

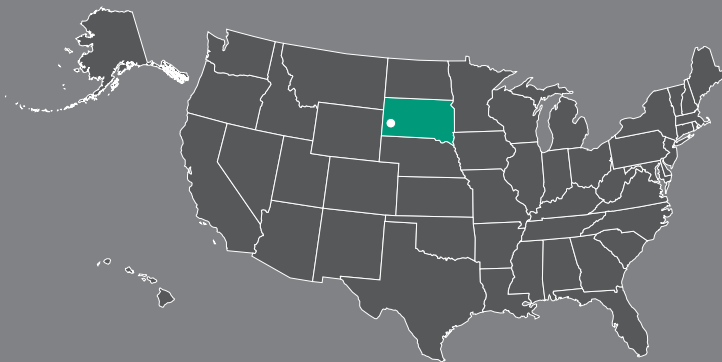
# HUD PD&R Housing Market Profiles

## Rapid City, South Dakota



### Quick Facts About Rapid City

- Current sales market conditions: slightly tight
- Current apartment market conditions: tight
- Despite the COVID-19 pandemic, the three most popular National Park Service areas near Rapid City—Mount Rushmore National Memorial, Badlands National Park, and Wind Cave National Park—welcomed a combined 3.44 million visitors during 2020, a decline of just 3 percent from 3.55 million visitors in 2019 (National Park Service). The annual number of visitors has decreased steadily in the past 3 years, however, from a recent peak of 4.11 million visitors in 2017.



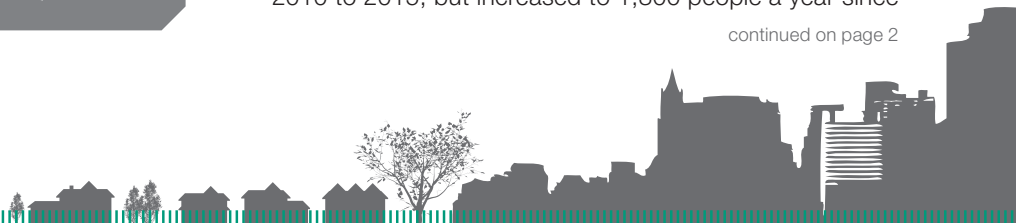
By James Conner | As of February 1, 2021

### Overview

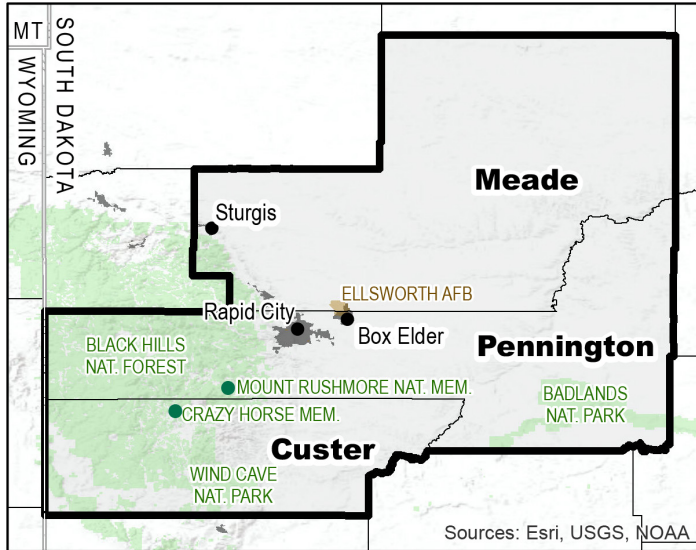
The Rapid City, South Dakota metropolitan area consists of Custer, Meade, and Pennington Counties in western South Dakota. Tourism is a leading industry; the nearby attractions include Mount Rushmore, the Crazy Horse Memorial, and the city of Sturgis—the site of the annual Sturgis Motorcycle Rally. In addition, outdoor recreation areas nearby include Badlands National Park and the Black Hills National Forest. The military is also an important economic presence, providing a stable source of employment. Ellsworth Air Force Base, one of the largest employers, is located about 10 miles northeast of Rapid City, near the town of Box Elder, in Meade County. Finally, the local healthcare providers, including the largest employer, Monument Health Rapid City Hospital, serve much of western South Dakota and surrounding states.

- As of February 1, 2021, the Rapid City metropolitan area population is estimated at 153,800, increasing by about 1,775, or 1.2 percent, each year since 2010. Net in-migration of nearly 1,050 people a year since 2010 accounted for almost 60 percent of the population growth. Net in-migration averaged about 785 people a year from 2010 to 2015, but increased to 1,300 people a year since

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2015; however, at the same time, net natural increase (resident births minus resident deaths) declined from about 875 to 600 people a year (Census Bureau population estimates as of July 1, and analyst estimates).

- About 115,800 people, or 75 percent of the Rapid City metropolitan area population, reside in Pennington County, followed by Meade County with 28,900 people, or 19 percent, and Custer County with 9,100 people, or 6 percent.
- In 2019, before the COVID pandemic, the largest employment sectors in the Rapid City metropolitan area were the education and health services, the wholesale and retail trade, the government, and the leisure and hospitality sectors, which accounted for about 18, 17, 16, and 15 percent of nonfarm payrolls, respectively.

## Economic Conditions

The economy in the Rapid City metropolitan area weakened during 2020 due to the impacts of COVID-19. Nonfarm payrolls in the 3 months ending January 2021 were down by 1,800 jobs, or 2.7 percent, from the same period a year earlier. Similar to the rest of the nation, the hardest hit job sectors during the pandemic included the leisure and hospitality, the education and health services (including nonessential medical procedures),

and the government (including state and local government educational services) sectors. But despite having a large share of its employment in tourism and other impacted industries, the rate of job losses in the Rapid City metropolitan area was less than in HUD's six-state Rocky Mountain region or the nation as a whole, where nonfarm payrolls were down 4.3 and 6.0 percent, respectively, from a year earlier.

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### Job losses occurred in most nonfarm payroll sectors, but the largest share was in the leisure and hospitality sector.

	3 Months Ending		Year-Over-Year Change	
	January 2020 (Thousands)	January 2021 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	67.7	65.9	-1.8	-2.7
Goods-Producing Sectors	7.7	7.9	0.2	2.6
Mining, Logging, & Construction	4.9	5.0	0.1	2.0
Manufacturing	2.8	2.9	0.1	3.6
Service-Providing Sectors	60.0	58.1	-1.9	-3.2
Wholesale & Retail Trade	11.5	11.6	0.1	0.9
Transportation & Utilities	1.8	1.9	0.1	5.6
Information	0.8	0.7	-0.1	-12.5
Financial Activities	3.6	3.5	-0.1	-2.8
Professional & Business Services	6.0	5.9	-0.1	-1.7
Education & Health Services	12.4	12.3	-0.1	-0.8
Leisure & Hospitality	8.9	7.9	-1.0	-11.2
Other Services	3.5	3.4	-0.1	-2.9
Government	11.4	10.9	-0.5	-4.4
<b>Unemployment Rate</b>	3.7%	3.5%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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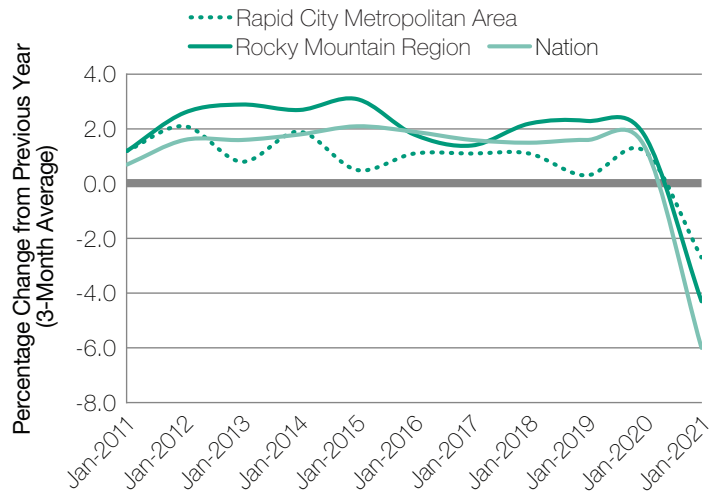
Before the pandemic, from 2010 through 2019, nonfarm payrolls in the Rapid City metropolitan area grew by about 725 jobs, or 1.2 percent, a year, led by the education and health services sector, which increased by 250 jobs, or 2.6 percent, a year. Because of the growth in demand for health care services, construction of new medical office space in the Rapid City metropolitan area since 2017 has been strong, totaling \$73.6 million, or nearly 280,000 square feet (McGraw-Hill Construction Pipeline database). In addition, an Indian Health Services outpatient clinic at Sioux San Hospital is currently undergoing a \$109 million expansion. When completed in 2022, the project will add 204,000 square feet of space.

During the 3 months ending January 2021 —

- Leisure and hospitality sector payrolls fell by about 1,075 jobs, or 11.9 percent, from a year earlier, accounting for nearly 60 percent of all nonfarm payroll losses in the Rapid City metropolitan area during the past year. In addition, the government and the education and health services sectors declined by about 530 and 130 jobs, or 4.7 and 1.1 percent, respectively.
- Partly offsetting the losses, payrolls in the mining, logging, and construction and the wholesale and retail trade sectors were up by 100 and 70 jobs, or 2.0 and 0.6 percent, respectively. In June 2020, the Appleton, Wisconsin-based retailer Fleet Farm announced plans to hire more than 200 employees at their newly completed 212,000-square-foot store in Rapid City.
- The unemployment rate averaged 3.5 percent, down from 3.7 percent a year earlier. Although resident employment in the Rapid City metropolitan area fell by 1,400, or 2.0 percent, the number of people in the labor force also declined by 1,600, or 2.2 percent.

Early in the pandemic, during March and April 2020, nonfarm payrolls in the Rapid City metropolitan area declined by 6,900 jobs, or 10.3 percent, from February 2020 payrolls (non-seasonally adjusted). The economy began to rebound strongly in July. By October, about two-thirds of the job losses had been recovered; however, during that period, the number of new COVID-19 cases in the area also began to surge, peaking at more than 215 cases a day by mid-November. At that point, employment in the Rapid City metropolitan area began declining again. From November 2020 through January 2021, nonfarm payrolls declined by 4,700 jobs, or 3.6 percent, from October 2020 levels, including a loss of 1,300 jobs, or 14.4 percent, in the leisure and hospitality sector.

**Nonfarm payrolls in the metropolitan area declined significantly in 2020, but the rate of job losses was less severe than in the region or the nation.**



Source: U.S. Bureau of Labor Statistics

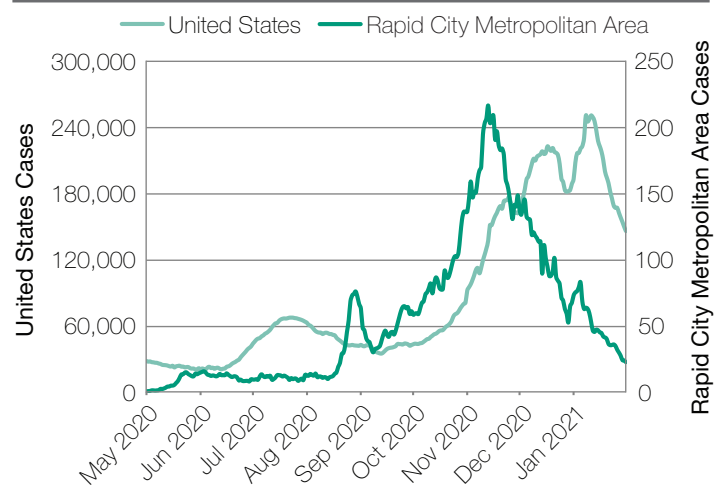
**Largest Employers in the Rapid City Metropolitan Area**

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Monument Health Rapid City Hospital	Education & Health Services	4,983
Ellsworth Air Force Base	Government	4,519
Walmart Inc.	Wholesale & Retail Trade	1,029

Notes: Excludes local school districts. Employee totals include military personnel, who are not included in nonfarm payroll totals.

Source: Moody's Analytics

**The number of new COVID-19 cases in the Rapid City metropolitan area increased sharply during the fall of 2020 but has declined in recent months.**



Note: Daily number of new COVID-19 cases, average for the past 7 days, through January 31, 2021.

Sources: U.S. Centers for Disease Control; the South Dakota Department of Health



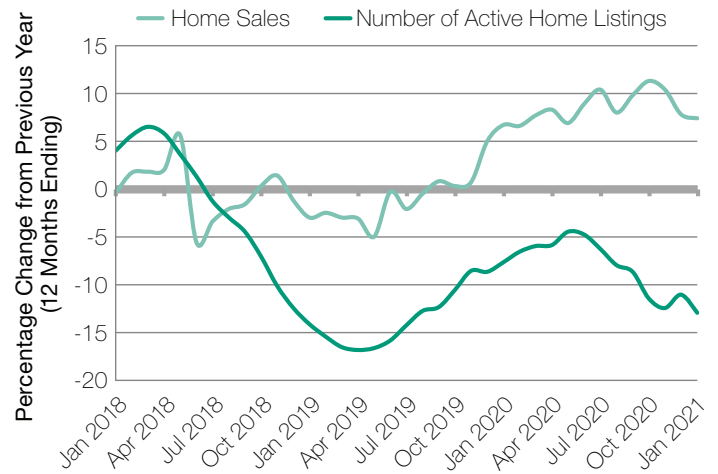
## Sales Market Conditions

Home sales market conditions in the Rapid City metropolitan area are currently slightly tight, compared with more balanced conditions a year ago. The number of active listings in January 2021 represented a 2.9-month supply of homes for sale at the current sales rate, down from a 4.4-month supply a year earlier (Ron Sasso, Coldwell Banker Black Hills Legacy Real Estate). The decline in for-sale inventory partly reflects fewer sellers willing to list their homes due to concerns about exposure to COVID-19; however, inventories were declining in the 3 years before the pandemic, from a monthly average of about 615 homes in 2017 to an average of 490 homes in 2019. During 2020, the number of active listings averaged about 435 homes a month. Also contributing to the decline in the supply of existing homes for sale was an increased demand for sales housing during 2020, reflected in rising sales and home prices.

Mortgage delinquencies in the Rapid City metropolitan area increased in 2020 due to a greater reliance on mortgage forbearance by homeowners. This led to an increase in the overall rate of mortgages that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, which increased from 0.9 percent in December 2019 to 2.7 percent in December 2020 (CoreLogic, Inc.). The rate previously peaked in February 2010 at 3.7 percent, following the last recession, but declined steadily during the subsequent 10 years; the December 2020 rate was the highest since February 2013.

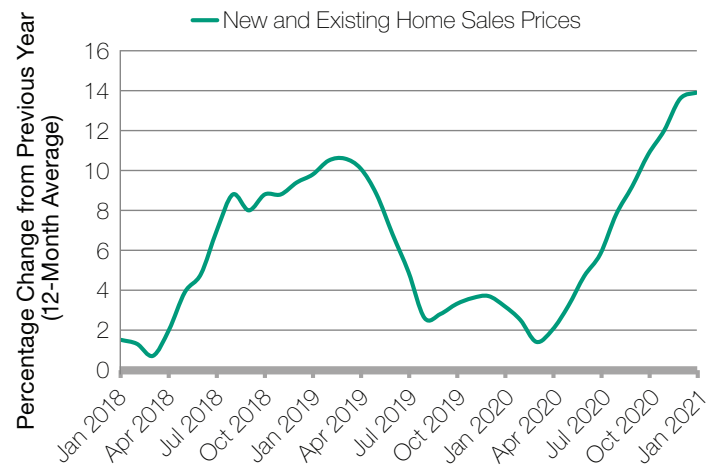
- During the 12 months ending January 2021, approximately 1,950 homes sold in the Rapid City area, up more than 7 percent from 1,825 homes in the preceding 12 months (Ron Sasso, Coldwell Banker Black Hills Legacy Real Estate).
- Home sales prices averaged about \$294,800 during the 12 months ending January 2021, up 14 percent from a year earlier. Home sales demand was particularly strong in the second half of the year. During February through July 2020, the year-over-year home price increases averaged 6 percent, but from August 2020 through January 2021, the year-over-year price increases averaged 20 percent.
- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) passed by Congress in March 2020 included mortgage forbearance provisions for homeowners. In December 2020, the number of foreclosures in the Rapid City metropolitan area was down 34 percent from a year earlier to less than 30 homes in the foreclosure process. The number of mortgages that were 90 days or more delinquent in December 2020 increased more than four-fold from a year earlier, however, from about 90 to 370 mortgages past due (CoreLogic, Inc.).

### Despite a low supply of active listings, home sales in the Rapid City metropolitan area increased in 2020.



Note: Includes single-family and multifamily listings; sales include new and existing homes but may not capture all sales in the area.  
Source: Ron Sasso, Coldwell Banker Black Hills Legacy Real Estate

### Demand for sales housing rose during the pandemic, leading to strong home price increases in 2020.



Note: Includes single-family and multifamily homes, both new and existing, but may not capture all sales in the area.  
Source: Ron Sasso, Coldwell Banker Black Hills Legacy Real Estate

Concerns about COVID-19 exposure and the reduced supply of existing homes for sale in the Rapid City area caused part of the sales demand to shift to new homes. In response, permitting of new sales housing increased strongly.

- During the 12 months ending January 2021, single-family permitting in the Rapid City metropolitan area totaled 770 homes, up 39 percent from 555 homes during the previous 12 months (preliminary data).

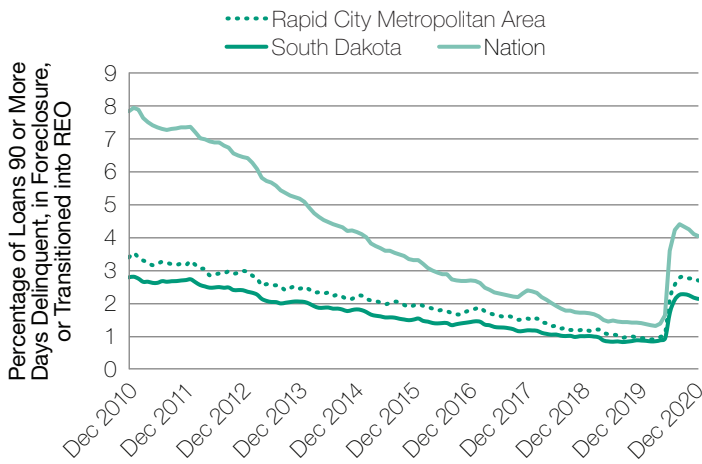
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- Pennington County was the most active area for home construction, accounting for nearly 60 percent of the homes permitted, or about 450 homes, followed by Custer and Meade Counties, with 27 and 14 percent, or 210 and 105 homes, respectively. Nearly 50 percent of the new homes permitted in the area were in the cities of Rapid City and Box Elder; the remainder were in unincorporated parts of Custer, Meade, and Pennington Counties.

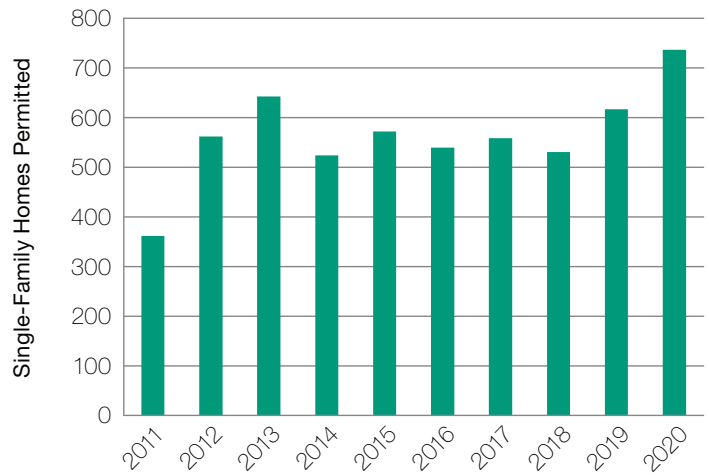
The share of home loans that were seriously past due, in foreclosure, or had transitioned to REO status in the Rapid City metropolitan area rose sharply in 2020 but remained well below the national rate.



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

- Prices for new homes during the fourth quarter of 2020 averaged about \$320,100, up 1 percent from a year earlier (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Currently, new three-bedroom/two-bathroom single-family homes in the Rapid City area typically range in size from about 1,200 to 3,200 square feet and in price from about \$240,000 to \$510,000.

Single-family permitting averaged less than 600 homes a year from 2012 through 2019, but building activity increased significantly in 2020.



Note: Includes preliminary data from January 2020 through December 2020.  
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

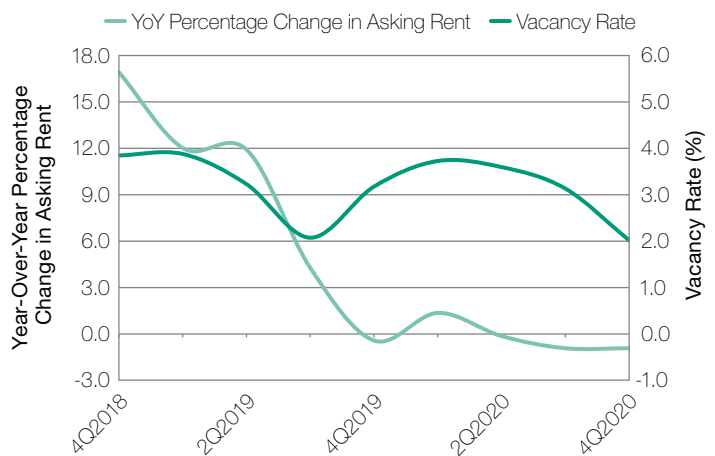
## Apartment Market Conditions

The apartment market in the Rapid City metropolitan area tightened during 2020, and conditions are currently tight. The CARES Act included provisions that helped sustain rental demand, including an additional \$600 a week paid to workers receiving unemployment benefits. This helped renter households impacted by job losses to continue paying their rent. In addition, federal eviction protections implemented during the pandemic helped keep rental vacancies from increasing as job losses mounted.

- Apartment vacancies averaged 2.0 percent in the fourth quarter of 2020, down from 3.2 percent a year earlier (RealPage, Inc.). In 2018 and 2019, market conditions were more balanced, with vacancies averaging 3.6 percent.
- Asking rents for apartments declined slightly during 2020, however, from an average of \$1,013 in the fourth quarter of 2019 to \$1,003 in the fourth quarter of 2020, or 1 percent. Previously, during 2018 and 2019, rent increases averaged more than 8 percent a year.

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Although the apartment market remained tight and vacancies fell to very low levels during 2020, year-over-year rent growth was slightly negative.



4Q = fourth quarter. YoY = year-over-year.  
Source: RealPage, Inc.



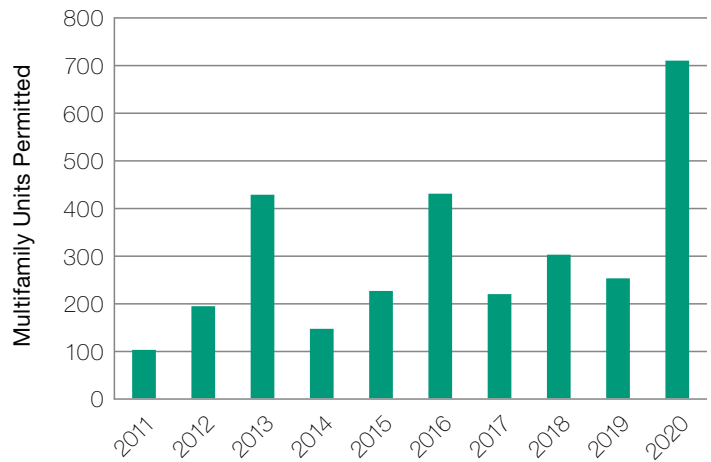
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- The Meadows apartments is one of the newest apartment communities in Rapid City, completed in late 2019. The one-, two-, and three-bedroom units range in size from about 820 to 1,380 square feet, and the rents range from \$1,240 to \$1,850 a month.
- In 2019, about 60 percent of renters in the Rapid City metropolitan area lived in multifamily units, including apartments, while 40 percent lived in single-family or mobile homes, down from 44 percent in 2010 (2010 and 2019 American Community Survey, 1-year data). In part, the decline in single-family rentals was due to an improving home sales market in the past 10 years, which reduced the supply of single-family homes available for rent.

The tight market conditions contributed to a surge in apartment construction during 2020, which included four large projects with more than 600 units combined.

- During the 12 months ending January 2020, approximately 825 multifamily units were permitted in the Rapid City metropolitan area, or triple the 275 units permitted during the previous 12 months (preliminary data). About 785 units, or 95 percent of the Rapid City metropolitan area total, were within the city of Rapid City.
- Projects that began construction during 2020 included TallGrass Apartments, The Vue at Catron apartments, Red Rock Apartments, and Orchard Meadows Apartments, with 204, 168, 149, and 90 units, respectively, or 611 units

**Builders responded to the tight apartment market with a record number of multifamily units permitted in 2020.**



Note: Includes preliminary data from January 2020 through December 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

combined (McGraw-Hill Construction Pipeline database). All four projects are expected to be completed and leasing up beginning in late 2021 or early 2022.

- Based on preliminary data, multifamily permitting totaled 852 units during calendar year 2020, slightly surpassing the previous annual record in the Rapid City metropolitan area of 848 units permitted in 1990.

