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## Snapshot of the Big Picture

by *Jamie Huish Stum*

Despite the constant news about the glum state of the residential real estate market, a recent government report suggests homeowners and professionals should look at the bigger picture. It appears Utah homeowners will be fine after all.

Utah ranked no. 1 in the nation for greatest home appreciation between the second quarters of 2006 and 2007, appreciating at 15 percent, according to a report released Thursday by the Office of Federal Housing Enterprise Oversight (OFHEO).

The Provo-Orem area ranked second in the nation for Metropolitan Statistical Areas of greatest appreciation between the second quarters of 2006 and 2007, with homes reportedly appreciating at more than 18 percent. Salt Lake City ranked third at 16 percent.

This is the opposite of the residential real estate market story told nationally. The report's House Price Index (HPI) shows the smallest quarterly increase in home appreciation since 1994, rising only 0.1 percent from the first quarter of 2007. The HPI is based on information gathered nationally from home sales and refinances.

Utah differs from the national trend for many reasons, experts say.

"Significant price declines appear localized in areas with weak economies or where price increases were particularly dramatic during the housing boom," said OFHEO Director James B. Lockhart in the report.

By contrast, Utah's economy is strong is also enjoying incredible growth in many areas, says Jaren L. Davis, vice president of business development of Coldwell Banker Residential.

"We see that growth cross-spectrum," he says. "We know there's extreme job growth...we see amazing companies that are choosing Utah not only as a place to set up shop, but as a place for their headquarters."

Many areas in the nation experienced exceptional levels of home appreciation during the past few years, making the numbers unsustainable, Davis says. While Utah experienced its fair share of the boom during the past three years, the state's numbers were not as record-breaking as those in other markets, such as Las Vegas. This created an opportunity within the state for affordable home ownership during a time of state economic growth, Davis says.

"Other areas have weaker economies and those are seeing declines," Davis says. "They're seeing housing stock that appreciated much too quickly."

National news about the residential real estate market continues to be negative because of subprime lending practices. This information is making buyers and sellers wary of entering a market they worry might



experience declines and is causing a slowdown that is not necessarily reflective of our state's situation, Davis says. However, this attitude is actually serving as a check that keeps home price appreciation from increasing too fast, he says.

"If we didn't have that news today, the appreciation would be so great, we'd be concerned about keeping our affordability," Davis says.

Although Utah currently has a large amount of standing inventory, Davis says absorbing that inventory will help control the affordability of the state's homes. The tight lending regulations will loosen up, Davis says. This will put more buyers back in the market, but these will be buyers who are purchasing primary residences instead of the influx of investors the market saw during the housing boom. And homeowners can breathe easier; no depreciation is expected.

"The dynamics are such that we shouldn't see a market that will see our housing stock depreciate," Davis says.

Although the report shows appreciation is high, many residential real estate professionals are seeing a slowdown in businesses. Davis says the state is in a window period that will actually benefit the market.

"With a decrease in sales, we will see a decrease in the number of title companies, agents and mortgage companies, but that is healthy because the professional will stay in business servicing their clients," he says. "We have practitioners in the market who have never seen a slowdown market; they don't know what to do. Professionals have seen this before."

Other states that reported strong appreciation were Wyoming (13 percent), Washington (9 percent), Montana (9 percent) and New Mexico (9 percent). States that saw declines included Nevada (-1.5 percent), Michigan (-1.4 percent), California (-1.4 percent) and Massachusetts (-1 percent).



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