DOLA's Division of Housing

# HOUSING SNAPSHOT

March 2011

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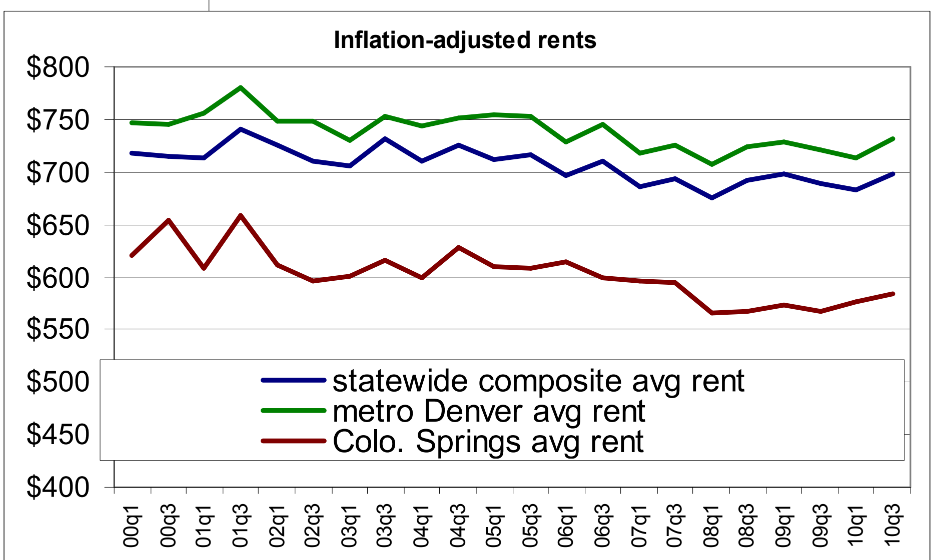
## RENT GROWTH CONTINUES ACROSS COLORADO AS VACANCIES TIGHTEN

The Division of Housing released new statewide vacancy and rent information in February and the latest data points toward continued declines in vacancies across the state. As a result, rent levels have begun to move upward in Colorado. In metro Denver, from Q42009 to Q42010, rents increased 31 dollars from $875 to $906. During the same period, the statewide composite average rent increased 39 dollars from $782 to $821. These recent increases in rent may be substantial for many renters, but from the owners' perspective, recent increases come on the tail end of several years of declining rents in real terms. As can be seen in the chart at left, when adjusted for inflation, average rents in Colorado declined for much of the past decade. Real (inflation-adjusted) rents have begun to move upward in recent quarters, but additional rent growth will be necessary for real rents to return to 2000 levels.




Rent growth in real terms has been most noticeable in the Fort Collins/ Loveland area and in the Grand Junction area in recent years. But, Grand Junction rents have begun to retreat in the face of a declining oil and gas sector, while Larimer County rents are poised for continued increases, as are rents in Colorado Springs.

## DENVER-BOULDER-GREELEY PRICES RISE

The Consumer Price Index for All Urban Consumers (CPI-U) for the Denver-Boulder-Greeley, Colo., metropolitan area increased 2.0 percent from the second half of 2009 to the second half of 2010 the U.S. Bureau of Labor Statistics reported on February 17. The Denver-Boulder-Greeley CPI is released twice per year.

The most recent index also shows a 1.4 percent increase in the index from the first half of 2010 to the second half of 2010. Year-over-year, the largest increases were found in transportation, which increased 6.2 percent, and

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# February Foreclosures plummet, temporarily

*The primary driver behind this decline is the continued slow place in the processing of foreclosures put in place by the industry late last year.*

**Earlier this month, the Division of Housing reported that new foreclosure filings in Colorado had reached a 30-month low in February:** foreclosure sales fell 26.4 percent from January to February as mortgage servicers continued to process foreclosures at an unusually slow pace in response to the "robo-signing" controversy that surfaced last fall.

Comparing year-over-year, foreclosure filings fell 34.7 percent in February, and year-to-date comparisons show that for the period including both January and February this year, foreclosure filings are down 18.8 percent as compared to the same period last year. There were 1,986 new foreclosure filings during February 2010 in Colorado's metropolitan counties, compared to February 2010's total of 3,042.

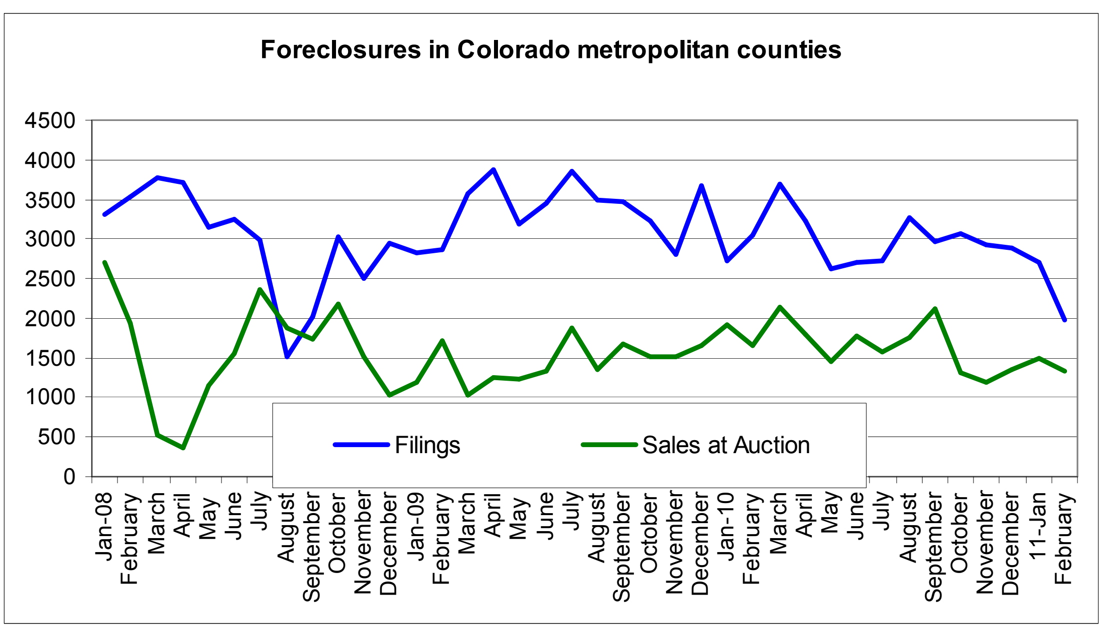
The primary driver behind this decline is the continued slow place in the processing of foreclosures put in place by the industry late last year. It appears that foreclosures have still not bounced back from this change in the process.

Colorado is not alone in feeling the effects of this change. In its March 10 release of foreclosure data, Realtytrac noted that national foreclosure numbers were at a 36-month low, which was similar to our own numbers showing a 30-month low.

The ongoing slowdown in the processing of foreclosures by mortgage companies has caused the downward trend to accelerate, although this accelerated rate is not likely to be sustained.

One reason we suspect that foreclosure numbers will creep back up, and thus return to the older, more moderate trend downward, is the fact that during the fourth quarter of 2010, when the slowdown was first put in place, the foreclosure inventory actually increased following a previous period of decline in the inventory. This tells us that foreclosures are not actually going away at an accelerated pace, since the slowdown in processing has seemed to cause a backlog in the foreclosure inventory.

The more measured rate of decline in foreclosure totals, seen from late 2009 to late 2010 in the graph below, is more likely to be representative of the overall housing economy trends in Colorado, and so an artificially steep drop should be viewed with some reservation.



## Total employment in Colorado falls, driving up unemployment rate

The employment situation worsened in Colorado in January. The unemployment rate rose from 9.5 percent in January 2010 to 9.9 percent in January 2011. According to the state's employment data, the unemployment rate spiked in January 2010 as well, but January 2011's spike was larger.

What is driving the recent acceleration in the unemployment rate is the fact that the total labor force has increased, while total employment has continued to deteriorate. During 2009, the labor force fell with total employment, keeping the unemployment rate down somewhat. However, in recent months, the labor force has flattened out while total employment has continued to fall.

During January 2011, there were 30,800 fewer jobs than there were during January 2010. There were 23,000 fewer people in the labor force during Janaury 2011 than was the case during January 2010. Since the labor-market peak was reached during July 2008, total employment is now down 222,000 jobs, while the total labor force is now down 94,000 people. In every month since September 2008, the year-over-year change has been negative, meaning that for the last 27 months, each month's employment total has been lower than the same month one year earlier. In January 2011, total employment was 1.2 percent lower than during January 2010.

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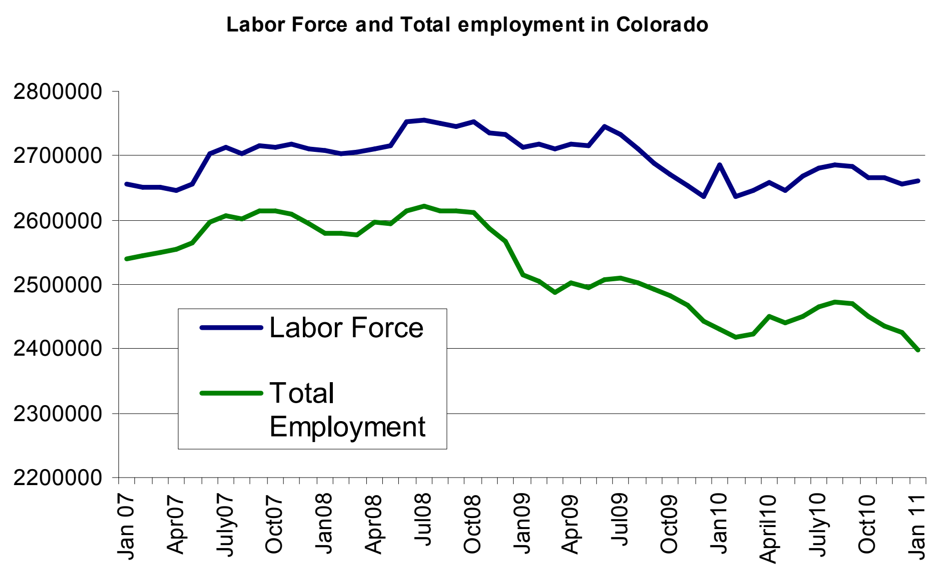


## Food Prices soar in February

In recreation, which increased 6.1 percent. Food prices increased 1.2 percent, according to the report, and housing prices increased 1 percent.

Deflationary pressures continue in the market place in the face of stagnant wages and limited job growth. New layoffs in government jobs also provide downward pressure on demand for goods and services. On the other hand, commodity prices have been increasing in recent months. On March 16, The Labor Department reported that, nationally, wholesale prices jumped by the largest amount reported in two years due to the steepest rise in food prices in 36 years.

According to the Associated Press: "Food prices soared 3.9 percent last month, the biggest gain since November 1974. Most of that increase was due to a sharp rise in vegetable costs, which increased nearly 50 percent. That was the most in almost a year. Meat and dairy products also rose. "

According to the CPI Blue Card for the "West" region of the US, prices for all items rose 1.9 percent from a year earlier.

**DOLA's Division of Housing**

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HOUSING

*Visit us on our searchable blog:*

Divisionofhousing.blogspot.com

*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: April 12, 2011
- Metro Denver Vacancy and Rent information is expected the week of April 26.
- 1st Q 2011 Foreclosure information is expected the first week of May
- For more detailed information on all topics discussed here, visit our Housing Blog: divisionofhousing.blogspot.com

Housing Snapshot *is written by Ryan McMaken*

## HOME PRICES IN COLO. METRO AREAS CONTINUE SLOW, STEADY DECLINE

**According to the Federal Housing and Finance Agency (FHFA), home prices in Colorado's metropolitan areas continued to decline at a slow pace during the fourth quarter of 2010. The report continues to reinforce other measures of home prices (i.e., the Case-Shiller Index and local REALTOR Association data) that suggest generally stable prices that are nonetheless slowly decreasing. In many areas, prices have returned to 2004 levels, although compared to FHFA's national home price index, Colorado has shown more strength in home prices in recent years.** From the 4th quarter of 2009 to the 4th quarter of 2010, the house price index is down 1.3 percent in the US and it is down 1.0 percent in Colorado. The US index is down 10.9 percent since it peaked during the first quarter of 2007, and the Colorado index is down 4.5 percent since it peaked during the first quarter of 2008. **The chart at left shows six metro areas in Colorado and recent index trends.**