HUD PD&R **Regional Reports**

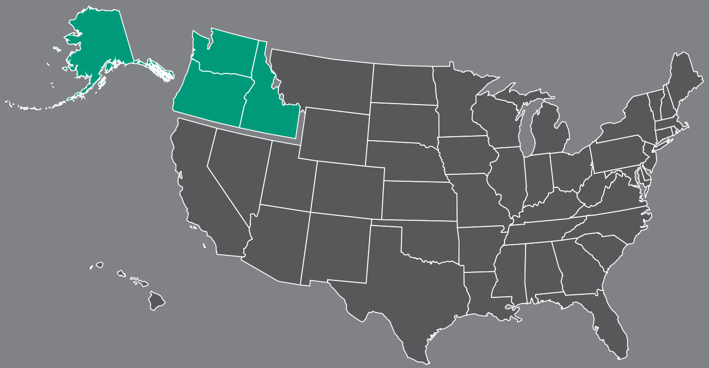
Region 10: Northwest

Seattle, Washington

Quick Facts About Region 10

- **Sales market conditions—**
  First quarter 2021: mixed (very tight to balanced)
  Fourth quarter 2020: mixed (very tight to balanced)
  First quarter 2020: mixed (tight to balanced)

- **Apartment market conditions—**
  First quarter 2021: mixed (balanced to soft)
  Fourth quarter 2020: mixed (balanced to slightly soft)
  First quarter 2020: mixed (tight to balanced)



By Adam Tubridy | 1st Quarter 2021

Overview

Interventions taken since March 2020 to slow the spread of COVID-19 caused economic activity to slow dramatically in the Northwest region, ending the economic expansion that began in 2011. Although the scale of year-over-year job losses in the region during the first quarter of 2021 was large, economic conditions improved compared with the fourth quarter of 2020. Home sales market conditions were very tight despite the economic disruption, except in Alaska, where market conditions were balanced. The supply of homes for sale has declined sharply since March 2020, contributing to increasing home sales prices. Single-family home construction continued to increase and was at the highest level since before the Great Recession. Apartment market conditions in the region were mixed during the first quarter of 2021, ranging from balanced to soft. All the highlighted metropolitan areas in this report had relatively unchanged or rising vacancy rates and relatively stable or declining rents (Moody's Analytics REIS). The apartment markets in the two largest metropolitan areas in the region—Portland and Seattle—were soft, with increasing vacancy rates and rent decreases, a shift from tight conditions a year ago.

continued on page 2

continued from page 1

- Every state in the region, except Alaska, was among the 15 fastest growing states in the nation, by population, from 2010 to 2020. Idaho had the second highest rate of population growth in the nation during this period (Decennial Census).
- During the first quarter of 2021, all but two nonfarm payroll sectors in the region had job levels that were below levels from a year earlier, with the largest reduction in the leisure and hospitality sector.
- Multifamily construction activity in the region increased 31 percent during the first quarter of 2021 compared with the first quarter of 2020. Despite soft apartment market conditions, multifamily construction activity in the Seattle metropolitan area doubled to 5,550 units permitted.

Economic Conditions

Economic conditions in the Northwest region were significantly weaker during the first quarter of 2021, compared with the same period a year ago, largely because of measures used to slow the spread of COVID-19. Before the onset of the pandemic in early 2020, economic conditions were strong in the region, with 9 consecutive years of payroll growth from 2011 through 2019, averaging 1.6 percent annually. During the first quarter of 2021, payrolls totaled 6.13 million, down by 365,100 jobs, or 5.6 percent, from the same period a year ago. By comparison, national payrolls declined 5.4 percent during the same period. Every payroll sector in the region lost jobs except the transportation and utilities and the information sectors, which grew less than 1 percent each. Although year-over-year job losses were large during the first quarter of 2021, they were improved from the fourth quarter of 2020 when the number of jobs in the region was down by 405,900, or 6.2 percent. Payrolls in the first quarter of 2021 were significantly improved from the second quarter of 2020, when the number of jobs was down by 658,100, or 10.1 percent, compared with the second quarter of 2019. Since the nadir of 5.87 million jobs in the second quarter of 2020, nonfarm payrolls have recovered by approximately 42 percent.

Approximately 46 percent of all jobs lost during the first quarter of 2021 were in the leisure and hospitality sector, which fell by 168,800 jobs, a decline of 25.8 percent from a year ago. Job losses were especially large in this sector because public health measures, namely social distancing mandates, severely limited the operations of restaurants, bars, theaters, and live entertainment venues, all of which are included in this sector. By comparison, the sector added jobs every year from 2011 through 2019 at an average annual rate of 3.1 percent.

The second largest number of jobs lost was in the government sector, which declined by 79,000 jobs, or 7.1 percent. Within the sector, job losses were largest in the local government subsector, which shrank by 65,900 jobs, or 9.0 percent, because of reduced tax revenues and reduced employment required for remote school instruction. The manufacturing

continued on page 3

All but two nonfarm payroll sectors in the Northwest region lost jobs during the first quarter of 2021.

	First Quarter		Year-Over-Year Change	
	2020 (Thousands)	2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	6,499.0	6,133.9	-365.1	-5.6
Goods-Producing Sectors	981.3	938.5	-42.8	-4.4
Mining, Logging, & Construction	418.7	417.3	-1.4	-0.3
Manufacturing	562.7	521.2	-41.5	-7.4
Service-Providing Sectors	5,517.6	5,195.5	-322.1	-5.8
Wholesale & Retail Trade	967.5	964.4	-3.1	-0.3
Transportation & Utilities	236.8	237.3	0.5	0.2
Information	196.1	196.7	0.6	0.3
Financial Activities	313.5	308.8	-4.7	-1.5
Professional & Business Services	814.3	795.4	-18.9	-2.3
Education & Health Services	992.6	968.2	-24.4	-2.5
Leisure & Hospitality	654.1	485.3	-168.8	-25.8
Other Services	232.7	208.1	-24.6	-10.6
Government	1,110.2	1,031.2	-79.0	-7.1

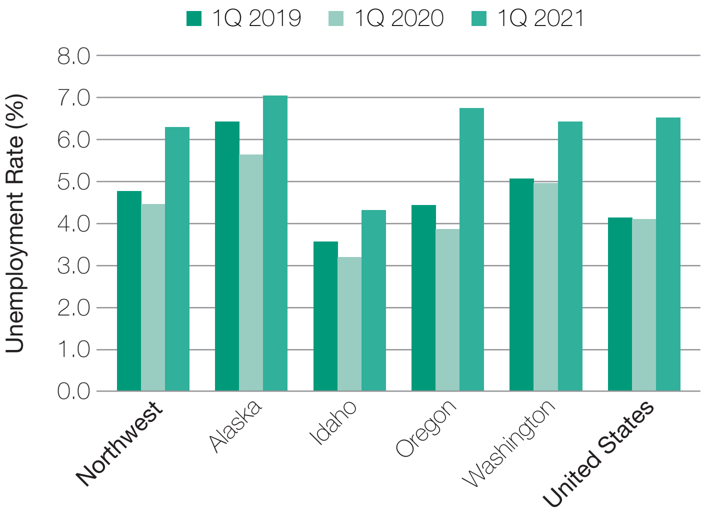
Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

continued from page 2

sector was the third largest source of job losses, down by 41,500 jobs, or 7.4 percent. More than 60 percent of job losses in the sector occurred in the Seattle metropolitan area, where manufacturing payrolls decreased by 25,400, or 13.9 percent. During 2020, The Boeing Company reduced Seattle-area employment by approximately 15,000, and the company announced plans to cut another 11,000 jobs during 2021, many of which will be in Seattle-area facilities (*Seattle Times*).

The unemployment rate for the region averaged 6.3 percent during the first quarter of 2021, up from 4.5 percent during the first quarter of 2020, with increases in all four states in the region. The regional unemployment rate was up slightly from the fourth quarter of 2020 when it averaged 6.1 percent, but was down significantly from the second quarter of 2020, when it averaged 12.2 percent. By comparison, the national rate rose to 6.5 percent during the first quarter of 2021, up from 4.1 percent a year ago. The highest unemployment rate among the states in the region during the first quarter of 2021 was 7.0 percent in Alaska—up from 5.6 percent a year ago. The largest percentage-point increase was in Oregon, where the rate rose to 6.7 percent—up 2.8 percentage points from a year ago. The lowest unemployment rate was in Idaho, at 4.3 percent, up from 3.2 percent during the first quarter of 2020. In Washington, the unemployment rate averaged 6.4 percent, up from 4.9 percent during the first quarter of 2020.

During the first quarter of 2021, the unemployment rate in every state in the Northwest region was much higher than the unemployment rate during the first quarter of 2020.



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

During the first quarter of 2021—

- Idaho was the only state in the region to report job growth, adding 7,600 jobs, or 1.0 percent. By comparison, Idaho added 22,300 jobs, or 3.0 percent, a year earlier. During the most recent quarter, the wholesale and retail trade and the mining, logging, and construction sectors led job growth, expanding by 5,200 and 3,800 jobs, or 4.4 and 6.8 percent, respectively.
- Oregon lost the most jobs in the Northwest region in percentage terms, with payrolls falling 7.4 percent, or by 144,800 jobs, from a year ago. Job losses were widespread, with every economic sector, except the transportation and utilities sector, losing jobs.
- Payrolls in Washington—which accounted for more than one-half of total regional payrolls—decreased by 204,700 jobs, or 5.9 percent, compared with year-over-year growth of 72,000 jobs, or 2.1 percent, a year earlier. Approximately 47 percent of job losses in the most recent period occurred in the leisure and hospitality sector, which declined by 95,300 jobs, or 28.4 percent.
- In Alaska, nonfarm payrolls declined by 23,100 jobs, or 7.3 percent, compared with a year ago, with every economic sector losing jobs. Economic conditions in Alaska were relatively weak before the pandemic, with payrolls growing by 400 jobs, or 0.1 percent, during the first quarter of 2020.

Population

As of April 1, 2020, the population of the Northwest region was estimated at 14.5 million, compared with 12.8 million in April 2010, an average increase of 1.2 percent annually. Growth in the 2010s slowed compared to an average increase of 1.3 percent annually in the 2000-to-2010 period but was much higher than the nation-at-large, which grew by an average of 0.7 percent annually from 2010 to 2020. The Northwest region was the second fastest growing HUD-defined region from 2010 to 2020, after the Rocky Mountain region, which expanded at an average rate of 1.3 percent annually. Population growth in the region was supported by high levels of net in-migration to the three states in the region within the continental United States: Idaho, Oregon, and Washington.

continued on page 4

continued from page 3

From April 1, 2010, to April 1, 2020—

- Idaho had the second highest rate of population growth in the nation, averaging 1.6 percent annually. The only state with a higher rate of growth was Utah.
- Washington was the only state in the region where the rate of population growth increased compared with the previous decade. The population of Washington increased by an average annual rate of 1.4 percent to 7.71 million as of April 1, 2020, faster than the 1.3-percent average annual rate in the 2000s.
- In Oregon, the population increased at an average annual rate of 1.0 percent to 4.24 million as of April 1, 2020, down from 1.1 percent during the 2000-to-2010 period.
- Population growth in Alaska slowed to an average of 0.3 percent annually, compared with 1.3 percent from 2000 to 2010. Poor economic conditions in the state throughout much of the 2010s led to a significant decline in net-in migration.

The population of the Northwest region grew faster than the nation.

	Population Estimate (as of April 1)			Percentage Change	
	2000	2010	2020	2000 to 2010	2010 to 2020
United States	281,424,600	308,745,538	331,449,281	0.9	0.7
Northwest Region	11,236,695	12,833,427	14,515,034	1.3	1.2
Alaska	626,933	710,231	733,391	1.3	0.3
Idaho	1,293,957	1,567,582	1,839,106	1.9	1.6
Oregon	3,421,524	3,831,074	4,237,256	1.1	1.0
Washington	5,894,281	6,724,540	7,705,281	1.3	1.4

Source: U.S. Census Bureau

Sales Market Conditions

Sales housing market conditions in the Northwest region were very tight during the first quarter of 2021 except in Alaska, where market conditions were balanced. Strong economic conditions before the pandemic and above-average population growth supported new and existing home sales (including single-family homes, townhomes, and condominiums—hereafter referred to as home sales) price growth in the region. The average home sales price increased 19 percent to $440,200 during the 12 months ending March 2021, accelerating from a 6-percent gain during the previous 12-month period (Zonda). Home sales price growth accelerated in every state in the region, rising at least 6 percentage points. For context, the national average home sales price was $369,900, up 12 percent from a year ago (Zonda).

Low levels of for-sale inventory regionwide have inhibited growth in home sales while pushing home prices upward. During the 12 months ending March 2021, regionwide home sales totaled 261,600, down 6 percent from the 12 months ending March 2020. In March 2021, the inventory of homes for sale in Idaho, Oregon, and Washington were 0.4, 0.8, and 0.5 months, respectively, down from 2.0, 2.1, and 1.5 months in March 2020 (Redfin, a national real estate brokerage). The inventory of homes for sale was somewhat higher in Alaska, at 1.3 months during March 2021, down from 5.0 months a year earlier.

Home prices increased the most in Washington, up 23 percent, to $580,700, during the 12 months ending March 2021, accelerating from growth of 6 percent during the 12 months ending March 2020. The number of home sales in Washington declined 14 percent to 115,400, a larger decline than any other state in the region. Home sales in the Seattle metropolitan area remained more stable than the state at-large, decreasing only 6 percent to 63,900, while the average price in the metropolitan area increased 18 percent to $707,700. There was a 0.5-month supply of inventory in the Seattle metropolitan area during March 2021, down from 1.2 months during March 2020.

In Idaho, the average home sales price rose 16 percent to $357,800 during the 12 months ending March 2021, after prices increased 11 percent during the 12 months ending March 2020. The number of home sales increased 5 percent to 59,100 during the 12 months ending March 2021, with over 40 percent occurring in the Boise metropolitan area. In the Boise metropolitan area, home sales declined 2 percent to 25,400, while the average home sales price increased 16 percent to $393,200. The Boise City metropolitan area had the fewest months of inventory among the eight highlighted metropolitan areas in this report, with a 0.3-month supply during March 2021, down from 1.8 months during March 2020.

continued on page 5

continued from page 4

Home sales price growth during the 12 months ending March 2021 was strong in the Northwest region, supported by a prolonged shortage of for-sale housing.

	12 Months Ending	Number of Homes Sold 2020	Number of Homes Sold 2021	Number of Homes Sold Percent Change	Average	Price 2020 ($)	Price 2021 ($)	Price Percent Change
Anchorage (N&E)	March	8,675	9,325	7	AVG	$331,800	$349,800	5
Bellingham (N&E)	March	4,650	3,750	-19	AVG	$387,700	$430,600	11
Boise (N&E)	March	26,000	25,400	-2	AVG	$339,900	$393,200	16
Bremerton (N&E)	March	5,025	3,975	-21	AVG	$448,900	$482,700	8
Medford (N&E)	March	4,450	4,350	-2	AVG	$344,600	$375,300	9
Portland (N&E)	March	45,750	43,900	-4	AVG	$437,000	$483,100	11
Seattle (N&E)	March	68,000	63,900	-6	AVG	$598,200	$707,700	18
Spokane (N&E)	March	10,950	8,575	-22	AVG	$283,300	$325,600	15

AVG = average. N&E = new and existing.
Note: Includes new and existing single-family homes, townhomes, and condominiums.
Source: Zonda

Home sales in Oregon remained relatively stable during the 12 months ending March 2021, decreasing approximately 3 percent to 73,200, while the average home sales price grew 11 percent to $427,500. Trends in the Portland metropolitan area were similar, with home sales decreasing 4 percent while the average home sales price increased 11 percent to $483,100.

In Alaska, the sales market transitioned from slightly soft to balanced, as the number of homes sold increased 7 percent to 13,900, the largest increase in the region. The inventory of available homes for sale—measured as months of supply—in Alaska was larger than any other state in the region, contributing to the increase in home sales. The average home sales price in Alaska increased 6 percent to $338,400 during the 12 months ending March 2021, faster than the growth of 3 percent during the 12 months ending March 2020.

The share of seriously delinquent home loans (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the region was 2.5 percent in February 2021, up from 0.6 percent in February 2020 (CoreLogic, Inc.). The sharp increase likely reflects a significant number of homeowners who delayed paying their mortgages after the passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020, which allowed homeowners with federally backed mortgages to obtain mortgage forbearance for a period of up to 360 days.

During the first quarter of 2021—

- In response to the low inventory of homes for sale and rising home sales prices, the number of single-family homes permitted during the first quarter of 2021 was higher than any first quarter since 2006, when 16,700 homes were permitted. New home construction in the region totaled 13,400 single-family homes, up 29 percent from the 10,350 homes permitted a year ago and following a 12-percent increase a year earlier.
- Approximately 51 percent of the single-family homes permitted in the region were in Washington, where the number of single-family homes permitted increased 25 percent to 6,775. The Bremerton metropolitan area had the largest percentage increase in single-family

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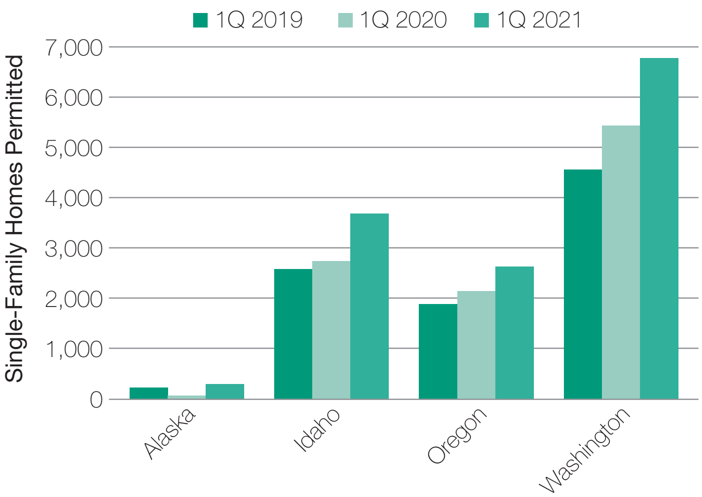
Single-family homebuilding increased in all states in the Northwest region during the first quarter of 2021.



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

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homebuilding, with 260 homes permitted, up 29 percent from the first quarter of 2020.

- Alaska had the largest percentage increase in single-family homebuilding in the region, with 300 homes permitted, more than four times the 65 homes permitted during the first quarter of 2020.
- New home construction increased 35 percent in Idaho to 3,675 homes built. Homebuilding in the Boise metropolitan area increased at a slower rate, growing 26 percent to 2,500 homes permitted.
- Oregon had the slowest growth in new home construction, up 23 percent from the first quarter of 2020 to 2,625 homes permitted. This was the highest rate of first quarter new home construction growth in Oregon since 2007.

Apartment Market Conditions

Apartment markets in the Northwest region were balanced in five of the seven metropolitan areas highlighted in this report. In the two largest metropolitan areas—Seattle and Portland—apartment markets were soft. Apartment rents decreased in four of the seven highlighted metropolitan areas and increased 2 percent or less in the remaining three (Moody's Analytics REIS). By comparison, during the same quarter a year earlier, year-over-year apartment rent growth was above 3 percent in all areas except Anchorage. Renters in the region have been more affected by the economic downturn than owners; 9.6 percent of renters in the region report having no confidence in being able to pay, or are deferring their next rent payment, while 3.0 percent of homeowners report the same regarding their next mortgage payment (U.S. Census Bureau, Household Pulse Survey, March 3–29). Despite weak economic conditions, the apartment vacancy rate remained below 5.0 percent in every highlighted area except Seattle and Portland, where apartment vacancy rates were above 6 percent. An eviction moratorium was in place throughout the region during the first quarter of 2021, which likely helped stabilize apartment vacancy rates.

The Seattle and Portland metropolitan area apartment markets transitioned from balanced conditions during the first quarter of 2020 to soft conditions during the first quarter of 2021. In the Seattle area, the apartment vacancy rate increased from 5.6 to 6.1 percent, while the average asking rent decreased 6 percent to $1,767. Class A apartments performed worse than the market average, with the average Class A apartment vacancy rate increasing from 6.6 to 7.1 percent and average rent declining 8 percent to $2,119. By comparison, annual rent growth in the Seattle metropolitan area averaged 7 percent during the preceding 5 years, and the apartment vacancy rate had been below 6 percent since 2010. Portland had the highest vacancy rate in the region during the first quarter of 2021 at 6.3 percent, up from 5.4 percent during the first quarter of 2020, while the average apartment rent fell 2 percent to $1,360, following average rent growth of 6 percent during the previous 5 years. The apartment vacancy rate in Portland during the first quarter of 2021 was higher than any in the period since the first quarter of 2010, when it was 6.4 percent. Like in the Seattle area, Class A apartments in the Portland area performed worse than the market average, with vacancy rates increasing from 6.8 to 8.2 percent at the same time the average rent fell 3 percent to $1,526. The increased use of telework and higher

continued on page 7

All seven highlighted areas in the Northwest region had balanced or soft apartment market conditions during the first quarter of 2021.

	Market Condition	Vacancy Rate 1Q 2020 (%)	Vacancy Rate 1Q 2021 (%)	Vacancy Rate Percentage Point Change	Average Monthly Rent 1Q 2020 ($)	Average Monthly Rent 1Q 2021 ($)	Average Monthly Rent Percent Change
Anchorage	Balanced	3.4	3.4	0	1,174	1,150	-2
Bellingham	Balanced	3.0	3.9	0.9	1,028	1,050	2
Boise	Balanced	4.8	4.7	-0.1	1,036	1,040	0
Bremerton-Silverdale	Balanced	3.3	3.3	0	1,291	1,277	-1
Portland	Soft	5.4	6.3	0.9	1,391	1,360	-2
Seattle	Soft	5.6	6.1	0.5	1,879	1,767	-6
Spokane	Balanced	4.4	4.3	-0.1	860	872	1

1Q = first quarter.
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—Moody's Analytics REIS

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numbers of economically struggling renters contributed to the change in trends. Some tenants moved to less expensive metropolitan areas and suburban submarkets from more expensive buildings in central Seattle and Portland.

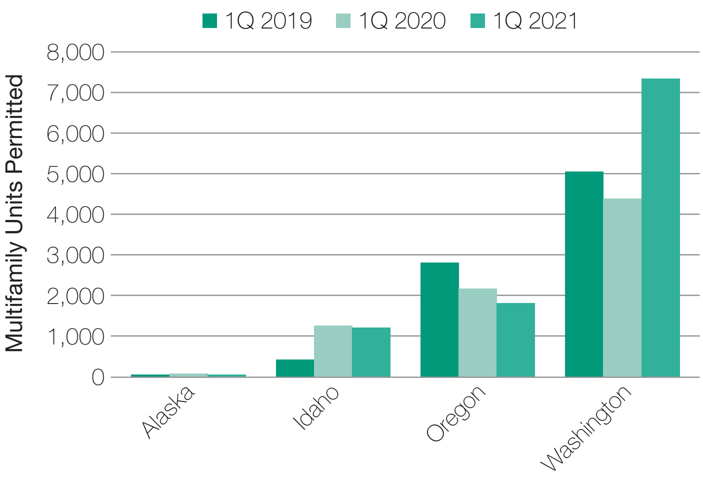
The apartment markets in the Bellingham, Boise, Bremerton, and Spokane metropolitan areas were all balanced during the first quarter of 2021, with rent growth occurring in three of the four markets. The relatively lower rents in these areas compared to the Seattle and Portland areas helped tenants maintain their housing despite rising unemployment and economic precarity. The apartment market in the Bremerton area likely benefited from being adjacent to the Seattle metropolitan area, as increased use of telework made long commutes less of a concern, while high levels of population growth in Idaho provide consistent demand for apartments in Boise.

Alaska was the only state in the region with weak economic conditions and a declining population before the COVID-19 pandemic, leading to persistently soft apartment market conditions throughout much of the state in the 2010s. Apartment market conditions in the Anchorage metropolitan area remained balanced during the first quarter of 2021, unchanged from the first quarter of 2020. Rent growth in the metropolitan area was slow in the mid- and late-2010s, averaging less than 1 percent annually from 2015 through 2019; the average rent declined 2 percent to $1,150 during the first quarter of 2021.

During the first quarter of 2021—

- Multifamily construction in the Northwest region totaled 10,450, up 31 percent from the 7,950 units permitted during the first quarter of 2020. All growth was due to increased multifamily homebuilding in Washington; every other state in the region reported decreased multifamily construction.
- Approximately 7,325 units, or 70 percent of the regional total, were permitted in Washington, up 67 percent from a year ago. Most of this increase occurred in the Seattle metropolitan area, where 5,550 units were permitted, approximately double compared to the first quarter of 2020.
- Multifamily construction levels were relatively stable in Idaho, decreasing 4 percent to 1,225 units. Almost 55 percent of multifamily construction activity in the state was in the Boise metropolitan area, where 660 units were permitted—up 34 percent from a year ago.
- In Oregon, multifamily construction decreased 16 percent to 1,825 units, following a 22-percent decrease from the first quarter of 2019 to the first quarter of 2020. Construction activity in the Portland-Vancouver metropolitan area totaled 1,000 units, down 54 percent from a year ago.
- Multifamily construction in Alaska decreased 29 percent to 65 units, the fastest decline in the region. Almost all reported multifamily construction occurred in the Anchorage metropolitan area, where 60 multifamily units were permitted.

Washington was the only state in the Northwest region where multifamily homebuilding increased during the first quarter of 2021.



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