

# HUD PD&R Regional Reports

## Region 10: Northwest

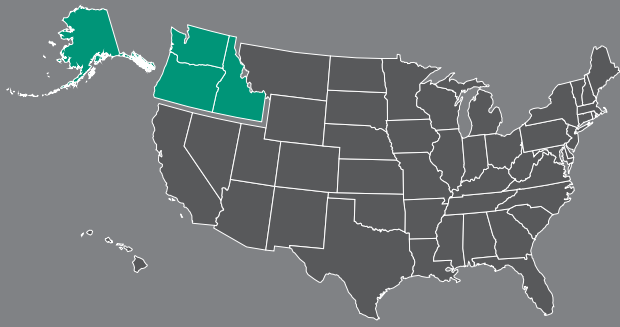


### Quick Facts About Region 10

Boise, Idaho

By Tom Aston | 1st quarter 2018

- **Sales market conditions—**  
First quarter 2018: tight.  
Fourth quarter 2017: mixed (very tight to slight soft).  
First quarter 2017: tight.
- **Apartment market conditions—**  
First quarter 2018: mixed (tight to balanced).  
Fourth quarter 2017: mixed (tight to balanced).  
First quarter 2017: mixed (tight to balanced).



### Overview

The pace of job growth in the Northwest region accelerated during the first quarter of 2018 compared with growth a year ago, marking the seventh consecutive quarter that nonfarm payrolls have recorded year-over-year growth. Sustained job growth in Idaho, Oregon, and Washington spurred population growth in each state, placing them in the top 10 fastest growing states in the nation from July 1, 2016, to July 1, 2017. The sales housing market was tight in the region, mainly because low for-sale inventories constrained sales activity, leading to declining home sales in Oregon. Apartment market conditions were mixed, ranging from tight in Anchorage, Bellingham, and Olympia to balanced in Boise, Portland, and Seattle. Multifamily construction activity was strong, with the number of multifamily units permitted increasing in all four states, from 5 percent in Washington to nearly tripling in Idaho from a year earlier.

- After slowing from 2.4 percent in the first quarter to 2.2 percent during the remaining three quarters in 2017, nonfarm payroll growth increased to 2.7 percent during the first quarter of 2018.
- From July 1, 2016, to July 1, 2017, Idaho led the nation in population growth with an increase of 2.2 percent, or approximately 36,900 people.
- For the first time since the sales housing market recovery began in the region in 2012, home sales declined in two states; Oregon because of low for-sale inventories in major metropolitan markets and Alaska because of weak labor market conditions.



Job growth in the Northwest region occurred in every sector except government, which lost 3,100 jobs.

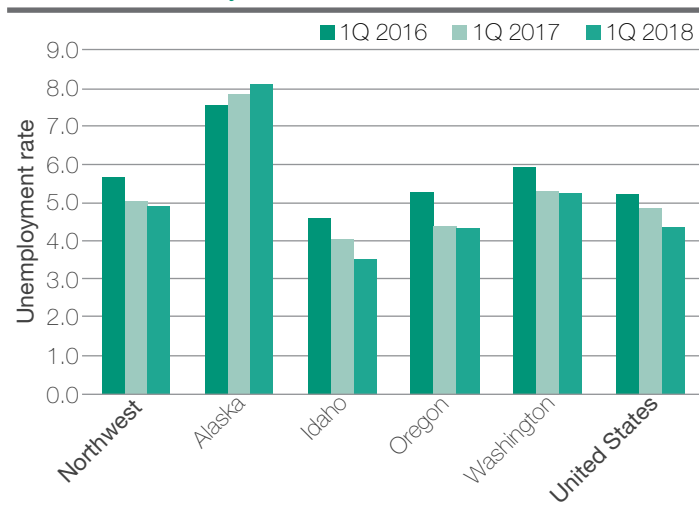
	First Quarter		Year-Over-Year Change	
	2017 (thousands)	2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,102.8	6,266.3	163.5	2.7
Goods-producing sectors	904.8	933.7	28.9	3.2
Mining, logging, and construction	360.1	382.3	22.2	6.2
Manufacturing	544.8	551.4	6.6	1.2
Service-providing sectors	5,198.0	5,332.6	134.6	2.6
Wholesale and retail trade	940.5	963.1	22.6	2.4
Transportation and utilities	210.4	217.5	7.1	3.4
Information	172.6	177.4	4.8	2.8
Financial activities	294.4	304.4	10.0	3.4
Professional and business services	754.3	775.2	20.9	2.8
Education and health services	893.2	939.8	46.6	5.2
Leisure and hospitality	614.3	634.0	19.7	3.2
Other services	214.3	220.3	6.0	2.8
Government	1,103.9	1,100.8	-3.1	-0.3

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

## Economic Conditions

Job growth strengthened during the first quarter of 2018 in the Northwest region. Nonfarm payroll growth accelerated to 2.7 percent, or by 163,500 jobs to 6.3 million jobs compared with an increase of 2.4 percent, or 142,200 jobs, a year earlier. As in the first quarter of 2017, job gains during the current quarter were broad based, as 7 out of 11 sectors increased at a rate greater than the

**The first quarter unemployment rate in the Northwest region was higher than the national jobless rate for the third consecutive year.**



1Q = first quarter.  
Source: U.S. Bureau of Labor Statistics

regional average for total nonfarm payrolls. Idaho had the greatest percentage increase in the region at 3.4 percent, or 24,000 jobs, to 719,700 jobs in the state. Washington and Oregon followed with job gains of 3.0 percent, or 96,500 jobs, and 2.4 percent, or 43,700 jobs, respectively. Nonfarm payrolls in Alaska declined by 0.2 percent, or 670 jobs; the state has lost jobs in five of the past six quarters.

At 6.2 percent, or 22,200 jobs, the mining, logging, and construction sector led the region with the greatest percentage increase from the first quarter of 2017; the construction subsector accounted for all the job growth in the sector. The number of job gains in the region was greatest in the education and health services sector, which increased by 46,600 jobs, or 5.2 percent. The rate of job growth was also strong in the financial activities and the leisure and hospitality sectors—3.4 percent and 3.2 percent, or 10,000 jobs and 19,700 jobs, respectively. The wholesale and retail trade sector had the second greatest numerical increase in nonfarm payrolls with a gain of 22,600 jobs, or 2.4 percent. During the first quarter of 2018, the average unemployment rate in the region was 4.9 percent compared with 5.0 percent a year earlier.

During the first quarter of 2018—

- In percentage terms, Idaho led the region in mining, logging, and construction sector growth with a 9.4-percent increase, or about 3,800 jobs. Slightly more than one-half of the gain occurred in the Boise metropolitan area mainly because of a surge in residential and commercial construction in response to robust job growth.

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- Nonfarm payrolls in the financial activities and the leisure and hospitality sectors also both increased by the largest amount in Idaho with gains of 5.1 percent, or 1,800 jobs, in the financial activities sector and 4.8 percent, or 3,400 jobs, in the leisure and hospitality sector.
- In the region, Oregon accounted for 57 percent of the 46,600-job gain in the education and health services sector with a net addition of 26,400 jobs, or 9.7 percent. Nearly all the increase was in the health care and social assistance industry.

- Alaska was the only state in the region where job losses occurred in the wholesale and retail trade sector, which decreased by 2,100 jobs, or 5.9 percent, in the state mainly because of persistent labor market weakness during the past 2 years.
- At 3.5 percent, Idaho had the lowest average unemployment rate in the region, followed by Oregon and Washington at 4.3 and 5.2 percent, respectively. Led by job losses in the wholesale and retail trade and the government sectors, the unemployment rate in Alaska increased to 8.1 percent, its second consecutive quarterly increase.

## Population

The pace of population growth in the Northwest region slowed slightly between July 1, 2016, and July 1, 2017, to 1.6 percent, or 216,800 people, compared with an increase of 1.7 percent, or 231,000 people, from July 1, 2015, to July 1, 2016. As of July 1, 2017, the population of the region was estimated at 14.0 million compared with 13.8 million a year earlier. From 2010 to 2017, annual population growth has averaged 1.3 percent, or 139,000 people. Net in-migration to the four states in the region from July 1, 2016, to July 1, 2017, totaled 154,400 people, down from 170,400 people for the same period a year earlier and accounted for 71 percent of the increase in total population. The rate of international in-migration declined for the second consecutive year to 37,200, down from 38,600 a year earlier.

From July 1, 2016 to July 1, 2017—

- Mainly because of strong job growth, the rate of population growth in the Northwest region outpaced that of all other HUD regions for the second consecutive year.
- Idaho ranked first among the 50 states for the fastest year-over-year population growth, at 2.2 percent; Washington ranked fourth at 1.7 percent, and Oregon ranked 10th at 1.4 percent.
- Of the 4 states in the region, Oregon had the highest rate of net in-migration as a percentage of total population change at 81 percent.
- Alaska was one of eight states nationwide where the population declined, decreasing by 0.2 percent, or 1,725 people, the first year of population decline since 1987. Approximately 9,900 people left the state, in part because of declining job opportunities.

### Alaska was the only state in the Northwest region with a population decline from July 1, 2016, to July 1, 2017.

	Population Estimate (as of July 1)			Percent Change	
	2015	2016	2017	2015 to 2016	2016 to 2017
United States	321,039,525	323,405,935	325,719,178	0.7	0.7
Northwest region	13,556,658	13,788,471	14,005,257	1.7	1.6
Alaska	737,979	741,522	739,795	0.5	-0.2
Idaho	1,649,324	1,680,026	1,716,943	1.9	2.2
Oregon	4,016,537	4,085,989	4,142,776	1.7	1.4
Washington	7,152,818	7,280,934	7,405,743	1.8	1.7

Source: U.S. Census Bureau

## Sales Market Conditions

In the Northwest region, sales housing markets were tight. During the 12 months ending February 2018, new and existing homes sales (including single-family homes, townhomes, and condominiums) were relatively unchanged from a year earlier, mainly because

of low for-sale inventories, at 308,400 homes sold (Metrostudy, A Hanley Woods company, with adjustments by the analyst). For-sale inventories were relatively unchanged from a year earlier in Idaho and Oregon at a 2.2-month supply but declined from a 3.2- to a

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2.7-month supply in Washington (CoreLogic, Inc.; data for Alaska are unavailable). The average price of a home sold in the region increased 8 percent to \$349,600. The number of real estate owned (REO) homes sold decreased 32 percent, or by 14,200 homes, from a year earlier and comprised 5 percent of existing home sales compared with 7 percent a year ago.

In February 2018, 1.5 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 2.3 percent a year earlier (CoreLogic, Inc.). The share of seriously delinquent home loans and REO properties for the nation was 2.3 percent. The percentage of seriously delinquent mortgage loans and REO properties increased slightly in Alaska to 1.8 percent compared with 1.7 percent a year earlier. In every other state in the region, the percentage of seriously delinquent mortgage loans and REO properties declined, led by a 1.0-percentage-point decrease to 1.6 percent in Oregon, followed by a 0.9-percentage-point decrease to 1.4 percent in Washington and a 0.6-percentage-point decrease to 1.2 percent in Idaho.

During the 12 months ending February 2018, Idaho was the only state in the region where new and existing home sales (hereafter, home sales) increased, up 4 percent to 52,700 homes. The average price of a new home sold increased 7 percent to \$251,600, spurred by robust job and population growth as well as affordable home prices relative to the Portland and Seattle metropolitan areas. Home sales gains in Boise outpaced gains in the state overall, increasing by 3 percent to 23,700 homes, and the average price increased 7 percent to \$279,800.

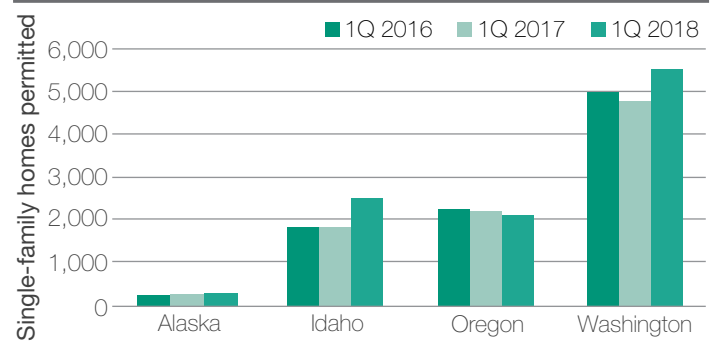
Low for-sale inventories in Washington kept home sales activity relatively unchanged from a year ago as 157,800 homes sold during the 12 months ending February 2018. The average price of a home sold increased 11 percent to \$403,800. The greatest decrease in homes sold occurred in Bellingham, where sales declined 24 percent

to 4,200 homes sold. The largest increase in the average price of a home sold was reported in Seattle, up 12 percent to \$530,900, as the number of homes sold declined 1 percent to 79,750 homes from a year ago. As of February 2018, the S&P CoreLogic Case-Schiller Composite National Home Price Index increased 12.7 percent in the Seattle metropolitan area from a year ago, an annual rate increase greater than any other major metropolitan area in the 20-City Index.

In Oregon, during the 12 months ending February 2018, home sales declined nearly 2 percent to 85,500 homes, but the average price increased 7 percent to \$332,500. In the Portland metropolitan area, home sales were constrained by a 1.9-month supply of for-sale housing, unchanged from a year ago. Home sales declined 5 percent to 49,650 homes, the largest contraction of home sales since the first quarter of 2008. The average price of home sold in Portland increased 8 percent to \$393,700, reflecting increased demand attributable to strong job and population growth.

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**First quarter single-family permitting in the Northwest region decreased for the second consecutive year in Oregon.**



1Q = first quarter.  
 Note: Based on preliminary data  
 Source: U.S. Census Bureau, Building Permits Survey

**The average price of a home sold increased in all eight metropolitan areas in the Northwest region.**

	12 Months Ending	Number of Homes Sold			Price			
		2017	2018	Percent Change	Average or Median	2017 (\$)	2018 (\$)	Percent Change
Anchorage (N&E)	February	8,800	7,925	- 10	AVG	303,900	308,700	2
Bellingham (N&E)	February	5,550	4,200	- 24	AVG	299,900	325,000	8
Boise (N&E)	February	23,050	23,700	3	AVG	261,500	279,800	7
Kennewick (N&E)	February	6,050	6,017	- 1	AVG	237,000	258,700	9
Medford (N&E)	February	5,025	6,025	20	AVG	276,900	301,500	9
Olympia (N&E)	February	6,300	6,600	5	AVG	273,600	300,100	10
Portland (N&E)	February	52,300	49,650	- 5	AVG	364,200	393,700	8
Seattle (N&E)	February	80,250	79,750	- 1	AVG	475,300	530,900	12

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





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Six quarters of weak labor market conditions in Alaska continued to have an adverse impact on the sales housing market as home sales declined 8 percent to 12,300 homes sold. Home sales have been declining in the state since the second quarter of 2016. The average price of a home sold increased 2 percent to \$287,900. In the Anchorage metropolitan area, where job losses are declining at a faster rate than in the state as a whole, home sales activity declined by 10 percent to 7,925 homes sold, and the average price increased 2 percent to \$308,700, the lowest percentage gain of any metropolitan area discussed in this report.

Strong population and job growth in Idaho and Washington led to the highest level of first quarter single-family permit issuing activity since the sales housing market recovery began in 2012.

During the first quarter of 2018 (preliminary data)—

- The number of single-family homes permitted in the Northwest region increased 15 percent to 10,380 homes, the most homes permitted during the first quarter since the sales market recovery began in first quarter of 2012.
- In Idaho, the 2,500 single-family homes permitted was the highest number of any first quarter since 2006.
- Single-family permitting activity in Washington increased 15 percent to 5,525 homes, the most active first quarter since 2008.
- In Alaska, the number of single-family homes permitted increased 33 percent to 280 compared with a first quarter average from 2010 to 2016 of 165 homes.

## Apartment Market Conditions

During the first quarter of 2018, apartment market conditions in the major metropolitan areas of the Northwest region were mixed ranging from tight to balanced, unchanged from a year ago. Vacancy rates increased in four out of the seven major metropolitan markets reported for the quarter, with only Anchorage showing no change from the first quarter of 2017 and Bellingham decreasing by 0.8 percentage point from a year earlier. Average monthly rents increased in all seven major metropolitan areas.

The Anchorage metropolitan area apartment market was tight despite both jobs and population decreasing during 2017, but, at 2.8 percent during the first quarter of 2018, the vacancy rate was slightly higher than the 2.7-percent first quarter average from 2010 to 2016 (Reis, Inc.). The 2-percent increase in the average monthly rent from a year ago was the smallest gain of any of the seven major metropolitan areas cited in this report. In Bellingham and Olympia, tight apartment market conditions are mainly the result of recent accelerating population growth and declining apartment construction activity.

In the Boise metropolitan area, robust apartment construction activity led to an increase in the first quarter vacancy rate every year since 2014, and as of the first quarter of 2018 the vacancy rate was 5.2 percent, up from 5.1 percent a year earlier. Strong demand for apartments has resulted in a doubling of the average monthly rent growth rate from 3 to 6 percent during the same period. The Portland and Seattle apartment markets were balanced as of the first quarter of 2018 (RealPage Inc.; *Apartment Insights*). The average vacancy rate in Portland was 4.9 percent, down from 5.0 percent a year ago after averaging 3.3 percent from 2012 through 2017. In Seattle, the average vacancy rate increased to 5.2 percent; the rate of monthly rent growth slowed throughout 2017 and, by the first quarter of 2018, was 4.0 percent compared with growth of 7.0 percent a year earlier. Slowing rent growth and the increase in the vacancy rate indicate that the completion of 28,000 apartment units in Seattle from 2015 through 2017, compared with 19,750 from 2012 through 2014, has finally caught up with strong apartment demand generated by strong job and population growth.

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### The average monthly rent increased in all seven metropolitan areas in the Northwest region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2017 (%)	1Q 2018 (%)	Percentage Point Change	1Q 2017 (\$)	1Q 2018 (\$)	Percent Change
Anchorage <sup>a</sup>	Tight	2.8	2.8	0	1,131	1,153	2
Bellingham <sup>a</sup>	Tight	3.5	2.7	-0.8	894	928	4
Boise <sup>a</sup>	Balanced	5.1	5.2	0.1	836	882	6
Kennewick <sup>a</sup>	Slightly tight	4.5	4.7	0.2	890	938	5
Olympia <sup>b</sup>	Tight	3.2	4.0	0.8	1,072	1,117	4
Portland <sup>c</sup>	Balanced	5.0	4.9	-0.1	1,270	1,316	4
Seattle <sup>b</sup>	Balanced	4.7	5.2	0.5	1,594	1,664	4

1Q = first quarter.

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



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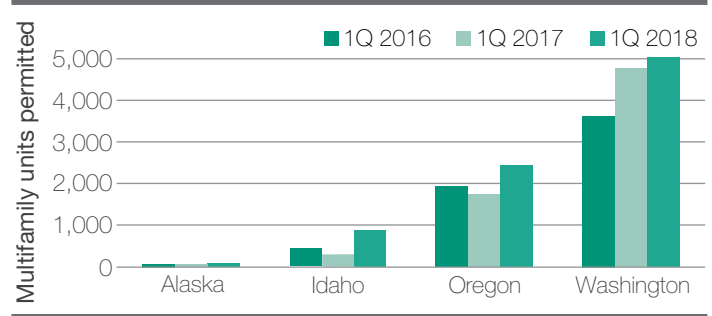
First quarter multifamily construction activity, as measured by the number of multifamily units permitted, increased in every state in the region from a year earlier for the first time since the first quarter of 2013.

During the first quarter of 2018 (preliminary data)—

- Approximately 8,350 multifamily units were permitted in the Northwest region, a 22- percent, or 1,525-unit, increase from a year earlier and the most multifamily units permitted in the first quarter since the housing market recovery began in 2012.
- The greatest increase in the number of multifamily units permitted occurred in Idaho, where permitting nearly tripled to 875 units from a year ago mainly because of strong multifamily construction activity in the cities of Boise and Rexburg.
- In Oregon, 2,400 multifamily units were permitted, exceeding the peak year of permitting activity during the multifamily construction boom of the past decade, when 2,350 units were permitted during the first quarter of 2007.

- The number of multifamily units permitted in Washington increased 5 percent to approximately 5,000 units, the second highest first quarter total in 20 years. By comparison, from 2012 through 2017, 3,650 multifamily units were permitted on average.

**During the first quarter of 2018, multifamily permitting activity increased in all four states of the Northwest region.**



1Q = first quarter.  
 Note: Based on preliminary data.  
 Source: U.S. Census Bureau, Building Permits Survey

