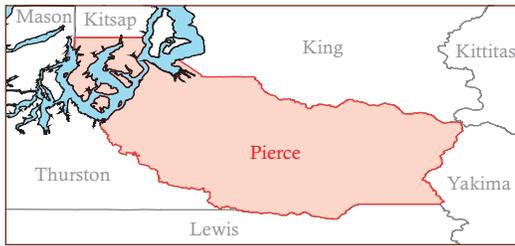




Tacoma-Lakewood, Washington

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of March 1, 2015



Housing Market Area

The Tacoma-Lakewood Housing Market Area (HMA) is approximately 30 miles south of Seattle on the Puget Sound. The HMA comprises Pierce County, one of the three counties that combine to encompass the Seattle-Tacoma-Bellevue, WA Metropolitan Statistical Area, and is coterminous with the Tacoma-Lakewood, WA Metropolitan Division. The HMA is home to the Port of Tacoma, the 10th largest container port in North America, and Joint Base Lewis-McChord (JBLM), the largest U.S. Army-led joint base in the country.

Summary

Economy

The economy of the Tacoma-Lakewood HMA began improving in 2011 after 3 years of economic decline and has since recovered all the jobs lost as a result of the national recession. Job growth strengthened during the 12 months ending February 2015, increasing by 8,600 jobs, or 3.0 percent, compared with a gain of 6,600 jobs, or 2.4 percent, during the previous 12 months. During the same period, the unemployment rate declined from 8.0 to 7.2 percent. Nonfarm payrolls are expected to expand by an average of 7,550 jobs, or 2.6 percent, a year during the 3-year forecast period, led by growth in

industries related to health care, business services, and wholesale and retail trade.

Sales Market

Sales housing market conditions are currently slightly soft but improving, with an estimated owner vacancy rate of 2.2 percent, down from 2.6 percent in April 2010. During the next 3 years, demand is expected for 6,325 new homes (Table 1). The 580 homes currently under construction and some of the estimated 11,500 other vacant units that may return to the market will satisfy a portion of the demand.

Rental Market

Rental housing market conditions in the HMA are currently balanced, with an overall estimated vacancy rate of 5.8 percent compared with 7.9 percent in April 2010 (Table DP-1 at the end of the report). The apartment market is

tight, with an estimated vacancy rate of 2.8 percent in the first quarter of 2015, down from 3.8 percent a year ago (Reis, Inc.). During the next 3 years, demand is expected for 3,125 new market-rate rental units (Table 1). Approximately 1,450 units are currently under construction and will meet a portion of the forecast demand.

Table 1. Housing Demand in the Tacoma-Lakewood HMA During the Forecast Period

	Tacoma-Lakewood HMA	
	Sales Units	Rental Units
Total demand	6,325	3,125
Under construction	580	1,450

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of March 1, 2015. A portion of the estimated 11,500 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is March 1, 2015, to March 1, 2018.

Source: Estimates by analyst

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Economic Conditions

Economic conditions in the Tacoma-Lakewood HMA are strengthening, continuing the recovery that began in 2011 and are approaching the pace of growth observed before the national recession that occurred from the end of 2007 to mid-2009. The economic expansion in the HMA that occurred from the end of 2001 through 2007 was boosted by strong growth at JBLM, where the number of military and civilian personnel increased from 35,331 in 2003 to more than 50,587 by 2010. From 2007 through 2011, nonfarm payrolls increased by an average of 6,200 jobs, or 2.4 percent, annually. The mining, logging, and

construction sector led job growth during this time, up 7.6 percent, or by 1,500 jobs, annually, mainly because of increased demand for new homes. The effects of the national recession that began in December 2007 were severe in the HMA; from the end of 2007 through 2010, nonfarm payrolls declined by an average of 4,900 jobs, or 1.7 percent, annually. Job losses were greatest in the mining, logging, and construction sector, which was down by 2,400 jobs, or 10.6 percent, a year because of a sharp decline in the demand for the construction of new homes, followed by the manufacturing sector, which declined by 1,400 jobs, or 7.2 percent, a year.

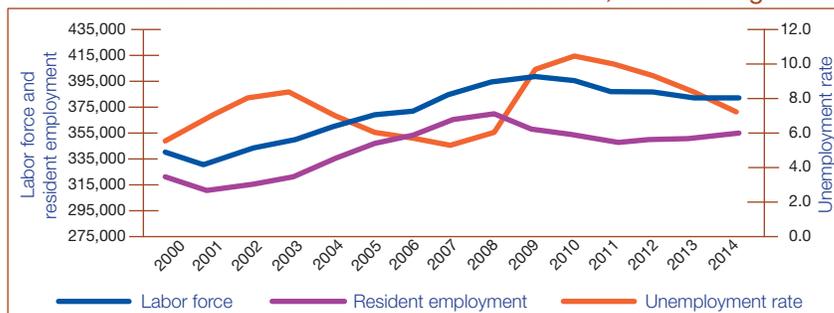
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Tacoma-Lakewood HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	February 2014	February 2015		
Total nonfarm payroll jobs	282,200	290,800	8,600	3.0
Goods-producing sectors	35,500	36,500	1,000	2.8
Mining, logging, & construction	18,200	19,100	900	4.9
Manufacturing	17,300	17,400	100	0.6
Service-providing sectors	246,600	254,300	7,700	3.1
Wholesale & retail trade	45,000	46,700	1,700	3.8
Transportation & utilities	13,200	13,400	200	1.5
Information	2,800	2,900	100	3.6
Financial activities	13,800	14,600	800	5.8
Professional & business services	24,300	25,300	1,000	4.1
Education & health services	50,600	51,800	1,200	2.4
Leisure & hospitality	27,900	28,800	900	3.2
Other services	12,900	13,400	500	3.9
Government	56,100	57,400	1,300	2.3

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through February 2014 and February 2015.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Tacoma-Lakewood HMA, 2000 Through 2014



Source: U.S. Bureau of Labor Statistics

Since 2010, however, the economy in the HMA has recovered and nonfarm payrolls have surpassed the peak level of jobs recorded during 2007. From the end of 2010 through 2012, nonfarm payrolls gained an average of 2,000 jobs, or 0.7 percent, annually, led by growth in the transportation and utilities sector, which added an average of 900 jobs, or 8.1 percent, each year. The economic recovery strengthened in 2013 when nonfarm payrolls increased by 6,000 jobs, or 2.2 percent, from a year earlier. Economic conditions remained strong during the 12 months ending February 2015, and nonfarm payrolls increased by an average of 8,600 jobs, or 3.0 percent, to 290,800 jobs, compared with an increase of 6,600 jobs, or 2.4 percent, during the 12 months ending February 2014 (Table 2). The unemployment rate averaged 7.2 percent during the 12 months ending February 2015, down from 8.0 percent a year earlier, because of an increase in employment. By comparison, from the end of 2001 through 2007, when economic conditions were strongest, the unemployment rate averaged 6.7 percent. Figure 1 shows

trends in the labor force, resident employment, and the unemployment rate from 2000 through 2014.

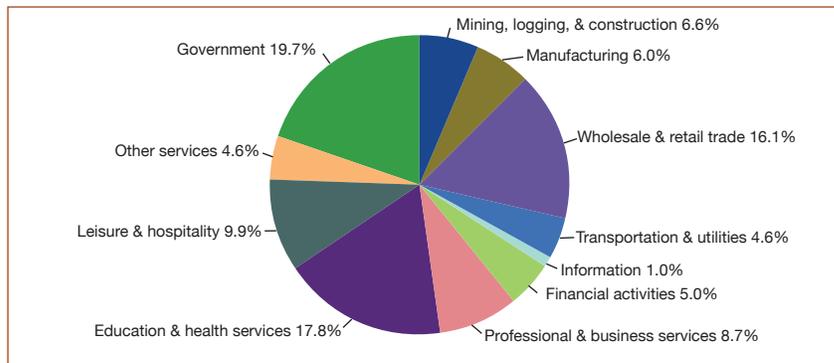
Because the HMA is home to JBLM and the city of Tacoma is the Pierce County seat, the economy of the HMA depends heavily on government employment. The government sector, which includes Department of Defense (DoD) civilian employees at JBLM but excludes military service members, currently is the largest employment sector in the HMA, accounting for approximately 19.7 percent of total payrolls, down slightly from 20.1 percent in 2000 (Figure 2). During the 12 months ending February 2015, government payrolls totaled 57,400, reflecting an

increase of 1,300 jobs, or 2.3 percent, compared with government payrolls a year earlier; job losses in the federal government subsector were offset by gains in the state and local government subsectors. This trend is expected to continue during the 3-year forecast period at a similar rate.

JBLM is the leading employer in the HMA. In February 2010, in accordance with the recommendations of DoD's Base Closure and Realignment Commission, the U.S. Army's Fort Lewis merged with the U.S. Air Force's McChord Air Force Base to create JBLM. JBLM is the largest Army-led joint base in the United States and one of the most requested duty stations in the country. As the largest employer in the HMA (Table 3) and the second largest employer in the state of Washington, JBLM has a statewide economic impact estimated at \$6.1 billion (2012 study by South Sound Military & Communities Partnership [SSMCP]). As of March 2015, JBLM had approximately 41,000 military services members and 17,500 civilian contract employees, down from 46,500 and 16,900, respectively, in 2013. In mid-2014, in accordance with a policy to draw down the number of active-duty military nationwide, 4,500 soldiers in the 4th Stryker Brigade Combat Team, 2nd Infantry Division, were deactivated, reducing military employment at JBLM. DoD is also considering further reductions in military personnel at JBLM, but no official decision has been made; therefore, this report assumes no significant reduction of military force in the HMA during the forecast period.

The location and existing infrastructure of the HMA provide substantial benefits to economic development in

Figure 2. Current Nonfarm Payroll Jobs in the Tacoma-Lakewood HMA, by Sector



Note: Based on 12-month averages through February 2015.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Tacoma-Lakewood HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Joint Base Lewis-McChord	Government*	58,500
MultiCare Health System	Education & health services	6,547
Franciscan Health System	Education & health services	5,709
Emerald Queen Hotel & Casinos	Leisure & hospitality	2,200
Wal-Mart Stores, Inc.	Wholesale & retail trade	1,785
The Boeing Company	Manufacturing	1,700
The Kroger Company	Wholesale & retail trade	1,301
Costco Wholesale Corporation	Wholesale & retail trade	1,185
Safeway, Inc.	Wholesale & retail trade	1,123
State Farm Mutual Insurance Company	Financial activities	1,070

* Numbers include 41,000 military service personnel who are not included in the nonfarm payroll data.

Notes: Excludes local school districts. Joint Base Lewis-McChord data are as of March 2015.

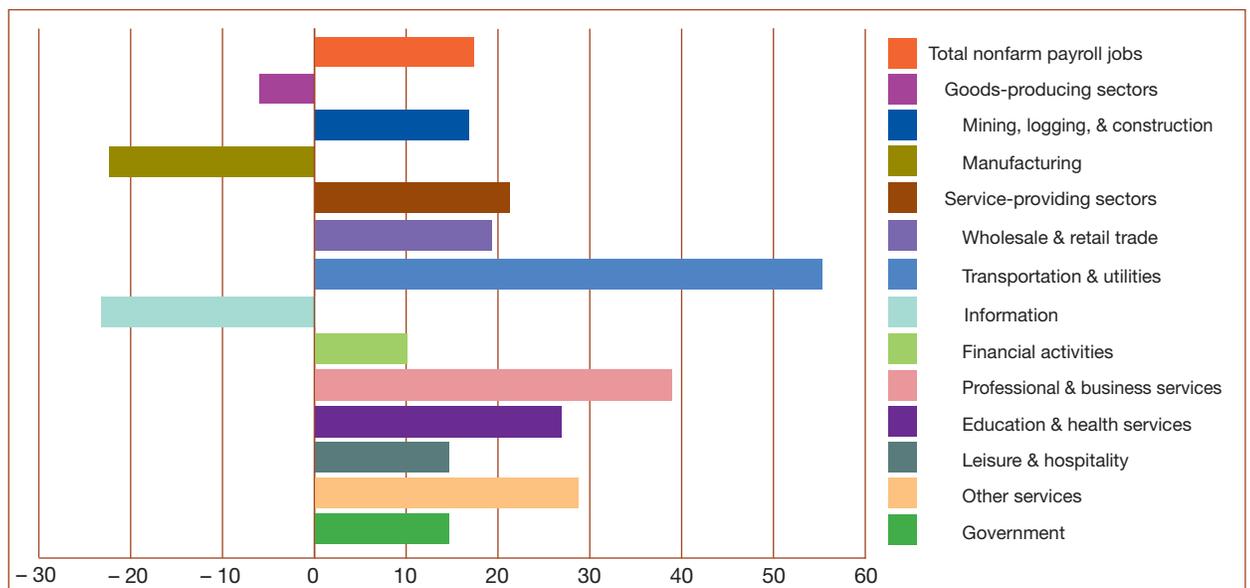
Sources: Moody's economy.com; South Sound Military and Communities Partnership

the HMA. Deep-water shipping, rail lines, and access to Interstate 5 make the HMA attractive for domestic and international trade, particularly to Alaskan and Asian markets. The Port of Tacoma is the 10th largest container port in North America and ranks in the top 25 for worldwide container trade (Port of Tacoma). A 2014 study estimated that in 2013 the Port of Tacoma supported more than 29,000 jobs and had a revenue impact of \$3 billion. Although shipping and import-export activities are important to the local economy, the direct effect on employment is relatively modest. The transportation and utilities sector accounts for 4.6 percent of total nonfarm payrolls in the HMA; however, it has been the fastest growing of any sector since 2000, increasing 55 percent (Figure 3). During the 12 months ending February 2015, transportation and utilities payrolls increased by 200 jobs, or 1.5 percent, compared with a decrease of 200 jobs during the 12 months ending February 2014. In 2014, the Seattle and Tacoma port commissions announced

plans to form the Northwest Seaport Alliance, which would create new economic opportunities in the HMA. The final proposal has yet to be approved, with citizen and stakeholder comments regarding the final plan slated for May 2015.

The greatest nonfarm payroll gains in the HMA during the 12 months ending February 2015 occurred in the wholesale and retail trade sector, which increased by 1,700 jobs compared with an increase of 1,600 jobs, or 3.8 percent, during the previous 12 months. After losing an average of 900 jobs, or 2.0 percent, a year from 2007 through 2009, payrolls in the wholesale and retail trade sector increased by an average of 1,100 jobs, or 2.5 percent, a year from 2010 through 2014, making it the fastest growing sector since the economic recovery began in 2011. Employment in this sector is affected by improvements in other core sectors of the economy, including the government, the professional and business services, and the education and health

Figure 3. Sector Growth in the Tacoma-Lakewood HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through February 2015.

Source: U.S. Bureau of Labor Statistics

services sectors, because it depends heavily on consumer confidence and spending habits, which have improved greatly since 2011. In addition, very strong economic conditions in King County have a positive impact on consumer spending in the HMA, because nearly 28 percent of the workforce commutes to areas outside the HMA for work (2013 American Community Survey [ACS] 5-year estimate), with most traveling to King County. Strong job growth in the wholesale and retail trade sector is anticipated to continue during the forecast period as economic conditions continue strengthening.

As noted previously, the mining, logging, and construction sector was the worst hit during the national recession because of a sharp decrease in the demand for new homes. During this time, nearly all the jobs lost in this sector were in the construction subsector, which lost an average of 2,300 jobs, or 10.6 percent, a year. Since 2010, however, the mining, logging, and construction sector has improved, mirroring overall economic conditions. As personal finances continue to improve and access to credit returns, the demand for new homes is increasing. During the 12 months ending February 2015, payrolls in the mining, logging, and construction sector increased by 900 jobs, or 4.9 percent, compared with an increase of 1,200 jobs, or 6.7 percent, a year earlier; all job gains occurred in the construction subsector. Growth in this sector is expected to continue improving as the economy continues to strengthen.

The financial activities sector had the fastest rate of growth during the 12 months ending February 2015,

adding 800 jobs, or 5.8 percent, largely a result of hiring at State Farm Insurance, which recently opened offices in downtown Tacoma. Strong growth in the HMA also occurred in the education and health services and professional and business services sectors, which added 1,200 and 1,000 jobs, increases of 2.4 and 4.1 percent, respectively. Growth in the education and health services sector has been strong since 2000, adding an average of 700 jobs, or 1.6 percent, a year from 2000 through 2013, because the demand for healthcare services increases as the population continues to grow and age. The professional and business services sector was a strong source of growth during the earlier part of the 2000s, adding an average of 1,000 jobs, or 4.9 percent, a year from 2000 through 2007, before declining by an average of 400 jobs, or 1.8 percent, a year from the end of 2007 through 2012 because of the effects of the national recession and slow recovery of the sector. The education and health services and professional and business services sectors have improved consistently since 2012 and are expected to continue growing during the forecast period.

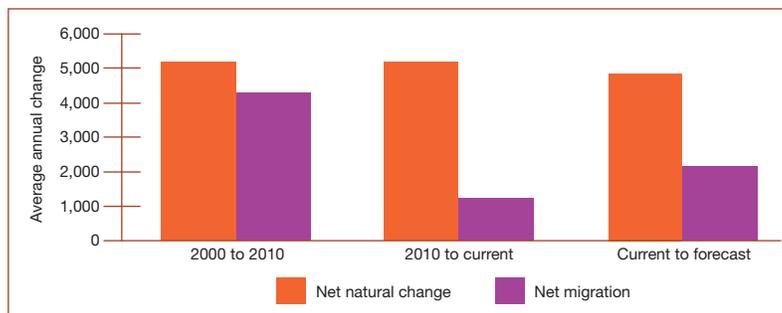
During the forecast period, nonfarm payrolls are expected to increase by an average of 7,550 jobs, or 2.6 percent, annually, with the growth rate slowing slightly in the first year relative to the 12 months ending February 2015 and holding steady in the second and third years. The education and health services, professional and business services, and wholesale and retail trade sectors are expected to lead growth in the HMA. Table DP-1 at the end of this report provides additional employment data.

Population and Households

The population of the Tacoma-Lakewood HMA is estimated at 826,900 as of March 1, 2015, reflecting an average annual growth rate of 0.8 percent, or 6,450 people, since 2010, with net in-migration accounting for approximately 19 percent of the growth, or 1,250 people each year (Figure 4). From 2001 to 2007, population growth in the HMA averaged 1.7 percent, or 13,125 people, annually (intercensal estimate based on census population estimates as of July 1). During the period, net in-migration averaged 8,150 people annually and comprised more than 60 percent of the overall population growth. Much of this growth can be attributed to the expansion of JBLM, which increased from 35,331 military personnel and civilian contract employees in 2003 to 50,587 in 2010 (SSMCP). In addition, service-related industries in the HMA, such as healthcare services and retail trade, expanded to serve the increasing population, which resulted in strong labor market conditions, inducing net in-migration from jobseekers. From 2007 to 2008 (intercensal estimates based on census population estimates as of July 1), the weak labor market brought on by the national recession and foreclosure crisis hampered

residential mobility, which slowed population growth to 6,025 people; net in-migration slowed to 390 people. When economic conditions worsened further, population growth declined to 1,350 people from 2008 to 2009; the net natural increase (resident births minus resident deaths) of 5,850 people offset the net out-migration of 4,510 people. From 2009 to 2010, the population in the HMA decreased by 1,400, with net out-migration totaling 8,475 people. Growth rebounded in 2010, and, from 2010 to 2011, the population increased by 9,100; 46 percent of the growth came from net in-migration, mainly because troops returned home after being stationed abroad. From 2011 to 2012, the HMA experienced another year of net out-migration, which totaled 25 people, but net natural change more than compensated, and the population growth totaled 5,825 people, an increase of 0.7 percent. As economic and housing market conditions began to improve, population growth increased, and from 2012 to 2014, population growth averaged 6,650 people, or 0.8 percent; net in-migration accounted for 23 percent of the growth, or an increase of 1,550 people a year. In 2013, approximately 46,500 military personnel were stationed at JBLM, with an estimated 19,700 active-duty military members and their families living off base in Pierce County, with the greatest concentration in the cities of Tacoma, Lakewood, and DuPont, respectively (SSMCP). The population is expected to continue to increase during the 3-year forecast period as a result of continued economic growth and relatively affordable housing compared with the cost of housing in King County, which will lead to higher net in-migration. By

Figure 4. Components of Population Change in the Tacoma-Lakewood HMA, 2000 to Forecast



Notes: The current date is March 1, 2015. The forecast date is March 1, 2018.
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Population and Households *Continued*

comparison, during the 12 months ending February 2015, the average sales price of an existing home in the HMA was \$238,600, nearly 50 percent less than in King County, where it was \$482,600 (CoreLogic, Inc., with adjustments by the analyst.). In addition, the most recent data available estimated net migration from King County into Pierce County at 3,295 in 2012, a trend that is expected to continue during the forecast period (County-to-County Migration Flows: 2008 through 2013 5-year ACS.) The population of the HMA is forecast to reach 847,300 by

March 1, 2018, increasing by an average of 6,800, or 0.8 percent, a year. Net in-migration is estimated to account for 31 percent of total expected growth.

An estimated 313,600 households reside in the HMA, reflecting an average annual increase of 2,775 households, or 0.9 percent, since 2010. By comparison, from 2000 to 2010, when population growth was stronger, especially at JBLM, the number of households increased by an average of 3,900, or 1.4 percent. An estimated 61.9 percent of current households, or 194,000 households, are homeowners and the remaining 119,600 are renter households. The homeownership rate has declined since 2010, when 63.0 percent of households were homeowners, because of weaker sales housing market conditions, stricter lending practices, and a shift in household preferences toward renting. In a 2013 study, SSMCP estimated that, in 2013, approximately 60 percent of the active-duty military personnel living off base in Pierce County are homeowners, while the remaining 40 percent are renters. Figure 5 shows the distribution of households in the HMA by tenure for 2000, 2010, and the current date. As employment and financial conditions improve and net in-migration increases, household growth is expected to increase by an average of 2,875 households, or 0.9 percent, a year during the 3-year forecast period, reaching 322,200 households by March 1, 2018. Figure 6 shows population and household growth trends from 2000 to the forecast date.

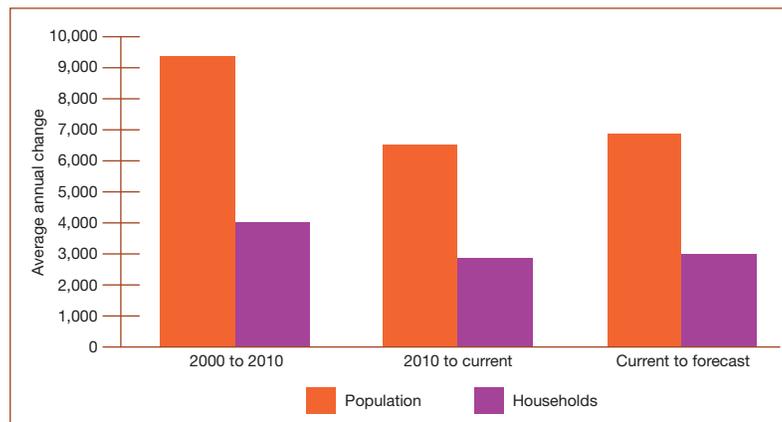
Figure 5. Number of Households by Tenure in the Tacoma-Lakewood HMA, 2000 to Current



Note: The current date is March 1, 2015.

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

Figure 6. Population and Household Growth in the Tacoma-Lakewood HMA, 2000 to Forecast



Notes: The current date is March 1, 2015. The forecast date is March 1, 2018.

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

Housing Market Trends

Sales Market

Sales housing market conditions in the Tacoma-Lakewood HMA are currently slightly soft but improving, representing a significant improvement from the 2008-through-2012 period, when the foreclosure crisis and weak economy resulted in very soft market conditions. The estimated sales vacancy rate is 2.2 percent, down from 2.6 percent in April 2010. The decline reflects increased demand for homes, and much of the excess inventory that resulted from the recent housing crisis has been absorbed. During the 12 months ending February 2015, sales of existing single-family homes, townhomes, and condominiums (hereafter, existing homes) totaled 13,000, reflecting an increase of 2 percent from the previous 12 months, the greatest number of existing homes sold since 2007 (CoreLogic, Inc., with adjustments by the analyst). Existing home sales peaked from 2002 through 2006, averaging 18,350 sales annually. Sales began to decline in 2006, although 2006 was part of the peak period for home sales. Existing home sales declined by an average of 4,050 sales, or 25 percent, a year from 2006 through 2008, to a record low of 8,875 homes sold. Investor purchases, coupled with the first-time homebuyer tax credit program, boosted home sales from 2009 through 2011, when an average of 9,475 existing homes sold, reflecting an average annual increase of 3 percent. From 2012 through 2014, as economic conditions improved and financing became more readily available, the demand for homes increased an average of 9 percent a year, and an average of 12,075 existing homes sold. The average existing home sales price was \$306,000 during the

12 months ending February 2015, up 6 percent from the previous 12 months, marking the third consecutive 12-month period of increasing prices. Sales prices peaked in 2007, at \$329,500, and subsequently declined at an average annual rate of 6 percent from 2008 through 2011, to \$250,300. Prices began to increase in 2012 when the demand for homes began to rise, and the average sales price of an existing home was \$259,700, up 4 percent from the previous year. The increase in demand caused the inventory of existing homes for sale to decline, putting upward pressure on sales prices, which increased an average of 9 percent a year in 2013 and 2014. As of February 2015, a 3.0-month supply of homes was for sale in the HMA, down from a 3.4-month supply in February 2014. By comparison, an 8.7-month supply of homes was for sale in February 2010.

The foreclosure crisis had a significant impact on the HMA, causing a sharp increase in the number of seriously delinquent loans (loans 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties, but conditions improved recently. In June 2012, 13,350 loans, or 10.4 percent of all home loans, were seriously delinquent or transitioned into REO status compared with a low of 2.2 percent in January 2008. The rate of home loans that were seriously delinquent or transitioned into REO status declined to 5.4 percent in March 2015, down from 6.8 percent in March 2014 (Black Knight Financial Services, Inc.). REO home sales averaged 3,225 annually from 2009 through 2012, accounting for one-third of all existing home sales

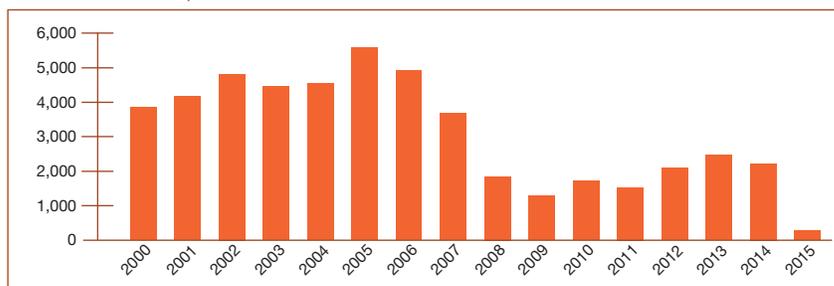
(CoreLogic, Inc., with adjustments by the analyst). By contrast, from 2001 through 2008, approximately 590 REO homes sold annually, accounting for only 4 percent of existing home sales. As the economy and sales market conditions began to improve, REO home sales declined, averaging 2,675 sales a year in 2013 and 2014. During the 12 months ending February 2015, approximately 2,500 REO homes sold, down 10 percent from the previous 12 months, accounting for 19 percent of all existing home sales. Although REO sales are declining, they still put significant downward pressure on the average sales price of existing homes. By comparison, during the 12 months ending February 2015, the average sales price of an REO home was \$170,500, approximately 34 percent less than the price of a regular resale home.

The market for new single-family homes, townhomes, and condominiums (hereafter, new homes) has improved since 2011, after 5 consecutive years of decline, in response to improving economic conditions and increased population growth. During the 12 months ending February 2015, however, new home sales declined 9 percent to 1,825, mainly because of a decrease in new home construction resulting from tight credit markets. New home sales peaked from 2000

through 2006, when economic and population growth was strongest and an average of 3,875 new homes sold annually. New home sales fell sharply as the economy began to weaken, declining an average of 27 percent a year from 2007 through 2010, to a low of 1,200 homes sold per year. The market for new homes followed a similar trend to the market for existing homes: as economic conditions began to improve in 2011, new homes sales increased. From 2011 through 2013, an average of 1,600 new homes sold each year, reflecting an average annual increase of 18 percent. The average sales price for a new home during the 12 months ending February 2015 increased 5 percent to \$311,100. By contrast, prices increased an average of 9 percent a year from 2002 through 2007, peaking in 2007 at approximately \$329,500. From 2008 through 2011, in response to weakening economic and sales market conditions, the average price declined an average of 7 percent annually, reaching a low of \$250,300. An increase in demand, coupled with a limited supply of new homes, caused prices to increase; from 2012 through 2014, the average sales price increased an average of 7 percent annually (CoreLogic, Inc., with adjustments by the analyst).

Beginning in 2012, home builders responded to the improvement in the sales market by increasing new home construction (Figure 7). An average of 4,300 new single-family homes were permitted annually from 2000 through 2004, and construction activity peaked in 2005, when 5,525 homes were permitted, because housing market and economic conditions in the HMA were strong. Market conditions remained strong in 2006, when 4,875 new homes were

Figure 7. Single-Family Homes Permitted in the Tacoma-Lakewood HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through February 2015.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

permitted; however, the level of permitting was down nearly 12 percent from the previous year, marking the beginning of the downward trend that preceded the housing market crisis. In 2007, economic conditions began to worsen and the demand for new homes dropped sharply. As a result, home builders responded by scaling back new home construction dramatically; permitting levels fell 27 percent, to 3,575 new homes permitted. In 2008, new home construction fell further, when the full effects of the national recession impacted the HMA; only 1,800 new homes were permitted, down nearly 50 percent compared with the number permitted in 2007. In 2009, approximately 1,250 new homes were permitted, which is the lowest level of single-family construction in the HMA since 1980. New home construction increased slightly in 2010 and 2011, when an average of 1,600 single-family homes were permitted each year, but construction activity remained well below previous levels. The record low levels of construction from 2008 through 2011 resulted in

a limited supply of new homes for sale, which put upward pressure on prices. Home builders responded by increasing new home construction, and an average of 2,200 new homes were permitted annually from 2012 through 2014. During the 12 months ending February 2015, approximately 2,275 single-family homes were permitted, down 2 percent from the number of homes permitted during the 12 months ending February 2014 (preliminary data).

New homes for sale in numerous subdivisions in the HMA are primarily in the cities of Bonney Lake, approximately 15 miles east of the city of Tacoma, and Puyallup, about 10 miles southeast of Tacoma. In Bonney Lake, a few of the new home subdivisions include Panorama Summit, with prices starting at \$499,950; Tehaleh, with prices starting from \$389,950; and Trilogy at Tehaleh, with prices ranging from \$275,900 to \$489,900. In Puyallup, the Emerald Pointe subdivision has homes for sale ranging from \$199,950 to \$269,950, and the Arbors has homes ranging in price from \$457,950 to \$538,410.

During the 3-year forecast period, demand is expected for 6,325 new homes, with demand evenly distributed annually during the 3-year period. The 580 homes currently estimated to be under construction and a portion of the 11,500 other vacant units that may reenter the market will satisfy some of the demand (Table 1). Demand is expected to be greatest in the \$200,000-to-\$299,999 price range (Table 4).

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

Price Range (\$)		Units of Demand	Percent of Total
From	To		
150,000	199,999	630	10.0
200,000	249,999	1,900	30.0
250,000	299,999	1,275	20.0
300,000	349,999	950	15.0
350,000	399,999	630	10.0
400,000	449,999	630	10.0
450,000	and higher	320	5.0

Notes: The 580 homes currently under construction and a portion of the estimated 11,500 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is March 1, 2015, to March 1, 2018.

Source: Estimates by analyst

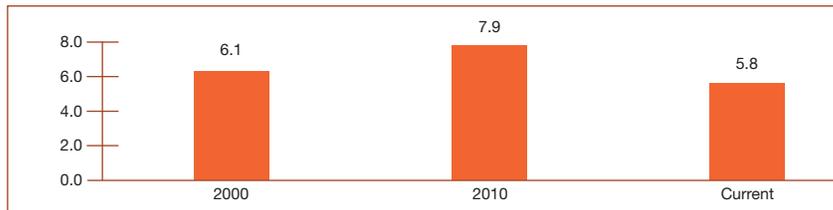
Rental Market

The rental housing market in the Tacoma-Lakewood HMA is balanced, with an estimated overall vacancy rate of 5.8 percent as of March 1, 2015, down from 7.9 percent in April 2010 (Figure 8). The market tightened rapidly in 2010 and 2011, when the foreclosure crisis resulted in weak labor market conditions, stricter lending standards, and a shift in household preferences toward renting, all of which contributed to a decrease in the homeownership rate and an increase in demand for rental units. Conditions continued to tighten from 2012 through 2014, but at a slower rate, when the conversion of REO homes to rentals units and the completion of apartment construction resulted in an increase in the inventory of rental units.

Approximately 68 percent of all renter households in the HMA occupy apartments, which have a lower vacancy rate than the overall rental market (2013 ACS 1-year estimates). The apartment vacancy rate in the HMA was 2.8 percent in the first quarter of 2015, down from 3.8 percent during the first quarter of 2014 (Reis, Inc.). By comparison, the apartment vacancy rate peaked in 2009, at 8.1 percent, and has fallen consistently since because of a shift in preferences toward renting and record low inventory growth from 2008 through 2011. Furthermore, as of 2013, an estimated 7,850 active-duty military personnel and their families live off base in rental housing, providing a stable source of rental demand. From the first quarter of 2014 to the first quarter of 2015, the average asking rent increased 3 percent, to \$845, and rents averaged \$665 for studio units, \$721 for one-bedroom units, \$896 for two-bedroom units, and \$1,170 for three-bedroom units.

Multifamily construction, as measured by the number of multifamily units permitted, has fluctuated greatly since reaching a record low in 2010 (Figure 9). During the 12 months ending February 2015, approximately 1,325 multifamily units were permitted in the HMA, a significant increase from the 490 units permitted during the 12 months ending February 2014 (preliminary data). Multifamily construction was strongest from 2004 through 2007, averaging nearly 1,400 units permitted annually because economic and population growth were strong. Multifamily permitting fell sharply in 2008 and 2009, to an average of approximately 680 units permitted annually because economic

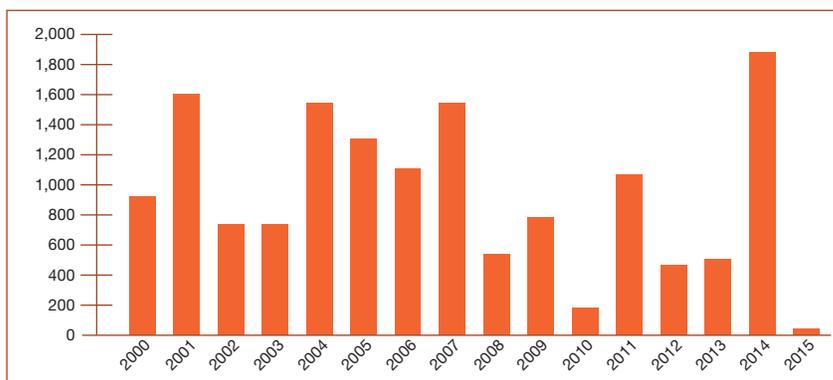
Figure 8. Rental Vacancy Rates in the Tacoma-Lakewood HMA, 2000 to Current



Note: The current date is March 1, 2015.

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

Figure 9. Multifamily Units Permitted in the Tacoma-Lakewood HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through February 2015.

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

conditions worsened and the ability to obtain financing through a bank to build new apartments was extremely difficult. Multifamily construction dropped to 190 units in 2010, the lowest level of multifamily permitting recorded since 1980. As a result, the supply of new units lagged the growth in demand, which led to a spike in permitting in 2011, when 1,075 units were permitted. Construction slowed in 2012 and 2013, averaging 500 units each year, but nearly tripled in 2014, when 1,400 multifamily units were permitted. Multifamily construction is expected to continue at a strong pace during the forecast period as developers take advantage of increased rental demand and increasing average rents.

Of the estimated 1,450 apartments currently under construction in the HMA, 800 units, or 55 percent, are in the city of Tacoma. One of the larger apartment developments, The Henry, a 161-unit building on the waterfront in downtown Tacoma, is expected to be complete in the fall of 2015 (proposed rents are not available at this time). The 151-unit

Proctor Station in north Tacoma will begin leasing after completion, which is expected in the fall of 2015, with rents starting at \$1,010 for studio units, \$1,100 for one-bedroom/one-bathroom units, and \$1,735 for two-bedroom/two-bathroom units. The 104-unit Garfield Station in the Spanaway/Parkland neighborhood of Tacoma opened in the winter of 2014 and is currently 70 percent occupied. Rents at Garfield Station start at \$850 for a studio unit, \$920 for a one-bedroom/one-bathroom unit, \$1,250 for a two-bedroom/two-bathroom unit, and \$1,600 for a three-bedroom/two-bathroom unit.

During the next 3 years, demand is expected for 3,125 new market-rate rental units in the HMA, with demand evenly distributed during the 3-year forecast period (Table 1). The 1,450 units currently under construction will meet a portion of the forecast demand. Table 5 shows the forecast demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Tacoma-Lakewood 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
750 to 949	140	1,000 to 1,199	840	1,100 to 1,299	1,275	1,500 to 1,699	560
950 or more	15	1,200 or more	95	1,300 or more	140	1,700 or more	60
Total	160	Total	940	Total	1,400	Total	620

Notes: Numbers may not add to totals because of rounding. The 1,450 units currently under construction will likely satisfy some of the estimated demand. The forecast period is March 1, 2015, to March 1, 2018.

Source: Estimates by analyst

Data Profile

Table DP-1. Tacoma-Lakewood HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	321,727	354,576	358,000	1.0	0.2
Unemployment rate	5.6%	10.4%	7.2%		
Nonfarm payroll jobs	248,300	270,700	290,800	0.9	1.7
Total population	700,820	795,225	826,900	1.3	0.8
Total households	260,800	299,918	313,600	1.4	0.9
Owner households	165,598	189,080	194,000	1.3	0.5
Percent owner	63.5%	63.0%	61.9%		
Renter households	95,202	110,838	119,600	1.5	1.6
Percent renter	36.5%	37.0%	38.1%		
Total housing units	277,060	325,375	336,800	1.6	0.7
Owner vacancy rate	1.8%	2.6%	2.2%		
Rental vacancy rate	6.1%	7.9%	5.8%		
Median Family Income	\$48,900	\$68,100	\$70,200	3.4	0.8

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through February 2015. Median Family Incomes are for 1999, 2009, and 2013. The current date is March 1, 2015.

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: 3/1/2015—Analyst’s estimates
 Forecast period: 3/1/2015–3/1/2018—Analyst’s estimates

The metropolitan statistical area and metropolitan division definitions in this report are 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 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 huduser.gov/publications/pdf/CMARtables_Tacoma-LakewoodWA_15.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 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 huduser.gov/portal/ushmc/chma_archive.html.