

2017 King County Economic and Revenue Forecast

Presentation to the King County Forecast Council

Presented on:
July 26th, 2017

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Overview

The U.S. Economic Expansion continues (96 months)

2017:1Q=+1.4%, tracking a little higher in 2Q

Strong employment growth

Continue to see growth in 2017-2018

King County economic expansion continues

Strong employment growth

Continued population growth-added over 48,000 people in last year in KC

Continued building boom driving employment and commerce

Leading indicators mostly positive

Slowdown to more “typical” growth occurring on some margins

Biggest risk/uncertainty; U.S. govt., China

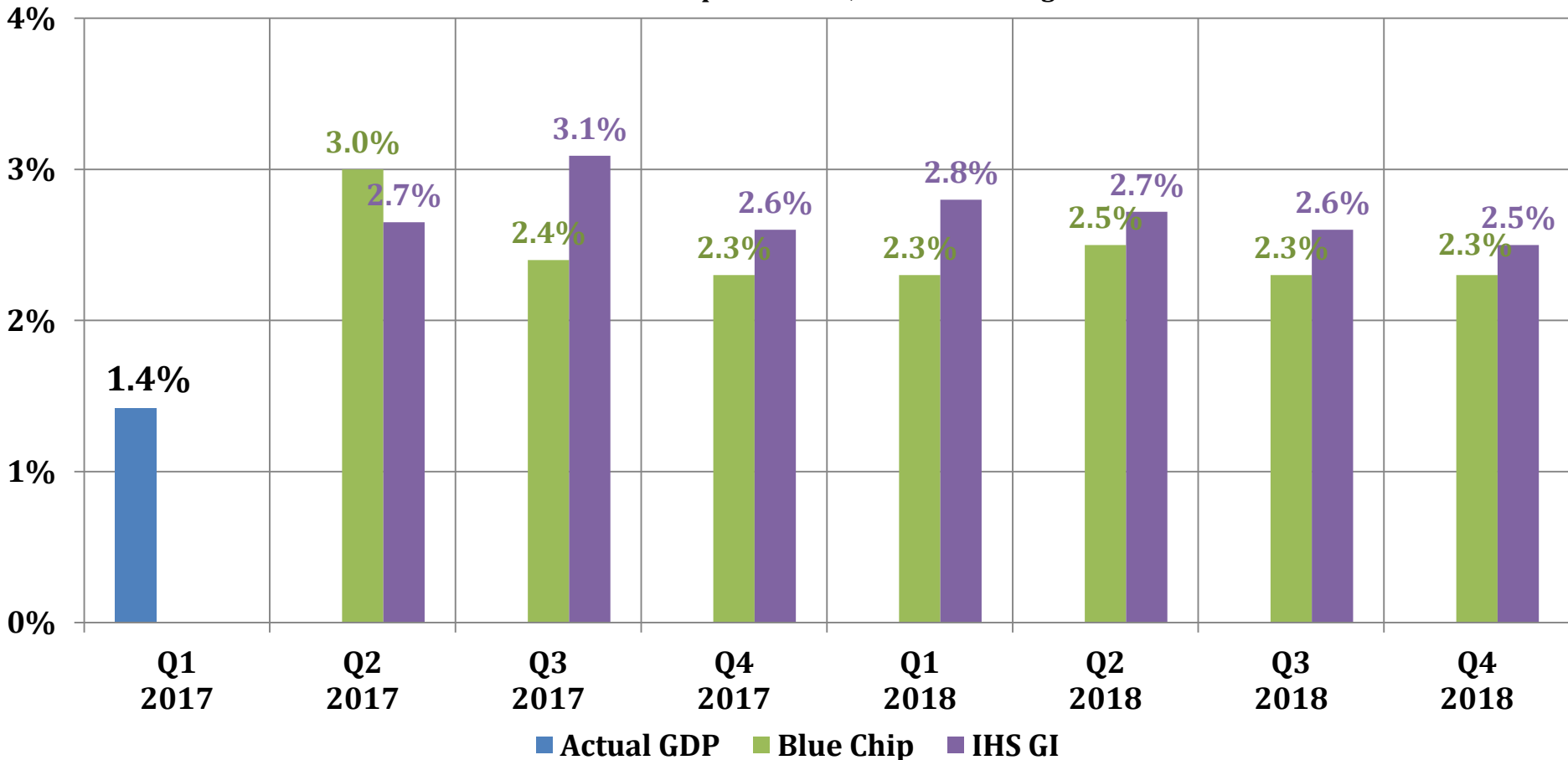
U.S. economic growth forecast to continue



U.S. Real GDP Growth Forecast

Actuals Q1 2017, Forecast Q2 2017- Q4 2018

Source: Blue Chip Indicators, IHS Global Insight



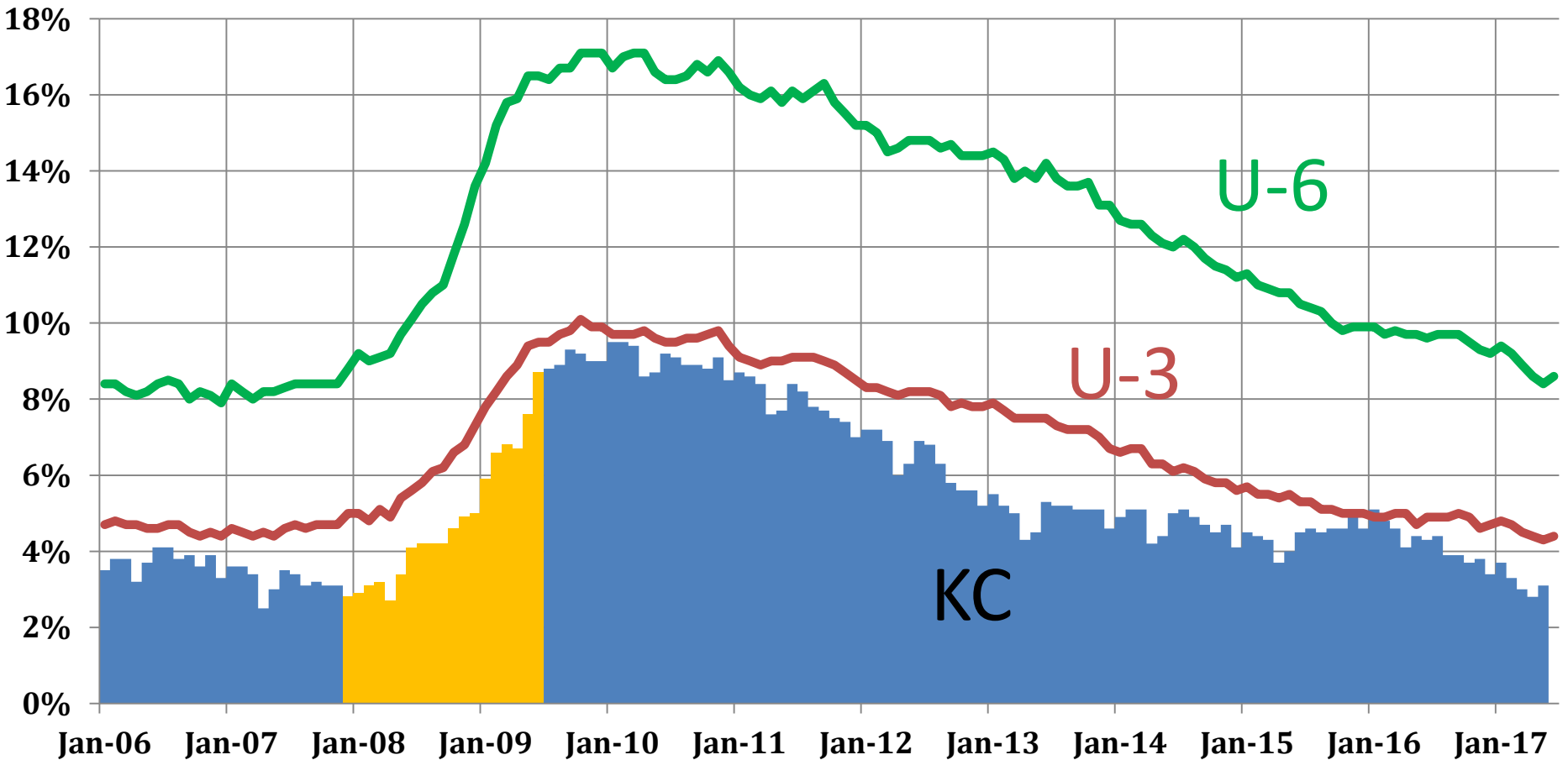
Unemployment continues to fall



Unemployment Rates: U.S. & King County

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

Source: Bureau of Labor Statistics



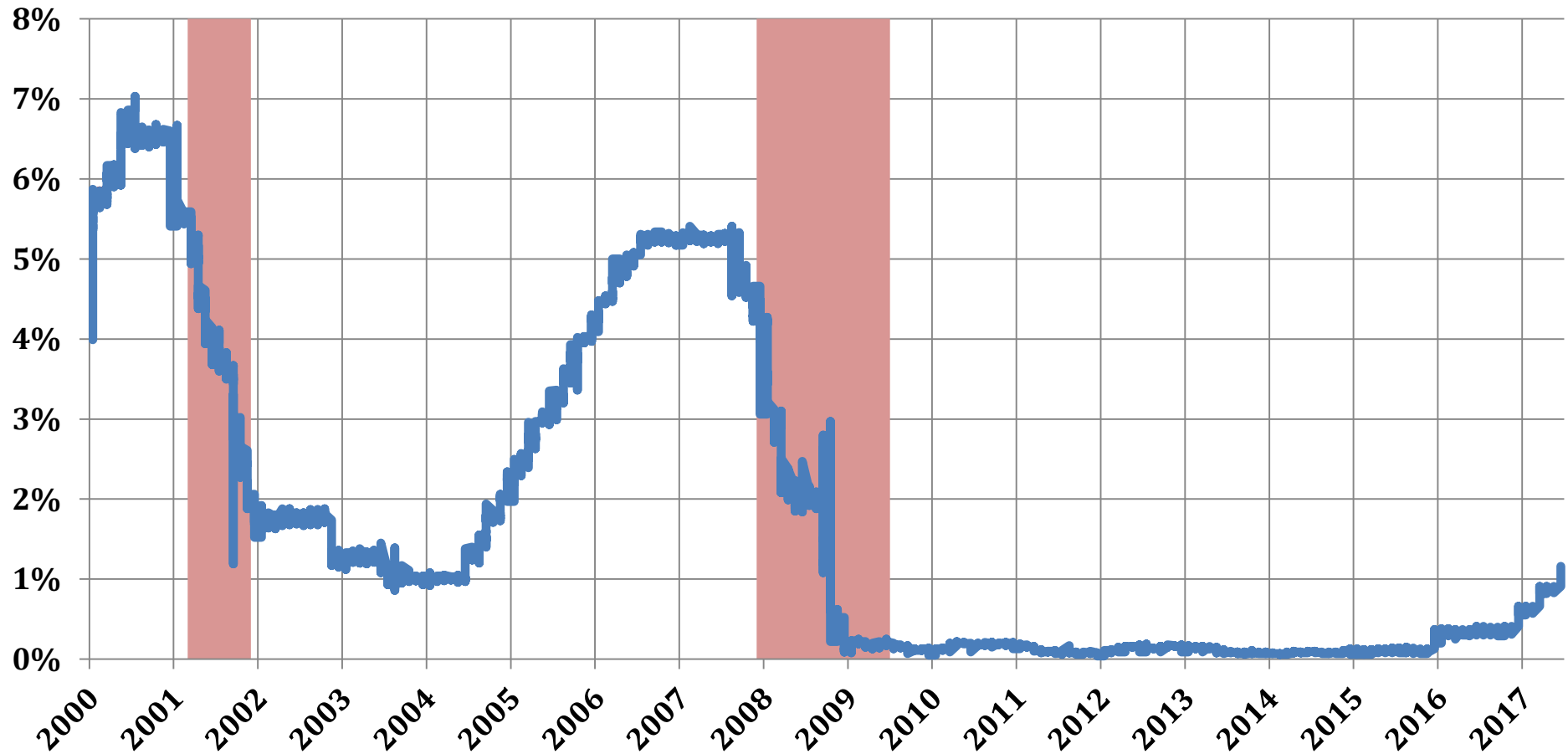
Interest rates on the rise



Daily Effective Fed Funds Rate

With economic contraction shaded in red

Source: St. Louis FRED



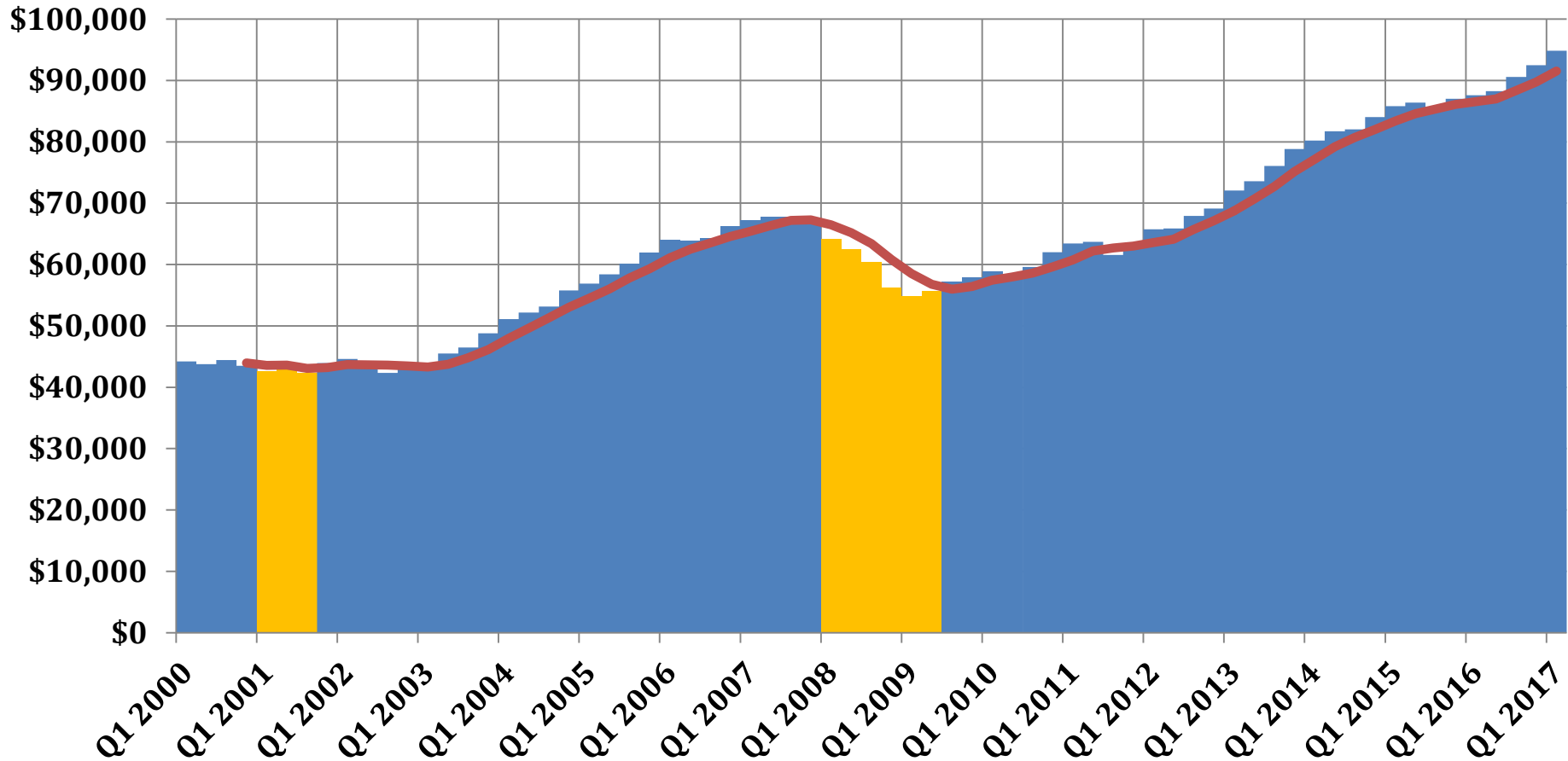
Households continue to do well



U.S. Household and Non-Profit Net Worth

Recession (bar), Actual (bar), Annual rolling average (line)

Source: St. Louis FRED

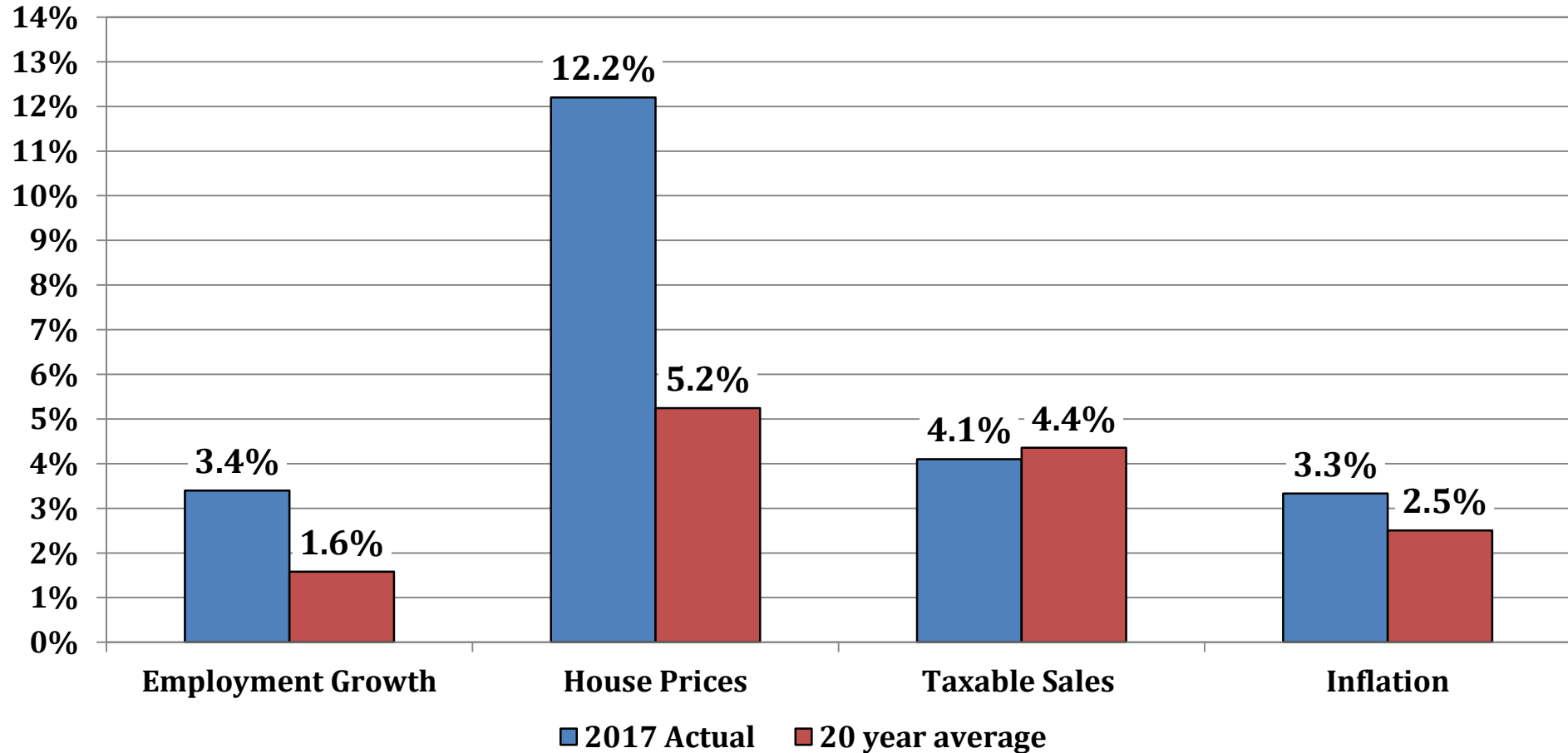


King County's economy in 2017



King County Economic Indicators

2017 YTD actuals vs. 20 year average
Source: PSEF, Case-Shiller, WA DOR, BLS



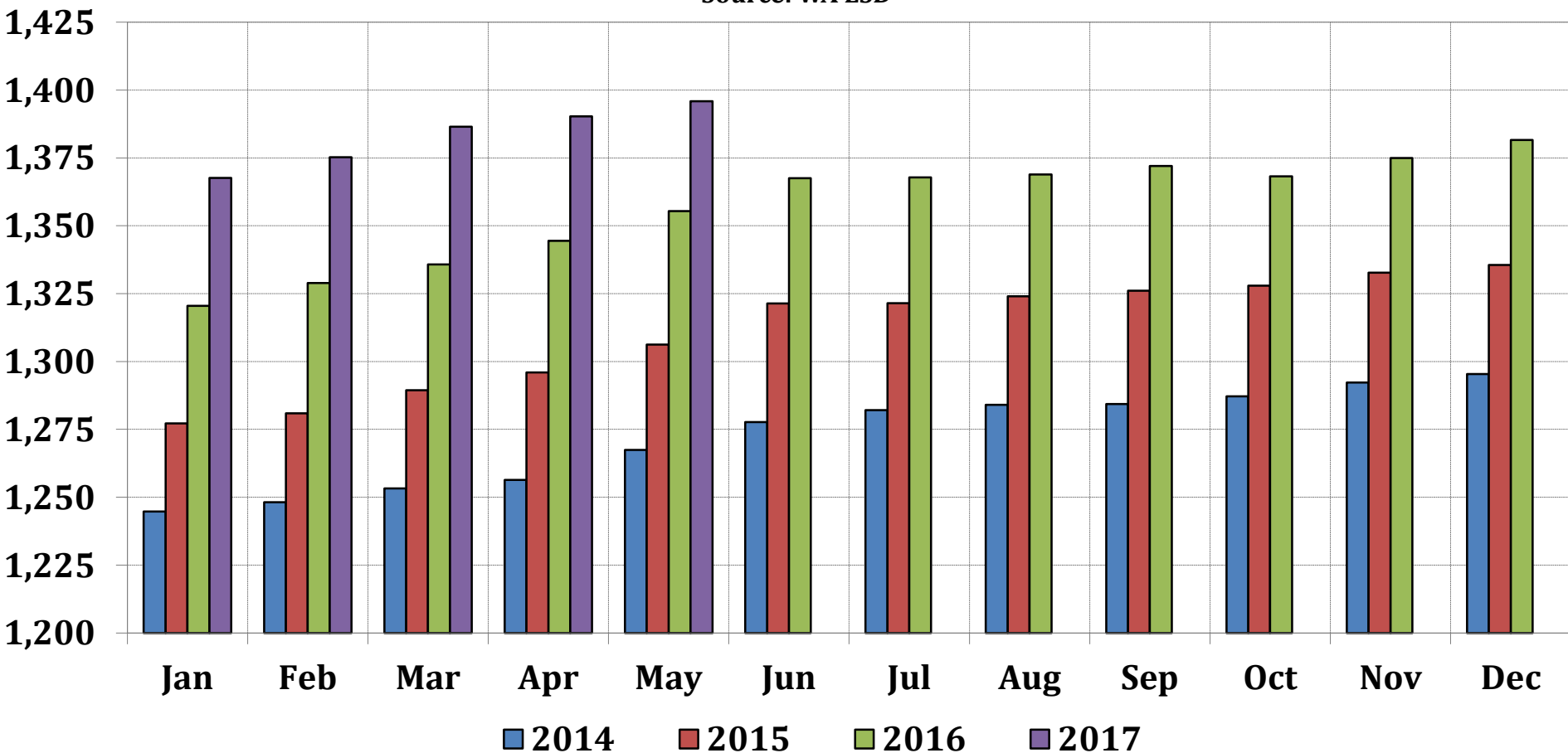
Job growth remains strong throughout King County



King County Total Non-Farm Employment

Monthly job totals (in thousands), January 2014 to Present

Source: WA ESD

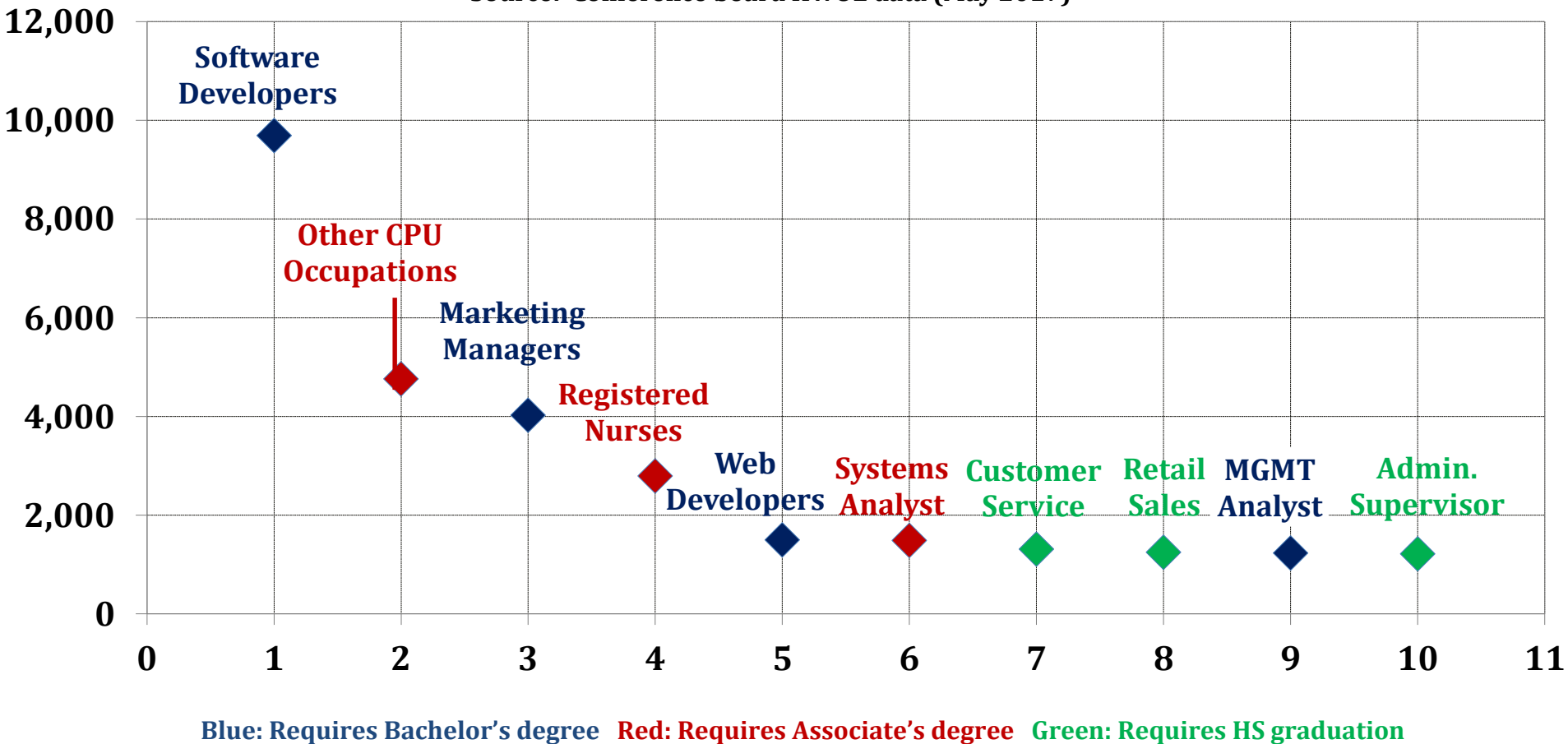


Occupational growth in King County continues to be dominated by IT



Top-ten online wanted ads by position

Number of online ads by position and rank by position
Source: Conference board HWOL data (May 2017)

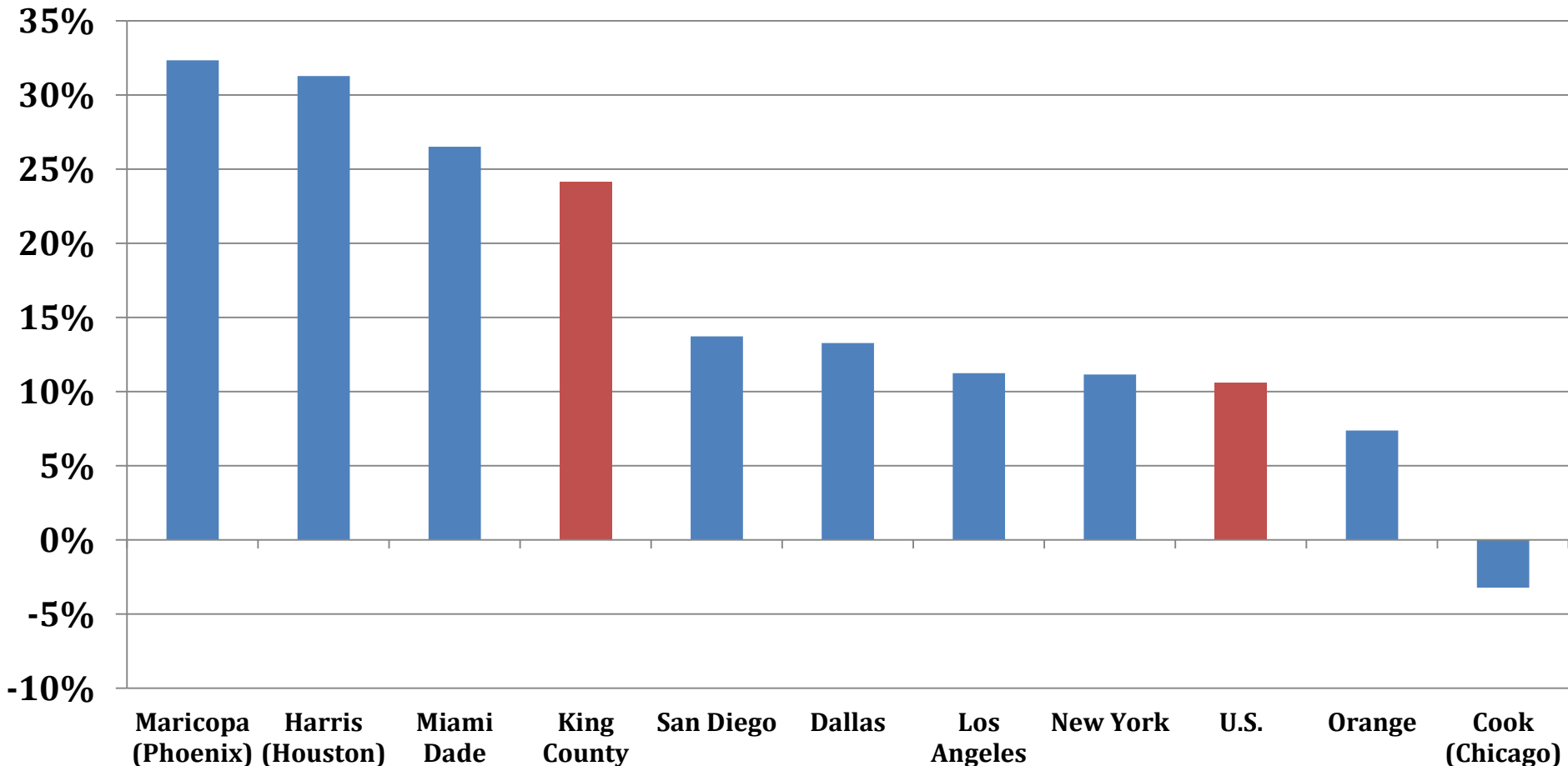


King County continues rapid employment growth relative to many peer counties



Employment Growth - 2000 to 2017

US, King County and Peer Counties
Source: BLS-LAUS, (May 2000 to May 2017)



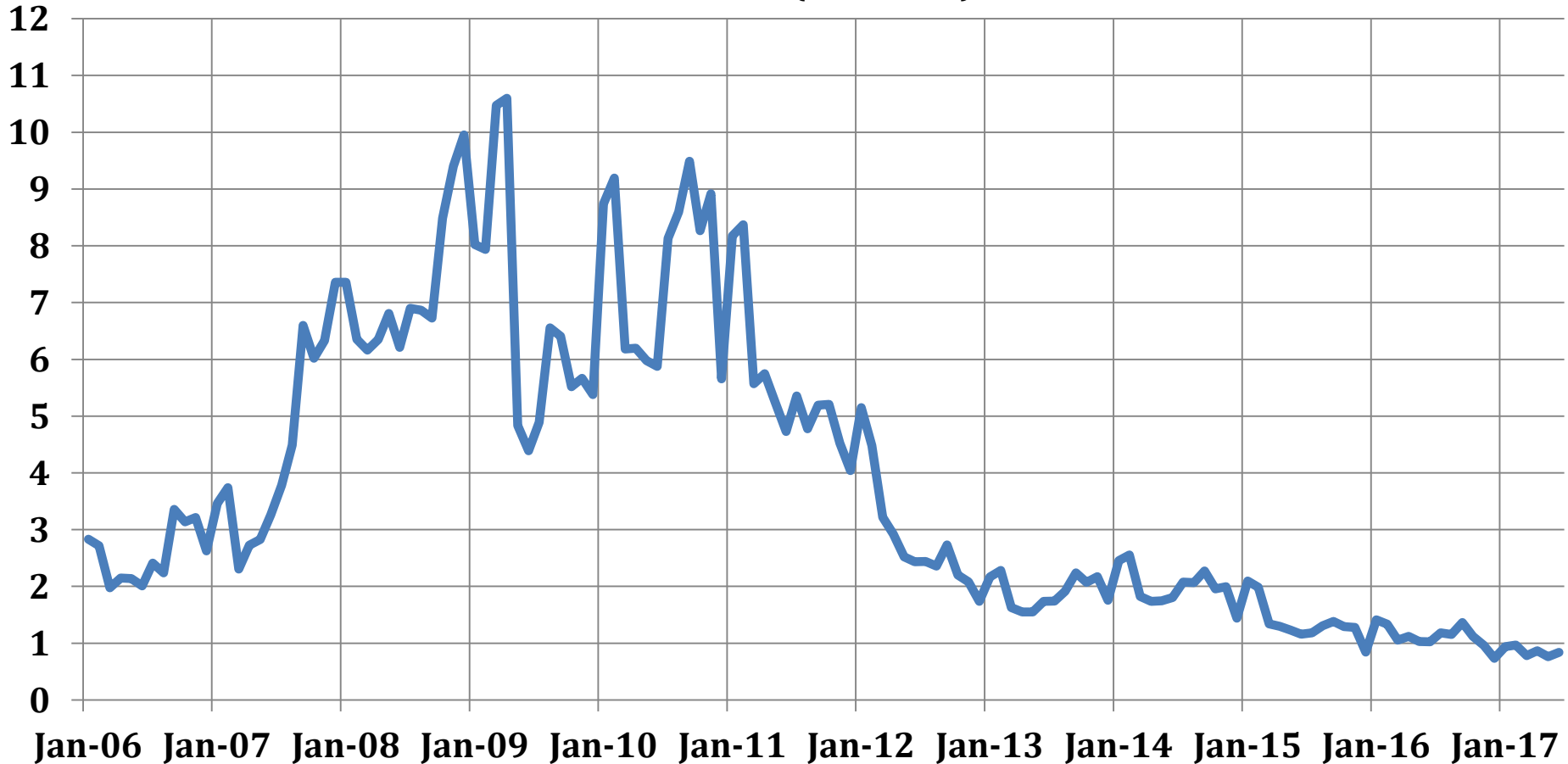
Home prices continue to rise in part due to few homes on the market



King County Real Estate Inventory

Inventory = Total Active Listings/Closed Sales

Source: NWMLS (SFH+Condos)



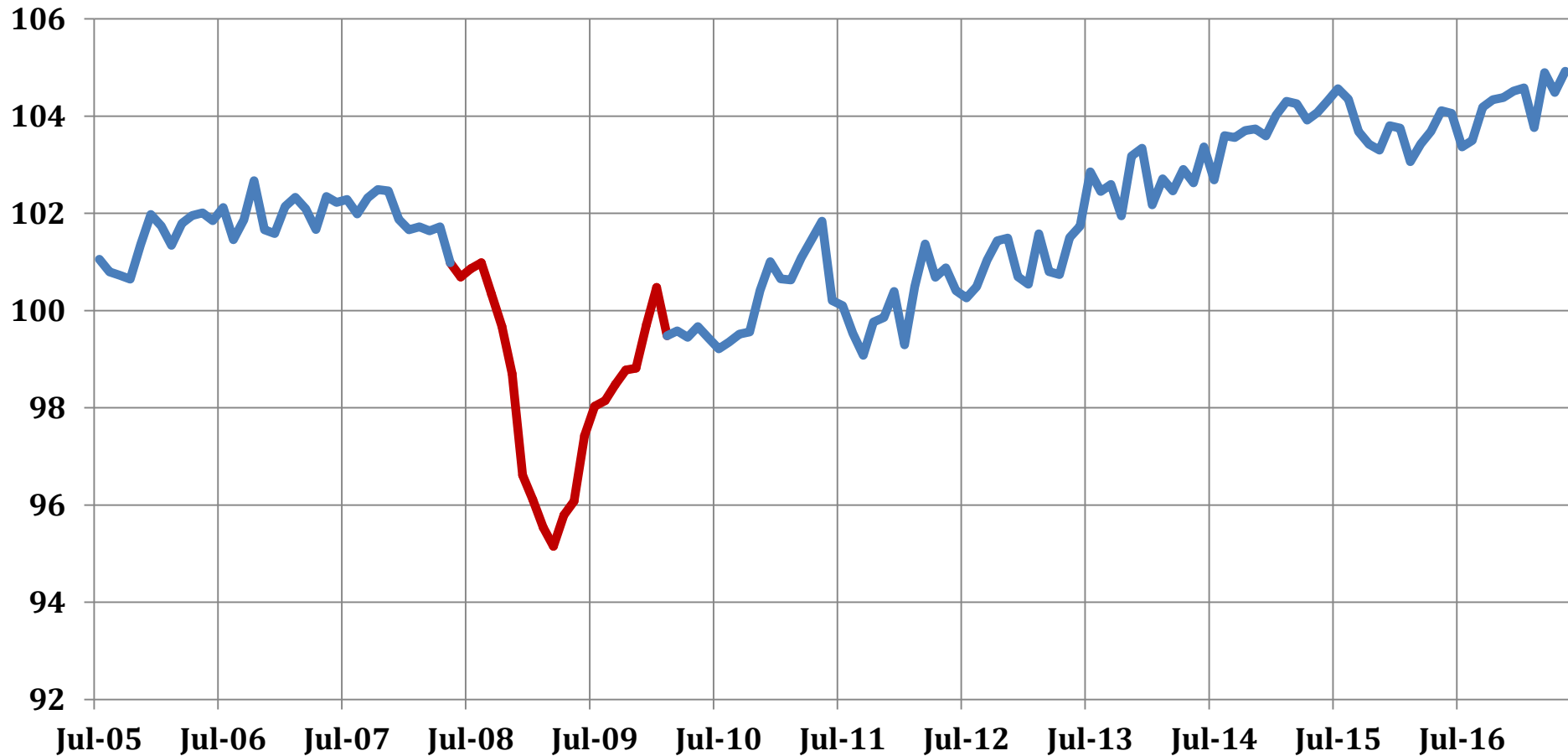
Local economic signals still solid...



King County Index of Leading Indicators

With economic contraction highlighted in red

Source: KC OEFA



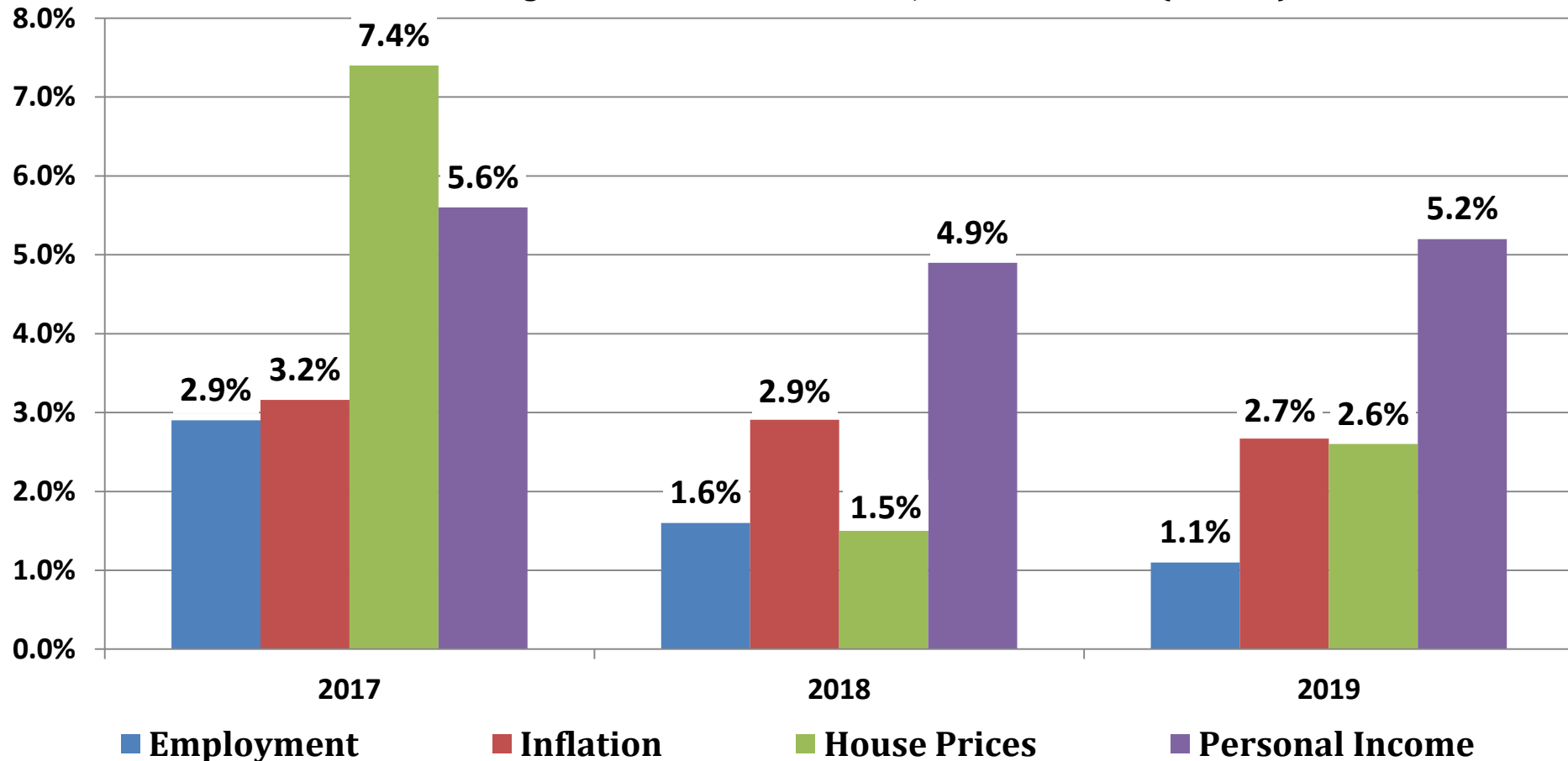
...And the forecast calls for continued growth in King County



Employment, Inflation, Housing & Income

Forecast 2017-2019

Source: Puget Sound Economic Forecaster June 2017, KC OEFA (Inflation)



July 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 (Area Q/Sliver)	(01-01-20)
-North Highline (Remainder)	(01-01-20)
-West Hill	(01-01-21)
-East Federal Way	(01-01-21)

Countywide Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from March 2017 Forecast	\$ Change from March 2017 Forecast
2015	\$388,118,855,592	13.94%	0.00%	\$0
2016	\$426,335,605,836	9.85%	0.00%	\$0
2017	\$471,456,288,020	10.58%	0.00%	\$0
2018	\$522,735,130,656	10.88%	2.91%	\$14,766,370,406
2019	\$561,354,983,223	7.39%	5.08%	\$27,137,159,149
2020	\$588,371,128,562	4.81%	6.06%	\$33,593,031,920
2021	\$613,488,231,136	4.27%	5.99%	\$34,675,142,600
2022	\$643,635,923,829	4.91%	5.51%	\$33,615,585,124
2023	\$676,122,450,238	5.05%	5.44%	\$34,882,534,409
2024	\$707,308,437,595	4.61%	5.31%	\$35,679,508,903
2025	\$740,953,488,487	4.76%	5.06%	\$35,715,607,836
2026	\$775,230,682,453	4.63%	4.75%	\$35,155,344,384

Unincorporated Area Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from March 2017 Forecast	\$ Change from March 2017 Forecast
2015	\$36,080,918,262	13.19%	0.00%	\$0
2016	\$36,633,108,444	1.53%	0.00%	\$0
2017	\$39,044,967,515	6.58%	0.00%	\$0
2018	\$42,905,057,453	9.89%	3.83%	\$1,583,293,656
2019	\$46,074,500,699	7.39%	7.46%	\$3,198,318,312
2020	\$46,146,740,545	0.16%	5.23%	\$2,295,363,267
2021	\$43,020,406,737	-6.77%	-0.62%	(\$268,855,229)
2022	\$44,732,668,100	3.98%	9.29%	\$3,801,963,018
2023	\$46,591,683,381	4.16%	9.33%	\$3,976,363,086
2024	\$48,296,896,977	3.66%	9.18%	\$4,060,127,979
2025	\$50,124,619,913	3.78%	9.12%	\$4,188,720,558
2026	\$51,932,605,575	3.61%	8.92%	\$4,252,568,715

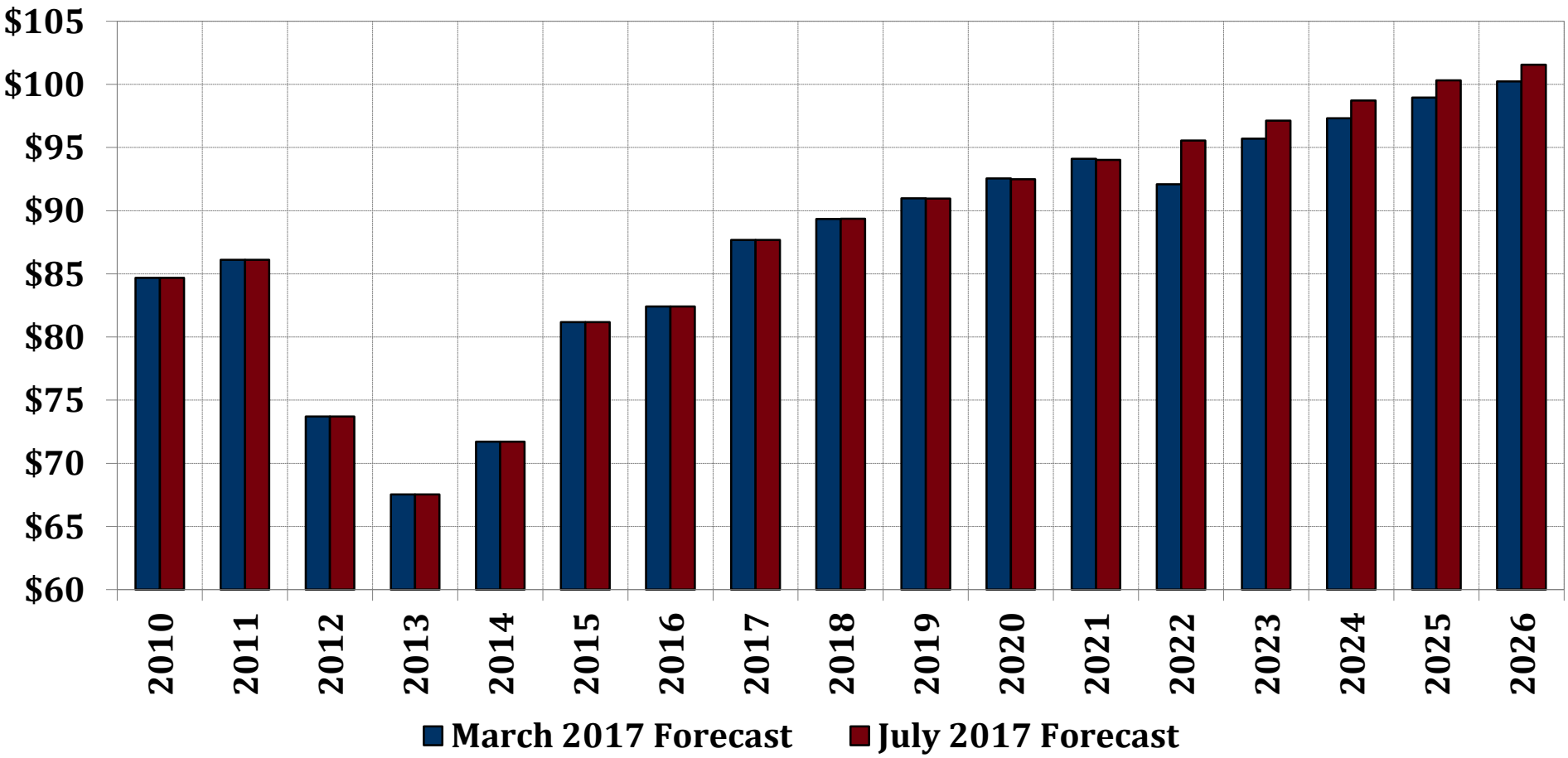
New Construction Forecast

Tax Year	Value	Annual Growth	% Change from March 2017 Forecast	\$ Change from March 2017 Forecast
2015	\$4,994,659,235	46.63%	0.00%	\$0
2016	\$6,111,997,054	22.37%	0.00%	\$0
2017	\$8,438,451,607	38.06%	0.00%	\$0
2018	\$7,931,657,503	-6.01%	0.04%	\$3,464,273
2019	\$7,621,844,932	-3.91%	-0.32%	(\$24,151,433)
2020	\$7,097,403,471	-6.88%	-0.81%	(\$58,127,602)
2021	\$6,946,924,259	-2.12%	-1.89%	(\$134,073,045)
2022	\$7,023,844,183	1.11%	-3.08%	(\$223,269,239)
2023	\$7,144,055,992	1.71%	-3.57%	(\$264,499,355)
2024	\$7,372,920,990	3.20%	-4.10%	(\$315,050,390)
2025	\$7,618,019,476	3.32%	-3.98%	(\$316,173,094)
2026	\$7,881,882,475	3.46%	-4.08%	(\$335,371,225)

Most property tax levies limited by growth limits (e.g. 1%) plus new construction



UAL/Roads Property Tax
2010 to 2026 Revenue Forecast in millions of dollars
Source: KC OEFA

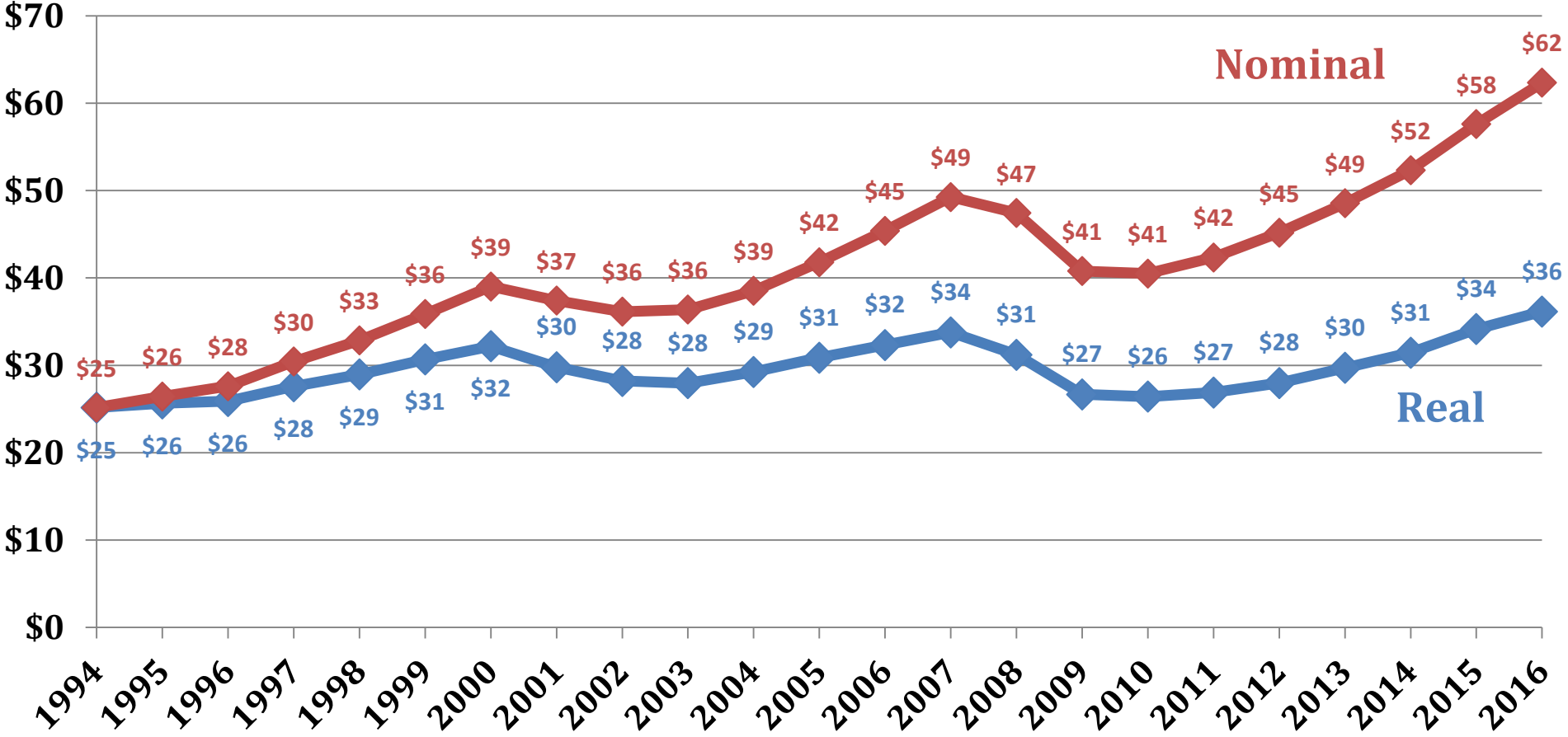


Real (inflation-adjusted) taxable sales reached new high in 2015



Nominal & Real Taxable Sales

Nominal (line) & Real (line)
Source: WA DOR



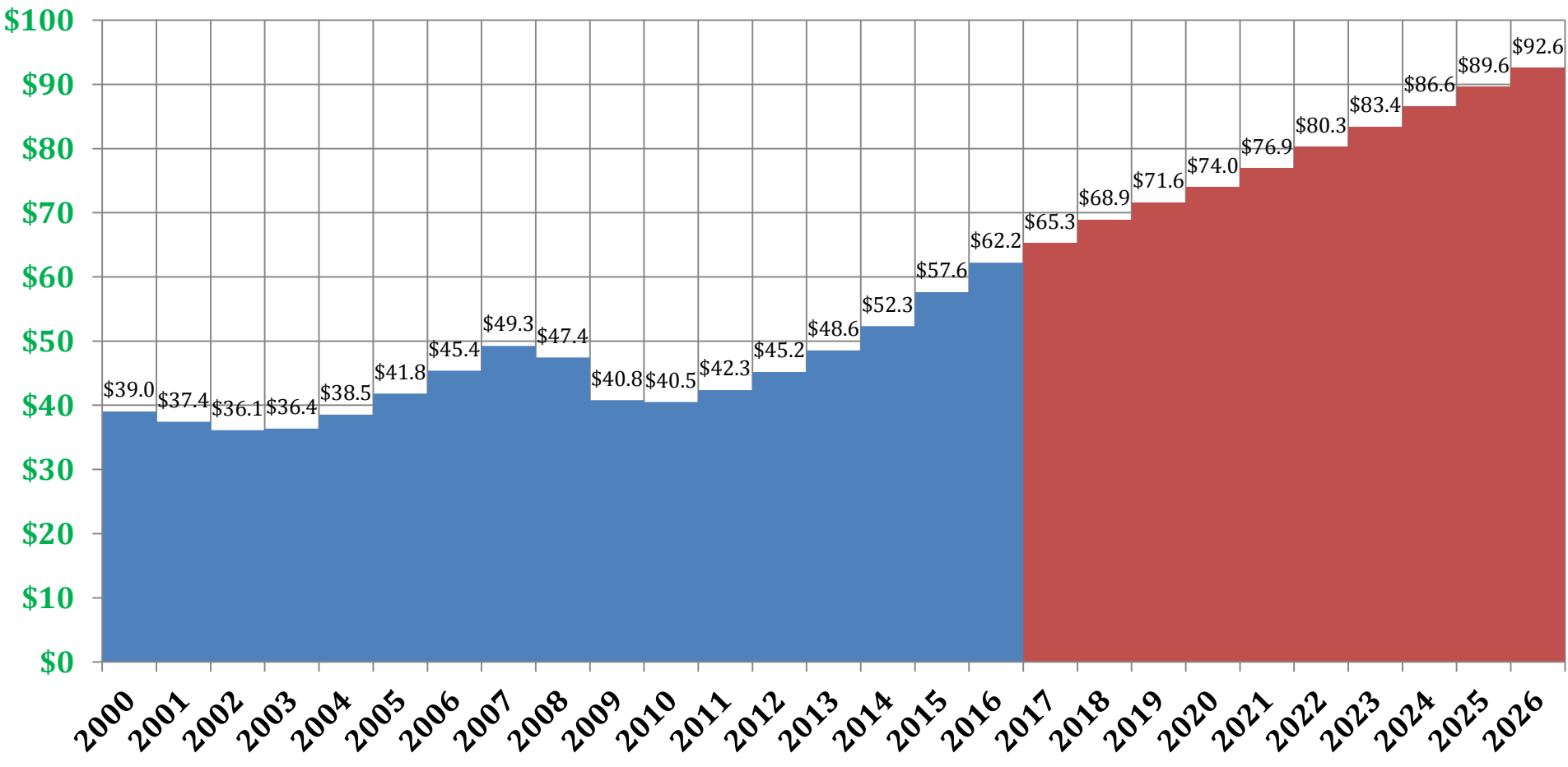
King County Taxable Sales Forecast



King County Sales Tax Taxbase

In billions \$, with Actuals and Forecast bars

Source: KC OEFA Sales Tax Database



Transit Sales Tax Forecast

Tax Year	Value	Annual Growth	% Change from March 2017 Forecast	\$ Change from March 2017 Forecast
2015	\$526,663,508	9.85%	0.00%	\$0
2016	\$566,774,755	7.62%	-0.01%	(\$80,367)
2017	\$594,542,496	4.90%	-0.70%	(\$4,192,683)
2018	\$633,593,395	6.57%	0.62%	\$3,878,409
2019	\$661,594,005	4.42%	1.76%	\$11,418,349
2020	\$685,518,139	3.62%	1.82%	\$12,256,985
2021	\$713,318,155	4.06%	2.63%	\$18,305,257
2022	\$745,333,802	4.49%	3.99%	\$28,611,164
2023	\$775,407,342	4.03%	4.44%	\$32,995,179
2024	\$804,454,708	3.75%	4.58%	\$35,232,002
2025	\$832,788,890	3.52%	4.20%	\$33,581,458
2026	\$859,719,952	3.23%	3.47%	\$28,791,725

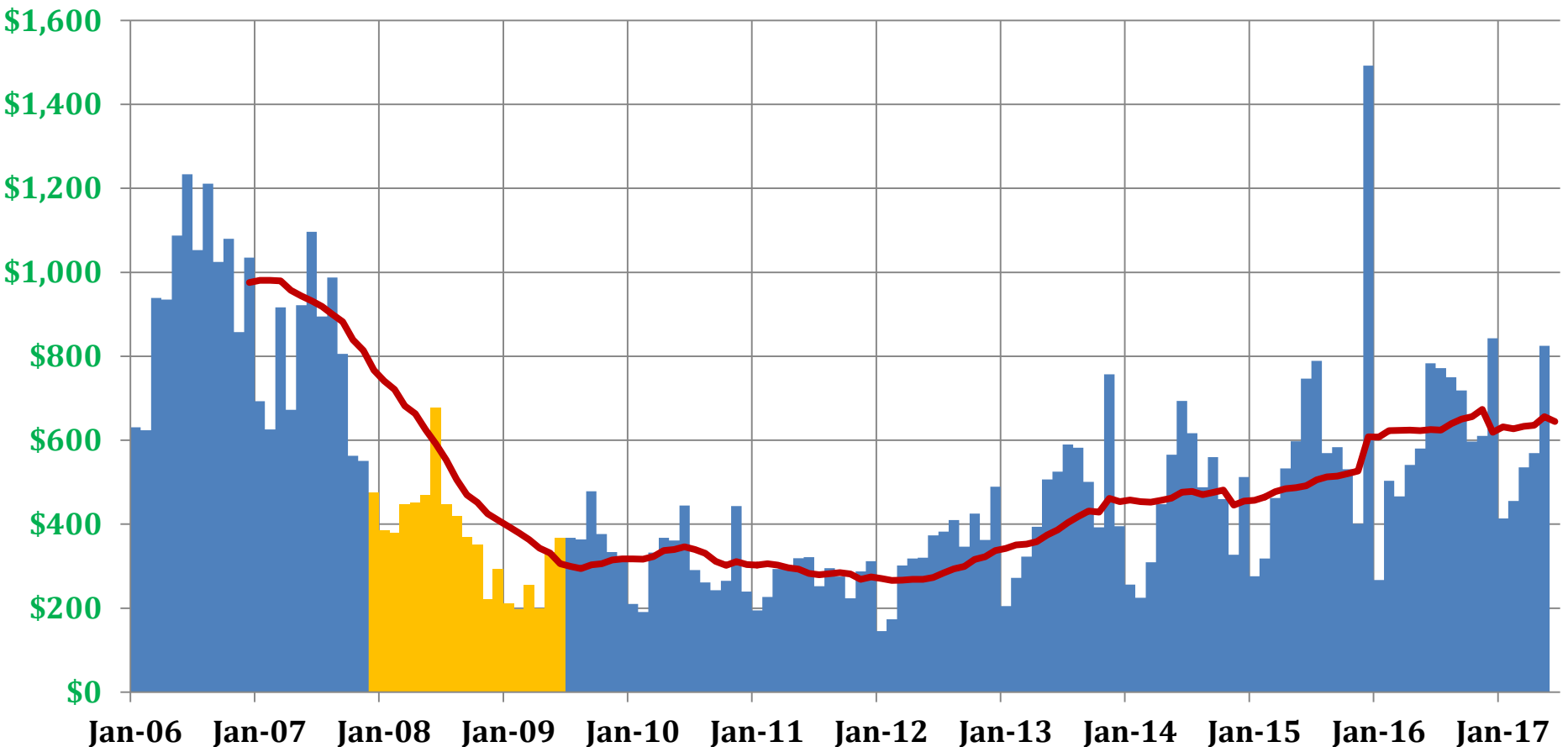
King County REET continues to show strength...



King County Real Estate Excise Tax

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

Source: King County Recorder's Office



..and the REET forecast has been adjusted upward

Tax Year	Value	Annual Growth	% Change from March 2017 Forecast	\$ Change from March 2017 Forecast
2015	\$7,300,583	33.69%	0.00%	\$0
2016	\$7,431,560	1.79%	0.00%	\$0
2017	\$7,762,033	4.45%	3.51%	\$263,119
2018	\$7,908,271	1.88%	3.35%	\$256,539
2019	\$8,095,304	2.37%	3.53%	\$275,711
2020	\$7,825,996	-3.33%	2.90%	\$220,501
2021	\$7,432,388	-5.03%	9.62%	\$652,294
2022	\$7,731,553	4.03%	9.77%	\$688,055
2023	\$8,197,349	6.02%	8.04%	\$609,695
2024	\$8,500,311	3.70%	8.18%	\$642,724
2025	\$8,793,332	3.45%	8.06%	\$656,146
2026	\$9,095,179	3.43%	7.98%	\$672,309

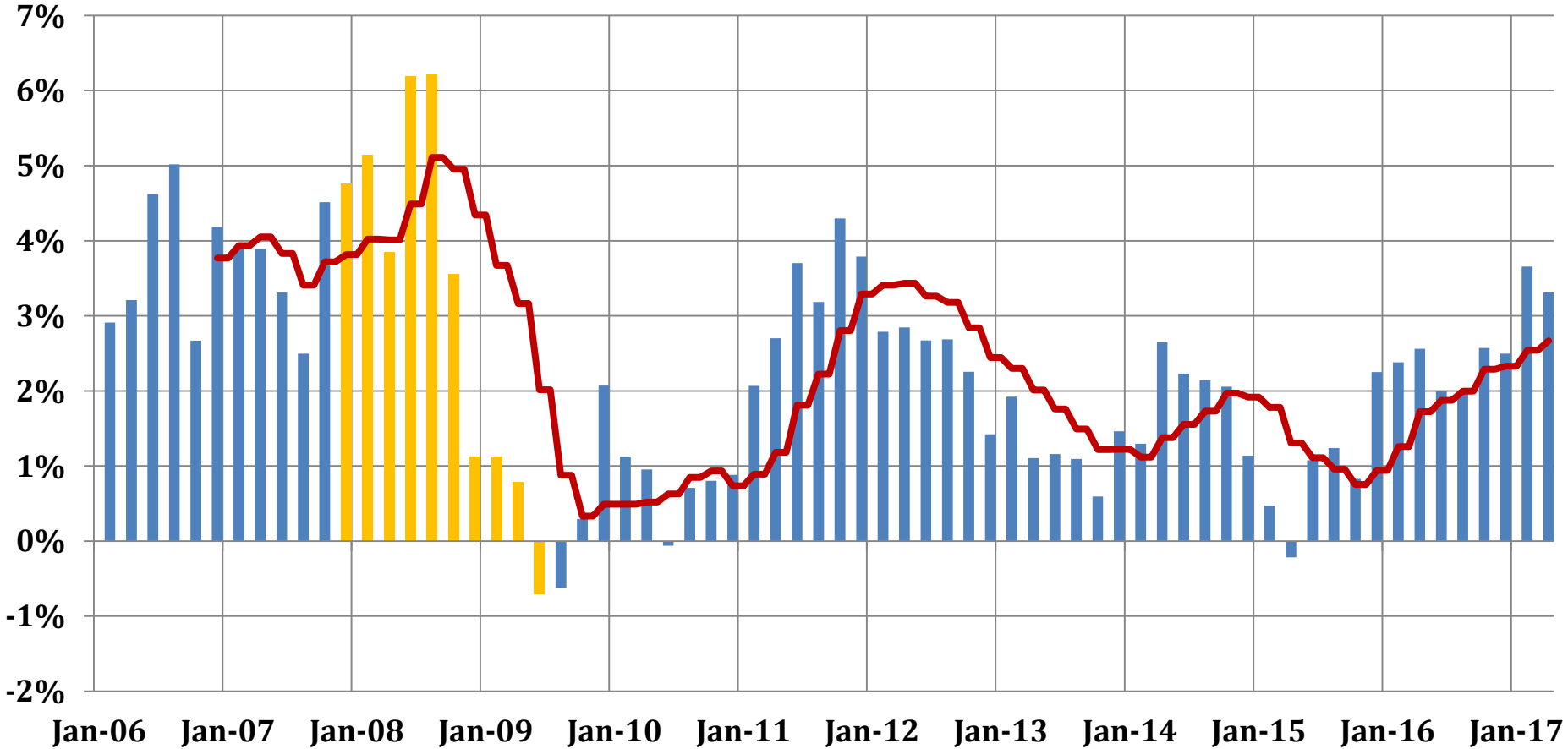
Local inflation increasing in 2017



Seattle CPI-W Bi-Monthly Inflation

with recession bars and rolling annual average line

Source: Bureau of Labor Statistics



King County
Office of Economic and Financial Analysis

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