



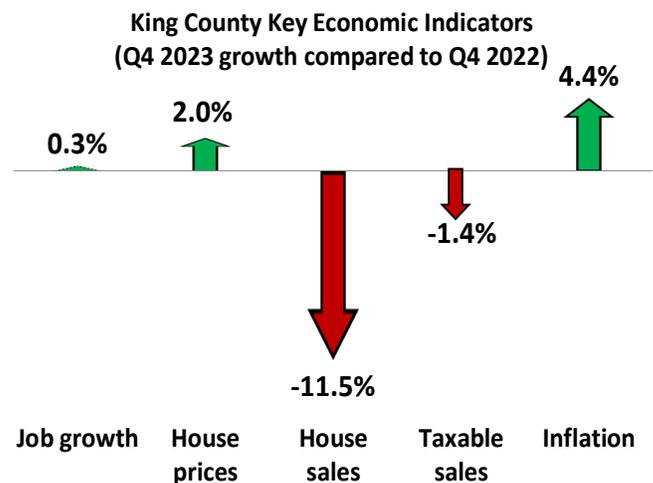
ECONPULSE

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

FOURTH QUARTER 2023

SUMMARY

- King County employment increased 0.3% in the fourth quarter of 2023 compared to the fourth quarter of 2022.
- Home prices increased 2.0% compared with the fourth quarter of 2022. At the same time, the number of sales on the multiple listing service (MLS) in King County declined by 11.5% in the fourth quarter of 2023 compared to last year's fourth quarter.
- Taxable sales decreased 1.4% in the fourth quarter compared to the same period of 2022.
- By December 2023, the inflation rate was 4.4% compared to a year ago in December when the inflation rate was nearly twice that, at 7.9%.



DETAIL

Employment in King County grew by 0.3% in the fourth quarter of 2023, adding 5,100 jobs. Education and Health services added the most jobs at 10,200 and leisure and hospitality added 6,700 in the fourth quarter of 2023. Other industry sectors saw contractions in employment like professional business services (dropped 9,300 jobs), information (decrease 8,600 jobs) and construction (dropped 3,900 jobs). King County employment has essentially flattened during the second half of 2023. The 2023 annual growth rate in non-farm employment was 0.9%.

King County Total Employment

(monthly non-farm jobs, in millions)

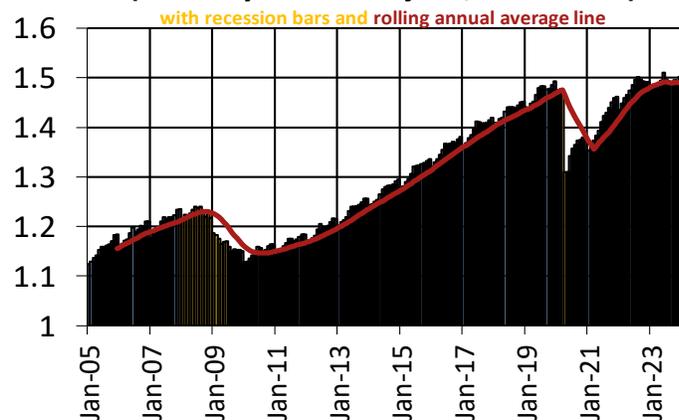


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

The unemployment rate in King County was 3.5% in December while the US unemployment rate stood at 3.7%. Initial claims for unemployment insurance were higher year-over-year in the fourth quarter of 2023 compared to 2022 but remain relatively low, with 5,184 new filings in December.

DETAIL (CONT.)

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

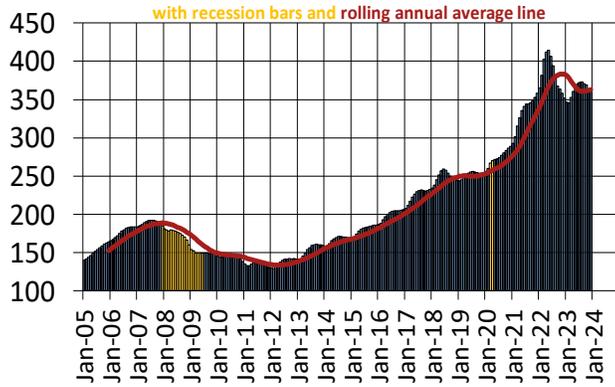


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

After posting negative growth for most of 2023, Seattle house prices ended up with 2% growth in the fourth quarter compared to last fourth quarter. Sales activity in the fourth quarter was still much lower than last year with a 11.5% decline as home buyers face a low inventory of homes and higher interest rates.

Single-family permitting increased 38.5% in the fourth quarter of 2023 but was down 13% for the entire year. Multi-family permitting was hit even harder in 2023 with fourth quarter total permits down 32% from a year ago and down 40% for the year compared to 2022.

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

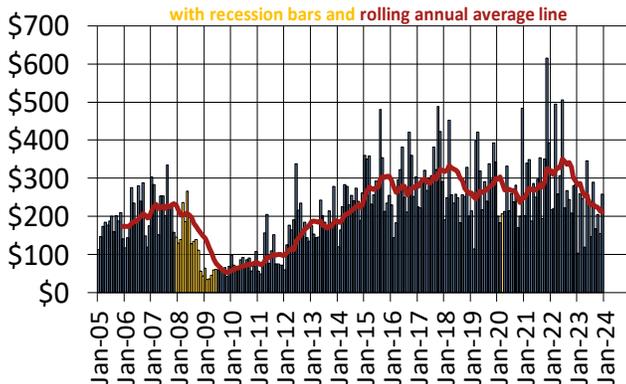


Fig. 3 Value of King County Residential Permits (Source: U.S. Census Bureau)

Taxable sales declined 1.4% in the fourth quarter of 2023 compared to 2022. Construction and retail/wholesale trade declined in the fourth quarter of 2023 year-over-year, 9.5 and 2% respectively. Restaurants and Accommodations sectors showed improvement in the fourth quarter with growth of 6.7% from the last fourth quarter 2022.

Taxable Sales Growth
(annual average of top four sectors)

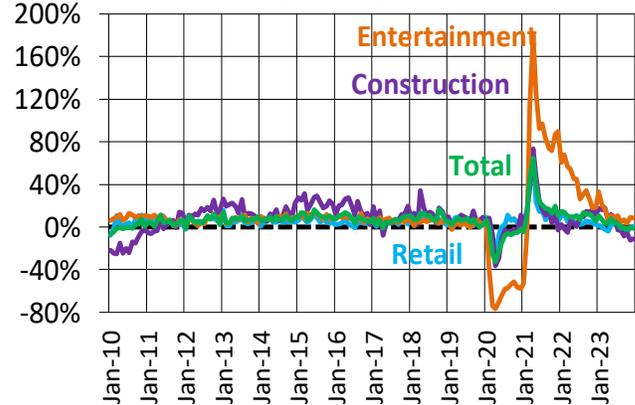


Fig. 4 Taxable Sales Growth in King County (12 month avg) (Source: WA DOR)

Inflation continued to ease in the fourth quarter 2023, with inflation ending the year at 4.4% as measured by the CPI-U for Seattle. Food, housing, energy, medical care and services all increased year over year. The national CPI-U rate was 3.4% in December.

Seattle Inflation
(CPI-U, annually adjusted)

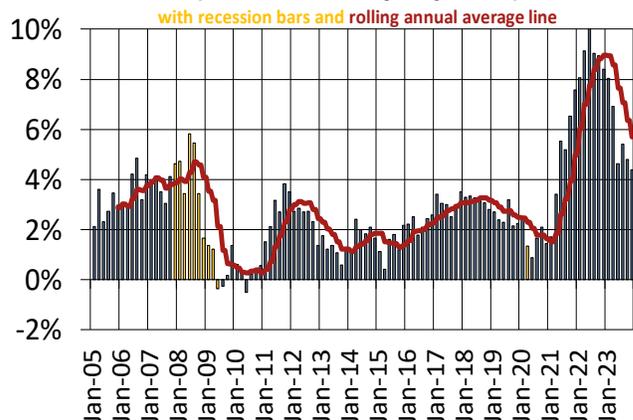


Fig. 5 Seattle Consumer Price Index (Source: BLS)

THE NUMBERS

King County Employment (in thousands)

NAICS Industry	2023:4Q	2022:4Q	Absolute change	% Change
Total Nonfarm	1,497.4	1,492.3	5.1	0.3%
Total Private	1,322.6	1,323.0	-0.4	0.0%
Goods Producing	173.1	175.0	-1.9	-1.1%
Construction	77.6	81.6	-3.9	-4.8%
Manufacturing	95.0	93.0	2.0	2.2%
Service Providing	1,324.3	1,317.3	7.0	0.5%
Trade, Transportation, and Utilities	240.4	237.7	2.7	1.1%
Information	132.5	141.1	-8.6	-6.1%
Financial Activities	73.5	75.7	-2.2	-2.9%
Professional and Business Services	315.8	325.1	-9.3	-2.9%
Educational and Health Services	201.4	191.1	10.2	5.4%
Educational Services	36.6	32.5	4.2	12.8%
Ambulatory Health Care Services	64.9	62.7	2.2	3.5%
Hospitals	30.8	29.8	1.1	3.6%
Nursing and Residential Care Facilities	19.6	17.9	1.7	9.5%
Social Assistance	49.5	48.2	1.2	2.6%
Leisure and Hospitality	135.6	128.9	6.7	5.2%
Arts, Entertainment, and Recreation	26.0	23.9	2.0	8.5%
Accommodation	13.5	12.2	1.3	10.4%
Food Services and Drinking Places	96.1	92.8	3.3	3.6%
Other Services	50.3	48.3	2.0	4.1%
Government	174.8	169.3	5.5	3.2%

Other King County Economic Indicators

	2023:Q4	2022:Q4	% Change
Real Estate			
Single Family Permits (No. of units)	647	467	38.5%
Single Family Permits (\$000)	\$ 323,289	\$ 213,434	51.5%
Multi-Family Permits (No. of units)	2,136	3,138	-31.9%
Multi-Family Permits (\$000)	\$ 294,422	\$ 558,600	-47.3%
Median sales price (NW Multiple Listing Service)	\$ 791,642	\$ 765,333	3.4%
Number of sales (NW Multiple Listing Service)	4,578	5,174	-11.5%
Taxable Retail Sales (\$B, Oct-Dec)	\$ 23.18	\$ 23.53	-1.5%
Retail/Wholesale	\$ 9.43	\$ 9.62	-2.0%
Construction	\$ 6.84	\$ 7.37	-7.2%
Food Service, Accommodation, Entertainment	\$ 3.09	\$ 2.87	7.8%
Other	\$ 3.83	\$ 3.68	3.9%
Inflation (December)			
CPI-U (Seattle-Tacoma-Bellevue)	344.98	330.49	4.4%

KING COUNTY FORECAST

The U.S. economy grew by 3.4% in the fourth quarter of 2023 compared to last year. The growth was due to private goods-producing industries increased 7%, private services-producing industries increased 2.6% and government increased 3.1%. Overall, 18 of 22 industry groups added to the growth in real gross domestic product (GDP) in the fourth quarter.

The US economy began the year with 2.2% and 2.1% growth in the first and second quarters of 2023 respectively. For the year, US real GDP increased 2.5% in 2023 from 2022. This growth was an improvement over the 1.9% growth in 2022. This annual expansion was characterized by a very strong labor market. The number of job openings hit a record level in 2022 and has fallen some but it is still very elevated (172,000 openings versus 104,000 hires in November). This also is reflected in very low unemployment and the unemployment rate in December was 3.5%. This huge unmet demand for workers has continued to put upward pressure on wages and has been a significant factor in inflation remaining above the national rate by 1% in December 2023. National CPI was 3.3% in December which is down significantly from the peak in June 2022 of 9%. The current inflation rate is still above 2% which is the target for inflation by the Federal Reserve. This elevated inflation led the Federal Reserve to raise rates in 2023 but the last federal funds rate increase was in July 2023, with an increase of 25 basis points to land at the current rate of 5.5%. Most economists think we'll begin to see multiple federal funds rate reductions in the second half of 2024, but the Federal Reserve wants to see more positive signs that inflation will be declining before they begin lowering rates.

Forecasts for the U.S. economy continue to show slow growth with inflation coming down some in the second half of 2024. Inflation forecasts are elevated and reflect the belief that inflation will take time to correct. Most forecasts are calling for a slowdown in the labor market as the current imbalance between labor demand and supply has pushed wages up faster than is consistent with the Federal Reserve's 2% inflation goal. As such, we are likely to see a slowdown in employment growth in 2024 and 2025. In 2023, the state employment grew at 2.3% and King County employment grew at 0.9%. The state employment is predicted to grow at 1.9% in 2024 and 0.9% in 2025. King County's projections for employment growth are slightly lower than the state at 1.5% in 2024 and 1% growth in 2025. In the next two years, an increase in the unemployment rate in King County, state and US is anticipated, reflecting the slowing economy.

Most forecasts call for headline national CPI to be about 3% to 4% in 2024. Mortgage rates remain high in the beginning of 2024, currently at around 6.8% for a 30-year fixed rate mortgage. The interest rates are expected to drop down to a little more than 6% by the end of 2024. Even with the higher interest rates, the Seattle home price growth has turned back positive year-over-year by the end of 2023.

King County employment overall has recovered fully from the Covid recession and employment has continued to climb after topping 1.5 million in August 2022. This top line recovery masks changes by industry, however, as losses in leisure and hospitality, government, and other services are not back to pre-Covid levels. The employment growth has been focused on construction, manufacturing, education, and leisure and hospitality. We have seen significant reductions in employment in the information sector. In general, we expect most sectors to continue to grow in the near-term although, the degree to

KING COUNTY FORECAST (CONT.)

which the Fed must raise interest rates to deal with inflation has risen and is likely to impact sectors, particularly those impacted by high interest rates like real estate and construction though the impacts have been modest so far.

Inflation has been moderating in King County as it has for the U.S. The Seattle CPI-U inflation measure which peaked in June 2022 at 10.1% fell to 8.0% in February 2023 and came in at 6.9% in the April print. The disinflation we've seen has mirrored what was seen nationally and it is hoped the downward trend will continue as 2024 progresses.

Taxable sales in King County have been slowing in 2023 after solid growth in 2022 when they were up 10.5%. The fourth quarter saw total taxable sales down 1.4% from 2022 fourth quarter with construction and wholesale /retail sales being down year-over-year. For the entire year, taxable sales ended up being up 2.5% from a year ago, largely due to growth in accommodations and food service sectors. We expect slow growth as well in 2024 at 3.8% growth and we anticipate it picking up to 4% growth in 2025 and over 5% in 2026 as lower interest rates impact behaviors.

The local housing market reached a peak in spring of 2022 and then prices rapidly declined as mortgage rates increased significantly and buyers worried about a pending recession. The Seattle Case-Shiller index fell from a high in the second quarter of 2022 reaching a low point in February 2023 down 9.3%. Through most of 2023, the monthly year-over-year growth for the housing index has been negative. Beginning in September 2023, the home price index started to turn positive for monthly growth showing signs that the bottom of the housing price fall was over. Every month since then, the Seattle housing price index has increased from the prior year's month index. By December 2023, Seattle prices were up nearly 3% from December 2022. The Northwest Multiple Listing Service for King County indicates the average home sales price in December 2023 was about \$1,105,806 which was up 8% and the fourth quarter's average home price was also up nearly 6% from the same period in 2022. For the entire year, the MLS average home sales price was up a little, 2% from 2022. In addition, the number of closed sales on the MLS throughout 2023 was down 24% from last year. The continued elevated mortgage rates (6.8% average in 2023) will continue to put the brakes on the housing market. At the same time, the inventory of listed homes in King County has increased overall for the year by 22% from last year but has decreased year-over-year in the fourth quarter by 4% but it is still real low at 1.7 months in December. Inventory is unlikely to see a surge however as so many homeowners re-financed during the Covid recession and have locked in very low rates and so are unlikely to be interested in moving unless they must or interest rates fall.

We expect continued growth in King County, as seen in 2023, and into 2024 though at a slowing pace. Table 1 indicates the most recent forecast. Population growth should continue at a little less than 1.0% per year in the near-term and 2023 growth was 1% in King County. Employment ended up in 2023 with a little less than 1% growth which was less than the 4.8% growth in 2022 as it recovered from the low levels of the pandemic. Inflation has been moderating in 2023 and the average inflation rate for the year was 5.9%, which is down 34% from its peak in 2022, thanks to the Federal Reserve raising rates and supply chain disruptions getting resolved. In 2024, we expect Seattle area inflation to fall further to average

KING COUNTY FORECAST (CONT.)

3.7% for the year. that to continue in 2023 and 2024. It is anticipated inflation will fall to around 3% in 2025 and 2026. We expect the pace of housing permits to continue to be slow in 2024 relative to past years reflecting the higher inflation and interest rates for the first half of the year. Single-family housing prices likely bottomed in the winter months of 2023 and have begun to climb again in 2024 and we anticipate a 7% growth in total housing permits after a dismal decline year-over-year of 35.5% in 2023. House prices should continue to recover in 2024 and the growth rate is expected to be more than 8% this year and 11% growth in 2025 when interest rates are anticipated to be sizably lower than today. Taxable sales which grew over 10% in 2022 slowed in 2023 with only 2.4% growth for the year. They are expected to pick up slowly in 2024 with a growth rate of 3.8% and more than 4% growth in 2025.

King County Forecast - Fourth Quarter 2023					
	2022	2023	2024	2025	2026
King County-Level					
Population (thous.)	2,325.2	2,348.9	2,368.8	2,389.0	2,409.2
Employment (thous.)	1,478.3	1,491.2	1,510.9	1,528.7	1,539.4
Unemployment Rate (%)	2.9	3.3	4.0	4.3	4.5
Personal Income (mil \$)	258,004.5	269,405.8	290,204.8	304,935.6	319,842.9
Housing Permits	16,869	10,875	11,671	12,641	12,925
House Transactions (Residential)	26,166	19,734	17,731	19,124	22,200
House Prices (avg.)	1,084,678	1,048,958	1,149,081	1,278,404	1,333,445
Seattle FHFA Index	503.5	504.6	516.0	529.0	537.0
Seattle CPI-U	322.2	340.8	355.0	366.0	377.0
Taxable Retail Sales (mil \$)	91,168.8	93,574.5	96,890.7	101,097.8	106,776.1
King County Employment - Detail (thousands)					
Natural Resources	0.4	0.5	0.5	0.5	0.5
Construction	80.4	79.1	79.2	84.1	89.0
Manufacturing	91.9	93.9	95.7	93.1	89.5
Subtotal (Goods Employment)	172.7	173.5	175.9	177.7	179.1
Trade, Transportation and Utilities	234.7	236.8	237.1	242.6	242.7
Information	141.3	135.6	134.3	139.4	143.4
Financial Services	76.0	74.5	74.5	77.3	77.7
Professional and Business Services	324.6	317.0	319.2	337.1	334.4
Other Services	362.9	381.2	391.4	375.4	382.2
Government	166.4	172.6	178.6	179.3	180.1
Subtotal (Services Employment)	1,305.9	1,317.7	1,335.2	1,351.0	1,360.6
Total Employment	1,478.3	1,491.2	1,510.9	1,528.7	1,539.4
Annual Growth					
Population	1.3%	1.0%	0.8%	0.9%	0.8%
Employment	4.7%	0.9%	1.3%	1.2%	0.7%
Personal Income	3.1%	4.4%	7.7%	5.1%	4.9%
Inflation	9.0%	5.8%	4.2%	3.1%	3.0%
Taxable Retail Sales	10.5%	2.6%	3.5%	4.3%	5.6%

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

KING COUNTY MARCH 2024 REVENUE FORECAST

King County's March 2024 revenue forecast showed mixed results with some revenue up and others going down from prior projections. King County total assessed value was down in 2024 by 5% and countywide new construction was up 10% annually. The unincorporated portion of King County saw assessed value go down by 11% and the new construction in the unincorporated KC also went down by 14% from 2022 levels. Even though assessed value for 2024 was lower, there were two new property tax levies started in 2024 and therefore total property taxes are anticipated to increase by 12% from the prior year, even though most existing property tax levies are limited to 1% assessed value growth plus new construction. Also with property taxes, the levies need to be renewed every 6 years so by 2025 and 2026 some property tax levies are projected to go away until voters renew their existing property tax rates.

As already discussed in this report, taxable sales slowed in 2023 and are anticipated to grow 4% annually in 2024. Total sales tax levies are projected to be up 9.7% in 2024 but that is due to having a new sales tax levy starting for the Cultural Access Program. Without that new levy, existing sales tax revenue would only be up 3.6% in 2024 which is slightly less than the growth in taxable sales.

KING COUNTY REVENUE FORECAST - MARCH 2024					
KC Forecasted Item - Level	2022	2023	2024	2025	2026
County - AV (in millions)	722,528	879,895	833,036	849,327	882,857
County- New Construction AV (in millions)	10,200	10,398	11,475	10,692	10,998
Unincorporated - AV (in millions)	60,221	79,540	70,793	72,155	75,526
Unincorporated - New Construction AV (in millions)	461	556	476	510	495
Taxable Sales (\$ in millions)	\$91,169	\$93,174	\$96,891	\$101,098	\$106,776
Property Tax ^A (\$ in millions)	\$1,216	\$1,294	\$1,451	\$1,442	\$1,131
Sales Tax* (\$ in millions)	\$1,173	\$1,196	\$1,312	\$1,390	\$1,468
Hotel/Rental Car Tax (\$ in millions)	\$40	\$45	\$48	\$51	\$54
Real Estate Excise Tax (REET) (\$ in millions)	\$11	\$8	\$8	\$9	\$10
Gambling Tax (\$ in millions)	\$2	\$2	\$2	\$2	\$3
E-911 Tax (\$ in millions)	\$26	\$27	\$28	\$28	\$28
Penalties & Interest (\$ in millions)	\$23	\$20	\$17	\$17	\$18
Cannabis Excise Tax (\$ in millions)	\$3	\$3	\$3	\$3	\$3
Recorded Documents Fees (8 accts) (\$ in millions)	\$ -	\$ -	\$25	\$30	\$33

^A 2024 had two new property tax levies and certain property tax levies must be renewed by voters in 2025 or 2026 – forecast assumes these expiring levies are not renewed

*Sales taxes includes a new Cultural Access Program levy in 2024

KING COUNTY REVENUE FORECAST - MARCH 2024					
KC Forecasted Item - Annual Growth	2022	2023	2024	2025	2026
County - AV (in millions)	9.6%	21.8%	-5.3%	2.0%	3.9%
County- New Construction AV	-3.9%	1.9%	10.4%	-6.8%	2.9%
Unincorporated - AV	16.3%	32.1%	-11.0%	1.9%	4.7%
Unincorporated - New Construction AV	20.6%	20.7%	-14.4%	7.2%	-3.0%
Taxable Sales	10.5%	2.2%	4.0%	4.3%	5.6%
Property Tax [^]	8.8%	6.5%	12.1%	-0.6%	-21.6%
Sales Tax [*]	10.2%	1.9%	9.7%	5.9%	5.6%
Hotel/Rental Car Tax	66.4%	11.4%	7.0%	6.8%	6.4%
Real Estate Excise Tax (REET)	-11.1%	-30.0%	6.2%	7.4%	9.9%
Gambling Tax	-2.7%	-23.2%	13.5%	10.1%	10.1%
E-911 Tax	1.9%	2.4%	2.7%	0.8%	1.7%
Penalties & Interest	-18.4%	-14.7%	-13.4%	0.9%	3.3%
Cannabis Excise Tax	23.9%	-0.6%	1.6%	3.5%	3.4%
Recorded Documents Fees (8 accts)	new	new	new	19.8%	12.7%

[^] 2024 had two new property tax levies and certain property tax levies must be renewed by voters in 2025 or 2026 – forecast assumes these expiring levies are not renewed

^{*}Sales taxes includes a new Cultural Access Program levy in 2024

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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