

HUD PD&R Regional Reports

Region 10: Northwest



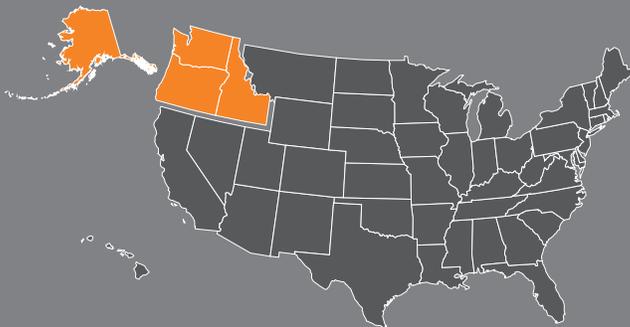
Quick Facts About Region 10

Seattle, Washington

By Thomas E. Aston | 2nd quarter 2015

- **Sales market conditions—**
Second quarter 2015: tight.
First quarter 2015: tight.
Second quarter 2014: balanced.

- **Apartment market conditions—**
Second quarter 2015: mixed (tight to very tight).
First quarter 2015: tight.
First quarter 2014: mixed (tight to very tight).



Overview

Nonfarm payroll growth in the Northwest region accelerated for the fifth consecutive quarter, with payrolls increasing 3.3 percent, or by 191,500 jobs, from the second quarter of 2014. Sales housing market conditions were tight for the second consecutive quarter in major metropolitan areas, with sales increases ranging from 5 to 12 percent from the same quarter a year ago; Anchorage was the exception, where very slow nonfarm payroll growth combined with relatively high housing prices contributed to a 2-percent decline in home sales. The average sales price of a home increased in all major metropolitan areas, ranging from 2 percent in Anchorage to 11 percent in Salem. For the 16th consecutive quarter, apartment market conditions in major metropolitan areas were tight or very tight in the region.

- Quarterly nonfarm payrolls in the region posted year-over-year gains greater than 3 percent for the second consecutive quarter.
- In 8 of 15 major metropolitan areas, apartment markets had average vacancy rates of less than 3 percent, with average rents increasing from 3 to 10 percent.
- In response to strong demand for rental units in the state of Washington, the number of multifamily units permitted averaged slightly more than 5,000 units from the third quarter of 2014 through the second quarter of 2015 compared with 3,250 units for the same period a year earlier (preliminary data).



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Mainly because of the strong increase in residential construction, the mining, logging, and construction sector led nonfarm payroll growth in the Northwest region during the second quarter of 2015, at 7.2 percent.

	Second Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,786.0	5,977.5	191.5	3.3
Goods-producing sectors	864.4	901.1	36.7	4.2
Mining, logging, and construction	324.2	347.5	23.3	7.2
Manufacturing	540.3	553.6	13.3	2.5
Service-providing sectors	4,921.6	5,076.4	154.8	3.1
Wholesale and retail trade	884.0	914.2	30.2	3.4
Transportation and utilities	197.2	203.2	6.0	3.0
Information	156.3	159.3	3.0	1.9
Financial activities	290.0	298.7	8.7	3.0
Professional and business services	696.2	728.9	32.7	4.7
Education and health services	841.5	870.8	29.3	3.5
Leisure and hospitality	587.0	602.3	15.3	2.6
Other services	207.6	213.8	6.2	3.0
Government	1,061.8	1,085.3	23.5	2.2

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

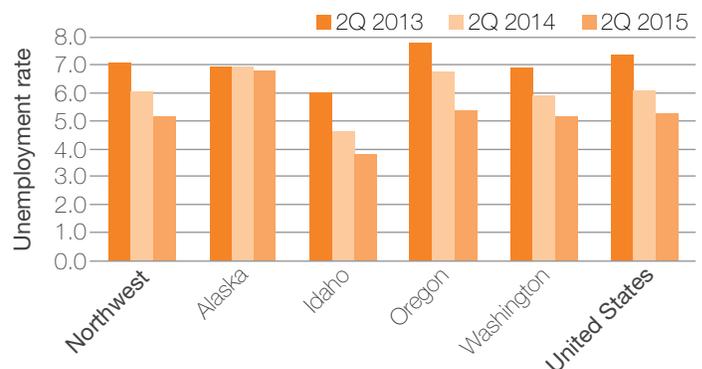
Economic Conditions

During the second quarter of 2015, nonfarm payrolls in the Northwest region increased by the greatest year-over-year numerical gain since the labor market recovery began during the first quarter of 2010. The 191,500 increase in jobs brought nonfarm payrolls to a quarterly average of 5.98 million jobs, a 3.3-percent increase from the second quarter of 2014. In 7 out of the 11 nonfarm sectors, payrolls grew 3 percent or more. The greatest numerical job gains occurred in the professional and business services and the wholesale and retail trade sectors, which increased by 32,700 and 30,200 jobs, or 4.7 and 3.4 percent, to 728,900 and 914,200 jobs, respectively. The highest percentage gain occurred in the mining, logging, and construction sector, where strong commercial and multifamily construction activity led to an increase of 23,300 jobs, or 7.2 percent, to 347,500 jobs. The unemployment rate averaged 5.2 percent in the region during the first quarter of 2015 compared with 6.1 percent a year earlier, with rates down in every state of the region.

During the first quarter of 2015—

- In Alaska, nonfarm payrolls increased by 1,600 jobs, or 0.5 percent, primarily because of an increase of 1,500 jobs, or 4.0 percent, in the retail trade subsector and an increase of 1,200 jobs, or 2.6 percent, in the education and health services sector. Job gains in the retail subsector were concentrated in stores selling

In the Northwest region during the second quarter of 2015, the unemployment rate, led by a 1.4-percentage-point decline in Oregon, was less than the national rate.



2Q = second quarter.
Source: U.S. Bureau of Labor Statistics

recreational products, increasing by 300 jobs, or 26 percent, and in building supply stores, which increased by 200 jobs, or 8 percent.

- In Idaho, nonfarm payrolls increased by 20,600 jobs, or 3.1 percent, to an average of 677,700 jobs. Sectors with job gains that were greater than the statewide average included the mining, logging, and construction sector at 10.7 percent, or an increase of 4,200 jobs; the financial activities sector at 6.5 percent, for a gain of 2,500 jobs; and the transportation and utilities sector at 6.4 percent, or 2,100 jobs. Job growth in the construction subsector was 12.6 percent, or by 4,500 jobs, mainly because of

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commercial and residential construction activity. The transportation subsector led the way in the transportation and utilities sector, with a gain of 2,000 jobs, or 2.4 percent, primarily because the current economic expansion led to hiring in the trucking industry.

- In Oregon, nonfarm payrolls increased 3.3 percent, or by 56,700 jobs, to an average of 1.77 million jobs. Numerical job gains and percentage increases were greatest in the professional and business services sector, at 12,000 jobs, or 5.5 percent, while an increase of 11,200 jobs, or 4.5 percent, was recorded in the education and health services sector. The current economic expansion led to increased demand for professional and technical services and administrative and support services because payrolls increased by approximately 4,000 jobs, or 5 percent,

in both industries. Mainly because of population growth and industry restructuring, the ambulatory healthcare services industry (healthcare provider offices and clinics) led job growth in the education and health care services sector, increasing by 2,800 jobs, or 4 percent.

- In Washington, nonfarm payrolls increased by 112,600 jobs, or 3.7 percent, to an average of 3.18 million jobs; numerical job growth was led by the professional and business services sector, which increased by 20,400 jobs, or 5.5 percent. Mainly because of office and residential construction activity in the Seattle metropolitan area, the greatest percentage increase in nonfarm payrolls was observed in the mining, logging, and construction sector, increasing 11.4 percent, or by 18,500 jobs.

Sales Market Conditions

Sales housing market conditions were tight in the Northwest region in the second quarter of 2015. During the 12 months ending May 2015 (the best representative data available), sales of new and existing homes (including single-family homes, townhomes, and condominiums) increased 9 percent from a year ago, to 262,000 homes (CoreLogic, Inc., with adjustments by the analyst). The average price of a home sold increased 5 percent, to \$286,200. Sales of new homes increased 1 percent, to 23,450 homes sold, and the average sales price of a new home increased 9 percent, to \$362,100. Sales of real estate owned (REO) properties were relatively unchanged from a year ago, at 17,300 homes sold, accounting for 7 percent of existing home sales during the 12 months ending May 2015. Robust job growth, combined with increasing home sales and sales prices, resulted in a decrease in the rate of seriously delinquent loans (90 or more days delinquent or in foreclosure) or loans that transitioned

in REO status. As of June 2015, 3.2 percent of home loans in the region were seriously delinquent or in REO status, down from 4.0 percent in June 2014; the U.S. rate decreased from 5.2 to 4.3 percent. The rate decreased from 4.2 to 3.3 percent in Washington, from 4.1 to 3.5 percent in Oregon, from 3.3 to 2.6 percent in Idaho, and from 2.1 to 1.8 percent in Alaska (Black Knight Financial Services, Inc.).

Strong demand in Oregon and Washington, supported by accelerating job growth, led to increases in new and existing home sales of 11 and 10 percent, to 75,600 and 129,700, respectively (CoreLogic, Inc., with adjustments by the analyst). The average sales price increased 6 percent in Oregon, to \$269,400, and 6 percent in Washington, to \$320,500. In Oregon, growth in home sales activity in Portland, Eugene, and Salem, at 11, 12, and 12 percent,

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Salem was the only metropolitan area in the Northwest region to reach double-digit percentage gains for homes sold and average sales price during the second quarter of 2015.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2014	2015	Percent Change		2014 (\$)	2015 (\$)	Percent Change
Anchorage (N&E)	May	8,750	8,600	-2	AVG	288,400	293,100	2
Boise (N&E)	May	18,600	19,500	5	AVG	212,600	221,000	4
Eugene (N&E)	May	5,225	5,875	12	AVG	220,300	227,300	3
Portland (N&E)	May	41,200	45,900	11	AVG	296,700	313,700	6
Salem (N&E)	May	5,400	6,025	12	AVG	188,400	208,500	11
Seattle (N&E)	May	47,900	51,600	8	AVG	429,800	460,200	7
Spokane (N&E)	May	8,475	9,475	12	AVG	178,900	185,500	4
Tacoma (N&E)	May	14,700	15,500	5	AVG	234,100	253,500	8

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

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

Source: CoreLogic, Inc.



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respectively, equaled or exceeded the increase in statewide homes sales. In Washington, growth in sales activity was greatest outside the major market areas of Seattle, Tacoma, and Spokane. In Idaho, year-over-year strong nonfarm payroll growth from the first quarter of 2014 spurred sales of new and existing homes to an increase of 4 percent, or 43,700 homes sold, and an increase of the average sales price to \$211,800, or 4 percent. In Boise, Idaho's largest housing market area, sales of new and existing homes increased 5 percent after declining 6 percent during the same quarter a year ago.

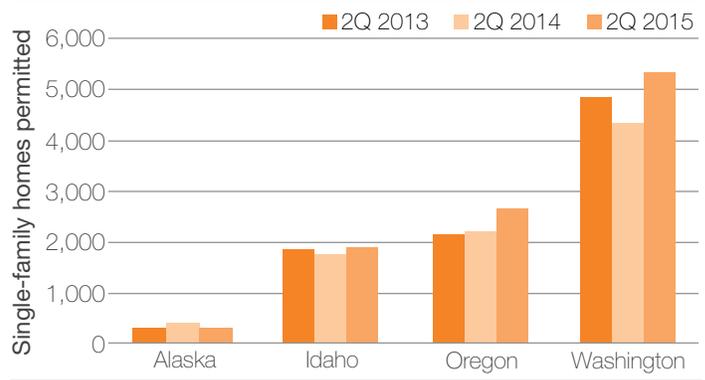
In response to the expanding regional economy, the demand for newly constructed single-family homes led to an increase in the number of single-family homes permitted for the third consecutive quarter.

During the second quarter of 2015 (preliminary data)—

- In the region, single-family homebuilding activity, as measured by the number of homes permitted, increased by 1,425, or 16 percent, to 10,200 homes permitted from the second quarter of 2014 compared with a decline of 5 percent from the previous year.
- Strengthening demand for new homes in Oregon and Washington resulted in increased single-family permitting activity in each state, with gains of 18 and 22 percent, or 400 and 975 homes permitted, respectively.

- In Idaho, the number of single-family homes permitted increased 9 percent, or by 150 homes. Gains in single-family construction activity were concentrated in Boise City and Meridian, both in Ada County, increasing by 81 and 94 homes, respectively.
- Slightly more than 75 percent of the increase in single-family permitting in Oregon occurred in the Portland-Vancouver-Hillsboro metropolitan area, with 460 homes permitted, up 44 percent.

Strong home sales in major metropolitan areas spurred increased single-family permitting activity in Idaho, Oregon, and Washington during the second quarter of 2015.



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

Apartment Market Conditions

Apartment market conditions in major metropolitan areas of the Northwest region are mixed, ranging from tight to very tight. During the second quarter of 2015, 14 out of 15 major market areas for which data are available were very tight to tight, the exception being the Albany-Lebanon metropolitan area in Oregon, which was balanced,

with a 5.2-percent vacancy rate. Vacancy rates ranged from 1.3 percent in the Medford-Klamath Falls area in Oregon to 4.5 percent in the Kennewick-Pasco-Richland metropolitan area in Washington (Reis, Inc.; MPF Research). Apartment vacancy rates for 10 of the 15 major metropolitan areas declined relative to a year ago.

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In the Northwest region, average rents in Portland and Seattle increased 10 percent from a year earlier, the largest year-over-year increase since apartment market recovery began in the second quarter of 2010.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2014 (%)	2Q 2015 (%)	Percentage Point Change	2Q 2014 (\$)	2Q 2015 (\$)	Percent Change
Anchorage ^a	Tight	2.4	1.8	-0.6	1,111	1,125	1
Boise ^a	Slightly tight	2.5	3.4	0.9	756	779	3
Kennewick ^a	Slightly tight	4.2	4.5	0.3	830	864	4
Olympia ^a	Very tight	2.4	1.7	-0.7	896	926	3
Portland ^b	Very tight	2.4	2.3	-0.1	1,008	1,110	10
Salem ^a	Very tight	2.4	1.3	-1.1	688	714	4
Seattle ^c	Very tight	4.2	4.0	-0.2	1,284	1,408	10

2Q = second 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) MPF Research



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Changes in average rents in the second quarter of 2015 from a year ago ranged from a 1-percent increase in Spokane to a 10-percent increase in Portland. Annual increases of 3 percent or more occurred in 10 of the 15 metropolitan areas for which data is available. Demand for apartments was very strong in the Portland and Seattle metropolitan areas, where average vacancy rates decreased coincident with increasing average rents; the second quarter of 2015 marks the third consecutive year that second quarter apartment conditions have been very tight for the two largest metropolitan areas in the region.

During the second quarter of 2015 (preliminary data)—

- In the region, 6,825 multifamily units were permitted, 15 percent less than the number of units permitted in the same period a year earlier, but nearly double the second quarter average of 3,300 units from 2010 through 2013.
- In Alaska, the number of multifamily units permitted declined from 100 units a year ago to 80 units, but the number was higher compared with the second quarter average of 55 units from 2010 through 2013.
- In Idaho, the number of multifamily units permitted increased 9 percent to 750 units, mainly because very tight apartment market conditions in Boise led to a doubling in the number of multifamily units permitted, to about 370.
- In Oregon, the number of multifamily units permitted decreased 60 percent, to 1,150 units, mainly because of declines in permit activity in the Portland metropolitan area counties of Multnomah and Washington of 76 and 36 percent, respectively. At 1,850

In the Northwest region during the second quarter of 2015, multifamily permitting activity was mixed from a year earlier, with Alaska and Oregon recording declines but Idaho and Washington recording increases.



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

multifamily units permitted in Multnomah County and 700 in Washington County during the second quarter of 2014, the number of multifamily units permitted in these counties was unusually strong, reaching their highest level since 2006.

- Multifamily construction activity in Washington accounted for 71 percent of the region total as the number of multifamily units permitted increased 12 percent, to 4,825 units. A total of 750 units were permitted in Spokane County compared with 50 units during the second quarter of 2014.

