HUD PD&R Regional Reports

Region 10: Northwest

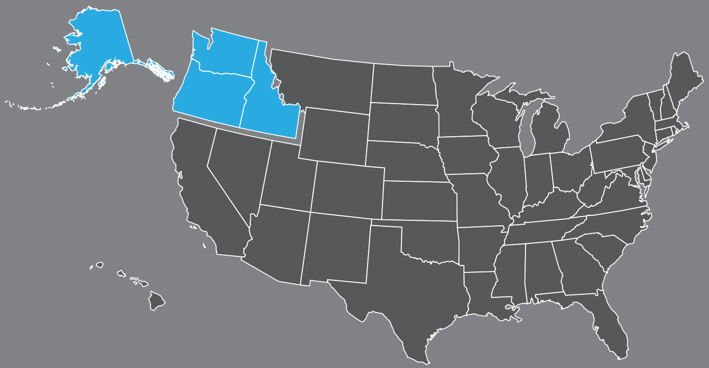
Bend, Oregon

By Holi Urbas | 4th Quarter 2020

Quick Facts About Region 10

- **Sales market conditions—**
  Fourth quarter 2020: mixed (very tight to balanced)
  Third quarter 2020: tight
  Fourth quarter 2019: mixed (tight to slightly soft)

- **Apartment market conditions—**
  Fourth quarter 2020: mixed (tight to slightly soft)
  Third quarter 2020: mixed (tight to balanced)
  Fourth quarter 2019: mixed (tight to slightly soft)



Overview

Interventions taken to slow the spread of the COVID-19 virus in mid-March 2020 caused economic activity in the Northwest region to slow dramatically, ending the economic expansion that began in 2011. Although the scale of year-over-year job losses in the region during the fourth quarter of 2020 was large, economic conditions have improved since the third quarter of 2020; however, nonfarm payrolls in December 2020 remained 5 percent below the levels of February 2020, which was before the pandemic (not seasonally adjusted). Sales market conditions were generally very tight despite the economic disruption—except in Alaska, where market conditions were balanced. A shortage of for-sale inventory throughout most of the region since 2016 has been contributing to increased home sales prices. Apartment market conditions in the region were mixed during the fourth quarter of 2020, ranging from tight to slightly soft; although generally unchanged from conditions a year ago, some metropolitan area markets improved, whereas others softened. Apartment vacancy rates declined in six of the eight metropolitan areas highlighted in this report, but rent growth exceeded 1 percent in only two of those areas.

continued on page 2

continued from page 1

- All but two nonfarm payroll sectors in the region lost jobs during the fourth quarter of 2020 compared with a year earlier, with the largest decline in the leisure and hospitality sector—a trend that has been consistent since the onset of the pandemic.
- Regional home sales decreased 6 percent during the 12 months ending November 2020, to 280,900 homes sold (Zonda). All metropolitan areas cited in the sales section of this report had less than a 2-month supply of for-sale inventory (Redfin, a national real estate brokerage).
- Single-family homebuilding activity in the region increased 14 percent during the fourth quarter of 2020, accelerating from a 9-percent increase a year earlier. Multifamily home construction fell precipitously, as builders scaled back in response to volatile economic conditions and uncertain effects the pandemic might have on household preferences moving forward.

Economic Conditions

Economic conditions in the Northwest region weakened significantly during the fourth quarter of 2020 compared with the same period a year ago, largely because of countermeasures used to slow the spread of COVID-19. Before the pandemic, economic conditions were strong in the region; payrolls grew for 9 consecutive years from 2011 through 2019, averaging 2.1 percent annually. Payrolls in the Northwest region totaled 6.20 million during the fourth quarter of 2020—down by 348,700 jobs, or 5.3 percent, from the same period a year ago. Every payroll sector lost jobs except the wholesale and retail trade and the professional and business services sectors. By comparison, national payrolls declined 6.0 percent during the same period. Although job losses were large during the fourth quarter of 2020, they were an improvement from the third quarter of 2020, when the number of jobs in the region declined by 398,800, or 6.1 percent, compared with the third quarter of 2019. From the third to the fourth quarter of 2020, payrolls in the region increased by 51,600, or 0.8 percent, because gains in nearly all the service-providing sectors offset losses in the leisure and hospitality and the other services sectors.

Approximately 47 percent of all jobs lost during the fourth quarter of 2020 were in the leisure and hospitality sector, which fell by 163,500—a decline of 24.3 percent from a year ago. Job losses were especially large in this sector because public health measures—namely social distancing mandates—severely limited the operations of restaurants, bars, theaters, and live entertainment. By comparison, the sector added jobs every year from 2011 through 2019 at an average annual rate of 2.2 percent. During the past year, the second largest job losses occurred in the government sector, which declined by 77,400 jobs, or 7.0 percent; within the sector, job losses were largest in state and local government educational industries because of layoffs due to the transition to remote learning. More than 60 percent of the 39,500 jobs lost in the manufacturing sector in the region during the fourth quarter of 2020 occurred in the Seattle metropolitan area, where manufacturing payrolls declined 14.3 percent. From January through August 2020, The Boeing Company reduced Seattle-area employment by 13,000. Also, in October 2020, the company announced plans to cut an additional 18,000 jobs company-wide by the end of 2021, many of which will be in its Seattle-area facilities.

The professional and business services sector added a net 8,600 jobs year-over-year during the fourth quarter of 2020, representing nearly 20,000 jobs added since the third quarter of 2020. Gains in the sector were large in several industries that were conducive to remote work, including professional, scientific, and technical services and administrative and support services. Payrolls also increased in the wholesale and retail trade sector, which added 2,700 jobs, or 0.3 percent, during the fourth quarter of 2020. A large portion of those gains occurred in the retail trade subsector, namely the building material and garden equipment and supplies dealers industry.

The unemployment rate for the region averaged 5.9 percent during the fourth quarter of 2020—up from 3.5 percent during the fourth quarter of 2019, with increases in all states in the region except Alaska. The unemployment rate in the region has decreased substantially since the second and third quarters of 2020, when it averaged 12.9 and 8.2 percent, respectively. The highest unemployment rate during the fourth quarter of 2020 was 6.1 percent in Washington—up from 3.8 percent a year ago—and the largest percentage-point increase was in Oregon, where the rate rose to 5.9 percent—up from 3.0 percent a year ago. The lowest unemployment rate was 4.8 percent in Idaho, compared with 2.6 percent during the fourth quarter of 2019. In Alaska, the unemployment rate declined 0.1 percentage point, to 5.9 percent. By comparison, the national unemployment rate rose to 6.5 percent during the fourth quarter of 2020, up from 3.3 percent a year ago.

During the fourth quarter of 2020—

- Idaho was the only state in the region to report job growth, adding 4,200 jobs, or 0.6 percent, to 771,700; those job gains pushed the current level of nonfarm payrolls above levels before the pandemic. By comparison, year-over-year job growth during the fourth quarter of 2019 was 17,700, or 2.4 percent. Gains in the construction subsector and the

continued on page 3

continued from page 2

Although payrolls declined sharply in the Northwest region during the fourth quarter of 2020, year-over-year job losses slowed compared with the second and third quarters of 2020.

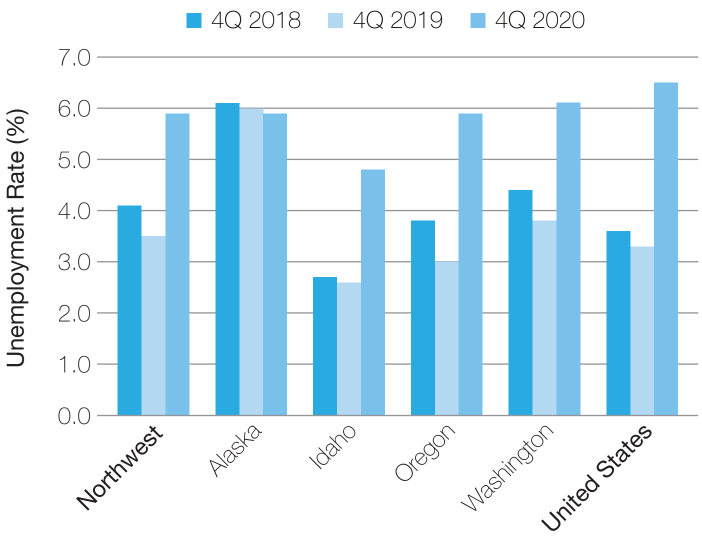
	Fourth Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	6,553.6	6,204.9	-348.7	-5.3
Goods-Producing Sectors	997.6	954.9	-42.7	-4.3
Mining, Logging, & Construction	433.8	430.6	-3.2	-0.7
Manufacturing	563.8	524.3	-39.5	-7.0
Service-Providing Sectors	5,556.0	5,250.0	-306.0	-5.5
Wholesale & Retail Trade	989.8	992.5	2.7	0.3
Transportation & Utilities	240.9	239.5	-1.4	-0.6
Information	197.1	188.0	-9.1	-4.6
Financial Activities	314.8	313.7	-1.1	-0.3
Professional & Business Services	821.8	830.4	8.6	1.0
Education & Health Services	976.8	937.2	-39.6	-4.1
Leisure & Hospitality	672.0	508.5	-163.5	-24.3
Other Services	231.3	205.9	-25.4	-11.0
Government	1,111.6	1,034.2	-77.4	-7.0

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

manufacturing sector of 2,600 and 2,800 jobs, or 4.8 and 4.1 percent, respectively, during the fourth quarter of 2020 more than offset a net loss of 1,400 jobs, or 0.2 percent, in the service-providing sectors.

- Oregon lost the most jobs in the Northwest region in percentage terms, with payrolls falling 6.7 percent, or by 132,000 jobs, from a year ago. All sectors lost jobs during the period, with nearly three-fourths of the losses concentrated in the manufacturing, the government, and the leisure and hospitality sectors. From the third to the fourth quarter of 2020, payrolls in Oregon increased by 26,400 jobs, or 1.5 percent.
- Payrolls in Washington—which accounted for more than one-half of total regional payrolls—decreased by 201,100 jobs, or 5.7 percent, compared with year-over-year growth of 69,800 jobs, or 2.0 percent, in the fourth quarter of 2019. Approximately 83 percent of recent job losses were in the manufacturing, the leisure and hospitality, and the government sectors. Gains in the retail trade subsector and the professional and business services sector, up by 13,400 and 16,200 jobs, or 3.4 and 3.7 percent, respectively, mitigated part of those losses.
- In Alaska, nonfarm payrolls declined by 19,800 jobs, or 6.2 percent, compared with a year ago; more than 70 percent of those losses were in the leisure and hospitality, the education and health services, and the government sectors. Despite the overall decline, those numbers represent a significant improvement from the second and third quarters of 2020, when payrolls fell by 12.8 and 10.9 percent, respectively, year-over-year. Economic conditions in Alaska were relatively weak before the pandemic because of low oil and commodity prices, with payrolls falling by 600 jobs, or 0.2 percent, from the fourth quarter of 2018 to the fourth quarter of 2019.

The unemployment rate in the Northwest region was lower than that of the nation during the fourth quarter of 2020, whereas the reverse was true a year ago.



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

Sales Market Conditions

Sales housing market conditions in the Northwest region ranged from very tight to balanced during the fourth quarter of 2020 and sales market conditions in all states of the region have either improved or tightened from a year ago. Conditions in Alaska were balanced compared with slightly soft conditions a year ago, whereas sales markets in Idaho, Oregon, and Washington moved from tight to very tight. The 9 years of economic expansion in the region before the pandemic, coupled with elevated net in-migration, has continued to support the price growth of new and existing home sales (including single-family homes, townhomes, and condominiums—hereafter referred to as home sales) in the region, which accelerated to 11 percent during the 12 months ending November 2020, to $440,200, and was nearly triple the sales price growth during the previous 12-month period (Zonda). For context, the national average home sales price was $373,200, also up 11 percent from a year ago. A prolonged shortage of for-sale inventory regionwide—particularly in Washington, which accounted for more than 43 percent of regionwide home sales during the past 12 months—has inhibited growth in home sales since 2017 while pushing up prices. During the 12 months ending November 2020, regionwide home sales declined 6 percent, to 280,900.

In November 2020, the inventory of homes for sale ranged from 0.4 month in Idaho to 1.9 months in Alaska—down from 2.4 and 5.4 months a year ago, respectively (Redfin, a national real estate brokerage). During the same time, the for-sale inventory in Washington declined from 1.6 months to 0.7 month and in Oregon from 2.4 months to 1.0 month. Also contributing to the decline in regional home sales during the past 12 months is the 25-percent year-over-year reduction in sales during the second quarter of 2020 in response to the pandemic and an additional 6-percent decrease in sales during the third quarter of 2020. During the 3 months ending November 2020, regional home sales increased 6 percent year-over-year, despite a 4-percent decline in Washington, and average home sales prices increased 18 percent. Idaho had the swiftest increase in home sales during the past 3 months, at 19 percent, coupled with an 18-percent increase in sales prices; Washington had the strongest sales price growth during the period, at 25 percent.

Home sales increased in every state in the region except Washington, where sales fell 15 percent during the 12 months ending November 2020, to 123,000 homes; a 6-percent decline a year ago preceded that decrease (Zonda). Home sales in Idaho, the fastest growing state in the nation since 2015 (Census Bureau), increased 10 percent year-over-year during the 12 months ending November 2020—the largest percentage increase among the four states in the region—to 5,200 home sales, compared with a 2-percent increase a year ago. In Oregon, home sales increased 4 percent, to 81,050 homes sold, during the 12 months ending November 2020—an acceleration compared with an 8-percent decline a year earlier. Statewide home sales in Alaska increased 6 percent during the 12 months ending November 2020, to 13,500 homes, following a gain of 4 percent during the 12 months ending November 2019. Home sales declined in four of the eight metropolitan areas

continued on page 5

Home sales price growth during the past year was strong in the Northwest region, largely driven by a prolonged shortage of for-sale housing.

	12 Months Ending	Number of Homes Sold 2019	Number of Homes Sold 2020	Number of Homes Sold Percent Change	Average	Price 2019 ($)	Price 2020 ($)	Price Percent Change
Anchorage (N&E)	November	8,238	8,908	8	AVG	$321,214	$347,127	8
Bend-Redmond (N&E)	November	6,196	7,341	18	AVG	$448,265	$503,571	12
Boise (N&E)	November	24,926	26,540	6	AVG	$332,348	$375,215	13
Portland-Vancouver (N&E)	November	45,680	45,032	-1	AVG	$431,031	$462,430	7
Salem (N&E)	November	7,182	7,762	8	AVG	$305,835	$344,215	13
Seattle (N&E)	November	51,331	49,452	-4	AVG	$650,509	$720,268	11
Spokane (N&E)	November	12,376	10,000	-19	AVG	$259,972	$295,898	14
Tacoma (N&E)	November	18,594	14,012	-25	AVG	$384,761	$427,880	11

AVG = average. N&E = new and existing.
Note: Includes new and existing single-family homes, townhomes, and condominiums.
Source: Zonda

continued from page 4

highlighted in this report; the Tacoma metropolitan area had the sharpest decline in home sales, down 25 percent, compared with declines of 19, 4, and 1 percent in the Spokane, Seattle, and Portland-Vancouver metropolitan areas, respectively. The Tacoma and Seattle metropolitan areas combined to account for nearly one-half of regional home sales and, in the Portland-Vancouver metropolitan area, annual home sales have fallen since 2016. Year-over-year home sales increased in the other four metropolitan areas, with the largest gain in the Bend-Redmond metropolitan area, at 18 percent, and the smallest increase in the Boise metropolitan area, at 6 percent. All areas cited in this report had less than 2 months of for-sale inventory (Redfin, a national real estate brokerage).

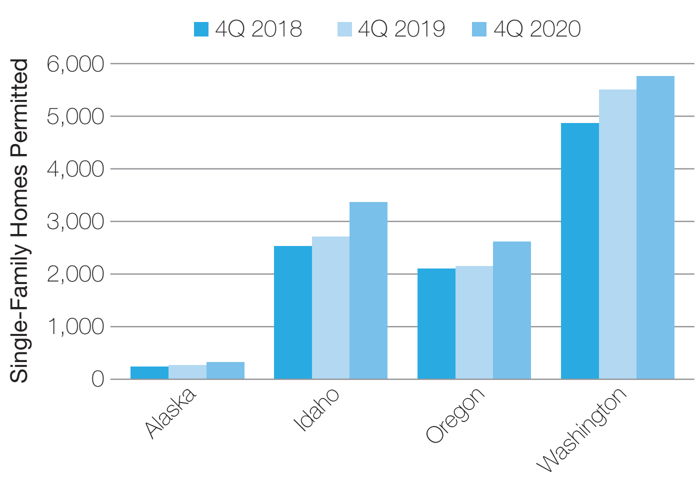
Home sales price growth accelerated in all states of the region during the 12 months ending November 2020 (Zonda). Sales price growth was strongest in Washington, up 15 percent year-over-year, compared with a 3-percent increase during the previous 12-month period. Idaho was a close second, with home sales increasing 14 percent from a year ago, preceded by a gain of 9 percent during the 12 months ending November 2019. Alaska and Oregon each reported 8-percent increases in the average sales price during the current period, compared with respective increases of 1 and 4 percent a year earlier. Price growth among the metropolitan areas highlighted in this report ranged from 7 percent in the Portland-Vancouver metropolitan area to 14 percent in the Spokane metropolitan area, the latter of which had the lowest average sales price among the market areas highlighted in this report, at $295,900. The highest sales price, $720,300, was in the Seattle metropolitan area—up 11 percent from a year ago and compared with no increase during the previous 12-month period. The 8-percent increase in the average home sales price in Anchorage represents the fastest sales price growth in that metropolitan area since at least 2005 (the beginning of the data series).

Although sales market conditions in the region tightened from a year ago, the rate of seriously delinquent mortgages (loans 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties rose sharply from a year ago. In November 2020, the share of delinquent mortgages and REO properties in the Northwest region was 2.6 percent—up from 0.6 percent a year earlier—with all states in the region reporting higher rates than during the previous year (CoreLogic, Inc.). Nationally, the rate increased from 1.4 percent a year ago to 4.1 percent during November 2020. Idaho had the lowest rate, at 1.9 percent, compared with 0.5 percent a year ago, and Alaska had the highest percentage-point increase and rate, increasing from 1.0 percent in November 2019 to 4.5 percent in November 2020. The rise in delinquencies partly reflects a trend of borrowers increasing their reliance on mortgage forbearance, which was provided for under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Approximately 50,500 mortgages in the region were 90 or more days past due in November 2020—more than four times the amount in November 2019; however, the number of foreclosures declined 36 percent.

During the fourth quarter of 2020 (preliminary data)—

- New home construction in the Northwest region, as measured by the number of single-family homes permitted, increased 14 percent year-over-year, to 12,050 homes, compared with a 9-percent increase during the same period a year ago. All states in the region reported increased new home construction during the fourth quarter of 2020, with year-over-year gains in excess of 20 percent in all states but Washington, where new home construction increased 5 percent.
- Nearly one-half of regional new home construction was in Washington, which accounted for less than 20 percent of the regionwide gain. By comparison, Washington contributed nearly three-fourths of the increase in new home construction from the fourth quarter of 2018 to the fourth quarter of 2019.
- Oregon accounted for 22 percent of regional new home construction and 32 percent of the regional gains, with 2,625 homes permitted—up 22 percent from a year ago.
- New home construction in Idaho increased 24 percent from a year ago, to 3,375—accounting for almost 28 percent of regional construction activity—and contributed 46 percent of the regional increase.
- In Alaska, new home construction was relatively limited but increased 24 percent, to 320 single-family homes permitted, compared with a 7-percent increase a year ago.

New home construction increased in all states in the Northwest region during the fourth quarter of 2020.



4Q = fourth 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 slightly soft during the fourth quarter of 2020 in the eight metropolitan areas highlighted in this report. Although conditions were relatively unchanged from a year ago, some metropolitan area markets weakened considerably, whereas conditions in the Anchorage and Bend-Redmond metropolitan areas improved from a year ago. The recent economic contraction has led many renters to search for more affordable rental housing or, for those with the financial means, to transition into homeownership. Apartment completions in the region, almost 60 percent of which were in Washington, increased 17 percent during the fourth quarter of 2020 compared with a year ago, to 7,250 units (McGraw-Hill Construction Pipeline database). Of the apartment completions in Washington, 80 percent were in the Seattle metropolitan area, where apartment market conditions softened the most. Because the increase in supply was rather concentrated, six metropolitan areas had declining vacancies during the fourth quarter of 2020 compared with a year ago. Market conditions were tight and balanced in the Bend-Redmond and Boise metropolitan areas, respectively, compared with balanced conditions a year ago. Both had a 1.3-percentage point decline in the apartment vacancy rate year-over-year, to 2.5 and 3.7 percent, respectively (Moody's Analytics REIS). The lowest vacancy rate was 1.8 percent in the Tacoma metropolitan area, where apartment market conditions were balanced—down from 2.0 percent a year ago. Vacancies increased the most in the Seattle metropolitan area during the fourth quarter of 2020, from 4.4 to 5.8 percent, largely because of the aforementioned surge in apartment completions during the pandemic and increased work-from-home options for some residents, which have reduced the appeal of living in a relatively high-cost urban core.

Although market conditions were balanced in most metropolitan areas throughout the region, it was only the smaller metropolitan areas cited in this report that had rent growth; the largest and generally higher cost metropolitan areas had no growth or had declines in rent. The Bend-Redmond metropolitan area reported the largest rent increase, 4 percent, during the fourth quarter of 2020 from a year ago, like the increase a year earlier (Moody's Analytics REIS). In the Salem and Spokane metropolitan areas, rents also increased—3 and 1 percent, respectively—from a year ago, compared with year-over-year increases of 3 and 5 percent the previous year. Rents in both the Boise and Portland-Vancouver metropolitan areas were unchanged from a year ago, compared with respective increases of 6 and 4 percent from the fourth quarter of 2018 to the fourth quarter of 2019 (Moody's Analytics REIS and RealPage, Inc.). The Seattle metropolitan area reported the largest rent decline in the region, at 5 percent; during the same period a year earlier, rent increased 6 percent. Rent declines of 1 percent occurred in the Tacoma and Anchorage metropolitan areas, compared with a 5-percent increase and no increase, respectively, from the fourth quarter of 2018 to the fourth quarter of 2019 (RealPage, Inc.).

During the fourth quarter of 2020 (preliminary data)—

- Multifamily construction, as measured by the number of multifamily units permitted, in the Northwest region totaled 8,100 units—down 31 percent from the 11,700 units permitted during the fourth quarter of 2019. Developers

continued on page 7

Although most apartment markets in the Northwest region remain tight to balanced, rent growth slowed considerably during the past year.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2019 (%)	4Q 2020 (%)	Percentage Point Change	4Q 2019 ($)	4Q 2020 ($)	Percent Change
Anchorage[a]	Balanced	4.5	3.4	-1.1	1,161	1,155	-1
Bend-Redmond[a]	Tight	3.8	2.5	-1.3	1,125	1,175	4
Boise[a]	Balanced	5.0	3.7	-1.3	1,029	1,025	0
Portland-Vancouver[b]	Balanced	4.5	4.4	-0.1	1,427	1,427	0
Salem[a]	Balanced	1.3	2.0	0.7	921	950	3
Seattle[b]	Slightly Soft	4.4	5.8	1.4	1,893	1,799	-5
Spokane[a]	Balanced	4.3	4.1	-0.2	842	852	1
Tacoma[a]	Balanced	2.0	1.8	-0.2	1,274	1,259	-1

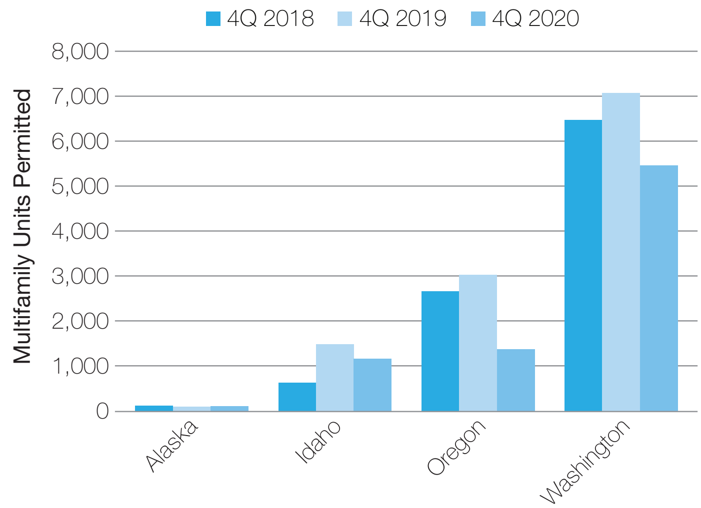
4Q = fourth quarter.
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) Moody's Analytics REIS; (b) RealPage, Inc.

continued from page 6

reduced construction activity because of the uncertainty surrounding changes to lifestyle choices resulting from the pandemic, especially with remote work becoming more widely acceptable and low interest rates making homeownership more attainable.

- Multifamily construction in Washington fell 23 percent, to 5,475 units permitted, accounting for approximately 67 percent of the regional total and 45 percent of the regional decline, compared with an increase of 9 percent year-over-year during the fourth quarter of 2019. Multifamily construction in the Seattle metropolitan area, which captured 65 percent of statewide construction activity, fell 29 percent, to 3,550 units during the fourth quarter of 2020 compared with a 17-percent increase a year before.
- The 55-percent reduction in multifamily construction in Oregon to 1,375 units permitted was preceded by a 14-percent increase from the fourth quarter of 2018 to the fourth quarter of 2019. The state captured 17 percent of multifamily construction in the region but accounted for 46 percent of the regional decline. Construction activity in the Portland-Vancouver metropolitan area totaled 930 units, representing two-thirds of the units permitted in the state during the current quarter—down 63 percent from a year ago.
- In Idaho, multifamily construction totaled 1,150 units—down 22 percent from a year ago—accounting for slightly more than 14 percent of the regional total and less than 10 percent of the regionwide decline. By comparison, construction activity increased from 630 units permitted during the fourth quarter of 2018 to 1,500 units permitted in the fourth quarter of 2019. Almost 35 percent of multifamily construction activity in the state during the most recent quarter was in the Boise metropolitan area, where 400 units were permitted—down more than 60 percent from a year ago.
- Alaska was the only state in the region to have an increase in multifamily construction from a year ago, up 5 percent, to 100 units permitted.

Multifamily construction activity in the Northwest region fell sharply during the fourth quarter of 2020, compared with an increase in nearly all states during the same quarter a year ago.



4Q = fourth quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey