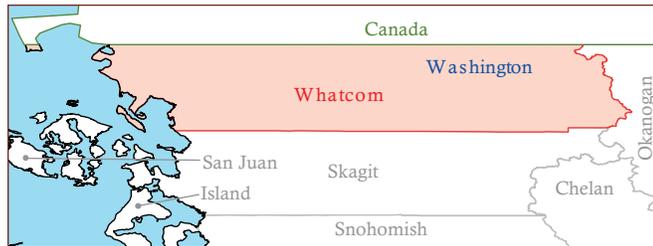




# Bellingham, Washington

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of November 1, 2014



## Housing Market Area

The Bellingham Housing Market Area (HMA) is coterminous with Whatcom County in northwestern Washington, abutting the Canadian border, with a current estimated population of 208,200. The HMA is approximately 90 miles north of Seattle and 55 miles south of Vancouver, British Columbia. Bellingham is the central city in the HMA and the location of one of the largest employers in the HMA, Western Washington University (WWU).

## Summary

### Economy

Economic conditions in the Bellingham HMA are improving, continuing the recovery that began in 2011. During the 12 months ending October 2014, nonfarm payrolls increased by 1,200 jobs, or 1.4 percent, to 85,300 jobs. During the next 3 years, nonfarm payrolls in the HMA are expected to increase by 1,550 jobs, or 1.8 percent, annually. The three largest employers in the HMA are PeaceHealth St. Joseph Medical Center, WWU, and the BP plc Cherry Point Refinery. Table DP-1 at the end of this report provides additional employment data.

### Sales Market

Sales housing market conditions in the HMA are balanced, with a current estimated vacancy rate of 2.0 percent. Demand is expected for 2,325 new homes in the HMA during the 3-year forecast period. The 100 homes currently under construction and a portion of the estimated 7,425 other vacant units that may reenter the sales market will meet some of the forecast demand (Table 1).

### Rental Market

Rental housing market conditions in the HMA have ranged from balanced to tight since 2004 because of sustained demand from WWU students. The estimated overall rental vacancy rate was 4.9 percent as of November 1, 2014, down from 5.2 percent in April

2010. Demand is expected for 980 new rental units during the 3-year forecast period. The 20 apartments under construction and the 150 additional planned completions will meet a portion of the anticipated demand (Table 1).

**Table 1. Housing Demand in the Bellingham HMA During the Forecast Period**

	Bellingham HMA	
	Sales Units	Rental Units
Total demand	2,325	980
Under construction	100	20

*Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of November 1, 2014. A portion of the estimated 7,425 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is November 1, 2014, to November 1, 2017.*

*Source: Estimates by analyst*

## Market Details

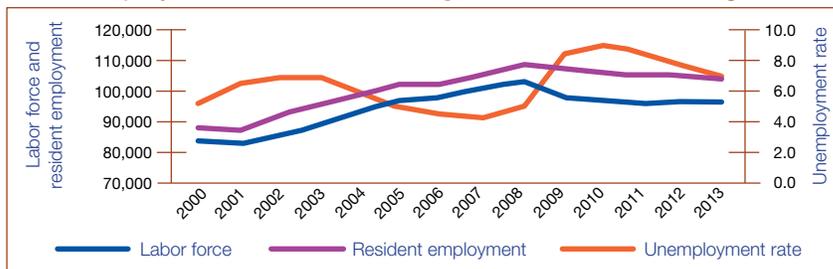
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# Economic Conditions

Economic conditions in the Bellingham HMA are improving, continuing the recovery that began in 2011. During the 12 months ending October 2014, nonfarm payrolls increased by 1,200 jobs, or 1.4 percent, to 85,300 jobs. From 2000 through 2003, nonfarm payrolls increased an average of 2.5 percent annually before rising to 3.2-percent annual growth from 2004 through 2006. The effects of the national recession, which began in December 2007 and ended in June 2009, caused employment declines in the HMA. The economy in the HMA declined more sharply than in the state of Washington during the national recession because of declines in demand for manufactured goods and decreased demand for new housing construction. Within the HMA, nonfarm payrolls peaked in November 2007 but then declined

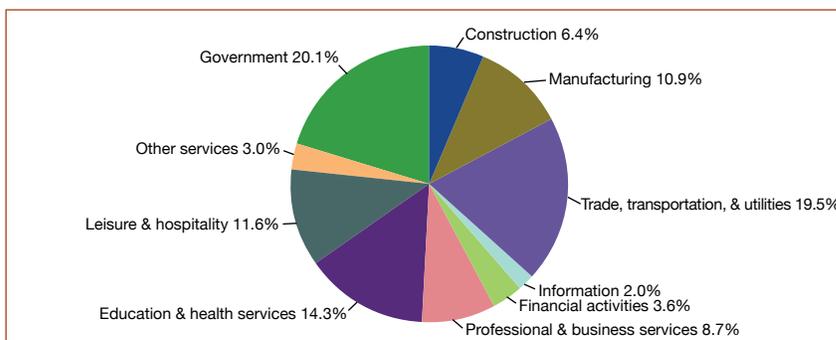
by an annual average of 2,950 jobs, or 3.7 percent, from 2008 through 2010. The payroll declines in the HMA during the period were greater than losses of 2.6 percent annually in Washington, because the HMA suffered relatively large losses in the manufacturing sector. Since 2010, however, the economy in the HMA has largely recovered and nonfarm payrolls have nearly returned to the peak reported during 2007. From 2010 through 2012, nonfarm payrolls gained an average of 1,350 jobs, or 1.7 percent, a year, with 40 percent of the job gains concentrated in the manufacturing sector. During 2013, growth accelerated to 1,800 jobs, or 2.1 percent, from a year earlier, largely because of gains in the leisure and hospitality sector. These rates compare with gains in Washington of 1.5 percent annually from 2010 through 2012 and 1.7 percent during 2013. The unemployment rate in the HMA averaged 6.1 percent during the 12 months ending October 2014, down from 7.1 percent a year earlier because of an increase in employment opportunities. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate from 2000 through 2013.

**Figure 1.** Trends in Labor Force, Resident Employment, and Unemployment Rate in the Bellingham HMA, 2000 Through 2013



Source: U.S. Bureau of Labor Statistics

**Figure 2.** Current Covered Payroll Jobs in the Bellingham HMA, by Sector



Note: Based on 12-month averages through June 2014.

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages data

The government sector, including payrolls in the state educational services subsector at WWU, is the largest employment sector in the HMA (Figure 2). WWU has been a stabilizing factor for the economy in the HMA, in addition to contributing to housing demand. The university, located in downtown Bellingham, employs a faculty and staff of nearly 1,575 (Table 2). The university and its students contribute an estimated \$200 million a year to the local economy. State government payrolls remained largely unchanged from 2000 through

2013, averaging 5,400 jobs annually. By comparison, federal government subsector payrolls averaged 1,100 annually from 2000 through 2007 before rising to 1,400 jobs annually from 2008 through 2013. Local government payrolls increased from 7,600 jobs in 2000 to a high of 9,900 jobs during 2008, or by 290 annually. The job gains in the government sector, which increased by 300 jobs, or 1.9 percent, to an average of 16,500 jobs during the 12 months ending June 2014, were largely concentrated in the local government subsector (Bureau of Labor Statistics, Quarterly Census of Employment and Wages, most current data available).

The manufacturing sector, with nearly 11 percent of payrolls, has a large presence in the HMA. From 2005 through 2007, manufacturing employment increased by an average of 330 jobs, or 4 percent, annually, driven by increased demand for the two leading goods— aluminum and gasoline—produced in the HMA. From 2008 through 2010, employment in the sector declined by 470 jobs, or 5.4 percent, annually, as total payrolls declined, with most of those losses concentrated in 2009. From 2011 through 2013, the sector grew by an average of 440 jobs, or 5.5 percent, annually, but the growth rate declined each year. Employment in the sector increased by 100 jobs, or 1.1 percent, during the 12 months ending June 2014 (Table 3). The number of jobs in the manufacturing sector has nearly returned to the levels reached during 2007, but gains are expected to moderate during the forecast period.

Within the manufacturing sector, employment in the petroleum and coal product manufacturing industry, largely tied to the BP Cherry Point Refinery, influences economic conditions in the HMA. The refinery currently receives crude oil from the Alaska North Slope via tanker, from western Canada via pipeline, and via train from the Bakken area in North Dakota. From 2003 through 2007, employment in the industry increased an average of 2.2 percent annually, followed a 2.6-percent annual decline from 2008 through 2010, but it returned to a 2.9-percent average annual increase from 2011 through 2013. The industry has an annual average pay that is far higher than the annual average pay for the HMA overall and for the manufacturing sector. During 2013, the annual average pay in the HMA was \$41,300 compared with

**Table 2. Major Employers in the Bellingham HMA**

Name of Employer	Covered Payroll Sector	Number of Employees
PeaceHealth St. Joseph Medical Center	Education & health services	2,750
Western Washington University	Government	1,575
BP plc Cherry Point Refinery	Manufacturing	1,100
Zodiac Aerospace	Manufacturing	850
City of Bellingham	Government	810
Whatcom County	Government	805
Haggen, Inc.	Trade, transportation, & utilities	790
Lummi Tribal Office	Government	680
Fred Meyer, Inc.	Trade, transportation, & utilities	660
Alcoa Intalco Works	Manufacturing	630

*Note: Excludes local school districts.*

*Source: Western Washington University, Center for Economic and Business Research*

**Table 3. 12-Month Average Covered Payroll Jobs in the Bellingham HMA, by Sector**

	12 Months Ending		Absolute Change	Percent Change
	June 2013	June 2014		
Total covered payroll jobs	81,200	83,200	2,000	2.5
Goods-producing sectors	17,500	18,100	600	3.4
Construction	5,000	5,200	200	4.0
Manufacturing	8,900	9,000	100	1.1
Service-providing sectors	65,400	67,400	2,000	3.1
Trade, transportation, & utilities	15,300	16,000	700	4.6
Information	1,800	1,600	-200	-11.1
Financial activities	2,900	3,000	100	3.4
Professional & business services	6,600	7,100	500	7.6
Education & health services	11,100	11,700	600	5.4
Leisure & hospitality	9,000	9,500	500	5.6
Other services	2,900	2,400	-500	-17.2
Government	16,200	16,500	300	1.9

*Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through June 2014.*

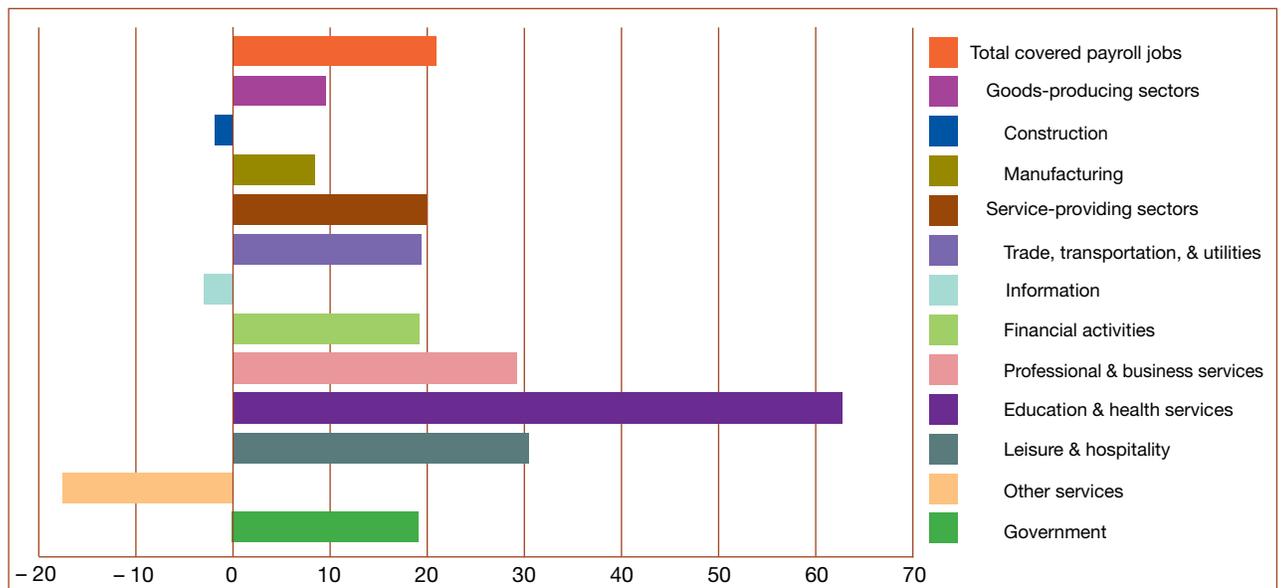
*Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages data*

\$57,000 in the manufacturing sector and \$156,200 in the petroleum and coal product manufacturing subsector.

The construction sector has also mirrored overall economic conditions within the HMA. Strong net in-migration from 2004 through 2006 led to increased demand for new housing, and construction employment increased by 510 jobs, or 9 percent, annually during the period. Because of the national recession and a slowdown in net in-migration, construction employment fell from the peak in 2006 to a nadir of 4,850 jobs during 2011, a decline of 470, or 6.6 percent, annually. Increasing economic opportunities and the resulting stronger population growth led to increased residential construction from 2011 through 2013, and construction employment rose during the period by 80 jobs, or 1.6 percent, annually. During the 12 months ending June 2014, jobs in the construction sector rose by 200 jobs, or 4.0 percent, to 5,200 jobs, because nonresidential construction increased.

The climate, location, and recreational amenities in and near the HMA attract retirees and tourists to the area, contributing to growth in the economy and population and to the demand for housing. Attributes of the HMA include 13 public golf courses, the Mt. Baker-Snoqualmie National Forest, the Mt. Baker Ski Area, numerous lakes and rivers, easy access to the San Juan Islands and Canada, and an Alaska Marine Highway and cruise ship terminal. The tourism industry, which employs 6,400 people, is an important economic base within the HMA (The Chamber, Bellingham/Whatcom Chamber of Commerce & Industry). Local events, including two triathlons; fresh and saltwater boating; hiking trails; the park system; and the annual Ski-to-Sea event add about \$8.5 million annually to HMA revenues. The leisure and hospitality sector has grown 30 percent since 2000 (Figure 3). From 2000 through 2007, employment gains in the sector averaged 300 jobs, or 4 percent, annually

**Figure 3. Sector Growth in the Bellingham HMA, Percentage Change, 2000 to Current**



Note: Current is based on 12-month averages through June 2014.

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages data

before declining by an average of 300 jobs, or 2.8 percent, annually from 2008 through 2011 in response to slowing economic conditions. From 2011 through 2013, job growth in the leisure and hospitality sector returned, increasing by an average of 300 jobs, or 2.8 percent, annually. Direct traveler spending totaled \$574 million in 2013 (Bellingham Whatcom County Tourism). During the 12 months ending June 2014, the leisure and hospitality sector grew by 500 jobs, or 5.6 percent. A large number of Canadians travel from the Vancouver area to Bellingham primarily to take advantage of attractive currency exchange rates to shop, to enjoy recreation, and to purchase less expensive gasoline (2013/14 International Mobility and Trade Corridor Passenger Vehicle Survey). Most Canadians who travel to the HMA visit the area every week.

The Port of Bellingham, although not one of the largest single employers in the HMA, does have an economic impact in the HMA. It is home to the Bellingham International Airport, Fairhaven Transportation Terminal, and the Bellingham Cruise Terminal. The Maritime Division of the Port of Bellingham includes the Squalicum Harbor and Blaine Harbor marinas and a stop along the Alaska Marine Highway. The Maritime Division employed 130 people and generated \$12 million in revenues during 2013 (The Economic Impact of the Port

of Bellingham report, 2013). The Bellingham Cruise Terminal, the southernmost port of the Alaska Marine Highway, had 27,600 passengers during 2013. More than 200 businesses operate on Port of Bellingham property. During 2013, the port had a \$400 million overall economic impact in the HMA and supported 5,550 jobs. The other real estate tenants of the port are largely tied to wholesale distribution jobs, particularly cold storage facilities and fish processing. The seafood product preparation and packaging industry remained stable throughout the national recession. The industry averaged employment of 740 jobs annually from 2003 through 2007 and rose slightly to an average of 790 jobs from 2008 through 2010 before declining somewhat to 770 jobs annually from 2011 through 2013. The average annual pay for the industry during 2013 was \$44,000, nearly 7 percent higher than the average annual pay of \$41,300 in the HMA.

During the next 3 years, nonfarm payrolls are expected to increase by an average of 1,525 jobs, or 1.8 percent, annually, with the growth rate slowing slightly during the forecast period. The leisure and hospitality and the education and health services sectors are expected to lead growth. Table DP-1 at the end of this report provides additional employment data.

# Population and Households

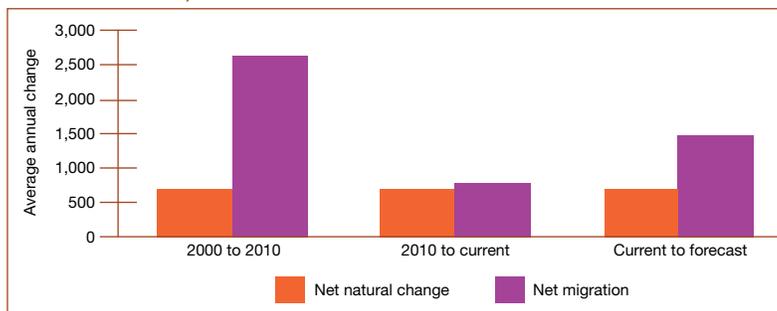
The population of the Bellingham HMA is estimated at 208,200 as of November 1, 2014, reflecting an average annual growth rate of 0.8 percent, or 1,550 people, since 2010. From 2000 through 2003, population growth in the HMA averaged 1.7 percent, or 2,775 people, annually (intercensal based on census population estimates as of July 1). During the period, net in-migration averaged 2,025 people annually and comprised more than 70 percent of overall population growth. From 2004 through 2006, the population in the HMA increased 2.7 percent, or by 4,825, annually, with net in-migration comprising nearly 85 percent of population growth, in response to strong economic growth. Net in-migration declined from a recent peak of 4,300 people during 2006 to a low of 570 people during 2011, following the effects of the national recession and a decreased inflow of residents and retirees from Canada and the northwestern United States. The attractiveness of the area as a retirement destination and job growth since 2011 resulted in increased net in-migration, which averaged 1,375 annually during 2012 and 2013. From 2008 to 2013, the population growth of residents age 55 and older increased by an

average of 1,800 people, or 3.7 percent, annually, outpacing total population growth of 1,625 people, or 0.8 percent, annually. Net in-migration is expected to average 1,400 people annually during the next 3 years and comprise approximately 65 percent of overall population growth. The forecast population growth is likely to be driven by an increased number of retirees and continued economic growth leading to higher net in-migration. The population of the HMA is expected to reach 214,700 by November 1, 2017. Figure 4 shows the components of population change from 2000 to the forecast date.

The students at WWU account for approximately 5.3 percent of the HMA population and have not been a major factor in the area's population growth. Enrollment has risen by less than 100 students annually since 2004 and totaled 14,850 students during the fall of 2013. Students factor significantly in the housing market, however. An estimated 10,850 students live in off-campus housing and make up approximately 4,300 households. Although student households account for more than 20 percent of renter households in the city of Bellingham, enrollment is expected to increase by only 100 students annually during the forecast period, limiting the effect of student households on overall household growth.

An estimated 83,450 households reside in the HMA, reflecting an average annual increase of 670 households, or 0.8 percent, since 2010. By comparison, from 2000 to 2010, when population growth was stronger, the number of households increased at an average annual rate of 2.2 percent, or 1,600 households. An estimated

**Figure 4.** Components of Population Change in the Bellingham HMA, 2000 to Forecast



Notes: The current date is November 1, 2014. The forecast date is November 1, 2017.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

## Population and Households *Continued*

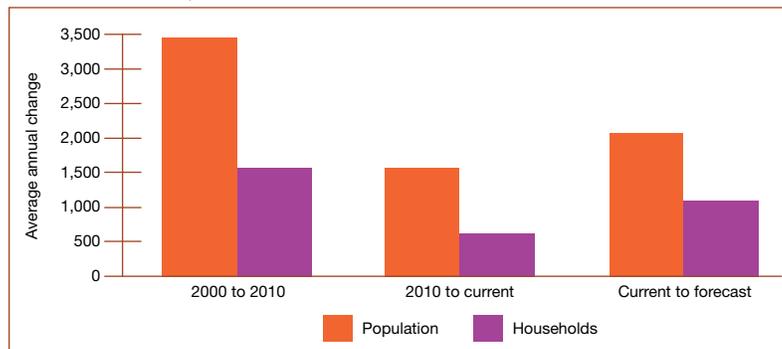
**Figure 5. Number of Households by Tenure in the Bellingham HMA, 2000 to Current**



Note: The current date is November 1, 2014.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

**Figure 6. Population and Household Growth in the Bellingham HMA, 2000 to Forecast**



Notes: The current date is November 1, 2014. The forecast date is November 1, 2017.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

61.5 percent of current households, or 51,300 households, are homeowners and the remaining 32,150 households are renters. The homeownership rate has declined since 2010, when 62.1 percent of households were homeowners, because of stricter lending practices and a shift in household preferences toward renting. Figure 5 shows the distribution of households by tenure for 2000, 2010, and the current date. Although employment growth continues and net in-migration increases, household growth is expected to average 1,025 households, or 1.2 percent, a year during the 3-year forecast period, reaching 86,500 households by November 1, 2017. Figure 6 shows population and household growth trends from 2000 to the forecast date.

## Housing Market Trends

### Sales Market

Sales housing market conditions in the Bellingham HMA are balanced, with a 2.0-percent vacancy rate, down slightly from 2.2 percent in April 2010. The decline reflects increased demand because of improving economic conditions and stronger net in-migration.

During the 12 months ending October 2014, sales of existing single-family homes, townhomes, and condominiums (hereafter, existing

homes) increased by 40 sales, or 1 percent, to 3,300 sales from a year ago (CoreLogic, Inc.). Existing home sales peaked from 2003 through 2005, averaging 7,200 sales annually, when net in-migration averaged 3,950 people annually. Following the peak in 2005, existing home sales declined by an average of 930 sales, or 13 percent, a year to 2,500 sales during 2010, because net in-migration slowed dramatically. From 2011 through 2013, an average

## Housing Market Trends

### Sales Market *Continued*

of 3,150 existing homes sold a year, because economic conditions improved and population growth increased.

The average existing home sales price was \$267,600 during the 12 months ending October 2014, up 2 percent from the previous 12 months, marking the third consecutive 12-month period of increasing sales prices. Sales prices increased dramatically from 2003 through 2006, rising an average of 20 percent annually, because net in-migration drove home sales. Existing home sales prices continued to rise through mid-2007, because job growth continued, although the rate of sales price growth slowed to 3 percent during 2007. Following this upward trend, sales prices subsequently declined at an average annual rate of nearly 3 percent from 2008 through 2011, to a recent low of \$243,300. During 2012, sales prices increased nearly 5 percent, to \$254,900, because home sales demand outpaced the number of homes offered for sale. In 2013, the supply of homes for sale increased, putting less upward pressure on sales prices, which increased less than 1 percent, to \$255,700.

The condominium housing market has always been an important factor in the sales market in the HMA, particularly in the city, where condominiums are popular because they are relatively affordable. Investors or parents purchase condominium units for student rental housing. Condominium sales averaged 380 units annually from 2000 through 2002 before rising dramatically to an average of 750 units annually from 2003 through 2007. Following the peak in condominium sales in 2007, condominium sales fell 16 percent annually to 280 sales during 2011, before increasing

to 410 sales during 2013 (Whatcom County Real Estate Research Report). The average condominium sales price rose 17 percent annually from 2003 through 2007, to \$228,300. Despite moderate sales price decreases during 2011 and 2012, sales prices remained relatively stable, averaging \$214,600 during 2013. Nearly 65 percent of the condominium sales in the HMA occur in the city of Bellingham.

The national foreclosure crisis had only a mild impact within the HMA. Despite an increase in the number of seriously delinquent loans and real estate owned (REO) properties from 2009 through 2012, conditions have improved recently. During 2012, the rate of seriously delinquent loans and REO properties peaked when 1,350 loans, or 4.9 percent of all home loans, were 90 or more days delinquent, were in foreclosure, or transitioned into REO status compared with 1.4 percent in 2008 (Black Knight Financial Services, Inc.). By comparison, seriously delinquent loans and REO properties accounted for 7.2 percent of home loans in Washington during 2012. REO home sales averaged 270 annually from 2009 through 2012, accounting for less than 10 percent of all existing home sales (CoreLogic, Inc.). By contrast, from 2000 through 2008, approximately 100 REO homes sold annually, accounting for less than 2 percent of existing home sales. At the same time, as the economy and sales market continued to improve, REO home sales declined to 170 sales in 2013, accounting for 5 percent of existing home sales. The rate of home loans that were 90 or more days delinquent, were in foreclosure, or transitioned into REO status declined to 2.8 percent in October 2014, down from 3.7 percent in October 2013.

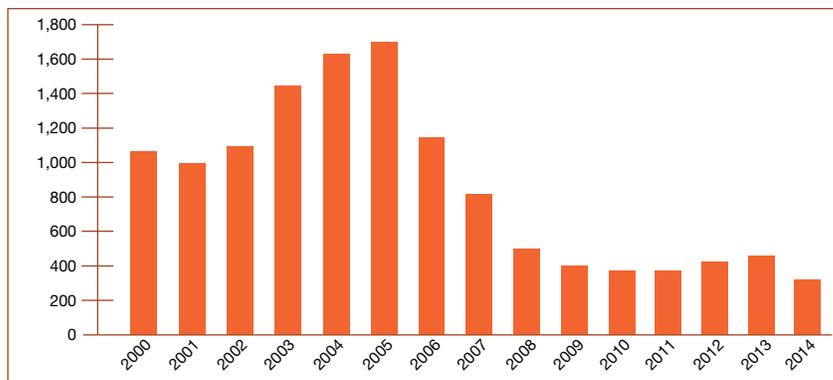
The market for new single-family homes, townhomes, and condominiums (hereafter, new homes) has improved since 2011, after 6 years of declining sales, in response to improving economic conditions and stronger net in-migration. New home sales peaked from 2004 through 2007, when economic and population growth was strongest and an average of 790 new homes sold annually. From 2008 through 2011, new home sales fell sharply at the same time that the economy began to weaken, declining at an average annual rate of 20 percent and reaching a low of 180 sales during 2011. During the 12 months ending October 2014, 250 new homes sold, down 11 percent from the previous 12-month period but nearly 40 percent more than the low reached in 2011. The average sales price for a new home during the 12 months ending October 2014 was \$313,000, reflecting an increase of 4 percent from a year earlier. By contrast, sales prices increased an average of 14 percent a year from 2004 through 2006, peaking at approximately \$287,600. Sales prices began to decrease in late 2006 in response to decreased demand from slowing net in-migration, and, from 2007 through 2011, the average sales

price declined an average of nearly 3 percent annually, reaching a low of \$248,800. An increase in demand coupled with a limited supply of new homes caused sales prices to increase beginning in 2011; from 2011 through 2013, the sales price increased an average of 10 percent annually.

Beginning in 2012, builders responded to the increase in new home sales by increasing home construction. New home construction was strong from 2003 through 2005, when an average of 1,600 single-family homes were permitted annually. At the same time that net in-migration began to slow from its peak during 2006, demand for new homes declined, and single-family permits fell sharply to a low of 400 homes during 2010, a decline of 15 percent annually (Figure 7). The number of homes permitted during 2010 was the lowest level in the HMA since the late 1980s. Record low levels of construction from 2009 through 2011 resulted in a limited supply of new homes for sale, which put upward pressure on sales prices. Builders responded to rising net in-migration by increasing home construction; an average of 530 single-family homes were permitted annually in 2012 and 2013. During the 12 months ending October 2014, the number of single-family homes permitted decreased slightly by 10 homes, or 3 percent, from the previous 12 months, to 360 homes permitted (preliminary data).

New home construction is mostly occurring within the city of Bellingham. The Reserve at Cordata, a master-planned community on the north edge of the city, offers new homes that range in sales price from \$290,000 to \$400,000. Hannah Creek, a 172-lot community that is

**Figure 7. Single-Family Homes Permitted in the Bellingham HMA, 2000 to Current**



Notes: Includes townhomes. Current includes data through October 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

## Housing Market Trends

Sales Market *Continued*

40-percent complete, is on the east side of the city near Lake Whatcom. A third phase of homes will be

**Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Bellingham HMA During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
140,000	199,999	650	28.2
200,000	249,999	840	36.7
250,000	349,999	570	24.9
350,000	499,999	170	7.3
500,000	and higher	65	2.8

*Notes: The 100 homes currently under construction and a portion of the estimated 7,425 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is November 1, 2014, to November 1, 2017.*

*Source: Estimates by analyst*

constructed during the spring of 2015. The average sales price for new homes in the community is \$490,000.

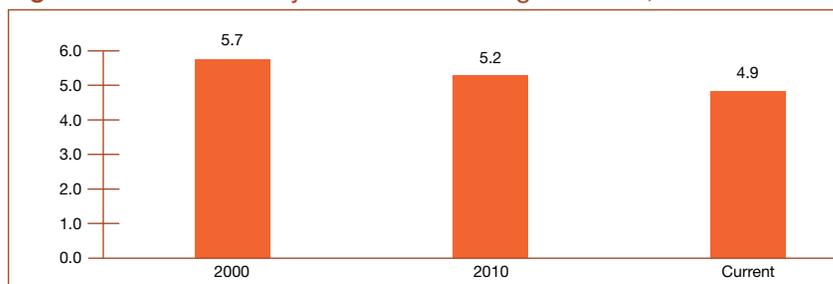
During the 3-year forecast period, demand is expected for 2,325 new homes, with demand evenly distributed annually during the 3-year period. The 100 homes currently under construction and a portion of the 7,425 other vacant units that may reenter the sales market will satisfy some of the demand (Table 1). Demand is expected to be greatest in the \$140,000-to-\$249,999 sales price range (Table 4).

## Rental Market

Rental housing market conditions in the Bellingham HMA are balanced, with a vacancy rate of 4.9 percent as of November 1, 2014, down slightly from 5.2 percent in April 2010 (Figure 8). Apartment market conditions in the HMA are tight, with a 2.0-percent vacancy rate during March 2014 (Whatcom County Real Estate Research Report). From March 2013 to March 2014, the average asking rent for apartments increased 1 percent, to \$805. Rents averaged \$700 for studio units, \$710 for one-bedroom units, \$850 for two-bedroom units, and \$1,000 for three-bedroom units.

Students at Western Washington University have a significant effect on the local rental market. More than 70 percent of the student population of WWU resides in off-campus housing. Approximately 10,850 students, or an estimated 4,300 student households, reside in the private rental market, and these student households comprise more than 20 percent of renter households in the city of Bellingham. A large supply of single-family homes and condominiums near WWU are primarily offered for rent to students and provide an alternative to apartment rentals in the HMA. More than 60 percent of renter households in the HMA reside within the city of Bellingham, many near WWU. Density restrictions inhibit the construction of new apartment properties. Consequently, more than 40 percent of renter households occupy single-family homes and duplexes in the HMA, with only 11 percent of renter households occupying apartments (2013 American Community Survey 1-year estimates).

**Figure 8.** Rental Vacancy Rates in the Bellingham HMA, 2000 to Current



*Note: The current date is November 1, 2014.*

*Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst*

The vacancy rate of single-family homes, condominiums, and duplexes in the city of Bellingham averaged 2.7 percent during the summer of 2014, when many students return home. The vacancy rate declined to 2.4 percent during the fall of 2014, when students returned to WWU (Windermere Property Management).

The apartment market in the HMA is consistently tight, despite fluctuating levels of apartment construction and low apartment vacancy rates. The apartment vacancy rate averaged 3.4 percent from the first quarter of 2000 to the fourth quarter of 2007. During the period, an average of 720 multifamily units were permitted annually, and the growth of renter households mirrored construction completions, keeping vacancy rates stable. From 2008 through 2010, multifamily permitting declined to an average of 110 units annually, but the apartment vacancy rate declined only to an average of 2.6 percent, while population growth slowed. Average rents increased at a steady 2-percent annual rate during the previous decade, lower than the 3-percent average annual national inflation rate. The apartment vacancy rate has declined since 2010, however, to an average of

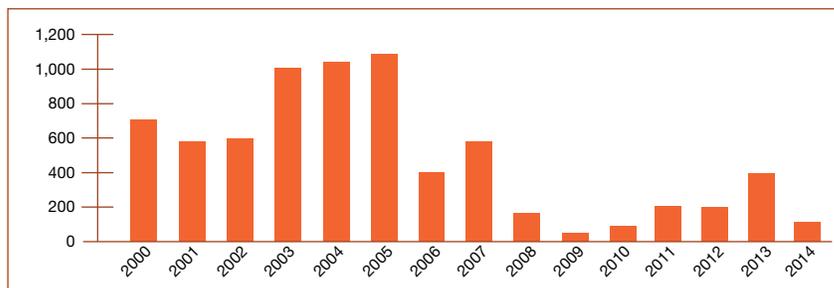
1.8 percent because of low levels of apartment construction and stronger net in-migration.

Multifamily construction, as measured by the number of units permitted, has increased since 2009, when net in-migration outpaced apartment completions (Figure 9). Multifamily construction averaged 590 units annually from 2000 through 2002 before rising dramatically to an average of 1,000 units annually from 2003 through 2005 in response to strong population growth. From the peak of 1,040 units constructed during 2005, multifamily construction fell precipitously to a low of 50 units during 2009, an average decline of 240 units, or 24 percent, annually. Since 2009, multifamily construction has increased, but at a low level of production, rising to an average of 220 units annually from 2010 through 2013. During the 12 months ending October 2014, 220 multifamily units were permitted in the HMA, down from the 280 units permitted a year earlier (preliminary data).

Cornerstone Building, a 115-unit apartment development in the city of Bellingham, was completed in June 2014. Asking rents start at \$710 for studios, \$850 for one-bedroom units, and \$1,100 for two-bedroom units. The project was fully preleased when construction was complete.

Demand is expected for 980 new apartment units during the 3-year forecast period (Table 1). The 20 apartments under construction and the 150 additional planned completions will meet a portion of the anticipated demand. Table 5 shows the forecast demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

**Figure 9.** Multifamily Units Permitted in the Bellingham HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through October 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

## Housing Market Trends

### Rental Market *Continued*

**Table 5.** Estimated Demand for New Market-Rate Rental Housing in the Bellingham HMA During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
720 or more	20	830 to 1,029	260	1,100 to 1,299	470	1,240 to 1,439	75
		1,030 to 1,229	30	1,300 to 1,499	55	1,440 or more	15
		1,230 or more	15	1,500 or more	30		
<b>Total</b>	<b>20</b>	<b>Total</b>	<b>310</b>	<b>Total</b>	<b>560</b>	<b>Total</b>	<b>90</b>

Notes: Numbers may not add to totals because of rounding. Some of the estimated demand will likely be satisfied by the 20 units currently under construction. The forecast period is November 1, 2014, to November 1, 2017.

Source: Estimates by analyst

## Data Profile

**Table DP-1.** Bellingham HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	83,508	96,406	96,900	1.4	0.1
Unemployment rate	5.1%	9.0%	6.1%		
Covered payroll jobs	70,000	79,900	85,150	1.3	1.7
Total population	166,826	201,140	208,200	1.9	0.8
Total households	64,446	80,370	83,450	2.2	0.8
Owner households	40,876	49,905	51,300	2.0	0.6
Percent owner	63.4%	62.1%	61.5%		
Renter households	23,570	30,465	32,150	2.6	1.2
Percent renter	36.6%	37.9%	38.5%		
Total housing units	73,893	90,665	93,550	2.1	0.7
Owner vacancy rate	2.2%	2.2%	2.0%		
Rental vacancy rate	5.7%	5.2%	4.9%		
Median Family Income	\$49,325	\$63,086	\$68,096	2.5	1.9

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through October 2014. Median Family Incomes are for 1999, 2009, and 2013. The current date is November 1, 2014.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

## Data Definitions and Sources

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2000: 4/1/2000—U.S. Decennial Census  
2010: 4/1/2010—U.S. Decennial Census  
Current date: 11/1/2014—Analyst’s estimates  
Forecast period: 11/1/2014–11/1/2017—  
Analyst’s estimates

**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.

**Other Vacant Units:** In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

**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.

For additional data pertaining to the housing market for this HMA, go to [http://www.huduser.org/publications/pdf/CMARtables\\_BellinghamWA\\_15.pdf](http://www.huduser.org/publications/pdf/CMARtables_BellinghamWA_15.pdf).

## Contact Information

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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.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. 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.

For additional reports on other market areas, please go to  
[www.huduser.org/portal/ushmc/chma\\_archive.html](http://www.huduser.org/portal/ushmc/chma_archive.html).