

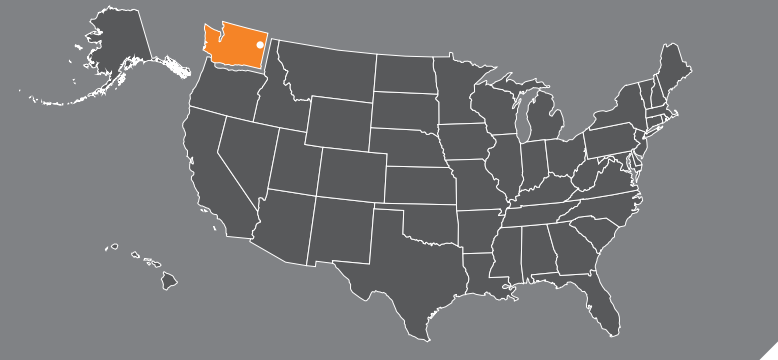
HUD PD&R Housing Market Profiles

Spokane, Washington



Quick Facts About Spokane

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: slightly tight.**
- **The Washington State University (WSU) Spokane Biomedical and Health Sciences Building, scheduled for fall 2013 completion, is the first phase of the planned Academic Health Science Center that consulting firm Tripp Umbach projected will create nearly 2,400 jobs and an annual economic impact of \$441 million on eastern Washington during 2017.**



By Stephen Komadina | As of May 1, 2013

Overview

The Spokane Housing Market Area (HMA), located in eastern Washington to the north of the Palouse agricultural region, consists of Spokane County and is part of the Spokane-Spokane Valley metropolitan area, which includes Pend Oreille and Stevens Counties to the north. The area is the major urban center of eastern Washington and northern Idaho and is a regional hub for higher education, medical services, and transportation. The HMA is home to Fairchild Air Force Base (AFB), Eastern Washington University (EWU), and the WSU Spokane campus.

- As of May 1, 2013, an estimated 477,700 people lived in the Spokane HMA, which has had an average annual population growth rate of 0.4 percent since April 2010.
- Annual population growth averaged 6,600 people, or 1.5 percent, from 2004 to 2009 as the economic impact of the peak home construction years and strong job growth in the education and health services sector attracted new households to the area. Population growth declined to average 2,500 people, or 0.5 percent, from 2009 to 2012 as the mining, logging, and construction and the manufacturing sectors experienced sharp job losses.
- Net in-migration represented 67 percent of population growth from 2004 to 2009 compared with the share of 22 percent recorded from 2009 to 2012.



In the Spokane HMA, 85 percent of job growth during the previous year was in the service-providing sectors.

	3 Months Ending		Year-Over-Year Change	
	April 2012 (thousands)	April 2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	204.8	209.3	4.5	2.2
Goods-producing sectors	23.4	24.1	0.7	2.8
Mining, logging, and construction	8.6	8.9	0.3	3.5
Manufacturing	14.8	15.1	0.4	2.5
Service-providing sectors	181.4	185.3	3.8	2.1
Wholesale and retail trade	33.9	34.2	0.3	0.9
Transportation and utilities	6.4	6.5	0.1	2.1
Information	2.8	2.9	0.1	3.6
Financial activities	12.4	12.3	-0.1	-0.5
Professional and business services	21.8	22.8	1.0	4.7
Education and health services	40.5	41.8	1.3	3.3
Leisure and hospitality	18.6	19.1	0.5	2.9
Other services	9.2	9.2	0.0	0.0
Government	36.0	36.5	0.5	1.3
Unemployment rate	9.5%	8.8%		

Source: U.S. Bureau of Labor Statistics

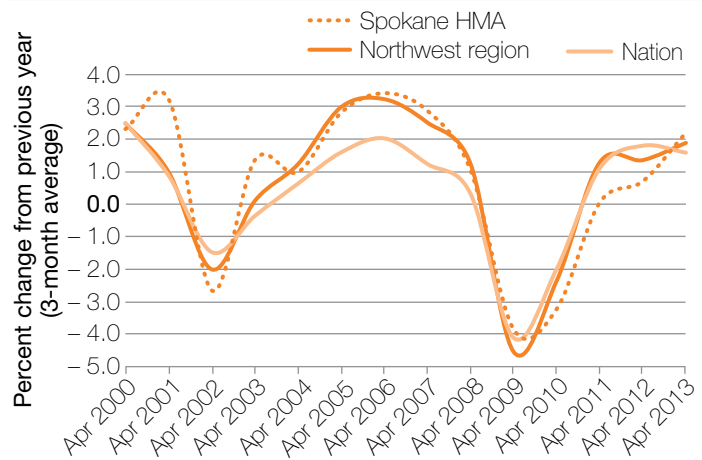
Economic Conditions

After losing an average of 5,025 jobs, or 2.3 percent, annually from 2009 through 2011, Spokane HMA payrolls returned to stable growth in 2012 that accelerated heading into 2013.

- Nonfarm payrolls in the HMA increased by 4,500 jobs, or 2.2 percent, from the 3 months ending April 2012 to the 3 months ending April 2013. The leading growth sectors were the education and health services and the professional and business services sectors.
- Home automation and security services company Vivint, Inc., recently announced that it leased office space for a sales center in Liberty Lake and expects to hire 400 employees; the new center is expected to have an annual economic impact of \$62.3 million.
- The average unemployment rate declined from 9.5 percent during the 3 months ending April 2012 to 8.8 percent during the 3 months ending April 2013, although the primary cause was a decline in the labor force of 1,350 workers, or 0.6 percent.
- Fairchild AFB, four major universities, and six hospitals provide the economic foundation for the HMA, with the education and health services and the government sectors accounting for 20 and 17 percent of total nonfarm payrolls, respectively.

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Economic recovery in the Spokane HMA lagged growth in the Northwest region and the nation until 2013.



Note: Nonfarm payroll jobs.

Source: U.S. Bureau of Labor Statistics

Largest employers in the Spokane HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fairchild Air Force Base	Government	6,025
Providence Health & Services	Education and health services	3,000
WalMart Stores, Inc.	Wholesale and retail trade	1,475

Notes: Excludes local school districts and the State of Washington. Fairchild Air Force Base includes military personnel and civilian employees.

Sources: *Journal of Business—2013 Market Fact Book*; Fiscal Year 2012 Fairchild Air Force Base Economic Impact Statement



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- In fiscal year 2012, Fairchild AFB personnel included approximately 2,900 on active duty, 1,000 with the Washington Air National Guard, 810 with the Armed Forces Reserve Center, and 1,300 civilians, and the base had a total estimated economic impact of \$442 million.
- In the fall 2012 semester, the HMA's four major universities (EWU, Gonzaga University, Whitworth University, and WSU-Spokane) had combined totals of approximately 3,825 faculty and staff and 24,600 students. Core expenses in 2010–11 totaled \$423

million for the first three schools; data available for WSU do not break out its \$873 million budget by campus, but its main campus is in Pullman, 75 miles south of Spokane.

- Construction on the WSU-Spokane Biomedical and Health Sciences Building, on the Riverpoint Campus, is expected to be complete by the fall of 2013 and occupied by January 2014. The facility will house the newly expanded 4-year medical school, with expected graduating class sizes of 100 to 120 students, and the WSU College of Pharmacy.

Sales Market Conditions

The Spokane HMA sales housing market is currently balanced. Although new and existing home sales and prices have returned to sustained year-over-year growth after declining from 2006 through 2012, distressed properties (including REO [Real Estate Owned] and short sales) continue to comprise a significant portion of the existing home sales market. Residential listings and units sold peaked at 15,550 in 2007 and 8,375 in 2005, respectively (Spokane Association of REALTORS®). Listings have continued to decline, reaching 8,500 in 2012, although the number of units sold rebounded from 4,025 in 2011 to 4,525 in 2012.

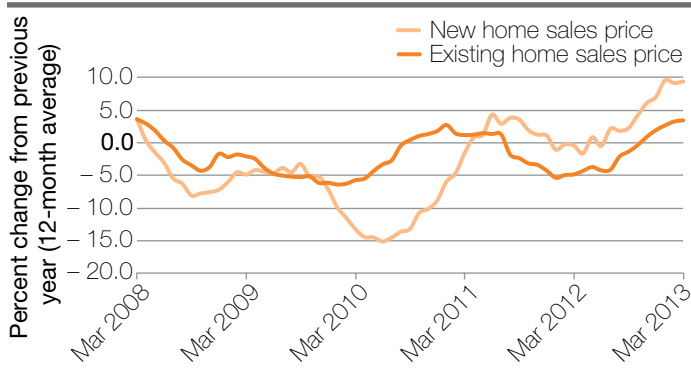
- During the 12 months ending March 2013, new and existing home sales increased 18 and 17 percent, respectively, to 630 and 5,400 homes (Core Logic, Inc.).
- During the same period, the average new home sales price was \$231,300, up 9 percent, and the average existing home sales price was \$175,100, up 4 percent (Core Logic, Inc.).
- Home sales prices in the HMA increased approximately 78 percent from March 2000 to March 2007, then declined 40 percent from March 2007 to March 2012 (CoreLogic, Inc. home price index).
- The share of REO and short sales increased from 12 percent of all existing home sales during the 12 months ending March 2010

to an average of 18 percent during the same periods from 2011 through 2013. By comparison, the average share was 4 percent from 2005 through 2009. The average existing home sales prices from 2011 through 2013 increased 4 percent, when REO and short sales are excluded.

After 4 years of declining activity, single-family home construction in the HMA stabilized at an average of 860 homes permitted per year from 2009 through 2012.

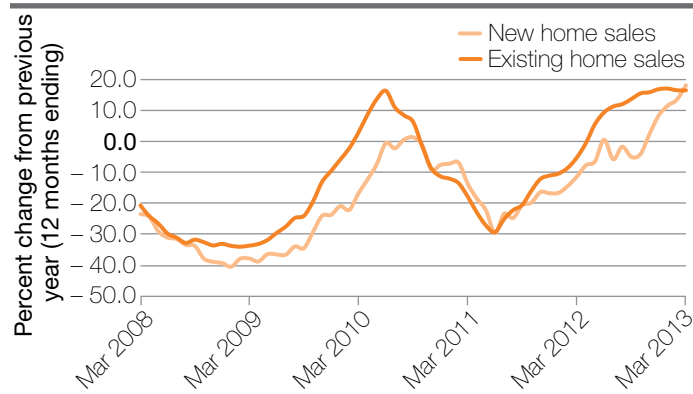
- After peaking at 3,550 homes permitted in 2005, construction activity declined steadily, reaching a trough of 810 homes permitted in 2009 because of falling sales and prices.
- Average annual permitting remains modest, amounting to 880 homes from 2010 through 2012; 780 single-family homes were permitted during the 12 months ending April 2013, up from 560 during the previous 12 months (preliminary data).
- Spokane County commissioners voted in March 2013 to expand the county's urban growth boundaries by 6,000 acres for residential development and by 1,000 acres for commercial and industrial development.

Growth in existing home prices has been slowed by REO and short sales in the Spokane HMA.



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

Existing home sales outpaced new home sales from May 2012 through February 2013 in the Spokane HMA, as distressed properties continue to reenter the market.



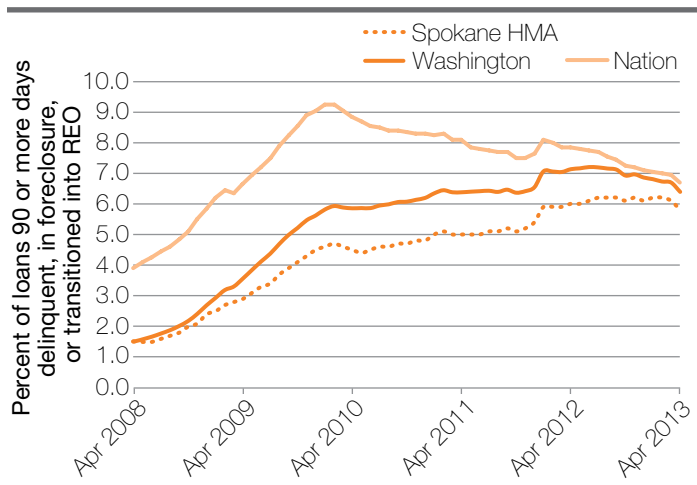
Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

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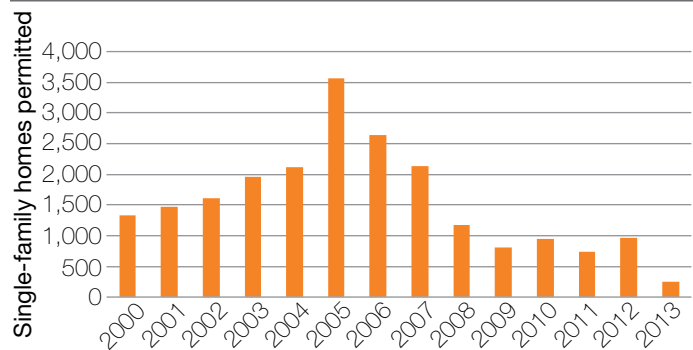
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Distressed home loans in the Spokane HMA have been consistently lower than in Washington and the nation.



REO = Real Estate Owned.
Source: LPS Applied Analytics

Home construction activity in the Spokane HMA remains well below that in the peak years.



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

Apartment Market Conditions

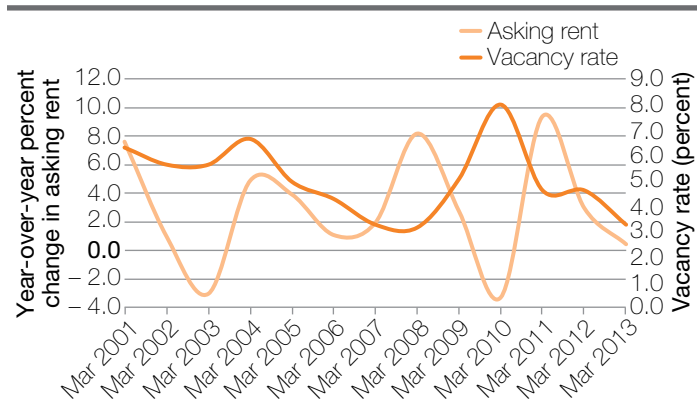
The apartment market in the Spokane HMA is currently slightly tight, but conditions are improving. The apartment vacancy rate is less than 4 percent after peaking in 2010 at slightly more than 8 percent; households have increasingly shifted toward renting, but the inventory of housing units has also continued to shift from sales to rentals, contributing to a lower rate of rent growth.

- The apartment vacancy rate during the first quarter of 2013 was 3.9 percent, down from 5.1 percent during the previous year (Washington Center for Real Estate Research).

- Despite low vacancy rates, year-over-year apartment rent growth decreased from 3 percent in March 2012 to less than 1 percent in March 2013, as apartment complexes permitted in 2011 and 2012 began leasing units.
- Average asking rents in March 2013 were \$595 for a one-bedroom unit, \$735 for a two-bedroom unit, and \$962 for a three-bedroom unit.

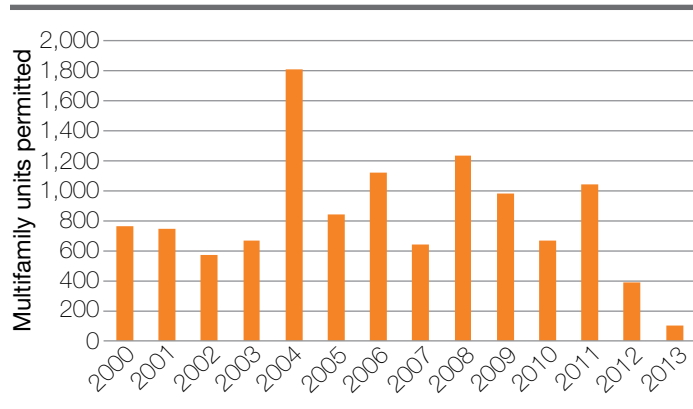
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Apartment rents and vacancy rates continue to decline in the Spokane HMA after the upheaval during 2009 through 2011.



Source: Washington Center for Real Estate Research

Multifamily construction in 2012 and 2013 remained depressed in the Spokane HMA compared with an average of 910 units permitted from 2000 through 2010.



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



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- Local apartment complexes face competition from single-family rental units, which represented 38 percent of total rental units in the HMA, up from 35 percent in 2000 (2011 American Community Survey 1-year data).
- The approximately 18,450 students of the four major universities in the HMA who live off campus represent an estimated 6,150 renter households, or about 9 percent of total renter households in the HMA.
- Of the 4,700 military personnel stationed at Fairchild AFB, approximately 660 live in family housing units that were privatized in 2008, as many as 610 can live in on-base dormitory quarters, and the remaining 3,425 find housing in the private market. An additional 90 on-base family housing units are currently vacant for renovation.

Apartment complexes completed in 2011 and 2012 have leased up quickly, at average absorption rates ranging from 20 to 35 units per month, but new multifamily construction is limited because of a lower rate of rent growth.

- During the 12 months ending April 2013, 250 multifamily units were permitted, down 71 percent from 870 units during the previous 12 months (preliminary data). By comparison, multifamily permitting in HUD's Northwest region increased by 6,575 units, or 41 percent, during the same period.

- In 2012, 390 multifamily units were permitted, the lowest level of activity in the HMA since 1987. Minimal population growth, an ongoing shift of housing units from the sales housing market to the rental housing market, and increased building of multifamily units from 2008 through 2011 contributed to the current lower level of construction activity.
- Recently completed projects include two low-income housing tax credit complexes available to households earning less than 60 percent of Area Median Income. The 120-unit 55th Avenue on the South Hill opened in June 2012, and the 232-unit Copper Hill opened in December 2011. Both complexes have occupancy rates in the 95-to-100 percent range as of June 2013.
- Projects currently under construction include the 216-unit River House at the Trailhead in Spokane Valley, which is expected to be complete by August 2013 and has 60 percent of its units currently preleased.
- Planned projects include the 216-unit Copper Landing in Airway Heights and a 65-unit expansion at The Summit at Rockwood South Hill senior apartment complex in the city of Spokane.