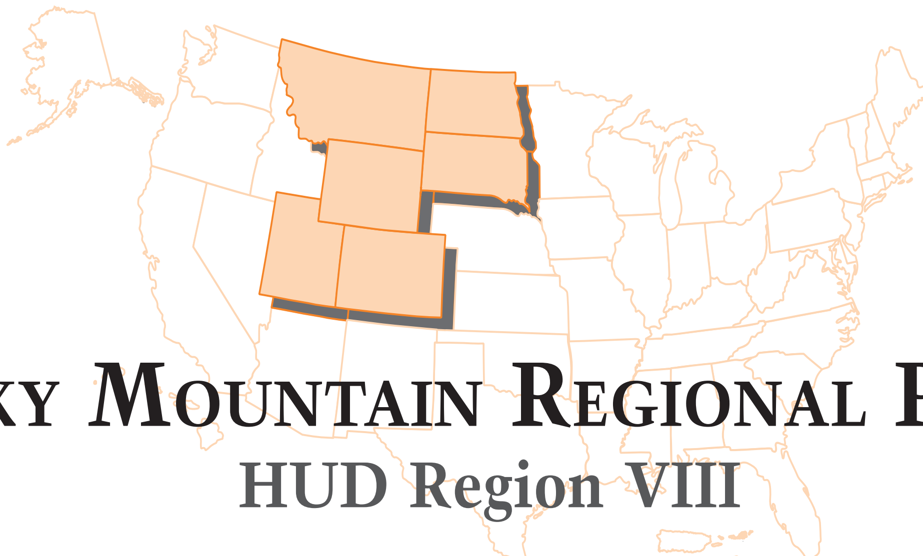
2nd Quarter 2012

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.

Employment levels increased in the Rocky Mountain region in the second quarter of 2012, continuing a trend that began in early 2011. During the 12 months ending June 2012, nonfarm payrolls averaged approximately 5.03 million jobs, a gain of 93,800 jobs, or 1.9 percent, from a year earlier. Employment levels remain below the peak in 2008, however, when nonfarm payrolls averaged 5.12 million jobs. During the past 12 months, the largest payroll increases occurred in the professional and business services, education and health services, and manufacturing sectors and in the mining and logging subsector, which added approximately 25,100, 14,200, 10,900, and 10,600 jobs, increases of 4.2, 2.2, 3.3, and 11.8 percent, respectively. Partly offsetting these gains, goverment payrolls decreased by 4,500 jobs, or 0.5 percent. Although state government payrolls in the region increased by 3,200 jobs, or 1.3 percent, federal and local government payrolls de-clined by 4,900 and 2,800 jobs, decreases of 3.6 and 0.5 percent, respectively.

North Dakota and Utah had the highest rates of job growth, not only in the region, but also in the nation, with payrolls increasing by 22,500 and 29,400 jobs, or 5.9 and 2.5 percent, respectively. Job growth in North Dakota was led by gains in the mining and logging subsector, which increased by 5,700 jobs, or 42 percent, as well as gains in the professional and business services and the transportation and utilities sectors, which added 3,300 and 3,100 jobs, increases of 11 and 18 percent, respectively. In Utah, the sectors with the largest job gains included professional and business services, manufacturing, and education and health services, which added 7,200, 4,400, and 3,600 jobs, increases of 4.6, 3.9, and 2.3 percent, respectively. Within the region, Colorado had the largest total employment gain, with nonfarm payrolls increasing by 38,500 jobs, or 1.7 percent. The sectors with the largest job gains in Colorado were professional and business services, leisure and hospitality, education and health services, and manufacturing, which increased by 11,500, 8,100, 7,200, and 3,500 jobs, or 3.4, 3.0, 2.7, and 2.8 percent, respectively. Payrolls in Wyoming and South Dakota grew by 2,600 and 1,900 jobs, or 0.9 and 0.5 percent, respectively, but payrolls in Montana declined by 1,000 jobs, or 0.2 percent. The job losses in Montana were concentrated in the government sector, which declined by 4,800 jobs, or 5.3 percent. The largest decrease occurred in local government educational services, which declined by 3,000 jobs, or 11 percent, although federal and state government payrolls were also down by 800 and 1,300 jobs, or 5.6 and 4.9 percent, respectively. The unemployment rate for the Rocky Mountain region averaged 6.7 percent during the 12 months ending June 2012, down from 7.5 percent a year earlier. State unemployment rates within the region ranged from 3.3 percent in North Dakota to 8.1 percent in Colorado, but all states in the region had unemployment rates below the 8.5-percent national average.

Sales housing markets in the Rocky Mountain region remain somewhat soft, but market conditions improved in the past 12 months. Based on data from CoreLogic®, sales increased in most states of the region. In Colorado and Utah, approximately 82,200 and 42,300 existing homes sold during the 12 months ending May 2012, increases of 10 and 8 percent, respectively. In Montana, North Dakota, and Wyoming, approximately 12,400, 12,300, and 5,200 existing homes sold, increases of 10, 18, and 11 percent, respectively. Home sales prices increased in some states, and remained unchanged in others. Based on the CoreLogic® Home Price Index, average sales prices for existing single-family homes in the 12 months ending May 2012 increased 3 percent in Montana and 2 percent in both North Dakota and South Dakota compared with average prices from a year earlier. In Colorado, Wyoming, and Utah, home sales prices were relatively unchanged. Home prices decreased in some of the major metropolitan areas of the region, but the volume of home sales increased in most areas. During the 12 months ending May 2012, existing home sales prices in the Denver-Aurora-Broomfield and Colorado Springs areas averaged approximately $249,500 and $203,500, respectively, relatively unchanged from a year earlier, but, in the Fort Collins-Loveland area, prices averaged $243,800, up 1 percent from the previous 12 months. Sales of existing homes in the Fort Collins-Loveland and Denver-Aurora-Broomfield areas increased 8 and 14 percent, to approximately 5,300 and 41,600 homes sold, respectively, while existing home sales remained unchanged at 9,500 in Colorado Springs. In the Provo-Orem, Ogden-Clearfield, and Salt Lake City areas, home sales prices declined 3, 3, and 4 percent, to $214,600, $192,600, and $243,800, respectively, but the number of sales increased 4, 5, and 10 percent, to 7,100, 7,800, and 18,700 homes sold, respectively. As a sign of improvement, the rate of distressed home loans in the Rocky Mountain region declined in the past 12 months. In June 2012, based on data from LPS Applied Analytics, 4.1 percent of mortgages in the region were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), down from 4.4 percent a year earlier. Within the region, distressed mortgage rates ranged from 1.9 percent in North Dakota to 5.3 percent in Utah, but all states in the region had rates that were less than the 7.7-percent national average.

Construction of single-family homes increased in the Rocky Mountain region during the past 12 months, but building activity remains well below average levels. Based on preliminary data, during the 12 months ending June 2012, single-family construction, as measured by the number of building permits issued, was up 30 percent from a year earlier, to approximately 23,900 homes. By comparison, single-family construction in the region averaged more than 65,000 homes a year from 2000 through 2007. Building activity increased during the past year in every state in the region. In South Dakota, Wyoming, and Montana, approximately 1,775, 1,325, and 1,200 single-family homes were permitted in the 12 months ending June 2012, increases of 17, 8, and 16 percent, respectively. In Colorado, Utah, and North Dakota, approximately 9,650, 7,450, and 2,525 homes were permitted, increases of 27, 33, and 68 percent, respectively.

Rental housing markets tightened in the Rocky Mountain region during the past 12 months, and conditions currently range from balanced to tight in most areas. Based on data from *Apartment Insights*, in the second quarter of 2012, conditions in the Fort Collins-Loveland and Boulder metropolitan areas in Colorado were tight, with apartment vacancy rates of 4.0 and 3.7 percent, respectively, down from 4.2 and 4.1 percent a year ago. During the same period, average apartment rents increased by 7 and 5 percent, to approximately $960 and $1,040, respectively. The Denver-Aurora-Broomfield apartment market was somewhat tight, with a 5.0-percent vacancy rate, down from 5.1 percent a year ago, and average rents increased by 6 percent, to about $930. In the Colorado Springs and Greeley metropolitan areas, rental conditions were balanced, with apartment vacancy rates of 6.4 and 6.1 percent, respectively, up from 5.8 and 5.0 percent a year ago. In both areas, a large number of new or renovated units came on line in the past 6 months. Despite the rise in vacancies, average rents in Colorado Springs and Greeley increased 2 and 3 percent, to approximately $750 and $700, respectively. Markets in the major metropolitan areas of Utah, in general, were tight. Based on data from Reis, Inc., apartment markets in the Salt Lake City and Ogden-Clearfield areas were somewhat tight in the second quarter of 2012, with vacancy rates of 4.1 and 3.5 percent, respectively, down from 5.8 and 4.7 percent a year earlier. The average apartment rent increased by 3 percent in Salt Lake City, to about $790, and by 2 percent in Ogden-Clearfield, to $710. The Provo-Orem apartment market was somewhat tight, with a 4.3-percent vacancy rate in the second quarter of 2012, up from 4.0 percent a year earlier, but rents increased only slightly during that period, from about $770 to $780. Rental conditions generally ranged from balanced to tight in northern areas of the region. Data from the South Dakota Multi-Housing Association, in June 2012, indicate the Sioux Falls apartment market was tight, with a 3.0-percent vacancy rate, down from 4.6 percent a year ago. Data from Appraisal Services, Inc., for June 2012 indicate the Fargo apartment market was somewhat tight, with a 4.0-percent vacancy rate, down from 5.0 percent a year ago.

In response to tightening rental markets, multifamily construction in the Rocky Mountain region nearly doubled in the past 12 months, with building activity increasing in every state of the region. Based on preliminary data, during the 12 months ending June 2012, approximately 15,200 multifamily units were permitted in the Rocky Mountain region compared with 8,650 units permitted during the previous 12 months. In Montana, North Dakota, and South Dakota, multifamily construction was up 27, 33, and 83 percent, to approximately 800, 2,575, and 1,000 units permitted, respectively. In Wyoming, multifamily construction more than doubled, to approximately 575 units permitted, during the same period. In Utah, multifamily permits increased 23 percent, to more than 3,100 units compared with the 2,525 units permitted in the previous 12 months. The most active metropolitan areas within Utah were Salt Lake City and Logan, with nearly 1,200 and 575 units permitted, respectively. In Colorado, multifamily construction more than doubled, with about 7,150 units permitted during the 12 months ending June 2012 compared with fewer than 2,800 units permitted during the previous 12 months. In the Boulder metropolitan area, multifamily building activity more than tripled, to 410 units permitted. In the Colorado Springs metropolitan area, more than 1,000 units were permitted, up from 300 a year earlier, and in the Denver-Aurora-Broomfield metropolitan area, more than 5,100 units were permitted compared with fewer than 1,700 units during the previous 12 months.