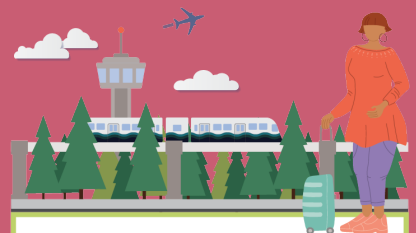


ECONOMIC VITALITY BACKGROUND REPORT

CHAPTER 6



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ENVISION
SEATAC 2044

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INTRODUCTION

The Economic Vitality Element Background Report provides an analysis of the City of SeaTac's key economic drivers, including its workforce and wages, major employment sectors, and a summary of SeaTac's current market conditions. In addition, the background report documents SeaTac's ability to meet state and King County requirements to accommodate its share of countywide employment growth.

The background report is organized in four main sections: Employment Sectors, Workforce Profile, Market Conditions, and Land Capacity Analysis.

- Employment & Workforce Profile
- Market Conditions
- Land Capacity Analysis

EMPLOYMENT & WORKFORCE PROFILE

According to the Puget Sound Regional Council, there were 43,197 jobs in SeaTac as of 2023. Of these, more than half (53 percent) were in the waste, transportation, and utilities (WTU) sector and a quarter were in the services sector. SeaTac saw a 36 percent increase in jobs between 2000 and 2023.

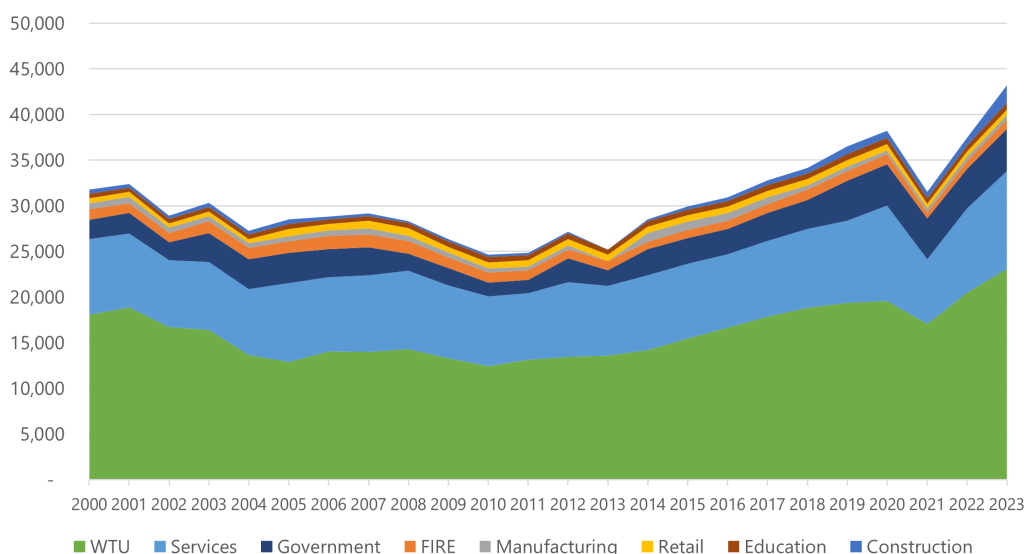


Figure BR6.1
- SeaTac Major
Sector Covered
Employment, 2000-
2023

Source: Puget Sound
Regional Council
(PSRC).

As of 2023, 53 percent of covered employment in SeaTac was in transportation and warehousing. The fastest growing industries over the past five years were construction and administrative support, waste management and remediation.

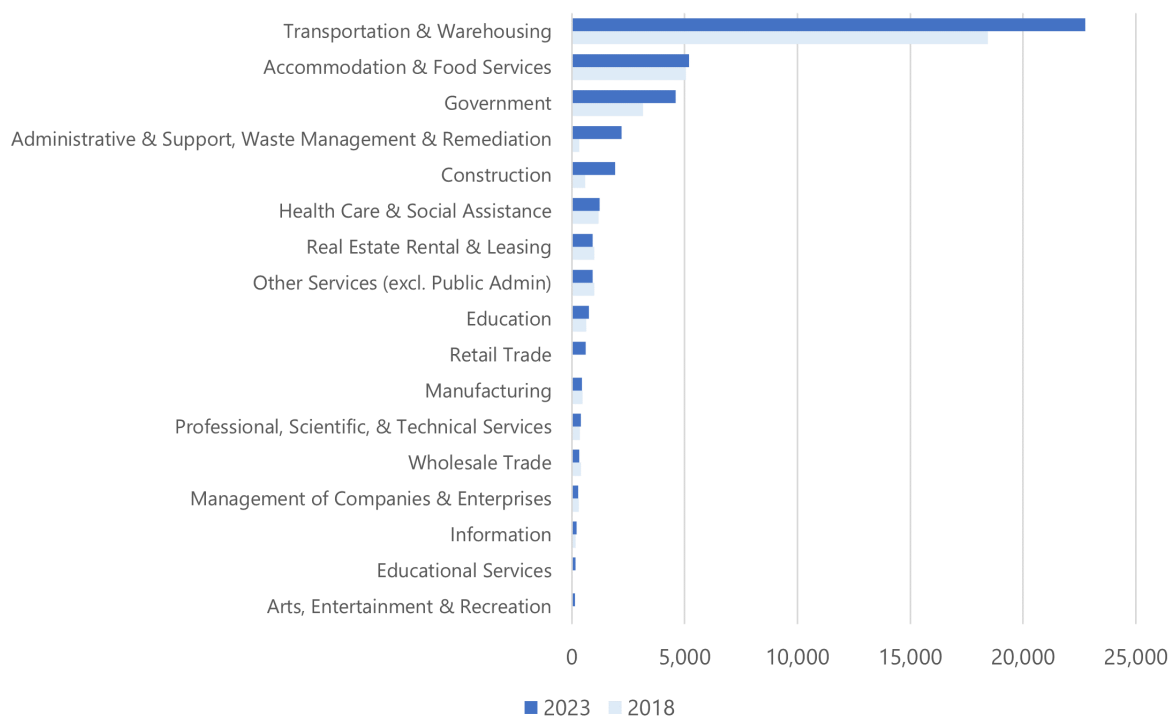


Figure BR6.2 - SeaTac Covered Sector Employment by NAICS Sector, 2018 and 2023

Source: Puget Sound Regional Council (PSRC).

Sea-Tac International Airport is the major employment anchor within the City of SeaTac, employing over 23,000 workers. The Airport is owned and operated by the Port of Seattle. In 2023, nearly 51 million passengers passed through the airport. To serve passengers, SeaTac has a robust accommodations industry as well as several large park-and-fly facilities. Because Sea-Tac International Airport is in a relatively constrained location, it does not have room to accommodate significant additional parking to meet the needs of passengers. As a result, the park-and-fly facilities along International Boulevard are highly profitable businesses.

SeaTac is also home to the headquarters of Alaska Airlines, which recently expanded its campus near the Angle Lake light rail station. The industrial area south of the Airport includes transportation and logistics companies and Port operations that depend on airport adjacency. This aligns with the southern flex warehouse-industrial area within SeaTac's neighborhood framework.

As shown in the Figures below, SeaTac jobs are clustered within and around Sea-Tac International Airport. The airport either directly or indirectly supports the majority of the city's employment in, particularly in Transportation & Warehousing, as well as Accommodation & Food Services.

SeaTac growth strategy, as illustrated in Figure 6 is, to focus most job growth within the designated Urban Center, with the majority directed within the three Urban Villages which are located around Sound Transit Link light rail stations. Light manufacturing and warehouse jobs will be concentrated within Flex Warehouse/Industrial areas clustered around the airport.

Source for Figure BR6.3 - BBR6.5: LEHD OntheMap.

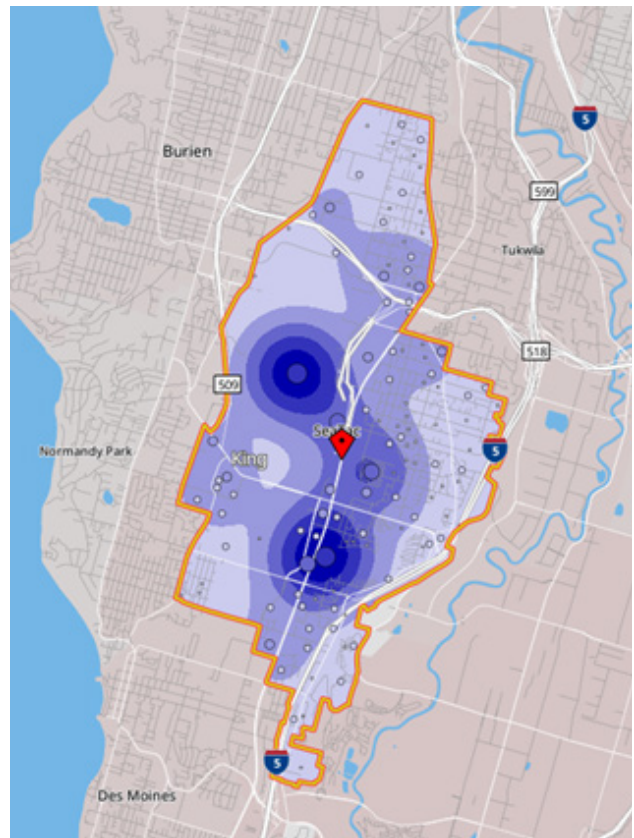


Figure BR6.3 - Job Density in SeaTac

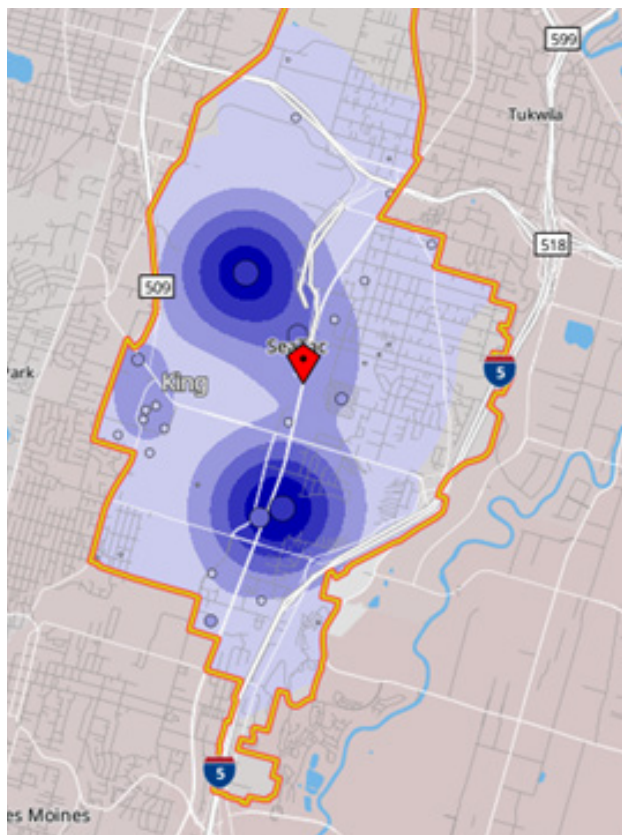


Figure BR6.4 - Transportation and Warehousing Jobs in SeaTac

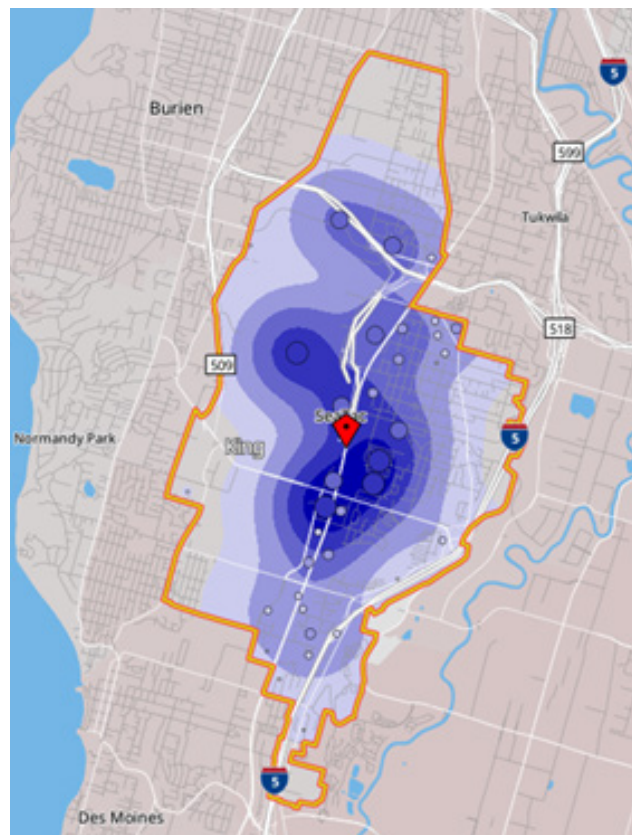
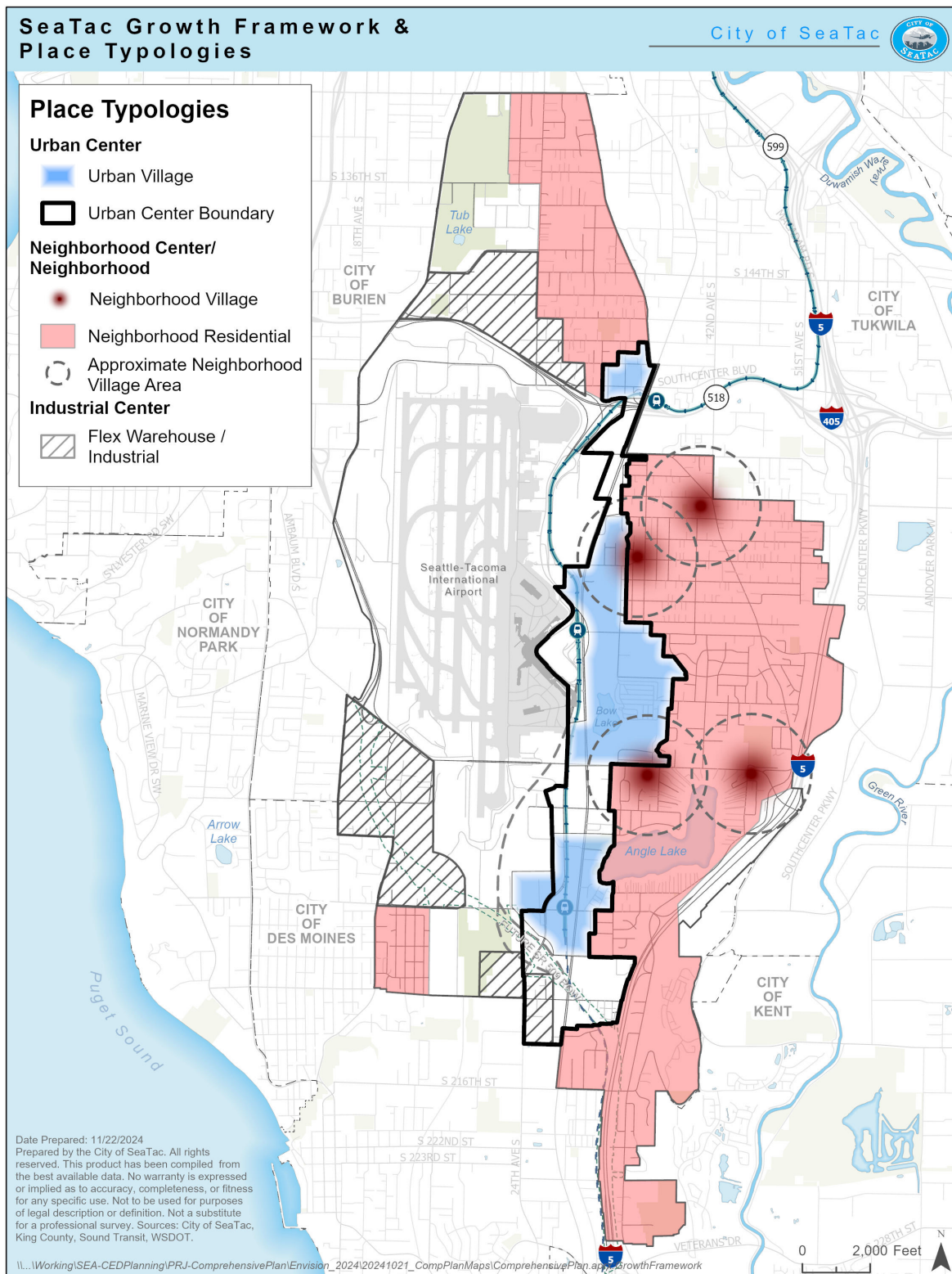


Figure BR6.5- Accommodation & Food Services Jobs in SeaTac



There are 912 businesses in SeaTac. Of these, nearly 40 percent are in the services sector and 18 percent are retail establishments. The city’s 361 service-sector businesses employ 5,650 workers as of 2024.

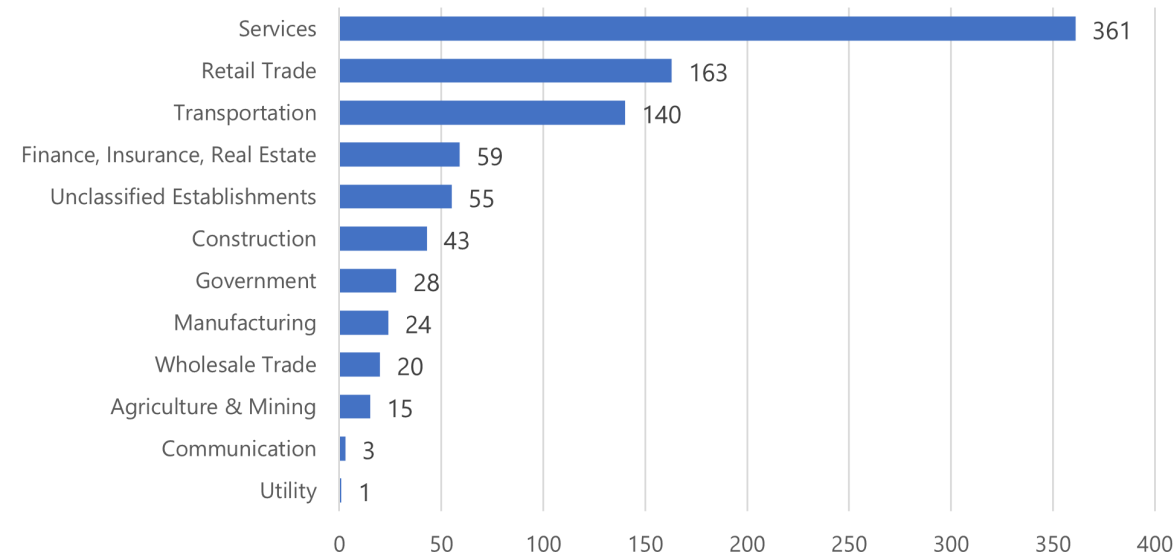


Figure BR6.7 - Business by Sector in SeaTac

Source: Data Axle via Esri Business Analyst.

SeaTac has the fourth highest number of jobs among south King County cities, although it is a significantly smaller city by population than Kent, Renton, and Auburn. Its economy is dominated by Sea-Tac International Airport, as well as airport-serving industries like transportation, hospitality, and logistics.

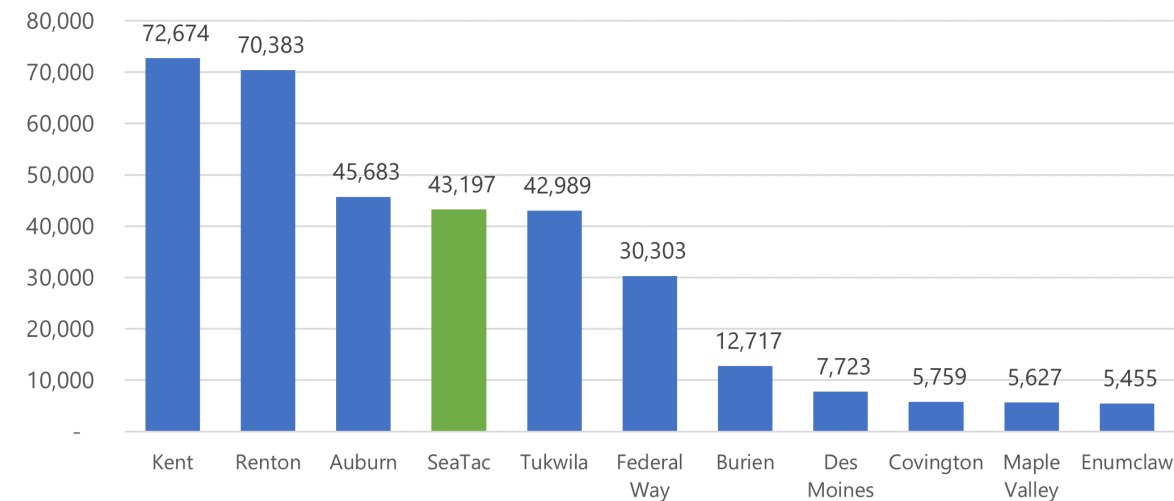


Figure BR6.8 - Employment in South King County Cities, 2023

Source: Puget Sound Regional Council (PSRC).

Figure 9 below shows the annual mean wage in Washington for jobs in SeaTac's biggest employment sectors. Airline pilots and physicians are the highest-paid jobs on average, while hotel desk clerks, taxi drivers, and home health aides are the lowest-paid. The median per capita income for SeaTac residents was \$36,111 as of 2022, suggesting that the higher-wage workers in SeaTac are largely commuting from other cities in the region.

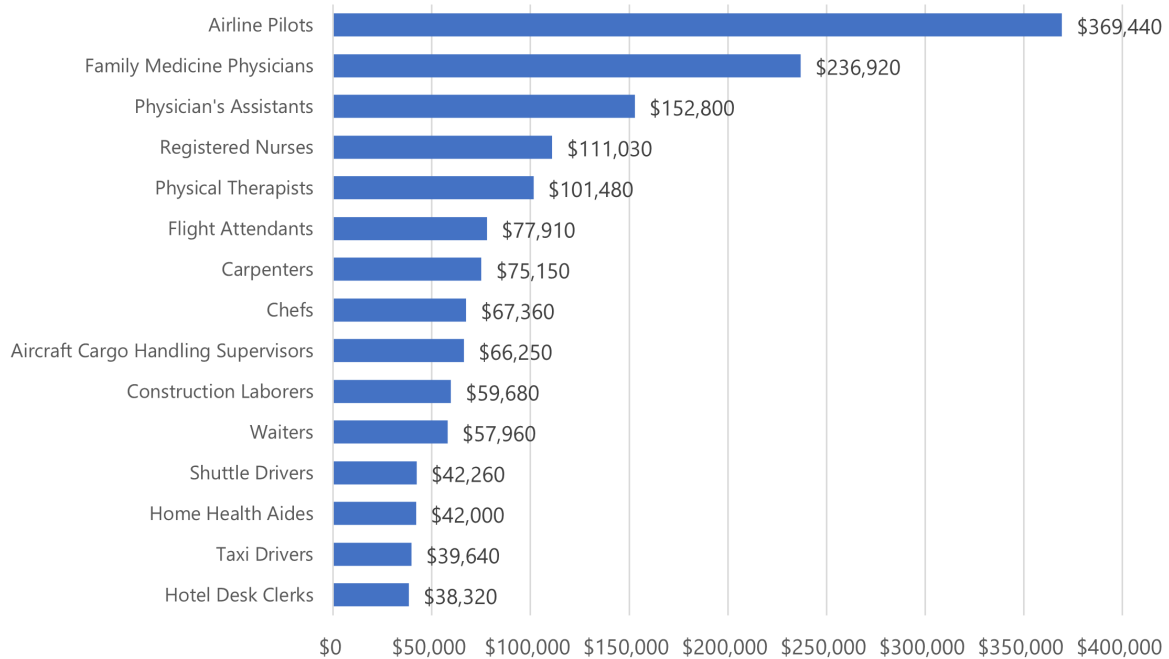


Figure BR6.9 - Washington State Wage Estimates by Occupation

Source: US Bureau of Labor Statistics May 2023 State Occupational Employment & Wage Estimates.

Among south King County cities, SeaTac residents have the lowest per capita median income and the second lowest median household income. The median per capita income in King County is \$66,811, nearly twice the median household income in SeaTac.

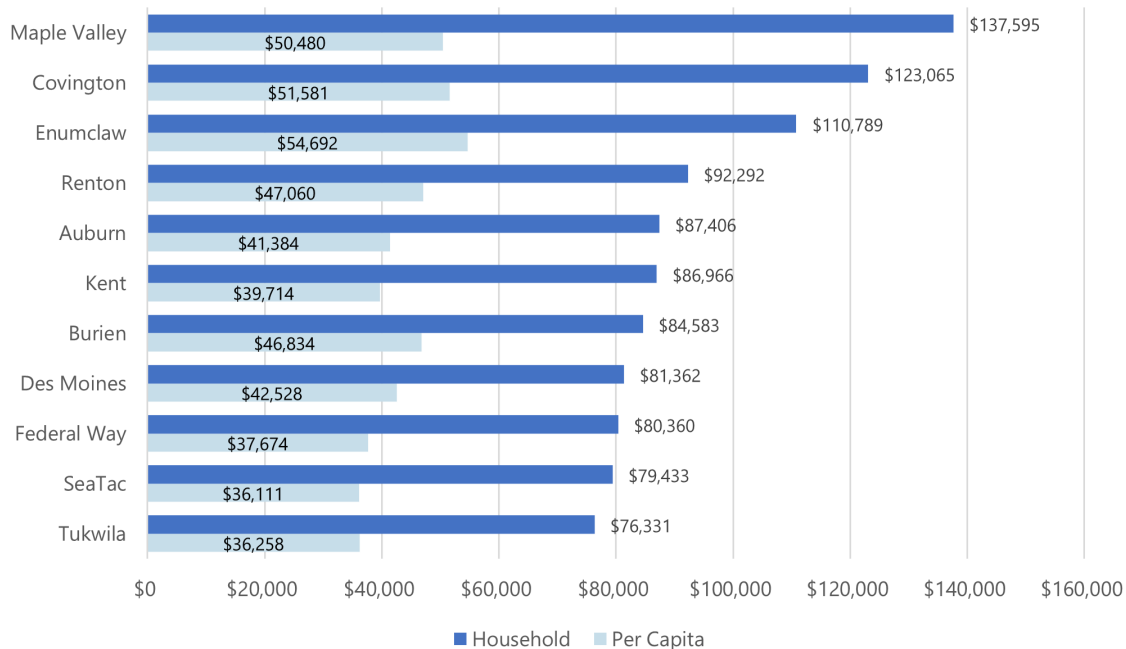


Figure BR6.10 - Median Household and Per Capita Income in South King County Cities, 2022

Source: US Census Bureau 2022 5-year ACS.

According to the US Census Bureau, as of 2021 69 percent of SeaTac workers were from other cities, while just five percent both live and work in SeaTac. Among SeaTac workers, 39 percent travel less than 10 miles to work and another 39 percent travel between 10 and 24 miles. Just over a fifth of workers travel from cities north of SeaTac, while 28 percent travel from the south.

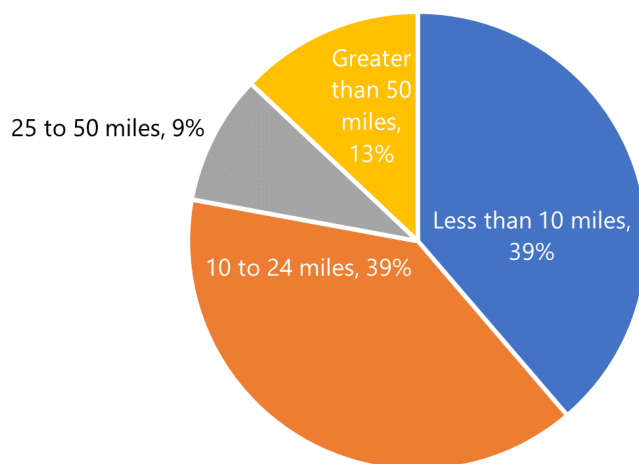


Figure BR6.11 - SeaTac Workers by Commuting Distance (2021)

Source: US Census Bureau via LEHD OntheMap.

SeaTac's workforce does not fully represent the diversity of the community. Nearly two thirds of SeaTac's workers are white, compared with just 29 percent of residents. While nearly a quarter of residents are Black or African American, just 11 percent of workers are.

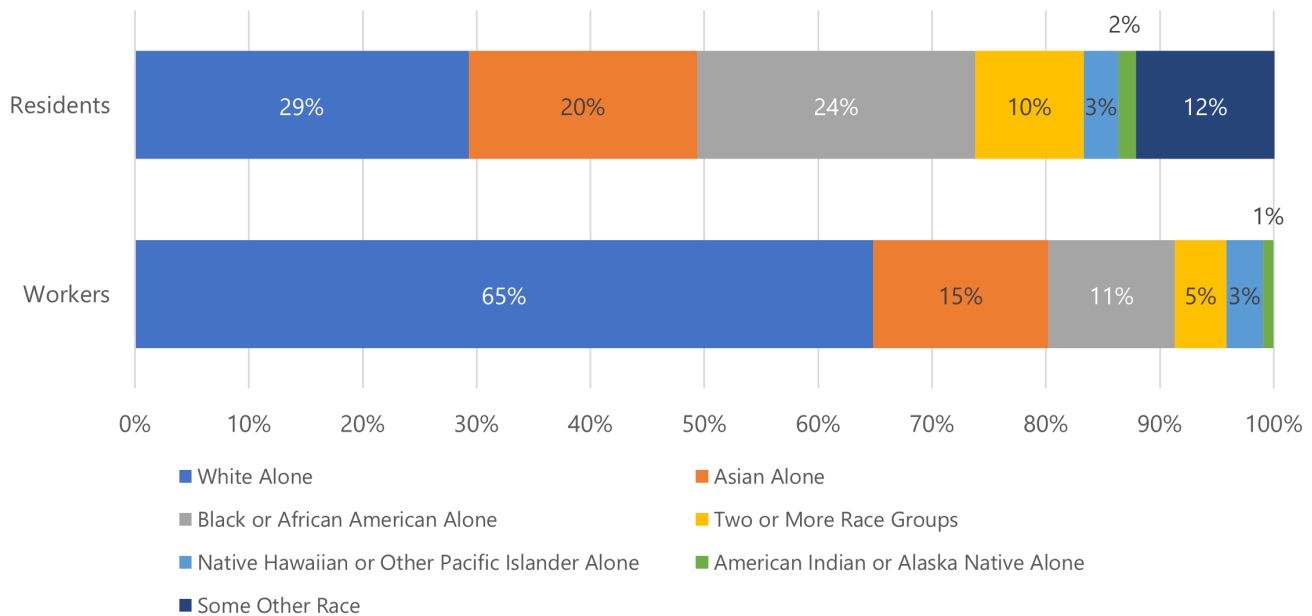


Figure BR6.12 - SeaTac Residents and Workforce by Race

Source: US Census Bureau via LEHD OntheMap (2021) and Esri Business Analyst (2024).

There are 26,209 residents who are 16 or older in SeaTac, with a labor force participation rate of 71.4 percent. The unemployment rate among SeaTac's working-age residents is just under nine percent, compared with 4.5 percent countywide. The highest unemployment rate in SeaTac is among workers between the ages of 16 and 24 (21 percent), while across King County the unemployment rate for that age group is 12 percent. Among seniors in SeaTac there is a 26 percent labor participation rate.

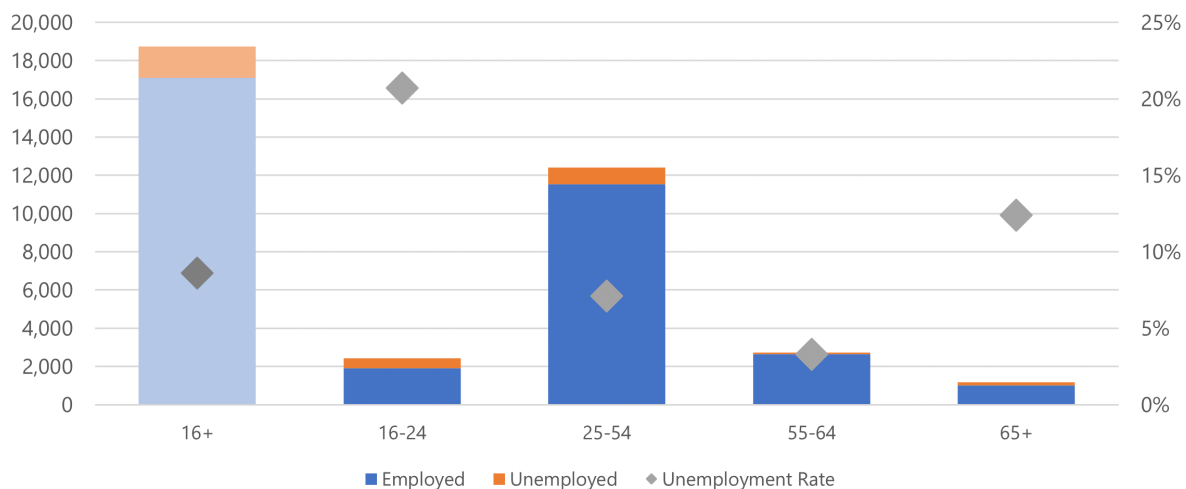


Figure BR6.13 - SeaTac Civilian Workforce and Unemployment Rate by Age Group, 2024

Source: US Census Bureau via Esri Business Analyst.

Among those 16 and older in SeaTac who are participants in the labor market, Asian and Other Race workers have the lowest unemployment rate (four percent), while Black workers have the highest (13 percent).

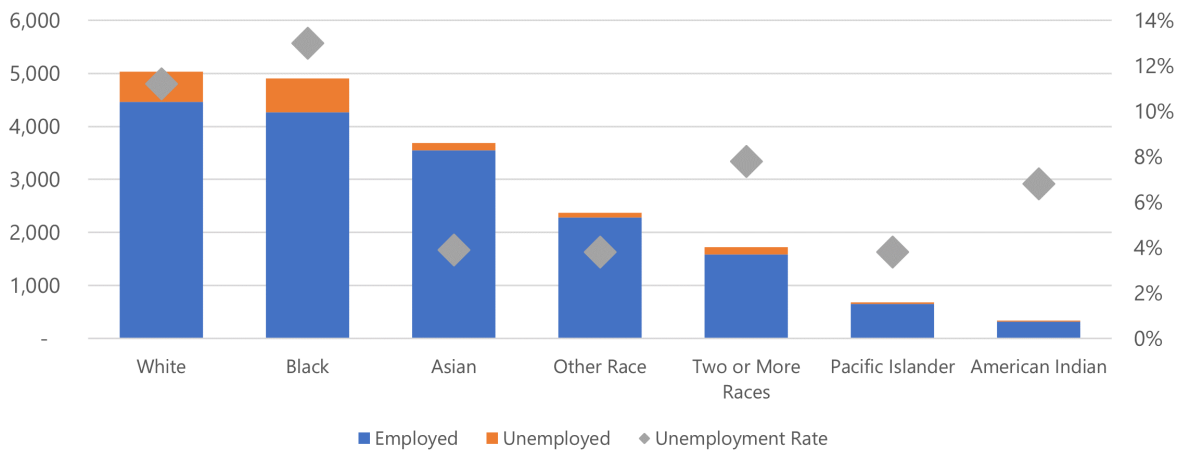


Figure BR6.14 - SeaTac Civilian Labor Force and Unemployment Rate by Race, 2024

Source: US Census Bureau via Esri Business Analyst.

MARKET CONDITIONS

Office

Since the COVID-19 pandemic began in 2020, the nationwide office market has experienced significant challenges due to the sharp rise in remote work. According to the McKinsey American Opportunity Survey, 58 percent of all US workers can work remotely at least part of the time while 35 percent can work remotely full-time. In the Seattle Metro Area, over a quarter of workers (25.4 percent) primarily worked from home as of 2022 – the fifth highest share among large metros nationwide. The job roles with the highest shares of remote workers nationwide include computer/mathematical, business/financial operations, architecture/engineering, arts/design/entertainment, and legal. Jobs that are most common in SeaTac, including transportation, health care, and food preparation, have the lowest prevalence of remote work. However, these jobs typically do not utilize traditional office space.

As of the second quarter of 2024, King County’s office vacancy rate was 16.9 percent, indicating that there is over 33 million square feet of vacant office space countywide – over one and a half million of which is located in SeaTac. Net absorption of new office space over the last twelve months was -9.2 percent. Countywide, absorption has been negative since 2020.

While SeaTac’s office vacancy rate is much lower than the county’s, new speculative office construction is unlikely regionwide in the near term. However, there could be opportunities for companies interested in relocating to or within SeaTac to build additional space, especially companies that benefit from proximity to the airport.

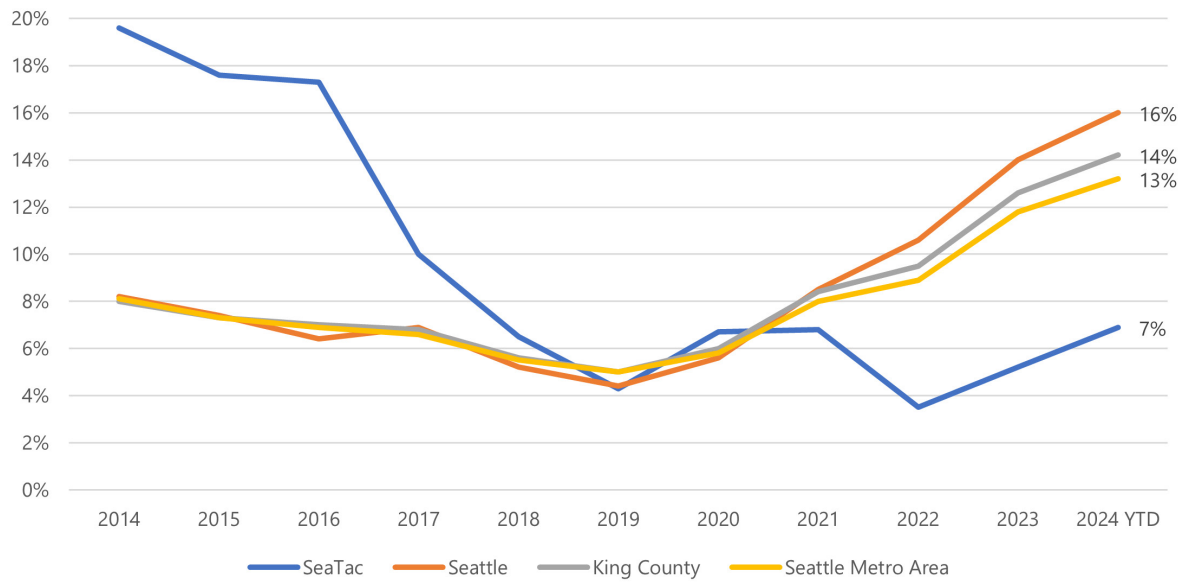


Figure BR6.15 - Office Vacancy Rates, 2014-2024

Source: CoStar.

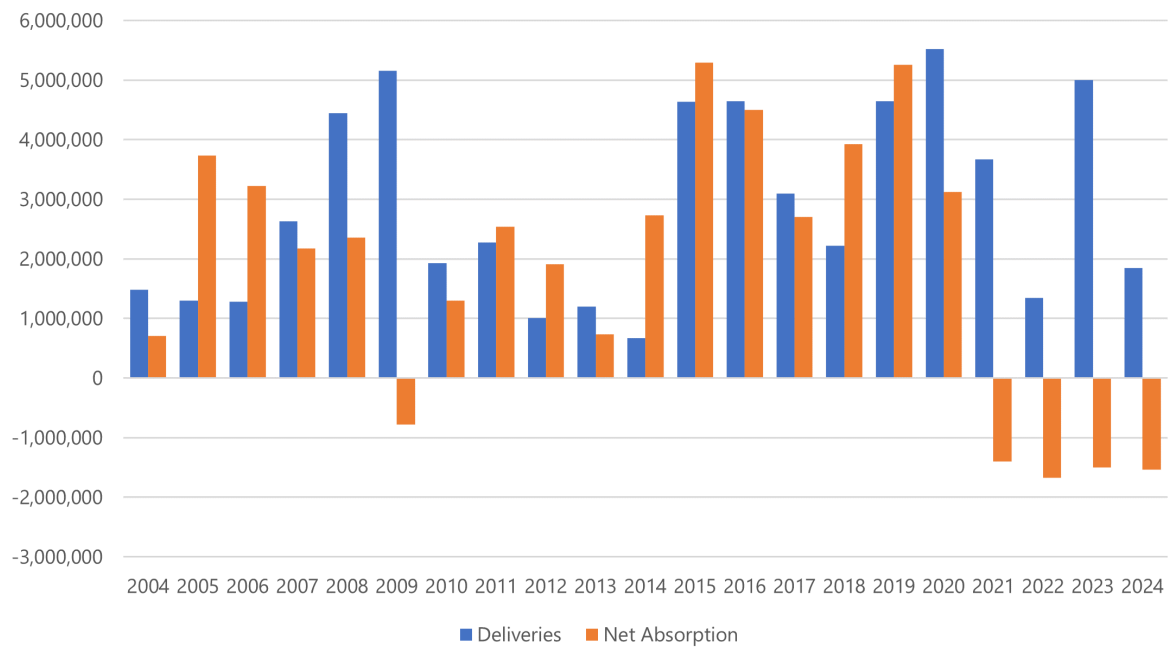


Figure BR6.16 - King County Office Construction and Net Absorption (Square Feet), 2004-2024

Source: CoStar.

As of 2024, there is over one and a half million square feet of office space in SeaTac, 0.8 percent of the total office space countywide. The last major office project to be completed in SeaTac is the 129,000 square foot new Alaska Airlines Copper River headquarters. In 2019, Northwest Kidney Centers built a new 48,677 square foot office building on 20th Avenue S. near North SeaTac Park. The SeaTac Assemblage building, previously occupied by ProLogis, was demolished in 2008. No new speculative office space was built in SeaTac between 2000 and 2024.

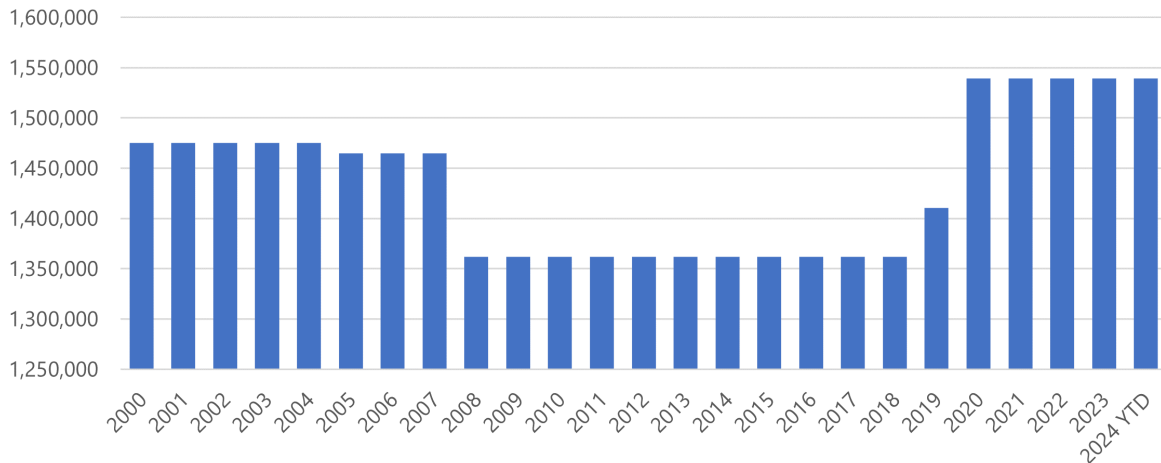


Figure BR6.17 - Office Inventory (Square Feet) in SeaTac, 2000-2024

Source: CoStar.

Industrial

Due to the presence of Sea-Tac International Airport, SeaTac is a hub for industrial employment. As of 2023, SeaTac had 447 manufacturing jobs and 22,765 transportation and warehousing jobs. These employment sectors are typically concentrated in industrial areas rather than offices.

There is currently over 3.7 million square feet of industrial space in SeaTac. The two biggest industrial clusters in the city are immediately northeast and southwest of the airport. More than half (54 percent) of existing industrial space in SeaTac is in warehouses, and another 21 percent is in manufacturing facilities. The vacancy rate for industrial space in SeaTac is 8.4 percent and there is currently one 138,000 square foot warehouse project (Bridge Point SeaTac 300) under construction, located south of the airport.

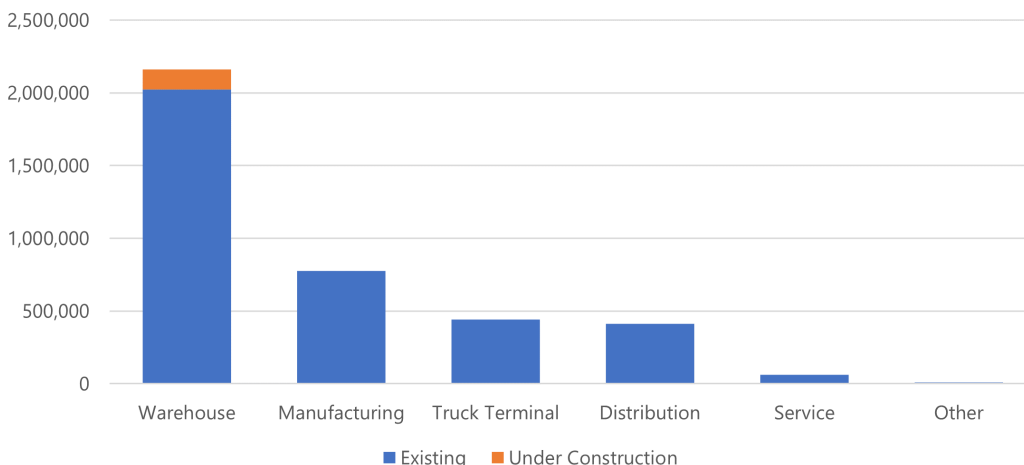


Figure BR6.18 - Industrial Space (Square Feet) by Type in SeaTac, 2024

Source: CoStar.

As of 2024, the vacancy rate for industrial space in SeaTac is slightly higher than the county- and metro-wide rates. However, as recently as 2022 industrial vacancy in SeaTac was below one percent, suggesting that the recent increase in the vacancy rate is due to new space coming online rather than challenges in the market. SeaTac's role as a regional logistics hub is likely to continue due to the presence of a large international airport.

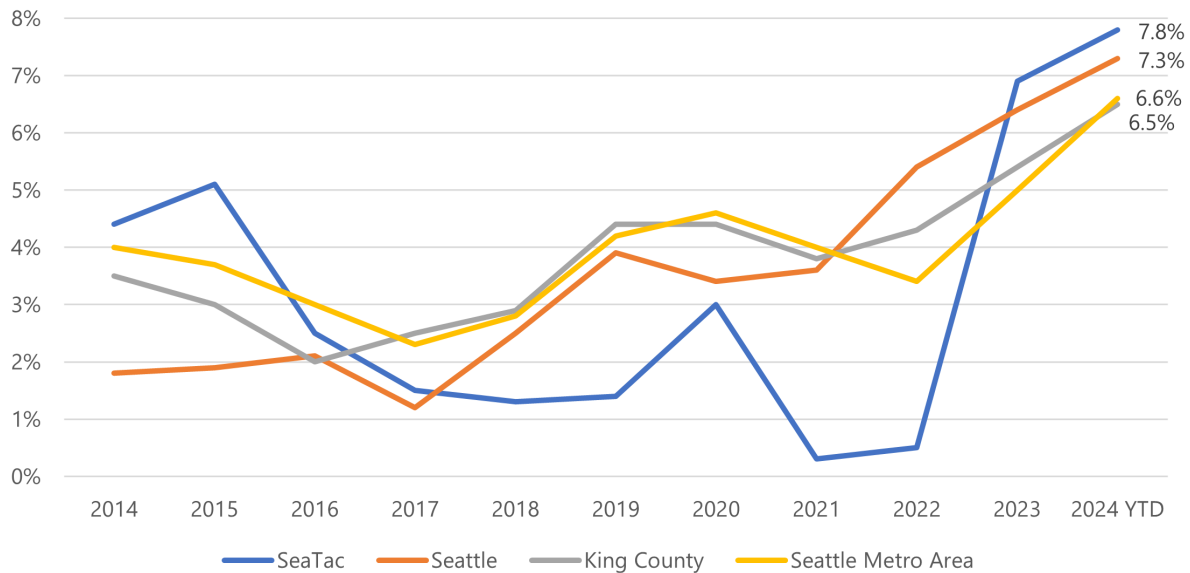


Figure BR6.19 - Industrial Vacancy Rates, 2014-2024

Source: CoStar.

Retail

For the purposes of this report, this section includes an analysis of retail businesses and employment outside of SeaTac International Airport. While there are retail businesses located within the airport, these businesses typically operate outside of the normal market and are less impacted by regional and national trends.

SeaTac's retail establishments are mainly located along International Boulevard. According to Esri Business Analyst, SeaTac has 163 retail businesses with 2,516 employees (roughly 15 employees per business). Of these businesses, nearly half are eating and drinking places and another 14 percent are food stores.

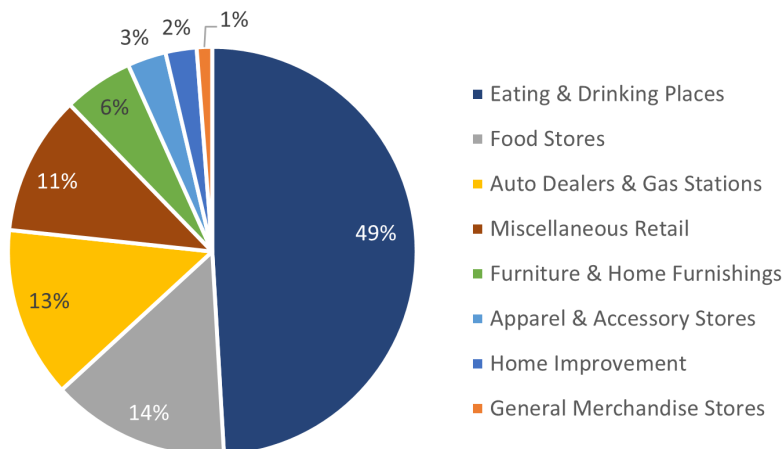


Figure BR6.20 - Share of Retail Establishments by Type in SeaTac

Source: Data Axle via Esri Business Analyst.

Nationally and in the Seattle region, there is a shift toward experiential retail due to the increase in ecommerce. Experiential retail includes businesses – like restaurants, bars, and entertainment venues – that offer unique experiences that cannot be replicated online. The most successful experiential retail is typically accompanied by high-quality placemaking elements like wide sidewalks, street trees, outdoor dining areas, and parklets. SeaTac envisions improvements, particularly in its City Center and neighborhood centers, that would be amenable to this type of retail.

As of 2024, the retail vacancy rate in the Seattle Metro Area is 3.2 percent – below what is typically considered a balanced market. In SeaTac, the retail vacancy rate is currently just 0.4 percent. It has not been above three percent since 2015. This indicates that there could be room for more retail space in SeaTac, particularly if more mixed-use and tourism-focused development occurs in the City Center.

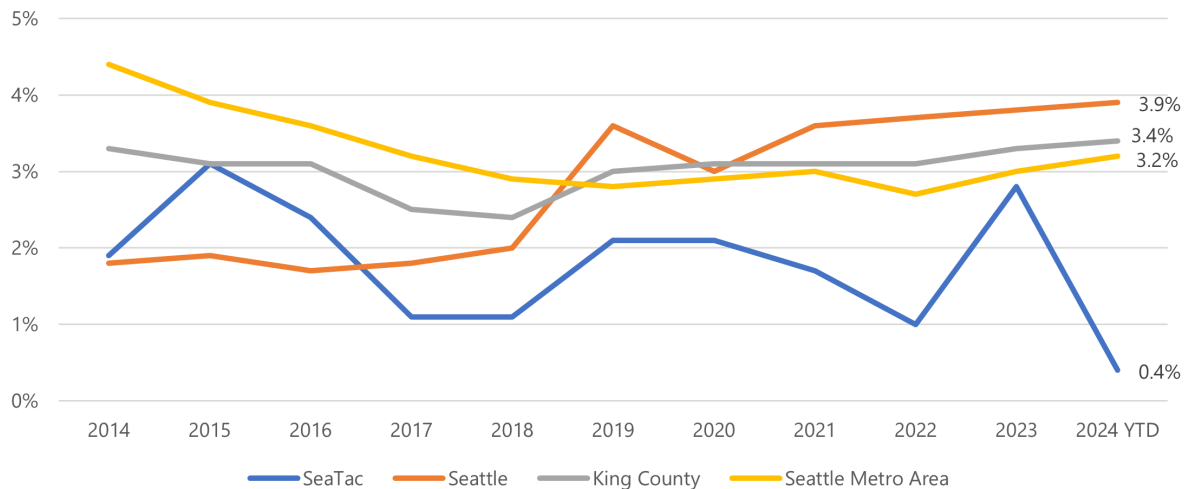


Figure BR6.21 - Retail Vacancy Rates, 2014-2024

Over the past 19 years, retail rent in SeaTac has grown by 21 percent compared with 39 percent across the metro area. SeaTac's retail properties are relatively old, with an average year built of 1977. While low rent compared to the rest of the region offers opportunities for entrepreneurs, there is also a risk that these older buildings could be demolished as the city attracts new development and investment.

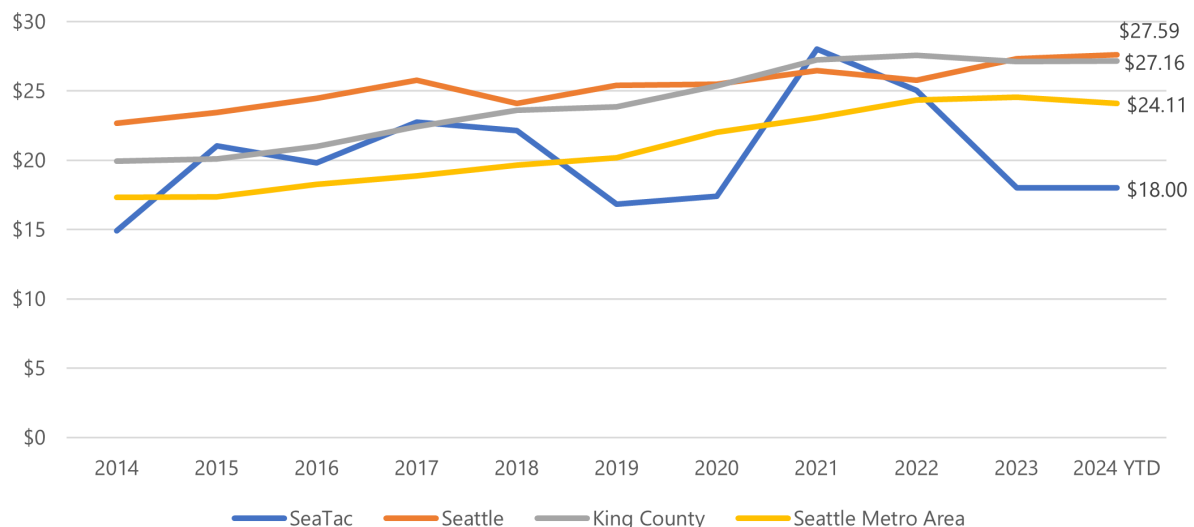


Figure BR6.22 - Full Service Retail Rent, 2014-2024

Source for Figures BR6.21 and BR6.22: CoStar.

Tourism / Hospitality

In 2023, SeaTac completed its Tourism Destination Development Plan (TDDP) – the document serves as a 10-year roadmap for improving visitor volumes as well as visitor experience. While 46.5 million people visited Sea-Tac International Airport in 2022 (22.1 million enplanements and 22.2 deplanements), SeaTac destinations like Angle Lake Park and the Mall of Africa saw fewer than 100,000 visits that same year. SeaTac has nearly 6,000 hotel rooms, but the average length of stay is 1.2 nights. The City aims to increase this to two or more nights through strategic investment in placemaking to create visitor destinations.

In 2026, the FIFA World Cup will be played in cities across North America. Seattle is one of 11 metro regions in the US that will host World Cup matches, which draw fans from around the world. Seattle will hold six matches, including two in the knockout stage of the competition. In 2009, when Seattle hosted a friendly match between Chelsea and Barcelona, 65,000 fans attended. For the 2026 World Cup, 750,000 visitors are expected to come to Seattle and Western Washington. SeaTac – both the airport and the city – will be the gateway for the majority of these visitors. By creating and promoting new destinations for recreation and accommodation, SeaTac has the opportunity to benefit directly from this influx in regional tourism.

According to the destination assessment completed as part of the TDDP, while SeaTac has a strong supply of hotels, its supply of restaurant, retail, and nightlife destinations is moderate and there are minimal spaces for conferences, meetings, and events. For those staying overnight in SeaTac, the primary opportunities for entertainment during their stay are in Tukwila, Kent, Renton, and Burien. As a result, SeaTac is not fully capturing potential visitor spending. In the near term, investments aimed at developing walkable, mixed-use cultural districts near light rail stations will help support tourism-focused businesses. SeaTac's strongest long-term opportunity for increasing visitors and visitor stays is to become South King County's destination for conferences, meetings, and events.

There are currently 36 hospitality properties in SeaTac, with another 118-room hotel planned as part of a mixed-use development adjacent to the airport. Figure 23 below shows the average daily room rate (ADR), revenue per available room (RevPar), and occupancy rate for SeaTac hotels between 2018 and 2024. As of June 2024, both ADR and RevPar are higher than pre-pandemic, reflecting national travel trends. The occupancy rate as of June 2024 was 82 percent – significantly higher than the national occupancy rate, which was estimated at 64 percent in 2023 but lower than the Seattle Metro occupancy rate of 84 percent as of June 2024.

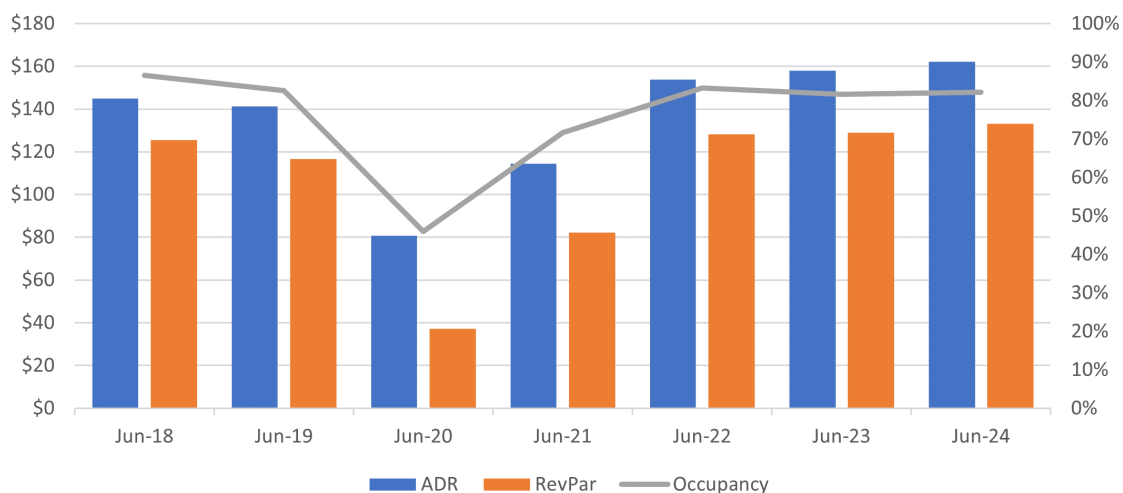


Figure BR6.23 - Hotel ADR, RevPar, and Occupancy in SeaTac, 2018-2024

Source: CoStar.

From an economic development perspective, increasing tourism in SeaTac beyond the typical airport and business travelers would have a significant impact on the local economy and workforce. However, many of the jobs associated with hospitality such as hotel clerks, waiters, and other service-industry workers are typically lower-paying. While tourism is an important component of economic development in SeaTac, it should be part of a diversified economy with jobs at a variety of income levels.

GROWTH TARGETS / LAND CAPACITY ANALYSIS

SeaTac is required to show land capacity to meet 2044 targets for jobs based on the Washington Office of Financial Management countywide projections as allocated to jurisdictions through the King County Countywide Planning Policies. As outlined in the 2021 King County Countywide Planning Policies, SeaTac must show capacity to accommodate 14,810 new jobs between 2019 and 2044.

Overall, SeaTac has sufficient capacity to meet and exceed its jobs targets. Although recent development has been somewhat weighted towards housing, given market demand, SeaTac does have adequate zoned capacity to meet employment targets, particularly as markets shift in the coming decades and the city takes steps to encourage more job growth. For a full methodology and detailed breakdown of results of this analysis, please refer to the land capacity methodology report in Appendix A of the Housing & Human Services Background Report.

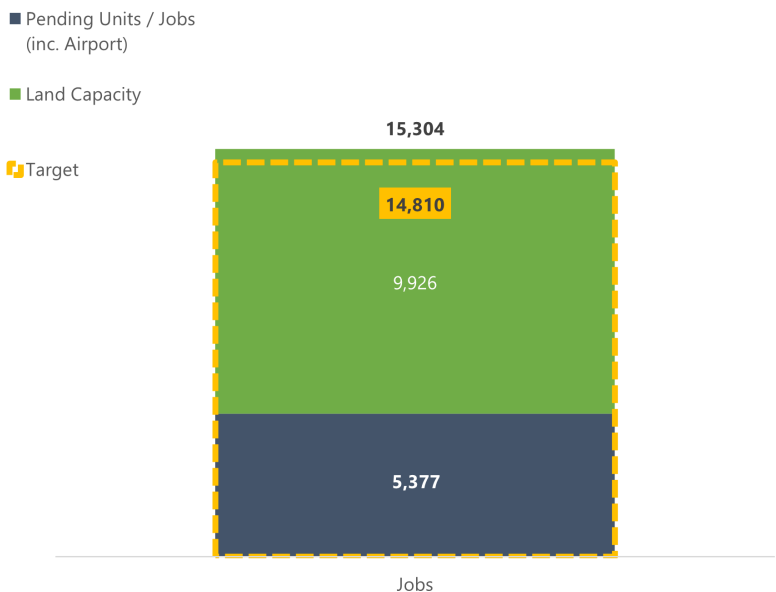


Figure BR6.24 - SeaTac Net New Housing Unit and Jobs Targets and Results, 2019-2044