

HUD PD&R Regional Reports

Region 8: Rocky Mountain

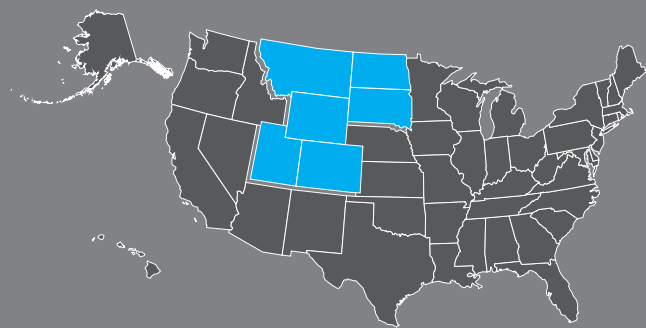


Salt Lake City, Utah

By James Conner | 4th quarter 2016

Quick Facts About Region 8

- **Sales market conditions—**
Fourth quarter 2016: tight.
Third quarter 2016: tight.
Fourth quarter 2015: tight.
- **Apartment market conditions—**
Fourth quarter 2016: mixed (soft to tight).
Third quarter 2016: mixed (slightly soft to tight).
Fourth quarter 2015: mixed (balanced to slightly tight).



Overview

The economy in the Rocky Mountain region continued to grow at a moderate rate in the fourth quarter of 2016. Nonfarm payrolls increased by 99,700 jobs, or 1.8 percent, from a year earlier, consistent with the average rate of growth in the region since mid-2015. Although continued job losses in the energy industry remained a drag on the regional economy, the losses were offset by strong job growth in the healthcare and tourism industries. Sales housing markets remained tight throughout most of the region; many metropolitan areas had less than a 2.0-month supply of homes for sale in December 2016, and home prices increased significantly in most of the large metropolitan areas in the region. Apartment market conditions varied widely within the region, remaining tight in a few areas while becoming softer in most other areas. In many metropolitan areas in the region, vacancies increased because of a high volume of apartment completions. Residential construction activity, based on the total number of housing units permitted, in the Rocky Mountain region was up 32 percent in the fourth quarter of 2016 compared with the number of housing units permitted a year earlier.

- In the education and health services and the leisure and hospitality sectors, payrolls were up in the fourth quarter of 2016 by a combined 49,200 jobs, or 3.6 percent, from a year earlier in the region, offsetting a decline of 10,400 jobs, or 11.1 percent, in the mining and logging subsector.

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- Approximately 284,000 new and existing homes sold in the region during 2016, essentially unchanged from a year earlier. Sales increases in Utah and Montana were offset by declines in the other states in the region. Home prices were up 5 percent from a year earlier, however, with nearly all states in the region posting price gains in 2016 (CoreLogic, Inc., with adjustments by the analyst).
- Apartment market conditions ranged from soft to tight during the fourth quarter of 2016. Vacancy rates were up from a year ago

in most metropolitan areas in the region; nevertheless, average apartment rents were also up from a year ago in most metropolitan areas.

- Despite the softer apartment market conditions, multifamily construction was up 66 percent from a year earlier, to about 9,650 units permitted during the fourth quarter of 2016. In addition, single-family permitting increased 8 percent from a year earlier, to about 9,125 homes. The increases in both single-family and multifamily permitting were mainly concentrated in Colorado and Utah.

Economic Conditions

The economy in the Rocky Mountain region expanded at a moderate but steady pace in the fourth quarter of 2016. Nonfarm payrolls were up by 99,700 jobs, or 1.8 percent, from a year earlier, to 5.71 million jobs. Year-over-year payroll growth has averaged 1.8 percent since mid-2015, less than the 2.8-percent average rate from 2012 through 2014. Payrolls in the mining and logging subsector in the fourth quarter of 2016 were down by approximately 10,400 jobs, or 11.1 percent, from a year earlier because of low energy prices. Job growth was strong, however, in the healthcare and tourism industries because of population growth in the region and increased visitor spending. The greatest job gains in the fourth quarter of 2016 were in the education and health services and the leisure and hospitality sectors, which added 27,000 and 22,200

jobs, increases of 3.7 and 3.6 percent, respectively, from a year earlier. In Colorado and Utah, warm fall weather at many resorts delayed the start of the ski season, and early-season skier visits were down more than 8 percent from a year earlier (Colorado Ski Country USA and Vail Resorts, Inc.). Visits to the top six national parks in the region, however, were up 14 percent during the fourth quarter of 2016 from a year earlier, to 2.3 million visitors (National Park Service). Labor markets continued to tighten throughout most of the region. The regional unemployment rate in the fourth quarter of 2016 was 3.0 percent, down from 3.2 percent a year earlier and from 3.7 percent in the fourth quarter of 2014. State unemployment rates ranged from 2.6 percent in North Dakota to 4.7 percent in Wyoming. Unemployment rates declined in every state in the

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Payroll increases in the Rocky Mountain region were broad based, with nearly all employment sectors posting job gains.

	Fourth Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,613.4	5,713.1	99.7	1.8
Goods-producing sectors	803.9	809.3	5.4	0.7
Mining, logging, and construction	438.7	442.4	3.7	0.8
Mining and logging	94.0	83.6	-10.4	-11.1
Construction	344.6	358.8	14.2	4.1
Manufacturing	365.2	366.9	1.7	0.5
Service-providing sectors	4,809.6	4,903.8	94.2	2.0
Wholesale and retail trade	856.6	863.8	7.2	0.8
Transportation and utilities	210.3	211.1	0.8	0.4
Information	128.1	129.1	1.0	0.8
Financial activities	332.7	338.2	5.5	1.7
Professional and business services	723.3	742.0	18.7	2.6
Education and health services	737.7	764.7	27.0	3.7
Leisure and hospitality	622.6	644.8	22.2	3.6
Other services	201.9	204.0	2.1	1.0
Government	996.3	1,006.1	9.8	1.0

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics



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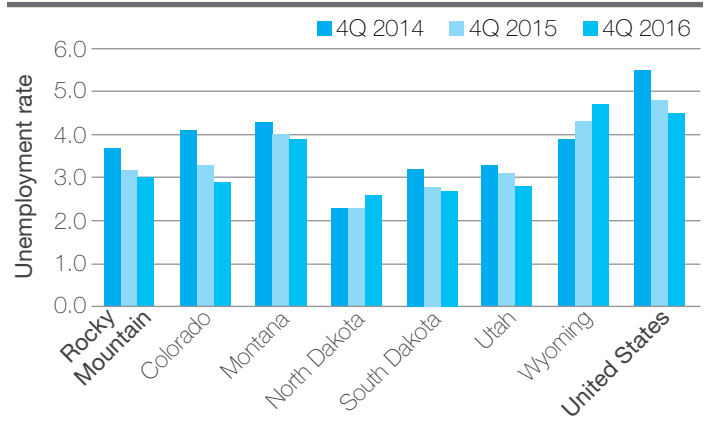
region except North Dakota and Wyoming, and every state in the region except Wyoming had unemployment rates less than the national average of 4.5 percent.

During the fourth quarter of 2016—

- Colorado led the job gains in the region, with nonfarm payrolls increasing by 61,000 jobs, or 2.4 percent, from a year earlier. Payrolls in the education and health services sector were up by 14,500 jobs, or 4.6 percent, and the construction subsector added 13,600 jobs, an increase of 8.8 percent.
- Utah had the highest rate of job growth in the region, with nonfarm payrolls increasing by 41,100 jobs, or 2.9 percent, from a year earlier. The education and health services, professional and business services, and financial activities sectors grew by 7,900, 7,200, and 6,200 jobs, or 4.2, 3.7, and 7.6 percent, respectively.
- In South Dakota, job growth was more than the regional average, with nonfarm payrolls increasing by 9,100 jobs, or 2.1 percent, from a year earlier. The greatest gain was in the leisure and hospitality sector, which grew by 2,500 jobs, or 5.6 percent. In Montana, job growth was more subdued, with nonfarm payrolls increasing by 4,300 jobs, or 0.9 percent, from a year earlier. Although the leisure and hospitality sector grew by 2,500 jobs, or 4.3 percent, the construction subsector declined by 1,000 jobs, or 3.7 percent.
- Job losses continued in North Dakota because of weakness in the energy industry, but the state’s economy may be starting to stabilize. Nonfarm payrolls declined by 6,700 jobs, or 1.5

percent, from a year earlier, led by losses in the mining and logging subsector and the transportation and utilities sector of 2,000 and 3,000 jobs, or 10.4 and 12.0 percent, respectively. The number of active drilling rigs in North Dakota was down 47 percent from a year ago, but the rig count was up 18 percent from the previous quarter (Baker Hughes). In Wyoming, however, job losses accelerated. Nonfarm payrolls were down by 9,000 jobs, or 3.1 percent, from a year earlier, led by a decline of 3,500 jobs, or 15.6 percent, in the mining and logging subsector.

Unemployment continued to decline, reaching its lowest rate in the Rocky Mountain region since the fourth quarter of 2000.



4Q = fourth quarter. Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Sales housing market conditions were tight throughout most of the Rocky Mountain region in the fourth quarter of 2016, with low inventories of homes for sale in nearly all metropolitan areas. In the Denver metropolitan area, the number of active listings represented 1.2 months of supply in December 2016, down from 1.7 months of supply a year earlier (Colorado Association of Realtors®). The Salt Lake City, Ogden, and Provo metropolitan areas had 1.8, 1.9, and 2.6 months of supply in December 2016, down from 2.4, 2.7, and 3.0 months of supply, respectively, a year earlier (Utah Association of Realtors®). The Colorado Springs metropolitan area had 1.2 months of supply in December 2016, down from 1.8 months of supply a year earlier (Pikes Peak Association of Realtors®). The Sioux Falls metropolitan area had 2.6 months of supply, down from 3.4 months of supply a year earlier (Realtor® Association of the Sioux Empire, Inc.). In the Fort Collins, Greeley, and Billings metropolitan areas, the active listings in December 2016 represented 1.1, 1.1, and 2.4 months of supply, down from 1.6, 1.4, and 2.6 months of supply, respectively, a year earlier (CoreLogic, Inc.).

The lack of for-sale inventory caused home sales to decline in much of the region. Although sales in Montana and Utah were up 2 and 4 percent from a year earlier, to approximately 21,850 and 75,800 homes sold in 2016, respectively, home sales in Colorado, South Dakota, Wyoming, and North Dakota were down 1, 5, 7, and 8 percent from a year earlier, to about 138,600, 24,400, 9,125, and 14,300 homes sold, respectively (CoreLogic, Inc., with adjustments by the analyst). The tight sales market conditions also caused home prices to increase in much of the region. Although home prices remained nearly flat in South Dakota and Wyoming, averaging approximately \$184,200 and \$288,000, respectively, during 2016, prices were up 2 percent in North Dakota and Montana, to approximately \$221,900 and \$255,700, respectively; prices in Colorado and Utah were up 6 and 7 percent from a year earlier, to about \$358,700 and \$292,500, respectively. In the two largest metropolitan areas in the region, Denver and Salt Lake City, prices increased 9 and 7 percent, respectively, from a year earlier.

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Rising home prices and strong sales demand caused the rates of seriously delinquent mortgages (those 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties to decline in most areas in the region. In November 2016, 1.5 percent of mortgages in the region were seriously delinquent or had transitioned into REO status, down from 2.1 percent a year earlier (Core Logic, Inc.). The rate of seriously delinquent mortgages and REO properties declined in every state in the region except North Dakota, where the rate remained unchanged at 1.5 percent and the rates ranged from 1.3 percent in Colorado to 2.6 percent in Wyoming. All states in the region had rates less than the 3.6-percent national average.

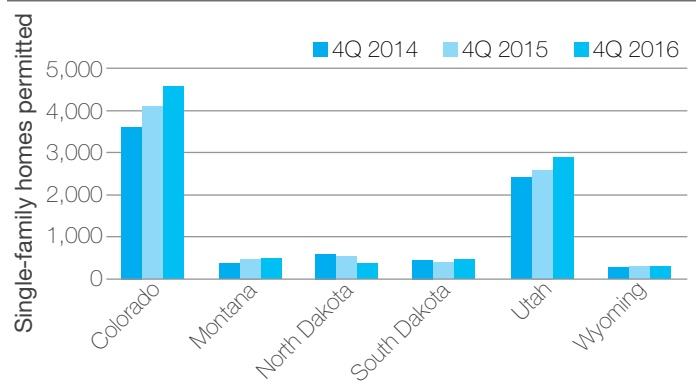
The strong home sales demand led to increased single-family construction in the Rocky Mountain region. During the fourth quarter of 2016 (preliminary data)—

- Approximately 9,125 single-family homes were permitted in the region, an 8-percent increase from the 8,475 homes permitted during the fourth quarter of 2015.
- The increases in single-family construction were mainly concentrated in Colorado and Utah, where approximately 4,575 and 2,900 homes were permitted, up 12 and 11 percent, respectively, from a year earlier. In the Denver, Salt Lake City, Provo, and Colorado Springs metropolitan areas, approximately 2,625, 1,000, 975, and 700 homes were permitted, increases of 20, 11, 25, and 8 percent, respectively, from a year earlier.
- In South Dakota, single-family permitting was up 15 percent from a year earlier, to about 475 homes, but in Montana, single-family permitting decreased nearly 1 percent, to approximately 500

homes. Although homebuilding activity increased 23 and 24 percent in the Sioux Falls and Missoula metropolitan areas, to about 225 and 80 single-family homes permitted, respectively, single-family construction in the Billings metropolitan area declined 12 percent, to about 180 homes permitted.

- In North Dakota and Wyoming, single-family construction decreased 32 and 4 percent from a year earlier, to about 375 and 300 homes permitted, respectively. In the Fargo, Bismarck, and Cheyenne metropolitan areas, single-family permitting declined 33, 24, and 2 percent, to approximately 225, 100, and 85 homes permitted, respectively.

Single-family permitting increased from a year ago in the Rocky Mountain region, with gains in Colorado and Utah offsetting declines elsewhere.



4Q = fourth quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

A lack of for-sale inventory contributed to strong home price increases, but sales decreased or remained essentially flat in many metropolitan areas in the Rocky Mountain region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2015	2016	Percent Change		2015 (\$)	2016 (\$)	Percent Change
Cheyenne (N&E)	December	2,675	2,550	-5	AVG	245,200	243,200	-1
Colorado Springs (N&E)	December	17,800	19,850	12	AVG	250,400	268,000	7
Denver (N&E) ^a	December	59,850	60,300	1	AVG	360,600	394,800	9
Fargo (N&E)	December	5,450	5,150	-6	AVG	222,400	231,300	4
Greeley (N&E)	December	8,875	8,950	1	AVG	267,200	293,000	10
Missoula (N&E)	December	2,450	2,550	4	AVG	255,400	272,600	7
Ogden (N&E) ^b	December	9,650	9,950	3	AVG	229,300	249,200	9
Salt Lake City (N&E) ^b	December	17,325	17,350	0	AVG	284,800	303,600	7
Sioux Falls (N&E) ^c	December	4,525	4,625	2	AVG	193,100	209,300	8

AVG = average. N&E = new and existing.
 Notes: All figures are rounded. Salt Lake City data are for Salt Lake County only; Ogden data are for Davis, Morgan, and Weber Counties only.
 Sources: (a) Colorado Association of Realtors®; (b) Utah Association of Realtors®; (c) Realtor® Association of the Sioux Empire, Inc.; all other metropolitan areas—Metrostudy, A Hanley Wood Company, with adjustments by the analyst



Apartment Market Conditions

Apartment market conditions ranged from tight to soft in the major metropolitan areas in the Rocky Mountain region in the fourth quarter of 2016. Although conditions varied significantly among apartment markets in the region, most of the markets softened in the past year. In the Denver metropolitan area, apartment conditions in the fourth quarter of 2016 were balanced, with a 5.6-percent vacancy rate, up from 4.9 percent a year earlier, and the average rent increased less than 4 percent, to \$1,313 (*Apartment Insights*). Approximately 9,300 units were completed in the Denver metropolitan area during 2016, whereas absorption totaled approximately 6,000 units. In the Colorado Springs and Greeley metropolitan areas, conditions eased but remained somewhat tight; the apartment vacancy rates were 4.3 and 4.0 percent in the fourth quarter of 2016, up slightly from 4.2 and 3.8 percent, respectively, a year earlier. Apartment rents in Colorado Springs and Greeley averaged \$960 and \$1,005 in the fourth quarter of 2016, increases of 8 and 7 percent, respectively, from a year earlier.

In the Salt Lake City metropolitan area, apartment conditions eased but remained slightly tight, with a 3.6-percent vacancy rate, up from 3.4 percent a year earlier, and the average rent increased 6 percent, to \$938 (Reis, Inc.). Approximately 1,800 apartments were completed during 2016, but the growth in demand was sufficient to enable most of the units to be absorbed quickly. In the Ogden metropolitan area, however, conditions remained slightly tight, with a 3.9-percent vacancy rate, down from 4.2 percent a year earlier, and rents increased 5 percent, to \$842. In the Fargo metropolitan area, nearly 1,400 units were completed during 2016, causing apartment vacancies to spike up to 9.2 percent in the fourth quarter of 2016 compared with 6.4 percent a year earlier (Appraisal Services, Inc.). In the

Sioux Falls metropolitan area, conditions tightened during the past year but remained balanced. The apartment vacancy rate was 5.5 percent in the fourth quarter of 2016, down from 6.0 percent a year earlier, and the average rent increased 4 percent, to \$827 (Reis, Inc.).

In contrast to the metropolitan areas in the region where conditions softened because of increases in supply, some apartment markets in the region were soft because of weak demand, particularly in areas impacted by low energy prices. Apartment vacancies in three such areas—Williston, Casper, and Vernal—averaged 25.8, 14.2, and 47.2 percent in the fourth quarter of 2016 compared with 15.7, 10.4, and 39.5 percent, respectively, a year earlier, and the average rents declined 46, 11, and 7 percent, to \$855, \$959, and \$568, respectively (Axiometrics, Inc.).

Despite the softer apartment market conditions throughout much of the region, multifamily construction increased significantly. During the fourth quarter of 2016 (preliminary data)—

- Approximately 9,650 multifamily units were permitted in the region, a 66-percent increase from a year earlier. Strong growth in multifamily construction in Colorado and Utah offset declines in other parts of the region.
- In Colorado, multifamily building activity nearly doubled, to about 5,625 units permitted, compared with 2,975 units during the same period a year earlier. In the Denver metropolitan area, approximately 3,950 units were permitted, a 55-percent increase from the 2,550 units permitted in the fourth quarter of 2015. In the Colorado Springs metropolitan area, multifamily permitting during the same period increased from about 70 to 750 units.

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Apartment vacancies increased throughout most of the Rocky Mountain region, but rents were up from a year ago in most metropolitan areas.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2015 (%)	4Q 2016 (%)	Percentage Point Change	4Q 2015 (\$)	4Q 2016 (\$)	Percent Change
Bozeman ^a	Slightly tight	4.7	3.2	- 1.5	1,011	979	- 3
Casper ^a	Soft	10.4	16.7	6.3	1,074	959	- 11
Colorado Springs ^b	Tight	4.2	4.3	0.1	886	960	8
Denver ^b	Balanced	4.9	5.6	0.7	1,264	1,313	4
Fargo ^c	Slightly soft	6.4	9.2	2.8	NA	NA	NA
Ogden ^d	Slightly tight	4.2	3.9	- 0.3	801	842	5
Salt Lake City ^d	Slightly tight	3.4	3.6	0.2	884	938	6
Sioux Falls ^d	Balanced	6.0	5.5	- 0.5	798	827	4

4Q = fourth quarter. NA = data not available.

Note: Fargo apartment vacancy rates as of December 1.

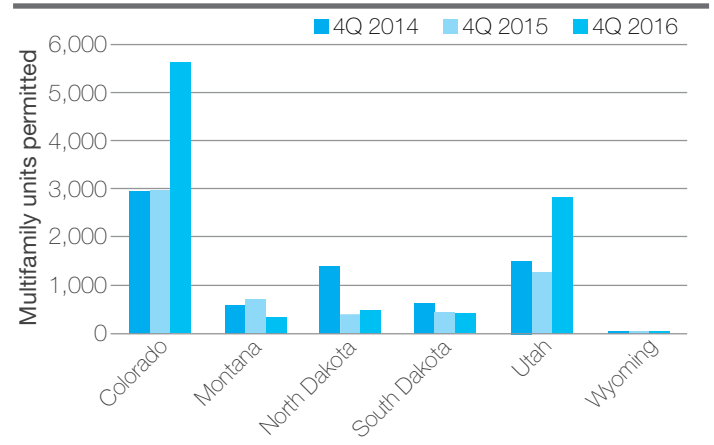
Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) Axiometrics, Inc.; (b) *Apartment Insights*; (c) Appraisal Services, Inc.; (d) Reis, Inc.



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- In Utah, approximately 2,825 multifamily units were permitted, up from 1,275 units during the same period a year earlier. Although multifamily permitting declined slightly in the Ogden and Provo metropolitan areas, in the Salt Lake City metropolitan area multifamily construction increased strongly, from about 670 to 2,300 units permitted.
- Multifamily construction in North Dakota increased 18 percent, to approximately 470 units permitted, but building activity in South Dakota and Montana declined 4 and 55 percent, to about 400 and 315 units permitted, respectively; multifamily construction remained subdued in Wyoming, with only about 30 units permitted statewide. Multifamily permitting increased strongly in the Fargo and Sioux Falls metropolitan areas, to about 360 and 240 units, up from 150 and 100 units permitted a year earlier, but in the Bismarck, Grand Forks, and Rapid City metropolitan areas, building activity declined 40, 56, and 58 percent, to approximately 55, 75, and 50 multifamily units permitted, respectively.

Multifamily construction in the Rocky Mountain region was up strongly from a year earlier, led by gains in Colorado and Utah.



4Q = fourth quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

