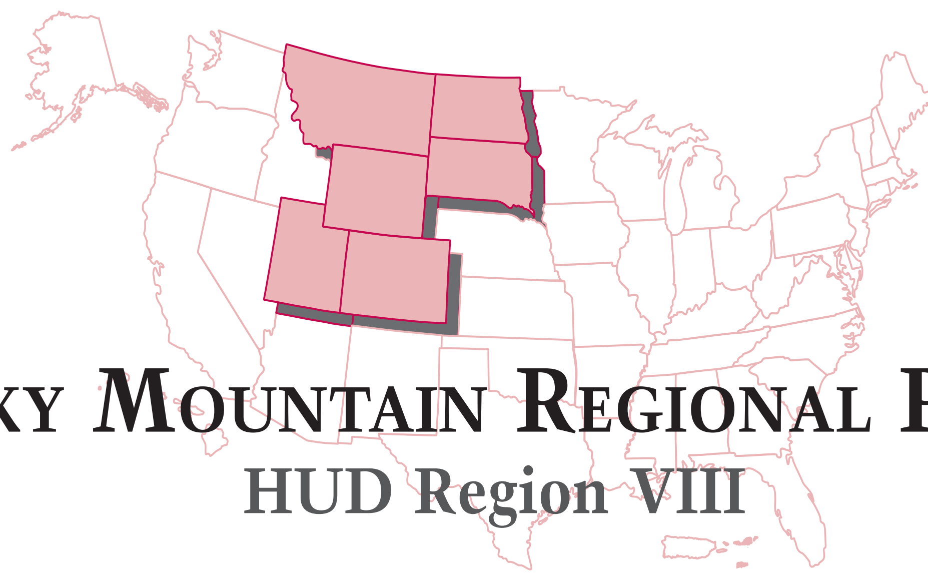
3rd Quarter 2012

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.

Economic growth continued in the Rocky Mountain region during the third quarter of 2012. During the 12 months ending September 2012, nonfarm payrolls in the region averaged approximately 5.05 million jobs, an increase of 95,400 jobs, or 1.9 percent, compared with the number of nonfarm payroll jobs recorded a year earlier. Employment levels nearly recovered to the previous peak, recorded in 2008, when nonfarm payrolls averaged 5.12 million jobs. The greatest job gains occurred in the professional and business services, education and health services, and manufacturing sectors, which increased by approximately 23,400, 12,500, and 9,400 jobs, or 3.8, 1.9, and 2.8 percent, respectively. In addition, the mining and logging and the retail trade subsectors added 8,900 and 7,600 jobs, increases of 9.5 and 1.4 percent, respectively. Losses in the information and government sectors, which decreased by 500 and 2,900 jobs, or 0.4 and 0.3 percent, respectively, partially offset those gains. Although state government subsector payrolls increased by 3,500 jobs, or 1.4 percent, local government and federal government subsector payrolls declined by 1,900 and 4,600 jobs, or 0.3 and 3.4 percent, respectively. During the 12 months ending September 2012, the unemployment rate averaged 6.6 percent, down from 7.3 percent a year earlier. Within the region, state unemployment rates ranged from 3.1 percent in North Dakota to 8.0 percent in Colorado, but the rates for all six states in the region remained below the national average of 8.3 percent.

For the eighth consecutive quarter, North Dakota had the highest rate of job growth, not only within the region, but also in the nation. Nonfarm payrolls in the state increased by 24,100 jobs, or 6.2 percent. The mining and logging subsector, which grew by 5,700 jobs, or 38 percent, led the growth, largely because of oil exploration and production in the Bakken Shale formation in western North Dakota. In addition, the construction subsector and the transportation and utilities sector in North Dakota increased by 3,400 and 3,100 jobs, or 15 and 17 percent, respectively. Colorado had the greatest job gain in the region, with nonfarm payrolls growing by 38,200 jobs, or 1.7 percent. The sectors with the greatest increases were the professional and business services, leisure and hospitality, and education and health services sectors, which grew by 10,900, 7,100, and 6,000 jobs, or 3.2, 2.6, and 2.2 percent, respectively. The information sector partially offset growth in Colorado, decreasing by 2,000 jobs, or 2.8 percent, led by a decline in telecommunications payrolls in the Denver area. In Utah, nonfarm payrolls grew by 27,500 jobs, or 2.3 percent, led by gains in the professional and business services and the manufacturing sectors, which added 7,600 and 4,400 jobs, increases of 4.8 and 3.9 percent, respectively. Job growth was weaker in Wyoming, South Dakota, and Montana, where nonfarm payrolls increased by 2,500, 2,100, and 1,000 jobs, or 0.9, 0.5, and 0.2 percent, respectively. In Wyoming, payrolls grew in the mining and logging and the retail trade subsectors by 900 and 700 jobs, or 3.4 and 2.4 percent, respectively, but decreased in the construction subsector by 500 jobs, or 2.4 percent. In South Dakota, the education and health services and the manufacturing sectors added 1,400 and 1,200 jobs, increases of 2.1 and 3.1 percent, respectively, but decreases in the leisure and hospitality and the government sectors, which declined by 1,000 and 700 jobs, or 2.3 and 0.9 percent, respectively, partially offset those gains. In Montana, the professional and business services sector and the construction subsector increased by 1,600 and 1,500 jobs, or 4.0 and 6.6 percent, respectively, but the government sector decreased by 2,800 jobs, or 3.1 percent.

As the economy expanded during the past year, sales housing markets in the Rocky Mountain region strengthened, although conditions remain slightly soft in most areas. According to data from CoreLogic, Inc., home sales increased in most states of the region. In Colorado and Utah, approximately 87,500 and 43,100 existing homes sold during the 12 months ending August 2012, increases of 13 and 6 percent, respectively. In Montana, North Dakota, and Wyoming, approximately 12,900, 12,700, and 5,400 existing homes sold, increases of 3, 17, and 9 percent, respectively. Home sales prices also increased throughout the region. Based on the CoreLogic, Inc. Home Price Index, average sales prices for existing single-family homes during the 12 months ending August 2012 were up 4 percent in North Dakota compared with the sales prices recorded a year earlier. Prices were up 3 percent in Montana, South Dakota, and Utah, and prices were up 2 percent in Colorado and 1 percent in Wyoming. A decline in the number of troubled mortgages also suggests a strengthening of the sales housing market. As of September 2012, according to LPS Applied Analytics, 3.9 percent of mortgages in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 4.3 percent a year earlier. The rate for the region was also well below the 7.5-percent national average. Within the region, the rates ranged from 1.9 percent in North Dakota to 5.1 percent in Utah.

Home sales and prices were up in most metropolitan areas in the region. Based on data from CoreLogic, Inc., in the Denver-Aurora-Broomfield, Fort Collins-Loveland, and Colorado Springs metropolitan areas in Colorado, sales of existing homes were up 17, 13, and 3 percent, to approximately 44,700, 5,600, and 9,800 homes sold, respectively, during the 12 months ending August 2012. In the Grand Junction, Pueblo, and Greeley areas, sales were up 13, 8, and 1 percent, to 2,600, 2,400, and 4,200 homes sold, respectively. In the Salt Lake City and Provo-Orem metropolitan areas in Utah, existing sales were up 13 and 6 percent, to 19,800 and 7,300 homes sold, respectively, but in the Ogden-Clearfield area, sales decreased 8 percent, to 7,200 homes sold. Sales were up substantially in some metropolitan areas in the northern states of the region. During the 12 months ending August 2012, existing sales in the Fargo area were up 27 percent from a year earlier, to 3,500 homes sold. In the Missoula and Billings areas in Montana, sales were up 17 and 4 percent, to 1,450 and 2,400 homes sold, respectively. Existing sales totaled approximately 1,700 homes each in the Casper and Cheyenne metropolitan areas in Wyoming, increases of 9 and 4 percent, respectively. Based on the CoreLogic, Inc. Home Price Index, average sales prices for existing single-family homes in the Denver-Aurora-Broomfield and the Fort Collins-Loveland metropolitan areas in Colorado were up 3 and 2 percent, respectively, compared with a year earlier, and prices in Greeley were up 5 percent from a year earlier. Existing home prices increased approximately 1 percent in both Grand Junction and Colorado Springs. In the Salt Lake City and Provo-Orem metropolitan areas in Utah, existing home prices rose 4 and 3 percent, respectively, but in the Ogden-Clearfield area, prices remained unchanged. Prices in the Fargo area were up slightly more than 1 percent. In Montana, prices in the Billings metropolitan area were up 3 percent, but prices remained unchanged in Missoula. Existing home prices rose 7 percent in Casper but remained unchanged in Cheyenne.

The strengthening home sales market in the Rocky Mountain region led to rising demand for new home construction, although single-family homebuilding activity remains below historic averages. Based on preliminary data, during the 12 months ending August 2012, single-family construction, as measured by the number of homes permitted, was up 33 percent from a year earlier, to approximately 25,500 homes. By comparison, from 2000 through 2007, single-family construction in the region averaged more than 66,000 homes a year. Single-family homebuilding increased in every state of the region. In Colorado, Utah, and North Dakota, approximately 10,400, 7,850, and 2,700 homes were permitted in the 12 months ending August 2012, increases of 34, 32, and 62 percent, respectively. In South Dakota, Wyoming, and Montana, approximately 1,875, 1,400, and 1,275 single-family homes were permitted, increases of 23, 13, and 25 percent, respectively. Stronger rental demand in the past year also led to increased multifamily construction. During the 12 months ending August 2012, approximately 16,200 multifamily units were permitted in the region, a 63-percent increase from a year earlier. Multifamily building activity in Colorado more than doubled, to about 8,150 units permitted. More than three-quarters of those units were in the Denver-Aurora-Broomfield metropolitan area. In Utah, multifamily building activity was up 18 percent, to 3,000 units permitted. Nearly 1,100 multifamily units were permitted in the Salt Lake City area, and more than 600 units were permitted in the Logan metropolitan area. In South Dakota, Wyoming, Montana, and North Dakota, multifamily building activity increased 75, 57, 42, and 37 percent, to approximately 1,000, 600, 850, and 2,600 units permitted, respectively.

Rental housing markets in the Rocky Mountain region tightened in the 12 months ending September 2012, and conditions currently range from balanced to tight in most areas. Based on data from *Apartment Insights*, rental markets were tight in most Colorado Front Range areas in the third quarter of 2012. In the Denver-Aurora-Broomfield metropolitan area, the apartment vacancy rate averaged 4.8 percent in the third quarter, down from 5.0 percent a year ago. The average apartment rent was up 7 percent during that period, to approximately $960. In the Boulder metropolitan area, the vacancy rate remained steady at 3.8 percent, and the average rent increased 7 percent, to $1,065. The Fort Collins-Loveland and the Greeley metropolitan areas had apartment vacancy rates of 3.5 and 5.0 percent, down from 3.8 and 6.5 percent, respectively, a year earlier and average apartment rents that increased 6 and 3 percent, to $975 and $700, respectively. In the Colorado Springs area, conditions were balanced, with a 5.8-percent apartment vacancy rate, up from 5.2 percent a year ago and an average rent that increased 3 percent, to $755. More than 500 new units are in lease up in Colorado Springs, contributing to the rise in vacancies. Conditions in major metropolitan areas in Utah are generally tight. Based on data from Reis, Inc., apartment markets in the Salt Lake City and Ogden-Clearfield areas were tight in the third quarter of 2012, with vacancy rates of 4.0 and 3.4 percent, down from 5.4 and 4.4 percent, respectively, a year ago. Apartment rents averaged about $795 and $710, increases of 3 and 2 percent, respectively, from a year earlier. The Provo-Orem apartment market was somewhat tight, with a 4.2-percent vacancy rate, up from 3.6 percent a year ago and rents that averaged $785, a 1-percent increase from a year earlier. Rental conditions were tight in some northern areas of the region. According to Appraisal Services, Inc., the Fargo metropolitan area had a 2.5-percent apartment vacancy rate in September 2012, down from 5.7 percent a year ago. According to the Wyoming Community Development Authority, the Casper and Cheyenne metropolitan areas had rental vacancy rates of 2.1 and 2.3 percent, respectively, in June 2012 (the most recent data available) compared with 3.7 and 1.9 percent, respectively, a year earlier.