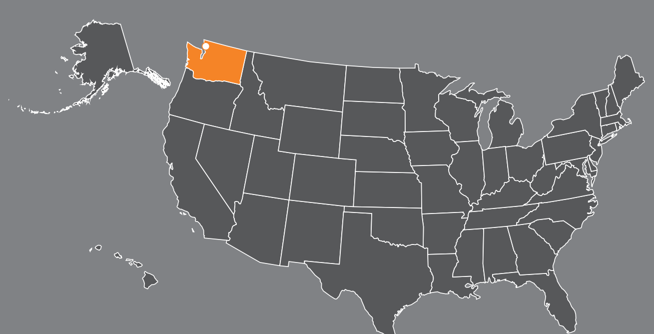
HUD PD&R Housing Market Profiles

Seattle-Bellevue-Everett, Washington

Seattle, Washington

Quick Facts About Seattle-Bellevue-Everett

- **Current sales market conditions: tight**
- **Current apartment market conditions: tight**
- **Approximately 36,000 workers are employed at The Boeing Company facility in Everett, Washington, which includes the largest manufacturing building in the world by volume, producing the 747, 767, 777, and 787 airplanes. An estimated 12,000 people work at the Boeing production site in Renton, where the new 737 Max airplane is assembled (The Boeing Company).**



By Holi Urbas | As of June 1, 2020

Overview

The first case of COVID-19 in the United States was reported in the Seattle metropolitan area on January 21, 2020. Interventions taken in mid-March to slow the spread of COVID-19, including enforcing social distancing and discouraging nonessential travel, caused economic activity in the metropolitan area to slow dramatically.

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. The Boeing Company (hereafter, Boeing) is the largest employer in the metropolitan area. In the first quarter of 2020, the company reported a $641 million loss, largely because all 737 Max jets remain grounded since March 2019 following two fatal crashes. Compounding those struggles, the airline industry has been particularly hard hit during the pandemic because nonessential travel was discouraged to slow the spread of COVID-19. In April

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2020, Boeing sold zero commercial jets for the second consecutive month, and 108 orders were canceled. In May 2020, the company announced a 10-percent workforce reduction over the next couple of months, much of which will occur in their Seattle-area operations (The Seattle Times).

- As of June 1, 2020, the population of the metropolitan area is estimated at 3.1 million, reflecting an average annual increase of 48,900, or 1.7 percent, since 2011, following one year of decline in 2010 as a result of the Great Recession. Less than two-thirds of the growth was from net in-migration (Census Bureau population estimates as of July 1 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 47,900, or 1.6 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 outflow 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

Economic conditions in the Seattle metropolitan area weakened during the most recent 3-month period, largely due to interventions taken to slow the spread of COVID-19. 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 past 2 years. Nonfarm payroll growth averaged 3.0 percent, annually, from 2015 through 2017 and slowed to an average annual rate of 2.3 percent through 2019. During the 12 months ending May 2020, payrolls totaled 1.74 million, reflecting a decrease of 2,200, or 0.1 percent, compared with the same 12-month period a year ago. By comparison, during the 12 months ending May 2019, payrolls increased by 36,700, or 2.2 percent.

A comparison of the most recent 3-month average payroll data to the same period a year ago illustrates the sharp impact the measures executed to slow the spread of COVID-19—implemented in mid-March—have had on the economy. During the 3 months ending May 2020, payrolls in the Seattle metropolitan area declined by 145,000, or 8.3 percent, compared with the number of jobs reported during the 3 months ending May 2019. By comparison, payrolls increased by 38,900, or 2.3 percent, during the 3 months ending May 2019. The unemployment rate increased to 12.2 percent compared with 2.7 percent during the 3 months ending May 2019. Nearly one-half (46 percent) of Puget Sound residents (King, Snohomish, Pierce, and Kitsap Counties) indicated

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During the 3 months ending May 2020, the information sector was the only sector to add jobs in the Seattle metropolitan area.

	3 Months Ending		Year-Over-Year Change	
	May 2019 (Thousands)	May 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,750.4	1,605.4	-145.0	-8.3
Goods-Producing Sectors	270.2	247.5	-22.7	-8.4
Mining, Logging, & Construction	103.5	89.6	-13.9	-13.4
Manufacturing	166.7	157.9	-8.8	-5.3
Service-Providing Sectors	1,480.2	1,357.9	-122.3	-8.3
Wholesale & Retail Trade	265.5	251.6	-13.9	-5.2
Transportation & Utilities	59.1	54.9	-4.2	-7.1
Information	122.6	127.1	4.5	3.7
Financial Activities	87.6	85.4	-2.2	-2.5
Professional & Business Services	265.0	257.9	-7.1	-2.7
Education & Health Services	226.8	208.4	-18.4	-8.1
Leisure & Hospitality	172.9	106.7	-66.2	-38.3
Other Services	63.2	51.0	-12.2	-19.3
Government	217.6	214.8	-2.8	-1.3
Unemployment Rate	2.7%	12.2%		

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

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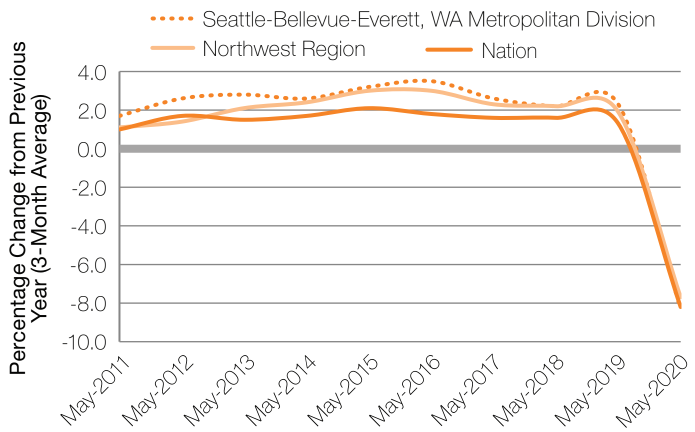
that someone in their household has lost income since March 13, 2020 (Puget Sound Regional Council). King and Snohomish Counties entered Phase 2 of the county-by-county reopening plan for Washington in early June, which allowed nonessential businesses to reopen if they could adhere to strict social distancing requirements. The effects of the phased reopening are not captured by the most currently available data (as of June 1, 2020) used in this report.

- The payroll sectors most affected by the countermeasures applied to slow the spread of COVID-19 are those that rely heavily on in-person interactions. Approximately 46 percent of total jobs lost in the metropolitan area during the 3 months ending May 2020 were in the leisure and hospitality sector, which declined by 66,200 jobs, or 38.3 percent, from the 3 months ending May 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 18,400 during the 3 months ending May 2020, down 8.1 percent 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 2 decades.
- During the 3 months ending May 2020, manufacturing sector payrolls declined by 8,800, or 5.3 percent, largely a result of layoffs at Boeing facilities and their suppliers.
- Initial unemployment claims in the metropolitan area totaled 138,000 in May 2020, down from 206,800 in April 2020 but up significantly from 6,475 in May 2019 (Employment Security Department/LMEA). From March 14 through May 30, 2020, more than 543,300 initial claims were filed. Approximately 43 percent of all claims were in five industries: construction, manufacturing, retail trade, health care and social assistance, and accommodation and food services. In general, each industry has seen a decline in initial claims since the beginning of April.

The full economic impact of the interventions implemented to slow the spread of COVID-19 will likely not be realized for some time. Compounding the challenges arising from the pandemic, the summer months are approaching, and significant revenue will be lost in the tourism industry, which cannot adapt easily to accommodate social distancing. In addition to the recent job declines in the leisure and hospitality sector, many businesses rely on the summer months—when tourism peaks—to earn a plurality of their annual income. King County had approximately 21 million overnight visitors in 2019, and an additional 20 million people made day trips to attend sporting events, concerts, conventions, and other events; the majority visited between Memorial Day and Labor Day (The Seattle Times). Every major event that was scheduled to be hosted at the Washington State Convention Center in downtown Seattle has been canceled for the rest of the year; the economic impact of the loss is estimated to be $248 million (Downtown Seattle Association). Furthermore, an estimated 235 cruise ships headed to Alaska were expected to dock in Seattle this season, but a majority of those cruises have been canceled or indefinitely postponed. That circumstance is estimated to result in the loss of $900 million and 5,500 jobs (The Seattle Times; Downtown Seattle Association).

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 1.0 percent, down from 2.6 percent in April 2010. The decline in vacancies reflects an 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 May 2020, a 1.6-month supply of homes was available for sale, unchanged from a year ago (Redfin). A 4-week rolling average shows that the number of new listings in the metropolitan area increased from January through March 2020, following a trend similar to the same period in 2019. Subsequently, new listings plateaued through the end of May 2020. On a year-over-year basis, new listings declined precipitously starting in April 2020 and ended May 2020 with approximately 25-percent fewer listings (Redfin). As part of social distancing mandates, limitations were placed on buyers viewing homes in March and April 2020. New and existing home sales totaled 41,200 during the 12 months ending April 2020—down 2 percent from the same period a year ago—and the average sales price increased 2 percent to $709,200 (Metrostudy, a Hanley Wood Company, with adjustments by the analyst). The share of seriously delinquent home loans (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties was 0.5 percent in May 2020, less than one-half the national rate of 1.4 percent (CoreLogic, Inc.).

- During the 12 months ending April 2020, existing home sales totaled 35,250, reflecting a 3-percent decline from a year ago (Metrostudy, a Hanley Wood Company, with adjustments by the analyst). By comparison, existing home sales increased at an average annual rate of 8 percent from 2010 through 2016 but fell an average of 6 percent, annually, from 2017 through 2019.
- The average price of an existing home was $699,900 during the 12 months ending April 2020, up almost 3 percent from a year ago. By comparison, the average sales price increased at an average annual rate of 8 percent from 2012 through 2018 and slowed to 1 percent in 2019.
- New home sales increased 9 percent during the 12 months ending April 2020 to 5,975 sales compared with a year ago. From 2012 through 2017, new home sales increased at an average annual rate of 11 percent. New home sales declined 14 percent in 2018 before increasing 16 percent in 2019.
- The average sales price of a new home was $763,100 during the 12 months ending April 2020, down 3 percent from the previous 12 months. By comparison, average annual price growth was 11 percent from 2012 through 2018, and in 2019 the average sales price declined 4 percent.
- Much of the decline in home sales, which began in 2017, is partly because of swiftly rising home sales prices limiting the number of households that can afford to purchase a home. For context, total compensation costs for private industry workers (which includes wages, salaries, and employer-paid employee benefits) increased 2.1 percent in the greater Seattle area (including Island, King, Kitsap, Lewis, Mason, Pierce, Skagit, Snohomish, and Thurston Counties) from March 2019 to March 2020 (Bureau of Labor Statistics; not seasonally adjusted), compared with the previously mentioned increases in new and existing home sales prices.

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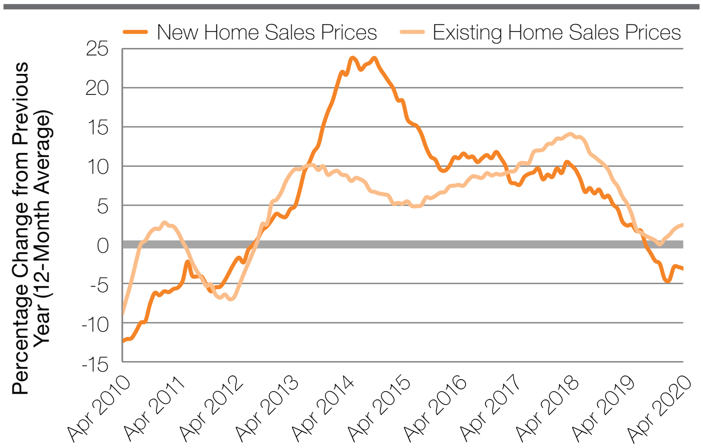
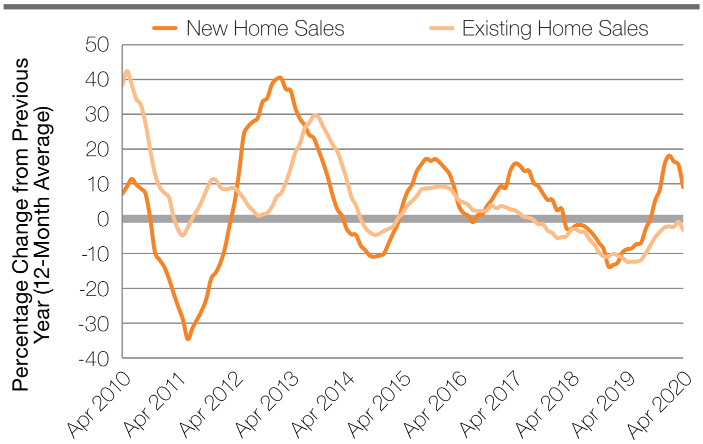
Strong growth among new and existing home sales prices in the Seattle metropolitan area from 2013 through 2018 slowed dramatically in the past year.



Note: Prices are for single-family homes, townhomes, and condominiums.
Source: Metrostudy, a Hanley Wood Company, with adjustments by the analyst

New home sales in the Seattle metropolitan area continued increasing during the past 12 months, although the rate of increase slowed quickly beginning in February 2020.



Note: Sales are for single-family homes, townhomes, and condominiums.
Source: Metrostudy, a Hanley Wood Company, with adjustments by the analyst

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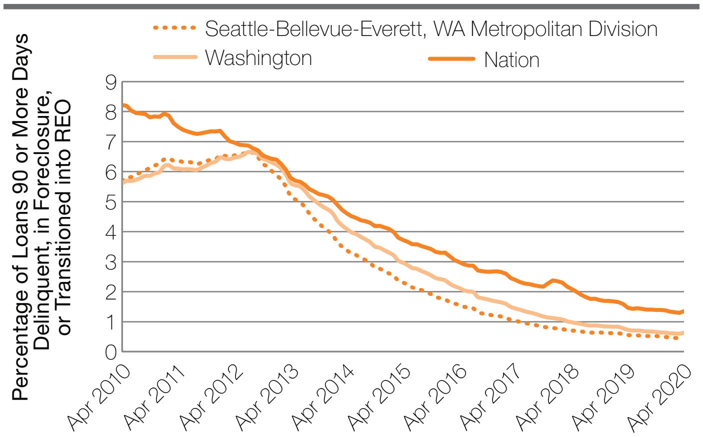
The percentage of home loans in the Seattle metropolitan area that are seriously delinquent or in REO status has been consistently below that for the state and the nation.

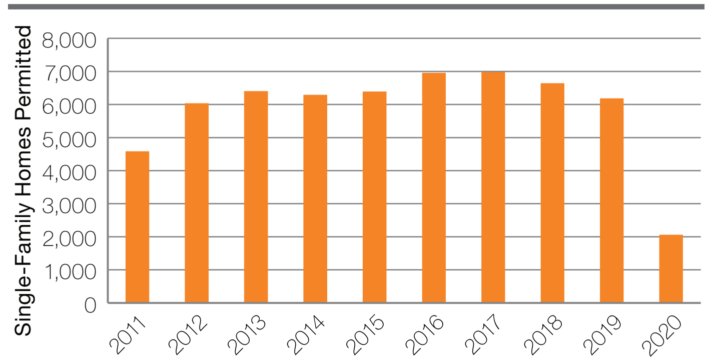


REO = real estate owned.
Source: CoreLogic, Inc.

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. The geographic constraints of Puget Sound and Lake Washington limit the amount of buildable land in the metropolitan area, causing the price of land to rise considerably and exacerbating the rising costs of materials and labor. Those factors contributed to a decline in single-family home construction during the past year. In addition, most nonessential construction projects were halted from mid-March through mid-April 2020 as one of the countermeasures used to slow the spread of COVID-19, further depressing new home starts.

- New home construction totaled 5,800 homes during the 12 months ending May 2020, down 5 percent from the 6,150 homes permitted the previous 12 months (preliminary data).
- During the 3 months ending May 2020, new home construction declined 28 percent to 1,200 homes, compared with 1,675 homes during the 3 months ending May 2019. The 3-month average data trends are more pronounced than the 12-month trend, partially because the current 3-month period covers the strict measures employed to slow the spread of COVID-19.
- New home construction averaged 11,600 homes a year from 2003 through 2006 and only 4,425 homes a year from 2008 through 2011 because of the recession and the housing market collapse. From 2012 through 2018, an average of 6,525 homes were permitted annually, despite new home price growth averaging nearly 9 percent a year 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 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 was Ten Trails, a master-planned community in the city Black Diamond—located in southeast King County—where 76 new homes sold in three subdivisions; median sales prices ranged from $446,400 to $550,000 (Metrostudy, a Hanley Wood Company). The Suntop Farms subdivision in Enumclaw, also in southeast King County, had 39 new home sales and a median sales price of $408,300.

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



Note: Includes preliminary data from January 2020 through May 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 have tightened considerably since 2010, a result of strong net in-migration and a low inventory of affordable for-sale housing. Demographic changes have also contributed to the strong demand for apartments in the metropolitan area, with millennials—currently ages 24 to 39 (Pew Research Center)—postponing homeownership longer than did previous age cohorts. The apartment market is tight, with an estimated 4.0-percent vacancy rate during the first quarter of 2020, down from 4.7 percent a year ago despite the addition of more than 8,675 apartments in the past year (RealPage, Inc.). The full impact of COVID-19 on the local apartment market is not reflected in the first quarter of 2020 data because most of the data collection took place before the job market deteriorated. In addition, any adverse effects of COVID-19 on the apartment market that may occur will lag the downturn in jobs because rents are paid monthly, and households take time to relocate.

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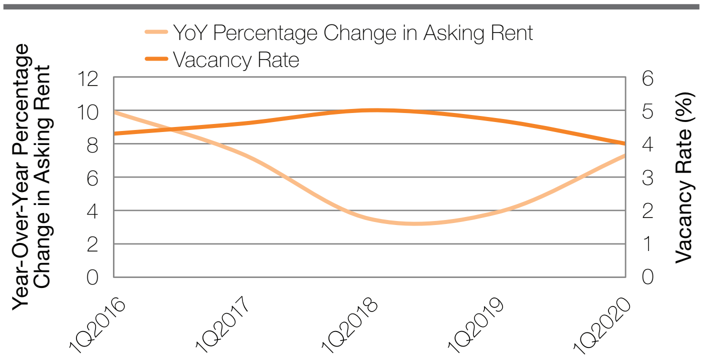
During the first quarter of 2020—

- Average rents grew 7 percent to $1,918 compared with the first quarter of 2019 (RealPage, Inc.). Of the 16 RealPage, Inc.-defined market areas in the metropolitan area, all reported rent growth compared with the first quarter of 2019, and vacancy rates dropped in all but two market areas.
- Of the six market areas that constitute the city of Seattle, rent growth ranged from 4 to 13 percent, and the highest asking rent was $2,510 in the Downtown Seattle market area, up 11 percent from a year ago. Since the first quarter of 2015, almost 64 percent of the more than 55,000 apartments built in the metropolitan area were in the city of Seattle.
- The fastest rent growth in the metropolitan area was 13 percent in the South Lake Union/Queen Anne market area in the city of Seattle, to $2,409. Since the first quarter of 2015, 17 percent of all new construction in the metropolitan area has been in the South Lake Union/Queen Anne area, as developers capitalize on strong hiring in the high-tech occupations concentrated in the area.
- The lowest vacancy rate in the metropolitan area was 2.9 percent in the Redmond market area, home to the 500-acre Microsoft campus, down from 3.8 percent a year ago. The highest vacancy rate was 5 percent in the Everett market area, up from 4.5 percent a year ago.

Apartment construction from 2015 through 2019, as measured by the number of multifamily units permitted, reached the highest level of permitting during any 5-year period since at least 1980, averaging 15,600 units annually. During the 12 months ending May 2020, 15,100 units were permitted, down 4 percent from a year ago (preliminary data). The decline occurred primarily during the pause in nonessential construction projects in March and April 2020. Apartment construction during the 3 months ending May 2020 totaled 4,350 units, down 20 percent from the same period in 2019.

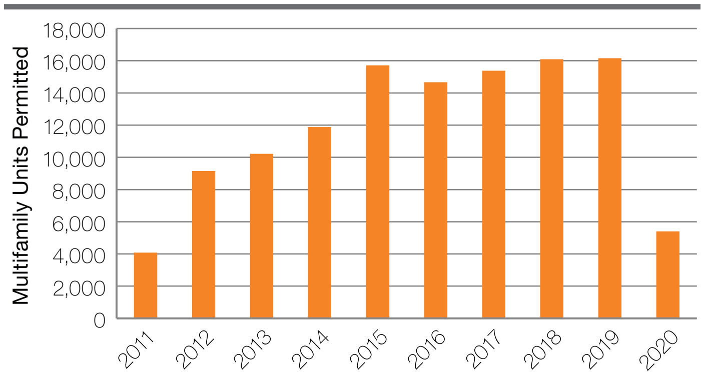
- Apartment construction increased at an average annual rate of 26 percent, from a low of 1,575 in 2009 to a record high of 16,150 in 2019, despite a 7-percent decline in 2016.
- An estimated 17,500 apartments were under construction in the metropolitan area during the first quarter of 2020; 30 percent of them are in the Capitol Hill/Central District market area in the city of Seattle, and almost 20 percent are in the Kirkland/Bothell market area on the northeastern side of Lake Washington.
- From January 2020 to March 2020, approximately 15 apartment developments totaling 2,225 units were completed in the metropolitan area; 700 units, or 30 percent, are in the Kirkland/Bothell area.
- The largest development completed year-to-date was the 316-unit Avalon North Creek apartments in Bothell, which opened in February 2020. Asking rents start at $1,525, $1,975, and $2,465 for one-, two-, and three-bedroom units, respectively.
- Of the developments under construction in the metropolitan area, the largest projects are in the city of Seattle in the South Lake Union/Queen Anne and Downtown Seattle areas, respectively. 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, with completion expected in early 2021 (RealPage, Inc., and Seattleinprogress.com). Another project, 1200 Stewart, will include two 45-story towers with a combined 1,050 units and more than 150,000 square feet of retail space, with completion expected in December 2021.

Rent growth in the Seattle metropolitan area has accelerated since 2018 in response to the declining vacancy rate and tight market conditions.



1Q = first quarter. YoY = year-over-year.
Source: RealPage, Inc.

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



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