Rocky Mountain Region

HUD Region VIII

(Colorado, Montana, North Dakota,
South Dakota, Utah and Wyoming)

U.S. Housing Market Conditions Report – 4th quarter 2011

The economy of the Rocky Mountain region continued to expand in the fourth quarter of 2011, an improvement from the economic conditions of a year ago. In 2011, nonfarm payrolls averaged nearly 5 million jobs, an increase of 74,500 jobs, or 1.5 percent, compared with a year earlier. By contrast, in 2010, nonfarm payrolls were down by 31,000 jobs, or 0.6 percent, from a year earlier. The sectors with the largest gains in 2011 included leisure and hospitality, professional and business services, and education and health services, which added 20,100, 19,000, and 15,200 jobs, increases of 3.7, 3.2, and 2.4 percent, respectively. In addition, the mining and logging subsector posted strong growth, adding more than 12,000 jobs, a 15-percent increase, and the manufacturing sector added 7,400 jobs, a 2.3-percent increase. Partly offsetting these gains, payrolls declined in the information and financial activities sectors and the construction subsector by 2,700, 5,000, and 5,500 jobs, or 2.1, 1.7, and 2.1 percent, respectively.

In 2011, nonfarm payrolls increased by 4.7 percent, or 17,600 jobs, in North Dakota, the fastest rate of job growth among the six states in the region. In addition, for the third consecutive year, in 2011 North Dakota had the fastest rate of job growth among all states in the nation, largely driven by energy-related activity in the western part of the state. In 2011, mining and logging subsector payrolls in North Dakota increased by 5,000 jobs, or 47 percent, from a year earlier. Nonfarm payrolls in Utah and Wyoming grew by 26,000 and 5,700 jobs, or 2.2 and 2.0 percent, respectively. In Utah, the largest increase occurred in the professional and business services sector, which added 9,000 jobs, a 5.9-percent increase. In Wyoming, mining and logging subsector payrolls grew by 2,500 jobs, or 10 percent. Payrolls increased by 1 percent, or 4,300 jobs, in Montana, and by 0.8 percent in both Colorado and South Dakota, increases of 17,700 and 3,200 jobs, respectively. In Colorado, the leisure and hospitality and the education and health services sectors added 11,700 and 9,000 jobs, increases of 4.4 and 3.4 percent, respectively, but payrolls declined in the construction subsector and the information and financial activities sectors by 7,500, 3,200, and 3,900 jobs, or 6.5, 4.5, and 2.7 percent, respectively. In 2011, the unemployment rate in the region averaged 7.3 percent, down from 7.7 percent in 2010. Unemployment rates within the region ranged from 3.4 percent in North Dakota to 8.5 percent in Colorado, but all states in the region had unemployment rates below the 8.9-percent national average.

The population of the Rocky Mountain region increased in the past year, but at a slower rate compared with the preceding decade. According to Census Bureau estimates, as of July 1, 2011, the population of the region was slightly above 11 million, an increase of nearly 138,500, or 1.3 percent, from a year earlier. By contrast, from 2000 to 2010, the population grew by an average of 150,500, or 1.6 percent, a year. Despite the slowdown, the populations of Utah, Colorado, and North Dakota were among the five fastest growing in the nation from 2010 to 2011, with population increases of 41,700, 69,100, and 9,300 people, or 1.5, 1.4, and 1.4 percent, respectively. Most of the growth in the region resulted from net natural change (resident births minus deaths), which represented an increase of more than 87,000 people. Utah, with the highest birth rate in the nation, accounted for 43 percent of the total for the region, with net natural change of nearly 38,000 people. The region also had net in-migration of nearly 51,000 people. Colorado accounted for two-thirds of the total for the region, with net in-migration of nearly 34,000 people from 2010 to 2011.

Despite recent job gains and low mortgage interest rates, sales housing markets in the Rocky Mountain region remain soft, but they show some signs of improvement. According to the National Association of Realtors®, in the third quarter of 2011 (the most recent data available), home sales in the region were up 24 percent from a year earlier, to a seasonally adjusted annual rate of 175,200 homes sold. Home sales in the third quarter of 2010, however, may have been reduced by the expiration of the Homebuyers Tax Credit in April 2010. Average sales prices for existing homes declined in the region. Based on the Federal Housing Finance Agency home price index, prices in the third quarter of 2011 declined 3 percent from a year earlier. Although home prices in North Dakota were up 4 percent, prices were flat in South Dakota, and prices fell 1, 3, 4, and 5 percent, respectively, in Wyoming, Colorado, Montana, and Utah. In a positive sign, the rate of distressed mortgages in the region decreased. Based on data from LPS Applied Analytics, 4.2 percent of home loans were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) in December 2011, down from 4.8 percent a year earlier. Within the region, distressed mortgage rates ranged from 1.9 percent in North Dakota to 5.3 percent in Utah, but all states in the region had rates below the 7.6-percent national average.

Home sales have declined in most metropolitan areas in the region, but home prices have increased in a few areas. Based on data from Hanley Wood, LLC, the number of existing homes sold during 2011 in the Denver-Aurora, Colorado Springs, and Greeley metropolitan areas of Colorado declined by 1, 3, and 16 percent from a year earlier, to about 36,800, 8,600, and 3,500 homes sold, respectively. In the Grand Junction area, however, sales were up 18 percent, to 2,400 homes sold. Sales in Fort Collins-Loveland remained essentially flat, with 4,900 homes sold. Average home sales prices in the Colorado Springs and Grand Junction areas declined by 3 and 14 percent, to $205,400 and $175,400, respectively. In the Denver-Aurora and Fort Collins-Loveland areas, average prices remained unchanged at $248,900 and $243,100, respectively, but in the Greeley area the average price increased by 3 percent, to $180,200. In the Salt Lake City, Provo-Orem, and Ogden-Clearfield metropolitan areas of Utah, home sales declined by 4, 8, and 4 percent, to 16,600, 7,000, and 6,800 homes sold, respectively. Average home prices were down 6 percent in both Ogden-Clearfield and Provo-Orem, to $189,500 and $205,800, respectively, and average prices declined 3 percent in Salt Lake City, to $238,300. Elsewhere in the region, sales housing markets are somewhat stronger. In the Fargo area, home sales for 2011 were down 4 percent from a year earlier, to 2,750 homes sold, but average prices were up 5 percent, to $175,300. In the Cheyenne and Casper metropolitan areas of Wyoming, home sales increased by 4 and 13 percent, to 1,600 and 1,500 homes sold, respectively, and average home prices were up by 3 and 4 percent, to $194,500 and $197,500, respectively.

The soft home sales market has caused single-family homebuilding in the Rocky Mountain region to decline. Based on preliminary data, in 2011, single-family construction, as measured by the number of permits issued, was down 2 percent compared with a year earlier, to approximately 19,700 homes permitted. Although single-family construction was up 17 percent in North Dakota, to about 1,850 homes permitted, construction declined in most other states of the region. Single-family homebuilding fell by 2 percent in both Utah and Colorado, to 6,150 and 7,950 homes permitted, respectively. In Montana and South Dakota, construction activity declined by 12 and 14 percent, to 1,050 and 1,500 homes permitted, respectively. Offsetting the decline in single-family building activity, multifamily construction has increased significantly for the region overall, but building activity remains slow in some areas. During 2011, approximately 11,500 multifamily units were permitted in the region, up 39 percent from the 8,300 units permitted in 2010. Multifamily construction increased considerably in Colorado, North Dakota, South Dakota, and Utah, with 4,400, 2,100, 750 and 3,000 units permitted, increases of 66, 47, 22, and 36 percent, respectively. In Montana and Wyoming, however, multifamily building declined by 2 and 17 percent, to about 650 and 600 units permitted, respectively.

Despite the increase in multifamily construction, rental housing markets in the Rocky Mountain region remain tight in some areas, and rental conditions range from balanced to tight throughout most of the region. Based on data from *Apartment Insights*, in the fourth quarter of 2011 the Denver-Aurora apartment market was balanced to tight, with a 5.5-percent vacancy rate, unchanged from a year earlier. The Boulder and Fort Collins-Loveland markets were tight, with apartment vacancy rates of 3.8 and 3.5 percent, down from 4.1 and 4.0 percent, respectively, a year ago. The Colorado Springs apartment market was balanced, with a 6.4-percent vacancy rate, down from 6.8 percent a year ago. Apartment rents in Boulder, Colorado Springs, and Denver-Aurora averaged approximately $1,000, $740, and $910 a month, increases of 3, 4, and 5 percent, respectively, from a year earlier. In Fort Collins-Loveland, rents averaged $930 a month, a 7-percent increase from a year ago. Apartment markets in the Salt Lake City and Ogden-Clearfield areas were balanced to tight. Based on data from Reis, Inc., vacancy rates in the Salt Lake City area averaged 4.9 percent in the fourth quarter of 2011, down from 6.8 percent a year earlier, and the average monthly rent increased 2 percent during that period, to $775. In Ogden-Clearfield, the average vacancy rate was 4.2 percent, down from 5.3 percent a year earlier, and average rents increased 2 percent, to $705. The Provo-Orem apartment market was tight, with a 2.8-percent vacancy rate, down from 4.7 percent a year earlier, but rents remained stable at approximately $775 a month. Based on data from Appraisal Services, Inc., in December 2011, the Fargo apartment market was balanced to tight, with a 4.3-percent vacancy rate, down from 5.7 percent a year ago.