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Period: March 29, 2020 to April 4, 2020

The Governor extended the Stay Home, Stay Healthy order on April 2 to last through May 4, 2020. The Governor also extended the statewide school closures directive for the rest of the academic year and, in response to the crisis, reduced the 2020 supplemental state operating budget by $235M. Most other states around the country have also shut down non-essential business in response to the virus.

The extension of the stay at home order in Washington means that the shutdown of the local economy except essential businesses will remain in place for at least a month longer. Boeing announced last week that the factories would remain closed “indefinitely”. About 30,000 employees are supposed to use vacation, sick leave or apply for unemployment (ST, 4-6-20). Airbus announced a reduced production level reflecting the huge impact on airplane demand, parts shortages and health concerns.

The Governor’s construction guidance on March 25th indicated most construction is not considered essential except those to “further a public purpose”, and those related to emergency repairs. Per media reports, work continued on the Key Arena remodel and the Washington State Convention Center expansion. Sound Transit initially continued work on its projects but this week suspended all work on its projects. Most commercial construction is shut down and the increase in Washington unemployment claims in construction indicates many workers are going on unemployment.

Non-essential physical retail locations are now closed under the state’s orders. Many retailers are now extending closures and furloughing or laying off staff. REI announced it will furlough some of its employees for 90 days without pay though with health benefits. Some corporate staff will also be laid off or take a pay cut. Nordstrom also announced furloughs for a majority of workers. Starbucks announced cafes will be closed through May 3. However, Amazon has over 12,000 job openings on their website located in Seattle as of this morning and Costco report March sales were up almost 10% year over year.

Revenues at the hotels that are still open remain way down and restaurants that remain open are open for takeout only.

We did receive the first March related information on real estate this week. The Northwest Multiple Listings Service indicated residential sales and prices were both up from the same time last year. Countywide REET data also indicated transactions were up year on year though average prices lagged. Some of that is likely due to the change in state REET fees that pulled larger sales forward into 2019. Overall, this supports the anecdotes that real estate transactions were largely not affected by the crisis until later in March when the stay at home order and uncertainty reduced activity. The commentary suggests the months ahead will see a slowdown:

“We expect that all numbers will decline in April and May as a direct result of the governor’s “Stay Home” order that became effective on March 26,” stated Mike Grady, president and COO at Coldwell Banker Bain. He also expects April and May will be “bridge months” before the market returns to a “more normal” activity level, “assuming we all abide by Governor Jay Inslee’s directives.” (NWMLS, 4-6-20)

Other indicators for last week showed the impact of the massive drop in revenues and business that is now leading to furloughs and unemployment. The numbers for the week ending 4/4/20 saw claims in King County rise to 47,233 after being up 3,900% last week (yoy). The impact continues to be felt in accommodation and food service up 4,836% this week (yoy, statewide values) but retail claims were up over 5,000%. Transportation indicators continued to show the impact of people staying home with Metro ridership now down nearly 75% and the suspension of ORCA readers on Sound Transit entities.

The Congressional Budget Office (CBO) updated elements of its national forecast and now expects GDP to fall 7% in 2020:2Q and for unemployment to exceed 10% in that same period. Clarity on expanded unemployment benefits was provided by the Washington ESD last week. The unemployment portion of the federal CARES stimulus will provide an additional $600/week for most people receiving unemployment benefits (from March to July) and will extend benefits by 13 weeks (for a maximum of 39 weeks) and will apply to many not typically eligible like self-employed workers. The expanded benefits will particularly helpful to lower wage workers in industries such as food service and accommodation where wages are typically $30K-$40K/year. We calculate the impacts below: 

Anecdotal information continues to be made available by you (thanks!) and via media outlets and largely continues to show the drastic reduction in demand and now the consequent layoffs and furloughs locally.



**Anecdotal by Industry**

Manufacturing

•Boeing indefinitely extends production shutdown (PSBJ, 4-5-20)

Construction

•Sound Transit stops nearly all of its construction projects (PSBJ, 4-5-20)

Retail

•Rover cuts 41% off its workforce (Geekwire, 3-31-20)

•Earnest national data week ending 3/25; general merchandise grocers +18% down from +50% (yoy) week before, convenience and gas (-43%), supermarkets (+23%), online grocers (+53%), Gaming (+90%), sporting goods (+90%) (Earnest, 3-26-20)

•REI to furlough employees for 90 days starting 4-15-20 but employees will receive health benefits (ST, 4-7-20)

•JD Power expects car sales to be down 45% in March, 78% in April and 75% in May (Automotive News, 3-25-20)

•Costco March comparable store sales up 9.6% yoy in March, (Yahoo Finance, 4-8-20)

Hotels

•N/A

Restaurants

•N/A

Tourism

•Daily passengers departing Sea-Tac at about 2,000-4,000/ day down about 90% compared with same period last year (Port of Seattle, 4-8-20)

Airlines/Trade

•Alaska Airlines demand is now down about 80% (PSBJ, 4-6-20)

Real Estate

•Eastside rents expected to moderate (PSBJ, 4-4-20)

•Redfin to lay off 7% of employees and furlough 34% (PSBJ, 4-7-20)

•Commercial Analytics survey said 76% of tenants are seeking relief according to property managers for 34K units at 216 properties in the four counties (PSBJ, 4-7-20)

Employment

•Eastside Subaru WARN notice-46 positions terminated or furloughed (3-27-20)

•Gee Ford Hyundai Kirkland WARN notice-75 positions terminated or furloughed (3-27-20)

Municipal Governments

•Seattle’s small business stabilization fund had 8,741 applications and 250 awards (PSBJ, 4-4-20)

Other

•U.S. Chamber of Commerce/MetLife Poll-11% are one month away from closing and 24% of businesses are two months away from closing (U.S. Chamber of Commerce, 4-3-20)

•36,000 small businesses in Seattle with average rent of $9K/mo (Bobby Lee Seattle OED, 3-11-20)

•25% of small businesses have less than 13 days of cash buffers, and 25% hold over 62 cash buffer days with the rest between and a median of 27 days, (JPMorgan Chase, September, 2016)

•PSRC distributing $538M in aid to transit agencies in WA, including $243M to Metro and $167M to Sound Transit (PSBJ, 4-6-20)

•A survey of 237 Kirkland businesses thorough 4/1/20 found that 119 have reduced hours or done layoffs, and 39% say they can’t pay rent. (City of Kirkland, 4-8-20)