

NAR Commercial Real Estate Metro Market Report | 2021.Q2

Spokane-Spokane Valley, WA

Core-Based Statistical Area Code: 44060

The Spokane-Spokane Valley, WA commercial real estate market is stronger compared to the overall U.S. market.
NAR Commercial Real Estate Market Conditions Index* 68.2

Overall economic conditions are stronger than nationally.
The apartment property market is stronger than nationally.
The office property market is about the same than nationally.
The industrial property market is stronger than nationally.
The retail property market is stronger than nationally.
The hotel/lodging property market is stronger than nationally.

The commercial real estate market is slowly getting back on track although the rise of Delta variant cases is casting a shadow on the path of the recovery. The multifamily, industrial, and retail property markets will continue to recover more quickly than the office property market where vacancy rates will likely remain elevated in 2021-2022 compared to the pre-pandemic level.

I. Economic and Demographic

Economic	Spokane-Spokane Valley, WA			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Total non-farm employment ('000)	257	248	240	146,603	143,315	138,501	
Y/Y chg.in nonfarm payroll employment ('000)	17	(10)	(18)	8,102	(6,637)	(13,215)	Job creation is stronger than nationally
Y/Y % chg. in nonfarm payroll employment	7.1%	-3.8%	-7.1%	5.8%	-4.4%	-8.7%	Unemployment rate is lower than nationally
Unemployment rate (%)	5.1%	5.5%	10.7%	5.9%	6.0%	11.1%	
Average weekly wages	\$1,056	\$1,029	\$1,006	\$1,059	\$1,046	\$1,016	
Wage growth, year-over-year (data are as of last month of the quarter)	4.9%	4.9%	8.8%	4.3%	6.7%	5.6%	Wages are rising faster than nationally

Demographic	Spokane-Spokane Valley, WA			U.S.			
	2020	2019	2018	2020	2019	2018	
GDP growth (%)	4.3%	6.5%	4.6%	2.3%	2.9%	2.3%	
Median household income	\$59,646	\$58,546	\$53,321	\$87,470	\$84,423	\$81,284	
Net domestic migration ('000)	5.7	8.0	7.1	0	0	0	Area is experiencing net domestic in-migration
Population ('000)	575	568	559	329,484	328,330	326,838	
Population growth (%)	1.15%	1.65%	1.53%	0.35%	0.46%	0.53%	Population is growing faster than nationally

II. Multifamily

Demand indicators	Spokane-Spokane Valley, WA			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Vacancy rate	2.5%	2.6%	4.0%	4.2%	4.7%	5.5%	The area has a lower vacancy rate than nationally
Absorption of units over the quarter	232	520	103	226,871	169,053	78,282	The area has a lower pace of absorption than nationally
Absorption of units in past 12 months	1,622	1,493	633	603,925	455,336	255,168	
Market asking rent per unit	\$1,203	\$1,112	\$1,033	\$1,004	\$978	\$953	
Market asking rent per unit, y/y % chg	16.5%	9.0%	3.7%	6.1%	3.9%	1.8%	Rents are rising faster than nationally
Effective rent per unit	\$1,199	\$1,107	\$1,027	\$1,000	\$972	\$945	The rent to income ratio is higher than nationally
Effective rent per unit, y/y % chg	16.8%	8.9%	4.0%	6.4%	3.7%	2.3%	
Rent as a percent of 2-person annual wage income	13.1%	12.4%	11.7%	10.9%	10.7%	10.7%	

Supply indicators	Spokane-Spokane Valley, WA			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Inventory	35,615	35,418	34,466	17,259,876	17,168,283	16,881,961	
Net delivered units in past 12 months	1,149	982	542	377,954	387,779	389,240	Relatively more units are being delivered than nationally
Net delivered units, as % of inventory	3.2%	2.8%	1.6%	2.2%	2.3%	2.3%	
Units under construction	1690	1349	1768	578,162	609,682	681,731	
Units under construction, as % of inventory	4.7%	3.8%	5.1%	3.3%	3.6%	4.0%	Construction activity is more robust than nationally
12-month total: 5+ unit building permits	907	1,118	1,684	463,443	435,217	452,345	
12-month total: all building permits	3,137	3,147	3,831	1,642,586	1,574,266	1,361,395	Building permits are not rising as fast as nationally
Ratio of jobs created to permits	5.4	(3.1)	(4.8)	4.9	(4.2)	(9.7)	

Sales transactions	Spokane-Spokane Valley, WA			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Total investment acquisitions (in million \$)	\$49.0	\$51.9	\$8.2	\$41,291.4	\$28,735.4	\$13,346.3	Sales transactions are rising faster than nationally
Transaction sales price per unit	\$111,560	\$132,064	\$81,223	\$100,508	\$98,594	\$80,364	Prices are rising faster nationally
Cap rate	5.6%	6.2%	6.2%	6.4%	6.6%	6.6%	Cap rates are lower than nationally

III. Office

Demand indicators	Spokane-Spokane Valley, WA			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Vacancy rate	8.7%	8.5%	7.0%	6.1%	8.5%	7.0%	The area has a higher vacancy rate than nationally
Absorption in sq.ft. over the quarter	27,869	(224,159)	86,394	(9,309,111)	(51,131,309)	(13,966,267)	The area has a lower pace of absorption than nationally
Absorption in sq.ft. over 12 months	(214,708)	(156,183)	142,570	(140,700,116)	(145,357,270)	19,961,128	
Asking rent per sq.ft.	\$20.2	\$20.1	\$19.9	\$18.9	\$18.9	\$18.8	
Asking rent growth, y/y % chg.	1.5%	0.8%	4.6%	0.3%	0.0%	1.3%	Rents are rising faster than nationally
Leasing activity in sq.ft.	149,886	111,710	187,715	100,568,800	81,175,252	81,276,145	Leasing volume is not rising as fast than nationally
Y/Y chg.in professional/business services jobs ('000) (as of last month of the quarter)	2	0	(2)	1,260	(501)	(1,715)	The area has slower office job creation than nationally

Supply indicators	Spokane-Spokane Valley, WA			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Inventory in sq. ft.	23,293,910	23,229,774	23,111,484	12,454,676,333	12,428,381,226	12,364,751,288	
Net delivered over 12 months, in sq.ft.	182,426	118,290	(2,300)	87,967,591	76,138,970	78,991,496	Relatively fewer units are being delivered than nationally
Net delivered units, as % of inventory	0.8%	0.5%	0.0%	0.7%	0.6%	0.6%	
Under construction in sq.ft.	16,500	80,636	185,313	177,275,188	186,528,025	209,268,041	
Under construction, as % of inventory	0.1%	0.3%	0.8%	1.4%	1.5%	1.7%	Construction activity is slower than nationally

Sales transactions	Spokane-Spokane Valley, WA			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Total investment acquisitions (in million \$)	\$65.3	\$24.6	\$14.0	\$23,909.8	\$21,181.7	\$11,269.3	Sales transactions are rising faster than nationally
Transaction sale price per sq.ft.	\$164	\$184	\$105	\$108	\$106	\$105	Prices are rising faster nationally
Cap rate	5.6%	6.2%	6.2%	6.4%	6.6%	6.6%	Cap rates are lower than nationally

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IV. Industrial

	Spokane-Spokane Valley, WA			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Demand indicators							
Vacancy rate	3.4%	2.7%	3.8%	4.2%	2.7%	3.8%	The area has lower vacancy rate than nationally
Absorption in sq.ft. over the quarter	(279,835)	286,894	(55,448)	146,182,325	119,411,326	56,883,324	The area has faster pace of absorption than nationally
Absorption in sq.ft. over 12 months	980,634	1,205,021	(186,103)	437,432,148	348,133,148	231,052,238	
Asking rent per sq.ft.	\$7.4	\$7.3	\$7.1	\$6.5	\$6.4	\$6.1	
Asking rent growth, y/y % chg.	4.3%	3.6%	3.5%	5.2%	3.6%	3.5%	Rent growth is slower than nationally
Leasing activity in sq.ft.	172,941	336,883	149,283	319,474,044	296,163,970	254,024,482	Leasing volume is not rising as fast than nationally
Supply indicators							
Inventory in sq. ft.	48,481,807	48,465,907	47,671,104	26,553,663,022	26,461,805,496	26,166,021,757	
Net delivered over 12 months, in sq.ft.	810,703	932,575	400,272	385,387,457	398,260,005	382,527,483	Relatively more units are being delivered than nationally
Net delivered units, as % of inventory	1.7%	1.9%	0.8%	1.5%	1.5%	1.5%	
Under construction in sq.ft.	2,035,070	2,039,000	811,900	567,307,627	521,498,024	452,528,658	
Under construction, as % of inventory	4.2%	4.2%	1.7%	2.1%	2.0%	1.7%	Construction activity is more robust than nationally
Sales transactions							
Total investment acquisitions (in million \$)	\$20.2	\$33.0	\$6.8	\$27,261.9	\$21,600.7	\$13,713.9	Sales transactions are rising faster than nationally
Transaction sale price per sq.ft.	\$78	\$47	\$69	\$61	\$56	\$54	Prices are rising faster nationally
Cap rate	0.0%	7.2%	0.0%	7.4%	7.2%	0.0%	Cap rates are lower than nationally

V. Retail

	Spokane-Spokane Valley, WA			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Demand indicators							
Vacancy rate	4.2%	4.4%	4.4%	4.3%	4.5%	4.2%	The area has a lower vacancy rate than nationally
Absorption in sq.ft. over the quarter	72,168	71,605	35,947	26,554,046	6,829,628	(12,969,003)	The area has a faster pace of absorption than nationally
Absorption in sq.ft. over 12 months	129,090	92,869	279,190	12,853,280	(26,669,769)	5,842,298	
Asking rent per sq.ft.	\$14.1	\$14.0	\$13.9	\$14.5	\$14.5	\$14.3	
Asking rent growth, y/y % chg.	2.0%	1.3%	2.2%	1.4%	1.0%	1.5%	Rents are rising faster than nationally
Leasing activity in sq.ft.	118,747	112,305	107,155	65,144,289	60,598,011	44,924,273	Leasing volume is not rising as fast than nationally
Y/Y chg. in retail trade payroll employment ('000) (as of last month of the quarter)	1.50	(2.10)	(0.70)	822.30	(1,100.50)	(245.60)	The area has stronger retail trade job creation than nationally
Supply indicators							
Inventory in sq. ft.	37,968,470	37,954,212	37,345,752	15,772,300,571	15,764,713,778	15,724,204,780	
Net delivered over 12 months, in sq.ft.	80,147	69,389	19,860	46,178,397	47,102,191	58,535,237	Relatively more units are being delivered than nationally
Net delivered units, as % of inventory	0.2%	0.2%	0.1%	0.3%	0.3%	0.4%	
Under construction in sq.ft.	49,201	64,959	71,583	55,829,483	58,628,746	71,303,691	
Under construction, as % of inventory	0.1%	0.2%	0.2%	0.4%	0.4%	0.5%	Construction activity is slower than nationally
Sales transactions							
Total investment acquisitions (in million \$)	\$13.5	\$42.6	\$13.1	\$20,811.7	\$15,469.2	\$8,857.2	Sales transactions are not rising as fast than nationally
Transaction sale price per sq.ft.	\$136	\$179	\$121	\$134	\$136	\$134	Prices are rising faster nationally
Cap rate	6.2%	8.3%	7.4%	6.6%	6.6%	6.7%	Cap rates are lower than nationally

VI. Hotel/Lodging

	Spokane-Spokane Valley, WA			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Leisure and hospitality payroll workers ('000)	22.0	19.9	18.5	15,395.0	13,448.0	12,637.0	Job creation in the leisure industry is stronger than nationally
Y/Y change ('000)	3.5	(4.4)	(6.4)	2,758.0	(2,297.0)	(4,590.0)	
% share to nonfarm payroll employment	8.6%	8.0%	7.7%	10.5%	9.4%	9.1%	The area has a smaller share of leisure jobs than nationally

*An index below 50 means local market conditions are weaker than nationally, above 50 means local market conditions are stronger, and 50 means local market conditions are about the same as nationally. NAR derived the index by assigning 1 point for each indicator where local market conditions are better than the national (US) condition.

The total points for each local market are divided by the number of variables that are available at the local area, with 46 indicators if all the data are available. The fraction is multiplied by 100 to get the index.

Economic data may not be available for all markets. In some submarkets or metropolitan divisions (e.g., Long Island) reported by CoStar®, the economic data that is reported (e.g. employment) is of the metropolitan area (New York-Newark-Jersey City). The 390 markets in this report are based on the CoStar® market areas.

NAR reserves the right to add new variables or drop variables that comprise the index based on its analysis of variables that impact market trends.

Sources of data used: National Association of Realtors®, CoStar®, US Census Bureau, US Bureau of Labor Statistics, and US Bureau of Economic Analysis.

For information about this report, email data@nar.realtor.