The CURRENT MARKET HOUSING SITUATION- RICHLAND- KENNEWICK- PASCO, WASHINGTON, HOUSING MARKET AREA

as of June 1, 1974

A Report by the
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D.C. 20411
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Foreword

This current housing situation report has been prepared for the assistance and guidance of the Department of Housing and Urban Development in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing problems and trends. The report does not purport to make determinations with respect to the acceptability of any particular mortgage insurance proposals that may be under consideration in the subject locality.

The factual framework for this analysis was developed by staff economist John Taylor on the basis of information available from both local and national sources. Subsequent market developments may, of course, occasion modifications in the conclusions of this report. The prospective demand estimates suggested in the report are based upon an evaluation of the factors available as of June 1, 1974. They should not be construed as forecasts of building activity, but rather as estimates of the prospective housing production which would maintain a reasonable balance in demand-supply relationships under conditions analyzed for the June 1, 1974 date.

Department of Housing and Urban Development
Economic and Market Analysis Division
Seattle Area Office

The Current Housing Market Situation
Richland-Kennewick-Pasco, Washington, Housing Market Area
As of June 1, 1974

The Richland-Kennewick-Pasco Housing Market Area (HMA) is defined as Benton and Franklin Counties, Washington. The area is often referred to as the "Tri-Cities".

Demand for New Housing

It is estimated that there will be demand for an average of 1,175 new nonsubsidized housing units per year in the Richland-Kennewick-Pasco HMA over the next two years. Best absorption of these units would be achieved if 750 sales housing units (including condominiums) and 425 rental units in multifamily structures were built annually (see table I). In addition, there is expected to be demand for 300 new mobile homes in each of the next two years.

The total demand estimate is slightly above the level of construction during 1972 and 1973 but below the building rate during the first five months of 1974, expressed as an annual rate (see table VI). The distribution between sales and rental housing, however, differs significantly from recent building activity. Demand for single-family houses is expected to account for the major portion of demand once more, assuming that there may be lower interest rates and greater supply of construction funds. New home construction has lagged behind the rapid increase in demand in recent months, and is expected to catch up over the next two years as housing market conditions and household growth patterns stabilize. Demand for new rentals will thus be lower than recent construction trends as families switch to single-family houses. This decrease in demand will be particularly noticeable in two-bedroom apartments, which have comprised a disproportionate share of recent rental construction.

Basic Assumptions

The foregoing demand estimates are based on the following assumptions:

1. Total employment is expected to grow by about 1,125 jobs per year (2.7 percent) to a total of 42,000 by mid-1976. This growth rate is greater than state and national employment projections because of the large investment under way in agricultural irrigation and production, and nuclear power production and research in the HMA. A significant portion of the increase will occur in construction, with chemicals, business services, food processing and trade contributing as well. Resident civilian labor force is expected to reach 45,000 by mid-1976 (a 2.2 percent annual increase). The unemployment rate is expected to drop slowly to about 6.5 percent during the same period.

2. Total HMA population is expected to increase by about 2,800 in each of the next two years to a June 1976 total of 107,250. This growth rate continues that of the last year, but it is considerably above the growth rate between 1970 and 1972.

   Households are estimated to number 34,100 by June 1976, an annual average gain of 1,125 (3.4 percent). Average household size will continue its slow long-term decline (see table IV).

3. Median family income grew over 17 percent during the last two years to a current estimate of $13,600. Median income of two-or more-person renter households is now estimated to be $11,400. (see table III).

4. Losses from the housing stock through demolition, fire and other causes will average about 275 units per year during the forecast period.

5. Total vacant housing units have decreased to about 960 from 1,350 two years ago (see table V). Available vacant units number 550 of which 175 are available for sale (a 0.8 percent sales vacancy rate) and 375 are available for rent (a 3.5 percent rental vacancy rate). The housing demand estimate provides for an increase in vacancies to a level consistent with a balanced housing market.

Current Economic Conditions

The economy of the Tri-Cities has experienced a boom of considerable proportions during the last 15 months. The primary sources of employment growth have been steady increase in jobs at the AEC Hanford Work (both in research and construction) since March 1973, construction of the Washington Public Power Supply System (WPPSS) nuclear power plant #2, and development of irrigated agricultural lands in the area.

Prospects for future employment growth appear good. Renewed interest in energy production technology has rekindled research activities at Hanford and private research complexes in the area. The "N" reactor is scheduled to remain in operation through Fiscal Year 1977, removing the threat of employment losses from that source. Another WPPSS power plant (#1), a replacement for the "N" reactor, is expected to begin construction in 1975. Development of irrigated land in the area is expected to continue. The increased agricultural production may eventually lead to new food processing plants in the HMA although none has been announced at this time.

There is considerable local expectation that nuclear power and irrigation projects planned and under way in the Boardman-Hermiston, Oregon, area 40 miles south of the Tri-Cities will have a significant impact on the local economy and housing market. Although some spillover can be expected, it appears that most workers connected with the Oregon projects will be housed in nearby Oregon communities, in part because of the right housing market in the HMA. The Tri-Cities should benefit commerically, however, because of the relatively extensive shopping facilities in the area.

The Housing Market as of June 1, 1974

Sales Market. The sales market has become very tight in the last 8 to 12 months as new construction has lagged behind increased demand. Existing houses are selling after only very brief periods of market exposure and prices have risen drastically in the last year, as much as $10,000 per house. Listings are down as families wishing to upgrade either cannot afford the prevailing high interest rates or cannot find new houses. Also, retirees are increasingly choosing to remain in the area which has decreased turnover in the market. The limited availability of construction funds has held back new home construction, most of which has gone to satisfy the demands of in-migrants. New home prices are very high. Although most new construction is priced over $35,000, absorption has been best for houses priced between $25,000 and $40,000. In part, the high prices are the result of construction cost increases but the pressures of a tight market have contributed as well. Building activity has continued to concentrate in Richland and Kennewick.

The condominium market, on the other hand, continues to suffer from slow absorption. In part, the problem results from trying to build for young families. It is clear, however, that the condominium concept has yet to be completely accepted in this market area.

Rental Market. The rental market swung quickly from over-production as recently as October 1973 to shortage as of June 1974. A great part of this turnaround was the result of construction activity at Hanford and the inability of new home construction to keep pace with demand.

Although employment began rising rapidly in early 1973, excess supply in the rental market delayed the impact on this market until late fall. Rents have increased considerably, largely in response to what the traffic will bear. Typical shelter rents for one- and two-bedroom apartments are $150-$165 and $185-195, respectively. The impending serious over-production of two-bedroom units identified by an FHA rental absorption survey in October 1973 was prevented by the tight market but one- and three-bedroom units are still in greatest relative demand. Any improvement in the availability of sales housing will likely be accompanied by a flow out of apartments in general and two-bedroom units in particular.

Table I

Estimated Annual Demand for New Nonsubsidized Housing
Richland-Kennewick-Pasco, Washington, Housing Market Area
June 1, 1974 to June 1, 1976

A. Single-family houses

Price class	Number of houses	Percent of total
Under $25,000	75	10.0
$25,000 - 29,999	165	22.1
30,000 - 34,999	145	19.3
35,000 - 39,999	115	15.3
40,000 - 44,999	85	11.3
45,000 - 49,999	75	10.0
50,000 - 54,999	45	6.0
55,000 and over	45	6.0
Total	750	100.0

B. Multifamily units

Gross monthly rent	Efficiencies	One bedroom	Two bedrooms	Three or more bedrooms
Under $140	15	-	-	-
$140 - 149	10	-	-	-
150 - 159	5	-	-	-
160 - 169	5	75	-	-
170 - 179	-	45	-	-
180 - 189	-	30	-	-
190 - 199	-	20	55	-
200 - 209	-	10	30	-
210 - 219	-	10	25	-
220 - 229	-	5	15	15
230 - 239	-	5	15	5
240 - 249	-	-	10	5
250 - 259	-	-	5	-
260 - 269	-	-	5	-
270 - 279	-	-	5	-
280 and over	-	-	5	-
Total	35	200	170	25

Source: Estimated by HUD Area Office EMAD.

Table II

Resident Civilian Labor Force and Employment and Nonagricultural Wage and Salary Employment by Industry
Richland-Kennewick-Pasco, Washington, Housing Market Area
Annual Averages, 1970-1973
(in thousands)

	1970	1971	1972	1973
Resident Civilian Labor Force	40,260	41,240	41,390	42,180
Unemployment	3,520	5,020	4,210	3,750
Percent of work force	8.7	12.2	10.2	8.9
Total employment	36,740	36,220	37,180	38,430

Industry	1970	1971	1972	1973
Nonag. Wage and Salary Employment	28,890	28,240	29,130	30,260
Manufacturing	5,530	5,250	5,340	5,670
Chemical and allied prods.	3,110	2,710	2,830	2,720
Food and Kindred Prods.	1,570	1,700	1,590	1,850
Other manfacturing	850	840	920	1,100
Nonmanufacturing	23,360	22,990	23,790	24,590
Mining and miscellaneous	150	170	220	180
Contract construction	1,700	1,630	2,310	2,960
Trans., Commn., & utils.	1,820	1,850	1,810	1,800
Wholesale and retail trade	5,570	5,650	5,850	6,110
Fin., ins. and real estate	680	700	830	870
Business services	4,330	3,880	3,600	3,730
Other services	3,660	3.680	3,790	3,750
Government	5,450	5,430	5,380	5,190
Workers in labor-management disputes	0	10	30	0

1/ Employed in HMA, not necessarily residents

Source: Washington State Employment Security Department

Table III

Percentage Distribution of Families by Annual Income
Richland-Kennewick-Pasco, Washington, Housing Market Area
1969 and 1974

	1969		1974	
	All families	Renter households	All families	Renter households
Under $ 2,000	4	6	4	5
$ 2,000 - 2,999	3	4	2	3
3,000 - 3,999	5	4	2	3
4,000 - 4,999	4	6	2	4
5,000 - 5,999	4	6	3	4
6,000 - 6,999	6	7	3	5
7,000 - 7,999	6	7	4	5
8,000 - 8,999	7	9	4	6
9,000 - 9,999	7	8	4	6
10,000 - 12,499	18	19	13	17
12,500 - 14,999	13	9	15	14
15,000 - 19,999	13	10	18	13
20,000 - 24,999	6	3	9	9
25,000 and over	4	2	17	6
Total	100	100	100	100
Median	$10,450	$9,200	$13,600	$11,400

Source: HUD Area Office EMAD.

Table IV

Population and Household Trends
Richland-Kennewick-Pasco, Washington, Housing Market Area
1960-1976

Locality	April 1960	April 1970	June 1974	June 1976	Average annual changes 1960-1970 Number	Percent	1970-1974 Number	Percent	1974-1976 Number	Percent
Population										
HMA total	85,412	93,356	101,650	107,250	800	0.9	1,990	2.0	2,800	2.7
Benton County	62,070	67,540	73,600	77,800	550	0.8	1,450	2.0	2,100	2.8
Franklin County	23,342	25,816	28,050	29,450	250	1.0	540	1.9	700	2.4
Households										
HMA total	24,230	28,399	31,850	34,100	420	1.6	830	2.8	1,125	3.4
Benton County	17,485	20,520	23,100	24,750	300	1.6	620	2.8	825	3.4
Franklin County	6,745	7,879	8,750	9,350	110	1.5	210	2.5	300	3.3

Source: U. S. Census of Population and estimates by HUD Area Office EMAD.

Table V

Tenure and Vacancy Trends
Richland-Kennewick-Pasco, Washington, Housing Market Area
1960-1974

	April 1, 1960	April 1, 1970	June 1, 1974
Total housing inventory	26,371	29,971	32,800
Total occupied units	24,230	28,399	31,850
Owner occupied	16,602	19,578	21,675
Percent of total	68.5	68.9	68.0
Renter occupied	7,628	8,821	10,175
Percent of total	31.5	31.1	32.0
Total vacant	2,141	1,572	950
Available vacant	1,301	995	550
For sale	313	240	175
Sales vacancy rate	1.9	1.2	0.8
For rent	988	755	375
Rental vacancy rate	11.5	7.9	3.5
Other vacant	840	577	400

Source: U. S. Census of Housing and estimates by HUD Area EMAD.

Table VI

Housing Units Authorized by Building Permits
Richland-Kennewick-Pasco, Washington, Housing Market Area

1967-1974

	1967	1968	1969	1970	1971	1972	1973	Jan.-Apr. 1974
HMA total	690	722	314	447	570	1,111	1,003	524
Single-family	281	404	253	306e/	351a/	501	470	342
Multifamily	409	318	61	141	219	610	538	182
Benton County total	341	515	229	240	408	949	931	461
Single-family	192	329	198	205	245	401	405	293
Multifamily	149	186	31	35	163	548	526e	168
Richland	133	241	78	68	162	216	338	173
Single-family	82	89	59	45	61	129	174	91
Multifamily	51	152	19	23	101	87	164	82
Kennewick	79	59	25	72	84	328	383	141
Single-family	13	47	25	68	36	59	51	81
Multifamily	66	12	0	4	48	269	332	60
Other towns	9	71	27	13	18	15	10	10
Single-family	9	59	19	13	18	15	10	10
Multifamily	0	12	8	0	0	0	0	0
Benton County Uninc. area.	120	144	99	87	144	390	200	137
Single-family	88	134	95	79	130	198	170	111
Multifamily	32	10	4	8	14	192	30	26
Franklin County total	349	207	85	207	162	162	72e	43
Single-family	89	75	55	101	106	100	60e	29
Multifamily	260	132	30	106	56	62	12e	14
Pasco	268	122	12	104	50	46	11	4
Single-family	10	7	7	22	18	14	1	0
Multifamily	258b/	115c/	5	82d/	32	32	10	4
Other towns	4	3	48	22	36	23e	5e	5e
Single-family	4	3	23	22	12	23	5	5
Multifamily	0	0	25	0	24	0	0	0
Franklin County Uninc. area	77	82	25	81	76	93	56	34
Single-family	75	65	25	57	76	63	54	24
Multifamily	2	17	0	24	0	30	2	10

e Estimated.
a/ Includes 123 units of Section 235 housing.
b/ Includes 100 units of public housing and 104 units of rent supplement housing.
c/ Includes 43 units of public housing.
d/ Includes 20 units of public housing and 54 units of Section 236 housing.
e/ Includes 109 units of Section 235 housing.

Sources: Bureau of the Census C-40 Construction Reports, local building permit issuing offices, and estimates by HUD Area Office.

DATE	ISSUED TO

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