



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.

The Northwest regional economy continued to lose jobs during the 12 months ending June 2010, a trend that began in 2009. Nonfarm employment declined by 202,100 jobs, or 3.7 percent, to average 5.3 million jobs compared with the number recorded during the 12 months ending June 2009. During the 12 months ending June 2010, nonfarm employment in Washington averaged 2.8 million, down 107,200 jobs, or 3.7 percent. For the same period, Oregon registered the second largest absolute decline with 71,300 jobs lost, or 4.3 percent, down to an average of 1.6 million nonfarm jobs while Idaho lost 24,500 jobs, a 3.9-percent decline, resulting in an average of 605,100 nonfarm jobs. In Alaska, the only state that gained jobs during the 12-month period ending June 2010, employment

increased by 900 jobs, or 0.3 percent, to average 322,800 nonfarm jobs.

The construction and manufacturing sectors led employment declines in the Northwest region during the 12 months ending June 2010. The construction sector declined by 60,900 jobs, or 18.9 percent, primarily because of declines in the level of new residential construction during the previous 3 years. In Washington, construction employment fell by 36,900 jobs, or 20.3 percent, followed by the loss of 15,500 jobs in Oregon, an 18.6-percent decline. In Idaho, construction sector employment decreased by 7,900 jobs, or 20 percent. In Alaska, commercial construction and relatively stable housing market conditions limited losses in the construction sector to 600 jobs, a 3.7-percent decline. Regionwide during that period, the manufacturing sector declined by 42,800 jobs, or 8.1 percent, with the manufacturing sector in Washington losing 20,300 jobs, or 7.3 percent, and in Oregon by 17,900 jobs, or 9.9 percent. In Idaho, the manufacturing sector lost 5,300 jobs, down 8.9 percent, compared with the number of manufacturing jobs recorded during the previous 12 months. Boosted by oil industry-related hiring, the manufacturing sector in Alaska gained 600 jobs.



Regional nonfarm employment gains during the 12 months ending June 2010 occurred primarily in the education and health services sector, which added 15,200 jobs, or 2.1 percent. Employment in this sector during that period increased by 7,900 jobs in Washington, 3,500 jobs in Idaho, 2,200 jobs in Oregon, and 1,700 jobs in Alaska. Between the 12 months ending June 2009 and the 12 months ending June 2010, job losses throughout the Northwest region caused the average regional unemployment rate to increase from 7.8 to 9.6 percent. The unemployment rate increased in every state in the region and ranged from 8.3 percent in Alaska to 10.8 percent in Oregon during the 12 months ending June 2010.

Sales housing market conditions in the Northwest region were still soft during the 12 months ending June 2010, but home sales increased in most areas because of lower prices and the homebuyer tax credit program, a trend that has occurred since early 2010. In Washington, during the 12 months ending June 2010, according to the Northwest Multiple Listing Service, a total of 47,500 new and existing homes were sold in the combined Puget Sound metropolitan areas of Seattle, Tacoma, Bremerton, and Olympia, 28 percent more than were sold during the previous 12 months. The average sales price of a home sold in the combined Puget Sound metropolitan areas was down 8 percent to \$359,200. In the Seattle metropolitan area, during the 12 months ending June 2010, 30,700 homes were sold, a 33-percent increase compared with the number sold during the same period in 2009. During the 12-month period ending June 2010, the average sales price of a home sold in the Seattle metropolitan area declined by 8 percent to \$418,900; in the Bremerton, metropolitan area the average price declined by 5 percent to \$293,100; and in the Olympia metropolitan area it declined by 8 percent to \$256,100. Home sales during that period increased by 20 percent in the Bremerton area and by 11 percent in the Olympia area. In the Tacoma metropolitan area, during the 12 months ending June 2010, home sales increased 23 percent, but the average sales price was down 17 percent to \$233,000 compared with the average price recorded during the same period a year earlier.

According to data from the local multiple listing services, during the 12 months ending June 2010, the number of new and existing single-family homes sold in the 11 largest markets in Oregon totaled approximately 41,400 homes, a 26-percent increase compared with the number of homes sold during the previous 12 months. During the same 2010 period, the average price for new and existing single-family homes decreased by 8 percent to \$247,900. In the Portland-Vancouver-Beaverton, Oregon-Washington metropolitan area, the number of new and existing homes sold totaled 26,200, up 30 percent compared with the number sold during the 12 months ending June 2009, but the average price

decreased 8 percent to \$275,200. In the 19 Idaho counties covered by the Intermountain Multiple Listing Service, during the 12-month period ending June 2010, the number of new and existing homes sold increased to 11,400 homes, up 35 percent, but the average price decreased 16 percent to \$155,400.

Market conditions were balanced in Anchorage where, during the 12 months ending June 2010, according to the Alaska Multiple Listing Service, Inc., new and existing home sales totaled 2,550 homes, a 13-percent increase, and the average price remained relatively unchanged at \$324,100. In the Boise metropolitan area, during the same period, new and existing home sales totaled 9,500 homes, a 39-percent increase compared with the total sold in the previous 12 months, but the average price decreased by 18 percent to \$157,900. According to Lender Processing Services Mortgage Performance Data, as of June 2010, the percentage of mortgage loans in foreclosure, 90 or more days delinquent, or in REO (Real Estate Owned) in Boise was 8.4 percent, up from the 6.8-percent rate recorded in June 2009. In comparison, the regionwide percentage of mortgage loans in these three categories was 5.8 percent as of June 2010, up from 4.2 percent a year earlier.

New home construction increased during the 12 months ending June 2010, following a 3-year declining trend. During the 12 months ending June 2010, based on preliminary data, single-family building activity, as measured by the number of building permits issued, totaled 22,300 homes, up by 3,000 homes, or 16 percent, compared with the number permitted during the previous 12 months. During the 12 months ending June 2010, single-family building activity totaled 12,250 homes in Washington and 5,260 in Oregon, increases of 20 and 6 percent, respectively, when compared with the number permitted during the previous 12-month period. In Idaho during the same period in 2010, home building activity increased 17 percent to 4,100 homes permitted, and, in Alaska, single-family construction activity increased by 90 homes to 695 homes permitted.

Multifamily construction activity, as measured by the number of units permitted, slowed considerably in the Northwest region during the 12 months ending June 2010. Based on preliminary data, during that period, the number of units permitted in the region totaled 5,400, down 45 percent from the number of units permitted during the previous 12-month period. During the 12 months ending June 2010, Washington, with a decline of 2,600 units, or 44 percent, to 3,315 units permitted, accounted for most of the regional decline of 4,340 units. In Oregon, 1,400 multifamily units were permitted, 1,400 fewer than the number permitted during the 12 months ending June 2009. In Idaho, during the 12-month period ending June 2010, multifamily activity declined by 220 units to a total of 500 units permitted, and, in Alaska, multifamily construc-



tion activity totaled 195 units, down by 105 units from the number of units permitted during the previous 12 months.

Rental housing market conditions were mostly balanced throughout much of the Northwest region during the 12 months ending June 2010 because declining rents and reduced levels of apartment production were starting to put downward pressure on vacancy rates in some market areas. According to data from Apartment Insights, as of June 2010, the apartment rental vacancy rate in the Seattle metropolitan area was 6.1 percent, down from the 7.2-percent rate recorded in June 2009. The average asking rent for apartments in the Seattle metropolitan area was \$1,020 per unit, down nearly 2 percent from the average asking rent of \$1,037 per unit recorded a year earlier. In the Tacoma metropolitan area, the apartment vacancy rate was 6.8 percent in June 2010, up from the 6.1-percent rate recorded a year earlier. In the past 1 to 2 months, however, the vacancy rate in the Tacoma area has been declining; this is expected to continue as troops from Joint Base Lewis-McChord return from Iraq. During the 12 months ending June 2010, the average asking rent in Tacoma was essentially unchanged at \$839 per unit. On the eastern side of Washington in the Spokane metropolitan area, during that same period, according

to data from Reis, Inc., the apartment vacancy rate increased from 6.1 to 6.6 percent, and the average asking rent decreased by less than 1 percent from \$640 to \$634 per unit.

In the Portland-Vancouver-Beaverton metropolitan area, rental housing market conditions were balanced as of the second quarter of 2010. According to Reis, Inc., the apartment vacancy rate was 5.8 percent in the second quarter of 2010, down from the 6.2-percent rate recorded in the second quarter of 2009. The average asking rent was essentially unchanged at \$824 over the same period. In the Boise metropolitan area, during the second quarter of 2010, rental housing market conditions were soft, with an apartment vacancy rate of 10 percent, up from the 9.2-percent rate recorded in the same quarter a year earlier. In the second quarter of 2010, the average asking rent was \$690 per unit in the Boise area, representing a decline of less than 1 percent from an average asking rent of \$694 per unit in the second quarter of 2009. In Anchorage, based on data from the Alaska Housing Finance Corporation and the U.S. Department and Housing and Urban Development, rental market conditions were tight to balanced, with an estimated apartment vacancy rate of 4 percent as of the second quarter of 2010, which was similar to the rate recorded a year earlier.