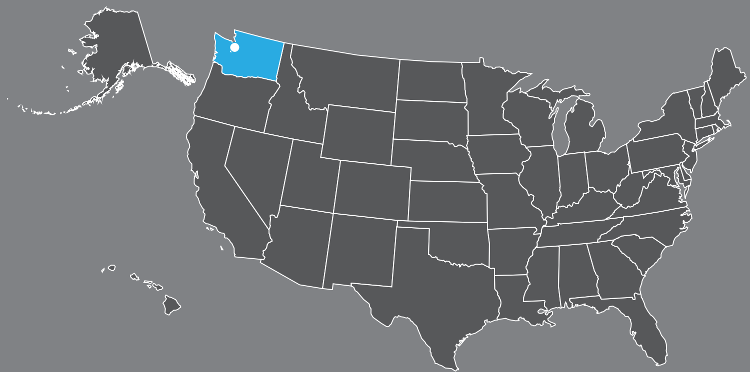
HUD PD&R Housing Market Profiles

Seattle-Bellevue-Everett, Washington

Seattle, Washington

Quick Facts About Seattle-Bellevue-Everett

- **Current sales market conditions: very tight**
- **Current apartment market conditions: balanced**
- **More than 30,000 workers are employed at The Boeing Company facility in Everett, which includes the largest manufacturing building in the world by volume, producing the 747, 767, 777, and 787 airplanes (The Boeing Company). An estimated 10,000 people work at The Boeing Company production site in Renton, where the new 737 MAX airplane is assembled.**



By Holi Urbas | As of December 1, 2020

Overview

Situated along the Puget Sound in northwestern Washington State, the Seattle-Bellevue-Everett metropolitan division (hereafter, Seattle metropolitan area) consists of King and Snohomish Counties. The metropolitan area is recognized as a global center for high-tech industries, including aeronautical design and manufacturing; computer systems and software design; data processing, hosting, and related services; and logistics. Interventions that began in mid-March to slow the spread of COVID-19, including enforcing social distancing and discouraging nonessential travel, have caused economic activity in the metropolitan area to slow dramatically. The largest employer in the metropolitan area, The Boeing Company (hereafter, Boeing), has been particularly hard hit during the pandemic as nonessential travel has been discouraged in an attempt to slow the spread of COVID-19; worldwide air passenger traffic fell 64 percent through August 2020 compared with the same time a year ago (International Air Transport Association). Despite the pandemic, high-tech companies including Amazon.com, Inc., Facebook, Inc., and Google LLC (a subsidiary of Alphabet Inc.) have plans to grow

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in the metropolitan area, mostly in cities east of Lake Washington near future light rail stations. The sales market is very tight due to a shortage of for-sale housing, whereas apartment markets in the metropolitan area are generally balanced.

- As of December 1, 2020, the population of the metropolitan area is estimated at 3.12 million, reflecting an average annual increase of 48,300, or 1.7 percent a year since 2011, following 1 year of decline in 2010 as a result of the Great Recession; approximately two-thirds of the growth was from net in-migration (intercensal population estimates from the Office of Financial Management for the State of Washington and estimates by the analyst).
- Since 2011, population growth was strongest from 2014 to 2017, increasing by an average of 63,300, or 2.2 percent, annually; almost three-fourths of the growth was from net in-migration. Since 2017, population growth slowed to an average of 46,450, or 1.5 percent, and two-thirds of the increase was from net in-migration.
- Part of the recent slowdown in population growth is due to an emerging trend in migration; from 2017 to 2019, international net in-migration of 44,750 people offset a domestic net out-flow of 2,600. By comparison, from April 2010 to July 2017, 42 percent of net in-migration was domestic (Census Bureau decennial census counts and population estimates).

Economic Conditions

Interventions taken in mid-March to slow the spread of COVID-19, including a stay-at-home order (partially lifted in June 2020) and ongoing social distancing mandates, caused economic activity in the metropolitan area to slow dramatically. Before the pandemic, economic conditions in the metropolitan area were strong, with 9 years of consecutive job growth, although the rate of job growth moderated during the last 2 years. Since 2010, the strongest period of nonfarm payroll growth was from 2015 through 2017, averaging 3.0 percent annually, slowing to an average annual rate of 2.3 percent through 2019. During the 12 months ending November 2020, which includes 3 full months before the pandemic, payrolls fell by 96,800, or 5.5 percent compared with the same 12-month period a year ago. By comparison, during the 12 months ending November 2019, payrolls increased by 40,600, or 2.4 percent. The effect of the countermeasures is more pronounced when looking at payroll data during the most recent 3-month period compared with a year ago because all months in the current series encapsulate the pandemic. During the 3 months ending November 2020, payrolls fell by 132,000, or 7.4 percent, compared with an increase of 41,700, or 2.4 percent, during the 3 months ending November 2019. This decline, however, is an improvement from the 3 months ending August 2020, when payrolls were down by 159,500, or 9.0 percent, year over year. The unemployment rate increased to 5.9 percent during the 3 months ending November 2020 compared with 2.7 percent a year ago.

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During the 3 months ending November 2020, only two payroll sectors added jobs in the Seattle metropolitan area.

	3 Months Ending		Year-Over-Year Change	
	November 2019 (Thousands)	November 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,779.0	1,647.0	-132.0	-7.4
Goods-Producing Sectors	273.8	255.0	-18.8	-6.9
Mining, Logging, & Construction	106.9	110.1	3.2	3.0
Manufacturing	166.9	144.9	-22.0	-13.2
Service-Providing Sectors	1,505.2	1,392.0	-113.2	-7.5
Wholesale & Retail Trade	273.4	263.8	-9.6	-3.5
Transportation & Utilities	59.8	53.7	-6.1	-10.2
Information	128.6	127.1	-1.5	-1.2
Financial Activities	88.9	89.9	1.0	1.1
Professional & Business Services	271.2	266.9	-4.3	-1.6
Education & Health Services	227.0	212.2	-14.8	-6.5
Leisure & Hospitality	175.7	118.6	-57.1	-32.5
Other Services	63.7	54.1	-9.6	-15.1
Government	217.0	205.7	-11.3	-5.2
Unemployment Rate	2.7%	5.9%		

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

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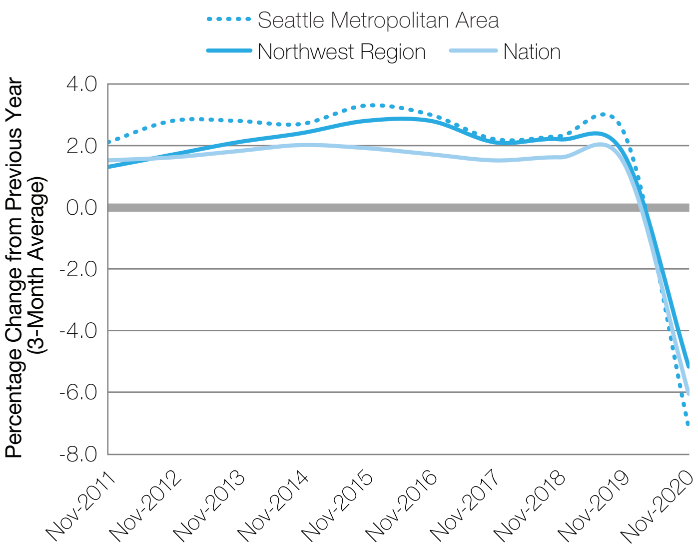
At the end of October 2020, the Seattle metropolitan area was in Phase 2 of the Washington State phased reopening plan, which allowed nonessential travel to resume and most establishments to operate while adhering to state-mandated social distancing requirements and health safety standards. In response to rising positive COVID-19 cases, the State of Washington announced another stay-at-home-order from mid-November 2020 until early January 2021, causing many businesses to close again; however, the effects of the most recent stay-at-home order are not captured in the currently available payroll data (through November 2020).

- Payroll sectors most impacted by the countermeasures applied to slow the spread of COVID-19 are those that rely heavily on in-person interactions. Approximately 42 percent of total jobs lost in the metropolitan area during the 3 months ending November 2020 were in the leisure and hospitality sector, which declined by 57,100 jobs, or 32.5 percent, from the 3 months ending November 2019. By comparison, the sector increased every year from 2011 through 2019 by an average of 4,900 jobs, or 3.3 percent.
- Job losses in the education and health services sector totaled 14,800 during the 3 months ending November 2020, a 6.5-percent reduction in sector jobs from a year ago. More than one-third of jobs lost in the sector were in the ambulatory health care services industry, which includes outpatient clinics, dentist offices, and private practice medical offices, all of which were limited to emergency response only, one of the many interventions used to slow the spread of COVID-19. For context, the education and health services sector added jobs every year for the past two decades.
- The construction subsector added 3,200 jobs, or 3.0 percent compared with a year ago. These job gains are a significant improvement from the 3 months ending August 2020 when the subsector lost 2,200 jobs, or 2.1 percent.
- During the 3 months ending November 2020, the financial activities sector increased by 1,000 jobs, or 1.1 percent, which represents one-half of the jobs gained a year prior. The information and the professional and business services sectors lost the least amount of jobs; all three sectors have a high concentration of jobs that are easily done remotely.

Manufacturing sector payrolls, which generally track employment trends at Boeing, fell by 22,000, or 13.2 percent, compared with a gain of 3,300 jobs, or 3.1 percent during the 3 months ending November 2019. During the third quarter of 2020, Boeing reported a net loss of $466 million compared with a profit of $1.2 billion during the same quarter in 2019 (*The Seattle Times*). From January through August 2020, Boeing reduced Seattle-area employment by 13,000, and in October 2020, announced plans to cut an additional 18,000 jobs company-wide by the end of 2021, much of which will occur in its Seattle-area facilities. It is uncertain whether these planned job cuts include the impact of moving all production of the 787 Dreamliner from the city of Everett in Snohomish County to South Carolina in 2021.

Nonfarm payrolls in the Seattle metropolitan area declined recently, following the same trend as the Northwest region and the nation, a result of interventions used to slow the spread of COVID-19.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Seattle Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The Boeing Company	Manufacturing	69,830
Amazon.com, Inc.	Wholesale & Retail Trade	52,000
Microsoft Corporation	Professional & Business Services	51,362

Note: Excludes local school districts.
Source: Moody's Analytics

Sales Market Conditions

Sales housing market conditions in the metropolitan area are currently tight, with an estimated vacancy rate of 0.7 percent, down from 2.6 percent in April 2010. The decline in vacancies reflects increased demand for, and a limited supply of, for-sale housing. The inventory of homes for sale has been less than 3 months since 2014, and as of November 2020, a 0.8-month supply of homes was available for sale, down from 1.4-months a year ago (Redfin, a national real estate brokerage). New and existing home sales totaled 48,900 during the 12 months ending October 2020, down 4 percent from the same period a year ago, and the average sales price increased 9 percent to $732,300 (Zonda). By comparison, prices were stagnant during the 12 months ending October 2019. The share of seriously delinquent home loans (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties was 2.6 percent in November 2020 compared with 0.5 percent in November 2019. The current rate is significantly higher than the 0.5-percent rate in February 2020 before the pandemic, but down from a recent high of 2.8 percent in August 2020 (CoreLogic, Inc.).

- During the 12 months ending October 2020, existing home sales totaled 43,350, reflecting a 4-percent decline from a year ago, nearly one-half the 7-percent average annual decline from 2017 through 2019 (Zonda).
- The average price of an existing home was $695,500 during the 12 months ending October 2020, up 9 percent from a year ago. By comparison, the average sales price increased at an average annual rate of 11 percent from 2017 through 2018 and stagnated in 2019 (Zonda).
- New home sales fell 10 percent during the 12 months ending October 2020 to 5,600 sales compared with a year ago. From 2017 through 2018, new home sales declined at an average annual rate of 5 percent before increasing 18 percent in 2019.
- The average sales price of a new home was $815,000 during the 12 months ending November 2020, up 8 percent from the previous 12 months. By comparison, average annual price growth was 6 percent from 2017 through 2018, followed by a 5-percent decline in 2019.
- In 2020, the percentage of adults in the Seattle metropolitan statistical area (which includes Pierce County to the south) living in households not current on rent or mortgage payments, where eviction or foreclosure in the next 2 months is either very likely or somewhat likely, increased from 20 percent during the week ending August 31 to 22.6 percent during the week ending November 9 (U.S. Census Bureau Household Pulse Survey). The percentage jumped to 32.5 percent during the week ending November 23, coinciding with the stay-at-home order that began a week earlier. Consequently, the number of seriously delinquent loans in the region may remain elevated or increase in the upcoming months.

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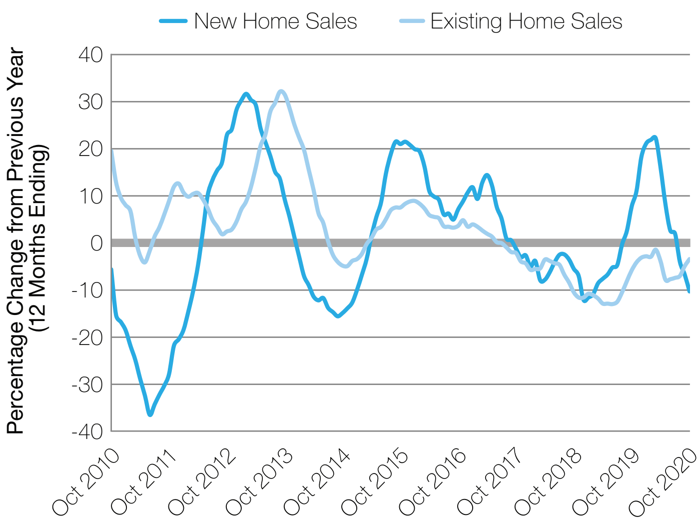
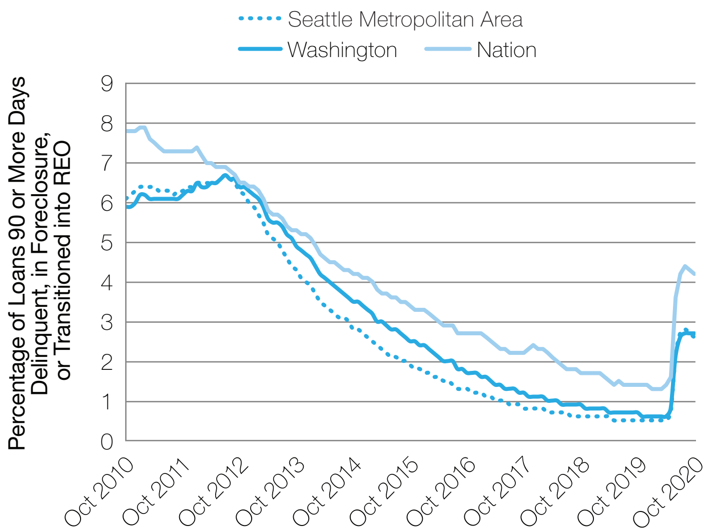
Several years of declining new home production resulted in a sharp drop in new home sales.



Note: Sales are for single-family homes, townhomes, and condominiums.
Source: Zonda

The percentage of home loans in the Seattle metropolitan area that are seriously delinquent or in REO status increased significantly since the onset of the pandemic, although the rate remains below that of the nation.



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

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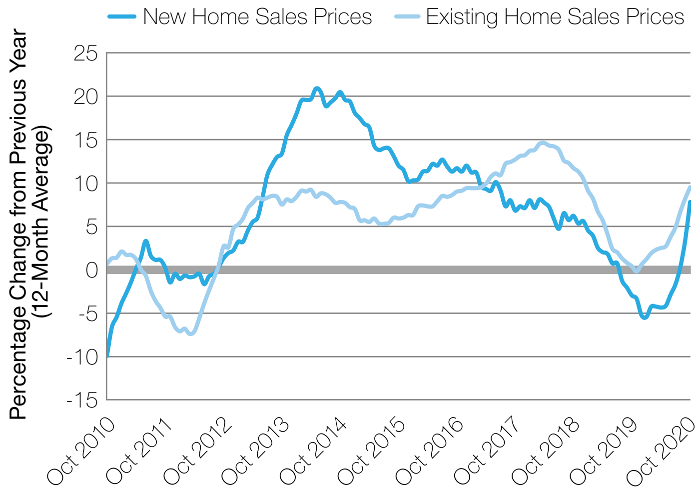
Despite strong sales and price growth in the metropolitan area since the end of the Great Recession, new home construction, as measured by the number of single-family homes permitted, has been relatively flat since 2012.

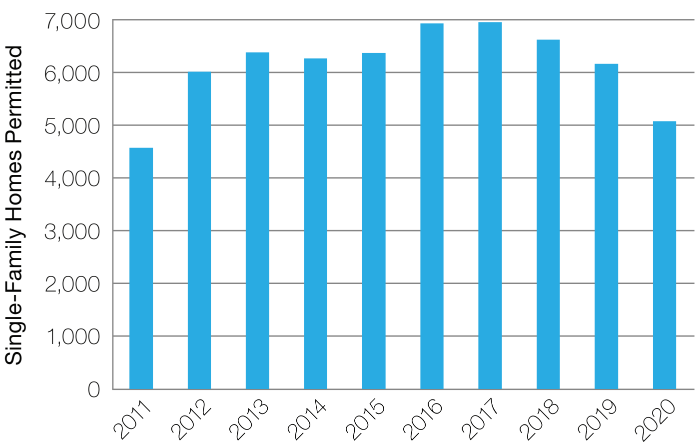
- New home construction totaled 6,075 homes during the 12 months ending October 2020, down 2 percent from the 6,175 homes permitted the previous 12 months (preliminary data).
- New home construction averaged only 4,425 homes a year from 2008 through 2011 because of the Great Recession and the housing market collapse. From 2012 through 2018, an average of 6,525 homes were permitted annually, despite average annual new home sales price growth of 12 percent during the period.
- Single-family home developments are limited in the city of Seattle because most of the city is built out, and the land that is available is typically used for higher density construction. The larger communities that are currently under construction are concentrated in the eastern, southern, and northern ends of the metropolitan area, which have more developable land.
- Year-to-date, the development with the most new home sales in the Seattle metropolitan area was Ten Trails, a master planned community in Black Diamond in southeast King County, where 80 new homes sold with an average sales price of $580,300 (Zonda). The second and third subdivisions with the most new home sales were also in southeast King County; there were 66 new home sales in Northpoint at Maple Centre in Maple Valley with an average sales price of $712,200, and 65 new home sales in Suntop Farms in Enumclaw with an average sales price of $418,300.

In the past year, record low levels of for-sale inventory have put upward pressures on sales prices.



Note: Prices are for single-family homes, townhomes, and condominiums.
Source: Zonda

Single-family home construction has been relatively flat in the Seattle metropolitan area since 2012.



Note: Includes preliminary data from January 2020 through October 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

Apartment market conditions in the Seattle metropolitan area are currently balanced, with a 5.1-percent vacancy rate during the third quarter of 2020, up from 3.8 percent a year ago when market conditions were tight, and the average asking rent declined 1 percent to $1,873 (RealPage, Inc.). The increased vacancy rate and decline in rent are largely attributable to the countermeasures used to slow the spread of COVID-19, which have caused financial stress for many households. Before the pandemic, strong economic and population growth, coupled with a low inventory of affordable for-sale housing, resulted in persistently tight apartment market conditions. Since the third quarter of 2015, the vacancy rate was less than 5.0 percent except for the fourth quarter of 2017 and the first quarter of 2018, and average annual rent growth was nearly 6 percent.

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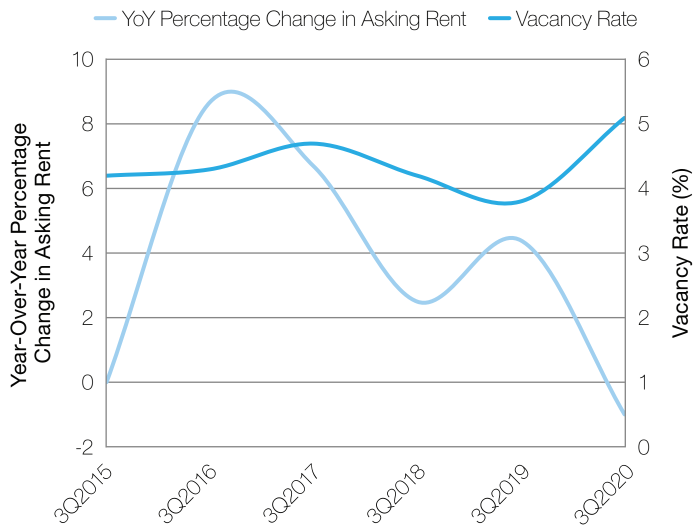
During the third quarter of 2020—

- The overall apartment market was balanced, but conditions varied from slightly tight to slightly soft among the 16 RealPage, Inc.-defined market areas in the metropolitan area. Vacancy rates increased in 13 market areas, whereas 8 market areas had declining rents compared with the third quarter of 2019.
- Of the six market areas that constitute the city of Seattle, only two reported rent growth, and all reported increased vacancy rates.
- The South Lake Union/Queen Anne market area had the largest rent increase compared with the third quarter of 2019, rising 3 percent to $2,327, whereas the vacancy rate increased 3.5 percentage points to 7.1 percent.
- The Downtown Seattle market area had a 3.8-percentage point increase in the vacancy rate to 7.9 percent, which is the largest percentage point increase and the highest rate in the metropolitan area; the average rent declined 4 percent to $2,480, the highest asking rent in the metropolitan area.
- Since the third quarter of 2015, 64 percent of the more than 52,000 apartments built in the metropolitan area were in the city of Seattle (RealPage, Inc.). Slightly more than 27 percent of apartment completions occurred in the 4 market areas that encompass the Eastside (all cities east of Lake Washington). The four market areas that represent the southern portion of the metropolitan area captured 5 percent of apartment construction, and 4 percent occurred in the two market areas in Snohomish County.
- The strongest rent growth in the metropolitan area occurred in the SeaTac/Burien market area, rising 8 percent to $1,539, and the vacancy rate increased 0.3 percentage points to 4.0 percent. The lowest vacancy rate was 3.2 percent in the Federal Way/Des Moines market area, compared with 3.3 percent a year ago. Both market areas are in the southern portion of the metropolitan area.

Apartment construction from 2015 through 2019, as measured by the number of multifamily units permitted, was the highest level of permitting during any 5-year period since at least 1980, averaging 15,600 units annually.

- During the 12 months ending November 2020, 13,600 units were permitted, down 13 percent from a year ago (preliminary data), largely in response to softening apartment market conditions.
- An estimated 13,300 apartments were under construction in the metropolitan area during the third quarter of 2020; 64 percent of them are in the six market areas that encompass the city of Seattle, 24 percent are in the four market areas that comprise the Eastside, 14 percent are in Snohomish County, and 7 percent of apartments under construction are in the southern portion of the metropolitan area (RealPage, Inc.).
- From January 2020 through September 2020, approximately 4,390 apartments were completed in the metropolitan area compared with 8,050 during the same period a year ago. Nearly one-half of the completions in 2020 were in the city of Seattle, 44 percent were on the Eastside, 4 percent were in Snohomish County, and 3 percent were in the remaining southern market areas.
- The largest development completed year-to-date was the 532-unit Jackson Apartments in the Capitol Hill neighborhood of the city of Seattle, which opened in August 2020. Asking rents start at $1,475 for studios and rise to $3,635 for three-bedroom units.
- Of the developments under construction in the metropolitan area, the largest is being built in the city of Seattle. Onni South Lake Union will include two 41-story towers containing 1,179 apartments and more than 28,000 square feet of retail and office space on completion expected in early 2021 (RealPage, Inc. and Seattleinprogress.com). In downtown Seattle, 1200 Stewart will include two 45-story towers with a combined 1,050 units and more than 150,000 square feet of retail space on completion expected in December 2021.

Since the beginning of the pandemic, the apartment vacancy rate has increased, and rents have declined.



3Q = third quarter. YoY = year-over-year.
Source: RealPage, Inc.

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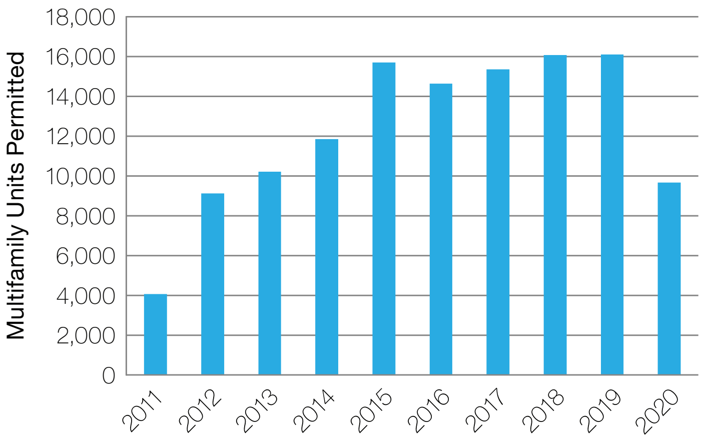
Multifamily permitting in the Seattle metropolitan area has been elevated since 2014.



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