

COVID-19 Impacts: downtown Seattle and the region

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The COVID-19 situation is impacting businesses downtown and across the city and region. The numbers are changing daily. As new information comes in, we will continue to update this summary with the most recent available data.

Please note the citations on each item (links are provided in the text, where available). While DSA is compiling this information in one place for convenience, it is mostly from other sources. If you have questions, please contact DSA Senior Research Manager, Elliott Krivenko at elliottk@downtownseattle.org.

Downtown employment

- Based on 2Q 2020 regional estimates from CoStar and Oxford Economics and downtown's share of total jobs in the region, we are estimating that downtown lost about 47,000 jobs in the first half of the year. While some jobs are coming back, we anticipate downtown will still end the year with about 20,000 fewer jobs compared to the start of the year.

Seattle and Puget Sound region employment

- Based on monthly household survey results provided by the Bureau of Labor Statistics, the Employment Security Department estimates that the Puget Sound unemployment rate in July was 8.3%. This is down from June's revised figure of 9.7% and significantly down from May's rate of 14.5%.
- In Seattle about a third of those jobs represented in [WARN layoff notices](#) with the state since March 1 are considered permanent layoffs. For jobs across the state, that rises to half. (note that not all layoffs are subject to WARN notice requirements).

Washington State employment

- Based on monthly household survey results provided by the Bureau of Labor Statistics, the Employment Security Department estimates that Washington's unemployment rate inched up to 10.3% in July from June's 10.0% revised figure. While unemployment went up, jobs also increased. The increase in the

unemployment rate was due to an increase in the number of people considered to be in the labor force in July.

A shift to remote work?

- In a Commute Seattle survey, 89% of employers said that some portion of their employees are working remotely, with 72% saying that between 81% and 100% of their employees were doing so as of May 2020. In that same survey, 50% of employers anticipated a post-COVID work culture where their employees would work from home at least a few times per week.
- As of mid-June only 24% of U.S. urban office workers consider going back to the office full time an ideal scenario and more than a third would prefer to work from home full time. ([Salesforce](#))

A move away from cities?

- Most (74%) urban residents said in mid-August that they are likely to stay put despite the ongoing health crisis while just (26%) said they are somewhat or very likely to relocate. This is a shift from the spring when they reported an intended mass exodus out of U.S. cities. ([Harris](#))
- In late July, a third of workers surveyed said that it is very likely they would consider moving to another location if remote work continues to be an option into the Fall (61% said it was likely they would still be working from home in the fall). ([Harris](#))

Office real estate impact ([CoStar](#) data)

- Downtown saw only about 308,000 square feet in new office leases in the second quarter and net occupied square feet increased by just under a million square feet in the first half of the year. This was Downtown's worst performance on this metric since 2009.
- Downtown office rents have decreased about 1% year-over-year and are expected to be down 5.5% year-over-year by 1Q 2021.
- Downtown office vacancy rates are expected to top out at 9% by the end of 2021, up from a low of 4.9% in the third quarter of 2019.
- For suburban Seattle, office rents have been flat so far this year but are expected to be down 4.7% year-over-year by 1Q 2021. New office space leases in the second quarter of 2020 totaled 600,000 square feet, down from about 1.3 million in the first quarter and the smallest amount of space newly leased since before 2000.

Retail real estate impact ([CoStar](#) data)

- Downtown saw a decrease of 15,000 square feet of occupied retail in the second quarter and is expected to see another 84,000 square feet decrease in occupied retail space in the third quarter.
- Rents decreased slightly over the quarter. They are down 1% year-over-year and are expected to be down 4.9% year-over-year by 1Q 2021.
- For suburban Seattle, retail vacancies are up slightly and rents are relatively flat. However, rents are expected to drop over the next several quarters and are expected to be down 4.1% year-over-year by 1Q 2021.

Apartment real estate impact ([CoStar](#) data)

- Downtown, apartment vacancy rates are expected to rise from 5.3% at the end of 2019 to 8.6% at the end of 2020 with rents down 5.4% year-over-year. Apartment vacancy is expected to peak at 12.8% by the end of 2021. (Note: vacancy figures include new construction. Not including new units, vacancy is expected to peak at 7.9%)
- By the end of the second quarter, an estimated 836 fewer apartments were occupied downtown than at the start. For context, the previous worst quarter on record showed an occupancy decrease of only 42 units. This data shows a forecasted decrease of 544 occupied units for the year 2020. This would be the first year-over-year drop in the number of renter households as far back as these records go (2000). Rents dropped 3% in the second quarter and were down 1.3% year-over-year.
- For suburban Seattle, apartment vacancies are up slightly, mostly due to new construction. The number of occupied units as well as the average rent per unit in suburban areas have continued to increase (though rent growth is expected to slow and even dip negative over the next several quarters).

Home sales real estate impact

- [Northwest Multiple Listing Service](#) monthly data:
 - Downtown saw an increase in the number of homes for sale June, July and August. By August, there were (year-over-year):
 - A 73% increase in listings
 - A 14% decrease in pending sales
 - A 24% decrease in closed sales
 - A 9% decrease in median sale prices

- Outside of Seattle, nearly every other area of the region has seen double digit decreases in listings and double digit increases in pending sales, closed sales and median sale prices.
- Downtown currently has about a nine month supply of homes for sale. Six months is typically considered the point at which an area becomes a “buyer’s market”. It is one of the only areas in the state with this much inventory relative to sales.
- Among Seattle Redfin users, more were looking to move away from the area than to the area in the second quarter of 2020. With nearly 14% of Seattle users seeking to move out of the area, Redfin estimated that 363 more Redfin users left Seattle than moved to Seattle during that period.
- According to [Zillow](#), housing prices in Seattle are anticipated to decrease about 1.7% in the next 12 months. Downtown is expected to see a drop in home values of 3.1% after a 2% decrease over the past year.
- In April, [Attom Data Solutions](#) listed King County as one of the housing markets least vulnerable to the economic impact of the virus.

Business outlook for Seattle and downtown

- At least 147 street-level businesses (e.g. retail, restaurants, night clubs) have permanently closed in Seattle so far this year and at least 107 downtown. Most of these closures were likely due to COVID-19 impacts.
- In May, DSA conducted a [COVID outlook survey](#) of businesses and organizations in Seattle (most of them with locations downtown). Here are some of the highlights:
 - The biggest concern (cited by 74% of respondents) is lost business.
 - Nearly all (90% of respondents) have seen a reduction in revenue.
 - Nearly half have seen revenues decrease by more than 75%.
 - Slightly more than one in 10 said they were at risk of permanent closure in less than two months at the current level of disruption. A little more than a third are at risk of closing in less than five months. Nearly one-third were not concerned about business closure.
 - Most layoffs are expected to be temporary, but about one in five are expected to be permanent.
 - After the lifting of social distancing rules, half of all companies:
 - Expect the majority of their workforce to be back at their work sites in three months
 - Expect their organization to stabilize within six months

- Expect to be profitable within eight months
- Most think that it will take more than a year for the Seattle economy to recover.
- [Moody's lists](#) Seattle as among the top cities in the nation poised for a fast and strong recovery, citing relatively lower density and high educational attainment compared to peer cities.

Business outlook for the Puget Sound region

- In a [regional survey](#) in May by Community Attributes, Inc.:
 - Only 31% of respondents in the tri-county region thought they could stay in business for more than three months under current conditions and 18% expect to close within two weeks. (These figures are nearly identical for the portion within Seattle).
 - A third said they could not make rent or property payments.
- Based on regional forecasts from the [Puget Sound Economic Forecaster](#), we anticipate retail sales in the region to be 8% lower and restaurant sales 9% lower for the full calendar year 2020 compared to 2019.
- Generally, business has improved steadily nationwide, but Seattle's numbers and trends are faring slightly worse than the country as a whole. Below are the latest Seattle Metropolitan region numbers from the new weekly [U.S. Census Bureau Small Business Pulse Survey](#) for the week ending June 27. Note that, except where noted, the survey questions relate to businesses' experiences for that week. Note: as of the end of June, data collection on the small business pulse survey is closed but the Census Bureau is working on plans for another wave of data collection in the near future.
 - 84% of businesses in the region were impacted by COVID-19 (with 41% severely impacted).
 - 42% saw a decrease in revenue. However, 21% this week said they saw an increase in revenue.
 - 18% experienced temporary closures (six percentage points lower than the week prior).
 - 11% decreased staff and 13% decreased staff hours. Both numbers are an improvement compared to the previous week.
 - 30% had issues with their supply chain. This number has been decreasing over time.

- 21% have less than a month worth of cash to cover expenses. This number dropped drastically a few weeks ago but has been holding steady for the past four weeks.
 - 76% have received some form of financial assistance since March 13.
 - 49% believe it will take more than six months to return to the same level of business as a year ago and 10% believe they will never return to that level of business. Their overall outlook on recovery has grown progressively worse as the pandemic continues.
- According to a study by [Yelp](#), there were 2,685 business closures in June, down from 4,583 businesses marked as closed in April.
 - Yelp estimates that the Seattle-Tacoma-Bellevue metro area endured 2,485 total business closures (both temporary and permanent) between March 1 and July 10. Of these, 1,304 (52%) are permanent business closures as of July 10, including:
 - 228 restaurants
 - 117 retail businesses

A slowdown in business starts

- In Seattle, there was a 71% decrease in business starts in the second quarter of 2020 compared to 2019, including a 69% decrease in April, a 73% decrease in May and a 71% decrease in June. In all, the data for the first half of the year show a 51% decrease in business starts. (data.seattle.gov)
- In Washington State, business applications are up 1% year-to-date while applications were down 12.2% in the second quarter compared to 2Q 2019. (U.S. Census Bureau)
- On the other hand, tech business starts in Seattle raised more than \$2.1 billion in VC funding the first half of 2020 compared to \$1.1 billion in the first half of 2019. (via [Geekwire](#))

The beginning of reopening

- By March 16, [daily restaurant revenue in the city of Seattle dropped by about 80%](#) from comparable days the previous year. Since mid-June, restaurants have seen about a 50% to 60% decrease in daily revenue from comparable days in 2019.
- According to [Opportunity Insights' economic recovery tracker](#), In King County:

- Total small business revenue decreased by 22.7% as of August 9 compared to January 2020. In April, this was down as much as 50%.
- Daily consumer spending remains down 10.2% as of August 9 compared to similar days a year ago.
- The number of small businesses open decreased by 19% as of August 9 compared to January 2020. Previously, this was down as much as 33%.
- In King County, as of August 16, total time spent away from home decreased by 14.5% compared to January 2020. This has climbed very slowly for the past several weeks. At its lowest point (in mid-May), time spent outside the home in King County was down by 32%.

Arts impacts

- ArtsFund's [latest round of surveying](#) in the Puget Sound region indicates that arts organizations locally are projecting roughly \$135 million in revenue loss for 2020 as a result of COVID-19.
- About 5,000 workers have been furloughed or laid off in arts-related industries.
- 97% of organizations have canceled programs due to COVID-19.
- 76% of organizations have canceled their fundraisers, compromising mission supporting revenue.

Loss of visitor impacts

The latest visitor impact data can be found at the [Visit Seattle website](#).

- Total hotel revenue downtown has been down more than 90% nearly every day since mid-march. For April, through July, hotel monthly revenue was down 95% each month compared to the same month in 2019.
- Visit Seattle reports that a total of 14 downtown hotels remain temporarily closed, down from a peak of 29 temporary closures earlier this spring.
- The number of AirBnB units on the market in Seattle decreased by 26% between June 2019 and June 2020.
- In total, 46 future citywide conventions previously booked at the Washington State Convention Center have cancelled, resulting in a loss of \$338.7 million in economic impact.
- The Seattle cruise season is cancelled with a loss of about \$900 million in economic impact and 5,500 jobs.
- The Port of Seattle has delayed its \$200 million cruise terminal project (Terminal 46), which was slated to open for the 2023 cruise season. Port officials will

assess the COVID-19 impact on future cruise business before continuing the project, which requires a \$100 million investment from a private partner(s).

Government revenue impact

- Including revenue losses and COVID-19 spending, the City of Seattle in June forecasted a budget shortfall of about \$400 million for 2020.
- The revenue forecast from the [King County budget office](#) is for a reduction in sales tax alone of \$397 million between 2020 and 2022.
- Between foregone fares and lowered tax revenues, King County Metro expects a revenue shortfall this year of \$280 million in 2020 and up to \$615 million through 2022.
- Sound Transit [projects](#) a revenue shortfall of between \$743 million and \$1 billion in 2020 and 2021. Long term, the shortfall is expected to reach between \$7.8 and \$12 billion through 2041.
- Estimates show a [\\$9 billion hit](#) to Washington state revenue through 2023 as a result of COVID-19.

Consumer behavior changes

- As of August 9, [consumer spending in King County is still down](#) by 10.2% since the start of the year compared to 3% in the state. This is a significant improvement from April, when spending was down as much as 40% in King County and 37% in Washington State.
- A [survey of urban district residents](#) by the International Downtown Association found that:
 - More than two-thirds are spending less on restaurant meals including takeout and delivery
 - Three quarters are spending less on apparel
 - Eight in 10 are spending less on beauty products and services
 - Nine in 10 are spending less on entertainment outside the home
 - Nine in 10 are spending less on leisure travel

Decreased economic output

- Washington exports decreased 35.1% in the first quarter of 2020. They decreased 42.9% in the second quarter. (Economic and Revenue Forecast Council)
- Washington transportation equipment exports (mostly Boeing planes) fell 83.7%. (Economic and Revenue Forecast Council)

- In the first quarter of 2020, the U.S. saw a 5% annualized decline in GDP. The second quarter saw a 32.9% annualized decline in GDP. ([BEA data](#))
- National GDP is expected to begin growing again in the second half of the year but not return to its pre-pandemic level until 2022 at the earliest. ([BEA data](#))
- National labor productivity increased 7.3% in the second quarter of 2020, as output decreased 38.9% and hours worked decreased 43%. Year-over-year, output decreased 11.8% and hours worked decreased 13.7%. ([BLS data](#))

Construction Impacts

- In Seattle, the total number of land-use permit applications were down 21% year-over-year for the second quarter of 2020. Land use permits continued to be down (21%) year-over-year in July. Building permit applications for new construction were down 19%. However, building permits were up 8% in June and 20% in July compared to 2019. ([data.seattle.gov](#))
- Construction employment peaked this year in February for the Seattle metro. More than a third (35%) of construction jobs in the area disappeared between then and April. As of July, most have come back, with construction employment down 9% both compared to February and compared to July 2019. ([ESD](#))
- Nationally, housing unit building permits were down earlier in the year but by July were up 9.4% year-over-year. ([U.S. Census Bureau](#))
- By August, the national [NAHB Housing Market Index](#), a gauge of builder confidence, rose to 78 points, 11 points higher than the same month in 2019. It had dropped 42 points to 30 in April but has risen each month since.

Impacts on households

- Puget Sound area numbers for the week ending July 25 in the Census Bureau's [Household Pulse Survey](#) among adults in the Puget Sound region (Note that this was the last week of this weekly survey, which was funded by the CARES act):
 - 50% live in households that have experienced wage loss due to COVID-19. This has increased six percentage points over the past three weeks.
 - 35% live in households that expect to lose income in the next four weeks. This is up six percentage points over the previous week.
 - 11% are experiencing food insecurity (defined as not having enough to eat in the past week). This is up six percentage points from the previous week.

- 45% of Seattle area adults delayed getting medical care because of the COVID-19 pandemic in the last 4 weeks. This is similar to the past couple of weeks.
- 19% of households missed last month's rent or mortgage payment, or have little or no confidence that they can pay next month's rent or mortgage on time. This is up eight points from the previous week.

Less movement into and around the city

- [Apple mobility data](#), based on searches using Apple maps shows Seattleites returning to travel by car and walking but transit usage still down to about a third of what it was prior to COVID-19.
- As of August 24, transit ridership is still down significantly with little sign of rebounding. Sound Transit ridership is still down by about 82% weekdays and 70% to 80% on weekends and King County Metro is still down by nearly two-thirds on weekdays and about 40% to 45% on weekends.
- Washington State Ferry ridership was down as much as 87%. It is now down about 40%. The Bainbridge and Bremerton runs are still down around 65% to 75% each day.
- In August, freeway traffic through downtown was down by between 10% and 20% most days. It had been down by as much as two-thirds in late March. Traffic in the Highway 99 tunnel is down about 65% to 70% each day and had been down by as much as 90% in late March.
- Vehicle traffic counts downtown are starting to tick up again. The totals captured by automated sensors were off pre-COVID baselines by around 60% in May. For most of June they were down about 40% compared to the pre-COVID averages. July and August, traffic has been down by about a third most days. (Seattle DOT)

Other items of interest:

- Public Health Seattle/King County [Economic, Social, and Overall Health Impact dashboard](#).
- Washington State Governor's [risk assessment dashboard](#).
- Washington State Department of Transportation [COVID-19 Multimodal Transportation System Performance Dashboard](#).
- National Main Street Center [COVID Business Impact Survey](#)
- ECONorthwest [Impact of COVID-19 on Economic Development](#)
- Startup Genome is producing a [series of reports](#) on the impact on startup companies.

- Federal Reserve Bank of New York [weekly economic index](#).
- Opportunity Insights [Economic Tracker](#) (for tracking statistics related to the COVID-19 economic recovery at both national and local levels).
- Salesforce [COVID impact dashboard](#), based on a regular survey of employees in various companies.
- [Apple mobility data](#)