

HUD PD&R Regional Reports

Region 10: Northwest

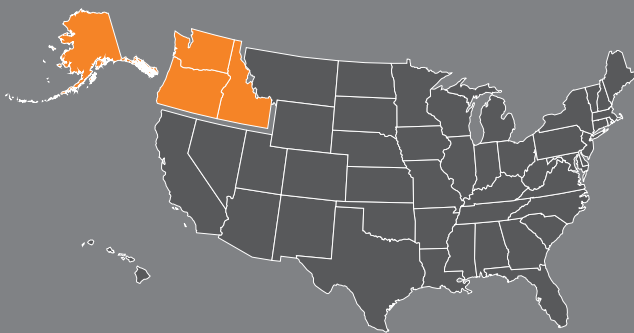


Quick Facts About Region 10

Seattle, Washington

By Thomas E. Aston | 2nd quarter 2014

- **Sales market conditions—**
Second quarter 2014: balanced.
First quarter 2014: balanced.
Second quarter 2013: soft.
- **Apartment market conditions—**
Second quarter 2014: mixed (tight to very tight).
First quarter 2014: mixed (tight to very tight).
Second quarter 2013: tight.



Overview

As of the second quarter of 2014, the labor market in the Northwest region had recovered from the effects of the national recession that ended in 2009. For the second consecutive quarter, the increase in nonfarm payrolls was more than 100,000 jobs compared with the respective quarter a year earlier. Sales housing market conditions improved for the ninth consecutive quarter and the percentage of distressed mortgages declined in all four states for the sixth consecutive quarter. Apartment market conditions continued to tighten in the largest metropolitan areas with year-over-year rents increasing from 3 to 7 percent.

- Mainly because of steady job growth since 2010, the population of Seattle increased to 632,635 from July 2012 to July 2013; this 2.8-percent population growth rate was the greatest percentage increase for any city in the United States with a population of 500,000 or more.
- Primarily because of the highest level of apartment construction activity in 15 years, the rate of job growth in the mining, logging, and construction sector led all employment sectors for the second consecutive quarter.
- During the second quarter of 2014, the 7,400 multifamily units permitted were 13 percent more than the previous peak second quarter average of 6,575 units from 1999 through 2001.



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Job growth in the Northwest region was diverse; 7 of 11 nonfarm payroll sectors recorded gains of 1.9 percent or more from the second quarter of 2013 to the second quarter of 2014.

	Second Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,648.9	5,762.5	113.6	2.0
Goods-producing sectors	838.9	858.0	19.1	2.3
Mining, logging, and construction	305.6	319.5	13.9	4.5
Manufacturing	533.3	538.4	5.1	1.0
Service-providing sectors	4,809.9	4,904.6	94.7	2.0
Wholesale and retail trade	861.5	888.1	26.6	3.1
Transportation and utilities	191.2	193.7	2.5	1.3
Information	153.3	157.4	4.1	2.7
Financial activities	284.3	285.3	1.0	0.4
Professional and business services	675.8	688.6	12.8	1.9
Education and health services	819.2	838.7	19.5	2.4
Leisure and hospitality	567.3	583.3	16.0	2.8
Other services	203.6	207.5	3.9	1.9
Government	1,053.8	1,062.1	8.3	0.8

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

Source: U.S. Bureau of Labor Statistics

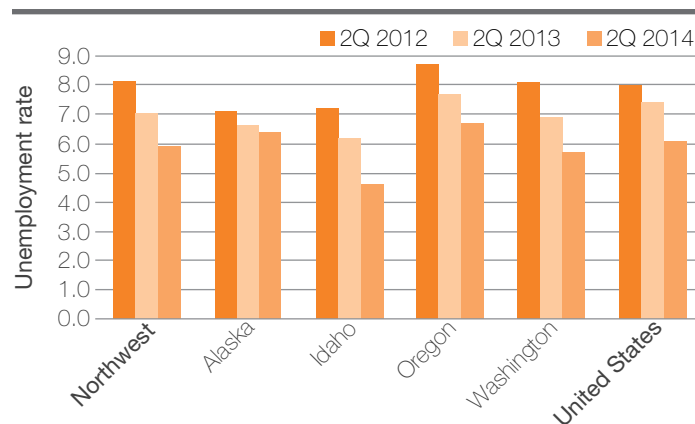
Economic Conditions

Nonfarm payroll jobs in the Northwest region averaged 5.76 million during the second quarter of 2014, a gain of 2.0 percent, or 113,600 jobs, from the second quarter of 2013; this number is 70,000 jobs more than the prerecession peak of 5.69 million recorded during the second quarter of 2007. For the second consecutive quarter, Oregon nonfarm payrolls showed the greatest percentage gain among the four states in the region, with an increase of 2.8 percent, or by 46,800 jobs, and Washington showed the second greatest gain, increasing 2.1 percent, or by 61,900 jobs. Idaho recorded a gain of 0.8 percent, or 5,200 jobs, but Alaska nonfarm payrolls decreased 0.1 percent, or by 200 jobs. As of the second quarter of 2014, the unemployment rate in the region averaged 5.9 percent compared with 7.0 percent a year earlier.

During the second quarter of 2014—

- For the second consecutive quarter, the rate of job growth was greatest in the mining, logging, and construction sector, increasing 4.5 percent, or by 13,900 jobs, mostly because, for the first time since the first quarter of 2013, multifamily permit activity increased in all four states in the region compared with the permit activity during the same quarter a year earlier.
- The wholesale and retail trade sector increased 3.1 percent, or by 26,600 jobs. Job growth in this sector was greatest in Alaska, with a gain of 4.0 percent. Hiring was concentrated among general merchandisers in preparation for the 2014 tourist season.

Idaho was the only state in the Northwest region where the unemployment rate declined more than the U.S. rate declined.



2Q = second quarter.

Source: U.S. Bureau of Labor Statistics

- Nonfarm payroll job growth in the leisure and hospitality and the information sectors in the region recorded gains of 2.8 and 2.7 percent, or 16,000 and 4,100 jobs, respectively.
- Washington led the region in leisure and hospitality sector job growth with a gain of 3.5 percent, or 10,300 jobs, mainly because of hiring in the food services and drinking places industry. Oregon led the region for job growth in the information sector, increasing 4.1 percent, or by 1,200 jobs; hiring was concentrated in the software publishing industry.
- The three metropolitan areas in the region where job gains were greatest were Portland, Seattle, and Kennewick, with job growth rates of 2.8, 2.6, and 2.3 percent, respectively.

Sales Market Conditions

The sales housing market in the Northwest region was balanced for the second consecutive quarter. Sales of new and existing homes increased 8 percent, to 233,600, and the average sales price increased 6 percent, to \$273,900, during the 12 months ending June 2014 (Metrostudy, A Hanley Wood Company). The number of REO (Real Estate Owned) sales decreased 9 percent, to 26,800, and accounted for 13 percent of existing home sales compared with 15 percent a year earlier. The decrease in REO sales is easing downward pressure on the price of existing homes sold; the average price of an REO property during the 12 months ending June 2014 was \$186,700 compared with \$265,200 for an existing nondistressed home sale. In Boise, sales of new and existing homes decreased 6 percent, mainly because of the 33-percent decline in REO sales from the second quarter of 2013. Weakening labor market conditions in Alaska, which began in the second quarter of 2013, led to a 7-percent decline in new and existing home sales and the smallest increase in the average home price of any state in the region.

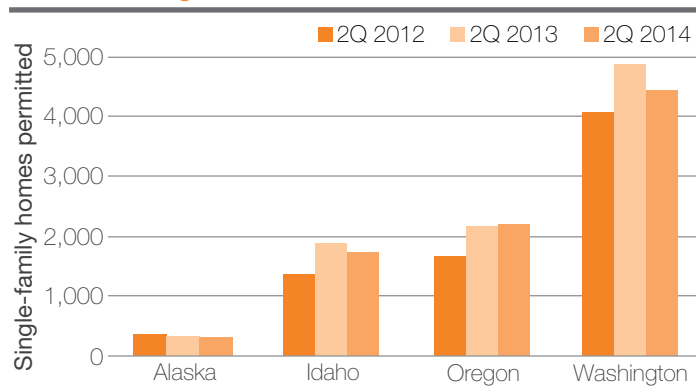
In June 2014, 4.0 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 5.4 percent in June in 2013, while the national rate declined from 6.3 to 4.9 percent. The rate of distressed loans and REO homes decreased from 5.9 to 4.2 percent in Washington, from 4.3 to 3.3 percent in Idaho, from 5.2 to 4.1 percent in Oregon, and from 2.5 to 2.1 percent in Alaska (Black Knight Financial Services, Inc.).

During the second quarter of 2014 (preliminary data)—

- In the region, 8,700 single-family homes were permitted, 6 percent less than the number of homes permitted in the same period a year earlier, but 17 percent more than during the second quarter of 2012.

- Single-family permit activity in the region was 39 percent higher than the second quarter average of 6,275 from 2010 through 2012, but it was 57 percent less than the peak second quarter average of 20,600 from 2004 through 2006.
- In Washington, 4,425 single-family homes were permitted, 9 percent less than the number permitted during the same quarter a year earlier, but 23 percent more than the second quarter average of 3,575 homes from 2010 through 2012.
- In Alaska, Idaho, and Oregon, the number of single-family homes permitted during the second quarter of 2014 was relatively unchanged from a year earlier but increased 20, 64, and 61 percent, respectively, compared with the second quarter average from 2010 through 2012 for each state.

Increasing sales of newly constructed homes kept single-family construction activity steady in the Northwest region.



2Q = second quarter.

Note: Based on preliminary data.

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

Home sales increased most in Washington mainly because, unlike the other three states in the Northwest region, REO sales increased from the second quarter of 2013.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2013	2014	Percent Change		2013 (\$)	2014 (\$)	Percent Change
Alaska (N&E)	June	13,100	12,150	-7	AVG	258,500	261,800	1
Anchorage (N&E)	June	8,075	8,350	3	AVG	276,300	281,400	2
Idaho (N&E)	June	36,650	37,200	2	AVG	198,000	205,200	4
Boise (N&E)	June	18,250	17,200	-6	AVG	197,000	212,300	8
Oregon (N&E)	June	61,000	65,650	8	AVG	240,000	259,000	8
Portland (N&E)	June	37,650	41,100	9	AVG	270,200	292,600	8
Washington (N&E)	June	105,700	118,500	12	AVG	289,400	305,000	5
Seattle (N&E)	June	57,850	62,850	9	AVG	357,600	385,600	8

AVG = average. N&E = new and existing. REO = Real Estate Owned.

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

Source: Metrostudy, A Hanley Wood Company

Apartment Market Conditions

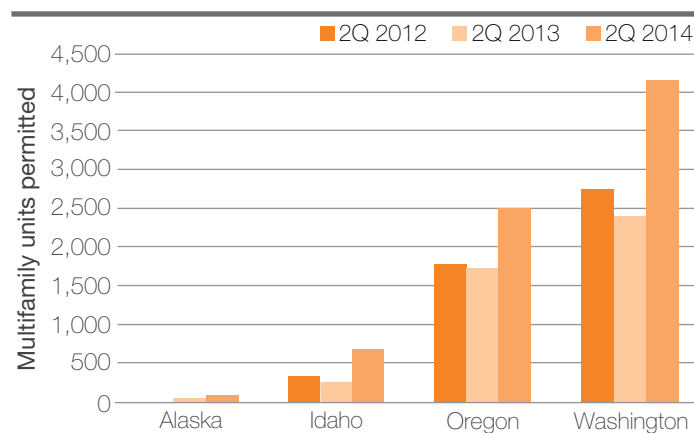
Apartment market conditions in major metropolitan areas are tight to very tight. Apartment demand is strong in Boise, Portland, Seattle, and Tacoma because of steady job growth since 2010 and the relatively low rate of apartment construction from 2003 through 2007 when 50 percent of multifamily construction was for condominium development compared with 25 percent from 2000 through 2003 (McGraw Hill Construction Pipeline Database). In Boise, Portland, and Seattle, apartment vacancy rates declined for four consecutive quarters. Rents increased 4 percent or more in Portland and 6 percent or more in Seattle during the same period. Rent growth in Portland is primarily because of strong demand, but the faster pace of rent growth in Seattle is the result of both strong demand and the volume of new apartments that have arrived on the market since 2012. In Portland, 5,600 apartment units have been completed since the second quarter of 2012, and the vacancy rate decreased from 3.4 to 2.4 percent in the second quarter of 2014 (MPF Research). During the same period, 16,500 units were completed in Seattle and the vacancy rate decreased from 4.7 to 3.4 percent. As of the second quarter of 2014, nearly 6,000 units were under construction in Portland and nearly 13,600 in Seattle. In Tacoma, 640 units have been completed since the second quarter of 2012; the vacancy rate decreased from 4.8 to 3.6 percent as of the second quarter of 2014 (Reis, Inc). In the Tacoma metropolitan area, 460 units are currently under construction.

During the second quarter of 2014 (preliminary data)—

- The number of multifamily units permitted in the Northwest region increased to 7,400, a gain of 68 percent compared with the number permitted during the same quarter a year earlier, and more than double the second quarter average of 3,300 units from 2010 through 2012.

- Washington led all states with the number of multifamily units permitted, increasing 73 percent to 4,150; in Oregon, the number of units permitted increased 45 percent, to 2,500 units, and in Idaho, the number of units permitted more than doubled, to 675 units. In all three states, the number of multifamily units permitted more than doubled the second quarter average from 2010 through 2012.
- In Alaska, the number of multifamily units permitted totaled 80, relatively unchanged compared with 35 units a year earlier and the second quarter average of 60 units from 2010 through 2012.

Tight apartment market conditions in major metropolitan areas led to the greatest quarterly increase in multifamily permitting in the Northwest region since 2001.



2Q = second quarter.

Note: Based on preliminary data.

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

Despite tight apartment market conditions having prevailed since the second quarter of 2013, vacancy rates continued to drop in five of the seven largest metropolitan areas in the Northwest region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2013 (%)	2Q 2014 (%)	Percentage Point Change	2Q 2013 (\$)	2Q 2014 (\$)	Percent Change
Anchorage ^a	Tight	2.3	2.4	0.1	1,093	1,111	2
Boise ^a	Tight	3.7	2.5	-1.2	735	756	3
Eugene ^a	Tight	2.3	2.5	0.2	749	757	1
Portland ^b	Very tight	3.0	2.4	-0.6	954	1,022	7
Seattle ^b	Very tight	3.6	3.4	-0.2	1,179	1,244	6
Spokane ^a	Tight	3.2	2.6	-0.6	683	692	1
Tacoma ^a	Tight	4.3	3.6	-0.7	807	828	3

2Q = second quarter.

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