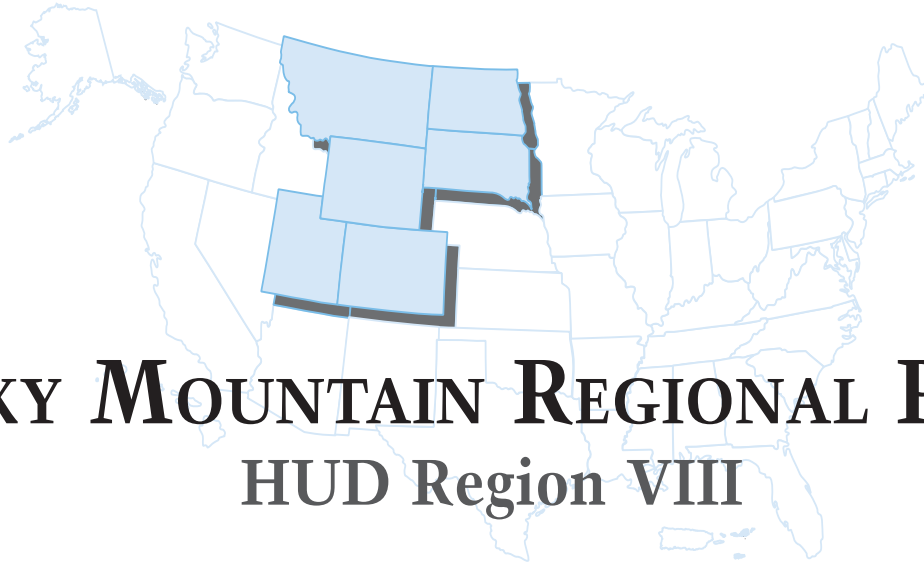




U.S. Housing Market Conditions



ROCKY MOUNTAIN REGIONAL REPORT HUD Region VIII

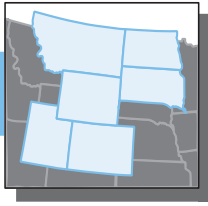
4th Quarter Activity

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.

The economic growth in the Rocky Mountain region that began in early 2010 continued through the fourth quarter of 2012. During 2012, nonfarm payrolls in the region averaged approximately 5.08 million jobs, an increase of 102,600 jobs, or 2.1 percent, from 2011. The professional and business services, wholesale and retail trade, and education and health services sectors led the job gains, increasing by approximately 24,200, 16,300, and 14,200 jobs, or 3.9, 2.1, and 2.2 percent, respectively. In addition, the construction and the mining and logging subsectors added approximately 9,400 and 8,000 jobs, growth of 3.6 and 8.4 percent, respectively, helped by increases in homebuilding activity and energy production.

According to the U.S. Energy Information Administration, during the 12 months ending October 2012, oil production in the region was up 35 percent from a year earlier. Combined payrolls in the state and local government subsectors increased by 5,600 jobs, or 0.7 percent, but payrolls in the federal government subsector declined by 4,600 jobs, or 3.4 percent. The unemployment rate for the region averaged 6.5 percent in 2012, down from 7.2 percent in 2011. Within the region, state unemployment rates ranged from 3.1 percent in North Dakota to 7.9 percent in Colorado, but all states in the region had rates less than the national average of 8.1 percent.

In North Dakota, which has had the greatest rate of job growth in the nation for more than 2 years, nonfarm payrolls increased by 23,700 jobs, or 6.2 percent, in 2012. The mining and logging subsector, which increased by 5,400 jobs, or 33.0 percent, led growth because of energy-related activity in the Bakken Formation of western North Dakota. In addition, the construction subsector and the transportation and utilities sector increased by 3,100 and 3,000 jobs, or 13.0 and 16.0 percent, respectively. Colorado had the greatest total job gain in the region in 2012, with nonfarm payrolls increasing by 41,500 jobs, or 1.8 percent. The greatest gains occurred in the



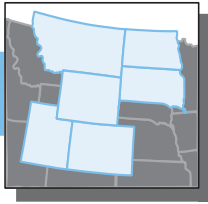
professional and business services, leisure and hospitality, and education and health services sectors, which grew by 10,300, 6,500, and 6,400 jobs, or 3.0, 2.4, and 2.3 percent, respectively. In Utah, nonfarm payrolls grew by 28,700 jobs, or 2.4 percent, led by gains in the professional and business services and the manufacturing sectors, which added 8,200 and 4,200 jobs, increases of 5.1 and 3.7 percent, respectively. Montana, South Dakota, and Wyoming had moderate job growth; nonfarm payrolls increased by 4,000, 2,500, and 2,300 jobs, or 0.9, 0.6, and 0.8 percent, respectively. In Montana, the professional and business services sector and the construction subsector grew by 1,800 and 1,500 jobs, or 4.4 and 6.5 percent, respectively, but the government sector declined by 500 jobs, or 0.6 percent. In South Dakota, the education and health services and the manufacturing sectors added 1,600 and 1,100 jobs, increases of 2.4 and 2.8 percent, respectively, but the government sector declined by 600 jobs, or 0.8 percent. In Wyoming, the wholesale and retail trade sector grew by 1,100 jobs, or 2.9 percent, but the construction subsector declined by 400 jobs, or 1.9 percent.

As the economy improved during the past year, sales housing markets in the Rocky Mountain region strengthened. Market conditions are now balanced throughout most of the region, although conditions remain slightly soft in some areas. Based on data from CoreLogic, Inc., home sales increased in most states of the region. In Colorado and Utah, approximately 92,200 and 45,100 existing homes sold during the 12 months ending November 2012, increases of 15 and 8 percent, respectively. In Montana, North Dakota, and Wyoming, approximately 13,600, 12,200, and 6,200 existing homes sold, increases of 9, 5, and 8 percent, respectively. Home sales prices also increased throughout most of the region. Based on the CoreLogic, Inc. Home Price Index, average sales prices for existing single-family homes during the 12 months ending November 2012 were up 7 and 5 percent, respectively, in Utah and Colorado compared with average prices a year earlier. Existing single-family home prices rose 11 percent in North Dakota. In Montana, Wyoming, and South Dakota, prices were up 6, 5, and 2 percent, respectively. A decline in the number of distressed mortgages also reflects the strengthening sales housing market. As of December 2012, according to LPS Applied Analytics, 3.6 percent of mortgages in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 4.2 percent a year earlier. The rate for the region was also much less than the 7.1-percent national average. Within the region, the rates ranged from 1.7 percent in North Dakota to 4.8 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, Colorado Springs, and Fort Collins-Loveland metropolitan areas of Colorado, approximately 47,600, 10,100, and 6,000 existing homes sold during the 12 months ending November 2012,

increases of 21, 5, and 17 percent, respectively. In the Salt Lake City and Provo-Orem metropolitan areas of Utah, existing home sales were up 13 and 8 percent, to approximately 20,500 and 7,500 homes sold, respectively, but in the Ogden-Clearfield metropolitan area, existing home sales declined 5 percent, to 7,600 homes sold. In northern states of the region, sales were up strongly in some areas. During the 12 months ending November 2012, existing home sales in the Billings, Montana metropolitan area increased 17 percent, to approximately 2,725 homes sold. In North Dakota, existing home sales were up 13 percent in the Fargo area, to about 3,450 homes sold, but sales declined 22 percent in the Grand Forks area, to 1,050 homes sold. In Wyoming, existing home sales were up 14 percent in the Casper metropolitan area, to 1,800 homes sold, but sales were down 9 percent in the Cheyenne area, to 1,700 homes sold. Based on the CoreLogic, Inc. Home Price Index, during the 12 months ending November 2012, the average sales prices for existing single-family homes in the Denver-Aurora-Broomfield, Fort Collins-Loveland, and Colorado Springs metropolitan areas increased 6, 3, and 2 percent, respectively, from a year earlier. In the Provo-Orem, Salt Lake City, and Ogden-Clearfield metropolitan areas, prices were up 7, 6, and 1 percent, respectively, from a year earlier. In the Billings metropolitan area, prices rose 5 percent during the same period. In North Dakota, existing home prices increased 3 percent each in the Grand Forks and Fargo metropolitan areas. In the Casper and Cheyenne areas, existing single-family home prices were up 6 and 3 percent, respectively.

The strengthening home sales market in the Rocky Mountain region led to rising demand for new home construction, although homebuilding remains at less than prerecession levels. Based on preliminary data, in the 12 months ending November 2012, single-family construction, as measured by the number of homes permitted, was up 45 percent from a year earlier, to approximately 28,500 new homes permitted. By comparison, from 2000 through 2007, single-family construction activity in the region averaged more than 66,000 homes permitted a year. Single-family homebuilding increased in every state of the region. In Colorado, Utah, and North Dakota, approximately 11,550, 8,700, and 3,200 homes were permitted during the 12 months ending November 2012, increases of 46, 42, and 78 percent, respectively. In South Dakota, Montana, and Wyoming, approximately 2,200, 1,450, and 1,400 single-family homes were permitted, increases of 46, 41, and 14 percent, respectively. Strong rental demand in the past year also led to increased multifamily construction. During the 12 months ending November 2012, approximately 17,000 multifamily units were permitted in the region, a 47-percent increase from a year earlier. Multifamily building activity more than doubled in Colorado, to about 8,950 units permitted. Approximately 7,000 of those units, or nearly 80 percent of the statewide total, were in the Denver-Aurora-Broomfield metropolitan area. In Utah, multifamily building activity



was up 1 percent, to about 3,000 units permitted. In South Dakota, Montana, and North Dakota, multifamily building increased 71, 24, and 22 percent, to about 1,250, 830, and 2,700 units permitted, respectively. In Wyoming, however, multifamily building activity declined 55 percent, to 280 units permitted.

Rental markets continued to tighten in the past year in the Rocky Mountain region, and conditions are currently tight in most areas. Based on data from *Apartment Insights*, rental markets in most Front Range areas of Colorado were tight in the fourth quarter of 2012. The Denver-Aurora-Broomfield, Boulder, and Fort Collins-Loveland metropolitan areas had apartment vacancy rates of 5.0, 3.9, and 3.8 percent, respectively, compared with the rates of 5.5, 3.8, and 3.5 percent, respectively, recorded a year ago. Conditions in the Colorado Springs metropolitan area were balanced in the fourth quarter of 2012, with an apartment vacancy rate of 5.6 percent, down from 6.4 percent a year ago. Rents increased significantly in some Front Range areas. Average apartment rents in the Fort Collins-Loveland, Boulder, and Denver-Aurora-Broomfield metropolitan areas were up 8, 6, and 6 percent, to approximately \$1,005, \$1,065, and

\$960, respectively. In the Greeley and Colorado Springs metropolitan areas, rents were up 4 and 3 percent, to \$705 and \$755, respectively. Based on data from Reis, Inc., apartment markets in the Salt Lake City, Provo-Orem, and Ogden-Clearfield metropolitan areas in Utah were tight in the fourth quarter of 2012, with vacancy rates of 4.1, 3.6, and 3.3 percent, respectively, compared with the rates of 4.9, 2.8, and 4.2 percent, respectively, recorded a year ago. Average apartment rents increased 3 percent in Salt Lake City and 2 percent in Provo-Orem and Ogden-Clearfield, to approximately \$800, \$790, and \$720, respectively. Rental markets were tight in some northern areas of the region. According to Appraisal Services, Inc., in December 2012, the Fargo area had a 2.9-percent apartment vacancy rate, down from 4.3 percent a year ago. According to the South Dakota Multi-Housing Association, the apartment vacancy rate in the Sioux Falls area was 4.2 percent as of December 2012, down from 5.6 percent a year ago. According to the Wyoming Center for Business & Economic Analysis, Inc., in the third quarter of 2012 (the most recent data available), the Cheyenne apartment vacancy rate was 2.9 percent, virtually unchanged from a year ago.