Seattle-Bellevue-Everett, Washington

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of May 1, 2017

PD&R

Housing Market Area

Situated along the Puget Sound in northwestern Washington State, the Seattle-Bellevue-Everett Housing Market Area (hereafter, the Seattle HMA) consists of King and Snohomish Counties and is coterminous with the Seattle-Bellevue-Everett, WA Metropolitan Division. The HMA is recognized as a center for aeronautical design and manufacturing, software design, and trade, with the presence of globally renowned companies that include The Boeing Company, Microsoft Corporation, and Amazon.com, Inc.

Market Details

Summary

Economy

Nonfarm payroll growth in the Seattle HMA averaged 3.0 percent, annually, from 2012 through 2016, contributing to strong economic conditions. During the 12 months ending April 2017, nonfarm payrolls increased by 52,000 jobs, or 3.2 percent, compared with the number of jobs during the 12 months ending April 2016, and the unemployment rate declined from 4.4 to 3.7 percent. During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 36,600 jobs, or 2.2 percent, annually.

Sales Market

Sales housing market conditions in the HMA are currently tight, with an estimated vacancy rate of 1.2 percent, down from 2.6 percent in April 2010. During the 12 months ending April 2017, new and existing home sales totaled 60,350, up 6 percent from the previous 12 months, and the average sales price increased 9 percent, to $537,600 (CoreLogic, Inc., with adjustments by the analyst). During the forecast period, demand is estimated for 33,500 new homes. The 3,250 homes currently under construction and a portion of the estimated 28,000 other vacant units in the HMA that may return to the market will satisfy part of the demand (Table 1).

Rental Market

The overall rental housing market in the HMA is tight, with an estimated vacancy rate of 4.0 percent, down from 7.1 percent in April 2010. Apartment market conditions are tight, with a 4.8-percent vacancy rate during the first quarter of 2017, down from 5.3 percent a year earlier, and the average asking rent increased more than 7 percent, to $1,606 (Reis, Inc.). Demand is estimated for 32,750 new, market-rate units during the forecast period. The estimated 20,800 units currently under construction will meet a portion of the forecast demand (Table 1).

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

	Seattle HMA*	
	Sales Units	Rental Units
Total demand	33,500	32,750
Under construction	3,250	20,800

** Seattle-Bellevue-Everett HMA.*

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of May 1, 2017. A portion of the estimated 28,000 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is May 1, 2017, to May 1, 2020.

Source: Estimates by analyst

Economic Conditions

Economic conditions in the Seattle HMA are strong, with the rate of job growth outpacing growth in the nation since 2011. Nonfarm payroll growth in the HMA averaged 3.0 percent a year from 2012 through 2016, compared with the national average annual growth rate of 1.8 percent. During the 12 months ending April 2017, nonfarm payrolls increased by 52,000 jobs, or 3.2 percent, to 1.66 million jobs (Table 2). By comparison, payrolls increased by 51,700 jobs, or 3.3 percent, during the 12 months ending April 2016. Job gains occurred in every nonfarm payroll sector except for manufacturing during the past 12 months. In contrast to this recent trend, jobs losses as a result of the Great Recession were more severe in the HMA than in the national economy, with nonfarm payrolls averaging a decline of 3.2 percent a year from 2009 through 2010, compared with a 2.5-percent average annual decline in the nation. Current nonfarm payroll jobs in the HMA are more than 11 percent higher than the peak recorded during 2008 before the economic downturn. The unemployment rate averaged 3.7 percent during the 12 months ending April 2017, down from 4.4 percent a year prior, a result of resident employment growth far exceeding growth in the labor force. By comparison, the unemployment rate averaged 3.9 percent from 2005 through 2008, during a period of economic expansion, and peaked in 2010 at 9.4 percent because of the national recession. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate from 2000 through 2016.

The HMA is recognized as a global center for high-technology (hereafter, high-tech) industries, including aeronautical design and manufacturing, software design, telecommunications, and data processing, hosting, and related services. These industries are classified in portions of the information, government, manufacturing, and professional and business services sectors. The HMA is home to the global headquarters of Microsoft and Amazon.com, with 45,535 and an estimated 25,000 to 35,000 employees, respectively, statewide (Table 3). Although The Boeing Company moved its headquarters to Chicago in 2001, it remains the largest employer in the HMA, with 69,058 employees statewide. From 1996 through 2000, the HMA experienced particularly strong

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Seattle HMA,* by Sector

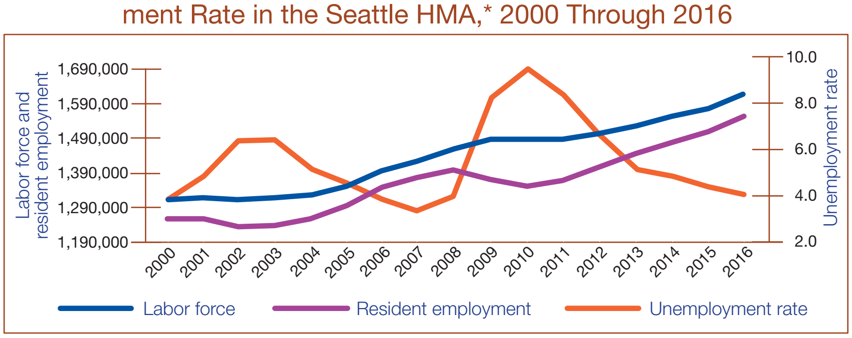
	12 Months Ending		Absolute Change	Percent Change
	April 2016	April 2017		
Total nonfarm payroll jobs	1,610,100	1,662,100	52,000	3.2
Goods-producing sectors	260,000	260,200	200	0.1
Mining, logging, & construction	88,900	94,200	5,300	6.0
Manufacturing	171,100	166,000	– 5,100	– 3.0
Service-providing sectors	1,350,100	1,401,900	51,800	3.8
Wholesale & retail trade	240,900	251,000	10,100	4.2
Transportation & utilities	53,800	56,200	2,400	4.5
Information	97,100	103,900	6,800	7.0
Financial activities	82,300	84,100	1,800	2.2
Professional & business services	244,100	251,600	7,500	3.1
Education & health services	202,700	211,300	8,600	4.2
Leisure & hospitality	157,600	165,200	7,600	4.8
Other services	57,100	59,000	1,900	3.3
Government	214,500	219,700	5,200	2.4

** Seattle-Bellevue-Everett HMA.*

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through April 2016 and April 2017.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Seattle HMA,* 2000 Through 2016



** Seattle-Bellevue-Everett HMA.*

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Seattle HMA*

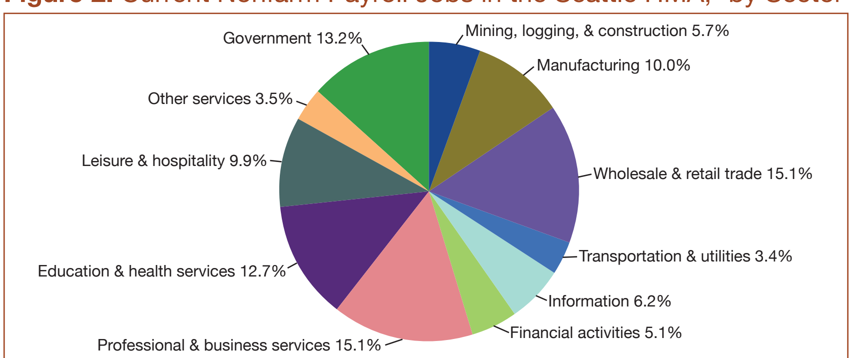
Name of Employer	Nonfarm Payroll Sector	Number of Employees
The Boeing Company	Manufacturing	69,058
Microsoft Corporation	Professional & business services	45,535
University of Washington	Government	34,000
Amazon.com, Inc.	Wholesale & retail trade	25,000–35,000
Providence Health & Services	Education & health services	17,553
Wal-Mart Stores, Inc.	Wholesale & retail trade	16,000
Fred Meyer Stores	Wholesale & retail trade	15,500
Costco Wholesale Corporation	Wholesale & retail trade	14,000
Swedish Medical Center	Education & health services	11,640
Starbucks Corporation	Leisure & hospitality	11,000

** Seattle-Bellevue-Everett HMA.*
Note: Excludes local school districts.
Sources: Moody's Economy.com; company websites

economic growth, with nonfarm payrolls increasing by an average of 48,700 jobs, or 3.8 percent, a year, largely the result of rapid growth in high-tech industries (referred to as the dot.com bubble), whereas national nonfarm payrolls increased at an average annual rate of 2.4 percent. Subsequent to that growth, the dot.com bubble collapsed, bringing about a national recession, and the effects on the HMA were significant. From 2001 through 2003, nonfarm payrolls in the HMA declined by an average of 25,400 jobs, or 1.8 percent, annually. By comparison, nationwide payrolls declined at an average annual rate of 0.4 percent. The dot.com recession and the Great Recession greatly impacted the HMA; however, growth in high-tech industries since the late 1990s has allowed the economy to diversify and become increasingly resilient.

Professional and business services tied with wholesale and retail trade as the largest sector in the economy, each representing approximately 15 percent of total nonfarm payrolls in the HMA (Figure 2). During the 12 months ending April 2017, the professional and business services sector added 7,500 jobs, or 3.1 percent, to 251,600 jobs. Part of this growth can be attributed to hiring in the computer systems design and related services industry, which added an average of 2,350 jobs, or 7.3 percent, annually, from 2010 through 2016. Growth trends in the professional and business services sector mirrored overall economic conditions in the HMA, with strong job growth during the buildup of the dot.com bubble, followed by a sharp drop as the bubble collapsed. The sector rebounded quickly, adding an average of 8,200 jobs, or 4.3 percent, annually, from 2004 through 2008, mainly because technological advancements increased the demand for information technology improvements and telecommunications. The onset of the Great Recession affected the professional and business services

Figure 2. Current Nonfarm Payroll Jobs in the Seattle HMA,* by Sector



** Seattle-Bellevue-Everett HMA.*
Note: Based on 12-month averages through April 2017.
Source: U.S. Bureau of Labor Statistics

sector, which led to a sharp reduction in business investment, specifically in information technology and scientific research and development services; sector payrolls fell by 19,400 jobs, or 8.9 percent, during 2009. Job losses slowed significantly during 2010, declining by only 400 jobs, or 0.2 percent. Despite the decline during the recession, the professional and business services sector has added more jobs than any other sector since the economic recovery began, and from 2011 through 2016, payrolls increased by an average of 8,700 jobs, or 4.0 percent, annually. Facebook, which opened an engineering office in Seattle in 2010, announced it is moving into a new space that will allow the company to grow its local workforce from 1,000 to 4,000 by the end of 2018. Professional and business services sector job growth is anticipated to continue during the 3-year forecast period as the HMA continues to attract more high-tech firms.

During the 12 months ending April 2017, job gains were greatest in the wholesale and retail trade sector, which added 10,100 jobs, or 4.2 percent, to 251,000 jobs. Payrolls in the wholesale and retail trade sector were significantly affected when the dot.com bubble burst, because the strain on household finances caused a sharp decline in consumer spending. Job growth in the sector was strong from 2004 through 2008, during a period of general economic expansion in the HMA, increasing by an average of 2,300 jobs, or 1.1 percent, annually. However, growth declined swiftly because of the recession, losing an average of 8,200 jobs, or 3.8 percent, annually from 2009 through 2010. Wholesale and retail trade has been the second fastest-growing sector since the economic recovery began, adding an average of 7,500 jobs, or 3.4 percent, a year from 2011 through 2016, and the level of employment in the sector currently surpasses the prerecession high recorded in 2008 by almost 15 percent. Much of the sector's recent growth history can be attributed to the rapid expansion of Amazon.com, which has approximately 8,950 job openings listed on its website to fill in the HMA. To lend more context, the e-commerce giant employs 341,000 people globally (not including seasonal workers), compared with only 32,000 workers 5 years ago, and in early 2017, the company announced plans to hire 100,000 more workers in the United States during the next 18 months. Amazon.com occupies 8.5 million square feet of office space in downtown Seattle (as of July 2016). Amazon.com added 1.7 million square feet of office space in downtown Seattle and surrounding neighborhoods during 2016, with an additional 3 million square feet under construction, including their new world headquarters (Downtown Seattle Association). Amazon.com will have a footprint exceeding 10 million square feet in and around downtown Seattle by 2019, with plans to expand to 12 million by 2022.

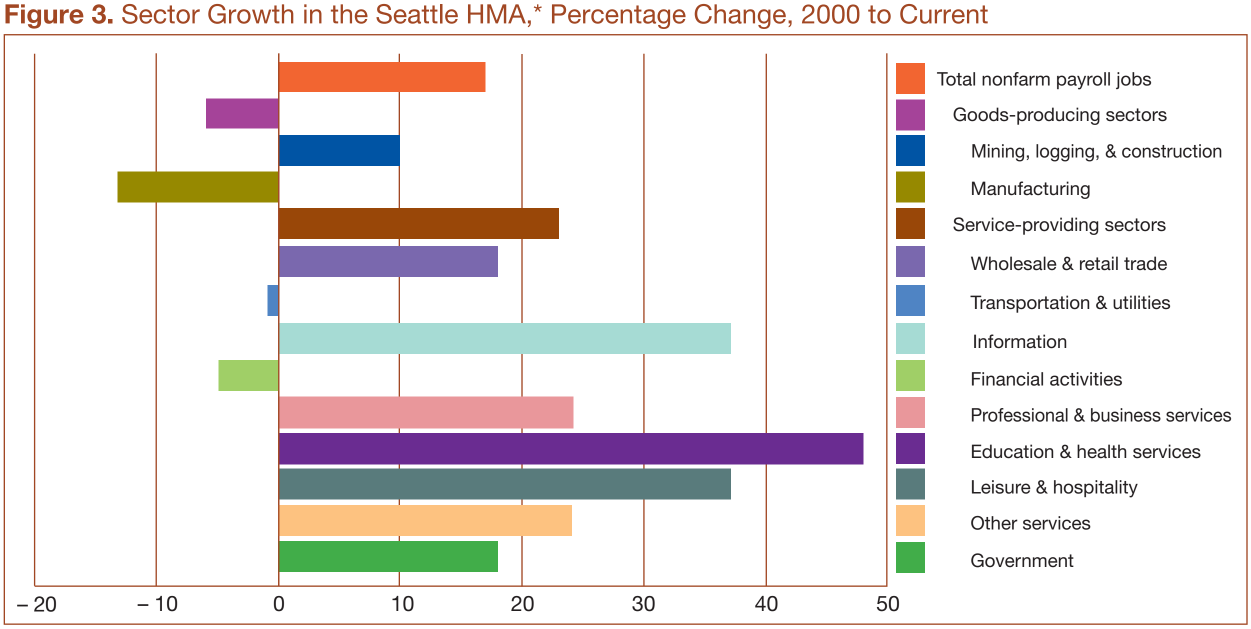
Not only does the HMA benefit from each job created by companies like Amazon.com, Microsoft, and Boeing, it also benefits from the highly skilled workforce these high-tech companies help create. Seattle ranks as the sixth most educated city in America (*Forbes*), and many Silicon Valley-based high-tech firms are choosing to expand in the HMA to take advantage of the intellectual capital and relatively low cost of living compared to the San Francisco metropolitan area

(GeekWire LLC). Google, Inc., already has several facilities in the HMA and is opening a campus for cloud computing in downtown Seattle. The campus, which will span two full blocks and is expected to be complete in early 2019, will include 600,000 square feet of office space, along with a residential tower on each block that will total a combined 149 apartments.

Although many sectors benefit from growth in high-tech industries, a large portion impacts the information sector, which added 6,800 jobs, or 7.0 percent, during the 12 months ending April 2017, making it the fastest-growing sector in percentage terms in the past 12 months and the second fastest-growing sector since 2000 (Figure 3). During the buildup of the dot.com bubble from 1996 through 2001, information sector payrolls increased at an average annual rate of 9.0 percent, before 2 consecutive years of job losses averaging 3.4 percent, annually, because of the bubble burst that caused a national recession. As the economy expanded, payrolls increased at an average annual rate of 3.6 percent, or 2,700 jobs, from 2004 through 2008, before declining an average of 0.3 percent a year from 2009 through 2010. Job growth in the information sector has been most notable since 2013, and from 2014 through 2016, information sector payrolls increased at an average annual rate of 4.9 percent, or 4,500 jobs. Job growth in this sector is expected to accelerate during the forecast period as existing firms continue to hire and as an increasing number of high-tech firms move to the HMA.

Nonfarm payrolls in the government sector increased by 5,200 jobs, or 2.4 percent, during the 12 months ending April 2017, to 219,700 jobs, compared with an increase of 5,300 jobs, or 2.6 percent, during the previous 12 months. The government sector is a source of job growth for the HMA, and losses were minimal during both recessions. The University of Washington (UW), which is the third largest employer in the HMA, has an estimated 34,000 employees

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



** Seattle-Bellevue-Everett HMA.*
Note: Current is based on 12-month averages through April 2017.
Source: U.S. Bureau of Labor Statistics

statewide. A recent study conducted by the university estimates that UW (which includes the nationally ranked UW Medical Center) had a statewide economic impact totaling $12.5 billion during fiscal year 2014, up from $9.1 billion in 2009. The same study estimates UW supports 79,331 jobs in Washington, reflecting an increase of nearly 10,000 jobs during the past 5 years; approximately one-half of the jobs are supported by the UW Medical Center. The government sector is expected to continue adding jobs at a moderate rate during the forecast period, with most of the growth occurring at the state and local government levels.

Manufacturing was the only sector to report job losses during the 12 months ending April 2017, down 5,100 jobs, or 3.0 percent, compared with a gain of 400 jobs, or 0.3 percent, during the 12 months ending April 2016. Most of these job losses are the result of layoffs at Boeing, as production work gets shifted to other manufacturing sites outside of Washington. At the end of April, Boeing employed 69,050 people in the state of Washington, down 1,575 employees in a month and 8,400 jobs in a year (The Boeing Company website). County-level employment is unavailable; however, a vast majority of these jobs are in King and Snohomish Counties. As with other high-tech sectors of the economy, the dot.com bubble affected the manufacturing sector. As economic growth rebounded, manufacturing payrolls increased by an average of 5,500 jobs, or 3.6 percent, annually, from 2005 through 2008. Subsequent to this economic growth, the national recession led to a decline in the demand for goods, including airplanes, and manufacturing payrolls fell by an average of 8,400 jobs, or 5.1 percent, a year, from 2009 through 2010. The manufacturing sector added an average of 4,100 jobs, or 2.6 percent, annually, from 2011 through 2015. Payroll growth in the manufacturing sector is expected to continue declining, or remain steady at best, during the forecast period. In March 2017, Boeing accepted 1,800 voluntary layoffs from its union machinists and engineers at locations in the HMA. Additionally, notices went out for 245 layoffs in May and 429 in June. Boeing has plans to further reduce its workforce during 2017 through a combination of attrition, a voluntary layoff program, and in some cases, involuntary layoffs. The negative impact of these job losses on the overall economy was largely mitigated by the buyouts associated with the voluntary layoff program, as well as the diverse economy that has been able to absorb these highly skilled workers into other roles.

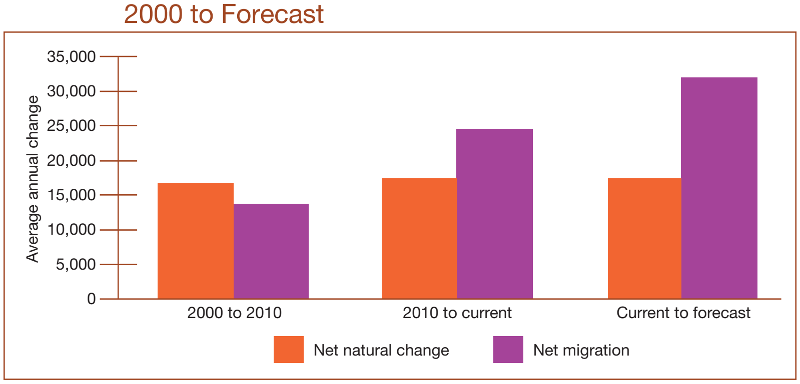
During the next 3 years, nonfarm payrolls are expected to increase by an average of 36,600 jobs, or 2.2 percent, annually. High-tech industries are expected to lead job growth during the forecast period, adding jobs in the professional and business services, wholesale and retail trade, information, education and health services, and government sectors. Table DP-1 at the end of this report provides additional employment data.

Population and Households

As of May 1, 2017, the population of the Seattle HMA is estimated at nearly 2.94 million. Since the April 2010 Census, population growth has averaged 1.5 percent, or 41,550 people, annually, with net in-migration accounting for 24,350 people a year, or approximately 59 percent of the increase (Figure 4). Population growth in the HMA increased an average of 1.3 percent, or 30,800 people, annually, from 2000 to 2002; net in-migration accounted for approximately one-half of the growth, an increase of 15,550 people a year (intercensal population estimates for the State of Washington's Office of Financial Management). Much of the growth during this time came from an influx of workers capitalizing on the strong labor market conditions in the HMA because of the dot.com bubble. Population growth slowed a year after the bubble burst, and from 2002 to 2004, growth averaged 19,850 people, or 0.8 percent, annually. Net in-migration fell to an average of 4,700 people a year, accounting for only 24 percent of total growth. From 2004 to 2007, the population increased by an average of 38,450 people, or 1.5 percent, annually, as economic growth rebounded. During this period, strong housing market conditions, increased employment opportunities, and other quality-of-life factors attracted people to the HMA. Net in-migration increased to an average of 21,700 people a year, comprising 56 percent of total population growth from 2004 to 2007. As a result, service-related sectors in the HMA, such as education and healthcare services, professional and business services, and wholesale and retail trade, expanded, which led to stronger labor market conditions and furthered net in-migration from jobseekers. From 2007 to 2012, population growth slowed sharply, because poor economic and housing market conditions weakened the labor market causing net in-migration to drop. Growth averaged 0.9 percent, or 22,950 people, a year. Net in-migration averaged 5,050 people a year, accounting for only 22 percent of the population increase. After the economy began to recover, population growth accelerated. From 2012 to 2014, the population of the HMA increased at an average annual rate of 1.6 percent, or 42,450 people, and net in-migration averaged 25,300 people annually, comprising 60 percent of total growth.

Job growth from 2014 through 2016, exceeding 3.0 percent annually, helped earn the HMA a top 10 spot on Forbes' 2017 list of America's Fastest-Growing Cities. From 2014 to the current date, population growth in the HMA accelerated to an average annual rate of 2.1 percent, or 59,650 people, per year. More than 70 percent of the growth during this time came from net in-migration that averaged 42,300 people each year, spurred by rapid hiring at Amazon.com, which employs an estimated 40,000 people throughout the state, up from 26,500 a year ago. This job growth has had a multiplier effect, causing a fast expansion

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



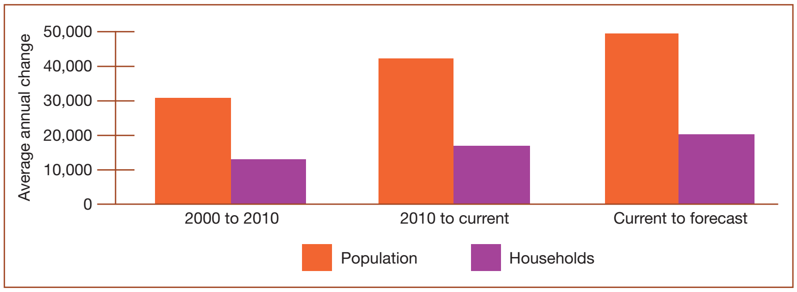
** Seattle-Bellevue-Everett HMA.*

Notes: The current date is May 1, 2017. The forecast date is May 1, 2020.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst of high-tech startup companies, further enticing job seekers to the HMA, especially from the San Francisco metropolitan area, which is renowned for its high-tech workforce. In April 2017, a study released by Redfin found the most expensive metropolitan areas had the largest net outflow of people, led by the San Francisco metropolitan area with a net outflow of approximately 15,100 people, and their top out-of-state destination was the HMA. Conversely, more than 90 percent of local homebuyers searched for homes within the HMA, indicating their willingness to stay in the area. This trend is anticipated to continue, due to the relatively low cost of living in the HMA when compared with larger metropolitan areas like New York City and San Francisco, but will likely moderate during the 3-year forecast period as the gap in cost of living starts to close. The strong economy and population growth in the HMA have led to tight housing markets with quickly rising home prices and rents, and with the geography constraining the amount of developable land, the housing markets are likely to remain tight, putting further upward pressure on prices. The population of the HMA is forecast to reach approximately 3.09 million by May 1, 2020, reflecting an average annual growth rate of 1.6 percent, or 49,000 people, a year. Net in-migration is expected to account for 65 percent of the increase.

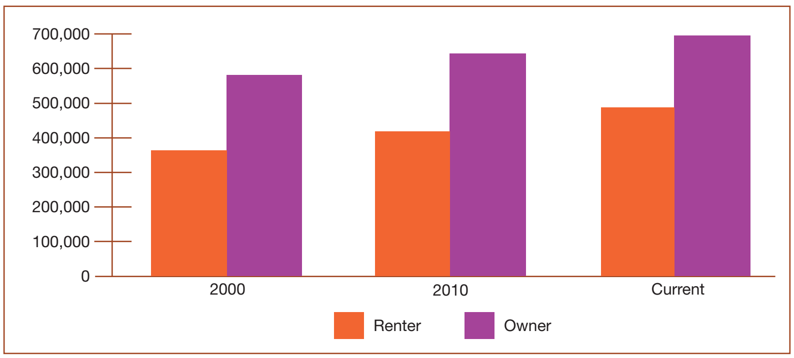
An estimated 1.18 million households reside in the HMA, representing an average annual increase of 1.5 percent, or 16,600 households, since 2010, compared with an average annual increase of 1.2 percent, or 12,200 households, from 2000 to 2010. Household growth during this time was slightly slower than population growth, partially a result of the housing market crisis and recession, which caused households to double-up. An estimated 58.8 percent of households, or 691,500 households, are currently homeowners, compared with a homeownership rate of 61.1 percent in 2010. From 2010 to the current date, the number of owner households increased at an average annual rate of 1.0 percent, or 6,600 households, compared with an average annual increase of 1.1 percent, or 6,875 households, from 2000 to 2010. Renter households increased at an average annual rate of 2.3 percent, or by 10,650 households, from 2010 to the current date, compared with an average annual increase of 1.4 percent, or 5,325 households, from 2000 to 2010. The slowdown in owner household formation and the increase in rental household growth since 2010 reflect the prolonged effects of the foreclosure crisis, including stricter mortgage lending standards and a shift in household preferences toward renting. Although access to credit has improved dramatically since the end of the Great Recession, households continue to prefer to rent, in part, because of demographic differences. Many young adults are postponing homeownership, and the lifestyles that are typically associated with it, such as getting married and starting a family. More than 20 percent of renters in the HMA have the income and credit necessary to purchase a median-priced home (Zillow Group estimates). As the strong economy continues to encourage high levels of net in-migration and population growth continues, the number of households in the HMA is expected to increase at an average annual rate of 1.7 percent, or 19,900 households a year, during the forecast period,

Figure 5. Population and Household Growth in the Seattle HMA,* 2000 to Forecast



* *Seattle-Bellevue-Everett HMA.*
Notes: The current date is May 1, 2017. The forecast date is May 1, 2020.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Seattle HMA,* 2000 to Current



* *Seattle-Bellevue-Everett HMA.*
Note: The current date is May 1, 2017.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

reaching nearly 1.24 million households by May 1, 2020. Figure 5 shows population and household growth trends from 2000 to the forecast date, and Figure 6 shows the number of households by tenure from 2000 to the current date.

Housing Market Trends

Sales Market

Sales housing market conditions in the Seattle HMA are currently tight, with an overall estimated vacancy rate of 1.2 percent, compared with 2.6 percent in April 2010. The decline reflects increased demand and a limited supply of for-sale housing. As of April 2017, a 0.9-month supply of homes was available for sale, down from a 1.3-month supply in April 2016 (Redfin). By comparison, the available inventory of homes for sale reached a peak of 9.3 months' worth in January 2010.

During the 12 months ending April 2017, 53,400 existing single-family homes, townhomes, and condominiums (hereafter, existing homes) sold, up 7 percent from a year ago, which is the most existing home sales since 2007 (CoreLogic, Inc., with adjustments by the analyst). By comparison, an average of 59,850 existing homes sold annually from 2003 through 2006, as the economy expanded following the dot.com bubble. Despite strong economic conditions in 2006, home sales began to decline, and from 2006 through 2008, existing home sales declined by an average of 12,650 home sales, or 25 percent, annually, and then averaged only 25,850 sales a year from 2009 through 2011. The economic recovery began in 2011, and by 2012, the effects were evident in the home sales market. From 2012 through 2016, the volume of existing home sales increased at an average annual rate of 15 percent, or 5,325 homes, per year, to 52,450 home sales in 2016. The average existing home sales price was $519,900 during the 12 months ending April 2017, up 8 percent from a year earlier, marking the fifth consecutive year of increasing sales prices. The average sales price increased at an average annual rate of 9 percent from 2001 through 2007, to a peak of $449,900, approximately 13 percent less than the current average sales price. The weak economic and housing market conditions in the HMA during the Great Recession led to the average sales price declining at an average annual rate of 5 percent from 2008 through 2011, to a low of $363,100, approximately 30 percent less than the current average sales price. Housing market conditions are strongly correlated with economic conditions, which began to improve in 2011, causing the average sales price to increase at an average annual rate of 7 percent from 2012 through 2016.

In response to strong economic conditions in the HMA, seriously delinquent (90 or more days delinquent or in foreclosure) loans and real estate owned (REO) properties have become a less significant part of the sales market than they were during the worst of the housing crisis from 2009 through 2012. During April 2017, 1.0 percent of mortgages in the HMA were seriously delinquent or in REO status, down from 1.5 percent in April 2016, and well below an April high of 6.5 percent in 2012 (CoreLogic, Inc.). REO home sales accounted for more than 17 percent of all existing homes sales from 2009 through 2012; however, REO sales comprised only 2 percent of existing home sales during the 12 months ending April 2017. The average sales price of an REO home was $344,400 during the 12 months ending April 2017, 34 percent less than the average sales price of a regular resale home (CoreLogic, Inc., with adjustments by the analyst).

The condominium market in the HMA is very tight, with an estimated 0.7-month supply of inventory for sale as of April 2017; down from a 1.1-month supply a year earlier and a 14.3-month supply in July 2010 (Redfin). Most condominium activity in the HMA occurs in King County, where the average sales price of a new condominium was $827,500 in May 2017, up almost 25 percent compared with $654,500 in May 2016 (Northwest Multiple Listing Service). Condominium construction averaged 2,700 units annually, from 2005 through 2008, accounting for approximately 30 percent of all multifamily construction during that time, but declined to an average of 160 units a year in 2009 and 2010, or 6 percent of all multifamily construction. Recently completed condominium developments in the HMA include Insignia, a two-tower, 698-unit project, also near the Amazon.com global headquarters buildings, and Luma, a 24-story building with 168 units in the Capitol Hill neighborhood of Seattle. The final tower of Insignia was completed in 2016, and sales prices ranged from the mid-$400,000s to $3 million.

Luma opened in late 2016, and sales prices started in the mid-$300,000s up to $1.6 million. When the final unit at Insignia sold in March 2017, it marked the most recent new construction condominium available in the HMA. Resale of these newly constructed condominiums is, on average, 18 percent higher than presale prices (Sotheby's International Realty). An average of 850 condominiums were constructed, annually, from 2011 through 2016, as economic and housing market conditions recovered from the Great Recession, comprising almost 8 percent of all multifamily construction. An estimated 220 condominium units have been permitted since the beginning of 2017.

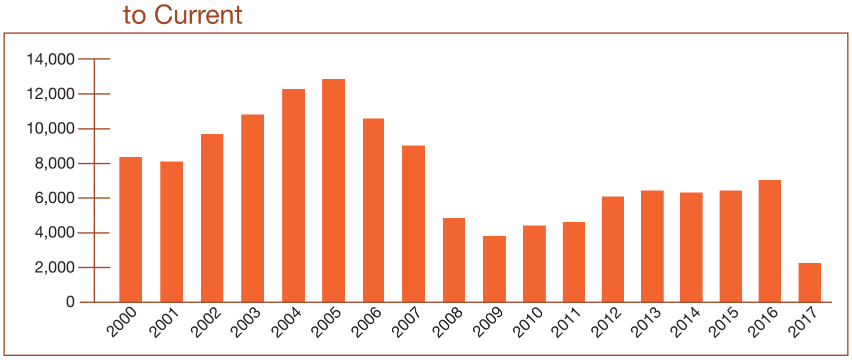
Despite an extremely tight sales market for condominiums in the HMA, only a few projects are currently under construction, and all are in King County. Gridiron Condos, a 107-unit development adjacent to CenturyLink Field in downtown Seattle, is 60 percent sold, and completion is scheduled for mid-October 2017 through November 2017. Units range in size from 500-square-foot studios to 1,050-square-foot, two-bedroom units, and prices range from $502,000 to $1.05 million. NEXUS, a 347-unit, 41-story high-rise development close to the new Amazon.com, global headquarters buildings in downtown Seattle, is slated to open in mid-2019, and currently, 80 percent of units are presold. Sales prices range from the high $500,000s for studio units up to $4.9 million for a top-floor penthouse. Another 40-story high-rise, under construction close to Pike Place Market in downtown Seattle, will add 266 condominiums to the inventory when completed in 2019. When construction began, it was intended for apartments, but a new owner decided to move forward with condominiums, a trend not seen since before the housing market crash (prices and floorplans are unavailable). A 244-unit project, U Place, is under construction near UW and is anticipated to be move-in ready in 2019. Units will range between 390 and 900 square feet, and 80 percent will be studios (prices and floorplans are unavailable). One88 Condominiums in Bellevue will break ground early next year on a 21-story, 143-unit tower with one-, two-, and three-bedroom units (prices are unavailable). In addition, a Chinese developer announced plans for a four-tower development in downtown Bellevue, ELEV8, which will consist of two phases: Phase I will include 355 condominiums in one tower and 435 apartments in the second high-rise; and Phase II will consist of a high-rise, four-star hotel and an office tower. The developer expects condominium presales to start in mid-to-late 2017 with a completion date scheduled for 2019. ELEV8 will be the biggest single development by square footage in the history of the city of Bellevue, and the site is one block away from a new Amazon.com office tower with room for more than 2,000 employees.

Approximately 6,325 new single-family homes, townhomes, and condominiums (hereafter, new homes) sold during the 12 months ending April 2017, up 6 percent from the volume of new homes sold during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). New home sales averaged 12,675 annually from 2004 through 2007, during the buildup to the housing market crash. Sales declined from 2007 through 2011 by an average of 1,950 home sales, or 21 percent, annually, to a low of 4,200 new home sales, a result of the Great Recession. The demand for new homes strengthened as economic growth returned; sales increased 35 percent in 2012 to 5,675 homes sold, and from 2013 through 2016, an average of 5,875 new homes sold a year. The average sales price of a new home increased 11 percent to $704,200 during the 12 months ending April 2017, which is more than 50 percent higher than the peak price during the housing boom recorded in 2009. Sales prices increased at an average annual rate of 7 percent from 2001 through 2008, and subsequently, declined an average of 5 percent a year from 2009 through 2011, to a low of $393,300. The average sales price began increasing as strong economic conditions led to an increase in the demand for new homes, and from 2012 through 2016, the average sales price increased at an average annual rate of 12 percent, surpassing the rate of price growth experienced before the housing market crisis.

Beginning in 2012, builders responded to the improvement in the sales market by increasing new home construction, as measured by the number of single-family homes permitted (Figure 7). During the 12 months ending April 2017, 6,650 single-family homes were permitted, up 3 percent from a year ago (preliminary data). New home construction was highest from 2003 through 2006, when both economic and population growth were robust, and an average of 11,600 homes were permitted, annually. Although 2006 was part of the peak years of construction, it was also when the rate of growth in home prices and sales began to slow, and builders responded by scaling back construction. From 2006 through 2009, single-family permitting declined at an average annual rate of 26 percent, or 2,250 homes permitted. Construction increased slowly from 2010 through 2011 after a low of 3,800 homes permitted in 2009. Despite annual price growth of 12 percent since 2012, new home construction has remained relatively flat, averaging 6,275 new homes a year from 2012 through 2016.

Part of the reason single-family permitting has not responded to the increased demand and sales price appreciation can be explained by the geographical constraints on the HMA with the Puget Sound and Lake Washington limiting the amount of buildable land. Also, new home construction within the city of Seattle is limited to small-scale projects, because most of the city is built out, forcing higher density than allowed for by single-family homes, hence the tight market for condominiums and record levels of apartment construction currently taking place in the HMA. The most common target market for new single-family homes is second- and third-time homebuyers looking to upgrade to larger homes, according to local developers. Some developers recognize the need to build more modest homes targeting first-time homebuyers, but because

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



** Seattle-Bellevue-Everett HMA.*
Notes: Includes townhomes. Current includes data through April 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

of high land costs, it would be significantly more difficult to make a profit. Several communities are under construction, with a high concentration of building near the Microsoft and Google campuses on the central-east side of the HMA. Sales prices start in the low $600,000s for smaller homes and increase to more than $1 million for the largest homes in this part of the HMA. Quadrant Homes, a Bellevue-based developer, has a community currently under construction in the city of Redmond expected to open in July 2017. Homes vary in size from 2,560 to 4,000 square feet, with an average list price of $1.1 million. Homes in communities in the southern and northern portions of the HMA are priced lower, ranging from the low $400,000s to the upper $700,000s. Some features that are increasingly common in new homes include a master bedroom on the main floor and smart technology, such as programmable lighting and thermostats and motion-detecting doorbells.

During the next 3 years, demand is expected for 33,500 new homes (Table 1). Demand is estimated to be strongest in the second and third years of the 3-year forecast period. The 3,250 homes currently under construction and a portion of the 28,000 other vacant homes that may come back on the market will likely satisfy part of the forecast demand. Demand for new homes is anticipated to be strongest for homes priced between $400,000 and $799,999 (Table 4).

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

Price Range ($)		Units of Demand	Percent of Total
From	To		
300,000	399,999	3,025	9.0
400,000	499,999	6,375	19.0
500,000	599,999	6,700	20.0
600,000	699,999	5,700	17.0
700,000	799,999	3,350	10.0
800,000	and higher	8,375	25.0

** Seattle-Bellevue-Everett HMA.*

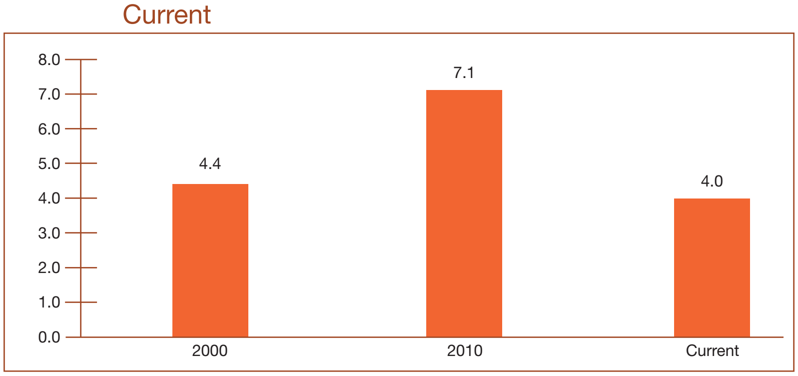
Notes: The 3,250 homes currently under construction and a portion of the estimated 28,000 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is May 1, 2017, to May 1, 2020.

Source: Estimates by analyst

Rental Market

Rental housing market conditions in the Seattle HMA are currently tight, with an overall estimated vacancy rate of 4.0 percent, down from 7.1 percent in April 2010 (Figure 8). Strong net in-migration and low inventory of reasonably priced for-sale housing, coupled with demographic changes as households postpone homeownership, have contributed to rising rental demand since 2010. The apartment market is tight as well, despite adding 20,900 units from 2013 through 2016, an average of 7,000 units a year. By comparison, from 2000 through 2010, 33,350 units were added, an annual average of 3,025 units. The estimated apartment vacancy rate in the HMA was 4.8 percent during the first quarter of 2017, down from 5.3 percent during the first quarter of 2016; however, the average rent increased

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



** Seattle-Bellevue-Everett HMA.*

Note: The current date is May 1, 2017.

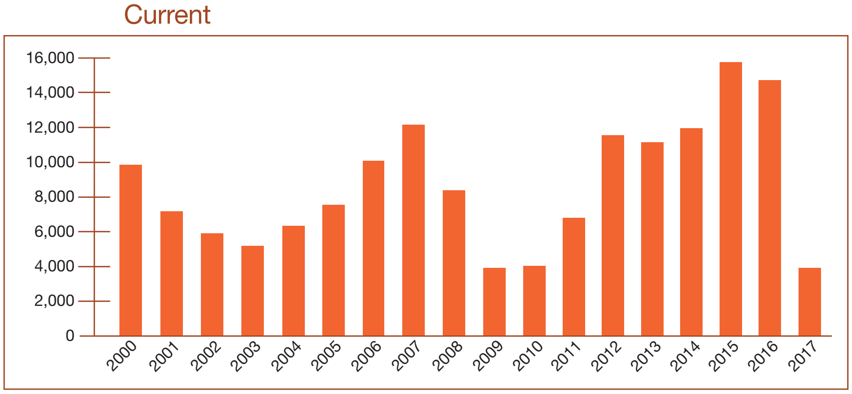
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

7 percent to $1,606 (Reis, Inc.). During the same period, the average rent increased 4 percent for the nation and 5 percent for the Reis, Inc.-defined West Region, which includes all states west of the Rocky Mountains. The apartment vacancy rate in the HMA peaked at 7.4 percent in 2009, when the market was soft and net in-migration was low because of the weak economy, which caused the average rent to decline 5 percent. Since 2009, the apartment market has tightened, and since 2010, the vacancy rate has averaged less than 5 percent. During the first quarter of 2017, average monthly rents in the HMA were $1,305, $1,492, $1,736, and $1,915 for studio, one-bedroom, two-bedroom, and three-bedroom units, respectively. The average asking rent for Class A apartments, which encompass most newly constructed units, increased almost 7 percent, to $1,913, during the first quarter of 2017, with a 6.2-percent vacancy rate, down from 7.2 percent a year earlier. Class A apartments have a slightly higher vacancy rate than the overall apartment market, because they include a large portion of units still in lease up.

Of the 16 Reis, Inc.-defined market areas in the HMA, the lowest apartment vacancy rates in the first quarter of 2017 were in the southern portion of the HMA: 1.3 percent in the Tukwila/Sea-Tac market area, up 0.1 percentage points from the first quarter of 2017, and 1.6 percent in the Auburn/Enumclaw market area, down from 1.8 percent a year prior. The Downtown/Capitol Hill/Queen Anne market area recorded the highest vacancy rate in the HMA at 7.5 percent, down from 9.2 percent a year earlier; however, the average rent increased 5.0 percent to $2,178, the highest average rent among all market areas. The relatively high vacancy rate is attributable to a surge in apartment construction in the market area that captured 55 percent of the units added to the HMA from 2013 through 2016, a portion of which are still in the lease-up stage. The average monthly rent increased in every market area in the HMA, from a 3.9-percent increase in the Redmond market area to $1,850 and a 12.7-percent increase in the West Seattle/Burien market area to $1,522.

Builders increased multifamily construction, as measured by the number of multifamily units permitted, during the past several years, and the level of multifamily construction in 2015 and 2016 is unparalleled for the HMA (Figure 9). During the 12 months ending April 2017, approximately 15,650 multifamily units were permitted, a 26-percent increase from the 12,450 multifamily units permitted during the 12 months ending April 2016 (preliminary data). By comparison, an average of 6,925 multifamily units were permitted annually from 2000 through 2005. The number of multifamily permits increased to an average of 11,100 a year in 2006 and 2007, as when rental and sales housing market conditions began to deteriorate, but

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



** Seattle-Bellevue-Everett HMA.*
Notes: Excludes townhomes. Current includes data through April 2017.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

before builders reacted to the changing conditions. The onset of the recession and the subsequent housing market collapse caused multifamily construction to decline at an average annual rate of more than 30 percent from 2008 through 2010, to a low of 3,960 multifamily units permitted. During this time, financing for new construction was particularly hard to obtain, despite an increased demand for rental units brought on by the foreclosure crisis. This lack of financing resulted in a very limited supply of new apartments, which coupled with increased demand, caused apartment market conditions to tighten. As lenders became increasingly confident in the economic recovery, financing returned, and builders responded by significantly increasing apartment construction; 6,750 multifamily permits were issued in 2011, a 70-percent increase from the number of units permitted in 2010. Multifamily construction averaged 11,500 units a year from 2012 through 2014, which was an unprecedented amount of new construction for the HMA until 2015, when permitting increased 33 percent to 15,700 units, followed by 14,700 multifamily units permitted in 2016.

Of the estimated 20,800 units under construction in the HMA, approximately 40 percent are in the Downtown/Capitol Hill/Queen Anne market area, which includes the neighborhoods encompassing Amazon.com campuses. Approximately 16 percent are in the Bellevue/Issaquah market area in the central-east portion of the HMA; 13 percent are in the North Seattle/Northgate market area; and the remainder of the units under construction is distributed throughout the rest of the HMA. Building luxury apartments is a relatively new and increasingly popular trend in downtown Seattle, in large part, because of increased demand from Amazon.com employees who want to live close to work. Tower12 Apartments, a 34-story apartment high-rise 0.5 miles from the new Amazon.com world headquarters, has 314 units that opened in May 2017, 60 percent of which have views of the Puget Sound. Rent for one-bedroom units between 575 and 965 square feet start at $2,730 per month, and for two-bedroom units between 1,150 to 1,825 square feet, rent starts at $4,050. Tower12 was 77 percent leased by the middle of June 2017. Also across the street from Amazon.com will be Stratus, a 41-story high-rise including 396 apartment units and more than 7,750 square feet of retail space scheduled for occupancy in late 2017 (rents are not available). Several additional high-rise luxury apartment buildings are currently under construction in downtown Seattle near Amazon.com, including 970 Denny Way, a 40-story tower with 468 units; Kinects, a 40-story tower that will contain 356 apartments and should be complete in 2017; and 2202 8th Ave, which will be 40 stories tall with 450 units when complete in 2018.

During the next 3 years, demand is estimated for 32,750 new market-rate rental units in the HMA (Table 1). Demand is expected to be strongest in the first and second years of the 3-year forecast period and moderate in the third year as the market become more balanced. The 20,800 units currently under construction will likely satisfy a large portion of the expected demand during the first and second years of the forecast period. Table 5 displays the estimated demand for new market-rate rental units during the forecast period by rent and unit type.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Seattle 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
1,000 to 1,199	280	1,600 to 1,799	660	2,000 to 2,199	590	2,300 to 2,499	280
1,200 to 1,399	280	1,800 to 1,999	1,975	2,200 to 2,399	590	2,500 to 2,699	280
1,400 to 1,599	590	2,000 to 2,199	3,925	2,400 to 2,599	1,175	2,700 to 2,899	310
1,600 to 1,799	1,575	2,200 to 2,399	3,925	2,600 to 2,799	3,550	2,900 to 3,099	710
1,800 to 1,999	980	2,400 to 2,599	1,975	2,800 to 2,999	3,550	3,100 to 3,299	1,575
2,000 or more	240	2,600 or more	660	3,000 or more	2,350	3,300 or more	790
Total	3,925	Total	13,100	Total	11,800	Total	3,925

** Seattle-Bellevue-Everett HMA.*

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 20,800 units currently under construction will likely satisfy some of the estimated demand. The forecast period is May 1, 2017, to May 1, 2020.

Source: Estimates by analyst

Data Profile

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

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	1,262,303	1,351,393	1,573,000	0.7	2.4
Unemployment rate	3.8%	9.4%	3.7%		
Nonfarm payroll jobs	1,417,100	1,396,200	1,662,000	– 0.1	2.8
Total population	2,343,058	2,644,584	2,939,000	1.2	1.5
Total households	935,768	1,057,557	1,175,300	1.2	1.5
Owner households	577,818	646,477	691,500	1.1	1.0
Percent owner	61.7%	61.1%	58.8%		
Renter households	357,950	411,080	483,800	1.4	2.3
Percent renter	38.3%	38.9%	41.2%		
Total housing units	978,442	1,137,920	1,232,000	1.5	1.1
Owner vacancy rate	1.3%	2.6%	1.2%		
Rental vacancy rate	4.4%	7.1%	4.0%		
Median Family Income	$64,600	$84,300	$89,600	2.7	1.0

** Seattle-Bellevue-Everett HMA.*

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through April 2017. Median Family Incomes are for 1999, 2009, and 2015. The current date is May 1, 2017.

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

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 5/1/2017—Estimates by the analyst
Forecast period: 5/1/2017–5/1/2020—Estimates by the analyst

The metropolitan division definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

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 this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), 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 huduser.gov/publications/pdf/CMARtables_Seattle_Bellevue_EverettWA_17.pdf.

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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 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.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.