

Provo-Orem, Utah

HUD Region VIII

(U.S. Housing Market Conditions Report – 1st quarter 2012)

The Provo-Orem metropolitan area, located approximately 35 miles south of Salt Lake City, consists of Juab and Utah Counties. Since 2010, the population of the metropolitan area has increased at an average annual rate of 14,000, or 2.7 percent, to an estimated 551,800 as of March 1, 2012. From 2006 to 2010, the population increased at an average annual rate of 18,200, or 4 percent. Approximately one-half of the growth since 2006 was the result of net in-migration. From 2006 to 2010, net in-migration increased to an average of 7,300 people annually, nearly double the average of 3,700 annually from 2000 through 2005. The increased in-migration was largely the result of a light rail expansion, allowing easier commuting into Salt Lake City. The recent recession caused net in-migration to slow to an average of 2,800 people annually since 2010. The metropolitan area is home to Brigham Young University (BYU), which had a total economic impact of approximately \$975 million on the metropolitan area economy in 2010, according to a BYU study. BYU, the fourth largest employer in Utah, employs approximately 17,500 people and enrolled approximately 33,850 students in the fall 2011 semester. Other leading private employers include the Utah Valley Regional Medical Center, IM Flash Technologies, and Nestlé USA, with 4,500, 1,500, and 1,500 employees, respectively.

Economic conditions in the metropolitan area have improved during the past year. During the 12 months ending February 2012, nonfarm payrolls increased by 5,700 jobs, or 3.2 percent, to 183,800. Before this increase in payrolls, the metropolitan area experienced 2 years of payroll declines, of 9,800 jobs, or 5.2 percent, in 2009 and of 900 jobs, or 0.5 percent, in 2010. Recent growth has been strongest in service-providing sectors, including the professional and business services sector, which gained 2,500 jobs, or 11.4 percent, during the 12 months ending February 2012. Nearly one-half of the increase in the professional and business services sector was in the temporary employment and administrative services industries. Payrolls in the mining, logging, and construction and the education and health services sectors increased by 1,000 and 800 jobs, or 9.9 and 2.0 percent, respectively, from a year ago. The average unemployment rate during the 12 months ending February 2012 was 7.0 percent, a decrease from the 7.8-percent rate during the previous 12 months but greater than the 6.5-percent statewide unemployment rate.

The home sales market in the Provo-Orem metropolitan area is currently soft. Hanley Wood, LLC, reported that, during the 12 months ending February 2012, existing single-family home sales were down 4 percent, to approximately 9,850 homes sold compared with the 10,200 sold during the previous 12 months. During the same period, the average existing single-family home sales price fell nearly 5 percent, to about \$210,400. From 2007 through 2009, existing home sales averaged 11,000 annually, and the average sale price was \$280,750. The weak sales market is exacerbated by moderate levels of foreclosure activity. Based on data from LPS Applied Analytics, during February 2012, 5.0 percent of all home loans in the metropolitan area were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), down from 6.6 percent during February 2011. Hanley Wood, LLC, reported that, during the 12 months ending February 2012, new single-family home sales decreased 10 percent from a year earlier, to 1,225 homes sold, but the average new home sales price increased more than 5 percent, to \$245,300. From 2007 through 2009, new home sales averaged 3,025 annually, and the average sales price was \$279,650. In response to the soft housing market, the volume of single-family home construction in the metropolitan area decreased. Based on preliminary data, during the 12 months ending February 2012, the number of single-family homes authorized by permits increased more than 4 percent, to 1,500 homes. This total was much less than the average annual production of approximately 5,300 homes reported from 2005 through 2007.

The rental market in the Provo-Orem metropolitan area is currently tight. According to data from Reis, Inc., in the fourth quarter of 2011, the apartment vacancy rate was 2.8 percent, down from the 4.7-percent rate recorded during the fourth quarter of 2010. Apartment rents in the fourth quarter of 2011 averaged \$680 for one-bedroom units, \$800 for two-bedroom units, and \$930 for three-bedroom units. Overall, the average asking rent was \$775, relatively unchanged from a year ago. BYU significantly affects the rental housing market, with student households accounting for nearly 35 percent of all renter households in the metropolitan area.

Builders have responded to the increased demand for rental units. Based on preliminary data, during the 12 months ending February 2012, 490 apartment units were permitted in the metropolitan area, an increase of nearly 20 percent from the 410 units permitted during the previous 12 months. During 2008 and 2009, an average of 80 apartment units was permitted annually, which was a sharp decrease from the annual average of 500 units permitted from 2004 through 2006. Rental units currently under construction include Joaquin Village, a 940-bed student housing project that began construction in September 2010 and is expected to be complete in July 2012. In addition, Sienna Apartments, an 80-unit project in Orem, is expected to have rents of \$800 for one-bedroom units and \$1,020 for two-bedroom units when complete in May 2012.