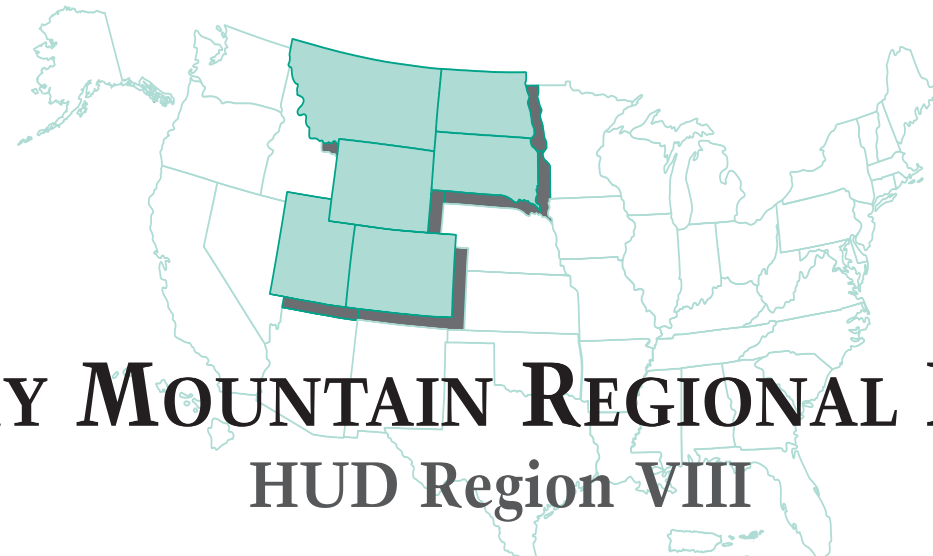
1st Quarter 2009

U.S. Housing Market Conditions



Rocky Mountain Regional Report

HUD Region VIII

1st Quarter Activity

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

The economy of the Rocky Mountain region weakened during the first quarter of 2009. During the 12 months ending March 2009, nonfarm employment was relatively unchanged, at 5.1 million jobs, compared with nonfarm employment during the previous 12 months. In contrast, during the 12 months ending March 2008, nonfarm payrolls expanded by 127,000 jobs, a gain of 2.5 percent from the number of jobs recorded during the same period in 2007. During the most recent 12-month period, employment was down in Utah and Colorado by 9,800 and 8,100 jobs, respectively. In Montana, nonfarm employment was down by 1,400 jobs. Job gains in Wyoming, North Dakota, and South Dakota offset the losses in Utah, Colorado, and Montana. During the past 12 months, Wyoming and North Dakota were the two fastest growing states in the nation in terms of nonfarm employment growth, recording gains of 2.6 and 1.9 percent, or 7,600 and 6,800 new jobs, respectively. South Dakota added 2,200 nonfarm jobs, a 0.5-percent increase, making the state's job growth the eighth fastest in the nation. As a result of the slower economy, during the 12 months ending March 2009, the average unemployment rate in the region increased to 4.8 percent from 3.5 percent during the previous 12 months. Unemployment rates ranged from 3.4 percent in Wyoming to 5.6 percent in Colorado, but all were well below the national average rate of 6.7 percent.

Much of the weakness in the regional economy was due to a decline in employment in the construction and manufacturing sectors. Construction employment fell in every state, except in North Dakota and Wyoming, due to soft conditions in the home sales market. Because of the relatively larger employment base, Utah and Colorado accounted for 90 percent of the 27,400 construction jobs lost in the region during the 12 months ending March 2009. Regionwide, the manufacturing sector lost 11,700 jobs, with Utah and Colorado accounting for 80 percent of the losses. The closure of an Intel Corporation facility in Colorado Springs contributed to a loss of 900 jobs in computer and electronic product manufacturing in Colorado. In the region, the declines in employment in the construction and manufacturing sectors were offset by job gains in other employment sectors. Although job growth in the mining and logging sector, which includes coal and natural gas extraction, slowed in the first quarter of 2009, the sector was up by 8,400 jobs, or 11 percent, during the 12 months ending March 2009. Colorado accounted for 3,000 of the new jobs in the sector, followed by North Dakota and Wyoming, which each added 1,800 jobs. Employment in the education and health services sector grew by 21,200 jobs regionwide, a 3.7-percent increase, with gains recorded in every state. Employment in the government sector also grew in all states in the region, with a total of 20,700 jobs added.

Home sales were down in 2008 for all states in the region as the economy continued to slow and as lending standards tightened. According to the NATIONAL ASSOCIATION OF REALTORS®, the number of existing single-family home sales in 2008 (the most recent data available) was 196,200 units, a decrease of 38,200 units, or 15 percent, compared with the number of sales in 2007. Sales in Utah declined by approximately 25 percent for the second straight year, following record-high sales levels in 2005 and 2006 of an average of 15 percent. Despite relatively strong employment growth, in 2008, Wyoming recorded a 23-percent decline in the number of home sales compared with near-record sales levels in 2007. Home sales were down by 17 percent in Montana, 14 percent in North Dakota, and 12 percent in South Dakota. In Colorado, the decline in home sales, at 10 percent, was the lowest in the region but the state still accounted for 35 percent of the regional decline in sales volume.

Although home sale markets have softened, average home appreciation remained positive for most of the Rocky Mountain states in the fourth quarter of 2008 (the most recent data available). According to the Federal Housing Finance Agency Housing Price Index, during the fourth quarter of 2008, home appreciation was up by 3 percent in both North Dakota and South Dakota and up by 2 percent in Wyoming and 0.5 percent in Montana from the rates recorded during the same quarter a year ago. The index declined by 3 percent in Utah and was relatively unchanged in Colorado. All rates were above the average national rate of ap-preciation, which declined by 4 percent. The S&P/Case-Shiller® Home Price Index for the Denver-Aurora metropolitan area ranked second in the nation for lowest 1-year price depreciation, down by 6 percent as of February 2009. The composite index derived from data from 20 metropolitan areas was down by 19 percent compared with the level recorded as of February 2008. The somewhat more stable appreciation rates for the Rocky Mountain states are due to the moderately low rate of appreciation that occurred between 2001 though 2004 in most markets and a period of slower construction from 2006 through the first quarter of 2009 compared with national price appreciation rates and construction activity.

In Colorado, metropolitan area home sales markets continued to soften through the first quarter of 2009. During the 12 months ending March 2009, according to the Boulder Area REALTOR® Association, existing single-family home sales fell by 16 percent compared with home sales recorded during the same period a year ago. The average sales price decreased by 6 percent to $423,000. The Pikes Peak Association of REALTORS® reported that, for the Colorado Springs area, existing home sales activity was down 15 percent from the volume recorded during the previous 12 months and the average sales price for single-family homes declined by 8 percent to $200,400. During the 12 months ending March 2009, the Colorado Springs home sales market was affected by a 2-percent decline in nonfarm employment, the largest employment loss among the state metropolitan areas. During the 12 months ending March 2009, average active listings in the Boulder and Colorado Springs areas were relatively unchanged compared with the average number of active listings during the same period in 2008.

During the 12 months ending March 2009, home sales activity in Utah markets declined considerably from earlier levels and inventories of unsold homes increased. NewReach, Inc., reported that, during the 12-month period ending March 2009, existing single-family home sales in the Salt Lake City area were 32 percent below the level recorded for the same period a year ago. During the most recent 12 months, the average home sales price decreased by 8 percent to $266,300, and the inventory of homes for sale increased by 18 percent to 14,100 units. During the 12 months ending March 2009, home sales in the Ogden-Clearfield area declined by 34 percent and the average price decreased by 11 percent to $201,600. Active listings were up 16 percent to 9,500 homes. Similarly, new home sales in the Salt Lake and Ogden-Clearfield areas were down by more than 40 percent, while average sales prices decreased by 14 and 8 percent, respectively, to $344,900 and $292,000. During the past 12 months, in the Provo-Orem area, existing home sales declined by 13 percent and the average price of a single-family home decreased by 6 percent to $270,900.

In the Rocky Mountain region, in response to weak sales, new home construction activity, as measured by the number of single-family building permits issued, fell by 43 percent to 25,300 homes during the 12 months ending March 2009. In comparison, permits were issued for an annual average of 76,100 single-family homes during the peak years of 2004 and 2005. Although the number of single-family homes permitted decreased in all states during the past 12 months, declines in Colorado and Utah accounted for 85 percent, or 15,800 homes, of the 18,800-permit drop for the region. During the 12 months ending March 2008, these two states had a higher level of construction than did the other states in the region, accounting for 70 percent of the single-family permits issued in the region during the period. During the 12 months ending March 2009, single-family homebuilding activity was down by 1,200 permits, or 40 percent, in Montana, and by 600 permits, or 26 percent, in Wyoming. In both North Dakota and South Dakota, the number of single-family permits issued declined by approximately 20 percent, or by 450 and 680, respectively.

In the region, during the 12 months ending March 2009, multifamily housing construction, as measured by the number of units permitted, declined 16 percent to 13,300. Losses in Colorado, Montana, and North Dakota more than offset gains in Utah, South Dakota, and Wyoming. During the past 12 months, Colorado recorded the largest drop in the number of multifamily units permitted, which amounted to a 3,700-unit reduction. The decline was mostly attributed to soft sales markets, resulting in a reduction of 70 percent, or 2,800 units, in townhome and condominium construction in Colorado, especially in the Denver-Aurora metropolitan area. During the same period, multifamily construction in Utah was up by 1,400 units, or 48 percent. The increase was attributed to additional apartment construction prompted by builders' response to the relatively tight market conditions, primarily in the Salt Lake City area.

During the 12 months ending March 2009, lower demand for rental housing and higher levels of apartment construction activity have led to more balanced conditions in most major rental housing market areas compared with the tight conditions recorded a year ago. According to *Apartment Insights*, published by Apartment Appraisers & Consultants, the average vacancy rate in the Denver-Boulder-Aurora metropolitan area increased to 8.2 percent in the first quarter of 2009, up from 5.9 percent in the first quarter of 2008, and the average effective rent decreased by $24 to $788. During the first quarter of 2009, the apartment vacancy rate in the Fort Collins area increased to 5.7 percent from 4.9 percent during the same quarter year ago and the average monthly rent was relatively unchanged at $795. According to the same survey, the vacancy rate in the Greeley area increased from 7.8 percent in the first quarter of 2008 to 8.5 percent in the first quarter of 2009, while monthly rents increased by $20 to an average of $655. In the Colorado Springs area, the market remains soft with a vacancy rate of 9.9 percent, up from 9 percent a year ago. In the Salt Lake City area, according to Apartment Realty Advisors, the average apartment vacancy rate increased from 4.5 percent in the first quarter of 2008 to 6.8 percent in the first quarter of 2009, and the average rent increased by 5 percent to $770. In the Provo-Orem area, the apartment vacancy rate increased from 3.6 to 5.7 percent. During the next 12 months, rental housing markets in most metropolitan areas of the region are expected to continue to soften because of expected weak employment growth.