

Date: November 29, 2018
Subject: Cost of Living in Seattle: Trends and Comparisons

Seattle’s high and rising cost of living is a concern for many local residents and policymakers, as reflected in local news coverage on [beer, burgers, and haircuts](#); [property taxes](#); [the salary required to get by \(even without lattes\)](#); [expensive grocery stores](#); [the mismatch between salaries and costs](#); and, of course, [housing](#). High cost of living creates challenges for the University, particularly for recruiting and retaining faculty and staff when the cost of living is high and [average UW salaries are low](#) relative to competing institutions. We also face competition from local businesses who can often pay more.

To supplement the local news sources and significant anecdotal evidence regarding recruitment and retention issues, this brief compares Seattle’s cost of living to the locations of our 2018 *U.S. News & World Report* Top 25 Public Research Universities peer institutions. It also examines Seattle’s cost of living over time and other costs of doing business and operating in our city and region. From that analysis, we see that the Seattle region is **considerably more expensive than the average of our peer locations**, and has become **increasingly expensive in recent years**.

Cost of living - Seattle compared to peers

Housing makes up one of the largest single expenditures for most American families, has the greatest variation across cities, and is the [biggest driver behind cost of living differences](#). As shown in Figure 1, **Seattle’s median home valueⁱ is almost 94 percent higher than our peer average**, while the median rent price is about 35 percent higher. When looking at fair market rents (FMR), someone in the Seattle metro area would need to spend \$492 per month more than their peer average counterpart in order to rent a studio, and \$1,256 per month more in order to rent a 4-bedroom unit. These high housing and rent prices can be a deterrent for current and prospective faculty and staff, especially for those with children, multigenerational households, or other circumstances that require larger living spaces.

Figure 1: Housing Costs in Seattle vs. the average of our U.S. News peers

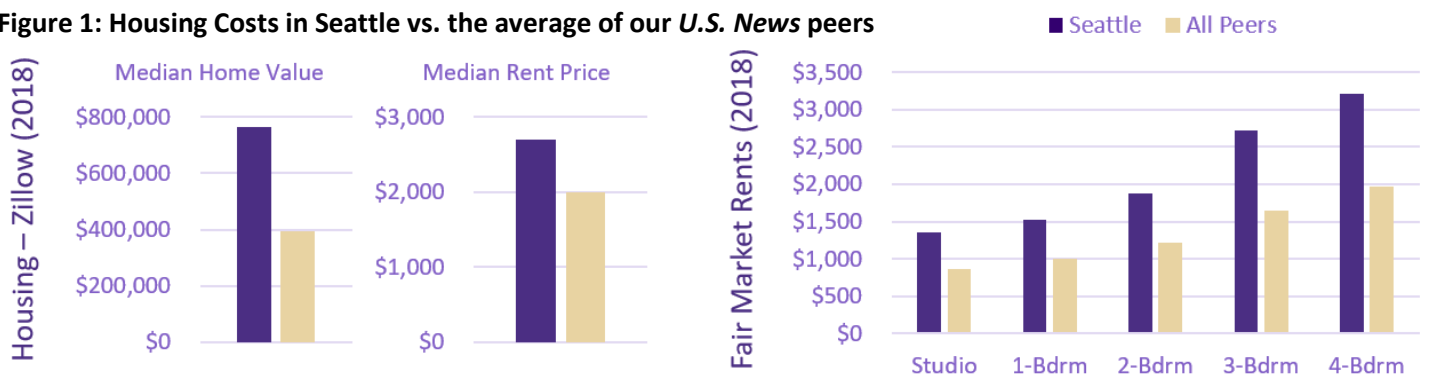
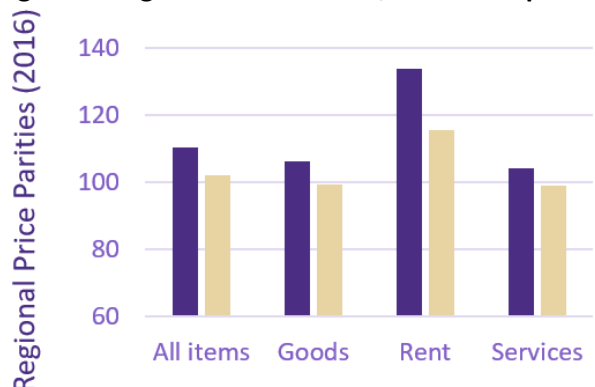


Figure 2: Regional Price Parities, Seattle vs. peers

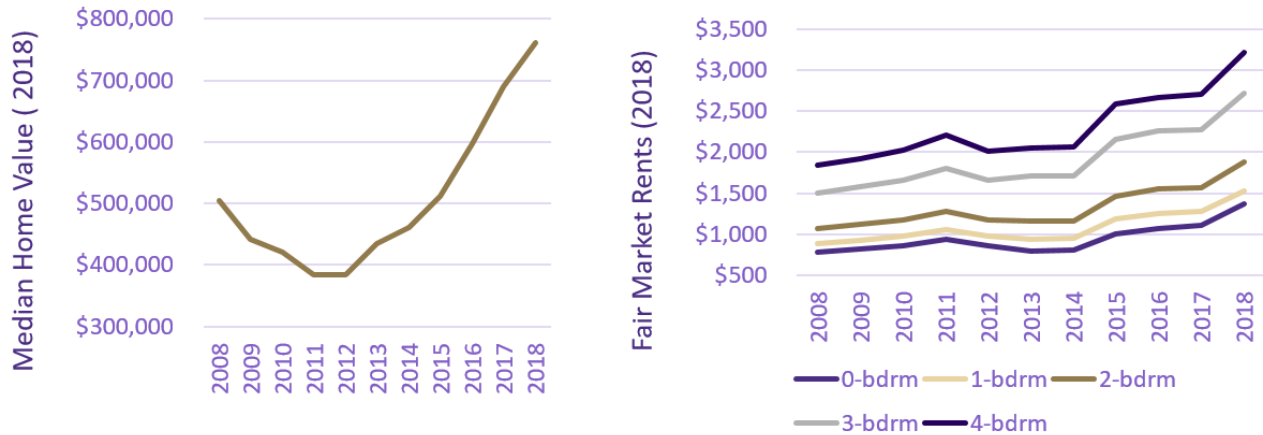


When comparing regional price parities (RPP, Figure 2) for the Seattle area with our peer average, Seattle’s overall RPP is higher than our peers, driven by especially high housing costs. Because most goods and services cost more here, our purchasing power is lower (i.e. the value of a dollar doesn’t go as far). The “real value” of \$100 in 2016 (the latest year available) was \$90.50ⁱⁱ for the Seattle area, versus \$98.98 for our peer average.

Cost of living – Seattle over time

From 2008 to 2018, the Seattle metro area’s consumer price index (CPI-U) has shown steady, small inflationary increases from year to year, rising a total of 19.78 percent,ⁱⁱⁱ while median household income rose 18.28 percent.^{iv} At face value, this might suggest that cost of living has not risen significantly over the last decade and has been mitigated by commensurate income increases. However, housing cost trends in Figure 3 tell a more nuanced and stark story. During those same years, the median home value rose 51 percent and FMRs rose an average of 77 percent when comparing 2018 inflation-adjusted dollars (2018 IPD). Thus, **Seattle’s extreme housing costs are a “new problem” and have vastly outpaced overall inflation and median wages for the area.**

Figure 3: Housing Costs in Seattle over time, inflation adjusted



Cost of doing business in Seattle

Seattle’s high cost of living puts significant pressure on the UW to raise salaries, which are the largest cost of operating a university. However, there are many other costs of doing business, including building construction, maintenance and operations, supplies and equipment, and student scholarships and waivers. As examples, **the cost of living indexes (COLI) for goods and services, transportation, and utilities in Seattle are about 30 percent, 25 percent, and 19 percent higher than our peer averages, respectively.**

Similarly, area modification factors (AMF) help estimate regional variation in construction costs. Percentages consider several construction cost variables, including labor, equipment and material cost, labor productivity, climate, job conditions, and markup. **If a building would cost \$80 million on average in the U.S. (0 percent AMF), it is estimated to cost \$88.8 million in Seattle (11 percent AMF) and \$83.2 million for our peer average (4 percent AMF).** Increased capital costs for construction and renovation of new and old buildings add to the cost of operating in our region, especially given the UW’s footprint of 337 occupied buildings and 20.9 million gross square feet across our three campuses.

Conclusion

Seattle’s high cost of living is a very real issue and, although new in its severity, is unlikely to go away. High quality, innovative faculty and staff are necessary for the UW to pursue its goal to positively impact our students, state, and global citizenry through scholarship, innovation, and excellence. Seattle’s high costs of living and doing business, combined with lower than peer median resident undergraduate tuition rates and state funding per FTE, create significant financial pressures for the University to weather in the coming biennium.

ⁱ Zillow home value index and rent list price were pulled on August 9th, 2018 and are subject to change. Trend date was pulled in May.

ⁱⁱ Formula for “real value” of \$100: (100 / RPP “All Items”) x 100.

ⁱⁱⁱ Inflation was calculated from the annual average CPI-U in 2008 and the average monthly CPI-U in 2018 through June.

^{iv} Most recent median household income for Seattle is from 2016. 2017 data will be released September 2018.