

2022 King County Economic and Revenue Forecast

Presentation to the King County Forecast Council

Presented on:
August 27, 2021

Dave Reich
Office of Economic and Financial Analysis



Overview

The U.S. economy has been in recovery for over a year

Over 50% of U.S. population now fully vaccinated

In 2021:1H the economy grew over 6% (-3.4% in 2020)

Employment growth (avg. +620K/month YTD in 2021)

Expecting GDP and employment growth, accommodating FED

Inflation has been elevated but most expect it to be temporary

King County economy also continues to expand

Employment growth also rapid (+6.6% in 2021:2Q)

Construction holding up (especially for single family)

Residential real estate market booming (above 20% price growth last few months)

Leading indicators are green

Risks/uncertainty; Covid-19 still the driver

Virus variant, vaccinations and mask mandates, Usual background

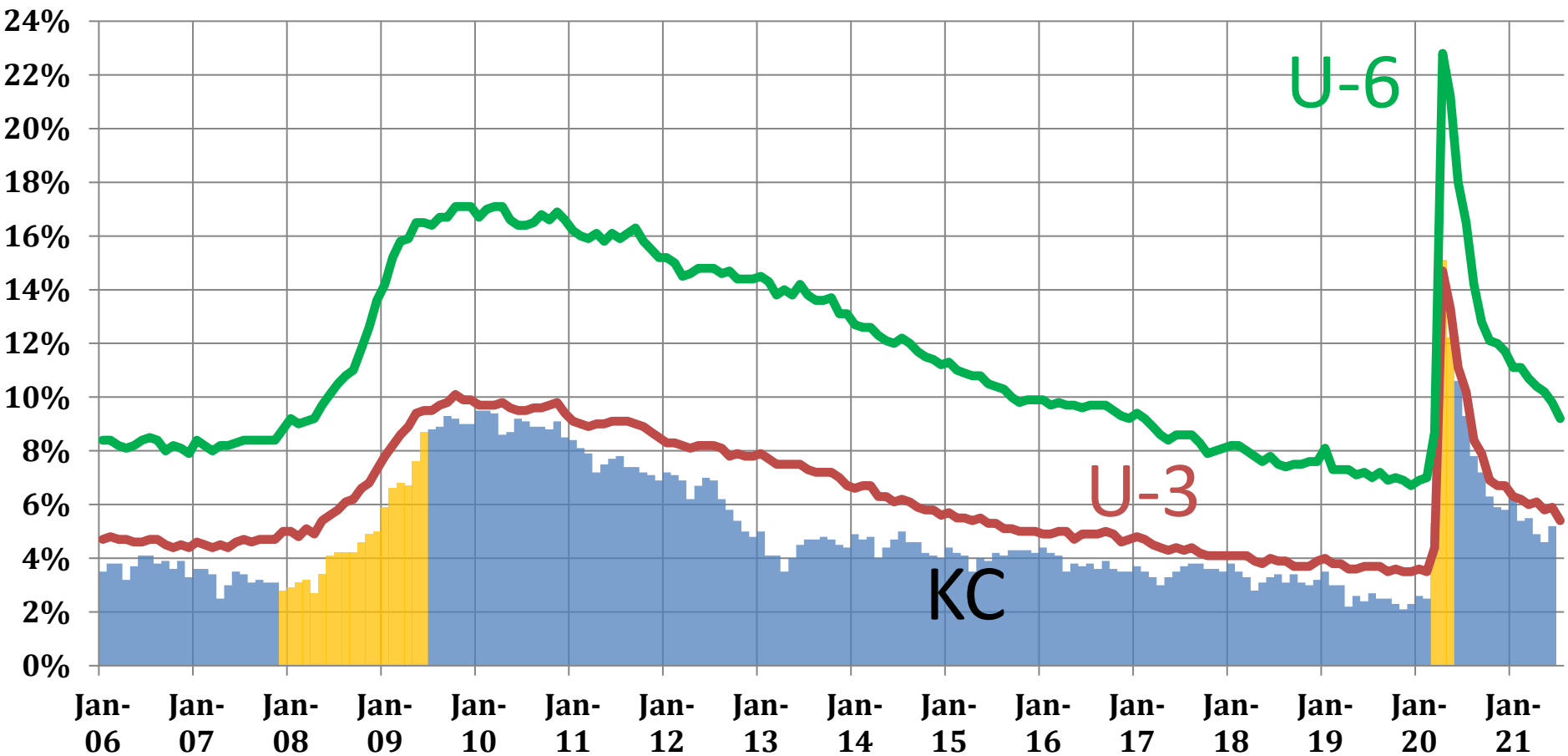
Unemployment spiked in April 2020 but has been recovering since



Unemployment Rates: U.S. & King County

Recession (bar), King County (bar), U.S. U3 (line), U.S. U6 (line)

Source: Bureau of Labor Statistics



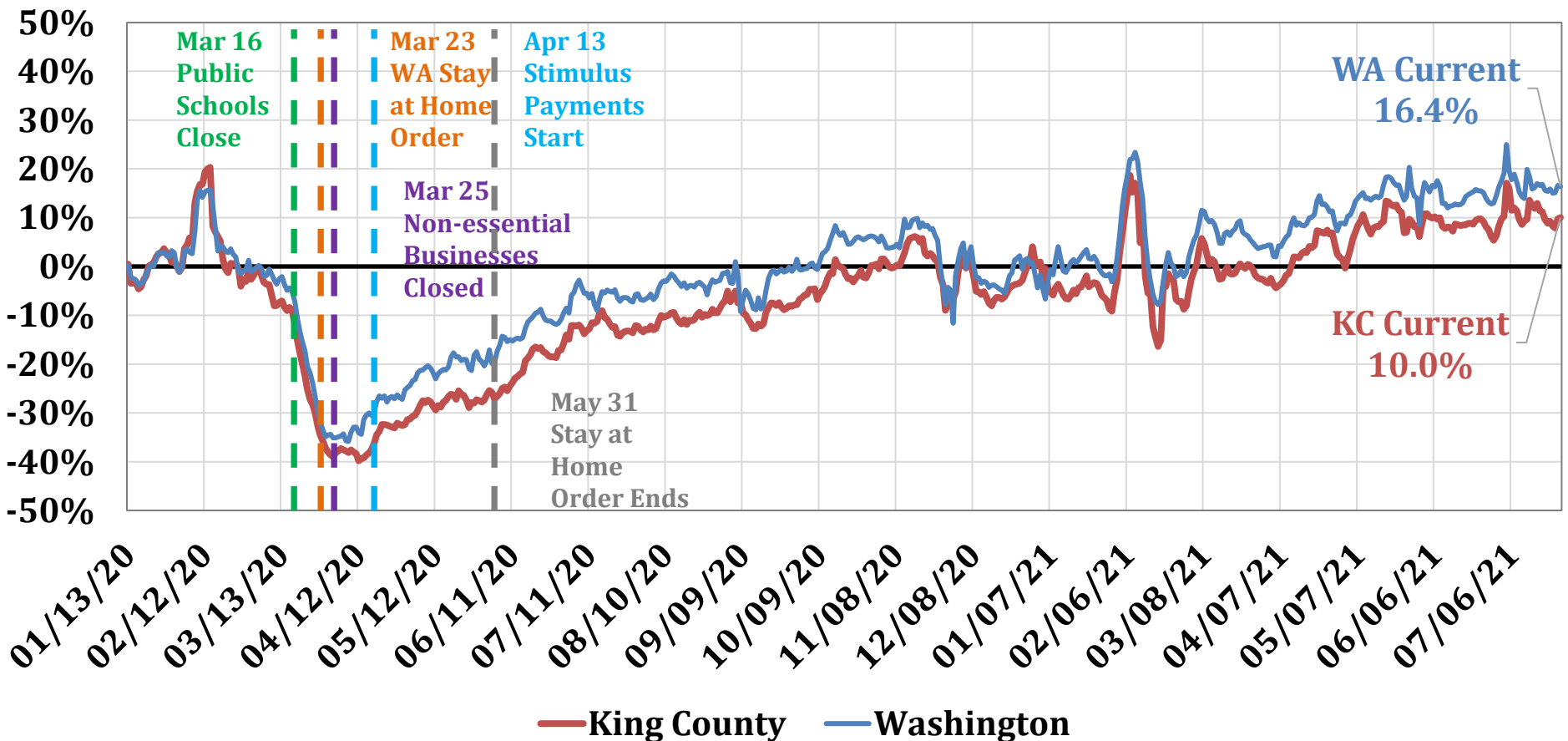
Consumer spending has surpassed pre-covid levels



Total Spending by All Consumers

Year-over-Year Change in Spending in WA and KC

Source: Opportunity Insights, based on card transactions from Affinity Solutions



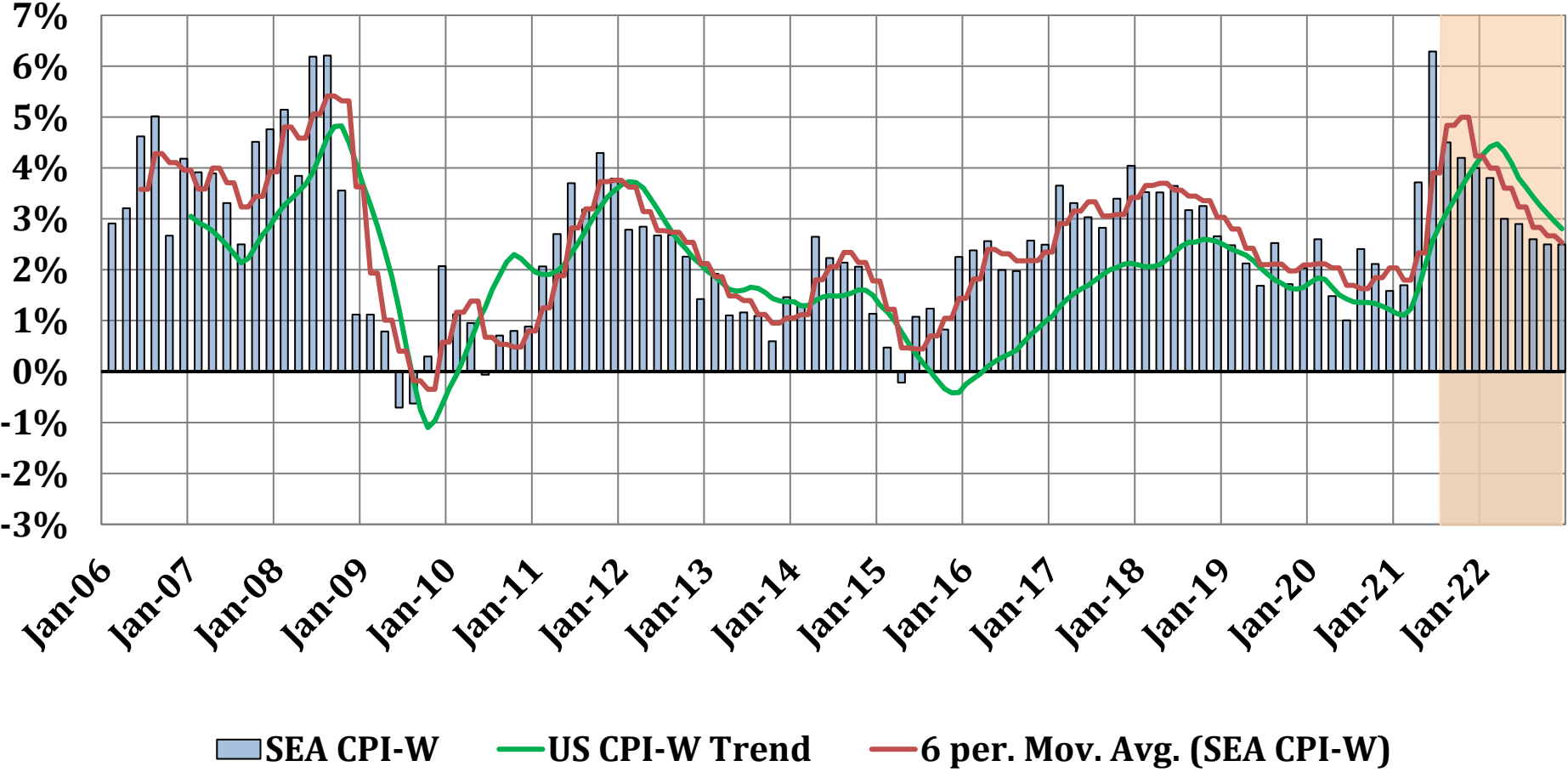
Inflation is up in 2021 but this is likely to be transitory



U.S. and Seattle CPI-W Annual Inflation

Seattle CPI-W monthly bars; US CPI-W annual average line; Jul2021-Dec2022 forecast area

Source: Bureau of Labor Statistics



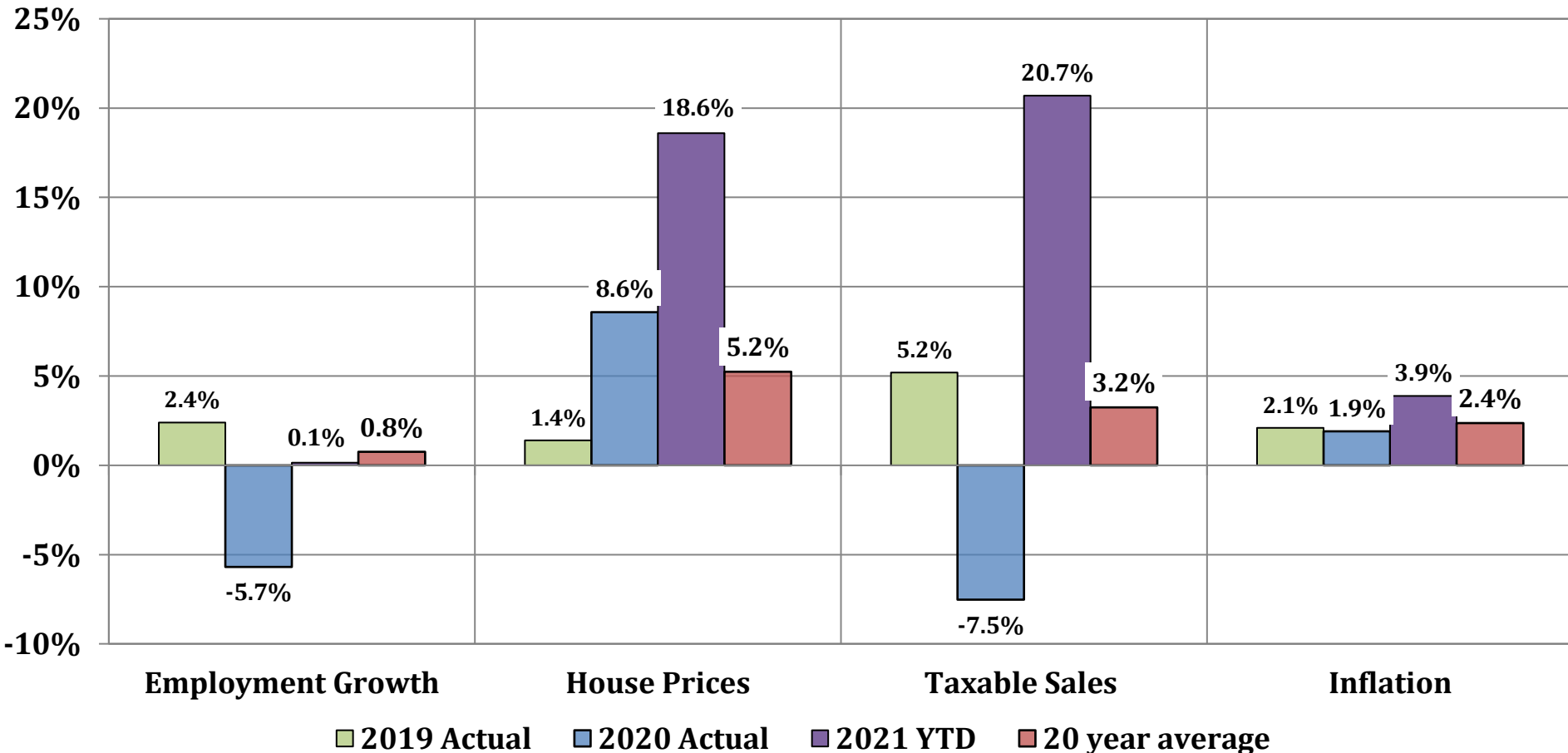
King County indicators showing the impacts of Covid-19 in 2020 & 2021



King County Economic Indicators

2019 Actuals, 2020 Actuals, 2021 YTD, & 20 Year Average-Annual Growth

Source: PSEF, Case-Shiller, WA DOR, BLS



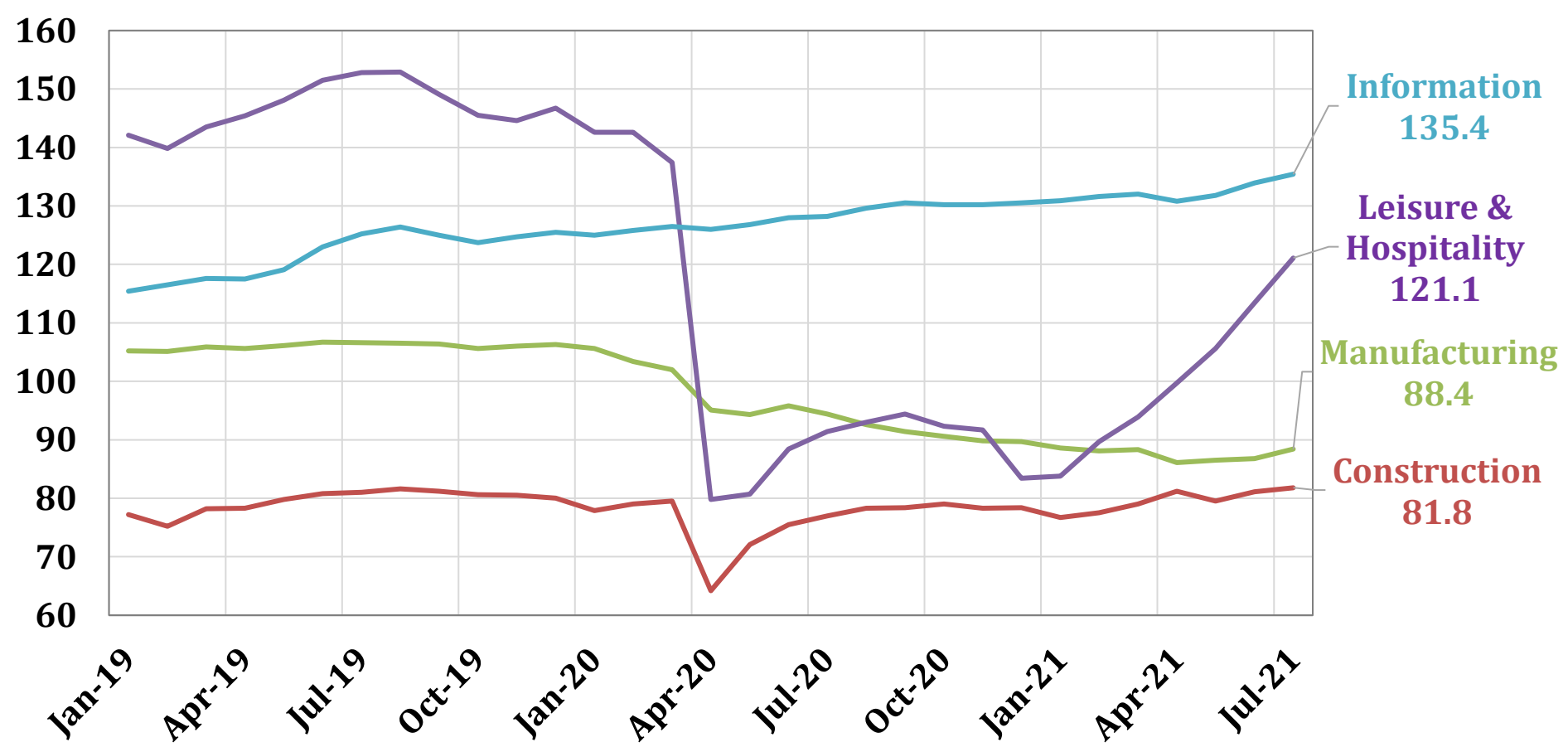
King County employment has recovered in some industries but not in others



King County Employment by Sector

Monthly employment in thousands; Jan. 2019-Current

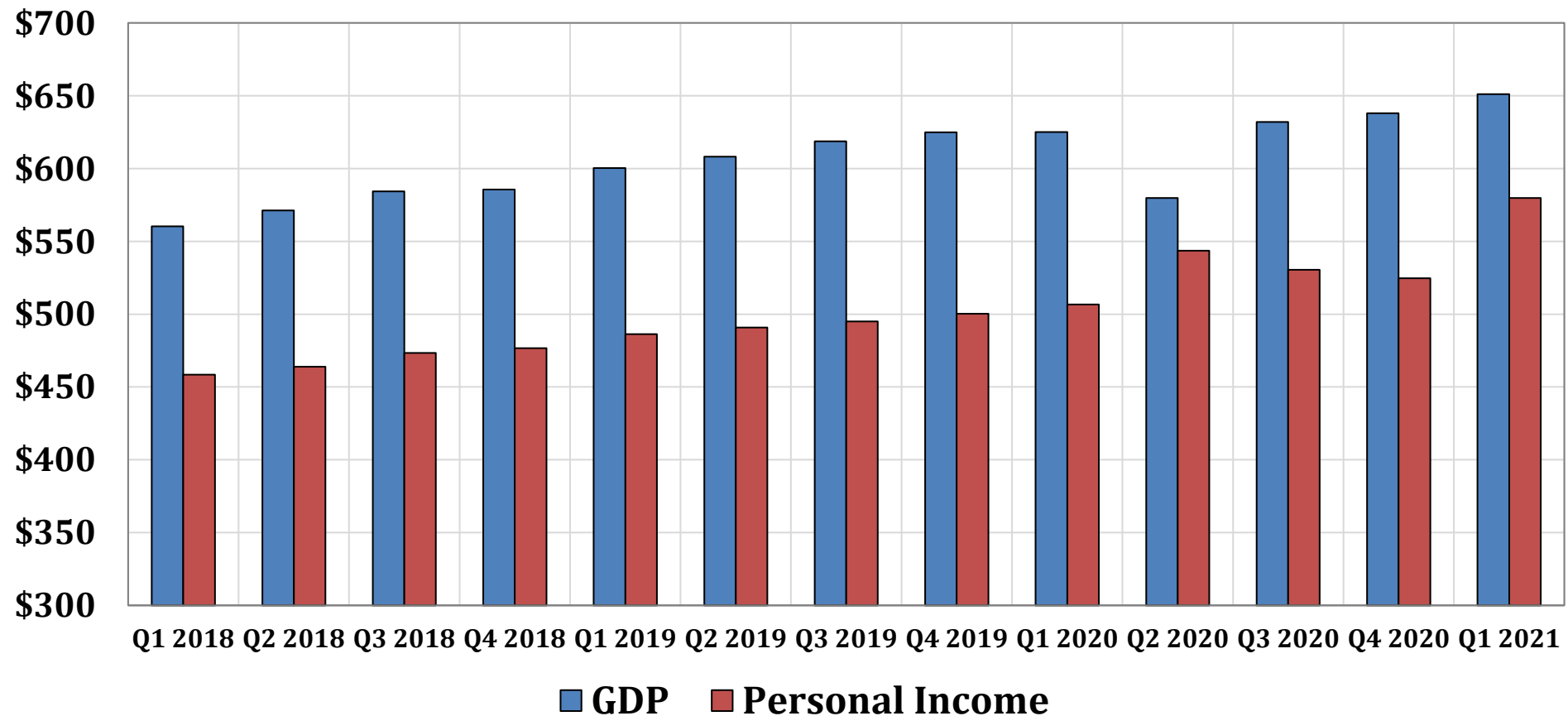
Source: WA ESD



WA state incomes have surged due to fiscal support which is supporting spending and recovery



WA State: GDP vs Personal Income
PI & GDP: in billions \$, SA at annual rates, current-dollar
Source: Bureau of Economic Analysis

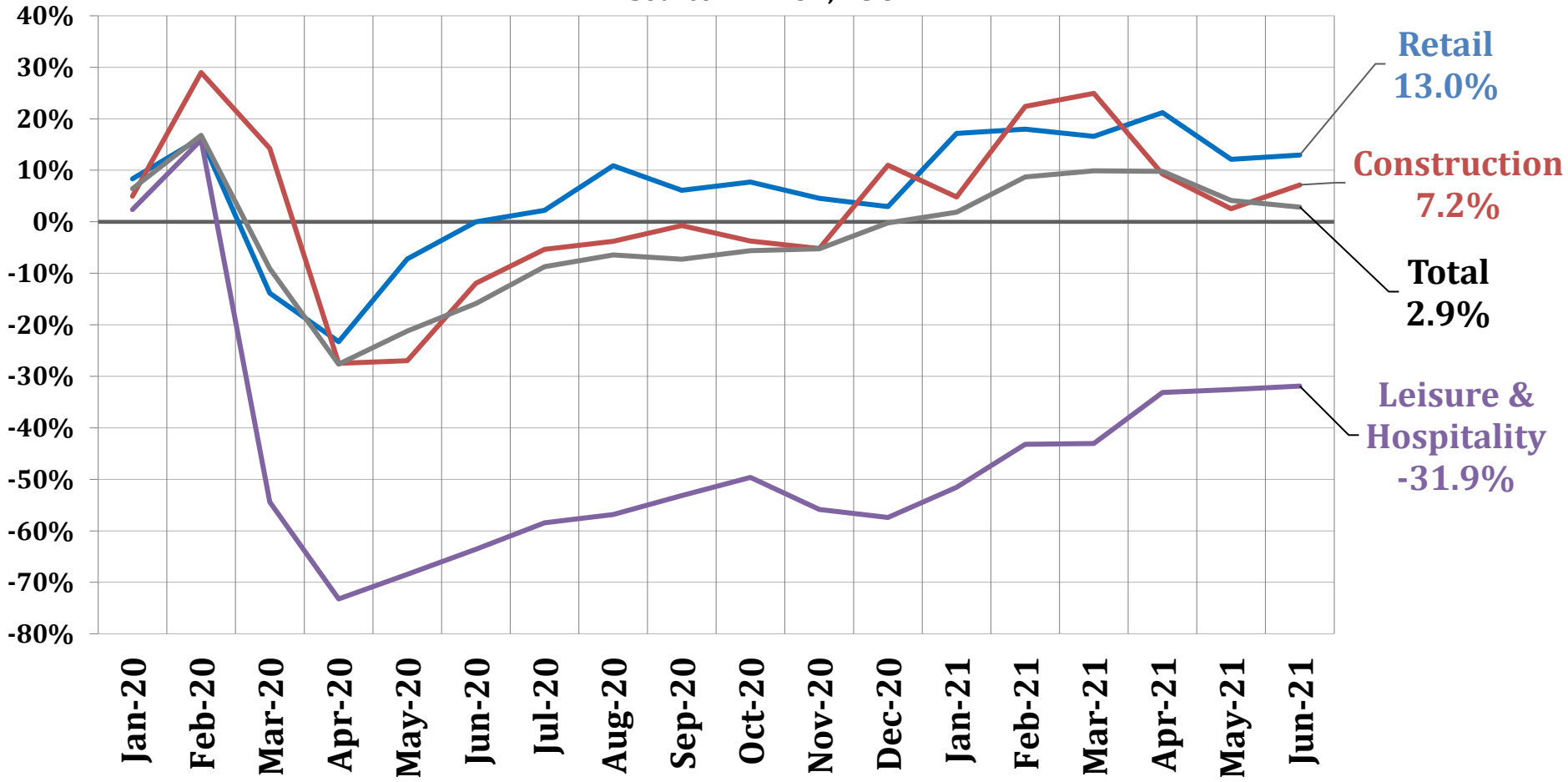


Taxable sales dropped precipitously in spring 2020 but are running above 2019 levels so far in 2021



Taxable Sales Growth

Monthly growth rates of taxable sales for select sectors relative to 2019 month
Source: WA DOR, KC OEFA

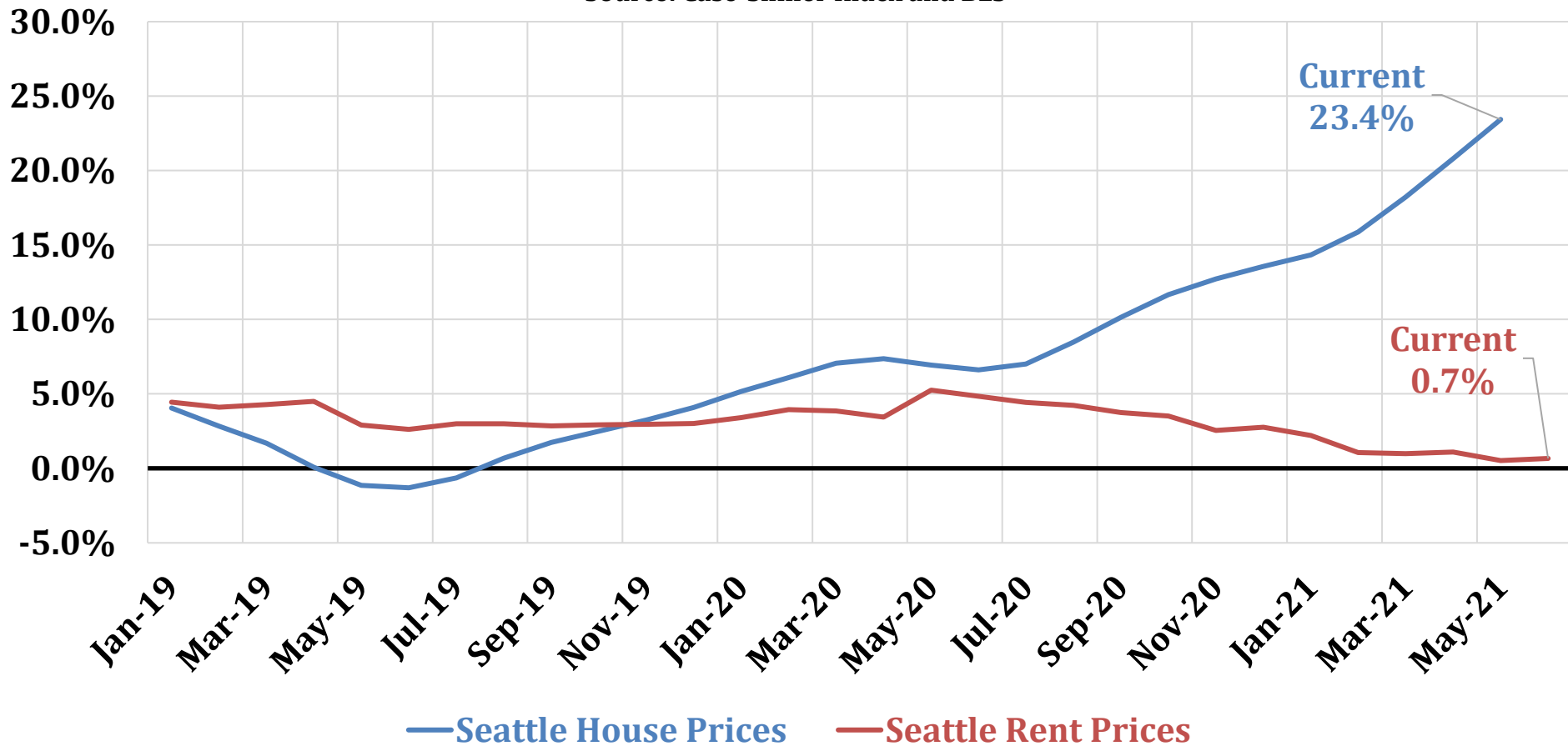


House prices have surged as rents continue to grow more slowly



Seattle House Price Growth & Rent Price Growth

Monthly year-over-year growth in House and Rental Prices; Jan 2019-Current
Source: Case-Shiller Index and BLS



August 2021 Revenue Forecasts

Assumptions:

(1) 65% Confidence Level – 65% chance revenues will come in higher than forecasted (lower for inflation/price forecasts)

(2) All potential annexation areas are assumed to occur on schedule:

-North Highline	(01-01-24)
-Renton West Hill	(01-01-25)
-Fairwood	(01-01-26)
-Renton East Hill	(01-01-27)
-N. Federal Way/Lakeland South	(01-01-28)

Countywide Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from July 2021 Forecast	\$ Change from July 2021 Forecast
2019	\$606,623,698,131	13.46%	0.00%	\$0
2020	\$642,490,492,044	5.91%	0.00%	\$0
2021	\$659,534,881,337	2.65%	0.00%	\$0
2022	\$708,887,808,403	7.48%	1.24%	\$8,697,434,167
2023	\$747,102,332,941	5.39%	1.12%	\$8,291,848,858
2024	\$788,258,203,908	5.51%	1.00%	\$7,788,470,269
2025	\$825,426,580,829	4.72%	1.14%	\$9,301,212,526
2026	\$862,323,530,499	4.47%	1.23%	\$10,470,420,349
2027	\$901,360,064,597	4.53%	1.27%	\$11,285,692,418
2028	\$941,822,019,100	4.49%	1.17%	\$10,852,034,148
2029	\$986,395,200,931	4.73%	1.15%	\$11,236,986,870
2030	\$1,031,198,592,503	4.54%	1.12%	\$11,452,135,117

Unincorporated Area Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from July 2021 Forecast	\$ Change from July 2021 Forecast
2019	\$48,607,292,257	11.74%	0.00%	\$0
2020	\$50,973,173,419	4.87%	0.00%	\$0
2021	\$51,792,407,263	1.61%	0.00%	\$0
2022	\$58,360,777,661	12.68%	0.85%	\$491,444,859
2023	\$61,879,792,999	6.03%	1.50%	\$911,929,540
2024	\$61,394,977,878	-0.78%	1.75%	\$1,053,821,294
2025	\$61,015,047,325	-0.62%	1.81%	\$1,084,386,411
2026	\$58,782,770,327	-3.66%	1.87%	\$1,077,914,339
2027	\$60,128,550,029	2.29%	1.92%	\$1,131,439,800
2028	\$58,869,242,003	-2.09%	1.69%	\$980,030,073
2029	\$62,069,340,778	5.44%	1.66%	\$1,015,011,573
2030	\$65,245,636,171	5.12%	1.63%	\$1,049,273,316

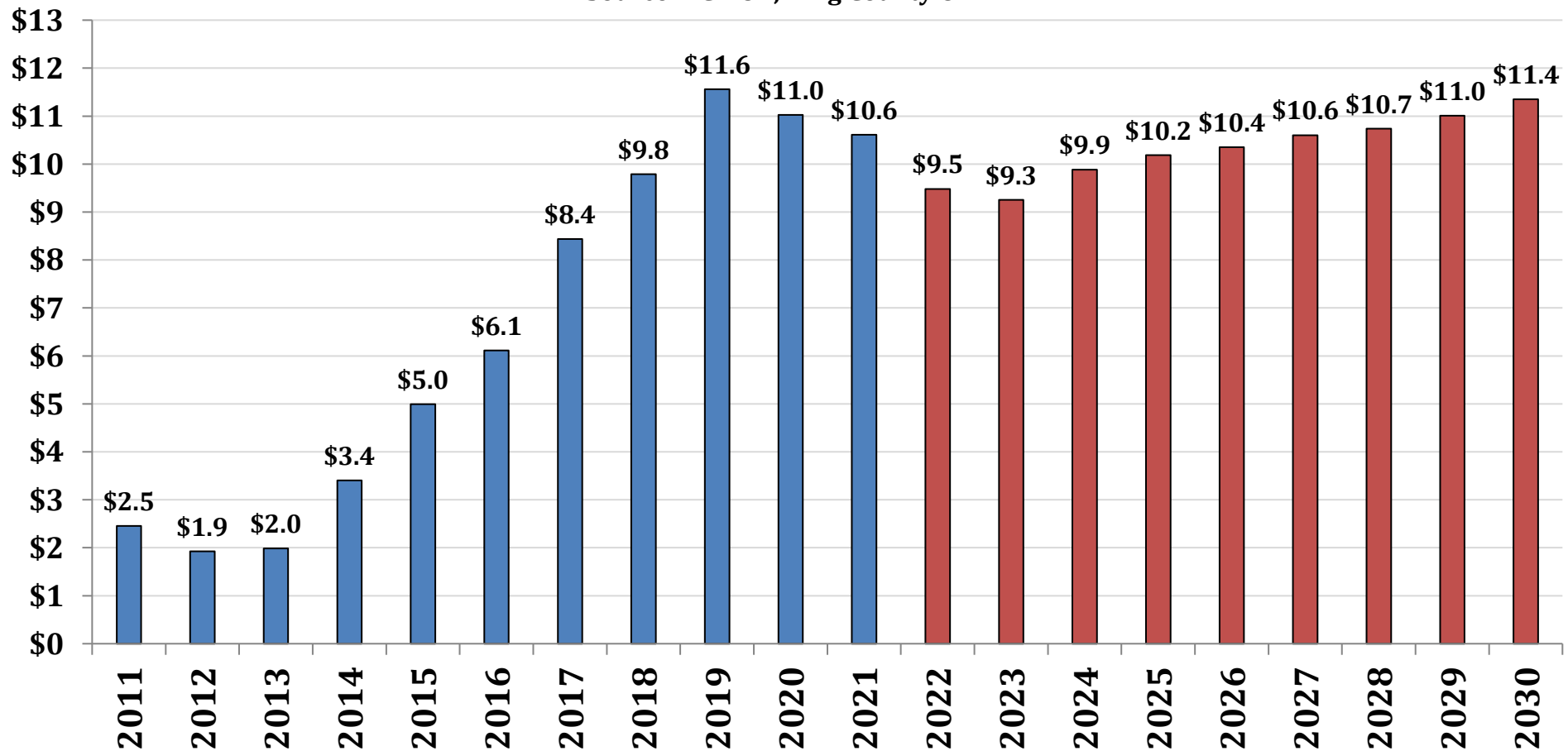
New Construction Forecast



King County New Construction Forecast

In billions \$, with Actuals and Forecast bars

Source: KC DOA, King County OEFA



King County Taxable Sales Forecast

Tax Year	Value	Annual Growth	% Change from July 2021 Forecast	\$ Change from July 2021 Forecast
2019	\$76,486,164,464	5.17%	0.00%	\$0
2020	\$70,728,682,615	-7.53%	0.00%	\$0
2021	\$79,482,976,036	12.38%	-0.36%	(\$288,946,481)
2022	\$84,024,426,249	5.71%	-0.08%	(\$69,732,472)
2023	\$88,795,680,632	5.68%	-0.10%	(\$93,219,932)
2024	\$93,686,692,970	5.51%	-0.07%	(\$66,552,301)
2025	\$99,039,701,353	5.71%	0.01%	\$8,335,845
2026	\$103,632,165,869	4.64%	-0.01%	(\$11,724,738)
2027	\$108,865,579,036	5.05%	-0.06%	(\$62,255,633)
2028	\$114,363,138,216	5.05%	0.07%	\$82,997,495
2029	\$119,749,063,543	4.71%	0.09%	\$103,432,576
2030	\$126,247,309,902	5.43%	0.01%	\$11,562,502

Local and Option Sales Tax Forecast

Tax Year	Value	Annual Growth	% Change from July 2021 Forecast	\$ Change from July 2021 Forecast
2019	\$137,639,197	4.32%	0.00%	\$0
2020	\$132,079,220	-4.04%	0.00%	\$0
2021	\$150,410,818	13.88%	-0.44%	(\$661,214)
2022	\$156,120,073	3.80%	-0.08%	(\$129,565)
2023	\$161,174,416	3.24%	-0.10%	(\$169,205)
2024	\$165,245,231	2.53%	-0.07%	(\$120,800)
2025	\$172,179,447	4.20%	0.01%	\$15,131
2026	\$177,615,720	3.16%	-0.01%	(\$21,282)
2027	\$185,030,967	4.17%	-0.06%	(\$113,001)
2028	\$191,260,524	3.37%	0.08%	\$150,650
2029	\$200,270,287	4.71%	0.09%	\$187,742
2030	\$211,124,138	5.42%	0.01%	\$20,987

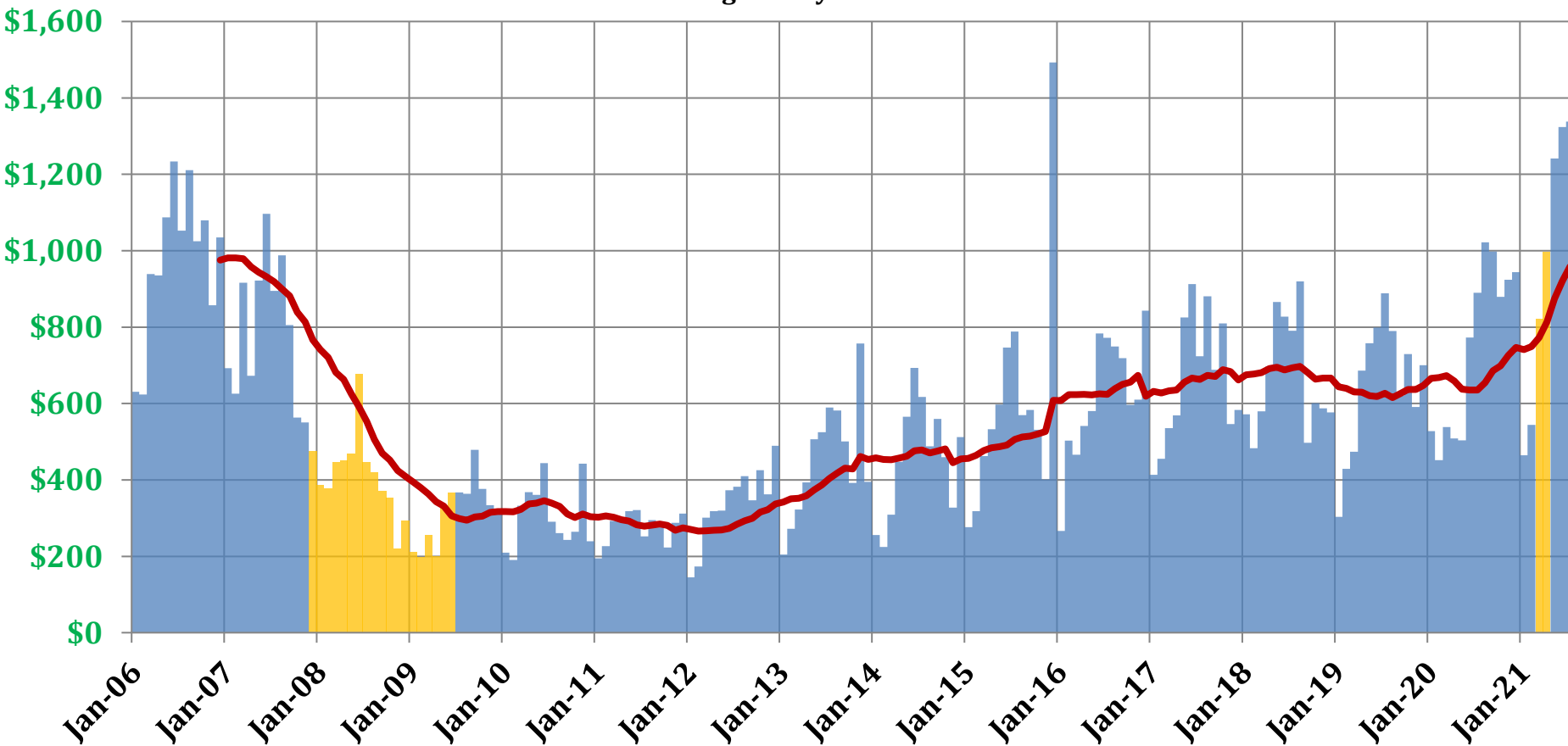
King County REET has been growing significantly on both more transactions and higher prices



King County Real Estate Excise Tax

In thousands \$, with recession bars and rolling annual average line

Source: King County Recorder's Office



King County
Office of Economic and Financial Analysis

<http://www.kingcounty.gov/independent/forecasting.aspx>