



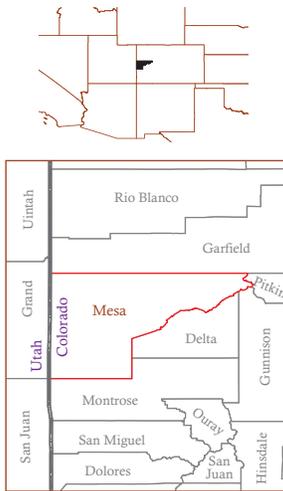
Grand Junction, Colorado

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of January 1, 2009



Summary

Housing Market Area



Located in the Grand Valley along the western slope of the Rocky Mountains, the Grand Junction, Colorado Housing Market Area (HMA) consists of Mesa County. The city of Grand Junction, situated at the junction of the Colorado and Gunnison Rivers, is the largest city in western Colorado. The area is well known for the beauty of the canyons and mesas created by its two rivers. Table DP-1 at the end of this report details summary economic and demographic data for the HMA.

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Economy

Employment growth in the Grand Junction HMA was strong during 2008, continuing a 20-year trend of consistent growth. Despite a national economic slowdown, in 2008 nonfarm employment in the HMA averaged 65,700 jobs, a 4.5-percent increase compared with the average number of jobs recorded in 2007. Growth in the mining, logging, and construction sector accounted for 43 percent of new jobs created in the HMA in 2008. Mining-related activities are expected to slow significantly in the next year before increasing again in the latter part of the 3-year forecast period. In 2008, the unemployment rate in the HMA averaged 4 percent, up from 3.2 percent a year ago.

Sales Market

The sales housing market is currently balanced after 4 years of tight market conditions. Rapid employment growth between 2004 and 2007 increased in-migration and demand for new housing. Although area home sales prices have increased by 70 percent since 2004, the median price of existing homes remained relatively unchanged in 2008 at \$219,900. An additional 3,800 new single-family homes will be needed to satisfy demand during the 3-year forecast period (see Table 1).

Rental Market

The rental housing market is extremely tight, with a vacancy rate of 2 percent. Strong rental demand resulting from in-migration has exceeded the supply of new rental housing development, constraining renter household growth. Multifamily construction, as measured by the number of units permitted, has averaged 120 units a year in the HMA since 2000; 50 percent of those units have been built for the income- and age-restricted rental housing markets or as for-sale units. Approximately 750 new rental units will be needed to satisfy demand during the forecast period (see Table 1).

Table 1. Housing Demand in the Grand Junction HMA, 3-Year Forecast, January 1, 2009 to January 1, 2012

	Grand Junction HMA	
	Sales Units	Rental Units
Total Demand	3,800	750
Under Construction	150	0

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2009.

Source: Estimates by analyst

Economic Conditions

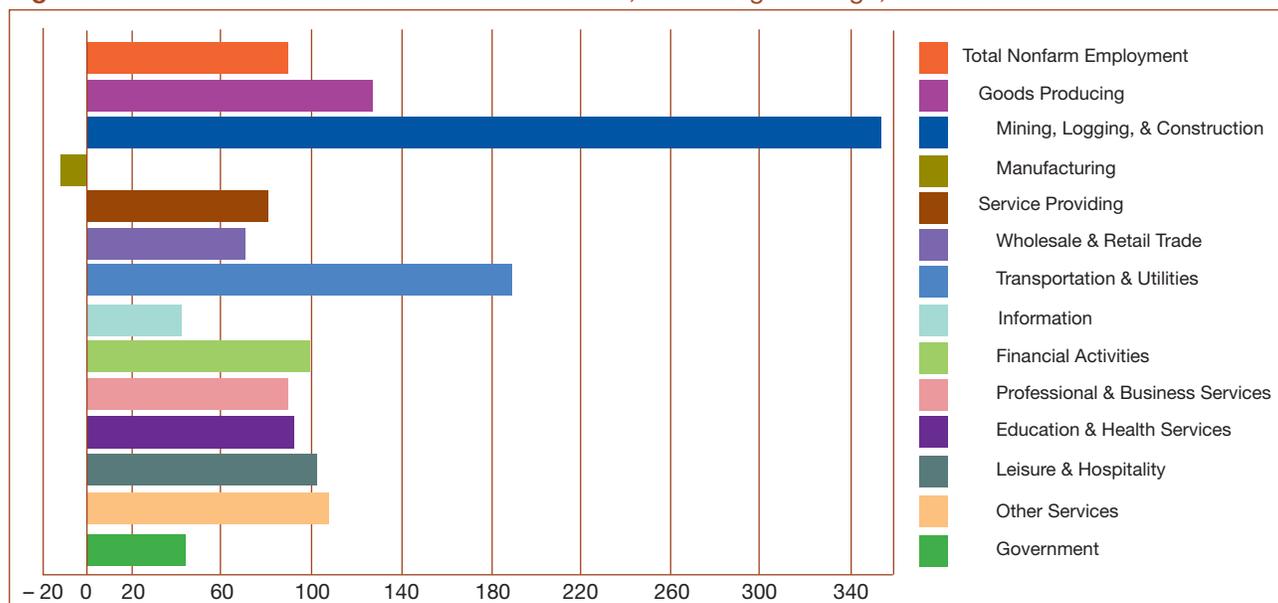
Since the early 1990s, the Grand Junction HMA has experienced significant economic growth as a result of expansion in the service-providing and agriculture-related industries. During the past 4 years, the area has been in a period of exceptionally strong economic growth, resulting from increased demand for energy resources. The area is also a major fruit-producing region for the state and is home to many of Colorado's vineyards and wineries. A mild climate and accessible healthcare services and retail stores have also made Grand Junction a popular retirement community. Figure 1 details employment sector growth in the HMA from 1990 to the current date.

Nonfarm employment in the HMA grew by an annual average of 3.6 percent between 1990 and 2000. The economy started to slow in the early 2000s with employment growth falling to an annual average of 2.2 percent until 2005. From 2005 to 2008, nonfarm employment growth increased to an average growth rate of more

than 5 percent annually. Since 2005, 9,300 jobs have been added, with the mining, logging, and construction sector accounting for approximately 43 percent, or 4,000, of those jobs. In 2008, nonfarm employment averaged 65,700 jobs, an increase of 2,800 jobs, or 4.5 percent, compared with the average number of jobs recorded in 2007. Figure 2 provides a breakdown of current employment in the HMA by sector and Table 2 shows average employment by sector in the HMA from 2007 through 2008.

The city of Grand Junction is the regional hub for energy-related products and services for western Colorado. The number of jobs in the mining industry has tripled in recent years, increasing from an average of 1,180 jobs in 2005 to more than 3,800 in 2008. The area is a major source for oil and natural gas reserves. The pace of natural gas extraction is expected to slow during the forecast period due to an oversupply of natural gas nationwide. The total rig count in the HMA peaked at 100 rigs in

Figure 1. Sector Growth in the Grand Junction HMA, Percentage Change, 1990 to Current



Note: Current is based on 12-month averages through December 2008.

Source: U.S. Bureau of Labor Statistics

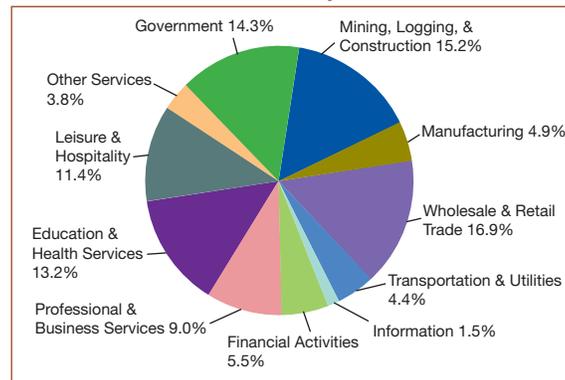
October 2008 but has fallen sharply in the last 2 months of 2008. The Williams Companies, Inc., the most active natural gas drilling company in the area, had expected to double the number of operating rigs in 2009 but now plans for operations to remain at 10 rigs. It is estimated that each rig costs between \$20 and \$50 million to operate annually, generating demand for energy-related support services. Job creation at the area's second leading employer, Halliburton Energy

Services, Inc., is highly dependent on the rig count in the region.

During the past 20 years, the number of wineries in the Grand Valley has grown from 5 to 20. The wine industry has a current economic impact of approximately \$700 million a year on the HMA from sales revenue and wages. In addition, increased tourism has positively affected the leisure and hospitality sector, in which the number of jobs has increased by 2,200 since 2000; the sector averaged 7,500 jobs in 2008, which indicates an average annual increase of 4.3 percent since 2000. In 2008, the Grand Junction Regional Airport reached its highest level of passenger traffic, with more than 214,600 passengers, an increase of 34,000 passengers, or 20 percent, from the number of passengers who used the airport in 2007.

Because the current economic expansion is bringing new industry and residents to the area, several private-sector and public development projects designed to expand critical services and area infrastructure are under way. The largest is the Century Project at St. Mary's Hospital and Regional Medical Center, the leading employer in the HMA (see Table 3), which consists of a \$261 million renovation and expansion. The project, started in 2007, is expected to be completed in 2010. The Grand Junction Veterans Affairs Medical Center is expanding by 30,000 square feet at a cost of \$24 to \$30 million. During the past 2 years, the facility has added 100 staff positions to provide health care to more than 37,000 veterans living in western Colorado. The \$110 million Riverside Parkway, on which the city of Grand Junction began construction in 2005, is scheduled for completion

Figure 2. Current Employment in the Grand Junction HMA, by Sector



Note: Based on 12-month averages through December 2008.
Source: U.S. Bureau of Labor Statistics

Table 2. 12-Month Average Employment in the Grand Junction HMA, by Sector

	12 Months Ending December 2007	12 Months Ending December 2008	Percent Change
Total Nonfarm Employment	62,900	65,700	4.5
Goods Producing	12,100	13,200	9.1
Mining, Logging, & Construction	8,800	10,000	13.6
Manufacturing	3,300	3,200	-3.0
Service Providing	50,800	52,600	3.5
Wholesale & Retail Trade	10,800	11,100	2.8
Transportation & Utilities	2,800	2,900	3.6
Information	900	1,000	11.1
Financial Activities	3,500	3,600	2.9
Professional & Business Services	5,500	5,900	7.3
Education & Health Services	8,500	8,700	2.4
Leisure & Hospitality	7,200	7,500	4.2
Other Services	2,400	2,500	4.2
Government	9,100	9,400	3.3

Notes: Based on 12-month averages through December 2007 and December 2008. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

in 2013. Since 2005, more than 500 new jobs have been created by public works projects and resident employment growth has averaged 3.3 percent annually, growing slightly faster than the area labor force, which has averaged 2.8 percent. The unemployment

rate in the HMA is currently 4 percent, up slightly from 3.2 percent in 2007 (see Figure 3). Resident employment is expected to continue to increase by an average of more than 3 percent annually through the forecast period.

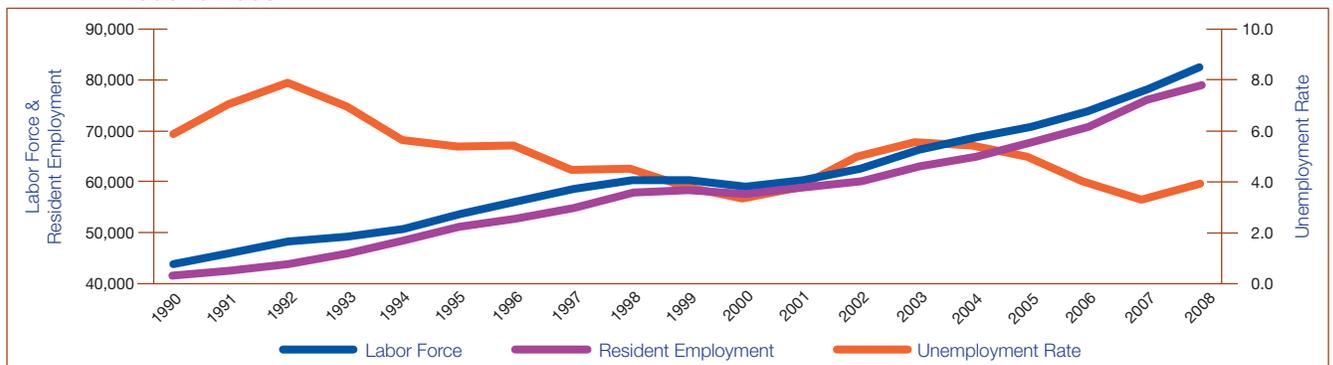
Table 3. Major Employers in the Grand Junction HMA

Name of Employer	Employment Sector	Number of Employees
St. Mary's Hospital and Regional Medical Center	Education & Health Services	2,235
Halliburton Energy Services, Inc.	Mining, Logging, & Construction	977
Wal-Mart Stores, Inc.	Trade	860
City Market	Trade	650
Community Hospital	Education & Health Services	574
Hilltop Community Resources, Inc.	Other Services	512
Colorado West Regional Mental Health, Inc.	Education & Health Services	500
StarTek Inc.	Professional & Business Services	481
Rocky Mountain Health Plans	Education & Health Services	349
West Star Aviation, Inc.	Other Services	338

Note: Data are as of October 1, 2008.

Source: Grand Junction Economic Partnership

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Grand Junction HMA, 1990 to 2008



Source: U.S. Bureau of Labor Statistics

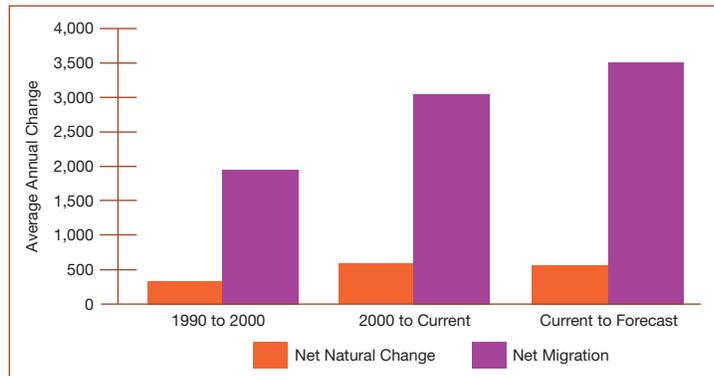
Population and Households

Strong economic growth since 1990 has resulted in an increased rate of population and household growth in the Grand Junction HMA. In the 1990s, the population growth rate averaged 2.2 percent a year. The household growth rate was slightly higher, at 2.4 percent, due to the large

number of retirees moving to the area. The growing number of retirees resulted in a slowing of population growth as it relates to net natural change (resident births minus resident deaths). By 2000, residents age 65 and older accounted for more than 15 percent of the total population;

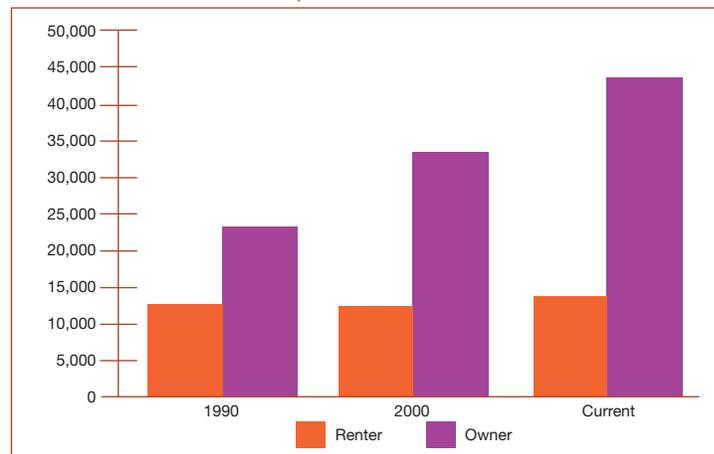
during the 1990s, this segment of the population accounted for 25 percent

Figure 4. Components of Population Change in the Grand Junction HMA, 1990 to Forecast



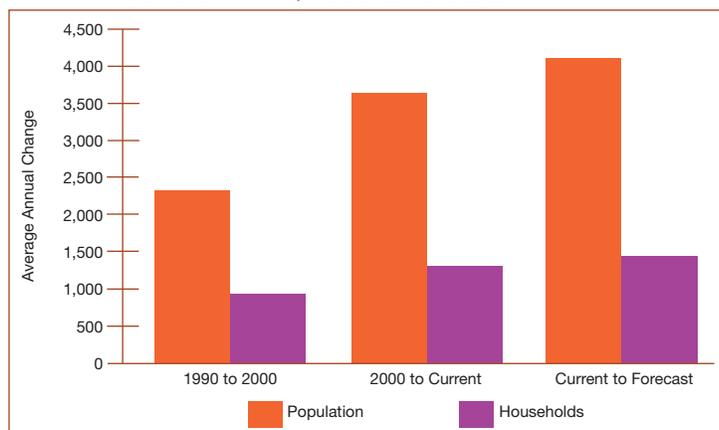
Sources: 1990 and 2000–1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 5. Number of Households by Tenure in the Grand Junction HMA, 1990 to Current



Sources: 1990 and 2000–1990 Census and 2000 Census; current—estimates by analyst

Figure 6. Population and Household Growth in the Grand Junction HMA, 1990 to Forecast



Sources: 1990 and 2000–1990 Census and 2000 Census; current and forecast—estimates by analyst

of net in-migration. Figure 4 illustrates components of population change in the HMA from 1990 to the forecast date.

The population of the Grand Junction HMA is currently estimated at 148,000; this figure represents an increase of 2.8 percent a year since 2000. Recent employment growth has occurred in the relatively high-salaried energy industry, attracting many new residents to the area for work. In 2008, the Median Family Income was \$55,000, a 28-percent increase since 2000. Although the number of retirees is still growing, the influx of younger working families has caused the number of households to grow at a rate of 2.6 percent a year since 2000.

The availability of relatively low-cost housing earlier in the decade made it easy for new residents interested in purchasing a home to move to the area. Since 2000, the number of households in the HMA has increased by 11,500; 87 percent of those households are homeowners. The current homeownership rate is nearly 76 percent. Figure 5 illustrates the number of households by tenure in the HMA from 1990 to the current date. The lack of new rental housing development has limited growth in the number of renter households. During the forecast period, population and household growth are expected to slow slightly because of the reduced rate of employment growth. By January 1, 2012, the population is expected to reach 160,200 and the number of households is expected to increase to 61,600; these figures reflect annual average increases of 2.7 and 2.4 percent, respectively. Figure 6 shows population and household growth in the HMA from 1990 to the forecast date.

Housing Market Trends

Sales Market

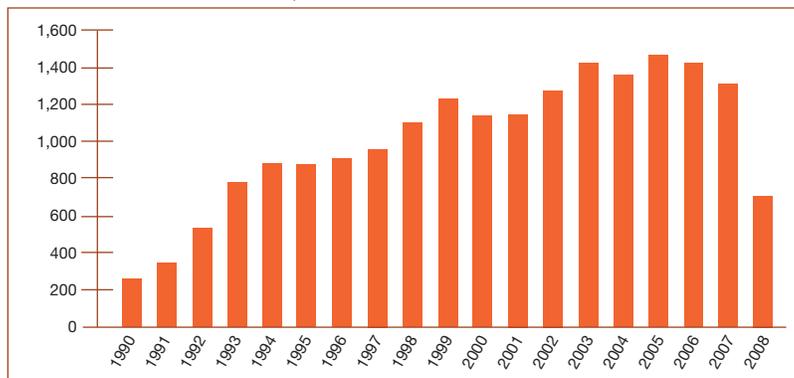
The Grand Junction HMA market for single-family housing is balanced after 4 years of relatively tight market conditions. Demand for sales housing has slowed because home prices have appreciated by 70 percent since 2004 and mortgage underwriting standards have tightened. According to the Colorado Association of REALTORS®, in 2008, the total number of existing home sales fell to 2,625, a 17-percent decline from the 3,175 existing homes sold a year earlier and well off the peak of 3,775 existing homes sold in 2005. In 2008, the median price of an existing home remained relatively unchanged, at \$219,900. The Federal Housing Finance Agency Home Price Index indicates that the price of an existing home increased by more than 14 percent in 2006 and 2007.

In response to declining home sales, new single-family home construction activity, as measured by the number of building permits issued, fell by nearly 46 percent to 700 homes in 2008 compared with construction activity in 2007, far below the peak

of 1,471 homes recorded in 2005. Figure 7 shows the number of single-family building permits issued in the HMA from 1990 to 2008. During the past year, the inventory of unsold new and existing homes has been steady, indicating that significant construction cutbacks have helped maintain balanced market conditions while demand has slowed. Local sources indicate that new homes priced at more than \$400,000 are taking 8 months or longer to sell while homes priced at \$250,000 remain on the market for half that time. The construction of higher priced homes has been limited in the past year as home builders have focused on more affordable developments. The 119-unit second phase of Sundance Village, a townhome development in the city of Grand Junction, is currently under construction. Prices start at \$165,500 for a 1,175-square-foot townhome without a garage. When complete, Sundance Village will have a total of 151 units. Also under development, Carriage Hills in Orchard Mesa will offer entry-level single-family homes with prices starting at \$219,000 for a 1,300-square-foot ranch-style home.

An additional 3,800 new single-family homes will be needed to satisfy demand through the forecast date. Nearly 50 percent of that demand will be for homes priced below \$225,000. Table 4 shows estimated demand for new market-rate sales housing in the HMA by price range through the forecast period. A portion of the demand will be met by the 150 homes currently under construction (see Table 1).

Figure 7. Single-Family Building Permits Issued in the Grand Junction HMA, 1990 to 2008



Notes: Includes only single-family units. Includes data through December 2008.

Source: U.S. Census Bureau, Building Permits Survey

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Grand Junction HMA, January 1, 2009 to January 1, 2012

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	119,999	225	5.9
120,000	139,999	340	8.9
140,000	159,999	350	9.2
160,000	179,999	310	8.2
180,000	199,999	305	8.0
200,000	224,999	380	10.0
225,000	249,999	450	11.8
250,000	299,999	490	12.9
300,000	349,999	340	8.9
350,000	399,999	230	6.1
400,000	499,999	265	7.0
500,000	and higher	115	3.0

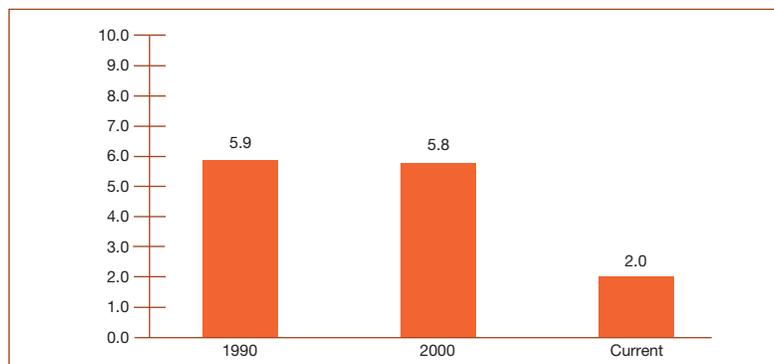
Source: Estimates by analyst

Rental Market

Increased demand for rental housing units, stemming from strong employment growth and limited new multifamily construction, has resulted in extremely tight market conditions. The current rental market vacancy rate is 2.0 percent (see Figure 8). The *Colorado Multi-Family Housing Vacancy & Rental Survey* reports market-rate apartment vacancy rates at 2.4 percent in the third quarter of 2008, up slightly from 1.8 percent in the same quarter a year earlier. Median rents increased from \$600 to \$650 during the same period. New apartment construction, as measured by the number of multifamily units

permitted, averaged 80 units a year in the 1990s and has averaged 120 units a year since 2000. The last market-rate rental housing construction in the area consisted of 60 units added to an existing development in 2001. In 2008, 82 multifamily units were permitted, compared with 56 units permitted in 2007. Arbor Vista, a 72-unit development owned by the Grand Junction Housing Authority, was built for renters earning less than 50 percent of the Area Median Income (AMI). Arbor Vista began leasing in December 2008 and is expected to lease up quickly. Figure 9 illustrates the number of multifamily permits issued in the HMA from 1990 to 2008.

An additional 750 new rental units will be needed to satisfy demand for rental housing through the forecast period. Demand for rental units is expected to be highest for units targeted at households earning less than 50 percent of the AMI. Table 5 shows estimated demand for new market-rate rental housing in the HMA by rent level and number of bedrooms from the current date to the forecast date. Currently, no

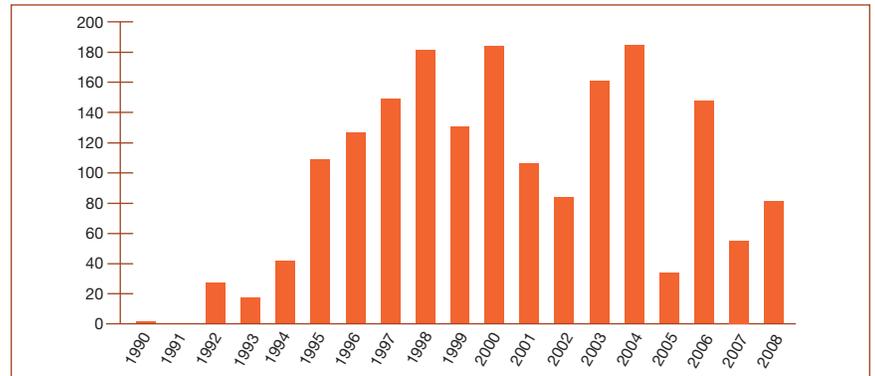
Figure 8. Rental Vacancy Rates in the Grand Junction HMA, 1990 to Current

Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

market-rate rental units are under construction (see Table 1). A Federal Housing Administration-insured market-rate development totaling 168 rental units is expected to come

on line in middle to late 2010. At least 100 additional new units are needed immediately, and the remaining units should come on line during the last 2 years of the forecast period.

Figure 9. Multifamily Building Permits Issued in the Grand Junction HMA, 1990 to 2008



Notes: Includes all multifamily units in structures with two or more units. Includes data through December 2008.

Source: U.S. Census Bureau, Building Permits Survey

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Grand Junction HMA, January 1, 2009 to January 1, 2012

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
400	45	500	165	650	415	800	125
450	40	550	145	700	345	850	115
500	35	600	135	750	315	900	105
550	30	650	120	800	280	950	90
600	25	700	105	850	245	1,000	75
650	20	750	90	900	205	1,050	65
700	15	800	75	950	175	1,100	55
and higher		and higher		and higher		and higher	

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Data Profile

Table DP-1. Grand Junction HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	42,175	58,050	79,175	3.2	4.0
Unemployment Rate (%)	6.0	3.7	4.0		
Nonfarm Employment	34,600	49,300	65,700	3.6	3.7
Total Population	93,145	116,255	148,000	2.2	2.8
Total Households	36,250	45,823	57,300	2.4	2.6
Owner Households	23,534	33,313	43,300	3.5	3.0
Percent Owner (%)	64.9	72.7	75.6		
Renter Households	12,716	12,510	14,000	- 0.2	1.3
Percent Renter (%)	35.1	27.3	24.4		
Total Housing Units	39,208	48,427	59,910	2.1	2.5
Owner Vacancy Rate (%)	2.2	1.7	1.2		
Rental Vacancy Rate (%)	5.9	5.8	2.0		
Median Family Income	\$27,637	\$43,011	\$55,000	4.5	2.8

Notes: Median family income data are for 1989, 1999, and 2008. Employment data represent annual averages for 1990, 2000, and the 12 months through December 2008.

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

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 1/1/2009—Analyst's estimates

Forecast period: 1/1/2009–1/1/2012—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.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_GrandJunctionCO_09.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (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 wishes to express 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.