

THE HOUSING RECOVERY: JOB LOSSES, FORECLOSURES AND SHORT SALES

Job losses in Utah have been widespread, with all major counties experiencing employment declines. In terms of percent change Wasatch County has sustained the greatest loss among major counties, while Tooele has fared quite well, *Table 1*. In Wasatch County employment is down 10.7 percent in the past year, while Tooele County's decline is only one-tenth of one percent. Of course Salt Lake County leads in total number of jobs lost with a nearly 31,000 decline over the past 12 month period.

While residential construction declines seem to have nearly ended at the statewide level, and in the three largest counties, a review of all major counties shows there is still home building weakness in many smaller counties, *Table 2*. It should be noted that the strength in Salt Lake County is primarily due to a surge in apartment construction.

Particularly troubling for the housing industry is the relentless rise of foreclosure filings in Utah over the past

Table 1
Major Counties Ranked by Percent Change
in Nonagricultural Employment

	2008 2nd Qtr	2009 2nd Qtr	% Change	Numeric Change
Wasatch	6,729	6,007	-10.7%	-722
Box Elder	20,716	18,713	-9.7%	-2,003
Summit	21,755	19,885	-8.6%	-1,870
Washington	52,261	48,049	-8.1%	-4,212
Iron	16,816	15,481	-7.9%	-1,335
State	1,259,451	1,194,155	-5.2%	-65,296
Weber	96,686	91,723	-5.1%	-4,963
Salt Lake	604,593	573,782	-5.1%	-30,811
Utah	185,455	176,302	-4.9%	-9,153
Davis	105,147	100,681	-4.2%	-4,466
Cache	50,728	48,687	-4.0%	-2,041
Tooele	15,722	15,705	-0.1%	-17

Source: Utah Department of Workforce Services

Table 2
Major Counties Ranked by Percent Change
in Residential Building Permits
(New homes, condos, twin homes and town homes)

	2008	2009	% Change	Numeric Change
Summit	214	385	79.9%	171
Salt Lake	3,555	4,586	29.0%	1,031
Utah	1,415	1,486	5.0%	71
Davis	1,027	1,060	3.2%	33
State*	10,603	10,489	-1.1%	-114
Cache	523	497	-5.0%	-26
Washington	682	605	-11.3%	-77
Tooele	237	187	-21.1%	-50
Iron	197	140	-28.9%	-57
Weber	704	477	-32.2%	-227
Box Elder	274	175	-36.1%	-99
Wasatch	192	67	-65.1%	-125

*Comment in paragraph 2 under res. Construction refers to only new homes.
Source: Bureau of Economic and Business Research, University of Utah.

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couple of years. The Mortgage Bankers Association has just released their data on foreclosure rates for the fourth quarter. The data show that the magnitude of the foreclosure problem in Utah is not nearly as severe as some states; Utah ranks 23rd among all states with a fourth quarter foreclosure rate of 3.30 percent, *Table 3*. Although well down in the rankings the 3.3 percent represents the highest level of foreclosure filings ever reported in Utah. Of the 435,300 Utah mortgages surveyed in the fourth quarter of 2009, 14,369 were in the foreclosure process. From the fourth quarter of 2007 to the fourth quarter of 2009 the number of homes in the foreclosure process has increased by four times, rising from 3,557 to 14,369, *Table 4*. Unfortunately the Mortgage Bankers Association does not provide data on the county level.

Table 3
States Ranked by Percent of Mortgages
in Foreclosure Process
(Fourth Quarter 2009)

Rank	State	% of Mortgage Loans Serviced with Foreclosure Filing	Number of Loans with Foreclosure Filing
1	Florida	13.4%	461,472
2	Nevada	9.8%	53,055
3	Arizona	6.1%	70,299
4	New Jersey	5.8%	73,561
5	Illinois	5.6%	96,290
6	California	5.6%	321,285
7	Ohio	4.7%	69,270
8	Michigan	4.6%	62,840
9	Hawaii	4.5%	7,535
10	Maine	4.4%	6,160
23	Utah	3.3%	14,369
	U.S.	4.6%	2,034,722

Source: Mortgage Brokers Association.

Table 4
Mortgages with Foreclosure Filings in Utah

	Percent	Number	Numeric Increase
2007			
1st Qrt.	0.57	2,322	---
2nd Qrt.	0.55	2,368	46
3rd Qrt.	0.66	2,796	428
4th Qrt.	0.80	3,557	761
Annual 2008	0.65	2,760	---
1st Qrt.	1.02	4,402	845
2nd Qrt.	1.23	5,347	944
3rd Qrt.	1.43	6,298	952
4th Qrt.	1.79	7,891	1,593
Annual 2009	1.36	5,985	---
1st Qrt.	2.36	10,301	2,410
2nd Qrt.	2.85	12,409	2,108
3rd Qrt.	3.03	13,325	916
4th Qrt.	3.30	14,369	1,044

Source: Mortgage Bankers Association.

Although Utah’s foreclosure rate is currently well below the national rate, it has historically tended to rise above that rate during recessions and housing contractions. During the past two Utah recessions, 1988 and 2002, Utah’s foreclosure rate exceeded the national rate by about 75 basis points, or three-quarters of one percent. Nationally the foreclosure rate is 4.6 percent. As in the past, Utah’s foreclosure rate will follow the national trend but the state is unlikely to exceed the national rate this time around. The national rate has been pushed to an extraordinarily high level due to the collapse of housing prices, massive overbuilding, and huge job losses in a few large states. These states are dominating the national numbers, therefore skewing the numbers on the high side. That said, all indicators point to another year of increasing foreclosures in Utah. The annual rate for 2010 will very likely reach four percent, resulting in 17,400 homes in the foreclosure process; nearly triple the previous high of 6,800 homes in 2002.

Another sign of distress in the housing market is short sales. Currently, 21 percent of all homes (single-family, condominiums, twin homes and town homes) listed or under contract in Salt Lake County are short sale homes, *Table 5*. Of the 1,702 short sales homes 1,455, or 85 percent, are priced below \$300,000, which makes for tough competition for contractors, *Table 6*.

What impact the job market, foreclosures, short sales, and the withdrawal of the Feds will have on the housing market is uncertain. The hope is that the positive momentum of 2009, growing optimism of builders, elimination of unsold inventory, and demographic growth will be sufficient for the industry to build on last year's gains.

Table 5
Short Sale Listings in Cities in Salt Lake County
(February 2010)

	Total Listings	Short Sale Listings*	Short Sale Listings <\$300,000*
Bluffdale	72	25	5
Cottonwood Heights	162	26	18
Draper	503	15	66
Herriman	395	132	99
Holladay	219	17	6
Kearns	117	45	45
Magna	253	65	63
Midvale	214	37	34
Murray	311	47	6
Riverton	327	72	63
Salt Lake City	2,124	368	300
Sandy	840	159	113
South Jordan	661	148	106
South Salt Lake	42	5	5
Taylorsville	281	62	60
West Jordan	945	268	257
West Valley	727	211	209
Total	8,193	1,702	1,455

*includes active and under contract listings.
Source: Wasatch Front Regional Multiple Listing Service.

Table 6
Short Sale Listings as Percent of
Total Listings by Cities
(February 2010)

	Short Sale Listings as % of Total Listings*	% of Short Sale Listings <\$300,000*
Bluffdale	34.7%	20.0%
Cottonwood Heights	16.0%	69.2%
Draper	30.0%	43.7%
Herriman	33.4%	75.0%
Holladay	7.8%	35.3%
Kearns	38.5%	100.0%
Magna	25.7%	96.9%
Midvale	17.3%	91.9%
Murray	15.1%	12.8%
Riverton	22.0%	87.5%
Salt Lake City	17.3%	81.5%
Sandy	18.9%	71.1%
South Jordan	22.4%	71.6%
South Salt Lake	11.9%	100.0%
Taylorsville	22.1%	96.8%
West Jordan	28.4%	95.9%
West Valley	29.0%	99.1%
Total	20.8%	85.5%

*includes active and under contract listings.
Source: Wasatch Front Regional Multiple Listing Service.