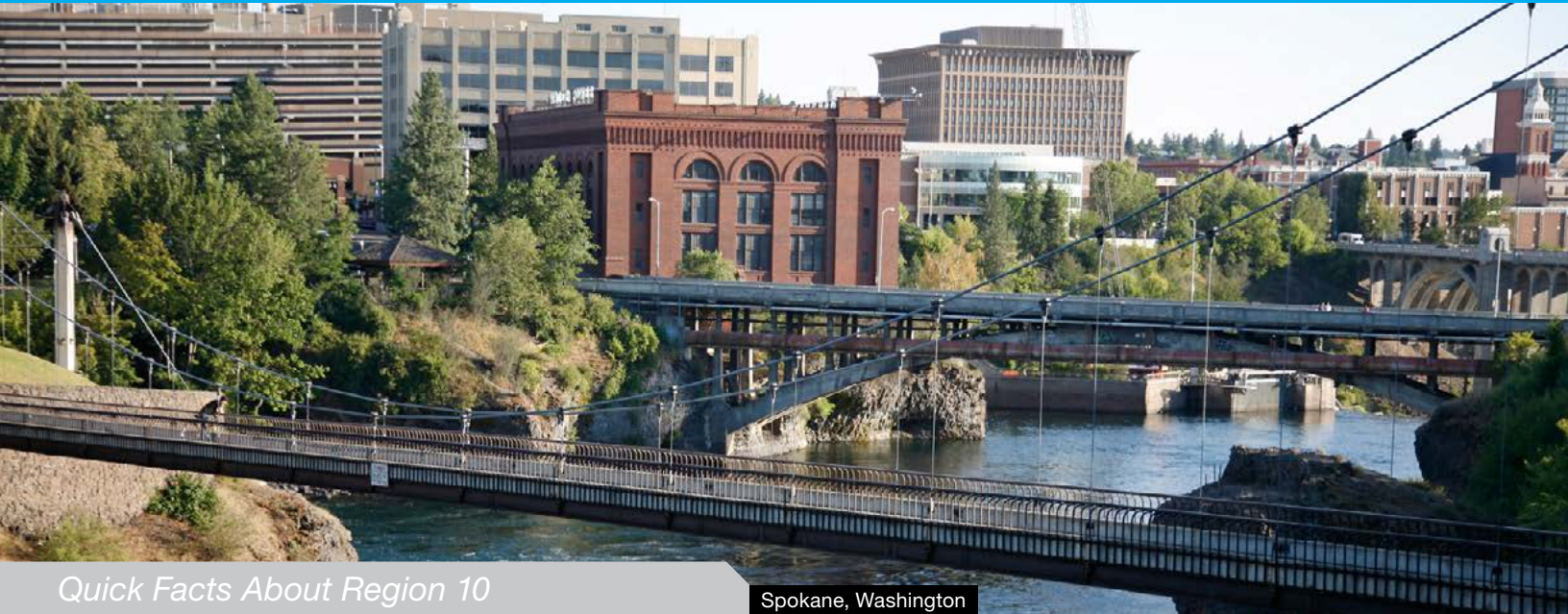


HUD PD&R Regional Reports

Region 10: Northwest

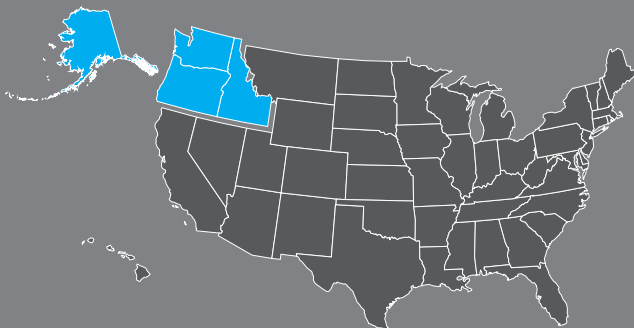


Quick Facts About Region 10

Spokane, Washington

By Thomas E. Aston | 4th quarter 2013

- **Sales market conditions—**
Fourth quarter 2013: mixed (balanced to tight).
Third quarter 2013: mixed (balanced to tight).
Fourth quarter 2012: soft.
- **Apartment market conditions—**
Fourth quarter 2013: tight.
Third quarter 2013: tight.
Fourth quarter 2012: tight.



Overview

Nonfarm payroll growth in the Northwest region accelerated for the fourth consecutive quarter during the fourth quarter of 2013. The unemployment rate in the region averaged 6.5 percent, its lowest fourth quarter level since the fourth quarter of 2008. The 18-percent increase in the sales of new and existing homes during 2013 and tight apartment markets led to gains of 6 and 45 percent in single-family and multifamily construction activity, respectively. The recent strong increase in residential building activity contributed to an increase of 8,100 jobs, or 2.7 percent, in the mining, logging, and construction sector during the fourth quarter, marking the fourth consecutive quarter when job growth in this sector increased 2.5 percent or more.

- For the first time during 2013, quarterly job growth in the service-providing sectors (1.7 percent) was greater than in the goods-producing sectors (1.4 percent).
- In December, the percentage of loans that were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) in all four states of the region was less than the percentage in the United States.



Nonfarm payroll job growth in the Northwest region was 1.7 percent in the fourth quarter of 2013 compared with growth of 1.4 percent during the same period a year ago.

	Fourth Quarter		Year-Over-Year Change	
	2012 (thousands)	2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,525.8	5,619.1	93.3	1.7
Goods-producing sectors	817.9	829.4	11.5	1.4
Mining, logging, and construction	295.4	303.5	8.1	2.7
Manufacturing	522.5	525.9	3.4	0.7
Service-providing sectors	4,707.9	4,789.7	81.8	1.7
Wholesale and retail trade	874.1	896.5	22.4	2.6
Transportation and utilities	193.5	198.1	4.6	2.4
Information	152.3	155.4	3.1	2.0
Financial activities	277.3	276.8	-0.5	-0.2
Professional and business services	655.6	667.5	11.9	1.8
Education and health services	771.1	787.6	16.5	2.1
Leisure and hospitality	531.4	549.9	18.5	3.5
Other services	201.8	206.6	4.8	2.4
Government	1,050.9	1,051.3	0.4	0.0

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

Economic Conditions

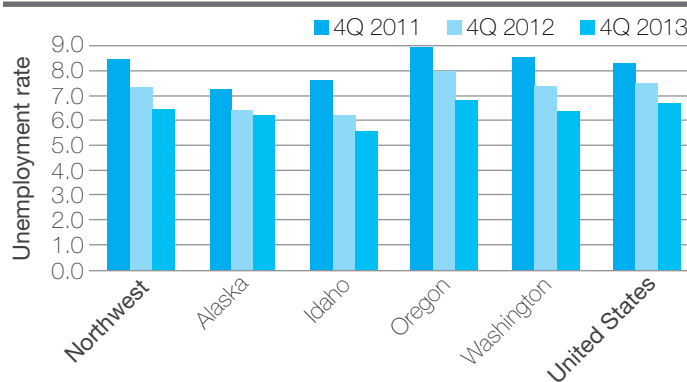
Nonfarm payroll growth in the Northwest region accelerated in all four quarters during 2013.

During the fourth quarter of 2013, nonfarm payrolls averaged 5.62 million jobs, an increase of 93,300, or 1.7 percent, compared with the 1.4-percent gain during the same period a year ago. During 2013, nonfarm payrolls increased 2.0, 1.7, and 1.9 percent in the first, second, and third quarters, respectively, compared with the increases of 1.4, 1.5, and 1.3 percent, respectively, in the same quarters during 2012. Job growth during the fourth quarter of 2013 exceeded 90,000 for the first time since the fourth quarter of 2007, when 110,000 net new jobs brought nonfarm payrolls to the peak level of 5.70 million.

During the fourth quarter of 2013—

- The unemployment rate in the region averaged 6.5 percent compared with the rate of 7.4 percent recorded a year earlier because of job growth and a decline in the civilian labor force of 58,000 workers.
- For the third consecutive quarter, the rate of nonfarm payroll growth was the highest in the leisure and hospitality sector, which recorded a 3.5-percent gain, or 18,500 jobs compared with nonfarm payrolls in the sector during the same period a year earlier.

Washington and Oregon were the two states in the Northwest region where the unemployment rate declined faster than the U.S. decline.



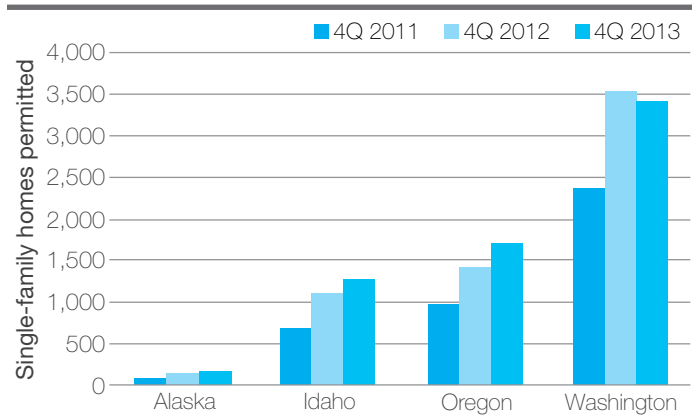
4Q = fourth quarter.
Source: U.S. Bureau of Labor Statistics

- The wholesale and retail trade sector led the region in the number of jobs gained, with 22,400, marking the fifth consecutive quarter that payroll gains in the sector exceeded 20,000 jobs.
- Three metropolitan areas in Washington gained jobs at a higher rate than the overall rate in the region: Kennewick-Pasco-Redland, Seattle-Bellevue-Everett, and Bellingham, which reported job gains of 3.2, 2.4, and 2.3 percent, respectively.

Sales Market Conditions

For the second consecutive quarter, sales housing market conditions were mixed, ranging from balanced to tight, in the Northwest region. Steady job growth continued to generate increased demand for sales housing, especially in the largest metropolitan areas in the region. During 2013, sales of new and existing homes increased 18.2 percent, to 231,700 homes sold, and the average home sales price increased 7.9 percent, to \$271,100. Sales activity grew the most in Washington, up 24.1 percent, to 117,300 homes sold in 2013. Sales activity in Oregon increased 17.4 percent, to 65,000 homes sold during the year. New and existing home sales increased 7.8 percent, to 12,000, in Alaska and 7.0 percent, to 34,450, in Idaho.

Steadily increasing home sales prices resulted in the highest level of fourth quarter single-family building activity in the Northwest region since 2007.



4Q = fourth quarter.

Note: Based on preliminary data.

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

Oregon was the only state where the average price of a home sold increased more (10.2 percent) than in the region as a whole. The average price of a home sold increased 7.0, 6.2, and 3.3 percent in Idaho, Washington, and Alaska, respectively.

In November 2013, 4.7 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down from 6.2 percent in November 2012. The distressed loan rate decreased from 7.0 to 5.0 percent in Washington, from 5.0 to 3.8 percent in Idaho, from 5.6 to 4.6 percent in Oregon, and from 2.6 to 2.4 percent in Alaska (Black Knight Financial Services, Inc.). The U.S. foreclosure rate decreased to 5.7 percent in November 2013 from 7.2 percent a year ago.

During the fourth quarter of 2013 (preliminary data)—

- In the Northwest region, single-family construction activity, as measured by the number of homes permitted, increased 6 percent, to 6,550 homes permitted, after an increase of 50 percent during the same period a year ago. The current level of permitting is 54 percent greater than the average of 4,250 homes permitted during the fourth quarters from 2009 through 2011.
- In Idaho and Oregon, new home sales prices increased 11 and 8 percent, respectively. These price increases led to the largest regional increase in permit activity in Idaho and Oregon, where the number of permits issued increased by 180 and 280 homes, or 16 and 19 percent, respectively.
- Low condominium inventories led to increased condominium construction activity in the Seattle metropolitan area; at least 900 units are expected to arrive on the market in 2015.

In Bend, the 42-percent decline in the average home sales price from 2007 to 2012, combined with a recovering labor market, led to a rapid increase in homes sold in 2013, among the greatest in the Northwest region.

	12 Months Ending	Number of Homes Sold			Price			
		2012	2013	Percent Change	Average or Median	2012 (\$)	2013 (\$)	Percent Change
Anchorage (N&E)	December	7,775	8,425	8.4	AVG	282,000	291,900	3.5
Bend (N&E)	December	4,700	5,925	26.1	AVG	218,900	261,300	19.4
Boise (N&E)	December	17,400	18,200	4.6	AVG	189,900	213,800	12.6
Eugene (N&E)	December	4,325	5,300	22.5	AVG	200,000	214,300	7.1
Kennewick (N&E)	December	3,800	4,450	17.1	AVG	206,500	215,900	4.6
Olympia (N&E)	December	3,325	4,225	27.1	AVG	232,100	232,200	0.0
Portland (N&E)	December	33,550	40,350	20.3	AVG	258,600	283,100	9.5
Seattle (N&E)	December	51,450	63,275	23.0	AVG	348,200	375,300	7.8

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

Source: Metrostudy, A Hanley Wood Company



Apartment Market Conditions

Apartment market conditions were tight in the Northwest region during the fourth quarter of 2013. Despite strong construction activity and the many apartment projects under way, the vacancy rate in the Seattle metropolitan area was relatively unchanged, at 4.3 percent, and the average rent increased 7.5 percent, to \$1,184 (MPF Research). In eastern Washington, Spokane experienced relatively tight market conditions, with a vacancy rate of 2.5 percent, down from 4.2 percent in the fourth quarter of 2012, and a rent growth of 1.8 percent, to \$685.

The vacancy rate in Portland was 3.3 percent, down from 3.7 percent a year ago, and the average rent increased 5.5 percent, to \$977 (MPF Research). Eugene, home to the University of Oregon, recorded a vacancy rate of 1.7 percent, down from 2.8 percent the previous year, and an average rent growth of 2.3 percent, to \$757. The capital of Oregon, Salem, recorded a vacancy rate of 2.6 percent, down from 2.8 percent a year ago, and a rent growth of 2.1 percent, to an average of \$679.

The vacancy rate in Boise was 2.8 percent, down from 4.1 percent a year ago, and the average rent increased 2.6 percent, to \$748 (Reis, Inc.). The average rent in Anchorage was \$1,099, up 1.5 percent from the previous year, and the vacancy rate was 2.1 percent, down from 2.3 percent (Reis, Inc.).

Apartment market conditions in the Northwest region have remained tight since 2011.

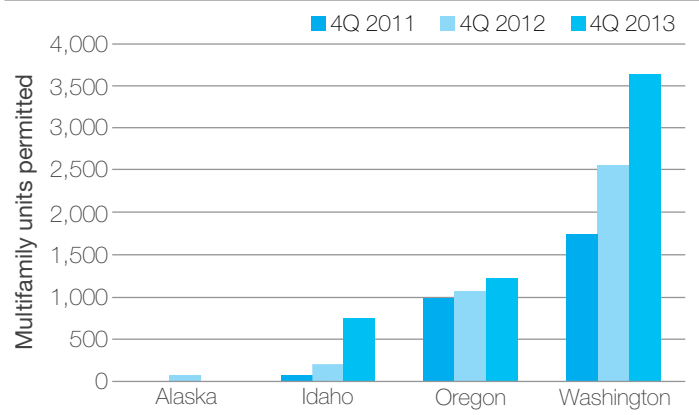
Metropolitan Area	Market Condition
Anchorage	Tight
Boise	Tight
Eugene	Tight
Portland	Very tight
Salem	Tight
Seattle	Very tight
Spokane	Tight

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

During the fourth quarter of 2013 (preliminary data)—

- The number of multifamily units permitted in the Northwest region increased by 1,750, to 5,650 units, up 45 percent from a year ago.
- Washington represented approximately 65 percent of multifamily construction activity in the region, and Oregon and Idaho represented 22 and 13 percent, respectively. For primarily seasonal reasons, Alaska recorded minimal multifamily permitting, less than 1 percent of the total in the region.
- A substantial number of apartment projects are under construction in major metropolitan areas in the region, including approximately 14,400 units in Seattle and 4,200 units in Portland (MPF Research).
- Approximately 2,300 apartments were completed during the fourth quarter of 2013, and nearly 7,475 were completed in 2013, a 74-percent increase compared with the 4,300 apartment completions in 2012 (MPF Research).

Multifamily permitting activity in the Northwest region increased 45 percent from the fourth quarter of 2012 to the fourth quarter of 2013, outpacing the U.S. growth of 24 percent during the same period.



4Q = fourth quarter.

Note: Based on preliminary data.

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

