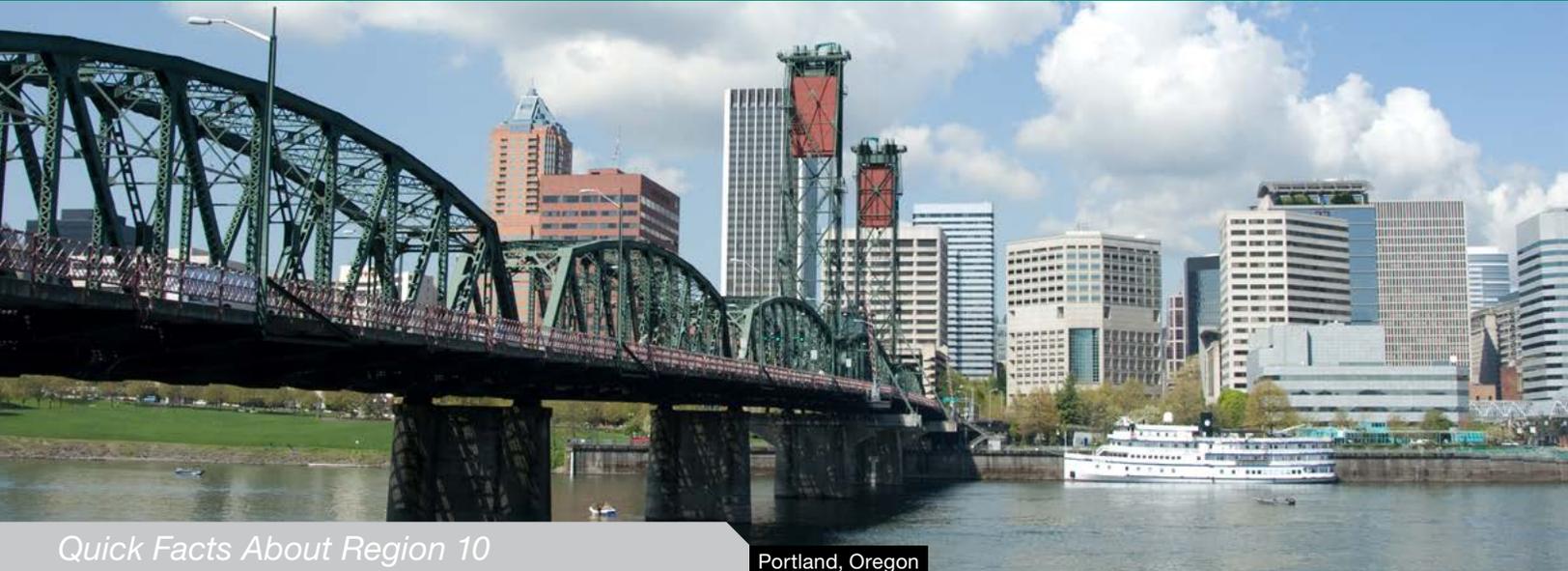


# HUD PD&R Regional Reports

## Region 10: Northwest

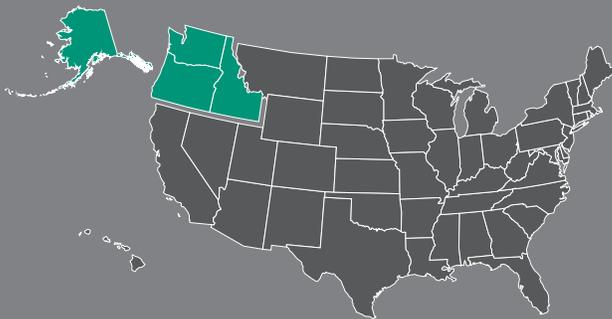


### Quick Facts About Region 10

Portland, Oregon

By Thomas E. Aston | 1st quarter 2014

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



### Overview

Nonfarm payrolls in the Northwest region increased at a rate of 2.1 percent, or 115,300 jobs, to 5.62 million jobs as of the first quarter of 2014, just 30,000 nonfarm payroll jobs below the peak level of 5.65 million in the second quarter of 2006. Sales housing market conditions, which improved for the eighth consecutive quarter, are balanced for the first time since 2007. Apartment markets tightened as vacancy rates declined to 3.6 percent or less in major metropolitan areas from the first quarter of 2013 to the first quarter of 2014.

- Steady job growth contributed to increased demand for apartments and sales housing in the region during the first quarter of 2014, as rent growth ranged from 2 to 8 percent and new and existing home sales rose 11 percent from the first quarter of 2013 compared with 4 percent a year earlier.
- The labor market recovery during the past year was relatively diverse, with nonfarm payrolls increasing 2.1 percent or more in 6 of 11 sectors.
- In Boise, Portland, and Seattle, the apartment market tightened from the first quarter of 2013 despite the highest level of multi-family permitting activity since the housing market began to recover in 2011.



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

	First Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,505.3	5,620.6	115.3	2.1
Goods-producing sectors	804.1	822.8	18.7	2.3
Mining, logging, and construction	280.0	294.7	14.7	5.3
Manufacturing	524.1	528.1	4.0	0.8
Service-providing sectors	4,701.1	4,797.8	96.7	2.1
Wholesale and retail trade	842.6	868.9	26.3	3.1
Transportation and utilities	186.9	189.6	2.7	1.4
Information	151.7	155.1	3.4	2.2
Financial activities	279.5	281.7	2.2	0.8
Professional and business services	655.5	671.0	15.5	2.4
Education and health services	814.7	834.4	19.7	2.4
Leisure and hospitality	527.0	543.6	16.6	3.1
Other services	199.0	202.6	3.6	1.8
Government	1,044.2	1,050.8	6.6	0.6

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

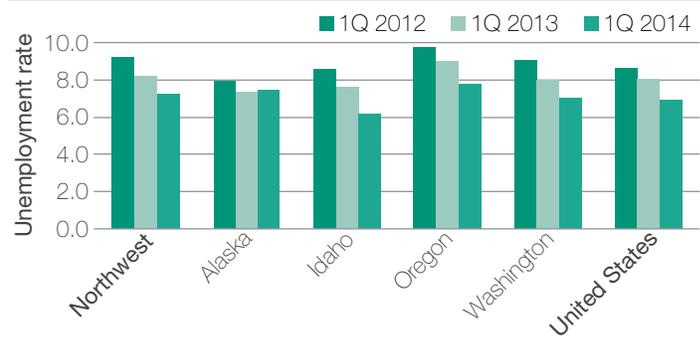
## Economic Conditions

The year-over-year quarterly job growth rate increased for the fifth consecutive quarter in the Northwest region. Nonfarm payroll employment averaged 5.62 million during the first quarter of 2014, a gain of 2.1 percent, or 115,300 jobs, from the first quarter of 2013 after an increase of 2.0 percent, or 103,700 jobs, from the first quarter of 2012 to the first quarter of 2013. Average nonfarm payrolls reached their highest level since the first quarter of 2007. Oregon nonfarm payrolls showed the largest percentage gain among the four states in the region, with a gain of 2.9 percent, or 46,800 jobs; Washington recorded the next largest percentage gain of 2.1 percent, or 60,100 jobs. Idaho and Alaska nonfarm payrolls were up 6,400 and 700 jobs, or 1.0 and 0.7 percent, respectively. As of the first quarter of 2014, the unemployment rate in the region averaged 7.2 percent, down from 8.2 percent a year earlier.

During the first quarter of 2014—

- The percentage gain in job growth in the Northwest region was largest in the mining, logging, and construction sector, increasing 5.3 percent, or by 14,700 jobs. Job growth in the sector was concentrated in the construction subsector because of the high volume of multifamily development in Boise, Portland, and Seattle. Job growth might have been even greater in Seattle, but employers had difficulty filling all the residential construction vacancies available (Construction Industry Training Council of Washington).

In the first quarter of 2014, Idaho was the only state in the Northwest region that recorded an unemployment rate lower than the national average.



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

- The wholesale and retail trade sector increased 3.1 percent, or by 26,300 jobs. Growth was greatest in Washington, where the sector increased 3.4 percent, or by 15,100 jobs, mainly because of hiring by Internet wholesalers, building material and garden supply stores, and food and beverage stores.
- The leisure and hospitality sector also increased 3.1 percent, or by 16,600 jobs. Growth was greatest in Oregon, where the sector increased 3.7 percent, or by 6,100 jobs, with approximately 90 percent of the gain occurring in the food services and drinking places industry.
- The unemployment rate in the region was higher than the national rate, partly because the economic recovery in Oregon has been slower to develop than in the other three states, leading to a persistently high unemployment rate, which was 7.8 percent during the first quarter of 2014.

## Population

Recently released U.S. Census Bureau population estimates show that the population of the Northwest region rose 1.0 percent from July 2012 through June 2013 compared with a 0.7-percent increase for the nation. Population growth rates for the region and the United States were unchanged from the previous year but were below the average annual growth rates from the 2000 Census to the 2010 Census of 0.9 percent for the United States and 1.3 percent for the Northwest region. Recent population growth in the region outpaced U.S. population growth, principally because job opportunities in the region led to a net in-migration of 59,050 people annually since 2010. The net annual in-migration included 28,500 people who migrated to the region from other states and 30,550 who migrated from international locations.

During the 12 months ending July 1, 2013—

- Washington and Idaho ranked 10th and 13th, respectively, among U.S. states with gains of 1.1 and 1.0 percent, or 76, 088 and 16,550 people, respectively.
- Net in-migration to Washington and Idaho totaled 38,400 and 6,150 people, respectively.
- Oregon and Alaska ranked 21st and 27th among U.S. states with gains of 0.8 and 0.7 percent, or 30,264 and 4,825 people, respectively.
- Net in-migration to Oregon was 16,600 people, and net out-migration from Alaska was 2,175 people.
- The population growth rates in all four Northwest region states were above or equal to the U.S. population growth of 0.7 percent, or 2.26 million people.

### Strong labor markets in Boise and Seattle put Idaho and Washington at the top of the population growth list for states in the Northwest region.

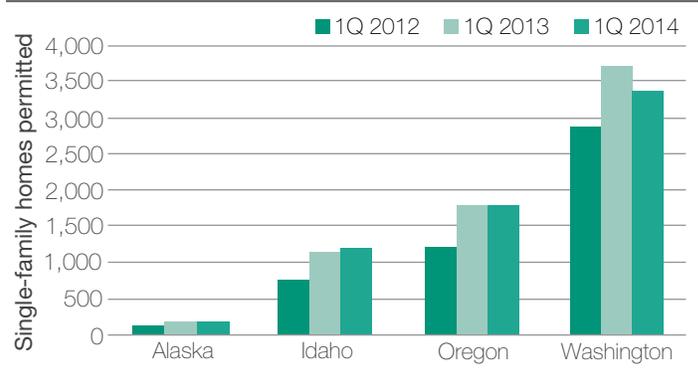
	Population Estimate (as of July 1)			Percent Change	
	2011	2012	2013	2011 to 2012	2012 to 2013
United States	311,582,564	313,873,685	316,128,839	0.7	0.7
Northwest	12,996,723	13,121,016	13,248,739	1.0	1.0
Alaska	723,375	730,307	735,132	1.0	0.7
Idaho	1,583,930	1,595,590	1,612,136	0.7	1.0
Oregon	3,867,937	3,899,801	3,930,065	0.8	0.8
Washington	6,821,481	6,895,318	6,971,406	1.1	1.1

Source: U.S. Census Bureau

## Sales Market Conditions

Sales housing markets in the Northwest region were balanced during the first quarter of 2014 for the first time since the third quarter of 2007. Sales of new and existing homes rose 11 percent, to 176,250 homes sold, and the average home sales price increased 8 percent, to \$291,100, during the 12 months ending March 2014 (Metrostudy, A Hanley Wood Company). Sales of REO (Real Estate Owned) properties accounted for 12 percent of existing home sales in the region, down from 17 percent a year earlier. In Boise and Portland, decreased REO sales and small inventories caused the percentage gain in new and existing home sales to be lower during the 12 months ending March 2014, at 6 and 11 percent, respectively, than for the previous 12 months, when sales increased 8 percent in Boise and 16 percent in Portland. Sales of REO properties in Boise declined 30 percent, to 1,000 homes sold, and in Portland 53 percent, to 1,725 homes sold.

### Improving sales markets in 2013 led to high levels of single-family construction activity in the Northwest region during the first quarter of 2014.



1Q = first quarter.

Note: Based on preliminary data.

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

In March 2014, approximately 4.2 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 6.0 percent in March 2013.

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The distressed loan rate decreased from 6.7 to 4.5 percent in Washington, from 5.6 to 4.3 percent in Oregon, from 4.7 to 3.5 percent in Idaho, and from 2.6 to 2.2 percent in Alaska (Black Knight Financial Services, Inc.). The U.S. foreclosure rate decreased during the same period from 7.0 to 5.2 percent.

During the first quarter of 2014 (preliminary data)—

- In the region, 6,600 single-family homes were permitted, 4 percent less than the number of homes permitted in the same period a year earlier but 32 percent more than during the first quarter of 2012.

- Despite strong sales market activity, the number of single-family homes permitted was somewhat constrained because of the limited availability of skilled construction workers.
- In Washington, 3,375 single-family homes were permitted, 9 percent less than in the same quarter a year earlier but 17 percent more than in the first quarter of 2012.
- In Alaska, Idaho, and Oregon, the number of single-family homes permitted during the first quarter of 2014 was relatively unchanged from a year earlier but was up 58, 56, and 49 percent, respectively, from the first quarter of 2012.

Every state in the Northwest region reported increases in home sales and sales prices.

	Quarter	Number of Homes Sold			Average or Median	Price		
		2013	2014	Percent Change		2013 (\$)	2014 (\$)	Percent Change
Alaska (N&E)	March	6,300	6,750	7	AVG	294,400	298,000	1
Anchorage (N&E)	March	4,550	4,875	7	AVG	310,100	311,300	0
Idaho (N&E)	March	20,850	22,175	6	AVG	202,500	219,400	8
Boise (N&E)	March	11,750	12,425	6	AVG	205,400	225,300	10
Oregon (N&E)	March	47,425	51,225	8	AVG	237,700	261,600	10
Portland (N&E)	March	31,725	35,325	11	AVG	263,300	287,500	9
Washington (N&E)	March	83,800	96,100	15	AVG	301,600	322,900	7
Seattle (N&E)	March	48,250	54,550	13	AVG	360,200	391,700	9

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

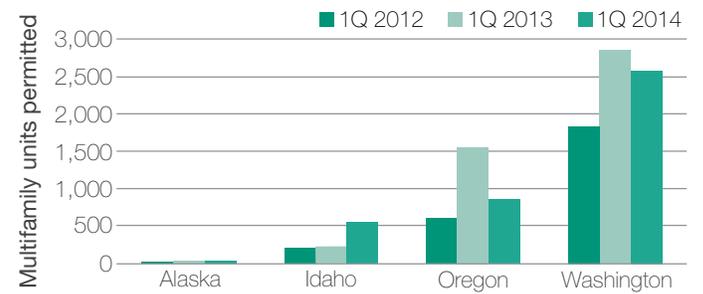
## Apartment Market Conditions

Apartment market conditions in major metropolitan areas in the Northwest region are tight to very tight, with vacancy rates ranging from 2.1 to 3.6 percent and average rent increases ranging from 2 to 8 percent. In Boise, the decline in the apartment vacancy rate was due, in part, to nonfarm payrolls increasing 3.3 percent, or by 8,700 jobs. As of February 2014, approximately 1,000 apartments were under construction in Boise. In Portland, the apartment vacancy rate declined during the past year despite the completion of 2,500 apartments in 2013 compared with 1,425 in 2102 and 71 in 2011 (Reis, Inc.), with approximately 5,000 additional units under construction. In Anchorage, the gain in the average vacancy rate was partly because of relatively slow job growth in 2013, as nonfarm payrolls increased 0.3 percent, or by 600 jobs.

During the first quarter of 2014 (preliminary data)—

- The number of multifamily units permitted in the region decreased to 3,975, down 15 percent from the first quarter of 2013; during the first quarters of 2013 and 2014, multifamily permitting activity averaged 4,300 units, the highest two-quarter average since 2006 and 2007, when an average of 5,550 units were permitted.

Idaho and Washington continued to lead the Northwest region in multifamily construction activity during the first quarter of 2014, in response to tight markets.



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

- Idaho is the only state in the region where multifamily construction increased; 540 units were permitted compared with first quarter averages of 140 from 2010 to 2012 and 425 during the peak from 2005 to 2007.
- In Boise and Portland, averages of 750 and 4,600 multifamily units were permitted a year, respectively, during 2012 and 2013 compared with less than 150 and 1,700 units permitted a year, respectively, in 2010 and 2011. The apartment vacancy rates in

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Boise and Portland likewise decreased from 4.1 to 2.6 percent and from 3.4 to 3.0 percent, respectively, from the first quarter of 2013 to the first quarter of 2014.

- In Washington, the number of multifamily units permitted decreased 10 percent, to 2,575, from the first quarter of 2013 compared with the first quarter average of 1,025 from 2010 to 2012 and the 2,725 peak first quarter average from 2006 to 2008. In Seattle, an average of 10,175 multifamily units were

permitted annually during 2012 and 2013 compared with 4,500 units annually in 2009 and 2010; despite the significant increase in permitting activity, apartment vacancy rates declined from 3.8 to 3.6 percent from the first quarter of 2013 to the first quarter of 2014.

- In Alaska, 20 units were permitted compared with first quarter averages of 10 units from 2010 to 2012 and 175 during the peak from 2005 to 2007.

**Renters found fewer vacancies and increasing rents in the Northwest region during the first quarter of 2014.**

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2013 (%)	1Q 2014 (%)	Percentage Point Change	1Q 2013 (\$)	1Q 2014 (\$)	Percent Change
Anchorage	Tight	2.3	2.6	0.3	1,075	1,100	2
Bellingham	Tight	2.1	2.2	0.1	775	800	3
Bend	Very tight	3.5	2.9	- 0.6	700	730	4
Boise	Tight	4.1	2.6	- 1.5	725	750	3
Medford-Klamath Falls	Tight	2.7	2.1	- 0.6	640	650	2
Portland	Tight	3.4	3.0	- 0.4	900	930	3
Seattle	Very tight	3.8	3.6	- 0.2	1,075	1,165	8

1Q = first quarter.

Sources: market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—Dupre+Scott Apartment Advisors, Inc.; Reis, Inc.

