

City of Spokane Quarterly Economic Indicators

Q4, 2024

December 12, 2024



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start something **big**

Overview

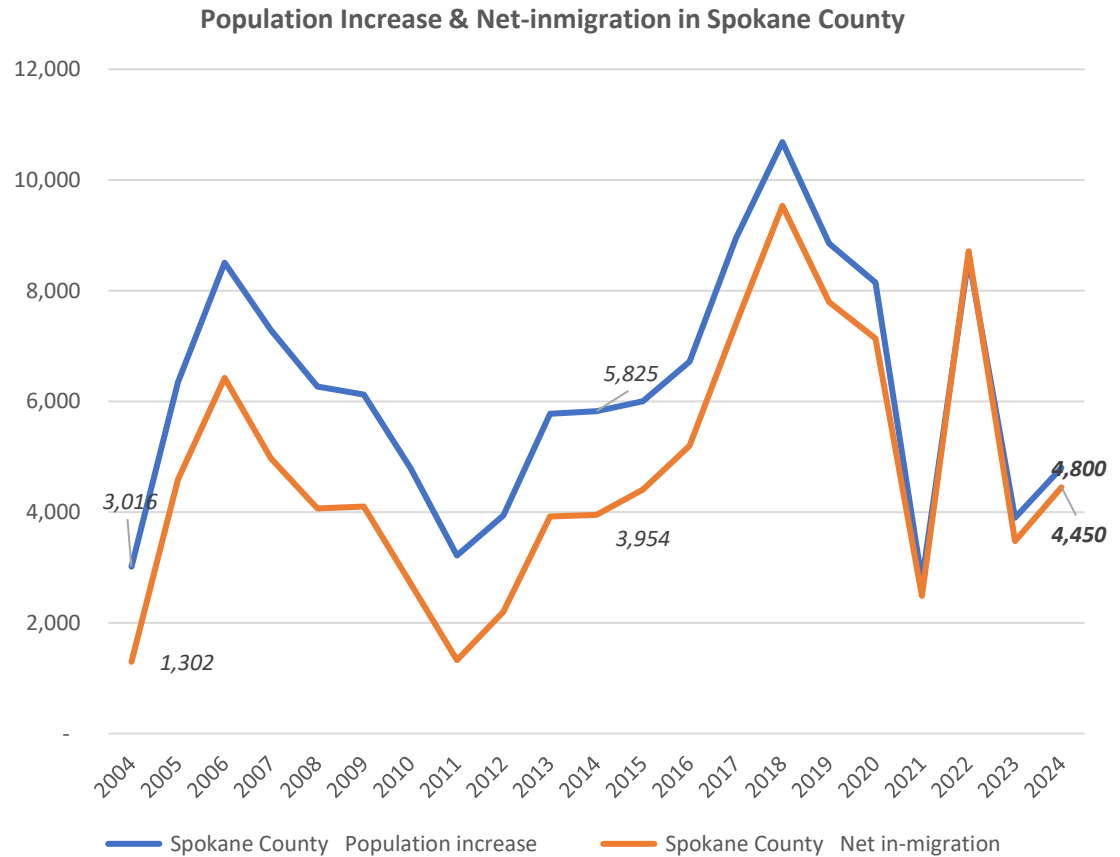
Goal: to provide insights about important City trends via data with higher frequency than annual updates

- Track indicators in the following categories :
 - 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

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

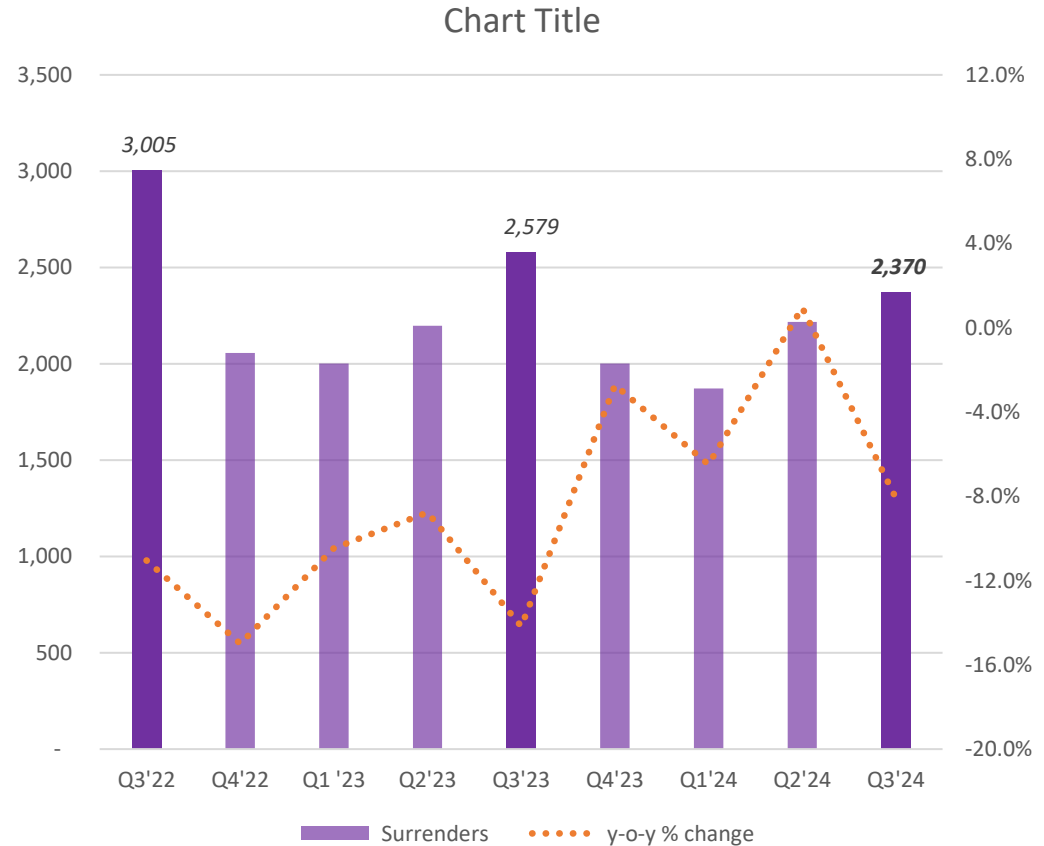
- Since the pandemic, net migration is the factor behind Spokane County's population growth
- The other component: "natural increase," of births – deaths
 - Played a still significant role up to 2020



Population

County drivers license surrenders: A return to a decline in Q3

- Tracks those moving to the county from out-of-state
 - Doesn't capture in-state moves; currently, these are larger
- For 2024: 2 quarters < 2023 and one quarter (Q2) > 2023
- YTD: off ~300
- Rank of top “contributing” states still: ID, CA, OR, TX, AZ

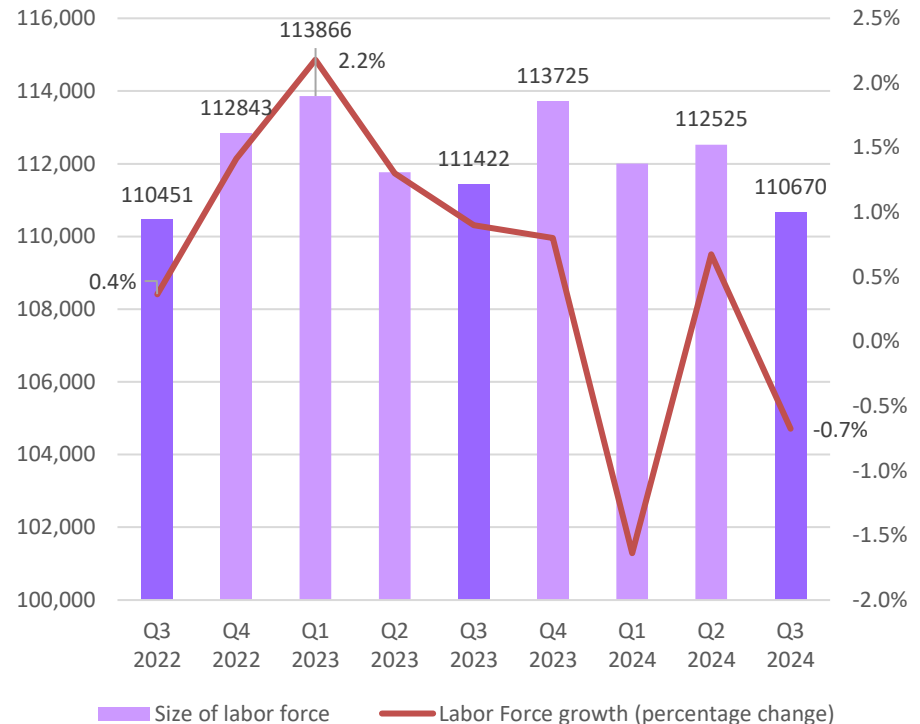


Source: [WA Department of Licensing](#)

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 peak in Q4 of last year (2023), the CLF has fluctuated in the same pattern as employment – with strong Q2 and weaker Q1 & Q3.
- Q4 is typically strong, so we should see a jump in Q4 of this year as well.
- CLF in Q3 of this year is below where it was last year, but above two years ago.

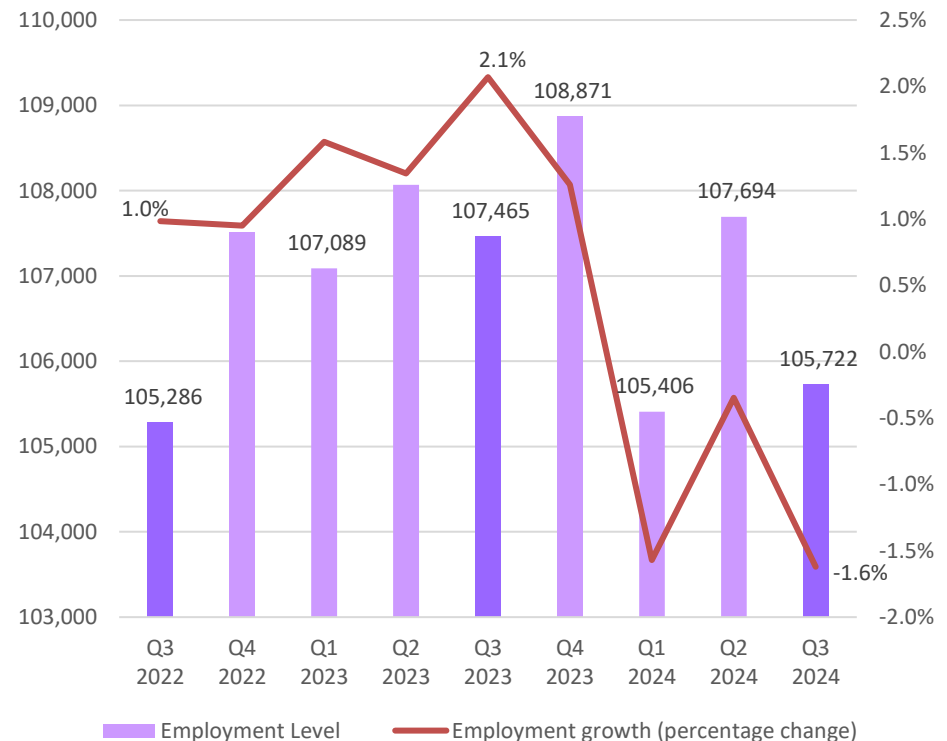


Source: Local Area Unemployment Statistics (LAUS)

Labor market

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

- After a peak level of employment at the end of last year (2023), employment has been fluctuating more than normal.
- Upcoming Q4 is typically strong, so expect a rebound from Q3.
- Third quarter of 2024 is below where it was a year ago (2023), slightly above where it was the same quarter in 2022
- Total number of jobs in the county peaked in Q4 of 2023 at nearly 109K.

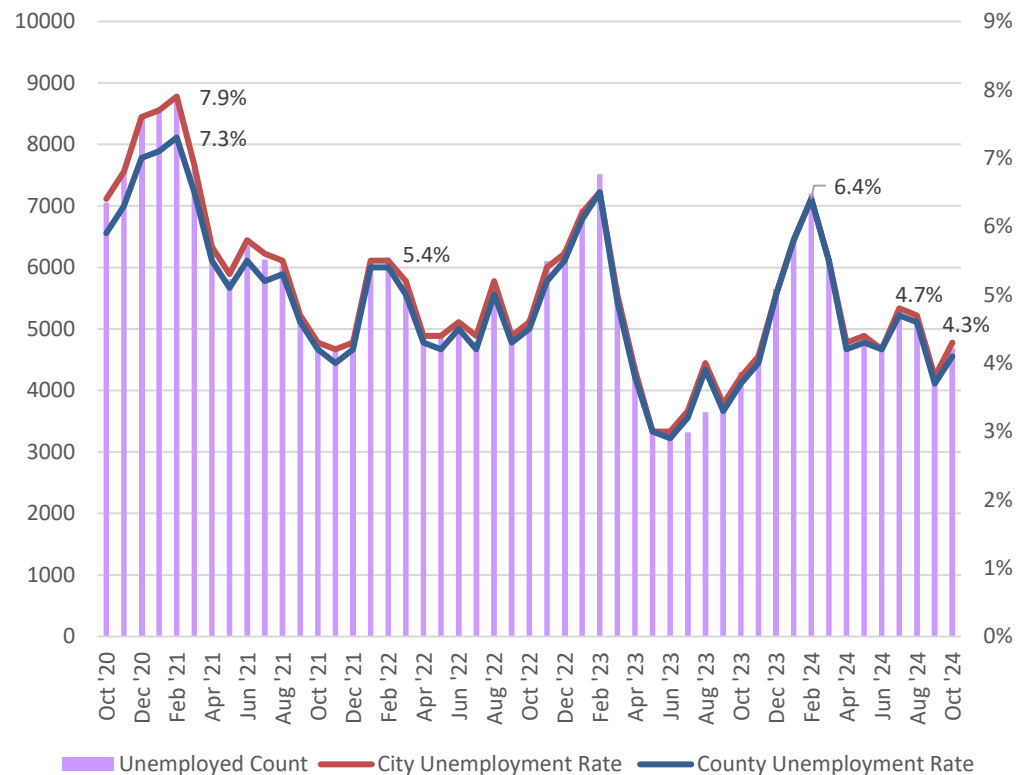


Source: Local Area Unemployment Statistics (LAUS)

Labor market

Monthly unemployment count & rate

- The City's October, 2024 unemployment rate of 4.3% is only slightly above the county (4.1%) and the national average (4.2%) and below the state average.
 - Washington State 4.7%
 - US 4.2%
- Despite a slight rise over the summer, the unemployment rate is currently well below the start of the year (6.4%).
- Total unemployed in October of 2024 is slightly above one year ago, but below where it was two years ago.



Source: Local Area Unemployment Statistics (LAUS)

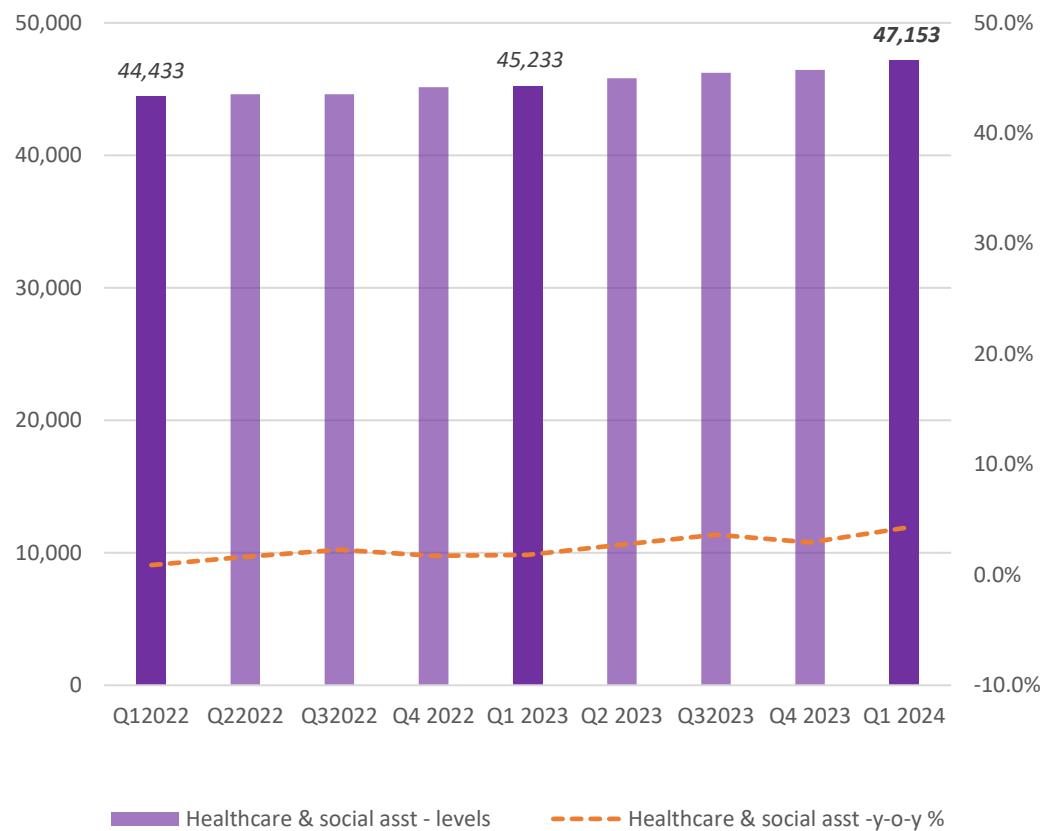
Summary of aggregate employment measures

- Both the CLF and employment have seen alternating quarters of growth and contraction in 2024. If pattern continues, should see growth in Q4, but might not exceed where it was one year ago.
- The October **unemployment rate (4.3%)** for the City is just slightly above the county but below the state overall. The number of unemployed is slightly higher than both 2023 but lower than two years ago in 2022.

Key sectors

Quarterly employment in County Healthcare & Social Assistance

- Includes: ambulatory care, hospitals, social assistance, & nursing/residential care
- 4 quarter average: ~46,410; 19% of County workforce & is the largest
- This average > 2019 average by ~4,000
- 2023 average annual wage: \$62,772 (vs. \$62,377 for all jobs in County)

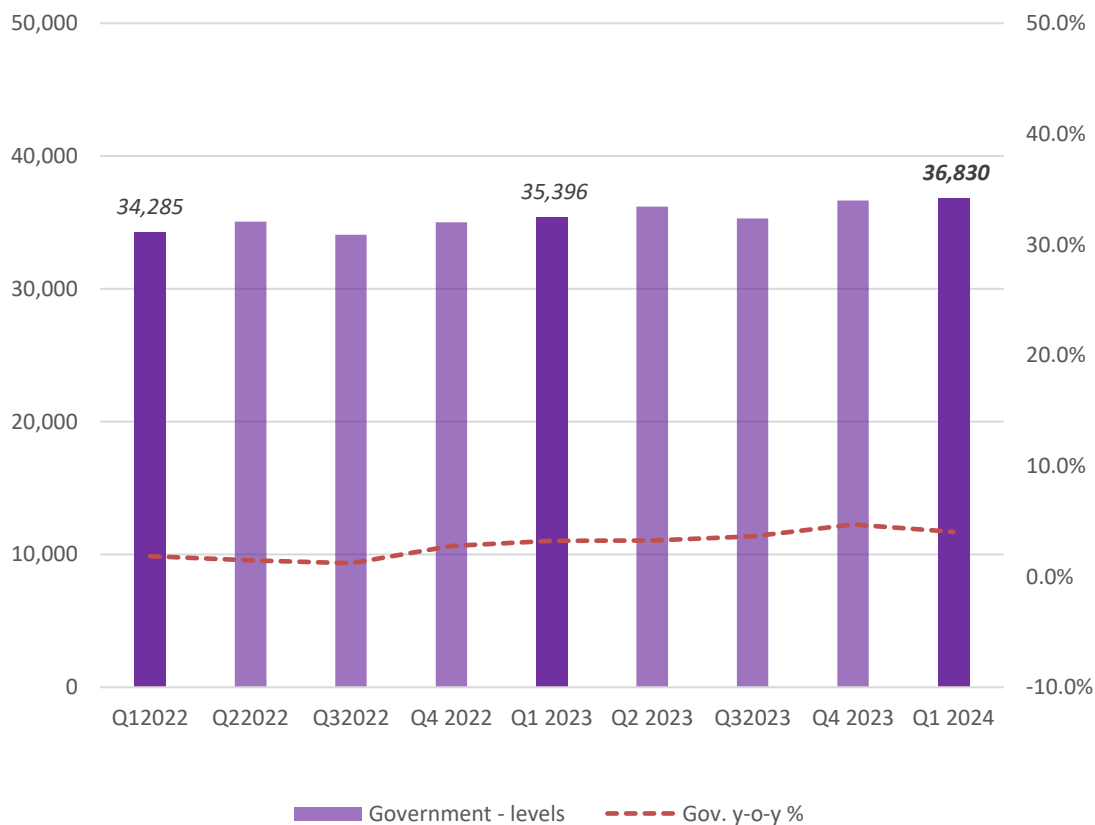


Source: [WA ESD, Covered Employment](#)

Key sectors

Quarterly employment in Government in County continues to grow 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 slightly >same in 2019



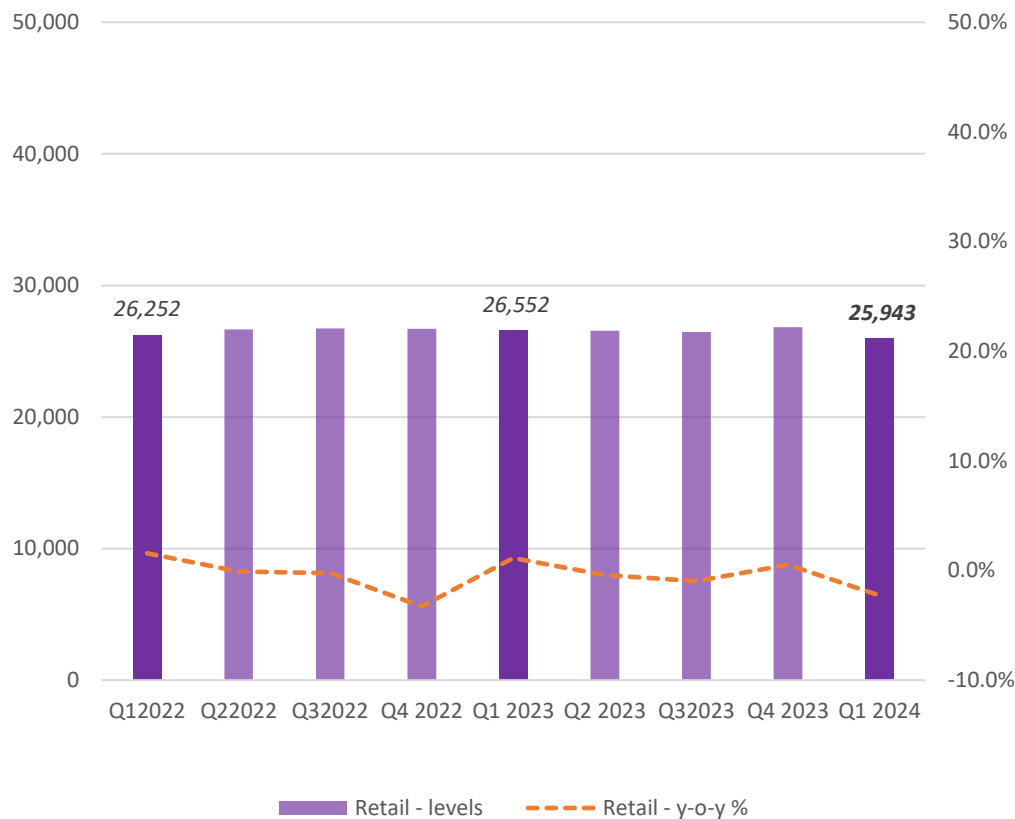
Source: [WA ESD, Covered Employment](#)

Key sectors

Quarterly employment in County Retailing continues to decline

- 2nd-largest private sector
- 4 qtr. average employment: 26,445 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)

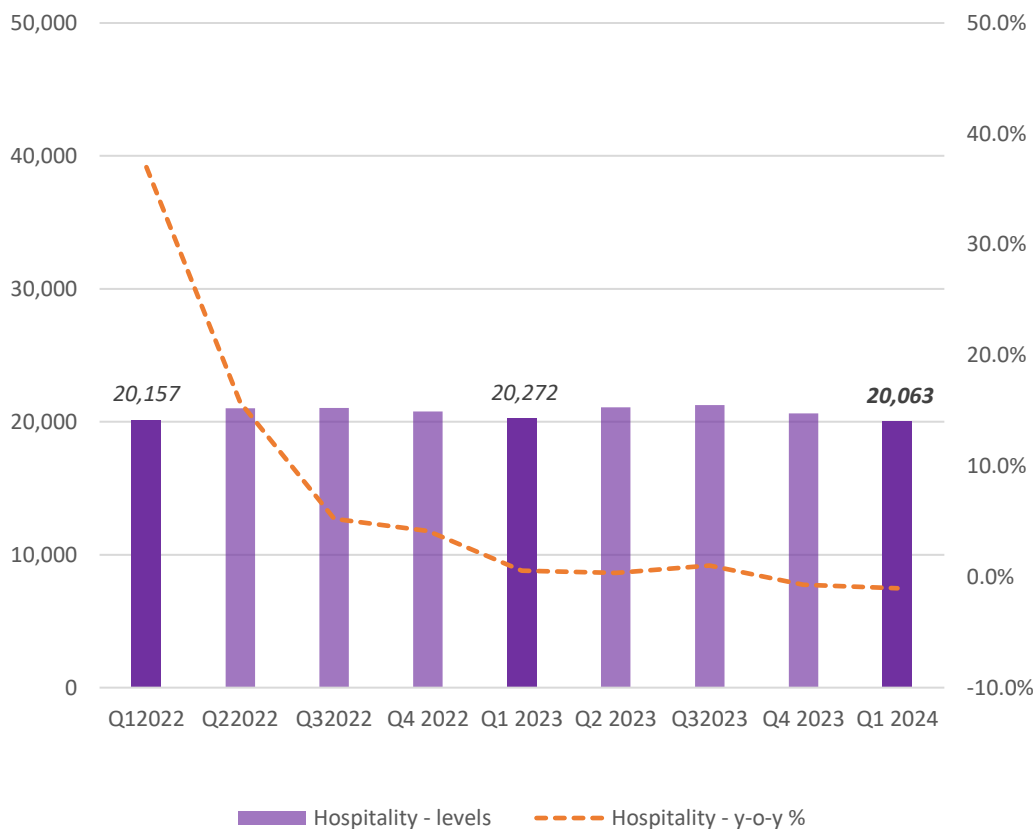
Source: [WA ESD, Covered Employment](#)



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)

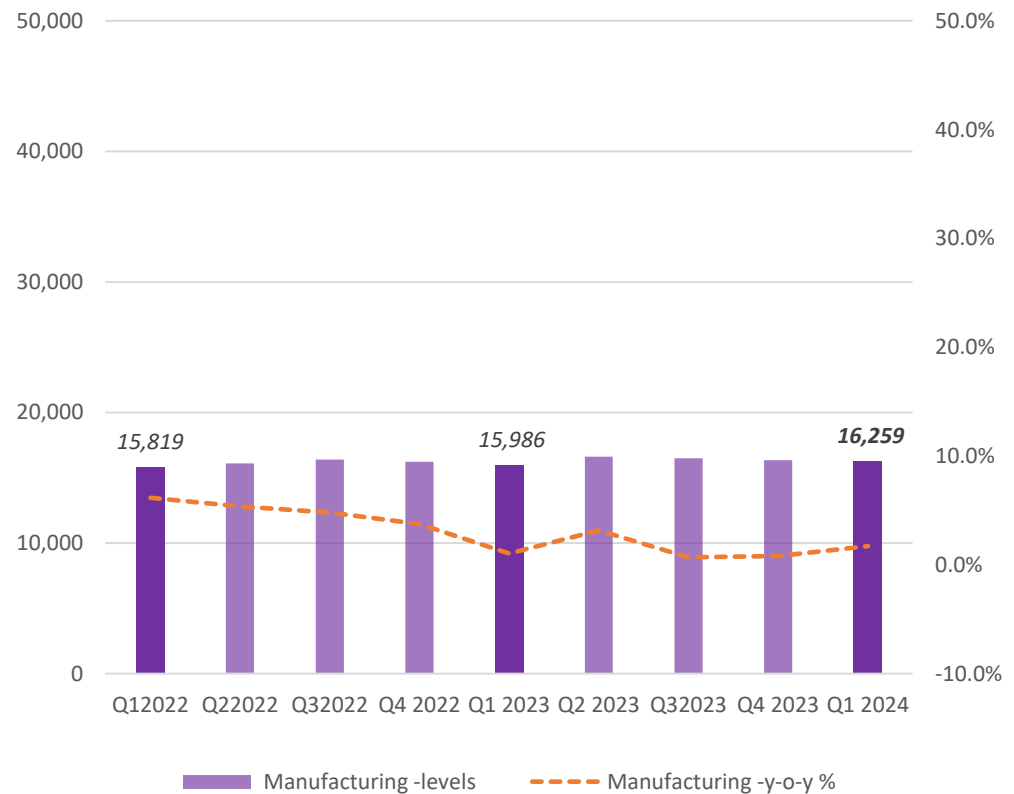


Source: WA Dept. of Employment Security, QCEW

Key Sectors

Quarterly employment in County Manufacturing – growing but very slowly

- 4th largest private sector
- Large multiplier effects
- Modest recovery continues, w/ 4 qtr average = 16,436
- AAW in 2023: \$69,401 (vs. \$62,377 for all jobs in County)

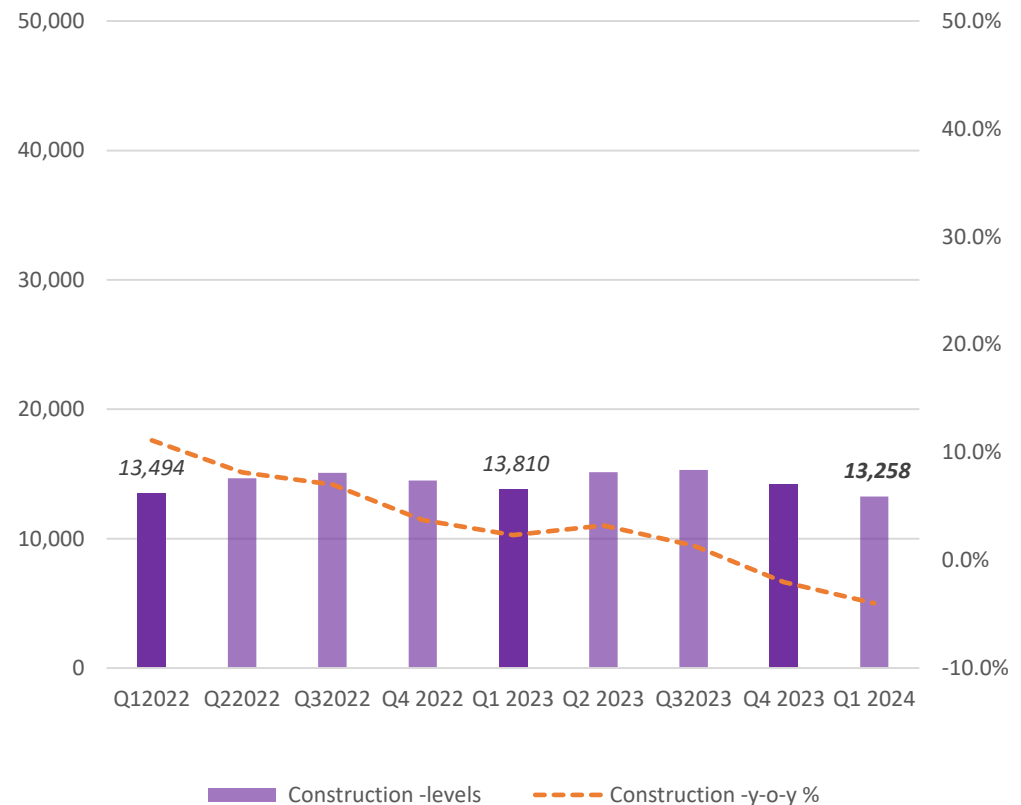


Source: [WA ESD, Covered Employment](#)

Key Sectors:

Quarterly employment in County Construction – growth now turning negative

- 5th largest private sector
- Healthy recovery from pandemic of all major sectors
- 4 quarter average = 13,469
- AA Wage in 2023: \$66,332 (vs. \$62,377 for all jobs in County)

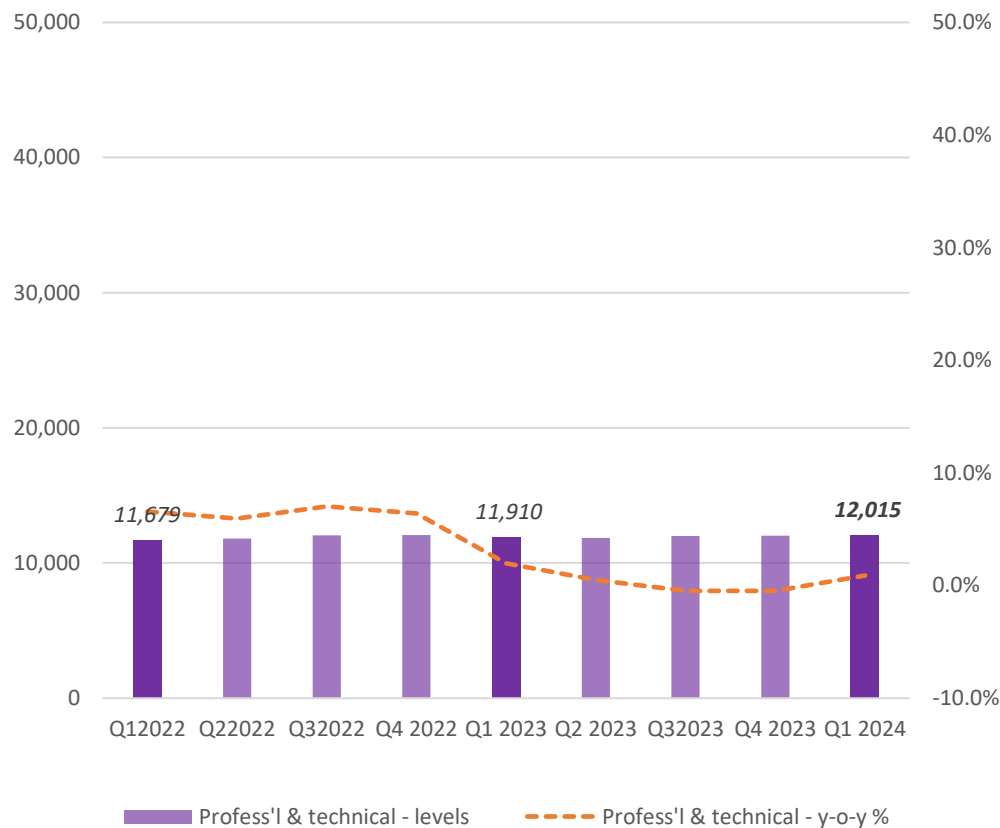


Source: [WA ESD, Covered Employment](#)

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
- 4 qtr average = 11,971
- 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: the slide continues

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

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



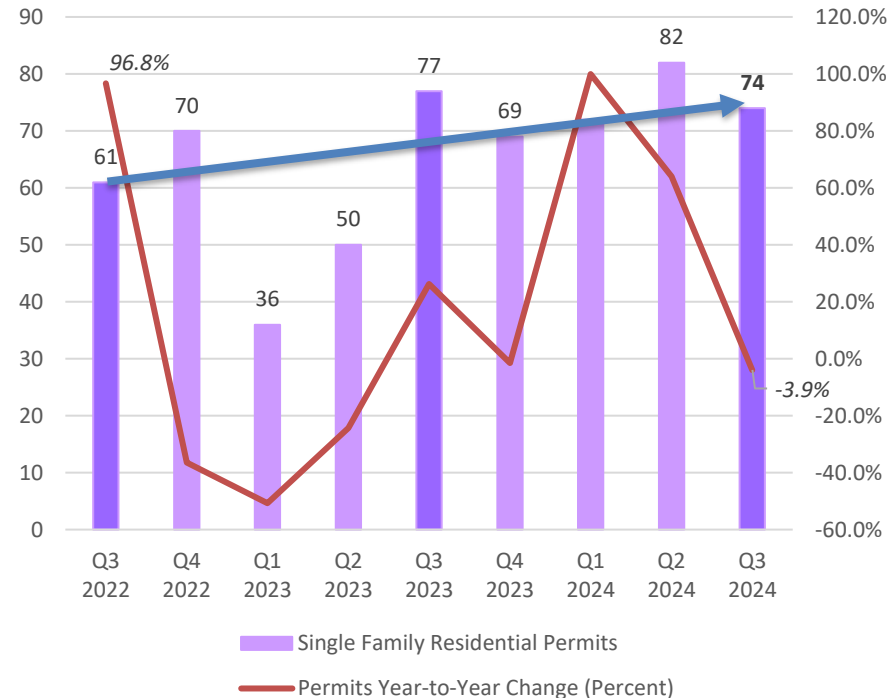
Summary of sector performance, as measured by employment

- All of the largest sectors by employment in the county show employment levels > in 2019 except Finance/insurance.
- In *percentage* terms, employment in the **construction** sector in Q1 of this year has grown the fastest (19%) 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 (~4,000) since 2019.

Housing

Residential building permits, single-family

- Since a dip in first two quarters of 2023, there has been a steady increase in the number of SF residences being permitted.
- Q3 of this year (2024) is about the same as it was a year ago (2023) and higher than the same quarter two years ago (2022).
- Permits for new SFR are up over 20% from same quarter two years ago – about 10% per year growth.

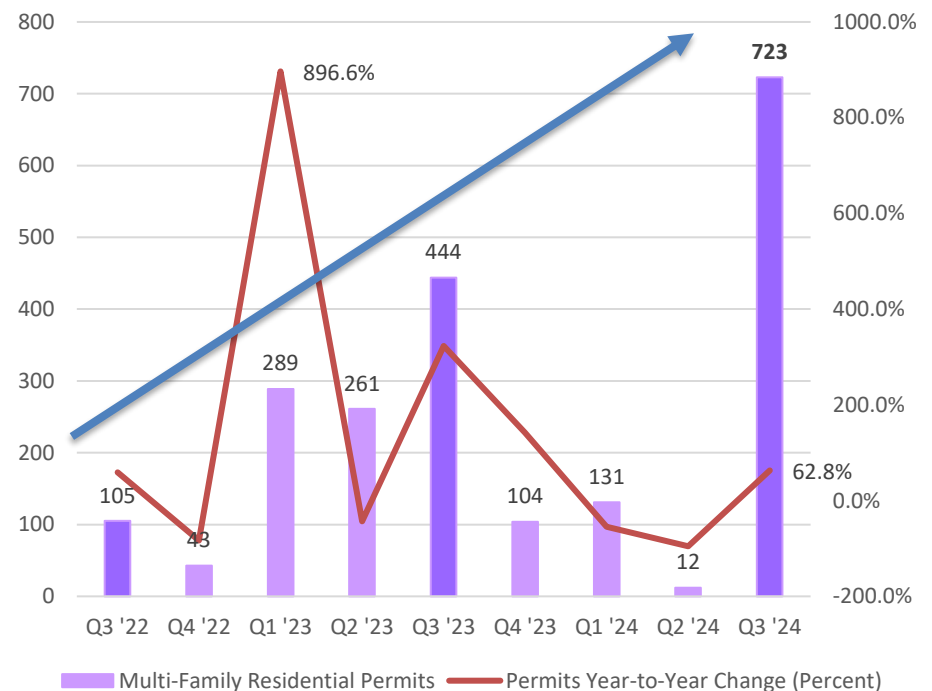


Source: City of Spokane

Housing

Multi-family building permits, by units

- After a strong surge in MF construction, it looked like 2024 would show some cooling in multi-family construction.
- However, several large apartment complexes, offering a variety of apartment sizes, were permitted in Q3 of 2024.
- YTD, 866 MF units have been permitted in 2024 compared to 994 YTD in 2023.
- Since start of 2023, nearly 2,000 new apartments have been permitted.



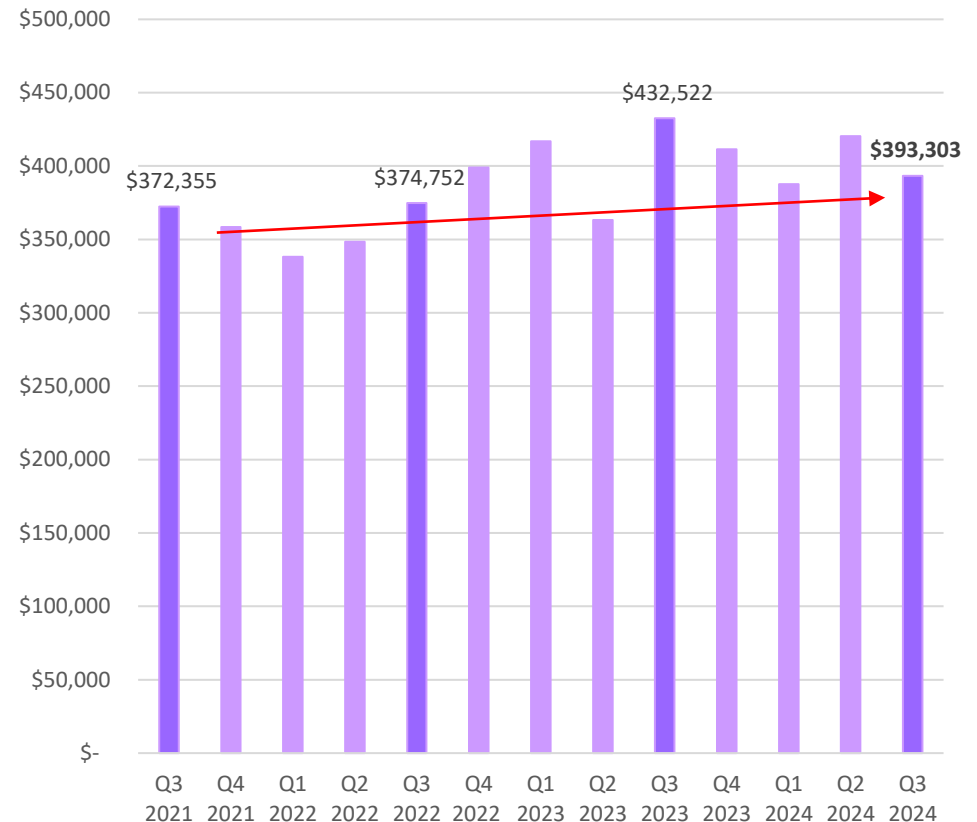
Source: City of Spokane

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 \$393K.
- The average value of permitted SF residences has only increased 5% since the same quarter three years ago (2021).
- Median home resale price in Spokane County = \$443K (Q3)

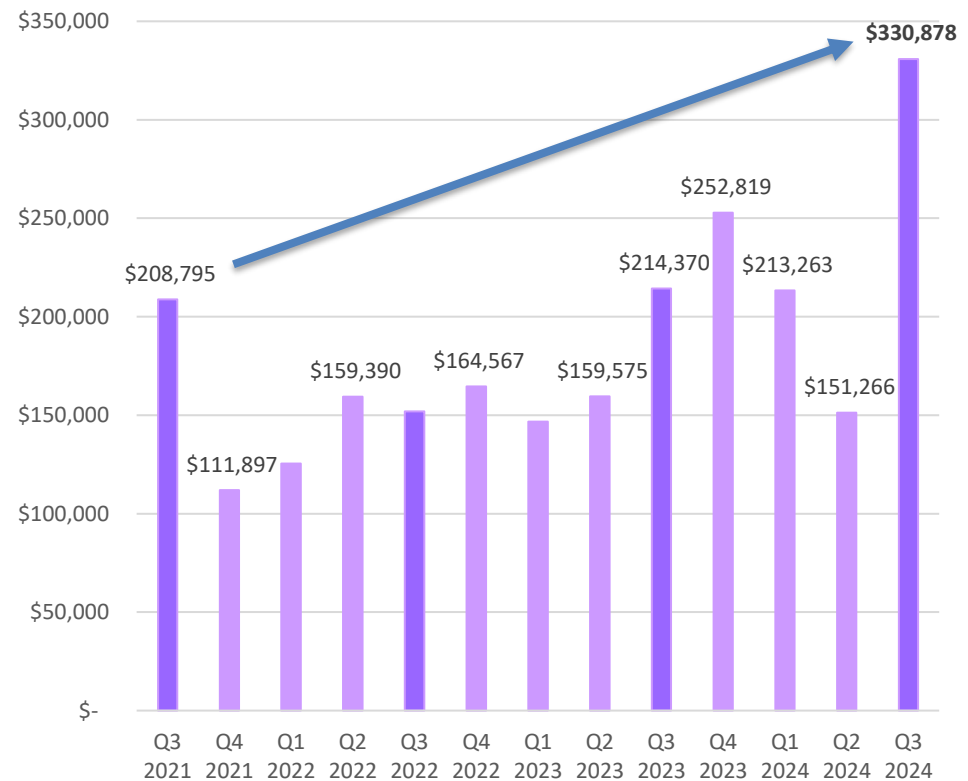
Source: City of Spokane



Housing

Average value of permitted multi-family units

- After a brief drop in permitted values of multi-family units in the first half of 2024, Q3 saw a large jump in average value per unit.
- Since Q3 of 2021, average permitted value of new MF units has increased by more than 50%.

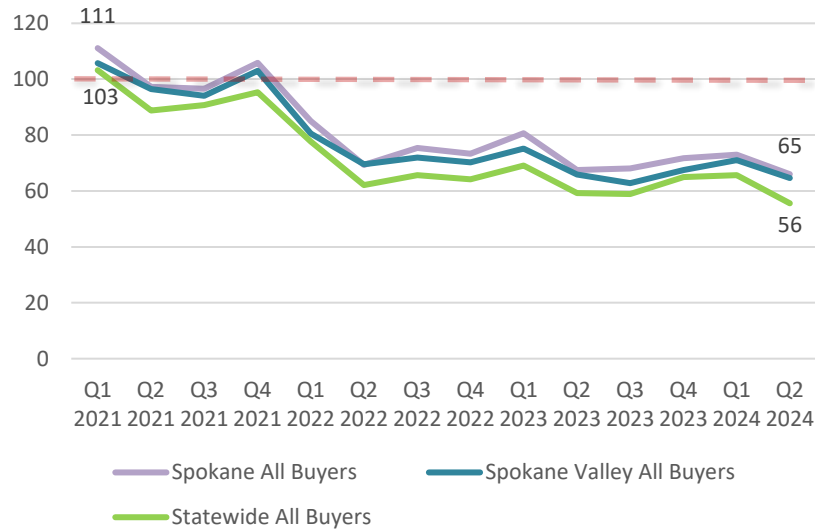


Source: City of Spokane

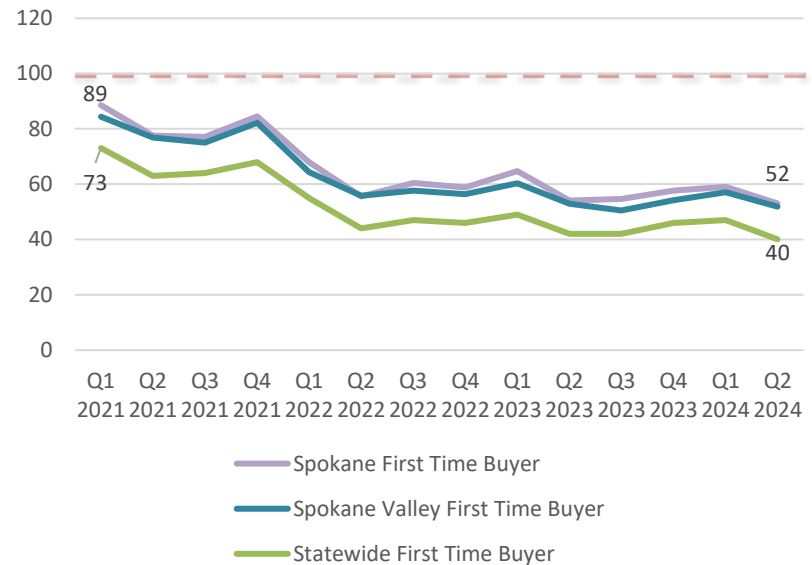
Housing

HAI: Housing Affordability Indices (Homeowners)

HAI: All Homebuyers



HAI: First-time Homebuyers (City of Spokane)



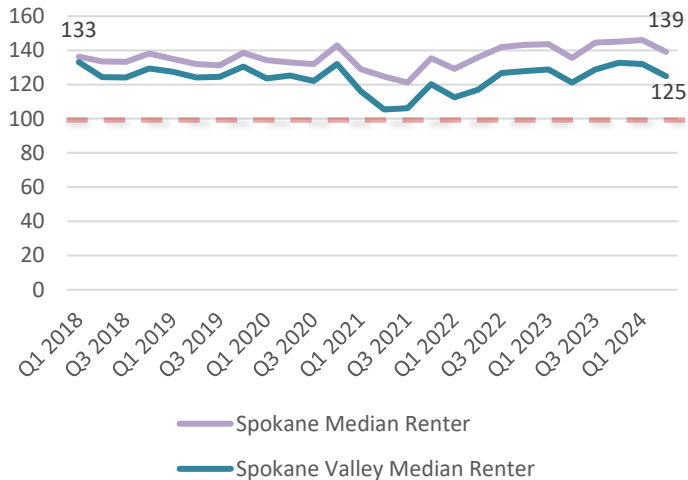
- The HAI is an index relating expenses related to mortgage and income.
- HAI All = 100 (red line) means: a household with the city's median income has exactly enough income to qualify for a mortgage on a home priced at the median for that city.
- HAI First-time = 100 (red line) : A value of 100 means 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

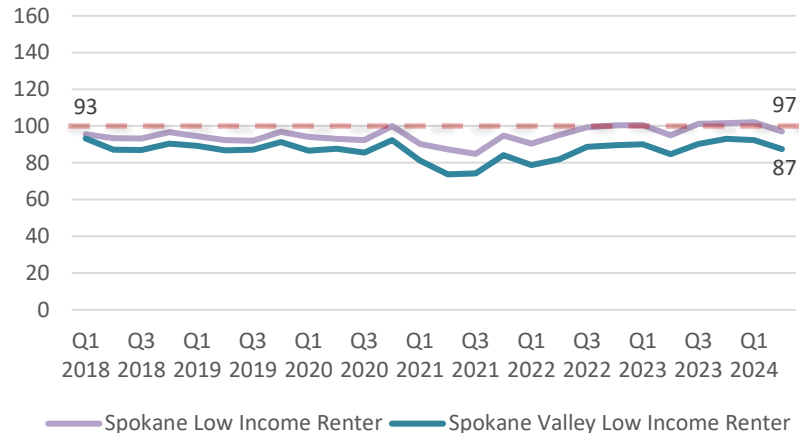
Housing

HAI: Housing Affordability (Renters), Spokane & Spokane Valley

HAI: All Renters



HAI: All *Transitional* Renters



- 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.
- City of Spokane has seen a very small increase in affordability, while Spokane Valley has become less affordable in the past five years.
- Low income / transitional renters should find renting in the City of Spokane to be “just affordable” – index of around 100. In comparison, low-income renters in Spokane Valley are finding rent to be less affordable.
- 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*

Summary of housing construction & affordability

- After a slow first half of 2023, new permitting of SFR has been steady. The average permit value of a new SFR was around \$393K while the median home resale price is \$443K.
- Following a very strong 2023, permitting for MFR surged in Q3 of 2024 to offset a sluggish first 6 months. MFR permits could be close to what they were last year (record). Much of MFR are apartments from studios to 5 bedrooms.
- Housing affordability for both all buyers and first-time buyers continues to decrease but is still above the statewide average.
- Renters in the City of Spokane find apartments to be more affordable relative to their incomes than in Spokane Valley over the past five years.

City sales activities

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

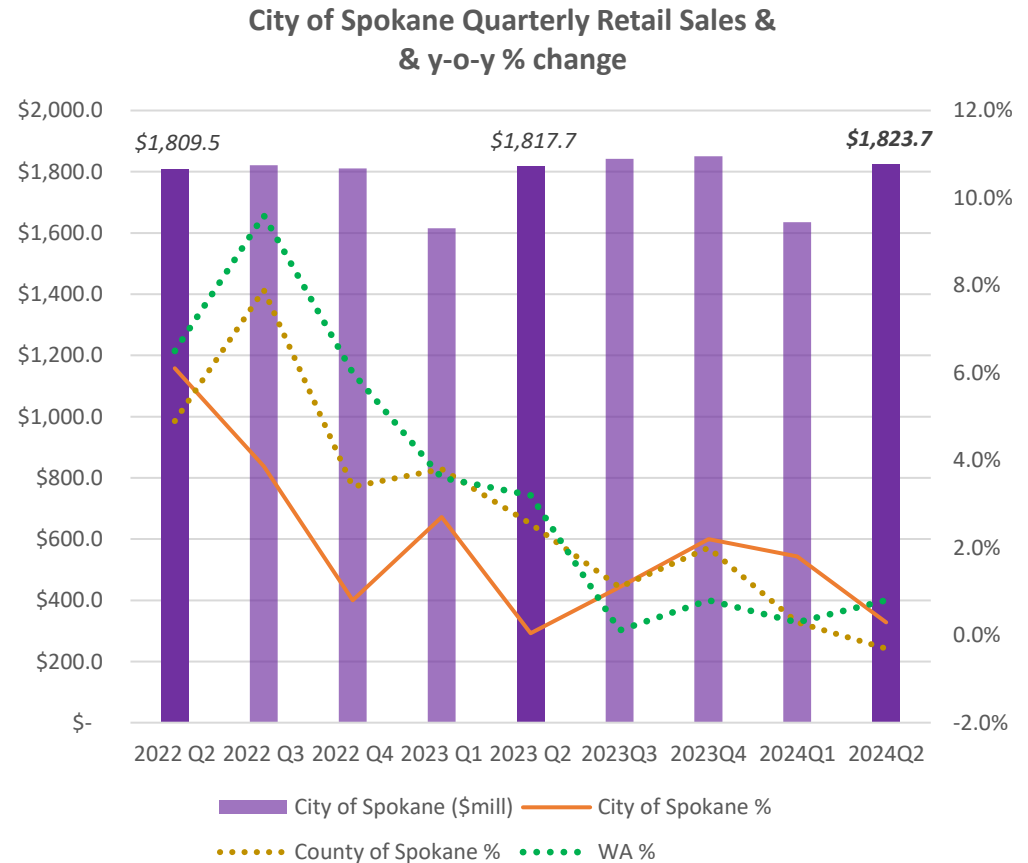
- City MHI in '23: \$65,016
 - County: \$73,583
 - U.S. : \$77,719
 - WA: \$94,605
- City MHI consistently < County MHI over decade
- Since 2017, however, City MHI growing considerably faster than County & U.S. MHI (but not WA or S. Valley)
- [Spokane Trends](#)



City sales activity

Quarterly taxable retail sales growth now in the low single digits

- First half of 2024 relatively better for COS
 - Growth rate of COS > rates in both County & WA
- Q3 growth likely to be low, say close to +1%, 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

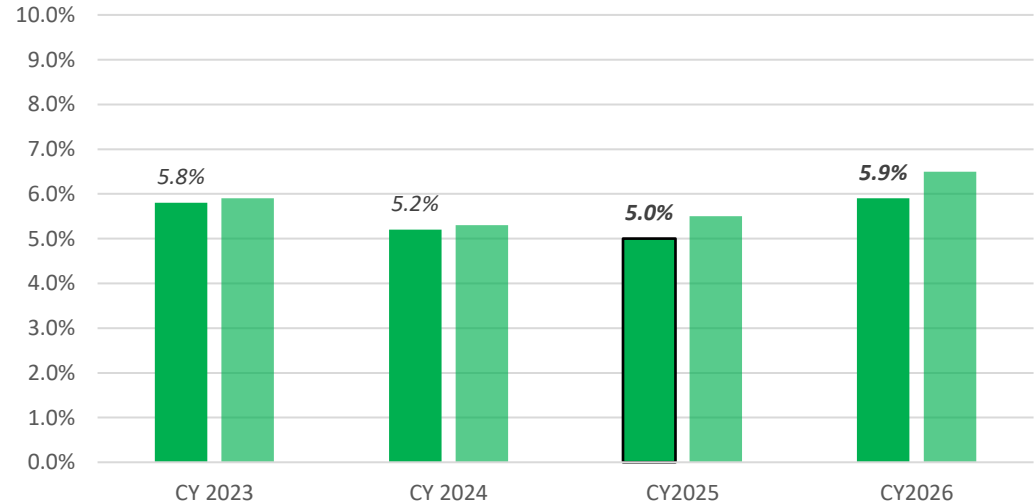
WA taxable retail sales for 2024's first 3 quarters: no growth from 2023



A look ahead at WA economy by the Economic & Revenue Forecast Council *(September '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 lower 2024 PI, a bit lower for 2025 & also 2026 than in June

Washington Nominal Personal Income Growth
year over year % change



■ September nominal WA personal income % change, y-o-y ■ June U.S. personal % change, y-o-y

Summary observations

- **WA State *Personal Income* forecast** from September have lowered a bit for CYs 2024 & 2025. Still expecting mid single-digit growth
 - Forecast for CY 2026: has now decreased from February & June forecasts.
- 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 has been weak in first half but higher than County overall and WA.
 - 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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