

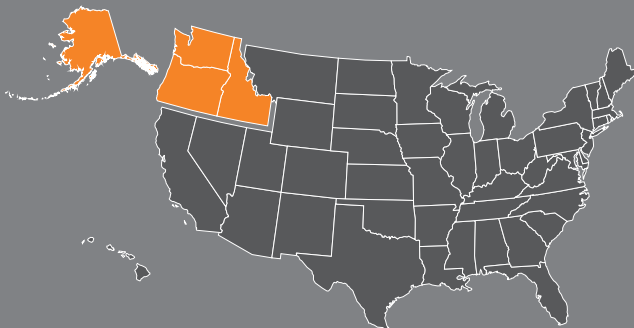
HUD PD&R Regional Reports

Region 10: Northwest



Quick Facts About Region 10

- **Sales market conditions—**
Second quarter 2013: balanced.
First quarter 2013: slightly soft.
Second quarter 2012: soft.
- **Apartment market conditions—**
Second quarter 2013: tight.
First quarter 2013: tight.
Second quarter 2012: tight.



By Thomas E. Aston | 2nd quarter 2013

Overview

The economic recovery, which began in the second quarter of 2011, is gaining momentum in the Northwest region and outperforming the nationwide recovery. Year-over-year, second quarter 2013 job growth in the region was 1.7 percent compared with growth of 1.5 percent a year earlier and the U.S. rate of 1.6 percent. The 7.0-percent average unemployment rate for the region was less than the 7.4-percent national rate during the second quarter of 2013. Sales housing market conditions in the region improved for the eighth consecutive quarter and are currently balanced compared with the soft conditions recorded a year ago. Demand for rental units is strong in the region, where average apartment vacancy rates declined and average rents increased between 2 and 6 percent in selected major metropolitan areas.

- The economic recovery is broad based, and job growth occurred in every private employment sector.
- Sales market conditions in the region are balanced for the first time since 2007. Sales, prices, and construction all showed significant year-over-year gains.



PD&R

Nonfarm payroll job growth in the Northwest region was widespread, up 2 percent or more in six of nine private employment sectors.

	Second Quarter		Year-Over-Year Change	
	2012 (thousands)	2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,481.7	5,575.0	93.3	1.7
Goods-producing sectors	806.7	826.5	19.8	2.5
Mining, logging, and construction	287.9	295.6	7.7	2.7
Manufacturing	518.9	530.9	12.1	2.3
Service-providing sectors	4,675.0	4,748.5	73.6	1.6
Wholesale and retail trade	845.0	865.0	20.0	2.4
Transportation and utilities	189.6	194.2	4.6	2.4
Information	153.0	153.1	0.1	0.1
Financial activities	276.6	279.6	3.0	1.1
Professional and business services	648.4	662.9	14.5	2.2
Education and health services	760.0	772.9	12.8	1.7
Leisure and hospitality	546.5	563.4	16.9	3.1
Other services	202.0	204.0	2.0	1.0
Government	1,053.9	1,053.4	-0.5	-0.0

Source: U.S. Bureau of Labor Statistics

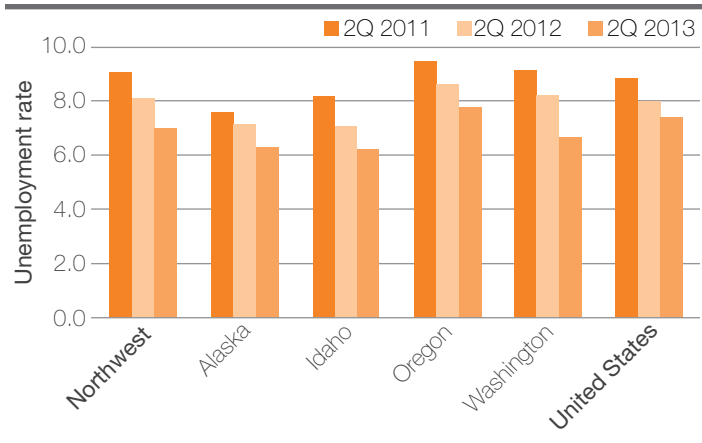
Economic Conditions

For the second consecutive year since the second quarter of 2011, nonfarm payroll job growth accelerated in the Northwest region. In the second quarter of 2013, average nonfarm payrolls increased 1.7 percent, to 5.58 million jobs, compared with average nonfarm payrolls during the second quarter of 2012. By comparison, second quarter 2012 nonfarm payrolls averaged 5.48 million jobs, an increase of 1.5 percent from the second quarter of 2011. Despite the addition of 174,000 jobs during the past 2 years, nonfarm payrolls in the region remain 125,000 jobs less than the peak of 5.65 million jobs recorded during the second quarter of 2006. The average unemployment rate in the region for the second quarter of 2013 fell to 7.0 percent, marking the 4th consecutive year the jobless measure declined.

During the second quarter of 2013—

- For the first time since the economic recovery began, nonfarm payroll growth was strongest in the leisure and hospitality sector, which increased 3.1 percent, or by 16,900 jobs, primarily because of hiring in the food services and drinking places industries.
- Leisure and hospitality sector payrolls grew fastest in Oregon and Washington, where the sector recorded increases of 4.5 and 2.9 percent, respectively.

Average unemployment rates in every Northwest region state except Oregon were less than the national rate.



2Q = second quarter.

Source: U.S. Bureau of Labor Statistics

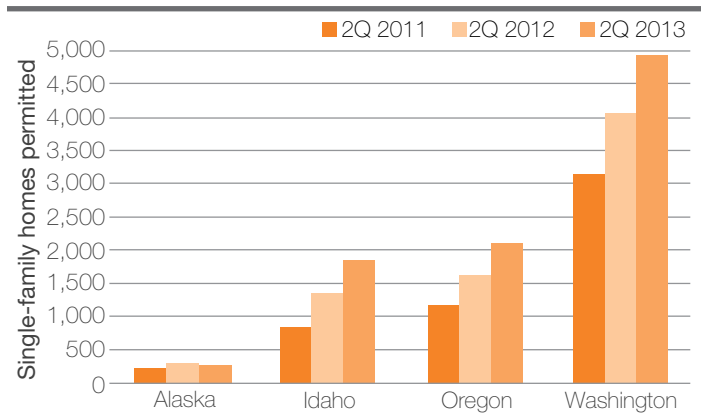
- For the first time since the second quarter of 2008, the region's unemployment rate was less than the national unemployment rate.
- The three metropolitan areas where job gains were most rapid were Boise, Seattle, and Bend, with job growth rates of 2.9, 2.3, and 1.5 percent, respectively.



Sales Market Conditions

Sales housing market conditions in the Northwest region were balanced in the second quarter of 2013 compared with the soft conditions recorded a year ago. A reduction in available inventory and increased demand put upward pressure on sales prices. In the region, 184,700 new and existing homes sold during the 12 months ending June 2013, an increase of 15 percent compared with the 160,100 homes sold a year ago (Metrostudy, A Hanley Wood Company). During the same period, the average sales price increased 9 percent, to \$273,300. Existing home sales increased 15 percent, to 168,000, compared with the number of homes sold during the 12 months ending June 2012, and the average existing home sales price increased 9 percent, from \$246,800 to \$269,400.

New home construction increased in the Northwest region, in part because low inventories and increased demand put upward pressure on prices.



2Q = second quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

REO (Real Estate Owned) sales accounted for 14 percent of all existing home sales, down from 25 percent a year ago, and the average REO sales price was \$182,300, or 35 percent less than the average sales price of a regular resale home. New home sales totaled 16,700 in the region during the 12 months ending June 2013, an increase of 18 percent from year ago, and the average new home sales price increased 6 percent, to \$307,300.

In June 2013, 5.4 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down from 6.4 percent in June 2012. The rate decreased from 7.2 to 5.9 percent in Washington, from 6.0 to 5.9 percent in Oregon, from 5.3 to 4.3 percent in Idaho, and from 2.8 to 2.5 percent in Alaska. The percentage of distressed home loans in the region has been consistently less than the national average, which was 6.3 percent in June 2013, down from 7.7 percent in June 2012.

Based on preliminary data, during the second quarter of 2013—

- Builders responded to improving sales market conditions by increasing single-family home construction, as measured by the number of single-family homes permitted, in Washington, Oregon, and Idaho.
- In the region, permits were issued for 9,180 single-family homes, a 24-percent increase from the second quarter of 2012.
- Single-family home construction increased in every state in the region except Alaska, where 310 homes were permitted, down slightly from 320 homes a year ago.
- Oregon and Idaho reported the greatest percentage increases in single-family home construction, with gains of 30 and 35 percent, respectively.

During the 12-month period ending June 2013, home sales increased more than 20 percent in three major metropolitan areas in the Northwest region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2012	2013	Percent Change		2012 (\$)	2013 (\$)	Percent Change
Anchorage (N&E)	June	5,800	6,500	12.1	AVG	290,200	303,300	4.5
Bend (N&E)	June	3,900	4,750	21.8	AVG	217,800	255,300	17.2
Boise (N&E)	June	16,050	17,400	8.4	AVG	180,200	204,800	13.7
Portland (N&E)	June	26,850	32,100	19.6	AVG	259,300	284,900	9.9
Salem (N&E)	June	3,450	4,300	24.6	AVG	179,300	187,300	4.5
Seattle (N&E)	June	28,950	35,550	22.8	AVG	394,500	427,500	8.4
Tacoma (N&E)	June	9,500	10,600	11.6	AVG	209,000	234,400	12.2

AVG = average. N&E = new and existing.
 Source: Metrostudy, a Hanley Wood company



Apartment Market Conditions

Apartment market conditions continued to tighten throughout the Northwest region from the second quarter of 2012 to the second quarter of 2013. The apartment vacancy rate in Seattle was 4.4 percent, down from 4.8 percent during the previous year, and the average rent increased 6 percent, to \$1,190 (Apartment Insights). Portland's average apartment vacancy rate declined from 3.3 percent in May 2012 to 2.9 percent in May 2013, and the average rent increased 4 percent, to \$901 (Apartment Insights). Elsewhere in the region, apartment vacancy rates declined from May 2012 to May 2013 in Anchorage (from 2.6 to 2.3 percent), Boise (from 4.9 to 3.4 percent), and Salem (from 2.6 to 2.4 percent) (Reis, Inc.). The average rent in Anchorage, Boise, and Salem increased 2 percent each, to \$1,090, \$733, and \$672, respectively (Reis, Inc.).

As the primary population and economic centers of the region, the Seattle and Portland metropolitan areas accounted for 78 percent of the multifamily units permitted during the second quarter of 2013.

Apartment market conditions were tight throughout the Northwest region.

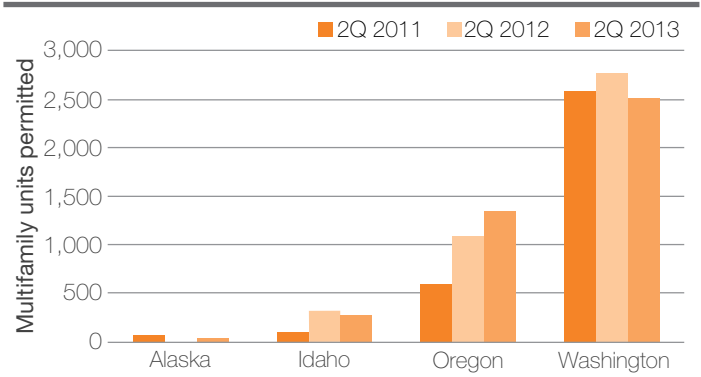
Metropolitan Area	Market Condition
Anchorage	Tight
Bend	Tight
Boise	Slightly tight
Portland	Very tight
Salem	Slightly tight
Seattle	Very tight
Tacoma	Slightly tight

Source: HUD, PD&R, Economic and Market Analysis Division

Based on preliminary data, during the second quarter of 2013—

- Multifamily permitting in the region decreased by 20 units, or less than 1 percent, to 4,150 units permitted compared with a year ago, continuing its relative stability since 2012.
- The Seattle and Portland metropolitan areas represented 47 and 31 percent of the multifamily units permitted in the region, followed by Boise, with 4 percent, and Bellingham, with 3 percent.
- Multifamily permitting and construction activity slowed in Idaho (down 50 units, or 15 percent) and Washington (down 270 units, or 10 percent). Activity continued to accelerate in Oregon (up 270 units, or 25 percent) and remained minimal in Alaska, where 40 units were permitted (up 30 units).
- Apartment projects currently under construction in the region include 3,325 units in the Portland metropolitan area and 13,850 units in the Seattle metropolitan area (Reis, Inc.; *Apartment Insights*).

Multifamily permitting slowed in Idaho and Washington, but growth continues to accelerate in Oregon.



2Q = second quarter.

Note: Based on preliminary data.

Sources: U.S. Census Bureau, Building Permits Survey; HUD, PD&R, Economic and Market Analysis Division