

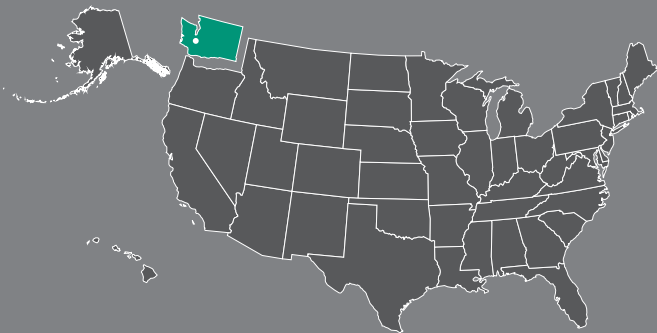
# HUD PD&R Housing Market Profiles

## Tacoma, Washington



### Quick Facts About Tacoma

- **Current sales market conditions: slightly soft but improving.**
- **Current apartment market conditions: balanced.**
- **Joint Base Lewis-McChord, the largest U.S. Army-led joint base in the country, has 46,000 active-duty military, 16,000 civilian personnel, 54,850 family members, and 31,550 retirees, making it the largest employer in the metropolitan area and the second largest in the state of Washington.**



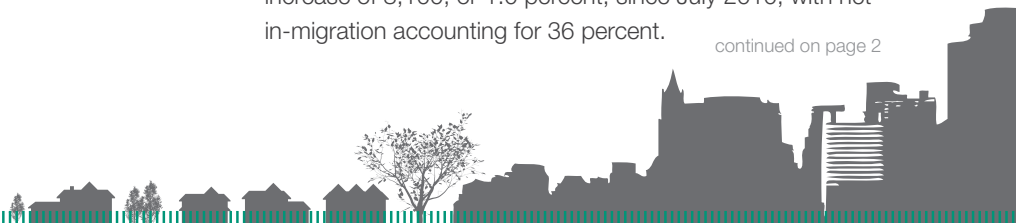
By Holi M. Weaver | As of March 1, 2014

### Overview

The Tacoma metropolitan area, approximately 30 miles south of Seattle on the Puget Sound, is coterminous with Pierce County. The metropolitan area is home to Joint Base Lewis-McChord (JBLM), the only Army Power Projection Platform (a strategically located base that serves as a major deployment and mobilization center) west of the Rocky Mountains. JBLM is also one of the most requested duty stations in the country. As the second largest employer in Washington, JBLM had a statewide economic impact estimated at \$6.1 billion in a 2012 study by South Sound Military & Communities Partnership (SSMCP). Estimated military and civilian payrolls at JBLM for fiscal year 2009 (the most recent data available) totaled \$5.8 billion, plus \$286 million in contracts and grants, which is equivalent to 1.8 percent of Washington's gross domestic product (SSMCP). The Budget Control Act of 2011 mandated a reduction in military forces across the country, which resulted in the decommissioning of a brigade of approximately 4,500 JBLM soldiers in February 2014. It is uncertain if JBLM will have a further reduction of forces in the future.

- As of March 1, 2014, the population of the metropolitan area was estimated at 825,200, reflecting an average annual increase of 8,100, or 1.0 percent, since July 2010, with net in-migration accounting for 36 percent.

continued on page 2



continued from page 1

- Population growth was strongest from 2004 through 2009, when it averaged 11,250 people, or 1.5 percent, annually, coinciding with a large expansion in military and civilian personnel at JBLM from 28,000 in 2003 to 56,000 in 2010.
- Of the approximately 46,000 active-duty service members currently stationed at JBLM, an estimated 33,250, or 72 percent, live off base in the surrounding communities. Of service members living off base, 21,300, or 64 percent, reside in Pierce County and the rest live to the south, in neighboring Thurston County (SSMCP).

## Economic Conditions

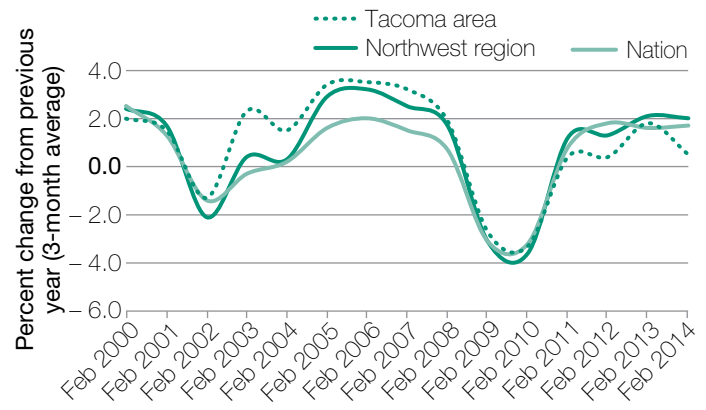
Economic conditions in the Tacoma metropolitan area have improved gradually since the beginning of 2011. Nonfarm payrolls increased by an average of 2,900 jobs, or 1.0 percent, a year from 2011 through 2013 compared with an average decline of 4,900 jobs, or 1.7 percent, annually from 2008 through 2010.

During the 3 months ending February 2014—

- Nonfarm payrolls showed modest improvement, increasing by 1,400 jobs, or 0.5 percent, from the same 3-month period a year earlier, to 276,900 jobs.
- The education and health services sector, the only sector to add jobs during the most recent recession, led job growth, increasing by 1,900 jobs, or 3.8 percent. The leisure and hospitality sector showed notable improvement as well, increasing by 1,100 jobs, or 4.3 percent.

continued on page 3

Economic conditions in the Tacoma area continued to improve but at a slower rate than in the Northwest region and the nation.



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

In the Tacoma area, job gains in the education and health services and the leisure and hospitality sectors offset significant losses in the government and the mining, logging, and construction sectors.

	3 Months Ending		Year-Over-Year Change	
	February 2013 (thousands)	February 2014 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	275.5	276.9	1.4	0.5
Goods-producing sectors	33.6	32.7	-0.9	-2.7
Mining, logging, and construction	16.9	15.6	-1.3	-7.7
Manufacturing	16.7	17.1	0.4	2.4
Service-providing sectors	241.9	244.2	2.3	1.0
Wholesale and retail trade	43.7	44.4	0.7	1.6
Transportation and utilities	13.6	13.1	-0.5	-3.7
Information	2.8	2.9	0.1	3.6
Financial activities	13.4	13.5	0.1	0.7
Professional and business services	23.2	23.3	0.1	0.4
Education and health services	49.9	51.8	1.9	3.8
Leisure and hospitality	25.5	26.6	1.1	4.3
Other services	12.7	13.0	0.3	2.4
Government	56.9	55.6	-1.3	-2.3
	<b>(percent)</b>	<b>(percent)</b>		
Unemployment rate	9.0	7.8		

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



continued from page 2

- Some of the job gains were offset by losses of jobs in other sectors; the government sector lost 1,300 jobs, or 2.3 percent, because of budget cuts in the federal and local subsectors, and the mining, logging, and construction sector lost 1,300 jobs, or 7.7 percent, because of decreased construction spending.
- The unemployment rate declined from 9.0 to 7.8 percent, mainly because the labor force contracted by 9,300 people, or 2.4 percent.

The Port of Tacoma, another important economic driver in Pierce County and the region, is one of the largest container ports in North America, with international and domestic trade in 2013 valued at

\$48.7 billion and \$3.0 billion, respectively (Port of Tacoma). International exports were valued at \$11.2 billion, led by oil seeds and grains (\$1.6 billion) and industrial machinery (\$1.3 billion).

### Largest employers in the Tacoma area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Joint Base Lewis-McChord (active-duty military)	NA	46,000
Joint Base Lewis-McChord (civilian personnel)	Government	16,000
MultiCare Health System	Education and health services	13,150

NA = not applicable, because active-duty military are not included in a nonfarm payroll sector.

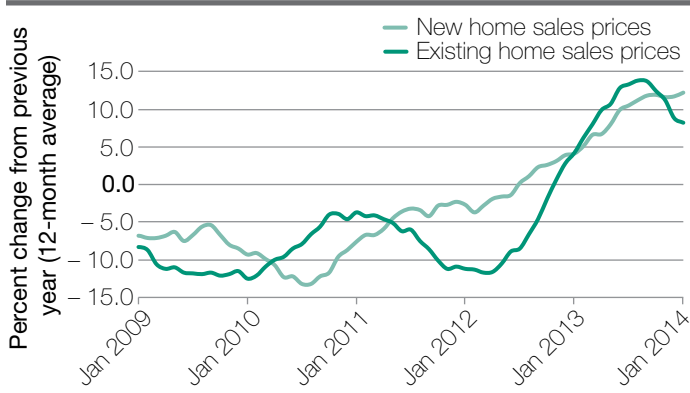
Note: Excludes local school districts.

Source: Economic Development Board for Tacoma-Pierce County

## Sales Market Conditions

Sales housing market conditions in the Tacoma metropolitan area are currently slightly soft but improving, with an estimated 2.2-percent vacancy rate compared with the 2.6-percent rate in April 2010. During the 12 months ending January 2014, 10,700 existing homes sold, up 18 percent from the same period a year ago and the most existing home sales since 2008 (CoreLogic, Inc.). The average existing home sales price increased 8 percent, to \$226,200, during the 12 months ending January 2014, the first full year of price appreciation in the metropolitan area since 2008. The market for new homes improved significantly during the 12 months ending January 2014, when 2,000 new homes sold, up 33 percent from a year ago, and the average sales price increased 12 percent, to \$291,800, which was still 11 percent less than the peak of \$329,500 in 2007.

The average existing home sales price in the Tacoma area increased sharply as the housing market began to recover in late 2012, but the growth has slowed.

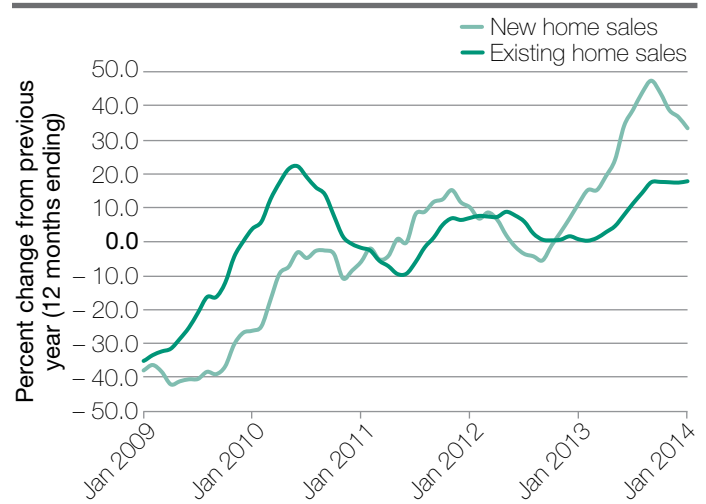


Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

- The peak years for home sales were 2003 through 2006, when averages of 19,000 existing homes and 4,100 new homes sold annually.
- In response to diminishing economic growth, existing and new home sales declined at average annual rates of 16 and 27 percent, respectively, from 2007 through 2010.
- Distressed properties continue to comprise a significant portion of existing home sales, but the number of such properties is declining. Approximately 2,325 REO (Real Estate Owned) homes sold during the 12 months ending January 2014, accounting for 25 percent of all existing home sales, down from 32 percent a year earlier.

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The growth rate of new home sales was twice that of existing home sales in the Tacoma area.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

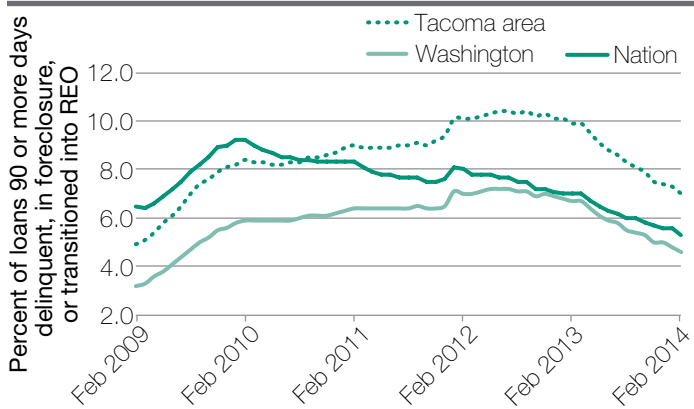


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- The percentage of home loans that were 90 or more days delinquent, were in foreclosure, or transitioned into REO status declined to 7.0 percent in February 2014 compared with 9.9 percent in February 2013, because sales market conditions improved (Black Knight Financial Services, Inc.).
- An estimated 13,300, or 40 percent, of active-duty military who live off base are homeowners (SSMCP).

In response to improving sales market and economic conditions, builders increased new home construction, as measured by the number of single-family homes permitted, beginning in 2012.

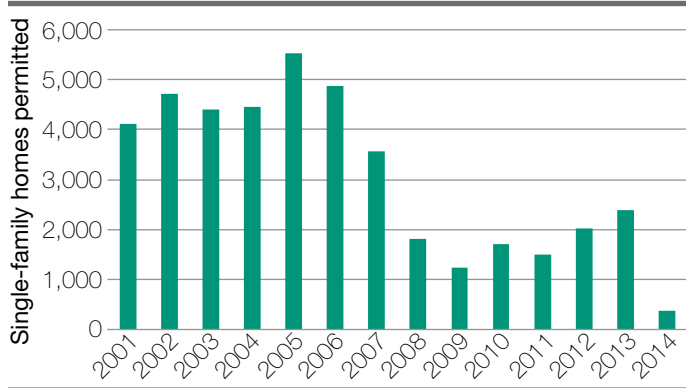
**The distressed loan rate in the Tacoma area began declining in late 2012 but remained well above the state and national rates.**



REO = Real Estate Owned.  
Source: Black Knight Financial Services, Inc.

- Permits were issued for 520 single-family homes during the 3 months ending February 2014, down 11 percent from the 580 homes permitted during the 3 months ending February 2013 (preliminary data).
- Single-family home construction peaked from 2001 through 2005, when an average of 4,650 homes were permitted annually, before declining at an average annual rate of 30 percent from 2006 through 2009 to a low of 1,250 homes permitted, the lowest level of permitting in the past 25 years.
- As of March 1, 2014, 700 single-family homes were under construction in the metropolitan area (preliminary data).

**New home construction in the Tacoma area began increasing after reaching a 25-year low in 2009.**



Note: Includes preliminary data from January 2013 through February 2014.  
Source: U.S. Census Bureau, Building Permits Survey

**Apartment Market Conditions**

The apartment market in the Tacoma metropolitan area is currently balanced, with an estimated vacancy rate of 5.2 percent as of the spring of 2014, unchanged from a year ago (Dupre+Scott Apartment Advisors, Inc.).

- The average rent in the spring of 2014 was \$887, reflecting an increase of nearly 5 percent from a year ago. Rents averaged \$685 for a studio unit; \$749 for a one-bedroom unit; \$854 for a two-bedroom, one-bathroom unit; \$1,061 for a two-bedroom, two-bathroom unit; and \$1,261 for a three-bedroom, two-bathroom unit.
- The percentage of properties offering incentives declined from 41 in the spring of 2013 to 26 in the spring of 2014.
- Approximately 41,000, or 34 percent, of all renter households live in single-family homes (2012 American Community Survey 1-year estimates). An estimated 5,000 privately owned family housing units consisting mostly of duplexes and triplexes are on base at JBLM.

- An estimated 19,950 military households live off base, of which approximately 11,950, or 60 percent, are renters, contributing to the balanced apartment market in the metropolitan area.
- JBLM has 11,779 on-base barracks, with an estimated vacancy rate of 35 percent, and 736 new barracks are approved for construction to replace aging barracks built in the 1950s. Through this planned demolition, total barracks spaces are expected to decrease.

Multifamily construction activity, as measured by the number of multifamily units permitted, totaled 150 units during the 3 months ending February 2014, down from 260 units permitted during the 3 months ending February 2013 (preliminary data).

- Multifamily construction fluctuated during the past decade and peaked from 2004 through 2007, when an average of 1,400 units were permitted annually. By comparison, 470 units were permitted each year in 2012 and 2013.

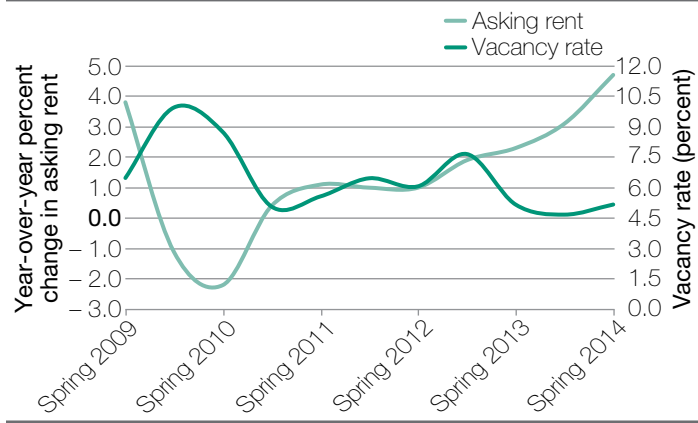
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- Two properties recently opened in the city of Tacoma: the 17-unit City View Townhomes opened in August 2013 and the 172-unit Point Ruston apartments commenced leasing in October 2013.

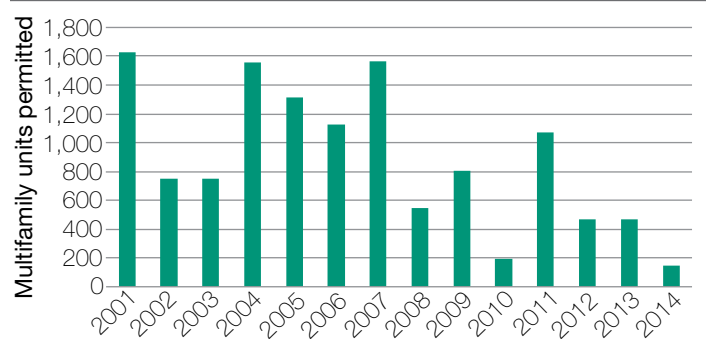
The vacancy rate in the Tacoma area stabilized at about 5 percent in 2013, but rents continued to increase sharply.



Source: Dupre+Scott Apartment Advisors, Inc.

- Approximately 640 duplex and triplex units are currently under construction or will be complete by October 2014 on JBLM.
- An additional 550 units are under construction off base in the surrounding communities, including Gig Harbor, Lakewood, Puyallup, and the city of Tacoma.

Recent multifamily construction activity in the Tacoma area has been low compared with activity in the past decade.



Note: Includes preliminary data from January 2013 through February 2014.

Source: U.S. Census Bureau, Building Permits Survey

