

COMPREHENSIVE HOUSING MARKET ANALYSIS

Spokane, Washington

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of June 1, 2021

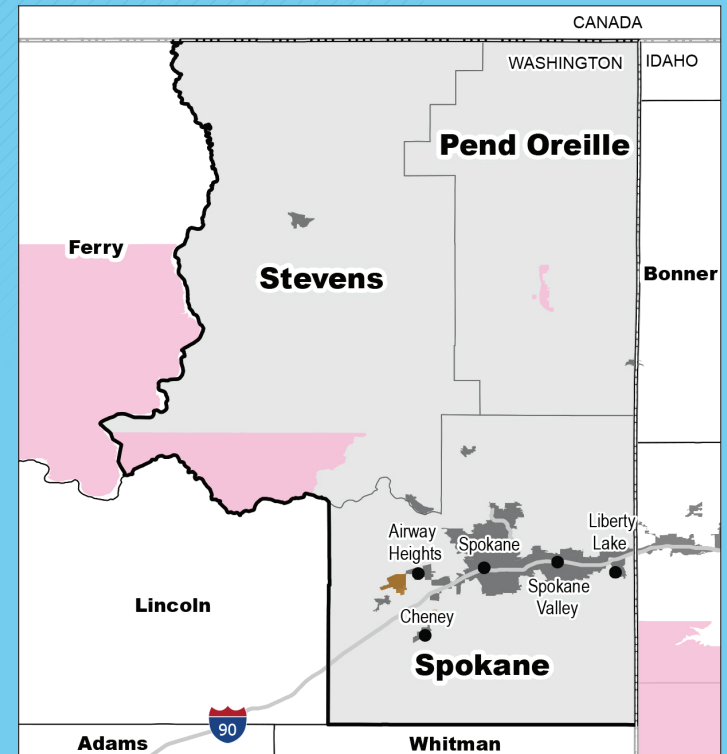
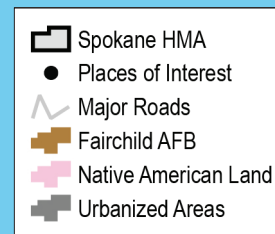


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Executive Summary

Housing Market Area Description

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



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#). Additional data for the HMA can be found in this report's [supplemental tables](#). For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).



Market Qualifiers

Economy



Weak, but Improving. Nonfarm payrolls in the HMA have almost recovered to pre-COVID-19 levels.

Economic conditions in the Spokane HMA were strong before the pandemic, with nonfarm payrolls increasing by an average of 5,200 jobs, or 2.2 percent, annually from 2015 through 2019. The interventions taken to slow the spread of COVID-19 have weakened economic conditions in the HMA and contributed to declining payrolls during the 12 months ending May 2021, while the unemployment rate increased from 6.9 to 7.4 percent during the same period. Although the number of payrolls remains below pre-COVID-19 levels, the number of jobs has increased substantially compared with May 2020. Job growth is expected to average 2.9 percent annually during the 3-year forecast period.

Sales Market



Tight. The HMA had a 0.5-month supply of for-sale inventory during May 2021—down from a 1.5-month supply during May 2020 (Redfin, a national real estate brokerage).

The home sales market has a current estimated vacancy rate of 0.7 percent—down from 2.1 percent in 2010. Existing home sales prices increased 19 percent during the 12 months ending March 2021, following an increase of 11 percent during the previous 12-month period (Zonda). During the next 3 years, demand is expected for 7,300 new homes. The 1,125 homes under construction are expected to meet a portion of that demand.

Rental Market



Balanced. Rental permitting was high from 2016 through 2020, with an average of 1,600 units permitted annually—including the four highest years of rental construction since 2000.

The rental housing market in the HMA has an overall estimated vacancy rate of 4.5 percent—down from 8.3 percent in April 2010. The apartment market is also balanced, with an average vacancy rate of 4.4 percent during the first quarter of 2021, and rents increased 2 percent from a year ago (Moody’s Analytics REIS). Apartment rent growth was high from 2017 through 2019, averaging 5 percent annually. During the forecast period, demand is estimated for 4,650 new apartment units. The 2,200 units currently under construction will satisfy a significant part of that demand.

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3-Year Housing Demand Forecast			
		Sales Units	Rental Units
Spokane HMA	Total Demand	7,300	4,650
	Under Construction	1,125	2,200

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of June 1, 2021. The forecast period is June 1, 2021, to June 1, 2024.

Source: Estimates by the analyst



Economic Conditions

Largest Sector: Education and Health Services

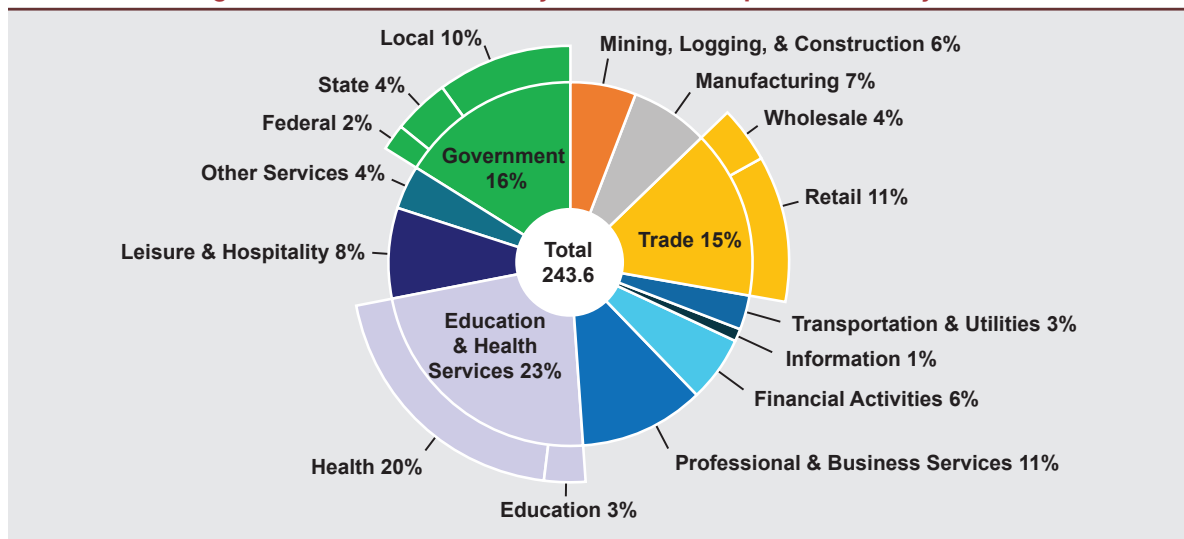
The share of jobs in the education and health services sector is 7 percentage points higher than the national average.

Primary Local Economic Factors

Education and health services is the largest sector in the Spokane HMA, accounting for 23 percent of nonfarm payrolls (Figure 1). This sector has also grown 60 percent since 2000 (Figure 2)—the most of any sector—and includes 3 of the 10 largest employers in the HMA (Table 1). The high rate of growth in the education and health services sector mostly occurred as a result of the expansion of the healthcare and social assistance subsector, which accounts for almost 90 percent of jobs in the sector. Increased spending on health care, an aging population, and the role of the HMA as a healthcare hub for eastern Washington and northern Idaho all contributed to the growth of healthcare-related jobs in the HMA.

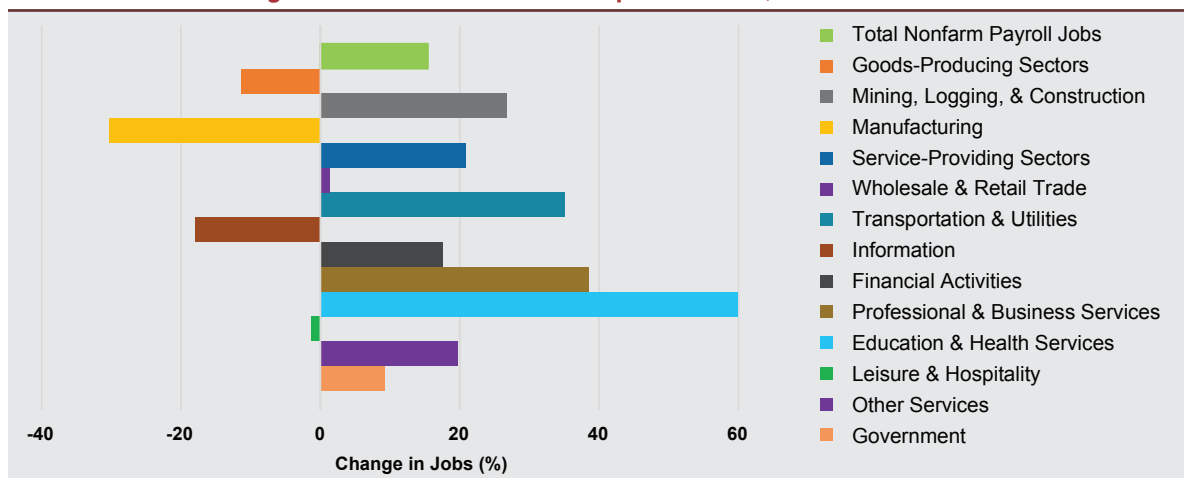
Of the four universities in the HMA, Gonzaga University and Whitworth University are private schools and are thus included in the education and health services sector. Both universities significantly support the economy of the HMA, although their respective employment levels—1,275 and 510—have been fairly stable since 2010. Gonzaga University has an estimated economic impact on the HMA of \$600 million annually.

Figure 1. Share of Nonfarm Payroll Jobs in the Spokane HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through May 2021. Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Spokane HMA, 2001 to Current



Note: The current date is June 1, 2021. Source: U.S. Bureau of Labor Statistics



Fairchild Air Force Base (AFB) is the largest employer in the HMA, with 6,560 military and civilian personnel and an estimated annual economic impact of \$524 million in the HMA (Fairchild AFB 2020 Economic Impact Statement). Staffing at Fairchild AFB increased by approximately 400 in 2019 as 12 KC-135 refueling aircraft were reassigned to the base.

Current Conditions— Nonfarm Payrolls

The interventions taken in mid-March 2020 to slow the spread of COVID-19 weakened economic conditions considerably in the Spokane HMA. Nonfarm payrolls declined by 9,400 jobs, or 3.7 percent, to 243,600 jobs during the 12 months ending May 2021, compared with the previous 12-month period, when nonfarm payrolls remained stable (Table 2).

Monthly data, however, suggest that a significant recovery is underway following a dramatic decline in nonfarm payrolls in mid-2020. From March 2020 through May 2020, nonfarm payrolls declined by 25,300, or 9.8 percent (not seasonally adjusted), with every payroll sector except mining, logging, and construction losing jobs. Job losses were the largest in the leisure and hospitality sector, which contracted by 7,900 jobs, or 32.5 percent, after indoor dining and recreational activities were curtailed in mid-March 2020. Likewise, the wholesale and retail trade sector lost 4,300 jobs,

Table 1. Major Employers in the Spokane HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fairchild Air Force Base	Government	6,560
Providence Health & Services	Education & Health Services	6,150
State of Washington	Government	5,850
Multicare Health Systems	Education & Health Services	3,350
Eastern Washington University	Government	1,350
Avista Corporation	Transportation & Utilities	1,325
Gonzaga University	Education & Health Services	1,275
Mann-Grandstaff VA Medical Center	Government	1,200
Kalispel Tribal Economic Authority	Government	1,175
ENGIE Insight Services Inc.	Professional & Business Services	1,175

Notes: Excludes local school districts and local governments. Employment estimate for Fairchild Air Force Base includes uniformed personnel, who are not included in nonfarm payrolls.

Source: *Spokane Journal of Business*

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Spokane HMA, by Sector

	12 Months Ending May 2020	12 Months Ending May 2021	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	253.0	243.6	-9.4	-3.7
Goods-Producing Sectors	32.9	31.9	-1.0	-3.0
Mining, Logging, & Construction	15.1	15.2	0.1	0.7
Manufacturing	17.8	16.7	-1.1	-6.2
Service-Providing Sectors	220.1	211.6	-8.5	-3.9
Wholesale & Retail Trade	38.8	38.0	-0.8	-2.1
Transportation & Utilities	7.8	7.8	0.0	0.0
Information	3.4	3.1	-0.3	-8.8
Financial Activities	15.0	14.0	-1.0	-6.7
Professional & Business Services	26.7	26.0	-0.7	-2.6
Education & Health Services	52.7	54.9	2.2	4.2
Leisure & Hospitality	23.1	18.8	-4.3	-18.6
Other Services	10.1	9.7	-0.4	-4.0
Government	42.5	39.3	-3.2	-7.5

Notes: Based on 12-month averages through May 2020 and May 2021. Numbers may not add to totals due to rounding. Data are in thousands.

Source: U.S. Bureau of Labor Statistics



or 11.0 percent, as economic uncertainty reduced consumer spending and businesses implemented measures to encourage social distancing. Public health countermeasures—including distance learning and reduced in-person public services—led to job losses, furloughs, and decreased hiring in the local government sector, leading to payroll declines of 4,100, or 9.4 percent.

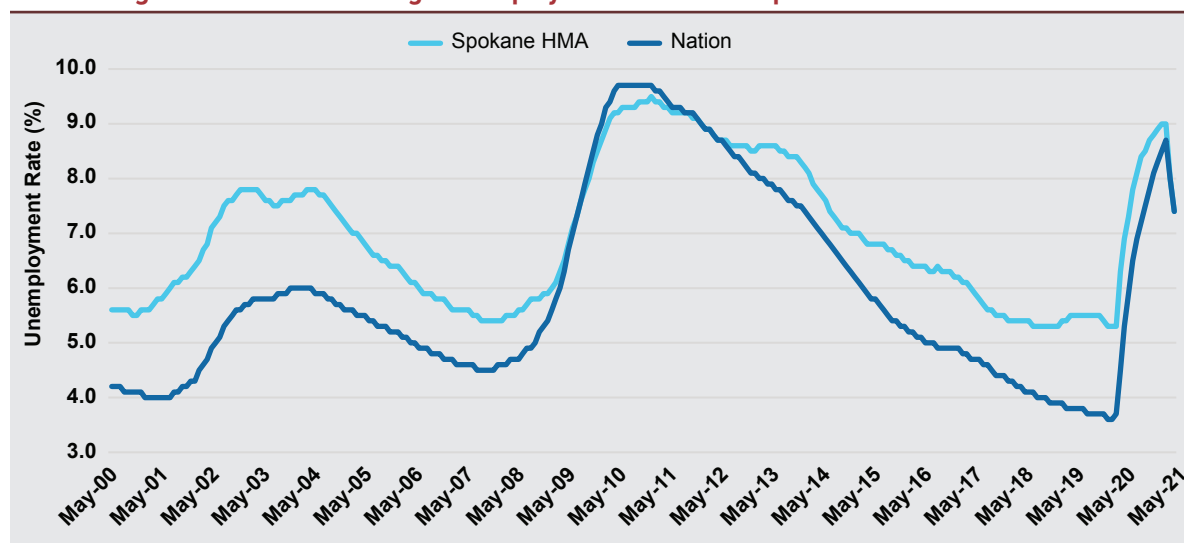
Although nonfarm payrolls remain below pre-COVID-19 levels, the economy has grown by a significant amount since mid-2020. Compared with May 2020, nonfarm payrolls in May 2021 increased by 21,300 jobs, or 9.2 percent, with every payroll sector adding jobs. The fastest growth in percentage terms occurred in the leisure and hospitality sector, which added 6,100 jobs, or 37.2 percent, as restaurants adjusted to public health countermeasures, and in-person dining and recreation resumed. The education and health services sector had the most absolute growth, increasing by 7,200 jobs, or 14.1 percent, as healthcare providers resumed nonessential procedures and private educational institutions increased in-person services. The largest employer in this sector, Providence Health & Services, added approximately 100 jobs between November 2019 and November 2020 despite prohibitions on nonessential or elective procedures during the pandemic. The wholesale and retail trade sectors added 3,600 jobs, or 10.3 percent, primarily because Amazon.com, Inc. opened a fulfillment center in June 2020 that employs 2,000 workers.

During May 2021, payrolls in the HMA were only 1.6 percent below the prepandemic high, which occurred during March 2020 (not seasonally adjusted).

Unemployment Trends

The unemployment rate increased from 6.9 percent during the 12 months ending May 2020 to 7.4 percent during the 12 months ending May 2021—the same rate as the national average. The unemployment rate increased sharply from March to April 2020, rising from 6.5 to 16.4 percent because of the economic slowdown caused by COVID-19 and the public health measures taken to slow its spread. The unemployment rate rapidly decreased during the second and third quarters of 2020, reaching 5.8 percent in October 2020. Since October 2020, the unemployment rate has been more stable and averaged 5.1 percent in May 2021. By comparison, the national unemployment rate was 5.5 percent during May 2021. Before the current economic downturn, the unemployment rate in the HMA had declined throughout the 2010s (Figure 3). Due in large part to job losses during the Great Recession, the unemployment rate in the HMA averaged 9.4 percent in 2010—up from 5.5 percent in 2007. The unemployment rate in the HMA declined each year from 2011 through 2018 to a low of 5.3 percent in 2018.

Figure 3. 12-Month Average Unemployment Rate in the Spokane HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics



Economic Periods of Significance

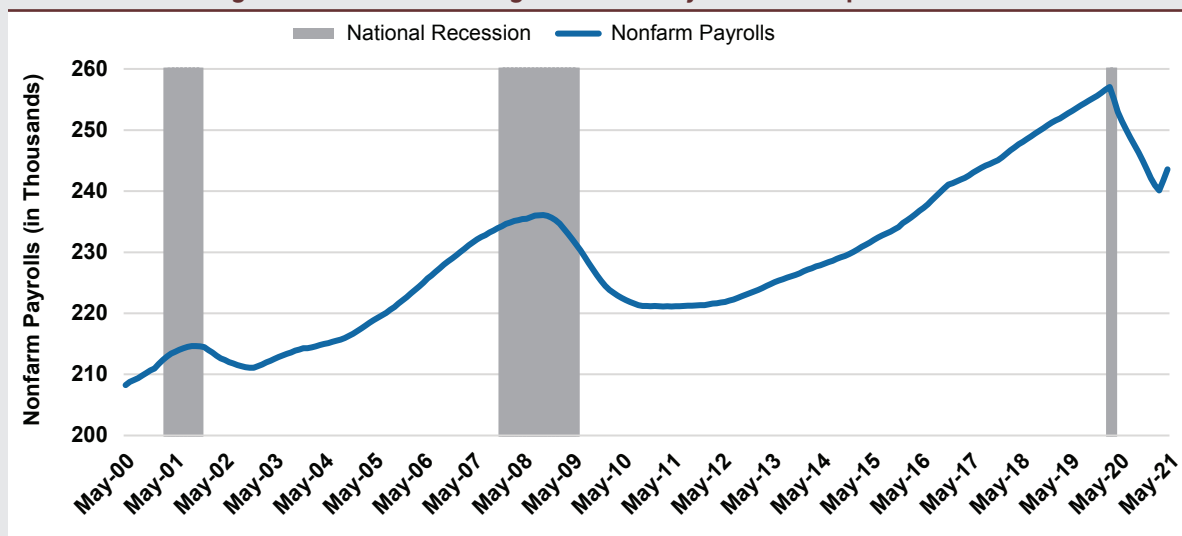
Expansion: 2003 Through 2007

Nonfarm payrolls increased by an average of 2,800 jobs, or 1.3 percent, annually from 2003 through 2004 (Figure 4). Nonfarm payroll growth accelerated from 2005 through 2007, averaging 5,900 jobs, or 2.6 percent, annually. The mining, logging, and construction sector had the highest growth in percentage terms from 2003 through 2007, increasing an average of 6.5 percent annually—more than three times the overall rate of nonfarm payroll growth—supported by high rates of residential and commercial construction. The education and health services sector added the most jobs, increasing by an average of 1,000 employees, or 2.6 percent, annually from 2003 through 2007.

The Great Recession and Local Economic Downturn: 2008 Through 2010

Nonfarm payroll growth slowed to 0.6 percent in 2008, a consequence of the national recession and housing crisis that began in 2007. During 2009 and 2010, nonfarm payrolls in the HMA decreased by an average of 7,200, or 3.1 percent, annually. Approximately 60 percent of the job losses during this period occurred in the goods-producing sectors, despite those sectors consisting of only 12 percent of overall payrolls. Decreased residential and commercial construction led to average annual

Figure 4. 12-Month Average Nonfarm Payrolls in the Spokane HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

payroll declines of 2,300 jobs, or 16.5 percent, in the mining, logging, and construction sector, and factory closures at General Dynamics Itronix and Agilent Technologies, Inc. contributed to job losses of 2,000, or 10.9 percent, in the manufacturing sector. The education and health services sector continued to expand during 2009 and 2010, adding an average of 1,200 jobs, or 2.7 percent, annually.

Economic Recovery and Expansion: 2011 Through 2019

The economy was relatively stable in 2011, adding 200 jobs, or 0.1 percent, before growth accelerated during the next 3 years, with payrolls increasing by an average of 2,800, or 1.2 percent, annually from 2012 through 2014. During that period, population growth began to increase, and rental and sales housing markets tightened after being soft in the wake of the housing crises.

Economic conditions in the Spokane HMA were strong from 2015 through 2019, before the impact of COVID-19, with nonfarm payrolls increasing by an average of 5,200 jobs, or 2.2 percent, annually. Payroll growth in this period was broad-based, with every payroll sector except other services expanding by at least an average of 1.0 percent annually. Education and health services continued to be the largest source of job growth in the

HMA, adding an average of 1,100 jobs, or 2.2 percent, annually. During 2014, Washington State created the Washington Apple Health program, a Medicaid program, which enrolled more than 60,000 individuals in the HMA, contributing to growth in demand for healthcare services. Providence Health & Services

was a significant source of job growth from 2015 through 2019, expanding by approximately 2,500 full-time equivalent positions (*Spokane Journal of Business*). The Spokane Tribe Casino, included in the local government sector, opened in early 2018 and created 300 jobs.

Employment Forecast

During the forecast period, the economy of the HMA is expected to expand, with nonfarm payrolls increasing an average of 2.9 percent annually. Payroll growth is expected to be faster during the first year and to slow during the second and third years of the forecast. Job growth is expected to be strong in the leisure and hospitality and the trade, transportation, and utilities sectors as public health measures are lifted and restaurants and retail stores are safe to fully resume in-person operations. Amazon.com, Inc. is expanding its

distribution network by approximately 1,000 workers during the first year of the forecast period, further supporting job growth in the trade, transportation, and utilities sector. Local government payrolls are also expected to increase as in-person school and other government services resume. The Spokane Tribe Casino is building a new restaurant and sports betting area, which is expected to open in late 2021 and add 300 jobs. The education and health services sector is also expected to continue to contribute to growth as the population of the HMA continues to age and spend more on health care.



Population and Households

Current Population: 593,700

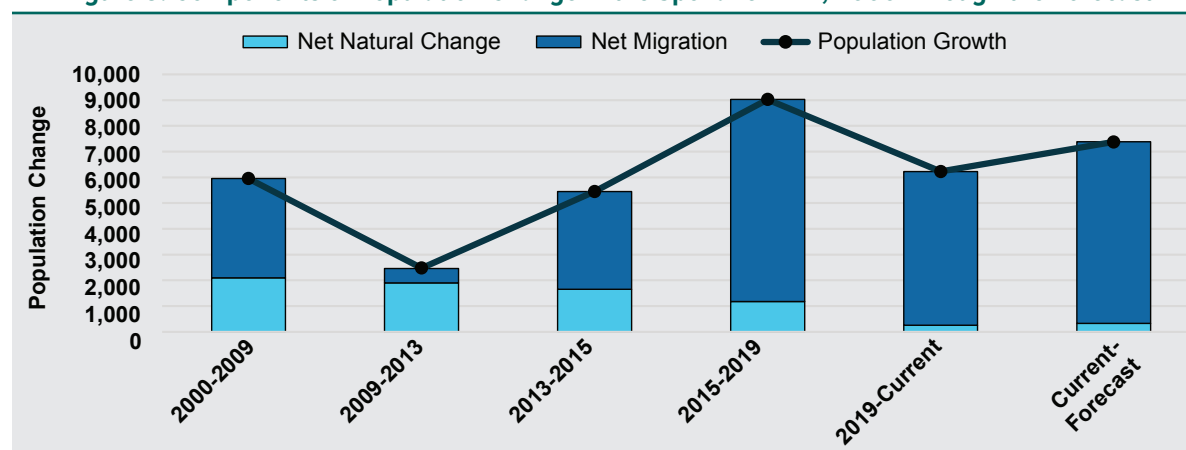
Population growth has increased from 2013 to 2019 because of higher levels of net in-migration.

Population Trends

The population of the Spokane HMA has increased each year since 2000. Population growth was high from 2000 to 2009, averaging 5,950 people, or 1.2 percent, annually, primarily because of tight labor market conditions before 2008 that attracted workers to the area (Figure 5). Population growth in the HMA has tended to follow changes in economic conditions in the HMA, with a 1- to 2-year lag. Following job losses that began in 2009, population growth in the HMA slowed to an average of 2,475, or 0.5 percent, annually from 2009 through 2013. The slowdown was primarily caused by decreased net in-migration, which averaged 3,850 people a year from 2000 to 2009 but only 550 people annually from 2009 to 2013. During the same period, net natural change (resident births minus resident deaths) decreased from 2,100 to 1,925 people. As the economy of the HMA improved, population growth accelerated. The population of the HMA increased by averages of 5,450, or 1.0 percent, annually from 2013 to 2015, and 9,025, or 1.6 percent, annually from 2015 to 2019. Net in-migration was responsible for the increased

population growth during those periods, averaging 3,800 people annually from 2013 to 2015 and 7,850 people annually from 2015 to 2019. All of the increase in migration was domestic in origin; international migration averaged 880 people annually from 2013 to 2015 and decreased to an average of 390 people from 2015 to 2019. Net natural change slowed as the population of the HMA aged and birth rates declined. Net natural change averaged 1,650 from 2013 to 2015 and 1,175 from 2015 to 2019. Population growth has slowed to an average of 6,250, or 1.1 percent, annually from 2019 to the current date, partially because of the economic and health impacts of the COVID-19 pandemic. During this period, both net migration and net natural change declined, averaging 6,000 and 250 people a year, respectively.

Figure 5. Components of Population Change in the Spokane HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (June 1, 2021) to June 1, 2024.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

Approximately 90 percent of the population of the HMA resides in Spokane County, which includes almost all the population centers in the HMA. Since 2010, about 95 percent of the population growth has occurred in Spokane County as migrants have primarily relocated to urban areas. The city of Spokane has the second largest population of any city in the state of Washington and accounts for approximately 37 percent of the population of the HMA.

Migration Trends

Out-migration from the Seattle-Tacoma-Bellevue MSA (Seattle MSA) has been responsible for much of the increase in population growth in the Spokane HMA since 2014. From 2014 through 2018, approximately 30 percent of all net domestic in-migration to the HMA originated from the Seattle MSA (Census Bureau Metro-to-



Metro Migration Flows; American Community Survey [ACS] 5-year data). Migrants from the Seattle MSA are attracted to the lower relative cost of housing in the Spokane HMA; average existing home sales prices in the HMA in 2018 were \$314,000 less than in the Seattle MSA. The price differential between the two areas has increased since 2012, when home prices in the HMA were only \$165,700 less than in the Seattle MSA; that change has increased the economic incentive for in-migration to the HMA.

The Spokane HMA is the largest urban area within an approximate 250-mile radius and offers economic opportunities that are unavailable in rural areas. As a result, rural areas in eastern Washington and northern Idaho are another major source of migrants to the HMA, with 25 percent of all net in-migration from 2014 through 2018 originating from outside metropolitan areas.

Age Cohort Trends

The median age of the population in Spokane County, the only geographic area within the HMA for which data are available, was 37.8 years, compared with 38.6 years nationally (2019 ACS 1-year data). Although the median age of the population is lower than the national average, the cohort of residents age 62 and older grew at an average rate of nearly 4 percent annually from 2010 to 2019, compared with an overall average annual population growth of about 1 percent. As a result, the cohort of residents age 62 and older increased from 16.4 to 20.7 percent of the population of the county during that period. The increasing age of the population has

contributed to the declining rate of net natural change, increased demand for healthcare services, and attracted the development of age-restricted housing.

Population Forecast

During the next 3 years, the population of the HMA is expected to increase an average of 7,375, or 1.2 percent, annually, to 615,900—a slowdown compared with the rate of population growth during the 2015-to-2019 period but higher than the 2019-to-2021 period. Weak economic conditions are expected to lead to a decline in net in-migration during the first year of the forecast period, followed by increased net in-migration during the second and third years. The rate of net natural change is expected to increase compared with that of the 2019-to-current period but remain lower than that of the 2015-to-2019 period because of long-term demographic trends.

Household Trends and Forecast

As of June 1, 2021, the number of households in the HMA is estimated at 244,100—an increase of 3,050 households, or 1.4 percent, annually since 2010 (Table 3). By comparison, household growth averaged 2,675, or 1.4 percent, annually from 2000 to 2010. Household growth has increased relative to population growth as families have had fewer children, and relatively smaller elderly households have become a larger share of the population, resulting in a lower average household size in the HMA. The homeownership rate is currently estimated at 65.7 percent—down from 65.9 percent in 2010. The homeownership rate in the HMA is expected to increase during the next 3 years as improving economic conditions and low interest rates make homeownership increasingly attractive. Household growth during the next 3 years is expected to average 3,600 households, or 1.5 percent, annually—an increase compared with the 2010-to-current period.

Table 3. Spokane HMA Population and Household Quick Facts

	2010	Current	Forecast
Population Quick Facts	Population	527,753	593,700
	Average Annual Change	5,800	5,900
	Percentage Change	1.2	1.1
Household Quick Facts	Households	209,962	244,100
	Average Annual Change	2,675	3,050
	Percentage Change	1.4	1.4

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (June 1, 2021) to June 1, 2024.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst



Home Sales Market

Market Conditions: Tight

Existing home sales prices in the HMA have increased an average of 10 percent annually since 2015.

Current Conditions

The sales housing market in the Spokane HMA is currently tight. As of June 1, 2021, the overall sales vacancy rate is estimated at 0.7 percent (Table 4)—down from 2.1 percent during 2010. A limited supply of for-sale inventory, in conjunction with strong population growth and demand for housing, has contributed to the decline in the vacancy rate. During May 2021, the HMA had 1,400 single-family homes, condominiums, and townhomes for sale, representing a 0.5-month supply—down from 1,925 homes for sale, or a 1.5-month supply, during May 2020 (Redfin, a national real estate brokerage). The very low supply of homes caused a 19-percent decrease in total home sales, to 8,925 sales, during the 12 months ending March 2021. Increased competition among buyers for available homes, however, caused the average total home sales price to increase 18 percent, to \$333,300 (Zonda).

Existing Home Sales and Prices

Low levels of for-sale inventory have contributed to a decline in the number of existing home sales (including regular resales and real estate owned [REO] sales) and rising existing home sales prices in the HMA. Existing home sales totaled 8,000 homes in the HMA during the 12 months ending March 2021—down 20 percent from the previous 12-month period (Zonda). During the same period, the average sales price for existing homes increased 19 percent, to \$326,900, following growth of 11 percent during the previous 12-month period. Almost one-half of all existing home sales during the most recent 12 months were priced between \$200,000 and \$399,999 (Figure 6).

Table 4. Home Sales Quick Facts in the Spokane HMA

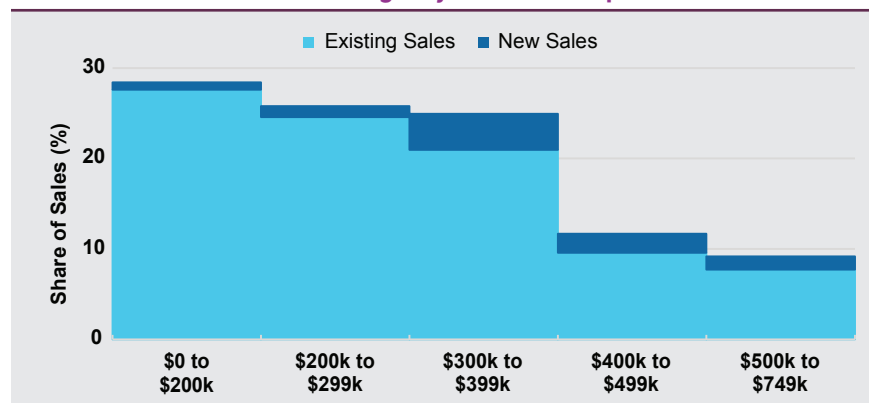
	Spokane HMA	Nation
Vacancy Rate	0.7%	NA
Months of Inventory	0.5	1.5
Total Home Sales	8,925	5,605,000
1-Year Change	-19%	0%
New Home Sales Price	\$387,900	\$424,000
1-Year Change	8%	2%
Existing Home Sales Price	\$326,900	\$361,300
1-Year Change	19%	14%
Mortgage Delinquency Rate	2.2%	3.7%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending March 2021; and months of inventory and mortgage delinquency data are as of March 2021. The current date is June 1, 2021.

Sources: Vacancy rate—estimates by the analyst; months of inventory—CoreLogic, Inc. and Redfin; HMA home sales and prices—Zonda; national home sales and prices—National Association of Realtors® and Census Bureau/HUD

Figure 6. Share of Overall Sales by Price Range During the 12 Months Ending May 2021 in the Spokane HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

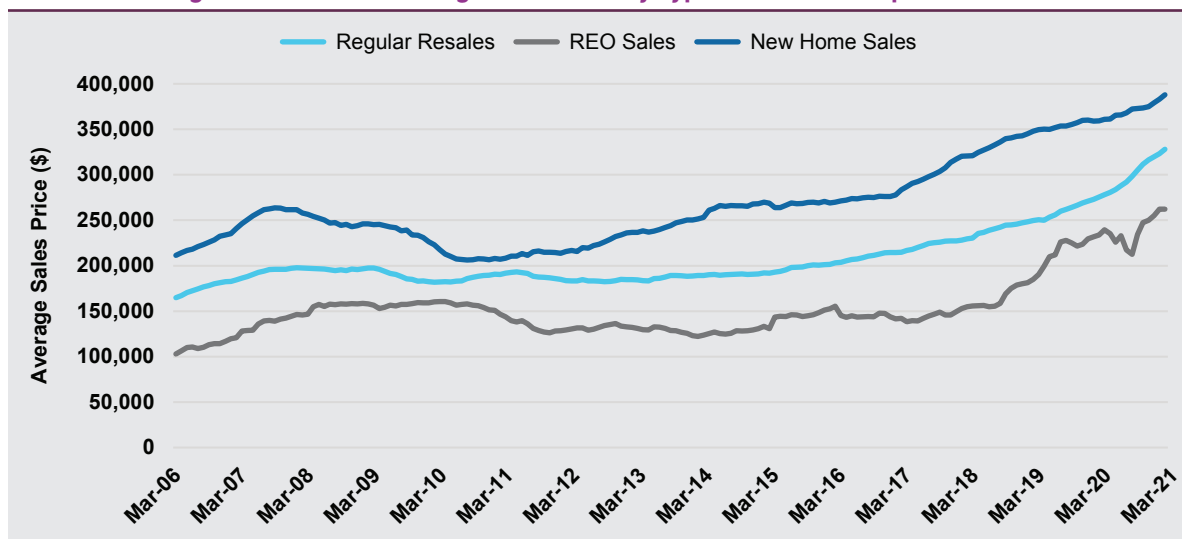


Existing home sales prices increased before the national recession of the late 2000s, averaging gains of 11 percent annually during 2006 and 2007. During that period, strong economic conditions in the HMA and moderate population growth led to increasing demand for homes, which in turn caused upward pressure on home sales prices. Existing sales activity was high during 2005, with 12,150 existing homes sold, but declined by an average of 1,425 home sales, or 16 percent, annually during the next 5 years, to an average of 4,850 sales from 2010 through 2011.

As existing home sales declined, the volume of real estate owned (REO) sales increased; from 2005 through 2007, REO sales accounted for approximately 3 percent of existing home sales—a figure that increased during the next 4 years to a high of 25 percent during 2011. Poor economic conditions and an increased share of REO sales caused existing home sales prices to decrease an average of 3 percent annually from 2008 through 2011, to a low of \$171,400 during 2011. During 2011, the average price of a regular resale home was \$185,900, whereas REO sales averaged only \$128,300 (Figure 7).

Existing home sales increased at an average annual rate of 13 percent from 2012 through 2018 as economic growth returned. Existing home prices increased during that period as well, growing an average of 2 percent annually from 2012 through 2014 and accelerating to average annual growth of 8 percent from 2015 through 2018. During the latter period, the volume of REO sales decreased sharply,

Figure 7. 12-Month Average Sales Price by Type of Sale in the Spokane HMA



REO = real estate owned.
Source: Zonda

constituting 16 percent of existing home sales in 2014 but only 4 percent in 2018, and competition among homebuyers increased. During 2019, the stock of REO homes became depleted, the level of for-sale inventory was very low, and existing home sales fell 8 percent, whereas annual price growth was 10 percent.

Delinquent Home Loans and REO Properties

Although the sales market is tight, a portion of mortgage borrowers have been hit hard by the pandemic-induced economic downturn. As of May 2021, 1.9 percent of home loans were seriously delinquent or had transitioned into REO status—up from 0.8 percent in May 2020—with all the increase occurring in June 2020. The sharp increase likely reflects the number of homeowners who stopped paying their mortgages at the onset of the pandemic in March 2020, becoming 90 days delinquent on their mortgages by June. That trend occurred on a national level as well, with the percentage of seriously delinquent mortgages and REO properties increasing from 1.3 percent in February 2020 to 3.6 percent in June 2020—up from 1.6 percent in May 2020. The number of mortgages 90 days or more delinquent in the HMA increased from 610 in May 2020 to 1,400 in June 2020 and remained at 1,375 during May 2021. Despite the increase in delinquencies, the number of foreclosures decreased from 2,250 during the 12 months ending May 2020 to 1,100 during the 12 months



ending May 2021. The Coronavirus Aid, Relief, and Economic Security (CARES) Act offers mortgage forbearance of up to 360 days for federally backed home loans, helping residents in the HMA avoid foreclosure. Despite the increase during the past year, the current percentage of seriously delinquent mortgages and REO properties in the HMA is lower than the peak rate of 5.7 percent in September 2012 during the Great Recession.

New Home Sales and Price Trends

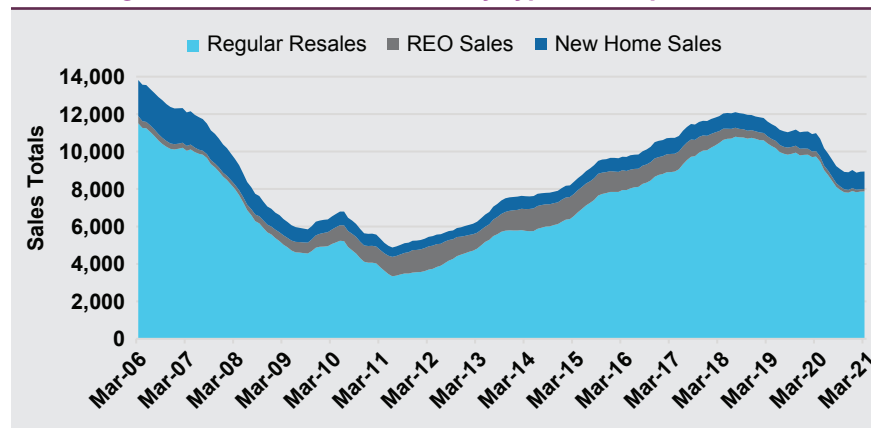
A tightening sales market and rising existing home sales prices have led to increased new home sales and prices during much of the 2010s, but new home sales remain well below levels from before the Great Recession. Approximately 930 new homes were sold in the HMA during the 12 months ending March 2021—down 3 percent from the previous 12-month period—whereas the average sales price of a new home increased 8 percent, to \$387,900 (Zonda). New home sales have generally lagged behind new home sales prices in the HMA, with developers responding to price growth by increasing production. New home prices began to increase in 2011, rising an average of 6 percent from 2011 through 2019 (Figure 8). New home sales have trended upward since 2013, growing an average of 8 percent annually from 2013 through 2020.

Despite being the highest figure in a decade, the 970 new home sales during 2020 were only 55 percent of the 2005-through-2007 level—a period when an average of 1,725 new homes were sold annually. New home sales prices averaged \$261,600 during 2007 but declined an average of 8 percent a year, to \$206,600 during 2010, whereas new home sales averaged a low of 510 in 2011 and 2012. The decline in both new home sales and prices was caused by worsening economic conditions due to the Great Recession.

Sales Construction Activity

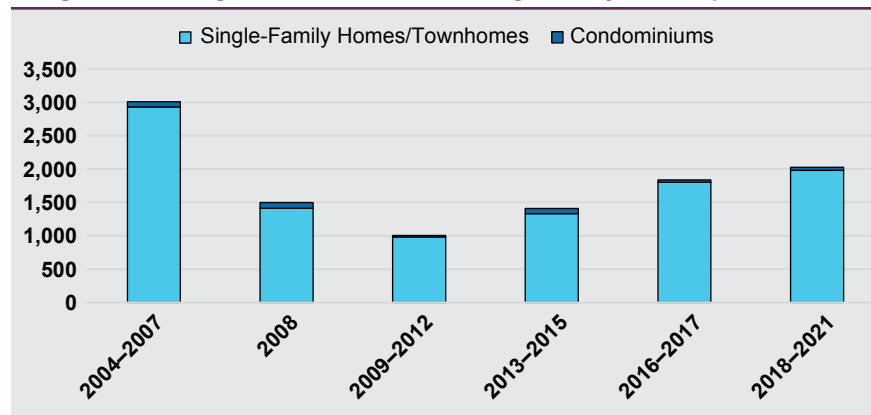
Homebuilding—as measured by units permitted (building permits) for single-family homes, townhomes, and condominium units—has increased in the HMA since 2013 (Figure 9). Homebuilding, however, is well below the levels before the housing crisis, from 2004 through 2007, when an average of 3,000 homes were

Figure 8. 12-Month Sales Totals by Type in the Spokane HMA



REO = real estate owned.
Source: Zonda

Figure 9. Average Annual Sales Permitting Activity in the Spokane HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2021 are through May 2021. Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2020—final data and estimates by the analyst; 2021—preliminary data and estimates by the analyst



permitted annually. As economic growth slowed and new home prices began to decrease, homebuilding slowed to 1,500 homes permitted in 2008 and fell again to an average of 1,000 homes permitted annually from 2009 through 2012, when economic conditions in the HMA were weak. Homebuilding has increased since 2013 as economic conditions have improved, and new home prices have continued to increase. An average of 1,400 homes were permitted annually from 2013 through 2015, 1,825 homes from 2016 through 2017, and 1,975 homes from 2018 through 2020. During the 12 months ending April 2021, 1,975 homes were permitted—down from the 2,025 homes permitted during the 12 months ending April 2020. Most recent new construction has occurred in either the city of Spokane or the suburbs of Spokane Valley, Airway Heights, and Liberty Lake. The Clearwater Collection at River District, a 60-lot subdivision in Liberty Lake, led new home sales during 2020, with approximately 35 homes sold at prices between \$285,000 and \$508,000. In Summerfield by Hayden Homes, a 60-lot subdivision in Spokane, approximately 32 homes sold, with prices starting at \$260,000.

Forecast

On the basis of current and anticipated economic and population growth and the current tight sales market conditions in the HMA, demand is estimated for 7,300 new homes during the next 3 years (Table 5). The 1,125 homes currently under construction are expected to meet a portion of demand during the first year of the forecast period. New home construction is expected to be concentrated in and around the cities of Spokane and Spokane Valley.

Table 5. Demand for New Sales Units in the Spokane HMA During the Forecast Period

Sales Units	
Demand	7,300 Units
Under Construction	1,125 Units

Note: The forecast period is from June 1, 2021, to June 1, 2024.
 Source: Estimates by the analyst



Rental Market

Market Conditions: Balanced

Apartment construction has increased since 2015, but vacancy rates have remained low, and rent growth has been high.

Current Conditions and Recent Trends

Overall rental housing market conditions in the Spokane HMA are currently balanced, with an overall estimated rental vacancy rate of 4.5 percent—down from 8.3 percent in 2010 (Table 6). Higher population and job growth levels have contributed to rising rents despite increased apartment construction since 2015.

The apartment market, which makes up approximately 65 percent of renter-occupied units in the HMA (2019 ACS 1-year data), is also balanced. The apartment vacancy rate averaged 4.4 percent during the first quarter of 2021—unchanged from a year earlier (Moody’s Analytics REIS). The apartment vacancy rate has trended upward since a low of 1.9 percent during the second quarter of 2015 (Figure 10). Before 2015, the apartment vacancy rate decreased an average of 1.1 percentage points annually from 2011 through 2015. The apartment vacancy rate has increased since 2016 because of increased rental construction and limited demand by migrants from the Seattle MSA, who are more likely to buy than rent their homes. During the first quarter

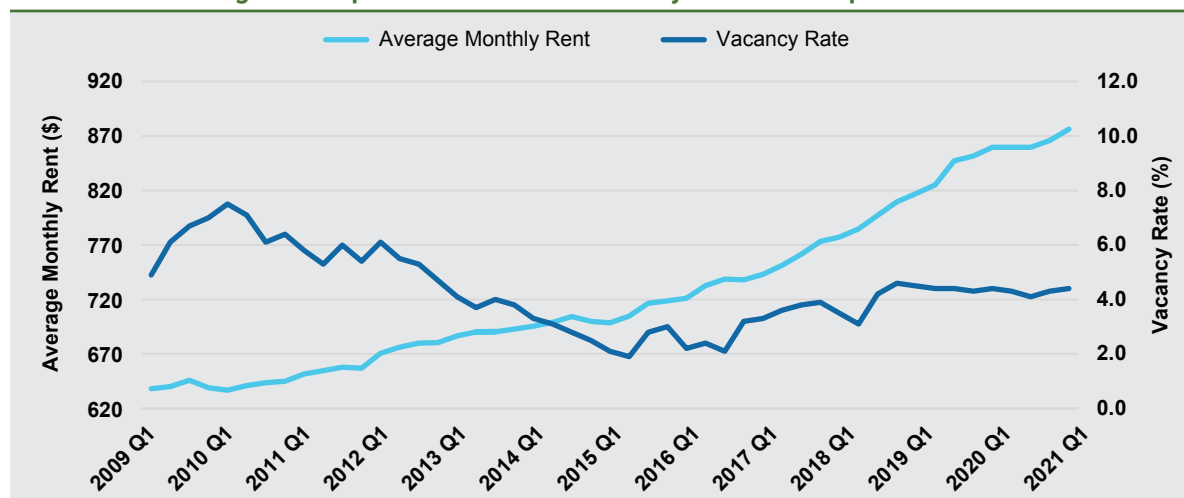
Table 6. Rental and Apartment Market Quick Facts in the Spokane HMA

Rental Market Quick Facts	2010 (%)	Current (%)	
	Rental Vacancy Rate	8.3	4.5
	2010 (%)	2019 (%)	
Occupied Rental Units by Structure			
	Single-Family Attached & Detached	38.1	31.2
	Multifamily (2–4 Units)	14.8	12.7
	Multifamily (5+ Units)	42.5	52.0
	Other (Including Mobile Homes)	4.5	4.0

Apartment Market Quick Facts	Current	YoY Change	
	Apartment Vacancy Rate	4.4	0.0
	Average Rent	\$876	2%
	Studio	\$707	4%
	One-Bedroom	\$763	2%
	Two-Bedroom	\$912	1%
Three-Bedroom	\$1,136	1%	

YoY = year-over-year.
 Notes: The current date is June 1, 2021. Percentages may not add to 100 due to rounding.
 Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—Moody’s Analytics REIS

Figure 10. Apartment Rents and Vacancy Rates in the Spokane HMA



Q1 = first quarter.
 Source: Moody’s Analytics REIS



of 2021, the average asking rent for apartments in the HMA increased 2 percent, to \$876—down from average annual increases of 5 percent during the first quarters of 2018 through 2020. By comparison, average asking rents increased an average of 2 percent annually during the first quarters of 2010 through 2017. During the first quarter of 2021, average rents for one-, two-, and three-bedroom apartments were \$763, \$912, and \$1,136, respectively.

The single-family rental market, which constitutes about 31 percent of the rental market, had a vacancy rate among professionally managed units of 2.2 percent during May 2021—down from 2.3 percent in May 2020 (CoreLogic, Inc.). The vacancy rate of professionally managed single-family rental homes has been below 3.0 percent every May since 2012. During May 2021, the average rent increased 5 percent on a year-over-year basis to \$1,650 for three-bedroom homes and 4 percent, to \$1,927, for four-bedroom homes.

Senior Apartments

Since 2010, about 10 percent of all apartments built in the HMA have targeted seniors. Vacancy rates at age-restricted apartments, including independent and assisted living, increased from 6.9 percent during the first quarter of 2020 to 12.0 percent during the first quarter of 2021 as a result of the COVID-19 pandemic. Average rents during the first quarter of 2021 averaged \$4,511 at assisted-living apartments and \$2,807 at independent-living apartments; both increased less than 1 percent compared with the first quarter of 2020.

Student Housing

Local universities have a moderate effect on the rental market in the HMA. Gonzaga University, Whitworth University, and Eastern Washington University (EWU) housed a combined 6,300 students on campus in 2020 before the COVID-19 pandemic, when all three campuses ceased in-person courses. Washington State University-Spokane does not offer on-campus housing. The number of students living on campus in the HMA has not changed substantially since 2010. An estimated 18,400 additional university students currently live off-campus, mostly in rental housing, making up about 8 percent of all renter

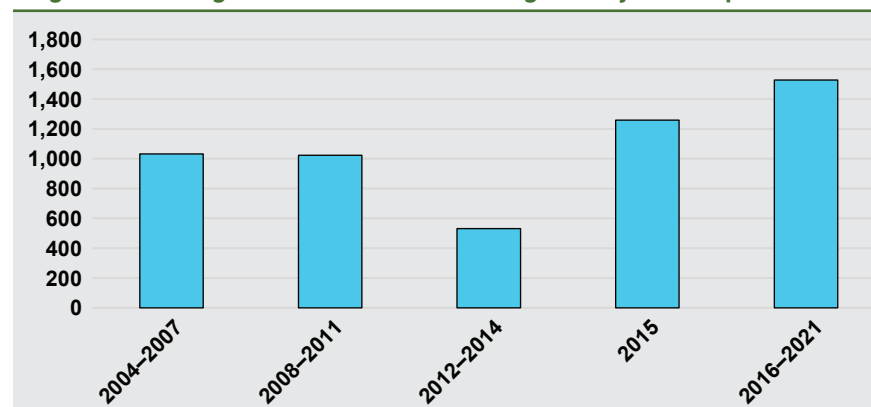
households in the HMA. All universities in the area are planning on transitioning to primarily on-campus learning for the fall semester of 2021.

EWU is the largest university in the HMA, with enrollment of approximately 12,350 students, of whom about 7,425 lived off-campus before the COVID-19 pandemic. EWU is in the city of Cheney, approximately 14 miles southwest of downtown Spokane, and many student apartments—defined as privately owned but targeted at students (usually renting beds instead of units)—have been built. Despite few in-person classes being on campus, student apartments near EWU had a vacancy rate of only 0.7 percent during the 2020–21 school year—down from 1.6 percent during the 2019–20 school year (Moody’s Analytics REIS).

Rental Construction Activity

Rental construction, as measured by the number of rental units permitted, has increased significantly since 2015 (Figure 11). Rental construction averaged 1,025 units annually from 2004 through 2011 despite declining economic conditions and population growth after 2008. Multifamily permitting fell sharply to an average of only 530 units permitted annually, however, from 2012 through 2014. Improving economic conditions, low rental vacancy rates, and continued rent

Figure 11. Average Annual Rental Permitting Activity in the Spokane HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2021 are through May 2021. Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020—final data and estimates by the analyst; 2021—preliminary data and estimates by the analyst

growth led to increased levels of rental construction after 2014; approximately 1,250 apartments were permitted during 2015, and an average of 1,600 units were permitted annually from 2016 through 2020—including the four highest years of rental construction since 2000. Despite increased rental construction, apartment vacancy rates remained low, and rent growth accelerated during the 2016-through-2020 period. During the 12 months ending April 2021, approximately 1,275 rental units were permitted—down from 1,500 units during the 12 months ending April 2020.

An estimated 2,200 apartments are currently under construction in the Spokane HMA. Of that number, about 55 percent are in the city of Spokane, with almost all the remaining apartments under construction in the city of Spokane Valley. The Monika apartments, a 100-unit market-rate apartment complex in the city of Spokane Valley, is expected to be complete in late summer 2021 and is currently preleasing. Rents for one-, two-, and three-bedroom units are expected to start at \$1,375, \$1,625, and \$1,800, respectively. Some rental development is taking advantage of the increasing elderly population in the HMA. Affinity at Mirabeau, a 170-unit apartment complex, will restrict occupancy to tenants age 55 and older when it opens in the spring of 2022. One- and two-bedroom units at the property are expected to start at \$1,550 and \$1,800, respectively. In addition to market-rate apartments, below-market-rate and subsidized apartments are also under

construction in the HMA. Sinto Commons, a subsidized 47-unit apartment building, is currently under construction in the city of Spokane and is expected to be complete in late 2021. One-half of the units will be reserved for people who have experienced homelessness, with the remaining units restricted to households making less than 60 percent of area median income.

Forecast

During the 3-year forecast period, demand is estimated for 4,650 rental units in the HMA (Table 7). Demand is expected to be similar to demand during the 2016-through-2020 period. The 2,200 units currently under construction will fulfill all expected demand during the first and most of the second years of the forecast period.

Table 7. Demand for New Rental Units in the Spokane HMA During the Forecast Period

Rental Units	
Demand	4,650 Units
Under Construction	2,200 Units

Note: The forecast period is June 1, 2021, to June 1, 2024.
 Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

Forecast Period	6/1/2021–6/1/2024—Estimates by the analyst.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Regular Resale	Existing home sales that include short sales but exclude REO sales (per Zonda).
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.



B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

D. Photo/Map Credits

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