

City of Spokane Quarterly Economic Indicators

Q3, 2024

September, 2024



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start something **big**

Overview

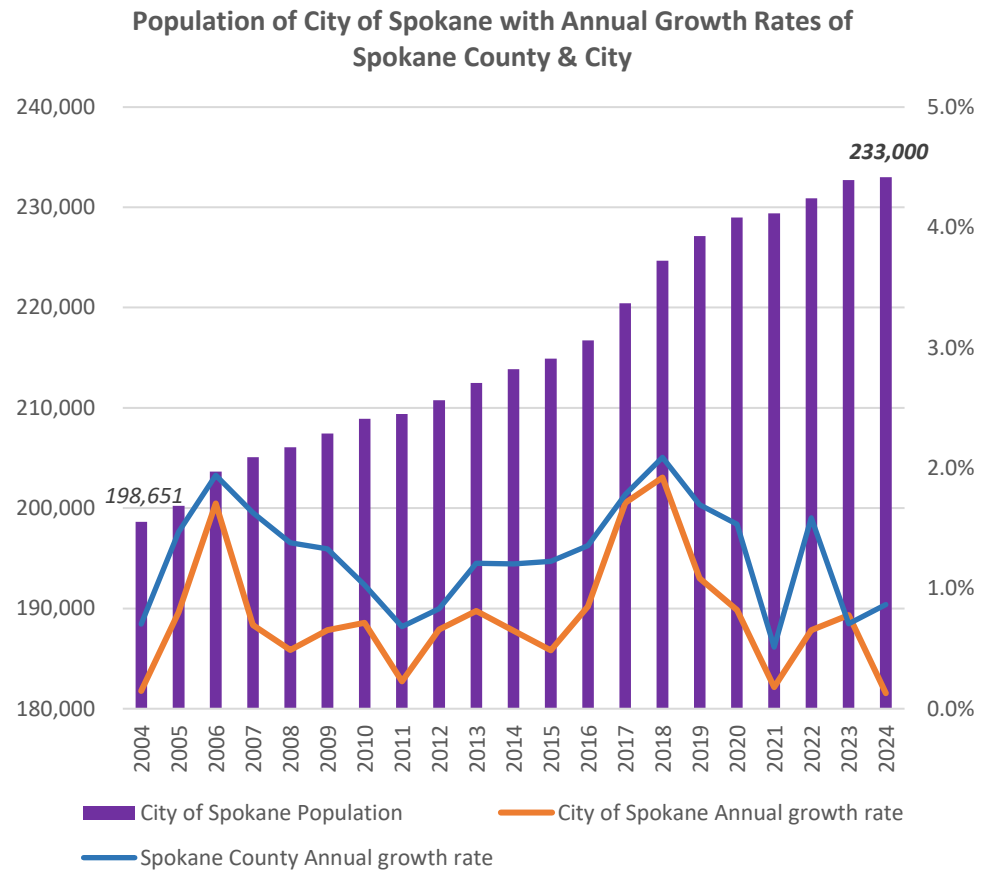
Goal: to provide insights about important City trends via data with higher frequency than annual updates

- Track indicators in the following categories :
 - Demographics
 - Labor markets
 - Employment Residential construction
 - Non-residential construction
 - Taxable sales & revenue
- Per the Council's request, the following categories have been added:
 - Government employment
 - Affordability – 2 HAI measures
 - Median household income
- Local indicators are for the City of Spokane, unless noted

Population

City of Spokane is growing much slower than County

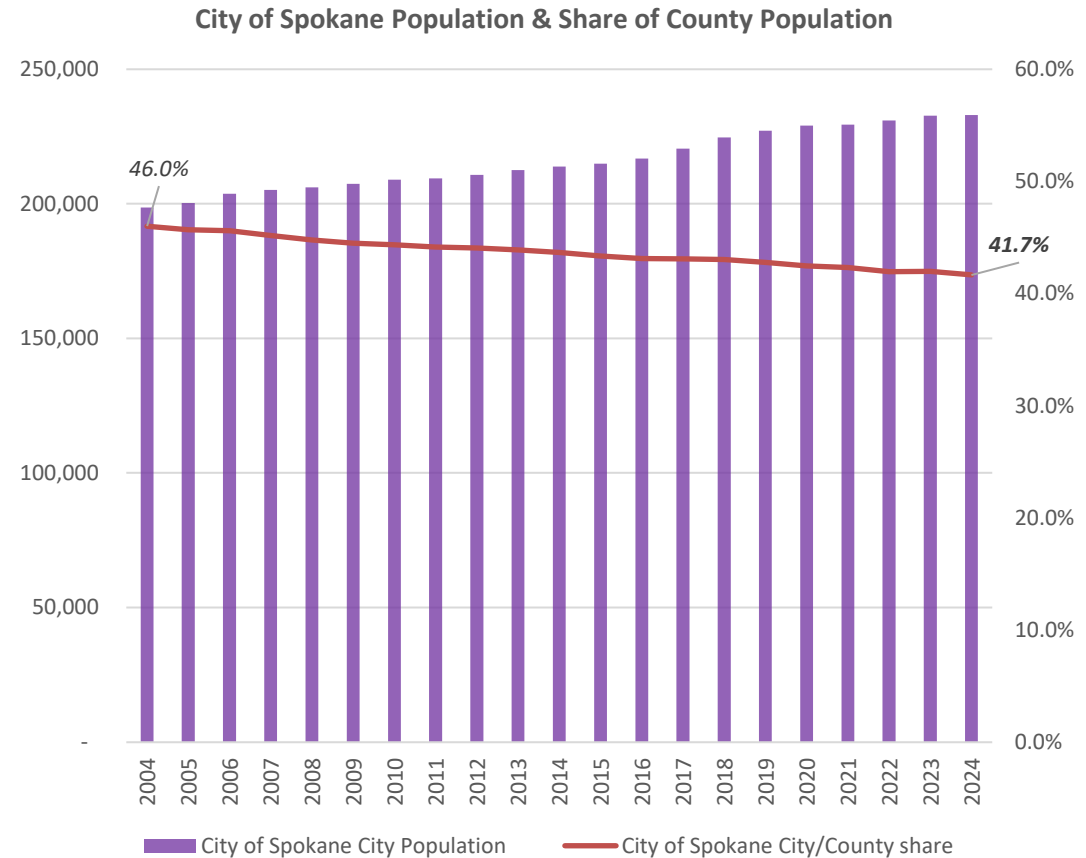
- 2024 estimates out in late June, based on April 1
- COS 2023-24 growth rate = 0.1% vs. County's 0.9%
- Over the past decade, City has grown much more slowly than the County



Population

City of Spokane continues to lose “market share” of County residents

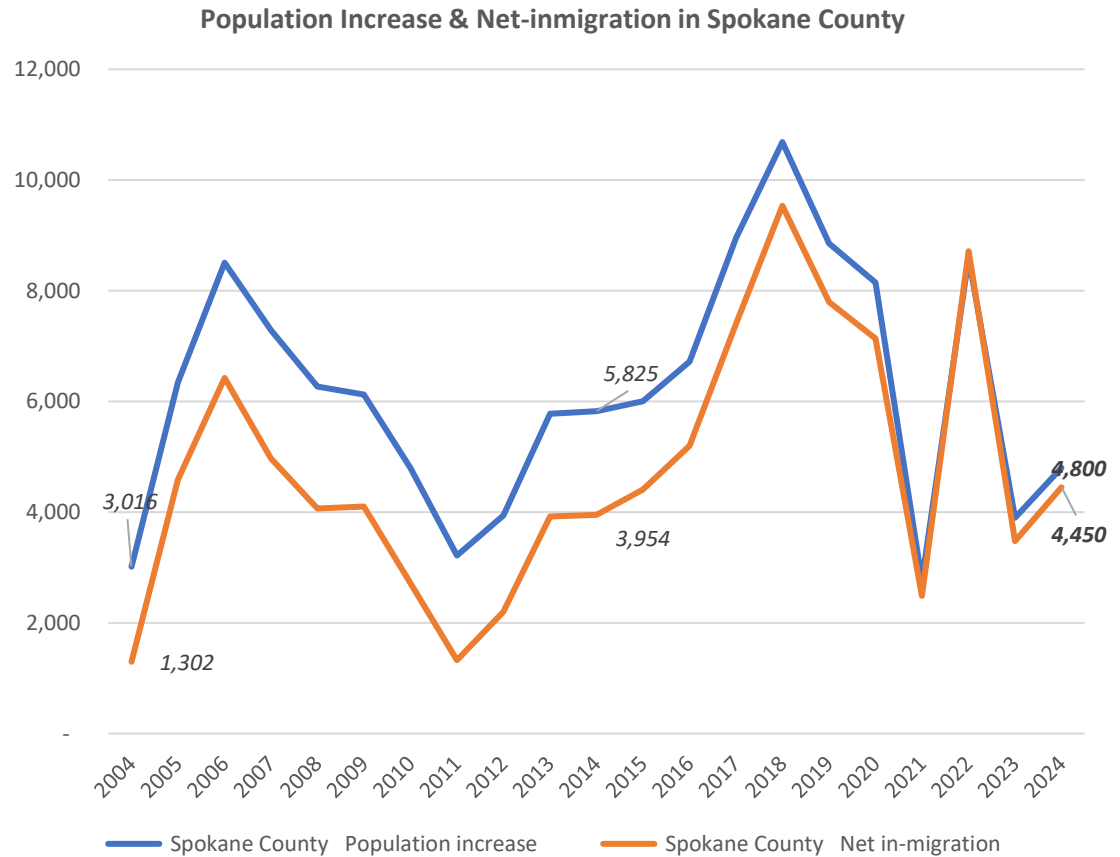
- Two decades ago, COS share was > 4.3 percentage points higher than in 2024
- Easy to imagine that COS’s share will be ~40% in 2030
- Situation not unique among metro areas



Population

In-migration is nearly the sole factor driving population growth here

- Since the pandemic, net migration is the factor behind Spokane County's population growth
- The other component: "natural increase," of births – deaths
 - Played a still significant role up to 2020



Population

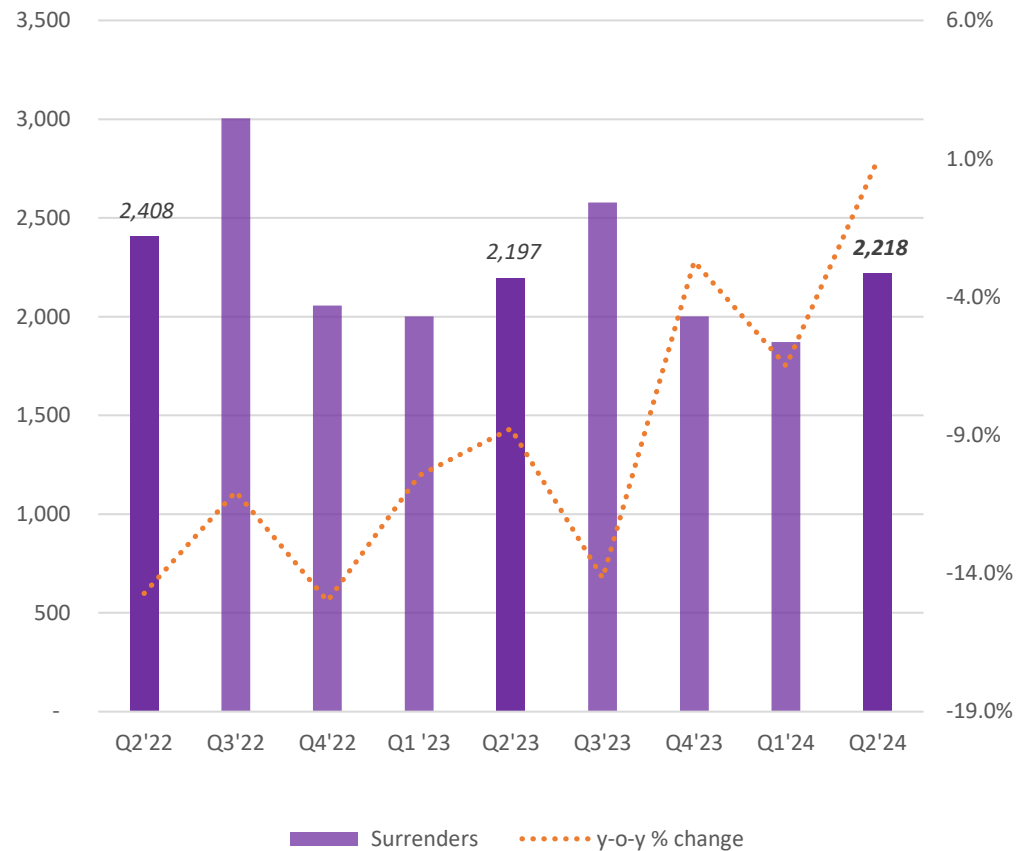
What drives in-migration?

- Jobs
- Retirement
- Higher ed students from out of county
- Lower cost of living
- Other?

Population

County drivers license surrenders: Is Q1 this year the start of a reversal of (negative) trend?

- Tracks those moving to the county from out-of-state
 - Doesn't capture in-state moves; currently, these are larger
- Q1 2024 > than Q1 in 2023; negative growth every quarter since Q3 2021
- 2023 < 2022 by ~10%
- Rank of top "contributing" states still: ID, CA, OR, TX, AZ

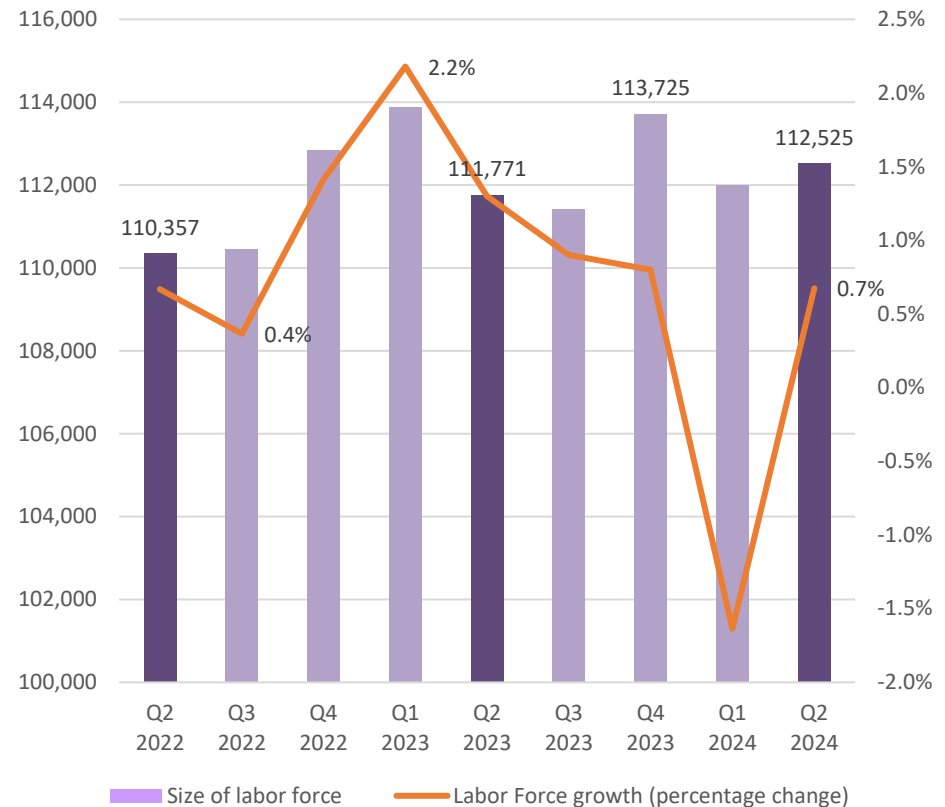


Source: [WA Department of Licensing](#)

Labor market

Size of the labor force (& year-to-year change)

- Civilian labor force (CLF) is the sum of those employed plus those unemployed and actively looking for work.
- After a dip in first quarter of this year, CLF rebounded slightly in Q2.
- Q2 of 2024 is higher than same quarter of last two years (2022 & 2023)
- CLF has increased roughly 1,000 year-over-year, same quarter (Q2).



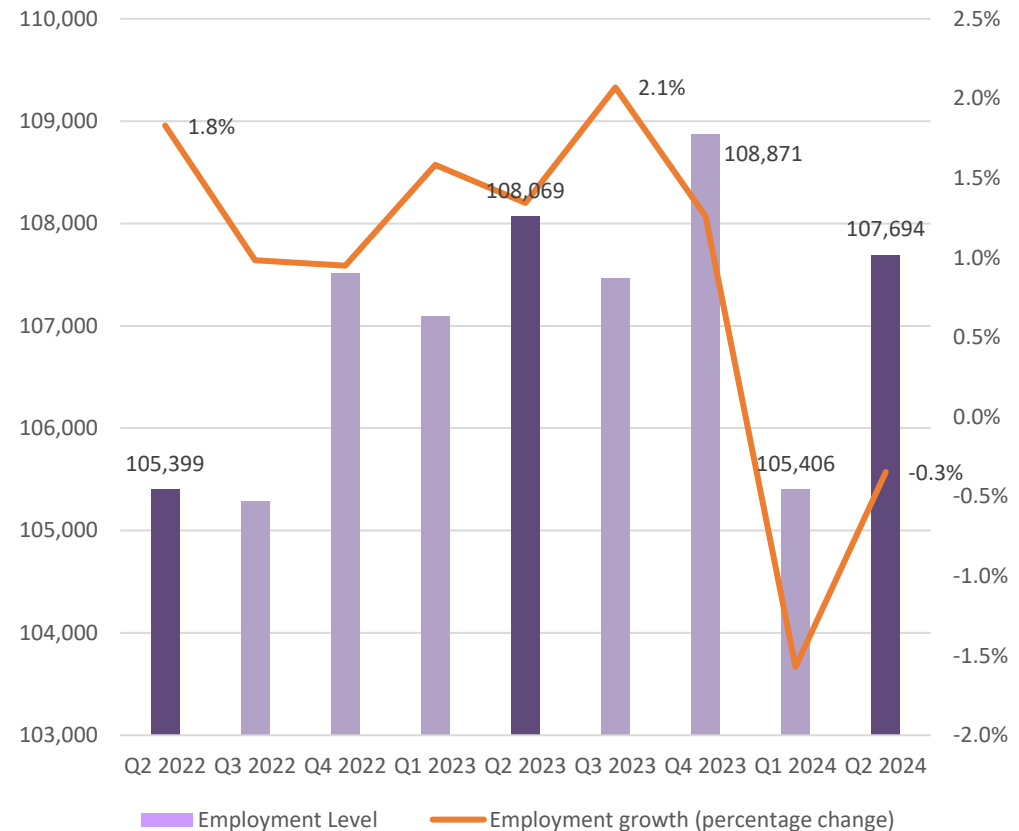
Source: Local Area Unemployment Statistics (LAUS)

Labor market

Number of jobs (& year-to-year change)

- After a drop in employment from Q4 of 2023 to Q1 of 2024, employment rebounded in second quarter of 2024.
- Second quarter of 2024 saw a slight decrease in jobs from same quarter 2023 (under 400 fewer)
- Total number of jobs in the county peaked in Q4 of 2023 at nearly 109K.

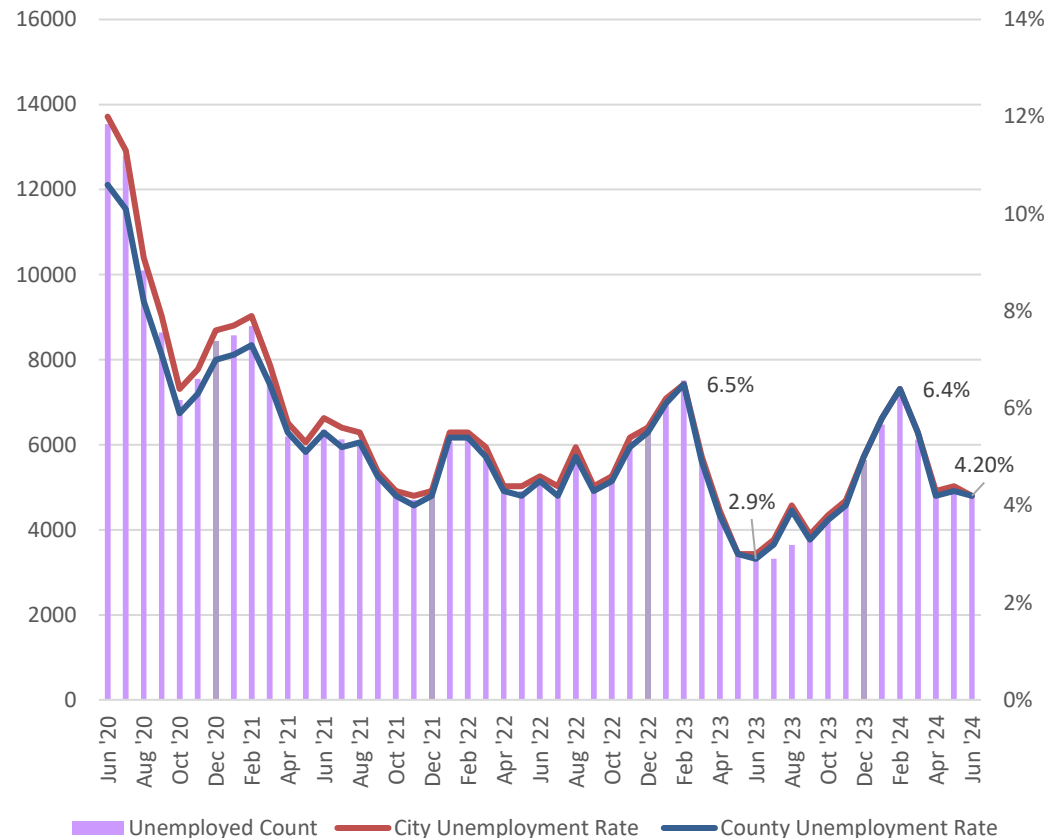
Source: Local Area Unemployment Statistics (LAUS)



Labor market

Monthly unemployment count & rate

- The City's June, 2024 unemployment rate of 4.2% matches the county and is very close to the national average and below the state average.
 - Washington State 4.9%
 - US 4.3%
- After rising in Q1, the total count of unemployment has fallen slightly.
- Total unemployed in June of 2024 is slightly above one year ago, but below where it was two years ago.



Source: Local Area Unemployment Statistics (LAUS)

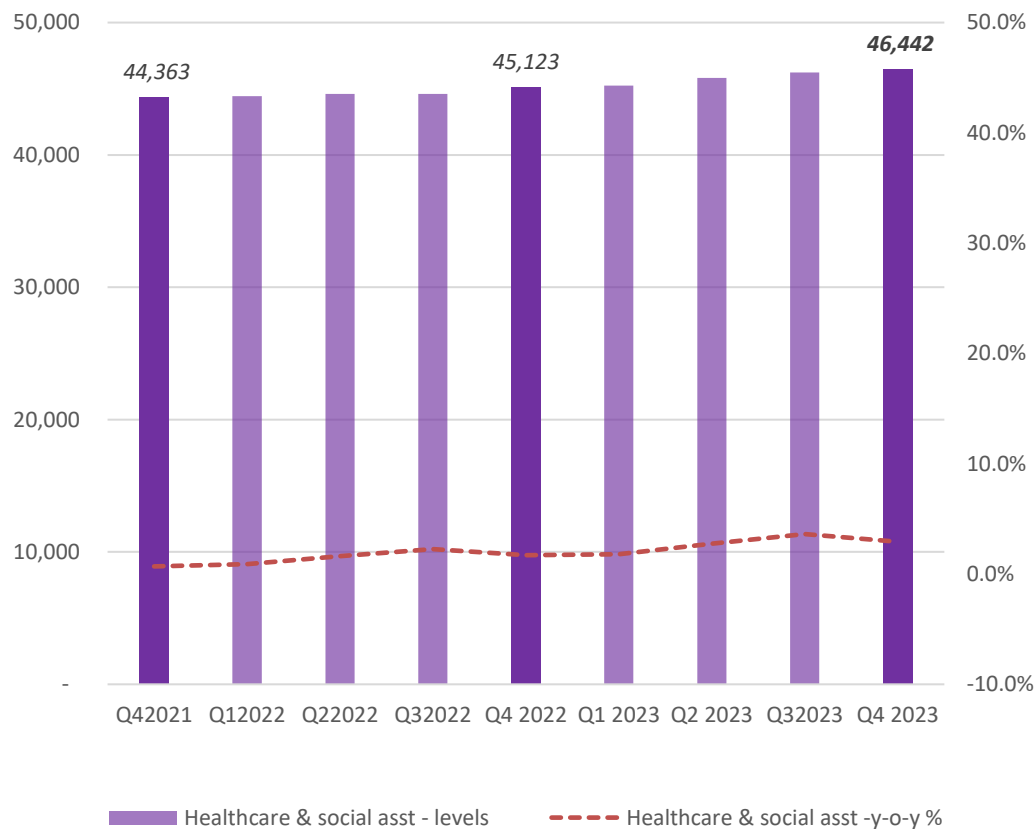
Summary of aggregate employment measures

- Seeing some cooling of CLF in first quarter of 2024 after 5 quarters of strong growth. The CLF of over 112,000 is above where it was two years ago (same quarter).
- There is always a contraction in Q1 (cyclical), but first quarter of 2024 is below what it was a year ago. Yet, employment in Q1 of 2024 is still above where it was in 2022.
- The March **unemployment rate (5.5%)** for the City matches the county and is just slightly above the state. The number of unemployed is slightly higher than both 2022 & 2023.

Key sectors

Quarterly employment in County Healthcare & Social Assistance

- Includes: ambulatory care, hospitals, social assistance, & nursing/residential care
- 4 quarter average: ~45,930; 19% of County workforce & is the largest
- This average > 2019 average by 3,700
- 2023 average annual wage: \$62,772 (vs. \$62,377 for all jobs in County)

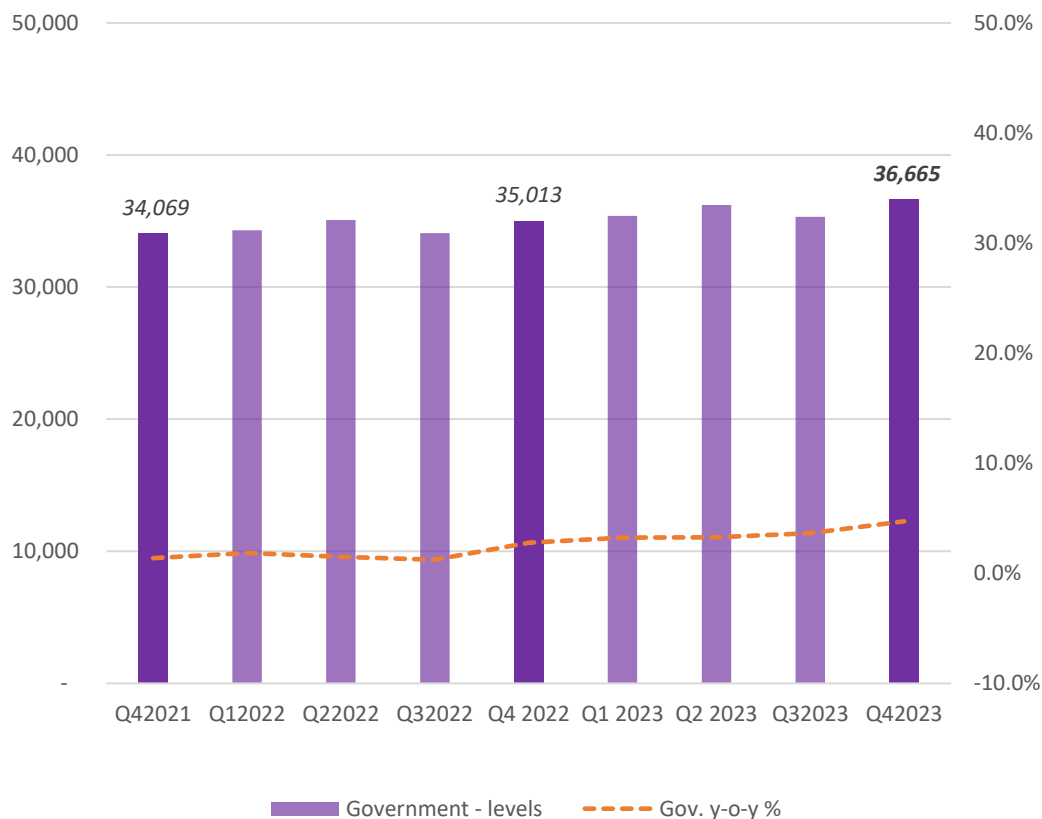


Source: [WA ESD, Covered Employment](#)

Key sectors

Quarterly employment in Government in County has grown modestly

- Government consists of
 - Federal (14%)
 - State (25%)
 - Local (61%)
(2023 annual average)
- Local government – mostly public schools (~ half in WA; likely higher here)
- Recent annual average share the same as in 2019



Source: [WA ESD, Covered Employment](#)

Key sectors

Quarterly employment in County Retailing continues to decline

- 2nd-largest private sector
- 4 qtr. average employment: 26,598, or ~11% of County
- Strong recovery in 2021, but the decline begun in 2022 has stayed
- 2023 ave. annual wage: \$42,480 (vs. \$62,377 for all County jobs)

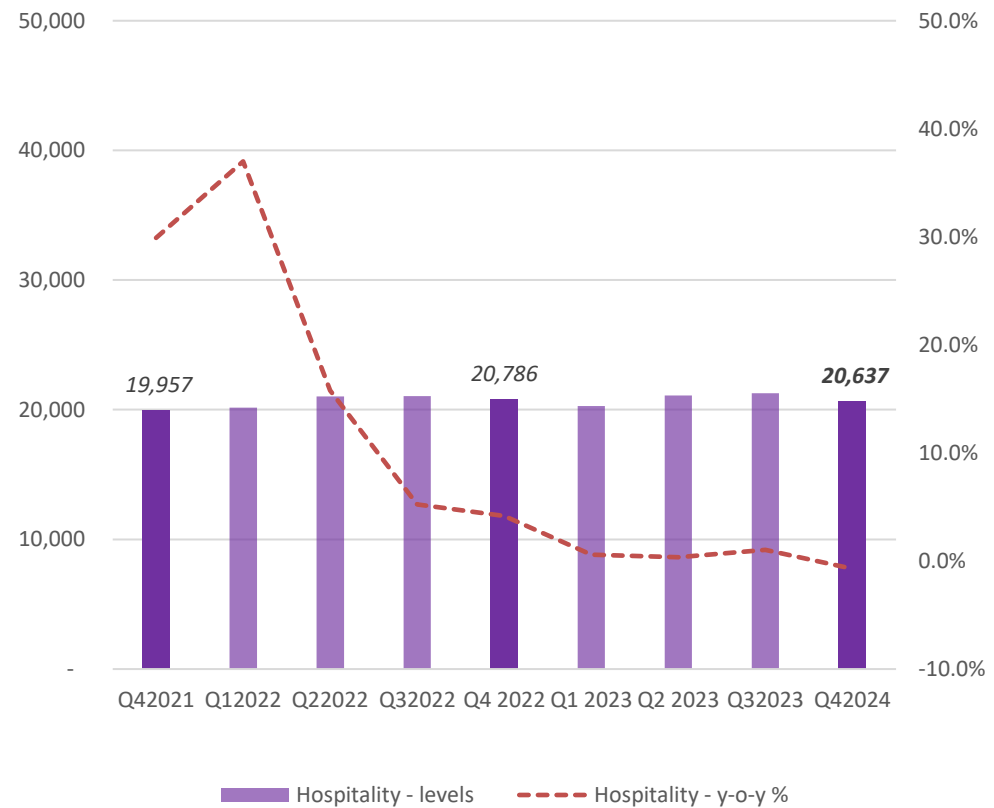


Source: [WA ESD, Covered Employment](#)

Key sectors

Quarterly employment in County Hospitality now shows little change

- Hospitality composed of lodging, restaurants, bars, coffee shops, caterers – 3rd largest private sector
- Dramatic & complete recovery from 2020
- 2023 AA wage: \$26,789 (vs. \$62,377 for all jobs in County)

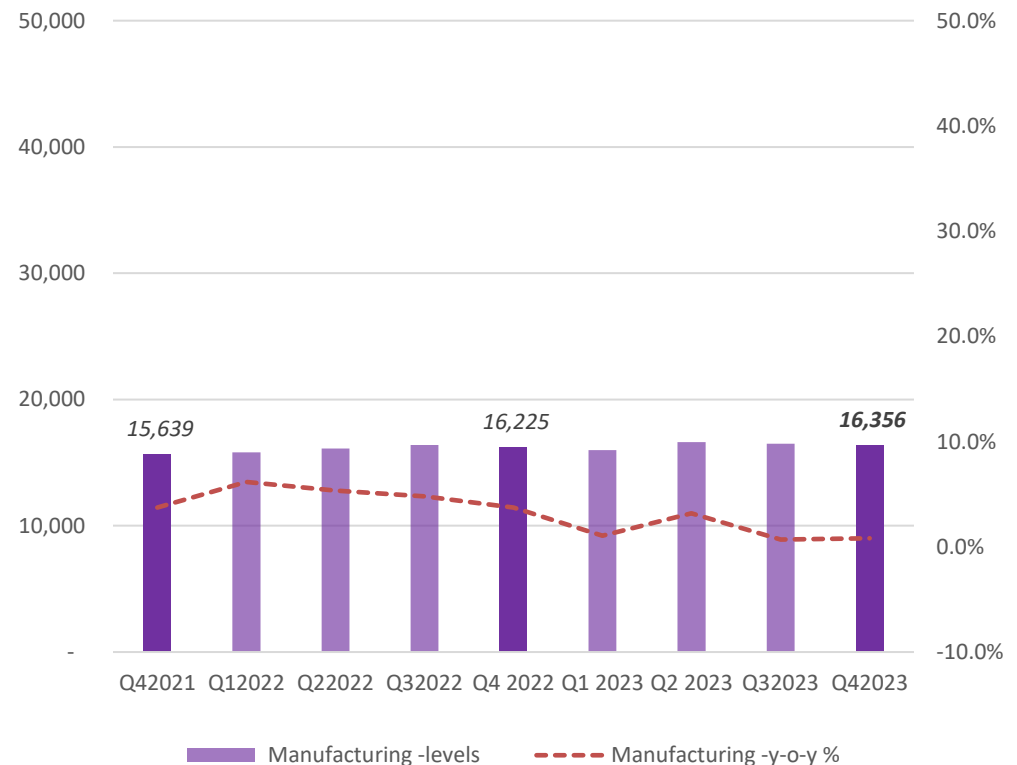


Source: WA Dept. of Employment Security, QCEW

Key Sectors

Quarterly employment in County Manufacturing – growing but very slowly

- 4th largest private sector
- Large multiplier effects
- Modest recovery continues
- AAW in 2023: \$69,401 (vs. \$62,377 for all jobs in County)

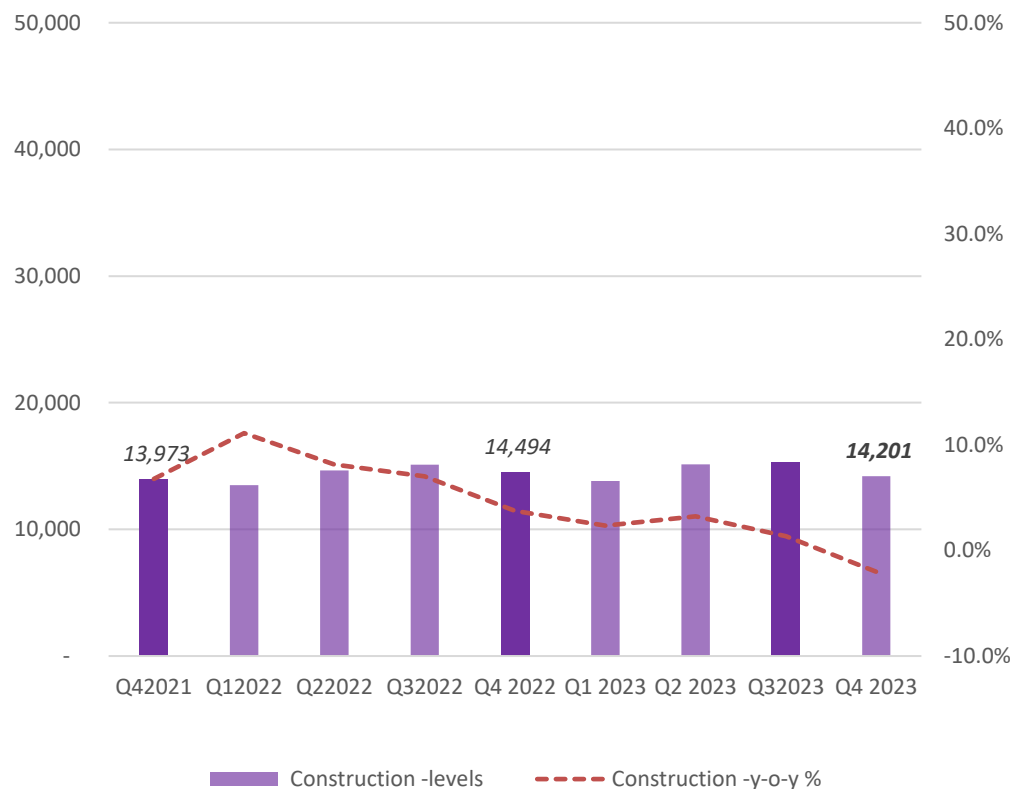


Source: [WA ESD, Covered Employment](#)

Key Sectors:

Quarterly employment in County Construction – growth now turning negative

- 5th largest private sector
- Healthy recovery from pandemic of all major sectors
- AA Wage in 2023: \$66,332 (vs. \$62,377 for all jobs in County)

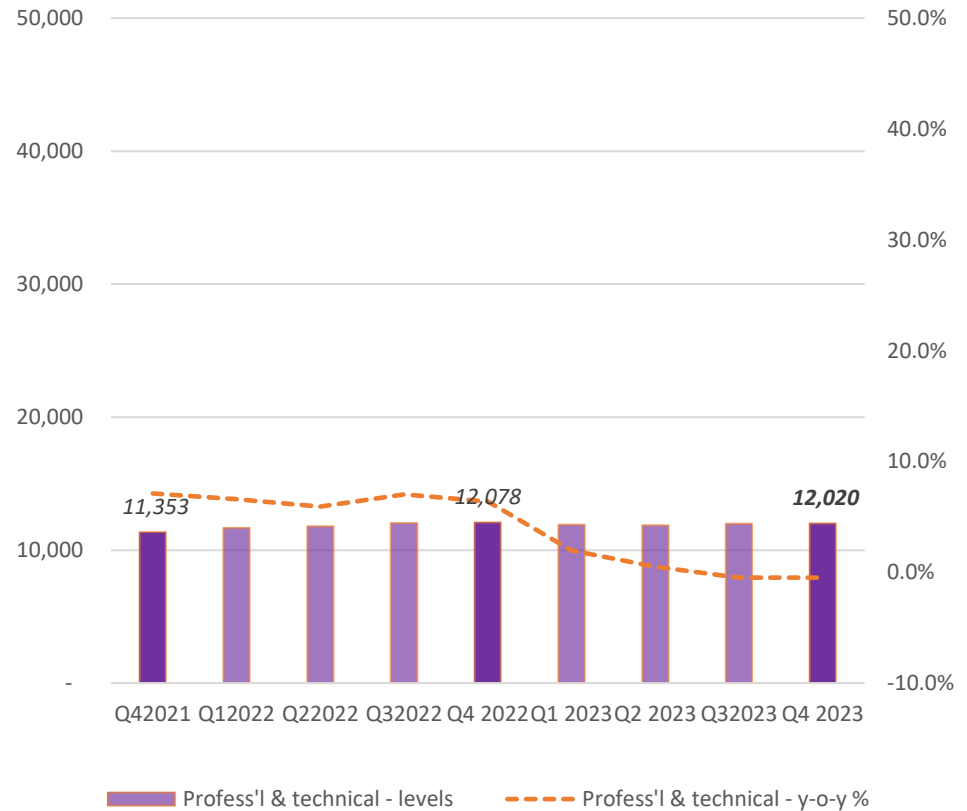


Source: [WA ESD, Covered Employment](#)

Key sectors

Quarterly employment in County Professional & Technical services – growth has also turned negative

- Consists of “white collar”/knowledge occupations – lawyers, accountants, architects, engineers, consultants
- Fastest % recovery from pandemic among all larger sectors
- 2023 AA wage: ~\$88,205 (vs. \$62,377 for all County jobs)

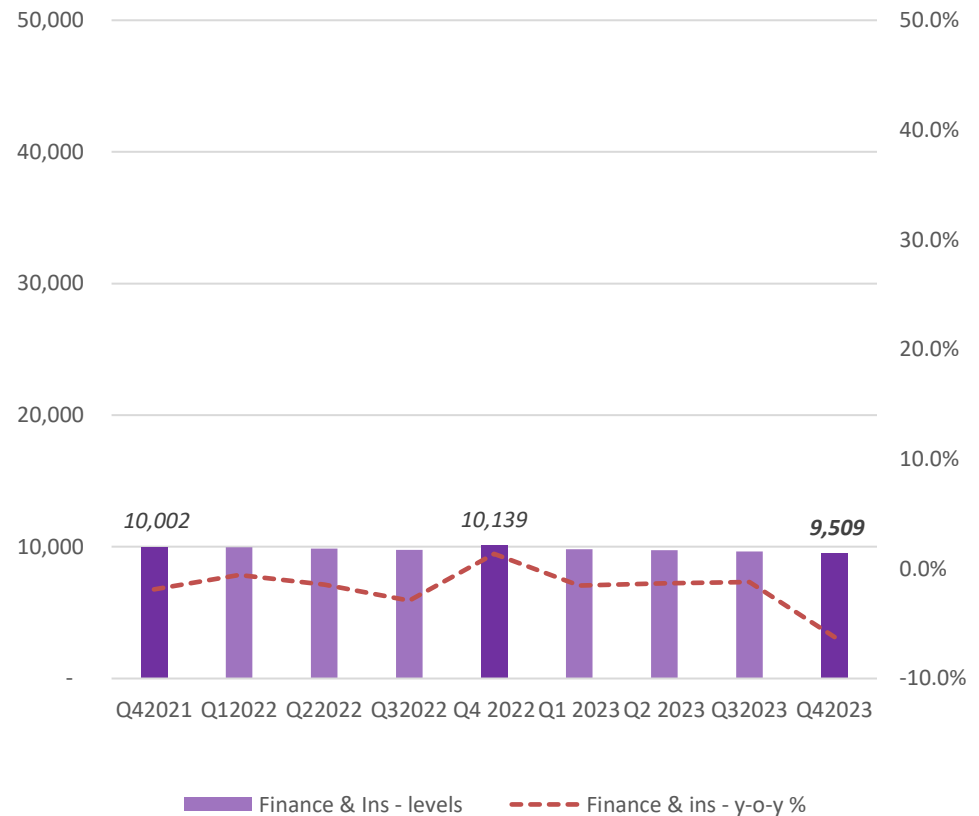


Source: [WA ESD, Covered Employment](#)

Key sectors

Quarterly employment in County Finance & Insurance

- 11th largest private sector, but typically locates in urban settings
- Decline from 2021 through present deepened at the end of year
- 2023 average annual wage: \$104,260 (vs. \$62,377 for all jobs in County)



Source: [WA ESD, Covered Employment](#)

Summary of sector performance, as measured by employment

- All of the largest sectors by employment in the county show employment levels > in 2019 except Finance/insurance.
- In *percentage* terms, employment in **professional & technical services** sector in 2023 grew the fastest (13%) of the large sectors from 2019.
 - Recent advances have slowed, however.
- In *total* terms, employment in Spokane's **health care & social assistance** in 2023 added the greatest number of jobs (~3,700) since 2019.

Housing

Residential building permits, single-family

- Since a drop in first quarter of 2023, there has been a steady increase in the number of SF residences being permitted.
- Q2 of this year is higher than the last two years (same quarter). If you exclude the pent-up demand from immediately after pandemic, this is the highest quarter since Q4 of 2020 (just BEFORE Covid-19 hit US.)
- YTD, 2024 is 80% above where we were last year at this point (or 80 more homes above last year's pace.)

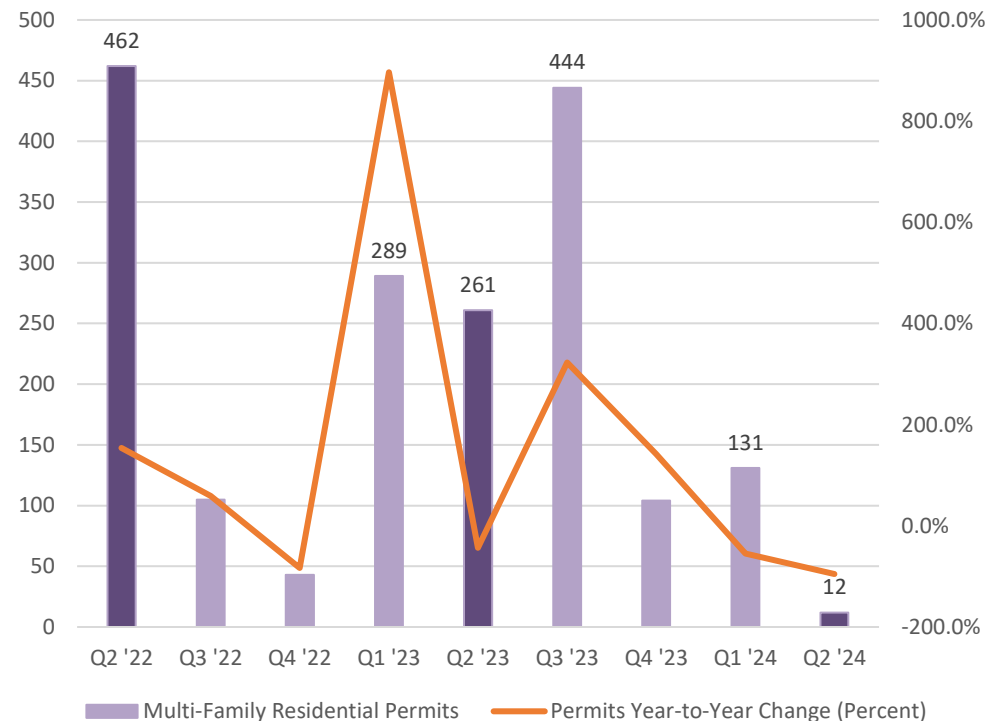


Source: City of Spokane

Housing

Multi-family building permits, by units

- After a strong surge in MF construction, permitting has cooled in the first half of 2024.
- In June, there were no new permits for MF units.
- Most of the permitting (125 units) in first half of 2024 is in larger apartment building(s) of 5 or more units.

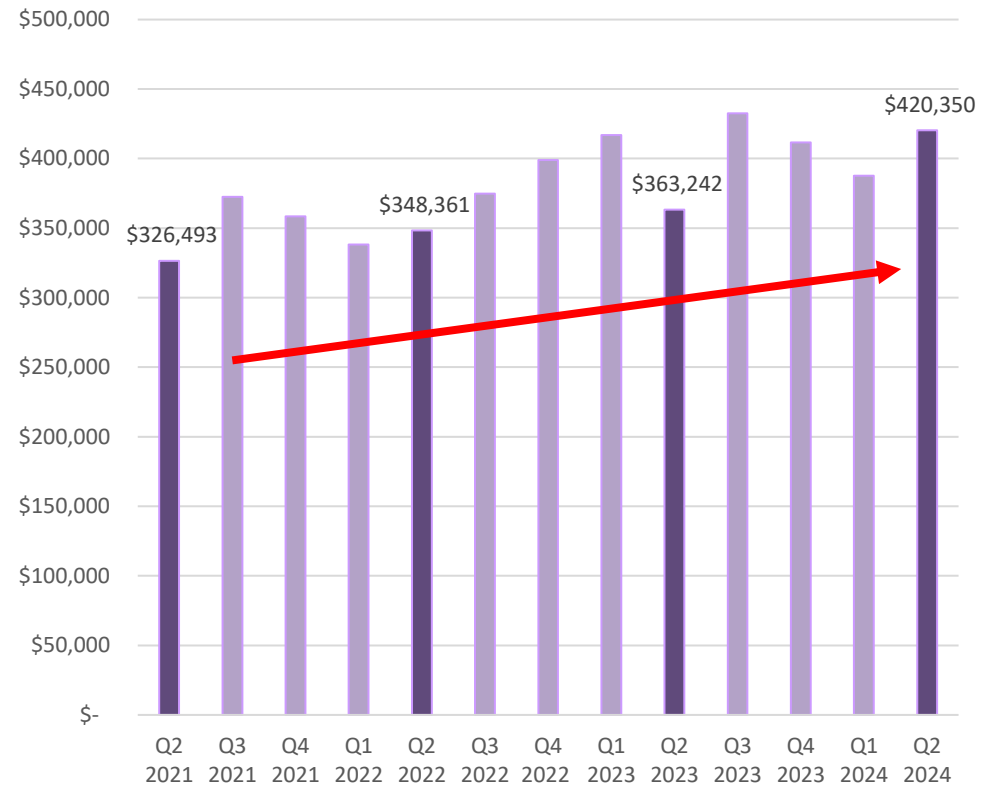


Source: City of Spokane

Housing

Average value of permitted single family residence

- After climbing to a peak over \$416K one year ago, the average value of permitted single-family residences dipped slightly to \$388K.
- The average value of permitted SF residences has increased nearly \$100,000 since same quarter, 2021.
- Since Q2 of 2021, the average value of permitted single family residences has risen **30% in total (almost 10% per year.)**
- Median home resale price in Spokane County = \$442K (Q2)

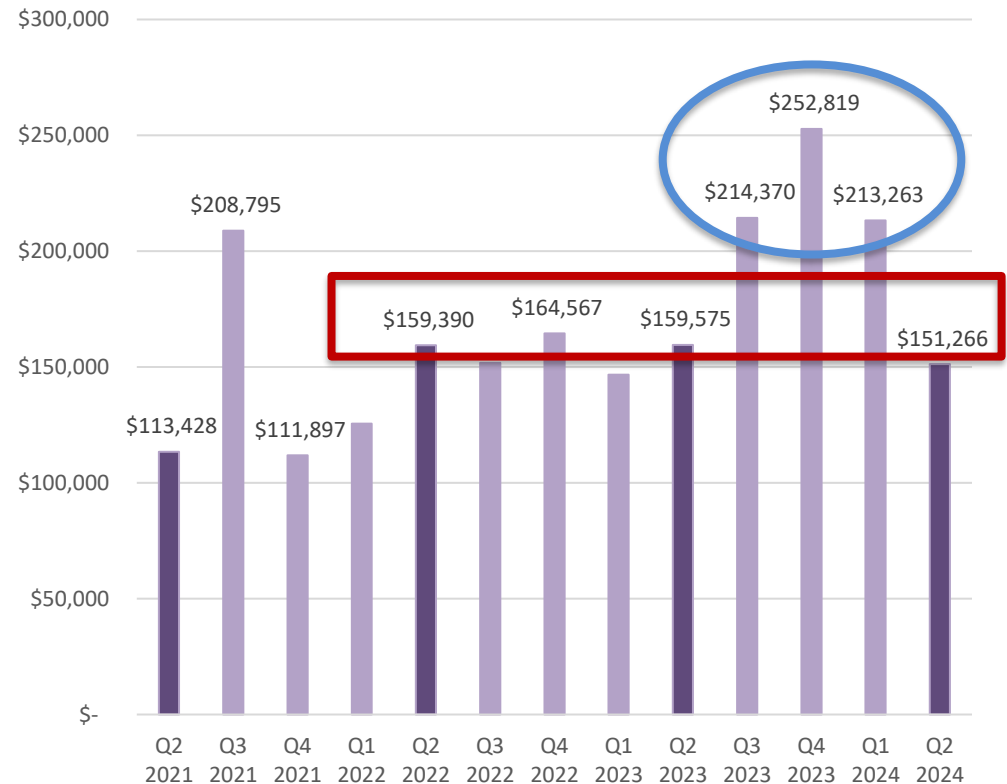


Source: City of Spokane

Housing

Average value of permitted multi-family units

- After a brief jump in average value of MF units, Q2 of 2024 saw a return to average permitted values in \$150-160K range.
- Since Q2 of 2021, average permitted value of new MF units has increased by one-third (33%).

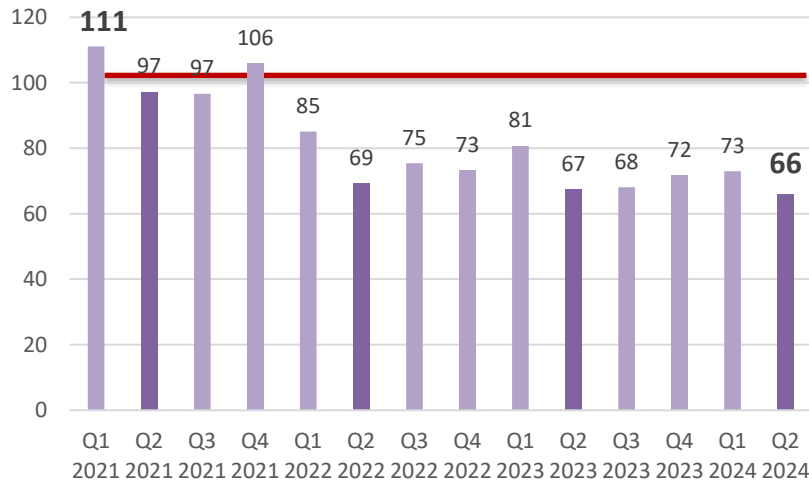


Source: City of Spokane

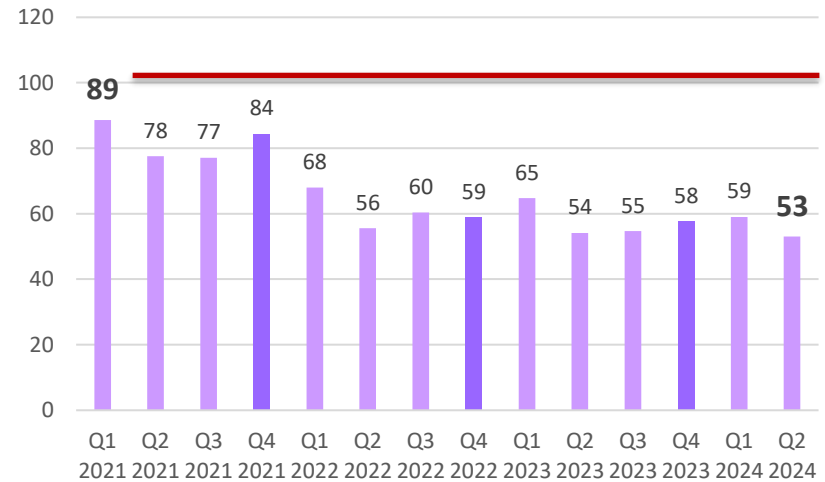
Housing

HAI: Housing Affordability Indices (Homeowners)

HAI: All Homebuyers (City of Spokane)



HAI: First-time Homebuyers (City of Spokane)

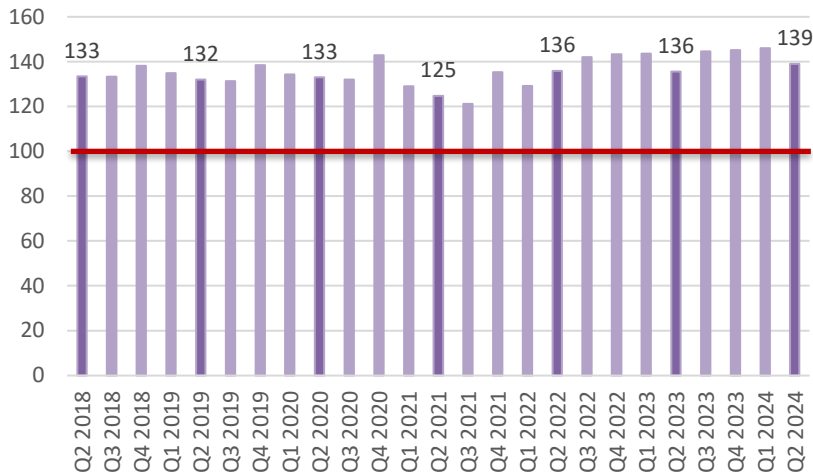


- The HAI is an index relating expenses related to mortgage and income.
- HAI All = 100 (red line) means: a household with the city's median income has exactly enough income to qualify for a mortgage on a home priced at the median for that city.
- HAI First-time = 100 (red line) : A value of 100 means that a household with 70% of the city's median income has exactly enough income to qualify for a mortgage on a home priced at 85% of the median for that city.
- As expected, affordability is lower for first-time buyers, but last two years have not seen a big reduction in affordability in housing markets. Source: WCRER

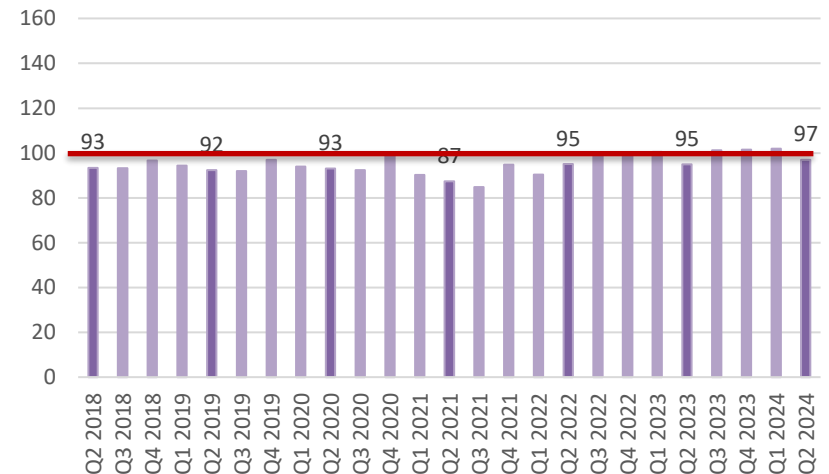
Housing

HAI: Housing Affordability (Renters)

HAI: All Renters (City of Spokane)



HAI: All *Transitional* Renters (City of Spokane)



- HAI All Renters: A value of 100 indicates that a household earning the city's median income can afford an average priced rental apartment without being overburdened.
- HAI Transitional Renters: A value of 100 indicates that a household earning 70% of the city's median household income can afford to pay the average rent without being overburdened.
- While most renting households would find rents to be more affordable, transitional renters (70% of median household income or less) find renting in Spokane to be relatively more expensive.
- Source: WCRER

City sales activities

Income drives spending & taxable retail sales: City Median Household Income has increased modestly

- City MHI in '22: \$63,300
 - County: \$69,000
 - U.S. : \$74,750
 - WA: \$91,300
- City MHI consistently < County MHI over decade
- Since 2017, however, City MHI growing considerably faster than County & U.S. MHI
- [Spokane Trends](#)



City sales activity

Quarterly taxable retail sales growth continued to slow

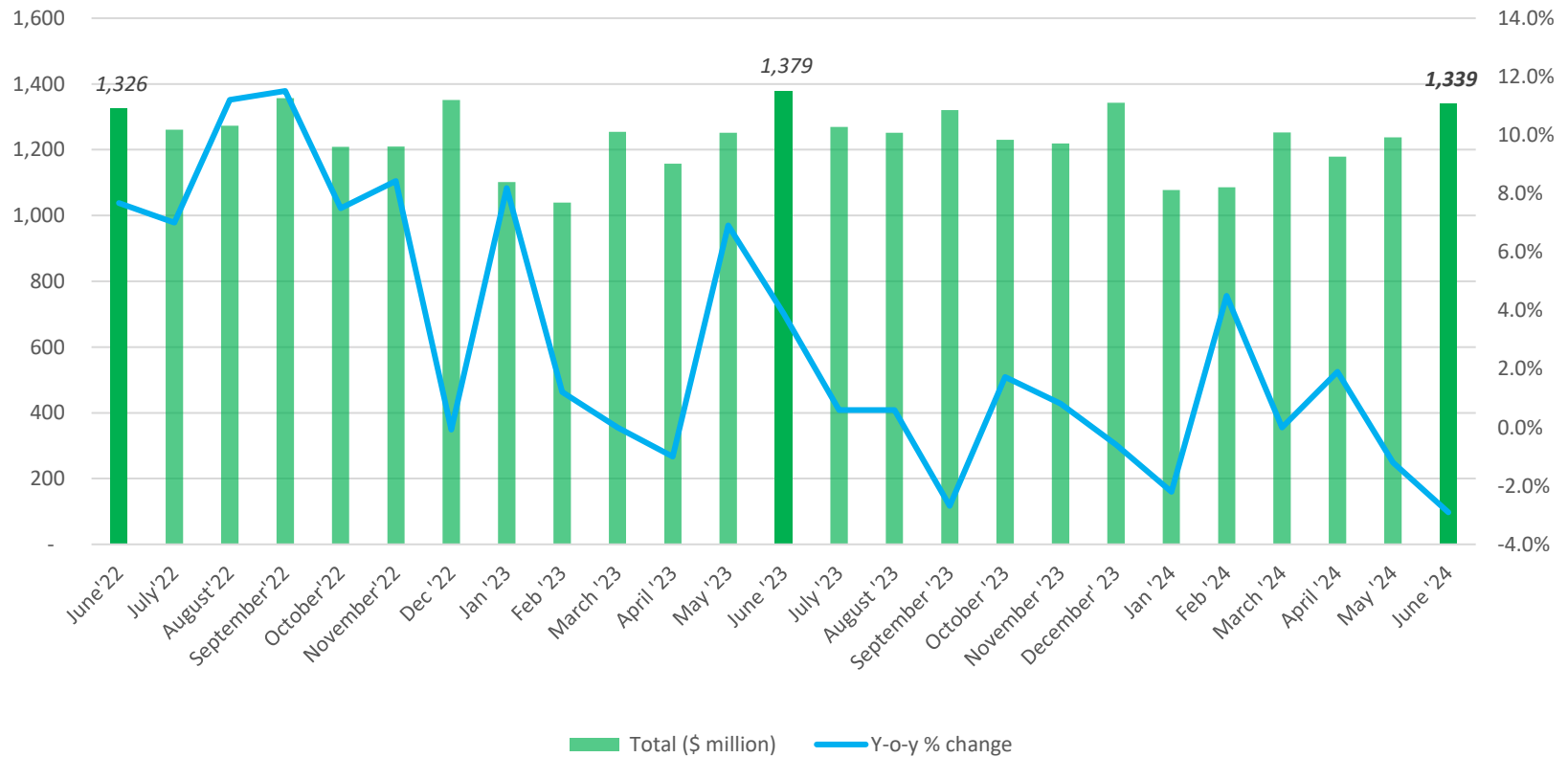
- Last 2 quarters (thru Q1 2024) relatively better for COS
 - Growth rate of COS > rates in both County & WA
- Q2 growth likely to be low, say close to 0%, if WA serves as a reasonable guide
 - And it does....
 - The correlation between WA state and City of Spokane taxable retail sales is 0.995!



Source: WA State Department of Revenue

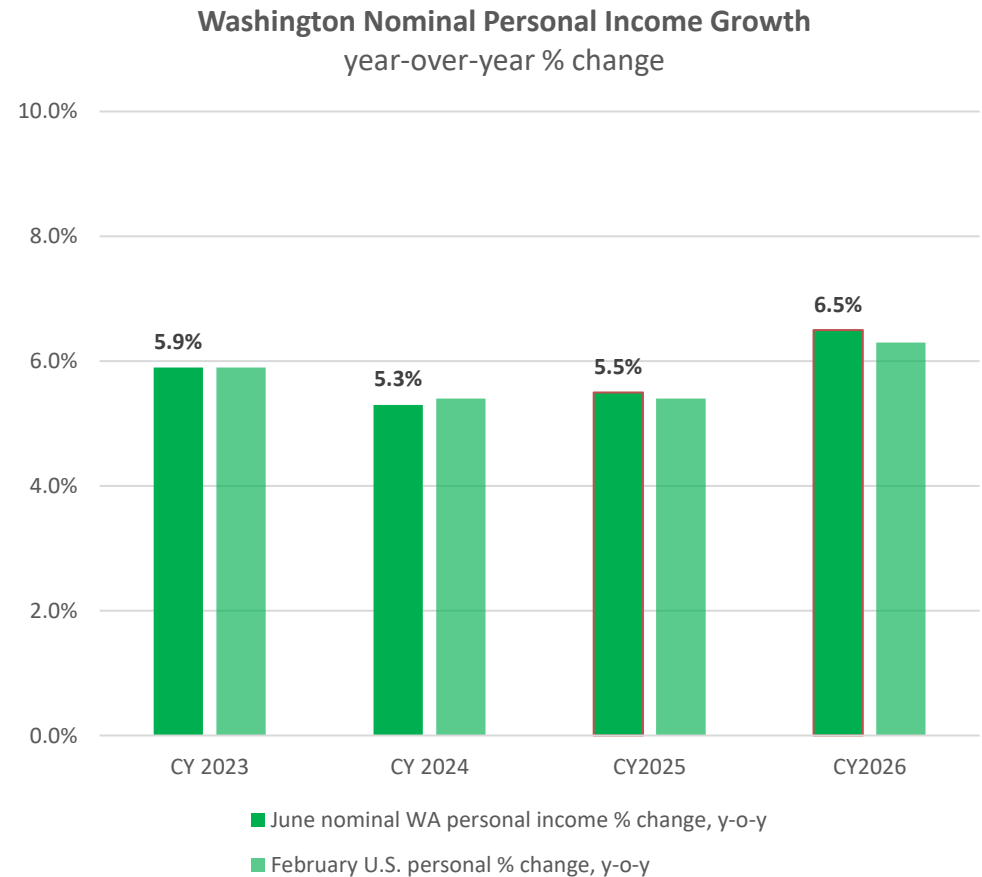
WA taxable retail sales experienced a major slowdown in 2023: 1% growth vs. 8% in 2022. Q1 2024: +4% y-o-y % increase, but a retreat in Q2

WA Taxable Retail Sales & Year-over-year Growth Rate



A look ahead at WA economy by the Economic & Revenue Forecast Council *(June '24 release)*

- Measure is personal income (PI) = wages + investments + transfer payments
- PI highly correlated with spending
 - (r = 0.98 for City of Spokane taxable retail sales & County PI)
- PI-Spokane highly correlated w/ PI-WA
- ERFC now projecting slightly higher 2024 PI, a bit lower for 2025 & higher in 2026 than in February



Summary observations

- **WA State *Personal Income* forecast** from June for CYs 2024 & 2025 now similar growth to earlier forecasts – mid-single digit growth
 - Forecast for CY 2026: higher than the prior two years by 100 basis points
- The **City** might expect a similar outcome. ***Taxable retail sales growth*** for City in 2023 1.6%.
 - Considerably < long-term trend. Simple average of growth rates 2004-2023: 4.2%
 - 2024 likely to be weak in first half, picking up in 2nd half.
 - This assumes that the ERFC forecasts accurately. Recently, the “bias” in the ERFC has shifted from undershooting to very accurate.

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[Spokane Trends](#)

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