



# 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.

Nonfarm payrolls in the Northwest region averaged 5.3 million jobs during 2010, a decline of 39,400 jobs, or 0.7 percent, compared with the number recorded during 2009, when 279,500 jobs were lost, which was a 5-percent decline from 2008. In Washington, during 2010, nonfarm payrolls averaged 2.8 million jobs, down 22,100 jobs, or 0.8 percent. In Oregon, nonfarm payrolls declined by 15,100 jobs, or 0.9 percent, which brought nonfarm payroll jobs to a total of 1.6 million. Idaho lost 4,800 jobs, or 0.8 percent, resulting in an average of 605,300 nonfarm payroll jobs. Alaska was the only state in the region that gained jobs during 2010, with nonfarm payrolls up by 2,600 jobs, or 0.8 percent, to average 323,800 jobs.

Nonfarm payroll gains during 2010 in the region occurred primarily in the education and health services sector, which added 15,700 jobs, a 2.2-percent increase. Employment in this sector increased by 9,200 jobs in Washington, 3,900 jobs in Idaho, 1,700 jobs in Alaska, and 900 jobs in Oregon.

Nonfarm payroll declines in the region during 2010 were led by job losses in the construction and manufacturing sectors. Payrolls in the construction sector were down by 34,000 jobs, or 12 percent, largely because of declines in commercial and multifamily residential construction. Payrolls in the construction sector decreased in Washington by 20,700 jobs, or 13 percent; in Oregon by 8,000 jobs, or 11 percent, and in Idaho by 5,100 jobs, or 15 percent. In Alaska, some commercial construction minimized losses in the construction sector to just 200 jobs, a decline of 1.1 percent. Payrolls in the manufacturing sector declined by 13,300 jobs, or 2.7 percent, in the region during 2010. Losses in the manufacturing sector payrolls totaled 8,300 jobs, or 3.1 percent, in Washington; 5,500 jobs, or 3.3 percent, in Oregon; and 800 jobs, or 1.5 percent, in Idaho. In Alaska, payrolls in the manufacturing sector gained 1,400 jobs, up nearly 11 percent, mainly because of hiring in the oil industry. Because of the job losses



registered during 2010 throughout the region, the average regional unemployment rate increased from 9.4 to 9.6 percent. The unemployment rate, which increased in every state in the region, ranged from 8.1 percent in Alaska to 10.6 percent in Oregon.

Sales housing market conditions in the Northwest region remained soft during 2010, a trend that started in 2008. In Washington, according to data from Hanley Wood, LLC, during 2010, the number of new and existing single-family homes sold totaled approximately 74,700 homes, a 5-percent decrease compared with the number of homes sold during 2009. The average new and existing single-family home sales price decreased by 1 percent, to \$288,500, during 2010. In the Seattle metropolitan area, during 2010, 30,500 homes sold, which was a 3-percent decrease compared with the number sold during in 2009. The average home sales price in the Seattle metropolitan area decreased 1 percent, to \$388,700. In the Tacoma metropolitan area, the number of homes sold decreased by 6 percent, to 9,450 homes, and the average home sales price decreased 5 percent, to \$235,100.

In Oregon, during 2010, according to data from Hanley Wood, LLC, the number of new and existing single-family homes sold totaled approximately 43,900 homes, a 2-percent decrease compared with the number of homes sold during 2009. The average new and existing single-family home sales price decreased by 5 percent, to \$232,600, during 2010. During 2010, in the Portland-Vancouver-Beaverton, Oregon-Washington metropolitan area, the number of new and existing homes sold totaled 27,200, down 4 percent compared with the number sold during 2009, and the average home sales price decreased 3 percent, to \$262,200. Based on data from Hanley Wood, LLC, in Idaho, during 2010, new and existing homes sales increased by 3 percent, to 28,400 homes, but the average home sales price decreased 7 percent, to \$169,500. For the same period, in the Boise metropolitan area, new and existing home sales totaled 15,000 homes, a 6-percent increase compared with total home sales during 2009, largely because the average home sales price declined by 8 percent, to \$164,900.

In Alaska, during 2010, the number of new and existing homes sold decreased by 17 percent, to 7,400 homes, but the average price increased 3 percent to \$261,000, according to data from Hanley Wood, LLC. Market conditions were only slightly soft in Anchorage during the same period, with a 4-percent decline in the number of new and existing homes sold, down to a total of 6,300; the average price rose 3 percent to \$271,500.

In the Northwest region, the number of foreclosures increased by 4.9 percent between December 2009 and December 2010, due to higher levels recorded in Washington. According to Lender Processing Services Mortgage Performance Data, the percentage of mortgage loans 90 or more days delinquent, in foreclosure, or

in REO (Real Estate Owned) increased from 5.6 to 6.2 percent in Washington. The rate remained relatively stable, at 5.6 percent, in Oregon, but it declined from 7 to 6.6 percent in Idaho and from 3.2 to 2.8 percent in Alaska. All these rates remained below the national average of 8.3 percent.

New single-family home construction activity, as measured by the number of permits issued, increased in 2010, after a 3-year declining trend, but this increase was largely based on gains in Washington. Based on preliminary data, 20,900 homes were permitted in the region, an increase of 1,420 homes, or 7 percent, compared with the number permitted during 2009. In Washington, 12,150 single-family building permits were issued in 2010, accounting for a gain of 1,760 homes permitted compared with the number permitted during 2009. In Oregon and Alaska, during 2010, home permit activity rose by 85 and 140 homes to total 750 and 4,880 homes permitted, respectively, when compared with the number permitted during 2009. In Idaho, during 2010, homebuilding activity decreased by 570 homes, to 3,150 homes permitted.

Multifamily construction activity, as measured by the number of units permitted, increased in the Northwest region during 2010. Based on preliminary data, the number of units permitted in the region totaled 6,960, up 23 percent, or 1,320 units, from the number of units permitted during 2009. In Washington, during 2010, the gain in multifamily building activity totaled 1,480 units, up 46 percent, for a total of 4,160 units permitted. Nearly all of the units permitted in Washington were for the Seattle metropolitan area, where tight rental market conditions have caused renewed interest in apartment development. In Alaska, during 2010, the number of multifamily units permitted declined by 150 units, to 150 units, compared with the number permitted during 2009. In Idaho and Oregon, during 2010, the number of multifamily units remained relatively unchanged from a year earlier, at 575 units and 1,565 units, respectively.

Rental housing market conditions were balanced to tight throughout much of the Northwest region during 2010, because of declining or flat rents and reduced levels of apartment production. According to fourth quarter 2010 data from Reis, Inc., the apartment rental vacancy rate in the Seattle metropolitan area was 5.8 percent, down from the 7.3-percent rate recorded in the fourth quarter of 2009. During the fourth quarter of 2010, the average asking rent for apartments in the Seattle metropolitan area was \$1,035, up 3 percent from the average asking rent a year earlier. In the fourth quarter of 2010, in the Tacoma metropolitan area, the apartment vacancy rate was 6 percent, down from 8.1 percent a year earlier. The decline in vacancies can be attributed to the return of roughly 18,000 troops to Fort Lewis from Iraq during the summer of 2010.



For the fourth quarter of 2010, the average asking rent in Tacoma was \$765, up approximately 3 percent from the fourth quarter of 2009. During the fourth quarter of 2010, in the Spokane metropolitan area, according to data from Reis, Inc., the apartment vacancy rate fell to 5.3 percent, down from approximately 6.5 percent in the fourth quarter of 2009, but the average asking rent of approximately \$640 was up 1 percent.

In the Portland-Vancouver-Beaverton metropolitan area, rental housing market conditions were balanced as of the fourth quarter of 2010. According to Reis, Inc., the apartment vacancy rate was 5.7 percent, down from 7 percent in the fourth quarter of 2009. The average asking rent increased 2 percent, to \$840, up from \$820

in the fourth quarter of 2009. In the Boise metropolitan area, during the fourth quarter of 2010, rental housing market conditions were soft, with an apartment vacancy rate of 8.4 percent, up from 8 percent recorded in the same quarter a year earlier; the average asking rent was nearly \$695, unchanged from the fourth quarter of 2009. In Anchorage, as of the fourth quarter of 2010, rental market conditions were tight, with an estimated apartment vacancy rate of 2.0 percent, which was essentially unchanged from the rate recorded in the fourth quarter of 2009. The average asking rent was nearly \$1,015, up 5 percent from the asking rent a year earlier. Continued job growth combined with a relatively low level of apartment construction contributed to the tight rental market conditions in the Anchorage area.