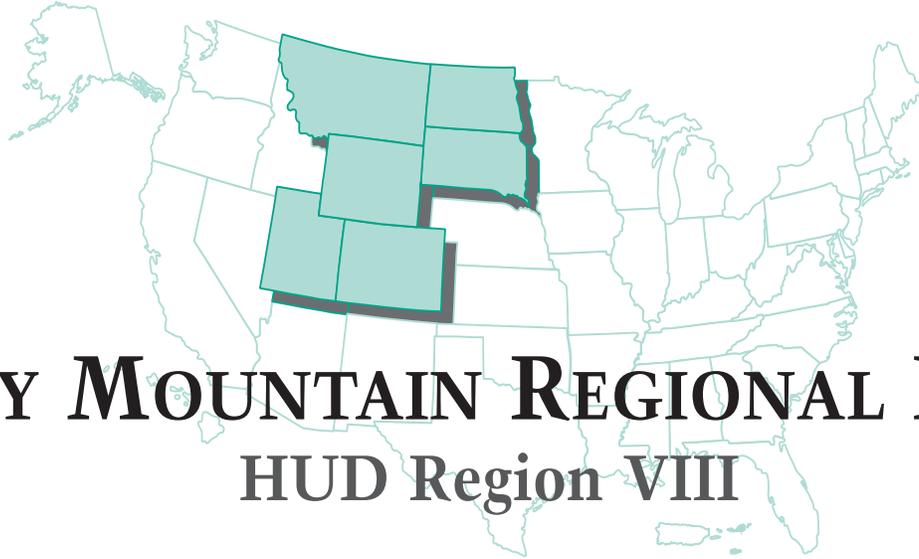




U.S. Housing Market Conditions



ROCKY MOUNTAIN REGIONAL REPORT HUD Region VIII

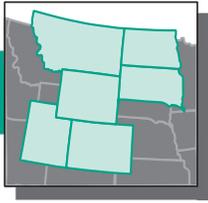
1st Quarter Activity

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.

In the Rocky Mountain region, nonfarm payroll jobs have increased slightly in the past 12 months but remain well below the peak of 5.1 million jobs recorded during late 2008. From the 12 months ending February 2010 to the 12 months ending February 2011, nonfarm payrolls increased by about 4,400 jobs, or 0.1 percent, to 4.9 million jobs. The goods-producing sectors, which have been losing jobs since late 2007, declined by 2.2 percent in the past 12 months. Manufacturing sector payrolls fell by 3,800 jobs, or 1.2 percent, and construction sector payrolls fell by 19,400 jobs, or 6.9 percent. These losses were offset by a 0.5-percent increase in payrolls in the service-providing sectors. The education and health services and the professional and business

services sectors added about 17,200 and 8,700 jobs, increases of 2.8 and 1.5 percent, respectively. Government sector employment also increased. Although local government payrolls in the region declined by 1,000 jobs, or 0.2 percent, federal and state government payrolls rose by 4,700 and 3,500 jobs, or 3.5 and 1.5 percent, respectively.

Within the region during the past 12 months, the largest employment declines occurred in Colorado and Wyoming, where nonfarm payrolls decreased by 8,700 and 1,000 jobs, respectively, or 0.4 percent each. Much of that payroll decline was because of declining construction activity. In Colorado, construction sector payrolls fell by 13,100 jobs, or 10 percent, because of declining nonresidential building activity. In Wyoming, construction payrolls fell by 800 jobs, or 3.4 percent, because of a decline in multifamily residential building activity. In Montana, total nonfarm payrolls also fell slightly, down 0.1 percent, or 300 jobs. These payroll losses were offset by gains elsewhere in the region. In Utah, during the past 12 months, nonfarm payrolls rose by 1,800 jobs, or 0.2 percent, and in South Dakota, they rose by 1,300 jobs, or 0.3 percent. North Dakota had the fastest job growth in the country, at 3.1 percent, an increase of 11,200 jobs. In the 12 months ending



February 2011, the mining and logging sector in North Dakota added 4,400 jobs, a 62-percent increase. This increase was largely because of strong energy-related growth in western parts of the state. Despite the overall job growth for the region, unemployment rates remain high in some areas. For the 12 months ending February 2011, the average unemployment rate for the region was 7.7 percent, up from 7.5 percent a year earlier. For the 12 months ending February 2011, state unemployment rates ranged from 3.9 percent in North Dakota to 9 percent in Colorado, but all states in the region continued to have unemployment rates below the 9.5-percent national average.

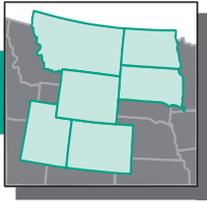
Home sales markets in the Rocky Mountain region remained soft in the first quarter of 2011 because of sluggish job growth and tight lending standards. Based on data from the NATIONAL ASSOCIATION OF REALTORS®, during the fourth quarter of 2010, home sales in the region were down 21 percent from a year earlier to a seasonally adjusted annual rate of 171,200 homes sold. The decreases in home sales varied by state, ranging from more than 8 percent in Wyoming to 38 percent in South Dakota, but sales were down for all states in the region. Despite the decline in sales, home prices appear to be stabilizing. Based on the Federal Housing Finance Agency's Home Price Index, quality-controlled sales prices for existing homes in the region were down less than 1 percent in the fourth quarter of 2010 compared with a year earlier. By contrast, home prices for the region in the fourth quarter of 2009 were down nearly 4 percent from a year earlier. In the fourth quarter of 2010, home prices were up 1 percent in South Dakota and 2 percent in North Dakota—the highest rates of price appreciation in the country—but those increases were offset by declines elsewhere. In Wyoming, Colorado, Montana, and Utah, prices in the fourth quarter of 2010 were down by less than 1 percent to slightly more than 2 percent. Continued economic weakness in the region has also led to an increase in mortgage defaults. For the 12 months ending March 2011, based on LPS Applied Analytics data, the number of homes that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) represented 4.9 percent of all home loans in the region, up from 4.6 percent during the previous 12 months. For the 12 months ending March 2011, the rates for distressed loans in the Rocky Mountain region ranged from 2 percent in North Dakota to 6.2 percent in Utah, but all states in the region were below the 8.4-percent national average.

Home sales have decreased in most of the larger metropolitan areas of Colorado, but, contrary to the overall state trend, prices have increased in many metropolitan areas. Based on data from Hanley Wood, LLC, during the 12 months ending February 2011, about 29,800 new and existing single-family homes were sold in the Denver-Aurora area compared with the 32,700 sold in

the previous 12 months, which represents a nearly 9-percent decline. In the Colorado Springs and Fort Collins-Loveland areas, during the 12 months ending February 2011, sales were down by 9 and 10 percent to 9,300 and 4,400 homes sold, respectively. In the Denver-Aurora area, the average price for homes sold was up by more than 5 percent to about \$287,500. In the Colorado Springs and Fort Collins-Loveland areas, home prices were up more than 4 and 6 percent, to \$227,100 and \$260,100, respectively. In Grand Junction, during the 12 months ending February 2011, however, average home prices fell more than 11 percent to about \$205,400, and home sales fell by more than 5 percent to about 1,900 homes sold. In the major metropolitan areas of Utah, the home sales markets were soft, with both number of sales and prices declining. In the Salt Lake City area, in the 12 months ending February 2011, about 13,500 new and existing single-family homes were sold, which represents a nearly 10-percent decrease from a year earlier. In the Ogden-Clearfield and Provo-Orem areas, during the 12 months ending February 2011, sales were down nearly 17 and 13 percent, to about 7,500 and 6,200 homes sold, respectively. In the Ogden-Clearfield, Salt Lake City, and Provo-Orem areas, average prices for homes sold were down less than 1 percent, more than 1 percent, and more than 3 percent, to \$208,000, \$256,600, and \$232,200, respectively. Elsewhere in the region, sales in general were down but prices increased. In Billings and Fargo, sales of new and existing homes fell 23 and 11 percent, to 1,800 and 2,800 homes sold, respectively, but average home prices were up 7 and 5 percent, to \$210,100 and \$174,700, respectively.

Sales of attached homes (such as condominiums and townhomes) remain weak in most metropolitan areas of the region. Based on data from Hanley Wood, LLC., in the 12 months ending February 2011, about 9,500 new and existing attached homes were sold in the Denver-Aurora area, down from the 10,800 sold in the previous 12 months, or a 12-percent decline. In Colorado Springs, sales fell nearly 10 percent, down to less than 700 units sold. In Provo-Orem and Ogden-Clearfield, sales of attached homes fell by more than 20 percent in both areas, to 1,000 and 450 units sold, respectively. In Salt Lake City, sales fell nearly 14 percent to 3,000 units sold. In the 12 months ending February 2011, in Denver-Aurora, the average price for existing attached homes sold was up by less than 1 percent from a year earlier, to about \$179,300. In Colorado Springs, the average price fell nearly 7 percent to \$138,200. In Provo-Orem and Salt Lake City, average prices were up nearly 2 and 3 percent, to \$155,300 and \$210,100, respectively, but in Ogden-Clearfield, the average price was down nearly 2 percent to \$138,000.

Despite the weak home sales market, homebuilding increased slightly in the past 12 months in the Rocky Mountain region. Based on preliminary data, in the



12 months ending February 2011, single-family building activity, as measured by the number of permits issued, was up to about 19,300 homes permitted, which represents an increase of more than 1 percent from the previous 12 months. This number is well below the peak years of 2004 through 2006, however, when an average of more than 72,000 single-family homes a year were permitted in the region. In North Dakota and Colorado, single-family construction increased by 8 and 14 percent to about 7,700 and 1,600 homes, respectively, but in South Dakota, Montana, Utah, and Wyoming, homebuilding fell by 16, more than 7, nearly 2, and less than 1 percent, to 1,600, 1,100, 6,000, and 1,200 homes permitted, respectively. Multifamily construction fell slightly during the past 12 months in the region. Based on preliminary data, in the 12 months ending February 2011, about 8,000 multifamily units were permitted, down less than 1 percent from a year earlier. During the 12 months ending February 2011, in North Dakota, Montana, and Colorado, construction increased by 230, 270, and 770 units to about 1,450, 600, and 2,600 units permitted, respectively. In South Dakota, Utah, and Wyoming, however, multifamily construction activity fell by 240, 510, and 540 units to about 650, 2,150, and 450 units permitted, respectively. From 2006 through 2008, multifamily building in the region peaked at 15,800 units a year.

Rental market conditions tightened in most areas of the Rocky Mountain region in the first quarter of 2011 compared with market conditions a year earlier, and markets in most areas now range from balanced to tight. Demand has increased as growth in renter households has increased, and rental unit construction has not

kept pace with rising demand. Based on data from Apartment Insights, Inc., apartment markets in Colorado Front Range metropolitan areas are currently balanced to tight. In the Denver-Aurora area, in the first quarter of 2011, the apartment vacancy rate was 5.5 percent, down from 7 percent a year earlier. The Colorado Springs, Boulder, and Fort Collins-Loveland areas had first quarter 2011 vacancy rates of 5.8, 3.9, and 3.6 percent, respectively, representing declines of more than 1 percentage point from a year earlier in each area. In the Denver-Aurora area, during the first quarter of 2011, monthly rents averaged about \$870, up nearly 5 percent from a year earlier. Rents in Colorado Springs, Boulder, and Fort Collins-Loveland averaged about \$720, \$980, and \$880 a month, increases of 3, more than 3, and 8 percent, respectively, from a year earlier. In the major metropolitan areas of Utah, rental markets tightened in the past year and are now balanced to tight. According to Reis, Inc., during the first quarter of 2011, in the Salt Lake City, Ogden-Clearfield, and Provo-Orem areas, apartment vacancy rates were 6.3, 4.8, and 4.0 percent, respectively, representing declines of more than one-half of a percentage point from a year earlier in each area. In the first quarter of 2011, in Salt Lake City and Ogden-Clearfield, effective monthly rents averaged \$715 and \$670, increases of 2 and nearly 2 percent, respectively, from a year earlier, but in Provo-Orem rents fell by less than 1 percent to about \$770. The Fargo rental market has tightened in the past year and is currently balanced; according to Appraisal Services, Inc., in the first quarter of 2010, the apartment vacancy rate was 6.2 percent, down from 7.2 percent a year earlier.