

# Housing Market Profile

Northwest • HUD Region X



## Kennewick-Pasco-Richland, Washington

The Kennewick-Pasco-Richland metropolitan area (also known as the Tri-Cities area) consists of Benton and Franklin Counties in southeastern Washington. The three largest cities, Kennewick, Pasco, and Richland, are regional centers for employment and for education and healthcare services. As of April 1, 2011, the population in the metropolitan area was estimated at 260,500, which represents an increase of 3.4 percent during the past 12 months because of strong job growth, but which is slightly lower than the 3.6-percent average annual rate recorded during the 2007-through-2009 period.

The Tri-Cities area is home to Hanford, a nuclear facility that produced plutonium for use in atomic weapons for nearly 50 years before being decommissioned in 1987, leaving behind more than 53 million gallons of radioactive waste; it is now the location of the largest environmental cleanup in the nation. In 2009, the American Recovery and Reinvestment Act (ARRA) allocated nearly \$2 billion to the Hanford cleanup, which contributed to strong economic growth in the area by adding approximately 3,000 contract jobs. The leading employer in the area—Pacific Northwest National Laboratories (operated by Battelle), with 4,475 employees—has hired 820 workers since 2007. The second and third leading employers, URS Corporation and CH2M Hill, with 3,500 and 3,250 jobs, respectively, both are associated with the environmental remediation and nuclear waste cleanup of Hanford.

During the 12 months ending January 2011, nonfarm payrolls in the Tri-Cities area increased by 4,100 jobs, or 4.3 percent, to 99,600 jobs; in comparison, during the previous 12 months, nonfarm payrolls increased by 1,300 jobs, or 1.3 percent. During the 12 months ending January 2011, the professional and business services sector, which accounts for more than 24 percent of total nonfarm payrolls in the area, increased by 2,400 jobs, or 10.8 percent, the largest gain of any sector. Growth in this sector is attributed to increases in Hanford-related employment, a trend that may not continue after ARRA funding ends in September 2011. The government sector, which makes up nearly 18 percent of total nonfarm payrolls, added 500 jobs, which is an increase of 2.7 percent. The education and health services sector also grew by 500 jobs, or 4.4 percent. The only sector to record a loss was the mining, logging, and construction sector,

which was down 100 jobs, or 1.5 percent, resulting from a decline in commercial construction. During the 12 months ending January 2011, the average unemployment rate was 7.1 percent, unchanged from the rate recorded during previous 12 months.

Because of strong population and job growth, the home sales market in the Tri-Cities area is balanced to tight. According to the Tri-City Association of REALTORS®, the existing home sales market had a 3.6-month inventory of unsold homes as of February 2011, unchanged from February 2010. Hanley Wood, LLC, reported that, during the 12 months ending February 2011, total sales of existing single-family homes were down 12 percent to 2,700 homes compared with 3,100 homes sold during the previous 12 months. In comparison, existing single-family home sales averaged 4,150 annually from 2006 through 2008. The average sales price for existing homes was \$187,900, up nearly 4 percent from \$181,600, which was recorded during the previous 12 months. The average sales price increased by an average of 4 percent a year from 2006 through 2009 before declining 4 percent during the 12 months ending February 2010. During the 12 months ending February 2011, sales of new single-family homes increased by 11 percent to 1,550 homes. During the same period, the average sales price for a new home increased to \$184,900, up 5 percent, compared with a 9-percent decline during the previous 12 months.

In response to the increase in new home sales, single-family home construction increased during the 12 months ending February 2011. According to preliminary data, in the Tri-Cities area during 2010, 1,150 single-family homes were permitted, up 7 percent from the number permitted during 2009. During the 12 months ending February 2011, single-family home construction remained well below the 2002-through-2006 levels, when an average of 2,000 homes was permitted annually.

A growing population, combined with little new multi-family construction, has caused tight rental market conditions in the Tri-Cities area. According to the Washington State University's Washington Center for Real Estate Research (WCRER), as of March 2011, the apartment rental vacancy rate was 1.7 percent, up from 1.2 percent a year earlier. During the 2002-through-2006 period, approximately 2,025 units were added to the apartment inventory, but only 250 units have entered the market since 2007. According to the WCRER, as of March 2011, the average asking apartment rents were \$680 for a one-bedroom unit, \$920 for a two-bedroom/two-bathroom unit, and \$1,025 for a three-bedroom/



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two-bathroom unit. Overall average asking rent was \$780, an 8-percent increase from the rents recorded in March 2010. Multifamily building activity has remained low, averaging 15 units permitted a year in 2008 and 2009. Preliminary data indicate that no

permits were issued in 2010 or in the first 2 months of 2011. Two projects in Richland, Island View Apartments and Badger Mountain Apartments, with 150 and 176 units, respectively, are currently under construction and are expected to be completed by January 2012.