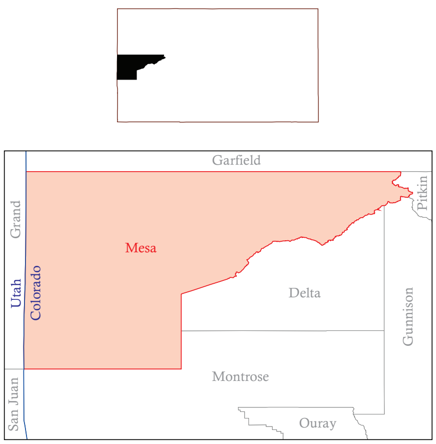
COMPREHENSIVE HOUSING MARKET ANALYSIS

Grand Junction, Colorado

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2014

PD&R

Housing Market Area



Located in the Grand Valley along the western slope of the Rocky Mountains, the Grand Junction Housing Market Area (HMA) is coterminous with Mesa County, Colorado. The current population of the HMA is estimated at 149,800. The city of Grand Junction is a regional center for health care and is a retirement and tourism destination. The HMA also sits atop the Piceance Basin, a shale formation with extensive natural gas reserves.

Market Details

Summary

Economy

A modest economic recovery that began in 2011 is continuing in the Grand Junction HMA. During the 12 months ending March 2014, nonfarm payrolls increased by 700 jobs, or 1.2 percent, to 60,400 jobs. During the next 3 years, nonfarm payrolls in the HMA are expected to increase by 700 jobs, or 1.2 percent, annually, with job growth concentrated in the leisure and hospitality and the education and health services sectors.

Sales Market

Sales housing market conditions in the HMA are soft, with a current estimated vacancy rate of 2.2 percent. During the 12 months ending March 2014, nearly 3,400 homes sold in the HMA, a decrease of 220 homes sold, or 6 percent, from a year ago. Demand is expected for 1,650 new homes in the HMA during the 3-year forecast period (Table 1). The 50 homes currently under construction and a portion of the estimated 2,500 other vacant units that may reenter the sales market will meet some of the forecast demand.

Rental Market

The rental housing market in the HMA is soft, with an estimated vacancy rate of 7.0 percent as of April 1, 2014, down from 7.4 percent in April 2010. Demand is expected to total 80 new rental units in the HMA during the forecast period (Table 1). The 70 units currently under construction and 50 additional units currently in planning are expected to meet all the demand during the forecast period.

Table 1. Housing Demand in the Grand Junction HMA, 3-Year Forecast, April 1, 2014, to April 1, 2017

	Grand Junction HMA	
	Sales Units	Rental Units
Total demand	1,650	80
Under construction	50	70

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2014. A portion of the estimated 2,500 other vacant units in the HMA will likely satisfy some of the forecast demand.
Source: Estimates by analyst

Economic Conditions

Economic conditions in the Grand Junction HMA are improving gradually, continuing the modest recovery that began in 2011. From 2011 through 2013, nonfarm payrolls increased by 450 jobs, or 0.8 percent, a year. During the 12 months ending March 2014, nonfarm payrolls increased by 700 jobs, or 1.2 percent, from the previous 12 months (Table 2); however, payrolls remain 8.3 percent less than the peak of 65,900 jobs during 2008, when energy exploration in the HMA was at its zenith. From 2000 through 2008, nonfarm payrolls increased by an average of nearly 2,000 jobs, or 3.8 percent, annually, led by growth in the mining, logging, and construction sector. Nonfarm payrolls declined by an average of 3,550 jobs, or 5.4 percent, annually during 2009 and 2010 in response to a slowdown in energy exploration that began in early 2009. The unemployment rate during the 12 months ending March 2014 averaged 7.8 percent, down from 8.9 percent a year earlier but much higher than the 3.9-percent rate in 2008. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2013.

From 2000 through 2008, more than one-third of the gains in nonfarm payrolls occurred in the mining, logging, and construction sector. The sector increased by an average of 725 jobs, or 16.9 percent, annually during that period because of increased natural gas drilling in the Piceance Basin. The number of wells drilled annually (hereafter, well starts) in the HMA increased from 15 wells during 2003 to 220 wells during 2008 (Colorado Oil and Gas Conservation Commission). A sharp drop in domestic prices for natural gas in early 2009 led to a decline in exploration and drilling in the HMA. From 2009 through 2012, payrolls in the mining, logging, and construction sector declined by 850 jobs, or 8.4 percent, annually, as well starts in the HMA declined to 5 during 2012. During the 12 months ending March 2014, the mining, logging, and construction sector decreased by an additional 100 jobs, or 1.6 percent, from the previous 12 months, with the losses concentrated in the natural resources and mining subsector. Figure 2 illustrates net job growth by sector from 2000 through the current date.

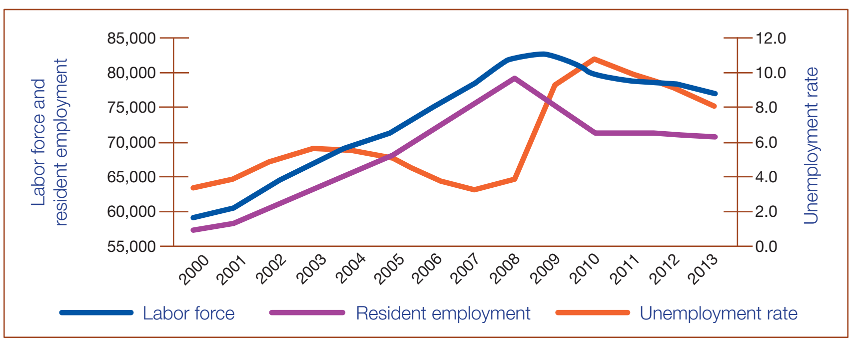
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Grand Junction HMA, by Sector

	12 Months Ending March 2013	12 Months Ending March 2014	Absolute Change	Percent Change
Total nonfarm payroll jobs	59,700	60,400	700	1.2
Goods-producing sectors	9,100	9,100	0	0.0
Mining, logging, & construction	6,400	6,300	– 100	– 1.6
Manufacturing	2,700	2,800	100	3.7
Service-providing sectors	50,600	51,300	700	1.4
Wholesale & retail trade	10,100	10,100	0	0.0
Transportation & utilities	2,800	2,700	– 100	– 3.6
Information	800	800	0	0.0
Financial activities	3,000	3,000	0	0.0
Professional & business services	5,400	5,400	0	0.0
Education & health services	9,200	9,400	200	2.2
Leisure & hospitality	7,100	7,600	500	7.0
Other services	2,400	2,500	100	4.2
Government	9,800	9,900	100	1.0

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through March 2013 and March 2014.

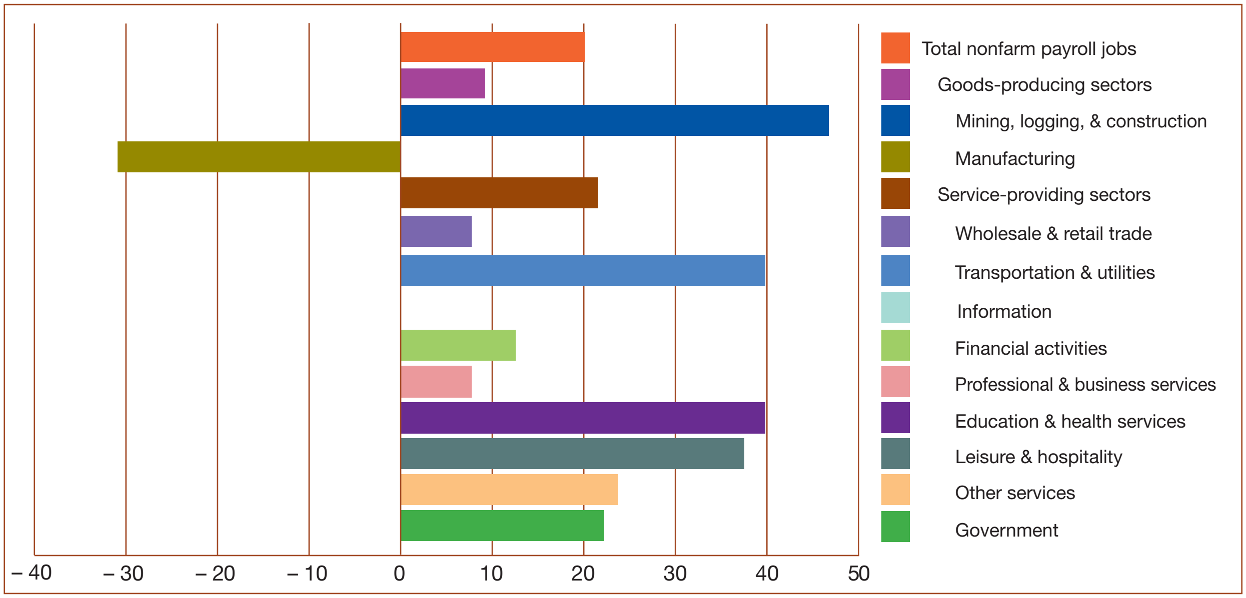
Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Grand Junction HMA, 2000 Through 2013



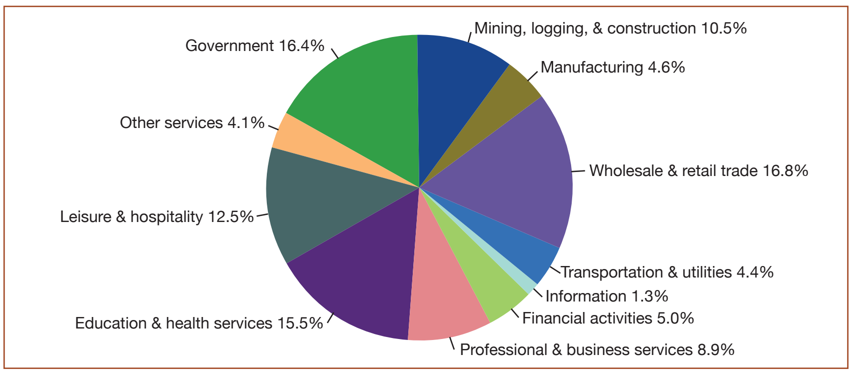
Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Grand Junction HMA, Percentage Change, 2000 to Current



Notes: Current is based on 12-month averages through March 2014. During this period, nonfarm payrolls in the information sector showed no net change.
Source: U.S. Bureau of Labor Statistics

Figure 3. Current Nonfarm Payroll Jobs in the Grand Junction HMA, by Sector



Note: Based on 12-month averages through March 2014.
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Grand Junction HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
St. Mary's Hospital & Regional Medical Center	Education & health services	1,230
Mesa County	Government	990
State of Colorado	Government	760
Grand Junction VA Medical Center	Government	650
City Market	Wholesale & retail trade	640
City of Grand Junction	Government	640
Community Hospital	Education & health services	590
Colorado Mesa University	Government	580
Family Health West	Education & health services	390
Rocky Mountain Health Plans	Professional & business services	340

Note: Excludes local school districts.
Source: Grand Junction Economic Partnership

The government sector is the second largest employment sector in the HMA (Figure 3). Payrolls in the sector increased from 9,400 jobs during 2008 to 9,800 jobs during 2012. The growth during that period was concentrated in the state and federal government subsectors, which increased by 400 and 200 jobs, respectively, increases that were partially offset by a loss of 200 jobs in the local government subsector. During the 12 months ending March 2014, government sector payrolls increased by 100 jobs, to 9,900, compared with government payrolls during the previous 12 months. Of the 10 largest employers in the HMA, 5 are in the government sector: Mesa County, the State of Colorado, the Grand Junction VA Medical Center, the City of Grand Junction, and Colorado Mesa University (Table 3).

Health services are important to the economy because of the many retirees in the HMA. The education and health services sector, the third largest employment sector in the HMA, increased from 8,700 jobs during 2008 to 9,100 jobs during 2012. During the same period, the population ages 65 and older in the HMA increased 2.9 percent compared with the 1.3-percent rate of overall population growth. During the 12 months ending March 2014, the sector grew by 200 jobs, or 2.2 percent, to 9,400 jobs. Approximately 65 percent of the gains during the period were concentrated in the health services subsector. Of the 10 largest employers in the HMA, 3 are in the education and health services sector: St. Mary's Hospital & Regional Medical Center, Community Hospital, and Family Health West (Table 3).

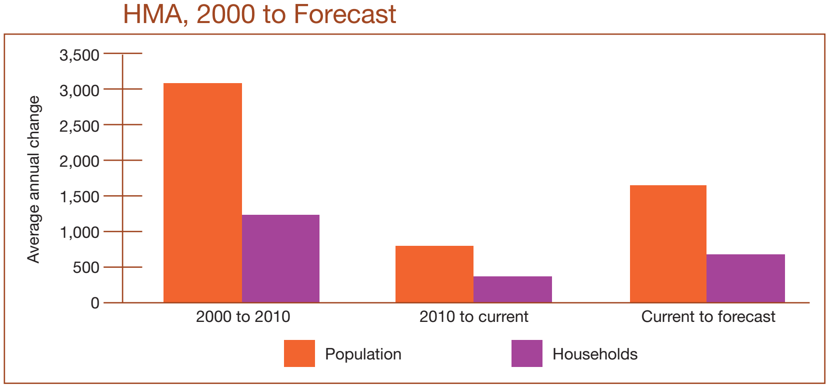
The leisure and hospitality sector, which is closely tied to the tourism industry, is the fourth largest employment sector in the Grand Junction HMA. The HMA is adjacent to the 150,000-acre Grand Valley recreation area managed by the U.S. Bureau of Land Management. During the 12 months ending March 2014, the sector grew by 500 jobs, or 7.0 percent, to 7,600 jobs. Three local festivals—the Colorado Mountain Winefest, the Palisade Peach Festival, and the Fruita Fat Tire Festival—reported a combined attendance of approximately 22,350 people during 2013, an increase of 1,800, or nearly 9 percent, from 2012.

Nonfarm payrolls are expected to increase by an average of 700 jobs, or 1.2 percent, annually during the next 3 years. The education and health services and the leisure and hospitality sectors are expected to continue growing during the period. St. Mary's recently began Phase 1 of the Century Project Completion, which will add infrastructure to the top 4 floors of an already-built 12-story addition to the hospital and is expected to be complete during the fall of 2015.

Population and Households

As of April 1, 2014, the population of the Grand Junction HMA was estimated at 149,800, reflecting an average annual increase of 770, or 0.5 percent, since 2010 (Figure 4). Nearly 80 percent of the increase was from net natural increase (resident births minus resident deaths). From 2000 through 2008, the HMA population increased by an average of 3,200, or 2.7 percent, annually. Net in-migration averaged 2,650 people annually, accounting for 83 percent of population growth during the period, as workers moved to the HMA in response to the increase in drilling in the Piceance Basin. Because of the decline in energy exploration beginning in 2009, the population in the HMA declined by 1,375, or 0.9 percent, from 2009 to 2010. The HMA

Figure 4. Population and Household Growth in the Grand Junction HMA, 2000 to Forecast

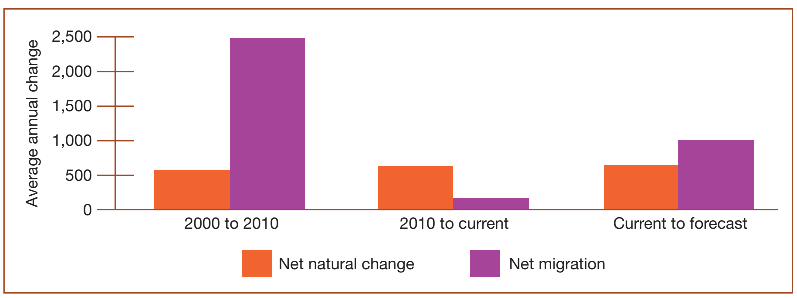


Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst population began to increase again in 2010, as the net migration trend reversed in response to modest employment gains. During the 3-year forecast period, the population is expected to grow at an average annual rate of 1.1 percent, or by 1,625. Job gains tied to tourism and health care are expected to drive increased net in-migration, as the HMA continues to develop as a tourist destination and regional health center. Figure 5 shows the components of population change in the HMA from 2000 to the forecast date.

The Grand Junction HMA is a popular retirement destination. Residents ages 55 and older comprised approximately 25 percent of total population in the HMA during 2000. That share increased to nearly 30 percent of total population in 2012 and is expected to further increase to 32 percent by 2017 (Colorado State Demography Office). More than 40 percent of the total population growth from 2000 through 2010 occurred in the cohort of residents ages 55 and older, who comprised 25 percent of net in-migration to Colorado during the period. The HMA is an attractive destination within Colorado for retirees because existing homes sold for approximately 30 percent less than the state average from 2005 through 2013 (Metrostudy, A Hanley Wood Company).

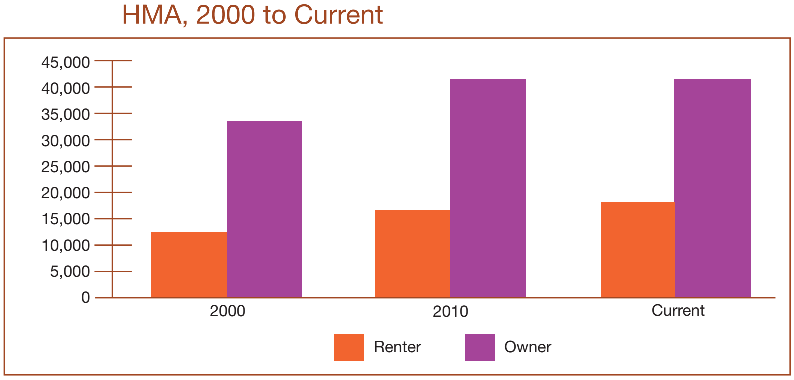
Reflecting recent population trends, household growth has slowed since 2010. The number of households has increased at an average annual rate of 0.6 percent, or by 360 households a year, to an estimated 59,550 households as of April 1, 2014. The rate of household growth is down from the 2.4-percent annual rate from 2000 through 2010. Since 2010, the number of renter households has grown at an average annual rate of 2.4 percent, to 18,250 households (Figure 6). The increased demand for rental housing during the period was caused, in part, by a decrease in homeownership because of stricter mortgage financing terms and an increase in foreclosures. From April 2010 to the current date, the percentage of owner households decreased from 71.4 to 69.4 percent of all households. During the forecast period, the number of households in the HMA is expected to increase by 680, or 1.1 percent, annually to 61,600 households by the forecast date. Table DP-1, at the end of this report, shows household growth by tenure in the HMA from 2000 to the current date.

Figure 5. Components of Population Change in the Grand Junction HMA, 2000 to Forecast



Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Grand Junction HMA, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Sales Market

The sales housing market in the Grand Junction HMA has remained soft since 2010, with an estimated 2.2-percent sales vacancy rate, unchanged since April 2010 (Table DP-1). During the 12 months ending March 2014, existing single-family home, townhome, and condominium (hereafter, existing home) sales decreased by 220, or 6 percent, from a year earlier to 3,400 sales (Metrostudy, A Hanley Wood Company). This decrease is by contrast with the upward trend from 2009 through 2012, when existing home sales increased by an average of 410 homes, or 7 percent, annually because the volume of REO (Real Estate Owned) sales increased. Before this increase in existing home sales, sales declined by an average of 680 homes, or 13 percent, annually from 2005 through 2008, partly because of low levels of for-sale inventory. During the same period, existing home sales prices increased 10 percent annually to an average of $244,400. From 2009 through 2012, average existing home sales prices declined an average of 6 percent annually, to $181,900. During the 12 months ending March 2014, existing home sales prices increased 5 percent, to $195,800, as the share of REO sales declined.

REO sales rose sharply from 2009 through 2012 but declined during the past 12 months in the Grand Junction HMA. From 2005 through 2008, when economic conditions in the HMA were strong and home sale prices were increasing, REO sales comprised less than 3 percent of existing home sales annually. After the decline in energy exploration and weakening of economic conditions in the HMA, REO sales increased, peaking at more than 31 percent of existing home sales during 2011 and contributing to lower sales prices. During the 12 months ending March 2014, REO sales declined to approximately 20 percent of existing home sales in the HMA (Metrostudy, A Hanley Wood Company). One reason for the decline in REO sales was the relatively high level of short sales reduced the number of properties that entered the REO inventory. More homeowners were able to sell their properties as short sales, because lenders determined that short sales were an economically viable alternative to the lengthy foreclosure process. From 2009 through 2013, an average of 210 short sales closed annually, much more than the average of 30 short sales annually from 2006 through 2008. The average sales price of a short sale during the 12 months ending January 2014 was $170,000, a decline of nearly 12 percent from the average of $192,700 from 2009 through 2012 (CoreLogic, Inc.).

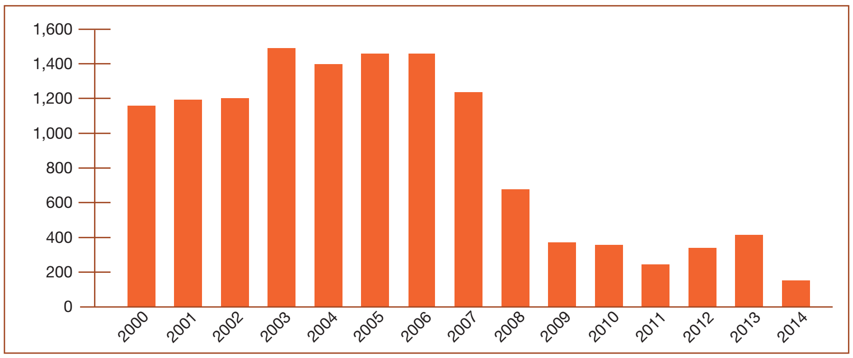
Distressed mortgages, including the REO inventory, decreased as a share of total mortgages during the past year in the HMA. Of the home loans in the HMA, 3.4 percent were 90 or more days delinquent, were in foreclosure, or transitioned into REO status as of March 2014, down from 4.3 percent a year ago and lower than the recent peak of 6.0 percent recorded in February 2010 (Black Knight Financial Services, Inc.). By comparison, the percentage of mortgages that were distressed was lower in the state of Colorado during March 2014, at 2.3 percent, but the HMA and state rates both were lower than the national rate of 5.2 percent.

The new home sales market mirrors the recent decline in existing home sales. Sales of new homes totaled 190 during the 12 months ending March 2014, down nearly 3 percent from a year ago. During the period, sales prices for new homes increased 10 percent, to an average of $249,400, because the decline in new home sales was concentrated at the lower end of the sales market. The number of new single-family home sales during the past 12 months was only 21 percent of the average of 900 new homes sold annually from 2005 through 2008. New home sales declined by an average of 100 sales, or 17 percent, annually from 2008 through 2012 in response to the decline in natural gas drilling and the national recession. Prices decreased nearly 5 percent a year, from an annual peak of $272,100 during 2008 to $221,900 during 2012.

New home construction activity has been recovering since 2012, partly because of the modest economic recovery and recent net in-migration. Despite the decline in new home sales during the past year, developers in the HMA increased new home construction activity, as measured by the number of single-family homes permitted. During the 12 months ending March 2014, building permits were issued for approximately 420 single-family homes, up 11 percent from the previous 12 months (preliminary data). Single-family home construction in the HMA remains significantly less than the average of 1,275 homes permitted annually from 2003 through 2008, although the recent activity continues the growth that began in 2012, when construction activity increased by 90 homes permitted, or 41 percent, from 2011 (Figure 7).

During the next 3 years, demand is expected for 1,650 new single-family homes, townhomes, and condominiums in the HMA (Table 1). The 50 homes currently under construction and a portion of the estimated 2,500 other vacant units will likely satisfy part of the forecast demand. Demand is expected to be stable, averaging 550 homes annually, and will be strongest for homes at the lower end of the market, priced between $140,000 and $249,999 (Table 4).

Figure 7. Single-Family Homes Permitted in the Grand Junction HMA, 2000 to 2014



Notes: Includes townhomes. Includes data through March 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Grand Junction HMA, April 1, 2014, to April 1, 2017

Price Range ($)		Units of Demand	Percent of Total
From	To		
140,000	199,999	470	28.5
200,000	249,999	610	37.0
250,000	349,999	410	24.8
350,000	499,999	120	7.3
500,000	and higher	40	2.4

Note: The 50 homes currently under construction and a portion of the estimated 2,500 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

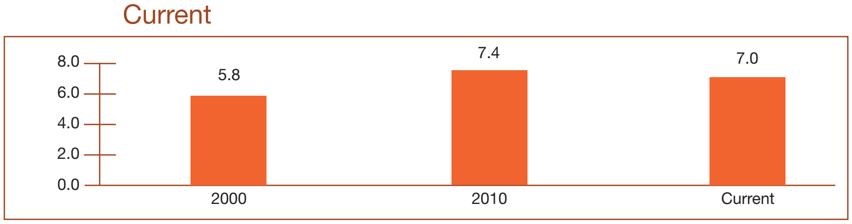
Rental Market

Rental housing market conditions in the Grand Junction HMA have improved slightly since 2010, but they remain soft. The current overall vacancy rate, including single-family, townhomes, condominiums, and apartments, is estimated at 7.0 percent, down from 7.4 percent in April 2010 (Figure 8). The apartment market is also soft, with a vacancy rate of 6.7 percent during the fourth quarter of 2013, down from 9.7 percent a year earlier and lower than the 8.9-percent rate in 2010 (Colorado Department of Local Affairs). Asking rents for market-rate apartments averaged $560 during the fourth quarter of 2013, down 15 percent from the average of $660 a year earlier. Rents by unit type averaged approximately $440 for a one-bedroom, one-bathroom unit; $675 for a two-bedroom, one-bathroom unit; $690 for two-bedroom, two-bathroom unit; and $820 for a three-bedroom, two-bathroom unit. As an alternative to apartments, single-family homes comprise a relatively large portion—nearly 40 percent—of rental units in the HMA. The share of single-family homes in the rental inventory is down from 45 percent in 2009, in part because of improved sales housing market conditions. When the sales market was tight and drilling activity was at a high level in 2005, the portion of single-family homes in the rental inventory was down to 35 percent.

The level of natural gas drilling and the resulting migration patterns significantly affected apartment vacancy rates during the past 10 years. During the second quarter of 2003, the apartment vacancy rate in the HMA was 8.7 percent, and annual well starts were 15. At the peak of drilling activity, during 2008, the apartment vacancy rate in the HMA declined to 1.6 percent after 5 years of strong net in-migration. Annual well starts declined from 220 wells during 2008 to 15 wells during 2009, leading to net out-migration and a vacancy rate that peaked at 13.2 percent in the fourth quarter of 2009 (Colorado Department of Local Affairs).

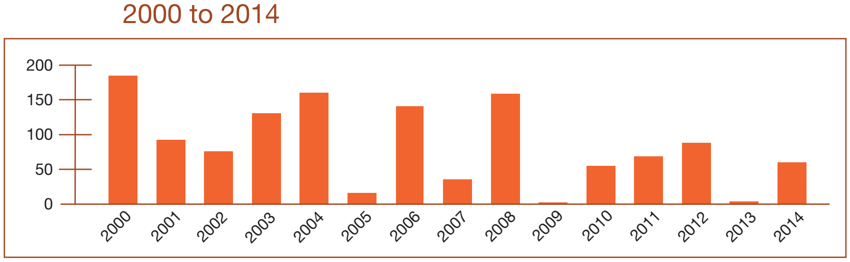
Relative to the stronger economic conditions that prevailed from 2003 through 2008, the current slower job growth and in-migration are discouraging new multifamily construction activity. Multifamily construction activity, as measured by the number of units permitted, decreased to 60 units during the 12 months ending March 2014 from 80 a year earlier. The average of 40 units permitted annually from 2009 through 2011 was a significant decrease from the average of 110 units permitted annually from 2003 through 2008, when natural gas drilling activity in the HMA was sharply increasing (Figure 9). Recent rental developments include Village Park, a 70-unit apartment project built

Figure 8. Rental Vacancy Rates in the Grand Junction HMA, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 9. Multifamily Units Permitted in the Grand Junction HMA, 2000 to 2014



Notes: Excludes townhomes. Includes data through March 2014.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

during 2012 by the Grand Junction Housing Authority. The units are restricted to households with incomes of or less than 60 percent of Area Median Income (AMI). Rents range from $425 for one-bedroom units targeted to households at 40 percent of AMI to $850 for three-bedroom units targeted to households at 60 percent of AMI.

The presence of Colorado Mesa University contributes to rental demand in the Grand Junction HMA because of the many students who live off campus. The university enrolled approximately 9,250 students and had nearly 1,900 dorm beds during 2012. The remaining 7,350 students live off campus. Students residing off campus represent approximately 13 percent of total renter households in the HMA. The estimated vacancy rate in the area near the university was 6.0 percent, lower than the 6.7-percent rate in the HMA, and asking rents were approximately $30 a month more near the university, at $590, than in the HMA as a whole.

Demand is expected for 80 new market-rate rental units in the HMA during the next 3 years. The 70 units under construction, and an additional 50 units currently in final planning and expected to be complete in the next 3 years, will meet the expected demand during the 3-year forecast period (Table 1). Table 5 shows the forecast demand for rental units by number of bedrooms and rent level.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Grand Junction HMA, April 1, 2014, to April 1, 2017

One Bedroom		Two Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
775 or more	40	860 or more	40
Total	40	Total	40

Notes: Numbers may not add to totals because of rounding. The 70 units currently under construction will likely satisfy some of the estimated demand.
Source: Estimates by analyst

Data Profile

Table DP-1. Grand Junction HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	57,064	71,342	70,900	2.3	– 0.2
Unemployment rate	3.3%	10.7%	7.8%		
Nonfarm payroll jobs	50,400	58,800	60,400	1.6	0.8
Total population	116,255	146,723	149,800	2.4	0.5
Total households	45,823	58,095	59,550	2.4	0.6
Owner households	33,313	41,506	41,300	2.2	– 0.1
Percent owner	72.7%	71.4%	69.4%		
Renter households	12,510	16,589	18,250	2.9	2.4
Percent renter	27.3%	28.6%	30.6%		
Total housing units	48,427	62,644	64,400	2.6	0.7
Owner vacancy rate	1.7%	2.2%	2.2%		
Rental vacancy rate	5.8%	7.4%	7.0%		
Median Family Income	$38,800	$62,727	$54,890	4.9	– 4.4

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2014. Median Family Incomes are for 1999, 2009, and 2012.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 4/1/2014—Analyst's estimates
Forecast period: 4/1/2014–4/1/2017—
Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to http://www.huduser.org/publications/pdf/CMARtables_GrandJunctionCO_14.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/portal/ushmc/chma_archive.html.