

HUD PD&R Regional Reports

Region 10: Northwest



Quick Facts About Region 10

Portland, Oregon

By Thomas E. Aston | 1st quarter 2016



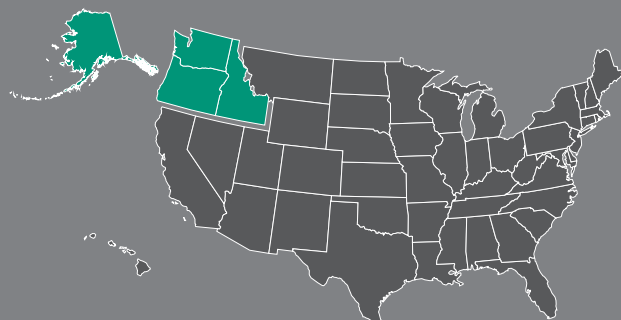
Sales market conditions—

First quarter 2016: tight.
Fourth quarter 2015: tight.
First quarter 2015: tight.



Apartment market conditions—

First quarter 2016: mixed (very tight to balanced).
Fourth quarter 2015: mixed (very tight to balanced).
First quarter 2015: tight.



Overview

Nonfarm payrolls in the Northwest region increased 3.1 percent, or by 180,700 jobs, from a year earlier to 5.99 million jobs in the first quarter of 2016, surpassing the 179,400-job increase from the previous year and the greatest first quarter year-over-year numerical gain since the economic recovery began in 2010. Consistently strong job growth since the first quarter of 2014 led to robust population growth of 1.4 percent, or 200,000 people, from July 2014 to July 2015 in the Northwest region, to 13.6 million compared with an increase of 1.2 percent a year earlier. Supported by strong economic and population growth, the demand for sales housing led to a 15-percent increase in new and existing home sales, outperforming the 13-percent gain from a year earlier. Apartment market conditions were mixed in the region because most metropolitan areas have average vacancy rates under 5 percent, with rent increases ranging from 0 to 13 percent from the first quarter of 2015.

- In the Northwest region, year-over-year nonfarm payroll growth has exceeded 3.0 percent in four of the past five quarters.
- Net in-migration to Oregon from July 2014 to July 2015 accounted for 74 percent of population growth in the state, the highest percentage of any state in the nation.
- In Washington, during the first quarter of 2016, the average sales price of a new or existing home surpassed the peak average sales price from the past decade.



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Measured in terms of percentage change, high-tech job growth led the Northwest region, with the information sector increasing by 6.2 percent.

	First Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,804.9	5,985.6	180.7	3.1
Goods-producing sectors	868.5	884.4	15.9	1.8
Mining, logging, and construction	326.9	338.6	11.7	3.6
Manufacturing	541.6	545.8	4.2	0.8
Service-providing sectors	4,936.3	5,101.3	165.0	3.3
Wholesale and retail trade	893.8	925.8	32.0	3.6
Transportation and utilities	200.2	203.3	3.1	1.5
Information	158.4	168.2	9.8	6.2
Financial activities	282.3	291.4	9.1	3.2
Professional and business services	703.9	734.0	30.1	4.3
Education and health services	854.6	882.5	27.9	3.3
Leisure and hospitality	568.5	594.7	26.2	4.6
Other services	206.7	213.5	6.8	3.3
Government	1,067.9	1,087.9	20.0	1.9

Note: Numbers may not add to totals because of rounding.

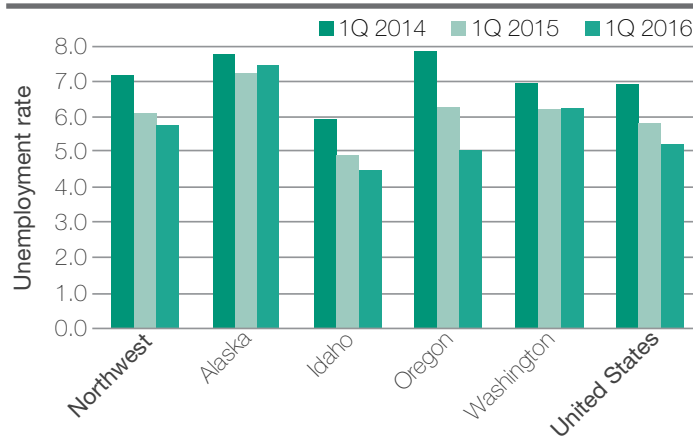
Source: U.S. Bureau of Labor Statistics

Economic Conditions

First quarter nonfarm payrolls in the Northwest region averaged 5.99 million, up 3.1 percent, or by 180,700 jobs, from a year earlier, the largest numerical gain since the economic recovery began in 2010. The wholesale and retail trade, professional and business services, and education and health services sectors led numerical payroll gains with increases of 32,000, 30,100, and 27,900 jobs, respectively. After leading all sectors in the percentage increase in payrolls for eight consecutive quarters, the mining, logging, and construction sector was outpaced by the information sector, up 6.2 percent, the leisure and hospitality sector, up 4.6 percent, and the professional and business services sector, up 4.3 percent. After 2 years of relative stability in the software publishing workforce, hiring surged in Oregon and Washington during the past year. Publishing activity increased in a wide range of applications including social networking, business intelligence, data security, and mobile services. Nonfarm payroll growth was broad based, with 8 of 11 sectors exceeding the 3.1-percent increase in payrolls for the region during the first quarter of 2016. Led by a 1.2-percentage-point decline in the unemployment rate in Oregon, the jobless rate in the region declined from 6.1 to 5.8 percent, but was well above the national rate of 5.2 percent because strong labor markets in Idaho, Oregon, and Washington attracted job seekers to the region.

- Nonfarm payrolls increased by only 100 jobs in Alaska from the first quarter of 2015, to an average of 325,200, the slowest increase in payrolls for the state since 2010. By comparison,

In the Northwest region, the unemployment rates in Alaska and Washington increased from a year ago, but for different reasons—Alaska because of a weak economy and Washington because robust job growth attracted job seekers to the state.



1Q = first quarter.

Source: U.S. Bureau of Labor Statistics

nonfarm payrolls increased 1.0 percent, or by 3,300 jobs, during the previous year. Job losses were greatest in the mining, logging, and construction sector, which decreased 8.8 percent, or by 2,900 jobs. Mainly because of job losses attributable to low oil prices, the mining and logging subsector declined 13.2 percent, or by 1,900 jobs. Offsetting oil-related job losses were job gains in the wholesale and retail trade sector of 4.8 percent, or 2,000 jobs, and the education and health services sector of 3.3 percent, or 1,600 jobs.

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- In Idaho, nonfarm payroll growth was the greatest in the region by percentage terms for the second consecutive quarter. Nonfarm payrolls increased 3.7 percent, or by 23,900 jobs, to an average of 677,000. The leisure and hospitality, education and health services, and professional and business services sectors accounted for slightly more than one-half of job growth from the same quarter a year ago with gains of 5,400, 4,000, and 3,300, or 8.4, 4.1, and 4.2 percent, respectively. Job gains occurred in all nonfarm payroll sectors.
- For the fifth consecutive quarter, nonfarm payroll growth exceeded 3.0 percent in Oregon, where payrolls increased 3.4 percent, or by 59,800 jobs, to an average of 1.8 million. Nonfarm payroll growth exceeded the state average in six sectors, led by a 6.7-percent, or 2,200-job, gain in the information sector, a 5.2-percent, or 11,500-job, gain in the professional and business services sector, and a 4.9-percent, or 12,400-job, gain

in the education and health services sector. Mainly because of hiring in the software publishing industry, nonfarm payroll growth in the information sector led the state for the first time since the second quarter of 2014.

- Washington nonfarm payroll growth kept pace with the regional growth of 3.1 percent, increasing by 97,000 jobs, to an average of 3.18 million. Measured in percentage terms, job growth was greatest in the information sector, which increased 7.0 percent, or by 7,800 jobs, and, like Oregon, benefited from job opportunities in the software publishing industry. Primarily because of job growth in the construction subsector, up 6 percent, or by 9,800 jobs, nonfarm payroll growth in the mining, logging, and construction sector was the second fastest in the state, totaling 5.4 percent, or 9,200 jobs. A gain of 20,300 jobs, or 4.3 percent, in the wholesale and retail trade sector led numerical job growth in Washington.

Population

As of July 1, 2015, the population of the Northwest region was 13.6 million, an increase of approximately 200,000, or 1.4 percent, from a year earlier (Census Bureau Population estimates as of July 1). Since April 2010, population growth in the region has occurred at an average annual rate of 1.2 percent, or 143,200 people. Net in-migration from July 1, 2014, to July 1, 2015, was 115,660 people, of whom 40,800 were from outside the United States. The rate of international in-migration has increased every year since 2010. In terms of growth rates, the Northwest region had the second highest of the 10 HUD regions, tied with the Southwest region and trailing the Rocky Mountain region. Among all the states in the United States, the population growth rates in Washington and Oregon ranked in a tie at fifth.

During the 12 months ending July 1, 2015—

- Population growth accelerated in Washington. The population increased 1.5 percent, or by 107,200, to 7.17 million compared

with an increase of 1.3 percent, or 90,000, during the preceding 12 months. At 68,700 people, net in-migration accounted for 64 percent of population growth, third highest among all states in the United States. The expansion of job opportunities in the Puget Sound area was the main reason for strong net in-migration, especially from outside the United States, which accounted for nearly 60 percent of new arrivals to the state.

- In Oregon, the population increased 1.5 percent, or by 57,775, to 4.03 million compared with an increase of 1.1 percent, or 43,200, a year earlier. Net in-migration of 42,950 people accounted for the greatest portion of population growth, 74 percent, of any state in the nation, primarily because of the strength of the labor market in the Portland metropolitan area.
- As of July 1, 2015, the population in Idaho was 1.65 million, an increase of 1.2 percent, or 20,125, slightly below the increase of

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Mainly because of strong net in-migration, population increased by the greatest percentage in Oregon and Washington among states in the Northwest region.

	Population Estimate (as of July 1)			Percent Change	
	2013	2014	2015	2013 to 2014	2014 to 2015
United States	316,427,395	318,907,401	321,418,820	0.8	0.8
Northwest	13,251,538	13,406,220	13,592,690	1.2	1.4
Alaska	737,442	737,046	738,432	- 0.1	0.2
Idaho	1,612,785	1,634,806	1,654,930	1.4	1.2
Oregon	3,928,030	3,971,202	4,028,977	1.1	1.5
Washington	6,973,281	7,063,166	7,170,351	1.3	1.5

Source: U.S. Census Bureau



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1.4 percent, or 22,025, a year earlier. Approximately 55 percent of population growth, 11,000 people, was attributable to net natural increase (resident births minus resident deaths).

- Alaska had the lowest rate of population growth of any state in the region. Net out-migration of 5,100 people resulted in the

population increasing only 0.2 percent, or by 1,400, to 738,432 compared with a decrease of 0.1 percent, or 400, a year earlier. Population growth has stagnated since 2013 mainly because of the slow pace of job growth and retirees moving to the continental United States.

Sales Market Conditions

Sales housing markets were tight for the fifth consecutive quarter in the Northwest region. During the 12 months ending March 2016, sales of new and existing homes (including single-family homes, townhomes, and condominiums) increased 15 percent, to 296,000 homes sold (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The average price of homes sold increased 7 percent, to \$301,400. New home sales increased 18 percent, to 20,775, and the average price of a new home sold increased 1 percent, to \$372,000. Sales of existing homes increased 8 percent, to 272,350, and the average price of an existing home sold increased 7 percent, to \$293,000. Real estate owned (REO) home sales increased 1 percent, to 22,250, accounting for 8 percent of existing home sales.

Strong population and job growth in Oregon led to the largest percentage increase of new and existing home sales in the region, 21 percent, to 82,350 homes sold, the greatest first quarter gain in home sales since the housing market recovery began in 2010. The average sales price increased 7 percent, to \$280,300. New and existing home sales in Portland and Salem continued the significant gains achieved in 2015, increasing 20 and 33 percent during the 12 months ending March 2016, respectively. The average price increased 9 percent in Portland, to \$330,500, exceeding the peak average price of \$329,700 in 2007. The average price increased

8 percent in Salem, to \$222,600, only 7 percent below the peak 2007 average price of \$234,500. The sales market is tight in both metropolitan areas, with the inventory of for-sale new and existing homes at a 3.3-month supply in Salem and a 1.5-month supply in Portland.

In Idaho, strong demand for sales housing led to an increase in new and existing home sales of 16 percent, to 48,350, and an increase in the average sales price of 6 percent, to \$226,200. New home sales in Idaho led the region, increasing 23 percent, to 4,850. The average price for new homes increased only 3 percent, to \$262,900, the lowest average price for new homes of any state in the region. New and existing home sales growth in Boise equaled the state average, increasing 16 percent, to 20,900 home sales, but exceeded the increase in the average price for the state with a gain of 8 percent, to \$247,500. Strong home sales led to a decline in the for-sale inventory to a 2-month supply compared with a 3-month supply a year ago.

New and existing home sales in Washington increased 12 percent, to 145,700, the greatest number of new and existing homes sold since the 12 months ending March 2006. The average sales price increased 7 percent, to \$338,000, and is 3 percent greater than the peak average of \$329,600 in 2007. Sales housing markets are tight

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Strong sales housing demand in the Northwest region led to double-digit home sales growth in every major metropolitan area except Anchorage.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2015	2016	Percent Change		2015 (\$)	2016 (\$)	Percent Change
Anchorage (N&E)	March	8,900	9,125	3	AVG	287,500	297,000	3
Boise (N&E)	March	17,950	20,900	16	AVG	228,600	247,500	8
Kennewick (N&E)	March	4,925	5,750	17	AVG	207,100	223,400	8
Olympia (N&E)	March	4,675	5,175	11	AVG	237,300	252,100	6
Portland (N&E)	March	44,950	53,900	20	AVG	302,500	330,500	9
Salem (N&E)	March	5,675	7,575	33	AVG	207,000	222,600	8
Seattle (N&E)	March	66,950	73,650	10	AVG	404,100	438,400	8
Tacoma(N&E)	March	27,550	31,750	15	AVG	246,893	265,154	7

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

Note: Includes single-family homes, townhomes, and condominiums.

Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst



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in Kennewick, Olympia, Seattle, and Tacoma. New and existing home sales increases ranged from 10 percent, or 73,650 homes sold, in Seattle to 17 percent, or 5,750 homes sold, in Kennewick. Average prices increased from 6 percent in Olympia to 8 percent in Kennewick and Seattle, ranging from \$223,400 in Kennewick to \$438,400 in Seattle. Robust sales diminished the supply of for-sale inventory from a 1.5-month supply in March 2015 to a 1.2-month supply in March 2016 in Seattle; from a 3.2-month supply to a 2.0-month supply in Olympia; and from a 2.6-month supply to a 1.4-month supply in Tacoma.

Strong sales market conditions led to a decrease in the rate of seriously delinquent (90 or more days delinquent or in foreclosure) loans and REO properties. As of March 2016, 2.9 percent of home loans in the region were seriously delinquent or in REO status, down from 3.4 percent in March 2015; at the same time, the U.S. rate decreased from 4.3 to 3.8 percent. The share of seriously delinquent loans and REO properties decreased from 3.5 to 3.0 percent in Washington, from 3.6 to 3.2 percent in Oregon, from 2.8 to 2.3 percent in Idaho, and from 1.9 to 1.8 percent in Alaska (Black Knight Financial Services, Inc.).

Responding to the strong demand for sales housing, construction of single-family homes, as measured by the number of homes permitted, increased in every state in the Northwest region.

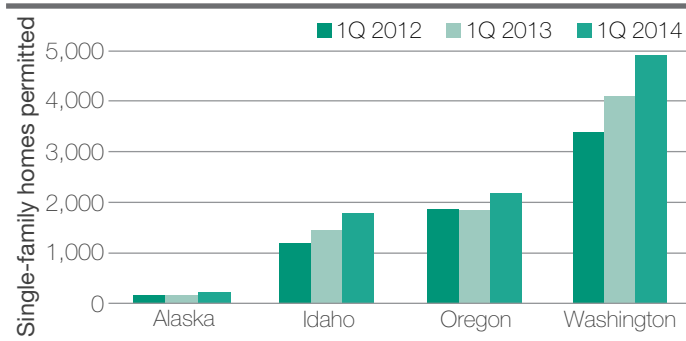
During the first quarter of 2016—

- Single-family homebuilding activity in the Northwest region increased 20 percent, to 9,150 homes permitted, from the first quarter of 2015 compared with a 14-percent gain from the first quarter of 2014.

Apartment Market Conditions

Apartment market conditions in major metropolitan areas of the Northwest region were mixed, ranging from very tight to balanced. Very tight market conditions prevailed in Anchorage, Olympia, Portland, and Salem, where the average vacancy rates ranged from 1.4 percent in Anchorage to 3.0 percent in Portland and rent changes ranged from 0 percent in Anchorage to increases of 13 percent in Portland and Salem. Demand for rental units has been especially strong in Portland and Salem. The average rent in Portland increased 13 percent for the second consecutive quarter and 10 percent or more for the fourth consecutive quarter, despite the addition of 4,050 units in 35 projects during the past year (MPF Research). In Salem, the average vacancy rate has been 1.7 percent or less since the first quarter of 2015 and the average rent has increased 10 percent or more in consecutive quarters but, unlike in Portland, only 204 units in one project have been completed since the first quarter of 2015 (Reis, Inc.).

In response to an 18-percent increase in new home sales during the 12 months ending March 2016, the number of homes permitted increased in every state in the Northwest region during the first quarter of 2016.



1Q = first quarter.

Note: Based on preliminary data.

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

- A 14-percent increase in new home sales contributed to Alaska's leading the region in percentage growth terms as single-family home permitting increased 29 percent.
- Strong demand for new homes in Idaho led to a 22-percent increase, to 1,800 homes permitted, the sixth consecutive first quarter that permitting has increased.
- Strong job and population growth fueled 19- and 20-percent gains in single-family home permitting in Oregon and Washington to 2,200 and 4,925, respectively, the second greatest number of homes permitted for both states in the first quarter since the housing recovery began in 2010.

Apartment markets were slightly tight in Kennewick and Seattle, where the average vacancy rates were 4.6 and 4.2 percent and average rents increased 3 and 11 percent, respectively. In Seattle, 10,250 units were completed in 71 projects from the first quarter of 2015 to the first quarter of 2016, but the average vacancy rate declined by 0.3 percentage points in the first quarter of 2016 from 4.5 percent a year earlier (*Apartment Insights*).

The addition of approximately 1,300 apartments in Ada County during 2015, the second most active year since 2000, brought balanced market conditions to the Boise apartment market for the second consecutive quarter. After four consecutive quarters of average apartment vacancy rate increases in Boise, the average vacancy rate decreased to 5.1 percent during the first quarter of 2016 from 5.6 percent in the fourth quarter of 2015.

Relatively tight rental housing market conditions throughout 2015 continued to attract apartment developers to major metropolitan areas in Idaho, Oregon, and Washington.

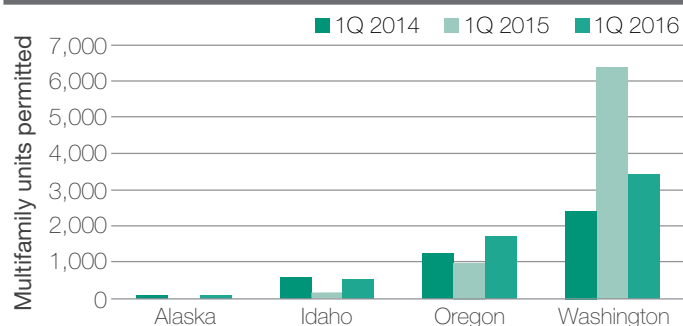
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During the first quarter of 2016 (preliminary data)—

- The number of multifamily units permitted in the Northwest region declined 24 percent, to 5,750, from the first quarter of 2015. The decline was partly attributable to the unusually large number of multifamily units permitted a year ago, the highest level of first quarter multifamily activity in 18 years, but also because of the shortage of construction workers in the region (Oregon State Office of Economic Analysis, KIRO TV News Seattle, and Idaho Business Review).
- Multifamily permitting activity in Alaska increased to 70 units, more than double the number of units permitted a year ago. Multifamily permitting activity was the second highest first quarter total since 2010 but well below the peak 3-year average of 175 from 2005 to 2007.
- In Idaho, the number of multifamily units permitted increased to 525 from 175 a year earlier. Canyon County, in the Boise metropolitan area, accounted for one-half of the state's multifamily permitting activity.
- After three consecutive first quarter declines in Oregon, the number of multifamily units permitted increased 74 percent, to 1,700 units, the strongest first quarter since the economic recovery began in 2010.

Tight apartment markets in the Northwest region led to a tripling of multifamily units permitted in Idaho and a 74-percent gain in Oregon in the first quarter of 2016.



1Q = first quarter.

Note: Based on preliminary data.

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

- Washington was the only state in the region where the number of multifamily units permitted declined, with a 46-percent decrease to 3,450. The decline was greatest in the city of Seattle, where 1,250 multifamily units were permitted compared with a 35-year record of 4,100 a year earlier.

In response to the largest increase in apartment completions since 2000, apartment market conditions in Boise improved from tight a year earlier to balanced, the only balanced market in the Northwest region, during the first quarter of 2016.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2015 (%)	1Q 2016 (%)	Percentage Point Change	1Q 2015 (\$)	1Q 2016 (\$)	Percent Change
Anchorage ^a	Very tight	2.2	1.4	- 0.8	1,120	1,123	0
Boise ^a	Balanced	3.0	5.1	2.1	772	796	3
Kennewick ^a	Slightly tight	4.7	4.6	- 0.1	860	884	3
Olympia ^a	Very tight	2.7	2.3	- 0.4	910	941	3
Portland ^b	Very tight	2.5	3.0	0.5	1,051	1,185	13
Salem ^b	Very tight	1.7	1.7	0.0	745	844	13
Seattle ^c	Slightly tight	4.5	4.2	- 0.3	1,325	1,475	11

1Q = first quarter.

Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) Reis, Inc.; (b) MPF Research; (c) *Apartment Insights*