COMPREHENSIVE HOUSING MARKET ANALYSIS

Tacoma-Lakewood, Washington

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

As of June 1, 2022

Executive Summary

Housing Market Area Description

The Tacoma-Lakewood Housing Market Area (hereafter, Tacoma HMA) is coterminous with the Tacoma-Lakewood Metropolitan Division (MD) and includes Pierce County at the southern end of the Puget Sound in western Washington. The Tacoma HMA is south of the Seattle MD, which includes King and Snohomish Counties, and together make up the Seattle-Tacoma-Bellevue Metropolitan Statistical Area (MSA).

The current population of the HMA is estimated at 937,800.

The Tacoma HMA is home to Joint Base Lewis-McChord (JBLM), the largest military installation by population on the west coast. In addition, the economy and housing market of the Tacoma HMA is closely tied to the Seattle MD, because the HMA is more affordable than the Seattle MD and many residents commute between the two areas for work.

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

Weak, but Improving: Job growth in the Tacoma HMA was strong during the most recent 12 months, but nonfarm payrolls in May 2022 remained 1.0 percent below the prepandemic level in February 2020.

Economic conditions in the Tacoma HMA were strong before the pandemic, with nonfarm payrolls increasing by an average of 7,600 jobs, or 2.6 percent, annually from 2013 through 2019, before contracting by 14,700, or 4.5 percent, in 2020. During the 12 months ending May 2022, nonfarm payrolls increased by 9,900 jobs, or 3.2 percent, compared with the 12 months ending May 2021. The unemployment rate decreased from 8.1 percent to 5.5 percent during the same period because growth in resident employment outpaced gains in the labor force. Nonfarm payrolls are expected to continue increasing during the 3-year forecast period at an average annual rate of 2.7 percent.

Sales Market

Tight: The HMA had a 0.8-month supply of homes during May 2022, down from a 1.4-month supply during May 2019, before the COVID-19 pandemic (Redfin, a national real estate brokerage).

The home sales market has a current estimated vacancy rate of 0.6 percent, down from 2.6 percent in 2010. Total home sales prices increased 16 percent to an average of $526,500 during the 12 months ending April 2022, following an increase of 17 percent during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). Due to limited inventory of homes for sale, high home prices, and rising interest rates, the number of home sales fell 4 percent to 20,150 home sales during the 12 months ending April 2022 after rising 5 percent during the preceding 12 months. During the next 3 years, demand is expected for 9,700 new homes. The 1,300 homes under construction are expected to meet a portion of that demand during the first year.

Rental Market

Slightly Tight: The overall rental vacancy rate is estimated at 5.0 percent, down from 7.9 percent in April 2010.

Conditions in the apartment market are also slightly tight. During the first quarter of 2022, the apartment vacancy rate was 4.4 percent, up from 4.2 percent during the first quarter of 2021 (CoStar Group). During the same period, the average monthly rent increased 8 percent to $1,529, following annual rent growth of 8 percent during the first quarter of 2021. By comparison, apartment rent growth averaged 6 percent annually from 2015 through 2019. During the 3-year forecast period, demand is expected for 7,325 rental units; the 3,000 units already under construction will meet all of the demand during the first and second years of the forecast period.

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3-Year Housing Demand Forecast

		Sales Units	Rental Units
Tacoma HMA	Total Demand	9,700	7,325
	Under Construction	1,300	3,000

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of June 1, 2022. The forecast period is June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Economic Conditions

Largest Sectors: Government and Education and Health Services

Nonfarm payrolls in the Tacoma HMA have yet to return to prepandemic levels.

Primary Local Economic Factors

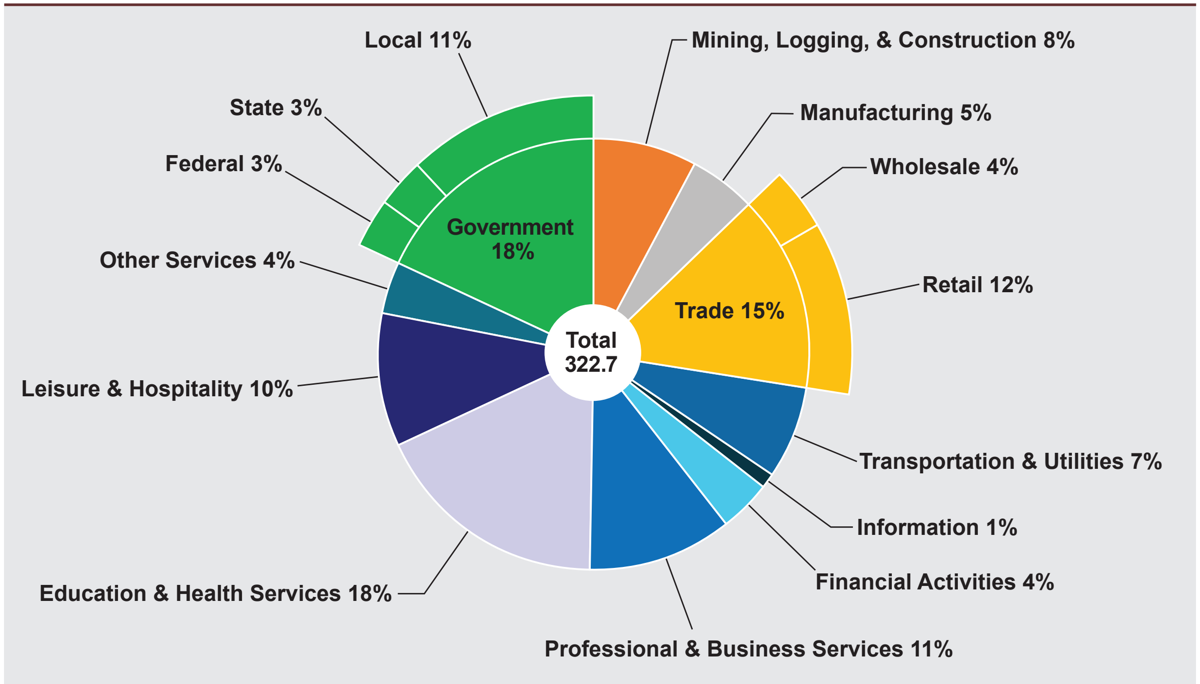
JBLM, a U.S. Army-led joint base, is the largest military installation by population on the west coast and is the largest employer in the HMA (Table 1). In 2020, 60,780 military, civilian, and contractor full time equivalent workers (FTEs) were directly or indirectly employed at the base, with an additional 22,807 FTE workers in the HMA supported through spending by JBLM personnel and employees (South Sound Military and Communities Partnership [SSMCP] and the University of Washington Tacoma Center for Business Analytics). JBLM employment and spending is estimated to have an economic impact of approximately $12.1 billion in the HMA. During the late 2000s, staffing at JBLM increased significantly, rising from approximately 35,300 military personnel and civilian employees in 2003 to 50,600 in 2010 (SSMCP), partly because of overall increases in U.S. Army manpower. Since 2010, staffing at JBLM has increased at a slower rate, and it is currently estimated at 54,000. The government payroll sector, which includes civilian employees at JBLM but not active duty military, is the largest payroll sector in the HMA (Figure 1).

Table 1. Major Employers in the Tacoma HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Joint Base Lewis-McChord	Government	54,000
MultiCare Health System	Education & Health Services	8,264
State of Washington	Government	7,859
Virginia Mason Franciscan Health	Education & Health Services	5,682
Safeway	Wholesale & Retail Trade	2,153
Emerald Queen Hotel & Casinos	Leisure & Hospitality	2,146
Kroger Co. (Includes Fred Meyer & QFC)	Wholesale & Retail Trade	1,802
Amazon.com, Inc.	Wholesale & Retail Trade	1,800
The Boeing Company	Manufacturing	1,550
Costco Wholesale Corporation	Wholesale & Retail Trade	1,318

Notes: Excludes local school districts and governments. Data for Joint Base Lewis-McChord includes active duty military and civilian employees.
Source: Economic Development Board for Tacoma-Pierce County

Figure 1. Share of Nonfarm Payroll Jobs in the Tacoma 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 May 2022.
Source: U.S. Bureau of Labor Statistics

Current Conditions—Nonfarm Payrolls

Economic conditions in the Tacoma HMA have improved significantly since May 2020, when businesses began to gradually reopen following measures taken to slow the spread of COVID-19, after a decline of 39,000 jobs, or 11.8 percent, between February and April 2020 (monthly data, not seasonally adjusted). Despite the improved economy, during May 2022, total payrolls in the HMA were still 1.0 percent below the prepandemic level in February 2020. By contrast, payrolls for the state of Washington and the nation were 0.7 and 0.5 percent above levels from February 2020.

During 2020, nonfarm payrolls declined by 14,800 jobs, or 4.5 percent, with 9 of 11 sectors losing jobs, compared with 2019. Over 45 percent of all job losses occurred in the leisure and hospitality sector, which contracted by 6,800 jobs, or 20.0 percent, after indoor dining and many recreational activities were curtailed. The second largest decline in payrolls occurred in the government sector, which fell by 2,700 jobs, or 4.5 percent. More than half of these job losses occurred in the local government educational services industry, which contracted by 1,400 jobs, or 6.8 percent. Reduced tax revenue resulting from the pandemic and the end of in-person classes led to furloughs and delayed hiring in local school districts.

Nonfarm payrolls in the Tacoma HMA totaled 322,700 during the 12 months ending May 2022, up by 9,900 jobs, or 3.2 percent, from the previous 12-month period, with only the education and health services sector losing jobs (Table 2). The leisure and hospitality sector added the highest number of jobs, recovering 4,900 jobs, or 18.2 percent, as state regulations allowed full-occupancy indoor dining starting in the summer of 2021. The second largest number of jobs added occurred in the professional and business services sector, increasing by 1,400 jobs, or 4.1 percent, to 35,300 jobs, following growth of 200 jobs, or 0.5 percent, during the previous 12-month period. Jobs in this sector are disproportionately knowledge-based work that can be performed remotely. The government sector added the third most jobs during the 12 months ending May 2022, up by 1,000 jobs, or 1.8 percent, while the local government educational services subsector added 1,200 jobs, or 6.5 percent, as public schools resumed in-person learning.

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

	12 Months Ending May 2021	12 Months Ending May 2022	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	312.8	322.7	9.9	3.2
Goods-Producing Sectors	41.7	42.5	0.8	1.9
Mining, Logging, & Construction	25.4	25.6	0.2	0.8
Manufacturing	16.3	16.9	0.6	3.7
Service-Providing Sectors	271.2	280.2	9.0	3.3
Wholesale & Retail Trade	49.1	49.9	0.8	1.6
Transportation & Utilities	20.2	21.1	0.9	4.5
Information	1.7	1.7	0.0	0.0
Financial Activities	14.3	14.3	0.0	0.0
Professional & Business Services	33.9	35.3	1.4	4.1
Education & Health Services	57.2	56.8	-0.4	-0.7
Leisure & Hospitality	26.9	31.8	4.9	18.2
Other Services	12.0	12.5	0.5	4.2
Government	55.8	56.8	1.0	1.8

Notes: Based on 12-month averages through May 2021 and May 2022. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

Expansion: 2000 Through 2007

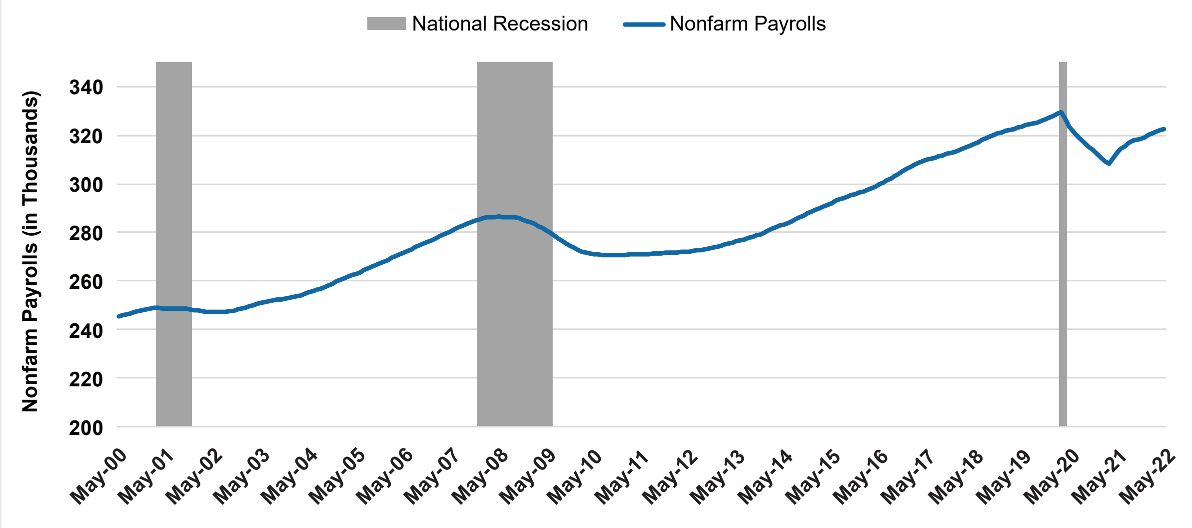
The Tacoma HMA entered the 21st century with sluggish economic growth following the collapse of the dot-com bubble; nonfarm payrolls increased by an average of 100 jobs, or 0.1 percent, annually during 2001 and 2002. The local economy began to grow rapidly, however, as the national economy improved, with nonfarm payrolls in the HMA increasing 1.8 percent, or 4,500 jobs, during 2003. Nonfarm payrolls in the HMA then grew an average of 3.0 percent, or 8,100 jobs, annually from 2004 through 2007, with every economic sector adding jobs. By comparison, national payrolls increased at an average of 1.4 percent annually from 2004 through 2007. During this period, the mining, logging, and construction sector led job growth in the HMA, adding an average of 2,000 jobs, or 9.5 percent, annually, because of high rates of residential and commercial construction.

The Great Recession and Local Economic Downturn: 2008 Through 2012

Nonfarm payrolls declined 0.2 percent, or by 700 jobs, during 2008, when the nation was in a recession (Figure 2) and residential construction sharply declined. Job losses accumulated in 2009 and 2010, with nonfarm payrolls falling an average of 2.5 percent, or by 7,000 jobs, annually, the same rate of decline as the nation. Approximately 57 percent of the job losses in the HMA from 2008 through 2010 occurred in the mining, logging, and construction sector, which declined by an average of 2,800 jobs, or 12.3 percent, annually, even though the sector accounted for only 9 percent of all payrolls in 2007. During 2009 and 2010, residential construction was at its lowest level since 2000, contributing to less demand for construction workers. The manufacturing sector was the second largest source of job losses during the 2008-through-2010 period, declining an average of 7.4 percent, or 1,400 jobs, annually. The only nonfarm payroll sectors to continue adding jobs during the 2008 through 2010 period were the education and health services and the government sectors. More than 80 percent of job gains in the government sector were in the federal government subsector, which added an average of 1,000 jobs, or 8.6 percent, annually as JBLM expanded.

During 2011 and 2012, job growth returned, with the number of nonfarm payrolls recovering an average of 1,700 jobs, or 0.6 percent, annually. Nearly 60 percent of job growth during this period occurred in the transportation and utilities sector, which expanded by an average of 1,000 jobs, or 8.5 percent, annually. Both the government and the mining, logging, and construction sectors contracted, losing an average of

Figure 2. 12-Month Average Nonfarm Payrolls in the Tacoma HMA



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

800 and 400 jobs, or 1.3 and 2.0 percent, respectively, each year, because government revenues and construction levels remained low.

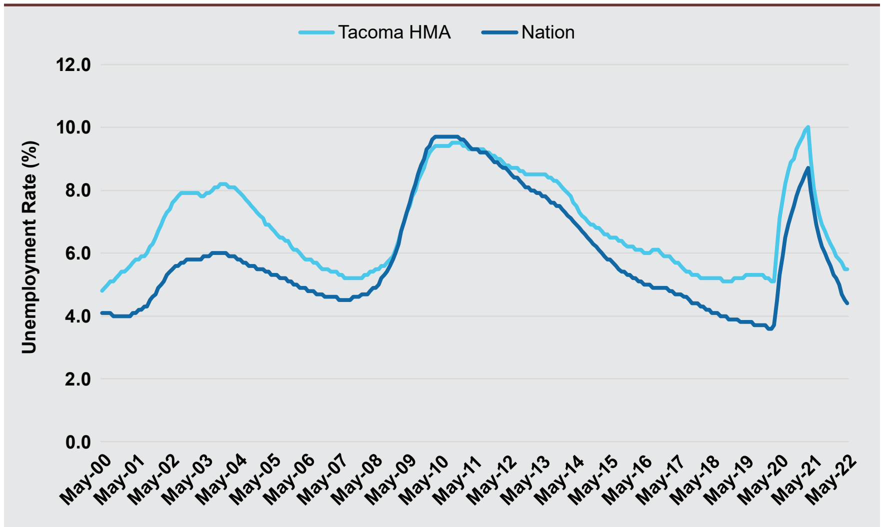
Economic Recovery and Expansion: 2013 Through 2019

Job growth in the HMA accelerated to an average of 7,600 jobs, or 2.6 percent, annually from 2013 through 2019, with payrolls exceeding prerecession levels in 2014. By comparison, national payroll growth averaged 1.7 percent during the same period. Job growth was broad-based in the Tacoma HMA, with every economic sector except the information sector adding jobs. The professional and business services sector added the most jobs, expanding an average of 1,500 jobs, or 5.5 percent, annually. The mining, logging, and construction sector led job growth in percentage terms, growing an average of 6.1 percent, or 1,200 jobs, annually. Increasing residential and commercial construction during this period supported recovery in this sector, but payrolls in 2019 remained 1.5 percent below 2007 levels. From 2013 through 2019, the education and health services sector added 1,100 jobs, or 2.0 percent, annually, supported by increased healthcare spending and an aging population.

Unemployment Trends

The recovery of jobs lost after the onset of the COVID-19 pandemic contributed to a decline in the unemployment rate during the 12 months ending May 2022. The unemployment rate in the HMA decreased from an average of 8.1 percent during the 12 months ending May 2021 to 5.5 percent during the 12 months ending May 2022; the national rate averaged 4.4 percent during the latter period. The unemployment rate declined during the 12 months ending May 2022 because of strong growth in the number of employed people in the HMA. By comparison, an elevated number of unemployed workers, caused by job losses related to public health measures taken to slow the spread of COVID-19, contributed to the higher unemployment rate during the 12 months ending May 2021. The monthly unemployment rate began decreasing in May 2020, reaching 4.9 percent in May 2022; the national unemployment rate was 3.4 percent during May 2022.

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



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

Before the economic downturn that occurred in 2020, the unemployment rate in the HMA had declined throughout the 2010s (Figure 3). Due in large part to job losses increasing the number of unemployed workers during the Great Recession, the unemployment rate in the HMA averaged 9.5 percent in 2010, up from 5.2 percent in 2007. The unemployment rate in the HMA declined from 2010 through 2018 to a low of 5.1 percent in 2018. Job growth in the HMA each year from 2011 through 2018 contributed to the decline during the period. During 2019, resident employment increased 4.3 percent, the highest rate of increase since 2000, but the number of unemployed workers increased for the first time since 2010, resulting in the unemployment rate rising to 5.2 percent.

Commuting Patterns

Many residents of the Tacoma HMA commute to adjacent King County, which includes the city of Seattle, for work. According to the most recent data available, the number of workers who live in the HMA is approximately 25 percent higher than the number of jobs in the HMA (Census Bureau, OnTheMap 2019 data). Commuting to King County is the source of much of this mismatch. During 2019, 36 percent of employed Tacoma HMA residents, or approximately 137,000 people, commuted to King County, up from 33 percent, or 102,800 people, in 2010. The number of workers in the HMA who have commutes of more than an hour increased by almost 70 percent from 2010 to 2019 (2010 and 2019 American Community Survey [ACS] 1-year data).

Forecast

During the 3-year forecast period, the economy of the HMA is expected to expand, with nonfarm payrolls increasing an average of 2.7 percent annually. Job growth is expected to be relatively steady throughout the forecast period. The Tacoma Town Center, a mixed-use development in central Tacoma with 600 apartments, 240,000 square feet of retail space, and 200,000 square feet of office space, is currently under construction and expected to contribute to job growth in the mining, logging and construction sector. JBLM is expected to continue to expand during the forecast period at a rate similar to the 2010 to current period.

Population and Households

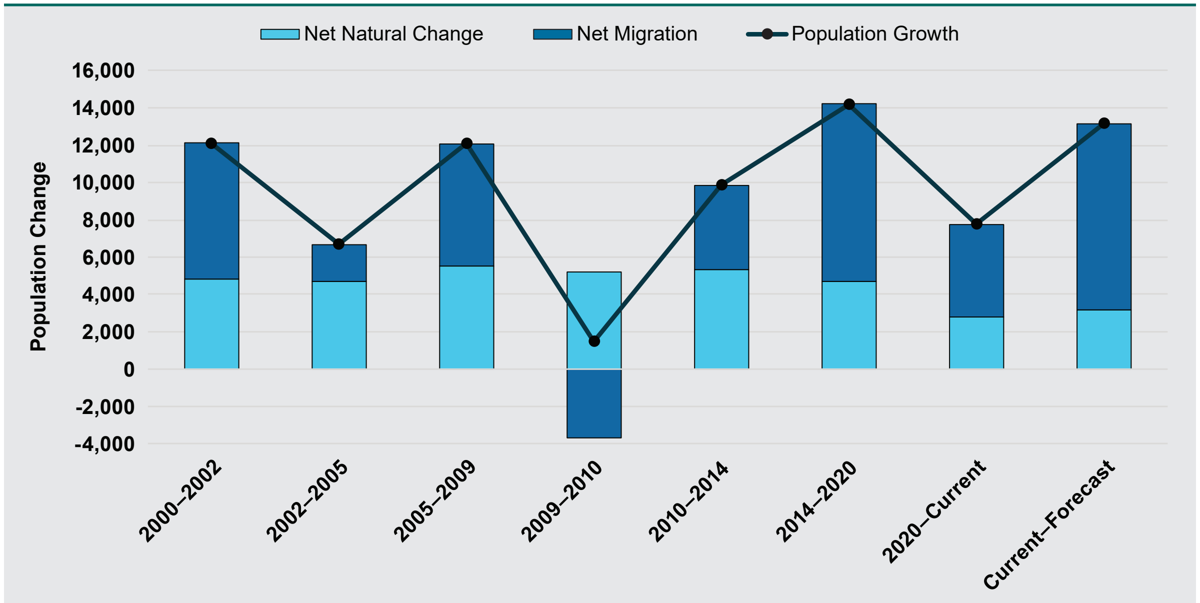
Current Population: 937,800

Migration from King County residents seeking more affordable housing has contributed to high rates of population growth since 2014.

Population Trends

The population of the Tacoma HMA has increased every year since 2000. Population slowed following the 2001 recession, increasing at an average annual rate of 6,675, or 0.9 percent, from 2002 to 2005, with net natural change accounting for 70 percent of population growth (intercensal population estimates from the Office of Financial Management for the State of Washington). From 2005 to 2009, average population growth increased to 12,100 people, or 1.6 percent, annually (Figure 4), as worsening economic conditions during the latter years of this period were offset by increased staffing at JBLM. Approximately 85 percent of the increase in population growth between the earlier and later 2000s periods was attributable to increased net migration, which increased from an average of 1,950 people annually from 2002 to 2005 to an average of 4,650 people annually from 2005 to 2009. From 2009 to 2010, population growth slowed dramatically to 1,500, or 0.2 percent, and

Figure 4. Components of Population Change in the Tacoma HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (June 1, 2022) to June 1, 2025.
Sources: Office of Financial Management for the State of Washington; current to forecast—estimates by the analyst

the unemployment rate peaked at 9.5 percent, reducing the number of people moving to the HMA for work-related reasons. During that year, there was net out-migration of approximately 3,700 people, the only year since 2000 when more people moved away from the HMA than to it.

As the local impacts from the Great Recession waned in the HMA, population growth increased again. From 2010 to 2014, the population increased by an average of 9,900, or 1.2 percent, annually; net in-migration returned, averaging 4,575 people annually. As economic and housing market conditions improved, population growth accelerated. Following the improvement in economic conditions beginning in 2013, from 2014 through 2020, the population of the HMA increased by an average of 14,200, or 1.6 percent, annually, with net in-migration more than doubling to an average of 9,475 people annually. Although population growth increased, the rate of net natural change fell from an average of 5,325 people annually from 2010 to 2014 to 4,725 people annually from 2014 to 2020. From 2020 to the current date, the population of the HMA increased by an average of 7,750, or 0.8 percent, annually, to 937,800

(Table 3). The COVID-19 pandemic contributed to lower population growth through an increase in mortality and decreased international migration to the HMA.

Migration Trends

Migration into the Tacoma HMA from King County was responsible for much of the increase in population growth since 2014. From 2015 through 2019, essentially all net domestic in-migration to the HMA originated from King County (Census Bureau County-to-County Migration Flows; ACS 5-year data). Migrants from the Seattle area are attracted to the lower relative cost of housing in the Tacoma HMA. The price differential between the two areas has increased since 2006, when the average home price in the HMA was 37 percent lower than in King County, to 2019, when the average price was 47 percent lower; that change has increased the economic incentive for in-migration to the HMA. Since 2019, however, home prices in the Tacoma HMA have increased at a slightly higher rate than King County, and the average home price was only 44 percent lower during 2021.

Age Cohort Trends

The Tacoma HMA has a relatively young population, with a median age of 36.4 years, compared with 38.6 years nationally (2019 ACS 1-year data). The HMA also has a high percentage of children, with 23.3 percent of the population of the HMA younger than age 18, compared with 22.4 percent nationally. Despite the relatively high share of young people in the HMA, the share of older residents is growing at a fast rate. The cohort of residents age 62 and older grew at an average annual rate of nearly 4 percent from 2010 to 2019, compared with overall average annual population growth of 1.4 percent during the same period. As a result, the cohort of residents aged 62 and older increased from 16.4 to 20.4 percent of the population of the HMA. The increasing elderly population has contributed to the declining net natural change.

Table 3. Tacoma HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	**Population**	795,225	937,800	977,300
	Average Annual Change	9,450	11,700	13,200
	Percentage Change	1.3	1.4	1.4
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	299,918	347,500	362,400
	Average Annual Change	3,900	3,900	4,975
	Percentage Change	1.4	1.2	1.4

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 (June 1, 2022) to June 1, 2025.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

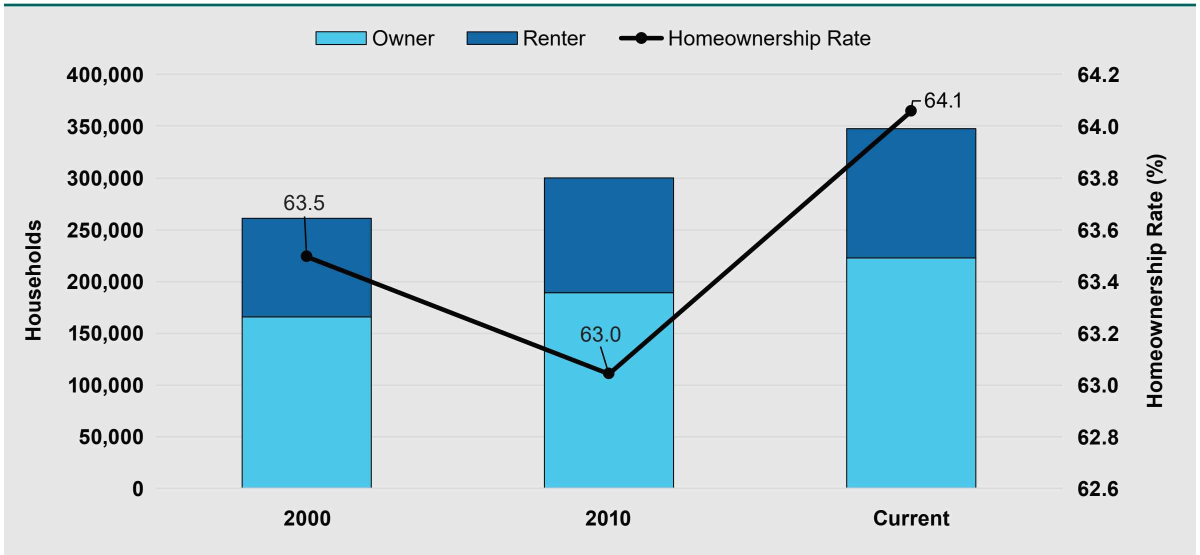
Household Trends

As of June 1, 2022, the number of households in the HMA is estimated at 347,500, an increase of 3,900 households, or 1.2 percent, annually since 2010. By comparison, household growth averaged 3,900, or 1.4 percent, annually from 2000 to 2010. An estimated 64.1 percent of households, or 222,600 households, are currently homeowners, compared with a homeownership rate of 63.0 percent in 2010 (Figure 5). From 2010 to the current date, the number of owner households increased at an average annual rate of 1.4 percent, or 2,750 households, while renter households increased at an average annual rate of 1.0 percent, or 1,150 households. From 2000 to 2010 owner households increased at an average annual rate of 1.3 percent, or 2,350 households while renter households' average annual increase was 1.5 percent, or 1,575 households.

Military Households

There were 31,164 uniformed military personnel stationed at JBLM in 2019 (SSMCP). Of these, 7,615 service members live in barracks, and an additional 3,142 service members live in privatized on-base housing, with the remainder living off-base. About 60 percent of off-base military households live within the HMA, with most of the remainder living in neighboring Thurston County. Among military personnel living off-base who responded to the 2020 JBLM Off-Installation Housing Study, approximately 82 percent are married, and 53 percent have children (SSMCP and ECONorthwest). About three quarters of military households in the HMA are renters. Military households account for approximately 5 percent of all renter households in the HMA.

Figure 5. Households by Tenure and Homeownership Rate in the Tacoma HMA



Note: The current date is June 1, 2022.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Forecast

During the next 3 years, the population of the Tacoma HMA is expected to increase by an average of 13,200, or 1.4 percent, a year, up from the 2020-to-current period but slightly slower than the 2014-to-2020 period. Net in-migration is expected to account for approximately 76 percent of population growth, including continued migration from King County. The number of households is expected to reach 362,400 by the end of the third year of the forecast period, with average growth of 1.4 percent annually. An estimated 72 percent of the additional households are expected to be homeowners, resulting in the homeownership rate rising to 64.4 percent at the end of the 3-year forecast period.

Home Sales Market

Market Conditions: Tight

The sales market in the HMA has tightened considerably since the beginning of the COVID-19 pandemic in March 2020.

Current Conditions

The sales housing market in the Tacoma HMA is currently tight, with robust demand and a limited inventory of available for-sale homes contributing to rising home prices. As of June 1, 2022, the overall sales vacancy rate is estimated at 0.6 percent, down from 2.6 percent in 2010 (Table 4).

The sales market has tightened since the onset of the COVID-19 pandemic. During May 2022, the HMA had an inventory of 3,025 existing single-family homes, condominiums, and townhomes for sale, representing a 0.8-month supply, up from 2,700 homes for sale, or a 0.6-month supply, during May 2021 (Redfin, a national real estate brokerage). By comparison, 4,000 homes, or a 1.4-month supply, were available for sale in May 2019, before the beginning of the COVID-19 pandemic. The HMA has a proportionately lower supply of available homes than the nation-at-large, which had 1.4 months of supply during May 2022, up from a 1.3-month supply during May 2021. Although market conditions have tightened during the past 24 months, the supply of available homes has been limited for many years, contributing to home price growth in the HMA.

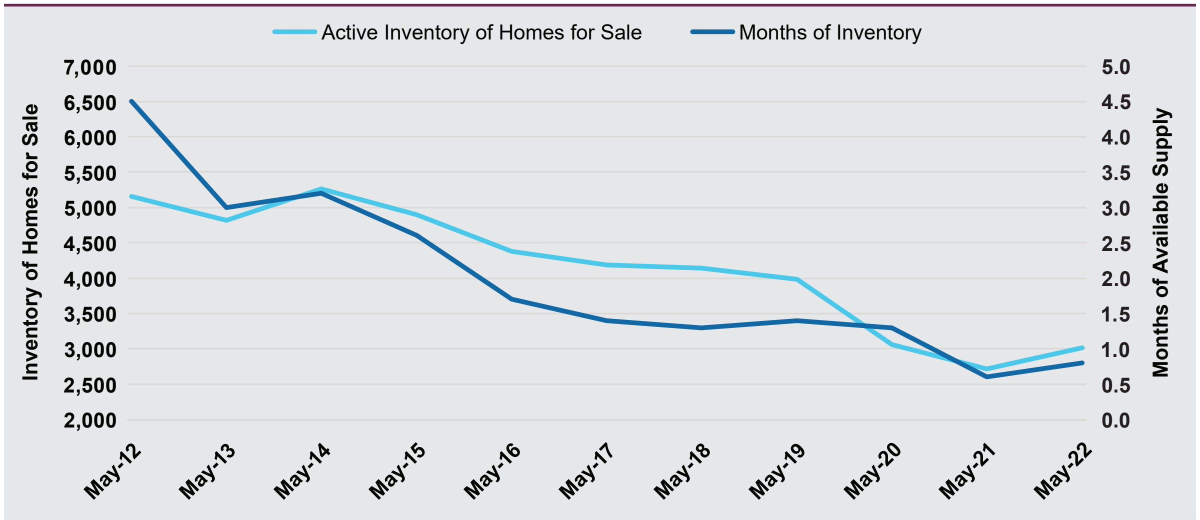
Since May 2014, when 5,250 homes, or 3.2 months of supply, were available for sale, the number of homes available for sale and the months of supply of available homes for sale have declined each year through 2019 (Figure 6). Since 2015, the HMA has had less than 3 months of supply of available for-sale inventory, often considered a metric indicating a tight sales market.

Table 4. Home Sales Quick Facts in the Tacoma HMA

		Tacoma HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	0.6%	NA
	Months of Inventory	0.8	1.4
	Total Home Sales	20,150	7,338,000
	1-Year Change	-4%	1%
	New Sales Price	$640,100	$447,700
	1-Year Change	18%	13%
	Existing Sales Price	$517,800	$390,200
	1-Year Change	16%	15%
	Mortgage Delinquency Rate	1.2%	1.5%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending April 2022; and months of inventory and mortgage delinquency data are as of April 2022. The current date is June 1, 2022.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; HMA home sales and prices—CoreLogic, Inc., with adjustments by the analyst; national home sales and prices—CoreLogic, Inc.

Figure 6. Inventory of Homes for Sale in the Tacoma HMA



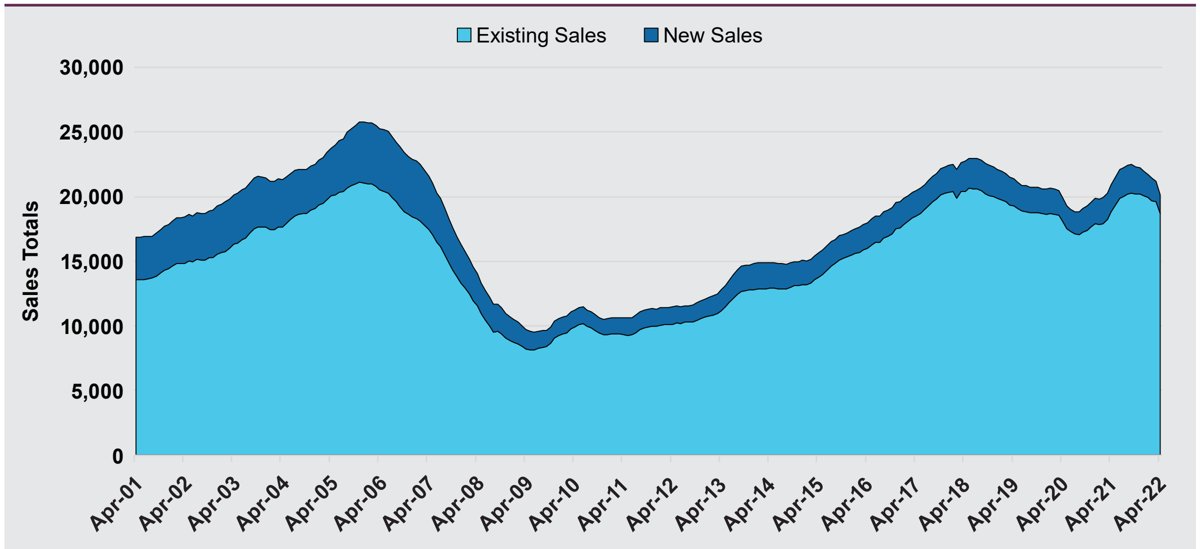
Source: Redfin, a national real estate brokerage

The current low level of for-sale housing inventory and robust demand for sales housing resulted in the average home sales price for new and existing homes increasing 16 percent, to $526,600, during the 12 months ending April 2022, compared with the preceding 12-month period, when existing home prices increased 17 percent (CoreLogic, Inc., with adjustments by the analyst). The pandemic and the subsequent rise in remote work, particularly among high-earning workers, may have contributed to the increase in home prices as more workers from King County moved to the HMA. Because of low levels of available for-sale housing inventory, increasing home prices, and rising interest rates, the number of home sales decreased 4 percent, to 20,150, during the 12 months ending April 2022, following an increase of 5 percent during the 12 months ending April 2021.

Existing Home Sales and Price Trends

Existing home sales and prices in the Tacoma HMA fell sharply during the late 2000s and early 2010s because of the housing crisis and the Great Recession. Before this decline, strong economic conditions and population growth contributed to a peak of 19,050 existing homes sold, on average, each year from 2003 through 2006 (Figure 7). Existing home sales subsequently declined by an average of 4,800 homes sold, or 31 percent, annually from 2007

Figure 7. 12-Month Sales Totals by Type in the Tacoma HMA



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

through 2008, to an average of 9,150 homes sold annually from 2008 through 2010 because of weak economic conditions and stricter lending standards.

As the number of homes sold decreased, the number and percentage of distressed sales—real estate owned (REO) and short sales—increased substantially. Less than 5 percent of all existing homes sold in 2007 were distressed, but by 2011, the percentage had increased to 50 percent. The average distressed home sales price was $174,200 in 2011, substantially less than the $230,400 price for regular resales. Weak economic conditions and increased distressed sales contributed to existing home sales prices decreasing from an average of $291,500 during 2007 to an average of $204,000 during 2011 and 2012 (Figure 8).

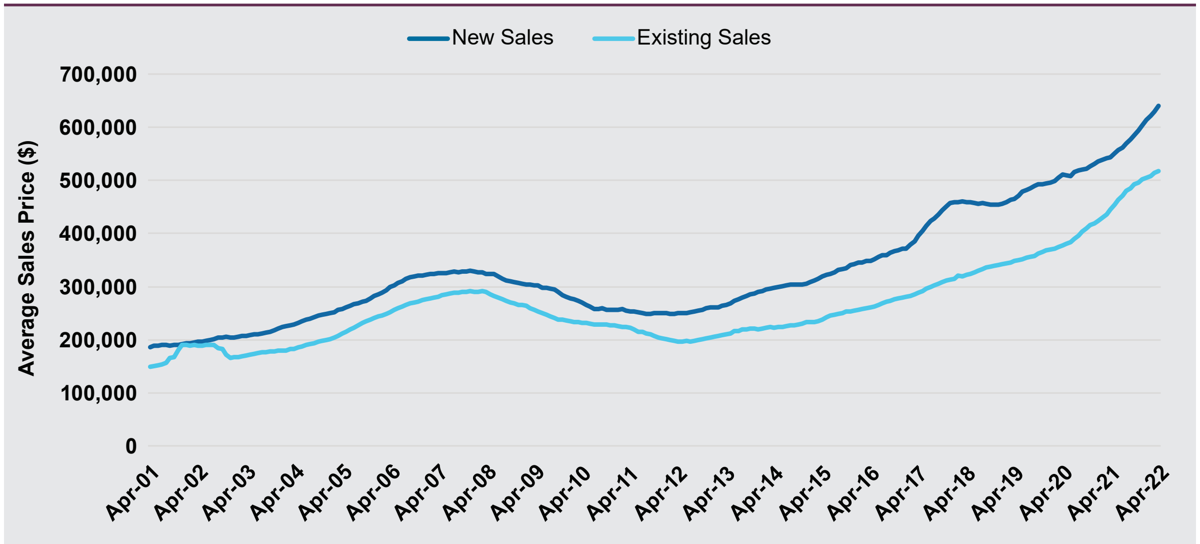
The sales market began to recover in 2011 as job growth returned to the HMA. Sales of existing homes increased by an average of 670, or 7 percent, annually during 2011 and 2012, then accelerated to an average increase of 1,950, or 14 percent, annually from 2013 through 2017. Despite increasing existing home sales beginning in 2011, existing home sales prices did not begin to significantly increase until 2013. A significant inventory of for-sale homes, and large numbers of distressed properties—which still made up

36 percent of all existing home sales in 2012—kept prices from increasing. From 2013 through 2017, the inventory of distressed home sales declined, and competition among homebuyers increased because of improving economic conditions and low interest rates. Existing home sales prices increased by an average of $21,600, or 9 percent, annually during the 5-year period. During 2018 and 2019, existing home sales fell an average of 4 percent annually, whereas average annual price growth was 8 percent.

New Home Sales and Price Trends

Although new home prices in the Tacoma HMA have increased, new home sales have trended downwards since 2019 and remain well below the peak levels of the mid-2000s. The number of new homes sold averaged 4,575 annually during 2005 and 2006 but declined an average of 28 percent annually from 2007 through 2010, to a low of 1,200 in 2010, because of worsening economic conditions, decreased access to credit, and increasing inventories of lower priced distressed homes. New home sales increased following the Great Recession, rising an average of 8 percent annually from 2011 through 2018, to a peak of 2,250 new home sales in 2018. Since 2019, new home sales have trended downwards, falling an average of 6 percent annually during 2019 and 2020 and a further 33 percent during the 12 months ending April 2022, when 1,450 new homes sold. Labor shortages, supply chain issues, and limited availability of buildable land have constrained home construction in the HMA, and lower net migration in the 2020-current period has lowered new home demand.

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



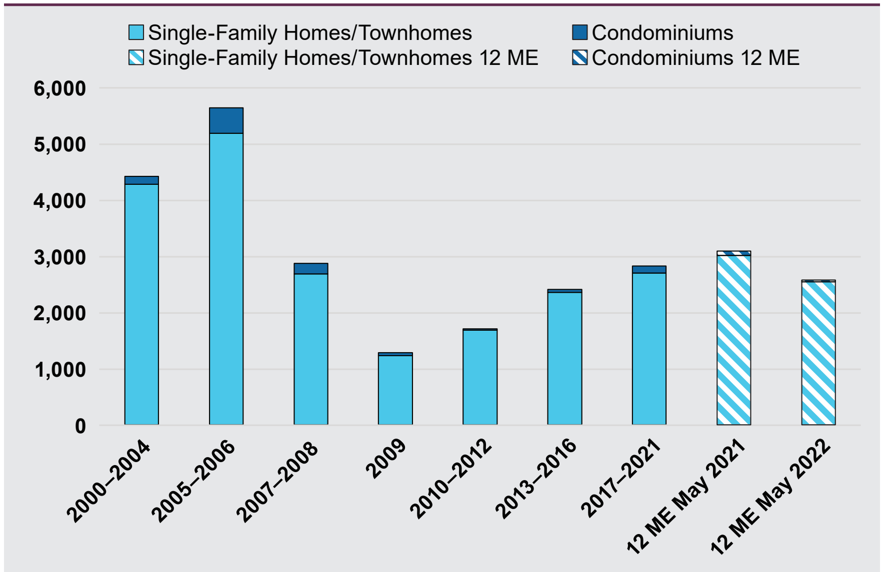
REO = real estate owned.
Source: CoreLogic, Inc., with adjustments by the analyst

New home prices have increased, along with existing home sales prices, since 2012 because of increased competition among homebuyers and rising land, labor, and material costs. New home sales prices averaged $325,500 during 2006 and 2007 but declined an average of 8 percent annually from 2008 through 2010 to a low that averaged $255,800 from 2010 through 2012 as prices fell in response to slowing demand. From 2012 through 2020, new home prices increased an average of 9 percent annually, similar to price increases for existing homes. During the 12 months ending April 2022, the average new home sales price increased 18 percent to $640,100.

Sales Construction

Homebuilding, as measured by the number of single-family homes, townhomes, and condominium units permitted (building permits), has generally trended upward in the HMA since the end of 2009, but it is still below the historically high levels reached during the housing boom in the mid-2000s. Homebuilding peaked from 2005 through 2006 at an average of 5,650 homes permitted annually, then declined by an average of 1,375 homes, or 38 percent, annually, from 2007 through 2009, as demand for new homes fell (Figure 9). After reaching a low of 1,275 homes permitted during 2009, new home construction increased to an average of 1,700 permitted annually from 2010 through 2012. Homebuilding increased further as economic conditions improved, and new home prices have continued to increase. An average of 2,400 homes were permitted annually from 2013 through 2016, and an average of 2,825 homes were permitted from 2017 through 2021. During the 12 months ending May 2022, 2,575 homes were permitted, down from the 3,100 homes permitted during the 12 months ending May 2021. Shortages of construction supplies and labor and lower net migration compared to the 2014-to-2020 period contributed to declining construction during the most recent 12 months.

Figure 9. Annual Sales Permitting Activity in the Tacoma HMA



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Current Home Construction Activity

About two-thirds of new home construction is occurring in the suburbs of Bonney Lake and Puyallup. Tehaleh, a master-planned community in Bonney Lake, was the community with the most home sales in the Pacific Northwest during 2021, with 477 new homes sold; the community was the 44th highest selling community in the nation (John Burns Real Estate Consulting). Homes at Tehaleh are available through nine homebuilders and start at approximately $550,000. The 4,700-acre Tehaleh community broke ground in 2012 and has sold approximately 2,900 homes through mid-2022, with plans to eventually develop up to 9,700 homes by 2040.

Forecast

Based on current and anticipated economic and population growth and the current tight sales market conditions in the HMA, demand is estimated for 9,700 new homes during the next 3 years (Table 5). Forecast demand is expected to be slightly higher than the 2017-through-2021 period. The 1,300 homes currently under construction are expected to meet a portion of demand during the first year of the forecast period. Demand for sales housing is expected to be steady throughout the forecast period, similar to expected trends in job growth.

Table 5. Demand for New Sales Units in the Tacoma HMA During the Forecast Period

	Sales Units
Demand	9,700 Units
Under Construction	1,300 Units

Note: The forecast period is from June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Rental Market

Market Conditions: Slightly Tight

Rent growth in the Tacoma HMA has accelerated since the beginning of the COVID-19 pandemic.

Current Conditions and Recent Trends

The overall rental market in the Tacoma HMA—including apartments, single family homes, and other housing options available for rent—is slightly tight; the estimated 5.0-percent vacancy rate is down from 7.9 percent in April 2010, when rental conditions were soft (Table 6). Higher rates of population and job growth have contributed to rising rents, despite increased apartment construction since 2015.

Apartment Market Conditions

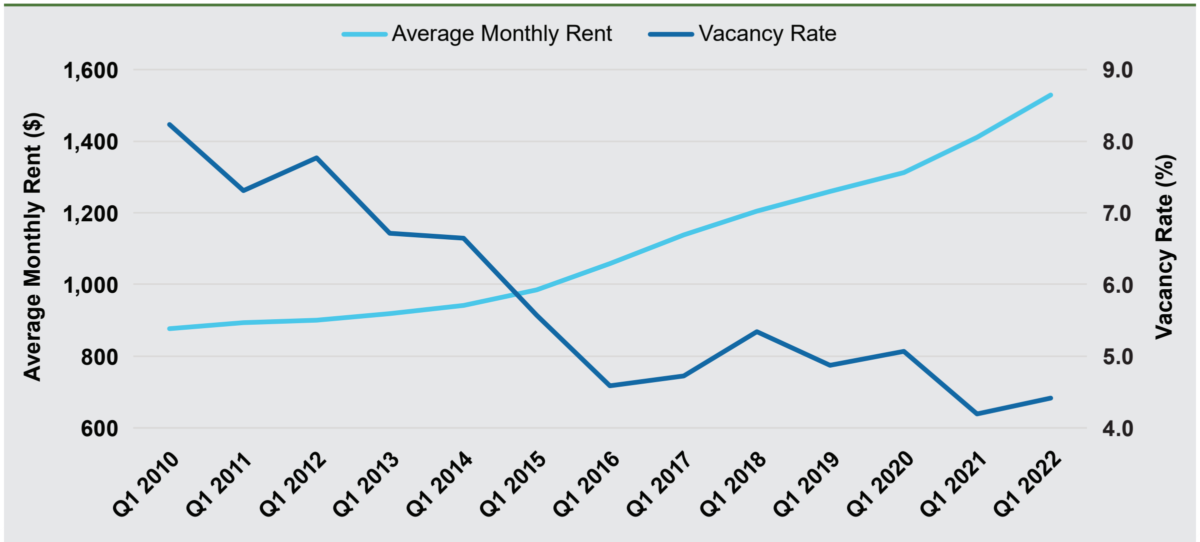
The apartment market, which accounts for approximately 45 percent of renter-occupied units in the HMA (2019 ACS 1-year data), is slightly tight. During the first quarter of 2022, the average apartment vacancy rate in the HMA was 4.4 percent, up from 4.2 percent during the first quarter of 2021 and down from 5.5 percent during the first quarter of 2020, before the COVID-19 pandemic began (CoStar Group). The average asking rent rose 8 percent, to $1,529, compared with the first quarter of 2021, when the average rent increased 8 percent on an annual basis (Figure 10). The apartment market tightened in the HMA in response to the COVID-19 outbreak;

Table 6. Rental and Apartment Quick Facts in the Tacoma HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	7.9	5.0
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	41	36
	Multifamily (2–4 Units)	17	16
	Multifamily (5+ Units)	38	45
	Other (Including Mobile Homes)	5	3
Apartment Market Quick Facts		Q1 2022	YoY Change
	Apartment Vacancy Rate	4.4	0.2
	Average Rent	$1,533	8%
	Studio	$1,243	6%
	One-Bedroom	$1,324	7%
	Two-Bedroom	$1,636	9%
	Three-Bedroom	$2,041	9%

YoY= year-over-year. Q1 = first quarter.
Notes: The current date is June 1, 2022. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey, 1-year data; apartment data—CoStar Group

Figure 10. Apartment Rents and Vacancy Rates in the Tacoma HMA



Q1 = first quarter.
Source: CoStar Group

the widespread use of telework and the curtailment of in-person dining and entertainment resulted in many renters relocating from the higher priced Seattle market. As a result, the apartment market vacancy rate in the Seattle MD increased from 6.1 percent during the first quarter of 2020 to 7.0 percent during the first quarter of 2021, and average asking rents fell 2 percent.

Apartment market conditions were balanced prepandemic; strong economic and household growth and increased apartment construction contributed to a stable vacancy rate. During the first quarters of 2015 through 2019, the apartment vacancy rate was under 6.0 percent, with an average of 670 apartment units delivered annually. During this period, the average apartment asking rent increased an average of 6 percent annually. From 2011 through 2014, when economic conditions were weaker and population growth was lower, rent growth averaged 2 percent annually, and the apartment vacancy rate declined from 8.2 percent in 2010 to 6.6 percent in 2014.

Market Conditions by Geography

During the first quarter of 2022, the CoStar-defined McChord market area, which includes areas closest to JBLM, had the lowest vacancy rate in the HMA, at 2.1 percent, down from 5.9 percent during the first quarter of 2021. Additionally, average asking rents in the McChord market area increased 13 percent on an annual basis during the first quarter of 2022, to $1,517, more than any other market area in the HMA. Military personnel who live off base are entitled to a basic allowance for housing (BAH), a monthly payment that can be used for either paying rent or a mortgage. In 2022, the BAH at JBLM increased 13.3 percent compared to 2021, inducing property managers who serve predominantly military tenants to increase their rent accordingly.

The CoStar-defined Puyallup market area, which includes the suburb of Puyallup and borders King County, had the second largest rent increase during the first quarter of 2022, rising 10 percent to $1,655, following an 8 percent rent increase during the first quarter of 2021. Out-migration from King County during the COVID-19 pandemic likely disproportionately impacts this market area, contributing to higher than average rent growth. Builders have responded to strong rent growth in the market area and increasing demand for suburban housing; during the past 3 years, almost one-half of all rental construction in the HMA has occurred in the Puyallup market area, while accounting for slightly less than one-third of the total rental stock of the HMA (CoStar Group).

Senior Apartments

Since 2010, about 10 percent of all market-rate apartments built in the HMA have targeted seniors, compared with only 3 percent in King County. Senior apartment developers are attracted to the HMA because of the relatively low cost of land compared to King County and the city of Seattle; the Tacoma HMA is still close enough to allow for easy visits. Vacancy rates at age-restricted senior apartments decreased from 7.6 percent during the first quarter of 2021 to 6.5 percent during the first quarter of 2022. Rents during the first quarter of 2022 averaged $1,829 at senior apartments, up 6 percent from the first quarter of 2021.

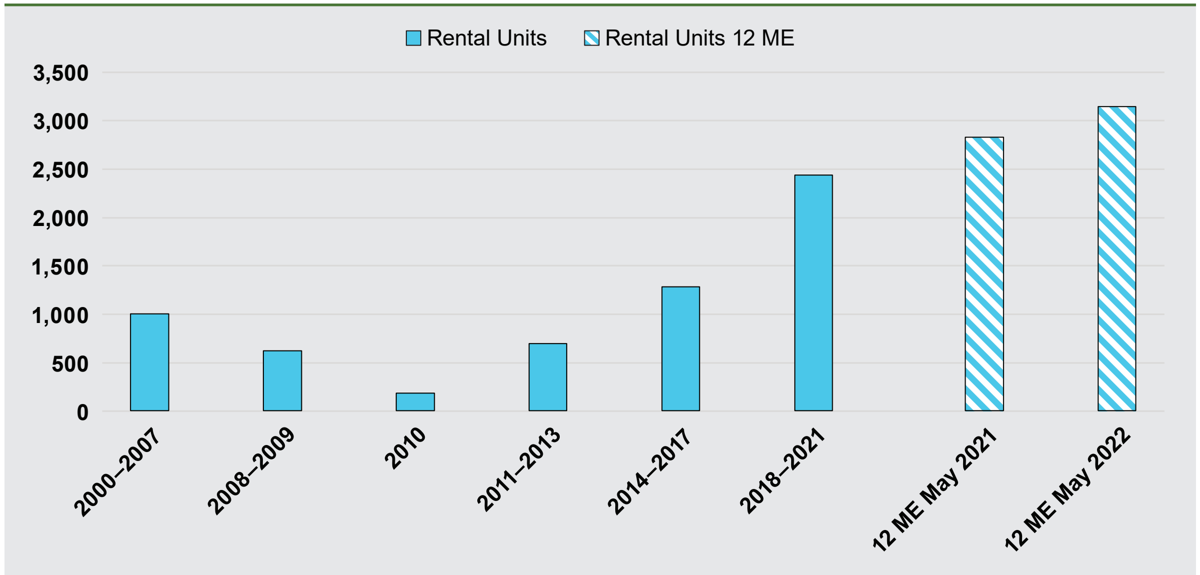
Rental Construction

Builders have responded to strong population growth and the absorption of new apartments with high levels of rental construction since the mid-2010s. Rental construction, as measured by the number of units permitted, was moderate from 2000 through 2007, averaging 1,000 units annually. Following the Great Recession, apartment construction declined to an average of 620 units annually during 2008 and 2009, and only 180 units were permitted during 2010 because of a soft rental market (Figure 11). Since 2011, rental construction levels have fluctuated from year to year, but they have generally trended upwards as the rental vacancy rate declined and rent growth accelerated. From 2011 through 2013, an average of 700 rental units were permitted annually, whereas an average of 1,275 units were permitted annually from 2014 through 2017. Rental construction increased further after 2017, contributing to relative stability in the apartment vacancy rate and a higher rate of rent growth, as increased numbers of relatively higher priced new apartments entered the market. From 2018 through 2021, an average of 2,450 rental units were permitted annually. During the COVID-19 pandemic, apartment construction has continued to increase, supported by rapid rent increases; during the 12 months ending May 2022, approximately 3,150 rental units were permitted, up 12 percent from the 12 months ending May 2021, when 2,825 units were permitted. Apartment construction levels during the 12 months ending May 2022 were higher than in any year since 2000.

Current Rental Construction Activity

An estimated 3,000 apartments are under construction in the HMA. Approximately 80 percent of those units are in the city of Tacoma, with most of the remainder in Puyallup. The Astor apartments, a 150-unit conversion of the historic Washington Building in downtown Tacoma, will open in June 2022. When complete, The Astor apartments will offer one- and two-bedroom apartments starting at $1,475 and $2,350, respectively. In addition to market-rate apartments, income-restricted rental housing is under construction in the Tacoma HMA. Mercy Rosa Franklin Place, a 60-unit apartment property in central Tacoma, will offer units at rents restricted to 30 percent of income for qualifying seniors.

Figure 11. Annual Rental Permitting Activity in the Tacoma HMA



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Forecast

During the 3-year forecast period, demand is estimated for 7,325 rental units in the HMA (Table 7). Demand is expected to be evenly distributed among all years of the forecast period, although the large current pipeline of approximately 3,000 units under construction will meet all demand during the first year and part of the second.

Table 7. Demand for New Rental Units in the Tacoma HMA During the Forecast Period

	Rental Units
Demand	7,325 Units
Under Construction	3,000 Units

Note: The forecast period is June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

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.
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.
Distressed Sales	Short sales and real estate owned (REO) sales.
Existing Home Sales	Includes resale sales, short sales, and REO sales.
Forecast Period	6/1/2022–6/1/2025—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.

Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Regular Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.

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 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.

D. Photo/Map Credits

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