

City of Spokane Quarterly Economic Indicators

Q1, 2022

May 5, 2022



EASTERN
WASHINGTON UNIVERSITY

start something **big**

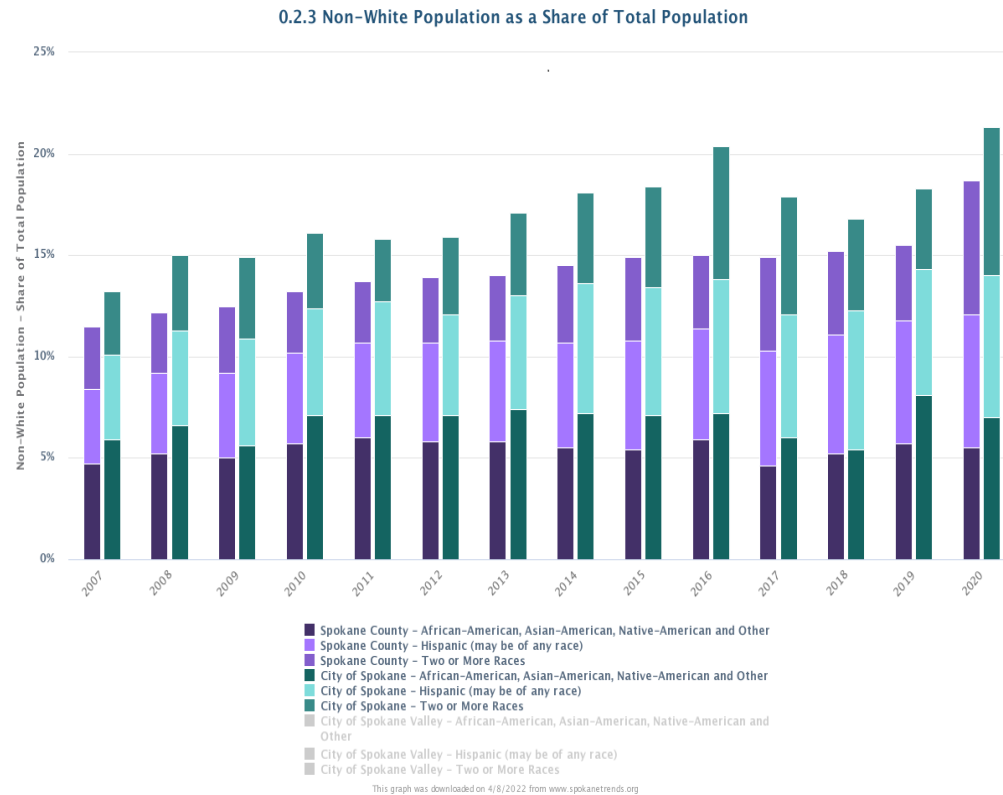
Overview

- Goal: to provide insights about important City trends via data with higher frequency than annual updates
- Track indicators in the following categories (# of indicators):
 - Population (2)
 - Employment (9)
 - Residential construction (4)
 - Non-residential construction (2)
 - Taxable sales & revenue (4)
- Local indicators are for the City of Spokane, unless noted

Population

City of Spokane's race/ethnicity

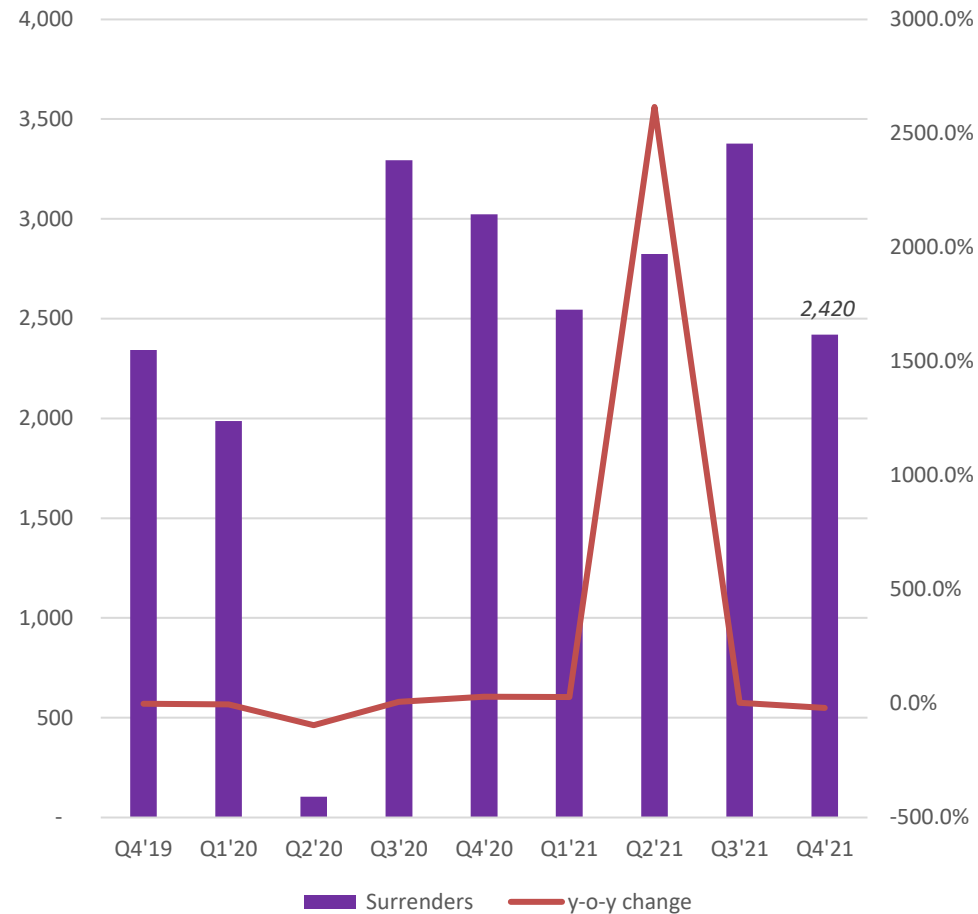
- City of Spokane more diverse than County overall
- City BIPOC share increased by 1/3 over past decade
 - 2020 count – 21%
 - 2010 count – 15.1%
- Unlike other Eastern WA metros, Latino share not outsized here
- Still, total 2020 share <
 - WA: ~35%
 - US: ~ 43%



Population

County drivers license surrenders: A measure of in-migration

- Tracks those moving to the county from out-of-state
 - Doesn't capture in-state moves
- Q4 2021 much lower than 2020
- 2021 total surrenders < 2020 & much lower than 2019
- Rank of “contributing” states in 2021: CA, ID, OR, AZ, TX

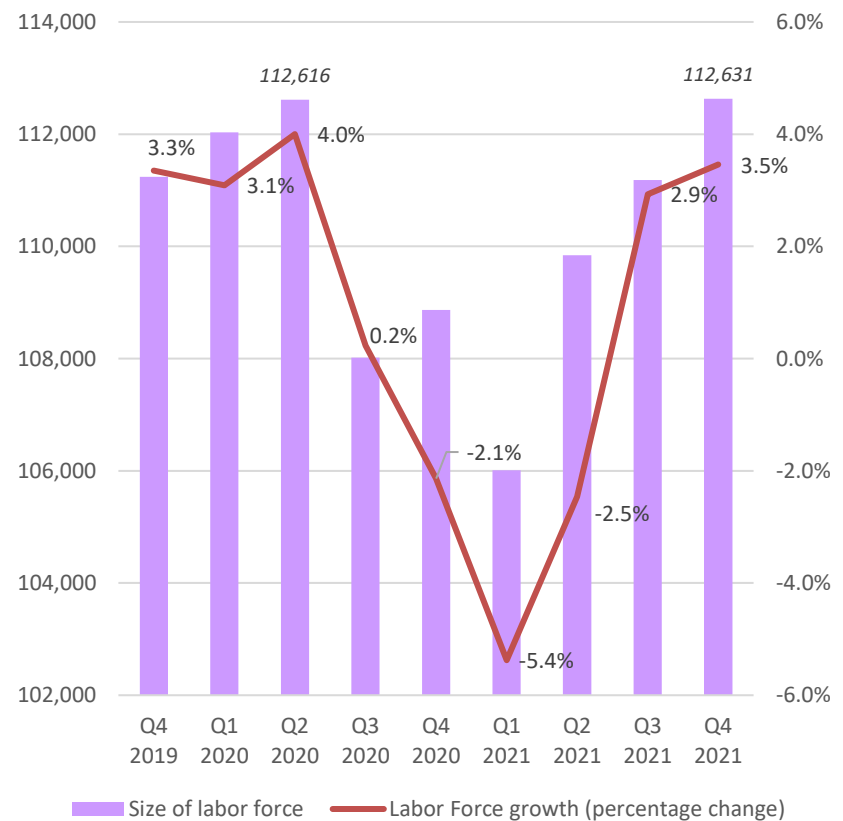


Source: WA Department of Licensing

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 coming through the pandemic-induced contraction, the size of the labor force has finally in the fourth quarter of 2021 surpassed its previous high in Q2 of 2020 and should continue to grow.
- The labor force over 4th quarter of 2021 grew at a rate of 3.5% from same quarter previous year. This rate of growth is comparable to the rate at which the labor force was growing prior to the pandemic.

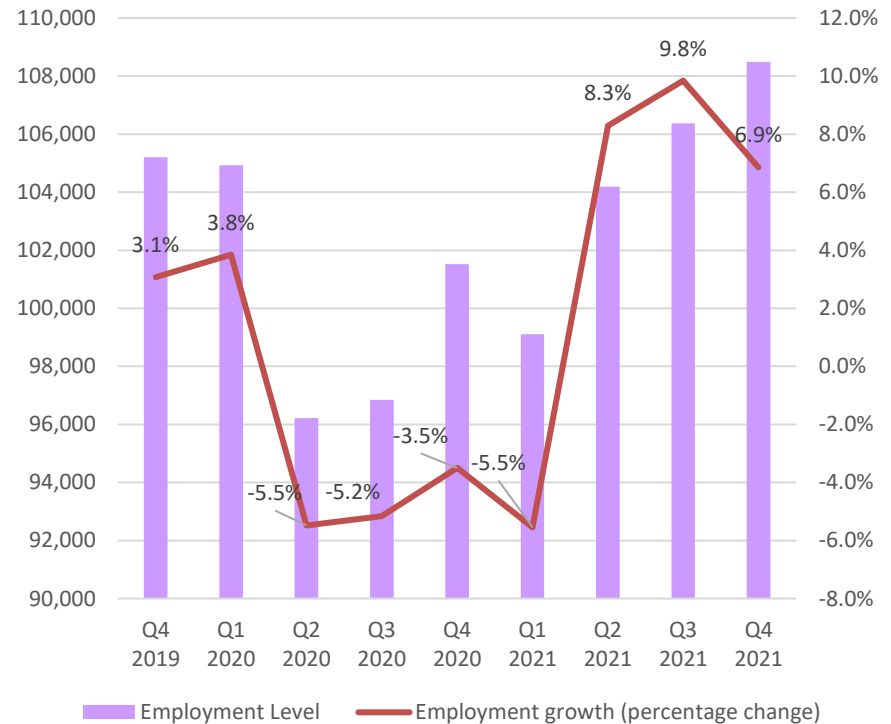


Source: Local Area Unemployment Statistics (LAUS)

Labor market

Number of jobs & year-to-year change

- After the pandemic contraction from Q2 2020 to Q1 2021, the City of Spokane has seen strong job growth from Q2 through Q4 of 2021.
- In the final quarter of 2021, employment topped 108K jobs and was up 7% from the same quarter in 2020.
- This strong job growth should continue as the economy returns to a post-pandemic normal.

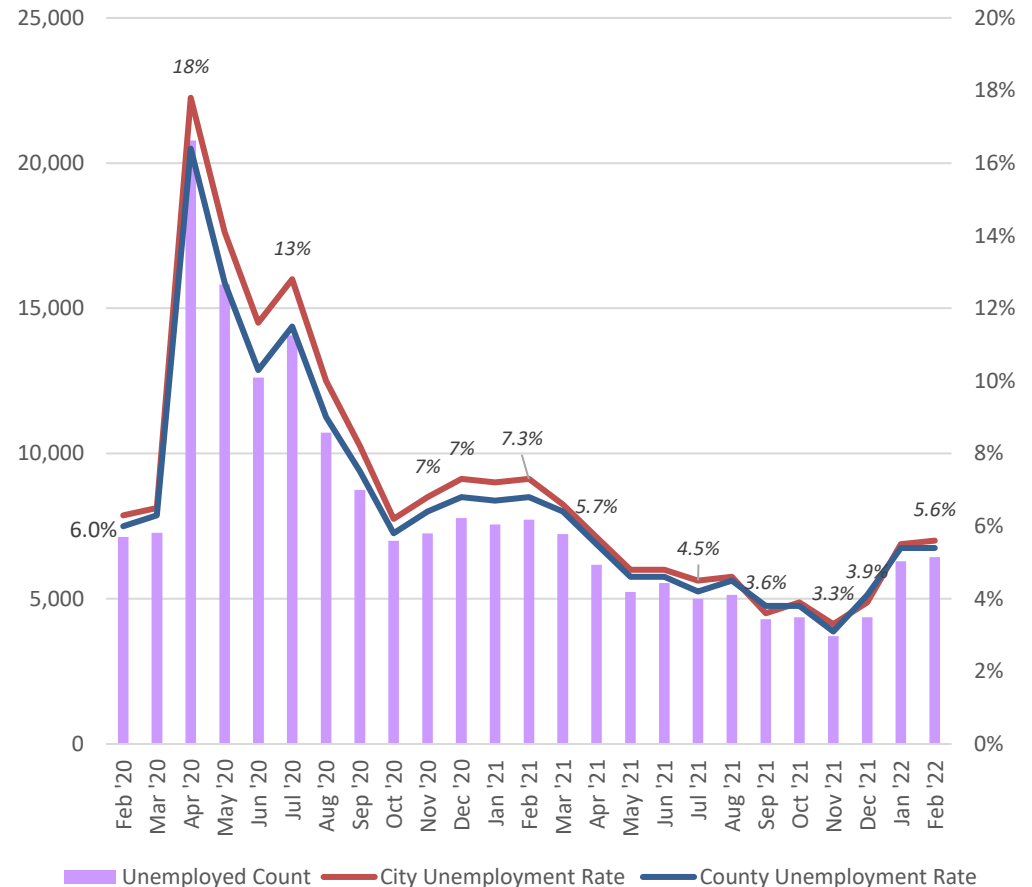


Source: Local Area Unemployment Statistics (LAUS)

Labor market

Monthly unemployment count & rate

- After the unemployment rate dropped down to 3.3% in November, we have seen a slight uptick in unemployment for the city which is very similar to the county rate of unemployment.
- The 5.6% unemployment rate for the city is slightly above the 5.1% average for the state in February of 2022 and is likely due to new entrants to the labor market since total employment continues to rise.
- Good News: The monthly unemployment rate in February of 2022 is below what it was two years ago just before the pandemic.



Source: Local Area Unemployment Statistics (LAUS)

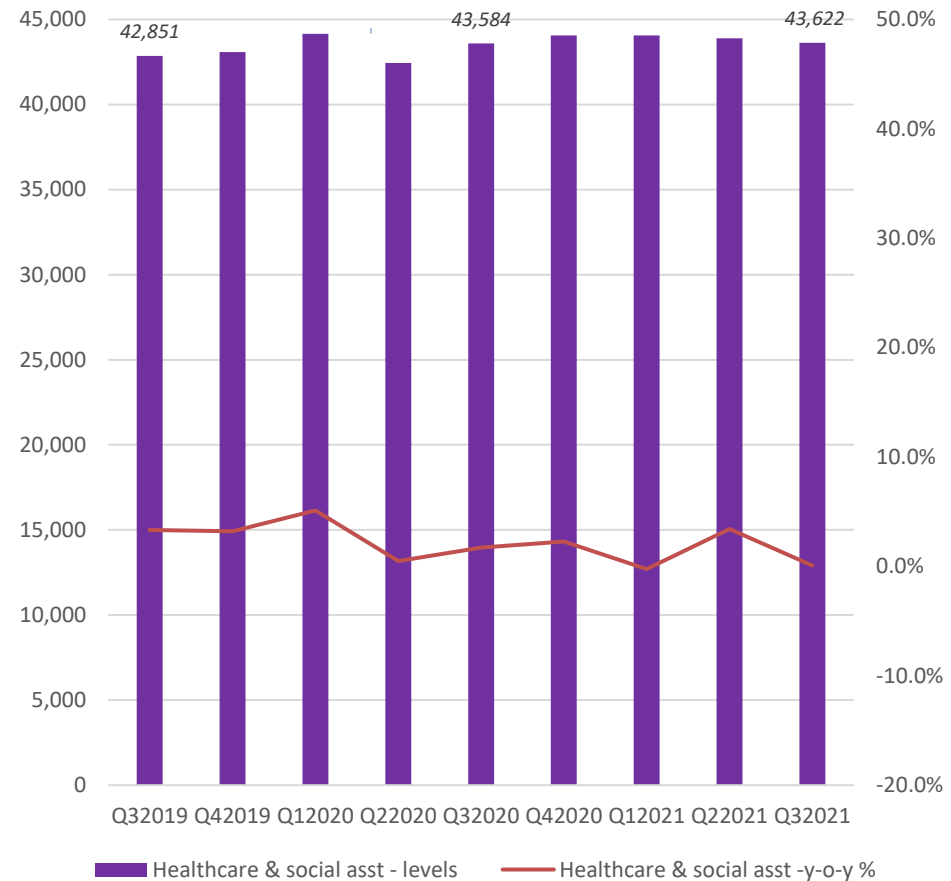
Summary of aggregate employment measures

- After coming through the pandemic-induced contraction, the **size of the labor force** in the fourth quarter of 2021 finally surpassed its previous high in Q2 of 2020, growing at a rate of 3.5% from same quarter the previous year. This rate of growth is comparable to the rate at which the labor force was growing prior to the pandemic.
- **Employment levels** in the fourth quarter of 2021 at the highest in the last couple of years topping out over 108,000 and increased around 7% from same quarter previous year.
- Although the monthly **unemployment rate** for the City has increased, it is still below where it was two years ago before the pandemic. Also, some increase in unemployment is expected as people return to the labor force and seek employment.

Key sectors

Quarterly employment in County Healthcare & Social Assistance

- Includes: ambulatory care, hospitals, social assistance, & nursing/residential care
- County's largest sector showed strong growth pre-pandemic but little growth since
- 8 quarter average employment: ~ 43,514 (up just a bit from last quarter)
- Count now > Q3 2019
- 2020 average annual wage: \$53,521 (vs. \$53,700 for all jobs in County)

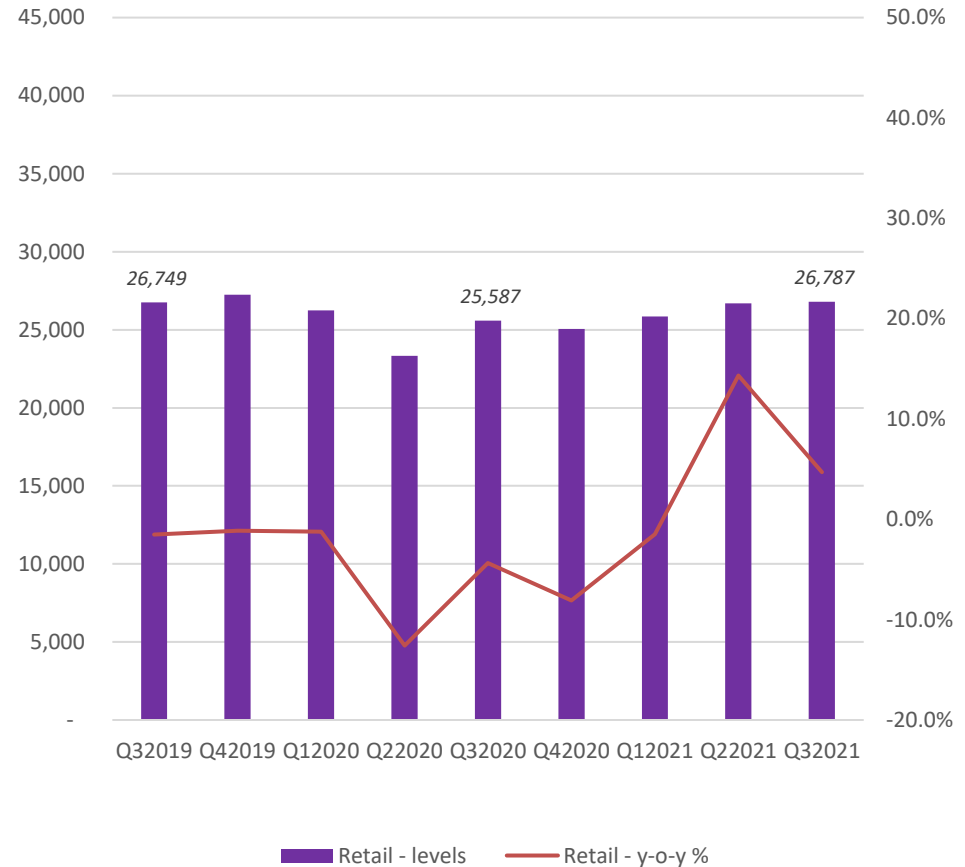


Source: WA Dept. of Employment Security, QCEW

Key sectors

Quarterly employment in County Retailing

- 2nd-largest sector
- 8 qtr. average employment: ~25,843
- Among key sectors, its % decline in Q2 2020 was the 2nd worst
- Count now a bit > 2019 Q3
- 2020 ave. annual wage: \$37,078

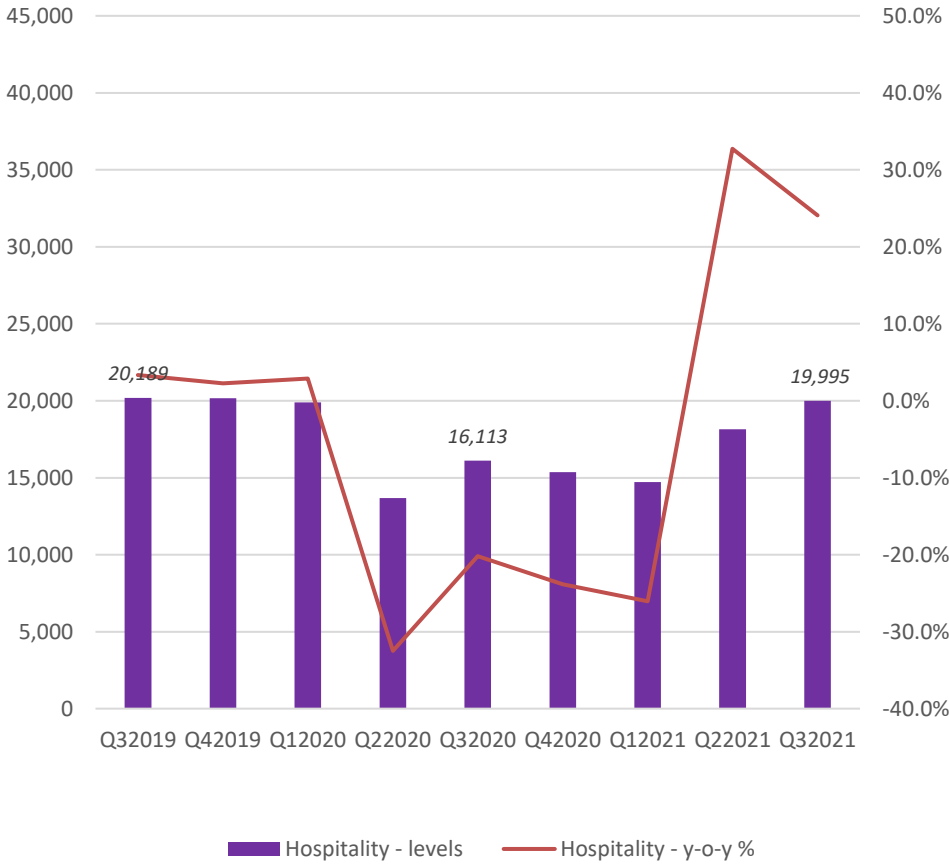


Source: WA Dept. of Employment Security, QCEW

Key sectors

Quarterly employment in County Hospitality

- Hospitality composed of lodging, restaurants, bars, coffee shops, caterers
- It's pandemic blow was worst of all the large sectors
- Huge recovery in 2021. Count now ~ = to 2019 Q3
- 8 qtr. ave. employment: 17,614
- 2020 AA wage: \$17,284

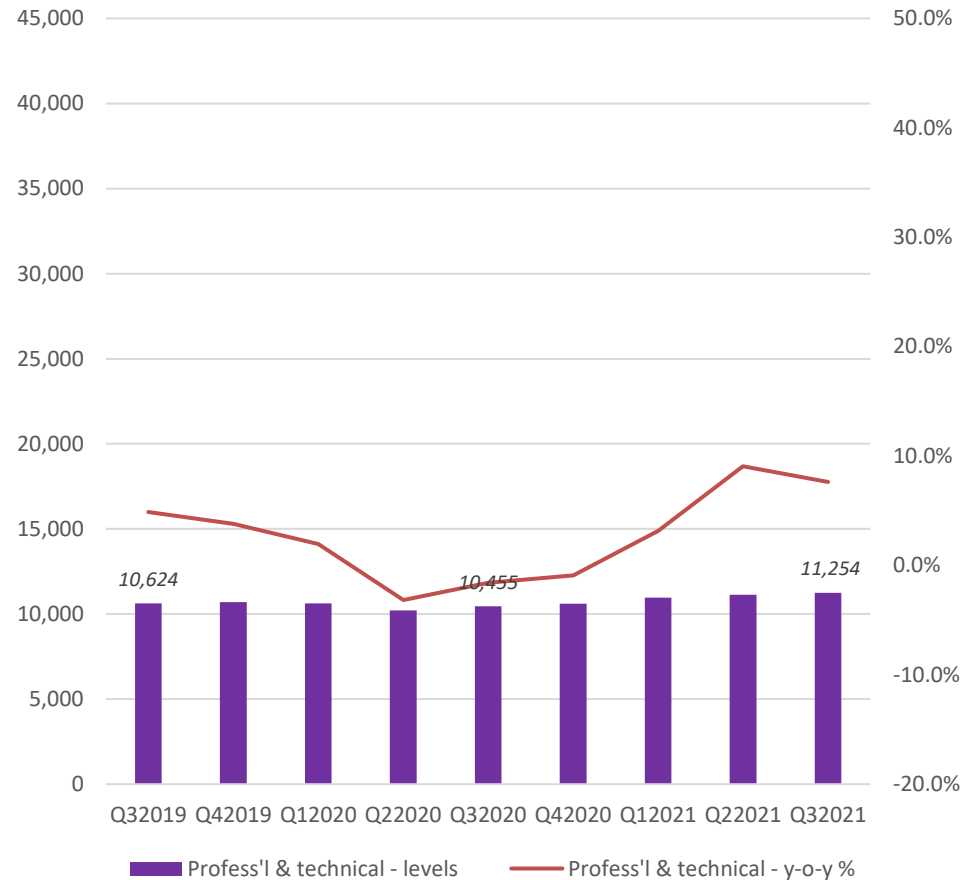


Source: WA Dept. of Employment Security, QCEW

Key sectors

Quarterly employment in County Professional & Technical services

- Consists of “white collar”/knowledge occupations – lawyers, accountants, architects, engineers, consultants
- Modestly positive growth, pre-pandemic
- Continued growth in Q3 2021
- 8 qtr. average employment: ~10,664
- 2020 AA wage: ~\$69,000

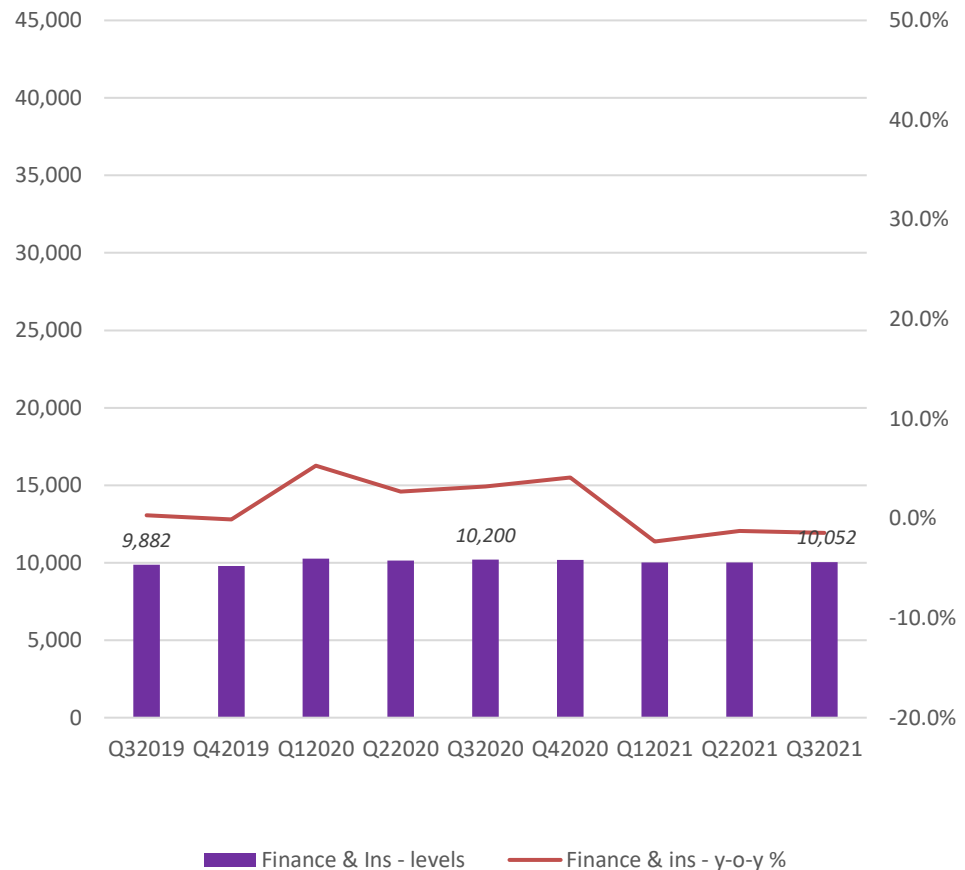


Source: WA Dept. of Employment Security, QCEW

Key sectors

Quarterly employment in County Finance & Insurance

- 8-quarter average employment: ~10,067
- Recent, slight y-o-y decline but > 2019 Q3 levels
- 2020 average annual wage: \$91,650



Source: WA Dept. of Employment Security, QCEW

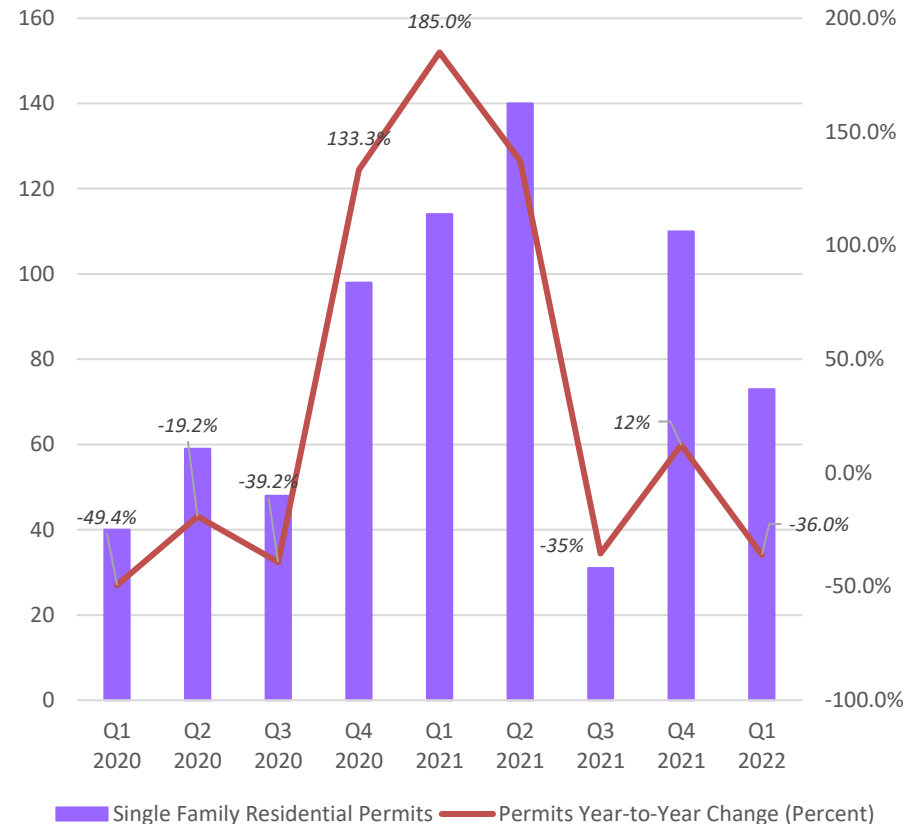
Summary of sector performance, as measured by employment

- With the exception of hospitality, largest sectors by employment in the county for Q3 2021 show **employment levels** > same quarter in 2019.
- Spokane's **hospitality sector** has continued to regain employment & is as of Q3 2021 only ~ 200 < same quarter in 2019
- **Wage growth** has been robust for two sectors
 - Retailing average annual wage (AAW) increased by 8.6% between 2020 and 2019
 - Finance & insurance AAW increased by 8.2% over the period and remained the highest of the County's largest sectors

Housing

Residential building permits, single-family

- Although Q1 of 2022 is slightly below what it was a year ago (Q1 2021), single-family new construction permits were up from Q1 of 2020 (start of the pandemic).
- The number of residential single-family residence permits was evenly spread throughout the first three months of the year (around 24 per month).
- With strong permitting in Q4 of 2021, there is still a lot of new construction of single-family residences continuing.

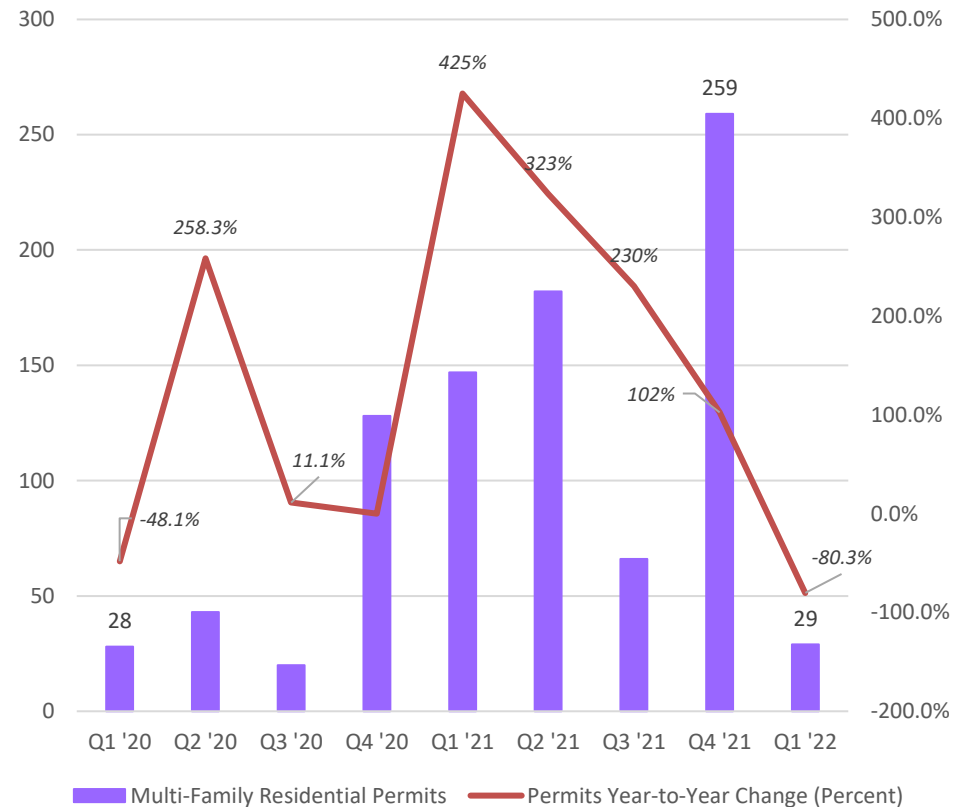


Source: City of Spokane

Housing

Multi-family building permits, by units

- First quarter of 2022 had very similar levels of new multi-family building permits compared to Q1 of 2020 (pre-pandemic).
- The large amount of permitting activity in 2021 could be due to some pent-up demand from the pandemic year of 2020. The current level of new multi-family permitting could be a post pandemic return to normal.
- With the huge uptick in the previous quarter (Q4 of 2021), there is still a lot of new construction of multi-family units ongoing in the city currently.



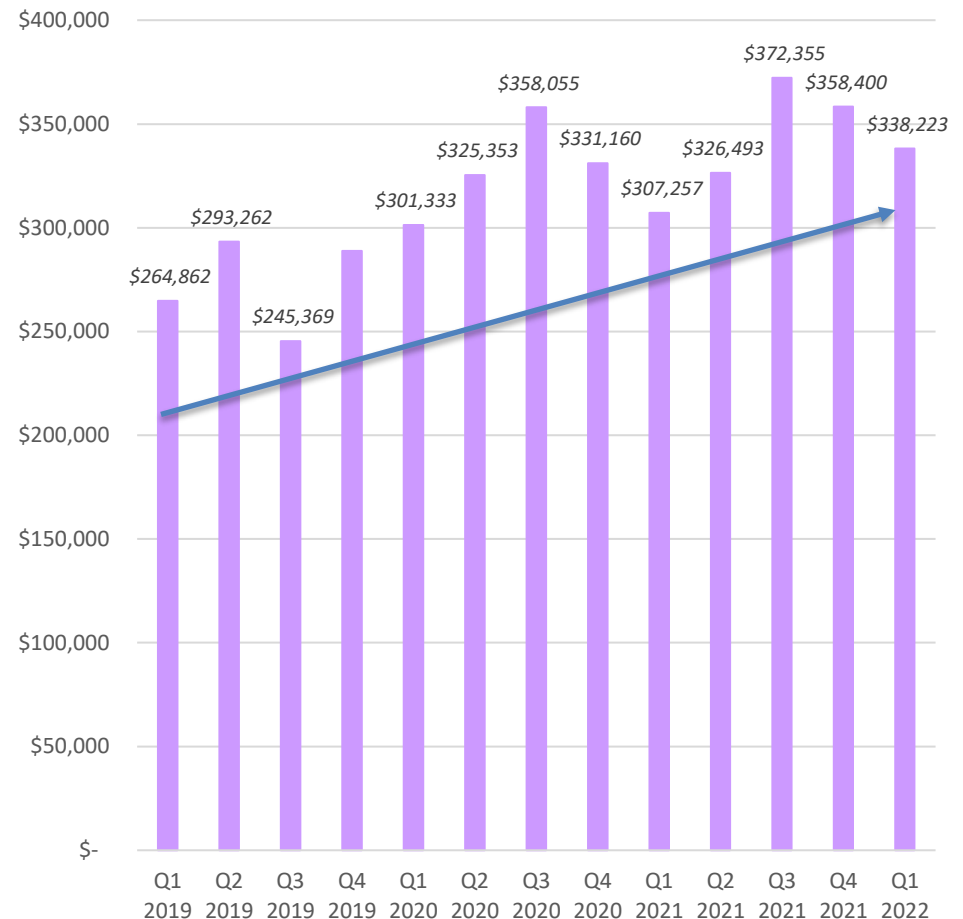
Source: City of Spokane

Housing

Average value of permitted single family residence

- First quarter of 2022 had higher average value of permitted single family residences than same quarter previous three years.
- Since Q1 of 2019, the average value of permitted single family residences has increased 28% (roughly 9% per year).
- Since Q1 of 2020, the average value of permitted single family residences has been above \$300K.
- Some of this increase in value can be attributed to the hot housing market in the area and the rising median home resale price.

Source: City of Spokane



Housing

Average value of permitted multi-family units

- The average value of permitted multi-family units is more volatile than single family units due to the variety of construction projects.
- First quarter of 2022 saw the permitting of 29 new apartments & duplexes at an average value of \$125,519. This included a project of \$3M for 24 apartments.
- First quarter of 2022 had average value of permitted multi-family units at nearly the exact same level as the same quarter a year ago (2021) and slightly above Q1 of 2020.

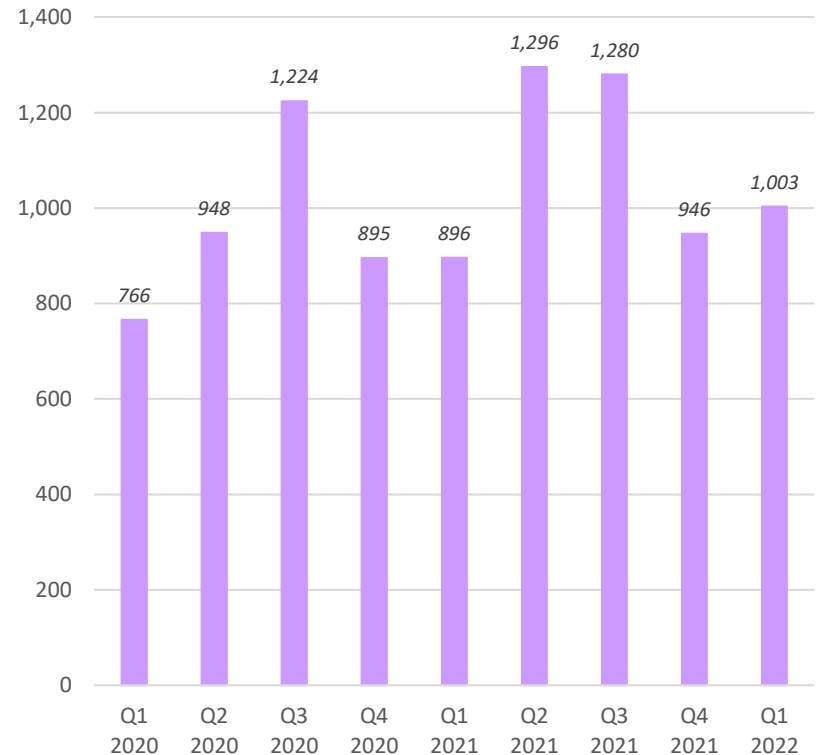


Source: City of Spokane

Commercial & public development

Total number of non-residential permits

- Measures all non-residential new construction & remodel permits issued by the City of Spokane.
- Includes commercial, industrial as well as public works (schools, cell towers, hospitals)
- Strong cyclical pattern with less activity in Q4 & Q1 typically, due to weather.
- First quarter of 2022 was higher than same quarters previous two years. In fact, both Q4 of 2021 and Q1 of 2022 were higher than same quarters previous two years. With Q2 & Q3 typically having the most amount of permitting, this bodes well for summer permitting activity in 2022.
- Non-residential construction is healthy and stable

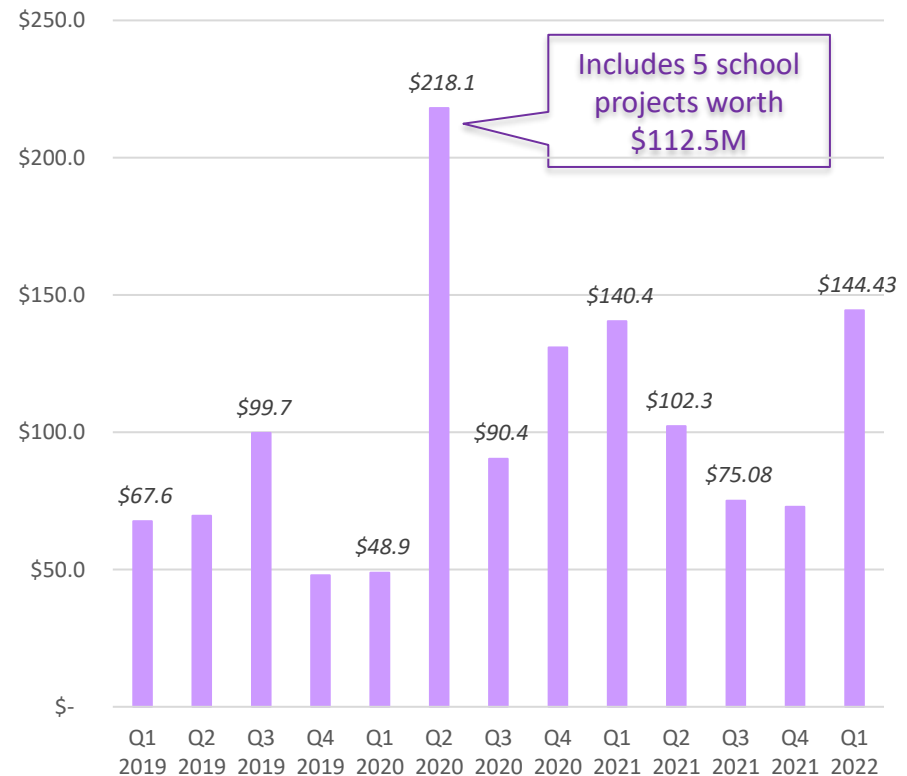


Source: City of Spokane

Commercial & public development

Total value of non-residential permits (\$m)

- Total permitted valuation of all non-residential permits issued by the City of Spokane (in \$millions) includes new construction & remodels.
- First quarter of 2022 was very similar to the previous year (Q1 2020) and higher than two years ago (2019) pre-pandemic.
- Q1 of 2022 non-residential new construction included \$61M for new schools / educational buildings and \$25M hospital buildings.



Source: City of Spokane

Summary of building permit measures

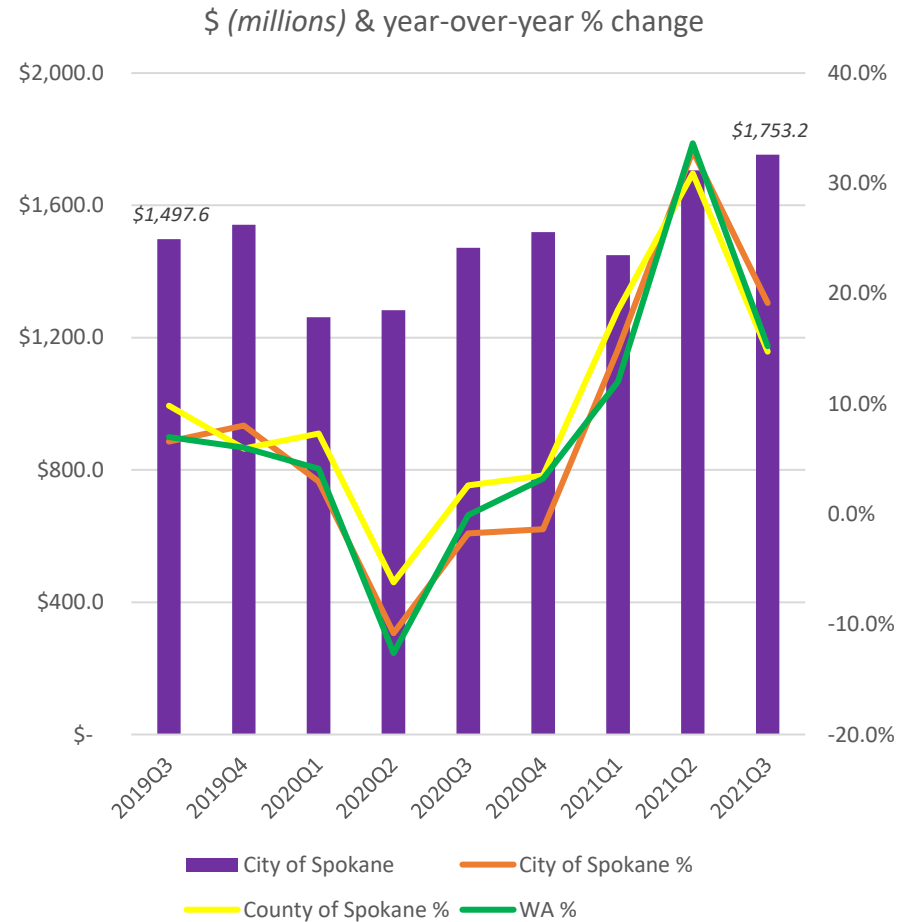
- After a very strong Q4 of 2021, the first quarter of 2022 continued with both **single and multi-family building** permits up overall from previous years.
 - Some of this could be a response to the very hot housing market right now in the area.
 - The average permit value for single-family residences has continued to increase (steady upward trend) and is up nearly 30% over the last three years.
 - Although the quantity of multi-family permits has fallen to the same level as 2019, the value of the multi-family units is consistent with what it was in the same quarter of 2021 and 2020.
- The quantity of **non-residential** permitting is higher than what it has been in the same quarter the past two years and the total valuation of those permits has increased (in part due to school & hospital construction projects permitted in Q1 of 2022.)

City sales activity

Quarterly taxable retail sales in 2019-2021

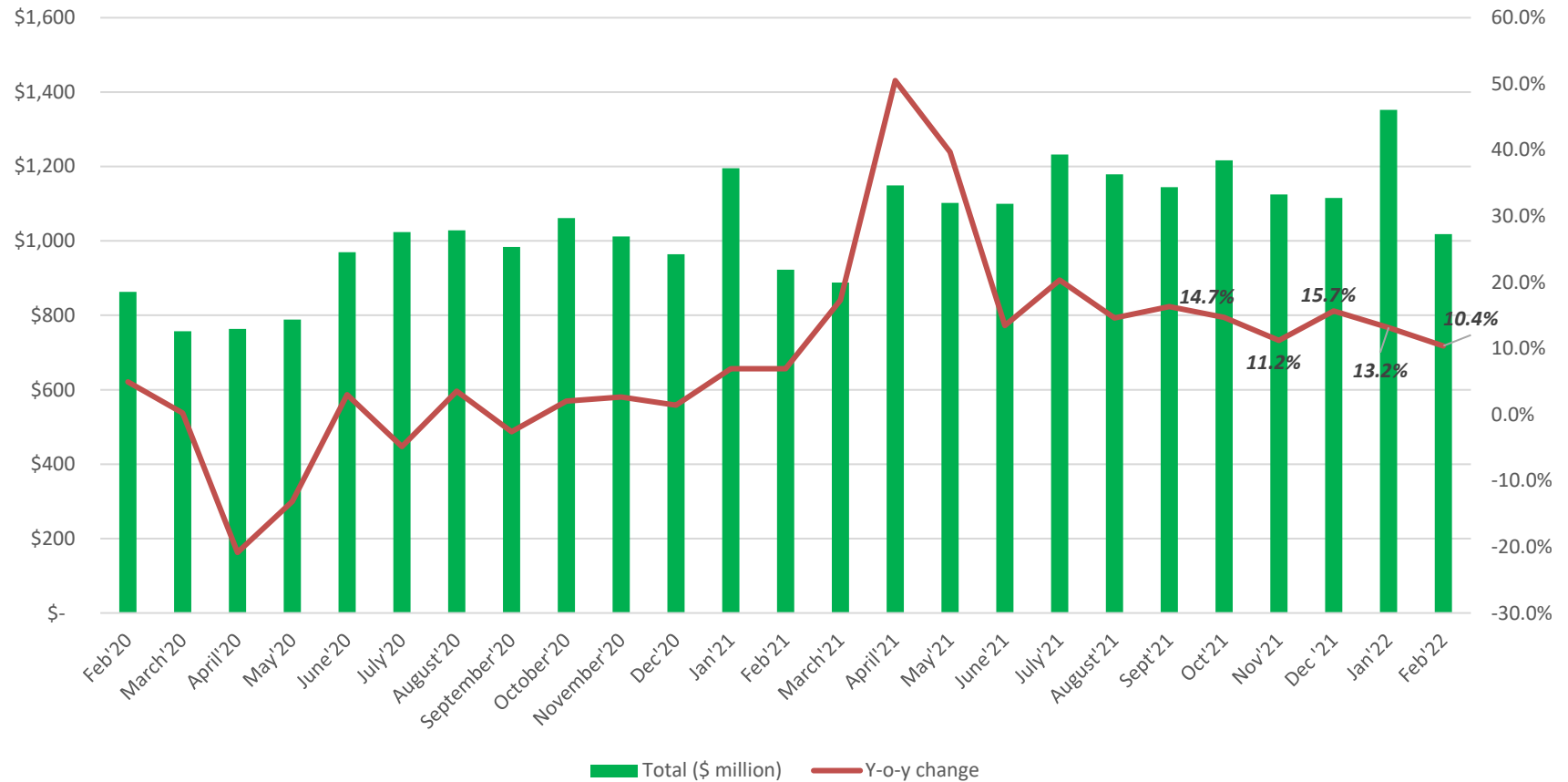
- Another strong gain in Q3 2021
 - Year-over-year: 19%
 - Now much higher than same quarter two years ago
- Q4 likely to show a double digit y-o-y gain, if WA state serves as a reasonable guide
 - And it does....
 - The correlation between WA state and City of Spokane taxable retail sales is 0.995!

Source: [Spokane Trends](#) (data from WA State Department of Revenue)



Monthly WA retail sales tax collected: strong year-over-year monthly increases continue

Source: Washington State Economic & Revenue Forecast Council



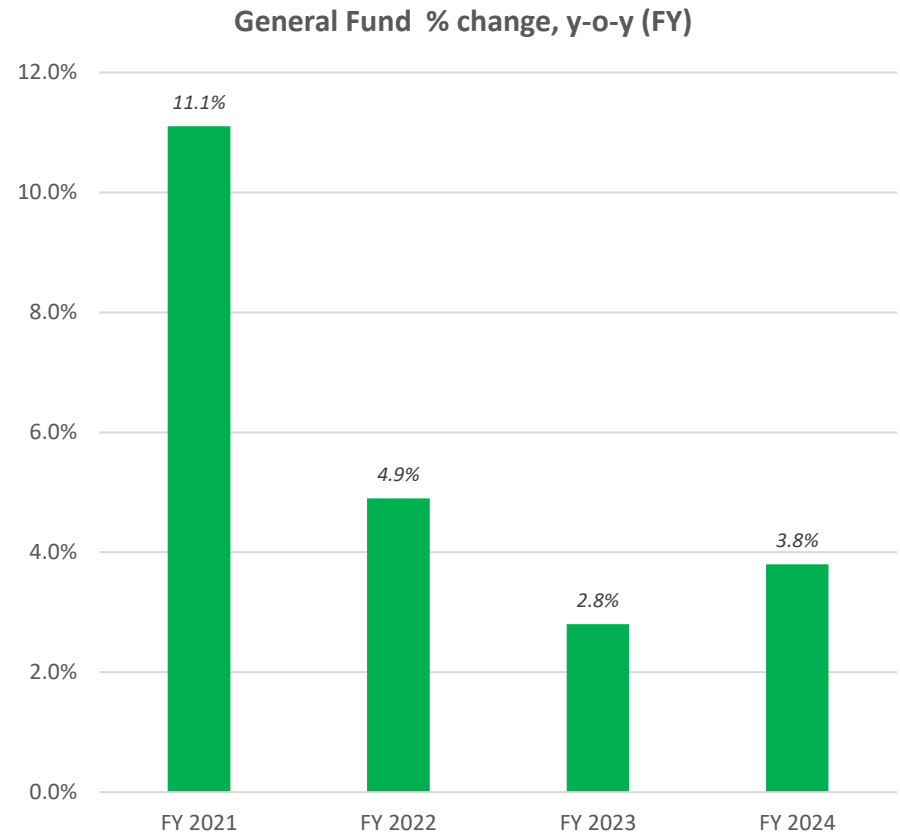
A look ahead at WA economy by the Economic & Revenue Forecast Council *(Feb. '22 release)*

- Personal income (PI) = wages + investments + transfer payments
- PI highly correlated with spending
 - (r = 0.975 for City of Spokane taxable retail sales & County income)
- PI-Spokane highly correlated with PI-WA
- ERFC projecting a large drop in the rate of increase of personal income for CY 2022, but less than in Nov 21
- If correct, this implies a large drop in growth rate of taxable retail spending



The ERFC's outlook on WA General Fund (GF) revenue

- These are WA fiscal years
- ~ Half of GF revenue is from taxable retail sales
- WA & City of Spokane taxable retail sales are highly correlated ($r = 0.995$)
- Slight upward adjustment to FYs 2023 & 2024 from Nov.



Summary observations

- **Taxable retail sales** in the City for 2021 will have ended the year with a y-oy % increase in the mid-teens & at levels higher than 2019
 - City's Q1-Q3 results were very strong
 - City taxable retail sales are tracking closely those in WA state
 - WA state taxable retail sales (unofficial) for 2021 have been very strong: = 18% over 2020
- **WA State revenue forecast** for 2nd half 2022 anticipates growth, but at a modest rate. The City might expect a similar outcome, unless savings rates here are high in all income brackets.
- This assumes that the ERFC forecasts accurately. In recent years, their forecasts have been underestimates.

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[Spokane Trends](#)

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