

HUD PD&R Regional Reports

Region 10: Northwest

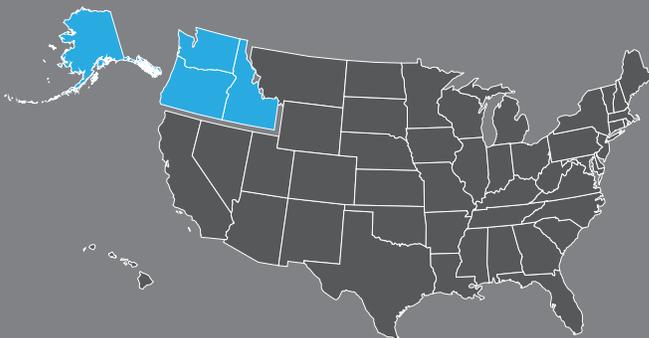


Quick Facts About Region 10

Anchorage, Alaska

By Adam Tubridy | 4th Quarter 2019

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



Overview

Economic growth in the Northwest region remained strong during the fourth quarter of 2019; fourth-quarter nonfarm payrolls expanded for the 10th consecutive year. Regional nonfarm payrolls averaged 6.58 million—an increase of 137,600 jobs, or 2.1 percent, from the fourth quarter of 2018. Sales market conditions in Idaho, Oregon, and Washington were tight; less than 3.0 months of for-sale inventory was available in each state. In response to tight housing markets and rising home prices, single-family home permitting in the region increased 9 percent; permitting increased less than 1 percent during the fourth quarter of 2018. Apartment market conditions were mixed outside Alaska—ranging from tight to balanced—with average rents rising in every highlighted metropolitan area. During the fourth quarter of 2019, apartment developers responded strongly to increasing rents and low vacancy rates: multifamily permitting increased 17 percent, compared with a 2-percent decrease during the fourth quarter of 2018. Unlike in the rest of the region, sales and rental markets in Alaska were slightly soft due to a decreasing population and negligible job growth.

- The rate of nonfarm payroll growth in the Northwest region was the highest among all 10 HUD regions during the fourth quarter of 2019.

continued on page 2



continued from page 1

- In Oregon and Washington, home price growth in smaller metropolitan areas with relatively lower home prices outpaced the Portland and Seattle metropolitan areas.
- The Northwest region and the states of Idaho, Oregon, and Washington each had the highest level of fourth quarter permitting since at least 2001.

Economic Conditions

Economic conditions in the Northwest region remained strong during the fourth quarter of 2019; nonfarm payrolls increased in every state in the region. Nonfarm payrolls increased by 137,600 jobs, or 2.1 percent, to 6.58 million jobs. During the fourth quarter of 2018, nonfarm payrolls grew by 133,400 jobs, or 2.1 percent. 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 2019, with every nonfarm payroll sector expanding.

The education and health services sector, which grew by 31,600 jobs—or 3.3 percent—to 989,400 jobs, led job growth in the region during the fourth quarter. Growth in this sector was widespread, with payrolls in Idaho, Oregon, and Washington expanding 2.8, 3.6, and 3.7 percent, respectively. The only exception was Alaska, where the education and health services sector contracted by 600 jobs, or 1.2 percent. The second largest source of job growth was the professional and business services sector, which added 25,500 jobs, or 3.2 percent, to 826,300 jobs. Growth in this sector was especially strong in Idaho, where professional and business services sector payrolls increased 7.1 percent, or by 6,800 jobs, to 102,700 jobs.

The information sector had the highest percentage increase in nonfarm payrolls of 4.0 percent, or 7,500 jobs. Job gains in the Seattle-Bellevue-Everett metropolitan division (hereafter Seattle) were overwhelmingly responsible for this increase; information sector payrolls increased by 8,800 jobs, or 7.4 percent, in Seattle. Facebook, Inc., which added approximately 2,000 employees in Seattle during 2019, contributed to job growth in this sector.

During the fourth quarter of 2019, the regional unemployment rate averaged 3.7 percent, down from 4.2 percent during the fourth quarter of 2018. The jobless rate declined in every state in the region except Idaho, where it increased from 2.6 to 2.7 percent. The decrease in the unemployment rate in Oregon from 4.1 to 3.2 percent was the largest decline in the region.

During the fourth quarter of 2019—

- Idaho led the region with an increase in nonfarm payrolls of 2.5 percent, or 18,700 jobs, to 763,200 jobs, compared with a year earlier. Job growth slowed from the previous three fourth-quarter periods, when payroll growth averaged 2.9 percent annually.

continued on page 3

All nonfarm payroll sectors in the Northwest region grew on a year-over-year basis during the fourth quarter of 2019.

	Fourth Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	6,438.1	6,575.7	137.6	2.1
Goods-Producing Sectors	985.7	1,013.9	28.2	2.9
Mining, Logging, & Construction	420.8	435.1	14.3	3.4
Manufacturing	564.8	578.8	14.0	2.5
Service-Providing Sectors	5,452.4	5,561.8	109.4	2.0
Wholesale & Retail Trade	982.1	993.2	11.1	1.1
Transportation & Utilities	233.7	236.7	3.0	1.3
Information	186.2	193.7	7.5	4.0
Financial Activities	309.2	320.0	10.8	3.5
Professional & Business Services	800.8	826.3	25.5	3.2
Education & Health Services	957.8	989.4	31.6	3.3
Leisure & Hospitality	657.2	669.5	12.3	1.9
Other Services	224.8	225.8	1.0	0.4
Government	1,100.7	1,107.3	6.6	0.6

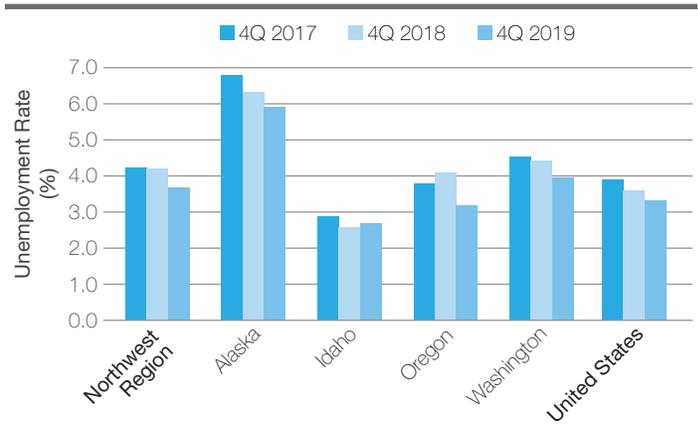
Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics



continued from page 2

- Job growth remained strong in Washington, with an increase of 2.4 percent, or 83,500 jobs, to 3.53 million jobs; job growth had increased 2.6 percent—or by 86,700 jobs, a year earlier. The information and financial activities sectors led job growth in percentage terms, with gains of 5.9 and 4.8 percent, or 8,100 and 7,700 jobs, respectively.
- Nonfarm payrolls averaged 1.97 million in Oregon, up by 35,400 jobs, or 1.8 percent—compared with the fourth quarter of 2018. The transportation and utilities sector and the construction subsector had the highest rates of growth, expanding 4.3 and 4.2 percent—or by 2,900 and 4,400 jobs—to 110,100 and 71,100 jobs, respectively.
- Nonfarm payrolls in Alaska stabilized after four consecutive quarters of contraction, adding 100 jobs—or less than 0.1 percent—to 317,200 jobs. The mining and logging subsector led job growth, adding 700 jobs—or 5.5 percent—to 13,500 jobs, largely because of increased employment in the oil industry.

Oregon had the largest decline in year-over-year unemployment rate in the Northwest region during the fourth quarter of 2019.



4Q = fourth quarter.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Sales housing market conditions were tight in much of the Northwest region during the fourth quarter of 2019 except for Alaska, which had slightly soft market conditions. During the 12 months ending November 2019, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 305,100 in the region, down 6 percent from a year ago; the average sales price rose 5 percent, to \$381,300 (CoreLogic, Inc., with adjustments by the analyst). By comparison, new and existing home sales (hereafter, home sales) increased an average of 11 percent a year from 2012 through 2017, and the average sales price increased 7 percent annually. Although home prices increased significantly during 2019, a low inventory of available new and existing homes has constrained the volume of home sales: Idaho, Oregon, and Washington had 1.8, 2.4, and 1.7 months of inventory, respectively.

Increasing home prices and a tight sales market enabled distressed homeowners to quickly sell their homes and helped with the sale of existing distressed and real estate owned (REO) properties. Those conditions caused 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 0.8 percent in November 2018 to 0.6 percent in November 2019; the rate declined in every state in the region. 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 the most in Oregon, from 0.9 percent in November 2018 to 0.6 percent in November 2019.

During the 12 months ending November 2019, Idaho led the region in home price growth, with an increase of 10 percent, to \$295,000, and the number of home sales decreased 4 percent, to 59,475. Idaho had the fastest rate of population growth in the nation in 2019, at 2.1 percent; increased demand from

people moving into the state caused home prices to rapidly increase. Price growth in the Boise City-Nampa (hereafter Boise) metropolitan area outpaced that of the state, with prices rising 12 percent, to \$327,800, during the 12 months ending November 2019.

Washington had the highest average home price in the region, at \$435,600—an increase of 4 percent during the 12 months ending November 2019—and home sales decreased 6 percent, to 150,300. Around Puget Sound, home prices in Seattle increased 1 percent, to \$641,100, compared with an increase of 10 percent during the previous 12-month period. The smaller Tacoma and Olympia metropolitan areas had lower home prices than Seattle; however, they had higher price increases of 7 percent each during the 12 months ending November 2019 compared with the previous 12-month period.

In Oregon, home sales decreased 8 percent from a year ago, with 82,100 homes sold during the 12 months ending November 2019, and the average sales price increased 4 percent, to \$357,900. As in Washington, home price gains in the smaller Salem and Medford metropolitan areas outpaced price growth in the Portland metropolitan area; each increased 6 percent compared with the previous 12-month period, whereas prices in the Portland metropolitan area increased only 2 percent.

The home sales market in Alaska was slightly soft. A weak economy and declining population resulted in home sales decreasing 1 percent, to 13,250, during the 12 months ending November 2019 after increasing less than 1 percent during the previous 12-month period. During the 12 months ending November 2019, home prices in Alaska increased less than 1 percent to \$297,800 after increasing an average of 2 percent annually from 2016 through 2018.

continued on page 4



continued from page 3

The Boise metropolitan area led the Northwest region in home price growth.

	12 Months Ending	Number of Homes Sold			Price			
		2018	2019	Percent Change	Average	2018 (\$)	2019 (\$)	Percent Change
Anchorage (N&E)	November	8,700	8,500	-2	AVG	313,400	314,500	0
Boise (N&E)	November	27,350	26,850	-2	AVG	293,800	327,800	12
Medford (N&E)	November	5,275	4,775	-9	AVG	302,900	322,500	6
Olympia (N&E)	November	6,850	6,625	-3	AVG	318,800	340,800	7
Portland (N&E)	November	49,250	46,100	-6	AVG	417,300	427,000	2
Salem (N&E)	November	7,975	7,250	-9	AVG	284,200	301,400	6
Seattle (N&E)	November	55,000	51,750	-6	AVG	634,800	641,100	1
Tacoma (N&E)	November	21,300	19,600	-8	AVG	359,500	385,900	7

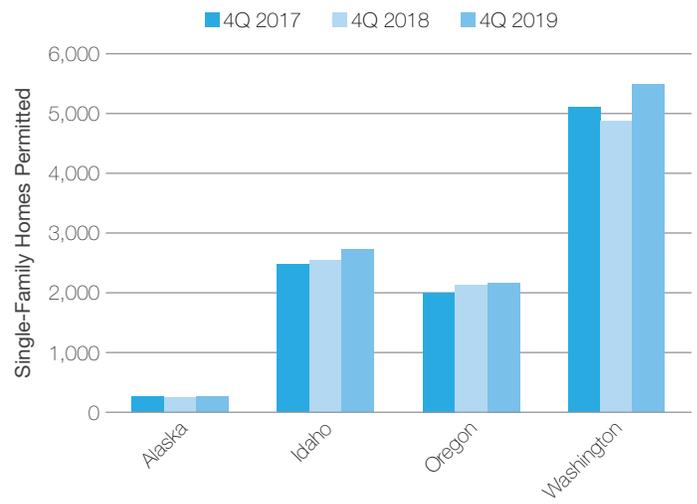
AVG = average. N&E = new and existing.

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

During the fourth quarter of 2019 (preliminary data)—

- The number of single-family homes permitted in the Northwest region increased 9 percent, to 10,600 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 but declined less than 1 percent in 2018.
- The largest increase in single-family home permitting occurred in Washington, where 5,475 homes were permitted—an increase of 620 homes, or 13 percent, compared with the fourth quarter of 2018—and was the highest level of fourth-quarter homebuilding since 2006.
- In Oregon, 2,150 homes were permitted, up 2 percent compared with the fourth quarter of 2018—the lowest rate of growth in the region. Single-family permitting in Alaska increased 6 percent, from 250 to 260 homes, during the same period.
- Single-family permitting activity in Idaho increased 7 percent, to 2,725 homes, compared with a year ago. Fourth-quarter single-family home permitting in Idaho has increased every year since 2011.

During the fourth quarter of 2019, more than 70 percent of the increase in single-family permitting in the Northwest region was in Washington.



4Q = fourth quarter.

Note: Based on preliminary data.

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

Apartment Market Conditions

Apartment market conditions in the major metropolitan areas in the Northwest region were mixed, ranging from tight to slightly soft during the fourth quarter of 2019. Vacancy rates declined in five of the seven metropolitan areas highlighted in this report, with only the Boise metropolitan area having a significant increase in the rental vacancy rate. All the highlighted rental markets outside Alaska had average rent increases of 2 percent or more.

The apartment market in Seattle was balanced during the fourth quarter of 2019, with the apartment vacancy rate decreasing from 5.8 to 5.4 percent and the average rent increasing 4 percent, to \$1,900 (Reis, Inc.). Rent growth has slowed compared with 2017 and 2018, when the average rent increased

an average of 7 percent annually. A decrease in the number of completions of relatively higher priced new apartment units during 2019 contributed to the reduced vacancy rate and slower rent growth. Conditions were slightly tight in the smaller Puget Sound apartment markets, including the Olympia and Tacoma metropolitan areas; vacancy rates were 2.7 and 2.8 percent, down from 3.3 and 3.0 percent, respectively, during the fourth quarter of 2018. Renters are attracted to these smaller markets partially because rents are 38 to 40 percent lower than those in Seattle.

The largest increase in the average apartment rent was in the Boise metropolitan area, where the average rent increased

continued on page 5



continued from page 4

The Boise metropolitan area led the Northwest region in rent growth during the fourth quarter of 2019.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2018 (%)	4Q 2019 (%)	Percentage Point Change	4Q 2018 (\$)	4Q 2019 (\$)	Percent Change
Anchorage ^a	Slightly Soft	5.2	4.2	-1.0	1,165	1,161	0
Boise ^a	Balanced	5.4	5.7	0.3	970	1,021	5
Olympia ^a	Slightly Tight	3.3	2.7	-0.6	1,148	1,175	2
Portland ^b	Slightly Tight	4.4	4.5	0.1	1,363	1,417	4
Salem ^a	Tight	2.6	2.2	-0.4	894	918	3
Seattle ^a	Balanced	5.8	5.4	-0.4	1,821	1,900	4
Tacoma ^a	Slightly Tight	3.0	2.8	-0.2	1,100	1,145	4

4Q = fourth quarter.

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

5 percent, to \$1,021. In that area, the apartment vacancy rate increased from 5.4 percent during the fourth quarter of 2018 to 5.7 percent during the fourth quarter of 2019 (Reis, Inc.). Rent growth in the Boise metropolitan area has been high, averaging 7 percent annually during 2017 and 2018. The area led the region in apartment completions through the fourth quarter of 2019, contributing to higher vacancy rates and rent growth (RealPage, Inc.).

The apartment market in the Portland metropolitan area remained slightly tight, with the apartment vacancy rate increasing from 4.4 percent during the fourth quarter of 2018 to 4.5 during the fourth quarter of 2019. During the same period, the average rent increased 4 percent, to \$1,417, following average annual growth of 4 percent during the previous three fourth quarters. The apartment market in the Salem metropolitan area was tight, with a 2.2-percent vacancy rate, down from 2.6 percent a year ago; during the same time, the average apartment rent increased 3 percent, to \$918.

The Anchorage metropolitan area, where the average rent decreased from \$1,165 to \$1,161 during the fourth quarter of 2019, was the only highlighted apartment market where the average rent did not increase. Although rents declined, the Anchorage metropolitan area had the largest decline in apartment vacancy rates, falling from 5.2 percent during the fourth quarter of 2018 to 4.2 percent during the fourth quarter of 2019.

Apartment development activity in the Northwest region increased in response to robust rent growth and low vacancy rates in most apartment markets. During the fourth quarter of 2019, multifamily permitting increased by 1,725 units—or 17 percent—to 11,700 units permitted, compared with the fourth quarter of 2018. The fourth quarter of 2019 had the highest level of multifamily units permitted in the Northwest region since at least 2001. In addition, Idaho, Oregon, and Washington each experienced their highest level of fourth-quarter multifamily units permitted since 2001.

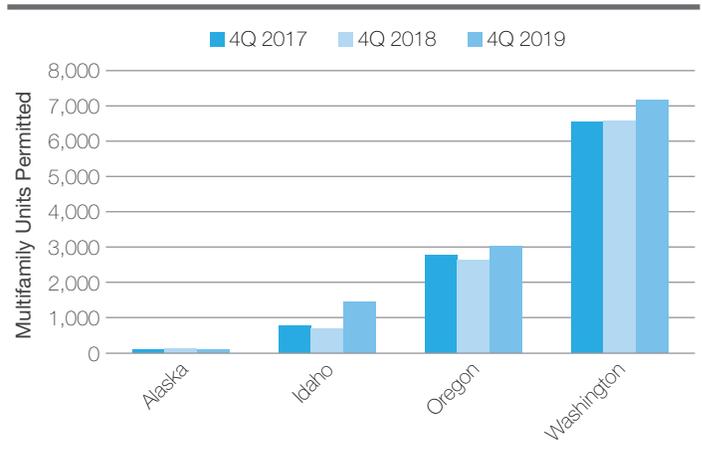
During the fourth quarter of 2019 (preliminary data)—

- The fastest rate of growth in multifamily permitting activity occurred in Idaho, where 1,450 multifamily units were permitted—a 115-percent gain compared with a year ago.

Approximately 1,025 multifamily units were permitted in the Boise metropolitan area, up 112 percent from the fourth quarter of 2018.

- Approximately 62 percent of all multifamily permitting in the region occurred in Washington, where construction activity increased 9 percent, to 7,150 units. Seattle accounted for almost 70 percent of multifamily construction in the state.
- Multifamily permitting in Oregon increased by 410 units, or 15 percent, to 3,025 units permitted compared with the fourth quarter of 2018. Almost all the growth in multifamily permitting in the state occurred in the portion of the Portland metropolitan area located in Oregon, where 2,125 multifamily units were permitted—up 380 units, or 18 percent, from the fourth quarter of 2018.
- In Alaska, multifamily permitting remained low, with approximately 95 units permitted—down from 120 units during the fourth quarter of 2018. An average of 85 multifamily units have been permitted during the fourth quarter annually since 2014.

During the fourth quarter of 2019, multifamily permitting in Idaho more than doubled, which was the fastest rate of growth of all states in the Northwest region.



4Q = fourth quarter.

Note: Based on preliminary data.

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

