



# 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.

Labor market conditions in the Northwest region continued to improve during the 12 months ending May 2012. Nonfarm payrolls in the Northwest region gained 57,600 jobs, or 1.1 percent, reaching a total of 5.39 million jobs; by comparison, payrolls grew by 29,200 jobs, or 0.6 percent, during the same period in 2011. In Alaska, nonfarm payrolls grew by 1,500 jobs, or 0.4 percent, to 329,100 jobs. In Oregon, nonfarm payrolls gained 10,800 jobs, a 0.7-percent increase, bringing nonfarm payrolls to 1.62 million. In Idaho, nonfarm payrolls averaged 610,500, up 5,500 jobs, or 0.9 percent. Washington added the most jobs, increasing nonfarm payrolls by 39,800 jobs, or 1.4 percent, to 2.84 million jobs. Among this region's metropolitan areas, the strongest nonfarm payroll growth during

the 12 months ending May 2012 was in Bellingham, Washington, where nonfarm payrolls increased by 1,700 jobs, or 2.1 percent, to 83,400 jobs, and in Seattle-Tacoma-Bellevue, Washington, where the number of jobs increased by 30,900, or 1.9 percent, to 1.68 million jobs. Employment in the region grew faster than the labor force during the 12 months ending May 2012 and led to a decline in the average unemployment rate from 9.6 to 8.7 percent. The average unemployment rate was 9 percent in Oregon, 8.7 percent in Washington, 8.3 percent in Idaho, and 7.3 percent in Alaska.

Job growth in the region during the 12 months ending June 2012 included the manufacturing, education and health services, and leisure and hospitality sectors, which added 17,000, 18,600, and 10,900 jobs, or 3.4, 2.5, and 2.1 percent, respectively. Washington accounted for 85 percent of the increase in manufacturing sector payrolls, adding 14,400 jobs, a 5.5-percent increase, and for 46 percent of the growth in education and health services sector payrolls, adding 8,500 jobs, a 2.2-percent increase. Idaho contributed 15 percent of the increase in manufacturing sector payrolls, adding 2,200 jobs, or 4.1 percent. For the region, payrolls in the construction subsector stabilized at 252,500 jobs, nearly unchanged from the previous 12 months, after declining each year since reaching



the peak of 377,200 jobs during the 12 months ending May 2008. Construction subsector payrolls continued to decline in Alaska, falling by 1,500 jobs, or 9.4 percent, and remained flat in Idaho, cancelling out gains in other states. In the region, local and state government budget constraints continued to affect the government sector as payrolls declined by 18,700 jobs, or 1.8 percent.

Home sales markets in the Northwest region continue to be soft. Although the existing home sales market has stabilized since the first quarter of 2012, the new home sales market has worsened. According to data from Hanley Wood, LLC, 140,200 existing homes sold in the region during the 12 months ending June 2012, unchanged from a year ago, and the average home sales price declined only 1 percent, to \$247,100. Keeping existing home sales prices down, REO (Real Estate Owned) sales comprised approximately 29 percent of existing home sales, up from 26 percent during the previous 12 months. The number of new home sales declined 19 percent during the 12 months ending June 2012, to 14,050 homes sold compared with 17,450 homes sold during the same period a year ago. Conversely, the average sales price of a new home increased 3 percent to \$287,800, despite declining sales, because of a shortage in available inventory.

In Washington, existing home sales increased 3 percent, to 64,250 homes sold, during the 12 months ending June 2012. During this time, REO sales accounted for 31 percent of existing home sales compared with 25 percent a year ago. REO sales contributed to a 3-percent decline in the average existing home sales price, to \$276,100. New home sales totaled 8,550, representing a 20-percent decrease from the previous 12 months; however, the average sales price increased 5 percent to \$309,800. In the Seattle metropolitan area, existing home sales increased 9 percent, to 23,900 homes sold, and the average home sales price fell by 4 percent, to \$389,400. New home sales declined 6 percent, to 3,500 homes sold, and the average home sales price was \$383,500, down by 3 percent.

During the 12 months ending June 2012, sales market conditions in Oregon were soft, because existing home sales decreased 2 percent, to 40,050 homes sold. REO sales comprised 27 percent of all existing homes sold during the 12 months ending June 2012 compared with 29 percent for the same period a year ago. The average existing home sales price was unchanged at \$226,300. New home sales decreased 19 percent, to 2,825 homes sold, and the average sales price increased nearly 1 percent, to \$266,200. In the Portland-Beaverton-Vancouver metropolitan area existing home sales increased 1 percent, to 22,900 homes sold, and the average home sales price decreased 2 percent, to \$256,800. New home sales decreased 12 percent, to 2,275 homes sold, and the average home sales price declined 2 percent, to \$259,500.

In Idaho, during the 12 months ending June 2012, existing home sales decreased 2 percent, to 27,850 homes sold, and the share of REO sales increased 2 percentage points

to 32 percent. During the same time, the average existing home sales price rose 2 percent, to \$173,800. New home sales decreased 21 percent, to 2,100 homes sold, but the average home sales price increased 4 percent to \$208,300. Existing home sales totaled 14,350 in the Boise City-Nampa metropolitan area, down 4 percent compared with the number of homes sold a year ago, but the average home sales price increased 5 percent, to \$164,600. During the past 12 months, 1,175 new homes sold, reflecting a 24-percent decline; however, the average home sales price increased 5 percent, to \$218,400.

In Alaska, during the 12 months ending June 2012, 8,050 existing homes sold, down only 1 percent compared with the number sold a year ago, and the average home sales price increased 4 percent, to \$269,600. REO sales accounted for 11 percent of existing home sales, relatively unchanged from a year earlier. Nearly 575 new homes sold during the 12 months ending June 2012, representing a 4-percent decrease; however, the average home sales price rose 4 percent, to \$297,500. Existing home sales were relatively unchanged at 5,425 in the Anchorage metropolitan area, and the average home sales price increased 2 percent, to \$285,400. New home sales totaled 400 homes sold, down nearly 6 percent compared with the number sold a year ago, and the average home sales price declined 3 percent, to \$314,400.

An elevated level of troubled mortgage loans suggests that REO sales will continue to be a large portion of existing home sales for the duration of 2012. According to LPS Applied Analytics, in June 2012, the number of mortgage loans 90 or more days delinquent, in foreclosure, or in REO increased by 1,575, to 6.4 percent of all loans compared with 6.1 percent in June 2011. This rate increased from June 2011 to June 2012 in Washington from 6.4 to 7.2 percent and in Alaska from 2.6 to 2.8 percent. The rate was unchanged in Oregon at 6 percent and declined from 5.9 to 5.3 percent in Idaho.

In response to a decline in the inventory of homes for sale, single-family home construction, as measured by the number of building permits issued, increased by 2,375 homes, or 12 percent, to 21,450 during the 12 months ending May 2012, according to preliminary data. During the 12 months ending May 2011, the number of single-family permits issued decreased by 3,300, or 15 percent. Based on preliminary data, during the 12 months ending May 2012, the number of single-family homes permitted was 12,200 in Washington, 5,050 in Oregon, and 3,450 in Idaho, reflecting 7-, 15-, and 38-percent increases, respectively. In Alaska, permits were issued for 725 single-family homes, unchanged from a year ago.

Rental housing market conditions in the major metropolitan areas of the Northwest region were tight during the second quarter of 2012. According to MPF Research, the apartment vacancy rate in the Seattle metropolitan area, as of June 2012, was 4.7 percent compared with 5.1 percent a year ago, and the average asking rent increased



5 percent, to \$1,081. According to Reis, Inc., the apartment vacancy rate in the Bellingham metropolitan area was 2.5 percent in the second quarter of 2012 compared with 3.3 percent a year earlier, and the average asking rent increased slightly from \$757 to \$766. In the Portland metropolitan area, the average apartment vacancy rate declined from 3.5 percent in the second quarter of 2011 to 2.2 percent in the second quarter of 2012, and the average asking rent increased 5 percent to \$831. The apartment vacancy rate in the Eugene metropolitan area decreased to 3.2 percent in the second quarter of 2012 from 4.4 percent a year ago, and the average asking rent increased 2 percent, from \$715 to \$733. The average asking rent in the Anchorage metropolitan area increased 3 percent to \$1,068, in the second quarter of 2012 from a year ago and the rental apartment vacancy rate declined from 3.3 to 2.5 percent. In the Boise-Nampa metropolitan area, the apartment

vacancy rate in the second quarter of 2012 was 4.6 percent compared with 5.9 percent a year earlier, and the average asking rent increased from \$702 to \$718 during the same period.

Tight rental housing markets during the 12 months ending May 2012 led to an increase of 41 percent in the number of multifamily units permitted, to 12,200 units, based on preliminary data. More than 65 percent of the increase in multifamily construction activity occurred in Washington, where the number of permits increased by 2,050 units, or 34 percent, to 7,975 units permitted. Multifamily permitting increased by 1,300 units, or 65 percent, to 3,375 units in Oregon; increased by 275 units, or 58 percent, to 750 units permitted in Idaho; and decreased by 70 units, to 110 units permitted in Alaska.