

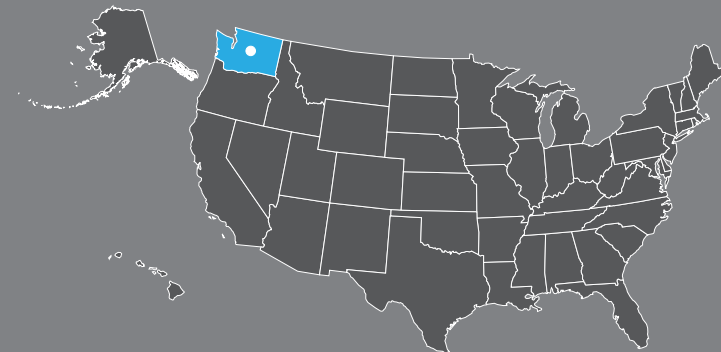
# HUD PD&R Housing Market Profiles

## Wenatchee, Washington



### Quick Facts About Wenatchee

- **Current sales market conditions: tight**
- **Current rental market conditions: tight**
- **The city of Leavenworth, which consistently ranks as one of best Christmas towns in the nation, canceled the Christmas Lighting Festival for the first time since 1966 due to the pandemic.**



By Holi Urbas | As of January 1, 2021

### Overview

The Wenatchee metropolitan area consists of Chelan and Douglas Counties on the eastern slopes and foothills of the Cascade Mountain range in central Washington. The Columbia River, the fourth largest in the nation by streamflow (measured in cubic feet of water per second), bisects the metropolitan area north to south, providing ideal conditions for agricultural production, especially tree fruit. An abundance of recreation opportunities in the metropolitan area attracts an estimated 2 million visitors annually. Some of the most popular attractions include the outdoor haven and Bavarian-style town of Leavenworth, the city of Chelan on the banks of the 53-mile-long Lake Chelan, and a growing wine industry with more than 200 acres of vineyards. The most recent data available indicate that direct travel and tourism spending in the metropolitan area totaled \$422.3 million in 2010, and that figure increased to \$700.8 million in 2018 ([chelandouglastrends.com](http://chelandouglastrends.com)).

Countermeasures to slow the spread of the COVID-19 virus in mid-March 2020 caused economic activity in the metropolitan area to slow dramatically. In December 2020, nonfarm payrolls were 5 percent below pre-pandemic levels in February 2020 (not seasonally adjusted). Although new home construction

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has generally increased since 2011, sales market conditions remain tight, with 0.7 months worth of for-sale inventory in December 2020 compared with 2.9 months of inventory a year ago (Redfin, a national real estate brokerage). Rental market conditions are currently tight, largely the result of elevated net in-migration since 2015, a limited supply of multifamily construction, and a high proportion of short-term vacation rentals.

- As of January 1, 2021, the population of the Wenatchee metropolitan area was estimated at 124,900, reflecting an average annual increase of 1,750 people, or 1.5 percent, since July 2015, more than double the 0.7-percent average annual growth from July 2010 to July 2015 (intercensal population estimates from the Office of Financial Management for the State of Washington with adjustments by the analyst).

## Economic Conditions

Economic conditions in the Wenatchee metropolitan area deteriorated during the past year, largely because of efforts used to slow the spread of COVID-19, including enforcing social distancing and discouraging nonessential travel. Approximately 7,000 nonfarm jobs were lost in March and April. By August, 6,100 of those jobs had been recovered, boosted by increased tourism and fruit tree harvesting during the summer months (not seasonally adjusted). Monthly payrolls declined through November—a trend that occurs every year as tourism slows and harvest season ends—by a total of 1,400 jobs, and payrolls stagnated in December. During 2020 (seasonally adjusted using the 12-month average ending in December), nonfarm payrolls fell by 3,400 jobs, or 7.3 percent. For context, the economy expanded for 9 consecutive years before the pandemic, although growth slowed considerably in 2019. During that economic expansion, payroll growth was strongest from 2014 through 2018, with jobs increasing by an average of 1,400, or 3.3 percent, annually. Nonfarm payrolls increased by 100 jobs, or 0.2 percent, in 2019.

Direct agriculture jobs, such as growing fruit or crops, are not counted in nonfarm payrolls; however, agricultural employment impacts nonfarm payrolls through food processing (manufacturing), fresh fruit packaging (wholesale and retail trade), and distribution (transportation and utilities). The latter two sectors are non-reporting sectors in the metropolitan area. During the second quarter of 2020 (the most recent data available), the Quarterly Census of Earnings and Wages (QCEW), which includes direct agriculture jobs, reported a decline of more than 8 percent of agriculture jobs year over year to 8,525. The number of farms in the metropolitan area has been declining for years, but the remaining farms have improved efficiency, largely through increased automation. From 2012 through 2017 (the most recent data available), the number of farms in

- Since July 2015, approximately 78 percent of population growth was from net in-migration, compared with 42 percent during the July 2010-to-July 2015 period. The most recent data available estimate a net flow of 150 from the Seattle metropolitan area in 2018, although gross migration from the Seattle metropolitan area to the Wenatchee metropolitan area was more than 1,200 (U.S. Census Metro-to-Metro Migration Flows), partly driven by the relatively lower cost of living.
- New and existing home sales (hereafter, home sales) declined 12 percent in 2020 compared with the number of homes sold in 2019, and the average sales price increased 6 percent to \$368,100 (Zonda). Rental market conditions are tight, with an estimated vacancy rate of 3.7 percent.

the metropolitan area decreased by 175, whereas the average market value per farm increased 22 percent to \$269,200 (Census of Agriculture). During the same time, the total market value of agriculture goods sold in the Wenatchee metropolitan area increased 10 percent to \$444.5 million.

At the end of December 2020, the Wenatchee metropolitan area was in phase one of the Washington State phased re-opening plan, which prohibits social gatherings and dining indoors and severely limits capacity at outdoor entertainment venues. In February 2021, the metropolitan area entered phase two of the plan, allowing nonessential travel to resume and most establishments to operate at reduced capacity while adhering to state-mandated social distancing requirements and health safety standards. The re-opening effects are not captured by the payroll data used in this report (through December 2020).

During the fourth quarter of 2020—

- Year-over-year job losses totaled 3,600, reflecting a decline of 7.7 percent from the fourth quarter of 2019. By comparison, payrolls increased by 100 jobs, or 0.3 percent, from the fourth quarter of 2018 to the fourth quarter of 2019. Although the number of jobs lost during the current quarter was large, it improved from year-over-year job losses during the second and third quarters of 2020, when payrolls fell 13.9 and 7.9 percent, respectively.
- Payroll sectors most affected by the countermeasures applied to slow the spread of COVID-19 are those that rely heavily on in-person interactions. Almost three-fourths of total jobs lost in the metropolitan area were in the leisure and hospitality and the education and health services sectors, which declined by 2,000 and 1,100 jobs, or 29.0 and 7.7 percent, respectively, from the fourth quarter of 2019. For context, both sectors were stable or added jobs every year from 2013 through 2019.

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All reporting nonfarm payroll sectors in the Wenatchee metropolitan area lost jobs during the fourth quarter of 2020 compared with a year ago.

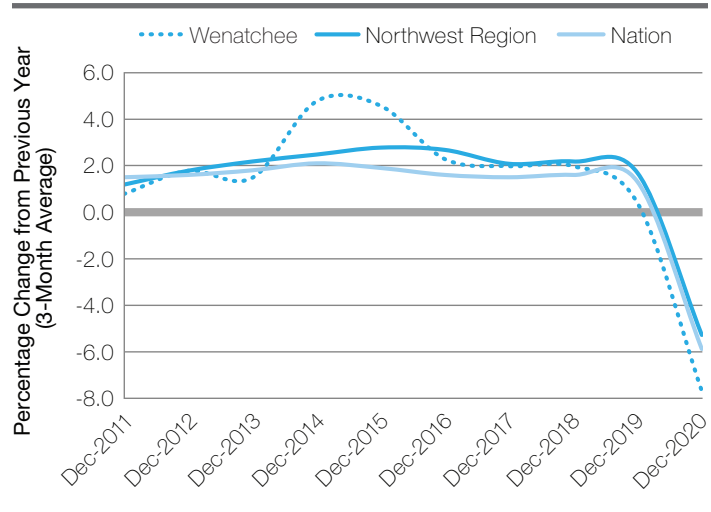
	3 Months Ending		Year-Over-Year Change	
	December 2019 (Thousands)	December 2020 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	46.6	43.0	-3.6	-7.7
Goods-Producing Sectors	5.6	5.1	-0.5	-8.9
Mining, Logging, & Construction	3.0	2.6	-0.4	-13.3
Manufacturing	2.6	2.5	-0.1	-3.8
Service-Providing Sectors	41.0	37.9	-3.1	-7.6
Education & Health Services	7.8	7.2	-0.6	-7.7
Leisure & Hospitality	6.9	4.9	-2.0	-29.0
Government	9.6	8.5	-1.1	-11.5
Non-Reporting Sectors	16.7	17.3	0.6	3.6
Unemployment Rate	4.7%	6.1%		

Note: Numbers may not add to totals due to rounding.  
Source: U.S. Bureau of Labor Statistics

- The government sector declined by 1,100 jobs, or 11.5 percent, compared with the same period in 2019. All of the declines were in the state and local government subsectors, largely because of the transition to remote learning and budget shortfalls that caused furloughs and layoffs. To put the recent decline in perspective, government payrolls declined by 500 from 2009 through 2013 during the aftermath of the Great Recession.
- Approximately 600 jobs were added in the non-reporting sectors compared with the fourth quarter of 2019. This subset includes many office jobs that are easily transitioned to a telework model.
- The unemployment rate increased to 6.1 percent, compared with 4.7 percent during the fourth quarter of 2019 and a high of 9.2 percent in 2010 because of the Great Recession.

The tourism industry in the metropolitan area has been particularly hard hit by the pandemic and efforts to quell it; lodging tax revenue was down 45 percent year-over-year in the city of Wenatchee (through August 2020) and down 20 percent in Leavenworth (through September 2020; *Wenatchee World*). The city of Chelan, home to Lake Chelan, reported a 1-percent increase in lodging taxes (through September 2020), largely because of a surge in visitors during the summer months. Tens of thousands of people visit the Bavarian town of Leavenworth every year for special events and outdoor recreation. However, two of the largest attractions in the city, Oktoberfest and the Christmas Lighting Festival, were canceled in 2020 to reduce exposure to the COVID-19 virus. The economic impact of revenue and jobs lost is unknown.

During the past year, nonfarm payrolls in the Wenatchee metropolitan area fell at a faster rate than the Northwest region and nation.



Source: U.S. Bureau of Labor Statistics

Largest employers in the Wenatchee Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Stemilt Growers LLC (a)	NA	6,020
Confluence Health	Education & Health Services	3,527
Crunch Pak	Manufacturing	999

NA = not applicable.  
(a) Jobs in agricultural production are not included in nonfarm payrolls.  
Notes: Excludes local school districts.  
Source: Moody's Analytics REIS, Economy.com



## Sales Market Conditions

Sales housing market conditions in the Wenatchee metropolitan area are currently tight, with an estimated sales vacancy rate of 1.3 percent, down from 2.4 percent in 2010 when market conditions were soft. A limited supply of for-sale inventory, in conjunction with strong population and economic growth before the pandemic, resulted in increased demand for sales housing and contributed to the decline in the vacancy rate. The inventory of homes for sale has been less than 6 months (typically indicative of a balanced market) since the beginning of 2016 (Redfin, a national real estate brokerage). As of December 2020, a 0.7-month supply of homes was available for sale, compared with 2.9 months of inventory a year ago. Part of the decline in for-sale inventory is caused by a rise in the number of homes purchased as second homes and short-term rentals. However, the Chelan County Commissioner is considering changes to building and zoning codes that would limit the number of short-term rentals allowed to operate.

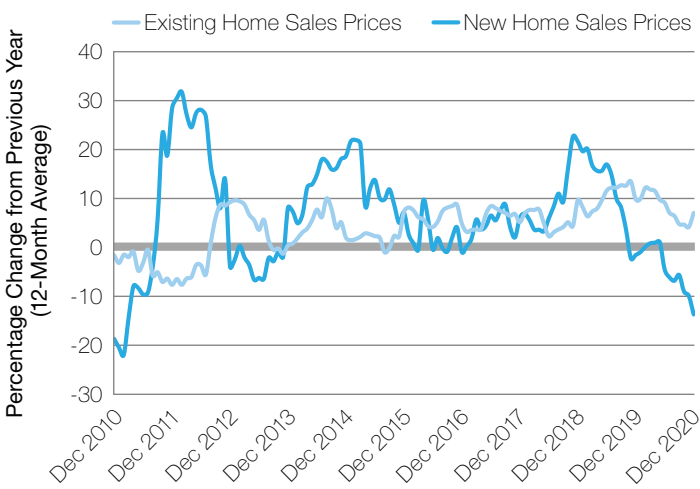
The prolonged shortage of inventory, coupled with increased demand from Seattle-area residents, has resulted in strong price growth in home sales (including new and existing homes) that averaged 7 percent annually from 2015 through 2019 (Zonda). During 2020, the average sales price was \$368,100, up 6 percent from a year ago. For context, the average sales price of a home in the Seattle metropolitan area was \$721,400 in 2020, up 11 percent from a year earlier. Supply-side constraints that supported the increased sales price growth in the metropolitan area were also partly responsible for a 12-percent decline in the number of home sales during the

past year, to 2,225. A 7-percent decline in home sales in 2019 preceded that decline, and home sales were relatively flat, averaging 2,700 annually, from 2015 through 2018.

- Approximately 2,075 existing homes were sold in the Wenatchee metropolitan area in 2020, down 13 percent from a year ago and following a 6-percent decline in 2019 (Zonda). During the same time, the average sales price increased 7 percent to \$369,100, which was preceded by a 10-percent gain in 2019.
- New home sales fell 5 percent in 2020 to 150 new homes sold, and the average sales price decreased 14 percent to \$351,200. By comparison, 160 new homes sold in 2019, while the average sales price decreased 2 percent.
- In the Wenatchee metropolitan area, 41 percent of homes sold during the fourth quarter of 2020 sold above the list price, compared with 24 percent a year ago. The average number of days on the market declined from 43 to 12 (Redfin, a national real estate brokerage).
- In November 2020, 2.0 percent of home loans in the Wenatchee metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status; that rate was up from 0.4 percent in February 2020, before the pandemic. By comparison, that rate had reached a high of 3.6 percent during the aftermath of the Great Recession in 2012 (CoreLogic, Inc.).

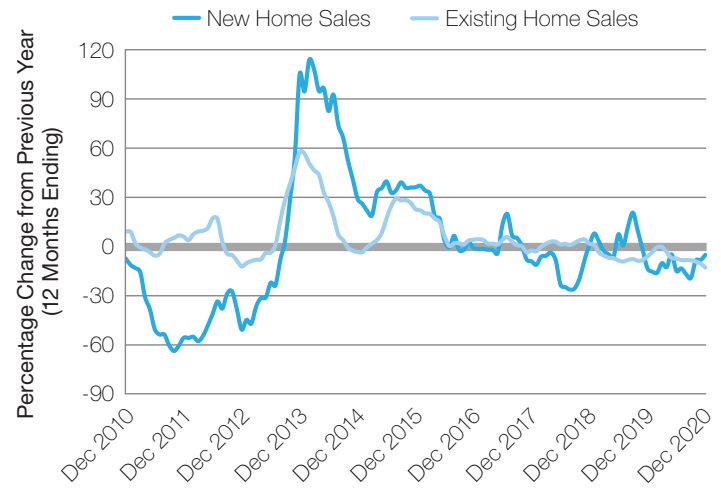
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**In the Wenatchee metropolitan area, new home sales prices declined during the latter part of 2020, whereas existing home sales price growth accelerated.**



Note: Includes single-family homes, townhomes, and condominiums. Source: Zonda

**New and existing home sales in the Wenatchee metropolitan area have been declining since the end of 2019.**



Note: Includes single-family homes, townhomes, and condominiums. Source: Zonda

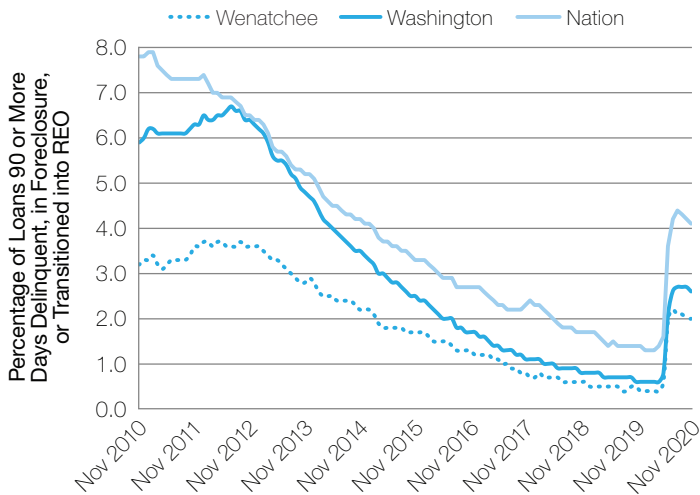


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New home construction, as measured by the number of single-family homes permitted, increased steadily from 2011 through 2019. The COVID-19 pandemic disrupted many supply chains, causing labor and materials shortages, and new home construction fell 13 percent in 2020 to 550 homes permitted (preliminary data).

- Current new home production is significantly higher than the average of 300 homes permitted annually from 2009 through 2012, during the worst of the housing market crisis, but below the average of 820 homes permitted each year from 2005 through 2007 during the build-up to the national recession.
- The subdivision with the most new home sales in the metropolitan area in 2020 was the Vineyard District, part

The percentage of seriously delinquent home loans and REO properties in the Wenatchee metropolitan area has been consistently below the rate for the state and the nation.

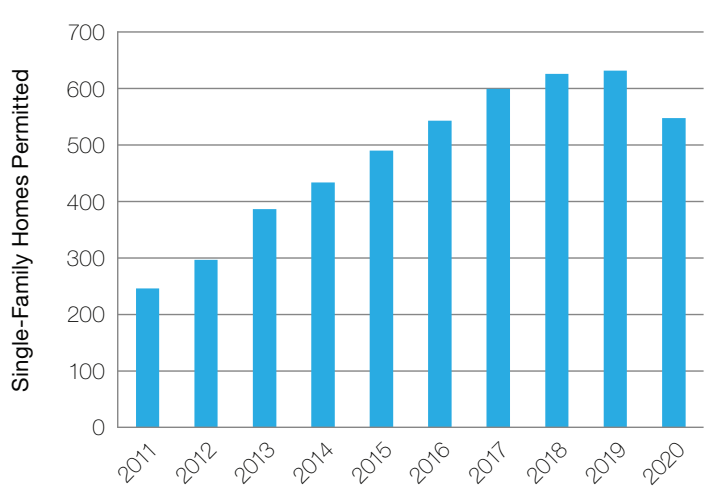


REO = real estate owned.  
Source: CoreLogic, Inc.

of the Lookout at Lake Chelan development. Twenty new homes sold with a median sales price of \$237,500 (Zonda); data are unavailable, but current codes allow many of them to be purchased and used as short-term vacation rentals.

- The Chelan County Commissioner is considering restricting the number of non-owner-occupied vacation rentals throughout the county with a lottery system. Currently, the county has formed a task force to determine appropriate restrictions; no decision has been made. Countywide, short-term vacation rentals make up approximately 7 percent of the housing stock, but that rate is nearly 16 percent in Leavenworth (*The Seattle Times*).

New home construction in the Wenatchee metropolitan area declined in 2020 after increasing every year since 2010, largely in response to the pandemic and efforts to contain the spread of COVID-19.



Note: Includes preliminary data from January 2020 through December 2020.  
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

## Rental Market Conditions

Rental market conditions are currently tight, with a 3.7-percent vacancy rate, down from 6.5 percent in 2010 when conditions were soft, the result of elevated net in-migration combined with limited multifamily construction. Approximately 39 percent of renter households in the metropolitan area live in single-family homes, compared with 45 percent in 2015 (2015 and 2019 American Community Survey 1-year data). Part of the decline in renter-occupied single-family homes is due to increased apartment construction beginning in 2013. Also, short-term vacation rentals have become increasingly popular, reducing the number of single-family homes available for rent to year-round residents.

- The vacancy rate for professionally managed single-family rentals was 2.2 percent in December 2020, up from 1.9 percent a year ago (CoreLogic, Inc.). During the same time, the average rent for two- and three-bedroom homes was \$1,842 and \$2,116, respectively, up 8 and 12 percent.
- The single-family rental vacancy rate has been less than 2.5 percent since at least 2012 (beginning of data series). From 2013 through 2019, average rents for two- and three-bedroom single-family homes increased at average annual rates of 8 and 7 percent, respectively.

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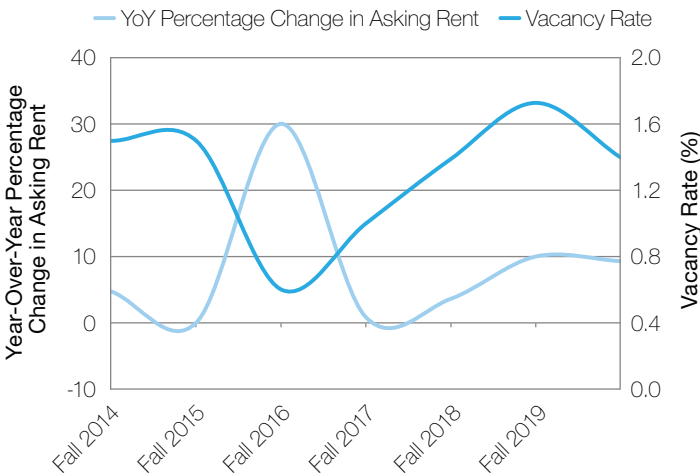


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- Apartment market conditions are very tight, with a 1.4-percent vacancy rate in the fall of 2020 compared with 1.7 percent a year earlier; average rents increased 9 percent year-over-year to \$1,308 (University of Washington-Center for Real Estate Research). By comparison, rents increased at an average annual rate of 9 percent from 2014 through 2019, whereas the vacancy rate remained less than 2.0 percent.
- Short-term rentals in unincorporated areas of Chelan County (those that would be subject to the regulations discussed in the sales section of this report) totaled 76 in 2014 and increased to 1,200 in 2020 (*Wenatchee World*). The city of Wenatchee loosened zoning regulation in 2018 to allow for increased density; the program has resulted in an increase in permitting for accessory dwelling units (ADUs).

Apartment construction, as measured by the number of multifamily units permitted, has generally increased since 2011, when no multifamily units were permitted, although construction fell in 2020, largely because of pandemic-induced obstacles in the construction supply chain that have driven up labor and materials costs.

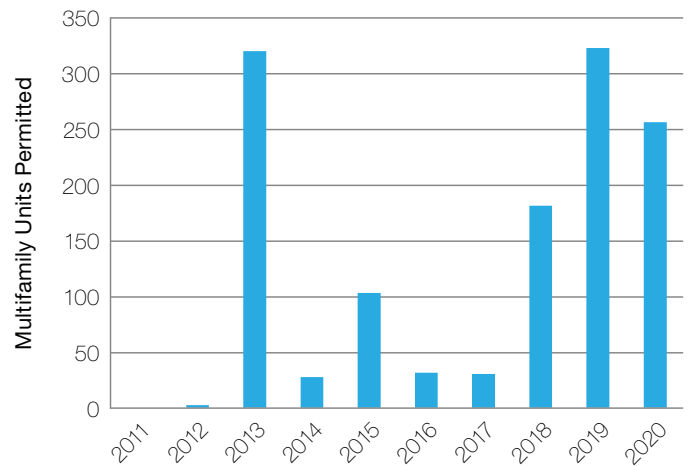
Rent growth in the Wenatchee metropolitan area has been volatile, whereas the vacancy rate has toggled between 0.6 and 1.7 percent since 2014.



YoY = year-over-year.  
Source: University of Washington - Washington Center for Real Estate Research

- In 2020, apartment construction totaled 260 units, down 20 percent from the 320 units permitted in 2019 (preliminary data).
- Apartment construction in the metropolitan area has fluctuated since no units were permitted in 2011. However, the spikes in 2013 and 2019 represent the highest level of multifamily permitting since 2007, before the Great Recession.
- In 2018, no ADUs were permitted in the city of Wenatchee, and that number increased to 3 in 2019 and 9 in 2020 through October (*Wenatchee World*).
- An estimated 260 multifamily units were under construction in the metropolitan area as of January 1, 2021. One of the largest and most recent developments completed in the metropolitan area is the 96-unit Maryhill Apartments in East Wenatchee, which opened in October 2020. The development has two- and three-bedroom units with respective monthly rents starting at \$1,770 and \$2,025.

Apartment construction in the Wenatchee metropolitan area has fluctuated but generally increased since zero units were permitted in 2011.



Note: Includes preliminary data from January 2020 through December 2020.  
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

