

Provo-Orem, Utah

HUD Region VIII

(U.S. Housing Market Conditions Report – September 2009)

The Provo-Orem metropolitan area, located 45 miles south of Salt Lake City, consists of Utah and Juab Counties. As of October 1, 2009, the population of the metropolitan area is estimated at 560,000; this figure reflects an in-crease of 16,800, or 3.1 percent, since October 1, 2008, compared with an average increase of nearly 19,200, or 5.1 percent, annually since 2000. According to the Census Bureau, between 2000 and 2008, Provo-Orem was the third-fastest growing metropolitan area in the country. Relatively affordable housing compared with Salt Lake City, access to leading education and healthcare institutions, and, until recently, strong job gains have contributed to population growth in the area.

The education and health services sector historically has accounted for approximately 20 percent of local employment. The three leading employers in the Provo-Orem metropolitan area are Brigham Young University (BYU), with 5,100 employees; Utah Valley Regional Medical Center, with approximately 4,500 employees; and Utah Valley University (UVU), with 3,900 employees. During the fall 2009 semester, enrollment levels at BYU remained stable, at 33,000 students, compared with enrollment during the fall 2008 semester, while enrollment at UVU increased by 7 percent to 28,500 students. According to BYU and UVU, the schools have a combined estimated economic impact of \$680 million on Utah County. Leading private-sector employers outside the education and healthcare industries include Utah Office Supply Company, Nestlé USA, and Novell, Inc.

During the 12 months ending August 2009, nonfarm employment in the metropolitan area declined by 6,300 jobs, or 3.3 percent, to an average of 183,700 jobs compared with the addition of 1,800 jobs, a 1.0-percent gain, during the previous 12 months. From 2003 to 2007, nonfarm employment increased by an average of 8,700 jobs, or 5.2 percent, a year, making it one of the fastest growing metropolitan areas in Utah. During the past 12 months, the mining, logging, and construction sector lost 3,800 jobs, primarily in the residential construction industry, accounting for 61 percent of the job losses in the metropolitan area during the period. Job losses occurred in every sector except the education and health services and the government sectors, which added 800 and 900 jobs, gains of 2.1 and 3.5 percent, respectively. During the 12 months ending August 2009, the unemployment rate increased to an average of 4.4 percent, up from 3 percent during the 12 months ending August 2008.

As a result of the slowing economy and tighter credit conditions, the sales housing market in the Provo-Orem metropolitan area has become somewhat soft, although recent increases in the number of home sales indicate the market is recovering. According to data from the Utah County Association of Realtors®, during the 12-month period ending September 2009, approximately 4,000 new and existing single-family homes were sold in Utah County, an increase of 13 percent compared with the number sold during the previous 12-month period but still down significantly from the record 6,000 homes sold in 2006. Utah County home sales typically account for nearly 99 percent of the total home sales in the metropolitan area. The recent increase in sales activity is the result of reduced sales prices. After peaking at \$289,200 in 2007, the average sales price of a single-family home in Utah County declined 8

percent to \$251,400 during the 12-month period ending September 2009 compared with the average price during the previous 12 months.

In response to a growing inventory of homes, single-family construction activity, as measured by the number of building permits issued, has decreased in the metropolitan area in recent years. According to The University of Utah, construction activity has declined each year since 2006, when a record-setting 5,400 single-family homes were permitted. Based on preliminary data, during the 12 months ending August 2009, 960 single-family homes were permitted, a 20-percent decline compared with the number of homes permitted during the previous 12 months. Prices for new single-family three-bedroom, two-bathroom homes start at \$160,000 in suburban areas and \$200,000 in areas closer to Provo.

The condominium sales market in the Provo-Orem metropolitan area is also currently soft. During the 12 months ending September 2009, 720 condominium units were sold in Utah County, a decline of 16 percent when compared with the number of units sold during the previous 12-month period. According to the Utah County Association of Realtors®, after peaking at nearly \$175,000 in 2008, the average price of a condominium in the metropolitan area declined 6 percent to \$160,400 during the 12 months ending September 2009 compared with the average price recorded during the previous 12 months. During the 12-month period ending August 2009, condominium construction activity, as measured by the number of units permitted, decreased by 70 percent to 200 units, according to The University of Utah. Condominium construction activity has been declining since 2007, when a record 980 units were permitted. Since 2006, condominiums have averaged about 20 percent of residential sales volume and 20 percent of construction activity. Prices for new three-bedroom, two-bathroom condominium units start at \$150,000 in suburban areas and \$175,000 in areas closer to Provo.

The Provo-Orem metropolitan area rental housing market is currently tight due to the decline in construction activity that began in 2006. According to The University of Utah, apartment construction activity, as measured by the number of units permitted, peaked at 560 units in 2006 before declining to 330 units in 2007 and 80 units in 2008. During the 12-month period ending August 2009, apartment construction activity totaled 110 units, compared with 45 units permitted during the previous 12-month period. An average of 475 apartment units were built each year between 2003 and 2006. This large volume of units coming on line in a short period of time resulted in an average apartment vacancy rate of 8.2 percent in 2005 and 6.8 percent in 2006, according to Reis, Inc. As a result of decreased apartment construction activity in recent years, the average apartment vacancy rate declined to 3.8 percent in the second quarter of 2009. During the past year, the average apartment asking rent has remained relatively unchanged, at \$770. As of the second quarter of 2009, average rents were \$670 for a one-bedroom unit, \$810 for a two-bedroom unit, and \$890 for a three-bedroom unit. Students at BYU and UVU account for approximately one-third of total renter households in the metropolitan area.