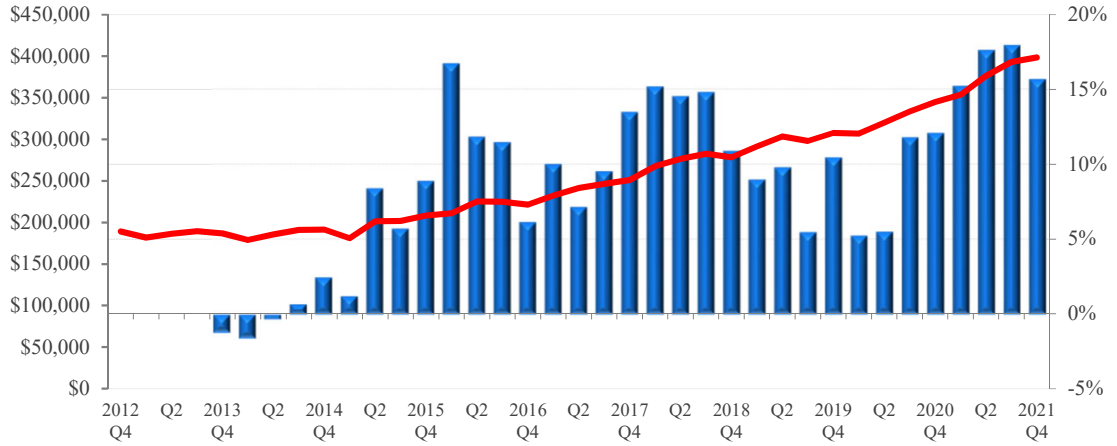
Kennewick-Richland Area

Local Market Report, Fourth Quarter 2021

reflecting the impact of COVID-19 on the local economy

Today's Market…

Median Price (Red Line) and One-year Price Growth



Local Price Trends			
Price Activity	**Kennewick**	**U.S.**	**Local Trend**
Current Median Home Price (2021 Q4)	$398,500	$353,800	Prices continue to grow relative to last year
1-year (4-quarter) Appreciation (2021 Q4)	15.6%	13.8%	
3-year (12-quarter) Appreciation (2021 Q4)	43.1%	38.3%	
3-year (12-quarter) Housing Equity Gain*	$120,100	$98,067	Gains in the last 3 years have extended the trend of positive price growth after the recession
7-year (28 quarters) Housing Equity Gain*	$207,000	$146,167	
9-year (36 quarters) Housing Equity Gain*	$209,300	$174,967	
*Note: Equity gain reflects price appreciation only			

	Kennewick	**U.S.**	
Conforming Loan Limit**	$647,200	$765,600	Most buyers in this market have access to government-backed financing
FHA Loan Limit	$420,680	$765,600	
Local Median to Conforming Limit Ratio	62%	not comparable	
Note: limits are current and include the changes made on January 1st 2022.			

Local NAR Leadership

The Kennewick-Richland market is part of region 12 in the NAR governance system, which includes all of Montana, Idaho, Washington, Oregon, and Alaska. The 2022 NAR Regional Vice President representing region 12 is Dale Chumbley.

Benefits of Ownership:
Total Equity Appreciation

Total Equity Accrued to Owner by Year and Quarter of Purchase

Total Equity Gained** through 2021 Q4 from quarter in which home was of purchased			
Price Activity	**Kennewick**	**U.S.**	**Local Trend**
1-year (4-quarter)	$60,676	$48,965	
3-year (12-quarter)*	$132,419	$109,264	Price appreciation and principle payments in the last 3 years have boosted total equity growth since the recession
5-year (20-quarter)*	$196,968	$140,475	
7-year (28 quarters)*	$231,382	$172,064	
9-year (36 quarters)*	$244,097	$207,324	

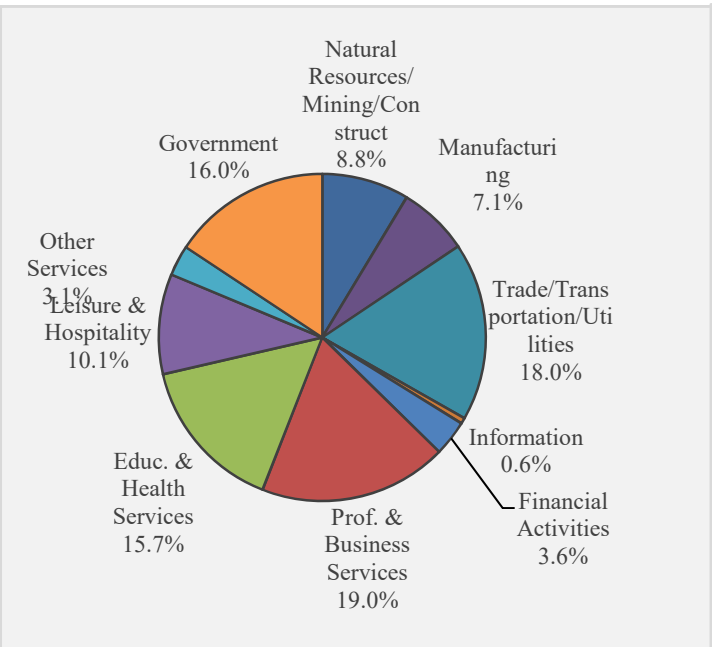
*Note: Equity gain reflects price and principle payments since purchase, prevailing 30-year fixed rate mortgage at time of purchase and a 10% downpayment. Downpayment is not included in total equity

Drivers of Local Supply and Demand…

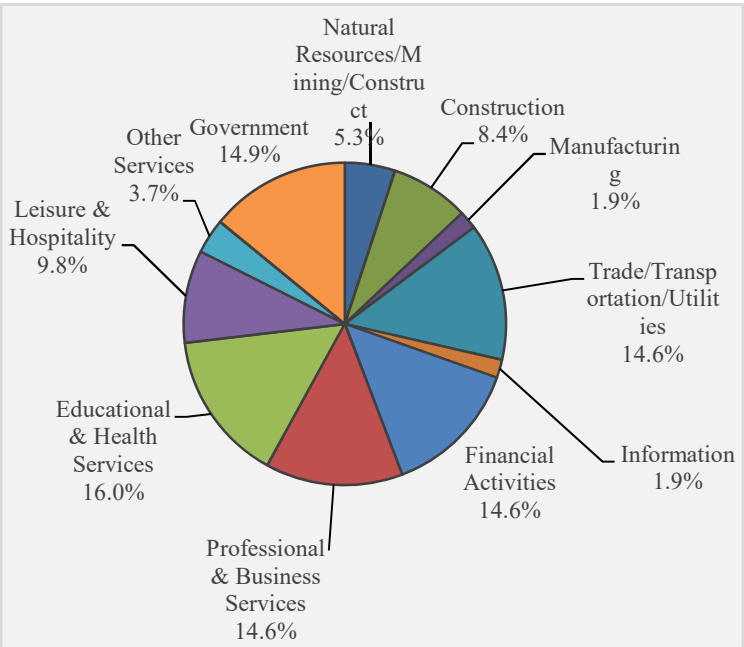
Local Economic Outlook	Kennewick	U.S.	
12-month Job Change (Dec)	7,200	Not Comparable	Employment has held up and is on an upward trend
12-month Job Change (Nov)	5,100	Not Comparable	
36-month Job Change (Dec)	4,000	Not Comparable	Kennewick's unemployment situation is worse than the national average and weighs on confidence
Current Unemployment Rate (Dec)		3.9%	
Year-ago Unemployment Rate	7.0%	6.7%	Local employment growth is strong compared to other markets
1-year (12 month) Job Growth Rate	6.4%	3.6%	

Share of Total Employment by Industry

Kennewick-Richland Area



U.S.

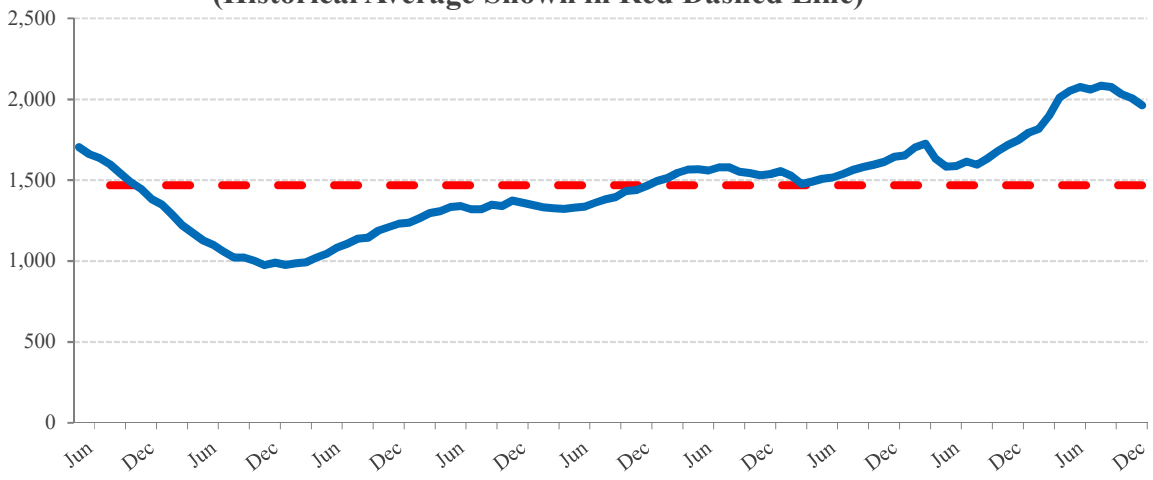


12-month Employment Change by Industry (Dec - 2021)			
Goods Producing	NA	Information	100
Natural Resources/Mining/Construction	0	Financial Activities	300
Natural Resources and Mining	NA	Prof. & Business Services	600
Construction	NA	Educ. & Health Services	0
Manufacturing	700	Leisure & Hospitality	2,700
Service Providing Excluding Government	NA	Other Services	100
Trade/Transportation/Utilities	800	Government	1,300

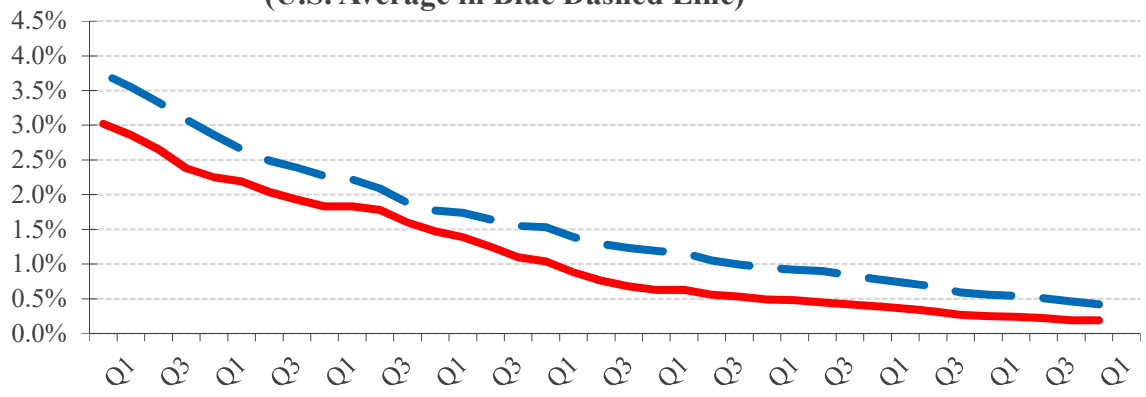
State Economic Activity Index	Washington	U.S.	
12-month change (2021 - Dec)	9.6%	6.2%	The economy of Washington has outpaced the rest of the nation and improved modestly from last month's 9.48% change
36-month change (2021 - Dec)	NA	4.1%	

New Housing Construction			
Local Fundamentals	**Kennewick**	**U.S.**	
12-month Sum of 1-unit Building Permits through Dec	1,964	not comparable	The current level of construction is 33.8% above the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	1,468	not comparable	Production above trend for an extended period of time could cause prices to moderate as inventory is built up.
Single-Family Housing Permits (Dec) 12-month sum vs. a year ago	12.4%	13.9%	Construction is on the rise relative to last year, suggesting that the local inventory has stabilized

Construction: 12-month Sum of Local Housing Permits
(Historical Average Shown in Red Dashed Line)

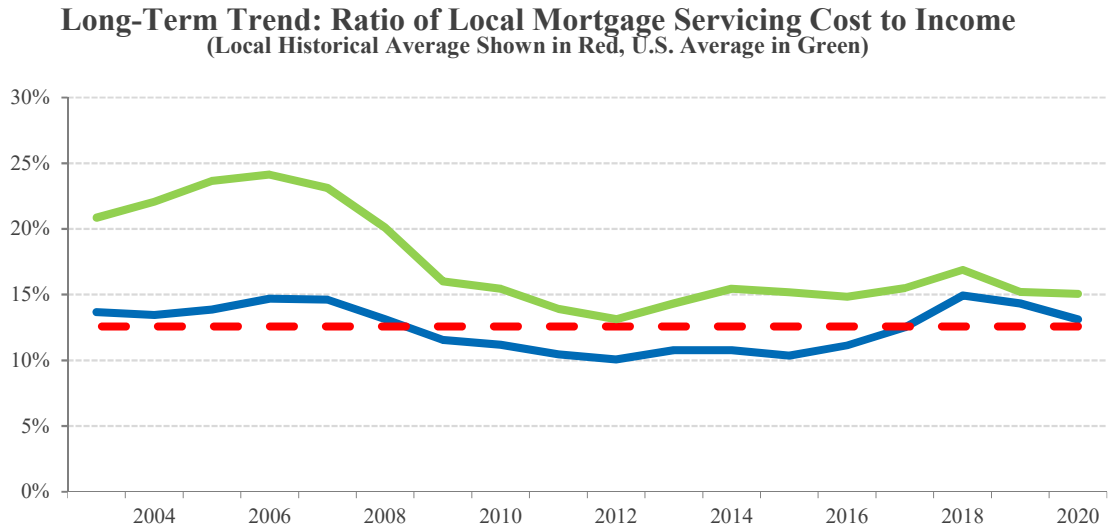


State Total Foreclosure Rate vs. U.S Average
(U.S. Average in Blue Dashed Line)

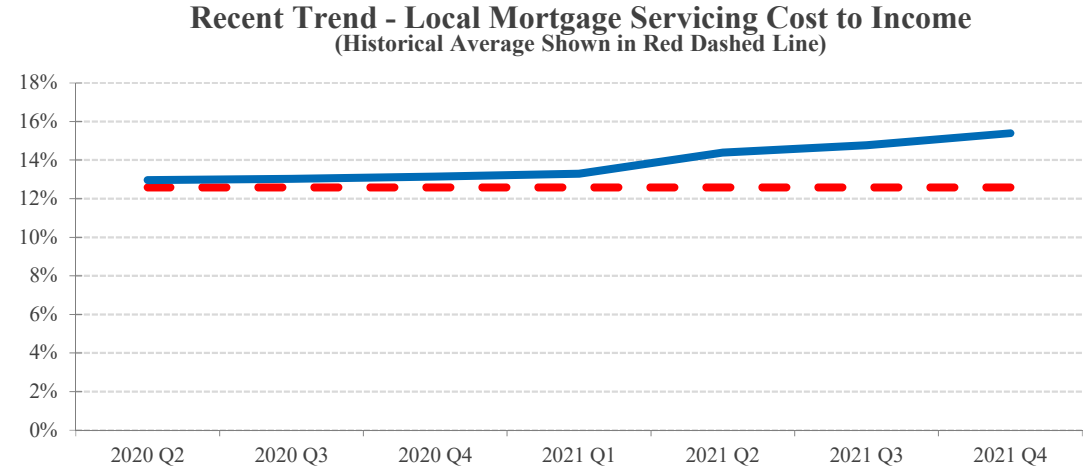


Source: Mortgage Bankers' Association

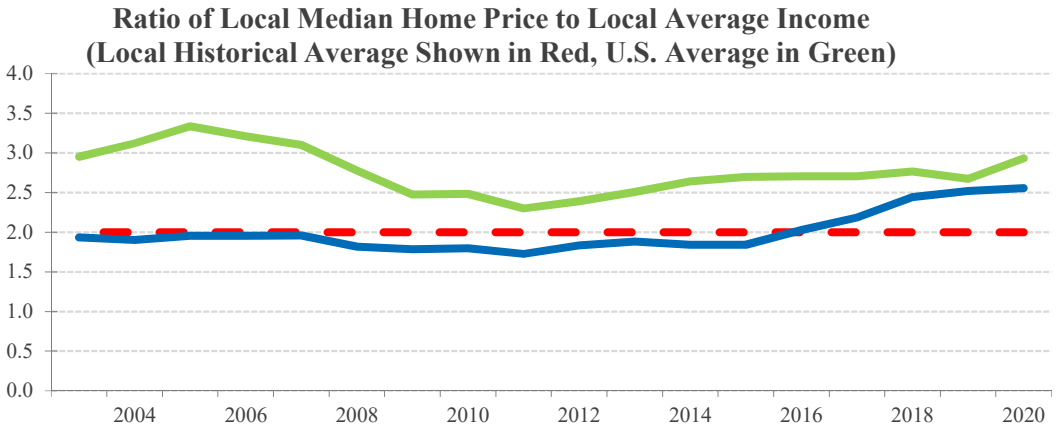
Affordability



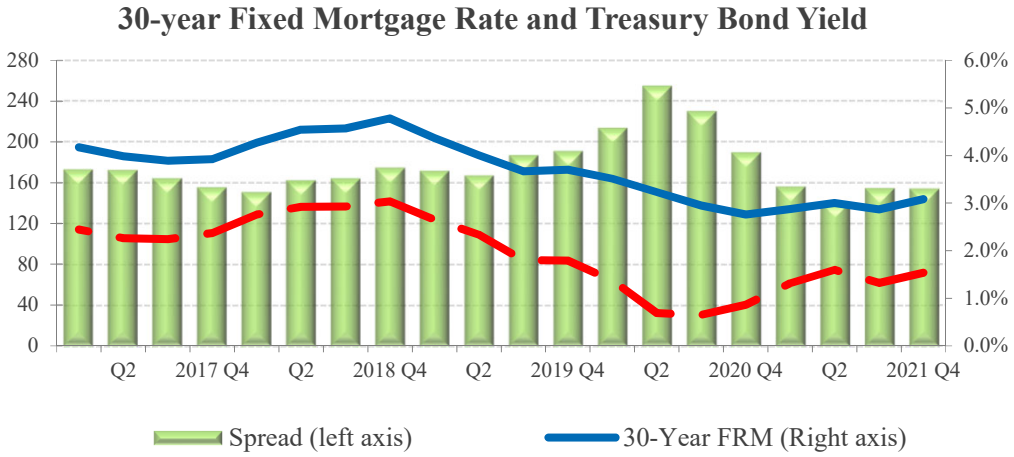
Monthly Mortgage Payment to Income	Kennewick	U.S.	
Ratio for 2021	14.5%	16.7%	Weak by local standards and could weigh on demand
Ratio for 2021 Q4	15.4%	16.3%	
Historical Average	12.6%	18.1%	More affordable than most markets



Median Home Price to Income	Kennewick	U.S.	
Ratio for 2021	2.9	3.3	The price-to-income ratio is high by historic standards and getting worse
Ratio for 2021 Q4	3.0	3.2	
Historical Average	2.0	2.7	Affordable compared to most markets

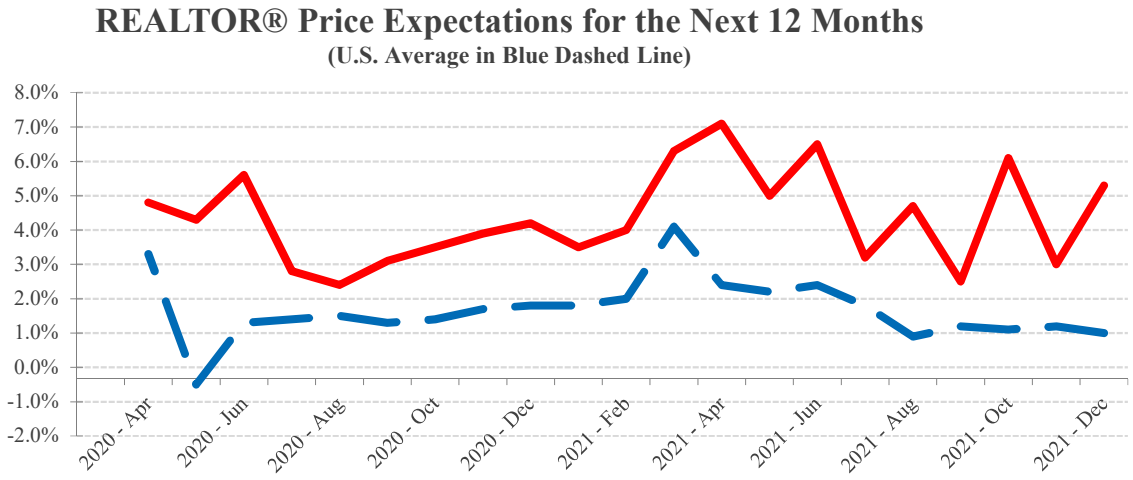


The Mortgage Market



At the end of year, mortgage rates continued to remain near 3 percent as investors were concerned about the impact of Omicron variant on the economy. Nevertheless, rates were higher than a year ago. According to the mortgage finance provider Freddie Mac, the 30-year fixed mortgage rate rose to 3.08 percent in Q4 2021 from 2.76 percent a year earlier. Meanwhile, the outlook is for mortgage rates to rise even further. With elevated inflation, the Fed will likely raise short-term interest rates as soon as March. Although the Fed doesn't set up mortgage rates, Fed's actions have a ripple effect. A higher rate for banks tends to make borrowing more expensive for consumers affecting eventually long-term interest rates (such as 10-year Treasury bond). While mortgage rates typically follow the trend of the 10-year Treasury yield, the rate on the conventional 30-year mortgage also tends to rise. As a result, mortgage rates will move up in the first quarter of 2022. NAR forecasts the 30-year fixed mortgage rate to hover around 4.5 percent in mid-2022.

REALTOR® Price Expectations



Source: NAR

REALTOR® Price Expectations	Washington	U.S.	
2021 - Dec	5.2%	3.5%	REALTORS® expect higher price growth in Washington than in the U.S. in the next 12 months. Their price expectations are also higher than a year ago.
Prior 12 months	4.0%	2.0%	

Geographic Coverage for this Report

The Kennewick area referred to in this report covers the geographic area of the Kennewick-Richland metro area as officially defined by the Office of Management and Budget of the U.S. Government. The official coverage area includes the following counties:

Benton County and Franklin County

More information on the OMB's geographic definitions can be found at https://obamawhitehouse.archives.gov/omb/bulletins_default/