

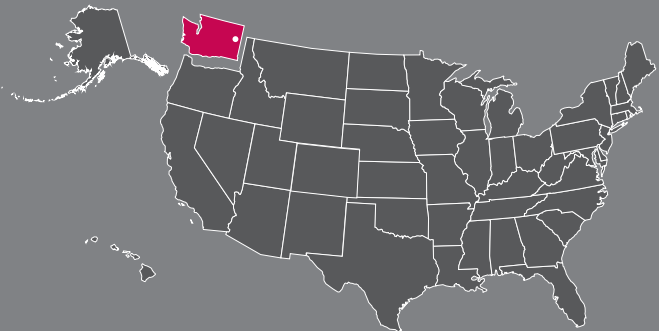
HUD PD&R Housing Market Profiles

Spokane-Spokane Valley, Washington



Quick Facts About Spokane-Spokane Valley

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: slightly 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 October 1, 2017

Overview

The Spokane-Spokane Valley, WA Metropolitan Statistical Area (hereafter, Spokane metropolitan area) consists of Pend Oreille, Spokane, and Stevens Counties in eastern Washington. The metropolitan area, along the border with Idaho, is the largest urban area in eastern Washington. Fairchild Air Force Base (AFB), four universities, and five major hospitals form the economic foundation of the metropolitan area.

- As of October 1, 2017, the estimated population of the metropolitan area is 567,600.
- Population growth averaged 8,075 people, or 1.6 percent, annually from 2005 to 2008 but declined to an average annual low of 1,925, or 0.4 percent, during 2011 and 2012 because of the poor local labor market conditions resulting from job losses in 2009 and 2010.
- Population growth accelerated because of the improving labor market, averaging 7,500 people annually, or 1.4 percent, from 2014 through October 1, 2017.



The education and health services sector led payroll growth in the Spokane area during the 3 months ending September 2017.

	3 Months Ending		Year-Over-Year Change	
	September 2016 (thousands)	September 2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	240.9	244.5	3.6	1.5
Goods-producing sectors	30.7	31.6	0.9	2.9
Mining, logging, and construction	13.5	14.4	0.9	6.7
Manufacturing	17.2	17.2	0.0	0.0
Service-providing sectors	210.2	212.9	2.7	1.3
Wholesale and retail trade	39.0	39.0	0.0	0.0
Transportation and utilities	7.1	7.3	0.2	2.8
Information	3.0	3.1	0.1	3.3
Financial activities	14.2	13.6	-0.6	-4.2
Professional and business services	26.9	27.1	0.2	0.7
Education and health services	48.1	49.6	1.5	3.1
Leisure and hospitality	23.0	23.7	0.7	3.0
Other services	9.6	9.7	0.1	1.0
Government	39.2	40.0	0.8	2.0
	(percent)	(percent)		
Unemployment rate	6.2	4.9		

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

Economic Conditions

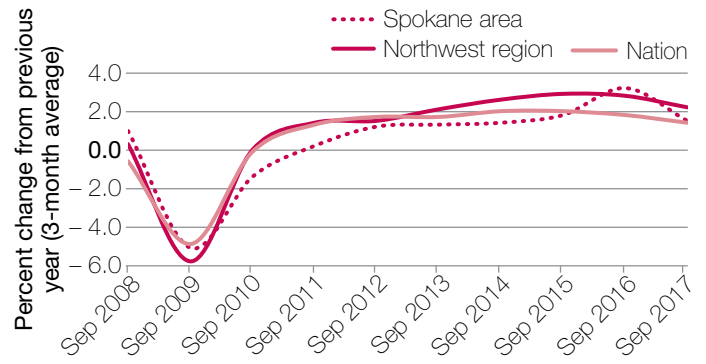
Economic conditions in the Spokane metropolitan area improved after nonfarm payrolls declined by an average of 7,300 jobs, or 3.1 percent, a year during 2009 and 2010. Job growth returned in 2011 and 2012 with an average annual increase of 1,100 jobs, or 0.5 percent, then accelerated to an average annual increase of 4,300 jobs, or 1.9 percent, from 2013 through 2016.

During the third quarter of 2017—

- Nonfarm payrolls increased by 3,600 jobs, or 1.5 percent, to an average of 244,500 jobs, from the third quarter of 2016.
- The largest economic sector in the metropolitan area, education and health services, led job growth, increasing by 1,500 jobs, or 3.1 percent, to 49,600 jobs. Job growth in this sector is expected to continue. Providence Health is currently building a new 100-bed behavioral health hospital that is expected to employ 300 people when complete in the fall of 2018.
- The mining, logging, and construction sector added 900 jobs, or 6.7 percent, to 14,400 jobs. The construction subsector comprises approximately 80 percent of the jobs in this sector and has expanded because of increasing volumes of residential and commercial construction in the metropolitan area.

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Nonfarm payroll growth in the Spokane area lagged behind the Northwest region from 2010 through 2015.



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

Largest employers in the Spokane area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fairchild Air Force Base (AFB)	Government	5,100
Providence Health	Education and health services	3,000
Eastern Washington University	Government	1,625

Notes: Excludes local school districts. Fairchild AFB employee count includes military personnel.
Sources: *Journal of Business 2017 Market Fact Book*; Fairchild AFB 2014 economic impact statement

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- The unemployment rate averaged 4.9 percent, down from 6.2 percent during the third quarter of 2016, far less than the peak of 10.4 percent in 2010. The jobless rate has declined every year since 2011 and is now below the 2006 and 2007 average of 5.6 percent.

Government is the second largest economic sector and includes the largest employer, Fairchild AFB. With 5,100 military and

civilian personnel, the base has an estimated economic impact of \$423 million (Fairchild AFB 2014 economic impact statement). Additionally, the metropolitan area includes two public universities—Eastern Washington University (EWU) and Washington State University Spokane—with 1,625 and 430 employees, respectively, and two government hospitals—Eastern State Hospital and the Mann-Grandstaff Veterans Affairs Medical Center—with 670 and 800 employees, respectively.

Sales Market Conditions

The sales housing market in the Spokane metropolitan area is currently balanced. Since 2012, rising job and population growth has increased demand for housing and contributed to the absorption of excess inventory with 2.1 months of unsold, available inventory in the metropolitan area during October 2017, down from 2.6 months during October 2016 (Spokane Association of Realtors®). Existing home sales increased by an average of 1,125, or 16 percent, a year from 2012 through 2016 (CoreLogic, Inc., with adjustments by the analyst). Increased competition among buyers caused home prices to increase at an accelerating rate. The average existing home sales price increased by an average of \$3,800, or 2 percent, a year during 2013 and 2014 and by \$13,150, or 7 percent, a year during 2015 and 2016.

During the 12 months ending September 2017—

- Existing home sales totaled 12,000, up 13 percent compared with the preceding 12 months, and existing home prices increased 7 percent to an average of \$208,800.
- New home sales, which accounted for less than 10 percent of all home sales in the metropolitan area, increased 3 percent to

940. New home sales have increased by an average of 90, or 13 percent, annually since 2011, when new home sales reached a low of 550.

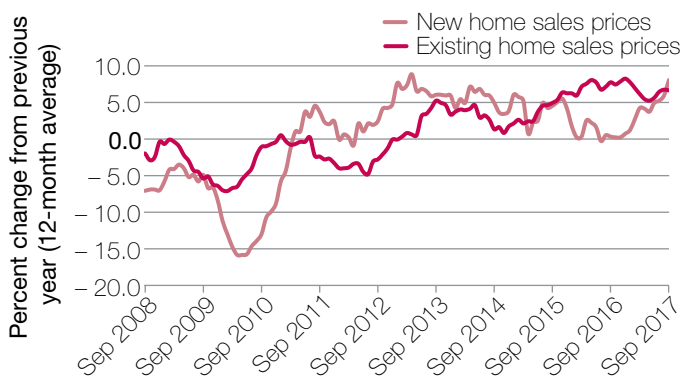
- The average sales price of a new home increased by \$20,400, or 8 percent, to \$276,400 compared with the previous 12-month period. New home price growth averaged 4 percent annually from 2011 through 2016.
- As of September 2017, 1.5 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or had transitioned into real estate owned (REO) status, down from 2.1 percent a year ago and 0.7 percentage points less than the national average (CoreLogic, Inc.).

Single-family home construction activity, as measured by the number of homes permitted, increased by an average of 280, or 27 percent, annually during 2012 and 2013 because of strengthening economic conditions and increasing prices for existing homes.

- After decreasing 19 percent in 2014, home construction increased an average of 27 percent in 2015 and 2016. During

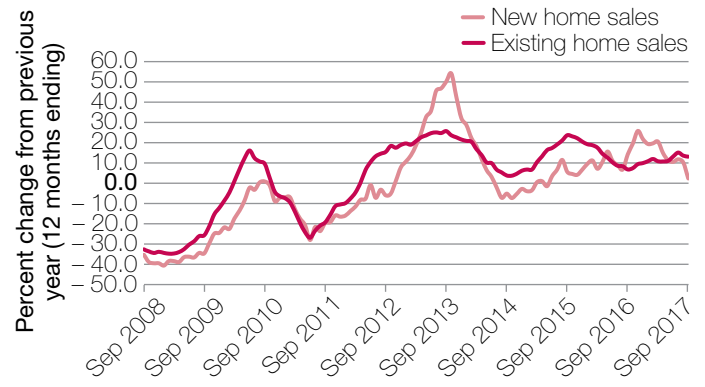
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Existing home sales prices in the Spokane area have increased since 2013.



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

Existing home sales in the Spokane area have increased during the past 5 years.



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

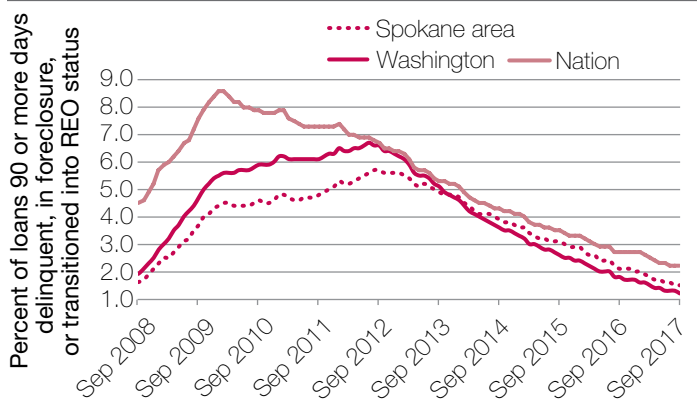


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the 12 months ending September 2017, construction remained stable, with approximately 1,750 single-family homes permitted, unchanged from the preceding 12-month period (preliminary data).

- Single-family homebuilding peaked during 2005 and 2006 at an average of 3,425 homes permitted annually but declined to an average of 960 permitted annually from 2009 through 2011. Single-family home construction levels are approximately 50 percent below prerecession levels.

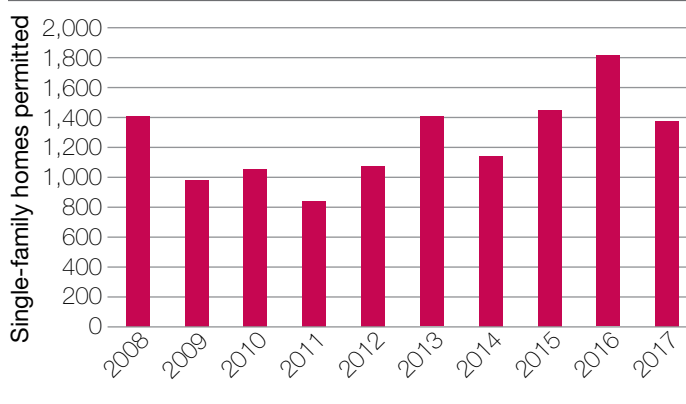
The percentage of seriously delinquent loans and REO properties in the Spokane area was lower than the national average.



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

- Most new home construction is in suburban and unincorporated portions of Spokane County. A typical development is River District in the community of Liberty Lake, east of the city of Spokane. This planned community has sites for approximately 2,000 homes, with three- and four-bedroom homes starting at \$250,000 and \$300,000 respectively.

During 2016, the rate of single-family home construction in the Spokane area was the highest since 2007.



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

Apartment Market Conditions

Apartment market conditions in the Spokane metropolitan area are currently slightly tight. The rental housing market has improved since 2010, in part, because of increasing propensity to rent among households and the decreased construction and increased price of entry-level homes.

During the third quarter of 2017—

- The apartment vacancy rate in the metropolitan area was 2.6 percent, up from 1.3 percent during the third quarter of 2016 (Reis, Inc.). By comparison, the apartment vacancy rate peaked at 7.0 percent in 2010.
- The average asking rent increased 3 percent from the same quarter a year ago to \$754; asking rents increased an average annual rate of 2 percent from 2012 through 2016.
- The average rents were \$654, \$784, and \$1,014 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, comprising about 8 percent of all renter households in the metropolitan area.

Builders have responded to low vacancy rates and strong rent growth with high levels of multifamily construction during the past 3 years.

- During the 12 months ending September 2017, approximately 2,125 multifamily units were permitted, an increase of 540, or 33 percent, from the previous 12 months (preliminary data).
- Multifamily construction reached a low in 2012 and 2013, with an average of 370 units permitted annually but increased by an average of 530 units, or 80 percent, annually from 2014 through 2016. During 2016, 1,950 multifamily units were permitted, more than any other year for which data is available.
- An estimated 2,000 apartment units currently are under construction in the metropolitan area. Recent apartment construction has occurred throughout the metropolitan area, but the majority is in the cities of Spokane and Spokane Valley.

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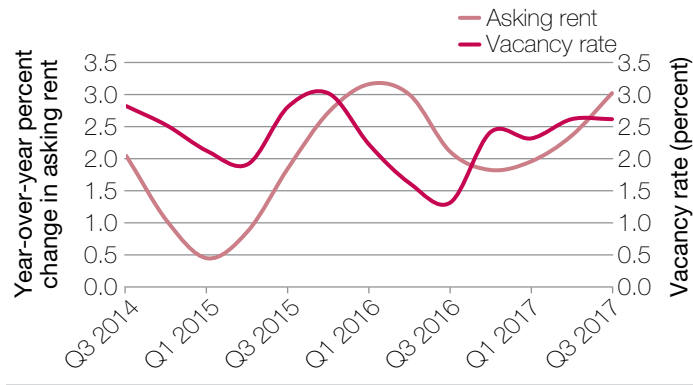


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- Blue Point Apartments, a 310-unit apartment complex in the city of Spokane, is almost built out. Studio, one-bedroom, and two-bedroom units are currently available starting at \$750, \$870, and \$900, respectively.

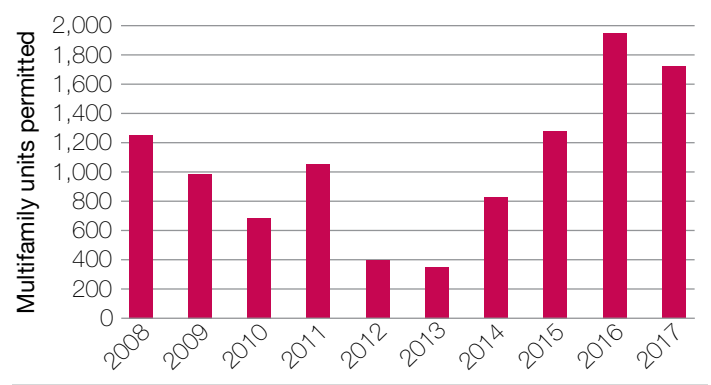
- Copper River Apartments, a 240-unit income-restricted apartment property, currently is under construction in the city of Spokane and expected to open in 2018. Apartments will be offered at below-market rates to tenants making 60 percent or less of area median income.

The apartment vacancy rate in the Spokane area has been below 4 percent since 2013.



Q1 = first quarter. Q3 = third quarter.
Source: Reis, Inc.

Multifamily construction in the Spokane area has been high since 2015.



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