HUD PD&R Regional Reports

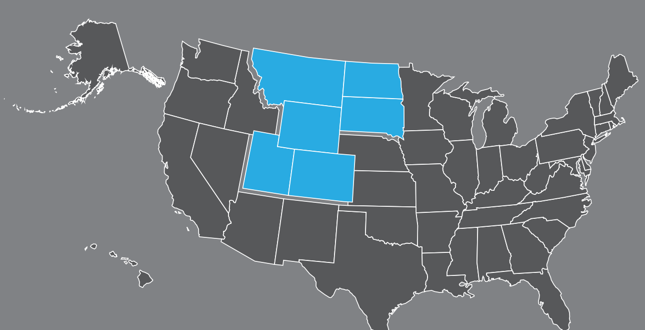
Region 8: Rocky Mountain

Salt Lake City, Utah

Quick Facts About Region 8

- **Sales market conditions—**
  Fourth quarter 2018: tight
  Third quarter 2018: tight
  Fourth quarter 2017: tight

- **Apartment market conditions—**
  Fourth quarter 2018: balanced
  Third quarter 2018: balanced
  Fourth quarter 2017: balanced



By James Conner | 4th quarter 2018

Overview

Economic growth was strong in the Rocky Mountain region in the fourth quarter of 2018, with nonfarm payrolls increasing by 148,400 jobs, or 2.6 percent, from a year earlier. This rate was an improvement from the 1.8-percent growth in the region a year earlier and was well above the average growth rate nationwide of 1.7 percent. All nonfarm sectors in the region posted payroll gains in the fourth quarter of 2018, led by mining, logging, and construction; professional and business services; manufacturing; and leisure and hospitality sectors, which were up 4.6, 4.1, 3.4, and 3.2 percent, respectively. Home sales market conditions were tight in the region, with annual price gains of 8 percent or more in many metropolitan areas, but home sales declined in some metropolitan areas because of a limited supply of active listings. Apartment market conditions were generally balanced, with year-over-year rent increases of 1 to 5 percent in most metropolitan areas in the region. Homebuilding was up in the region, with a decline in single-family construction more than offset by an increase in multifamily building activity.

During the fourth quarter of 2018—

- Utah, Wyoming, and Colorado had the highest rates of nonfarm payroll growth in the Rocky Mountain region, with increases of 46,500, 7,800, and 72,100 jobs, or 3.1, 2.8, and 2.7 percent, respectively.

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- The number of active home listings increased in many metropolitan areas in the region, but sales market conditions remained tight, as most areas continued to have less than a 4-month supply of homes for sale at the current sales rate.
- Residential construction, as measured by housing units permitted, was up 8 percent from a year earlier in the fourth quarter of 2018. Single-family construction declined by 1,300 homes, or 5 percent, to about 10,000 homes permitted, but multifamily construction increased by more than 1,800 units, or 32 percent, to about 7,550 units permitted.

Economic Conditions

The economy in the Rocky Mountain region continued growing in the fourth quarter of 2018, as the current expansion entered its ninth year. Nonfarm payrolls in the region were up by 148,400 jobs, or 2.6 percent, from a year earlier, to 5.96 million jobs, supported by growth in the business services, tourism, construction, and energy industries. The professional and business services, leisure and hospitality, and wholesale and retail trade sectors posted payroll gains of 30,700, 20,900, and 18,900 jobs, or 4.1, 3.2, and 2.2 percent, respectively. The mining, logging, and construction sector had the highest rate of payroll growth in the region, increasing by 20,600 jobs, or 4.6 percent, with the construction and the mining and logging subsectors increasing by approximately 11,800 and 8,700 jobs, or 3.3 and 10.0 percent, respectively. Residential construction was up in the region, based on housing units permitted, offsetting a decline in commercial construction, including office, hotel, retail, and warehouse buildings (McGraw-Hill Construction Pipeline database). Energy exploration remained strong, with more than 125 drilling rigs active in the region in the fourth quarter of 2018, up from 120 rigs a year earlier (Baker Hughes, a GE Company). In October 2018, oil prices were up 37 percent from a year earlier, to nearly $71 a barrel; however, by December, prices had fallen to less than $50 a barrel, reversing all the price gains during 2018 (U.S. Energy Information Administration). Growth in the region's manufacturing sector accelerated in 2018, with a gain of 12,600 jobs, or 3.4 percent—well above the average increases during 2012 through 2017 of 6,300 jobs, or 1.9 percent, a year. The unemployment rate in the region averaged 3.2 percent in the fourth quarter of 2018, up from 3.0 percent a year earlier, as labor market conditions remained tight. Resident employment in the region was up 1.0 percent from a year earlier, but the labor force increased at a somewhat faster 1.2-percent rate, with nearly all of the growth in the labor force occurring in Colorado. Among the states in the region, unemployment rates ranged from 2.8 percent in South Dakota and Utah to 3.7 percent in Wyoming, and, except for Wyoming, all states in the region had unemployment rates below the 3.6-percent national average.

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Nonfarm payroll growth in the Rocky Mountain region outpaced the average payroll growth nationwide.

	Fourth Quarter		Year-Over-Year Change	
	2017 (thousands)	2018 (thousands)	Absolute (thousands)	Percent
Total Nonfarm Payrolls	5,813.9	5,962.3	148.4	2.6
Goods-Producing Sectors	822.9	856.1	33.2	4.0
Mining, Logging, & Construction	448.9	469.5	20.6	4.6
Mining & Logging	87.4	96.1	8.7	10.0
Construction	361.6	373.4	11.8	3.3
Manufacturing	374.0	386.6	12.6	3.4
Service-Providing Sectors	4,991.0	5,106.2	115.2	2.3
Wholesale & Retail Trade	865.5	884.4	18.9	2.2
Transportation & Utilities	217.5	223.6	6.1	2.8
Information	134.5	136.5	2.0	1.5
Financial Activities	342.5	346.6	4.1	1.2
Professional & Business Services	754.4	785.1	30.7	4.1
Education & Health Services	782.1	797.3	15.2	1.9
Leisure & Hospitality	656.0	676.9	20.9	3.2
Other Services	214.7	218.3	3.6	1.7
Government	1,023.7	1,037.4	13.7	1.3

Source: U.S. Bureau of Labor Statistics

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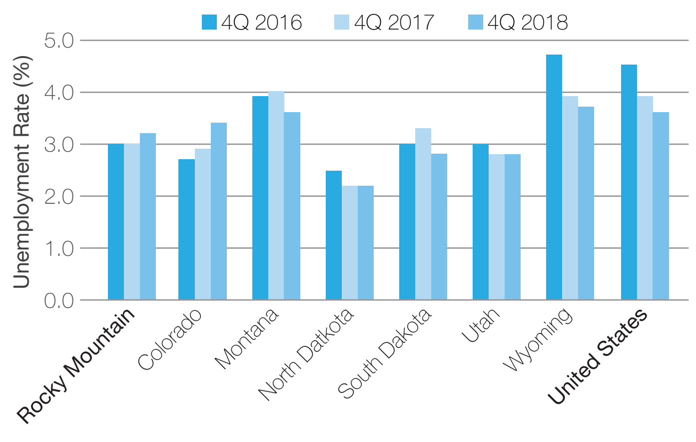
During the fourth quarter of 2018—

- In Colorado, nonfarm payrolls were up by 72,100 jobs, or 2.7 percent, from a year earlier, led by the professional and business services and the leisure and hospitality sectors, with increases of 20,200 and 11,500 jobs, or 4.8 and 3.5 percent, respectively. Two-thirds of the professional and business services sector jobs added in the Rocky Mountain region were in Colorado.
- Nonfarm payrolls in Utah increased by 46,500 jobs, or 3.1 percent, the third-highest rate of job growth in the nation. The wholesale and retail trade, education and health services, and manufacturing sectors increased by 11,500, 6,600, and 5,500 jobs, or 5.1, 3.2, and 4.2 percent, respectively.
- In Wyoming, the rate of job growth surpassed the regional average for the first time in 7 years, with nonfarm payrolls in the state increasing by 7,800 jobs, or 2.8 percent, from a year earlier. The gains were led by the mining, logging, and construction and the leisure and hospitality sectors, with increases of 3,400 and 2,500 jobs, or 8.5 and 7.6 percent, respectively.
- Nonfarm payrolls in South Dakota were up by 8,400 jobs, or 1.9 percent, from a year earlier, with the professional and business services and the transportation and utilities sectors increasing by 3,000 and 700 jobs, or 9.6 and 5.2 percent, respectively, but those gains were partly offset by a decline of 500 jobs, or 0.7 percent, in the education and health services sector.
- Payroll growth was more subdued in Montana and North Dakota, with gains of 6,900 and 6,700 jobs, or 1.5 and 1.6 percent, respectively. In Montana, the professional and business services sector and the construction subsector grew by 1,800 and 1,700 jobs, or 4.4 and 6.1 percent, respectively, but the wholesale and retail trade sector declined by 600 jobs, or 0.8 percent. In North Dakota, the professional and business services and the education and health services sectors grew by 1,200 and 1,400 jobs, or 3.5 and 2.2 percent, respectively, but the wholesale and retail trade sector declined by 1,100 jobs, or 1.5 percent.

The unemployment rate in the fourth quarter of 2018 was up from a year ago in Colorado, but the rates remained flat or decreased elsewhere in the region.



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

Sales Market Conditions

Home sales market conditions have been tight in the Rocky Mountain region for more than 4 years. Despite recent increases in the number of home listings in some metropolitan areas, sales demand continued to outstrip supply, and market conditions remained tight in the region in the fourth quarter of 2018. In the Denver metropolitan area, new and existing home prices during 2018 averaged about $461,100, up 8 percent from 2017, and about 67,450 new and existing homes sold during 2018, down nearly 1 percent from 2017 (Colorado Association of Realtors®). The decrease in sales was partly attributable to a low supply of homes for sale. The number of active listings in the Denver metropolitan area in December 2018 represented a 2.1-month supply of homes for sale at the current sales rate, up from a 1.7-month supply in December 2017. For-sale listings also increased slightly in the Colorado Springs metropolitan area, but the market remained tight, with a 1.2-month supply of homes for sale in December 2018, up from a 0.8-month supply a year earlier (Pikes Peak Association of Realtors®). Prices for new and existing homes averaged about $332,100 during 2018, an 11-percent increase from a year earlier, and about 17,850 homes sold during 2018, down 5 percent from 2017.

In the Salt Lake City and Provo metropolitan areas, prices for new and existing homes averaged $363,000 and $339,900 in 2018, increases of 8 and 10 percent, respectively, from a year earlier (Utah Association of Realtors®). Approximately 18,000 new and existing homes sold in the Salt Lake City metropolitan area during 2018, and the active listings in December 2018 represented a 1.9-month supply of homes for sale; both measures were virtually unchanged from a year earlier. In the Provo metropolitan area, approximately 9,375 homes sold in 2018, an increase of less than 1 percent from 2017, and the number of active listings represented a 3.1-month supply of homes for sale in December 2018, up from a 2.7-month supply a year earlier. In the Sioux Falls metropolitan area, new and existing home prices averaged $229,900 in 2018, up 6 percent from a year earlier, but sales were down 1 percent, to about 4,750 homes sold (Realtor Association of the Sioux Empire®). The active listings represented a 2.9-month supply of homes for sale, down from a 3.3-month supply a year

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Home prices were up strongly in most metropolitan areas in the region, but home sales were relatively unchanged from a year ago.

	12 Months Ending	Number of Homes Sold			Price			
		2017	2018	Percent Change	Average or Median	2017 ($)	2018 ($)	Percent Change
Billings (N&E)	December	3,975	4,000	1	AVG	253,600	262,000	3
Cheyenne (N&E)	December	2,900	3,025	4	AVG	252,500	254,900	1
Colorado Springs (N&E)[a]	December	18,775	17,850	-5	AVG	299,500	332,100	11
Denver (N&E)[b]	December	67,800	67,450	-1	AVG	426,800	461,100	8
Fargo (N&E)	December	5,025	4,975	-1	AVG	241,600	234,300	-3
Fort Collins (N&E)	December	9,125	8,825	-3	AVG	386,000	404,300	5
Provo (N&E)[c]	December	9,325	9,375	1	AVG	308,300	339,900	10
Salt Lake City (N&E)[c]	December	17,950	18,000	0	AVG	335,400	363,000	8
Sioux Falls (N&E)[d]	December	4,775	4,750	-1	AVG	217,900	229,900	6

AVG = average. N&E = new and existing home sales.

Notes: All figures are rounded. Salt Lake City metropolitan area data includes Salt Lake County only.

Sources: (a) Pikes Peak Association of Realtors®; (b) Colorado Association of Realtors®; (c) Utah Association of Realtors®; (d) Realtor® Association of the Sioux Empire, Inc.; all other metropolitan areas—Metrostudy, A Hanley Wood Company, with adjustments by the analyst

earlier. In the Fargo metropolitan area, new and existing home prices in 2018 were down 3 percent from a year earlier, to about $234,300, and sales decreased 1 percent, to 4,975 homes sold (MetroStudy, A Hanley Wood Company, with adjustments by the analyst).

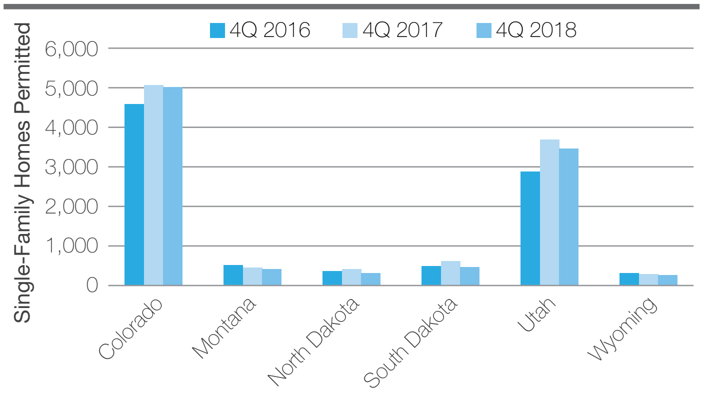
The strong demand and rising prices for sales housing led to a decline in the rate of seriously delinquent mortgages (loans that were 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties. In November 2018, the share of mortgages in the Rocky Mountain region that were seriously delinquent or had transitioned into REO status was 0.7 percent, down from 0.9 percent a year earlier (CoreLogic, Inc.). The rates declined or remained unchanged in all states in the Rocky Mountain region and ranged from 0.6 percent in Colorado to 1.2 percent in Wyoming. All states in the region had rates below the national average of 1.7 percent.

Despite the tight home sales market conditions, single-family homebuilding in the region declined from a year ago, as measured by the number of homes permitted.

During the fourth quarter of 2018 (preliminary data)—

- Approximately 10,000 single-family homes were permitted in the Rocky Mountain region, down 5 percent from the fourth quarter of 2017, with every state in the region posting a decrease.
- In Colorado, single-family homebuilding was down 1 percent from a year earlier, to about 5,025 homes permitted. In the Denver, Colorado Springs, and Fort Collins metropolitan areas, permitting decreased 2, 9, and 3 percent, to about 2,675, 850, and 360 homes, respectively, but in the Greeley metropolitan area, permitting was up 29 percent from a year earlier, to about 590 homes.
- In Utah, single-family permitting declined 6 percent, to about 3,475 homes. In the Provo and Salt Lake City metropolitan areas, approximately 1,150 and 1,200 homes were permitted, down 4 and 11 percent, respectively, from a year earlier, but in the Ogden metropolitan area, approximately 590 homes were permitted, an increase of 8 percent from a year earlier.
- In Montana and Wyoming, permitting of single-family homes declined 8 and 7 percent, to 425 and 275 homes, respectively. In the Billings metropolitan area, single-family permitting decreased from about 95 to 85 homes, and in the Cheyenne metropolitan area, permitting decreased from 95 to 80 homes.
- In North Dakota and South Dakota, permitting decreased 20 and 21 percent from a year earlier, to about 320 and 470 homes, respectively. Single-family homebuilding in the Fargo metropolitan area declined from about 260 to 170 homes permitted, and in the Sioux Falls metropolitan area, construction declined from 290 to 240 homes permitted.

Single-family homebuilding decreased from a year ago in the fourth quarter of 2018, with declines in all states in the region.



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

Apartment Market Conditions

Apartment market conditions were balanced throughout most of the Rocky Mountain region in the fourth quarter of 2018. Apartment completions during the quarter were up nearly 4 percent from the same period a year earlier, to about 6,150 units completed (McGraw-Hill Construction Pipeline database). Absorption was strong, however, and apartment vacancies increased only moderately in the markets with the most completions. In the Denver metropolitan area, approximately 3,050 apartments were completed in the fourth quarter of 2018, up from 2,775 units a year earlier, but the market remained balanced, with a 5.9-percent vacancy rate, up from 5.7 percent a year earlier; the average rent increased 4 percent, to $1,423 (*Apartment Insights*). In the Colorado Springs metropolitan area, apartment conditions eased, as nearly 800 new units were completed during the quarter, compared with fewer than 100 units during the fourth quarter of 2017. Vacancies increased from 4.9 to 6.1 percent, but the market generally remained balanced, and apartment rents were up 5 percent from a year earlier, to an average of $1,052. Apartment market conditions also remained balanced in the Salt Lake City metropolitan area, where approximately 720 apartments were completed in the fourth quarter of 2018, down from 780 units a year earlier. Apartment vacancies increased from 5.1 to 5.8 percent, and rents were up 4 percent, to $1,041 (Reis, Inc.). Conditions were balanced in the Sioux Falls metropolitan area, with an apartment vacancy rate of 7.1 percent in the fourth quarter of 2018, down from 7.4 percent a year earlier, and rents were up 2 percent, to $868. Conditions remained soft in the Fargo metropolitan area, however, with a 9.7-percent vacancy rate in the fourth quarter of 2018, down from 9.9 percent a year earlier (Appraisal Services, Inc.).

In many smaller markets in the northern states of the region, apartment conditions strengthened in the past year, with some areas receiving a boost from increased energy activity, including oil exploration and drilling. In Williston, the apartment vacancy rate was 4.7 percent in the fourth quarter of 2018, down from 7.9 percent a year earlier, and rents increased 23 percent, to $1,196 (Axiometrics, Inc.). In Gillette, vacancies declined from 12.7 to 7.3 percent during the same period, and the average rent was up 11 percent from a year earlier, to $789. In Minot, vacancies declined from 7.7 to 5.8 percent, and rents increased 3 percent, to $935. Most energy-producing areas in the Rocky Mountain region have seen significant improvements in rental demand in the past 2 years, and apartment market conditions are currently balanced.

The strong absorption of new rental units in the Rocky Mountain region during 2018 led to increased developer interest, particularly in Colorado and Utah.

During the fourth quarter of 2018 (preliminary data)—

- Approximately 7,550 multifamily units were permitted in the region, a 32-percent increase from a year earlier. Building activity was down from 2 years earlier, however, when approximately 9,650 multifamily units were permitted in the region.
- In Colorado, about 4,575 units were permitted, up 58 percent from a year earlier. In the Denver metropolitan area, permitting nearly doubled, from about 1,700 to 3,050 units, and in the Fort Collins metropolitan area, permitting increased from 175 to 575 units. In contrast, multifamily permitting in the Colorado Springs metropolitan area declined sharply, from about 590 to 30 units, in part because of a large number of recent apartment completions.
- In Utah, multifamily construction increased 33 percent from a year earlier, to about 1,950 units permitted. In the Ogden metropolitan area, permitting increased from about 110 to 410 units, and permitting in the Salt Lake City metropolitan area

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Apartment market conditions were balanced in most metropolitan areas in the region, and rents increased moderately in the past year.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2017 (%)	4Q 2018 (%)	Percentage Point Change	4Q 2017 ($)	4Q 2018 ($)	Percent Change
Billings[a]	Balanced	9.5	3.4	-6.1	937	955	2
Cheyenne[a]	Balanced	3.3	2.4	-0.9	836	845	1
Colorado Springs[b]	Balanced	4.9	6.1	1.2	1,004	1,052	5
Denver[b]	Balanced	5.7	5.9	0.2	1,370	1,423	4
Fargo[c]	Soft	9.9	9.7	-0.2	NA	NA	NA
Ogden	Balanced	3.9	4.6	0.7	893	956	7
Salt Lake City	Balanced	5.1	5.8	0.7	999	1,041	4
Sioux Falls	Balanced	7.4	7.1	-0.3	854	868	2

4Q = fourth quarter.
NA = data not available.
Note: Fargo apartment vacancy rates as of December 1.
Sources: Market Condition—Economic and Market Analysis Division; Vacancy Rate and Average Monthly Rent—(a) Axiometrics, Inc.; (b) *Apartment Insights*; (c) Appraisal Services, Inc.; all other metropolitan areas—Reis, Inc.

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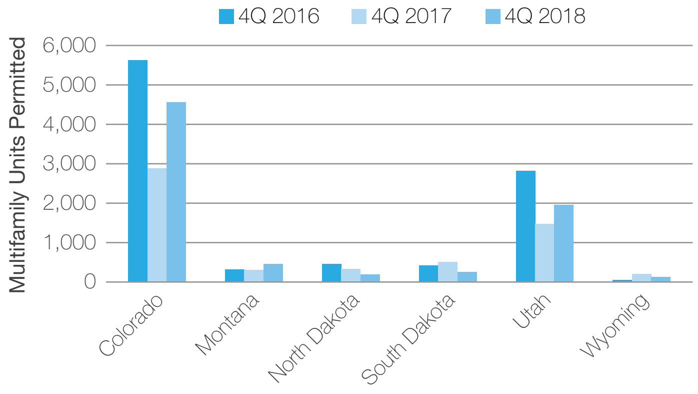
increased from 325 to 1,100 units, but in the Provo metropolitan area, multifamily permitting fell by more than one-half, from about 690 to 320 units.

- In Montana, multifamily permitting increased from about 310 to 450 units, or 45 percent, but in Wyoming, permitting declined from 200 to 140 units, or 28 percent. In the Billings metropolitan area, about 150 units were permitted, up from 30 units a year earlier, but in the Casper metropolitan area, fewer than 20 units were permitted, down from nearly 120 units a year earlier.
- Multifamily permitting declined 47 percent from a year earlier in North Dakota, to 185 units, and permitting declined 50 percent in South Dakota, to about 250 units. In the Fargo metropolitan area, permitting decreased 23 percent, from about 170 to 130 units, and in the Sioux Falls metropolitan area, permitting decreased 64 percent, from nearly 440 to fewer than 160 units.

Multifamily construction was up from a year ago in the region, with the increases in building activity mainly concentrated in Colorado and Utah.



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