

HUD PD&R Regional Reports

Region 8: Rocky Mountain

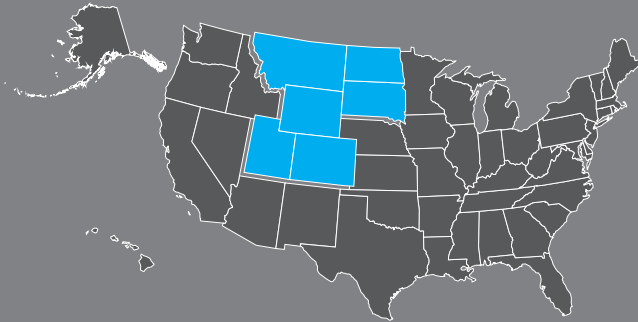


Billings, Montana

By James Conner | 4th quarter 2015

Quick Facts About Region 8

- **Sales market conditions—**
Fourth quarter 2015: tight.
Third quarter 2015: tight.
Fourth quarter 2014: tight.
- **Apartment market conditions—**
Fourth quarter 2015: mixed (balanced to slightly tight).
Third quarter 2015: mixed (balanced to tight).
Fourth quarter 2014: mixed (slightly soft to tight).



Overview

The economy in the Rocky Mountain region grew at a moderate rate in the fourth quarter of 2015. Although job losses in the mining and logging subsector have become a drag on economic growth in the region, total nonfarm payrolls were up 1.6 percent from a year earlier, a gain of 87,600 jobs. Industries that contributed to payroll growth in the fourth quarter of 2015 included tourism, health care, and construction, helped by a strong start to the ski season, rising demand for healthcare services, and increased spending on commercial construction projects. Home sales demand remained strong and sales housing market conditions were tight in most of the major metropolitan areas in the region. The number of for-sale listings decreased from a year ago in the largest metropolitan areas in the region and ranged from 1.3 to 3.5 months of supply in the areas reported. Apartment market conditions softened in many areas in the region, and conditions currently range from balanced to slightly tight in most of the major metropolitan areas. Apartment construction activity has been very strong in the past 2 years, and the units that were recently delivered allowed for many of the markets that were previously tight to ease somewhat. Overall housing construction was down 4 percent from a year ago in the fourth quarter of 2015. Although the permitting of single-family homes was up 9 percent, multifamily permitting decreased 18 percent.

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During the fourth quarter of 2015—

- Payrolls in the education and health services and the leisure and hospitality sectors, combined, were up by 45,000 jobs from a year ago. In the mining, logging, and construction sector, a gain of nearly 18,000 jobs in the construction subsector offset the loss of approximately 14,000 jobs in the mining and logging subsector.
- Payrolls in North Dakota and Wyoming declined by 14,400 and 3,700 jobs, respectively, led by mining and logging subsector job losses, whereas payrolls were up by more than 46,000 jobs in both Utah and Colorado.

- Because of strong demand, home sales and prices were up significantly in many areas of the region from a year ago. Home price gains in most states in the region ranged from 5 to 10 percent. Home sales in the region were up 9 percent from a year earlier.
- Although apartment market conditions remained tight in the Denver metropolitan area, other markets that were previously tight, including Casper, Fargo, and Sioux Falls, are currently balanced, a result of increased supply, as new units reached the market, or because of weakened demand.

Economic Conditions

The economy in the Rocky Mountain region continued to expand in the fourth quarter of 2015, despite job losses in some sectors. Nonfarm payrolls increased by 87,600 jobs, or 1.6 percent, from a year earlier, to 5.59 million jobs. Although payrolls in the mining and logging subsector in the region were down by nearly 14,000 jobs, or 11 percent, from a year earlier because of low oil prices, these losses were more than offset by strong job growth in the tourism, healthcare, and construction industries. Payrolls were up 3.4 percent in both the education and health services and the leisure and hospitality sectors, increases of 24,300 and 20,700 jobs, respectively, and payrolls in the construction subsector were up by nearly 18,000 jobs, or more than 5 percent. Tourism in the region received a boost from increased domestic leisure travel spending and favorable snow conditions in the fourth quarter of 2015. Early-season skier visits

to Colorado Ski Country's 21 member resorts were up 10 percent from a year earlier (Colorado Ski Country USA). Vail Resorts, which includes six resorts in Colorado and Utah, reported an 11-percent increase from a year ago in skier visits (Vail Resorts, Inc.).

Construction activity remained strong in the region, despite a decline in residential permitting and amid continued reports of construction worker shortages in some areas. In Colorado, unemployment within the construction industry was the lowest among all states in the nation in December 2015, at 4.3 percent (Associated Builders and Contractors, Inc.). Growth in demand for healthcare services has led to the construction of new healthcare facilities in the region. Projects currently under way include a \$27 million orthopedics and surgery center at the McKay-Dee Hospital in Ogden, a \$100 million

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Payroll growth continued in the Rocky Mountain region in the fourth quarter of 2015, despite declines in some sectors.

	Fourth Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,502.0	5,589.6	87.6	1.6
Goods-producing sectors	812.2	825.1	12.9	1.6
Mining, logging, and construction	452.8	456.7	3.9	0.9
Manufacturing	359.5	368.4	8.9	2.5
Service-providing sectors	4,689.7	4,764.5	74.8	1.6
Wholesale and retail trade	836.3	839.3	3.0	0.4
Transportation and utilities	211.4	209.9	- 1.5	- 0.7
Information	126.1	126.2	0.1	0.1
Financial activities	321.5	332.7	11.2	3.5
Professional and business services	705.4	711.1	5.7	0.8
Education and health services	711.8	736.1	24.3	3.4
Leisure and hospitality	602.3	623.0	20.7	3.4
Other services	199.1	198.6	- 0.5	- 0.3
Government	975.9	987.4	11.5	1.2

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

Source: U.S. Bureau of Labor Statistics



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addition to the St. Francis Medical Center in Colorado Springs, and a new \$100 million hospital in Longmont for University of Colorado Health. New commercial buildings that broke ground in the region during the fourth quarter of 2015 (including hotel, office, retail, and warehouse projects) totaled more than \$570 million in construction spending, up 6 percent from a year earlier (CBRE Group, Inc.). Labor market conditions were tight in much of the region. State unemployment rates in the Rocky Mountain region ranged from 2.4 percent in North Dakota to 4.3 percent in Wyoming. Every state in the region had an unemployment rate below the 4.8-percent national average in the fourth quarter of 2015.

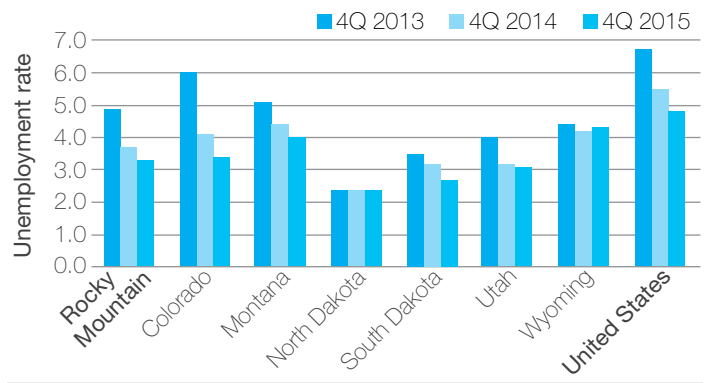
During the fourth quarter of 2015—

- More than 80 percent of the job losses in the mining and logging subsector in the region occurred in North Dakota and Wyoming, with decreases in the subsector of 6,400 and 4,900 jobs, or 20 and 18 percent, respectively. Total nonfarm payrolls in North Dakota and Wyoming were down by 14,400 and 3,700 jobs, or 3.0 and 1.3 percent, respectively.
- The greatest job gains in the region occurred in Utah and Colorado, where nonfarm payrolls increased by 46,800 and 46,700 jobs, or 3.4 and 1.9 percent, respectively. In Utah, the education and health services and the leisure and hospitality sectors led the job growth, increasing by 9,700 and 8,800 jobs, or 5.4 and 6.8 percent, respectively. In Colorado, the greatest job gains were in the leisure and hospitality and the education and health services sectors and in the construction subsector, which grew by 14,200, 12,100, and 11,500 jobs, or 4.8, 4.0, and 7.8 percent, respectively.

Sales Market Conditions

Home sales demand continued to outstrip supply in many areas in the Rocky Mountain region in the fourth quarter of 2015. Despite an increase in single-family home construction, sales housing market conditions remained tight, and the supply of homes for sale declined in many metropolitan areas in the region. In the Provo, Ogden, and Salt Lake City metropolitan areas in Utah, the number of active listings in December 2015 represented 3.2, 2.8, and 2.6 months of supply, respectively, at the current sales rate, down from 4.9, 4.7, and 4.0 months of supply, respectively, a year earlier (Utah Association of Realtors®). The Sioux Falls metropolitan area had a 3.5-month supply of homes for sale in December 2015, down from a 4.3-month supply a year earlier (Realtor® Association of the Sioux Empire). The Colorado Springs metropolitan area had a 1.8-month supply of homes for sale in December 2015, down from a 2.9-month supply a year earlier (Pikes Peak Association of Realtors®). The Denver metropolitan area had a 1.3-month supply of homes for sale in December 2015, down from a 1.8-month supply a year earlier

Unemployment rates continued to decrease in most states in the Rocky Mountain region.



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

- In Montana and South Dakota, payrolls grew by 3,000 and 9,200 jobs, or 0.7 and 2.2 percent, respectively. In Montana, payrolls in the mining and logging subsector and the leisure and hospitality sector fell by 800 and 2,000 jobs, or 8.5 and 3.5 percent, respectively, but payrolls increased in the wholesale and retail trade and the financial activities sectors by 1,800 and 1,500 jobs, or 2.4 and 5.9 percent, respectively. In South Dakota, the professional and business services, wholesale and retail trade, and manufacturing sectors posted sizeable gains, increasing by 2,100, 1,100, and 1,000 jobs, or 7.1, 1.5, and 2.3 percent, respectively; in addition, payrolls in the construction subsector were up by more than 1,500 jobs, or nearly 9.0 percent.

(Colorado Association of Realtors®). Denver had the lowest supply of homes for sale among 66 major metropolitan areas reported by CoreLogic, Inc.

The strong sales demand caused home prices to rise significantly in some areas in the region. In Colorado and Utah, existing home prices in December 2015 were up 10 and 7 percent, respectively, from a year earlier (CoreLogic, Inc. Home Price Index). Existing home prices were up 6 percent in South Dakota and up 5 percent in Montana and North Dakota. In Wyoming, existing home prices in December 2015 were up 3 percent from a year earlier. Home price increases ranged from 5 to 10 percent in most of the major metropolitan areas in the region in 2015. In the Missoula, Fargo, and Cheyenne metropolitan areas, sales prices for new and existing homes averaged about \$255,900, \$222,500, and \$246,600, increases of 5, 7, and 10 percent, respectively, from a year earlier (CoreLogic, Inc., with adjustments by the analyst). In the Denver metropolitan area, prices for new and existing homes averaged

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Home sales and prices were up strongly in many metropolitan areas in the Rocky Mountain region.

	12 Months Ending	Number of Homes Sold			Price			
		2014	2015	Percent Change	Average or Median	2014 (\$)	2015 (\$)	Percent Change
Boulder (N&E)	December	6,175	6,600	7	AVG	430,900	475,800	10
Cheyenne (N&E)	December	2,400	2,625	9	AVG	223,400	246,600	10
Denver (N&E)	December	56,900	59,500	5	AVG	324,200	360,600	11
Fargo (N&E)	December	5,225	5,175	- 1	AVG	207,400	222,500	7
Greeley (N&E)	December	7,275	8,675	19	AVG	248,100	267,600	8
Missoula (N&E)	December	2,025	2,350	16	AVG	244,600	255,900	5
Ogden (N&E)	December	8,350	9,550	14	AVG	216,100	229,200	6
Salt Lake City (N&E)	December	14,750	17,150	16	AVG	269,700	284,200	5
Sioux Falls (N&E)	December	4,025	4,500	12	AVG	181,500	193,200	6

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: Denver Metro Association of Realtors®; Metrostudy, A Hanley Wood Company, with adjustments by the analyst; Realtor® Association of the Sioux Empire, Inc.; Utah Association of Realtors®

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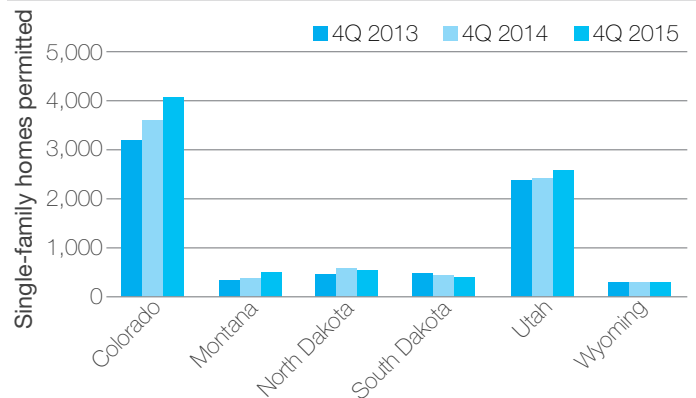
approximately \$360,600 in 2015, up 11 percent from a year earlier (Colorado Association of Realtors®). Despite the low supply of active listings, home sales were up in most of the region. In 2015, sales of new and existing homes in the region were up 9 percent from a year earlier, to approximately 262,000 homes sold (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Although sales in North Dakota declined 9 percent, to approximately 14,700 homes sold, sales in Wyoming, Colorado, Montana, and Utah increased 5, 10, 11, and 13 percent, respectively, from a year earlier, to approximately 9,600, 136,400, 20,600, and 70,400 homes sold. Home sales were also up in most of the major metropolitan areas in the region.

Sustained home price increases during the past 5 years have led to steady declines in the rates of seriously delinquent mortgages (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the region. In December 2015, 1.8 percent of mortgages in the region were seriously delinquent or had transitioned into REO status, down from 2.2 percent a year earlier (Black Knight Financial Services, Inc.). Seriously delinquent mortgage and REO property rates declined or remained unchanged in every state in the region and ranged from 1.3 percent in North Dakota to 2.3 percent in Utah and Wyoming; in addition, all states in the region had rates below the 4.1-percent national average.

Strong sales demand in the region led to increased single-family construction. During the fourth quarter of 2015 (preliminary data)—

- Single-family homebuilding in the region, as measured by the number of homes permitted, was up 9 percent from a year earlier, to approximately 8,475 homes.

Single-family homebuilding activity was up from a year ago in the Rocky Mountain region, led by a sizeable gain in Colorado.



4Q = fourth quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey

- Colorado had the greatest increase in homebuilding in the region. Single-family permitting was up 13 percent from a year earlier, to nearly 4,100 homes. More than three-fourths of the statewide increase occurred in the Denver metropolitan area, where the permitting of single-family homes was up 25 percent from a year earlier.
- In Utah, single-family permitting was up 7 percent from a year earlier, to approximately 2,600 homes. Single-family permitting increased 38 percent in the Ogden and Provo metropolitan areas, to approximately 490 and 780 homes, respectively.

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- In Montana and Wyoming, single-family homebuilding was up 34 and 7 percent from a year earlier, to approximately 500 and 310 homes permitted, respectively. In the Billings metropolitan area, more than 200 homes were permitted in the final months of 2015, a 70-percent increase from a year earlier.
- Homebuilding activity was down, however, in South Dakota and North Dakota, decreasing 9 and 10 percent, to approximately

420 and 550 homes permitted, respectively. Although single-family permitting increased more than 50 percent in the Fargo metropolitan area, to about 320 homes, permitting in the Sioux Falls, Bismarck, and Rapid City metropolitan areas decreased 8, 17, and 23 percent, to about 190, 130, and 90 homes, respectively.

Apartment Market Conditions

Apartment market conditions ranged from balanced to slightly tight in most of the major metropolitan areas in the Rocky Mountain region in the fourth quarter of 2015. Despite the completion of many new apartments during 2015, demand was sufficiently strong that most of the units were absorbed quickly. Apartment market conditions in the Denver metropolitan area eased somewhat but remained tight, with a 4.9-percent vacancy rate in the third quarter of 2015, up from 4.1 percent a year earlier (Apartment Insights). Monthly apartment rents averaged \$1,264 in the fourth quarter of 2015, a 9-percent increase from a year earlier. Although more than 9,700 new apartments were completed in the Denver metropolitan area during 2015, absorption totaled nearly 6,000 units by the end of the year. In the Colorado Springs metropolitan area, apartment market conditions were slightly tight, with a 4.2-percent vacancy rate, down from 5.4 percent a year earlier, and average apartment rents increased 6 percent, to \$886. In the Greeley metropolitan area, apartment market conditions remained tight, with a 3.8-percent vacancy rate in the fourth quarter of 2015, up from 1.8 percent a year earlier, and average apartment rents rose 10 percent, to \$938.

In the Salt Lake City metropolitan area, approximately 2,250 new apartments were completed during 2015. Market conditions eased somewhat but remained slightly tight. The vacancy rate in the fourth quarter of 2015 was 4.3 percent, up from 3.9 percent a year earlier. Average monthly rents increased only 2 percent, however, to \$864 (Reis, Inc.). Nearly 2,200 apartments now under construction are expected to be complete in 2016, so the market may continue to ease. Apartment market conditions also remained slightly tight in the Ogden metropolitan area, with a 4.2-percent vacancy rate in the fourth quarter of 2015, down from 4.7 percent a year earlier, and where average monthly rents increased 3 percent, to \$801.

Despite the significant growth in supply in the aforementioned metropolitan areas, apartment market conditions remained tight or slightly tight in the fourth quarter of 2015. In other areas in the region, however, market conditions eased significantly. In the Fargo and Sioux Falls metropolitan areas, multifamily permitting averaged approximately 2,100 and 1,150 units a year, respectively, during 2013 and 2014, more than double their annual averages in 2011

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Although many new apartments were completed recently, market conditions remained balanced or slightly tight in most metropolitan areas in the Rocky Mountain region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2014 (%)	4Q 2015 (%)	Percentage Point Change	4Q 2014 (\$)	4Q 2015 (\$)	Percent Change
Billings ^a	Slightly tight	2.0	4.9	2.9	NA	NA	NA
Casper	Balanced	NA	NA	NA	NA	NA	NA
Colorado Springs ^b	Slightly tight	5.4	4.2	- 1.2	832	886	6
Denver ^b	Tight	4.1	4.9	0.8	1,159	1,264	9
Fargo ^c	Balanced	4.8	6.4	1.6	NA	NA	NA
Ogden ^d	Slightly tight	4.7	4.2	- 0.5	780	801	3
Salt Lake City ^d	Slightly tight	3.9	4.3	0.4	848	864	2
Sioux Falls ^d	Balanced	5.7	6.7	1.0	770	805	5

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) Economic and Market Analysis Division survey; (b) *Apartment Insights*; (c) Appraisal Services, Inc.; (d) Reis, Inc.



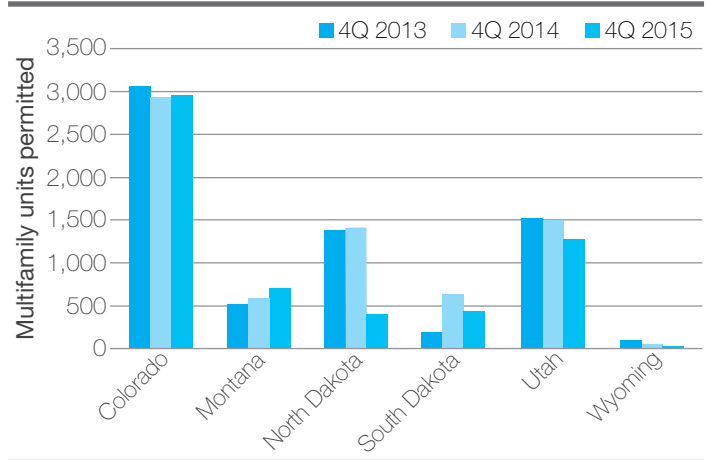
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and 2012. As completions outpaced demand, apartment vacancies rose in both metropolitan areas. In Fargo, the apartment vacancy rate in December 2015 was 6.4 percent, up from 4.8 percent a year earlier. In Sioux Falls, apartment vacancies averaged 6.7 percent in the fourth quarter of 2015, up from 5.7 percent a year earlier, and average rents were up 5 percent, to \$805. Although multifamily construction did not increase in the Casper metropolitan area, payroll declines in the mining and logging subsector since 2014 contributed to an easing in apartment demand. Market conditions were tight in the fourth quarter of 2014 but are currently balanced. Weaker demand also contributed to rising apartment vacancies in the Billings metropolitan area, but conditions there remained slightly tight. Declines in energy activity significantly weakened apartment demand in the western North Dakota areas near the Bakken Formation; market conditions there, which were very tight as recently as mid-2014, are currently somewhat soft. In Williston, apartment vacancies were estimated at 22 percent in December 2015, up from 5 percent a year earlier, and apartment rents averaged about \$1,300, a decrease of more than 40 percent from a year ago (estimates by the analyst).

Although apartment demand remained strong in many areas in the Rocky Mountain region, multifamily construction retreated from its peak in 2014. During the fourth quarter of 2015 (preliminary data)—

- Approximately 5,800 multifamily units were permitted in the region, down 18 percent from a year earlier. The nearly 7,100 units permitted in the fourth quarter of 2014 was the greatest number permitted during a fourth quarter in the region since the early 1980s.
- The declines in multifamily construction were most pronounced in North Dakota, South Dakota, and Utah. Multifamily permitting in North Dakota was down 72 percent from a year earlier, to approximately 400 units. In the Fargo and Bismarck metropolitan areas, permitting was down 80 percent, to 150 and 90 units, respectively. In South Dakota, multifamily construction activity declined 33 percent, to approximately 420 units permitted. In

Multifamily construction activity in the Rocky Mountain region declined from a year ago, led by a large decrease in North Dakota.



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

Utah, multifamily construction was down 15 percent, to about 1,275 units permitted. Although permitting increased 16 and 17 percent in the Salt Lake City and Ogden metropolitan areas, to 670 and 290 units, respectively, in the Provo metropolitan area, permitting decreased by one-half, to 280 units.

- Multifamily permitting increased 21 percent in Montana, to approximately 700 units, but increased only slightly in Wyoming and Colorado. In Wyoming, only about 35 units were permitted in the fourth quarter of 2015, up from 25 units a year earlier. In Colorado, multifamily permitting increased less than 1 percent, to about 2,975 units. Although the number of multifamily units permitted in the Denver metropolitan area was up 16 percent, to about 2,550 units, multifamily construction declined nearly 60 percent in both the Fort Collins and Greeley metropolitan areas, to about 140 and 150 units, respectively.

