

GENERAL SUMMARY

OVERVIEW

What are the demographic patterns of the market? What does the inventory look like? What are the characteristics of the labor market and the income patterns? In the long history of this report, the purpose is to provide the best public, and occasionally private, information to assist market participants in their decision-making. We try to provide some answers. This current edition continues that objective.

RELEVANT NATIONAL FACTORS

The Federal Reserve's September 2019 forecasts for real GDP growth are 2.0% for 2020 and 1.9% for 2021. These growth rates are somewhat lower than the 2.3% GDP growth expected for 2019. The Federal Reserve's September forecasts for the consumer inflation rate are 1.9% in 2020 and 2% in 2021. In terms of Federal Reserve interest rate policy, after lowering rates three times in 2019, the current expectation in financial markets is for the central bank to lower rates one more time towards the end of 2020. Given the impact of the ongoing trade war, GDP growth for 3Q 2019 clearly shows that households are the primary reason the current expansion has not faltered going into 2020. If growth does slow significantly in 2020, it will be due to a pull-back by consumers.

POPULATION

Spokane County

Population growth in Spokane County has remained around 1.5% in 2017, 2018, and 2019. The U.S. Census Bureau has estimated a County population of approximately 515,250 as of July 2019. That is an additional 7,300 people than the previous year. The City of Spokane grew at 0.9% while the Spokane Valley grew at 0.95%. These trends are on course with the Washington State Office of Financial Management's projections for the County, an estimated annual growth rate of 1.0% through 2020.

Kootenai County

The Census Bureau is estimating 161,505 as of July 2018 for Kootenai County. Current population projections for the County are estimated to reach 167,700 by 2020. The cities experiencing the most growth during the 2010 to 2015 time period include the most populous cities of Coeur d'Alene and Post Falls.

The combined 2020 market population of the two adjacent Counties of potentially over 680,000 represents a very attractive market.

Bonner County

The estimated July 2018 population was 44,727—a 2.7% increase from 2017. The population in Sandpoint grew 5% from 2016 to 2017.

DRIVER LICENSE SURRENDERS

Spokane County

Over the past few years, Spokane County has experienced significant growth in the number of drivers licenses surrendered—particularly from California residents, followed by Idaho. In the year ending in September, driver license surrenders were down 0.6% from the previous year.

Kootenai County

New data are not available for Idaho at this time. However, similar to Spokane County, California continues to lead the migration.

Bonner County

New data are not available for Idaho at this time.

RESIDENTIAL ELECTRICAL CUSTOMERS

Spokane County

As of September 2019, there were 212,029 residential meters in Spokane County. Ten years ago, the number was 198,058—averaging a compound annual growth rate of 1%.

Kootenai County

As of September 2019, there was a record 76,579 residential electric meter customers in the County. The meter count is up by approximately 8% from 2016. Households are becoming more efficient with their energy use.

Bonner County

As of September 2018, the meter count is up slightly in Bonner County at 25,496 residential electric meters. The previous five years reflect slight increases but have remained relatively unchanged since 2013. Northern Lights was unable to provide Bonner County data for this report.

EMPLOYMENT

Spokane County

There are a variety of data sets to confuse long time followers of this report. Most recent data includes Stevens and Pend Oreille County reflecting the newly defined MSA boundaries. The unemployment rate has continued to drop since the recession and through the recovery.

The new expanded data series shows total “non-ag, wage and salary” jobs at 252,100. Approximately 7% of total non-ag jobs continue to be in the manufacturing sector. However, the job mix is changing dramatically with more high paying tech and health care jobs.

Kootenai County

Contrary to Spokane County, the labor force in Kootenai County started to shift gears in 2011 and expanding and accelerated by mid-2014.

Kootenai County's labor force has grown 2.3% per year since 2015. The number of unemployed has dropped significantly as job opportunities become more plentiful. Total employment climbed to over 75,100 as of 2018 and unemployment dropped to 3.5%. Preliminary estimates show nonfarm wage and salary employment at 62,600 as of September 2019. The disparity between total employed and nonfarm wage & salary employment indicates more part-time jobs and more self-employed people in this market.

Bonner County

According to most recent estimates, the components of employment in Bonner County has lowered the unemployment rate from 7.1% in 2014 to 4% in September 2019—due to a drop in unemployment coupled with an increase in the number of employed. The mix of jobs have changed significantly in the County since the recession and the closure of large mills and Coldwater Creek. A high tech culture is cultivated by the strong entrepreneurial spirit in the area.

PERSONAL INCOME

Spokane County

Total personal income in Spokane County reached \$23.47 billion in 2018. The annual growth rate projected by Global Insight (provided by Avista Corp) averages approximately 3.8% annually over the next 5 years. Per capita personal income reached \$43,962 in 2017 (most recent data available) reflecting a 2.9% current dollar growth rate over 2014. In 2017, Spokane County's per capita personal income was 85% of U.S. per capita income.

Kootenai County

Total personal income in Kootenai County reached nearly \$6.66 billion in 2017. Per capita personal income reached \$42,224 in 2017 reflecting a 2.7% increase over the year in 2017 dollars. Generally, growth in both total personal and per capita income has been on the rise since 2010.

Bonner County

Total personal income in Bonner County sits at \$1.7 billion for 2017—the most recent data available. Per capita personal income was \$39,310 in 2017—a 2.8% increase over the year. Growth in both total personal and per capita income has been greater each year since 2009.

TAXABLE SALES DATA

Spokane County

Taxable retail sales reached a record of \$10.6 billion for 2018. Of that, 16.5% were in Contracting Sales. The 8.4% gain in total taxable sales was a strong performance.

Kootenai County

Taxable sales plateaued in 2013 and has fallen slightly in subsequent years, down to \$1.21 billion by 2015—an approximate 7% decline from pre-recession levels (adjusted for inflation).

Bonner County

Since the closure of Coldwater Creek, total taxable retail sales have dropped 9.3% in 2014 from a high of \$353.4 million in 2013. Trends continued to incur incremental declines as expected, dropping another 11.4% in 2015. Despite a number of improved statistics for this market, the sales activity is troubling.

This data is no longer available for Kootenai and Bonner Counties.

FORECLOSURES ON DEEDS OF TRUST

Spokane County

The roller coaster foreclosure problem peaked in 2002 (at 1,152), bottomed out in 2006 at 269, and rose back up, finishing 2011 at 1,112. The 2012 figure declined substantially to 685, but the 2013 figure of 1,211 was a record high. The 2014 year ended at 982, a definite improvement over 2013, but still rather high. There were 714 foreclosures in 2015 and 2016 showed a slight increase to 761. There were 460 foreclosures in 2017, with only 266 in 2018, and 154 through October 2019, showing signs of improvement. These figures represent completed foreclosures.

Kootenai County

Foreclosure actions have been on the decline in Kootenai County and are back to pre-recession levels settling at 435 in 2016 after reaching peak levels of 2,903 in 2010. There were 316 foreclosure actions in 2017 with 2018 at 181, and 163 through September 2019. The data currently used in Kootenai County is based on a much broader definition than in Spokane County, as it includes initial notices. Not all "notice of defaults" may result in actual foreclosure, so is not directly comparable to Spokane. However, the trend has been better in Kootenai County.

RESIDENTIAL BUILDING PERMITS

Spokane County

The number of single-family permits issued is on the rise once again. Following the housing crash, the number of permits for single family homes dropped to its lowest levels since the last double dip recession in the 1980s to 740 in 2011. By 2013, the housing market started showing some light as the number of building permits started gaining traction throughout Spokane County. Levels continue at this pace. As of year-end 2018, there were over 1,600 single family permits issued, with 1,157 through September 2019.

Multi-family (2+ units) permit issuance are also on the rise as several large complexes have been built and rental rates on the rise. However, this trend may slow as developers are cautious about not saturating the market.

Kootenai County

2011 figures ran at a pre-1990 record low level for single-family (424 units), and at a fairly low level for multi-family (202 units in 2+ unit structures). This follows a record high multi-family year in 2007 (666 units). Since then, 2013 was the closest to reaching such levels with 451 units in multi-family structures, with 2018 and 2019 over 500. There were 1,981 total dwelling unit permits in Kootenai County in 2018—1,460 single-family and 497 multi-family units. Through September 2019, there have been 1,547 total dwelling unit permits – 971 single-family and 576 multi-family.

Bonner County

A fairly new series for Bonner County show that building permits (and the post-1996 “building location permits” which replaced them) peaked from 1992-1997, then again 2004-2007, peaking at 1,384 in 2005. Total building location permits declined substantially from 2009 thru 2012 hitting as low as 472 in 2012. The number of building location permits have been on the rebound bouncing back to a total of 1,080 permits in 2018—the highest levels since the recession began. As of November 8, 2019, there have been 816 permits reported. No breakdown into commercial versus residential (or into residential structure types) is available.

LOTS PLATTEDSpokane County

Lot production is a bit of a roller coaster. For many years prior to 2004, lot creation had been limited. However, that changed in the years leading up to the housing bubble. From 2004-2008, lot creation EXCEEDED the number of single-family building permits, whereas, this was not the case from 2009 and on as the trend reversed—single-family building permits now exceed lot production. Lot production throughout 2015 exceeded 2014 (763 compared to 693, respectively). Most of the lot production occurred in the southeast section of Spokane County, followed closely by the northwest section of the county.

As of 2018, lots platted totaled 1,322, just under the 2016 amount of 1,466. There have been 987 lots platted as of 3rd quarter 2019.

Kootenai County

Lots platted for Kootenai County were at 1,034 for 2018, up from 799 at year-end 2016, but down from 1,376 in 2017. Historically, lot production in Kootenai County has been lower than in Spokane County with a few exceptional years. In more recent years, lot inventory has been extremely low which has also driven up prices. However, in 2017, lot production in Kootenai County was 1,376 with Spokane County at only 1,128. There have been 731 lots platted as of September 2019.

RESIDENTIAL SALESSpokane County

Sales volume has picked up since 2012 and keeping momentum. According to the MLS data series, the peak sales number had occurred in 2005 (7,521). In recent years, residential sales volume declined substantially bottoming out at 3,574 in 2011. By the end of 2018, 7,319 total homes sold in Spokane County, which is just under the peak of 2005. So far, 5,149 homes were sold through the third quarter of 2019. The largest share of homes sold in the County remains to be in Spokane Valley (29.6%) followed by the northwest quadrant (27.9%) of the County, similarly to preceding years.

Average and median prices rose sharply in 2016 (average prices went from \$197,630 in 2015 to \$212,144 in 2016). That trend has continued through 2018 where the average price rose to \$255,120, and through third quarter 2019 is at \$282,693 – the highest we have seen.

Beginning in the third quarter of 2008, the federal series on repeat existing home sales (FHFA Index) shows the first drop in value over-the-year previous since the year 2000.

These declines accelerated in 2009 and 2010, and continued to pick up speed again in 2011 (6.6% decline from 2010). The rate of decline slowed in 2012, though still negative. After 5 years, this trend finally changed pace into positive territory, at 1.0% in 2013 and 2014 figures showed a surprising 3.4% positive increase. This exceptional growth continued on into 2015, jumping 5.2%. The third quarter of most recent data in 2019 is showing a continued increase.

Kootenai County

As in Spokane County, the recession crushed residential sales volumes in 2008 reaching its lowest levels (2,077) since 2000 (2,039). The market started rebounding, albeit, at a slow pace, until 2013 when sales jumped 23.6 percent—from 2,509 in 2012 to 3,100 in 2013. The ensuing years justified a 5.6% increase in 2014 and jumped 18.2% by 2015 to 3,872 total residential sales reaching an all-time high for the Kootenai County area. There were 4,247 sales in 2016, a 10% increase from 2015, 4,440 sales in 2017, and 4,629 sales in 2018. There have been 3,436 sales through third quarter 2019.

Average prices peaked in 2007 at \$279,314 (\$319,290 adjusted for inflation) and hit a most recent history low of \$199,788 in 2011 (\$210,518 adjusted for inflation). As of 2015, the average price was \$302,004—5.4% below 2007 adjusted for inflation levels. In 2018, the average price of a home sold in Kootenai County was \$350,710 (up 6% from 2017). As of third quarter 2019, the average price is \$367,287.

Similar to Spokane County, the recession played its toll on repeat home sales activity. Over the past few years, the FHFA series on repeat home sales showed stronger appreciation than in Spokane County surging 6.2% in 2013 and another 7.3% in 2014 and 7.2% in 2015.

All are showing signs of gaining consumer confidence back in the marketplace.

Bonner County

Sales of single-family homes in Bonner County have been picking up speed in recent years. There had been a recent low of 369 single-family homes sold in 2009, following a steady decline from the 2004 peak of 939. The subsequent two years proved stagnate with 407 sales each year and jumping in 2012 to 615. This pace has continued and as of 2018, 989 single family homes have sold in Bonner County with over 72% of the sales in Sandpoint and another 22% in the Priest River and Priest Lake area. As of the third quarter of 2019, 565 single family homes were sold in Bonner County with an average sales price of \$392,299.

The average sale price in 2018 was 8.6% above the peak in 2007, and median sale price is up 19.5%.

Average days on the market as of third quarter 2019 was 113, down from 121 in 2018, 129 in 2017 and 141 in 2016. Thank you to the Selkirk Association of REALTORS for providing this series, which includes financing information.

UNSOLD INVENTORY/RESIDENTIAL ACTIVE LISTINGS

Spokane County

This data series shows that 225 newly constructed homes on lots of less than one acre were unsold as of October 1, 2019, at a median listing price of \$384,900.

The current number of new homes unsold is slightly lower than the “typical range” going back to 1997. The average days on market for new construction is 76, down slightly from 80 a year ago.

The number of existing (resale) homes is down from the same month in 2018—808 compared to 1,237—and average days on the market is 40 compared to 43 last October. Existing homes are offered at a median listing price of \$299,900 (about 9% higher than six months ago). The current average listing price is \$352,377 with an average of 40 days on the market.

Kootenai County

This data series shows that a total of 281 newly constructed homes, and 264 existing resale homes on less than one acre were actively listed as of late October 2019, with 99 and 66 average days on the market, respectively. The figures from this data series may include some properties having a purchase agreement pending closing.

AFFORDABLE HOUSING INDEX

The Housing Affordability Index measures the ability of median income family to carry the mortgage payments on a median price home. When the index is 100 there is a balance between the family's ability to pay and the cost. Higher index numbers indicate housing is more affordable. All loans are assumed to be 30 year loans. This "all buyer" index assumes 20% down payment. It is assumed 25% of income can be used for principal and interest payments.

Spokane County

Housing has become increasingly affordable since 2009 in Spokane County. According to University of Washington's Runstad School for Real Estate Studies, Spokane County is one of the most affordable metro areas in Washington, with a current index of 101.7 (2Q 2019). The statewide index is 98.4. The pattern is similar for first time buyers.

Kootenai County

We have unfortunately lost the ability to update this index for Kootenai County, but hope to regain it in the near future.

APARTMENT VACANCY SURVEY

Spokane County

The most recent survey (September 2019) showed an overall vacancy rate of 1.8%. This is lower than the same time last year. Spokane Valley has the highest vacancy rate at 3.2% and West has the lowest at 0.7%. Vacancy rates by bedroom configurations historically have fluctuated. According to the most recent survey, vacancies are currently highest for “2 Bedroom” units and lowest for “Studio” units.

We must note that the survey conducted since March 2015 by the Runstad Center have included well below the standard amount of units surveyed (should be around 10,000 and was only 6,707 in Spring 2015 and 8,876 in Fall 2015). The spring 2016 survey indicated that the sample size had returned to normal with 11,397 apartment units surveyed but the fall 2016 sample was back to 7,434. Spring 2017 was back up at 10,256 units surveyed, and fall 2017 reported 18,260 units surveyed. However, Spring 2018 dropped to 8,403 units surveyed and fall 2018 is only up to 8,439. The Fall 2019 number of units surveyed has been consistent since Spring 2018, at approximately 8,400. This survey does not include units built before 1963.

Kootenai County

As of September 2019, Kootenai County had an estimated apartment vacancy rate of 1.1%. This survey only includes the Coeur d'Alene and Post Falls areas, and 3,568 units were surveyed – this is up from the 1,123 units surveyed in spring 2018.

OFFICE/RETAIL/INDUSTRIAL OCCUPANCYSpokane County

The copyrighted (used here with permission) current survey of competitive office space from Valbridge Property Advisors (November 2019) suggests that office vacancy in Class “A” space in the Central Business District (CBD) has increased slightly to 12.62% from 10.4% in February 2019—a substantial improvement over the February 2005 survey (24.4% vacant). Lower grade CBD space showed mixed results, with Class “B” vacancy at 15.33% and Class “C” at 12.63%.

Office vacancy is currently at 12.4%. The geographic area with the highest vacancy rates is the South (17.97%).

Medical office space (no geographic breakdown) reached its highest vacancy since 1994 in the fall of 2014 when vacancy rose to 13.2%. However, it has improved significantly in more recent surveys and remains around 8%-9%. Through most of the earlier part of the 2000s, vacancies moderated around the 6%-9% vacancy level.

Retail occupancy rates tend to be lowest of the classes and show stable conditions in all areas. The West and Periphery areas are the strongest, at only 2.61% and 2.78% vacant, respectively. The South area is up to 12.47% with the closing of Shopko.

According to Valbridge’s survey, industrial space county-wide has been on the decline since 2013 and are relatively low in every geographic area, with an overall vacancy of 3%.

Kootenai County

This survey is only updated once a year each summer. Office vacancy rates fluctuated by area in Kootenai County. Of the areas surveyed, the average office vacancy rate is 4.66%. The data show office space in Coeur d'Alene with a vacancy rate of 4.54%, Post Falls at 6.35% and 3.58% in Hayden.

Of the areas surveyed, the average retail vacancy rate was 4.86%. The average Industrial vacancy rate was 2.13%.