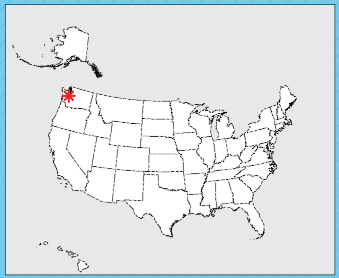
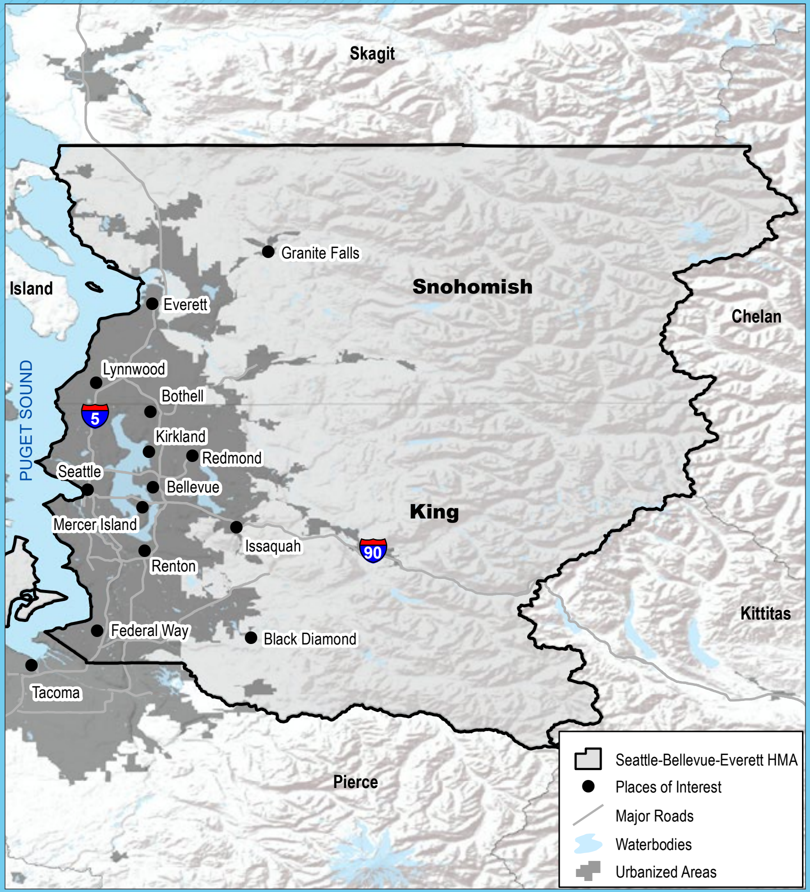
COMPREHENSIVE HOUSING MARKET ANALYSIS

# Seattle-Bellevue-Everett, Washington

**U.S. Department of Housing and Urban Development,**
**Office of Policy Development and Research**

As of March 1, 2019






# Executive Summary

## Housing Market Area Description

Situated along the Puget Sound in northwestern Washington State, the Seattle-Bellevue-Everett Housing Market Area (hereafter, the Seattle HMA) is conterminous with the metropolitan division of the same name, consisting of King and Snohomish Counties. The HMA is recognized as a center for high-tech industries, including aeronautical design and manufacturing, computer systems and software design, data processing and hosting, and logistics, with the presence of globally renowned companies that include The Boeing Company, Microsoft Corporation, and Amazon.com, Inc.

The current population is estimated at 3.04 million.

### Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

# Market Qualifiers

## Economy

Strong: **Nonfarm payrolls** in the HMA **increased 2.3 percent** during the 12 months ending February 2019.

Economic conditions in the Seattle HMA are currently strong, but the rate of job growth has moderated during the past 2 years. Nonfarm payroll jobs averaged 1.73 million during the 12 months ending February 2019, reflecting a 2.3-percent increase, or 39,100 jobs, from the same time a year earlier. The current rate of job growth is down from 2.5 percent during the 12 months ending February 2018 and an average annual growth rate of 3.0 percent from 2015 through 2017. The unemployment rate averaged 3.5 percent during the 12 months ending February 2019, down from 3.7 percent a year earlier. The information sector led job growth in percentage terms during the past 12 months. Nonfarm payroll jobs are expected to increase an average of 2.1 percent a year during the 3-year forecast period.

## Sales Market

Tight: **Permitting of owner units has been relatively flat** since 2012 contributing to tight sales market conditions.

Sales housing market conditions in the Seattle HMA are currently tight, with a 1.9-month supply of homes for sale in February 2019 (Redfin). During the 12 months ending January 2019, 53,450 new and existing homes sold, down 14 percent from a year ago, but the average sales price increased 8 percent to $633,700 (CoreLogic, Inc., with adjustments by the analyst). Despite average annual price appreciation of 8 percent since 2012, permitting of owner units has been relatively flat since 2012. Demand is expected for 27,900 new homes during the forecast period. The estimated 5,275 homes currently under construction will satisfy part of the demand.

## Rental Market

Slightly tight: Annual **rent growth averaged 5 percent** during the past 2 years compared with 8 percent a year from 2014 through 2016.

The overall rental housing market in the Seattle HMA is slightly tight, with an estimated vacancy rate of 4.8 percent, down from 7.1 percent in April 2010. Apartment market conditions are also slightly tight with a 4.8-percent vacancy rate during the fourth quarter of 2018 compared with 5.2 percent a year ago. During the past 2 years, average annual rent growth slowed to 5 percent, compared with 8 percent from 2014 through 2016. Demand is estimated for 31,900 new rental units during the 3-year forecast period. The estimated 21,050 units currently under construction, and an additional 1,725 planned completions, will meet nearly all demand in the first 2 years of the forecast.

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**3-Year Housing Demand Forecast**

| | | Sales Units | Rental Units |
|---|---|---|---|
| Seattle-Bellevue-Everett HMA | Total Demand | 27,900 | 31,900 |
| | Under Construction | 5,275 | 21,050 |

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, 2019. The forecast period is March 1, 2019, to March 1, 2022.
Source: Estimates by the analyst

# Economic Conditions

Largest sectors: Professional and business services and wholesale and retail trade

> The information sector added the most jobs in percentage terms, and the second most numerically, during the 12 months ending February 2019.

## Primary Local Economic Factors—The Rise of Amazon.com, Inc.

The rapid expansion of Amazon.com, Inc. (hereafter, Amazon), with its global headquarters in the city of Seattle, has been a giant catalyst for economic growth throughout the Seattle HMA during the past 8 years, expanding from 5,000 employees in 2010 to a current estimate of 45,000 employees. Amazon occupies 10 million square feet of office space in the city of Seattle, with another 2 million square feet under construction (Downtown Seattle Association); that is roughly equivalent to 20 percent of all office space in the city. The company plans to reach 55,000 employees by 2022 (Puget Sound Business Journal).

In addition to the growth expected in Seattle, Amazon has plans to grow in the city of Bellevue. Bellevue is approximately 10 miles east of Seattle across Lake Washington and part of the larger geography locally known as the Eastside, which includes all cities east of Lake Washington. Amazon is leasing and buying property that will be in walking distance to the new light rail station and transit hub currently under construction and is expected to be completed in 2023. During the next 4 years, the company will move its worldwide operations unit to Bellevue. Employee counts are not available, but it is one of the most critical teams at Amazon, responsible for all logistics and oversight for the more than 175 fulfillment centers around the world and the 250,000 people that work at them. Not all Amazon's growth in Bellevue will be a transfer of employees from Seattle; two other properties in downtown Bellevue will house Amazon employees starting in 2020, totaling approximately 811,000 square feet. Furthermore, Amazon purchased Bellevue Corporate Tower for $194.9 million in March 2019; although development plans have not been released, new zoning regulations in Bellevue now allow for structures up to 600 feet tall, which would allow Amazon to develop upward of 1.2 million square feet on the site.

Among the 100 largest metropolitan areas in the country, the Seattle metropolitan statistical area (which includes Pierce County) ranked as number one in 2019 for STEM (science, engineering, technology, and math) jobs (WalletHub). The high concentration of intellectual capital in the HMA, developed in large part by Amazon, has attracted other high-tech firms to expand and relocate to the area, including Google, Facebook, Apple, Uber, Airbnb, and Snapchat. Growth in high-tech industries supports job growth in several payroll sectors, including information, manufacturing, professional and business services, transportation and utilities, and wholesale and retail trade.

### Current Conditions—Nonfarm Payrolls

Economic conditions in the Seattle HMA are currently strong, but the rate of job growth slowed recently. During the 12 months ending February 2019, payrolls increased by 39,100 jobs, or 2.3 percent, from a year earlier, to 1.73 million (Table 1). By comparison, payrolls increased by 40,700 jobs, or 2.5 percent, during the 12 months ending February 2018.

A large portion of the impact from increased hiring in high-tech industries is realized in the information sector, the fastest growing sector in percentage terms in the past 12 months and the second fastest growing sector since the economic recovery began in 2011 (Figure 1). During the 12 months ending February 2019, sector payrolls increased by 7,400 jobs, or 6.8 percent, compared with a year earlier. Part of the job growth is attributable to Amazon, but other firms are expanding as well. Facebook added 1,000 employees from March 2018 to November 2018 and investment from Silicon Valley firms is on the rise. In 2017, Silicon Valley firms invested in 69 startup ventures in Seattle, up from 55 in 2016, accounting for nearly 40 percent of the 178 venture deals in the HMA that year (GeekWire).

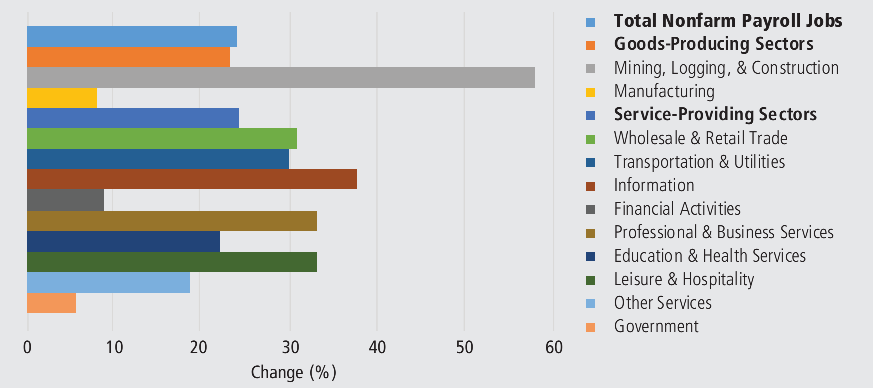
## Table 1. 12-Month Average Nonfarm Payroll Jobs in the Seattle-Bellevue-Everett HMA, by Sector

| | 12 Months Ending February 2018 | 12 Months Ending February 2019 | Absolute Change | Percentage Change |
|---|---|---|---|---|
| **Total Nonfarm Payroll Jobs** | 1,692.4 | 1,731.5 | 39.1 | 2.3 |
| **Goods-Producing Sectors** | 259.6 | 267.2 | 7.6 | 2.9 |
| Mining, Logging, & Construction | 98.4 | 104.4 | 6.0 | 6.1 |
| Manufacturing | 161.2 | 162.8 | 1.6 | 1.0 |
| **Service-Providing Sectors** | 1,432.8 | 1,464.3 | 31.5 | 2.2 |
| Wholesale & Retail Trade | 261.2 | 264.8 | 3.6 | 1.4 |
| Transportation & Utilities | 57.6 | 59.6 | 2.1 | 3.6 |
| Information | 109.4 | 116.8 | 7.4 | 6.8 |
| Financial Activities | 84.7 | 87.1 | 2.4 | 2.8 |
| Professional & Business Services | 256.8 | 262.3 | 5.5 | 2.2 |
| Education & Health Services | 215.2 | 222.8 | 7.5 | 3.5 |
| Leisure & Hospitality | 167.8 | 173.6 | 5.8 | 3.4 |
| Other Services | 58.8 | 60.0 | 1.2 | 2.0 |
| Government | 221.4 | 217.3 | -4.0 | -1.8 |

Notes: Based on 12-month averages through February 2018 and February 2019. Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

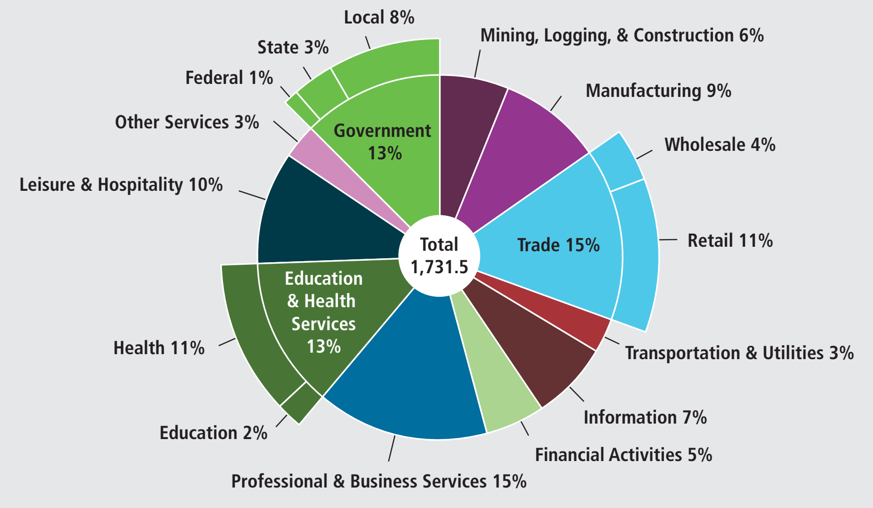
Professional and business services tied with wholesale and retail trade as the largest sectors in the economy, each representing approximately 15 percent of total nonfarm payrolls in the HMA (Figure 2). During the past 12 months, the professional and business services sector added 5,500 jobs, or 2.2 percent, compared with a gain of 6,200 jobs, or 2.5 percent a year prior. The sector includes the computer systems and design industry, which added 1,900 jobs, or 4.2 percent during the past year. The wholesale and retail trade sector added 3,600 jobs during the past 12 months, up 1.4 percent from a year ago. This job growth reflects a significant slowdown from the previous year when sector payrolls increased by 12,800, or 5.1 percent, which was partially because of the reclassification of some online retail jobs to the transportation and warehousing industry (included in the transportation and utilities sector payrolls).

## Figure 1. Sector Growth in the Seattle-Bellevue-Everett HMA, 2011 to Current




Sources: U.S. Bureau of Labor Statistics

## Figure 2. Current Nonfarm Payroll Jobs in the Seattle-Bellevue-Everett HMA by Sector




Notes: Total nonfarm payrolls is in thousands. Numbers may not add to 100 percent due to rounding.
Source: U.S. Bureau of Labor Statistics

Manufacturing sector payrolls increased by 1,600 jobs, or 1.0 percent during the most recent 12-month period. This increase represents a significant improvement compared with a year prior when payrolls declined by 6,700 jobs or 4.0 percent. Most of the job losses and job gains in the manufacturing sector are the results of employment trends at The Boeing Company (hereafter, Boeing), the largest employer in the HMA (Table 2).

The education and health services sector and the mining, logging, and construction sector (hereafter, the construction subsector because all jobs in the sector are construction-related) have benefited from the expansion in high-tech industries, which spurred record-level net in-migration to the HMA during the past several years. To meet the increased demand for healthcare services, the education and health services sector added 7,500 jobs, or 3.5 percent, during the past 12 months. The construction subsector added 6,000 jobs or 6.1 percent in the past year. In 2018, the greater Seattle area (which includes Pierce County to the south) ranked 9th among the top 30 metropolitan areas for value of non-residential construction projects started at $12.3 billion—a dollar amount down 8 percent from a year prior (*Forbes*).

**Table 2. Major Employers in the Seattle-Bellevue-Everett HMA**

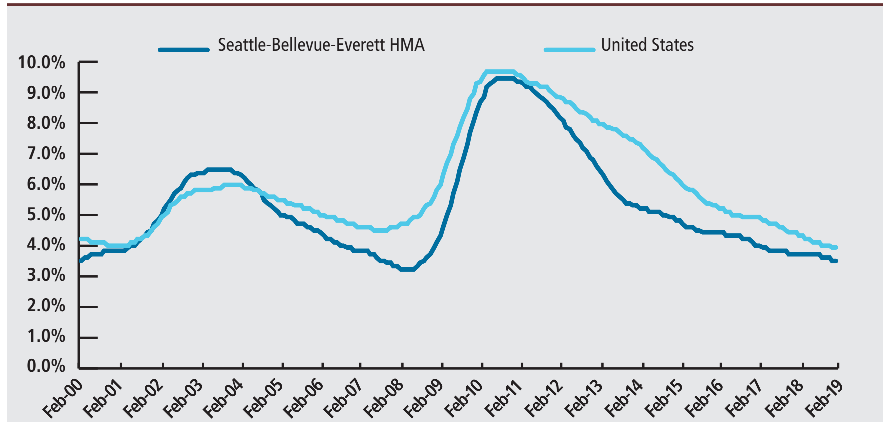
| Name of Employer | Nonfarm Payroll Sector | Number of Employees |
|---|---|---|
| The Boeing Company | Manufacturing | 64,300 |
| Amazon.com, Inc. | Wholesale & Retail Trade | 45,000 |
| Microsoft Corporation | Professional & Business Services | 43,031 |
| University of Washington | Government | 30,200 |
| Providence Health & Services | Education & Health Services | 17,553 |
| Wal-Mart Stores, Inc. | Wholesale & Retail Trade | 16,000 |
| Fred Meyer Stores | Wholesale & Retail Trade | 15,500 |
| Starbucks Corporation | Leisure & Hospitality | 11,239 |
| Swedish Health Services | Education & Health Services | 10,758 |
| Costco Wholesale Corporation | Wholesale & Retail Trade | 9,264 |

Note: Excludes local school districts.
Source: Moody's Analytics

## Current Conditions—Unemployment

The unemployment rate, which peaked at 9.4 percent in 2010, averaged 3.5 percent during the 12 months ending February 2019, down from 3.7 percent a year prior. For comparison, during the same period, the national unemployment rate declined from 4.4 to 4.0 percent. Employment growth far outpaced growth in the labor force, which has contributed to the declining unemployment rates, both at the HMA and national level. Figure 3 shows trends in the unemployment rate from 2000 to the current date.

**Figure 3. 12-Month Average Unemployment Rate in the Seattle-Bellevue-Everett HMA and Nation**

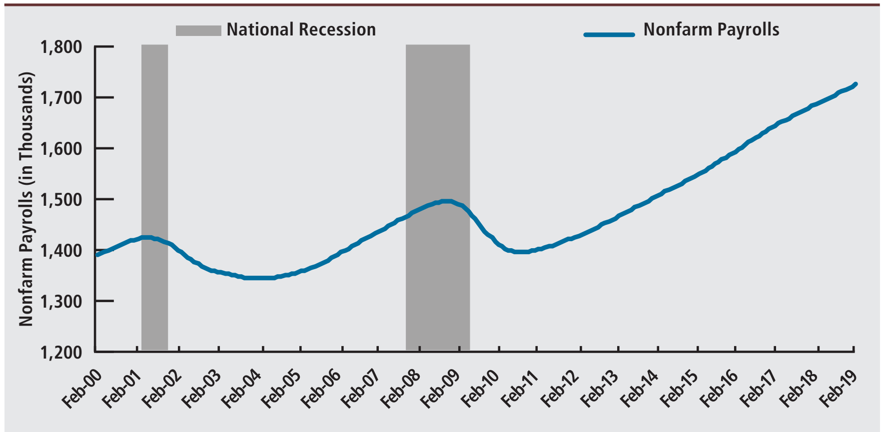



Note: 12-month moving average.
Source: U.S. Bureau of Labor Statistics

## Historic Trends: 2000 through 2008

Economic growth at the beginning of the decade was suppressed because of the dot.com bubble and the subsequent recession that caused payrolls to decline by an average of 25,400 jobs, or 1.8 percent, annually, from 2001 through 2003 (Figure 4). Job gains in the government and education and health services

**Figure 4. 12-Month Average Nonfarm Payrolls in the Seattle-Bellevue-Everett HMA**




**Note:** 12-month moving average.
**Source:** U.S. Bureau of Labor Statistics; National Bureau of Economic Research

sectors during the period were more than offset by an average annual decline of 13,900 and 8,700 jobs in the manufacturing and professional and business services sectors, respectively. Economic growth returned in 2004, and through 2007, nonfarm payrolls increased by an average of 33,000 jobs, or 2.4 percent, a year. Job growth was broad-based across all payroll sectors, but payrolls in the manufacturing sector and the construction subsector comprised nearly one-third of the total in response to an influx of new residents to the HMA and increased hiring at Boeing and other aerospace firms. Although payrolls continued to increase in 2008, growth slowed to 1.2 percent, or 17,800 jobs, because of job losses that started in the construction subsector and financial activities sector, signaling a turning point in the economy.

## Historic Trends: 2009 through 2010

The effects of the Great Recession were more severe in the HMA than the effects of the dot.com recession. From 2009 through 2010, nonfarm payrolls declined by an average of 47,200 jobs, or 3.2 percent, annually. The only sectors to continue adding jobs during the recession were government and education and health services. Construction subsector payrolls declined by an average of 15,600, or 17.5 percent a year, as the demand for homes plummeted, and manufacturing sector payrolls fell by 8,400 jobs, or 5.1 percent, largely because of layoffs from Boeing and its suppliers. Information sector payrolls reported the smallest declines during the period, losing an average of 300 jobs, or 0.4 percent, each year. The recession led to many businesses reducing administrative staff, contributing to the loss of 19,400 jobs, or 8.9 percent, in the professional and business services sector during 2009. Job losses in the sector slowed significantly during 2010, declining by only 400 jobs, or 0.2 percent.

## Historic Trends: 2011 through 2017

Economic recovery began in 2011, with payrolls increasing by 26,200 jobs, or 1.9 percent, despite continued job losses in the construction subsector and financial activities sector. Recovery transitioned to expansion, and from 2012 through 2017, payroll growth averaged 43,700 jobs, or 2.9 percent, annually. The wholesale and retail trade sector led job growth during the period, up 8,800 jobs, or 3.9 percent a year, followed by the professional and business services sector, which added 8,300 jobs, or 3.7 percent, annually. Information sector payrolls increased by an average of 3,800 or 4.0 percent. Hiring at Amazon had a direct effect on job growth in nearly all sectors of the economy and indirectly built a wealth of human capital that attracted high-tech firms to the HMA from across the globe.

Other service-providing sectors profited from the job growth, especially because high-tech occupations are among the highest paid; the median wage for STEM occupations in the United States in 2018 was $84,880 compared with $37,020 for non-STEM occupations (Bureau of Labor Statistics). The education and health services and leisure and hospitality sectors combined to account for 22 percent of payroll growth from 2012 through 2017. The influx of people to the area attracted by the strong job market led to a boom in apartment construction throughout the HMA, and construction subsector payrolls increased by an average of 5,600 jobs or 7.3 percent a year.

## Employment Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase at an average annual rate of 2.1 percent, with job growth occurring in all sectors of the economy. The expectation is for economic conditions to remain strong but for job growth to moderate to a more sustainable pace than during the 2012-through-2017 period. Labor shortages will also suppress job growth from reaching previous highs.

High-tech industries will continue to support job growth in nearly all sectors of the economy. A new Google campus is currently under construction in the South Lake Union (SLU) neighborhood of Seattle, next to Amazon; the campus will span two full city blocks and include four office buildings and 150 apartments, totaling 610,000 square feet. Construction is expected to start late in the fourth quarter of 2019 on a third block: a 322,000-square-foot, 12-story building is expected to be complete in 2021, bringing Google's Seattle footprint to nearly 1 million square feet. The campus will be anchored by Google's cloud computing division, with the potential for 4,500 to 6,200 new jobs (GeekWire). Furthermore, Google has leased 80,000 square feet of office space in downtown Bellevue (details have not yet been released). Facebook's presence in Seattle has tripled during the past 3 years to more than 3,000 employees. The company is also leasing Arbor Blocks, two buildings currently under construction in SLU that are large enough to house an additional 2,000 employees on completion in 2019. The company is also expanding on the Eastside, with 338,000 square feet of office space under construction at Spring District in downtown Bellevue, a 16-block mixed-use development under construction near the future light rail station in Bellevue. The new light rail will continue east and terminate in Redmond, home to the 500-acre Microsoft headquarters campus, where Facebook is expanding its virtual reality company, Oculus. During the past 3 years, Facebook has spent $106 million on construction and development permits in Redmond (techcrunch.com).

# Population and Households

Current population: 3.04 million

International migration to the HMA accounted for all net in-migration from July 2017 to July 2018.

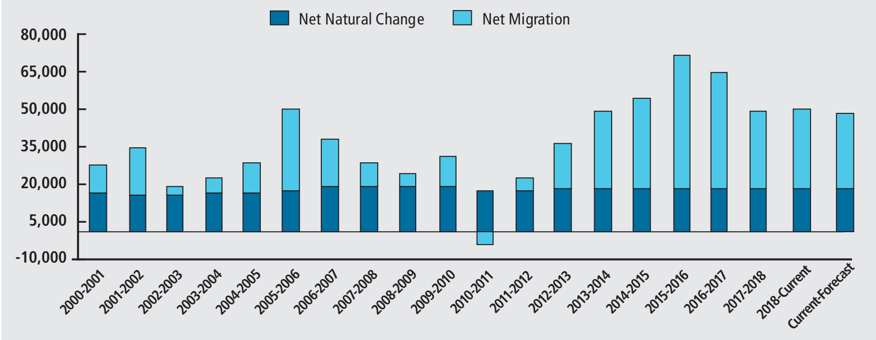
## Population Trends

As of March 1, 2019, the population of the Seattle HMA is estimated at slightly more than 3.04 million. Since the April 2010 Census, population growth has averaged 44,550 people, or 1.6 percent annually, with net in-migration accounting for 27,400 people a year or approximately 62 percent of the increase.

Population growth trends in the HMA generally mirror overall economic conditions with a 1–2-year lag. The population of the HMA increased by an average of 32,100, or 1.4 percent annually, from 2000 to 2002; net in-migration accounted for 53 percent of that growth (intercensal population estimates from the State of Washington's Office of Financial Management). Despite weakening economic conditions during the period, momentum from the dot.com bubble continued to attract job-seekers to the HMA. Population growth slowed a year after the bubble burst, and from 2002 to 2004, growth averaged 19,850 people, or 0.8 percent, annually, and net in-migration fell, accounting for only 24 percent of total growth. From 2004 to 2007, the population increased by an average of 38,450 people, or 1.5 percent, annually, as economic growth rebounded; net in-migration accelerated, comprising 56 percent of the increase. During this period, strong housing market conditions, increased employment opportunities, and other quality-of-life factors attracted people to the HMA. From 2007 to 2012, population growth slowed sharply as a result of the Great Recession; growth averaged 0.9 percent, or 22,950 people a year, and net in-migration fell, accounting for only 22 percent of the increase.

Population growth accelerated as economic growth returned. From 2012 to 2014, the population of the HMA increased by an average of 42,450, or 1.6 percent a year, and net in-migration comprised 60 percent of the growth. Job growth from 2014 to 2017, averaging 2.9 percent annually, contributed to the population growth exceeding the population growth that occurred before the Great Recession. From 2014 to the current date, population growth in the HMA increased to an average of 58,300, or 2.0 percent a year; 71 percent of the growth was from net in-migration, spurred by a hiring spree at Amazon. Figure 5 illustrates the components of population change in the HMA since 2000.

**Figure 5. Components of Population Change in the Seattle-Bellevue-Everett HMA, 2000 Through the Forecast**

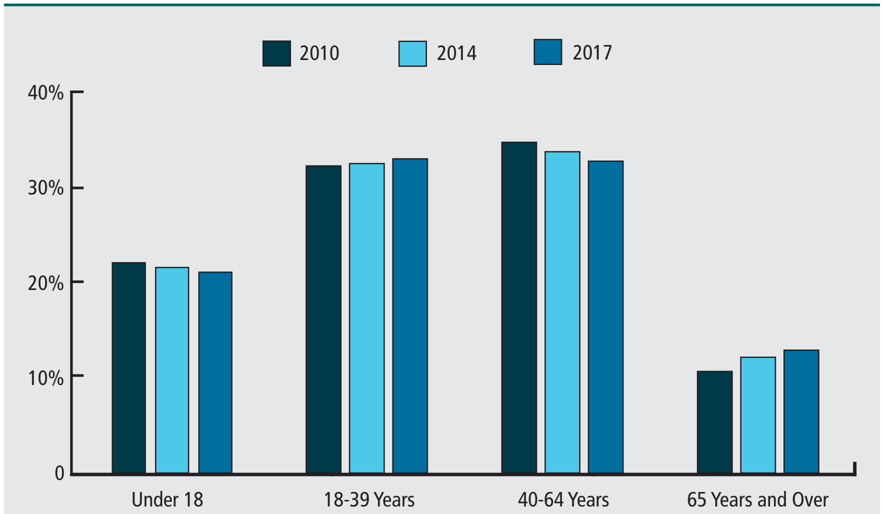



Notes: Net natural change and net migration totals are average annual totals over the time period.
Source: Washington State Office of Financial Management; current to forecast—estimates by the analyst

## Age Cohort Trends

The largest age cohort in the HMA in 2017 was residents 18 to 39 years of age, constituting approximately 33.1 percent of the total population. That cohort barely surpassed the 40-to-64 cohort, which was the largest in 2014 and accounted for 32.9 percent of the HMA population in 2017 (Figure 6).

**Figure 6. Population by Age in the Seattle-Bellevue-Everett HMA**




**Source:** American Community Survey, 2010, 2014, and 2017, 1-year estimates

Nationally, the millennial cohort (people born between 1981 and 1996) is projected to surpass the baby boomers as the largest generation at some point in 2019, reaching 73 million people (Pew Research Center), and the trend is similar for the HMA. From 2010 to 2017, the millennial cohort increased from 21 to 24 percent of the total population of the HMA (American Community Survey [ACS], 1-year estimates). The HMA ranked as the number one destination for millennials in the country in a 2018 report by SmartAsset, which estimates the HMA netted more than 7,000 new millennials from 2015 to 2016.

Residents 65 years of age and older represent the fastest-growing age cohort in the HMA, increasing at an average annual rate of 4.2 percent from 2014 to 2017, making up 13 percent of the total population in 2017, up from 12 and 11 percent in 2014 and 2010, respectively. Growth in this age cohort will support job growth in the healthcare industry and also temper net natural change during the forecast period and beyond.

## Migration Trends

The fast expansion of high-tech firms and startup companies in the HMA has enticed job-seekers on a global scale, and for the first time this decade, international in-migration accounted for all net in-migration to the HMA (Census Bureau estimates). From July 2017 to July 2018, international net in-migration of 24,550 people offset a domestic net out-flow of 460. By comparison, from April 2010 to July 2017, 58 percent of net in-migration was international.

Some of the domestic out-migration reported by the Census Bureau may be explained by the cost of living in the HMA relative to Pierce County, which is directly south of King County and in commuting distance to the city of Seattle. In 2010, the median sales price of a home in King County was 77 percent higher than in Pierce County, and the disparity increased every year to 98 percent in 2017 before price growth started to moderate. In 2018, the median sales price in King County was $653,300, or 91 percent greater than in Pierce County (Metrostudy, A Hanley Wood Company). Based on the most recent data available, there was a net flow of 2,500 people from the HMA to Pierce County in 2016 (County-to-County Migration Flows; ACS 2012–2016).

## Population Forecast

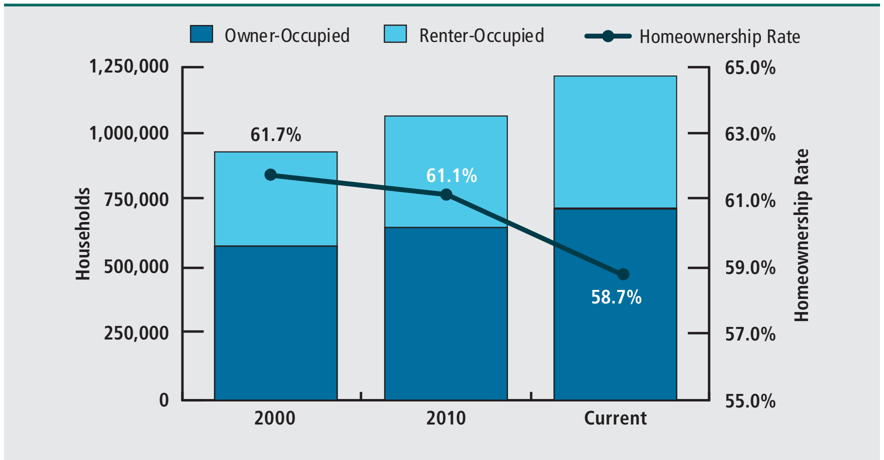
Population growth is expected to continue during the 3-year forecast period, with the population reaching 3.19 million people by March 1, 2022, reflecting average annual growth of 48,150 people, or 1.6 percent (Table 3). Nearly 65 percent of the growth will come from net in-migration. The rising share of older residents is expected to mitigate much of the increase in births from millennials, causing net natural change to remain relatively stable.

## Household Trends

An estimated 1.21 million households reside in the Seattle HMA, representing an average annual increase of 17,500 households, or 1.6 percent, since 2010 compared with an average annual increase of 12,200 households, or 1.2 percent, from 2000 to 2010. An estimated 58.7 percent of households, or 712,400 households, are currently homeowners compared with a homeownership rate of 61.1 percent in 2010 (Figure 7). From 2010 to the current date, the number of owner households increased at an average annual rate of 1.1 percent, or 7,400 households, compared with an average annual increase of 1.1 percent, or 6,875 households, from 2000 to 2010. Renter households increased at an average annual rate of 2.3 percent, or 10,100 households, from 2010 to the current date compared with an average annual increase of 1.4 percent, or 5,325 households, from 2000 to 2010.

The slowdown in owner household formation and increase in rental household growth since 2010 reflect the prolonged effects of the foreclosure crisis, including stricter mortgage lending standards and a shift in household preferences toward renting. Although access to credit has improved since the end of the Great Recession, households continue to rent, in part because of demographic differences but also for affordability reasons. Older millennials (those born from 1980–1989) comprised 26 percent of national home purchases in 2018, whereas younger millennials (1990–1998) comprised 11 percent, making them the largest cohort of homebuyers last year (National Association of Home Builders, or NAHB). Locally, however, millennials are still facing significant hurdles to achieve homeownership. A 2018 study by Apartment Lists estimates that, at the current savings rate, more than two-thirds of millennial renters throughout the country will need more than two decades to save for a 20 percent down payment on a median-priced condominium. In the HMA, that share increased to nearly three-fourths of millennial renters.

**Figure 7. Households by Tenure and Homeownership Rate in the Seattle-Bellevue-Everett HMA**




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

## Household Forecast

As economic conditions and net in-migration remain strong, households in the HMA are expected to increase by an average of 18,250, or 1.5 percent, annually during the next 3 years, reaching 1.27 million by March 1, 2022 (Table 3). Slightly more than 58 percent of the additional households are expected to be homeowners, which is similar to the current homeownership rate.

**Table 3. Seattle-Bellevue-Everett HMA Quick Facts**

| | | 2010 | Current | Forecast |
|---|---|---|---|---|
| Population Quick Facts | **Population** | 2,644,584 | 3,042,000 | 3,186,000 |
| | Average Annual Change | 30,150 | 44,550 | 48,150 |
| | Percentage Change | 1.2% | 1.6% | 1.6% |
| | | **2010** | **Current** | **Forecast** |
| Household Quick Facts | **Households** | 1,057,557 | 1,214,000 | 1,268,000 |
| | Average Annual Change | 12,200 | 17,500 | 18,250 |
| | Percentage Change | 1.2% | 1.6% | 1.5% |

Note: Average annual changes and percentage changes are based on averages from 2000–2010, 2010 to current, and current to forecast.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

# Home Sales Market Conditions

Market Conditions: Tight

New and existing home sales declined 14 percent during the 12 months ending January 2019, while the average sales price increased 8 percent.

## Current Conditions

Sales housing market conditions in the Seattle HMA are currently tight, with an estimated vacancy rate of 1.0 percent (Table 4), down from 2.6 percent in April 2010. The decline in vacancies reflects increased demand for, and a limited supply of, for-sale housing. The HMA is geographically constrained by the Puget Sound, Lake Washington, and a generally mountainous topography, which limits the amount of buildable land exogenous of economic and population growth, contributing to rising construction costs. Coupled with increased demand from the prolonged period of high-tech workers moving to the area who have relatively high-paying jobs, that rise has resulted in swift home sales price appreciation—although price growth slowed recently—and a decline in the number of sales.

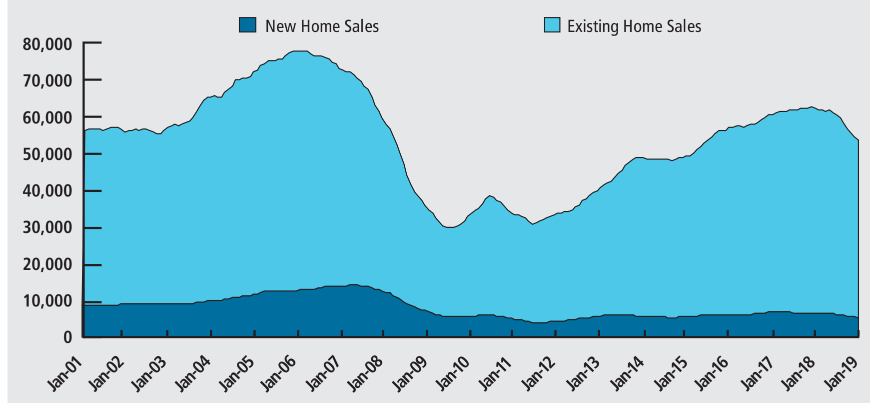
The inventory of homes for sale has been less than 3 months since 2014, compared with a peak of 9.3 months in 2010. As of February 2019, a 1.9-month supply of homes was available for sale, up from a 0.9-month supply a year ago (Redfin). After leading the nation in home price appreciation for nearly 2 years, the HMA reported declining month-to-month home sales prices from July 2018 through January 2019, with a small increase in February 2019 (Case-Shiller Home Price Index; Case-Shiller includes Pierce County, which is not part of the HMA). Year-over-year sales price growth was in excess of 8 percent during the 12 months ending January 2019, compared with a 12-percent increase a year prior (CoreLogic, Inc., with adjustment by the analyst). Home sales totaled 53,450 during the past 12 months, down 14 percent from a year ago (Figure 8).

Table 4. Home Sales Quick Facts in the Seattle-Bellevue-Everett HMA

| | | Seattle-Bellevue-Everett HMA | Nation |
|---|---|---|---|
| Home Sales Quick Facts | Vacancy Rate | 1.0% | NA |
| | Months of Inventory | 1.9 | 4.2 |
| | Total Home Sales | 53,450 | 6,056,000 |
| | 1-Year Change | -13.7% | -3.0% |
| | New Home Sales Price | $800,900 | $379,300 |
| | 1-Year Change | 8% | 1% |
| | Existing Home Sales Price | $615,000 | $288,500 |
| | 1-Year Change | 9% | 5% |
| | Mortgage Delinquency Rate | 0.6% | 1.7% |

NA = data not available.
Notes: Vacancy rate is as of the current date; home sales and prices are for the 12 months ending January 2019; mortgage delinquency data are as of January 2019; and months of inventory data are as of February 2019.
Sources: Months of inventory is from Redfin; home sales, prices, and delinquency rates are from CoreLogic, Inc. with adjustments by the analyst

Figure 8. 12-Month Sales Totals by Type in the Seattle-Bellevue-Everett HMA



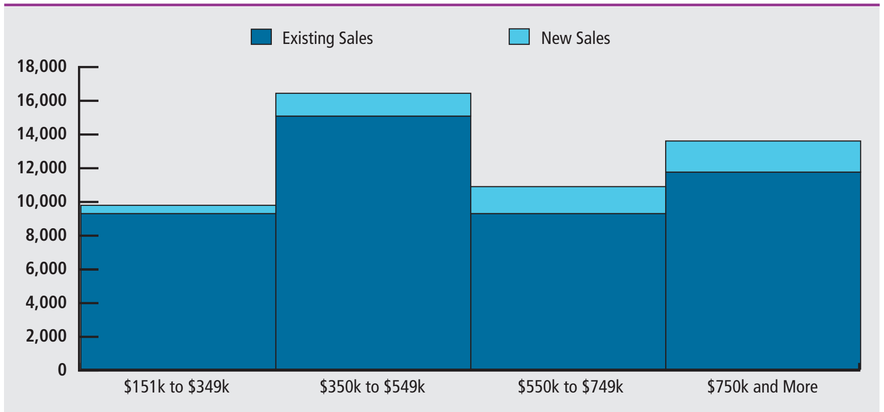

Source: CoreLogic, Inc., with adjustments by the analyst

## New Home Sales and Prices

Approximately 5,250 new homes sold during the 12 months ending January 2019, down 18 percent from the number of new homes sold during the previous 12 months, and the average sales price increased 8 percent to $800,900 (CoreLogic, Inc., with adjustments by the analyst). The current average sales price is 74 percent greater than the prerecession peak in 2008 and more than double the postrecession trough in 2011. The largest concentration of new home sales during the past 12 months has been for homes priced at $750,000 and above (Figure 9).

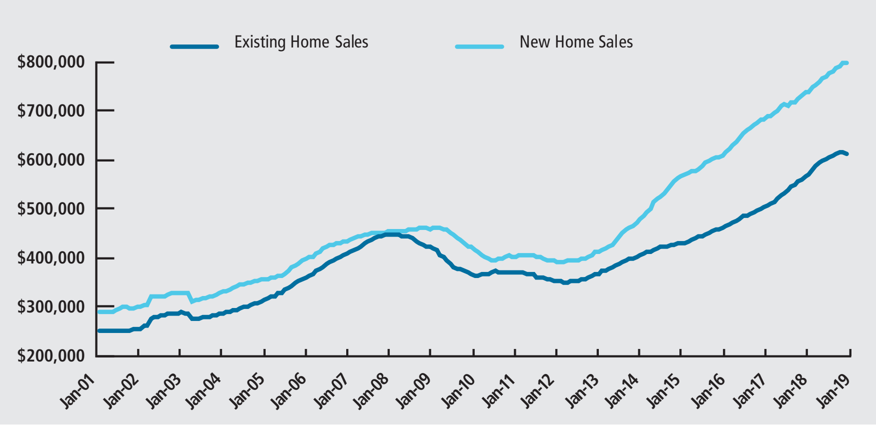
From 2004 through 2007, during the build-up to the housing market crash, an average of 12,650 new homes sold annually, with average annual price growth of 8 percent. Market conditions deteriorated quickly when the housing bubble burst; new home sales and prices declined at average annual rates of 24 and 3 percent, respectively from 2008 through 2011, to respective lows of 4,175 and $394,700. As economic growth returned and net in-migration increased, the demand for new homes improved. From 2012 through 2017, an average of 6,025 new homes sold annually, while the average sales price increased at an average annual rate of 11 percent (Figure 10).

**Figure 9. Sales by Price Range During the 12 Months Ending January 2019 in the Seattle-Bellevue-Everett HMA**




Source: Metrostudy, A Hanley Wood Company

**Figure 10. 12-Month Average Sales Price by Type of Sale in the Seattle-Bellevue-Everett HMA**




Source: CoreLogic, Inc., with adjustments by the analyst

## Existing Home Sales and Prices

During the 12 months ending January 2019, 48,200 existing homes sold, down 13 percent from a year ago, and the average sales price increased 9 percent to $615,000 (CoreLogic, Inc., with adjustments by the analyst). By comparison, the current average sales price is 37 percent greater than the prerecession high in 2007 and 74 percent greater than the postrecession low in 2011. During the past 12 months, the plurality of existing home sales were priced between $350,000 and $549,000 (Figure 9).

An average of 60,050 existing homes sold annually from 2003 through 2006 as the economy expanded following the dot.com bubble, whereas average annual price growth was 9 percent. Despite strong economic conditions in 2006, home sales began to decline, and from 2006 through 2008, existing home sales fell at an average annual rate of 25 percent a year; average annual price growth slowed to 6 percent. Existing home sales flattened from 2009 through 2011, averaging 28,550 sales a year, and the average sales price continued declining 6 percent a year. The economic recovery began in 2011, and by 2012, the effects were evident in the home sales market. From 2012 through 2017, existing home sales and prices increased at average annual rates of 11 and 8 percent a year, respectively.

## Condominium Sales and Prices

The condominium market in the HMA is tight, with a 2.1-month supply of inventory for sale as of February 2019, compared with a 0.6-month supply a year earlier and a 14.5-month supply in July 2010 (Redfin). In the HMA, 9,375 condominiums sold in 2018, down 14 percent from a year earlier, and the median price was $370,400, up 12 percent from the previous year. (Metrostudy, A Hanley Wood Company). By comparison, the median-priced single-family home in the HMA was $576,400 in 2018. In the cities of Seattle and Bellevue, the disparity is much greater; in 2018, the median sales price of a condominium was $451,100 and $533,600, respectively, compared with $685,500 and $1.16 million for detached single-family homes.

## Delinquent Mortgages

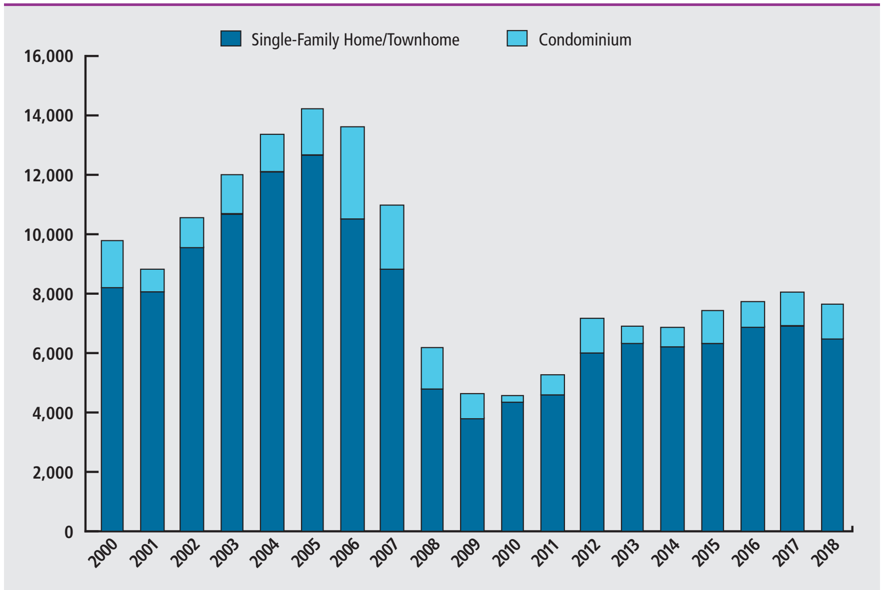
The rate of seriously delinquent home loans and real estate owned (REO) properties in the Seattle HMA peaked at 6.6 percent in August of 2012, compared with a high of 6.7 percent statewide in July 2010 and an 8.6-percent rate nationwide in February 2010 (CoreLogic, Inc.). The delinquency rate in the HMA has fallen consistently since 2010, and was 0.6 percent in January 2019, compared with 0.8 percent statewide and 1.7 percent nationwide.

## Sales Permit Activity

Despite monumental improvements in the economy and housing markets, permitting of homes for sale (including single-family homes, townhomes, and condominiums) has been relatively flat since 2012, mainly attributable to the scarcity of land and rising construction costs (Figure 11). During the 12 months ending February 2019, 7,475 sales permits were issued, reflecting a 7-percent decrease compared with the 8,000 issued during the previous 12 months. Approximately 1,225, or 16 percent, of the sales permits issued during the past 12 months were for condominiums, up nearly 4 percent from a year ago.

From 2001 through 2005, sales permitting increased at an average annual rate of 8 percent to a peak of 14,400; nearly 9 percent were condominiums. Although still part of the build-up of the housing bubble, permitting started to decline in 2006 and fell at an average annual rate of 20 percent to a low of 4,575 in 2010. During that time, condominium construction slowed significantly; from 2006 through 2009, condominiums accounted for 21 percent of all sales permits but accounted for less than 1 percent in 2010. Sales permits increased in 2011 during the start of economic recovery, to 5,300, and 13 percent were issued for condominiums. An average of 7,425 sales permits was issued annually, from 2012 through 2017, and condominiums accounted for 12 percent of the total.

**Figure 11. Average Annual Sales Permitting Activity in the Seattle-Bellevue-Everett HMA**




Note: Includes single-family homes, townhomes, and condominiums.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2017 final data and analyst estimates; 2018 preliminary data and estimates by the analyst

## New Construction: Single-Family Homes

New, detached single-family home construction within the city limits of Seattle is limited to small-scale infill projects because most of the land is built out, forcing higher density. A more practical and affordable option for new sales housing in the urban environment of Seattle is townhomes, but construction activity for townhomes has slowed recently. In 2018, approximately 500 townhomes were built in the city of Seattle, less than one-half the number built in 2017 (Metrostudy, A Hanley Wood Company). One of the largest townhome developments in 2018 was High Point at Graham in the West Seattle neighborhood. The community sold 51 two-bedroom townhomes with a median sales price of $563,500 (Metrostudy, A Hanley Wood Company). By comparison, only three new single-family homes were purchased in the West Seattle neighborhood in 2018, and the median sales price was $1.23 million.

Detached single-family developments occur in the more suburban cities in the HMA where land is more readily available. Six subdivisions had 50 or more new home sales in King County in 2018, with median sales prices ranging from $647,700 to $1.48 million (Metrostudy, A Hanley Wood Company). English Landing in Redmond (near the Microsoft, Facebook, and Google campuses) was responsible for the high end of the range. The other five subdivisions are on the Eastside. Ten Trails in Black Diamond, approximately a 1-hour drive southeast of Seattle in King County, is a master-planned community that will include more than 4,000 homes when built out (expected during the next 10 years). Year-to-date there have been 29 home sales in Ten Trails with a median sales price of $491,700. Six subdivisions in Snohomish County also had 50 or more new home sales in 2018, with median sales prices ranging from $398,100 to $871,100. Suncrest Farms Express in Granite Falls, a 1-hour drive northeast of Seattle, sold out in 2018 with 96 new home sales and is responsible for the low end of the range above. Homes in the subdivision are three or four bedrooms and range from 1,408 to 1,807 square feet.

## New Construction: Condominiums

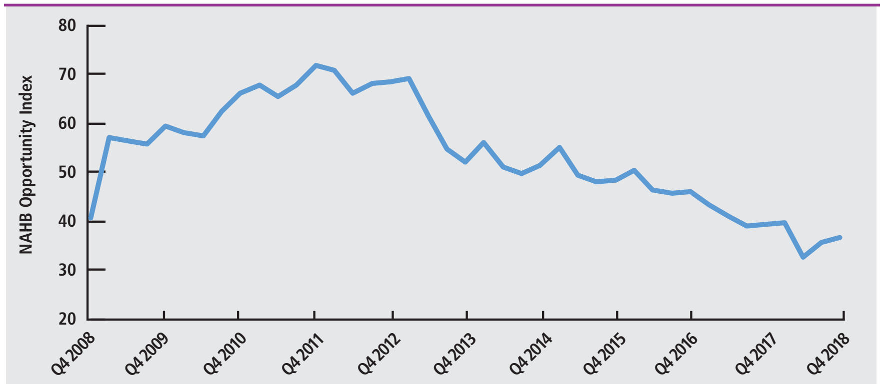
Condominium construction has been relatively limited in the HMA, but building has picked up recently. Part of the limited inventory is because Washington law makes it easier than most states for homeowners to sue developers, who tend to opt out of that added liability and focus on apartments which have been absorbed at record high levels for the past 5 years. As apartment rent growth across most markets in the HMA slows, however, developers have started to increase condominium production.

A few of the largest developments under construction in the HMA include Nexus, The Emerald, and Spire, all in downtown Seattle. Nexus, a 41-story, 389-unit skyscraper in the SLU neighborhood (home to Amazon and the new Google campus under construction), is scheduled for occupancy in late 2019. Fewer than 30 units are still for sale, mainly consisting of their most luxurious options, with prices starting in the high $900,000s and exceeding $2 million. The 40-story, 268-unit The Emerald started construction in 2017 and is expected to be complete in 2020. Approximately 20 percent of the units are presold which is in stark contrast to potential buyers camping out overnight when Nexus began presales in 2016 and sold two-thirds of the units in one weekend. Prices at The Emerald start at $499,000 for a one-bedroom, 570-square-foot unit. In order to compete with a nearby development under construction offering buyer incentives that include BMWs for lease or a trip to London, The Emerald is offering on-demand Tesla rentals to its homeowners. The 41-story Spire is under construction in the Belltown neighborhood in walking distance to Amazon. It was originally slated for apartments but the developer switched plans in June 2018 to instead construct 352 condominiums. Prices will start at $450,000 for small units on lower floors and increase to more than $5 million. Near the future light rail station in Bellevue, The One88 is under construction, representing the first large condominium development in Bellevue in a decade. When complete in 2020, it will feature 143 units in a 21-story tower with prices starting at $800,000 for a 742-square-foot, one-bedroom unit, and increase to more than $3 million for penthouse suites. Nearly 80 percent of the units were presold by March 2018 with fewer than 10 units remaining; none of the remaining units are priced below $2 million.

## Housing Affordability

Homeownership in the Seattle HMA is extremely expensive and the affordability of buying a home in the HMA has declined since 2012, coinciding with the start of the sales market recovery following the Great Recession. Excess inventory has since been absorbed, and high demand from workers benefiting from the high-tech boom has put upward pressure on sales prices. The NAHB/Wells Fargo Housing Opportunity Index (HOI) for the HMA, which represents the share of homes sold that would have been affordable to a family earning the local median income, was 36.8 during the fourth quarter of 2018, down from 39.3 during the fourth quarter of 2017 (Figure 12). During the most recent quarter, 205 metropolitan areas out of the 237 metropolitan areas measured, or 86 percent of metropolitan areas in the nation, had greater housing affordability than the Seattle HMA. After reaching a high of 71.4 during the fourth quarter of 2011, the index declined to 52 in the fourth quarter of 2014, as home construction did not keep pace with the high levels of net in-migration during the period. This trend has persisted through the most recent quarter indicating a continued decline in affordability as sales price growth continues to outpace wage growth in the HMA; wage growth averaged 2.4 percent during the past year (Bureau of Labor Statistics), compared with average annual sales price growth of more than 8 percent.

**Figure 12. Seattle-Bellevue-Everett HMA Housing Opportunity Index**




NAHB = National Association of Home Builders.
Q4 = fourth quarter.
Source: NAHB/Wells Fargo

Rising sales prices, which averaged $633,700 during the 12 months ending January 2019, have acted as a barrier to entry into homeownership and are particularly pronounced for heads of households aged 35 to 44 years; that includes older millennials that, on a national level, constituted the largest share of homebuyers in 2018. From 2000 to 2010, the homeownership rate in the HMA declined by 0.6 percentage point because of the recession that started late in the decade. Despite improved economic conditions, the homeownership rate continued to decline 2.0 percentage points from 2010 to 2017 as other factors, such as the influx of high-wage earners for the high-tech boom that was not accompanied by a surge in new home construction, exacerbated the affordability issues in the HMA. During this period, homeownership for head of households aged 35 to 44 years declined at a faster rate than for households overall as affordability concerns limited the ability of this group to purchase a house; from 2010 to 2017, homeownership in the 35 to 44 age group declined by 5 percentage points compared with a decline of 2.9 percentage points from 2000 to 2010 (Table 5). Nationwide, homeownership declined by 1.1 percentage points during the 2000-to-2010 period, compared with a 1.2-percentage-point decline during the 2010-to-2017 period. For heads of households aged 35 to 44, the national homeownership rate declined by 3.9 percentage points in the 2000-to-2010 period and by 4.8 percentage points during the 2010-to-2017 period.

**Table 5. Homeownership Rates by Age of Householder**

| | Seattle-Bellevue-Everett HMA | | | United States | | |
|---|---|---|---|---|---|---|
| | 2000 | 2010 | 2017 | 2000 | 2010 | 2017 |
| Householder Age 25 to 34 Years | 39.1 | 36.2 | 33.3 | 45.6 | 42.0 | 38.2 |
| Householder Age 35 to 44 Years | 64.7 | 61.8 | 56.8 | 66.2 | 62.3 | 57.5 |
| Total Households | 61.7 | 61.1 | 59.1 | 66.2 | 65.1 | 63.9 |

Source: 2000 and 2010 Decennial Census, 2017 American Community Survey 1-year estimates

Increased condominium construction is often discussed as a way to combat affordability issues in the sales market, but as previously mentioned, Washington state laws dampen the appeal for developers to build units of this type. This trend could change in coming years as condominium reform is a priority for state legislators. In February 2019, the Washington State Senate unanimously passed a bill that would reduce developer liability to encourage more condominium construction. The bill still needs to pass the House of Representatives, where there is little opposition, and be signed into law by the governor. Industry experts anticipate a lag between the passing of the law and a tangible increase in new condominium production, however, once passed it is expected to help ease some of the affordability issues potential homeowners face in the HMA.

## Forecast

Based on current and anticipated economic growth, and the currently tight sales market conditions in the HMA, demand is estimated for 27,900 new homes during the next 3 years, with demand evenly distributed each year of the forecast (Table 6). The 5,275 sales units currently under construction are expected to meet a portion of the demand during the first year of the forecast. New homes priced under $750,000 are expected to account for most of the demand.

**Table 6. Demand for New Sales Units in the Seattle-Bellevue-Everett HMA During the Forecast Period**

| | Sales Units |
|---|---|
| **Demand** | 27,900 Units |
| **Under Construction** | 5,275 Units |

Source: Estimates by the analyst

# Rental Market Conditions

Market Conditions: Slightly tight

The apartment vacancy rate declined from 5.2 to 4.8 percent from the fourth quarter of 2017 to the fourth quarter of 2018, and average rents increased 4 percent to $1,769.

## Current Conditions and Recent Trends

Rental housing market conditions in the Seattle HMA are currently slightly tight, with an overall estimated vacancy rate of 4.8 percent, down from 7.1 percent in April 2010 (Table 7). Strong net in-migration, relatively slow multifamily construction during the recession (Figure 13), and increased rental household growth spurred by the housing crisis contributed to declining vacancy rates and rising rents (Figure 14). Record high levels of apartment construction since 2014, however, have eased some of the strain on the market.

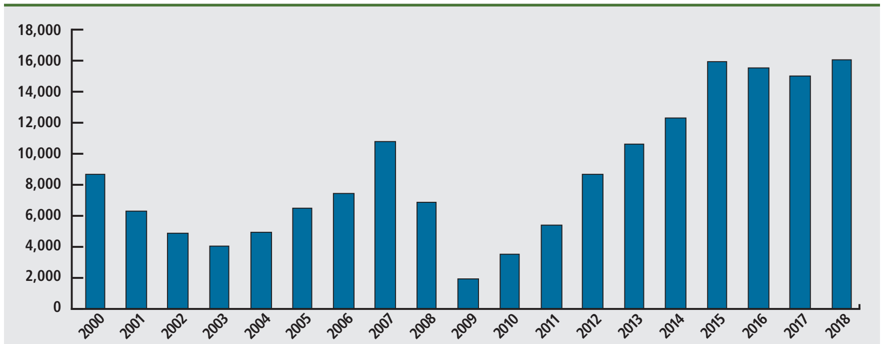
**Table 7. Rental and Apartment Market Quick Facts in the Seattle-Bellevue-Everett HMA**

| | | 2010 | Current |
|---|---|---|---|
| Rental Market Quick Facts | **Rental Vacancy Rate** | 7.1% | 4.8% |
| | **Occupied Rental Units by Structure** | | |
| | Single-family Attached & Detached | 27% | 24% |
| | Multifamily (2–4 Units) | 13% | 12% |
| | Multifamily (5+ Units) | 61% | 64% |
| | Other (Including Mobile Homes) | 2% | 1% |

| | | Current | YoY Change |
|---|---|---|---|
| Apartment Market Quick Facts | **Apartment Vacancy Rate** | 4.8% | -0.4 |
| | **Average Rent** | $1,769 | 4% |
| | Studio | $1,515 | 1% |
| | One-Bedroom | $1,675 | 4% |
| | Two-Bedroom | $1,899 | 5% |
| | Three-Bedroom | $2,051 | 4% |

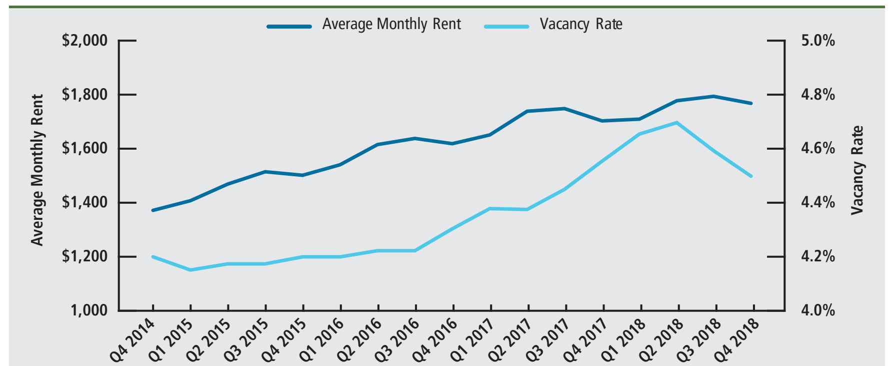
YoY = year over year.
Notes: The current date is March 1, 2019. Current data for "occupied rental units by structure" are 2017 American Community Survey 1-year data. Apartment data are RealPage, Inc.
Sources: American Community Survey, 1-year data; RealPage, Inc.

**Figure 13. Average Annual Rental Permitting Activity in the Seattle-Bellevue-Everett HMA**




Note: Includes apartments and units designed for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000—2017 final data and analyst estimates; 2018 preliminary data and estimates by the analyst

**Figure 14. Apartment Rents and Vacancy Rates in the Seattle-Bellevue-Everett HMA**




Q1 = first quarter. Q2 = second quarter. Q3 = third quarter. Q4 = fourth quarter.
Source: RealPage, Inc.

During the fourth quarter of 2018, apartment market conditions in the HMA were slightly tight, with a 4.8-percent vacancy rate compared with 5.2 percent in the fourth quarter of 2017 (RealPage, Inc.). During that time, the average rent increased 4 percent to $1,769 compared with 8 percent average annual rent growth from the fourth quarter of 2013 to the fourth quarter of 2017. The recent slowdown in rent growth is the result of nearly 9,500 units added to the inventory every year from 2013 through 2017 and another 9,000 in 2018. By comparison, from 2000 through 2010, 33,350 units were added, an annual average of 3,025 units. The apartment vacancy rate in the HMA peaked at 7.4 percent in 2009, coupled with a 5-percent decline in rents; it has remained below 5.0 percent since 2010, with one exception in the fourth quarter of 2017 when it was 5.2 percent. The average asking rent for Class A apartments, which encompass most newly constructed units, increased 3 percent, to $2,225, during the fourth quarter of 2018, with a 5.4-percent vacancy rate, down from 6.2 percent a year earlier.

## Apartment Market Trends—Seattle

Of the 16 RealPage, Inc.-defined market areas in the HMA, 5 of the 6 that constitute the city of Seattle recorded stable or declining vacancies from the fourth quarter of 2017 to the fourth quarter of 2018 and stable or increasing rents. Since the fourth quarter of 2013, 67 percent or 36,900 of the more than 54,900 apartments built in the HMA were in the city of Seattle. The lowest vacancy rate was in the University District/Ballard market area at 4.5 percent, down from 6.0 percent a year earlier, and the highest vacancy rate was 6.1 percent in the Downtown Seattle market area, compared with 6.3 percent a year ago. Their respective shares of total apartments construction in the city since 2013 are 21 and 23 percent. In the SLU/Queen Anne market area, which accounted for 23 percent of new apartment construction in the city since 2013, the vacancy rate declined from 5.9 to 5.0 percent. During the past year, the highest rent and the largest increase in the city was 3 percent to $2,356 in the Downtown Seattle market area. The Capitol Hill/Central District market area was the only market area to report a year-over-year decline in average rent, down 1 percent to $1,907. The North Seattle/Shoreline market area reported the lowest asking rent in the city at $1,505, up 1 percent from a year ago.

## Apartment Market Trends—Eastside

All four market areas that encompass the Eastside reported rent growth and declining vacancies during the past year. Since the fourth quarter of 2013, 12,400 units, or 23 percent of all apartments added in the HMA, were in the Eastside. The lowest vacancy rate was in the Redmond market area at 4.0 percent, down from 5.1 percent a year ago, and has accounted for one-fourth of all Eastside apartment construction since 2013. The highest vacancy rate was in the East Bellevue/Issaquah market area at 5.3 percent, down from 5.7 percent a year ago. The West Bellevue/Mercer Island market area, which includes downtown Bellevue, recorded the highest asking rent in the HMA at $2,502, up 5 percent from a year ago. Rents increased 4 percent during the past year in the Kirkland/Bothell and East Bellevue/Issaquah market areas to $1,832 and $1,884, respectively. Combined, these two market areas accounted for 55 percent of all apartment construction on the Eastside.

## Apartment Market Trends—Remainder

The remaining six market areas in the HMA include three areas in south King County and two in Snohomish County. These southern and northern portions of the HMA are generally suburban with high numbers of residents who commute to the city of Seattle for work. Combined, these six market areas accounted for only 10 percent of all apartment construction in the HMA from 2013 through 2018. During the past year, all market areas reported rent growth and three of the six reported increasing vacancy rates. The largest decline in vacancies and increase in rents were in the Renton market area in south King County. The vacancy rate declined 1.7 percentage points to 4.7 percent during the past year, whereas the average rent increased 6 percent to $1,670, the fastest rent growth in the HMA during the past year. North of Seattle in Snohomish County, vacancy rates declined 0.2 percentage point in both the Everett and Lynnwood/Edmonds/Mukilteo market areas to 4.5 percent, and average rents increased nearly 6 and 4 percent to $1,386 and $1,507, respectively, from the fourth quarter of 2017 to the fourth quarter of 2018.

## Rental Permit Activity

The permitting of rental units from 2013 through 2017 was the highest level of permitting during any 5-year period since at least 1980, averaging 13,950 units annually. Strong job growth and a limited supply of for-sale housing continue to encourage multifamily development in the metropolitan area, and during the 12 months ending February 2019, 15,300 rental units were permitted, up 9 percent from a year ago (preliminary data). By comparison, an average of 5,900 rental units was permitted annually from 2000 through 2005. The number of rental units permitted increased to an average of 9,175 a year in 2006 and 2007 as rental and sales housing market conditions began to deteriorate but before builders reacted to the changing conditions. The onset of the recession and the subsequent housing market collapse caused the permitting of rental units to decline at an average annual rate of 58 percent from 2008 through 2009, to a low of 1,925. Rental permitting activity remained low but nearly doubled in 2010 to 3,575. During this time, financing for new construction was particularly hard to obtain, despite increased demand for rental units brought on by the foreclosure crisis. Lack of financing resulting in a very limited supply of new apartments, which, when coupled with increased demand, caused apartment market conditions to tighten. As lenders became increasingly confident in the economic recovery and financing returned, builders responded by significantly increasing apartment construction; the permitting of rental units increased at an average annual rate of 35 percent from 2011 through 2015, to a record high of 16,050 rental units permitted. An average of 15,350 rental units was permitted, annually, in 2016 and 2017.

## Under Construction and Recently Completed Apartments

Approximately 21,050 apartments, as measured by the number of rental units permitted, are currently under construction in the HMA. Approximately 55 percent are in the city of Seattle, and nearly 40 percent are in the Eastside. Apartment construction in south King County and Snohomish County account for less than 5 percent of apartments under construction in the HMA. Ongoing light rail expansions throughout the HMA will likely lead to increased rental permitting activity along the routes. Currently, there is an expansion heading north from Seattle to Lynnwood, east from Seattle to Redmond, and south of Seattle to Federal Way, all with expected completion in the next 3 to 5 years.

Apartment construction in the city of Seattle has been booming since the early 2010s and shows no sign of slowing. In the past year, approximately 10 developments with 200 or more units were completed in the city, and 20 more are currently under construction. Of the developments recently completed, the largest were the 40-story, 430-unit McKenzie in the Downtown Seattle market area and the 41-story, 461-unit Kiara in the SLU/Queen Anne market area. Rents at these properties are similar and start at $1,830 for a studio, $2,330 for a one-bedroom unit, $3,526 for a two-bedroom unit, and $8,336 for a three-bedroom unit (all three-bedroom units are penthouses on upper floors).

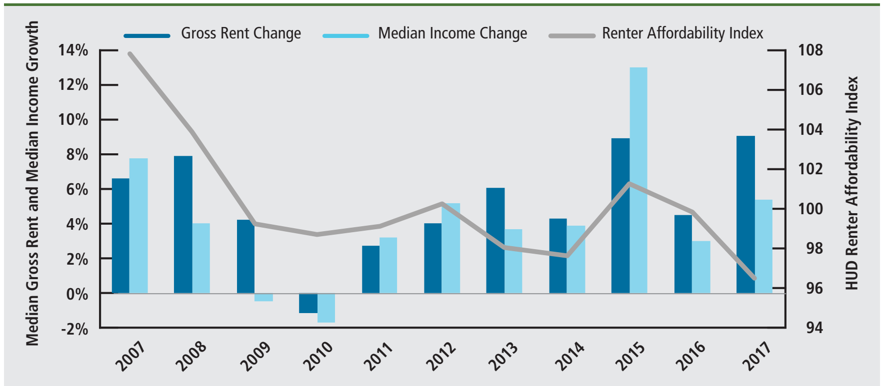
In Bellevue, one of the largest developments recently completed is the 620-unit Hyde Square next to a light rail station slated for completion in 2023. Unit rents start at $1,625 for studios, $1,775 for one-bedroom units, and $2,775 for two-bedroom units. The Spring District, a 36-acre mixed-use development in downtown Bellevue near the future light rail station, has two apartment projects recently completed: the 309-unit Sparc at Spring District and the 162-unit Arras. Rents at these properties start at $1,595, $1,795, and $2,230, for studios, one-, and two-bedroom units, respectively.

## Housing Affordability: Rental

Rental housing is extremely expensive in the Seattle HMA and rental affordability has generally trended downward since 2007 because rent growth has outpaced income growth. The median gross monthly rent in the HMA rose 46 percent from $1,033 in 2010 to $1,510 in 2017. During the same period, the median household income for renters increased 43 percent from $40,774 to $58,278. As a result, the HUD Rental Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, has trended downward since 2007. The index was 96 during 2017 (using the latest data available), down from 99.8 in 2016, and well below the high of 107.7 in 2009 during the Great Recession. Figure 15 compares year-to-year change in the median gross rent (including single-family homes, apartments, and mobile homes for rent) to the respective change in the median gross income. Rental affordability hit a recent peak in 2015 at 101.2, largely a result of the wave of high-wage earners moving to the HMA with little for-sale options. Since then, the index has fallen as wage growth, especially outside of high-tech industries, has slowed relative to rent growth.

During the 2011-through-2015 period, an estimated 23.2 percent of all renter households in the HMA were cost-burdened, spending between 30 and 49 percent of their income on rent, while 20.5 percent were severely cost-burdened, spending more than 50 percent of income toward rent (Table 8). Nationwide, a smaller proportion of renter households were cost-burdened and a larger share was severely cost-burdened, at 22.0 and 23.8 percent, respectively. Cost-burdens, however, are particularly notable for lower-income renter households in the HMA. For renter households with incomes less than 50 percent of the Area Median Family Income (AMFI), a higher proportion, 31.5 percent, was paying between

### Figure 15. Seattle-Bellevue-Everett HMA Rental Affordability




Source: American Community Survey, 1-year data

### Table 8. Percentage of Cost-Burdened Renter Households by Income, 2011–2015

| | Cost-Burdened: 30–49 Percent of Income Towards Rent | | Severely Cost-Burdened: More than 50 Percent of Income Towards Rent | |
|---|---|---|---|---|
| | HMA | Nation | HMA | Nation |
| Renter Households with Income <50% of AMFI | 31.5 | 25.7 | 47.0 | 50.2 |
| Total Renter Households | 23.2 | 22.0 | 20.5 | 23.8 |

AMFI = Area median family income.
Source: Consolidated Planning/CHAS Data, 2011–2015 American Community Survey 5-year estimates (huduser.gov)

30 and 49 percent of their incomes toward rent but the plurality of these households at these income levels, or 47.0 percent, were severely cost-burdened. By comparison, nationwide 25.7 percent of lower-income renter households were spending 30 to 49 percent of incomes toward rent and 50.2 percent were spending more than 50 percent of incomes toward rent.

As housing across the board becomes costlier in the Seattle HMA, an increasingly high household income is required to enter the sales market, thereby pushing up the number of higher-income households that stay in or enter the rental market. The difference between the spread of household incomes for renters and owners has become smaller as a result: during 2017, the median owner household income was 1.9 times the median renter household income. By comparison, the median owner household income was 2.1 times the median renter household income in 2014. Nationwide, however, the income gap between renters and owner shrank only slightly during the same period, because in the country's more affordable owner markets, higher income renters can more readily move into homeownership, keeping the income gap wider. Nationwide, the median owner household income was 1.9 times the median renter household income in 2017, compared with a ratio of 2.0 in 2014.

Several local and statewide policy initiatives are underway to address the severe affordability issues the Seattle HMA is experiencing. Several cities within the HMA have pledged to add significant numbers of affordable housing units.

Most cities on the Eastside have mandatory affordable components for all new developments in exchange for a tax exemption for up to 12 years. The city of Seattle has a similar program, the Multifamily Tax Exemption program, which provides a 12-year tax abatement for developers setting aside 20 percent or more of their units to low-income households. Although it was voluntary, more than 8,500 units have been funded through this program since 1998. In addition, the city of Seattle recently passed the Mandatory Housing Affordability (MHA) up-zones, which allows for denser construction in 27 neighborhoods across the city. The MHA requires developers in the new up-zoned areas to set aside between 5 and 11 percent of their units for low-income households or pay between $5 and $32.75 a square-foot into a city-run affordable housing fund. The expectation is for the addition of 3,000 affordable units during the next 10 years. Further state-level initiatives under consideration would reduce barriers to adding accessory dwelling units to existing properties; mandate up-zoning near all transit centers currently under construction, including those along the several light rail expansions ongoing in the HMA; ease restrictions on tiny houses; and increase funding sources.

Low-Income Housing Tax Credit (LIHTC) is the primary source of funding for new affordable rental housing in the nation. Since 2009, 14,375 LIHTC units have been placed in service in the HMA, with 250 of those units reserved for households with incomes at or below 50 percent of the Median Family Income ([MFI]; $55,350 for a family of four in 2019) and the remaining are reserved for households with incomes at or below 60 percent of MFI ($66,420 for a family of four in 2019). Of these units, 27 percent were reserved for seniors. By comparison, from 2000 through 2008, 13,000 LIHTC units were placed in service in the HMA, with 200 reserved for households with incomes at or below 50 percent of MFI and the remaining reserved for households with incomes at or below 60 percent of MFI. During this period, 28 percent of those units were reserved for seniors. Approximately 5,580, or 39 percent, of all LIHTC units placed in service in the HMA since 2009 are in the city of Seattle. The most recently completed project is the 110-unit Plaza Roberto Maestas Apartments in Seattle, located adjacent to the Beacon Hill light rail station in south Seattle. The property was placed in service in 2016 and is 100 percent occupied, serving families earning between 30 and 60 percent of MFI.

## Forecast

During the 3-year forecast period, demand is estimated for 31,900 apartments in the HMA (Table 9). Demand is expected to be evenly distributed among all 3 years of the forecast period. The 21,050 units currently under construction and the 1,725 additional planned completions during the period will meet all the demand in the first 2 years.

**Table 9. Demand for New Rental Units in the Seattle-Bellevue-Everett HMA During the Forecast Period**

| Rental Units | |
|---|---|
| **Demand** | 31,900 Units |
| **Under Construction** | 21,050 Units |

Note: The forecast period is March 1, 2019, to March 1, 2022.
Source: Estimates by the analyst

# Terminology Definitions and Notes

## A. Definitions

| | |
|---|---|
| **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. |
| **Sales/Rental 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. |
| **Seriously Delinquent Mortgages** | Mortgages 90+ days delinquent or in foreclosure. |
| **Sales Housing** | Includes single-family home, townhome, and condominium sales. |
| **Rental Housing** | Includes apartments and other rental units such as single-family, multifamily, and mobile homes. |

| | |
|---|---|
| **Forecast Period** | 3/1/2019–3/1/2022—Estimates by the analyst |
| **Cost Burdened** | Spending more than 30 percent of household income on housing costs. |

## B. Notes on Geography

| | |
|---|---|
| 1. | The metropolitan division definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013. |
| 2. | Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria. |
| 3. | The census tracts referenced in this report are from the 2010 Census. |

## C. Additional Notes

| | |
|---|---|
| 1. | The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria. |

| | |
|---|---|
| **2.** | 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. |
| **3.** | The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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. |
| **Cover Photo** | iStock |

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