

COMPREHENSIVE HOUSING MARKET ANALYSIS

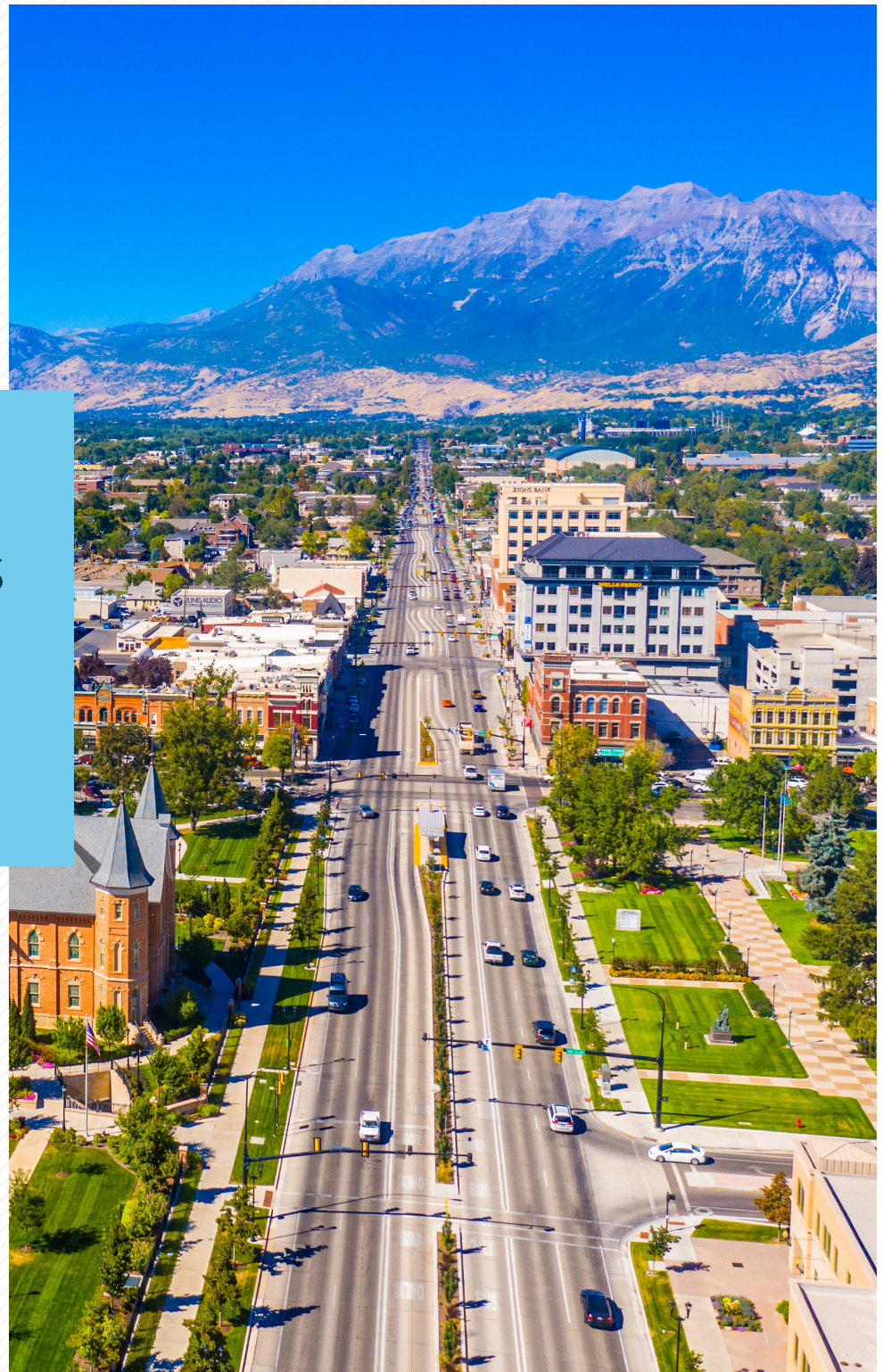
Provo-Orem, Utah

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of June 1, 2021



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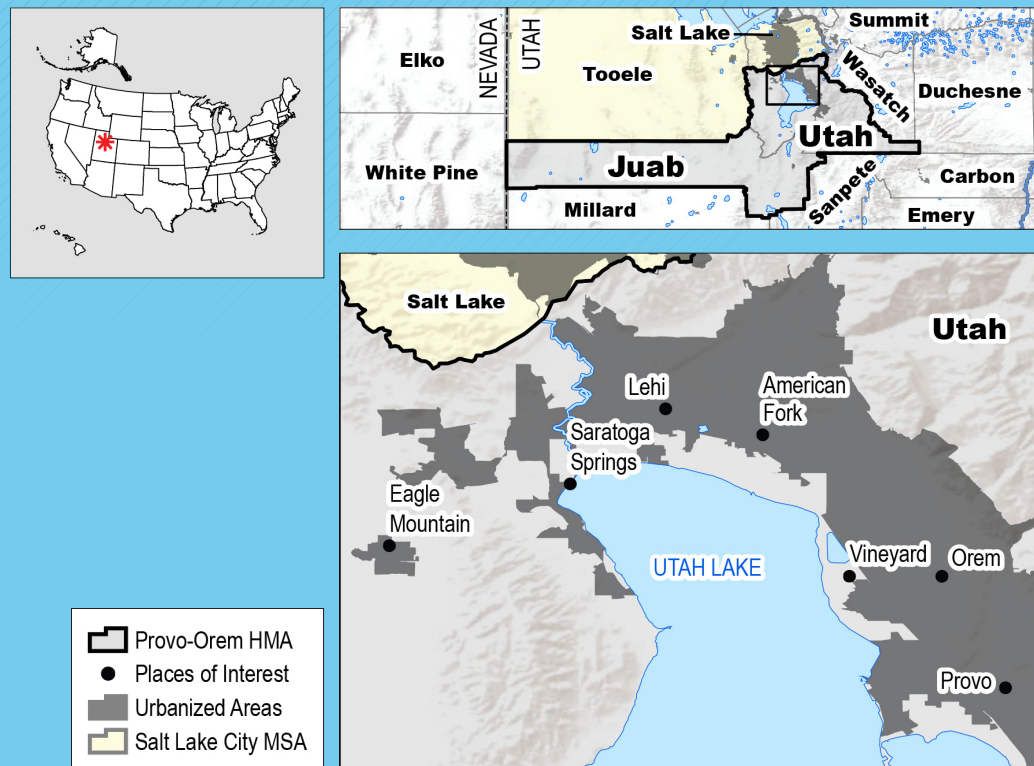


Executive Summary

Housing Market Area Description

The Provo-Orem Housing Market Area (HMA) is coterminous with the Metropolitan Statistical Area (MSA) of the same name and includes Utah and Juab Counties in central Utah, west of the Wasatch Front mountain range. The presence of two universities—Brigham Young University (BYU) in the city of Provo and Utah Valley University (UVU) in the city of Orem—has contributed to a highly educated workforce and a growing number of high-tech jobs in the area.

The current HMA population is estimated at 676,900.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).
Additional data for the HMA can be found in this report's [supplemental tables](#).
For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).

Market Qualifiers

Economy



Strong: The 2.5-percent nonfarm payroll growth during the 12 months ending May 2021 was the fastest in the nation among MSAs with populations greater than 200,000.

The economy of the Provo-Orem HMA recovered all of the jobs lost from the pandemic-induced recession by September 2020 (monthly basis, not seasonally adjusted). During the 12 months ending May 2021, total nonfarm payrolls were up 2.5 percent from the same period a year earlier, to 276,500 jobs. The professional and business services sector led job growth, in part because of a growing number of high-tech businesses establishing headquarters or large offices in the HMA. During the 3-year forecast period, jobs are expected to increase at an average annual rate of 2.6 percent.

Sales Market



Tight: During the 12 months ending May 2021, total home sales increased 16 percent, and the average home sales price increased 10 percent compared with the previous 12-month period (CoreLogic, Inc. with adjustments by the analyst).

The home sales market in the HMA is tight, with extremely low levels of for-sale inventory, which contributed to the double-digit price growth during the past year. There was a 0.6-month supply of homes for sale in May 2021, down from 2.0 months a year earlier (Redfin, a national real estate brokerage). Total home sales increased 16 percent during the 12 months ending May 2021, compared with a year earlier, to 21,050 homes sold, and the average price increased 10 percent to \$430,000 (Core Logic, Inc., with adjustments by the analyst). During the next 3 years, demand is estimated for 15,500 homes. The 4,350 units under construction will meet a portion of that demand.

Rental Market



Slightly Tight: The apartment vacancy rate has remained below 4.5 percent since the second quarter of 2018, and annual rent growth has been moderate.

Rental market conditions in the HMA are slightly tight, with an estimated rental vacancy rate of 4.0 percent, down from 4.2 percent in April 2010. Despite elevated apartment construction since 2014, absorption remains strong and vacancies low. Apartment market conditions are tighter, with a 1.9-percent vacancy rate during the second quarter of 2021, and the average rent increased 9 percent year-over-year to \$1,284 (RealPage, Inc.). During the next 3 years, demand is estimated for 3,550 new rental units; the 2,300 units underway will satisfy demand during most of the first 2 years.

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3-Year Housing Demand Forecast			
Provo-Orem HMA		Sales Units	Rental Units
	Total Demand	15,500	3,550
	Under Construction	4,350	2,300

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period; units under construction as of June 1, 2021. The forecast period is June 1, 2021, to June 1, 2024.
Source: Estimates by the analyst



Economic Conditions

Largest Sector: Education and Health Services

Payrolls in the professional and business services sector have doubled since 2010, supported by the growing number of high-tech-related businesses headquartered in the HMA.

Primary Local Economic Factors

Higher education opportunities in the Provo-Orem HMA have contributed to a highly educated population. BYU (a private university) and UVU (the largest public university in the state) are the two largest employers, with combined employment of more than 22,000 workers (Table 1) and more than 65,600 students enrolled during the Fall 2020 semester. Consequently, 41 percent of the HMA population aged 25 or older has a bachelor's degree or higher, compared to 33 percent nationally (2019 American Community Survey [ACS] 1-year estimates). The highly educated workforce has contributed to rapidly expanding high-tech industries that, coupled with the mountainous terrain and nearby ski resorts, has earned the region the nickname "Silicon Slopes". The Silicon Slopes region extends from the city of Provo to the adjacent Salt Lake City MSA to the north but is concentrated in the city of Lehi in northern Utah County. Statewide, employment in the high-tech industries averaged

Table 1. Major Employers in the Provo-Orem HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Brigham Young University	Education & Health Services	15,000-19,999
Utah Valley University	Government	7,000-9,999
Utah Valley Hospital	Education & Health Services	7,000-9,999
Vivint Smart Home, Inc.	Professional & Business Services	3,000-3,999
Walmart Inc.	Wholesale & Retail Trade	2,000-2,999
dōTERRA International LLC	Wholesale & Retail Trade	2,000-2,999
State of Utah	Government	2,000-2,999
Young Living Essential Oils	Wholesale & Retail Trade	2,000-2,999
Nu Skin Enterprises, Inc.	Wholesale & Retail Trade	1,000-1,999
Adobe Inc.	Information	1,000-1,999

Note: Excludes local school districts.

Source: Utah Department of Workforce Services, 2021

4.9 percent annual growth from 2008 through 2018, primarily in the Silicon Slopes region, and outpaced the national average annual growth rate of 1.4 percent (University of Utah Kem C. Gardner Policy Institute, 2019). Some of the many high-tech companies with headquarters or large offices in Lehi include Adobe Inc., Ancestry®, Entrata, Inc., Micron Technology Utah, LLC, Oracle Corporation, Podium Corp Inc., Vivint Solar, Inc., Workfront Inc., and Xactware Solutions, Inc.

Current Conditions—Nonfarm Payrolls

Following a pause in growth in 2020 that resulted from the countermeasures to slow the spread of COVID-19, including social distancing measures and temporary business closures, the economy resumed strong expansion into 2021. During the 12 months ending May 2021, nonfarm payrolls averaged 276,500 jobs, an increase of 6,700 jobs, or 2.5 percent, compared with the same period a year earlier (Table 2). The HMA had the fastest growth nationwide among metropolitan areas with populations greater than 200,000 and was one of only

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Provo-Orem HMA, by Sector

	12 Months Ending May 2020	12 Months Ending May 2021	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	269.8	276.5	6.7	2.5
Goods-Producing Sectors	46.3	46.4	0.1	0.2
Mining, Logging, & Construction	25.9	26.1	0.2	0.8
Manufacturing	20.5	20.3	-0.2	-1.0
Service-Providing Sectors	223.5	230.1	6.6	3.0
Wholesale & Retail Trade	39.8	42.6	2.8	7.0
Transportation & Utilities	4.0	4.4	0.4	10.0
Information	13.9	13.5	-0.4	-2.9
Financial Activities	10.0	11.6	1.6	16.0
Professional & Business Services	39.1	42.8	3.7	9.5
Education & Health Services	56.0	53.9	-2.1	-3.8
Leisure & Hospitality	22.1	22.4	0.3	1.4
Other Services	5.8	6.0	0.2	3.4
Government	32.9	32.9	0.0	0.0

Notes: Based on 12-month averages through May 2020 and May 2021. Numbers may not add to totals due to rounding. Data are in thousands.

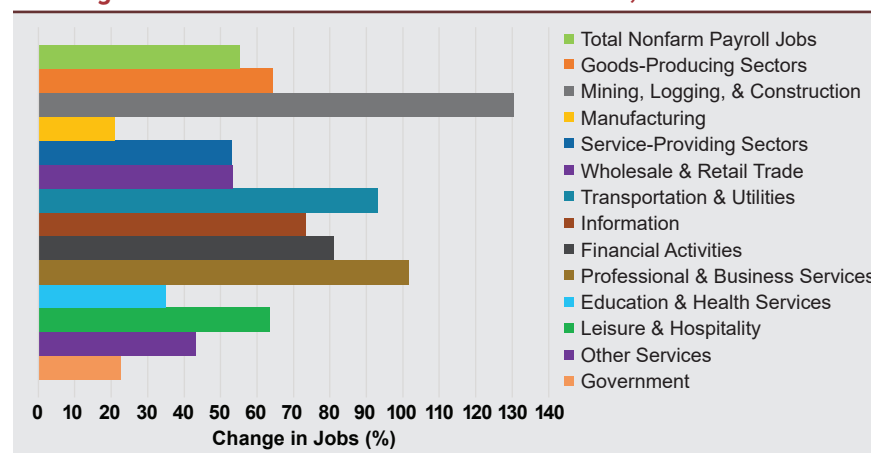
Source: U.S. Bureau of Labor Statistics



18 MSAs in the nation with year-over-year job growth. The 2.5-percent growth exceeded the 1.7-percent growth that occurred in the HMA during the 12 months ending May 2020, a period which includes the COVID-19 recession. The impacts from the pandemic affected the HMA economy during 2020; however, the duration was short, and severity was subdued. During the COVID-19 recession in March and April 2020, the HMA lost 20,600 jobs, or 7.5 percent of total nonfarm payrolls; by September 2020, all of the jobs lost were recovered (monthly basis; not seasonally adjusted). By comparison, national nonfarm payrolls decreased 13.7 percent during the recession, and only 72.3 percent of the jobs nationally were recovered by May 2021. Annually, nonfarm payrolls in 2020 were unchanged in the HMA from 2019 at 270,600 jobs; nationally, jobs were down 5.8 percent during the same period. Two factors that contributed to the stability in the Provo-Orem HMA during the pandemic recession relative to the nation include the booming high-tech industry that was able to readily convert to remote working models and the slightly lower share of the leisure and hospitality and the wholesale and retail trade sector payrolls. These latter two sectors were adversely affected disproportionately by the pandemic. In 2019, the last year with data not impacted by COVID-19, the leisure and hospitality and the wholesale and retail trade sectors accounted for 23 percent of total payrolls in the HMA, compared to 25 percent nationally; both sectors fully recovered in the HMA as of June 1, 2021, but neither sector has recovered nationally.

Job recovery from the recession has not been equal across all sectors in the economy. Some sectors have had strong growth during the past year, whereas others still lag behind full recovery. Leading job growth, the professional and business services sector, which includes headquarters for some high-tech companies, added 3,700 jobs, or 9.5 percent, during the 12 months ending May 2021 compared to the same period a year earlier. The sector has more than doubled since the Great Recession and increased from 12 percent of total nonfarm payrolls in 2010 to 15 percent during the 12 months ending May 2021 (Figures 1 and 2). Other sectors with notable job growth in the past 12 months include the wholesale and retail trade sector, which added 2,800 jobs, or 7.0 percent, from a year earlier to an average of 42,600 jobs, and the financial activities sector, which had the fastest rate of growth in percentage terms, adding 1,600 jobs, or 16.0 percent, to an average of 11,600 jobs. Job growth

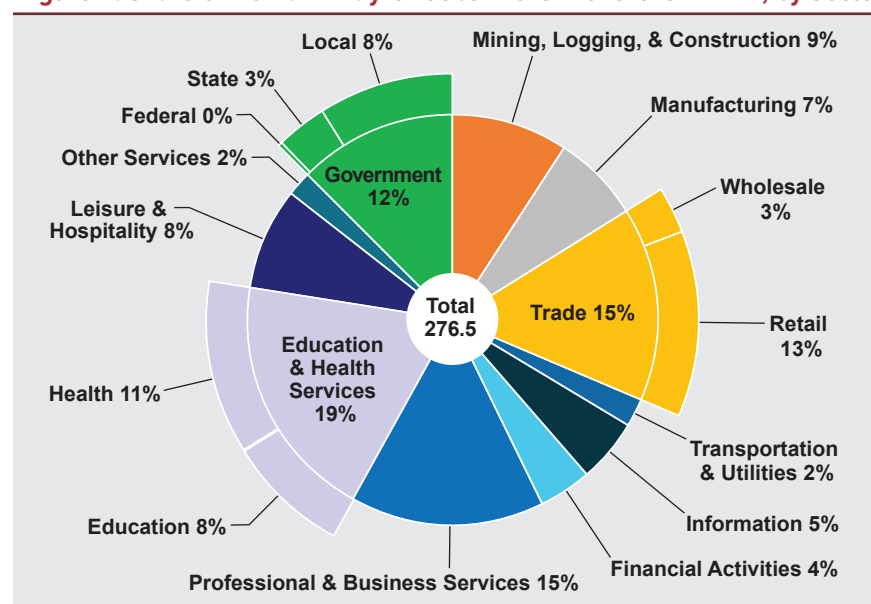
Figure 1. Sector Growth in the Provo-Orem HMA, 2010 to Current



Note: The current date is June 1, 2021.

Source: U.S. Bureau of Labor Statistics

Figure 2. Share of Nonfarm Payroll Jobs in the Provo-Orem HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through May 2021.

Source: U.S. Bureau of Labor Statistics

in the wholesale and retail trade sector was largely attributed to recovery from the COVID-19 recession. By comparison, during the previous 12-month period ending May 2020, jobs in this sector decreased by 800 jobs, or 1.9 percent, in part because of temporary business closures and compliance

to social distancing requirements for businesses in March and April 2020. Partially offsetting payroll gains during the past 12 months, the manufacturing, the information, and the education and health services sectors declined. Government payrolls were unchanged.

Economic Periods of Significance

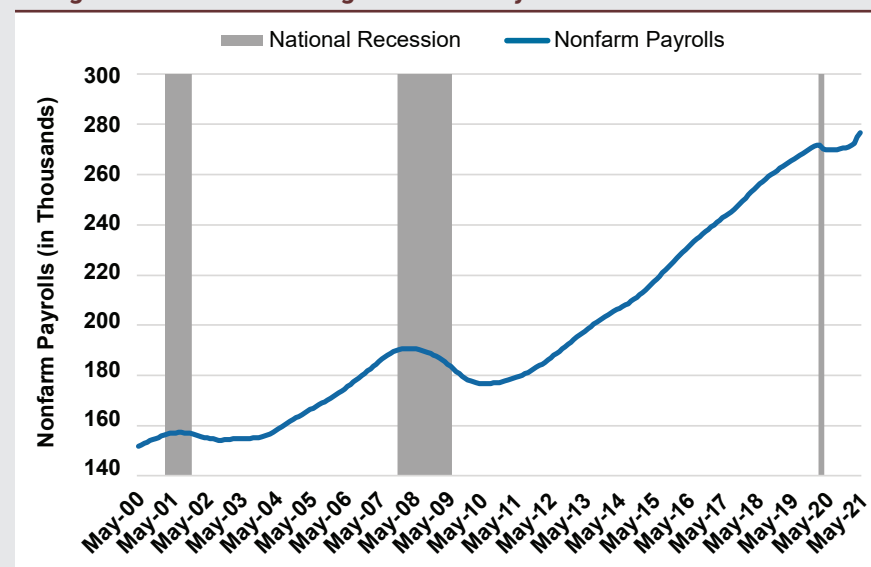
2000 Through 2007: Stagnant, Then Expansion

Nonfarm payrolls from 2000 through 2003 were generally stagnant, averaging approximately 155,600 jobs a year. The national dot-com recession did not have a significant impact on the HMA because the high-tech expansion contributing to the nickname Silicon Slopes did not occur until later in the decade. National recovery from the dot-com recession spurred local economic growth in the following period. From 2004 through 2007, nonfarm payrolls in the HMA increased by an average of 8,700 jobs, or 5.2 percent, annually. All payroll sectors contributed to job growth, led by the mining, logging, and construction sector, which added an average of 2,000 jobs, or 14.8 percent, each year. This period includes years of strong in-migration in 2006 and 2007, which increased demand for infrastructure, housing, and services, supporting jobs in the construction industry. Figure 3 shows the 12-month average nonfarm payrolls in the HMA since 2000.

2008 Through 2010: The Great Recession

Although the HMA has historically outperformed the nation since 2000, the impacts from the Great Recession were more severe in the HMA. From 2008 through 2010, nonfarm payrolls declined an average of 4,300 jobs, or 2.3 percent, each year. By comparison, national nonfarm payrolls averaged 1.9-percent annual declines during the same period. Nearly 98 percent of jobs lost in the HMA occurred in the goods-producing sectors. The mining, logging, and construction and the manufacturing sectors decreased by averages of 3,000 and 1,200 jobs, or 18.9 and 6.4 percent,

Figure 3. 12-Month Average Nonfarm Payrolls in the Provo-Orem HMA



Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

respectively, each year. Residential home construction declined during this period, reducing construction jobs.

2011 Through 2019: Robust Expansion

Initial recovery from the Great Recession was rapid and robust. The number of jobs lost were recovered by the end of 2012, 2 years ahead of the nation, despite the more severe job losses in the HMA during the Great Recession. Hiring announcements from Adobe Systems (now called Adobe Inc.) in late

2010 and IM Flash Technologies, LLC (now called Micron Technology Utah, LLC) in mid-2011 added a combined 1,200 workers, contributing to the early and fast job recovery. A strong, 5.0- percent average annual growth in payrolls from 2011 through 2016 slowed to an average of 4.3 percent annually from 2017 through 2019. Despite the slowdown in the latter years, the overall job growth for the HMA far outpaced the 1.6 percent average annual increase nationally from 2011 through 2019. All sectors contributed to job growth during this period, with service-providing sectors accounting for 80 percent of job

growth. The strongest growth was in the professional and business services sector, which added an average of 2,000 jobs, or 6.9 percent, annually, largely attributable to strong hiring in high-tech industries. Announced hiring includes expansions at Oracle Corporation in 2014, Vivint Solar, Inc. in 2015, and Duncan Aviation, Inc. and Oto Analytics Inc.—operating as Womply—in 2016, most of which are in the city of Lehi; these expansions are underway and expected to be completed through 2026, adding a total of 5,500 jobs.

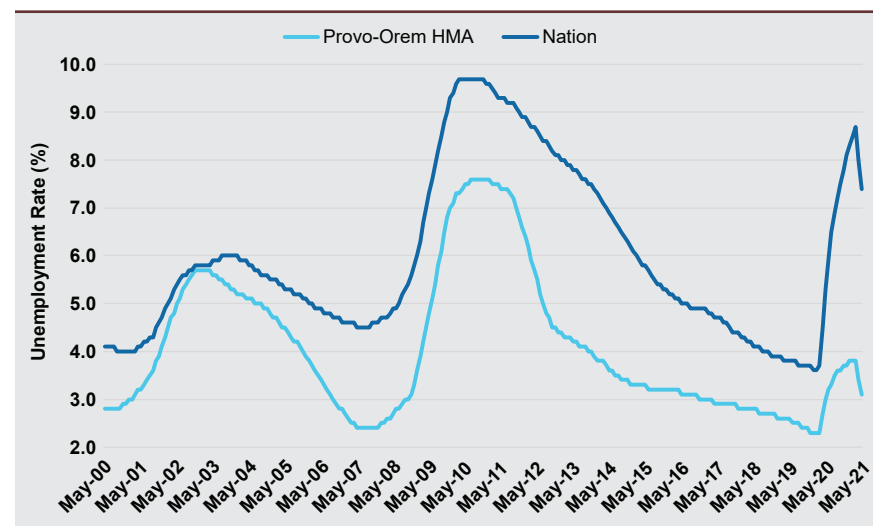
Unemployment Trends

As the economy of the HMA seemingly halted during 2020, the average unemployment rate increased. During 2020, including the pandemic recession in the spring and job recovery by fall, the unemployment rate increased to 3.7 percent, which was the highest annual rate since 2013, but half the rate of the previous peak of 7.6 percent during 2010. More recently, during the 12 months ending May 2021, the unemployment rate was 3.1 percent, up from 3.0 percent during the previous 12-month period. By comparison, from 2017 through 2019, the average unemployment rate in the HMA stayed below 3.0 percent, contributing to tight labor market conditions. The unemployment rate in the HMA during the past 12 months was well below the national rate of 7.4 percent (Figure 4).

Forecast

The economy is expected to continue to expand into the forecast period, but at a moderate pace, reflecting the slowing job growth before the pandemic. During the next 3 years, jobs are anticipated to increase an average of 2.6 percent annually. Job growth is expected across most sectors but will be particularly strong in high-tech-related industries in and around the Lehi area as the job announcements noted above are fulfilled. In addition, Weave Communications, Inc., a technology company headquartered in the city of Lehi, plans to add nearly 1,000 jobs through 2029, and Ancestry® plans to add nearly 510 jobs through 2028.

Figure 4. 12-Month Average Unemployment Rate in the Provo-Orem HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Population and Households

Current Population: 676,900

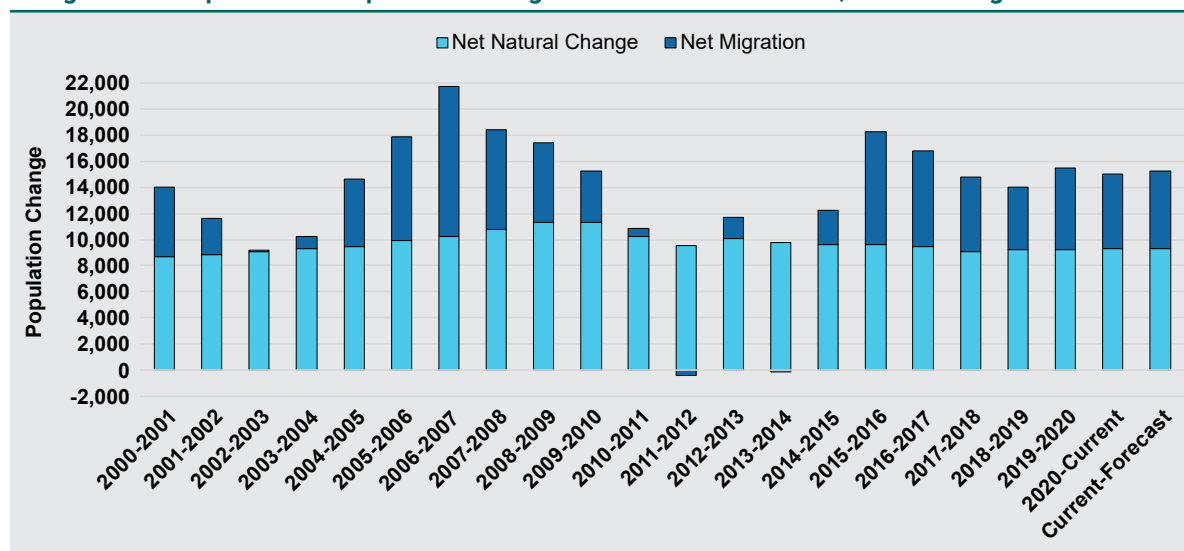
Since 2000, population growth has been primarily the result of net natural increase, despite robust economic expansion since the Great Recession.

Population Trends

The population in the Provo-Orem HMA has increased more than 25 percent since 2010, making it the ninth fastest growing MSA in the nation. Net natural increase (resident births minus resident deaths) accounted for 70 percent of total population growth since 2010, but net in-migration has increased, particularly since 2014 (Figure 5). People moving to the HMA included university students and people attracted to the exceptionally strong economy following the Great Recession and the multitude of job opportunities, particularly in the growing high-tech industry. Despite these recent strengths, population growth since 2010 has slowed compared with the previous decade. Table 3 shows population and household details from 2010, the current date, and the forecast.

Jobs stagnated at the start of the 2000s, and population growth was primarily the result of net natural change. From 2000 to 2004, the population increased by an average of 11,350 a year, or 2.9 percent; 79 percent of the growth

Figure 5. Components of Population Change in the Provo-Orem HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (June 1, 2021) to June 1, 2024.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

Table 3. Provo-Orem HMA Population and Household Quick Facts

Population Quick Facts	2010	Current	Forecast	
	Population	526,810	676,900	722,600
	Average Annual Change	15,000	13,450	15,200
	Percentage Change	3.4	2.3	2.2
Household Quick Facts	2010	Current	Forecast	
	Households	143,695	196,000	213,400
	Average Annual Change	4,125	4,700	5,775
	Percentage Change	3.4	2.8	2.9

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (June 1, 2021) to June 1, 2024.

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

was from net natural increase, and the remaining increase of 2,375 was from net in-migration. The economy strengthened in 2004, resulting in increased net in-migration that lasted through the Great Recession, despite the severe job losses relative to the nation. Enrollment at the universities supported

some of the additional migration into the HMA, despite the weak economic period. From 2004 to 2010, the population increased by an average of 17,700 a year, or 3.8 percent, which was the strongest period of sustained population growth. Net in-migration was also the strongest during this period, averaging 7,250 people a year, or 41 percent of total population growth.

During the initial recovery of jobs following the Great Recession, population growth was subdued, with very low levels of net in-migration. From 2010 to 2014, the population increased by an average of 10,550, or 1.9 percent, annually, which was the slowest sustained period of population growth since 2000. Net natural increase accounted for 95 percent of total population growth, with net in-migration averaging 580 people a year. During this period, The Church of Jesus Christ of Latter-day Saints (LDS) expanded the eligibility for young adults going on missions, which resulted in approximately twice as many young adults eligible for missions and opting to delay college enrollment in 2013 and 2014. Approximately 80 percent of the HMA population identified with the LDS church in 2010 (PRRI 2010 Census on American Religion), and BYU is an LDS-affiliated university, meaning the change in mission guidelines had a significant impact on migration and student enrollment in the HMA.

Since 2014, population growth strengthened because of a considerable increase in net in-migration. Because a larger cohort left for missions at the end of the previous period, from 2014 to 2016, when the expanded cohort returned home, many resumed their pursuit of college, resulting in stronger migration into the HMA and increased enrollment at BYU and UVU. Since 2014 the population increased by an average of 15,250 annually, or 2.5 percent; net natural change accounted for 61 percent of the population growth, and net in-migration, averaging 5,875 people a year, accounted for the remaining 39 percent. Approximately 98 percent of the HMA population resides in Utah County, with the remaining 2 percent in Juab County; these percentages have remained stable since at least 2000.

Age Cohort Trends

The population of the HMA is young, with net natural increase driving population growth. The median age was 25.3, compared with the national median age of 38.5, and nearly 48 percent of HMA households include at least one child under the age of 18, compared with 30 percent nationally (2019 ACS 1-year estimates; Table 4). Although the population is young relative to the nation, the HMA is aging. The share of

Table 4. Selected Population and Household Demographics

	Provo-Orem HMA	Nation
Population Age 18 and Under	32.9%	22.2%
Population Age 65 and Over	7.9%	16.5%
Median Age	25.3	38.5
White	91.5%	72.0%
Black	0.5%	12.8%
Asian	1.4%	5.7%
Other Race	6.6%	9.5%
Hispanic	12.0%	18.4%
Non-Hispanic	88.0%	81.6%
Median Household Income	\$79,152	\$65,712
Households With One or More Children Under Age 18	47.6%	29.9%

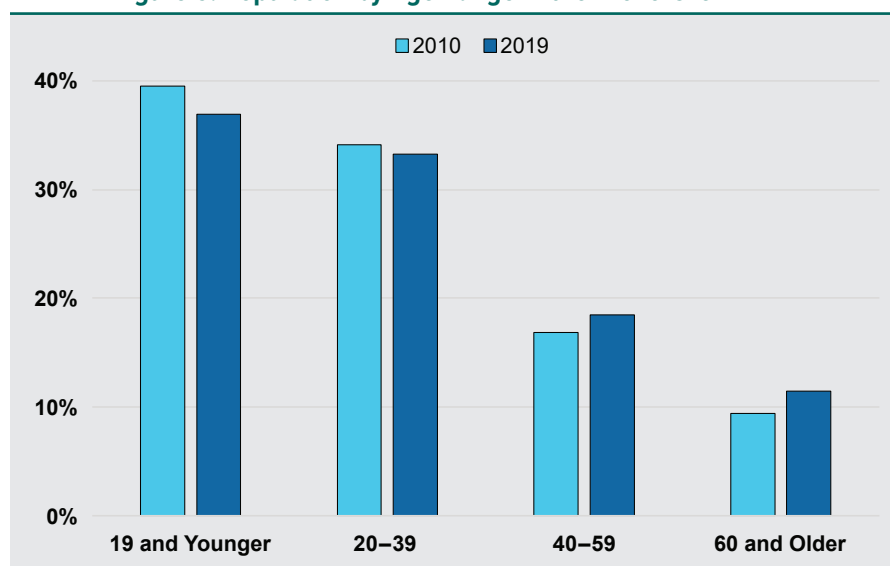
Source: 2019 American Community Survey, 1-year data

the population under the age of 20 continues to be the largest share, but it has declined from nearly 40 percent in 2010 to 37 percent in 2019 (2010 and 2019 ACS 1-year estimates; Figure 6). In addition, the share of the population aged 40 and older has increased since 2010.

Student Population and Households

Enrollment at BYU and UVU has generally stabilized following the fluctuations in response to the changing requirements for LDS missions in the mid-2010s. BYU enrollment is typically less volatile, with selective admissions, averaging slightly more than 36,000 students a year. UVU, with open enrollment, has averaged 29,750 students for the past 3 years, excluding dual-enrolled high school students. When the large cohort of young adults were eligible for missions, BYU and UVU enrollment dropped by a total of 10 and 30 percent, respectively, during the 2013 and 2014 school years, before recovering and stabilizing in 2015 and 2016. Overall, university students account for

Figure 6. Population by Age Range in the Provo-Orem HMA



Source: American Community Survey, 1-year data

approximately 10 percent of the HMA population and households and an estimated 20 percent of all renter households.

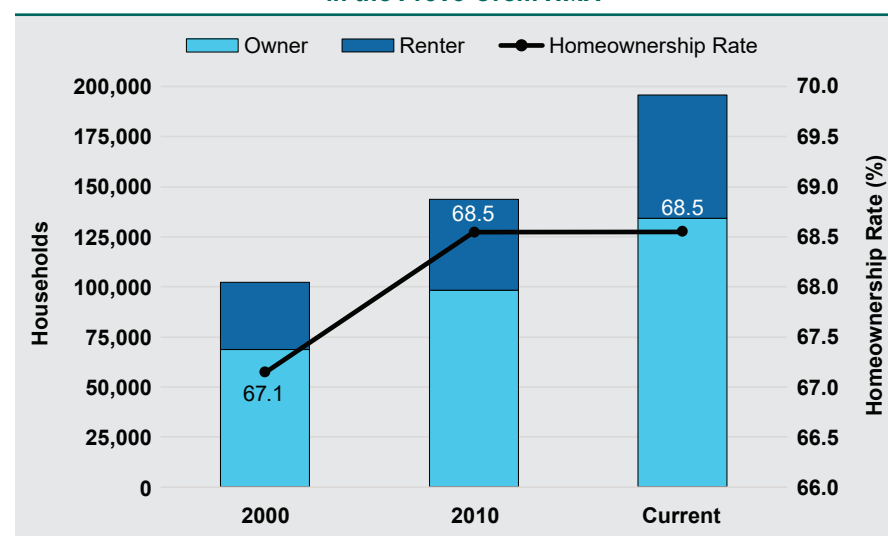
Household Trends

Household growth generally followed population growth, with a stronger rate of growth in the 2000 decade before slowing in the 2010s. From 2000 to 2010, households increased by an average of 4,125, or 3.4 percent, annually. Since 2010, the number of households has increased by 4,700 annually, but the rate slowed to an average of 2.8 percent. Since 2010, a shift towards smaller household sizes resulting from lower birth rates contributed to the larger number of households added each year.

Households by Tenure

Despite the young population, the plurality of households in the HMA are homeowners. The homeownership rate in the HMA was 68.5 percent as of June 1, 2021, unchanged from 2010 (Figure 7). By comparison, the national

Figure 7. Households by Tenure and Homeownership Rate in the Provo-Orem HMA



Note: The current date is June 1, 2021.

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

homeownership rate is below 65 percent. Owner and renter households each increased by an average of 2.8 percent annually since 2010, keeping the share of households by tenure steady.

Forecast

During the 3-year forecast period, the population is expected to increase by an average of 15,200, or 2.2 percent, annually, to 722,600 by June 1, 2024.

The number of households is expected to increase faster, in part due to the aging population and increased net in-migration contributing to smaller household sizes. By June 1, 2024, the HMA will have an estimated 213,400 households, up an average of 2.9 percent each year. Utah County is expected to account for 98 percent of the share of the population, consistent with historical trends.



Home Sales Market

Market Conditions: Tight

The 0.6-month supply of inventory in the Provo-Orem HMA during May 2021 is the lowest since at least 2012 (Redfin, a national real estate brokerage).

Current Conditions

The Provo-Orem HMA sales market is currently tight, with a 1.3-percent sales vacancy rate, down from 2.3 percent in April 2010 when the market was soft. Strong demand for sales housing resulted from increased net in-migration since 2014 and robust economic expansion following the Great Recession, which contributed to the declining inventory of for-sale housing. In May 2021, the HMA had a 0.6-month supply of homes for sale, down from 2.0 months in May 2020 and 2.3 months in May 2019 (Redfin, a national real estate brokerage). This was the lowest level of inventory since at least 2012. From 2012 through 2015, the HMA had approximately 7.0 months of supply, but this declined to approximately 3 months of supply from 2016 through 2020. For reference, a market is typically considered balanced with approximately 6 months of supply. Increased demand and a limited supply of new homes for sale contributed to strong price growth and tight market conditions. The average price for new

and existing single-family homes, townhomes, and condominiums (hereafter, homes) increased 10 percent during the 12 months ending May 2021, compared with a year earlier, to \$430,000; existing home prices increased 13 percent, and new home prices increased 3 percent (Core Logic, Inc., with adjustments by the analyst). Total home sales increased 16 percent compared with a year earlier to 21,050 homes sold (Table 5); existing home sales were up 11 percent, and new home sales increased 31 percent. Historically low interest rates increased the purchasing power of buyers and spurred demand for home sales, allowing buyers to purchase a higher priced home for the same monthly payment, compared with when interest rates were higher. In May 2021, the average 30-year fixed mortgage interest rate was 3.0 percent, down slightly from 3.2 percent a year earlier (Freddie Mac). Mortgage interest rates have remained below 4 percent since mid-2019; by comparison, the rate averaged 6 percent in 2008 and 8 percent in 2000. Reflecting the population distribution in the HMA, approximately 98 percent of home sales are in Utah County (Utah Association of REALTORS®).

Existing Home Sales and Prices

Existing home sales, which include regular resale and real estate owned (REO) sales, increased in the past year, spurred in part by the relatively strong economy and historically low interest rates. During the 12 months ending May 2021, 15,125 existing homes sold, up 11 percent from the same period a year earlier

Table 5. Home Sales Quick Facts in the Provo-Orem HMA

Home Sales Quick Facts	Provo-Orem HMA		Nation
	Vacancy Rate	1.3%	NA
	Months of Inventory	0.6	1.2
	Total Home Sales	21,050	6,260,000
	1-Year Change	16%	12%
	New Home Sales Price	\$429,500	\$416,900
	1-Year Change	3%	1%
	Existing Home Sales Price	\$430,200	\$368,000
	1-Year Change	13%	18%
	Mortgage Delinquency Rate	1.6%	3.3%

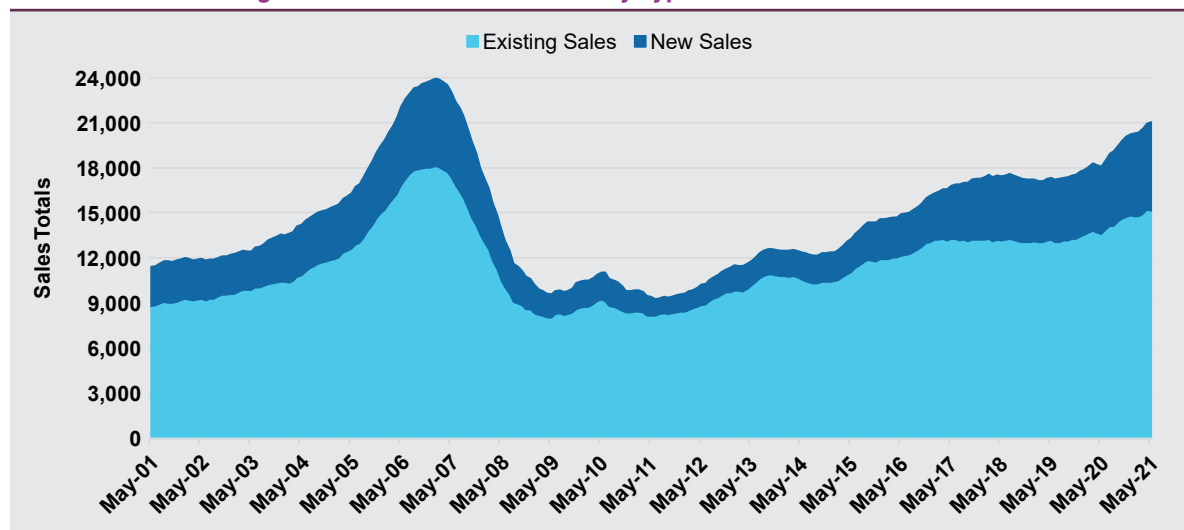
NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending May 2021; months of inventory and mortgage delinquency data are as of May 2021. The current date is June 1, 2021.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; HMA home sales and prices—CoreLogic, Inc., with adjustments by the analyst; national home sales and prices—Zonda; mortgage delinquency rate—Core Logic, Inc.



(CoreLogic, Inc., with adjustments by the analyst; Figure 8). Existing home sales peaked in 2006, when net in-migration was at its strongest and the economy was expanding, and 17,950 homes were sold. Although existing home sales during the past year were approximately 16 percent below this peak, sales largely recovered from the housing and foreclosure crisis that coincided with the impacts from the Great Recession and are 77 percent higher than the trough of 8,550 existing homes sold during 2008.

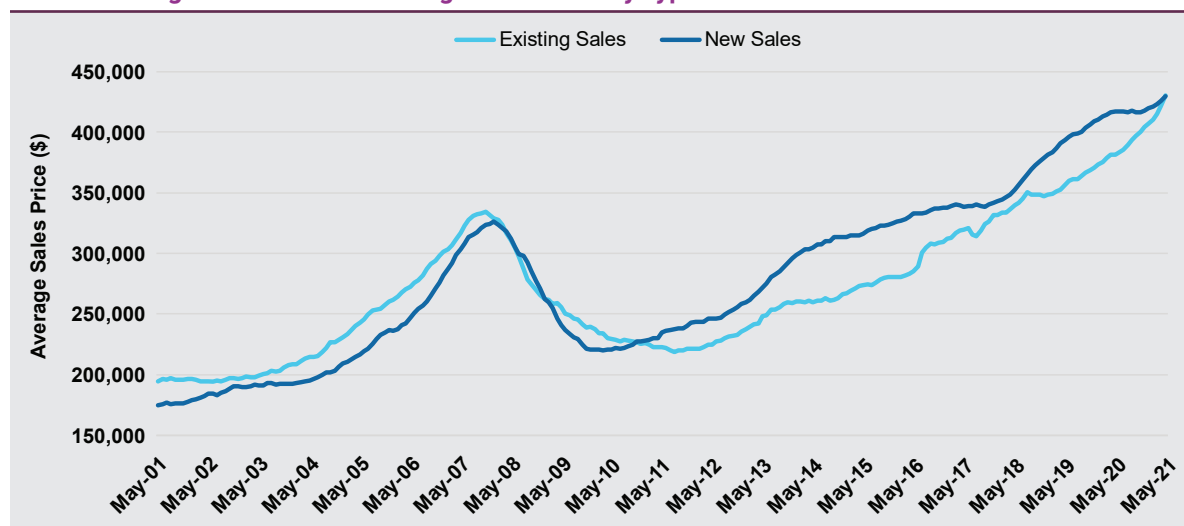
The strong demand for, and limited supply of, homes for sale contributed to double-digit growth in sales prices in the past year. During the 12 months ending May 2021, the average price of an existing home increased 13 percent to \$430,200 (Figure 9). Prior to the Great Recession, the average existing home sales price in the HMA increased 8 percent a year, from 2001 through 2007, to \$331,900. From 2008 through 2011, despite the continued net in-migration, the housing and foreclosure crisis weakened demand for home sales, and the average price decreased an average of 10 percent annually. From 2012 through 2020, existing sales prices increased an average of 7 percent a year. The plurality of existing home sales, 39 percent, sold in the \$250,000 to \$399,999 price range in the HMA during the 12 months ending May 2021 (Figure 10).

Figure 8. 12-Month Sales Totals by Type in the Provo-Orem HMA



Source: CoreLogic, Inc., with adjustments by the analyst

Figure 9. 12-Month Average Sales Price by Type of Sale in the Provo-Orem HMA



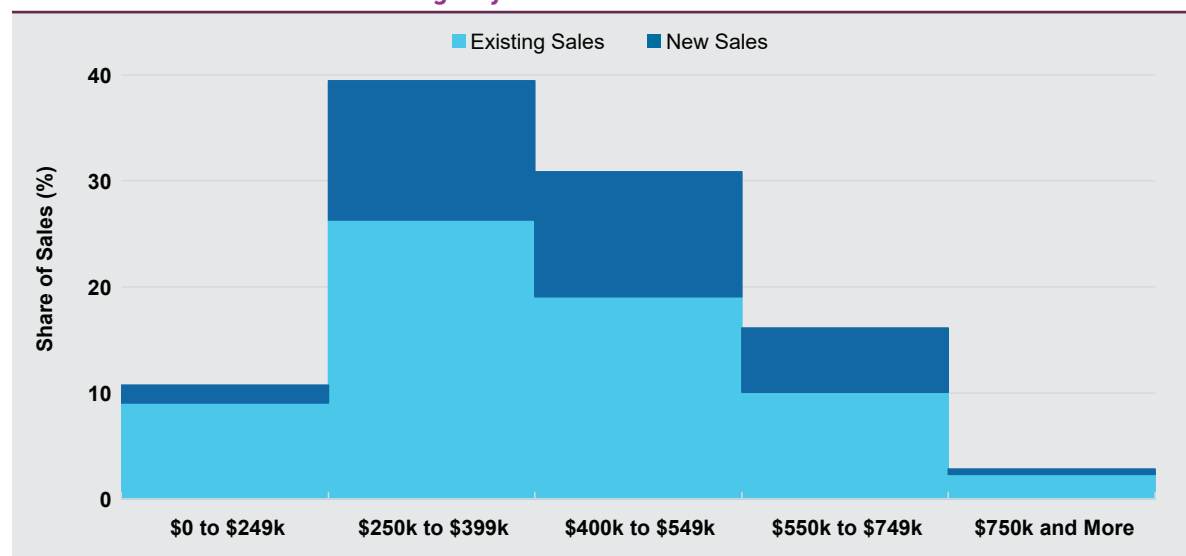
REO = real estate owned.

Source: CoreLogic, Inc., with adjustments by the analyst

Seriously Delinquent Mortgages and REO Sales

The overall improvement in sales housing market conditions in the HMA since 2010 has led to a reduction in the rate of seriously delinquent mortgages and REO properties. As of May 2021, 1.6 percent of home loans in the HMA were seriously delinquent or had transitioned into REO status (CoreLogic, Inc.). That rate was still below the peak of 7.4 percent in February 2010, but it was higher than the 0.6-percent rate in May 2020. The recent increase in the rate began in April 2020 as some homeowners struggled with mortgage payments during the pandemic recession, reflecting an increase in the number of loans in forbearance; the CARES Act provided mortgage forbearance for homeowners with federally backed mortgages. Despite seriously delinquent mortgages nearly tripling in the past year to 1,475 in May 2021, the number of foreclosures was unchanged due to the forbearance provision in the CARES Act. REO sales currently account for a negligible share of existing home sales in the Provo-Orem HMA. During the 12 months ending May 2021, less than 1 percent of existing sales were REO sales, and since 2015, REO sales have accounted for less than 5 percent of existing home sales. REO sales peaked in 2011 at 26 percent of existing sales.

Figure 10. Share of Overall Sales by Price Range During the 12 Months Ending May 2021 in the Provo-Orem HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.

Source: Zonda

New Home Sales and Prices

New home sales accounted for an increasing share of total home sales in the HMA during the past year. New home sales accounted for 28 percent of all sales, which is the highest share since at least 2000; new home sales averaged 21 percent of all home sales from 2000 through 2020. Population growth, a strong job market, and favorable interest rates contributed to demand for additional housing. In addition, some of the countermeasures to slow the spread of the pandemic, such as increased remote work and online schooling, led to increased demand for new homes. During the 12 months ending May 2021, 5,900 new homes were sold, up 31 percent from the same period a year earlier (CoreLogic, Inc., with adjustments by the analyst). New home sales during the past year were at the highest level since at least 2000; the previous peak was 5,800 homes sold in 2006. New home sales were more than double the average of 2,200 homes sold annually from 2007 through 2011, when the housing market was soft and economic uncertainty persisted.

The average price of a new home increased 3 percent during the 12 months ending May 2021, compared with a year earlier, to \$429,500. Since 2011, new home prices were higher than existing home prices; however, during the past year, the rapid growth in existing home sales prices vastly outpaced the increase in new home sales prices, and as a result, the average new home sales price was slightly below the price of an existing home. With the exception of the past year, new home sales price trends were similar to existing home sale price trends. From 2001 through 2007, the average new home sales price increased 9 percent annually before decreasing an average of 7 percent from 2008 through 2011. From 2012 through 2020, the average price of a new home increased 6 percent annually.

Sales Construction Activity

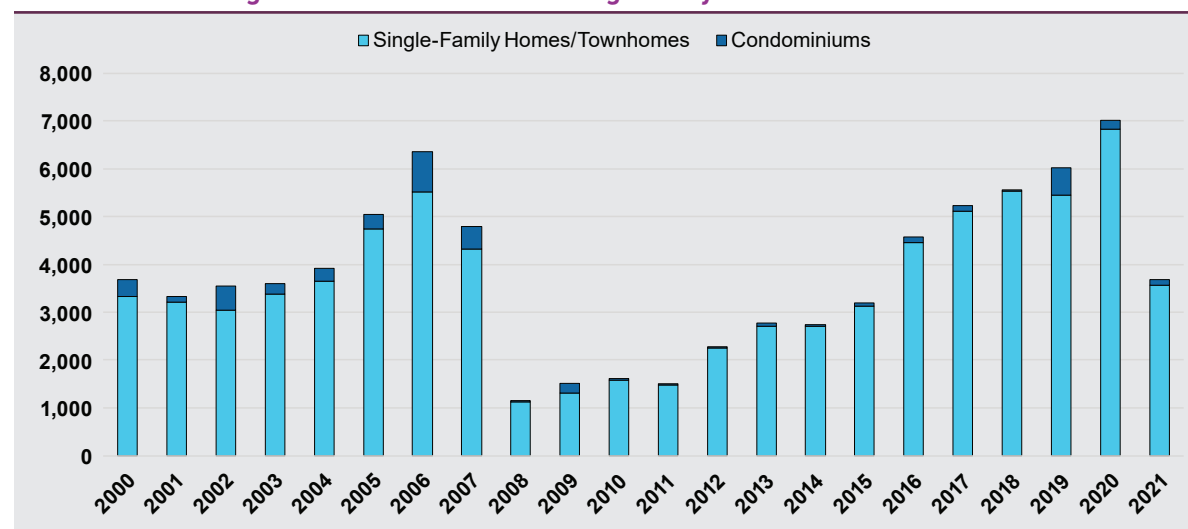
Trends in new home construction have generally aligned with job growth and, to a lesser extent, migration trends. Construction of for-sale homes, as measured by building permits issued, were low in the early 2000s, increased during the strong economic expansion and population growth that followed, and plummeted during the foreclosure and housing crisis around the Great Recession. Since then, construction of new homes has steadily increased. From 2000 through 2004, an average of 3,600 homes were permitted annually, and that increased by 50 percent to an average of 5,400 new homes each year from

2005 through 2007 (Figure 11). Then, despite strong migration that continued into 2010, the housing and foreclosure crisis, coupled with economic uncertainty and more stringent requirements to obtain financing, impacted demand for new housing. Construction of new homes plummeted 74 percent to an average of 1,425 new homes each year from 2008 through 2011. The recovery of the home construction industry was rapid, similar to the job recovery. From 2012 through 2020, homebuilding activity increased an average of 19 percent each year, to 7,000 homes built in 2020, which was the highest level of home construction since at least 2000. During the 12 months ending May 2021, 7,575 homes were permitted, up 18 percent from the same period a year earlier (preliminary data, with adjustments by the analyst). Condominium construction has not accounted for a notable share of construction since 2007. From 2000 through 2007, approximately 9 percent of new home construction was for condominiums, but that share has decreased to 3 percent since then.

Examples of Recent Homebuilding Activity

Homebuilding activity is occurring primarily in the northern suburbs, where there is land for development and close proximity to the expanding employment centers in the HMA. During the first quarter of 2020,

Figure 11. Annual Sales Permitting Activity in the Provo-Orem HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2021 are through May 2021.

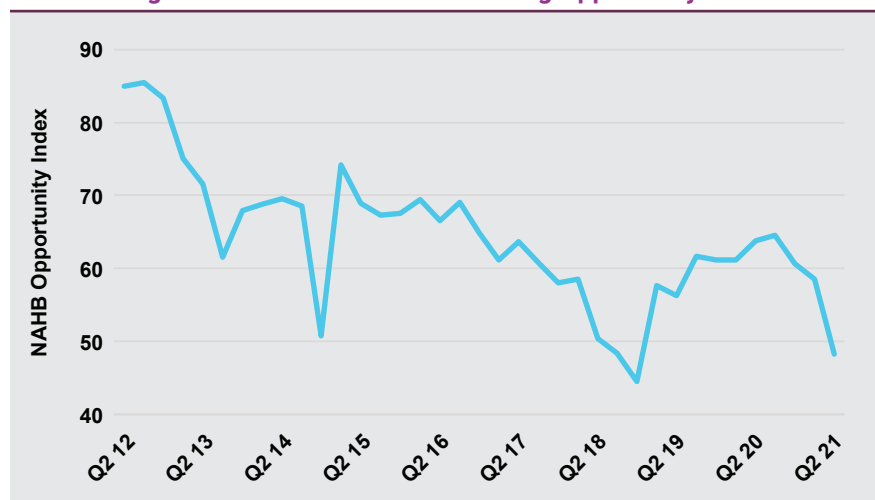
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2020—final data and estimates by the analyst; 2021—preliminary data and estimates by the analyst

construction began on the 388 Northshore Townhomes in Saratoga Springs. By the second quarter of 2021, 264 townhomes were sold, 21 were complete and available, and the remaining 103 are under construction, making it the most active development in the HMA based on the number of homes sold in the past year. A three-bedroom townhome starts in the mid-\$300,000s. During the second quarter of 2017, construction began on the Holbrook Farms subdivision in the city of Lehi. Nearly 660 homes have sold, an additional 75 are underway, and more than 100 vacant lots are available. The price of a home in this subdivision sold for an average of \$474,700 during the second quarter of 2021.

Housing Affordability

Homeownership in the Provo-Orem HMA is expensive; therefore, many households experience difficulties when buying a home. The National Association of Home Builders (NAHB)/ Wells Fargo Housing Opportunity Index for the HMA—which represents the share of homes sold that would have been affordable to a family earning the local median income—was 48.3 during the second quarter of 2021 (Figure 12). The index for the HMA was down from 63.8

Figure 12. Provo-Orem HMA Housing Opportunity Index

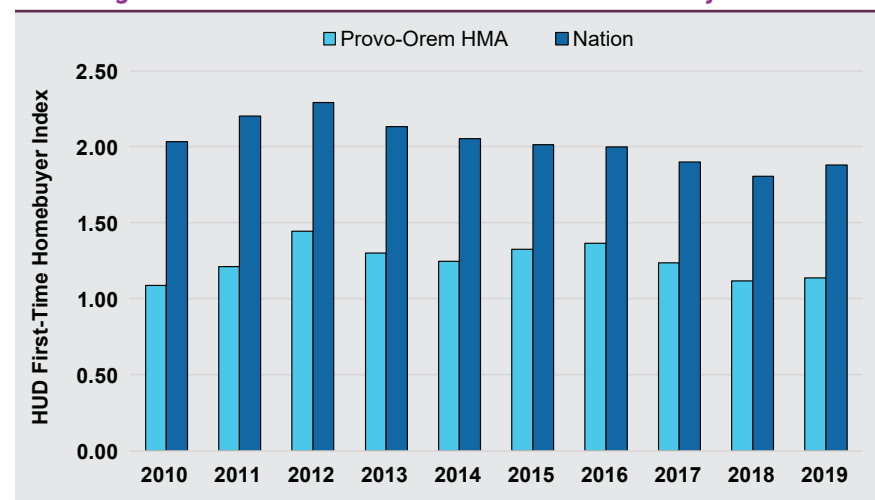


NAHB = National Association of Home Builders. Q2 = second quarter.
Sources: NAHB; Wells Fargo

during the second quarter of 2020 and below the previous second-quarter peak of 85.0 in 2012. Approximately 75 percent of ranked metropolitan areas were more affordable than the HMA during the second quarter of 2021. The Provo-Orem HMA was ranked 179 out of 236 ranked metropolitan areas in the nation. The full impact on housing affordability from the pandemic is still unclear, but several federal programs providing economic and social assistance in response to the pandemic, historically low interest rates, and a strong local economy may support some households desiring homeownership.

Despite affordability concerns in the HMA, most first-time homebuyers should be able to afford an entry-level home in the HMA. However, affordability has been gradually declining since 2012. The HUD First-Time Homebuyer Affordability Index measures the median household income for householders ages 25 to 44 years old relative to the income needed to purchase the 25th-percentile-priced home. The index has remained above 1.0 each year since 2010, indicating that the median income for householders ages 25 to 44 years old has been greater than the income needed to afford the 25th-percentile-priced home (Figure 13). During 2019, the index for the HMA was 1.1, essentially

Figure 13. Provo-Orem HMA HUD First-Time Homebuyer Index



Sources: American Community Survey, 1-year data; Federal Housing Finance Agency; Zonda



unchanged from 2018 but below the peak of 1.5 in 2012. Although the HMA is generally affordable for first-time homebuyers, the rate is well below the national rate. The national index increased slightly from 1.8 in 2018 to 1.9 in 2019, and it has remained above 1.5 every year during the past decade. Despite the ability of a typical first-time homebuyer to afford an entry-level home, the declining affordability of homeownership in the HMA may contribute to increased hardship for first-time homebuyers in the future.

Forecast

During the next 3 years, demand is estimated for 15,500 new homes (Table 6). The 4,350 homes currently under construction will meet part of the demand during the first year. Demand is expected to be strongest in the northern suburbs, as job growth continues in the high-tech industries.

Table 6. Demand for New Sales Units in the Provo-Orem HMA During the Forecast Period

Sales Units	
Demand	15,500 Units
Under Construction	4,350 Units

Note: The forecast period is from June 1, 2021, to June 1, 2024.
Source: Estimates by the analyst

Rental Market

Market Conditions: Slightly Tight

Elevated apartment construction since 2014 has done little to ease slightly tight market conditions.

Current Conditions and Recent Trends

The rental market in the Provo-Orem HMA is slightly tight, with a 4.0-percent rental vacancy rate, down from 4.2 percent in April 2010 when the market was also slightly tight (Table 7). Strong population growth during the Great Recession, primarily through net in-migration and low levels of rental unit construction, contributed to the persistently slightly tight market conditions. Although rental housing in the HMA has been shifting to more apartments as construction increases the supply, most renter households still reside in rental units other than apartments. In 2010, nearly 42 percent of renter households lived in single-family homes, and 35 percent lived in buildings with five or more units, typically apartments (ACS 1-year estimates). The remaining 23 percent lived in small multifamily buildings with two to four units and other housing units such as mobile homes. By 2019, the share of renter households in single-family homes decreased to nearly 36 percent, and those living in apartments increased to 43 percent. Smaller multifamily units and other housing structures decreased slightly to 21 percent.

Apartment market conditions are currently tighter than the overall rental market. The tight conditions have persisted during the past several years, despite an increase in apartment construction since 2014. During the second quarter of 2021, the apartment vacancy rate was 1.9 percent, down from 3.5 percent a year earlier, and the average rent increased 9 percent to \$1,284 (RealPage, Inc.; Figure 14).

Historical Rent Growth and Vacancy Rates

The average apartment rent in the HMA has been increasing since 2005. From the second quarter of 2005 to the second quarter of 2014, rent growth

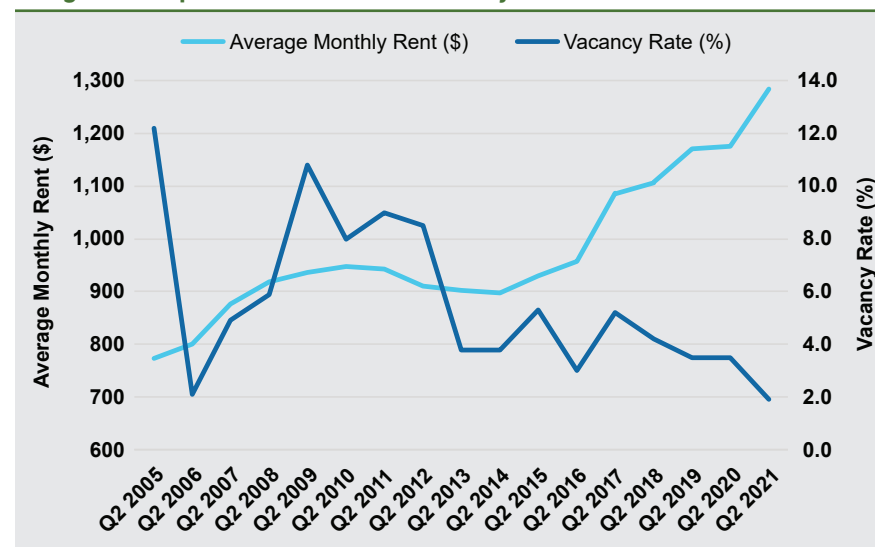
Table 7. Rental Market Quick Facts in the Provo-Orem HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	4.2	4.0
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	41.5	35.8
	Multifamily (2–4 Units)	22.3	20.4
	Multifamily (5+ Units)	35.2	42.8
	Other (Including Mobile Homes)	1.0	1.0

Notes: The current date is June 1, 2021. Percentages may not add to 100 due to rounding.

Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey, 1-year data

Figure 14. Apartment Rents and Vacancy Rates in the Provo-Orem HMA



Q2 = second quarter.

Source: RealPage, Inc.

was moderate, averaging 2 percent a year. From 2014 to 2018, second quarter rent growth was strong, averaging 5 percent annually. Part of the increase can be attributed to the increase in apartment construction since 2014, which added newer, higher rent units to the apartment inventory. In

addition, the influx of young adults returning from missions and enrolling at universities in the HMA through 2016 increased demand for apartments. From 2018 to 2020, the average second quarter rent growth slowed to 3 percent annually. Overall, net in-migration has strengthened in the HMA since 2014, absorption of new units has been strong, and the second quarter vacancy rates have stayed low. Despite elevated rental construction since 2014, the apartment vacancy rate in the HMA has ranged from a high of 5.2 percent in 2015 to a low of 1.9 percent in 2021.

Market Conditions by Geography

Rent growth in the past year was primarily in the area around the cities of Orem and Lehi in the northern portion of the HMA, including UVU and the Silicon Slopes hub. During the second quarter of 2021, the average rent in the RealPage, Inc.-defined Orem/Lehi market area increased 10 percent from a year earlier to \$1,319, and the vacancy rate decreased from 3.8 to 2.1 percent. Rents are typically higher in this market area, partly because of a higher concentration of new units built to address the housing needs for high-wage tech workers in Silicon Slopes. From 2014 through 2020, the second quarter rent increased an average of 4 percent annually, and the vacancy rate ranged from 3.2 to 5.4 percent.

In the area around the city of Provo, which includes BYU, the average rent was unchanged from a year earlier, at \$1,064. The vacancy rate decreased from 2.0 percent in the second quarter of 2020 to 1.2 percent in the second quarter of

2021. The second quarter vacancy rate in the Provo market area has remained below 4.5 percent since 2015, which has supported strong rent growth averaging 7 percent a year from 2016 through 2020.

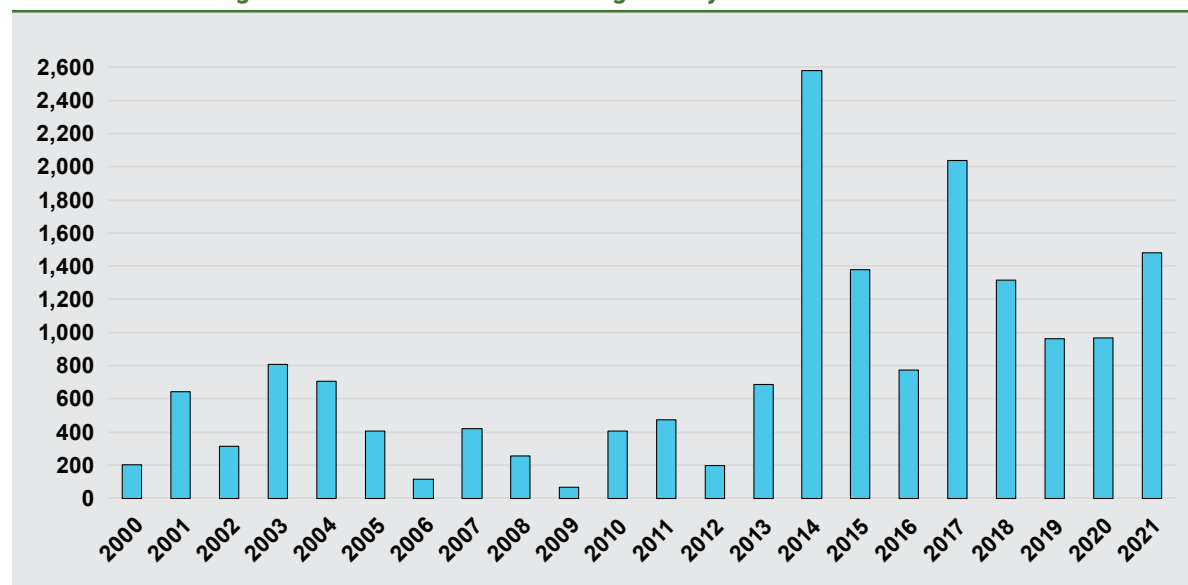
Student Households in the Rental Market

Off-campus student households currently account for an estimated 20 percent of all renter households in the HMA. BYU offers on-campus housing with a capacity of approximately 5,000 beds; most unmarried undergraduates not living with parents must live on campus or in university-contracted housing. BYU has contracts for over 23,000 rental units available to students within approximately two miles of the campus. UVU has no on-campus housing options, so students must reside in the surrounding community.

Rental Construction Activity

Construction of new rental units, as measured by rental units permitted (primarily apartments), has remained elevated following a spike in 2014. From 2000 through 2005, an average of 510 new rental units were permitted annually; that number decreased to an average of 330 units each year from 2006 through 2013 (Figure 15). Low levels of apartment construction contributed to tightening in the

Figure 15. Annual Rental Permitting Activity in the Provo-Orem HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2021 are through May 2021.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and analyst estimates; 2021 preliminary data and estimates by the analyst

rental market as the population increased and the economy expanded following the Great Recession. The apartment vacancy rate dropped from 8.5 percent in 2012 to 3.8 percent in 2013, and apartment builders responded to the tightening conditions with new construction. In 2014, permitting spiked to 2,575 rental units permitted, which was the highest level since 2000. Although vacancies increased slightly when those units were completed, overall absorption of the new units remained strong, and construction has stayed elevated. From 2015 through 2020, an average of 1,250 rental units were permitted annually, which, although down 51 percent from 2014, was still high relative to historical trends. During the 12 months ending May 2021, 2,225 rental units were permitted, more than double the 970 units permitted during the previous 12-month period (preliminary data, with adjustments by the analyst). Approximately two-thirds of apartment construction since the surge in 2014 occurred in the northern suburbs, closer to the Silicon Slopes job growth areas including Orem and areas to the north, such as American Fork, Eagle Mountain, Lehi, and Vineyard, rather than near the largest city of Provo and the BYU student population.

Examples of Recent Rental Construction

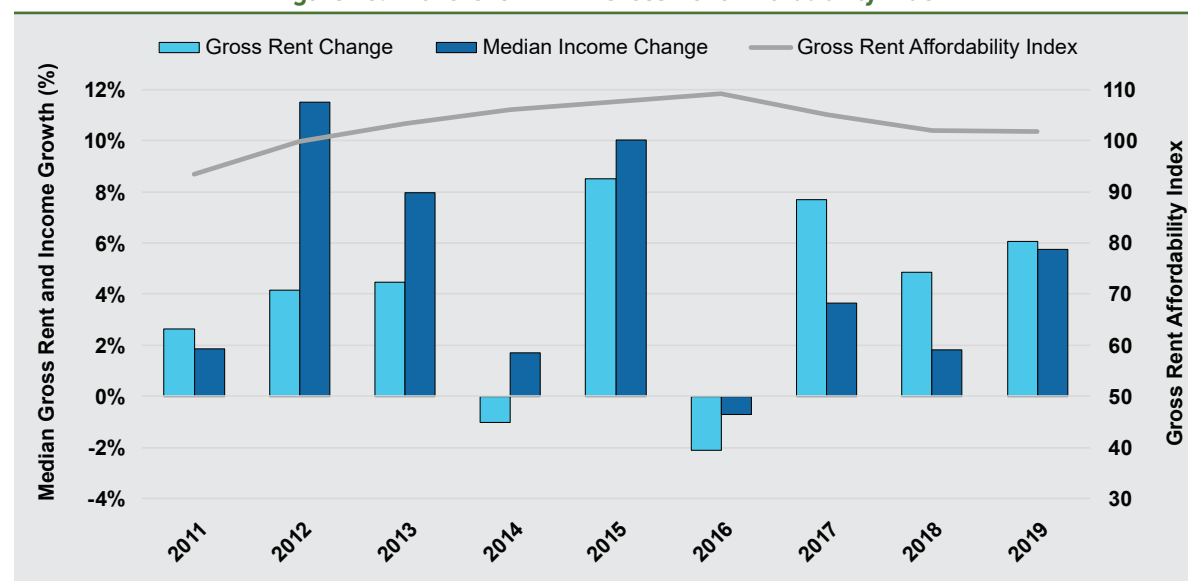
As noted above, much of the recent apartment construction has occurred in the northern suburbs

near the booming expansion of high-tech jobs around Lehi. In 2020, the 330-unit Lehi Tech Apartments opened in the city of Lehi. The property is in lease-up and is approximately 60 percent occupied, with rents for the one- and two-bedroom units starting at \$1,175 and \$1,350, respectively. During summer 2019, construction began on the 146-unit Alvera at The Meadows apartments in the city of American Fork. The property is pre-leasing, and rents for the one-, two-, and three-bedroom units range from \$1,135 to \$1,790 a month.

Housing Affordability: Rental

Renting in the Provo-Orem HMA is generally affordable. Overall, since 2011, increases in renter incomes have outpaced increases in median rent. As a result, the HUD Gross Rent Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, has remained above 100 each year since 2012 (Figure 16). Since peaking at 109 in 2016, renter affordability declined slightly, however, and the index decreased to 102 in 2018, following strong rent growth in 2017

Figure 16. Provo-Orem HMA Gross Rent Affordability Index



MSA = metropolitan statistical area.

Notes: Rental affordability is for the Provo-Orem MSA. The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website in that it is based on combined rent and expenditures on utilities.

Source: American Community Survey, 1-year data

and 2018, and was essentially unchanged in 2019. Nevertheless, the HMA is more affordable than the nation; the national rental affordability index has been steadily increasing since 2011 to nearly 97 in 2019. Affordability may have declined in 2020, brought on by the pandemic, but federal interventions, including expanded unemployment benefits, stimulus checks, and eviction moratoriums, as well as the rapid recovery of jobs in the HMA, may provide some insulation from the full impact and keep the HMA more affordable than the nation.

Forecast

During the next 3 years, demand is estimated for 3,550 rental units (Table 8). The 2,300 units currently under construction will meet a portion of that demand for most of the next 2 years. Demand for additional rental units will be in Utah County, around the universities in Provo and Orem, and north to the suburbs near Lehi, where much of the job growth is expected.

Table 8. Demand for New Rental Units in the Provo-Orem HMA During the Forecast Period

Rental Units	
Demand	3,550 Units
Under Construction	2,300 Units

Note: The forecast period is June 1, 2021, to June 1, 2024.
Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

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.
CARES Act	The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The more than \$2 trillion in federal funding provides economic assistance in response to the public health and economic impacts of COVID-19.
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.
Forecast Period	6/1/2021–6/1/2024—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	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.
3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.

D. Photo/Map Credits

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