



# U.S. Housing Market Conditions



## 4th 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 2010. Nonfarm payrolls in the region gained 74,600 jobs, or 1.4 percent, to total 5.45 million jobs in 2012; by comparison, from 2010 to 2011, payrolls increased by 57,100 jobs, or 1.1 percent. During 2012, Washington led job growth in the region with an increase of 49,400 jobs, or 1.8 percent. Idaho, Oregon, and Alaska recorded increases of 10,600, 13,600, and 600 jobs, or 1.7, 0.6, and 0.2 percent, respectively. The average unemployment rate in the region declined from 9.1 percent in 2011 to 8.2 percent in 2012, and the state average unemployment rates were 8.6 percent in Oregon, 8.2 percent in Washington, 7.4 percent in Idaho, and 7.1 percent in Alaska.

Job growth in the region was strongest in the manufacturing, wholesale and retail trade, and leisure and hospitality sectors. Payrolls in the manufacturing sector increased by 18,200 jobs, or 3.6 percent; the manufacturing sector in Washington accounted for 83 percent of this increase and had the fastest growth rate in the region with an increase of 15,100 jobs, or 5.6 percent. In the region, the wholesale and retail trade sector increased by 20,500 jobs, or 2.5 percent, and the leisure and hospitality sector increased by 11,500 jobs, or 2.2 percent. Idaho had the fastest growth rate in the region for those sectors, which increased 3.1 percent each, or by 3,200 and 1,800 jobs, respectively, in the state. The government sector, which was the only sector with job losses in all four states, declined by 11,400 jobs, or 1.1 percent. The greatest percentage declines in the government sector were recorded in Oregon (1.4 percent, or 4,200 jobs) and Idaho (1.3 percent, or 1,500 jobs). Washington accounted for 46 percent of total losses in the government sector for the region with a decline of 5,300 jobs, or 1.0 percent.

The home sales market in the Northwest region was soft during 2012, but conditions are improving after 2 successive years of job growth. After falling for 5 consecutive years to 151,900 in 2011, new and existing home sales



increased 9 percent, to 166,300, in 2012, according to Hanley Wood, LLC. The average new and existing home sales price was \$257,100, an increase of 4 percent from 2011, when the average price fell 2 percent. During 2012, 151,200 existing homes sold in the region, up 10 percent compared with the number of existing homes sold in 2011, and the average home sales price increased 4 percent, to \$253,200. REO (Real Estate Owned) sales accounted for approximately 19 percent of all existing home sales, down from 25 percent a year ago. The number of new home sales in the region increased 9 percent during the 2012, to 15,100 homes sold. The average sales price of a new home increased 5 percent, to \$292,600.

In Washington, during 2012, existing home sales increased 8 percent, to 68,700 homes sold, and the average existing home sales price increased 6 percent, to \$291,300. REO sales accounted for 20 percent of existing home sales compared with accounting for 30 percent of existing home sales in 2011. New home sales totaled 9,100, an 8-percent decrease from 2011, and the average new home sales price increased 9 percent, to \$325,100. In the Seattle metropolitan area, during 2012, existing home sales increased 11 percent, to 26,350 homes sold, and the average existing home sales price increased 7 percent, to \$415,100. New home sales increased to 4,025, an 18-percent gain, and the average new home sales price was \$390,100, 3 percent more than the 2011 average price of \$378,300.

Sales housing market conditions in Oregon started to improve in 2012, when existing home sales increased 17 percent, to 45,650, and the average existing home sales price increased 4 percent, to \$233,000. The share of existing home sales that were REO sales declined to 21 percent from 27 percent a year ago. New home sales increased 10 percent, to 3,075 homes sold, and the average new home sales price increased 3 percent, to \$277,300. In the Portland-Beaverton-Vancouver metropolitan area, existing and new home sales increased 18 and 3 percent, to 26,550 and 2,575 homes sold, respectively. The average existing home sales price increased 5 percent, to \$267,000, and the average new home sales price increased 4 percent, to \$299,200.

In Idaho, existing home sales increased 4 percent, to 28,650, during 2012 compared with the decline of 3 percent in 2011. The share of REO sales decreased to 19 percent of existing home sales during 2012 from 30 percent in 2011. During 2012, the average existing home sales price increased 12 percent, to \$187,900. New home sales increased 21 percent, to 2,550 homes sold, and the average new home sales price increased 2 percent, to \$211,700. Existing home sales totaled 14,450 in the Boise City-Nampa metropolitan area, up 3 percent compared with the number of homes sold a year ago, and the average existing home sales price increased 6 percent, to \$176,700. During 2012, 1,750 new homes sold, reflecting a 55-percent increase, but the average new home sales price was unchanged, at \$219,400.

In Alaska, during 2012, 8,100 existing homes sold, a 2-percent increase compared with the number sold in 2011, and the average existing home sales price increased 3 percent, to \$275,900. REO sales accounted for 9 percent of existing home sales, down from 15 percent a year earlier. Nearly 450 new homes sold during 2012, a 23-percent decline compared with the number of homes sold in 2011, but the average new home sales price increased 16 percent, to \$325,500. Existing home sales increased 5 percent, to 5,600 homes sold, in the Anchorage metropolitan area, and the average existing home sales price increased 5 percent, to \$294,800. New home sales totaled 375, down 3 percent compared with the number sold a year ago, and the average new home sales price increased 8 percent, to \$331,000.

According to LPS Applied Analytics, as of December 2012, 6.1 percent of home loans in the Northwest region were 90 or more days delinquent, were in foreclosure, or transitioned into REO, up from 5.8 percent in December 2011. During 2012, the same rate increased from 6.4 to 6.9 percent in Washington, from 5.4 to 5.5 percent in Oregon, and from 2.4 to 2.5 percent in Alaska, but it decreased from 5.3 to 4.9 percent in Idaho.

The increase in new homes sales in Washington and Oregon and low inventories of new homes for sale throughout the region in 2012 led to an increase in single-family home construction, as measured by the number of homes permitted. According to preliminary data, the number of single-family homes permitted increased by 6,725 homes, or 35 percent, to 26,100 homes permitted during 2012 compared with the number permitted during 2011. During 2011, the number of single-family homes permitted decreased by 1,525, or 7 percent, from 2010. During 2012, 14,700 single-family homes were permitted in Washington, 5,975 were permitted in Oregon, and 4,625 were permitted in Idaho, reflecting 29-, 31-, and 65-percent increases, respectively. In Alaska, permits were issued for 820 single-family homes, an increase of 20 percent from a year ago.

During 2012, rental markets were tight for the second consecutive year in the Northwest region, and apartment vacancy rates continued to decline. According to MPF Research, the apartment vacancy rate in the Seattle metropolitan area was 4.2 percent as of the fourth quarter of 2012, down from 5.4 percent during the same quarter a year ago, and the average asking rent increased 6 percent, to \$1,100. In the Portland-Beaverton-Vancouver metropolitan area, the average apartment vacancy rate declined to 3.7 percent during the fourth quarter of 2012 from 4.2 percent during the fourth quarter of 2011, and the average rent increased 4 percent, to \$925.

According to Reis, Inc., the average apartment vacancy rate in the Boise City-Nampa metropolitan area decreased to 4.1 percent during 2012 from 5.0 percent a year ago. In Anchorage, the average apartment vacancy rate was 2.1 percent during 2012 compared with 3.1 percent a



year earlier. Average asking rents increased 2 percent, to \$725, in Boise City-Nampa and 3 percent, to \$1,080, in Anchorage. During 2012, the average apartment vacancy rate was 2.8 percent in the Eugene-Springfield metropolitan area compared with 3.7 percent a year ago, and the average asking rent increased 3 percent, to \$740.

In response to tight rental markets and increasing rents during 2012, multifamily construction activity, as measured by the number of units permitted, increased in the Northwest region for the third consecutive year. Based on preliminary data, during 2012, the number of multifamily units permitted in the region increased by 6,200 units, or 59 percent, to 16,700 units compared with

increases of 3,000 units in 2011 and 1,650 units in 2010. The strong upward trend in Washington multifamily construction since 2010 continued during 2012. The number of multifamily units permitted increased by 3,875 units, or 55 percent, to 16,675 units permitted in the state; by comparison, the average number permitted from 2008 through 2010 was 6,875 units a year. The number of multifamily units permitted increased by 1,700 units, or 62 percent, to 4,475 units in Oregon; by 635 units, to 1,100 units, in Idaho; and by 16 units, or 10 percent, to 175 units in Alaska. The average annual number of multifamily units permitted from 2008 through 2010 was 2,525 units in Oregon, 650 units in Idaho, and 220 units in Alaska.