



# U.S. Housing Market Conditions



## 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.

Job growth accelerated in the Northwest region during the 12-month period ending March 2012, led by hiring in the manufacturing and the education and health services sectors. Average nonfarm payrolls in the region increased by 56,400 jobs, or 1.1 percent, to 5.36 million jobs compared with an increase of 10,000 jobs, or 0.2 percent, during the previous 12 months. As of March 2012, average nonfarm payrolls were 286,000 jobs below the peak of 5.67 million recorded in October 2008. In Washington, average nonfarm payrolls increased by 37,500 jobs, or 1.3 percent, to 2.8 million jobs. In Oregon, nonfarm payrolls gained 12,000 jobs, a 0.7-percent increase, to 1.62 million jobs. In Alaska, nonfarm payrolls increased by 2,400 jobs,

or 0.7 percent, to an average of 319,400 jobs. In Idaho, nonfarm payrolls averaged 609,200 jobs, up 4,500, or 0.7 percent, from a year ago. During the same period, steady job growth in the region resulted in a decline in the average unemployment rate to 8.8 from 9.7 percent during the previous 12 months. Unemployment rates ranged from 7.4 percent in Alaska to 9.2 percent in Oregon.

Nonfarm payroll gains in the region were greater among the service-providing sectors than among the goods-producing sectors. The education and health services sector, which increased by 18,300 jobs, or 2.5 percent, led job growth during the 12 months ending March 2012. Alaska had the greatest percentage increase in this sector for the region, with job growth of 5 percent, or 2,100 jobs, primarily because of hiring in the healthcare subsector. Payroll jobs also increased significantly in the trade sector, which grew by 12,500 jobs, or 1.5 percent, and the professional and business services sector, which increased by 13,000 jobs, or 2.1 percent. The manufacturing sector increased by 16,900 jobs, or 3.4 percent. Washington and Idaho led manufacturing job growth among the states in the region, recording increases of 13,300 jobs, or 5.1 percent, and 2,100 jobs, or 3.9 percent, respectively. Nonfarm payroll job losses during the 12-month period



ending March 2012 were greatest in the government and financial activities sectors, which decreased 1.8 and 0.7 percent, respectively. Local government budget cuts were responsible for approximately one-half of the 19,000 government sector jobs lost. Nearly one-half of the 2,000 jobs that the financial activities sector lost were concentrated in the real estate, rental, and leasing subsector, in part because of slow sales housing activity during the 12 months ending March 2012.

The sales housing market in the Northwest region remained soft, because tight mortgage lending standards constrained sales housing demand, continuing a trend that began in 2008. According to data from Hanley Wood, LLC, during the 12 months ending March 2012, approximately 141,250 new and existing homes sold in the region, relatively unchanged from the same period a year ago. The average home sales price in the region decreased 3 percent, to \$245,100. In Washington, 68,425 new and existing single-family homes sold, representing a 4-percent increase, but the average home sales price decreased 5 percent, to \$283,550. During the same period, approximately 33 percent of existing home sales in Washington were REO (Real Estate Owned) properties compared with the 27-percent rate recorded during the previous 12 months. In the Seattle metropolitan area, the number of new and existing single-family homes sold decreased 1 percent, to 25,650, and the average sales price declined 7 percent, to \$385,500. In the Tacoma metropolitan area, the number of homes sold was relatively unchanged at 8,600, and the average sales price decreased 11 percent, to \$214,900.

According to data from Hanley Wood, LLC, the number of new and existing single-family homes sold in Oregon declined 3 percent, to 38,100 homes, during the 12-month period ending March 2012, and the average sales price decreased 3 percent, to \$226,400. During the 12-month period ending March 2012, REO sales accounted for 26 percent of existing home sales compared with 31 percent of existing sales during the previous 12-month period. In the Portland-Vancouver-Beaverton metropolitan area, new and existing home sales declined 10 percent, to 23,150, and the average sales price decreased 5 percent, to \$271,200. In Idaho, the number of new and existing single-family homes sold declined 3 percent, to 27,175, and the average sales price decreased 2 percent, to \$166,600. During the 12 months ending March 2012, REO sales accounted for 33 percent of existing home sales compared with 31 percent of existing sales during the previous 12 months. In the Boise City-Nampa metropolitan area, during the same period, 14,975 homes sold, down 12 percent from the previous 12 months, and the average sales price declined 1 percent, to \$162,200. In Alaska, the number of new and existing single-family homes sold declined 3 percent, to 7,550 homes, but the average sales price was relatively unchanged at \$272,900. During the 12 months ending March 2012, approximately 11 percent of existing sales in Alaska were REO properties

compared with 12 percent of existing sales during the previous 12-month period. In the Anchorage metropolitan area, 5,450 new and existing homes sold, and the average sales price increased from \$272,950 to \$273,800.

An increase in the rate of troubled mortgage loans suggests that REO sales likely will continue to account for a significant portion of existing home sales in the Northwest region for the remainder of 2012. According to LPS Applied Analytics, in March 2012, the number of mortgage loans in the region 90 or more days delinquent, in foreclosure, or in REO increased by 11,325, to 6.4 percent of all loans compared with the 5.8-percent rate recorded in March 2011. In Washington, the delinquency rate increased from 6.4 percent in March 2011 to 7.0 percent in March 2012. The delinquency rate rose from 5.3 to 5.5 percent in Idaho and from 5.4 to 6.0 percent in Oregon. In Alaska, 2.7 percent of mortgages were delinquent compared with the 2.5-percent rate of a year earlier.

Despite soft sales markets, builders increased construction activity in the Northwest region during the 12 months ending March 2012 because of low inventory levels. In the region during the 12 months ending March 2012, single-family home construction, as measured by the number of building permits issued, increased 2 percent, or by 500 homes, to 20,100 homes permitted, based on preliminary data. Idaho had the largest percentage increase at 12 percent, or 330 homes, to 3,100 homes permitted. Construction activity in Oregon increased by 200 homes, or 4 percent, to 4,725 homes. In Washington, construction activity was relatively unchanged at 11,550 homes. Construction activity in Alaska was down 7 percent, to 700 homes.

For the sixth consecutive quarter in the Northwest region, multifamily construction activity, as measured by the number of units permitted, increased because of tightening rental market conditions. Based on preliminary data, during the 12-month period ending in March 2012, the number of multifamily units permitted increased 88 percent, or by 5,775, to 12,325 units compared with the number of units permitted the previous year. Washington led the region with 8,625 units permitted, slightly more than double the number permitted during the previous 12 months. Multifamily permitting activity in Oregon increased by 61 percent, to 2,950 units, and in Idaho by 14 percent, to 600 units. Alaska was the only state in the region where multifamily permits decreased, falling 5 percent, to 160 units.

Rental housing market conditions in the major metropolitan areas of the Northwest region were tight to balanced in the first quarter of 2012. According to *Apartment Insights*, in the first quarter of 2012, the apartment vacancy rate in the Seattle metropolitan area was 5.2 percent compared with the 5.0-percent vacancy rate of a year ago, and the average asking rent increased 5 percent to \$1,100. The apartment vacancy rate in the Tacoma metropolitan



area decreased from 6.5 percent in the first quarter of 2011 to 6.4 percent in the first quarter of 2012, but the average asking rent increased slightly, from \$835 to \$840. According to Reis, Inc., as of the first quarter of 2012, the apartment vacancy rate in Vancouver was 2.7 percent compared with the 3.5-percent vacancy rate of a year ago. The average asking rent increased 4 percent, from \$794 to \$822.

Rental housing market conditions in Oregon tightened during the first quarter of 2012. According to Reis, Inc., the average apartment vacancy rate in the Portland metropolitan area declined from 4.1 percent in the first quarter of 2011 to 2.2 percent in the first quarter of 2012,

but the average asking rent increased 2 percent, from \$852 to \$869. The apartment vacancy rate in the Medford/Klamath Falls region decreased from 4.1 to 3.2 percent, but the average asking rent increased 3 percent, from \$615 to \$633. During the same period, the average asking rent in the Anchorage metropolitan area increased 2 percent, from \$1,034 to \$1,058, but the apartment vacancy rate declined from 3.5 to 2.9 percent. In the Boise-Nampa metropolitan area, during the first quarter of 2012, the apartment vacancy rate was 4.6 percent and the average asking rent was \$718 compared with an apartment vacancy rate of 6.4 percent and average asking rent of \$700 a year ago.