



# 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 2011, nonfarm payrolls in the Northwest region averaged 5.34 million jobs, an increase of 31,100 jobs, or 0.6 percent, compared with the 12 months ending June 2010, when 213,200 jobs were lost, which was a 3.9-percent decline from the previous year. Alaska nonfarm payrolls increased by 6,100 jobs, or 1.9 percent, to an average of 327,600 jobs. In Oregon, nonfarm payrolls gained 14,800 jobs, a 0.9-percent increase, bringing total nonfarm payroll jobs to 1.61 million. Idaho nonfarm payrolls averaged 605,500, up 1,800 jobs, or 0.3 percent. During the same period, Washington nonfarm payrolls increased by 8,300 jobs, or 0.3 percent, resulting in an average of 2.79 million jobs. Among the metropolitan areas in the Northwest region, during the 12 months ending

June 2011, the rate of nonfarm payroll growth was strongest in the Kennewick-Pasco-Richland, Washington area, where jobs increased by 3.2 percent to 100,300, and in the Corvallis, Oregon area, where nonfarm payrolls increased by 2.3 percent to 37,900.

Nonfarm payroll gains in the region were greatest in the business and professional services sector, which increased by 20,000 jobs, or 3.3 percent, throughout the region, followed by the education and health services sector, which grew by 15,600 jobs, or 2.2 percent. Oregon accounted for one-third of the job increase in the education and health services sector, adding 5,500 jobs, a 2.4-percent increase. Washington led gains in the professional and business services sector, adding 15,000 jobs, a 4.7-percent increase. Significant losses in the construction subsector continued the downward trend that began in the region during the 12 months ending February 2008. During the 12 months ending June 2011, construction subsector payrolls in the region fell by 11,200 jobs, or 4.2 percent, because of declines in commercial and single-family residential construction. Manufacturing sector payrolls increased by 4,200 jobs, or 0.9 percent. During the same period, improving labor markets throughout the region led to a decline in the average regional unemployment rate, from 10 to 9.5 percent.



A weak labor market and limited mortgage credit availability continue to constrain sales housing demand in the Northwest region, marking the third year of soft sales housing market conditions. According to data from Hanley Wood, LLC, during the 12 months ending June 2011, new and existing single-family home sales totaled approximately 136,750, a 22-percent decrease compared with the number of homes sold during the 12 months ending June 2010. In Washington, during the 12 months ending June 2011, approximately 67,100 new and existing single-family homes sold, a 24-percent decrease compared with sales during the 12 months ending June 2010. The average home sales price in Washington increased by 1 percent, to \$287,800. In the Seattle metropolitan area, during the same period, 28,300 homes sold, a 20-percent decrease compared with the number sold during the previous 12-month period. The average home sales price in the Seattle metropolitan area was essentially unchanged at \$382,300. The number of homes sold in the Tacoma metropolitan area decreased by 14 percent to 9,175, and the average home sales price decreased 6 percent to \$224,500.

During the 12 months ending June 2011, according to data from Hanley Wood, LLC, the number of new and existing single-family homes sold in Oregon totaled approximately 41,550, a 20-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 \$224,800, during the 12 months ending June 2011. In the Portland-Vancouver-Beaverton, Oregon-Washington metropolitan area, new and existing home sales totaled 20,750, down 18 percent compared with the number sold during the previous 12-month period, and the average home sales price decreased 5 percent to \$259,300. Based on data from Hanley Wood, LLC, in Idaho, during the 12 months ending June 2011, new and existing homes sales declined 21 percent to 22,000, and the average home sales price decreased 4 percent to \$168,200. In the Boise metropolitan area, 13,750 new and existing homes sold, down 16 percent from the 12 months ending June 2010, and the average home sales price declined by 4 percent to \$162,100. In Anchorage, sales market conditions were slightly soft during the same period, with the number of new and existing homes sold declining 16 percent, to 5,925; the average price, however, rose 4 percent to \$262,700.

In the Northwest region, foreclosures increased by 3 percent between June 2010 and June 2011, driven by increased foreclosure activity in Oregon and Washington. 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 6.2 to 6.4 percent in Washington and from 5.6 to 6.0 percent in Oregon. The rate declined from 6.6 to 5.9 percent in Idaho and from 2.8 to 2.6 percent in Alaska. All these rates remained below the 7.8-percent national average.

New single-family home construction activity, as measured by the number of permits issued, decreased in the 12 months ending June 2011, a trend that began 4 years earlier. Based on preliminary data, 18,850 homes were permitted in the region, a decline of 3,550 homes, or 16 percent, compared with the number permitted during the previous 12 months. In Oregon and Idaho, during the 12 months ending June 2011, home permit activity fell by 825 and 1,475 homes, or 15 and 36 percent, to total 4,400 and 2,575 homes permitted, respectively. In Washington, the number of permitted homes decreased by 10 percent, to 11,200 homes. In contrast, in Alaska, single-family construction activity increased 4 percent to 725 homes.

During the 12 months ending June 2011, in response to tightening rental markets, multifamily construction activity, as measured by the number of units permitted, increased by 60 percent in the Northwest region. Based on preliminary data, the number of units permitted in the region totaled 8,425, an increase of 3,125 units from the number of units permitted during the previous 12-month period. In Oregon, 2,025 multifamily units were permitted, which represents an increase of 50 percent, or 650 units, compared with the number permitted during the 12 months ending June 2010. In Washington, the gain in multifamily building activity totaled 2,525 units, a 75-percent increase from the number of units permitted for the 12-month period ending June 2010. In Idaho, during the 12 months ending June 2011, the number of multifamily units permitted decreased by 7 percent to 450 units compared with the number permitted during the previous 12 months. During the 12 months ending June 2011, the number of multifamily units permitted in Alaska decreased 25 percent, or 50 units, to total 150 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 second quarter of 2011. According to data from Reis, Inc., the apartment rental vacancy rate in the Seattle metropolitan area was 5 percent, down from 5.4 percent in the second quarter of the previous year. As of the second quarter of 2011, the average asking rent for apartments in the Seattle metropolitan area was \$1,045, up 2 percent from a year earlier. In the Tacoma metropolitan area, the apartment vacancy rate was 5.4 percent, down from 7.8 percent a year earlier, and the average asking rent was \$742, up 2 percent. In the Spokane metropolitan area, during the second quarter of 2011, the apartment vacancy rate was 4.8 percent compared with 6.6 percent a year earlier, and the average asking rent increased 2 percent to \$648. In Vancouver, the apartment vacancy rate fell from 4.9 to 3.1 percent, and the average asking rent increased 3 percent to \$799.

Rental market conditions tightened in Oregon during the second quarter of 2011. In the Portland metropolitan



area, the average apartment vacancy rate fell from 3.9 to 3.5 percent between the second quarters of 2010 and 2011, according to Reis, Inc. The average asking rent in the Portland area increased 3 percent to \$849. During the same period, the asking rent in the Salem area averaged \$645, a 3-percent increase from a year earlier, and the apartment vacancy rate fell from 5.0 to 2.9 percent. In the Eugene area, the average asking rent was relatively unchanged at \$715, but the apartment vacancy

rate decreased to 4.4 percent from 5.1 percent a year earlier. In Idaho, rental market conditions were balanced in Boise during the second quarter of 2011, when the vacancy rate decreased to 5.9 percent compared with 10 percent a year earlier, and the average asking rent increased by 2 percent to \$700. In Anchorage, the apartment vacancy rate during the second quarter of 2011 was 3.3 percent compared with 3.9 percent a year earlier, but the average asking rent increased 4 percent to \$1,039.