



# HOUSING SNAPSHOT

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## JOB GROWTH REMAINS MUTED, MOST RECENT INCOME NUMBERS SHOW GROWTH

The U.S. Bureau of Economic Analysis recently released second quarter data for total income growth in Colorado. Personal income for the second quarter of 2010 increased 0.7 percent from the first quarter 2010 to the second quarter, and is up 2.6 percent since the second quarter of last year.

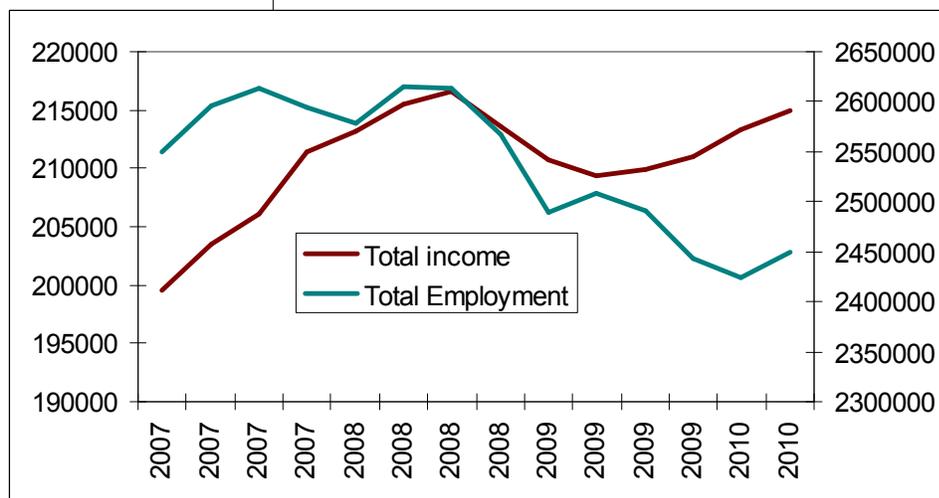
Personal income has almost moved back up to the peak it hit during the 3<sup>rd</sup> quarter of 2008, but it still remains 0.7 percent below the peak.

Movements in Colorado's personal income totals have more or less matched those of the national econ-

omy. However, Colorado remains in the bottom quintile for growth among all states.

The 2.6 percent growth seen since last year has not been a function of employment growth as can be seen in the chart at left. Instead, income growth has been a result of "transfer receipts" which is included in the BEA data and include sources of income such as Medicare and unemployment benefits.

August's employment data, the most recent available, shows a year-over-year drop of 30,000 jobs in Colorado, and total employment remains 149,000 jobs below 2008's employment peak.



## DENVER-BOULDER-GREELEY AND REGIONAL CPI INCH UP. HOUSING FALLS.

In the "West" region of the United States, which includes Colorado, consumer prices rose 0.1 percent from July to August, and rose 0.7 percent year over year from

August 2009 to August 2010.

According to the Mountain-Plains CPI Blue Card, Housing prices in the West rose

0.1 percent from July to August, and they fell 1.1 percent year over year for August.

The largest year-over-year increases were

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## HOUSEHOLD FORMATION INCREASES IN COLORADO, BUILDING PERMITS FALL

The Colorado Demography Office recently released its estimates for the number of occupied households in Colorado in 2009. According to estimates, there were approximately 1,946,542 households in Colorado during 2009, growing 1.3 percent from 2008's total of 1,922,212.

Approximately 24,000 new households were added between 2008 and 2009. Since 2002, about 20,000 to 35,000 new households have been formed in Colorado each year, with a growth rate of approximately 1.3 to 2.0 percent. The slowest year for household formation in recent decades was during 1990 when about 100 new households were formed, and the number of households grew at less than 1 percent.

Household formation rates

fell off considerably following the 2002 recession in Colorado. Before the recession, growth rates had commonly reached levels of 2 to 3 percent and peaking in 2001.

During this period of significant household growth, and continuing to 2006, construction of residential units continued at high levels. 54,537 residential building permits were issued in 2001, and at least 39,000 residential building permits were issued each year between 2002 and 2006.

From 2002 to 2006, the number of building permits issues exceeded the number of new households formed each year, but since 2006, the number of residential building permits issues fell of considerably to very low levels, while household formation re-

tained a moderate growth rate.

This collapse in the number of building permits issued can be attributed to the softening of the housing markets that began in 2006, and then accelerated after 2007. The result, however, has been a situation in which household formation has continued, but new construction of residential units has been extremely low.

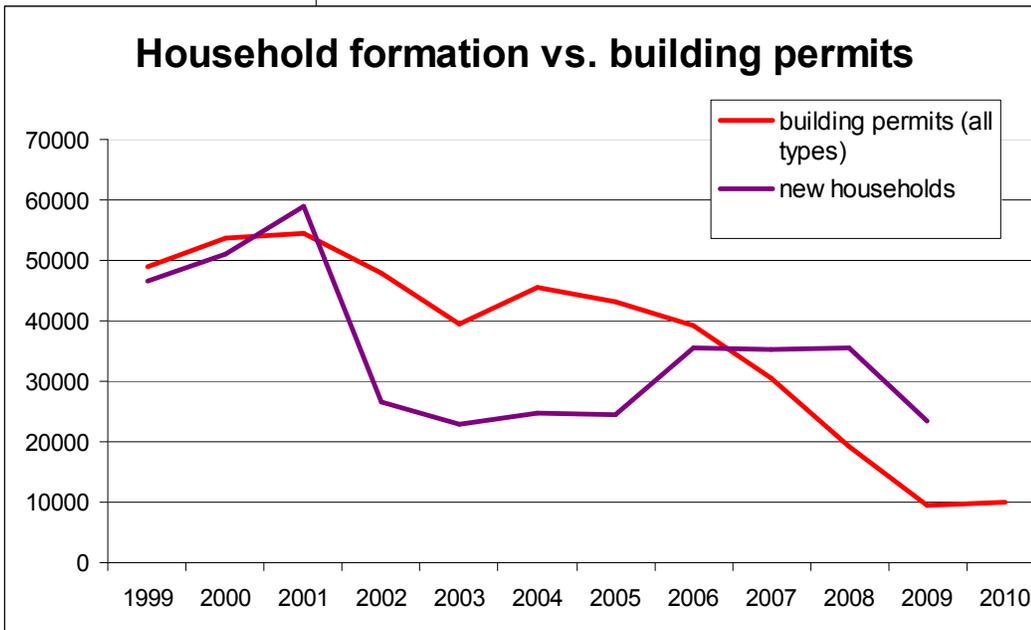
In 2008, and 2009, for example, the number of new units added was well below the number of new households formed. Colorado is on pace to issue approximately 10,000 residential permits in 2010, but it is likely that Colorado will add another 20,000 households.

At least several months of surplus inventory still exists in Colorado housing markets, due to the large amount of building that occurred between 2002 and 2006. However, most of this inventory is single-family homes, and very little is rental housing. Only a fraction of the building permits issues between 2002 and 2006 were for multifamily rental housing.

Recent rental housing vacancy data indicates that the rental housing markets have already begun to tighten.

*In 2008, and 2009, for example, the number of new units added was well below the number of new households formed.*

**Household formation vs. building permits**



# HOME SALE ACTIVITY FALLS AFTER TAX CREDIT

Since median home prices fell during the financial crises of 2008, the implementation of the first-time homebuyer tax credit in January 2009, which was then expanded beyond first time homebuyers later in the year, helped to drive home prices up considerably from 2009 lows in a relatively short period of time.

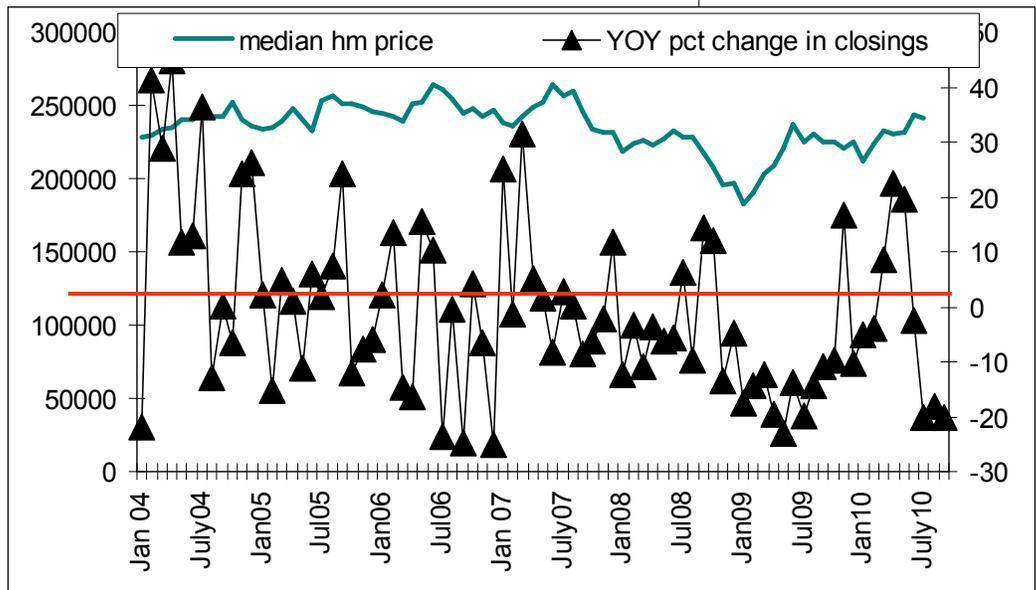
In metro Denver, for example, the median home price peaked at \$263,000 in June 2007, but had fallen to \$170,000 in October of 2008. By June of 2009, however, the median home prices had risen to almost \$237,000. In the first months following the home buyer tax credits, which ended in April 2010, the median home price was pushed even higher to \$243,000 in June and \$241,000 in July.

Markets have shown signs of weakness since the tax credit has ended, however.

Homes purchased using the tax credit needed to be closed by the end of June, and since June, the number of closings on homes has declined significantly. Although the Colorado Association of Realtors has not released its official data for July, August or September, preliminary data released by other sources indicates that home sales for the summer of 2010 are down

considerably compared to the summer of 2009, which was itself a very slow summer for home sales. Below is shown in black the year-over-year comparisons in home sales. June through September show four months in a row of declines in closings for home sales which may signal continued weakness in the home purchase market.

*Markets have shown signs of weakness since the tax credit has ended.*



## REGIONAL PRICES INCH UP, CONT. FROM PAGE 1

found in medical care and transportation which increased 3.3 percent and 5.1 percent, respectively.

The largest drops were in housing and apparel, which fell 1.0 percent and 0.1 percent, respectively.

Transportation costs rose partially as a result

of a year over year rise in oil prices, with oil increasing from \$71 last August to \$76 during August of this year.

The CPI for the Denver-Boulder-Greeley area for the first half of 2010, released on August 13, showed the overall CPI for the area increasing 1.7 percent from the first half of 2009. Hous-

ing showed some very small increases with an increase of 0.2 percent from the first half of 2009 to the first half of 2010. Housing prices increased 0.2 percent from the last half of 2009 to the first half of 2010.

The Housing CPI includes rent or owner rent equivalent, utilities and furnishings.

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*The mission of the Colorado Division of Housing is to ensure that Coloradans live in safe, decent and affordable housing by helping communities meet their housing goals.*

**DOH is your partner in providing financial assistance and services that increase the availability of housing to residents of Colorado who can least afford it.**

Next State Housing Board Meeting: November 9, 2010

Be sure to attend this year's Annual Demography Meeting on November 5th for excellent demographic and economic forecasts for Colorado. Visit the Demography Office's web site for details: <http://dola.colorado.gov/demog/annualmtg.html>

Housing Snapshot is written by Ryan McMaken

## FORECLOSURE FILINGS DOWN, SALES AT AUCTION UP

Foreclosure filings in Colorado's metropolitan counties fell in September, falling 8.7 percent to 2,987 filings from August's total of 3,272. Filings also fell 14.1 percent year-over-year, dropping from September 2009's total of 3,480. The most recent fall in filings continues an overall trend in falling foreclosure filings that has

been generally maintained since the summer of 2009.

Foreclosure sales at auction, on the other hand, increased both month-over-month and year-over-year. Foreclosure sales rose 18.7 percent, from August 2010's total of 1,763 sales to September's total of 2,093 sales. Sales rose 24.4 percent

from September 2009 to September of this year.

Foreclosure sales at auction, on a month-by-month basis, have generally been increasing since the Spring of 2009, although they did exhibit a rather sustained decrease for several months during the spring and summer of this year, and no new trend has yet been established.

Although foreclosure filings have been slowly decreasing, both filings and sales remain at historic highs, and show little evidence of any imminent and sustained drops in total foreclosure activity in the near term.

Full monthly and quarterly data will be released by CDOH in early November.

