



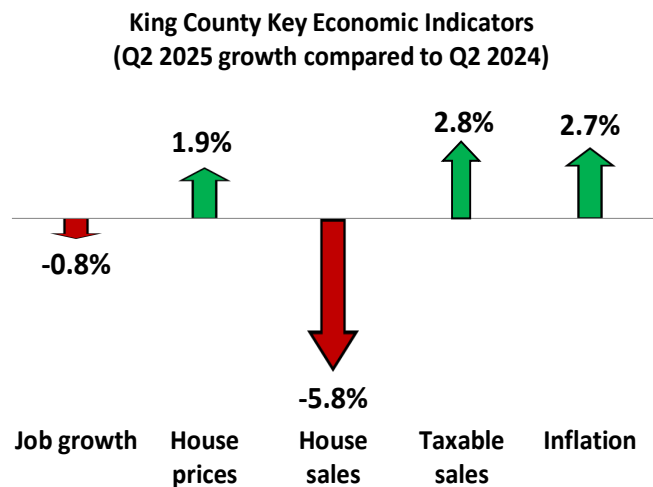
ECONPULSE

A QUARTERLY LOOK AT THE KING COUNTY ECONOMY
KING COUNTY OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS

SECOND QUARTER 2025

SUMMARY

- King County employment decreased 0.8% in the second quarter of 2025 compared to the second quarter of 2024.
- Home prices increased 1.9% compared with the second quarter of 2024.
- The number of sales on the multiple listing service (MLS) in King County decreased 5.8% in the second quarter year-over-year ('yoy').
- Taxable sales were up 2.8% year-over-year in the second quarter of 2025 compared to second quarter 2024.
- The local inflation rate for June 2025 was 2.7%.



DETAIL

Employment in King County dipped in the second quarter of 2025, shedding 11,400 jobs for a 0.8% decrease. Declines continued in the construction (-600 jobs, 0.8% decrease) and manufacturing (-400 jobs, 0.4% decrease). More significant losses were seen in the service providing sectors, with declines in employment in trade, transportation, and utilities (-6,200 jobs, 2.7% decrease), information (-2,200 jobs, 1.7% decrease), and professional and business services (-8,800 jobs, 2.8% decrease) relative to the second quarter of 2024. Job growth was mostly concentrated in the educational and health services (+4,400 jobs, 2.2% increase) and leisure and hospitality (+2,500 jobs, 2.5% increase) sectors.

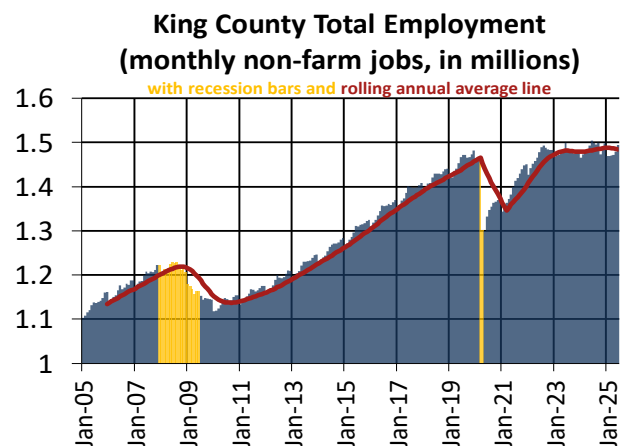


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

The unemployment rate in King County increased slightly in the second quarter of 2025, up to 4.3% in June. Initial claims for unemployment insurance increased again in the second quarter, with 15,932 claims filed, an 8.5% increase over the same time period in 2024.

DETAIL (CONT.)

Seattle House Prices
(Case Shiller index, Jan-2000=100)

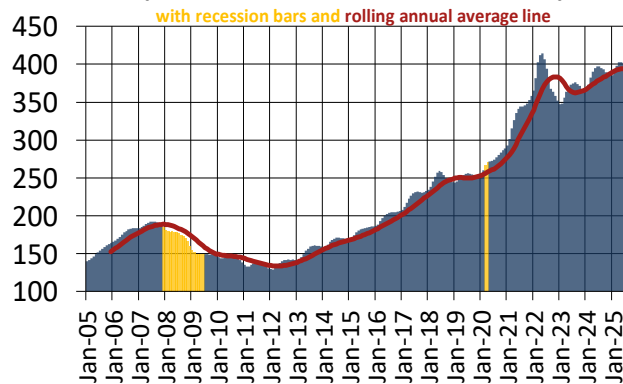


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

Seattle area home prices rose slightly, up 1.9% in the second quarter of 2025 compared to 2024. Sales activity slowed, however, with 5.8% fewer closings in the second quarter than a year prior. Mortgage rates remain high, with the 30 year mortgage rate averaging 6.82% in June 2025.

Residential permitting activity was mixed again in the second quarter of 2025, with single-family permitting up 10.5% and multi-family permitting down 39.5%. The consecutive quarters of steep drops in multi-family permitting this year has resulted in a very slow start for the first half of the year compared to 2024. From January to June of this year, only 3,057 total units have been permitted, compared to 5,345 units over the same time period in 2024, a 43% decline.

King County Residential Permit Values
(new, privately-owned, in millions \$)

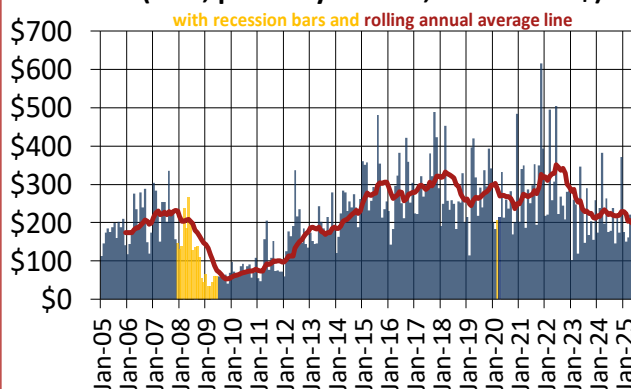


Fig. 3 Value of King County Residential Permits
(Source: U.S. Census Bureau)

Taxable sales were up 2.8% in the second quarter compared to a year ago. Construction continued to decline, down 1.9% relative to the same time period in 2024. Retail and wholesale increased 2.2%. Sales in the food service, accommodation, and entertainment sectors were up 1.7%. The catch-all category of “other,” which is comprised of sectors as varied as manufacturing, information, professional services, and education, was up 7.3% year-over-year.

Taxable Sales Growth
(annual average of total + top three sectors)

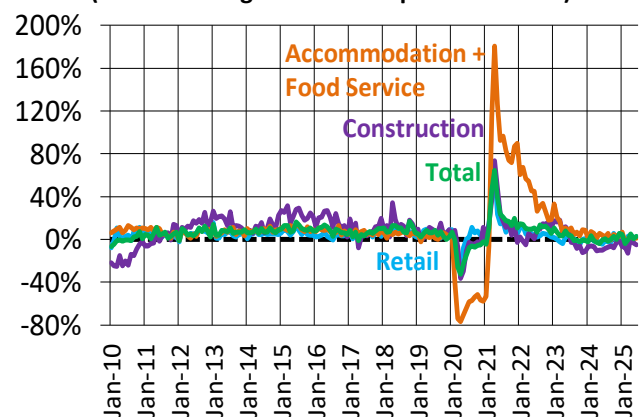


Fig. 4 Taxable Sales Growth in King County (12 month avg)
(Source: WA DOR)

Inflation increased, up to 2.7% as measured by the CPI-U for Seattle in June. The food, energy, and shelter indexes all increased in June relative to the prior year, offset a bit by decreasing apparel prices. National CPI-U was also 2.7% in June.

Seattle Inflation
(CPI-U, annually adjusted)

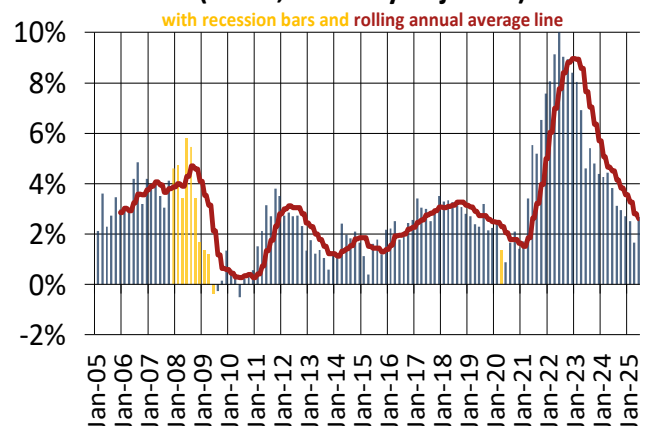


Fig. 5 Seattle Consumer Price Index (Source: BLS)

THE NUMBERS

King County Employment (in thousands)

NAICS Industry	2025:2Q	2024:2Q	Absolute change	% Change
Total Nonfarm	1,481.4	1,492.8	-11.4	-0.8%
Total Private	1,292.0	1,303.7	-11.7	-0.9%
Goods Producing	167.0	168.0	-1.0	-0.6%
Construction	72.8	73.4	-0.6	-0.8%
Manufacturing	93.8	94.2	-0.4	-0.4%
Service Providing	1,314.3	1,324.7	-10.4	-0.8%
Trade, Transportation, and Utilities	221.7	227.9	-6.2	-2.7%
Information	127.2	129.3	-2.2	-1.7%
Financial Activities	72.7	73.5	-0.8	-1.1%
Professional and Business Services	304.4	313.2	-8.8	-2.8%
Educational and Health Services	205.0	200.6	4.4	2.2%
Private Educational Services	35.7	34.9	0.8	2.3%
Health Care and Social Assistance	169.3	165.7	3.6	2.2%
Ambulatory Health Care Services	64.8	64.9	-0.1	-0.1%
Hospitals	31.8	31.3	0.5	1.5%
Nursing and Residential Care Facilities	21.0	19.8	1.3	6.4%
Social Assistance	51.7	49.7	2.0	4.0%
Leisure and Hospitality	142.1	139.6	2.5	1.8%
Arts, Entertainment, and Recreation	30.0	28.3	1.7	6.0%
Accommodation	14.1	13.7	0.4	2.9%
Food services and drinking places	98.0	97.7	0.4	0.4%
Other Services	50.1	49.4	0.7	1.4%
Government	189.3	189.0	0.3	0.2%
Federal Government	18.5	18.9	-0.4	-2.1%
State Government	58.3	59.6	-1.4	-2.3%
Local Government	112.5	110.5	2.1	1.9%

Other King County Economic Indicators

	2025:Q2	2024:Q2	% Change
Real Estate			
Single Family Permits (No. of units)	705	638	10.5%
Single Family Permits (\$000)	\$ 327,022	\$ 330,749	-1.1%
Multi-Family Permits (No. of units)	966	1,597	-39.5%
Multi-Family Permits (\$000)	\$ 231,870	\$ 305,668	-24.1%
Average sales price (NW Multiple Listing Service)	\$ 1,153,032	\$ 1,141,838	1.0%
Number of sales (NW Multiple Listing Service)	6,567	6,971	-5.8%
Taxable Retail Sales (\$B, Apr-Jun)	\$ 23.88	\$ 23.24	2.8%
Retail/Wholesale	\$ 9.37	\$ 9.17	2.2%
Construction	\$ 4.68	\$ 4.78	-1.9%
Food Service, Accommodation, Entertainment	\$ 2.58	\$ 2.54	1.7%
Other	\$ 7.24	\$ 6.75	7.3%
Inflation (June)			
CPI-U (Seattle-Tacoma-Bellevue)	364.34	354.82	2.7%

KING COUNTY ECONOMIC FORECAST

The U.S. economy got off to a rocky start in 2025, with GDP contracting by 0.5% in the first quarter. This downturn was largely attributed to a strategic surge in imports ahead of anticipated Q2 tariffs, along with a decline in federal spending. Net exports dropped sharply by 4.6%, and government expenditure fell by 0.03%, driven primarily by a 0.31% reduction at the federal level. Momentum shifted in the second quarter, as GDP rebounded with 3.3% growth. Net exports surged by 4.95%, and personal consumption strengthened across the board. Consumer spending rose from 0.3% in Q1 to 1.07% in Q2, with goods increasing from 0.01% to 0.5%, and services from 0.3% to 0.6%.

King County's labor market remained soft throughout the first half of 2025. Employment peaked at 1.504 million in June 2024 but has since trended downward. By June 2025, average employment stood at 1.494 million, reflecting -0.7% decline from a year ago. In the first quarter of 2025, employment averaged 1.470 million, which was a -0.2% decrease year-over-year. However, growth slowed in the second quarter, with average employment rising to 1.481 million, representing just a -0.76% year-over-year loss. Sector performance has been uneven. Service-oriented industries such as professional and business services, education and health services, leisure and hospitality, other services, and transportation/warehousing/utilities posted gains. In contrast, goods-producing sectors saw a steep 5% decline. Construction was hit particularly hard, with employment falling 4.4% in Q1 and 4.9% in Q2 compared to the same periods in 2024. Manufacturing also contracted, down 2.2% in Q1 and 1.7% in Q2. Retail and wholesale trade continued to slide, with employment declining by 0.5% and 0.7% in Q1, and 0.5% and 0.8% in Q2, respectively. Looking ahead, employment growth in King County is expected to remain flat for the remainder of 2025, with a projected increase of just 0.01%. Modest recovery is anticipated in 2026, with average annual growth of 0.1%, followed by a more stable pace of 0.7% in subsequent years.

The job market is weakening in Washington state, but jobs are not spread evenly between King County and other areas. At the beginning of 2025, Washington state had 141,000 job openings and 97,000 hires with a workforce gap of 44,000 positions but this declined over the next 6 months. As of June 2025, Washington state reported 142,000 job openings against 116,000 hires, creating a substantial workforce gap of 26,000 positions, a 40% decline from January. While in King County, the workforce gap or unfilled positions started the year with 66,514 job openings and 22,894 hires for a workforce gap of 43,620 positions. Six months later, the number of job openings in King County increased to 71,479 positions but the number of hires decreased to 21,940 so the unfilled positions increased to 49,539. Most recently, the County accounts for 45% of state job openings yet represents only 31% of statewide hires. This persistent labor shortage continues to drive wage inflation.

Local inflation continues to recede from the generational highs of 2022 with the Seattle CPI-U dropping from 5.9% in 2023 to 3.6% in 2024. This rate fell from 2.7% in December 2024 to 2.5% in February 2025, 1.7% in April, and then it rose back to 2.7% in June. The second quarter 2025 average inflation rate was 2.2%. The inflation rate in June for all items, less food and energy increased 1.2%. The food index

KING COUNTY ECONOMIC FORECAST (CONT.)

rose 1.5% and the energy index rose 4%. Housing prices went up 3.9% in June from the previous year. In June, apparel was down by 9.6% and recreation was down 1.6 %. Looking ahead, moderation in local prices is expected to be temporary as projections indicate headline growth of 2.9% in 2025, climbing to 3.9% the following year. These increases are largely attributed to new tariffs and higher fuel taxes implemented by the State Legislature. Inflation is expected to average around 3.3% throughout the forecast period.

The Federal Reserve began easing monetary policy in the fall of 2024, implementing rate cuts in September, November, and December that brought the federal funds rate down to a range of 4.25%–4.5%.

Throughout 2025, the Fed has maintained this rate, but markets widely anticipate another round of cuts starting in September. Policymakers are expected to proceed cautiously, with only one or two additional reductions likely by year-end. However, both the magnitude of future adjustments and the long-term market response to lower short-term rates remain uncertain.

Mortgage rates have remained elevated throughout 2025, though recent signs of decline have emerged as expectations of a Federal Reserve rate cut ripple through the broader economy. As of August, the average mortgage rate stands at 6.6%. Despite these high borrowing costs, Seattle’s housing market has demonstrated resilience. Home prices rose by 6.1% in 2024 but began to slow in 2025. According to the Seattle Case-Shiller Home Price Index, prices increased 4.8% year-over-year in the first quarter and just 1.9% in the second quarter.

Housing inventory in King County, partly influenced by mortgage rates, has been growing. After starting 2024 at 1.4 months of inventory in the first quarter, rising to 2 months in Q3, and settling at 1.9 months in Q4, inventory decreased to 1.8 months in Q1 2025. Now the inventory has risen to nearly 30% in 2.3 months. This increased supply of homes has contributed to meager price appreciation, but housing transactions have slowed as well. Housing transactions grew by 1.5% in Q1 2025 but fell year-over-year by 1.8% in Q2 2025. We project a decline of 5% in transactions for the full year, before stabilizing at an average annual 4% growth thereafter. Housing permit activity continues to fall in 2025 compared to 2024 as well with a 50% and 41% decline in the first and second quarters. We project a sizeable decline in 2025 of -32% from 2024.

Taxable sales had a slight decline of 0.02% year-over-year in 2024, primarily due to weakness in manufacturing, construction, wholesale, and retail sectors. The first half of 2025 shows weak growth at 1.4%. We anticipate minimal growth of 0.9% in 2025 for the entire year. 2026 is positively impacted by new legislation passed in 2025, ESSB 5814, which provides for an expanded retail sales tax base for King County. In addition, there are also positive impacts in 2026 due to the World Cup games which increased projections to 9% annual growth. Beyond 2026, the average annual growth in taxable sales is 3%. Population growth projections are maintained at 0.9% for 2025 and beyond.

KING COUNTY ECONOMIC FORECAST (CONT.)

King County Forecast - Second Quarter 2025					
	2024	2025	2026	2027	2028
King County-Level					
Population (thous.)	2,382.4	2,404.4	2,426.6	2,448.9	2,471.1
Employment (thous.)	1,488.5	1,488.3	1,489.1	1,497.5	1,508.1
Unemployment Rate (%)	4.2	4.3	4.3	4.0	3.9
Personal Income (mil \$)	293,287.9	302,498.7	311,151.5	323,244.3	332,497.8
Housing Permits	10,651	7,191	7,799	8,387	9,030
House Transactions (Residential)	20,813	19,685	20,593	21,579	22,829
House Prices (avg.)	1,192,982	1,229,492	1,269,721	1,321,993	1,371,289
Seattle FHFA Index	545.1	554.5	567.6	581.2	595.5
Seattle CPI-U	353.4	364.9	377.8	391.6	405.2
Taxable Retail Sales (mil \$)	93,400.6	94,257.4	102,811.8	104,854.4	107,802.4
King County Employment - Detail (thousands)					
Natural Resources	0.4	0.4	0.4	0.4	0.4
Construction	73.3	69.8	71.3	73.8	73.5
Manufacturing	91.1	91.1	91.2	92.2	92.5
Subtotal (Goods Employment)	164.8	161.3	163.0	166.3	166.4
Trade, Transportation and Utilities	233.9	226.0	217.0	209.2	202.6
Information	129.6	128.0	127.3	128.2	129.2
Financial Services	73.6	73.0	72.7	73.0	73.6
Professional and Business Services	313.2	312.7	312.4	313.6	316.0
Other Services	389.8	401.6	416.5	427.1	439.5
Government	187.0	185.7	180.2	180.1	180.8
Subtotal (Services Employment)	1,327.2	1,327.0	1,326.1	1,331.2	1,341.7
Total Employment	1,488.5	1,488.3	1,489.1	1,497.5	1,508.1
Annual Growth					
Population	1.1%	0.9%	0.9%	0.9%	0.9%
Employment	0.6%	0.0%	0.1%	0.6%	0.7%
Personal Income	5.6%	3.1%	2.9%	3.9%	2.9%
Inflation	3.6%	3.2%	3.6%	3.6%	3.5%
Taxable Retail Sales	0.0%	0.9%	9.1%	2.0%	2.8%

Table 1: King County Forecast (Source: KC OEFA)

KING COUNTY REVENUE FORECAST: JULY 2025

King County's July 2025 revenue forecast led to a reduction in certain areas over the March forecast for 2025 but an increase in revenues in 2026 and beyond due to taxable sales being increased due to new legislation passed by the 2025 Legislature, ESSB 5814. In 2026, there is also an additional impact due to the World Cup games coming to Seattle next year.

Revenue Forecast Changes

Change in Revenue (\$ millions) Between July 2025 and March 2025 Forecasts

Revenue	2025	2026-27	2028-29
Property Tax	\$0	\$47.3 M	\$49.1 M
Sales Tax	-\$5.9 M	\$156.6 M	\$157.8 M
Other Taxes	-\$3.5 M	-\$9.8 M	-\$11.6 M
Change in Total Taxes	-\$9.4 M	\$194.1 M	\$195.3 M
GF portion	-\$2.6 M	\$18.7 M	\$18.2 M
New Legislation: ESSB 5814	\$10.6 M	\$193.7 M	\$206.3 M
World Cup impact (2026) only		\$11.1 M	
Net Change in Taxes without new legislation	-\$20.0 M	\$0.4 M	-\$11.0 M

King County's total assessed property value rose by 4.8% in 2025, while countywide new construction declined by 9.6% compared to the previous year. In contrast, the unincorporated areas of King County experienced a stronger performance, with assessed values increasing by 11.8% and new construction rising by 21% over 2024 levels. Looking ahead to 2026, countywide assessed values are projected to grow by 2.9% year-over-year. This is slightly below the March forecast. Countywide new construction is expected to decline further, with a revised estimate of -17.3%. One silver lining for 2026 is that the more residential unincorporated areas continue to show resilience, with assessed values anticipated to grow by 6.2% and new construction by 3%.

In 2025, voters renewed two property tax levies: the Automated Fingerprint Identification System (AFIS) levy and the Parks levy. A third levy renewal for Emergency Medical Services (EMS) is scheduled to appear on the ballot in November 2025. Total property tax revenue for 2025 is projected to reach \$1.55 billion. In 2026, with the EMS levy excluded, property tax collections are expected to decline to \$1.47 billion. This represents a 5.3% decrease compared to the previous year. By 2027, property tax revenue is forecasted to grow at an average rate of 3.5%.

As already discussed in this report, taxable sales growth was slightly negative in 2024. Absent the impact of the 2025 legislation, taxable sales growth for 2026 and beyond is expected to be lower than previously projected in March due to lower actuals to date in 2025, higher interest rates, prolonged inflation, and lower consumer confidence. Annual growth in taxable sales is anticipated to be 2.7% for 2026-2034 with 2026 having the lowest annual growth of 1.9%. Adding to the impact of the 2025 legislation and the World Cup in 2026, taxable sales growth for 2026 is expected to grow annually by 9.2%, higher than the

KING COUNTY REVENUE FORECAST: JULY 2025 (CONT.)

March forecast by 5.6%. In 2027 and beyond, the annual growth in taxable sales is anticipated to be 2.7 %. Total sales tax levies are projected to be up annually by 2.5% in 2025 and 9% in 2026 due to higher taxable sales. In 2027 and 2028, sales tax levies are anticipated to be up annually by 1.2% and 2.7% respectively.

The hotel and rental car taxes represent the growth in tourism in King County. In 2025, these taxes have been weak and are anticipated to grow by -0.6% and improve slightly in 2026 to 5.4% and these forecasts are lower than last March forecast.

Following a sluggish first-half performance in 2025, the Real Estate Excise Tax (REET) is projected to decline by 1.5% this year, driven by a continued slowdown in property sales. However, the outlook brightens in 2026, with transaction volumes expected to rebound. As market activity picks up, REET revenues are forecasted to grow by 3.6% in 2026 and accelerate further to 4.6% in 2027.

A couple of revenue streams have been brought down since the March forecast due to weaker year-to-date actuals in 2025. The gambling tax has lost one of the larger casinos in the County this year and this is anticipated to lower growth to -45% compared to last year. The Cannabis excise tax is anticipated to be down -11% from last year due to lower actuals to date. Property tax penalties and interest in 2025 are also down nearly 5% from 2024.

KING COUNTY REVENUE FORECAST - JULY 2025					
KC Forecasted Item - Level	2024	2025	2026	2027	2028
County - AV (\$ millions)	833,036	873,377	898,405	933,119	974,591
County- New Construction AV (\$ millions)	11,475	10,370	8,580	8,471	8,557
Unincorporated - AV (\$ millions)	70,793	79,133	84,061	88,680	94,082
Unincorporated - New Construction AV (\$ millions)	476	580	597	613	622
Taxable Sales ^{**} (\$ millions)	\$93,419	\$94,228	\$102,909	\$104,149	\$106,964
Property Tax # (\$ millions)	\$1,451	\$1,555	\$1,472	\$1,524	\$1,573
Sales Tax ^{**} (\$ millions)	\$1,268	\$1,299	\$1,418	\$1,435	\$1,474
Hotel/Rental Car Tax [^] (\$ millions)	\$51	\$51	\$54	\$53	\$54
Real Estate Excise Tax (REET) (\$ millions)	\$9	\$9	\$9	\$10	\$10
Gambling Tax (\$ millions)	\$1	\$1	\$1	\$1	\$1
E-911 Tax (\$ millions)	\$26	\$27	\$27	\$27	\$28
Penalties & Interest (\$ millions)	\$23	\$22	\$23	\$24	\$24
Cannabis Excise Tax (\$ millions)	\$3	\$3	\$3	\$3	\$3
Recorded Documents Fees (8 accts) (\$ millions)	\$24	\$25	\$26	\$28	\$29

* Includes the impact of new legislation (ESSB 5814) beginning in 2026

[^] Includes World Cup impacts in 2026

Excludes EMS levy in 2026 and beyond

KING COUNTY REVENUE FORECAST: JULY 2025 (CONT.)

KING COUNTY REVENUE FORECAST - JULY 2025					
KC Forecasted Item - Annual Growth	2024	2025	2026	2027	2028
County - AV (in millions)	-5.3%	4.8%	2.9%	3.9%	4.4%
County- New Construction AV	10.4%	-9.6%	-17.3%	-1.3%	1.0%
Unincorporated - AV	-11.0%	11.8%	6.2%	5.5%	6.1%
Unincorporated - New Construction AV	-14.4%	21.7%	3.0%	2.7%	1.4%
Taxable Sales*^	0.0%	0.9%	9.2%	1.2%	2.7%
Property Tax#	12.1%	7.1%	-5.3%	3.5%	3.2%
Sales Tax^	6.0%	2.5%	9.2%	1.2%	2.7%
Hotel/Rental Car Tax ^	14.4%	-0.6%	5.4%	-1.1%	2.0%
Real Estate Excise Tax (REET)	19.7%	-1.5%	3.6%	4.6%	6.3%
Gambling Tax	-24.9%	-45.4%	-0.8%	0.3%	-0.5%
E-911 Tax	-4.1%	3.2%	1.7%	1.3%	1.3%
Penalties & Interest	16.8%	-4.9%	4.5%	3.8%	2.4%
Cannabis Excise Tax	-1.8%	-11.2%	-0.8%	2.6%	2.7%
Recorded Documents Fees (8 accts)	new	6.1%	3.7%	6.7%	4.2%

* Includes the impact of new legislation (ESSB 5814) beginning in 2026

^ Includes World Cup impacts in 2026

Excludes EMS levy in 2026 and beyond

The Office of Economic and Financial Analysis operates as an independent agency of King County, and provides economic and financial analysis and forecasting to support county operations and planning and the people of King County.

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