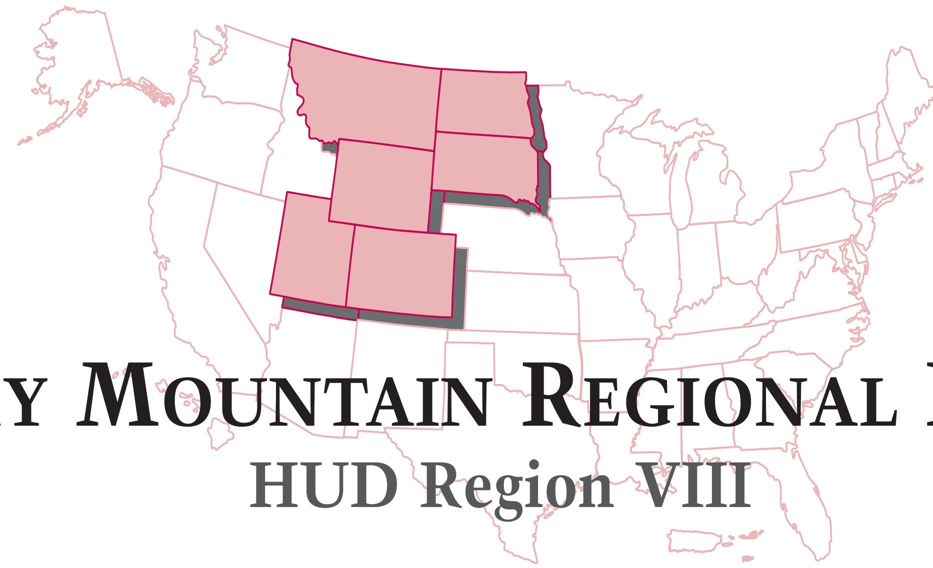
3rd Quarter 2010

U.S. Housing Market Conditions



ROCKY MOUNTAIN REGIONAL REPORT

HUD Region VIII

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.

Nonfarm payroll jobs in the Rocky Mountain region continued a 2-year decline in the third quarter of 2010, but the rate of job losses has slowed. During the 12 months ending September 2010, nonfarm payrolls in the region averaged about 4.9 million jobs, a decrease of 102,400 jobs, or 2.1 percent, from the previous 12 months. In contrast, during the 12 months ending September 2009, nonfarm payrolls declined by 3 percent. The goods-producing sectors had the steepest declines in the 12 months ending September 2010. Slower commercial building activity caused payrolls in the construction sector to fall by nearly 40,000 jobs, or 13 percent. In the manufacturing sector, payrolls decreased by 20,400 jobs, or 6 percent. Payrolls in the mining and logging sector declined by more than 6,400 jobs, or 7.7 percent, due to reduced demand for energy. Among the service-providing sectors, the professional and business services sector had the biggest losses, with payrolls declining by 14,600 jobs, or 2.4 percent, followed by the leisure and hospitality sector, where payrolls fell by 8,700 jobs, or 1.7 percent. Offsetting some of the losses, payrolls increased in the education and health services sector by 14,000 jobs, or 2.3 percent, and in the government sector by 8,400 jobs, or 0.9 percent.

Job losses occurred in most states in the region during the 12 months ending September 2010. Colorado had the largest payroll decline, with a loss of 68,200 jobs, or 3 percent, followed by Utah, with 17,300 jobs lost, a decline of 1.4 percent. In both states, more than one-third of the job losses were due to payroll decreases in the construction sector. In the manufacturing sector, payrolls fell by more than 6.5 percent in both Utah and Colorado, for a combined loss of about 17,000 jobs. In Wyoming, Montana, and South Dakota, nonfarm payrolls declined by 8,400, 7,300, and 3,400 jobs, or 2.9, 1.7, and 0.8 percent, respectively. North Dakota was one of the few states in the nation where nonfarm payrolls grew, increasing by 2,200 jobs, or 0.6 percent. Job losses in the mining and logging sector in the region were concentrated in Colorado, Wyoming, and Utah, which had a combined loss of about 6,300 jobs in the sector, a 10-percent decline. In Colorado, payrolls fell in the professional and business services sector by 11,300 jobs, or 3.4 percent, and in the financial activities sector by 5,300 jobs, or 3.6 percent. In South Dakota, the financial activities sector lost 1,500 jobs, a 4.9-percent decline. The education and health services sector, however, added 6,400 and 1,500 jobs in Utah and North Dakota, an increase of 4.3 and 2.8 percent, respectively. The unemployment rate for the Rocky Mountain region averaged 7.1 percent for the 12 months ending September 2010, up from 6.3 percent a year earlier. Statewide unemployment rates for the 12 months ending September 2010 ranged from 3.9 percent in North Dakota to 7.9 percent in Colorado, but all states in the region remained below the national average of 9.7 percent.

Home sales in the Rocky Mountain region increased in the second quarter of 2010 (the most recent data available), but sales markets remain soft in most places. According to the NATIONAL ASSOCIATION OF REALTORS®, the seasonally adjusted annual rate of home sales for the region in the second quarter of 2010 was up 17 percent from a year earlier, an increase of about 30,000 homes sold. Nearly one-half of the increase was in Colorado, where home sales were up 14 percent from a year earlier, but sales were also up significantly in Utah, Montana, and North Dakota, by 17, 18, and 52 percent, respectively. Contributing to the increased activity, however, was a rise in foreclosed property sales. In the 12 months ending September 2010, based on data from Hanley Wood, LLC, more than 35,000 sales were in REO (Real Estate Owned), a 49-percent increase from a year earlier. For the region, in the most recent 12 months, REO transactions represented 27 percent of all existing home sales, up from 19 percent a year earlier. In the second quarter of 2010, the prevalence of REO sales contributed to a 5-percent decline in prices for existing homes in the region, according to the Federal Housing Finance Agency house price index. Utah had a steep decline, with prices falling nearly 8 percent from a year earlier, but home prices also declined by more than 5 percent in Montana and more than 4 percent in Colorado. Mortgage defaults and foreclosures, although at relatively high levels in the region, are unchanged from the second quarter of 2009. According to Lender Processing Services, Inc., Mortgage Performance Data, the total number of loans 90 days or more delinquent, in foreclosure, or in REO held steady at 4.8 percent for the region in September 2010. Distressed loans, as a share of all loans, ranged from 2 percent in North Dakota to 6.2 percent in Utah, but all were below the 8.4 percent national rate in September 2010.

Sales markets in metropolitan areas across Utah remain soft, despite a recent increase in home sales. In the Salt Lake City area, according to NewReach, Inc., sales of existing single-family homes in the 12 months ending September 2010 were up 20 percent from a year earlier to about 8,800 homes sold. During the same period, however, the average home price fell 3 percent, to about $249,600. In the Ogden-Clearfield area, sales were up nearly 2 percent, to 4,500 homes sold, while the average price was relatively unchanged at $200,700. According to the Utah County Association of REALTORS®, during the 12 months ending September 2010, single-family home sales in Provo-Orem were up 5 percent from a year earlier, to 4,200 homes sold, but the average price fell by 5 percent to $238,100.

Home sales increased in many metropolitan areas in Colorado in the third quarter of 2010, but markets remained soft and home prices continued to decline in most areas. According to the Colorado Association of REALTORS®, in the 12 months ending July 2010 (the most recent data available), sales of single-family homes statewide were up 1 percent from a year earlier, to about 59,700 homes sold. Sales increased by more than 10 percent in the Colorado Springs and Fort Collins-Loveland metropolitan areas but fell 1 percent in Greeley and Grand Junction. During the same period, the average home price in the state fell 2 percent to about $210,400. In Colorado Springs, the average price was up 2 percent to $192,400, and the average price in Greeley was up 5 percent to $173,800. The average price in Fort Collins remained relatively flat, at $231,300, but fell 9 percent in Grand Junction to $194,600. According to the Boulder Area REALTOR® Association, single-family home sales for the 12 months ending September 2010 were up 10 percent from a year earlier to 2,800 homes sold, and the average price was up 5 percent to $431,000. According to the Denver Board of REALTORS®, home sales in the Denver area, year-to-date as of August 2010, were down 2 percent from a year earlier to 25,600 homes sold. In Denver, during the 8 months ending August 2010, the average price fell 5 percent to about $266,700.

In the Rocky Mountain region, increased home sales have contributed to a rise in single-family homebuilding activity. Based on preliminary data, during the 12 months ending September 2010, single-family home construction, as measured by the number of building permits issued, totaled about 20,200 homes, up from 17,400 homes permitted in the previous 12 months, a 16-percent increase. The largest increases were in Colorado and Utah, where about 8,100 and 6,400 single-family homes were permitted, an increase of 23 and 20 percent, respectively. Single-family construction was also up 18 percent in North Dakota and 6 percent in South Dakota but was relatively flat in Montana. In Wyoming, single-family homebuilding activity fell 8 percent. Despite the recent increase for the region, single-family construction remains well below the 72,000 homes a year, on average, permitted from 2004 through 2006. The recent rise in single-family construction was offset by a fall in multifamily homebuilding activity, as measured by the number of permits issued. Based on preliminary data, during the 12 months ending September 2010, about 7,400 multifamily units were permitted in the region, a 29-percent decline from a year earlier. Multifamily construction in Montana and North Dakota increased by 53 and 18 percent, respectively, but construction was down 29 percent in Colorado and

53 percent in Utah. This decrease was due, in part, to decreased demand for new condominiums, but the weak economy and tight lending standards have also led to a decline in apartment construction.

Rental markets in metropolitan areas of the Rocky Mountain region tightened in the third quarter of 2010 and conditions are generally balanced to tight, due, in part, to continued in-migration and a decline in the homeownership rate. According to Hendricks & Partners, Inc., in the Salt Lake City area, the apartment vacancy rate in the third quarter of 2010 was 5 percent, down from 9 percent recorded in the third quarter of 2009, and the apartment market is somewhat tight. The average rent fell 2 percent during the third quarter of 2010 to about $750. Vacancy rates declined in Salt Lake City, even though more than 2,000 new rental units have entered the market so far in 2010. In Fargo, the rental market remains balanced. As of September 2010, according to Appraisal Services, Inc., apartment vacancy rates averaged 5.3 percent, up from 5 percent a year earlier. Colorado metropolitan area rental markets have improved and are now more balanced to tight. In the third quarter of 2010, according to Apartment Appraisers & Consultants, the apartment vacancy rate in the Denver area averaged 5.5 percent, down from 7.9 percent a year earlier. The average rent in the third of quarter of 2010 was $854, up from $836 a year earlier. The market improved despite the more than 3,000 new rental units that have come on line in the 12 months ending September 2010. In the Greeley area, the apartment vacancy rate fell from 9.4 to 4.6 percent during the same period and the market is somewhat tight due, in part, to a lack of new apartment construction. The Colorado Springs rental market has also tightened in the third quarter of 2010. The apartment vacancy rate in the third quarter of 2010 averaged 6.6 percent, down from 7.8 percent a year earlier. The average monthly rent was $707, up from $695 a year earlier. In the third quarter of 2010, the Fort Collins-Loveland area apartment market was tight, with a vacancy rate of 3.6 percent, down from 6.2 percent a year earlier. The average rent increased by 5 percent to $847 in the third quarter of 2010. In the third quarter of 2010, more than 1,000 rental units were under construction or in the development pipeline in the Fort Collins-Loveland area. Most of the units are expected to be completed within the next 1 to 2 years.