

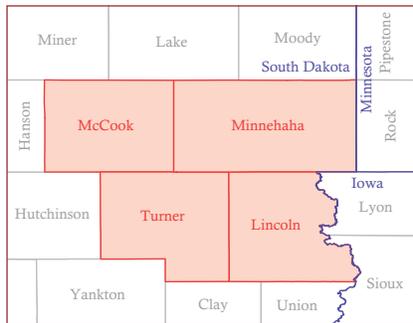


Sioux Falls, South Dakota

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of October 1, 2013



Housing Market Area



The Sioux Falls Housing Market Area (HMA) is coterminous with the Sioux Falls, SD Metropolitan Statistical Area (MSA), consisting of Lincoln, McCook, Minnehaha, and Turner Counties in southeast South Dakota. Sioux Falls, the largest city in the state, is a center for financial, healthcare, and business services. The current estimated population of the HMA is 243,750.

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Summary

Economy

Economic conditions in the Sioux Falls HMA strengthened during the past 2 years, after mild job losses from 2008 through 2010. Nonfarm payrolls increased by 3,400 jobs, or 2.4 percent, to 142,300 jobs during the 12 months ending September 2013 compared with the number of jobs recorded during the previous 12 months. The education and health services and the financial activities sectors recorded the greatest increases in jobs. Sanford Health is the largest employer in the HMA, with 8,420 employees. Nonfarm payrolls are expected to increase an average of 2.8 percent annually during the 3-year forecast period.

Sales Market

Sales housing market conditions in the HMA are currently tight. During the 12 months ending September 2013, nearly 4,050 homes sold, an increase of 20 percent from a year earlier. Demand is expected for nearly 4,750 new homes (including 100 mobile homes) during the next 3 years (Table 1). The 300 homes currently under construction and a portion of the 1,700 other

vacant units in the HMA that may reenter the market will satisfy some of the forecast demand.

Rental Market

The rental housing market in the HMA is balanced, with an estimated vacancy rate of 4.9 percent, down sharply from the rate of 11.0 percent recorded in April 2010. Apartment construction has increased since 2011. During the forecast period, demand is expected for 2,125 new rental units. The 1,000 units currently under construction will satisfy a portion of this demand (Table 1).

Table 1. Housing Demand in the Sioux Falls HMA, 3-Year Forecast, October 1, 2013, to October 1, 2016

	Sioux Falls HMA	
	Sales Units	Rental Units
Total demand	4,750	2,125
Under construction	300	1,000

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of October 1, 2013. A portion of the estimated 1,700 other vacant units in the HMA will likely satisfy some of the forecast demand. Sales demand includes an estimated demand for 100 mobile homes.

Source: Estimates by analyst

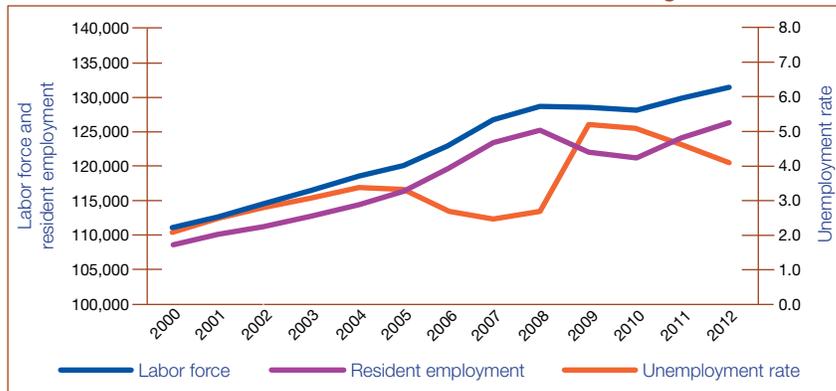
Economic Conditions

Economic conditions in the Sioux Falls HMA have improved since 2011, after the economic downturn that began in 2008 and ended in 2010. During the 12 months ending September 2013, nonfarm payrolls increased by 3,400 jobs, or 2.4 percent, to 142,300 jobs compared with the number of jobs recorded during the previous 12 months. Payrolls declined by an average of 1,400 jobs, or 1.0 percent, annually from 2008 through 2010 but recovered nearly to their prerecession peak during 2011, increasing to 136,100 jobs. Although the economic downturns at the

beginning and end of the past decade resulted in weak growth, strong growth occurred during the intervening period. From 2000 through 2003, nonfarm payrolls increased by an average of 760 jobs, or 1.0 percent, annually. Growth was robust from 2004 through 2007, with payrolls increasing by an average of 3,350 jobs, or 2.7 percent, annually. The professional and business services sector led growth during that period, averaging an increase of 850 jobs, or 10.4 percent, annually. The unemployment rate during the 12 months ending September 2013 averaged 3.6 percent, decreasing from 4.2 percent a year earlier. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate from 2000 through 2012, and Figure 2 shows job growth by nonfarm payroll sector since 2000.

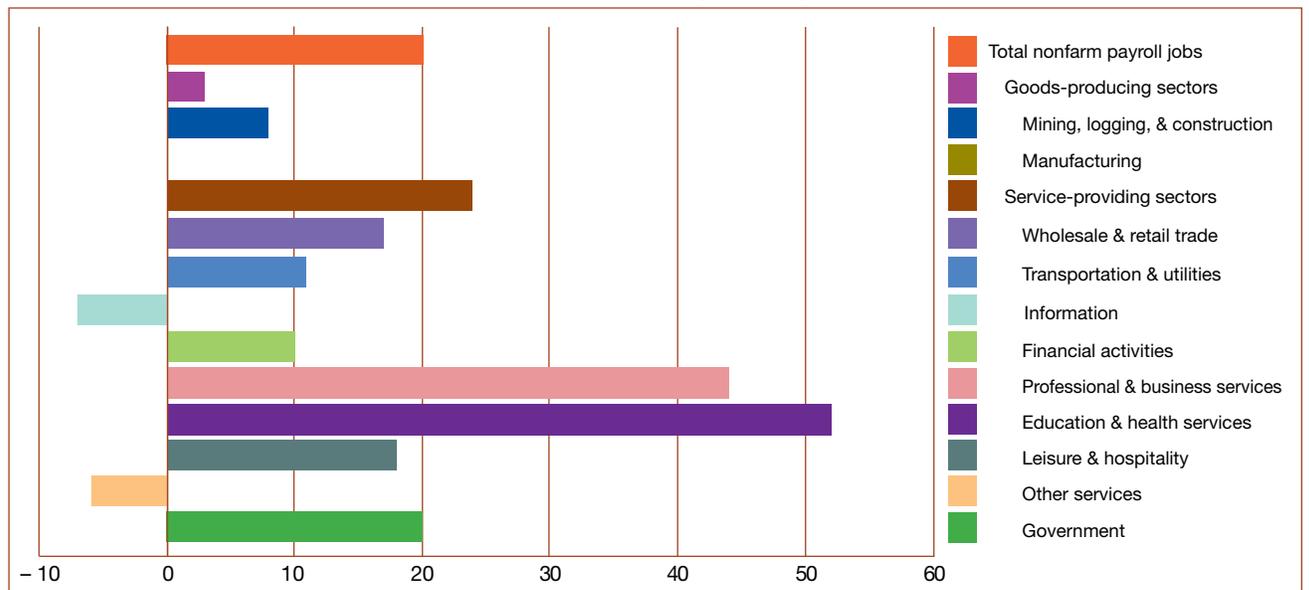
The education and health services, wholesale and retail trade, and financial activities sectors are the largest employment sectors in the HMA. The largest employers in the HMA currently are Sanford Health, Avera Health, and John Morrell Food Group, with

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Sioux Falls HMA, 2000 Through 2012



Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Sioux Falls HMA, Percentage Change, 2000 to Current



Notes: Current is based on 12-month averages through September 2013. During this period, manufacturing sector payrolls showed no net change.
Source: U.S. Bureau of Labor Statistics

8,420, 6,340, and 3,300 employees, respectively. Table 2 lists the major employers in the HMA. Approximately 200 miles from the Omaha-Council Bluffs, NE-IA, Fargo, ND-MN, and Minneapolis-St. Paul-Bloomington, MN-WI MSAs, the Sioux Falls HMA is a regional center for healthcare services. The education and health services sector is the largest employment sector, accounting for more than 20 percent of nonfarm payrolls (Figure 3). During the 12 months ending September 2013, the sector averaged 29,300 jobs, an increase of 1,200 jobs, or 4.3 percent, from the previous 12 months. Since 2000, Sanford Health has increased its number of employees by approximately 300, or 6.7 percent, annually, and Avera Health has increased its number of employees by 250, or

8.3 percent, annually. Both of these employers grew through expansions and acquisitions of existing medical facilities and healthcare providers. In April 2013, the mail-order pharmacy MedVantx, Inc., added 50 jobs in the HMA.

The financial activities sector increased by 800 jobs, or 5.1 percent, to 16,400 jobs during the 12 months ending September 2013 compared with the number of jobs recorded during the previous 12-month period. Capital One Bank, on acquiring HBSC Bank USA, N.A., in May 2012, added 500 jobs in the HMA and is currently hiring an additional 175 employees. The manufacturing sector increased by about 400 jobs, or 3.1 percent, during the most recent 12 months. Marmen, Inc., a Canadian manufacturing company that produces wind towers and turbines, opened a plant in Brandon, slightly north of the city of Sioux Falls, with 40 employees in July 2013 and plans to add 200 more employees before the end of 2014. The wholesale and retail trade sector, the second largest employment sector in the HMA, increased by 700 jobs, or 2.8 percent, during the 12 months ending September 2013, led by the retail trade subsector, which increased by 600 jobs, or 3.4 percent. Fareway Stores, Inc., opened a grocery store with 100 employees in May 2013. Decreases in the leisure and hospitality and the information sectors of 300 and 200 jobs, or 2.3 and 7.1 percent, respectively, partially offset those employment gains. Table 3 shows the 12-month average for nonfarm payroll jobs by sector.

During the next 3 years, nonfarm payrolls are expected to increase by an average of 4,000 jobs, or 2.8 percent, annually. The manufacturing, education and health services, and financial

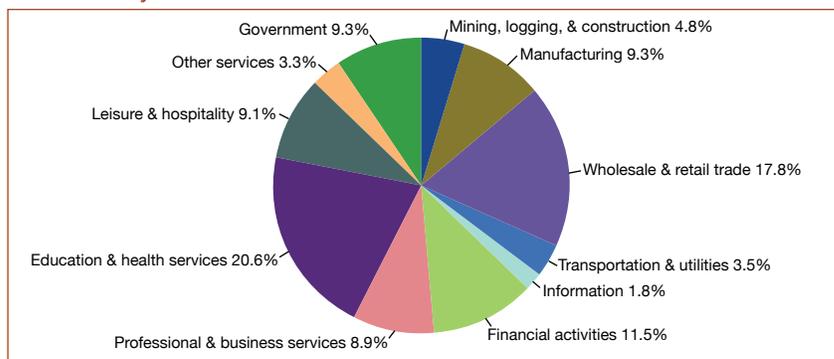
Table 2. Major Employers in the Sioux Falls HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Sanford Health	Education & health services	8,420
Avera Health	Education & health services	6,340
John Morrell Food Group	Manufacturing	3,300
Wells Fargo & Company	Financial activities	2,860
Hy-Vee, Inc.	Wholesale & retail trade	2,720
Citigroup Inc.	Financial activities	2,700
Evangelical Lutheran Good Samaritan Society	Education & health services	1,560
City of Sioux Falls	Government	1,130
Wal-Mart Stores, Inc.	Wholesale & retail trade	1,110
Department of Veterans Affairs	Government	1,050

Note: Excludes local school districts.

Source: Sioux Falls Development Foundation

Figure 3. Current Nonfarm Payroll Jobs in the Sioux Falls HMA, by Sector



Note: Based on 12-month averages through September 2013.

Source: U.S. Bureau of Labor Statistics

Table 3. 12-Month Average Nonfarm Payroll Jobs in the Sioux Falls HMA, by Sector

	12 Months Ending September 2012	12 Months Ending September 2013	Absolute Change	Percent Change
Total nonfarm payroll jobs	138,900	142,300	3,400	2.4
Goods-producing sectors	19,500	20,100	600	3.1
Mining, logging, & construction	6,600	6,800	200	3.0
Manufacturing	12,900	13,300	400	3.1
Service-providing sectors	119,400	122,200	2,800	2.3
Wholesale & retail trade	24,600	25,300	700	2.8
Transportation & utilities	4,900	5,000	100	2.0
Information	2,800	2,600	-200	-7.1
Financial activities	15,600	16,400	800	5.1
Professional & business services	12,600	12,700	100	0.8
Education & health services	28,100	29,300	1,200	4.3
Leisure & hospitality	13,200	12,900	-300	-2.3
Other services	4,700	4,700	0	0.0
Government	12,900	13,300	400	3.1

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through September 2012 and September 2013.

Source: U.S. Bureau of Labor Statistics

activities sectors and the retail trade subsector are expected to lead the job growth. Costco Wholesale Corporation will open a store in October 2013 with 175 employees. A Wal-Mart Stores, Inc. supercenter is under construction and expected to open in 2014.

DocuTAP, a medical records company, plans to add 150 jobs during the next 3 years. During the first year of the 3-year forecast period, Avera Health plans to build a 90-bed senior care facility with long-term care and assisted-living services.

Population and Households

As of October 1, 2013, the estimated population in the Sioux Falls HMA was 243,800, of which an estimated 74 percent resided in Minnehaha County. Since 2011, population growth averaged 5,025 people, or 2.2 percent, annually.

Population growth, particularly the migration component, has trended closely with economic conditions for the past decade. From 2000 to 2003, population growth averaged 3,175 people, or 1.7 percent, annually. With steady employment gains, net in-migration averaged nearly 1,650

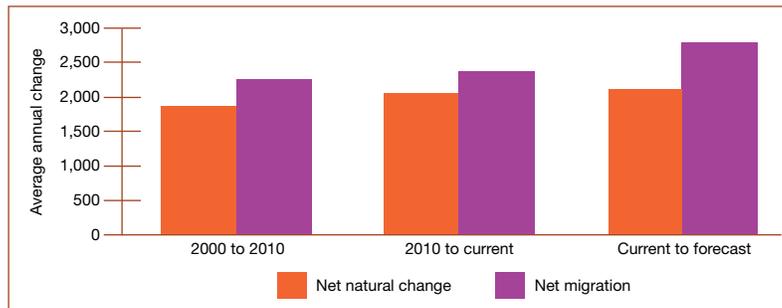
people annually, accounting for 52 percent of the population increase. From 2004 through 2008, the population increased by 4,900, or 2.4 percent, annually, following a similar pattern as employment. During this time, mirroring the robust growth in employment, net in-migration accelerated to nearly 2,875 people annually, or 59 percent of population growth. From 2009 through 2011, the population increased by an average of 3,250, or 1.4 percent, annually. Net in-migration also decreased after the economic downturn. Net natural change (resident births

Population and Households *Continued*

minus resident deaths) led growth, with an average annual increase of nearly 2,200 people, or more than 65 percent of the total. Net in-migration returned to leading population growth in 2012, averaging 2,800 people, or 59 percent of population growth.

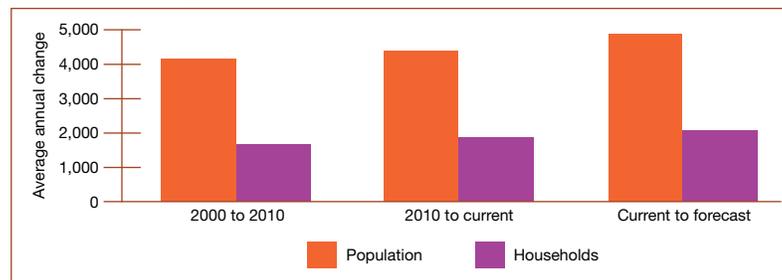
Figure 4 shows the components of

Figure 4. Components of Population Change in the Sioux Falls HMA, 2000 to Forecast



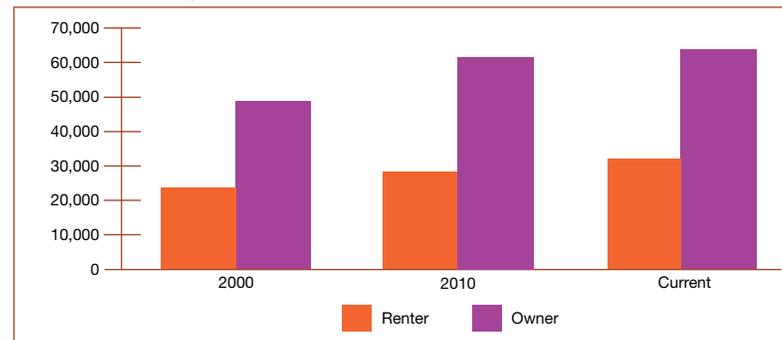
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Population and Household Growth in the Sioux Falls HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Sioux Falls HMA, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

population change from 2000 to the forecast date, and Table DP-1, at the end of the report, contains information on population and household growth for the HMA from 2000 to the current date.

An estimated 95,800 households currently reside in the HMA. From 2000 to 2010, the number of households increased by an average of 1,675, or 2.1 percent, annually. Since 2010, household growth has averaged 1,850 households, or 2.0 percent, annually. Figure 5 shows population and household growth from 2000 to the forecast date. Owner household growth outpaced that of renter household growth from 2000 through 2010, with the number of owner households increasing by an average of 1,200 annually compared with the increase of 475 renter households annually. Since 2010, tight lending standards and a preference for renting have slowed growth in owner households to an average of less than 850 annually compared with an average increase of 1,000 renter households annually. The homeownership rate, which was 67.5 percent in 2000 and 68.3 percent in 2010, is currently an estimated 66.8 percent. Figure 6 shows the number of households by tenure since 2000.

During the next 3 years, the population of the HMA is expected to increase by an average of 4,875, or 2.0 percent, annually. With continued economic growth, net in-migration is expected to account for nearly 57 percent of total population growth. Household growth is expected to average 2,025 households, or 2.1 percent, annually.

Housing Market Trends

Sales Market

The sales housing market in the Sioux Falls HMA is currently tight. Although the HMA has recovered from the most recent economic downturn and population is increasing, the level of home construction remains low, contributing to a tight sales market. The estimated vacancy rate is 1.1 percent, a decrease from 1.6 percent in April 2010. During the 12 months ending September 2013, approximately 4,050 new and existing single-family homes, townhomes, and condominiums sold, a 20-percent increase from the previous year (REALTOR® Association of the Sioux Empire, Inc.). The number of homes sold was nearly 12 percent more than the average from 2005 through 2007, when 3,725 homes sold annually. Home sales prices also increased. The median sales price in the HMA during the 12 months ending September 2013 was \$152,400, an increase of more than 2 percent from the previous 12 months and 5 percent more than the median home sales price during the recent peak in 2007.

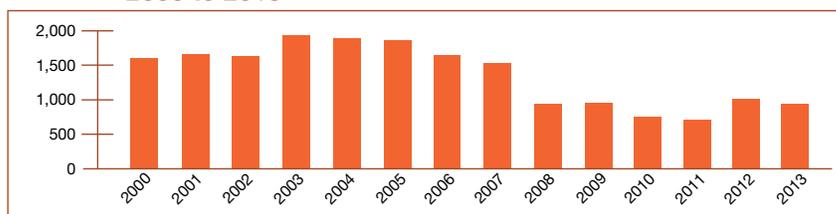
The HMA was not as severely affected by distressed mortgages as was the rest of the nation. As of September 2013, 2.6 percent of home loans in the HMA were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 3.1 percent in September 2012

(Black Knight Financial Services, Inc.). This rate was nearly the same as the 2.5 percent of mortgages in distress in the state of South Dakota but considerably lower than the 6.0 percent of mortgages distressed in the nation as of September 2013. Distressed loans in the HMA peaked in January 2010 at 3.5 percent of home loans.

After recent increases in jobs, single-family home construction activity, as measured by the number of homes permitted, increased during the past year. During the 12 months ending September 2013, 1,250 new homes were permitted, an increase of 350 homes, or 39 percent, compared with the 900 homes permitted a year earlier. From 2008 through 2010, single-family home construction averaged 890 new homes annually, a marked decrease from activity from 2003 through 2007, when construction averaged 1,775 homes annually (Figure 7). Less than 5 percent of owner households in the HMA live in condominiums.

Prices for new homes in the HMA start at approximately \$110,000. Most new housing developments in the HMA are near the South Dakota Public Universities and Research Center (University Center), in the northwestern part of the city of Sioux Falls, or southeast of the city, between Sioux Falls and Harrisburg. Hazeltine is a new 240-lot development near the University Center where 17 homes are currently for sale and 7 homes sold for an average price of about \$300,000 during 2013. Near Harrisburg, construction began in the Grand Prairie subdivision in 2006. The subdivision includes 106 lots, of which 60 are built out. Prices for new homes start at \$290,000.

Figure 7. Single-Family Homes Permitted in the Sioux Falls HMA, 2000 to 2013



Notes: Includes townhomes. Includes data through September 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

During the 3-year forecast period, demand is expected for approximately 4,750 new homes, which includes demand for about 100 mobile homes. Demand is expected to increase from nearly 1,450 homes in the first year to 1,700 homes in the third year of the forecast period (Table 1). The 300 homes currently under construction and a portion of the 1,700 other vacant units in the HMA that may reenter

the market will satisfy some of the forecast demand. More than one-third of the demand for new homes is expected to be for homes priced at less than \$150,000, although approximately one-fourth of the demand is expected to be for homes priced at more than \$300,000. Table 4 shows demand, by price range, for new home sales in the HMA.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Sioux Falls HMA, October 1, 2013, to October 1, 2016

Price Range (\$)		Units of Demand	Percent of Total
From	To		
110,000	149,999	1,675	36.0
150,000	199,999	1,150	25.0
200,000	299,999	650	14.0
300,000	and higher	1,150	25.0

Notes: The 300 homes currently under construction and a portion of the estimated 1,700 other vacant units in the HMA will likely satisfy some of the forecast demand. Excludes mobile homes.

Source: Estimates by analyst

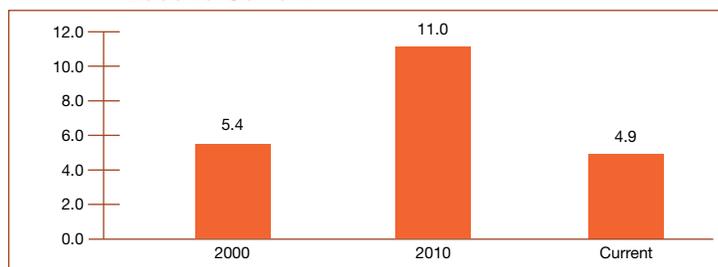
Rental Market

The overall rental housing market in the Sioux Falls HMA is currently balanced. The estimated vacancy rate is 4.9 percent, a sharp decrease from 11.0 percent in 2010, when conditions were soft. Apartment construction remained strong from 2007 through 2009, but population growth slowed, contributing to a soft market in 2010 (Figure 8).

The apartment vacancy rate decreased sharply from 11.1 percent in July 2010 to 4.6 percent a year later (South Dakota Multi-Housing Association). In 2010 and 2011, 35 percent fewer apartments were built than the average number of units built annually from 2000 through 2009, which contributed to the sharp decrease in the vacancy rate and the continued balanced-to-tight apartment market conditions since 2011. The estimated apartment vacancy rate was 4.2 percent in July 2012, the most recent data available.

The average rent for apartments in the HMA as of July 2013 was \$675, unchanged from a year earlier but was 9 percent more than the average rent in July 2010. Rents in the HMA in July 2013 averaged \$575 for one-bedroom

Figure 8. Rental Vacancy Rates in the Sioux Falls HMA, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Rental Market *Continued*

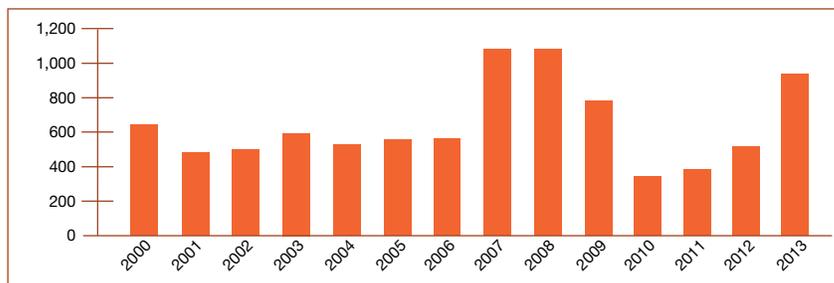
units, \$705 for two-bedroom units, and \$870 for units with three or more bedrooms (South Dakota Multi-Housing Association).

Apartment construction, as measured by the number of apartment units permitted, increased during the past 2 years in response to increased demand from higher levels of in-migration and a shifting preference toward rental

housing. Nearly all multifamily units permitted are apartments; condominium construction accounts for approximately 3 percent of all multifamily units permitted since 2000. During the 12 months ending September 2013, permits were issued for nearly 900 units, an increase from 500 units permitted during the same period a year earlier. From 2009 through 2011, nearly 750 units were permitted annually, much less than the average of 1,075 units permitted from 2007 through 2008 but 36 percent more than the average of 550 units permitted annually from 2000 through 2006 (Figure 9). Projects under way include the 122-unit University Hills Village, Phase I, in the northwestern part of the city of Sioux Falls, which is expected to be complete in July 2014. The studio, one-bedroom, and two-bedroom units are expected to offer rents ranging from \$550 to \$800 a month.

During the next 3 years, demand is expected for 2,125 new rental units; the 1,000 units currently under construction will meet a portion of that demand (Table 1). Table 5 shows demand for new rental housing during the 3-year forecast period, by rent level and number of bedrooms.

Figure 9. Multifamily Units Permitted in the Sioux Falls HMA, 2000 to 2013



Notes: Excludes townhomes. Includes data through September 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Sioux Falls HMA, October 1, 2013, to October 1, 2016

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
750 to 949	550	850 to 1,049	750	1,000 to 1,199	120
950 or more	180	1,050 or more	400	1,200 to 1,399	100
				1,400 or more	25
Total	730	Total	1,150	Total	250

Notes: Numbers may not add to totals because of rounding. The 1,000 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profile

Table DP-1. Sioux Falls HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	108,867	121,661	128,800	1.1	2.1
Unemployment rate	2.1%	5.1%	3.6%		
Nonfarm payroll jobs	118,400	133,400	142,100	1.2	2.3
Total population	187,093	228,261	243,800	2.0	1.9
Total households	72,492	89,297	95,800	2.1	2.0
Owner households	48,967	61,016	64,000	2.2	1.4
Percent owner	67.5%	68.3%	66.8%		
Renter households	23,525	28,281	31,800	1.9	3.4
Percent renter	32.5%	31.7%	33.2%		
Total housing units	75,603	95,862	99,850	2.4	1.2
Owner vacancy rate	1.0%	1.6%	1.1%		
Rental vacancy rate	5.4%	11.0%	4.9%		
Median Family Income	\$52,387	\$62,661	\$67,501	1.8	2.5

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through September 2013. Median Family Incomes are for 1999, 2009, and 2012.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 10/1/2013—Analyst’s estimates
 Forecast period: 10/1/2013–10/1/2016—
 Analyst’s estimates

The metropolitan statistical area definitions in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are

not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_SiouxFallsSD_14.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to
www.huduser.org/publications/econdev/mkt_analysis.html.