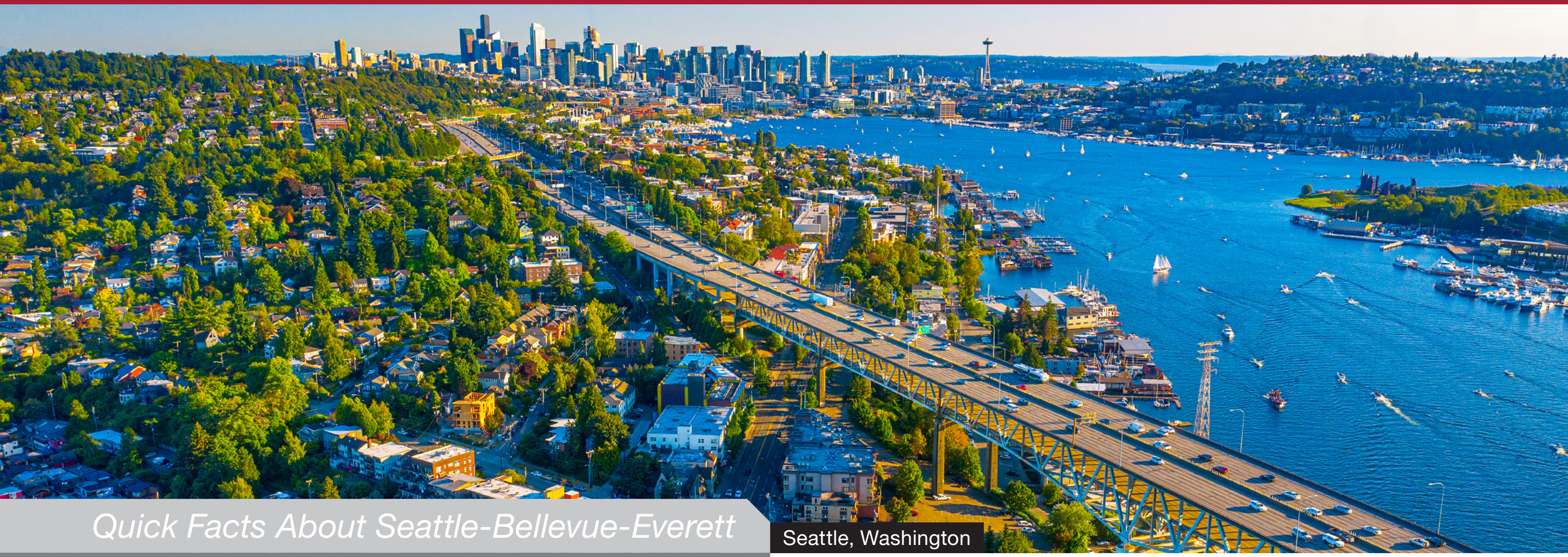
HUD PD&R Housing Market Profiles

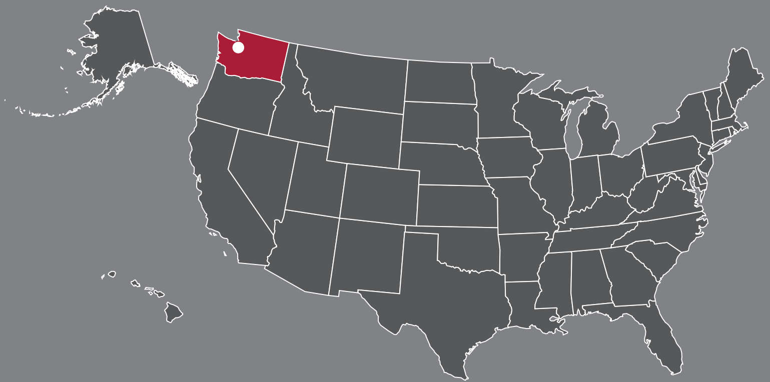
Seattle-Bellevue-Everett, Washington



Seattle, Washington

Quick Facts About Seattle-Bellevue-Everett

- **Current sales market conditions: balanced**
- **Current apartment market conditions: balanced**
- **In the Seattle metropolitan division, the average wage for a technology (hereafter, tech) worker was $172,009 in 2021, second only to the San Francisco Bay area, where the average tech wage was $185,425 (Global Commercial Real Estate Services).**



By Holi Urbas | As of August 1, 2023

Overview

Situated along the Puget Sound in northwestern Washington State, the Seattle-Bellevue-Everett (hereafter, Seattle) metropolitan division includes King and Snohomish Counties. The metropolitan division is an aerospace and tech hub anchored by globally recognized companies, including The Boeing Company, Microsoft Corporation, and Amazon.com, Inc. (hereafter, Boeing, Microsoft, and Amazon, respectively). Among the largest 100 metropolitan statistical areas (MSAs) in the country, the Seattle MSA—which includes King, Snohomish, and Pierce Counties—ranked as the number one MSA for science, technology, engineering, and math, or STEM, professionals in 2023 (WalletHub).

- As of August 1, 2023, the population of the metropolitan division is estimated at 3.13 million, reflecting an average annual increase of 10,300, or 0.3 percent, since 2020. By comparison, the population increased by an average of 45,300, or 1.6 percent, annually from 2010 to 2020.
- Since 2020, net natural increase has accounted for all population growth in the metropolitan division compared with 37 percent from 2010 to 2020, mostly because of significant net out-migration from 2020 to 2021.

continued on page 2

continued from page 1

- The fast expansion of tech in the metropolitan division has enticed jobseekers globally, and the relatively high wages in the industry helped fuel rapid rent and sales price growth, reducing housing affordability. All net in-migration to the metropolitan division since 2017 has been international in origin, mostly from Asia (U.S. Census Bureau).

Economic Conditions

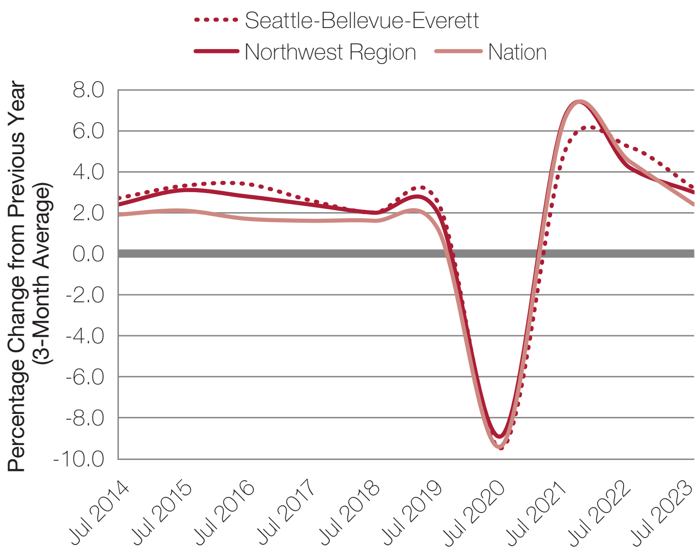
Economic conditions in the Seattle metropolitan division are strong, but job growth slowed during the past year as the economy transitioned from recovery to expansion and Big Tech consolidated. During the 3 months ending July 2023, nonfarm payrolls increased year over year by 57,500 jobs, or 3.2 percent, to 1.83 million. By comparison, during the 3 months ending July 2022, payrolls increased by 87,000 jobs, or 5.2 percent, annually. Strong job growth contributed to current payrolls being 3.3 percent above the level during the 3 months ending July 2019—the most recent corresponding period before the pandemic—compared with 3.2 percent nationally. For context, in 2020, due to the countermeasures to slow the spread of COVID-19, payrolls in the metropolitan division fell by 101,900 jobs, or 5.8 percent, compared with a 6.0-percent decline nationally.

During the 3 months ending July 2023—

- The leisure and hospitality sector led job growth with the addition of 14,800 jobs, or 9.5 percent, from a year ago, and despite strong gains during the past 2 years, payrolls in the sector are 4.1 percent below prepandemic levels during the 3 months ending July 2019. Big Tech return-to-

continued on page 3

Nonfarm payroll growth in the Seattle metropolitan division exceeded the national and state rates during the past year.



Source: U.S. Bureau of Labor Statistics

The information sector was the only sector to lose jobs during the past year in the Seattle metropolitan division.

	3 Months Ending		Year-Over-Year Change	
	July 2022 (Thousands)	July 2023 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,774.2	1,831.7	57.5	3.2
Goods-Producing Sectors	250.9	261.4	10.5	4.2
Mining, Logging, & Construction	107.7	110.3	2.6	2.4
Manufacturing	143.2	151.1	7.9	5.5
Service-Providing Sectors	1,523.2	1,570.3	47.1	3.1
Wholesale & Retail Trade	211.8	215.0	3.2	1.5
Transportation & Utilities	71.6	77.0	5.4	7.5
Information	146.5	137.4	-9.1	-6.2
Financial Activities	89.9	91.1	1.2	1.3
Professional & Business Services	359.2	362.1	2.9	0.8
Education & Health Services	225.6	240.1	14.5	6.4
Leisure & Hospitality	156.2	171.0	14.8	9.5
Other Services	58.6	61.1	2.5	4.3
Government	203.8	215.5	11.7	5.7
Unemployment Rate	2.9%	3.4%		

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

continued from page 2

work policies—most notably by Amazon, which called its 55,000 Seattle-based employees back to the office 3 days per week starting in May 2023—correlate with increased economic activity in the leisure and hospitality sector (*Axios Seattle*; Amazon.com, Inc.).

- Manufacturing sector payrolls, which generally track employment trends at Boeing and its suppliers, increased by 7,900 jobs, or 5.5 percent, compared with a 3.5-percent gain a year ago, partly due to Boeing announcing plans to expand its global workforce by 10,000 employees in 2023 (*The Seattle Times*). Despite these gains, payrolls in the sector are nearly 10 percent below prepandemic levels. Although manufacturing accounted for only 9 percent of payrolls in 2020 the sector was responsible for 14 percent of all jobs lost, and it continued to lose jobs in 2021, whereas most other sectors started recovering.
- The education and health services and the government sectors both had significant job gains, increasing by respective averages of 6.4 and 5.7 percent from a year ago, combining to account for nearly 46 percent of net job gains in the metropolitan division during the past year. Payrolls in both sectors have expanded beyond prerecession levels.
- The unemployment rate in the metropolitan division was 3.4 percent, up from 2.9 percent during the 3 months ending July 2022. The rise was the result of labor force growth outpacing employment growth.

Since 2010, the share of total nonfarm payrolls in the tech-heavy professional and business services sector has grown from 14 to nearly 20 percent, and the information sector has increased from 5 to almost 8 percent. Tech industry growth, which was previously rapid, fueled by robust demand during the pandemic, has moderated. The staffing level needed to meet that robust demand is no longer required, nor is the amount of prepandemic office space given the new industry standard of hybrid work. However, despite Amazon, Microsoft, and Meta having laid off a combined 6,400 workers in the metropolitan division since late 2022 (Worker Adjustment and Retraining Notification), these companies still have current job counts above prepandemic levels. The reduced demand for labor in the industry contributed to a sharp deceleration in job growth in the professional and business services sector and a year-over-year decline in information sector payrolls. During the 3 months ending July 2023, the professional and business services sector added 2,900 jobs, or 0.8 percent, to total 362,100 jobs compared with a year-over-year gain of 37,100 jobs, or 11.5 percent, during the 3 months ending July 2022. The information sector was the only employment sector to lose jobs during the 3 months ending July 2023, down by 9,100 jobs, or 6.2 percent, compared with an increase of 9,900 jobs, or 7.3 percent, a year earlier.

Largest Employers in the Seattle Metropolitan Division

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The Boeing Company	Manufacturing	69,800
Amazon.com, Inc.	Wholesale & Retail Trade	65,000
Microsoft Corporation	Professional & Business Services	51,375

Note: Excludes local school districts.
Source: Puget Sound Business Journals Book of Lists

Sales Market Conditions

Sales housing market conditions in the Seattle metropolitan division are currently balanced, with an estimated vacancy rate of 1.5 percent, up from 0.9 percent in April 2020, when conditions were very tight. Market conditions eased when interest rates started to rise significantly in January 2022. However, the rise in rates has also deterred potential sellers from listing homes, restricting the supply of for-sale housing, which has stopped conditions from becoming soft. Nationwide, nearly two-thirds of outstanding mortgages had an interest rate below 4.0 percent as of the fourth quarter of 2022 (Redfin, a national real estate brokerage). For people seeking to buy homes, the mortgage rate averaged 6.8 percent during the last week of July 2023 (Freddie Mac). In addition, a drop in new home construction since 2020 has further constrained the supply of homes. In July 2023, the for-sale inventory in the metropolitan division decreased to 1.3 months of supply compared with 1.9 months a year ago but was up from a recent July low of 0.7 months in 2021, when market conditions were very tight (Redfin, a national real estate brokerage). The average number of days a home was on the market in July 2023 was 8, relatively unchanged from the July average since 2020, and 40 percent of homes sold for more than the list price compared with a recent July high of 64 percent in 2021.

During the 12 months ending June 2023—

- New and existing home sales totaled 32,800, down almost 44 percent from a year ago; approximately 91 percent were existing home sales (CoreLogic, Inc., with adjustments by the analyst). During the previous 12 months, home sales fell 9 percent from a record high of 64,200 during the 12 months ending June 2021.

continued on page 4

continued from page 3

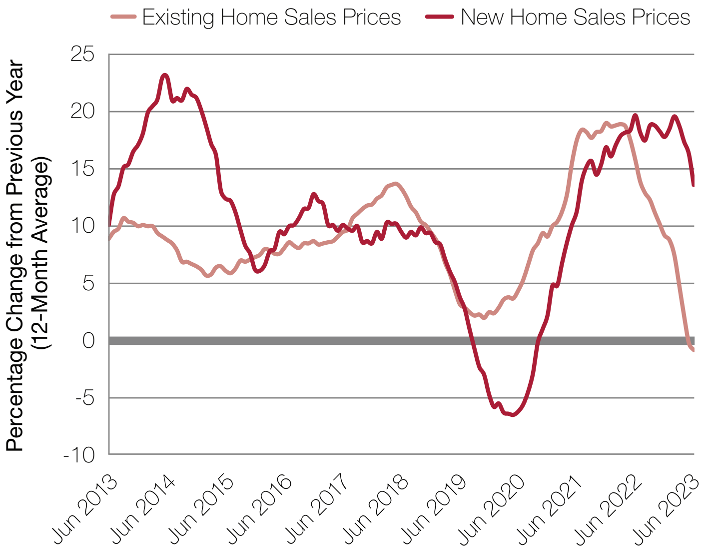
- The average home sales price increased less than 1 percent to $888,500. Record growth of 16 and 17 percent during the corresponding periods in 2022 and 2021 preceded the modest increase.
- Approximately 3,025 new homes sold, down 45 percent from a year ago and down 57 percent from the high of 6,975 new home sales during the 12 months ending June 2021. The average sales price of a new home was $1.13 million, up 14 percent from a year ago and 51 percent higher than the average of $745,500 during the 12 months ending June 2020.
- Existing home sales totaled 29,750, down 44 percent from a year ago and down 48 percent from the high of 57,250 sales during the 12 months ending June 2021. Despite a nearly 1-percent decline in the average sales price during the past 12 months, the current average sales price of $864,400 is 35 percent above the average during the same period in 2020.

New home construction—as measured by the number of single-family homes permitted—fell 22 percent during the 12 months ending July 2023 to 4,200 homes permitted. The decrease in construction corresponds to the sharp drop in sales demand during the past year in response to rising mortgage rates.

- Despite a prolonged period of tight sales market conditions, new home construction was relatively steady from 2014 through 2020, mainly because of limited land availability

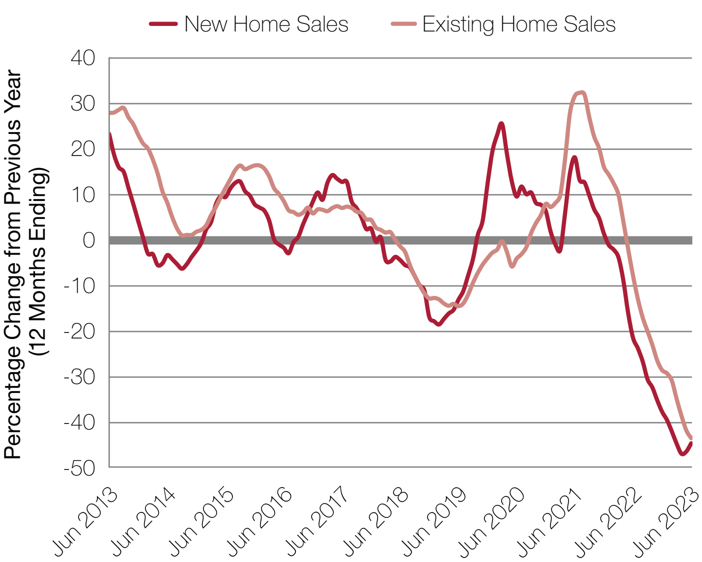
continued on page 5

The average existing home sales price in the Seattle metropolitan division declined during the past year for the first time in more than a decade.



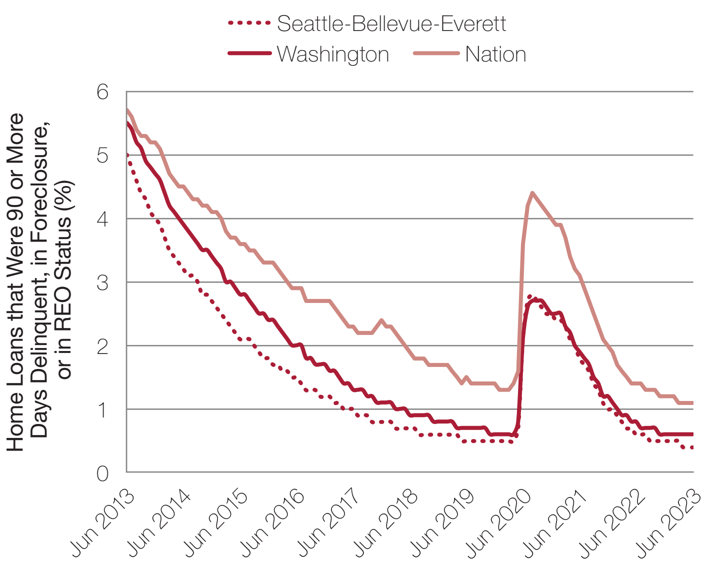
Note: Data are for single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

New and existing home sales in the Seattle metropolitan division have plummeted since a recent high in 2021.



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

The rate of seriously delinquent mortgages and real estate owned properties in the Seattle metropolitan division has been below the national rate since 2013.



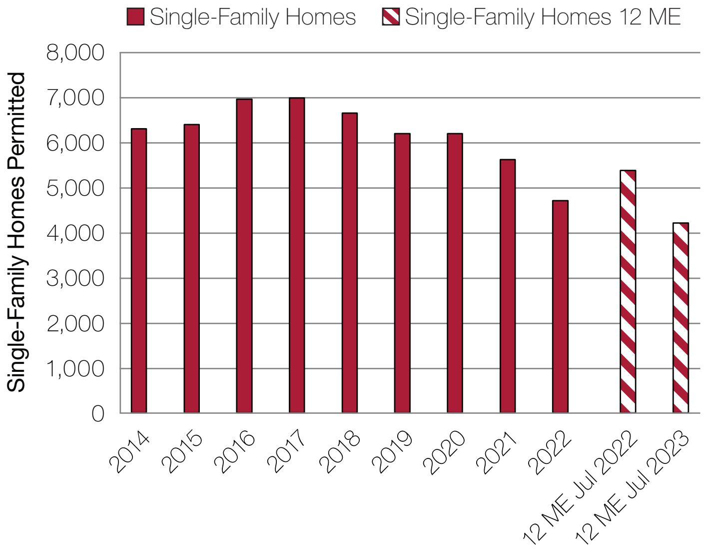
REO = real estate owned.
Source: CoreLogic, Inc.

continued from page 4

and high construction costs. The average of 6,525 new homes built annually during the period was insufficient to ease tight market conditions.

- Although the demand for homes was at a record high in 2021, as evidenced by a surge in home sales and prices, new home construction fell 9 percent from a year earlier, largely because of supply chain constraints and building material shortages that have persisted since the onset of the pandemic.
- The largest new home development in the metropolitan division is the master-planned community of Ten Trails in the city of Black Diamond, which is on the periphery of the urbanized area in southern King County where land is more abundant. Approximately 100 homes have sold year to date, with a high of $1.15 million and a median price of $866,700 in the fastest selling subdivision (Zonda). Within the city of Seattle, which has limited land available for development, the most common type of new sales housing is townhomes, and the largest number of sales was in the Gilman Park Townhomes community, with 35 home sales year to date and a median sales price of $950,000.

New home construction fell considerably in the Seattle metropolitan division during the past year in response to reduced demand.



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2014–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

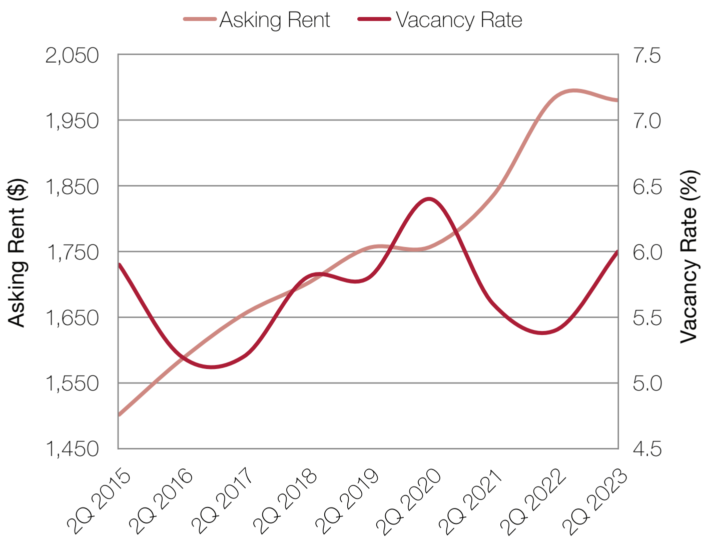
Apartment Market Conditions

Apartment market conditions in the Seattle metropolitan division were generally tight from the start of economic recovery from the Great Recession in 2011 until the past year, when conditions transitioned to balanced. As of the second quarter of 2023, the apartment vacancy rate in the metropolitan division was 6.0 percent, up from 5.4 percent as of the second quarter of 2022 (CoStar Group). The rate increased because more than 9,100 apartments were completed in the past year, whereas fewer than 6,000 units were absorbed. By comparison, during the previous 12 months, the numbers of units completed and absorbed were equal at approximately 11,750 units. As of the second quarter of 2023, the average rent was unchanged from a year ago at $1,981, preceded by an 8-percent year-over-year increase as of the second quarter of 2022, the swiftest annual growth rate during the second quarter since 2000. All CoStar Group-defined market areas in the metropolitan division had increased vacancy rates compared with a year ago, and rent growth slowed in all areas, including a few areas with rent declines.

As of the second quarter of 2023—

- The apartment vacancy rate in the Downtown Seattle market area was 9.6 percent, up from 7.1 percent a year ago, and the average rent fell 3 percent to $2,334 compared with a 4-percent increase a year earlier. Of the five CoStar Group-defined market areas that encompass the city of Seattle, only the Downtown Seattle market area had an apartment vacancy rate significantly above the metropolitan division average.

Average apartment rents in the Seattle metropolitan division stabilized during the past year following a prolonged period of strong growth.



2Q = second quarter.
Source: CoStar Group

continued on page 6

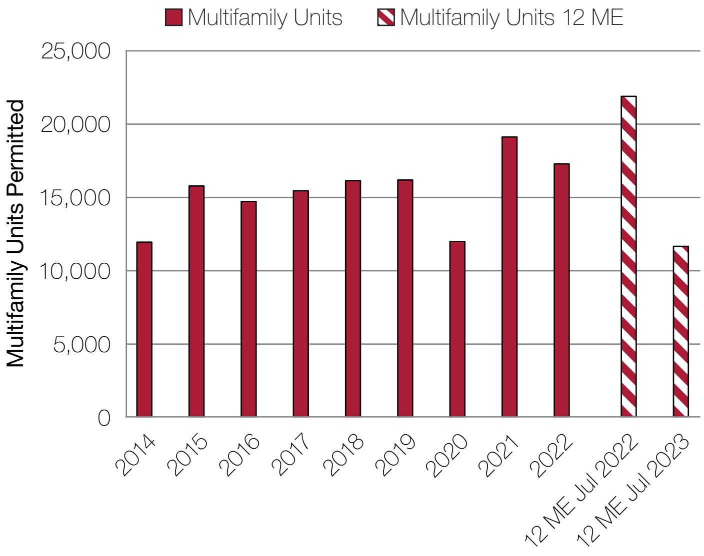
continued from page 5

- The vacancy rate averaged 5.3 percent on the Eastside—a local term to describe the geography that includes all cities east of Lake Washington—compared with 5.8 percent a year ago, and the average rent declined 2 percent to $2,429 compared with an 11-percent increase a year ago. The average rent on the Eastside has been 20 to 25 percent higher than the metropolitan division average since 2012, largely supported by a high concentration of well-paid tech workers.
- The southern and northern portions of the metropolitan division are generally suburban, and average rents correlate with an area's proximity to the largest job centers. The Kent market area had the highest vacancy rate south of the city of Seattle at 6.5 percent. However, this area is the only one south of the city of Seattle with positive net absorption during the past year.

Builders responded to easing apartment market conditions by reducing multifamily construction—as measured by the number of multifamily units permitted. During the 12 months ending July 2023, multifamily permitting declined 47 percent to 11,600 units. The highest level of multifamily construction on record of 21,850 units during the 12 months ending July 2022, when market conditions were tighter, preceded this decline.

- The current level of apartment construction is lower than prepandemic levels. From 2015 through 2019, apartment construction was relatively steady, averaging 15,600 units permitted annually during a period of low but relatively stable vacancy rates and consistent rent growth.
- Multifamily construction fell temporarily in 2020 due to disruptions from the pandemic and surged in 2021 to a record high of 19,050 units. The surge in activity was concurrent with a sharp drop in renter household growth since 2020 due to increased homeownership and slowing population growth, which have contributed to currently balanced apartment market conditions compared with a prolonged period of tight conditions.
- An estimated 34,750 apartments are under construction in the metropolitan division—more than double the level of average annual permitting from 2015 to 2019. Much of this construction is due to a surge in permitting in 2021 and 2022 because builders responded to tightening market conditions. However, longer construction times—mostly impacting large-scale developments that began construction within the first 2 years of the pandemic—also contributed to the high number of units under construction.
- Of the apartments under construction in the metropolitan division, most are in the city of Seattle, which accounts for 19,500 units, or 56 percent of the metropolitan division total. The Eastside accounts for 5,825 units, or 17 percent of all units under construction.
- The largest apartment development under construction in the metropolitan division, WB1200, is in downtown Seattle and will include 1,050 units in two 48-story buildings. The project began construction in 2018 and is expected to be complete in early 2024.
- Onni South Lake Union opened in 2022, with 825 apartment units in two towers. The property was approximately 85 percent leased in June 2023, with rents that averaged $3,115 for one-bedroom units, $4,558 for two-bedroom units, and $7,389 for three-bedroom units.

Multifamily construction activity in the Seattle metropolitan division declined during the past year in response to increased vacancies and low rent growth.



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2014–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Big Tech	A standard term to describe the most dominant companies in the technology industry, including the Big Five (Amazon, Apple Inc., Meta Platforms, Inc., Google LLC [Alphabet, Inc.], and Microsoft Corporation).
Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Eastside	Includes CoStar Group data for the cities of Bellevue, Kirkland, Redmond, and Issaquah.
Existing Home Sales	Includes resales, short sales, and real estate owned sales.
Home Sales/Home Sales Prices	Includes single-family, townhome, and condominium sales.
Net Natural Increase	Resident births are greater than resident deaths.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan division definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.