

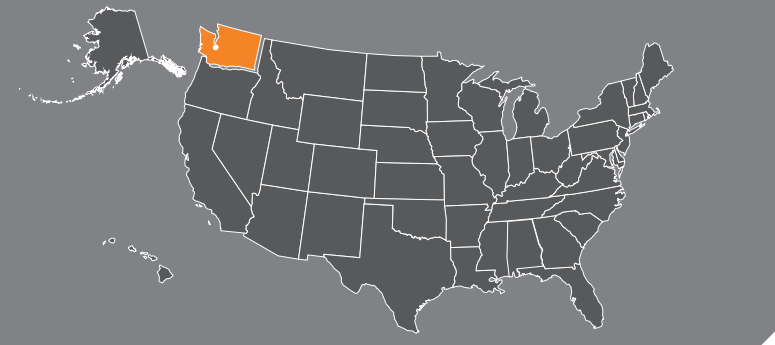
# HUD PD&R Housing Market Profiles

## Olympia-Tumwater, Washington



### Quick Facts About Olympia-Tumwater

- Current sales market conditions: slightly tight.
- Current rental market conditions: slightly tight.
- The Billy Frank Jr. Nisqually National Wildlife Refuge, one of the largest estuary restoration projects in the nation, is in the metropolitan area. In 2009, a dike system was removed from the site, restoring 762 acres of historic wetlands to their natural state.



By Adam Tubridy | As of May 1, 2016

### Overview

The Olympia-Tumwater metropolitan area consists of Thurston County, in the Puget Sound region of Washington, along Interstate 5 between Seattle and Portland. The city of Olympia is the state capital.

- As of May 1, 2016, the estimated population of the Olympia-Tumwater metropolitan area is 272,400, reflecting an average annual increase of 3,225, or 1.2 percent, since 2010.
- Population growth peaked from 2005 to 2009 at an average of 5,725 people, or 2.4 percent, annually because of job growth from 2004 through 2008. Net in-migration accounted for approximately 80 percent of the population growth during that period but has accounted for only 68 percent since 2010.
- Since 2010, approximately two-thirds of all net in-migration has been domestic and one-third has been international. The largest source of net domestic migration is the Seattle-Tacoma-Bellevue, WA metropolitan area (2009–2013 5-year American Community Survey data).



Because the city of Olympia is the state capital of Washington, government employment is the foundation of the Olympia-Tumwater area's economy.

	3 Months Ending		Year-Over-Year Change	
	April 2015 (thousands)	April 2016 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	108.3	111.3	3.0	2.8
Goods-producing sectors	8.0	8.1	0.1	1.3
Mining, logging, and construction	4.7	4.9	0.2	4.3
Manufacturing	3.4	3.2	-0.2	-5.9
Service-providing sectors	100.2	103.2	3.0	3.0
Wholesale and retail trade	15.0	16.3	1.3	8.7
Transportation and utilities	2.5	2.5	0.0	0.0
Information	0.9	0.9	0.0	0.0
Financial activities	4.1	4.2	0.1	2.4
Professional and business services	10.3	10.3	0.0	0.0
Education and health services	16.1	16.5	0.4	2.5
Leisure and hospitality	9.4	9.9	0.5	5.3
Other services	4.4	4.5	0.1	2.3
Government	37.5	38.2	0.7	1.9
	<b>(percent)</b>	<b>(percent)</b>		
Unemployment rate	6.2	6.1		

Note: Numbers may not add to totals because of rounding.  
Source: U.S. Bureau of Labor Statistics

## Economic Conditions

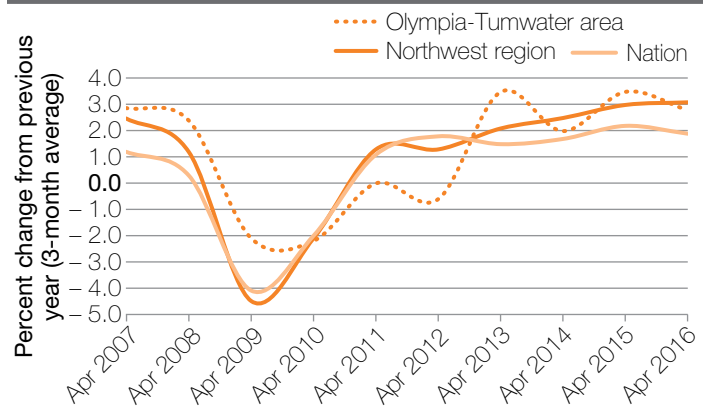
Economic conditions in the Olympia-Tumwater metropolitan area have improved since 2012, after the number of nonfarm payrolls declined by an average of 1,600 jobs annually, or 1.6 percent, from 2009 through 2011. By comparison, the number of nonfarm payrolls in the nation both dropped and recovered earlier, declining an average of 1.9 percent from 2008 through 2010. Nonfarm payrolls in the Olympia-Tumwater metropolitan area have recovered from the recession and currently are 5.4 percent higher than the prerecession peak of 104,400 in 2008.

During the 3 months ending April 2016—

- Nonfarm payrolls increased by 3,000 jobs, or 2.8 percent, to 111,300 jobs compared with 108,300 during the 3 months ending April 2015. Job growth has been steady since 2013, averaging 2.9 percent annually.
- The education and health services sector added 400 jobs, or 2.5 percent, to 16,500 jobs. This sector is the largest private economic sector and includes the largest private employer: Providence Health & Services, which opened a new 25,000-square-foot family medicine clinic in January 2016.
- The wholesale and retail trade sector led job growth, increasing by 1,300 jobs, or 8.7 percent, to 16,300 jobs. During 2015 the total value of retail sales in the metropolitan area increased 9 percent to \$4.5 billion (Washington State Department of Revenue).

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Nonfarm payroll growth in the Olympia-Tumwater area has exceeded the national average since 2013.



Note: Nonfarm payroll jobs.  
Source: U.S. Bureau of Labor Statistics

### Largest employers in the Olympia-Tumwater area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Washington	Government	23,100
Providence Health and Services	Education and health services	1,700
WalMart Stores, Inc.	Wholesale and retail trade	1,025

Note: Excludes local governments and school districts.  
Source: Thurston Economic Development Council

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- The unemployment rate averaged 6.1 percent, down slightly from 6.2 percent during the 3 months ending April 2015. The jobless rate has declined every year since 2011 and is only slightly more than the 2000-through-2008 average of 5.6 percent.

The state of Washington is by far the largest employer in the metropolitan area and serves as the foundation of the local economy. During the national recession starting in 2007, the relative stability of state government employment delayed and lessened the num-

ber of job losses in the metropolitan area. State government's share of nonfarm payrolls have fallen, however, from 27 percent in 2000 to 22 percent in 2015 because of higher job growth in the private, service-providing sectors. During the 3 months ending April 2016, the government sector added 700 jobs, or 1.9 percent, to total 38,200 jobs. Although state government jobs account for about two-thirds of this sector, local government hiring accounted for 60 percent of the government job growth during the past year.

## Sales Market Conditions

The sales housing market in the Olympia-Tumwater metropolitan area is slightly tight, with an estimated sales vacancy rate of 1.3 percent, down from 2.4 percent in 2010. As of April 2016, the metropolitan area had 1.9 months of unsold, available inventory, down from 3.5 months in April 2015; in the same period, the number of active listings declined from 1,100 to 800 homes (Trendgraphix).

During the 12 months ending March 2016—

- Sales of existing homes totaled 7,400, up 15 percent from a year earlier. During the housing market recovery, existing home sales increased an average of 15 percent annually from 2011 through 2014 (CoreLogic, Inc., with adjustments by the analyst).
- The average sales price for existing homes was \$248,300, an increase of 6 percent compared with the average price during the 12 months ending March 2015. Despite annual growth every year since 2013, the average existing home price is still lower than the prerecession average of \$257,700 from 2006 through 2008.

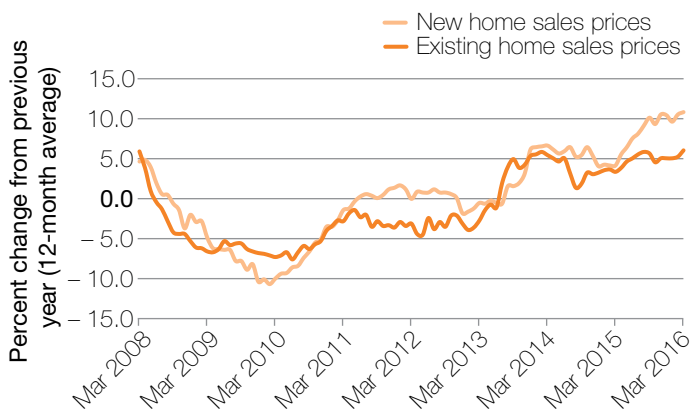
- New home sales were unchanged at 660 homes compared with the previous 12-month period. New home sales have remained low since the recession and housing crisis, averaging 700 annually from 2011 through 2014 compared with 1,625 from 2005 through 2007.
- The average sales price for a new home increased 11 percent to \$312,900. During 2015, new home prices exceeded the average of \$292,800 from 2006 through 2008 but were still similar on a square-foot-per-dollar basis.

Single-family home construction activity, as measured by the number of homes permitted, has remained low since significantly decreasing during the housing crisis and recession.

- During the 12 months ending April 2016 approximately 940 single-family homes were permitted, an increase of 160, or 21 percent, compared with the preceding 12-month period.

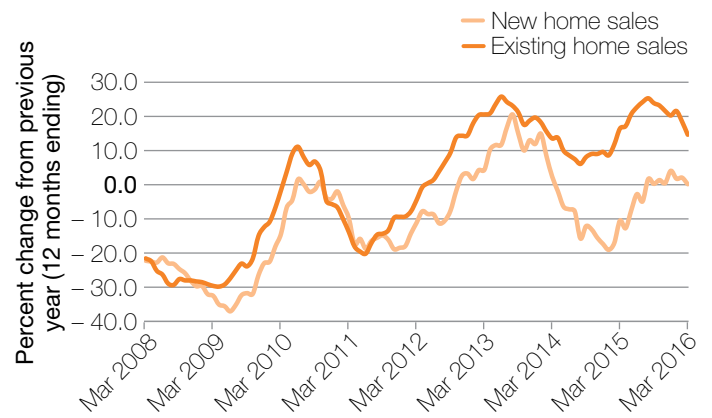
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### New and existing home sales prices in the Olympia-Tumwater area have increased since 2014.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

### Existing home sales in the Olympia-Tumwater area have been increasing consistently since late 2012.



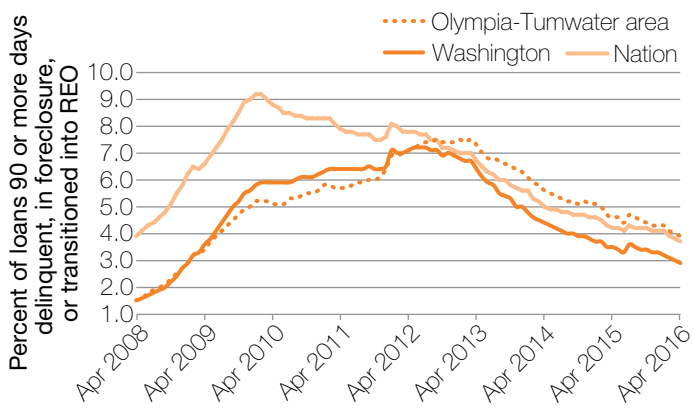
Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst



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- Single-family construction averaged 2,275 from 2004 through 2007 but declined to an average of 990 from 2008 through 2015. The decline in home construction has been greatest for entry-level homes; the average size of a new home built from 2013 through 2015 was approximately 8 percent larger than a new home built from 2005 through 2007.

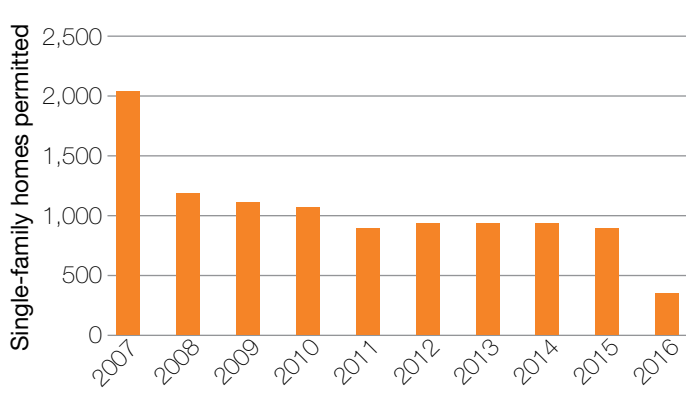
The percentage of seriously delinquent loans and REO properties in the Olympia-Tumwater area has declined at a slower rate than that of Washington.



REO = real estate owned. Source: Black Knight Financial Services, Inc.

- Most new home construction is occurring in subdivisions in the suburb of Lacey and the unincorporated land surrounding the city of Olympia. Woodbury Crossing is a 163-lot subdivision outside the western border of the city of Olympia that offers three- and four-bedroom homes priced starting at \$300,000 and \$310,000, respectively.

Single-family home construction levels in the Olympia-Tumwater area have been relatively constant since 2011.



Note: Includes preliminary data from January 2016 through April 2016. Source: U.S. Census Bureau, Building Permits Survey

## Rental Market Conditions

Apartment market conditions in the Olympia-Tumwater metropolitan area currently are slightly tight. The rental housing market has improved since 2010, in part because of households' increasing propensity to rent and the decreased construction of entry-level homes.

- The estimated vacancy rate for all rental units (including single-family homes, manufactured homes, and apartment units) was 4.5 percent as of May 1, 2016, a decrease from 7.0 percent in 2010.
- The apartment vacancy rate in the metropolitan area was 2.6 percent in March 2016, down from 3.3 percent in March 2015. By comparison, the apartment vacancy rate was 6.5 percent in March 2010 (Dupre+Scott).
- The average apartment rent increased 5.3 percent from a year earlier to \$958 in March 2016. Annual rent growth has increased in the past 3 years from a low of 1.1 percent in March 2013.
- The average rents during March 2016 were \$836, \$1,008, and \$1,216 for one-, two-, and three-bedroom apartments, respectively.

Despite low vacancy rates, apartment construction in the metropolitan area has remained low since 2007. Increasing rent growth seems to be making development more attractive, however, with multifamily construction significantly increasing during the past 12-month period.

- During the 12 months ending April 2016, approximately 340 multifamily units were permitted compared with the 10 units permitted during the previous 12 months (preliminary data).
- Permitting averaged 260 multifamily units annually from 2000 through 2009 but declined to an average of 150 units from 2010 through 2015. Almost all this decrease, however, was caused by an unusually high level of multifamily construction in 2006 and 2007, when an average of 640 units were permitted annually.
- An estimated 400 apartment units currently are under construction in the metropolitan area. Multifamily construction is distributed throughout the Olympia-Tumwater metropolitan area, with ongoing projects in the cities of Olympia, Lacey, and Tumwater.

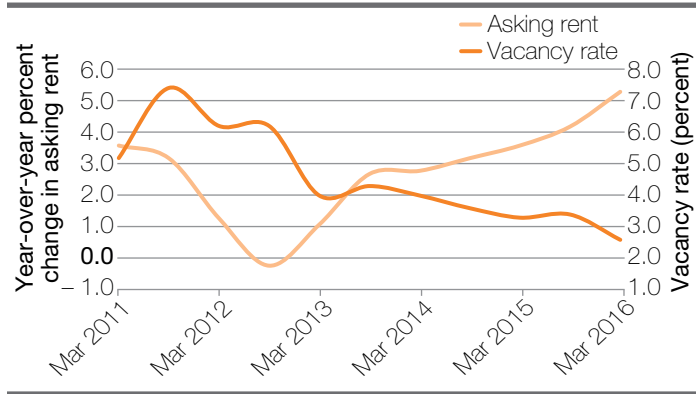
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- 123 4th Apartments is a 138-unit development in downtown Olympia that opened in March 2016. Rents for one- and two-bedroom units start at \$990 and \$1,775, respectively.

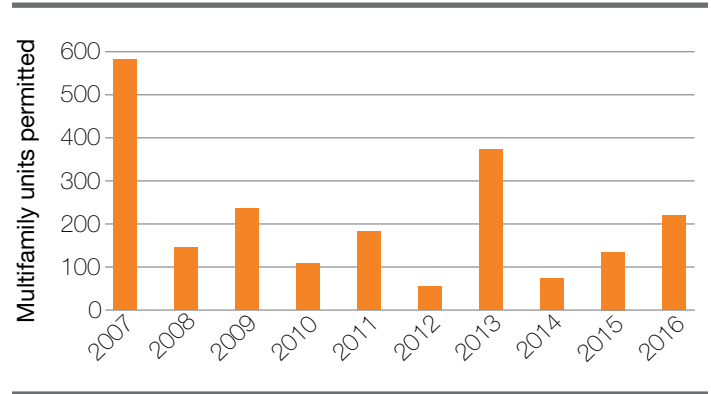
**Rent growth in the Olympia-Tumwater area has increased substantially since 2012.**



Source: Dupre+Scott

- Billy Frank Jr. Place, a 43-unit subsidized apartment building, is under construction in downtown Olympia. When complete in 2017 the apartments will provide shelter for homeless individuals and families, with 16 units reserved for homeless veterans.

**The rate of multifamily home construction in the Olympia-Tumwater area has been low since 2008.**



Note: Includes preliminary data from January 2016 through April 2016.  
Source: U.S. Census Bureau, Building Permits Survey

