3rd 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 continued to weaken in the third quarter of 2009, but there are indications that economic conditions are beginning to stabilize. The decline in seasonally adjusted nonfarm employment slowed considerably during the third quarter of 2009, down by 0.6 percent, or 29,400 jobs, from the third quarter of 2008 compared with a 1-year decline of 1.3 percent, or 67,100 jobs, for the second quarter of 2009. The average level of nonfarm employment for the 12-month period ending September 2009 was 5 million, down 113,500 jobs, or 2.2 percent, compared with employment levels for the previous 12-month period. During the 12-month period ending September 2009, regionwide employment declines occurred in nearly every sector, with two-thirds of the job losses recorded in the construction, manufacturing, and professional and business services sectors. The government and the education and health services sectors were the only ones to record gains, increasing by 20,800 jobs, or 2.3 percent, and 18,700 jobs, or 3.2 percent, respectively. During the 12-month period ending September 2009, the states with the largest employment declines were Colorado and Utah, which lost 71,500 jobs, or 3.0 percent, and 34,700 jobs, or 2.8 percent, respectively. In Montana, South Dakota, and Wyoming, nonfarm employment was down by 6,100, 3,500, and 1,300 jobs, respectively, representing declines of 1.4, 0.9, and 0.4 percent, respectively. Nonfarm employment in North Dakota increased by 1 percent, or 3,600 jobs, due to a relatively stable energy-related industry and less volatility in the construction sector, making the state’s job growth rate during this period the fastest in the nation.

The declining economy has weakened labor markets throughout the Rocky Mountain region. During the 12 months ending September 2009, the average unemployment rate in the region was 5.9 percent, up from 3.9 percent for the same period a year earlier. Average unemployment rates were up in all states, but the rates for the region were all well below the average national rate of 8.5 percent. The unemployment rate...
in Colorado increased the most, rising by 2.4 percentage points from a year ago. The 4-percent unemployment rate in North Dakota was the lowest in the region, followed by rates in South Dakota and Wyoming, at 4.5 and 4.8 percent, respectively. Colorado had the highest rate, at 6.9 percent, followed by Montana and Utah, at 6 and 5.1 percent, respectively.

During the second quarter of 2009 [the most recent data available], existing single-family home sales activity in the Rocky Mountain region remained relatively stable after declining the previous eight quarters. According to the NATIONAL ASSOCIATION OF REALTORS®, the annualized average rate of existing home sales for the second quarter of 2009 was up 0.5 percent from the first quarter of 2009. Even so, for the 12 months ending June 2009, existing home sales averaged 178,500, down 16 percent compared with sales for the 12 months ending June 2008. Home sales dropped in all states in the region, with the greatest rates of decline, more than 20 percent, occurring in North Dakota and Wyoming, where relatively high sales activity was reported during the previous 12-month period. Home sales were down by approximately 18 percent in Utah, 15 percent in Montana, and 14 percent in Colorado. According to the Federal Housing Finance Agency’s Housing Price Index, for the second quarter of 2009, the index for the Rocky Mountain region declined by an average of approximately 3 percent compared with the index for the second quarter of 2008. The index declined by 1 percent in Colorado and approximately 3 percent in Montana and Wyoming. Utah, with an 11.6-percent drop in the index, was the only state in the region to exceed the 6.1-percent decline recorded nationally. The index rose by 2.8 percent in North Dakota and 1 percent in South Dakota.

In the third quarter of 2009, the home sales markets in most of the region’s metropolitan areas were soft, a trend that began about 2 years ago. On a positive note, during the 12 months ending September 2009, inventories of unsold homes have declined significantly. According to the Boulder Area REALTOR® Association, the average price for existing single-family homes in the Boulder metropolitan area was $410,000 for the 12 months ending September 2009, down 6 percent from the average price recorded for the previous 12 months. Single-family home sales for the 12 months ending September 2009 totaled about 2,500, representing a 23-percent decline. The Pikes Peak Association of REALTORS® reported that, for the Colorado Springs area, existing home sales were relatively unchanged from a year ago and the average sales price for single-family homes declined by 9 percent to $211,400. Metrolist, Inc., reported that, during the 12 months ending September 2009, the average single-family home price in Denver declined by 5 percent to $263,500 and sales were down by 16 percent compared with the price and sales volume recorded during the same period ending September 2008. Active listings of existing single-family homes in Boulder, Denver, and Colorado Springs were down 8, 17, and 20 percent, respectively. The large declines in inventories in Colorado Springs and Denver were due to reductions in homebuilding, relatively modest declines in existing home sales, and the decision of potential sellers to keep homes off the market until prices have stabilized. According to RealtyTrac® Inc., for the third quarter of 2009, foreclosure filings increased by 16 percent to 1,900 in Colorado Springs and by 2 percent to 9,200 in Denver compared with the third quarter of 2008. The higher rate of increase in Colorado Springs compared with the Denver area was due to the more recent softer market conditions, especially during the past 12 months.

During the 12-month period ending September 2009, home sales activity in Utah markets declined from the level of sales during the previous 12 months, but the unsold inventory of homes also decreased. According to NewReach, Inc., for the 12-month period ending September 2009, existing single-family home sales in the Salt Lake City area declined by 19 percent to 7,400 units, active listings were down 17 percent to 5,540 units, and the average home sales price declined by 7 percent to $257,300. In the Ogden-Clearfield area, for the 12-month period ending September 2009, existing single-family home sales declined by 16 percent to 4,400 units, the average sales price dropped by 6 percent to $199,700, and active listings were down 17 percent to 3,140 units. New home sales in the Salt Lake City area were down 20 percent and the average price decreased by 18 percent to $321,600. In the Ogden-Clearfield area, sales of new homes declined by 37 percent and the average sales price declined by 9 percent to $270,800.

In response to decreased demand, homebuilding activity in the region continued a 3-year decline in the third quarter of 2009. During the 12-month period ending September 2009, single-family construction activity, as measured by the number of building permits issued, decreased by 8,700 units, or 34 percent, to 17,300, based on preliminary data. Permits were issued for an annual average of 76,100 single-family homes during the peak years of 2004 and 2005. In Colorado, the issuing of permits declined by about 4,600 units to 6,500 single-family homes during the 12-month period ending September 2009 and accounted for more than one-half of the total reduction in the region. Homebuilding activity in Colorado was affected by a 3-percent decline in employment, the largest job loss among the states in the region. In Utah, for the 12-month period ending September 2009, approximately 5,350 single-family homes were permitted, a decline of 1,750 homes compared with the number permitted during the previous 12-month period. In Montana and Wyoming, the number of single-family homes permitted for the 12-month
period ending September 2009 declined by 38 and 39 percent, respectively, to 1,200 homes in each state. In South Dakota, for the 12-month period ending September 2009, permits for new single-family homes declined by 25 percent to 1,700 homes. In North Dakota, for the 12-month period ending September 2009, the number of single-family homes permitted was down by 300 homes, or 19 percent.

Rental housing market conditions during the third quarter of 2009 were mostly balanced to soft throughout much of the Rocky Mountain region. According to Reis, Inc., in the Salt Lake City area, during the third quarter of 2009, the apartment vacancy rate of 6 percent was up from the rate of 5 percent recorded a year ago and the average overall asking rent remained relatively unchanged at $750. During the third quarter of 2009, the apartment vacancy rate in Denver decreased 0.6 percentage points from the rate recorded during the second quarter of 2009 to 7.7 percent but was still up from the 6-percent rate recorded a year ago, according to Apartment Insights, published by Apartment Appraisers & Consultants. The average effective rent in Denver during the third quarter of 2009 was down 7 percent to $780 but was relatively unchanged from the rent recorded during the second quarter of 2009. With a large number of apartment units in the construction pipeline, the softening trend in the Salt Lake City and Denver areas is expected to continue for the next 12 months. The Colorado Springs rental market remained soft, but the vacancy rate decreased to 7.8 percent from the 9.2-percent rate recorded a year ago, according to Apartment Insights. The arrival of approximately 6,300 military transfers to Fort Carson Army Base, located south of Colorado Springs, during the second and third quarters of 2009 has contributed to the lower vacancy rate. The average effective rent in Colorado Springs was relatively unchanged during the 12-month period ending September 2009, at $635.

According to the same survey, the vacancy rate in the Fort Collins area increased to 6.2 percent from 4.1 percent during the same quarter a year ago and the average rent was relatively unchanged at $780.

In the Rocky Mountain region, for the 12 months ending September 2009, multifamily construction, as measured by the number of units permitted, totaled 7,600 units, based on preliminary data, representing a decline of 31 percent from the same period a year ago. With the exception of Utah, all states in the region issued fewer permits during the 12 months ending September 2009 compared with the same period a year earlier due to weak economic conditions, soft condominium sales market conditions, and a large number of apartments under construction. In Colorado, the number of multifamily units permitted decreased by more than 70 percent, or 4,000 units, down to 1,670 units. Nearly the entire decline measured in Colorado occurred in the Denver area, where developers expect little improvement in the market and where approximately 2,000 condominiums and 4,600 apartments currently under construction are expected to become available during the next 12 months. Multifamily construction in Utah increased by 1,020 units, or 40 percent, during the 12-month period ending September 2009, compared with multifamily construction during the previous 12 months. The increase was attributed to additional apartment construction prompted by builders’ responses to relatively tight market conditions that existed a year ago, primarily in the Salt Lake City area.