

THE REAL ESTATE REPORT

Regional Research on Spokane, Kootenai, Bonner Counties

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LETTER FROM THE EDITOR

Readers of the Spring edition will notice updates to the presentation of the data in this report. For those who missed that edition, I've retained the following notes on how the bulk of these data¹ are presented in a revised format, to improve both overall readability and the consistency of presentation throughout:

This section highlights some of the most notable formatting changes and provides notes on specific revisions to data since the last report.

Formatting

Readers of past editions may find one of the more notable changes to this report is the use of banded rows, alternating colors (gray and white) to help visually differentiate the tables' rows. In some cases, this banding is grouped by year, with each quarter in a year sharing the same fill color, and the quarters in the preceding and following years bearing the alternate fill color.

When feasible, data has been rearranged to accommodate the timeframe (years, quarters, or dates) in the far-left column and the data has been sorted by year to include the newest information at the top. This is again to aid readability as well as to represent data more linearly, particularly aiding the instances in which the data source or collection methodology has altered at some point (as indicated by a dotted line between the rows and described in the table notes).

To trim the page count while retaining all extant datasets, and to further indicate the ending of a data series that extends beyond a single page, we have chosen to provide related information—notes, the data source, and its compiler(s)—*only* on the final page of each series. The end of a series is further indicated by the thicker, solid black line under the final row of the table. Given the nature of additions to the data, readers will find that in some cases the first page of a table only contains the table heading and several rows, while the following page is entirely filled with the remaining portion of the table and all accompanying notes. A “(continued)” remains below the table to indicate the series extends beyond that page.

Within tables, percentage and dollar signs have been added as applicable. Further, table headings are no longer in all caps, and some revisions have been made to shorten the heading text (e.g., using “Δ%” instead of the phrase “Percentage Change,” or “Avg” instead of “Average”). As needed, less common abbreviations have been clarified in the “Notes” sections. To further streamline tabular presentation, “N/A” has been changed to an en dash (–).

Finally, a few graphs have been added to visually represent select data series.

Data series ending

Commercial vacancy surveys for Spokane and Kootenai County have historically been conducted by Valbridge Property Advisors | Inland Pacific Northwest, presented in partnership with the entities listed in those sections. However, these data are no longer being gathered as of 2023.

¹ Due to their current format, some historical datasets have yet to be updated.

Other data series notes

The apartment data for Spokane and Kootenai Counties has been expanded to include two new graphs on vacancies and rents and more detailed information for each geographic area and unit type.

We have updated the figure for the total number of residential building permits and permits for 5+ unit structures in Spokane County for 2022.

The calculation in the 5+ unit category was incorrect for that geography and period; the permits were erroneously displayed as 4,071, bringing the total for the county to 5,803. The figures have been corrected to 2,167 (for 5+ unit structures) and a total of 3,899 for the county.

Please know there has been no complete revision or update to the “Real Estate–Related Websites” section of the addenda since a volunteer worked on the project many years prior. Given the shifting landscape of the web, many URLs are broken. We are grateful to those who have helped update some of the links in this section for this report. Your time is most appreciated! Should readers have feedback for this section or wish to volunteer to update it for the next edition, please reach out to myself or the Administrative Officer, Dale Strom.

We hope these changes prove helpful as you use these data to make more informed decisions in your businesses and communities.

Sincerely,

Rachel L. Richardson

We want to hear from you!

To ensure our efforts are as useful to you as possible, we are compiling a survey through which to receive feedback on the content, timing, and presentation of these data. Our aim is to gather input, so we might better deliver the data you need in a timeline and format that is most helpful to you. Please stay tuned for more information on this initiative—we appreciate your time and feedback!

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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 trends for its income? In the long history of this report, the purpose has been to provide the best public (and occasionally private) information to assist market participants in their decision-making. We aim to provide some answers. This current edition continues that objective.

RELEVANT NATIONAL FACTORS

Since the last Real Estate Report, the strength of the U.S. economy surprised both the Federal Reserve (the Fed) and private sector forecasters—both groups had expected a historically mild recession and recovery in 2023.

At the time of this writing, most forecasters have either moved towards a soft-landing (no recession this year or next) or a mild recession in 2024. The Fed's most recent macroeconomic forecast (released in September 2023) sees GDP growth at 2.1% in 2023, 1.5% in 2024, and 1.8% in 2025 and 2026. The 1.5% for 2024 is consistent with the Fed now assuming, like many forecasters, that the U.S. will avoid a recession from the Fed's interest rate increases.

The Fed's current consumer inflation forecast, as measured by the Personal Consumption Expenditure Index (the Fed's preferred inflation index), sees inflation at 3.3% in 2023, 2.5% in 2024, and 2.2% in 2025. This inflation forecast, which has changed little since the spring, means the Fed still does not expect to reach its 2% inflation target until 2025.

As of October 2023, financial markets are now much more lined up with the Fed's forward guidance on interest rates. For a long-time, the financial markets assumed the Fed would cut rates much faster than suggested by Fed's forward guidance—this is no longer the case. The Fed's forward guidance on short-term interest rates indicates they are not inclined to cut rates until well into 2024.

Even though the outlook for the U.S. economy has improved since last year, there are still significant risks that could dampen growth in 2024. The most significant risk is the war in Ukraine coupled with the emerging war in Israel. Both these conflicts could upset both food and energy markets in a way that reduces economic growth and reverses some of the gains made in reducing inflation.

POPULATION

Spokane County

According to the Washington State Office of Financial Management (OFM), annual population growth in Spokane County has remained around 1.5% from 2017 to 2019 yet increased by 330 basis points (to 4.7%) in 2020; growth moderated over 2021, posting only a 0.5% annual gain, then resumed an on-trend pace of 1.6% for 2022 before a decline to 0.7% in 2023. In its April 2020 Decennial Census, the U.S. Census Bureau reported a population of 539,339 for the county, which matches the OFM figure for that year. The U.S. Census Bureau reports 549,690 for the county as of July 2022, which is 0.2% lower than the OFM figure for that year (or only 1,010 people). The U.S. Census estimates for 2023 are not yet available. According to the OFM, the City of Spokane generally followed the county trend, albeit with greater gains in 2023. The City of

Spokane Valley followed the county trend through, posting modest gains from 2020 to 2021, then greater gains over 2021 to 2022 before tapering again in 2023. The annual percent growth for the year ending April 2022 and April 2023, respectively, was 0.7% and 0.8% for the City of Spokane and 2.5% and 0.3% for the City of Spokane Valley.

Kootenai County

The Census Bureau is estimating 183,578 as of July 2022 for Kootenai County (the most recent data available), which represents an increase of 7.1% over the April 2020 decennial census figure of 171,362 or an annual percentage change of 3.6%. The 2020 population was itself an increase of 3.4% over the prior, July 2019, estimate. These annual increases are well above the average annual increase from 2000 to 2010 (at 2.7%) and from 2010 to 2020 (at 2.4%). Current population projections for the County are estimated to reach 195,300 by 2025, according to S&P Connect (formerly IHS Connect) representing a compound annual growth rate of 2.4%. From 2010 to 2020, the three cities in Kootenai that experienced the greatest growth were Post Falls (at a cumulative 39.6%), Rathdrum (at 34.9%) and Coeur d'Alene (at 23.8%). These and Hayden are among the most populous cities in the county.

With what the Census estimates to be a combined population of over 733,268 people as of 2022, and greater than average growth rates, Spokane and Kootenai Counties constitute a thriving and attractive market.

Bonner County

The estimated July 2022 population was 51,414, an increase of 9.1% from the 47,110 reported in the decennial 2020 census. At 4.6% per year, this is well above the annual average growth of 1.5% from 2010 to 2020. According to the U.S. Census Bureau's American Community Survey, the population in Sandpoint has grown by 2.9%–3.6% per year from 2016 to 2020. The current population projections for the county (by S&P Connect) anticipate a population of 55,300 by 2025, or a compound annual growth rate of 3.0% over their estimated 2020 figure.

DRIVER LICENSE SURRENDERS

Spokane County

Since 2014, annual drivers' license surrenders (in Spokane County) have neared or exceeded 10,000, except for 2020. Of the four states tracked in this report (CA, ID, MT, and OR) the most surrenders have come from California residents, followed by Idaho. Year-over-year, the total number of surrenders in the county declined by 13.0% in 2020, increased 31.6% in 2021, then declined by 11.5% to year end 2022. Figures through September 2023 demonstrate a decrease of 9.8% over the prior year (ending September 2022). The Washington State Department of Licensing noted that they were unable to process surrenders in 2020 due to the pandemic shutdowns, and that the rates for the following year were increased due to these processing delays.

Kootenai County

New data were previously not available for Idaho, though, with the kind assistance of Jennifer Smock and Katherine Morgan, we have been able to secure current and historical data from the DMV | Idaho Transportation Department and have filled out figures for 2016 to 2021 (the most recent available). Like Spokane County, California continues to lead the migration, followed by

Washington. Kootenai gained 24.7% in 2019 (the greatest annual percentage increase since 1992), then another 14.2% in 2020.

Bonner County

Bonner data demonstrates year-over-year increases in most years since 2011 and has been positive in the past three years (2019 to 2021). Incoming residents are primarily from California or Washington, though the leading state varies and has alternated over the last several years. Immigration from California was greatest in 2018 and 2020, while Washington held the lead in 2017, 2019, and 2021. Bonner surrenders increased by 24.2% in 2019, a record annual percentage increase not seen before in the data set (which goes back to 2002).

RESIDENTIAL ELECTRICAL CUSTOMERS

Spokane County

As of September 2023, there were 233,683 residential meters in Spokane County, representing an increase of 0.8% over the year end 2022 figures. This is below the typical annual increase demonstrated over 2016 to 2022.

Kootenai County

As of September 2023, there was a record 86,231 residential electric meter customers in the county. Though this represents an increase of 1.8% over year-end 2022, it is below the average annual growth of 3.0% per year since 2017.

Bonner County

As of September 2023, the residential meter count in Bonner County was 15,040 (Avista and Kootenai Electric Cooperative only). This represents an increase of 0.8% over the year prior, which falls below the average annual growth rate of 2.8% since 2020. Northern Lights has been unable to provide Bonner County data for this report since 2018.

EMPLOYMENT

Spokane County

Long-time followers of this report will note a variety of changes to the data sets since its inception. One such change occurred in 2003, with the conversion of the industry codes from the Standard Industrial Classification (SIC) to the new North American Industry Classification System (NAICS). Furthermore, in 2013, Stevens and Pend Oreille Counties were added to the Spokane-Spokane Valley Metropolitan Statistical Area.

The expanded data series shows total “non-agricultural, wage and salary” jobs at 269,300 (average through Q3 2023). Approximately 7% of total non-ag jobs continue to be in the manufacturing sector. However, the job mix is changing dramatically with a greater number of high-paying tech and health care jobs.

The unemployment rate rose from 4.8% in 2007 to a peak of 9.9% in 2010, following the effects of the Great Recession. It then followed a declining trend through 2019, when it reached 5.2%. The COVID-19 pandemic prompted stay-at-home orders in March 2020 and a precipitous drop in employment. Unemployment was as high as 16.7% in April 2020, but lowered to 6.7% as 2020 ended, averaging 8.7% for the year. The figure improved in 2021 and 2022, with an average of

5.4% and 4.8%, respectively. The average through Q3 2023 is 60 basis points lower than the prior year, at 4.2%.

Kootenai County

Kootenai experienced similar trends as Spokane, though with a wider range: its unemployment rate rose from 3.4% in 2007 (below Spokane's) to a peak of 10.9% in 2010 (above Spokane's). While the labor force generally posted annual increases from 2010 through 2019, the unemployment percentage declined over this same timeframe. Like Spokane, the county unemployment rate rose in response to the COVID-19 "Shelter in Place" mandates.

With these business closures, Idaho State unemployment rates went from 2.5% in March to 11.5%, with non-farm payrolls losing 79,500 jobs as of April 2020, per the Idaho State Department of Labor website. The April 2020 unemployment rate represents an increase of 900 basis points over the month prior and marks an all-time high, exceeding previous record-setting peaks of 10.2% in December 1982, and 9.6% in June 2009, during the Great Recession.

Since then, the civilian labor force and total employment in Kootenai have both increased, precipitating a decline in the unemployment rate. As of year-end 2022, the Civilian Labor Force for Kootenai County was 85,900 (up 10.1% from 2020), of which 2.8% were unemployed. At the same time, nonfarm wage and salary employment reached 72,300. Through Q3 2023, the civilian labor force has increased at a faster rate than the total employment, bringing the total unemployment percentage up by 20 basis points to 3.0%.

Bonner County

The Idaho Department of Labor reports the Bonner County unemployment rate decreased from 7.1% in 2014 to 4.0% in 2019. However, grappling with the effects of the pandemic-related shutdowns through 2020, the rate increased, settling at 5.9% by year end. The closure of Coldwater Creek (in 2014) and large mills have changed the county's employment landscape since the Great Recession, as entrepreneurial spirit and a growing tech culture replaced traditional industries in the area. At 3.8%, the unemployment rate through year-end 2022 was below its pre-pandemic figure (of 4.0%). Like Kootenai, as of Q3 2023, the total civilian labor force has grown at a greater pace than the total employment, causing an uptick of 40 basis points, to a current average of 4.2% for the year.

PERSONAL INCOME

Spokane County

Total personal income in Spokane County reached \$29.36 billion in 2021, the most recent data available. The annual growth rate projected by HIS (formerly Global Insight) as provided by Avista Corp averages approximately 4.0% annually over the next 5 years. Per capita personal income reached \$23,770 in 2021 (the most recent data available), which represents 84.75% of the average per capita income in the U.S.

Kootenai County

Total personal income in Kootenai County reached a record high of \$11.1 billion in 2022. Per capita personal income reached \$60,474 in the same year, reflecting an 11.2% increase over 2021. Generally, growth in both total personal and per capita income has been on the rise since

2010, though only three years have posted double-digit, year-over-year gains in that timeframe (i.e., 2015, 2021, 2022).

Bonner County

Total personal income in Bonner County sits at approximately \$2.7 billion for 2022—the most recent data available. Per capita personal income was \$51,980 in the same year—a 4.2% increase over the year. Both total personal and per capita income have generally increased each year since 2010, with greater gains (of over 9%) in 2015 and 2020.

TAXABLE SALES DATA

Spokane County

Taxable retail sales reached a record of \$14.7 billion for 2022. Of that, 16.87% were in Contracting Sales. As of Q2 2023, the most recent data available, taxable retail sales were \$7.2 billion. If that pace held through the remainder of the year, taxable sales would fall just under the 2022 figure, at \$14.5 billion.

Kootenai County – 2015 data*

Taxable sales plateaued in 2013 and had 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 – 2015 data*

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 rate of foreclosures in the county has vacillated since the data set began in 1978. From a low of 70 in 1993, foreclosures rose to 1,152 in 2002, a then-historical high. The yearly figures declined to a low of 269 in 2006, then generally increased again (aside from a dip in 2012) to a new peak of 1,211 in 2013. This has remained the historical high. From 2013 to 2021, the number of foreclosures declined yearly since 2013, except for a slight increase in 2016, and 2021 reached 28, a low not seen since 1979. Foreclosures in 2022 reached 45, a 60.7% increase over the 2021 low, but still well under the figures for years prior. Through September 2023 there have been 36 foreclosures. If the pace continues at its current rate (an average of 12 per quarter), the total for 2023 would reach 48, marginally higher than the year prior but still well under the 76 in 2020, and on the low end historically. These figures represent completed foreclosures.

Kootenai County

Foreclosure actions have generally been on the decline in Kootenai County since its peak of 2,903 in 2010. The annual figure has been below 1,000 since 2014, and posted the lowest

number in 2021 at 25. Foreclosures reached 88 in 2022, well above the prior year's record low, but still well below the average of 389 over the past 10 years. There have been 81 through September 2023, or an average of 27 per quarter. Were this trend to hold through Q4, the year would end with 108, which is similar to the 2020 figure and on the lower end historically. 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.

RESIDENTIAL BUILDING PERMITS

Spokane County

Following the housing crash during the Great Recession, the number of permits for single family homes dropped 30% to 733 in 2009, its lowest levels since the last double dip recession in the 1980s. Figures remained low through 2012, but by 2013, the number of building permits improved, gaining traction throughout Spokane County. Single family residential permits have remained above 1,000 per year since 2015, with a record of 1,811 in 2016. Data through September suggest a decline of 5.9% year-over-year if the current pace (of 359 single family permits per quarter) continues through the year; at 1,436, this would be the lowest figure since 2014.

Multi-family (2+ units) permit issuance has followed similar trends, though with a greater vacillation between the years. Several large complexes have recently been built and rental rates have been on the rise, reaching unprecedented levels in the height of the pandemic, as workers from larger cities left them to work remotely in less populated places. With the county's burgeoning population growth, the area could likely sustain continued development for a while, though the pace of development may slow due to labor shortages, the rise in constructions costs, and a concern of over-saturating the market. If the current pace holds through the remainder of 2023, multifamily permits would decline by 13.2% year over year.

Kootenai County

The number of (single and multi-family) residential permits pulled in Kootenai generally increased from 2000 to a peak in 2005, decreased through 2011, then increased again. While the single family market peaked at 2,288 permits in 2005, in 2011 the figure reached a mere 424, a low not seen since before 1990. Multifamily reached its peak a little later with 666 units in 2007, though by 2011 there were only 202 units in 2+ unit structures. Aside from a year-over-year decrease in 2014, the combined annual number of permits for both sectors has steadily grown, to a new peak in 2020—with 2,965 total dwelling unit permits, of which 1,572 were single-family and 1,393 multi-family units, representing new records for each category. While 2021 saw this pace moderate somewhat, the figures were still elevated. Year end 2022 saw a new record of 3,095, of which the bulk (1,939) were in the multi-family sector. Through September 2023, there have been 1,203 total dwelling unit permits—769 single-family and 434 multi-family. If maintaining its current pace for the last quarter of 2023, the total permits issued for each category would be well below the historical range.

Bonner County

Two series of data (one from 1977 through 1997 and the other from 1998 to present) show that Bonner County experienced three separate periods of increased building activity: from 1992–1997, then 2004–2007, and most recently 2017–2023YTD. During the first two 'booms' in building, permits peaked at 1,087 (1994) and 1,384 (2005). Total building location permits

declined substantially from 2009 through 2012, reaching as low as 472 in 2012. With this latest uptick in building, the number of building location permits reached a recorded high of 1,683 permits in 2021. As of September 2023, however, the number of permits is only 970, which, if the trend continues through the year, would put it below the pace of the last several years, at about 1,293. Currently, there is no available breakdown for how many of these permits are commercial versus residential, or how many are in each residential structure category.

LOTS PLATTED

Spokane County

Lot production has a somewhat tumultuous history. 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 to 2008, lot creation peaked at 3,087 and exceeded the number of single-family building permits. Since 2009, the number of single-family building permits exceeds lot production, which has remained marginal from 2009 to 2015. In 2016, the number of lots created finally broke through the 1,000-threshold and has remained there since. The most recent peak for lot production was in 2022 at 1,685 lots created in the city and county (still about 45% below the historical peak in 2006). Most of the lot production occurred in the southeast section of Spokane County, followed closely by the southwest.

In 2022, lots platted totaled 1,685 (a 12.8% increase over the prior year). Of these, only 90 were in the City of Spokane, with the remaining 1,595 in Spokane County. There have been a total of 814 lots platted as of the third quarter 2023, of which 678 were in the county.

Kootenai County

Lot creation in Kootenai peaked at 2,617 in 2005, declined to 209 in 2012, and have generally increased since. Historically, lot production in Kootenai County has been lower than in Spokane County with a few exceptions. Lot production has been quite low from 2009 to 2015, which, combined with an increase in population and demand has driven up prices. Lot production in Kootenai surpassed Spokane in 2017, when Kootenai reached 1,376 and Spokane posted only 1,128. Lots created in 2020 and 2021 neared this recent, 2017, peak, but remain well below the figures from 2005 and 2006. Through September 2023, there have been 1,024 lots platted in Kootenai County, of which 22.8% were in Coeur d'Alene, 28.5% in Post Falls, and 21.8% in Rathdrum. Were this pace to continue through the end of the year, the total number for the county would near the 2020 rate (at 1,365, or 33% above the prior year).

RESIDENTIAL SALES

Spokane County

According to the MLS data series, sales volume (which had risen from 2000 to a peak of 7,521 in 2005) declined through 2011 to a low of 3,574 that year; sales volume has since increased, generally gaining momentum each year until it peaked in 2018 at 7,319. It remained near or over 7,000 from 2019 to 2021 before declining in 2022 to 5,751. So far, 3,845 homes were sold in Spokane County through the third quarter of 2023. If this pace were to continue through the remainder of the year, the total sales volume would fall 10.9% below the prior year and 28.7% under the year prior (2021). As in preceding years, the largest share of homes sold in the County continues to be in Spokane Valley (31.5%) followed by the northwest quadrant (27.3%).

Average and median prices had peaked in 2007 at \$211,872 and \$185,400, respectively before declining and vacillating in the wake of the Great Recession. By 2015 prices had still not quite reached their 2007 records, but this was to change in 2016 when both the average and median prices rose sharply and surpassed their previous peaks; average prices increased from \$197,630 in 2015 to \$212,144 in 2016. That trend has continued each year through 2022, where the average price reached \$451,953 and the mean, \$415,000; these figures represent an increase of 12.8% and 22.2% over their respective year-end 2021 figures. The trend has been dampened by the rise in mortgage interest rates, with the Q3 2023 average at \$447,431 and the mean at \$414,995. Though a decline year over year, these rates are still elevated over the historic norm and will likely remain that way for the near future as demand continues to outstrip supply.

Kootenai County

As in Spokane County, the recession crushed residential sales volumes in 2008, which, at 2,077 marked its lowest levels since the 2,039 sales in 2000. The market started rebounding, albeit at a slow pace, until 2013 when sales jumped 23.6%—from 2,509 in 2012, to 3,100 in 2013. Volume increased each year thereafter through 2018, softened slightly in 2019, then peaked at 5,024 in 2020 and posted a solid 4,644 in 2021. Figures for 2022 were more moderate, with a total of 3,472 sales more in keeping with the volume from 2015. As of Q3 2023, there were 2,303 sales—a marked decrease in overall volume. Should the current trajectory hold, the year-end would see about a 12% decrease in overall sales volume over the prior year, with a total transaction volume closer to that of 2013. In the past year, increased mortgage rates, elevated inflation, and the low supply of housing available for sale have throttled market activity.

Average prices increased yearly from a base of \$115,873 in 1996, peaked at \$279,314 in 2007 and subsequently declined to a low of \$199,788 in 2011. Prices have increased each year since, apart from a dip in 2016, and reached a new, record-breaking peak of \$694,086 by year end 2022—surpassed only by the Q3 2023 average of \$704,562, which represents an increase of 1.5% over the year end 2022 average. The average as of 2022 year-end equates to a 149% increase over the average 2007 price (for an average of 9.9% per year over that timeframe). The average price increased 24.9% over 2020, 33.2% over 2021, and 10.5% over 2022.

Bonner County

Sales of single-family homes in Bonner County have been increasing in recent years. Sales volume reached a historical peak of 939 in 2004, then declined to a low of 369 sold in 2009. Volume moderately increased to 407 in 2010, then remained stagnant in 2011, before increasing by 51.1% (to 615) in 2012. Sales volume continued to increase at varying percentages each year through 2018, when it reached a new record of 989. Through 2021, the number of sales vacillated (never quite reaching the 2018 record), while the average and median sales prices have continued to rise. Like Spokane and Kootenai, Bonner experienced a marked decline in overall sales volume through year end 2022, with only 576 sales, or a 32.7% decline over the prior year. As of Q3 2023, there have been 365 sales. If this pace were continue through Q4, the total for the year would mark a 15.5% lower sales volume than 2022.

Average sales prices have reached new record as of Q3 2023, at \$808,890, while the median sales price peaked at \$591,128 at the end of 2022. The current average represents an increase of 202.7% over its 2009 low, and an increase of 140.4% over its prior (2007) peak. Average days on the market, are historically low (in the 80s).

Historically, the highest share of the sales volume has occurred in the Sandpoint area (79.2% of the Q3 2023 sales), followed by Priest River/Priest Lake (at 15.9%).

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 92 newly constructed homes on lots of less than one acre were unsold as of October 1, 2023, at a median listing price of \$515,887. This median price represents a 1.3% decrease over the prior year. The average days on market for new construction is 43, down from 66 a year ago.

As of October 1, 2023, the number of existing (resale) homes is 1,113, up from 869 one year prior. The average days on the market is 45, compared to 34 the prior year. Existing homes are offered at a median listing price of \$474,842 (about 12% higher than the year prior). The current average listing price is \$539,852.

Kootenai County

This data series shows that as of October 10, 2023, there were a total of 294 newly constructed homes listed on the market with a median listing price of \$651,926, and an average of 103 days on market. At the same time, there were 724 existing resale homes with a median listing price of \$695,000, and an average of 73 days on market. Both consider homes on less than one acre and may include some properties with a pending purchase agreement. For both new and existing construction, the number of days on market has lengthened since the fall. The median listing prices have decreased for both at the time, with a decline of 6.2% for new construction and 6.8% for existing.

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 cost and the family's ability to pay. Higher index numbers indicate housing is more affordable. All loans are assumed to be 30-year loans. This "all buyer" index assumes a 20% down payment, and that 25% of a family's income can be used for principal and interest payments.

Spokane County

In Spokane County, 2009 marked a noticeable increase in housing affordability, at 170.4 by the fourth quarter. While the rates vacillated over the years, reaching as high as 218.4 in Q1 2013, Spokane remained well above 100 until Q2 2019, when it reached 101.7. It remained marginally above 100 until Q1 2021, when it landed at an even 100.0. The rate remained under 100 since—generally declining. In Q3 2023, it reached 69.6, marginally above the 65.5 it reached in Q2 2022, which was a low not seen for the county in the history of the index (which began in Q2 1994). The Q3 2023 statewide index is 57.2. Concurrently, the affordability crisis is even more acute for first-time homebuyers, with an index rate of 49.7 for the county in Q3 2023 and 40.8 statewide.

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

For Q3 2022, the Washington Center for Real Estate Research (or WCRER, formerly the Runstad Center) has transitioned to a new, third-party source (CoStar) for apartment market data. As such, the data are not directly comparable to the historic surveys retained in this report. For Q3 2023, these data include 64,289 units averaging a vacancy of 4.8%. Vacancies have steadily risen since Q3 2022, though they are still under 5%. Vacancies are currently greatest in units with four or more bedrooms. Vacancy by geography yields the highest figures (5.5%) in Spokane Valley and Liberty Lake (5.4%, with the lowest (4.0%) in Veradale.

The most recent historical survey (from March 2022, before the transition to a new data source) showed an overall vacancy rate of 1.8%. This was up 40 basis points from 1.4% in September 2021. Liberty Lake had the highest vacancy rate at 3.1% and Cheney had the lowest at 0.8%. Vacancy rates by bedroom configurations had historically fluctuated, though data of that vintage showed significantly higher in “Studio” units, with the lowest for “Three-Bedroom or more” units.

It is important to note that the sample size of this historical survey, conducted by the WCRER, has varied over the years, sometimes at a point well below a standard representative size. Years with a low sample size (of less than 10,000 units) included much of 2014, all of 2015, the latter half of 2016, all of 2018 and 2019, and the first part of 2020. In fall of 2020, the survey size was increased substantially to over 26,000 units, and had remained over 22,000 units until its end in spring 2022. This survey does not include units built before 1963.

Kootenai County

As is the case with Spokane, the Kootenai data set is now supplied by WCRER, based on CoStar data. For Q3 2023, there were 9,087 units represented, with an overall vacancy of 4.7%. Vacancies are greatest in units with four or more bedrooms, and generally lowest in studio units. Vacancy is 280 basis points lower in Coeur d’Alene (at 3.3%) than in Post Falls (at 6.1%).

For the historical survey (as of March 2022) before the transition to a new data source, Kootenai County had an estimated apartment vacancy rate of 0.6%, 20 basis points below its rate of 0.8% in the fall of 2021. Of the 3,528 units in the survey, all “Studio” space was occupied, and the highest vacancy occurred in the “Two-bedroom” unit type. This survey only includes the Coeur d’Alene and Post Falls areas, and only units built after 1963. As with the Spokane survey, the number of units surveyed has vacillated over the years, between 1,000 and 2,000 for much of 2014 to 2018, and over 3,000 from spring 2018 to the end of the data set in spring 2022.

OFFICE/RETAIL/INDUSTRIAL OCCUPANCY

Spokane County

This survey is no longer being updated. As of 2022 it was updated once a year each fall. The copyrighted data is reprinted here with permission from Valbridge Property Advisors. The current (November 2022) survey of competitive office space suggests that office vacancy in Class A space in the Central Business District (CBD) has increased by 183 basis points to 18.19% from the year prior (October 2021). Lower-grade CBD space showed mixed results, with Class B vacancy at 20.24% (an increase of 149 basis points) and Class C at 9.40% (a decrease of 49 basis points).

Countywide, office vacancy is currently at 13.00%, an increase of 41 basis points from its 2021 rate. The geographic area with the highest vacancy rate is the Valley, with 11.02%.

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 the current rate is a low not seen since February 2008. Vacancies have been in the 8%–9% range since 2019. Fall 2022 vacancy is 6.76%.

Retail occupancy has been relatively stable in all geographies. The Periphery, Valley and West areas are the strongest, at only 4.22%, 3.62%, and 3.03% vacancy rates, respectively. The South is 13.29%, and North is 10.39%.

Countywide, industrial vacancies have been declining since 2013, and are relatively low in every geographic area and an overall vacancy of 2.80%.

Kootenai County

This survey is no longer being updated. As of 2022 it was updated once a year each summer. Office vacancy rates decreased or remained stable in each area of Kootenai County except Coeur d'Alene. Countywide, the total vacant sf for office space equates to 4.47% of the surveyed rentable sf in the market. This is an increase of 204 basis points over the prior year. The data show office space in Coeur d'Alene with a vacancy rate of 5.66%, Post Falls at 0.79%, and Hayden at 1.49%.

Countywide, the surveyed retail vacancy rate was 2.75%, a decrease of 38 basis points from the prior year. The surveyed industrial vacancy rate was 0.78%, or a decrease of 31 basis points from the prior year.