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).

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

<table>
<thead>
<tr>
<th>Name of Employer</th>
<th>Nonfarm Payroll Sector</th>
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<tbody>
<tr>
<td>Stemilt Growers LLC (a)</td>
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<td>6,020</td>
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<td>Confluence Health</td>
<td>Education &amp; Health Services</td>
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</tr>
<tr>
<td>Crunch Pak</td>
<td>Manufacturing</td>
<td>999</td>
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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.

## Largest employers in the Wenatchee Metropolitan Area

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**Notes:**

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

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**Source:** U.S. Bureau of Labor Statistics
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.).

The average number of days on the market declined from 43 to 12 (Redfin, a national real estate brokerage).
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 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).

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.

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.
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).

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.

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.

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.

<table>
<thead>
<tr>
<th>YoY Percentage Change in Asking Rent</th>
<th>Vacancy Rate</th>
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<tr>
<td>Year-Over-Year Percentage Change in Asking Rent</td>
<td>Vacancy Rate (%)</td>
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<tr>
<td>Fall 2014</td>
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<td>YoY = year-over-year.</td>
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