HUD PD&R **Regional Reports**

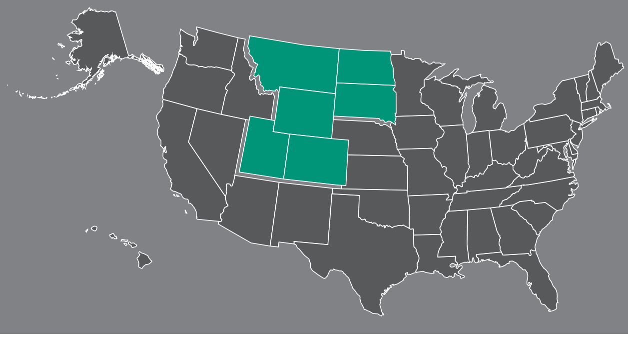
Region 8: Rocky Mountain

Billings, Montana

Quick Facts About Region 8

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

- **Apartment market conditions—**
  First quarter 2018: mixed (balanced to soft).
  Fourth quarter 2017: balanced.
  First quarter 2017: mixed (slightly soft to slightly tight).



By Katharine Jones | 1st quarter 2018

Overview

Economic growth in the Rocky Mountain region accelerated during the past year compared with growth a year earlier. Nonfarm payrolls increased by 121,800 jobs, or 2.2 percent from the first quarter of 2017; by comparison, in the first quarter of 2017, nonfarm payrolls increased 1.8 percent. The mining, logging, and construction and the leisure and hospitality sectors led growth. A spike in homebuilding activity in Colorado and Utah, as well as increased oil prices, supported payroll growth in the mining, logging, and construction sector. In the tourism industry, ski areas in Montana had a record number of skier visits, and visits to national parks increased in some parts of the region. Population growth in the region slowed slightly in 2017 because of a decline in net in-migration, but the rate of population growth in the region remained nearly double the national rate. Home sales market conditions remained tight in much of the region, with low inventories of homes for sale and strong growth in home prices. The slowdown in population growth and a large number of new apartment completions led to easing of previously tight apartment markets. Apartment market conditions were balanced in most major metropolitan areas in the region, but somewhat soft in energy-impacted areas with stagnant or declining populations such as Wyoming and North Dakota.

- Unseasonably warm weather in the central Rocky Mountains led to decreased skier-related tourism in Colorado and Utah

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but contributed to increased homebuilding activity during the first quarter of 2018. Single-family and multifamily construction activity surged in the region, primarily because of growth in Colorado and Utah, where the warm weather supported an early start to construction.

- The slowdown in population growth in the region was greatest in Colorado. Net in-migration decreased 21 percent to 46,600 people in 2017.
- The economic and population growth throughout most of the region contributed to the persistent tight sales market conditions; most metropolitan areas have less than 3 months of supply of for-sale inventory, and the average home sales price in the region increased 8 percent from a year ago. Apartment market conditions, however, have eased somewhat as new supply has temporarily outpaced demand in many metropolitan areas, and markets in most large metropolitan areas in the region are currently balanced with moderate rent growth.

Economic Conditions

The economy of the Rocky Mountain region grew at a faster rate than that of the nation during the first quarter of 2018; nonfarm payrolls in the region increased 2.2 percent compared with 1.5 percent nationally. The mining, logging, and construction and the leisure and hospitality sectors led job growth in the region, adding 22,100 and 20,800 jobs, respectively, from a year earlier, up 5.5 and 3.2 percent. Nearly two-thirds of the mining, logging, and construction jobs added were in the construction subsector. Colorado and Utah led the region in construction gains, adding 10,100 and 6,300 jobs, respectively, or 6.6 and 7.0 percent from a year ago. In addition to increased residential construction, primarily in Colorado and Utah, other notable construction projects are under way in the region, including the $530 million, 1,500-room Gaylord Rockies Resort and Convention Center, near Denver International Airport, expected to be completed in late 2018. Three UCHealth medical offices, totaling about $500 million, are under construction in Colorado. A $125 million United Parcel Service package distribution warehouse is under way in Salt Lake City and is expected to be complete by the end of 2018. In the mining and logging subsector, Colorado led gains with an addition of 3,900 jobs, and North Dakota and Wyoming added 2,100 and 1,900 jobs, respectively. Oil prices during the first quarter of 2018 were 21 percent higher than a year earlier, averaging nearly $63 a barrel. In response to the higher oil prices, the number of drilling rigs increased in the region, especially in North Dakota and Wyoming, which account for 65 percent of the oil rigs in the region. Tourism increased in the region, although increased skier visits in Montana and Wyoming did not offset decreases in Colorado and Utah, and overall skier visits declined

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Payrolls increased in the Rocky Mountain region, with broad-based growth across all sectors.

	First Quarter		Year-Over-Year Change	
	2017 (thousands)	2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,634.3	5,756.1	121.8	2.2
Goods-producing sectors	768.4	799.2	30.8	4.0
Mining, logging, & construction	403.4	425.5	22.1	5.5
Mining & logging	78.3	86.6	8.3	10.6
Construction	325.1	338.9	13.8	4.2
Manufacturing	365.0	373.7	8.7	2.4
Service-providing sectors	4,865.9	4,956.9	91.0	1.9
Wholesale and retail trade	841.3	854.5	13.2	1.6
Transportation and utilities	209.5	215.1	5.6	2.7
Information	132.1	135.2	3.1	2.3
Financial activities	336.7	341.4	4.7	1.4
Professional and business services	721.6	740.6	19.0	2.6
Education and health services	766.4	783.0	16.6	2.2
Leisure and hospitality	643.4	664.2	20.8	3.2
Other services	211.3	212.2	0.9	0.4
Government	1,003.6	1,010.8	7.2	0.7

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

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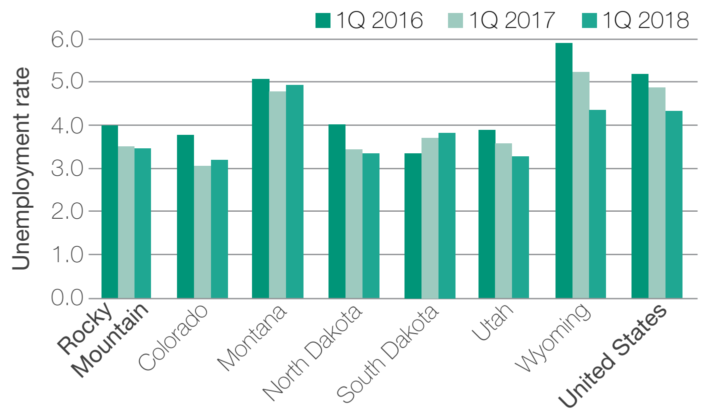
5 percent in the region (National Ski Areas Association preliminary data). The unemployment rate in the region averaged 3.5 percent during the first quarter of 2018, unchanged from a year earlier but well below the 4.3-percent national jobless rate. State unemployment rates in the region ranged from 3.2 percent in Colorado to 4.9 percent in Montana.

During the first quarter of 2018—

- Mining, logging, and construction sector payrolls led job growth in Colorado, adding 14,000 jobs, or 7.9 percent from a year earlier. Nearly three-fourths of the growth was in the construction subsector. A $3.3 billion expansion at Denver International Airport is under way to renovate the main terminal and add 39 gates.
- In Utah, the 3.1-percent increase in jobs was the fastest rate of growth in the region and the second fastest nationally. The leisure and hospitality sector, which added 8,100 jobs, or 5.8 percent, from a year earlier, led nonfarm payroll growth in Utah. Warm weather and lack of snowfall deterred some skiers, but visits to national parks and monuments increased nearly 5 percent from the same period a year earlier (National Ski Areas Association and National Park Service). In addition, 17 new hotels opened in the state during the past year, mostly near Salt Lake City or in tourist areas such as near national parks.
- Montana nonfarm payrolls increased by 5,000 jobs, or 1.1 percent, from a year earlier, led by the leisure and hospitality sector, which added 1,300 jobs, or 2.1 percent. In contrast to the unseasonably warm weather elsewhere in the region, the northern Rocky Mountains in Montana had above-average snowfall, and Big Sky Ski Resort, Bridger Bowl Ski Area, and Whitefish Mountain Resort set attendance records, with more than 1.09 million skier visits, combined.
- Nonfarm payrolls in South Dakota increased by 5,200 jobs, or 2.1 percent, from a year earlier, led by the education and health services sector, which increased by 1,600 jobs, or 2.3 percent. A $10.2 million expansion at Sturgis Regional Hospital was completed in February 2018 and construction of the $55 million Regional Health Advanced Orthopedic and Sports Medicine Institute is under way in Rapid City and expected to be completed in the fall of 2018.
- Partially offsetting gains elsewhere in the region, North Dakota lost 4,800 jobs, or 1.1 percent of nonfarm payrolls, which was the greatest decline nationally. Despite recent increases in energy production, the economy continues to face strong headwinds; the addition of 2,100 mining and logging subsector jobs from a year earlier was not enough to offset the loss of 7,100 jobs combined in the construction subsector and the government and the leisure and hospitality sectors.

Labor market conditions remained tight in the Rocky Mountain region, with Colorado, North Dakota, South Dakota, and Utah having unemployment rates well below the national average.



1Q = first quarter.
Source: U.S. Bureau of Labor Statistics

Population

Population growth in the Rocky Mountain region slowed slightly in 2017 but remained well above the national growth rate. From 2016 to 2017, the population in the region increased by approximately 148,800, or 1.3 percent, compared with 1.4 percent the previous year (U.S. Census Bureau population estimates as of July 1). Nationally, the population increased 0.7 percent in each of the past 2 years. A reduction in net in-migration, primarily to Colorado, caused the slower population growth in the region. Net in-migration in the region totaled approximately 68,000 people during the 12 months ending July 1, 2017, which was nearly 18,000 fewer people a year earlier. In Colorado, net in-migration decreased from nearly 59,600 to 46,600 people, or 13,000 fewer people during the same period. Because of the lower levels of net in-migration, net natural change (resident births minus deaths) accounted for most of the population growth in the region in 2017, comprising nearly 55 percent of the total.

During the 12 months ending July 1, 2017—

- Approximately 47 percent of the population in the region, or 5.6 million people, lived in Colorado. The state contributed more than 50 percent of the population growth in the region, despite the slowdown in net in-migration from a year earlier.

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- The fastest rate of population growth in the region was in Utah, where population increased 1.9 percent from a year earlier, or by 57,500 people. Net natural change comprised 60 percent of the population growth. Approximately 80 percent of the state population lives in the Wasatch Front metropolitan areas of Salt Lake City, Ogden, and Provo.
- Montana and South Dakota had population growth that exceeded the national average—1.1 and 0.9 percent, respectively—which was similar to the population growth rates a year earlier. The Bozeman micropolitan area in Montana had the largest numerical gain among all micropolitan areas in the nation, adding nearly 3,750 people, or 3.6 percent, from a year earlier.
- Wyoming was the only state in the region with a declining population, losing nearly 5,600 people, or 1.0 percent, from the previous year, because the state economy was still struggling with weak energy demand as of mid-2017. The decrease was the fastest rate percentagewise in the nation. In North Dakota, also an energy-producing state, the population was virtually unchanged from a year earlier.

The population growth rate in the Rocky Mountain region was nearly double the national rate.

	Population Estimate (as of July 1)			Percent Change	
	2015	2016	2017	2015 to 2016	2016 to 2017
United States	321,039,839	323,405,935	325,719,178	0.7	0.7
Rocky Mountain region	11,648,676	11,815,082	11,963,854	1.4	1.3
Colorado	5,440,445	5,530,105	5,607,154	1.6	1.4
Montana	1,028,317	1,038,656	1,050,493	1.0	1.1
North Dakota	754,859	755,548	755,393	0.1	0.0
South Dakota	854,036	861,542	869,666	0.9	0.9
Utah	2,984,917	3,044,321	3,101,833	2.0	1.9
Wyoming	586,102	584,910	579,315	– 0.2	– 1.0

Source: U.S. Census Bureau

Sales Market Conditions

Sales housing market conditions were tight in the Rocky Mountain region in the first quarter of 2018. Prices for new and existing homes in the region averaged $356,100 during the 12 months ending March 2018, an 8-percent increase from a year earlier (Metrostudy, A Hanley Wood Company). Colorado and Utah led price gains, with prices in each state increasing 8 percent and partially offsetting a 2-percent decline in the average home sales price in Wyoming. Price appreciation was slow in North Dakota, increasing 1 percent from the previous 12-month period, but moderate in Montana and South Dakota, with each state increasing 4 percent. Most major metropolitan areas had rapid home price appreciation and low inventories of homes for sale. In the Denver metropolitan area, new and existing home prices averaged $433,200, up nearly 9 percent from a year earlier (Colorado Association of Realtors®). The inventory of active home listings represented 1.2 months of supply for sale in March 2018, down from 1.7 months of supply a year earlier. In the Colorado Springs and Greeley metropolitan areas, the average home sales prices increased 11 percent from a year ago, to $306,300 and $332,700, respectively (Pikes Peak Realtor Association of Realtors® and Metrostudy, A Hanley Wood company). In the Salt Lake City metropolitan area, the average price of a home sold increased 10 percent from a year earlier, to $340,000 (Utah Association of Realtors®). In March 2018, Salt Lake City had a 1.5-month supply of inventory, down from 1.8 months of supply a year earlier. In Sioux Falls, the average home price increased nearly 5 percent to $220,300, and the inventory of homes for sale decreased to 2.9 months of supply compared with 3.9 months of supply a year earlier (Realtors Association of the Sioux Empire®).

In part because of the low inventory of homes for sale, the number of homes sold in many parts of the region decreased during the past year. During the 12 months ending March 2018, home sales in the region were down nearly 1 percent from the previous 12 months to about 248,800 homes sold. In Colorado, home sales decreased 1 percent, and sales decreased 2 percent in Utah and Montana. Partially offsetting decreased sales in these states, home sales in the energy-dependent states of Wyoming and North Dakota increased 8 and 2 percent, respectively. Home sales in South Dakota were essentially unchanged, increasing less than 1 percent to 5,575 homes sold. In the Denver metropolitan area, the number of homes sold increased 7 percent from a year earlier to 66,100 during the 12 months ending March 2018. Home sales in Colorado Springs increased 6 percent, to 18,900 homes sold, but home sales in Greeley decreased 10 percent to 8,350 homes sold. The number of homes sold in the Salt Lake City metropolitan area was essentially

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unchanged from a year earlier at 22,950. In Provo, home sales increased 5 percent to 9,400. Home sales in the Billings metropolitan area decreased 2 percent to 4,025 homes sold.

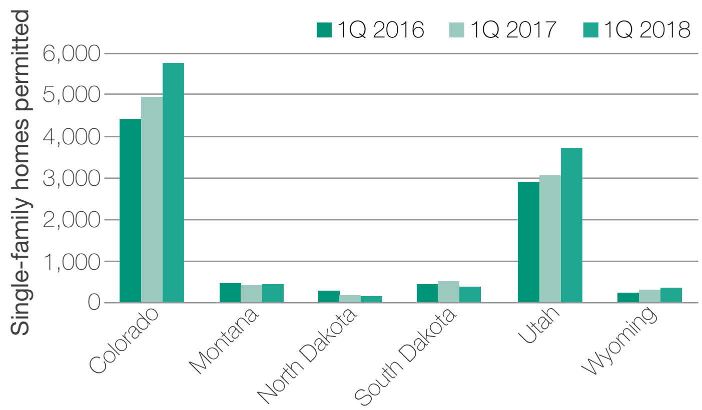
Strong home price appreciation contributed to declining rates of seriously delinquent mortgages (loans that are 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties throughout the region. In February 2018, 0.8 percent of mortgages in the region were seriously delinquent or had transitioned into REO status, down from 1.1 percent a year earlier (Core Logic, Inc.). The rate remained flat at 1.0 percent in North Dakota but declined in every other state in the region, with rates ranging from 0.7 percent in Colorado to 1.6 percent in Wyoming. The rates for all states in the region remained well below the 2.3-percent national average.

Tight sales market conditions and strong demand for homes led to a 15-percent increase in single-family construction, as measured by the number of homes permitted, with increases in most of the states in the Rocky Mountain region.

During the first quarter of 2018 (preliminary data)—

- Colorado led single-family homebuilding activity in the region, with 5,750 homes permitted, the highest level of first-quarter single family permitting in the state since 2006. Warm weather and lack of snowfall contributed to the ability of the builders to start more homes during this time of year, and the number of homes permitted increased 16 percent from a year earlier.
- Construction was up sharply in Utah, where 3,700 new homes were permitted, a gain of 22 percent from a year earlier. Strong population growth and tight sales market conditions in the major metropolitan areas in Utah contributed to demand for additional new homes.
- In Montana and Wyoming, permitting increased slightly, to 430 and 310 homes, respectively, up 1 and 16 percent. Small increases across all metropolitan areas in Montana contributed to the gains, while in Wyoming, declines in the Cheyenne and Casper metropolitan areas were offset by increases in the rest of the state, with the largest increase in Teton County, which includes the Jackson Hole ski area.
- In North Dakota, permitting decreased 18 percent to 125 homes, and in South Dakota, permitting was down 24 percent to 370 homes. Most of the decline in North Dakota was in the Fargo metropolitan area, which decreased 32 percent to 55 homes permitted, and Sioux Falls led the declines in South Dakota, with 200 homes permitted, down from 280 a year earlier.

Single-family construction was up in the Rocky Mountain region, led by sizeable gains in Colorado and Utah, with homebuilding activity relatively stable in most other states in the region.



1Q = first quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

Home sales prices were up throughout most of the Rocky Mountain region because of strong demand, but home sales declined in some metropolitan areas because of low inventory.

	12 Months Ending	Number of Homes Sold			Price			
		2017	2018	Percent Change	Average or Median	2017 ($)	2018 ($)	Percent Change
Billings (N&E)	March	4,125	4,025	– 2	AVG	243,900	255,000	5
Cheyenne (N&E)	March	2,700	2,975	10	AVG	243,400	251,600	3
Colorado Springs (N&E)[a]	March	17,900	18,900	6	AVG	274,800	306,300	11
Denver (N&E)[b]	March	61,600	66,100	7	AVG	399,100	433,200	9
Fargo (N&E)	March	5,350	4,950	– 7	AVG	241,400	241,800	0
Greeley (N&E)	March	9,275	8,350	– 10	AVG	298,800	332,700	11
Provo (N&E)[c]	March	8,950	9,400	5	AVG	290,200	312,200	8
Salt Lake City (N&E)[c]	March	23,000	22,950	0	AVG	309,600	340,000	10
Sioux Falls (N&E)[d]	March	4,725	4,750	1	AVG	210,100	220,300	5

AVG = average. N&E = new and existing.
Notes: All figures are rounded. Home sales include single-family homes, townhomes, and condominiums. Salt Lake City data are for 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

Apartment Market Conditions

Apartment market conditions in the first quarter of 2018 were generally balanced across the Rocky Mountain region. Most large metropolitan markets were balanced, but some areas, notably in the energy-dependent states of Wyoming and North Dakota, remained soft because absorption decreased as the population growth halted. The vacancy rates in several metropolitan areas increased during the past year, in part because of the slowdown in net in-migration, but also because of a surge in apartment completions during the past 2 years. Despite the slight increase in vacancy rates, absorption was sufficient that rent growth remained relatively strong in most metropolitan areas.

In the Denver metropolitan area, the apartment market is balanced. The vacancy rate decreased slightly, to 5.8 percent during the first quarter of 2018 compared with 6.0 percent a year earlier (Apartment Insights). The average rent increased 4 percent to $1,379 during the first quarter of 2018. Absorption of units doubled in the past year, with 10,200 units absorbed in the combined Denver and Boulder metropolitan areas during the 12 months ending March 2018. Vacancies in most of the rest of the Rocky Mountain region increased slightly. The vacancy rate in Colorado Springs increased slightly from 5.3 to 5.4 percent, but rent growth remained strong, averaging a 7-percent increase to $1,022. Apartment market conditions were also balanced in the Ogden and Salt Lake City metropolitan areas. The vacancy rate in the Salt Lake City metropolitan area averaged 4.7 percent, up from 3.8 percent a year earlier, and the average rent increased 5 percent to $1,093 (Real Data, Inc.). In Ogden, the vacancy rate increased to 4.3 percent, and the average rent increased 3 percent to $956.

Apartment market conditions in the Bozeman micropolitan area eased but remained slightly tight. The vacancy rate was 2.6 percent during the first quarter of 2018, up from 2.1 percent a year earlier, and the average rent increased 7 percent from a year earlier to $1,168 (Axiometrics, Inc.). Strong population growth supported demand for apartments, despite the slight uptick in vacancies. Apartment market conditions in much of North Dakota and Wyoming are soft, as a result of weak economic and population growth. The apartment vacancy rate in Casper decreased to 9.8 percent

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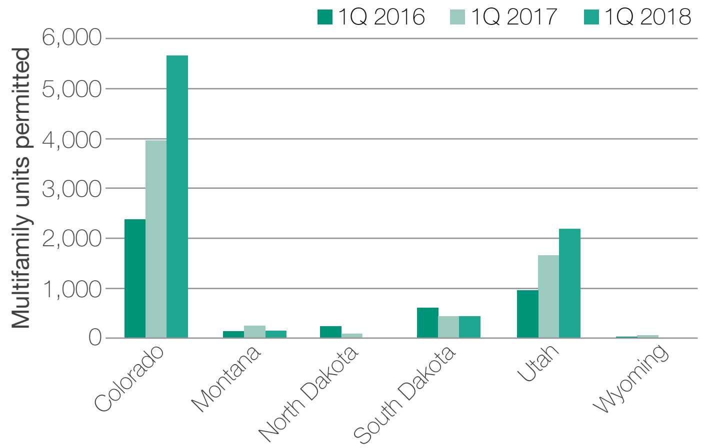
Multifamily permitting spiked in Colorado and Utah, offsetting declines in most other states in the region.



1Q = first quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

Apartment market conditions were balanced throughout most of the Rocky Mountain region, with moderate rent growth.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2017 (%)	1Q 2018 (%)	Percentage Point Change	1Q 2017 ($)	1Q 2018 ($)	Percent Change
Bozeman[a]	Slightly tight	2.1	2.6	0.5	1,091	1,168	7
Casper[a]	Soft	13.0	9.8	– 3.2	794	807	2
Colorado Springs[b]	Balanced	5.3	5.4	0.1	959	1,022	7
Denver[b]	Balanced	6.0	5.8	– 0.2	1,327	1,379	4
Fargo[c]	Soft	9.2	9.8	0.6	NA	NA	NA
Ogden	Balanced	3.9	4.3	0.4	931	956	3
Salt Lake City	Balanced	3.8	4.7	0.9	1,037	1,093	5
Sioux Falls[a]	Balanced	7.3	9.6	2.3	814	852	5

1Q = first quarter. NA = data not available.
Note: Fargo apartment vacancy rates as of March 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.; all other areas—Real Data, Inc.

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compared with 13.0 percent a year earlier, and the average rent increased 2 percent to $807. In Fargo, the market is also soft, and the vacancy rate increased to 9.8 percent compared with 9.2 percent a year earlier (Appraisal Services Inc). In response to soft market conditions, approximately 620 apartment units were under construction in the Fargo metropolitan area, less than one-half the number underway 1 year earlier; nevertheless, the market may soften further as the new units are completed.

Unseasonably warm weather encouraged builders in Colorado and Utah to start apartment construction early during the first quarter of 2018; multifamily construction, as measured by units permitted, increased 33 percent in the region from a year ago. Multifamily construction activity elsewhere in the region remained normal for this time of year.

During the first quarter of 2018 (preliminary data)—

- Multifamily permitting in Colorado increased 43 percent from a year earlier to 5,675 units. Permitting increased in every metropolitan area along the northern Front Range, including the Denver and Colorado Springs areas, which increased 30 and 50 percent, to 4,325 and 420 units permitted, respectively.
- In Utah, permitting increased 33 percent from a year ago to 2,175 units; in the Logan, Salt Lake City, and St. George metropolitan areas, permitting increased by 1,000 units combined, more than offsetting the decline of a combined 650 units in the Ogden and Provo metropolitan areas.
- In South Dakota, multifamily permitting increased 4 percent to 430 units. An increase in the Rapid City metropolitan area essentially offset a decline in the Sioux Falls metropolitan area.
- Partially offsetting increases elsewhere in the region, multifamily permitting declined in Montana, North Dakota, and Wyoming. In Montana, the number of units permitted decreased nearly 50 percent to 140. Multifamily construction in North Dakota and Wyoming decreased nearly 60 and 30 percent, respectively, to about 30 multifamily units permitted in each state.