Office of Economic Development 2015 Metrics Report

LYNNWOOD
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2015 Economic Metrics Report

The Office of Economic Development monitors metrics to gauge Lynnwood's economic strength and relative position in the market. Key metrics include unemployment, commercial vacancy and lease rates, building permits, property valuation, tax revenues and lodging metrics. Comparisons are made between the current year and the previous years to ascertain trends and to help evaluate the success of Economic Development programs initiated during the year.

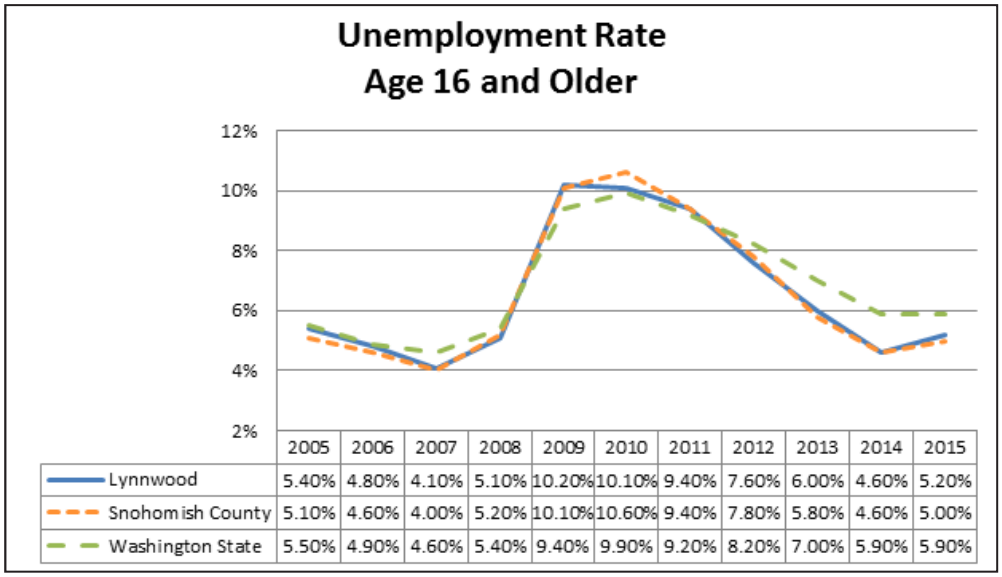
2015 Highlights

- The average Lynnwood unemployment rate was 5.2%, below the state rate of 5.9%.
- Key employment sectors in Lynnwood remain Retail, Services and Education
- Per the Snohomish County Assessor's office, the average residential value of a home in Lynnwood was $248,800 an increase of 13% compared to 2014.
- Commercial vacancy rates decreased compared to 2014. In December 2015, Class A commercial vacancy rate was 15.0% down from 22.4% in December 2014. Class B was 10.4%, down from 13.7% and Class C was 10.7%, basically unchanged from 10.5% in 2014. Retail space vacancy rate was 3.7%, down from 4.5%.
- A typical Class A office space leased for $26.12, a Class B space for $22.76 and a Class C for $18.46. Retail space rented for an average of $17.54 per square foot. All rates were above or equal to 2014.
- 3,002 permits were issued with a construction valuation of over $202 million, an increase of almost 400% in valuation compared to 2014.
- Lynnwood retail sales tax distribution was $19.72 million. Retail Trade and Accommodations and Food Service were the highest sales tax generating sectors.
- The average daily rate for a Lynnwood hotel was up 6% compared to 2014; the occupancy rate was down 6% and the Revenue per Available room was unchanged.
- In 2015, Lynnwood received a distribution of $835,605, an increase of $126,000 compared to 2014.

2015 At A Glance	
Employment Rate	94.8%
Commercial Vacancy/Lease Rate	
Class A	15.0% / $26.12
Class B	10.4% / $22.76
Class C	10.7% / $18.46
Retail	3.7% / $17.54
Revenues	
Retail Sales Tax	$19.72 million
Property Tax	$8.76 million
Utility Tax	$5.68 million
Lodging Tax	$835,605
Median Home Value	$248,800
Building Permits Issued	3,002
Permit Valuation	$202.7 million

EMPLOYMENT

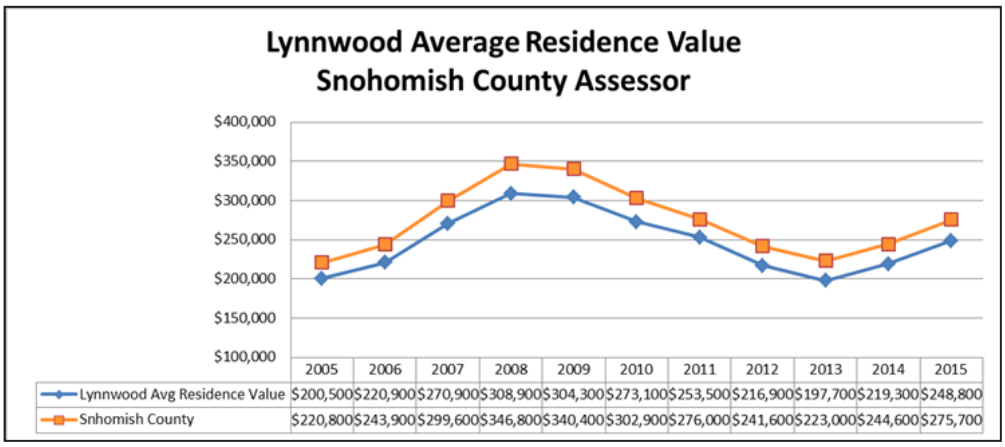
Unemployment rate is an indicator of the health of the local economy. Lower unemployment results in higher tax collections and potential business growth. As the chart below indicates, Lynnwood's unemployment rate is on par with the County, and below the State. Over the past 10 years, the unemployment rate in Lynnwood has been as low as 4.1% (2007) and as high as 10.2% (2009). The average unemployment rate for 2015 was 5.2%, below the State rate of 5.9% and on par with the County rate of 5.0%. Compared to 2014, unemployment has increased 0.6 percentage points.



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Lynnwood	5.40%	4.80%	4.10%	5.10%	10.20%	10.10%	9.40%	7.60%	6.00%	4.60%	5.20%
Snohomish County	5.10%	4.60%	4.00%	5.20%	10.10%	10.60%	9.40%	7.80%	5.80%	4.60%	5.00%
Washington State	5.50%	4.90%	4.60%	5.40%	9.40%	9.90%	9.20%	8.20%	7.00%	5.90%	5.90%

HOUSING

The average home value, according to the Snohomish County Assessor's office, has been steadily increasing since 2013. The average value of a Lynnwood residence increased over 13% between 2014 and 2015. The average residential value of a home in Lynnwood was $248,800 in 2015, about $27,000 below the county average.



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Lynnwood Avg Residence Value	$200,500	$220,900	$270,900	$308,900	$304,300	$273,100	$253,500	$216,900	$197,700	$219,300	$248,800
Snhomish County	$220,800	$243,900	$299,600	$346,800	$340,400	$302,900	$276,000	$241,600	$223,000	$244,600	$275,700

COMMERCIAL VACANCY RATES

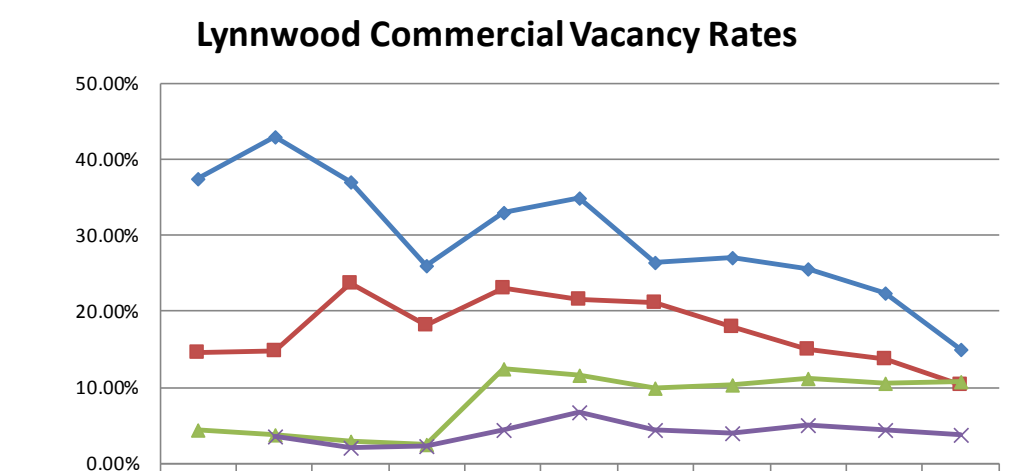
Commercial vacancy rates help forecast new development, job growth and the desirability of doing business in Lynnwood. Office buildings are classified as Class A, B or C, depending on the quality of the structure and available amenities. Vacancy rates in all building types have been trending downward for the past several years, with the most dramatic decreases seen in Class A space.

For the past 10 years, Lynnwood has had a total of 5 Class A buildings representing approximately 560,000 square feet of space. In 2006, the Class A vacancy rate was 43%, the highest vacancy rate in the past 10 years. Since that time, vacancy rates have been gradually declining, and were at 15% in December 2015, a drop of 7.4 percentage points from December 2014. This is the lowest Class A vacancy rate Lynnwood has experienced in the past 10 years.

In 2003, there were 62 Class B office buildings in Lynnwood. There are currently 1,691,421 square feet of Class B space in 81 buildings. Vacancy rates have been gradually declining since 2009 as demand for Class B office space in Lynnwood continued to increase. At the end of 2015, Class B buildings had a vacancy rate of 10.4%. This is the lowest Class B vacancy rate in the past 10 years and is 24% below vacancy rates in 2014.

Lynnwood has 536,610 square feet of Class C space in 103 buildings. These spaces are the least expensive and draw the lowest rental rents. Over the past 10 years, the lowest Class C vacancy rate, achieved in 2008, was 2.6%. In 2009, vacancy spiked to 12.5%. Q4 2015 Class C vacancy rate was 10.7%, on-par with Q4 2014.

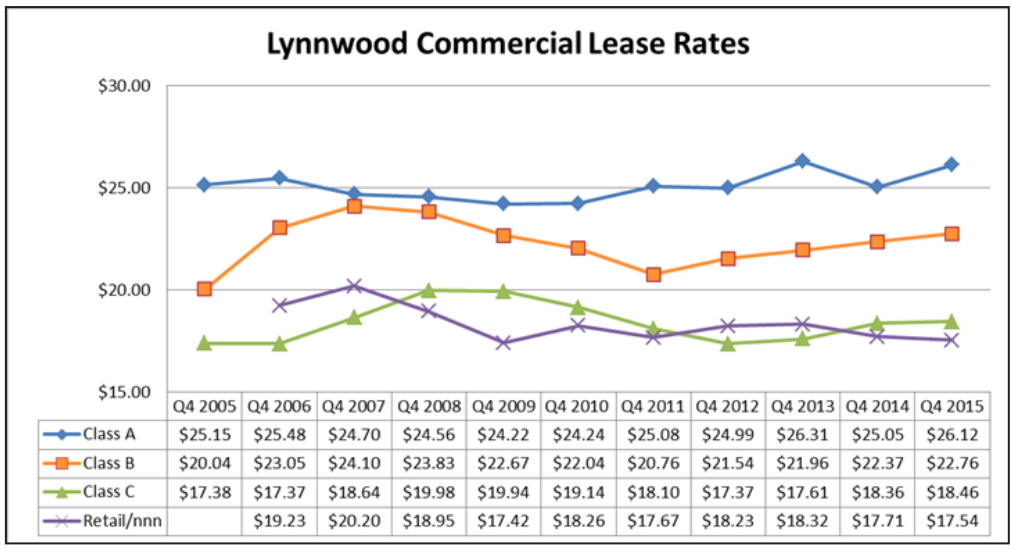
As a retail hub, it is not surprising that the largest number of commercial buildings in Lynnwood are classified "retail". There are currently 415 retail buildings representing over 8 million square feet of space. Over the past 7 years, the lowest retail vacancy rate in Lynnwood was 2.1%, achieved in 2007; the highest was 6.8% in 2010. The Q4 2015 vacancy rate was 3.7%, down 0.8 percentage points compared to 2014.



	Q4 2005	Q4 2006	Q4 2007	Q4 2008	Q4 2009	Q4 2010	Q4 2011	Q4 2012	Q4 2013	Q4 2014	Q4 2015
Class A	37.50%	42.90%	37.10%	26.08%	33.08%	35.00%	26.50%	27.10%	25.70%	22.40%	15.00%
Class B	14.60%	14.70%	23.60%	18.10%	23.00%	21.60%	21.10%	17.90%	15.10%	13.70%	10.40%
Class C	4.30%	3.80%	2.90%	2.60%	12.50%	11.60%	9.90%	10.30%	11.20%	10.50%	10.70%
Retail/nnn		3.50%	2.10%	2.30%	4.30%	6.80%	4.50%	3.90%	5.00%	4.50%	3.70%

COMMERCIAL LEASE RATES

Rental rates in Lynnwood in 2015 increased for all categories of office spaces, but decreased for Retail. Since 2005, Class A lease rates have ranged from a high of $26.31 in 2013 to a low of $24.22 in 2009. At the end of 2015, the average lease rate for Class A office space in Lynnwood was $26.12, on par with the high in 2013. It is possible the decrease in lease rates contributed to the decrease in vacancy rates across the Class A space. Lease rates for Class B space have been increasing steadily since 2011 and at the end of 2015 were $22.76/sf. This represents a small increase over 2014, (39 cents) and is the highest the lease rate for Class B space has been since 2008. Class C space was available for an average of $18.46 at the end of 2015, up 10 cents/sf from Q4 2014. Retail space lease rates at the end of 2015 were $17.54nnn, a decrease of 17 cents compared to Q4 2014.

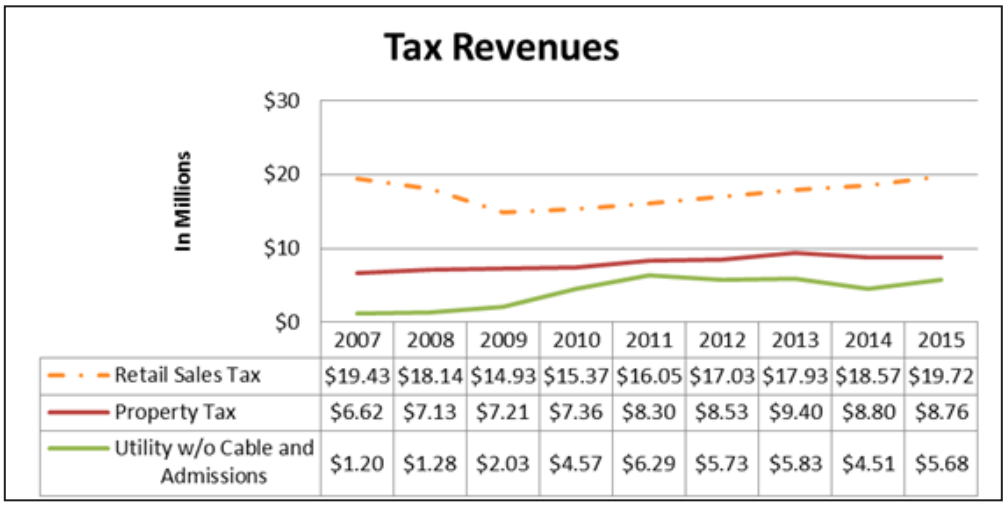


	Q4 2005	Q4 2006	Q4 2007	Q4 2008	Q4 2009	Q4 2010	Q4 2011	Q4 2012	Q4 2013	Q4 2014	Q4 2015
Class A	$25.15	$25.48	$24.70	$24.56	$24.22	$24.24	$25.08	$24.99	$26.31	$25.05	$26.12
Class B	$20.04	$23.05	$24.10	$23.83	$22.67	$22.04	$20.76	$21.54	$21.96	$22.37	$22.76
Class C	$17.38	$17.37	$18.64	$19.98	$19.94	$19.14	$18.10	$17.37	$17.61	$18.36	$18.46
Retail/nnn		$19.23	$20.20	$18.95	$17.42	$18.26	$17.67	$18.23	$18.32	$17.71	$17.54

TAX REVENUES

The chart below tracks annual Retail, Property and Utility Taxes distributed to Lynnwood 2007 to 2015. Sales Tax revenues, in particular, are an indicator of a prosperous economy. As the previous charts indicate, steady job growth, indicators of upcoming development and increasing demand for commercial space suggest retail sales should continue to grow. Sales Tax Revenues are higher than 10 years ago ($14,493,326) and have steadily increased since 2010, surpassing the levels of the boom years of 2007-2008 levels; Retail Trade, Accommodations/Food Service and Construction are the top sales tax generating industries in Lynnwood.

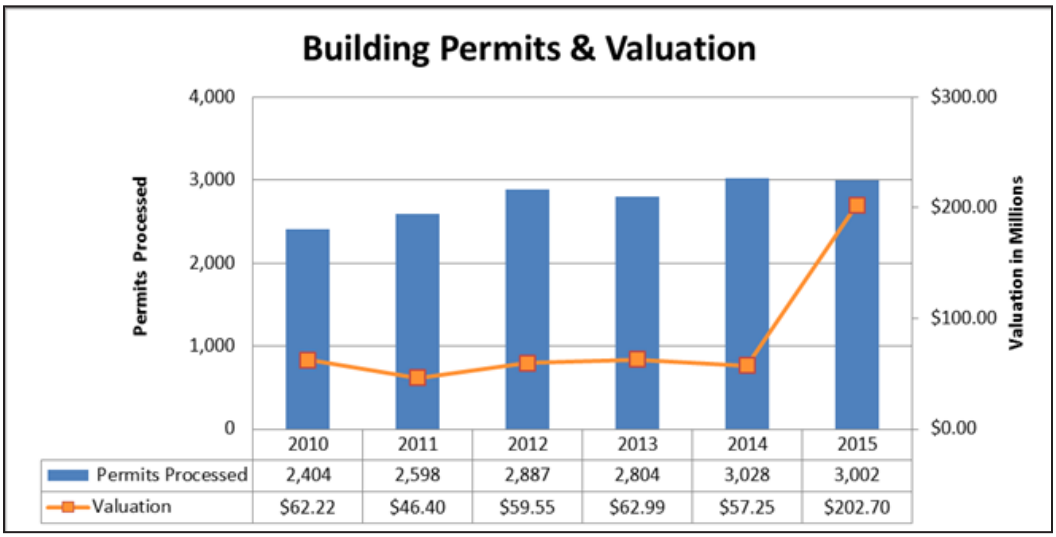
Property Tax collections are on par with 2014, at $8.76 million. Utility taxes increased by 4% compared to 2014 to $5.68 million.



	2007	2008	2009	2010	2011	2012	2013	2014	2015
Retail Sales Tax	$19.43	$18.14	$14.93	$15.37	$16.05	$17.03	$17.93	$18.57	$19.72
Property Tax	$6.62	$7.13	$7.21	$7.36	$8.30	$8.53	$9.40	$8.80	$8.76
Utility w/o Cable and Admissions	$1.20	$1.28	$2.03	$4.57	$6.29	$5.73	$5.83	$4.51	$5.68

BUILDING ACTIVITY

The number of building permits issued in a given year reflects the activities of the development community, future tax revenues and potential jobs. In 2015, 3,002 building permits were issued with a valuation of $202.7 million. The number of permits issued in 2015 was less than 1% below 2014, however, the valuation was up almost 400%.

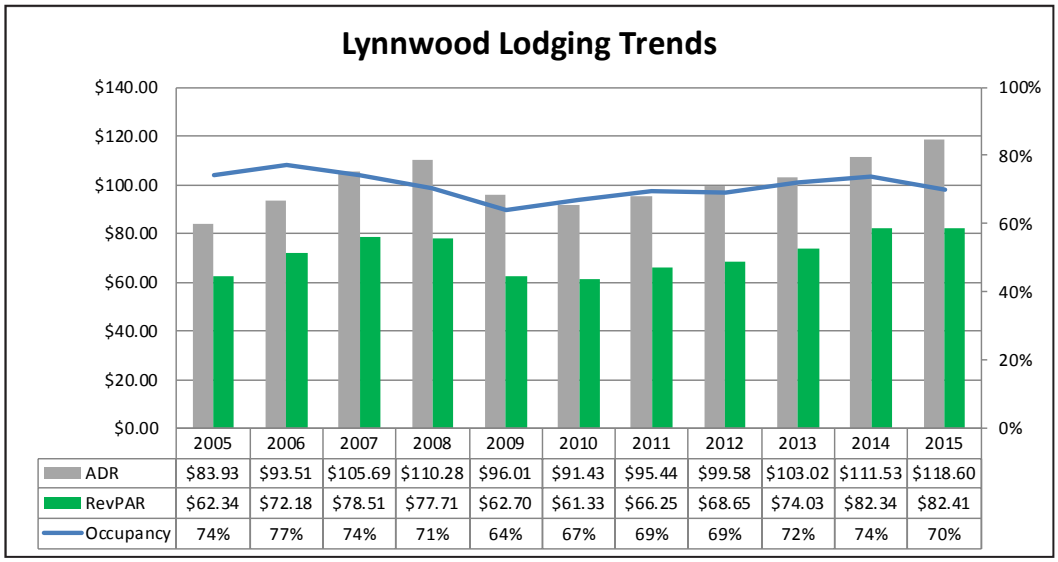


	2010	2011	2012	2013	2014	2015
Permits Processed	2,404	2,598	2,887	2,804	3,028	3,002
Valuation	$62.22	$46.40	$59.55	$62.99	$57.25	$202.70

LODGING TRENDS

Lynnwood's Tourism Program is managed by the Office of Economic Development. Tourism impacts the economic vitality of the City through visitor spending on lodging, food, entertainment, shopping and transportation. Tourism creates jobs and a demand for supplies and services. In 2015, tourism created an estimated 10,750 jobs in the County, $273.9 million in payroll and $21.1 million in local taxes. The 2015 Visitor Impact Report, published by Dean Runyan and Associates, states a typical overnight visitor in Snohomish County staying in commercial lodging spent $171 per day and $360 per trip.

The chart above details the Lynnwood lodging trends since 2005. Occupancy peaked in 2006, declined between 2007 and 2009 and has not declined since. In 2015, the average daily rate for a Lynnwood hotel was $118.60, the highest rate ever and about $17.26 per night higher than elsewhere in Snohomish County ($101.34). Both average daily rate (ADR) and RevPAR have been increasing as well. As with commercial vacancy rates, the occupancy and room rates in Seattle impact the Lynnwood market. As rates increase in Seattle, visitors look for a near-by more affordable alternatives.

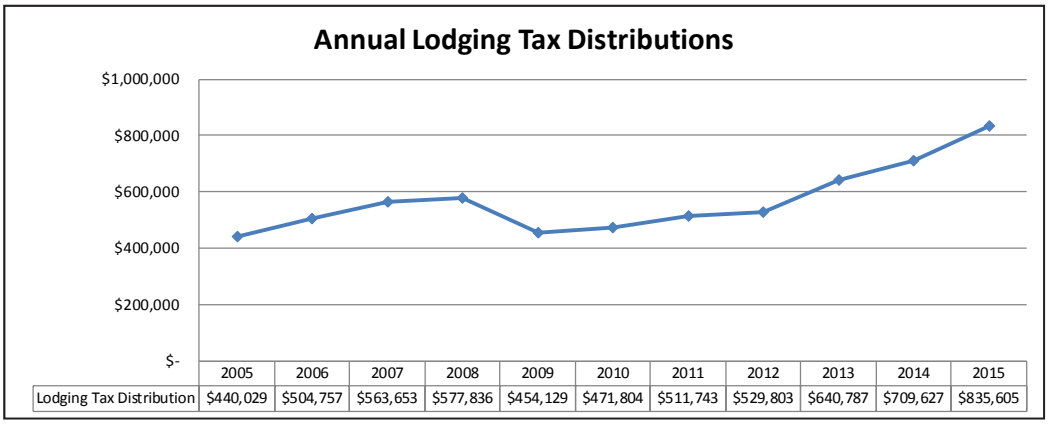


	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
ADR	$83.93	$93.51	$105.69	$110.28	$96.01	$91.43	$95.44	$99.58	$103.02	$111.53	$118.60
RevPAR	$62.34	$72.18	$78.51	$77.71	$62.70	$61.33	$66.25	$68.65	$74.03	$82.34	$82.41
Occupancy	74%	77%	74%	71%	64%	67%	69%	69%	72%	74%	70%

Source: STR, Inc. Republication or other re-use of this data without the express written permission of STR is strictly prohibited

LODGING TAX

In 2015, Lynnwood received a distribution of $835,605 in lodging tax revenue. This is an 18% increase over 2014. This marks the 5th consecutive year lodging tax revenues have increased.



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Lodging Tax Distribution	$440,029	$504,757	$563,653	$577,836	$454,129	$471,804	$511,743	$529,803	$640,787	$709,627	$835,605

DATA SOURCES

Unemployment Rate:	Bureau of Labor and Statistics
Median House Value:	US Census, American Fact Finder, Snohomish County Assessor
Commercial Vacancy:	CoStar
Commercial Lease Rates:	CoStar
Sales Tax:	WA State Department of Revenue
Sales Tax by Sector:	City of Lynnwood
Property Tax:	City of Lynnwood
Utility Tax:	City of Lynnwood
Building Permits:	City of Lynnwood
Permit Valuation:	City of Lynnwood
Permit Fees:	City of Lynnwood

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