



# U.S. Housing Market Conditions



## NORTHWEST REGIONAL REPORT HUD Region X

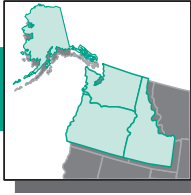
### 1st Quarter Activity

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.

Following a 3-year slowing trend and for the first time since 2001, nonfarm employment in the Northwest region registered a net decline during the 12 months ending March 2009 compared with nonfarm employment during the previous 12 months. During the most recent 12-month period, an estimated 51,200 nonfarm jobs, or 0.9 percent, were lost in the region, resulting in an average of 5.6 million jobs for the period. Job losses totaled 32,000 in Oregon, 14,500 in Idaho, and 9,300 in Washington, down 1.8, 2.2, and 0.3 percent, respectively, compared with the number of jobs in the three states during the 12 months ending March 2008. Due to stability in the oil industry and moderate levels of hiring in most employment sectors, Alaska was the only state in the region to record job growth,

up by 4,600 jobs, or 1.5 percent. Nearly 60 percent of the employment declines in the region occurred in the construction and manufacturing sectors; job losses also occurred in the trade, professional and business services, financial activities, and transportation and utilities sectors. On a more positive note, regional employment in the education and health services sector was up by 23,500 jobs and in the government sector by 22,800 jobs. For the 12 months ending March 2009, nonfarm employment averaged 2.9 million jobs in Washington, 1.7 million jobs in Oregon, 641,300 jobs in Idaho, and 323,200 jobs in Alaska.

A slowdown in residential sales markets in the Northwest region precipitated a 9-percent decline in employment in the construction sector. During the 12 months ending March 2009, the 33,400 jobs lost in the sector accounted for two-thirds of the overall regional job loss. Declines in the construction employment sector were largest in Washington and Oregon, which lost 13,300 and 12,500 jobs, respectively, followed by Idaho with 7,300 jobs lost and Alaska with 300 jobs lost. In Oregon, the 13,400 jobs lost in the manufacturing sector accounted for one-half of the jobs lost regionwide in the sector, due mainly to layoffs at Daimler AG and Intel Corporation. In Washington, the loss of nearly 9,000 manufacturing jobs was led



by downsizing at The Boeing Company and related suppliers because of worldwide contraction in the airline industry. In Idaho, losses in the manufacturing sector totaled 3,900 jobs because of layoffs in the semiconductor industry. The declines in the region were partially offset by job gains in the education and health services sector, mainly in Washington and Oregon, which added 11,600 and 8,300 jobs, respectively. Employment in the government sector grew in all states in the region, with the number of newly created jobs amounting to 10,300 in Washington, 8,500 in Oregon, 2,600 in Idaho, and 1,400 in Alaska. During the 12 months ending March 2009, the net job declines caused the regional unemployment rate to increase to 5.8 percent from an average of 4.9 percent recorded during the previous 12-month period. The average unemployment rate, which increased in every state in the region, was 6.6 percent in Idaho and Alaska, 6.3 percent in Oregon, and 5.3 percent in Washington.

Slowing economic conditions, combined with tighter lending standards, have resulted in more than 2 years of soft home sales market conditions characterized by widespread declines in new and existing sales prices and fewer homes sold throughout the Northwest region. In Washington, according to the Northwest Multiple Listing Service, the Puget Sound metropolitan areas of Seattle, Tacoma, Bremerton, and Olympia recorded an average price decline of 10 percent to \$409,900 and a 32-percent drop in sales volume to 39,100 units during the 12 months ending March 2009 compared with the average price and number of sales recorded during the previous 12 months. During the most recent 12-month period, home prices declined the most in the Bremerton metropolitan area, where the average price was down 12 percent to \$321,200 and sales were off by 23 percent. In the Seattle metropolitan area, the number of homes sold was down 36 percent to 24,200 units, and the average price declined by 9 percent to \$478,900. The current average price is 11 percent below the peak price of nearly \$540,000 recorded in the Seattle metropolitan area during the 12 months ending July 2007. In the Olympia and Tacoma metropolitan areas, average prices declined by 6 and 9 percent, respectively, to \$286,400 and \$294,200. Home sales declined by 25 percent in the Olympia area and by 27 percent in the Tacoma area.

Oregon sales market conditions were also soft during the 12 months ending March 2009. According to data from the local multiple listing services, the number of new and existing single-family homes sold in the 11 largest markets in Oregon totaled 39,700, a 27-percent decline compared with the number sold during the previous 12 months, and the average price decreased by 7 percent to \$292,900. In the Portland-Vancouver-Beaverton, Oregon-Washington metropolitan area, sales of new and existing homes totaled 23,600 units,

down 26 percent, and the average price decreased 5 percent to \$320,500. Average prices were typically down by 10 percent or less in the rest of the major markets in Oregon. Several markets in Oregon, however, appeared to be stabilizing; the Mid-Columbia Valley, Medford-Ashland, and Willamette Valley markets recorded small gains or moderate declines of less than 5 percent in home prices and sales volume. In Idaho, sales of new and existing homes in the 19 counties covered by the Intermountain Multiple Listing Service declined to 8,600 units, down from the 9,100 homes sold during the 12-month period ending March 2008, while the average price decreased 9 percent to \$199,300. In the Boise metropolitan area, during the 12 months ending March 2009, sales of new and existing homes totaled 6,700 units, a 5-percent decline compared with total sales recorded during the previous 12 months, and the average price decreased by 10 percent to \$211,900. According to the Alaska Multiple Listing Service, Inc., in Anchorage, during the 12 months ending March 2009, the number of new and existing homes sold totaled 2,400 units, a 10-percent decline from the number sold during the same period a year ago, and the average home price of \$323,600 was relatively unchanged from the average price recorded during the previous 12 months.

The slowdown in home sales throughout the Northwest region caused home construction activity, as measured by the number of single-family building permits issued, to decline by 44 percent during the 12 months ending March 2009 compared with construction activity during the previous 12 months. During the past 12 months in the region, the number of single-family building permits issued totaled 27,400, a decline of 21,900 homes from the number issued during the 12 months ending March 2008. In Washington, during the 12 months ending March 2009, the number of single-family permits issued totaled 14,500, a decline of 10,700 homes, or 43 percent, from the number issued during the 12 months ending March 2008. In Oregon and Idaho, the number of single-family permits issued decreased to 6,800 and 5,500, down by 6,800 and 3,900 units, respectively. In Alaska, single-family construction activity was down by 400 permits issued to a total of 600.

Multifamily construction activity, as measured by the number of units permitted, slowed in the Northwest region during the 12 months ending March 2009 due to weakening economic conditions and reduced financing options for multifamily developers. During the period, the number of units permitted in the region totaled 14,700 units, down 6,900 units, or 32 percent, compared with the number permitted during the previous 12 months. Washington, where the number of multifamily units permitted fell by 5,000 to a total of 9,500 units, accounted for nearly



three-fourths of the regional decline. In Idaho, 950 units were permitted, 750 fewer units than were permitted during the 12 months ending March 2008. In Alaska, multifamily construction activity totaled just 170 units, a decline of 530 units from the number permitted during the previous 12 months. During the 12 months ending March 2009, multifamily construction activity in Oregon was relatively more stable, down by just 600 units permitted to 4,100.

Rental housing market conditions were mostly balanced to soft throughout the Northwest region as of March 2009. Tight conditions that were prevalent a year ago have eased quickly, mostly during the past 6 months, due to job losses and an increase in the conversion of sales units to rental units. According to *The Apartment Vacancy Report*, published by Dupre+Scott Apartment Advisors, Inc., as of March 2009, the apartment rental vacancy rate in the Seattle metropolitan area was 6.8 percent, up from the 4.2-percent rate recorded a year ago, and the Tacoma metropolitan area apartment rental vacancy rate increased 2.1 percentage points to 6 percent. During the 12 months ending March 2009, average apartment rents in the Seattle and Tacoma areas increased by 3 and 4 percent to \$1,030 and \$829, respectively, from the

rents recorded during the same period in 2008. A year ago, tight market conditions caused average apartment rents in the Seattle and Tacoma metropolitan areas to increase by approximately 10 and 7 percent, respectively. In the Olympia metropolitan area, the rental vacancy rate was 5.3 percent as of March 2009, up from 3.2 percent as of March 2008, and the rate in the Bremerton metropolitan area was 8.6 percent, up from 4.2 percent.

In the Portland-Vancouver-Beaverton metropolitan area, rental housing market conditions were slightly soft in the first quarter of 2009. According to RealFacts, the apartment vacancy rate was 7 percent, up from 5.2 percent in the first quarter of 2008. The average rent increased less than 1 percent to \$856 over the same period. Because of limited new apartment construction, the Oregon metropolitan areas of Salem and Eugene-Springfield remained relatively tight, with apartment vacancy rates in the 4-percent range. In the Boise metropolitan area, rental housing market conditions were soft during the first quarter of 2009, with an apartment rental vacancy rate of 8.3 percent, up from 7.1 percent a year earlier, according to RealFacts data. Job losses contributed to the rise in vacancies and a decline in the average rent of less than 1 percent to \$737.