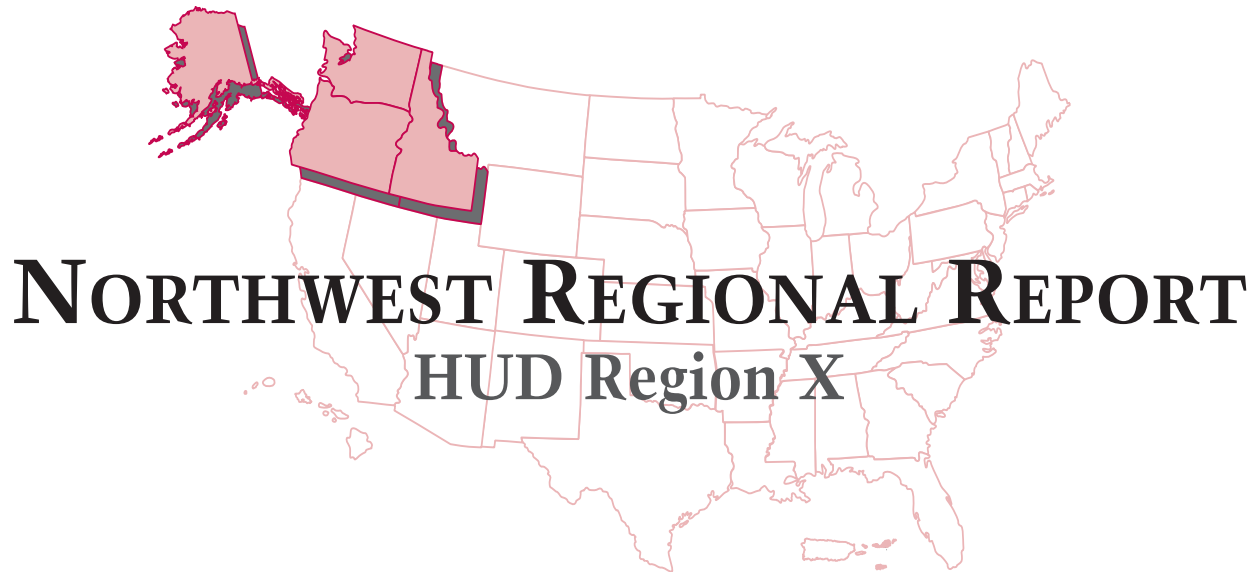




U.S. Housing Market Conditions



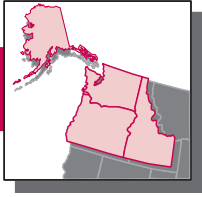
3rd Quarter Activity

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 economy in the Northwest region continued a 2-year slowing trend during the 12 months ending September 2010, although the pace of job declines moderated. Nonfarm payrolls declined by 118,000 jobs, or 2.2 percent, to average 5.3 million jobs compared with the number recorded during the 12 months ending September 2009, when 235,300 jobs were lost, a 4.1-percent decline. During the 12 months ending September 2010, nonfarm payrolls in Washington averaged 2.8 million jobs, down 65,100 jobs, or 2.3 percent. Oregon registered the second largest absolute decline, with 42,800 nonfarm payroll jobs lost, a 2.6-percent decline, down to an average of 1.6 million nonfarm payroll jobs. Idaho lost 12,700 jobs, a 2.1-percent decline, resulting in an average of 605,200 nonfarm payroll

jobs. Alaska was the only state that gained jobs during the 12-month period ending September 2010, with nonfarm payrolls up by 2,600 jobs, or 0.8 percent, to average 323,800 jobs.

Nonfarm payrolls declined in the Northwest region during the 12 months ending September 2010 and were led by job losses in the construction and manufacturing sectors. For the region, payrolls in the construction sector declined by 47,700 jobs, or 15.8 percent, due, in part, to declines in commercial and multifamily residential construction. Payrolls in the construction sector decreased by 29,700 jobs, or 17.4 percent, in Washington, and by 11,600 jobs, or 14.8 percent, in Oregon. In Idaho, payrolls in the construction sector decreased by 6,200 jobs, or 17.1 percent. In Alaska, commercial construction and relatively stable housing market conditions limited losses in the construction sector to 200 jobs, a 1.3-percent decline. Payrolls in the manufacturing sector declined by 27,100 jobs, or 5.3 percent, in the region during the 12 months ending September 2010. For the states in the region, payrolls in the manufacturing sector decreased by 13,700 jobs, or 5.1 percent, in Washington; by 11,300 jobs, or 6.5 percent, in Oregon; and by 2,900 jobs, or 5.2 percent, in Idaho. Payrolls in the manufacturing sector in Alaska gained 900 jobs, mainly because of hiring in the oil industry.



In the Northwest region, during the 12 months ending September 2010, nonfarm payroll job gains occurred primarily in the education and health services sector, which added 14,000 jobs, a 2-percent increase. Employment in this sector increased by 8,100 jobs in Washington, 3,600 jobs in Idaho, 700 jobs in Oregon, and 1,500 jobs in Alaska. Between the 12 months ending September 2009 and the 12 months ending September 2010, job losses throughout the Northwest region caused the average regional unemployment rate to increase from 8.7 to 9.5 percent. The unemployment rate, which increased in every state in the region, ranged from 8.2 percent in Alaska to 10.6 percent in Oregon.

Sales housing market conditions in the Northwest region were still soft during the 12 months ending September 2010, but the number of home sales increased in most areas because of flat or declining prices, an ongoing trend since early 2010. In Washington, according to data from Hanley Wood, LLC, during the 12 months ending September 2010, the number of new and existing single-family homes sold totaled approximately 80,550 homes, an 11-percent increase compared with the number of homes sold during the previous 12 months. The average new and existing single-family home sales price decreased by 2 percent to \$289,000 during the 12 months ending September 2010. In the Seattle metropolitan area, during the 12 months ending September 2010, 33,100 homes sold, a 17-percent increase compared with the number sold during the same period in 2009. The average home sales price in the Seattle metropolitan area declined by 3 percent to \$386,900. In the Bremerton metropolitan area the average home sales price was essentially unchanged at \$284,100, but in the Olympia metropolitan area the average sales price declined by 10 percent to \$233,800. The number of homes sold increased by 5 percent to 2,950 homes in the Bremerton area and by 8 percent to 3,500 homes in the Olympia area. In the Tacoma metropolitan area, the number of homes sold increased by 7 percent to 9,850 homes and the average home sales price decreased 5 percent to \$238,500.

In Oregon, according to data from Hanley Wood, LLC, during the 12 months ending September 2010, the number of new and existing single-family homes sold totaled approximately 46,650 homes, a 14-percent increase compared with the number of homes sold during the previous 12 months. The average new and existing single-family home sales price decreased by 6 percent to \$235,200 during the 12 months ending September 2010. In the Portland-Vancouver-Beaverton, Oregon-Washington metropolitan area, for the 12 months ending September 2010, the number of new and existing homes sold totaled 29,200, up 12 percent compared with the number sold during the 12 months ending September 2009, and the average home sales price decreased 6 percent to \$263,500. In Idaho, new and existing homes sales during the 12-month period ending September 2010 increased by 19 percent

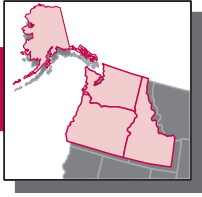
to 26,000 homes, but the average sales price decreased 9 percent to \$170,700, based on data from Hanley Wood, LLC. For the same period, in the Boise metropolitan area, new and existing home sales totaled 15,750 homes, a 28-percent increase compared with total home sales during the previous 12 months, largely because the average sales price decreased by 11 percent to \$166,700.

In Alaska, during the 12-month period ending September 2010, the number of new and existing homes sold increased by 5 percent to 8,950 homes, and the average price was essentially unchanged at \$256,600, according to data from Hanley Wood, LLC. Market conditions were mostly balanced in Anchorage during the same period, with a 3-percent increase in the number of new and existing homes sold, for a total of 6,575; the average price was unchanged at \$266,500.

Foreclosures increased in the Northwest region between September 2009 and September 2010. According to Lender Processing Services, Inc., Mortgage Performance Data, the percentage of mortgage loans 90 days or more delinquent, in foreclosure, or in REO (Real Estate Owned) increased from 5 to 6.1 percent in Washington, from 5 to 5.7 percent in Oregon, and from 6.3 to 6.6 percent in Idaho. Alaska was the exception to the regional trend; there, the percentage of mortgage loans 90 or more days delinquent, in foreclosure, or in REO decreased, albeit slightly, from 3.1 to 3 percent.

During the 12 months ending September 2010, new single-family home construction activity, as measured by the number of permits issued, increased, after a 3-year declining trend. Based on preliminary data, 21,300 homes were permitted, an increase of 2,825 homes, or 15 percent, compared with the number permitted during the previous 12 months. During the 12 months ending September 2010, single-family building activity totaled 12,050 homes permitted in Washington and 5,060 homes permitted in Oregon, increases of 24 and 11 percent, respectively, when compared with the number permitted during the previous 12-month period. During the 12 months ending September 2010, homebuilding activity decreased 4 percent in Idaho to 3,425 homes permitted but increased 28 percent in Alaska to 750 homes permitted.

Multifamily construction activity, as measured by the number of units permitted, declined in the Northwest region during the 12 months ending September 2010. Based on preliminary data, the number of units permitted in the region totaled 6,200, down 11 percent, or 760 units, from the number of units permitted during the previous 12-month period. During the 12 months ending September 2010, the number of multifamily units permitted in Washington declined by 7 percent, or 290 units, to 4,000 units permitted. During the 12 months ending September 2010, the number of multifamily units permitted declined from the previous 12-month total by 320 units in Idaho to a total of 380 units and by 140 units in Alaska to a total



of 170 units. During the 12 months ending September 2010, the number of multifamily permits, at 1,650 units, in Oregon was essentially unchanged compared with the number permitted during the previous 12 months.

Rental housing market conditions were mostly balanced throughout much of the Northwest region during the 12 months ending September 2010, due to declining or flat rents and reduced levels of apartment production. According to September 2010 data from *Apartment Insights*, the apartment rental vacancy rate in the Seattle metropolitan area was 5.6 percent, down from the 6.8-percent rate recorded in September 2009. As of September 2010, the average asking rent for apartments in the Seattle metropolitan area was \$1,030, nearly unchanged from the average asking rent a year earlier. The apartment vacancy rate in the Tacoma metropolitan area was 5.7 percent as of September 2010, down from 8.3 percent in September 2009. The decline in vacancies can be attributed to the roughly 18,000 troops returning to Fort Lewis from Iraq during the summer of 2010. For the third quarter of 2010, the average asking rent in Tacoma was \$840, up approximately 2 percent from September 2009. During the third quarter of 2010, in eastern Washington, according to data from Reis, Inc., the apartment vacancy rate in the Spokane metropolitan area decreased from 6.2 to 5.6 percent and

the average asking rent of approximately \$635 showed essentially no change from the third quarter of 2009.

In the Portland-Vancouver-Beaverton metropolitan area, rental housing market conditions were balanced as of the third quarter of 2010. According to Reis, Inc., the apartment vacancy rate was 4.8 percent, down from 6.9 percent in the third quarter of 2009. The average asking rent was essentially unchanged at \$830 between the third quarters of 2009 and 2010. In the Boise metropolitan area, during the third quarter of 2010, rental housing market conditions were soft, with an apartment vacancy rate of 8.1 percent, down from the 8.7-percent rate recorded in the same quarter a year earlier. The average asking rent was nearly \$690 in the Boise area during the third quarter of 2010, unchanged from the third quarter of 2009. In Anchorage, rental market conditions were tight, with an estimated apartment vacancy rate of 2.1 percent as of the third quarter of 2010, unchanged from the rate recorded in the fourth quarter of 2009. The average asking rent was nearly \$1,015, up more than 4 percent from the asking rent of approximately \$970 in the fourth quarter of 2009. Continued job growth combined with a relatively low level of apartment construction contributed to the tight rental market conditions in the Anchorage area.