4th Quarter 2010

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 have stabilized in recent months, but employment for 2010 remained below the level of a year earlier. Average nonfarm payrolls for 2010 were down by about 43,600 jobs, or 0.9 percent, from a year earlier, to 4.9 million jobs. During the fourth quarter of 2010, however, seasonally adjusted nonfarm payrolls were relatively unchanged from the previous two quarters, suggesting that employment has stopped declining. In 2010, more than 80 percent of the job losses in the region occurred in Colorado, where nonfarm payrolls were down by 39,900 jobs, or 1.8 percent, compared with the payrolls recorded a year earlier. In Wyoming and Montana, payrolls declined by 3,100, and 3,900 jobs, or 1.1 and 0.9 percent, respectively. In 2010, in Utah and South Dakota, payrolls remained flat, but, in North Dakota, they increased by 3,400 jobs, or 0.9 percent, which was one of the highest rates of job growth among all states in the country. For the region, in 2010, the sectors with the biggest job losses were the construction and manufacturing sectors, where payrolls fell by 27,500 and 10,100 jobs, or 10 and 3 percent, respectively. The decline in construction payrolls was partly due to decreased commercial building activity, and partly because of a decline in multifamily residential construction. Payrolls also declined in the financial activities, transportation and utilities, and leisure and hospitality sectors by 7,200, 5,200, and 4,600 jobs, or 2, 3, and 1 percent, respectively. In 2010, the only sectors that expanded were the education and health services sector, which added 14,700 jobs, a 2-percent increase, and the government sector, which added 6,000 jobs, a 1-percent increase. The decline in pay-rolls led to an increase in the unemployment rate for the region, which rose from 6.8 percent in 2009 to 7.3 percent in 2010. Statewide unemployment rates for 2010 ranged from 3.8 percent in North Dakota to 8.2 percent in Colorado, but all states in the region continued to have unemployment rates that were below the national average of 9.6 percent.

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Home sales market conditions were soft throughout the Rocky Mountain region in the fourth quarter of 2010, although home prices increased in some local areas. During the fourth quarter of 2010, sales of existing homes fell, partly because of the expiration of the homebuyer tax credits. According to the NATIONAL ASSOCIATION OF REALTORS®, for fourth quarter 2010, the seasonally adjusted annual rate of existing home sales in the region was down 21 percent from a year earlier. The current annual rate of home sales is at171,200, well below the peak rates of 2005 and 2006, when an average of more than 250,000 homes a year were sold. Sales were down for all states in the region, with the biggest declines in North Dakota and South Dakota, where sales fell 28 and 38 percent, respectively, while Colorado and Wyoming had the smallest declines, at 16 and 8 percent, respectively.

Despite weaker home sales, mortgage defaults and foreclosures have decreased in the Rocky Mountain region in the past year. According to Lender Processing Services Mortgage Performance Data, from December 2009 to December 2010, the number of loans 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) fell from 5.2 to 4.8 percent. The rate of distressed loans as a share of all loans ranged from 1.9 percent in North Dakota to 6.1 percent in Utah, but all states in the region had lower rates compared with a year earlier, and every state in the region was below the national average of 8.3 percent.

Consistent with the state trends, home sales have declined in most metropolitan areas of the Rocky Mountain region, based on data from Hanley Wood LLC, but prices have increased in some areas. Sales markets are soft in most of the Front Range cities in Colorado. In the 12 months ending November 2010, approximately 35,000 existing single-family homes were sold in the Denver-Aurora area, with a 7-percent decline from the 37,800 sold in the previous 12 months. In the Colorado Springs and Fort Collins-Loveland areas, sales were down 7 and 6 percent, to 10,500 and 4,800 homes sold, respectively. The sales market in Grand Junction remains soft, despite a drop in prices that boosted sales by 24 percent, to 2,500 homes sold. Home sales markets were also soft in the major metropolitan areas of Utah. In Salt Lake City, sales of existing single-family homes were down 1 percent, to 14,400 homes sold. In Provo-Orem and Ogden-Clearfield, sales were down 6 and 9 percent, to 7,800 and 6,300 homes sold, respectively. Sales were also down in other metropolitan areas of the region. Sales market conditions are soft in Fargo, Cheyenne, and Billings, where sales of existing single-family homes were down 8, 11, and 14 percent, to 1,700, 1,500, and 1,600 homes sold, respectively. Despite the slower home sales, prices were up in some metropolitan areas. During the 12 months ending November 2010, the average price for existing single-family homes sold in the Denver-Aurora area was about $281,400, a 10-percent increase from the previous 12 months. In the Colorado Springs and Fort Collins-Loveland areas, average prices were up 2 and 8 percent, to $206,100 and $251,700, respectively. Prices were up in some other parts of the region as well. In Fargo, Cheyenne, and Billings, average prices for existing single-family homes were up 1, 2, and 5 percent, to $157,400, $176,700, and $202,700, respectively. In Grand Junction, however, the average price was down by 9 percent, to $208,000. Prices also declined in the major metropolitan areas of Utah. In Salt Lake City, the average price for existing single-family homes sold was down 6 percent, to $233,500. In Provo-Orem and Ogden-Clearfield, average home prices were down 7 and 2 percent, to $237,900, and $197,700, respectively.

Condominium sales were also weak in metropolitan areas throughout the region in 2010, based on data from Hanley Wood LLC. In the Denver-Aurora area, during the 12 months ending November 2010, sales of existing condominiums were down 1 percent to about 7,000 units sold. In Boulder and Fort Collins-Loveland, sales were down 12 and 14 percent, to 750 and 550 units sold, respectively. Sales also fell in Ogden-Clearfield by 16 percent, to 450 units sold. In Colorado Springs, however, sales were up 18 percent, to 600 units sold. In both Salt Lake City and Provo-Orem, existing condominium sales also increased by 14 percent, to 3,100 and 1,100 units, respectively. Condominium prices declined in most areas. Average prices for existing condominiums fell 3, 4, and 16 percent in Colorado Springs, Fort Collins-Loveland, and Boulder, to $107,500, $159,100, and $191,900, respectively. In Salt Lake City, Provo-Orem, and Ogden-Clearfield, average prices were also down 1, 2, and 5 percent, to $195,700, $135,900, and $130,700, respectively. In the Denver-Aurora area, however, in the 12 months ending November 2010, the average sales price for existing condominiums was up 2 percent, to about $140,300.

Homebuilding activity in the Rocky Mountain region increased in 2010, despite slower home sales, but building activity remains well below levels recorded a few years earlier. In the region, in 2010, based on preliminary data, construction of single-family homes, as measured by the number of building permits issued, totaled about 23,700 homes, an increase of 3,000 homes, or 14 percent, from a year earlier. Recent construction activity is far below the 2004-through-2008 average, when nearly 59,000 single-family homes a year were permitted in the region. During 2010, in both Colorado and North Dakota, single-family construction was up 26 percent, to 9,100 and 2,100 homes permitted, respectively, and, in Utah, single-family construction was up 14 percent, to 7,200 homes permitted. Building activity fell in Wyoming, however, where construction of single-family homes declined 11 percent, to 1,400 homes permitted.

Rental market conditions were balanced to tight in most areas of the Rocky Mountain region in the fourth quarter of 2010. Demand for rental units has increased as more households have shifted from owner to renter occupancy, and apartment construction has not kept pace with rising demand. According to data from Apartment Insights, published by Apartment Appraisers & Consultants, in the fourth quarter of 2010, the apartment market in the Denver-Aurora area was balanced to tight, with a 5.4-percent vacancy rate, which was down from 7.5 percent a year earlier. During the fourth quarter of 2010, conditions were tight in Fort Collins-Loveland, where the apartment vacancy rate was 4.1 percent, down from 6.3 percent a year earlier. In Colorado Springs, the vacancy rate fell from 7.5 to 6.8 percent during the same period, and conditions are currently balanced. The Grand Junction rental market is currently soft, however. According to the Colorado Division of Housing, in the third quarter of 2010 (the most recent data available), the rental vacancy rate in Grand Junction was 7.9 percent, up from 7.1 percent a year earlier; this increase was a result of recent job losses. Rental markets in the major metropolitan areas of Utah have tightened in the past year and are now generally balanced. According to Reis, Inc., in Salt Lake City, in the fourth quarter of 2010, the apartment vacancy rate was 6.9 percent, down from 7.4 percent a year earlier. In Ogden-Clearfield, the apartment vacancy rate fell from 6.6 to 5.3 percent during the same period. The Fargo rental market is balanced. According to Appraisal Services, Inc., in Fargo, during the fourth quarter of 2010, the apartment vacancy rate was 5.7 percent, which was essentially unchanged from a year earlier.

The tighter rental markets have contributed to a rise in monthly rents in many areas. According to data from Apartment Insights, the average effective apartment rent in the Denver-Aurora metropolitan area for the fourth quarter of 2010 was about $860 compared with $830 a year earlier, a 4-percent increase. In Fort Collins-Loveland, during the same period, the average apartment rent increased from $800 to $870, an increase of 8 percent. In Colorado Springs, rents were up 2 percent, to about $710. According to data from Reis, Inc., monthly rents in major metropolitan areas of Utah were up just slightly. In Salt Lake City, in the fourth quarter of 2010, the average effective rent was about $710, compared with $700 a year earlier. In Ogden-Clearfield, the average effective rent increased from about $655 to $665 during the same period.

Multifamily construction activity in the Rocky Mountain region, based on preliminary data, slowed in 2010, as a total of 8,300 units were permitted, which is a decline of 12 percent from the previous year. Construction of multifamily units remains well below the 2004-through-2008 levels, when an average of more than 15,000 units were permitted annually in the region. In Colorado, multifamily construction was up 27 percent, to about 2,700 units permitted, because of increased apartment construction in areas such as Fort Collins-Loveland. And multifamily building activity more than doubled in Montana, to about 700 units permitted, due to increased apartment construction in areas such as Missoula. Building activity was down significantly, however, in Utah and South Dakota, where multifamily construction fell by 39 and 48 percent, to 2,200 and 600 units permitted, respectively, because of a steep decline in apartment construction in areas such as Salt Lake City and Sioux Falls.