



ECONPULSE

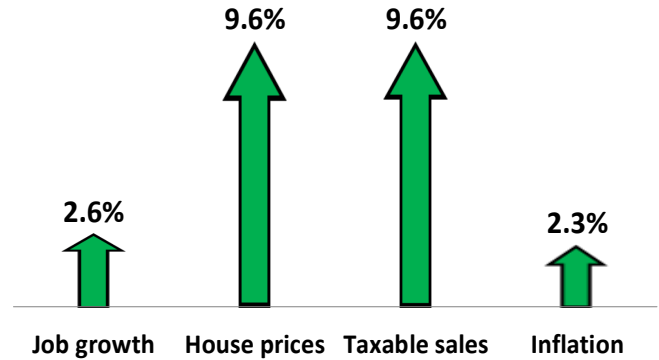
A QUARTERLY LOOK AT THE KING COUNTY ECONOMY
KING COUNTY OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS

FOURTH QUARTER 2015

SUMMARY

- King County employment grew by 2.6% in the fourth quarter relative to a year ago, with goods-producing jobs flat, while service jobs grew 3%.
- Home prices increased by 9.6% since November 2014. The average sales price for a home in King County was \$547,700 in December 2015.
- Taxable sales in King County were up 9.6% in October and November from a year prior.
- Inflation increased, up 2.3% in December, and 0.9% in 2015 compared to 2014.

**King County Key Economic Indicators
Q4 2015 growth compared to Q4 2014**



DETAIL

King County job growth slowed in the fourth quarter, with a 2.6% increase in non-farm employment, down from a 3.2% increase in the third quarter. Construction job growth has slowed from double-digit growth earlier in 2015 to 0.3% in the fourth quarter of 2015. Solid growth was seen in the information sector, with 4,400 jobs added to the sector in 2015:4Q. The leisure and hospitality sector also saw strong growth, adding 5,300 jobs in 2015:4Q. For a closer look at the impact of the growing hospitality industry in King County, please see page 4.

**King County Total Employment
(monthly non-farm jobs, in millions)**

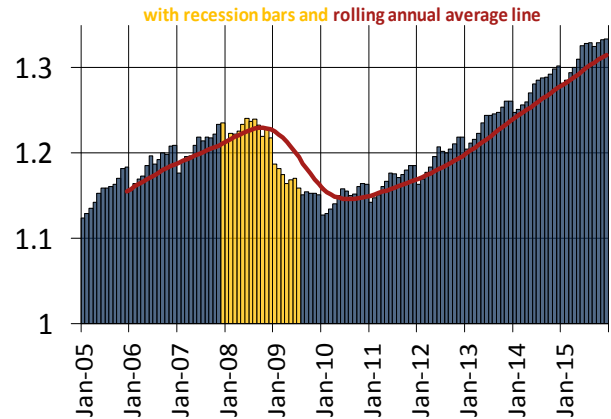


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

Unemployment in King County (not seasonally adjusted) was 4.5% in December 2015, up from 3.8% in September but still lower than the national rate of 5.0%.

DETAIL (CONT.)

Seattle House Prices
(Case Shiller index, Jan-2000=100)
with recession bars and rolling annual average line

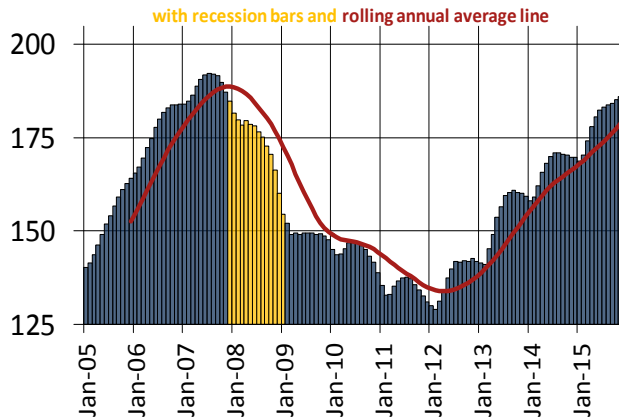


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

Housing prices continued to climb in the fourth quarter of 2015, with the average sales price of a home in King County increasing 9.1% year-over-year, according to MLS. The number of closed sales increased in the fourth quarter at a moderate rate from the prior year. The 22% decrease in the number of closings compared to the third quarter reflected the typical seasonal slowdown in home sales in the fourth quarter.

The story in permitting continues to be slowing single-family permitting (down 13.5% year-over-year) and growing multi-family permitting (9.8% increase in the fourth quarter of 2015 compared to the previous year).

King County Permit Values
(new, privately-owned, in millions \$)
with recession bars and rolling annual average line

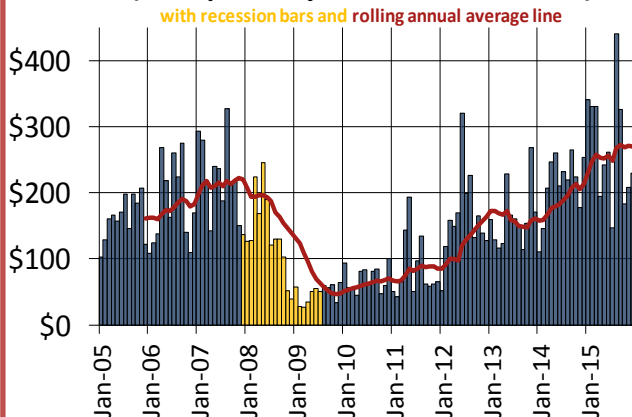


Fig. 3 Value of King County Permits (Source: U.S. Census Bureau)

Taxable retail sales increased 9.6% in October and November of 2015 compared to the year prior, down from 11.8% in the previous quarter. Retail, construction, and entertainment sales, while still increasing, all experienced reduced rates of growth in the fourth quarter.

Taxable Sales Growth
(annual average of top four sectors)

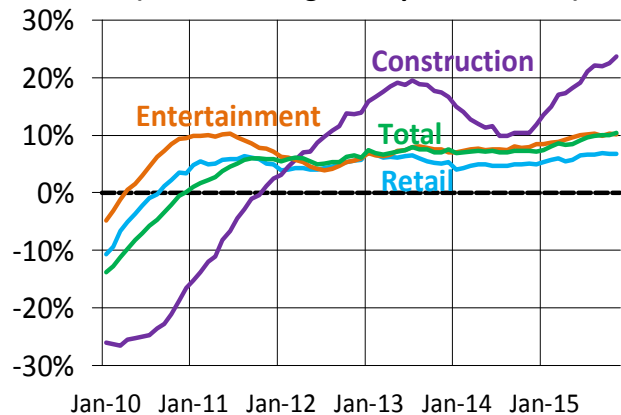


Fig. 4 Taxable Sales Growth in King County (12 month avg)
(Source: WA DOR)

Inflation picked up in the fourth quarter despite falling energy prices. An increase of over 5% in the housing component led to a 2.25% increase in the CPI-W for Seattle in December as compared to the prior year.

Seattle Inflation
(CPI-W, annually adjusted)
with recession bars and rolling annual average line

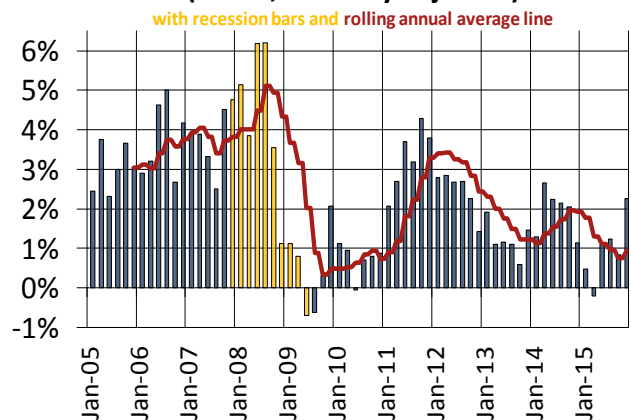


Fig. 5 Seattle Consumer Price Index (Source: BLS)

THE NUMBERS

King County Employment (in thousands)

NAICS Industry	2015:4Q	2014:4Q	Absolute change	% Change
Total Nonfarm	1,331.8	1,297.9	33.9	2.6%
Total Private	1,153.3	1,124.8	28.5	2.5%
Goods Producing	171.3	171.5	-0.2	-0.1%
Construction	64.5	64.3	0.2	0.3%
Manufacturing	106.3	106.7	-0.4	-0.3%
Service Providing	1,160.5	1,126.4	34.1	3.0%
Trade, Transportation, and Utilities	249.9	242.2	7.7	3.2%
Information	90.2	85.8	4.4	5.1%
Financial Activities	72.5	70.3	2.2	3.1%
Professional and Business Services	220.2	214.1	6.1	2.8%
Educational and Health Services	171.0	170.4	0.6	0.4%
Educational Services	26.7	26.7	-0.1	-0.2%
Ambulatory Health Care Services	55.8	52.4	3.4	6.4%
Hospitals	27.9	28.5	-0.6	-2.0%
Nursing and Residential Care Facilities	20.6	20.7	-0.1	-0.6%
Social Assistance	40.0	42.0	-2.0	-4.7%
Leisure and Hospitality	129.7	124.4	5.3	4.3%
Arts, Entertainment, and Recreation	23.1	21.8	1.3	6.0%
Accommodation	13.6	13.3	0.3	2.0%
Food Services and Drinking Places	93.0	89.2	3.8	4.2%
Other Services	48.5	46.2	2.3	5.1%
Government	178.5	173.1	5.4	3.1%

Other King County Economic Indicators

	2015:Q4	2014:Q4	% Change
Real Estate			
Single Family Permits (No. of units)	769	889	-13.5%
Single Family Permits (\$000)	\$ 296,310	\$ 303,466	-2.4%
Multi-Family Permits (No. of units)	2,491	2,268	9.8%
Multi-Family Permits (\$000)	\$ 324,505	\$ 352,589	-8.0%
Avg. sales price (NW Multiple Listing Service)	\$ 544,883	\$ 499,274	9.1%
Number of sales (NW Multiple Listing Service)	7,878	7,693	2.4%
Taxable Retail Sales (\$B, July-August)	\$ 9.35	\$ 8.53	9.6%
Retail/Wholesale	\$ 3.95	\$ 3.78	4.4%
Construction/Real Estate	\$ 2.58	\$ 2.14	20.6%
Food Service, Accommodation, Entertainment	\$ 1.52	\$ 1.39	9.4%
Other	\$ 1.29	\$ 1.21	6.6%
Inflation (June)			
CPI-W (Seattle-Tacoma-Bremerton)	246.15	240.73	2.3%

FOCUS: TOURISM IN KING COUNTY

King County has seen substantial growth in the number of visitors to the area since 2000. With only brief and mild declines due to recessionary periods, business and recreational travel volumes have continued to climb. Seattle-Tacoma International Airport has experienced a 32% growth in the number of inbound and outbound passengers since 2000. In 2014, 37.5 million air passengers traveled through SeaTac. According to Visit Seattle, the destination marketing organization for Seattle and King County, King County welcomed 19.2 million overnight visitors in 2014, with total visitor expenditures topping out at \$6.4 billion¹.

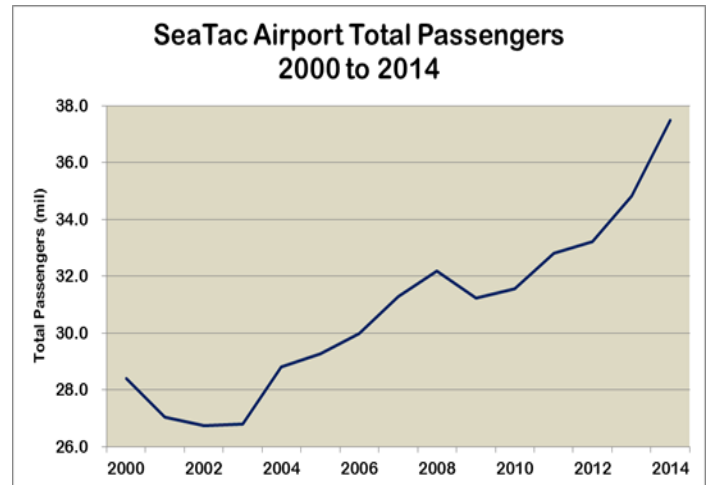


Fig. 6 SeaTac Airport Total Passengers (Source: Port of Seattle)

The robust business traveler and tourism industry is supported by a thriving leisure and hospitality employment sector. While Visit Seattle estimates there are 70,640 travel related jobs in King County, the total leisure and hospitality sector employed 177,800 in 2014. The number of jobs in this industry increased 21.9% from 2000, far outpacing the overall nonfarm employment growth rate of 9.5% for King County over the same time period.

The need for workers in the tourism and hospitality sector is likely to continue growing. In 2014, the 34,591 hotel rooms in King County were 82.2% occupied, a new record². Developers are recognizing the opportunities in the tourism sector and are responding with new hotel construction. After about five years of little hotel construction, approximately 1,610 rooms were added in 2014-2015 and permits for new hotel projects have increased dramatically, with 10 new projects totaling 3,000 guest rooms planned for the City of Seattle alone.

The boom in tourism in King County has revenue impacts for state and local government. Travelers that visit the county for business or for pleasure stay in hotels, rent cars and spend money on items at stores and in restaurants. Many of these items are subject to taxation of which the retail sales tax is probably the most visible experienced by travelers. Lodging, food and beverages consumed in restaurants or taken out, clothing, books and many other items are all subject to the sales tax at a rate of over 9% in most locations.

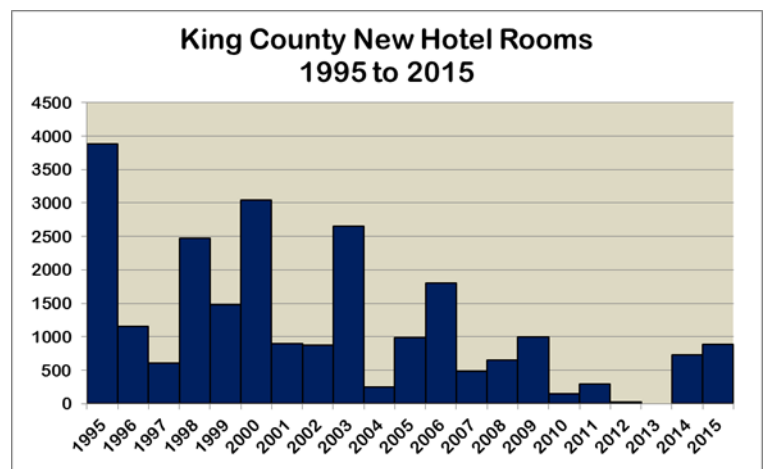


Fig. 7 King County New Hotel Construction (Source: KC OEFA)

¹ Visit Seattle 2015 Annual Report

² ibid

FOCUS: TOURISM IN KING COUNTY (CONT.)

The City of Seattle's sales tax rate is 9.6% with about 2/3 of the revenue generated going to the state and the rest to the City of Seattle, King County and Sound Transit. Rental car taxes are 7.7% in King County and are levied in addition to regular sales taxes. About 75% of this revenue goes to the state with the remainder to King County and Sound Transit. Hotel taxes vary within King County based on location and lodging establishment size. There is a convention center lodging tax levied by the State Convention Center Public Facilities District that is applied to all hotels with 60 or more rooms in King County. It is 7% in the City of Seattle and 2.8% for all other large hotels within King County. There is also a 2% hotel-motel tax levied by the county that is a state shared tax (i.e. the state reduces the amount of sales tax it receives to offset the hotel tax and so the total tax paid by the consumer is the same). All of these government revenue sources are positively impacted by travelers and are utilized to pay for the services state and local governments provide.

The 2% state shared hotel-motel tax revenues received allow one to estimate just how quickly hotel revenues have been rising in King County since they apply to all hotels and are a straight percentage of the total. The following chart shows annual growth in King County hotel-motel tax receipts since 2000. As can be seen, revenue grew strongly before the great recession and then fell dramatically during the recession.

Since coming out of the recession, growth has been strong with the exception of 2013. In 2013, King

County was no longer authorized to collect local hotel taxes within the City of Bellevue and so tax revenues to the county fell in that year. However, if we add in an estimate of hotel taxes within the City of Bellevue to actual receipts to King County, we estimate that hotel revenues have been growing at over 9% annually since the end of the recession.

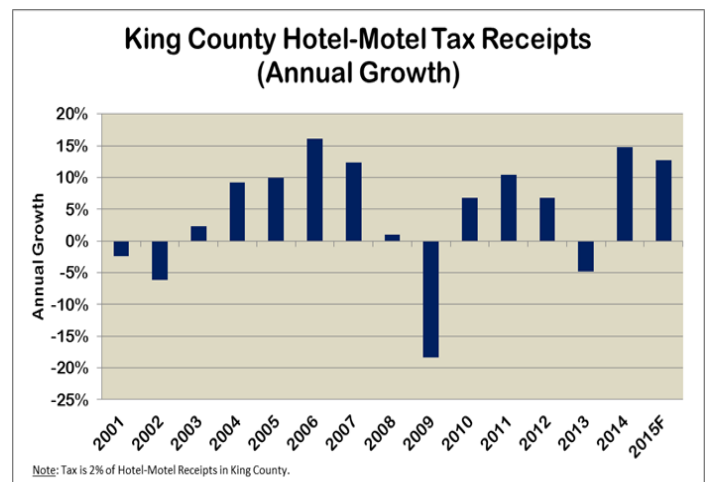


Fig. 8 King County Hotel-Motel Annual Growth Rate (Source: KC OEFA)

The Office of Economic and Financial Analysis operates as an independent agency of King County, and provides economic and financial analysis and forecasting to support county operations and planning and the people of King County.

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