HUD PD&R **Regional Reports**

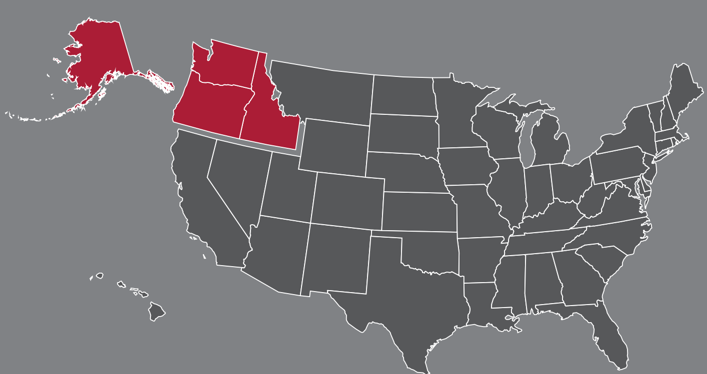
Region 10: Northwest

Portland, Oregon

Quick Facts About Region 10

- **Sales market conditions—**
  Third quarter 2020: tight
  Second quarter 2020: mixed (tight to slightly soft)
  Third quarter 2019: tight

- **Apartment market conditions—**
  Third quarter 2020: mixed (slightly tight to slightly soft)
  Second quarter 2020: mixed (tight to balanced)
  Third quarter 2019: mixed (very tight to balanced)



By Adam Tubridy | 3rd Quarter 2020

Overview

The first case of COVID-19 in the United States was reported in the Seattle metropolitan area of the Northwest region on January 21, 2020. Interventions taken to slow the spread of the virus in mid-March caused economic activity in the Northwest region to slow dramatically, ending the economic expansion that began in 2011. Although the scale of year-over-year job losses in the region during the third quarter of 2020 was large, economic conditions improved compared to the second quarter of 2020. Sales market conditions were generally tight despite the economic disruption, except for Alaska, where market conditions were balanced. The number of homes for sale has declined sharply throughout the region since March 2020, contributing to increasing home sales prices. Apartment markets in the region were mixed during the third quarter of 2020, ranging from slightly tight to slightly soft. Apartment vacancy rates increased in six of the seven metropolitan regions highlighted in this report, and rent growth exceeded 1 percent in only one of these areas.

- Nonfarm payrolls in the Northwest region declined 6.1 percent during the third quarter of 2020 compared with a year ago, less than the 7.0-percent decline

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nationally. Year-over-year job losses in the region were much smaller than during the second quarter of 2020, when the number of jobs declined by 699,300, or 10.7 percent, compared with the same period in 2019.

- Regional home sales decreased 3 percent during the 12 months ending August 2020, while the average sales price increased 8 percent. The amount of available inventory in the region declined 50 percent during the 12 months ending September 2020, and every state in the region had a 2.0-month supply of for-sale inventory or less.
- Softening apartment market conditions contributed to a 35-percent decrease in multifamily construction activity in the region during the third quarter of 2020, including declines of at least 50 percent in Alaska, Idaho, and Oregon.

Economic Conditions

Economic conditions in the Northwest region weakened significantly during the third quarter of 2020 compared with the same period a year ago, largely because of countermeasures used to slow the spread of COVID-19. Before the pandemic, economic conditions were strong in the region, with 9 years of consecutive payroll growth from 2011 through 2019, averaging 2.1 percent annually. Payrolls in the Northwest region totaled 6.15 million during the third quarter of 2020, down by 398,800 jobs, or 6.1 percent, from the same period a year ago, and every payroll sector lost jobs. By comparison, national payrolls declined 7.0 percent during the same period. Although job losses were large during the third quarter of 2020, this period represents a significant improvement from the second quarter of 2020, when the number of jobs in the region declined by 699,300, or 10.7 percent, compared with the second quarter of 2019.

Approximately 44 percent of all jobs lost during the third quarter of 2020 were in the leisure and hospitality sector, which fell by 177,000 jobs, a decline of 24.8 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, 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 2.2 percent. During the past year, the second largest job losses occurred in the manufacturing sector, which declined by 48,300 jobs, or 8.2 percent. Over 40 percent of the job losses in this sector occurred in the Seattle metropolitan area, where manufacturing payrolls declined 10.8 percent to 166,000. The Boeing Company, the largest employer in the Seattle metropolitan area, has reduced employment in the metropolitan area by 13,000 since the start of 2020 (*Seattle Times*).

The unemployment rate for the region averaged 8.1 percent during the third quarter of 2020, more than twice the

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All nonfarm payroll sectors in the Northwest region lost jobs during the third quarter of 2020.

	Third Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	6,550.5	6,151.7	-398.8	-6.1
Goods-Producing Sectors	1,033.0	970.9	-62.1	-6.0
Mining, Logging, & Construction	445.8	432.0	-13.8	-3.1
Manufacturing	587.2	538.9	-48.3	-8.2
Service-Providing Sectors	5,517.6	5,180.8	-336.8	-6.1
Wholesale & Retail Trade	981.4	971.6	-9.8	-1.0
Transportation & Utilities	239.0	230.2	-8.8	-3.7
Information	198.1	187.0	-11.1	-5.6
Financial Activities	316.8	313.2	-3.6	-1.1
Professional & Business Services	827.2	810.2	-17.0	-2.1
Education & Health Services	956.7	913.8	-42.9	-4.5
Leisure & Hospitality	714.5	537.5	-177.0	-24.8
Other Services	232.9	206.1	-26.8	-11.5
Government	1,051.0	1,011.2	-39.8	-3.8

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

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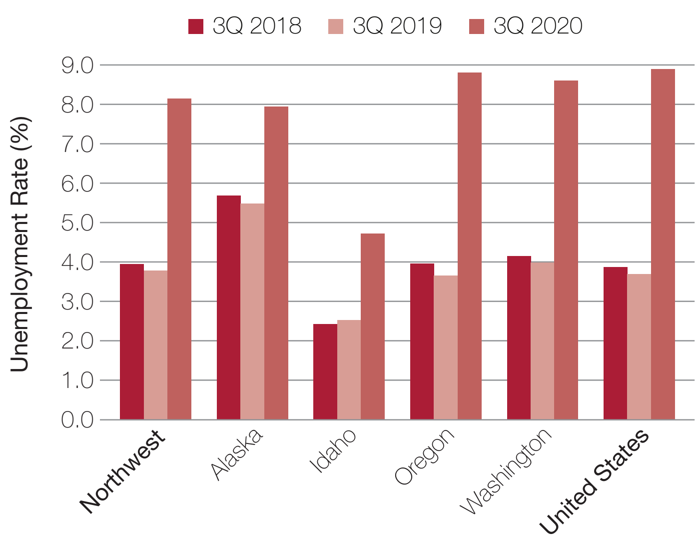
3.8-percent rate during the third quarter of 2019, with increases in all four states in the region. The unemployment rate in the region had decreased substantially since the second quarter of 2020, however, when it averaged 12.9 percent. The highest unemployment rate and largest percentage-point increase in the region were in Oregon, where the rate rose to 8.8 percent, up from 3.7 percent a year ago. The unemployment rate in Washington was just below the rate in Oregon, at 8.6 percent, compared with a 4.0-percent rate during the third quarter of 2019, whereas the unemployment rate in Alaska increased from 5.5 percent to 7.9 percent. The lowest unemployment rate in the region, 4.7 percent, was in Idaho, up from 2.5 percent a year ago. By comparison, the national unemployment rate rose to 8.9 percent during the third quarter of 2020, up from 3.7 percent a year ago.

During the third quarter of 2020—

- Payrolls in Washington—which accounted for more than one-half of all regional payrolls—decreased by 218,900 or 6.3 percent, compared with year-over-year growth of 75,000, or 2.2 percent, during the third quarter of 2019. Approximately 46 percent of job losses occurred in the leisure and hospitality sector, which declined by 99,700 jobs, or 27.6 percent, with the education and health services, the government, and the manufacturing sectors combining to account for an additional 34 percent of total job losses.
- Alaska had the highest rate of job loss in percentage terms; nonfarm payrolls declined by 38,400, or 11.0 percent. The leisure and hospitality sector lost 13,900 jobs, or 32.3 percent, and was responsible for 36 percent of job losses during the third quarter of 2020, a lower percentage decline than in any other state in the region. However, the manufacturing sector declined by 6,300 jobs, or 31.1 percent, in Alaska, the fastest rate of decline in the region. The national economic downturn and public health measures have reduced demand for and complicated production of manufactured petroleum products and seafood, the two main manufacturing exports of the state.
- In Oregon, payrolls declined by 137,300, or 7.1 percent, compared with a gain of 29,100 jobs, or 1.4 percent, a year earlier. Job losses were widespread in the state, with every payroll sector losing jobs.
- Idaho lost 4,200 jobs, or 0.5 percent, significantly less than any other state in the region. Gains in the retail trade subsector, the financial activities sector, and the construction subsector, which expanded by 3,900, 2,300, and 1,500 jobs, or 4.5, 6.1, and 2.7 percent, respectively, partially offset job losses. The leisure and hospitality and the education and health services sectors led job losses, declining by 5,400 and 3,800 jobs, or 6.1 and 3.5 percent, respectively.

During the third quarter of 2010, the unemployment rate in the Northwest region was more than double the rate during the third quarter of 2019.



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

Sales Market Conditions

Sales housing market conditions in the Northwest region were generally tight during the third quarter of 2020 except for in Alaska, where market conditions were balanced. New and existing home sales (including single-family homes, townhomes, and condominiums; hereafter, referred to as home sales) totaled 300,900 during the 12 months ending August 2020, down 3 percent from the 12 months ending August 2019 (CoreLogic, Inc., with adjustments by the analyst). All of the decline during the past 12 months resulted from a decrease in existing home sales, whereas new home sales rose 4 percent. During the 12 months ending August 2020, the average home sales price in the region increased 8 percent to $402,900. The supply of for-sale inventory in the region declined 50 percent from September 2019 to September 2020, which contributed to the decrease in home sales and the increased prices (Redfin, a national real estate brokerage). Most of the reduction in for-sale inventory has occurred since the widespread adoption of countermeasures to counteract the contagion of COVID-19 in mid-March 2020; the amount of available inventory had declined only 11 percent from March 2019 to March 2020.

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During the 12 months ending August 2020, home prices increased by 5 percent or more in each of the highlighted areas in the Northwest region.

	12 Months Ending	Number of Homes Sold 2019	Number of Homes Sold 2020	Number of Homes Sold Percent Change	Price Average	Price 2019 ($)	Price 2020 ($)	Price Percent Change
Anchorage (N&E)	August	8,815	8,777	0	AVG	$315,012	$330,810	5
Boise (N&E)	August	27,269	28,394	4	AVG	$317,581	$359,753	13
Eugene (N&E)	August	7,144	6,766	-5	AVG	$301,014	$321,813	7
Kennewick-Pasco (N&E)	August	6,147	5,543	-10	AVG	$289,200	$313,600	8
Medford (N&E)	August	4,749	4,833	2	AVG	$314,395	$338,014	8
Olympia (N&E)	August	6,681	5,894	-12	AVG	$333,218	$359,514	8
Portland (N&E)	August	46,197	46,053	0	AVG	$424,212	$443,513	5
Seattle (N&E)	August	51,698	50,928	-1	AVG	$638,518	$670,879	5

AVG = average. N&E = new and existing.
Source: CoreLogic, Inc., with adjustments by the analyst

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 2.8 percent in August 2020, up from 0.7 percent in August 2019 (CoreLogic, Inc.). All of the increase had occurred since May 2020, however, when the rate was only 0.8 percent. The sharp increase likely reflects a significant number of homeowners who stopped paying their mortgages after the passage of the CARES Act, which allowed homeowners to obtain mortgage forbearance for a period of up to 360 days in March 2020.

The fastest rate of decline in home sales in the region was 6 percent in Washington, where sales fell to 143,300, and the average sales price increased 8 percent to $461,100 (CoreLogic, Inc., with adjustments by the analyst). Of the Washington metropolitan areas highlighted in this report, the largest percentage declines in home sales occurred in the Kennewick-Pasco and Olympia metropolitan areas, where home sales declined by 10 and 12 percent, respectively, whereas sales in the Seattle-Bellevue-Everett (hereafter Seattle) metropolitan division fell only 1 percent. However, home prices rose 8 percent in both the Kennewick-Pasco and Olympia metropolitan areas, whereas prices increased only 5 percent in the Seattle metropolitan division.

In Idaho, home sales prices rose 12 percent during the 12 months ending August 2020, the largest increase in the region. Idaho was also the only state in the region where home sales increased, rising 1 percent to 62,000, compared with the previous 12-month period. All the growth in home sales in the state occurred in the Boise metropolitan area, where sales increased 4 percent to 28,400 and home sales prices grew 13 percent to $359,800. Recent home sales price increases in the Boise metropolitan area have been supported by rapid population growth; during 2019, the population of the metropolitan area grew 2.8 percent—the second-highest rate of growth in the nation among metropolitan areas with a population over 500,000 (Census Population Estimates). There was a 0.5-month supply of available for-sale inventory in Idaho during September 2020, down from 2.3 months during September 2019, less than any other state in the region (Redfin, a national real estate brokerage).

Home sales in Oregon were stable, remaining unchanged at 82,300 sales during the 12 months ending August 2020, while home sales prices increased 6 percent to $376,000, compared to the 12 months ending August 2019 (CoreLogic, Inc., with adjustments by the analyst). Trends in the Portland metropolitan area were similar to the state at large, with home sales remaining largely unchanged and average home sales prices increasing 5 percent to $443,500.

In Alaska, the sales market transitioned from slightly soft during the third quarter of 2019 to balanced during the third quarter of 2020. Despite several years of weak economic conditions and a declining population, a significant reduction in for-sale inventory resulted in the changing sales market conditions during the past year. During the 12 months ending August 2020, approximately 13,350 homes were sold in the state, down 1 percent from the previous 12-month period, while home sales prices increased 6 percent to $314,200. Available for-sale inventory in the state fell sharply during the past year, declining from 5.5-months of

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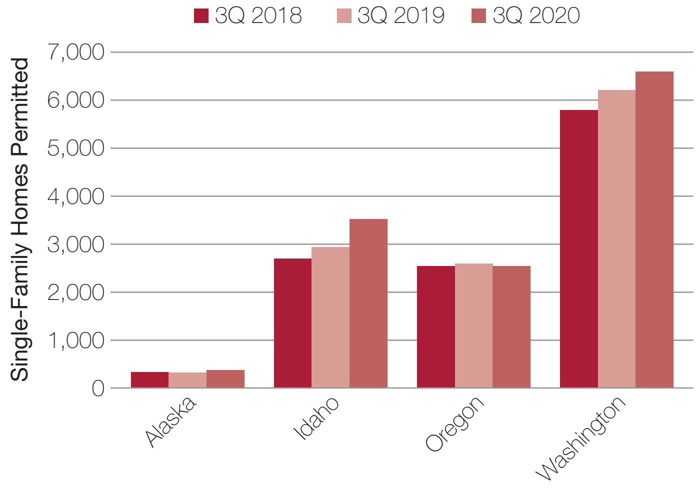
supply from September 2019 to 2.0 months during September 2020. In the Anchorage metropolitan area—which accounted for about two-thirds of home sales in the state—sales remained stable at 8,775, while the average home price increased 5 percent to $330,800.

New home construction, as measured by the number of single-family homes permitted, increased in three of the four states in the region despite weak economic conditions and public health measures used to slow the spread of COVID-19.

During the third quarter of 2020 (preliminary data)—

- New home construction in the region totaled 13,000 homes, up 8 percent from the 12,050 homes permitted a year ago and compared with a 6-percent increase a year ago. Single-family homebuilding had recovered significantly since the second quarter of 2020, when the number of single-family homes permitted decreased 20 percent compared with the second quarter of 2019.
- Approximately 51 percent of the single-family homes permitted in the region were in Washington, where the number of single-family homes permitted increased 6 percent to 6,575. New home construction increased at a higher rate in the Seattle metropolitan area, where permitting rose 14 percent to 2,675 homes.
- Idaho had the fastest growth in single-family homebuilding in the region, with 3,500 homes permitted, an increase of 20 percent compared to the third quarter of 2019. Trends in the Boise metropolitan area were similar to the state at large, with single-family homebuilding increasing 19 percent to 2,225 homes.
- Oregon was the only state in the region where single-family homebuilding declined. The number of single-family homes permitted in the state decreased 2 percent to 2,550, although homebuilding in the Eugene and Medford metropolitan areas increased 11 and 34 percent, respectively.
- New home construction increased 13 percent to 360 homes permitted in Alaska, including a 14-percent increase to 270 permits issued in the Anchorage metropolitan area, which accounted for 75 percent of the single-family homes permitted in the state.

Oregon was the only state in the Northwest region where single-family home construction declined during the third quarter of 2020.



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

Apartment Market Conditions

Apartment markets in the Northwest region ranged from slightly tight to slightly soft during the third quarter of 2020, as compared to very tight to balanced conditions during the third quarter of 2019. Apartment vacancy rates increased in six of the seven highlighted areas, whereas rents declined or rent growth was below 1 percent in five of the areas. Renters in the region have been more affected by the economic downturn than owners; 8.4 percent of renters in the Northwest Region report having no confidence in being able to pay, or are deferring their next rent payment, while 4.5 percent of homeowners report the same regarding their next mortgage payment (Census Pulse Survey, September 16–28). However, an eviction moratorium was in place throughout the region during the third quarter of 2020, which helped stabilize apartment vacancy rates. Apartment market conditions in the region may soften further if and when the eviction moratorium is lifted.

Apartment market conditions in all three highlighted Washington areas in this report were balanced during the third quarter of 2020, although vacancy rates rose and rent growth was very low or negative. The Seattle metropolitan area transitioned from slightly tight to balanced, as the vacancy rate increased from 3.8 to 5.1 percent and rents decreased 1 percent to $1,873, compared with the third quarter of 2019 (RealPage, Inc.). The third quarter of 2020 was the first quarter where rents declined year-over-year in the Seattle metropolitan area since at least 2015, the first year of data availability. Rents fell fastest in the Seattle metropolitan division, specifically in the RealPage,

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Apartment vacancy rates increased in six of the seven highlighted areas in the Northwest region during the third quarter of 2020.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2019 (%)	3Q 2020 (%)	Percentage Point Change	3Q 2019 ($)	3Q 2020 ($)	Percent Change
Anchorage[a]	Slightly Soft	4.6	5.0	0.4	1,159	1,158	0
Boise[a]	Slightly Tight	4.8	3.7	-1.1	1,007	1,014	1
Eugene[a]	Slightly Tight	2.9	3.2	0.3	1,011	1,043	3
Kennewick-Pasco[a]	Balanced	3.2	3.4	0.2	966	959	-1
Olympia[a]	Balanced	3.0	3.5	0.5	1,169	1,171	0
Portland[b]	Balanced	3.7	4.4	0.7	1,450	1,439	-1
Seattle[b]	Balanced	3.8	5.1	1.3	1,891	1,873	-1

3Q = third quarter.
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) Reis, Inc.; (b) RealPage, Inc.

Inc.-defined submarket areas of Capitol Hill/Central District, Downtown Seattle, and West Seattle/South Seattle, which each reported declines of 4 percent during the third quarter of 2020. Rents in the Kennewick-Pasco metropolitan area decreased 1 percent to $959 during the third quarter of 2020, while the apartment vacancy rate increased from 3.2 to 3.4 percent, compared with the third quarter of 2019 (Reis, Inc.). The Olympia metropolitan area was the only highlighted area in the state where rents did not decline, remaining relatively stable at $1,171.

In Oregon, apartment market conditions were mixed, with slightly tight conditions in the Eugene metropolitan area and a balanced market in the Portland metropolitan area. Although the apartment vacancy rate increased from 2.9 to 3.2 percent in the Eugene metropolitan area, it was the only highlighted area in the region to experience significant rent growth, a 3-percent increase to $1,043. Falling rents and an increasing vacancy rate caused the Portland apartment market to transition from slightly tight during the third quarter of 2019 to balanced during the third quarter of 2020 (RealPage, Inc.). Apartment market conditions softened significantly in the RealPage, Inc.-defined Central Portland submarket area, where average rents fell 7 percent to $1,686 and the apartment vacancy rate increased from 5.7 to 7.7 percent.

The only highlighted area in the region where the apartment vacancy rate decreased was the Boise metropolitan area, where the apartment vacancy rate decreased from 4.8 to 3.7 percent and rents increased less than 1 percent to $1,014 during the third quarter of 2020 (Reis, Inc.). Despite the downturn in economic conditions, population growth in Boise likely remained high, supporting continued growth in demand for apartments.

Alaska was the only state in the region with poor economic conditions and a declining population before the COVID-19 pandemic, leading to persistently soft apartment market conditions throughout much of the state. Apartment market conditions in the Anchorage metropolitan area remained slightly soft during the third quarter of 2020, unchanged from the third quarter of 2019. Rent growth in the metropolitan area was slow in the mid- and late-2010s, averaging less than 1 percent annually from 2015 through 2019, and the average rent declined slightly to $1,158 during the third quarter of 2020.

During the third quarter of 2020 (preliminary data)—

- Multifamily construction in the Northwest region totaled 6,900, down 35 percent from the 10,700 units permitted during the third quarter of 2019. Softening apartment markets and poor economic conditions resulted in decreased multifamily construction in every state in the region.
- Approximately 4,975 multifamily units, or 72 percent of the regional total, were permitted in Washington, down 20 percent from a year ago. Approximately 75 percent of all multifamily construction in the state occurred in the Seattle metropolitan area, where 3,725 units were permitted, down 21 percent from the third quarter of 2019.
- In Idaho, multifamily construction totaled 670 units, down 64 percent from a year ago. By comparison, construction activity increased 71 percent to 1,850 units from the third quarter of 2018 to the third quarter of 2019. Multifamily construction in the Boise metropolitan area decreased 72 percent to 330 units permitted during the third quarter of 2020.

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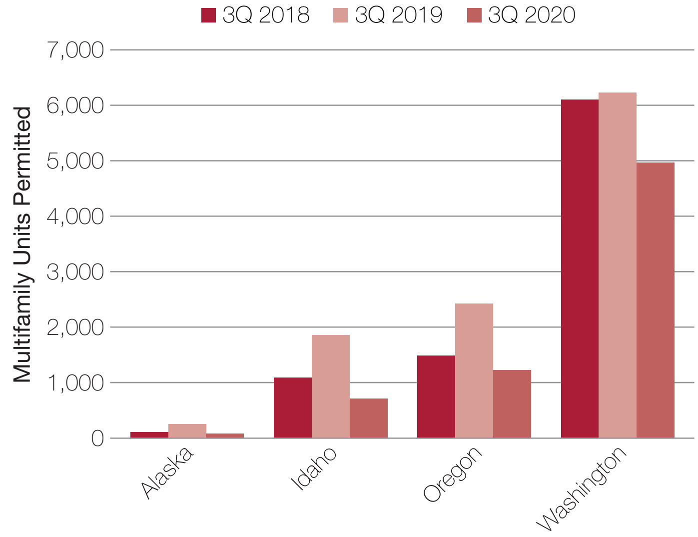
- Multifamily construction in Alaska decreased 68 percent to 75 units, the largest percentage decline in the region. Almost all the decline occurred outside the Anchorage area, where multifamily construction fell 21 percent to 60 units.
- The 50-percent decrease in multifamily construction in Oregon was preceded by a 64-percent increase from the third quarter of 2018 to the third quarter of 2019. Approximately 80 percent of the multifamily construction in the state occurred in the Portland metropolitan area, where the number of units permitted dropped 61 percent to 970. The statewide decline was partially offset by an increase in the Eugene metropolitan area, where 210 units were permitted, up from less than 10 units during the third quarter of 2019.

Multifamily construction activity declined in every state in the Northwest region during the third quarter of 2020.



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