



# Tacoma, Washington

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2011



## Summary

### Housing Market Area



The Tacoma Housing Market Area (HMA) consists of Pierce County, which is located 30 miles south of Seattle, along the Puget Sound. The HMA is home to the Port of Tacoma, the sixth largest container facility in the United States, and Joint Base Lewis-McChord (JBLM), the third largest military base in the continental United States.

### Economy

Because of the sluggish pace of the national economic recovery, job growth has yet to resume in the Tacoma HMA after 3 years of job losses. During the 12 months ending March 2011, nonfarm payrolls decreased by 1.6 percent to 264,700 jobs. The unemployment rate averaged 9.9 percent during the same period compared with 9.7 percent a year ago. During 2011, nonfarm payroll job growth is expected to resume and increase at an average annual rate of 1.1 percent from April 2011 to April 2014.

### Sales Market

The sales housing market is soft, with a current estimated vacancy rate of 2.9 percent. According to Hanley Wood, LCC, during the 12 months ending March 2011, sales of new and existing homes fell 11 percent and the average home sales price declined by 4 percent. Demand is expected for 7,075 new homes during the forecast period (see Table 1), some of which will likely be met by the estimated 11,000 other vacant units in the HMA.

### Rental Market

The rental housing market is balanced. An increased demand for rental units has resulted in a decline in the vacancy rate from 7.8 percent, as of the 2010 Census, to an estimated 5 percent, as of April 2011. The average apartment rent in the HMA is \$820, which reflects a 1-percent increase from a year ago. During the next 3 years, demand is expected for 2,975 new units, as shown in Table 1.

**Table 1. Housing Demand in the Tacoma HMA, 3-Year Forecast, April 1, 2011 to April 1, 2014**

	Tacoma HMA	
	Sales Units	Rental Units
Total Demand	7,075	2,975
Under Construction	530	280

*Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Includes manufactured homes. Units under construction as of April 1, 2011. A portion of the estimated 11,000 other vacant units in the HMA will likely satisfy some of the forecast demand.*

*Source: Estimates by analyst*

### Market Details

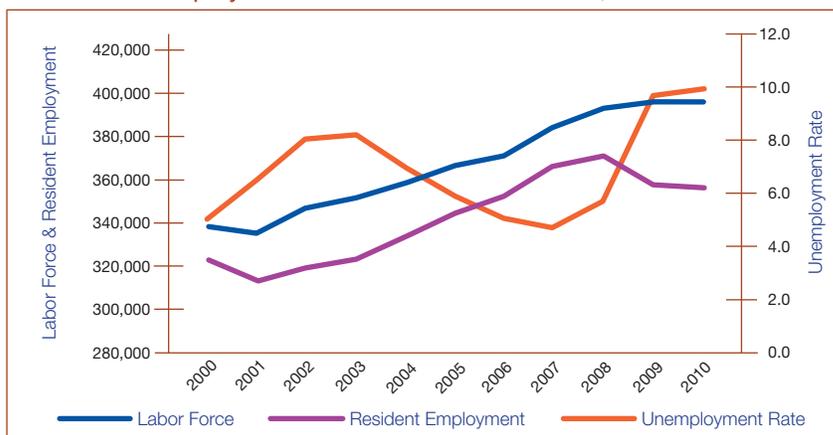
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Starting in 2002, nonfarm payrolls in the Tacoma HMA recorded 6 consecutive years of growth, averaging 6,225 new jobs a year, or an annual rate of 2 percent, as total nonfarm payrolls increased to 281,300 in 2007. The unemployment rate fell from 8.0 percent in 2002 to 4.7 percent by the end of 2007 (see Figure 1 for labor market trends since 2000). Leading job growth sectors during those 6 years were the mining, logging, and construction sector, the professional and business services sector, and the education and health services sector, which added 9,100, 5,700, and 3,300 jobs, or had annual gains of 7.4, 4.6, and 1.4 percent, respectively. During the 1990s, the health services subsector led job growth, but, between 2002 and 2007, the construction subsector became the leading job growth sector, increasing by an average annual rate of 12.5 percent. During this time, residential construction increased sharply in response to strong sales housing demand, and commercial construction increased because of office and retail space demand originating from continued job growth in the service-providing sectors.

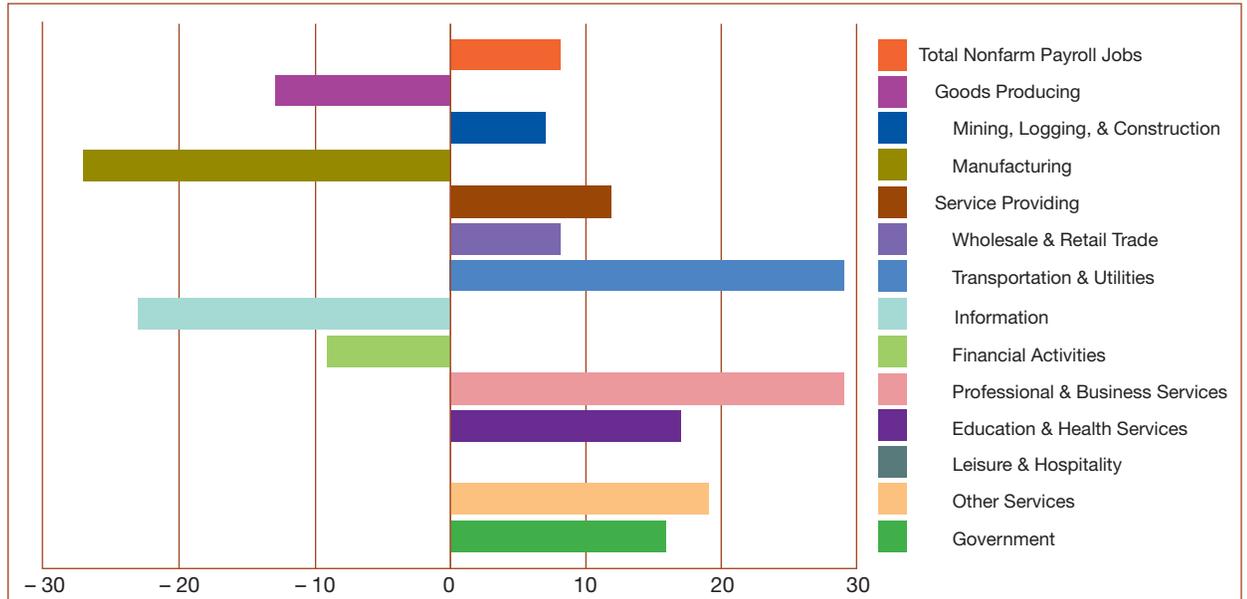
The effect of the national recession brought the 6-year labor market expansion to an end with the loss of 700 nonfarm payroll jobs in 2008. Since nonfarm payrolls peaked in 2007, 16,600 jobs have been lost, as of March 2011, representing nearly 6 percent of the 2007 workforce. The construction subsector lost 9,100 jobs, or slightly more than one-third of its peak 2007 employment level as weakening credit market conditions constrained sales housing demand and nonresidential building development. (See Figure 2 for sector growth trends from 2000 to the current date.)

During the 12-month period ending March 2011, total nonfarm payrolls averaged 264,700, a 1.5-percent decline from a year earlier, representing a loss of 4,200 jobs (see Table 2). During this period, the unemployment rate increased to 9.9 percent compared with 9.7 percent during the preceding 12 months. Job losses were greatest in the construction subsector, falling by 9.3 percent, or by 1,800 jobs to 17,550 jobs, as of the current date, because both residential and nonresidential building activity slowed significantly. The leisure and hospitality sector lost 900 jobs, or 3.4 percent, and the financial activities sector fell by 750 jobs, or 5.9 percent, because lending activity continued to be sluggish. The education and health services sector added 350 jobs, which was a 0.8-percent gain, during the 12-month period ending March 2011. The government sector, the largest sector in the HMA, increased by 500 jobs, or 0.9 percent, mainly because of the federal government's hiring of temporary workers for the 2010 Census, which offset job losses

**Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Tacoma HMA, 2000 to 2010**



Source: U.S. Bureau of Labor Statistics

**Figure 2. Sector Growth in the Tacoma HMA, Percentage Change, 2000 to Current**

Notes: Current is based on 12-month averages through March 2011. During this period, leisure and hospitality sector jobs showed no net change.

Source: U.S. Bureau of Labor Statistics

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

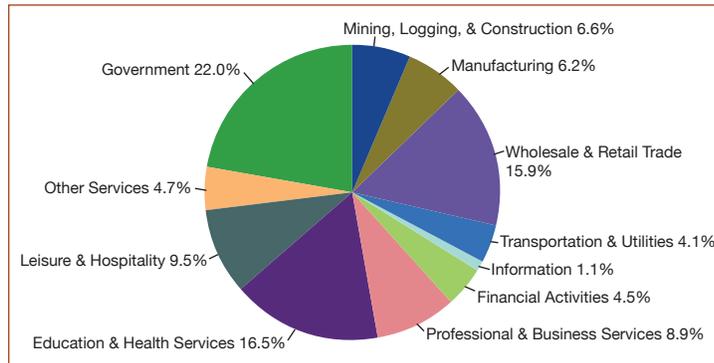
	12 Months Ending March 2010	12 Months Ending March 2011	Percent Change
Total Nonfarm Payroll Jobs	268,800	264,700	-1.5
Goods Producing	36,250	33,850	-6.6
Mining, Logging, & Construction	19,350	17,550	-9.3
Manufacturing	16,900	16,300	-3.4
Service Providing	232,600	230,800	-0.8
Wholesale & Retail Trade	42,150	42,150	-0.1
Transportation & Utilities	10,900	10,850	-0.7
Information	3,050	2,925	-4.1
Financial Activities	12,700	11,950	-5.9
Professional & Business Services	23,900	23,450	-2.0
Education & Health Services	43,250	43,600	0.8
Leisure & Hospitality	26,150	25,250	-3.4
Other Services	12,700	12,450	-2.2
Government	57,850	58,350	0.9

Notes: Based on 12-month averages through March 2010 and March 2011. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

at both the state and local levels. See Figure 3 for current nonfarm payroll jobs in the HMA.

The largest employer in the HMA is Joint Base Lewis-McChord, with nearly 52,500 military personnel and civilian workers (see Table 3). As part of the directives found in the 2005 Base Realignment and Closure legislation, Fort Lewis Army Base and McChord Air Force Base merged in 2010. According to JBLM staff, the base supports approximately 120,000 people, including retirees in the Puget Sound region. From 2003 through 2010, 11,000 military personnel were added to JBLM and 2,500 additional military personnel are expected by 2017. The total military payroll at JBLM in fiscal year 2010 was approximately \$3.2 billion. The military spends approximately \$360 million a year on infrastructure projects in support of the JBLM expansion, which has an expected completion plan for 2016.

**Figure 3. Current Nonfarm Payroll Jobs in the Tacoma HMA, by Sector**

Note: Based on 12-month averages through March 2011.

Source: U.S. Bureau of Labor Statistics

**Table 3. Major Employers in the Tacoma HMA**

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Joint Base Lewis-McChord	Government	52,500
MultiCare Health System	Education & Health Services	6,400
Madigan Military Hospital	Government	5,550
Franciscan Health System	Education & Health Services	5,000
Washington State Higher Education	Government	2,600
Emerald Queen Casino & Hotel	Leisure & Hospitality	2,100
The Boeing Company	Manufacturing	1,450
Wal-Mart Stores, Inc.	Wholesale & Retail Trade	1,400
Fred Meyer, Inc.	Wholesale & Retail Trade	1,300
Costco Wholesale Corporation	Wholesale & Retail Trade	1,100

Notes: Excludes local school districts. The number of employees at Joint Base Lewis-McChord includes military and civilian personnel.

Sources: Tacoma-Pierce County Chamber of Commerce; Pierce County government

The Port of Tacoma is the leading North American seaport. In 2010, trade goods valued at \$28 billion moved through the port's facilities. The port's top trading partners, as measured by two-way trade in U.S. dollars, were China/Hong Kong at \$13 billion, Japan at \$9 billion, and Alaska at \$4 billion. According to a 2005 economic impact study, more than 12,700 jobs in Pierce County are related to the port's activity, generating \$739 million in annual wages and \$1 billion in annual business revenue.

Job growth in the HMA is expected to resume in 2011 and continue to increase at an average annual rate of 1.1 percent between April 2011 and April 2014. The professional and business services and the education and health services sectors are expected to lead job growth. The regional economy will also influence the rate of job growth, because slightly more than 25 percent of the resident workforce commutes to work outside of the HMA.

## Population and Households

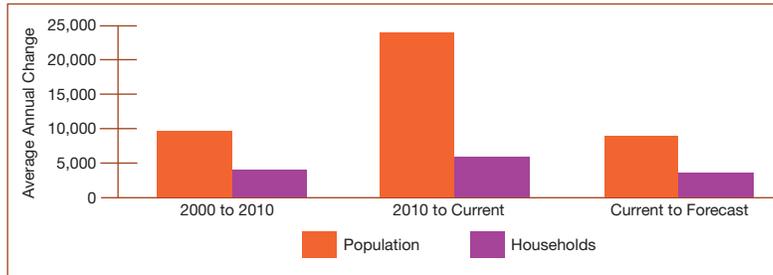
As of March 2011, the population of the Tacoma HMA was estimated at 819,200, a 3.0-percent annual increase from 795,225, as of the 2010 Census. From 2000 to 2010, the population increased by an average of 9,450 people, or 1.3 percent, a year (see Figure 4 for population and household trends). Net in-migration to Pierce County averaged 4,425 people a year during the decade as people were drawn to the area because of a

strong labor market and lower housing prices compared with the cost of housing in the Seattle area (see Figure 5 for components of population change). Increased commuting options to Seattle also contributed to net in-migration. JBLM added to population growth throughout the decade because of an increasing number of active military members and military retirees moving to the HMA. Because of the weak economy, population growth during

## Population and Households *Continued*

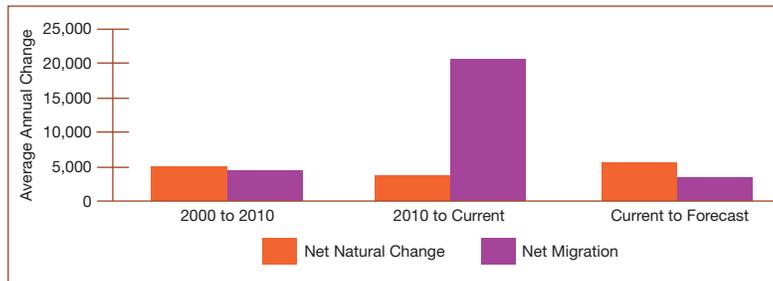
the 3-year forecast period is expected to slow to an average annual rate of approximately 8,725, or 1.1 percent.

**Figure 4. Population and Household Growth in the Tacoma HMA, 2000 to Forecast**



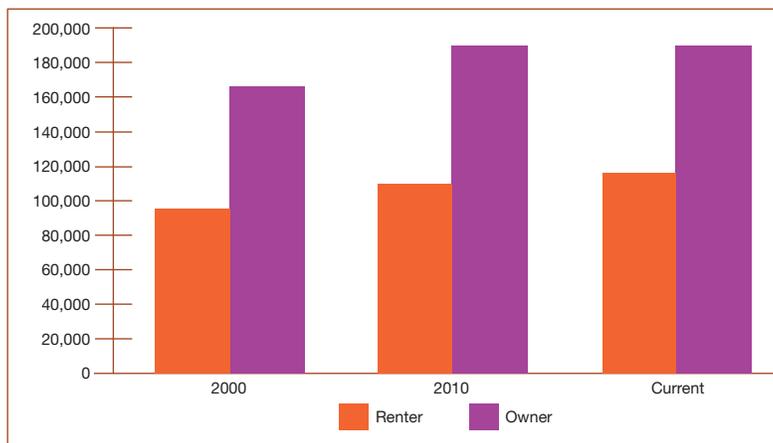
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

**Figure 5. Components of Population Change in the Tacoma HMA, 2000 to Forecast**



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

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



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

From 2000 to 2010, the number of households in the HMA increased by an average annual rate of 3,900, or 1.4 percent (see Table DP-1 at the end of the report for population and household trends). As of April 2011, the estimated number of households in the HMA was 305,900, up 2.0 percent from the 299,918 households listed in the 2010 Census. As of 2010, 189,080 owner households were located in the HMA, which is 63 percent of all households. At the same time, 37 percent, or 110,838 households, were renter households (see Figure 6 for households by tenure). As of April 2011, the number of owner households increased to 189,500 and the number of renter households increased to 116,400. During the past 12 months, household growth exceeded the average annual rate from the previous decade mainly because of the arrival of new military personnel at JBLM. Based on data from JBLM staff, 76 percent of military personnel reside off base. Military personnel represent approximately 8 percent of all owner households and 21 percent of all renter households in Pierce County. JBLM staff do not expect another large assignment to the base in the near future. In tandem with population growth, household growth is expected to continue during the forecast period, but at slower rate than during the 2000 to 2010 decade, increasing by an annual rate of 3,425 people, or 1.1 percent.

# Housing Market Trends

## Sales Market

Mainly because of a weak labor market and stricter mortgage underwriting standards, the sales housing market in the Tacoma HMA is soft. As of April 2011, the vacancy rate was estimated at 2.9 percent. According Hanley Wood, LLC, during the 12-month period ending March 2011, approximately 9,275 new and existing homes sold, an 11-percent decrease from the 10,450 homes sold during the previous 12-month period and a 12-percent decrease compared with the annual average of 10,525 homes sold in the past 3 years. The average home sales price decreased by 4 percent to \$232,225 during the 12 months ending March 2011 compared with the average price of \$242,100 during the previous 12-month period. In comparison, during the past 3 years, the price of a home sold averaged \$255,600. According to the Northwest MLS, the inventory of single-family homes for sale as of March 2011 was 4,750, a 9-percent decrease from a year ago. As of March 2011, a 7-month supply of homes was for sale, based on the number of homes sold in March 2011, which is unchanged from a year ago. The average number of days that a home stayed on the market increased to 95 days during the 12-month period ending March 2011 compared with 83 days during the previous 12-month period.

Hanley Wood, LLC, data show that, for the 12 months ending March 2011, the number of newly constructed homes sold increased 2 percent to 1,200 homes and the average new home sales price decreased 12 percent from \$275,150 to \$241,900. The number of homes sold increased mainly as a result of a preference for new

homes by participants in the first-time homebuyer tax credit program, while the average home sales price declined as a result of builders choosing to produce new homes mainly at prices below \$250,000, the price range in which demand was strongest. During the same period, the number of existing homes sold decreased from 7,675 to 6,625 homes, a decline of 14 percent. The average existing home sales price was \$240,450, down 3 percent from the 12-month period ending March 2010. Total condominium sales were relatively unchanged at 570 homes during the 12 months ending March 2011, and the average price of a condominium sold increased by 6 percent to \$197,000.

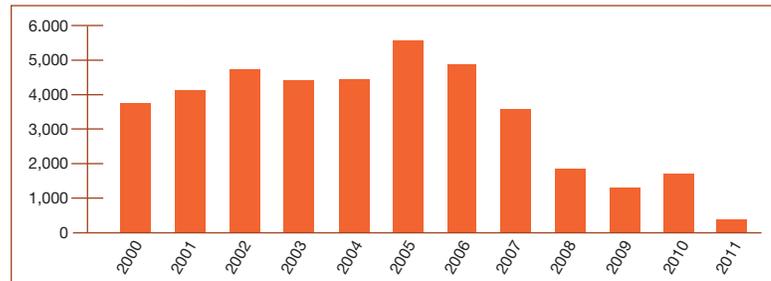
According to Hanley Wood, LLC, the number of REO (Real Estate Owned) homes sold decreased 1 percent to 2,700 homes, during the 12-month period ending March 2011; however, the percentage of existing home sales that were in REO increased from 36 to 40 percent during the previous 12-month period. The REO home sales price averaged \$192,000 during the 12 months ending March 2011, a 5-percent decrease compared with \$202,275 during the previous 12 months.

Single-family home construction activity, as measured by the number of building permits issued, increased by 24 percent to 1,725 homes during the 12 months ending March 2011 compared with the number issued during the previous 12-month period, according to preliminary data. Since 2007, annual building permit activity averaged 1,575 single-family homes permitted compared with an average

of 4,425 homes permitted annually from 2000 through 2007 (see Figure 7 for single-family building permit trends). Approximately 70 percent of the building permits issued during the past 12 months were issued in unincorporated Pierce County. According to the Pierce County Planning Department, new construction activity has been strong in communities near JBLM, such as the Spanaway area, where demand from newly arrived military personnel is strong. Builders are developing new homes that are affordable to military families, which typically fall in the \$160,000-to-\$250,000 price range.

Demand is expected for 7,075 new homes from April 2011 to March 2014 (see Table 1), including demand for 150 manufactured homes. The 530 homes currently under construction will meet some of that demand. In addition, some of the estimated 11,000 other vacant units that may return to the market during the forecast period will likely meet a portion of sales demand. Demand is expected to be highest for homes selling for \$250,000 and less (see Table 4).

**Figure 7.** Single-Family Building Permits Issued in the Tacoma HMA, 2000 to 2011



Notes: Includes only single-family units. Includes data through March 2011.

Source: U.S. Census Bureau, Building Permits Survey

**Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Tacoma HMA, April 1, 2011 to April 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	199,999	1,450	20.9
200,000	249,999	2,425	35.0
250,000	299,999	1,725	24.9
300,000	349,999	700	10.1
350,000	399,999	350	5.1
400,000	449,999	140	2.0
450,000	549,999	70	1.0
550,000	and higher	70	1.0

Notes: Excludes manufactured homes. The 530 homes currently under construction will satisfy some of the estimated demand. In addition, a portion of the estimated 11,000 other vacant units in the HMA will likely satisfy some of the forecast demand. Numbers may not add to totals because of rounding.

Source: Estimates by analyst

## Rental Market

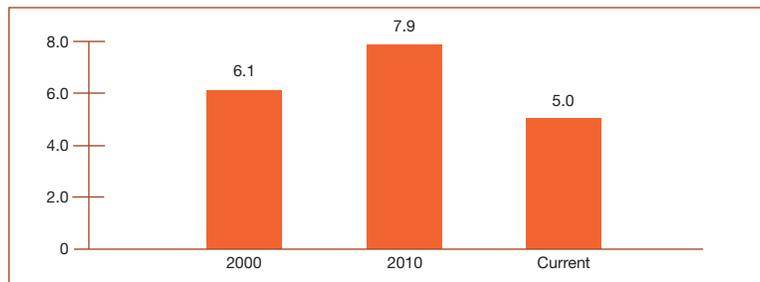
The rental housing market is balanced in the Tacoma HMA. The rental vacancy rate, as of March 2011, was estimated at 5 percent (see Figure 8 for historical vacancy rates). According to Dupre+Scott Apartment Advisors, Inc., the apartment vacancy rate in Pierce County was 5.6 percent in March 2011 compared with 7.6 percent in March 2010 and 6 percent in March 2009. Vacancy rates declined in the latter part of 2010 because of the return of 18,000 soldiers to JBLM and continued to decrease in 2011 because of increased demand for rental units.

According to Dupre+Scott Apartment Advisors, Inc., the average apartment rent for Pierce County in March 2011 was \$820 compared with \$811 a year earlier, an increase of 1 percent. The average rent by number of bedrooms in March 2011 was \$608 for a studio unit, \$698 for a one-bedroom unit, \$797 for a two-bedroom, one-bathroom unit, \$980 for a two-bedroom, two-bathroom unit, and \$1,154 for a three-bedroom unit.

Multifamily construction activity, as measured by the number of units permitted, totaled about 210 units during the 12 months ending March 2011, which, when compared with 520 units permitted during the previous 12 months, represents a decrease of 59 percent, according to preliminary data (see Figure 9 for multifamily building permit trends). Real Data, Inc., reported in the first quarter of 2011 that the only large-scale apartment complex under construction was The Jackson Building, a 157-unit project located in Tacoma.

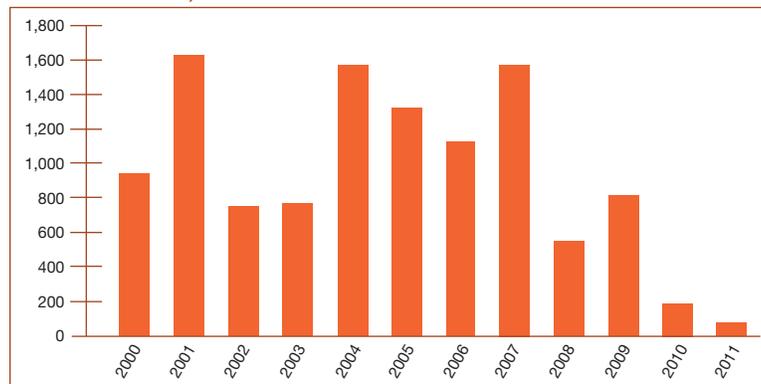
The most recently completed project in downtown Tacoma is Chelsea Heights, a 78-unit apartment complex, which opened in the fourth quarter of 2009 and reached a stabilized level of occupancy in the first quarter of 2011. Rents range from \$1,150 to \$1,250 for a two-bedroom, one-bathroom unit and from \$1,350 to \$1,500 for a two-bedroom, two-bathroom unit. Outside of Tacoma, the most recently completed apartment complex is the 75-unit Riverside Park III complex in Puyallup. Construction was completed during the third quarter of 2010 and stabilized

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



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

**Figure 9.** Multifamily Building Permits Issued in the Tacoma HMA, 2000 to 2011



Notes: Includes all multifamily units in structures with two or more units. Includes data through March 2011.

Source: U.S. Census Bureau, Building Permits Survey

## Housing Market Trends

### Rental Market *Continued*

occupancy was reached in the first quarter of 2011. Monthly rents are \$719 for a one-bedroom unit, \$829 for a two-bedroom unit, and \$999 for a three-bedroom unit.

During the next 3 years, demand for rental housing is expected for 2,975 units, most of which will be for units priced below \$1,550 (see Table 5).

**Table 5.** Estimated Demand for New Market-Rate Rental Housing in the Tacoma HMA, April 1, 2011 to April 1, 2014

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
760 to 959	530	850 to 1,049	160	1,150 to 1,349	550	1,350 or more	150
960 to 1,159	330	1,050 to 1,249	380	1,350 to 1,549	330		
1,160 to 1,359	25	1,250 to 1,449	120	1,550 to 1,749	140		
1,360 or more	10	1,450 to 1,649	200	1,750 to 1,949	20		
		1,650 or more	50	1,950 or more	20		
<b>Total</b>	<b>890</b>	<b>Total</b>	<b>910</b>	<b>Total</b>	<b>1,050</b>	<b>Total</b>	<b>150</b>

*Note: The 280 units currently under construction will satisfy some of the estimated demand. Numbers may not add to totals because of rounding.*

*Source: Estimates by analyst*

## Data Profile

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	322,996	357,093	357,100	1.0	0.0
Unemployment Rate	5.0%	9.9%	9.9%		
Nonfarm Payroll Jobs	244,400	264,700	264,700	0.8	0.0
Total Population	700,820	795,225	819,200	1.3	3.0
Total Households	260,800	299,918	305,900	1.4	2.0
Owner Households	165,598	189,080	189,500	1.3	0.2
Percent Owner	63.5%	63.0%	61.9%		
Renter Households	95,202	110,838	116,400	1.5	5.0
Percent Renter	36.5%	37.0%	38.1%		
Total Housing Units	277,060	325,375	328,700	1.6	1.0
Owner Vacancy Rate	1.8%	2.6%	2.9%		
Rental Vacancy Rate	6.1%	7.9%	5.0%		
Median Family Income	\$35,108	\$69,600	\$70,800	7.1	0.9

*Notes: Employment data represent annual averages for 1990, 2000, and the 12 months through March 2011. Median family incomes are for 1999, 2009, and 2011.*

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

## Data Definitions and Sources

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2000: 4/1/2000—U.S. Decennial Census

2010: 4/1/2010—U.S. Decennial Census

Current date: 4/1/2011—Analyst's estimates

Forecast period: 4/1/2011–4/1/2014—Analyst's estimates

**Demand:** The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

**Other Vacant Units:** In 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 the 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 are classified as commercial structures and 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 [www.huduser.org/publications/pdf/CMARtables\\_TacomaWA\\_11.pdf](http://www.huduser.org/publications/pdf/CMARtables_TacomaWA_11.pdf).

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to [www.huduser.org/publications/econdev/mkt\\_analysis.html](http://www.huduser.org/publications/econdev/mkt_analysis.html).