

# HUD PD&R Regional Reports

## Region 10: Northwest



### Quick Facts About Region 10

Anchorage, Alaska

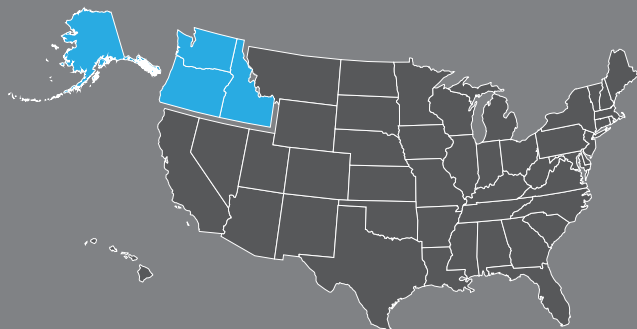
By Adam Tubridy | 4th quarter 2018

#### Sales market conditions—

Fourth quarter 2018: mixed (tight to slightly soft)  
Third quarter 2018: mixed (tight to slightly soft)  
Fourth quarter 2017: mixed (very tight to slightly soft)

#### Apartment market conditions—

Fourth quarter 2018: mixed (slightly soft to slightly tight)  
Third quarter 2018: mixed (very tight to balanced)  
Fourth quarter 2017: mixed (tight to balanced)



### Overview

Economic growth in the Northwest region remained strong during the fourth quarter of 2018, with fourth-quarter nonfarm payrolls expanding for the ninth consecutive year. Regional nonfarm payrolls averaged 6.48 million, an increase of 159,300 jobs, or 2.5 percent, from the fourth quarter of 2017. Sales market conditions in Idaho, Oregon, and Washington were tight, with average home prices increasing by 6 percent or more in every one of the major metropolitan areas in the states listed in this report, as a result of limited construction activity. Despite rapid increases in home prices, single-family home construction did not increase significantly in the region. In addition, home sales decreased in seven of the eight profiled metropolitan areas. The only exception to tight sales markets was in Alaska, where markets are slightly soft, with declining home sales and lower price growth. Apartment market conditions are mixed throughout the region, ranging from slightly soft to slightly tight, with average rents rising in every highlighted metropolitan area. Multifamily construction throughout the region decreased compared with the fourth quarter of 2017, but the rate has still represented the second highest rate of fourth-quarter construction since 2000.

continued on page 2



PD&R

continued from page 1

- The rate of nonfarm payroll growth in the Northwest region was the second highest among all 10 HUD regions, after the Rocky Mountain region.
- Tight sales markets in Idaho, Oregon, and Washington are the result of a low supply of available homes, with each state having 3 months or less of available supply (CoreLogic, Inc.).
- The two largest apartment markets in the region, the Seattle-Tacoma-Bellevue (hereafter Seattle) and Portland-Vancouver-Beaverton (hereafter Portland) metropolitan areas, have transitioned from slightly tight to balanced market conditions.

## Economic Conditions

Economic conditions in the Northwest region remained strong during the fourth quarter of 2018, with nonfarm payrolls increasing in every state in the region except Alaska. Nonfarm payrolls increased to 6.48 million, an increase of 159,300, or 2.5 percent, accelerating from growth of 146,800, or 2.4 percent, during the fourth quarter of 2017. Regional nonfarm payrolls have increased every year since 2011 at an average rate of 2.2 percent annually. Job gains were widespread during the fourth quarter of 2018, with every private nonfarm payroll sector expanding. The government sector was the only sector to lose jobs, with a decline of 4,600 jobs, or 0.4 percent.

The education and health services sector led job growth in the region during the fourth quarter, growing by 35,300 jobs, or 3.8 percent. More than one-half of this growth occurred in the social assistance industry, which includes day cares, non-healthcare services for the elderly and disabled, and other social outreach programs that added 19,400 jobs, or 11.1 percent, to 193,800 payrolls. However, most of the increase in this industry did not represent actual growth but instead the reclassification of approximately 20,000 home health workers in Oregon from the government sector. As a result, the government sector decreased by 4,600 jobs, or 0.4 percent; if the reclassification of home health workers had not occurred, then every economic sector would have expanded.

The highest percentage increase in nonfarm payrolls occurred in the mining, logging, and construction sector with a 5.4-percent gain, or 21,500 jobs. The construction subsector accounted for almost all the gain, with Washington and Oregon leading the region, adding 10,300 jobs and 9,200 jobs, respectively. The largest ongoing construction projects in the Portland metropolitan area are the Nike, Inc. headquarters, with an estimated cost of more than \$1 billion, and the redevelopment of the Vancouver, WA waterfront, which has an estimated cost of \$1.5 billion and includes a combination of residential, hotel, office, and retail properties. In Seattle, a few of the many large construction projects include Sound Transit's light rail line from Seattle to Bellevue, the Highway 99 tunnel, and the Google South Lake Union Campus.

During the fourth quarter of 2018, the regional unemployment rate averaged 4.1 percent, down from 4.3 percent during the fourth quarter of 2017. The jobless rate declined in every state in the region except Oregon, where it increased from 3.9 to 4.1 percent. The largest decline in the unemployment rate occurred in Alaska, with a decrease from 7.1 to 6.2 percent.

continued on page 3

**All private nonfarm payroll sectors in the Northwest region grew during the fourth quarter of 2018 on a year-over-year basis.**

|                                  | Fourth Quarter      |                     | Year-Over-Year Change   |         |
|----------------------------------|---------------------|---------------------|-------------------------|---------|
|                                  | 2017<br>(Thousands) | 2018<br>(Thousands) | Absolute<br>(Thousands) | Percent |
| <b>Total Nonfarm Payrolls</b>    | 6,322.0             | 6,481.3             | 159.3                   | 2.5     |
| Goods-Producing Sectors          | 944.8               | 984.5               | 39.7                    | 4.2     |
| Mining, Logging, & Construction  | 395.2               | 416.7               | 21.5                    | 5.4     |
| Manufacturing                    | 549.6               | 567.8               | 18.2                    | 3.3     |
| Service-Providing Sectors        | 5,377.2             | 5,496.8             | 119.6                   | 2.2     |
| Wholesale & Retail Trade         | 985.0               | 1,005.3             | 20.3                    | 2.1     |
| Transportation & Utilities       | 221.4               | 227.5               | 6.1                     | 2.8     |
| Information                      | 177.8               | 185.7               | 7.9                     | 4.4     |
| Financial Activities             | 304.5               | 310.9               | 6.4                     | 2.1     |
| Professional & Business Services | 786.6               | 813.8               | 27.2                    | 3.5     |
| Education & Health Services      | 919.8               | 955.1               | 35.3                    | 3.8     |
| Leisure & Hospitality            | 641.4               | 657.9               | 16.5                    | 2.6     |
| Other Services                   | 221.8               | 226.3               | 4.5                     | 2.0     |
| Government                       | 1,118.8             | 1,114.2             | -4.6                    | -0.4    |

Source: U.S. Bureau of Labor Statistics

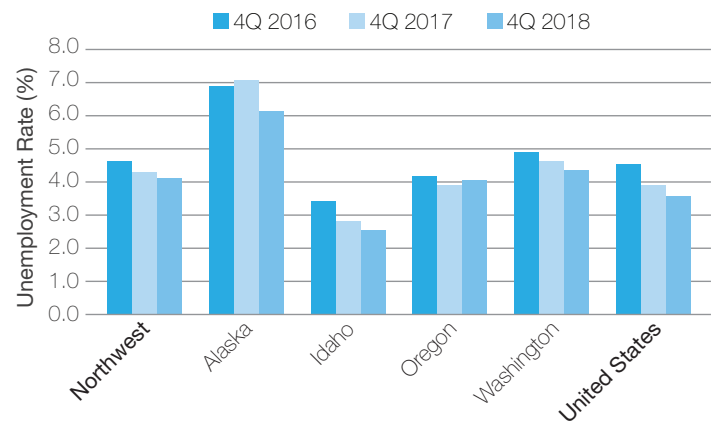


continued from page 2

During the fourth quarter of 2018—

- Washington led the region with a 3.1-percent increase in nonfarm payrolls, or by 104,300 jobs, to 3.48 million compared with a year earlier. Job growth was faster in the Seattle-Bellevue-Everett metropolitan division, increasing at a rate of 3.5 percent while jobs in the remainder of the state grew by 2.4 percent.
- Nonfarm payrolls averaged 1.94 million in Oregon, up by 42,000 jobs, or 2.2 percent, compared with the fourth quarter of 2017. The construction subsector grew at a faster rate than in any other state in the region, adding 9,200 jobs, or 9.3 percent, to 108,400 jobs.
- Job growth slowed in Idaho from a year earlier, increasing by 14,300, or 2.0 percent, to 744,300 jobs, compared with an increase of 26,100 jobs, or 3.7 percent, during the same period from 2016 to 2017. The manufacturing sector in Idaho expanded at a higher rate than in any other state in the region, growing by 2,900 jobs, or 4.3 percent, to 71,300 payrolls.
- Nonfarm payrolls in Alaska contracted for the third consecutive fourth quarter, decreasing by 1,300 jobs, or 0.4 percent, to 315,100 jobs. Partially offsetting these job losses, the mining,

### The fourth quarter unemployment rate in Oregon increased for the first time since 2009.



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

logging, and construction sector posted the largest gains, adding 700 jobs, or 2.4 percent, to 28,400 jobs, after declining during the previous three fourth quarters.

## Sales Market Conditions

Sales housing market conditions were tight in much of the Northwest region during the fourth quarter of 2018, with the exception of Alaska, which has slightly soft markets. During 2018, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 313,800 in the region, down 4 percent from a year ago, while the average sales price rose 6 percent to \$364,300 (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, and the average sales price increased 7 percent annually. Although home prices increased significantly during 2018, the volume of home sales has been constrained by a low inventory of available new and existing homes, with Idaho, Oregon, and Washington having 2.0, 2.4, and 1.8 months of inventory, respectively.

continued on page 4

### Home prices increased 6 percent or more in every selected metropolitan area, where the markets are balanced to tight, except for Anchorage, during 2018.

|                 | 12 Months Ending | Number of Homes Sold |        |                |                   | Price     |           |                |
|-----------------|------------------|----------------------|--------|----------------|-------------------|-----------|-----------|----------------|
|                 |                  | 2017                 | 2018   | Percent Change | Average or Median | 2017 (\$) | 2018 (\$) | Percent Change |
| Anchorage (N&E) | December         | 8,525                | 8,325  | -2             | AVG               | 304,100   | 314,000   | 3              |
| Boise (N&E)     | December         | 25,600               | 25,800 | 1              | AVG               | 262,000   | 287,700   | 10             |
| Bremerton (N&E) | December         | 6,600                | 6,225  | -6             | AVG               | 352,400   | 384,600   | 9              |
| Eugene (N&E)    | December         | 7,925                | 7,675  | -3             | AVG               | 267,400   | 290,400   | 9              |
| Portland (N&E)  | December         | 52,100               | 47,750 | -8             | AVG               | 392,600   | 417,500   | 6              |
| Seattle (N&E)   | December         | 62,300               | 53,500 | -14            | AVG               | 581,800   | 636,100   | 9              |
| Spokane (N&E)   | December         | 13,050               | 12,750 | -2             | AVG               | 217,500   | 237,600   | 9              |
| Tacoma (N&E)    | December         | 22,300               | 20,900 | -6             | AVG               | 326,700   | 361,400   | 11             |

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

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





continued from page 3

Increasing home prices and a tight sales market enabled distressed homeowners to quickly sell their homes and helped with the sale of existing real estate owned (REO) properties, causing the percentage of seriously delinquent home loans (loans that are 90 or more days delinquent or in foreclosure) and REO properties to decline regionwide, from 1.1 percent in December 2017 to 0.8 percent in December 2018, with the rate declining in every state in the region. By comparison, the national rate declined from 2.4 to 1.7 percent during the same period. The rate of seriously delinquent home loans and REO properties declined the most in Oregon, from 1.2 percent in December 2017 to 0.8 percent in December 2018.

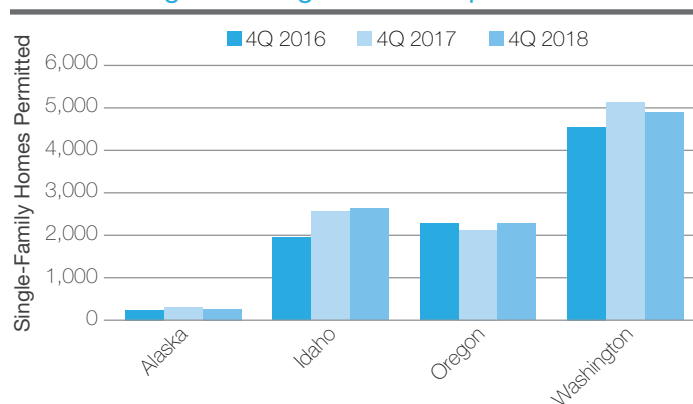
Idaho led the region in home price growth during 2018, with an increase of 10 percent to \$264,400, while the number of homes sold increased 4 percent, more than any other state in the region, to 52,200. Idaho had the second fastest population growth in the nation in 2018; increased demand from people moving into the state led to an increase in home sales and caused home prices to increase. Approximately 50 percent of all population growth in the state occurred in the Boise City-Nampa (hereafter Boise) metropolitan area, where home prices increased 10 percent to \$287,700 during 2018.

Washington had the highest average home price in the region, at \$409,000, which increased 7 percent during 2018, while home sales decreased 7 percent to 156,000. The decline in home sales was largest in the Seattle-Bellevue-Everett metropolitan division, where home sales declined by 14 percent and the average home price increased 9 percent. Home sales have declined throughout the region as home price growth has outpaced income growth, with the highest priced markets experiencing the largest declines in sales. Home prices in the relatively lower priced Tacoma metropolitan division appreciated more than the adjacent Seattle market, increasing by 11 percent to an average of \$361,400.

In Oregon, home sales decreased 6 percent from a year ago, with 86,300 homes sold during 2018, while the average sales price was up 6 percent to \$343,600. The Eugene metropolitan area had a stronger home sales market than the state at large, with the number of home sales decreasing by only 3 percent to 7,675, and the average price growing by 9 percent to \$290,400.

The home sales market in Alaska is slightly soft but is improving. A weak economy and declining population resulted in home sales remaining stable at 12,450 during 2018, after declining an average

### Single-family home permitting declined in Alaska and Washington during the fourth quarter of 2018.



4Q = fourth quarter.

Note: Based on preliminary data.

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

of 6 percent annually in 2016 and 2017. However, average home prices in Alaska increased 3 percent to an average of \$294,700, compared with the previous 12-month period, the highest rate of increase since 2015.

During the fourth quarter of 2018—

- The number of single-family homes permitted in the Northwest region decreased less than 1 percent to 9,975 homes. By comparison, the number of homes permitted during the fourth quarter increased at an average annual rate of 10 percent from 2014 through 2017.
- The largest increase in single-family home permitting occurred in Oregon, where 2,250 homes were permitted, an increase of 110 homes, or 5 percent, compared with the fourth quarter of 2017, and was the highest level of fourth-quarter homebuilding since 2007.
- In Washington, 4,875 homes were permitted, down 4 percent compared with the fourth quarter of 2017. Single-family homebuilding had increased in Washington for the previous four fourth quarters.
- Single-family home permitting activity in Alaska consisted of 260, a decrease of 20 homes, or 6 percent, while 2,600 homes were permitted in Idaho, up 50 homes, or 2 percent, compared with the fourth quarter of 2017.

## Apartment Market Conditions

Apartment market conditions in the major metropolitan areas in the Northwest region were mixed, ranging from slightly soft to slightly tight, during the fourth quarter of 2018. Vacancy rates declined in four of the seven metropolitan areas highlighted in this report, with only the Spokane-Spokane Valley (hereafter Spokane) metropolitan area having a large increase in the rental vacancy rate.

The apartment market in the Seattle metropolitan area was balanced during the fourth quarter of 2018, with the apartment vacancy rate decreasing from 5.2 percent a year earlier to 4.8 percent and the average rent increasing 4 percent from the previous year to \$1,769 (RealPage, Inc.). Rent growth has slowed sharply compared with the 2014-through-2016 period, when

continued on page 5

continued from page 4

average rents increased by an average of 8 percent annually. Despite continued economic and population growth, high levels of apartment construction have helped alleviate upward pressure on rents; approximately 63,050 multifamily units were permitted during the 2014-through-2017 period, compared with 29,400 during the previous 4 years. The apartment market in the Portland metropolitan area was also balanced, with the apartment vacancy rate declining from 5.0 percent one year prior to 4.4 percent and rent increasing 4 percent from a year earlier to \$1,355. Like Seattle, the rent growth rate in Portland was much lower than the 2014-through-2016 average of 9 percent; the apartment stock in Portland has also expanded substantially in recent years, with an estimated 30,850 multifamily units permitted during the 2014-to-2017 period, up from 12,500 during the preceding 4 years.

The largest increase in the average apartment rent occurred in the Boise metropolitan area, where the average rent increased 8 percent to \$956, while the apartment vacancy rate increased from 4.8 percent in the fourth quarter of 2017 to 5.0 percent in the fourth quarter of 2018 (Reis, Inc.). By comparison, the average rent in the Boise metropolitan area increased by an average of 5 percent annually from 2015 through 2017. In the Anchorage metropolitan area, the apartment market was slightly soft, as the apartment vacancy rate increased from 4.5 percent a year earlier to 5.2 percent while the average rent increased 1 percent from the previous year; rent growth averaged 1 percent annually from 2015 through 2017 while a relatively low number of new apartments entered the market.

The apartment markets in the Bend-Redmond (hereafter Bend) and Bremerton-Silverdale (hereafter Bremerton) metropolitan areas were both slightly tight, with declining apartment vacancy rates and moderate rent growth. During the fourth quarter of 2018, the apartment vacancy rate in the Bend metropolitan

area decreased from 4.5 to 3.8 percent, compared with the fourth quarter of 2017, while the average apartment rent increased 5 percent to \$1,051. From 2015 through 2017, rent growth in the Bend metropolitan area was rapid, with average apartment rents increasing by an average of 10 percent annually. At 2.7 percent, down from 3.0 percent during the fourth quarter of 2017, the apartment vacancy rate in the Bremerton metropolitan area is the lowest of all seven metropolitan areas profiled in this report. The apartment vacancy rate in the Bremerton metropolitan area has been consistently low since 2016, remaining below 4.0 percent every quarter.

The Spokane metropolitan area apartment market was balanced, with the apartment vacancy rate increasing from 3.1 percent one year prior to 4.0 percent and the average apartment rent increasing 3 percent from the previous year to \$793. Rent growth has been moderate in the Spokane metropolitan area, averaging 3 percent a year from 2014 through 2017.

Despite declining rent growth in the two largest apartment markets in the region, multifamily construction remains at high levels. During the fourth quarter of 2018, multifamily permitting declined by 3 percent to 10,000 units from a year earlier, following an increase of 18 percent during the fourth quarter of 2017 (preliminary data). Although multifamily construction activity decreased, the 10,000 units permitted during the fourth quarter of 2018 represent the second highest rate of construction in the region during a fourth quarter since 2000.

During the fourth quarter of 2018—

- About two-thirds of all multifamily permitting in the region occurred in Washington, where construction activity increased by less than 1 percent to 6,575 units. The Seattle metropolitan

continued on page 6

### Average apartment rents increased in all seven selected metropolitan areas in the Northwest region during the fourth quarter of 2018.

|                          | Market Condition | Vacancy Rate |             |                         | Average Monthly Rent |              |                |
|--------------------------|------------------|--------------|-------------|-------------------------|----------------------|--------------|----------------|
|                          |                  | 4Q 2017 (%)  | 4Q 2018 (%) | Percentage Point Change | 4Q 2017 (\$)         | 4Q 2018 (\$) | Percent Change |
| Anchorage <sup>(a)</sup> | Slightly Soft    | 4.5          | 5.2         | 0.7                     | 1,152                | 1,165        | 1              |
| Bend <sup>(a)</sup>      | Slightly Tight   | 4.5          | 3.8         | -0.7                    | 1,004                | 1,051        | 5              |
| Boise <sup>(a)</sup>     | Balanced         | 4.8          | 5.0         | 0.2                     | 887                  | 956          | 8              |
| Bremerton <sup>(a)</sup> | Slightly Tight   | 3.0          | 2.7         | -0.3                    | 1,162                | 1,210        | 4              |
| Portland <sup>(b)</sup>  | Balanced         | 5.0          | 4.4         | -0.6                    | 1,305                | 1,355        | 4              |
| Seattle <sup>(b)</sup>   | Balanced         | 5.2          | 4.8         | -0.4                    | 1,702                | 1,769        | 4              |
| Spokane <sup>(a)</sup>   | Balanced         | 3.1          | 4.0         | 0.9                     | 767                  | 793          | 3              |

4Q = fourth quarter.

Sources: Market Condition—Economic and Market Analysis Division; Vacancy Rate and Average Monthly Rent—(a) Reis, Inc.; (b) RealPage, Inc.

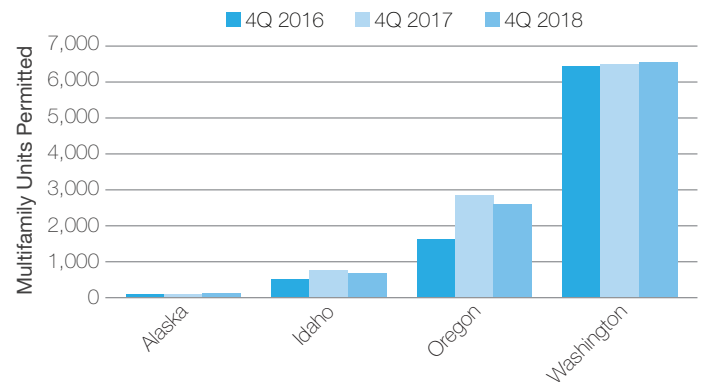


continued from page 5

area accounts for approximately 75 percent of all multifamily construction activity in Washington.

- The largest numerical decline in multifamily construction activity occurred in Oregon, where 2,625 multifamily units were permitted, a decrease of 8 percent compared with the fourth quarter of 2017. Multifamily construction levels have been high since 2014, with an average of 2,425 units permitted each quarter, higher than any previous fourth quarter going back to 2000.
- In Alaska, multifamily permitting remained low but stable, with approximately 120 units permitted, up from 100 units during the fourth quarter of 2017.
- Idaho had the largest percentage decline in multifamily construction, decreasing by 12 percent compared with the fourth quarter of 2017 to 680 units. Despite the statewide decline, the number of units permitted in the Boise metropolitan area increased by 25 percent to 490 units.

### Multifamily construction activity decreased in Idaho and Oregon during the fourth quarter of 2018.



4Q = fourth quarter.

Note: Based on preliminary data.

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