

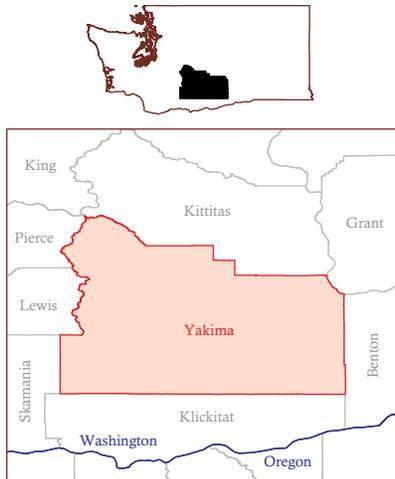


Yakima, Washington

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of February 1, 2013



Housing Market Area



The Yakima Housing Market Area (HMA) in south-central Washington consists of Yakima County and is coterminous with the Yakima, WA Metropolitan Statistical Area. The county has the highest level of crop and livestock production by value among counties in Washington and, in the 2007 Census of Agriculture, was ranked 12th highest in the nation. Yakima County is the top apple-producing county in the country; it also produces 20 percent of the world's supply of hops.

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Summary

Economy

The economy of the Yakima HMA has steadily improved since mid-2011. During the 12 months ending June 2012 (the most recent data available), covered payrolls increased by 2,000 jobs, or 2 percent, to 102,000 jobs, which exceeds the peak of 101,100 jobs recorded in 2008. The unemployment rate averaged 9.8 percent in 2012, down from 10.1 percent in 2011. Covered payrolls are projected to increase at an average annual rate of 1.4 percent during the 3-year forecast period.

Sales Market

The sales housing market in the HMA is balanced, with an estimated vacancy rate of 1.5 percent. During 2012, existing single-family home sales increased 11 percent, to 2,050 homes sold, and the average home sales price increased 9 percent, from \$162,300 to \$176,800. During the next 3 years, demand is forecast for 1,150 new homes (Table 1). The 100 homes currently under construction and a portion of the estimated 3,000 other vacant units that may return to the market will likely satisfy a portion of the demand.

Rental Market

Rental housing market conditions in the HMA are tight, with an estimated vacancy rate of 4.0 percent. The apartment vacancy rate was 3.3 percent in September 2012, down from 5.0 percent a year ago (Washington Center for Real Estate Research). The average monthly rent increased 1 percent, to \$587. During the next 3 years, demand is forecast for 850 new rental units. The 70 units currently under construction will likely meet a portion of this demand (Table 1).

Table 1. Housing Demand in the Yakima HMA, 3-Year Forecast, February 1, 2013, to February 1, 2016

	Yakima HMA	
	Sales Units	Rental Units
Total demand	1,150	850
Under construction	100	70

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of February 1, 2013. A portion of the estimated 3,000 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

Economic conditions in the Yakima HMA have improved steadily since July 2011. During the 12 months ending June 2012 (the most recent data available), covered payrolls increased by 2,000 jobs, or 2.0 percent, to 102,000, which exceeds the peak of 101,100 jobs recorded in 2008 (Table 2). From 2001 through 2008, the economy grew by an average of 1,300 jobs, or 1.3 percent, annually, largely as a result of sustained job growth in the

agriculture, forestry, fishing, and hunting sector (hereafter, the agricultural sector). As the HMA economy began to be affected by the national recession, covered payrolls declined by 200 jobs, or 0.2 percent, in 2009 and by 900 jobs, or 0.9 percent, in 2010. The unemployment rate averaged 9.8 percent in 2012, down from 10.1 percent in 2011 (Figure 1), but remained well above the average rate of 6.8 percent recorded from 2005 through 2008. The largest private employers in the HMA are Yakima Valley Memorial Hospital, Wal-Mart Stores, Inc., and Borton & Sons Inc., with 2,500, 1,550, and 1,225 employees, respectively (Table 3).

The agricultural sector heavily influences the Yakima economy, currently accounting for 26,300 jobs, or 26 percent of total covered payrolls (Figure 2). It has been the fastest growing sector since 2001, increasing 40 percent (Figure 3). The HMA has the highest level of crop and livestock production of any county in Washington based on estimated market value, at \$1.2 billion (2007 Census of Agriculture, the most recent available). The HMA leads the country in apple production, with more than 55,000 acres of orchards, and it produces 20 percent of the world's supply of hops, 42 percent of the nation's pears, and 38 percent of the nation's Concord grapes, and 29 percent of the nation's cherries.

Technological advancements, such as more efficient high-density tree planting and a dramatic expansion in controlled atmosphere storage, a technique that has been refined during the past 40 years, increased productivity in the agricultural sector. As a result, agricultural sector payrolls increased rapidly, adding an average of 600 jobs,

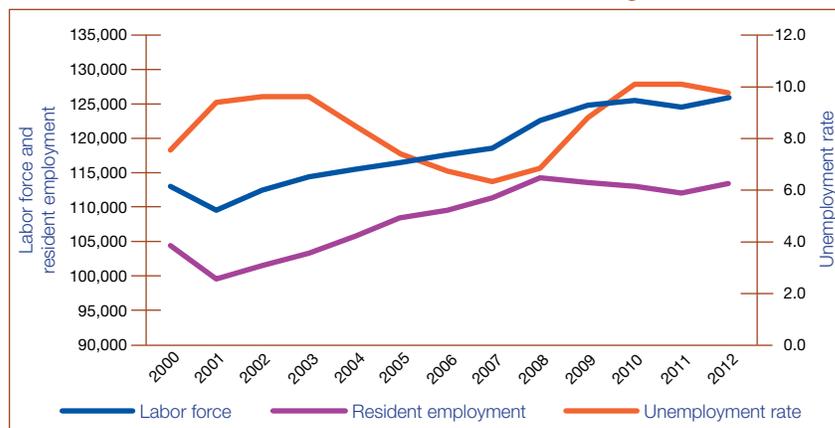
Table 2. 12-Month Average Covered Employment Jobs in the Yakima HMA, by Sector

	12 Months Ending June 2011	12 Months Ending June 2012	Percent Change
Total covered payroll jobs	100,000	102,000	2.0
Agriculture, forestry, fishing, & hunting	23,700	26,300	11.0
Crop production	15,500	17,300	11.6
Agriculture & forestry support services	6,600	7,300	10.6
Construction	2,600	2,600	0.0
Manufacturing	7,700	7,800	1.3
Food manufacturing	3,000	3,100	3.3
Wholesale trade	4,000	3,900	-2.5
Nondurable goods	2,200	2,200	0.0
Retail trade	9,900	10,000	1.0
Transportation & warehousing	2,900	2,900	0.0
Finance & insurance	1,600	1,600	0.0
Professional & technical services	1,700	1,700	0.0
Health care & social assistance	13,000	12,900	-0.8
Other services (except public administration)	4,500	4,200	-6.7
Nonreported sectors	11,500	11,500	0.0
Government	17,000	16,800	-1.2

Notes: Based on 12-month averages through June 2011 and June 2012. Numbers may not add to totals because of rounding. The nonreported sector is a combination of several smaller sectors.

Sources: U.S. Bureau of Labor Statistics; Washington Employment Security Department

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Yakima HMA, 2000 Through 2012



Source: U.S. Bureau of Labor Statistics

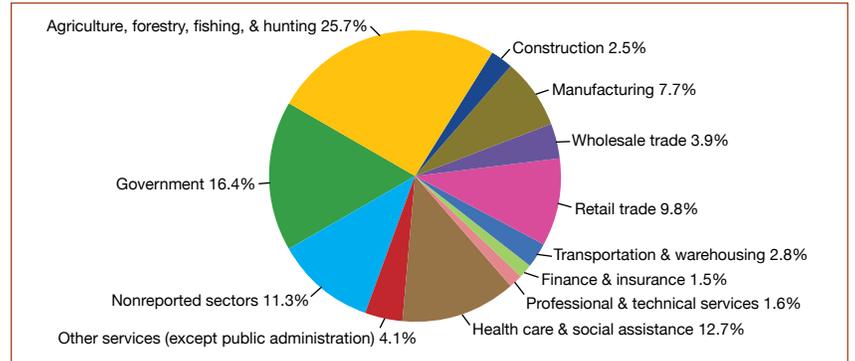
Table 3. Major Employers in the Yakima HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Yakima Valley Memorial Hospital	Health care & social assistance	2,500
Wal-Mart Stores, Inc.	Retail trade	1,550
Borton & Sons Inc.	Agriculture, forestry, fishing, & hunting	1,225
Monson Fruit Company	Agriculture, forestry, fishing, & hunting	1,025
Yakima Valley Farm Workers Clinic	Health care & social assistance	960
AB Foods	Agriculture, forestry, fishing, & hunting	900
Yakima Regional Medical Center	Health care & social assistance	750
Yakima Nation Legends Casino	Government	700
Tree Top, Inc.	Agriculture, forestry, fishing, & hunting	620
Shields Bag & Printing Co.	Manufacturing	500

Note: Excludes local school districts. Borton & Sons, Inc., Monson Fruit, AB Foods, and Tree Top, Inc., also pack and ship agriculture products; these employees would fall under the manufacturing sector and/or transportation and warehousing sector.

Source: New Vision: Yakima County Development Association

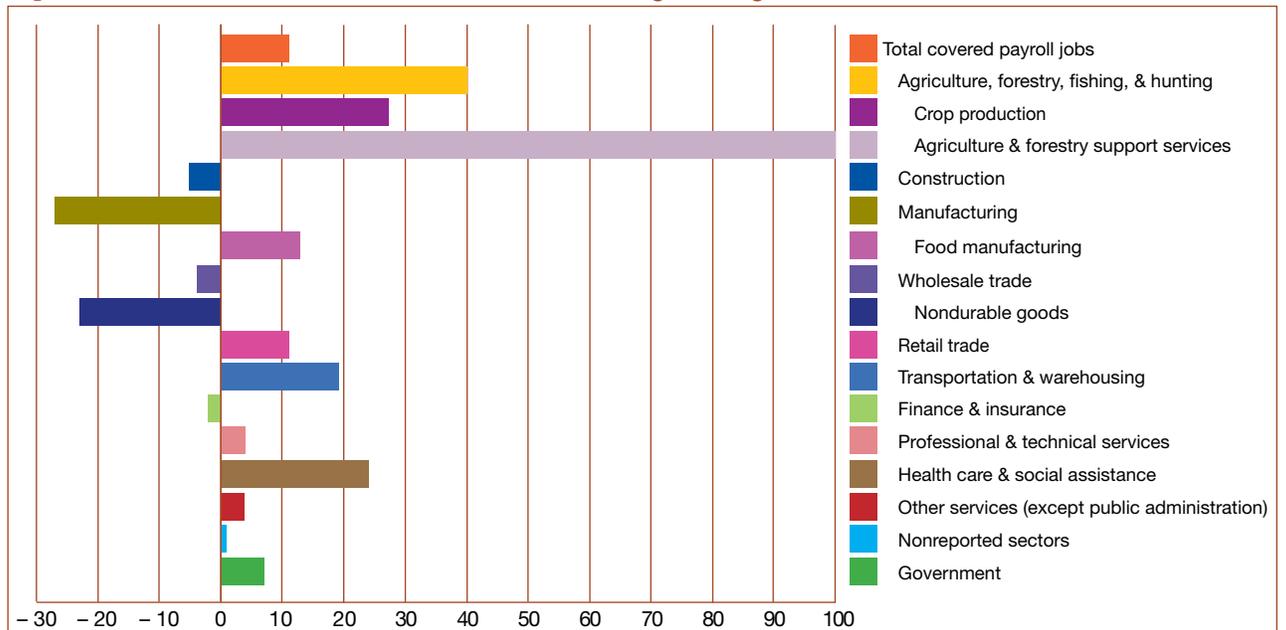
Figure 2. Current Covered Payroll Jobs in the Yakima HMA, by Sector



Note: Based on 12-month averages through June 2011 and June 2012.

Sources: U.S. Bureau of Labor Statistics; Washington Employment Security Department

Figure 3. Sector Growth in the Yakima HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through June 2012.

Sources: U.S. Bureau of Labor Statistics; Washington Employment Security Department

a 3-percent increase, annually from 2001 through 2011. During the 12 months ending June 2012, the sector added 2,600 jobs, an 11-percent increase, to 26,300. This increase included gains of 1,800 jobs, or 11.8 percent, in the crop production subsector and 700 jobs, or 10.8 percent, in the agriculture and forestry support services subsector. Part of this growth can be attributed to poor weather conditions in other fruit tree-producing regions during recent years that led to higher prices for Washington growers. In addition, the state is projected to have a fresh apple crop of 121.5 million boxes in the 2012-to-2013 season, 11 percent more than the previous record of 109.4 million boxes in the 2010-to-2011 season (Yakima Valley Growers-Shippers Association [YVGSA] estimate).

From 2001 through 2010, the manufacturing sector declined by an average of 400 jobs, or 3.8 percent, annually, partially because of consistent job losses in the wood products subsector and transportation equipment manufacturing subsector. Recent record high levels of crop production increased the demand for food manufacturing, which includes food processing, resulting in an increase of 400 jobs, or 5.3 percent, in 2011. About 40 percent of the jobs in the manufacturing sector are in the food manufacturing subsector. During the 12 months ending June 2012, the manufacturing sector added 100 jobs, a 1.3-percent increase, all of which were in the food manufacturing subsector.

The agricultural sector also affects the wholesale trade sector, specifically the nondurable goods subsector, which includes fresh fruit packing. During the 12 months ending June 2012, payrolls in the nondurable goods subsector were unchanged at 2,200 jobs. Shippers in the Yakima HMA are expected to pack 85.5 million boxes, or 70 percent of the state's fresh apple crop this year, however, which is likely to result in additional jobs during the forecast period (YVGSA estimate). Another important sector in the local economy is retail trade, accounting for 10,000 jobs, or nearly 10 percent of total covered payrolls. This sector reported a modest gain of 100 jobs, or 1.0 percent, during the past 12 months.

The only substantial job losses during the 12 months ending June 2012 occurred in the government sector, which declined by 200 jobs, or 1.2 percent, and the other services sector, which decreased by 300 jobs, or 6.7 percent. Job losses are expected to continue in the government sector during the forecast period, because the state government and local government subsectors continue to face budget shortfalls.

A strong local agricultural sector is expected to support a sustained economic recovery in the HMA during the next 3 years. Covered payrolls are projected to increase at an average annual rate of 1.4 percent during the forecast period.

Population and Households

The population of the Yakima HMA increased at an average annual rate of 0.6 percent, or by 1,500, from 2010 to an estimated 247,500 as of February 1, 2013 (Table DP-1 at the end of this report). Net natural change (resident births minus resident deaths) accounted for all the population growth during this period, averaging 2,600 people annually, whereas net out-migration averaged 1,100 people (Figure 4). The recent economic recession, which lasted from 2007 to 2009, caused this trend to accelerate compared with 2000 to 2010, when the population increased at an average annual rate of 0.9 percent, or 2,075, with net out-migration averaging 440 people.

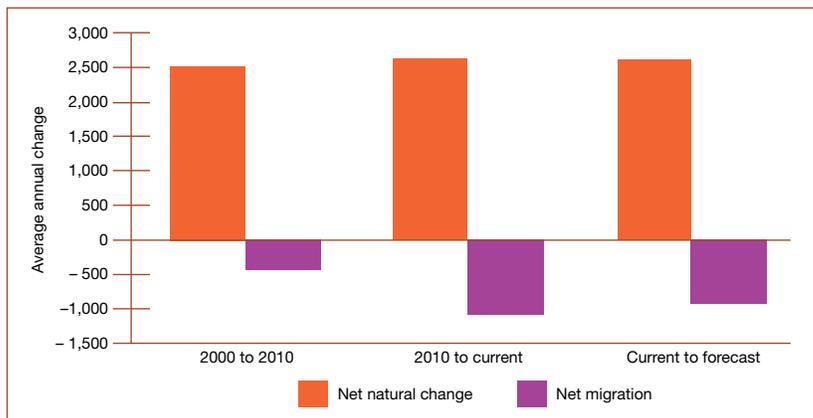
An important reason for the consistent net out-migration from the HMA is its close proximity to larger metropolitan

areas such as Seattle, the Tri-Cities, and Spokane. Residents commonly relocate to these areas for education and employment opportunities and for the urban lifestyle. From 2004 through 2010, an average of 1,950 people moved from the HMA to another county in Washington each year (Internal Revenue Service migration data). Approximately 35 percent moved to the Seattle metropolitan area, 23 percent to the Tri-Cities metropolitan area, and 10 percent to the Spokane metropolitan area.

The population of the Yakima HMA is forecast to grow at an average annual rate of 1,675, or 0.7 percent, during the next 3 years, reaching 252,500 by February 1, 2016. During this time, net natural change is projected to average 2,600 people annually and net out-migration to average 930 people annually.

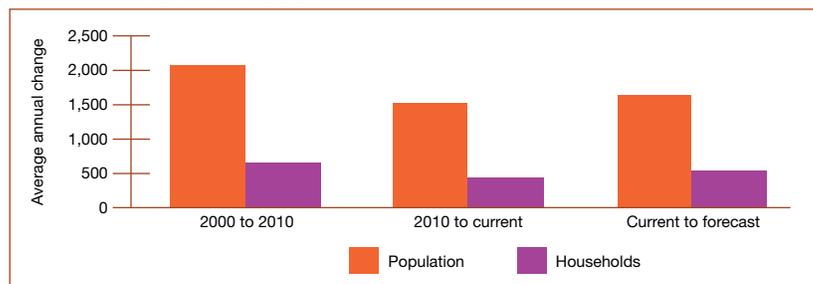
An estimated 81,800 households reside in the HMA, reflecting an average annual increase of 430 households, or 0.5 percent, since 2010 (Figure 5). By comparison, from 2000 to 2010, the number of households increased by an average of 660, or 0.9 percent, annually. An estimated 51,100 households, or 62.5 percent, are owner households, and the remaining 30,700 are renter households. The homeownership rate has declined from 63.2 percent in April 2010, because the weak labor and sales housing markets caused a shift in household preferences toward renting. Figure 6 shows the number of households by tenure for 2000, 2010, and the current date. Household growth is expected to increase slightly during the forecast period, averaging 530 households, or 0.6 percent, annually, reaching 83,400 households by February 1, 2016.

Figure 4. Components of Population Change in the Yakima HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; Washington Employment Security Department; current and forecast—estimates by analyst

Figure 5. Population and Household Growth in the Yakima HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; Washington Employment Security Department; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Yakima HMA, 2000 to Current

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

Housing Market Trends

Sales Market

The sales housing market in the Yakima HMA is balanced. The estimated home sales vacancy rate is currently 1.5 percent, up slightly from 1.4 percent in April 2010. As of February 2013, the HMA had a 7-month supply of homes for sale, down from an 8-month supply in February 2012 (Yakima Multiple Listing Service). The average number of days a home remained on the market decreased from 166 in February 2012 to 157 in February 2013. As of January 2013, 5.5 percent of home loans in the HMA were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), up from 5.3 percent a year ago (LPS Applied Analytics). The current rate of distressed mortgages is much less than the state and national averages of 6.8 and 7.0 percent, respectively.

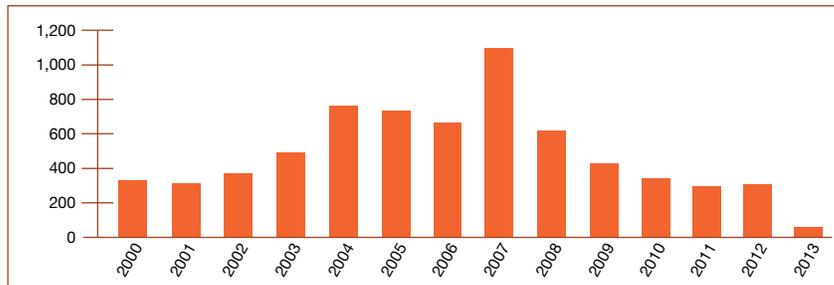
Existing home sales activity began increasing in early 2012, but because of stricter lending requirements it remains considerably less than during the peak years of 2005 through 2007, when an average of 3,575 existing single-family homes, townhouses, and

condominiums sold annually. During 2012, 2,050 existing single-family homes sold, an increase of 11 percent compared with the 1,850 homes sold during 2011 (Hanley Wood, LLC). The average existing home sales price increased 9 percent, from \$162,300 in 2011 to \$176,800 in 2012. By comparison, existing home sales decreased an average of 14 percent a year from 2008 through 2011, and the average sales price was relatively stable at \$162,100. REO properties accounted for 12 percent of existing home sales in 2012, down from nearly 30 percent in 2011, and the average sales price of an REO property was \$142,500, 21 percent less than that of a regular resale property.

The volume of new home sales has declined since 2006 at an average annual rate of 23 percent. In 2012, 70 new homes sold compared with the 100 new homes sold during 2011. Despite declining sales, the average sales price of a new home was \$237,000 in 2012, relatively unchanged from 2011.

Permits were issued for 300 single-family homes during the 12 months ending January 2013, relatively unchanged from the previous 12-month period (preliminary data). By comparison,

Figure 7. Single-Family Homes Permitted in the Yakima HMA, 2000 to 2013



Notes: Includes townhomes. Includes data through January 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Yakima HMA, February 1, 2013, to February 1, 2016

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	149,999	60	5.0
150,000	199,999	520	45.0
200,000	249,999	290	25.0
250,000	299,999	120	10.0
300,000	349,999	120	10.0
350,000	and higher	60	5.0

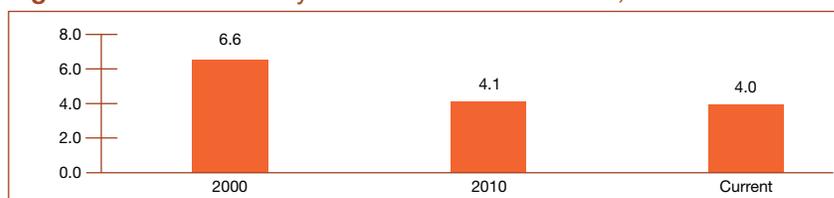
Notes: Numbers may not add to totals because of rounding. The 100 homes currently under construction and a portion of the estimated 3,000 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market

The rental housing market in the Yakima HMA is tight, with an estimated current overall vacancy rate of 4.0 percent, down slightly from 4.1 percent in April 2010 (Figure 8). The apartment market has been consistently tight in the HMA, with an average vacancy rate of 4.4 percent since 2000 (Washington Center for Real Estate Research).

Figure 8. Rental Vacancy Rates in the Yakima HMA, 2000 to Current



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

an average of 810 homes were permitted annually from 2004 through 2007. In response to declining new home sales, single-family permitting activity decreased at an average annual rate of 27 percent from 2008 through 2011. Figure 7 illustrates the number of single-family homes permitted in the HMA from 2000 to the current date.

During the next 3 years, demand is anticipated for 1,150 new homes (Table 1). The 100 homes currently under construction and some of the estimated 3,000 other vacant units that may return to the market will likely satisfy a portion of the forecast demand. Demand for new homes is expected to be strongest for homes priced between \$150,000 and \$249,999. Table 4 presents the estimated demand for new sales housing by price range during the 3-year forecast period.

The HMA historically has a significant migrant workforce during the growing season, causing seasonal fluctuations in the rental market vacancy rate. Continual improvements in technology have contributed to a prolonged growing season, however, allowing for more workers to be permanent residents, thereby providing a stable source of rental demand. In September 2012 (the most recent data available), the apartment vacancy rate was 3.3 percent, down from 5.0 percent in September 2011. During the same period, the average monthly rent increased 1 percent, to \$587, and rents averaged \$526 for a one-bedroom unit

Housing Market Trends
 Rental Market *Continued*

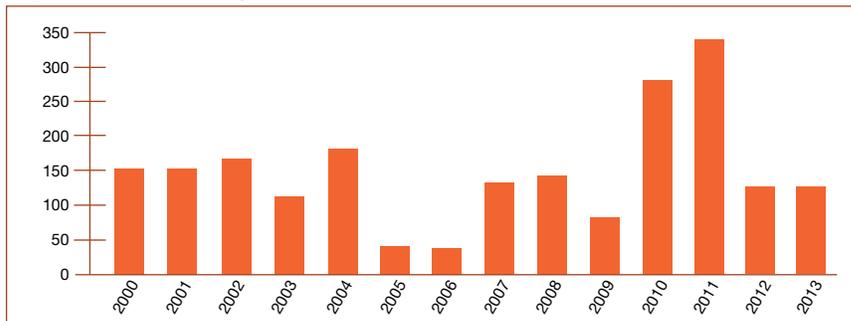
and \$615 for a two-bedroom/one-bathroom unit. Phase II of the Castle Creek Apartments recently opened in the city of Yakima, adding 126 units, which were fully occupied as of December 2012. The asking rents are \$650 for a one-bedroom/one-bathroom unit, \$800 for a two-bedroom/two-bathroom unit, and \$900 for a three-bedroom/two-bathroom unit. The 60-unit Beech Street Apartments, which opened in October 2012, was 75 percent occupied as of February 2013. The apartments are a project of the Low-Income Housing Tax Credit Program and targets rents at households earning between 30 and 60 percent of the Area Median Income. Asking rents are \$322 to \$710

for a two-bedroom unit, \$368 to \$816 for a three-bedroom unit, and \$399 to \$899 for a four-bedroom unit.

From 2005 through 2011, approximately 80 percent of multifamily construction, as measured by the number of units permitted, in the HMA occurred in the city of Yakima. Preliminary multifamily permitting data are unavailable for the Yakima HMA; however, the city of Yakima reported 70 units under construction as of February 2013. The Sagewood Apartments, a 68-unit project of the Low-Income Housing Tax Credit Program, is expected to be complete in June 2013. By comparison, 2010 and 2011 were the peak years for multifamily construction in the HMA, with 280 and 340 units permitted, respectively (final annual data), 90 percent of which were in the city of Yakima (Figure 9).

During the next 3 years, demand is expected for 850 new rental units in the HMA (Table 1). The 70 units currently under construction will likely meet a portion of that demand. Table 5 illustrates estimated demand for new market-rate rental housing in the HMA by number of bedrooms and rent levels.

Figure 9. Multifamily Units Permitted in the Yakima HMA, 2000 to 2013



Notes: Excludes townhomes. Includes data through January 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Yakima HMA, February 1, 2013, to February 1, 2016

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
550 or more	40	650 or more	340	800 or more	340	900 or more	130
Total	40	Total	340	Total	340	Total	130

Notes: Numbers may not add to totals because of rounding. The 70 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profile

Table DP-1. Yakima HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	104,388	113,044	113,700	0.8	0.3
Unemployment rate	7.6%	10.1%	9.8%		
Covered payroll jobs	94,084	99,960	102,000	0.6	1.0
Total population	222,581	243,231	247,500	0.9	0.6
Total households	73,993	80,592	81,800	0.9	0.5
Owner households	47,670	50,944	51,100	0.7	0.1
Percent owner	64.4%	63.2%	62.5%		
Renter households	26,323	29,648	30,700	1.2	1.2
Percent renter	35.6%	36.8%	37.5%		
Total housing units	79,174	85,474	86,850	0.8	0.6
Owner vacancy rate	1.6%	1.4%	1.5%		
Rental vacancy rate	6.6%	4.1%	4.0%		
Median Family Income	\$37,700	\$50,900	\$50,500	3.0	- 0.4

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through June 2012. Median Family Incomes are for 1999, 2009, and 2011.

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: 2/1/2013—Analyst’s estimates
Forecast period: 2/1/2013–2/1/2016—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 the U.S. Department of Housing and Urban Development’s (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 classified as commercial structures 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_YakimaWA_13.pdf.

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This analysis has been prepared for the assistance and guidance of 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.