



OneEastside

**ECONOMIC
OUTLOOK
SUMMIT
2026**

WEDNESDAY, JANUARY 21 | MICROSOFT CAMPUS | 8:00 - 10:30 AM

Matthew Gardner
Principal & Chief Economist



The Seattle MSA - Trends & Forecasts



GARDNER
ECONOMICS



Metro Area Employment Change (11/2024 - 11/2025)

Year-over-Year Employment Changes in King County

-16,100

Year-over-Year Job Change in the
Seattle Metro Area

-9,900

Year-over-Year Job Change in
White-Collar Employment

-6,200

Year-over-Year Job Change in
Blue-Collar Employment

Overview of Year-over-Year Changes in Sectoral Employment



Losses in Professional & Business Services & Information Sectors Hurt Seattle

Between November 2024 & November 2025, the Professional & Business Services sector shed 6,700 jobs & the Information sector shed 4,400. Significant jobs were also lost in the State Government sector (-2,700).



Education & Healthcare Helped Offset Some of the Jobs Lost

Rising by 5,100 jobs, the Healthcare & Social Assistance sub-sector continues to be the largest job driver in the region. Had growth not been seen in this sector, 21,000 jobs would have been lost over the past 12-months.



Unemployment

An overview of the labor force and jobless rate in the Seattle MSA.

4.4%

Current Unemployment Rate
(09/2025)

-11,632

Y/Y Change in the Labor
Force

+40bps

Y/Y Change in the
Jobless Rate

Challenges & Opportunities



The Impact of AI

The Seattle region - and the U.S. as a whole - faces significant challenges from AI with businesses continuing to replace entry-level white collar workers.

These economic pressures may hinder growth, but will not cause a collapse of the economy. Moreover, full integration is still a long way away.



Our Diverse Economy Will Still Drive Growth

Despite challenges, the region's diverse economy continues to be a strong asset. Sectors including healthcare and, surprisingly, technology companies are still expected to drive future growth and new job creation.



Legislative Initiatives Need to be Viewed with Caution

Although legislative initiatives aimed at addressing housing affordability and workforce development are critical, they need to be viewed from a financial perspective. Raising funds to address these needs should be balanced with an understanding of how to attract businesses to our region & how to retain the ones we have.



A Glass Half-Full

My forecast indicates that while the area may face headwinds, jobs will be added in '26. The impact of AI will be felt, but it will also act as a catalyst for new businesses, as well as to make existing companies more productive.

Migration to our region will continue and our talented workforce will still be attractive to new businesses.



2026 Employment Forecast For the Seattle MSA



Growth Rate

Modest job growth returns in 2026 with total employment increasing by 0.7%.



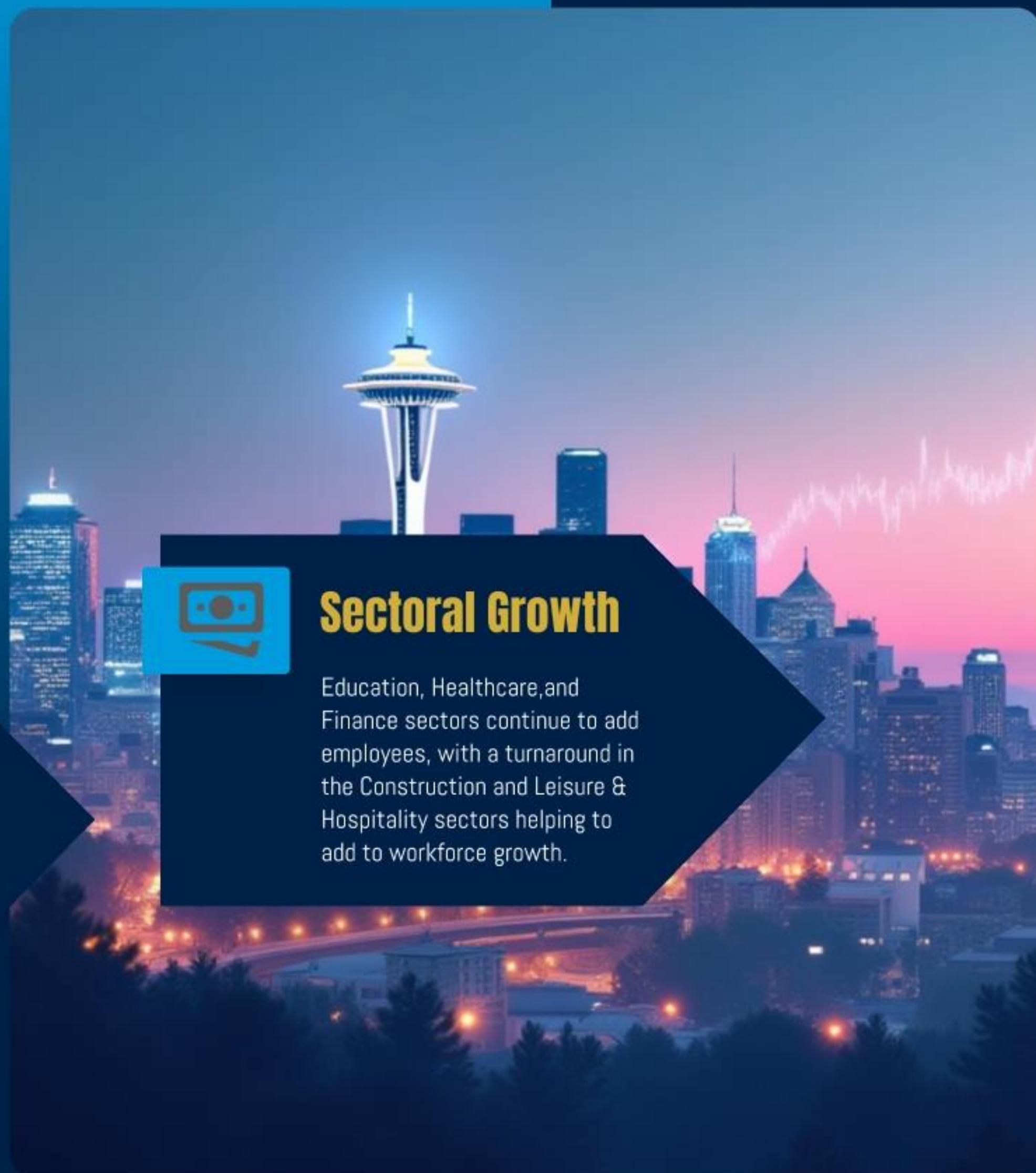
Employment Change

I am looking for average annual growth of a little more than 10,000 jobs



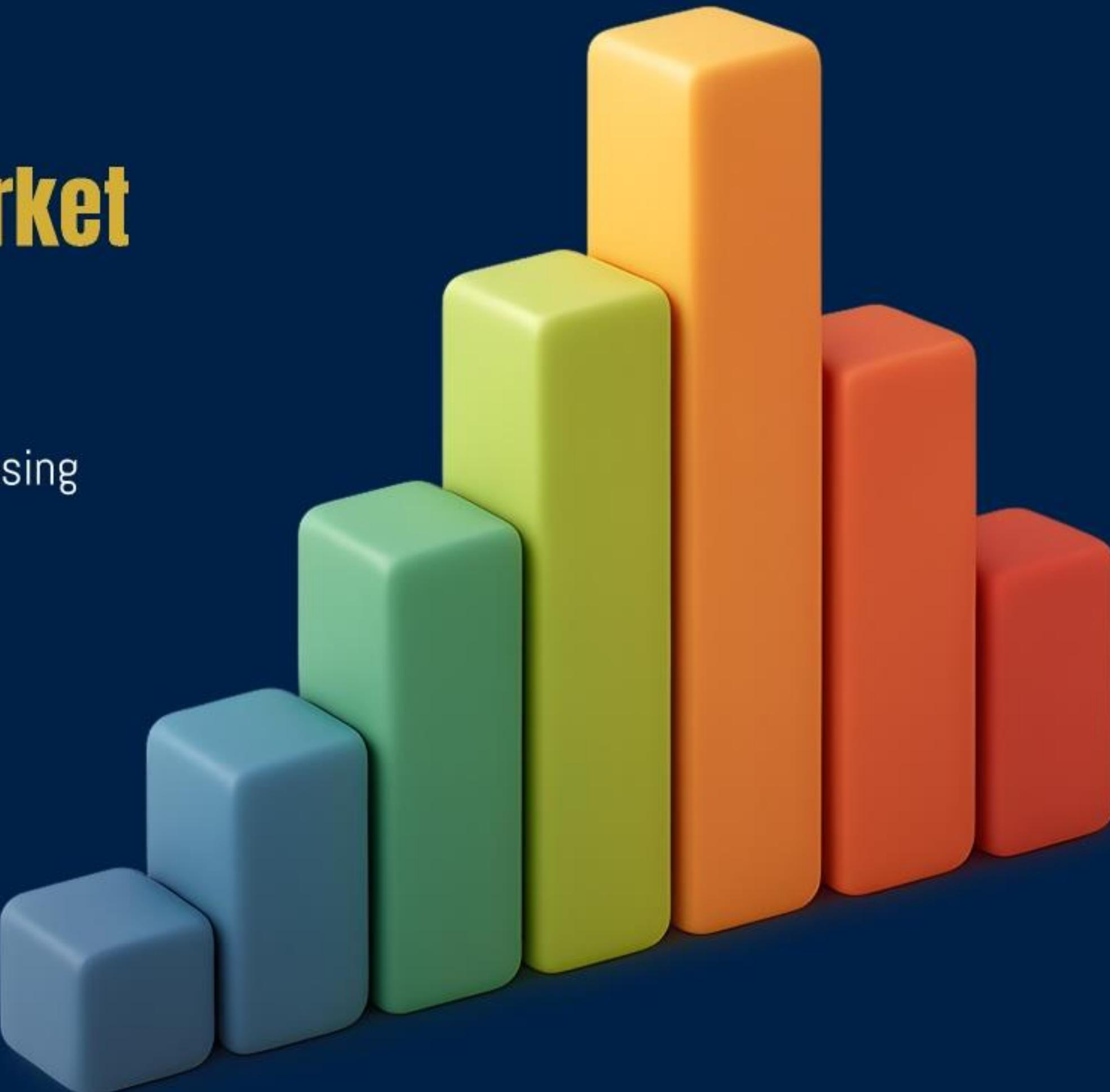
Sectoral Growth

Education, Healthcare, and Finance sectors continue to add employees, with a turnaround in the Construction and Leisure & Hospitality sectors helping to add to workforce growth.



King County Demographics & Market Insights

An Analysis of Population Trends, Economic Indicators, and Housing Dynamics in King County



King County Population Overview

A detailed look at the total population and growth trends in King County.

2.4M

Population of King
County in 2025

+6.4%

Pace of population growth
over the past 5-years

+3.7%

Projected population
change over the next 5-
years

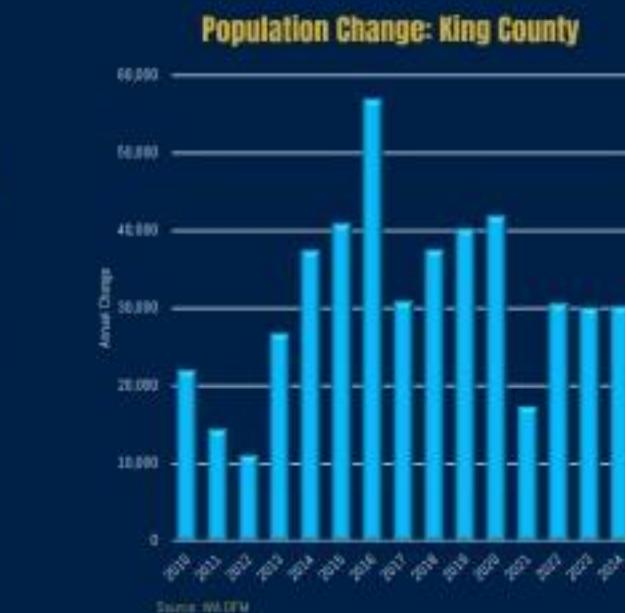
89,233

Number of new residents
expected over the next 5-
years



King County Population Continues to Expand

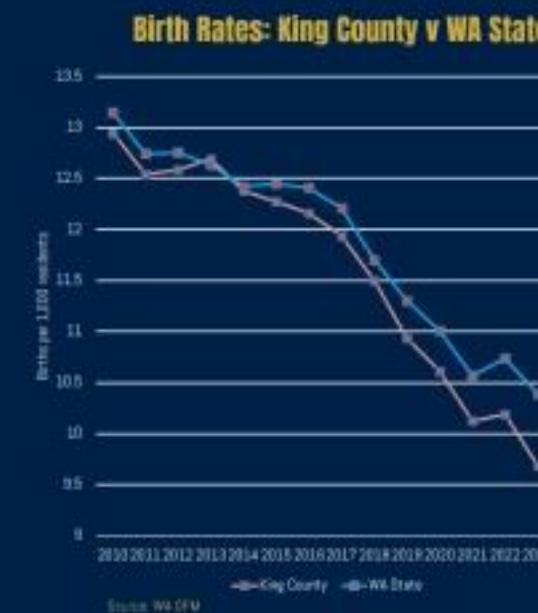
King County was the second fastest-growing county in Washington State by rate (1.4%) in the past year. The city of Seattle surpassed 800,000 residents in 2025, and growth there accounted for over half of the county's annual population increase.



Slowing Birth Rates are Impacting Demographics

Birth rates in King County and the State have both been trending lower; however, the levels that we are seeing locally are a cause for concern.

Note: the birth rate in King County has fallen from 22/1,000 residents in 1960 to below 10/1,000 today.



Mortality Rates Indicate Healthcare Quality

Although mortality rates have inched higher; excluding the pandemic period, they have remained essentially static in King County.

Note: The highest mortality rates are to be found in Clallam, Pacific & Columbia Counties, while the lowest are in King, Whitman, and Snohomish counties.



Migration Patterns Drive Population Change

Although natural growth has been in decline, the population has been expanding from net in-migration. However, growth has been driven by international migration, not domestic.



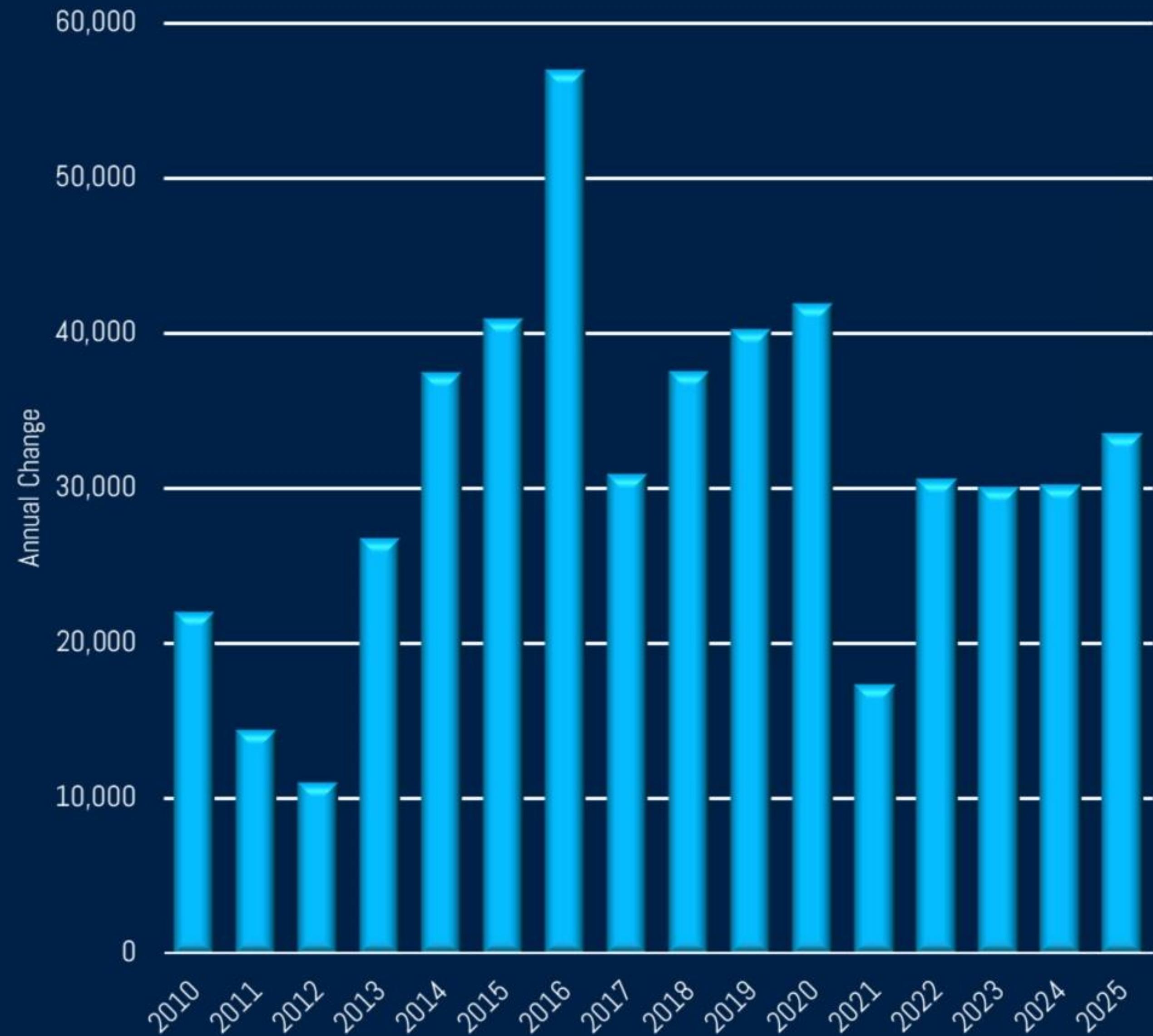
Components of Population Change



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Population Change: King County



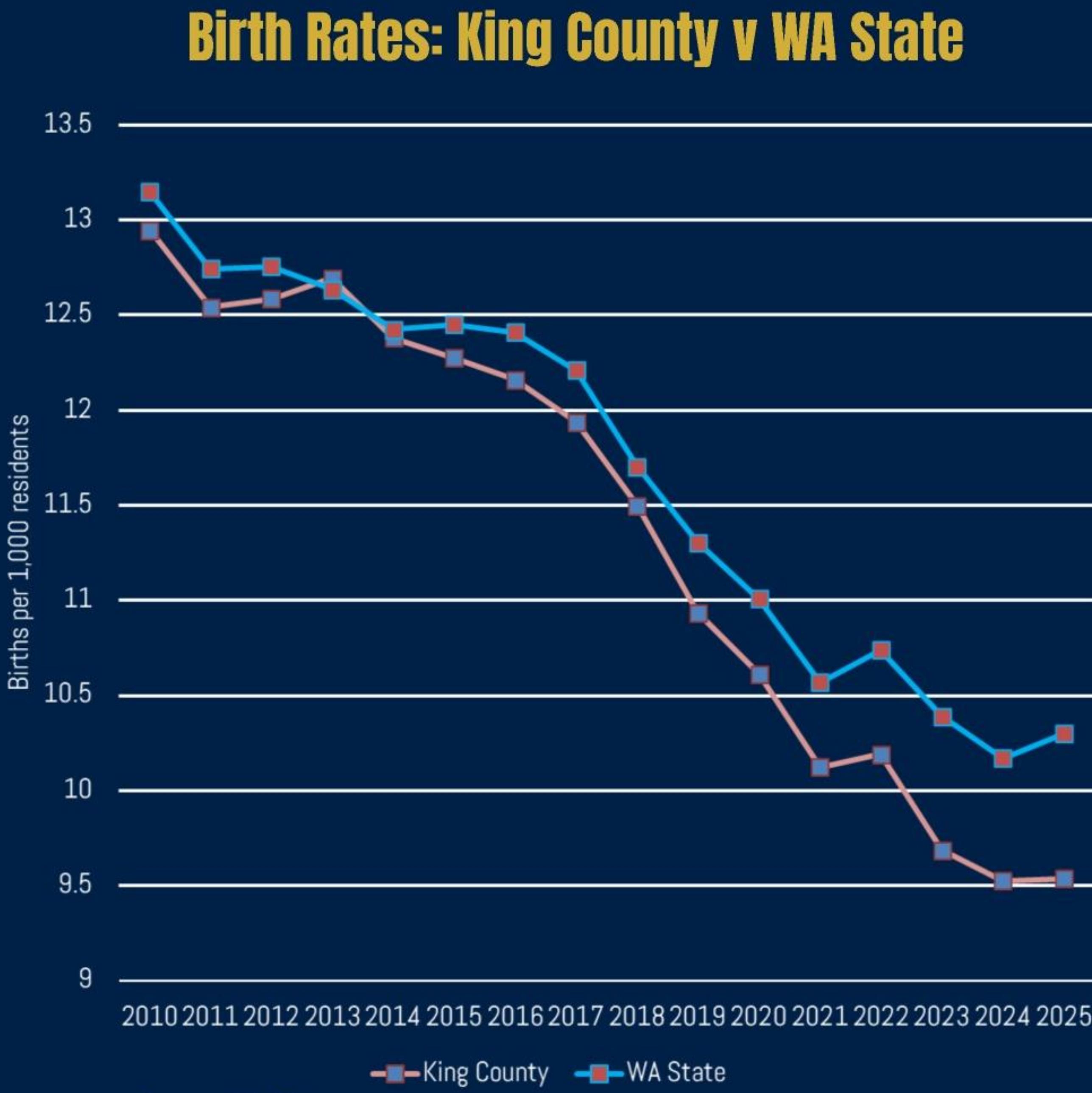
Source: WA OFM



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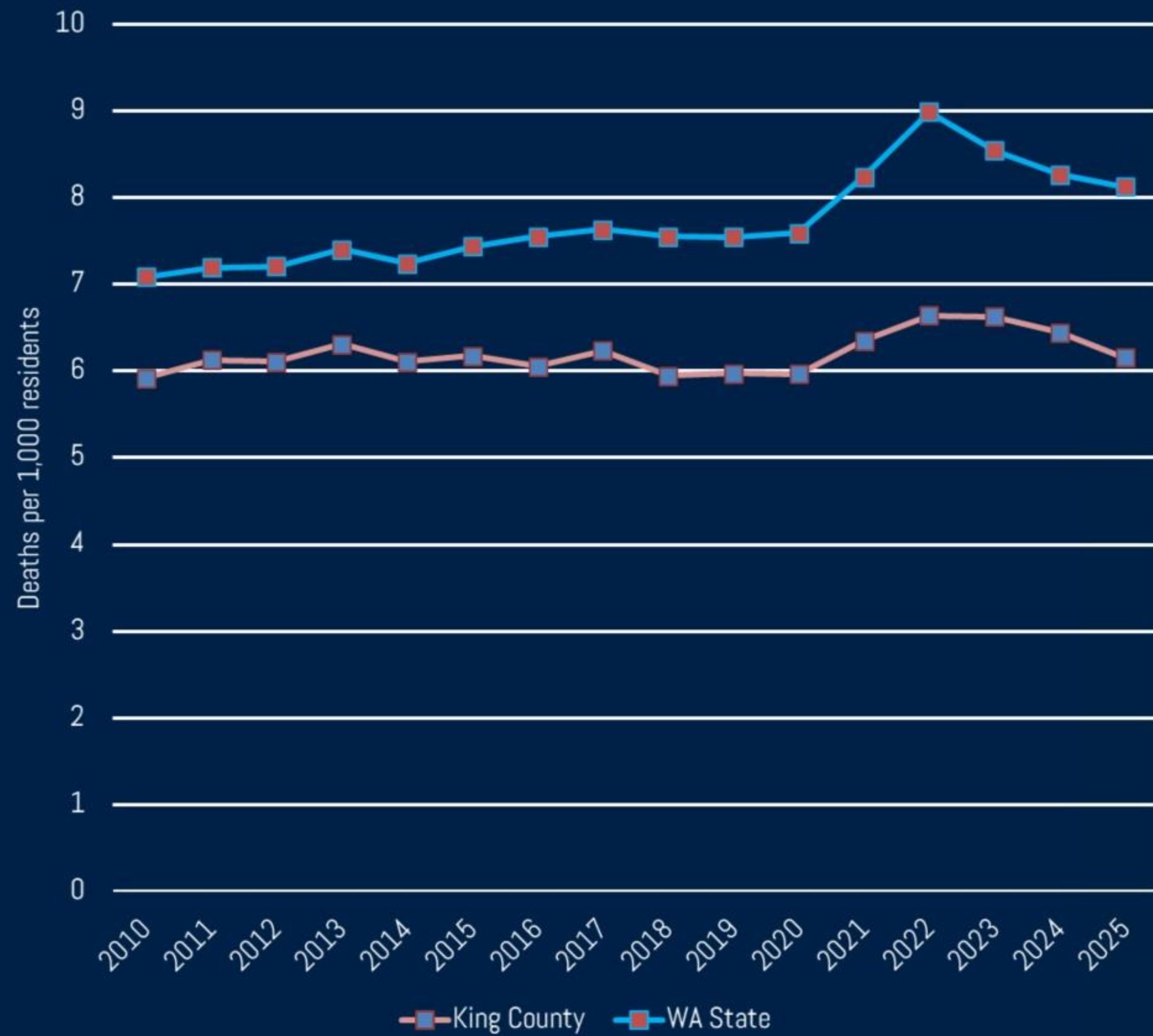


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Mortality Rates: King County v WA State

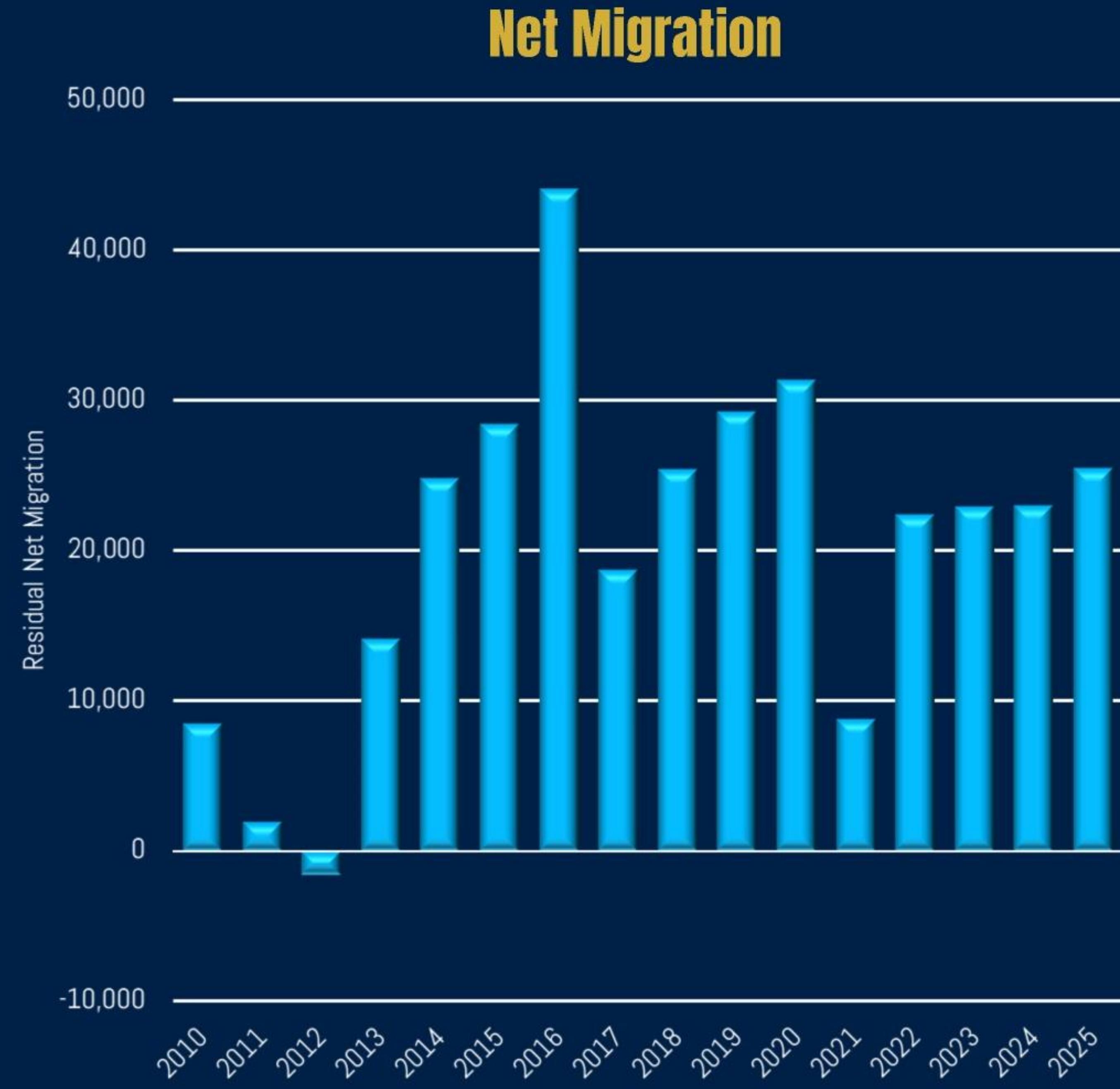


Source: WA OFM



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Housing Overview in 2025

In 2024, around 54% of the county's households owned their homes. Ownership tenure has been declining and that trend is likely to continue as households are increasingly priced out of the market.



Projected Demand for Ownership Housing in King County

An overview of the current owner households and future growth projections.

525,387

Number of owner households in King County

3.6%

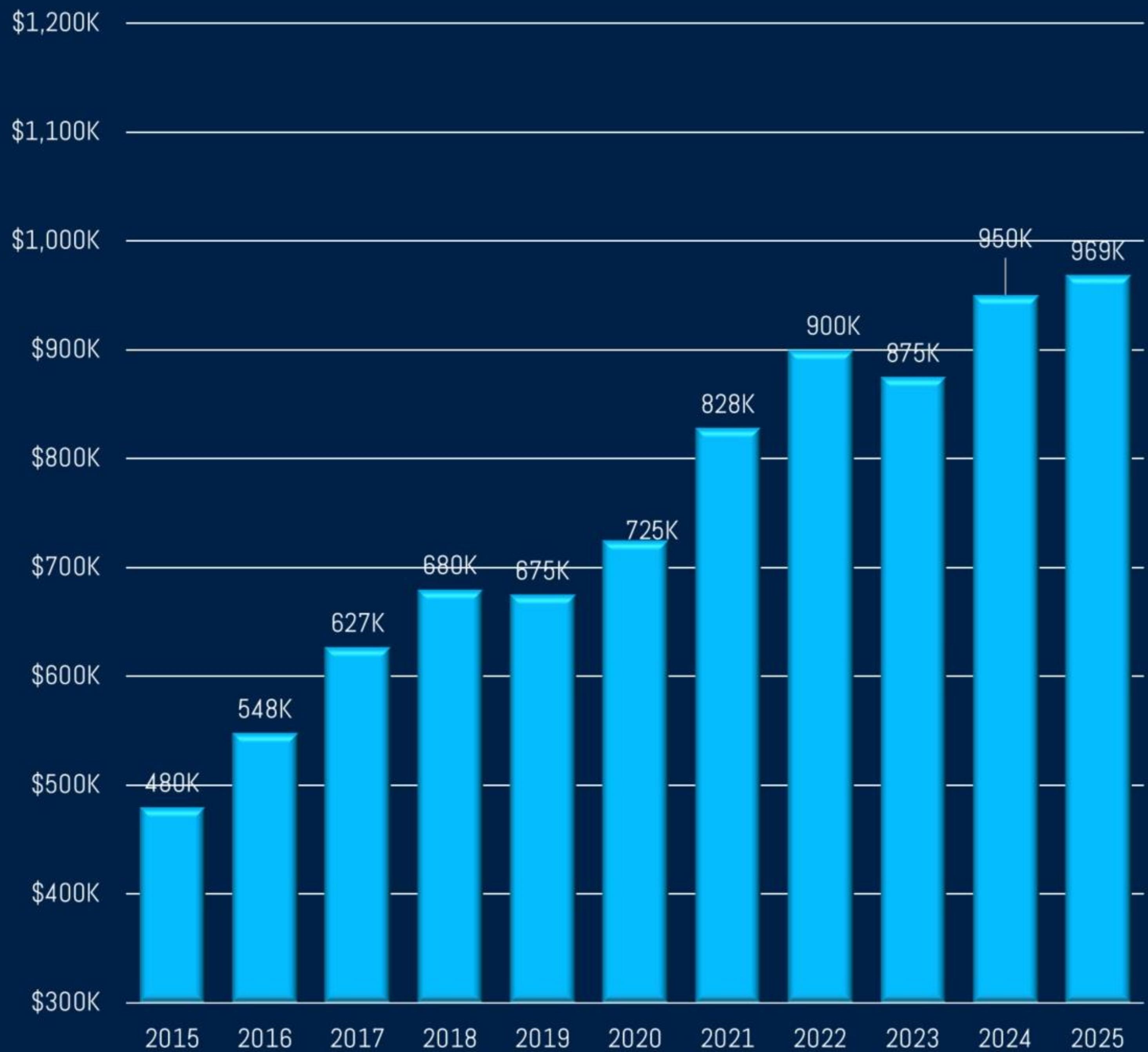
Projected growth in owner households over the next 5-years

19,000

Net demand for ownership housing units over the next 5-years

Single-Family Home Prices

Median sale prices for existing single-family homes have risen by 120% over the past decade.



Key Drivers Impacting the Seattle Ownership Market



Population Growth Returning



Contraction in tech sector employment



Declining Affordability



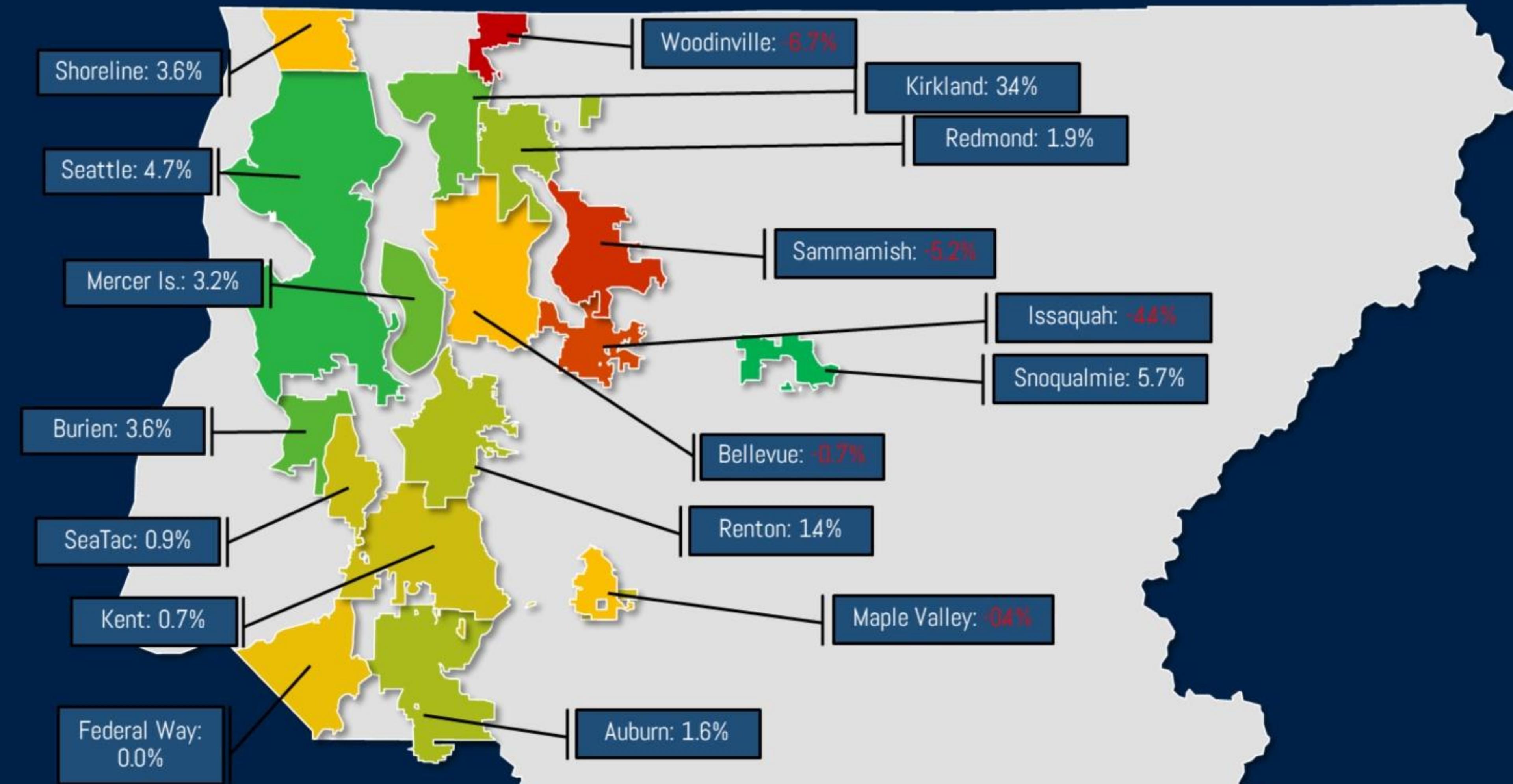
Persistently higher mortgage rates



Political uncertainty

Median Resale Price Change 2024-2025

King County



Source: NWMLS

© GeoNames, Mic



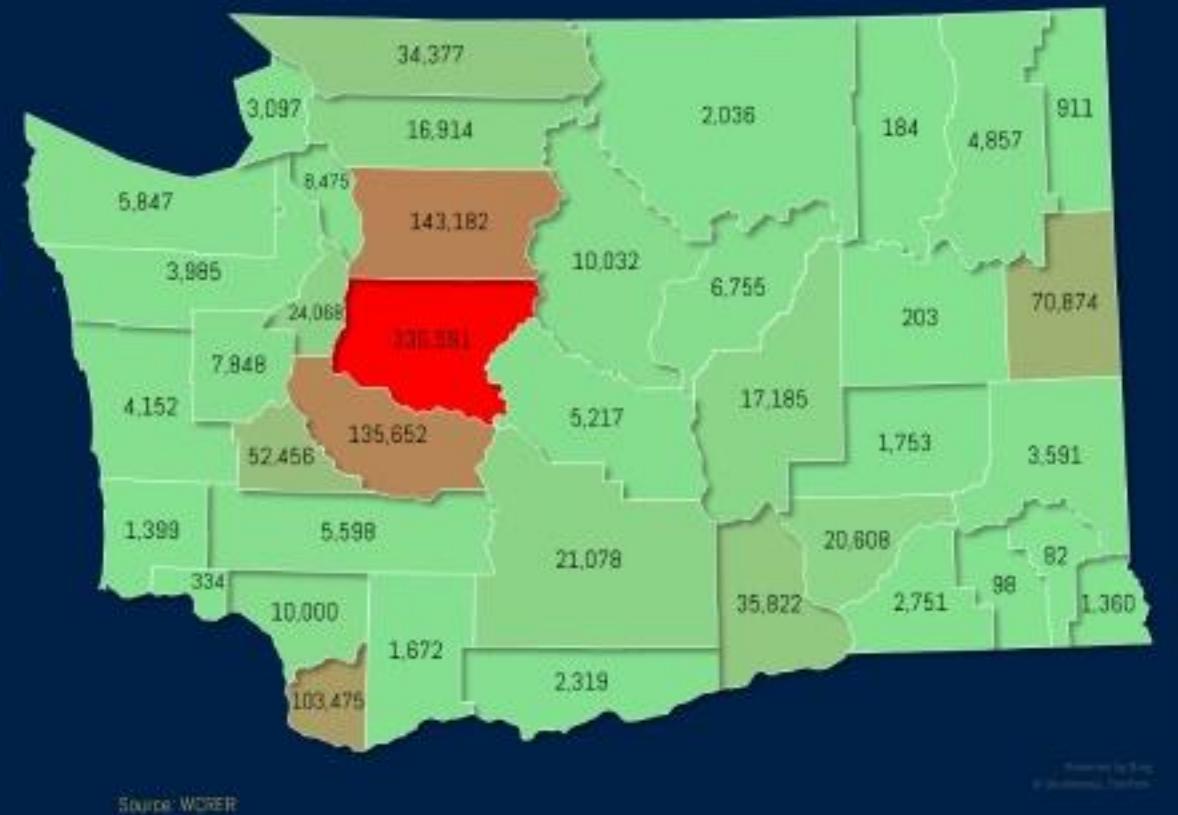
Impact of Growth Management

Just 3.7% of land in Washington State lies within the Urban Growth Area.



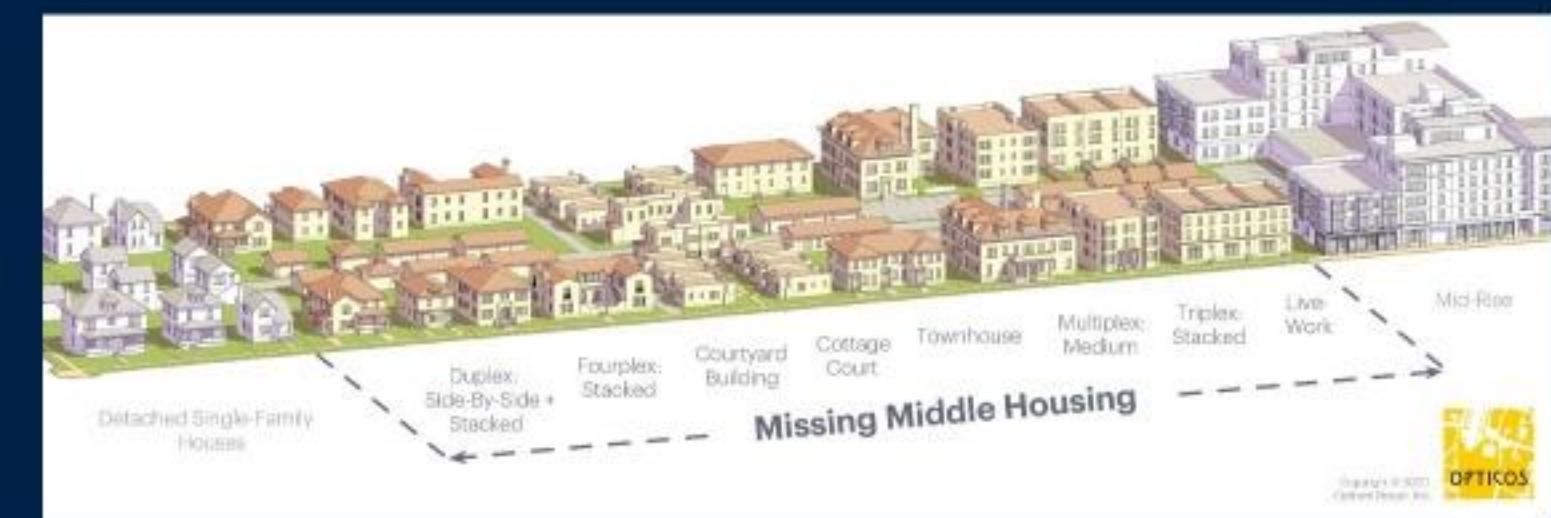
Housing Gap

The state is expected to need 1.1 million new homes to be built over the next 20-years to keep pace with anticipated population growth.



House Bill 1110

Despite recent discussions around House Bill 1110, which aimed to enhance housing development, the impact on permit activity has yet to be observed. The lack of significant change indicates that policy measures alone may not suffice to stimulate new construction.

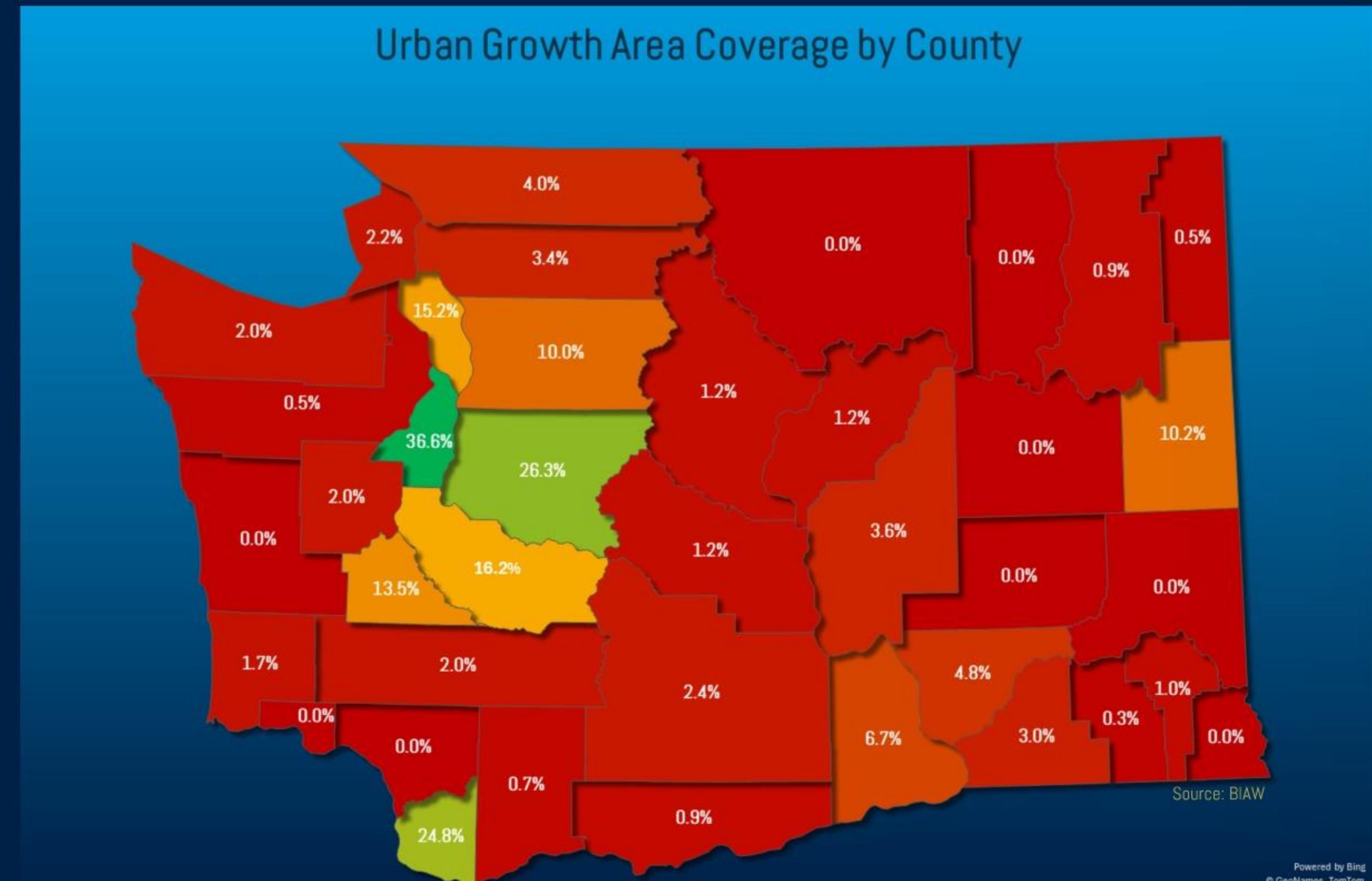


Demand Analysis: Single-Family Permit Activity



Impact of Growth Management

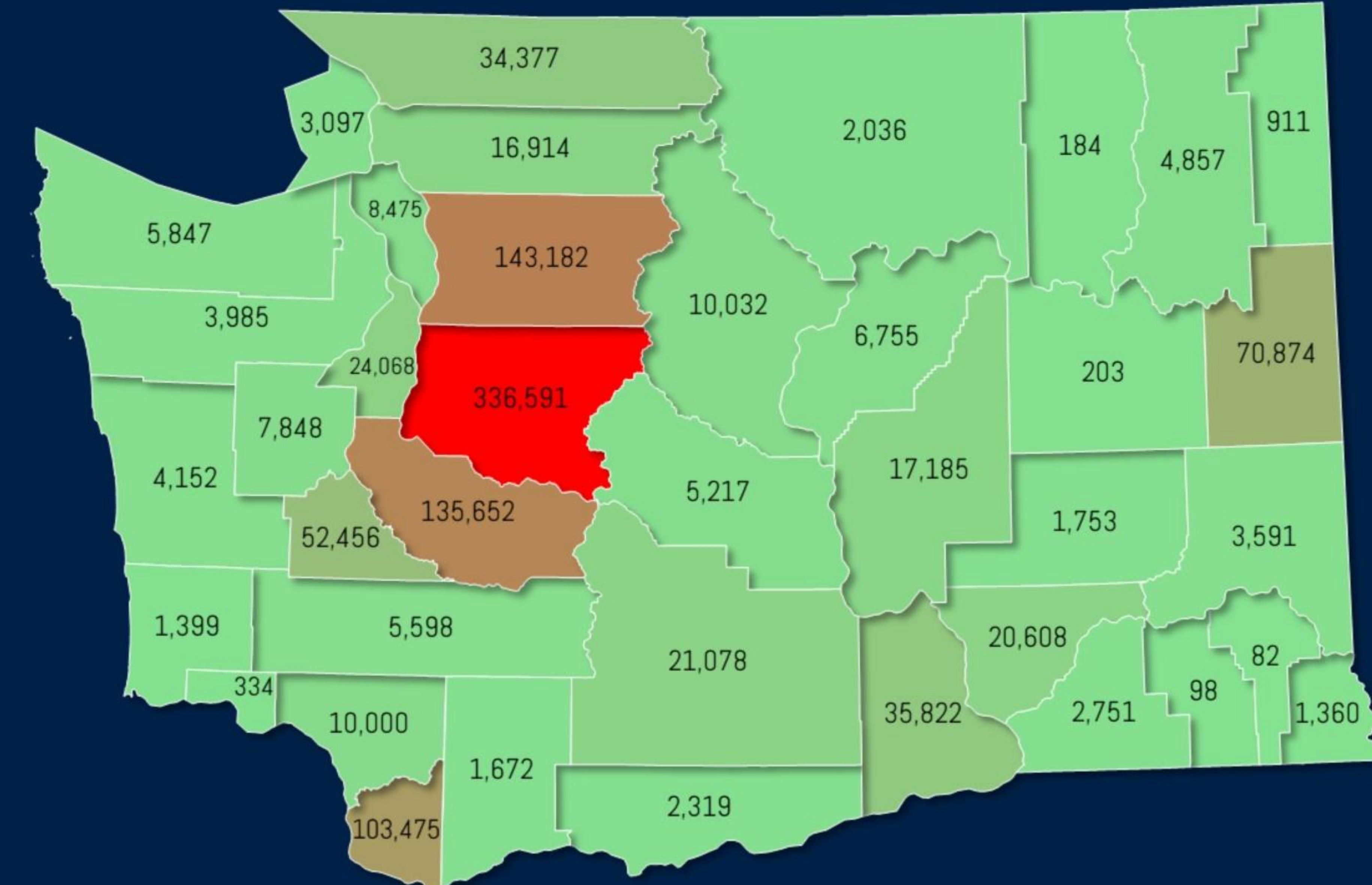
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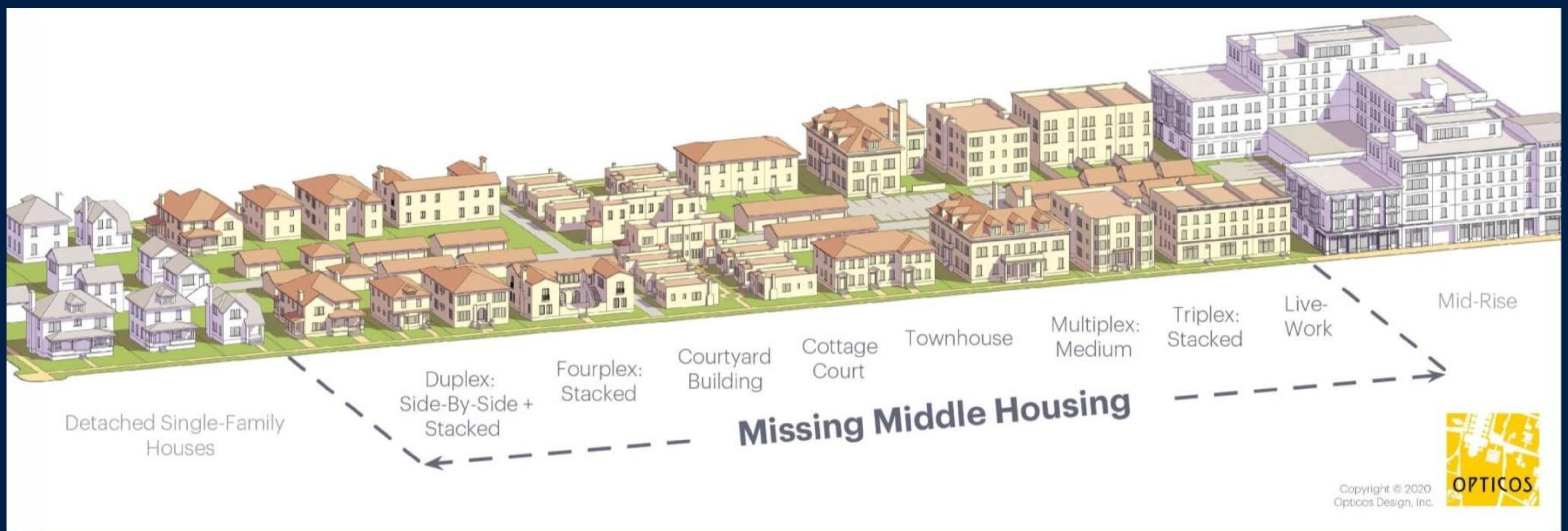
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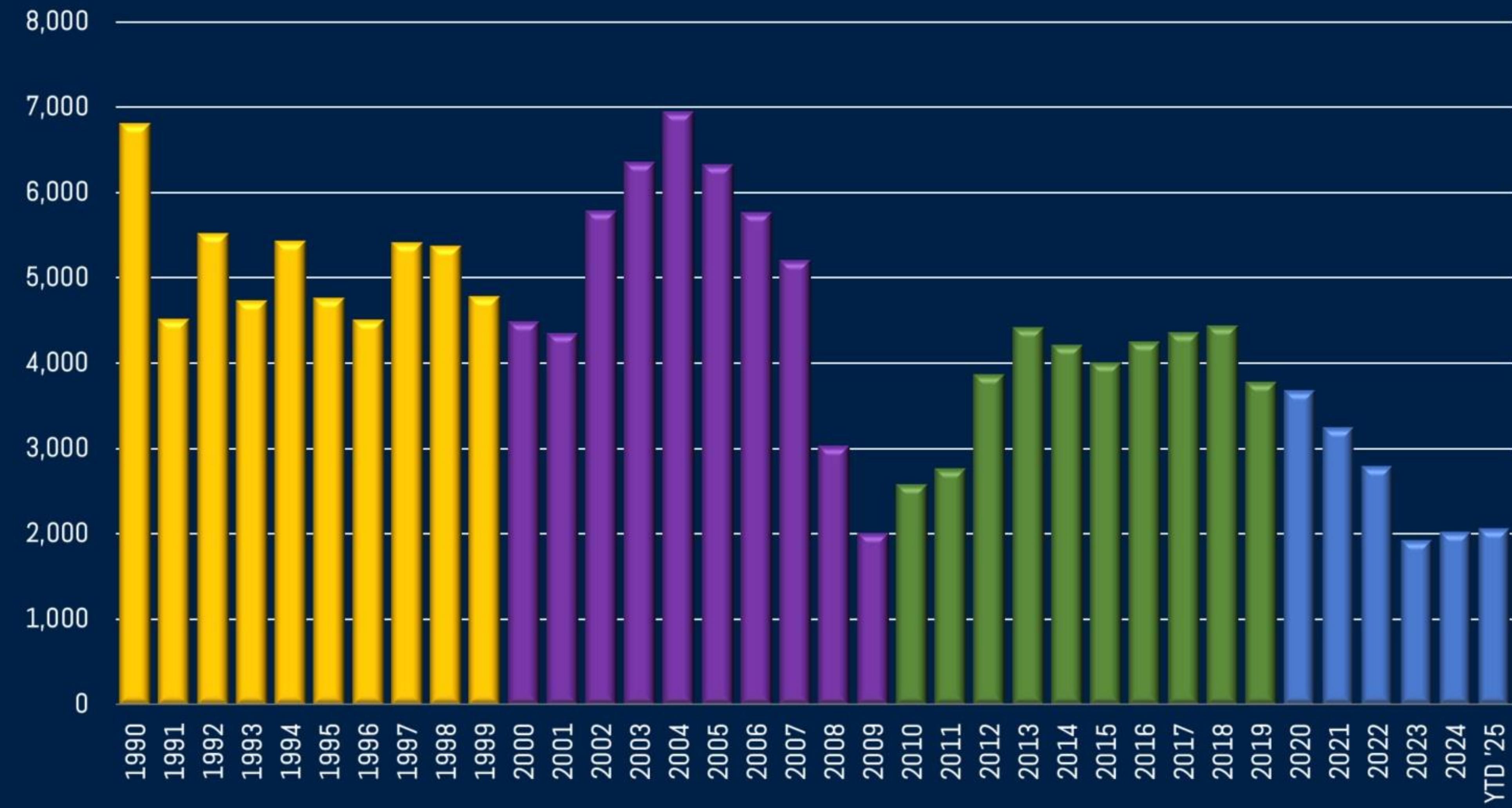
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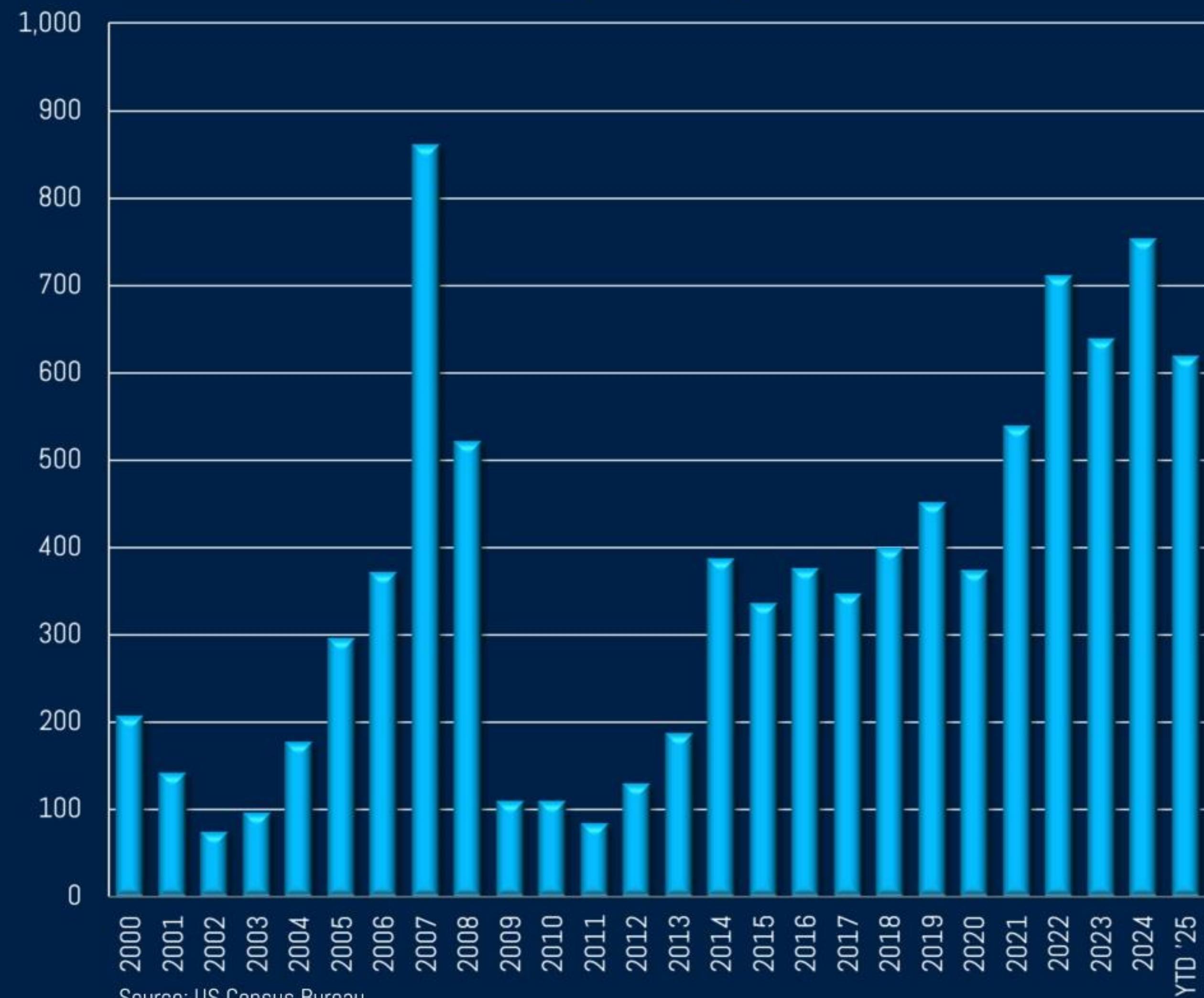
Single-Family Building Permit Issuance

King County,
Washington



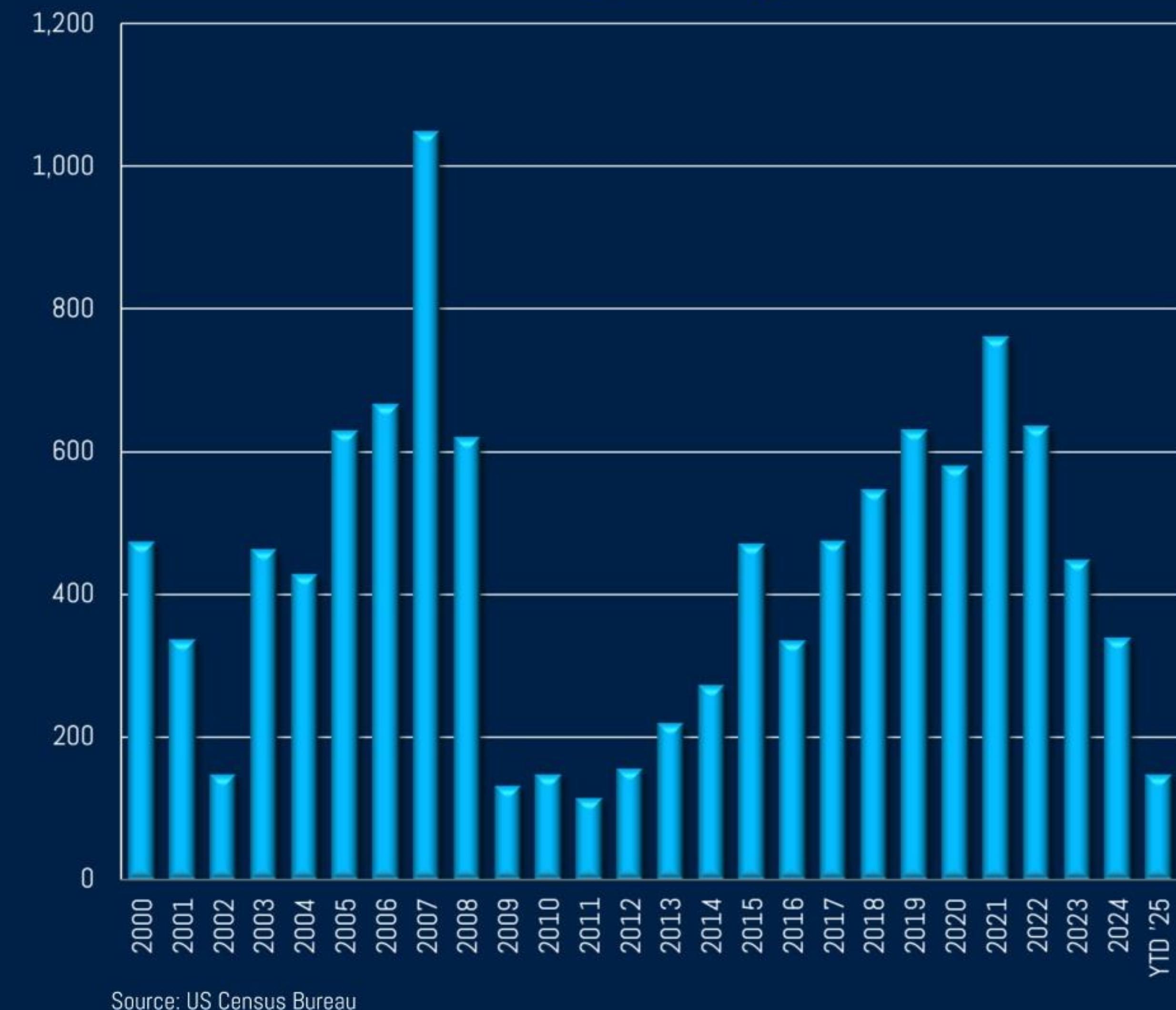
Source: US Census Bureau

Duplex Unit Permit Issuance King County



Source: US Census Bureau

Triplex & Quad Unit Permit Issuance King County



Source: US Census Bureau

Supply Chain Challenges in Real Estate

Understanding the key challenges affecting housing supply and real estate developments.



Material Shortages

Significant delays and increased costs due to shortages in essential construction materials such as lumber and steel.



Labor Shortages

Difficulties in finding skilled labor across construction trades leading to project delays and higher labor costs.



Increased Costs

Rising costs of materials and labor are pushing overall project budgets beyond initial estimates.





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Housing Affordability

The Seattle housing market is characterized by significant fluctuations driven by a variety of economic, social, and environmental factors. A comprehensive analysis will cover current trends, key drivers of demand, economic indicators, and future projections, culminating in actionable insights for stakeholders.

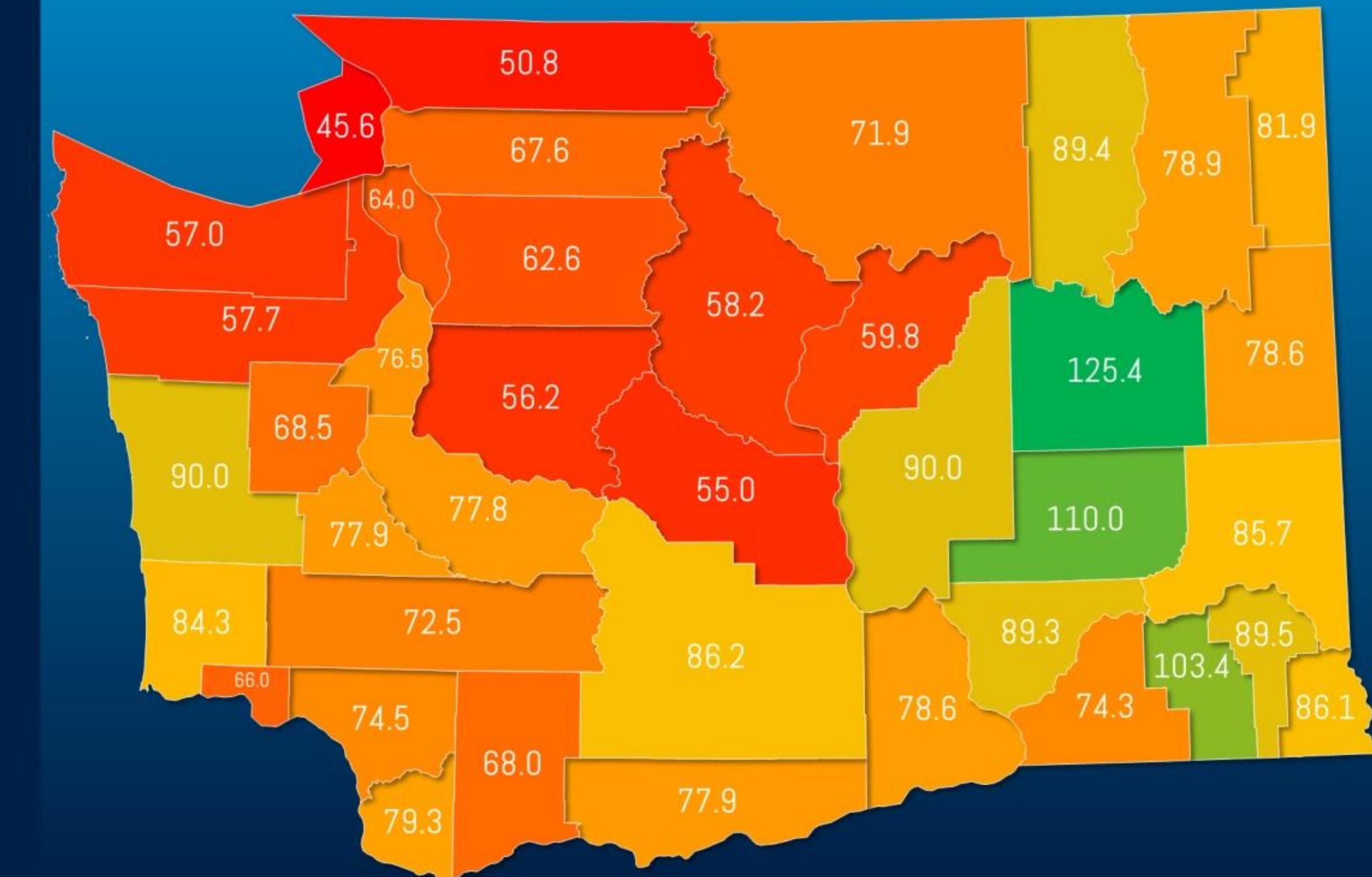


WA State All-Buyer Affordability

—“
Housing affordability is not just a "Seattle problem". There are only three counties in the State where a family making median income can afford a median priced home

”—“

Housing Affordability Index for Counties
In Washington State
All Buyer Index - Q3-2025



Notes: The Index level demonstrates the degree to which a household making median income can afford a median priced home. It assumes a 20% down payment, a buyer using a 30-year fixed rate conventional mortgage at prevailing rate, and that P&I Payments do not exceed 25% of gross income

Sources: Gardner Economics' calculations using Various multiple listing services and Freddie Mac

Powered by Bing

Washington State First-Time Buyer Affordability

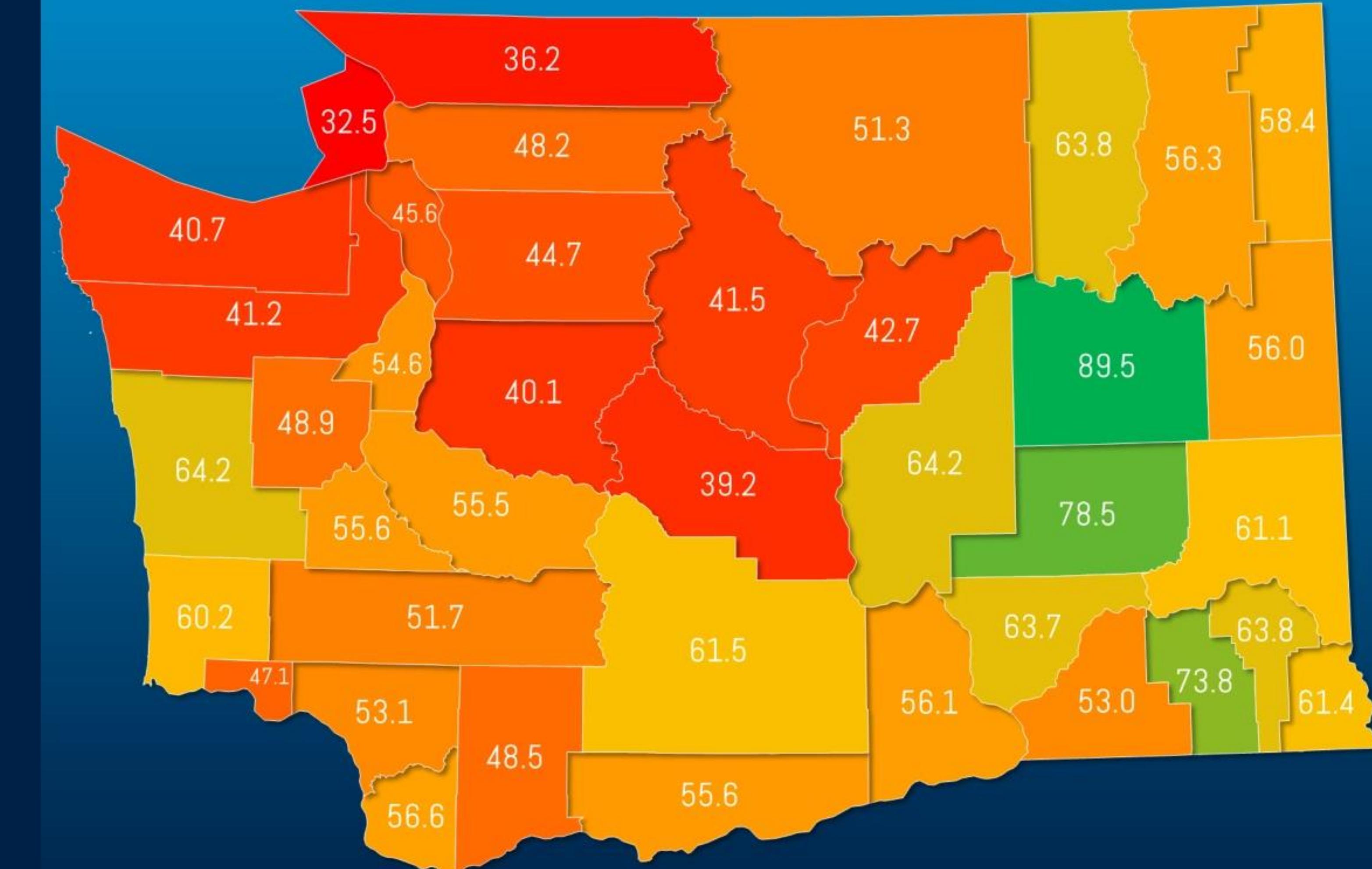
“

**Not one county in Washington State
is technically affordable to first-
time buyers,**

**How are Washington businesses
supposed to be able to compete for
talent if the salaries needed to be
able to own a home are prohibitive?**

”

**Housing Affordability Index for Counties
In Washington State**
First-Time Buyer Index - Q2-2025



Powered by Bing
© GeoNames, TomTom

Notes: The Index level demonstrates the degree to which a household making median income can afford a median priced home. It assumes a 20% down payment, a buyer using a 30-year fixed rate conventional mortgage at prevailing rate, and that P&I Payments do not exceed 25% of gross income

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First-Time Homebuyer Costs for a Median-Priced Single-Family Home Purchase in King County, WA

Q1-2021 to Q4-2025

	Q1-2021	Q1-2022	Q1-2023	Q1-2024	Q1-2025	Q4-2025
Median Single-Family Home Price	\$850,000	\$960,000	\$850,000	\$960,000	\$915,000	\$929,000
Interest Rate	2.88%	3.82%	6.37%	6.75%	6.83%	6.23%
Downpayment and Closing Costs	\$93,500	\$105,600	\$93,500	\$105,600	\$100,650	\$102,190
Total Monthly Owner Costs	\$4,304	\$5,323	\$5,937	\$6,925	\$6,645	\$6,409
Monthly Mortgage Principal and Interest Payment	\$3,245	\$4,127	\$4,877	\$5,728	\$5,505	\$5,251
Other Monthly Owner Costs	\$1,060	\$1,197	\$1,060	\$1,197	\$1,141	\$1,158
Property insurance	\$142	\$160	\$142	\$160	\$153	\$155
Property tax	\$560	\$632	\$560	\$632	\$602	\$612
Mortgage insurance	\$358	\$405	\$358	\$405	\$386	\$392
Annual Income Needed to Afford Monthly Payments	\$166,625	\$206,066	\$229,818	\$268,073	\$257,243	\$248,108

Notes: Monthly payments assume a mortgage with an 8% downpayment on a 30-year fixed rate loan with zero points and 0.55% mortgage insurance, 0.2% property insurance, and 0.79% property tax rates. Annual income needed assumes total monthly debts are no higher than 43% of incomes with 12% coming from non-housing debts and 31% from housing payments.

Source: Gardner Economics' tabulations using Freddie Mac's primary mortgage market surveys & NWMLS single-family sale prices for existing homes.



Tension in Housing Policy

The tension between NIMBY and YIMBY movements reflects a broader dilemma in housing policy: balancing the needs of current residents with the necessity for growth and development. This tension can - and has - significantly impacted housing availability and affordability in King County.



NIMBY Resistance

The NIMBY (Not In My Backyard) movement opposes new developments in their local area, fearing negative impacts such as reduced property values, increased traffic, and changes to neighborhood character. This can lead to stricter zoning laws and development restrictions.



YIMBY Advocacy

In contrast, the YIMBY (Yes In My Backyard) movement advocates for increased housing development, emphasizing the need for affordable housing and greater housing supply to meet population growth. They support policy changes that encourage multifamily housing and sustainable development.



NIMBY vs YIMBY: Housing Policy Dynamics

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Risks to Consider

The Seattle housing market faces several risks that could hinder its growth. Although economic downturns can lower housing demand, a lack of affordable housing is the biggest threat to the region's economic growth.



Emerging Opportunities

Conversely, the Seattle housing market presents various opportunities. There is a significant demand for more affordable housing solutions, which can attract investment and community support.

MATTHEW
GARDNER



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