

# Housing Market Profile

Northwest • HUD Region X



## Bellingham, Washington

The Bellingham metropolitan area consists of Whatcom County in the northwestern corner of Washington, roughly 50 miles southeast of Vancouver, Canada, and 90 miles north of Seattle. North Cascades National Park and the Mt. Baker-Snoqualmie National Forest make up most of the eastern portion of the county. The population of the metropolitan area has grown since April 1, 2010, at an average annual rate of 1,125, or 0.6 percent, reaching an estimated 204,200 as of January 1, 2013. Nearly 90 percent of the population growth was because of net natural change (resident births minus resident deaths). By comparison, population growth averaged 2,900 people, or 1.5 percent, annually from 2006 to 2009 before slowing to average 1,175 people, or 0.6 percent, annually from 2009 to 2011. Net in-migration represented 68 percent of the population growth from 2006 to 2009 and 46 percent from 2009 to 2011. The largest employers in the metropolitan area are PeaceHealth St. Joseph Medical Center, Western Washington University, the BP Cherry Point Refinery, and the aircraft interior manufacturer Heath Tecna, Inc., with 2,750, 1,900, 800, and 700 employees, respectively.

Economic conditions steadily improved in the Bellingham metropolitan area during the past 2 years as the U.S. economy continues to recover after the end of the recent recession in 2009. Nonfarm payrolls declined from a peak of 85,200 jobs in 2008 to a low of 78,700 jobs in 2010, an average annual loss of 3,200 jobs, or 3.8 percent. Job losses were heaviest in the mining, logging, and construction, the professional and business services, and the manufacturing sectors, which declined at average annual rates of 14.6, 6.7, and 6.5 percent, respectively. During the 12 months ending November 2012, nonfarm payrolls increased by 2,400 jobs, or 3.0 percent, reaching 82,600 jobs compared with the increase of 1,500 jobs, or 1.9 percent, recorded during the previous 12 months. The average unemployment rate was 7.4 percent during the 12 months ending November 2012, down from 8.4 percent during the previous 12 months, and the labor force grew by 2,125 workers, or 2.0 percent.

Based on the most recent data available, the largest gains in covered payroll jobs during the 12 months ending June 2012 were in the manufacturing, the mining, logging, and construction, and the trade, transportation, and utilities sectors. Manufacturing payrolls increased by 580 jobs, or 7.4 percent. The manufacturing sector has a substantial

economic impact on the metropolitan area, accounting for 11 percent of covered payrolls and several of the largest employers, including BP Cherry Point Refinery, Heath Tecna, Inc., and the aluminum smelting facility Alcoa Intalco Works. During the 12 months ending June 2012, the trade, transportation, and utilities sector increased by 510 jobs, or 3.5 percent, from the previous 12 months. This sector represents 19 percent of covered jobs in the metropolitan area, and several recent developments may positively affect the sector. Public comment meetings about the proposed Gateway Pacific Terminal will continue through January 2013, after which the drafting of an environmental impact statement will begin. If constructed, the facility would export bulk commodities (including coal from Montana and Wyoming) to Asian markets. Liquor retailer BevMo! has opened five stores in Washington since all the state-run liquor stores closed in June 2012 and plans to open a new store in the city of Bellingham by February 2013.

Sales housing market conditions in the Bellingham metropolitan area are soft, with an estimated sales vacancy rate of 1.8 percent. According to CoreLogic, Inc., the market began to stabilize from 2008 through 2010 at average annual sales of 3,450 new and existing homes. The average home sales price was \$263,000 in 2008, and then declined 4 percent in 2009 and 2 percent in 2010. During the 12 months ending October 2012, 3,525 homes sold, down 6 percent from 3,750 homes sold during the previous 12 months. The average home sales price increased 2 percent, to \$242,500. According to LPS Applied Analytics, as of November 2012, 4.8 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), up slightly from 4.4 percent in November 2011. By comparison, the Washington state rate was 7.0 percent in November 2012, up from 6.4 percent in November 2011. The amount of new home construction remained limited because homes built during the peak years of 2003 through 2005 helped meet current demand. From 2008 through 2010, an average of 300 homes were permitted annually. Based on preliminary data, 260 homes were permitted during the 12 months ending November 2012, up from 220 homes permitted during the previous 12 months.

The rental housing market in the Bellingham metropolitan area is balanced, with an estimated overall vacancy rate of 4.5 percent. According to Reis, Inc., the apartment vacancy rate was 2.3 percent during the third quarter of 2012, down from 3.1 percent during the third quarter



of 2011, and the average rent increased approximately 1 percent, to \$772. Multifamily construction, as measured by the number of units permitted, declined to average 150 units a year from 2006 through 2008, and virtually no units were permitted in 2009 and 2010. Multifamily construction rebounded because 2 years of limited new unit supply and the absorption of excess units resulted in declining apartment vacancy rates. Based on preliminary data, approximately 110 multifamily units were permitted during the 12 months ending November 2012, up from 95 units permitted during the previous 12 months.

The Shearwater, a 56-unit apartment building, completed construction in May 2012 and is fully occupied as of January 2013, with rents ranging from \$620 for a studio unit to \$1,105 for a two-bedroom unit. Three additional buildings of similar design are being planned for adjacent sites and are expected to break ground in the spring of 2013. The Barkley Company completed construction on the Regal Barkley Village movie theater in December 2012 and, as part of its Barkley Village development, plans to build a 112-unit, mixed-use apartment complex, which is expected to begin construction in May 2013.