Outline
Drivers of future growth

• U.S. and international trends over the past year—shaken but recovering.
• Inflation and supply chain disruptions—sources and near-term risks.
• OneEastside economic performance, trends, and outlook.
• Economic recovery: a tale of two economies.
Real GDP Growth
Historic and forecast, 2017-2023 (f)

Annual Real GDP Growth Rate

Source: International Monetary Fund, World Economic Outlook, October 2021 and January 2022.
Global Economic Output

Share of global output by country and country group, 2000-2026 (f)

Source: International Monetary Fund, World Economic Outlook, October 2021 and January 2022.
Global trade rebounded quickly. In Q3 2021 up 10% year-over-year.

But rapid uptick has shaken global logistics systems.

U.S. Trends

Nonfarm employment expansion, historic

- Post-Great Recession employment expansion longest since data collected back to 1939.
- Only disrupted due to COVID.

Those with only a high school diploma experienced unemployment 2x those who hold college degrees.

Unemployment and labor force dynamics

- Unemployment rates among African Americans remain 2x those of Asians and Whites.
- Some convergence in unemployment rates up to pandemic.

Inflation Concerns Grow

Consumer price index (CPI) and personal consumption expenditure (PCE) index

Inflation Concerns Grow
CPI, all urban consumers, Seattle MSA

# Inflation

Possible (interconnected) explanations

<table>
<thead>
<tr>
<th>Possible Cause</th>
<th>How</th>
<th>But…</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Excess Liquidity</strong></td>
<td>• Fed stimulus in 2020-2021 ~ $5 trillion, $3.6 trillion in actual outlays thus far.</td>
<td>• In part filled gap in lost wages.</td>
</tr>
<tr>
<td><em>More money chasing the same or fewer number or goods.</em></td>
<td></td>
<td>• According to SF Fed, 2021 American Rescue Plan ($1.9 trillion) will contribute just 0.3 percentage points to inflation in 2022.</td>
</tr>
<tr>
<td><strong>Tight Labor Market</strong></td>
<td>• More workers exiting workforce, or at least in low-wage services subsectors.</td>
<td></td>
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<tr>
<td><em>Supply-demand imbalance, demand outstripping supply of available workers.</em></td>
<td>• Seasonally adjusted wages grew 5% year-over-year in 2021 Q4.</td>
<td></td>
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<tr>
<td></td>
<td>• Median wage in January increased 5.1%, largest increase since 2002.</td>
<td></td>
</tr>
<tr>
<td><strong>Tariffs</strong></td>
<td>• Punitive tariffs on Chinese imports often on final consumer goods, which are passed down to households.</td>
<td>• Timing mismatch—tariffs enacted in 2018-2019, whereas inflation much more recent.</td>
</tr>
<tr>
<td><em>Taxes on imported goods passed down to consumers.</em></td>
<td></td>
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<tr>
<td><strong>Supply Chain Disruptions</strong></td>
<td>• Factory closures.</td>
<td></td>
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<tr>
<td><em>COVID upending supply chains and shifting consumption patterns.</em></td>
<td>• Shifting consumption patterns, greater stress on logistics systems.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Even small components, when unavailable, have big impact on price of finished goods (e.g., semiconductors).</td>
<td></td>
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</tbody>
</table>
Wage growth and tight labor markets

- Median hourly wages grew the fastest since August 2001.
- Fastest growth among people ages 16-24 (more than 10% growth for three months).

Sources: Federal Reserve Bank of Atlanta, 2022; Federal Reserve Bank of St. Louis, 2022.
Note: age-based wage growth rates based on 12-month moving average, whereas overall median wage growth based on 3-month moving average.
Supply Chain Disruptions, Ports, and Inflation

Leading developments in 2021

- Backlog at the Ports of Los Angeles and Long Beach (LA/LB) reached a historic high in 2021, with more than 100 vessels waiting to unload, some waiting weeks in anchor or adrift off the coast.

- An estimated 77% of ports globally are experiencing abnormally long times for turnaround container traffic.

- Total NWSA twenty-foot equivalent unit (TEU) volume increased 7.1% September 2021 compared with September 2020 and is up 15.9% year-to-date.

- Approximately 98% of warehouses in Southern California’s logistics-heavy Inland Empire region are fully occupied, while the entire Western U.S. has a very low 3.6% vacancy rate.

- Southern California ports have been dealing with volumes exceeding past peak levels since August 2020.
Retailer inventory-to-sales ratio at record low: 2008-2021

Source: Federal Reserve Bank of St. Louis, 2021.
Supply Chain Disruptions, Ports, and Inflation

E-commerce sales, U.S.: households increasing purchases of physical (mostly imported) goods

- Growth in e-commerce puts more strain on rail and port system.
- Greater demand for warehouse space.

Source: U.S. Census Bureau, 2021.
Unprecedented Swing in Household Saving and then Spending Jarred the System

Personal consumption expenditures and personal saving rate, U.S.

- 30% increase year-over-year in PCE in April, and 11% in October.
- Personal savings rate, 2.8% just prior to the Great Recession, and ~7% just prior to pandemic.
- Just-in-time logistics model unprepared for these swings.

Imports are Critical to Washington’s Economy

Share of imports as share of total producer purchases, Washington state

OneEastside Region

Serving East King County's 23 cities and towns.
oneeastside.org
OneEastside
Hub for global companies
The Eastside region is among the most educated, diverse, and high income-earning in the United States.

18% of ALL Eastside residents came immigrated from Asia, compared with 6% and 4% of the populations of Washington state and the United States.

Only 3.7% of population from Latin America, compared with 6.9% nationally.

OneEastside

Educational institutions, headcount (part-time and full-time students), 2021-2022

<table>
<thead>
<tr>
<th>School</th>
<th>2021-2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bellevue College</td>
<td>13,275</td>
</tr>
<tr>
<td>UW Bothell</td>
<td>6,069</td>
</tr>
<tr>
<td>Renton Technical College (RTC)</td>
<td>4,271</td>
</tr>
<tr>
<td>Lake Washington Institute of Technology</td>
<td>3,536</td>
</tr>
<tr>
<td>Cascadia College</td>
<td>2,106</td>
</tr>
<tr>
<td>UW Business School - Technology Management MBA</td>
<td>90</td>
</tr>
<tr>
<td>UW GIX</td>
<td>57</td>
</tr>
<tr>
<td><strong>Subtotal, Eastside</strong></td>
<td><strong>29,404</strong></td>
</tr>
</tbody>
</table>

- Eastside higher ed institutions enrolled nearly 30,000 students (part-time and full-time) during 2021-2022 school year.

Sources: Washington State Board of Technical and Community Colleges, 2022; University of Washington, 2022; Bellevue College, 2022; Lake Washington Institute of Technology, 2022; Cascadia College, 2022.
27% of OneEastside residents identify as "Asian," compared with 11% in Seattle and 7% in the U.S.

Only 8% of OneEastside residents identify as Hispanic, compared with 18% nationally and 13% statewide.

Source: U.S. Census Bureau, American Community Survey 2015-2019
In 2020, the Seattle MSA saw a net loss of over 100,000 jobs.

Meanwhile, the Eastside gained more than 4,000 net jobs.

But...some sectors still experienced severe impacts, e.g., accommodation and food services (loss of 1,600 jobs).

OneEastside Employment

Covered employment, total and by sector, 2009-2021 (est.)

Economic Recovery, Resilience, and Challenges

Tech sector during the pandemic

<table>
<thead>
<tr>
<th>Sector</th>
<th>2019</th>
<th>2020</th>
<th>Net Change</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing*</td>
<td>295,500</td>
<td>274,600</td>
<td>(20,900)</td>
<td>-7.1%</td>
</tr>
<tr>
<td>Aerospace</td>
<td>88,500</td>
<td>80,000</td>
<td>(8,500)</td>
<td>-9.6%</td>
</tr>
<tr>
<td>Ship and Boat Building</td>
<td>19,300</td>
<td>19,400</td>
<td>100</td>
<td>0.5%</td>
</tr>
<tr>
<td>Food and beverage processing</td>
<td>49,500</td>
<td>46,700</td>
<td>(2,800)</td>
<td>-5.7%</td>
</tr>
<tr>
<td>Construction</td>
<td>206,200</td>
<td>200,400</td>
<td>(5,800)</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Healthcare and social assistance</td>
<td>488,200</td>
<td>484,900</td>
<td>(3,300)</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Agriculture, forestry, fishing and hunting</td>
<td>103,300</td>
<td>99,600</td>
<td>(3,700)</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Real estate and rental and leasing</td>
<td>58,100</td>
<td>55,200</td>
<td>(2,900)</td>
<td>-5.0%</td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>288,600</td>
<td>221,900</td>
<td>(66,700)</td>
<td>-23.1%</td>
</tr>
<tr>
<td>ICT</td>
<td>258,600</td>
<td>278,900</td>
<td>20,300</td>
<td>7.8%</td>
</tr>
<tr>
<td>Statewide, all sectors</td>
<td>3,439,200</td>
<td>3,258,300</td>
<td>(180,900)</td>
<td>-5.3%</td>
</tr>
</tbody>
</table>

- While statewide employment contracted 5.3% in 2020, the tech sector grew 7.8%.
- Between the lowest point in employment during the Great Recession (2009-2010) and 2019, just prior to the pandemic, the tech sector nearly doubled (84% growth), adding 120,100 jobs. By comparison, statewide employment across all other sectors grew by just 19%.
- Tech provided 20% of Washington state’s job growth between the two recessions.
- Each tech job supports an additional 3 jobs elsewhere in the economy.

Tech is Driving Growth on the Eastside

• The state must continue to find ways to support the tech sector as a means of driving broad-based economic growth.

• According to a recent report by the real estate brokerage firm CBRE, 14 new “mega leases” propelled the region past the Bay Area for most new tech office space leases in the United States in 2020.
OneEastside Employment
Covered employment growth by sector, 2019-2021 (est.)

Austin-Round Rock, TX
San Francisco-Oakland-Hayward, CA
San Jose-Sunnyvale-Santa Clara, CA
Denver-Aurora-Lakewood, CO
Atlanta-Sandy Springs-Roswell, GA
Eastside Cities (est.)


Note: OneEastside cities employment based on city-level covered employment data from the Quarterly Census of Employment and Wages series published by the Puget Sound Regional Council, whereas other regions’ employment based on nonfarm employment series published monthly by the U.S. Bureau of Labor Statistics.
OneEastside Employment
Share of workers and worksites by worksite size, 2019 and 2020

- Nearly 1,700 business locations temporarily and permanently shuttered between 2019 and 2020, the vast majority of 10 employees or less.

- Small businesses represented 72.5% of all employers on the Eastside.

- 11% of workers on the Eastside worked at locations of 10 employees or less.


Note: “worksites” are a rough approximation of businesses. However, some businesses have more than one location, or worksite.
OneEastside Unemployment

Monthly unemployment rate (%) for Eastside cities, Washington state, and the United States, 2019-2021

- Eastside unemployment has remained well below rates in Washington state and the United States.
- In part driven by growth and resilience of the tech sector and large share of tech workers living on the Eastside.

Note: Eastside unemployment rate based on the weighted city-level labor force statistics for Bellevue, Bothell, Issaquah, Kirkland, Mercer Island, Redmond, and Renton. Labor force statistics for cities with populations less than 25,000 residents are not reported by the Washington State Employment Security Department.

Since 2000, the Eastside has grown in population at more than 2x the rate of Seattle and Washington state.

- 749,700 residents on the Eastside in 2021, more than the City of Seattle.

- Since 2010, the Eastside has added 186,000 new residents, or 18% of all net new residents statewide.

OneEastside Housing Affordability

Housing costs on the Eastside, median price per square foot, 12-month moving average

- Eastside becoming increasingly unaffordable, especially for services-based workers.
- Since 2012, cost per square foot residential floor space up 234% in Bellevue, 244% in Kirkland, 240% in Bothell, and 233% in Sammamish.
- Every community, including rural areas, experiencing rapid price increases.

Source: Redfin, 2022.
Economic Recovery and Outlook

Tale of two recoveries
The Eastside region will experience a net increase of more than 40,000 jobs between 2021 and 2025, largely driven by the tech sector, but supporting additional consumer-facing businesses.

Economic Recovery and Outlook

Tale of two “recoveries”

• Tech sector has led the way.
• But small businesses and especially services sector has struggled.
• Remote work has hurt many small, services-based businesses on the Eastside.
• Most companies are planning resumption of on-site work soon as omicron fades.
• But...many businesses may embrace a hybrid (i.e., partially remote) work model, which could limit weekday consumer traffic for many small businesses.
Tale of Two Recoveries

PPP loans and grants allocated to businesses by employment size, 2020-2021, Eastside cities

- Micro businesses (5 employees or less) received 2/3 of all loans on the Eastside by number, but 14% by value.

## Tale of Two Recoveries

PPP loans and grants allocated to businesses by industry, 2020-2021, Eastside cities

<table>
<thead>
<tr>
<th>Industry</th>
<th>Loans</th>
<th>Amount (mils $)</th>
<th>Average Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-Service Restaurants</td>
<td>1,079</td>
<td>$205.0</td>
<td>22</td>
</tr>
<tr>
<td>Offices of Dentists</td>
<td>1,000</td>
<td>$88.6</td>
<td>8</td>
</tr>
<tr>
<td>Offices of Real Estate Agents and Brokers</td>
<td>950</td>
<td>$37.0</td>
<td>3</td>
</tr>
<tr>
<td>Beauty Salons</td>
<td>749</td>
<td>$34.0</td>
<td>5</td>
</tr>
<tr>
<td>Offices of Lawyers</td>
<td>482</td>
<td>$26.9</td>
<td>4</td>
</tr>
<tr>
<td>Offices of Physicians (except Mental Health Specialists)</td>
<td>420</td>
<td>$66.5</td>
<td>11</td>
</tr>
<tr>
<td>All Other Professional, Scientific, and Technical Services</td>
<td>419</td>
<td>$26.4</td>
<td>5</td>
</tr>
<tr>
<td>All other industries</td>
<td>22,732</td>
<td>$2,426.1</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>27,831</td>
<td>$2,910.4</td>
<td>10</td>
</tr>
</tbody>
</table>

Office space demand on the Eastside, largely driven by the tech sector

- Amazon: 6 million square feet in Bellevue and plans to add 25,000 employees there within the next few years.
- Microsoft: set to complete multimillion-square-foot expansion at its campus in Redmond by 2023, in time for light rail service, adding thousands more jobs.
- Meta (aka Facebook): has committed to occupying more than 1.4 million square feet of space by 2024.
Economic Recovery, Resilience, and Challenges

Factors to consider for the next two years

• Return to on-site office work.
• Consumption patterns may not return to pre-pandemic levels.
• Inflation getting under control.
• No future (or less disruptive) COVID variants.
• Global developments: changes in supply chains, fissures in global trade and U.S.-China relations, Ukraine crisis.
• Growth that benefits all residents of the Eastside.
• Retaining and growing the arts and culture sector.
• Affordability.
Additional Questions and Feedback:

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