

HUD PD&R Regional Reports

Region 10: Northwest



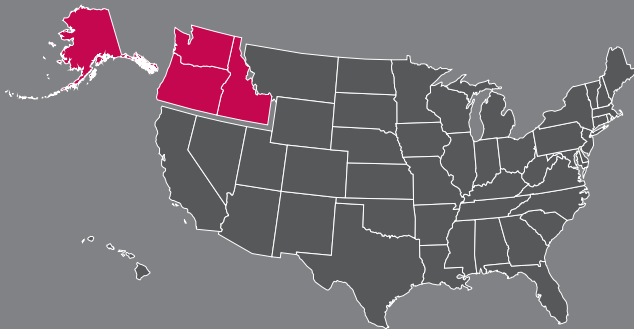
Quick Facts About Region 10

Anchorage, Alaska

By Thomas E. Aston | 3rd quarter 2014

Sales market conditions—
Third quarter 2014: mixed (balanced to tight).
Second quarter 2014: balanced.
Third quarter 2013: mixed (balanced to tight).

Apartment market conditions—
Third quarter 2014: mixed (balanced to very tight).
Second quarter 2014: mixed (tight to very tight).
Third quarter 2013: tight.



Overview

Nonfarm payroll growth accelerated for the third consecutive quarter, increasing 2.1 percent, or 121,800 jobs, the greatest numerical increase since the national recession ended in 2009. Sales housing market conditions were mixed as the number of new and existing home sales declined in Alaska and Idaho, but the average price of a home sold increased in all states and major metropolitan areas. Apartment vacancy rates in major metropolitan areas ranged from 2.1 to 4.3 percent, and multifamily construction activity, as measured by the number of units permitted, was strong in Idaho, Oregon, and Washington.

- As of September 2014, inventories of new and existing homes for sale were low in nearly all major metropolitan areas in the region, ranging from a 2.4-month supply in Seattle to a 4.5-month supply in Boise.
- The unemployment rate in the region decreased for the second consecutive quarter, averaging 5.7 percent, the lowest jobless rate since the third quarter of 2009.
- In the region, sales of REO (Real Estate Owned) and short sale properties as a percentage of existing homes sold decreased to 13 percent for the 12 months ending August 2014 compared with 18 percent a year earlier and was at its lowest level since the 12 months ending August 2008.



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At 121,800, the yearly increase in nonfarm payroll jobs in the Northwest region was the greatest since the labor market recovery began in 2010.

	Third Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,687.5	5,809.3	121.8	2.1
Goods-producing sectors	881.8	897.8	16.0	1.8
Mining, logging, and construction	330.1	339.6	9.5	2.9
Manufacturing	551.6	558.3	6.7	1.2
Service-providing sectors	4,805.7	4,911.5	105.8	2.2
Wholesale and retail trade	881.0	908.0	27.0	3.1
Transportation and utilities	195.4	198.2	2.8	1.4
Information	155.9	160.1	4.2	2.7
Financial activities	288.5	288.5	0.0	0.0
Professional and business services	691.2	704.9	13.7	2.0
Education and health services	810.4	831.9	21.5	2.7
Leisure and hospitality	593.7	612.7	19.0	3.2
Other services	206.6	209.5	2.9	1.4
Government	983.2	997.7	14.5	1.5

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

Source: U.S. Bureau of Labor Statistics

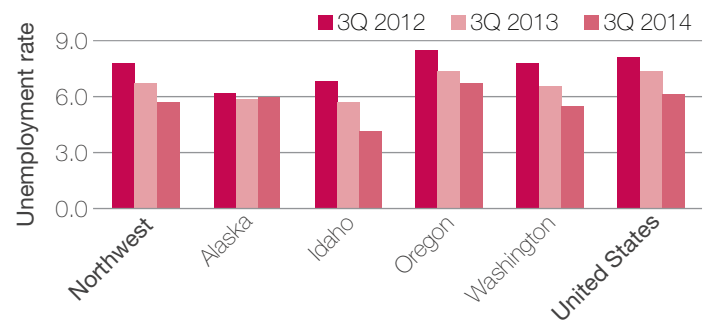
Economic Conditions

During the third quarter of 2014, nonfarm payrolls in the Northwest region increased by the greatest year-over-year numerical quarterly gain since the labor market recovery that began during the first quarter of 2010. The 121,800 net increase in jobs brought nonfarm payrolls to a quarterly average of 5.8 million jobs, a 2.1-percent increase from the third quarter of 2013. The largest numerical job gain occurred in the wholesale and retail trade sector, which increased by 27,000 jobs, or 3.1 percent, to 908,000 jobs, surpassing the previous 2007 third quarter peak of 894,000 jobs. The greatest percentage increase was the 3.2-percent gain in the leisure and hospitality sector, a result of 19,000 net new jobs, for a total of 612,700 jobs, which is approximately 29,000 jobs more than the 2008 third quarter peak of 583,300 jobs. The unemployment rate averaged 5.7 percent during the third quarter of 2014 compared with 6.7 percent a year earlier and was less than the national rate for the second consecutive quarter.

During the third quarter of 2014—

- In Alaska, nonfarm payrolls declined by 1,200 jobs, or 0.3 percent, primarily because of the 2,100 jobs, or 5.8 percent, lost in the leisure and hospitality sector and the 1,400 jobs, or 1.8 percent, lost in the government sector.
- In Idaho, nonfarm payrolls increased by 5,000 jobs, or 0.8 percent, to an average of 652,200; the education and health services and

The unemployment rate in Oregon was the highest in the Northwest region because of a 1.3-percent increase in the civilian labor force relative to a year ago and was the greatest percentage gain relative to job growth of any state in the region.



3Q = third quarter.

Source: U.S. Bureau of Labor Statistics

the leisure and hospitality sectors, which increased by 3,100 jobs, or 3.4 percent, and 2,400, or 3.5 percent, respectively, led job gains in the state.

- Oregon led all states, with an increase of 2.8 percent, or 46,200 jobs, in nonfarm payrolls, to an average of 1.72 million jobs, mainly because of a gain of nearly 10,000 jobs, or 4.1 percent, in the education and health services sector and 7,000 jobs, or 3.3 percent, in the professional and business services sector.
- Washington led all states in the percentage gain of jobs in the wholesale and retail trade sector, increasing 3.9 percent, or by 18,000 jobs, and, combined with the 4.2-percent increase, or 12,700 jobs, in the leisure and hospitality sector, was the main reason nonfarm payrolls in the state increased 2.4 percent, or by 71,800 jobs.

Sales Market Conditions

Sales market conditions were mixed, ranging from balanced to tight in the Northwest region during the third quarter of 2014. Sales of new and existing homes (including single-family homes, townhomes, and condominiums) increased 2 percent during the 12-month period ending August 2014 (CoreLogic, Inc.; best representative available). The average price of a home sold increased nearly 7 percent, to \$277,400. The rate of growth of sales for new and existing homes decreased for three consecutive quarters because of the decline in distressed loans and REO properties and the limited number of desirable properties for sale. In the region, during the 12 months ending August 2014, sales of REO and short sale properties decreased 24 percent, to 28,500 homes sold. In the selected major metropolitan areas of the region, as of September 2014, the number of months' supply of available inventory of new and existing homes was 3.5 in Anchorage, 2.4 in Seattle, 3.1 in Portland, 3.7 in Tacoma, 3.8 in Olympia, 3.9 in Eugene-Springfield, and 4.5 in Boise (Jack White Realty—Anchorage; Northwest Multiple Listing Service—Seattle, Tacoma, Olympia; Residential Multiple Service—Portland, Eugene-Springfield; Intermountain Multiple Listing Service—Boise).

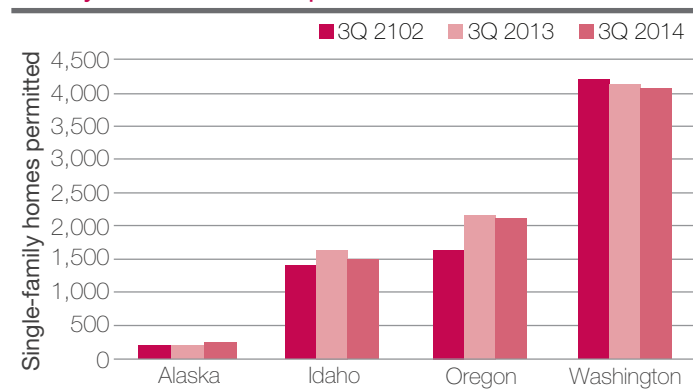
In September 2014, 3.8 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 4.6 percent in September 2013 at the same time that the U.S. foreclosure rate decreased from 5.6 to 4.7 percent. The rate decreased from 5.0 to 4.0 percent in Washington, from 3.8 to 3.1 percent in Idaho, from 4.6 to 3.9 percent in Oregon, and from 2.4 to 2.2 percent in Alaska (Black Knight Financial Services, Inc.).

During the third quarter of 2014 (preliminary data)—

- In the region, single-family homebuilding activity, as measured by the number of homes permitted, decreased 2 percent from the third quarter of 2013, to 8,000 homes, compared with a 10-percent gain during the same period a year earlier.
- Single-family home permitting decreased in every state except Alaska, where permitting activity increased 23 percent to 270 homes.

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Low inventories of desirable homes for sale in the Northwest region have kept single-family construction steady since the third quarter of 2012.



3Q = third quarter.

Note: Based on preliminary data.

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

For the first time since the sales housing market started to recover in the third quarter of 2012, the average price of a home sold increased 10 percent or more in most major metropolitan areas in the Northwest region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2013	2014	Percent Change		2013 (\$)	2014 (\$)	Percent Change
Alaska (N&E)	August	12,700	12,700	0	AVG	265,900	280,200	5
Anchorage (N&E)	August	8,575	8,500	-1	AVG	285,100	304,500	7
Idaho (N&E)	August	40,900	39,900	-2	AVG	197,500	214,800	9
Boise (N&E)	August	19,050	18,200	-4	AVG	201,900	225,300	12
Oregon (N&E)	August	65,600	66,450	1	AVG	241,500	272,500	13
Portland (N&E)	August	39,500	40,250	2	AVG	278,700	315,300	13
Washington (N&E)	August	112,100	116,200	4	AVG	293,000	321,700	10
Seattle (N&E)	August	61,450	61,500	0	AVG	362,300	406,200	12

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

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

Source: CoreLogic, Inc.

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- Single-family permitting activity decreased most in Idaho, falling 8 percent to 1,525 homes permitted but was 18 percent more than the average of the third quarters from 2011 through 2013.
- In Oregon and Washington, homebuilding activity decreased 2 percent, to 2,125 and 4,075 homes permitted, respectively. Despite the decline from a year ago, permit activity in Oregon

and Washington were 23 and 12 percent more than their respective third quarter averages from 2011 through 2013.

- In Seattle, mainly in response to the 1.5-month supply of inventory of condominiums for sale, construction activity increased to 1,050 condominiums compared with 700 a year earlier.

Apartment Market Conditions

Apartment market conditions in major metropolitan areas are mixed, ranging from balanced to very tight. All 14 major metropolitan areas in the Northwest region for which data are available had an average apartment vacancy rate of 4.3 percent or less and 7 metropolitan areas were at less than 3 percent (Reis, Inc.; MPF Research). Primarily because of the large volume of apartment completions in 2012, 2013, and the first three quarters of 2014, the average apartment vacancy rate increased in Portland and Seattle for the first time since the fourth quarter of 2009. In Portland, approximately 7,250 units were completed during this period and, in Seattle, approximately 21,600. Average apartment rents increased between 2 and 6 percent from the third quarter of 2013 in all major metropolitan areas except the Kennewick-Pasco-Richland area. For the eighth consecutive quarter, average yearly apartment rent gains were the greatest in Seattle, averaging 6 percent.

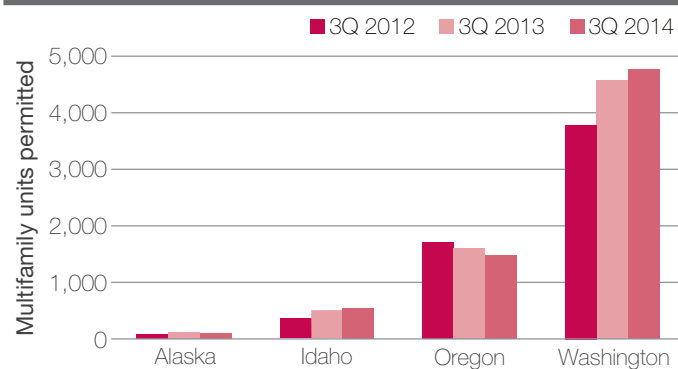
During the third quarter of 2014 (preliminary data)—

- The number of multifamily units permitted in the region increased to 6,950, up 2 percent from the third quarter of 2013 compared with a 13-percent gain a year earlier.
- Multifamily permit activity increased in all states except Oregon, where it decreased 8 percent to 1,475 units but was 48 percent more than the third quarter average from 2010 through 2012.
- Idaho led all states in percentage increase of multifamily units permitted, with an increase of 12 percent, to 560 units, mainly

because of apartment construction activity in Boise and Rexburg, which accounted for 92 percent of the permit activity in the state.

- In Washington, multifamily permit activity increased 4 percent, to 4,775 units permitted, because apartment construction was strong in the Seattle metropolitan area, which accounted for 77 percent of multifamily units permitted in the state.

Builders in the Northwest region continued to respond to tight apartment markets in Idaho and Washington, increasing multifamily permitting activity for the third consecutive third quarter.



3Q = third quarter.

Note: Based on preliminary data.

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

Bend and Boise joined the ranks of very tight apartment markets in the Northwest region when vacancy rates fell to less than 3 percent and rents increased 3 percent from a year ago in those two areas.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2013 (%)	3Q 2014 (%)	Percentage Point Change	3Q 2013 (\$)	3Q 2014 (\$)	Percent Change
Anchorage ^a	Very tight	2.4	2.6	0.2	1,093	1,119	2
Bend ^a	Very tight	3.1	2.3	-0.8	740	762	3
Boise ^a	Very tight	3.6	2.7	-0.9	713	735	3
Bremerton ^a	Balanced	6.1	4.3	-1.8	923	945	2
Portland ^b	Very tight	2.5	2.7	0.2	978	1,035	6
Salem ^a	Very tight	2.4	2.3	-0.1	677	696	3
Seattle ^b	Very tight	3.4	3.9	0.5	1,197	1,273	6

3Q = third quarter.

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

