

# Washington State Employment, Real Estate & Economic Outlook

Presented to  
Washington State Association of Realtors

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Olympia, Washington



**WASHINGTON STATE  
ECONOMIC AND REVENUE FORECAST COUNCIL**



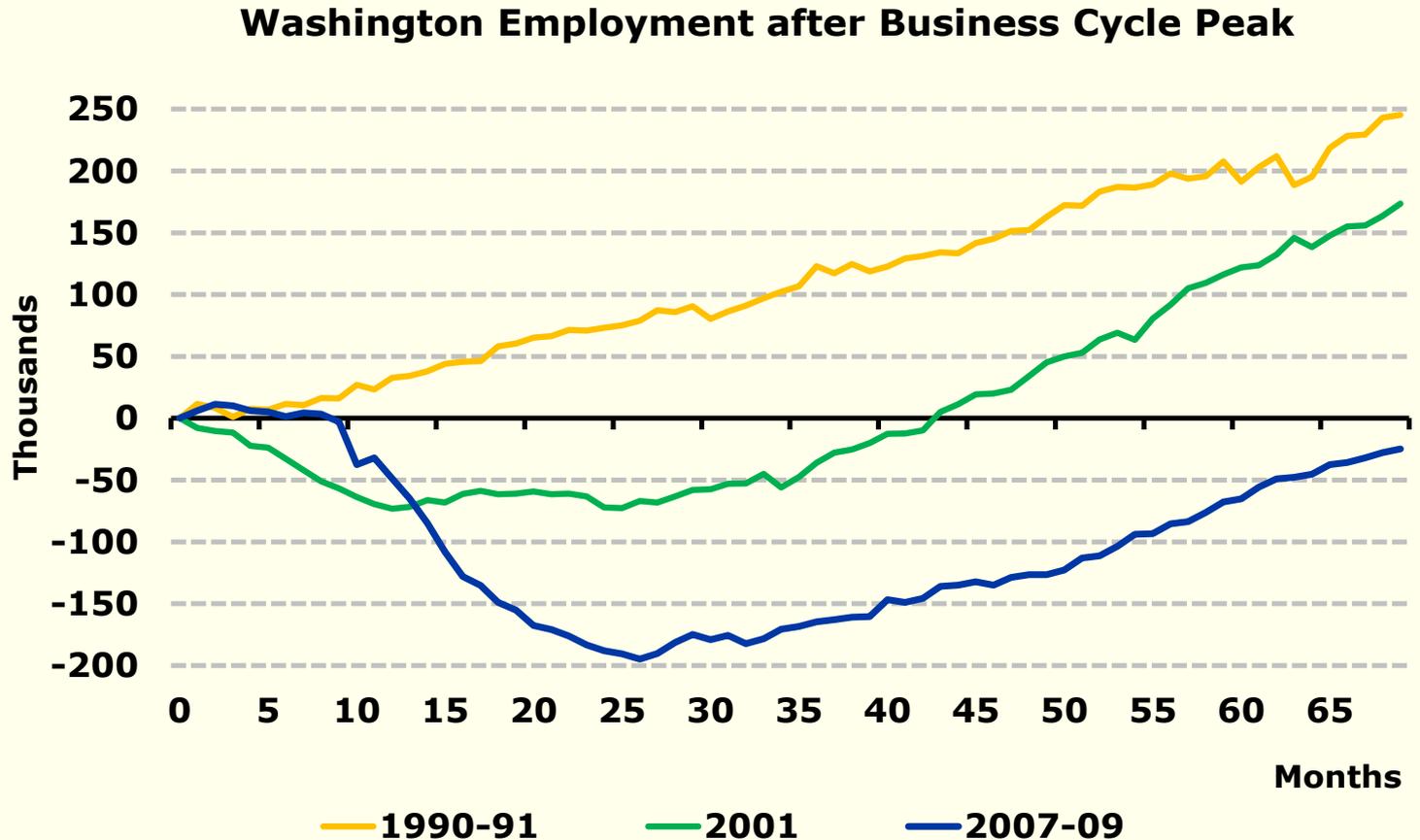
# Summary

- The U.S. and Washington economies continue to grow, although at a slow pace
- Employment has been increasing most Washington industries except aerospace and the federal government
- Existing home sales in Washington have been increasing and home prices have been rising
- Rising home prices and mortgage rates have the potential to slow the housing recovery
- State revenue collections have returned to pre-recession levels



# After nearly 6 years, Washington employment has still not recovered

Washington remains 20,000 jobs below the start of the recession

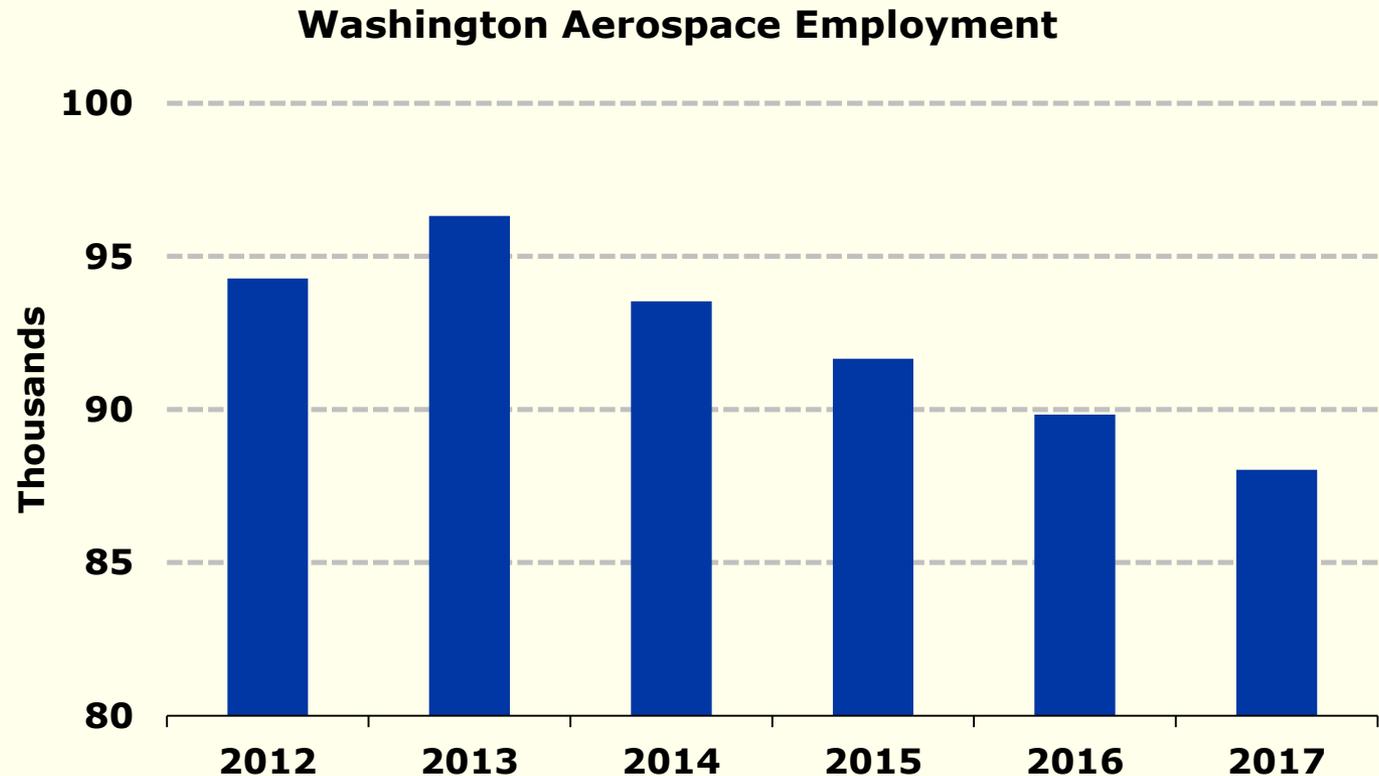


Source: WA ESD, ERFC; data through November 2013

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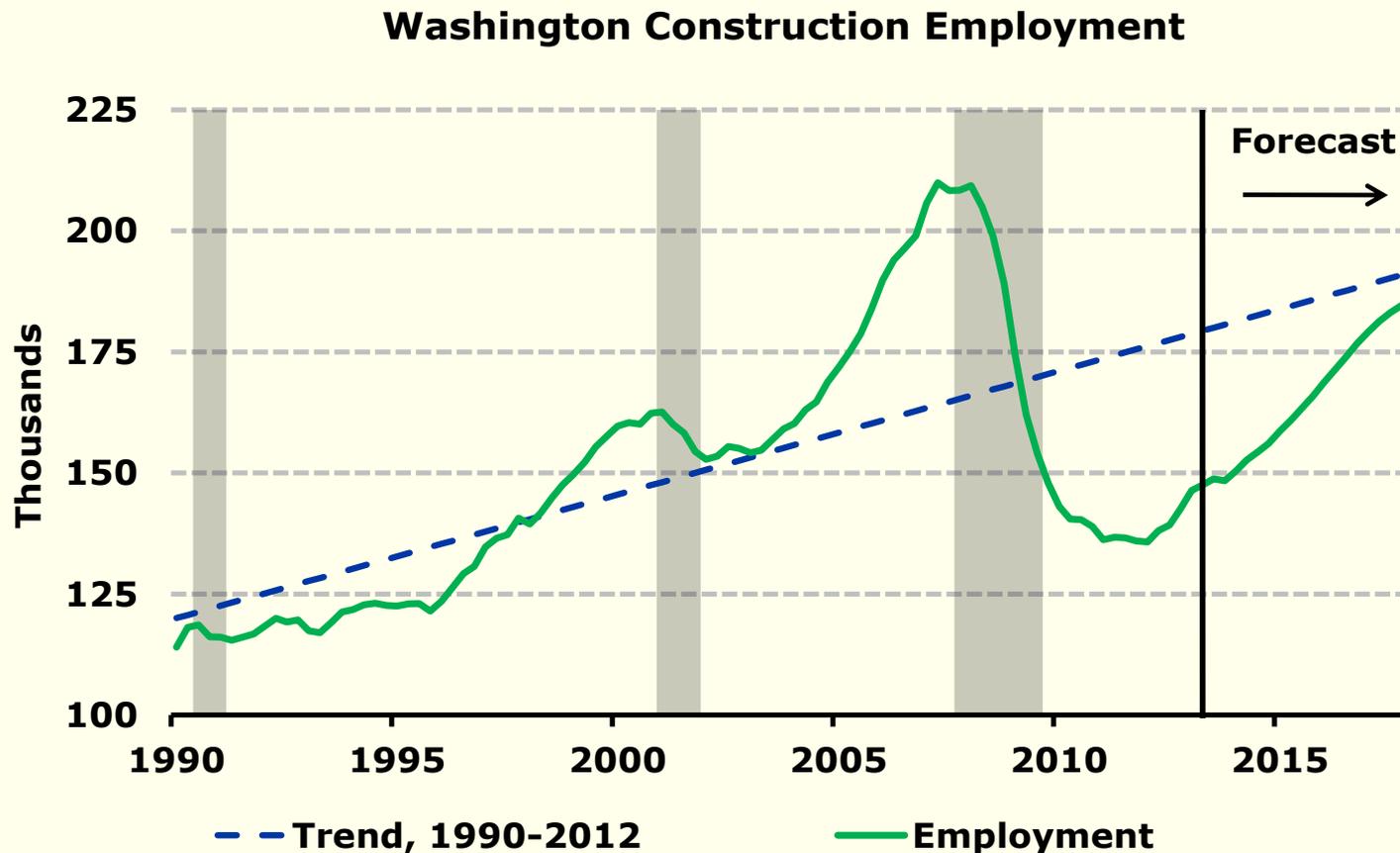
# Aerospace employment is declining



Source: ERFC November 2013 forecast; historical data through 2012



# Washington construction employment is recovering



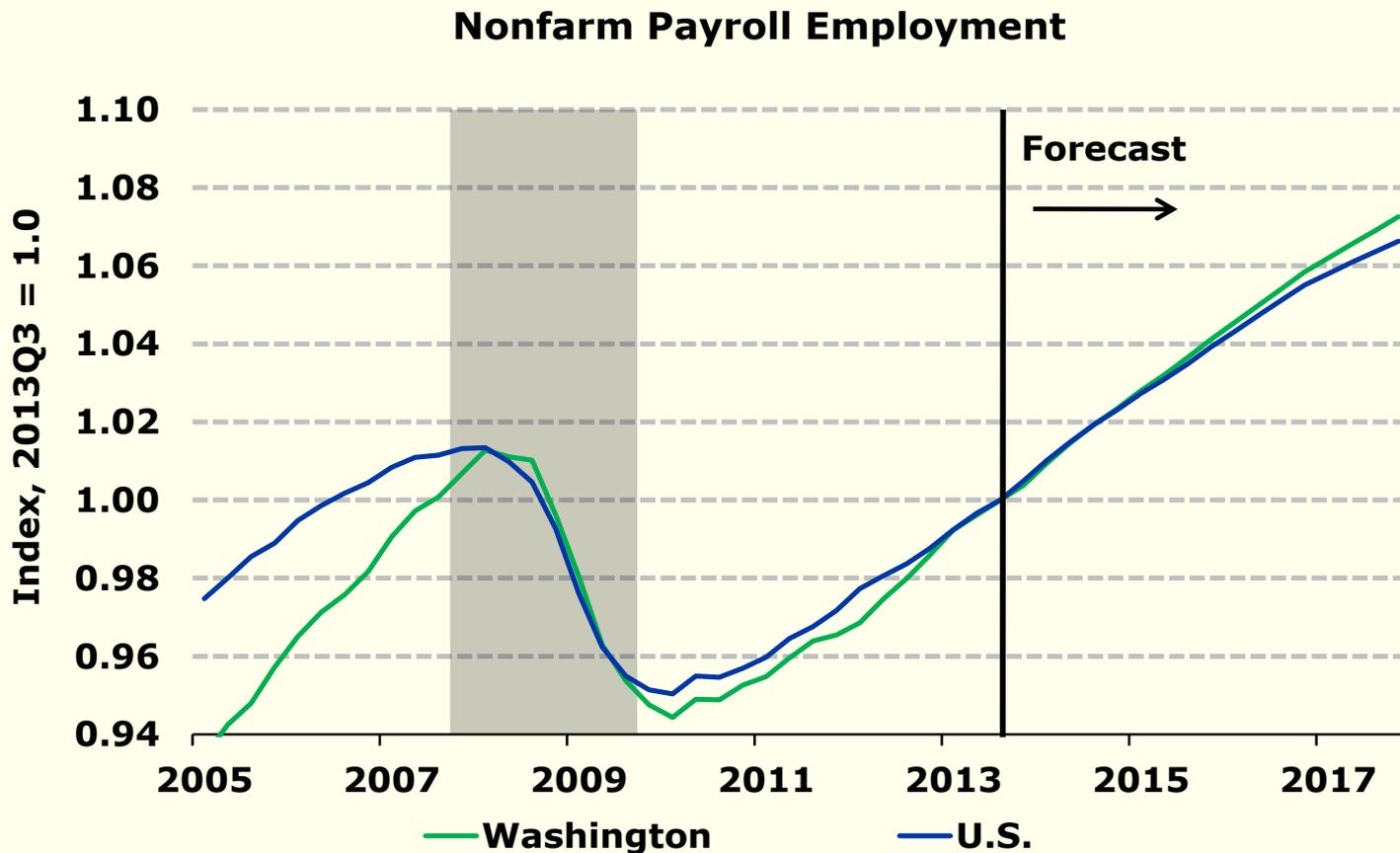


# Washington employment will recover slightly faster than the U.S.

Date of regaining peak:

**WA:**  
2014Q2

**U.S.:**  
2014Q3

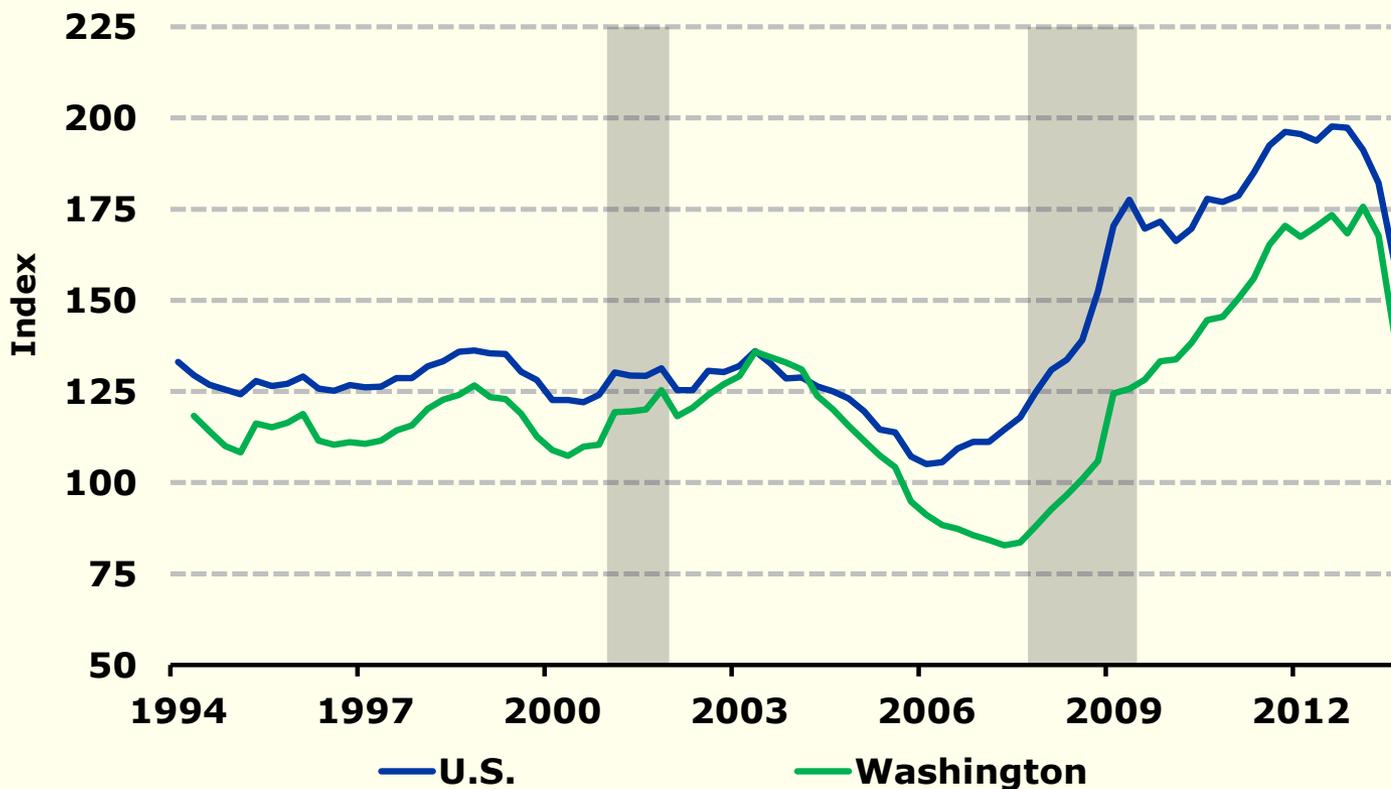


Source: ERFC November 2013 forecast; historical data through 2013Q3



# Rising mortgage rates and home prices have reduced affordability

**Housing Affordability Index, SA**



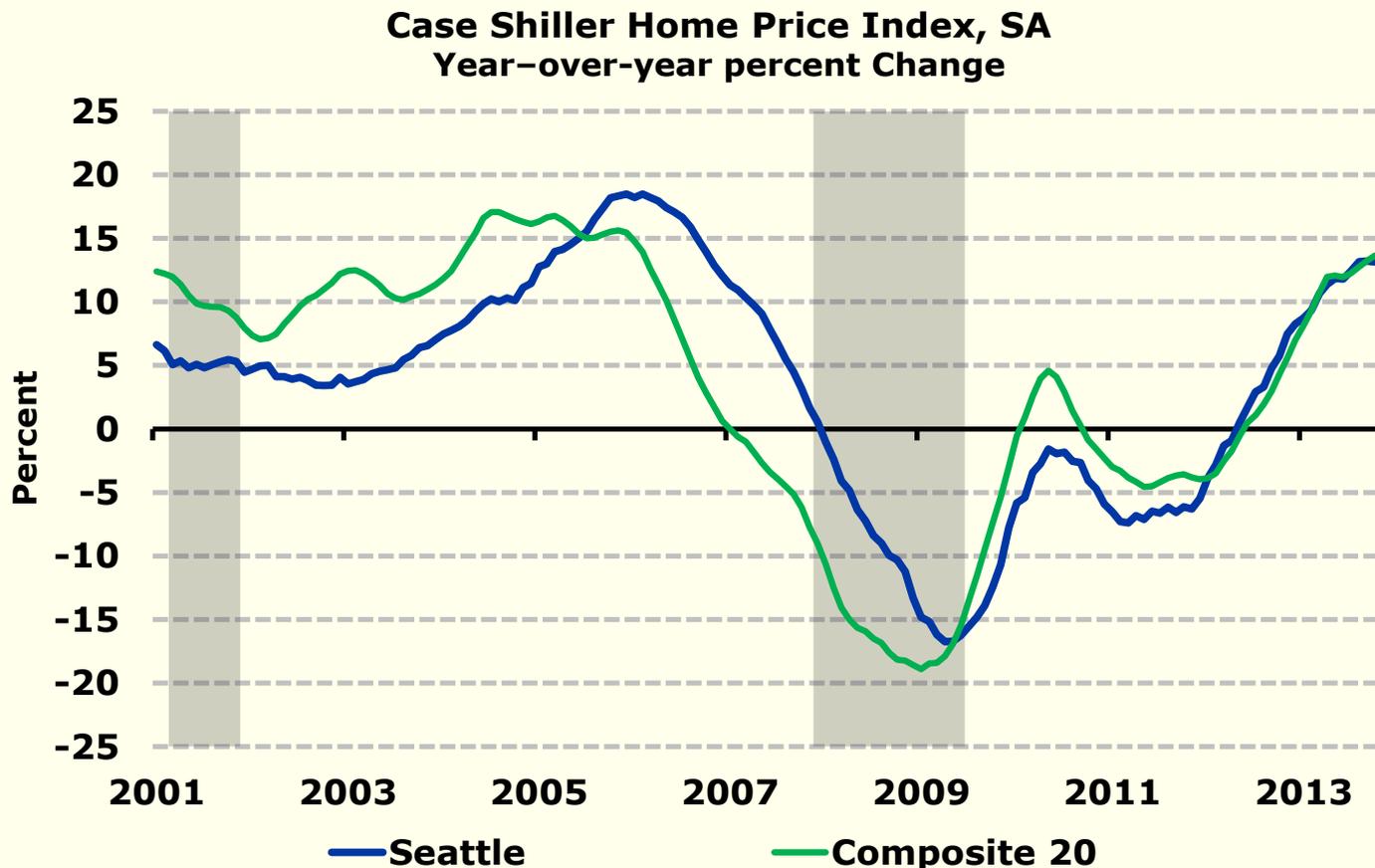


# Single-family home prices continue to increase

Oct. 2013

U.S. is up  
13.6%

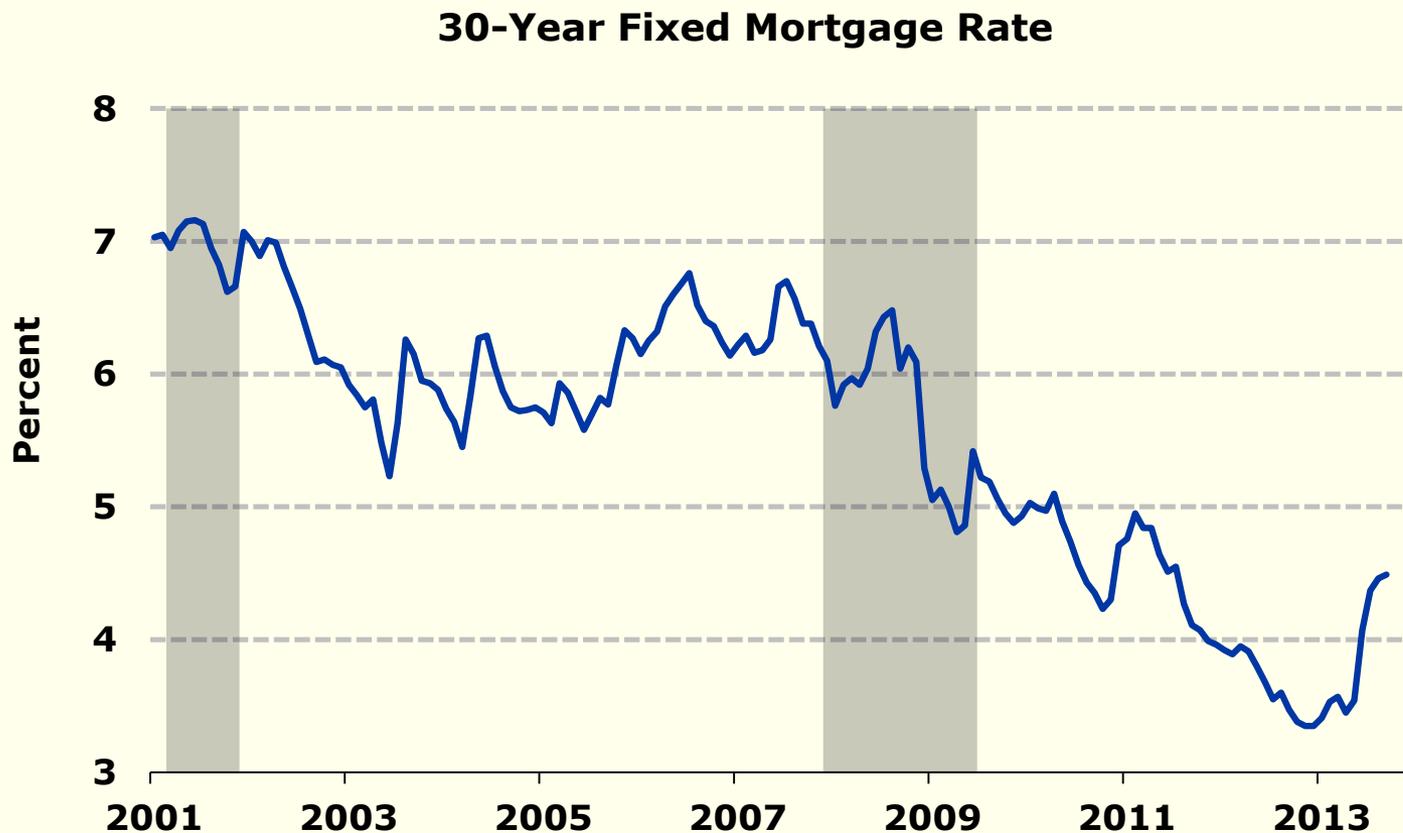
Seattle is  
up 13.1%



Source: S&P/Case-Shiller; data through October 2013



# Mortgage rates are increasing

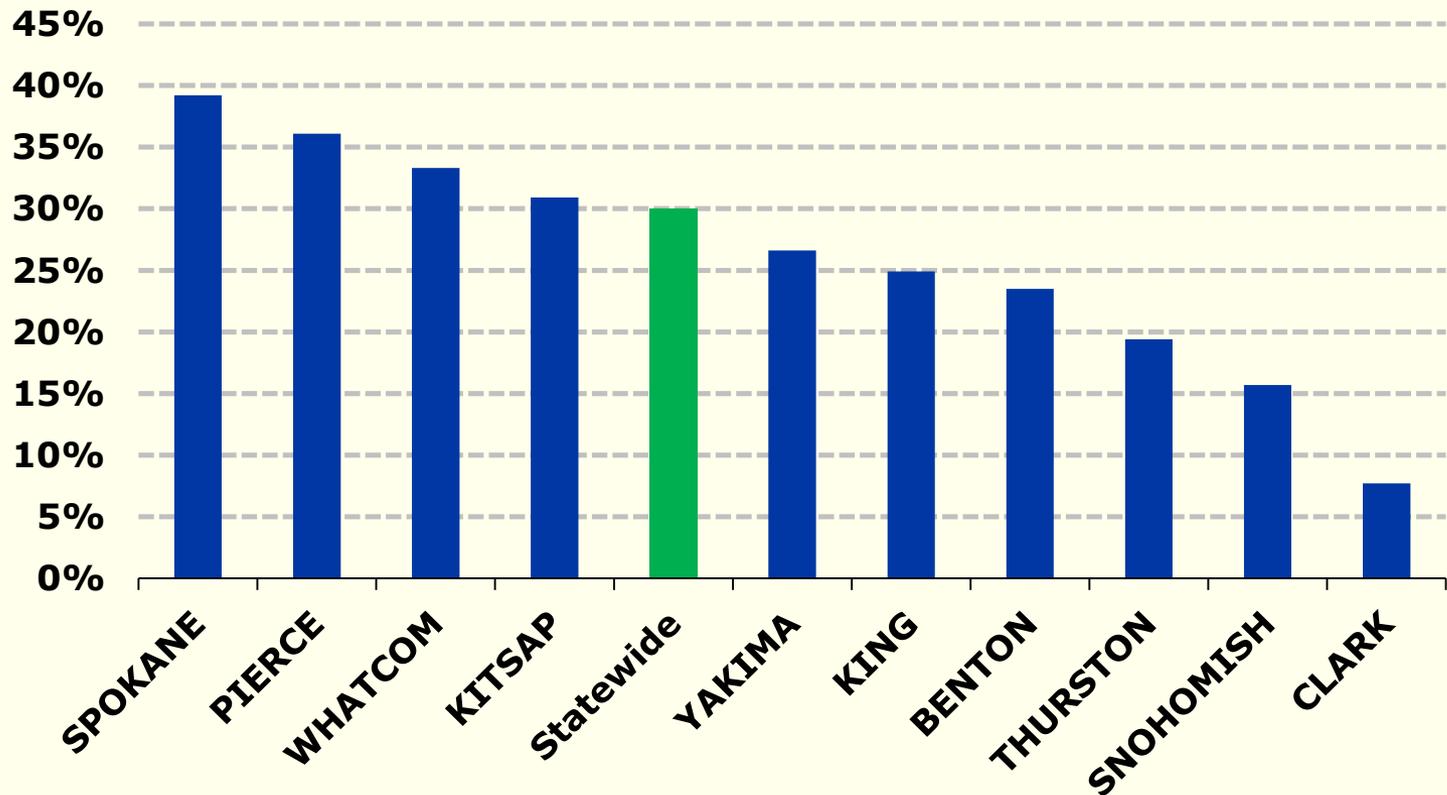




# Strong growth in home sales compared to last year

\*Ten counties with highest existing home sales, 2013Q3

**Existing Home Sales  
Year over Year % Change\***



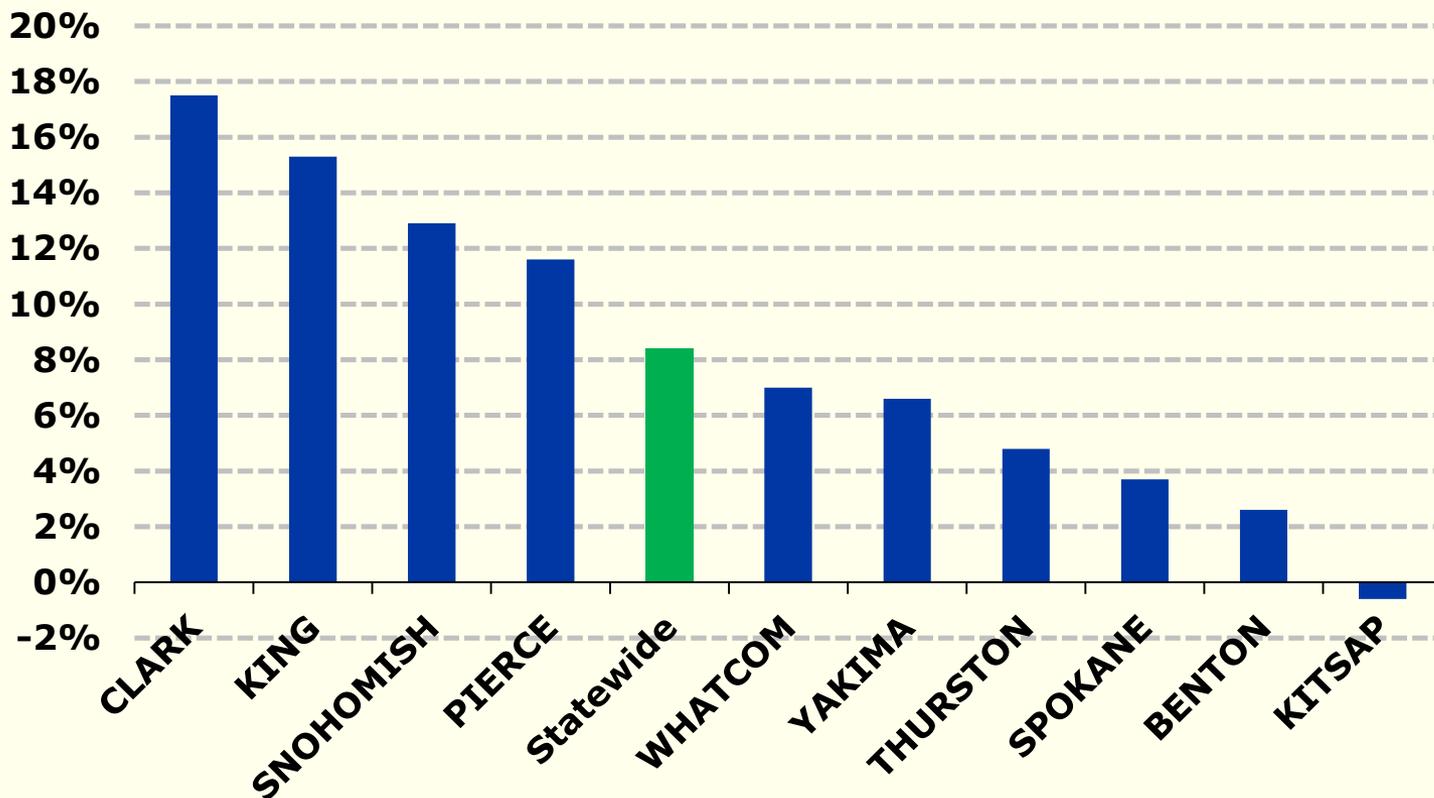
Source: WA Center for Real Estate Research, ERFC; 2013Q3 data



# Home price increases strongest in Portland and Seattle metro areas

\*Ten counties with highest existing home sales, 2013Q3

**Median Resale Price  
Year over Year % Change\***



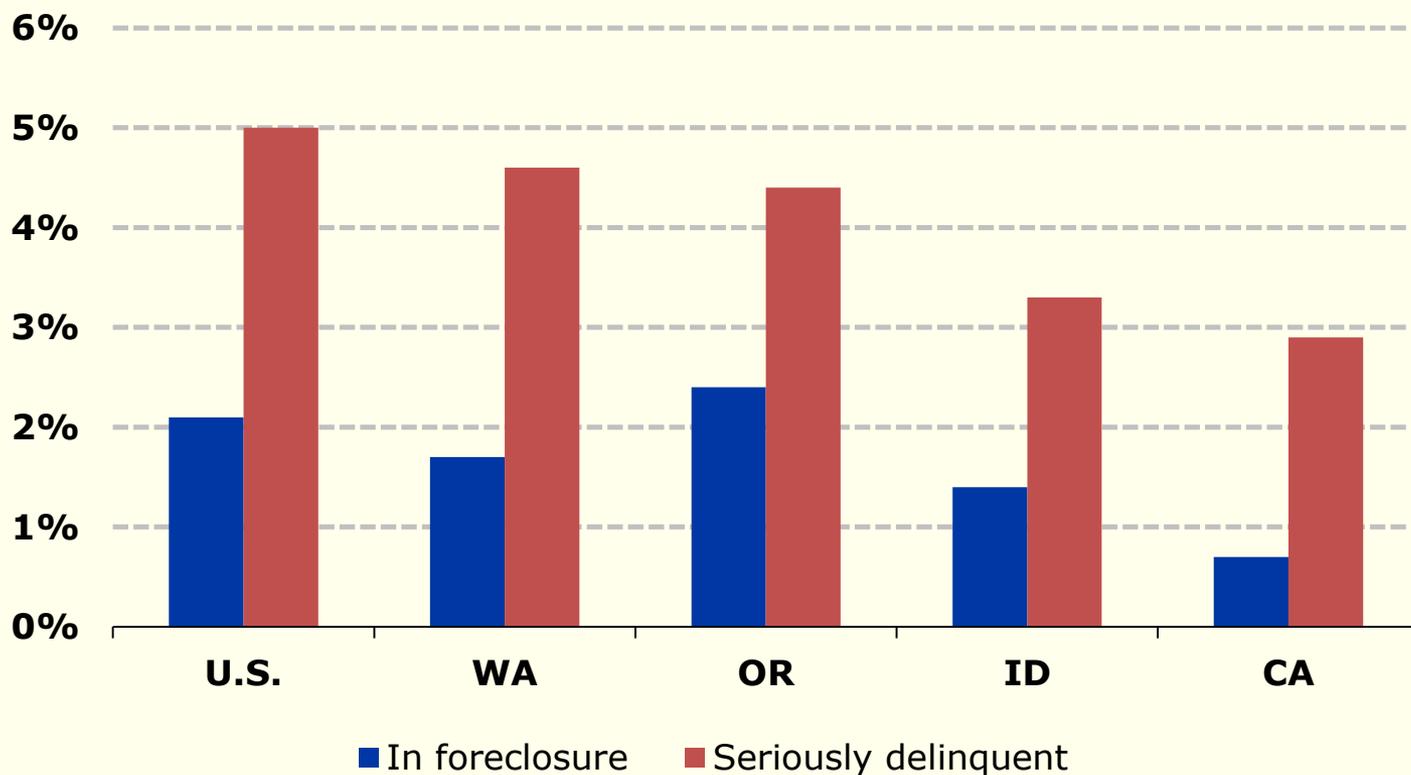
Source: WA Center for Real Estate Research, ERFC; 2013Q3 data



# Washington has a smaller share of mortgages in foreclosure or seriously delinquent than the U.S.

Seriously delinquent = 90 or more days past due

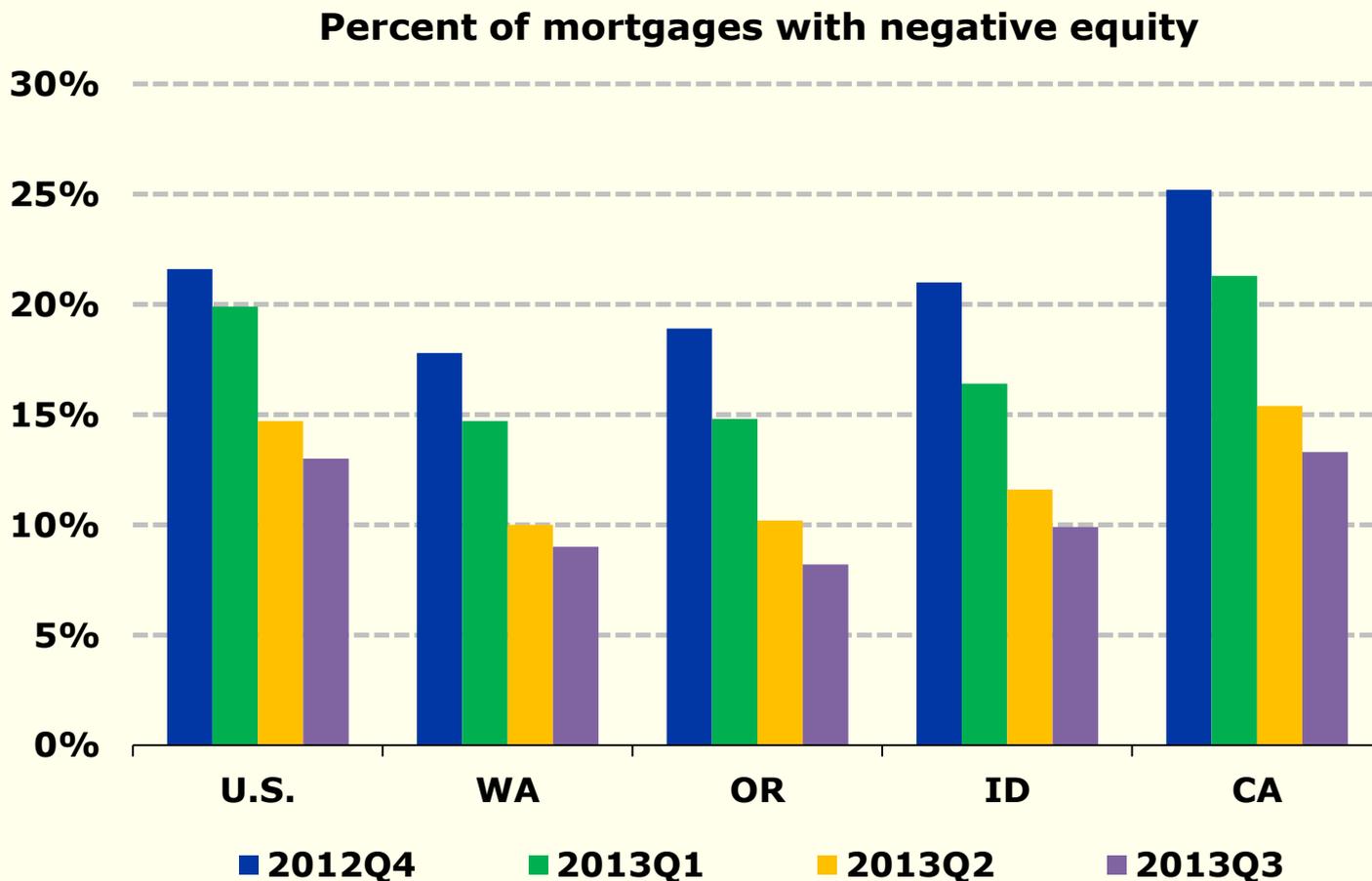
**Percent of mortgages in foreclosure or seriously delinquent, Nov 2013**



Source: CoreLogic; data through November 2013

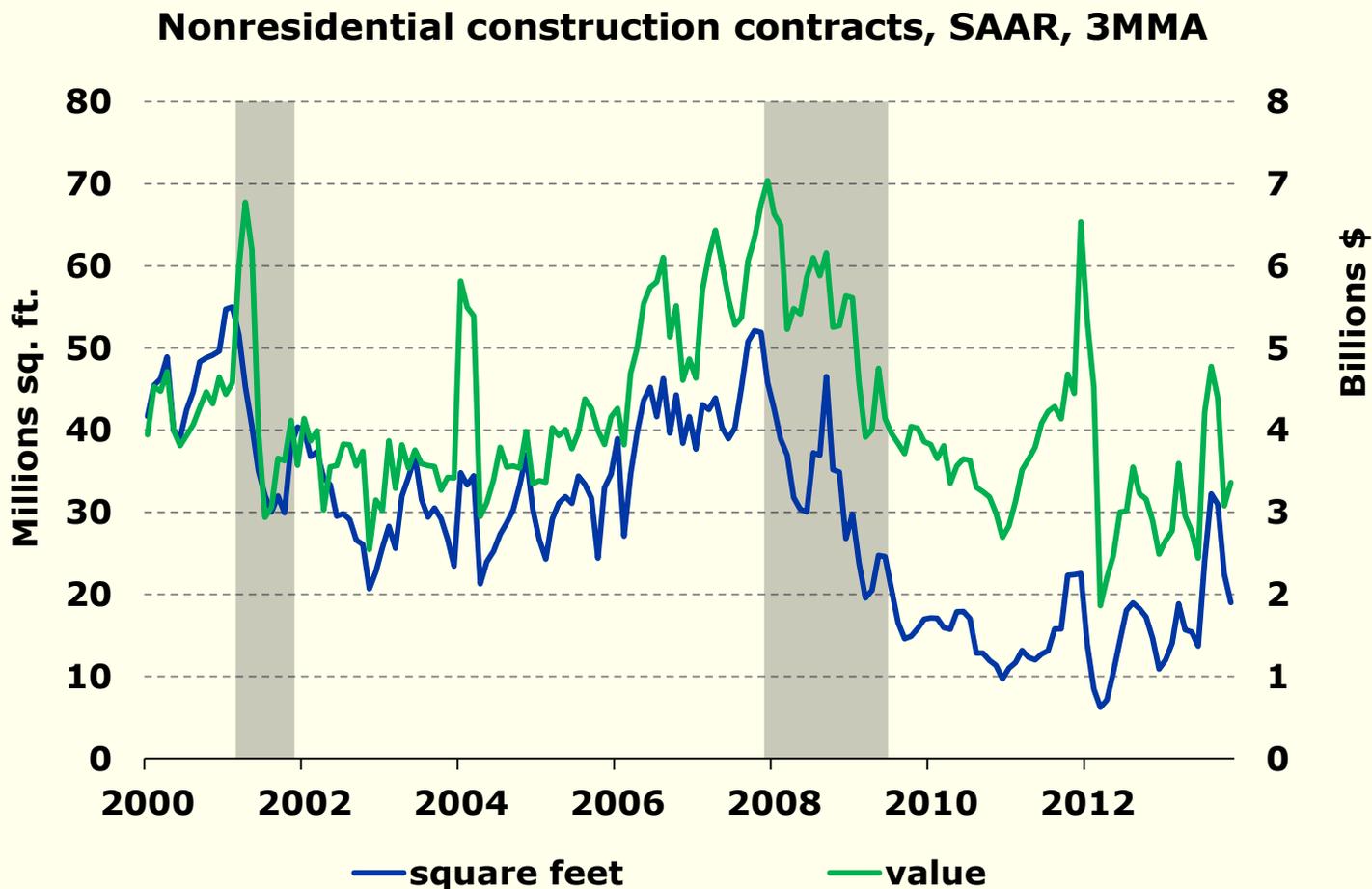


# Rising home prices have reduced the number of underwater mortgages



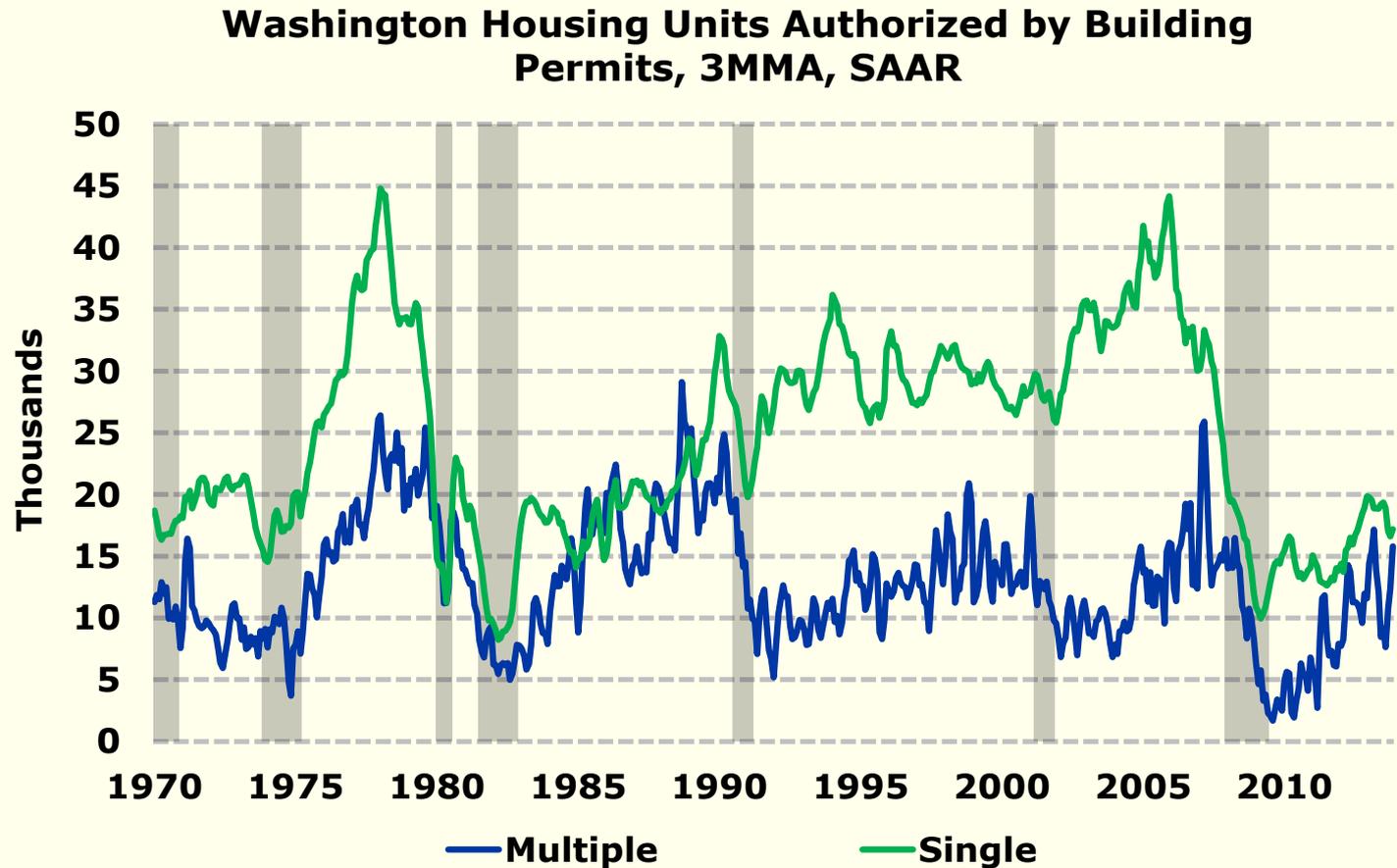


# Nonresidential activity is trending up but remains volatile





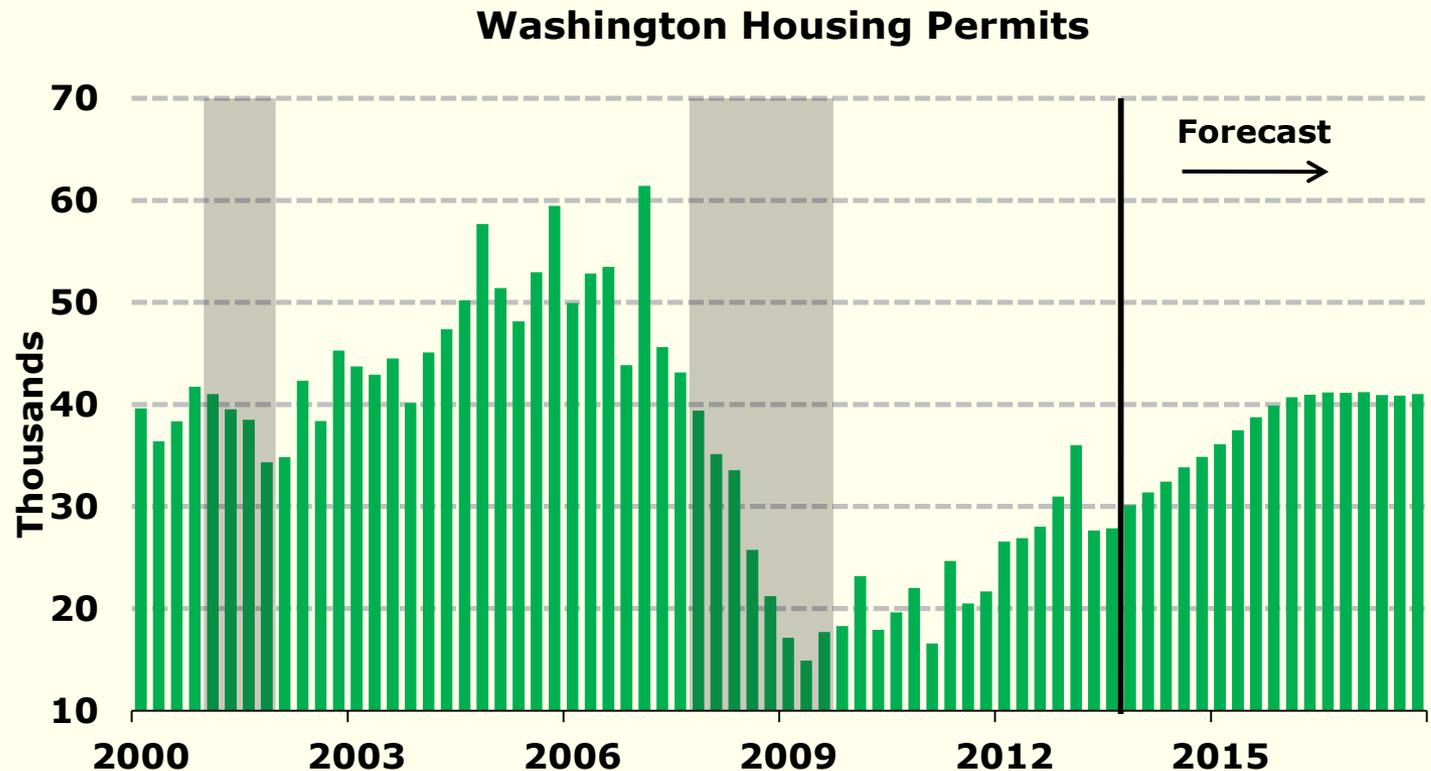
# Multifamily building permits improving but single family permits have stalled



Source: U.S. Census Bureau; data through November 2013



# Total housing permits forecast to exceed 40,000 units in 2016





# Revenue Act collections are above their pre-recession peak

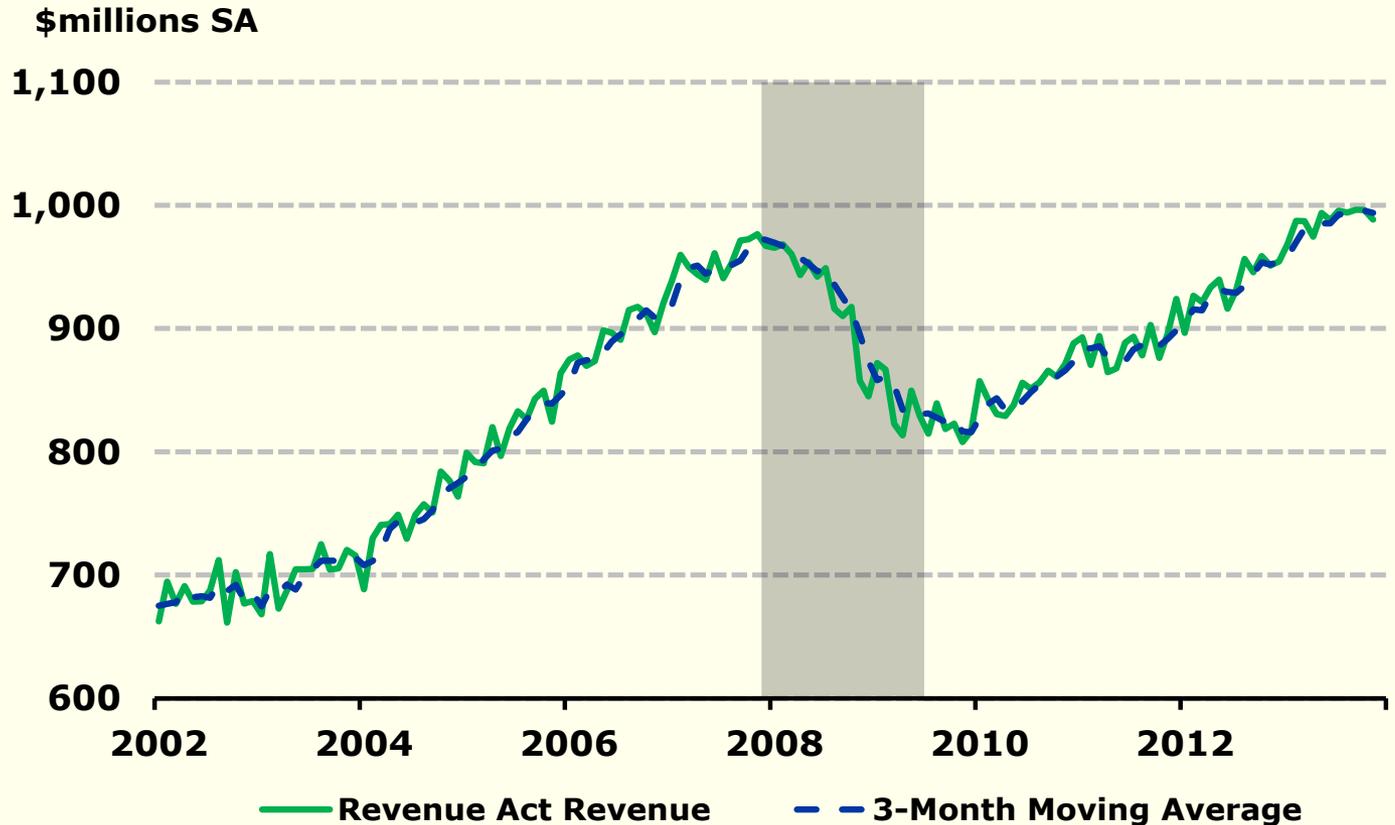
Revenue Act taxes consist of retail sales, B&O, use, tobacco, and utility taxes.

Retail sales and B&O taxes account for about 90% of Revenue Act taxes

While total collections are above the pre-recession peak, retail sales tax collections have not fully recovered.

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\* Adjusted for large one-time transactions, amnesty payments and reporting frequency change, current definition of Revenue Act

Source: DOR and ERFC; monthly data through estimated November 2013 activity

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# REET base strengthening along with spikes of large commercial sales

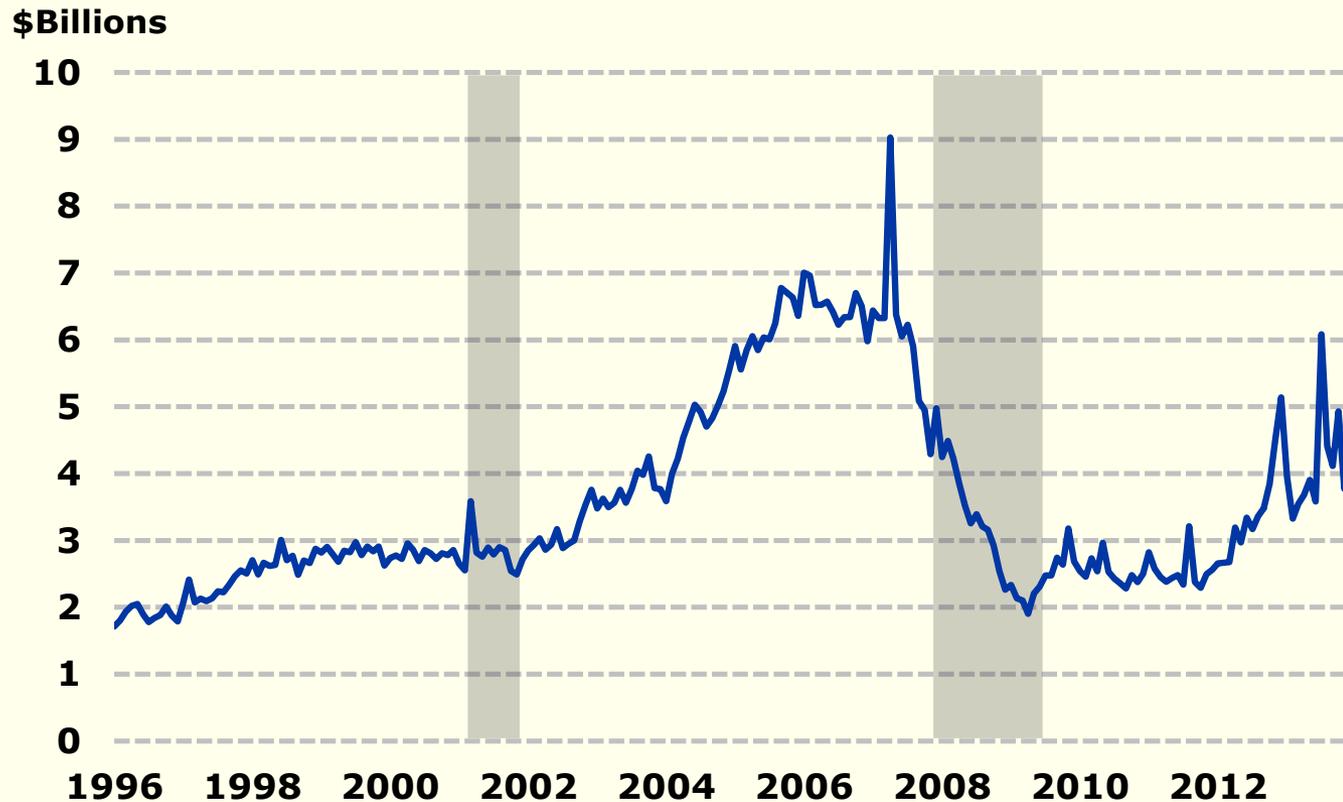
Even after last year's rush in sales of commercial property due to federal tax changes, large commercial sales are still occurring at an above-average rate

Residential prices and sales volume grew in 2013 but have flattened in recent months

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### Seasonally Adjusted Taxable Real Estate Excise Activity



Source: ERFC; Monthly data through December 2013 preliminary



# Conclusion

- We expect the slow pace of economic recovery to continue in both the U.S. and Washington economies
- Washington is still likely to outperform the nation, but by a small margin
- Washington real estate and construction activity has been strong but rising mortgage rates could slow the housing recovery
- Other threats to economic recovery include slowing Asian economies and uncertainty around federal fiscal issues



# Questions



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