

HUD PD&R Regional Reports

Region 10: Northwest

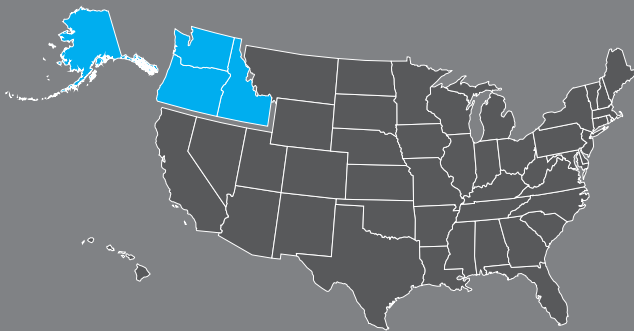


Quick Facts About Region 10

Boise, Idaho

By Thomas E. Aston | 4th quarter 2014

- **Sales market conditions—**
Fourth quarter 2014: mixed (balanced to tight).
Third quarter 2014: mixed (balanced to tight).
Fourth quarter 2013: mixed (balanced to tight).
- **Apartment market conditions—**
Fourth quarter 2014: mixed (tight to very tight).
Third quarter 2014: mixed (balanced to very tight).
Fourth quarter 2013: tight.



Overview

Nonfarm payroll growth in the Northwest region accelerated for the fourth consecutive quarter, increasing 2.4 percent, or by 138,700 jobs, the greatest numerical increase since the fourth quarter of 2006. Sales housing market conditions were mixed, ranging from balanced to tight. Home sales activity ranged from a decline of 2 percent in Alaska to an increase of 3 percent in Washington, and the average sales price of a home sold increased 4, 6, and 7 percent in Idaho, Oregon, and Washington, respectively, but declined 1 percent in Alaska. Apartment market conditions were tight to very tight across the region, with rents increasing from 1 to 7 percent in selected major metropolitan areas, and vacancy rates were reported from a low of 2.0 to a high of 4.4 percent.

- In the Northwest region, the strength of job growth was diverse in 2014, with payrolls in 7 out of 11 sectors increasing 2.0 to 4.9 percent.
- The unemployment rate in the region averaged 5.9 percent, marking the third consecutive quarter the jobless rate was below 6.0 percent and the lowest fourth quarter rate since 2008.
- Approximately 33 percent of the multifamily units permitted in Washington during the fourth quarter of 2014 were in the city of Seattle, bringing the total in the city for 2014 to 6,550 units, the second most annual units permitted in 30 years (preliminary data).



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The year-over-year increase in nonfarm payroll jobs in the Northwest region was the greatest since the labor market recovery began in 2010.

	Fourth Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,697.5	5,836.2	138.7	2.4
Goods-producing sectors	845.0	868.5	23.5	2.8
Mining, logging, and construction	312.9	328.3	15.4	4.9
Manufacturing	532.1	540.2	8.1	1.5
Service-providing sectors	4,852.5	4,967.8	115.3	2.4
Wholesale and retail trade	895.5	917.0	21.5	2.4
Transportation and utilities	194.0	197.5	3.5	1.8
Information	155.0	158.2	3.2	2.1
Financial activities	284.5	289.9	5.4	1.9
Professional and business services	682.5	702.2	19.7	2.9
Education and health services	833.4	855.9	22.5	2.7
Leisure and hospitality	551.4	569.3	17.9	3.2
Other services	203.8	208.7	4.9	2.4
Government	1,052.4	1,068.9	16.5	1.6

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

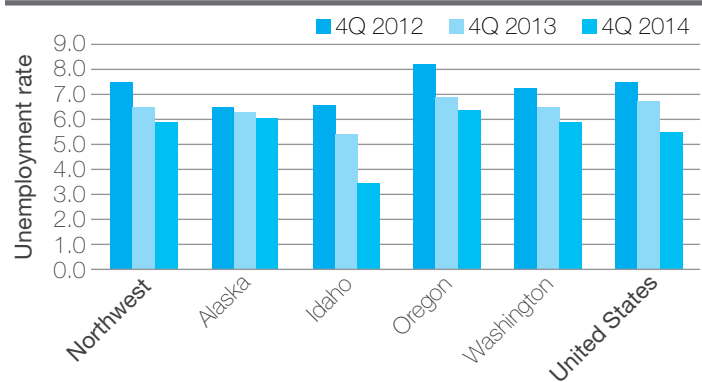
Economic Conditions

During the fourth quarter of 2014, nonfarm payrolls in the Northwest region posted the greatest year-over-year numerical quarterly gain since the labor market recovery began during the first quarter of 2010. The 138,700-job increase brought nonfarm payrolls to an average of 5.84 million jobs, a 2.4-percent increase from the fourth quarter of 2013. The greatest numerical job gain occurred in the education and health services and the wholesale and retail trade sectors, which increased by 22,500 and 21,500 jobs, or 2.7 and 2.4 percent, to 855,900 and 917,000 jobs, respectively. The greatest percentage increase was the 4.9-percent gain in the mining, logging, and construction sector, a result of 15,400 new jobs, to total 328,300 jobs. Of this increase, 90 percent was in the construction subsector, mainly because of new commercial and residential development in Oregon and Washington. The unemployment rate averaged 5.9 percent during the fourth quarter of 2014 compared with 6.5 percent a year earlier.

During the fourth quarter of 2014—

- In Alaska, the loss of 300 nonfarm payroll jobs left average nonfarm payrolls relatively unchanged from a year ago, at 325,800. The leisure and hospitality sector lost 1,100 jobs, or 3.8 percent, partly as a result of a 3-percent decline in cruise ship and international air visitor volume, but hiring in the oil and gas extraction industry, leading to an increase of 6 percent, or 1,000 jobs, in the mining and logging subsector, partially offset the loss.

In Idaho, strong job growth led to a decline in the unemployment rate of nearly 2 percentage points, the greatest decline in the Northwest region.



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

- In Idaho, nonfarm payrolls increased by 9,300 jobs, or 1.4 percent, to an average of 653,400. Mainly because of increased demand for clinical health services, the education and health services sector, which increased by 3,800 jobs, or 4.1 percent, led job gains in the state.
- Oregon led rate gains among all states in the region, with an increase of 2.8 percent, or 48,200 jobs, in nonfarm payrolls, to an average of 1.75 million jobs. The increase resulted mainly from a gain of 10,500 jobs, or 4.2 percent, in the education and health services sector, in which job gains were greatest in the nursing homes and residential care facilities industry. Firms hiring

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administrative support staff led job growth in the professional and business services sector, which increased by 9,700 jobs, or 4.6 percent.

- In Washington, nonfarm payrolls increased by 81,600 jobs, or 2.7 percent, to an average of 3.1 million; the retail trade and construction subsectors led job growth, increasing by 13,900

and 12,500 jobs, or 4.1 and 8.3 percent, to 354,900 and 161,900 jobs, respectively. Strong residential building activity contributed to job growth in both subsectors; hiring at building supply stores led job growth in the retail trade subsector and strong multifamily development activity added jobs in the construction subsector.

Sales Market Conditions

For the second consecutive quarter, sales housing market conditions in the Northwest region were mixed, ranging from balanced to tight. During the 12 months ending November 2014 (the best representative data available), sales of new and existing homes (including single-family homes, townhomes, and condominiums) increased 2 percent from a year earlier, to 241,400 (CoreLogic, Inc.). The average price of homes sold increased 6 percent, to \$280,500. Sales of REO (Real Estate Owned) properties declined 4 percent, to 17,300 homes sold, and accounted for 7 percent of new and existing sales compared with 8 percent a year earlier.

Strong job growth in Oregon and Washington led to increased home sales demand, which contributed to tight sales market conditions in both states. Despite low inventories constraining home sales in the Puget Sound area, sales activity in Washington increased 3 percent, to 119,500 homes sold, the greatest increase in the region during the 12 months ending November 2014. The average sales price increased 6 percent in Washington, to \$316,100. Increased sales activity in the Portland and Eugene metropolitan areas contributed to a gain of nearly 2 percent, to 68,750 homes sold, and an average price increase of nearly 7 percent, to \$263,200, in Oregon. Stagnant labor market conditions in Alaska led to a change in sales market conditions from tight in the fourth quarter of 2013 to balanced in the current quarter. Sales of new

and existing homes declined 2 percent, to 12,800 homes sold, and the average price of homes sold declined 1 percent, to \$269,800. During the fourth quarter of 2014, the sales market was tight in Idaho, as low inventories of homes for sale resulted in a decline in the sales of new and existing homes of 1 percent, to 40,350, but the average price of a home sold increased nearly 4 percent, to \$200,600. For example, as of December 2014, the Boise metropolitan area had a 3.6-month supply of new and existing homes for sale, the third consecutive year that the December supply of homes for sale has been 4 months or less.

In December 2014, 3.6 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 4.6 percent in December 2013; the U.S. rate decreased from 5.6 to 4.6 percent. The rate decreased from 5.0 to 3.8 percent in Washington, from 4.6 to 3.8 percent in Oregon, from 3.8 to 3.1 percent in Idaho, and from 2.4 to 2.0 percent in Alaska (Black Knight Financial Services, Inc.).

During the fourth quarters from 2012 to 2014, single-family permitting activity averaged 140, 1,225, 1,600, and 3,475 units a year in Alaska, Idaho, Oregon, and Washington, respectively, increases of 40, 75, 56, and 40 percent compared with fourth quarter permitting activity from 2009 to 2011.

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The decline of desirable properties for sale in the Northwest region substantially reduced the rate of sales activity during 2014.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2013	2014	Percent Change		2013 (\$)	2014 (\$)	Percent Change
Anchorage (N&E)	November	8,825	8,475	- 4	AVG	284,400	290,500	2
Bend (N&E)	November	6,225	5,950	- 4	AVG	255,900	282,200	10
Boise (N&E)	November	19,000	18,350	- 3	AVG	207,300	215,800	4
Eugene (N&E)	November	5,175	5,275	2	AVG	213,200	221,700	4
Kennewick (N&E)	November	4,600	4,650	1	AVG	284,300	290,500	2
Olympia (N&E)	November	4,025	4,150	3	AVG	232,200	241,000	4
Portland (N&E)	November	40,900	41,600	2	AVG	285,400	306,300	7
Seattle (N&E)	November	63,100	62,700	- 1	AVG	370,400	398,900	8

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

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

Source: CoreLogic, Inc.

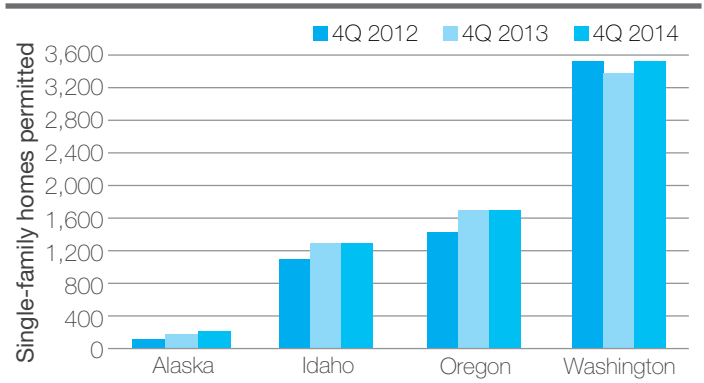


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During the fourth quarter of 2014 (preliminary data)—

- In the Northwest region, single-family homebuilding activity, as measured by the number of homes permitted, increased 3 percent, to 6,725 homes, compared with a 6-percent gain during the same period a year earlier.
- Compared with the fourth quarter of 2013, single-family home permitting increased 29 percent, to 220 homes, in Alaska and 4 percent, to 3,524 homes, in Washington, but permitting activity was unchanged at 1,700 units in Oregon and at 1,275 units in Idaho.
- In Alaska, 88 percent of single-family construction activity during the fourth quarter of 2014 and nearly all the increase from a year ago occurred in the Anchorage and Juneau metropolitan areas.

Reflecting increased demand, average new home sales prices increased in Idaho, Oregon, and Washington, sustaining single-family construction activity in the Northwest region.



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

Apartment Market Conditions

Apartment market conditions in major metropolitan areas in the Northwest region were mixed, ranging from tight to very tight. Despite very strong multifamily construction activity and inventory growth, the apartment vacancy rate in the Portland metropolitan area declined to 2.8 percent in the fourth quarter of 2014 from 3.3 percent a year earlier (MPF Research). During the same period, the Portland metropolitan area had the strongest rent growth in the region, up 7 percent, to \$1,045. Although the vacancy rate in the Seattle metropolitan area increased slightly to 4.4 percent, from 4.3 percent a year earlier, market conditions were tight during the fourth quarter of 2014 when the average rent increased 6 percent, to \$1,260.

The lowest vacancy rate among major metropolitan areas in the Northwest region was 2.0 percent in Spokane, down from 3.3

percent a year ago. The average rent increased 1 percent, to \$692 (Reis, Inc.). The Boise metropolitan area had the second lowest vacancy rate in the region, at 2.1 percent, down from 2.8 percent a year ago, mainly because the supply of new units did not keep pace with the increased demand for apartments generated by strong job growth. The average rent increased 3 percent from the fourth quarter of 2013, to \$768.

The demand for apartments has been strong since the recovery began in 2010, and developers in the Northwest region, mainly in Oregon and Washington, have responded with increased construction activity (as measured by the number of units permitted) for the fourth consecutive year.

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Apartment market conditions in the Northwest region ranged from tight to very tight, despite very strong and increasing multifamily construction activity since 2010.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2013 (%)	4Q 2014 (%)	Percentage Point Change	4Q 2013 (\$)	4Q 2014 (\$)	Percent Change
Anchorage ^a	Very tight	2.6	2.5	-0.1	1,099	1,122	2
Boise ^a	Very tight	2.8	2.1	-0.7	748	768	3
Eugene ^a	Tight	2.7	3.6	0.9	762	782	3
Portland ^b	Very tight	3.3	2.8	-0.5	977	1,045	7
Seattle ^b	Tight	4.3	4.4	0.1	1,184	1,260	6
Spokane ^a	Very tight	3.3	2.0	-1.3	685	693	1
Tacoma ^a	Tight	4.0	3.2	-0.8	819	840	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



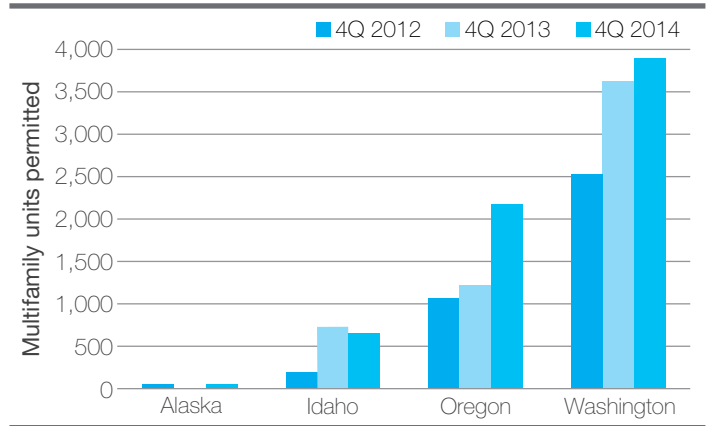
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During the fourth quarter of 2014 (preliminary data)—

- Approximately 6,825 multifamily units were permitted in the Northwest region, reflecting a 21-percent increase compared with the number of units permitted during the fourth quarter of 2013.
- Washington led all states in the region, with 3,925 multifamily units permitted, increasing 8 percent and accounting for 57 percent of all multifamily construction activity in the region, down from 65 percent a year ago.
- In Oregon, approximately 2,200 multifamily units were permitted, reflecting a 77-percent increase from a year ago; 80 percent of the increase occurred in the Portland and Beaverton metropolitan areas.
- Multifamily permitting activity decreased in Idaho for the first time in nearly 2 years, to 670 units, reflecting a decline of 11 percent compared with the number of units permitted in the fourth quarter of 2013. For all of 2014, multifamily permitting activity in Idaho totaled 2,525 units, up 46 percent from 2013.
- Alaska recorded minimal multifamily permitting, less than 1 percent of the total in the region, mainly because of seasonal influences and relatively high construction costs.

- A substantial amount of apartment construction is under way in major metropolitan areas in the region, including 16,350 units and 6,750 units in the Seattle and Portland metropolitan areas, up from 14,400 and 4,200 units, respectively, a year ago (MPF Research).

Strong apartment demand throughout the Northwest region led to an increase in multifamily construction activity during the fourth quarter of 2014.



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

