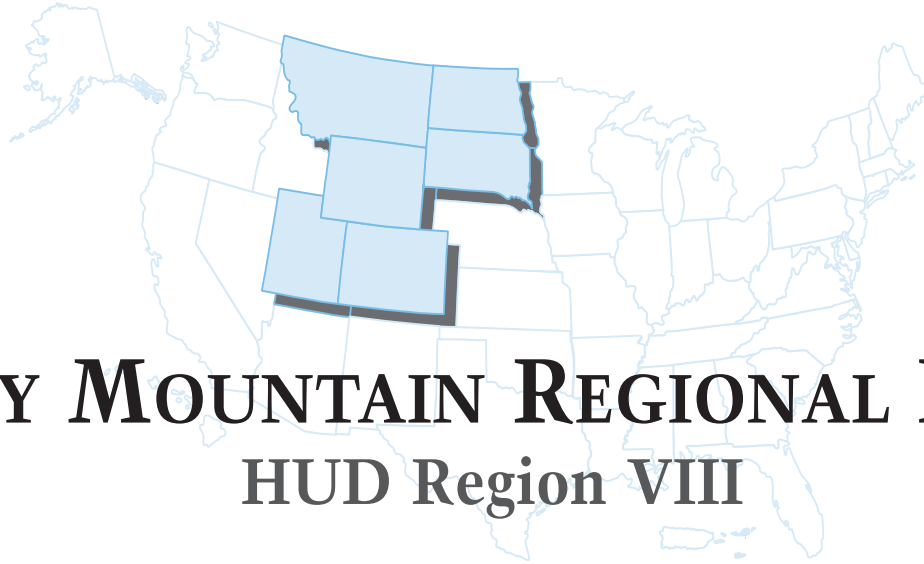




U.S. Housing Market Conditions



ROCKY MOUNTAIN REGIONAL REPORT HUD Region VIII

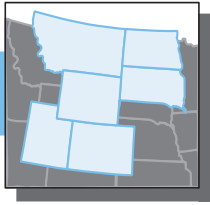
4th Quarter Activity

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 conditions in the Rocky Mountain region continued to weaken in the fourth quarter of 2009, a trend that began in mid-2008. During 2009, nonfarm employment in the region decreased by 152,900 jobs, or 3 percent, to 5.0 million jobs. The loss followed a 0.9-percent increase in 2008. Most of the job losses were concentrated in Colorado and Utah, which lost 89,300 and 42,800 jobs, or 3.8 and 3.4 percent, respectively. In Wyoming, Montana, and South Dakota, nonfarm employment declined by 8,300, 7,800, and 6,400 jobs, representing declines of 2.8, 1.7, and 1.6 percent, respectively. Nonfarm employment in North Dakota increased by 1,700 jobs, or 0.5 percent, making the employment growth in the state the fastest in the nation. For the region, manufacturing, construc-

tion, and the professional and business services sectors accounted for 75 percent of the net job losses, but declines occurred in almost all employment sectors. The decline in the number of jobs in the Rocky Mountain region resulted in an increase in the average unemployment rate, from 4.2 percent in 2008 to 6.4 percent during 2009. State unemployment rates ranged from 4.2 percent in North Dakota to 7.3 percent in Colorado, but all states in the region recorded unemployment rates well below the national average of 9.3 percent.

Even with a weaker economy, the population of the Rocky Mountain region continued to increase in 2009 but slowed from the rate of increase during the previous 2 years. According to the Census Bureau, as of July 1, 2009, the population was estimated to be 10.8 million. This figure represents a 1.7-percent increase compared with the population estimate as of July 1, 2008. The annual rate of population growth in the region is slightly lower than the 2.1-percent average recorded during the previous 2 years. From July 1, 2008, through July 1, 2009, Utah and Wyoming ranked as the fastest growing states in the nation, each with a 2.1-percent population growth rate. During the same period, Colorado grew by 1.8 percent and South Dakota by 1 percent. Montana and North Dakota recorded population gains of close to 1 percent. All states in the region con-



tinue to attract new residents and, as a result, net immigration accounted for 46 percent of the regional population increase of 171,500, relatively consistent with the previous 2 years.

Existing home sales activity in the Rocky Mountain region increased during the third quarter of 2009 (the most recent data available) after remaining relatively flat during the previous two quarters. According to the NATIONAL ASSOCIATION OF REALTORS®, the annualized rate of existing home sales for the third quarter of 2009 was up 9 percent compared with the rate of sales in the second quarter of 2009. During the 12 months ending September 2009, however, the annualized rate of existing home sales averaged 188,400 units, a decrease of 14 percent compared with average sales during the same period a year ago. The number of homes sold in the region is well below the peak years of 2005 and 2006, when an average of 250,000 homes were sold. For the 12 months ending September 2009, the largest declines in home sales occurred in Colorado and Wyoming, where the average annualized rate of sales declined by approximately 16 percent in both states compared with the rate of sales for the same period a year earlier. Other states in the region recorded declines ranging from 9 percent in Montana to 13 percent in Utah.

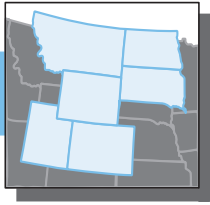
Home sales markets in the major metropolitan areas of Utah were soft in 2009, but reduced inventories of homes for sale and increased home sales activity indicate that markets are beginning to turn around. According to NewReach, Inc., existing single-family home sales in the Ogden-Clearfield metropolitan area during 2009 increased by 6 percent to 8,800 homes compared with sales during 2008, and the average sales price decreased by 2 percent to \$204,500. During 2009, the inventory of unsold homes declined by 12 percent to 2,980 homes compared with the 2008 inventory. Similarly, in 2009, sales activity of existing homes in the Salt Lake City metropolitan area increased by 14 percent compared with 2008 sales, and the average sales price decreased to \$254,600, a decline of 8 percent compared with the average price in 2008. In comparing 2009 sales volume and prices with those in 2008, new home sales in the Salt Lake City area increased by 1 percent, but the average sales price declined by 8 percent to \$331,100. By comparison, for 2008, new home sales fell by 50 percent and the average sales price declined by 10 percent in the Salt Lake City area compared with sales volume and prices in the previous year. In the Provo-Orem metropolitan area in 2009, sales of existing single-family homes increased by 23 percent compared with those in 2008, but the average sales price declined by 8 percent to \$260,000.

Sales market conditions for existing homes in Colorado metropolitan areas were soft during 2009, but

declines in home sales prices began to moderate. According to MetroList, Inc., during 2009, the average sales price of an existing single-family home in the Denver metropolitan area declined by 2 percent to \$264,800 compared with the average price during 2008, and the number of home sales was 33,700, the smallest number of homes sold in 12 years, down by 13 percent compared with the number sold in 2008. In comparison, during 2008, the average sales price in the Denver area declined by 13 percent from the average price during the previous year. According to the Boulder Area REALTOR® Association, during 2009, the average price of an existing single-family home in the Boulder metropolitan area declined by 5 percent from a year earlier, to \$402,800. During the same period, active listings of homes for sale in the Boulder metropolitan area were relatively unchanged at 1,700 homes. The number of listings in the Denver metropolitan area was down by 16 percent from a year earlier to 16,500 homes. Inventories in Denver declined because a number of sellers are keeping their homes off the market until prices stabilize. In 2009, homes priced from \$200,000 to \$300,000 in the Denver metropolitan area and from \$300,000 to \$500,000 in the Boulder metropolitan area recorded the most sales.

In response to reduced demand for homes, homebuilding activity in the region declined in 2009, continuing a 4-year trend. Based on preliminary data, during 2009, single-family construction activity, as measured by the number of building permits issued, decreased by 6,700 homes, or 24 percent, to 21,250 homes permitted. This level of activity is well below the 49,550 homes permitted in the region for 2007. In Colorado, 7,450 single-family homes were permitted, a decline of 4,440, or 37 percent, compared with the number permitted during the previous 12 months. In Utah, single-family permits declined by 660 homes, or 9 percent, to 6,780 homes permitted. Single-family building activity decreased by 600 homes in Montana and 680 homes in Wyoming, or by 29 and 34 percent to 1,440 and 1,290 homes permitted, respectively. New home construction activity was down by 17 percent to 2,430 homes permitted in South Dakota, but homebuilding activity in North Dakota was up 8 percent to 1,870 homes.

Multifamily construction activity, as measured by the number of units permitted, totaled 9,070 units in 2009, based on preliminary data, a decrease of 35 percent from the number permitted in the Rocky Mountain region in 2008. Declines in building activity for Colorado, Montana, and South Dakota more than offset the gains recorded in North Dakota, Utah, and Wyoming. In Colorado, multifamily construction decreased by 5,260 units, or 73 percent, to 1,700 units permitted. The large decline in Colorado was due to continued softness in the condominium sales market and weakening in the rental housing market during the first half of 2009. The number of multifamily units



permitted declined 31 percent in Montana and 8 percent in South Dakota. During 2009, Utah and Wyoming recorded the largest increases among states in the region for the number of multifamily units permitted, with 270 and 320 units added, an increase of 66 and 9 percent, respectively. Much of the increase in Utah and Wyoming was due to increased apartment construction activity in the Salt Lake City and Cheyenne areas, respectively. In North Dakota, the number of multifamily units was up 4 percent in 2009 from a year earlier. In the region, condominium production accounted for an estimated 25 percent of multifamily units permitted during 2009 compared with nearly 50 percent in 2008.

Rental market conditions were balanced to soft throughout the Rocky Mountain region during the fourth quarter of 2009. The tighter conditions that existed a year earlier have eased considerably due to job losses and new units coming on line, especially in the Salt Lake City and Denver areas. The number of new units entering the market in Salt Lake City and Denver was up in 2009 as builders responded to the tight conditions of 2006 and 2007. According to Apartment Realty Advisors, Inc., the average vacancy rate in the Salt Lake City area increased to 8.5 percent during the fourth quarter of 2009, up from 6.8 percent recorded during the fourth quarter of 2008. During the fourth quarter of 2009, the average asking rent declined by

4 percent to \$740, and the average rent concession increased by 10 percent. With 2,000 apartment units entering the market in 2009 and another 2,000 units currently under construction, softer market conditions in the Salt Lake City area are expected to persist during the next 12 months. In the Provo-Orem area, the apartment vacancy rate in the fourth quarter of 2009 increased to 7.0 percent compared with 5.7 percent a year earlier. During the fourth quarter of 2009, the apartment vacancy rate in Denver increased to 7.5 percent compared with 7 percent during the fourth quarter of 2008, according to *Apartment Insights*, published by Apartment Appraisers & Consultants. The average effective rent in the Denver area was down 6 percent to \$770 during the fourth quarter of 2009. In both 2008 and 2009, approximately 4,000 units entered the market, contributing to the softer conditions in Denver; this number is well above the average of 2,000 units that came on the market from 2004 to 2007. The Boulder rental market was more balanced, with an average apartment vacancy rate of 5.3 percent in the fourth quarter of 2009, up from 4.6 percent a year earlier, and an average effective rent of \$900, down 2 percent from a year earlier. An Appraisal Services, Inc., survey for the Fargo-Moorhead metropolitan area indicates the rental vacancy rate was 5.8 percent in the fourth quarter of 2009, up from 5.5 percent for the same period a year earlier.