

4th Quarter 2011



# 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.

Job growth was steady during 2011 in the Northwest region, but, as of December 2011, average nonfarm payrolls remained 290,000 jobs below the peak of 5.67 million recorded in October 2008. During 2011, average nonfarm payrolls in the region increased by 71,100 jobs, or 1.3 percent, to a total of 5.38 million jobs compared with a loss of 60,200 jobs, or 1.1 percent, during 2010. In Washington, average nonfarm payrolls increased by 36,800 jobs, or 1.3 percent, for a total of 2.8 million jobs. In Oregon, nonfarm payrolls gained 23,800 jobs, a 1.5-percent increase, bringing total nonfarm payroll jobs to 1.62 million. In Alaska, nonfarm payrolls increased by 4,900 jobs, or 1.5 percent, to a total of 329,300 jobs. In Idaho, average nonfarm payrolls totaled 608,500 jobs, up by 5,600 jobs, or 0.9 percent.

Nonfarm payroll gains in the region were greatest among the service-providing sectors. The professional and business services sector, which increased by 24,400 jobs, or 4 percent, led job growth in 2011. Washington had the greatest increase in this sector for the region, with job growth of 6 percent, primarily because of hiring in the computer design and employment services subsectors. Payrolls also increased by significant amounts in the region in the education and health services sector, which grew by 19,600 jobs, or 2.7 percent, and the leisure and hospitality sector, which increased by 16,400 jobs, or 3.1 percent. After 4 consecutive years of job losses, the manufacturing sector increased by 11,300 jobs, or 2.3 percent. Washington was the leader among the states in the region in manufacturing job growth, with a 2.8-percent increase, primarily because of hiring at The Boeing Company. Nonfarm payroll job losses in 2011 were greatest in the government sector and the construction subsector, which decreased by 1.6 and 0.9 percent, respectively. The government sector declined for the second consecutive year because of revenue shortfalls. In the construction subsector, 2011 marked the smallest number of job losses in 4 years, in part because of recent hiring by multifamily housing developers. Improving labor conditions in the region resulted in a decline in the average unemployment rate from 9.9 percent in



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2010 to 9.1 percent in 2011. Unemployment rates ranged from 7.5 percent in Alaska to 9.5 percent in Oregon.

Despite improvements in the labor market in 2011, the sales housing market in the Northwest region remained soft as limited mortgage credit availability constrained sales housing demand, continuing a trend that began in 2008. According to data from Hanley Wood, LLC, in 2011, approximately 120,200 new and existing single-family homes sold in the region, down 13 percent compared with the number of homes sold during 2010. The average home sales price in the region decreased by 4 percent to \$255,000. In Washington, 55,850 new and existing single-family homes sold, representing a 17-percent decline, and the average home sales price decreased by 4 percent to \$290,400. In the Seattle metropolitan area, the number of new and existing single-family homes sold decreased 13 percent to 21,450, and the average sales price declined 5 percent to \$397,600. In the Tacoma metropolitan area, the number of homes sold decreased by 14 percent to 7,250, and the average sales price decreased 12 percent to \$217,400.

According to data from Hanley Wood, LLC, the number of new and existing single-family homes sold in Oregon declined 13 percent to 35,400 homes during 2011 compared with 40,600 homes sold in 2010. The average new and existing single-family home sales price decreased by 5 percent to \$227,500. In the Portland-Vancouver-Beaverton metropolitan area, 21,050 new and existing homes sold in 2011, down 14 percent compared with the number sold in 2010, and the average sales price decreased 6 percent to \$257,700. In Idaho, the number of new and existing single-family homes sold declined by 8 percent to 22,750, and the average sales price decreased 4 percent to \$165,500. In the Boise City-Nampa metropolitan area, 13,200 homes sold during 2011, down 9 percent from 2010, and the average sales price declined by 5 percent to \$159,000. In Anchorage, the number of new and existing single-family homes sold declined by 5 percent to 4,500 homes, and the average sales price declined by 1 percent to \$289,500.

An increase in the rate of troubled mortgage loans also reflected soft sales housing market conditions in the Northwest region. According to LPS Applied Analytics, the number of mortgage loans in the region 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) increased by 4,775, to 6 percent of all loans in December 2011 compared with the 5.9-percent rate in December 2010. Almost 60 percent of distressed loans in the region are in Washington, where the delinquency rate increased from 6.2 percent in December 2010 to 6.5 percent in December 2011. The delinquency rate declined from 6.6 to 5.5 percent in Idaho and from 2.8 to 2.6 percent in Alaska. The percentage of delinquent mortgages in Oregon was unchanged from a year ago at 5.6 percent.

In the region, single-family home construction, as measured by the number of building permits issued, continued to decline during 2011, decreasing by 10 percent, or 2,575

homes permitted, to 22,775, based on preliminary data. Idaho had the largest percentage decline at 13 percent, or 500 homes, for a total of 3,500 homes permitted. Construction activity in Oregon decreased by 575 homes, or 10 percent, to a total of 5,175 homes permitted; in Washington was down by 1,425 homes, or 10 percent, to 13,400; and in Alaska declined by 6 percent to a total of 700 homes.

Multifamily construction, as measured by the number of units permitted, grew steadily in the region during 2011 because of tightening rental market conditions. Based on preliminary data, the number of multifamily units permitted increased by 37 percent, or 2,875 units, to 10,575 units compared with the number permitted the previous year. Oregon led the region with an increase of 77 percent, or 1,200 units, to a total of 2,775 units permitted, followed by Washington with an increase of 33 percent, or 1,775 units, to 7,175 units permitted. In Alaska, multifamily permits increased by 5 percent to total 160 units. Idaho was the only state in the region where the number of multifamily permits issued declined, decreasing by 20 percent, or 115 units, to a total of 460 units permitted.

Rental housing market conditions in the major metropolitan areas of the Northwest region were tight to balanced in the fourth quarter of 2011. According to *Apartment Insights*, the apartment vacancy rate in the Seattle metropolitan area was 5.3 percent in the fourth quarter of 2011, unchanged from the previous year, but the average asking rent increased by 4 percent, from \$1,034 to \$1,076. The apartment vacancy rate in the Tacoma metropolitan area increased from 6.2 percent in the fourth quarter of 2010 to 6.4 percent in the fourth quarter of 2011, and the average asking rent increased by nearly 1 percent, from \$832 to \$839. According to the Washington Center for Real Estate Research, in September 2011 (the most recent data available), the apartment vacancy rate in the Tri-Cities metropolitan area was 5.3 percent, up from 1.5 percent the previous year, and the average asking rent declined by 3 percent, from \$764 to \$745.

Rental housing market conditions in Oregon tightened during the fourth quarter of 2011. According to Reis, Inc., the average apartment vacancy rate in the Portland metropolitan area declined from 4.5 percent in the fourth quarter of 2010 to 2.7 percent in the fourth quarter of 2011, but the average asking rent increased by 2 percent, from \$839 to \$857. The apartment vacancy rate in the Eugene metropolitan area decreased from 4.1 to 3.7 percent, but the average asking rent increased by 2 percent, from \$708 to \$719. In the Salem metropolitan area, the apartment vacancy rate decreased from 3.9 to 3.0 percent, and the average asking rent increased by 3 percent, from \$637 to \$656. The apartment vacancy rate in the Anchorage metropolitan area declined from 3.5 to 3.1 percent in the fourth quarter of 2011, but the average asking rent increased by 3 percent, from \$1,021 to \$1,049.