

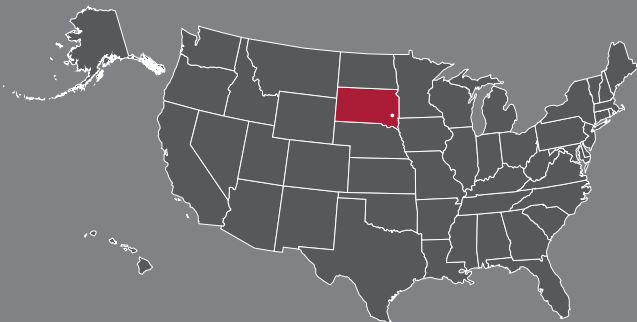
HUD PD&R Housing Market Profiles

Sioux Falls, South Dakota



Quick Facts About Sioux Falls

- Current sales market conditions: slightly tight
- Current apartment market conditions: balanced
- In 2018, Sioux Falls was ranked number one on *Forbes'* list of "The Best Small Cities For Business And Careers" and topped *SmartAsset's* list of "The Best Cities For Young Professionals."



By Katharine Jones | As of October 1, 2018

Overview

The Sioux Falls metropolitan area consists of Lincoln, McCook, Minnehaha, and Turner Counties in southeast South Dakota. Sioux Falls, the largest city in the state, is a regional center for healthcare services. The education and health services sector is the largest payroll sector in the metropolitan area, constituting 20 percent of nonfarm payrolls. The two largest employers in the area, Sanford Health and Avera Health with a combined number of workers totaling approximately 17,850, are in this sector.

- The population is estimated at 264,900 as of October 1, 2018, an average annual increase of 4,325, or 1.7 percent, since 2013. Nearly 50 percent of the population growth resulted from net in-migration, which averaged 2,050 people a year.
- Population growth was stronger from 2003 through 2008, increasing by an average of 4,825 people, or 2.4 percent, annually. During that period, net in-migration accounted for approximately 60 percent of the growth.
- Nearly 75 percent of the metropolitan area population resides in Minnehaha County, which includes most of the city of Sioux Falls.



PD&R

Nonfarm payrolls in the service-providing sectors account for 85 percent of total payrolls but contributed less than 70 percent of payroll growth in the Sioux Falls area in the past year.

	3 Months Ending		Year-Over-Year Change	
	September 2017 (Thousands)	September 2018 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	156.6	159.2	2.6	1.7%
Goods-Producing Sectors	23.3	24.1	0.8	3.4%
Mining, Logging, & Construction	9.2	9.5	0.3	3.3%
Manufacturing	14.1	14.6	0.5	3.5%
Service-Providing Sectors	133.3	135.1	1.8	1.4%
Wholesale & Retail Trade	26.7	26.1	-0.6	-2.2%
Transportation & Utilities	5.5	5.6	0.1	1.8%
Information	2.6	2.5	-0.1	-3.8%
Financial Activities	15.8	15.8	0.0	0.0%
Professional & Business Services	14.9	16.2	1.3	8.7%
Education & Health Services	31.8	32.1	0.3	0.9%
Leisure & Hospitality	16.0	16.2	0.2	1.3%
Other Services	6.0	6.2	0.2	3.3%
Government	14.1	14.5	0.4	2.8%
	(Percent)	(Percent)		
Unemployment Rate	2.6%	2.2%		

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

Economic Conditions

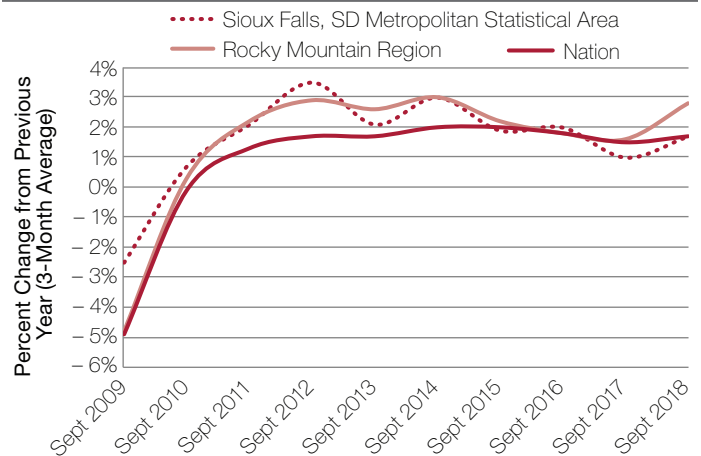
Nonfarm payrolls in the Sioux Falls metropolitan area have increased every year since 2010. During the third quarter of 2018, total nonfarm payrolls increased by 2,600 jobs, or 1.7 percent, from a year earlier, to average 159,200 jobs. Because the growth in resident employment outpaced growth in the labor force, the unemployment rate decreased during the past year to an average of 2.2 percent, compared with an average of 2.6 percent during the third quarter of 2017. The current unemployment rate is slightly higher than the 1.9-percent rate averaged in 2000 and 2001.

During the third quarter of 2018—

- The professional and business services led job growth in terms of number of jobs added and rate of growth, adding 1,300 jobs, or 8.7 percent, from a year earlier.
- The manufacturing sector also contributed to job growth, adding 500 jobs, or 3.5 percent, from a year earlier, to 14,600 jobs. Century Custom Molding, Inc. opened a new plastic-molding manufacturing plant in the city of Beresford, creating approximately 25 jobs during summer 2018. Roto Mold, LLC added nearly 45 jobs in the city of Tea during the past year.
- The mining, logging, and construction sector added 300 jobs from a year earlier, an increase of 3.3 percent. Construction is under way on a new Avera Health campus, which will include a

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Nonfarm payroll growth in the Sioux Falls metropolitan area lagged the Rocky Mountain Region during the past year.



Note: Nonfarm payroll growth.
Source: U.S. Bureau of Labor Statistics

Largest Employers in the Sioux Falls Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Sanford Health	Education & Health Services	9,542
Avera Health	Education & Health Services	8,298
Smithfield Foods, Inc.	Manufacturing	3,600

Note: Excludes local school districts.
Source: Sioux Falls Development Foundation



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sports complex, surgical hospital, medical center, and addiction treatment center. The total number of jobs the development added is unknown, but an estimated 200 construction workers were employed during the 2-year process, and Avera Health announced that the addiction treatment center will add 35 jobs. The campus is expected to open in phases during the fourth quarter of 2019.

- Job gains occurred across most sectors and offset losses of 600 jobs in the wholesale and retail trade sector and 100 jobs in the information sector; these job losses represent declines of 2.2 and 3.8 percent, respectively, from the third quarter of 2017. Sears, Roebuck and Company; Younkers, Inc; and Toys “R” Us, Inc. closed stores in the city of Sioux Falls during the summer of 2018. The total number of jobs lost is unknown, but nearly 160 workers were laid off when Younkers, Inc. closed in August 2018.

The metropolitan area is known for its large financial activities sector; the concentration of jobs in the sector is higher than the national average but has been declining overall since 2008. Financial activities sector payrolls account for less than 10 percent of total payrolls, down from a recent peak of 13 percent in 2007. By comparison, approximately 6 percent of national nonfarm payrolls are in the financial activities sector. Approximately 1,300 financial activities jobs have been lost in the metropolitan area since the Great Recession, largely from the layoffs of 750 workers when the Capital One office closed in 2015. Jobs in the sector were essentially unchanged from the third quarter of 2017 and averaged 15,800 jobs. Although jobs in the sector remained steady in the past year, Citibank has laid off 80 people year-to-date in 2018 and announced that they anticipate continuing layoffs through 2025 as the company transitions to more automated services.

Sales Market Conditions

The home sales market in the Sioux Falls metropolitan area is currently slightly tight. The sales vacancy rate is estimated at 1.0 percent, down from 1.6 percent in 2010. The sales market had a 3.6-month supply of homes for sale as of September 2018, down from 4.4 months of inventory a year earlier (Realtor® Association of the Sioux Empire, Inc.). The months of supply of homes for sale in September is the lowest level since 2003.

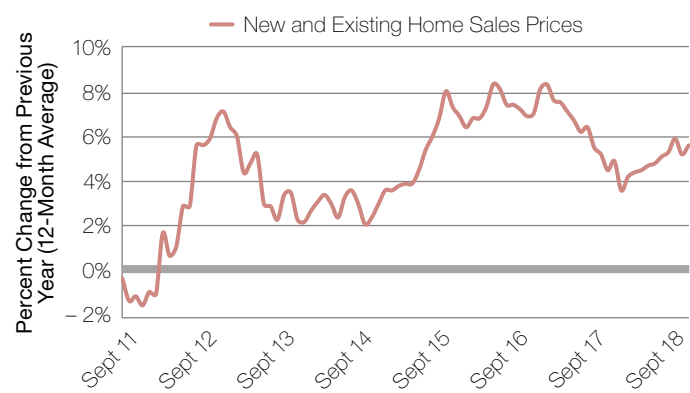
- The sale of new and existing single-family homes, townhomes, and condominiums (hereafter, home sales) during the 12 months ending September 2018 were unchanged from the previous 12-month period, with 4,775 homes sold (Realtor® Association of the Sioux Empire, Inc.).
- The average home sales price increased 6 percent from the

previous 12 months, to \$227,200, during the 12 months ending September 2018.

- The rate of seriously distressed loans has returned to prerecession levels and is comparable to the rates in 2000 and 2001. As of September 2018, approximately 0.8 percent of all home loans were 90 or more days delinquent, in foreclosure, or had transitioned to real estate owned (REO) status. This rate is down from 1.0 percent in September 2017 and less than one-half the national rate (CoreLogic, Inc.).
- The median value of a home in the metropolitan area was approximately 10 percent lower than the national median

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The slightly tight sales market conditions in the Sioux Falls area have led to relatively strong price appreciation for the past 3 years.



Note: Prices include new and existing single-family homes, townhomes, and condominiums.

Source: Realtor® Association of the Sioux Empire, Inc.

Declining inventory of for-sale homes in the Sioux Falls area has contributed to the slower rate of growth in home sales in the past 3 years.



Note: Sales include new and existing single-family homes, townhomes, and condominiums.

Source: Realtor® Association of the Sioux Empire, Inc.

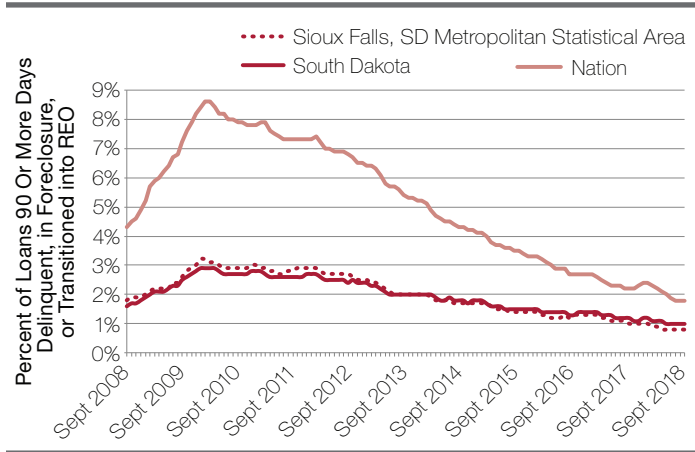


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value of \$217,600 (American Community Survey 2017 1-year estimates). Partly due to the relative affordability of homes in the Sioux Falls metropolitan area, the homeownership rate of 67.6 percent is well above the national rate of 63.9 percent.

Single-family homebuilding activity, as measured by the number of single-family building permits issued, has been elevated in the past 6 years, following the economic weakness during the Great Recession. Nearly 1,275 new homes were permitted annually from 2012 through 2017, compared with an annual average of 840 homes a year from 2008 through 2011. The number of homes permitted remains below the average of 1,725 homes permitted annually from 2001 through 2007, however.

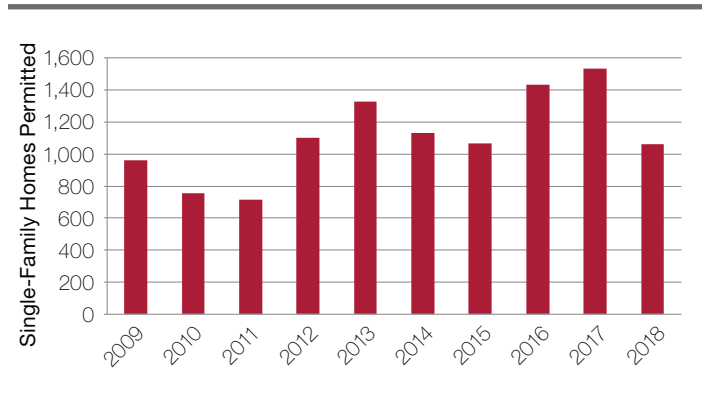
Loan delinquency rates in the Sioux Falls area and South Dakota are consistently well below that of the nation.



REO = real estate owned.
Source: CoreLogic, Inc.

- During the 12 months ending September 2018, single-family homebuilding activity decreased 3 percent from the previous 12-month period, to 1,350 homes built (preliminary data).
- Most new home construction in the metropolitan area is in the city of Sioux Falls. Although it contains nearly 70 percent of the metropolitan area population, the city accounted for more than 80 percent of single-family homebuilding activity since 2016.
- Construction on the Majestic Meadows subdivision, on the east side of the city of Sioux Falls, began in the summer of 2017 and, at buildout, will contain 190 homes. The price of a two-bedroom home starts at approximately \$190,000.

Single-family home permitting in the Sioux Falls area has increased since 2016 in response to the slightly tight sales market.



Note: Includes preliminary data from January 2018 through September 2018.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

The apartment market in the Sioux Falls metropolitan area is currently balanced. Apartment market conditions were soft during the Great Recession, but the stronger economy and moderate population growth have caused market conditions to improve since 2011.

- The apartment vacancy rate averaged 7.1 percent during the third quarter of 2018, up from 6.4 percent a year earlier (Reis, Inc.).
- The average monthly apartment rent was \$871 during the third quarter of 2018, an increase of 2.1 percent from a year earlier.
- In 2008 and 2009, the average vacancy rate exceeded 10 percent, and rents were stagnant at an average of \$690 a month.
- From 2014 to 2016, the market was tighter than it is currently,

with the vacancy rate averaging approximately 6.0 percent a year. The monthly rent increased an average of 3.5 percent each year.

In response to the tight apartment market conditions from 2014 through 2016, builders increased multifamily construction. The number of multifamily units permitted averaged 1,050 units from 2013 to 2015 and spiked to 1,650 units in 2016. Most recent multifamily construction has been for apartments. Since 2010, approximately 8 percent of multifamily construction has been for condominiums, down from 20 percent during the 2000-to-2010 decade.

- During the 12 months ending September 2018, the number of multifamily units permitted increased 9 percent from the previous 12-month period, to 1,275 units permitted (preliminary data).

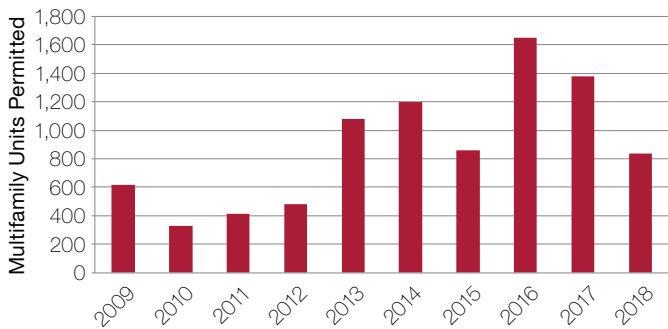
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- Nearly 90 percent of multifamily construction in the past year was concentrated in the city of Sioux Falls.
- The 332-unit Graystone Heights Apartments in the city of Sioux Falls opened in September 2018 and is in lease up. Monthly rents for the one- and two-bedroom units start at \$880 and \$1,125, respectively.

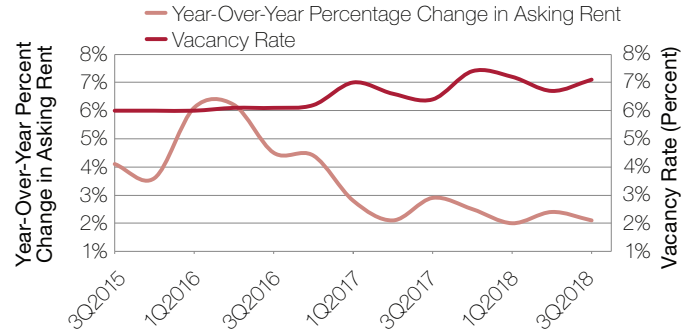
Multifamily permitting in the Sioux Falls area has been elevated since 2016 in response to increased demand for apartment units.



Note: Includes preliminary data from January 2018 through September 2018.
Source: U.S. Census Bureau, Building Permits Survey

- The 200-unit Cascade at Falls Park Apartments is under construction and expected to be complete in February 2019. The development is preleasing, with monthly rents for the studio, one-bedroom, and two-bedroom units starting at approximately \$970, \$1,115, and \$1,600, respectively.

The vacancy rate in the Sioux Falls apartment market has been gradually increasing since early 2017, and annual rent growth has slowed to approximately 2 percent.



Source: Reis, Inc.

