



# ECONPULSE

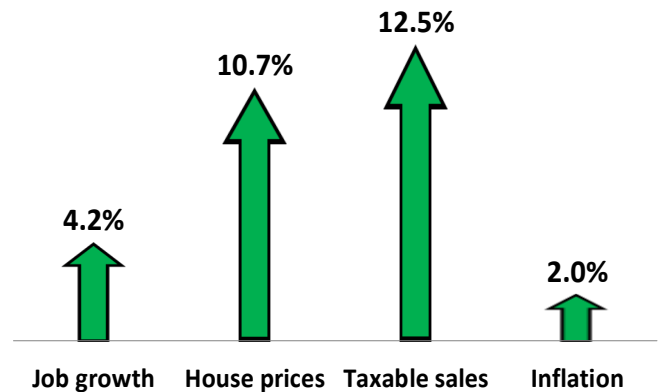
A QUARTERLY LOOK AT THE KING COUNTY ECONOMY  
 KING COUNTY OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS

SECOND QUARTER 2016

## SUMMARY

- King County employment grew by 4.2% in the second quarter of 2016 relative to a year ago, with continued strong growth in service and construction jobs
- Home prices increased by 10.7% since May 2015. The average sales price for a home in King County was \$592,801 in second quarter 2016.
- Taxable sales in King County were up 12.5% in April and May from a year prior.
- Inflation increased, up 2.0% in June

King County Key Economic Indicators  
 (Q2 2016 growth compared to Q2 2015)



## DETAIL

King County job growth remained strong in the second quarter of 2016, up 4.2% from a year prior. Job growth was driven by continued gains in information employment (7,300 jobs added, an 8.4% increase), construction employment (5,700 jobs added, an 8.6% increase), trade, transportation and utilities employment (13,100 jobs added, a 5.4% increase), and leisure and hospitality employment (7,600 jobs added, a 5.8% increase). The professional and business services sector also registered solid growth, adding 7,300 jobs over the past twelve months.

Unemployment continues to be low, falling to 4.3%

in June from 4.6% in March. King County unemployment remains below the national rate, which stood at 4.9%, down very slightly from 5% in March. The Conference Board's help wanted data showed an average of 39,416 available jobs in King County posted online in the second quarter of 2016, the highest number of listings since 2006.

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

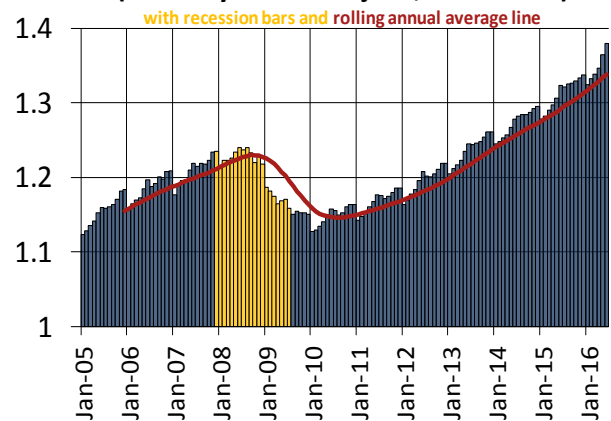


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

**DETAIL (CONT.)**

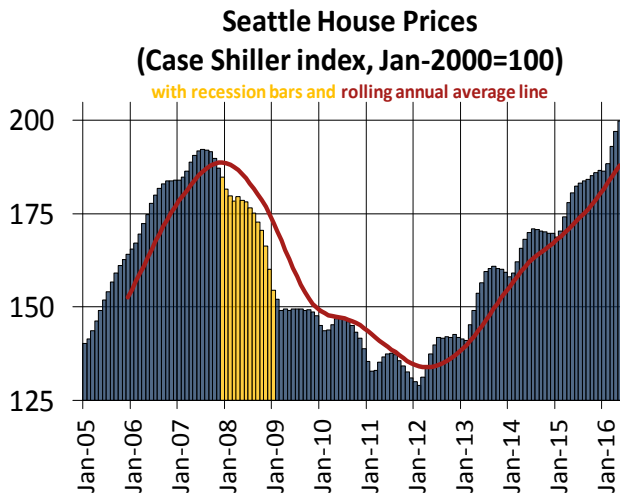


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

Housing prices increased yet again in the second quarter, albeit at a slightly slower rate than in the first quarter. The Case-Shiller home price index for the Seattle area increased 10.7% in May over the previous May. Tight supply continues to be an issue in King County, as well as in neighboring counties.

Single- and multi-family permitting activity increased significantly in the second quarter 2016 as compared to the second quarter of 2015, both increasing by over 20%. For more detail on the trends in residential permitting in King County, please see this quarter’s Focus starting on page 4.

Taxable retail sales experienced another quarter of strong growth, increasing 12.5% in April and May compared to 2015. Construction sales increased 26.8%, picking up pace again after slowing in the first quarter. Retail sales also posted stronger gains.

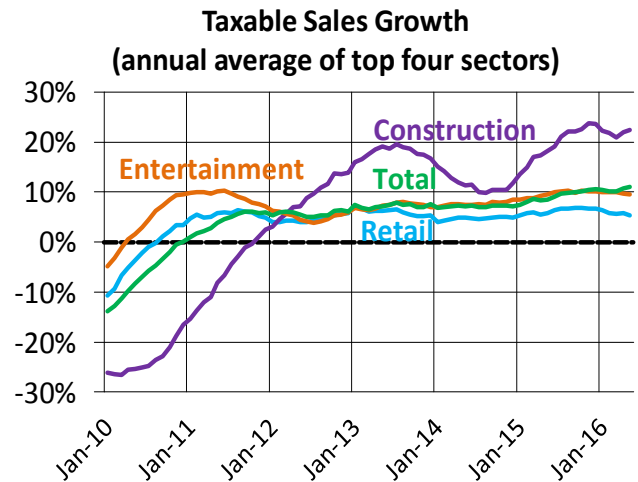


Fig. 4 Taxable Sales Growth in King County (12 month avg) (Source: WA DOR)

Inflation rose in June compared to the prior year with a 2% increase in the CPI-W for Seattle. Reduced energy prices continue to exert a downward force on inflation, offset by increased housing costs.

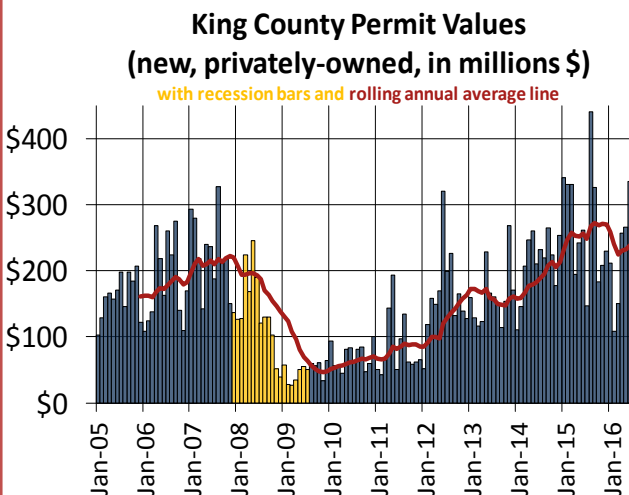


Fig. 3 Value of King County Permits (Source: U.S. Census Bureau)

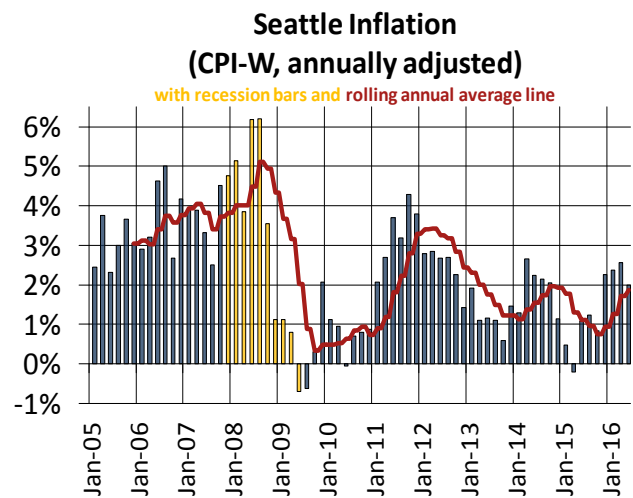


Fig. 5 Seattle Consumer Price Index (Source: BLS)

## THE NUMBERS

### King County Employment (in thousands)

| NAICS Industry                          | 2016:2Q | 2015:2Q | Absolute change | % Change |
|---|---------|---------|-----------------|----------|
| Total Nonfarm                           | 1,363.3 | 1,308.9 | 54.5            | 4.2%     |
| Total Private                           | 1,182.4 | 1,132.5 | 49.9            | 4.4%     |
| Goods Producing                         | 178.0   | 173.4   | 4.7             | 2.7%     |
| Construction                            | 72.1    | 66.4    | 5.7             | 8.6%     |
| Manufacturing                           | 105.4   | 106.4   | -1.0            | -0.9%    |
| Service Providing                       | 1,185.3 | 1,135.5 | 49.8            | 4.4%     |
| Trade, Transportation, and Utilities    | 255.9   | 242.8   | 13.1            | 5.4%     |
| Information                             | 94.8    | 87.4    | 7.3             | 8.4%     |
| Financial Activities                    | 72.5    | 69.9    | 2.6             | 3.7%     |
| Professional and Business Services      | 221.5   | 214.2   | 7.3             | 3.4%     |
| Educational and Health Services         | 171.2   | 167.7   | 3.4             | 2.0%     |
| Educational Services                    | 27.0    | 27.7    | -0.7            | -2.5%    |
| Ambulatory Health Care Services         | 56.4    | 54.6    | 1.8             | 3.2%     |
| Hospitals                               | 29.0    | 27.4    | 1.6             | 5.8%     |
| Nursing and Residential Care Facilities | 20.6    | 20.6    | -0.1            | -0.3%    |
| Social Assistance                       | 38.1    | 37.3    | 0.8             | 2.1%     |
| Leisure and Hospitality                 | 137.6   | 130.0   | 7.6             | 5.8%     |
| Arts, Entertainment, and Recreation     | 26.5    | 24.4    | 2.1             | 8.5%     |
| Accommodation                           | 13.7    | 13.5    | 0.2             | 1.7%     |
| Food Services and Drinking Places       | 97.4    | 92.0    | 5.3             | 5.8%     |
| Other Services                          | 51.0    | 47.1    | 3.9             | 8.3%     |
| Government                              | 180.9   | 176.4   | 4.5             | 2.6%     |

### Other King County Economic Indicators

|  | 2016:Q2    | 2015:Q2    | % Change |
|--|------------|------------|----------|
| <b>Real Estate</b>                             |            |            |          |
| Single Family Permits (No. of units)           | 1,075      | 883        | 21.7%    |
| Single Family Permits (\$000)                  | \$ 393,667 | \$ 326,060 | 20.7%    |
| Multi-Family Permits (No. of units)            | 3,423      | 2,851      | 20.1%    |
| Multi-Family Permits (\$000)                   | \$ 465,337 | \$ 371,612 | 25.2%    |
| Avg. sales price (NW Multiple Listing Service) | \$ 592,801 | \$ 540,367 | 9.7%     |
| Number of sales (NW Multiple Listing Service)  | 9,928      | 10,073     | -1.4%    |
| <b>Taxable Retail Sales (\$B, April - May)</b> | \$ 9.84    | \$ 8.75    | 12.5%    |
| Retail/Wholesale                               | \$ 4.10    | \$ 3.85    | 6.4%     |
| Construction/Real Estate                       | \$ 2.74    | \$ 2.21    | 24.0%    |
| Food Service, Accommodation, Entertainment     | \$ 1.65    | \$ 1.52    | 8.6%     |
| Other  | \$ 1.35    | \$ 1.17    | 15.4%    |
| <b>Inflation (June)</b>                        |            |            |          |
| CPI-W (Seattle-Tacoma-Bremerton)               | 251.85     | 246.93     | 2.0%     |

## FOCUS: NEW CONSTRUCTION IN KING COUNTY

As the King County economy continues its strong recovery from the Great Recession, population growth has accelerated. A robust employment market is drawing new residents from outside of King County, Washington State, and the United States. The Washington State Office of Financial Management estimates that from April 2015 to April 2016 King County’s population grew 2.5%, adding 52,300 new residents. During this same period 49,900 new jobs were added in King County. This population growth has had a significant impact on the local housing market. Rents and home prices are rising at rates not seen since before the recession and an imbalanced housing market continues to be constrained by limited supply.

This accelerating population growth and rapidly increasing employment has also led to pressure to build new housing as well as commercial development such as office space. The King County Assessor reports that \$6.6 billion of newly constructed building value was added in King County in 2015, split nearly evenly between residential and commercial sectors. While the commercial new construction is very heavily concentrated within the cities of Seattle and Bellevue, with over 75% of the total newly constructed commercial building value (fig. 7), residential new construction is not as highly concentrated (fig. 8). The City of Seattle accounts for about 40% of the value of new residential construction and the remaining 60% is spread throughout the county. The City of Kirkland added the most value (6.7% of total new residential value) of any city outside Seattle, followed by the cities of Bellevue, Renton and Sammamish.

However, even with this robust construction, housing prices have continued to rise. The rental index for primary residences in the Seattle-Tacoma-Bremerton area has increased 26%

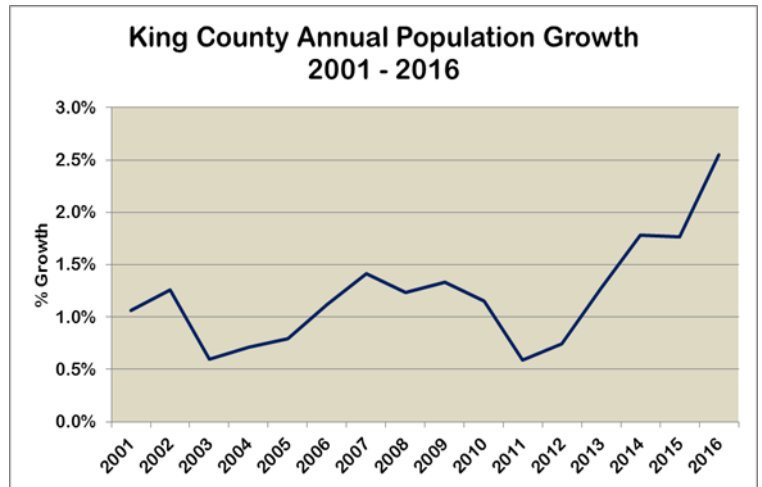


Fig. 6 King County Annual Population Growth (Source: WA OFM)

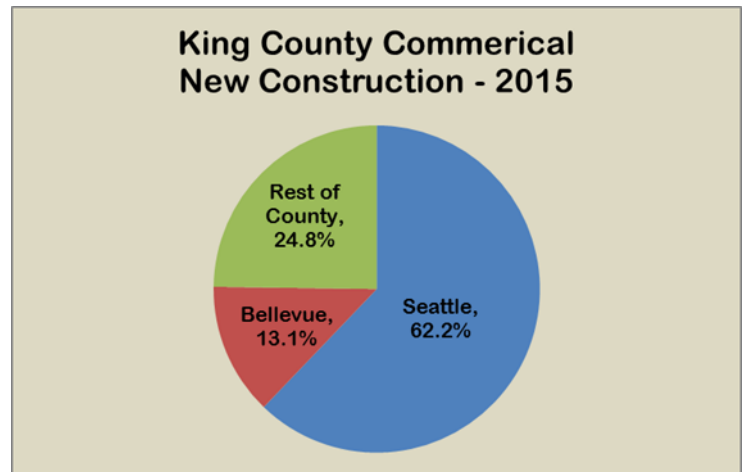


Fig. 7 King County Commercial New Construction (Source: KC DOA)

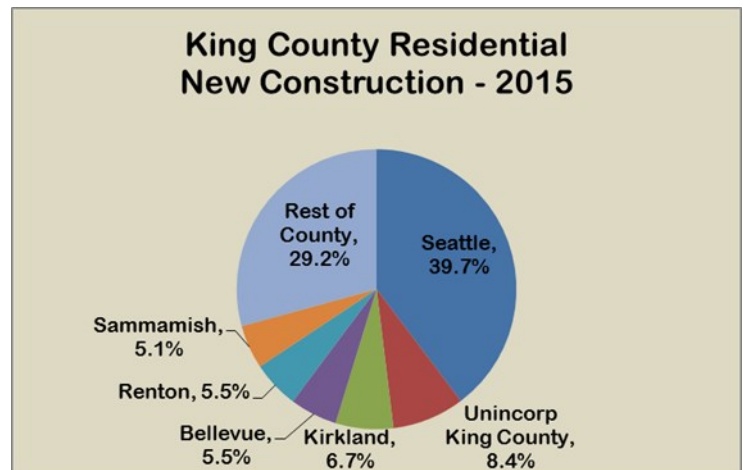


Fig. 8 King County Residential New Construction (Source: KC DOA)

## FOCUS: NEW CONSTRUCTION IN KING COUNTY (CONT.)

since the end of the Great Recession and continues to increase sharply month-to-month as seen in Figure 9. New residents looking to purchase a home are also facing rapidly rising prices. Single family construction has not returned to pre-recession levels, and together with factors that are encouraging existing homeowners to stay in their homes (e.g. recent refinancing, low inventory for trade-up homes, etc.) the result is an extremely low supply of existing homes for sale in the face of a swelling population. The limited supply and strong demand have served to push prices up, with the median price for a single family home in King County rising to \$573,222 in June 2016 compared to \$500,000 a year prior, a 14.7% increase according to NWMLS.

These housing market conditions should encourage developers to construct more housing but a look at residential building completions tells an interesting story. After dropping sharply in the wake of the Great Recession, new construction completions surged in 2014 and 2015. However, much of the activity has been concentrated in the multi-family market, with over 80% of the 17,171 new units in 2014 being multi-family units. The trend continued in 2015, with 13,139 units completed, only 2,771 of which were single family. So developers have been responding to demand for multi-family housing and single family housing construction has not recovered to pre-recession levels.

Is this trend likely to change soon? We can evaluate the permit data as an indicator of future residential construction. After declining precipitously in 2009 to a total of only 2,831 new units permitted, residential permitting began to recover in the years 2010 and 2011. In 2012, new permits nearly doubled and a

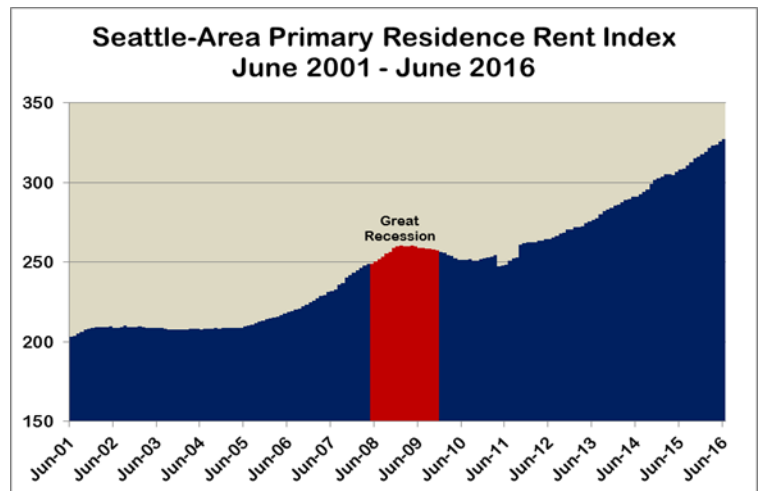


Fig. 9 Seattle-Area Primary Residence Rent Index (Source: BLS)

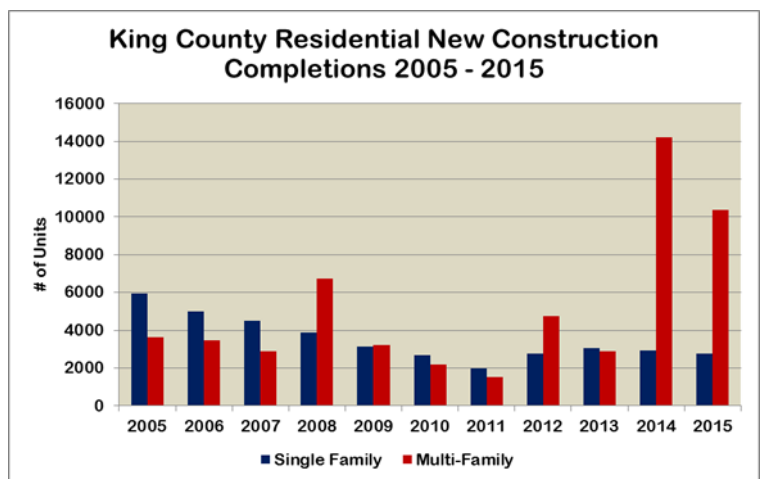


Fig. 10 King County Residential New Construction Completions (Source: KC DOA)

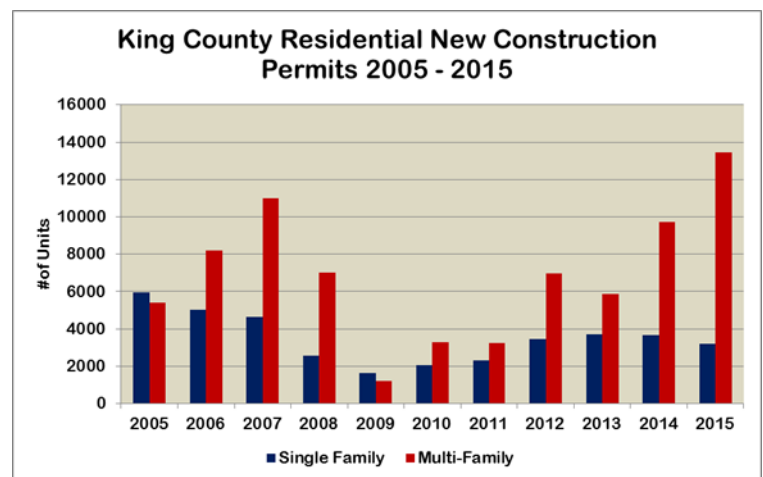


Fig. 11 King County Residential New Construction Permits (Source: US Census Bureau)

**FOCUS: NEW CONSTRUCTION IN KING COUNTY (CONT.)**

building boom was on the horizon. In 2015, new permits outpaced the pre-recession peak, with 16,630 new residential units permitted. Of those permits, however, less than 20% were single family units. This level of permitting is still below the level seen before the great recession. So far in 2016, single-family unit permitting is up 19% from 2015, suggesting that single-family home construction is beginning to accelerate and so this might eventually provide some relief to the low inventory of single-family homes for sale.

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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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