HUD PD&R **Regional Reports**

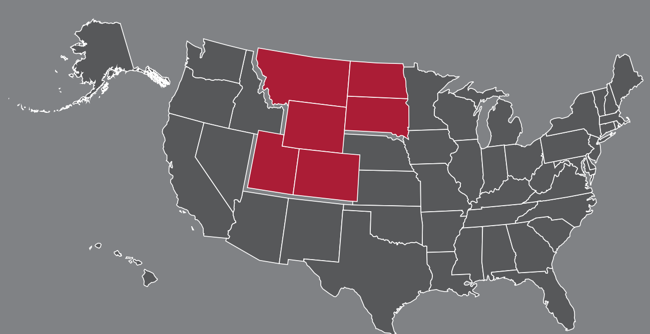
Region 8: Rocky Mountain

Denver, Colorado

Quick Facts About Region 8

Sales market conditions—
Third quarter 2018: tight.
Second quarter 2018: tight.
Third quarter 2017: tight.

Apartment market conditions—
Third quarter 2018: balanced.
Second quarter 2018: mixed (slightly tight to soft).
Third quarter 2017: mixed (slightly soft to slightly tight).



By James Conner | 3rd quarter 2018

Overview

Economic growth was strong in the Rocky Mountain region in the third quarter of 2018, with nonfarm payrolls increasing 2.8 percent from a year earlier. All nonfarm sectors added jobs, with the greatest increases occurring in the professional and business services, leisure and hospitality, government, and construction sectors; combined, those sectors increased by more than 95,000 jobs during the past 12 months. Job growth was strong despite a tight labor market, with unemployment in the region remaining near 3.1 percent. Home sales market conditions remained tight, with price increases ranging from 7 to 11 percent in most metropolitan areas in the region. Sales of new and existing homes were also up moderately in many metropolitan areas, despite a lack of home listings. Apartment market conditions were generally balanced throughout the region. In most metropolitan areas, apartment vacancy rates ranged from 3.2 to 6.5 percent, and rent growth was moderate, with annual increases of 5 percent or less. Homebuilding activity in the region during the third quarter of 2018 was down 6 percent from a year earlier, with an increase in single-family construction more than offset by a large decline in multifamily construction.

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- More than 80 percent of the job gains in the region were in Colorado and Utah, which had a combined increase in nonfarm payrolls of nearly 135,000 jobs. Utah and Colorado were among the eight fastest growing states nationwide in the third quarter of 2018.
- Inventories of existing homes for sale remained very low in most metropolitan areas in the region. Active home listings in the four largest metropolitan areas (Denver, Salt Lake City, Colorado Springs, and Ogden) ranged from 1.8 to 2.5 months of supply for sale.
- Although apartment deliveries remained elevated in the region, with more than 20,000 new units completed in the past 12 months, strong absorption allowed vacancy rates to remain nearly unchanged in most metropolitan areas.
- Single-family home construction in the region during the third quarter of 2018 was up 5 percent from a year earlier, to about 12,150 homes permitted, but multifamily construction was down 24 percent, to less than 5,700 units permitted.

Economic Conditions

Economic growth in the Rocky Mountain region accelerated in the past 12 months, and the current rate of job growth is well above the national average. In the third quarter of 2018 nonfarm payrolls in the region were up 2.8 percent from a year ago, to about 5.94 million jobs. Nationally, payrolls increased at a 1.7-percent rate. In the third quarter of 2017, by comparison, nonfarm payrolls in the region were up 1.6 percent, or about the same as the national growth rate. The manufacturing and the leisure and hospitality sectors and the construction subsector in the region, which posted increases of 11,000, 29,100, and 17,200 jobs, or 2.9, 4.2, and 4.6 percent, respectively, had faster payroll growth in the current quarter compared with a year ago. The professional and business services sector and the mining and logging subsector also had strong growth, increasing by 31,300 and 8,500 jobs, or 4.1 and 9.8 percent, respectively. Construction activity has been strong, despite a tight labor market in the subsector. Major nonresidential projects currently underway or recently completed include four Amazon.com, Inc. and UPS, Inc. warehouses and fulfillment centers in the Salt Lake City and Denver metropolitan areas, with a combined 3.6 million square feet and a total cost of $404 million (McGraw-Hill Construction Pipeline database). Nevertheless, more than 80 percent of contractors in the region reported difficulty filling positions (Associated General Contractors of America, 2018 Workforce Survey). Outdoor tourism has expanded strongly in the region during the past 5 years, but growth slowed recently. During the 12 months ending September 2018, visits to the top seven National Park areas in the region (Glacier, Grand Teton, Rocky Mountain, Yellowstone, and Zion National Parks; Glen Canyon National Recreation Area; and Mount Rushmore National Memorial) were up 1 percent from the previous 12 months, to about 26.5 million visitors (National Park Service). From 2014 through 2017, by comparison, the number of visitors increased an average of 12 percent a year. Labor market conditions remained tight. The unemployment rate was 3.1 percent in the region during the third quarter of 2018, easing slightly from a 3.0-percent rate a year earlier.

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Nonfarm payrolls in the region were up strongly from a year ago, with growth in all sectors.

	Third Quarter		Year-Over-Year Change	
	2017 (thousands)	2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,779.8	5,943.3	163.5	2.8
Goods-producing sectors	829.7	866.5	36.8	4.4
Mining, logging, and construction	456.9	482.6	25.7	5.6
Mining and logging	86.8	95.3	8.5	9.8
Construction	370.1	387.3	17.2	4.6
Manufacturing	372.9	383.9	11.0	2.9
Service-providing sectors	4,950.1	5,076.8	126.7	2.6
Wholesale and retail trade	859.7	874.6	14.9	1.7
Transportation and utilities	211.7	219.1	7.4	3.5
Information	132.3	136.6	4.3	3.3
Financial activities	342.6	350.5	7.9	2.3
Professional and business services	756.8	788.1	31.3	4.1
Education and health services	767.1	781.0	13.9	1.8
Leisure and hospitality	692.6	721.7	29.1	4.2
Other services	217.0	217.3	0.3	0.1
Government	970.3	987.9	17.6	1.8

Source: U.S. Bureau of Labor Statistics

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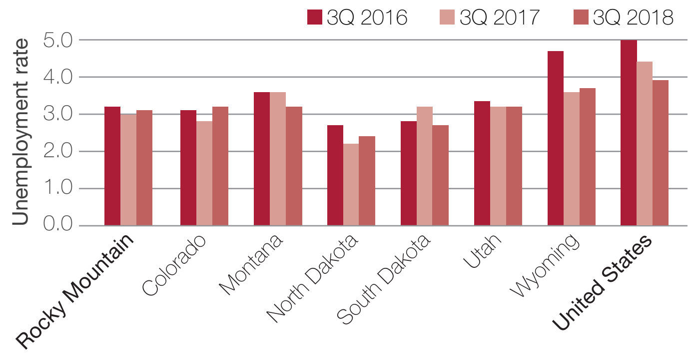
Within the region, state unemployment rates ranged from 2.4 percent in North Dakota to 3.7 percent in Wyoming, and all states in the region had rates below the 3.9-percent national average.

During the third quarter of 2018—

- Utah had the highest rate of job growth in the nation, with nonfarm payrolls increasing by 56,100 jobs, or 3.8 percent, from a year earlier. The mining and logging subsector decreased by 200 jobs, or 2.3 percent, but all other sectors grew, with the wholesale and retail trade, leisure and hospitality, and manufacturing sectors increasing by 11,300, 6,400, and 5,500 jobs, or 5.2, 4.4, and 4.2 percent, respectively.
- Colorado accounted for nearly half of the jobs added in the region, with nonfarm payrolls increasing by 78,800 jobs, or 2.9 percent, from a year earlier. The professional and business services, leisure and hospitality, and government sectors led the gains, increasing by 17,600, 15,900, and 10,100 jobs, or 4.2, 4.6, and 2.4 percent, respectively.
- In Wyoming and South Dakota, nonfarm payrolls increased by 7,000 and 9,100 jobs, or 2.4 and 2.1 percent, respectively. In Wyoming, leisure and hospitality, construction, and mining and logging payrolls were up by 2,200, 1,300, and 1,300 jobs, or 5.3, 6.2, and 6.5 percent, respectively, but those gains were partly offset by a decline of 600 jobs, or 0.9 percent, in the government sector. In South Dakota, professional and business services, manufacturing, and leisure and hospitality payrolls were up by 2,500, 1,600, and 1,600 jobs, or 7.9, 3.7, and 3.2 percent, respectively, but the wholesale and retail trade sector declined by 800 jobs, or 1.1 percent.

Tight labor market conditions eased slightly in the third quarter of 2018, but the unemployment rates in all states in the region remained below the national average.



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

- Job growth was slowest in the region in Montana and North Dakota, with nonfarm payrolls increasing by 7,700 and 4,800 jobs, or 1.6 and 1.1 percent, respectively, but this was an improvement from the 1.4- and 0.4-percent growth, respectively, of a year earlier. In Montana, the professional and business services and the leisure and hospitality sectors both increased by 2,000 jobs, or 4.8 and 2.8 percent, respectively, but wholesale and retail trade payrolls were down by 700 jobs, or 0.9 percent. In North Dakota, professional and business services and mining and logging payrolls were up by 1,300 and 2,500 jobs, or 3.7 and 13.2 percent, respectively, but the government and the wholesale and retail trade sectors were down by 1,200 and 1,500 jobs, or 1.5 and 2.1 percent, respectively.

Sales Market Conditions

Home sales market conditions were tight throughout most of the Rocky Mountain region in the third quarter of 2018. Home prices were up strongly in most of the major metropolitan areas, and despite low for-sale inventories, home sales increased in many metropolitan areas. In the region overall, approximately 256,700 new and existing homes sold during the 12 months ending September 2018, up nearly 1 percent from the previous 12 months, and home prices in the region were up more than 7 percent, to an average of about $364,500 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). In the Denver metropolitan area, approximately 67,000 new and existing homes sold in the 12 months ending September 2018, up 1 percent from the previous 12 months (Colorado Association of Realtors®). The number of active listings in September 2018 represented a 2.2-month supply of homes for sale at the current sales rate, down from a 2.4-month supply a year earlier. Home prices in the Denver metropolitan area averaged about $453,900 during the 12 months ending September 2018, up 9 percent from a year earlier. In the Colorado Springs metropolitan area, approximately 17,700 homes sold in the 12 months ending September 2018, down 2 percent from a year earlier, but prices were up 11 percent, to $329,600 (Pikes Peak Association of Realtors®). The inventory of for-sale listings represented a 1.8-month supply of homes at the current sales rate, up from a 1.3-month supply a year earlier.

In the Salt Lake City and Ogden metropolitan areas, average prices for new and existing homes in the 12 months ending September 2018 were up 9 and 10 percent from a year earlier, to $357,600 and $291,600, respectively, and home sales were up 6 and 2 percent, to about 18,150 and 9,925 homes sold, respectively (Utah Association of Realtors®). The number of active listings in the Salt Lake City metropolitan area represented a 2.3-month supply of homes for sale in September 2018, down from a 2.7-month supply a year earlier, and in Ogden, active listings in

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September represented a 2.5-month supply, unchanged from a year earlier. In the Rapid City metropolitan area, prices for new and existing homes averaged $248,500 in the 12 months ending September 2018, up 8 percent from a year earlier, and sales were up 1 percent, to about 1,725 homes sold (Coldwell Banker/Lewis-Kirkby-Hall Real Estate Inc.). The active listings represented a 4.0-month supply of homes for sale, down from a 4.3-month supply a year earlier. In the Fargo metropolitan area, home sales and prices both declined 1 percent from a year earlier, to about 5,100 new and existing homes sold during the 12 months ending September 2018 at an average price of $238,600 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).

Strong sales demand, combined with rising home values, led to a decline in the rate of seriously delinquent mortgages (loans that were 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties. In August 2018, the share of mortgages in the Rocky Mountain region that were seriously delinquent or had transitioned into REO status was 0.7 percent, down from 0.9 percent a year earlier (CoreLogic, Inc.). The rates declined in all states in the Rocky Mountain region, and ranged from 0.6 percent in Colorado to 1.2 percent in Wyoming; the rates for all states in the region were below the 1.8-percent national average.

Tight sales market conditions in the region led to an increase in single-family construction, as measured by the number of homes permitted.

During the third quarter of 2018 (preliminary data)—

- Single-family construction in the region was up by about 560 homes, or 5 percent, from a year earlier, to approximately 12,150 homes permitted. More than 80 percent of the gain occurred in Colorado and Utah, where permitting increased 6 and 5 percent, to about 5,650 and 4,150 homes, respectively.
- In Colorado, the greatest increases in single-family permitting were in the Fort Collins and Greeley metropolitan areas, up 19 and 20 percent from a year earlier, to about 490 and 630 homes, respectively, but in the Denver metropolitan area, permitting was down 1 percent, to 2,790 homes. In Utah, the greatest increase was in the Provo metropolitan area, up 8 percent from a year earlier, to about 1,450 homes permitted, but in the Salt Lake City metropolitan area, permitting decreased 4 percent, to about 1,275 homes.

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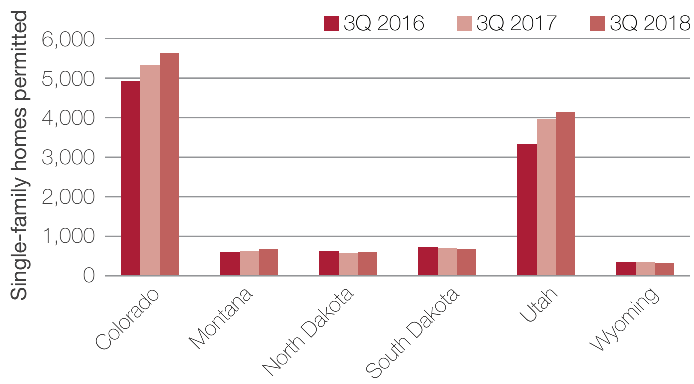
Single-family construction was up in the Rocky Mountain region, largely because of gains in Colorado and Utah, but homebuilding remained comparatively flat elsewhere in the region.



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

Home prices were up strongly in much of the region, but growth in home sales was more subdued because of limited supply.

	12 Months Ending	Number of Homes Sold			Price			
		2017	2018	Percent Change	Average or Median	2017 ($)	2018 ($)	Percent Change
Casper (N&E)	September	1,750	2,050	17	AVG	240,900	239,100	– 1
Colorado Springs (N&E)[a]	September	18,050	17,700	– 2	AVG	296,000	329,600	11
Denver (N&E)[b]	September	66,400	67,000	1	AVG	418,100	453,900	9
Fargo (N&E)	September	5,150	5,100	– 1	AVG	241,900	238,600	– 1
Greeley (N&E)	September	8,900	9,125	3	AVG	315,600	336,400	7
Missoula (N&E)	September	2,625	2,775	6	AVG	277,400	300,100	8
Ogden (N&E)[c]	September	9,775	9,925	2	AVG	266,300	291,600	10
Rapid City (N&E)[d]	September	1,700	1,725	1	AVG	230,500	248,500	8
Salt Lake City (N&E)[c]	September	17,200	18,150	6	AVG	327,800	357,600	9

AVG = average. E = existing. N&E = new and existing.
Notes: All figures are rounded. Salt Lake City data is for Salt Lake County only.
Sources: (a) Pikes Peak Association of Realtors®; (b) Colorado Association of Realtors®; (c) Utah Association of Realtors®; (d) Coldwell Banker/Lewis-Kirkby-Hall Real Estate Inc.; all other metropolitan areas: Metrostudy, A Hanley Wood Company, and adjustments by the analyst

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- In Montana and North Dakota, permitting increased 8 and 7 percent, to about 680 and 610 homes, respectively. Single-family construction was up 35 percent from a year ago in the Missoula metropolitan area, to about 130 homes permitted, and building activity was up 38 percent in the Fargo metropolitan area, to 390 homes permitted.
- In South Dakota and Wyoming, single-family construction declined 2 and 6 percent, to about 690 and 350 homes permitted, respectively. In the Sioux Falls metropolitan area, permitting increased 8 percent, to about 410 homes, but in the Rapid City and Cheyenne metropolitan areas, permitting decreased 10 and 2 percent, to about 110 and 80 homes, respectively.

Apartment Market Conditions

Apartment market conditions in most of the major metropolitan areas in the Rocky Mountain region were balanced in the third quarter of 2018. Apartment completions in the region decreased somewhat in the third quarter of 2018 to approximately 5,750 units, compared with nearly 6,200 units in the third quarter of 2017 (McGraw-Hill Construction Pipeline database). Completion of many apartment projects has been delayed by construction worker shortages. Nevertheless, more than 20,000 units were completed in the region during the past 12 months, but absorption was sufficiently strong in most metropolitan areas in the region that vacancies generally remained stable. In the Denver metropolitan area, apartment conditions were balanced, with a 5.2-percent vacancy rate, virtually unchanged from a year earlier, and the average rent was up 3 percent, to $1,440 *(Apartment Insights)*. Approximately 3,000 units were absorbed in the third quarter of 2018, up from 2,150 units a year earlier. In the Colorado Springs metropolitan area, conditions eased, but remained balanced, with vacancies increasing from 4.4 to 5.6 percent, and apartment rents averaged $1,057, up 5 percent from a year earlier. Market conditions in Colorado Springs may continue to soften, however, as approximately 3,100 units were under construction in the third quarter of 2018, up from 2,450 units a year earlier. Apartment conditions were also balanced in the Salt Lake City metropolitan area, with a 5.2-percent vacancy rate, nearly unchanged from a year earlier, and rents were up 5 percent from a year earlier, to about $1,030 (Reis, Inc.). Conditions remained slightly soft in the Provo metropolitan area, with a 6.2-percent vacancy rate, up from 5.9 percent a year earlier, but rents increased 3 percent, to $962.

In the northern states in the region, market conditions were comparatively softer, particularly in areas that had a significant volume of apartment completions, or in energy-impacted areas still recovering from the last downturn in oil prices. In the Casper metropolitan area, the apartment market improved from a year ago but remained slightly soft, with a 6.5-percent vacancy rate in the third quarter of 2018, down from 11.1 percent a year earlier, and rents were up 3 percent, to $826 (Axiometrics, Inc.). In some natural resources-producing areas, however, vacancies fell sharply in the past year. The cities of Williston, Minot, and Gillette had apartment vacancy rates of 3.6, 4.3, and 4.9 percent in the third quarter of 2018, down from 10.1, 8.2, and 11.2 percent, respectively, a year earlier; conditions in those areas are currently balanced, helped by strong job gains in the natural resources and mining subsector. The Fargo metropolitan area apartment market has remained soft for the past year, in part because more than 5,500 new units were completed since 2014, and absorption has

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Apartment markets were generally balanced in most metropolitan areas in the region, with only modest rent increases from a year ago.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2017 (%)	3Q 2018 (%)	Percentage Point Change	3Q 2017 ($)	3Q 2018 ($)	Percent Change
Casper[a]	Slightly soft	11.1	6.5	– 4.6	802	826	3
Colorado Springs[b]	Balanced	4.4	5.6	1.2	1,007	1,057	5
Denver[b]	Balanced	5.3	5.2	– 0.1	1,394	1,440	3
Fargo[c]	Soft	8.8	9.3	0.5	NA	NA	NA
Missoula[a]	Balanced	4.5	4.1	– 0.4	961	983	2
Provo	Slightly soft	5.9	6.2	0.3	936	962	3
Rapid City[a]	Balanced	5.2	3.2	– 2.0	961	973	1
Salt Lake City	Balanced	5.1	5.2	0.1	985	1,030	5

3Q = third quarter. NA = data not available.

Note: Fargo apartment vacancy rates as of September 1.

Sources: market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent sources—(a) Axiometrics, Inc.; (b) *Apartment Insights*; (c) Appraisal Services, Inc.; all other metropolitan areas—Reis, Inc.

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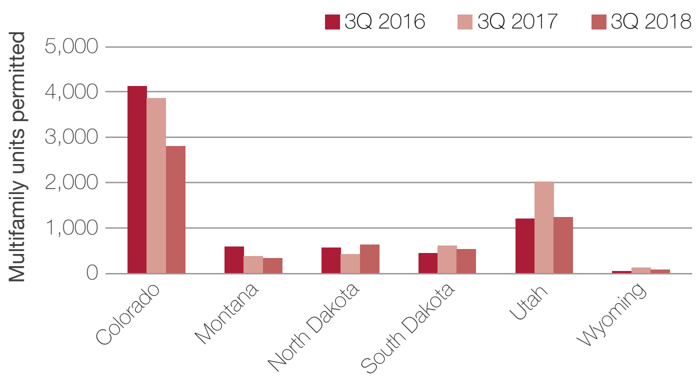
been slower than expected. In September 2018, the apartment vacancy rate was 9.3 percent, up from 8.8 percent a year earlier (Appraisal Services, Inc.).

Multifamily construction, as measured by the number of units permitted, decreased in the region, in part because project delays caused by worker shortages have led to an increased supply of units in the construction pipeline.

During the third quarter of 2018 (preliminary data)—

- Approximately 5,675 multifamily units were permitted in the region, down 24 percent from a year earlier. The greatest declines were in Colorado and Utah, where 2,825 and 1,250 units were permitted, decreases of 27 and 38 percent, respectively, from a year ago.
- In Colorado, most of the decrease in multifamily construction occurred in the Denver metropolitan area, with a 33-percent decline, to about 1,875 units permitted. Similarly, the decrease in Utah was greatest in the Salt Lake City metropolitan area, where permitting was down 59 percent, to 440 units.
- In Montana, South Dakota, and Wyoming, multifamily permitting declined 12, 13, and 22 percent, to about 340, 540, and 90 units, respectively. In Missoula, multifamily permitting decreased from about 190 to 85 units, and in Rapid City, permitting decreased from about 50 to 10 units. However, in Cheyenne, multifamily permitting increased from 50 to 75 units, and in Sioux Falls, permitting increased from about 410 to 440 units.
- In North Dakota, multifamily construction was up 52 percent from a year earlier, to about 640 units permitted. Most of the increase occurred in the Fargo metropolitan area where, despite the soft market conditions, multifamily permitting increased from about 310 to 570 units.

Multifamily construction activity decreased from a year ago in the region, largely because of steep declines in Colorado and Utah.



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Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey