

HUD PD&R Regional Reports

Region 10: Northwest



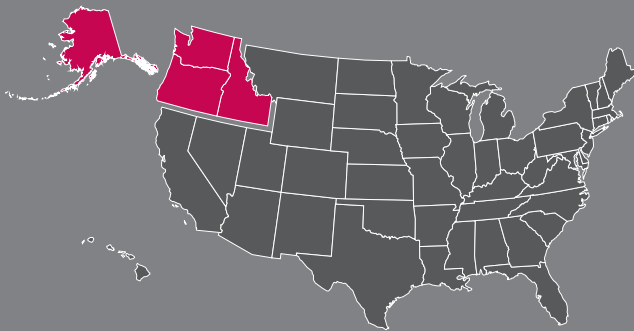
Quick Facts About Region 10

Juneau, Alaska

By Thomas E. Aston | 3rd quarter 2013

Sales market conditions—
Third quarter 2013: balanced to tight.
Second quarter 2013: balanced.
Third quarter 2012: soft.

Apartment market conditions—
Third quarter 2013: tight.
Second quarter 2013: tight.
Third quarter 2012: tight.



Overview

After 2 1/2 years of labor market recovery, job growth in the Northwest region continued to outpace that of the United States, and the average unemployment rate in the region was less than the U.S. average for the second consecutive quarter. Sales housing market conditions were balanced for two consecutive quarters in 2013, the first time since before the recent recession. In several major metropolitan markets, buyers found that low inventories narrowed the range of housing choices in desirable locations, resulting in multiple offers for some listed properties. Tight apartment market conditions persisted in several metropolitan areas, with average vacancy rates of between 3 and 4 percent and rent increases outpacing the inflation rate.

- The leisure and hospitality sector led the labor market recovery for the second consecutive quarter.
- In September 2013, all four states in the region showed declines in the percentage of home loans that were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned).
- Apartment construction activity in the Seattle metropolitan area reached 21,000 units in 2013, the most units under construction since 1991 (Dupre+Scott Apartment Advisors, Inc.).



PD&R

Year-over-year job growth in the Northwest region increased by the greatest percentage since the third quarter of 2007.

	3 Months Ending August		Year-Over-Year Change	
	2012 (thousands)	2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,514.7	5,619.5	104.8	1.9
Goods-producing sectors	845.4	861.9	16.5	2.0
Mining, logging, and construction	306.9	316.5	9.6	3.1
Manufacturing	538.5	545.5	7.0	1.3
Service-providing sectors	4,669.3	4,757.6	88.3	1.9
Wholesale and retail trade	859.4	880.0	20.6	2.4
Transportation and utilities	193.2	199.3	6.1	3.2
Information	154.8	156.2	1.4	0.9
Financial activities	280.2	281.8	1.6	0.6
Professional and business services	659.1	674.7	15.6	2.4
Education and health services	746.6	763.6	17.0	2.3
Leisure and hospitality	571.5	595.8	24.3	4.3
Other services	204.3	207.9	3.6	1.8
Government	1,000.3	998.1	- 2.2	- 0.2

Note: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013.

Source: U.S. Bureau of Labor Statistics

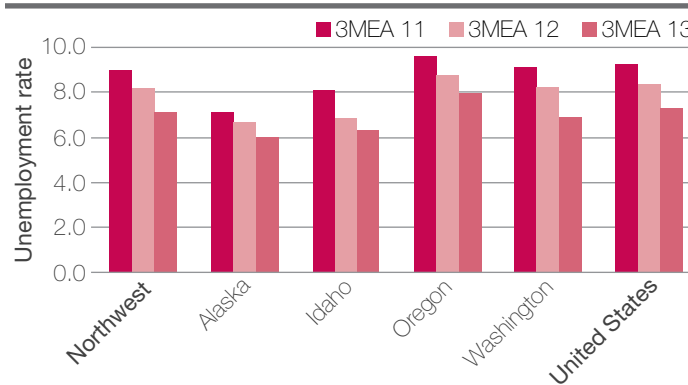
Economic Conditions

Nonfarm payroll growth in the Northwest region continued to accelerate during 2013. During the 3 months ending August 2013, nonfarm payrolls averaged 5.62 million jobs, an increase of 104,800 jobs, or 1.9 percent, from the same period ago. By comparison, year-over-year job growth during the same 3-month period increased 1.6 and 1.3 percent in 2012 and 2011, respectively. Job growth during the 3-month period ending August 2013 in the region outpaced the 1.7-percent increase in nonfarm payrolls reported for the nation. Gains during this 3-month period, the first time since 2007 that year-over-year job growth exceeded 100,000, brought nonfarm payrolls nearly in line with the peak level of employment of 5.71 million jobs in 2008.

During the 3 months ending August 2013—

- The unemployment rate in the region averaged 7.1 percent compared with the rate of 8.2 percent a year ago, the greatest yearly decline since the end of the recent recession.
- Continuing a trend that started in the second quarter of 2013, the leisure and hospitality sector recorded the greatest annual job gain of any service sector, increasing by 24,300 jobs, or 4.3 percent.

Washington was the only state in the Northwest region where the unemployment rate declined more than the U.S. rate from a year ago.



3MEA = 3 months ending August.

Note: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013.

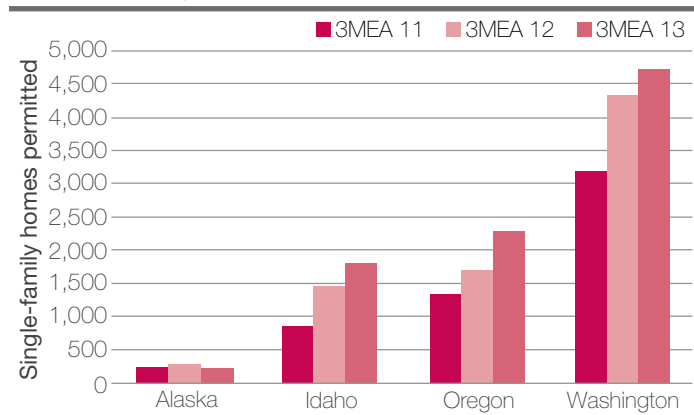
Source: U.S. Bureau of Labor Statistics

- Job growth in the leisure and hospitality sector was greatest in Idaho and Washington, increasing 4.3 and 4.0 percent, respectively, primarily because of hiring in the food services and drinking places subsector.
- Boise, Seattle, and Spokane had the greatest job growth among metropolitan areas in the region, with nonfarm payrolls increasing 2.8, 2.8, and 2.6 percent, respectively.

Sales Market Conditions

Sales housing market conditions are balanced to tight across the Northwest region. Job growth gained momentum in 2013, increasing net in-migration and the demand for sales housing in several major metropolitan areas. The combination of relatively low sales housing inventories in several major metropolitan areas and reduced construction activity put upward pressure on home sales prices. During the 12 months ending September 2013, sales of new and existing homes increased 20 percent, to 226,400 homes sold, and the average home sales price increased 9 percent, to \$268,200 (Metrostudy, A Hanley Wood Company). The greatest increases in home sales activity during the 12 months ending September 2013 occurred in Washington and Oregon, where sales increased 24 and

Low inventories of new and existing homes led to significant gains in single-family building in the Northwest region.



3MEA = 3 months ending August.

Notes: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013. Based on preliminary data.

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

20 percent, to 63,700 and 112,800 homes sold, respectively, compared with home sales activity during the same period a year ago. The average sales price increased 11 percent, to \$242,600, in Oregon and 7 percent, to \$293,400, in Washington. During the same period, in Idaho, the average home sales price was \$186,600, up 7 percent from a year ago, and sales of new and existing homes increased 13 percent, to nearly 38,000 homes sold. In Alaska, new and existing home sales increased 11 percent, to nearly 12,000 homes sold, and the average sales price increased 2 percent, to \$270,100. In September 2013, 5.0 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down from 6.3 percent in September 2012. The distressed loan rate decreased from 7.1 to 5.4 percent in Washington, from 5.8 to 4.9 percent in Oregon, from 5.1 to 4.0 percent in Idaho, and from 2.7 to 2.5 percent in Alaska (LPS Applied Analytics). The U.S. foreclosure rate decreased to 6.0 percent in September 2013 from 7.5 percent a year ago.

During the 3-month period ending August 2013 (preliminary data)—

- In the region, single-family construction activity, as measured by the number of homes permitted, increased 17 percent, to 9,050 homes permitted, compared with the increase of 36 percent during the same period a year ago.
- Builders responded to increasing sales prices most aggressively in Oregon, where permitting of single-family construction increased 34 percent, to 2,275 homes permitted.
- Single-family home construction increased 24 percent, to 1,800 homes permitted, in Idaho and 9 percent, to 4,725 homes permitted, in Washington, but permitting declined 11 percent, to 250 homes, in Alaska.

Eugene, Portland, and Seattle were the only metropolitan areas in the Northwest region where the average sales price increased more during the 12 months ending September 2013 than during the 12 months ending June 2013.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2012	2013	Percent Change		2012 (\$)	2013 (\$)	Percent Change
Anchorage (N&E)	September	7,425	8,425	13.5	AVG	279,200	289,400	3.7
Bend (N&E)	September	4,500	5,800	28.9	AVG	213,900	250,450	17.1
Boise (N&E)	September	16,700	18,750	12.3	AVG	189,700	209,900	10.6
Eugene (N&E)	September	4,150	5,150	24.1	AVG	200,600	212,000	5.7
Kennewick (N&E)	September	3,825	4,325	13.1	AVG	202,200	217,300	7.5
Olympia (N&E)	September	3,225	4,000	24.0	AVG	238,300	229,150	-3.8
Portland (N&E)	September	32,400	39,600	22.2	AVG	251,800	278,000	10.4
Seattle (N&E)	September	49,150	61,800	25.7	AVG	338,000	371,100	9.8

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

Source: Metrostudy, A Hanley Wood Company



Apartment Market Conditions

Apartment market conditions are tight in the Northwest region. In the Seattle metropolitan area, the average apartment vacancy rate during the third quarter of 2013 was 3.9 percent compared with the rate of 4.4 percent a year ago, and rents increased 6 percent, to average \$1,190 (MPF Research). In the Portland metropolitan area, the average apartment vacancy rate during the third quarter of 2013 was 2.9 percent compared with the rate of 3.0 percent a year ago, and rents increased nearly 6 percent, to average \$982 (MPF Research).

Elsewhere in the region, in Boise, the average apartment vacancy rate was 2.9 percent during the third quarter of 2013 compared with the rate of 4.5 percent a year ago, and rents increased 2 percent during the year, to \$740; in Bend, the average apartment vacancy rate declined to 3.0 percent from 3.7 percent, and the average rent increased more than 3 percent, to \$710 (Reis, Inc.). In Anchorage, the average rent during the third quarter of 2013 was \$1,093, up 2 percent from a year ago, and the average apartment vacancy rate was unchanged at 2.4 percent (Reis, Inc.). The average apartment vacancy rates in the Kennewick and Olympia metropolitan areas moved in opposite directions from the third quarter of 2012 to the third quarter of 2013, increasing from 2.6 to 4.5 percent in Kennewick but decreasing from 3.6 to 2.6 percent in Olympia (Reis, Inc.). The average rent increased 3 percent both cities, however, to \$818 and \$882, respectively.

Apartment market conditions were tight throughout most of the Northwest region.

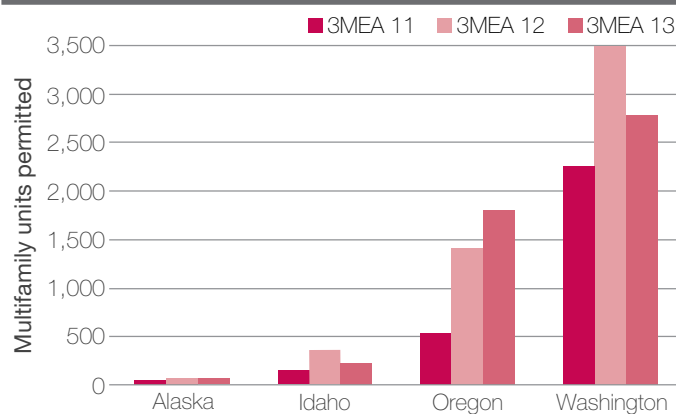
Metropolitan Area	Market Condition
Anchorage	Tight
Bend	Very tight
Boise	Tight
Kennewick	Balanced
Olympia	Tight
Portland	Very tight
Seattle	Very tight

Source: HUD, PD&R, Economic and Market Analysis Division

During the 3-month period ending August 2013 (preliminary data)—

- Primarily because of a decline in the construction of large multifamily complexes, building permits were issued for 4,925 multifamily units in the Northwest region, a decline of 7 percent from a year ago.
- Building activity declined most sharply in the Seattle metropolitan area, where activity fell 31 percent, to 2,275 units permitted, as developers scaled back on production in aftermath of the 7,750 units permitted in 2012, the most units authorized since 1990.
- In Oregon, the only state where multifamily construction activity increased, the number of multifamily units permitted increased 30 percent, to 1,800 units.
- Nearly 90 percent of the multifamily units permitted in Oregon were in the Portland metropolitan area, where builders aggressively responded to very tight apartment market conditions.

In Oregon, the only state in the Northwest region where multifamily permitting increased, the greatest increases occurred in Bend and Portland.



3MEA = 3 months ending August.

Notes: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013. Based on preliminary data.

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