

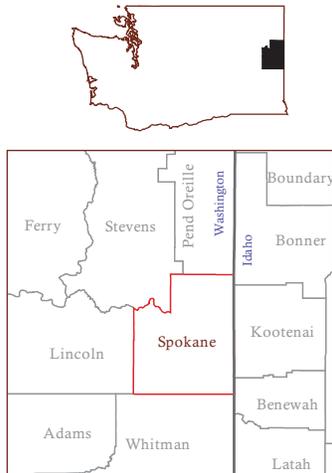


# Spokane, Washington

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



## Housing Market Area



Located in eastern Washington, the Spokane Housing Market Area (HMA) consists of Spokane County and serves as a regional hub for transportation, education, and health services. Some of the largest employers in the area include Fairchild Air Force Base, Providence Sacred Heart Medical Center & Children’s Hospital, and Northern Quest Casino and Resort.

## Market Details

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## Summary

### Economy

Economic conditions in the Spokane HMA continued to remain weak during the 12 months ending June 2011 because of the lingering aftereffects of the recession. During this time, average nonfarm payrolls declined by 900 jobs, or 0.4 percent, and the average unemployment rate dropped from 9.8 to 9.2 percent. During the forecast period, nonfarm payrolls are expected to grow at an average annual rate of 1.3 percent.

### Sales Market

Sales housing market conditions are soft, with an estimated vacancy rate of 2.2 percent because of the struggling local economy and the excess housing supply that was built during the housing boom. Estimated forecast demand is for 3,050 new homes. A portion of the demand will be met by the 210 homes currently under construction (see Table 1). Builders should be aware that a portion of the 5,875 other vacant units may come back on the market and satisfy some of this demand.

### Rental Market

Rental housing market conditions are relatively balanced, with an estimated vacancy rate of 6 percent, although signs indicate ongoing market tightening. According to Reis, Inc., from the second quarter of 2010 to the second quarter of 2011, the apartment vacancy rate declined from 6.6 to 4.8 percent, and average asking rents increased by 2 percent. Rental housing demand during the forecast period is estimated for 2,000 new units, a portion of which will be satisfied by the 380 units currently under construction (see Table 1).

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

	Spokane HMA	
	Sales Units	Rental Units
Total Demand	3,050	2,000
Under Construction	210	380

*Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2011. A portion of the estimated 5,870 other vacant units in the HMA will likely satisfy some of the forecast demand.*

*Source: Estimates by analyst*

# Economic Conditions

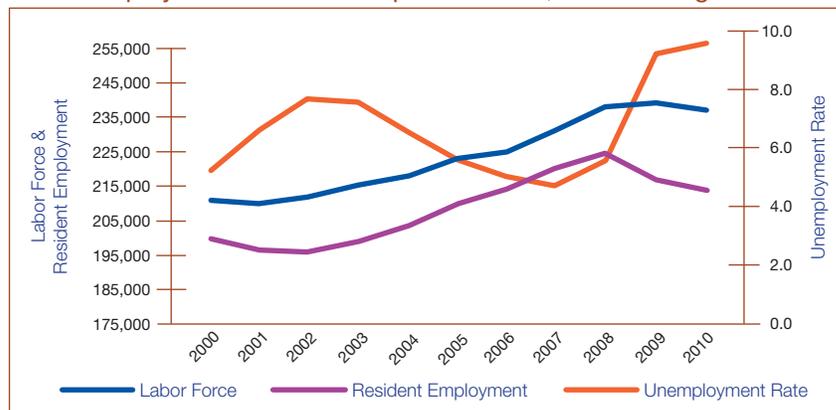
Economic conditions in the Spokane HMA remained weak during the 12 months ending June 2011, when average nonfarm payrolls declined by 900 jobs, or 0.4 percent, to 204,500 jobs. Although job losses have continued, the rate of decline has slowed significantly since the same period a year ago when average nonfarm payrolls fell by 9,400 jobs, or 4.4 percent. By comparison, from 2000 through 2006, average nonfarm payrolls increased by 2,800 jobs, or 1.4 percent, a year. After hitting a low of 4.7 percent in 2007, the unemployment rate increased to 9.8 percent

during the 12 months ending June 2010, followed by a slight decline to 9.2 percent during the current 12 months (see Figure 1).

Employment at local banks and with home builders continues to be negatively affected by the sharp downturn in the housing market; during the 12 months ending June 2011, the financial activities sector lost 350 jobs, or 2.8 percent, and the mining, logging, and construction sector lost 350 jobs, or 3.5 percent. In contrast, the two sectors added an annual average of 1,000 and 300 jobs, respectively, during the peak housing market from 2004 through 2006. The effect of the recession on state and local government budgets led to a decline of 300 jobs, or 0.9 percent, in the government sector. One notable exception to the ongoing slump in nonfarm payrolls was the leisure and hospitality sector, which increased by 400 jobs, or 2 percent, because of a large number of restaurant openings and rehiring by existing businesses (see Table 2).

The HMA historically has served as the major transportation and economic hub of eastern Washington and northern Idaho. Overall job growth was weak from 2000 to the current date, with an average annual increase of 825 nonfarm payrolls jobs, or 0.4 percent. The goods-producing sectors reported heavy job losses of 8,400, or 25.4 percent: the manufacturing sector lost 7,400 jobs, or 33.8 percent, declining from 11.0 to 7.0 percent of total nonfarm payrolls; the mining, logging, and construction sector lost 900 jobs, or 8.1 percent, declining slightly from 6.0 to 5.0 percent of total nonfarm payrolls. These job losses were partially offset by gains in several service-providing sectors: the education

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



Source: U.S. Bureau of Labor Statistics

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

	12 Months Ending June 2010	12 Months Ending June 2011	Percent Change
Total Nonfarm Payroll Jobs	205,400	204,500	-0.4
Goods Producing	25,000	24,700	-1.3
Mining, Logging, & Construction	10,500	10,150	-3.5
Manufacturing	14,500	14,550	0.2
Service Providing	180,400	179,900	-0.3
Wholesale & Retail Trade	34,600	34,500	-0.3
Transportation & Utilities	6,050	5,975	-1.2
Information	2,825	2,775	-1.2
Financial Activities	12,300	11,950	-2.8
Professional & Business Services	20,850	21,050	1.0
Education & Health Services	40,200	40,100	-0.2
Leisure & Hospitality	18,700	19,100	2.0
Other Services	9,125	8,975	-1.5
Government	35,800	35,500	-0.9

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

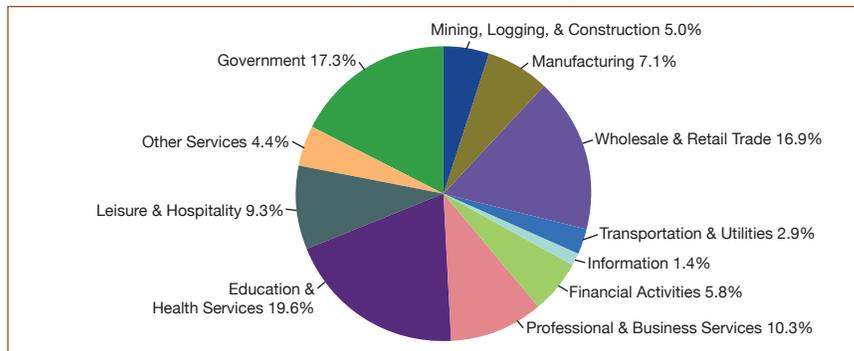
Source: U.S. Bureau of Labor Statistics

and health services sector gained 9,800 jobs, or 32.3 percent; the government sector increased by 3,400 jobs, or 10.6 percent; and the professional and business services sector added 2,900 jobs, a 16-percent increase (see Figures 2 and 3).

The education and health services sector has grown steadily over the past decade; it currently represents 20 percent of total nonfarm payrolls, up from 16 percent in 2000. The sector contains the first and third largest private employers in the HMA (see Table 3): Providence Sacred Heart

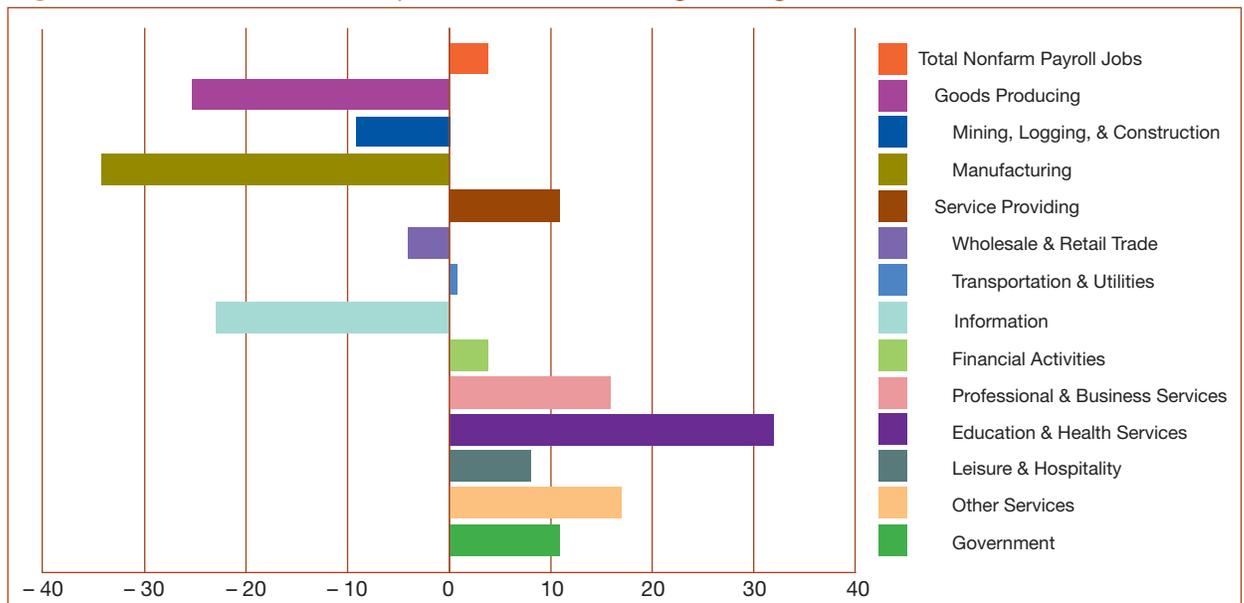
Medical Center & Children's Hospital and Deaconess Medical Center employ 3,275 and 1,400 workers, respectively, and private colleges Gonzaga University and Whitworth University employ 1,150 and 440 faculty and staff, respectively. The sector's prominent role in the local economy is expected to grow because the state legislature recently allocated \$35 million in the 2011–2013 Biennium capital budget for the construction of the new Biomedical & Health Sciences Building that will house a new medical school and the Washington State University College of Pharmacy. The new building will be constructed at a total estimated cost of \$70 million on the Washington State University-Spokane Riverpoint campus, creating a full 4-year medical program that is expected to graduate 100 to 120 medical students a year by 2013. According to a 2009 study by Tripp Umbach, the new building will increase the regional economic impact of the Academic Health Science Center at Riverpoint from \$212.2 million in 2009 to an estimated \$441.7 million

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



Note: Based on 12-month averages through June 2011.  
Source: U.S. Bureau of Labor Statistics

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



Note: Current is based on 12-month averages through June 2011.  
Source: U.S. Bureau of Labor Statistics

by 2017; the effect on regional employment is expected to increase from 1,100 jobs in 2009 to 2,375 jobs by 2017.

The government sector provides a stabilizing influence on the local

economy, increasing slightly from 16 percent of total nonfarm payrolls in 2000 to 17.3 percent currently. Fairchild Air Force Base, the largest employer in the HMA and home of the 92nd and 141st Air Refueling Wings, employs 4,675 military personnel and 1,150 civilian workers. According to the FY 2010 Economic Impact Brochure, the base had an estimated economic impact on the HMA of \$498 million in 2010.

Economic conditions in the Spokane HMA are expected to recover modestly during the forecast period, with an expected average annual nonfarm payroll growth of 1.3 percent. The leisure and hospitality and the education and health services sectors are expected to lead the recovery.

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

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fairchild Air Force Base	Government	5,825
Providence Sacred Heart Medical Center & Children's Hospital	Education & Health Services	3,275
City of Spokane	Government	2,050
Spokane County	Government	1,925
Northern Quest Resort and Casino	Leisure & Hospitality	1,625
Deaconess Medical Center	Education & Health Services	1,400
Wal-Mart Stores	Wholesale & Retail Trade	1,350
Gonzaga University	Education & Health Services	1,150
Eastern Washington University	Government	1,075
Rockwood Clinic	Education & Health Services	975

*Notes: Excludes local school districts. Number of employees is in full-time equivalents except for Fairchild Air Force Base, which is a headcount of uniformed service members and civilian employees.*

*Source: Journal of Business (2010)*

## Population and Households

The population in the Spokane HMA is estimated to be 479,000 as of July 1, 2011, increasing at an average annual rate of 1.2 percent, or 5,325, from 2000 to 2010, and 1.3 percent, or 6,225, from 2010 to the current date. Net in-migration averaged 3,275 people a year from 2000 to 2010 and 3,825 from 2010 to the current date (see Figure 4). The total number of households grew at an average annual rate of 1.4 percent, or 2,350 households a year, from 2000 to 2010, but the growth slowed slightly from 2010 to the current date to an average annual rate of 1.2 percent, or 2,175 households (see Figure 5). The HMA has an estimated 189,900 households, of which owners occupy

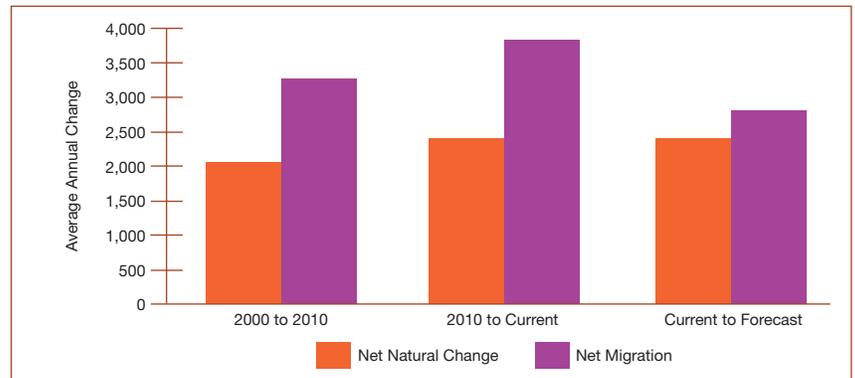
64.3 percent (see Figure 6). Since 2010, the rate of household formation has slowed and the average household size has increased as the effects of the recent recession on the economy have negatively affected employment and household incomes.

The total population in the Spokane HMA is expected to reach 494,600 during the forecast period, increasing by an average annual rate of 1.1 percent, or 5,200. Net in-migration is projected to increase slowly at an average rate of 2,775 a year, significantly less than the average annual in-migration of 4,225 from 2004 through 2006. Despite some improvement in the local economy and labor market, the average

household size is expected to increase and new household formation to slow. The total number of households is expected to reach 194,500 by the end of the forecast period because

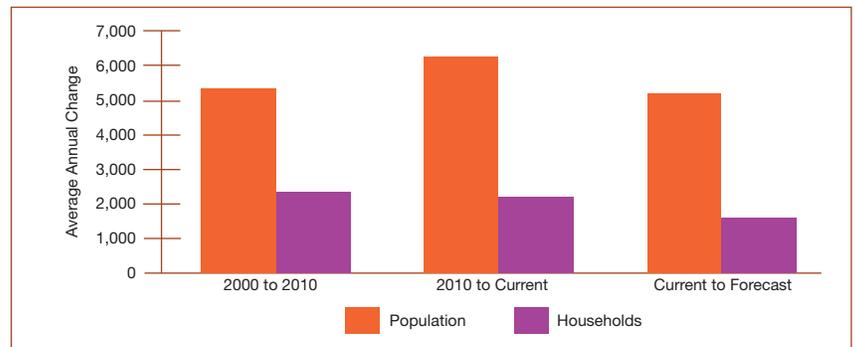
the average household growth is expected to continue to slow to 1,525 households a year, or 0.8 percent. For additional data on the Spokane HMA, see Table DP-1 at the end of this report.

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



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

**Figure 5.** Population and Household Growth in the Spokane 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 Spokane HMA, 2000 to Current



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

# Housing Market Trends

## Sales Market

The sales housing market in the Spokane HMA remains soft, with an estimated sales vacancy rate of 2.2 percent. The weak local economy and significant overbuilding of single-family homes from 2004 through 2006 continue to cause problems for the sales housing market. According to LPS Applied Analytics data, 5 percent of home loans in the Spokane HMA were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) as of July 2011, up from 4.5 percent in June 2010. During the 12 months ending June 2011, foreclosures and REO closings represented 32 percent of total home sales, up from 20 percent in 2010 and 16 percent in 2009.

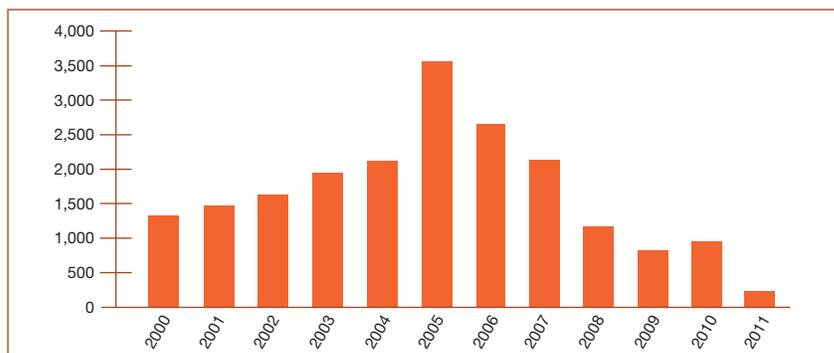
According to Hanley Wood, LLC, during the 12 months ending June 2011, 520 new and 3,325 existing homes sold, down 32 and 37 percent, respectively, compared with the number sold during the same period in 2010. Annual home sales in the HMA have dropped sharply since the peak years of 2004 through 2006, when an average of 1,975 new and 10,750 existing homes

sold each year. In the 12 months ending June 2011, the average new home sales price increased by 6 percent from \$205,900 to \$218,000, and the average sales price for existing homes increased by 4 percent from \$183,800 to \$190,200. The average sales price of a new home declined by 21 percent from \$265,200 at its peak in 2007 to \$210,400 in 2010, and the average sales price of an existing home declined by 3 percent from \$194,800 in 2007 to \$190,000 in 2010.

Construction of new homes, as measured by the number of single-family building permits issued, has declined sharply. According to preliminary data, during the 12 months ending June 2011, permits were issued for 610 single-family homes, down from 700 homes permitted during the same period in 2010 and up slightly from 560 homes permitted in 2009. In comparison, the number of permits issued during the same period from 2004 through 2006 averaged 2,150 (see Figure 7).

Demand for new sales housing during the forecast period is estimated to be for 1,150 homes in the first year, 1,200 homes in the second year, and 1,300 homes in the third year. The 210 homes currently under construction will satisfy a portion of demand in the first year (see Table 1). Roughly 65 percent of demand is expected to fall in the \$100,000-to-\$249,999 price range (see Table 4). Builders should be aware that some portion of the 5,875 other vacant units may come back on the market and satisfy a portion of forecast demand.

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



Notes: Includes townhomes. Includes data through June 2011.

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

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

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	149,999	460	15.0
150,000	199,999	920	30.0
200,000	249,999	610	20.0
250,000	299,999	460	15.0
300,000	349,999	180	6.0
350,000	399,999	150	5.0
400,000	449,999	150	5.0
450,000	and higher	120	4.0

*Note: Some of the estimated demand will be satisfied by the 210 homes currently under construction. In addition, a portion of the estimated 5,870 other vacant units in the HMA will likely satisfy some of the forecast demand.*

*Source: Estimates by analyst*

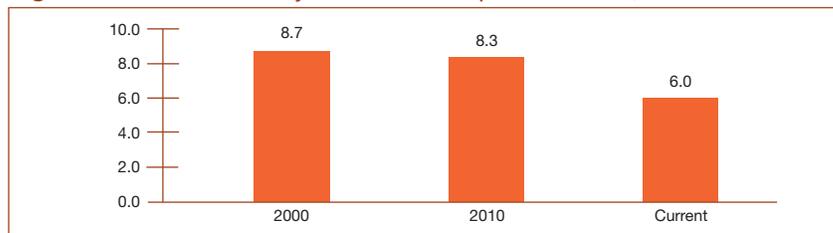
## Rental Market

The rental housing market is relatively balanced, with an estimated 6-percent vacancy rate as of July 2011 (see Figure 8). According to Reis, Inc., the apartment market vacancy rate during the second quarter of 2011 was 4.8 percent, down from 6.6 percent the previous year. The average asking rent

was \$648, up 2 percent from \$634 during second quarter 2010. During the second quarter of 2011, asking rents in the Spokane HMA were \$561 for a one-bedroom unit, \$685 for a two-bedroom unit, and \$858 for a three-bedroom unit.

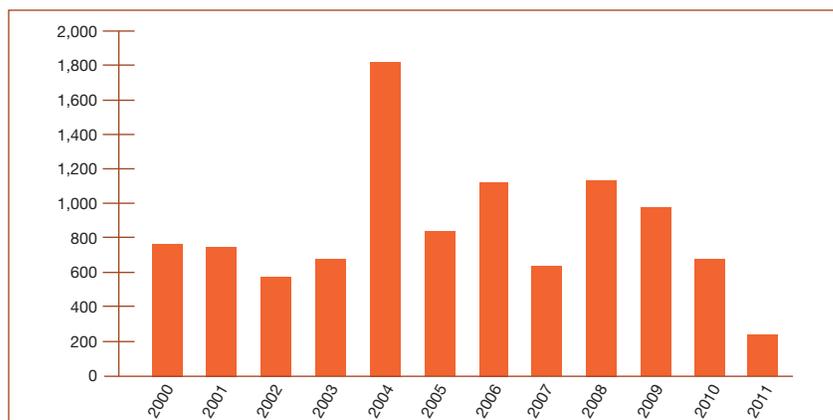
Based on preliminary building permit data, 260 multifamily units were permitted during the 12 months ending June 2011, down from 420 units permitted during the same period in 2009 and 520 units permitted in 2010. Since 2000, the number of multifamily permits issued has averaged 900 units a year and peaked in 2004 at 1,800 multifamily units permitted (see Figure 9). Although the current pipeline is limited, construction of new rental units continues in some areas in the HMA. Affinity at Mill Road, a 150-unit market-rate senior apartment complex, is currently under construction, with completion expected in the fall of 2012. Proposed rent levels are \$900 for a studio unit, \$1,000 for a one-bedroom unit, and \$1,150 for a two-bedroom unit. Affinity at South Hill, a similar 150-unit project, is undergoing plan review and permitting with the city of Spokane. Finally,

**Figure 8.** Rental Vacancy Rates in the Spokane 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 Spokane HMA, 2000 to 2011



*Notes: Excludes townhomes. Includes data through June 2011.*

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

## Housing Market Trends

### Rental Market *Continued*

a 232-unit low-income housing tax credit project called Palouse Family Apartments is being constructed on the lot adjacent to Traditions at South Hill, with an estimated completion date of June 2012 and proposed rent levels of \$572 for a one-bedroom unit, \$644 for a two-bedroom unit, and \$791 for a three-bedroom unit.

Because of the importance of the Fairchild Air Force Base to the local economy, military personnel, civilian employees, and their families have a significant effect on the housing market. Of the 4,675 military personnel stationed at Fairchild, 380 currently live in on-base dormitories, 654 live in on-base family housing that was privatized in 2008, and the remaining 3,641 live in off-base housing. Two of the on-base dormitories have remodeling planned that will result in the net addition of 80 one-bedroom units.

The four universities in the HMA also have a substantial effect on the rental housing market; a combined total of 17,450 students, or 75 percent of total enrolled students, lived off campus in 2010. A number of recent additions to on-campus housing include the following: Gonzaga University built the 400-bed Kennedy Apartments in 2007 and the 350-bed Coughlin Hall in 2009; Whitworth University purchased and renovated the 31-bed Cornerstone Hall in 2008, built the 170-bed East Hall in 2009, and plans to complete a 160-bed dormitory in September 2013; and Eastern Washington University plans to build a 350-bed dormitory in Cheney, with expected completion in the fall of 2013.

Rental housing demand during the forecast period is estimated at 625 units in the first year, 675 units in the second year, and 700 units in the third year. See Table 5 for estimated demand by number of bedrooms and rent levels.

**Table 5.** Estimated Demand for New Market-Rate Rental Housing in the Spokane HMA, July 1, 2011 to July 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
400 or more	60	550 to 749	510	700 to 899	940	850 to 1,049	200
		750 to 949	60	900 to 1,099	110	1,050 to 1,249	25
		950 or more	30	1,100 or more	55	1,250 or more	10
<b>Total</b>	<b>60</b>	<b>Total</b>	<b>600</b>	<b>Total</b>	<b>1,100</b>	<b>Total</b>	<b>240</b>

*Note: Some of the estimated demand will be satisfied by the 380 units currently under construction.*

*Source: Estimates by analyst*

# Data Profile

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	200,279	214,695	214,500	0.7	- 0.2
Unemployment Rate	5.2%	9.6%	9.2%		
Nonfarm Payroll Jobs	195,800	204,000	204,500	0.4	0.5
Total Population	417,939	471,221	479,000	1.2	1.3
Total Households	163,611	187,167	189,900	1.4	1.2
Owner Households	107,203	120,763	122,100	1.2	0.9
Percent Owner	65.5%	64.5%	64.3%		
Renter Households	56,408	66,404	67,800	1.6	1.7
Percent Renter	34.5%	35.5%	35.7%		
Total Housing Units	175,005	201,434	202,900	1.4	0.6
Owner Vacancy Rate	2.0%	2.1%	2.2%		
Rental Vacancy Rate	8.7%	8.3%	6.0%		
Median Family Income	\$44,100	\$60,300	\$62,100	3.2	1.3

*Notes: Employment data represent annual averages for 2000, 2010, and the 12 months through June 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: 7/1/2011—Analyst's estimates

Forecast period: 7/1/2011–7/1/2014—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 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 [www.huduser.org/publications/pdf/CMARtables\\_SpokaneWA\\_12.pdf](http://www.huduser.org/publications/pdf/CMARtables_SpokaneWA_12.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).