COMPREHENSIVE HOUSING MARKET ANALYSIS

Seattle-Bellevue-Everett, Washington

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of September 1, 2015

Housing Market Area

Situated along the Puget Sound in northwestern Washington State, the Seattle-Bellevue-Everett Housing Market Area (hereafter, the Seattle HMA) consists of King and Snohomish Counties and is coterminous with the Seattle-Bellevue-Everett, WA Metropolitan Division. The HMA is recognized as a center for aeronautical design and manufacturing, software design, and trade, with the presence of globally renowned companies that include The Boeing Company; Microsoft Corporation; Amazon.com, Inc.; and the third largest container port in North America.

Market Details

Summary

Economy

Nonfarm payroll growth averaged 3.0 percent from 2013 through 2014, contributing to strong economic conditions in the Seattle HMA. Payroll growth accelerated during the 12 months ending August 2015, when nonfarm payrolls added 52,700 jobs, or 3.4 percent, compared with the number of jobs during the 12 months ending August 2014, and the unemployment rate declined from 4.9 to 4.2 percent. During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 38,650 jobs, or 2.4 percent, annually.

Sales Market

Sales housing market conditions in the HMA are currently tight, with an estimated vacancy rate of 1.2 percent, down from 2.6 percent in April 2010. During the 12 months ending August 2015, new and existing home sales totaled 54,700, up 14 percent from the previous 12 months, and the average sales price increased 6 percent, to $464,000 (CoreLogic, Inc., with adjustments by the analyst). During the forecast period, demand is estimated for 29,100 new homes. The 2,950 homes currently under construction and a portion of the estimated 25,000 other vacant units in the HMA that may return to the market will satisfy part of the demand (Table 1).

Rental Market

The overall rental housing market in the HMA is tight, with an estimated vacancy rate of 4.0 percent, down substantially from 7.1 percent in April 2010. Apartment market conditions are tight, with a 4.6-percent vacancy rate during the second quarter of 2015, up from 4.1 percent a year earlier, and the average asking rent increased nearly 7 percent, to $1,323 (Reis, Inc.). Demand is estimated for 25,800 new, market-rate units during the 3-year forecast period. The estimated 16,350 units currently under construction will meet a portion of the forecast demand (Table 1).

Table 1. Housing Demand in the Seattle HMA* During the Forecast Period

	Seattle HMA*	
	Sales Units	Rental Units
Total demand	29,100	25,800
Under construction	2,950	16,350

** Seattle-Bellevue-Everett HMA.*

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of September 1, 2015. A portion of the estimated 25,000 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is September 1, 2015, to September 1, 2018.

Source: Estimates by analyst

Economic Conditions

Economic conditions in the Seattle HMA are strong, with the rate of job growth having outpaced growth in the nation since 2011. Nonfarm payroll growth in the HMA averaged 2.7 percent a year from 2011 through 2014 compared with the national average annual growth rate of 1.6 percent. During the 12 months ending August 2015, nonfarm payroll growth in the HMA accelerated, increasing by 52,700 jobs, or 3.4 percent, to 1.59 million jobs compared with an increase of 44,000 jobs, or 3.0 percent, during the 12 months ending August 2014 (Table 2). Job gains occurred in every nonfarm payroll sector during the past 12 months. In contrast to this recent trend, jobs losses during the national recession were more severe in the HMA than in the national economy, with nonfarm payrolls averaging a decline of 3.2 percent a year from 2009 through 2010 compared with a 2.5-percent average annual decline in the nation. The number of nonfarm payroll jobs in the HMA is currently 6.5 percent higher than the prerecession peak of 1.49 million jobs recorded during 2008. The unemployment rate averaged 4.2 percent during the 12 months ending August 2015, down from 4.9 percent during the previous 12-month period, a result of resident employment growth far exceeding growth in the labor force. By comparison, the unemployment rate averaged 3.9 percent from 2005 through 2008 during a period of economic expansion and peaked in 2010 at 9.4 percent because of the national recession. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate from 2000 through 2014.

The HMA is recognized as a global center for technology-related industries, including aeronautical design and manufacturing, software design, and telecommunications, and it is home to the global headquarters of Microsoft Corporation and Amazon.com, Inc., with 41,664 and an estimated 15,000 to 20,000 employees, respectively. Although The Boeing Company moved its headquarters to Chicago in 2001, it remains the largest employer in the HMA, with approximately 85,000 employees statewide (Table 3). From 1996 through 2000, the HMA experienced particularly strong economic growth, with nonfarm payrolls increasing by an average of 48,700 jobs, or 3.8 percent, a year, largely the result of a rapid expansion of

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

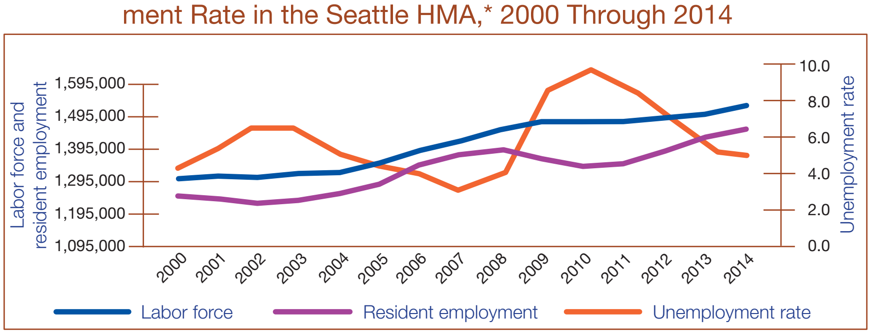
	12 Months Ending August 2014	12 Months Ending August 2015	Absolute Change	Percent Change
Total nonfarm payroll jobs	1,535,400	1,588,100	52,700	3.4
Goods-producing sectors	246,200	256,000	9,800	4.0
Mining, logging, & construction	76,000	85,800	9,800	12.9
Manufacturing	170,200	170,300	100	0.1
Service-providing sectors	1,289,300	1,332,100	42,800	3.3
Wholesale & retail trade	227,900	238,700	10,800	4.7
Transportation & utilities	49,700	50,900	1,200	2.4
Information	90,400	93,000	2,600	2.9
Financial activities	84,000	86,100	2,100	2.5
Professional & business services	228,800	239,700	10,900	4.8
Education & health services	199,000	204,100	5,100	2.6
Leisure & hospitality	147,500	151,600	4,100	2.8
Other services	55,300	57,200	1,900	3.4
Government	206,700	210,900	4,200	2.0

** Seattle-Bellevue-Everett HMA.*

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through August 2014 and August 2015.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Seattle HMA,* 2000 Through 2014



** Seattle-Bellevue-Everett HMA.*

Source: U.S. Bureau of Labor Statistics technology-related industries (referred to as the dot.com bubble), whereas national nonfarm payrolls increased at an average annual rate of 2.4 percent. Subsequent to that growth, the dot.com bubble collapsed, resulting in a national recession, and the effects on the HMA were severe. From 2001 through 2004, nonfarm payrolls in the HMA declined by an average of 16,600 jobs, or 1.2 percent, annually. By comparison, nationwide payrolls declined at an average annual rate of 0.4 percent from 2001 through 2003, bottoming out a year earlier than payrolls in the HMA.

Table 3. Major Employers in the Seattle HMA*

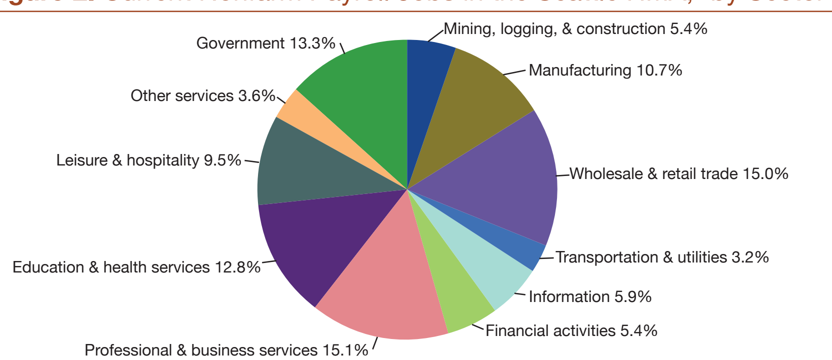
Name of Employer	Nonfarm Payroll Sector	Number of Employees
The Boeing Company	Manufacturing	85,000
Microsoft Corporation	Professional & business services	41,664
University of Washington	Government	29,800
Providence Health & Services	Education & health services	20,240
Amazon.com, Inc.	Wholesale & retail trade	15,000–20,000
U.S. Postal Service	Government	11,914
Starbucks Corporation	Leisure & hospitality	10,837
Nordstrom, Inc.	Wholesale & retail trade	9,281
Costco Wholesale Corporation	Wholesale & retail trade	8,912
Swedish Medical Center	Education & health services	8,586

**Seattle-Bellevue-Everett HMA.*

Notes: Excludes local school districts. The number of employees shown is for the state of Washington; most of these jobs are in the HMA. Amazon.com, Inc., does not disclose its regional employment numbers, so the analyst estimated a range based on current news reports.

Source: Economic Development Council of Seattle & King County, 2014

Figure 2. Current Nonfarm Payroll Jobs in the Seattle HMA,* by Sector



**Seattle-Bellevue-Everett HMA.*

Note: Based on 12-month averages through August 2015.

Source: U.S. Bureau of Labor Statistics

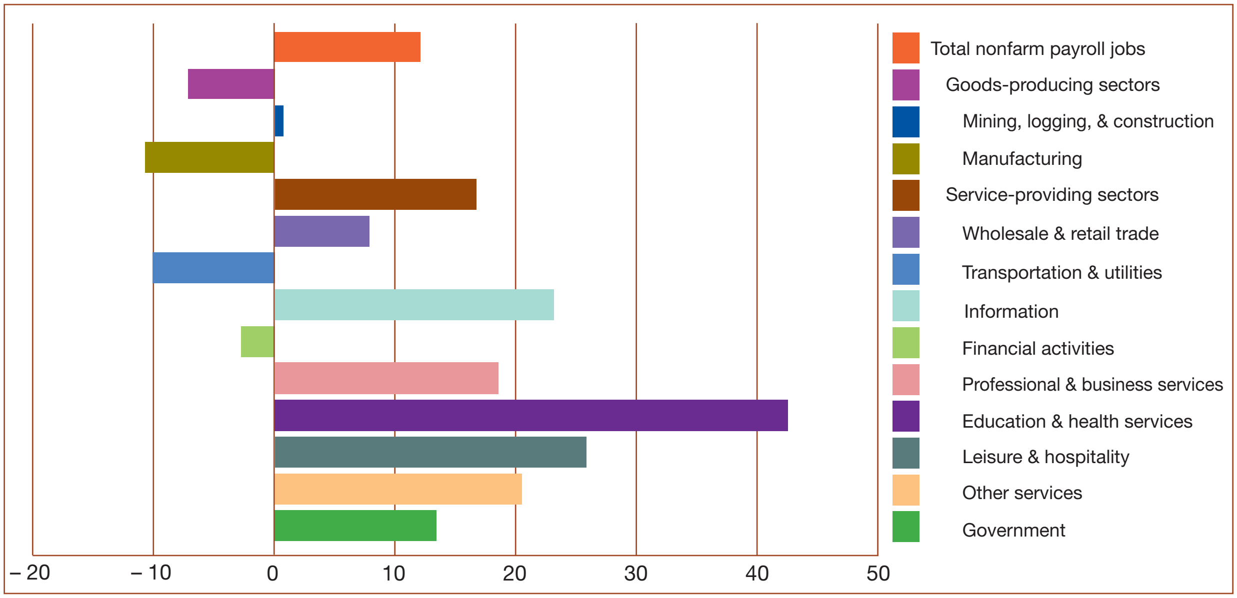
The professional and business services sector, the largest in the economy, represents approximately 15 percent of total nonfarm payrolls in the HMA (Figure 2). During the 12 months ending August 2015, the professional and business services sector gained more jobs than any other sector, increasing by 10,900 jobs, or 4.8 percent. Much of this growth can be attributed to hiring in technical industries, including computer systems design and scientific and technological research. Growth trends in this sector mirrored overall economic conditions in the HMA, with strong job growth during the buildup of the dot.com bubble, followed by a sharp drop as the bubble collapsed. The sector rebounded quickly, adding 5,600 jobs, or 3.2 percent, during 2004, followed by an average annual increase of 8,800 jobs, or 4.5 percent, from 2005 through 2008, mainly because rapid technological advancements increased the demand for information technology improvements and telecommunications. The professional and business services sector was affected by the onset of the most recent national recession. The unstable economy caused a sharp reduction in business investment, specifically in information technology and design and scientific research, and sector payrolls fell by 19,400 jobs, or 8.9 percent, during 2009. Job losses slowed significantly during 2010, declining by only 400 jobs, or 0.2 percent. Despite the decline during the recession, the professional and business services sector has added more jobs than any other sector since the economic recovery began, and, from 2011 through 2014, payrolls increased by an average of 8,600 jobs, or 4.1 percent, annually. Job growth is anticipated to continue during the forecast period as the HMA continues to attract more technology-related firms.

The wholesale and retail trade sector is the second largest sector in the economy. During the 12 months ending August 2015, payrolls increased by 10,800 jobs, or 4.7 percent, to 238,700 jobs. Payrolls in the wholesale and retail trade sector were significantly affected when the dot.com bubble burst because the strain on household finances caused a sharp decline in consumer spending. Job growth in the sector was strongest from 2004 through 2008, during a period of general economic expansion in the HMA, increasing by an average of 2,300 jobs, or 1.1 percent, annually, but it declined swiftly with the onset of the recent national recession, losing an average of 8,200 jobs, or 3.8 percent, annually from 2009 through 2010. The sector has been the second fastest growing sector since the economic recovery began, adding an average of 7,100 jobs, or 3.4 percent, a year from 2011 through 2014, and the level of sector payrolls has currently surpassed the prerecession high of 218,800 jobs recorded in 2008 by 9.1 percent. Part of the growth can be attributed to the hiring at Amazon.com, Inc., which is estimated to employ between 15,000 and 20,000 people in the HMA; in addition, approximately 4,750 job openings to be filled in the HMA are currently listed on its website. Construction has begun on the new Amazon.com, Inc. headquarters in downtown Seattle, which will comprise 3.3 million square feet of office space when completed in 2019, with the potential to add 23,000 jobs to the HMA. The state legalization of retail marijuana sales that began on July 8, 2014, has also contributed to strong growth in the wholesale and retail trade sector. During fiscal year 2015, statewide retail marijuana sales totaled more than $259.5 million and contributed close to $64.9 million in excise taxes, with the Seattle HMA accounting for 32 percent of those figures. The industry is expected to continue expanding during the forecast period when the state increases the number of licenses available to retailers.

Unlike the cyclical growth of the professional and business services and wholesale and retail trade sectors, the education and health services sector continued to grow steadily during the most recent recession, making it the fastest growing sector since 2000. Since 2000, payrolls in the education and health services sector have increased 43 percent (Figure 3). During the 12 months ending August 2015, payrolls increased by 5,100 jobs, or 2.6 percent, to 204,100 jobs. The education and health services sector added an average of 4,100 jobs, or 2.5 percent, annually from 2001 through 2014 and is the only sector in the economy to have added jobs every year since 2001. Job gains are expected to continue in the sector during the forecast period as the population continues to grow and the demand for healthcare services increases.

Manufacturing sector payrolls were relatively unchanged during the 12 months ending August 2015, adding only 100 jobs, or 0.1 percent, compared with a decrease of 200 jobs or 0.1 percent, during the previous 12 months, mainly because hiring at The Boeing Company has been minimal as production work gets shifted to other manufacturing sites outside of Washington. As with the other technology-related sectors of the economy, the manufacturing sector was affected by the dot.com bubble. As economic growth rebounded,

Figure 3. Sector Growth in the Seattle HMA,* Percentage Change, 2000 to Current



* *Seattle-Bellevue-Everett HMA.*
Note: Current is based on 12-month averages through August 2015.
Source: U.S. Bureau of Labor Statistics

manufacturing payrolls increased by an average of 5,500 jobs, or 3.6 percent, from 2005 through 2008. Subsequent to this economic growth, the national recession led to a decline in the demand for goods, including airplanes, and manufacturing payrolls fell by an average of 8,400 jobs, or 5.1 percent, from 2009 through 2010. To lend context, in 2007, The Boeing Company received orders for 1,413 new commercial airplanes; as the recession worsened, orders fell by more than 50 percent in 2008, to 662 new commercial airplanes, followed by a low of 142 orders in 2008 (The Boeing Company Annual Orders Summary). The manufacturing sector added an average of 6,600 jobs, or 4.2 percent, from 2011 through 2013. Payroll growth in the manufacturing sector is expected to increase moderately during the forecast period but is not expected to return to growth trends seen in earlier parts of the decade, because technological advances and outsourcing have reduced the demand for labor.

Nonfarm payrolls in the government sector increased by 4,200 jobs, or 2.0 percent, during the 12 months ending August 2015, to 210,900 jobs, compared with an increase of 1,400 jobs, or 2.8 percent, during the previous 12 months. The government sector has been a source of job growth for the HMA, and losses were minimal during both recessions. The HMA is home to the University of Washington (UW), which is the third largest employer in the HMA, with an estimated 29,800 employees. A recent study conducted by the university estimates UW (which includes the nationally ranked UW Medical Center) had a statewide economic impact totaling $12.5 billion during fiscal year 2014, up from $9.1 billion in 2009. The same study estimates UW supports 79,331 jobs in Washington, reflecting an increase of nearly 10,000 jobs during the past 5 years; approximately one-half of the jobs are supported by the UW Medical Center. The government sector is expected to continue adding jobs at a moderate

rate during the forecast period, with most of the growth occurring at the state and local government levels.

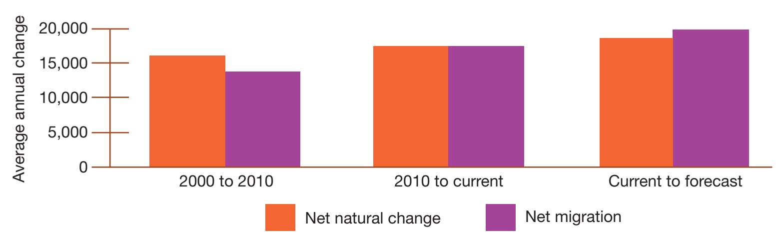
International and domestic trade, specifically to Alaskan and Asian markets, is important to the economy of the HMA because of its advantageous location, with access to the Puget Sound, rail lines, and major interstate highways. During the 12 months ending August 2015, the transportation and utilities sector added 1,200 jobs, or 2.4 percent, increasing to 50,900 jobs, compared with the addition of 2,300 jobs, or 4.9 percent, during the previous 12 months. Nonfarm payroll growth in the transportation and utilities sector did not recover from the collapse of the dot.com bubble until 2006, and, from 2006 through 2007, sector payrolls increased by an average of 800 jobs, or 1.6 percent, annually. Following that period of growth, the collapse of the national housing market induced another recession, and job losses in the transportation and utilities sector averaged 1,800 jobs, or 3.7 percent, annually from 2008 through 2010. Job growth resumed in 2011, when economic conditions began to improve, and payrolls increased by an average of 1,100 jobs, or 2.4 percent, annually from 2011 through 2014. In the spring of 2015, the Port of Seattle and Port of Tacoma combined their marine cargo operations under the Northwest Seaport Alliance. The strategic alliance will allow the ports to specialize in their respective strengths, increasing the competitive advantage of the entire Puget Sound gateway. The Northwest Seaport Alliance is the third largest port in North America, measured by container volume, and the fourth largest in terms of export value. An economic impact study commissioned by the ports estimated that, together, the marine cargo operations of the two ports supported more than 48,000 jobs and generated $4.3 billion in economic activity statewide in 2013. The transportation and utilities sector is expected to continue adding jobs at a moderate rate during the forecast period, when the new Northwest Seaport Alliance increases the competitive advantage of trade in the HMA.

During the next 3 years, nonfarm payrolls are expected to increase by an average of 38,650 jobs, or 2.4 percent, annually. The professional and business services, wholesale and retail trade, education and health services, and government sectors are expected to lead job growth during the forecast period. (Table DP-1 at the end of this report provides additional employment data.)

Population and Households

As of September 1, 2015, the population of the Seattle HMA is estimated at nearly 2.83 million. Since the April 2010 Census, population growth has averaged 1.3 percent, or 34,050 people, annually, with net in-migration accounting 17,000 people a year, or approximately 50 percent of the increase (Figure 4). Population growth in the HMA increased by an average of 1.3 percent, or 30,750 people, annually

Figure 4. Components of Population Change in the Seattle HMA,* 2000 to Forecast



**Seattle-Bellevue-Everett HMA.*

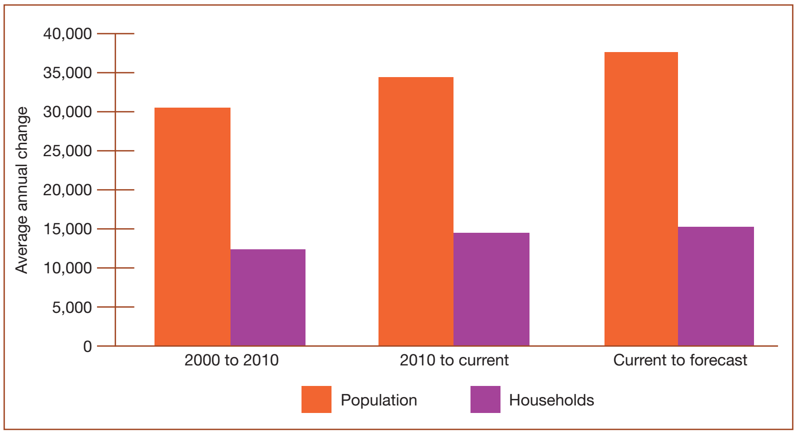
Notes: The current date is September 1, 2015. The forecast date is September 1, 2018.

Sources: 2000 and 2010—Washington State Office of Financial Management; current and forecast—estimates by analyst

from 2000 to 2002 (Census Bureau intercensal estimates, as of July 1); net in-migration accounted for approximately 51 percent of the growth, an increase of 15,700 people a year (intercensal population estimates for the State of Washington's Office of Financial Management). Much of the growth during this time came from an influx of workers capitalizing on the strong labor market conditions in the HMA as a result of the rapid expansion of technology-related industries. Population growth slowed a year after the dot.com bubble burst, and, from 2002 to 2004, growth averaged 22,100 people, or 0.9 percent, annually; net in-migration fell to an average of 6,800 people a year, accounting for only 31 percent of total growth. From 2004 to 2007, the population increased by an average of 37,200 people, or 1.5 percent, annually because economic growth rebounded in 2004. During this period, strong housing market conditions, increased employment opportunities and other quality-of-life factors attracted people to the HMA. Net in-migration increased to an average of 20,200 people a year, comprising 54 percent of total population growth from 2004 to 2007. As a result, service-related industries in the HMA, such as healthcare services and retail trade, expanded, which led to stronger labor market conditions and furthered net in-migration from jobseekers. From 2007 to 2012, population growth slowed sharply because of weak housing and labor market conditions; growth averaged 0.9 percent, or 24,000 people, a year. Net in-migration fell to an average of 6,200 people a year, accounting for only 26 percent of the population increase. After the economy began to recover, population growth increased dramatically, and, from 2012 to the current date, the population of the HMA increased at an average annual rate of 1.6 percent, or 44,500 people; net in-migration averaged 27,250 people annually, comprising 61 percent of total growth. Most of net in-migration to the HMA from outside the state comes from Georgia (9 percent), Texas (8 percent), New York (8 percent), and California (6 percent) (County-to-County Migration Flows, 2009–2013 American Community Survey 5-year estimates). The population of the HMA is forecast to reach approximately 2.94 million by September 1, 2018, reflecting an average annual growth rate of 1.3 percent, or 37,650 people, a year. Net in-migration is expected to account for 52 percent of the increase.

An estimated 1.13 million households reside in the Seattle HMA, representing an average annual increase of 1.2 percent, or 13,200 households, since 2010 compared with an average annual increase of 1.2 percent, or 12,200 households, from 2000 to 2010. From 2010 to the current date, the number of owner households increased at an average annual rate of 0.8 percent, or 5,125 households, compared with an average annual increase of 1.1 percent, or 6,875 households, from 2000 to 2010.

Figure 5. Population and Household Growth in the Seattle HMA,* 2000 to Forecast

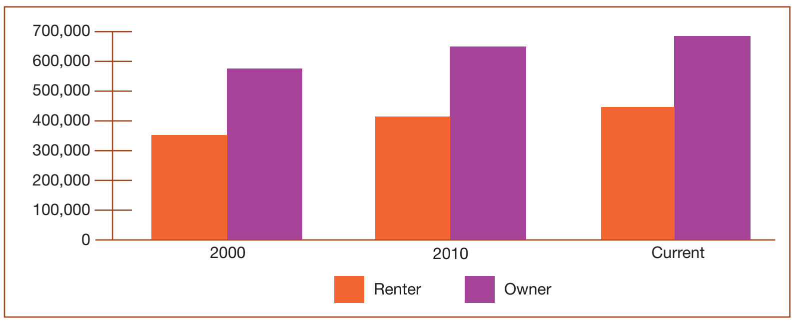


*Seattle-Bellevue-Everett HMA.

Notes: The current date is September 1, 2015. The forecast date is September 1, 2018.

Sources: 2000 and 2010—Washington State Office of Financial Management; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Seattle HMA,* 2000 to Current



*Seattle-Bellevue-Everett HMA.

Note: The current date is September 1, 2015.

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

Renter households increased at an average annual rate of 1.9 percent, or 8,075 households, from 2010 to the current date compared with an average annual increase of 1.4 percent, or 5,325 households, from 2000 to 2010. The slowdown in owner household formation and increase in rental household growth since 2010 reflect the prolonged effects of the foreclosure crisis, including stricter mortgage lending standards and a shift in household preferences toward renting. An estimated 59.7 percent of households, or 674,200 households, are currently homeowners compared with a homeownership rate of 61.1 percent in 2010. As employment conditions improve and population growth continues, the number of households in the HMA is expected to increase at an average annual rate of 1.4 percent, or 15,650 households a year, during the 3-year forecast period, reaching nearly 1.18 million households by September 1, 2018. Figure 5 shows population and household growth trends from 2000 to the forecast date, and Figure 6 shows the number of households by tenure from 2000 to the current date.

Housing Market Trends

Sales Market

Sales housing market conditions in the Seattle HMA are currently slightly tight, with an overall estimated vacancy rate of 1.2 percent compared with 2.6 percent in April 2010. The decline reflects increased demand, because household finances and access to credit are improving and much of the excess inventory that resulted from the recent foreclosure crisis has been absorbed. As of August 2015, a 2.0-month supply of homes was available for sale, down from a 3.1-month supply in August 2014 (The Northwest Multiple Listing Service). By comparison, the available inventory of homes for sale reached a peak of 10.1 months worth of inventory in August 2008.

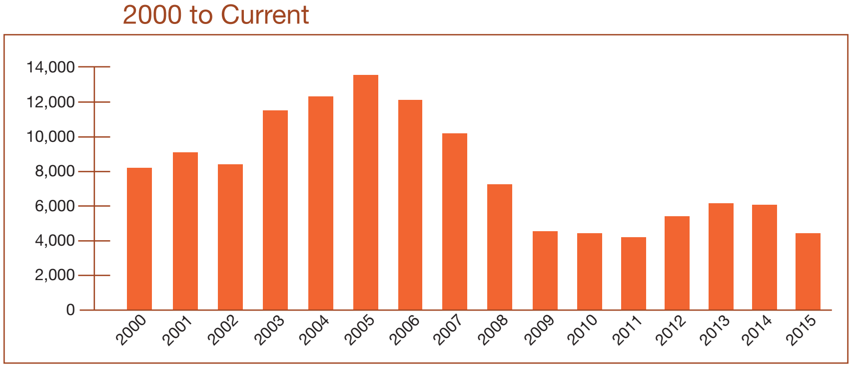
During the 12 months ending August 2015, 46,900 existing single-family homes, townhomes, and condominiums (hereafter, existing home sales) sold, up 18 percent from a year ago, and which is the most homes sold since 2007 (CoreLogic, Inc., with adjustments by the analyst). By comparison, an average of 54,150 existing homes sold annually from 2003 through 2005. Despite strong economic conditions in 2006, sales began to decline, and, from 2006 through 2008, existing home sales declined by an average of 12,650 homes sold, or 25 percent, annually, to a low averaging 28,000 homes sold a year in 2008 and 2009. Sales improved modestly in 2010 and 2011, when job losses slowed, and an average of 28,750 existing homes sold annually. The economic recovery began in 2011, and, by 2012, the effects were evident in the home sales market, with existing home sales increasing nearly 20 percent, to 34,800 homes sold, and increasing an additional 23-percent in 2013, to 42,850 existing homes sold. The average existing home sales price was $455,200 during the 12 months ending August 2015, up 4 percent from a year earlier, marking the third consecutive year of increasing sales prices. The average sales price increased at an average annual rate of 9 percent from 2001 through 2007, to a peak of $449,100. The average sales price fell by an average of 6 percent annually from 2008 through 2011, to a low of $354,600 because of weak economic conditions. As economic growth returned, from 2012 through 2014, the average sales price increased at an average annual rate of 7 percent, to $431,300.

The foreclosure crisis had a significant impact on the HMA, causing a sharp increase in the number of distressed properties, but conditions have since improved. As of August 2015, 2.7 percent of all home loans were seriously delinquent (loans that are 90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status compared with a high of 7.3 percent in April 2012 (Black Knight Financial Services, Inc.). REO home sales averaged 4,575 annually from 2009 through 2012, accounting for 17 percent of total existing home sales during that period compared with only 1 percent from 2001 through 2008. REO sales began declining in 2012 when the economy and sales market improved; during the 12 months ending August 2015, 1,900 REO homes sold, comprising only 4 percent of total existing home sales. The average sales price of an REO home during the 12 months ending August 2015 was $272,500, nearly 40 percent less than the average sales price of a regular resale home.

The condominium market in the HMA is tight, with an estimated 1.5-month supply of inventory for sale as of August 2015, down from a 2.5-month supply a year earlier and a 14.1-month supply in August 2009 (The Northwest Multiple Listing Service). Construction of condominiums averaged 3,000 units annually from 2000 through 2008, accounting for nearly 40 percent of all multifamily construction, before declining to an average of 1,050 units a year from 2009 through 2014, or 17 percent of all multifamily construction. An estimated 900 condominium units have been permitted since the beginning of 2015. Insignia, a two-tower building with 698 one- and two-bedroom units in downtown Seattle opened phase one in the summer of 2015; approximately 80 percent of the 350 units have sold. The remaining 348 units in phase two are scheduled for completion in 2016 and are 70 percent sold. Sales prices range from the high $400,000s to $2.6 million for larger units on the upper floors. LUMA, a 24-story condominium building is under construction in the Capitol Hill neighborhood of downtown Seattle and is scheduled to open in the summer of 2016. Unit sizes range from 600 to 1,700 square feet, with prices starting in the mid-$300,000s. Of the 168 units in the building, 27 are currently sold.

Approximately 6,000 new single-family homes, townhomes, and condominiums (hereafter, new homes) sold during the 12 months ending August 2015, up 13 percent from 2,350 new homes sold during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). New home sales averaged 12,075 annually from 2003 through 2007. New home sales declined from 2007 through 2012 by an average of 2,075 homes, or 24 percent, annually, to a low of 4,200 homes. As the economy began to recover, the demand for new homes returned; sales increased 35 percent in 2012, to 5,675 homes sold, and leveled out in 2013, increasing only 1 percent, to 5,750 homes sold. During 2014, 5,375 new homes sold, down 6 percent from 2013, mainly because the demand for new homes outpaced the rate of new home construction. The average sales price of a new home increased 12 percent, to $598,900, during the 12 months ending August 2015, which is more than 33 percent higher than the previous peak price of $449,100 recorded in 2008. Sale prices increased at an average annual rate of 6 percent from 2001 through 2008 and subsequently declined at an average annual rate of 5 percent a year from 2009 through 2011, to a low of $393,300, as a result of the national recession. The average sales price began increasing as strong economic conditions led to an increase in the demand for new homes, and, from 2012 through 2014, the average sales price increased at an average annual rate of 13 percent, surpassing the price growth experienced before the housing market collapse.

Figure 7. Single-Family Homes Permitted in the Seattle HMA,* 2000 to Current



** Seattle-Bellevue-Everett HMA.*
Notes: Includes townhomes. Current includes data through August 2015.
Sources: U.S. Census Bureau, Building Permits Survey; King County Assessor's Office; estimates by analyst

Beginning in 2012, builders responded to the improvement in the sales market by increasing new home construction, as measured by the number of single-family homes permitted (Figure 7). During the 12 months ending August 2015, 6,250 single-family homes were permitted, up 2 percent from a year ago (preliminary data). New home construction was highest from 2003 through 2007, when economic and population growth was robust, and an average of 11,900 homes was permitted, annually. Although 2006 was part of the peak years of construction, it was also when the rate of growth in home prices and sales began to slow, and builders responded by scaling back construction. From 2006 through 2009, single-family permitting declined at an average annual rate of 23 percent, or 2,175 homes permitted. New home construction continued to decline in 2010 and 2011 at an average annual rate of 2 percent, to a low of 4,425 single-family homes permitted in 2011. As improving economic conditions reduced stress on household finances and access to credit returned, the demand for new homes increased, and the number of single-family homes permitted increased by an average of 850 permits, or 18 percent, a year in 2012 and 2013.

Nearly all single-family home construction is in smaller subdivisions with between 10 and 30 homes, because available land is becoming harder to acquire. According to local developers, the most common target market for new single-family homes is second- and third-time homebuyers looking to upgrade into a larger home. Numerous communities are under construction throughout the HMA, with a high concentration of building near the Microsoft and Google campuses on the central-east side of the HMA. Sales prices start in the low $600,000s for smaller homes and increase to the upper $900,000s for larger homes. Communities in the southern and northern portions of the HMA are priced lower, ranging from the low $400,000s to the upper $600,000s.

During the next 3 years, demand is expected for 29,100 new single-family homes, townhomes, and condominiums (Table 1). Demand is anticipated to be evenly distributed during the 3-year forecast period. The 2,950 homes currently under construction and a portion of the 25,000 other vacant homes that may come back on the market will likely satisfy part of the forecast demand. Demand for new homes is anticipated to be strongest for new homes priced between $350,000 and $449,999 (Table 4). Low levels of buildable lot inventory may keep upward pressure on new home prices, potentially limiting the availability of homes priced at these levels.

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

Price Range ($)		Units of Demand	Percent of Total
From	To		
150,000	249,999	2,900	10.0
250,000	349,999	5,825	20.0
350,000	449,999	7,275	25.0
450,000	549,999	5,825	20.0
550,000	649,999	3,775	13.0
650,000	749,999	2,050	7.0
750,000	849,999	870	3.0
850,000	and higher	580	2.0

** Seattle-Bellevue-Everett HMA.*

Notes: The 2,950 homes currently under construction and a portion of the estimated 25,000 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is September 1, 2015, to September 1, 2018.

Source: Estimates by analyst

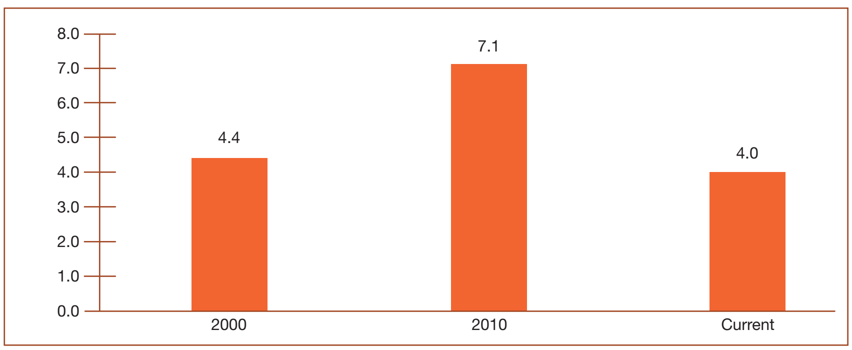
Rental Market

Rental housing market conditions in the Seattle HMA are currently tight, with an overall estimated vacancy rate of 4.0 percent, down from 7.1 percent in April 2010 (Figure 8). Strong net in-migration and low inventory of reasonably priced for-sale housing, coupled with the lingering effects of the housing market collapse, have contributed to rising rental demand since 2010. The apartment market is tight as well, despite a high number of recently completed units, with a 4.6-percent vacancy rate during the second quarter of 2015, up slightly from 4.1 percent in the second quarter of 2014; however, the average rent increased nearly 7 percent, to $1,323 (Reis, Inc.). During the same period, the average rent increased 4 percent for the nation and 4 percent for the Reis, Inc.-defined West Region, which includes all states west of the Rocky Mountains. The apartment vacancy rate in the HMA peaked at 7.4 percent in 2009, when the market was slightly soft and net in-migration was low because of the weak economy. Since 2009, the apartment market has tightened, and, since the second quarter of 2011, the vacancy rate has remained below 5.0 percent. During the second quarter of 2015, average monthly rents in the HMA were $1,076, $1,190, $1,418, and $1,518 for studio, one-bedroom, two-bedroom, and three-bedroom units, respectively. The average asking rent for Class A apartments, which encompass most of the recent and newly constructed units, increased 6 percent, to $1,574, during the second quarter of 2015, with a 5.5-percent vacancy rate, up slightly from 5.4 percent a year earlier. Class A apartments have a slightly higher vacancy rate than the overall apartment market because they include a large portion of units still in lease up.

Of the 16 Reis, Inc.-defined market areas in the HMA, the lowest apartment vacancy rates in the second quarter of 2015 were in the southern portion of the HMA: 1.4 percent in the Tukwila/Sea-Tac area, unchanged from the second quarter of 2014, and 1.5 percent in the Kent area, down from 2.0 percent in the second quarter of 2014. The Downtown/Capitol Hill/Queen Anne area recorded the highest vacancy rate in the HMA, at 7.2 percent, down slightly from 7.5 percent a year earlier; however, the average rent increased 10 percent, to $1,966. The relatively high vacancy rate is attributable to a large portion of the estimated 2,725 units that have been completed in the submarket since the beginning of 2015 that are currently still in the lease-up stage. The average monthly rent increased in every market area in the HMA, from a 2-percent increase in the Tukwila/Sea-Tac area, to $854, to a 10-percent increase in the Downtown/Capitol Hill/Queen Anne area.

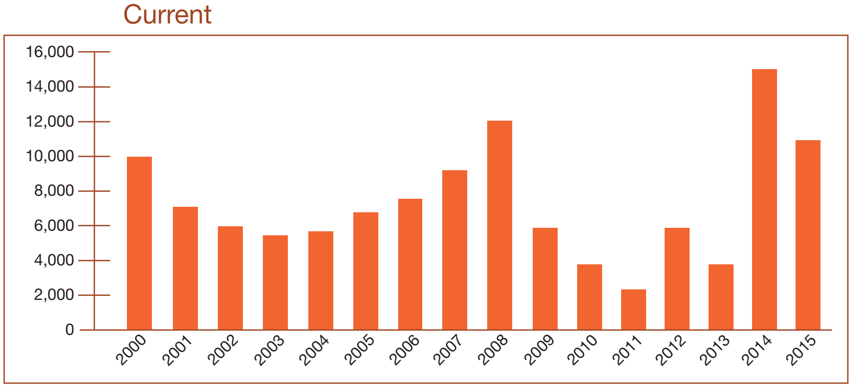
Builders have increased multifamily construction, as measured by the number of multifamily units permitted, during the past several years, and the level of multifamily construction during 2014 was greater than in any year since 2000 (Figure 9). During

Figure 8. Rental Vacancy Rates in the Seattle HMA,* 2000 to Current



*Seattle-Bellevue-Everett HMA.
Note: The current date is September 1, 2015.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 9. Multifamily Units Permitted in the Seattle HMA,* 2000 to Current



*Seattle-Bellevue-Everett HMA.
Notes: Excludes townhomes. Current includes data through August 2015.
Sources: U.S. Census Bureau, Building Permits Survey; King County Assessor's Office; estimates by analyst

the 12 months ending August 2015, approximately 16,100 multifamily units were permitted, a 29-percent increase from the 12,450 multifamily units permitted during the 12 months ending August 2014 (preliminary data). By comparison, an average of 7,125 multifamily units were permitted annually from 2000 through 2007; the number of permits increased to 12,050 in 2008, just when rental and sales housing market conditions began to deteriorate but before builders reacted to the changing conditions. Apartment construction before the recession was relatively limited because, from 2000 through 2008, approximately 40 percent of all multifamily permits issued were for condominiums. The onset of the recession and the subsequent housing market collapse caused multifamily construction to decline at an average annual rate of nearly 30 percent from 2008 through 2011, to a low of 2,325 multifamily units permitted. During this time, financing for new construction was particularly hard to obtain, despite an increased demand for rental units brought on by the foreclosure crisis. This lack of financing resulted in a very limited supply of new apartments, which, coupled with increased demand, caused apartment market conditions to tighten. As lenders became increasingly confident in the economic recovery, financing returned, and builders responded by significantly increasing apartment construction; 5,700 multifamily permits were issued in 2012, more than double the number of units permitted in 2011. Multifamily construction slowed in 2013, when 3,750 multifamily units were permitted, because developers waited to see the impact the increase in new inventory would have on vacancy rates and rent growth. The sales market took longer to recover than the rental market, and condominium construction accounted for only 17 percent of multifamily units permitted from 2009 through 2013.

Of the 6,775 units completed in the HMA since the beginning of 2015, approximately 40 percent, or 2,725 units, are in the Downtown/Capitol Hill/Queen Anne area; 20 percent, or 1,275 units, are in the Bellevue/Issaquah area in the central-east portion of the HMA; 15 percent, or 1,050 units, are in the North Seattle/Northgate area; and the remainder are distributed throughout the rest of the HMA. The average asking rent for apartments built since the beginning of 2015, with 150 or more units and excluding units in highrise buildings, is $1,724 for studio units, $2,558 for one-bedroom units, and $3,523 for two-bedroom/two-bathroom units (Apartment Insights Washington). Building luxury apartments is a relatively new and increasingly popular trend in downtown Seattle. Premiere on Pine, a 40-story luxury apartment tower with 386 units, opened in December 2014 and, as of September 2015, had leased 260 units. Monthly rents increase by floor, starting at $1,750 for studio units and increasing to $6,930 for a three-bedroom penthouse. Several additional highrise luxury apartment buildings are currently under construction in downtown Seattle, including the 41-story Potala Tower, with 350 units and 150 hotel rooms; the 41-story 2030 8th Avenue, with 355 units; and the 40-story 2nd & Pine, consisting of 398 apartment units. Completion dates for the luxury apartments range from late 2015 to mid-2017.

During the next 3 years, demand is estimated for 25,800 new market-rate rental units in the HMA (Table 1). Demand is expected to be strongest in the first and second years of the forecast period and moderate in the third year as household finances continue to improve and the shift in preferences toward renting slows. The 16,350 units currently under construction will likely satisfy a large portion of the expected demand during the first and second years of the forecast period. Table 5 displays the estimated demand for new market-rate rental units during the forecast period by rent and unit type.

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

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,100 to 1,299	1,925	1,300 to 1,499	4,650	1,500 to 1,699	3,150	2,300 to 2,499	770
1,300 to 1,499	1,150	1,500 to 1,699	3,475	1,700 to 1,899	2,250	2,500 to 2,699	390
1,500 to 1,699	390	1,700 to 1,899	2,325	1,900 to 2,099	1,800	2,700 or more	130
1,700 or more	390	1,900 or more	1,150	2,100 or more	1,800		
Total	3,875	Total	11,600	Total	9,025	Total	1,300

**Seattle-Bellevue-Everett HMA.*

Notes: Numbers may not add to totals because of rounding. The 16,350 units currently under construction will likely satisfy some of the estimated demand. The forecast period is September 1, 2015, to September 1, 2018.

Source: Estimates by analyst

Data Profile

Table DP-1. Seattle HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	1,262,303	1,351,393	1,508,000	0.7	2.4
Unemployment rate	3.8%	9.4%	4.2%		
Nonfarm payroll jobs	1,417,100	1,396,300	1,588,000	– 0.1	2.8
Total population	2,343,058	2,644,584	2,829,000	1.2	1.3
Total households	935,768	1,057,557	1,129,000	1.2	1.2
Owner households	577,818	646,477	674,200	1.1	0.8
Percent owner	61.7%	61.1%	59.7%		
Renter households	357,950	411,080	454,800	1.4	1.9
Percent renter	38.3%	38.9%	40.3%		
Total housing units	978,442	1,137,920	1,181,000	1.5	0.7
Owner vacancy rate	1.3%	2.6%	1.2%		
Rental vacancy rate	4.4%	7.1%	4.0%		
Median Family Income	$64,600	$84,300	$88,300	2.7	0.9

**Seattle-Bellevue-Everett HMA.*

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through August 2015. Median Family Incomes are for 1999, 2009, and 2014. The current date is September 1, 2015.

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

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 9/1/2015—Analyst's estimates
Forecast period: 9/1/2015–9/1/2018—Analyst's estimates

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

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

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Seattle-Bellevue-EverettWA_16.pdf.

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

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

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