

Housing Market Profile

Northwest • HUD Region X



Spokane, Washington

The Spokane metropolitan area consists of Spokane County and is located roughly 20 miles west of the Idaho border. Known as the historical transportation and economic hub of eastern Washington, Spokane is also the major population center, with an estimated population of 479,900 as of October 1, 2011, up 1.3 percent from the previous year. The education and health services sector accounts for 20 percent of nonfarm payroll jobs and two of the top three private employers in Spokane: Providence Sacred Heart Medical Center & Children's Hospital and Deaconess Medical Center, which employ approximately 3,275 and 1,400 workers, respectively. Private colleges Gonzaga University and Whitworth University employ 1,150 and 440 workers, respectively.

Economic conditions in the metropolitan area have been weak since early 2009. During the 12 months ending August 2011, nonfarm payrolls remained unchanged at 204,600 jobs. The average unemployment rate fell from 9.8 percent during the previous 12 months to the current 9.2-percent rate; however, this change was mainly due to a decline in the labor force of 1,900 people, or 0.8 percent, rather than an increase in employment. Despite the loss of 400 jobs, a decline of 1.1 percent, the government sector remains a stabilizing influence on the Spokane economy, with 17 percent of nonfarm payrolls. The largest employer in this sector is Fairchild Air Force Base, with 4,675 military personnel, 1,150 civilian workers, and an estimated economic impact of \$498 million on the metropolitan area, according to the fiscal year 2010 Economic Impact Brochure released by the base's Public Affairs division. Also included in the government sector is public college Eastern Washington University, with approximately 1,075 workers. The financial activities sector decreased by 200 jobs, or 1.9 percent, and employment in the mining, logging, and construction sector remained unchanged as local banks and homebuilders continue to work through the effects of the struggling housing market. The leisure and hospitality sector was a notable exception to the job declines, with an increase of 600 jobs, or 3.3 percent, due to a large number of new restaurant openings and rehiring by existing businesses. The second largest employer in the area, Northern Quest Resort & Casino, employs 1,650 workers in this sector.

The sales housing market in Spokane remains soft, with an estimated vacancy rate of 2.2 percent as of July 2011.

Weak economic conditions, excess inventory built from 2004 to 2006, and slowing in-migration since 2006 have contributed to a surplus of homes for sale. According to Hanley Wood, LLC, during the 12 months ending September 2011, 520 new homes were sold, down from the 710 homes sold during the 12 months ending September 2010. New home sales peaked in 2006 at approximately 2,025. The average new home sales price increased by 3 percent to \$216,500 during the 12 months ending July 2011 compared with the price during the previous 12 months. The average new home sales price of \$210,400 in 2010 declined by 21 percent from the 2007 peak of \$265,300. During the 12 months ending September 2011, 3,400 existing homes sold, down 26 percent from 4,275 homes sold during the same period in 2010. The number of existing home sales peaked in 2005 at 11,400. The average existing home sales price declined by 2 percent to \$185,000 during the 12 months ending September 2011 compared with an average price of \$188,000 during the previous 12 months. According to Hanley Wood data, foreclosure and REO (Real Estate Owned) sales represented an average of 29 percent of total home sales during the 12 months ending September 2011, up from 17 percent in 2009 and 24 percent in 2010. According to LPS Applied Analytics, 5.1 percent of home loans were 90 or more days delinquent, in foreclosure, or in REO as of August 2011, up from 4.6 percent in August 2010.

In response to the decline in home sales, new home production, as measured by the number of single-family homes permitted, has declined in recent years. Housing construction peaked from 2004 to 2006, with an average of 2,175 single-family permits issued during each 12-month period ending in August. Based on preliminary data, 570 homes were permitted during the 12 months ending August 2011 compared with 710 during the previous 12 months.

The rental housing market in Spokane is tight, with an estimated 6-percent vacancy rate as of July 2011. According to Reis, Inc., the apartment vacancy rate in the second quarter of 2011 was 4.8 percent, down from 6.6 percent the previous year, while the average asking rent was \$648, up 2 percent from \$634. Average asking rents in the second quarter of 2011 were \$561 for a one-bedroom unit, \$685 for a two-bedroom unit, and \$858 for a three-bedroom unit. Multifamily construction, as measured by the number of units permitted, peaked from 2004 to 2006, with an average of 830 units permitted during each 12-month period ending in August. Based on preliminary data, approximately 550 multifamily units were permitted during the 12 months ending August 2011 compared with 510 units



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permitted during the previous 12 months. Developments currently under construction include the 232-unit Palouse Family Apartments, which has proposed rents of \$572 for a one-bedroom unit, \$644 for a two-bedroom unit, and \$791 for a three-bedroom unit, and the 150-unit market-rate senior complex, Traditions at Mill Road,

which has proposed rents of \$900 for a studio, \$1,000 for a one-bedroom unit, and \$1,150 for a two-bedroom unit. Of the 4,675 military personnel stationed at Fairchild Air Force Base, an estimated 3,650 live in off-base housing, primarily in the rental market.