

2021 King County Economic/Revenue Forecast; The Covid-19 Experience, Impacts and Future

Presentation to the Puget Sound Finance Officer's Association

Presented on:
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Dave Reich
Office of Economic and Financial Analysis



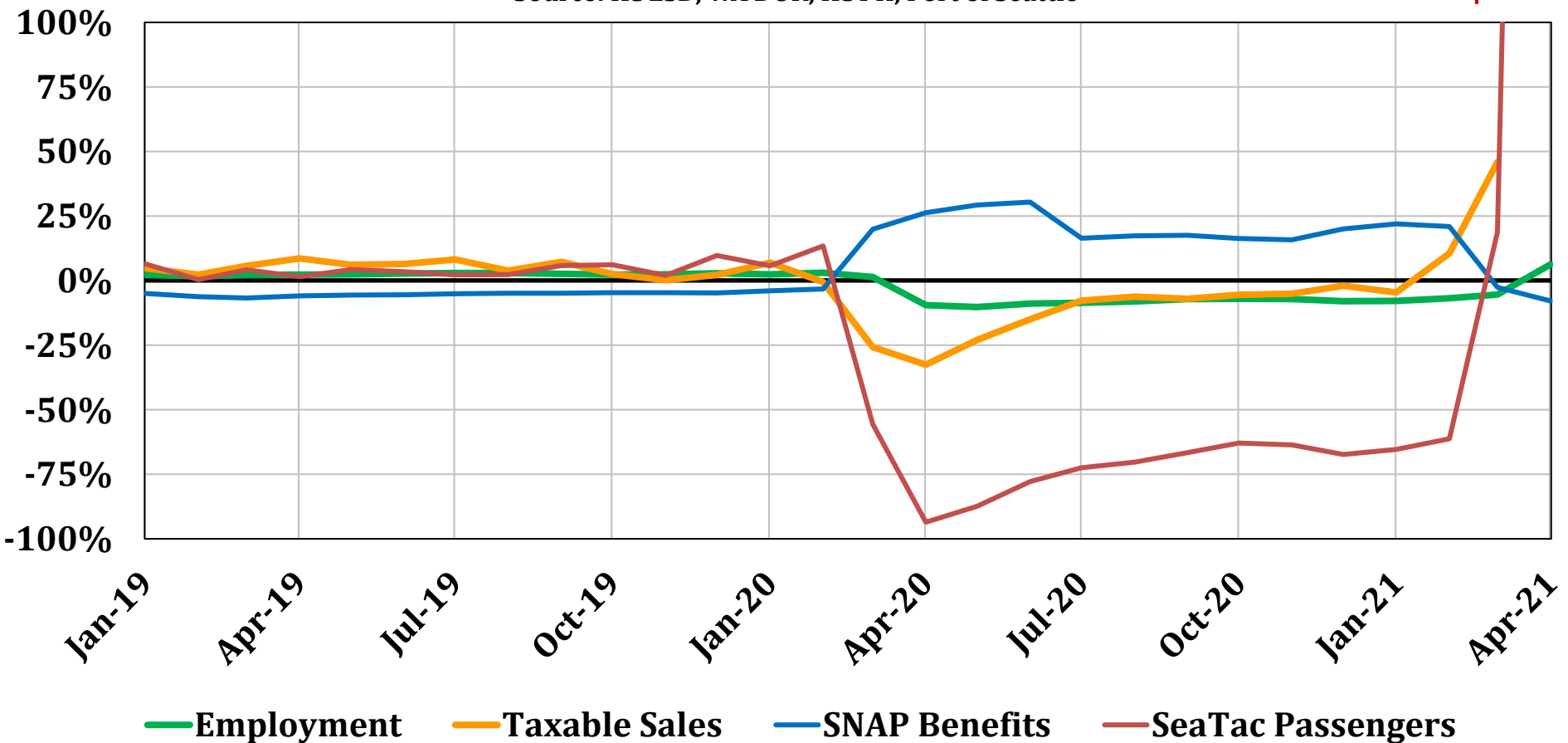
Coming into 2020, King County had been enjoying years of strong economic growth



Year-over-Year Growth for Selected Indicators

KC Emp, Taxable Sales, Basic Food (SNAP) Benefits, & Sea-Tac Passenger Volumes
Source: KC ESD, WA DOR, KC PH, Port of Seattle

2M April 2021
passengers vs
200K in April 2020



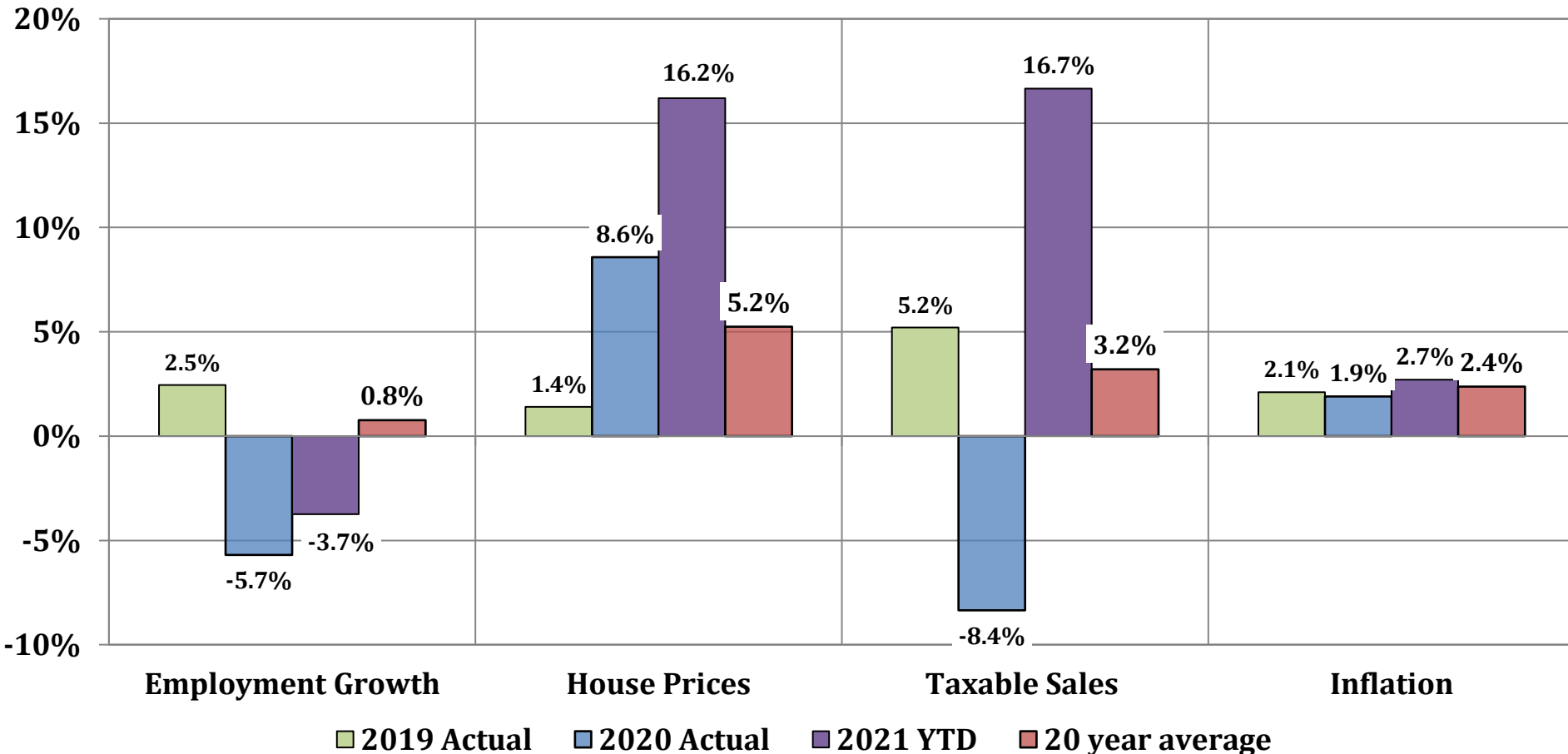
King County indicators showed the impacts of Covid-19 in 2020



King County Economic Indicators

2019 Actuals, 2020 Actuals, 2021 YTD, & 20 Year Average-Annual Growth

Source: PSEF, Case-Shiller, WA DOR, BLS



King County employment has recovered in some industries but not in others

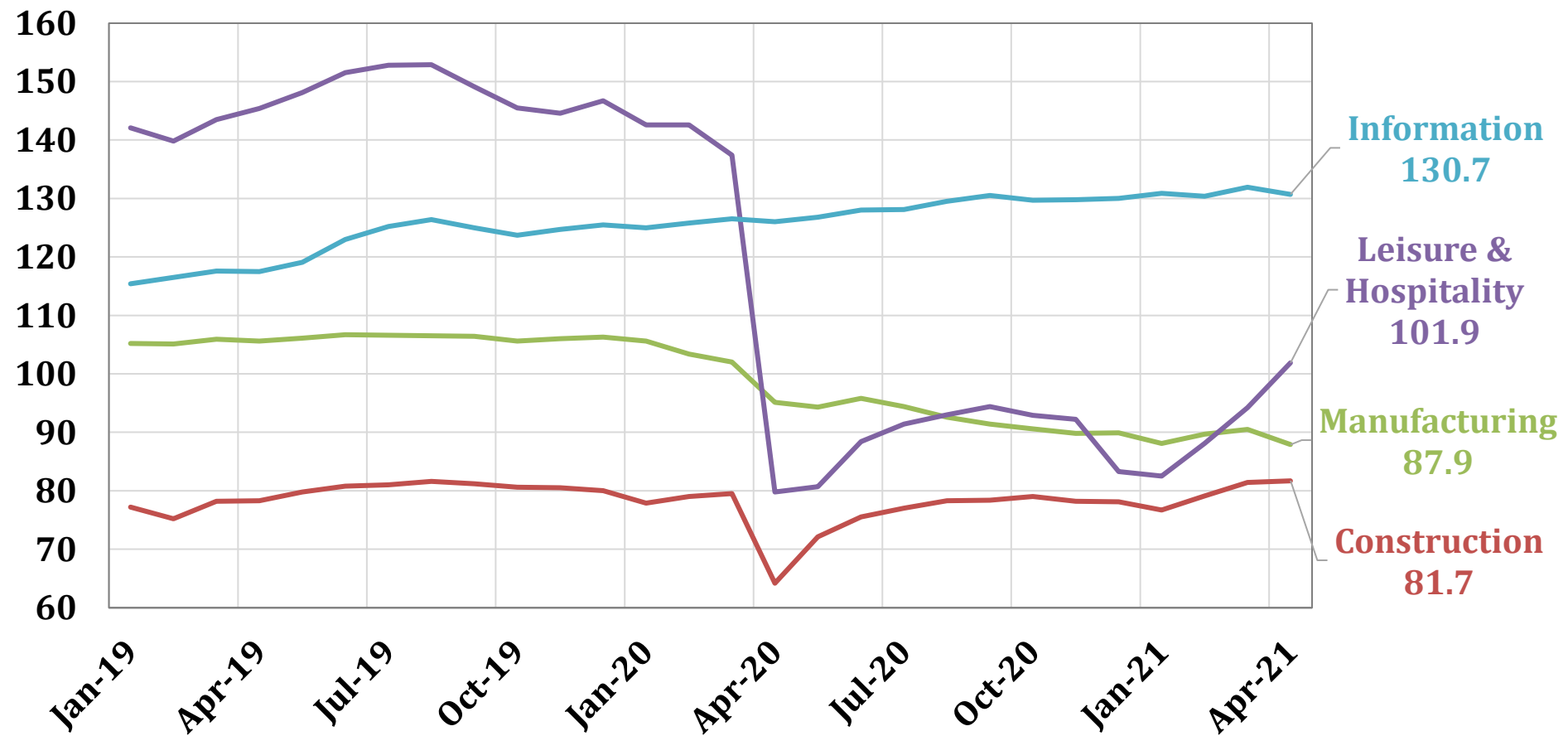


King County Employment by Sector

Monthly employment in thousands; Jan. 2019-Current

Source: WA ESD

Key Letter 1 of 4:
"O"



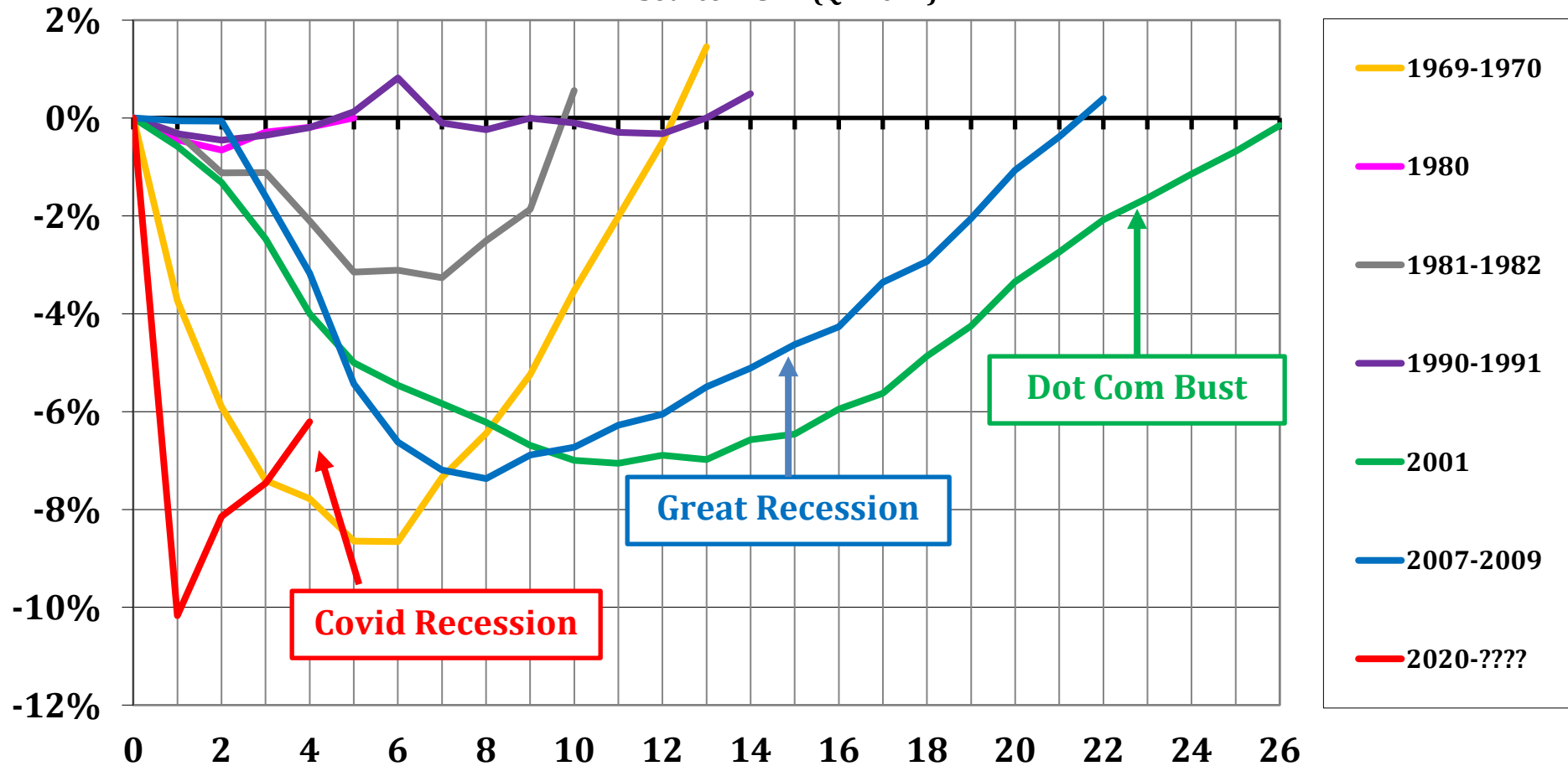
The Covid recession was the most severe we've seen but will likely be short



Quarters Needed to Return to Growth by Recession

Quarterly Employment Change from Base Quarter

Source: KCFM (Q1 2021)



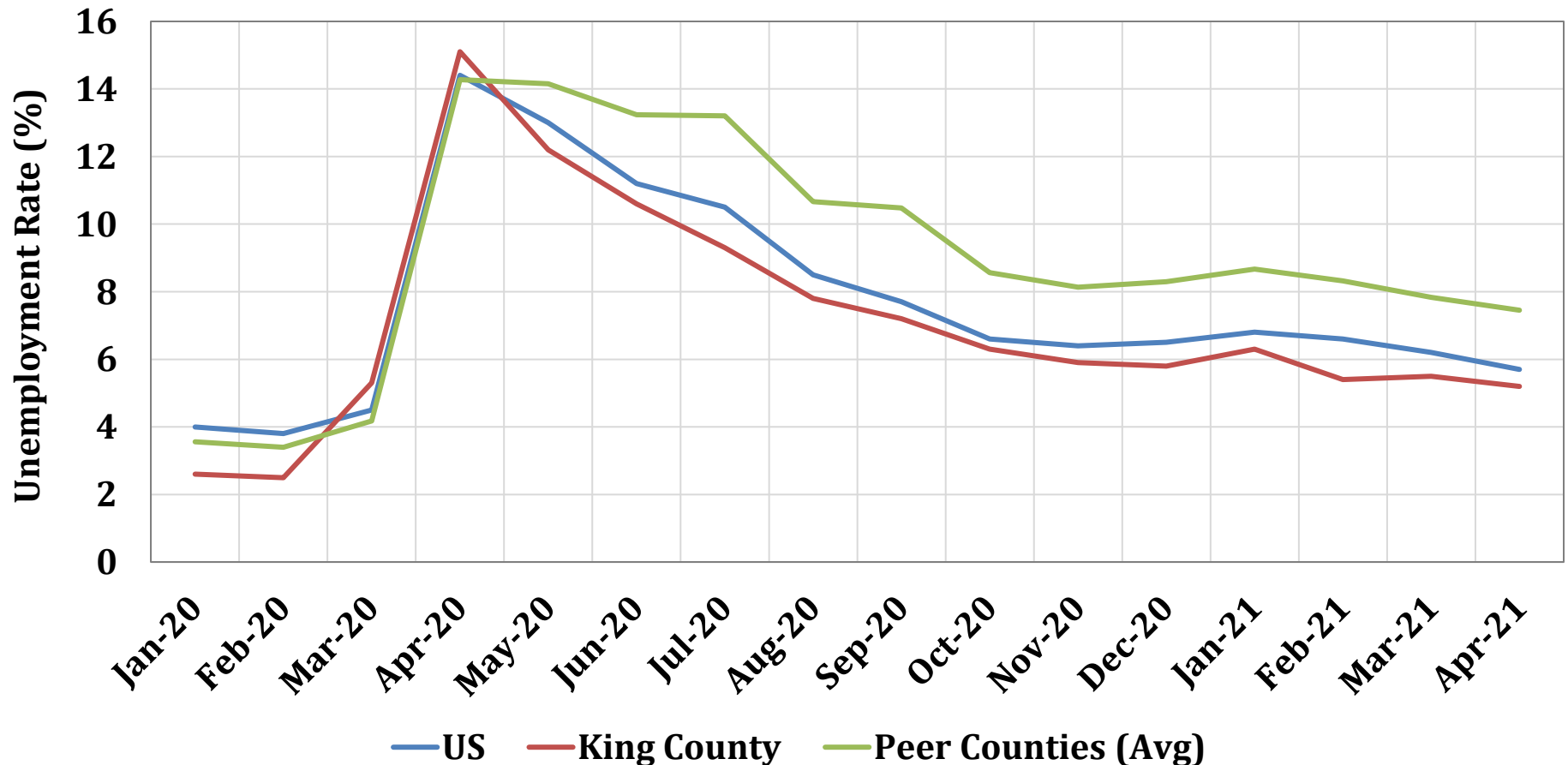
King County experienced a massive increase in unemployment but generally fared better than our peer counties



Unemployment Rate for KC, U.S. and selected counties

Unemployment Rate; Jan. 2020-Current

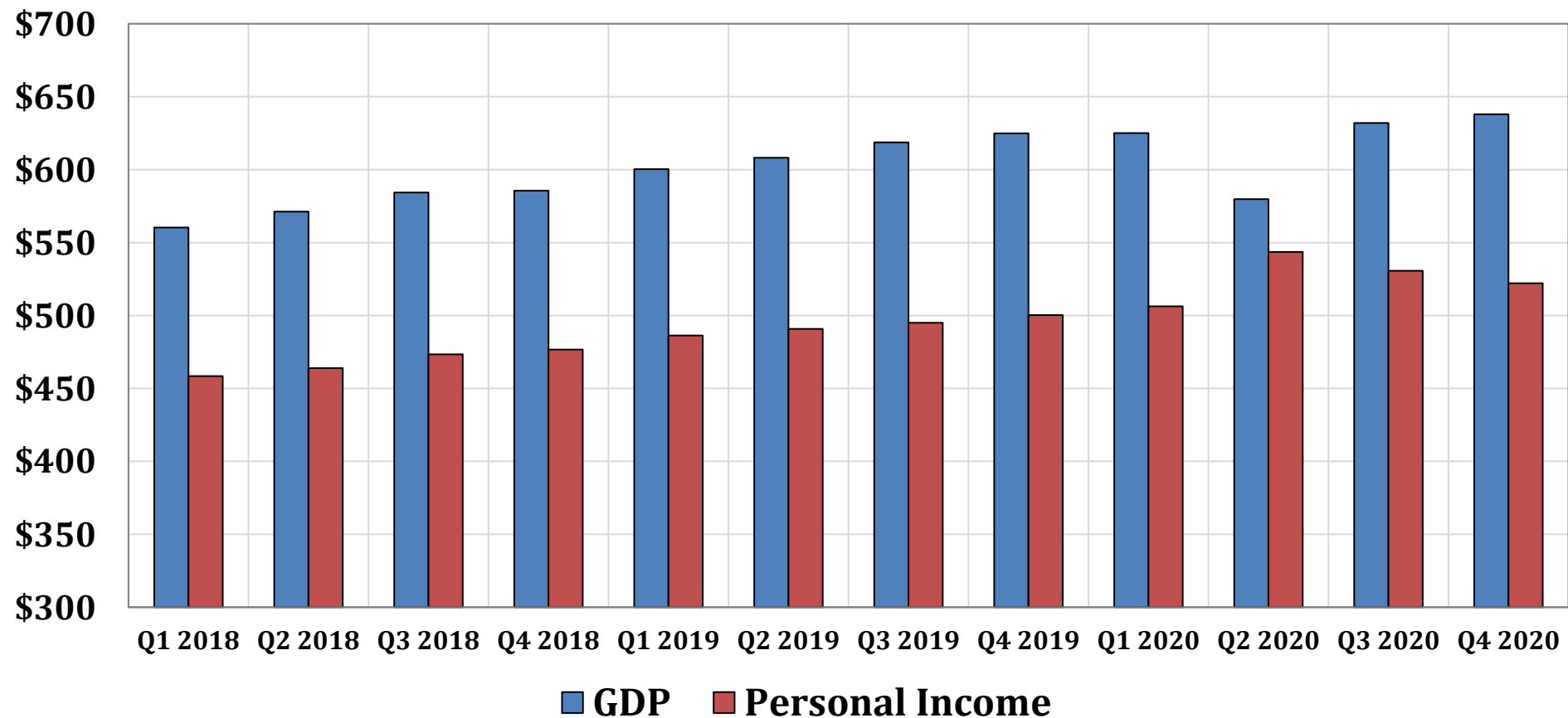
Source: BLS



WA state incomes surged due to transfers even as output fell



WA State: GDP vs Personal Income
PI & GDP: in billions \$, SA at annual rates, current-dollar
Source: Bureau of Economic Analysis



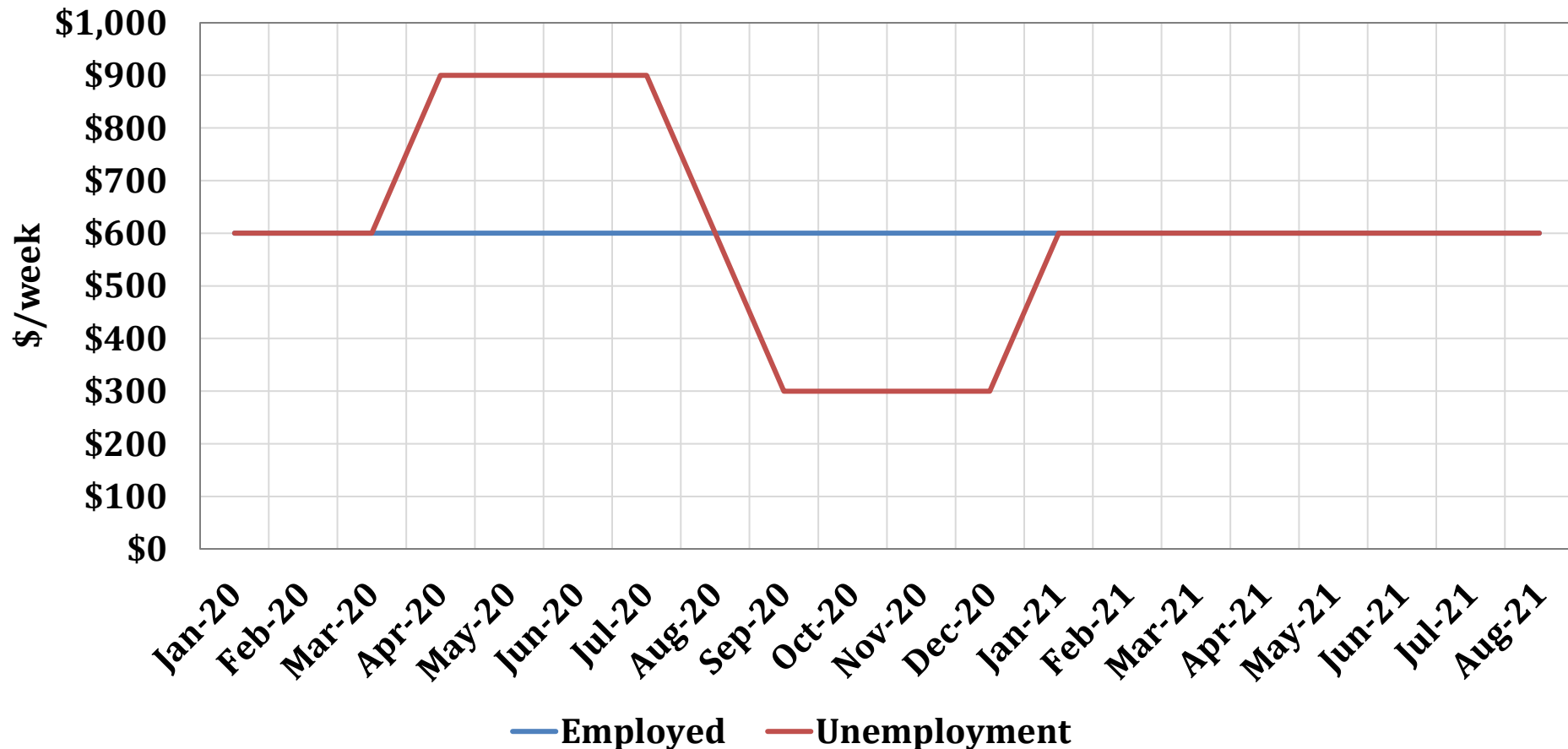
Massive fiscal relief had a large impact for those eligible for unemployment



Hypothetical \$15/hr. worker in King County

Unemployment payments vs \$15 wages

Source: WA ESD



Stimulus checks added a significant amount to local incomes

Total KC AGI (2018)	\$146B
Cares Act Checks	\$1.2B
December Stimulus	\$0.6B
ARP Checks	\$1.4B
Total	\$3.2B
% of AGI (all)	2.2%
% of AGI (<\$150K)	>6%
Checks for kids	\$0.6B-\$0.8B

PPP Loans likely helped many local businesses

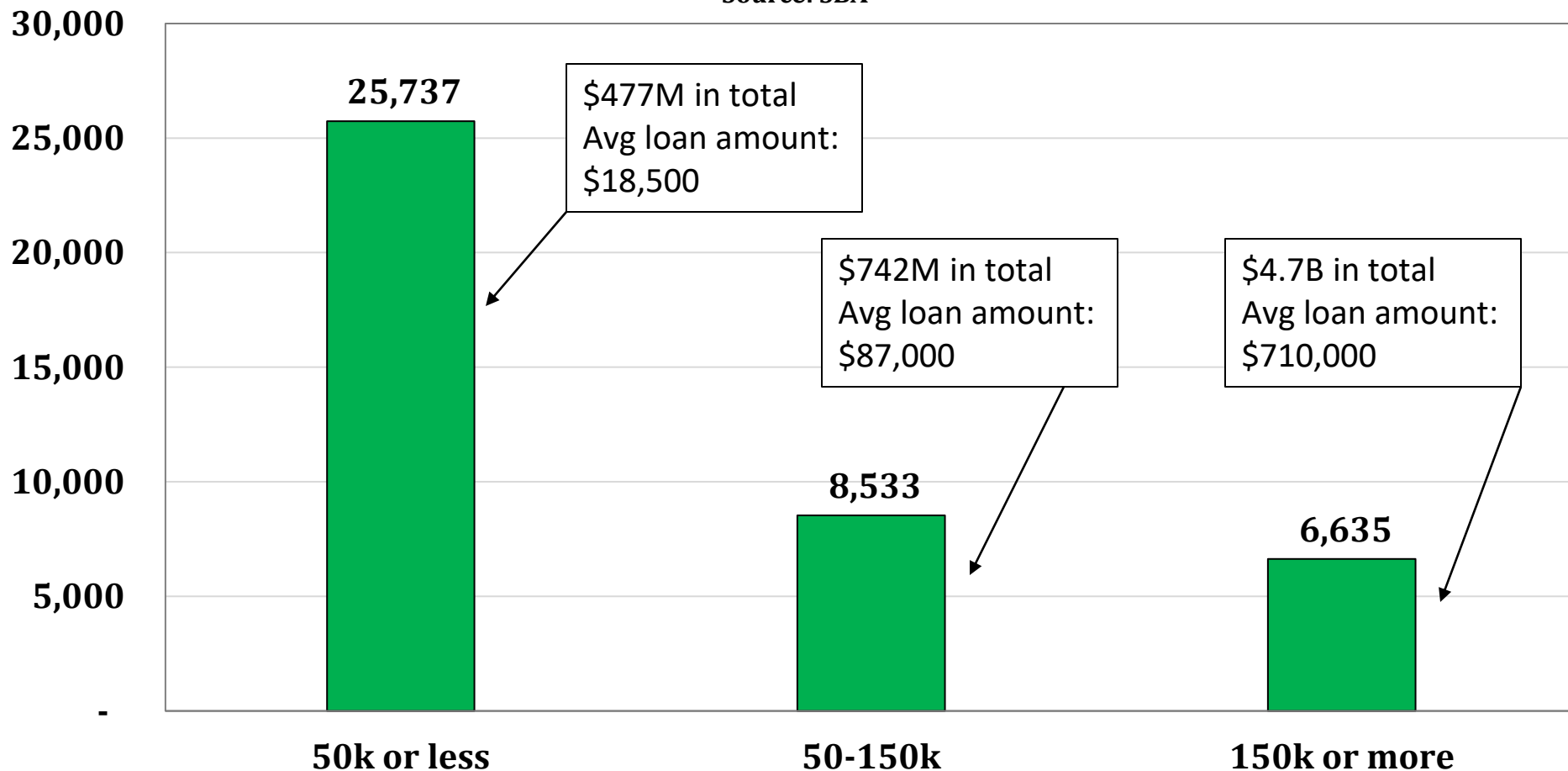


Estimated PPP Loans to King County

Number of firms receiving loans by loan amount

Source: SBA

*Key Letter 2 of 4:
"E"*



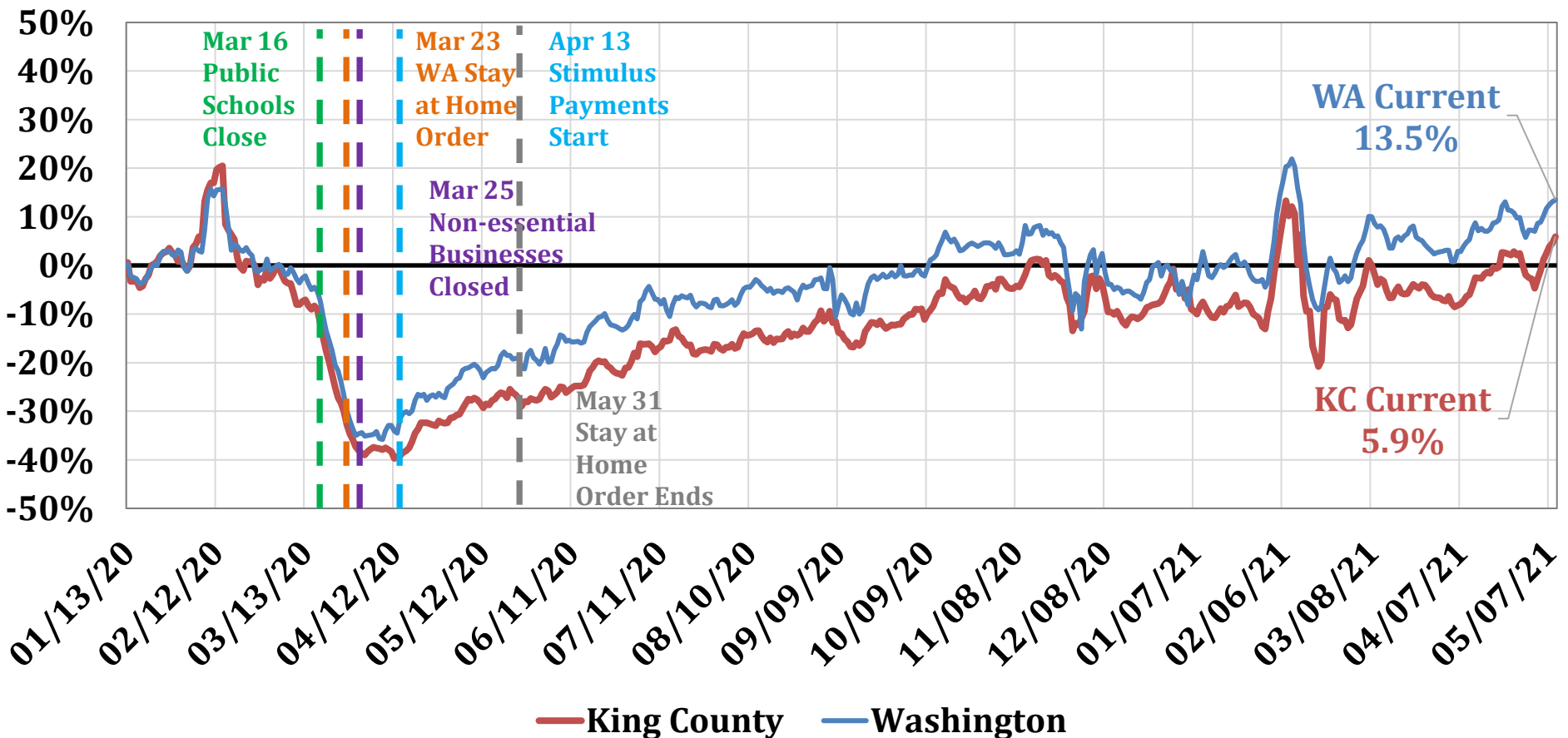
All the support likely enhanced consumer spending in 2020 and 2021



Total Spending by All Consumers

Year-over-Year Change in Spending in WA and KC

Source: Opportunity Insights, based on card transactions from Affinity Solutions



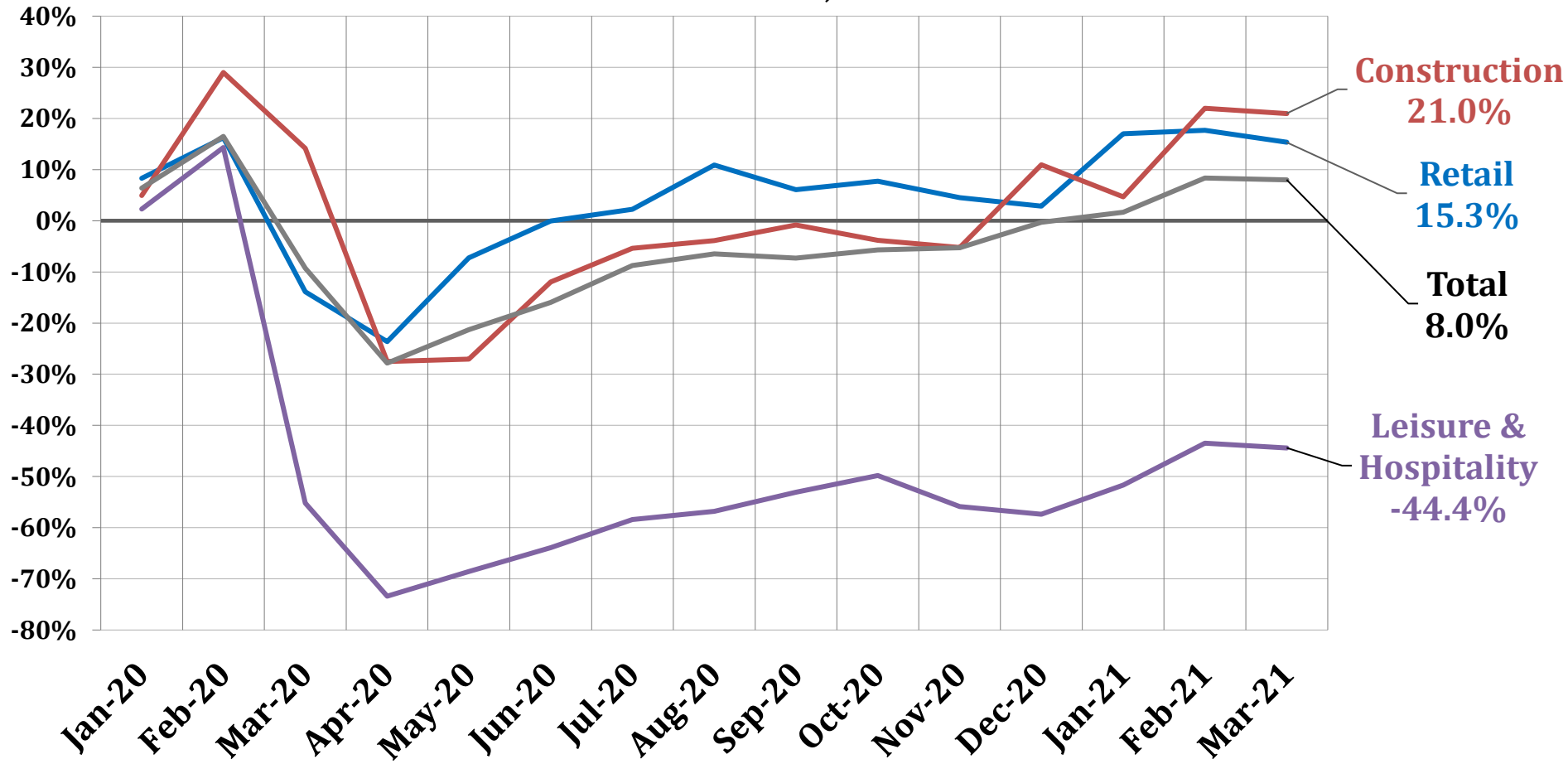
Taxable sales dropped precipitously in spring 2020 but are running above 2019 so far in 2021



Taxable Sales Growth

Monthly growth rates of taxable sales for select sectors relative to 2019 month

Source: WA DOR, KC OEFA

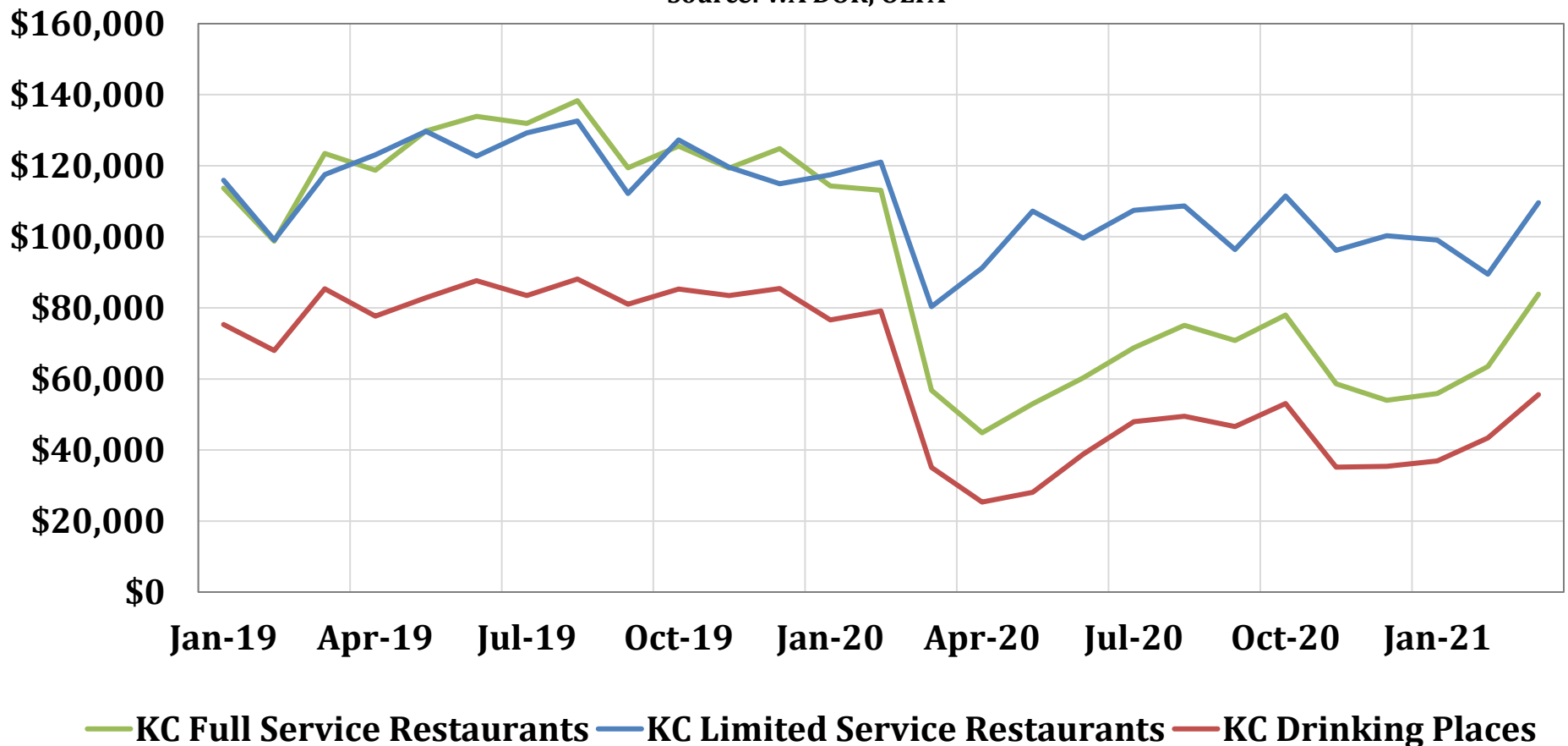


Restaurants & bars have been hit hard during the pandemic



King County Average Restaurant Sales

Average Taxable Sales per UBI
Source: WA DOR, OEFA

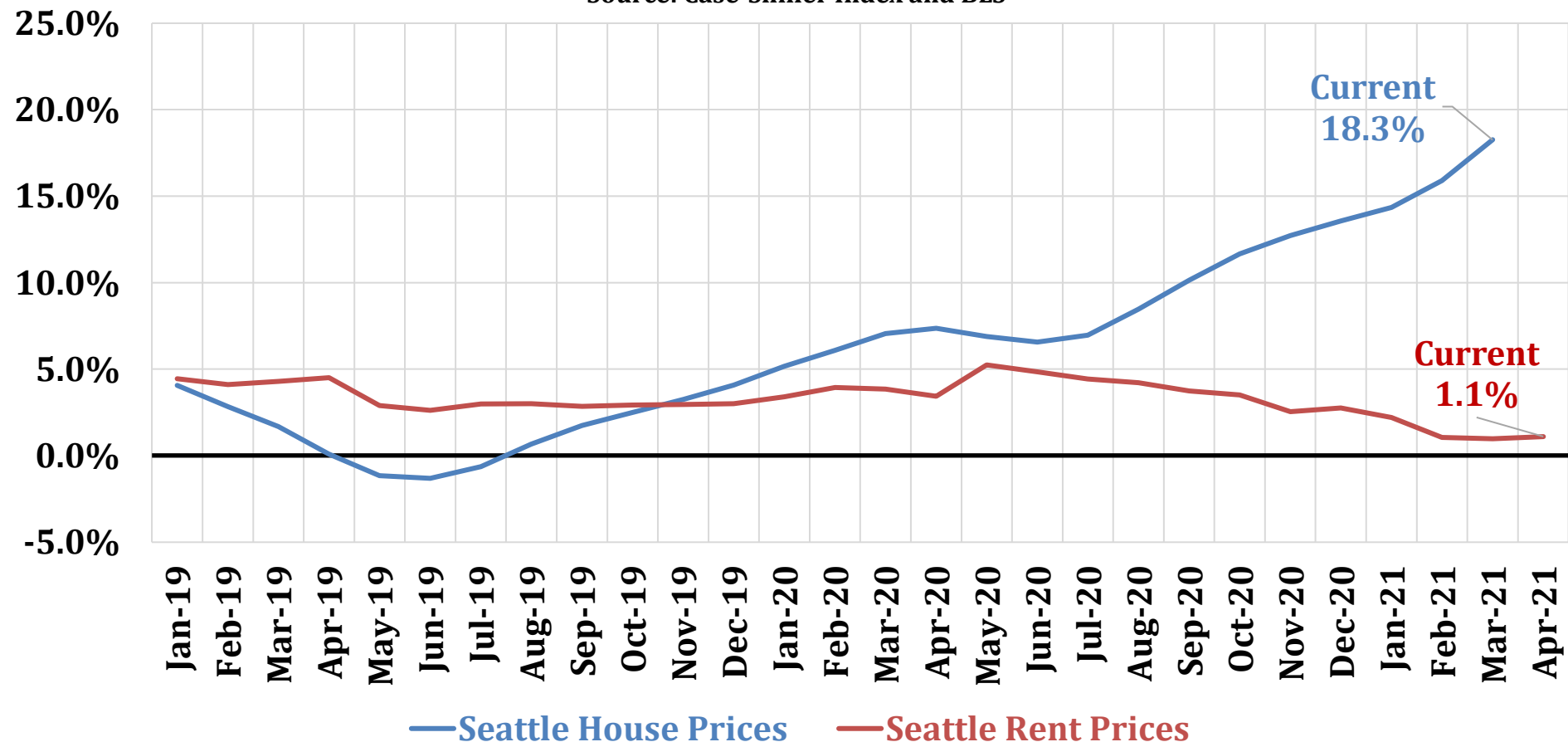


House prices surged in 2020 as rents continued to grow more slowly



Seattle House Price Growth & Rent Price Growth

Monthly year-over-year growth in House and Rental Prices; Jan 2019-Current
Source: Case-Shiller Index and BLS



Redfin CEO:

“There are more realtors than listings.”



King County Real Estate Inventory

Inventory = Active Listings/Closed Sales; Jan. 2006-Present

Source: NWMLS (Res+Condo)



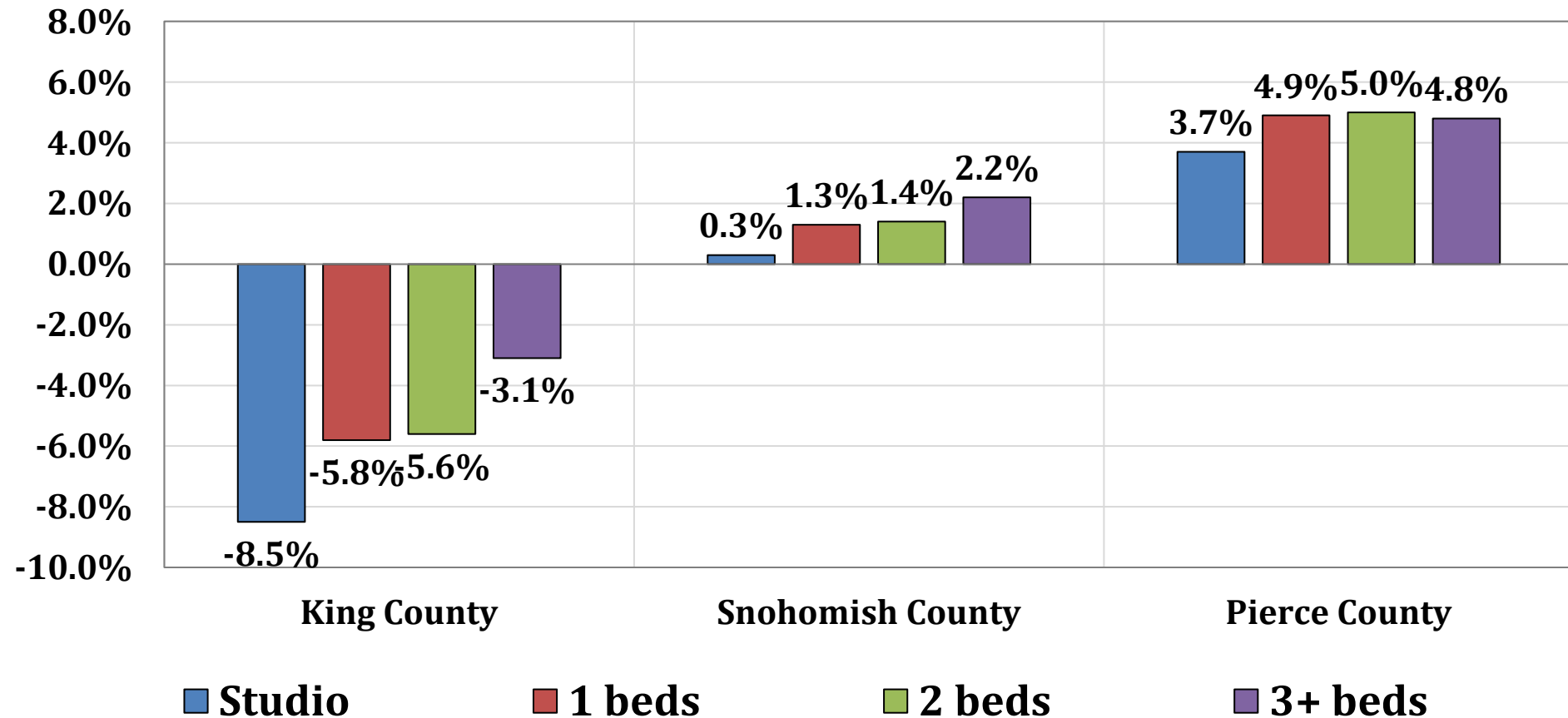
Rents were impacted differently during the pandemic depending on location



Residential Rent Changes Around the Sound

Year-over-Year Rent Changes by Residential Rental Type

Source: Collier International Q4 2020 Puget Sound Report



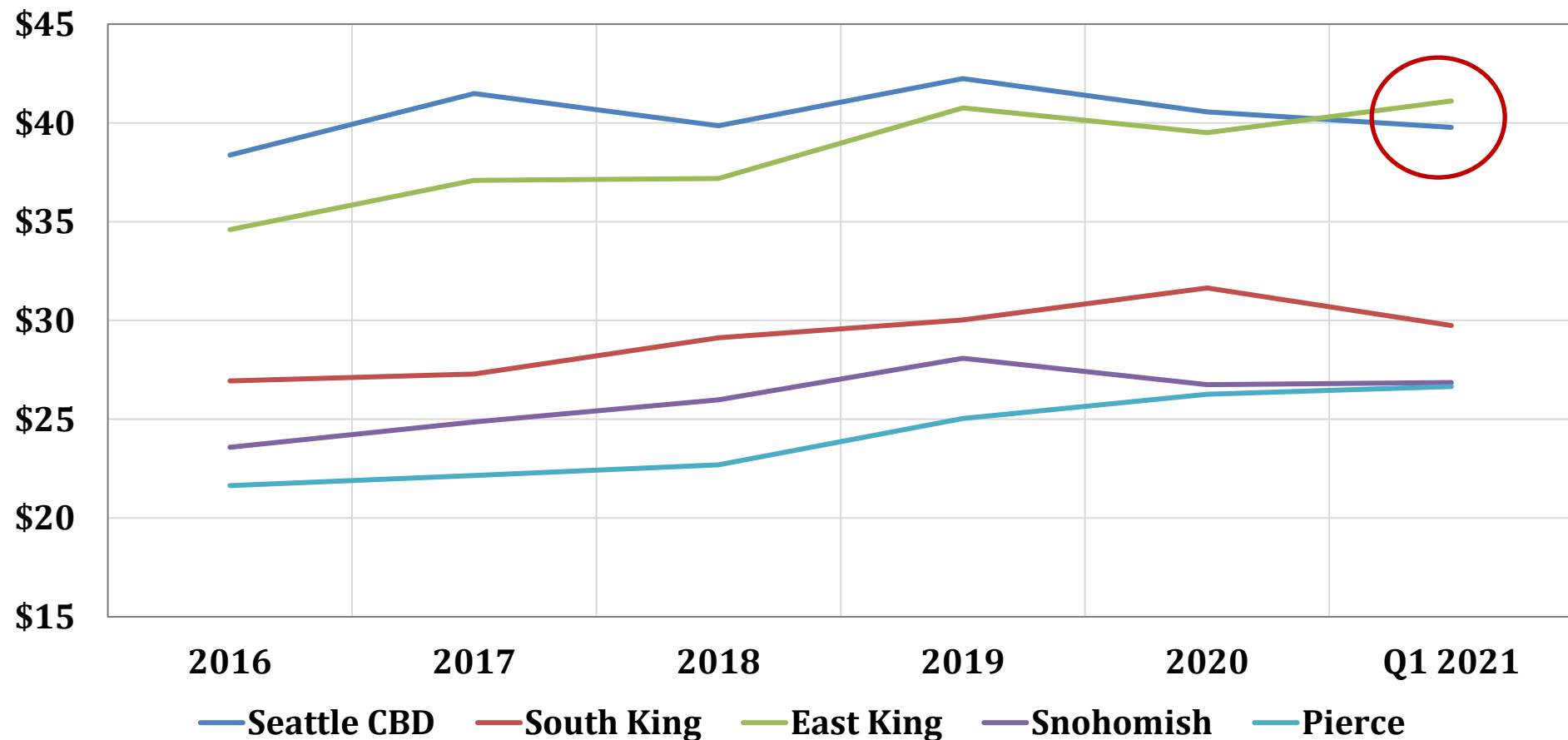
Bellevue's Commercial Rent Prices Supersede Seattle's as Region's Highest in Q1 2021



Commercial Office Rental Prices

Average Commercial Office Rental Price per Sq Ft.

Source: Kidder Matthews Q1 2021 Commercial Market Report



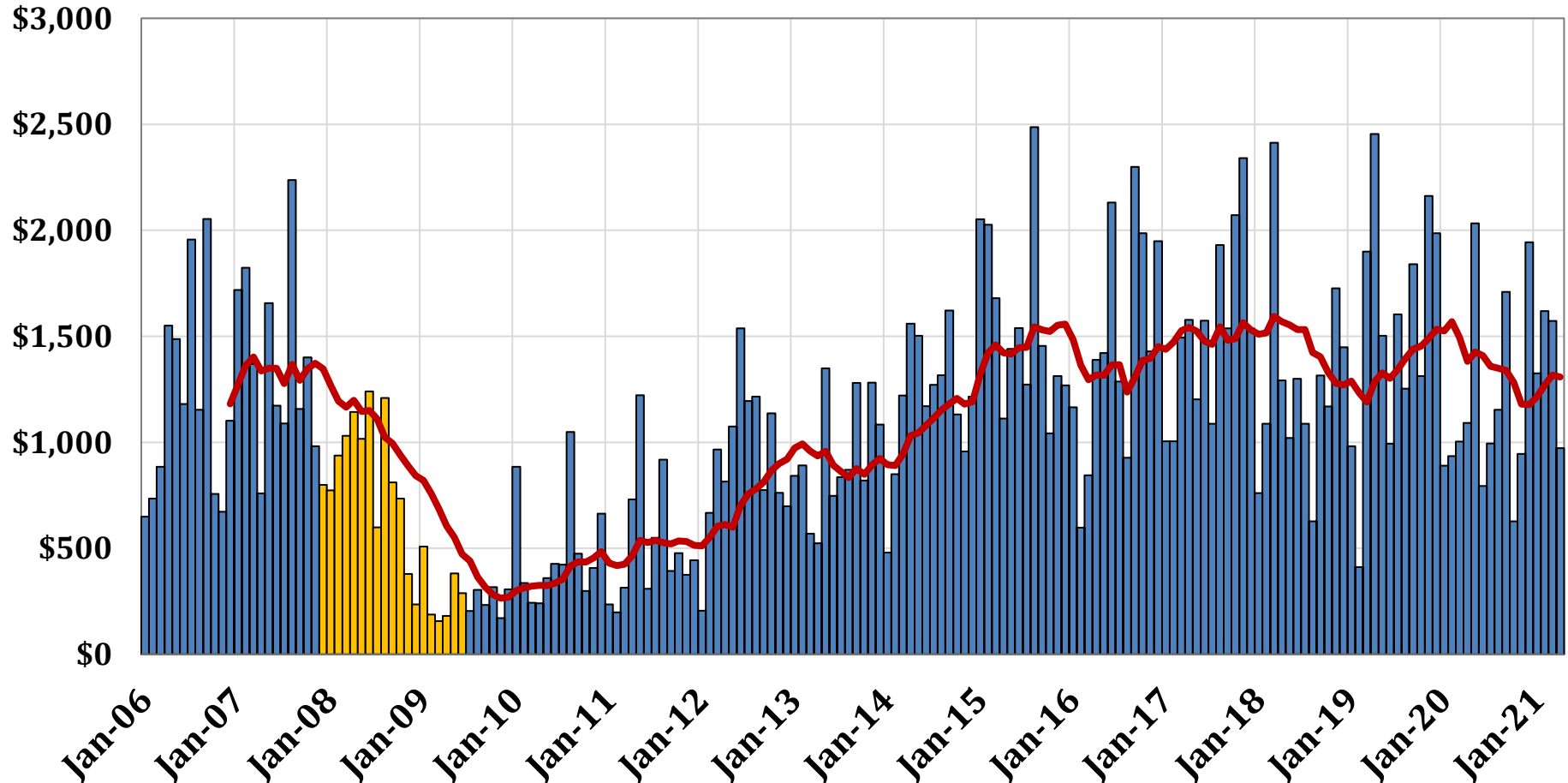
Construction has been a big factor in the local expansion, but residential permitting fell in 2020



King County Residential Permit Values

Monthly Value of All Permits from Jan. 2006-Feb. 2021 with **Rolling Annual Avg.**

Source: Census Bureau



Commercial Permits: Construction moves east



Seattle & Bellevue Commercial Permit Values
In millions \$; Annual Rolling Average of Permit Values in Seattle & Bellevue
Source: City of Seattle & Bellevue Permit DB

**Key Letter 3 of 4:
"F"**



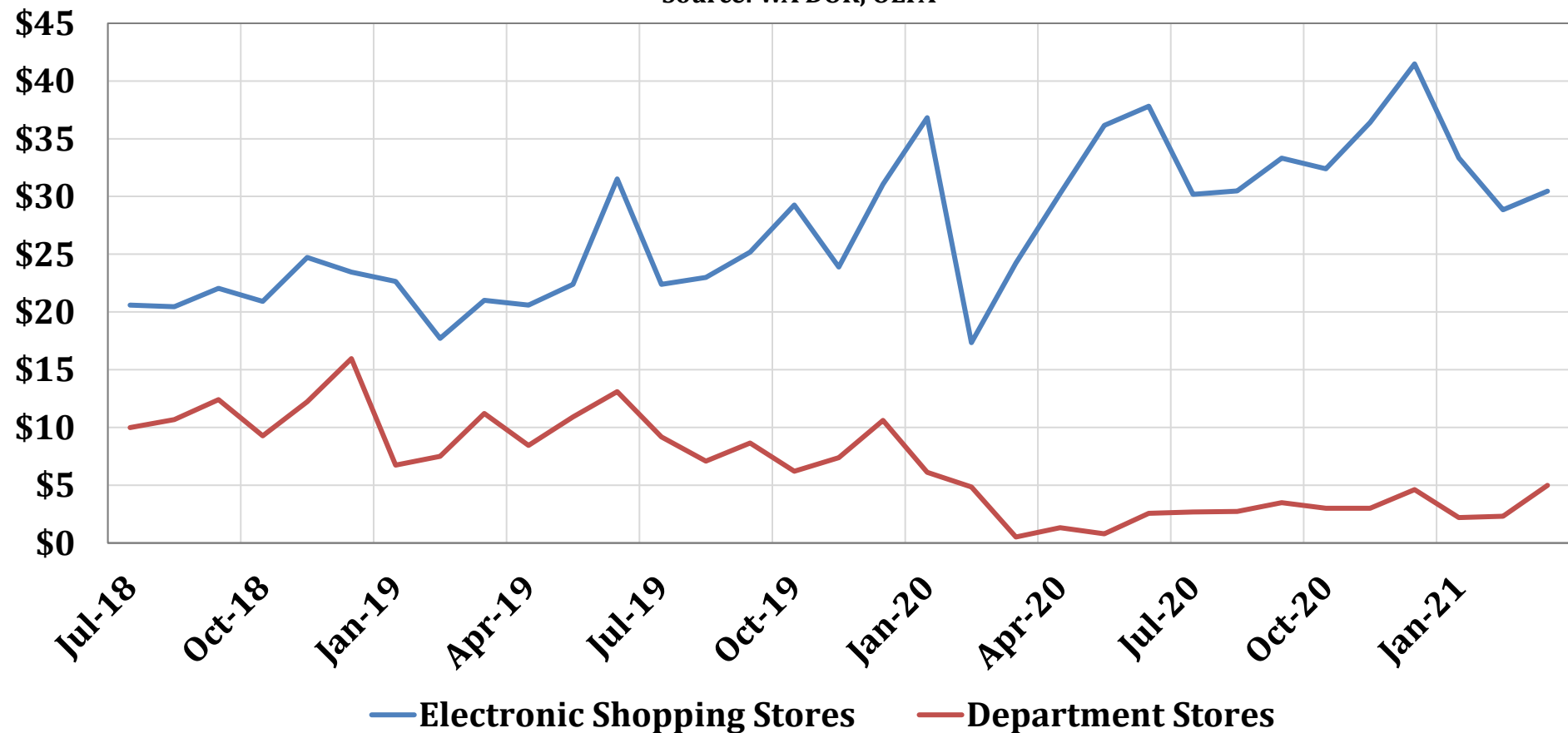
Long-term trends sped up by Covid: Expanding e-commerce, WFH, long-run challenges like homelessness-what happens to downtown Seattle?



E-Shopping vs Department Store Sales in Seattle

In millions \$; Monthly Taxable Sales for NAICS 454110 vs 452210

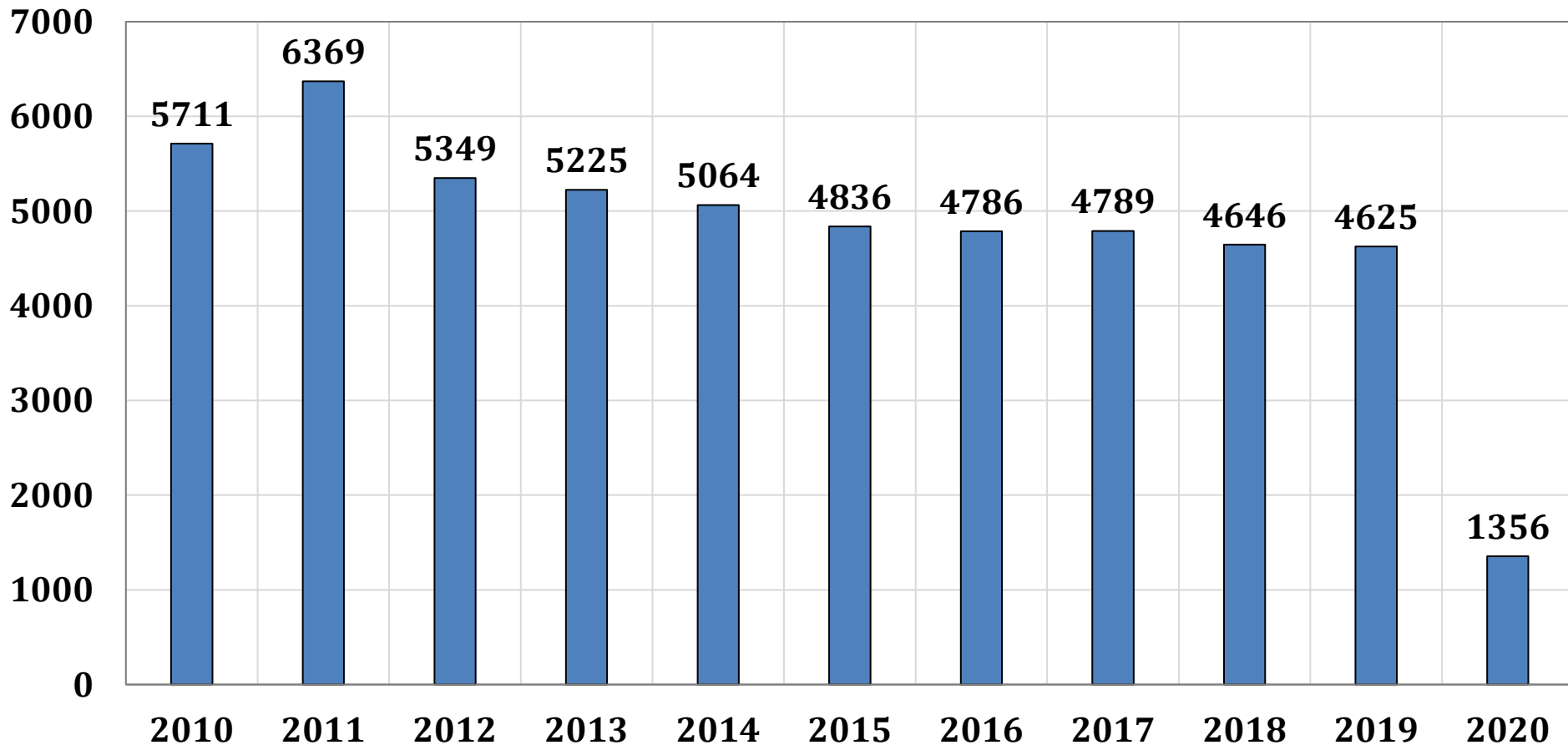
Source: WA DOR, OEFA



Eviction bans have kept many from losing their homes during the pandemic but what next?



Eviction Cases in King County
Number of Unlawful Detainer Cases Filed in KC Superior Court
Source: KC Superior Court



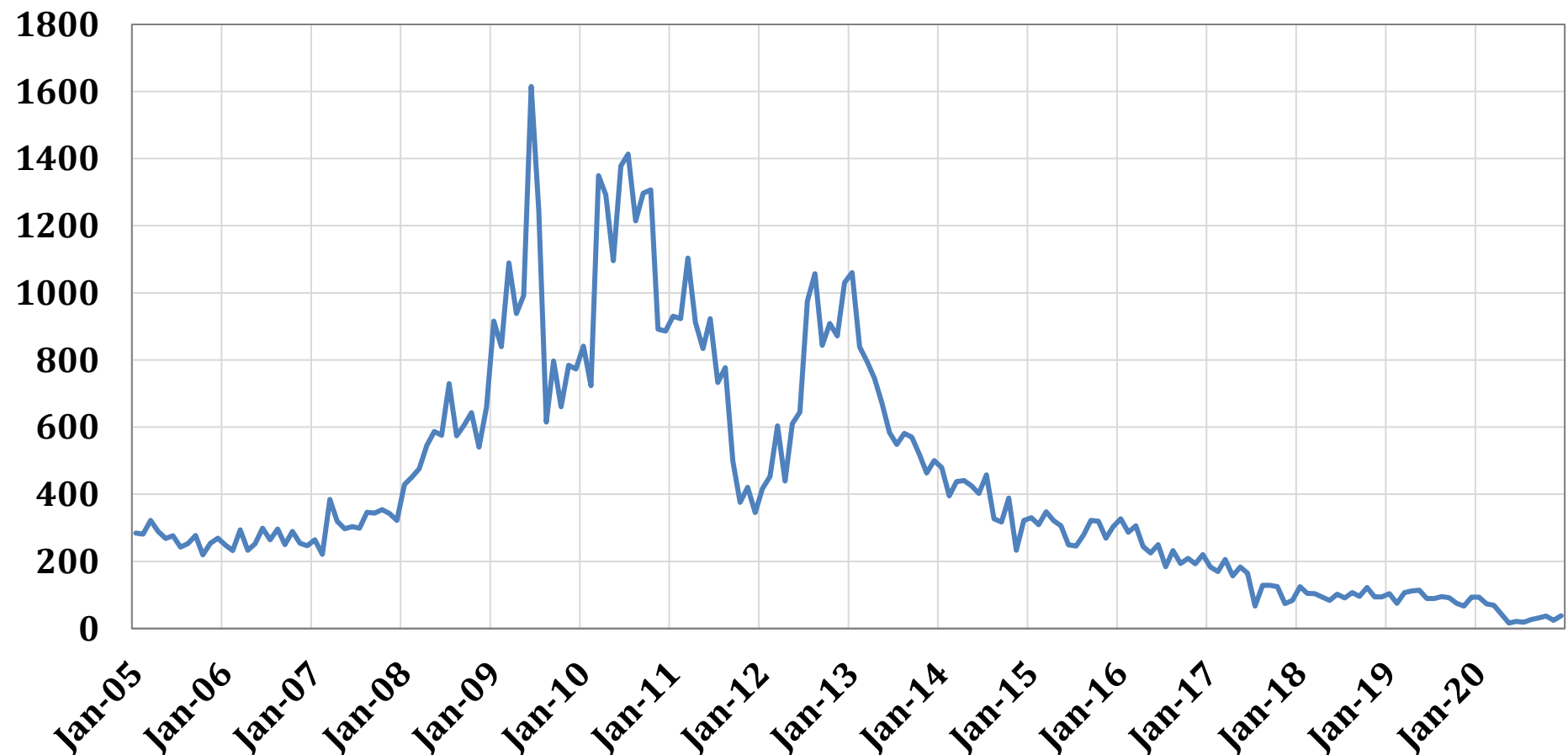
Foreclosures have also been prevented but will they spike soon?



King County Notice of Trustee Sales

90 Day Delinquencies; Jan. 2005-Present

Source: King County Recorder's Office



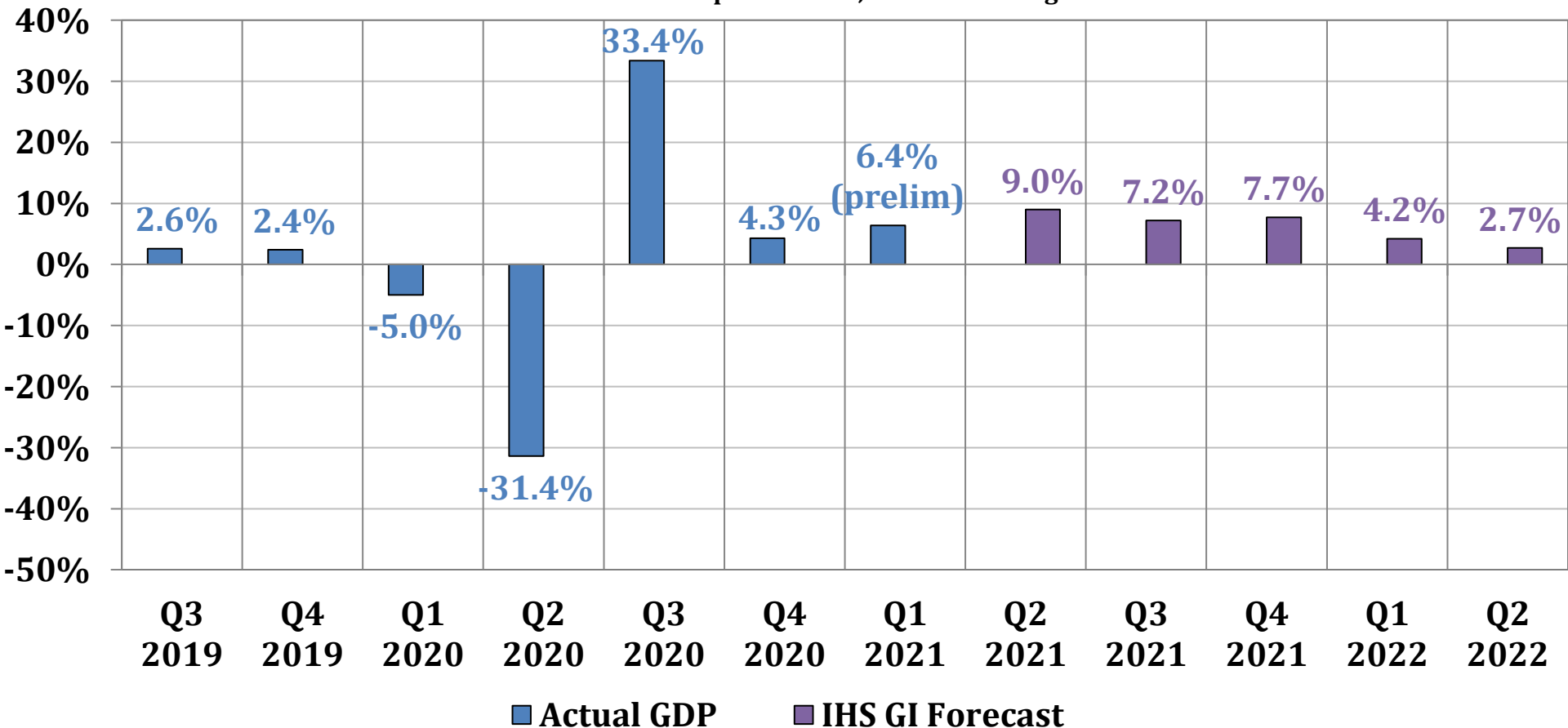
Economic activity swung wildly in 2020 but looking for solid growth in 2021



U.S. Real GDP Growth Forecast

Actuals Q3 2019-Q4 2020, Forecast Q1 2021-Q2 2022

Source: Blue Chip Indicators, IHS Global Insight



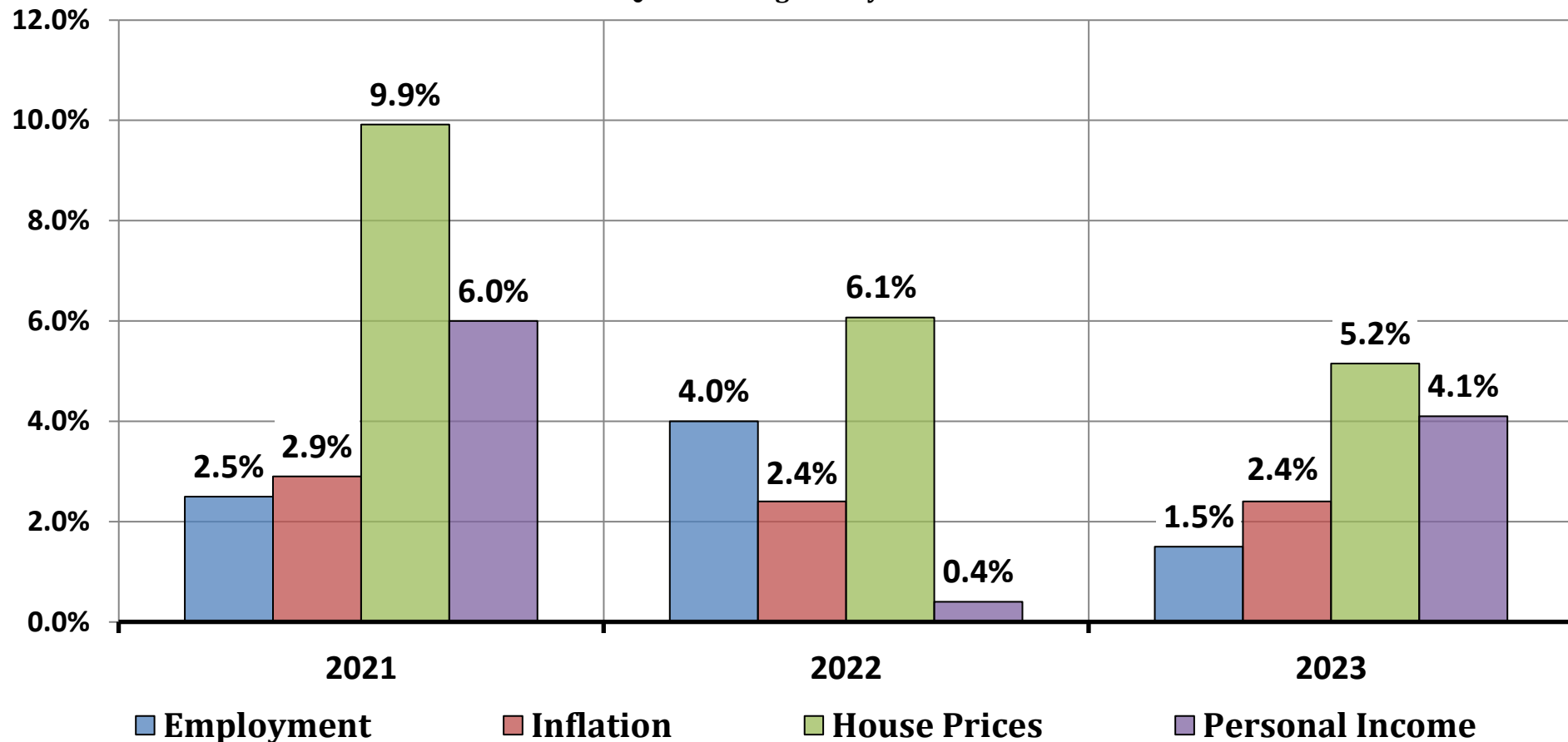
The King County forecast calls for solid growth in the near-term as we recover from Covid-19



Employment, Inflation, Housing & Income

Forecast 2021-2023

Source: Q2 2021 King County Forecast Model



Construction will be important to watch going forward: commercial pullback? SF residential growth likely continues?

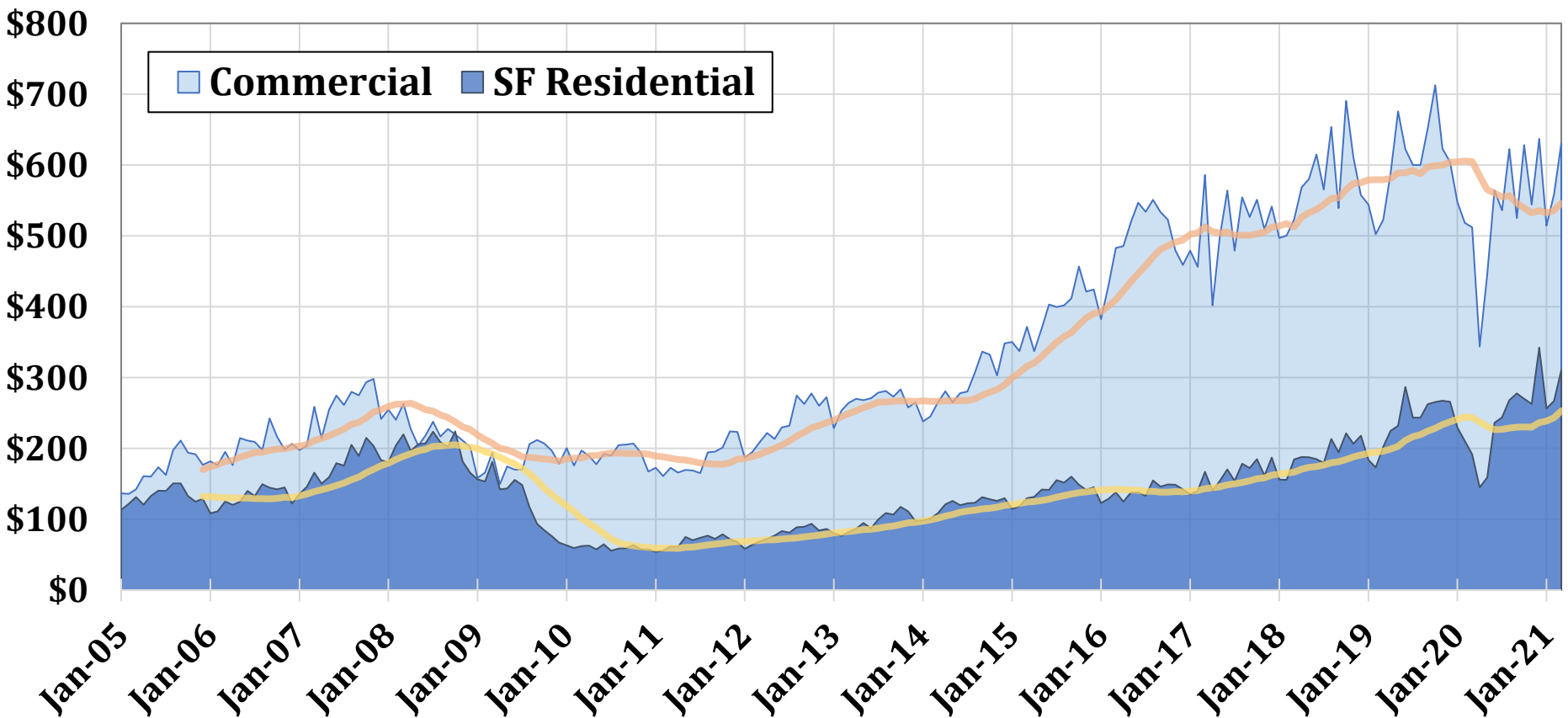


KC Comm. & SF Res. Construction Taxable Sales

Commercial and SF Residential Taxable Sales (in millions \$) Jan. 2005-Current

Source: OEFA Sales Tax DB

Key Letter 4 of 4:
"A"



March 2021 Revenue Forecasts

Assumptions:

(1) 65% Confidence Level – 65% chance revenues will come in higher than forecasted (lower for inflation/price forecasts)

(2) All potential annexation areas are assumed to occur on schedule:

-North Highline	(01-01-24)
-Renton West Hill	(01-01-25)
-Fairwood	(01-01-26)
-Renton East Hill	(01-01-27)
-East Federal Way	(01-01-28)

Countywide Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from August 2020 Forecast	\$ Change from August 2020 Forecast
2019	\$606,623,698,131	13.46%	0.00%	\$0
2020	\$642,490,492,044	5.91%	0.00%	\$0
2021	\$659,534,881,337	2.65%	0.49%	\$3,209,625,209
2022	\$692,834,431,426	5.05%	7.77%	\$49,978,142,919
2023	\$733,729,103,593	5.90%	10.33%	\$68,696,849,434
2024	\$774,638,791,777	5.58%	12.49%	\$86,035,690,467
2025	\$813,573,423,080	5.03%	12.48%	\$90,258,558,308
2026	\$857,656,612,936	5.42%	13.17%	\$99,813,132,520
2027	\$901,679,512,734	5.13%	13.29%	\$105,750,977,935
2028	\$944,151,385,147	4.71%	13.37%	\$111,325,983,373
2029	\$987,567,480,461	4.60%	12.87%	\$112,635,806,543
2030	\$1,029,134,167,144	4.21%	new	new

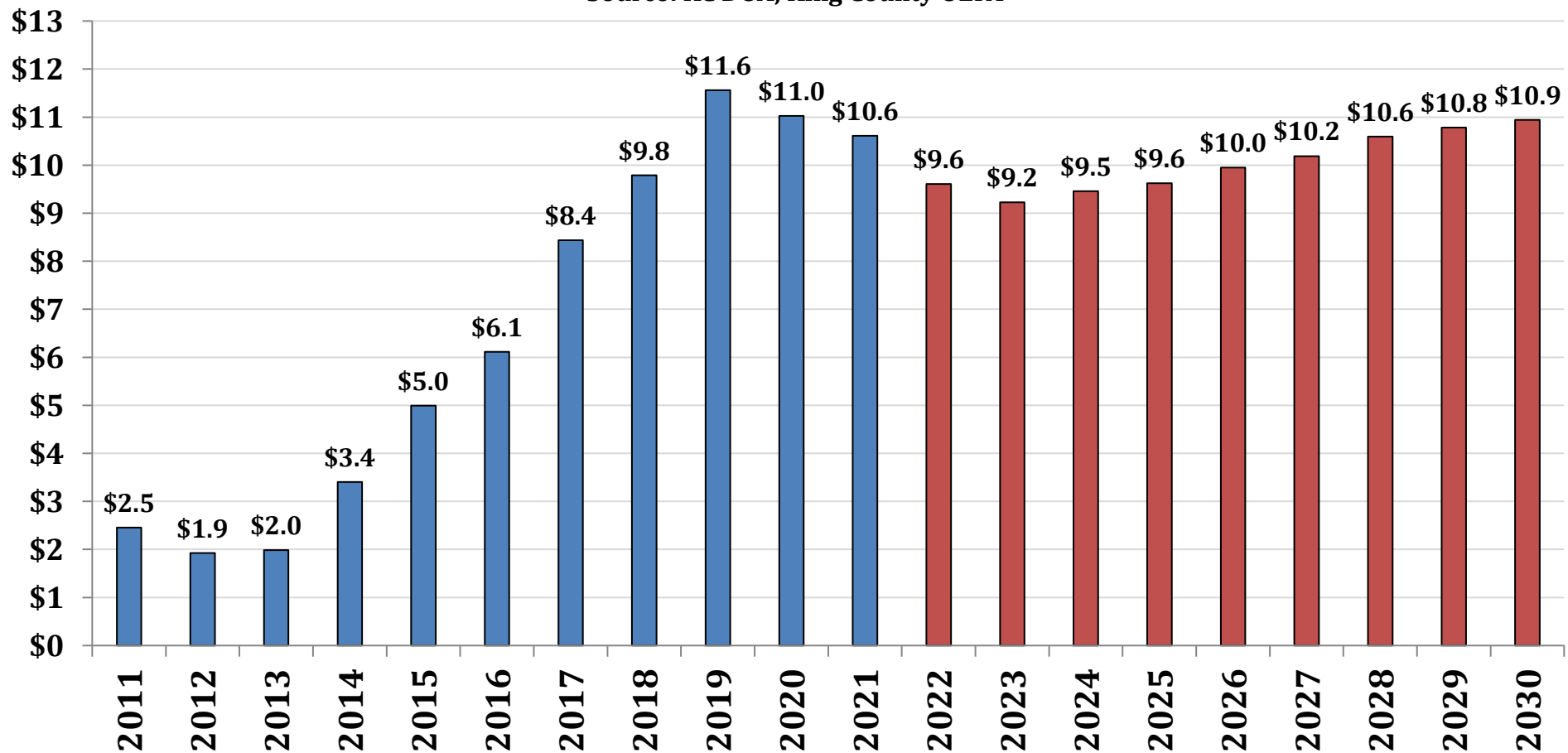
New Construction Forecast



King County New Construction Forecast

In billions \$, with Actuals and Forecast bars

Source: KC DOA, King County OEFA



King County Taxable Sales Forecast

Tax Year	Value	Annual Growth	% Change from August 2020 Forecast	\$ Change from August 2020 Forecast
2019	\$76,486,164,464	5.17%	0.00%	\$0
2020	\$70,100,000,000	-8.35%	7.46%	\$4,866,575,227
2021	\$73,244,829,147	4.49%	6.00%	\$4,148,391,246
2022	\$76,965,045,808	5.08%	4.04%	\$2,990,708,733
2023	\$80,752,641,714	4.92%	3.16%	\$2,473,534,521
2024	\$84,571,228,978	4.73%	4.23%	\$3,432,717,673
2025	\$89,167,334,578	5.43%	6.04%	\$5,080,639,348
2026	\$93,691,227,035	5.07%	6.90%	\$6,043,849,113
2027	\$97,404,401,861	3.96%	6.65%	\$6,075,292,959
2028	\$101,413,261,166	4.12%	6.91%	\$6,553,437,792
2029	\$105,664,346,061	4.19%	6.90%	\$6,819,532,094
2030	\$110,201,371,056	4.29%	new	new

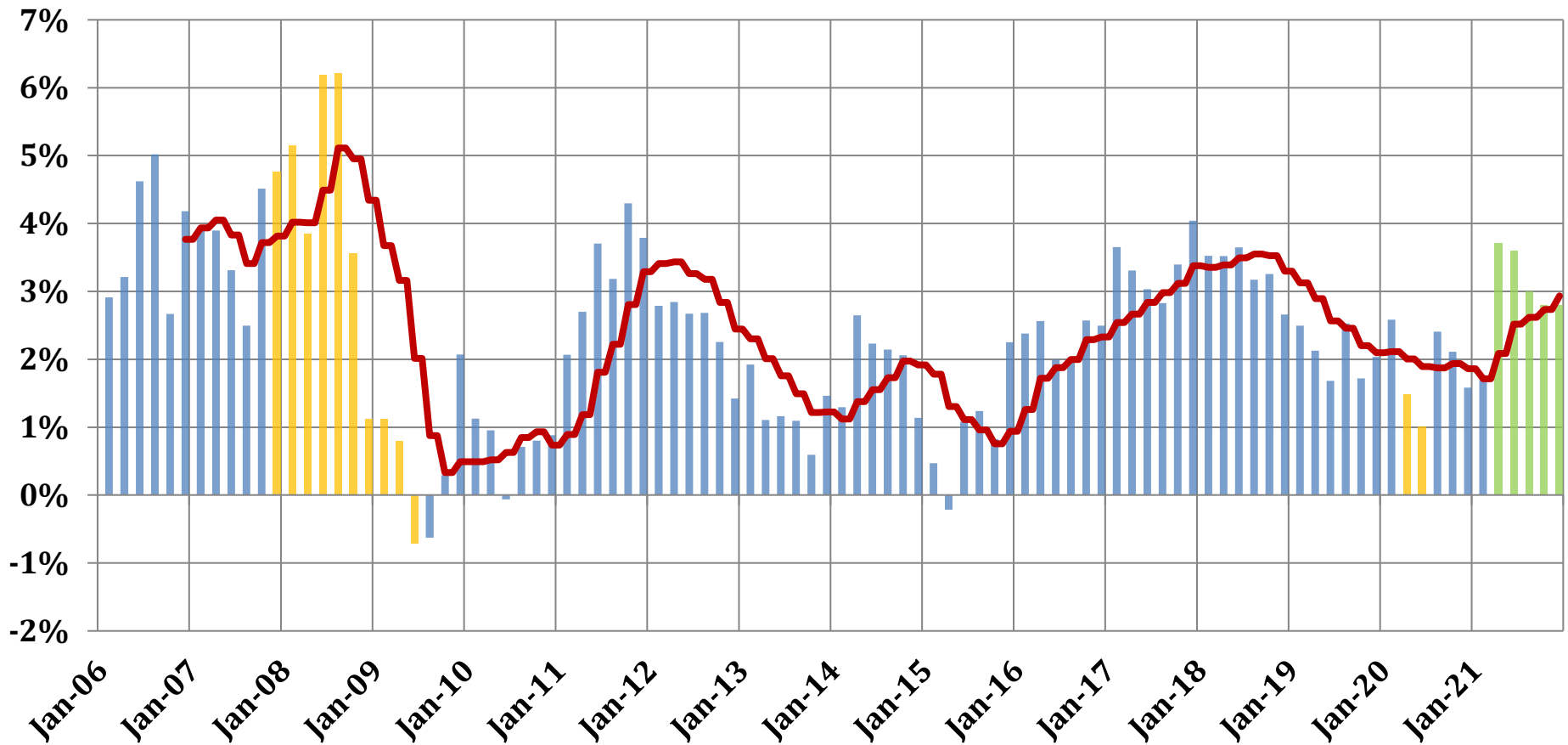
Local inflation had been slowing but will be up some in 2021 and beyond



Seattle CPI-W Annual Inflation

with recession bars and rolling annual average line and forecast values

Source: Bureau of Labor Statistics



King County Office of Economic and Financial Analysis

<http://www.kingcounty.gov/independent/forecasting.aspx>