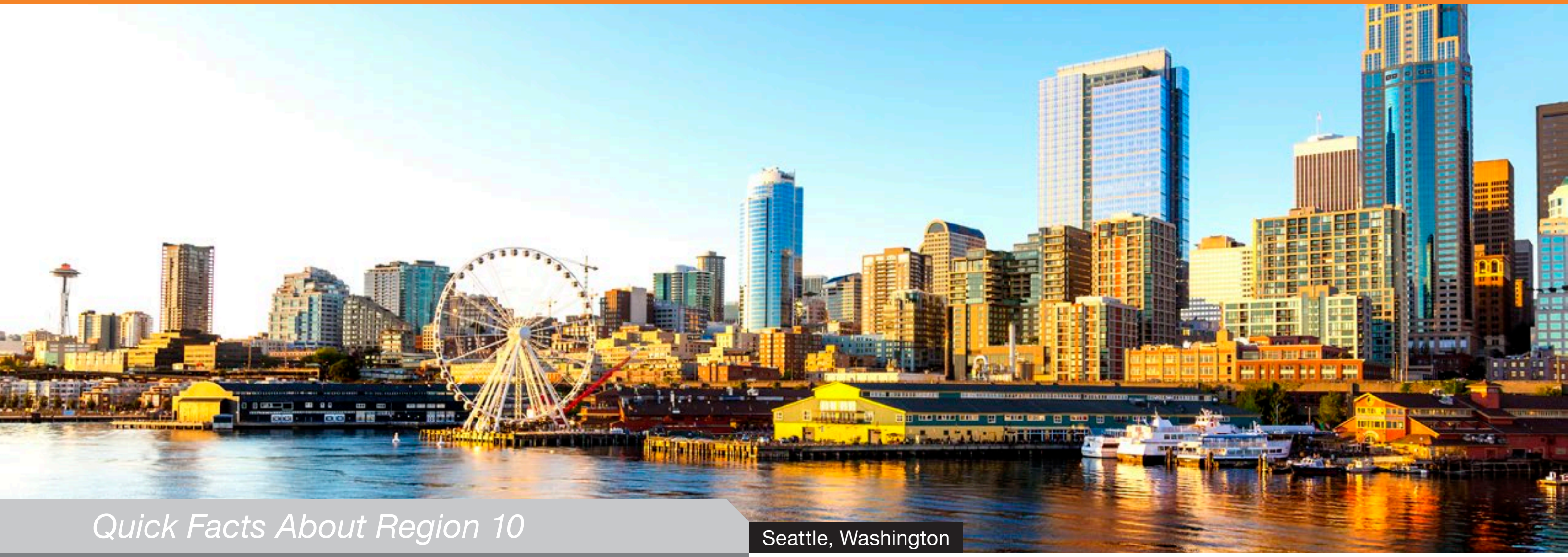
HUD PD&R Regional Reports

Region 10: Northwest

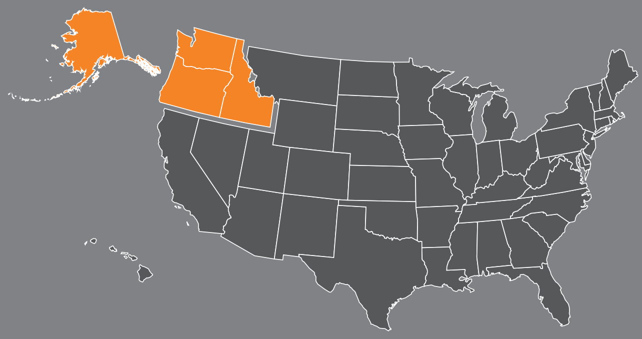


Seattle, Washington

Quick Facts About Region 10

- **Sales market conditions—**
  Second quarter 2019: tight
  First quarter 2019: tight
  Second quarter 2018: mixed (tight to slightly soft)

- **Apartment market conditions—**
  Second quarter 2019: mixed (very tight to balanced)
  First quarter 2019: mixed (very tight to balanced)
  Second quarter 2018: mixed (tight to balanced)



By Tom Aston | 2nd Quarter 2019

Overview

Economic conditions are favorable in the Northwest region as job growth and a declining unemployment rate highlighted economic activity during the second quarter of 2019. Sales housing markets were tight with low for-sale inventories in seven of the eight major metropolitan areas discussed in this report, leading to declines of new and existing home sales from the second quarter of 2018. Apartment markets in the region are mixed, with conditions ranging from very tight to balanced. The average vacancy rate increased in four metropolitan areas and decreased in three others highlighted in this report, while the average monthly rent increased from 3 to 6 percent in most metropolitan areas yet remained unchanged in Anchorage. Residential construction activity, as measured by the number of units permitted, was strong, especially for apartment development in the Seattle and Portland metropolitan areas.

- Residential construction activity was strong in Idaho, Oregon, and Washington, with building permit activity occurring at near record levels during the second quarter.
- Robust construction activity in the region generated a 4.8 percent job increase in the mining, logging, and construction sector, contributing to accelerated second quarter nonfarm payroll growth for the second consecutive year.

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- As of the second quarter of 2019, and since the second quarter of 2016, the sales housing market in most of the metropolitan areas featured in this report have had a 3-month supply or less of for-sale inventory.

Economic Conditions

During the second quarter of 2019, nonfarm payrolls in the Northwest region increased by 147,600 jobs, or 2.3 percent, to an average of 6.5 million jobs. This is compared with an increase of 133,500 jobs, or 2.1 percent, a year earlier. Job growth occurred in all 11 nonfarm sectors. Measured in terms of percentage gain, the mining, logging, and construction sector led all nonfarm sectors with a 4.8-percent increase, or 19,900 jobs; the construction subsector accounted for 93 percent of nonfarm payroll growth. Job growth was also notable in the manufacturing sector, with a gain of 3.6 percent, or 19,900 jobs, and in the education and health services sector with an increase of 3.5 percent, or 33,400 jobs, making up the largest numeric gain in the region. These three sectors accounted for nearly 50 percent of job growth in the region. In Alaska, nonfarm payrolls increased for the second consecutive quarter, up by 4,500 jobs, or 1.3 percent, to an average of 337,400 jobs. Nonfarm payrolls in Idaho increased by 17,500 jobs, or 2.4 percent, to an average of 757,500 jobs compared with a year earlier. Total nonfarm payrolls in Oregon increased 1.9 percent, or 36,600 jobs, to an average of 1.95 million compared with a 1.7 percent increase, or by 31,700 jobs, a year earlier. Washington nonfarm payrolls increased by 89,900 jobs, or 2.6 percent, to an average of 3.5 million. Strong job growth in Idaho, Oregon, and Washington during the second quarter of 2019 led to a regional decline in the average unemployment rate, dropping it to 4.0 percent compared with 4.1 percent a year earlier and 3.5 percent nationally. At 2.6 percent, Idaho had the lowest average unemployment rate in the region.

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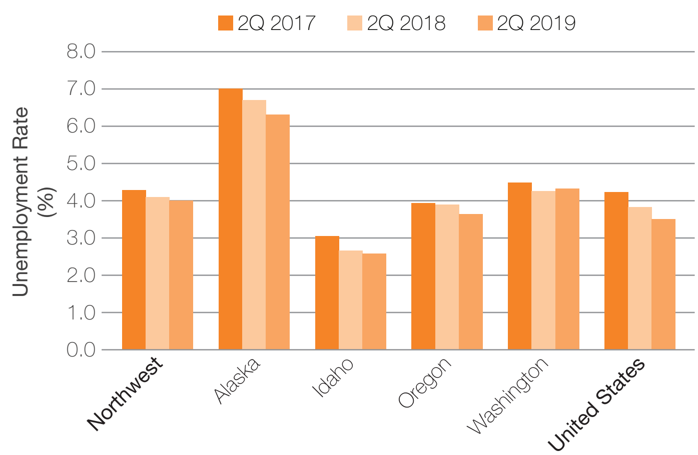
The unemployment rate declined from a year ago in every state except Washington.



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

During the second quarter of 2019, year-over-year nonfarm payrolls increased in all 11 sectors of the Northwest economy.

	Second Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	6,398.1	6,545.7	147.6	2.3
Goods-Producing Sectors	973.0	1,012.8	39.8	4.1
Mining, Logging, & Construction	412.5	432.4	19.9	4.8
Manufacturing	560.5	580.4	19.9	3.6
Service-Providing Sectors	5,425.1	5,532.9	107.8	2.0
Wholesale & Retail Trade	963.4	973.2	9.8	1.0
Transportation & Utilities	226.2	232.6	6.4	2.8
Information	180.9	185.6	4.7	2.6
Financial Activities	308.3	315.3	7.0	2.3
Professional & Business Services	794.9	817.0	22.1	2.8
Education & Health Services	942.2	975.6	33.4	3.5
Leisure & Hospitality	676.9	694.3	17.4	2.6
Other Services	223.8	228.7	4.9	2.2
Government	1,108.4	1,110.5	2.1	0.2

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

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Nonfarm payroll growth in Alaska was spurred by a gain of 2,300 jobs or 8.0 percent, in the mining, logging and construction sector; the construction subsector accounted for slightly more than 50 percent of the increase as expansion of Eielson Air Force Base and post-earthquake repairs continue (There have been four earthquakes with a magnitude of 5.0 or higher thus far in 2019; the largest "recent" earthquake occurred November 30, 2018 and had a magnitude of 7.0). Significant nonfarm payroll gains occurred in the manufacturing sector which was up by 575 jobs, or 4.5 percent from a year ago, and in the professional and business services sector, up 1,000 jobs or 3.7 percent. Nonfarm payrolls decreased the most in the information and financial activities sectors, with losses of 170 jobs and 400 jobs, or 2.9 and 3.4 percent, respectively.

- Job gains in Idaho were greatest, both in numerical and percentage terms, in the professional and business services sector, increasing 5.4 percent, or by 5,100 jobs. This gain was led by the architecture and engineering services and scientific research and development industries. Job losses occurred only in the information sector, decreasing 9.7 percent, or by 900 jobs, to 8,100 jobs.
- The mining, logging, and construction sector led job growth in Oregon percentage wise with a gain of 4.3 percent, or by 12,300 jobs, to 116,400 jobs. This was primarily because of robust commercial and residential construction activity in the Portland metropolitan area. Job growth was also strong in the education and health service sector with a net gain of 7,500 jobs, or 2.5 percent, to 302,500 jobs; the ambulatory health care services industry, which includes physicians, dentists, outpatient care centers, and laboratories, accounted for 90 percent of nonfarm payroll growth.
- In Washington, the mining, logging, and construction sector led job growth in the state as measured in percentage terms, with an increase of 4.7 percent, or 10,200 jobs, attributable mainly to construction activity in the Seattle metropolitan area where 65 construction cranes are engaged in commercial and residential development. The education and health services sector led numerical job growth, increasing to an average of 513,000 jobs for a gain of 22,400 jobs, or 4.6 percent. The ambulatory health care services industry accounted for nearly 85 percent of job growth in the sector.

Sales Market Conditions

During the 12 months ending June 2019, the sales housing markets in the region were tight, except in Alaska. New and existing home sales (including single-family homes, townhomes, and condominiums; hereafter, referred to as home sales) decreased 10 percent in the region to 298,600 homes sold. This is primarily due to declining sales of real estate owned (REO) properties and declining for-sale housing inventory. The average price of a home sold was $370,700, up 4 percent from a year earlier (Metrostudy, A Hanley Wood Company, with adjustments by the analyst; CoreLogic, Inc.). By comparison, during the 12 months ending June 2018, home sales were relatively unchanged and the average home sales price increased 8 percent. As of June 2019, the for-sale inventory was at a 2-month supply, unchanged from a year earlier. The number of homes that transitioned into REO status decreased 19 percent, or by 1,275 homes, from a year ago and was 2 percent of existing home sales, relatively unchanged from a year earlier.

Despite strong population and job growth in Washington, home sales declined 12 percent, to about 148,200 homes sold. This was mainly due to a limited inventory of for-sale housing. The average sales price increased 4 percent to $427,000. Active listings for housing sales which averaged 46,300 homes during the 12 months ending June 2010, decreased to an average of 16,250 during the 12 months ending June 2018, but increased 1 percent to 17,800 during the 12 months ending June 2019. The for-sale inventory as of June 2019 was at a 1.9-month supply, unchanged from a year ago. The Seattle metropolitan area led all Washington metropolitan areas highlighted in this report with a 15-percent decrease in homes sold to about 51,250. Seattle was followed by Tacoma and Olympia with declines of 12 and 10 percent to about 19,650 and 6,250 homes sold, respectively. The average price of a home sold increased the most in the Tacoma metropolitan area, rising 8 percent to $373,600, while in the Olympia metropolitan area, the average price of a home sold increased 6 percent to $328,800. In the Seattle metropolitan area, the average price of a home sold increased only 3 percent to $637,400, the lowest gain since the second quarter of 2016 when the average price of a home sold was $422,800.

Impacted by strong job growth, the demand for sales housing in Oregon during the 12 months ending June 2019 kept the for-sale inventory low at a 2.5-month supply of homes for sale, unchanged from a year earlier. Active listings of homes for sale increased 4.5 percent to an average of 10,350 homes for sale during the 12 months ending June 2019, the first increase since the 12 months ending June 2009. During the second quarter

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During the 12 months ending June 2019, the number of homes sold decreased in every metropolitan area except Anchorage.

	12 Months Ending	Number of Homes Sold			Price			
		2018	2019	Percent Change	Average or Median	2018 ($)	2019 ($)	Percent Change
Anchorage (N&E)	June	8,325	8,375	1	AVG	309,000	311,400	1
Boise (N&E)	June	26,800	24,700	-8	AVG	276,800	301,600	9
Eugene (N&E)	June	8,025	7,200	-10	AVG	279,600	297,000	6
Olympia (N&E)	June	6,950	6,250	-10	AVG	310,000	328,800	6
Portland (N&E)	June	51,450	45,350	-12	AVG	406,100	423,100	4
Salem (N&E)	June	8,500	6,800	-20	AVG	270,800	296,100	9
Seattle (N&E)	June	60,450	51,250	-15	AVG	617,500	637,400	3
Tacoma (N&E)	June	22,400	19,650	-12	AVG	345,600	373,600	8

AVG = average. N&E = new and existing.
Sources: CoreLogic, Inc., with adjustments by the analyst; Metrostudy, A Hanley Wood Company

of 2019, home sales in the state declined 12 percent to about 80,650 homes. This was mainly because of the 12-percent home sales decline in the Portland metropolitan area, decreasing to about 45,350 homes sold. The for-sale inventory in the Portland metropolitan area remained at a 2.2-month supply as of June 2019 compared with a year earlier. In the Salem metropolitan area, home sales declined the most of any metropolitan area in the state, down 20 percent to about 6,800 homes sold, the lowest number of homes sold since the 12-month period ending in June 2015. Since 2015, the for-sale inventory has remained between a 2- and 3-month supply. The average price of homes sold increased 9 percent in the Salem metropolitan area to $296,100, the greatest increase among the Oregon metropolitan areas highlighted in this report.

During the 12 months ending June 2019, the number of homes sold in Idaho was about 56,800, a decrease of 5 percent from a year earlier. Home sales activity was constrained by a 1.5-month supply of homes for sale. The average home-sales price increased 6 percent to $269,400, the greatest increase of any of the four states in the region. Home sales in the Boise metropolitan area decreased for the second consecutive quarter, down 8 percent to about 24,700 homes sold, while the average price increased 9 percent to $301,600, matching Salem for the largest increase in the average price of a home sold of all metropolitan areas highlighted in this report.

Sales housing market conditions continue to be soft in Alaska primarily because of the direct and indirect impacts of declining nonfarm payrolls in the oil and gas industry. Home sales were relatively unchanged during the 12 months ending June 2019, as the approximate 12,900 homes sold marked the second consecutive year of relatively low home-sales activity compared with an average of 13,950 homes sold from June 2014 through June 2016. The average price of a home sold was $292,925, relatively unchanged from the second quarter of 2018. Sales market conditions in the Anchorage metropolitan area showed little change from a year earlier as both home sales and the average price of a home sold increased only 1 percent to about 8,375 homes sold and to $311,400, respectively.

As of May 2019, 0.9 percent of home loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status compared with 1.3 percent a year earlier. During the same time period, the national rate decreased from 2.7 to 1.9 percent (CoreLogic, Inc.). The share of seriously delinquent loans and REO properties decreased from 1.3 to 0.9 percent in Washington, from 1.4 to 1.0 percent, in Oregon, from 1.3 to 0.9 percent in Idaho and from 1.8 to 1.5 percent in Alaska.

During the second quarter of 2019 (based on preliminary data)—

- Single-family homebuilding activity in the region, as measured by the number of homes permitted, increased 1 percent, or by 100 homes, to 12,300 since the second quarter of 2018 compared with a 2-percent increase during the previous year.

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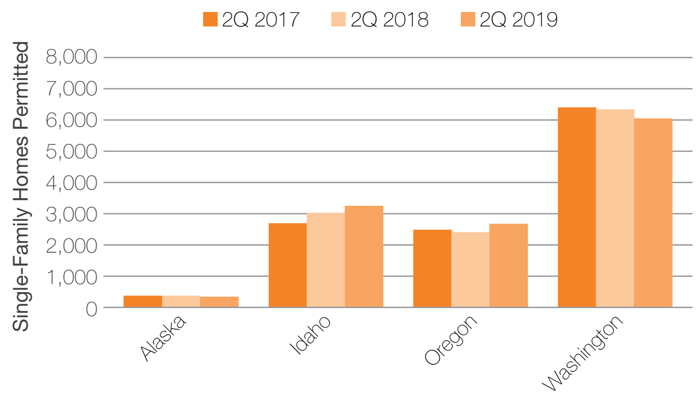
- Second quarter single-family permitting activity increased a region-high 11 percent in Oregon to 2,650 compared with a 3-percent decline, or by about 75 homes, from a year earlier and was 22 percent higher than the 2012 through 2016 second quarter average of 2,175 homes permitted.
- At about 3,250 homes permitted, homebuilding activity in Idaho increased 6 percent from a year earlier which was the highest level of second quarter construction activity since the end of the housing construction downturn in 2010.
- Construction activity decreased in Alaska and Washington as the number of single-family homes permitted was down 13 and 5 percent to about 325 homes and 6,050 homes, respectively, from the second quarter of 2018. Construction activity in Alaska was close to the 2012 through 2016 second quarter average of 350 homes, while in Washington it was 21 percent above the second quarter average of 5,000 homes during the same period.

Single-family home building permit activity was mixed in the Northwest region, with permitting increasing in Idaho and Oregon but decreasing in Alaska and Washington.



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

Apartment Market Conditions

During the second quarter of 2019, apartment housing market conditions in the major metropolitan areas of the Northwest region were mixed, ranging from very tight to balanced, compared with tight to balanced conditions a year ago. The apartment market in the Eugene metropolitan area was very tight, with a vacancy rate of 2.9 percent compared with 2.8 percent a year earlier, and the average monthly rent increased 5 percent to $1,013. Strong apartment demand, attributable to strong population growth in Eugene from 2014 through 2018 when it averaged 1.5 percent a year, or 5,375 people, outpaced the apartment development activity of 360 multifamily rental units completed a year (Reis, Inc.). Thus contributing to relatively tight apartment market conditions since the second quarter of 2015.

In the Portland and Seattle metropolitan areas, apartment market conditions were tight. The average vacancy rate decreased 0.4 percentage points to 3.9 percent in Portland compared with the second quarter of 2018 when the apartment market was slightly soft. The average monthly rent accelerated 5 percent to $1,404, compared with a 2 percent gain to $1,332 a year earlier. Portland apartment development activity declined from its peak at 6,150 annual completions in the second quarter of 2017 to 4,325 annual completions in the second quarter of 2019, while apartment demand was steady from 2015 through 2018 mainly because of population growth. Despite a recent increase in apartment completions in the Seattle metropolitan area (11,275 units completed since the second quarter of 2018 compared with 8,450 during the previous year) the vacancy rate decreased to 3.8 percent from 4.2 percent a year earlier because of robust apartment demand attributable to strong population growth. Average monthly rent growth was up 3 percent to $1,831, slightly higher than the 2-percent gain a year earlier (Real Page, Inc.).

Spokane and Tacoma metropolitan area apartment markets were slightly tight with second quarter 2019 vacancy rates of 4.4 and 4.3 percent, respectively. Strong population growth combined with slowing apartment development activity in the Tacoma metropolitan area led to a 6-percent increase in the average monthly rent from a year earlier, rising to $1,321 (*Apartment Insights*). Rent growth from the second quarter of 2018 in the Spokane metropolitan area was a modest 3 percent increasing to $810, while the vacancy rate increased to 4.4 percent as apartment development, which was slow to resume after the housing downturn ended in 2010, finally caught up with demand (Reis, Inc.). This increase was again attributable to steady population growth.

In the Anchorage metropolitan area, the apartment market was balanced. The vacancy rate increased to 5.1 percent, and the average rent of $1,034 was nearly the same as a year earlier because of net out-migration related to a sluggish economy (Alaska Housing Finance Corporation). In the Boise metropolitan area, the vacancy rate remained unchanged at 5.2 percent and the apartment market has been balanced since the second quarter of 2016. A 4 percent increase in the average monthly rent, up to $969 and down from an 8-percent gain a year earlier, suggests the demand for rental housing is still sufficient to sustain apartment construction activity (Reis, Inc.).

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Apartment market conditions range from very tight to balanced with vacancy rates increasing in four of seven metropolitan areas.

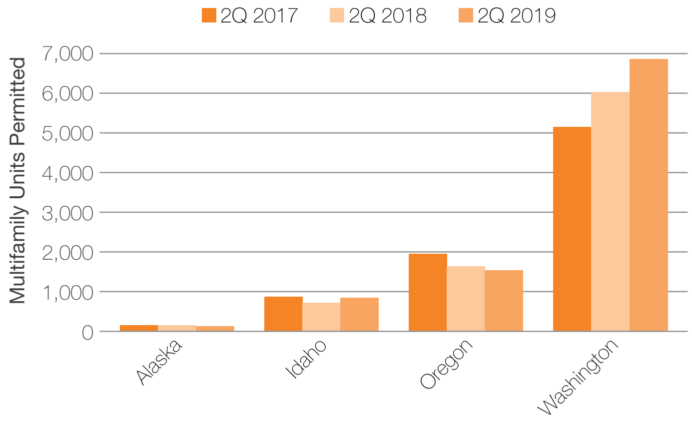
	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2018 (%)	2Q 2019 (%)	Percentage Point Change	2Q 2018 ($)	2Q 2019 ($)	Percent Change
Anchorage[a]	Balanced	4.4	5.1	0.7	1,038	1,034	0
Boise[b]	Balanced	5.2	5.2	0.0	932	969	4
Eugene[b]	Very Tight	2.8	2.9	0.1	962	1,013	5
Portland[c]	Tight	4.3	3.9	-0.4	1,336	1,404	5
Seattle[c]	Tight	4.2	3.8	-0.4	1,775	1,831	3
Spokane[b]	Slightly Tight	3.2	4.4	1.2	784	810	3
Tacoma[d]	Very Tight	4.2	4.3	0.1	1,250	1,321	6

2Q = second quarter.
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) Alaska Housing Finance Corporation, (b) Reis, Inc., (c) Real Page, Inc., (d) *Apartment Insights*

During the second quarter of 2019 (based on preliminary data)—

- Approximately 9,400 multifamily units were permitted in the region, a 9-percent, or 800-unit, increase from a year earlier and the second highest number of multifamily units permitted during a second quarter since 2010.
- The number of multifamily units permitted decreased 7 percent to about 1,550 units in Oregon and in Washington remained at historic highs, increasing 13 percent to about 6,850 units. Despite the 125-unit decline in permit activity in Oregon, permit activity in Multnomah County in the Portland metropolitan area remained strong at 975 units permitted compared with the average of 950 units permitted in the second quarters of 2016 through 2018. Strong construction activity in the Seattle metropolitan area accounted for two-thirds of the multifamily permit activity in Washington state.
- Multifamily construction activity in Alaska, as measured by the number of units permitted, declined to 140 units from a year earlier when 150 units were permitted, as 4 consecutive years of increasing vacancy rates slowed multifamily development.

Northwest region multifamily permit activity was also mixed, increasing in Idaho and Washington and decreasing in Alaska and Oregon.



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

- In Idaho, multifamily construction activity increased 17 percent from a year ago to 860 units, up nearly 50 percent from the 2012 through 2016 second quarter average of 580 units.