HUD PD&R **Regional Reports**

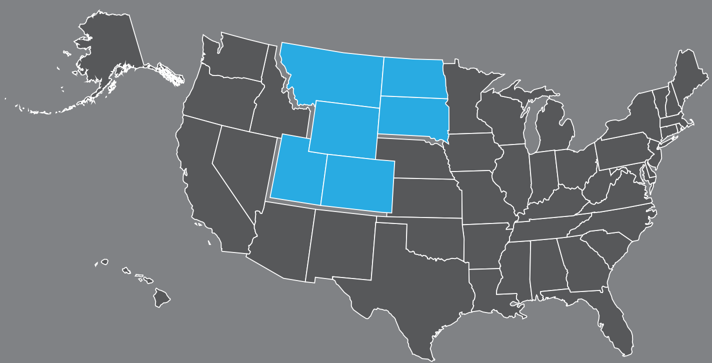
Region 8: Rocky Mountain

Missoula, Montana

Quick Facts About Region 8

- **Sales market conditions—**
  Fourth quarter 2020: tight
  Third quarter 2020: tight
  Fourth quarter 2019: tight

- **Apartment market conditions—**
  Fourth quarter 2020: mixed (slightly soft to tight)
  Third quarter 2020: mixed (slightly soft to tight)
  Fourth quarter 2019: mixed (balanced to slightly tight)



By Katharine Jones | 4th Quarter 2020

Overview

The economy in the Rocky Mountain region remained weak during the fourth quarter of 2020, following nearly 10 years of economic expansion that ended in early 2020. The region has yet to fully recover from the effects of the coronavirus pandemic; those effects include stay-at-home guidelines, which caused many businesses to shut down during the second quarter of 2020. During the fourth quarter of 2020, nonfarm payrolls in the region were down by 203,900 jobs, or 3.4 percent, from a year ago, with the greatest impacts in industries such as tourism, food services, health care, personal services, and government. The unemployment rate in the region increased from 2.5 percent during the fourth quarter of 2019, when labor market conditions in the region were tight, to 5.3 percent during the current quarter. Despite the considerable decrease in economic activity, home sales markets throughout the region remained tight due in part to the $2.2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act; the act included mortgage forbearance provisions for homeowners and eviction protections for renters through the end of the year. Average home sales prices were up from a year ago in all nine metropolitan areas in the region cited in

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this report, and home sales increased in all of the metropolitan areas. Historically low inventories of homes for sale contributed to strong price growth. Apartment market conditions in the region were mixed, ranging from slightly soft to tight during the fourth quarter of 2020. Apartment vacancy rates increased and average rents decreased in the four market areas that were slightly soft, including the two largest metropolitan areas in the region: Denver and Salt Lake City. In the five market areas highlighted in this report that were either balanced or tight, vacancy rates decreased and average rents increased.

During the fourth quarter of 2020—

- Tourism and air travel remained subdued throughout the region. The leisure and hospitality was the hardest hit payroll sector, with a decline of 108,800 jobs, or 16.0 percent, from a year earlier, accounting for 53 percent of all nonfarm payroll jobs lost.
- The region had a notably lower rate of job losses than the national average compared with a year earlier. The 3.4-percent rate of job loss in the region was lower than that of all the other regions and the national rate of 5.8 percent.
- Tight home sales markets contributed to increased single-family home construction in every state in the region, supporting jobs in the construction subsector; all the jobs lost in the mining, logging, and construction sector were in the mining and logging subsector as a result of low coal, oil, and gas prices.

Economic Conditions

The economic expansion in the Rocky Mountain region that began in late 2010 ended in early 2020 because of actions taken to limit the spread of COVID-19. During the fourth quarter of 2020, nonfarm payrolls in the region averaged 5.87 million jobs—a decrease of 203,900 jobs, or 3.4 percent, from a year earlier, but conditions are improving. The region outperformed the nation, with both the lowest rate of job losses of any region in the country during the second quarter of 2020 and, to date, the fastest rate of recovery. During the second quarter of 2020, nonfarm payrolls in the region were down 7.6 percent from a year earlier, compared with 11.2 percent nationally. On a monthly basis, as of December 2020, nonfarm payrolls in the region were only 2.1 percent below the February 2020 level, before the impacts of the pandemic (not seasonally adjusted). Nationally, by comparison, payrolls remain 4.8 percent below pre-pandemic levels. In general, due to the pandemic, the hardest hit industries in the region were those involving extensive in-person contact, such as tourism and personal services. Losses were less severe in industries in which workers could work remotely, including many office jobs, or in industries deemed essential, such as construction. Travel in the region has remained particularly subdued, and the loss of 108,800 jobs, or

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During the fourth quarter of 2020, nonfarm payrolls in the Rocky Mountain region were down compared with a year earlier, with losses spread across most sectors.

	Fourth Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	6,071.1	5,867.2	-203.9	-3.4
Goods-Producing Sectors	878.6	860.9	-17.7	-2.0
Mining, Logging, & Construction	490.2	471.6	-18.6	-3.8
Manufacturing	388.5	389.3	0.8	0.2
Service-Providing Sectors	5,192.5	5,006.3	-186.2	-3.6
Wholesale & Retail Trade	873.2	877.1	3.9	0.4
Transportation & Utilities	240.5	237.3	-3.2	-1.3
Information	138.2	130.2	-8.0	-5.8
Financial Activities	358.0	359.9	1.9	0.5
Professional & Business Services	804.7	803.7	-1.0	-0.1
Education & Health Services	820.8	799.5	-21.3	-2.6
Leisure & Hospitality	677.9	569.1	-108.8	-16.0
Other Services	224.4	213.3	-11.1	-4.9
Government	1,054.8	1,016.2	-38.6	-3.7

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

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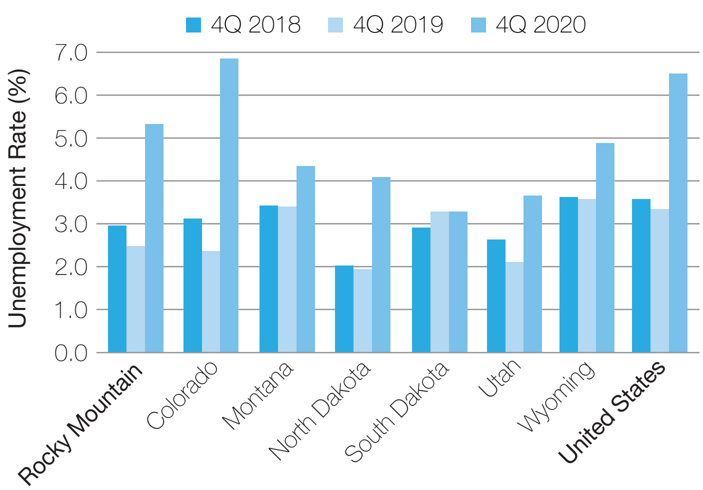
16.0 percent, in the leisure and hospitality sector was the largest of any payroll sector during the fourth quarter of 2020. The number of passengers traveling through Denver International Airport has increased from the previous 3 months but remains below the level from a year earlier. During the 3 months ending November 2020, 9.09 million passengers traveled through the airport—up 24 percent from the previous 3-month period but down 48 percent from the 3 months ending November 2019 (Denver International Airport). In Salt Lake City, the number of airline passengers in the fourth quarter of 2020 was 52 percent below the level during the fourth quarter of 2019 (Salt Lake City International Airport). Several industries added jobs in the region, however, including respective gains of 6,300 jobs, or 1.0 percent, in the retail trade subsector and 2,100 jobs, or 2.6 percent, in the construction of buildings industry.

The regional unemployment rate was 5.3 percent during the fourth quarter of 2020—up from 2.5 percent a year earlier. The unemployment rates for all states in the region except Colorado were below the 6.5-percent national average and ranged from 3.3 percent in South Dakota to 6.9 percent in Colorado. Initial claims for unemployment insurance in the region increased 39 percent from the previous quarter, with a total of 282,700 initial claims filed during the fourth quarter of 2020—up from both the 203,100 initial claims filed during the third quarter of 2020 and the 86,500 initial claims filed during the fourth quarter of 2019. Continued claims are also elevated relative to a year ago but declined from the third quarter of 2020. An average of about 150,000 continued claims were filed in the region each week during the fourth quarter of 2020, compared with weekly averages of 316,100 continued claims during the third quarter of 2020 and 37,100 claims during the fourth quarter of 2019.

During the fourth quarter of 2020—

- Nonfarm payrolls in Colorado were down by 134,400 jobs, or 5.2 percent, from a year earlier, accounting for 66 percent of the job losses in the region. A decline of 66,100 jobs, or 19.5 percent, in the leisure and hospitality sector led losses in the state. Extremely low snowfall, limited capacity on ski runs to promote social distancing as a pandemic precaution, and lodges closed to indoor dining at resorts contributed to declines in skier visits and revenues. Early-season ski visits at Vail-owned resorts, generally corresponding to the fourth quarter, were down nearly 17 percent compared with the same period in 2019; ski school and dining revenue were down approximately 53 and 66 percent, respectively (Vail Resorts).
- Utah has nearly recovered the jobs lost earlier in 2020, with nonfarm payrolls in the state down by only 800 jobs, or 0.1 percent, compared with the fourth quarter of 2019. Although leisure and hospitality sector payrolls fell by 20,700 jobs, or 13.3 percent, many industries added jobs compared with a year ago. Gains were particularly notable in the retail trade subsector, which added 10,400 jobs, or 5.9 percent, partly because of a 25-percent increase in retail space at the two newly renovated concourses at the Salt Lake City airport that opened between late September and October of 2020.
- In South Dakota, nonfarm payrolls declined by 12,800 jobs, or 2.9 percent, from a year earlier; a decline in the leisure and hospitality sector of 6,400 jobs, or 14.0 percent, led that decline. Gains in the mining, logging, and construction sector partially offset job losses in other sectors. The sector added 1,900 jobs, or 7.6 percent; all the growth was in the construction subsector, which benefited from strong year-over-year growth in residential construction, particularly of apartments.
- Nonfarm payrolls in Montana decreased by 13,400 jobs, or 2.7 percent, from a year earlier; a decline in the leisure and hospitality sector of 6,500 jobs, or 10.2 percent, led that decline. Despite significant increases from a year earlier in visitors to national parks in the state and only modest reductions in capacity at the Big Sky Resort, tourism jobs were subdued; that result was in part because greater preferences for restaurant take-out and self-contained sleeping accommodations, such as recreational vehicles, decreased visitor spending and sector employment. Lodging tax revenues in October 2020 were down 37 percent from a year earlier (Montana Department of Revenue).
- In North Dakota and Wyoming, nonfarm payrolls declined by 29,400 and 42,400 jobs, or 6.6 and 5.8 percent, respectively. Energy production is a major industry in both states, and persistently low coal and oil prices contributed to the mining and logging subsector shedding the most jobs in each state; combined, the losses in those states accounted for 72 percent of all mining and logging job losses in the region.

The fourth quarter unemployment rate in the Rocky Mountain region spiked from a year earlier due to impacts from the pandemic, but Colorado was the only state in the region that exceeded the national rate.



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

Sales Market Conditions

Despite the economic downturn, home sales markets in the Rocky Mountain region were tight in the fourth quarter of 2020. Home sales and average prices were up from a year ago in all nine metropolitan areas cited in this report. Mortgage forbearance under the CARES Act and low interest rates helped support the sales market, although the number of past-due loans in the region increased significantly from a year ago.

Strong increases in home sales and average home prices occurred throughout the region. Of the metropolitan areas highlighted in this report, the year-over-year increases in home sales ranged from 2 percent in Casper to 19 percent in Sioux Falls (Zonda and Realtor® Association of the Sioux Empire). Year-over-year increases in average sales prices were strong, ranging from 4 percent in Fargo to 13 percent in Colorado Springs and Missoula (Zonda and Pikes Peak Realtor Services Corp®). The Denver metropolitan area is the most expensive metropolitan area in the region, and the average sales price increased nearly 8 percent, to $525,200 (Colorado Association of Realtors®). Historically low levels contributed to the strong price growth throughout the region. Each of the three largest metropolitan areas in the region—Colorado Springs, Denver, and Salt Lake City—had less than 1 month of supply of for-sale inventory in December 2020 (Pikes Peak Association of Realtors®, Colorado Association of Realtors®, and Utah Association of Realtors®).

Although the home sales markets in the region remained tight in the fourth quarter of 2020, the rate of seriously delinquent mortgages (loans 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties spiked from a year ago. In November 2020, the share of mortgages in the Rocky Mountain region that were seriously delinquent, in foreclosure, or had transitioned into REO status was 2.4 percent—up from 0.6 percent a year earlier (CoreLogic, Inc.). Rates ranged from 2.2 percent in South Dakota to 3.2 percent in Wyoming. The rates were up in every state in the region; however, they all remained below the national rate, which increased from 1.4 to 4.1 percent during the same period. Although delinquencies rose sharply, year over year—partly reflecting the weakened economy and an increased reliance on mortgage forbearance by borrowers—properties in foreclosure and REO status decreased, which was largely attributed to the provisions in the CARES Act that limited foreclosures among federally backed mortgages.

Single-family home construction in the region was up from a year ago during the fourth quarter of 2020, partly compensating for slower construction during the second quarter of 2020. In addition, the low supply of for-sale inventory across the region contributed to increased demand for new home construction.

During the fourth quarter of 2020 (preliminary data)—

- The number of single-family homes permitted in the region increased 31 percent from a year earlier, to approximately 13,700 homes. Single-family permitting increased in every state in the region.
- Single-family permitting increased 34 and 30 percent in Utah and Wyoming, to approximately 5,100 and 370 homes, respectively. Permitting in the Salt Lake City metropolitan area was up 15 percent, to 1,425 homes. In Wyoming,

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Home sales markets across the Rocky Mountain region were tight, with strong price growth in the past year.

		Number of Homes Sold			Price			
	12 Months Ending	2019	2020	Percent Change	Average	2019 ($)	2020 ($)	Percent Change
Casper (N&E)	November	2,150	2,200	2	AVG	$259,100	$271,700	5
Colorado Springs (N&E)[a]	December	18,300	19,850	8	AVG	$351,900	$397,300	13
Denver (N&E)[b]	December	58,900	63,000	7	AVG	$486,500	$525,200	8
Fargo (N&E)	November	4,875	5,700	17	AVG	$250,500	$261,700	4
Fort Collins (N&E)	December	7,100	7,925	12	AVG	$438,700	$470,000	7
Missoula (N&E)	November	2,575	2,825	10	AVG	$315,700	$355,200	13
Ogden (N&E)[c]	December	10,300	11,000	7	AVG	$329,900	$364,900	11
Salt Lake City (N&E)[c]	December	18,150	19,150	6	AVG	$390,500	$434,500	11
Sioux Falls (N&E)[d]	December	4,750	5,675	19	AVG	$243,800	$256,700	5

AVG = average. N&E = new and existing.
Notes: Salt Lake City data are for Salt Lake County only. Denver data include Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties.
Sources: (a) Pikes Peak Association of Realtors®; (b) Colorado Association of Realtors®; (c) Utah Association of Realtors®; (d) Realtor® Association of the Sioux Empire; all other metropolitan areas: Zonda

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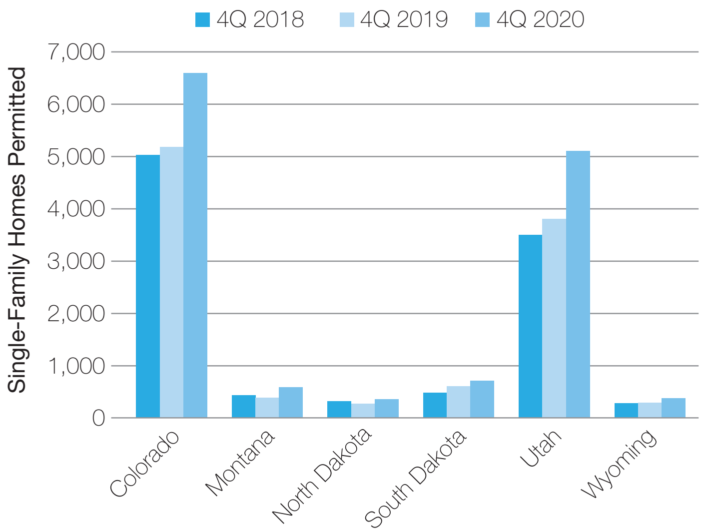
84 percent of the construction occurred outside the Casper and Cheyenne metropolitan areas.

- Approximately 6,600 single-family homes were permitted in Colorado—up 27 percent from a year ago. In the Denver metropolitan area, single-family permitting increased 23 percent, to 3,200 homes, and accounted for 48 percent of the statewide single-family homebuilding activity.
- In Montana, North Dakota, and South Dakota, single-family permitting increased 53, 36, and 18 percent, to approximately 580, 350, and 700 homes, respectively. The metropolitan areas with the largest year-over-year increases in each state were, respectively, Missoula, up 32 percent, to 120 homes permitted; Fargo, up 50 percent, to 210 homes; and Rapid City, up 45 percent, to 190 homes.

Single-family home permitting increased from a year ago in every state in the Rocky Mountain region, with higher levels of construction in response to tight sales markets and low for-sale inventories.



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

Apartment Market Conditions

Apartment market conditions were mixed in the Rocky Mountain region during the fourth quarter of 2020, ranging from slightly soft to tight. Despite job losses in sectors that disproportionately affected renter households, protections for renter households helped support demand, and most households continued to be able to pay their rent. During the last week of the quarter, 87 percent of renter households were current on rent payments in the region—higher than the national rate of 82 percent (Census Bureau Household Pulse Survey). Because of the economic gains since the second quarter, those rates had increased from 82 percent in the region and 76 percent nationally in the last week of the second quarter. The CARES Act, which was passed by Congress in March 2020, included a moratorium on evictions and late fees for properties with federally backed mortgages through the end of 2020.

Vacancies were up in four of the nine metropolitan areas cited in this report and contributed to declining average rents in those areas. In the Denver, Fort Collins, Provo, and Salt Lake City metropolitan areas, more than 4 years of elevated apartment construction contributed to softening apartment market conditions. Market conditions tightened during the past year in Cheyenne, Colorado Springs, and Missoula, where vacancies decreased, and average rents increased at least 5 percent. Market conditions were balanced in Fargo and Sioux Falls, where vacancies declined slightly from a year ago but average rent growth was only moderate.

Multifamily home construction increased in the Rocky Mountain region from a year ago. The number of units permitted declined in both Colorado and Utah but rose significantly in all the other states in the region, including a particularly notable surge in South Dakota.

During the fourth quarter of 2020 (preliminary data)—

- Approximately 9,650 multifamily units were permitted in the region—a 12-percent increase from a year earlier.
- In Utah, multifamily permitting declined 7 percent. Multifamily permitting in the state remained historically high, however, as the 2,550 units permitted are the third largest fourth quarter total since 2001.
- In Colorado, multifamily construction decreased 4 percent, to 4,650 units. Approximately 67 percent of the statewide construction was in the Denver metropolitan area, where 3,150 multifamily units were permitted—down 8 percent from a year ago.
- The number of multifamily units permitted more than doubled from a year ago in South Dakota, with 1,225 multifamily units permitted, compared with 570 units

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Apartment market conditions in the Rocky Mountain region during the fourth quarter of 2020 ranged from slightly soft to tight, with declining rents in four metropolitan areas.

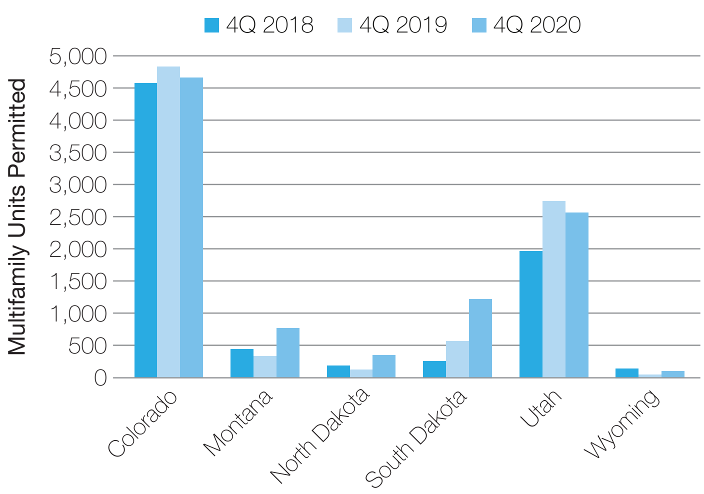
	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2019 (%)	4Q 2020 (%)	Percentage Point Change	4Q 2019 ($)	4Q 2020 ($)	Percent Change
Cheyenne	Tight	2.2	1.8	-0.4	862	906	5.1
Colorado Springs[a]	Tight	6.1	4.6	-1.5	1,161	1,228	5.8
Denver[a]	Slightly Soft	5.9	6.1	0.2	1,506	1,484	-1.5
Fargo	Balanced	5.2	3.5	-1.7	787	801	1.8
Fort Collins[a]	Slightly Soft	4.5	4.8	0.3	1,387	1,371	-1.2
Missoula	Tight	4.6	1.7	-2.9	1,076	1,263	17.4
Provo[b]	Slightly Soft	4.4	4.5	0.1	1,010	994	-1.6
Salt Lake City[b]	Slightly Soft	5.4	5.9	0.5	1,101	1,078	-2.1
Sioux Falls	Balanced	5.7	5.1	-0.6	899	915	1.8

4Q = fourth quarter.
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) *Apartment Insights*; (b) Moody's Analytics REIS; all other metropolitan areas—Real Page, Inc.

permitted during the fourth quarter of 2019. Sioux Falls led the year-over-year gain in the state, increasing from 320 to 980 units.

- Multifamily permitting also more than doubled in Montana, North Dakota, and Wyoming, to 770, 350, and 100 units, respectively. In Montana, 73 percent of the statewide increase occurred in the Bozeman micropolitan area, where 530 multifamily units were permitted, up from 210 units a year earlier. The population of the Bozeman micropolitan area, which is in southwestern Montana, has expanded rapidly in recent years, averaging population gains of 3.2 percent a year from 2015 to 2019, which has contributed to increased demand for apartments. Many new residents are attracted by the proximity to the Big Sky Resort and the north and west entrances to Yellowstone National Park.

Multifamily permitting in the Rocky Mountain region increased in four of the six states, led by a surge in South Dakota.



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