

City of Spokane Quarterly Economic Indicators

Q4, 2021

January 24, 2022



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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

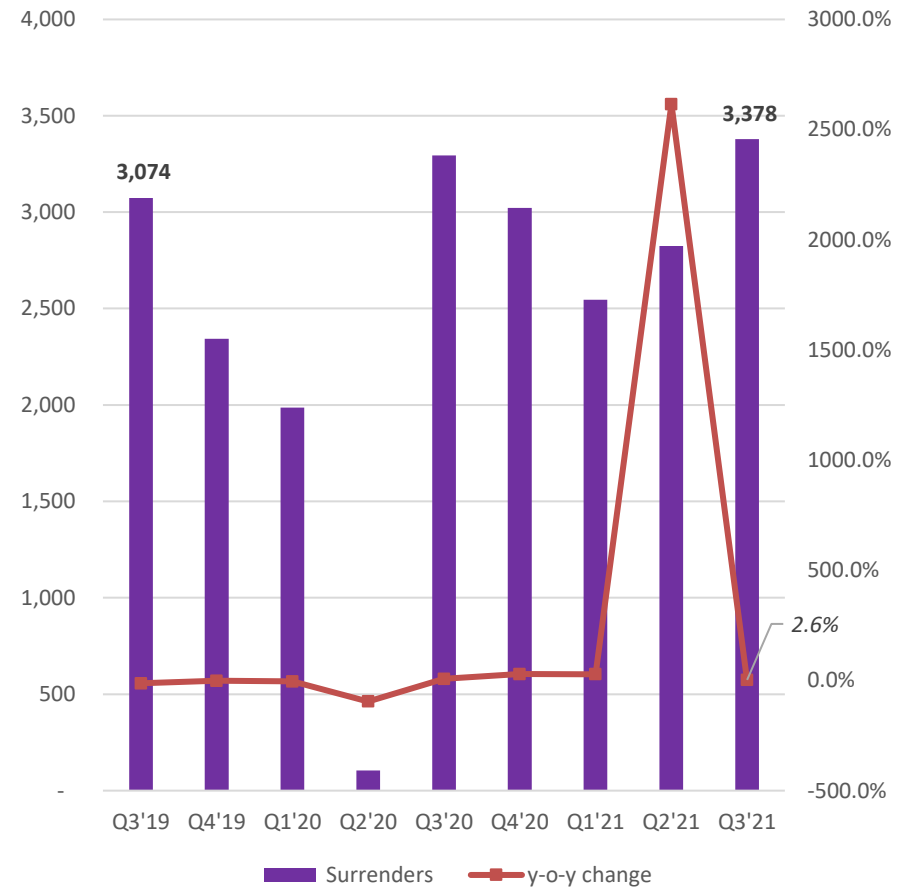
Another word about the City's population

- OFM revised its 2021 estimates in November, based on the 2020 Census count
- Recall that OFM earlier estimate for 2020 was ~5,500 lower than the actual Census 2020 count
- Results for City's numbers:
 - 2020 Count: ~229,000
 - 2021 OFM estimate: 229,400(In our last meeting, we had suggested 230,000 would be the #)
 - This represents 42% of total County population; down from 46% in 2000

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
- Q3 2021 slightly higher than 2020
- '21 y-t-d surrenders > 2019 (by 17%) but still < 2017 or 2018
- Rank of "contributing" states: CA, ID, OR, AZ, TX

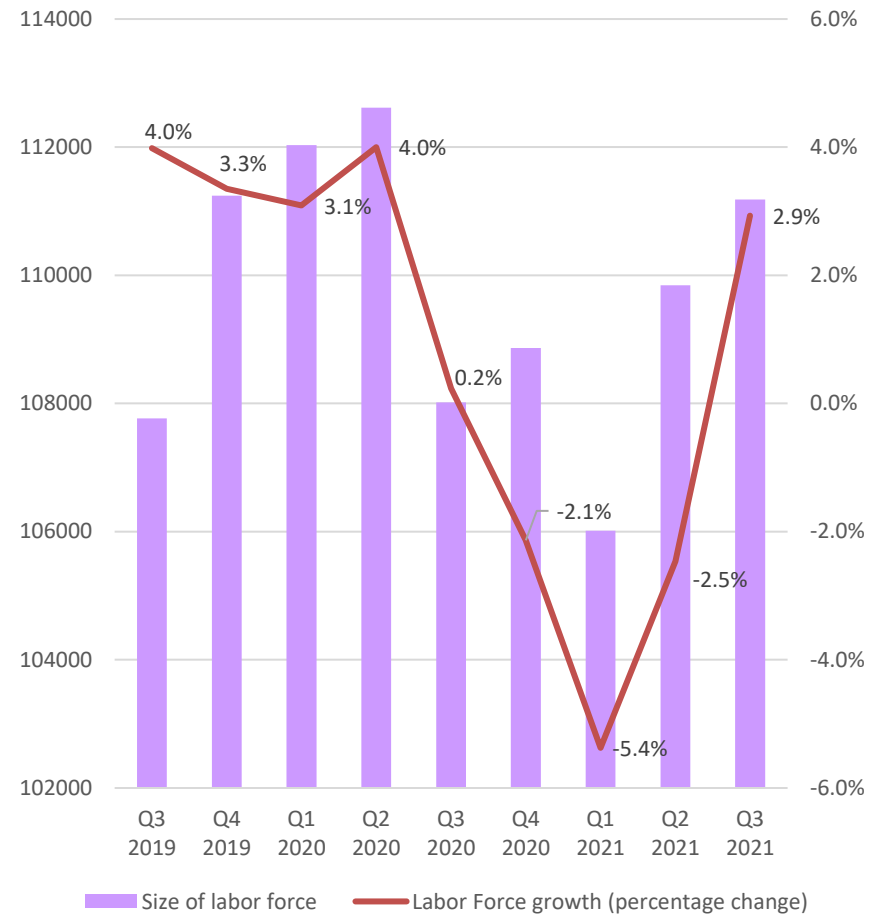


Source: WA Department of Licensing

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 three straight quarters negative year-to-year change, Q3 of 2021 saw positive year-over-year increase of about 3% which is close to annual increases seen in late 2019 and early 2020.
- The labor force over 3rd quarter of 2021 was still slightly below its local peak of over 112,000 in mid-2020.



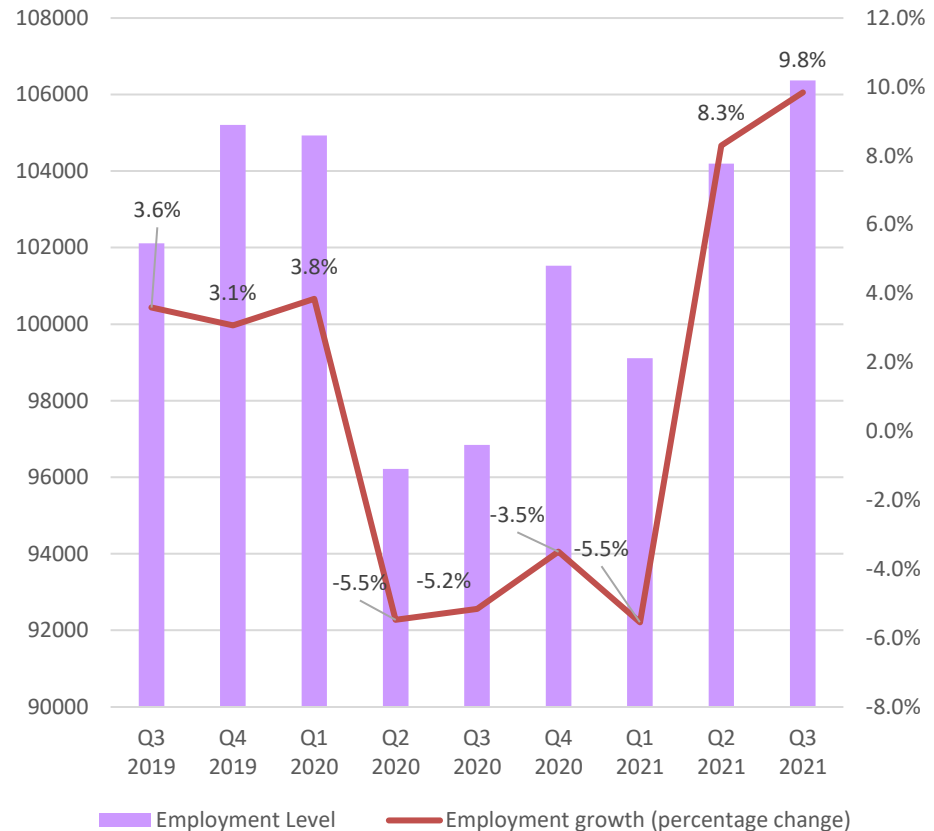
Source: Local Area Unemployment Statistics (LAUS)

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 in both Q2 & Q3 of 2021.
- The employment level in third quarter of 2021 exceeded the average quarterly employment levels for the previous two years.
- October & November of 2021 also showed even higher employment levels than third quarter and strong growth from the same period last year as well.

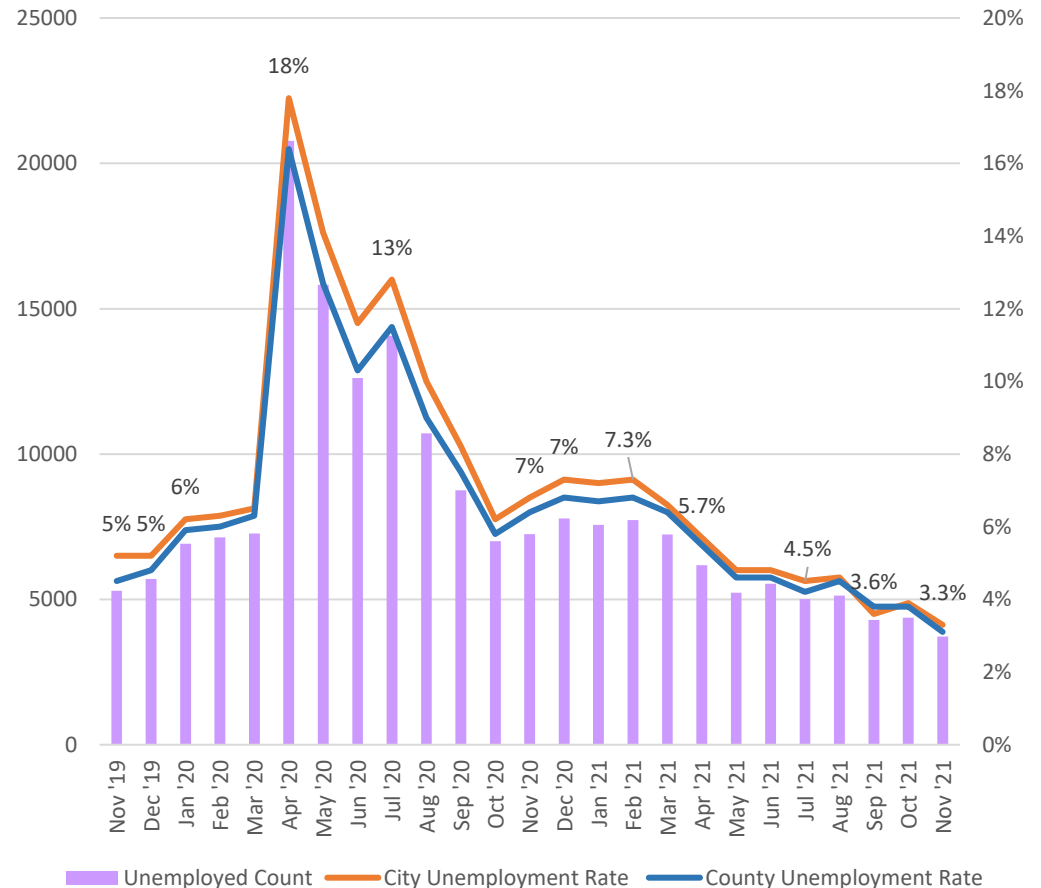
Source: Local Area Unemployment Statistics (LAUS)



Labor market

Monthly unemployment count & rate

- After the huge uptick in the unemployment count due to stay-at-home directives from March to April 2020, both the unemployment count and unemployment rate have steadily fallen.
- Good News: The monthly unemployment rate in November, 2021 of 3.3% was lower than it was two years ago in November, 2019 (pre-pandemic).



Source: Local Area Unemployment Statistics (LAUS)

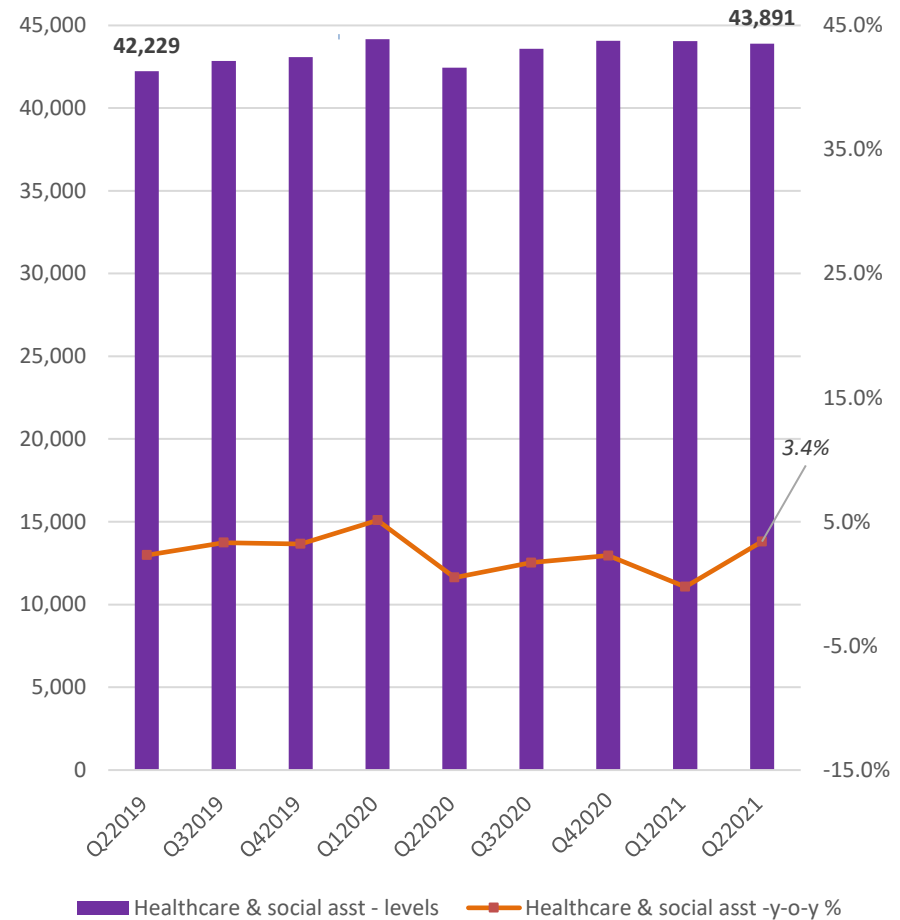
Summary of aggregate employment measures

- Third quarter of 2021 saw continued strong growth in the civilian labor force and continued to close in on previous pre-pandemic highs. If the trend continues, we should match the previous high at the end of 2021 or early 2022.
- Employment levels in the third quarter of 2021 at the highest in the last couple of years and increased more than 10% from previous year.
- The current monthly unemployment rate of 3.3% is now below what it was in 2019 when the economy was expansionary. As total employment continues to increase, the unemployment rate should stay low.

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: ~ 43,372 (up just a bit from last quarter)
- Numbers now > Q2 2019
- 2020 ave. annual wage: \$53,521 (vs. \$53,700 for all jobs in County)

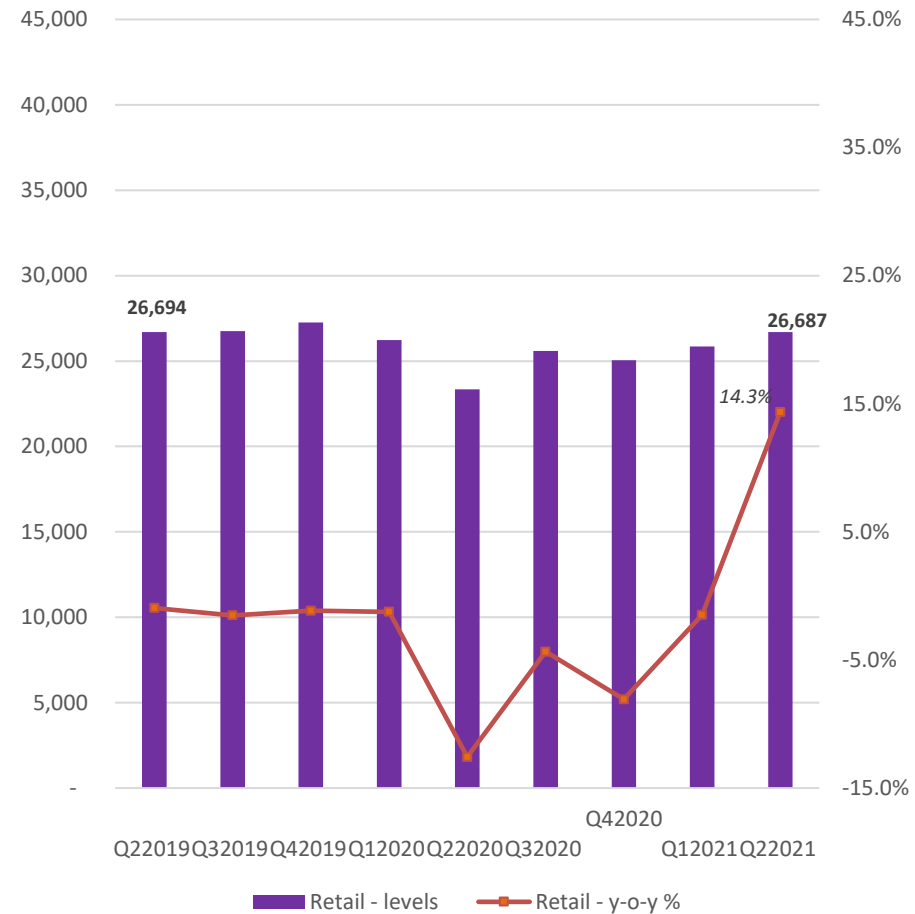


Source: WA Dept. of Employment Security, QCEW

Key sectors

Quarterly employment in County Retailing

- 2nd-largest sector
- 8 qtr. average employment: ~25,938 (up a bit from last visit)
- Among key sectors, its % decline in Q2 2020 was the 2nd worst
- Level now nearly equal to 2019
- 2020 ave. annual wage: \$37,078

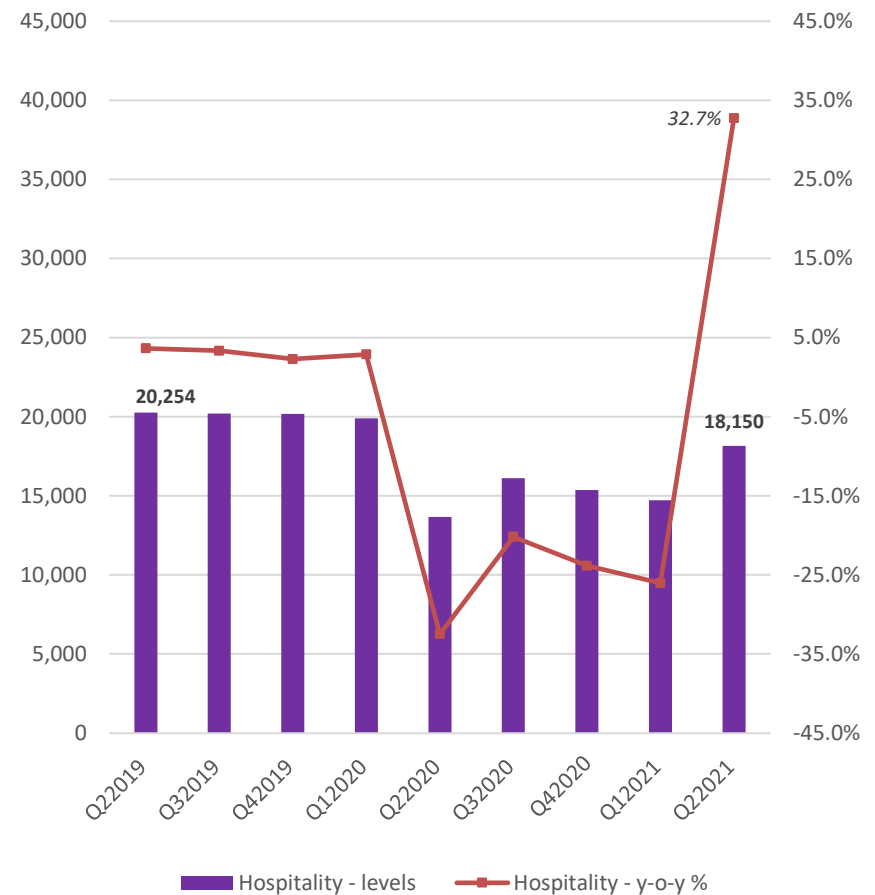


Source: WA Dept. of Employment Security, QCEW

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 ~2,000 < of Q2 2019
- 8 qtr. ave employment: 17,614
- 2020 AA wage: \$21,939

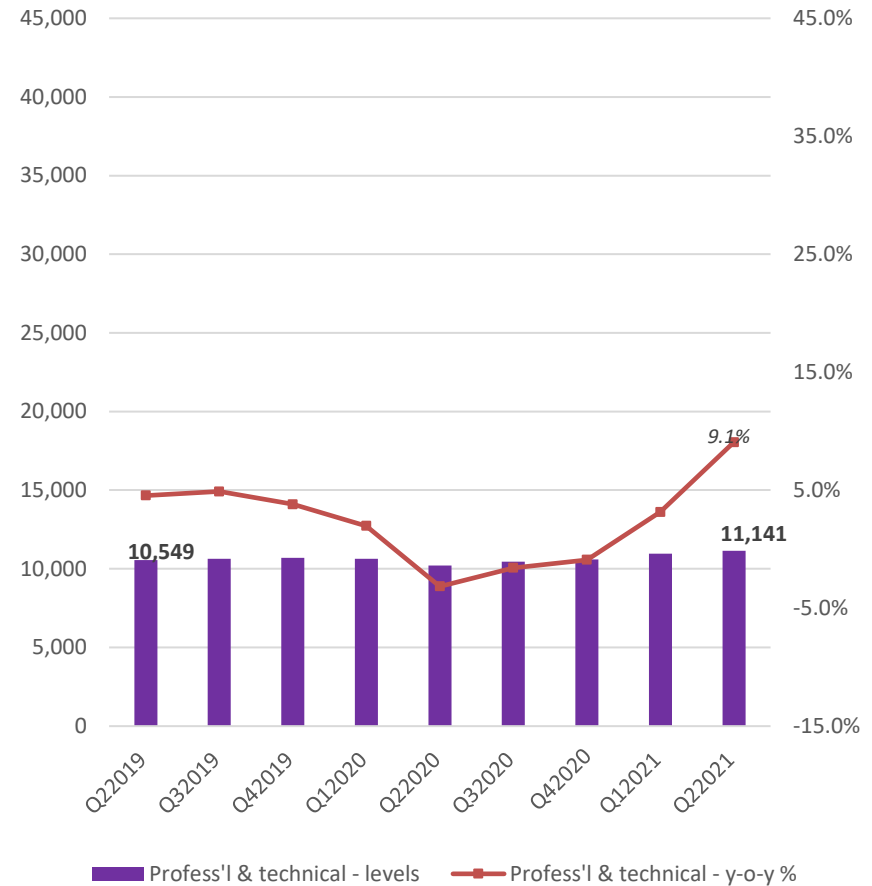


Source: WA Dept. of Employment Security, QCEW

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
- Now > peak in Q1 2020
- 8 qtr. average employment: ~10,650
- 2020 AA wage: ~\$69,000

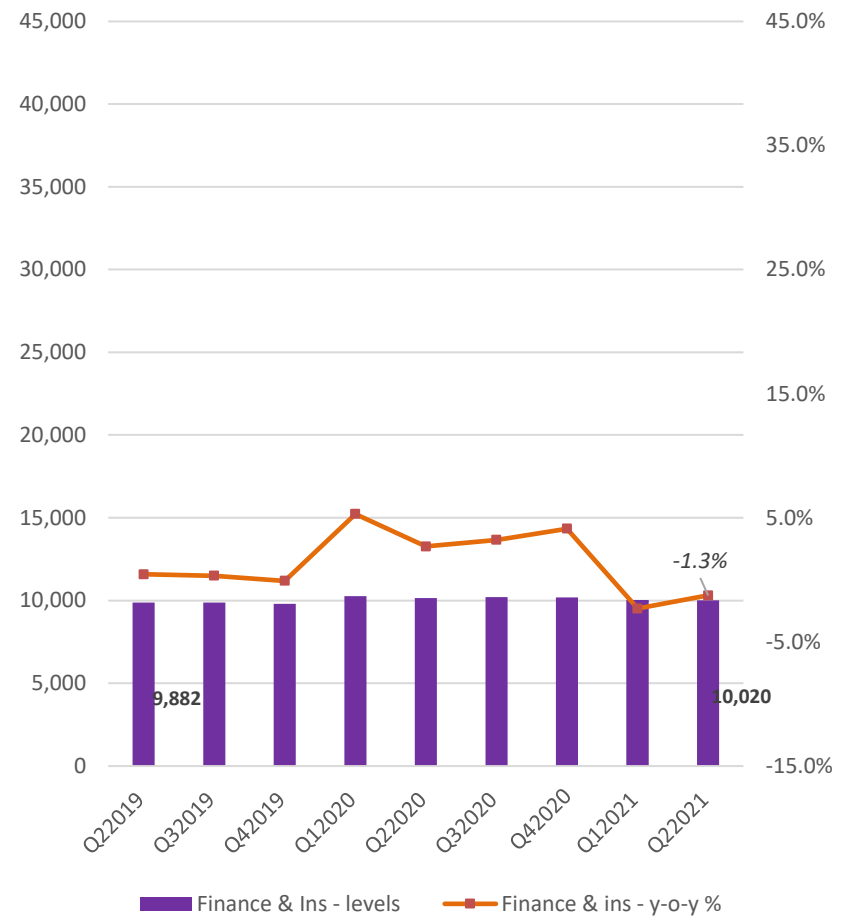


Source: WA Dept. of Employment Security, QCEW

Key sectors

Quarterly employment in County Finance & Insurance

- 5th largest sector
- 8-quarter average employment: ~10,050
- Recent, slight y-o-y decline but > 2019 levels
- 2020 average annual wage: \$91,650



Source: WA Dept. of Employment Security, QCEW

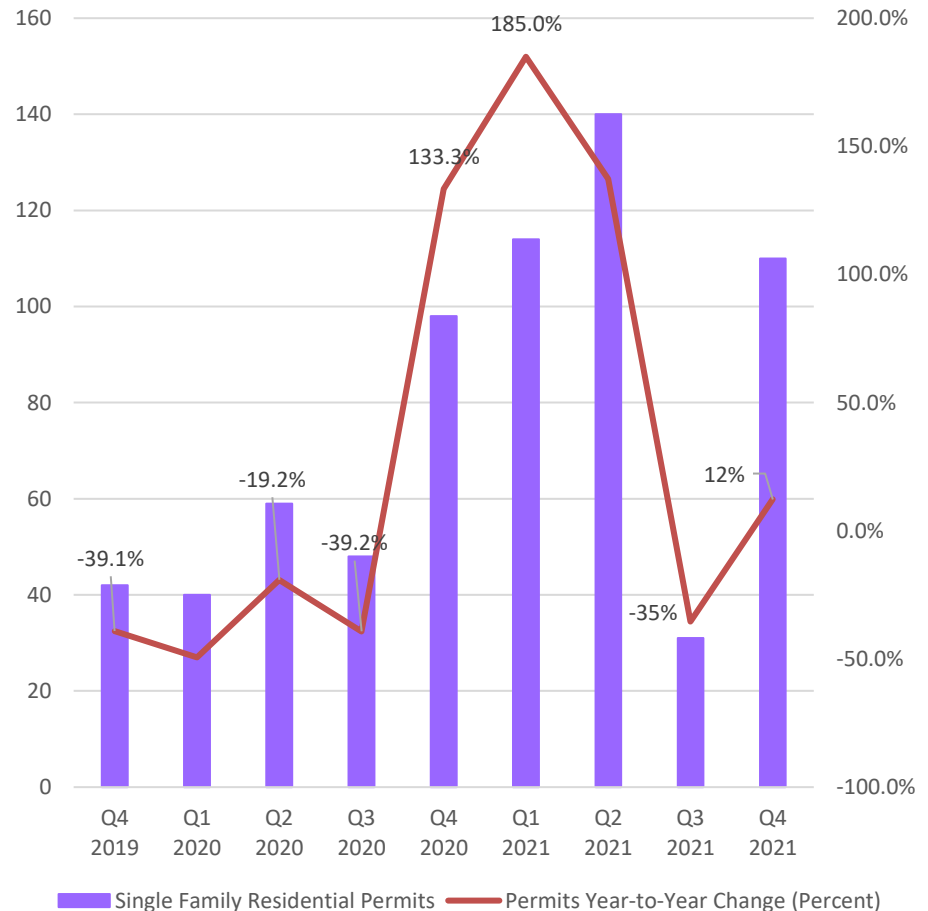
Summary of sector performance, as measured by employment

- With the exception of hospitality, largest sectors by employment in the county now show **employment levels** > same quarter in 2019.
- Spokane's **hospitality sector** regained employment dramatically in Q2, now ~2,000 < same quarter in 2019
- **Wage growth** has been robust for two sectors
 - Retailing average annual wage 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

- After a slight dip in third quarter (cyclical), fourth quarter showed a strong rebound (110 new dwellings), exceeding last year's strong fourth quarter even.
- For the year, 2021 had very strong permitting for single family homes, in part due to the strong housing market.
- Despite the slight dip in third quarter, current levels of single-family residential building permits are above 2019 levels.



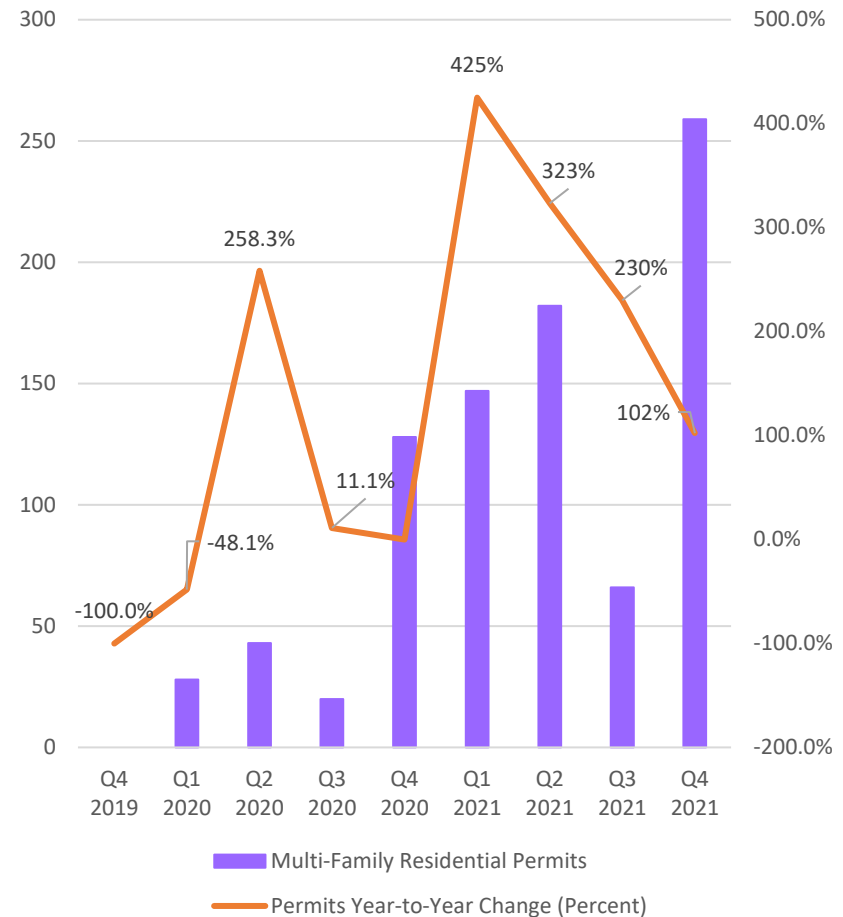
Source: City of Spokane

Housing

Multi-family building permits, by units

- Like single-family housing, third quarter had slowed multi-family permitting as well.
- Fourth quarter of 2021 was up significantly in part due to upcoming new construction of a 238 unit apartment building. Because of the hot housing market, demand is also increasing for multi-family units.
- All four quarters of 2021 showed strong growth over the previous year.

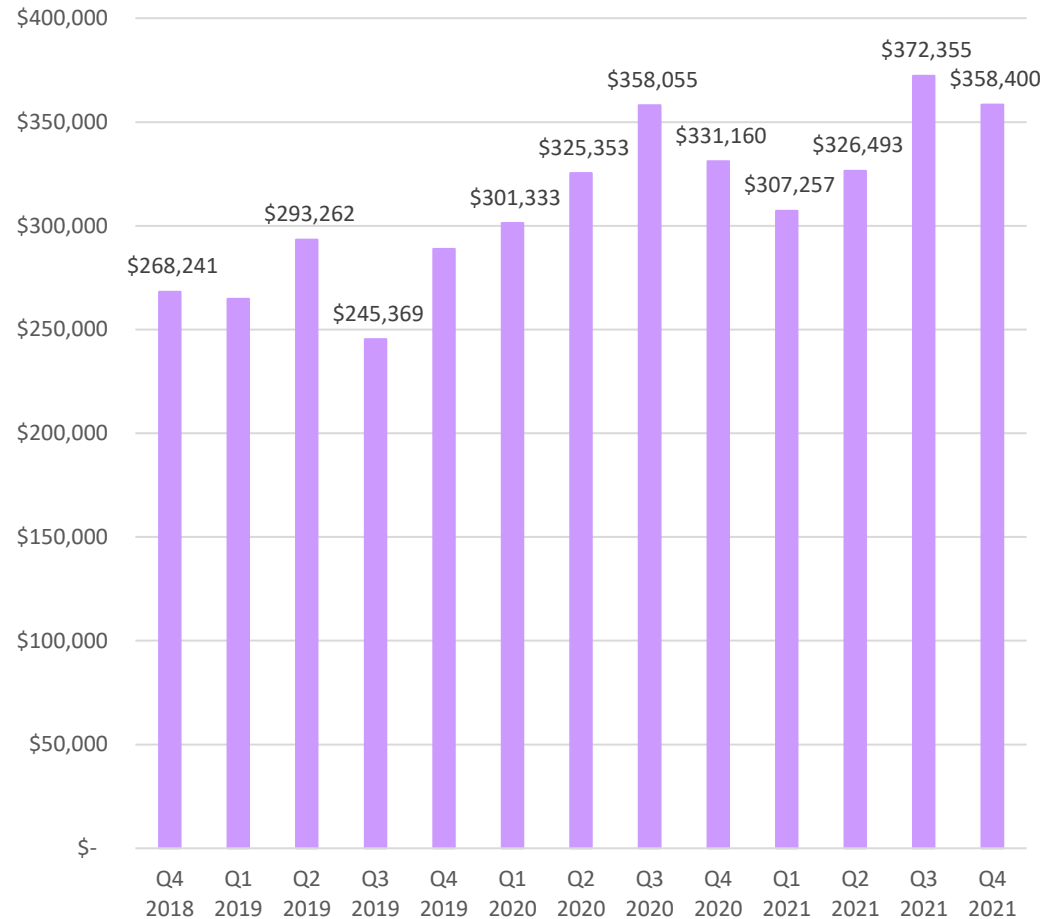
Source: City of Spokane



Housing

Average value of permitted single family residence

- Throughout the year (2021), the average value of single family unit permitted increased steadily, again due to the strong housing market.
- Both third and fourth quarter of 2021 were the highest average values in over three years. Fourth quarter of 2021 was up 34% since three years ago in the same quarter of 2018.
- For the year, the average value of a permitted single family residence was \$340,000 up from \$330,000 the previous year (2020).



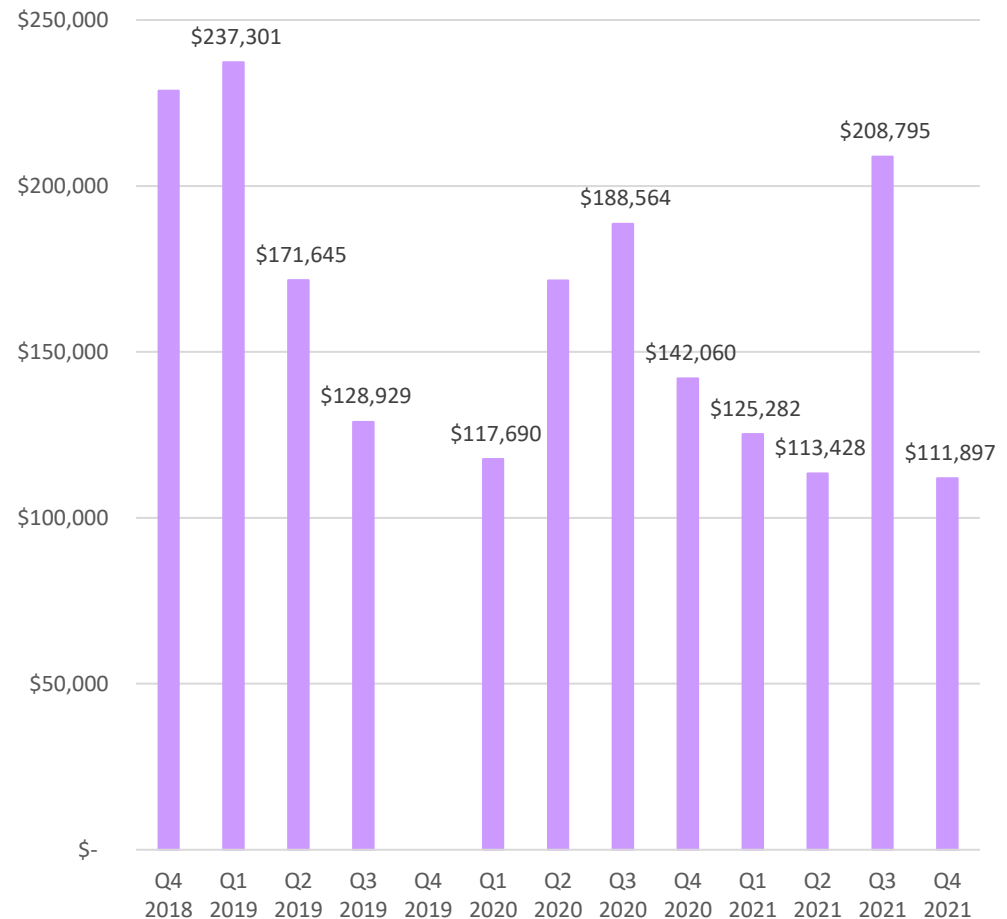
Source: City of Spokane

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.
- Fourth quarter (October) saw the permitting of 238 new apartments at an average value of \$112,000.
- Over the year (2021), the average value of permitted multi-family units was \$140,000.
- Average value of permitted multi-family units is down 46% from three years ago (2018).

Source: City of Spokane

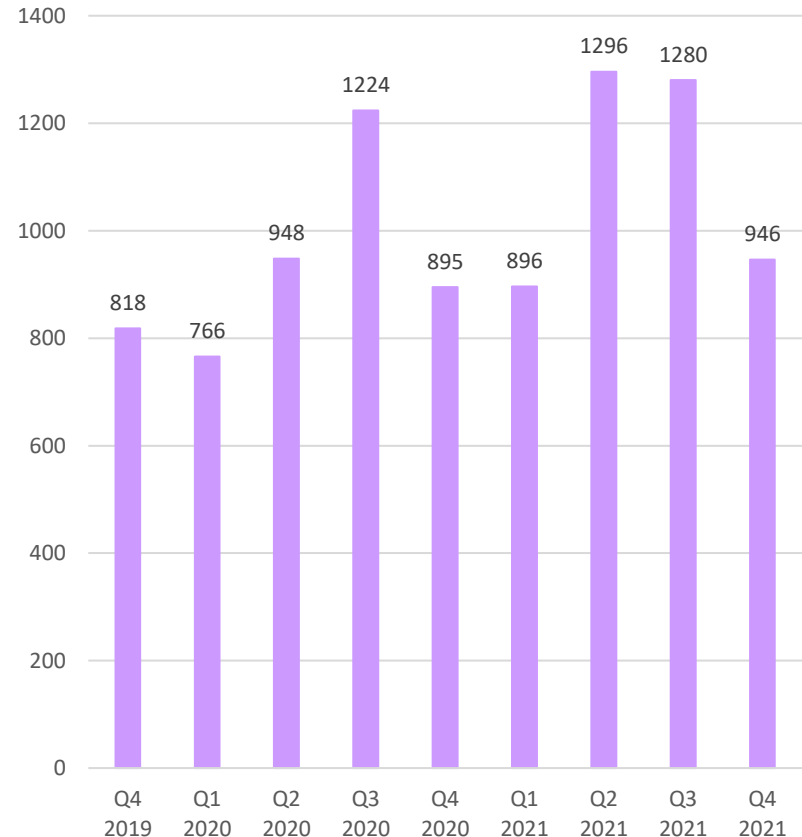


Commercial & public development

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.
- Both second and third quarters of 2021 showed a similar amount of non-residential permitting as same quarter two years ago – a return to pre-Covid levels of activity.
- Fourth quarter of 2021 was up from same quarter a year ago and matched that of Q2 of 2020.
- A healthy and stable amount of non-residential development seems to be occurring in the city, year-to-year.

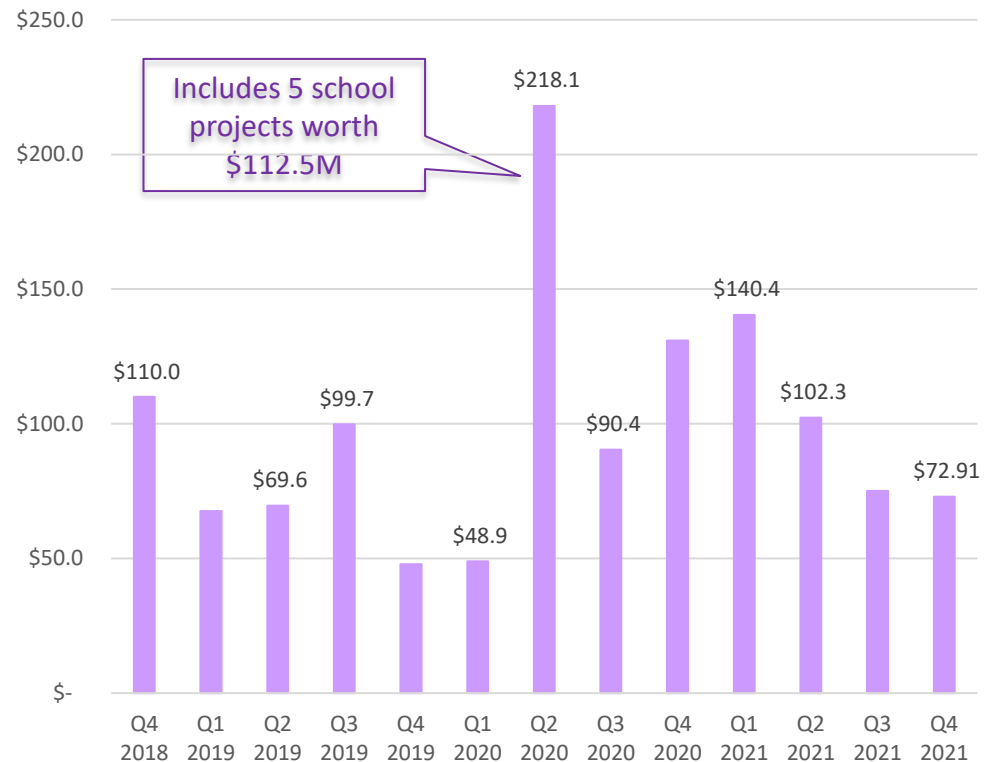
Source: City of Spokane



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).
- After three quarters of increasing valuations (Q3 2020 through Q1 2021), last three quarters of 2021 saw lower values of non-residential permitting.
- Over the year (2021), the value of non-residential permitting was above what it was two years ago (2019) per-pandemic.



Source: City of Spokane

Summary of building permit measures

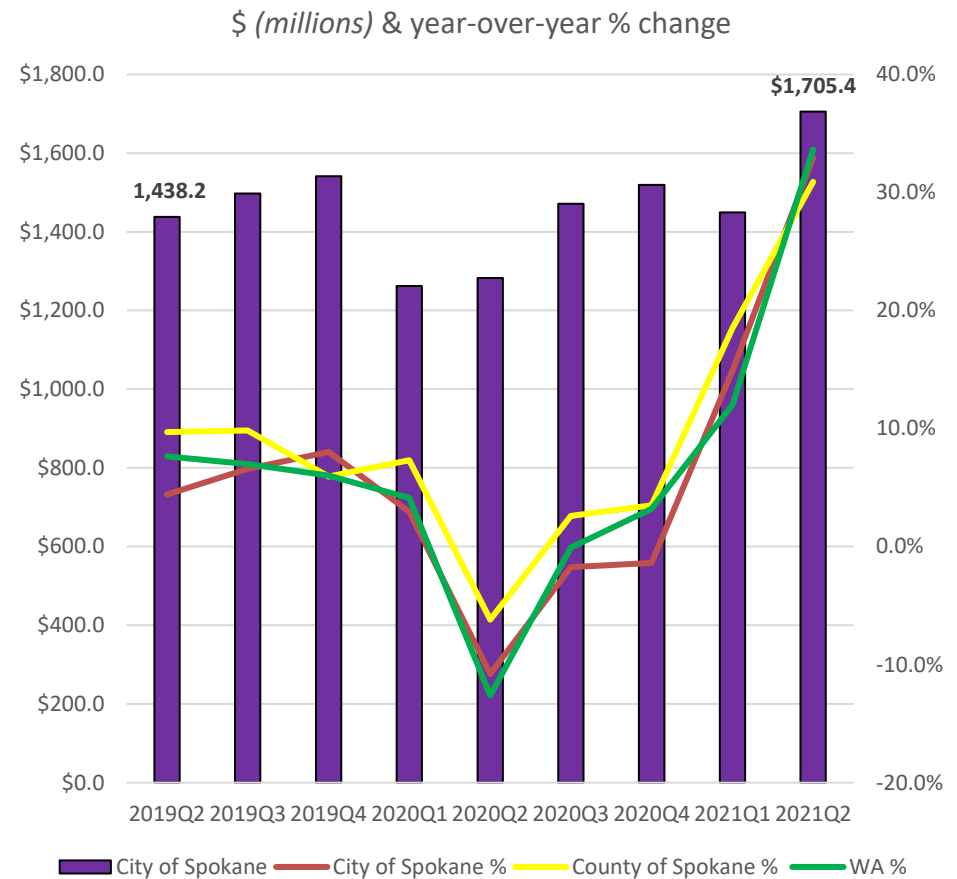
- Despite a slight dip in third quarter, both single and multi-family building permits were up overall from previous years.
 - Some of this could be a response to the very hot housing market right now in the area.
 - 238 new multi-family units (apartments) were permitted in October, 2021 alone.
 - Single family permits continued to rise and the average valuation stabilized around \$340K.
 - Although the quantity of multi-family permits are up, the value of the permits has fallen off slightly, but this is often quite variable depending on the specific projects.
- The quantity of non-residential permitting was strong for both third and fourth quarter of 2021 (similar to 2019) and had valuations that were comparable to the previous year.

City sales activity

Quarterly taxable retail sales in 2019-2021

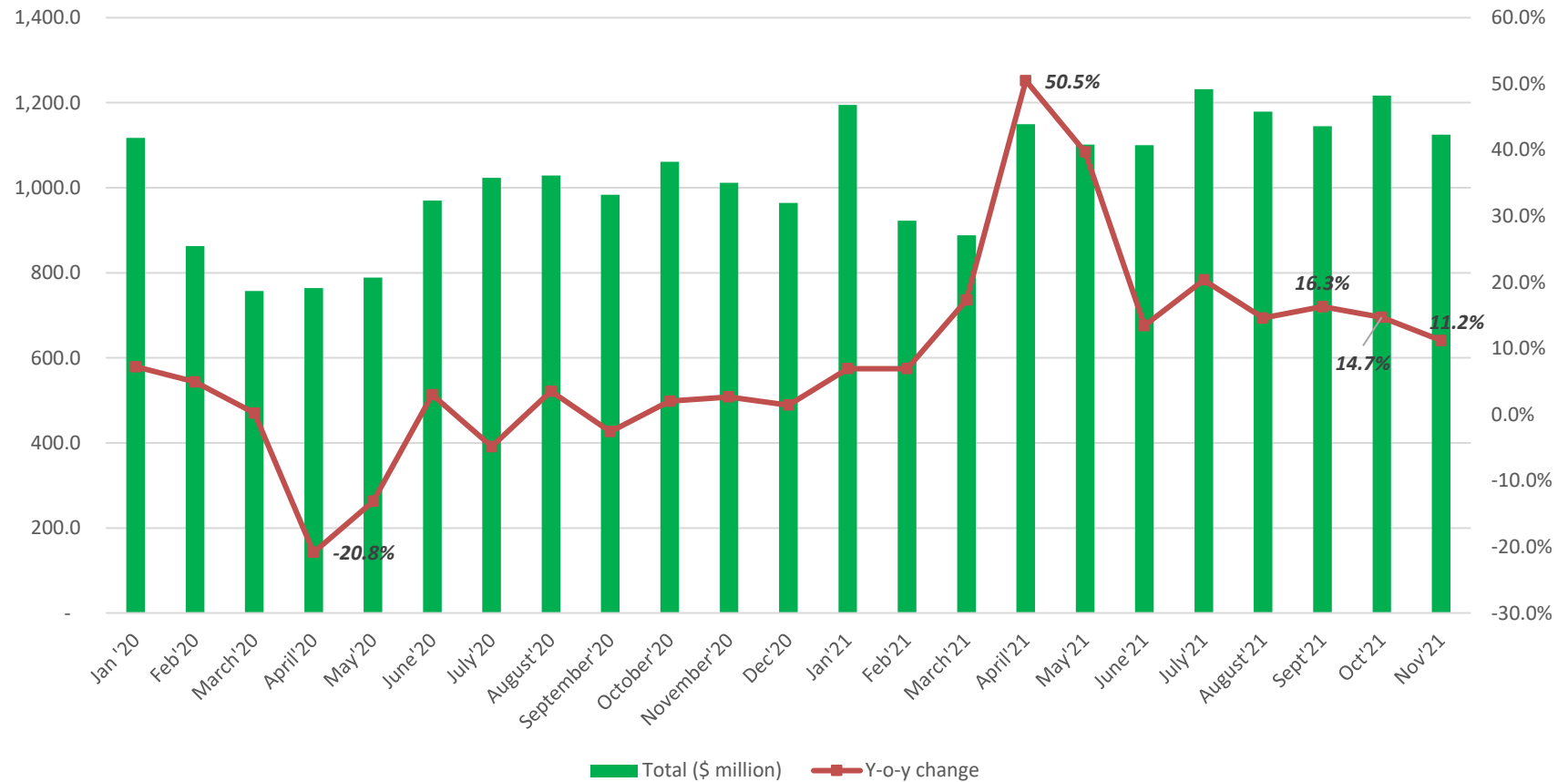
- A dramatic gain in Q2 2021
 - Weak comparison to 2020
 - But still much higher than same quarter two years ago
- Q3 likely to show a double digit y-o-y gain, if WA state serves as a reasonable guide
 - And it does....
 - The correlation between WA state and City of Spokane taxable retail sales is 0.995!

Source: [Spokane Trends](#) (on 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



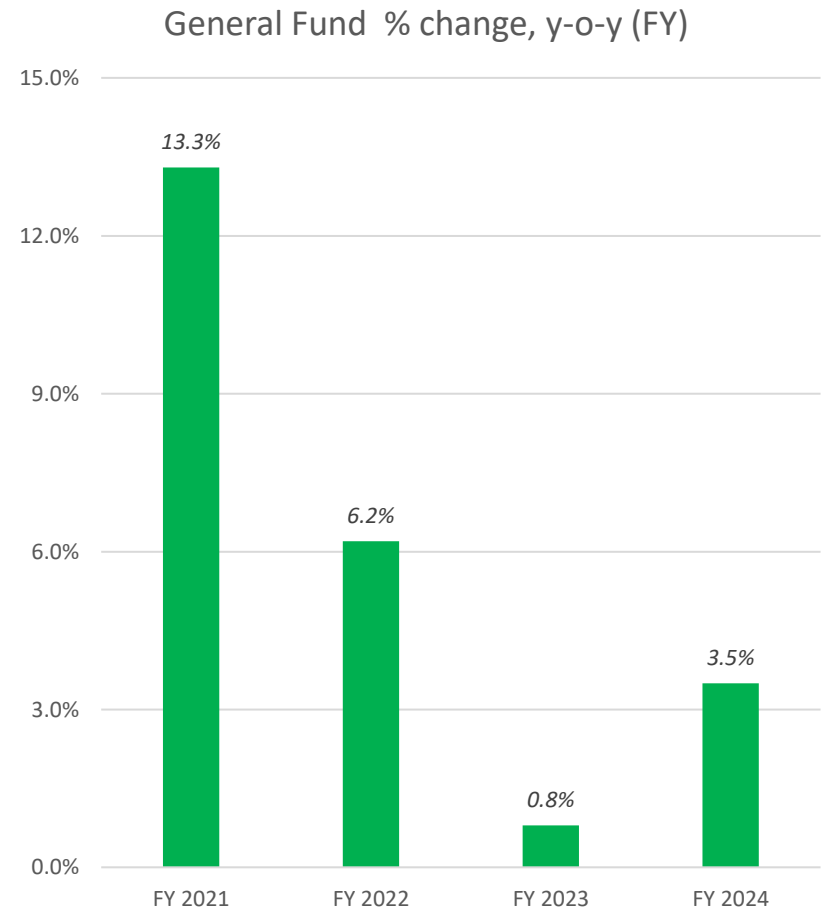
A look ahead at WA economy by the Economic & Revenue Forecast Council *(Nov. '21 release)*

- Personal income = wages + investments + transfer paymtns.
- Personal income highly correlated with spending
 - (r = 0.975 for City of Spokane taxable retail sales & County income)
- ERFC projecting a large drop in the rate of increase of personal income for CY 2022
- If correct, this implies a large drop in 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 ($r = 0.995$)
- Note rebound in FY 2024



Summary observations

- **Taxable retail sales** in the City for 2021 will undoubtedly end the year with a y-oy % increase in the mid-teens & at levels higher than 2019
 - City's Q1 & Q2 results were very strong
 - City taxable retail sales are tracking closely those in WA state
 - WA state taxable retail sales for the first 11 months of 2021 have been very strong
- **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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