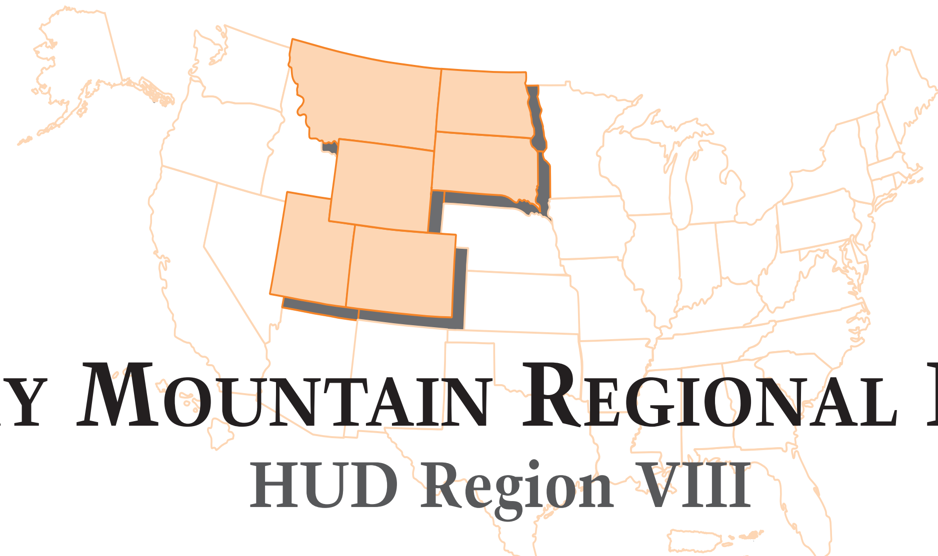
2nd Quarter 2011

U.S. Housing Market Conditions



Rocky Mountain Regional Report

HUD Region VIII

2nd 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.

Nonfarm payrolls in the Rocky Mountain region increased in the past 12 months but remain below the peak of 5.1 million jobs recorded in late 2008. In the 12 months ending June 2011, nonfarm payrolls increased by about 38,600 jobs, or 0.8 percent, to 4.9 million jobs compared with payrolls in the previous 12 months. Among the goods-producing sectors, the mining and logging subsector added approximately 11,900 jobs, a 15-percent increase, the result of strong energy demand, and the manufacturing sector added 3,100 jobs, a 1-percent increase. Among the service-providing sectors, payrolls in the leisure and hospitality, professional and business services, and education and health services sectors increased by 11,400, 12,900, and 16,800 jobs, or 2.1, 2.2, and 2.7 percent, respectively. Losses in other sectors partially offset these gains. Construction subsector payrolls fell by 13,000 jobs, or 4.8 percent, partly because of slower homebuilding activity. The information and financial activities sectors lost 3,200 and 6,900 jobs, declines of 2.5 and 2.3 percent, respectively, because of layoffs in the telecommunications and banking industries, particularly in the Denver area. Government sector payrolls, overall, were essentially flat. Although payrolls in the federal and local government subsectors fell by 2,900 and 1,600 jobs, or 2.1 and 0.3 percent, respectively, payrolls in the state government subsector rose by 3,500 jobs, or 1.4 percent.

For the first time in the past 10 quarters, all states in the region reported nonfarm payroll increases for the 12 months ending June 2011. The strongest job growth was in North Dakota, where nonfarm payrolls rose by 13,600 jobs, or 3.7 percent, the fastest rate of job growth among all states in the nation. The slowest job growth in the region occurred in Colorado and Montana, where payrolls expanded by 5,400 and 1,500 jobs, or 0.2 and 0.4 percent, respectively. In South Dakota, Wyoming, and Utah, payrolls increased by 2,400, 2,600, and 13,100 jobs, or 0.6, 0.9, and 1.1 percent, respectively. The unemployment rate in the region averaged 7.6 percent for the 12 months ending June 2011, edging down from the 7.7-percent rate of a year earlier. Unemployment rates ranged from 3.7 percent in North Dakota to 8.9 percent in Colorado, all below the 9.3-percent national average.

Home sales markets in the Rocky Mountain region remain somewhat soft in most areas, but market indicators are mixed and there are a few signs of improvement. According to the NATIONAL ASSOCIATION of REALTORS®, home sales in the region during the second quarter of 2011 were down 14 percent from sales a year earlier, to an annual average rate of 176,400 homes sold. Although sales were up 9 percent in Wyoming, home sales declines in the other states in the region ranged from 11 percent in Colorado to 30 percent in North Dakota. Home prices for the region during the first quarter of 2011 (the most recent data available) declined. Based on the Federal Housing Finance Agency price index, home prices in the region during the first quarter of 2011 were down 3.3 percent from prices a year earlier. Although prices in North Dakota and South Dakota were up 3 and 1 percent, respectively, prices were down in Utah, Colorado, Montana, and Wyoming by 5, 3, 2, and 1 percent, respectively.

In contrast to the statewide data, reports for metropolitan areas of the Rocky Mountain region indicate fewer home sales, but rising home prices over the past 12 months. Based on data from Hanley Wood, LLC, existing single-family home sales fell in nearly all metropolitan areas of the region, in part because of the expiration of the homebuyer tax credit in April 2010. In metropolitan areas of Colorado, during the 12 months ending May 2011, sales fell 20 percent to about 25,100 homes in Denver-Aurora, 17 percent to about 7,800 homes in Colorado Springs, and 21 percent to about 3,800 homes in Fort Collins-Loveland. In the Salt Lake City, Ogden-Clearfield, and Provo-Orem metropolitan areas of Utah, home sales were down by 21, 26, and 22 percent, to 11,000, 5,800, and 4,500 homes, respectively. Sales fell 32 percent each in Billings, Montana, and Fargo, North Dakota, to 1,400 and 2,000 homes, respectively. Existing single-family home prices increased in most metropolitan areas. In Denver-Aurora, Colorado Springs, and Fort Collins-Loveland, in the 12 months ending May 2011, average existing single-family home prices increased by 5, 3, and 7 percent, to $279,800, $216,800, and $259,200, respectively. In the Salt Lake City area, average prices rose 1 percent, to $256,900. In Billings and Fargo, average existing single-family home prices were up by 6 and 7 percent, to $205,900 and $170,400, respectively. Ogden-Clearfield and Provo-Orem prices declined, however, by 1 and 5 percent, to $199,700 and $226,900, respectively.

As with single-family homes, sales of attached homes (which includes condominiums and townhomes) were down in most metropolitan areas of the region, but prices were up. In the Denver-Aurora, Salt Lake City, Provo-Orem, and Fort Collins-Loveland areas, sales of existing attached homes fell 24, 17, 27, and 17 percent to 7,600, 2,600, 800, and 550 units, respectively, during the 12 months ending May 2011. Average prices rose in the Denver-Aurora, Provo-Orem, and Fort Collins-Loveland areas by 1, 10, and 3 percent to $163,200, $157,600, and $167,700, respectively. In the Salt Lake City area, however, average prices fell 2 percent to about $197,000.

In a sign that housing market conditions may be stabilizing in the Rocky Mountain region, mortgage defaults declined in the past year. Based on data from LPS Applied Analytics, in June 2011, 4.4 percent of all home loans in the region were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), down from 4.9 percent a year earlier. Distressed loan rates declined for all states in the region, and ranged from 1.7 percent in North Dakota to 5.6 percent in Utah. All states in the region had rates below the 7.8-percent national average.

With home sales markets remaining soft, single-family homebuilding activity in the region declined during the past 12 months. Based on preliminary data, single-family construction, as measured by the number of permits issued, was down 12 percent during the 12 months ending June 2011 to about 18,400 homes permitted compared with permits during the previous 12 months. For comparison, during the peak years of 2004 through 2006, an annual average of more than 72,000 single-family homes were permitted in the region. Single-family construction activity was down for all states in the region. In Colorado and Utah, about 7,600 and 5,600 single-family homes were permitted in the 12 months ending June 2011, representing declines of 5 and 17 percent, respectively. In Wyoming, North Dakota, South Dakota, and Montana, single-family permits were down by 3, 13, 23, and 22 percent, respectively. Multifamily construction, as measured by the number of permits issued, increased for the region as a whole, but remains weak in some areas. For the Rocky Mountain region, multifamily construction was up 10 percent, to about 8,600 units permitted. Utah, Colorado, Montana, and North Dakota authorized approximately 2,300, 2,800, 650, and 1,900 multifamily units, representing increases of 14, 30, 56, and 63 percent, respectively, compared with permits issued a year earlier. In South Dakota and Wyoming, however, about 550 and 300 units were permitted, for decreases of 42 and 71 percent, respectively.

Rental markets in the Rocky Mountain region tightened in the past year, and conditions now range from balanced to tight in most areas. Renter household growth has led to rising demand, but rental unit construction in many areas has not kept pace. Based on data from Apartment Insights, Inc., as of the second quarter of 2011, the Denver-Aurora, Fort Collins-Loveland, and Boulder markets were tight, with apartment vacancy rates of 5, 4.1, and 4 percent, compared with rates of 6.4, 4.5, and 6.3 percent, respectively, a year earlier. In those areas, renter household growth exceeded construction, and the low number of units in the development pipeline indicates that conditions may continue to tighten. The Colorado Springs rental market is balanced, with a 5.8-percent apartment vacancy rate in the second quarter of 2011, and the construction pipeline suggests that supply is keeping pace with increasing demand. Despite having a balanced market, Colorado Springs had the fastest rate of rent growth in the Colorado Front Range, with average apartment rents increasing by 12 percent from a year earlier to about $730 a month. In the Fort Collins-Loveland area, rents increased by 9 percent, to $900 a month. Monthly rents increased by 5 percent in both the Denver-Aurora and Boulder areas, to $880 and $1,000 a month, respectively. Based on data from Reis, Inc., the apartment market in the Salt Lake City metropolitan area is balanced, with an average vacancy rate of 5.5 percent as of the second quarter of 2011, down from the 7.2-percent rate of a year earlier. Average rents increased slightly during the same period, from about $760 to $770 a month. The apartment market in the Ogden-Clearfield area is now somewhat tight, with a 4.7-percent vacancy rate, down from 5.8 percent a year earlier, but rents have remained stable at about $690 a month. In both Salt Lake City and Ogden-Clearfield, the number of units in the pipeline suggests that construction is keeping pace with growing demand. The Provo-Orem area apartment market is tight, with a 4-percent vacancy rate, down from 5.4 percent a year earlier, but rents have remained stable at about $765 a month. Although multifamily construction in Provo-Orem increased by more than 50 percent during the 12 months ending May 2011, to about 460 units permitted, supply does not appear to be keeping up with demand, given renter household growth of nearly 1,000 a year for the area. Based on data from Appraisal Services, Inc., as of the second quarter of 2011, the Fargo rental market was somewhat tight, with a 5-percent apartment vacancy rate, down from 6 percent a year earlier.