

City of Spokane Quarterly Economic Indicators

Q3, 2021

October 18, 2021



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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

A word about population – estimates vs. count

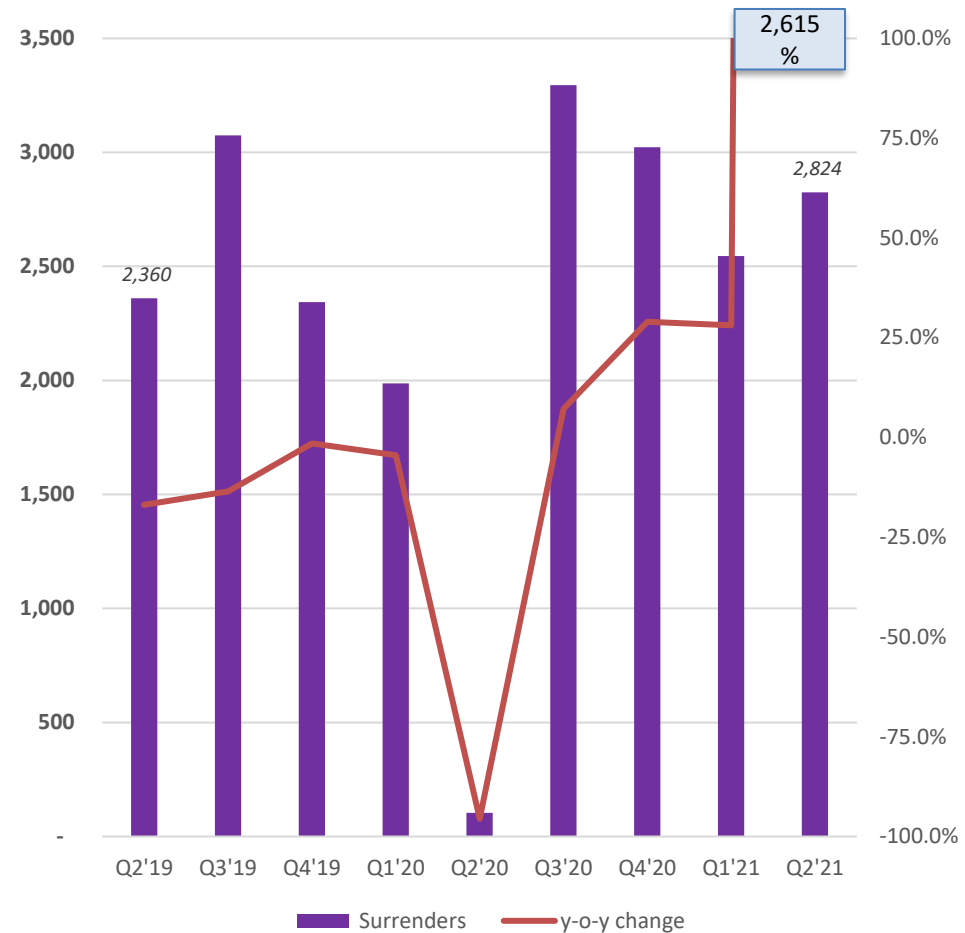
- 2020 County
 - OFM estimate: 522,600
 - Census count: 539,399 (+3.4%)
- 2020 City of Spokane
 - OFM estimate: 223,600
 - Census count: 228,989 (+2.4%)
- 2021 OFM estimate for City: 225,300 (really 230,000)

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, nor those Spokane residents who move out
- Rank: CA, ID, OR, AZ, TX
- '21 y-t-d surrenders > 2019 but still < 2017 or 2018

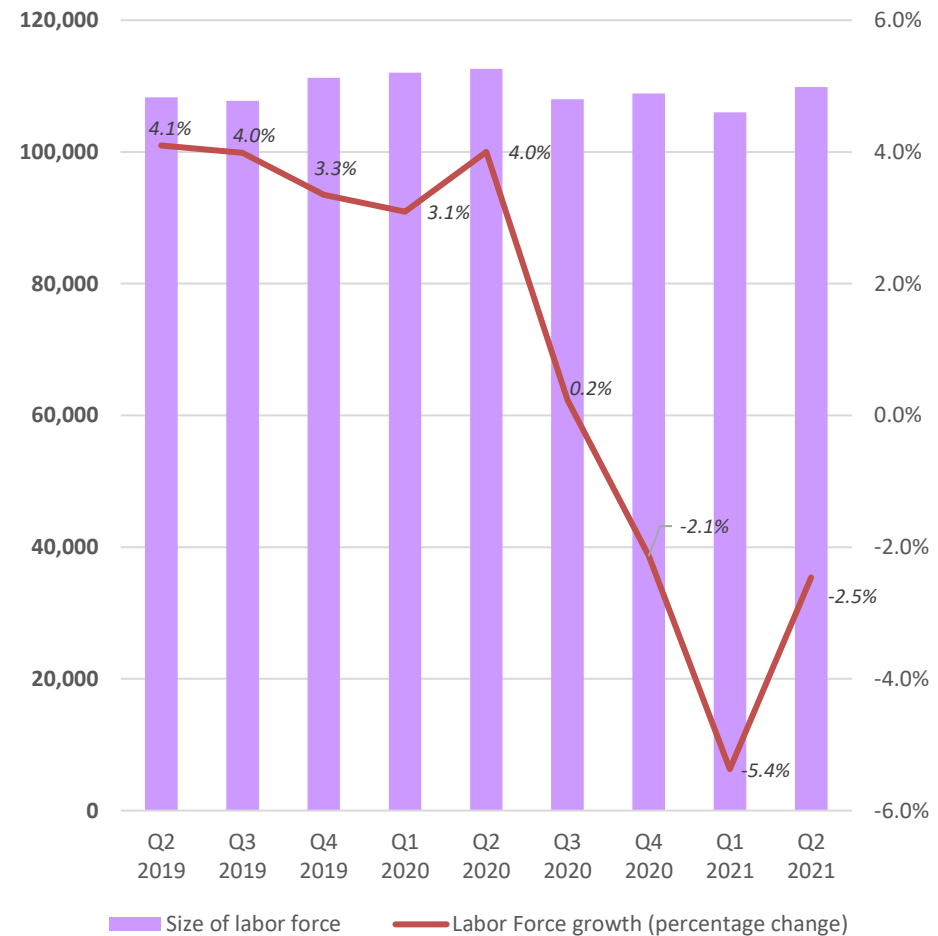
Source: WA Department of Licensing



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
- The CLF recovered in Q2 of 2021, increasing by over 3,800 from Q1 of 2021 to its post-pandemic high. But Q2 of 2021 was still below the local peak that occurred in Q2 of 2020.
- After three straight quarters of flat or increasingly negative year-to-year change, Q2 of 2021 was only 2.5% less than a year ago. Hopefully the trend will continue upwards into positive growth from the previous year.

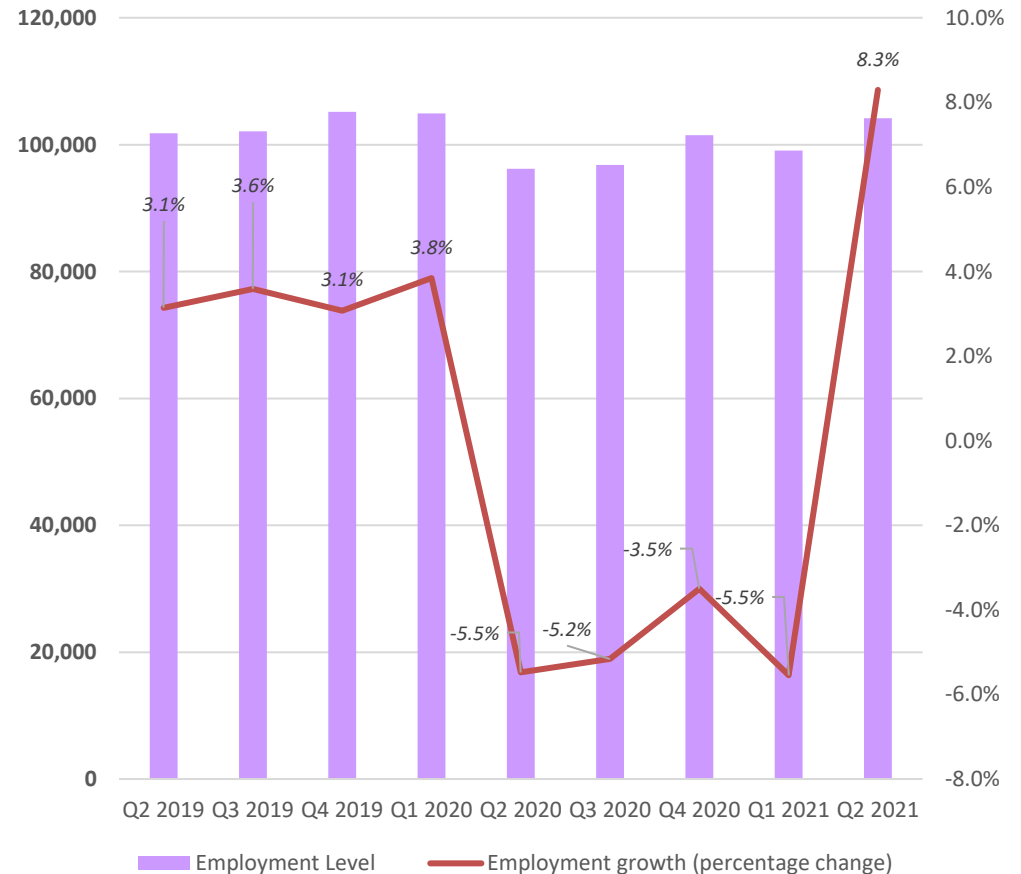


Source: Local Area Unemployment Statistics (LAUS)

Labor market

Number of jobs & year-to-year change

- After a large drop in Q2 & Q3 of 2020 due to stay-at-home directives related to Covid-19, total employment rebounded but is still below its peak in Q4 of 2019.
- After four straight quarters of negative year-to-year change, Q2 of 2021 showed strong job growth and was up 8.3% from the previous (pandemic) year.
- Total employment in Q2 of 2021 is just over 1,000 jobs short of the peak in Q4 of 2019. Both July (107,221) & August (105,423) showed strong job growth that could mean a new peak employment total for Q3 of 2021.

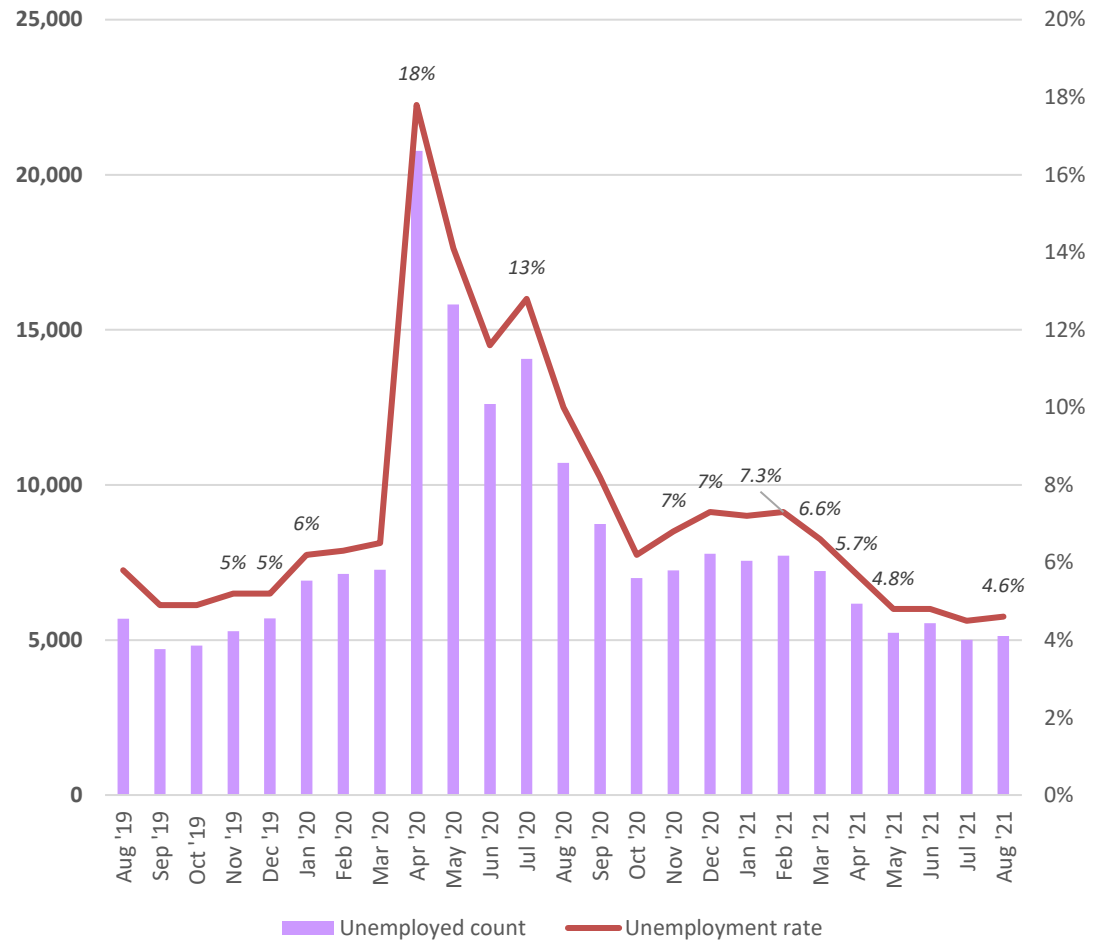


Source: Local Area Unemployment Statistics (LAUS)

Labor market

Monthly unemployment count & rate

- After the huge uptick in the 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 August, 2021 of 4.6% was lower than it was two years ago in August, 2019 (pre-pandemic).



Source: Local Area Unemployment Statistics (LAUS)

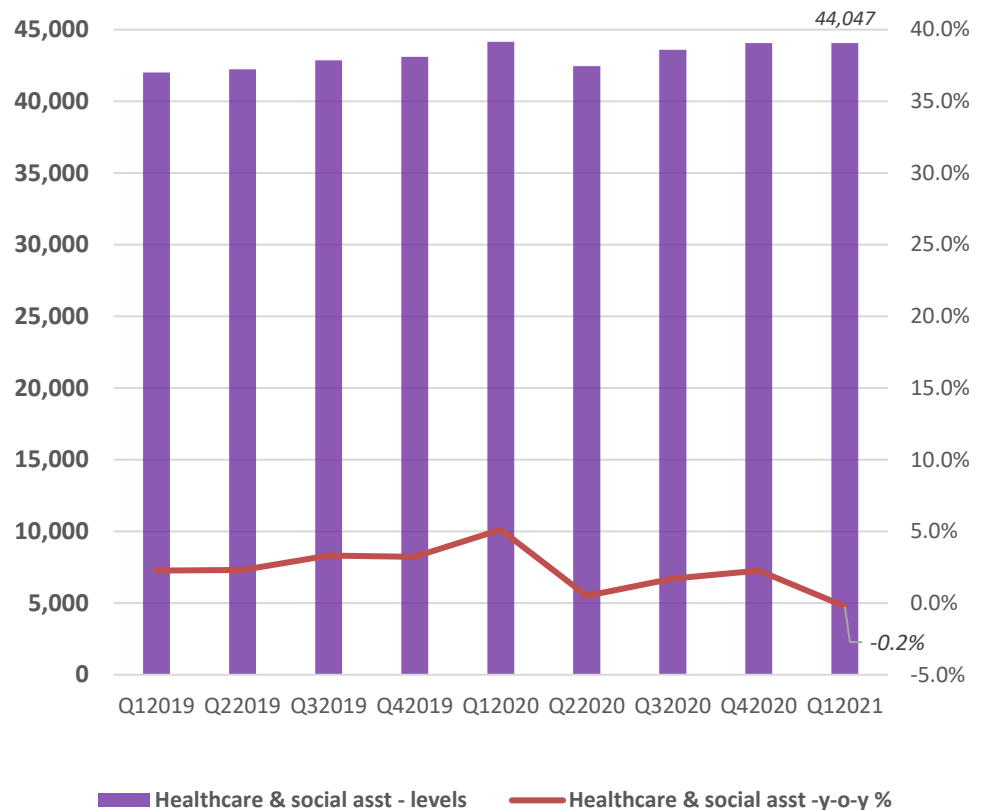
Summary of aggregate employment measures

- Second quarter of 2021 revealed the resiliency of the City's economy as both the civilian labor force and total employment rebounded and started to close in on previous pre-pandemic highs.
- Preliminary figures for July & August already suggest that Q3 of 2021 will be just as strong, if not stronger than Q2 in employment.
- The current monthly unemployment rate of 4.6% 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, perhaps in the 5% range in the near-future.

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: ~ 43,307
- ~ 100 < Q1 2020 peak
- 2020 ave. annual wage: \$53,521

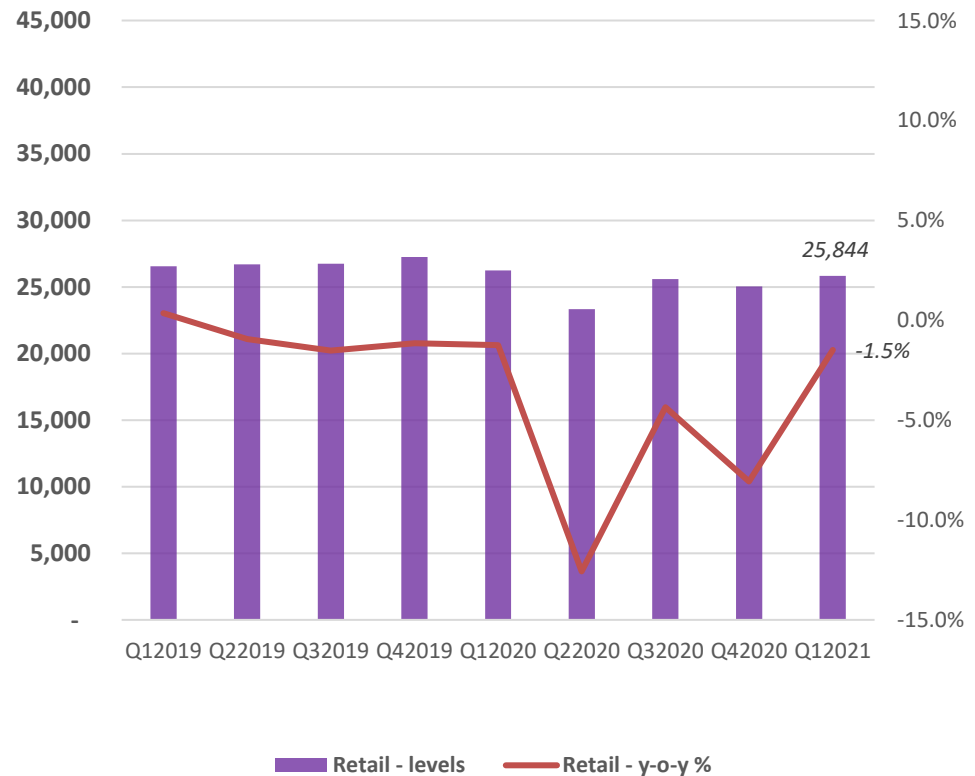


Source: WA Dept. of Employment Security, QCEW

Key sectors

Quarterly employment in County Retailing

- Retailing employment before the pandemic was already decreasing
- Among key sectors, its % decline in Q2 2020 was the 2nd worst
- Still ~1,500 < peak of Q4 2019
- 8 qtr. average employment: ~25,850
- 2020 ave. annual wage: \$37,078



Source: WA Dept. of Employment Security, QCEW

Key sectors

Quarterly employment in County Hospitality

- Hospitality composed of all lodging & restaurants, bars, coffee shops, caterers
- It's pandemic blow (in Q2 2020) was the worst – for both levels and percentage – of all the large sectors
- Now ~6,500 < peak of Q2 2019
- 8 qtr. ave employment: ~17,500
- 2020 AA wage: \$21,939

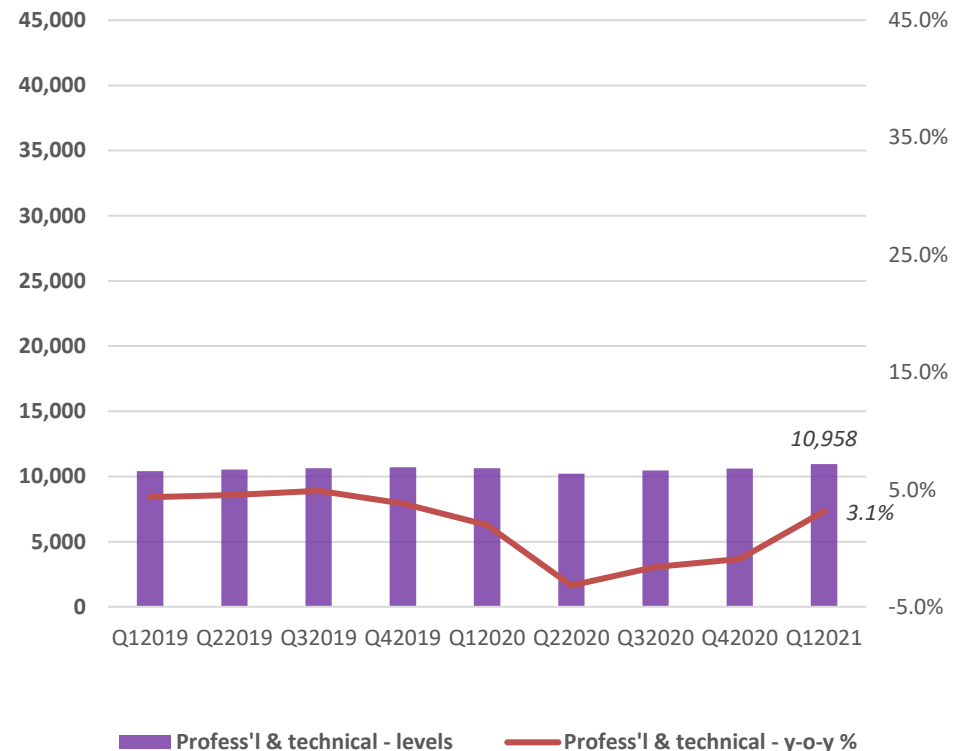


Source: WA Dept. of Employment Security, QCEW

Key sectors

Quarterly employment in County Professional & Technical services

- Consists of “white collar” knowledge occupations – lawyers, accountants, architects, engineers, consultants
- Growing fast, pre-pandemic
- Now > peak in Q1 2020
- 8 qtr. average employment: ~10,600
- 2020 AA wage: ~\$69,000

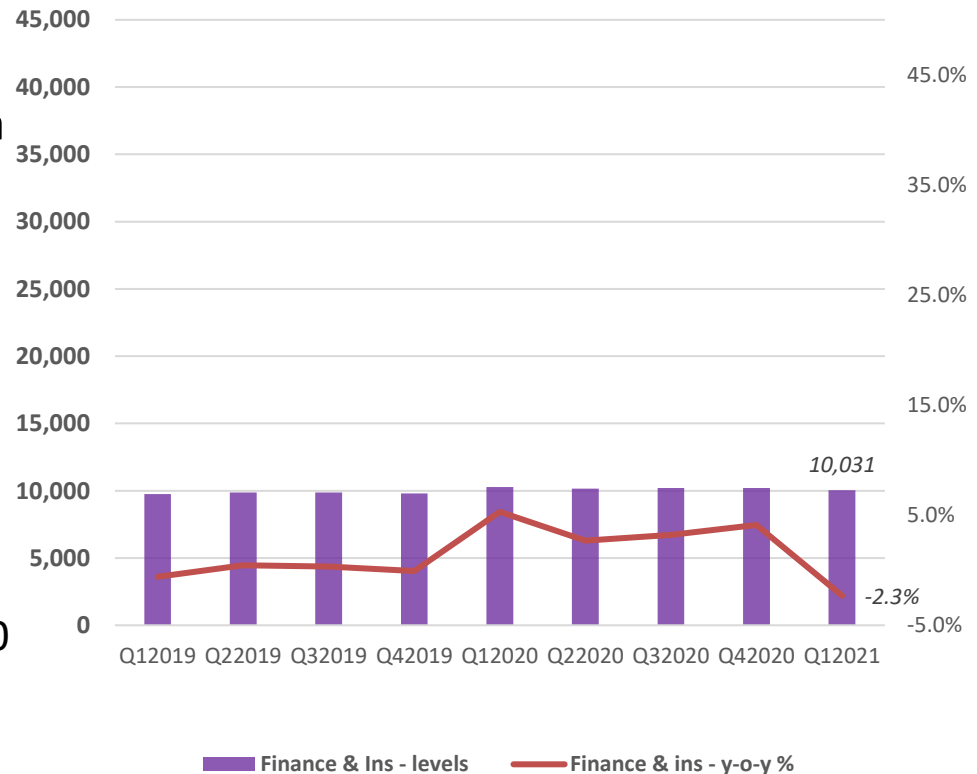


Source: WA Dept. of Employment Security, QCEW

Key sectors

Quarterly employment in County Finance & Insurance

- Little growth before the pandemic; but after it hit, one of the few sectors to experience growth. But a recent dip
- 8-quarter average employment: ~10,050
- Now ~250 < peak in Q1 2020
- 2020 average annual wage: \$91,650



Source: WA Dept. of Employment Security, QCEW

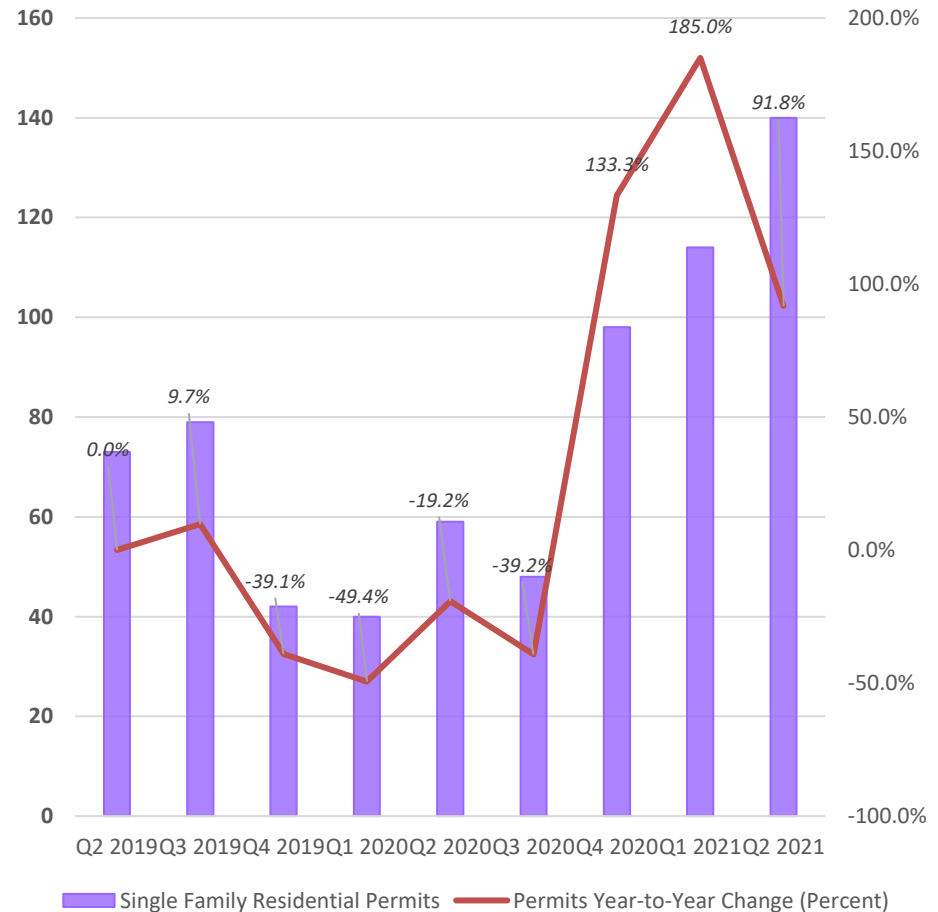
Summary of labor market measures

- Some of the County's "top 5" sectors show **employment** now (Q1 2021) **exceeding or largely equal** to previous peaks.
- Spokane's **hospitality sector** is still badly lagging other sectors & will likely not regain its prior peak before late 2022 -- perhaps not until 2023.
- **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

- Second quarter of 2021 continued strong growth in residential building permits that had started in fourth quarter of 2020.
- Last three quarters showed increased permitting, making up for pre-Covid slump.
- Current levels of single-family residential building permits are above 2019 levels.

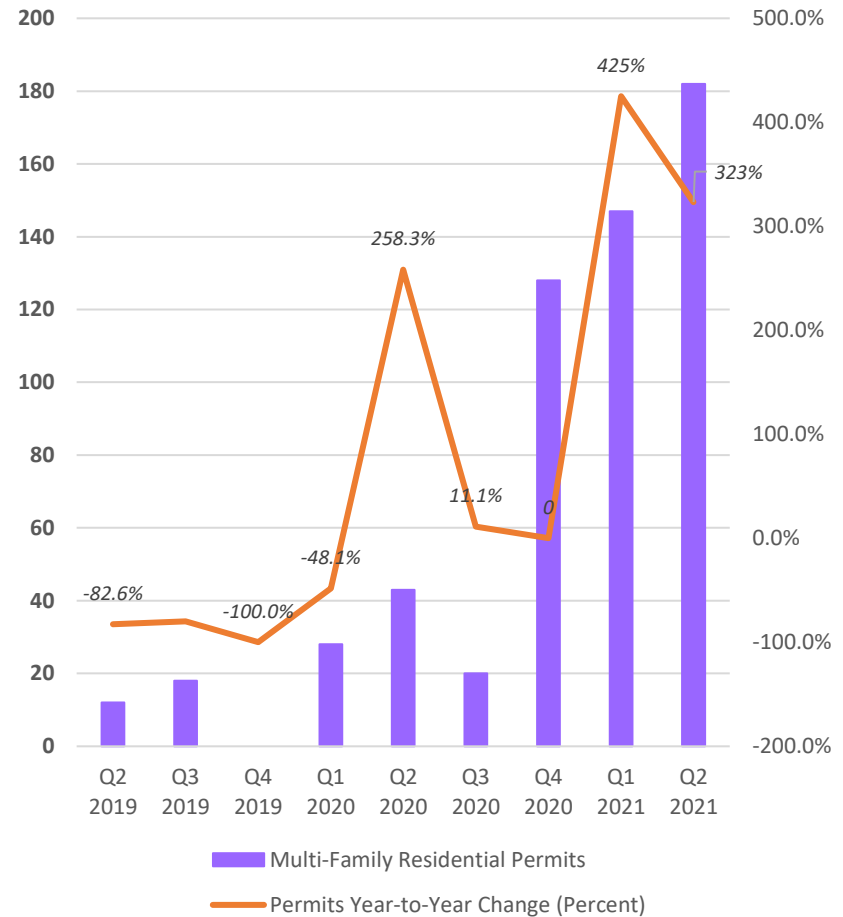


Source: City of Spokane

Housing

Multi-family building permits, by units

- Second quarter of 2021 exceeded even the strong growth in multi-family building permitted units that had started in Q4 of 2020.
- Previous three quarters (Q4, 2020, Q1 & Q2, 2021) showed strong growth in multi-family building permits, possibly fueled by rising median home prices and suppressed demand during the pandemic.
- Even before the pandemic slowed the economy, multi-family building permits were lower in the last three quarters of 2019 than in the first quarter.



Source: City of Spokane

Housing

Average value of permitted single family residence

- Second quarter of 2021 showed a slight rebound in average value of permitted single family residences to a similar level to Q2 & Q4 of 2020.
- After peaking at \$358,055 (Q3 2020), the average value of permitted single family residences has fallen off slightly to \$326,493.
- The average value of permitted single family residences has fallen 27% over three years (Q2 2018 to Q2 2021).

Source: City of Spokane



Housing

Average value of permitted multi-family unit

- After a relative peak in Q3 of 2020, the average value of permitted multi-family units has steadily fallen to \$113,428 in Q2 of 2021.
- Last three quarters (Q4 2020, Q1 & Q2 2021) saw a similar decline that happened in Q1 – Q3 of 2019 from a peak of \$237,301 in Q1 2019.
- Second quarter of 2021 had average values of permitted multi-family units that were lower than the same quarter of both 2018 & 2019.
- Average value of permitted multi-family units is down 22% from three years ago (2018).

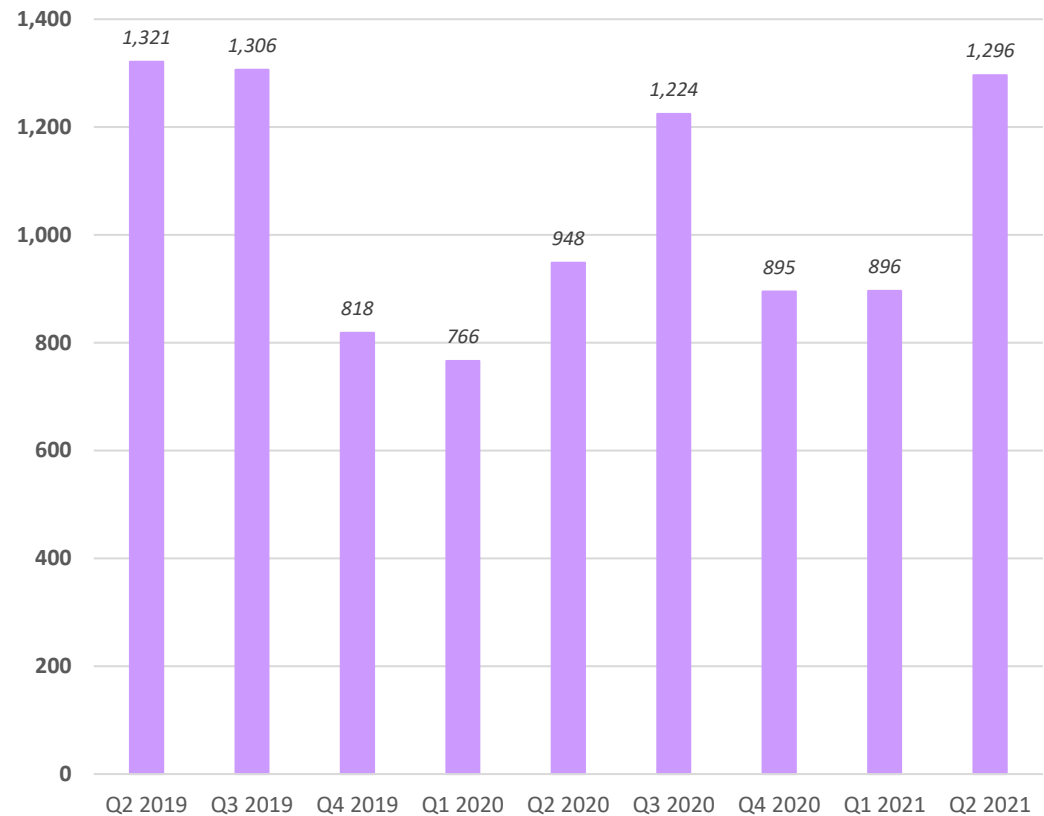


Source: City of Spokane

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
- Second quarter of 2021 showed a similar amount of non-residential permitting as same quarter two years ago – a return to pre-Covid levels of activity.
- A healthy and stable amount of non-residential development seems to be occurring in the city, year-to-year.



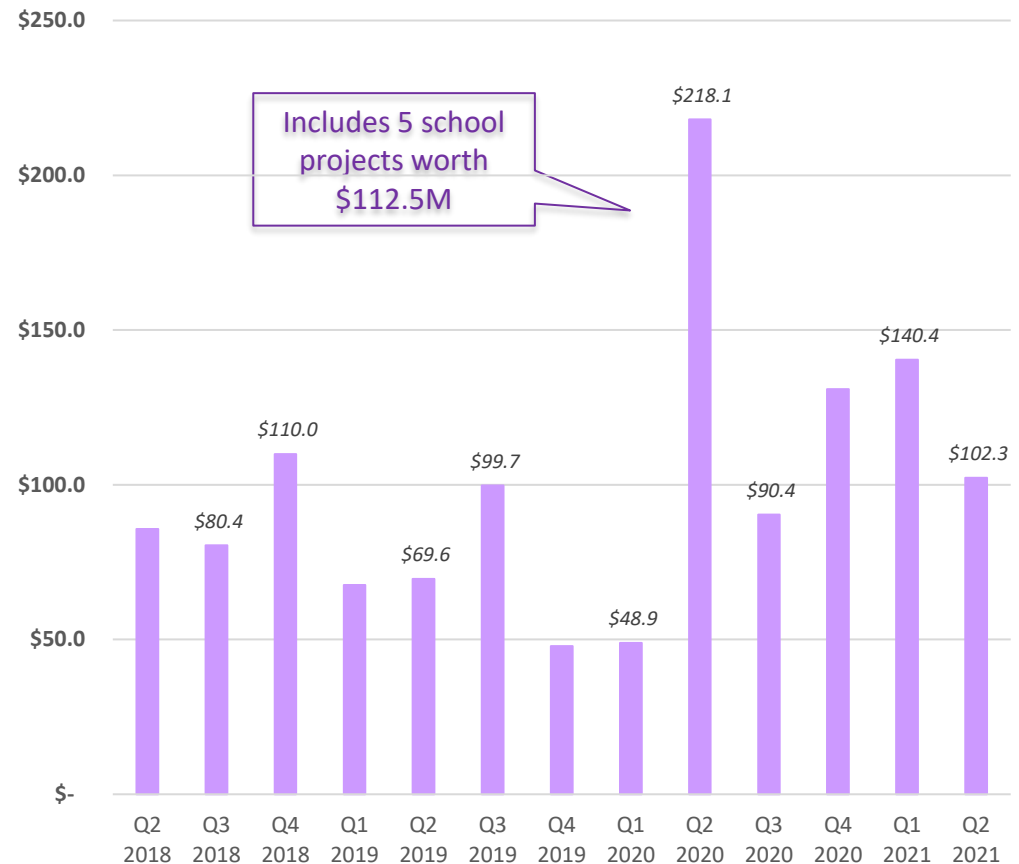
Source: City of Spokane

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, second quarter of 2021 dipped slightly to \$102.3M.
- Second quarter of 2021 value of non-residential permits is up 19% from same quarter 3 years ago.

Source: City of Spokane



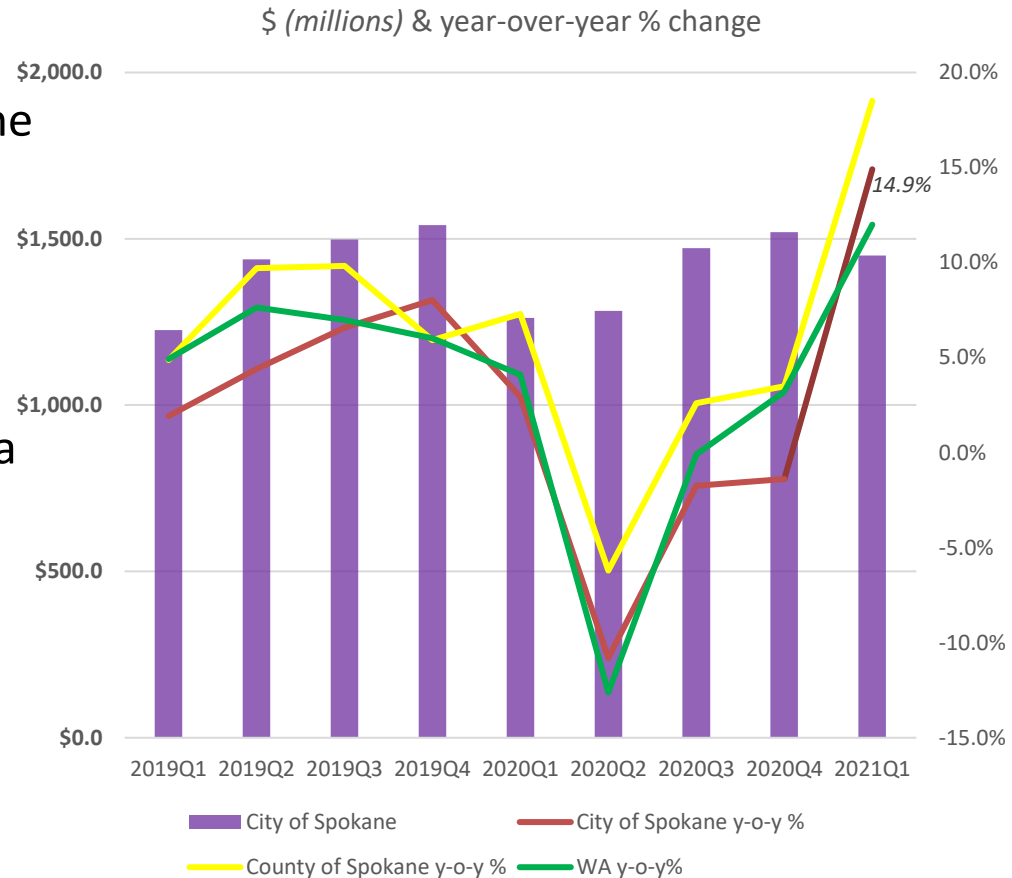
Summary of building permit measures

- Both single and multi-family building permits continued to trend upwards as they have for last three quarters (since Q4 of 2019).
 - Some of this could be a response to the very hot housing market right now in the area.
 - 164 new multi-family units (apartments) were permitted in Q2 2021 alone.
 - Single family permits continued to rise and the average valuation stabilized around \$325K.
 - 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.
- Although the quantity of non-residential permits was strong for second quarter of 2021 (similar to Q2 of 2018), the average valuation was down slightly.
 - Permitting activity and valuation are consistent with 2018 levels (a strong economy) and signal a return to normal (post-pandemic).

City sales activity

Quarterly taxable retail sales in 2019-2021

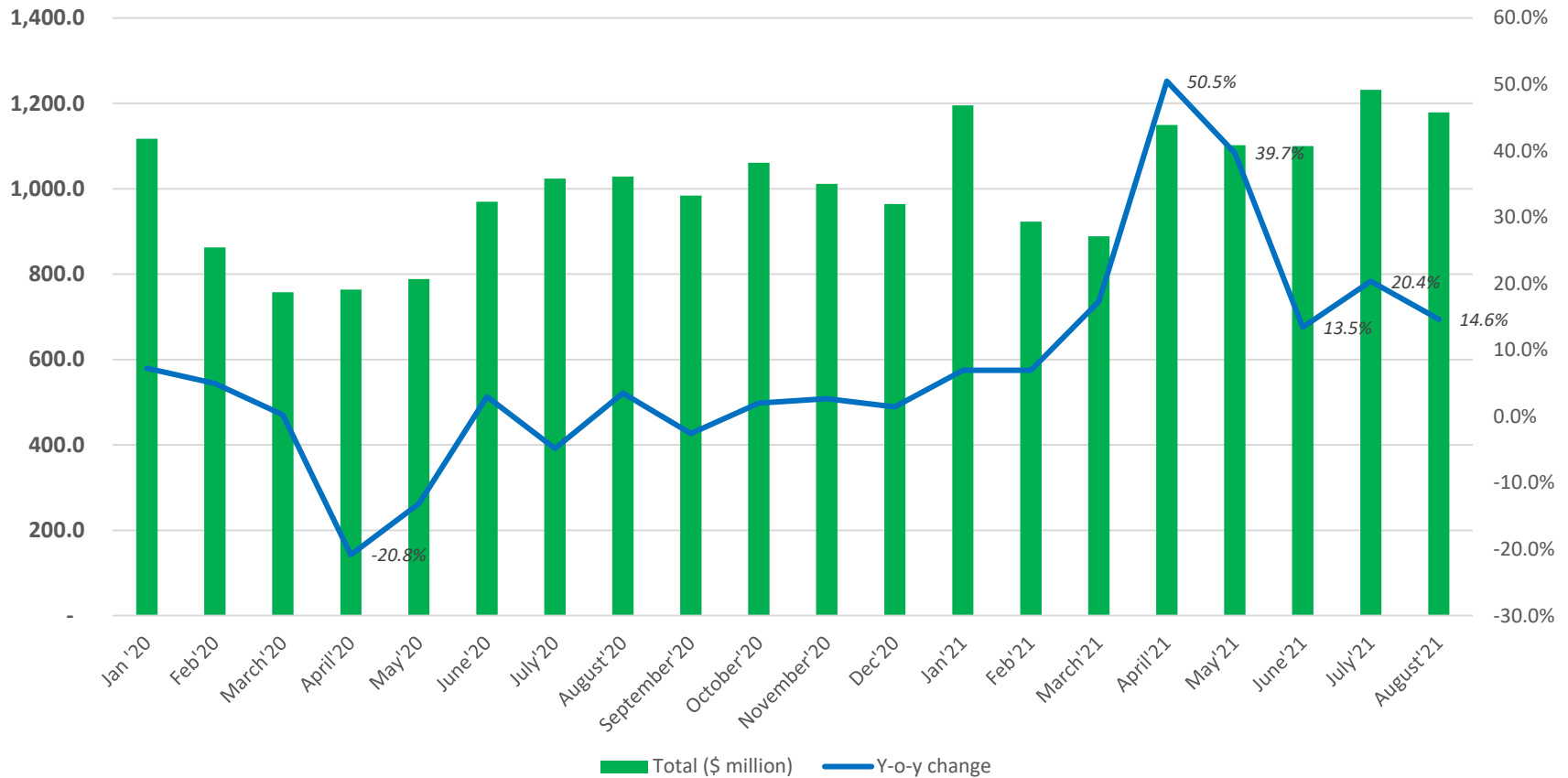
- For the City, Q1 brought a (large) year-over-year increase for 1st time since 2019
- 1st quarter of this year, far higher (~\$225 million) than Q1 2019
- Q2 likely to be much higher than a 15% y-o-y gain, if WA state serves as a reasonable guide.



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

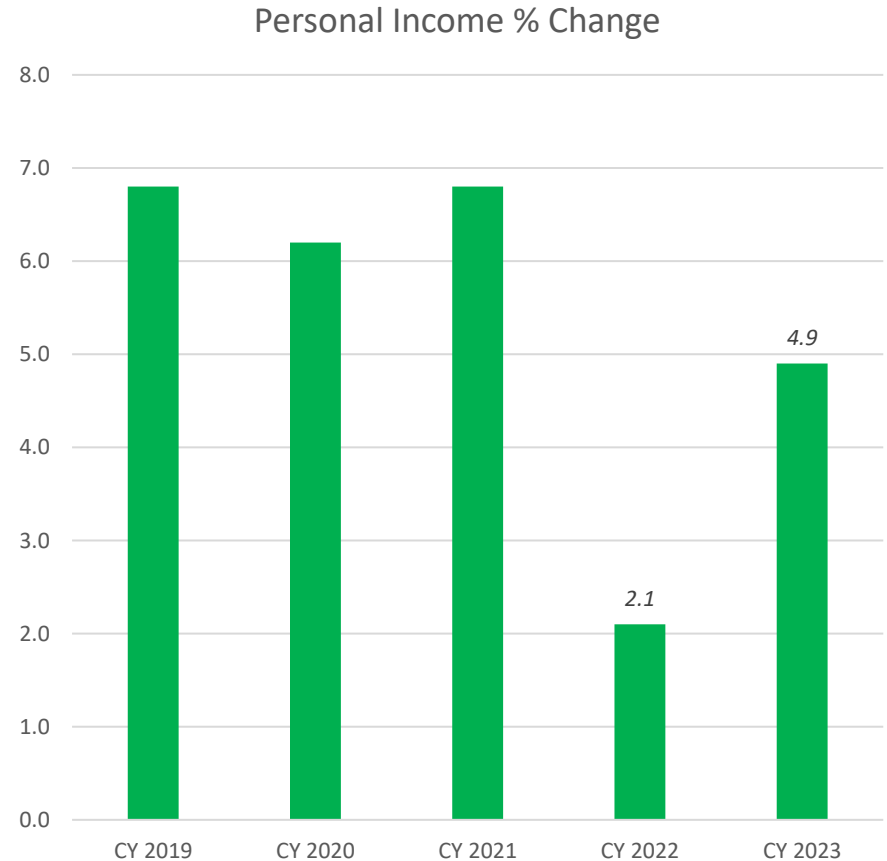
Recent WA state retail sales tax collected: still historical year-over-year monthly increases

Source: Washington State Economic & Revenue Forecast Council



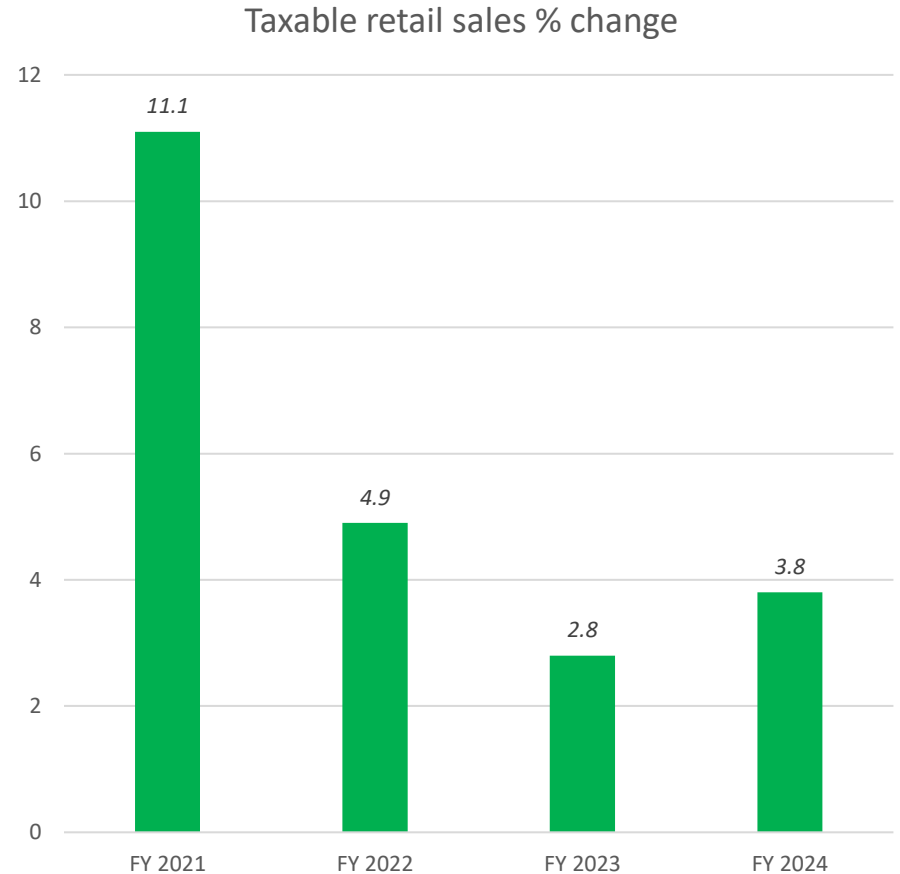
A look ahead at WA economy by the Economic & Revenue Forecast Council (Sept. '21 release)

- Personal income highly correlated with spending
- ERFC suggesting a large drop in the rate of increase of income
- My hunch about their result: the “punchbowl” of federal direct payments will be gone



The ERFC's outlook on WA revenue from taxable sales

- Note that these are WA fiscal years, i.e. FY 2022 = July 1, 2021 – June 30, 2022
- Decline in FY 2023 rate undoubtedly reflects ERFC's projection of a decline in the growth rate of personal income in 2022
- Note rebound in FY 2024



Summary observations

- **Taxable retail sales** in the City for 2021 will undoubtedly end the year with an increase in the teens double digits (over the -2.9% decrease in 2020).
 - City's Q1 results were very strong
 - City taxable retail sales are tracking closely those in WA state
 - WA state taxable retail sales for the first 8 months of 2021 have been very strong
- **WA State revenue forecast** for 2022 anticipates growth, but at a modest rate. The City might expect a similar outcome
- This assumes that the ERFC forecasts accurately. In recent years, their forecasts have shown to be lower than actual results.

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[Spokane Trends](#)

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