

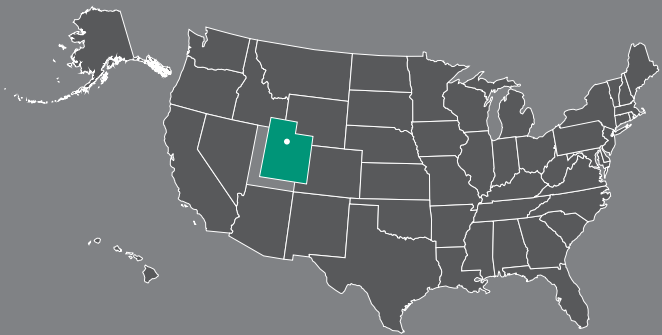
# HUD PD&R Housing Market Profiles

## Provo-Orem, Utah



### Quick Facts About Provo-Orem

- **Current sales market conditions: slightly soft.**
- **Current apartment market conditions: balanced.**
- **From 2015 to 2016, the Provo-Orem metropolitan area had the seventh fastest population growth in the nation, increasing 3.1 percent (U.S. Census Bureau population estimates as of July 1).**

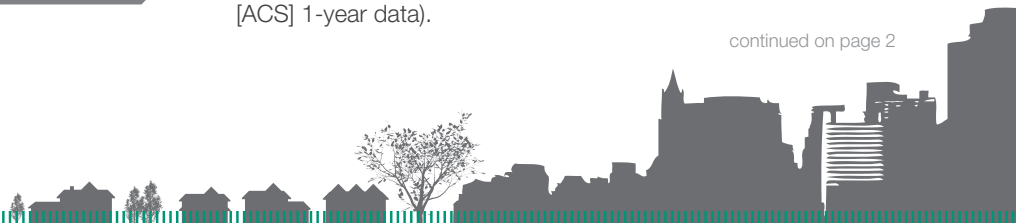


By Katharine Auchter | As of March 1, 2017

### Overview

The Provo-Orem metropolitan area is in north central Utah. The metropolitan area consists of Juab and Utah Counties along the southern edge of the Wasatch Mountains. Approximately 98 percent of the population resides in Utah County, primarily along the Interstate 15 corridor between the Salt Lake City metropolitan area to the north and the city of Provo. The urban core, consisting of the cities of Provo and Orem, is home to Brigham Young University (BYU) and Utah Valley University (UVU). BYU is one of the five largest private universities in the nation (Integrated Postsecondary Education Data System), and UVU is the largest university in the state. Combined enrollment at both universities was approximately 60,000 students in the fall of 2016. The large number of students in the metropolitan area contributes to a young population with a median age of 24.5 years; by comparison, the median age nationally is 37.8 years (2015 American Community Survey [ACS] 1-year data).

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- The population in the metropolitan area currently is estimated at 614,700. The population has increased by 12,700, or 2.3 percent, annually since 2010. Net natural change (resident births minus resident deaths) is the primary component of population growth, comprising approximately 80 percent of the population growth since 2010.

- From 2000 to 2010, the population increased by 15,000, or 3.4 percent, annually.
- The average household size in the metropolitan area is 3.6 people, unchanged from the size in 2010 (2010 and 2015 ACS 1-year data). By comparison, the average household size nationally was 2.7 in 2015. The large household size is due to the student population and young families with high birth rates.

## Economic Conditions

The economy in the Provo-Orem metropolitan area continues to expand rapidly following the recent recession. In 2012, nonfarm payrolls surpassed the prerecession peak of 190,500 jobs in 2007. From 2013 through 2016, total nonfarm payrolls added an average of 11,100 jobs, or 5.3 percent, annually, nearly triple the national rate of 1.8 percent. The education and health services, wholesale and retail trade, professional and business services, and government sectors account for 22, 16, 13, and 13 percent of total payrolls in the metropolitan area, respectively. BYU is the largest employer in the metropolitan area, with more than 15,000 employees.

During the 3 months ending February 2017—

- Total nonfarm payrolls added 10,200 jobs from a year earlier, an increase of 4.4 percent, to average 243,100 jobs, 28 percent higher than the prerecession peak in 2007. The financial services

sector had the largest percentage growth in the metropolitan area, increasing 6.8 percent, or by 500 jobs, from a year earlier to average 7,900 jobs.

- The wholesale and retail trade and the education and health services sectors led job gains, adding 2,100 jobs each, or 5.9 and 4.1 percent, respectively, from a year earlier.
- The professional and business services sector also posted strong gains, adding 1,700 jobs, or 5.5 percent year over year, to average 32,500 jobs. In August 2016, Oto Analytics, Inc. (also known as Womply), which provides management and advertising software and services to small businesses, opened an office in the city of Lehi; Womply currently has approximately 100 employees and is in the process of adding nearly 75 more jobs during the next 4 years.

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**In the Provo-Orem area, all but one sector added jobs year over year, with nine sectors expanding 4.0 percent or more.**

	3 Months Ending		Year-Over-Year Change	
	February 2016 (thousands)	February 2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	232.9	243.1	10.2	4.4
Goods-producing sectors	38.4	39.4	1.0	2.6
Mining, logging, and construction	20.2	21.1	0.9	4.5
Manufacturing	18.3	18.3	0.0	0.0
Service-providing sectors	194.4	203.7	9.3	4.8
Wholesale and retail trade	35.6	37.7	2.1	5.9
Transportation and utilities	3.4	3.6	0.2	5.9
Information	12.0	12.6	0.6	5.0
Financial activities	7.4	7.9	0.5	6.8
Professional and business services	30.8	32.5	1.7	5.5
Education and health services	50.8	52.9	2.1	4.1
Leisure and hospitality	18.5	19.4	0.9	4.9
Other services	5.0	5.2	0.2	4.0
Government	31.0	31.8	0.8	2.6
	(percent)	(percent)		
Unemployment rate	3.0	2.8		

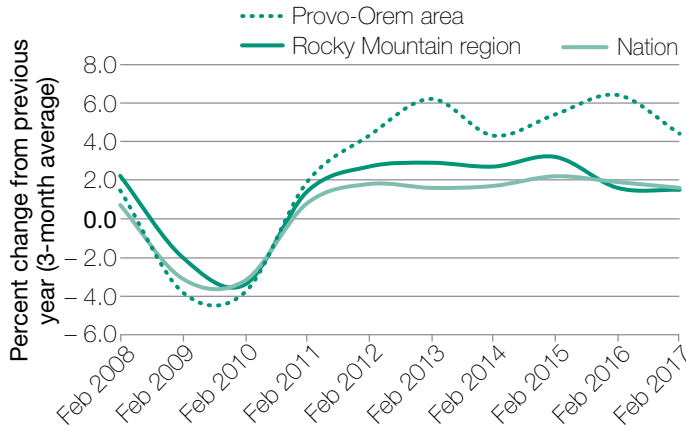
Note: Numbers may not add to totals because of rounding.  
Source: U.S. Bureau of Labor Statistics



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- The unemployment rate averaged 2.8 percent, down from 3.0 percent a year earlier. The current unemployment rate is similar to the prerecession unemployment rates during 2006 and 2007 in the metropolitan area.

**Nonfarm payroll growth in the Provo-Orem area has outpaced growth in Utah and the nation since 2011.**



Source: U.S. Bureau of Labor Statistics

The Provo-Orem area has a highly educated workforce in part because of the presence of BYU and UVU. Nearly 40 percent of the population has a bachelor's degree or higher compared with approximately 30 percent nationally (2015 ACS 1-year data). The two universities have an estimated combined economic impact of about \$1.3 billion on the metropolitan area (BYU and UVU studies). BYU typically maintains steady enrollment levels, but enrollment at UVU, a public university, increased 3 percent annually from 2010 to 2016.

**Largest employers in the Provo-Orem area**

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Brigham Young University	Education and health services	15,000–19,999
Utah Valley Regional Medical Center	Education and health services	5,000–6,999
Utah Valley State University	Government	3,000–3,999

Note: Excludes local school districts.  
Source: Utah Department of Workforce Services, 2015

**Sales Market Conditions**

The sales housing market in the Provo-Orem metropolitan area currently is slightly soft, with an estimated sales vacancy rate of 1.8 percent, down from 3.2 percent in 2010. Utah County had a 2.4-month supply of for-sale inventory in February 2017, down from 2.9 months a year earlier (Utah Association of Realtors®). The percentage of home loans in the Provo-Orem metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status peaked at 7.4 percent in February 2010 but decreased steadily in the past 7 years. The rate declined from 1.4 percent in January 2016 to 1.1 percent in January 2017 (CoreLogic, Inc.). The rate in the metropolitan area is below the 1.2-percent rate for Utah and the 2.6-percent rate for the nation.

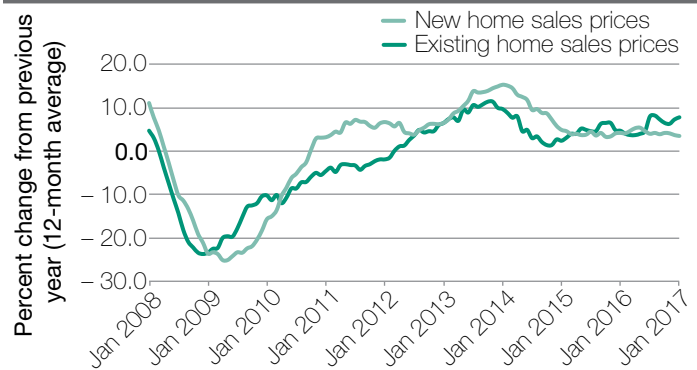
During the 12 months ending January 2017—

- The number of new homes sold totaled 2,925, up 11 percent from the 12 months ending January 2016 (CoreLogic, Inc., with adjustments by the analyst). The number of new homes sold was nearly double the average of 1,475 homes sold annually from 2010 through 2012 but much less than the average of 4,900 homes sold annually from 2005 through 2007.
- Existing home sales totaled 12,050, up 4 percent from the previous year and more than the average of 8,475 homes sold annually from 2008 through 2011. Existing home sales remained below the average of 15,450 homes sold from 2005 through 2007.

- The sales price of a new home averaged \$337,900, up nearly 4 percent from a year earlier, but remained below the average of \$342,900 when the average sales price peaked in 2007.
- The average price of an existing home sold was \$299,900, up 8 percent from the previous year. Existing home prices have begun to recover from the low of \$221,600 averaged during 2011 but remain approximately 14 percent below the previous peak of \$350,300 averaged during 2007.

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**The increases in the average new and existing home sales prices have exceeded 3 percent in the Provo-Orem area for the past 2 years.**



Note: Includes single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc., with adjustments by the analyst

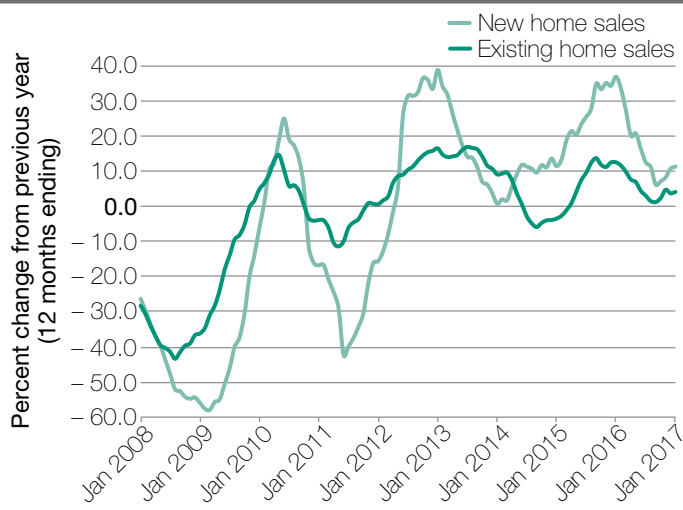


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Single-family home construction activity, as measured by the number of single-family homes permitted, has increased each year since 2012 but remains below prerecession levels.

- The number of single-family homes permitted increased to 4,500 during the 12 months ending February 2017, up 34 percent from the 3,375 homes permitted during the previous 12 months (preliminary data).
- Single-family home construction increased by an average of 290 homes permitted, or 12 percent, annually from 2012 through 2015 to 3,100. Single-family construction remains below the average of 4,800 homes permitted annually from 2005 through 2007.
- The town of Vineyard, situated between the city of Orem and Utah Lake, has significant residential construction under way, largely because of the redevelopment of the former Geneva Steel mill site. Construction at the Waters Edge master-planned community began during the summer of 2016 and will include more than 1,200 condominiums, townhomes, and detached

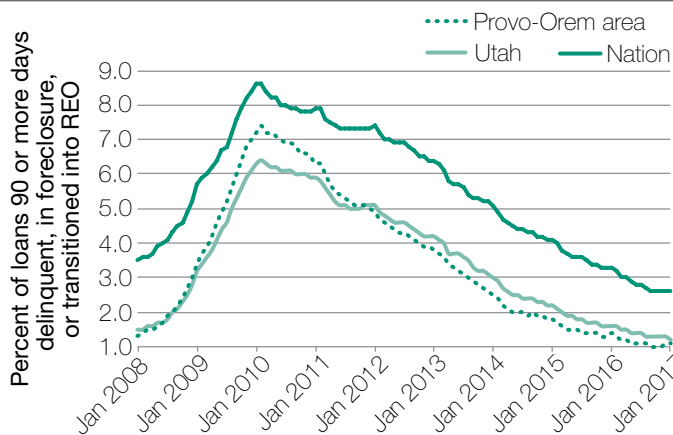
New and existing home sales in the Provo-Orem area increased during the past 2 years but remained below prerecession levels.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

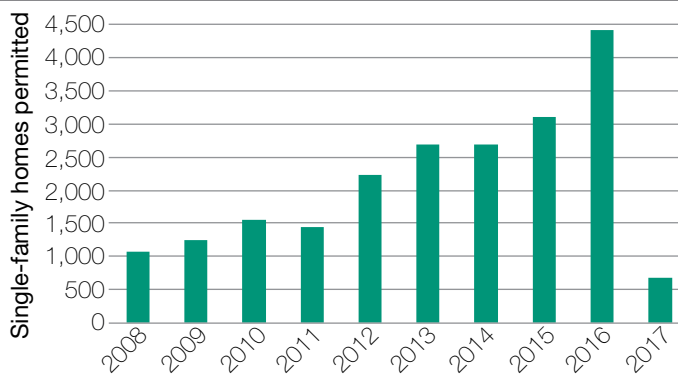
single-family homes when complete, although the expected buildout date is not determined. The price for a new three-bedroom home with two bathrooms starts at about \$260,000 (Metrostudy, A Hanley Wood Company).

The percentage of seriously delinquent home loans and REO properties in the Provo-Orem area was below the rates for Utah and the nation.



REO = real estate owned. Source: CoreLogic, Inc., with adjustments by the analyst

The number of single-family homes permitted in the Provo-Orem area has increased every year since 2012.



Note: Includes preliminary data from January 2016 through February 2017. Source: U.S. Census Bureau, Building Permits Survey

## Apartment Market Conditions

The apartment market in the Provo-Orem area is currently balanced, despite elevated levels of apartment construction from 2014 through 2016 that increased supply. Since the start of 2014, 3,675 apartment units have been completed, increasing the apartment inventory more than 20 percent (MPF Research). Strong job growth, increasing

population, and declining homeownership are contributing to increased demand for rental housing in the metropolitan area, including apartments.

- During the fourth quarter of 2016, the apartment vacancy rate was 7.4 percent, down from 7.8 percent a year earlier (Reis, Inc.).

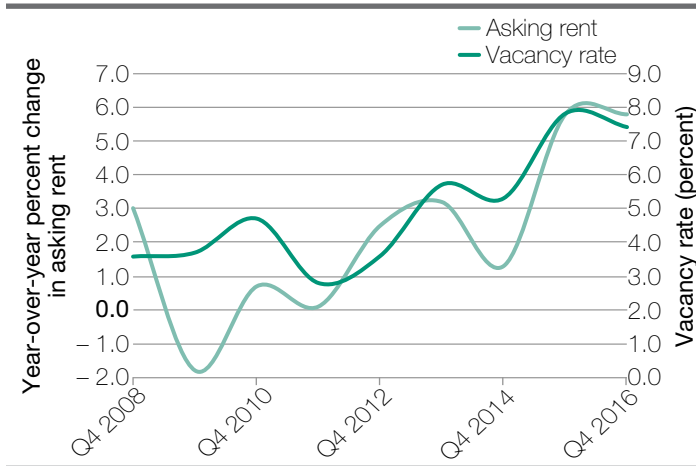
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- The average monthly apartment asking rent was \$927 during the fourth quarter of 2016, up 5.8 percent from a year earlier, the same as the rent increase from the fourth quarter of 2014 to 2015.
- Monthly rents during the fourth quarter of 2016 averaged \$585 for studio, \$840 for one-bedroom, \$1,019 for two-bedroom, and \$1,156 for three-bedroom units (MPF Research).
- In the cities of Provo and Orem, where BYU and UVU are located, respectively, the apartment market is tight, with a vacancy rate of 3.0 percent among stabilized projects in March 2017 (ALN Apartment Data, Inc.). The average rent in the cities was \$1,078.
- Three-bedroom units comprise more than 40 percent of the apartment stock in the metropolitan area, in part because of the large average household size and the student population (MPF Research).

**The average apartment rent in the Provo-Orem area increased nearly 6 percent during the past 2 years, despite vacancy rates above 7 percent.**

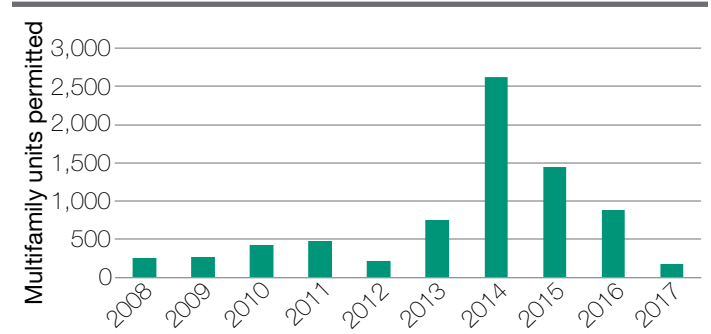


Q4 = fourth quarter.  
Source: Reis, Inc.

Multifamily construction, as measured by the number of units permitted, has declined since a peak of 2,625 units were permitted in 2014, which was the most units permitted in a single year since 1980.

- During the 12 months ending February 2017, approximately 1,000 units were permitted, down 27 percent from the 1,375 units permitted the previous year (preliminary data).
- Multifamily construction averaged 330 units annually from 2008 through 2012, down from an average of 860 units built annually from 2001 through 2007.
- The 324-unit The Alloy at Geneva in the town of Vineyard was completed in the fall of 2015. The project is at stabilized occupancy with monthly rents for the one-, two-, and three-bedroom units starting at \$1,049, \$1,079, and \$1,429, respectively.
- Approximately 250 dormitory beds are under way at BYU, to be completed by the start of the 2017–2018 school year. The additional beds will help alleviate localized tight rental market conditions in the cities of Provo and Orem.
- The 331-unit Parkway Lofts in the city of Orem will be completed by the summer of 2017. Preleasing has begun, and rents for the studio, one-bedroom, two-bedroom, and three-bedroom units start at \$900, \$965, \$1,225, and \$1,495, respectively.

**The number of multifamily units permitted in the Provo-Orem area peaked in 2014 and has since declined to be more in line with historical averages.**



Note: Includes preliminary data from January 2016 through February 2017.  
Source: U.S. Census Bureau, Building Permits Survey

