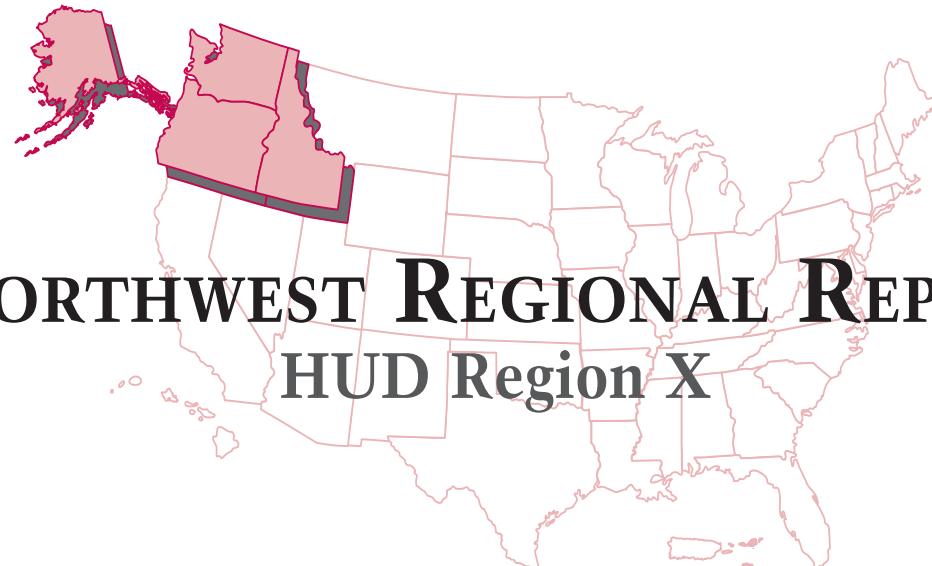




U.S. Housing Market Conditions



NORTHWEST REGIONAL REPORT HUD Region X

3rd Quarter Activity

The following summary of the Northwest region's housing market conditions and activities has been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The report provides overviews of economic and housing market trends within the Northwest region. The report is based on information obtained by HUD economists from state and local governments, from housing industry sources, and from their ongoing investigations of housing market conditions carried out in support of HUD's programs.

Economic conditions in the Northwest region have continued to improve since the 12-month period ending September 2010, when nonfarm payrolls reached a recessionary low of 5.31 million jobs. Nonfarm payrolls in the region increased by 57,100 jobs, or 1.1 percent, reaching 5.37 million total jobs; by comparison, payrolls increased by 54,200 jobs, or 1 percent, during the same period in 2011. Nonfarm payrolls increased the most in Washington, which gained 45,400 jobs, or 1.6 percent, to total 2.86 million jobs. Idaho nonfarm payrolls were 614,000, up 8,200 jobs, or 1.4 percent. Oregon nonfarm payrolls increased by 10,300 jobs, or 0.6 percent, to 1.63 million jobs. Alaska nonfarm payrolls increased by 600 jobs, or

0.2 percent, to 329,300 jobs. During the 12 months ending September 2012, the average unemployment rate in the region declined from 9.9 to 8.1 percent. The average unemployment rate was 8.7 percent in Oregon, 8.5 percent in Washington, 8.2 percent in Idaho, and 7.3 percent in Alaska.

During the 12 months ending September 2012, the education and health services, professional and business services, and manufacturing sectors, which increased by 17,900, 16,600, and 16,000 jobs, or 2.5, 2.7, and 3.3 percent, respectively, led job growth in the region. Washington led the region in manufacturing sector payroll growth, adding 15,700 jobs, a 5.9-percent increase. Alaska led all states in professional and business services sector job gains with an increase of 2.6 percent, or 700 jobs, and in education and health services sector job gains with an increase of 4.4 percent, or 1,900 jobs. For the region, payrolls in the government, the mining, logging, and construction, and the financial activities sectors declined by 15,200, 4,100, and 1,500 jobs, or 1.4, 1.4, and 0.5 percent, respectively. Local and state government budget constraints continue to adversely affect job numbers in the government sector across the region, but the losses were greatest in Oregon, where government sector payrolls fell by 5,600 jobs, or



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1.9 percent. Construction subsector payroll losses accounted for the entire net decline in the mining, logging, and construction sector. Job losses in the financial activities sector were greatest in Idaho, where the sector declined by 800 jobs, or 2.7 percent.

Although home sales markets in the Northwest region are currently soft, markets have continued to improve since early 2011. During the 12 months ending September 2012, 156,350 new and existing homes sold compared with a low of 151,425 homes during the 12 months ending April 2011. According to data from Hanley Wood, LLC, 142,100 existing homes sold in the region during the 12 months ending September 2012, up 6 percent compared with the number sold during the previous 12-month period, and the average home sales price increased 2 percent, to \$252,200. During the same period, REO (Real Estate Owned) sales accounted for approximately 26 percent of all existing home sales, down slightly from 27 percent a year ago. The number of new home sales decreased 11 percent during the 12 months ending September 2012, to 14,200 homes sold compared with the 16,000 homes sold during the same period a year ago. The average sales price of a new home increased 5 percent, to \$292,600.

In Washington, existing home sales increased 8 percent, to 65,250 homes sold, during the 12 months ending September 2012, and the average existing home sales price increased 1 percent, to \$282,600. During this period, REO sales accounted for 28 percent of existing home sales, a figure relatively unchanged from a year ago. New home sales totaled 8,575, representing a 13-percent decrease from the previous 12 months; the average sales price increased 8 percent, however, to \$317,100. In the Seattle metropolitan area, existing home sales increased 15 percent, to 24,550 homes sold, and the average existing home sales price increased 1 percent, to \$400,500. New home sales increased 4 percent, to 3,725 homes sold, and the average new home sales price was \$385,600, unchanged from the previous 12-month period.

Sales housing market conditions in Oregon are soft but improved during the 12 months ending September 2012, when existing home sales increased 6 percent, to 40,700 homes sold. The share of existing home sales that were REO sales declined to 25 percent from 29 percent a year ago. The average existing home sales price increased 1 percent, to \$229,200. New home sales decreased 11 percent, to 2,875 homes sold, and the average sales price was unchanged at \$269,500. In the Portland-Vancouver-Beaverton metropolitan area, existing home sales increased 9 percent, to 23,550 homes sold, and the average existing home sales price increased 1 percent, to \$261,000. New home sales decreased 4 percent, to 2,350 homes sold, and the average new home sales price declined 1 percent, to \$288,700.

In Idaho, during the 12 months ending September 2012, existing home sales increased 2 percent, to 28,250 homes sold, and the share of REO sales remained unchanged at 29 percent. During the same period, the average existing home sales price increased 7 percent, to \$180,700. New home sales decreased 5 percent, to 2,200 homes sold, and the average new home sales price increased 3 percent, to \$211,000. Existing home sales totaled 14,200 in the Boise City-Nampa metropolitan area, up 2 percent compared with the number of homes sold a year ago, and the average existing home sales price increased 10 percent, to \$176,000. During the past 12 months, 1,300 new homes sold, reflecting a 1-percent decline; the average new home sales price increased 3 percent, however, to \$220,000.

In Alaska, during the 12 months ending September 2012, 7,975 existing homes sold, unchanged from the previous 12-month period, and the average existing home sales price increased 4 percent, to \$275,800. REO sales accounted for 10 percent of existing home sales, down slightly from 11 percent a year earlier. Slightly more than 525 new homes sold during the 12 months ending September 2012, representing an 11-percent decrease from the previous year; the average new home sales price increased 14 percent, however, to \$315,200. Existing home sales increased 1 percent, to 5,375 homes sold, in the Anchorage metropolitan area, and the average existing home sales price increased 3 percent, to \$290,800. New home sales totaled 400 homes sold, down 2 percent compared with the number sold a year ago, and the average new home sales price increased 6 percent, to \$325,000.

According to LPS Applied Analytics, as of September 2012, 6.3 percent of home loans in the Northwest region were 90 or more days delinquent, were in foreclosure, or transitioned into REO, up from 6.1 percent in September 2011. Over the same period, the same rate increased from 6.5 to 7.1 percent in Washington, declined from 5.9 to 5.8 percent in Oregon and from 5.6 to 5.1 percent in Idaho, and remained unchanged at 2.7 percent in Alaska.

Although new homes sales declined across the region, low inventories of homes for sale led to an increase in single-family home construction. As measured by the number of homes permitted, new construction increased by 5,150 homes, or 29 percent, to 23,000 homes permitted during the 12 months ending September 2012, according to preliminary data. During the 12 months ending September 2011, the number of single-family homes permitted decreased by 2,275, or 15 percent. Based on preliminary data, during the 12 months ending September 2012, 12,950 single-family homes were permitted in Washington, 5,100 were permitted in Oregon, and 4,325 were permitted in Idaho, reflecting 22-, 23-, and 60-percent increases, respectively. In Alaska, permits were issued for 810 single-family homes, an increase of 14 percent from a year ago.



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Apartment markets have remained tight since the third quarter of 2011 and continue to tighten as vacancy rates declined again during the third quarter of 2012. According to MPF Research, the apartment vacancy rate in the Seattle metropolitan area was 4.4 percent as of the third quarter of 2012, down from 5.3 percent during the previous year; the average asking rent increased 6 percent, to \$1,108. According to Reis, Inc., the apartment vacancy rates in Portland-Vancouver-Beaverton, Boise City-Nampa, and Anchorage were 2.2, 4.2, and 2.4 percent, respectively, during the third quarter of 2012 compared with vacancy rates of 3.2, 5.4, and 3.2 percent, during the previous year. Average asking rents increased 3 percent, to \$881, in Portland-Vancouver-Beaverton; 2 percent, to \$723, in Boise City-Nampa; and 3 percent, to \$1,073, in Anchorage compared with the average rents during the third quarter of 2011. According Dupre+Scott Apartment Advisors, Inc., the September 2012 apartment vacancy rate was 6.2 percent in the Olympia metropolitan area and 8.1 percent in the Bremerton-Silverdale metropolitan area, down from 7.4 and 9.6 percent, respectively, in September 2011. Average asking rent levels remained relatively stable at \$844 in Olympia and increased less than 1 percent, to \$885, in Bremerton-Silverdale.

Based on preliminary data, during the 12 months ending September 2012, the number of multifamily units permitted in the Northwest region increased by 5,150 units, or 53 percent, reaching 14,800 total units. The strong upward trend in Washington multifamily construction since September 2010 continued during the past 12 months. Multi-family construction activity increased by 2,950 units, or 45 percent, to total 9,550 units in the state; by comparison, the average from 2008 through 2010 was 6,875 units a year. According to Dupre+Scott, in King County alone, 14,500 units were under construction and an additional 16,050 units were in the planning phase as of September 2012. The number of multifamily units permitted increased by 1,875 units, or 82 percent, to total 4,175 units in Oregon; increased by 350 units, or 58 percent, to total 970 units in Idaho; and decreased by 30 units, or 19 percent, to total 130 units in Alaska. The average annual number of multifamily units permitted during the 12 months ending September in 2008 through 2010 was 2,650 units in Oregon, 690 units in Idaho, and 260 units in Alaska.