

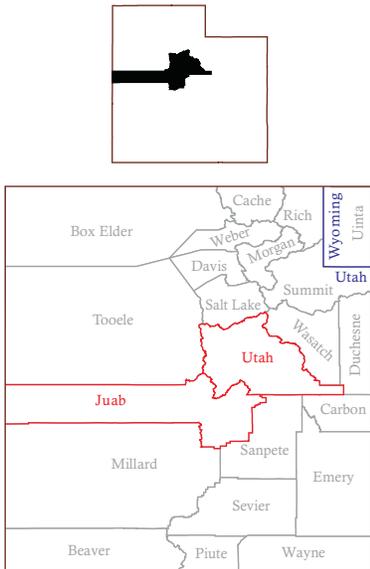


# Provo-Orem, Utah

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of October 1, 2012



## Housing Market Area



The Provo-Orem Housing Market Area (HMA), approximately 35 miles south of Salt Lake City, consists of Juab and Utah Counties. For purposes of this analysis, the HMA is divided into two submarkets: the Provo-Orem submarket, consisting of the Provo-Orem Census County Division (CCD), and the Remainder submarket, comprising Juab County and the area of Utah County outside the Provo-Orem CCD. The HMA is the third largest metropolitan area in the state, with a current estimated population of 554,400. Table DP-1 at the end of this report provides demographic data for the HMA from 2000 to the current date.

## Summary

### Economy

The two large postsecondary schools in the Provo-Orem HMA, Brigham Young University (BYU) and Utah Valley University (UVU), had a combined economic impact of nearly \$1.3 billion in 2011. During the 12 months ending September 2012, nonfarm payrolls increased by 4,600 jobs, or 2.6 percent, to an average of 186,100 jobs. During the same period, employment gains in the HMA contributed to decreasing the average unemployment rate from 7.0 to 5.6 percent. Table DP-1 at the end of this report provides employment data for the HMA.

### Sales Market

Sales housing market conditions in the HMA are soft, with a current estimated vacancy rate of 2.0 percent. During the 3-year forecast period, demand is expected for 7,940 new

homes in the HMA (Table 1). Demand is anticipated for 790 new homes in the Provo-Orem submarket and 7,150 new homes in the Remainder submarket. A portion of the estimated 3,625 other vacant units in the HMA may reenter the market and satisfy some of the forecast demand.

### Rental Market

The rental housing market in the HMA is tight, with an estimated vacancy rate of 3.6 percent. Demand is expected for 1,390 new market-rate rental units in the HMA during the 3-year forecast period (Table 1). In the Provo-Orem submarket, demand is anticipated for approximately 610 rental units. In the Remainder submarket, the 240 units under construction and the 460 additional planned completions will meet most of the estimated demand for 780 units during the forecast period.

## Market Details

|                                 |    |
|---------------------------------|----|
| Economic Conditions .....       | 2  |
| Population and Households ..... | 5  |
| Housing Market Trends .....     | 7  |
| Data Profiles .....             | 13 |

**Table 1.** Housing Demand in the Provo-Orem HMA, 3-Year Forecast, October 1, 2012, to October 1, 2015

|                    | Provo-Orem HMA |              | Provo-Orem Submarket |              | Remainder Submarket |              |
|--------------------|----------------|--------------|----------------------|--------------|---------------------|--------------|
|                    | Sales Units    | Rental Units | Sales Units          | Rental Units | Sales Units         | Rental Units |
| Total Demand       | 7,940          | 1,390        | 790                  | 610          | 7,150               | 780          |
| Under Construction | 40             | 240          | 10                   | 0            | 30                  | 240          |

*Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of October 1, 2012. A portion of the estimated 3,625 other vacant units in the HMA will likely satisfy some of the forecast demand. Numbers may not add to totals because of rounding.*

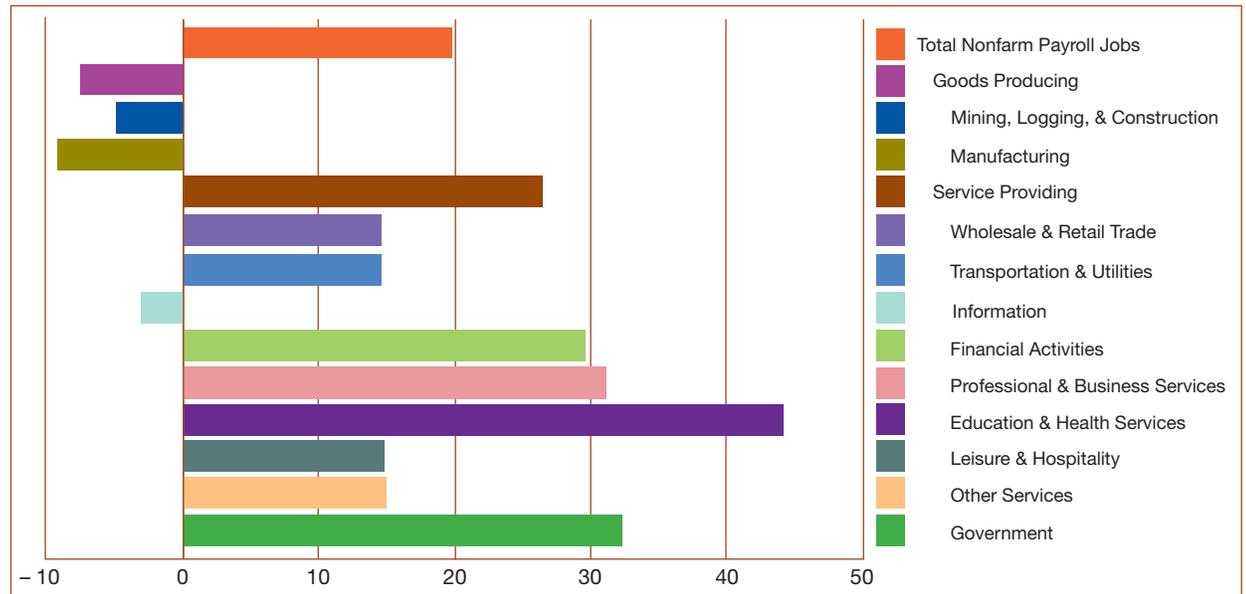
*Source: Estimates by analyst*

## Economic Conditions

Economic conditions strengthened in the Provo-Orem HMA during the past year. Nonfarm payrolls recorded a gain of 4,600 jobs, or 2.6 percent, during the 12 months ending September 2012, to approximately 186,100 jobs. From 2008 through 2010, payrolls declined by an average of 4,300 jobs, or 2.3 percent, annually, as the HMA suffered the effects of the national recession. The declines were concentrated in the mining, logging, and construction and the manufacturing sectors, with annual average losses of 2,550 and 1,450 jobs, or 16.8 and 7.6 percent, respectively. By contrast, from 2000 through 2007, nonfarm payrolls increased by an average of 5,000 jobs, or 3.2 percent, annually, led by average annual gains of 1,050 and 1,275, or 9.1 and 4.3 percent, respectively, in the mining, logging, and construction and the education and health services sectors. The goods-producing sectors in the HMA have declined since 2000, but additions in the service-providing sectors have more than offset those losses (Figure 1). Because

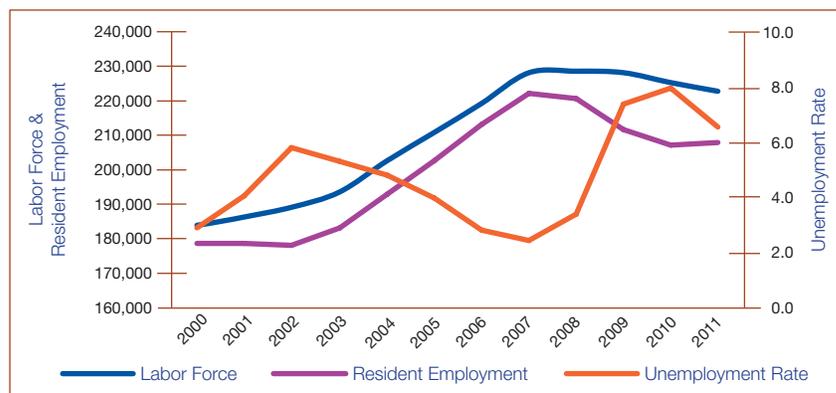
of the economic growth from 2000 through 2007, the unemployment rate decreased from a high of 5.8 percent in 2002 to 2.5 percent in 2007. As the economy slowed in 2008, however, the unemployment rate began to rise, peaking at 8.0 percent in 2010 before declining to 6.6 percent in 2011 (Figure 2). During the 12 months ending September 2012, the labor force in the HMA increased by 600, and resident employment increased by 3,675, contributing to a decline in the unemployment rate from 7.0 to 5.6 percent.

The three largest employers in the HMA are BYU, Utah Valley Regional Medical Center, and UVU, with 17,000, 4,500, and 3,500 employees, respectively. Table 2 lists the largest employers in the HMA. BYU and UVU provide stability to the HMA economy. According to a BYU economic impact analysis, the university contributed more than \$750 million to the HMA economy during 2010. The economic impact of UVU in 2011 was \$535 million, according

**Figure 1.** Sector Growth in the Provo-Orem HMA, Percentage Change, 2000 to Current

Note: Current is based on 12-month averages through September 2012.

Source: U.S. Bureau of Labor Statistics

**Figure 2.** Trends in Labor Force, Resident Employment, and Unemployment Rate in the Provo-Orem HMA, 2000 Through 2011

Source: U.S. Bureau of Labor Statistics

**Table 2.** Major Employers in the Provo-Orem HMA

| Name of Employer                    | Nonfarm Payroll Sector           | Number of Employees |
|-------------------------------------|----------------------------------|---------------------|
| Brigham Young University            | Education & Health Services      | 17,000              |
| Utah Valley Regional Medical Center | Education & Health Services      | 4,500               |
| Utah Valley University              | Government                       | 3,500               |
| Wal-Mart Stores, Inc.               | Wholesale & Retail Trade         | 2,500               |
| APX Alarm Security Solutions, Inc.  | Manufacturing                    | 1,500               |
| IM Flash Technologies, LLC          | Manufacturing                    | 1,500               |
| Nestle USA, Inc.                    | Professional & Business Services | 1,500               |
| ESG Administration, Inc.            | Professional & Business Services | 875                 |
| Macy's Inc.                         | Wholesale & Retail Trade         | 875                 |
| Novell, Inc.                        | Professional & Business Services | 875                 |

Note: Excludes local school districts.

Source: Economy.com

to a university study. The education and health services sector, the largest employment sector in the HMA, averaged 42,250 jobs during the 12 months ending September 2012, an increase of 1,000 jobs, or 2.5 percent, from the previous 12-month period. The educational services subsector, which includes BYU staff because the university is private, remained relatively stable, averaging 20,700 jobs from 2006 through 2011. The healthcare and social assistance subsector averaged 21,000 jobs during the 12 months ending September 2012, an increase of 900 jobs, or 4.5 percent, from a year ago.

Nearly every payroll sector gained jobs during the 12 months ending September 2012. Gains in the professional and business services and manufacturing sectors, which increased by 2,650 and 9,500 jobs, or 11.4 and 5.8 percent, respectively, led nonfarm payroll growth (Table 3). The leisure and hospitality sector

**Table 3. 12-Month Average Nonfarm Payroll Jobs in the Provo-Orem HMA, by Sector**

|                                  | 12 Months<br>Ending<br>September 2011 | 12 Months<br>Ending<br>September 2012 | Percent<br>Change |
|----------------------------------|---------------------------------------|---------------------------------------|-------------------|
| Total Nonfarm Payroll Jobs       | 181,500                               | 186,100                               | 2.6               |
| Goods Producing                  | 27,150                                | 28,500                                | 4.9               |
| Mining, Logging, & Construction  | 10,650                                | 11,050                                | 3.5               |
| Manufacturing                    | 16,500                                | 17,450                                | 5.8               |
| Service Providing                | 154,300                               | 157,600                               | 2.2               |
| Wholesale & Retail Trade         | 27,200                                | 27,300                                | 0.3               |
| Transportation & Utilities       | 2,700                                 | 2,750                                 | 1.9               |
| Information                      | 8,025                                 | 8,350                                 | 4.1               |
| Financial Activities             | 6,025                                 | 6,100                                 | 1.2               |
| Professional & Business Services | 23,300                                | 25,950                                | 11.4              |
| Education & Health Services      | 41,250                                | 42,250                                | 2.5               |
| Leisure & Hospitality            | 14,300                                | 13,200                                | - 7.6             |
| Other Services                   | 4,275                                 | 4,250                                 | - 0.6             |
| Government                       | 27,300                                | 27,500                                | 0.8               |

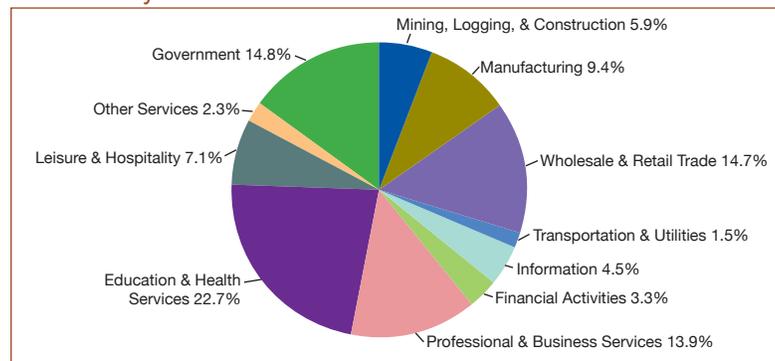
Notes: Based on 12-month averages through September 2011 and September 2012. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

declined by 1,100 jobs, or 7.6 percent. Figure 3 shows the share of current nonfarm payrolls by sector.

During the 3-year forecast period, job gains are expected to average 6,200, or 3.2 percent, annually. The professional and business services sector is expected to lead employment growth during the forecast period. Employment growth is anticipated during

each year of the forecast period, with the strongest growth expected during the third year. Several major employers currently have expansion projects in planning or under way. Nu Skin Enterprises, Inc., a skincare company, is building a \$90 million innovation center in downtown Provo. The building, which is expected to be complete in the summer of 2013, will house a research lab, retail space, and a café. As of the current date, it is unclear how many new jobs this project will create. Adobe Systems Incorporated is currently constructing a \$100 million campus in Lehi, which will employ 1,000 workers and is expected to be complete by the end of 2012. In addition, eBay Inc. is expected to complete construction on a 192,000-square-foot facility in Draper in April 2013, the first of three construction phases that are expected to add 2,200 jobs when complete by 2021.

**Figure 3. Current Nonfarm Payroll Jobs in the Provo-Orem HMA, by Sector**

Note: Based on 12-month averages through September 2012.

Source: U.S. Bureau of Labor Statistics

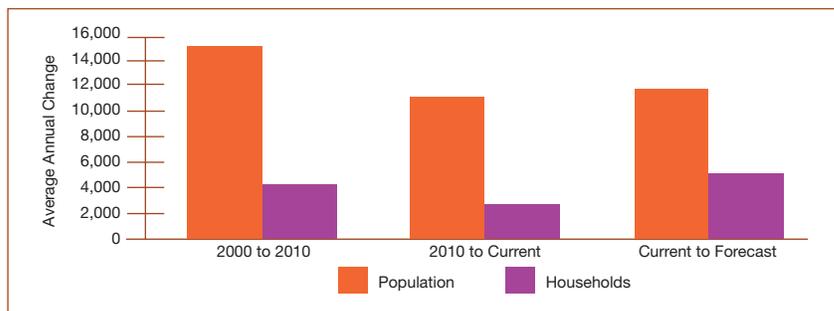
# Population and Households

As of October 1, 2012, the population of the Provo-Orem HMA is estimated at 554,400. Since 2008, the population has increased by 13,350, or 2.7 percent, annually compared with the increase of 19,750, or 4.5 percent, recorded annually from 2005 through 2007, primarily because of a decline in net in-migration after

the national recession. From 2005 through 2007, as workers followed increased employment opportunities in the HMA, net in-migration peaked at an average of 9,000 people annually, more than 3 times the average of 2,850 people annually from 2000 to 2005. Net in-migration has decreased sharply since 2008, averaging 3,850 people annually. During the next 3 years, the population in the HMA is expected to increase by an average of 11,650, or 2.1 percent, annually as the recovering job market supports continued net in-migration into the HMA. Currently, 150,300 households reside in the HMA. From 2000 to 2010, growth in the number of households averaged 4,125, or 3.4 percent, a year. Since 2010, growth has decreased to an average of 2,650 households, or 1.8 percent, a year. During the next 3 years, household growth is expected to increase slightly, to an average rate of 3,025 households, or 2.0 percent, annually. Figures 4 and 5 illustrate trends in population and household growth and the components of population change, respectively, from 2000 through the forecast period. Figures 6 and 7 depict the number of households by tenure in each submarket.

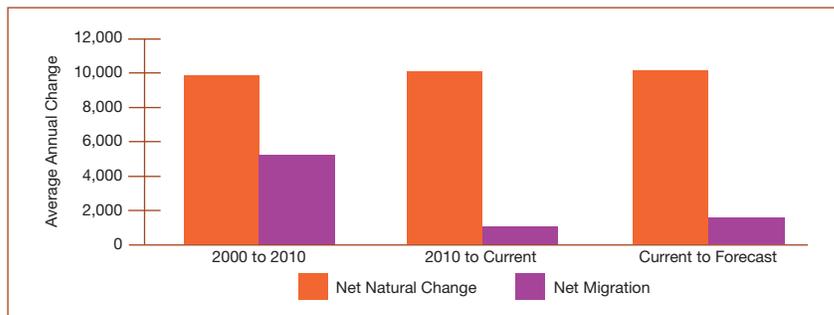
Population growth trends differ significantly between the two submarkets because of differences in housing development patterns and household characteristics. The Provo-Orem submarket, which includes the central cities of Provo and Orem, is home to approximately 203,700 people, or 37 percent of the HMA population, down from 50 percent in 2000. Population within the submarket increased by an average of 2,450, or 1.2 percent, annually from 2000 through 2006 before decreasing by an average of 1,275, or 0.6 percent, annually from 2007

**Figure 4. Population and Household Growth in the Provo-Orem HMA, 2000 to Forecast**



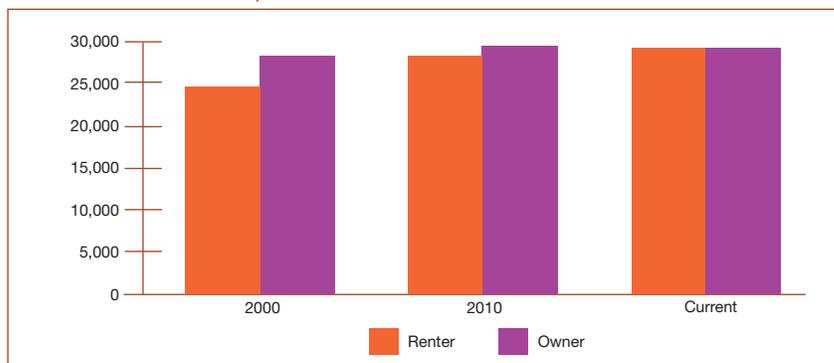
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

**Figure 5. Components of Population Change in the Provo-Orem 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 Provo-Orem Submarket, 2000 to Current**



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

**Figure 7. Number of Households by Tenure in the Remainder Submarket, 2000 to Current**

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

through 2010. Since 2010, population growth resumed at an average of 1,075 people, or 0.5 percent, annually. Net out-migration from the Provo-Orem submarket averaged 4,775 people annually from 2005 through 2007, because many residents followed the greater job creation in the Remainder submarket. Net out-migration decreased to an average of 3,375 people annually during 2009 and 2010 as job growth in the Remainder submarket slowed. The number of households in the Provo-Orem submarket increased by an average of 470, or 0.9 percent, annually from 2000 to 2010. Since 2010, household growth has declined to 320, or 0.6 percent, annually. During the forecast period, the rate of population and household growth in the submarket is expected to remain slow, averaging 1,275, or 0.6 percent, annually, and 380, or 0.7 percent, respectively.

The Remainder submarket has a current estimated population of 350,700, accounting for 63 percent of the HMA population. The population of the submarket increased by an average of 9,500, or 4.6 percent, annually from 2000 through 2005 and

by an average of 18,600, or 6.9 percent, annually from 2006 through 2010. Since 2010, population growth has slowed to an average of 9,950, or 3.0 percent, annually. Net in-migration to the Remainder submarket averaged 13,800 people annually from 2005 through 2007 before decreasing to average 5,650 people annually during 2009 and 2010. The number of households in the submarket increased by an average of 3,650, or 5.7 percent, annually from 2000 to 2010. Since 2010, household growth has declined to 2,325, or 2.6 percent, annually. The Remainder submarket has experienced substantial residential building activity and in-migration since 2000, increasing its share of the HMA population. The submarket is expected to benefit from continued employment growth and high levels of single-family home construction during the next 3 years. The Remainder submarket's population growth will outpace the slower population growth in the Provo-Orem submarket during the forecast period, with population and household growth expected to average 10,350 people, or 2.9 percent, and 2,625 households, or 2.8 percent, annually.

# Housing Market Trends

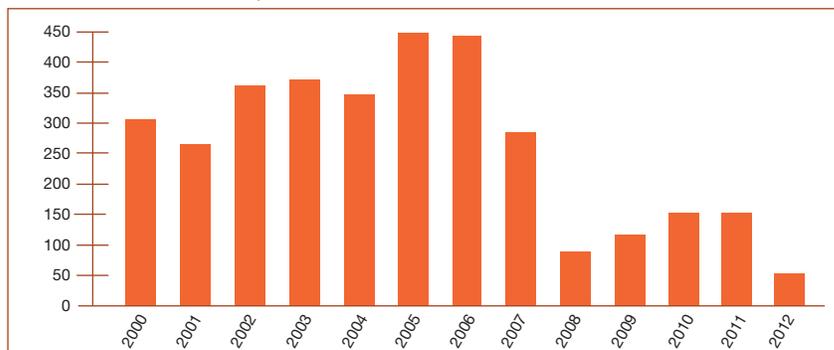
## Sales Market—Provo-Orem Submarket

The sales housing market in the Provo-Orem submarket is currently soft, with an estimated vacancy rate of 2.1 percent, equal the rate in April 2010 (Table DP-2 at the end of this report). According to data from Hanley Wood, LLC, sales of existing homes averaged 5,050 annually from 2005 through 2007 before declining sharply to an average of 3,125 existing homes sold annually from 2008 through 2010. During the 12 months ending June 2012 (the latest data available), existing home sales decreased by 180, or nearly 6 percent, to 3,100 sales compared with the number of sales recorded a year ago, but the number was equal to the annual average from 2008 through 2010. During the same period, existing home sales prices decreased more than 1 percent, to an average of \$196,300, a decline of more than 1 percent compared with the average of \$199,100 a year ago and of nearly 11 percent compared with the average of \$219,500 from 2008 through 2010. Approximately one-third of the nearly 9,500 existing homes sold during the past 12 months in the Provo-Orem HMA were in the Provo-Orem submarket. During the 12 months ending June 2012, new home sales in the submarket totaled 170, comprising 12 percent of total new

home sales in the HMA. New home sales increased 27 percent from the 130 sold during the previous 12 months but decreased nearly 15 percent from the annual average of 190 sales from 2008 through 2010. Sales prices for new homes during the 12 months ending June 2012 averaged \$244,500, an increase of \$20,200, or 9 percent, from a year earlier and equal to the average price from 2008 through 2010. The weak sales market is exacerbated by continued foreclosure activity. According to data from Hanley Wood, LLC, during the 12 months ending June 2012, REO (Real Estate Owned) and foreclosure sales comprised 35 percent of existing home sales in the submarket, down from 36 percent a year earlier but a significant increase from 5 percent in the second quarter of 2006, before the national recession.

Less than 10 percent of new home (single-family and townhome) construction in the HMA during the past decade occurred in the Provo-Orem submarket, limiting the availability of new homes to purchase. Because of natural barriers, including Utah Lake and the Uinta-Wasatch-Cache National Forest, and adjacent urban areas that are already built out, developable land within the submarket is scarce. The lack of available land in the submarket causes most development to occur in the northern part of the submarket, along the Interstate 15 corridor, which is also near Utah Transit Authority Frontrunner mass transit stops and other services. Despite the soft home sales market, builders recently increased construction activity for single-family homes. During the 12 months ending September 2012, single-family permitting increased 23 percent from a year earlier, to 200 homes permitted (Figure 8). Single-family permitting, which includes

**Figure 8.** Single-Family Building Permits Issued in the Provo-Orem Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through September 2012.

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

## Housing Market Trends

Sales Market—Provo-Orem Submarket *Continued*

single-family homes and townhomes, averaged 360 homes per year from 2000 through 2006 before declining to average 160 homes annually from 2007 through 2011.

During the next 3 years, demand is expected for an additional 790 new

homes in the submarket (Table 1). A portion of the estimated 1,175 other vacant units that may reenter the market will satisfy a portion of the expected demand. Demand is expected to concentrate in the \$200,000-to-\$250,000 price range (Table 4).

**Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Provo-Orem Submarket, October 1, 2012, to October 1, 2015

| Price Range (\$) |            | Units of Demand | Percent of Total |
|------------------|------------|-----------------|------------------|
| From             | To         |                 |                  |
| 140,000          | 198,999    | 140             | 17.2             |
| 199,000          | 249,999    | 310             | 38.7             |
| 250,000          | 299,999    | 200             | 25.8             |
| 300,000          | 399,999    | 85              | 10.8             |
| 400,000          | 499,999    | 40              | 5.4              |
| 500,000          | and higher | 15              | 2.2              |

*Note:* The 10 homes currently under construction and a portion of the estimated 1,176 other vacant units in the submarket will likely satisfy some of the forecast demand.

*Source:* Estimates by analyst

## Rental Market—Provo-Orem Submarket

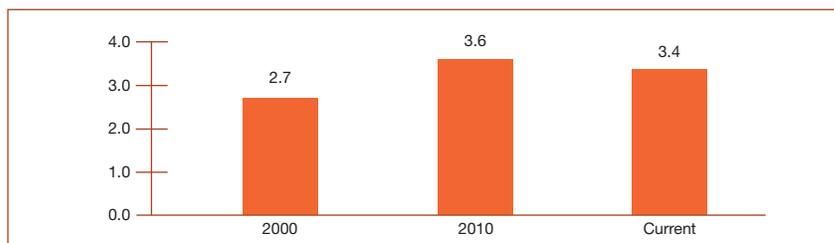
Rental housing market conditions in the Provo-Orem submarket are tight, with an overall estimated vacancy rate of 3.3 percent, down slightly from 3.6 percent in April 2010 (Figure 9).

According to data from Reis, Inc., the apartment vacancy rate increased slightly from 4.0 percent in the second quarter of 2011 to 4.3 percent in the second quarter of 2012. During the same period, the average apartment rent increased more than 1 percent,

to \$780. The average asking rent in the second quarter of 2012 was \$690 for one-bedroom units, \$810 for two-bedroom units, and \$910 for three-bedroom units.

The presence of BYU has a significant impact on the rental market in the submarket, because nearly one-third of renter households are student households. During the fall 2011 semester, BYU enrolled 34,100 students, down slightly from 35,000 in 2006. The university has dormitory beds for 6,900 students. UVU does not offer on-campus housing for students but promotes the private development of student apartments off campus. UVU, which is primarily a commuter college, enrolled 32,650 students in the fall of 2010. According to university records, approximately 40 percent of those students participate in online,

**Figure 9.** Rental Vacancy Rates in the Provo-Orem Submarket, 2000 to Current



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

## Housing Market Trends

Rental Market—Provo-Orem Submarket *Continued*

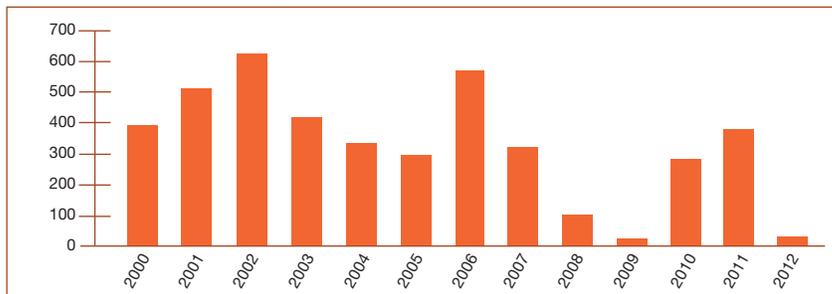
or distance, learning. Total enrollment at UVU increased dramatically from 23,300 in 2006, mostly because of increasing online learning options.

After 3 years of reduced multifamily construction activity, as measured by the number of units permitted, builder interest returned in 2010 because of the tightening rental market. Multifamily permitting averaged 450 units annually from 2000 through 2006, when permitting was nearly evenly split between apartment and condominium construction. From 2007 through 2010, multifamily construction slowed to an average of 150 units annually, with condominiums accounting for approximately 75 percent of units permitted during the period. Since 2010, the number of

multifamily units permitted averaged 330 annually, with more than 90 percent constructed as apartments (Figure 10). Most of the condominiums constructed from 2000 to 2007 were intended for investors, who in turn rent primarily to the student market. Based on preliminary data, during the 12 months ending September 2012, 70 multifamily units were permitted (approximately 70 percent of which were condominiums), down 80 percent from the 340 multifamily units permitted (nearly all of which were apartments) during the previous 12-month period. Recent apartment completions consist primarily of student housing, including the 236-unit Joaquin Village and the 68-unit The Isles student housing projects. Siena Villas Apartments, an 81-unit project in Orem, recently completed construction, with rents of \$825 for one-bedroom units and \$1,000 for two-bedroom units.

During the forecast period, demand is anticipated for 610 new market-rate rental units in the submarket (Table 1). Table 5 provides an estimate of demand for new market-rate rental housing by rent level and number of bedrooms for the period from October 1, 2012, to October 1, 2015.

**Figure 10.** Multifamily Building Permits Issued in the Provo-Orem Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through September 2012.

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

**Table 5.** Estimated Demand for New Market-Rate Rental Housing in the Provo-Orem Submarket, October 1, 2012, to October 1, 2015

| Zero Bedrooms           |                 | One Bedroom             |                 | Two Bedrooms            |                 | Three or More Bedrooms  |                 |
|-------------------------|-----------------|-------------------------|-----------------|-------------------------|-----------------|-------------------------|-----------------|
| Monthly Gross Rent (\$) | Units of Demand | Monthly Gross Rent (\$) | Units of Demand | Monthly Gross Rent (\$) | Units of Demand | Monthly Gross Rent (\$) | Units of Demand |
| 760 to 959              | 20              | 825 to 1,024            | 70              | 1,000 to 1,199          | 60              | 1,250 to 1,449          | 10              |
| 960 to 1,159            | 10              | 1,025 to 1,224          | 55              | 1,200 to 1,399          | 50              | 1,450 or more           | 10              |
| 1,160 to 1,359          | 10              | 1,225 to 1,424          | 55              | 1,400 to 1,599          | 50              |                         |                 |
| 1,360 to 1,559          | 10              | 1,425 to 1,624          | 45              | 1,600 to 1,799          | 35              |                         |                 |
| 1,560 or more           | 10              | 1,625 to 1,824          | 45              | 1,800 to 1,999          | 35              |                         |                 |
|                         |                 | 1,825 or more           | 15              | 2,000 or more           | 10              |                         |                 |
| <b>Total</b>            | <b>60</b>       | <b>Total</b>            | <b>280</b>      | <b>Total</b>            | <b>240</b>      | <b>Total</b>            | <b>20</b>       |

Note: Numbers may not add to totals because of rounding.

Source: Estimates by analyst

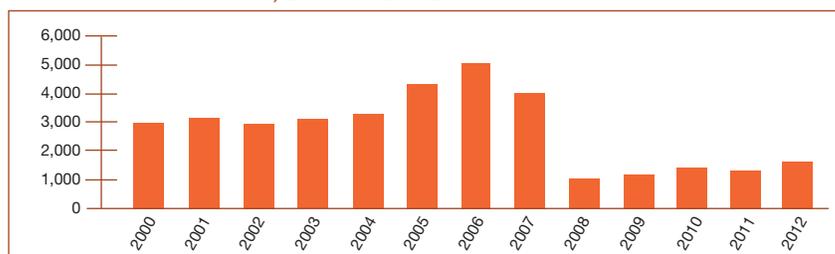
## Sales Market—Remainder Submarket

The sales housing market in the Remainder submarket is soft, with a current estimated vacancy rate of 1.9 percent (Table DP-3 at the end of this report). According to data from Hanley Wood, LLC, during the 12 months ending June 2012 (the latest data available), existing home sales in the submarket declined by 110 sales, or nearly 2 percent, to 6,450 sales, which represented approximately two-thirds of the 9,500 existing home sales in the Provo-Orem HMA. The number of existing home sales in the submarket during the past 12 months was down 30 percent from the average of 9,200 homes sold a year from 2005 through 2007 and nearly equal to the 6,400 homes sold during 2008. During the same period, existing home sales prices averaged \$215,700, a decline of nearly 1 percent from the average of \$217,600 a year ago. The current existing home sales price was 32 percent less than the average of \$318,900 from 2005 through 2007 and 21 percent less than the average price during 2008. Sales of new homes in the submarket, however, totaled 1,325 during the 12 months ending June 2012, an increase of 24 percent from the 1,075 sold during the previous 12 months but more than 70 percent less than the average of 4,850

sales annually from 2005 through 2007. Sales prices for new homes during the 12 months ending June 2012 averaged \$244,800, an increase of \$7,300, or 3 percent, from a year ago, but 17 percent less than the average price from 2005 through 2007. Mirroring conditions in the Provo-Orem submarket, foreclosure activity continues to affect the Remainder submarket. During the 12 months ending June 2012, REO and foreclosure sales comprised 35 percent of existing home sales in the submarket, down from 49 percent a year earlier but a significant increase from 5 percent in the second quarter of 2006, before the national recession.

Since 2000, more than 90 percent of single-family and townhome construction in the HMA has concentrated in the submarket. New home construction in the submarket is primarily concentrated in Lehi, particularly in the Traverse Mountain area and the subdivisions of Ivory Ridge and Thanksgiving Meadows. Ivory Ridge, a 285-unit development that is nearly complete, primarily consists of townhomes, although the project includes some single-family homes. Single-family construction, as measured by the number of homes permitted, slowed significantly to 2,050 homes permitted annually from 2007 through 2009, after averaging 4,650 homes permitted annually during 2005 and 2006. Single-family construction has since rebounded, increasing during the 12 months ending September 2012 to 1,775 homes permitted, up from 1,175 homes during the previous 12-month period but still much fewer than during prerecession periods (Figure 11).

**Figure 11.** Single-Family Building Permits Issued in the Remainder Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through September 2012.

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

During the next 3 years, demand is forecast for 7,150 new homes in the submarket. The 30 homes currently under construction will meet a portion of that demand (Table 1). In addition, a portion of the estimated 2,450 other vacant units in the submarket that may reenter the home sales market

during the forecast period will satisfy some of the demand. Prices for new homes start at approximately \$140,000. Table 6 presents detailed information on the estimated demand for new sales housing by price range in the submarket during the forecast period.

**Table 6.** Estimated Demand for New Market-Rate Sales Housing in the Remainder Submarket, October 1, 2012, to October 1, 2015

| Price Range (\$) |            | Units of Demand | Percent of Total |
|------------------|------------|-----------------|------------------|
| From             | To         |                 |                  |
| 140,000          | 198,999    | 1,300           | 18.1             |
| 199,000          | 249,999    | 2,650           | 37.0             |
| 250,000          | 299,999    | 1,775           | 25.0             |
| 300,000          | 399,999    | 720             | 10.1             |
| 400,000          | 499,999    | 360             | 5.1              |
| 500,000          | and higher | 340             | 4.7              |

*Note:* The 30 homes currently under construction and a portion of the estimated 2,450 other vacant units in the submarket will likely satisfy some of the forecast demand.

*Source:* Estimates by analyst

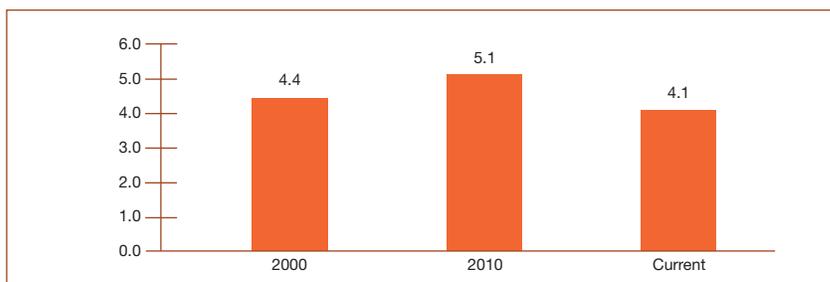
## Rental Market—Remainder Submarket

Rental housing market conditions in the Remainder submarket are tight, with an estimated overall vacancy rate of 4.1 percent, down from 5.1 percent in April 2010 (Figure 12). The low level of apartment construction during the past decade in the submarket contributed to the ongoing balanced-to-tight conditions. The apartment vacancy rate in September 2012 was estimated at 2.2 percent, down slightly from 2.5 percent a year earlier. During the same

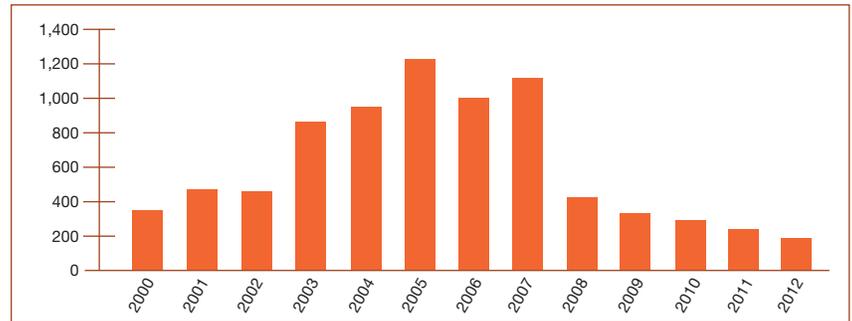
period, the average apartment rent increased nearly 2 percent, to \$935. The average rent in the Remainder submarket is more than in the Provo-Orem submarket because of a greater proportion of two- and three-bedroom units. Average asking rents were \$825 for one-bedroom units, \$895 for two-bedroom units, and \$1,050 for three-bedroom units.

After strong multifamily construction activity, as measured by the number of units permitted, which averaged 1,100 units annually from 2005 through 2007, builder activity declined in the Remainder submarket. From 2008 through 2010, the number of multifamily units permitted averaged 340 annually (Figure 13). From 2005 through 2007, condominium construction averaged 720 units annually, and apartment construction averaged 400 units annually. From 2008 through

**Figure 12.** Rental Vacancy Rates in the Remainder Submarket, 2000 to Current



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

**Figure 13.** Multifamily Building Permits Issued in the Remainder Submarket, 2000 to 2012

Notes: Excludes townhomes. Includes data through September 2012.

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

2010, condominium construction continued to account for the bulk of multifamily construction, averaging 280 units annually compared with the average of 90 apartment units annually. Based on preliminary data, during the 12 months ending September 2012, 475 multifamily units were permitted, nearly evenly split between condominium and apartment units. During the previous 12-month period, 225 units were permitted, of which all were apartments. Aldara Apartments, a 240-unit project currently under construction in Saratoga Springs, is expected to be complete by March 2013.

Rents are expected to range from \$860 for one-bedroom units, \$1,075 for two-bedroom units, and \$1,360 for three-bedroom units.

During the forecast period, demand is anticipated for 780 units in the submarket (Table 1). The 240 units under construction and the 460 units in planning are likely to meet most of the demand during the forecast period. Table 7 provides estimated demand for new market-rate rental housing by rent level and number of bedrooms for the period from October 1, 2012, to October 1, 2015.

**Table 7.** Estimated Demand for New Market-Rate Rental Housing in the Remainder Submarket, October 1, 2012, to October 1, 2015

| Zero Bedrooms           |                 | One Bedroom             |                 | Two Bedrooms            |                 | Three or More Bedrooms  |                 |
|-------------------------|-----------------|-------------------------|-----------------|-------------------------|-----------------|-------------------------|-----------------|
| Monthly Gross Rent (\$) | Units of Demand | Monthly Gross Rent (\$) | Units of Demand | Monthly Gross Rent (\$) | Units of Demand | Monthly Gross Rent (\$) | Units of Demand |
| 760 to 959              | 15              | 825 to 1,024            | 90              | 1,000 to 1,199          | 75              | 1,250 to 1,449          | 15              |
| 960 to 1,159            | 15              | 1,025 to 1,224          | 70              | 1,200 to 1,399          | 60              | 1,450 to 1,649          | 10              |
| 1,160 to 1,359          | 10              | 1,225 to 1,424          | 70              | 1,400 to 1,599          | 60              | 1,650 to 1,849          | 10              |
| 1,360 to 1,559          | 10              | 1,425 to 1,624          | 55              | 1,600 to 1,799          | 45              | 1,850 to 2,049          | 10              |
| 1,560 or more           | 10              | 1,625 to 1,824          | 55              | 1,800 to 1,999          | 45              | 2,050 or more           | 15              |
|                         |                 | 1,825 or more           | 20              | 2,000 or more           | 15              |                         |                 |
| <b>Total</b>            | <b>60</b>       | <b>Total</b>            | <b>360</b>      | <b>Total</b>            | <b>300</b>      | <b>Total</b>            | <b>60</b>       |

Notes: Numbers may not add to totals because of rounding. The 240 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

# Data Profiles

**Table DP-1. Provo-Orem HMA Data Profile, 2000 to Current**

|                           | 2000     | 2010     | Current  | Average Annual Change (%) |                 |
|---------------------------|----------|----------|----------|---------------------------|-----------------|
|                           |          |          |          | 2000 to 2010              | 2010 to Current |
| Total Resident Employment | 178,478  | 207,438  | 209,700  | 1.5                       | 0.6             |
| Unemployment Rate         | 3.0%     | 8.0%     | 5.9%     |                           |                 |
| Nonfarm Payroll Jobs      | 155,400  | 177,500  | 186,100  | 1.3                       | 2.7             |
| Total Population          | 376,774  | 526,810  | 554,400  | 3.4                       | 2.1             |
| Total Households          | 102,393  | 143,695  | 150,300  | 3.4                       | 1.8             |
| Owner Households          | 68,747   | 98,496   | 102,200  | 3.7                       | 1.5             |
| Percent Owner             | 67.1%    | 68.5%    | 68.0%    |                           |                 |
| Renter Households         | 33,646   | 45,199   | 48,100   | 3.0                       | 2.5             |
| Percent Renter            | 32.9%    | 31.5%    | 32.0%    |                           |                 |
| Total Housing Units       | 107,125  | 151,852  | 157,800  | 3.6                       | 1.5             |
| Owner Vacancy Rate        | 1.7%     | 2.3%     | 2.0%     |                           |                 |
| Rental Vacancy Rate       | 3.2%     | 4.2%     | 3.6%     |                           |                 |
| Median Family Income      | \$46,426 | \$64,714 | \$58,247 | 3.4                       | - 10.0          |

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through September 2012. Median family incomes are for 1999, 2009, and 2010.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

**Table DP-2. Provo-Orem Submarket Data Profile, 2000 to Current**

|                     | 2000    | 2010    | Current | Average Annual Change (%) |                 |
|---------------------|---------|---------|---------|---------------------------|-----------------|
|                     |         |         |         | 2000 to 2010              | 2010 to Current |
| Total Population    | 189,919 | 200,995 | 203,700 | 0.6                       | 0.5             |
| Total Households    | 52,702  | 57,394  | 58,200  | 0.9                       | 0.6             |
| Owner Households    | 28,214  | 29,339  | 29,050  | 0.4                       | - 0.4           |
| Percent Owner       | 53.5%   | 51.1%   | 49.9%   |                           |                 |
| Rental Households   | 24,488  | 28,055  | 29,150  | 1.4                       | 1.5             |
| Percent Renter      | 46.5%   | 48.9%   | 50.1%   |                           |                 |
| Total Housing Units | 54,675  | 60,248  | 61,000  | 1.0                       | 0.5             |
| Owner Vacancy Rate  | 1.6%    | 2.1%    | 2.1%    |                           |                 |
| Rental Vacancy Rate | 2.7%    | 3.6%    | 3.3%    |                           |                 |

Note: Numbers may not add to totals because of rounding.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

**Table DP-3. Remainder Submarket Data Profile, 2000 to Current**

|                     | 2000    | 2010    | Current | Average Annual Change (%) |                 |
|---------------------|---------|---------|---------|---------------------------|-----------------|
|                     |         |         |         | 2000 to 2010              | 2010 to Current |
| Total Population    | 186,855 | 325,815 | 350,700 | 5.7                       | 3.0             |
| Total Households    | 49,691  | 86,301  | 92,100  | 5.7                       | 2.6             |
| Owner Households    | 40,533  | 69,157  | 73,100  | 5.5                       | 2.2             |
| Percent Owner       | 81.6%   | 80.1%   | 79.4%   |                           |                 |
| Rental Households   | 9,158   | 17,144  | 18,950  | 6.5                       | 4.1             |
| Percent Renter      | 18.4%   | 19.9%   | 20.6%   |                           |                 |
| Total Housing Units | 52,450  | 91,604  | 96,800  | 5.7                       | 2.2             |
| Owner Vacancy Rate  | 1.7%    | 2.4%    | 1.9%    |                           |                 |
| Rental Vacancy Rate | 4.4%    | 5.1%    | 4.1%    |                           |                 |

Note: Numbers may not add to totals because of rounding.

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: 10/01/2012—Analyst’s estimates  
Forecast period: 10/01/2012–10/01/2015—  
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 [www.huduser.org/publications/pdf/CMARtables\\_Provo-OremUT\\_13.pdf](http://www.huduser.org/publications/pdf/CMARtables_Provo-OremUT_13.pdf).

## Contact Information

Sam Young, Economist  
Denver HUD Regional Office  
303–839–2643  
[samuel.d.young@hud.gov](mailto:samuel.d.young@hud.gov)

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/publications/econdev/mkt\\_analysis.html](http://www.huduser.org/publications/econdev/mkt_analysis.html).