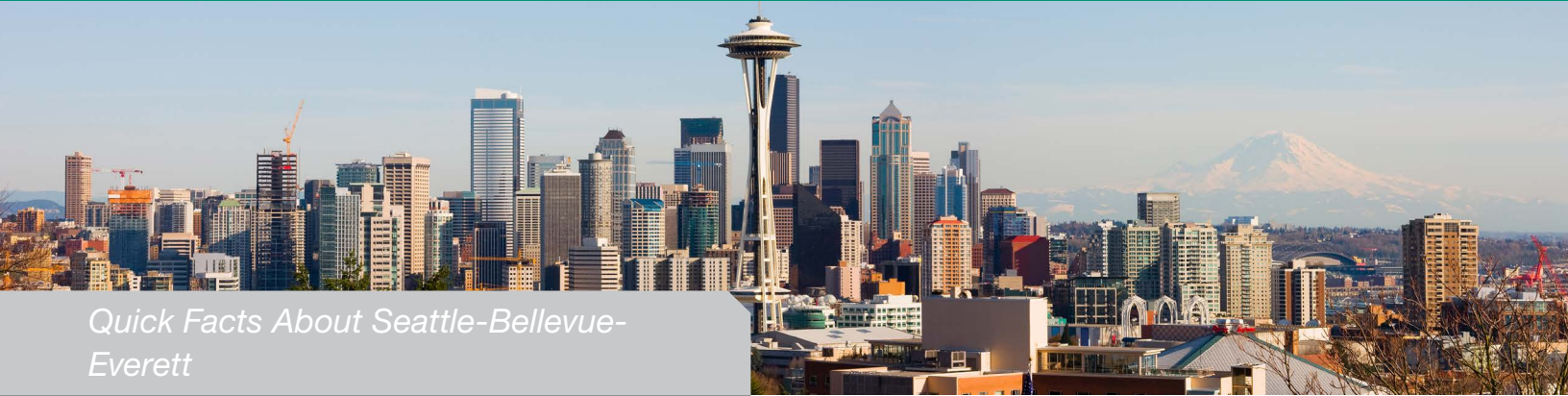


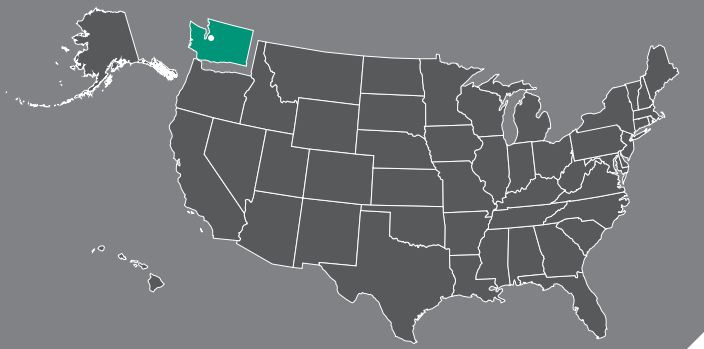
HUD PD&R Housing Market Profiles

Seattle-Bellevue-Everett, Washington



Quick Facts About Seattle-Bellevue-Everett

- **Current sales market conditions: very tight.**
- **Current apartment market conditions: slightly soft.**
- **Since 2011, nonfarm payrolls increased by 314,000 jobs, an annual rate of 45,300 jobs, or 3.0 percent, through 2017, the fastest rate of sustained growth in the past 30 years.**



By Tom Aston | As of February 1, 2018

Overview

The Seattle-Bellevue-Everett (hereafter, Seattle) metropolitan area is coterminous with the Seattle-Bellevue-Everett, WA Metropolitan Division, consisting of King and Snohomish Counties. Several nationally and internationally renowned companies have headquarters in the metropolitan area, including Microsoft Corporation in Redmond, Amazon.com Inc. and Starbucks Corporation in Seattle, and Costco Wholesale Corporation in Kirkland. The presence of advance industries in aerospace, internet retailing, biotechnology, and medical research, as well as a very active arts community, restaurant scene, and wide variety of tourist attractions, make the metropolitan area a global magnet for job seekers and vacationers.

- As of February 1, 2018, the population of the metropolitan area is estimated at 3.0 million compared with 2.6 million in 2010. Strong economic growth during this period led to an average annual rate of population growth of 44,900, or 1.6 percent, well above the 34,250, or 1.4-percent, rate of growth during the economic expansion from 2004 through 2007.
- As of July 1, 2017, the population of the metropolitan area was 2.99 million, an increase of 1.6 percent from a year earlier compared with a 0.7-percent increase to 325.7 million for the nation during the same period.
- Since 2011, net in-migration accelerated from 27,550 a year to a peak of 36,900 from July 2015 through June of 2016 (Washington State Office of Financial Management, most recent data

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available). International in-migration increased from 14,400 in 2011 to 17,900 in 2016, accounting for approximately 50 percent of net in-migration during the period.

- Population growth rates since 2010 have been greatest in the suburban cities of Kirkland, Kent, and Sammamish, increasing by average annual rates of 5,325, 4,950, and 2,350, or 15, 8, and

5 percent, respectively. Partially in response to the success of Amazon, Google, and other high-tech firms in the city of Seattle, population growth in Seattle has occurred at an average annual rate of 15,000, or slightly more than 2 percent, since 2010 compared with a rate of 4,525, or less than 1 percent, from 2000 through 2010.

Economic Conditions

The Seattle metropolitan area is entering its eighth year of non-farm payroll growth. Aggressive hiring at The Boeing Company in response to robust aircraft orders in 2010 led to a 26,600, or 1.9 percent, gain in nonfarm payrolls during 2011, after 2 consecutive years of job losses. Since then, nonfarm payroll growth averaged 45,300 jobs, or 3.0 percent, annually through 2017.

During the 3 months ending January 2018—

- Nonfarm payrolls increased by 52,700 jobs, or 3.2 percent, from a year earlier, surpassing the annual rate of job gains since 2011.
- In percentage terms, the gain of 7.6 percent, or 7,200 jobs, in the mining, logging, and construction sector led job growth, followed by the wholesale and retail trade sector with a gain of 5.3 percent, or 13,500 jobs, and the information sector with a 5.0-percent increase of 5,300 jobs.

- Nonfarm payroll growth was broad based, with 8 of the 11 sectors increasing at a greater rate than the metropolitan average.
- Only the manufacturing sector recorded job losses, down 6,700 jobs, or 4.1 percent. A significant portion of the jobs lost in the manufacturing sector occurred in the aerospace products and parts subsector, partly because of layoffs at Boeing.

Mining, logging, and construction sector job growth is primarily because of construction activity, especially in central Seattle. Currently, 35 projects are under construction consisting of 20 apartment developments (4,650 units), 5 office buildings (2,250,000 square feet), 5 hotels (2,550 rooms), 2 hotel-apartment projects (700 rooms and 155 units), 2 biotechnology facilities (700,000 square feet), and the Arts and Cultural Center (Seattle Downtown

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The wholesale and retail trade, the mining, logging, and construction, and the professional and business services sectors accounted for more than one-half of job growth in the Seattle area during the 3 months ending January 2018.

	3 Months Ending		Year-Over-Year Change	
	January 2017 (thousands)	January 2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,661.3	1,714.0	52.7	3.2
Goods-producing sectors	259.1	259.5	0.4	0.2
Mining, logging, and construction	94.5	101.7	7.2	7.6
Manufacturing	164.6	157.9	- 6.7	- 4.1
Service-providing sectors	1,402.2	1,454.5	52.3	3.7
Wholesale and retail trade	254.6	268.1	13.5	5.3
Transportation and utilities	56.9	58.8	1.9	3.3
Information	105.4	110.7	5.3	5.0
Financial activities	82.6	85.6	3.0	3.6
Professional and business services	251.1	259.3	8.2	3.3
Education and health services	211.0	218.1	7.1	3.4
Leisure and hospitality	160.4	167.9	7.5	4.7
Other services	58.1	59.0	0.9	1.5
Government	222.0	227.0	5.0	2.3
	(percent)	(percent)		
Unemployment rate	3.7	4.0		

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics



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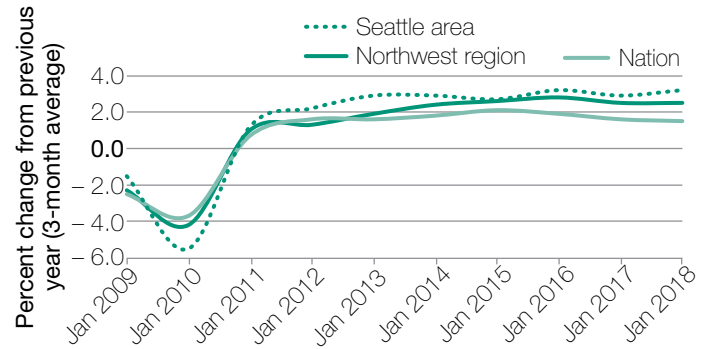
Association). An increase of 1,500 jobs in the food and beverage store industry, partially attributable to the emergence of several food delivery service firms, led job growth in the wholesale and retail sector.

Largest employers in the Seattle area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The Boeing Company	Manufacturing	68,800
Microsoft Corporation	Professional and business services	43,000
University of Washington	Government	34,000

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

Nonfarm payroll growth in the Seattle area has outperformed growth in the Northwest region and the nation for 7 consecutive years.

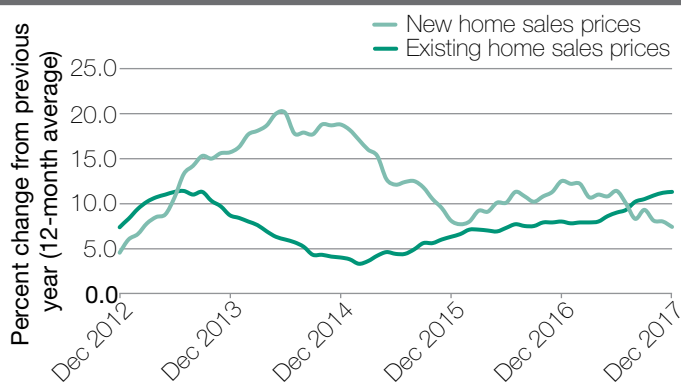


Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

The home sales market in the Seattle metropolitan area is very tight, as a persistently low for-sale inventory constrains the pace of existing home sales. For-sale inventory as of January 2018 was 2,275 homes, down 32 percent from a year earlier and has been declining every year since 2010, except for a 600-home, or 10-percent, increase in 2014 (Redfin). As of January 2018, a 0.9-month supply of homes was for sale at the current sales rate compared with a 1.7-month supply a year ago. During the 12 months ending December 2017, new and existing home sales increased 3 percent to 61,600 homes sold, which followed a 7-percent gain a year ago when 52,700 homes sold, the greatest yearly percent gain since the housing market recovery began in 2012 (CoreLogic, Inc., with adjustment by the analyst).

Growth in existing home sales prices in the Seattle area increased from an annual rate of 4 percent in 2014 to 11 percent in 2017.



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

- Sales of existing homes (including single-family homes, townhomes, and condominiums) increased nearly 4 percent to 55,475 during the 12 months ending December 2017, on the strength of a 6-percent increase in traditional resale homes to 54,600 homes sold. Real estate owned (REO) and short sale activity decreased 40 percent to 725 homes, or more than 1 percent of existing sales, and 84 percent to 140 homes, respectively the lowest levels in approximately 10 years.
- The percentage of home loans that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status was 1.0 percent in January 2018, down from 1.8 percent a year earlier, and the rate has declined every year since December 2012 (CoreLogic, Inc.).
- Reflecting robust demand for existing homes, the average price of an existing home sold was a record high \$562,000, up 11 percent from a year ago, the greatest percentage increase since the housing market recovery began in 2012.
- Rising prices for new homes contributed to a 6-percent decrease in new homes sales to 6,175, while the average price increased more than 7 percent to a record high \$738,000, approaching double the average price of a new home at the low point of the housing market downturn during 2009.
- During 2017, condominium sales declined 3 percent to 10,800 and accounted for 20 percent of existing home sales activity. The average price increased 17 percent to \$417,500. The condominium market was very tight as of December 2017, with barely a 0.5-month supply of inventory (Northwest Multiple Listing Service).

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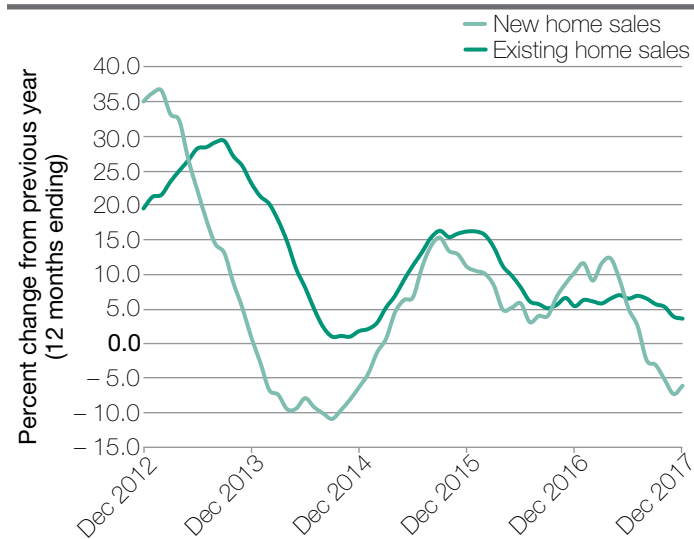


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Rising prices and strong population growth contributed to steady homebuilding activity despite the recent decline in new home sales.

- Homebuilding activity, as measured by the number of single-family units permitted, increased more than 1 percent to 6,975 during the 12 months ending January 2018.
- Limited readily buildable land in the city of Seattle and nearby suburbs, where population growth has been strongest, and construction labor shortages throughout the metropolitan area constrained single-family home production to an average of 6,500 homes annually from 2012 through 2017 compared with an average of 10,700 homes annually from 2001 through 2006.
- The most active single-family subdivisions for new home construction during 2017 were Gregory Park in rural Snohomish County, with 64 single-family detached starts ranging in price from \$323,000 to \$368,000, and 62 Vinterra in suburban North King County, with 57 starts ranging in price from \$931,000 to \$1,140,000 (Metrostudy, a Hanley Wood Company).
- New condominium construction declined 19 percent to 800 homes, approximately 10 percent of all newly constructed multifamily units in 2017 (Northwest Multiple Listing Service). Gridiron, next to the Seattle Seahawks National Football League stadium, is

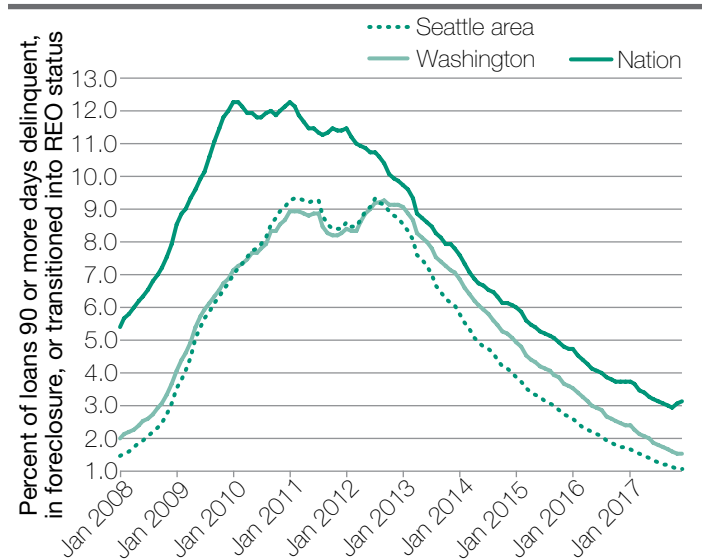
A declining for-sale inventory in the Seattle area during 2017 led to a slower rate of existing home sales increases throughout the year.



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

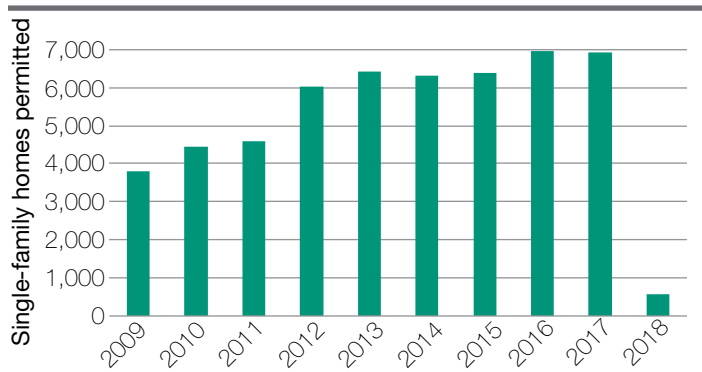
the most recently completed condominium project, offering homes ranging in price from \$606,900 for an open one-bedroom unit to \$1,056,900 for two-bedroom units (Seattle Condo Review).

Since 2012, the percentage of homes 90 or more days delinquent, in foreclosure, or recently transitioned to REO status in the Seattle area has been below the rates in Washington State and the nation.



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

For the second consecutive year in 2017, nearly 7,000 single-family homes were permitted for construction in the Seattle area.



Note: Includes preliminary data from January 2017 through January 2018. Source: U.S. Census Bureau, Building Permits Survey



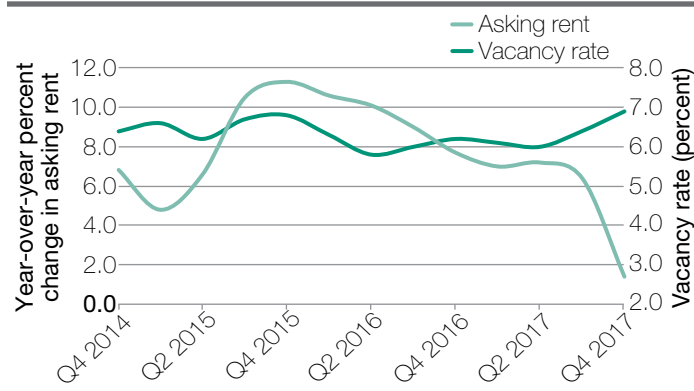
Apartment Market Conditions

The apartment market in the Seattle metropolitan area is slightly soft. As of the fourth quarter of 2017, the vacancy rate for conventional apartment complexes was 6.9 percent compared with 6.2 percent a year earlier (Apartment Insights, apartment properties with 50 or more units). The average rent increased more than 1 percent to \$1,625 from a year ago compared with an increase of more than 6 percent during the preceding year.

During the fourth quarter of 2017—

- Moderating rent growth and the increase in the vacancy rate is indication that the completion of 28,000 apartment units from 2015 through 2017, compared with 19,750 units completed from 2012 through 2014, has finally caught up with strong apartment demand attributable to robust job growth.
- Apartment development activity was greatest in the South Lake Union (home to the Amazon campus) and Seattle Downtown submarkets (financial district), with 3,700 and 3,400 completions, respectively. The apartment vacancy rate in the South Lake Union submarket increased to 7.2 from 5.9 percent a year ago and to 6.7 from 6.2 percent in the Seattle Downtown submarket, while rents were relatively stable, increasing an average of approximately 3 percent compared with 6 percent a year ago in both submarkets.
- For apartment complexes that have reached stabilized occupancy, the average rent for a studio unit was \$1,400 in the metropolitan area, \$1,500 to \$2,150 for one-bedroom units, \$1,575 to \$1,900 for two-bedroom units, and \$1,775 to \$2,025 for three-bedroom units.

Record-setting apartment construction activity in the Seattle area led to a decline in the average rent and an increase in the average vacancy rate during 2017.



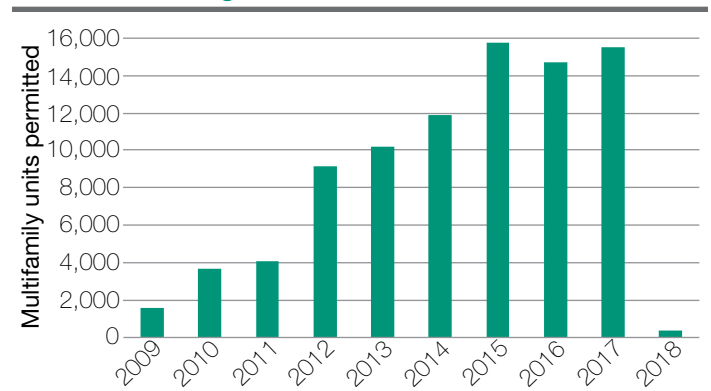
Q2 = second quarter. Q4 = fourth quarter.
Source: Apartment Insights

- For new apartment developments currently leasing units, the average rents were \$1,630 for studio units, \$1,940 to \$3,080 for one-bedroom units, \$2,275 to \$2,800 for two-bedroom units, and \$4,265 for three-bedroom units.

Strong job and population growth have offset softening apartment market conditions to sustain apartment developer interest in the Seattle metropolitan market.

- During the 12 months ending January 2018, 14,875 multifamily units were permitted, up 9 percent from the same period a year earlier and 28 percent higher than the 2012 through 2015 average of 11,750.
- As of the fourth quarter of 2017, 24,550 units were under construction, down slightly from 24,700 a year earlier (*Apartment Insights*).
- In addition to central Seattle, submarkets with the most units under construction during the fourth quarter of 2017 included Redmond (3,175 units), Seattle First Hill (1,325 units), and South-Central Seattle (1,875 units).
- Major apartment projects currently under construction in the metropolitan area include 970 Denny Way (42 stories with 460 units) in the South Lake Union submarket scheduled for completion in August 2018 (rent schedule to be announced), Hyde Square in the Bellevue West submarket (620 units) scheduled for completion in April 2018, with studios renting from \$1,409 to \$1,915, one-bedroom units from \$1,602 to \$2,296, and two-bedroom units from \$2,569 to \$3,083, and Arrivé (40 stories with 340 units) in the Downtown Seattle submarket scheduled for completion in January 2019 (rent schedule to be announced).

From 2014 through 2017, an average of 14,450 multifamily units were permitted per year in the Seattle area compared with an average of 6,800 units annually from 2010 through 2013.



Note: Includes preliminary data from January 2017 through January 2018.
Source: U.S. Census Bureau, Building Permits Survey

