

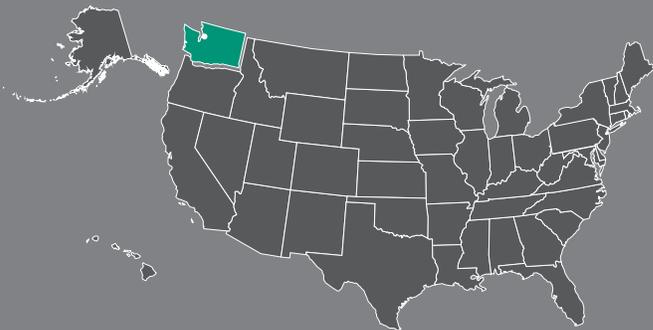
HUD PD&R Housing Market Profiles

Seattle-Bellevue-Everett, Washington



Quick Facts About Seattle-Bellevue-Everett

- **Current sales market conditions: slightly tight.**
- **Current apartment market conditions: slightly tight.**
- **The inventory of homes available for sale remains very low, with an average 1.6-month supply in 2014, down slightly from a 1.7-month supply in 2013 (Northwest Multiple Listing Service).**



By Holli Weaver | As of January 1, 2015

Overview

Situated along the Puget Sound in northwestern Washington State, the Seattle-Bellevue-Everett (hereafter, Seattle) metropolitan area consists of King and Snohomish Counties. The Seattle metropolitan area is a regional hub for education, healthcare services, and trade, supported by the presence of several large universities (including the University of Washington [UW], Seattle University, and Seattle Pacific University), nationally ranked hospitals (including the UW Medical Center and Seattle Children's Hospital), and the Port of Seattle. In addition, the metropolitan area is recognized as a center for aeronautical design and manufacturing and for software design. The Boeing Company, although it moved its headquarters from the city of Seattle to Chicago in 2001, remains the metropolitan area's largest employer, with approximately 85,000 employees statewide. Microsoft Corporation, headquartered in Redmond, is the second largest employer in the metropolitan area, with an estimated 41,664 employees statewide (Moody's economy.com).

- As of January 1, 2015, the estimated population of the Seattle metropolitan area was 2.86 million, reflecting an average annual increase of 46,800, or 1.7 percent, since July 2013.

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- Despite weak economic and housing market conditions, population growth remained strong from mid-2008 through mid-2011, averaging 41,400 people, or 1.6 percent, annually, partially because of the many quality of life factors that attract people to the metropolitan area.

- Net in-migration has accounted for 64 percent of total growth since mid-2013, averaging 30,000 people a year compared with 56 percent of total population growth, or an average of 23,300 people a year, from mid-2008 through mid-2011.

Economic Conditions

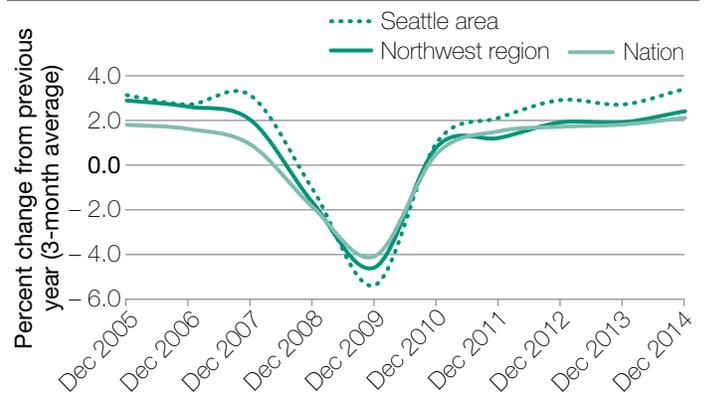
Economic conditions have improved in the Seattle metropolitan area since late 2010, and the current level of nonfarm payrolls has surpassed the prerecession peak.

During the fourth quarter of 2014—

- Nonfarm payrolls increased by 51,900 jobs, or 3.4 percent, compared with nonfarm payrolls during the fourth quarter of 2013, to 1.58 million jobs. By comparison, payrolls grew by 40,200 jobs, or 2.7 percent, from the fourth quarter of 2012 to the fourth quarter of 2013.
- The greatest growth in nonfarm payrolls occurred in the wholesale and retail trade sector, which increased by 11,200 jobs, or 4.9 percent. Much of this growth can be attributed to hiring at Amazon.com Inc., which is headquartered in the city of Seattle and is one of the largest employers in the metropolitan area, with approximately 15,000 employees. Amazon.com currently has 1,525 job openings in the metropolitan area (simplyhired.com).

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Nonfarm payroll growth in the Seattle area has outpaced national and regional growth since 2010, after declining more sharply than both during the recent recession.



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

Job gains occurred in every nonfarm payroll sector in the Seattle area.

	3 Months Ending		Year-Over-Year Change	
	December 2013 (thousands)	December 2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,526.8	1,578.7	51.9	3.4
Goods-producing sectors	242.4	253.8	11.4	4.7
Mining, logging, and construction	72.6	81.2	8.6	11.8
Manufacturing	169.8	172.6	2.8	1.6
Service-providing sectors	1,284.4	1,324.9	40.5	3.2
Wholesale and retail trade	230.0	241.2	11.2	4.9
Transportation and utilities	48.6	50.3	1.7	3.5
Information	88.3	90.7	2.4	2.7
Financial activities	83.7	85.3	1.6	1.9
Professional and business services	228.7	237.1	8.4	3.7
Education and health services	199.0	204.0	5.0	2.5
Leisure and hospitality	143.7	149.4	5.7	4.0
Other services	54.8	55.8	1.0	1.8
Government	207.7	211.1	3.4	1.6
	(percent)	(percent)		
Unemployment rate	5.2	4.4		

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



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- Increased multifamily construction was largely responsible for increased payrolls in the mining, logging, and construction sector of 8,600 jobs, or 11.8 percent.
- The unemployment rate averaged 4.4 percent, down from 5.2 percent during the fourth quarter of 2013, because resident employment growth, which averaged 2.5 percent, far outpaced labor force growth of 1.7 percent.

International and domestic trade are important to the economy of the metropolitan area because of its advantageous location, with access to the Puget Sound, rail lines, and major interstates. In the spring of 2015, the Port of Seattle and Port of Tacoma are expected to finalize the process of combining their marine cargo operations under the Seaport Alliance. The Port of Seattle and Port of Tacoma combine to make the third largest port in North America, as measured by container volume. An economic impact study commissioned by the ports estimated that, together, the two ports' marine cargo operations supported more than 48,000 jobs and generated \$4.3 billion in economic activity statewide in 2013.

UW is another key economic driver in the metropolitan area. In fiscal year 2014, UW enrolled approximately 44,150 students, and a study commissioned by the university estimated a statewide economic impact of \$12.5 billion, up from \$9.1 billion in 2009. The same study estimated that UW supports more than 79,000 jobs statewide, an increase of nearly 10,000 jobs since 2009; approximately one-half of those jobs are attributed to the UW Medical Center.

Largest employers in the Seattle area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The Boeing Company	Manufacturing	85,000
Microsoft Corporation	Professional and business services	41,664
University of Washington	Government	29,800

Note: Figures are statewide employment, but most employees are in the Seattle area. Source: Moody's economy.com

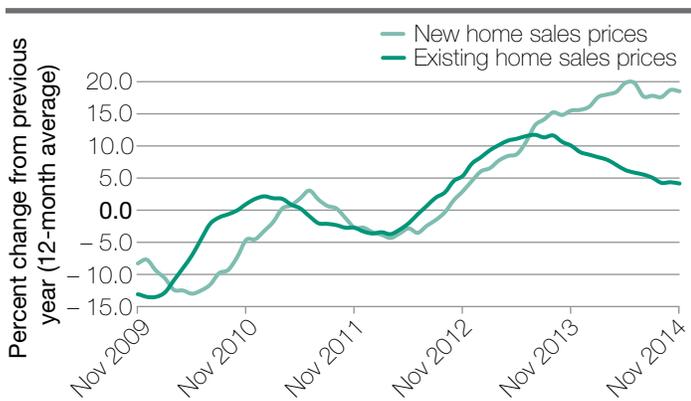
Sales Market Conditions

The sales housing market in the Seattle metropolitan area is currently slightly tight, with an estimated sales vacancy rate of 1.6 percent, down from 2.6 percent in April 2010. Strong employment and population growth during the past 3 years contributed to increased demand for single-family homes; however, the inventory of homes for sale simultaneously declined significantly. Combined, these two factors put significant upward pressure on sales prices.

- During the 12 months ending November 2014, approximately 40,500 existing single-family homes, townhomes, and condominiums (hereafter, existing homes) sold, up 7 percent from the same period a year earlier, marking the most existing home sales since early 2008. The average sales price was \$444,000, up 4 percent from a year ago and only 1 percent less than the peak of \$450,000 in early 2008 (CoreLogic, Inc., with adjustments by the analyst).

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The rate of sales price growth for new and existing homes in the Seattle area began to stabilize in the latter half of 2014.



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

The number of new home sales and the rate of growth in the number of existing home sales slowed recently because of a record-low level of for-sale inventory in the Seattle area.



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



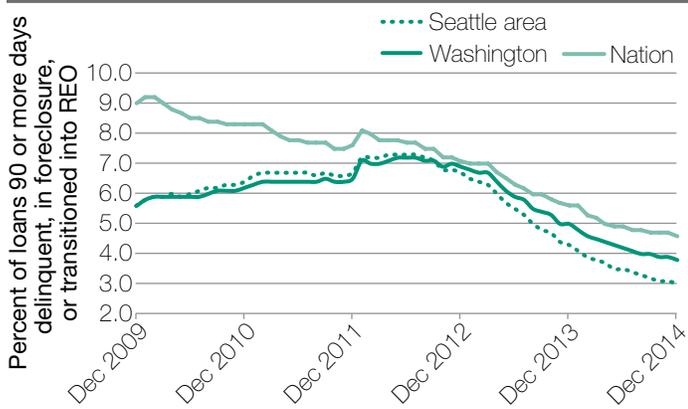
- Approximately 5,275 new single-family homes, townhomes, and condominiums (hereafter, new homes) sold during the 12 months ending November 2014, down nearly 9 percent from the 12 months ending November 2013. Conversely, the average new home sales price increased nearly 19 percent, to \$549,600, which is significantly higher than the peak average of \$463,000 in 2008 (CoreLogic, Inc., with adjustments by the analyst).
- During 2014, an average 1.6-month supply of homes was available for sale, relatively unchanged from a 1.7-month supply in 2013. By comparison, a 7.0-month supply of for-sale inventory was available in 2008 (Northwest Multiple Listing Service).
- The percentage of mortgage loans in the metropolitan area that were 90 or more days delinquent, were in foreclosure, or transitioned into real estate owned (REO) status declined steadily from a high of 7.3 percent in mid-2012 to 3.0 percent in December 2014 (Black Knight Financial Services, Inc.).
- Insignia, a two-tower, 41-story condominium development with 707 one- and two-bedroom units in downtown Seattle, is currently under construction. The first tower is scheduled to open in the late spring of 2015, and the second tower is scheduled to be complete in 2016. The first tower includes 350 units, and prices range from the upper \$400,000s to as high as \$2 million for larger units on the upper floors. As of October 2014, more than one-half of the first tower had sold (*Seattle Post-Intelligencer*).

In addition, LUMA, a 24-story condominium building under construction in the First Hill/Capitol Hill neighborhood of Seattle, is scheduled to open in the summer of 2016. Units will range from 600 to 1,700 square feet, with prices starting in the mid-\$300,000s (*Puget Sound Business Journal*).

Despite increasing home sales prices and improving economic conditions, single-family building construction, as measured by the number of single-family homes permitted, was relatively unchanged from 2013 to 2014.

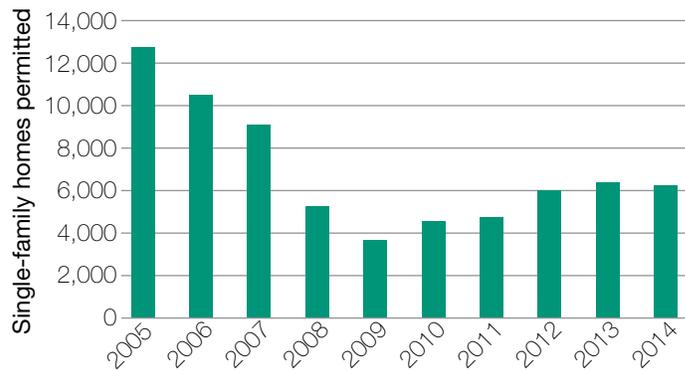
- During the fourth quarter of 2014, permits were issued for approximately 1,475 single-family homes, up 3 percent from the number of homes permitted in the fourth quarter of 2013 (preliminary data). This number of homes is a considerable increase compared with the average of 890 homes permitted during the same quarter from 2008 through 2011.
- Single-family building activity was strongest from 2002 through 2007, when builders responded to rapidly increasing sales prices and increased demand and an average of 10,800 single-family homes were permitted annually.
- Although single-family building activity remained elevated, 2006 was the start of the slowdown and, from 2006 through 2009, single-family permitting declined an average of 25 percent a year, to a low of 3,800 homes in 2009, the lowest level of permitting activity since 1980.

The percentage of seriously delinquent loans and REO properties in the Seattle area has been considerably lower than the state and national rates since the beginning of 2013.



REO = real estate owned.
Source: Black Knight Financial Services, Inc.

Despite sharply increasing new home prices, single-family permitting activity in the Seattle area was relatively unchanged in 2014.



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



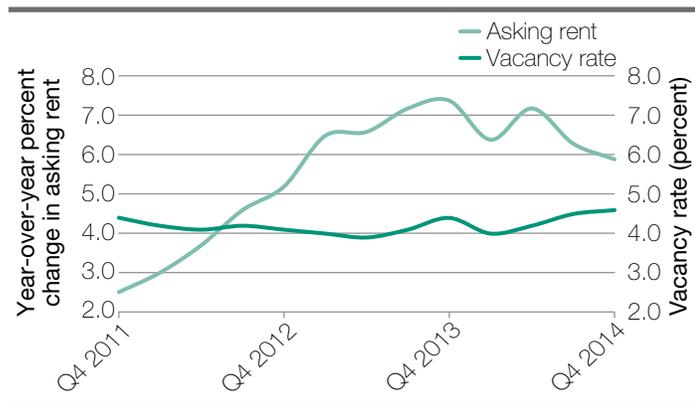
Apartment Market Conditions

The apartment market in the Seattle metropolitan area is currently slightly tight, with an estimated vacancy rate of 4.6 percent during the fourth quarter of 2014, up slightly from 4.4 percent during the fourth quarter of 2013; however, the current vacancy rate remains below the average rate of 5.6 percent recorded from 2003 through 2013 (Reis, Inc.).

During the fourth quarter of 2014—

- The average asking rent in the metropolitan area increased 6 percent, to \$1,270, from the fourth quarter of 2013. Rents averaged \$1,037 for studio units, \$1,158 for one-bedroom units, \$1,383 for two-bedroom units, and \$1,485 for three-bedroom units (Reis, Inc.).
- Of the 16 Reis, Inc.-defined market areas, the Tukwila/Sea-Tac area had the lowest vacancy rate, 1.2 percent, and the Downtown/Capitol Hill/Queen Anne area had the highest rate, 8.8 percent. Rents increased in every market area, ranging from 1.8 percent in Tukwila/Sea-Tac to 10.1 percent in Kirkland/Juanita (Reis, Inc.).
- Although the vacancy rate in the Downtown/Capitol Hill/Queen Anne area increased to 8.8 percent compared with 7.3 percent a year ago, average asking rents increased 7.4 percent, to \$1,835. The relatively high vacancy rate is largely because a significant portion of the 3,148 units completed in the area in 2014 are currently still in initial lease up. Rents in the area averaged \$1,402 for studio units, \$1,753 for one-bedroom units, \$2,513 for two-bedroom units, and \$3,402 for three-bedroom units (Reis, Inc.).
- Of the 6,025 apartments completed in the metropolitan area in 2014, approximately 52 percent were in the Downtown/Capitol Hill/Queen Anne area, 29 percent were in the North Seattle area, 6 percent were in the West Seattle area, and the remainder were distributed throughout the rest of the metropolitan area.

Despite a sharp increase in apartment construction in the Seattle area in the past several years, the vacancy rate remained below 5 percent and rents continued to increase.

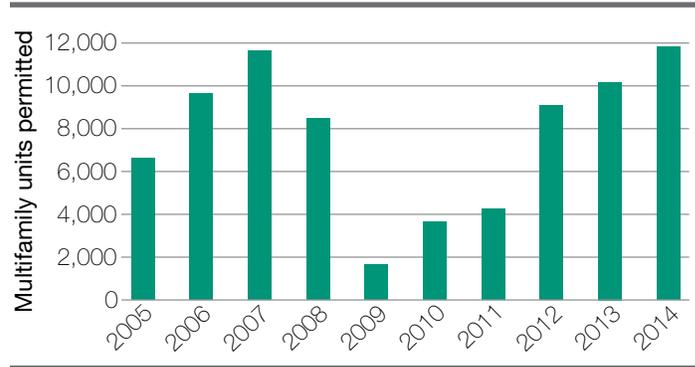


Source: Reis, Inc.

Since 2011, developers in the Seattle metropolitan area have responded to increased apartment demand by substantially increasing multifamily construction, as measured by the number of multifamily units permitted. The level of multifamily construction from 2012 through 2014 was greater than during any other 3-year period since the late 1990s.

- In 2014, permits were issued for approximately 11,850 multifamily units in the metropolitan area, up 16 percent from 2013; more than 50 percent of the units permitted in 2014 were in the city of Seattle (preliminary data).
- Multifamily construction activity totaled 9,375 units from 2009 through 2011, marking the lowest 3-year level of multifamily construction activity in more than 25 years because of weak housing market and economic conditions.
- Of the 14,050 multifamily units currently under construction in the metropolitan area, nearly 13,100 are in the city of Seattle (McGraw-Hill Construction Pipeline database).
- Building luxury apartments is a relatively new and increasingly popular trend in downtown Seattle. Premiere on Pine, a 40-story tower with 386 units, opened in December 2014 and had leased 106 units as of March 1, 2015. Monthly rents increase by floor, starting at \$1,600 for studio units and increasing to \$6,930 for a three-bedroom penthouse.
- Several highrise luxury apartments are currently under construction in downtown Seattle, including the 41-story Potala Tower, with 350 apartment units and 150 hotel rooms; the 41-story 2030 8th Avenue, with 355 units; and the 40-story 2nd + Pine, consisting of 398 apartment units. Completion dates range from late 2015 to mid-2017.

Approximately 11,825 multifamily units were permitted in the Seattle area in 2014, the highest level of activity since 1990.



Note: Includes preliminary data from January 2014 through December 2014.

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

