

COMPREHENSIVE HOUSING MARKET ANALYSIS

Provo-Orem, Utah

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of April 1, 2019



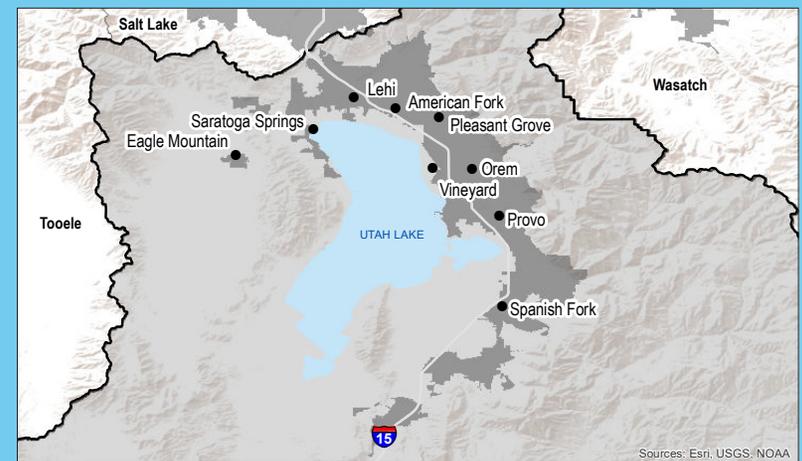
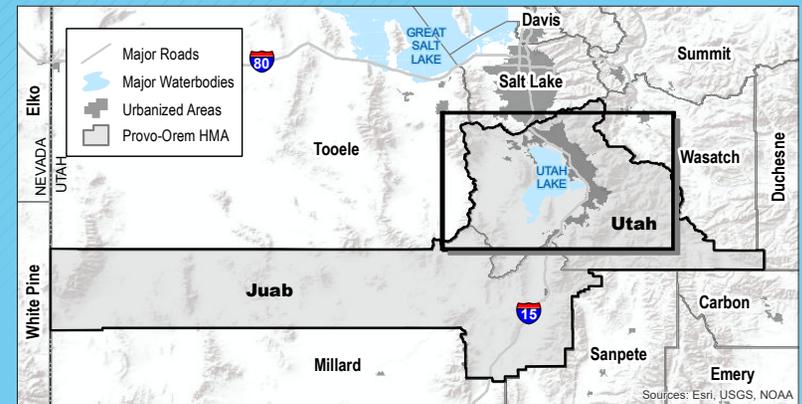
Executive Summary

Housing Market Area Description

The Provo-Orem Housing Market Area (HMA) is coterminous with the Provo-Orem, UT Metropolitan Statistical Area (MSA), consisting of Utah and Juab Counties. The HMA is one of three metropolitan areas comprising the Salt Lake City-Provo-Orem Combined Statistical Area, a region of more than 2.61 million residents along the Wasatch Mountain Range (Wasatch Front, hereafter).

The current HMA population is estimated at 657,900.

The presence of two universities, Brigham Young University (BYU) and Utah Valley University (UVU), has resulted in a highly educated workforce and a growing number of high-tech jobs in the area.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance [tool](#). Additional data for the HMA can be found in this report's [supplemental tables](#). For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).



Market Qualifiers

Economy



Strong: Nonfarm payrolls increased by 11,600 jobs, or 4.6 percent during the 12 months ending March 2019.

The Provo-Orem HMA's economy has expanded strongly since 2011, adding an average of 10,600 jobs, or 5.0 percent growth a year. All sectors added jobs during the 12 months ending March 2019, with the leisure and hospitality and the wholesale and retail trade sectors leading job growth. During the next 3 years, nonfarm payrolls are expected to increase an average of 4.5 percent a year, moderating slightly from current levels.

Sales Market



Slightly tight: Home sales prices rose 5 percent during the 12 months ending March 2019, the seventh year-over-year increase.

The market for sales housing in the Provo-Orem HMA is slightly tight, with a 3.2-month supply of homes for sale in March 2019, up from a 2.8-month supply a year earlier. In response to rising prices and slightly tight market conditions, permitting of for-sale housing rose to 5,475 homes during the 12 months ending March 2019, up from 5,350 homes permitted during the previous 12 months. During the next 3 years, demand is expected for 10,900 new sales units; the 1,550 homes currently under construction are expected to meet part of the demand.

Rental Market



Balanced: 1,300 rental units were permitted during the 12 months ending March 2019, down from 1,675 units during the previous 12 months.

Rental market conditions in the Provo-Orem HMA are currently balanced. The rental market vacancy rate is currently estimated at 5.5 percent, up from 4.2 percent in 2010. Rental permitting has been elevated since 2014, with an average of 1,700 units permitted each year from 2014 through 2017. During the next 3 years, demand is expected for 3,025 new rental units; the 1,275 units currently under construction are expected to meet part of the demand.

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3-Year Housing Demand Forecast

| | Sales Units | Rental Units |
|-----------------------|-------------|--------------|
| Provo-Orem HMA | | |
| Total Demand | 10,900 | 3,025 |
| Under Construction | 1,550 | 1,275 |

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2019. The forecast period is April 1, 2019, to April 1, 2022.
Source: Estimates by the analyst



Economic Conditions

Largest sector: Education and health services

Payrolls in the Provo-Orem HMA have increased by more than 87,000 jobs, or 49 percent, since 2011 and are 74,100 jobs above the 2007-pre-recession high.

Primary Local Economic Factors

The Provo-Orem HMA has been a center for university education for more than a century. BYU, the oldest university in the HMA, is a private university that was established in 1904 and is affiliated with the Church of Jesus Christ of Latter-day Saints (LDS). UVU is a rapidly expanding educational institution that added bachelor’s degrees in 1993 and master’s degrees in 2008 and is currently the largest university in the state. Together, the two universities employ more than 20,000 people (Table 1) and approximately 13,000 students are expected to graduate from the universities in spring 2019. The education and health services sector, which includes BYU, and the government sector, which includes UVU, are the first and fourth largest payroll sectors in the HMA, respectively (Figure 1).

The highly educated workforce, which includes 41 percent of residents age 25 and over with bachelor’s degrees or higher, well above the 32 percent share for the nation (2017 American Community Survey [ACS] 1-year data), has attracted high-tech companies to the area since 2010. The software publishing and the data processing and related services industries employed more than 7,400 workers in 2018, up from 4,500 in 2010.

The birthrate in the HMA is among the highest in the nation with 7.3 more births per 1,000 residents compared with the national birthrate. In response to the demographic trend, employment growth in construction, public education, and healthcare are relatively strong.

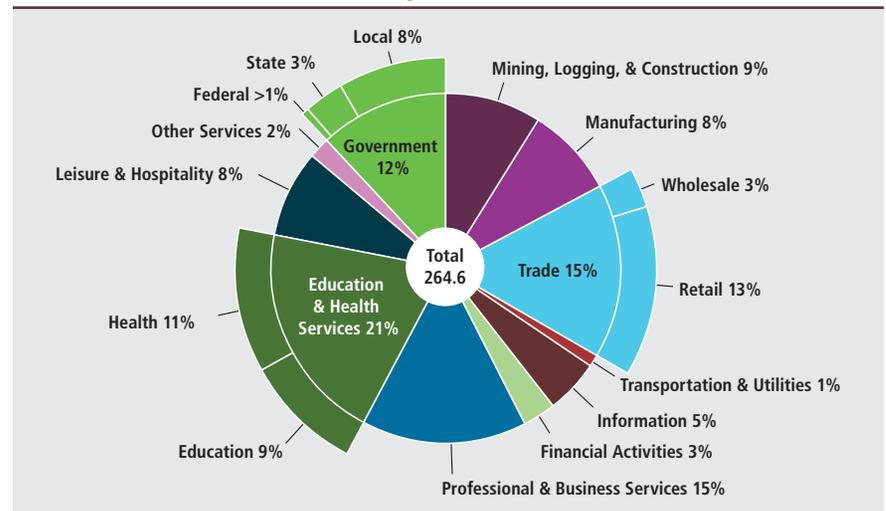
Table 1. Major Employers in the Provo-Orem HMA

| Name of Employer | Nonfarm Payroll Sector | Number of Employees |
|-------------------------------------|----------------------------------|---------------------|
| Brigham Young University | Education & Health Services | 15,000 – 19,999 |
| Utah Valley University | Government | 5,000 – 6,999 |
| Utah Valley Regional Medical Center | Education & Health Services | 5,000 – 6,999 |
| Vivint, Inc. | Professional & Business Services | 3,000 – 3,999 |
| Wal-Mart, Inc. | Wholesale & Retail Trade | 2,000 – 2,999 |
| State Of Utah | Government | 2,000 – 2,999 |
| RBD Acquisition | Professional & Business Services | 2,000 – 2,999 |
| Young Living Essential Oils | Wholesale & Retail Trade | 2,000 – 2,999 |
| Adobe Systems Incorporated | Information | 1,000 – 1,999 |
| Doterra International | Wholesale & Retail Trade | 1,000 – 1,999 |

Note: Excludes local school districts.

Source: Utah Department of Workforce Services, 2018

Figure 1. Current Nonfarm Payroll Jobs in the Provo-Orem HMA, by Sector



Notes: Nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through March 2019.

Source: U.S. Bureau of Labor Statistics



Current Conditions—Nonfarm payrolls

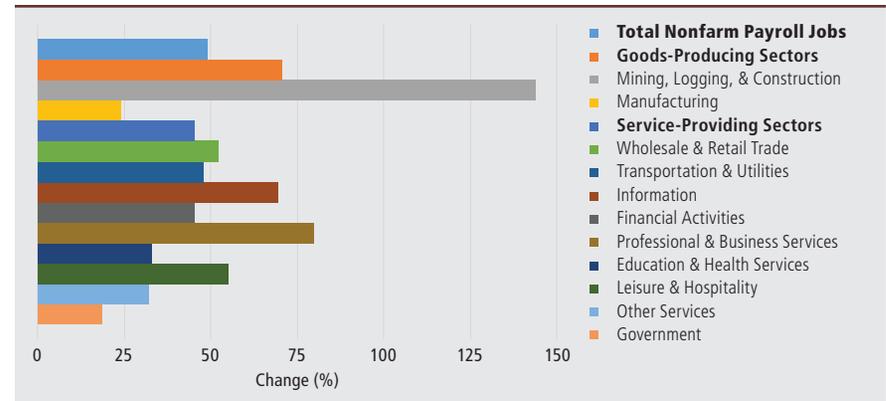
During the current period of economic expansion, which began in 2011, payrolls have increased by more than 87,000 jobs or 49 percent. The current number of jobs in the HMA is 74,100 jobs above the 2007-pre-recession high. All sectors have added jobs since 2011. The mining, logging, and construction sector was the fastest growing sector, up 144 percent (Figure 2). Other notable sector growth includes the professional and business services and the information sectors, up 80 and 69 percent, respectively.

During the 12 months ending March 2019, nonfarm payrolls increased by 11,600 jobs, or 4.6 percent, to 264,600, slowing slightly from the 12,000 jobs, or 5.0-percent growth during the previous 12 months. All sectors added jobs during the most recent 12 months (Table 2). The information and the professional and business services sectors, which include companies in high-tech industries, expanded by 1,500 and 700 jobs, or 4.6 percent and 5.4 percent, respectively. Fulfillment of the 1,260 jobs announced at Adobe Systems in 2017 and 860 jobs at LendingClub announced in late 2018, contributed to growth in the sectors; both of those companies have offices in the city of Lehi, a northern suburb close to the Salt Lake City MSA. The leisure and hospitality and the wholesale and retail sectors had the largest gains, up by 3,400 jobs, or 9.6 percent, and 2,000 jobs, or 5.1 percent, respectively. New hotels, restaurants, and retail centers have opened in the cities of Lehi and American Fork, which is adjacent to Lehi, to support the growing number of tech workers in the area.

Current Conditions—Unemployment

The unemployment rate averaged 2.8 percent during the 12 months ending March 2019, down from 2.9 percent during the previous 12 months. Resident employment increased slightly faster than the labor force, contributing to the decline. The current unemployment rate is above the recent low of 2.4 percent in 2007 and well below the recent high of 7.6 percent in 2010 (Figure 3). By comparison, the unemployment rates for the state of Utah and the nation averaged 3.1 and 3.8 percent, respectively, during the 12 months ending March 2019.

Figure 2. Sector Growth in the Provo-Orem HMA, 2011 to Current



Source: U.S. Bureau of Labor Statistics

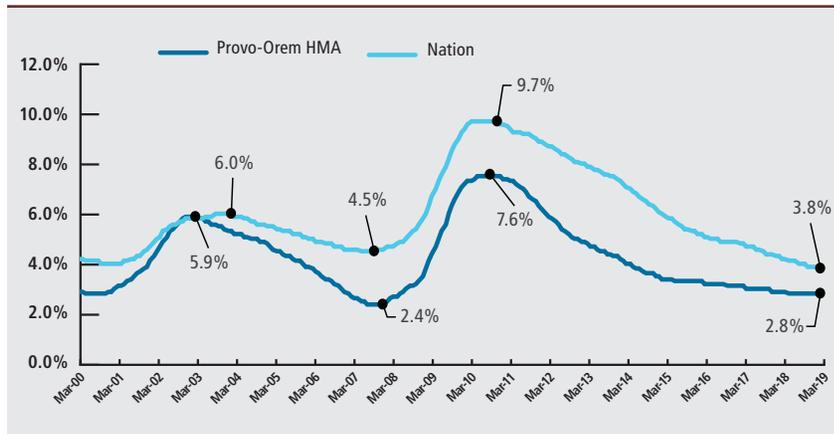
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Provo-Orem HMA, by Sector

| | 12 Months Ending March 2018 | 12 Months Ending March 2019 | Absolute Change | Percentage Change |
|-----------------------------------|-----------------------------|-----------------------------|-----------------|-------------------|
| Total Nonfarm Payroll Jobs | 253.0 | 264.6 | 11.6 | 4.6% |
| Goods-Producing Sectors | 43.4 | 45.1 | 1.8 | 4.1% |
| Mining, Logging, & Construction | 24.0 | 24.9 | 0.9 | 4.0% |
| Manufacturing | 19.4 | 20.2 | 0.8 | 4.2% |
| Service-Providing Sectors | 209.7 | 219.5 | 9.8 | 4.7% |
| Wholesale & Retail Trade | 39.0 | 41.0 | 2.0 | 5.1% |
| Transportation & Utilities | 6.8 | 7.3 | 0.5 | 7.7% |
| Information | 32.2 | 33.7 | 1.5 | 4.6% |
| Financial Activities | 3.8 | 3.9 | 0.1 | 1.8% |
| Professional & Business Services | 12.5 | 13.2 | 0.7 | 5.4% |
| Education & Health Services | 8.5 | 8.9 | 0.4 | 4.5% |
| Leisure & Hospitality | 35.3 | 38.6 | 3.4 | 9.6% |
| Other Services | 53.1 | 54.3 | 1.2 | 2.3% |
| Government | 20.4 | 21.6 | 1.2 | 5.6% |

Notes: Based on 12-month averages through March 2018 and March 2019. Numbers may not add to totals due to rounding.

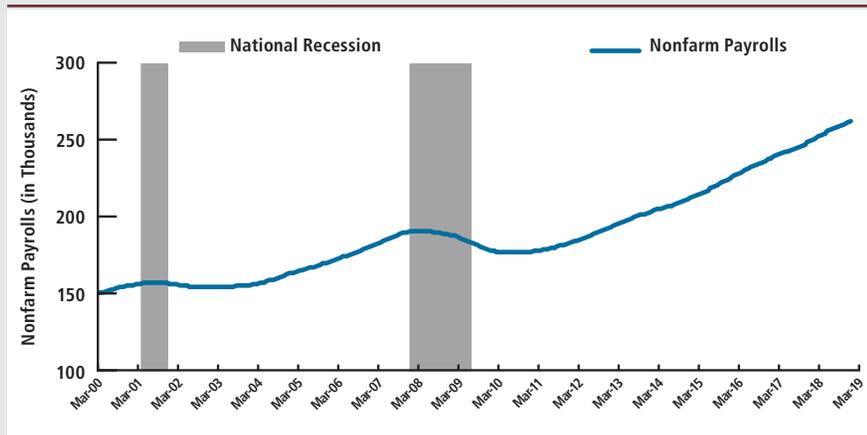
Source: U.S. Bureau of Labor Statistics

Figure 3. 12-Month Average Unemployment Rate in the Provo-Orem HMA and the Nation



Source: U.S. Bureau of Labor Statistics

Figure 4. 12-Month Average Nonfarm Payrolls in the Provo-Orem HMA



Note: 12-month moving average.
Source: U.S. Bureau of Labor Statistics, National Bureau of Economic Research

Economic Periods of Significance

2000 through 2007

The economy expanded, adding jobs in 7 of the 8 years during the 2000-through-2007 period (Figure 4). Payrolls increased by an average of 5,000 jobs, or 3.0 percent, annually. Job growth was strongest in the education and health services sector, which added an average of 1,300 jobs, or 3.9 percent, annually. An expanding BYU campus, including new athletic training facilities in 2003 and an alumni center in 2007, as well as new medical facilities, including an addition to the Woman’s Wing at the Timpanogos Regional Medical Center in the city of Orem, increased the number of jobs in the sector.

A decline of 2,200 jobs, or 1.4 percent, occurred during 2002. Job losses were concentrated in the manufacturing sector, which declined by 2,600 jobs, or 13.1 percent. The Geneva Steel Mill in the city of Vineyard closed in 2002, laying off 1,200 workers, which contributed to the decline.

From 2008 through 2010

The economy contracted from 2008 through 2010, coinciding with the effects of the Great Recession. Job losses averaged 4,300, or 2.3 percent, annually during the period. Eight of the 11 payroll sectors declined. The largest losses were in the mining, logging, and construction sector, declining by an average of 3,000 jobs, or 18.9 percent a year. A steep decline in residential home construction, with an average of 3,000 fewer homes, including single-family homes and multifamily units built during the period compared with the early to mid-2000s, and a reduction in non-residential construction spending statewide, from \$4.2 billion in 2008 to \$2.3 billion in 2010 (U.S. Census), contributed to the job loss.

Job growth in the education and health services and the government sectors partially offset losses. The sectors added an average of 900 jobs, or 2.2 percent, and 800 jobs, or 3.0 percent, annually, in response to the rapidly growing population’s need for healthcare, education, and public services.

From 2011 through 2017

Nonfarm payrolls in the HMA began recovery in 2011, exceeded the pre-recessionary peak in 2012, 2 years before the nation, and payrolls have continued to rise each year. Job growth from 2011 through 2017 averaged 10,300, or 5.0 percent, annually, and all 11 sectors gained jobs. Job growth was strongest in the mining, logging, and construction sector, averaging 1,900 jobs, or 12.5 percent, annually. Large capital projects, including the construction of the Front Runner rail line in the early 2010s with a \$600 million construction budget, supported early recovery. Rising residential construction, including 760 more homes permitted in 2017 compared with 2006, the peak pre-recessionary year, has supported jobs in more recent years.

The professional and businesses services and the information sectors, which both include companies in high-tech industries, added an average of 1,800 and 700 jobs, or 6.8 percent and 7.3 percent, annually from 2011 through 2017. Hiring announcements from Adobe Systems in late 2010 and IM Flash Technologies, LLC in mid-2011, which added a combined 1,200 workers and nearly \$1.8 billion in capital investments, contributed to early and rapid job recovery. More recent hiring announcements include Oracle Corporation in 2014, Vivint Solar in 2015, and Duncan Aviation and Womply in 2016. The expansions, most of which are in the city of Lehi, are expected to be phased in over a decade, adding an additional 5,500 jobs and nearly \$150 million in capital investment.

Commuting Patterns

In addition to jobs in the HMA, some residents are employed in the adjacent Salt Lake City MSA and employers in the HMA employ workers living near, but not in the HMA. The city of Lehi, one of the northernmost municipalities in the HMA and the city of South Jordan, a south suburb in the Salt Lake City MSA, are less than 20 miles, a 25-minute drive or 20-minute train ride, apart. Provo and Salt Lake City, the largest cities in each area, are 45 miles, a 45-minute drive or approximately 1-hour train ride, apart.

Among jobs in the HMA, approximately three-fourths are filled by a resident of the HMA, 15 percent are filled by a resident of the Salt Lake City MSA, and the remaining 10 percent are filled by workers residing elsewhere. Among employed residents in the HMA, approximately 65 percent work in the HMA, 25 percent commute to the Salt Lake City MSA for work, and the remaining 10 percent work elsewhere.

Employment Forecast

During the 3-year forecast period, job growth is expected to continue, but moderate slightly from the current rate of growth to an average of 4.5 percent a year. Further hiring as high-tech companies fill announced positions and local service providers respond to demographic trends are expected to support continued but moderating job growth. In response to rising student enrollment, UVU is planning to build new business and computer science buildings on the main campus in the city of Orem, and new athletic facilities on a new auxiliary campus in the city of Vineyard, supporting construction jobs in the near term and jobs at the university in the long term. A new FrontRunner train station is also planned for the city of Vineyard, near the UVU auxiliary campus.



Population and Households

Current population: 657,900

The Provo-Orem HMA is the 12th fastest growing MSA in the nation.

Population Trends

The Provo-Orem HMA is among the fastest growing MSAs in the nation. Since 2010, the population in the HMA has increased by an average of 2.5 percent, or 14,550 people a year (Table 3) compared with an average increase of 0.8 percent a year for all MSAs in the nation. The rapidly increasing number of jobs attracting people to move into the HMA and a relatively high birthrate have supported population growth. In the HMA, the birthrate was 19.1 per 1,000 residents, well above a birthrate of 15.8 in the state of Utah and 11.8 in the nation during 2017 (Utah Department of Health). The relatively high birthrate has also resulted in a relatively large share of young residents. The median age in the HMA was 24.7 in 2017, compared with 38.1 for the nation.

Table 3. Provo-Orem HMA Population and Household Quick Facts

| | 2010 | Current | Forecast | |
|-------------------------------|-----------------------|---------|----------|---------|
| Population Quick Facts | Population | 526,810 | 657,900 | 704,800 |
| | Average Annual Change | 15,000 | 14,550 | 15,650 |
| | Percentage Change | 3.4% | 2.5% | 2.3% |
| Household Quick Facts | Households | 143,695 | 180,600 | 194,000 |
| | Average Annual Change | 4,125 | 4,100 | 4,450 |
| | Percentage Change | 3.4% | 2.6% | 2.4% |

Note: Average annual changes and percentage changes are based on averages from 2000–2010, 2010 to current, and current to forecast.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

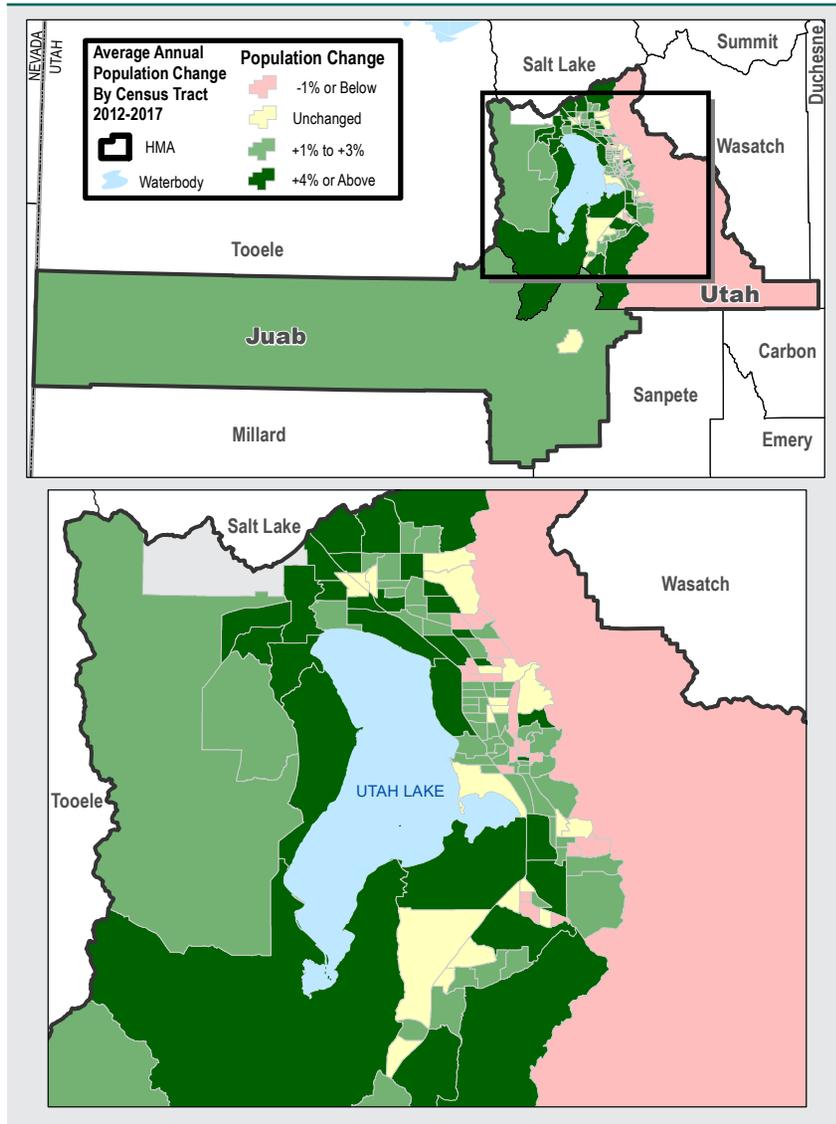
Population and Migration by Geography

The population is concentrated in Utah County, with more than 98 percent of residents living in Utah County and less than 2 percent living in Juab County. The population was unchanged or increased in most parts of the HMA (Map 1; 2008–2012 and 2013–2017 ACS 5-year data). Growth was strongest in the northern portion of Utah County including in the cities of Lehi, American Fork, Saratoga Springs, and Eagle Mountain. Proximity to employment centers in both Utah County and Salt Lake County attracted new residents to the area. Relatively strong population growth also occurred near established communities such as the area between the cities of Provo and American Fork, and in the city of Vineyard, an area west of the city of Orem where the former Geneva Steel Plant site is being redeveloped into a master-planned community. The population declined in some of the older, established areas of the HMA, including areas within the cities of Provo, Orem, and Spanish Fork, where there has been limited new housing development and household size has declined as residents age in place.

People moving into the HMA are most frequently moving from one of the other two metropolitan areas along the Wasatch Front: The Salt Lake City and the Ogden-Clearfield MSAs (Figure 5). During the 2012-to-2016 period, net in-migration occurred from both MSAs into the HMA. In-migrants from South America and Asia also composed a measurable share of in-migration. The two other MSAs along the Wasatch Front were also the most common destination for people moving out of the HMA.



Map 1: Average Annual Population Change by Census Tract in the Provo-Orem HMA



Source: American Community Survey 5-year data 2008-2012, 2013-2017

Figure 5. Migration Flows in the Provo-Orem HMA: 2012–2016

| Into the HMA | | |
|----------------------------------------|--|-------|
| Salt Lake City, UT Metro Area | | 8,435 |
| Ogden-Clearfield, UT Metro Area | | 3,053 |
| South America | | 1,904 |
| Phoenix-Mesa-Scottsdale, AZ Metro Area | | 1,892 |
| Asia | | 1,521 |
| Out of the HMA | | |
| Salt Lake City, UT Metro Area | | 8,144 |
| Ogden-Clearfield, UT Metro Area | | 1,629 |
| Phoenix-Mesa-Scottsdale, AZ Metro Area | | 1,092 |
| Boise City, ID Metro Area | | 962 |
| St. George, UT Metro Area | | 943 |

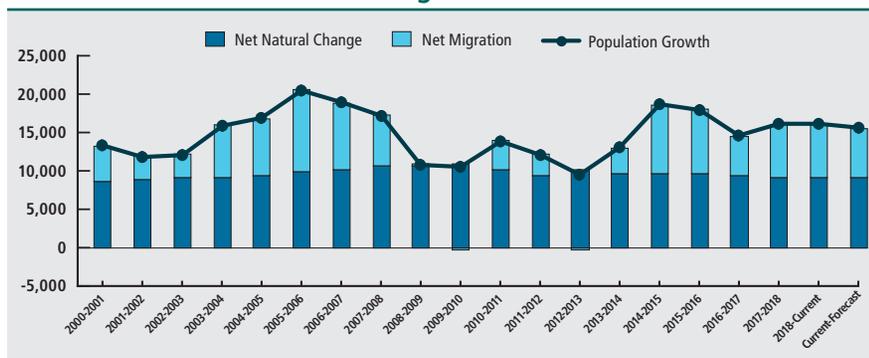
Notes: 2012–2016 American Community Survey, 5-year data. Excludes non-metropolitan areas in the United States. No data available for international out-migration.
Source: U.S. Census Metro-to-Metro Migration Flows

Periods of Growth and Forecast

During the early 2000s, population growth was relatively strong, followed by a period of slower population growth in the late 2000s and early 2010s, and has strengthened again in more recent years. Net natural increase has remained relatively steady, comprising most of the population growth since 2000 (Figure 6), but has slowed slightly in recent years partially because of a declining birthrate. Job growth and changes to LDS Church policy during the current decade, which has affected university enrollment, have contributed to changes in net in-migration.

From 2000 to 2008, population growth averaged 15,850 people, or 3.7 percent, a year. Supported by job growth, net in-migration averaged 6,350 people, annually. A birthrate ranging from 25.6 to 26.5 per 1,000 residents each year also supported population growth.

Figure 6. Components of Population Change in the Provo-Orem HMA, 2000 Through the Forecast



Note: Net natural change and net migration totals are average annual totals over the time period. Sources: State of Utah; 2018 to current and current to forecast—estimates by the analyst

From 2008 to 2014, a period which included most of the Great Recession and early recovery, population growth averaged 11,700, or 2.2 percent a year, including relatively low net in-migration averaging 1,500 people a year. A change to LDS Church mission policy in 2012, reducing the minimum age to participate in a mission trip also slowed in-migration due to the impact on BYU enrollment. As some students delayed starting college, enrollment at BYU temporarily declined during the 2013–2014 and 2014–2015 academic years. Enrollment growth was also relatively slower at UVU, compared with more recent years.

Since 2014, net in-migration has strengthened with population growth averaging 16,800, or 2.8 percent a year, including average annual net in-migration of 7,375 people. Total nonfarm payroll expansion, well beyond the recovery from the Great Recession, attracted new residents to the area for jobs. Additionally, a return to previous enrollment levels at BYU beginning with the 2015–2016 academic year and relatively faster enrollment growth at UVU contributed to the recent level of population growth.

During the 3-year forecast period, population growth is expected to slow from the current level, coinciding with slower job growth and steady student enrollment at BYU. An average population increase of 15,650, or 2.3 percent a year is expected.

Student Enrollment and Households

Students enrolled at BYU and UVU account for approximately 11 percent of the total population and 4 percent, or an estimated 7,600 households in the HMA. Enrollment at BYU was 34,500 during fall semester 2018, rising by an average of 80 students annually since fall semester 2010. Most BYU students resided outside the HMA prior to enrolling. Enrollment at UVU was 39,900 during the fall 2018 semester, including dual enrollment high school students, and has been rising rapidly, up an average of 500 high school students and 400 non-high school students a year since fall semester 2010. More than 85 percent of all UVU students resided in the state of Utah prior to enrolling, most of which lived in the HMA. The addition of master’s degree programs in 2008 and the UVU’s open admissions policy have contributed to enrollment growth.

Household Trends and Forecast

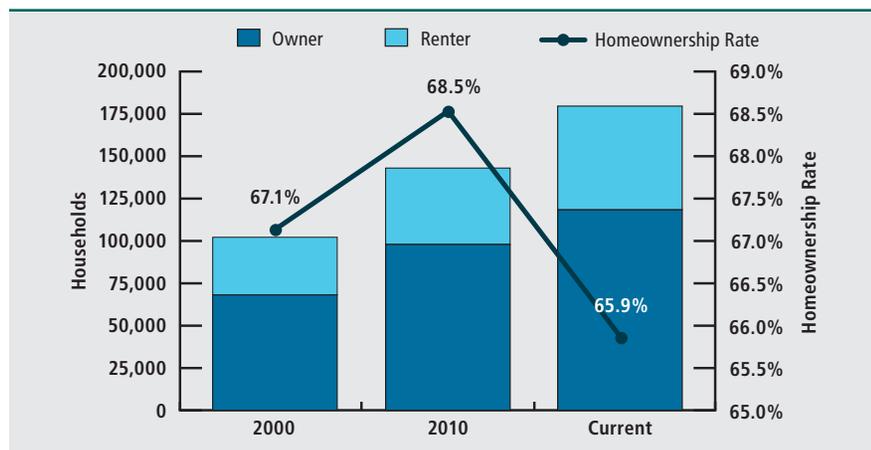
The average annual increase in the number of households has been relatively steady since 2000, but the household growth rate has slowed. Household growth averaged 4,125, or 3.4 percent, annually from 2000 to 2010, and 4,100, or 2.6 percent, annually since 2010. During the 3-year forecast period, household growth is expected to average 4,450, or 2.4 percent, annually, slowing from the rate of growth during the current decade and coinciding with slowing population and job growth.

Household Tenure

During the 2000s, approximately three-fourths of additional households were owner-households, contributing to an increase in the homeownership rate from

67.1 percent in 2000 to 68.5 percent in 2010 (Figure 7). Since 2010, only 55 percent of additional households were owner-households, contributing to the decline in the current homeownership rate to 65.9 percent.

Figure 7. Households by Tenure and Homeownership Rate in the Provo-Orem HMA



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Home Sales Market Conditions

Market Conditions: Slightly tight

Total home sales have declined during the most recent 12 months, while prices have risen year-over-year since 2012.

Current Conditions

The home sales market in the Provo-Orem HMA is currently slightly tight. The home sales vacancy rate is currently estimated at 1.3 percent, down from 2.3 percent in 2010 and 1.7 percent in 2000. Rapid nonfarm payroll recovery from the Great Recession in the early 2010s and strong population growth in more recent years have contributed to the change in conditions compared with 2010.

During the 12 months ending March 2019, the average home sales price, including new and existing single-family homes, townhomes, and condominiums, has continued to rise, while total home sales are down compared with the previous 12 months. The average home sales price rose 5 percent to \$359,400 (Table 4), continuing year-over-year increases since 2012 (Figure 8).

Table 4. Home Sales Quick Facts in the Provo-Orem HMA

| | Provo-Orem HMA | Nation |
|----------------------------------|----------------|-----------|
| Vacancy Rate | 1.3% | NA |
| Months of Inventory | 3.2 | 4 |
| Total Home Sales | 14,700 | 5,990,000 |
| 1-Year Change | -2.9% | -0.8% |
| Total Home Sales Price | \$359,400 | \$319,200 |
| 1-Year Change | 5% | 3% |
| Mortgage Delinquency Rate | 0.5% | 1.6% |

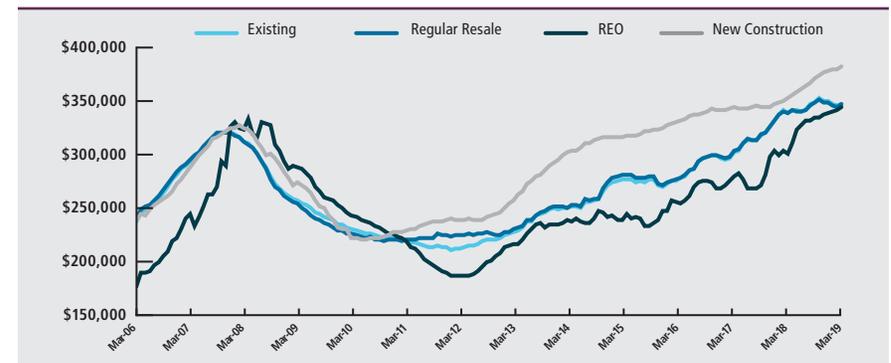
NA = data not available.

Notes: Vacancy rate is as of the current date; home sales and prices are for the 12 months ending March 2019; and months of inventory and mortgage delinquency data are as of March 2019.

Sources: Metrostudy, A Hanley Wood Company, with adjustments by the analyst; Utah Association of Realtors®; National Association of Realtors®; CoreLogic, Inc.

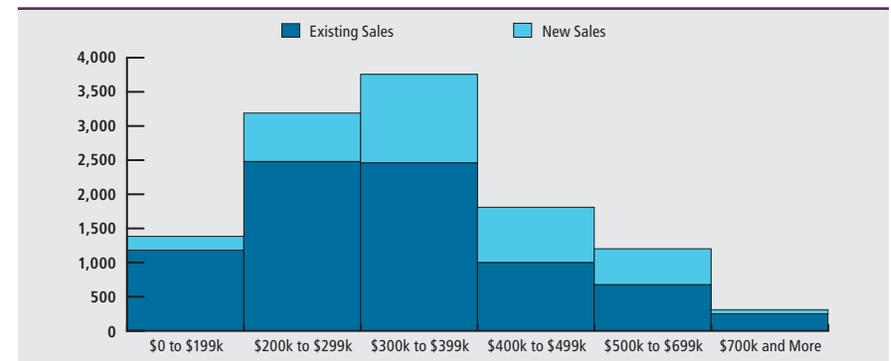
Approximately 70 percent of homes sold were priced below \$400,000 (Figure 9). Total home sales declined 3 percent to 14,700, a shift from the year-over-year gains from 2012 through 2018 (Figure 10). Rising home sales prices have

Figure 8. 12-Month Average Sales Price by Type of Sale in the Provo-Orem HMA



Source: Metrostudy, A Hanley Wood Company

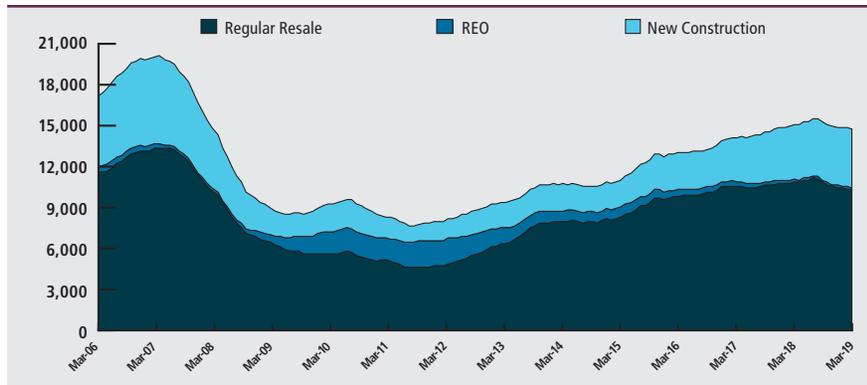
Figure 9. Share of Sales by Price Range During the 12 Months Ending March 2019 in the Provo-Orem HMA



Source: Metrostudy, A Hanley Wood Company



Figure 10. 12-Month Sales Totals by Type in the Provo-Orem HMA



Source: Metrostudy, A Hanley Wood Company

contributed to an increase in the supply of homes for sale, as measured by the number of months of inventory for sale, increasing to 3.2 months in March 2019, up from 2.8 months in March 2018 (Utah Association of Realtors®).

Home Sales

Total home sales peaked in 2006 with 20,000 homes sold. New construction, regular resale, and real estate owned (REO) homes accounted for 32 percent, 66 percent, and 2 percent of all homes sold in 2006, respectively. From 2007 through 2011, total home sales fell by an average of 2,400 homes, or 17 percent, each year to a low of 8,050 home sales in 2011. Weak economic conditions, including the effects of the Great Recession, local job loss, and elevated mortgage delinquencies contributed to the decline. During 2011, new home sales were at a low, comprising only 17 percent of total sales, whereas REO sales accounted for 24 percent of total sales, a peak share. From 2012 through 2018, total home sales increased each year by an average of 980, or 9 percent, to 14,950 homes sold during 2018. Strengthening economic conditions and rapid population growth have contributed to an overall increase in home sales and a rising share of new construction sales. During 2018, new construction sales accounted for 29

percent of total home sales, while regular resales were 70 percent and REO sales were 1 percent of total home sales.

Delinquent Mortgages

The rate of seriously delinquent home loans and REO properties in the HMA peaked below, and remain below, the rate for the nation. During March 2019, the rate was 0.5 percent, down from 0.7 percent a year earlier and down from a peak of 7.4 percent in 2010 (CoreLogic, Inc.). The rate for the nation was 1.6 percent in March 2019, lower than the 2.2-percent rate a year earlier and a peak of 8.6 percent in 2010.

Home Sale Prices

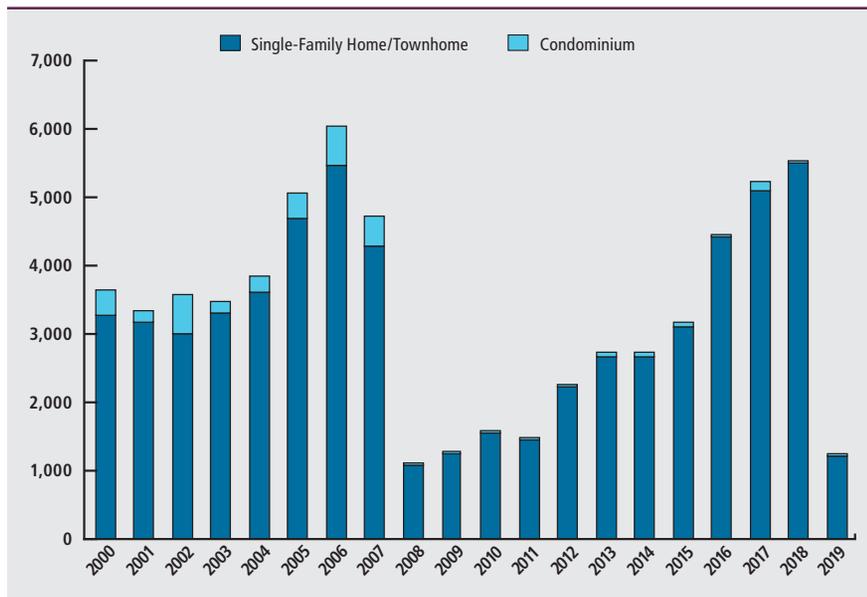
The average home sales price peaked in 2007, at \$320,900, reaching a pre-Great Recession high a year after home sales peaked. From 2008 through 2011, the average home sales price fell by an average of \$26,000, or 9 percent a year to a low of \$217,000 in 2011. Lower demand for homes because of weaker economic conditions and an increase in the availability of REO homes for sale, which had an average sales price 16 percent below the average regular resale sales price and 22 percent below the average new construction sales price in 2011, contributed to the decline in the average home sales price. Economic recovery and expansion, along with accelerating population growth in more recent years, has contributed to an increase in demand for for-sale housing and rising prices. From 2012 through 2018, the average home sales price increased by an average of \$20,350, or 7 percent a year. New and existing home sales prices rose at the same rate, each up an average of 7 percent annually during the 2012-through-2018 period.

Sales Construction Activity

For-sale home construction, as measured by the number of homes permitted, is currently near peak levels from the mid-2000s. From 2000 through 2004, permitting averaged 3,575 homes annually, increasing to an average of 5,300 homes permitted annually from 2005 through 2007 (Figure 11). Condominiums

composed 9 percent of homes permitted during the 2000-to-2007 period. Permitting fell to a low of 1,075 homes in 2008 as economic conditions weakened but has slowly risen during the past 10 years as economic conditions improved and population growth strengthened. From 2009 through 2014, permitting increased by an average of 280 homes, or 17 percent a year, and from 2015 through 2017, permitting rose by an average of 840 homes, or 24 percent a year. Condominiums accounted for less than 2 percent of permitting during the 2008-through-2017 period. During the 12 months ending March 2019, 5,475 homes were permitted, up from 5,350 homes during the previous 12 months (preliminary data, with adjustments by the analyst).

Figure 11. Average Annual Sales Permitting Activity in the Provo-Orem HMA



Notes: Includes single-family homes, townhomes, and condominiums. 2019 includes data through March 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2017 final data and estimates by the analyst; 2018 and 2019 preliminary data and estimates by the analyst

New Construction Properties

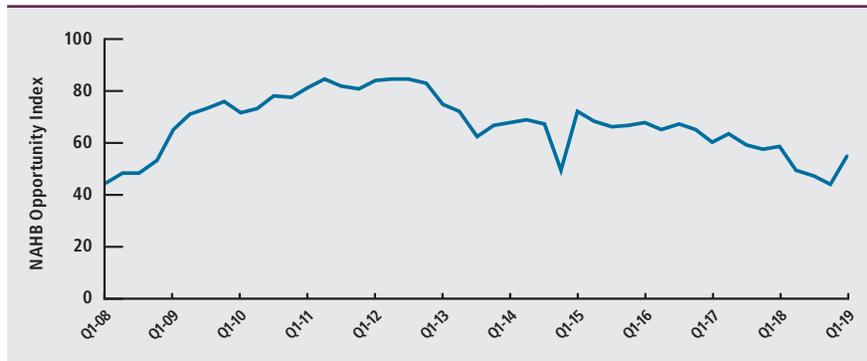
Homebuilding is occurring in large and small subdivisions throughout the HMA, generally sprawling westward and north of Utah Lake, and filling in between existing towns east and south of Utah Lake. Ivory Homes, the largest homebuilder along the Wasatch Front, is currently building Overland, a subdivision in the city of Eagle Mountain, in northern Utah County. The first 160 of 3,000 planned homes are under construction. Homes in the subdivision start at \$304,800 for a three-bedroom, two-bathroom, 2,150-square-foot home on a 5,000-square-foot lot. In Vineyard, a fast-growing city west of the city of Orem, the Lakefront at Vineyard Town Center is currently under construction with the first 78 homes in a 364-home single-family home, townhome, and condominium development. Home prices range from \$217,900 to \$328,900 for homes ranging from 1,275 to 3,600 square feet.

Housing Affordability: Homeownership

Although the Provo-Orem HMA has a high homeownership rate compared to the nation, particularly among younger households, homeownership is becoming increasingly expensive, and the affordability of buying a home has declined since late 2012 as home prices have increased at a much faster rate than income. The National Association of Home Builders’ (NAHB)/Wells Fargo Housing Opportunity Index (HOI) for the HMA, which represents the share of homes sold that would have been affordable to a family earning the local median income, was 55.1 during the first quarter of 2019 (Figure 12) and 181 metropolitan areas out of the 239 areas measured, or 76 percent, had greater housing affordability than the Provo-Orem HMA. By comparison, the HOI during the first quarter of 2018 was 58.5 and 177 metropolitan areas out of the 237 areas measured, or 75 percent, had greater housing affordability than the HMA. The HOI reached a high of 84.8 during the third quarter of 2012 when nonfarm payrolls were nearly recovered, but a relatively large number of distressed homes for sale kept downward pressure on home prices. The HOI in the other two metropolitan areas along the Wasatch Front, the Salt Lake City and Ogden-Clearfield metropolitan



Figure 12. Provo-Orem HMA Housing Opportunity Index



NAHB = National Association of Home Builders. Q1 = first quarter.
Source: NAHB/Wells Fargo

areas, were 56.1 and 72.8, respectively, during the first quarter of 2019, falling from 80.8 and 93.2 during the third quarter of 2012.

The number of distressed sales in the Provo-Orem HMA has declined year-over-year since 2012. The downward trend in the index is due to rapidly increasing

home sales prices, which were 57 percent higher during the first quarter of 2019 than during the third quarter of 2012. The median income in the HMA increased only 19 percent during the same period, however. The downward trending index indicates a decline in affordability because home prices have risen faster than incomes, reducing the number of potential new homeowners in the HMA.

Forecast

During the next 3 years, demand for an additional 10,900 homes is expected (Table 5). The 1,550 homes currently under construction are expected to meet a portion of demand during the first year of the forecast period. Demand is expected to slow slightly during each year of the forecast as population and job growth slow. Most of the demand is expected for homes priced below \$400,000.

Table 5. Demand for New Sales Units in the Provo-Orem HMA During the Forecast Period

| Sales Units | |
|---------------------------|--------------|
| Demand | 10,900 Units |
| Under Construction | 1,550 Units |

Source: Estimates by the analyst

Rental Market Conditions

Market Conditions: Balanced

Apartment construction has been elevated since 2014, partially in response to tightening apartment market conditions in 2012 and 2013.

Current Conditions and Recent Trends

Rental market conditions in the Provo-Orem HMA are currently balanced. The rental market vacancy rate is currently estimated at 5.5 percent, up from 4.2 percent in 2010 (Table 6). Renter-occupied single-family homes and multifamily buildings with two to four units make up 38 and 24 percent, respectively, of all rental units in the HMA. Rent growth among rental units advertised through the Multiple Listing Service (MLS), which includes single-family homes and townhomes, has slowed during the past year but remained similar to the long-term rate of growth. During the first quarter of 2019, the average rent was \$1,606, up 4 percent from the same quarter a year ago, but slowing from a 10 percent year-over-year increase during the previous year (CoreLogic, Inc., with adjustments by the analyst). Rent growth averaged 5 percent year-over-year from 2012 through 2018.

Elevated apartment construction since 2014 has contributed to an increase in the number of rental units in the HMA, accommodating the increasing number of renter households and contributing to balanced market conditions. Multifamily rentals in buildings with five or more units, a property type commonly used in apartment construction, currently comprise 37 percent of all rental units, up from 35 percent in 2010.

Student households currently account for an estimated 12 percent of all renter households. BYU offers on-campus housing, with a capacity of approximately

Table 6. Rental and Apartment Market Quick Facts in the Provo-Orem HMA

| Rental Market Quick Facts | 2010 | Current | |
|--------------------------------|-------------------------------------------|---------|------|
| | Rental Vacancy Rate | 4.2% | 5.5% |
| | Occupied Rental Units by Structure | | |
| | Single-family Attached & Detached | 42% | 38% |
| | Multifamily (2–4 Units) | 22% | 24% |
| | Multifamily (5+ Units) | 35% | 37% |
| Other (Including Mobile Homes) | 1% | 1% | |

| Apartment Market Quick Facts | Current | YoY Change | |
|------------------------------|-------------------------------|------------|-----|
| | Apartment Vacancy Rate | 4.8% | 0.7 |
| | Average Rent | \$1,141 | 3% |
| | Studio | \$948 | 3% |
| | One-Bedroom | \$972 | 1% |
| | Two-Bedroom | \$1,245 | 0% |
| Three-Bedroom | \$1,346 | 0% | |

YoY = year-over-year.

Notes: The current date is April 1, 2019.

Sources: Occupied rental units by structure data—American Community Survey, 2017 1-year data; apartment data—RealPage, Inc.

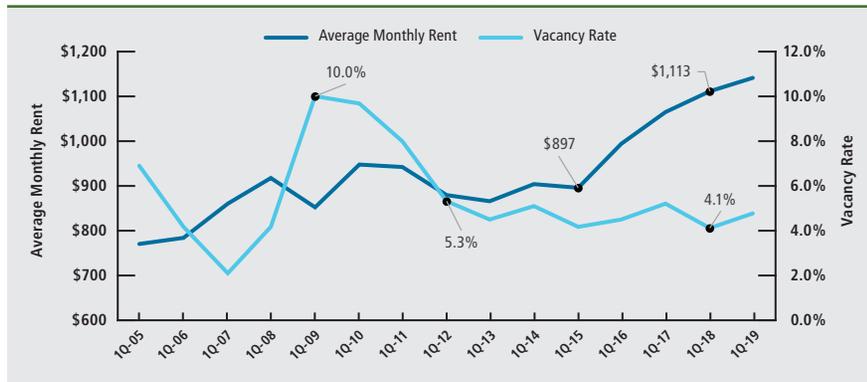
6,500 beds. UVU has no on-campus housing options. Most students live in the community at-large or at home with family.

Apartment Market Conditions

Apartment market conditions are also currently balanced. The rental vacancy rate during the first quarter of 2019 was 4.8 percent, up from 4.1 percent during the first quarter of 2018 (Figure 13). Since the first quarter of 2012, the apartment vacancy rate has fluctuated between 5.3 and 4.1 percent, which is considered indicative of balanced to slightly tight conditions. From 2009 through 2011, the vacancy rate was at or above 8.0 percent, and rent growth was limited, indicating softer conditions.



Figure 13. Apartment Rents and Vacancy Rates in the Provo-Orem HMA



Source: RealPage, Inc.

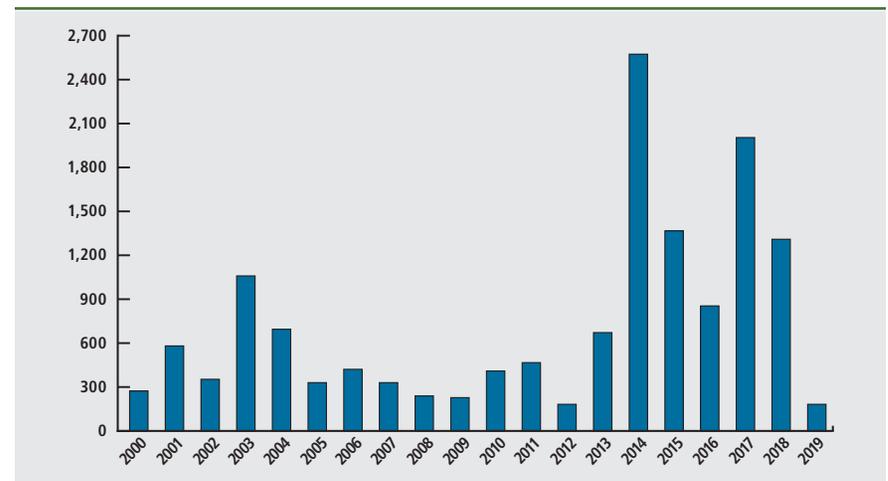
The average rent during the first quarter of 2019 was \$1,141, up 3 percent from the same quarter a year ago. By comparison, rent growth averaged 7 percent year over year from the first quarter of 2015 to the first quarter of 2018. A portion of the rent growth from 2015 to 2018 is attributed to new construction apartments, which tend to have higher rent, entering the market. Comparing the two RealPage, Inc.-defined market areas in the HMA, the average rent is higher in the Orem/Lehi market area, which includes the northern portion of the HMA and a larger share of recently completed apartments. The average rent in the Orem/Lehi market area was \$1,176 during the first quarter of 2019, or approximately 20 percent above the average rent in the Provo market area, which was \$970. Year-over-year rent growth was 2 percent and 3 percent, respectively. Rent at BYU off-campus housing averaged \$399 per bedroom during the 2018–2019 academic year, up 5 percent from a year earlier, and rent at apartments near UVU averaged \$542 per bedroom, rising 4 percent from the previous year.

Rental Construction Activity

Rental unit permitting was elevated during periods of job growth and relatively lower during periods of payroll decline and early recovery. From 2000 through

2007, a period when payrolls rose most years, rental permitting averaged 510 units a year (Figure 14). As payroll growth slowed in the late 2000s, rental unit permitting declined and remained low during the early 2010s as payrolls recovered. An average of 370 rental units was permitted each year from 2008 through 2013. In response to relatively lower apartment vacancy rates in 2012 and 2013, rental permitting rose and has been elevated since 2014, with an average of 1,700 units permitted each year from 2014 through 2017. Permitting slowed to 1,300 rental units during the 12 months ending March 2019 in response to moderate rent growth and rising vacancy rates, down from 1,675 during the 12 months ending March 2018 (preliminary data, with adjustments by the analyst).

Figure 14. Average Annual Rental Permitting Activity in the Provo-Orem HMA



Notes: Includes apartments and units intended for renter occupancy. 2019 includes data through March 2019.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2017 final data and estimates by the analyst; 2018 and 2019 preliminary data and estimates by the analyst



Recently Completed Rental Properties

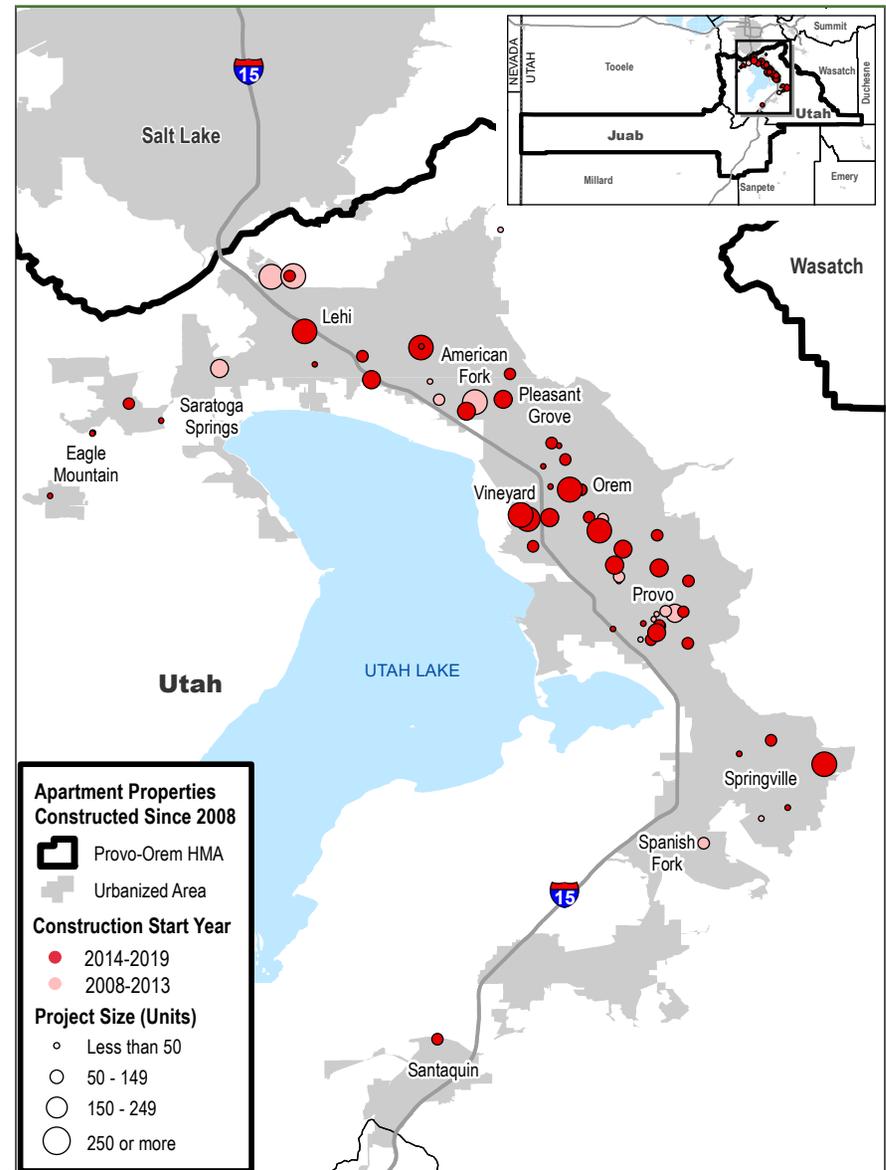
Apartment construction has been concentrated in three areas; northern Utah County, Orem, and Provo (Map 2). In the northern Utah County communities of Lehi, American Fork, and Pleasant Grove, new apartments are near I-15, with some properties including amenities that may be attractive to workers in the growing high-tech industry with offices nearby. In the city of Orem, apartments with a relatively large number of units have been built, partially to accommodate the growing UVU student population living near campus. In the city of Provo, near the BYU campus, properties marketed to students are being built, partially to replace older student apartments.

Meadows at American Fork in the city of American Fork is currently in lease-up. Rents at the 270-unit property average \$1,047 for a one-bedroom, \$1,262 for a two-bedroom, and \$1,531 for a three-bedroom unit. A fiber optic technology package for high-speed internet access is included as a standard amenity. The Aston at University Place, a 476-unit property in the city of Orem, is renting studios for an average of \$979, one-bedroom units for \$1,005, two-bedroom units for \$1,277, and three-bedroom units for \$1,399. Some of the two-bedroom units offer a layout with two equal size bedrooms for roommates and all units include high-speed internet access.

Housing Affordability: Rental Market

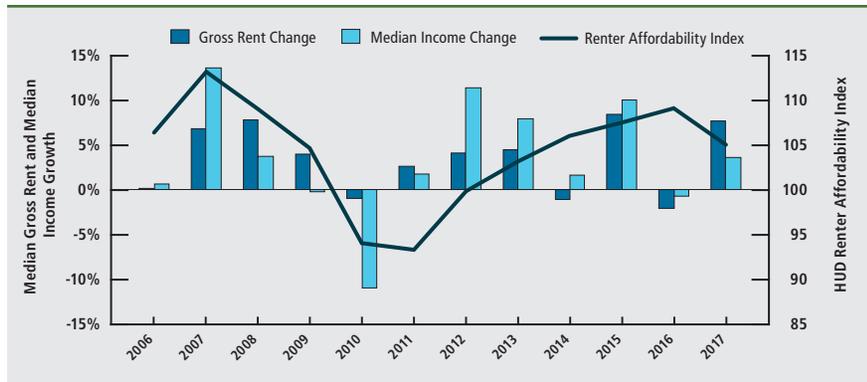
The rental market in the Provo-Orem HMA is affordable, despite a decrease in affordability from 2016 to 2017. From 2011 to 2016, the median gross monthly rent increased 14 percent from \$818 to \$936. During the same time, the median income for rental households in the HMA rose 34 percent from \$30,539 in 2011 to \$40,859 in 2016. As a result, the HUD Rental Affordability Index (RAI), a measure of median renter household income relative to qualifying income for the median-priced rental unit, has trended upward. The index was 93.3 during 2011 and peaked at 109.1 during 2016 (Figure 15). The HUD RAI is currently at 105.0 and declining because the median gross rent increased 8 percent, faster than median renter household income, which increased only 4 percent.

Map 2. Apartment Properties Constructed in the Provo-Orem HMA Since 2008



Source: McGraw-Hill Construction Pipeline database, with adjustments by analyst

Figure 15. Provo-Orem HMA Rental Affordability



Source: American Community Survey, 1-year data

A HUD RAI index value greater than 100 indicates that the median income of renter households is more than enough to qualify for the median-priced rental unit. Qualifying income is defined by the income eligibility requirement of most landlords, which is that a household’s annual rent be no greater than 30 percent of the household’s annual gross income.

In February 2019, the state of Utah passed Senate Bill (SB)34, which requires cities to take state-approved steps aimed at encouraging affordable housing to be eligible to receive funds from the Utah Department of Transportation. To receive state transportation funds, cities are required to adopt 3 or more strategies from a menu of 23 strategies that “allow people with various incomes to benefit from and participate in all aspects of neighborhood and community life” by December 2019. A one-time \$20 million contribution in 2020 to the state’s Olene Walker Housing Loan Fund, which provides low-interest lending to affordable residential construction is planned, and the state would contribute \$4 million to the fund each year thereafter.

Low-Income Housing Tax Credit (LIHTC) is the primary source of funding for new affordable rental housing in the nation. From 2010 to 2015, a total of 190 LIHTC

units, or an average of 32 units a year, were placed in service in the Provo-Orem HMA (HUD LIHTC database). By comparison, from 2000 through 2009, a total of 390 units, or an average of 39 units annually, was placed in service. Households earning 60 percent of Area Median Income (AMI) or below may be eligible to reside in LIHTC units.

In addition to LIHTC, income-eligible residents may qualify for housing choice vouchers (HCV) through the local public housing authority (PHA) or project-based rental assistance (PBRA). PHAs within the Provo-Orem HMA managed approximately 1,975 Housing Choice Vouchers in 2018 (Table 7). Within the Provo-Orem HMA, there are approximately 2,375 subsidized units through PBRA and other programs. The number of households receiving federal rental assistance and that have an HCV in the HMA has increased by 2.4 and 2.2 percent since 2010, respectively. By comparison, the total number of assisted and voucher households expanded by respective averages of 4.5 and 11.6 percent nationwide. The inflation-adjusted HUD subsidy declined 10.1 percent and the inflation-adjusted tenant contribution increased 9.2 percent since 2010 in the HMA.

Table 7. Picture of Subsidized Households, 2018

| | Provo-Orem HMA | HMA Percent Change Since 2010 | U.S. Total | National Percent Change Since 2010 |
|------------------------------------------------|----------------|-------------------------------|------------|------------------------------------|
| Total Assisted Households (2018) | 2,376 | 2.4% | 4,628,247 | 4.5% |
| Total Housing Voucher Households (2018) | 1,981 | 2.2% | 2,276,722 | 11.6% |
| Average HCV Tenant Monthly Contribution | \$373 | 9.2% | \$379 | 1.0% |
| Average Monthly HUD Subsidy | \$575 | -10.1% | \$793 | -1.6% |

Note: Dollar changes are inflation adjusted using the Consumer Price Index for All Urban Consumers (CPI-U).

Source: Assisted Housing: National and Local (huduser.gov)



In the Provo-Orem HMA, approximately 170 people were homeless in 2018, of which 26 percent were unsheltered homeless (2018 Point-in-Time Count). The Provo-Orem rate is higher than the 15 percent share of unsheltered homeless in the state of Utah. Only 6 percent of the state homeless population is in the HMA. Overall, homelessness in the HMA has decreased since 2010, when 360 persons were experiencing homelessness; the share of unsheltered homelessness was also higher in 2012, at 55 percent.

Forecast

During the 3-year forecast period, demand is expected for an additional 3,025 rental units (Table 8). The 1,275 units currently under construction are expected to meet a portion of demand during the first and second year of the forecast. Demand is expected to slow during each year of the forecast, coinciding with slowing population, household, and job growth.

Table 8. Demand for New Rental Units in the Provo-Orem HMA During the Forecast Period

| Rental Units | |
|---------------------------|-------------|
| Demand | 3,025 Units |
| Under Construction | 1,275 Units |

Note: The forecast period is April 1, 2019, to April 1, 2022.

Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

| | |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Demand | The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline. |
| Other Vacant Units | In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term, therefore, includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the U.S. Census Bureau. |
| Building Permits | Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family home and multifamily home building permits. |
| Distressed Sales | Short sales and real estate owned (REO) sales. |
| Seriously Delinquent Mortgages | Mortgages 90+ days delinquent or in foreclosure. |



| | |
|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| Home Sales/ Home Sales Prices | Includes single-family home, townhome, and condominium sales. |
| Rental Market/ Rental Vacancy Rate | Includes apartments and other rental units such as single-family homes, multifamily homes, and mobile homes. |
| Forecast Period | 4/1/2019-4/1/2022—Estimates by the analyst |
| Unsheltered Homeless | Unsheltered homeless includes people who stay in places not designated for regular use as sleeping accommodations. |

B. Notes on Geography

| | |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013. |
| 2. | Urbanized areas are defined using the U.S. Census Bureau’s 2010 Census Urban and Rural Classification and the Urban Area Criteria. |
| 3. | The census tracts referenced in this report are from the 2010 U.S. Census. |



C. Additional Notes

| | |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria. |
| 2. | This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department. |
| 3. | The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions. |
| Cover Photo | Photo courtesy of HUD |

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