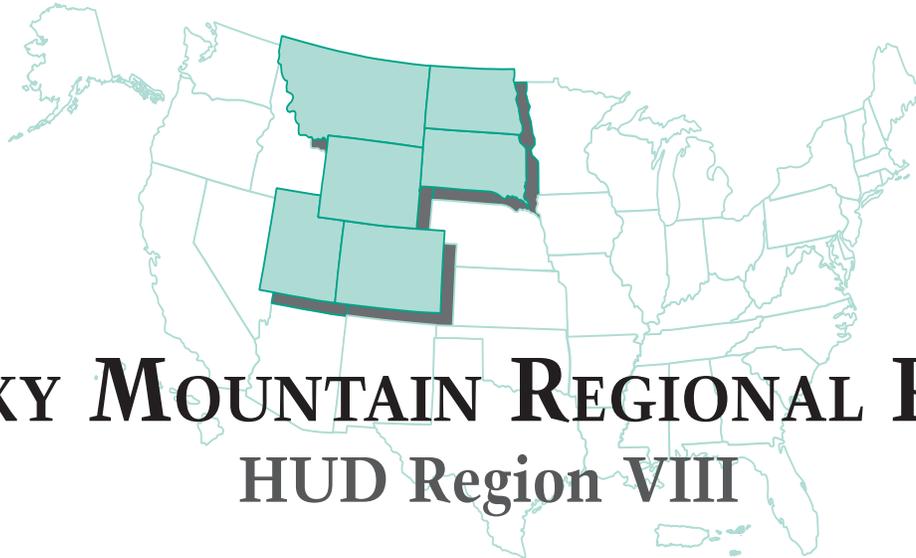


1st Quarter 2012



U.S. Housing Market Conditions



ROCKY MOUNTAIN REGIONAL REPORT HUD Region VIII

1st Quarter Activity

The following summary of the Rocky Mountain region's housing market conditions and activities has been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The report provides overviews of economic and housing market trends within the Rocky Mountain region. The report is based on information obtained by HUD economists from state and local governments, from housing industry sources, and from their ongoing investigations of housing market conditions carried out in support of HUD's programs.

The economy of the Rocky Mountain region continued to expand in the first quarter of 2012, and the pace of job growth increased during the past year. During the 12 months ending March 2012, nonfarm payrolls in the region averaged approximately 5 million jobs, an increase of 89,700 jobs, or 1.8 percent, from a year earlier. By comparison, payrolls increased 0.5 percent, or 25,600 jobs, during the previous 12 months. The sectors with the greatest job gains during the 12 months ending March 2012 were the professional and business services and education and health services sectors, which added 23,700 and 15,100 jobs, increases of 4.0 and 2.4 percent, respectively. In addition, the mining and logging subsector

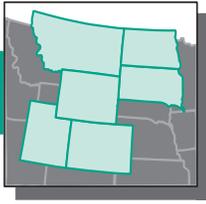
posted strong growth, adding nearly 12,000 jobs, a 13.4-percent increase. The manufacturing and the leisure and hospitality sectors added 11,000 and 9,900 jobs, increases of 3.4 and 1.8 percent, respectively. The construction subsector began to add jobs in the first quarter, after nearly 4 years of job losses, with payrolls increasing by 3,600 jobs, or 1.4 percent. Partly offsetting the recent growth in other sectors, the information sector declined by 700 jobs, or 0.6 percent, and government sector payrolls were down by 5,500 jobs, or 0.6 percent. State government subsector payrolls in the region increased by 2,700 jobs, or 1.1 percent, but federal government subsector payrolls declined by 6,500 jobs, or 4.7 percent.

North Dakota continued to have the highest rate of job growth in the region, with payrolls increasing by 20,100 jobs, or 5.3 percent. Utah, where payrolls increased by 27,700 jobs, or 2.3 percent, posted the second greatest job growth rate. North Dakota and Utah had the fastest job growth rates among all states in the nation during the 12 months ending March 2012. In North Dakota, the mining and logging subsector, which increased by 5,500 jobs, or more than 45 percent, led nonfarm payroll growth. In Utah, the professional and business services and education and health services sectors, which added 6,800 and



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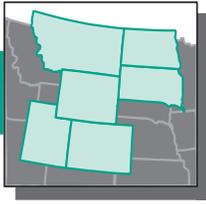
4,100 jobs, increases of 4.4 and 2.6 percent, respectively, reported the greatest gains. Total nonfarm payrolls in Colorado grew by 38,100 jobs, or 1.7 percent. The largest increases were in the professional and business services and the leisure and hospitality sectors, each of which grew more than 3 percent, gaining 11,400 and 9,300 jobs, respectively. In Wyoming and South Dakota, nonfarm payrolls grew by 2,700 and 2,200 jobs, or 1.0 and 0.5 percent, respectively. The mining and logging subsector, which added 1,800 jobs, a 7.0-percent increase, led job growth in Wyoming. In South Dakota, the manufacturing sector and the retail trade subsector, which grew by 1,800 and 1,100 jobs, or 4.8 and 2.2 percent, respectively, showed the strongest growth. In Montana, however, total nonfarm payrolls decreased by 1,200 jobs, or 0.3 percent. Private-sector payrolls grew by 3,700 jobs, or 1.1 percent, but the government sector declined by 4,900 jobs, or 5.4 percent. During the 12 months ending March 2012, the unemployment rate for the Rocky Mountain region averaged 6.8 percent, down from 7.6 percent a year earlier. Unemployment rates decreased for every state in the region and ranged from 3.4 percent in North Dakota to 8.1 percent in Colorado. In addition, every state in the region had an unemployment rate of less than the 8.7-percent national average.

Despite continued job growth and low mortgage interest rates, sales housing markets in the Rocky Mountain region remain soft, but signs point to improvement. Based on data from CoreLogic®, the number of existing homes sold in the region during the 12 months ending February 2012 was essentially unchanged from a year earlier, at approximately 148,200 homes. Existing home sales remain below the peak levels achieved from 2004 through 2007, when existing home sales averaged more than 240,000 a year. Sales of existing homes in Colorado, Utah, and South Dakota were down 1, 2, and 28 percent, to 77,400, 40,300, and 1,800 homes sold, respectively, but sales in Montana, North Dakota, and Wyoming were up 1, 11, and 16 percent, to 11,900, 11,700, and 5,100 homes sold, respectively. During the 12 months ending February 2012, the average existing home sales price in the region decreased 1 percent compared with sales prices a year earlier, to approximately \$226,700. Whereas the average regular sales price of existing homes remained relatively unchanged at \$246,700, the average sales price of REO (Real Estate Owned) homes declined nearly 8 percent, to \$164,800. Utah, where the average existing home sales price decreased 4 percent, to \$218,900, had the largest price decline in the region. In Wyoming and Montana, prices were down 1 and 3 percent, to \$229,300 and \$207,500, respectively. In North Dakota and South Dakota, however, average prices increased 4 and 3 percent, to \$153,300 and \$146,000, respectively. The average sales price in Colorado remained unchanged at \$246,400. The share of home sales consisting of REO transactions and short sales, which increased during the past 5 years, accounted for 29 percent of all existing home sales in the region during the 12 months ending February 2012. By comparison, REO and

short sales represented less than 6 percent of existing home sales from 2001 through 2006. As a sign of improvement, the rate of distressed home loans in the region declined during the past 12 months. Based on data from LPS Applied Analytics, in March 2012, 4.2 percent of mortgages were 90 or more days delinquent, in foreclosure, or in REO, down from 4.7 percent a year earlier. Within the region, distressed mortgage rates ranged from 2.0 percent in North Dakota to 5.4 percent in Utah, but every state in the region had a rate less than the 7.8-percent national average.

Existing home sales prices declined in many of the largest metropolitan areas in the Rocky Mountain region, but the volume of home sales increased in some areas. Based on data from CoreLogic®, during the 12 months ending February 2012, existing home sales in the Denver-Aurora-Broomfield metropolitan area were up 3 percent from a year earlier, to approximately 39,600 homes sold, but the average price declined 1 percent, to about \$244,300. In the Colorado Springs and Fort Collins-Loveland metropolitan areas, existing home sales were down 6 and 3 percent, to 9,100 and 5,000 homes sold, respectively. The average home price declined 2 percent, to \$201,300, in Colorado Springs but rose nearly 1 percent, to \$241,200, in Fort Collins-Loveland. Prices fell 4 percent in each of the three largest metropolitan areas of Utah—Salt Lake City, Provo-Orem, and Ogden-Clearfield—to approximately \$241,100, \$213,600, and \$193,100, respectively. In Provo-Orem and Ogden-Clearfield, existing home sales were down 1 and 13 percent, to 6,900 and 7,000 homes sold, respectively, but in Salt Lake City, existing home sales were nearly unchanged at 18,000 homes sold. Sales declined in the northern states of the region, but prices increased in many areas. In Fargo and Missoula, existing home sales were down 5 and 4 percent, to 3,000 and 1,300 homes sold, respectively, but in Cheyenne, existing home sales were unchanged from a year earlier, at 1,700 homes sold. During the 12 months ending February 2012, the average sales prices of existing homes in Fargo, Missoula, and Cheyenne were up 6, 3, and 1 percent from a year earlier, to approximately \$167,800, \$232,800, and \$194,700, respectively.

Single-family home construction activity in the Rocky Mountain region increased in the past 12 months but remains below the level of 5 years ago because of the soft home sales market. Based on preliminary data, during the 12 months ending February 2012, single-family construction, as measured by the number of building permits issued, was up nearly 8 percent from a year earlier, to approximately 20,800 homes. By comparison, single-family construction in the region averaged nearly 67,000 homes a year from 2004 through 2007. Whereas homebuilding in Montana and South Dakota declined 6 and 5 percent, to 1,100 and 1,600 homes permitted, respectively, single-family construction in Wyoming and Utah increased 7 percent each, to 1,300 and 6,400 homes permitted, respectively. In addition, construction



in Colorado and North Dakota was up 9 and 27 percent, to approximately 8,400 and 2,000 homes permitted, respectively. Multifamily construction activity posted strong growth in the past 12 months, increasing in every state in the region. Based on preliminary data, during the 12 months ending February 2012, approximately 12,200 multifamily units were permitted in the region, a 55-percent increase from the previous 12 months. In South Dakota and Montana, multifamily construction was up 14 and 15 percent, to approximately 800 and 700 units, respectively, and in Wyoming, North Dakota, Utah, and Colorado, multifamily construction increased 45, 52, 57, and 76 percent from a year earlier, to 600, 2,200, 3,400, and 4,600 units permitted.

Despite the increased multifamily construction, rental housing markets tightened during the past 12 months, and conditions currently range from balanced to tight. Based on data from *Apartment Insights*, in the first quarter of 2012, the Denver-Aurora-Broomfield apartment market was somewhat tight, with a 5.4-percent vacancy rate, and the Boulder and Fort Collins-Loveland markets were tight, with 3.8-percent apartment vacancy rates in each. In all three areas, vacancy rates are nearly unchanged from a year ago. The Colorado Springs apartment market softened in the past year but remains balanced, with a

7.0-percent vacancy rate, up from 5.8 percent a year ago. The increase was mainly a result of new apartments entering the market. Apartment rents in Colorado Springs, Boulder, Denver-Aurora-Broomfield, and Fort Collins-Loveland averaged about \$740, \$1,015, \$915, and \$940 a month, increases of 3, 4, 5, and 7 percent, respectively, from a year ago. Apartment markets in the Salt Lake City and Ogden-Clearfield metropolitan areas were balanced to tight. Based on data from Reis, Inc., in the first quarter of 2012, vacancy rates in the Salt Lake City area averaged 4.4 percent, down from 5.8 percent a year earlier, and the average monthly rent increased 2 percent, to \$769. In Ogden-Clearfield, the average vacancy rate was 4.2 percent, down from 5.3 percent a year earlier, and the average rent increased 2 percent, to \$705. The Provo-Orem apartment market was tight, with a 3.1-percent vacancy rate, down from 4 percent a year earlier, but rents remained stable at an average of \$775 a month. Based on data from the South Dakota Multi-Housing Association, in January 2012, the Sioux Falls apartment market was balanced, with a 5.6-percent vacancy rate, down from 7.9 percent a year earlier. Based on data from Appraisal Services, Inc., in March 2012, the Fargo apartment market was somewhat tight, with a 4.1-percent vacancy rate, down from 6.2 percent a year ago.