



COMPREHENSIVE HOUSING MARKET ANALYSIS

Kennewick-Richland, Washington

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of June 1, 2022



PD&R

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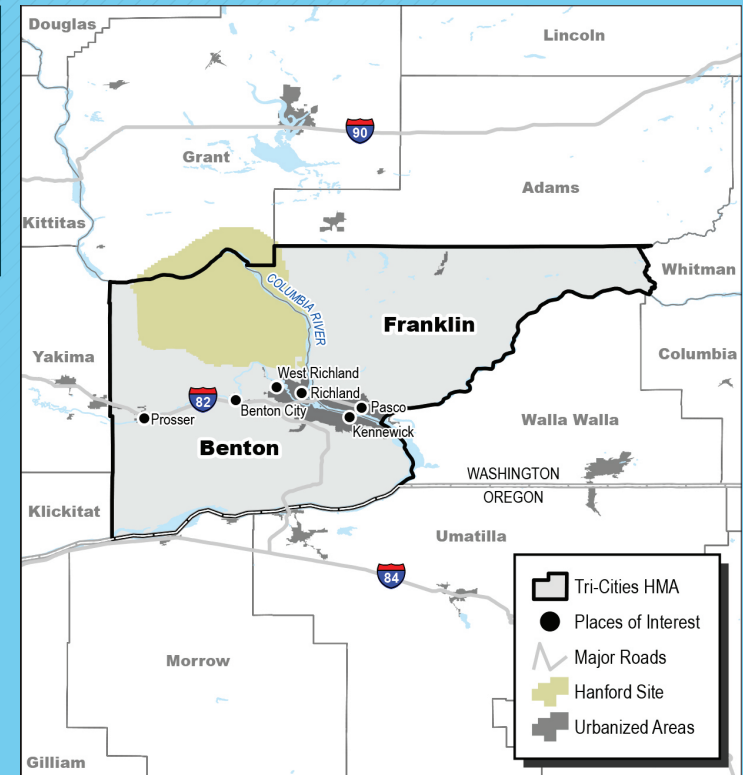
Executive Summary

Housing Market Area Description

The Kennewick-Richland Housing Market Area (hereafter, the Tri-Cities HMA) includes Benton and Franklin Counties in southeastern Washington and is coterminous with the Kennewick-Richland Metropolitan Statistical Area (MSA). The three largest cities—Kennewick, Richland, and Pasco—serve as regional centers for employment and health care and give the area its “Tri-Cities” appellation. West Richland is the fourth largest city in the HMA and has grown substantially during the past two decades. The professional and business services sector is the largest sector in the HMA, largely because of the abundance of private companies contracted with the federal government to aid in the environmental cleanup of the Hanford Site, a decommissioned nuclear facility. In addition, the HMA is at the confluence of the Yakima, Snake, and Columbia Rivers, which support a thriving agriculture industry.

The current population of the HMA is estimated at 312,800.

The HMA is home to the 586-square-mile Hanford Site, which produced the majority of the plutonium used for U.S. nuclear weapons production during World War II and the Cold War (Hanford.gov). Those activities left behind an estimated 56 million gallons of radioactive waste, and the environmental cleanup that began in 1989 is ongoing. The \$17 billion Hanford Tank Waste Treatment and Immobilization Plant (hereafter, Vit Plant)—the largest facility of its type in the world—has been under construction since 2002. The Vit Plant is scheduled to start treating low-activity radioactive waste in 2023, and a federal court order has ruled that it must be fully operational to treat high-level radioactive waste by 2036. An estimated 11,000 jobs in the HMA are related to the waste-remediation of the Hanford Site, and Congress allocates \$2.0 to \$2.5 billion a year to the environmental cleanup.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#). Additional data for the HMA can be found in this report's [supplemental tables](#). For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).



Market Qualifiers

Economy



Strong: Nonfarm payrolls increased by 6,200 jobs, or 5.5 percent, year over year during the 12 months ending May 2022 to 119,600, exceeding prepandemic payrolls during the 12 months ending May 2019 by 2.7 percent.

Economic conditions in the HMA were relatively strong during the 12 months ending May 2022—a significant improvement from the previous 12-month period, when payrolls fell by 3,900 jobs, or 3.3 percent, year over year. All payroll sectors added jobs during the past 12 months except the information sector, which was unchanged, and all but three sectors (information, other services, and government) had job counts above prepandemic levels. Previously, payrolls increased at an average annual rate of 2.3 percent from 2013 through 2019. The unemployment rate averaged 5.4 percent during the past 12 months, compared with 7.4 percent a year earlier, because employment growth significantly outpaced growth in the labor force. During the 3-year forecast period, payrolls are expected to increase at an average annual rate of 3.8 percent.

Sales Market



Tight: The inventory of homes for sale declined from 2.5 months in May 2021 to 2.0 months in May 2022 (Redfin, a national real estate brokerage).

Sales market conditions in the HMA are currently tight, with an estimated vacancy rate of 1.2 percent compared with 1.3 percent in 2010, when conditions were also tight. Low for-sale inventory and rising interest rates have constrained home sales, which fell 22 percent year over year during the 12 months ending May 2022 to 5,500 home sales, while the average home sales price increased 19 percent to \$398,400 (CoreLogic, Inc., with adjustments by the analyst). By comparison, home sales and prices increased 9 percent year over year during the 12 months ending May 2021. The largest concentration—30 percent—of new home construction in the HMA since 2015 has been in the city of Pasco. During the forecast period, demand is expected for 5,775 sales units, and the 990 units currently under construction will satisfy a portion of that demand.

Rental Market



Tight: The rental vacancy rate is estimated at 3.0 percent as of June 1, 2022, down from 4.8 percent in 2010, when conditions were slightly tight.

Apartment market conditions are also tight, with a 3.5-percent vacancy rate during the second quarter of 2022—unchanged from a year ago—and the average rent increased 7 percent year over year to \$1,280 (CoStar Group). The cities of Pasco and Kennewick had the strongest rent growth and lowest vacancy rates, and the majority of apartment construction since 2015—50 percent—occurred in the city of Richland, adjacent to the Hanford Site. Approximately 38 percent of renter households in the HMA lived in single-family homes in 2019 (American Community Survey 1-year data). For professionally managed single-family rentals, the vacancy rate was 1.7 percent in May 2022, relatively unchanged from a year ago (CoreLogic, Inc.). During the forecast period, demand is estimated for 1,950 rental units, and the 640 units under construction will meet part of that demand.

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3-Year Housing Demand Forecast

	Sales Units	Rental Units
Tri-Cities HMA		
Total Demand	5,775	1,950
Under Construction	990	640

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of June 1, 2022. The forecast period is June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst



Economic Conditions

Largest Sector: Professional and Business Services

The professional and business services sector accounts for 18 percent of nonfarm payrolls in the HMA, and more than one-half of those jobs are in the administrative and support and waste management and remediation services (hereafter, waste management and remediation services) industry, the plurality of which are related to the Hanford Site cleanup.

Primary Local Economic Factors

Economic and population growth trends in the metropolitan area can be countercyclical to the rest of the state and the nation, especially during economic downturns, because of the large federal government presence in the HMA. The largest government entities in the HMA are the Hanford Site and Pacific Northwest National Laboratory (PNNL), both of which are in the city of Richland under the Department of Energy (DOE). Less than 5 percent of the 11,000 jobs associated with the Hanford Site, however, are in the government sector. Most of the jobs are done by private contractors and classified in the waste management and remediation industry within the professional and business services sector, including several of the top employers in the HMA (Table 1). Scientists, engineers, construction workers, project managers, and administrative

Table 1. Major Employers in the Tri-Cities HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Pacific Northwest National Laboratory (operated by Battelle) ^{a,b}	Professional & Business Services	5,000
Kadlec Regional Medical Center	Education & Health Services	3,500
Lamb Weston Holdings, Inc.	Manufacturing	3,000
Washington River Protection Solutions ^b	Professional & Business Services	2,325
FirstFruits Farms	Manufacturing	2,200
Central Plateau Cleanup Company ^b	Professional & Business Services	2,100
Bechtel National, Inc. ^a	Professional & Business Services	2,950
Hanford Mission Integration Solutions, LLC ^b	Professional & Business Services	1,890
Tyson Foods, Inc.	Manufacturing	1,400
Columbia Basin College	Government	1,250

a. A portion of these jobs are included in federal government payrolls (Department of Energy), but a greater share of the jobs are done by private contractors and included in the professional and business services sector.

b. These are private companies contracted by the Department of Energy to facilitate the environmental cleanup of the Hanford Site.

Note: Excludes local school districts.

Source: TRIDEC

support workers are some of the prevalent occupations related to the cleanup. Although the professional and business services sector is the largest sector in the HMA, the share of total payrolls has declined from 24 percent in 2010 as the economy diversified. PNNL, the largest employer in the HMA, is a DOE research facility—operated by Battelle, a private contractor—that engages in cutting-edge scientific research, including, but not limited to, clean energy and waste remediation at the Hanford Site. In addition to the \$2.0 to \$2.5 billion a year that Congress allots to the Hanford Site cleanup, the HMA received an influx of funding during the past two recessions. During the start of the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security (CARES) Act allowed for DOE to continue paying most employees and contractors, even those prohibited from being onsite but had jobs that required it. Another influx of money to the HMA came from the American Recovery and Reinvestment Act (ARRA) during the Great Recession, which provided nearly \$2 billion in additional funding to the Hanford Site. That increased government investment created an estimated 2,500 jobs and contributed to strong job and population growth in the HMA every year during the national recession.

Agriculture is also an important part of the economy of the HMA; approximately one-sixth of covered employment is in agriculture-related sectors. The top five crops produced in the HMA include apples, potatoes, sweet corn, onions, and grapes. From 2012 through 2017, the total market value of agricultural goods sold in the HMA fell almost 2 percent to \$1.64 billion, which represented 17 percent of all



agriculture sales in the state (Census of Agriculture). During the same time, the share of dedicated farmland fell from 69 to 64 percent, partly because of the rezoning of farmland for residential development, a trend that has continued through the current date. For example, in December 2021, the Washington State Department of Natural Resources approved plans to convert 300 acres of orchards in the city of Richland for residential and commercial use; 175 acres are zoned for low- to medium-density housing, 40 acres are reserved for apartments, and 60 acres are zoned for commercial use; the intended use for the remaining 25 acres has not been specified.

Compensation for jobs associated with agriculture and the Hanford Site are vastly different. The Washington Employment Securities Department estimates that more than 2,050 farmworkers and laborers in the HMA earn an average annual wage of \$32,550. Conversely, the more than 3,000 engineering jobs in the HMA, the plurality of which support Hanford operations, had average annual earnings that ranged from \$96,800 to \$167,600, depending on the specialization. Because of those differences, home prices in the cities of Richland and West Richland, which are in close proximity to the Hanford Site and PNNL, are relatively high. In addition, the city of Richland has the lowest homeownership rate in the HMA, the most apartment inventory, and the highest rents. Those dynamics are partly explained by the nature of Hanford-related work, which, although generally well-paying, is often temporary due to the short-term contracts under which many of the contractors operate. Workers are less apt to purchase a home when the duration of employment is short or uncertain. On the other hand, the city of Pasco has a larger agriculture presence, lower home prices, and lower average apartment rents.

Current Conditions—Nonfarm Payrolls and Covered Employment

Economic conditions in the HMA were strong during the 12 months ending May 2022 due to the addition of 6,200 jobs, or a 5.5-percent increase, to total 119,600 jobs, and all sectors except the information sector added jobs (Table 2). Part of the growth came from the net gain of 310 firms in the HMA

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Tri-Cities HMA, by Sector

	12 Months Ending May 2021	12 Months Ending May 2022	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	113.4	119.6	6.2	5.5
Goods-Producing Sectors	18.5	19.0	0.5	2.7
Mining, Logging, & Construction	10.4	10.6	0.2	1.9
Manufacturing	8.0	8.4	0.4	5.0
Service-Providing Sectors	94.9	100.6	5.7	6.0
Wholesale & Retail Trade	16.7	17.3	0.6	3.6
Transportation & Utilities	3.2	3.4	0.2	6.3
Information	0.7	0.7	0.0	0.0
Financial Activities	3.9	4.2	0.3	7.7
Professional & Business Services	21.2	22.1	0.9	4.2
Education & Health Services	18.3	18.6	0.3	1.6
Leisure & Hospitality	9.6	12.0	2.4	25.0
Other Services	3.4	3.6	0.2	5.9
Government	17.9	18.6	0.7	3.9

Notes: Based on 12-month averages through May 2021 and May 2022. Numbers may not add to totals due to rounding. Data are in thousands.

Source: U.S. Bureau of Labor Statistics

during 2021 (EWU Institute for Public Policy and Economic Analysis). For context, payrolls fell by 3,900, or 3.3 percent year over year, during the 12 months ending May 2021 (Figure 1), and only 4 of the 11 sectors added jobs; the net gain in firms in 2020 was fewer than 200.

On a monthly basis, the Tri-Cities HMA lost 11,300 jobs, or 9.7 percent, in April 2020 because of countermeasures to slow the spread of COVID-19 (not seasonally adjusted). On a 12-month basis, the year-over-year decline in payrolls peaked in April 2021, when jobs fell 6.3 percent, and year-over-year growth resumed during the 12 months ending October 2021. Current payrolls are 2.7 percent higher than the level of payrolls during the 12 months ending May 2019, before the pandemic. By comparison, national payrolls were 0.6 percent below prepandemic levels during 2019, and in Washington, payrolls

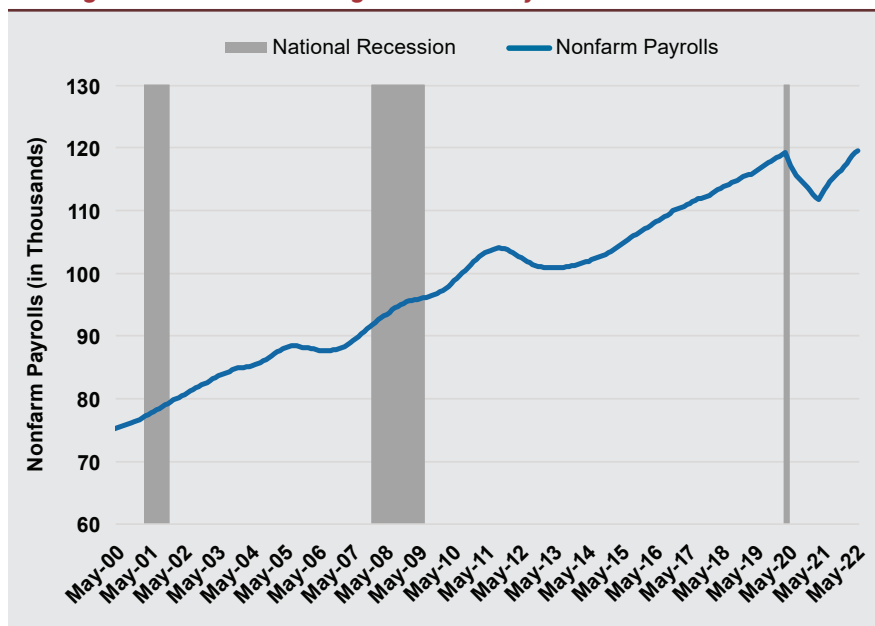


were relatively unchanged despite respective year-over-year gains of 4.6 and 5.0 percent during the 12 months ending May 2022.

The largest payroll gains in the HMA during the past 12 months, in percentage and numeric terms, were in the leisure and hospitality sector, which added 2,400 jobs, or 25.0 percent year over year. With those gains, sector payrolls surpassed prepandemic levels by 100 jobs, or 1.0 percent, to total 12,000 jobs. More than 20 new restaurants and drinking establishments opened in the HMA in 2021 (*Tri-City Herald*), which contributed to job growth in the sector. The second largest number of jobs added was in the professional and business services sector, which increased by 900 jobs (700 of which were in the waste management and remediation industry), or 4.2 percent year over year, surpassing prepandemic levels by 3.8 percent. During the previous 12 months, payrolls in the sector fell year over year by 500 jobs, or 2.2 percent.

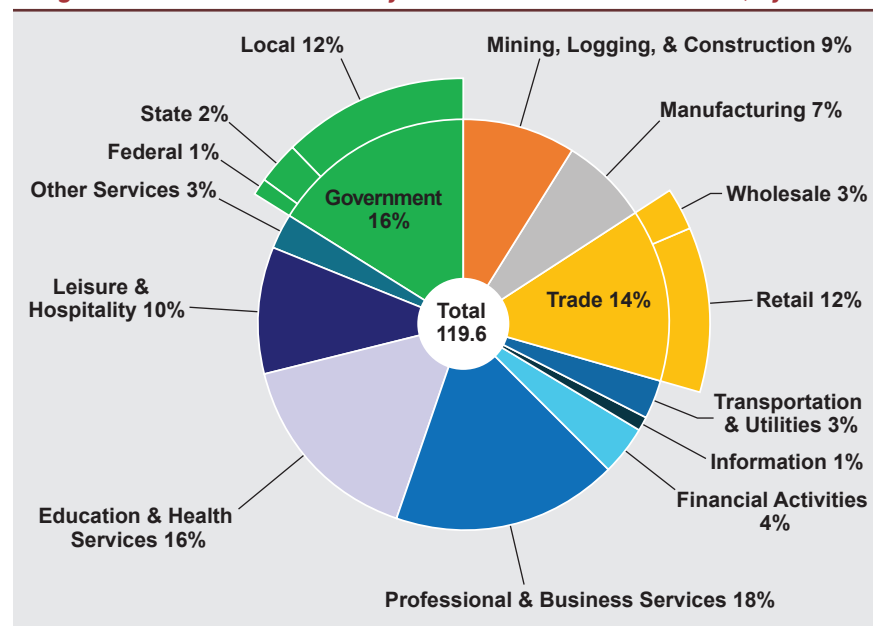
The government sector, which accounted for 16 percent of nonfarm payrolls in the HMA (Figure 2), gained 700 jobs, or 3.9 percent, year over year during the past 12 months, and nearly all of the increase was in the local government subsector. By comparison, government sector payrolls declined by 1,100 jobs, or 5.9 percent, during the 12 months ending May 2021 because of contractions in the state and local government subsectors. The education and health services sector increased by 300 jobs, or 1.6 percent, during the past 12 months to 18,600 jobs, exceeding prepandemic levels by 1,100 jobs, which is the largest figure among the eight sectors that have fully recovered. Following a gain of 400 jobs, or 2.3 percent, a year ago, wholesale and retail trade sector payrolls rose by 600 jobs, or 3.6 percent, year over year during the 12 months ending May 2022, surpassing prepandemic levels by 3.7 percent. A shift toward online shopping and deliveries was accelerated

Figure 1. 12-Month Average Nonfarm Payrolls in the Tri-Cities HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

Figure 2. Share of Nonfarm Payroll Jobs in the Tri-Cities HMA, by Sector



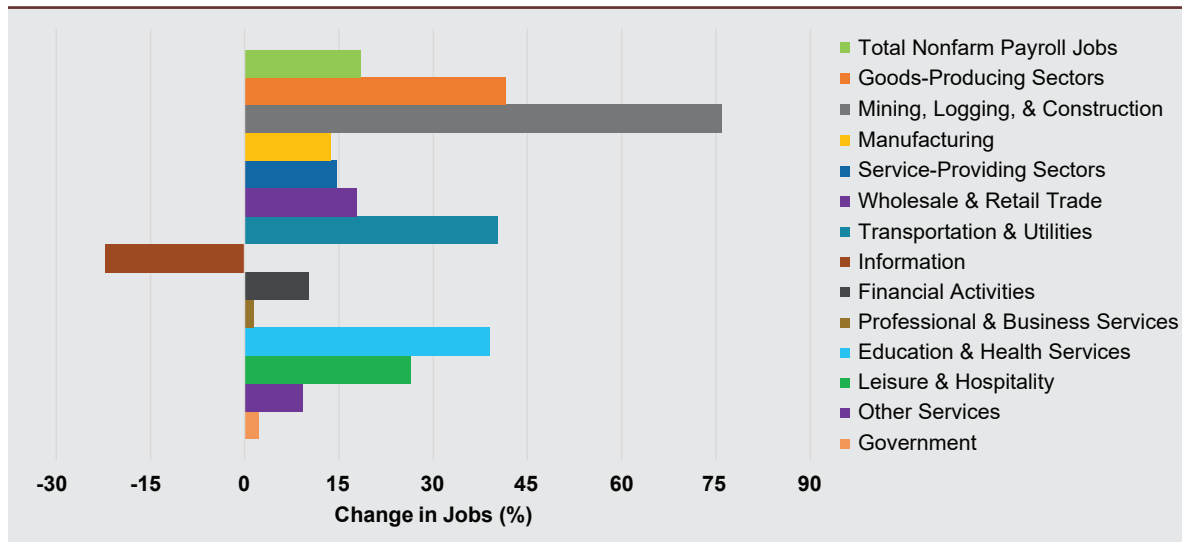
Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through May 2022.
Source: U.S. Bureau of Labor Statistics



by the pandemic and boosted job growth in the sector. Manufacturing sector payrolls increased by 400 jobs, or 5.0 percent, during the past 12 months, recouping the 400 jobs lost during the previous 12 months, and payrolls in that sector were relatively unchanged from prepandemic levels. Increased hiring in the food-processing and beverage-manufacturing industries was responsible for most of the jobs gained. The mining, logging, and construction sector—which has been the fastest growing sector since 2013 (Figure 3)—added 200 jobs, or 1.9 percent, during the current 12-month period, compared with 100 jobs added a year earlier, and current payrolls exceeded prepandemic levels by 8.8 percent.

During the fourth quarter of 2021, the Quarterly Census of Earnings and Wages (QCEW), which includes direct agriculture jobs, reported a year-over-year increase in covered employment of 5,600, or 4.6 percent, to 126,300. By comparison, covered employment fell by 5,600, or 4.4 percent, from the fourth quarter of 2020 to the fourth quarter of 2021. Covered employment during the fourth quarter of 2021 was unchanged from the same period in 2019, before the pandemic. During the fourth quarter of 2021, the agriculture, forestry, fishing, and hunting sector lost 300 jobs, or 2.8 percent, compared with a year earlier, but those losses were offset by small gains in other agriculture-related sectors. Table 3 displays year-over-year changes in total covered employment

Figure 3. Sector Growth in the Tri-Cities HMA, 2013 to Current



Note: The current date is June 1, 2022.
Source: U.S. Bureau of Labor Statistics

Table 3. Quarterly Covered Employment (1,000s) in the Tri-Cities HMA, by Agriculture-Related Sector

	4th Quarter 2020	4th Quarter 2021	Absolute Change	Percentage Change
Total Covered Employment	120.7	126.3	5.6	4.6
Agriculture, Forestry, Fishing & Hunting	10.9	10.6	-0.3	-2.8
Crop Production	6.2	5.9	-0.3	-4.8
Agriculture & Forestry Support Activities	3.8	3.9	0.1	2.6
Manufacturing	8.0	8.1	0.1	1.3
Food Manufacturing	4.4	4.5	0.1	2.3
Beverage & Tobacco Product Manufacturing	1.3	1.5	0.2	15.4
Wholesale Trade	3.1	3.3	0.2	6.5
Merchant Wholesalers, Nondurable Goods	1.3	1.4	0.1	7.7
Transportation & Warehousing	2.6	2.9	0.3	11.5

Notes: Nondurable goods include perishable food products. Numbers will not add to totals because this is not a comprehensive list of covered employment sectors. Data are in thousands.
Sources: Employment Security Department of Washington State; U.S. Bureau of Labor Statistics Quarterly Census of Earnings and Wages (QCEW)

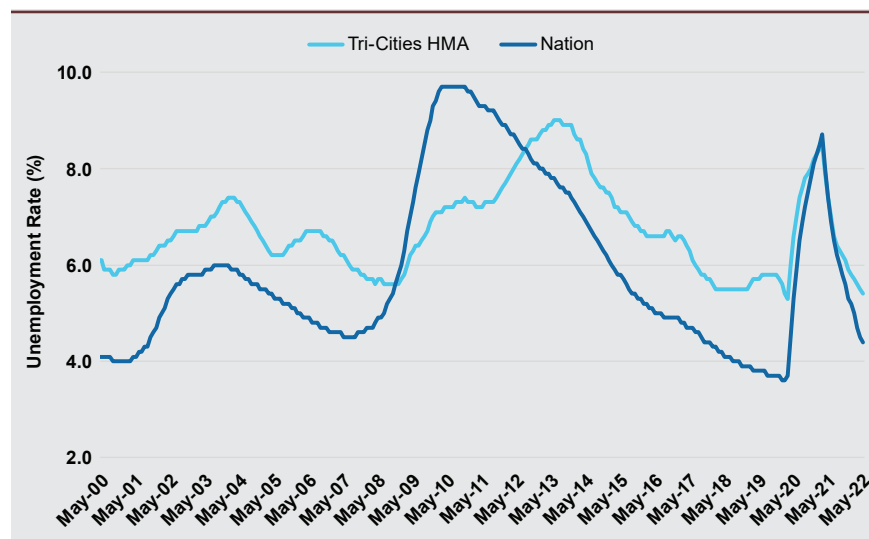


and for agriculture-related employment sectors and industries, which accounted for approximately one-sixth of all covered employment in the HMA.

Current Conditions—Unemployment Rate

The unemployment rate in the HMA averaged 5.4 percent during the 12 months ending May 2022, down from 7.4 percent a year ago (Figure 4). The decline resulted from a 4.9-percent increase in resident employment, compared with a 2.7-percent increase in the labor force. For context, the rate peaked at 8.5 percent during the 12 months ending March 2021 because of the measures taken to contain the spread of COVID-19. Before the pandemic, the peak rate was 9.0 percent during the 12 months ending June through August 2013 as the economy weakened following the expiration of ARRA funding. The current unemployment rate in the HMA is below the prepandemic rate of 5.7 percent during 2019 but above the current state and national rates of 4.5 and 4.4 percent, respectively.

Figure 4. 12-Month Average Unemployment Rate in the Tri-Cities HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance 2001 Through 2011

The economy of the HMA expanded every year from 2001 through 2011—except in 2006—with jobs increasing at an average annual rate of 2.8 percent, despite two national recessions during the period. From 2001 through 2005, payrolls increased by an average of 2,300, or 2.9 percent, annually, and all sectors except the information sector added jobs or remained stable. The professional and business services sector accounted for 30 percent of all jobs gained during the period, partly because of hiring for

jobs associated with the Vit Plant, which began construction in 2002. Notable gains also occurred in the education and health services sector, which grew by an average of 400 jobs, or 4.9 percent, to meet the increased demand for health care, and population growth was strong during the period. In 2006, nonfarm payrolls declined 0.1 percent due to the loss of 1,700 jobs, or 8.3 percent, in the professional and business services sector, 700 of which were in the waste management and remediation industry. All other sectors except the information sector expanded in 2006.

Economic growth resumed in 2007, and payrolls increased by an average of 3,100 jobs, or 3.3 percent, annually through 2011. Nearly 39 percent of the increase during the period stemmed from job gains in the professional and business services sector, which increased by an average of 1,200 jobs, or 5.8 percent, annually. Job growth in the HMA was counter to that of the state and nation, which were heavily affected by the Great Recession. For comparison, whereas ARRA funding for the Hanford Site continued to bolster job growth in the HMA, payrolls in the nation fell at an average annual rate of 1.9 percent from 2008 through 2010, and jobs in the state declined by an average of 1.7 percent a year from 2009 through 2010.



The education and health services sector in the HMA expanded by an average of 600 jobs, or 5.2 percent, annually from 2007 through 2011, as strong population growth coupled with an aging population resulted in increased demand for healthcare services.

2012 Through 2019

ARRA funding expired in 2011, and subsequently, economic conditions in the HMA weakened. Payrolls fell by 2,700 jobs, or 2.6 percent, in 2012, which included a loss of 3,100 jobs, or 12.4 percent, in the professional and business services sector, and nearly all were Hanford-related. The mining, logging, and construction sector was the only other sector to lose jobs, down by 500, or 7.7 percent. In 2013, the loss of 1,000 jobs in the professional and business services sector mitigated most gains in nearly all other sectors of

the economy, which grew by 300 jobs, or 0.3 percent, overall. Losses in the professional and business services sector slowed to 100 in 2014, and job growth in the sector resumed in each subsequent year. Overall payroll growth resumed at a strong pace; from 2014 through 2019, jobs increased by an average of 2,900, or 2.6 percent, annually. During the latter period, the professional and business services sector contributed only 7 percent of all jobs gained. The education and health services sector and the mining, logging, and construction sector combined to account for 52 percent of job growth. Several hospital expansions during the period added to job gains in those sectors, including the River Pavilion Tower, a 10-story, \$72 million expansion of the Kadlec Regional Medical Center in the city of Richland, which was completed in 2017.

Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase at an average annual rate of 3.8 percent. Growth is expected to be widespread across most sectors of the economy, with several notable expansions anticipated in the next few years. In May 2022, the Hanford Site held a virtual job fair, with more than 1,700 job opportunities available at all skill levels. Some of the jobs pertained to the Vit Plant as it becomes operational in 2023, but internships, entry-level jobs, union trade jobs, and engineering jobs were also available (*Tri-City Herald*). The HMA is promoted as a clean energy hub, largely because of the research and technology developed at PNNL and in support of the Hanford cleanup. One major related development is the Horse Heaven Wind Farm in Benton County, which will consist of more than 240 wind turbines over 112 square miles of agricultural land, although the actual footprint is only about 10 square miles. The project received final approval from the state in June 2022 and will employ an estimated 1,000 skilled trades union workers during construction; all workers will come from the Tri-Cities and Central Washington unions. A construction start date has not been announced, although it is likely to start during the

forecast period. In addition, the manufacturing sector, the transportation and utilities sector, and the wholesale and retail trade sectors are anticipated to expand rapidly, especially in the city of Pasco, which has numerous industrial parks under construction and in planning. One example is Darigold, Inc., which is set to begin construction in September 2022 on a \$500 million milk plant that will employ construction workers during development and create 200 direct jobs and 1,000 support positions once complete, mostly in the food-processing industry. In addition, Amazon.com, Inc., has two warehouses under construction in the city of Pasco, expected to be completed by the end of the year and employ 1,500 people; the company indicated that all jobs will be full time and start at \$18 an hour. On a smaller scale, Blueline Manufacturing Co., a local agriculture and construction equipment dealer, is building an 11,000-square-foot retail store and doubling its workforce to 15 employees. Old Trapper Smoked Products, Inc.—a Portland-based beef jerky company—intends to build a 50,000-square-foot processing facility in the city of Richland and employ 300 people. The healthcare industry in the HMA is also expected to continue to expand, with more than \$50 million in healthcare facilities that are currently under construction or recently completed (*Tri-City Herald*).



Population and Households

Current Population: 312,800

The population of the HMA has increased every year during the past two decades, including net in-migration every year except from 2014 to 2015.

Population Trends

As of June 1, 2022, the population of the Tri-Cities HMA was estimated at 312,800, reflecting an average annual increase of 4,875 people, or 1.7 percent, since 2010 (Table 4), with 52 percent of the growth coming from net in-migration. The largest city in the HMA is Kennewick, which accounts for 27 percent of the HMA population, followed by Pasco, at 25 percent (Office of Financial Management population estimates as of April 1, 2022). The cities of Richland and West Richland account for 19 and 5 percent, respectively.

Population growth trends in the HMA mostly tracked, within a year or two, trends in the professional and business services sector. That relationship weakened, however, when ARRA funding ended and economic growth returned in 2013 and has further faltered since the onset of the COVID-19 pandemic as the economy diversified. From 2002 to 2010, the HMA population increased by an average of 6,650 (Figure 5), or 3.0 percent, annually, and net in-migration averaged 4,250 people a year, accounting for 64 percent of the

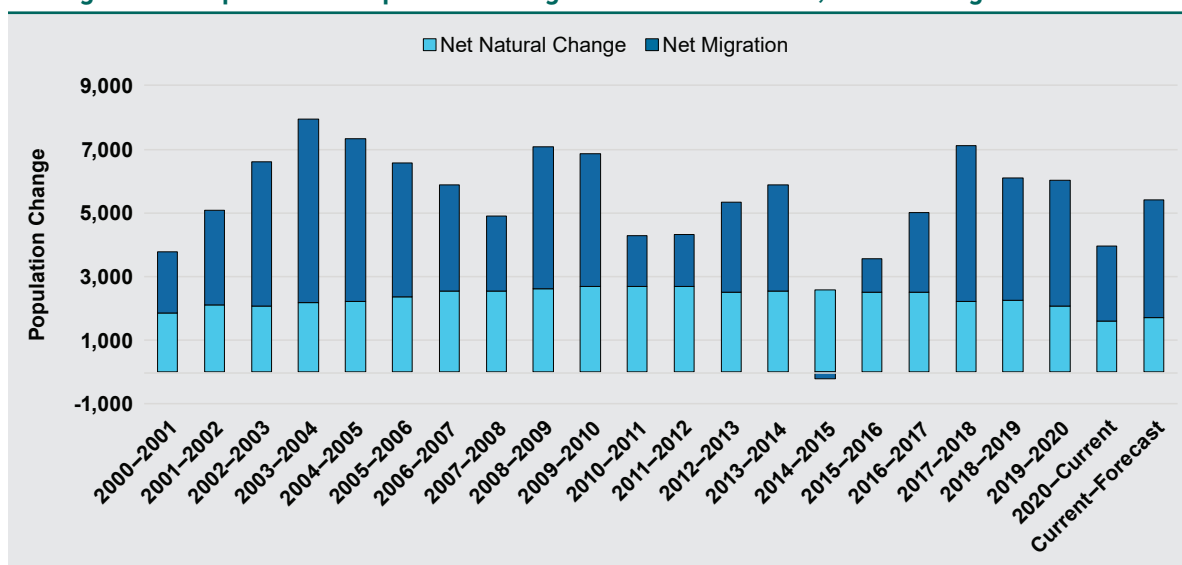
Table 4. Tri-Cities HMA Population and Household Quick Facts

Population Quick Facts	2010	Current	Forecast	
	Population	253,340	312,800	329,000
	Average Annual Change	6,150	4,875	5,400
	Percentage Change	2.8	1.7	1.7

Household Quick Facts	2010	Current	Forecast	
	Households	88,549	109,400	115,900
	Average Annual Change	2,075	1,725	2,175
	Percentage Change	2.7	1.8	1.9

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (June 1, 2022) to June 1, 2025. Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 5. Components of Population Change in the Tri-Cities HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (June 1, 2022) to June 1, 2025. Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

increase. Economic conditions were strong during that period, and nearly all sectors added 100 or more jobs annually to meet the increased demand for goods and services. During the 2002-to-2010 period, the populations in the cities of Pasco and Kennewick increased the most, with respective average annual



increases of 3,075 and 2,050 people, or 3.2 and 6.9 percent. The cities of Richland and West Richland grew by an average of 950 and 650 people, or 2.2 and 3.4 percent, respectively.

With the looming expiration of ARRA-funded Hanford contracts, population growth slowed in 2010 and was subdued for the next several years as the economy lost thousands of well-paying jobs. The population growth rate declined to an average of 1.9 percent, or 5,100 people a year, from 2010 to 2014 because net in-migration fell to an average of 2,475 people annually, accounting for less than one-half of the growth. From 2014 to 2015, net out-migration of 230 people caused population growth to fall to 2,375 people, or 0.9 percent. Subsequently, economic growth accelerated, largely because of increased construction activity and growth in the education and healthcare services sector, whereas the impact of the professional and business services sector diminished. From 2015 to 2020, the population increased by an average of 5,575, or 1.9 percent, annually, and net in-migration, which averaged 3,250 a year, accounted for 56 percent of the growth. Of the four largest cities in the HMA, West Richland grew at the fastest average annual rate during the 2010s—3.3 percent, or 450 people a year—but Pasco added the most population, up by an average of 1,725, or 2.6 percent, annually. The population in the cities of Kennewick and Richland grew at respective average annual rates of 1.3 and 2.2 percent, or 970 and 1,175, a year.

Since 2020, the population of the HMA has grown by an average of 3,975, or 1.3 percent, annually, and net in-migration has averaged 2,375 people each year, accounting for 60 percent of the increase. The slowdown in growth reflects the prolonged effects from the countermeasures to slow the spread of COVID-19, which depressed economic growth and household mobility; however, on an annual basis, population growth accelerated in 2022 compared with 2021 because of increased net in-migration. From 2020 to 2022, West Richland was still the fastest growing city, with average annual population growth of 560 people, or 3.4 percent a year, whereas Pasco added the most people, increasing by an average of 1,525 people, or 2.0 percent,

annually. The population in the cities of Kennewick and Richland increased at average annual rates of 0.8 and 1.4 percent, or 700 and 830, each year.

Migration Trends

The relative affordability of housing and the abundance of recreation offerings in the HMA have enticed in-migrants for decades, a trend that is likely to continue during the forecast period as the economy continues to expand and more employers offer remote work opportunities. The largest source of in-migration to the HMA during the 2015-through-2019 period was from the Seattle-Tacoma-Bellevue MSA (hereafter, Seattle MSA), which was fourth in terms of net in-migration (Table 5). The average sales price of a

Table 5. Metro-to-Metro Migration Flows in the Tri-Cities HMA, 2015–19

Into the HMA	
Seattle-Tacoma-Bellevue, WA	1,500
Walla Walla, WA	1,300
Portland-Vancouver-Hillsboro, OR-WA	1,225
Yakima, WA	1,025
Spokane-Spokane Valley, WA	600
Out of the HMA	
Spokane-Spokane Valley, WA	1,450
Seattle-Tacoma-Bellevue, WA	1,225
Portland-Vancouver-Hillsboro, OR-WA	970
Walla Walla, WA	880
Boise City, ID	530
Net Migration	
Yakima, WA	490
Walla Walla, WA	410
Bend-Redmond, OR	350
Seattle-Tacoma-Bellevue, WA	280
Portland-Vancouver-Hillsboro, OR-WA	250

Sources: 2015–2019 American Community Survey 5-year data; U.S. Census Bureau Migration Flows



home in the Tri-Cities HMA was 50 percent less than in the Seattle MSA in 2021 (CoreLogic, Inc., with adjustments by the analyst). Although net in-migration from the Seattle MSA was only 280 people, gross migration was 1,500 people, which had a significant impact on the demographics of the HMA because residents who relocate from the Seattle MSA generally have much higher incomes than residents of the HMA. In 2019, the median family incomes in the Seattle-Bellevue-Everett and Tacoma metropolitan divisions (which combine to create the Seattle MSA) were \$108,600 and \$80,200, respectively, compared with \$78,000 in the HMA. Other notable areas of origin include the Yakima and Walla Walla, WA MSAs, which are smaller areas with dominant agriculture industries adjacent to the Tri-Cities HMA, and the Bend, OR MSA, which has similar amenities but a much higher cost of living. The most prevalent destination for net out-migration is the Spokane-Spokane Valley, WA MSA, the third largest MSA in the state.

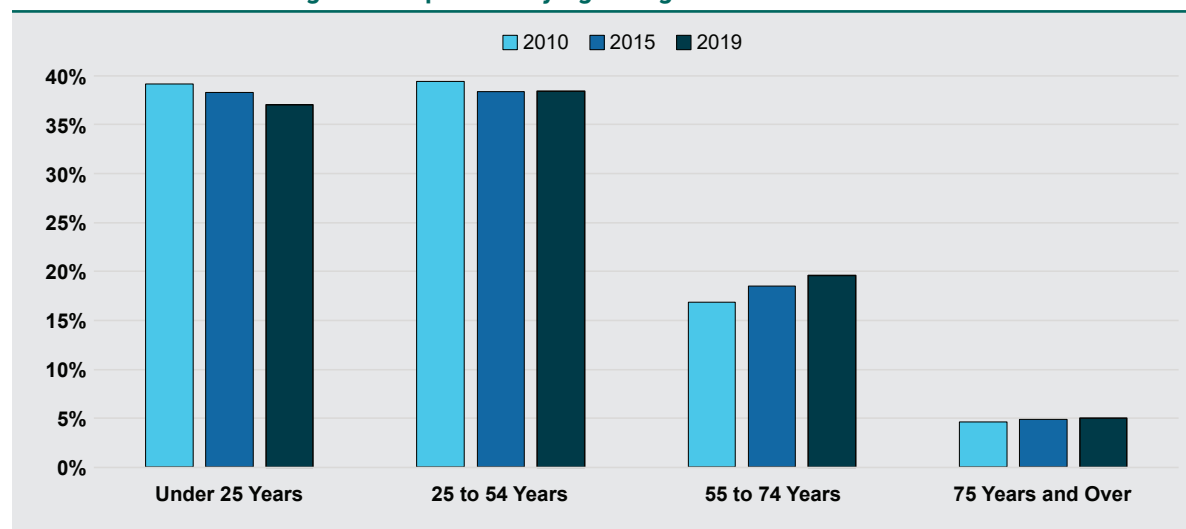
Another source of migration to the HMA is through the use of the H-2A visa program, which is the process for hiring seasonal (2 to 10 months in duration) foreign agriculture workers. The majority of H-2A visa applicants for the HMA come from Mexico and Central America. For H-2A visas to be approved, the employer must first demonstrate that they put forth maximum effort to hire domestically. In addition, under federal law, employers who rely on H-2A workers must cover inbound and outbound transportation

costs, provide meals and housing, and are subject to the same wages and workers' compensation laws as domestic employees. In 2012, the HMA received 710 applications for H-2A visas for workers, and that figure rose to 5,200 in 2020 (Washington State Employment Securities Department). The peak year for H-2A visa applications was 2018, with 6,450 applications.

Age Cohort and Demographic Trends

The largest age cohort in the HMA in 2019 was residents 25 to 54 years of age, constituting slightly more than 38 percent of the total population—unchanged from 2015 and down from 39 percent in 2010 (Figure 6). This cohort, which includes the millennial generation—largely acknowledged to have delayed lifestyle choices such as getting married and starting a family—is anticipated to increase during the forecast period because this group is primed to take advantage of the increased use of remote work and is attracted to the ample recreational amenities, the lifestyle, and the cost of living in the HMA. In addition, this age group is well educated, with nearly 60 percent of the HMA population 25 to 64 years old having some college experience, which is conducive to the concentration of high-skilled jobs in the HMA, such as at PNNL and the Hanford Site. The share of residents younger than 25 years of age fell from 39 percent in 2010 to 37 percent in 2019; despite the declining share, this cohort added an average of 1,200 people

Figure 6. Population by Age Range in the Tri-Cities HMA



Source: American Community Survey 1-year data

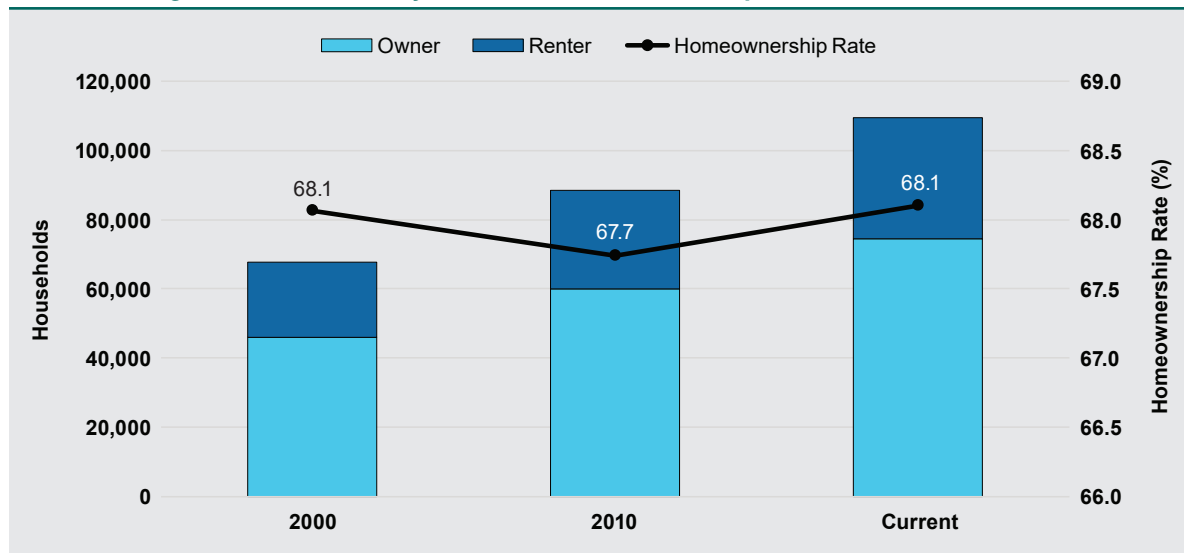


annually. The fastest growing age cohort in the HMA, in numeric and percentage terms, was residents aged 55 to 74 years, which grew by an average of 1,725 people, or 3.5 percent, annually from 2010 to 2019. People in this age cohort are generally defined as late-career professionals or early retirees—they can afford a more affluent lifestyle and partake in outdoor recreation opportunities. Residents 75 years and older accounted for 5 percent of the HMA population, relatively unchanged from the share in 2010, but the total number of such residents increased by an average of 350 people, or 2.7 percent, a year.

Household Trends

An estimated 109,400 households reside in the HMA as of June 1, 2022, reflecting an average annual increase of 1,725, or 1.8 percent, since 2010. By comparison, households increased by an average of 2,075, or 2.7 percent, a year from 2000 to 2010. An estimated 68.1 percent of current households, or 74,500 households, are homeowners, and the remaining 34,900 are renter households (Figure 7). For context, the homeownership rate was 68.1 percent in 2000, and it declined to 67.7 percent in 2010 as financing became harder to obtain with the onset of the Great Recession, despite the minimal impact it had on the HMA economy. Owner households in the HMA have increased at an average annual rate of 1.8 percent, or 1,200

Figure 7. Households by Tenure and Homeownership Rate in the Tri-Cities HMA



Note: The current date is June 1, 2022.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

households, annually since 2010, compared with renter households, which increased by an average of 520, or 1.7 percent, each year. Conversely, renter households grew slightly faster than owner households during the 2000s, with respective average annual growth of 2.8 and 2.7 percent, or 700 and 1,400 households, annually.

Household growth has been faster than population growth in the HMA since 2010 due to a declining average household size, largely caused by a trend toward smaller families. As people age and children move out of their family homes, the average household size trends downward. Without a high enough birth rate to replace the children aging into adulthood, the average household size has declined. From 2016 through 2020, less than 38 percent of households in the HMA had one or more people under the age of 18, compared with more than 40 percent from 2006 through 2010 (American Community Survey 5-year data). Trends in apartment construction in the HMA have adjusted to meet the declining average household size. Approximately 15 percent of all apartment construction from 2000 to 2010 was for three-bedroom units, compared with only 9 percent from 2010 through the current date.



Population and Household Forecast

Population growth is expected to continue during the 3-year forecast period at an average annual rate of 1.7 percent, or 5,400 people—faster than the 1.3-percent average annual growth rate since 2020. The HMA will continue to benefit from elevated net in-migration, propelled by strong economic conditions, an increase in the availability of remote work options, and the relative affordability of housing in the HMA. The population is expected to reach 329,000 by June 1, 2025. Approximately 69 percent of the growth will come from net in-migration. The city of Pasco is expected to continue adding

the most people in numeric terms, whereas the cities of West Richland, Prosser, and Benton City will likely have the fastest growth rates.

Based on current and anticipated population growth and economic conditions, households in the HMA during the next 3 years are expected to increase by an average of 2,175, or 1.9 percent, annually, reaching 115,900 by June 1, 2025. An increased disparity between household and population growth is expected during the forecast period due to a continued decline in the average household size. Both owner and renter households are anticipated to increase at average annual rates of 1.8 percent during the 3-year forecast period.



Home Sales Market

Market Conditions: Tight

Despite a 22-percent decline in home sales during the past 12 months, the average home sales price rose 19 percent, more than double the rate of price growth during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst).

Current Conditions and Recent Trends

Sales market conditions in the HMA are currently tight, with an estimated vacancy rate of 1.2 percent (Table 6), compared with 1.3 percent in 2010, when conditions were also tight. During the start of the economic recovery from the COVID-19 pandemic, improving economic conditions and continued population growth—in addition to historically low mortgage interest rates and for-sale inventory—supported moderate growth in home sales and strong sales price growth until early 2021. Figures 8 and 9 show 12-month average home sales and prices by type of home sale from 2001 to the current date. On a 12-month basis, the variation in the growth rate of home sales was relatively small from February 2020 through April 2021, ranging from 0 to 3 percent;

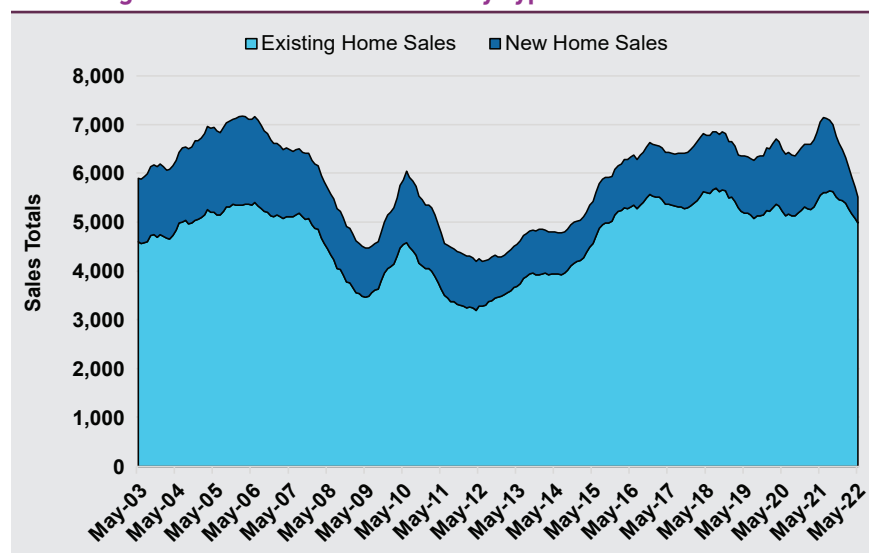
Table 6. Home Sales Quick Facts in the Tri-Cities HMA

	Tri-Cities HMA	Nation
Vacancy Rate	1.2%	NA
Months of Inventory	2.0	1.5
Total Home Sales	5,500	7,319,000
1-Year Change	-22%	-2%
New Home Sales Price	\$468,400	\$445,900
1-Year Change	19%	12%
Existing Home Sales Price	\$391,100	\$391,000
1-Year Change	23%	24%
Mortgage Delinquency Rate	0.9%	1.4%

NA = data not available.

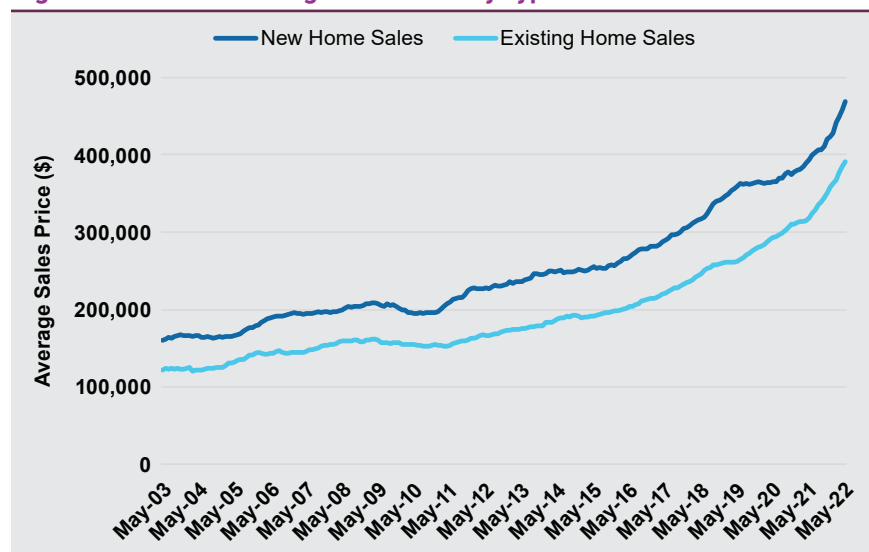
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending May 2022; and months of inventory and mortgage delinquency data are as of May 2022. The current date is June 1, 2022. Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; home sales and prices—CoreLogic, Inc., with adjustments by the analyst

Figure 8. 12-Month Sales Totals by Type in the Tri-Cities HMA



Source: CoreLogic, Inc. with adjustments by the analyst

Figure 9. 12-Month Average Sales Price by Type of Sale in the Tri-Cities HMA



Source: CoreLogic, Inc. with adjustments by the analyst



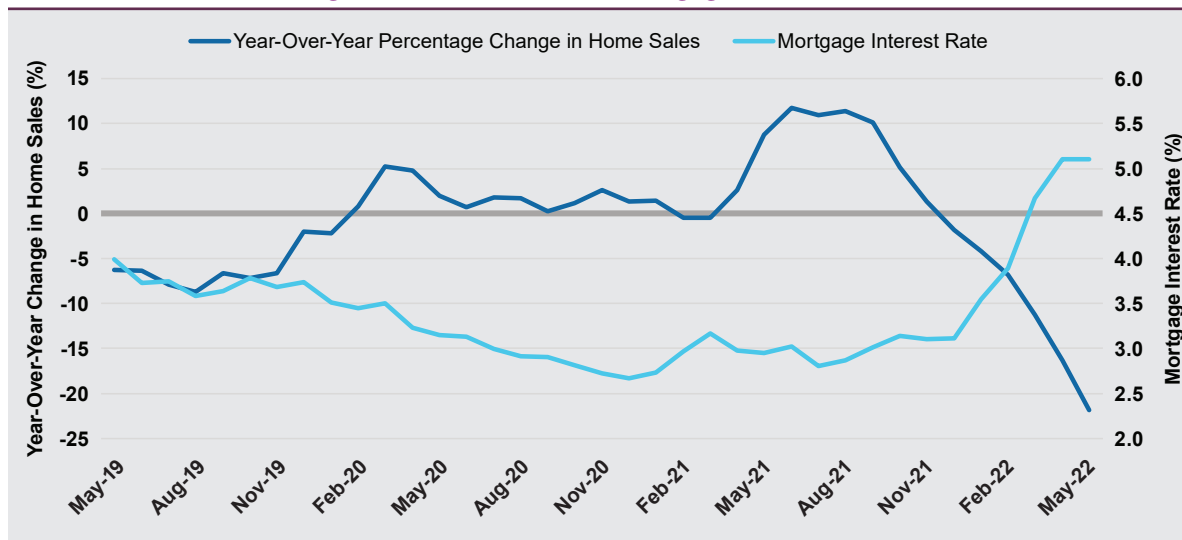
for-sale inventory during that period largely declined, from 3.9 to 2.7 months of supply (Redfin, a national real estate brokerage). Summer 2021 was a turning point, and the year-over-year rate of change in home sales fell monotonically from a high of 12-percent growth during the 12 months ending June 2021 to a 22-percent decline during the 12 months ending May 2022. During roughly the same time period, the supply of homes for sale declined from 2.5 months in July 2021 to 2.0 months in May 2022. Conversely, the 12-month average rate of home sales price growth ranged from 8 to 10 percent from the onset of the pandemic through June 2021 and accelerated nearly every month to a 19-percent gain during the 12 months ending May 2022.

The recent trend of declining home sales (Figure 10) has generally coincided with the Federal Reserve announcing plans to raise interest rates in the summer of 2021 and the raising of rates since January 2022. The average 30-year fixed-rate mortgage was 5.10 percent at the end of May 2022, compared with 2.95 percent a year earlier (Freddie Mac). The increase in the rate, coupled with swift home sales price growth, has reduced the pool of income-eligible homeowners, effectively increasing the monthly mortgage payment by \$615 for an average-priced home, assuming a 20-percent down payment.

The Great Recession

The impact of the Great Recession on the home sales market in the HMA was modest when

Figure 10. Home Sales and Mortgage Interest Rates



Notes: Home sales data are the 12-month average year-over-year percentage change. The corresponding mortgage interest rate is for the final week of the given month.
Sources: Home sales data—CoreLogic, Inc., with adjustments by the analyst; mortgage interest rates—Freddie Mac

compared with the impact on the nation, largely because substantial federal government investment helped to support the local economy. Furthermore, not as much speculative homebuilding activity occurred in the HMA during the years leading up to the national housing crash. An average of 6,575 homes were sold in the HMA annually from 2003 through 2007, a figure that fell 22 percent in 2008 to 4,875 sales (CoreLogic, Inc., with adjustments by the analyst). Sales increased in 2009 and 2010 because net in-migration to the HMA was high and economic conditions were strong; an average of 5,250 homes sold each year during the period. Nationally, home sales fell every year from 2006 through 2010 at an average annual rate of 15 percent. As ARRA funding expired and the HMA economy weakened, home sales declined 19 percent in 2011 to 4,350 sales; an average of 4,625 homes sold annually from 2011 through 2014. Home sales subsequently rebounded to early-2000s levels as economic conditions improved, averaging 6,475 annually from 2015 through 2020. Home sales prices increased every year from 2001 through 2008 at an average annual rate of 10 percent before falling an average of 1 percent a year in 2009 and 2010. Nationwide, prices declined an average of 8 percent annually from 2007 through 2009. From 2011 through 2021, home sales prices in the HMA rose an average of 8 percent annually. National home sales and prices increased 5 percent annually from 2012 through 2020.



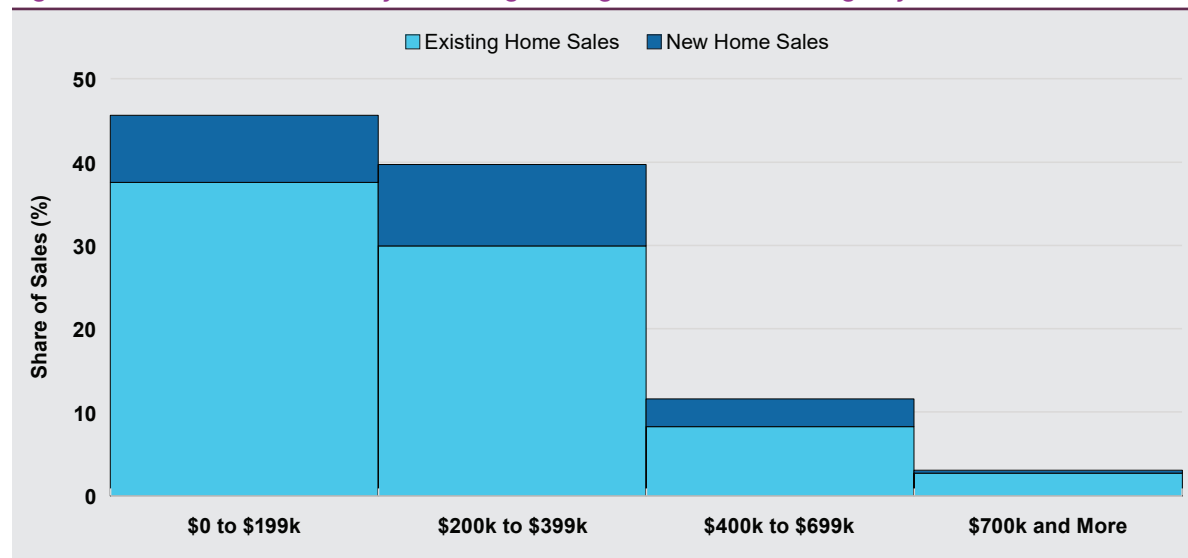
New Home Sales and Prices

New home sales have accounted for approximately 18 percent of total home sales in the HMA since 2010, compared with 23 percent from 2000 to 2010. During the 12 months ending May 2022, 520 new homes sold, down 66 percent compared with 1,500 new home sales a year ago (CoreLogic, Inc., with adjustments by the analyst). By comparison, during the previous 12 months, new home sales increased 18 percent year over year. New home sales peaked from 2003 through 2006 during a period of economic expansion and elevated net in-migration, averaging 1,575 new home sales a year before dropping to an average of 1,200 new home sales annually from 2007 through 2010. The number of new home sales declined further, to an average of 870 new home sales each year, from 2012 through 2015, as the local economy slowed in response to a slew of Hanford-related layoffs. As economic conditions strengthened and financing became easier, new home sales increased to an average of 1,200 annually from 2016 through 2020.

The average new home sales price increased 19 percent during the 12 months ending May 2022 to \$468,500—more than double the 8-percent increase a year before. The current increase is the strongest during a 12-month period ending in May since 2003, when prices increased 31 percent. On an annual basis, new home sales prices have increased every year since 2001

except for the 2009-through-2010 period, when prices fell an average of 2 percent annually. From 2011 through 2020, the average new home sales prices increased an average of 7 percent a year. The largest concentration of new home sales during the past 12 months has been for homes priced from \$200,000 to \$399,999 (Figure 11).

Figure 11. Share of Overall Sales by Price Range During the 12 Months Ending May 2022 in the Tri-Cities HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

Existing Home Sales and Prices

During the 12 months ending May 2022, 5,000 existing homes sold in the HMA, down 10 percent from a year ago and compared with a 7-percent increase during the 12 months ending May 2021 (CoreLogic, Inc., with adjustments by the analyst). The highest level of existing home sales in the 2000s was from 2004 through 2007, when an average of 5,100 homes were sold each year. Existing home sales fell 24 percent in 2008, to 3,775 home sales, and increased to an average of 4,050 homes sold each year in 2009 and 2010. The following year, home sales fell 19 percent to 3,275 as economic conditions weakened. As the economy recovered, existing sales increased to an average of 3,850 annually from 2012 through 2014

and accelerated from 2017 through 2020, when an average of 5,350 existing homes sold each year, surpassing the level of existing home sales before the Great Recession.

The average sales price of an existing home increased 23 percent in the HMA during the 12 months ending May 2022, to \$391,100, following a 9-percent increase during the 12 months ending May 2021. In the past 20 years, the average sales price of an existing home has declined in only 2 of those years. From 2002 through 2008, the average sales price of an existing home rose an average of 10 percent a year before falling by an average of 1 percent each year in 2009 and 2010. Existing home sales price growth averaged 5 percent annually from 2011 through 2015 and accelerated to an average annual gain of 9 percent through 2020. The largest concentration of existing home sales during the past 12 months was for homes priced below \$200,000.

Home Sales and Prices by Geography

Home sales trends indicate that demand for homes has increased in the more rural areas of the HMA since the onset of the pandemic. The cities of Kennewick, Richland, Pasco, and West Richland accounted for 84 percent of home sales in the HMA during the 12 months ending May 2022 (Redfin, a national real estate brokerage). That share is down from 87 percent during the same period in 2020 because of an increase in home sales in the smaller cities of Prosser and Benton City in Benton County. The latter two cities, along with West Richland, had increasing home sales during the past 12 months compared with a year ago, contrasting with year-over-year declines in the three larger cities. For-sale inventory fell in all major cities except Kennewick, with the largest drops in Benton City, from 8.7 to 1.8 months, and in Prosser, from 5.3 to 1.7 months.

The largest concentration of home sales during the past 12 months, 29 percent, was in the city of Kennewick, down from 31 percent during the same period in 2020, partly due to a slowdown in population growth since 2020 relative to the other largest cities. The 1,500 homes sold in the city reflect a 4-percent decline

during the 12 months ending May 2022, contrasting with a 1-percent increase a year earlier. The median sales price increased 5 percent year over year—the slowest rate among the highlighted cities—which followed a 27-percent increase a year before. In the city of Richland, home sales fell 3 percent to 1,375—accounting for about one-fourth of HMA home sales—compared with a 10-percent increase a year ago. From May 2021 to May 2022, the median sales price in the city increased 14 percent, to \$474,000, compared with a 19-percent increase a year earlier. Homes sales in the city of Pasco fell 17 percent during the past 12 months, to 1,075 sales, compared with a 4-percent year-over-year gain a year ago, and the inventory of homes for sale declined from 2.3 to 1.8 months. The inventory shortage contributed to year-over-year sales price growth in the city of Pasco of 25 percent, to \$430,000, surpassing the HMA median for the first time. Sales prices in the city of Pasco rose 22 percent during the 12 months ending May 2021.

In 2019, 2 percent or less of HMA home sales were in the cities of Prosser and Benton City combined, and that share rose to almost 5 percent during the 12 months ending May 2022 (Redfin, a national real estate brokerage). Home sales in Benton City more than doubled, to 120 homes sales, during the past 12 months, following a 30-percent increase a year before, and the median sales price of \$386,000 in May 2022 was 40 percent higher than the median price in May 2021. In the city of Prosser, the median sales price increased 35 percent year over year in May 2022 to \$453,000, and sales increased 61 percent during the past 12 months to 100 home sales. The city of West Richland, which has had the fastest population growth among the largest cities in the HMA since 2000, accounted for 8 percent of home sales during the past 12 months, compared with 6 percent in 2019, and the city has consistently had the highest median sales price in the HMA. Homes sales in the city increased 3 percent year over year during the past 12 months to 430 home sales, compared with a 20-percent increase a year before, and the median sales price increased 14 percent to \$495,000, compared with a 19-percent increase a year ago.



Seriously Delinquent Mortgages and REO Properties

The share of seriously delinquent mortgages and real estate owned (REO) properties in the HMA was 0.9 percent in May 2022, down from 2.0 percent in May 2021, and compared with a 0.6-percent rate in May 2019, before the pandemic (CoreLogic, Inc.). The decline during the past year is attributable to a 53-percent reduction in mortgages that were 90 or more days delinquent to 350; however, mortgages in this category remain elevated from May 2019. The number of mortgages in foreclosure increased to 40 in May 2022, compared with 20 a year ago, and fewer than 5 properties have been in REO status during any given month since May 2020. For context, the national rate of seriously delinquent mortgages and REO properties was 1.4 percent in May 2022, down from 3.2 percent a year ago and equal to the prepandemic rate in May 2019. Since 2000, the rate of seriously delinquent mortgages and REO properties in the HMA during the 12 months ending May has been low, peaking at 3.2 percent in 2010 and at 3.0 percent in 2012 and 2013. Nationally, the rate during the same 12-month period peaked at 8.2 percent in 2010 and did not fall below 3.0 percent until 2016.

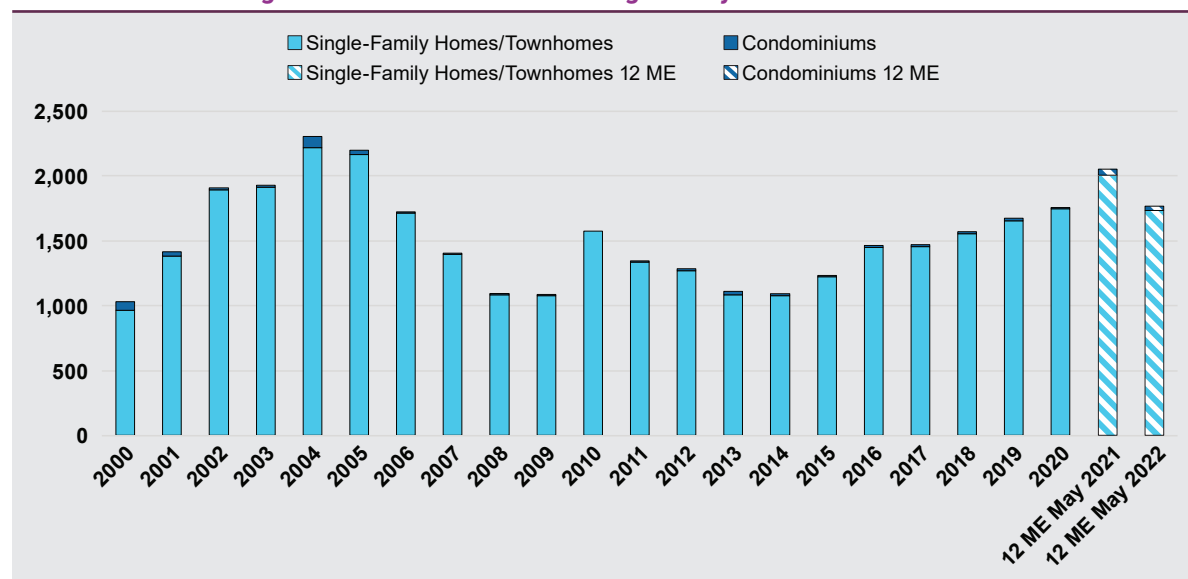
Sales Construction

New home construction, as measured by the number of sales units permitted (building permits),

has generally increased since 2014, when economic growth was accelerating and sales markets had recovered after the loss of ARRA funds (Figure 12). From 2015 through 2020, new home construction increased at an average annual rate of 8 percent, and current new home production is approaching peak levels of construction experienced during the buildup to the national financial crises in the early and mid-2000s. From 2002 through 2007, an average of 2,000 homes were built each year. Production fell to an average of 1,225 homes permitted annually from 2008 through 2014 because construction financing was harder to obtain. During the 12 months ending May 2022, 1,825 sales units were permitted in the HMA, down 8 percent from the 2,000 new homes built during the previous 12-month period (preliminary data).

From 2016 through 2021, the plurality of new home construction in the HMA, 30 percent, was in the city of Pasco—consistent with population growth patterns—and an average of 480 homes were built each year. By comparison, an average of 300 homes were permitted in the city of Pasco annually from 2011 through 2015, accounting for 25 percent of the HMA total. During the 2016-through-2021 period, the cities of Richland and Kennewick captured 21 and 19 percent of new home construction in the HMA, respectively;

Figure 12. Annual Sales Permitting Activity in the Tri-Cities HMA



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst



from 2011 through 2015, the respective shares were 21 and 26 percent. Approximately 9 percent of new home construction in the HMA from 2016 through 2021 was in the city of West Richland, where an average of 150 new homes were built annually, up from an average of 130 homes built each year from 2011 through 2015. New home construction in Benton City accounted for 7 percent of the HMA total from 2016 through 2021, when an average of 25 homes were built each year. By comparison, an average of 15 homes were built annually from 2011 through 2015, accounting for 5 percent of the HMA total, and that share was less than 1 percent from 2000 through 2010. Approximately 1 percent of new home sales from 2000 through 2021 were in the city of Prosser, and that share was relatively consistent during the period.

Some of the most popular new home subdivisions in the HMA are in the master-planned communities of Southridge in the city of Kennewick, Badger Mountain South in the city of Richland, and the Broadmoor development in the city of Pasco, which is being prepared for development. Five subdivisions in the Southridge community in the city of Kennewick had 10 or more home sales since the start of 2022, with median sales prices ranging from \$389,000 for homes in the senior living development, The Village at Southridge, to \$800,000 for luxury homes in the SouthCliffe development. Nearly 1,000 homes have been completed or are under construction in the 1,500-acre Badger Mountain South community, with more than 3,700 additional homes expected during buildout. The West Village and West Vineyard subdivisions are nearly complete, and the remaining homes under construction are presold. Approximately 110 homes have sold in the West Village subdivision since the start of 2022, with a median sales price of \$488,900. The third subdivision, South Orchard, is getting ready to break ground and will include 473 homes, a 6-acre park, and an elementary school (*Tri-City Herald*). The first development set for the Broadmoor community in the city of Pasco is

The Dunes subdivision, which will include 222 lots, and it will likely be followed by Solstice, a more than 400-home subdivision. Furthermore, a 297-lot senior community is in planning. Increased new home construction in the cities of Prosser and Benton City are not associated with any large-scale subdivisions or master-planned communities.

Forecast

During the next 3 years, demand is estimated for 5,775 new homes (Table 7). The 990 homes currently under construction will meet a portion of the demand during the first year of the forecast. New home production during the forecast period would need to exceed the 2016-through-2021 annual average to meet expected demand and return the home sales market to balanced conditions. Development will continue at the aforementioned master-planned communities, which will likely spur additional development nearby to capitalize on the existing infrastructure. Demand will remain strong in the city of West Richland, which has land for development and is close to well-paying jobs at Hanford and PNNL. Two major plots of land that were previously farmland are being prepared for the development of thousands of homes and hundreds of apartments, including 300 acres in the city of Richland and the Broadmoor development in the city of Pasco. Demand is also expected to continue to increase in the smaller cities, specifically Benton City.

Table 7. Demand for New Sales Units in the Tri-Cities HMA During the Forecast Period

Sales Units	
Demand	5,775 Units
Under Construction	990 Units

Note: The forecast period is from June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst



Rental Market

Market Conditions: Tight

Despite increased apartment construction since 2015, apartment vacancy rates remain low; the apartment vacancy rate has been at or below 5.2 percent since the first quarter of 2015 (CoStar Group).

Current Conditions and Recent Trends

Rental market conditions are currently tight in the HMA, with an estimated 3.0-percent vacancy rate, down from 4.8 percent in 2010, when conditions were slightly tight. The decline occurred because renter household growth has outpaced rental production during the past decade. Strong economic growth since the pandemic, persistently low for-sale inventory since the mid-2010s, and recent increases in mortgage interest rates—all of which have constrained the number of households shifting to homeownership—also contributed to the tighter market conditions.

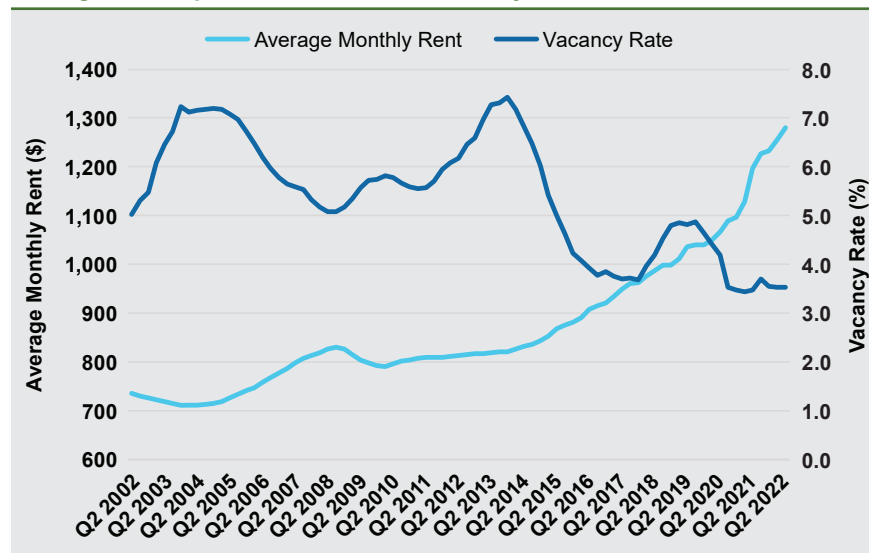
In 2019, approximately 37 percent of renter households in the HMA lived in single-family homes, compared with 31 percent in 2010 (Table 8). Part of the increase is due to previously owner-occupied homes converting to rentals to meet the demand not fulfilled by new apartment construction. For professionally managed single-family rentals, the vacancy rate was 1.7 percent in May 2022, relatively unchanged from a year ago, and has fluctuated little since 2012 (CoreLogic, Inc.). The average rent for two-, three-, and four-bedroom homes was \$1,454, \$1,749, and \$2,134, respectively. Despite increased apartment construction since the mid-2010s, apartment vacancy rates remain low (Figure 13). Apartment market conditions in the HMA were tight during the second quarter of 2022, with a 3.5-percent vacancy rate, unchanged from a year ago. During the same time, the average rent increased 7 percent year over year to \$1,280, compared with a 12-percent increase a year earlier (CoStar Group). For context, the second quarter apartment vacancy rate peaked at 7.4 percent in 2013 because more than 1,100 units were added a year earlier, and the rate has generally declined since then. Second quarter apartment rents increased at an average annual rate of 4 percent from 2014 through 2020.

Table 8. Rental and Apartment Market Quick Facts in the Tri-Cities HMA

Rental Market Quick Facts	2010 (%)	Current (%)	
	Rental Vacancy Rate	4.8	3.0
Occupied Rental Units by Structure	2010 (%)	2019 (%)	
	Single-Family Attached & Detached	31	37
	Multifamily (2–4 Units)	16	14
	Multifamily (5+ Units)	39	45
	Other (Including Mobile Homes)	14	4

Notes: The current date is June 1, 2022. Percentages may not add to 100 due to rounding. Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey

Figure 13. Apartment Rents and Vacancy Rates in the Tri-Cities HMA



Q2 = second quarter. Note: The apartment vacancy rate is the four-quarter average. Source: CoStar Group, with adjustments by the analyst

The impact of the agriculture industry on the HMA rental market is complex. The lower wages associated with agriculture jobs contribute to the lower-than-average sales prices and rents in the city of Pasco, in contrast to the city of Richland, which caters more to the higher paying jobs at PNNL and the Hanford



Site. Migrant farm workers, however, are generally not part of the long-term rental market. All H-2A visa workers are provided housing by their employers that meet a minimum standard of living as determined and overseen by the federal government, typically dormitory-style living arrangements. Seasonal housing options are also available in the HMA for workers not under the H-2A visa program; common examples are converted or updated motels developed and maintained by nonprofits and local governments.

Apartment Market Conditions by Geography

Apartment market conditions in the cities of Kennewick, Pasco, and Richland were tight during the second quarter of 2022, with low vacancy rates and strong rent growth. Conditions in the city of West Richland, where homeownership is more prevalent, were balanced. The homeownership rate in the city of West Richland was 82.6 percent during the 2016-through-2020 period, compared with 69.5, 65.0, and 64.9 percent in the cities of Pasco, Kennewick, and Richland, respectively (American Community Survey 5-year data).

The lowest vacancy rate was in the city of Pasco, at 2.6 percent, down from 4.0 percent a year ago; the average rent increased almost 8 percent to \$1,158, compared with a 9-percent increase a year ago. The vacancy rate declined, partly because of strong population growth and particularly limited apartment construction; from 2016 through 2021, only 8 percent of multifamily construction in the HMA was in the city of Pasco, compared with 25 percent from 2011 through 2015. In the city of Kennewick, the apartment vacancy rate was 3.5 percent during the second quarter of 2022, up from 2.7 percent a year earlier, and the average rent rose 9 percent to \$1,195, similar to the increase a year before. Although the city of Richland has added nearly 630 units since the second quarter of 2020, the apartment vacancy rate remained low, at 4.1-percent, during the second quarter of 2022, compared with 4.4 percent a year before. During the same time, the average rent increased 4 percent to \$1,321—the highest asking rent among the four largest cities and compared with a 15-percent gain a year ago. The city of West Richland accounted for 7 percent of multifamily construction from 2016 through 2021,

compared with less than 1 percent from 2011 through 2015. The apartment vacancy rate in the city of West Richland was 3.3 percent during the second quarter of 2022, up from 2.2 percent a year earlier, and rents increased 1.0 percent to \$939, the lowest rent among the four highlighted cities. Rent growth in the city of West Richland has been modest, increasing at an average annual rate of 2 percent from the second quarter of 2016 to the same period in 2020.

Rental Construction

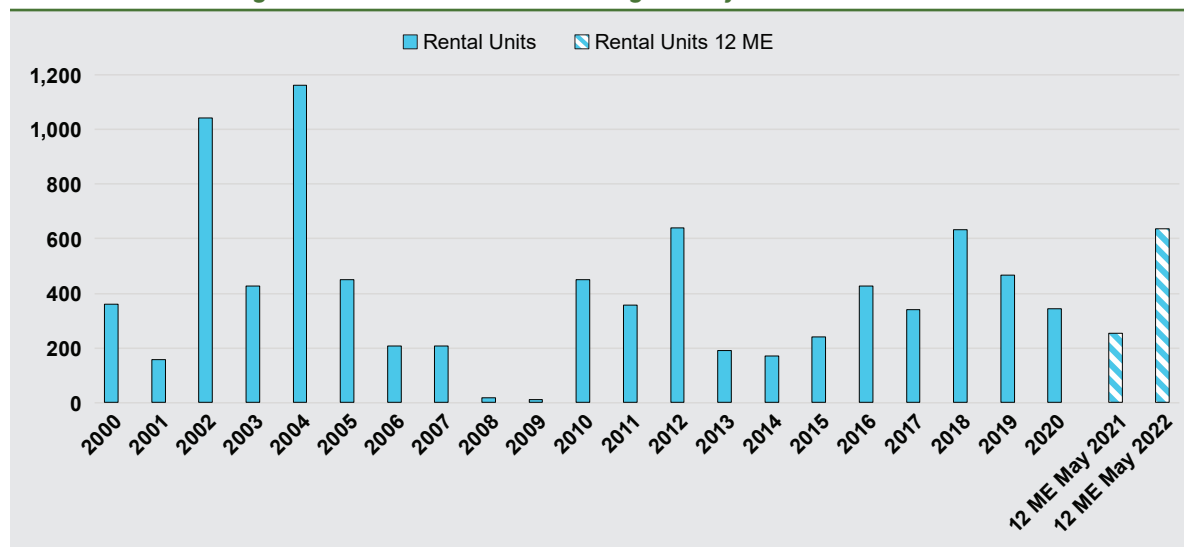
Apartment construction, as measured by the number of rental units permitted, has fluctuated considerably during the past 22 years; however, in only 4 of those years did permitting exceed 600 units (Figure 14). In general, apartment construction in the HMA has increased since a 3-year low from 2013 through 2015, a period of weaker economic conditions that ensued after ARRA funding expired. A shortage in construction labor and materials constrained development in 2019, and the pandemic exacerbated those issues, causing new apartment construction to fall further in 2020 and 2021. As supply chain problems have begun to ease, new apartment construction has increased considerably. During the 12 months ending May 2022, nearly 640 apartments were permitted, up from 250 units permitted during the previous 12 months (preliminary data).

During the 2000-through-2005 period, apartment construction averaged 350 units annually, except for spikes in 2002 and 2004, when an average of 1,100 units were permitted each year. Approximately 50 percent of construction during that 6-year period was in the city of Pasco, which had nearly double the population growth rate of the other largest cities. Those years were a period of rapid renter household growth, followed by a surge in homeownership from the mid- and late 2000s through the early 2010s, partly fueled by looser mortgage lending practices, but also because economic conditions and population growth in the HMA remained strong throughout the Great Recession. In response to that shift, apartment construction fell to an average of 210 units annually in 2006 and 2007. Despite a slowdown in



apartment construction, vacancy rates started to increase, and rents declined; fewer than 20 units a year were permitted in 2008 and 2009. The infusion of ARRA money during the Great Recession that created thousands of jobs caused apartment market conditions to tighten—especially because of the short-term nature under which many of the contractors operated—and builders responded by substantially increasing apartment construction from 2010 through 2012, when an average of 480 units were permitted annually. Nearly three-fourths of apartment construction during that period was in the city of Richland, which is closest to the Hanford Site. The surge in apartment construction, coupled with large-scale layoffs when ARRA funding expired in 2011, resulted in an elevated vacancy rate through 2014, which subdued apartment construction through 2015. Only 30 percent of apartment construction from 2013 through 2015 was in the city of Richland, and 32 percent was in the city of Kennewick, which had no construction during the 2010-through-2012 period. From 2016 through 2019, an average of 470 apartments were constructed annually, and the plurality, 46 percent, were in the city of Richland. The city of Kennewick accounted for about one-third of construction during that time, and the share of construction in the city of Pasco fell to 9 percent. Before 2015, virtually no apartment construction occurred in the city of West Richland, but from 2016 through 2019, 5 percent of apartment construction in the HMA was in that city.

Figure 14. Annual Rental Permitting Activity in the Tri-Cities HMA



12 ME = 12 months ending.
 Note: Includes apartments and units intended for rental occupancy.
 Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

From 2020 through 2021, two-thirds of apartments permitted in the HMA were in the city of Richland, and 17 percent were in the city of West Richland; the share in the cities of Kennewick and Pasco fell to 7 and 2 percent, respectively. An estimated 640 units are under construction in the HMA, and one of the largest developments is phase 2 of the Columbia Riverwalk apartments in the city of Pasco, with 228 units expected to be finished in July 2022 (approximately 75 percent of the units were finished by the as-of date of this report). In the city of Richland, The Bob and The Tides at Willow Pointe are under construction, with 192 and 126 units, respectively, both with anticipated completion dates in 2023. In the city of West Richland, 226 units are under construction at The Heights at Red Mountain Ranch, which is expected to be finished in the next 2 years.

Numerous apartment complexes have been recently completed in the HMA, with a heavy concentration in the city of Richland. Copper Mountain Apartments in the Badger Mountain South community opened in 2020 with 276 units. Rents start at \$912 for one-bedroom units and increase to \$1,399 for four-bedroom units. The 106-unit Park Place Apartments, a luxury development that opened in the city of Richland in



2021, is 96 percent occupied; rents start at \$1,650 for studios, \$1,850 for one-bedroom units, and \$2,300 for two-bedroom units. The Vicinity at Horn Rapids complex also opened in the city of Richland in 2021 with 324 units. The property is 86 percent occupied; rents start at \$1,445 for one-bedroom units, \$1,700 for two-bedroom units, and \$2,115 for three-bedroom units.

Forecast

During the next 3 years, demand is expected for 1,950 rental units (Table 9). The 640 units under construction will satisfy a portion of the demand. Apartment construction is anticipated to be concentrated near the ongoing master-planned communities previously mentioned. In addition, 300 acres of former farmland

are in the beginning stages of development in the city of Richland and will encompass hundreds of homes and apartments when buildout is complete. Broadmoor, a similar development, has been approved by the city of Pasco and is undergoing infrastructure work.

Table 9. Demand for New Rental Units in the Tri-Cities HMA During the Forecast Period

Rental Units	
Demand	1,950 Units
Under Construction	640 Units

Note: The forecast period is June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

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.
Covered Employment	A measure of the number of employed people in a given area, including farm workers, from the Quarterly Census of Earnings and Wages (QCEW) survey by the Bureau of Labor Statistics (BLS).
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.
Existing Home Sales	Includes resale sales, short sales, and REO sales.
Forecast Period	6/1/2022–6/1/2025—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.



Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
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B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	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.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.

D. Photo/Map Credits

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