



# U.S. Housing Market Conditions



## NORTHWEST REGIONAL REPORT HUD Region X

### 4th 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 averaged 5.2 million nonfarm jobs in 2009, down 215,000 jobs, or 3.8 percent, compared with a gain of 13,000 jobs during 2008. In Washington, nonfarm employment averaged 2.9 million jobs during 2009, down 96,800 jobs, or 3.3 percent—the largest decline of any state in the Northwest region. Oregon, which had the second largest decline, lost 88,000 jobs, or 5 percent, to average 1.6 million nonfarm jobs. In Idaho, losses amounted to 30,500 jobs, a 4.7-percent decline, resulting in an average of 617,000 nonfarm jobs during 2009. In Alaska, employment decreased for the first time since the early 2000s, down by 600 jobs, or 0.2 percent, to an average of 322,000 nonfarm jobs.

During 2009, gains were recorded only in the education and health services and the government sectors, up 12,700 and 5,700 jobs, or 1.8 and 0.5 percent, respectively. Employment in the education and health services sector increased by 5,900 jobs in Oregon, 4,500 jobs in Washington, 1,300 jobs in Alaska, and 1,000 jobs in Idaho. Employment growth in the government sector totaled 2,400 jobs in Washington, 1,500 jobs in Oregon, 1,000 jobs in Alaska, and 800 jobs in Idaho. Regionwide, growth in the education and health services and the government sectors slowed considerably in 2009 compared with growth in 2008, when 25,600 and 24,200 jobs were added in each sector, respectively.

Employment declines in the Northwest region were divided nearly equally between the goods-producing and service-providing sectors. Within goods-producing sectors, manufacturing was down 56,100 jobs, or 14 percent, and construction was down 51,300 jobs, or 10 percent. Oregon and Washington accounted for most of the manufacturing jobs lost in the region, down 26,300 and 23,000 jobs, respectively. Layoffs at Daimler AG and Intel Corporation contributed to job losses in Oregon and downsizing at The Boeing Company and related suppliers led the declines in Washington. In Idaho, layoffs in the semiconductor industry contributed to the loss of 6,500 jobs in the manufacturing



sector. Soft residential and commercial real estate markets slowed building, contributing to the loss of 28,400 and 15,700 construction jobs in Washington and Oregon, respectively, compared with the number of construction jobs in 2008. During 2009, Idaho and Alaska lost 6,400 and 800 construction jobs, respectively. Service-providing sectors declined by 106,000 jobs, led by losses in the professional and business services and retail trade sectors, both down 5 percent, or 37,900 and 32,400 jobs, respectively.

Job losses throughout the Northwest region caused the average regional unemployment rate to increase from 5.4 to 9 percent between 2008 and 2009. The unemployment rate increased in every state in the region during 2009 and averaged 11.4 percent in Oregon, 9 percent in Washington, 8.3 percent in Alaska, and 8.1 percent in Idaho.

The rising unemployment rate contributed to continued slow sales housing market conditions throughout the Northwest region during 2009, a trend that began in 2007. In Washington, market conditions were soft and total home sales, although 32 percent below 2007 volumes, were similar to 2008 home sales totals because of continued price declines and a year-end boost in home sales related to the first-time homebuyer tax credit program. According to the Northwest Multiple Listing Service, new and existing home sales during 2009 totaled 42,200 in the combined Puget Sound metropolitan areas of Seattle, Tacoma, Bremerton, and Olympia, down just 1 percent from the number sold in 2008. During the last 3 months of the year, sales were up 43 percent compared with sales during the same period in 2008. The average sales price of a home sold in 2009 declined 14 percent to \$361,800 in the combined Puget Sound metropolitan areas and was 21 percent below the peak average sales price of \$457,400 recorded during the 12 months ending February 2008. In the Seattle metropolitan area, 26,700 homes were sold during 2009, a 1-percent decline from the number sold during 2008. The average sales price of a home in the Seattle metropolitan area declined by 14 percent to \$423,300. In the Tacoma and Olympia metropolitan areas, average prices declined by 20 and 9 percent, to \$240,200 and \$264,700, respectively. Home sales declined by 1 percent in the Tacoma area and by 4 percent in the Olympia area. The Bremerton metropolitan area was the only area to record an increase in the number of homes sold, up 3 percent; however, the average sales price declined by 10 percent to \$295,700.

Oregon sales market conditions were soft during 2009, as evidenced by price declines, but they also reflected increased sales for the year mostly due to the first-time homebuyer tax credit program and to the increased affordability of homes. According to data from local multiple listing services, for 2009, the number of new

and existing single-family homes sold in the 11 largest markets in Oregon totaled 41,500, indicating a 5-percent increase compared with the number sold during 2008. During 2009, the average home price decreased by 14 percent to \$253,200. In the Oregon-Washington metropolitan area of Portland-Vancouver-Beaverton in 2009, 24,100 new and existing homes sold, up 2 percent from the number sold during 2008, although the average price decreased 13 percent to \$278,900. In Idaho in 2009, sales of new and existing homes in the 19 counties covered by the Intermountain Multiple Listing Service increased to 9,900 homes, up 9 percent from the number sold during 2008, but the average sales price decreased 18 percent to \$166,500. In the Boise metropolitan area in 2009, sales of new and existing homes totaled 7,900 units, indicating a 12-percent increase from the total number of homes sold in 2008, although the average sales price decreased by 19 percent to \$171,400. According to the Alaska Multiple Listing Service, Inc., new and existing home sales during 2009 totaled 2,400, which is a 2-percent decline from the number sold during 2008, and the average sales price decreased 1 percent to \$320,600.

Home builders continued to scale back new home construction in 2009, a trend started in late 2007, resulting from the soft sales housing market conditions throughout the Northwest region. Based on preliminary data, single-family building activity, as measured by the number of building permits issued, totaled 19,500 homes during 2009, which is down by 6,800 homes permitted, a 26-percent decrease from the number permitted in 2008. During 2009, the number of single-family homes permitted totaled 10,400 in Washington and 3,700 in Idaho, indicating declines of 25 percent in both states from the number of homes permitted during 2008. In Oregon, the number of single-family homes permitted declined by 29 percent to 1,950 and, in Alaska, single-family construction activity declined by 10 percent from 2008 to 600 homes in 2009.

Multifamily construction activity, as measured by the number of units permitted, slowed considerably in the Northwest region during 2009. Based on preliminary data, for 2009, the number of units permitted in the region totaled 5,600, down 64 percent from the number of units permitted during 2008. Washington multifamily construction activity declined by 7,000 units in 2009, or 69 percent, to 3,200 units and accounted for most of the region's total decline of 9,900 units. In Oregon, 1,600 multifamily units were permitted in 2009, which is 2,800 fewer than the number permitted during 2008, and, in Idaho, multifamily construction activity declined in 2009 by 100 units from 2008, to a total of 600 units permitted. In Alaska, multifamily construction activity for 2009 totaled 170 units, up by 67 units from the number of units permitted during 2008.



Rental housing market conditions during 2009 were mostly soft throughout much of the Northwest region due to job losses and to the increased number of unsold sales units entering the rental market. According to data from Reis, Inc., the apartment rental vacancy rate in the Seattle metropolitan area was 7.4 percent during the fourth quarter of 2009, up from 5.8 percent in the fourth quarter of 2008, and the average asking rent of \$950 for apartments in 2009 was down 5 percent from the average asking rent recorded a year earlier. In 2009, the Tacoma metropolitan area apartment vacancy rate was 8.1 percent, up from 5.8 percent a year earlier, partly due to troop deployments from the Fort Lewis Army Base. The average asking rent of \$740 in the Tacoma area during 2009 was down 3 percent from the average asking rent during the fourth quarter of 2008. On the eastern side of Washington in the Spokane metropolitan area, the apartment vacancy rate increased from 4.6 percent in 2008 to 6.5 percent in 2009, but the average monthly rent of \$630 remained essentially the same.

In the Portland-Vancouver-Beaverton metropolitan area, rental housing market conditions were soft as of the fourth quarter of 2009. According to Reis, Inc., the apartment vacancy rate was 6.9 percent in the fourth quarter of 2009, up from 5.2 percent in the fourth quarter of 2008. The average rent was essentially flat at \$822 during the same periods. Because of limited new apartment construction in 2009, rental markets in the Oregon metropolitan areas of Medford, Salem, and Eugene-Springfield remained balanced with apartment vacancy rates between 5 and 6 percent, up from the tight vacancy conditions of 3.5 to 4 percent in 2008. In the Boise metropolitan area, rental housing market conditions were soft during the third quarter of 2009, continuing a trend that began in mid-2007. According to Reis, Inc., the vacancy rate was 8.7 percent in the third quarter of 2009, up from 5.9 percent in the fourth quarter of 2008. The average rent in 2009 was \$690 in the Boise area, representing a 3-percent decline from the average rent in the previous year.