

1st Quarter 2011



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.

In the Northwest region, during the 12 months ending March 2011, nonfarm payrolls averaged 5.3 million jobs, an increase of 2,500 jobs, or 0.1 percent, compared with the 12 months ending March 2010, when 273,600 jobs were lost, which was a 4.9-percent decline from the previous year. This most recent increase marks the first time since March 2009 that the nonfarm payrolls have increased in the region. Alaska nonfarm payrolls increased by 5,500 jobs, or 1.7 percent, to an average of 326,400 jobs. In Oregon, nonfarm payrolls gained 6,700 jobs, a 0.4-percent increase, bringing nonfarm payroll jobs to a total of 1.6 million. During the 12-month period ending March 2011, Idaho nonfarm payrolls averaged 604,600, down 700 jobs, or 0.1 percent.

During the same period, Washington nonfarm payrolls declined by 9,000 jobs, or 0.3 percent, resulting in an average of 2.8 million jobs. Among the metropolitan areas in the Northwest region, during the 12-month period ending March 2011, the rate of nonfarm payroll growth was strongest in the Kennewick-Pasco-Richmond, Washington area, where jobs increased by 4.4 percent to 100,300, and in the Fairbanks, Alaska area, which recorded an increase in nonfarm payrolls of 2.1 percent to 39,000.

In the Northwest region, during the 12 months ending March 2011, nonfarm payroll gains were greatest in the education and health services sector, which added 14,600 jobs, or 2 percent, and in the business and professional services sector, which added 13,900 jobs, or 2.3 percent. Oregon accounted for more than one-third of the increase in education and health services sector employment, adding 5,000 jobs, an increase of 2.2 percent, and Washington led the way in the professional and business services sector, adding 9,800 jobs for a 3.1-percent increase. Significant losses in the construction and manufacturing sectors continued the downward trend that began in the region during the 12-month period ending February 2008. During the 12 months ending March 2011, payrolls in the construction sector



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were down by 18,500 jobs, or 6.8 percent, because of declines in commercial and multifamily residential construction. In the region, manufacturing sector payrolls declined by 1,600 jobs, or 0.3 percent, during the 12 months ending March 2011. During that same period, improving labor markets in Alaska and Oregon and the slowing pace of job losses in Idaho and Washington led to a decline in the average regional unemployment rate from 9.9 to 9.6 percent.

Continuing a trend that started in 2008, sales housing market conditions in the Northwest region remained soft during the 12 months ending March 2011. According to data from Hanley Wood, LLC, in Washington, during the 12 months ending March 2011, the number of new and existing single-family homes sold totaled approximately 72,550 homes, a 13-percent decrease compared with the number of homes sold during the 12 months ending March 2010. The average new and existing single-family home sales price decreased by 1 percent, to \$289,600, during the 12 months ending March 2011. In the Seattle metropolitan area, during the same period, 29,550 homes were sold, which was a 12-percent decrease compared with the number sold during the previous 12-month period. The average home sales price in the Seattle metropolitan area increased 1 percent to \$389,000. The number of homes sold decreased by 11 percent in the Tacoma metropolitan area, to 9,275 homes, and the average home sales price decreased 4 percent to \$232,200.

In Oregon, during the 12 months ending March 2011, according to data from Hanley Wood, LLC, the number of new and existing single-family homes sold totaled approximately 44,625 homes, a 9-percent decrease compared with the number sold during the previous 12-month period. The average new and existing single-family home sales price decreased by 5 percent, to \$227,200, during the 12 months ending March 2011. During the same period, in the Portland-Vancouver-Beaverton, Oregon-Washington metropolitan area, the number of new and existing homes sold totaled 21,800, down 9 percent compared with the number sold during the previous period, and the average home sales price decreased 5 percent to \$263,000. Based on data from Hanley Wood, LLC, in Idaho, during the 12 months ending March 2011, new and existing homes sales declined 6 percent to 24,050 homes and the average home sales price decreased 7 percent to \$168,300. For the same period, in the Boise metropolitan area, new and existing home sales totaled 15,350 homes, unchanged from the 12 months ending March 2010. During the 12 months ending March 2011, the average home sales price declined by 6 percent to \$163,400.

According to data from Hanley Wood, LLC, in Alaska, during the 12 months ending March 2011, the number of new and existing homes sold decreased by 5 percent

to 6,525, and the average price increased 4 percent to \$260,600. In Anchorage, market conditions were only slightly soft during the same period, with the number of new and existing homes sold declining 6 percent, down to a total of 6,125 homes; the average price, however, rose 4 percent to \$274,900.

In the Northwest region, because of an increase in foreclosure activity in Washington, foreclosures increased by 4.7 percent between February 2010 and February 2011. According to LPS Applied Analytics, the percentage of mortgage loans 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) increased from 5.9 to 6.4 percent in Washington. In Oregon, the rate was unchanged at 5.9 percent, and it declined from 7.2 to 6.6 percent in Idaho and from 3.3 to 2.8 percent in Alaska. All these rates remained below the 8.3-percent national average of 8.3 percent.

New single-family home construction activity, as measured by the number of permits issued, decreased in the 12 months ending February 2011, a trend that began 3 years earlier. Based on preliminary data, 20,200 homes were permitted in the region, a decline of 450 homes, or 2 percent, compared with the number permitted the previous 12 months. In Oregon and Idaho, during the 12 months ending February 2011, home permit activity fell by 470 and 880 homes, or 9 and 22 percent, to total 4,600 and 3,025 homes permitted, respectively, when compared with the number permitted during the previous period. In contrast, based on the number of building permits issued, single-family construction activity increased by 6 percent in Washington to 11,900 homes and by 25 percent in Alaska to 700 homes.

During the 12 months ending February 2011, multifamily construction activity, as measured by the number of units permitted, increased in the Northwest region. Based on preliminary data, the number of units permitted in the region totaled 6,625, up 25 percent, or 1,325 units, from the number of units permitted during the previous 12-month period. In Oregon, in the 12 months ending February 2011, 1,640 multifamily units were permitted, which represents an increase of 29 percent, or 320 units, compared with the number permitted during the 12 months ending February 2010. In Washington, during the 12 months ending February 2011, the gain in multifamily building activity totaled 750 units, or 23 percent, for a total of 4,000 units permitted. Nearly all the units permitted were in the Puget Sound area, where tight rental market conditions have spurred new apartment developments, such as the 6th and Lenora Apartment complex, a 654-unit project, which is soon to be under construction in downtown Seattle. In Idaho, during the 12 months ending February 2011, the number of multifamily units permitted increased by 150 to a total of 520 units compared with the number



permitted during the previous 12 months. In Alaska, during the 12 months ending February 2011, the number of multifamily units permitted decreased by 120 units to a total of 160 units permitted compared with the number permitted during the previous 12 months.

Rental housing market conditions in the region's major metropolitan areas were tight to balanced as of the first quarter of 2011. According to data from Reis, Inc., the apartment rental vacancy rate in the Seattle metropolitan area was 5.3 percent, down from 7.3 percent in the first quarter of 2010. As of the first quarter of 2011, the average asking rent for apartments in the Seattle metropolitan area was \$1,040, up 3 percent from a year earlier. In the Tacoma metropolitan area, as of the first quarter of 2011, the apartment vacancy rate was 5.5 percent, down from 7.9 percent a year earlier. The average asking rent in Tacoma was \$764, up 3 percent from the first quarter of 2010. In the Spokane metropolitan area during the first quarter of 2011, the average vacancy rate

was 5.3 percent compared with 7 percent a year earlier. The average asking rent increased 2.4 percent to \$645.

Tight rental market conditions were recorded during the first quarter of 2011 in the Portland, Salem, and Eugene-Oregon metropolitan markets and in the Anchorage metropolitan area where, compared to a year earlier, the average vacancy rate fell to 3.9, 3.2, 3.5, and 3.4 percent from 6.4, 5.0, 3.3, and 4.7 percent, respectively, according to Reis, Inc. The average asking rent in the Portland metropolitan area increased 4 percent to \$843. Between the first quarters of 2010 and 2011, the average asking rent in Salem increased 3 percent to \$641, and, in Eugene, it was relatively unchanged at \$713. As of the first quarter of 2011, in Anchorage, the average asking rent was \$1,034, an increase of 5 percent from a year earlier. In Boise, during the first quarter of 2011, rental market conditions improved as the vacancy rate decreased to 6.4 percent compared with 8.7 percent a year earlier, but the average asking rent increased 2 percent to \$700.