

HUD PD&R Regional Reports

Region 10: Northwest



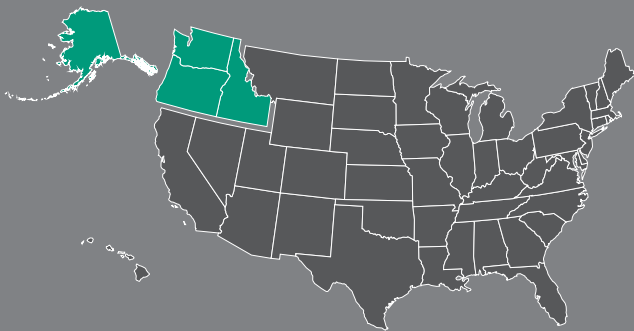
Quick Facts About Region 10

● Sales market conditions—

First quarter 2019: tight
Fourth quarter 2018: mixed (tight to slightly soft)
First quarter 2018: tight

● Apartment market conditions—

First quarter 2019: mixed (very tight to balanced)
Fourth quarter 2018: mixed (slightly soft to slightly tight)
First quarter 2018: mixed (tight to balanced)



Eugene, Oregon

By Tom Aston | 1st Quarter 2019

Overview

The pace of job growth in the Northwest region slowed during the first quarter of 2019 compared with job growth a year ago, marking the eighth consecutive quarter that nonfarm payrolls have recorded year-over-year growth. Sustained job growth in Idaho, Oregon, and Washington spurred population growth in each state, placing them in the top 10 fastest growing states in the nation from July 1, 2017, to July 1, 2018. The sales housing market was tight in the region, mainly because low for-sale inventories constrained sales activity, leading to declining home sales in Idaho, Oregon, and Washington. Apartment market conditions were mixed, ranging from very tight in the Salem metropolitan area to balanced in the Boise and Anchorage metropolitan areas. Multifamily construction activity slowed slightly from a year earlier but remains strong, with the number of multifamily units permitted at near record levels in Oregon and Washington.

- For the first time since the sales housing market recovery began in 2012, home sales declined in all four states in the Northwest.

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- From July 1, 2017, to July 1, 2018, Idaho (along with Nevada) led the nation in population growth with an increase of 2.1 percent, or approximately 36,000 people.
- Apartment vacancy rates declined in six of the seven metropolitan areas cited in this report compared with declines in only two of the seven metropolitan areas reported in the first quarter of 2018.

Economic Conditions

Job growth slowed during the first quarter of 2019 in the Northwest region. Nonfarm payrolls increased 2.0 percent, or by 125,100 jobs, to 6.4 million jobs compared with an increase of 2.6 percent, or 156,800 jobs, a year earlier. Like the first quarter of 2018, job gains during the current quarter were broad-based, and 7 out of 11 sectors increased at a rate greater than the regional average rate for total nonfarm payrolls. Idaho had the greatest percentage increase in the region at 2.5 percent, or 17,900 jobs, to 736,500 jobs in the state. Washington and Oregon followed with job gains of 2.2 and 1.6 percent, or 74,300 jobs and 29,500 jobs, respectively. Nonfarm payrolls in Alaska increased 1.1 percent, or 3,400 jobs; the first year-over-year job gain since the third quarter of 2017.

At 4.4 percent, or 16,900 jobs, the mining, logging, and construction sector led the region with the greatest percentage increase from the first quarter of 2018; the construction subsector accounted for 95 percent of the payroll gain in the sector. The number of job gains in the region was greatest in the education and health services sector, which increased by 28,100 jobs, or 3.0 percent. The rate of job growth was also strong in the

information and the transportation and utilities sectors with increases of 3.5 percent each, or 6,200 jobs and 7,800 jobs, respectively. The manufacturing sector had the second greatest increase in nonfarm payrolls in the region with a gain 18,500 jobs or 3.4 percent.

During the first quarter of 2019—

- In percentage terms, Alaska led the region in mining, logging, and construction sector growth with a 9.6-percent increase, or an increase of about 2,400 jobs. Approximately 70 percent of the gain was in the construction subsector because of post-earthquake repairs and construction activity at Eielson Air Force base to prepare for the arrival of the F-35 Squadron.
- Washington led the region in both the transportation and utilities and information sectors with job gains of 3.5 percent, or 4,000 jobs, and a gain of 5.7 percent, or 7,400 jobs, respectively. Hiring in the support to transportation services industry and in the software publishing industry accounted for most of the payroll increases in the two sectors.

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During the first quarter of 2019, year-over-year nonfarm payroll losses only occurred in the government sector.

	First Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	6,259.6	6,384.7	125.1	2.0
Goods-Producing Sectors	938.9	974.3	35.4	3.8
Mining, Logging, & Construction	387.9	404.8	16.9	4.4
Manufacturing	551.0	569.5	18.5	3.4
Service-Providing Sectors	5,320.8	5,410.4	89.6	1.7
Wholesale & Retail Trade	951.3	958.4	7.1	0.7
Transportation & Utilities	221.7	229.5	7.8	3.5
Information	177.2	183.4	6.2	3.5
Financial Activities	303.4	310.6	7.2	2.4
Professional & Business Services	778.0	790.5	12.5	1.6
Education & Health Services	939.5	967.6	28.1	3.0
Leisure & Hospitality	634.8	652.0	17.2	2.7
Other Services	218.4	222.4	4.0	1.8
Government	1,096.6	1,095.9	-0.7	-0.1

Note: Numbers may not add to totals due to rounding.

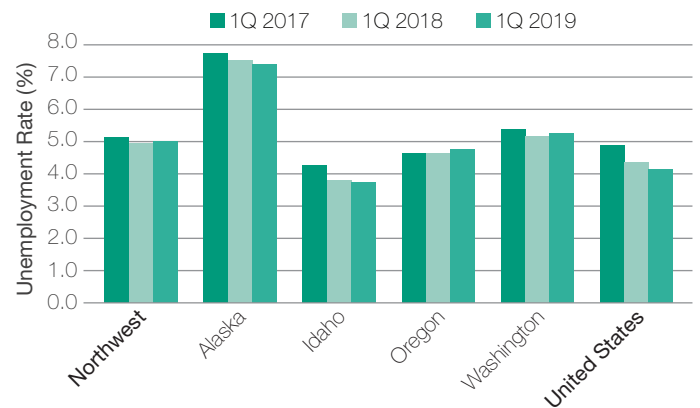
Source: U.S. Bureau of Labor Statistics



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- In the region, Washington accounted for 68 percent of the 28,100 job gains in the education and health services sector with the net addition of 19,400 jobs, a 4.0-percent region-high gain. Nearly all the increase was in the ambulatory services industry.
- With a 5.1-percent gain in nonfarm payrolls in the professional and business services sector, Idaho led the region in percentage terms for the sector mainly because the administrative and support services industry added a net gain of 4,700 jobs to total nonfarm payrolls.
- The unemployment rate in the Northwest region averaged 5.0 percent, up from 4.9 percent a year earlier and was well above the nation's jobless rate of 4.1 percent. Strong job growth in Idaho led to a region-low unemployment rate of 3.7 percent whereas weak labor market conditions in Alaska led to an increase in the unemployment rate to 7.4 percent, the highest jobless rate of any state in the region.

Idaho was the only state in the region with an unemployment rate below the U.S. jobless rate during the first quarter of 2019.



1Q = first quarter.

Source: U.S. Bureau of Labor Statistics

Population

As of July 1, 2018, the population of the Northwest region was estimated at 14.2 million compared with 14.0 million a year earlier. The pace of population growth in the Northwest region slowed slightly from 2017 to 2018, to 1.3 percent, or an increase of about 187,250 people, compared with an increase of 1.6 percent, or about 220,200 people, from 2016 to 2017. From 2010 to 2018, annual population growth averaged 1.3 percent or 169,100 people. Net in-migration to the four states in the region from 2017 to 2018, totaled 129,550 people, down from 154,400 people a year earlier and accounted for 69 percent of the increase in total population. The rate of international in-migration decline slowed from the previous year to 42,825, down 1.9 percent, compared with a decline of 8.3 percent from July 2016 to July 2017.

From July 1, 2017, to July 1, 2018—

- Mainly because of strong job growth, the rate of population growth in the Northwest and Rocky Mountain regions outpaced all other HUD regions for the second consecutive year.
- Idaho, along with Nevada, ranked first among the 50 states for the fastest year-over-year population growth, at 2.1 percent; Washington ranked fourth at 1.5 percent, and Oregon ranked seventh at 1.1 percent.
- Of the four states in the region, Oregon had the highest rate of net in-migration as a percentage of total population change at 79 percent.
- Alaska is one of 10 states nationwide where the population declined, decreasing by 0.3 percent, or 2,350 people, marking the second consecutive year of population decline due to labor market weakness.

The rate of population growth in the Northwest region slowed from July 2017 to July 2018 compared with the previous year.

	Population Estimate			Percentage Change	
	2016	2017	2018	2016 to 2017	2017 to 2018
United States	323,071,342	325,147,121	327,167,434	0.6	0.6
Northwest Region	13,810,518	14,030,714	14,217,950	1.6	1.3
Alaska	741,504	739,786	737,438	-0.2	-0.3
Idaho	1,682,930	1,718,904	1,754,208	2.1	2.1
Oregon	4,091,404	4,146,592	4,190,713	1.3	1.1
Washington	7,294,680	7,425,432	7,535,591	1.8	1.5

Note: The population estimates are as of July 1.

Source: U.S. Census Bureau



Sales Market Conditions

In the Northwest region, during the first quarter of 2019, sales housing markets were tight. During the 12 months ending February 2019, new and existing home sales (including single-family homes, townhomes, and condominiums) declined 6 percent from a year earlier, mainly because of low for-sale inventories, to 309,900 homes sold (Metrostudy, A Hanley Woods company, with adjustments by the analyst). As of February 2019, for-sale inventories increased slightly from a 2.1-month supply a year earlier to a 2.3-month supply (CoreLogic, Inc). In Idaho, the for-sale inventory decreased to a 2.2-month supply from a 2.4-month supply a year earlier; however, in Oregon, it increased from 2.7-month supply to a 2.9-month supply, and in Washington, it increased from a 1.8-month supply to a 2.1-month supply (data for Alaska are unavailable). The average price of a home sold in the region increased 6 percent to \$367,600. The number of real estate owned (REO) homes sold decreased 26 percent, or by 2,025 homes, from a year earlier and comprised 2 percent of existing home sales compared with 3 percent a year ago.

In February 2019, 1.1 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 1.5 percent a year earlier (CoreLogic, Inc.). The share of seriously delinquent home loans and REO properties for the nation was 1.6 percent. In every state in the region, the percentage of seriously delinquent mortgage loans and REO properties declined, led by a 0.5-percentage-point decrease to 1.1 percent in Oregon, followed by a 0.3-percentage-point decrease to 1.1 percent in Washington and a 0.3-percentage-point decrease to 0.9 percent in Idaho.

The percentage of seriously delinquent mortgage loans and REO properties decreased slightly in Alaska to 1.5 percent compared with 1.7 percent a year earlier.

During the 12 months ending February 2019, sales of new and existing homes (hereafter referred to as home sales) declined, and average prices increased in all four states in the region. Home sales decreased by the greatest amount in Oregon, down by more than 8 percent to 84,626 homes sold, and the average sales price increased 6 percent to \$346,900. Of the Oregon metropolitan areas highlighted in this report, home sales decreased the greatest in Salem and the average price of a home sold increased the most, declining 16 percent to 7,300 and increasing 8 percent to \$288,000, respectively. Home sales declined for the ninth consecutive quarter in the Portland metropolitan area, decreasing 10 percent to 47,100 homes sold whereas the average price of a home sold increased 5 percent to \$419,600. In both the Salem and Portland metropolitan areas, the for-sale inventory increased to a 4.6- and a 3-month supply from a 2.7- and a 2-month supply a year earlier, respectively.

Low for-sale inventories in Washington continued to contribute to decreased home sales for the third consecutive quarter. During the 12 months ending February 2019, home sales decreased 8 percent to 154,400 homes sold, and the average price of a home sold increased more than 6 percent to \$423,500 compared with 11 percent a year earlier. Mainly because potential buyers are unable to find a suitable home to purchase, the greatest decrease in homes sold occurred in the Seattle metropolitan area where

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During the 12 months ending February 2019, sales of new and existing homes declined in all eight metropolitan areas cited in this report.

	12 Months Ending	Number of Homes Sold				Price		
		2018	2019	Percent Change	Average or Median	2018 (\$)	2019 (\$)	Percent Change
Anchorage (N&E)	February	8,450	8,300	-2	AVG	304,500	314,500	3
Boise (N&E)	February	26,000	25,750	-1	AVG	269,300	288,500	7
Eugene (N&E)	February	8,100	7,500	-7	AVG	273,200	293,400	7
Portland (N&E)	February	52,250	47,100	-10	AVG	399,000	419,600	5
Salem (N&E)	February	8,700	7,300	-16	AVG	267,000	288,000	8
Seattle (N&E)	February	61,850	53,050	-14	AVG	597,800	637,200	7
Spokane (N&E)	February	13,300	13,050	-2	AVG	220,700	241,800	10
Tacoma (N&E)	February	22,400	20,550	-8	AVG	336,300	364,800	8

AVG = average. Condo = condominium. E = existing. MED = median. N&E = new and existing.

Source: CoreLogic, Inc., with adjustments by the analyst

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sales declined 14 percent to 53,050 homes sold. The for-sale inventory was only a 2.1-month supply, though higher than the 1.2-month supply a year earlier. The largest increase in the average price of a home sold among the metropolitan areas in Washington highlighted in this report was in Spokane, up 10 percent to \$241,800, but the number of homes sold declined 2 percent to 13,050 homes from a year ago.

In Idaho, home sales decreased 4 percent to 52,700 homes. The average price of a home sold increased 7 percent to \$251,600, spurred by robust job and population growth as well as affordable home prices relative to the Portland and Seattle metropolitan areas. Home sales in Boise outperformed the state overall, decreasing by only 1 percent to 25,750 homes, and the average price increased 7 percent to \$288,500.

Weak labor market conditions since 2016 in Alaska continued to suppress home sales activity leading to a 1.4-percent decrease to 12,800 homes sold during the 12 months ending February 2019. Home sales have been declining in the state since the second quarter of 2016. The average price of a home sold increased 3 percent to \$294,200. In the Anchorage metropolitan area, where nonfarm payrolls have been decreasing since the second quarter of 2017, home sales activity declined by 2 percent to 8,300 homes sold during the 12 months ending February 2019, and the average price increased 3 percent to \$314,500, the lowest percentage gain of any metropolitan area discussed in this report.

Despite strong population and job growth in Idaho, Oregon, and Washington, single-family permitting activity decreased in all three states partly because of shortages of building materials and construction workers.

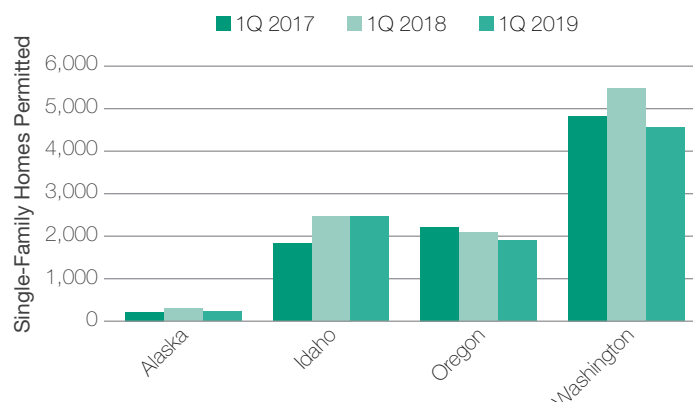
During the first quarter of 2019 (preliminary data)—

- The number of single-family homes permitted in the Northwest region decreased 12 percent to 9,100 homes from a year earlier, the third highest number of homes permitted during a first quarter since the home sales market recovery began in the first quarter of 2012.

Apartment Market Conditions

During the first quarter of 2019, apartment market conditions in the major metropolitan areas of the Northwest region were mixed, ranging from very tight to balanced, compared with tight to balanced a year ago. Vacancy rates decreased in six of the seven major metropolitan markets reported for the quarter, with only Anchorage increasing slightly by 0.1 percentage points from the first quarter of 2018. Average monthly rents increased in all seven major metropolitan areas ranging from 2 percent in Anchorage to 6 percent in Eugene.

Year over year single-family home permit activity declined 12 percent in the Northwest region during the first quarter of 2019, with the greatest decrease occurring in the state of Washington.



1Q = first quarter.

Note: Based on preliminary data.

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

- In Idaho, 2,450 single-family homes were permitted, unchanged from a year earlier and the highest number permitted in a first quarter since 2006.
- Single-family permitting activity in Washington decreased 17 percent to 4,550 homes; nevertheless, permitting activity was only slightly below the 2015 through 2018 first-quarter average of 4,825.
- Despite decreasing 5 percent to 1,875 homes permitted from a year ago, first quarter single-family home permitting in Oregon has been relatively steady for 6 years ranging from 1,850 to 2,250 homes permitted.
- In Alaska, the number of single-family homes permitted decreased 22 percent to 220 homes compared with a first-quarter average from 2015 through 2018 of 210 homes.

The Anchorage metropolitan area apartment market was balanced despite both jobs and population decreasing during 2018, the vacancy rate increased to 4.4 percent from 4.3 percent during the first quarter of 2018 (Reis, Inc.). The 2-percent increase in the Anchorage average monthly rent from a year ago was the smallest gain of any of the seven major metropolitan areas cited in this report, but only slightly lower than the 3.0-percent increase in Bellingham where apartment conditions were tight with a vacancy

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The Salem apartment market was the tightest in the Northwest region during the first quarter of 2019 while rents increased the most in Eugene.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2018 (%)	1Q 2019 (%)	Percentage Point Change	1Q 2018 (\$)	1Q 2019 (\$)	Percent Change
Anchorage ^a	Balanced	4.3	4.4	0.1	1,153	1,171	2
Bellingham ^a	Tight	3.6	3.0	-0.6	936	968	3
Boise ^a	Balanced	5.5	5.0	-0.5	917	956	4
Eugene ^a	Tight	3.4	2.9	-0.5	952	1,007	6
Portland ^b	Slightly Tight	5.0	4.4	-0.6	1,305	1,355	4
Seattle ^b	Slightly Tight	5.2	4.8	-0.4	1,702	1,769	4
Salem ^a	Very Tight	1.8	1.5	-0.3	866	898	4

1Q = first quarter.

Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) Reis, Inc., (b) Real Page, Inc.

rate of 3.0 percent. Tight apartment market conditions in the Bellingham metropolitan area are mainly the result of recent strong job growth as nonfarm payrolls increased 2.7 percent, or by 2,500 jobs, during the first quarter of 2019 compared with a year earlier.

In the Boise metropolitan area, where conditions are balanced, the vacancy rate declined to 5.0 percent from 5.5 percent a year earlier, the first decline since the first quarter of 2013. The average rent increased 4 percent as strong job and population growth caught up with the pace of robust apartment construction activity. The Portland and Seattle metropolitan apartment markets were slightly tight as of the first quarter of 2019. The average vacancy rate in Portland was 4.4 percent, down from 5.0 percent a year ago, and in the Seattle metropolitan area, the average vacancy rate decreased to 4.8 percent from 5.2 percent a year earlier (RealPage, Inc.). The rate of rent growth from the first quarter of 2018 was unchanged at 4.0 percent for both Portland and Seattle metropolitan areas, the first time that average first quarter rent growth has not increased in both metropolitan areas since the first quarter 2010. The slowing rate of rent growth and the slight decrease in the vacancy rate suggest that the robust pace of apartment development during the past 5 years in both the Portland and Seattle metropolitan areas is finally starting to keep pace with apartment demand.

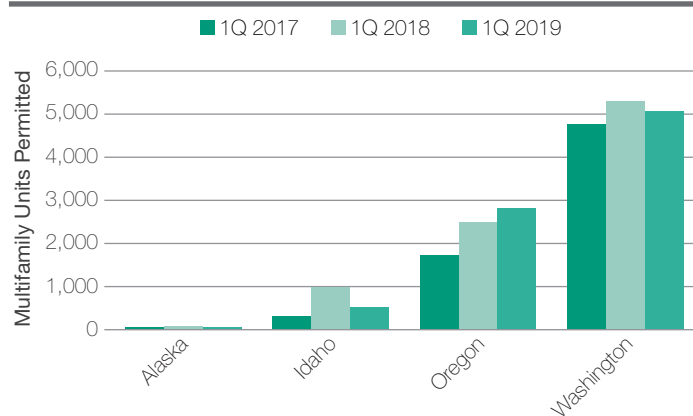
Partly in response to increasing vacancy rates and slowing rent growth, first quarter multifamily construction activity, as measured by the number of multifamily units permitted, decreased in the Northwest region for the first time since the first quarter of 2016.

During the first quarter of 2019 (preliminary data)—

- Approximately 8,450 multifamily units were permitted in the Northwest region, a 4-percent, or 385-unit, decrease from a year earlier, the second most multifamily units permitted in the first quarter since the housing market recovery began in 2012.

- The only increase in the region in the number of multifamily units permitted occurred in Oregon, where permitting was up 13 percent to 2,800 units from a year ago, mainly because of strong multifamily construction activity in Multnomah and Washington Counties in the Portland metropolitan area.
- The greatest decrease in multifamily units permitted in the region occurred in Idaho with a 47-percent decline to about 500 units, most which occurred in the Boise and Rexburg metropolitan areas. First quarter 2019 multifamily permit activity was approximately equal to the average number of first quarter units permitted from 2015 through 2018.
- The number of multifamily units permitted in Washington decreased 4 percent to approximately 5,075 units, the third highest first-quarter total in 20 years. By comparison, from 2015 through 2018, the first-quarter average of multifamily units permitted was 4,400 units.

During the first quarter of 2019, Oregon was the only state in the region where multifamily permitting activity increased from a year earlier.



1Q = first quarter.

Note: Based on preliminary data.

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