

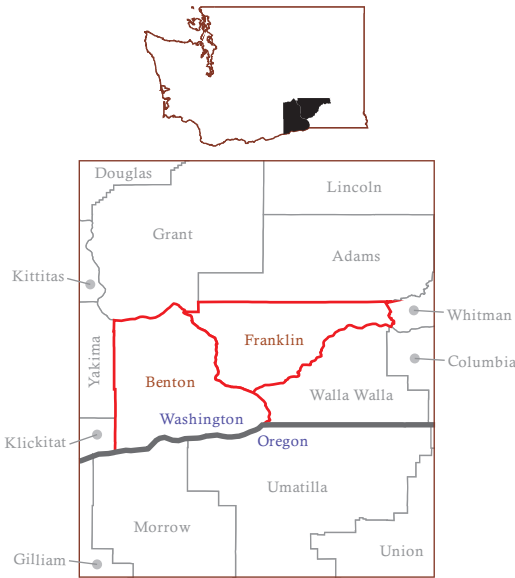


# Tri-Cities, Washington

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2011



## Housing Market Area



The Tri-Cities Housing Market Area (HMA) is coterminous with the Kennewick-Pasco-Richland Metropolitan Statistical Area and consists of Benton and Franklin Counties in southeastern Washington. The three largest cities, Kennewick, Pasco, and Richland, serve as a regional center for employment and health care. The Tri-Cities HMA is home to Hanford, a decommissioned nuclear facility that is now the site of the nation's largest environmental cleanup project.

## Market Details

- Economic Conditions ..... 2
- Population and Households ..... 4
- Housing Market Trends ..... 5
- Data Profile ..... 8

## Summary

### Economy

Nonfarm payroll job growth continued in the Tri-Cities HMA despite the national recession from December 2007 to June 2009. In 2009, the Hanford cleanup project received nearly \$2 billion of American Recovery and Reinvestment Act (ARRA) funds, which has since added approximately 3,000 contract jobs in the HMA. During the 12 months ending June 2011, nonfarm payrolls averaged 100,300, up by 3,100 jobs, or 3.2 percent, compared with nonfarm payrolls during the previous 12 months. Job growth is expected to slow during the 3-year forecast period to an average annual increase of 2,175 jobs, or 2 percent.

### Sales Market

The sales housing market in the HMA is balanced but softening because of a decrease in demand. Existing single-family home sales decreased 10 percent during the 12 months ending June 2011, whereas the average sales price increased nearly 5 percent to \$189,400. During the 3-year forecast period, demand is expected for 4,850 new homes, including 50 mobile homes (see Table 1). The 2,700 other vacant units in the HMA may meet a portion of the demand.

### Rental Market

The rental housing market in the HMA is tight, a result of renter household growth outpacing apartment development. The rental vacancy rate is currently estimated at 1.5 percent and average rents have increased by 8 percent from a year ago. During the next 3 years, demand is expected for 1,300 new rental units, as shown in Table 1. Approximately 440 units are currently under construction and will satisfy a portion of the forecast demand.

**Table 1. Housing Demand in the Tri-Cities HMA, 3-Year Forecast, July 1, 2011 to July 1, 2014**

	Tri-Cities HMA	
	Sales Units	Rental Units
Total Demand	4,850	1,300
Under Construction	560	440

*Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Sales demand includes demand for 50 mobile homes. Units under construction as of July 1, 2011. A portion of the estimated 2,700 other vacant units in the HMA will likely satisfy some of the forecast demand.*

*Source: Estimates by analyst*

# Economic Conditions

The Tri-Cities HMA is home to the Hanford Site. Hanford 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. In 2009, the federal government allocated approximately \$2 billion of ARRA funds to the U.S. Department of Energy (DOE) for an environmental cleanup project at the site, which resulted in the addition of approximately 3,000 contract jobs to the local economy. According to the Tri-City Development Council (TRIDEC), 95 percent of the contaminated Hanford area will

have undergone remediation by 2015. Hanford-related employment is expected to decline steadily as the cleanup comes to a close and ARRA funding ends in September 2011. The first layoffs are expected in the fall of 2011, with a projected loss of 2,000 to 2,800 jobs.

From 2000 to 2010, the HMA added an average of 1,900 nonfarm payroll jobs annually, a 2.4-percent growth rate. More recently, ARRA funding has helped bolster economic conditions in the HMA and stimulate employment growth while the national economy lost jobs. During the 12 months ending June 2011, nonfarm payrolls in the HMA increased by 3,100 jobs, or 3.2 percent, to a total of 100,300 jobs (see Table 2). During the same period, the professional and business services sector, which accounts for approximately 22 percent of total nonfarm payrolls in the HMA (see Figure 1), led growth among all sectors with an increase of 1,800 jobs, or 7.8 percent, in large part because of Hanford-related employment. The three largest employers in the area are in the professional and business services sector. The largest employer, Pacific Northwest National Laboratory (operated by Battelle), has hired 600 workers since the end of 2008 and now has a total of 4,450 employees (see Table 3). The second and third largest employers are URS Corporation and CH2M HILL, Inc., employing 3,500 and 3,250 workers, respectively; both companies focus on the environmental remediation of the Hanford Site. Other high-growth sectors during the 12 months ending June 2011 were education and health services, which grew by 500 jobs, or 4.8 percent, and manufacturing, which increased by 400 jobs, or 5.5 percent.

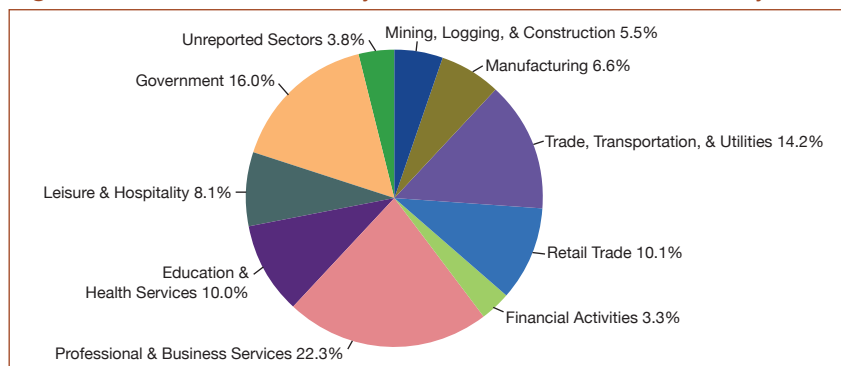
**Table 2. 12-Month Average Nonfarm Payroll Jobs in the Tri-Cities HMA, by Sector**

	12 Months Ending June 2010	12 Months Ending June 2011	Percent Change
Total Nonfarm Payroll Jobs	97,200	100,300	3.2
Goods Producing	13,100	13,600	3.6
Mining, Logging, & Construction	6,100	6,175	1.5
Manufacturing	7,025	7,425	5.5
Service Providing	84,100	86,700	3.1
Trade, Transportation, & Utilities	16,400	15,900	-3.0
Retail Trade	11,300	11,300	0.0
Financial Activities	3,475	3,700	6.0
Professional & Business Services	23,100	24,900	7.8
Education & Health Services	10,650	11,150	4.8
Leisure & Hospitality	8,825	9,050	2.6
Government	17,600	17,850	1.5
Unreported Sectors	4,100	4,200	2.4

Notes: Based on 12-month averages through June 2010 and June 2011. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

**Figure 1. Current Nonfarm Payroll Jobs in the Tri-Cities HMA, by Sector**



Note: Based on 12-month averages through June 2011.

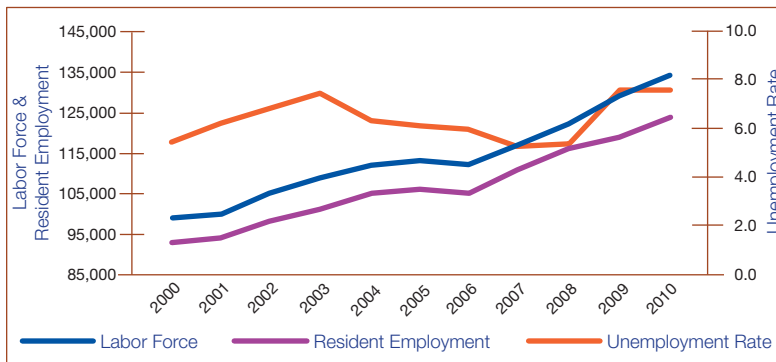
Source: U.S. Bureau of Labor Statistics

**Table 3. Major Employers in the Tri-Cities HMA**

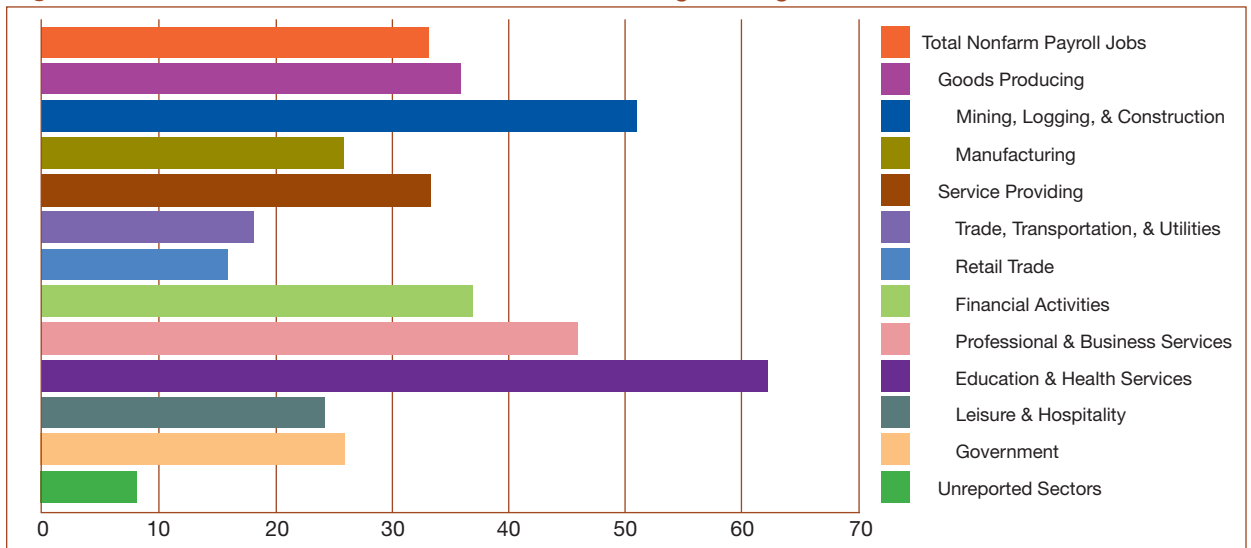
Name of Employer	Nonfarm Payroll Sector	Number of Employees
Battelle-Pacific Northwest National Laboratory	Professional & Business Services	4,450
URS Corporation	Professional & Business Services	3,500
CH2M HILL, Inc.	Professional & Business Services	3,250
ConAgra Foods, Inc.	Manufacturing	3,050
Bechtel National, Inc.	Professional & Business Services	2,850
Kadlec Medical Center	Education & Health Services	2,175
Washington River Protection Solutions, LLC	Professional & Business Services	1,675
Mission Support Alliance, LLC	Professional & Business Services	1,475
Washington Closure Hanford LLC	Professional & Business Services	1,375
Tyson Foods, Inc.	Manufacturing	1,300

Note: As of June 2011.

Source: Tri-City Development Council

**Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Tri-Cities HMA, 2000 to 2010**

Source: U.S. Bureau of Labor Statistics

**Figure 3. Sector Growth in the Tri-Cities HMA, Percentage Change, 2000 to Current**

Note: Current is based on 12-month averages through June 2011.

Source: U.S. Bureau of Labor Statistics

The only sector to report a loss in nonfarm payrolls was trade, transportation, and utilities, which declined by 500 jobs, or 3 percent. Employment growth during the past 12 months contributed to a decrease in the unemployment rate, which averaged 7.3 percent, down from 7.7 percent during the previous 12 months. See Figure 2 for trends in the labor force, resident employment, and unemployment rate in the HMA from 2000 to 2010. Figure 3 illustrates nonfarm payroll sector growth in the HMA from 2000 to the current date.

Despite anticipated layoffs in the fall of 2011 as a result of ARRA completions, several ongoing opportunities for economic development and job growth exist in the HMA. TRIDEC has requested 1,341 acres of uncontaminated land from DOE to develop an energy park. TRIDEC expects the land transfer to be complete in 18 months. Work continues on a nuclear waste treatment plant that

has been under construction for the past 10 years. The new plant is expected to begin operation in 2019, with a planned 40-year operating life and a workforce of 1,300. In addition, several job opportunities are expected in the education and health services sector. Although the education and health services sector currently accounts for only 10 percent of nonfarm payrolls, increased demand for health-care services in the HMA has led to a boom in expansions and improvements of medical facilities. Since early 2011, permits have been issued for 7 new medical buildings and planned improvements at 23 other facilities. One of the area's largest employers, Kadlec Medical Center,

is working on a \$4.5 million remodel of its diagnostic imaging center. In Kennewick, DaVita Inc. is building a \$600,000 hemodialysis clinic, and the Pacific Cataract and Laser Institute plans to build a \$5 million medical facility.

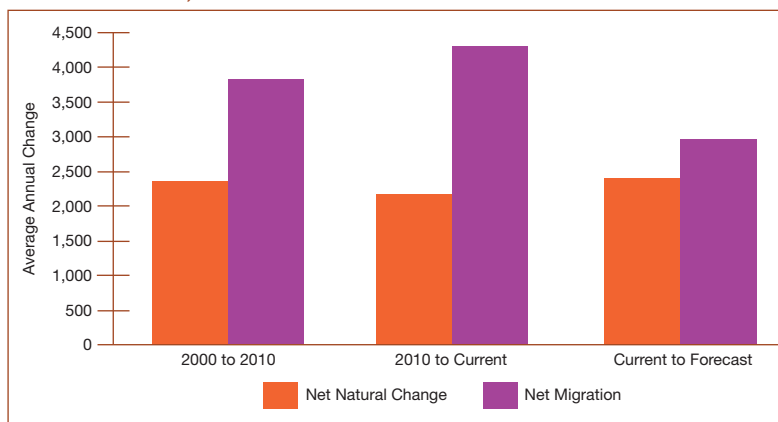
During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 2,175 jobs, or 2 percent, annually. The uncertainty surrounding Hanford-related work and government contracts is likely to have a negative effect on the professional and business services sector. Growth in the education and health services sector, however, is expected to continue at a moderate pace.

## Population and Households

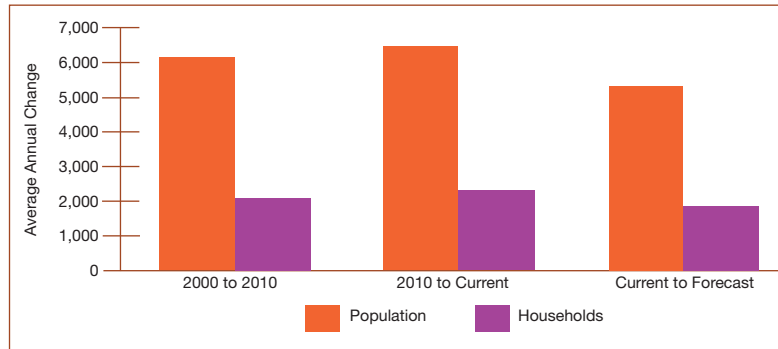
The population of the Tri-Cities HMA increased at an average annual rate of 2.8 percent, or 6,150, from 2000 through 2010. Since 2010, population growth has slowed slightly to an average annual rate of 2.5 percent, or 6,450 people, to a current total population of 261,400. Population

growth was the strongest from 2007 through 2010, increasing at a 3.4-percent average rate, or 8,125 people annually, reflecting increased employment opportunities related to the Hanford cleanup. Net in-migration accounted for approximately 67 percent of total population growth during those years, with an average of 5,425 people a year moving into the HMA. See Figure 4 for components of population change since 2000. In comparison, from 2000 through 2006, the population grew by an average annual rate of 2.5 percent, or 5,175, with approximately 57 percent coming from net in-migration. During the forecast period, net in-migration to the HMA is expected to slow because of job declines resulting from the expiration of ARRA funds. The population is projected to grow at an average rate

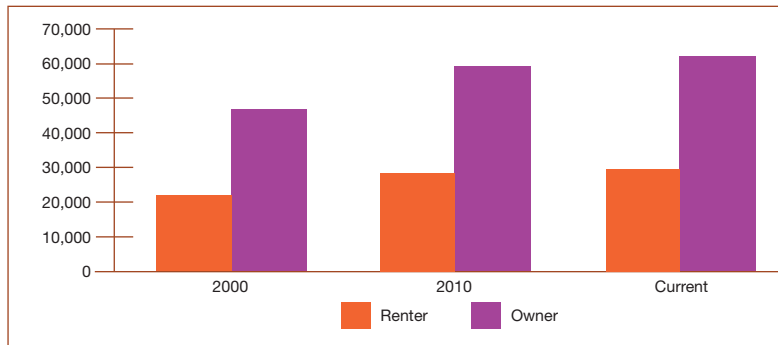
**Figure 4.** Components of Population Change in the Tri-Cities HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Population and Households *Continued***Figure 5.** Population and Household Growth in the Tri-Cities HMA, 2000 to Forecast

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

**Figure 6.** Number of Households by Tenure in the Tri-Cities HMA, 2000 to Current

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

of 2 percent annually, reaching 277,500 by the end of the 3-year forecast period.

From 2000 through 2010, the number of households grew by an average rate of 2.7 percent, or 2,075 households a year (see Figure 5). Since 2010, the household growth rate has decreased slightly to 2.6 percent, or 2,275 households a year. Currently, the HMA has an estimated 91,400 households, of which 67.8 percent are homeowners, down from 68.1 percent in 2000 (see Figure 6). Household growth is anticipated to slow to 2 percent, or 1,875 households, annually to total approximately 97,050 households by July 1, 2014. Table DP-1 at the end of this report includes additional data on population and households.

## Housing Market Trends

### Sales Market

Aided by strong economic and population growth, the sales housing market in the Tri-Cities HMA is currently balanced but softening, with an estimated 1.3-percent vacancy rate. As of June 2011, the HMA had a 5-month supply of existing inventory, up from a 3-month supply in June 2010, according to data from the Tri-City Association of REALTORS®. This trend is expected to continue throughout 2011 as employment opportunities decrease with the termination of ARRA contracts.

According to Hanley Wood, LLC, during the 12 months ending June 2011, existing single-family home sales declined 10 percent to 2,725 homes compared with 3,050 homes sold during the previous 12 months. During the same period, the average sales price for an existing home in the HMA increased 5 percent, from \$180,600 to \$189,400. New home sales in the HMA declined to 1,225 homes compared with 1,300 homes sold during the previous 12 months. The average new home sales price

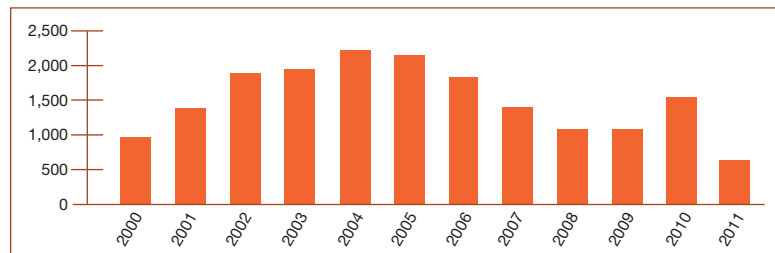


increased 19 percent, from \$176,300 to \$210,300, compared with a 7-percent decline during the 12 months ending June 2010. The average price increase of new homes resulted from an increased number of sales in higher price ranges.

Based on preliminary data, nearly 1,125 homes were permitted during the 12 months ending June 2011, a 7-percent increase from the number permitted during the previous 12 months. Current permitting levels are down significantly from the peak of 2,000 homes permitted annually from 2002 through 2006. Figure 7 shows the number of single-family building permits issued in the HMA from 2000 to the current date.

During the 3-year forecast period, demand is estimated for 4,850 new homes, including approximately 50 mobile homes. The 560 units currently under construction will meet a portion of this demand (see Table 1). In addition, some of the estimated 2,700 other vacant units in the HMA may return to the sales market and satisfy some of the forecast demand. Demand is expected for 1,275 homes in the first year of the forecast period and to increase gradually to 1,650 homes in the second year and 1,925 in the third year. More than one-half of the demand is expected to be for homes priced between \$200,000 and \$299,999, as shown in Table 4.

**Figure 7.** Single-Family Building Permits Issued in the Tri-Cities HMA, 2000 to 2011



Notes: Includes townhomes. Includes data through June 2011.

Source: U.S. Census Bureau, Building Permits Survey

**Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Tri-Cities HMA, July 1, 2011 to July 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
120,000	199,999	960	20.0
200,000	249,999	1,525	32.0
250,000	299,999	1,200	25.0
300,000	349,999	620	13.0
350,000	399,999	240	5.0
400,000	and higher	240	5.0

Notes: Excludes mobile homes. The 560 homes currently under construction and a portion of the estimated 2,700 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

## Rental Market

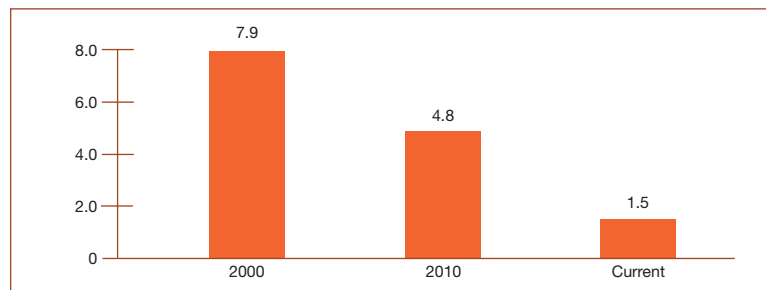
Rental housing market conditions in the Tri-Cities HMA are currently tight, with an estimated 1.5-percent vacancy rate (see Figure 8) because of a growing population and limited new multifamily construction. According to Washington State University's Washington Center for Real Estate Research, the apartment vacancy rate in the HMA was 1.7 percent in March 2011 (the latest data available), down significantly from the peak rate of 10.2 percent in March 2006. Much of the decline in the vacancy rate is because of the influx of Hanford-related workers and other government contractors. Average asking rents have increased by an average of 6 percent a year since 2000. As of March 2011, the average asking rent was \$677 for

a one-bedroom/one-bathroom unit and \$758 for a two-bedroom/one-bathroom unit, up by 7 and 6 percent, respectively, from March 2010.

Multifamily permitting activity in the HMA has been concentrated in the principal cities of Kennewick, Pasco, and Richland. Based on preliminary data, multifamily construction, as measured by the number of building permits issued, increased to 350 units during the 12 months ending June 2011 compared with 250 units permitted during the previous 12 months. These numbers are down considerably from the peak period from 2002 through 2005, when an average of 510 multifamily units were permitted annually. See Figure 9 for annual multifamily permit data from 2000 to the current date. Currently, three developments totaling 440 apartment units are under construction in the HMA: Island View Apartments, Quail Springs Apartments, and Badger Mountain Apartments. Island View Apartments began leasing in June 2011 as the first units were completed. The one-bedroom units are renting for \$825 to \$865, and the two-bedroom units are renting for \$995. Construction at Island View is expected to be complete by October 2011.

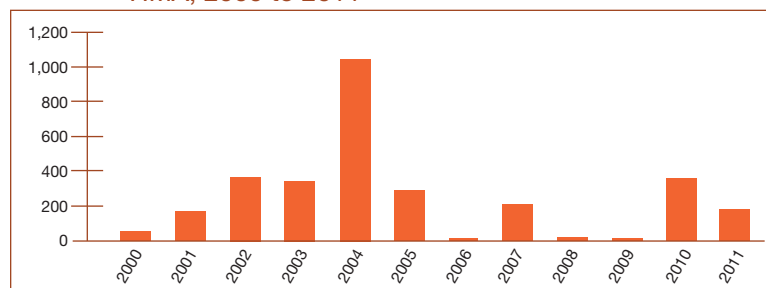
During the 3-year forecast period, demand is estimated for 1,300 rental units (see Table 1). The 440 units currently under construction will meet a portion of this demand. Table 5 shows estimated demand by rent level for new market-rate rental housing in the Tri-Cities HMA during the forecast period.

**Figure 8.** Rental Vacancy Rates in the Tri-Cities HMA, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

**Figure 9.** Multifamily Building Permits Issued in the Tri-Cities HMA, 2000 to 2011



Notes: Excludes townhomes. Includes data through June 2011.

Source: U.S. Census Bureau, Building Permits Survey

## Housing Market Trends

### Rental Market *Continued*

**Table 5.** Estimated Demand for New Market-Rate Rental Housing in the Tri-Cities HMA, July 1, 2011 to July 1, 2014

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
700 or more	25	800 to 999	220	925 to 1,124	520	1,150 to 1,349	15
		1,000 to 1,199	240	1,125 to 1,324	100	1,350 or more	130
		1,200 or more	25	1,325 or more	35		
<b>Total</b>	<b>25</b>	<b>Total</b>	<b>480</b>	<b>Total</b>	<b>650</b>	<b>Total</b>	<b>140</b>

*Notes: The 440 units currently under construction will satisfy some of the estimated demand. Numbers may not add to totals because of rounding.*

*Source: Estimates by analyst*

## Data Profile

**Table DP-1.** Tri-Cities HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	93,628	124,640	125,300	2.9	1.1
Unemployment Rate	5.4%	7.5%	7.3%		
Nonfarm Payroll Jobs	75,500	99,400	100,300	2.8	1.8
Total Population	191,822	253,340	261,400	2.8	2.5
Total Households	67,706	88,549	91,400	2.7	2.6
Owner Households	46,084	59,981	61,950	2.7	2.6
Percent Owner	68.1%	67.7%	67.8%		
Renter Households	21,622	28,568	29,450	2.8	2.5
Percent Renter	31.9%	32.3%	32.2%		
Total Housing Units	72,047	93,024	95,350	2.6	2.0
Owner Vacancy Rate	1.6%	1.3%	1.3%		
Rental Vacancy Rate	7.9%	4.8%	1.5%		
Median Family Income	\$51,300	\$64,800	\$65,000	2.4	0.3

*Notes: Employment data represent annual averages for 2000, 2010, and the 12 months through June 2011. Median family incomes are for 1999, 2009, and 2010.*

*Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst*



## Data Definitions and Sources

---

2000: 4/1/2000—U.S. Decennial Census

2010: 4/1/2010—U.S. Decennial Census

Current date: 07/01/2011—Analyst’s estimates

Forecast period: 07/01/2011–07/01/2014—  
Analyst’s estimates

**Demand:** The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

**Other Vacant Units:** In HUD’s analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

**Building Permits:** Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units are classified as commercial structures and are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to [www.huduser.org/publications/pdf/CMARtables\\_TriCitiesWA\\_11.pdf](http://www.huduser.org/publications/pdf/CMARtables_TriCitiesWA_11.pdf).

## Contact Information

---

Holi Weaver, Economist  
Seattle HUD Regional Office  
206–220–5291  
[holi.m.woods-weaver@hud.gov](mailto:holi.m.woods-weaver@hud.gov)

This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to  
[www.huduser.org/publications/econdev/mkt\\_analysis.html](http://www.huduser.org/publications/econdev/mkt_analysis.html).