



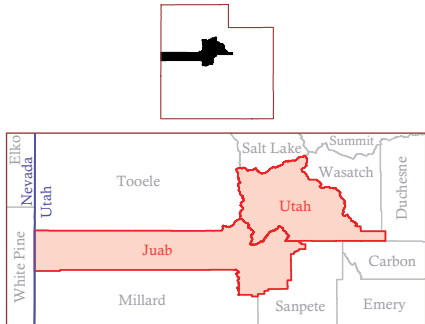
Provo-Orem, Utah

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of June 1, 2017



Summary

Housing Market Area



The Provo-Orem Housing Market Area (HMA) is coterminous with the Provo-Orem, UT Metropolitan Statistical Area, comprising Juab and Utah Counties in north central Utah, along the southern edge of the Wasatch Mountains. Approximately 98 percent of the population of the HMA lives in Utah County, primarily along a corridor between Salt Lake City and the city of Provo. The city of Provo is home to Brigham Young University (BYU), and Utah Valley University (UVU) is in the city of Orem.

Market Details

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Economy

The Provo-Orem HMA added jobs at approximately triple the national rate since the most recent national recession. During the 12 months ending May 2017, nonfarm payrolls averaged 241,900, an increase of 10,800, or 4.7 percent, from a year earlier. The high-technology (hereafter, high-tech) industry benefits from the highly educated workforce and two universities in the HMA, contributing to job growth. In addition, construction payrolls and education and health services are increasing to support the growing population. During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 9,100 jobs, or 3.8 percent, annually.

Sales Market

Sales housing market conditions in the HMA are balanced, with an estimated 1.2-percent vacancy rate, down from 2.3 percent in 2010. Total home sales and average home prices, however, remain about 37 and 10 percent, respectively, below their previous peak during the mid-2000s. During the next 3 years, demand is estimated for 12,000 new homes, primarily near the emerging employment center in the northern suburbs (Table 1). The

1,900 homes under construction and a portion of the estimated 3,200 other vacant units that may reenter the market will satisfy some of the forecast demand.

Rental Market

Rental housing market conditions in the HMA are currently balanced, with an overall estimated vacancy rate of 4.0 percent, compared with 4.2 percent in April 2010. Multifamily construction, primarily of apartments, has nearly returned to the levels during the 2000s. During the forecast period, demand in the HMA is expected for 4,175 new market-rate units. The approximately 1,500 units currently under construction will meet some of the forecast demand (Table 1).

Table 1. Housing Demand in the Provo-Orem HMA During the Forecast Period

	Provo-Orem HMA	
	Sales Units	Rental Units
Total demand	12,000	4,175
Under construction	1,900	1,500

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of June 1, 2017. A portion of the estimated 3,200 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is June 1, 2017, to June 1, 2020. Source: Estimates by analyst

Economic Conditions

The Provo-Orem HMA has a highly educated workforce. Nearly 40 percent of the population has a bachelor's degree or higher, compared with approximately 30 percent nationally (2015 American Community Survey [ACS] 1-year data). In addition, the HMA benefits from research activities at BYU and UVU. BYU, a private university, is the largest employer in the HMA, with more than 15,000 employees (Table 2). UVU, a public university, is the largest university in the state, with more than 35,000 students enrolled. The two universities have an estimated combined economic impact of about

\$1.3 billion on the HMA (BYU 2010 Economic Impact Analysis and 2016 UVU Economic Impact Fact Sheet).

During the 12 months ending May 2017, nonfarm payrolls averaged 241,900 jobs, an increase of 10,800 jobs, or 4.7 percent, from a year earlier. The education and health services sector led job growth, adding 2,500 jobs, or 5.1 percent. The wholesale and retail trade and the mining, logging, and construction sectors added 1,900 and 1,600 jobs, or 5.4 and 7.8 percent, respectively (Table 3). Job growth in these sectors was partly the result of growth in industries that support the increasing population, including schools, medical centers, retail establishments, and residential construction. The unemployment rate averaged 2.9 percent during the 12 months ending May 2017, down from 3.2 percent a year earlier.

The economy (as measured by nonfarm payrolls) contracted twice during the previous decade, and each downturn preceded strong job growth that outpaced the national average. Nonfarm payrolls declined in 2002, mainly because of job losses in the manufacturing and information sectors. The Geneva Steel mill laid off 1,200 workers when it closed in 2002, contributing to the decline of 2,600 jobs, or 13.1 percent, in the manufacturing sector. The information sector also had a large percentage decline, decreasing 10.8 percent, but the number of losses was not as severe, measuring 800 jobs. From 2003 through 2007, nonfarm payrolls increased by an average of 7,200 jobs, or 4.3 percent, annually, to 190,500. By comparison, jobs increased approximately 1.1 percent annually in the nation during the same period. Average annual increases of

Table 2. Major Employers in the Provo-Orem HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Brigham Young University	Education & health services	15,000–21,999
Utah Valley University	Government	4,000–5,999
Intermountain Healthcare	Education & health services	3,000–3,999
Vivint, Inc.	Professional & business services	3,000–4,999
Adobe Systems Incorporated	Information	1,000–1,999
dōTerra	Wholesale & retail trade	1,000–2,999
IM Flash	Manufacturing	1,000–1,999
Nestlé	Manufacturing	1,000–1,999
Nexeo	Professional & business services	1,000–1,999
Young Living Essential Oils	Wholesale & retail trade	1,000–3,999

Note: Excludes local school districts.

Source: Utah Department of Workforce Services, 2016

Table 3. 12-Month Average Nonfarm Payroll Jobs in the Provo-Orem HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	May 2016	May 2017		
Total nonfarm payroll jobs	231,100	241,900	10,800	4.7
Goods-producing sectors	38,800	40,400	1,600	4.1
Mining, logging, & construction	20,500	22,100	1,600	7.8
Manufacturing	18,300	18,300	0	0.0
Service-providing sectors	192,300	201,500	9,200	4.8
Wholesale & retail trade	35,500	37,400	1,900	5.4
Transportation & utilities	3,300	3,500	200	6.1
Information	11,900	12,700	800	6.7
Financial activities	7,400	7,900	500	6.8
Professional & business services	31,000	32,400	1,400	4.5
Education & health services	48,800	51,300	2,500	5.1
Leisure & hospitality	18,800	19,800	1,000	5.3
Other services	5,100	5,300	200	3.9
Government	30,400	31,300	900	3.0

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through May 2016 and May 2017.

Source: U.S. Bureau of Labor Statistics

1,600 jobs in the mining, logging, and construction sector and 1,300 jobs in the education and health services sector, both of which benefited from rapid population growth in the HMA, led growth during this period.

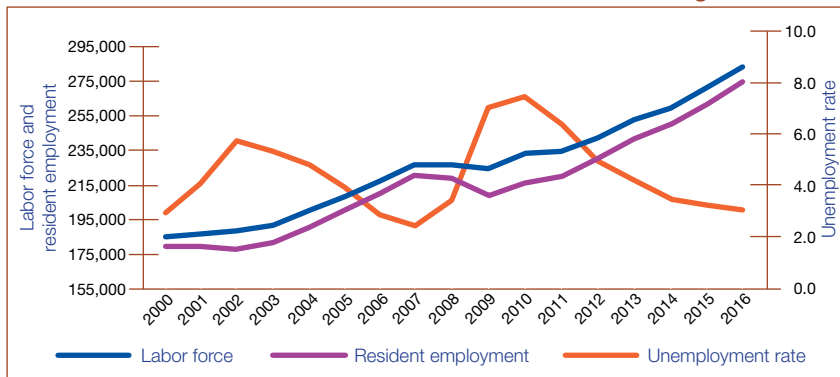
The second economic contraction of the 2000s, from 2008 through 2010, was the result of the Great Recession. During this period, nonfarm payrolls decreased by an average of 4,300 jobs, or 2.3 percent, annually, to 177,500. The mining, logging, and construction and manufacturing sectors lost the most jobs in the period, annually losing an average of 3,000 and 1,200 jobs, respectively. During 2010, the residential construction industry averaged 1,025 jobs, the fewest since 2001 and a sharp decline from 2,625 jobs in 2007. In the manufacturing sector,

Morinda Inc. and QuicKutz, Inc. laid off a combined 140 people in the HMA in 2008. Total nonfarm payrolls began to recover in 2011 and surpassed the prerecession peak in 2012. From 2011 through 2015, nonfarm payrolls increased by an average of 9,600 jobs, or 4.9 percent, annually, nearly triple the average increase of 1.6 percent annually for the nation during the same period. Figure 1 shows trends in the labor force, residential employment, and the unemployment rate from 2000 through 2016.

The education and health services sector is a source of stable employment growth, with no annual job losses since 2000, supported by the presence of BYU and hospital expansions in the HMA. Partly because BYU is a private university, the education and health services sector is the largest in the HMA, averaging 51,300 jobs during the 12 months ending May 2017 and accounting for 21.2 percent of total nonfarm payrolls (Figure 2). The sector added 2,500 jobs, an increase of 5.1 percent, from the same period a year earlier. Since 2010, several hospitals have been built or expanded in the HMA. Orem Community Hospital, a part of Intermountain Healthcare, expanded their nursery in 2013. Mountain Point Medical Center, part of IASIS Healthcare, opened in 2015 in the city of Lehi with 250 employees. In addition, renovations are under way to expand the Intermountain Healthcare medical center in the city of Provo.

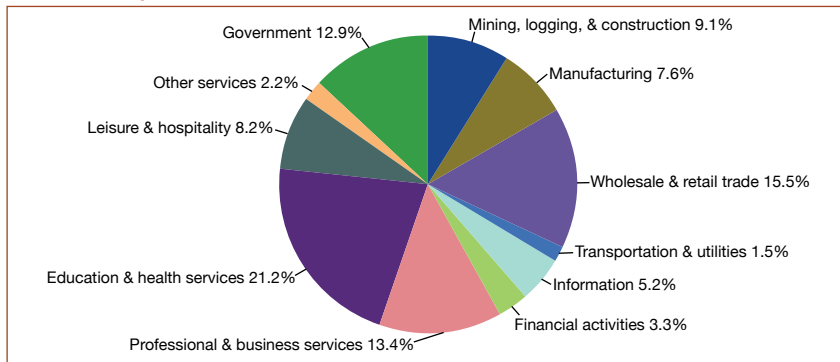
Jobs in the mining, logging, and construction sector grew at a faster rate during periods of strong population growth, reflecting the need for new housing. Nearly 95 percent of covered payrolls in the sector were in the construction subsector in 2016 (Quarterly

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Provo-Orem HMA, 2000 Through 2016



Source: U.S. Bureau of Labor Statistics

Figure 2. Current Nonfarm Payroll Jobs in the Provo-Orem HMA, by Sector



Note: Based on 12-month averages through May 2017.

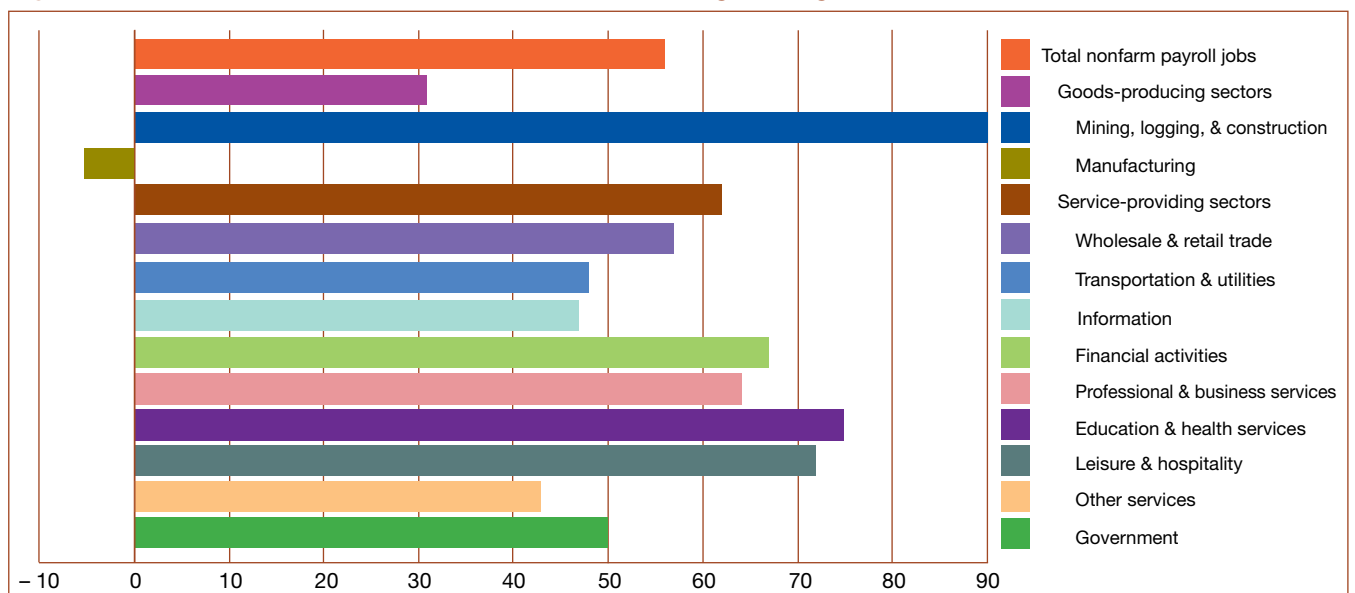
Source: U.S. Bureau of Labor Statistics

Census of Employment and Wages). Since 2000, population growth was fastest during 2004 to 2007, when mining, logging, and construction payrolls increased by an average of 2,000 jobs, or nearly 15 percent, annually. During the economic downturn from 2008 through 2010, however, sector payrolls decreased by an average of 3,000 jobs, or 19 percent, annually, as construction activity slowed. After the downturn, the sector rebounded and increased from 2011 through 2015 by an average of 1,800 jobs, or 13.7 percent, annually. By the end of 2015, the sector recovered the number of jobs lost and surpassed the previous peak of 19,000 jobs in 2007. During the 12 months ending May 2017, sector payrolls averaged 22,100 jobs, an increase of 1,600 jobs, or 7.8 percent, from a year earlier. The sector has had the fastest rate of job growth in the HMA since 2000, increasing more than 90 percent (Figure 3). Construction projects under way include the redevelopment of the former Geneva Steel mill site into the Geneva master-planned community, which began in

2013, with retail, commercial, and residential developments. In addition to the jobs created during the construction phase, the community on the 1,700-acre site in the town of Vineyard is projected to create 20,000 jobs across several sectors, including the leisure and hospitality and the professional and business services sectors, when complete in 2025. Construction at the Intermountain Healthcare medical center in the city of Provo, a \$429 million project, is expected to be complete in 2019.

The HMA has a growing high-tech industry, contributing to the nickname of Silicon Slopes for the area by the Wasatch Mountains. Many jobs are included in the professional and business services and information sectors. The professional and business services sector lost 2,200 jobs, or 9.4 percent, during 2009 but began recovering in 2010, a year earlier than total nonfarm payrolls. From 2010 through 2016, the sector added an average of 1,300 jobs, or 5.6 percent, annually, recovering to the 2008 peak of 23,400 in 2011.

Figure 3. Sector Growth in the Provo-Orem HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through May 2017.

Source: U.S. Bureau of Labor Statistics

Insidesales.com hired 300 people a year in 2014 and 2015, adding to the growth.

The information sector constitutes a greater share of jobs in the HMA than in the nation. The information sector accounts for more than 5 percent of nonfarm payrolls in the HMA compared with less than 2 percent nationally. After the dot-com bubble burst in the early 2000s, the recovery of losses in information and high-technology-related employment was gradual. Information sector payrolls reached 8,600 jobs in 2012, the same level as in 2000, and continued to increase by an average of 1,000 jobs, or 9.8 percent, annually from 2013 through 2016. Workfront, Inc., a project management software company headquartered in the city of Lehi, added 250 jobs in 2014. During the 12 months ending May 2017, sector payrolls averaged 12,700 jobs, an increase of 800 jobs, or 6.7 percent,

compared with a year earlier. Adobe Systems Incorporated is expanding their facility in the city of Lehi and will add 1,000 jobs during the next two decades.

During the next 3 years, strong job growth is expected to continue in the HMA. Nonfarm payrolls are expected to increase by an average of 9,100 jobs, or 3.8 percent, annually. Jobs will increase across most sectors. High-tech jobs, the education and health services sector, and the construction subsector are expected to drive the economy and support the growing population. Podium Corp Inc., a software company based in the city of Lehi, is adding 425 jobs during the next 5 years. Construction on a new maintenance facility for Duncan Aviation Inc. will begin in late-2017 at the Provo Municipal Airport; the facility will open in 2019 and employ up to 700 additional workers within the next decade.

Population and Households

The Provo-Orem HMA has an estimated population of 620,100 as of June 1, 2017. The population has increased by an average of 13,000, or 2.3 percent, annually since April 2010. Net natural change (resident births minus resident deaths) is the largest component of population change, comprising 65 percent of population growth in the previous decade and increasing to more than 75 percent since 2010. Utah County has the second highest birth rate in the nation, 20.8 births per 1,000 people, a number much higher than the national average of 12.4 (Centers for

Disease Control and Prevention, 2015). In addition to the large student population, the relatively high birth rates and young families attracted to the area for work contribute to a young population with a large average household size. The median age in the HMA was 24.5 years compared with 37.8 years for the nation (2015 ACS 1-year data). In addition, the average household size in the HMA in 2015 was 3.6 compared with 2.7 nationally.

The population grew rapidly from 2000 to 2010, with net in-migration

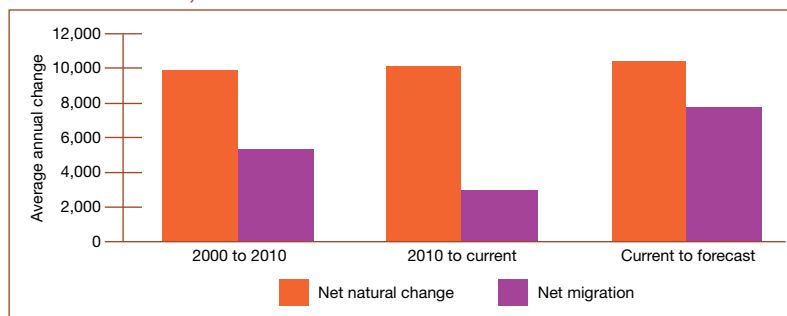
reflecting trends in job growth. Despite a slowdown from 2011 to 2014, net in-migration surged again in recent years. Population growth from 2000 to 2002 was strong, with the population increasing by an average of 12,850, or 3.3 percent (Census Bureau decennial census counts and population estimates as of July 1), but growth slowed to an increase of 9,100 people, or 2.2 percent, from 2002 to 2003 because of job losses in 2002. The share of net in-migration declined from 32 percent of population growth from 2000 to 2002 to virtually nothing from 2002 to 2003. When the economy expanded again from 2003 to 2007, the population increased by 16,100, or 3.7 percent annually, with net migration accounting for nearly 40 percent of population growth. Population growth slowed from 2007 to 2011, when economic

conditions were mostly weak, with the population increasing 3.1 percent a year. Net in-migration declined to about 30 percent of population growth, but despite the in-migration slowdown, population growth remained generally strong, because net natural increase averaged 10,800 people annually. From 2011 to 2014, population growth slowed further to 10,200 people, or 1.9 percent, annually. Net natural change comprised more than 95 percent of population growth. Net in-migration slowed to average 330 people annually, in part because of declining enrollment at the two universities; this decline was in response to a change in age requirements by the Church of Jesus Christ of Latter-Day Saints for mission trips that caused a temporary surge in young Mormon adults in the area choosing to delay college. Since 2014, the population increased by an average of 16,600 people, or 2.8 percent, annually, and net in-migration increased to 40 percent of population growth. Figure 4 shows components of population change in the HMA from 2000 to the forecast date.

An estimated 170,000 households live in the HMA, an increase of 3,675, or 2.4 percent, annually since April 2010. By comparison, from 2000 to 2010, the number of households increased by 4,125, or 3.4 percent, annually. The homeownership rate in the HMA has declined since 2010, following national trends, but at 67.4 percent in 2015, it was higher than the national average of 63.0 percent (2015 ACS 1-year data). Figure 5 shows the number of households by tenure in the HMA from 2000 to the current date.

During the next 3 years, the population and number of households in the HMA are expected to increase 2.8 and 2.9

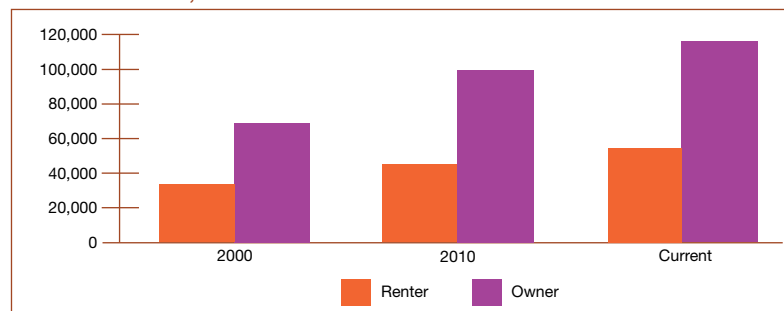
Figure 4. Components of Population Change in the Provo-Orem HMA, 2000 to Forecast



Notes: The current date is June 1, 2017. The forecast date is June 1, 2020.

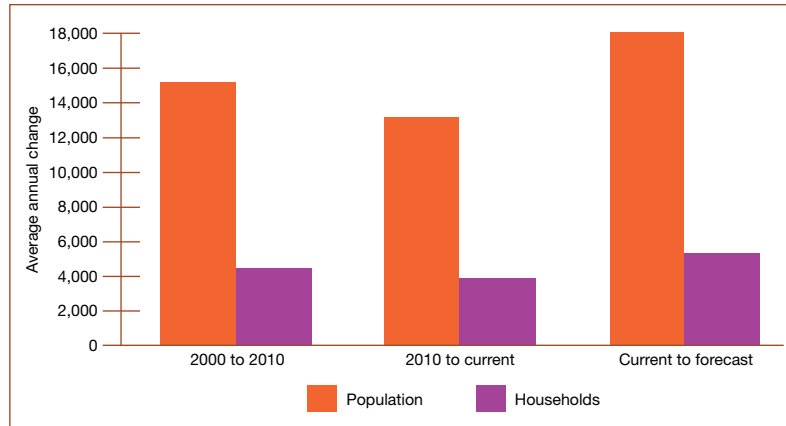
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Number of Households by Tenure in the Provo-Orem HMA, 2000 to Current



Note: The current date is June 1, 2017.

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

Figure 6. Population and Household Growth in the Provo-Orem HMA, 2000 to Forecast

Notes: The current date is June 1, 2017. The forecast date is June 1, 2020.

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

percent a year, respectively, or by 18,000 and 5,100. Net natural increase is expected to constitute the largest share of the population growth, although net in-migration is expected to increase in response to continued job growth. Most of the population and household growth is expected to be north of the cities of Provo and Orem, as the population expands around emerging employment centers in and around the city of Lehi. Figure 6 shows population and household growth trends from 2000 to the forecast date.

Housing Market Trends

Sales Market

The sales housing market in the Provo-Orem HMA is balanced. The sales vacancy rate is estimated at 1.2 percent, down from 2.3 percent in April 2010 (Table DP-1 at the end of this report). The inventory of homes for sale in the HMA in May 2017 represented a 2.3-month supply, unchanged from a year earlier (Utah Central Association of Realtors®, with adjustments by the analyst). Total home sales, including existing home sales and new construction, increased 6 percent during the 12 months ending April 2017 from a year earlier, and the average sales price increased 7 percent (CoreLogic, Inc., with adjustments by the analyst).

Existing home sales—including regular resale, real estate owned (REO), and short sales—increased 3 percent to 11,900 homes sold during the 12 months ending April 2017 but remain

below the peak during the previous decade of nearly 17,900 homes sold in 2006. Home sales are lower than they were during the housing boom, because tight lending standards and down payment requirements discouraged would-be buyers, along with an increased preference to rent by some households. From 2003 through 2006, during a period of strong job growth in the HMA, existing home sales increased by an average of 2,500, or 20 percent, annually, to 17,900 homes sold in 2006. Despite strong economic conditions, sales began to decrease in 2007 and continued to decline during the subsequent recession. From 2007 through 2010, existing home sales declined by an average of 2,400, or 18 percent, annually, to a low of 8,300 homes. After bottoming out in 2010, existing home sales increased by an average of 630 sales annually, or 6 percent, to 12,100 homes sold in 2016.

Housing Market Trends

Sales Market *Continued*

The average sales price of an existing home increased 8 percent during the past year to an average of \$303,400. The average price remains 2 percent less than the average of \$346,300 at the height of the housing bubble in 2007. After 2007, the average sales price decreased an average of 11 percent annually to \$223,000 in 2011. REO sales, which peaked at about 26 percent of existing home sales in 2011, contributed to the declines in existing home prices. REO sales accounted for about 2 percent of existing home sales during the 12 months ending April 2017, down from the peak in 2011 but slightly higher than the 1-percent rate in 2007.

A significant decrease in the share of seriously delinquent (90 or more days delinquent or in foreclosure) home loans and REO properties marked the recovery of the housing market in the HMA. As of April 2017, 0.9 percent of home loans was seriously delinquent or had transitioned into REO status, down slightly from 1.2 percent a year earlier but much less than the peak of 7.4 percent in February 2010 (CoreLogic, Inc.). The rate returned to normal levels in the HMA, as the current rate is the same as the April 2000 rate and the prehousing-crisis level in April 2007. The HMA rate is below the national average of 2.3 percent in April 2017.

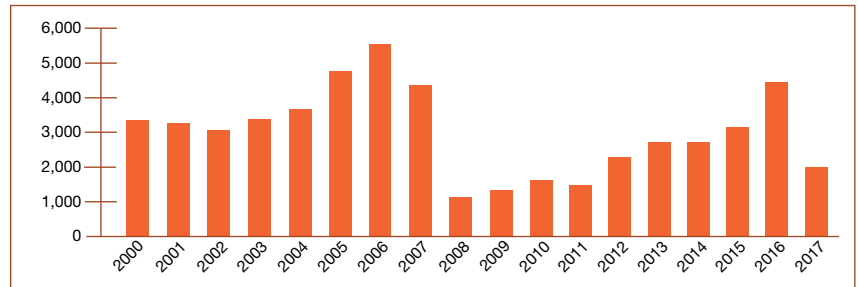
Like existing home sales, new home sales increased during the past year but remain less than the peak levels of the mid-2000s. Sales of new homes increased 20 percent during the past year to 3,125 homes sold during the 12 months ending April 2017. Sales of new homes remain 36 percent less than the average of 4,900 sold annually from 2005 through 2007, in part, because slower population growth

since 2010 and changing preferences toward renting reduced demand for additional for-sale housing. The price of a new home in the HMA averaged \$339,900 during the 12 months ending April 2017, up 3 percent from a year earlier. The average price of a new home is within 1 percent of the peak of \$342,900 in 2007. Following the peak, the average price decreased 20 percent annually to \$220,800 in 2009. After bottoming out in 2009, the average price for new home sales increased an average of 7 percent annually from 2010 through 2016.

Single-family homebuilding activity, as measured by the number of homes permitted, increased after the economic downturn and nearly recovered to mid-2000 levels. During the 12 months ending May 2017, 3,375 homes were permitted, up 33 percent from the same period a year earlier (preliminary data, with adjustments by the analyst). Homebuilding peaked from 2005 through 2007 when an average of 4,850 homes was permitted annually. The number of single-family homes permitted averaged 3,325 a year from 2000 through 2004 and then increased 46 percent to the 2005-through-2007 peak during strong population and economic growth. Home construction plummeted to 1,125 homes permitted in 2008, leading to declines in construction employment. Single-family construction started to recover, increasing an average of 280 units, or 16 percent, annually, through 2015, when 3,100 homes were permitted. The homebuilding activity contributed to an increase in construction employment. Figure 7 shows the number of single-family homes permitted from 2000 to the current date.

Because of geographical constraints of mountains and lakes, developable

Figure 7. Single-Family Homes Permitted in the Provo-Orem HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through May 2017.

Sources: U.S. Census Bureau, Building Permits Survey, 2000–2015 final data and analyst estimates; 2016–2017 preliminary data and analyst estimates

land in the cities of Provo and Orem is scarce and costly; therefore, single-family homebuilding in the HMA primarily occurs north of Provo, near the growing employment centers around the city of Lehi and along the transit corridor connecting the city of Provo with Salt Lake City. The Geneva master-planned community in the town of Vineyard, between the cities of Provo and Lehi, is part of the redevelopment of the Geneva Steel mill property. The 110-lot Waters Edge Cascade began construction in the town of Vineyard during the fourth quarter of 2016 (Metrostudy, A Hanley Wood Company). Construction began on about 60 homes, with approximately one-half currently completed. The development is expected to be built out in about

a year, and the price for a three-bedroom home starts at \$265,500. Less residential development extends south of the city of Provo, an area preferred primarily for the relatively affordable land, because it is farther from the job centers to the north.

During the 3-year forecast period, demand is expected for 12,000 new homes (Table 1). The 1,900 homes currently under construction and some of the estimated 3,200 other vacant units that may reenter the market will satisfy some of the demand. Demand will be strongest in the northern suburbs near employment opportunities. Demand is expected to be greatest in the \$200,000-to-\$399,999 price range, comprising nearly 60 percent of demand (Table 4).

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Provo-Orem HMA During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
140,000	199,999	1,325	11.0
200,000	299,999	3,475	29.0
300,000	399,999	3,475	29.0
400,000	499,999	2,400	20.0
500,000	599,999	1,200	10.0
600,000	and higher	120	1.0

Notes: The 1,900 homes currently under construction and a portion of the estimated 3,200 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is June 1, 2017, to June 1, 2020.

Source: Estimates by analyst

Rental Market

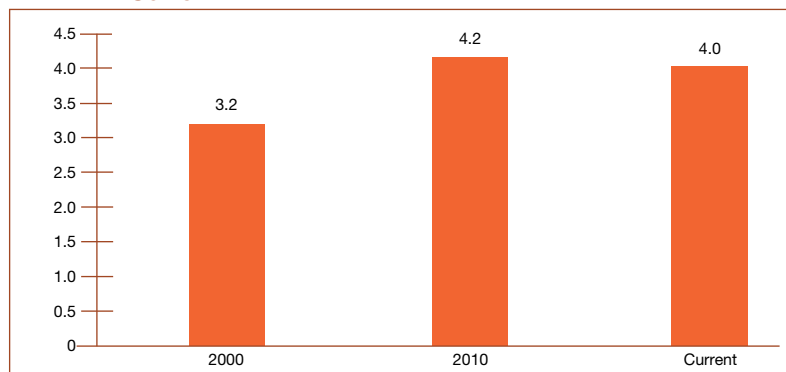
Rental housing market conditions in the Provo-Orem HMA are currently balanced, with an estimated overall vacancy rate of 4.0 percent, similar to the 4.2 percent in April 2010 (Figure 8). Approximately 41 percent of renter households in the HMA live in single-family homes or mobile homes, and the remaining households rent multifamily units, such as condominiums or apartments (2015 ACS 1-year data). Apartment market conditions are also balanced, with a vacancy rate of 5.5 percent during the second quarter of 2017, up from 3.7 percent a year earlier (MPF Research). During that period, the average apartment rent increased 11 percent to \$1,055. The spike in apartment construction in 2014 and construction in the following years exceeded the demand for rental housing, contributing to an increase in the apartment vacancy rate in the past year.

The combined student populations at BYU and UVU account for nearly 20 percent of renter households, with most students living in the cities of Provo and Orem, the location of the universities, respectively. Enrollment at BYU is generally stable, because it is a private, selective university able

to manage its enrollment level, but enrollment at UVU, a public university, tends to fluctuate with economic conditions. Enrollment at UVU has increased an average of 3 percent annually since 2010. Enrollment at BYU is expected to remain steady during the next 3 years, but UVU expects moderate increases. UVU does not provide on-campus housing for students, which leads to increased demand for rental housing in the private market. A new dormitory with 250 beds is under way at BYU and is expected to be complete by the start of the 2017 fall semester.

In 2014, builders began to respond to the increased demand for rental housing in the HMA. Multifamily building activity, as measured by the number of units permitted, recovered from the low construction levels from 2008 through 2013 and returned to more typical historical levels following the spike in 2014. During the 12 months ending May 2017, approximately 1,150 units were permitted, up 14 percent from the 1,000 units permitted during the previous 12-month period. From 2000 through 2007, multifamily permitting averaged 1,550 units annually. Multifamily permitting decreased significantly to 260 units permitted in 2008. The number of multifamily units permitted averaged 390 units annually from 2009 through 2012, a slight increase from 2008 as the economy recovered, but still subdued, because many banks were reluctant to lend to developers, and the population was growing at a slower pace than other recent periods. Multifamily construction increased to 780 units in 2013, when the market began to recover, and then spiked to 2,675 units in 2014, before decreasing to an average of

Figure 8. Rental Vacancy Rates in the Provo-Orem HMA, 2000 to Current



Note: The current date is June 1, 2017.

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

1,365 units annually in 2015 and 2016. Figure 9 shows the number of multifamily units permitted in the HMA from 2000 to the current date.

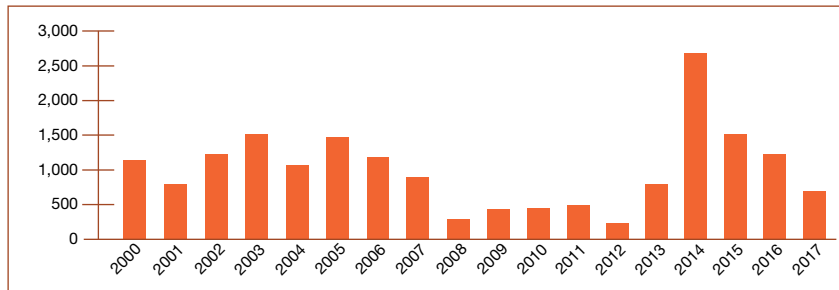
Condominiums traditionally accounted for a portion of multifamily construction in HMA, but their share decreased in recent years. Condominiums constituted approximately 20 percent of the multifamily units permitted from 2000 through 2007, averaging 230 units annually. From 2008 until the current date, condominiums decreased to 3 percent of the multifamily units permitted, or approximately 30

units annually, as builders responded to the increased demand for apartments.

The city of Provo is largely built out, although some areas for infill development remain. Most of the developable land for rental housing in the HMA is north of Provo, near the cities of Orem, Vineyard, and Lehi. The 331-unit Parkway Lofts in Orem will be complete in late 2017, with rents for studio, one-, two-, and three-bedroom units starting at \$900, \$1,015, \$1,225, and \$1,645, respectively.

During the next 3 years, demand is expected for 4,175 new market-rate rental units in the HMA (Table 1). The 1,500 units currently under construction will meet a portion of the forecast demand. New units should be timed to enter the market midway through the second year of the 3-year forecast period to allow for the completion and absorption of units already in the pipeline. Table 5 shows the forecast demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

Figure 9. Multifamily Units Permitted in the Provo-Orem HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through May 2017.

Sources: U.S. Census Bureau, Building Permits Survey, 2000–2015 final data and analyst estimates; 2016–2017 preliminary data and analyst estimates

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Provo-Orem HMA During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
620 or more	40	900 to 1,099	1,125	1,000 to 1,199	1,325	1,275 to 1,474	1,350
		1,100 or more	130	1,200 or more	150	1,475 or more	70
Total	40	Total	1,250	Total	1,475	Total	1,425

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 1,500 units currently under construction will likely satisfy some of the estimated demand. The forecast period is June 1, 2017, to June 1, 2020.

Source: Estimates by analyst

Table DP-1. Provo-Orem HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	179,433	216,919	281,700	1.9	4.2
Unemployment rate	2.9%	7.5%	2.9%		
Nonfarm payroll jobs	155,400	177,500	241,900	1.3	4.9
Total population	376,774	526,810	620,100	3.4	2.3
Total households	102,393	143,695	170,000	3.4	2.4
Owner households	68,747	98,496	115,300	3.7	2.2
Percent owner	67.1%	68.5%	67.8%		
Renter households	33,646	45,199	54,700	3.0	2.7
Percent renter	32.9%	31.5%	32.2%		
Total housing units	107,125	151,852	176,800	3.6	2.1
Owner vacancy rate	1.7%	2.3%	1.2%		
Rental vacancy rate	3.2%	4.2%	4.0%		
Median Family Income	\$50,009	\$62,900	\$67,600	2.3	1.2

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through May 2017. Median Family Incomes are for 1999, 2009, and 2015. The current date is June 1, 2017.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 6/1/2017—Estimates by the analyst
 Forecast period: 6/1/2017–6/1/2020—Estimates
 by the analyst

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.

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 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 and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Provo-OremUT_17.pdf.

Contact Information

Katharine Jones, Economist
 Denver HUD Regional Office
 303-672-5060
katharine.auchter@hud.gov

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.

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.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.