

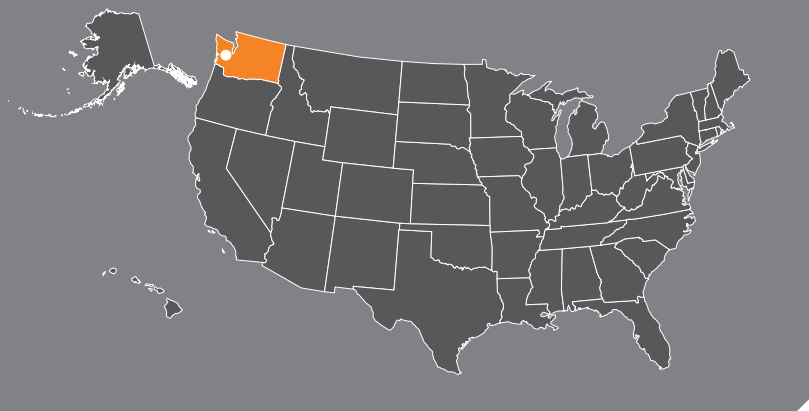
HUD PD&R Housing Market Profiles

Olympia, Washington



Quick Facts About Olympia

- Current sales market conditions: slightly tight
- Current rental market conditions: slightly tight
- Joint Base Lewis-McChord (JBLM), the largest military installation on the west coast, is in neighboring Pierce County. Although direct employment at JBLM is not included in the Olympia metropolitan area job numbers, approximately 25 percent of the 40,750 military personnel and 16,830 civilian and contract employees reside in the metropolitan area.



By Adam Tubridy | As of June 1, 2020

Overview

The first case of COVID-19 in the United States was reported in the neighboring Seattle-Tacoma-Bellevue metropolitan area on January 21, 2020, whereas the first case in the Olympia metropolitan area was confirmed on March 11, 2020. Interventions taken in mid-March to slow the spread of COVID-19, including enforcing social distancing and discouraging nonessential travel, caused economic activity in the metropolitan area to slow dramatically.

The Olympia metropolitan area consists of Thurston County in the Puget Sound region of Washington and is located along Interstate 5 between Seattle and Portland, Oregon. The city of Olympia is the state capital of Washington.

- As of June 1, 2020, the population of the metropolitan area is estimated at 295,200. Population growth averaged 3,000, or 1.2 percent, annually from 2011 through 2015 but has accelerated to 5,525, or 2.0 percent, annually since 2016 (Census Bureau population estimates as of July 1 and estimates by the analyst).
- Increased net in-migration led to the rise in population growth. From 2011 through 2015, net in-migration averaged 1,900 people annually, accounting for 64 percent

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of total population growth; net in-migration has increased to 4,700 people annually since 2016, accounting for 85 percent of total population growth.

- Since 2010, more than 80 percent of all net in-migration to the metropolitan area has been domestic. The largest source

of net domestic migration is the Seattle-Tacoma-Bellevue, WA metropolitan area, which accounted for 55 percent of all domestic in-migration (2013–2017 American Community Survey [ACS] 5-year data).

Economic Conditions

Economic conditions in the Olympia metropolitan area were strengthening before the impact of COVID-19, with nonfarm payrolls increasing an average of 2,800 jobs, or 2.6 percent, annually from 2011 through 2019. The professional and business services sector and the education and health services sector, which expanded by an average annual increase of 500 jobs each, or 5.4 and 3.1 percent, respectively, led job growth during this period.

COVID-19 and the interventions taken to slow its spread have weakened economic conditions in the Olympia metropolitan area. During the 3 months ending May 2020, nonfarm payrolls decreased by 6,900 jobs, or 5.7 percent, from the level of jobs during the 3 months ending May 2019. By comparison, the number of jobs increased by 1,100, or 1.0 percent, during the 3 months ending May 2019 compared with the same 3 months a year prior. Initial unemployment claims in the metropolitan

area totaled 12,597 in May 2020, down from 16,918 during April 2020 but much higher than the 715 claims in May 2019 (Employment Security Department/LMEA). During the 3 months ending May 2020, the unemployment rate increased to 11.7 percent from the 5.0-percent rate during the 3 months ending May 2019. Before the pandemic, the unemployment rate peaked at 9.0 percent during 2010 and 2011, the highest annual rates since 2000.

During the 3 months ending May 2020—

- The leisure and hospitality sector, which declined by 3,500 jobs, or 31.5 percent, to 7,600 jobs led job losses as public health measures imposed to slow the spread of COVID-19 caused restaurants and bars to curtail operations.
- The education and health services sector had the second largest job loss in the metropolitan area, declining by 1,400

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All but two sectors in the Olympia metropolitan area lost jobs during the 3 months ending May 2020.

	3 Months Ending		Year-Over-Year Change	
	May 2019 (Thousands)	May 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	120.9	114.0	-6.9	-5.7
Goods-Producing Sectors	9.8	8.5	-1.3	-13.3
Mining, Logging, & Construction	6.7	5.7	-1.0	-14.9
Manufacturing	3.1	2.8	-0.3	-9.7
Service-Providing Sectors	111.1	105.5	-5.6	-5.0
Wholesale & Retail Trade	15.8	15.5	-0.3	-1.9
Transportation & Utilities	2.9	2.8	-0.1	-3.4
Information	1.7	1.8	0.1	5.9
Financial Activities	4.0	3.9	-0.1	-2.5
Professional & Business Services	12.4	13.3	0.9	7.3
Education & Health Services	18.9	17.5	-1.4	-7.4
Leisure & Hospitality	11.1	7.6	-3.5	-31.5
Other Services	4.9	4.3	-0.6	-12.2
Government	39.5	38.8	-0.7	-1.8
Unemployment Rate	5.0%	11.7%		

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

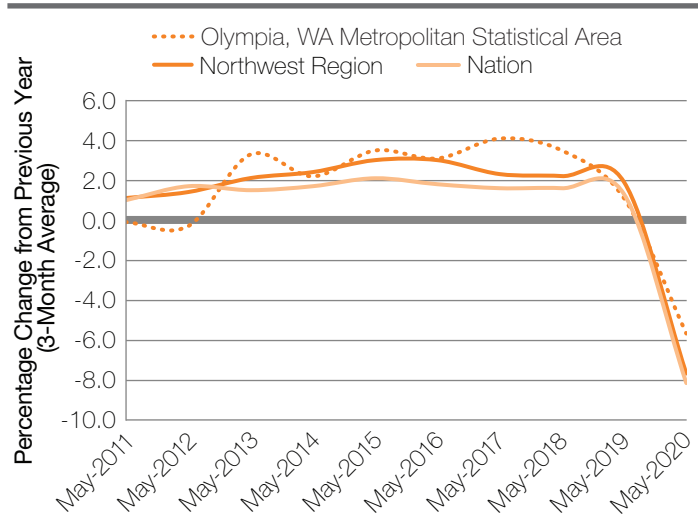


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jobs, or 7.4 percent, to 17,500. The largest private employer in the area, Providence St. Peter Hospital, implemented pay cuts and furloughs in response to the prohibition of nonessential or elective procedures as one of the countermeasures to slow the spread of COVID-19.

- The mining, logging, and construction sector declined by 1,000 jobs, or 14.9 percent, to 5,700, compared with the

Nonfarm payroll losses during the 3 months ending May 2020 were proportionately less in Olympia than in Washington or the nation.



Source: U.S. Bureau of Labor Statistics

3 months ending May 2019. A construction moratorium was in place from March 26 through April 24 to impede the spread of COVID-19.

- Only the professional and business services and the information sectors added jobs, growing by 900 and 100 jobs, or 7.3 and 5.9 percent, respectively. Both sectors are primarily composed of jobs that can be performed at home.

The state of Washington is by far the largest employer in the metropolitan area and serves as the foundation of the local economy. The government sector accounted for 38,800 jobs, or 34 percent of all payrolls in the area, and declined by 700 jobs, or 1.8 percent, during the 3 months ending May 2020, compared with the same 3 months in 2019. The state government of Washington has implemented a hiring freeze and is furloughing most employees one day a week in response to decreased tax revenues. Washington is expected to have a \$4.5 billion budget deficit through 2021 because of declining economic conditions, which may necessitate additional reductions in personnel.

Largest Employers in the Olympia Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Washington	Government	25,600
Providence St. Peter Hospital	Education and Health Services	2,850
Safeway Inc.	Wholesale and Retail Trade	1,025

Note: Excludes local school districts.
Source: Thurston Regional Planning Council

Sales Market Conditions

The sales housing market in the Olympia metropolitan area is slightly tight, with an estimated sales vacancy rate of 1.0 percent as of June 1, 2020, down from 2.4 percent in 2010. As of April 2020, the metropolitan area had 1.3 months' worth of available for-sale inventory, up from 1.2 months in April 2019; in the same period, the number of active listings declined from 1,075 to 780 homes (Redfin). The number of new listings has sharply declined as a result of measures taken to counteract COVID-19; new listings totaled 380 in April 2020, down 33 percent from the 570 new listings in April 2019.

During the 12 months ending April 2020—

- The average price of an existing home increased 7 percent, to \$361,300, compared with the 12 months ending April 2019 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). From 2016 through 2019, existing home prices increased an average of 8 percent annually as increased population growth led to increased demand for existing homes.

- Approximately 4,625 existing homes sold, down 5 percent from a year ago, following a decline of 6 percent during the previous 12-month period. Decreasing levels of for-sale inventory have contributed to a decline in the number of existing home sales and rising prices in the metropolitan area.
- Average new home sales prices increased 2 percent, to \$425,400, and new home sales decreased 13 percent, to 610, compared with the preceding 12-month period. New home prices increased sharply from 2013 through 2018, increasing an average of 8 percent annually.
- The rate of seriously delinquent mortgage loans and REO sales declined to 0.7 percent during April 2020, compared with 0.8 percent during April 2019. By comparison, the national rate during April 2020 was 1.4 percent (CoreLogic, Inc.).

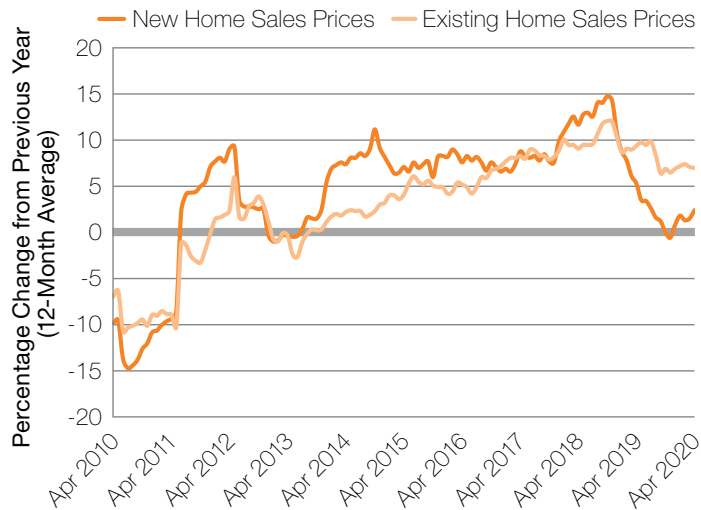
Single-family homebuilding, as measured by the number of single-family homes permitted, has been relatively steady since 2011 despite improving economic conditions and increasing home sales prices.

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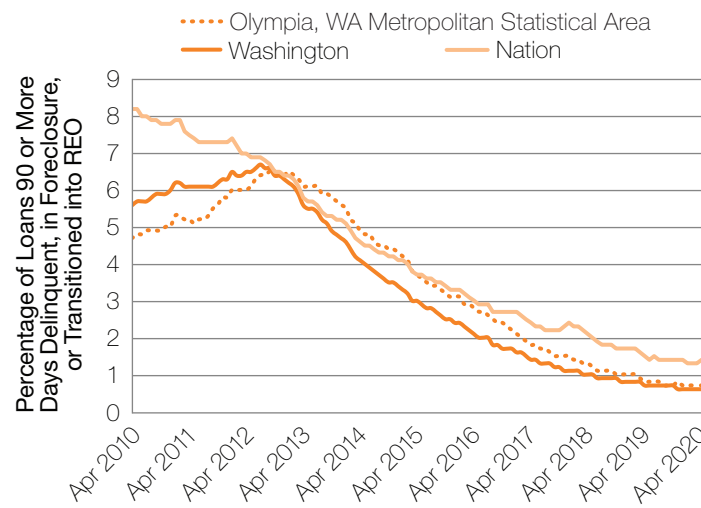
New home prices in the Olympia metropolitan area increased at an annual rate of more than 5 percent from 2014 through mid-2019.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

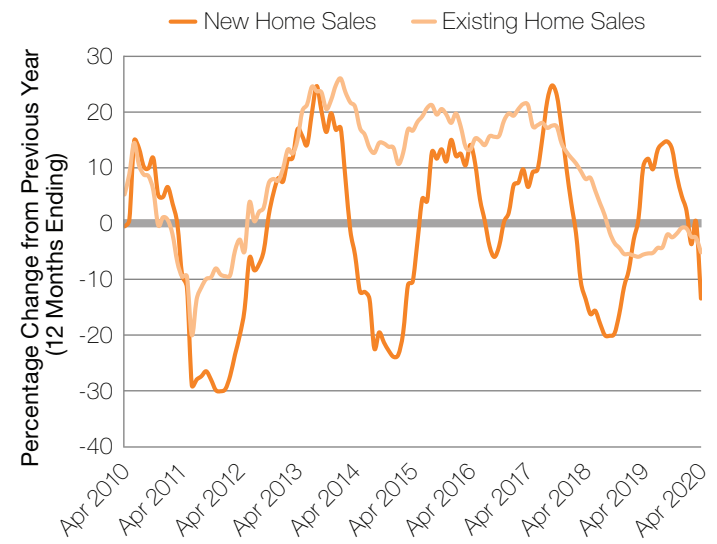
- During the 12 months ending May 2020, single-family homebuilding totaled approximately 730 homes, down 7 percent from the 790 homes built a year earlier (preliminary data).
- Despite increasing home prices, single-family homebuilding has remained stable, averaging 920 homes annually from 2011 through 2019, compared with an average of 2,275 homes permitted annually from 2004 through 2007.

The proportion of seriously delinquent home loans and REO properties in the Olympia metropolitan area has been below the nationwide rate since early 2015.



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

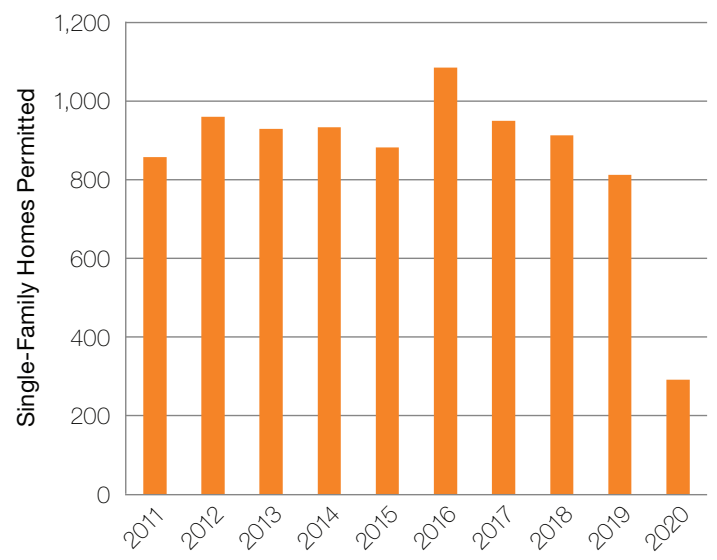
Existing home sales in the Olympia metropolitan area have declined since September 2018.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

- Most new home construction is occurring in subdivisions in the city of Lacey and the unincorporated land surrounding Olympia. Silver Hawk, a 300-lot subdivision in Lacey, led new home sales in 2019 and offers homes on one-half-acre lots starting at \$450,000.

Single-family homebuilding in the Olympia metropolitan area has been fairly stable since 2011.



Note: Includes preliminary data from January 2020 through May 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst



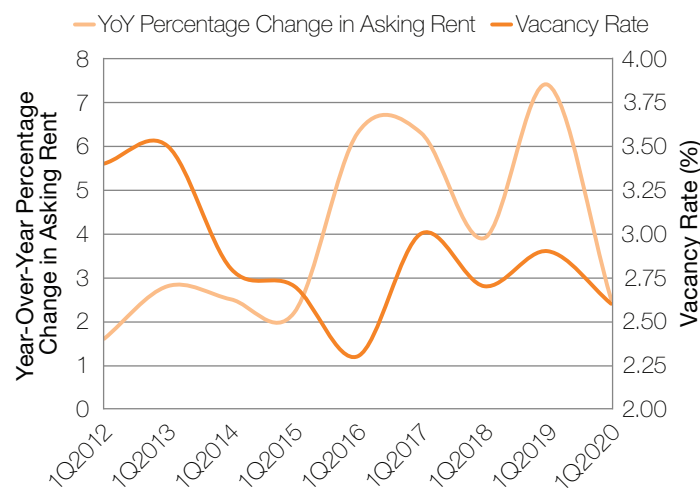
Rental Market Conditions

Rental housing market conditions in the Olympia metropolitan area are slightly tight, with an estimated vacancy rate for all rental units (including single-family homes, townhomes, mobile homes, and apartments) of 4.2 percent as of June 1, 2020, down from 7.0 percent in 2010. Although apartment construction has increased since 2016, the apartment vacancy rate has remained low while rent growth has been strong.

During the first quarter of 2020—

- The apartment market in the Olympia metropolitan area was slightly tight, with a vacancy rate of 2.6 percent, down from 2.9 percent a year earlier and below the national average of 4.7 percent (Reis, Inc.). The apartment vacancy rate in the Olympia metropolitan area has been at 3.0 percent or below every first quarter since 2014.
- The average asking rent in the metropolitan area increased approximately 2 percent, to \$1,175, from the first quarter of 2019. Rent growth has been high, averaging 6 percent annually from 2015 through 2018.
- Rents for one-, two-, and three-bedroom units average \$1,056, \$1,246, and \$1,537, respectively.
- Apartments built since 2000 have an average vacancy rate of 5.0 percent, whereas those built earlier have an average vacancy rate of 1.8 percent.

Rent growth in the Olympia metropolitan area increased from 2015 through 2019.

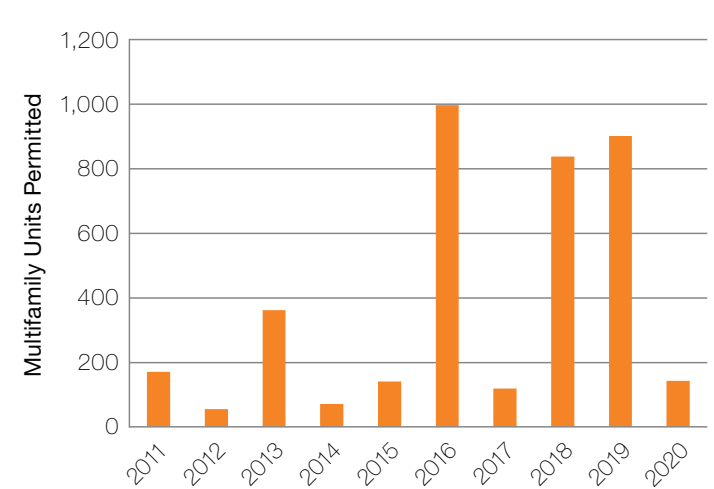


1Q = first quarter. YoY = year-over-year.
Source: Reis, Inc.

Developers responded to the tight rental market conditions by increasing multifamily home construction, as measured by the number of multifamily units permitted, beginning in 2016.

- During the 12 months ending May 2020, multifamily construction totaled approximately 600 units, a 40-percent decrease from the preceding 12-month period (preliminary data).
- Multifamily construction was low from 2011 through 2015, averaging 160 units annually, but increased to an average of 710 units annually from 2016 through 2019, the highest 4-year period of multifamily permitting since 2000.
- The majority of apartment development is occurring in and around downtown Olympia, including the Views on Fifth apartments, a 136-unit, market-rate apartment complex that is nearing completion. When complete, studios, one-bedroom, and two-bedroom units will be offered starting at \$1,100, \$1,550, and \$1,775, respectively.
- Merritt Manor, an 82-unit apartment complex, opened in late 2019 in east Olympia. Merritt Manor offers below-market-rate rents for two- and three-bedroom units to households making 60–80 percent of area median income.

Multifamily home construction in the Olympia metropolitan area increased significantly in 2016.



Note: Includes preliminary data from January 2020 through May 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst