HUD PD&R **Regional Reports**

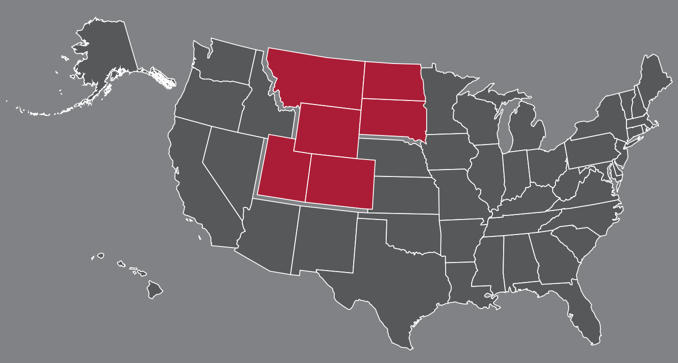
Region 8: Rocky Mountain

Colorado Springs, Colorado

Quick Facts About Region 8

- **Sales market conditions—**
  Third quarter 2019: tight
  Second quarter 2019: tight
  Third quarter 2018: tight

- **Apartment market conditions—**
  Third quarter 2019: mixed (slightly soft to slightly tight)
  Second quarter 2019: mixed (soft to slightly tight)
  Third quarter 2018: balanced



By James Conner | 3rd Quarter 2019

Overview

The economy in the Rocky Mountain region grew in the third quarter of 2019, with nonfarm payrolls increasing by 129,700 jobs, or 2.2 percent, from a year earlier. The recent job growth was slightly below the gain of 133,400 jobs, or 2.3 percent, a year earlier; this was in part due to very tight labor market conditions, which made it harder for employers to fill open positions. The unemployment rate in the region was 2.6 percent in the third quarter of 2019, down from 3.2 percent a year earlier. In the third quarter of 2019, the tight labor market contributed to wage growth, with average weekly earnings for private sector employees in the region up 3.1 percent from a year earlier, slightly exceeding the 2.8-percent increase in the consumer price index in the Bureau of Labor Statistics' Mountain-Plains region. The income growth supported increased demand for sales housing, and sales market conditions in the region were tight in the third quarter of 2019. Year-over-year home price increases ranged from 2 to 11 percent in the major metropolitan areas in the region, and most metropolitan areas had less than a 3.5-month supply of homes for sale. Rental demand remained strong in the region, in part because some current renters have been priced out of the home sales market. Apartment market conditions in the region were mostly balanced in the third quarter

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of 2019, ranging from slightly soft to slightly tight. A large supply of new apartments were completed in the past 12 months, but absorption of the units was strong and vacancy rates remained relatively stable. Construction of new single-family homes was unchanged from a year earlier, with about 12,250 homes permitted in the third quarter of 2019. Multifamily construction was up 11 percent, to about 6,025 units permitted in the region, with virtually all of the increase occurring in Utah.

During the third quarter of 2019—

- Utah, South Dakota, and Colorado were among the top 10 states nationally for year-over-year rates of job growth, with increases of 3.2, 2.2, and 2.1 percent, respectively; the 1.6-percent growth in Montana was also slightly above the 1.5-percent national average.
- The tight home sales market conditions in the region led to declines in the number of new and existing homes sold, particularly in Colorado and Utah. Although sales in the Denver metropolitan area were up 1 percent from a year earlier, sales in the Ogden, Colorado Springs, Salt Lake City, and Fort Collins metropolitan areas were down 1, 2, 3, and 4 percent, respectively.
- Apartment market conditions were balanced in five of the nine metropolitan areas in the Rocky Mountain region cited in this report. Apartment vacancies decreased in the Colorado Springs, Missoula, and Cheyenne metropolitan areas, causing those markets to become slightly tight. Vacancies also fell in the Fargo metropolitan area, but that market remained slightly soft.

Economic Conditions

The economic expansion in the Rocky Mountain region that began in 2010 entered its ninth year, and during that period, 1.14 million jobs were added in the region. In the third quarter of 2019, nonfarm payrolls averaged 6.05 million jobs, an increase of about 129,700 jobs, or 2.2 percent, from a year earlier. The recent job gains were greatest in the professional and business services sector, which grew by 41,100 jobs, or 5.3 percent, but the growth was dispersed across several sectors, with the education and health services, the leisure and hospitality, the government, and the manufacturing sectors growing by 22,100, 16,800, 10,600, and 9,900 jobs, or 2.8, 2.4, 1.1, and 2.6 percent, respectively. The mining, logging, and construction sector grew overall by 9,800 jobs, or 2.0 percent; however, the mining and logging subsector declined by approximately 100 jobs, or 0.1 percent, in part because oil prices in the third quarter of 2019 were down 19 percent from a year earlier to about $56 a barrel (U.S. Energy Information Administration).

Growth in the tourism industry contributed directly to job gains in the leisure and hospitality sector and indirectly to those in industries such as construction and transportation. Construction projects that were underway in the third quarter of 2019 included the $255 million Monarch Hotel and Casino in Black Hawk, Colorado, and the $400 million Montage Hotel and Resort

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Job growth in the Rocky Mountain region was broad-based, with most sectors having annual nonfarm payroll gains of 2 percent or more.

	Third Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	5,919.1	6,048.8	129.7	2.2
Goods-Producing Sectors	865.9	885.6	19.7	2.3
Mining, Logging, & Construction	481.9	491.7	9.8	2.0
Mining & Logging	93.8	93.7	-0.1	-0.1
Construction	388.1	398.0	9.9	2.6
Manufacturing	384.0	393.9	9.9	2.6
Service-Providing Sectors	5,053.2	5,163.1	109.9	2.2
Wholesale & Retail Trade	866.7	872.3	5.6	0.6
Transportation & Utilities	221.6	226.6	5.0	2.3
Information	136.1	136.9	0.8	0.6
Financial Activities	350.4	353.3	2.9	0.8
Professional & Business Services	782.5	823.6	41.1	5.3
Education & Health Services	780.7	802.8	22.1	2.8
Leisure & Hospitality	707.8	724.6	16.8	2.4
Other Services	221.5	226.7	5.2	2.3
Government	985.8	996.4	10.6	1.1

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

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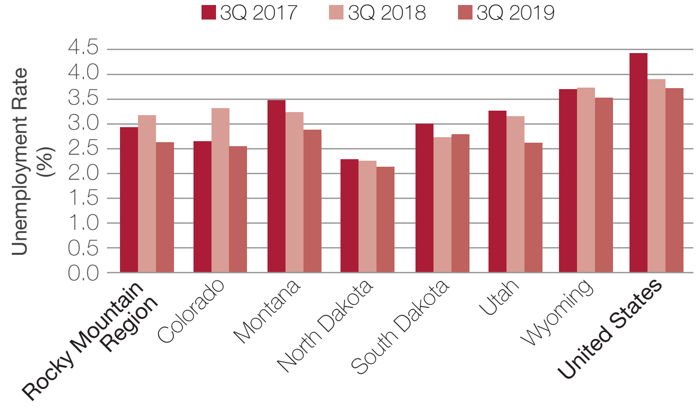
in Big Sky, Montana. Passenger totals at the Salt Lake City and Denver airports in the third quarter of 2019 were up 3 and 9 percent, respectively, from a year earlier (Salt Lake City and Denver International Airports). The seven most-visited National Park Service areas in the region welcomed 24.5 million visitors during the 12 months ending September 2019, but this was down 7 percent from a year earlier (U.S. National Park Service).

The third-quarter unemployment rate in the region previously peaked in 2010 at 7.4 percent, but by the third quarter of 2015 had fallen to 3.4 percent, and labor market conditions have remained tight since then. In the third quarter of 2019, the unemployment rate in the region was 2.6 percent, its lowest third-quarter rate in at least the past 30 years and down from 3.2 percent a year earlier. Unemployment rates declined or remained virtually unchanged in every state in the region and ranged from 2.1 percent in North Dakota to 3.5 percent in Wyoming. All states in the region had unemployment rates below the U.S. average of 3.7 percent.

Labor market conditions in the Rocky Mountain region were very tight, but most states had further declines in unemployment rates in the third quarter of 2019.



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

During the third quarter of 2019—

- Nonfarm payrolls in Colorado were up by 56,300 jobs, or 2.1 percent, from a year earlier, led by a gain of 26,600 jobs, or 6.2 percent, in the professional and business services sector. The relatively well-paying professional, scientific, and technical services industry grew by 20,600 jobs, or 9.1 percent. Average weekly earnings for private sector employees in Colorado were up 3.5 percent from a year earlier.
- Utah had the highest rate of job growth in the nation, with nonfarm payrolls increasing by 48,800 jobs, or 3.2 percent, from a year earlier. The greatest gains were in the education and health services, the professional and business services, and the manufacturing sectors, with increases of 10,700, 9,800, and 6,100 jobs, or 5.3, 4.5, and 4.6 percent, respectively.
- South Dakota and Montana had nonfarm payroll increases of 9,700 and 7,700 jobs, or 2.2 and 1.6 percent, respectively. Gains in South Dakota were led by the wholesale and retail trade, manufacturing, and leisure and hospitality sectors, with increases of 2,700, 1,600, and 1,600 jobs, or 3.7, 3.6, and 3.1 percent, respectively. In Montana, gains were led by the professional and business services and financial activities sectors, with increases of 2,400 and 1,400 jobs, or 5.5 and 5.6 percent, respectively.
- Job growth was more subdued in Wyoming and North Dakota, with payroll gains of 4,300 and 2,800 jobs, or 1.5 and 0.6 percent, respectively. In Wyoming, payrolls in the construction subsector and the wholesale and retail trade sector were up by 1,400 and 1,200 jobs, or 6.5 and 3.1 percent, respectively, but the mining and logging subsector declined by 1,000 jobs, or 4.8 percent. In North Dakota, the education and health services sector and the construction subsector grew by 2,900 and 2,300 jobs, or 4.6 and 7.8 percent, respectively, but the wholesale and retail trade and the leisure and hospitality sectors declined by 1,300 and 1,000 jobs, or 1.8 and 2.4 percent, respectively.

Sales Market Conditions

Home sales markets were tight in the Rocky Mountain region in the third quarter of 2019, especially in Colorado and Utah, as job growth and rising incomes supported increased sales demand. The for-sale inventory, measured as the months of supply of active home listings, decreased in most major metropolitan areas in the region compared with a year earlier, and home price increases ranged from 2 to 11 percent in the nine areas cited in this report. As many buyers were priced out of the market, the number of home sales remained essentially flat or decreased from a year ago in five of the nine markets cited in this report. The Denver metropolitan area had a 2.3-month supply of homes for sale at the current sales rate in September 2019, down from a 2.6-month supply a year earlier (Colorado Association of Realtors®). During the 12 months ending September 2019, prices for new and existing homes in the Denver metropolitan area averaged about $472,000, up 4 percent from a year earlier, and home sales totaled approximately 69,550, up 1 percent from a year earlier. The Colorado Springs metropolitan area had a 1.4-month supply of homes for sale in September 2019, down from a 1.8-month supply a year earlier (Pikes Peak Association of Realtors®). Home prices during the 12 months ending September 2019 were up 6 percent from a year earlier to an average of $346,200, and sales were down 2 percent to about 17,900 homes sold.

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Home prices increased from a year ago throughout the region, but sales were down in many metropolitan areas due to low for-sale inventories.

	12 Months Ending	Number of Homes Sold			Price			
		2018	2019	Percent Change	Average or Median	2018 ($)	2019 ($)	Percent Change
Casper (N&E)	September	2,075	2,225	7	AVG	234,500	243,900	4
Colorado Springs (N&E)[a]	September	18,250	17,900	-2	AVG	326,400	346,200	6
Denver (N&E)[b]	September	69,200	69,550	1	AVG	454,400	472,000	4
Fargo (N&E)	September	5,000	5,000	0	AVG	239,300	243,600	2
Fort Collins (N&E)	September	8,950	8,575	-4	AVG	400,800	415,200	4
Missoula (N&E)	September	2,675	2,750	3	AVG	300,300	310,500	3
Ogden (N&E)[c]	September	10,050	10,050	0	AVG	291,700	324,600	11
Rapid City (N&E)[d]	September	1,725	1,750	1	AVG	246,400	253,100	3
Salt Lake City (N&E)[c]	September	18,500	17,750	-4	AVG	357,400	383,600	7

AVG = average. N&E = new and existing.
Note: 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, with adjustments by the analyst

In the Salt Lake City and Ogden metropolitan areas, the active listings represented 2.2 and 2.3 months of supply, respectively, in September 2019, down from 2.7 months of supply in both markets a year earlier (Utah Association of Realtors®). Home prices in the Salt Lake City and Ogden metropolitan areas averaged about $383,600 and $324,600 during the 12 months ending September 2019, increases of 7 and 11 percent, respectively, from a year earlier. Sales in the Salt Lake City metropolitan area were down 4 percent from a year earlier to approximately 17,750 homes sold, and sales in the Ogden metropolitan area remained essentially flat at approximately 10,050 homes sold.

Sales markets were slightly tight in the northern states of the Rocky Mountain region. In the Fargo and Missoula metropolitan areas, home prices during the 12 months ending September 2019 increased 2 and 3 percent from a year earlier to about $243,600 and $310,500, respectively. Home sales in Fargo were essentially flat compared with a year earlier at about 5,000 homes sold, but in Missoula, sales were up 3 percent to about 2,750 homes sold. In the Rapid City metropolitan area, prices increased 3 percent to approximately $253,100, and sales increased 1 percent to about 1,750 homes sold (Coldwell Banker/Lewis-Kirkby-Hall Real Estate Inc.). The Rapid City metropolitan area had a 3.4-month supply of homes for sale in September 2019, down from a 4.0-month supply a year earlier.

In part because of rising home prices, the rate of seriously delinquent mortgages (loans 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the Rocky Mountain region declined during the past year. In August 2019, the share of mortgages in the region that were seriously delinquent or had transitioned into REO status was 0.6 percent, down from 0.7 percent a year earlier (CoreLogic, Inc.). The rates decreased in every state in the region and ranged from 0.5 percent in Colorado to 0.9 percent in North Dakota and Wyoming. The rates for all states in the Rocky Mountain region were well below the 1.4-percent national average.

Although home sales demand is strong, homebuilding activity in the region remained stable. During the third quarter of 2019 (preliminary data)—

- The construction of new single-family homes was virtually unchanged from a year earlier in the Rocky Mountain region at approximately 12,250 homes permitted. An increase in single-family permitting in Colorado was largely offset by a decline in Utah, and the other states in the region had only slight changes in single-family permitting.

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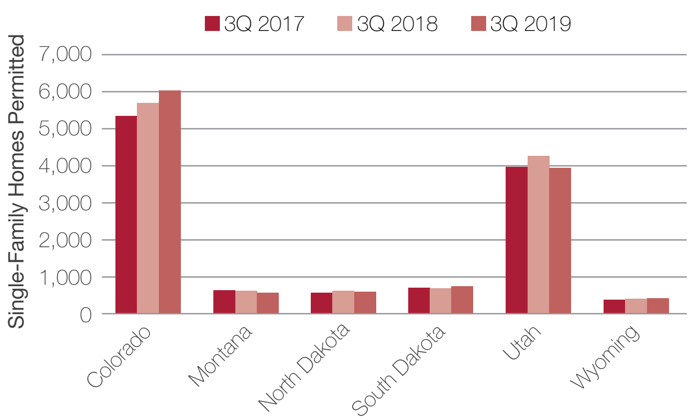
Increased single-family construction in Colorado was offset by a decrease in Utah, and the other states in the region had only slight changes in single-family construction.



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

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- In Colorado, single-family homebuilding increased by about 340 homes, or 6 percent, from a year ago to approximately 6,025 homes permitted. In the Denver and Colorado Springs metropolitan areas, permitting increased 11 and 7 percent, to about 3,125 and 1,075 homes, respectively.
- In Utah, homebuilding decreased by 325 homes, or nearly 8 percent, to about 3,925 single-family homes permitted. All the metropolitan areas in Utah declined, led by Salt Lake City and Provo, with decreases of 13 and 3 percent to approximately 1,175 and 1,425 homes permitted, respectively.
- In South Dakota and Wyoming, single-family permitting increased 8 and 4 percent from a year earlier to about 740 and 410 homes, respectively; however, the gains represented increases of only about 50 and 20 homes, respectively. In the Rapid City metropolitan area, homebuilding increased from about 110 to 190 homes permitted; in the Sioux Falls metropolitan area, permitting declined from 410 to 350 homes; and in the Cheyenne metropolitan area, permitting declined from 120 to 110 homes.
- In Montana and North Dakota, single-family permitting decreased by about 60 and 15 homes, or 10 and 2 percent, from a year earlier to about 560 and 590 homes, respectively. Homebuilding increased in the Missoula metropolitan area from 130 to 140 homes; in the Billings metropolitan area, single-family permitting declined from 130 to 80 homes; and in the Fargo metropolitan area, permitting declined from about 390 to 360 homes.

Apartment Market Conditions

In the third quarter of 2019, apartment market conditions tightened in a few markets in the Rocky Mountain region, but conditions remained generally balanced throughout most of the region. In the nine metropolitan areas cited in this report, apartment conditions ranged from slightly soft to slightly tight, and conditions were balanced in five of the nine areas. In the Denver and Fort Collins metropolitan areas, apartment conditions were balanced, with average vacancy rates of 5.3 and 4.6 percent in the third quarter of 2019, up slightly from 5.2 and 4.5 percent, respectively, a year earlier (*Apartment Insights*). The average rents increased 4 percent from a year earlier in both metropolitan areas, to $1,499 and $1,395, respectively. In the Colorado Springs metropolitan area, conditions tightened in the past year, with apartment vacancies declining from 5.6 to 5.2 percent and rents increasing 7 percent, to $1,129. In the Denver, Fort Collins, and Colorado Springs metropolitan areas combined, about 20,400 new apartments were completed during the first 9 months of 2019, compared with 22,800 units completed during all of 2018; however, absorption was strong enough that vacancies in those markets declined or increased only slightly. Completions would have been even higher, but labor shortages, delays in the approval process, and so on have slowed the delivery of new units.

In the Salt Lake City and Provo metropolitan areas, apartment conditions were balanced, with vacancy rates of 5.0 and 6.4 percent in the third quarter of 2019, compared with 5.4 and 6.2 percent, respectively, a year earlier (Reis, Inc.). Rents in the Salt

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Vacancies declined in some markets in the Rocky Mountain region in the third quarter of 2019, but apartment conditions remained balanced or nearly balanced in most areas.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2018 (%)	3Q 2019 (%)	Percentage Point Change	3Q 2018 ($)	3Q 2019 ($)	Percent Change
Cheyenne	Slightly tight	2.4	2.8	0.4	840	858	2
Colorado Springs[a]	Slightly tight	5.6	5.2	-0.4	1,057	1,129	7
Denver[a]	Balanced	5.2	5.3	0.1	1,440	1,499	4
Fargo[b]	Slightly soft	9.3	8.7	-0.6	N/A	N/A	N/A
Fort Collins[a]	Balanced	4.5	4.6	0.1	1,343	1,395	4
Missoula	Slightly tight	4.5	3.6	-0.9	1,003	1,092	9
Provo[c]	Balanced	6.2	6.4	0.2	962	1,001	4
Salt Lake City[c]	Balanced	5.4	5.0	-0.4	1,031	1,092	6
Sioux Falls	Balanced	7.8	4.9	-2.9	839	880	5

3Q = third quarter. N/A = data not available.

Note: Fargo apartment vacancy rates as of September 1.

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

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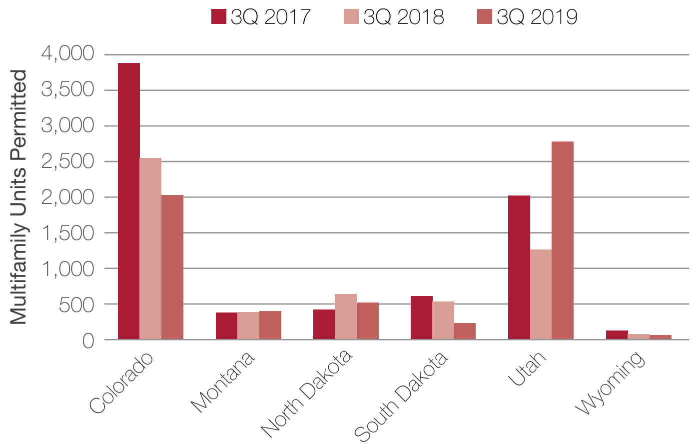
Lake City and Provo metropolitan areas averaged $1,092 and $1,001 in the third quarter of 2019, increases of 6 and 4 percent, respectively, from a year earlier. In the Missoula metropolitan area, apartment construction has lagged behind the growth in demand in the past 2 years, and conditions were slightly tight by the third quarter of 2019, with vacancies at 3.6 percent, down from 4.5 percent a year earlier, and rents were up 9 percent, to $1,092 (Axiometrics, Inc.). Apartment conditions remained slightly soft, however, in the Fargo metropolitan area, with vacancies at 8.7 percent, down from 9.3 percent a year earlier, and down from a peak of 9.9 percent in late 2017 (Appraisal Services, Inc.). Apartment construction peaked in the Fargo metropolitan area during 2013 through 2016, with more than 1,700 units a year permitted. Although construction has since declined, absorption also slowed somewhat, and vacancies have fallen only gradually.

Apartment developer interest remains strong in the Rocky Mountain region, particularly in Utah. During the third quarter of 2019 (preliminary data)—

- Approximately 6,025 multifamily units were permitted in the region, an increase of 11 percent from a year earlier. Strong growth in multifamily construction in Utah offset declines in Colorado, North Dakota, and South Dakota.
- In Utah, multifamily construction more than doubled, with approximately 2,775 units permitted, up from 1,250 units a year earlier. In the Salt Lake City metropolitan area, strong job growth and net in-migration led to rising demand for new apartments, and permitting increased from about 450 to 1,725 units; in the Ogden metropolitan area, permitting increased from about 180 to 330 units; and in the St. George metropolitan area, permitting increased from less than 100 units to nearly 300 units.
- In Colorado, multifamily building activity fell 20 percent from a year earlier, to about 2,050 units permitted. In the Denver metropolitan area, permitting declined 21 percent, to about 1,300 units, in part because of a large backlog of projects already in the development pipeline. In the Fort Collins metropolitan area, permitting decreased from about 380 to 240 units; and in the Colorado Springs metropolitan area, permitting decreased from about 200 to 100 units.
- In South Dakota, multifamily permitting decreased from about 530 to 230 units, due entirely to a sharp decline in multifamily construction in the Sioux Falls metropolitan area, where building activity decreased from 435 to 90 units permitted. In North Dakota, multifamily permitting also declined, from about 645 to 520 units, largely due to a decrease in the Fargo metropolitan area from 565 to 360 units permitted.
- In Montana and Wyoming, multifamily building activity was nearly unchanged. In Montana, permitting increased from about 390 to 400 units, and in Wyoming, permitting decreased from 75 to 65 units. In the Missoula metropolitan area, multifamily permitting increased from 85 to 105 units, but in the Cheyenne metropolitan area, multifamily construction decreased from about 60 to 30 units permitted.

Multifamily construction decreased in most states in the Rocky Mountain region in the third quarter of 2019, but those declines were more than offset by a large increase in Utah.



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