

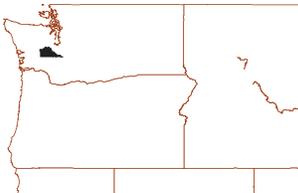


Olympia, Washington

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2008



Housing Market Area



The Olympia, Washington Housing Market Area (HMA) is coterminous with the Olympia, WA Metropolitan Statistical Area and consists of Thurston County. The HMA is located along the southern tip of Puget Sound, approximately 30 and 60 miles southwest of the cities of Tacoma and Seattle, respectively. The city of Olympia is the capital of Washington State. Population increases have occurred throughout the HMA due in part to an expanding local economy. Some areas of the HMA have become bedroom communities for residents relocating to the area because of the relatively affordable sales housing compared with that in the Tacoma and Seattle metropolitan areas.

Summary

Economy

Economic conditions in the Olympia HMA are strong. Although employment in the state and local government subsectors provides economic stability, much of the job growth that has occurred in the HMA since 2000 has been in the service-providing sectors. During the 12 months ending March 2008, nonfarm employment increased by an average of 2,900 jobs, or 2.9 percent, to a record-setting 102,400 jobs. During the forecast period, nonfarm employment is projected to increase by an average of 2.4 percent annually.

Sales Market

Previously tight sales housing market conditions in the HMA became balanced during the 12 months ending March 2008. During the period, new and existing single-family home sales totaled 4,825, down 20 percent compared with the record level of 6,050 homes sold during the 12 months ending March 2007, while the average sales price increased by 6 percent to \$304,280. Demand is forecast for 5,300 new sales housing units during the next 3 years (see Table 1).

Rental Market

Rental housing market conditions in the HMA are currently tight due to moderate apartment construction levels, reduced competition from the sales housing market and increased demand resulting from an expanding economy. As of April 1, 2008, the estimated rental vacancy rate is 3.2 percent, unchanged from a year ago. The average rent increased by 7 percent to \$790 during the past year. Based on continued household and employment growth, demand is estimated for 1,700 new market-rate rental units during the forecast period (see Table 1).

Table 1. Housing Demand in the Olympia HMA, 3-Year Forecast, April 1, 2008 to April 1, 2011

	Olympia HMA	
	Sales Units	Rental Units
Total Demand	5,300	1,700
Under Construction	370	290

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2008.

Source: Estimates by analyst

Market Details

- Economic Conditions 2
- Population and Households 4
- Housing Market Trends 5
- Data Profile 9

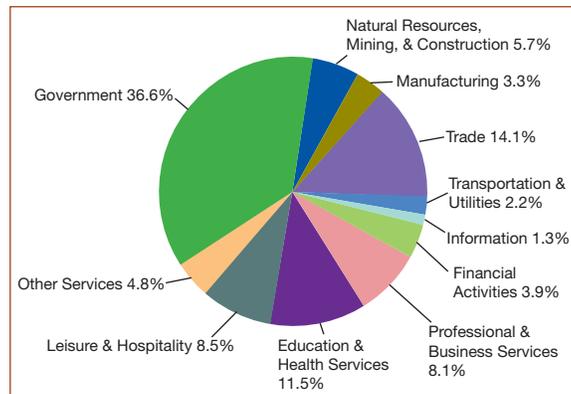
Economic Conditions

Nonfarm employment in the Olympia HMA has increased every year since 2000, gaining an average of 2,300 jobs, or 2.5 percent, annually. During the 12 months ending March 2008, nonfarm employment in the HMA reached a record level of 102,400 jobs. Employment in the state and local government subsectors has been a source of both expansion and stability for the HMA. More than one-sixth of the total job growth that has occurred in the HMA since 2000 has resulted from hiring in the state and local governments, which currently account for approximately one-third of nonfarm employment (see Figure 1). In addition, most of the leading employers in the HMA

are in the state or local government subsectors (see Table 2).

In the private sector, the professional and business services, retail trade, and education and health services sectors have led job growth in the HMA since 2000. The leisure and hospitality and natural resources, mining, and construction sectors have also recorded significant gains. Employment in the professional and business services sector has increased by an average of 470 jobs, or 8 percent, annually since 2000, partly due to widespread state government service contracts. New residential communities in the cities of Lacey, Tumwater, and Yelm prompted the development of numerous retail centers, resulting in growth in retail trade sector employment, which has increased by an average of 260 jobs, or 2.5 percent, annually since 2000. In an effort to serve the HMA's growing population, numerous expansions have occurred at Providence St. Peter Hospital since 2000, resulting in 600 additional employees and contributing to average gains of 250 jobs, or 2.3 percent, annually in the education and health services sector. The opening of several casinos in the HMA contributed to record revenue in the tourism industry, up 50 percent since 2000 to \$265 million in 2006. Hiring in the leisure and hospitality sector has increased by an average of 230 jobs, or 3 percent, annually since 2000. Commercial building and record high single-family home construction from 2004 through 2006 contributed to hiring in the natural resources, mining, and construction sector, up by an average of 180 jobs, or 3.6 percent, annually since 2000. See Figure 2 for sector growth in the HMA from 1990 to the current date.

Figure 1. Current Employment in the Olympia HMA, by Sector



Note: Based on 12-month averages through March 2008.

Source: U.S. Bureau of Labor Statistics

Table 2. Major Employers in the Olympia HMA

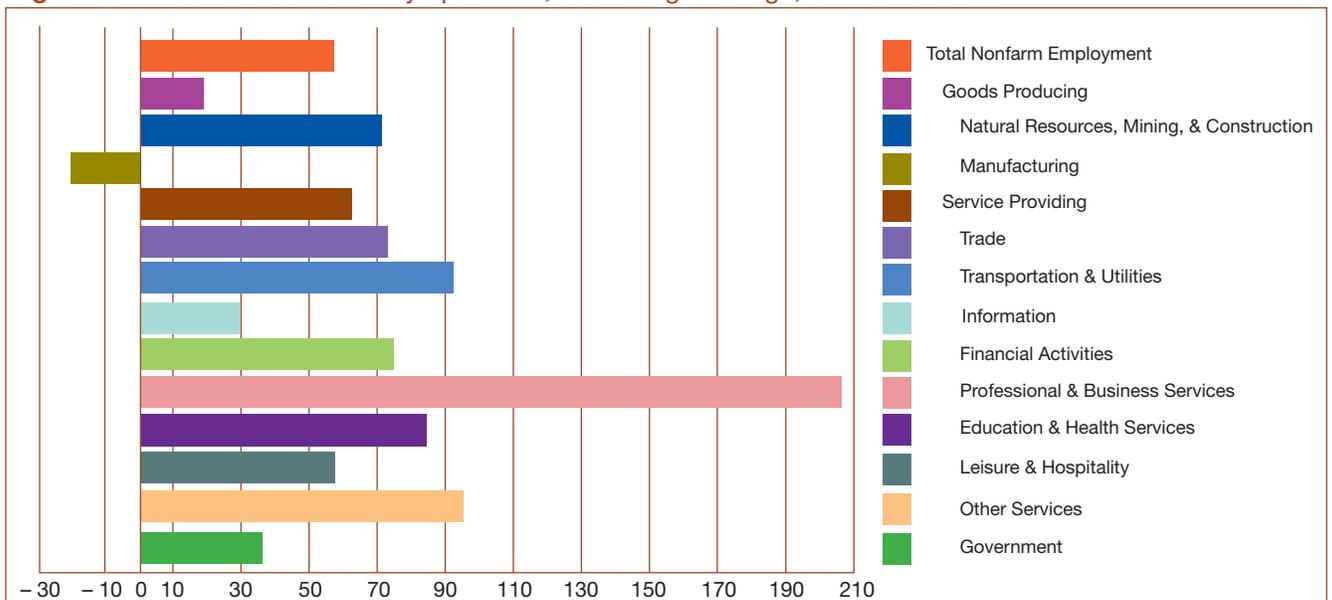
Name of Employer	Employment Sector	Number of Employees
State agencies	State Government	22,600
Providence St. Peter Hospital	Local Government	6,500
Safeway, Inc.	Retail Trade	800
The Evergreen State College	State Government	800
South Puget Sound Community College	State Government	780
Lucky Eagle Casino	Local Government	700
Saint Martin's University	Education & Health Services	600
Great Wolf Lodge	Leisure & Hospitality	500
Capital Medical Center	Education & Health Services	450
Cabela's, Inc.	Retail Trade	350

Source: Thurston County Economic Development Council

During the past 12 months, job growth was led primarily by hiring in sectors that serve the growing population of the HMA, which includes retirees and commuters. For the 12-month period ending March 2008, nonfarm employment increased by 2,900 jobs, or 2.9 percent, compared with employment gains for the same period a year ago (see Table 3).

Gains were largest in the retail trade sector, which increased by 600 jobs, or 5.4 percent, partly as a result of 550 jobs created by store openings in Lacey by Lowe's Companies, Inc., and Cabela's, Inc. Growth continued in the professional and business services sector, increasing by an average of 500 jobs, or 6.4 percent. Employment growth totaling 400 jobs, or 4.8 percent,

Figure 2. Sector Growth in the Olympia HMA, Percentage Change, 1990 to Current



Note: Current is based on 12-month averages through March 2008.

Source: U.S. Bureau of Labor Statistics

Table 3. 12-Month Average Employment in the Olympia HMA, by Sector

	12 Months Ending March 2007	12 Months Ending March 2008	Percent Change
Total Nonfarm Employment	99,500	102,400	2.9
Goods Producing	9,300	9,200	-1.1
Natural Resources, Mining, & Construction	6,000	5,800	-3.3
Manufacturing	3,300	3,400	3.0
Service Providing	90,200	93,200	3.3
Trade	13,800	14,500	5.1
Transportation & Utilities	2,200	2,300	4.5
Information	1,200	1,300	8.3
Financial Activities	4,000	4,000	0.0
Professional & Business Services	7,800	8,300	6.4
Education & Health Services	11,400	11,800	3.5
Leisure & Hospitality	8,300	8,700	4.8
Other Services	4,800	4,900	2.1
Government	36,800	37,500	1.9

Notes: Based on 12-month averages through March 2007 and March 2008. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

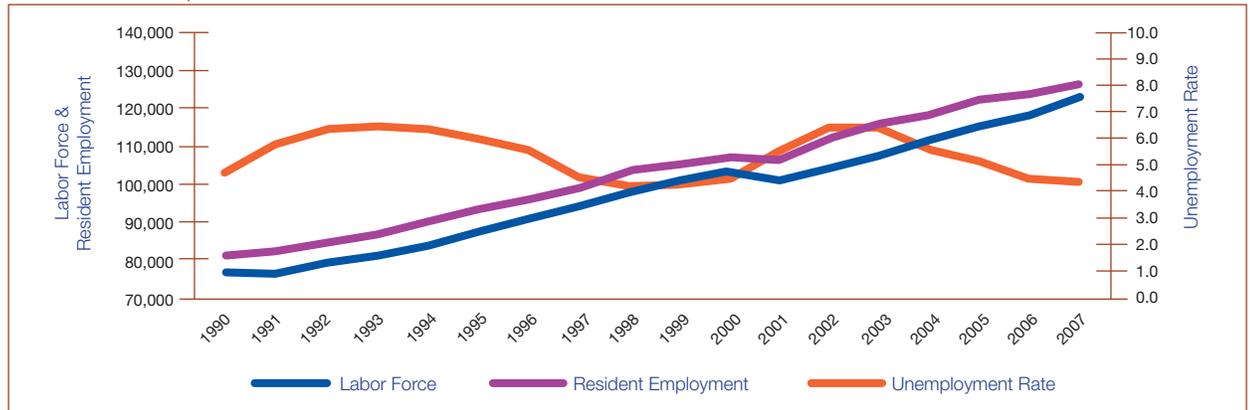
occurred in the leisure and hospitality sector partly due to the creation of 500 new jobs at the Great Wolf Lodge resort, which opened in March 2008 in the town of Grand Mound, south of Olympia. During the forecast period, nonfarm job growth is projected to continue to increase in most sectors, with overall employment gains expected to average 2,500 jobs, or 2.4 percent, annually.

Resident employment has increased by an average of 2,700 people, or 2.4 percent, annually since 2000. Since late 2004, the HMA has become a bedroom community for the Tacoma and Seattle areas, with

households seeking relatively more affordable housing. During the 12 months ending March 2008, resident employment increased by an average of 3,700 people, or 3.1 percent, to 123,100 compared with resident employment for the same period a year ago. Strong

employment growth in the HMA during the past year caused the unemployment rate to decline to 4.4 percent from 4.6 percent a year ago. See Figure 3 and Table DP-1 (at the end of the report) for trends in the labor force, resident employment, and unemployment rate in the HMA.

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Olympia HMA, 1990 to 2007



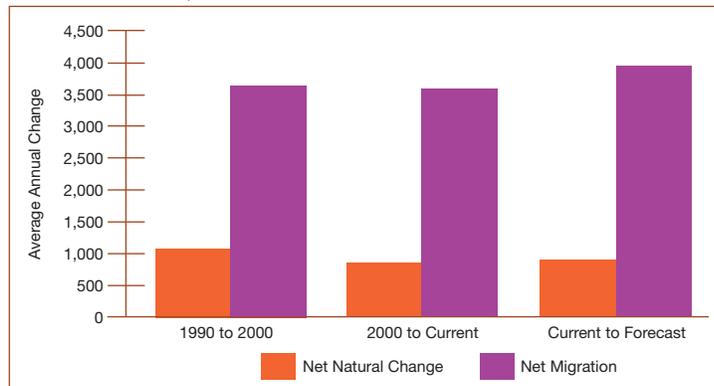
Source: U.S. Bureau of Labor Statistics

Population and Households

The current population of the Olympia HMA is an estimated 242,600, up by an average annual rate of 4,400, or 2 percent, since 2000. Net in-migration has accounted for

80 percent of population growth since 2000. People moving from the Tacoma and Seattle areas have contributed largely to growth in the HMA, accounting for nearly one-half of new residents since 2000. Olympia, with an estimated population of 44,500, is the most populous city in the HMA; the populations of Lacey, Tumwater, and Yelm are 35,900, 13,400, and 4,900, respectively. Due to its relatively close proximity to the Tacoma and Seattle areas, Lacey, has had the most population growth of all cities in the HMA since 2000, increasing by an average of 580 annually. Figure 4 shows components of population change in the HMA from 1990 to the forecast date.

Figure 4. Components of Population Change in the Olympia HMA, 1990 to Forecast

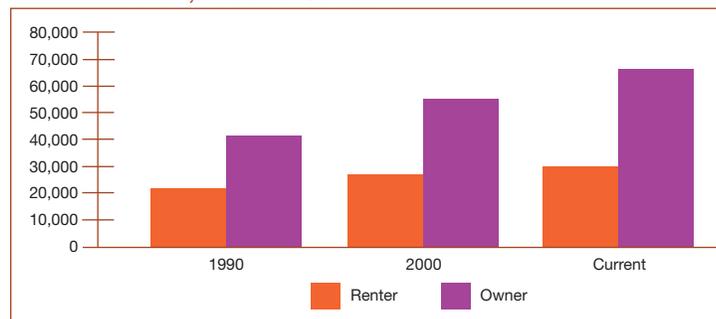


Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Population growth in the HMA was particularly strong in 2005 and 2006, averaging 5,500, or 2.4 percent, annually, partly due to homebuyers being drawn to the HMA's affordably priced homes, relative to those in the Tacoma and Seattle areas. Retirees and empty nesters were attracted to the Lacey area because of several

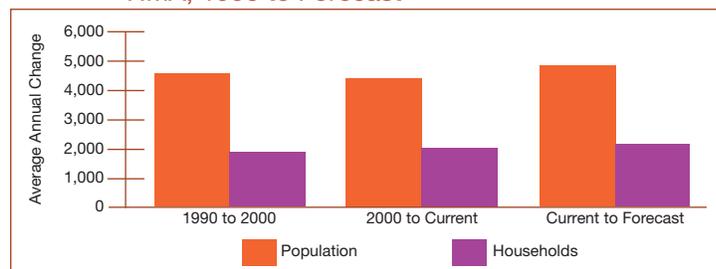
new age-restricted communities. In 2005 and 2006, an increase in the number of residents between the ages of 55 and 59 years accounted for approximately one-third of the total population growth. During the forecast period, the total population is expected to increase annually by an average of 4,900, or 2 percent, and net in-migration is expected to account for more than 80 percent of total population growth.

Figure 5. Number of Households by Tenure in the Olympia HMA, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Figure 6. Population and Household Growth in the Olympia HMA, 1990 to Forecast



Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Since 2000, the number of households in the HMA has increased by an average of 2,000, or 2.3 percent, annually and currently totals 97,800 households. Figure 5 illustrates the number of households by tenure in the HMA from 1990 to the current date. The rate of increase in the number households outpaced population growth, reflecting increased numbers of smaller sized households that resulted from the growth in the number of retirees and empty nesters in the HMA. During the forecast period, the number of households in the HMA is expected to increase by an average 2,100, or 2.1 percent, annually. Figure 6 illustrates population and household growth in the HMA from 1990 to the forecast date.

Housing Market Trends

Sales Market

Single-family home sales market conditions in the Olympia HMA moderated to more balanced conditions during the past year compared with conditions recorded during the previous 2 years. The previously tight conditions resulted from increased in-migration in response to job

growth in the HMA and in the Seattle and Tacoma areas, where average sales prices for single-family homes were approximately \$200,000 and \$20,000 higher, respectively, than those in the Olympia area. According to the Northwest Multiple Listing Service, during the 12 months ending

Housing Market Trends

Sales Market *Continued*

March 2008, the average price of new and existing single-family homes in the HMA increased by 6 percent to \$304,600. In comparison, the average price increased by 9 and 22 percent during the 12-month periods ending March 2007 and March 2006, respectively.

Tighter lending standards during the past year, combined with significant price increases posted since late 2004, caused sales to decline by 20 percent during the past 12 months to the lowest 12-month volume recorded since November 2004. During the 12 months ending March 2008, new and existing single-family home sales totaled 4,830 homes, compared with the record-setting 6,050 homes sold during the same period a year ago and the 5,440 homes sold 2 years ago. During the 12 months ending March 2008, sales volume was still relatively high, 20 percent above the average of 4,040 homes sold from 2002 through 2003.

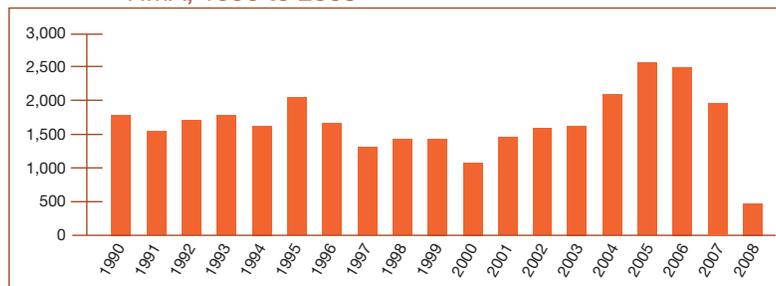
Due to the decline in sales during the past year, the unsold inventory of new and existing homes increased by 11 percent to 2,100. In response to the declining sales and rising inventories, home builders reduced single-family construction, as measured by the number of single-family building permits issued, to 1,650 units for the

12 months ending March 2008, a 32-percent decrease compared with the number of homes permitted during the previous 12-month period. The decrease in single-family home-building is in sharp contrast to the record and near-record construction levels recorded in 2005 and 2006, when the number of single-family homes permitted totaled 2,525 and 2,500 respectively (see Figure 7).

Currently, 370 single-family homes are under construction in the HMA. In the Lacey area, where approximately 100 homes are under construction and an additional 1,400 homes are planned during the next 3 years, approximately 25 single-family developments are under way, including Jubilee at Hawks Prairie, a 400-acre, age-restricted community under development since late 2003. Nearly one-half of the 1,700 planned single-family homes restricted to people 55 years of age and older have been completed and sold. According to the developer, Jenamar Communities, LLC, the development is expected to be completed by 2012. At Thurston Highlands and Tahoma Terra, two master-planned communities in Yelm, an additional 250 single-family homes will likely be built during the 3-year forecast period, doubling the total number built in the communities since construction began in 2005. Single-family home prices at these developments range from \$175,000 to \$320,000.

Several mixed-use communities in the HMA are also under way or in the pipeline. Lacey Gateway, a 400-acre, mixed-use development, is currently under construction. The project is expected to take 15 years to complete and is expected to include up to 7,000 single-family and multifamily homes,

Figure 7. Single-Family Building Permits Issued in the Olympia HMA, 1990 to 2008



Notes: Includes only single-family units. Includes data through March 2008.

Source: U.S. Census Bureau, Building Permits Survey

Housing Market Trends

Sales Market *Continued*

although no start date for residential construction has been announced. Briggs Village, a mixed-use development in Olympia, is also under way and expected to be completed by 2015. Approximately 50 of the expected 130 single-family homes have been built, and several retail stores and a retirement community including 200 multifamily rental units are in the planning phase. Prices for homes at Briggs Village range from \$450,000 for a three-bedroom home to \$590,000 for a five-bedroom home.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Olympia HMA, April 1, 2008 to April 1, 2011

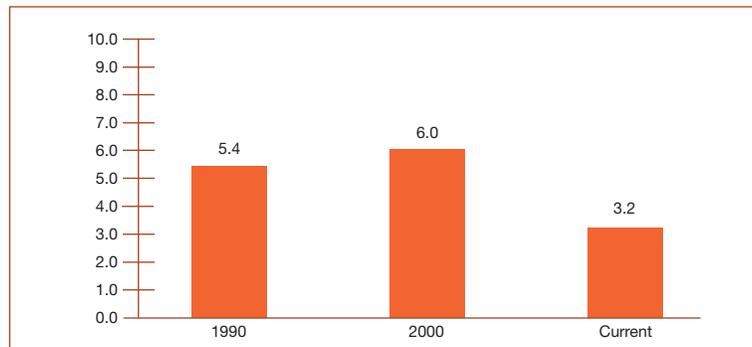
Price Range (\$)		Units of Demand	Percent of Total
From	To		
200,000	224,999	690	13.0
225,000	249,999	690	13.0
250,000	274,999	640	12.1
275,000	299,999	590	11.1
300,000	349,999	580	10.9
350,000	399,999	530	10.0
400,000	499,999	530	10.0
500,000	599,999	370	7.0
600,000	699,999	260	4.9
700,000	799,999	210	4.0
800,000	999,999	110	2.1
1,000,000	and higher	100	1.9

Source: Estimates by analyst

Rental Market

Rental housing market conditions in the HMA are currently tight due to strong rental demand resulting from

Figure 8. Rental Vacancy Rates in the Olympia HMA, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Condominiums currently account for approximately 5 percent of the home sales market in the HMA. For the 12-month period ending March 2008, new and existing condominium sales totaled 270 units, up 28 percent compared with sales for the same period a year ago, but the average sales price declined by 3 percent to \$207,900. Condominiums currently under construction include those at Citi-Life Condominiums, a 32-unit development in Olympia, with one- and two-bedroom units selling from \$170,000 to \$190,000. Construction is expected to be completed by June 2008.

During the next 3 years, an increase in the number of households resulting from continued job growth in the HMA and the Seattle and Tacoma areas, in addition to retirees locating to the HMA, is expected to result in demand for an additional 5,300 homes. See Table 4 to view estimated demand for new market-rate sales housing in the HMA by price range.

population and employment gains. Moderate apartment construction since 2000 and reduced competition from the sales housing market have also contributed to the tight conditions. The estimated rental vacancy rate is 3.2 percent, unchanged from a year ago, but down from 4 percent 2 years ago (see Figure 8). According to Dupre+Scott Apartment Advisors, Inc., in March 2008, the average apartment rent was \$790, up 7 percent compared with the average rent recorded in March 2007, and the proportion of apartment complexes offering concessions remained stable, at approximately

15 percent. A typical rental concession is one-half month of free rent with a 12-month lease.

The HMA is home to three universities, whose students provide a steady source of rental housing demand. An estimated 11,000 students live off campus in the local rental market. In addition, an estimated 2,500 military personnel stationed at Fort Lewis in Tacoma are currently renting units in the HMA.

During the 12 months ending March 2008, multifamily construction, as measured by the number of multifamily units permitted, totaled approximately 900 units, up from 700 units permitted during the same period a year earlier. Since 2000, approximately 2,200 of the 2,700 multifamily units that have been permitted are rental units, and the remainder are condominiums. See Figure 9 for trends in the total number of multifamily units permitted in the HMA since 1990.

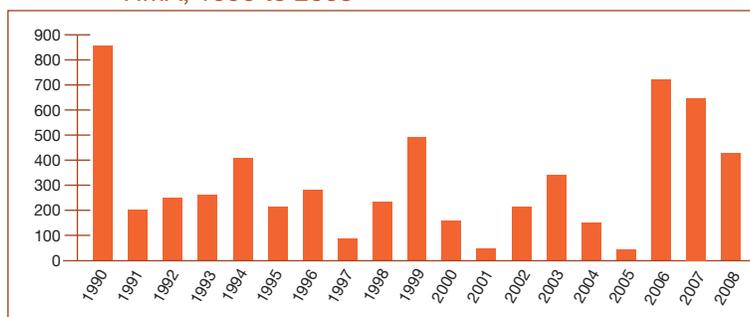
Currently, approximately 300 multifamily units are under construction, including two developments in Tumwater—HearthStone Plaza and

Tabula Rasa. HearthStone Plaza, a 125-unit, mixed-use development, is expected to be completed by June 2008; rents range from \$780 for a one-bedroom unit to \$1,110 for a three-bedroom unit. Tabula Rasa includes 118 units with proposed rents ranging from \$1,025 for a one-bedroom unit to \$1,550 for a three-bedroom unit. Construction at Tabula Rasa is expected to be completed by July 2008.

In response to increased demand stemming from a growing retiree population, several retirement and assisted-living community developments totaling more than 1,200 units are under construction or in the pipeline in the HMA. In Lacey, the Summit of Lacey Senior Living Community, which includes 208 assisted- and independent-living units, is expected to be completed in September 2008. In Olympia, Capital Heights Retirement Village is currently in the planning phase, with construction on the 341-unit community beginning in July 2008 and expected to be completed by 2012. The completed project will consist of 224 independent-living units, 81 assisted-living units, and 36 special-care units for residents with Alzheimer's disease.

During the next 3 years, demand is estimated for 1,700 new market-rate rental units in the HMA. See Table 5 to view estimated demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

Figure 9. Multifamily Building Permits Issued in the Olympia HMA, 1990 to 2008



Notes: Includes all multifamily units in structures with two or more units. Includes data through March 2008.

Source: U.S. Census Bureau, Building Permits Survey

Housing Market Trends

Rental Market *Continued*

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Olympia HMA, April 1, 2008 to April 1, 2011

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	30	1,050	680	1,200	820	1,350	170
1,000	30	1,100	600	1,250	680	1,400	150
1,050	30	1,150	550	1,300	620	1,450	140
1,100	25	1,200	500	1,350	560	1,500	120
1,150	20	1,250	430	1,400	480	1,550	100
1,200	15	1,300	370	1,450	410	1,600	85
1,250	15	1,350	310	1,500	340	1,650	75
1,350	10	1,450	250	1,600	280	1,750	55
and higher		and higher		and higher		and higher	

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Data Profile

Table DP-1. Olympia HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	77,417	103,321	123,099	2.9	2.4
Unemployment Rate (%)	4.8	4.6	4.4		
Nonfarm Employment	65,300	85,500	102,400	2.7	2.5
Total Population	161,238	207,355	242,600	2.5	2.0
Total Households	62,150	81,625	97,800	2.8	2.3
Owner Households	40,226	54,364	67,800	3.1	2.8
Percent Owner (%)	64.7	66.6	69.3		
Renter Households	21,924	27,261	30,000	2.2	1.2
Percent Renter (%)	35.3	33.4	30.7		
Total Housing Units	66,464	86,652	103,700	2.7	2.3
Owner Vacancy Rate (%)	1.3	2.1	2.3		
Rental Vacancy Rate (%)	5.4	6.0	3.2		
Median Family Income	\$32,700	\$49,900	\$66,300	4.3	3.2

Notes: Median family income data are for 1989, 1999, and 2006. Employment data represent annual averages for 1990, 2000, and the 12 months through March 2008.

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

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 4/1/2008—Analyst's estimates

Forecast period: 4/1/2008–4/1/2011—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_OlympiaWA.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.