

HUD PD&R Regional Reports

Region 10: Northwest



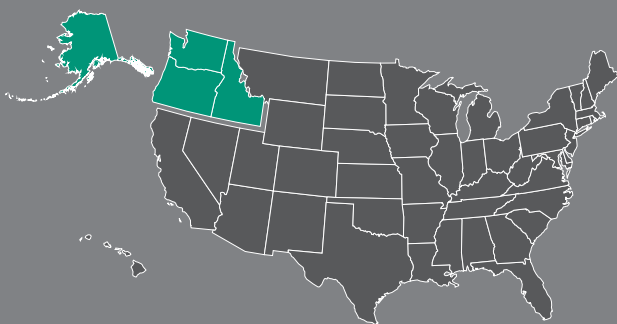
Quick Facts About Region 10

Portland, Oregon

By Thomas E. Aston | 1st quarter 2015

Sales market conditions—
First quarter 2015: tight.
Fourth quarter 2014: mixed (balanced to tight).
First quarter 2014: slightly soft.

Apartment market conditions—
First quarter 2015: tight.
Fourth quarter 2014: tight.
First quarter 2014: mixed (tight to very tight).



Overview

Nonfarm payroll growth in the Northwest region accelerated for the fifth consecutive quarter, with payrolls increasing 3.2 percent, or by 179,400 jobs, during the first quarter of 2015. Strong job growth in recent years led to a population increase of 151,100 from July 1, 2013, to July 1, 2014, 40 percent of which came from outside of the United States. Sales housing market conditions were tight throughout the region, with sales increasing 4 and 5 percent in Oregon and Washington, respectively, since the same quarter a year ago; low inventories of homes for sale in Idaho held home sales steady during the same period. The average price of a home sold increased 3, 5, and 6 percent in Idaho, Oregon, and Washington, respectively. Apartment markets were tight in the Northwest region, and in 7 of 15 metropolitan areas, conditions were very tight, with vacancy rates below 3 percent. Average apartment rents in 14 of 15 major metropolitan markets increased from the first quarter of 2014, with increases ranging from 2 to 7 percent; the exception was the Spokane metropolitan area, where the average apartment rent was unchanged from a year ago.

- Year-over-year quarterly nonfarm payroll gains in the region were greater than 3 percent for the first time since the second quarter of 2006.

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- The population in the Northwest region increased 1.1 percent, which was higher than the 0.7-percent national rate and the third highest growth rate of the 10 HUD regions.

Economic Conditions

During the first quarter of 2015, nonfarm payrolls in the Northwest region increased by the greatest year-over-year numerical gain since the labor market recovery that began during the first quarter of 2010. The 179,400 increase in jobs brought nonfarm payrolls to a quarterly average of 5.83 million jobs, a 3.2-percent increase from the first quarter of 2014. Job growth was widespread, with payrolls in every nonfarm sector growing at least 2 percent. The greatest numerical job gains occurred in the professional and business services and the wholesale and retail trade sectors, which increased by 28,700 and 26,900 jobs, or 4.2 and 3.1 percent, to 706,400 and 893,700 jobs, respectively. The highest percentage gain occurred in the mining, logging, and construction sector, where strong commercial and multifamily construction activity led to an increase of 24,000 jobs, or 7.9 percent, to 326,600 jobs. The unemployment rate averaged 6.2 percent during the first quarter of 2015 compared with 7.2 percent a year earlier, with rates down in every state of the region.

During the first quarter of 2015—

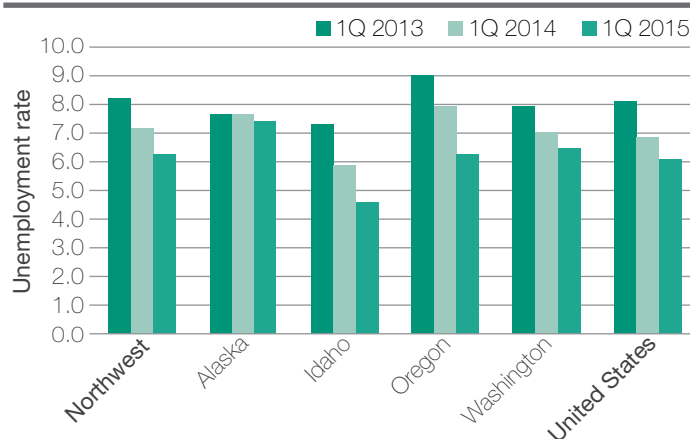
- In Alaska, nonfarm payrolls increased by 3,300 jobs, or 1.0 percent, primarily because of the 1,300 jobs, or 3.6 percent, gained in the retail trade subsector and the 1,100 jobs, or 5.7 percent, gained in the transportation and utilities sector. More than 90 percent of the jobs added in the transportation and utilities sector were in the transportation and warehousing subsector.

- The 4,100 multifamily units permitted in the city of Seattle during the first quarter of 2015 exceeded the yearly total of units permitted in Seattle in 29 of the past 35 years (preliminary data).

- In Idaho, nonfarm payrolls increased by 18,500 jobs, or 2.9 percent, to an average of 656,200. The Coeur d'Alene metropolitan area added jobs at a rate twice the statewide average, growing by 3,200 jobs, or 5.9 percent, to 57,900. Job growth

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In Oregon, the unemployment rate decreased by 1.7 percentage points from the first quarter of 2014, the greatest decline of any state in the Northwest region.



1Q = first quarter.

Source: U.S. Bureau of Labor Statistics

The year-over-year percentage increase in nonfarm payrolls in the Northwest region was the greatest since the second quarter of 2006.

	First Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,647.2	5,826.6	179.4	3.2
Goods-producing sectors	833.5	868.9	35.4	4.2
Mining, logging, and construction	302.6	326.6	24.0	7.9
Manufacturing	530.9	542.3	11.4	2.1
Service-providing sectors	4,813.7	4,957.7	144.0	3.0
Wholesale and retail trade	866.8	893.7	26.9	3.1
Transportation and utilities	191.9	198.5	6.6	3.4
Information	154.4	157.6	3.2	2.1
Financial activities	285.1	294.1	9.0	3.2
Professional and business services	677.7	706.4	28.7	4.2
Education and health services	837.6	863.0	25.4	3.0
Leisure and hospitality	548.5	564.4	15.9	2.9
Other services	202.8	209.3	6.5	3.2
Government	1,048.9	1,070.7	21.8	2.1

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

Source: U.S. Bureau of Labor Statistics



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in the Coeur d'Alene metropolitan area was led by the leisure and hospitality sector, which increased by 1,100 jobs, or 17.6 percent, to 7,600 jobs. During the same period, lodging revenue increased more than 7 percent from the first quarter of 2014. The mining, logging, and construction and the leisure and hospitality sectors, which increased by 3,500 jobs, or 9.9 percent, and 3,000 jobs, or 4.8 percent, respectively, led job gains in the state.

- Oregon led rate gains among all states in the region, with an increase of 3.5 percent, or 58,000 jobs, in nonfarm payrolls, to an average of 1.74 million jobs. Gains of 12,700 jobs, or 6.0 percent, in the professional and business services sector and 10,600 jobs, or 4.3 percent, in the education and health services sector led growth in Oregon. Approximately 85 percent of all

jobs in the education and health services sector are in the health care and social assistance industry, which added 9,900 jobs, or 4.7 percent.

- In Washington, nonfarm payrolls increased by 99,600 jobs, or 3.3 percent, to an average of 3.11 million; net job growth was led by the mining, logging, and construction and the professional and business services sectors, which added 13,700 and 15,900 jobs, or 9.1 and 4.4 percent, to 165,600 and 376,600 jobs, respectively. Within the professional and business services sector, the employment services and the computer systems design and related services industries added 5,400 and 4,400 jobs, or 12.4 and 10.0 percent, to 49,300 and 48,400 jobs, respectively.

Population

The population in the Northwest region increased by 151,100, or 1.1 percent, from July 2013 to July 2014, to 13.4 million, which was higher than the national population growth rate of 0.7 percent (Census Bureau Population estimates as of July 1). Approximately 55 percent of population growth in the region resulted from net in-migration of 82,800 people, of which more than 40 percent came from outside the United States. In terms of growth rates, the Northwest region was the third fastest growing of the 10 HUD regions, behind the Rocky Mountain and Southwest regions, and every state in the region except Alaska was among the 15 fastest growing states in the country.

During the 12 months ending July 1, 2014—

- Nearly 60 percent of the population growth in the region was in Washington, where the population increased by 87,800, or 1.3 percent, to 7.06 million. Nearly 65 percent of the growth was from net in-migration, which totaled 52,050 people; nearly one-half came from international in-migration.
- The population in Idaho expanded by 21,600, or 1.3 percent, to 1.63 million. Net natural increase (resident births minus resident deaths) was responsible for most of the population growth in Idaho, totaling 11,300 people, and net in-migration was 10,300. The net natural increase in Idaho was only slightly less than the net natural increase in Oregon, despite Oregon having a population 2.5 times greater.
- Oregon's population reached 3.97 million, increasing by 42,150, or 1.1 percent, and comprising approximately 28 percent of the regional population growth. Most of the population growth in Oregon resulted from net in-migration of 30,250 people, of which approximately three-fourths came from within the United States.
- Alaska was among the six states in the nation and Puerto Rico that experienced a decrease in population. The population in Alaska declined by 530, or 0.1 percent, to 736,700, because net natural increase and international in-migration were offset by domestic out-migration of 10,150 people because of declining job opportunities. By comparison, the population expanded 0.8 percent, or by 6,175 people, from July 2012 to July 2013.

Every state in the Northwest region except Alaska experienced population growth at a higher rate than the national rate.

	Population Estimate (as of July 1)			Percent Change	
	2012	2013	2014	2012 to 2013	2013 to 2014
United States	314,112,078	316,497,531	318,857,056	0.8	0.7
Northwest	13,121,680	13,251,912	13,402,965	1.0	1.1
Alaska	731,081	737,259	736,732	0.8	- 0.1
Idaho	1,595,590	1,612,843	1,634,464	1.1	1.3
Oregon	3,898,684	3,928,068	3,970,239	0.8	1.1
Washington	6,896,325	6,973,742	7,061,530	1.1	1.3

Source: U.S. Census Bureau



Sales Market Conditions

Sales housing market conditions were tight in the Northwest region in the first quarter of 2015. During the 12 months ending February 2015 (the best representative data available), sales of new and existing homes (including single-family homes, townhomes, and condominiums) increased 3 percent from a year ago, to 246,900 (CoreLogic, Inc., with adjustment by the analyst). The average price of a home sold increased 5 percent, to \$280,900. Sales of new homes decreased 1 percent, to 22,850, and the average price of a new home increased 9 percent, to \$356,400. Sales of real estate owned (REO) properties were relatively unchanged from a year ago at 17,500 homes sold, accounting for 8 percent of existing home sales during the first quarter of 2015.

Robust job growth combined with increasing home sales and prices resulted in a decrease in the rate of seriously delinquent loans (home loans that were 90 or more days delinquent or in foreclosure) or loans that had transitioned in REO status. As of March 2015, 3.4 percent of home loans in the region were seriously delinquent or in REO status, down from 4.2 percent in March 2014; the U.S. rate decreased from 5.2 to 4.3 percent. The rate decreased from 4.5 to 3.5 percent in Washington, from 4.3 to 3.6 percent in Oregon, from 3.5 to 2.8 percent in Idaho, and from 2.2 to 1.9 percent in Alaska (Black Knight Financial Services, Inc.).

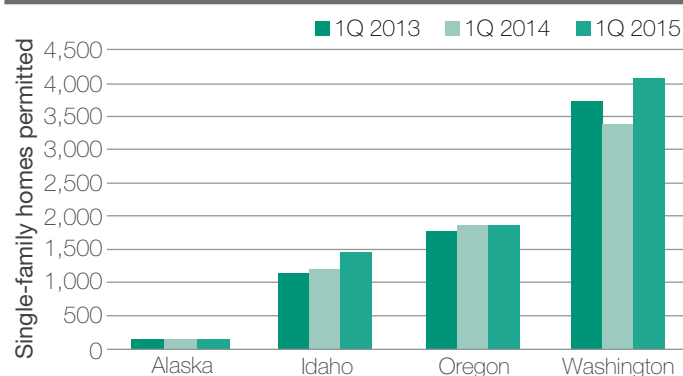
Strong demand, supported by accelerating job growth, in Oregon and Washington led to increases in new and existing home sales of 4 and 5 percent, to 71,000 and 122,700, respectively (CoreLogic, Inc.). The average sales price increased 6 percent in Oregon, to \$264,900, and 5 percent in Washington, to \$315,500. In Oregon, growth in home sales activity in Portland, Eugene, and Salem—4, 4, and 6 percent, respectively—equaled or exceeded the increase in statewide homes sales. In Washington, growth in sales activity—9 percent, to 49,925—was greatest outside of the major market

areas of Seattle, Tacoma, and Spokane. In Idaho, despite year-over-year nonfarm payroll growth of 2.9 percent from the first quarter of 2014, sales of new and existing homes were unchanged at 4,125, but the average sales price increased 3 percent, to \$272,200. In Boise, Idaho's largest housing market area, sales of new and existing homes fell 2 percent mainly because of the limited number of for-sale inventory. As of March 2015, the inventory was a 3-month supply compared with a 4-month supply a year earlier.

In response to an expanding regional economy, the demand for newly constructed single-family homes led to an increase in the number of single-family homes permitted for the second consecutive quarter.

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Idaho and Washington accounted for 75 percent of the increase in single-family homebuilding activity in the Northwest region.



1Q = first quarter.

Note: Based on preliminary data.

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

Increases in home sales and average sales prices in the Salem metropolitan area outpaced those of the other major metropolitan areas in the Northwest region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2014	2015	Percent Change		2014 (\$)	2015 (\$)	Percent Change
Anchorage (N&E)	February	19,000	18,263	-4	AVG	283,200	284,700	1
Boise (N&E)	February	19,000	18,600	-2	AVG	211,000	218,600	4
Eugene (N&E)	February	5,275	5,500	4	AVG	217,300	225,100	4
Portland (N&E)	February	41,300	42,800	4	AVG	297,400	306,200	3
Salem (N&E)	February	5,300	5,600	6	AVG	186,700	202,600	9
Seattle (N&E)	February	48,200	49,100	2	AVG	420,200	450,600	7
Spokane (N&E)	February	8,600	8,875	3	AVG	176,800	183,900	4
Tacoma (N&E)	February	14,800	14,800	0	AVG	232,000	244,800	6

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

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

Source: CoreLogic, Inc.



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During the first quarter of 2015 (preliminary data)—

- In the Northwest region, single-family homebuilding activity, as measured by the number of homes permitted, increased by 900 homes, or 14 percent, to 7,745 from a year ago compared with a decline of 3 percent a year earlier, comprising the highest first quarter increase since the 16-percent gain in homebuilding activity from 2011 to 2012.
- Strengthening demand for new homes in Idaho and Washington resulted in increased single-family permitting activity in each state, with gains of 21 and 20 percent, respectively.

- Approximately 80 percent of the increase in homebuilding activity in Washington occurred in the cities of Vancouver, Bremerton, and Spokane, and in Snohomish County (in the Seattle-Bellevue-Everett Metropolitan Division).
- In Alaska and Oregon, homebuilding stabilized during the first quarters of 2013, 2014, and 2015, averaging 170 and 1,850 homes permitted, respectively, compared with 115 and 1,225 homes permitted in the first quarters of 2010 through 2012.

Apartment Market Conditions

Apartment market conditions in major metropolitan areas of the Northwest region are tight. Reflecting the strong demand for apartments since the 2007-to-2009 recession, the first quarter of 2015 marks the first time since the housing crises of the past decade that all 15 major market areas for which data are available exhibited tight market conditions. Vacancy rates ranged from 1.1 percent in the Medford-Klamath Falls area in Oregon to 4.7 percent in the Seattle metropolitan area. By comparison, during the first quarter of 2014, vacancy rates ranged from 2.1 percent in the Medford-Klamath Falls area to 5.2 percent in the Bremerton-Silverdale metropolitan area in Washington.

Changes in average rents in the first quarter of 2015 from a year ago ranged from no change in Spokane to a 7-percent increase in

Portland. Until the current quarter, for eight consecutive quarters average apartment rents had increased at the highest rate in the Seattle metropolitan area. Primarily because of increased apartment construction activity since 2012, vacancy rates increased in Seattle, Boise, Bellingham, and Eugene, but despite the higher vacancy rates, strong demand for apartments resulted in rents increasing 6, 3, 4, and 3 percent, respectively, in these areas.

During the first quarter of 2015 (preliminary data)—

- The 7,750 multifamily units permitted in the Northwest region, up 77 percent from a year ago, was the most units permitted during the first quarter in at least the past 18 years.

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In the Northwest region, a significant increase in the completion of multifamily units during 2014 led to vacancy rate increases in Boise and Seattle.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2014 (%)	1Q 2015 (%)	Percentage Point Change	1Q 2014 (\$)	1Q 2015 (\$)	Percent Change
Anchorage ^a	Tight	2.6	2.2	– 0.4	1,102	1,120	2
Boise ^a	Tight	2.6	3.5	0.9	750	772	3
Eugene ^a	Tight	2.8	3.8	1.0	763	786	3
Portland ^b	Very tight	2.6	2.5	– 0.1	999	1,070	7
Seattle ^b	Tight	4.0	4.7	0.7	1,280	1,360	6
Spokane ^a	Very tight	2.8	2.1	– 0.7	688	691	0
Tacoma ^b	Very tight	4.2	3.6	– 0.6	890	930	4

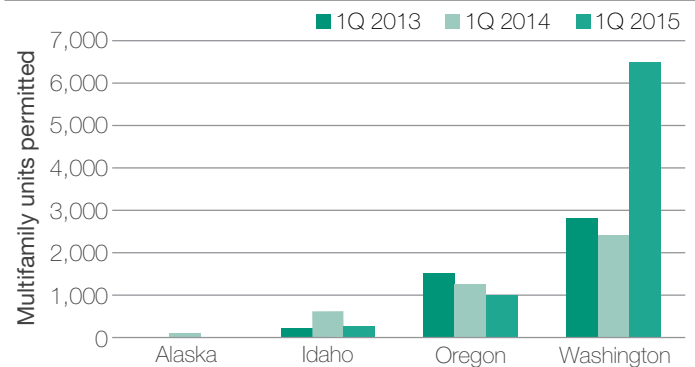
1Q = first quarter.

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

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- In Alaska, the number of multifamily units permitted declined from 90 to 30, making this quarter the fifth first quarter since 2007 in which the number of units permitted has been 30 units or less; by comparison, the number of multifamily units permitted averaged 165 units during the first quarters from 2000 through 2007.
- In Idaho, approximately 250 multifamily units were permitted, a 58-percent decline from a year earlier mainly because the number of multifamily units permitted in the Boise metropolitan area, where the apartment vacancy rate increased from 2.6 to 3.5 percent, declined 76 percent, to 112 units.
- Multifamily construction activity in Washington accounted for 84 percent of the Northwest region total as the number of multifamily units permitted in the city of Seattle set a 35-year, first quarter record of 4,100 units, 63 percent of the state total.

In the Northwest region, the number of multifamily units permitted declined in three states but increased in Washington by the most units ever in a first quarter.



1Q = first quarter.

Note: Based on preliminary data.

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