in the administrative support services and employment placement services industries.

The highest percentage increase in nonfarm payrolls occurred in the manufacturing sector, with a gain of 4.0 percent, or 22,900, to 600,700 jobs. Manufacturing job gains were concentrated in the aerospace product and parts manufacturing industry and the food manufacturing industry, which accounted for most of the increase in manufacturing sector payrolls.

The regional unemployment rate averaged 4.2 percent during the third quarter of 2019, up from 4.0 percent a year earlier. The jobless rate increased from a year ago in Idaho, Oregon, and Washington to 2.6, 4.2, and 4.4 percent, respectively. In Alaska, the unemployment rate declined to 5.5 percent from 5.8 percent a year earlier because the decline in labor force outpaced the decline in resident employment.

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Alaska was the only state in the region where the unemployment rate decreased from a year earlier.



3Q = third quarter.
Source: U.S. Bureau of Labor Statistics

During the third quarter of 2019, year-over-year nonfarm payrolls increased in every sector.

	Third Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	6,425.0	6,580.5	155.5	2.4
Goods-Producing Sectors	1,008.9	1,048.7	39.8	3.9
Mining, Logging, & Construction	431.1	448.1	17.0	3.9
Manufacturing	577.8	600.7	22.9	4.0
Service-Providing Sectors	5,416.1	5,531.8	115.7	2.1
Wholesale & Retail Trade	978.0	984.1	6.1	0.6
Transportation & Utilities	230.6	237.3	6.7	2.9
Information	185.9	192.1	6.2	3.3
Financial Activities	312.0	320.2	8.2	2.6
Professional & Business Services	809.0	835.4	26.4	3.3
Education & Health Services	932.2	967.5	35.3	3.8
Leisure & Hospitality	700.5	714.5	14.0	2.0
Other Services	225.7	228.6	2.9	1.3
Government	1,042.2	1,052.1	9.9	0.9

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



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During the third quarter of 2019—

- Nonfarm payroll growth remained strong in Washington with an increase of 2.7 percent, or 93,900 jobs, to 3.52 million compared with an increase of 2.5 percent, or 82,400 jobs, a year earlier. The information and financial activities sectors led job growth in percentage terms with gains of 5.6 and 4.6 percent, or by 7,700 and 6,000 jobs, respectively.
- In Idaho, nonfarm payrolls increased 2.7 percent, or by 20,100 jobs, to 766,400. The mining, logging, and construction sector grew at the fastest rate, increasing 11.9 percent, or by 1,200 jobs, the largest percentage gain in the mining, logging, and construction sector of any state in the region. Most of the increase occurred in the construction subsector.
- Nonfarm payrolls in Oregon grew 1.6 percent, or by 36,400 jobs, to 1.94 million. The state led the region in transportation and utilities sector job growth with an increase of 5.2 percent, or 3,800 jobs—mainly because of hiring in the warehousing and storage industry.
- The labor market in Alaska continued to strengthen. Nonfarm payrolls increased 1.5 percent, or by 5,200 jobs, to 351,600 jobs. Nonfarm payrolls increased in each of the first three quarters in 2019 after declining during all of 2017 and 2018. Job growth was strongest in the manufacturing sector, increasing 12.1 percent, or by 2,300 jobs, the greatest percent gain of any state in the region.

Sales Market Conditions

Sales housing market conditions were tight in much of the Northwest region during the third quarter of 2019, with the exception of Alaska, where the sales housing market was slightly soft. During the 12 months ending August 2019, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 302,200, down 9 percent from a year ago, while the average sales price rose 4 percent to \$373,900 (CoreLogic, Inc., with adjustments by the analyst). By comparison, new and existing home sales (hereafter, home sales) increased an average of 10 percent a year from 2012 through 2017, while the average home sales price increased 7 percent annually. The volume of home sales has been constrained by a low inventory of homes for sale, which as of July 2019 was a 2.2-month supply. Increasing home prices and a tight sales market caused the percentage of seriously delinquent home loans (loans that are 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties to decline regionwide, from 1.0 percent in August 2018 to 0.8 percent in August 2019. By comparison, the national rate declined from 1.7 to 1.4 percent during the same period. The rate of seriously delinquent home loans and REO properties declined in all four states of the region: from 1.3 to 1.1 percent in Alaska, from 0.7 to 0.5 percent in Idaho, and from 0.9 to 0.7 percent in both Oregon and Washington.

During the 12 months ending August 2019, Idaho led the region in home price growth, with an increase of 8 percent to \$277,300; however, limited for-sale inventories led to the number of homes sold decreasing 4 percent to 59,200 compared with a year earlier, the first third-quarter decrease since 2012. Idaho population growth in 2018 was the second fastest among all U.S. states; increased demand from recent arrivals has led to a tight sales market, and as of August 2019, there was a 1.9-month supply of for-sale houses, unchanged from a year earlier. Approximately 60 percent of all population growth in the state occurred in

the Boise City-Nampa metropolitan area, where home prices increased 9 percent to \$306,700.

The sales housing market is tight in Washington with just a 1.9-month supply of new and existing homes for sale. The state had the highest average home price in the region at \$430,400, which increased 3 percent during the 12 months ending August 2019, while home sales decreased 10 percent to 148,900. Home price gains occurred in all the metropolitan areas highlighted in this report, ranging from 2 percent in Seattle to 10 percent in Spokane. As of August 2019, the S&P CoreLogic Case-Schiller Composite National Home Price Index increased 0.7 percent in the Seattle metropolitan area, the lowest gain among major metropolitan areas in the 20-City Index compared with a 9.6-percent increase a year earlier.

In Oregon, home sales decreased 12 percent from a year ago, with 81,000 homes sold during the 12 months ending August 2019, while the average sales price was up 4 percent to \$353,500. Sales housing market conditions were tight in the state with a 2.1-month supply of for-sale homes. Home price increases were led by the Eugene and Medford metropolitan areas, with price growth of 7 and 5 percent to \$301,400 and \$315,500, respectively.

The home sales market in Alaska is slightly soft but is slowly improving. During the 12 months ending July 2019, a strengthening labor market contributed to stabilizing home sales at 13,200, relatively unchanged from a year earlier compared with an average 7-percent decline from the third quarter of 2015 through the third quarter of 2017. The average home price in Alaska, however, increased 1 percent to \$294,500 from a year ago, compared with an increase of 4 percent during the previous 12-month period. In Anchorage, the 8,550 homes sold was unchanged from a year ago, and the average price of a home sold was \$313,500, up 1 percent.

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During the 12 months ending August 2019, sales of new and existing homes declined by more than 10 percent in six of the eight metropolitan areas cited in this report.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2018	2019	Percent Change		2018 (\$)	2019 (\$)	Percent Change
Anchorage (N&E)	August	8,575	8,550	0	AVG	311,100	313,500	1
Boise (N&E)	August	27,600	26,250	-5	AVG	281,100	306,700	9
Eugene (N&E)	August	8,000	7,025	-12	AVG	282,300	301,400	7
Medford (N&E)	August	5,425	4,675	-14	AVG	299,900	315,500	5
Portland (N&E)	August	58,450	45,450	-22	AVG	411,900	423,900	3
Seattle (N&E)	August	58,450	51,100	-13	AVG	625,600	638,200	2
Spokane (N&E)	August	13,675	12,200	-11	AVG	231,600	254,800	10
Tacoma (N&E)	August	22,049	19,625	-11	AVG	352,300	378,500	7

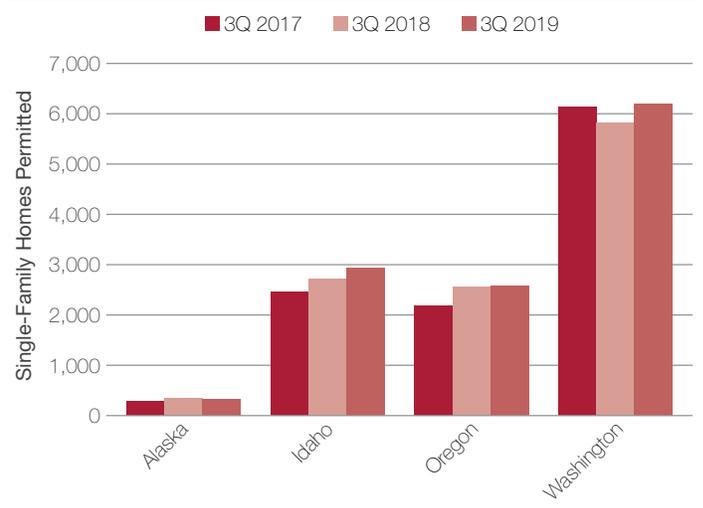
AVG = average. N&E = new and existing.

Source: CoreLogic, Inc., with adjustments by the analyst

During the third quarter of 2019 (preliminary data)—

- The number of single-family homes permitted in the Northwest region increased 6 percent to 12,000 homes. By comparison, the number of homes permitted during the third quarter increased at an average annual rate of 7 percent, or 600 homes, from 2012 through 2016, compared with 2 percent, or 320 homes, annually since 2016.
- The largest increase in single-family home permitting occurred in Idaho, where 2,925 homes were permitted, an increase of 230 homes, or 9 percent, compared with the third quarter of 2018; it was the highest level of third-quarter homebuilding since 2007.
- Single-family permitting activity in Alaska decreased 2 percent to 320 homes from a year ago after a 15-percent gain from the third quarters of 2017 and 2018. From 2012 through 2016, third quarter single-family permitting activity averaged slightly more than 200 units a year.
- In Washington, 6,175 homes were permitted, up 6 percent compared with the third-quarter of 2018 and the greatest number of third-quarter homes permitted since the housing market recovery began in 2012.

Single-family home permitting increased 6 percent year over year in the Northwest region during the third quarter of 2019 with the greatest percentage increase in Idaho.



3Q = third quarter.

Note: Based on preliminary data.

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

Apartment Market Conditions

Apartment market conditions were mixed throughout the Northwest region during the third quarter of 2019, ranging from very tight to balanced, unchanged from a year ago. Among the seven metropolitan areas referenced in this report, vacancy rates ranged from 2.9 percent in the Eugene and Tacoma metropolitan areas to 5.9 percent in the Boise metropolitan area. Vacancy rates increased in three of the seven metropolitan areas (Boise, Eugene, and Spokane), and declined in three metropolitan areas (Anchorage, Portland, and Seattle). Six of the metropolitan areas reported year-over-year rent growth, ranging from 2 percent in Eugene to 6 percent in Tacoma, and rents were unchanged in Anchorage.

Tight apartment market conditions returned in Portland with a decline in the vacancy rate to 3.7 percent from 4.3 percent a year ago and an increase in rents of 5 percent compared with a modest 3-percent rent gain a year earlier; this was mainly attributable to an 18-percent reduction in apartment completions. Despite a 25-percent increase in apartment completions, the vacancy rate decreased to 3.8 percent in Seattle as strong job growth and the lack of affordable sales housing spurred strong apartment demand. A slight decrease in the vacancy rate from 5.0 to 4.2 percent and virtually no change in average rent from a year earlier sustained balanced apartment market conditions in Anchorage. In Eugene, slowing population growth

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The Eugene and Tacoma apartment markets were the tightest in the Northwest region during the third quarter of 2019 while rents increased the most in Tacoma.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2018 (%)	3Q 2019 (%)	Percentage Point Change	3Q 2018 (\$)	3Q 2019 (\$)	Percent Change
Anchorage ^a	Balanced	5.0	4.2	-0.8	1,162	1,159	0
Boise ^a	Balanced	4.6	5.9	1.3	948	997	5
Eugene ^a	Very Tight	2.4	2.9	0.5	989	1,011	2
Portland ^b	Tight	4.3	3.7	-0.6	1,373	1,438	5
Seattle ^b	Tight	4.1	3.8	-0.3	1,791	1,864	4
Spokane ^a	Slightly Tight	4.2	4.4	0.2	797	823	3
Tacoma ^a	Tight	2.9	2.9	0	1,071	1,138	6

3Q = third quarter.

Source: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—a) Reis, Inc., b) RealPage, Inc.

and increased apartment construction activity contributed to the increase in the vacancy rate and a modest increase in rent. In the Boise metropolitan area, strong apartment demand resulting from a strong labor market and population growth led to a 5-percent increase in the average monthly rent. Strong apartment construction activity combined with several apartment developments in lease-up during the third quarter of 2019 contributed to an increase in the vacancy rate to 5.9 percent compared with 4.6 percent a year earlier. Apartment market conditions in Tacoma were very tight, with vacancy rates under 3 percent, mainly in response to renters attracted to areas with rents that are 40 to 33 percent lower, respectively, than in the nearby Seattle metropolitan area.

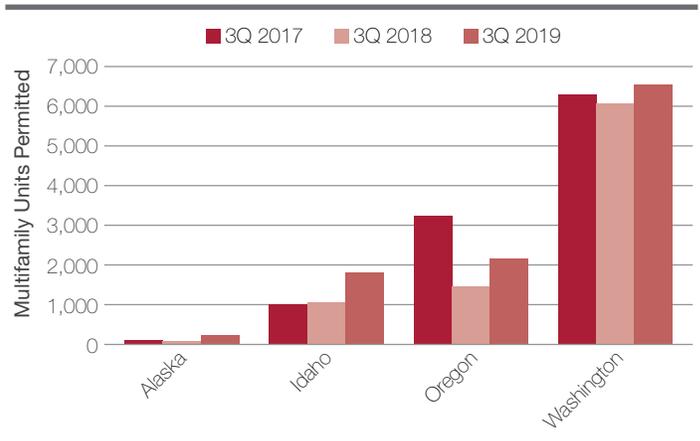
Mainly in response to strong apartment demand in the Boise, Portland, Tacoma, and Seattle metropolitan areas, apartment development activity in the Northwest region, as measured by the number of multifamily units permitted, increased 24 percent to 10,775 units during the third quarter of 2019.

During the third quarter of 2019 (preliminary data)—

- The fastest rate of growth in multifamily permitting activity occurred in Idaho, where 1,825 multifamily units were permitted, a 70-percent gain compared with a year ago. This is the third consecutive third quarter when multifamily permit activity has exceeded 1,000 units after averaging nearly 550 units from 2012 through 2016.
- The number of multifamily units permitted in Oregon increased 47 percent to 2,170 units, following a 55-percent decrease during the third quarter of 2018. Approximately 80 percent of the multifamily units permitted were in the Portland metropolitan area as apartment developers responded to tight apartment market conditions.

- Multifamily construction in Washington increased 8 percent from the third quarter of 2018 compared with a decrease of 4 percent during the previous year. Third-quarter multifamily permit activity, however, remains at historic highs, averaging 6,300 units since 2017 compared with an average of 5,325 units from the third quarters of 2014 through 2016.
- In Alaska, the number of multifamily units permitted increased to 230 units from 90 units a year ago, the greatest number of multifamily units permitted in a third quarter since 270 units during the third quarter of 2014. Approximately 70 percent of the multifamily units permitted were in the Anchorage-Matanuska-Susitna and Juneau metropolitan areas.

During the third quarter of 2019, multifamily permitting activity increased in all four states in the Northwest region.



3Q = third quarter.

Note: Based on preliminary data.

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

