

# City of Spokane Quarterly Economic Indicators

Q4, 2022

*January, 2023*



**EASTERN**  
WASHINGTON UNIVERSITY

start something **big**

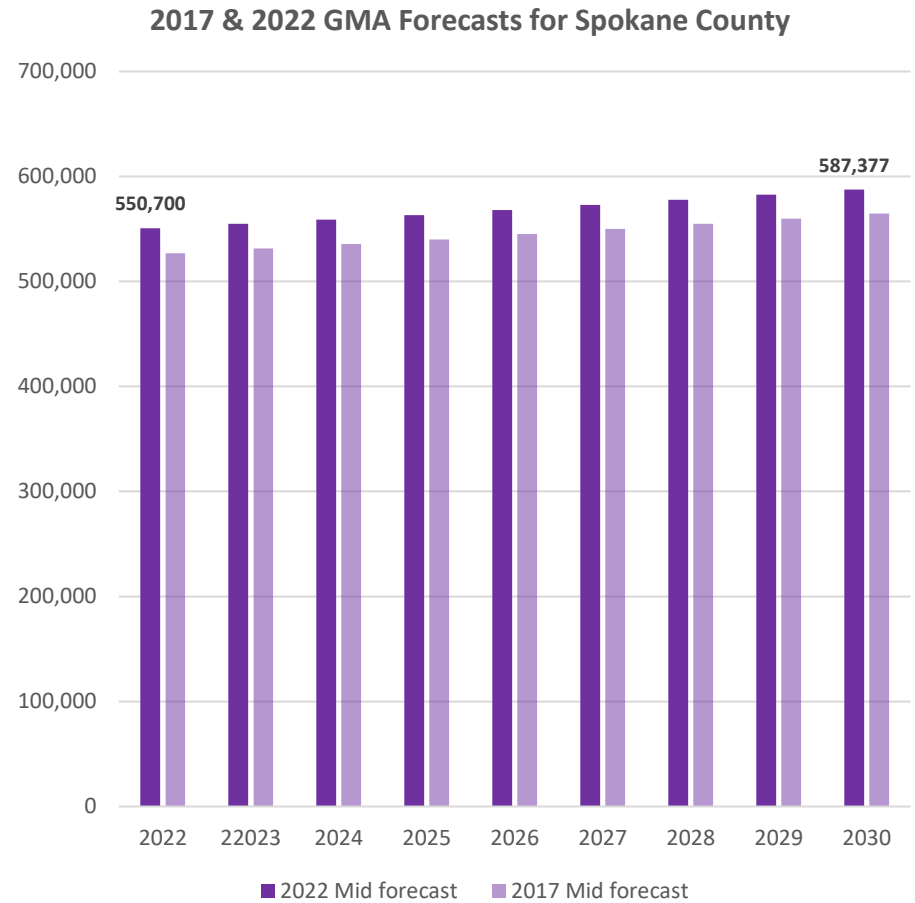
# Overview

- 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 (4)
  - Employment (11)
  - Residential construction (4)
  - Non-residential construction (2)
  - Taxable sales & revenue (4)
- Local indicators are for the City of Spokane, unless noted

# Population

## Growth Management forecast – just released

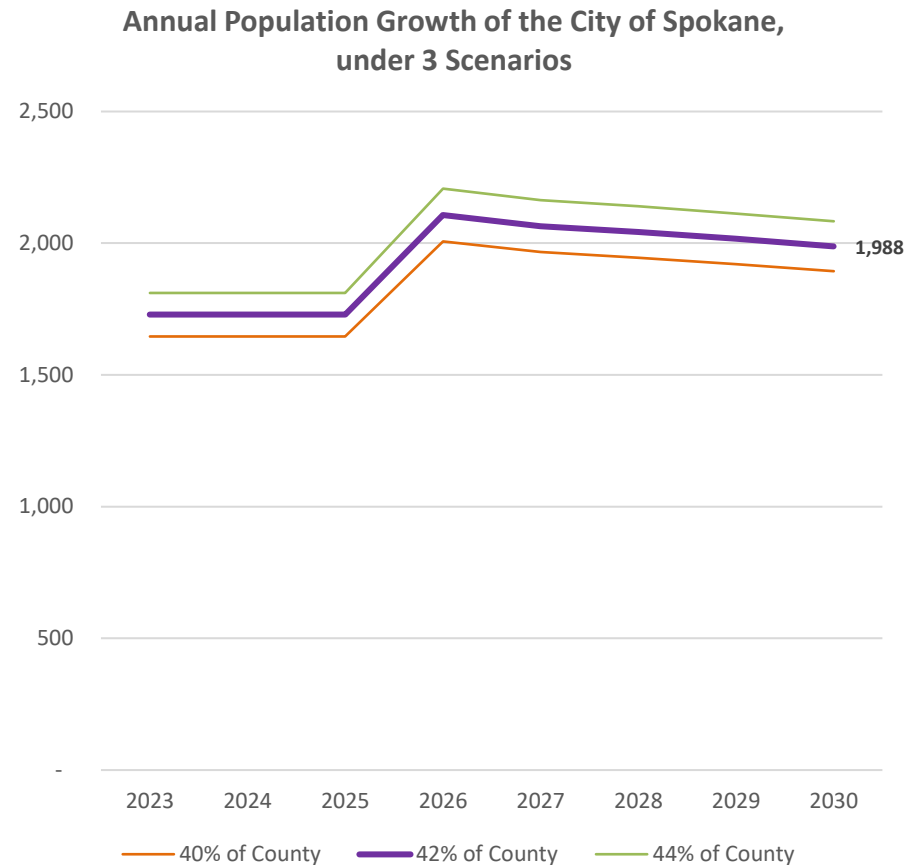
- Source: Office of Financial Management; every 5 years
- OFM now projects County to grow by ~37,000 between 2022 & 2030
- In 2017, OFM expected County's 2030 population to be ~565,000
- The jump in the 2 forecasts is unique to most WA counties



# Population

## Implications of GMA forecast for the City?

- City's share of County population has trended downward for many years
- In 2022, it was 42%; in 2000, 47%
- How much of the OFM-forecasted gain in County population with the City capture? 3 scenarios:
  - 44%
  - 42%
  - 40%
- At 42% share, about 15,400 people between now & 2030

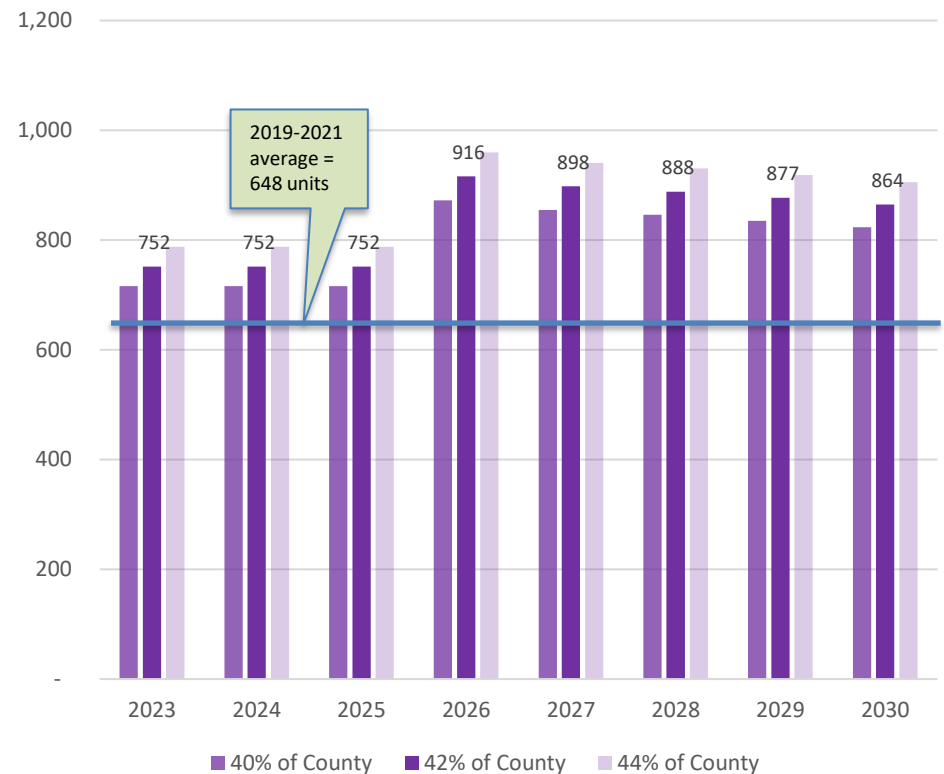


# Population

## Implications for City housing for GMA forecast

- Assume 2.3 persons/household (Spokane Trends)
- Implied need for housing units between now & 2030: ~6,700 (if City captures 42% of forecasted population growth)
  - Or, about 840/year
- Historical annual average of construction of new housing units 2019-2021 was ~ 650 (single- & multi-family)

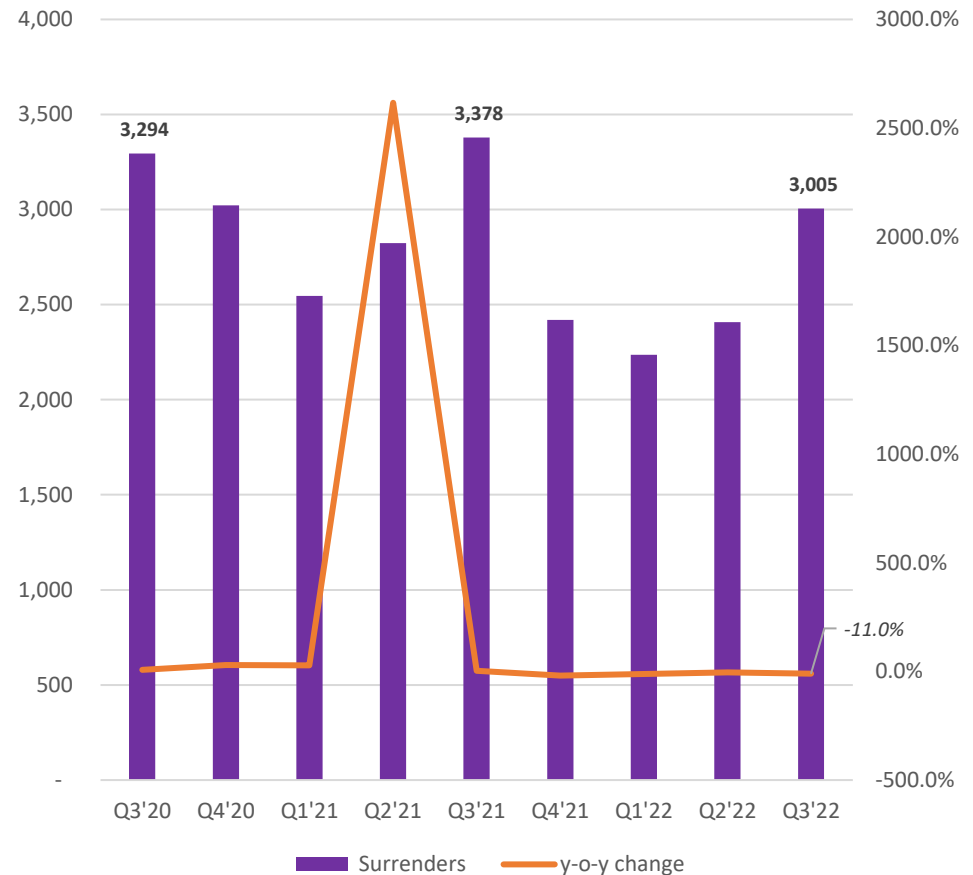
Likely new housing units needed in City due to forecasted population growth: 3 scenarios



# Population

## County drivers license surrenders: slowing from out of state continues in 2022

- Tracks those moving to the county from out-of-state
  - Doesn't capture in-state moves
- Q3 2022 < lower than both Q3 2021 & 2020
- 2021 total surrenders < 2020 & much lower than 2019; 2022 will continue the trend
- Rank of “contributing” states in 2022: CA, ID, OR, AZ, TX

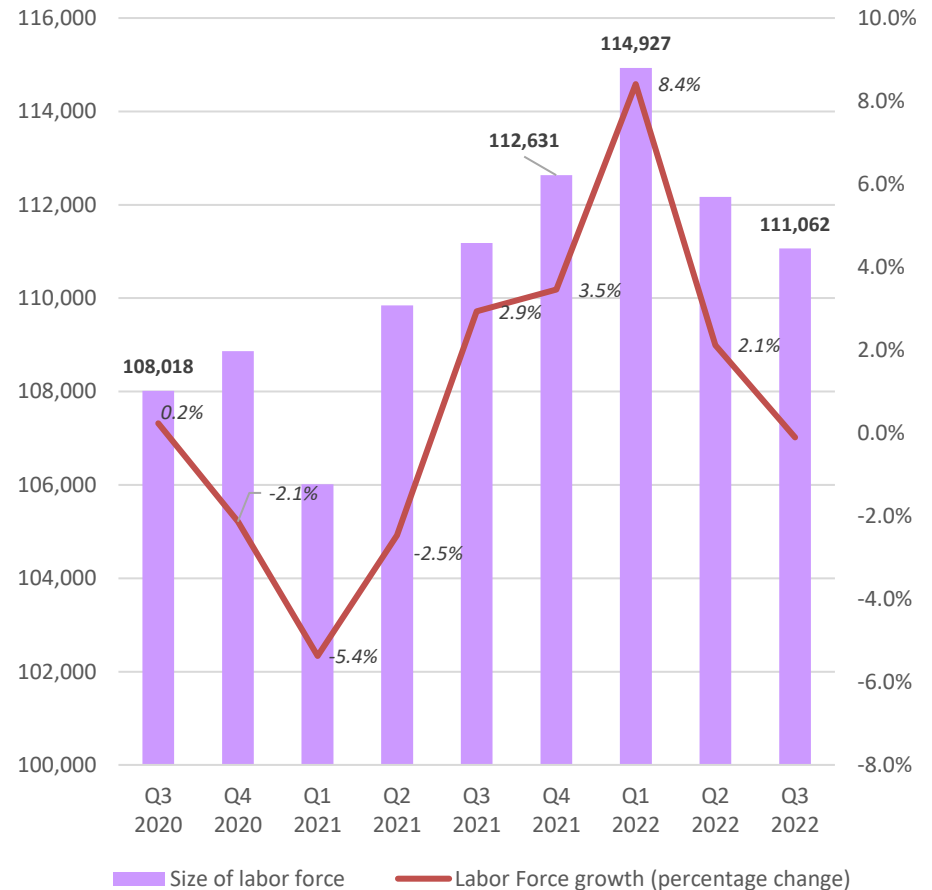


Source: WA Department of Licensing

# 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 4 consecutive quarters of strong growth in the CLF, Q2 & Q3 saw slightly smaller numbers.
- The labor force in third quarter of 2022 is nearly the same as it was a year previous in third quarter of 2021.
- Total CLF reached a new high at close to 115,000 workers in first quarter of 2022.



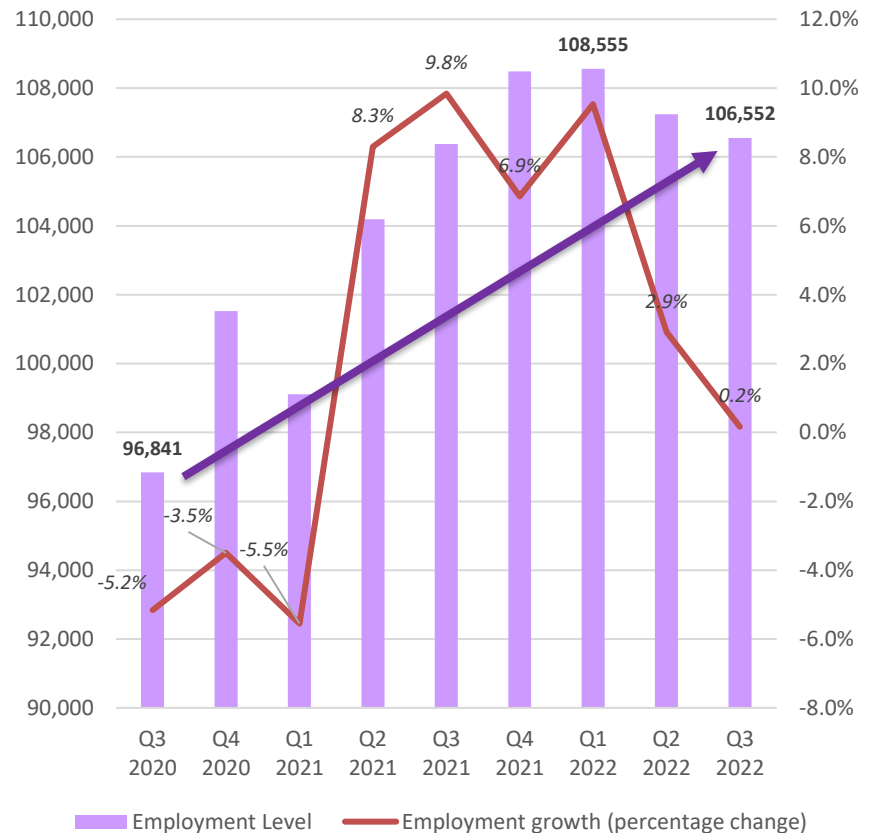
Source: Local Area Unemployment Statistics (LAUS)

## Labor market

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

- After peaking at a new high of over 108,500+ jobs, there was a slight drop-off to 106,500+ jobs in Q3 of 2022.
- Compared to one year ago (Q1, 2021), the number of jobs is just slightly higher.
- The local economy seems to have recovered from the shock of the pandemic and is returning to a new normal.

Source: Local Area Unemployment Statistics (LAUS)

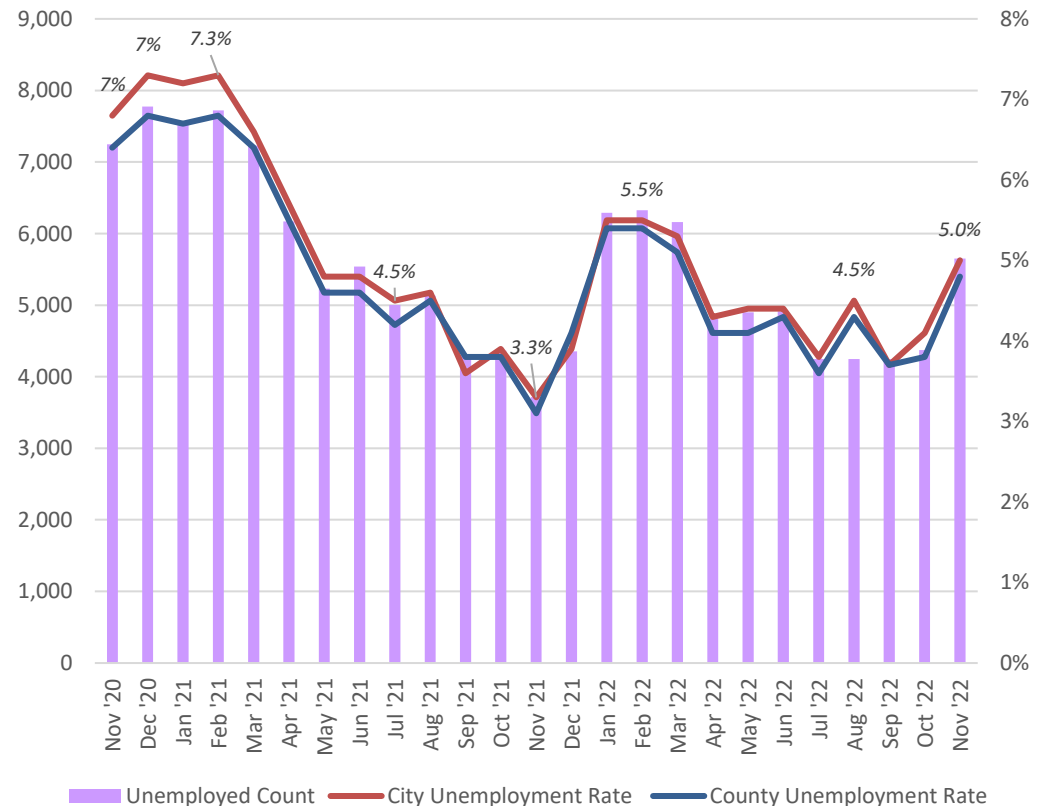




# Labor market

## Monthly unemployment count & rate

- The city's monthly unemployment rate for November 2022 at 5% is only slightly above the county level of 4.8%.
  - Washington State 4.2%
  - US 3.7%
- The unemployment rate for Nov 2022 above what it was a year ago at 3.3% (very low).
- Since July, the unemployment rate has been trending upward.
- Good News: The actual number of people unemployed in November is still below what it was at the start of the year.



Source: Local Area Unemployment Statistics (LAUS)

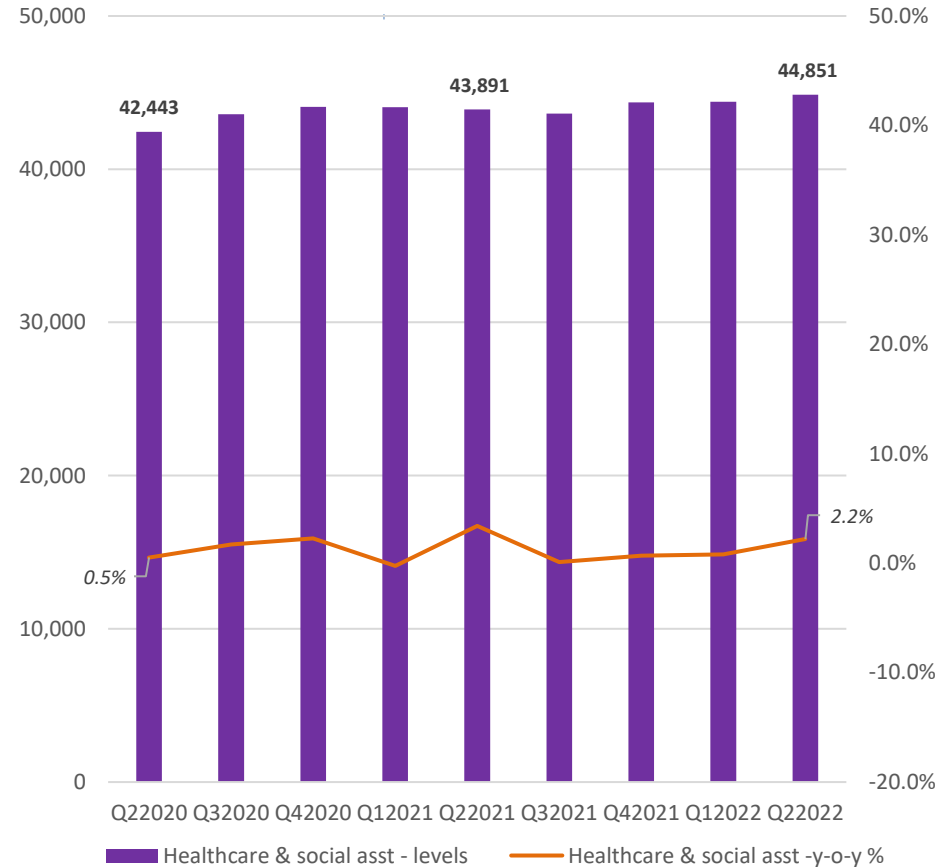
# Summary of aggregate employment measures

- After an acceleration in the **size of the labor force** following the pandemic, the CLF topped out at just over 115,000 in the first quarter of the year. Since then, the labor force has tapered off to just over 111,000 – approximately the same size as a year ago.
- **Employment levels** in the first quarter of 2022 reached a new high topping out over 108,500 and then dropped slightly to around 106,000 jobs in third quarter – approximately the same level as a year ago.
- The monthly **unemployment rate** for the City increased slightly to 5% and is currently above both the state (4.2%) and US (3.7%) averages. The city's unemployment is only slightly higher than the county's rate overall.

## Key sectors

# Quarterly employment in County Healthcare & Social Assistance

- Includes: ambulatory care, hospitals, social assistance, & nursing/residential care
- County's largest sector has started to show a little faster growth
- 9 quarter average employment: ~ 43,801 (up just a bit from last quarter)
- Count now nearly 2,500 > Q2 2019
- 2021 average annual wage: \$57,275 (vs. \$57,300 for all jobs in County)

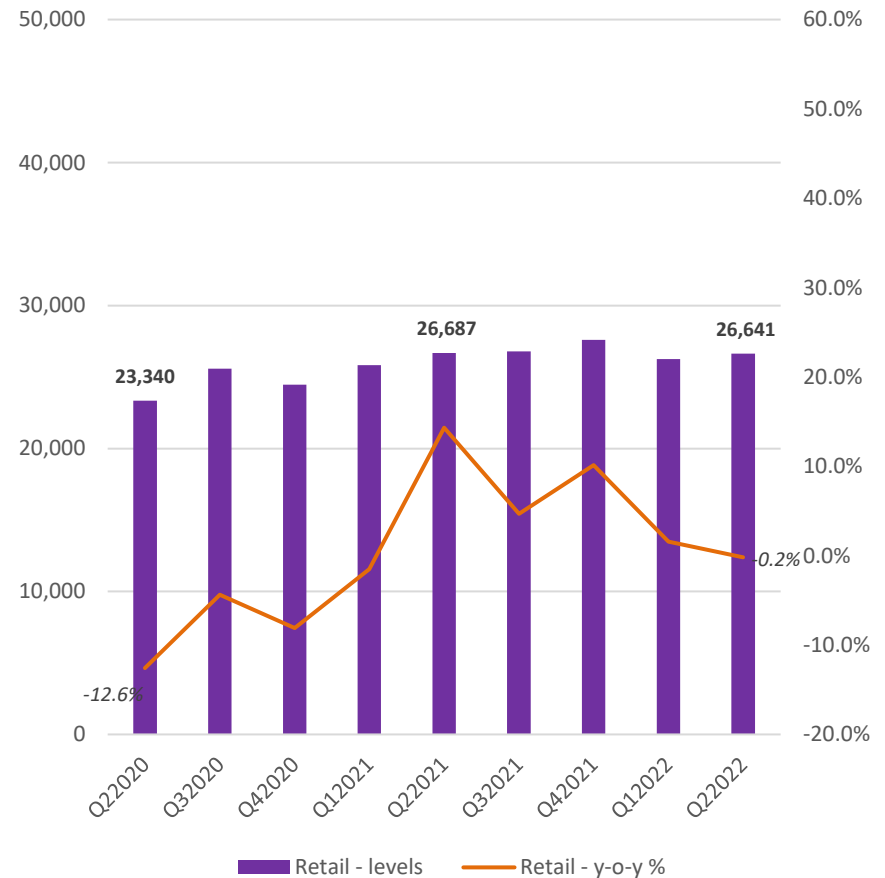


Source: WA Dept. of Employment Security, QCEW

## Key sectors

# Quarterly employment in County Retailing

- 3<sup>rd</sup>-largest sector
- Among key sectors, its % decline in Q2 2020 was the 2<sup>nd</sup> worst; good recovery in 2021; plateaued since
- 9 qtr. average employment: ~25,910
- Count now 2,000 > Q2 2019
- 2021 ave. annual wage: \$39,806 (vs. \$57,300 for all jobs in County)

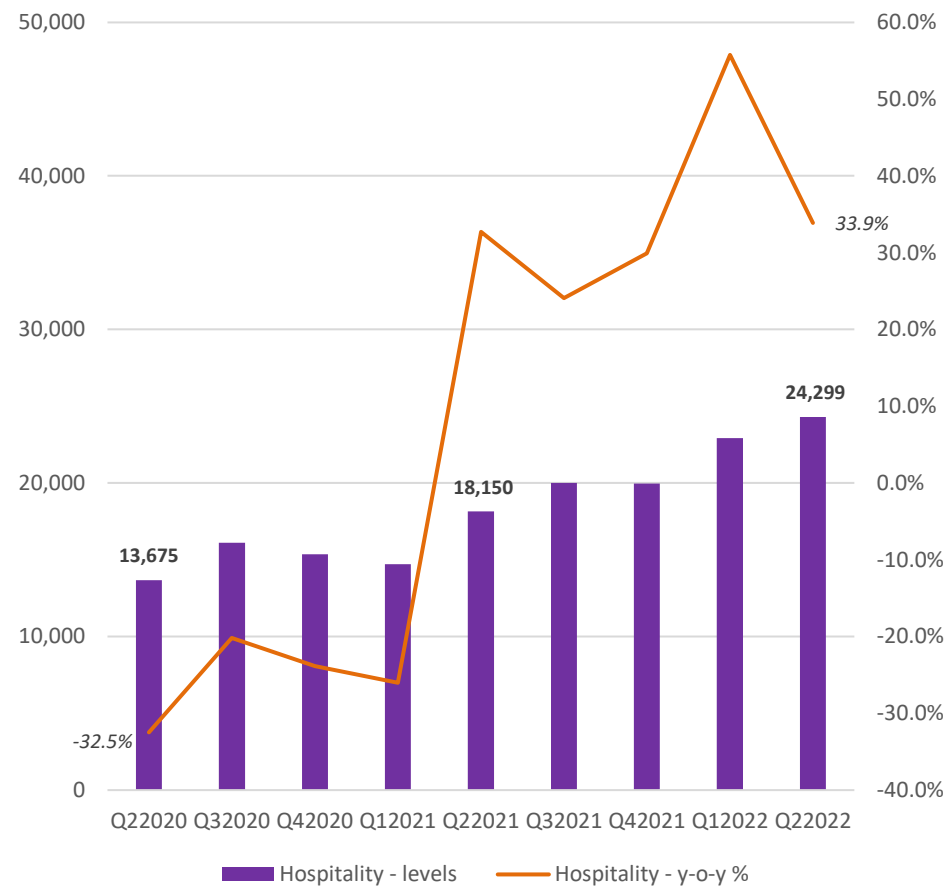


Source: WA Dept. of Employment Security, QCEW

## Key sectors

# Quarterly employment in County Hospitality

- Hospitality composed of lodging, restaurants, bars, coffee shops, caterers – 4th largest sector
- It's pandemic blow was worst of all the large sectors
- Huge recovery since 2021. Count now far > Q2 2020 & Q2 2019!
- 9 qtr. ave. employment: 18,354
- 2021 AA wage: \$25,620 (37% increase)!

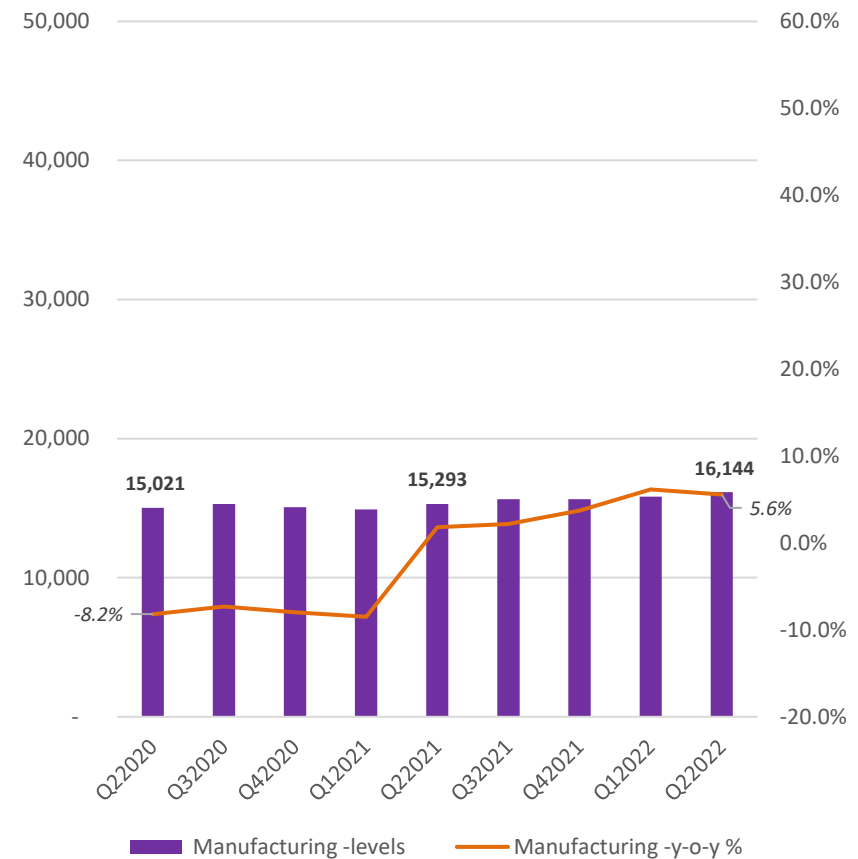


Source: WA Dept. of Employment Security, QCEW

## Key Sectors

# Quarterly employment in County Manufacturing

- 5<sup>th</sup> largest sector
- After initial downturn, a decent recovery in 2021 & 2022
- Count in Q2 2022 still a bit < Q2 2019
- Ave 9 qtr. employment = 15,427
- AAW in 2021: \$61,172  
(vs. 2021 overall average: \$57,300)

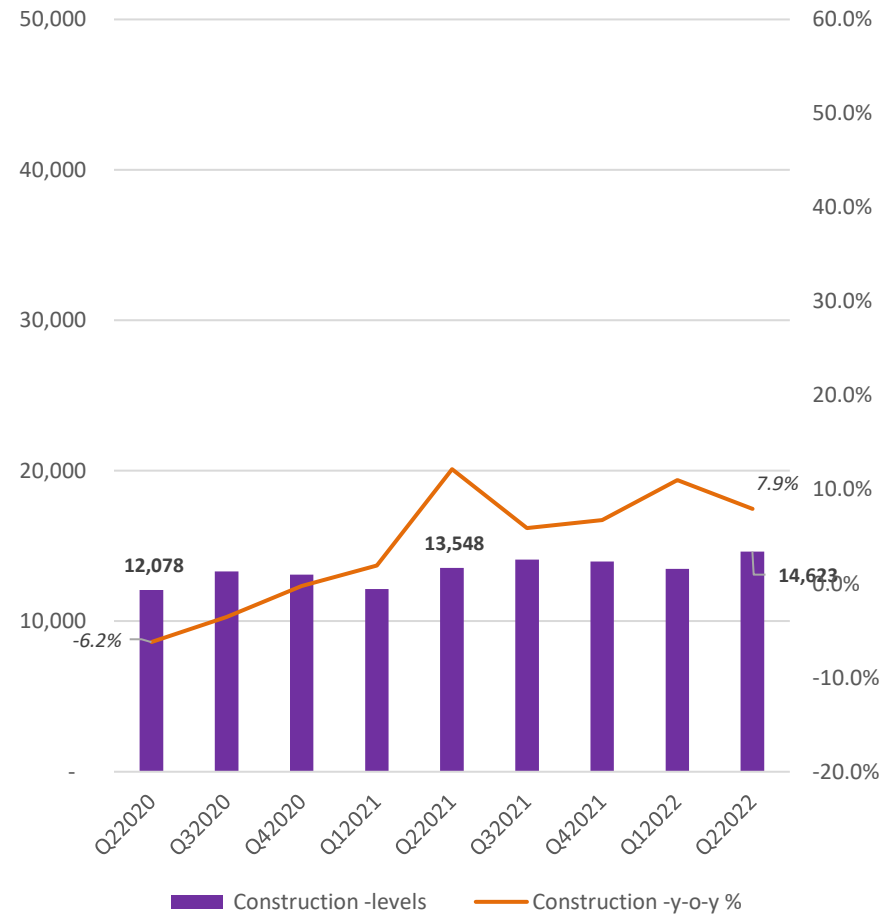


Source: WA Dept. of Employment Security, QCEW

## Key Sectors

# Quarterly employment in County Construction

- 6<sup>th</sup> largest sector
- Very little employment loss during worst of the pandemic
- Count in Q2 2022 nearly 2,000 > Q2 2019
- Ave 9 qtr. employment = 13,373
- AAW in 2021: \$61,152  
(vs. 2021 overall average: \$57,300)

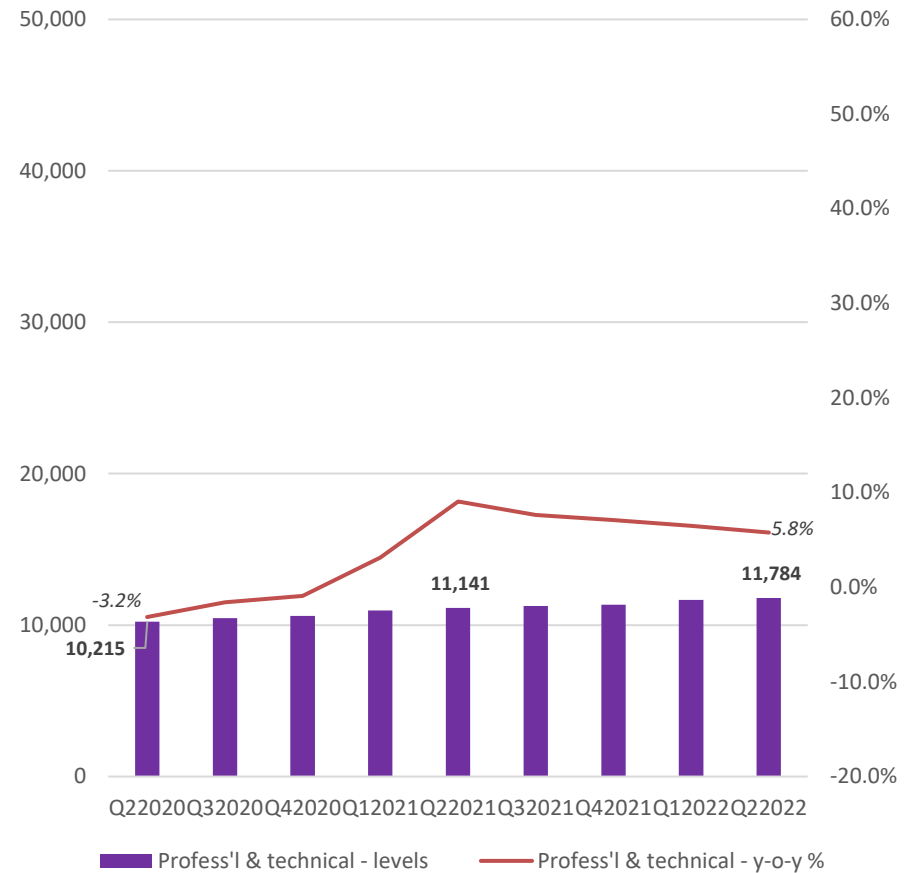


Source: WA Dept. of Employment Security, QCEW

## Key sectors

# Quarterly employment in County Professional & Technical services

- Consists of “white collar”/knowledge occupations – lawyers, accountants, architects, engineers, consultants
- Modest increases during pandemic
- Q2 2022 employment > Q2 2019
- 9 qtr. average employment = 11,048
- 2021 AA wage: ~\$82,052  
(19% increase over 2020!)



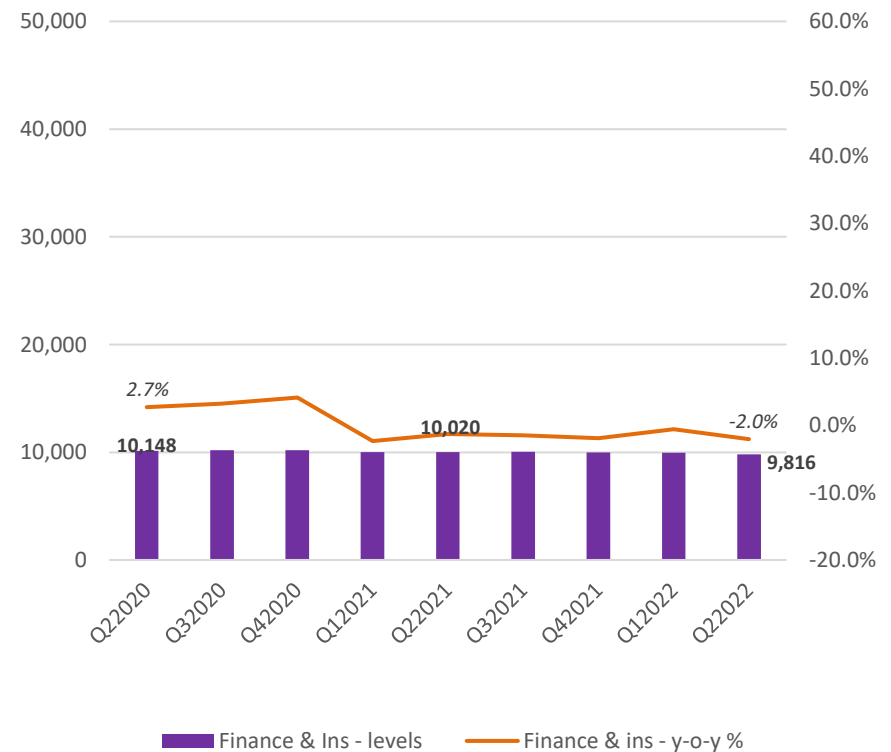
Source: WA Dept. of Employment Security, QCEW



## Key sectors

# Quarterly employment in County Finance & Insurance

- 9<sup>th</sup> largest sector
- Slight decline over interval; now < 2019 Q2 levels. Permanent?
- 9-quarter average employment: ~10,048
- 2020 average annual wage: \$99,968 (9% increase)



Source: WA Dept. of Employment Security, QCEW

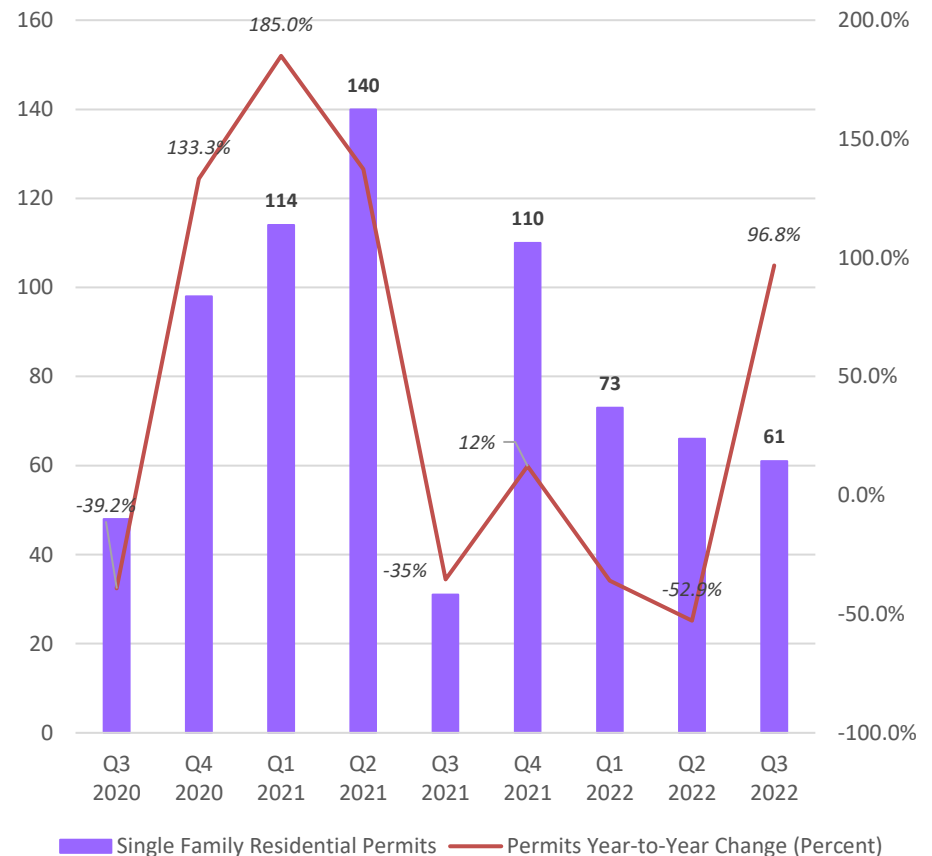
# Summary of sector performance, as measured by employment

- With exception of finance & insurance, all largest sectors by employment in the county show employment levels in Q2 2022 > same quarter **in 2020**.
- With exception of finance & insurance and manufacturing, all largest sectors by employment in the county show employment levels in Q2 2022 > same quarter in **2019 (pre-pandemic)**
- In *percentage* terms, employment in Spokane's **hospitality** sector has grown the fastest (78%) of the large sectors over past two years
- In *total* terms, employment in Spokane's **hospitality** sector has added the greatest number of jobs (~10,600) over the past two years

# Housing

## Residential building permits, single-family

- After strong permitting activity in 2021, overall single family new construction permits dropped, but are still above pre-pandemic levels.
- Third quarter of 2022 saw more single family new construction permits than same quarter of previous two years. (Q3 typically has lower levels of permitting due to weather / cyclical behavior.)
- New construction of single-family residences continues to be strong but is stabilizing after the impact of the pandemic.

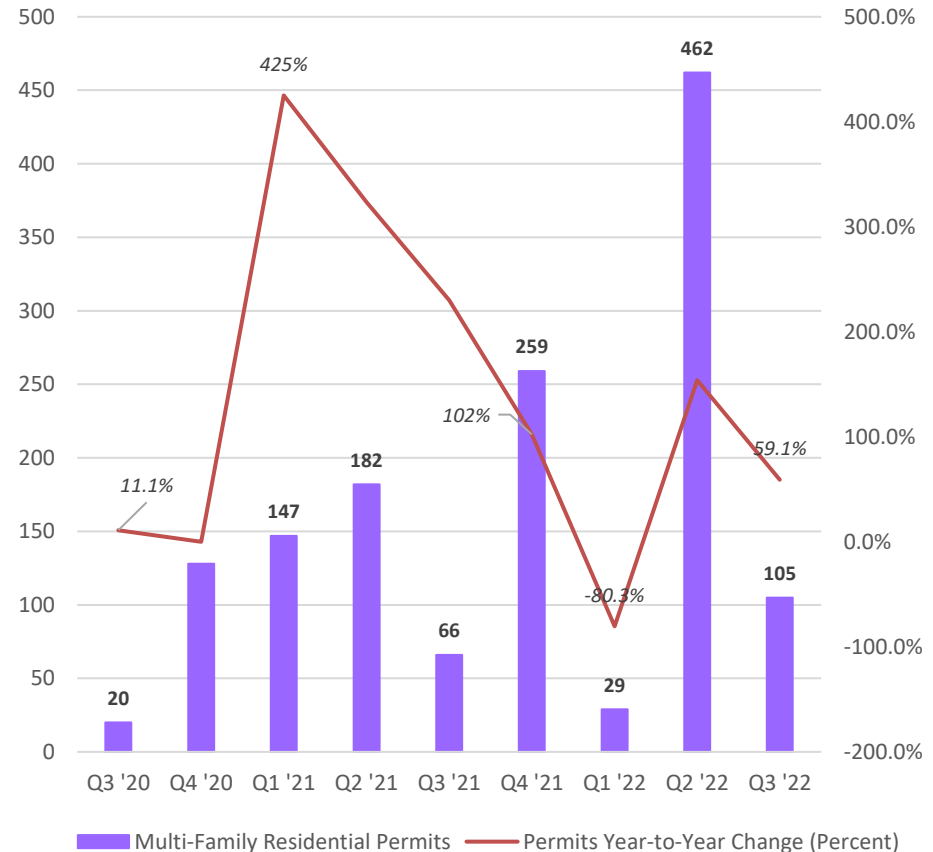


Source: City of Spokane

# Housing

## Multi-family building permits, by units

- Both Q2 & Q3 had strong permitting for multi-family housing perhaps fueled in part by increasing demand for rental units accompanying rising median home resale prices.
- Q3 permitted multi-family units is above the same quarter the previous four years. (Q3 typically has lower permitting activity due to weather / cyclical behavior.)
- Over 550 more multi-family housing units should be coming available late next year (2024) helping to accommodate an increasing demand / population.

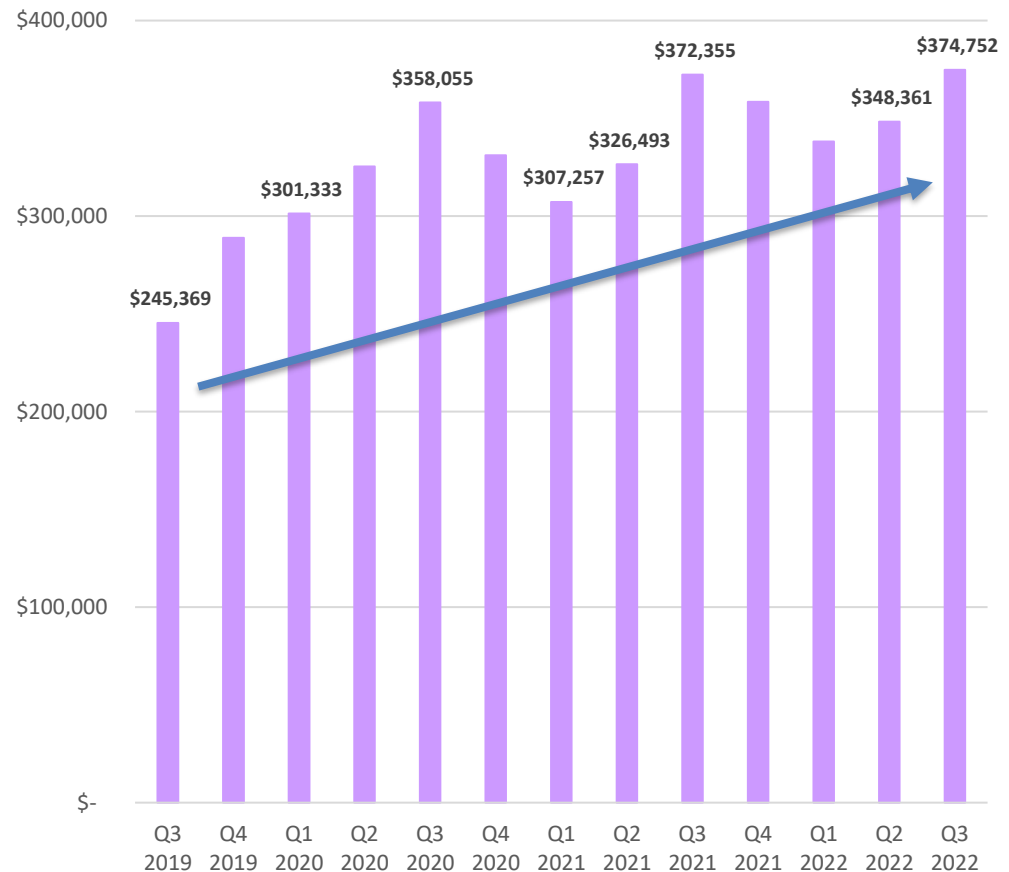


Source: City of Spokane

# Housing

## Average value of permitted single family residence

- As shown by the blue trend line, the average value of permitted single family residences continues to increase to a **new high of almost \$375,000**.
- Since Q3 of 2019, the average value of permitted single family residences has **increased over 50%**.
- Some of this increase in value can be attributed to the hot housing market in the area and the rising median home resale price.

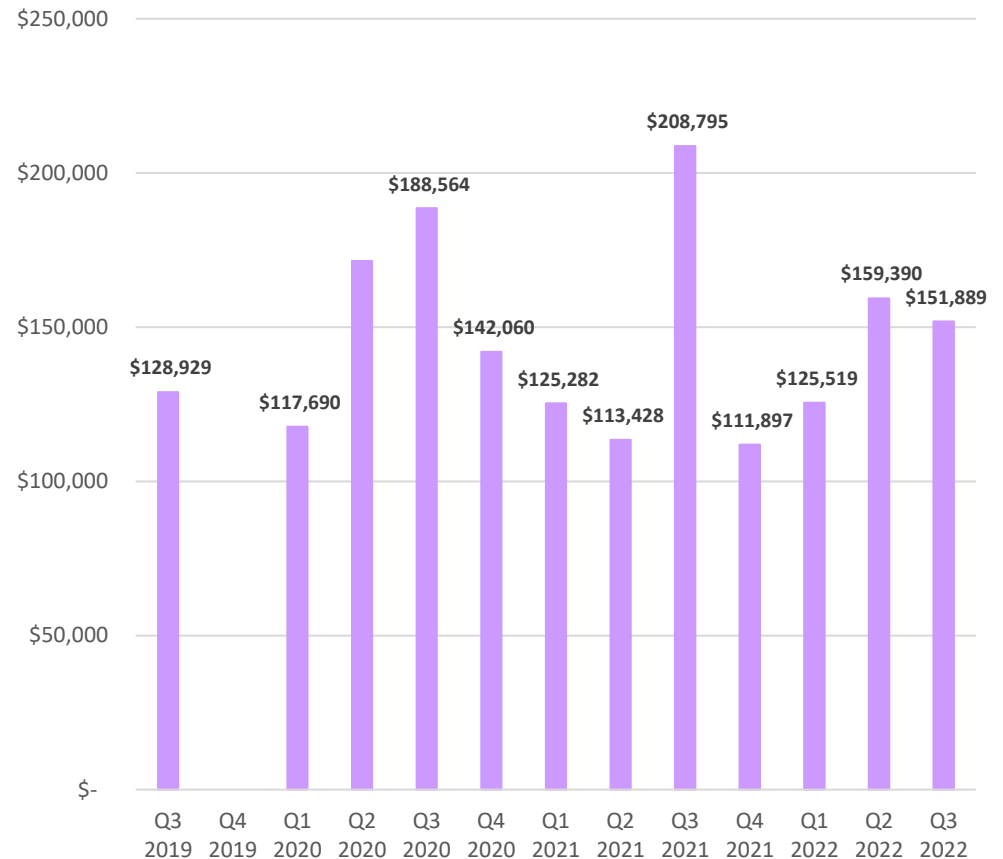


Source: City of Spokane

# Housing

## Average value of permitted multi-family units

- Second quarter of 2022 saw permits for over 400 new multi-family units averaging over \$159,390 in value.
- Third quarter of 2022 saw the permitting of over 100 new apartments & duplexes at an average value of over \$150,000.
- Since 2019, the average value of permitted multi-family units has increased by 18% -- approximately 6% per year.

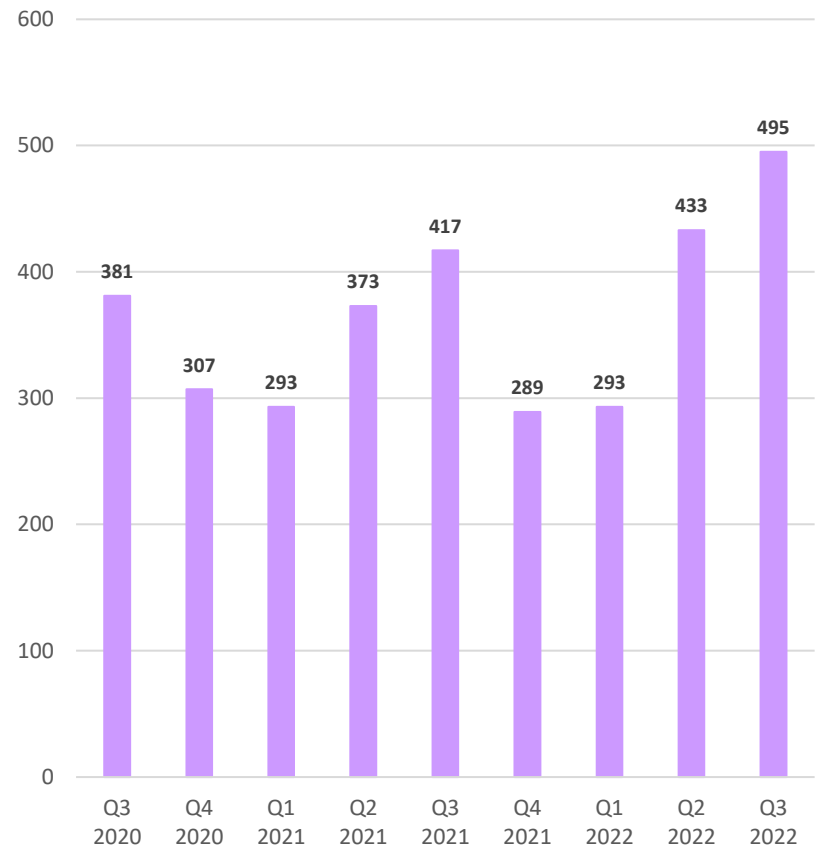


Source: City of Spokane

## 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.
- After a very strong second quarter, permitting activity in third quarter was even stronger. Notice the overall upward trend.
- Quarterly non-residential permits are up 30% in the last two years (since 2020).
- Non-residential construction is strong and stable.

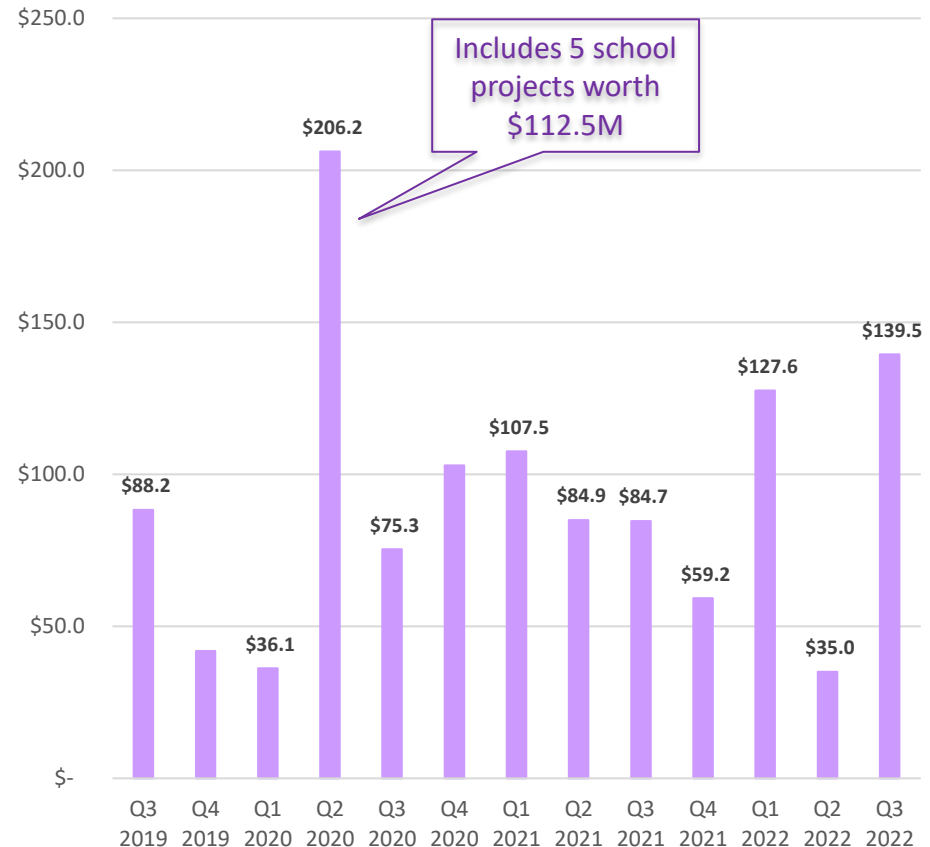


Source: City of Spokane

# 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.
- The first three quarters of 2022 had total value of non-residential permitting that is about 10% higher than the previous year's cumulative total.
- Q1 of 2022 non-residential new construction included \$61M for new schools/educational buildings and \$25M hospital buildings.
- Overall, a variety of non-residential construction (either new or remodeling) is ongoing throughout the city.



Source: City of Spokane



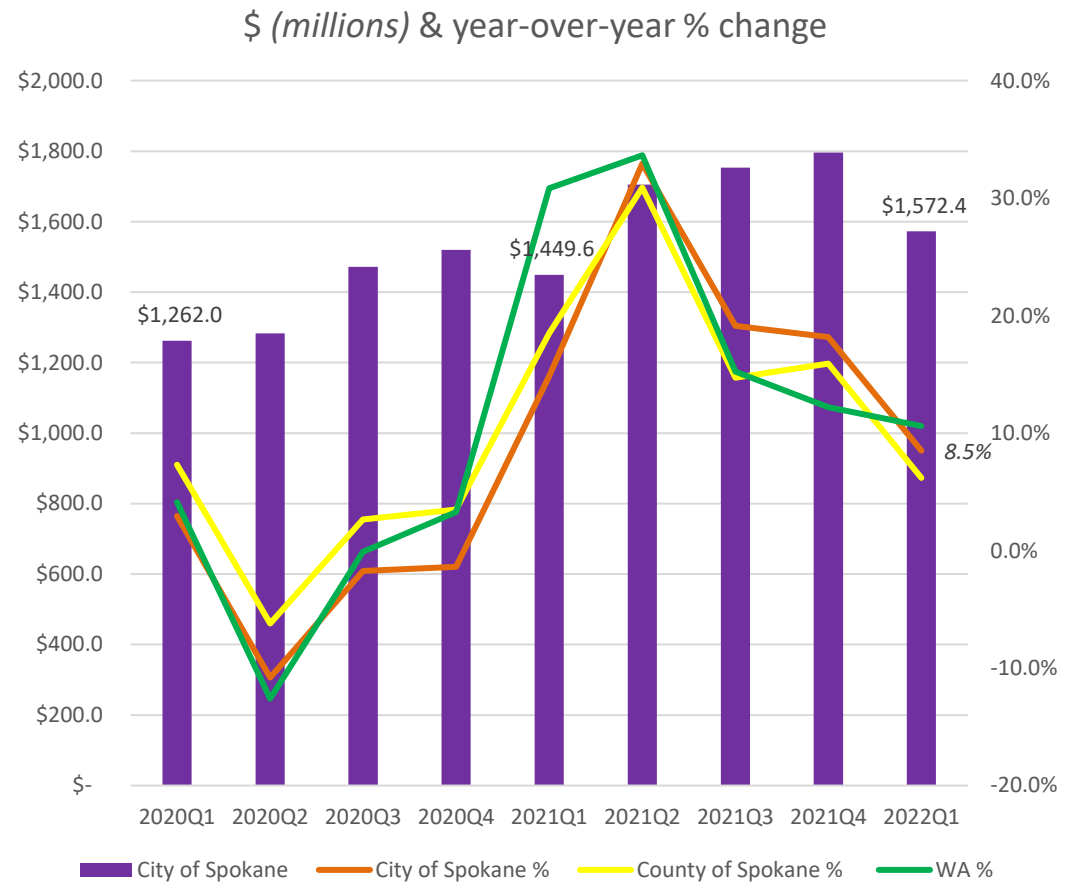
# Summary of building permit measures

- Amount of permitting for **NEW single-family residences** continues to increase along with the value of the single-family new construction – up more than 50% over the past three years.
- Amount of permitting for **NEW multi-family units** (duplexes or apartments) saw large increases in Q2 & Q3. The average value of new multi-family units being built is over \$150,000.
- The quantity of **non-residential** permitting and total value of all projects has consistently increased year-over-year (same quarter) in the last three years.
- There was a wide variety of new construction and remodeling being done throughout the county in the first three quarters of 2022.

## City sales activity

# Quarterly taxable retail sales in 2020-2022(Q1)

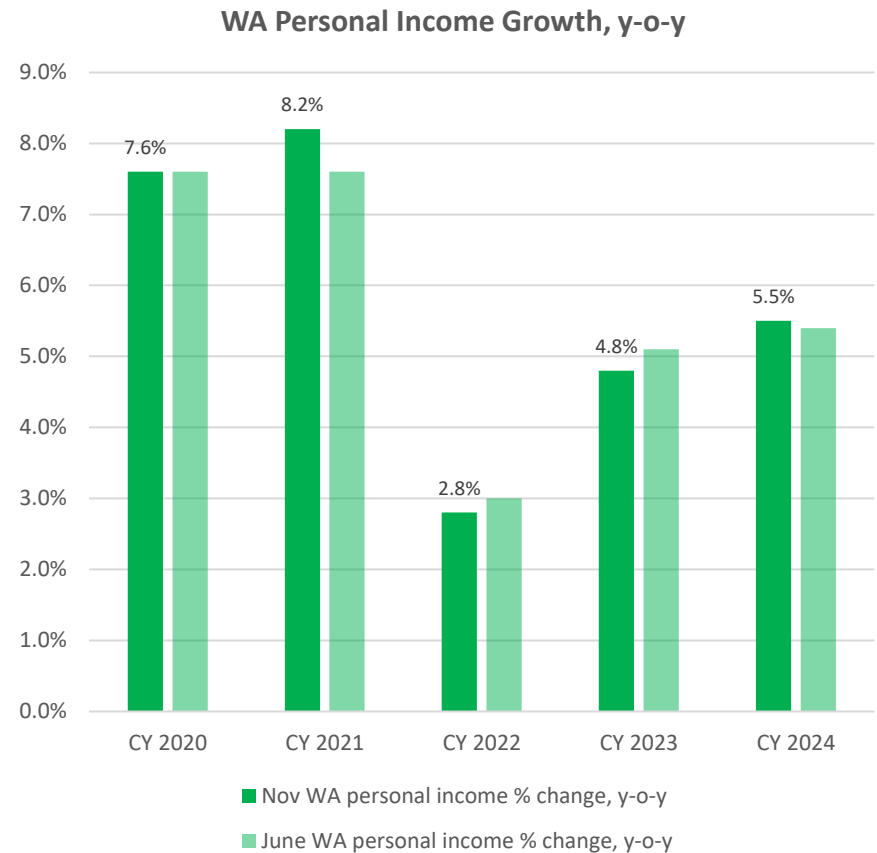
- Another strong gain in Q1 of 2022
  - Year-over-year: 8.5%
  - Now much higher than same quarter 2 & 3 (pre-pandemic) years ago
- Q2 & Q3 likely to show a mid-to high single digit y-o-y gains, if WA state serves as a reasonable guide
  - And it does....
  - The correlation between WA state and City of Spokane taxable retail sales is 0.995!



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

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

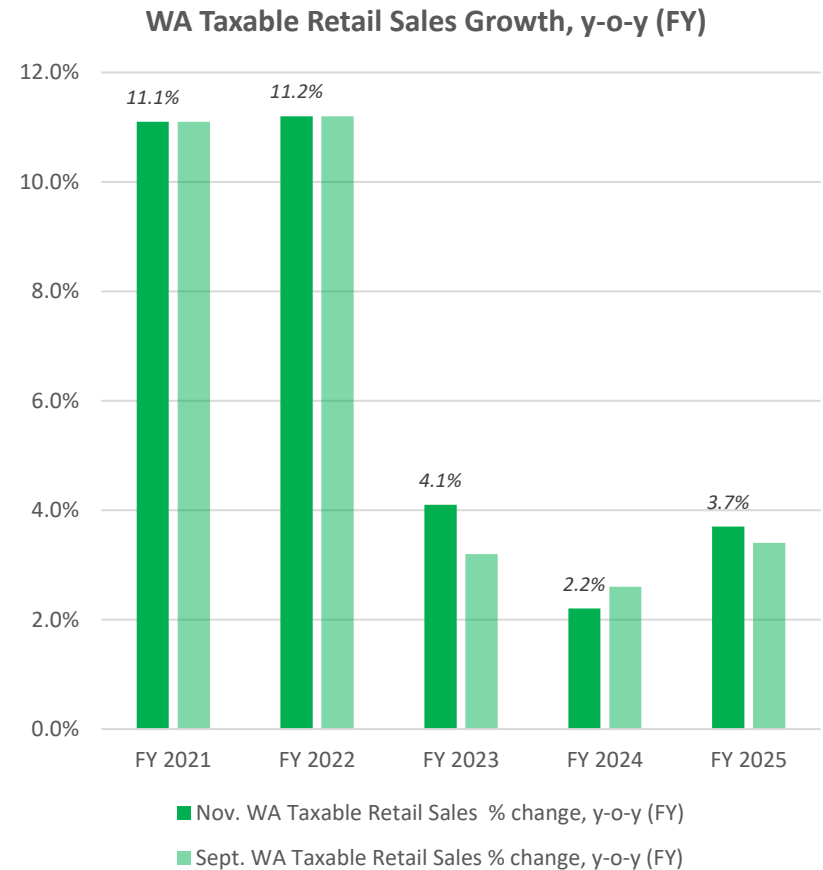
- Personal income (PI) = wages + investments + transfer payments
- PI highly correlated with spending
  - (r = 0.975 for City of Spokane taxable retail sales & County income)
- PI-Spokane highly correlated with PI-WA
- ERFC projecting a large drop in the rate of increase of personal income for CY 2022, somewhat larger than June forecast (lt. green)



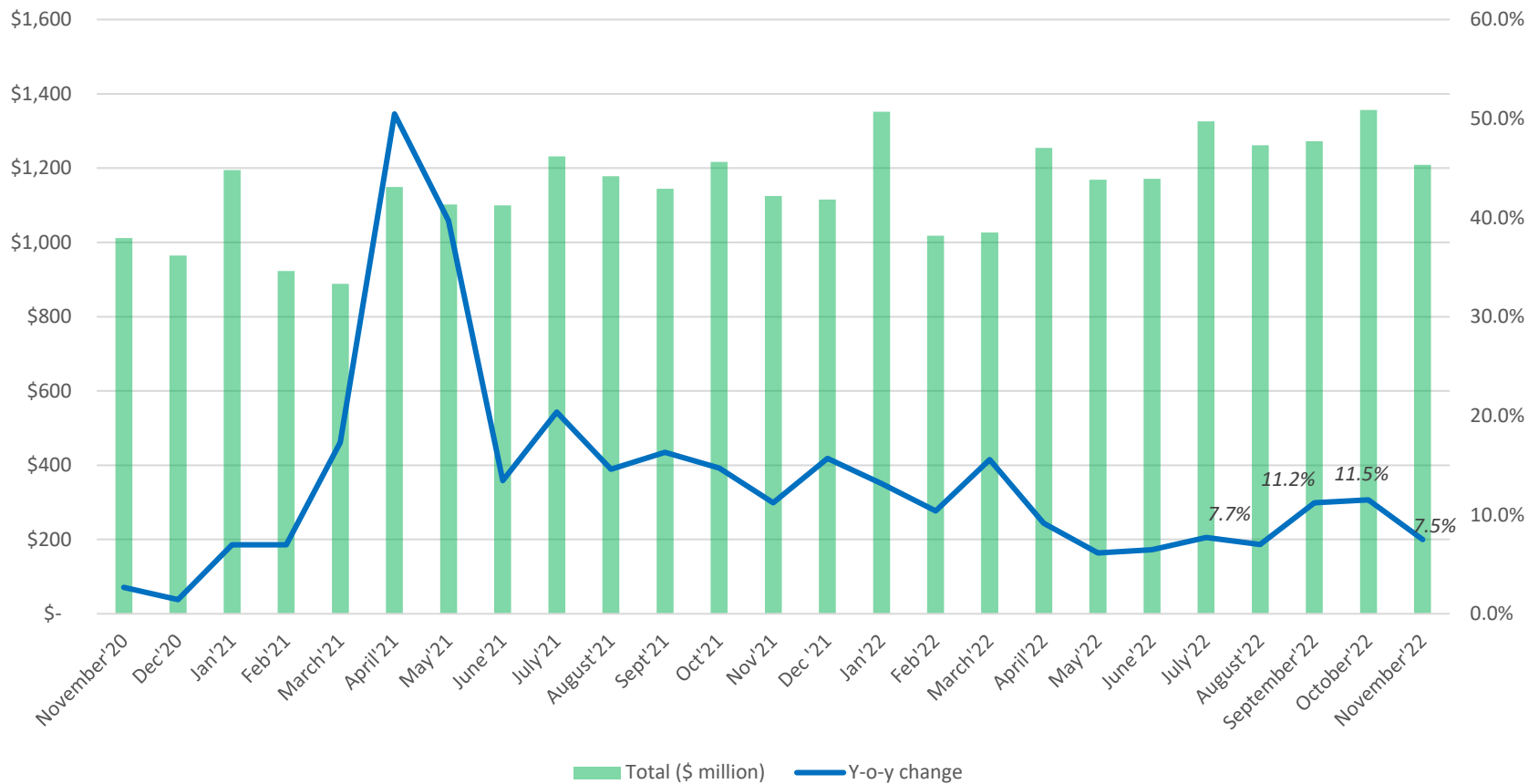
# The ERFC's outlook on WA taxable retail sales

(Nov., 2022)

- These are WA fiscal years
- Steep decline in FY2023 (1/2 2022 & ½ 2023) generally follows forecast for WA personal income
- WA & City of Spokane taxable retail sales are highly correlated ( $r = 0.995$ )
- November forecast show a strong FY2023 but a slightly weaker FY2024



# WA recent taxable retail sales – still quite strong



# Summary observations

- **Taxable retail sales** in the City for Q1 2022 shows strong growth but not double digits
- **WA State retail sales *forecast* from November** for 2<sup>nd</sup> half 2022 & first half of 2023 (FY23) anticipates modest sales growth, although higher than earlier.
  - The City might expect a similar outcome.
  - However, the ERFC sales tax forecast for FY23 might be a little pessimistic, given the 2<sup>nd</sup> of CY 2022
  - This assumes that the ERFC forecasts accurately. In recent years, their forecasts have been underestimates.

# Institute for Public Policy & Economic Analysis

Kelley Cullen, Ph.D.

D. Patrick Jones, Ph.D.

[kcullen@ewu.edu](mailto:kcullen@ewu.edu), [dpjones@ewu.edu](mailto:dpjones@ewu.edu)

[Spokane Trends](#)

509.828.1365 | 509.828.1246



**EASTERN**  
WASHINGTON UNIVERSITY

start something **big**