

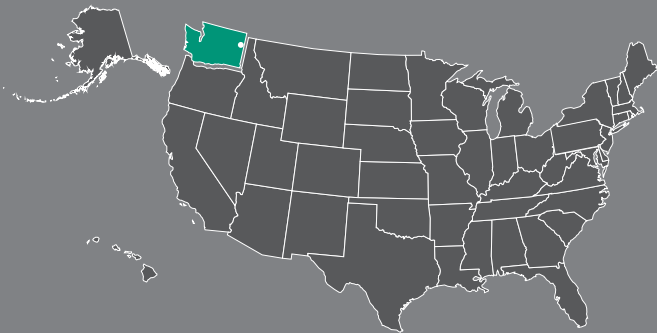
# HUD PD&R Housing Market Profiles

## Spokane, Washington



### Quick Facts About Spokane

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: tight.**
- **The city of Spokane, on the Spokane River, is the site of the oldest permanent European settlement in the state of Washington.**



By Adam Tubridy | As of January 1, 2015

### Overview

The Spokane Housing Market Area (HMA) consists of Spokane County, Washington, the central county of the Spokane-Spokane Valley, WA Metropolitan Statistical Area. The HMA, along the border with Idaho, is the largest urban area in eastern Washington. Fairchild Air Force Base, four universities, and five major hospitals form the economic foundation of the HMA.

- As of January 1, 2015, an estimated 482,600 people lived in the Spokane HMA.
- The population of the HMA has increased by 2,375, or 0.5 percent, annually since 2010. Annual population growth peaked from 2006 to 2009 at an average of 6,950 people, or 1.5 percent.
- Net in-migration contributed 67 percent of population growth from 2006 to 2009 but has declined to contribute only 26 percent of population growth since 2010.



Service-providing sectors have accounted for 90 percent of job growth in the Spokane HMA since 2010.

	3 Months Ending		Year-Over-Year Change	
	December 2013 (thousands)	December 2014 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	216.6	220.8	4.2	1.9
Goods-producing sectors	25.4	25.5	0.1	0.4
Mining, logging, and construction	10.2	10.3	0.1	1.0
Manufacturing	15.2	15.2	0.0	0.0
Service-providing sectors	191.3	195.3	4.0	2.1
Wholesale and retail trade	36.1	36.1	0.0	0.0
Transportation and utilities	6.7	6.8	0.1	1.5
Information	2.9	2.9	0.0	0.0
Financial activities	13.1	13.4	0.3	2.3
Professional and business services	23.1	24.1	1.0	4.3
Education and health services	45.2	46.4	1.2	2.7
Leisure and hospitality	18.6	19.3	0.7	3.8
Other services	9.1	9.2	0.1	1.1
Government	36.4	37.1	0.7	1.9
	<b>(percent)</b>	<b>(percent)</b>		
Unemployment rate	7.1	7.0		

Note: Numbers may not add to totals because of rounding.  
Source: U.S. Bureau of Labor Statistics

## Economic Conditions

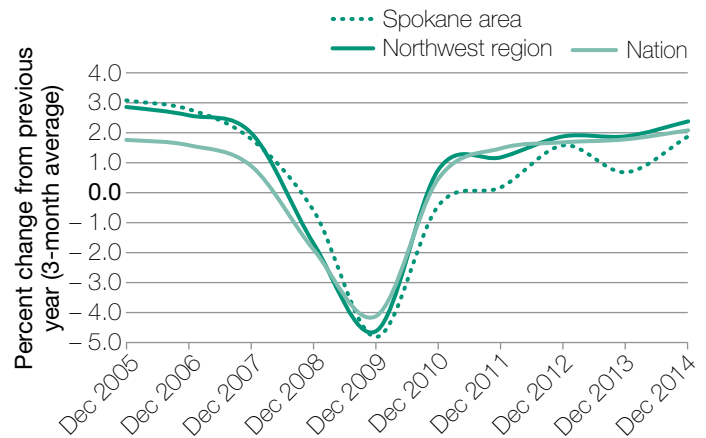
Nonfarm payroll growth in the Spokane HMA has accelerated since 2011 after 3 years of job losses. From 2008 through 2010, the average number of nonfarm payrolls declined by 4,300 jobs, or 2.3 percent, annually. During the fourth quarter of 2014, nonfarm payrolls increased by 4,200 jobs, or 1.9 percent, compared with nonfarm payrolls during the fourth quarter of 2013, to 220,800. By comparison, nonfarm payrolls increased by an average of 2,700 jobs, or 1.3 percent, annually in 2012 and 2013.

During the fourth quarter of 2014—

- The education and health services sector was the largest economic sector and led job growth, adding 1,200 jobs, a 2.7-percent increase. The health care and social assistance subsector accounted for 75 percent of job growth in the sector. Providence Health & Services, the largest private employer in the HMA, opened a new \$44 million, 132,000-square-foot medical center in 2014.
- The government sector accounted for the second most jobs in the Spokane HMA, or 17 percent of all nonfarm payrolls. The HMA includes two public universities—Eastern Washington University (EWU) and Washington State University-Spokane—with 1,625 and 430 employees, respectively; two government hospitals—Eastern State Hospital and the Mann-Grandstaff Veterans Affairs Medical Center—with 670 and 800 employees, respectively; and Fairchild Air Force Base, with 6,000 military and civilian personnel.

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## Nonfarm payroll growth in the Spokane HMA has lagged growth in the Northwest region and the nation.



Note: Nonfarm payroll jobs.  
Source: U.S. Bureau of Labor Statistics

## Largest employers in the Spokane HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fairchild Air Force Base	Government	6,000
Providence Health & Services	Education and health services	3,000
Wal-Mart Stores, Inc.	Wholesale and retail trade	1,475

Notes: Excludes local school districts. Fairchild Air Force Base employee count includes military personnel.  
Sources: *Journal of Business*—2013 Market Fact Book; Fiscal Year 2012 Fairchild Air Force Base Economic Impact Statement



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- The professional and business services sector added the second most jobs and grew by the greatest percentage, increasing by 1,000 jobs, or 4.3 percent, to 24,100. Since the economy began to recover in 2011, the professional and business services sector has added 2,300 jobs, more than any other sector.
- The unemployment rate averaged 7.0 percent, relatively unchanged from 7.1 percent during the fourth quarter of 2013. The current unemployment rate is significantly lower than the peak of 9.3 percent recorded in 2009.

Sources of expected job growth in 2015 include the following.

- Liberty Mutual Insurance expanded its presence in the Spokane HMA in 2014, leasing a new, 65,000-square-foot facility. Liberty Mutual plans to expand its workforce in the HMA from 900 to 1,300 employees by the end of 2015.
- Exotic Metals Forming Company LLC, an airplane parts manufacturer, is building a manufacturing plant west of the city of Spokane. The plant is expected to open in the summer of 2015 and bring 150 jobs to the HMA.
- A 90,000-square-foot addition to the Spokane Convention Center and an adjacent 716-room hotel, which cost a combined \$175 million, are expected to open in mid-2015.

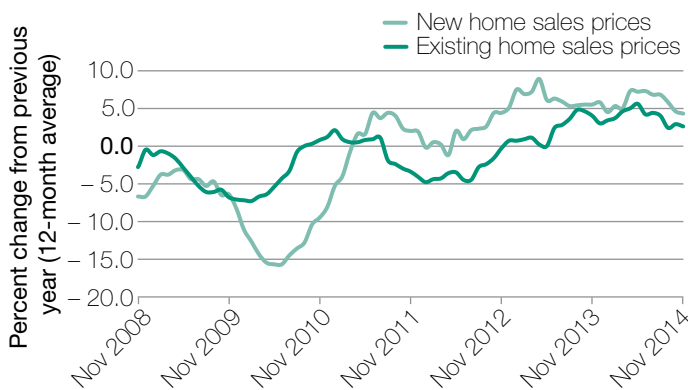
## Sales Market Conditions

The sales housing market in the Spokane HMA is currently balanced. Since 2012, the volume of new and existing home sales has increased rapidly and the inventory of homes available for sale has declined. During the 12 months ending November 2014 (the most recent data available), approximately 6,900 existing single-family homes, townhomes, and condominiums (hereafter, existing homes) sold, an increase of 170 homes, or 3 percent, from the 12 months ending November 2013. The average existing home sales price increased 3 percent, to \$180,600, because sales housing demand increased and the number of available homes decreased (CoreLogic, Inc., with adjustments by the analyst). During the same 12-month period, the average number of days a home was listed decreased 6 percent, to 101 days (Yahoo!-Zillow Real Estate Network).

- Existing home sales peaked from 2003 through 2006, at 11,850 annually, before decreasing by an average of 1,375, or 12 percent, annually from 2007 through 2011.
- Real estate owned (REO) sales accounted for 14 percent of existing home sales during 2014, unchanged from the previous 12 months (Metrostudy, A Hanley Wood Company). The percentage of home loans that were 90 or more days delinquent, were in foreclosure, or transitioned into REO status was 4.2 percent in December 2014, down from 5.0 percent in December 2013 (Black Knight Financial Services, Inc.).
- The number of new home sales (including single-family homes, townhomes, and condominiums) decreased by 40, or 5 percent,

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The average price of new and existing homes sold in the Spokane HMA increased during the past 24 months.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

New and existing home sales growth in the Spokane HMA declined in 2014 after increasing in 2013 by the greatest amount since 2005.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst



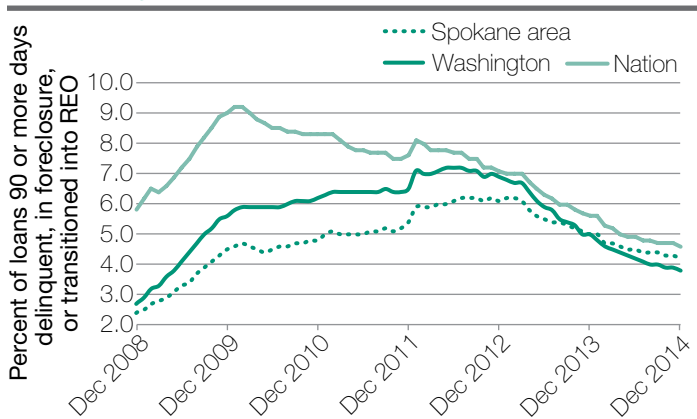
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to 740 homes sold during the 12 months ending November 2014, as population growth slowed. New home sales volume is still much greater than the 2011-through-2012 average of 560 annual home sales.

- The average price of a new home sold during the 12 months ending November 2014 was \$245,500, an increase of \$10,200, or 4 percent, from the previous 12 months. From 2011 through 2012, the average new home price increased by an average of \$7,450, or 4 percent, annually.

Single-family home construction activity, as measured by the number of homes permitted, decreased during 2014 after 2013 marked the greatest volume of home construction activity in the HMA since 2007.

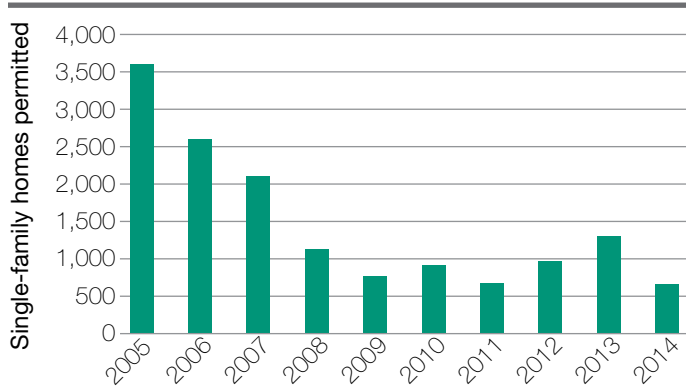
**The percentage of seriously delinquent and REO loans has declined at a lower rate in the Spokane HMA than in Washington or the nation.**



REO = real estate owned. Source: Black Knight Financial Services, Inc.

- Approximately 690 homes were permitted during 2014, a decrease of 310 homes, or 31 percent, from 2013 (based on a comparison of preliminary 2013 and 2014 data). By comparison, an average of 860 homes were permitted from 2009 through 2012.
- Single-family home construction peaked from 2004 through 2007, when an average of 2,625 homes were permitted annually.
- Approximately 25 percent of all new single-family home construction since 2010 has occurred in the city of Spokane. Eagle Ridge, a subdivision in southwest Spokane, accounted for about 10 percent of new home sales in the HMA during 2014 (Metrostudy, A Hanley Wood Company). A 91-lot ninth phase is currently under construction, with homes priced between \$170,000 and \$290,000.

**Single-family permitting in the Spokane HMA declined in 2014 after increasing in 2012 and 2013.**



Note: Includes preliminary data from January 2014 through December 2014. Source: U.S. Census Bureau, Building Permits Survey

**Apartment Market Conditions**

Apartment market conditions in the Spokane HMA are currently tight. Demand for apartments and other rental units has increased in the past 5 years because of a decreased homeownership rate, an increased number of distressed mortgages, and the adoption of tighter lending standards by banks.

- During the fourth quarter of 2014, the apartment vacancy rate in the HMA was 2.0 percent, down from 3.3 percent during the fourth quarter of 2013 (Reis, Inc.). By comparison, the apartment vacancy rate peaked at 7.0 percent in 2010.
- The average asking rent increased 1 percent from the same quarter a year ago, to \$693; 2014 was the fifth consecutive year of annual increases in the average asking rent.
- The average rents were \$600, \$726, and \$938 for one-, two-, and three-bedroom apartments, respectively.

- Gonzaga University, Whitworth University, and EWU house a combined 6,300 students on campus. An estimated 18,500 additional university students live off campus. EWU opened a new 344-bed dormitory in 2014.

Multifamily construction, as measured by the number of units permitted, increased during 2014 but is still below the 2006-through-2011 rate. Construction is concentrated in the urban area in and around the city of Spokane. Since 2010, about one-half of all multifamily units have been built in either Spokane or the adjacent city of Spokane Valley.

- Approximately 470 multifamily units were permitted during 2014, an increase of 280 units, or 145 percent, from 2013 (based on a comparison of preliminary 2013 and 2014 data). By comparison, an average of 950 multifamily units were permitted from 2006 through 2011.

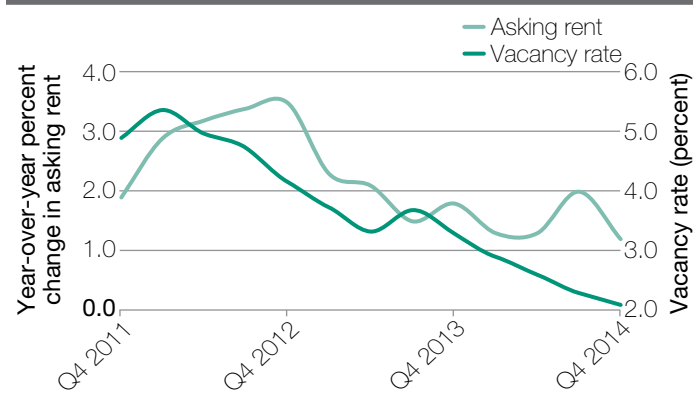
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- Approximately 450 apartments are currently under construction. As these units enter the market, the rental vacancy rate may rise, but apartment market conditions are expected to remain tight.
- Copper Hill, a 216-unit, market-rate apartment complex west of the city of Spokane, in Airway Heights, was completed in October 2014. Rents start at \$640, \$705, and \$815 for one-, two-, and three-bedroom apartments, respectively.

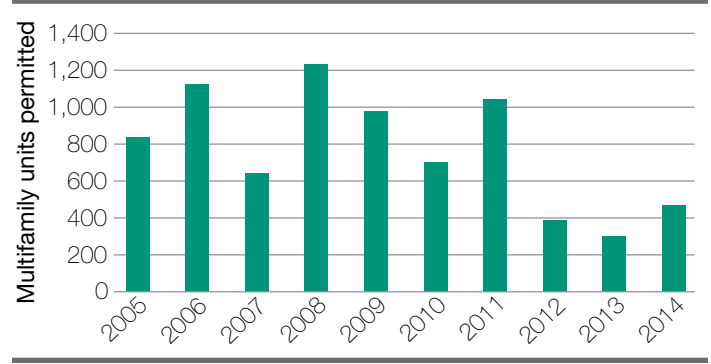
**The Spokane HMA apartment market has tightened since 2011.**



Source: Reis, Inc.

- A higher than average level of income-restricted, age-restricted apartment construction activity occurred in the HMA in 2014. The 61-unit Clare View Seniors Apartments and the 24-unit second phase at Appleway Court were completed, and the 174-unit Lilac Plaza and 124-unit Clare House were remodeled.

**Multifamily construction in the Spokane HMA increased in 2014 but remained low compared with the 2005-through-2011 level.**



Note: Includes preliminary data from January 2014 through December 2014.  
Source: U.S. Census Bureau, Building Permits Survey

