HUD PD&R **Regional Reports**

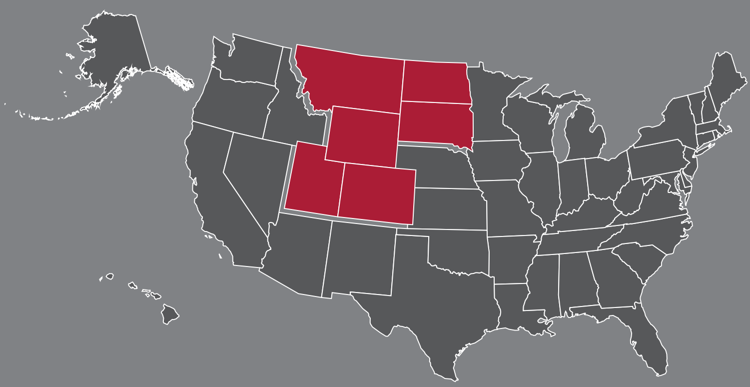
Region 8: Rocky Mountain

Provo, Utah

Quick Facts About Region 8

- **Sales market conditions—**
  Third quarter 2023: slightly tight
  Second quarter 2023: mixed (balanced to slightly tight)
  Third quarter 2022: mixed (slightly tight to tight)

- **Apartment market conditions—**
  Third quarter 2023: mixed (soft to slightly tight)
  Second quarter 2023: mixed (balanced to soft)
  Third quarter 2022: mixed (slightly soft to tight)



By Katharine Jones | 3rd Quarter 2023

Overview

The economy in the Rocky Mountain region grew as of the third quarter of 2023, with nonfarm payrolls increasing by 120,100 jobs, or 1.9 percent, from a year earlier. Job growth in the region was particularly strong in the tourism, government, education, and healthcare industries. Job losses in four nonfarm sectors, led by a decline in the financial activities sector, partially offset gains in the region. Home sales market conditions eased throughout much of the region but remained slightly tight, compared with conditions ranging from tight to slightly tight a year earlier, primarily reflecting the impact of higher mortgage interest rates and a limited inventory of homes for sale. Home price growth has moderated, with price declines in three of the nine metropolitan areas cited in this report, flat prices in one area, and moderate price increases in most of the remaining areas; this activity contrasts with double-digit price gains in most metropolitan areas a year ago. Apartment market conditions ranged from soft to slightly tight in the region, compared with conditions ranging from slightly soft to tight a year ago. Residential permitting was down 23 percent across the region, with decreases in both single-family and multifamily

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home construction activity. Much of the decline occurred in Colorado, including in many of the major metropolitan areas in the state; North Dakota was the only state in the region that had increases in both single-family and multifamily construction.

- Although job growth in the Rocky Mountain region as of the third quarter of 2023 was slower than the national growth rate of 2.1 percent, nonfarm payrolls in the region are 5.5 percent above the prepandemic level in the third quarter of 2019, compared with 3.6 percent nationally.
- Home sales across the region decreased 32 percent during the 12 months ending August 2023 compared with a year earlier because rising interest rates priced out many buyers, and inventories of homes for sale remained low. Sales prices increased 3 percent regionwide.
- Apartment vacancy rates increased across much of the region in the past year because apartment completions outpaced absorption. Rent growth slowed in many metropolitan areas, and rents declined in some areas.

Economic Conditions

The economy in the Rocky Mountain region continued to expand as of the third quarter of 2023 but at a slower rate than a year earlier, and nonfarm payrolls increased on an annual basis for the tenth consecutive quarter. Payrolls in the region averaged 6.38 million jobs in the third quarter of 2023, reflecting an increase of about 120,100 jobs, or 1.9 percent, from a year earlier; however, the rate of job growth slowed compared with the 3.5-percent growth from the third quarter of 2021 to the third quarter of 2022. Payrolls in the region during the third quarter of 2023 were 5.5 percent above the level during the third quarter of 2019, before the COVID-19 pandemic. Nationally, nonfarm payrolls increased 2.1 percent year over year in the third quarter of 2023 but were only 3.6 percent above the prepandemic level.

The leisure and hospitality sector led regional nonfarm payroll growth, adding 40,100 jobs, or 5.5 percent, from a year earlier to 768,700 jobs. The hotel occupancy rate in the region during the third quarter of 2023 averaged 73.5 percent, up from 72.2 percent a year earlier, despite approximately 950 hotel rooms completed in the region during the past 12 months (CoStar Group). As of the third quarter of 2023, the number of passengers at the Denver and the Salt Lake City airports have fully recovered to levels before the pandemic. The Denver airport handled 21.1 million passengers during the 3 months ending August 2023, up 11 percent from a year earlier, and the Salt Lake City airport handled 7.1 million passengers during the third quarter of 2023, up 2 percent from a year earlier (Denver International Airport and Salt Lake City International Airport). Four nonfarm sectors lost jobs in the region during the past year, with the steepest decline in the financial activities sector, which was down by 7,400 jobs, or 2.0 percent, compared with a year earlier, to 362,000 jobs. Rising interest rates have curbed mortgage applications and refinancing, leading to layoffs in the real estate industry.

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Seven of 11 payroll sectors contributed to year-over-year job growth in the Rocky Mountain Region in the third quarter of 2023.

	Third Quarter		Year-Over-Year Change	
	2022 (Thousands)	2023 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	6,261.5	6,381.6	120.1	1.9
Goods-Producing Sectors	926.8	939.8	13.0	1.4
Mining, Logging, & Construction	514.5	524.1	9.6	1.9
Manufacturing	412.2	415.6	3.4	0.8
Service-Providing Sectors	5,334.7	5,441.9	107.2	2.0
Wholesale & Retail Trade	892.2	890.1	-2.1	-0.2
Transportation & Utilities	251.5	251.2	-0.3	-0.1
Information	144.1	143.7	-0.4	-0.3
Financial Activities	369.4	362.0	-7.4	-2.0
Professional & Business Services	889.0	902.2	13.2	1.5
Education & Health Services	823.8	846.3	22.5	2.7
Leisure & Hospitality	728.6	768.7	40.1	5.5
Other Services	238.0	246.2	8.2	3.4
Government	998.1	1,031.5	33.4	3.3

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

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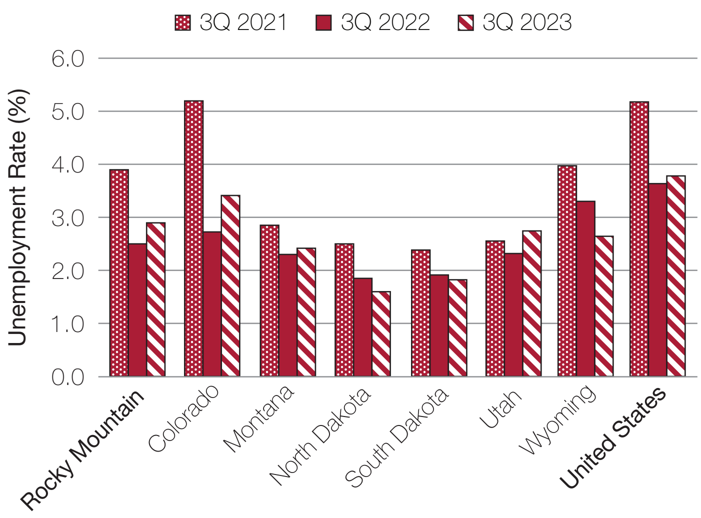
Despite an increase in the unemployment rate during the past year, the labor market in the region was tight in the third quarter of 2023, with an unemployment rate of 2.9 percent, up from 2.5 percent a year earlier. During the past year, the labor force in the region increased by 137,200, or 2.0 percent, outpacing resident employment growth of 106,600, or 1.6 percent. State unemployment rates in the region ranged from 1.6 percent in North Dakota to 3.4 percent in Colorado, and all states in the region had unemployment rates below the 3.8-percent national average, which was up from 3.6 percent a year earlier.

As of the third quarter of 2023—

- Utah added the most jobs in the region, up by 43,600 jobs, or 2.6 percent, from a year earlier. The growth was led by a gain of 14,600 jobs, or 8.8 percent, in the leisure and hospitality sector. Visits to national parks typically peak in the third quarter each year in the HUD Rocky Mountain region; during the third quarter of 2023, a combined 3.0 million tourists visited Arches, Bryce, and Zion National Parks in Utah, up 6 percent from a year earlier.
- Nonfarm payrolls in Colorado increased by 43,400 jobs, or 1.5 percent, with the largest gains in the government and the leisure and hospitality sectors, up by 21,600 and 20,600 jobs, or 4.9 and 5.9 percent, respectively, from a year earlier. Job gains more than offset the combined loss of 16,800 jobs in the financial activities, the information, the transportation and utilities, and the wholesale and retail trade sectors and the construction subsector.
- In Montana and South Dakota, nonfarm payrolls increased by 6,300 and 10,500 jobs, or 1.2 and 2.3 percent, respectively, with most growth occurring in the service-providing sectors. The education and health services sector led year-over-year job growth in Montana, adding 2,900 jobs, or 3.6 percent, and in South Dakota, the wholesale and retail trade sector added 2,800 jobs, or 3.7 percent.
- In North Dakota and Wyoming, nonfarm payrolls were up by 8,700 and 7,700 jobs, or 2.0 and 2.6 percent, respectively, from a year earlier, supported by gains in the goods-producing sectors. In North Dakota, the mining and logging subsector accounted for approximately one-third of the total nonfarm payroll gain, up by 2,800 jobs, or 16.4 percent, and in Wyoming, the strongest job gain was in the mining, logging, and construction sector, which added 2,700 jobs, or 6.8 percent, with more than three-fourths of the growth in the construction subsector.

All states in the Rocky Mountain Region had lower unemployment rates than the national rate as of the third quarter of 2023.



3Q = third quarter.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Home sales market conditions in the Rocky Mountain region were slightly tight as of the third quarter of 2023. Since 2022, rapidly rising interest rates have tempered home sales demand due to increased monthly mortgage costs for homebuyers. The average 30-year fixed mortgage rate in the United States was 7.2 percent in September 2023, up from 6.1 percent in September 2022 (Freddie Mac). The inventory of homes for sale remains relatively low, however, partly because the rise in rates discourages many homeowners who purchased or refinanced at much lower interest rates from listing their homes for sale, which has prevented sales housing market conditions from easing further. Nationwide, 82 percent of outstanding mortgages had an interest rate below 5.0 percent as of the fourth quarter of 2022; Utah and Colorado had the highest shares in the nation at 93 and 92 percent, respectively (most recent data available; Redfin, a national real estate brokerage).

Because many homeowners are hesitant to list their homes for sale, the number of active listings across the region in August 2023 decreased 9 percent from a year earlier, with Utah and Colorado accounting for the sharpest declines, down 12 and 10 percent, respectively (CoreLogic, Inc.). South Dakota was the only state in the region where home listings increased, up 3 percent from August 2022. The supply of homes for sale increased modestly year over year as of August 2023, ranging from 2.7 months of supply in Colorado to 4.0 months in Montana,

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up from 2.5 and 3.8 months, respectively, a year earlier (Redfin, a national real estate brokerage).

The combination of low inventories and higher mortgage interest rates led to a sharp drop in home sales, and price growth was generally subdued. Home prices in the Rocky Mountain region increased 3 percent during the 12 months ending August 2023 to average $538,300, and sales decreased 32 percent from a year earlier to 213,100. Colorado, Montana, Utah, and Wyoming all had similar declines in sales, down 30, 31, 33, and 31 percent, respectively. North Dakota had the smallest decrease in the region, down 22 percent year over year, whereas the 81-percent decline in South Dakota was the steepest. Utah was the only state where the average home sales price declined, down 1 percent; average home prices were unchanged from a year earlier in Montana and Wyoming. In North and South Dakota, the average home price increased 1 percent each, and the strongest year-over-year price growth was in Colorado, at 4 percent.

Sales were down sharply in all nine metropolitan areas cited in this report during the 12 months ending August 2023, with year-over-year decreases ranging from 25 percent in Boulder to 82 percent in Rapid City. Most of the metropolitan areas had either slight declines in average home prices or modest increases, ranging from a 2-percent decline in Cheyenne to a 5-percent increase in Fargo. In Rapid City, despite the sharp decline in home sales, the average home sales price increased 14 percent from a year earlier because of an increase in the share of homes sold in higher priced ranges, a result of many price-sensitive buyers in lower price ranges being unable to afford higher mortgage costs. During the 12 months ending August 2023, the share of homes that sold for more than $700,000—or approximately double the average sales price—accounted for 10 percent of home sales in the Rapid City metropolitan area, up from 4 percent during the previous 12 months (Zonda).

The rate of seriously delinquent mortgages and real estate owned (REO) properties declined in the past year, and the rate in the region was lower than the 1.0-percent national rate. In August 2023, the share of mortgages in the region that were seriously delinquent or had transitioned into REO status was 0.5 percent, down from 0.7 percent a year earlier (CoreLogic, Inc.). The rates declined in every state in the region during the past year and, during August 2023, ranged from 0.5 percent in Colorado, Montana, South Dakota, and Utah to 0.8 percent in Wyoming. The decreases mainly reflected fewer seriously past-due loans. Nearly 7,300 mortgages in the region were 90 or more days delinquent in August 2023, down 27 percent from a year earlier and similar to the 30-percent decline nationally.

Single-family homebuilding activity in the region decreased from a year ago because rising interest rates have led to weaker sales demand.

During the third quarter of 2023 (preliminary data)—

- Approximately 12,000 single-family homes were permitted in the region, down 4 percent from 12,450 homes during the third quarter of 2022 and compared with an 11-percent decrease a year ago. In all states in the region except South Dakota, home permitting in nonmetropolitan areas decreased at a faster rate than in metropolitan areas.
- In Colorado, approximately 4,925 homes were permitted, down 7 percent from a year earlier. Declines in the state were led by a drop of 32 percent in nonmetropolitan counties to 760 homes permitted, partially offset by an

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Areas throughout the Rocky Mountain Region had steep sales declines as of the third quarter of 2023 compared with a year earlier.

	12 Months Ending	Number of Homes Sold			Price			
		2022	2023	Percent Change	Average	2022 ($)	2023 ($)	Percent Change
Boulder	August	6,475	4,825	-25	AVG	$823,200	$822,300	0
Cheyenne	August	3,225	2,175	-33	AVG	$374,400	$366,100	-2
Colorado Springs	August	24,075	15,475	-36	AVG	$484,400	$496,900	3
Denver	August	73,425	52,500	-28	AVG	$628,700	$647,300	3
Fargo	August	5,675	4,100	-28	AVG	$296,800	$313,000	5
Missoula	August	2,475	1,800	-27	AVG	$512,700	$507,100	-1
Provo	August	19,750	13,050	-34	AVG	$552,200	$546,100	-1
Rapid City	August	2,550	460	-82	AVG	$320,500	$364,600	14
Salt Lake City	August	27,750	18,900	-32	AVG	$554,700	$561,700	1

AVG = average.
Note: Sales and prices include new and existing single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

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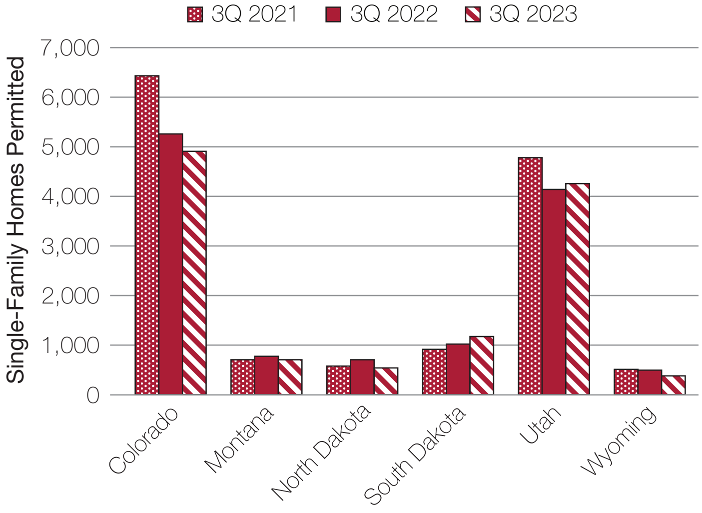
increase of 11 percent in the Denver metropolitan area to 2,275 homes permitted.

- In Utah, single-family permitting increased 3 percent from a year earlier to 4,250 homes. The strongest increases occurred in the Provo and Salt Lake City metropolitan areas, up 32 and 21 percent from a year earlier to 1,350 and 970 homes, respectively. Partially offsetting the overall statewide increase, permitting decreased in the Ogden and St. George metropolitan areas and in nonmetropolitan counties 15, 14, and 27 percent, respectively.
- In Montana, North Dakota, and Wyoming, permitting decreased 7, 25, and 26 percent compared with a year earlier to 720, 550, and 380 homes permitted, respectively. In all metropolitan areas and nonmetropolitan counties in each state, permitting was either virtually unchanged or decreased from a year earlier.
- Partially offsetting declines in most other areas in the region, single-family home permitting increased in South Dakota. Single-family permitting increased 15 percent year over year to 1,175 homes, led by a 24-percent increase in the Sioux Falls metropolitan area to 490 homes.

Single-family permitting decreased year over year in four of the six states in the Rocky Mountain Region as of the third quarter of 2023, led by a sizeable decline in Colorado.



3Q = third quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment conditions in the Rocky Mountain region as of the third quarter of 2023 were mixed, ranging from soft to slightly tight, with most markets softening compared with a year earlier. Apartment vacancies increased during the past year in eight of the nine metropolitan areas cited in this report, ranging from a 0.3-percentage-point increase in Boulder, where conditions were slightly soft, to a 7.2-percentage-point increase in Rapid City, where the market is soft (CoStar Group). Missoula was the only market where the vacancy rate decreased; however, at 8.2 percent, the market is still soft, unchanged from a year earlier. Other metropolitan areas with soft apartment market conditions included Denver, Provo, and Salt Lake City, which had third quarter 2023 vacancy rates of 8.0, 13.3, and 10.6 percent, respectively. Market conditions were balanced in Cheyenne, where the apartment vacancy rate increased to 8.4 percent, up from 2.5 percent a year earlier, when conditions were tight. In Fargo, third quarter apartment vacancy rates have generally declined since peaking at 9.6 percent in 2017, and despite a modest increase to 5.3 percent in the third quarter of 2023, the market remained slightly tight. Across much of the region, an increase in apartment completions, which outpaced absorption in the past year, contributed to the higher vacancy rates. A total of 36,700 apartment units were completed in the region during the 12 months ending September 2023, up 19 percent from the previous year, whereas 22,000 units were absorbed, up 9 percent from a year earlier.

Reflecting the soft market conditions across the region, rent growth slowed in most markets, and in a few markets, the rents declined. In seven of the nine metropolitan areas cited in this report, including the largest metropolitan areas in the region, the rent changes ranged from a 2-percent decline to a 1-percent increase. Rents declined 2 percent year over year in Colorado Springs and Missoula and 1 percent in Salt Lake City to $1,440, $1,274, and $1,580, respectively, as of the third quarter of 2023. The average rent was unchanged in Provo at $1,541. In Boulder, Denver, and Rapid City, the average rent increased 1 percent year over year. Boulder and Denver had the highest rents in the region at $1,956 and $1,834, respectively, and the average rent in Rapid City was $1,219 as of the third quarter of 2023, the third lowest rent among metropolitan areas cited in this report. In Cheyenne and Fargo, where the markets were balanced and slightly tight, rent growth was stronger. In Cheyenne, the average rent increased 4 percent from a year earlier to $1,161. In Fargo, the average rent increased 6 percent from a year earlier, the same pace as the previous year, and averaged $999 as of the third quarter of 2023.

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Rising vacancy rates across most areas in the Rocky Mountain Region contributed to slow rent growth or rent declines in some metropolitan areas as of the third quarter of 2023.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2022 (%)	3Q 2023 (%)	Percentage Point Change	3Q 2022 ($)	3Q 2023 ($)	Percent Change
Boulder	Slightly Soft	7.3	7.6	0.3	1,945	1,956	1
Cheyenne	Balanced	2.5	8.4	5.9	1,115	1,161	4
Colorado Springs	Soft	9.5	11.0	1.5	1,474	1,440	-2
Denver	Soft	6.6	8.0	1.4	1,823	1,834	1
Fargo	Slightly Tight	4.4	5.3	0.9	946	999	6
Missoula	Soft	12.1	8.2	-3.9	1,301	1,274	-2
Provo	Soft	9.0	13.3	4.4	1,540	1,541	0
Rapid City	Soft	2.0	9.2	7.2	1,207	1,219	1
Salt Lake City	Soft	8.5	10.6	2.1	1,603	1,580	-1

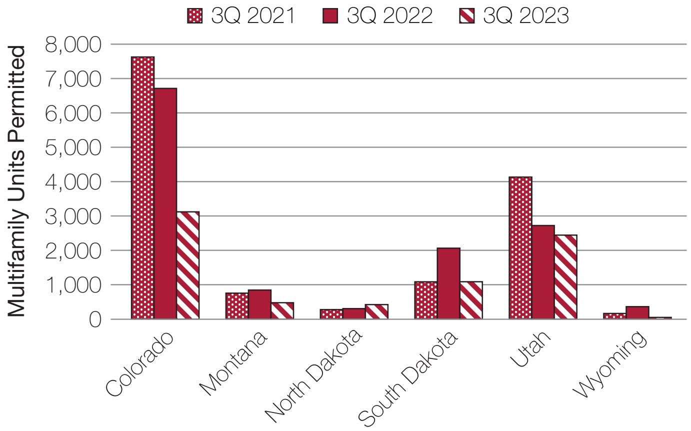
3Q = third quarter.
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—CoStar Group

Labor and materials shortages in the construction industry caused by pandemic-related disruptions have eased, but some shortages persist, contributing to prolonged construction times. Despite the large number of completions during the past year, the number of apartment units under construction remains elevated. As of the third quarter of 2023, approximately 61,250 apartment units were under construction across the region, down 15 percent from 71,700 units a year earlier but much higher than the average of 36,150 apartment units under construction during the third quarters of 2013 through 2021 (CoStar Group). In most markets, builders have responded to softening market conditions by starting construction on fewer multifamily housing units during the past year.

As of the third quarter of 2023 (preliminary data)—

- Approximately 7,625 multifamily units were permitted in the region, down 42 percent from 13,100 units a year earlier, with two-thirds of the decline in Colorado. An elevated level of units already under construction and increasing vacancy rates in some areas have contributed to notable permitting declines in several of the largest metropolitan areas in the region.
- In Colorado, multifamily permitting was down 53 percent from a year earlier to 3,125 units; the largest numerical decline was in the Denver metropolitan area, where multifamily permitting fell by 1,875 units, or 48 percent, to fewer than 2,000 units. Permitting also declined by 1,050 units in Colorado Springs and 730 units in Greeley, or 82 and 87 percent, respectively—more than offsetting modest increases in Fort Collins, Grand Junction, and nonmetropolitan areas.
- Multifamily permitting decreased 10 percent in Utah, from 2,725 units a year earlier to 2,450 units. The strongest decline was a 61-percent decrease in Provo to 200 units permitted. Despite soft market conditions in Salt Lake City, multifamily permitting increased 12 percent to nearly 1,550 units, partially offsetting declines elsewhere in the state.
- In Montana, South Dakota, and Wyoming, permitting decreased 43, 47, and 90 percent year over year to 490, 1,100, and 40 units, respectively. In Montana, permitting in all metropolitan areas decreased. In South Dakota, a strong decline of 65 percent in Sioux Falls was partially offset by a 35-percent gain in Rapid City; in Wyoming, no units were permitted in Cheyenne compared with 330 units a year earlier, which accounted for virtually all of the statewide decrease.
- North Dakota was the only state in the region with an increase in multifamily permitting, up 35 percent to nearly 430 units. Gains in all metropolitan areas, led by an increase of 150 units in Fargo to 370 units permitted, more than offset a 92-percent decrease in nonmetropolitan areas of the state.

Multifamily permitting in the Rocky Mountain Region decreased in every state except North Dakota as of the third quarter of 2023 compared with a year earlier.



3Q = third quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

Terminology Definitions and Notes

A. Definitions

Absorption	The net change, positive or negative, in the number of occupied units in a given geographic range.
Building Permits	Building permits do not necessarily reflect all residential building activity. 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.
Existing Home Sales	Existing home sales reported by CoreLogic, Inc. include resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.