

HUD PD&R Regional Reports

Region 10: Northwest



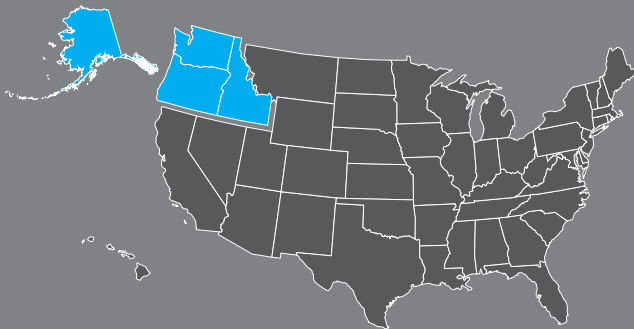
Quick Facts About Region 10

Tacoma, Washington

By Thomas E. Aston | 4th quarter 2015

- **Sales market conditions—**
Fourth quarter 2015: tight.
Third quarter 2015: tight.
Fourth quarter 2014: mixed (balanced to tight).

- **Apartment market conditions—**
Fourth quarter 2015: mixed (very tight to balanced).
Third quarter 2015: mixed (tight to very tight).
Fourth quarter 2014: mixed (tight to very tight).



Overview

Job growth continued to be strong in the Northwest region during the fourth quarter of 2015. Nonfarm payrolls increased 2.8 percent, or by 163,700 jobs, from a year earlier to 6.04 million jobs, the greatest fourth quarter gain since the labor market recovery began in 2010. The fourth quarter unemployment rate dropped to 5.2 percent, marking the seventh consecutive quarter of jobless rate declines. The sales market was tight in major metropolitan areas during the fourth quarter. In response to strong job growth, the demand for sales housing led to a 13-percent increase in new and existing home sales and a 6-percent gain in the average price of new and existing homes sold. Apartment market conditions are very tight to balanced, with vacancy rates ranging from 1.3 to 5.6 percent among the 15 metropolitan areas for which data are available.

- Strengthening demand for single-family homes reduced the inventory of for-sale homes to less than a 2-month supply in Seattle, Spokane, Tacoma, Eugene, Portland, and Salem.
- The year-over-year average rent increases in Seattle and Portland have exceeded 10 percent in each quarter since the first quarter of 2015.
- The mining, logging, and construction sector has been the fastest growing sector since 2013, primarily because of strong commercial and multifamily development activity, the most spectacular of which is the new 3.3 million-square-foot Amazon.com, Inc. headquarters campus currently under construction in Seattle.



PD&R

Continuing a trend that began in the first quarter of 2015, nonfarm payroll growth was broad based in the Northwest region during the fourth quarter of 2015.

	Fourth Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,880.5	6,044.2	163.7	2.8
Goods-producing sectors	878.5	901.4	22.9	2.6
Mining, logging, and construction	337.3	351.6	14.3	4.2
Manufacturing	541.2	549.8	8.6	1.6
Service-providing sectors	5,002.0	5,142.8	140.8	2.8
Wholesale and retail trade	919.5	945.4	25.9	2.8
Transportation and utilities	202.7	209.2	6.5	3.2
Information	158.2	162.2	4.0	2.5
Financial activities	295.5	300.8	5.3	1.8
Professional and business services	713.6	741.1	27.5	3.9
Education and health services	859.7	888.9	29.2	3.4
Leisure and hospitality	569.1	592.2	23.1	4.1
Other services	211.4	216.7	5.3	2.5
Government	1,072.3	1,086.2	13.9	1.3

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

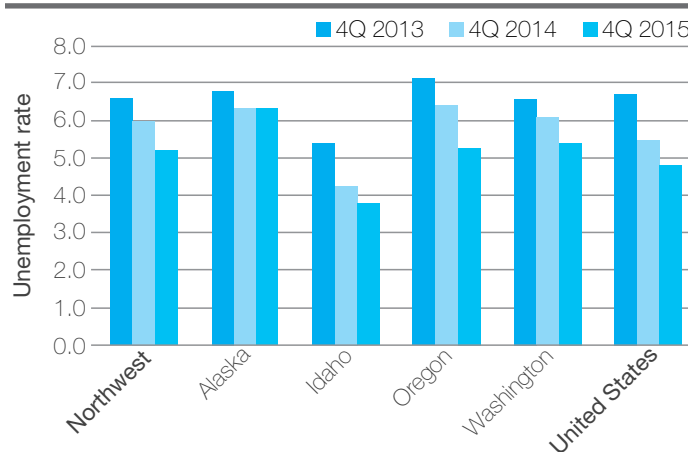
Economic Conditions

After three consecutive quarters of year-over-year job growth in excess of 3 percent, nonfarm payroll growth in the Northwest region slipped to an increase of 2.8 percent during the fourth quarter of 2015. Nonfarm payrolls increased by 163,700 to a quarterly average of 6.04 million jobs. The sectors with the greatest percentage gains were the mining, logging, and construction, the leisure and hospitality, and the professional and business services sectors, with gains of 4.2, 4.1, and 3.9 percent, respectively. The mining, logging, and construction sector has led percentage job growth for eight consecutive quarters, primarily because of hiring related to increased office and multifamily construction activity in Idaho, Oregon, and Washington. Numerical job gains were greatest during the fourth quarter in the education and health services sector, which added 29,200 jobs, followed by the professional and business services sector with an increase of 27,500 jobs and the wholesale and retail trade sector with a gain of 25,900 jobs.

During the fourth quarter of 2015—

- Alaska gained 1,000 nonfarm payroll jobs, or 0.3 percent, unchanged from job growth during the same period a year ago. The greatest job gain occurred in the wholesale and retail trade sector, which increased by 2,800 jobs, or 3.3 percent. The retail trade subsector led growth with an increase of 1,400 jobs, or 3.8 percent. The highest percentage job gain was in the transportation and utilities sector, which increased 4.9 percent, or by

The greatest decline in the unemployment rate from a year ago in the Northwest region, 1.1 percentage points, occurred in Oregon.



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

1,000 jobs. Offsetting these job gains were significant nonfarm payroll declines in the professional and business services and the government sectors, down by 1,300 and 1,700 jobs, respectively.

- Idaho had the highest percentage rate of job growth in the region with a 4.0-percent gain, an increase of 26,600 jobs, to 690,200 jobs. Percentage job growth was strongest in the financial activities sector, which increased 6.7 percent, and numerical job gain was highest in the education and health services sector, with an increase of 4,400 jobs.

continued on page 3

continued from page 2

- In Oregon, nonfarm payrolls increased 2.7 percent, or by 48,200 jobs, to 1.81 million jobs. The information and the professional and business services sectors led percentage growth with 4.2-percent gains, and the 9,500-job increase in the professional and business services sector led numerical job growth.
- Nonfarm payrolls in Washington increased 2.8 percent, or by 88,400 jobs, compared with an increase of 3.0 percent, or 92,100 jobs, a year ago. Percentage job growth was greatest in the construction subsector, which increased 4.3 percent, or by 11,300 jobs. Commercial and apartment construction projects in the Seattle metropolitan area accounted for nearly 70 percent of the

increase in construction subsector payrolls in Washington. At the end of 2015, including Amazon.com, Inc.'s, headquarters campus, 5.4 million square feet of office space were under construction in downtown Seattle, 1 million more square feet than in 2014. Apartment completions during 2015 reached nearly 3,000 units, with another 5,100 units under construction or scheduled to break ground soon as of January 2016 (downtownseattle.com).

- The unemployment rate in the Northwest region declined to 5.2 percent from 6.0 percent a year earlier. Although higher than the fourth quarter of 2015 national rate of 4.8 percent, the rate represents the lowest fourth quarter jobless rate in the region since 2007.

Sales Market Conditions

For the fourth consecutive quarter, sales market conditions were tight in the Northwest region. During 2015, sales of new and existing homes (including single-family homes, townhomes, and condominiums) increased 13 percent from a year earlier, to 279,500 homes sold. (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The average price of homes sold increased 6 percent, to \$296,300. Existing home sales increased 17 percent, to 264,100 homes sold, and the average sales price of an existing home sold increased 6 percent, to \$288,000. Real estate owned (REO) home sales decreased 6 percent, to 25,700, accounting for 10 percent of existing home sales in 2015 compared with 12 percent a year earlier. Sales of newly constructed homes increased 15 percent, to 22,650, and the average price of a new home sold increased 9 percent, to \$390,900.

Strong job growth during the fourth quarter led to a tight sales market in Idaho, where sales of new and existing homes increased 16 percent, to 40,350 homes sold, the greatest rate increase in the region

in 2015. The average sales price increased nearly 8 percent, to \$224,800. The inventory of homes for sale in Boise, the largest metropolitan area in Idaho, declined to a 2.4-month supply of homes for sale in December 2015 from a 3.5-month supply a year earlier. A low inventory of homes for sale was partly the result of a 17-percent increase in new and existing home sales during 2015.

Increased home sales demand, created by strengthening job growth, contributed to tight sales market conditions in Washington and Oregon. New and existing home sales activity in Washington increased 8 percent, to 134,200 homes sold, the most homes sold since 2007. The average sales price increased 7 percent, to \$332,700. Demand for existing homes was especially strong, with sales increasing 15 percent, to 129,500. The average price of an existing home sold increased 6 percent, to \$319,500, the highest average price since 2008 and nearly as high as the 2007 peak average sales price of \$323,700. The inventory of homes for sale declined in several markets from December 2014 to December 2015;

continued on page 4

Eugene, Portland, and Salem have had the strongest quarterly sales gains in the Northwest region since the housing market recovery began during the first quarter of 2013.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2014	2015	Percent Change		2014 (\$)	2015 (\$)	Percent Change
Anchorage (N&E)	December	8,375	8,625	3	AVG	282,000	292,100	4
Boise (N&E)	December	17,250	20,200	17	AVG	219,200	246,900	13
Eugene (N&E)	December	5,475	7,075	29	AVG	217,600	226,700	4
Portland (N&E)	December	42,950	52,300	22	AVG	300,500	323,900	8
Salem (N&E)	December	5,225	7,150	37	AVG	203,500	219,300	8
Seattle (N&E)	December	3,200	3,525	10	AVG	398,400	428,900	8
Spokane (N&E)	December	9,375	10,950	17	AVG	179,500	189,100	5
Tacoma (N&E)	December	14,200	16,000	13	AVG	242,200	264,500	9

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

Note: Includes single-family homes, townhomes, and condominiums.

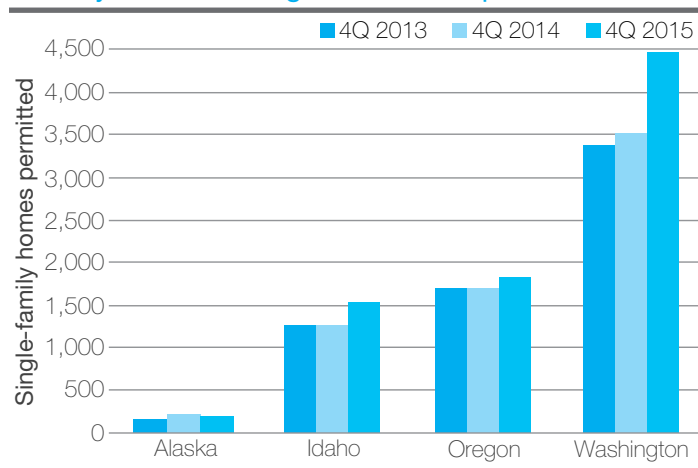
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst



continued from page 3

the supply of homes for sale decreased from 1.6 to 1.0 months in Seattle, 3.0 to 1.8 months in Tacoma, and 3.7 to 2.5 months in Spokane. The declines in for-sale inventories were caused by job growth-driven demand that led to increases of new and existing home sales in Seattle, Spokane, and Tacoma of 10, 17, and 13 percent, respectively. In Oregon, new and existing home sales increased 23 percent, to 85,100 homes sold in 2015, the most sales activity since 2006. The average sales price increased nearly 7 percent, to \$281,900. New and existing home sales increased 37 percent, to 7,150 homes sold, in Salem, the greatest percentage increase among major metropolitan areas in the region. For-sale inventories were low in Portland, Salem, and Eugene with a 1.2-month, a 2.7-month, and a 2.2-month supply of homes for sale, respectively; inventories in all three markets were down approximately 50 percent from a year earlier.

In response to strong home sales and increasing prices, single-family construction activity increased in every Northwest region state except Alaska.



4Q = fourth quarter.

Note: Based on preliminary data.

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

Despite relatively stagnant labor market conditions in Alaska, sales of new and existing homes increased 5 percent, to 13,200 homes sold in 2015, the highest level of home sales since 2007. The average price of homes sold in Alaska during 2015 increased 4 percent, to \$273,500. As of December 2015, the inventory of homes for sale in Alaska stood at a 2.5-month supply.

Strengthening demand for sales housing contributed to a decrease in the rate of seriously delinquent loans (90 or more days delinquent or in foreclosure) and REO properties. As of December 2015, 3.2 percent of home loans in the region were seriously delinquent or in REO status, down from 3.6 percent in December 2014; at the same time, the U.S. rate decreased from 4.6 to 4.1 percent. The share of seriously delinquent loans and REO properties decreased from 3.8 to 3.3 percent in Washington, from 3.8 to 3.5 percent in Oregon, from 3.1 to 2.5 percent in Idaho, and from 2.0 to 1.7 percent in Alaska (Black Knight Financial Services, Inc.).

During the fourth quarter of 2015 (preliminary data)—

- In the Northwest region, single-family homebuilding activity, as measured by the number of homes permitted, increased 20 percent, to 8,100 homes, compared with a 3-percent gain during the same period a year earlier.
- Single-family home permitting was unchanged in Alaska from the fourth quarter of 2014, at 220 homes, but was 80 percent higher than the 4-year quarterly average from 2010 through 2013.
- Strong demand for new homes led to increases of single-family construction in Idaho and Oregon of 19 and 10 percent, to 1,550 and 1,850 homes permitted, respectively.
- An 8-percent increase in new home sales in Washington spurred single-family homebuilding activity in the state. Homebuilding activity increased by the greatest number of homes permitted in the region, with a 27-percent gain to 4,475 homes, the highest fourth quarter total since 2006.

Apartment Market Conditions

During the fourth quarter of 2015, major metropolitan apartment markets in the Northwest region were mixed, ranging from very tight to balanced. Apartment markets in Anchorage, Portland, and Tacoma were very tight, with average vacancy rates of 2.0, 3.1 and 2.9 percent, respectively. Year-over-year average rent increases were 13 percent in Portland and 3 percent in Tacoma but relatively unchanged in Anchorage (Reis, Inc.; MPF Research). The 13-percent increase in Portland was the greatest increase among major metropolitan areas in the Northwest region and marked the third consecutive quarter of annual rent increases of greater than

10 percent in Portland, primarily because the average vacancy rate has been about or below 3 percent since the second quarter of 2013. Apartment markets in Eugene, Spokane, and Seattle were tight to slightly tight, with average vacancy rates ranging from 3.4 percent in Eugene to 4.3 percent in Seattle. Average rents increased 11 percent in Seattle, 4 percent in Eugene, and 3 percent in Spokane (Reis, Inc.; *Apartment Insights*). The average rent in Seattle increased more than 10 percent for the third consecutive quarter, mainly because most of the 8,450 units completed in 2015 are in upscale complexes located in or near downtown Seattle. In the Boise

continued on page 5

continued from page 4

metropolitan area, the apartment market moved from tight to balanced, with an average vacancy rate of 5.6 percent, the first time it has been balanced since the fourth quarter of 2012. The average vacancy rate has been increasing since the fourth quarter of 2014, mainly because of a steady increase in supply.

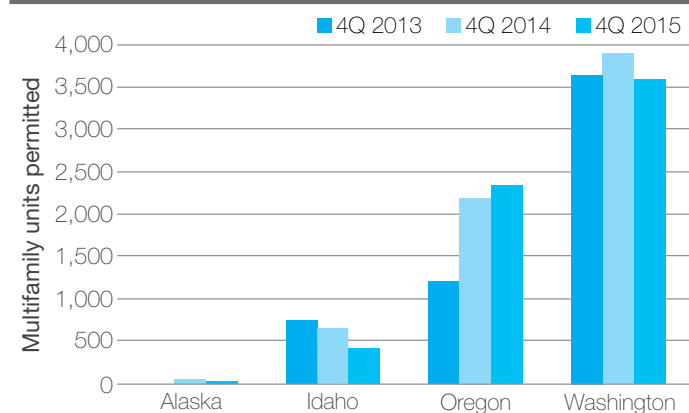
Despite a slight decline in the number multifamily units permitted in the Northwest region during the fourth quarter of 2015, multifamily apartment development remains at a high level as builders respond to the strong demand for rental housing in several major metropolitan areas.

During the fourth quarter of 2015 (preliminary data)—

- Approximately 6,450 multifamily units were permitted in the Northwest region, reflecting a 6-percent decrease compared with the number of units permitted during the fourth quarter of 2014, the first decrease in fourth quarter multifamily permitting activity since 2009.
- Compared with permitting during the fourth quarter of 2014, multifamily permitting activity slowed in Idaho and Washington, decreasing 37 percent, to 420 units, and 6 percent, to 3,600 units, respectively. Multifamily construction activity in both states was well above the fourth quarter averages from 2010 through 2014 of 150 units in Idaho and 1,500 units in Washington.

- In Alaska, the number of multifamily units permitted increased 25 percent, to 75 units, the most active fourth quarter permitting total since 2007, when 130 multifamily units were permitted.
- The number of multifamily units permitted in Oregon increased 7 percent, to 2,350, marking five consecutive fourth quarters of year-over-year gains in the number of units permitted.

Idaho was the only state in the Northwest region where fourth quarter multifamily permitting activity declined for 2 successive years.



4Q = fourth quarter.

Note: Based on preliminary data.

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

Despite double-digit increases in average rents, average vacancy rates in Portland and Seattle were relatively stable compared with a year earlier.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2014 (%)	4Q 2015 (%)	Percentage Point Change	4Q 2014 (\$)	4Q 2015 (\$)	Percent Change
Anchorage ^a	Very tight	2.5	2.0	- 0.5	1,122	1,125	0
Boise ^a	Balanced	2.1	5.6	3.5	768	797	4
Eugene ^a	Tight	3.6	3.4	- 0.2	782	811	4
Portland ^b	Very tight	2.6	3.1	0.5	1,027	1,163	13
Seattle ^c	Slightly tight	4.6	4.3	- 0.3	1,315	1,460	11
Spokane ^a	Tight	2.0	3.5	1.5	693	711	3
Tacoma ^c	Very tight	3.2	2.9	- 0.3	839	866	3

4Q = fourth quarter.

Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) Reis, Inc.; (b) MPF Research; (c) Apartment Insights