



ECONPULSE

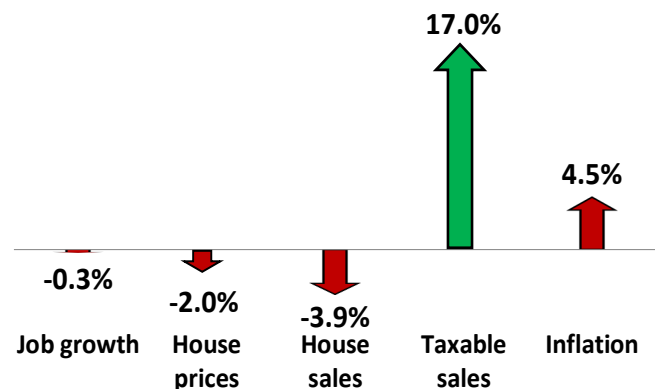
A QUARTERLY LOOK AT THE KING COUNTY ECONOMY
KING COUNTY OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS

SECOND QUARTER 2026

SUMMARY

- King County employment decreased 0.3% in the second quarter of 2026 compared to the second quarter of 2025.
- Home prices decreased 2.0% compared with the second quarter of 2025.
- The number of sales on the multiple listing service (MLS) in King County decreased 3.9% in the second quarter year-over-year ('yoy').
- Taxable sales were up 17.0% year-over-year in the second quarter of 2026 compared to second quarter 2025.
- The local inflation rate for June 2026 was 4.5%.

King County Key Economic Indicators
(Q2 2026 growth compared to Q2 2025)



DETAIL

Employment in King County decreased slightly in the second quarter of 2026, down 4,900 jobs for a 0.3% decline. Sectors that added jobs include manufacturing (+1,400 jobs, +1.6% growth), educational services (+2,600 jobs, 1.3% growth), leisure and hospitality (+1,400 jobs, 1.0% growth), finance (+400 jobs, 0.5% growth). Job declines were observed in a mix of sectors, including construction (-2,000 jobs, -2.9% growth), trade, transportation, and utilities (-5,700 jobs, -2.6%) information (-800 jobs, -0.6%), and professional and business services (-1,000 jobs, -0.3%). The government sector shed 2,400 jobs total, mixed between losses in federal (-1,700 jobs) and state (-1,400 jobs) government employment, and gains in local (+800 jobs) government employment.

The unemployment rate in King County was 4.9% in June 2026 compared to 4.5% in June 2025. Initial claims for unemployment insurance declined in the second quarter compared to the year prior, with 15,314 total initial claims, 3.9% fewer than the same time period in 2025.

King County Total Employment
(monthly non-farm jobs, in millions)

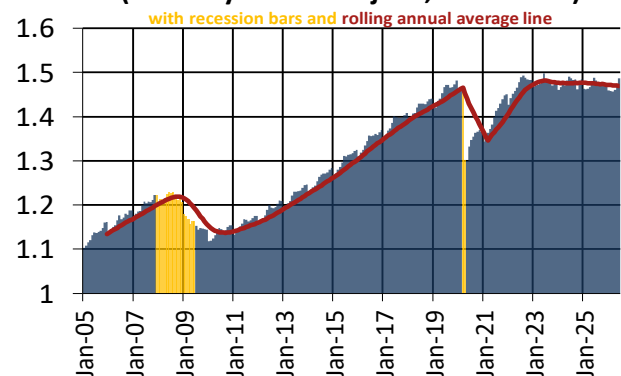


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

DETAIL (CONT.)

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

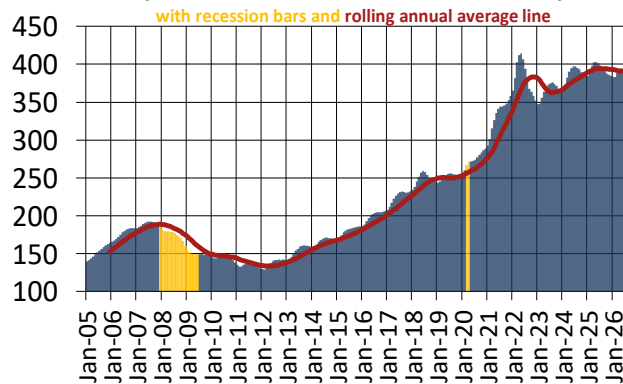


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

Seattle area home prices continued to decline in the second quarter of 2026, with prices decreasing 2.0% relative to the second quarter of 2025. Sales activity decreased 3.9% year-over-year while inventory increased; in King County, there were 7,405 active listings in June 2026 compared to 6,334 in June 2025, a 17% increase. Mortgage rates increased in the second quarter, with average rate for a 30 year mortgage coming in at 6.49% in June 2026.

Single-family residential permitting decreased 10.9% year-over-year. Multi-family permitting increased significantly for a second consecutive quarter compared to 2025. For the first 6 months of 2026, the number of multi-family units permitted was up 119% over an unusually slow first half of 2025.

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

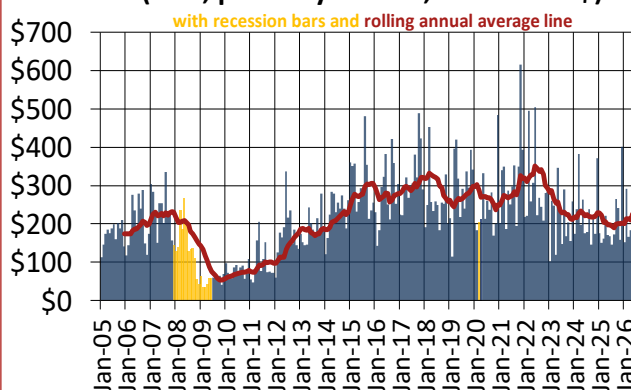


Fig. 3 Value of King County Residential Permits
(Source: U.S. Census Bureau)

Taxable sales were up 17% in the first quarter compared to a year ago. Construction declined 3.1% relative to the same time period in 2025. Retail and wholesale increased 9.8%. Sales in the food service, accommodation, and entertainment sectors were up 7.5%. The catch-all category of “other,” which is comprised of sectors as varied as manufacturing, information, professional services, and education, was up 42.7% year-over-year.

Taxable Sales
(Total Monthly Sales, in billions \$)

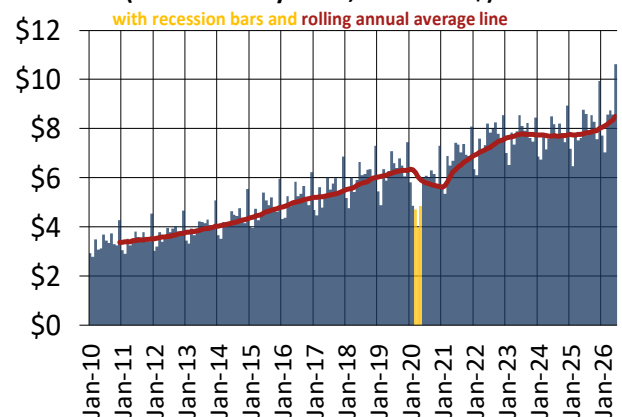


Fig. 4 Taxable Sales Growth in King County (12 month avg)
(Source: WA DOR)

Local inflation was 4.5% as measured by the CPI-U for Seattle in June. Energy prices rose 20.7% year-over-year, while food prices increased 3.5% and housing prices increased 3.4% over the year. National CPI-U was 3.5% in June.

Seattle Inflation
(CPI-U, annually adjusted)

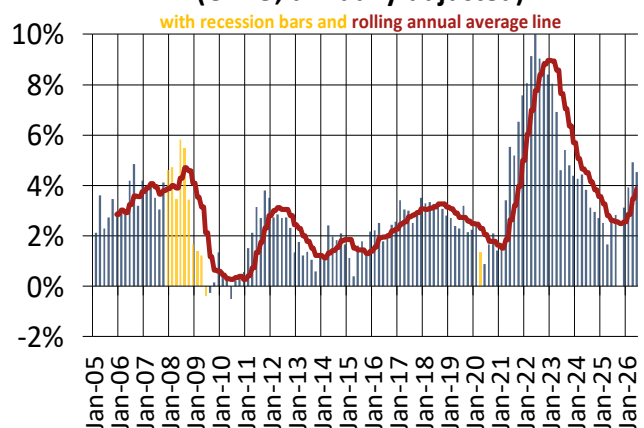


Fig. 5 Seattle Consumer Price Index (Source: BLS)

THE NUMBERS

King County Employment (in thousands)

NAICS Industry	2026:2Q	2025:2Q	Absolute change	% Change
Total Nonfarm	1,474.0	1,478.9	-4.9	-0.3%
Total Private	1,283.5	1,286.0	-2.5	-0.2%
Goods Producing	162.4	162.9	-0.5	-0.3%
Construction	69.0	71.0	-2.0	-2.9%
Manufacturing	93.0	91.5	1.4	1.6%
Service Providing	1,311.6	1,316.0	-4.4	-0.3%
Trade, Transportation, and Utilities	216.5	222.2	-5.7	-2.6%
Information	124.9	125.6	-0.8	-0.6%
Financial Activities	73.8	73.4	0.4	0.5%
Professional and Business Services	304.8	305.8	-1.0	-0.3%
Educational and Health Services	206.2	203.6	2.6	1.3%
Private Educational Services	35.3	35.4	-0.1	-0.3%
Health Care and Social Assistance	170.9	168.2	2.7	1.6%
Ambulatory Health Care Services	67.2	64.5	2.8	4.3%
Hospitals	30.0	31.4	-1.4	-4.6%
Nursing and Residential Care Facilities	21.8	21.0	0.8	3.8%
Social Assistance	51.9	51.3	0.6	1.1%
Leisure and Hospitality	142.1	140.8	1.4	1.0%
Arts, Entertainment, and Recreation	29.0	29.5	-0.5	-1.8%
Accommodation	14.1	14.2	-0.1	-0.7%
Food services and drinking places	99.1	97.1	2.0	2.1%
Other Services	50.6	49.5	1.1	2.2%
Government	190.5	192.9	-2.4	-1.2%
Federal Government	16.8	18.5	-1.7	-9.2%
State Government	59.5	60.9	-1.4	-2.4%
Local Government	114.3	113.5	0.8	0.7%

Other King County Economic Indicators

	2026:Q2	2025:Q2	% Change
Real Estate			
Single Family Permits (No. of units)	628	705	-10.9%
Single Family Permits (\$000)	\$ 264,358	\$ 327,022	-19.2%
Multi-Family Permits (No. of units)	2,311	966	139.2%
Multi-Family Permits (\$000)	\$ 446,560	\$ 231,870	92.6%
Average sales price (NW Multiple Listing Service)	\$ 1,144,499	\$ 1,153,032	-0.7%
Number of sales (NW Multiple Listing Service)	6,310	6,567	-3.9%
Taxable Retail Sales (\$B, Apr-Jun)	\$ 27.94	\$ 23.88	17.0%
Retail/Wholesale	\$ 10.29	\$ 9.37	9.8%
Construction	\$ 4.54	\$ 4.68	-3.1%
Food Service, Accommodation, Entertainment	\$ 2.78	\$ 2.58	7.5%
Other	\$ 10.33	\$ 7.24	42.7%
Inflation (April)			
CPI-U (Seattle-Tacoma-Bellevue)	380.85	364.34	4.5%

KING COUNTY ECONOMIC FORECAST

The U.S. economy slowed in the second quarter of 2026, with real GDP increasing at an annualized 1.5 percent. Personal consumption expenditures contributed 2.31 percentage points to the headline figure, driven primarily by services. Gross private domestic investment added modestly to growth, reflecting continued strength in nonresidential investment tied to AI-related activity. Government consumption and investment reduced GDP by 0.16 percentage points, and net exports subtracted 1.1 percentage points as imports increased more than exports. AI's influence on GDP in the second quarter remained mixed. Stronger private investment associated with AI supported overall growth, while increased imports of electronic components and other AI related inputs widened the trade deficit and reduced net exports. These offsetting effects illustrate how AI simultaneously boosts domestic investment while increasing reliance on foreign-produced inputs, which shapes a complex contribution to U.S. economic performance.

King County employment remained soft in the first half of 2026, with employment declining by 0.2 percent through July to an average of 1.469 million jobs. The change in employment varied across industries but was modest YTD. Employment losses through July of 2026 were led by declines in wholesale trade (down 3,257 jobs), retail trade (2,029), and construction (1,886). Government employment contracted by 1,471 positions, while professional and business services fell by 843 and information declined by 571. Offsetting these declines, several sectors added jobs, including private education and health services (+3,514), leisure and hospitality (+1,386), other services (+871), and manufacturing (+729). Smaller gains were recorded in financial activities and transportation, warehousing, and utilities (each +286). Overall, the distribution of losses across trade, construction, and government underscores the weakness in cyclical and public-sector employment, while growth in health care and leisure reflects ongoing demand for services despite broader labor market contraction. Looking ahead, King County employment is projected to decline by 0.5 percent in 2026 before stabilizing. Growth is expected to be flat in 2027 and 0.6 percent in 2028.

The statewide job market weakened in 2025 and remained relatively soft in 2026. Through the first seven months of 2026, average job postings were 4 percent higher than a year earlier. A spike in openings in June did not carry into July, when postings fell to 162,054 compared with 163,628 in July 2025. At the same time, labor supply contracted. The average statewide supply of workers was 1.3 percent lower than the prior year, and by July, had declined to 66,967. The resulting gap between postings and available workers reached 95,087, a 7 percent increase from the previous year.

In King County, labor conditions were directionally similar. Average job postings during the first seven months of 2026 were 0.8 percent lower than in 2025. Like the state, openings spiked in June but flattened in July, with 71,460 postings compared with 71,386 a year earlier. Labor supply also declined, averaging 1 percent below the prior year. By July, the number of available workers fell to 21,249, leaving a gap of 50,211 between postings and supply, 5 percent higher than in July 2025. These trends show a widening gap between job postings and the available labor supply in King County and statewide.

KING COUNTY ECONOMIC FORECAST (CONT.)

The Seattle CPI-U rose 2.6 percent in 2025. Inflation accelerated to 3.9 percent in the first quarter of 2026 and climbed further to 4.9 percent year over year in April. By June, the rate eased slightly to 4.5 percent but remained well above the prior year's pace. In June 2026, the energy index went up 20.7 percent, the food index up 3.5 percent, and core inflation (all items less food and energy) rose 3.5 percent compared with June 2025. Commodities prices advanced 5.3 percent, which was faster than services at 4.1 percent. Within major components, food rose 3.5 percent, housing 3.4 percent, while apparel surged 14.7 percent. Transportation increased 7.6 percent and recreation 9.8 percent. In contrast, medical care rose only 1.2 percent, and education and communication declined 1.1 percent. The contrast of increases in discretionary categories versus modest gains in essentials highlights the uneven nature of local inflation growth in the County. Some price increases, particularly in food, energy, household furnishings, and apparel, reflect tariff costs or higher oil prices. It's likely that World Cup activity that occurred throughout the latter part of June influenced the high growth in recreation prices. Inflation is projected to average 4.2 percent in 2026, 3.8 percent in 2027, and above 3 percent in subsequent years.

The Federal Reserve eased monetary policy in 2025 by cutting the federal funds rate in September, October, and December, each time by 0.25 percentage points, which lowered the target range to 3.5 to 3.75 percent. The rate has been held steady so far in 2026. With inflation rising sharply due to unrest in the Middle East and disruptions to oil shipments through the Strait of Hormuz, further rate cuts this year appear unlikely. If inflation continues to accelerate, the probability of a rate increase will grow. According to the current CME FedWatch tool, there is more than 90 percent probability of a rate hike by the end of 2026 and less than a 1 percent probability of a rate cut.

Mortgage rates for 30-year fixed rate mortgages began 2026 at a 6.1 percent average for January. Rates have steadily increased around 0.1 percent per month since February, averaging 6.67% by August 2026. Suffice it to say, high borrowing costs have slowed Seattle's housing market. According to the Seattle Case-Shiller Home Price Index, home prices grew by 1.6 percent in 2025 but declined 1.9 percent through the first six months of 2026.

Housing inventory in King County has expanded over the past year, influenced in part by higher mortgage rates. Inventory is measured as the ratio of active listings to home sales, expressed in months of supply. Through July 2025, average active listings totaled 4,170 compared with 1,935 home sales, resulting in 2.15 months of inventory. By July 2026, listings averaged 5,289 against 1,836 sales, raising inventory to 2.88 months. Inventory has been building since March 2026, and July marked a peak with 7,172 homes listed and 2,202 sales, equal to 3.26 months of supply. The larger pool of listings has limited price appreciation, while transaction activity has slowed. July 2026 home sales were 2,202, down 4 percent from 2,296 a year earlier. Housing permit activity fell sharply in 2025, down 20 percent from the prior prior year. In the first half of 2026, permits rebounded, rising 68 percent compared with the low base of January through June 2025. For all of 2026, permits are projected to rise 25 percent compared with 2025.

KING COUNTY ECONOMIC FORECAST (CONT.)

Taxable sales grew modestly in 2025, rising 2.8 percent, aided by legislation that expanded the retail sales tax base. In the first half of 2026, taxable sales increased 13 percent, boosted significantly by ESSB 5814, which broadened the tax base in King County. Additional spending tied to the World Cup provided further gains in retail, food service and accommodation, and recreational sectors. The June distribution of sales taxes showed strong growth in wholesale trade, professional, scientific, and technical services, and administrative and support services, reflecting activity downstream from the ongoing build-out of the AI industry. Wholesale growth was driven by large investments in AI infrastructure, professional services expanded due to sales of AI model access, and administrative support advanced with demand for cloud computing and customized software tools used in billing and customer support. Expected taxable sales growth is more than 8 percent for the year. Beyond 2026, taxable sales are projected to grow at an average annual rate of 1.5 percent over the following two years. Our current forecast also incorporates the negative effects of ESSB 6346, the Millionaires' Income Tax, which repeals the expanded retail sales tax base and results in a projected 2.8 percent decline in taxable sales in 2029.

King County personal income projections have been revised downward minimally following the release of the first quarter of 2026 Washington state personal income. Personal income growth for King County is now estimated at 4.7 percent in 2025 and 5.9 percent in 2026, with long-term growth expected to average 5 percent annually. Population growth for 2025 and 2026 has also been adjusted slightly downward to reflect the latest county data. In 2026, King County is only expecting a 0.6 percent growth in population which is the lowest rate in more than two decades.

KING COUNTY ECONOMIC FORECAST (CONT.)

King County Forecast - Second Quarter 2026					
	2025	2026	2027	2028	2029
King County-Level					
Population (thous.)	2,413.3	2,427.5	2,439.2	2,450.5	2,461.9
Employment (thous.)	1,473.0	1,465.4	1,465.9	1,475.4	1,484.4
Unemployment Rate (%)	4.6	5.0	4.7	4.4	4.1
Personal Income (mil \$)	315,197.1	333,670.2	351,980.2	370,245.9	389,787.9
Housing Permits	8,505	10,632	10,883	11,271	11,567
House Transactions (Residential)	20,518	20,359	20,831	21,441	22,042
House Prices (avg.)	1,211,253	1,182,839	1,216,775	1,263,385	1,301,204
Seattle FHFA Index	553.9	550.4	553.1	563.7	580.8
Seattle CPI-U	362.6	378.0	392.4	406.5	420.0
Taxable Retail Sales (mil \$)	95,997.4	104,033.9	105,993.3	107,086.5	104,095.1
King County Employment - Detail (thousands)					
Natural Resources	0.4	0.4	0.4	0.4	0.4
Construction	70.4	70.4	71.4	72.0	72.9
Manufacturing	91.8	92.2	92.5	92.0	91.8
Subtotal (Goods Employment)	162.6	163.0	164.4	164.4	165.2
Trade, Transportation and Utilities	220.1	214.4	210.3	209.0	209.5
Information	125.4	124.6	124.9	125.8	126.8
Financial Services	73.2	72.7	72.6	73.1	73.6
Professional and Business Services	304.8	302.7	302.5	304.7	306.6
Other Services	397.3	397.8	405.4	413.0	416.5
Government	189.6	190.3	185.8	185.4	186.3
Subtotal (Services Employment)	1,310.4	1,302.3	1,301.6	1,310.9	1,319.2
Total Employment	1,473.0	1,465.4	1,465.9	1,475.4	1,484.4
Annual Growth					
Population	1.1%	0.6%	0.5%	0.5%	0.5%
Employment	-0.3%	-0.5%	0.0%	0.6%	0.6%
Personal Income	4.7%	5.9%	5.5%	5.2%	5.3%
Inflation	2.6%	4.2%	3.8%	3.6%	3.3%
Taxable Retail Sales	2.8%	8.4%	1.9%	1.0%	-2.8%

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

KING COUNTY REVENUE FORECAST

King County's July 2026 revenue forecast was mostly negative aside from the implementation of a new Transportation Benefit District sales tax beginning in 2027. Property tax estimates were lowered due to weaker new construction prospects, and we incorporated additional taxable sales reductions from ESSB 6346 (2026), which repealed portions of ESSB 5814's 2025 base expansion, resulting in a larger projected decline in sales tax revenues beginning in 2029.

Change in Revenue (\$ millions) Between July 2026 and March 2026 Forecasts

Revenue	2026-27	2028-29	2030-31
Property Tax	-\$16.26 M	-\$33.27 M	-\$32.53 M
Sales Tax	\$98.80 M	\$111.29 M	\$122.42 M
Other Taxes	-\$3.77 M	-\$1.92 M	-\$1.75 M
Change in Total Taxes	\$78.77 M	\$76.10 M	\$88.14 M
GF portion	-\$4.81 M	-\$23.38 M	-\$14.85 M
Transportation Benefit District Sales Tax	\$102.76 M	\$205.00 M	\$214.48 M
2025 Leg. Expanded Sales Tax Base (ESSB 5814)	\$109.60 M	\$181.89 M	\$185.21 M
2026 Millionaire Income Tax Impact (ESSB 6346)	-\$7.23 M	-\$93.50 M	-\$199.97 M
Net Change in Taxes without sales tax base legislation & new sales tax levy	-\$207.36 M	-\$217.29 M	-\$111.58 M

King County's total assessed property value rose 5.4 percent in 2026, and countywide new construction increased 3.4 percent from the prior year. Unincorporated areas saw stronger assessed-value growth at 6.9 percent, though new construction there fell 10.2 percent compared with 2025. Looking ahead to 2027, countywide assessed values are projected to decline 1.2 percent year over year, which is 4.4 percentage points below the March forecast. New construction is also expected to weaken further, with countywide activity revised to -14.4 percent and unincorporated areas are projected to decline 2.4 percent.

In 2025, voters renewed three property tax levies for 2026: the Automated Fingerprint Identification System (AFIS) levy, the Parks levy, and the Emergency Medical Services (EMS) levy. Total property tax revenue for 2026 is projected to reach \$1.74 billion. In 2027, property tax collections are expected to increase to \$1.79 billion. This represents a 2.9 percent increase compared to the previous year, but the July estimate is \$16.3 million (0.9 percent) below the March forecast. EMS is anticipated to have a decline of \$9.4 million (4 percent) in 2027 due to EMS just recently receiving approval for a new six-year levy. The UTGO bond has also been revised downward in this July forecast by \$3.6 million (10 percent) in 2027.

Taxable sales continue to benefit from the 2025 legislation (ESSB 5814), with seven months of expanded-base collections now incorporated into the forecast. In the July forecast, taxable sales are projected to rise 7.3 percent in 2026 due to the expanded base and World Cup activity, but growth moderates in

KING COUNTY REVENUE FORECAST (CONT.)

2027–2028. In 2029, ESSB 6346 (Millionaire’s Income Tax) removes portions of the sales tax base and repeals most of the 2025 expansion, producing a 2 percent decline in 2029 before growth returns to about 3 percent annually.

The July forecast also adds a new 0.1 percent transportation benefit district tax beginning in 2027. Sales tax revenues were \$1.326 billion in 2025 and are expected to reach \$1.52 billion in 2026, up 14.8 percent year-over-year and slightly above the March forecast. Revenues rise to \$1.65 billion in 2027, entirely due to the new transportation district tax, which adds about \$100 million annually. Revenues are anticipated to rise to \$1.66 billion in 2028. Beginning in 2027, ESSB 6346 reduces state and local sales taxes through new exclusions, and in 2029 repeals most of ESSB 5814’s base expansion. Total sales taxes fall to \$1.62 billion in 2029 (down 2%) before returning to growth above 3 percent.

The hotel, lodging and rental car taxes reflect tourism activity in King County. In 2026, these taxes have trended down, and both the hotel tax and rental car tax forecasts were lowered from the March forecast. For 2026, these taxes combined were down \$2.57 million (5.3 percent) relative to the March forecast. The 2026 forecast does anticipate some additional revenue due to the World Cup games in June and July.

Following a sluggish first-half performance in 2026, the Real Estate Excise Tax (REET) is projected to decline by 4 percent year-over-year, driven by lower prices and fewer transactions. This July REET forecast is 7.8 percent below the March forecast in 2026 and in subsequent years. Mortgage interest rates have remained higher for longer and are now expected to remain high in the near term, which means REET revenues will also slightly decline over the next few years.

A couple of revenue streams have been brought down since the March forecast due to weaker year-to-date actuals in 2026. The July forecast for the gambling tax is down by 18.8 percent, and E-911 tax is down 0.7 percent, from March. Property tax penalties and interest in 2026 are also down 5 percent from last year and nearly 8 percent from the March forecast. The revenue from the recorded documents is up in 2026 by 15 percent over last year and 10 percent from the March forecast due to legislation that expanded the base of documents subject to local government fees.

KING COUNTY REVENUE FORECAST (CONT.)

KING COUNTY REVENUE FORECAST - JULY 2026					
KC Forecasted Item - Level	2025	2026	2027	2028	2029
County - AV (\$ millions)	873,377	920,246	909,017	930,540	959,000
County- New Construction AV (\$ millions)	10,370	10,724	9,178	9,425	9,642
Unincorporated - AV (\$ millions)	79,133	84,619	83,822	84,801	83,297
Unincorporated - New Construction AV (\$ millions)	580	521	508	517	497
Taxable Sales** (\$ millions)	\$95,997	\$102,965	\$104,604	\$105,430	\$103,245
Property Tax # (\$ millions)	\$1,555	\$1,743	\$1,790	\$1,679	\$1,737
Sales Tax** (\$ millions)	\$1,326	\$1,522	\$1,647	\$1,658	\$1,622
Hotel/Rental Car Tax^ (\$ millions)	\$47	\$46	\$46	\$47	\$48
Real Estate Excise Tax (REET) (\$ millions)	\$9	\$8	\$8	\$8	\$8
Gambling Tax (\$ millions)	\$1	\$1	\$1	\$1	\$1
E-911 Tax (\$ millions)	\$26	\$27	\$28	\$28	\$29
Penalties & Interest (\$ millions)	\$22	\$21	\$23	\$23	\$24
Cannabis Excise Tax (\$ millions)	\$3	\$3	\$3	\$3	\$3
Recorded Documents Fees (8 accts) (\$ millions)	\$27	\$31	\$32	\$33	\$34

KING COUNTY REVENUE FORECAST - JULY 2026					
KC Forecasted Item - Annual Growth	2025	2026	2027	2028	2029
County - AV (in millions)	4.8%	5.4%	-1.2%	2.4%	3.1%
County- New Construction AV	-9.6%	3.4%	-14.4%	2.7%	2.3%
Unincorporated - AV	11.8%	6.9%	-0.9%	1.2%	-1.8%
Unincorporated - New Construction AV	21.7%	-10.2%	-2.4%	1.8%	-4.0%
Taxable Sales**	2.8%	7.3%	1.6%	0.8%	-2.1%
Property Tax#	7.1%	12.1%	2.7%	-6.2%	3.5%
Sales Tax**	4.6%	14.8%	8.2%	0.7%	-2.2%
Hotel/Rental Car Tax ^	-9.2%	-2.1%	1.9%	2.2%	1.1%
Real Estate Excise Tax (REET)	-7.9%	-4.1%	-3.2%	-1.7%	0.4%
Gambling Tax	-54.3%	-18.6%	0.3%	0.3%	0.3%
E-911 Tax	2.0%	1.4%	3.5%	2.7%	3.0%
Penalties & Interest	-5.2%	-5.1%	3.9%	6.3%	3.1%
Cannabis Excise Tax	-9.6%	-2.7%	-0.7%	0.3%	0.7%
Recorded Documents Fees (8 accts)	9.9%	5.1%	3.6%	5.2%	5.4%

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

^ Includes World Cup impacts in 2026

Excludes EMS levy in 2026 and beyond

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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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