

HUD PD&R Regional Reports

Region 10: Northwest

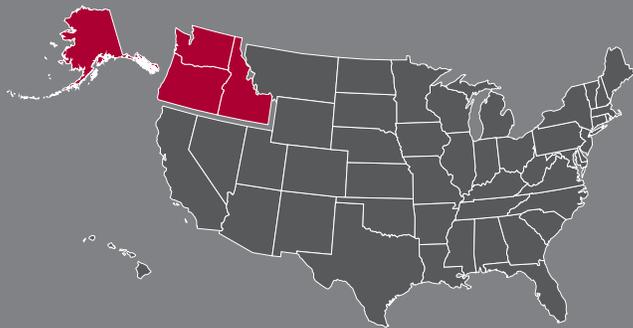


Quick Facts About Region 10

Anchorage, Alaska

By Thomas E. Aston | 3rd quarter 2015

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



Overview

Nonfarm payroll growth was very strong in the Northwest region during the third quarter of 2015, increasing 3.1 percent, or 178,400 jobs, to 6.02 million, the third strongest year-over-year job gain since the job market recovery began in 2010. Sales housing market conditions were tight, as the number of new and existing homes sold in the region increased 16 percent, to 276,800 homes, the greatest increase since the fourth quarter of 2013. The average sales price of a home increased 6 percent, to \$292,700. Apartment markets were tight to very tight in the region as strong demand for rental housing led to increasing average rents in all major metropolitan areas for the second consecutive quarter.

- The number of multifamily units permitted during the third quarter of 2015 increased 16 percent, to 8,050, the greatest number of units permitted in the third quarter since 1998.
- Quarterly nonfarm payrolls in the region increased more than 3 percent for the third consecutive quarter.
- Mainly because of strong multifamily development activity in Boise, Portland, and Seattle, the mining, logging, and construction sector led all employment sectors in the percentage increase of job growth for the fourth consecutive quarter.



Nonfarm payroll growth in the Northwest region was broad based during the third quarter, with job growth occurring in every sector.

	Third Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,841.0	6,019.4	178.4	3.1
Goods-producing sectors	905.9	942.6	36.7	4.1
Mining, logging, and construction	348.0	368.8	20.8	6.0
Manufacturing	557.9	573.8	15.9	2.8
Service-providing sectors	4,935.1	5,076.8	141.7	2.9
Wholesale and retail trade	904.3	934.8	30.5	3.4
Transportation and utilities	202.0	210.3	8.3	4.1
Information	159.9	163.2	3.3	2.1
Financial activities	294.7	301.8	7.1	2.4
Professional and business services	716.3	746.5	30.2	4.2
Education and health services	833.4	858.2	24.8	3.0
Leisure and hospitality	612.3	635.2	22.9	3.7
Other services	210.8	216.4	5.6	2.7
Government	1,001.4	1,010.7	9.3	0.9

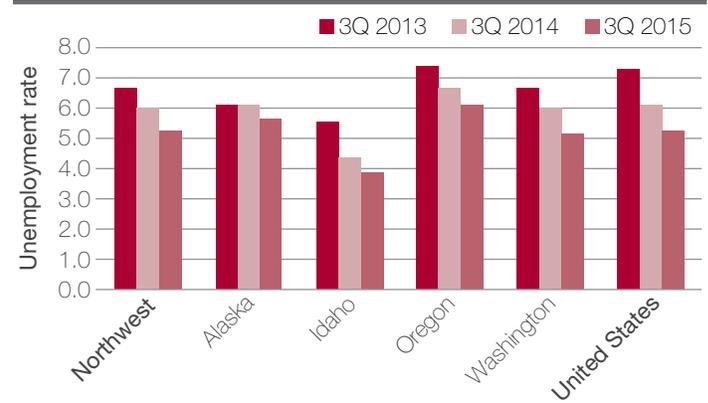
Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

Economic Conditions

After 5 consecutive quarters of accelerating job growth, nonfarm payrolls in the Northwest region increased 3.1 percent from the second quarter of 2014 compared with 3.3 percent recorded in the second quarter of 2015. The 178,400 increase in jobs brought nonfarm payrolls to a quarterly average of 6.02 million jobs. The sectors in which the percentage gain in jobs exceeded the percentage increase of total nonfarm payrolls in the region were the mining, logging, and construction, professional and business services, transportation and utilities, leisure and hospitality, and wholesale and retail trade sectors, which increased 6.0, 4.2, 4.1, 3.7, and 3.4 percent, respectively. The year-over-year percentage increase in the mining, logging, and construction sector was the strongest in the region for the fourth consecutive quarter and was led by the construction subsector, with a 15-percent increase in jobs, primarily because of strong multifamily construction activity in Boise, Portland, and Seattle. The unemployment rate averaged 5.3 percent in the region during the third quarter of 2015 compared with 6.0 percent a year earlier. The unemployment rate decreased in every state in the region.

- Nonfarm payrolls decreased by 300 jobs, or 0.3 percent, in Alaska, primarily because of the 1,700-job, or 5.3-percent, decline in the professional and business services sector and the decrease of 900 jobs, or 4.6 percent, in the government sector.
- Led by a gain of 8.7 percent, or 3,700 jobs, in the mining, logging, and construction sector, nonfarm payrolls in Idaho

The greatest decline in the unemployment rate from a year ago in the Northwest region, 0.9 percentage points, occurred in Washington.



3Q = third quarter.
Source: U.S. Bureau of Labor Statistics

increased by 19,800 jobs, or 3.0 percent, to an average of 682,200 jobs. Other sectors with job gains above the statewide average included the transportation and utilities sector at 6.2 percent, or 1,400 jobs, and the financial activities sector at 5.4 percent, for a gain of 1,800 jobs.

- In Oregon, nonfarm payrolls increased 3.2 percent, or by 55,100 jobs, to an average of 1.78 million jobs. Numerical job gains and percentage increases were greatest in the transportation and utilities sector, which increased 5.5 percent, or by 3,100 jobs, followed by the information and the professional and business services sectors, which increased 4.6 and 4.5 percent, or by 1,500 and 10,100 jobs, respectively.

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- The greatest percentage increase in nonfarm payrolls occurred in Washington with gain of 3.4 percent, or 103,200 jobs, to an average of 3.2 million jobs. The mining, logging, and construction sector recorded the largest increase with an 8.2-percent, or 14,300-job, gain, followed by the professional and business service sector, which increased 4.5 percent, or 17,100 jobs.

- Idaho had the lowest unemployment rate in the region, averaging 3.9 percent during the third quarter, followed by Washington, Alaska, and Oregon with rates of 5.1, 5.7, and 6.1 percent, respectively.

Sales Market Conditions

Robust job growth in Idaho, Oregon, and Washington contributed to tight sales housing market conditions in the Northwest region in the third quarter of 2015. During the 12 months ending September 2015, sales of new and existing homes (including single-family homes, townhomes, and condominiums) increased 16 percent from a year ago, to 276,800 homes (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The average price of a home sold increased 6 percent, to \$292,700. Sales of existing homes increased 19 percent, to 236,800 homes sold, and the average sales price of an existing home increased 6 percent, to \$284,900. Sales of real estate owned (REO) properties decreased 5 percent, to 25,725, accounting for 10 percent of existing homes sales during the 12 months ending September 2015 compared with 14 percent a year earlier.

Accelerating population growth spurred by a strong labor market in the Portland metropolitan area contributed to the 20-percent, or 18,350-home, increase of new and existing homes sold during the 12 months ending September 2015. Since 2010, population growth in Portland has increased from approximately 28,150 from July 2010 to July 2011 to 33,500 from July 2013 to July 2014, averaging 1.4 percent for the 4-year period. During the 12 months ending September 2015, nonfarm payrolls increased at average annual rate of 3.0 percent, or 33,000 jobs, the greatest job gain for that period since 1997. The impact on the sales market in Portland

has been greatest on existing home sales, which increased 21 percent, to 41,950 homes, compared with an increase of newly constructed home sales of 11 percent, to 4,100 homes. The 23-percent, or 850-home, increase in home sales in Medford-Klamath Falls is mainly because of a strengthening labor market since 2011. Non-farm payrolls increased 3.5 percent, or 2,800 jobs, during the 12 months ending September 2015 compared with a 2.0-percent, or 1,600-job, gain during the previous 12-month period. Also contributing to increased sales in the Medford area was a 10-percent increase in active listings during 2015 compared with the number of listings a year earlier. The increase in homes sold occurred solely in the existing sales market because the declining inventory of newly constructed homes led to a 13-percent decrease in new home sales.

Strengthening labor markets also led to a decrease in the rate of seriously delinquent loans (loans 90 or more days delinquent or in foreclosure) and loans that had transitioned into REO status. As of September 2015, 3.4 percent of home loans in the region were seriously delinquent or in REO status, down from 3.7 percent in September 2014; the U.S. rate decreased from 5.2 to 4.3 percent during the same period. The rate decreased from 3.8 to 3.4 percent in Washington, from 3.8 to 3.7 percent in Oregon, from 3.1 to 2.6 percent in Idaho, and from 2.0 to 1.9 percent in Alaska (Black Knight Financial Services, Inc.).

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Sales of new and existing homes in the Northwest region recorded their greatest yearly percentage gain since the third quarter of 2013.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2014	2015	Percent Change		2014 (\$)	2015 (\$)	Percent Change
Anchorage (N&E)	September	8,375	8,475	1	AVG	281,300	291,000	3
Bend (N&E)	September	5,700	6,400	12	AVG	281,900	311,000	10
Boise (N&E)	September	16,950	19,350	14	AVG	216,500	241,300	11
Kennewick (N&E)	September	4,575	5,400	18	AVG	205,100	218,800	7
Medford (N&E)	September	3,750	4,600	23	AVG	236,600	254,200	7
Olympia (N&E)	September	4,275	4,825	13	AVG	234,900	246,700	5
Portland (N&E)	September	41,450	49,800	20	AVG	297,400	317,900	7
Seattle (N&E)	September	62,900	70,200	12	AVG	391,900	422,600	8

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

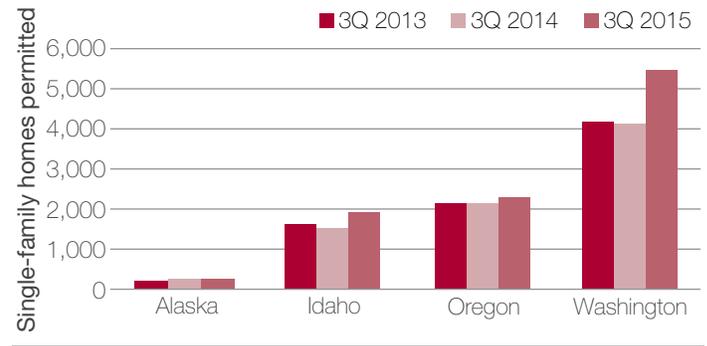


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During the third quarter of 2015 (preliminary data)—

- In the region, single-family homebuilding activity, as measured by the number of homes permitted, increased 23 percent, or by 1,800, to 9,850 homes from the third quarter of 2014 compared with a decline of 2 percent during the previous year.
- In Washington, builders responded to a year-over-year 9-percent increase in new home sales with a 34-percent, or 1,375-home, increase in homes permitted to 5,450, the greatest increase of any state in the region and the largest third quarter increase in Washington since 2007.
- In Oregon, primarily because of strong sales housing activity in the Portland metropolitan area, the number of homes permitted increased 6 percent, or by 125 homes, to 2,275.
- Idaho recorded the second strongest increase in homebuilding activity of any state in the Northwest region with a gain of 21 percent, or 320 homes, to 1,850, the greatest number of homes permitted in the state during the third quarter since 2008.

In response to increasing prices, single-family construction activity has increased in every state in the Northwest region since the second quarter of 2014.



3Q = third quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in the major metropolitan areas of the Northwest region are mixed, ranging from tight to very tight. For the second consecutive quarter, strong demand for rental housing led to an increase in the average rent from a year earlier in all 15 major metropolitan areas for which data are available. The average apartment vacancy rate was below 3.0 percent in 9 of the metropolitan areas in the region and below 4.5 percent in 5 of the remaining 6 metropolitan areas. The exception is Albany-Lebanon, where conditions are balanced, with a rate of 5.4 percent. The lowest vacancy rate occurred in the Medford-Klamath Falls area in Oregon, at 1.3 percent. During the third quarter of 2015, apartment

vacancy rates in nearly all of the largest metropolitan areas in the region declined from the third quarter of 2014. The average rents in Portland and Seattle increased 10 percent or more from a year ago for the second consecutive quarter, the largest increase in the region. In Boise, the increase in the average apartment vacancy rate, to 3.8 percent from 2.3 percent a year ago, was in response to nearly 2,000 apartments that have been completed since 2011, approximately one-third of which have come on line in the past 12 months.

In response to the steady increase in average rents since the third quarter of 2012, multifamily permitting activity continues to be strong in Idaho, Oregon, and Washington.

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Strong demand relative to available supply led to vacancy rate declines in every metropolitan area in the Northwest region except Boise.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2014 (%)	3Q 2015 (%)	Percentage Point Change	3Q 2014 (\$)	3Q 2015 (\$)	Percent Change
Anchorage ^a	Very tight	2.6	1.7	-0.9	1,115	1,134	2
Bend ^a	Very tight	2.7	2.5	-0.2	741	784	6
Boise ^a	Tight	2.3	3.8	1.5	762	783	3
Medford-Klamath Falls ^a	Very tight	1.5	1.3	-0.2	661	678	3
Portland ^b	Very tight	2.6	2.4	-0.2	1,020	1,152	13
Seattle ^c	Very tight	4.3	4.1	-0.2	1,320	1,451	10
Tacoma ^c	Very tight	4.3	4.2	-0.1	913	978	7

3Q = third quarter.

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



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During the third quarter of 2015 (preliminary data)—

- In the region, 8,050 multifamily units were permitted, a 16-percent increase from the third quarter of 2014 and the greatest number of units permitted in the third quarter since 1998.
- In Alaska, multifamily permitting activity decreased nearly 50 percent, to only 75 units, or nearly the same number as the 2010-to-2013 third quarter average of 70.
- At 550 units permitted, multifamily activity in Idaho was relatively unchanged from a year ago but was significantly greater than the 2010-to-2013 third quarter average of 200 units. Nearly 90 percent of multifamily units permitted were in Ada County (Boise) and Kootenai County (Coeur d’Alene).
- In Oregon, the number of multifamily units permitted increased 15 percent, to 1,700, and was 42 percent greater than the 2010-to-2013 third quarter average of 1,200 units. Almost all the increase occurred in Multnomah County (Portland).
- Led by the 1,100-unit increase in the number of multifamily units permitted during the third quarter of 2015 in King County (Seattle), multifamily permitting activity in Washington increased 21 percent, to 5,725 units.

In response to strong absorption trends in Portland and Seattle, the greatest increases in multifamily permitting in the Northwest region occurred in Oregon and Washington.



3Q = third quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

