



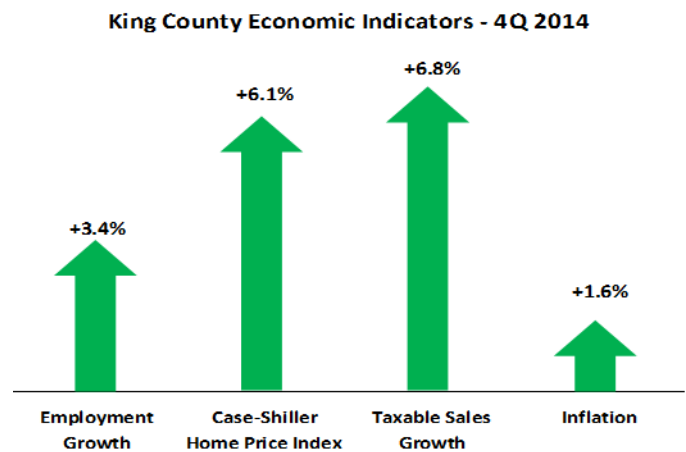
ECONPULSE

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

FOURTH QUARTER 2014

SUMMARY

- King County employment grew by 3.4% in the fourth quarter relative to a year ago, with construction employment up 11.4% and services up 3.2%.
- Home price growth slowed to 6.1% in the fourth quarter compared with the same period in 2013.
- Taxable sales in King County were up 6.8% in October and November from a year prior.
- Price pressure remains subdued with inflation up 1.6% year over year.



DETAIL

King County continued its trend of strong economic growth into the fourth quarter of 2014. Jobs grew by 3.4%, slightly down from third quarter, but still outpacing national employment growth. Job growth in construction was particularly strong, rising 11.4% over the previous year. Service jobs grew by a very solid 3.2%, with the professional and business services and information sectors driving much of the growth. Unemployment in King County dropped to 4.1% in December, the lowest rate in the state and well below the national rate of 5.6%.

Amazon continues to hire at a remarkable pace, with over 11,000 open job listings in the last four months of 2014, more than offsetting the mild slowdown in employment growth by our largest private employers, Microsoft and Boeing. Software development and other technical professionals were the greatest in demand, while health care and retail opportunities also abound for job seekers.

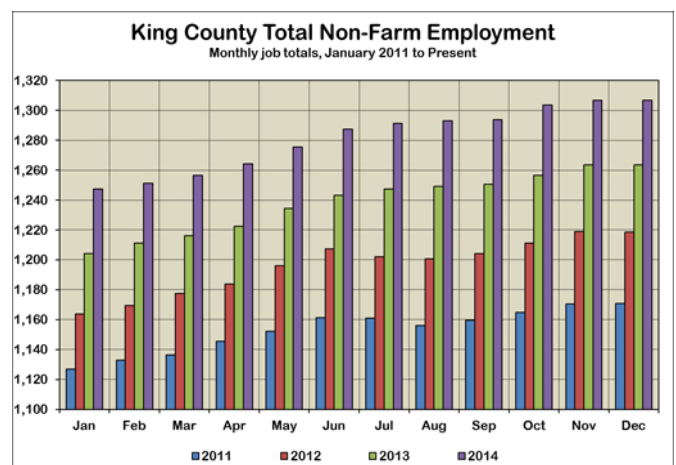


Fig. 1 Non-Farm Employment in King County by month

DETAIL (CONT.)

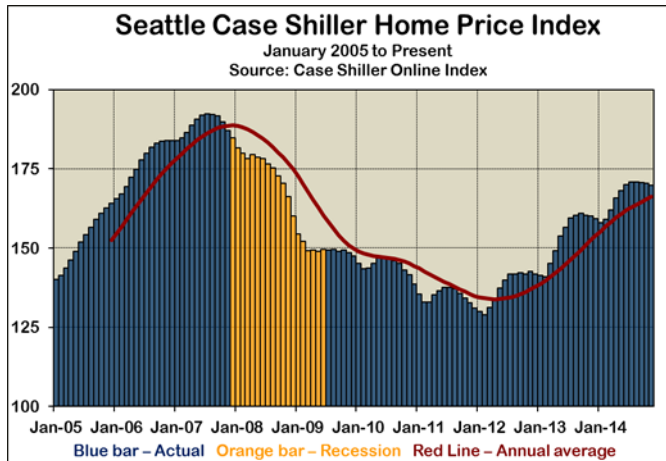


Fig. 2 Seattle Case-Shiller Index

The combination of low inventory and high demand continues to drive improvement in the King County real estate market. Lower mortgage rates and the expectation of higher interest rates in 2015 led to robust traffic in the fourth quarter of 2014, with loosening lending practices bringing first-time buyers into the market. Northwest Multiple Listing Service reported extremely tight inventory levels in King County, with only 1.4 months of supply in December.

The commercial real estate sector remains quite strong, as does new construction. Building permit activity was particularly healthy in multi-family, with an 11.4% increase in the number of units permitted as compared to 2013.

Taxable sales increased 6.8% in the fourth quarter (October and November) compared to the prior year, led by construction and real estate sales with an increase of 11.5%. Available data for 2014 does not include December, a historically strong month for retail sales as seen in the Figure 4 below. Hotel tax collections increased 11.7% over 2013, concluding a very solid year for the sector.

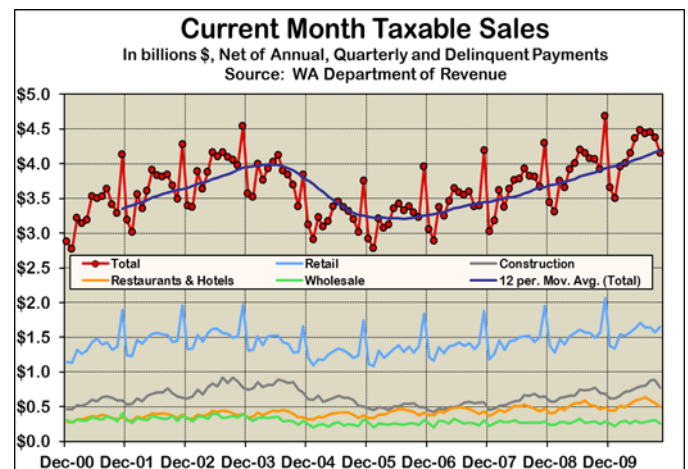


Fig. 4 Current Monthly Taxable Sales in King County

Inflation fell in the fourth quarter, driven by significant declines in energy prices. CPI-W for Seattle in December was up only 1.1% over the previous year.

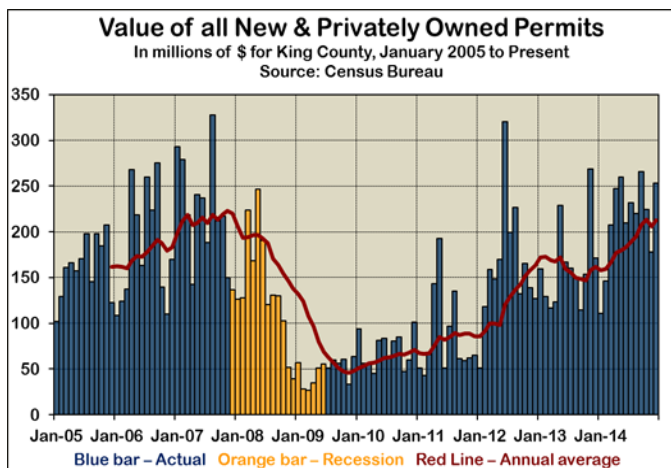


Fig. 3 Value of King County Permits from the U.S. Census Bureau

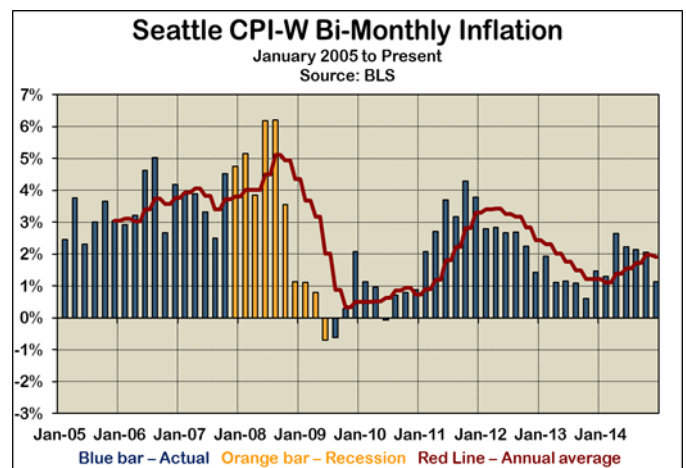


Fig. 5 Seattle Consumer Price Index (CPI-W)

THE NUMBERS

| King County Employment (numbers in thousands) | | | | |
|---|---------|---------|-----------------|----------|
| **NAICS Industry | 2014:4Q | 2013:4Q | Absolute Change | % Change |
| Total Nonfarm | 1,306.7 | 1,263.4 | 43.3 | 3.4% |
| Total Private | 1,135.8 | 1,095.1 | 40.7 | 3.7% |
| Goods Producing | 172.6 | 164.5 | 8.1 | 4.9% |
| Construction | 63.5 | 57.0 | 6.5 | 11.4% |
| Manufacturing | 108.6 | 107.0 | 1.6 | 1.5% |
| Service Providing | 1,134.1 | 1,098.9 | 35.2 | 3.2% |
| Trade, Transportation, and Utilities | 246.0 | 237.2 | 8.8 | 3.7% |
| Information | 86.7 | 83.8 | 2.9 | 3.5% |
| Financial Activities | 73.6 | 71.4 | 2.2 | 3.1% |
| Professional and Business Services | 213.4 | 204.5 | 8.9 | 4.4% |
| Educational and Health Services | 171.0 | 166.7 | 4.3 | 2.6% |
| Educational Services | 25.3 | 25.2 | 0.1 | 0.4% |
| Ambulatory Health Care Services | 54.8 | 51.7 | 3.1 | 6.0% |
| Hospitals | 28.8 | 28.4 | 0.4 | 1.4% |
| Nursing and Residential Care Facilities | 21.3 | 20.5 | 0.8 | 3.9% |
| Social Assistance | 40.8 | 40.9 | -0.1 | -0.2% |
| Leisure and Hospitality | 125.3 | 122.1 | 3.2 | 2.6% |
| Arts, Entertainment, and Recreation | 21.7 | 22.2 | -0.5 | -2.3% |
| Accommodation | 12.9 | 13.3 | -0.4 | -3.0% |
| Food Services and Drinking Places | 90.8 | 86.6 | 4.2 | 4.8% |
| Other Services | 47.2 | 44.9 | 2.3 | 5.1% |
| Government | 170.9 | 168.3 | 2.6 | 1.5% |

| Other King County Economic Indicators | | | |
|---|-----------|-----------|----------|
| | 2014:4Q | 2013:4Q | % Change |
| Real Estate | | | |
| Single Family Permits (No. of units) | 954 | 1,076 | -11.3% |
| Single Family Permits (\$000) | \$330,000 | \$330,000 | 0.0% |
| Multi-Family Permits (No. of units) | 2,350 | 2,110 | 11.4% |
| Multi-Family Permits (\$000) | \$360,000 | \$310,000 | 16.1% |
| Avg. sales price (NW Multiple Listing Service) | \$399,650 | \$378,367 | 5.6% |
| Number of sales (NW Multiple Listing Service) | 7,693 | 7,347 | 4.7% |
| Taxable Retail Sales (\$B, October-November) | 8.53 | 7.99 | 6.8% |
| Retail/ Wholesale | 3.78 | 3.6 | 5.0% |
| Construction/ Real Estate | 2.14 | 1.92 | 11.5% |
| Food Service/Accommodation/Entertainment | 1.39 | 1.32 | 5.3% |
| Other | 1.21 | 1.14 | 6.1% |
| Inflation (Oct. & Dec.) | | | |
| CPI-W (Seattle-Tacoma-Bremerton) | 242.508 | 238.692 | 1.6% |

FOCUS: COUNTY EMPLOYMENT GROWTH

King County has a remarkable diversity of employers and occupations. However, employment levels have varied significantly from year to year depending on the national and world economies and due to the uniqueness of the Puget Sound economy. From the 1970 “Boeing bust” when employment levels fell by over 8% in one year, to 1996 when employment grew by over 7%, employment growth in King County has been highly variable. Fig. 6 plots employment growth in King County from 1991 to 2014.

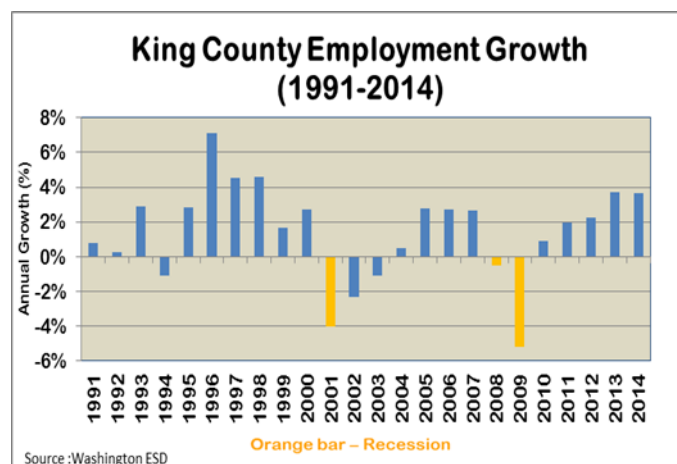


Fig. 6 King County Employment Growth (1991—2014)

This history of variable growth makes one wonder: has King County’s employment expanded more or less than other regions in the U.S. in recent years?

Fortunately, the U.S. Bureau of Labor Statistics (BLS) makes it possible to consider this question by publishing employment data on the ten largest counties by employment. It turns out King County is the ninth largest economy by employment in the U.S. and that data exists back to 2003 which allows us to look at employment growth for more than ten years.

The nine other (“peer”) counties include Los Angeles, Cook, New York, Harris, Maricopa, Dallas, Orange, San Diego and Miami-Dade.

Figure 7 plots total employment growth for King County, the nine peer counties and the U.S. from 2003 to 2014. As can be seen, employment growth in King County has outperformed our peers and the nation as a whole.

Overall, King County’s growth over this period is more than double the growth experienced in the U.S. and is nearly double what the nine peer

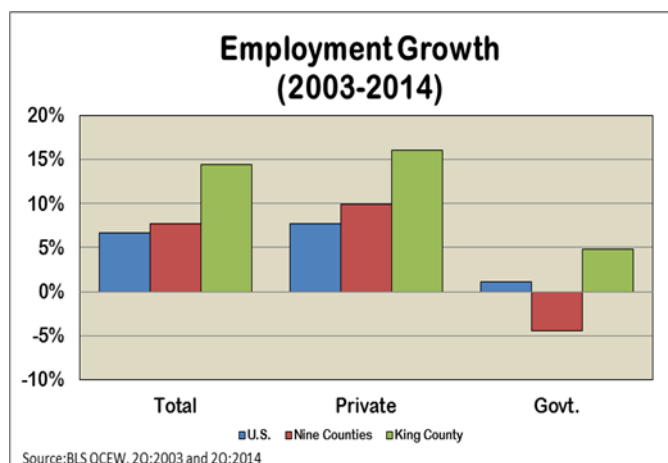


Fig. 7 Employment Growth (2003—2014)

counties have experienced. Private sector employment growth led the way, with King County’s private sector expanding by 16% over this period. For comparison, the private sector in the peer counties expanded 10% and the U.S. private sector expanded about 8%.

King County’s public sector also expanded more than the peer counties and the U.S. but the overall growth was less. King County’s public sector expanded 5% but the public sector of the nine peer counties actually contracted by more than 4%. Federal employment expanded by just over 1% over the period.

FOCUS: COUNTY EMPLOYMENT GROWTH (CONT.)

This employment growth can be further evaluated by considering employment changes in individual industries over the same period. BLS classifies industries using the North American Industrial Classification System (NAICS) which allows for comparisons over time and across entities. Figure 8 plots industry level growth over that time for King County, the peer counties and the U.S.

As shown in Figure 8, employment growth by industry has varied significantly between King County, the peer counties and the U.S. as a whole.

King County has outperformed the peer counties in construction and manufacturing, trade and transportation (shown as “TT&U”), information, professional services and education and health. The biggest difference is in information sector employment growth as King County’s information sector expanded by more than 25% over the period. In contrast, employment in the industry shrank in both the peer counties and the U.S. as a whole. This industry includes diverse components including print media which has generally seen employment reductions. However, it also includes software publishing which has been a significant area of growth for King County and is extensively tied to the growth of one of the county’s largest employers, the Microsoft corporation.

In other industries the county has not been so fortunate. Employment in resources, finance and other services shrunk over the period more than the peer counties and the national economy. The natural resources sector has contracted as the county has become less dependent on resource extraction. However, the industry employs less than 3,000 people in King County and so even a relatively small reduction in the number of jobs appears large in percentage terms. However, the financial services industry in King County has seen significant employment reductions. This appears to be associated with consolidation in the industry as firms struggled through the great recession and also some one-time large events like the failure of Washington Mutual Savings and Loan.

This variable industrial growth means that King County’s industry employment breakdown is different than our peers and the U.S. in some key ways. Fig.9 has the industry breakdown in percentage terms for the second quarter of 2014.

As can be seen, King County is broadly similar to our peers and the U.S. but has a very high percentage of employment in the information sector and a smaller financial services sector than our peers.

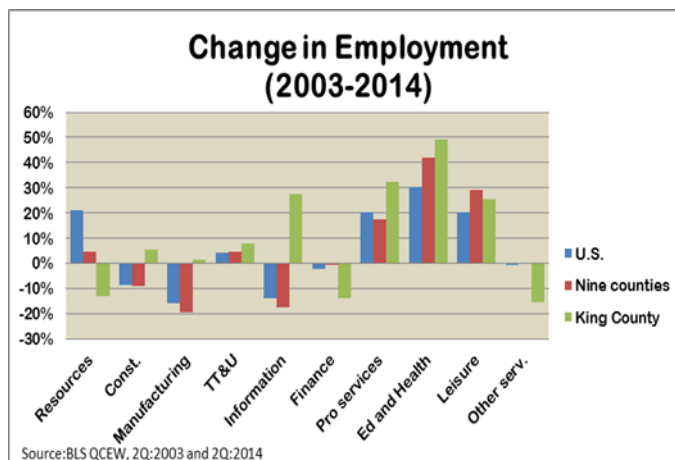


Fig. 8 Percentage Change in Employment (2003–2014)

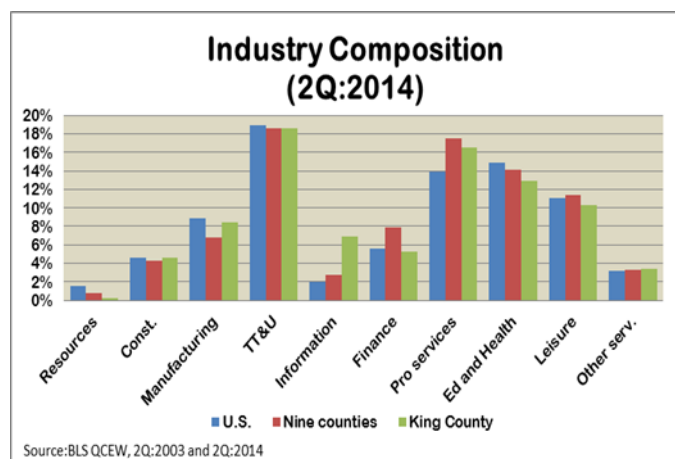


Fig. 9 Industry Composition 2Q2014

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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