



# U.S. Housing Market Conditions



## NORTHWEST REGIONAL REPORT HUD Region X

### 2nd 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.

During the 12 months ending June 2009, nonfarm employment in the Northwest region declined by 119,200 jobs to an average of 5.5 million jobs compared with the number of jobs recorded during the same period in 2008. Regional net job losses began in 2007 and, during the current 12-month period, amounted to a 2.1-percent annual loss rate. During the 12 months ending June 2009, job losses totaled 55,400 in Oregon, 45,600 in Washington, and 21,400 in Idaho, down 3.2, 1.5, and 3.3 percent, respectively, compared with employment levels recorded during the 12 months ending June 2008. During the past year, Alaska was the only state in the region to record positive net job growth, up 3,200 jobs, or 1 percent, partly due to oil-industry-related hiring. Regionwide employment

declines occurred in nearly every sector, with two-thirds of the job losses recorded in the construction and manufacturing sectors. Government, education and health services, and information were the only sectors to record employment gains, up 21,000, 20,300, and 900 jobs, respectively. For the 12 months ending June 2009, nonfarm employment averaged 2.9 million jobs in Washington, 1.7 million jobs in Oregon, and 633,100 jobs in Idaho. The regional average unemployment rate increased to 7.5 percent during the 12 months ending June 2009 compared with a rate of 4.8 percent for the same period in 2008. The average unemployment rate, which increased in every state in the region, was 9.4 percent in Oregon, 7.6 percent in Alaska, 6.7 percent in Washington, and 6.5 percent in Idaho.

A slowdown in residential and commercial building in much of the Northwest region contributed to an 11-percent decline, or nearly 40,000 jobs lost, in the construction sector. Washington and Oregon registered the greatest loss in construction jobs, down 19,000 and 14,800 jobs, respectively, followed by Idaho with a loss of 5,400 jobs and Alaska with a loss of 500 jobs. Oregon accounted for one-half the 38,200 manufacturing jobs lost in the region, due mainly to layoffs at Daimler AG and Intel Corporation. In Washington, the loss of nearly



15,900 manufacturing jobs was led by downsizing at The Boeing Company and related suppliers because of worldwide contraction in the airline industry. In Idaho, layoffs in the semiconductor industry contributed to the loss of 5,400 jobs in the manufacturing sector. The regional employment declines in the construction and manufacturing sectors were partially offset by job gains in the government sector and the education and health services sector. Government employment increased by 9,000 jobs in Washington, 7,600 in Oregon, 3,100 in Idaho, and 1,300 in Alaska. Gains in the education and health services sector amounted to 9,600 jobs in Washington, 7,900 in Oregon, 1,900 in Idaho, and 900 in Alaska.

Sales housing market conditions remained soft throughout the Northwest region, a trend that started more than 2 years ago due to slowing economic conditions and tighter lending standards. In Washington, according to the Northwest Multiple Listing Service, during the 12 months ending June 2009, the Puget Sound metropolitan areas of Seattle, Tacoma, Bremerton, and Olympia recorded an average sales price decline of 13 percent to \$390,200 and a 27-percent drop in sales volume to 37,200 homes sold compared with the previous 12 months. During the past year, 23,100 homes were sold in the Seattle metropolitan area, a 30-percent decline compared with the number sold during the 12 months ending June 2008 and 41 percent below the previous 5-year annual sales average of 39,700 homes. During the 12 months ending June 2009, the average price of a home sold in the Seattle metropolitan area declined by 12 percent to \$454,000, well below the peak price of nearly \$540,000 recorded during the 12 months ending July 2007. In the Olympia and Tacoma metropolitan areas, average prices declined by 8 and 12 percent, respectively, to \$277,300 and \$280,500. Home sales declined by 22 percent in the Olympia area and by 25 percent in the Tacoma area. In the Bremerton metropolitan area, the average sales price declined 13 percent to \$309,400 and sales declined 18 percent to 3,250 homes.

Oregon sales market conditions also remained soft during the 12 months ending June 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 35,900, a 29-percent decline compared with the number sold during the previous 12 months. During the same period, the average sales price decreased by 13 percent to \$271,900. In the Portland-Vancouver-Beaverton, Oregon-Washington metropolitan area, the number of new and existing homes sold totaled 21,100, down 34 percent compared with the number sold during the 12 months ending June 2008, and the average price decreased 11 percent to \$298,800. In Idaho, sales of new and existing homes

in the 19 counties covered by the Intermountain Multiple Listing Service declined to 8,450 homes, down 19 percent from the 10,450 homes sold during the 12-month period ending June 2008, and the average price decreased 17 percent to \$181,600. In the Boise metropolitan area, during the 12 months ending June 2009, sales of new and existing homes totaled 6,650 units, an 18-percent decline compared with the number sold during the previous 12 months, and the average price decreased by 10 percent to \$211,900. According to the Alaska Multiple Listing Service, Inc., during the 12 months ending June 2009, the number of new and existing homes sold in Anchorage totaled 2,260, a 13-percent decline from the number sold during the same period a year ago, and the average price decreased 3 percent to \$321,700.

The soft sales housing market conditions throughout the Northwest region caused builders to reduce home construction activity, as measured by the number of single-family building permits issued. During the 12 months ending June 2009, the number of homes permitted in the region declined by 7,400 to 23,500, an 18-percent decrease compared with the number permitted in during the 12 months ending June 2008. Regional single-family construction activity has not been below this level since 1982. The number of single-family homes permitted in Washington totaled 12,700, a decline of 2,300 homes, or 11 percent; in Idaho, permits totaled 4,400, a decline of 3,000 homes, or 37 percent; in Oregon, permits totaled 5,900, a decline of 2,100 homes, or 18 percent, from a year ago. In Alaska, single-family construction activity remained relatively stable at 550 homes permitted.

Multifamily construction activity, as measured by the number of units permitted, slowed in the Northwest region during the 12 months ending June 2009 due to weak economic conditions, soft condominium sales market conditions, and more restrictive financing options for multifamily developers. During the period, the number of units permitted in the region totaled 11,400, a 6-year low and 48 percent below the number of units permitted during the previous 12 months. Washington, where the number of multifamily units permitted fell by 8,100, or 55 percent, to a total of 6,500 units, accounted for most of the regional decline of 10,100 units. In Oregon, 3,400 multifamily units were permitted, 1,200 fewer than the number permitted during the 12 months ending June 2008, and multifamily activity in Idaho declined by 600 units to a total of 850 units permitted. In Alaska, multifamily construction activity totaled just 200 units, a decline of 200 units from the number permitted during the 12 months ending June 2008.



Rental housing market conditions were mostly balanced to soft throughout the Northwest region as of the second quarter of 2009. Tight conditions that were prevalent a year ago eased due to job losses and an increase in the conversion of sales units to rental units. According to Reis, Inc., as of the second quarter of 2009, the apartment rental vacancy rate in the Seattle metropolitan area was 7.1 percent, up from 4.7 percent as of the same quarter a year ago, and the average asking rent for apartments was \$1,050, down 2 percent from the second quarter of 2008. In the Tacoma metropolitan area, the apartment vacancy rate was 6.1 percent, up from 5.9 percent a year earlier, but the average asking rent of \$770 was relatively unchanged from the rent recorded during the second quarter of 2008. Based on data from *The Apartment Vacancy Report* published by Dupre+Scott Apartment Advisors, Inc., and information from local sources, as of June 2009, rental markets in the Olympia and Bremerton metropolitan areas were still balanced with vacancy rates of approximately 5 to 6 percent, up from approximately 3 to 4 percent in June 2008. In eastern Washington, the Spokane metropolitan area apartment vacancy rate was 6.1 percent, up from 4.8 percent a year ago. Reis, Inc., data indicate that average asking rents increased to \$640 in the second quarter of 2009 from \$630 in the second quarter of 2008.

In the Portland-Vancouver-Beaverton metropolitan area, rental housing market conditions were balanced in the second quarter of 2009. According to Reis, Inc., the apartment vacancy rate was 5.8 percent, up from 5 percent in the second quarter of 2008. The average rent was essentially flat at \$750 over the same period. Because of limited new apartment construction, rental markets in the Oregon metropolitan areas of Medford, Salem, and Eugene-Springfield remained balanced with apartment vacancy rates of 4, 5, and 5 percent respectively. A year ago, the vacancy rate was 4 percent in all three metropolitan areas. Between the second quarters of 2008 and 2009, average asking rents in these three areas increased between 1 and 2 percent, to \$590, \$620, and \$700, respectively. In the Boise metropolitan area, rental housing market conditions were soft during the second quarter of 2009. The apartment rental vacancy rate in Boise began to increase during the second quarter of 2007, when the rate was 4.6 percent. According to Reis, Inc., since that time, the vacancy rate has increased during every quarter and, by the second quarter of 2009, reached 9.2 percent. The average rent in Boise was \$700 as of the second quarter of 2009, down \$13, or 2 percent, from the average rent recorded during the same quarter a year ago.