

## 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<br>2nd Qtr | 2009<br>2nd Qtr | %<br>Change | Numeric<br>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<br>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                             |
| <b>Total</b>       | <b>8,193</b>   | <b>1,702</b>         | <b>1,455</b>                    |

\*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%                                |
| <b>Total</b>       | <b>20.8%</b>                                | <b>85.5%</b>                         |

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