The analysis presented in this report was completed prior to the COVID-19 outbreak in the United States and therefore the forecast estimates do not take into account the economic and housing market impacts of the actions taken to limit contagion of the virus. At this time, the duration and depth of the economic disruption are unclear, as are the extent and effectiveness of government policies to counteract the disruption. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.

COMPREHENSIVE HOUSING MARKET ANALYSIS

Tacoma-Lakewood, Washington

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

As of December 1, 2019

Share on:

Executive Summary

Housing Market Area Description

The Tacoma-Lakewood Housing Market Area (HMA), coterminous with the metropolitan division (MD) of the same name, consists of Pierce County and it is south of the Seattle MD (King and Snohomish Counties). The economy of the HMA is closely tied to that of the Seattle MD, where many HMA residents commute for work. 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 to Joint Base Lewis-McChord (JBLM), the largest U.S. Army-led joint base in the country.

The population of the HMA is estimated at 911,500.

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 by 6,400 jobs, or 2.0 percent, during the 12 months ending November 2019.

Economic conditions in the HMA are currently strong, but the rate of job growth has moderated the past 2 years. Nonfarm payrolls averaged 327,400 during the 12 months ending November 2019, up by 6,400 jobs, or 2.0 percent from the same time a year earlier. The current rate of job growth is down from 2.6 percent during the 12 months ending November 2018; the rate is also less than the average annual growth rate of 2.8 percent from 2015 through 2017. The mining, logging, and construction sector led job growth in the number of jobs added and in percentage terms during the past 12 months. The unemployment rate averaged 5.4 percent during the 12 months ending November 2019, up from 5.2 percent a year earlier. Nonfarm payroll jobs are expected to increase an average of 2.0 percent a year during the 3-year forecast period.

Sales Market

Very tight: The number of sales units permitted has been relatively flat since 2013, despite elevated levels of net in-migration, contributing to very tight sales market conditions.

Sales housing market conditions in the Tacoma-Lakewood HMA are currently very tight, with an estimated sales vacancy rate of 0.9 percent, down from 2.6 percent in 2010. Approximately 19,600 homes sold during the 12 months ending October 2019, down 9 percent from a year ago, and the average sales price increased 7 percent to $383,400 (CoreLogic, Inc., with adjustments by the analyst). During the 3-year forecast period, demand is estimated for 10,500 new homes. The 1,575 homes currently under construction will meet a portion of that demand.

Rental Market

Tight: The overall rental vacancy rate is estimated at 3.4 percent, compared with 7.9 percent in April 2010 when market conditions were soft.

Rental housing market conditions in the HMA are tight, as are conditions in the apartment market. The apartment vacancy rate has remained below 4 percent since 2014 while asking rents have increased at an average annual rate of 6 percent (Reis, Inc.). As of the third quarter of 2019, the apartment vacancy rate was 2.9 percent and the average asking rent was $1,138. During the 3-year forecast, demand is expected for 6,525 new rental units. The 1,650 units currently under construction will satisfy part of the demand in the first and second years of the forecast period.

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3-Year Housing Demand Forecast

		Sales Units	Rental Units
Tacoma-Lakewood HMA	Total Demand	10,500	6,525
	Under Construction	1,575	1,650

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of December 1, 2019. The forecast period is December 1, 2019, to December 1, 2022.
Source: Estimates by the analyst

Economic Conditions

Largest sector: Government

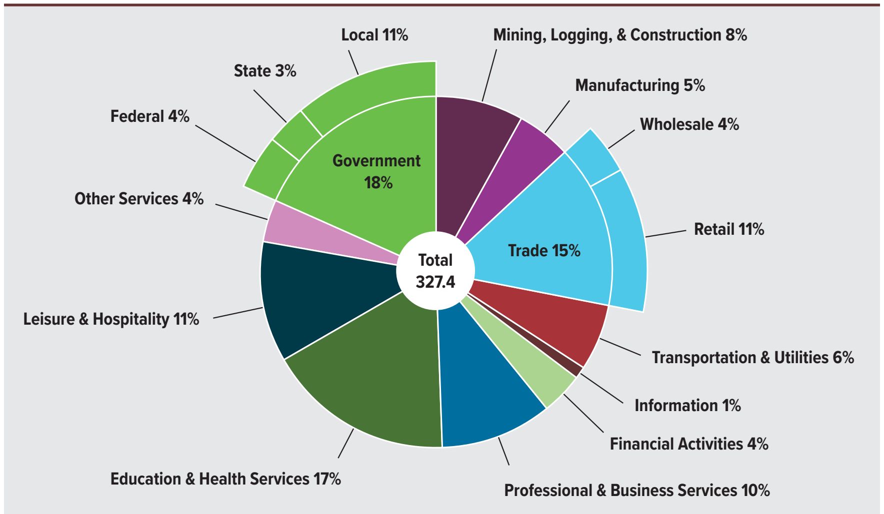
The government sector, which includes 16,050 civilian Department of Defense (DoD) employees at JBLM but excludes the 38,300 active-duty military, accounts for 18 percent of nonfarm payrolls in the HMA (Figure 1). The sector is a source of modest but relatively steady job growth in the HMA, increasing by an average of 500 jobs, or 0.9 percent, annually since 2001.

Primary Local Economic Factors—Military, Trade, and Commuters

JBLM is the largest employer in the HMA (Table 1), the third largest in the state of Washington, and one of the most requested duty stations in the country. In 2018, JBLM had an economic impact on the South Sound—17 communities in Pierce and Thurston Counties and on Nisqually Indian tribal lands—between $8.3 billion and $9.2 billion (South Sound Military and Communities Partnership [SSMCP] and the University of Washington Tacoma Center for Business Analytics). In addition to the DoD employees and active-duty military, 46,500 family members and 39,600 retirees live within a 40-mile radius of the base.

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 interstate highways. The Northwest Seaport Alliance (hereafter, the Alliance) was formed in 2015, combining the marine cargo operations of the Port of Tacoma with the Port of Seattle. This partnership makes the Alliance the fourth largest container gateway in North America, with an economic impact of $12.4 billion in 2017 (The Northwest Seaport Alliance). The Alliance supports an estimated 20,100 direct jobs, with an average annual salary of $95,000 (including

Figure 1. Share of Nonfarm Payroll Jobs in the Tacoma-Lakewood HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through November 2019. Not included in payroll totals are 38,300 active-duty military.
Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Tacoma-Lakewood HMA

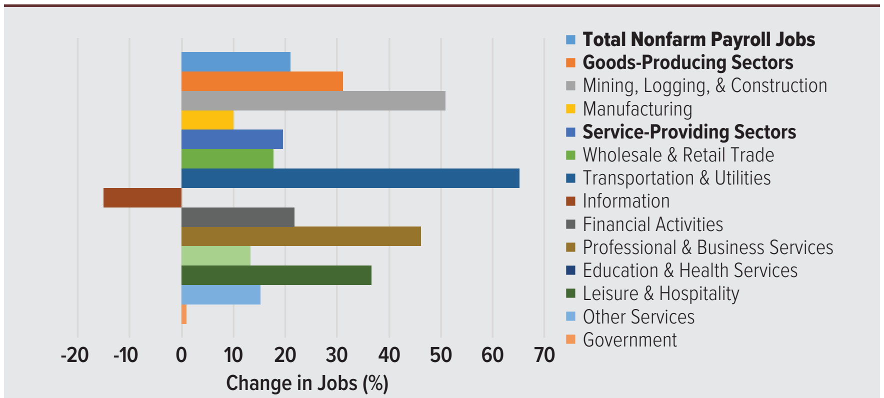
Name of Employer	Nonfarm Payroll Sector	Number of Employees
Joint Base Lewis-McChord	Government	54,350
Multicare Health System	Education & Health Services	7,439
Franciscan Health System	Education & Health Services	6,528
State Farm Insurance, Co.	Financial Activities	2,150
Emerald Queen Hotel & Casino	Government	2,082
Safeway Stroes, Inc.	Wholesale & Retail Trade	1,848
The Boeing Company	Manufacturing	1,575
Longshore Labor Union	Transportation & Utilities	1,500
Amazon.com, Inc.	Wholesale & Retail Trade	1,400
Tacoma Public Utilities	Transportation & Utilities	1,350

Notes: Excludes local school districts. Data for Joint Base Lewis-McChord includes 38,300 active-duty military, National Guard, and Army Reserve members not included in nonfarm payroll totals.
Sources: Moody's Analytics; Army Stationing and Installation Plan [ASIP] as of October 2019

benefits) and an additional 23,600 indirect jobs. Machinery is the leading import commodity and oil seeds and hay are the largest exports. China accounts for almost one-half of all trade that flows through the Alliance, followed by Japan. The sector most impacted by port activities is the transportation and utilities sector, which accounts for only 6 percent of total nonfarm payrolls in the HMA but has been the fastest growing sector since job growth resumed in 2011 following the Great Recession (Figure 2).

The economy of the HMA is closely tied to that of the Seattle MD, specifically King County (home to the city of Seattle), where a significant number of HMA residents commute for work. The degree of commutation is illustrated by the difference between nonfarm payrolls, which are based on the location of the job, and resident employment, which is based on where the employed person lives. In general, resident employment in the HMA has been 25 to 30 percent greater than nonfarm payrolls, meaning that many HMA residents are employed outside the HMA, with the largest concentration commuting to King County. For context, although nonfarm payroll growth slowed in the HMA during the past 12 months, resident employment growth accelerated, largely because nonfarm payroll growth in the Seattle MD also accelerated.

Figure 2. Sector Growth in the Tacoma-Lakewood HMA, 2011 to Current



Note: The current date is December 1, 2019.
Source: U.S. Bureau of Labor Statistics

Current Conditions—Nonfarm Payrolls

During the 12 months ending November 2019, nonfarm payrolls in the HMA increased by 6,400 jobs, or 2.0 percent, to 327,400 jobs (Table 2), reflecting a slowdown in job growth from the previous 12 months when payrolls increased by 8,200 jobs or 2.6 percent. The deceleration in job growth stemmed from reduced gains among service-providing sectors, which collectively added 4,100 jobs during

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Tacoma-Lakewood HMA, by Sector

	12 Months Ending November 2018	12 Months Ending November 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	321.0	327.4	6.4	2.0
Goods-Producing Sectors	42.1	44.3	2.2	5.2
Mining, Logging, & Construction	24.7	26.4	1.7	6.9
Manufacturing	17.3	17.9	0.6	3.5
Service-Providing Sectors	279.0	283.1	4.1	1.5
Wholesale & Retail Trade	49.1	49.6	0.5	1.0
Transportation & Utilities	19.2	18.7	-0.5	-2.6
Information	2.5	2.6	0.1	4.0
Financial Activities	14.6	14.6	0.0	0.0
Professional & Business Services	32.9	34.3	1.4	4.3
Education & Health Services	54.5	55.4	0.9	1.7
Leisure & Hospitality	32.9	34.6	1.7	5.2
Other Services	14.4	14.5	0.1	0.7
Government	58.9	59.0	0.1	0.2

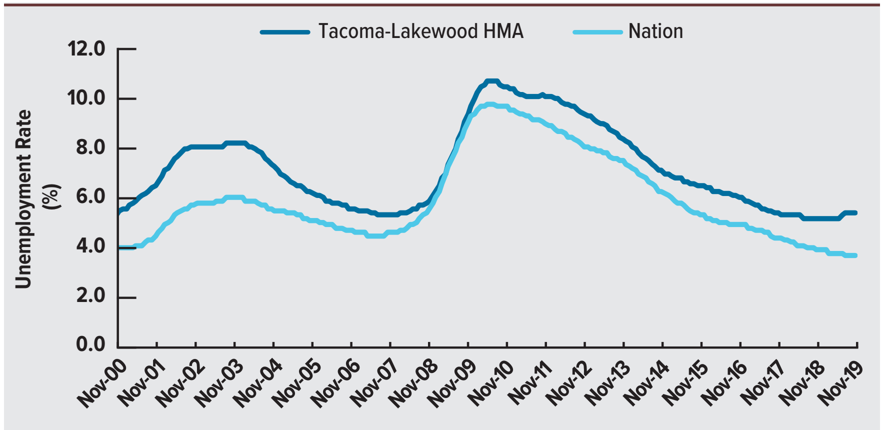
Notes: Based on 12-month averages through November 2018 and November 2019. Numbers may not add to totals due to rounding. Data are in thousands. The 38,300 active-duty military are not included in nonfarm payroll totals.
Source: U.S. Bureau of Labor Statistics

the past 12 months compared with 6,400 jobs during the previous period. During the most recent 12-month period, job growth occurred in 10 of the 11 payroll sectors. The largest gains were in the mining, logging, and construction and the leisure and hospitality sectors, each of which added 1,700 jobs, or 6.9 and 5.2 percent, respectively. Numerous commercial and residential construction projects are ongoing in the HMA, contributing to the strong growth in the mining, logging, and construction sector. Some of these projects are detailed later in this report. The influx of residents from King County, who tend to have more disposable income with a median household income of $95,000 in 2018 compared with $75,407 in the HMA (2018 American Community Survey [ACS] 1-year data), has helped fuel demand for new restaurants and drinking places, resulting in strong growth in the leisure and hospitality sector. The transportation and utilities sector was the only sector to lose jobs during the past 12 months, down 500 jobs, or 2.6 percent, partially the result of increased automation for most port-related activities. Increased uncertainty in U.S trade policies with China and elevated tariffs also reduced port activities during the period. In 2019, total container volume was down 0.6 percent from 2019; imports were down 4.9 percent and exports were up 1.7 percent (Northwest Seaport Alliance).

Current Conditions—Unemployment

The unemployment rate, which peaked at 10.4 percent in 2010, averaged 5.4 percent during the 12 months ending November 2019, up slightly from 5.2 percent a year ago. The increase is largely the result of labor force growth outpacing employment growth during the period. By comparison, the national unemployment rate declined from 3.9 to 3.7 percent during the same period, having peaked in mid-2010 at 9.8 percent. The HMA unemployment rate has been consistently above that of the nation since 2009 (Figure 3).

Figure 3. 12-Month Average Unemployment Rate in the Tacoma-Lakewood HMA and the Nation



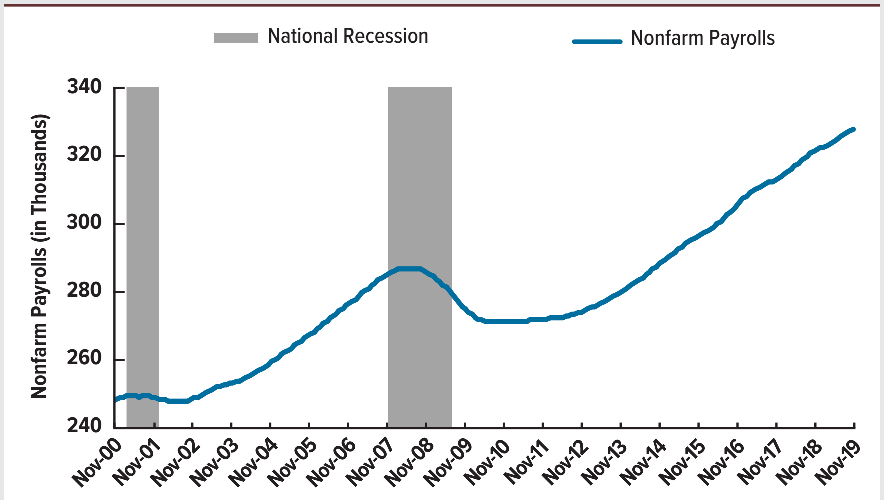
Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

2000 through 2007

The effects of the dot-com recession on the HMA were severe, mainly because of the impact it had on the neighboring Seattle MD, which has a higher concentration of high-tech jobs. Nonfarm payrolls, which count the number of jobs in the HMA, declined by only 200, or 0.1 percent, in 2001 (Figure 4). During the same year, however, resident employment, which accounts for HMA residents that commute to the Seattle MD, fell by 11,300 jobs, or 3.5 percent. Economic recovery in the HMA started slow because ongoing losses in the manufacturing sector offset gains in most service-providing sectors. From 2002 through 2003, nonfarm payrolls increased by 2,500 jobs, or 1.0 percent, a year, and resident employment added 4,900 jobs, or 1.6 percent, annually. Nonfarm payroll growth tripled from 2004 through 2007, adding 8,100 jobs, or 3.0 percent, annually, while resident employment growth more than doubled to an average annual rate of 3.5 percent. During this time, all payroll sectors added jobs, with service-providing sectors accounting for almost 70 percent of the increase, boosted by a more than 40-percent increase in military and civilian personnel at JBLM from 2003 through 2010. Strong housing markets during the period also helped fuel the economic expansion through construction spending; easy access to credit facilitated increased consumer spending.

Figure 4. 12-Month Average Nonfarm Payrolls in the Tacoma-Lakewood HMA



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

2008 through 2012

A severe economic downturn occurred when housing markets collapsed in conjunction with the Great Recession. Nonfarm payrolls declined by an average of 4,900 jobs, or 1.7 percent, annually, from 2008 through 2010; 57 percent of jobs lost during the period were in the mining, logging, and construction sector. Resident employment declined by 4,100 jobs, or 1.1 percent, during the same period. The only nonfarm payroll sectors to continue adding jobs during the recession were the education and health services and the government sectors. Nearly all jobs added in the government sector were in the federal government subsector as JBLM continued expanding. Nonfarm payroll growth returned in 2011, adding a modest 1,700 jobs, or 0.6 percent, annually through 2012. The transportation and utilities sector accounted for 60 percent of payroll growth during the period, partly attributable to increased hiring at the Port of Tacoma with the completion of a $32 million wharf extension in 2011. Although job growth returned, several years of budget shortfalls during the Great Recession, as taxable incomes fell, resulted in government payrolls declining by an average of 800 jobs, or 1.3 percent, annually from 2011 through 2012.

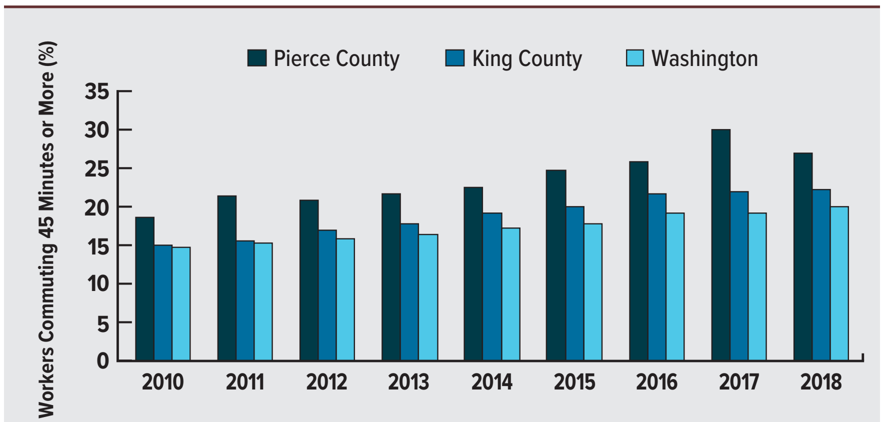
2013 through 2018

The economic recovery gained momentum as housing markets and household finances improved, with nonfarm payroll growth increasing to an average of 7,900 jobs, or 2.7 percent, annually, from 2013 through 2018. The rate of growth in resident employment was slower, increasing by 8,500 jobs, or 2.3 percent, annually. All payroll sectors except the information sector added jobs during the period, with the largest gains occurring in the professional and business services sector, which added an average of 1,600 jobs, or 6.0 percent, a year. The mining, logging, and construction sector gained an average of 1,300 jobs, or 6.8 percent—the second greatest number of jobs added during the period and the largest gain in percentage terms. Growth in the mining, logging, and construction sector directly coincides with an increase in demand for housing, both from within the HMA, as financing returned, and from neighboring King County residents relocating to the HMA for more affordable housing.

Commuting Patterns

Resident employment in the HMA is higher than the number of nonfarm payrolls, largely due to commuting trends. The most recent data available suggest almost 180,000 HMA residents commute outside Pierce County every day for work; approximately 70 percent of them commute to King County (Census Bureau, On the Map, 2017 data). Conversely, approximately 30 percent of the 161,500 King County residents who commute outside the county for work travel to the HMA. The share of commuters that live in the HMA has been relatively consistent since 2010, although commuting times have increased as more people move to the HMA from King County (see Figure 5 and Migration Trends section below for more details), incentivized by the disparity in housing costs. During the 12 months ending October 2019, the average sales price of a home in the HMA was $383,400, approximately 46 percent less than the average sales price of a home in King County. In 2010, slightly less than 19 percent of HMA residents commuted 45 minutes or more to work; that share increased to more than 30 percent in 2017 before declining slightly in 2018.

Figure 5. Percent of Workers Commuting 45 Minutes or More



Note: Calculations exclude workers who work from home.
Source: 2010–2018 American Community Survey, 1-year estimates

Employment Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase at an average annual rate of 2.0 percent, with job growth occurring in all sectors of the economy. Economic conditions will remain strong but job growth is expected to moderate to a more sustainable pace than during the 2013-through-2018 period. Labor shortages will also suppress job growth from reaching previous highs.

JBLM will continue to provide stability to the economy but will not be a source of growth like it was prior to the Great Recession. Instead, service-providing sectors that benefit from the broad-based economic expansion and elevated population growth in the HMA—such as the education and health services, the professional and business services, and the leisure and hospitality sectors—are expected to contribute the most to job growth during the forecast period. With the United States and China reaching a preliminary trade agreement in January 2020, job losses in the transportation and utilities sector are expected to slow, potentially returning to jobs gains during the next 3 years. The mining, logging, and construction sector will continue adding jobs with several large-scale construction projects underway and an increased demand for residential construction. In July 2015, the Washington State Legislature approved $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 through 2025. The project will add a north and southbound lane, a new access gate to JBLM, a new local connector road, and a bicycle/pedestrian path; the project will also include the rebuilding of three key interchanges.

Population and Households

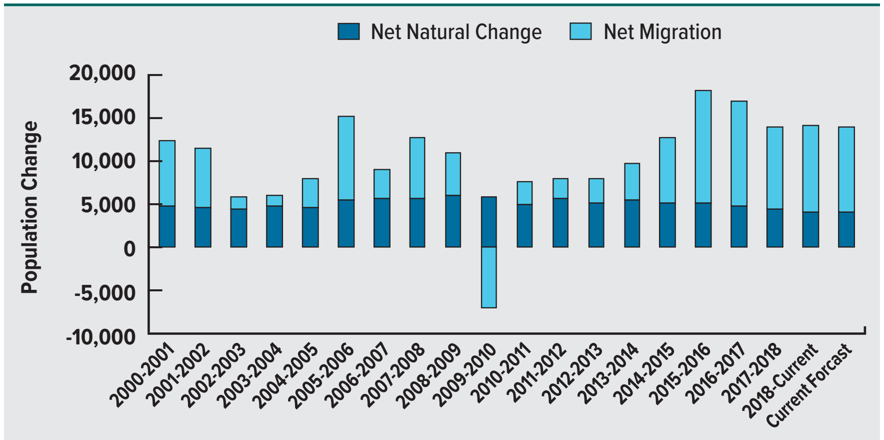
Current population: 911,500

> Increased net in-migration from King County residents attracted to the relative affordability of housing in the HMA has contributed to strong population growth in the HMA since 2015.

Population Trends

The population of the Tacoma-Lakewood HMA is estimated at 911,500 as of December 1, 2019, an average annual increase of 12,050 people, or 1.4 percent, since 2010, with net in-migration accounting for 59 percent of the growth (Figure 6). Approximately 26,800, or 70 percent, of active-duty service members at JBLM, plus their families, live off base in surrounding communities. Of those living off base, an estimated 16,100, or 60 percent, live in Pierce County, with the greatest concentration in the cities of Tacoma, Lakewood, and DuPont (SSMCP). The remaining 40 percent live directly south of the HMA in Thurston County.

Figure 6. Components of Population Change in the Tacoma-Lakewood HMA, 2000 Through the Forecast



Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (December 1, 2019) to December 1, 2022.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

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. Only 22 percent of the growth was from net in-migration (Census Bureau 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, with net in-migration accounting for 50 percent of the growth. Much of this growth can be attributed to the expansion of JBLM, which increased 43 percent from approximately 35,300 military personnel and civilian contract employees in 2003 to 50,600 in 2010 (SSMCP). Net in-migration from jobseekers increased partly because 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 jobseekers. Despite weakening economic conditions, population growth increased to an average of 1.5 percent, or 12,000 people, annually, from 2007 to 2009. Net in-migration represented 51 percent of that increase in part because of ongoing growth at JBLM. However, economic conditions worsened further, and from 2009 to 2010, net out-migration of 7,825 people more than offset net natural change of 6,150; the population declined by 1,675 people or 0.2 percent.

Population growth returned in 2010 but at a modest pace similar to the start of the economic recovery. From 2010 to 2013, the population increased by 7,325 people or 0.9 percent; net in-migration returned, averaging 2,025 people each year, representing 27 percent of the total increase. Net in-migration increased nearly fourfold from 2013 to 2015, contributing to population growth of 11,300 people or 1.4 percent. Since 2015, population growth has averaged 15,800 people, or 1.8 percent, annually, and net in-migration surged to an average of 11,200 people, annually, or almost 71 percent of total population growth during the period.

Migration Trends

The stronger rate of population growth since 2015 is partially attributable to increased net in-migration to the HMA from King County (Table 3) because of the growing disparity in housing costs. The most recent data available estimate a net inflow of 7,250 people from King to Pierce County in 2017, compared with 4,600 in 2016 and 3,850 in 2015 (ACS County-to-County Migration Flows). In 2015, the median sales price of a home in Pierce County was 43 percent less than in King County; that differential increased to 50 percent in 2017 (Metrostudy, A Hanley Wood Company). Although home sales prices in King County were relatively unchanged during the past year, prices in the Tacoma-Lakewood HMA continued to increase. The disparity in housing costs between the two counties will decrease if this trend continues, which could slow net in-migration to the HMA from King County.

Table 3. County-to-County Migration Flows in the Tacoma-Lakewood HMA: 2013-2017

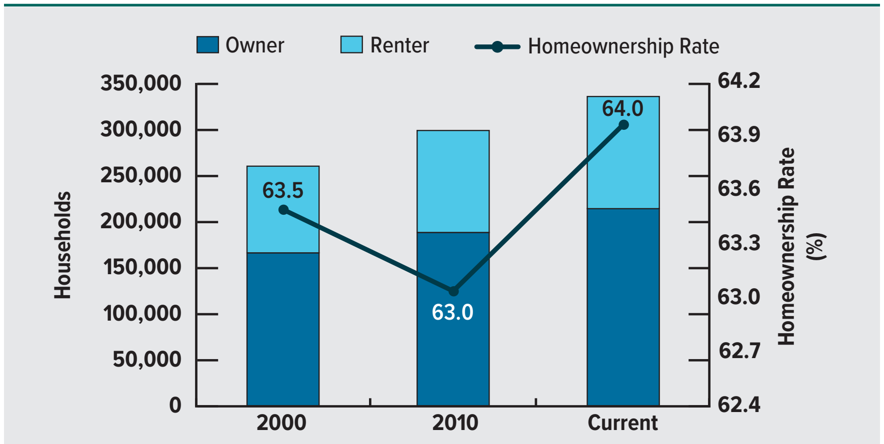
Into the HMA	
King County, Washington	17,886
Asia	2,955
Thurston County, Washington	2,388
Kitsap County, Washington	1,979
Snohomish County, Washington	1,467
Out of the HMA	
King County, Washington	10,643
Thurston County, Washington	4,664
Kitsap County, Washington	1,786
Snohomish County, Washington	1,460
Spokane County, Washington	994

Source: U.S. Census County-to-County Migration Flows; 2013–2017 American Community Survey, 5-year data

Household Trends

An estimated 335,800 households reside in the Tacoma-Lakewood HMA, representing an average annual increase of 3,700 households, or 1.2 percent, since 2010, compared with an average annual increase of 3,900 households, or 1.4 percent, from 2000 to 2010. An estimated 64 percent of households, or 214,800 households, are currently homeowners compared with a homeownership rate of 63.0 percent in 2010 (Figure 7). From 2010 to the current date, the number of owner households increased at an average annual rate of 1.3 percent, or 2,675 households—the same average annual rate of owner household formation from 2000 to 2010. Renter households increased at an average annual rate of 0.9 percent, or 1,050 households, from 2010 to the current date, compared with an average annual increase of 1.5 percent, or 1,575 households, from 2000 to 2010.

Figure 7. Households by Tenure and Homeownership Rate in the Tacoma-Lakewood HMA



Note: The current date is December 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

The increase in the homeownership rate in the HMA and slowdown in renter household growth is, in large part, due to the relative affordability of buying a home in the HMA compared with King County. In general, access to credit has returned following the Great Recession. King County residents have a median income almost 30 percent higher than HMA residents, allowing them more purchasing power.

Forecast

Population growth is expected to continue during the 3-year forecast period, with the population reaching 953,500 people by December 1, 2022, reflecting an average annual growth of 14,000 people, or 1.5 percent (Table 4). Approximately 70 percent of the growth will come from net in-migration. Households in the HMA are expected to increase by an average of 5,050, or 1.5 percent, annually, during the next 3 years, reaching 351,000 by December 1, 2022. An estimated 64 percent of the additional households are expected to be homeowners, resulting in a homeownership rate of 64.5 percent at the end of the 3-year forecast period.

Table 4. Tacoma-Lakewood HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	**Population**	795,225	911,500	953,500
	Average Annual Change	9,450	12,050	14,000
	Percentage Change	1.3	1.4	1.5
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	299,918	335,800	351,000
	Average Annual Change	3,900	3,700	5,050
	Percentage Change	1.4	1.2	1.5

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (December 1, 2019) to December 1, 2022.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Home Sales Market Conditions

Market Conditions: Very tight

Low for-sale inventory during the past 8 years, coupled with increased demand from King County residents moving to the HMA, has contributed to the very tight sales market conditions in the HMA.

Current Conditions

Home sales market conditions in the HMA are currently very tight, with an estimated vacancy rate of 0.9 percent (Table 5), down from 2.6 percent in April 2010. The decline in vacancies reflects an increased demand for, and a limited supply of, for-sale housing. The HMA is geographically constrained by the Puget Sound and a generally mountainous topography, which limits the amount of buildable land exogenous of economic and population growth, contributing to rising construction costs. These factors have limited new home production which contributes to the low level of for-sale inventory available in the HMA. That, coupled with increased demand from King County residents moving to the area for more affordable housing, has resulted in swift home sales price growth—although price growth slowed recently—and a decline in the number of sales.

The inventory of homes for sale has been less than a 6-month supply (typically indicative of a balanced market) since early 2012, after peaking in 2010 at 11 months' worth. As of November 2019, a 1.1-month supply of homes was available for sale, down from a 1.8-month supply a year ago (Redfin). After leading the nation in home price growth for nearly 2 years, the Seattle-Tacoma-Bellevue metropolitan statistical area (King, Snohomish, and Pierce Counties) had declining month-to-month home sales prices from July 2018 through January 2019. Prices then increased through July 2019 before declining again through September 2019 (Case-Shiller Home Price Index). The resumption of growth in the index was due to strong housing market conditions in the HMA, as home sales prices in King and Snohomish Counties have been relatively flat the past year. New and existing (existing home sales include real estate owned [REO] and regular resale home sales) home sales prices increased more than 7 percent in the HMA during the 12 months ending October 2019 (Figure 8) compared with 0.8-percent growth in King County during the same time (CoreLogic, Inc., with adjustments by the analyst). Despite increasing home sales prices in the HMA, the number of sales declined almost 9 percent during the past year, largely because of a prolonged shortage in for-sale housing, which has put upward pressure on sales prices.

Table 5. Home Sales Quick Facts in the Tacoma-Lakewood HMA

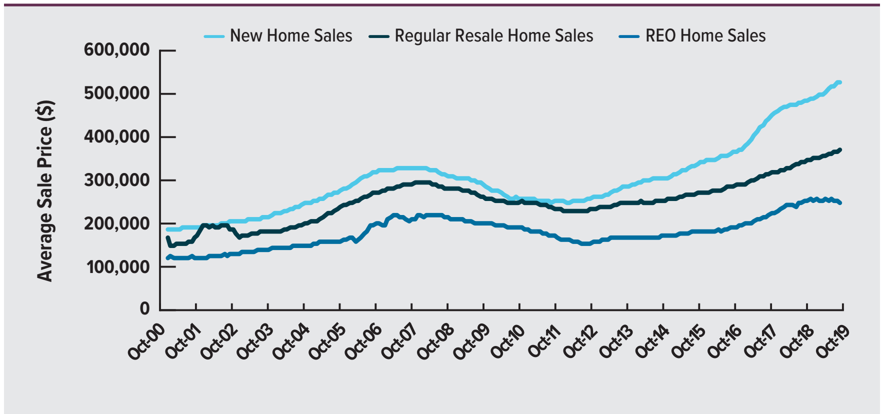
		Tacoma-Lakewood HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	0.9%	NA
	Months of Inventory	1.1	3.1
	Total Home Sales	19,600	6,138,000
	1-Year Change	-9%	-4%
	New Home Sales Price	$529,600	$384,500
	1-Year Change	9%	1%
	Existing Home Sales Price	$367,900	$295,400
	1-Year Change	8%	3%
	Mortgage Delinquency Rate	1.0%	1.4%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales, prices and mortgage delinquency data are for the 12 months ending October 2019; and months of inventory data are as of November 1, 2019. The current date is December 1, 2019.

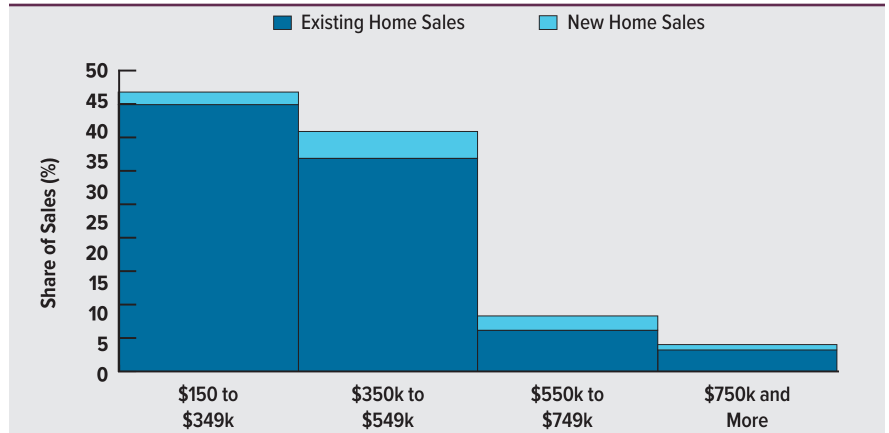
Sources: Home sales, prices, and delinquency rates—CoreLogic, Inc., with adjustments by the analyst; months of inventory—Redfin

Figure 8. 12-Month Average Sales Price by Type of Sale in the Tacoma-Lakewood HMA



REO = real estate owned.
Source: CoreLogic, Inc., with adjustments by the analyst

Figure 9. Share of Sales by Price Range During the 12 Months Ending November 2019 in the Tacoma-Lakewood HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Metrostudy, A Hanley Wood Company

New Home Sales and Prices

Approximately 1,900 new homes sold during the 12 months ending October 2019, down almost 18 percent from the number of new homes sold during the previous 12 months, and the average sales price increased 9 percent to $529,600 (CoreLogic, Inc., with adjustments by the analyst). By comparison, during the 12 months ending October 2018, 2,300 new homes sold, up 15 percent from the 12 months ending October 2017, and the average sales price increased 9 percent. The current average sales price is 61 percent greater than the prerecession peak in 2007 and more than double the post-recession trough in 2011. Approximately 70 percent of new home sales during the 12 months ending November 2019 were for homes priced from $350,000 to $749,000 (Metrostudy, A Hanley Wood Company; Figure 9).

From 2001 through 2006, during the buildup to the housing market crash, an average of 3,950 new homes sold annually, with average annual price growth of 10 percent to $321,400. Market conditions deteriorated quickly when the housing bubble burst; new home sales declined at an average annual rate of 28 percent from 2007 through 2010 to a low of 1,200 new homes sold. The average sales price started to decline a year after sales did and the decline continued a year after sales started to rebound. From 2008 through 2011, the average sales price declined at an average annual rate of 7 percent to a low of $250,700. As economic growth returned and net in-migration increased, the demand for new homes improved. From 2012 through 2017, an average of 1,875 new homes sold annually, while the average sales price increased at an average annual rate of 11 percent to $457,100.

Existing Home Sales and Prices

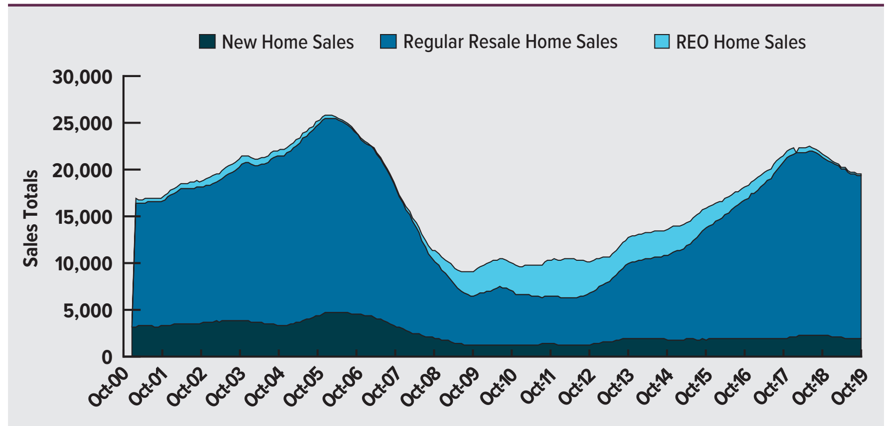
During the 12 months ending October 2019, 17,700 existing homes sold—down 8 percent from a year ago—and the average sales price increased 8 percent to $367,900 (CoreLogic, Inc., with adjustments by the analyst). By comparison, during the 12 months ending October 2018, existing home sales decreased 4 percent to 19,150, and the average sales price increased 10 percent. The current average sales price is 26 percent greater than the prerecession high in 2007 and 76 percent greater than the post-recession low in 2011. During the past 12 months, approximately 87 percent of existing home sales were priced between $150,000 and $549,000.

An average of 19,050 existing homes sold annually from 2003 through 2006 as the economy expanded following the dot-com recession, while average annual price growth was 13 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 26 percent a year. Sales bottomed out from 2008 through 2012, averaging 8,700 sales a year. The housing market collapse and Great Recession caused existing home sales prices to decline at an average annual rate of 9 percent from 2008 through 2011. 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 14 and 8 percent a year to 20,150 and $327,100, respectively.

Delinquent Mortgages and REO Sales

In October 2019, 1.0 percent of home loans in the HMA were seriously delinquent or had transitioned into REO status, down from 1.3 percent in October 2018. The rate has declined every year since a high of 10.0 percent in September 2012 (CoreLogic, Inc.). The current rate is higher than the 0.7-percent rate for Washington and lower than the 1.4-percent rate for the nation. The state and national rates peaked in September 2012 at 6.6 percent and February 2010 at 8.6 percent, respectively. REO home sales accounted for less than 3 percent of existing home sales from 2000 through 2007 (Figure 10); that share jumped to nearly 27 percent from 2008 through 2015—a direct result of the housing market collapse and foreclosure crisis. Since 2015, the share of REO in existing home sales declined to 4 percent.

Figure 10. 12-Month Sales Totals by Type in the Tacoma-Lakewood HMA



REO = real estate owned.
Source: CoreLogic, Inc., with adjustments by the analyst

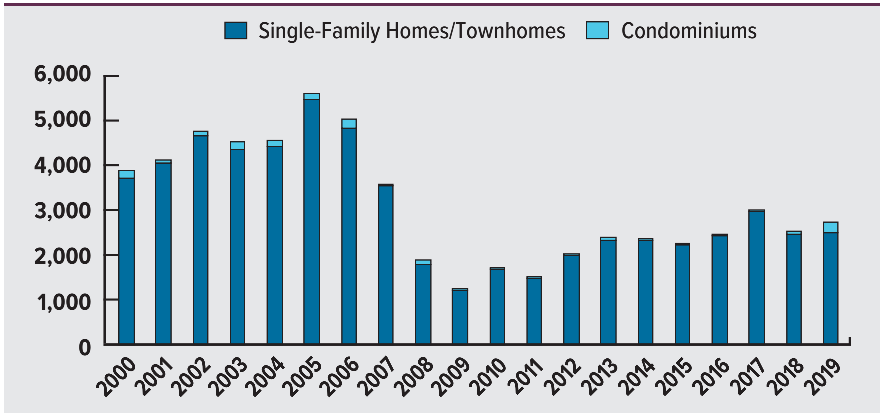
Sales Permit Activity

New home construction, as measured by the number of sales units permitted, has been relatively flat since the housing market recovered in 2013—except for a brief uptick in 2017—averaging 2,525 new homes a year through 2018 (Figure 11). Rising labor, land, and materials costs have suppressed growth in new home construction, impeding it from keeping pace with increased demand caused by elevated net in-migration for several years and improved access to credit. During the 12 months ending November 2019, 2,550 sales units were permitted, down less than 2 percent compared with the 2,600 sales units permitted during the previous 12 months. Approximately 220, or 9 percent, of the sales permits issued during the past 12 months were for condominiums, up from 2 percent a year ago.

Current new home construction is significantly higher than the average of 1,700 homes permitted annually during the worst of the housing market crisis from 2008 through 2012 but below the average of 4,650 homes permitted a year from

2001 through 2007 during the buildup to the crash. Condominium construction accounted for 3 percent of new home construction from 2000 through 2007, 3 percent from 2008 through 2012, and 1 percent from 2013 through 2017.

Figure 11. Annual Sales Permitting Activity in the Tacoma-Lakewood HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2019 are through November 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst; 2019—preliminary data and estimates by the analyst

New Construction

The largest concentration of new home sales in the HMA year-to-date occurred in the 4,200-acre master-planned community of Tehaleh, located in the city of Bonney Lake. The community is a 15- to 20-minute drive to the nearest commuter train station, which is used by residents who work in downtown Seattle. The development is currently under construction, with 260 new homes sold in four separate subdivisions. Median prices range from $520,700 in the Berkeley Park subdivision to $740,400 in the Pinnacle Ridge subdivision (Metrostudy, A Hanley Wood Company). Build out is expected over the next 20 years, and on completion, the community will feature up to 9,400 homes; 1,800 acres of parks, trails, and open spaces; and 475 acres dedicated to employment uses. The Lipoma Firs master-planned community in the city of Puyallup, approximately 15 miles from the main gate of JBLM, is currently under construction and has had 170 new homes sales in two separate subdivisions since the beginning of 2019—125 sales in the Rainier Ridge subdivision, with a median sales price of $454,200, and 45 homes sales in the Lipoma Firs North subdivision, with a median price of $386,300.

The largest condominium development under construction is the 206-unit Rainier Condominiums, which is part of Point Ruston—a redevelopment on the waterfront in the city of Tacoma. Most units have panoramic views of the Puget Sound, Olympic Mountains, or Mt. Rainier and are available for pre-sale, starting at $870,000 for a studio unit on a lower level up to $1.45 million for larger units on upper floors.

Forecast

Based on current and anticipated economic growth, strong population growth, and the currently very tight sales market conditions in the HMA, demand is estimated for 10,500 new homes during the next 3 years, with demand evenly distributed each year of the forecast (Table 6). The 1,575 homes currently under construction are expected to meet a portion of demand during the first year of the forecast.

Table 6. Demand for New Sales Units in the Tacoma-Lakewood HMA During the Forecast Period

	Sales Units
Demand	10,500 Units
Under Construction	1,575 Units

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

Rental Market Conditions

Market Conditions: Tight

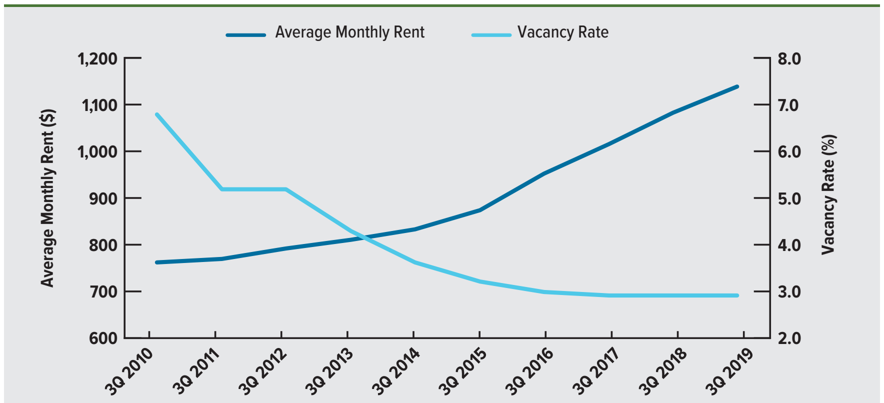
Rental permitting activity slowed during the past 12 months as builders wait to see how the market reacts to the record-setting level of units permitted in 2018.

Current Conditions and Recent Trends

Rental housing market conditions in the Tacoma-Lakewood HMA are currently tight, with an overall estimated vacancy rate of 3.4 percent, down from 7.9 percent in April 2010. Strong population growth during the past several years, and relatively slow multifamily construction during and just after the effects of the Great Recession, contributed to declining vacancy rates and rising rents (Figure 12). Increased apartment construction since 2014, however, has eased some of the strain on the market. Approximately 37 percent of renter households in the HMA live in single-family homes, townhomes, and condominiums, compared with 41 percent in 2010 (2010 and 2018 ACS 1-year data; Table 7). Approximately 15 percent of renters live in apartment buildings with two to four units and 44 percent live in larger buildings with five or more units, compared with respective shares of 17 and 38 percent in 2010.

Apartment market conditions in the HMA are currently tight, with a 2.9-percent vacancy rate during the third quarter of 2019, unchanged from a year ago, while the average asking rent increased 5 percent to $1,138 (Reis, Inc.). During the most recent quarter, rents averaged $890, $986, $1,205, and $1,538 for studios, one-,

Figure 12. Apartment Rents and Vacancy Rates in the Tacoma-Lakewood HMA



Q3 = third quarter.
Source: Reis, Inc.

Table 7. Rental and Apartment Market Quick Facts in the Tacoma-Lakewood HMA

		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	7.9	3.4
	Occupied Rental Units by Structure		
	Single-family Attached & Detached	41.0	37.0
	Multifamily (2-4 units)	17.0	15.0
	Multifamily (5+ units)	38.0	44.0
	Other (including Mobile Homes)	5.0	4.0
		Current	**YoY Change**
Apartment Market Quick Facts	**Apartment Vacancy Rate**	2.9	0.0
	Average Rent	$1,138	5.0
	Studio	$890	-
	One-Bedroom	$985	-
	Two-Bedroom	$1,205	-
	Three-Bedroom	$1,538	-

YoY= year-over-year.
Notes: The current date is December 1, 2019. Current data for occupied rental units by structure are 2018 American Community Survey, 1-year data. Percentages may not add to 100 due to rounding.
Sources: 2010 and 2018 American Community Survey, 1-year data; Reis, Inc.

two-, and three-bedroom units, respectively. Despite greater access to credit for households looking for homeownership and increased apartment construction since 2014, the apartment vacancy rate has remained below 4.0 percent. Rent growth has averaged almost 6 percent annually, largely because both new home and apartment construction have not kept pace with demand from the large numbers of net in-migrants from King County. By comparison, the vacancy rate in the Seattle MD (the smallest geographical area for which data are available) was 5.4 percent during the third quarter of 2019 compared with 5.4 percent a year ago and the average asking rent increased 5 percent to $1,895.

Apartment Market Conditions by Geography

Apartment vacancy rates declined or remained stable in four of the seven Reis, Inc.-defined market areas in the HMA compared with rates during the third quarter of 2018. The approximately 16,100 active-duty military at JBLM who live off base in Pierce County, most of whom are renters, have contributed to tight apartment market conditions in the market areas nearest the base. The McChord Air Force Base (AFB) market area, which includes areas closest to JBLM, had the lowest vacancy rate in the HMA at 1.3 percent, down from 1.6 percent a year ago, and the lowest asking rent of $804, up 5 percent from a year ago. The Lakewood market area, also near the base, had a 2.1-percent vacancy rate, unchanged from a year ago, and the average asking rent increased 3 percent to $1,157.

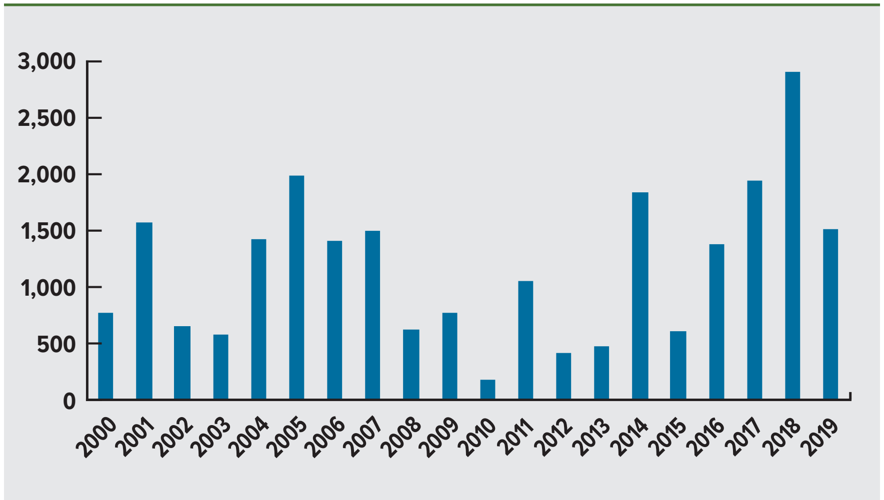
The highest apartment vacancy rate in the HMA was 5.4 percent in the North Tacoma market area, which includes downtown Tacoma—down from 5.8 percent a year ago. An average of 200 new units have been completed each year in the market area since 2014, the highest amount of new construction among all market areas in the HMA. Rent growth occurred in all market areas during the past year, ranging from a 3-percent gain in both the Lakewood and Parkland/Spanaway/Midland market areas to a 7-percent increase in the East market area. The East market area, with a 3.6-percent vacancy rate compared with 3.1 percent a year ago, had the highest asking rent in the HMA at $1,291.

Rental Construction Activity

Apartment construction activity, as measured by the number of rental units permitted, has generally increased since 2014 because strong population growth and a limited supply of for-sale housing continue to encourage development. Construction activity has moderated during the past year, however, as builders wait to see how the market responds to the record level of units permitted in 2018 (Figure 13). Approximately 1,500 rental units were permitted in the HMA during the 12 months ending November 2019, down 46 percent from the 2,825 units permitted during the 12 months ending November 2018 (preliminary data, with adjustments by the analyst).

An average of 1,150 rental units were permitted annually from 2000 through 2005. The number of rental units permitted increased to an average of 1,450

Figure 13. Annual Rental Permitting Activity in the Tacoma-Lakewood HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2019 are through November 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2018 final data and estimates by the analyst; 2019 preliminary data and estimates by the analyst

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 substantially, averaging 580 units a year from 2008 through 2013. 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. Lack of financing resulted in a very limited supply of new apartments; coupled with increased demand, this limited supply 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. Despite a 1-year low point in 2015, apartment construction averaged 1,725 units, annually, from 2014 through 2018.

Under Construction and Recently Completed Apartments

An estimated 1,650 apartment units are currently under construction in the HMA. Approximately 55 percent are in the city of Tacoma and nearly 25 percent are in Bonney Lake. The remaining units are scattered throughout the HMA in smaller developments.

Two of the largest and most recently completed projects in Tacoma include the 135-unit Napoleon Apartments, which opened in July 2019, and the 172-unit Stadium Apartments, which opened in June 2018. Most units at the Napoleon Apartments have views of downtown Tacoma and the Puget Sound; rents start at $1,330 for studios, $1,565 for one-bedroom units, and $2,590 for two-bedroom units. The property is approximately 67 percent occupied, resulting in an average monthly absorption of 19 units. The majority of units at the Stadium Apartments, which is currently 94 percent occupied, have views of the Puget Sound, Olympic Mountains, or Mt. Rainier, and rents start at $1,650 for studios, $1,845 for one-bedroom units, and $2,340 for three-bedroom units. The 104-unit Koz on Market Street opened with micro-studio units in July 2019 and is currently 90 percent occupied. Units range in size from 247 to 334 square feet, and rents range from $860 to $935, respectively. Outside of the city of Tacoma, the largest apartment property recently completed is the 240-unit Glacier Run Apartments, part of the master-planned community of Sunrise in the city of Puyallup, which began leasing in August 2019. Rents start at $1,366 for one-bedroom units, $1,535 for two-bedroom units, and $1,899 for three-bedroom units.

Forecast

During the 3-year forecast period, demand is estimated for 6,525 apartments in the HMA (Table 8). Demand is expected to be evenly distributed among all 3 years of the forecast period. The 1,650 units currently under construction will meet a portion of the demand in the first 2 years of the forecast period based on anticipated completion dates.

Table 8. Demand for New Rental Units in the Tacoma-Lakewood HMA During the Forecast Period

	Rental Units
Demand	6,525 Units
Under construction	1,650 Units

Note: The forecast period is December 1, 2019, to December 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.
Forecast Period	12/1/2019–12/1/2022—Estimates by the analyst
Rental Housing	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Sales Housing	Includes single-family, townhome, and condominium sales.
Sales/Rental Units Permitted	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.

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 April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	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.
2.	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.
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