

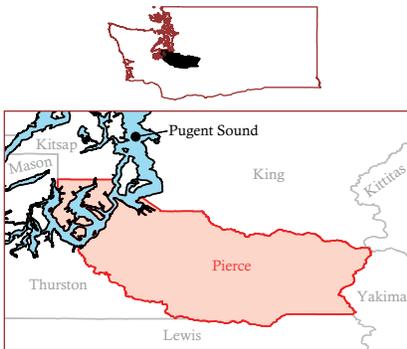


Tacoma-Lakewood, Washington

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2017



Housing Market Area



The Tacoma-Lakewood Housing Market Area (HMA), approximately 30 miles south of Seattle on the Puget Sound, comprises Pierce County, Washington—one of the three counties that combine to encompass the Seattle-Tacoma-Bellevue, WA Metropolitan Statistical Area—and is coterminous with the Tacoma-Lakewood, WA Metropolitan Division. The HMA is home to the Port of Tacoma, the fourth largest container gateway in North America when combined with the Port of Seattle under the Northwest Seaport Alliance, and Joint Base Lewis-McChord (JBLM), the largest U.S. Army-led joint base in the country.

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Summary

Economy

Nonfarm payroll growth in the Tacoma-Lakewood HMA averaged 3.1 percent annually, from 2014 through 2016, contributing to strong economic conditions. During the 12 months ending June 2017, nonfarm payrolls averaged 310,700, an increase of 9,700 jobs, or 3.2 percent, compared with the number of jobs during the 12 months ending June 2016, and the unemployment rate declined from 6.3 to 5.8 percent. During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 9,100 jobs, or 2.9 percent, annually.

Sales Market

Sales housing market conditions in the HMA are currently tight, with an estimated vacancy rate of 1.4 percent, down from 2.6 percent in April 2010. During the 12 months ending June 2017, new and existing home sales totaled 20,150, up almost 12 percent from the previous 12 months, and the average sales price increased 11 percent to \$303,700 (CoreLogic, Inc., with adjustments by the analyst). During the forecast period, demand is estimated for 8,625 new homes. The 1,500 homes currently under construction and a portion of the estimated 13,000 other vacant units in the HMA that may return to the market will satisfy part of the demand (Table 1).

Rental Market

The overall rental housing market in the HMA is tight, with an estimated vacancy rate of 3.0 percent, down from 7.9 percent in April 2010. Apartment market conditions are very tight, with a 2.9-percent vacancy rate as of March 2017, up slightly from 2.8 percent a year earlier, and the average asking rent increased more than 8 percent to \$1,070 (Dupre + Scott Apartment Advisors). Demand is estimated for 6,600 new market-rate units during the forecast period. The estimated 1,800 units currently under construction and the 260 additional planned units scheduled to be completed in the next 3 years will meet a portion of the demand (Table 1).

Table 1. Housing Demand in the Tacoma-Lakewood HMA During the Forecast Period

	Tacoma-Lakewood HMA	
	Sales Units	Rental Units
Total demand	8,625	6,600
Under construction	1,500	1,800

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, 2017. A portion of the estimated 13,000 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is July 1, 2017, to July 1, 2020. Source: Estimates by analyst

The economy of the Tacoma-Lakewood HMA has fully recovered, after nearly a decade since the onset of the Great Recession, and is currently expanding at a rate commensurable to that seen prior to the recession. Economic growth in the HMA was moderate following the 2001 recession and accelerated from 2005 through 2007, adding an average of 8,600 jobs, or 3.2 percent, annually, boosted by an increase of 43 percent in military and civilian personnel at JBLM from 2003 through 2010. Strong housing markets during this time helped fuel the economic expansion through construction spending, but easy access to credit also facilitated increased consumer spending. These dynamics resulted in a severe downturn when the housing markets collapsed, and payrolls declined by an average of 4,900 jobs, or 1.7 percent, annually, from 2008 through 2010. Economic recovery started off slow from 2011 through 2013, averaging a gain of 3,100 jobs, or 1.1 percent, annually. Although modest, this job growth helped restore confidence in housing markets and ease the strain on household finances, which allowed

the economic recovery to gain momentum. From 2014 through 2016, payrolls increased by an average of 8,800 jobs, or 3.1 percent, each year. During the 12 months ending June 2017, nonfarm payrolls increased by 9,700 jobs, or 3.2 percent, compared with a year ago, to 310,700 jobs, almost 9 percent greater than the prerecession high recorded in 2008 (Table 2).

Resident employment in the HMA is almost 25 percent greater than nonfarm payrolls, because an estimated one-third of the Pierce County labor force commutes outside the county for work, mainly north to King County, which has a larger employment base. Trends in resident employment have generally mirrored nonfarm payroll trends, but the magnitude of change is normally less. However, resident employment growth exceeded nonfarm payroll growth for the past 2 years. Part of this gain in momentum is because, as the cost of living in the Seattle metropolitan area continues to increase relative to that of the HMA, more and more commuters relocate to the HMA. During the 12 months ending June 2017, resident employment increased by 13,150 workers, or 3.5 percent, to 386,500 workers, compared with an increase of 9,800 workers, or 2.5 percent, during the 12 months ending June 2016. At the same time, the unemployment rate declined from 6.3 to 5.8 percent. By comparison, the unemployment rate was 5.3 percent preceding the Great Recession and peaked in 2010 at 10.4 percent. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate from 2000 through 2016.

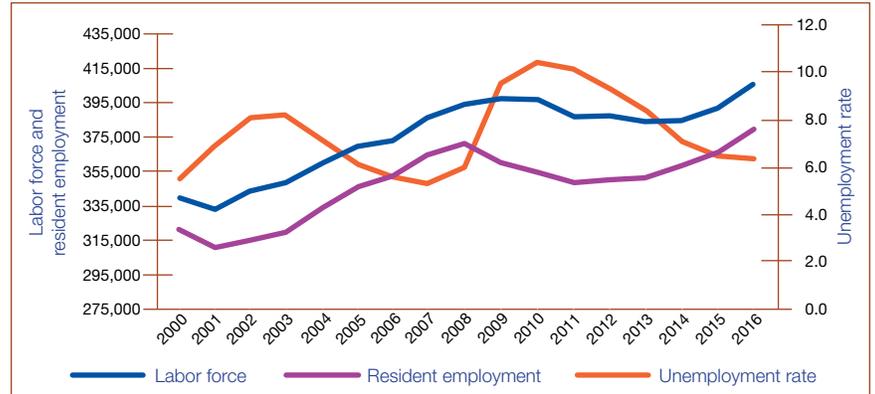
The government sector is critical to the economy with the HMA home to JBLM and the city of Tacoma as

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

	12 Months Ending		Absolute Change	Percent Change
	June 2015	June 2016		
Total nonfarm payroll jobs	301,000	310,700	9,700	3.2
Goods-producing sectors	38,200	39,300	1,100	2.9
Mining, logging, & construction	21,000	22,300	1,300	6.2
Manufacturing	17,200	17,000	-200	-1.2
Service-providing sectors	262,800	271,400	8,600	3.3
Wholesale & retail trade	50,100	53,300	3,200	6.4
Transportation & utilities	13,600	14,000	400	2.9
Information	2,800	2,600	-200	-7.1
Financial activities	13,700	14,100	400	2.9
Professional & business services	28,800	29,800	1,000	3.5
Education & health services	51,900	53,800	1,900	3.7
Leisure & hospitality	30,400	31,300	900	3.0
Other services	13,700	14,000	300	2.2
Government	57,800	58,600	800	1.4

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through June 2016 and June 2017.

Source: U.S. Bureau of Labor Statistics

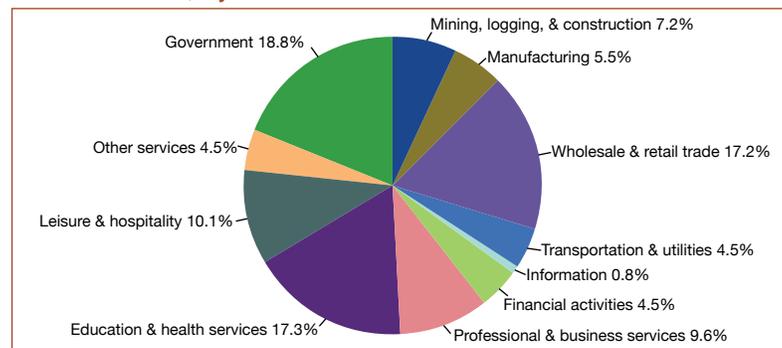
Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Tacoma-Lakewood HMA, 2000 Through 2016

Source: U.S. Bureau of Labor Statistics

the Pierce County seat. Currently, the government sector, which includes Department of Defense (DoD) civilian employees at JBLM but excludes military service members, is the largest employment sector in the HMA, accounting for 58,600 jobs, or nearly 19 percent, of total payrolls (Figure 2). During the 12 months ending June 2017, government payrolls grew by 800 jobs, or an increase of 1.4 percent; all job growth occurred in the state and local government subsectors. The government sector was a source of modest but steady job growth in the HMA from 2001 through 2010, growing 1.5 percent annually. During this time, approximately 40 percent of the growth was attributable to the federal government subsector and 60 percent to the local government subsector,

whereas payrolls in the state government subsector remained relatively flat. Subsequently, the Great Recession resulted in budget shortfalls for state and local governments as taxable incomes fell, causing total government payrolls to decline 1.3 percent a year from 2010 through 2013. Federal and local government subsectors each accounted for 40 percent of the losses, and the remaining 20 percent occurred in the state government subsector. As the economic recovery accelerated and incomes rose, tax revenue increased, allowing state and local governments to hire enough workers to offset continued losses in the federal government subsector as the total government sector increased an average of 1.3 percent a year from 2014 through 2016. Government payrolls have fully recovered from the losses during the Great Recession and are anticipated to continue to increase during the 3-year forecast period, with all job growth occurring in the state and local government subsectors.

JBLM is the largest army-led joint base in the United States and one of the most requested duty stations in the country. As the largest employer in the HMA (Table 3) and second largest employer in the state of

Figure 2. Current Nonfarm Payroll Jobs in the Tacoma-Lakewood HMA, by Sector

Note: Based on 12-month averages through June 2017.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Tacoma-Lakewood HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Joint Base Lewis-McChord	Government*	45,400
Multicare Health System	Education & health services	8,250
Franciscan Health System	Education & health services	6,100
Fred Meyer	Wholesale & retail trade	2,550
State Farm Mutual Insurance Company	Financial activities	2,050
Emerald Queen Hotel & Casinos	Leisure & hospitality	2,025
The Boeing Company	Manufacturing	1,750
Safeway, Inc.	Wholesale & retail trade	1,500
Tacoma Public Utilities	Government	1,425
Wal-Mart Stores, Inc.	Wholesale & retail trade	1,300

* Numbers include 31,500 active-duty service members who are not included in the nonfarm payroll data.

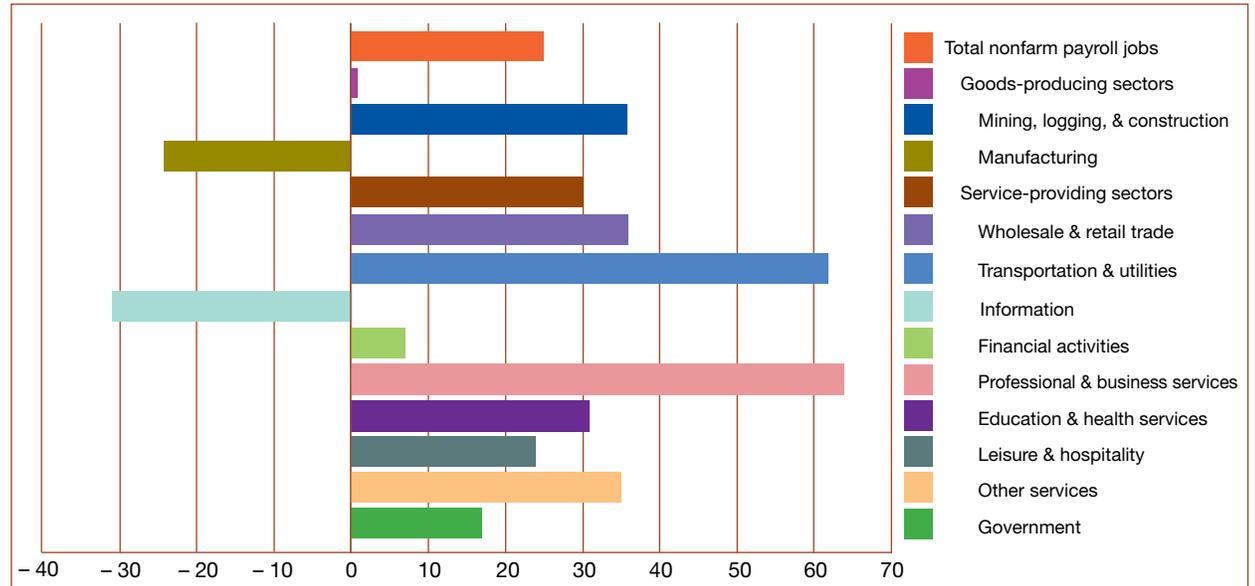
Note: Excludes local school districts.

Sources: Moody's Economy.com; South Sound Military and Communities Partnership

Washington, JBLM has a statewide economic impact estimated at \$6.1 billion (South Sound Military and Communities Partnership [SSMCP], 2012). The instillation is a major economic engine for the metropolitan area, providing a wide range of services including housing, medical care, and tax-free shopping to more than 150,000 people on a regular basis, including service members and their families, DoD civilian contractors, and retirees. JBLM does not publish current personnel counts, but the most recent estimate available suggests the base has 31,500 military service members and 13,900 DoD civilian contractors, compared with 46,500 service members and 16,900 contractors in 2013 (SSMCP). These figures reflect the results of the Budget Control Act of 2011, which mandated a reduction in military forces across the country. No further drawdown has been announced.

International and domestic trade are important to the economy of the HMA because of its advantageous location, with access to the Puget Sound, rail lines, and major interstates. The Northwest Seaport Alliance was formed in 2015, combining the marine cargo operations of the Port of Tacoma and

the Port of Seattle. This partnership makes the alliance the fourth largest container gateway in North America, generating almost \$4.3 billion in economic activity in 2013 (the most recent data available; The Northwest Seaport Alliance). The alliance supports an estimated 48,000 jobs, both direct and indirect, with the largest impact on the transportation and utilities sector, which accounts for only 4.5 percent of total nonfarm payrolls in the HMA but has been the second fastest-growing sector since 2000 (Figure 3). Payroll trends in the sector followed overall economic conditions in the HMA—healthy gains leading up to the recession, declines during it, and growth resuming in 2011. Job growth spiked in 2012 with the addition of 1,000 jobs, but payrolls increased by an average of only 200 jobs, or 1.5 percent, annually, from 2014 through 2016. During the 12 months ending June 2017, sector payrolls increased by 400 jobs, or 2.9 percent, double the average annual rate from 2014 through 2016. In 2016, the alliance was approved to spend \$141 million readying its terminals to accommodate larger ships that will cross through the widened Panama Canal, helping to protect its share of trans-Pacific trade.

Figure 3. Sector Growth in the Tacoma-Lakewood HMA, Percentage Change, 2000 to Current

Note: Current is based on 12-month averages through June 2017.

Source: U.S. Bureau of Labor Statistics

Job growth is expected to continue during the forecast period, but at a modest rate, as increased automation reduces the need for additional labor.

The greatest nonfarm payroll gains during the 12 months ending June 2017 occurred in the wholesale and retail trade sector, which added 3,200 jobs, or 6.4 percent, compared with an increase of 1,800 jobs, or 1.8 percent, during the previous 12 months. Of the service-providing sectors, wholesale and retail trade lost the most jobs during the Great Recession; however, since the economic recovery began, it has been the fastest growing sector, increasing by an average of 900 jobs, or 2.1 percent, a year from 2011 through 2013, before accelerating to an average annual increase of 2,400 jobs, or 5.0 percent, from 2014 through 2016. The strong labor market in the HMA since 2013 has helped improve household finances, enabling increased consumer spending, and furthering growth in the wholesale and retail trade sector. In addition, the HMA benefits from the

very strong economic conditions in King County because of the large number of commuters. Strong job growth in this sector is anticipated to continue during the forecast period as economic conditions remain positive.

The mining, logging, and construction sector, which consists entirely of jobs in the construction subsector, added the most jobs during the 2001-through-2007 economic expansion, gaining an average of 1,400 jobs, or 6.7 percent, annually, but it was also the worse hit during the Great Recession. From 2008 through 2010, sector payrolls declined by an average of 2,800 jobs, or 12.3 percent, a year. The sector paralleled overall economic conditions, with a slow recovery of 200 jobs, or 0.9 percent, a year from 2011 through 2013. As the market for new homes, apartments, and commercial construction increased, demand for construction labor boosted sector payroll growth, which gained an average of 1,300 jobs, or 6.6 percent, annually, from 2014 through 2016, similar to job growth during the 12

months ending June 2017 when payrolls increased by 1,300 jobs, or 6.2 percent. Growth in this sector is expected to continue during the next 3 years, because tight sales and rental housing markets put upward pressure on prices, encouraging builders to increase construction. In addition, in July 2015, the Washington State Legislature included \$495 million to fund highway improvements along Interstate 5 near JBLM, which will provide a steady source of demand for construction labor in the HMA.

Other leading growth sectors in the HMA include education and health services and professional and business services, which added 1,900 and 1,000 jobs, or 3.7 and 3.5 percent, respectively, during the 12 months ending June 2017. Growth in the education and health services sector has been strong since 2000, adding an average of 800 jobs, or 1.6 percent, a year from 2001 through 2016, because the demand for healthcare services increases as the population continues to grow and age. The professional and business services sector was a strong source of growth during the earlier part of the 2000s, increasing an average of 4.9 percent, or by 1,000 jobs, annually from 2001 through 2007, before declining by an average of 700 jobs, or 2.7 percent, a year from 2008 through 2010. Both sectors benefit

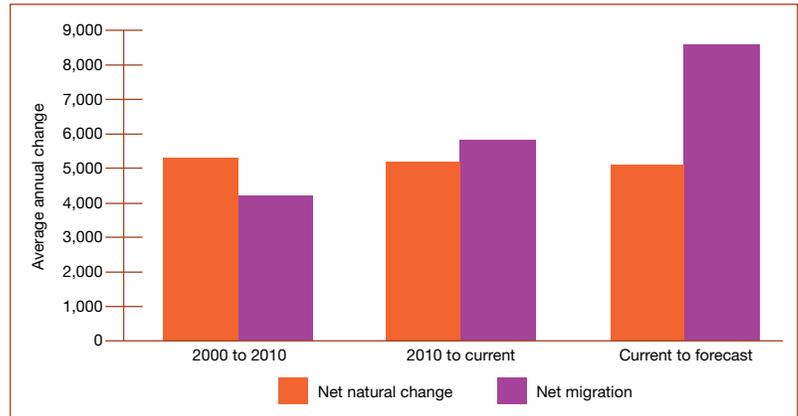
from the overall strong economic conditions in the HMA and are expected to continue adding jobs during the forecast period. State Farm Mutual Insurance Company, which opened a claims office in downtown Tacoma in 2013, continues to add several hundred jobs, annually, to the professional and business services sector, a trend which shows no sign of slowing during the forecast period. In addition, CHI Franciscan Health has a 25,000-square foot, \$16.6 million expansion under way in Gig Harbor that will increase its capacity almost 30 percent and is likely to add dozens of jobs to the education and health services sector on opening in early 2018.

During the next 3 years, nonfarm payrolls are expected to increase at an average annual rate of 2.9 percent, or by 9,100 jobs, a year. JBLM will continue to provide stability to the economy but will not be a source of growth like it was prior to the recession. Instead, service-providing sectors that benefit from the broad-based economic expansion in the HMA are expected to contribute the most to job growth during the forecast period, including education and health services, professional and business services, and wholesale and retail trade. Table DP-1 at the end of this report provides additional employment data.

Population and Households

The population of the Tacoma-Lakewood HMA is estimated at 874,600 as of July 1, 2017, an average annual increase of 1.3 percent, or 10,950, since 2010, with

net in-migration accounting for 53 percent of the growth (Figure 4). Approximately 22,000, or 70 percent, of active-duty service members at JBLM plus their families live off base

Figure 4. Components of Population Change in the Tacoma-Lakewood HMA, 2000 to Forecast

Notes: The current date is July 1, 2017. The forecast date is July 1, 2020.

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

in surrounding communities, and of those that live off base, an estimated 13,200, or 60 percent, live in Pierce County, with the greatest concentration in the cities of Tacoma, Lakewood, and DuPont (SSMCP).

Population growth was sluggish following the 2001 recession, increasing at an average annual rate of 0.8 percent, or 6,025 people, from 2002 to 2004, and net in-migration comprised only 22 percent of the growth (intercensal estimates as of July 1). Like the economic trends discussed previously, population growth improved from 2004 to 2007, averaging a gain of 10,800 people, or 1.4 percent, annually; more than 50 percent of the growth was attributable to net in-migration. Much of this growth can be credited to the expansion of JBLM, which increased from approximately 35,300 military personnel and civilian contract employees in 2003, to 50,600 in 2010, up 43 percent (SSMCP). Growth in service-providing sectors, which were expanding to serve the growing population, coupled with increased demand for new homes and construction labor, created strong labor market conditions, further inducing net in-migration from job seekers. Despite

weakening economic conditions, population growth increased to an average of 1.5 percent, or 12,000 people, annually, from 2007 to 2009, with net in-migration representing 51 percent of the increase, in part, because the growth that was occurring at JBLM was independent of economic trends. However, economic conditions worsened further, and from 2009 to 2010, net out-migration of 6,975 people more than offset net natural change (resident births minus resident deaths), and the population declined 0.1 percent, or by 1,050.

Population growth returned in 2010 but at a modest pace, averaging less than 1 percent a year until 2013, and gained momentum in stride with the economy. From 2013 to 2016, population growth averaged 14,250 people, or 1.7 percent, annually, and net in-migration averaged 9,150 people each year, comprising 64 percent of the growth. Strong economic conditions enticed job seekers to the HMA but so has the growing disparity between the cost of living in Pierce and King Counties. Prior to the housing market collapse and Great Recession, the average sales price of a home in the Tacoma-Lakewood HMA

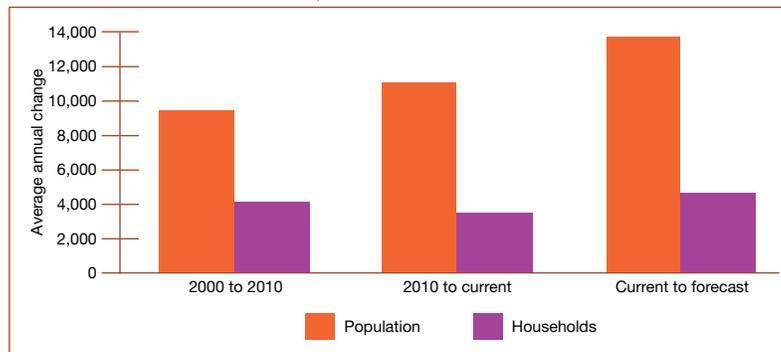
Population and Households *Continued*

fluctuated from 30 to 40 percent less than the average sales price in King County. Since 2008, however, the disparity has increased every year, and in 2016, the average sales price of a home in the Tacoma-Lakewood HMA was one-half that of King County (CoreLogic, Inc., with adjustments by the analyst). In 2015, there was a net flow of approximately 3,415 people from King County to Pierce County (American Community Survey, 2011–2015, 5-year data). The population of the HMA is estimated to reach 915,600 by July 1, 2020, reflecting an average annual

growth rate of 1.5 percent, or 13,650 people, per year. Net in-migration is expected to account for almost 63 percent of the growth.

An estimated 324,200 households reside in the HMA, representing an average annual increase of 1.1 percent, or 3,350 households, since 2010, compared with an average annual increase of 1.4 percent, or 3,900 households, from 2000 to 2010. The homeownership rate fell to 61.9 percent from 63.0 percent in 2010. The decline in the homeownership rate is mainly a result of the prolonged effects from 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, many households continue to prefer to rent, in part, because of demographic differences as many young adults postpone homeownership and the lifestyles that are typically associated with it, such as getting married and starting a family. As the robust economy continues to encourage strong population growth, the number of households in the HMA is expected to increase at an average annual rate of 1.4 percent, or 4,475 households, a year during the 3-year forecast period, reaching nearly 337,600 households by July 1, 2020. Figure 5 shows population and household growth trends from 2000 to the forecast date, and Figure 6 shows the number of households by tenure from 2000 to the current date.

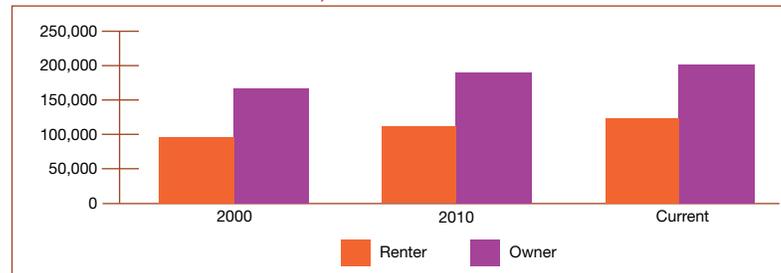
Figure 5. Population and Household Growth in the Tacoma-Lakewood HMA, 2000 to Forecast



Notes: The current date is July 1, 2017. The forecast date is July 1, 2020.

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

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



Note: The current date is July 1, 2017.

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

Housing Market Trends

Sales Market

Sales housing market conditions in the Tacoma-Lakewood HMA are currently tight, with an estimated vacancy rate of 1.4 percent, down from 2.6 percent in April 2010. The decline in new home production following the collapse of the housing market, combined with strong economic conditions, contributed to the absorption of excess vacancies and to the tight market conditions. The inventory of homes for sale represented a 1.6-month supply in July 2017 compared with a 2.1-month supply in July 2016, and the median number of days on the market declined from 14 to 10 days. In addition, more than 50 percent of homes sold in July 2017 sold above their list price (Redfin).

During the 12 months ending June 2017, approximately 18,400 existing single-family homes, townhomes, and condominiums (hereafter, existing homes) sold, up almost 19 percent from the volume of sales the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). Existing home sales increased sharply compared with the average of 12,550 sales a year, from 2013 through 2015, and surpassed the average of 17,000 existing homes sold a year, from 2001 through 2007, during the buildup of the housing boom. Since 2012, demand for homes has increased faster than the available supply, putting upward pressure on home prices. The average sales price increased 9 percent during the 12 months ending June 2017 to \$295,000, which is 47 percent higher than the low reached in 2011 and 1 percent higher than the prerecession peak reached in 2007.

In response to strong economic conditions in the HMA, seriously delinquent loans (loans that are 90 or

more days delinquent or in foreclosure) and real estate owned (REO) properties became a less significant part of the sales market than they were during the worst of the housing crisis from 2009 through 2012. During June 2017, 2.1 percent of mortgages in the HMA were seriously delinquent or in REO status, down from 3.2 percent in June 2016, and well below a June high of 9.7 percent in 2012 (CoreLogic, Inc.). Because of the Great Recession and foreclosure crisis, REO home sales accounted for almost 40 percent of all existing home sales from 2009 through 2012; however, REO sales comprised only 5 percent of existing home sales during the 12 months ending June 2017. The average sales price of an REO home during the past 12 months was \$207,400, more than 30 percent below the average sales price of a regular resale home.

The volume of new home sales was relatively flat from 2013, when the housing market recovery began, through 2016, averaging 1,900 new homes sales a year, mainly because new home construction did not keep pace with demand. During the 12 months ending June 2017, approximately 1,775 new homes sold, down 11 percent from the 12 months ending June 2016. By comparison, an average of 3,800 new homes sold annually from 2001 through 2007. Low levels of available inventory resulted in quickly rising sales prices. During the 12 months ending June 2017, the average sales price of a new home increased almost 17 percent to \$412,600, surpassing the prerecession high recorded in 2007 by 25 percent. This gain was preceded by average annual price growth of 11 percent from 2013 through 2015.

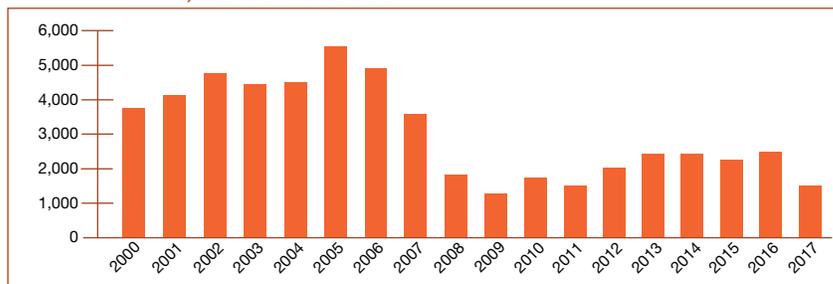
Despite increasing home sales and prices and strong economic conditions, single-family home construction, as measured by the number of single-family units permitted, was fairly level from 2013 through 2016, averaging 2,375 homes permitted a year, partially because the market was absorbing a significant amount of excess inventory from the foreclosure crisis, but also because shortages in land availability and construction labor were constraining home builders (Figure 7). During the 12 months ending June 2017, 2,625 new single-family homes were permitted, up 7 percent from the previous 12 months, marking the most permitting activity since 2007 (preliminary data). By contrast, an average of 4,525 new homes were permitted, annually, from 2001 through 2007 during the housing market boom.

New home construction occurs throughout the HMA, with large concentrations in the cities of Bonney Lake, approximately 15 miles east of the city of Tacoma, and Puyallup, which is 10 miles southeast of Tacoma. Tehaleh, a 4,200-acre, master-planned community in Bonney Lake that opened in 2012, has plans to include

9,700 homes and 3.9 million square feet of commercial and retail space during the next 25 years. Since 2012, approximately 720 homes have sold in Tehaleh, priced from the low \$300,000s to the upper \$600,000s. Within the community is Trilogy at Tehaleh, a neighborhood designed for adults ages 55 and older, which is very popular, recording the most sales of any subdivision in Tehaleh thus far. Floor plans range from 1,454 to 2,462 square feet, and prices start in the \$300,000s. Sunrise, a master-planned community in Puyallup that began development in the 1990s, is expanding further, with several new subdivisions under construction or in planning. Currently, the community has 1,700 units comprised of single-family homes, multifamily homes, condominiums, and townhomes, with the capacity for 4,000 units. An example of a new subdivision under way is The Ridge at Sunrise, which will comprise 88 homes ranging in size from 2,200 to 3,800 square feet starting in the low \$400,000s.

During the next 3 years, demand is expected for 8,625 new single-family homes (Table 1). Demand is estimated to be evenly distributed during each year of the 3-year forecast period. The 1,500 homes currently under construction and a portion of the estimated 13,000 other vacant homes that may come back on the market will likely satisfy part of the forecast demand. Demand for new homes is anticipated to be strongest for homes priced between \$300,000 and \$499,999 (Table 4).

Figure 7. Single-Family Homes Permitted in the Tacoma-Lakewood HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through June 2017.

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

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Tacoma-Lakewood HMA During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
200,000	249,999	860	10.0
250,000	299,999	2,150	30.0
300,000	349,999	1,725	20.0
350,000	399,999	1,300	15.0
400,000	499,999	1,300	10.0
500,000	599,999	860	10.0
600,000	and higher	430	5.0

Notes: Numbers may not add to totals because of rounding. The 1,500 homes currently under construction and a portion of the estimated 13,000 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is July 1, 2017, to July 1, 2020.

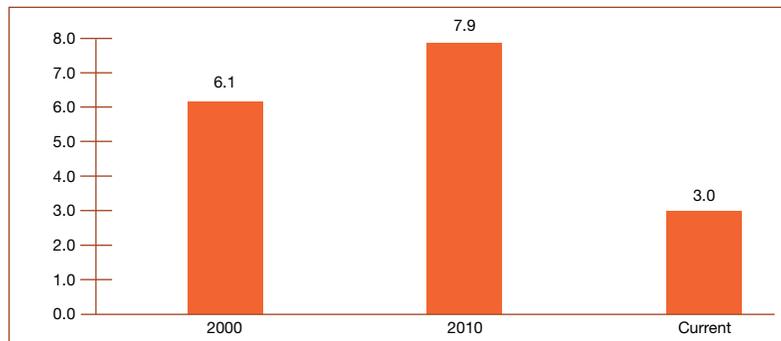
Source: Estimates by analyst

Rental Market

Rental housing market conditions in the Tacoma-Lakewood HMA are currently tight, with an overall estimated vacancy rate of 3.0 percent, down from 7.9 percent in April 2010, a result of renter household growth that outpaced the increase in rental inventory since 2010 (Figure 8). The apartment market is very tight, with an estimated 2.9-percent vacancy rate in March 2017 (the most recent data available) compared with 2.8 percent a year ago, despite the addition of 4,050 apartments from 2012 through 2016, or 810 units a year (Dupre + Scott Apartment Advisors). By comparison, from 2007 through 2011, 2,275 units were added, an average of 450 units a year. The

apartment market vacancy rate peaked in 2009 at 9.3 percent and remained above 5.0 percent until 2013, causing the average rent to remain relatively stagnant. Since 2013, however, market conditions have tightened considerably, the vacancy rate has averaged less than 5 percent, and rent growth has averaged 6 percent annually. As of March 2017, average monthly rents in the HMA were \$859, \$919, \$1,260, and \$1,463, for studios, one-, two-, and three-bedroom units, respectively. The average rent for units built since 2010 increased more than 6 percent from March 2016 to March 2017, to \$1,406, averaging \$1,052, \$1,270, \$1,470, and \$1,755 for studios, one-, two-, and three-bedroom units, respectively.

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



Note: The current date is July 1, 2017.

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

Of the 13 market areas in the HMA delineated by Dupre + Scott Apartment Advisors, the lowest apartment vacancy rates in March 2017 were 0.7 percent in the Stadium District market area and 2.2 percent each in the East Tacoma and Fircrest/University Place market areas, compared with 2.8, 2.0, and 2.9 percent, in March 2016, respectively. The Stadium District market area is becoming increasingly

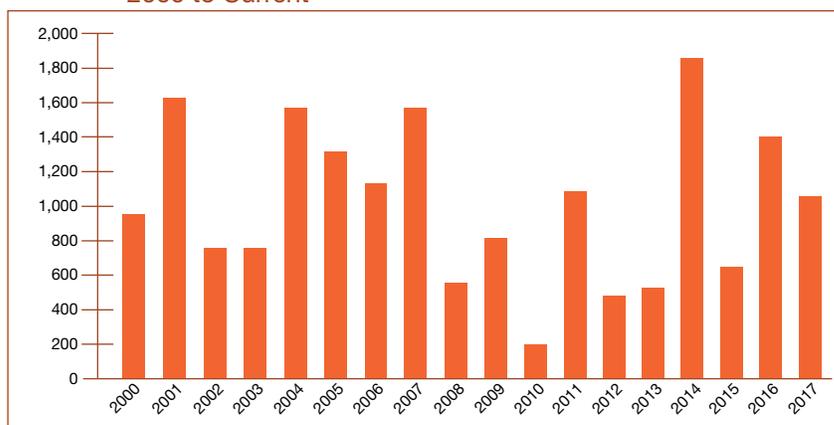
popular in the HMA because of its proximity to downtown Seattle, views of the Puget Sound, and the affluent nature of its amenities, contributing to the tight apartment market. The East Tacoma market area is still relatively affordable when compared with other, more developed market areas, as it transitions from a mainly industrial area to include more services and amenities to serve a growing residential population. Like the Stadium District market area, Fircrest/University Place is an affluent market area that is dominated by single-family homes with limited apartment inventory. All three of these market areas are experiencing very tight rental market conditions, because the demand for rental units outpaced inventory growth. Some of this strain was eased by increased apartment construction that resulted in increased vacancy rates during the past year. The Other Pierce County market area, which encompasses the less developed east side of the county, had the highest vacancy rate at 5.3 percent, up from 2.6 percent a year ago. Of the nine remaining market areas, five had vacancy rates less than 4 percent, and four were below 3 percent. The market area with the

highest average rent was Other Pierce County at \$1,301, reflecting an increase of 7 percent from a year ago. The lowest asking rent was in the East Tacoma market area at \$884, up 9 percent from a year prior. The fastest year-over-year rent growth was 13 percent in the South Tacoma market area, with the slowest rent growth occurring in the Downtown Tacoma market area at 5 percent. Of the remaining market areas, six had rent growth between 9 and 10 percent.

Of the estimated 22,000 active-duty military personnel living off base in the HMA, approximately 13,200, or 60 percent, are renters, providing a long-term, continuous source of renter demand (SSMCP). The Lakewood market area, which is close to a main access gate to JBLM, had a 3.2-percent vacancy rate in March 2017, up from 2.9 percent a year ago but below the 5-year average of 4.4 percent. Although the vacancy rate increased in the past year, only 5 percent of properties were offering incentives, down from 13 percent a year ago, and the average asking rent increased 9 percent to \$933.

Multifamily construction, as measured by the number of multifamily units permitted, has fluctuated since 2000, because although the military provides a stable source of renter demand over the long run, the year-to-year level of demand can vary significantly due to deployments, which can be unpredictable (Figure 9). Additionally, sustained effects from the housing market collapse and Great Recession also contributed to the volatility in multifamily construction. During the 12 months ending June 2017, approximately 1,675 multifamily units were permitted, a 73-percent increase from the 970 multifamily units permitted during the 12 months

Figure 9. Multifamily Units Permitted in the Tacoma-Lakewood HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through June 2017.

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

ending June 2016 (preliminary data). An average of 1,325 multifamily units were permitted annually from 2004 through 2006. The number of units permitted increased to 1,550 in 2007 as rental and sales housing market conditions began to deteriorate, but before builders reacted to the changing conditions. The onset of the Great Recession and the subsequent housing market collapse caused multifamily construction to decline to an average of 600 units annually from 2008 through 2013, with a low of 190 multifamily units permitted in 2010. During this time, financing for new construction was particularly hard to obtain, despite an increased demand for rental units brought on by the foreclosure crisis. This lack of financing resulted in a very limited supply of new apartments, which coupled with increased demand caused apartment market conditions to tighten. As lenders became increasingly confident in the economic recovery, financing returned, and builders responded by significantly increasing apartment construction. In 2014, 1,850 multifamily units were permitted, more than 3 times the number of units permitted in 2013 and the highest annual level of permitting since at least 2000. Multifamily construction dropped significantly in 2015, in part,

to allow for the absorption of the large number of units permitted in 2014.

Currently, 1,800 apartments are under construction, and an additional 260 units are scheduled to be complete in the next 3 years, of which 940 units, or 45 percent, are in the city of Tacoma. Examples of larger developments under construction in Tacoma include the 172-unit Stadium District Apartments and the 135-unit Napoleon Apartments, both expected to be complete in mid-2018. The 139-unit Grand on Broadway in downtown Tacoma is currently under construction and will begin leasing as each floor is completed, beginning at the end of September 2017. Currently, 10 units are preleased. Studios range from 291 to 490 square feet and will rent for \$1,137 to \$1,857, one bedrooms range from 525 to 814 square feet and will rent for \$1,407 to \$2,157, and two-bedroom units are 870 square feet with rents ranging from \$2,387 to \$2,537.

During the next 3 years, demand is expected for 6,600 new market-rate rental units in the HMA, with demand evenly distributed during the 3-year forecast period (Table 1). Table 5 shows the forecast demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Tacoma-Lakewood HMA During the Forecast Period

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
950 to 1,149	230	1,100 to 1,299	1,375	1,500 to 1,699	2,075	1,700 to 1,899	1,050
1,150 to 1,349	65	1,300 to 1,499	400	1,700 to 1,899	600	1,900 to 2,099	130
1,350 or more	35	1,500 or more	200	1,900 or more	300	2,100 or more	130
Total	330	Total	1,975	Total	2,975	Total	1,325

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 1,800 units currently under construction will likely satisfy some of the estimated demand. The forecast period is July 1, 2017, to July 1, 2020.

Source: Estimates by analyst

Data Profile

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	321,727	354,576	386,500	1.0	1.3
Unemployment rate	5.6%	10.4%	5.8%		
Nonfarm payroll jobs	248,300	270,700	310,700	0.9	2.1
Total population	700,820	795,225	874,600	1.3	1.3
Total households	260,800	299,918	324,200	1.4	1.1
Owner households	165,598	189,080	200,600	1.3	0.8
Percent owner	63.5%	63.0%	61.9%		
Renter households	95,202	110,838	123,600	1.5	1.5
Percent renter	36.5%	37.0%	38.1%		
Total housing units	277,060	325,375	343,900	1.6	0.8
Owner vacancy rate	1.8%	2.6%	1.4%		
Rental vacancy rate	6.1%	7.9%	3.0%		
Median Family Income	\$48,900	\$68,100	\$71,000	3.4	0.7

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through June 2017. Median Family Incomes are for 1999, 2009, and 2015. The current date is November 1, 2017.

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

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 7/1/2017—Estimates by the analyst
 Forecast period: 7/1/2017–7/1/2020—Estimates
 by the analyst

The metropolitan statistical area and metropolitan division definitions in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

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 this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), 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 huduser.gov/publications/pdf/CMARtables_Tacoma_LakewoodWA_17.pdf.

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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.

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.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.