2012 ECONOMIC METRICS REPORT

Lynnwood 5.40% 4.80% 4.10% 5.10% 10.20% 10.10% 9.40% 7.60%
Snohomish County 5.10% 4.60% 4.00% 5.20% 10.10% 10.60% 9.40% 7.80%
Washington State 5.50% 4.90% 4.60% 5.40% 9.40% 9.90% 9.20% 8.20%

Unemployment Rate
Age 16 and Older

Tax Revenues

Lynnwood Commercial Vacancy Rates

Lynnwood Commercial Lease Rates

Lynnwood Average Residence Value
Snomish County Assessor

Building Permits
ANNUAL ECONOMIC METRICS REPORT
DECEMBER 2012

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,
housing statistics, tax revenues and lodging metrics.

The Lynnwood unemployment rate for 2012 was 7.6% below
the state rate of 8.2%. Key employment sectors in Lynnwood
are Retail, Accommodations/Food Service and Health Care.

Per the Snohomish County Assessor’s office, the average resi-
dential value of a home in Lynnwood was $216,900 in 2012, a
decrease of 14% compared to 2011.

Proportionately, the number of single family homes in Lynnwood
has increased from 48.20% (2006-2008) to 52.4% (2009-
2011) while the number of units in larger complexes (10+) has
decreased by 4.3%.

In December 2012, Class A commercial vacancy rate was
27.1%, Class B was 17.9%, Class C was 10.3% and Retail
space vacancy rate was 3.9%.

In 2012, a typical Class A office space leased for $24.99/sf, a
Class B space for $21.54/sf and a Class C for $17.37/sf. Retail
space rented for an average of $18.23/sf.

In 2012, 448 building permits were issued. Compared to 2011,
building permit fees are up 14% and the valuation of building
and electric is up 23%.

Lynnwood sales tax distribution in 2012 was $16,798,217. Retail
Trade, Accommodations/Food Service and Construction are
the top sales tax generating industries in Lynnwood.

In 2012, the average daily rate for a Lynnwood hotel was
$99.58; the occupancy rate was 69%.

In 2012, Lynnwood collected $1,059,606 in lodging tax and
received a distribution of $529,803.

EMPLOYMENT

Unemployment rate is an indicator of the health of the local
economy. Lower unemployment results in higher tax collections
and potential businesses growth. As the chart below indicates,
Lynnwood’s unemployment rate closely parallels that of the
County and the State. Over the past 10 years, the unemploy-
ment rate in Lynnwood has been as low as 4.1% (2007) and as
high as 10.2% (2009). The unemployment rate for 2012 was
7.6% which is below the State rate of 8.2% and on par with the
County rate of 7.8%.

Monitoring employment by business sector provides insight into
growth in key industry segments. The key employment sectors in
Lynnwood are Retail (38%), Accommodations/Food Service
(13%) and Health Care (11%). Compared to other sectors,
retail employment has experienced the greatest increase since
2008, increasing from 35% to 38%. There were no significant
proportional decreases in any employment sector between
2008 and 2012, although overall employment dropped by 3%. 
BUSINESS IN LYNNWOOD

Based on the City of Lynnwood business license data, the total number of business in Lynnwood has decreased since 2008 (173 fewer). Even so, some sectors have experienced growth. These include Health Care and Social Assistance, Arts Entertainment and Recreation and Accommodations and Food Service. In 2012 the Lynnwood City Marketplace closed resulting in a decrease of over 100 business licenses. These licensees were held by vendors in the flea market and are not considered significant to the economic growth of the City.

BUSINESS BY SECTOR

<table>
<thead>
<tr>
<th>Sector</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Construction</td>
<td>169</td>
<td>168</td>
<td>170</td>
<td>152</td>
<td>147</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>68</td>
<td>66</td>
<td>68</td>
<td>62</td>
<td>56</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>113</td>
<td>111</td>
<td>109</td>
<td>96</td>
<td>94</td>
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<tr>
<td>Retail Trade</td>
<td>699</td>
<td>683</td>
<td>846</td>
<td>864</td>
<td>657</td>
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<tr>
<td>Transportation &amp; Warehousing</td>
<td>23</td>
<td>22</td>
<td>23</td>
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<td>23</td>
</tr>
<tr>
<td>Information</td>
<td>37</td>
<td>34</td>
<td>34</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>Finance &amp; Insurance</td>
<td>194</td>
<td>194</td>
<td>177</td>
<td>169</td>
<td>158</td>
</tr>
<tr>
<td>Real Estate, Rental &amp; Leasing</td>
<td>271</td>
<td>267</td>
<td>256</td>
<td>245</td>
<td>240</td>
</tr>
<tr>
<td>Professional, Scientific &amp; Technical</td>
<td>265</td>
<td>259</td>
<td>256</td>
<td>245</td>
<td>240</td>
</tr>
<tr>
<td>Co. Management</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Administrative &amp; Support &amp; Waste management &amp; Remediation Services</td>
<td>159</td>
<td>160</td>
<td>164</td>
<td>151</td>
<td>146</td>
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<tr>
<td>Educational Services</td>
<td>54</td>
<td>49</td>
<td>48</td>
<td>51</td>
<td>55</td>
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<tr>
<td>Health Care</td>
<td>303</td>
<td>320</td>
<td>324</td>
<td>329</td>
<td>342</td>
</tr>
<tr>
<td>Arts &amp; Recreation</td>
<td>27</td>
<td>25</td>
<td>32</td>
<td>44</td>
<td>39</td>
</tr>
<tr>
<td>Accommodations &amp; Food Service</td>
<td>245</td>
<td>243</td>
<td>253</td>
<td>251</td>
<td>254</td>
</tr>
<tr>
<td>Other Services</td>
<td>430</td>
<td>391</td>
<td>400</td>
<td>395</td>
<td>400</td>
</tr>
<tr>
<td>Public Admin.</td>
<td>10</td>
<td>11</td>
<td>12</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>3072</td>
<td>3007</td>
<td>3172</td>
<td>3127</td>
<td>2889</td>
</tr>
</tbody>
</table>

This is similar to values in 2005 and 2006, but below the peak of $309,000 in 2007. Housing values have been steadily declining since 2008.

The American Community Survey (ACS) also tracks housing metrics across the country. The ACS median value of owner occupied houses in Lynnwood is reported as $297,500; this represents the market value of the homes and is therefore likely to be higher than the Assessor’s valuation.

The percentage of owner occupied homes in Lynnwood has remained constant over the past 10 years, although the number of housing units has increased by over 1,600. Proportionately, the number of single family homes has increased from 48.20% (2006-2008) to 52.4% (2009-2011) while the number of units in larger complexes (10+) has decreased by 4.3%.

LYNNWOOD HOUSING STATISTICS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Value of Owner Occupied Houses</td>
<td>$189,000</td>
<td>$343,200</td>
<td>$297,500</td>
</tr>
<tr>
<td>Gross Rent</td>
<td>$741</td>
<td>$903</td>
<td>$995</td>
</tr>
<tr>
<td>Owner Occupied</td>
<td>49.61%</td>
<td>50.55%</td>
<td>49.60%</td>
</tr>
<tr>
<td>Renter Occupied</td>
<td>44.82%</td>
<td>43.49%</td>
<td>43.80%</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Housing Units</th>
<th>Census 2000</th>
<th>ACS 2006-2008</th>
<th>ACS 2009-2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Unit-detached</td>
<td>13,808</td>
<td>14,559</td>
<td>15,440</td>
</tr>
<tr>
<td>1-9 Units-attached</td>
<td>48.20%</td>
<td>52.40%</td>
<td>21.00%</td>
</tr>
<tr>
<td>10+ units-attached</td>
<td>27.80%</td>
<td>23.50%</td>
<td></td>
</tr>
<tr>
<td>Mobile Home</td>
<td>3.70%</td>
<td>3.00%</td>
<td></td>
</tr>
</tbody>
</table>

HOUSING

The value of housing in Lynnwood, as elsewhere in the country, has declined since the peak in 2008. According to the Snohomish County Assessor’s office, the average residential value of a home in Lynnwood was $216,900 in 2012.
COMMERCIAL VACANCY

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.

For the past 10 years, Lynnwood has had a total of 5 Class A buildings. In 2006, the Class A vacancy rate was 44%, the highest vacancy rate in the past 10 years. Since that time, vacancy rates have been gradually declining, and are currently at 27%. Over the past 10 years, the lowest Class A vacancy rate was 26.8%, achieved in 2008. The Class A vacancy rate in Seattle is currently 15.3%. As Class A vacancy rates decline in Seattle, we can expect a greater demand in Lynnwood.

In 2003, there were 62 Class B office buildings in Lynnwood. There are currently 72. In early 2007, the Class B vacancy rate was 14%, the lowest it has been in the past 10 years. Three new buildings were added to the inventory in 2007, driving the vacancy rate to 24%. Demand for Class B office space in Lynnwood continued to increase. Currently there are 72 Class B buildings with a vacancy rate of 17.9% in Lynnwood. This is the lowest Class B vacancy rate since 2008; a positive indicator of business growth in the City. Q4 2012 Class B vacancy rates in Seattle were 11.1%. Overall, the direct available vacancy rate in Lynnwood is 18%.

Lynnwood has 91 Class C buildings, one less than in 2003. These spaces are the least expensive and draw the lowest rental rates. Over the past 10 years, the lowest Class C vacancy rate, achieved in 2008, was 1.8%. In 2009, vacancy spiked to 13.6%. Q4 2012 Class C vacancy rate was 10.3%.

As a retail hub, it is not surprising that the largest number of commercial buildings in Lynnwood are classified as “retail”. In 2006 there were 381 retail buildings in the City, there are currently 392. Over the past 7 years, the lowest retail vacancy rate in Lynnwood was 1.7%, achieved in 2007; the highest was 6.8% in 2011. The Q4 2012 vacancy rate was 3.9%.

COMMERCIAL LEASE RATES

In 2012, a typical Class A office space leased for $24.99/sf, a Class B space for $21.54/sf and a Class C for $17.37/sf. Retail space was commanding $18.23/sf, triple net. Compared to 2011, Class A, Class B, and retail lease rates increased slightly while Class C decreased.

Lynnwood lease rates are well below those available in Seattle, however the difference is not yet great enough to offset the perceived advantages of locating in Seattle. In Q4 2012, for example, Class A space in Seattle was leasing for an average of $31.44/sf and the vacancy rate was 17.9%. When vacancy rates in surrounding areas drop, lease rates will increase and Lynnwood will become a more desirable alternative.

BUILDING ACTIVITY

The number of building permits issued in a given year reflects the activities of the development community, future tax revenues and potential new jobs.
In 2012, 448 building permits were issued in Lynnwood. This represents a 17% increase over 2011. 2012 was also the strongest year for building since the peak in 2006. Compared to 2011, building permit fees are up 14% and the valuation of building and electric is up 23%.

### Building Permits

<table>
<thead>
<tr>
<th>Year</th>
<th>Permits Issued</th>
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<tbody>
<tr>
<td>2008</td>
<td>470</td>
</tr>
<tr>
<td>2009</td>
<td>521</td>
</tr>
<tr>
<td>2010</td>
<td>426</td>
</tr>
<tr>
<td>2011</td>
<td>431</td>
</tr>
<tr>
<td>2012</td>
<td>382</td>
</tr>
</tbody>
</table>

### Fees & Valuation

<table>
<thead>
<tr>
<th>Year</th>
<th>Permits Issued</th>
<th>Fees (Thousands)</th>
<th>Valuation, Bldg &amp; Elec. (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>431</td>
<td>$366</td>
<td>$61.2</td>
</tr>
<tr>
<td>2009</td>
<td>344</td>
<td>$336</td>
<td>$86.3</td>
</tr>
<tr>
<td>2010</td>
<td>368</td>
<td>$413</td>
<td>$56.4</td>
</tr>
<tr>
<td>2011</td>
<td>382</td>
<td>$320</td>
<td>$44.2</td>
</tr>
<tr>
<td>2012</td>
<td>448</td>
<td>$366</td>
<td>$57.3</td>
</tr>
</tbody>
</table>

### TAX REVENUES

The Chart below tracks annual Retail, Property and Utility Taxes distributed to Lynnwood 2005-2012. Sales Tax Revenues, in particular, are an indicator of a prosperous economy. Steady job growth, upcoming development and increasing demand for commercial space suggest retail sales in the area should continue to grow. Although more than 10 years ago ($14,493,326), and steadily increasing since 2010, sales tax revenues have not achieved 2007 boom level of over $19 million. Retail Trade, Accommodations/Food Service, and Construction are the top sales tax generating industries in Lynnwood.

### TOURISM

The Office of Economic Development is responsible for managing the tourism Function for the City of Lynnwood. Tourism impacts the economic vitality of the City through visitor spending on lodging, food, entertainment, transportation and shopping. Tourism creates jobs and a demand for supplies and services. In 2012, tourism created an estimated 9,720 jobs in Snohomish County, $220.5 million in payroll and $16.4 million in local taxes. A typical overnight visitor to Snohomish County, as reported by Dean Runyan and Associates, spent $81 per day and $229 per trip. Those staying in commercial lodging spent $158 per day and $333 per trip.

Key tourism metrics tracked by the Office of Economic Development include:

- Occupancy Rate (rooms sold divided by rooms available multiplied by 100; always expressed as a percentage)
- Revenue per Available Room; RevPAR (room revenue divided by rooms available)
- Average Daily Rate; ADR (room revenue divided by rooms sold, displayed as the average rental rate for a single room)
- Lodging tax distributions

Occupancy peaked in 2006, declined between 2007 and 2009 and has not declined since. In 2012, the average daily rate for Lynnwood hotels was just under $100, the highest it has been since 2009 and about $9.00 higher than elsewhere in Snohomish County. 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.
Lodging tax in Washington state is 4%. Two percent is distributed to the County and 2% is distributed to the jurisdiction in which it is collected. In 2012, Lynnwood collected $1,059,606 in lodging tax and received a distribution of $529,803. This is a 3.5% increase over 2011 and continues the upward trend started in 2003.

DATA SOURCES

Unemployment Rate: Bureau of Labor and Statistics
Employment by Sector: City of Lynnwood Business License Data Base
Businesses by Sector: City of Lynnwood
Median House Value: US Census, American Fact Finder, Snohomish County Assessor
Median Rent: US Census, American Fact Finder
Owner Occupied: US Census, American Fact Finder
Housing Units: US Census, American Fact Finder
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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