HUD PD&R **Regional Reports**

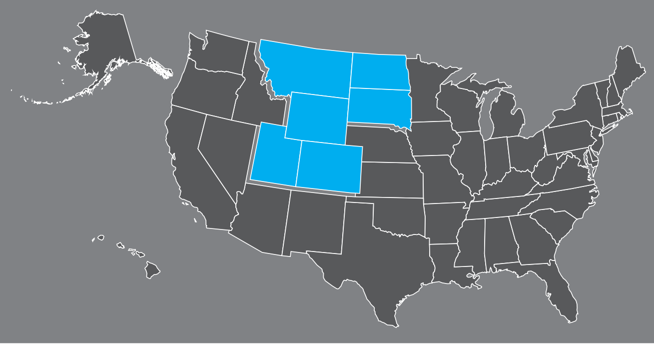
Region 8: Rocky Mountain

Provo, Utah

Quick Facts About Region 8

- **Sales market conditions—**
  Fourth quarter 2017: tight.
  Third quarter 2017: tight.
  Fourth quarter 2016: tight.

- **Apartment market conditions—**
  Fourth quarter 2017: balanced.
  Third quarter 2017: mixed (slightly soft to slightly tight).
  Fourth quarter 2016: mixed (soft to tight).



By James Conner | 4th quarter 2017

Overview

Economic conditions in the Rocky Mountain region remained strong in the fourth quarter of 2017, with nonfarm payrolls increasing by 100,600 jobs, or 1.8 percent, from a year ago. More than 900,000 jobs have been added in the region since the fourth quarter of 2009, or an average annual growth of 2.3 percent. Every nonfarm sector in the region posted payroll gains, with the professional and business services, the education and health services, the leisure and hospitality, and the mining, logging, and construction sectors adding a combined 58,400 jobs. Labor market conditions were tight, however, with the unemployment rate in the region remaining at 3.0 percent, its lowest level in 17 years. Demand for sales housing was strong, with home prices in some metropolitan areas in the region up 10 percent from a year ago, but a lack of for-sale inventory caused home sales to decline in much of the region. Apartment market conditions were balanced in most major metropolitan areas in the region, despite high levels of apartment completions during 2017. Growth in rental demand allowed the new units to be absorbed in most metropolitan areas, but rent growth decelerated. Residential construction, as measured by the number of housing units permitted, was down 13 percent from a year ago in the region, with increased single-family homebuilding more than offset by a decline in multifamily construction.

- Rising oil prices, which led to an increase in mining and logging subsector payrolls, helped job growth in the region; in addition, several major nonresidential building projects in the region contributed to job gains in the construction subsector.

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- The three largest metropolitan areas in the region had no more than a 2.0-month supply of homes for sale in December 2017, and home sales in the region overall during the fourth quarter of 2017 were down almost 1 percent from a year earlier.
- Nearly 5,000 new apartments were completed in the region during the fourth quarter of 2017, essentially unchanged from a year earlier; of these apartments, about 3,450 and 1,150 units were completed in Colorado and Utah, respectively.
- Single-family homebuilding was up by nearly 1,400 homes, or 15 percent, from a year ago, to about 10,500 homes permitted in the fourth quarter of 2017; an increase of 800 homes permitted, or 27 percent, in Utah led this growth. Multifamily construction, however, declined by more than 3,900 units, or 41 percent, to about 5,750 units permitted in the region; a decrease of nearly 2,750 units, or 49 percent, in Colorado led this decline.

Economic Conditions

The economy in the Rocky Mountain region expanded at a solid pace in the fourth quarter of 2017 as nonfarm payrolls increased by 100,600 jobs, or 1.8 percent, from a year earlier. The recent job growth in the region was a slight improvement from the 1.7-percent average annual growth during the preceding eight quarters. Payroll gains were strong in the professional and business services, the education and health services, and the leisure and hospitality sectors, with increases of 24,000, 14,600, and 14,100 jobs, or 3.2, 1.9, and 2.2 percent, respectively. Growth in tourism remains strong in the region. Despite the completion of more than 2,500 new hotel rooms in the Denver metropolitan area during 2017, the hotel occupancy rate in December 2017 was unchanged from a year earlier, at 75 percent (McGraw-Hill Construction Pipeline database and Rocky Mountain Lodging Report). However, relatively warm winter weather in much of the region caused a slow start to the ski season, with early-season skier visits in Colorado and Utah down more than 11 percent from a year earlier (Vail Resorts, Inc. and Colorado Ski Country USA).

Job growth was strong in the mining, logging, and construction sector. Helped by several large nonresidential projects, construction subsector payrolls in the region were up by approximately 11,000 jobs, or 3.1 percent, from a year earlier, despite ongoing reports of construction worker shortages. The mining and logging subsector contributed to the recent stronger payroll growth in the region with a gain of 5,700 jobs, or 7.4 percent. This growth was in contrast to payroll declines in the subsector during 2015 and 2016, which averaged 23,100 jobs, or 18.9 percent, a year. As a result of renewed

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Payrolls increased in the Rocky Mountain region; strong growth in the business services, tourism, energy, and construction industries helped this increase.

	Fourth Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,705.6	5,806.2	100.6	1.8
Goods-producing sectors	791.6	814.1	22.5	2.8
Mining, logging, and construction	427.5	444.2	16.7	3.9
Mining and logging	76.6	82.3	5.7	7.4
Construction	350.9	361.9	11.0	3.1
Manufacturing	364.1	369.9	5.8	1.6
Service-providing sectors	4,913.9	4,992.0	78.1	1.6
Wholesale and retail trade	866.4	872.9	6.5	0.8
Transportation and utilities	211.9	214.7	2.8	1.3
Information	131.2	133.9	2.7	2.1
Financial activities	336.1	339.8	3.7	1.1
Professional and business services	744.3	768.3	24.0	3.2
Education and health services	770.1	784.7	14.6	1.9
Leisure and hospitality	636.7	650.8	14.1	2.2
Other services	207.0	210.3	3.3	1.6
Government	1,010.2	1,016.6	6.4	0.6

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

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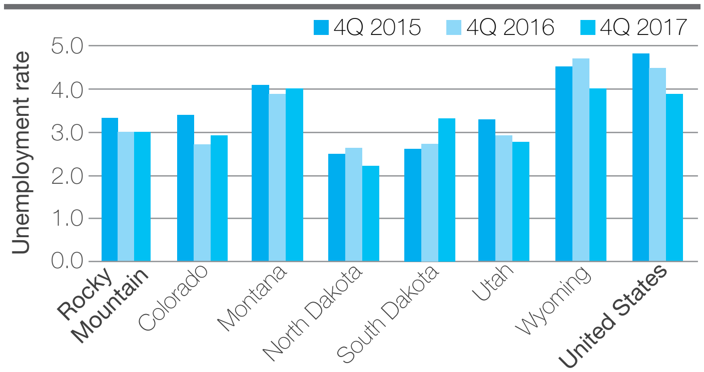
energy exploration activity, approximately 120 drilling rigs were active in the region during the fourth quarter of 2017, up from 75 rigs a year earlier (Baker Hughes, Inc.).

Labor market conditions in the region have been tight since 2016, and the labor market remained tight throughout most of the Rocky Mountain region in the fourth quarter of 2017. State unemployment rates ranged from 2.2 percent in North Dakota to 4.0 percent in Montana and Wyoming, and most states in the region continued to have unemployment rates below the 3.9-percent national average. In the region overall, the unemployment rate in the fourth quarter of 2017 remained unchanged from a year earlier, at 3.0 percent.

During the fourth quarter of 2017—

- In Colorado, nonfarm payrolls increased by 50,900 jobs, or 1.9 percent, led by the professional and business services sector, the leisure and hospitality sector, and the construction subsector, with increases of 14,800, 7,200, and 6,600 jobs, or 3.6, 2.3, and 4.2 percent, respectively. Denver International Airport handled more than 61 million passengers in 2017, up nearly 6 percent from 2016, and the airport recently announced plans for a $1.5-billion expansion which will add 39 new gates; this expansion is in addition to a $1.8-billion renovation of the airport's main terminal, announced in August 2017.
- Utah had the second highest rate of nonfarm payroll growth in the nation, at 2.7 percent, an increase of 39,800 jobs; the leisure and hospitality, the professional and business services, and the education and health services sectors, which grew by 7,500, 6,300, and 5,800 jobs, or 5.5, 3.0, and 2.9 percent, respectively, led this growth.
- In Montana and South Dakota, payrolls increased by 6,600 and 2,000 jobs from a year ago, or 1.4 and 0.5 percent, respectively. In Montana, the leisure and hospitality sector led the gains with an increase of 1,900 jobs, or 3.1 percent. In South Dakota, the government sector led the gains, increasing by 1,400 jobs, or 1.7 percent, including 1,300 jobs added in the local government subsector. In addition, the education and health services sector grew by 800 jobs, or 1.1 percent. Avera Health recently broke ground on an $80 million surgical facility and medical office building in Sioux Falls, with completion expected in 2019.
- In North Dakota, payrolls increased by 1,900 jobs, or 0.4 percent, but in Wyoming payrolls decreased by 700 jobs, or 0.3 percent, the greatest payroll decline nationally. Mining and logging subsector payrolls were up strongly in both North Dakota and Wyoming, growing by 3,700 and 2,200 jobs, or 23.9 and 12.0 percent, respectively, but in North Dakota, the leisure and hospitality sector and the construction subsector declined by a combined 3,200 jobs, and in Wyoming, the government, the transportation and utilities, and the wholesale and retail trade sectors declined by a combined 2,900 jobs.

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



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

Sales Market Conditions

Home sales markets were tight throughout most of the Rocky Mountain region in the fourth quarter of 2017. Home prices increased in nearly all major metropolitan areas and, despite a low supply of active listings, home sales increased in many metropolitan areas in the region. In the Denver metropolitan area, the average sales price for new and existing homes in 2017 was up 8 percent compared with 2016, to approximately $425,600 (Colorado Association of Realtors®). Although listings declined from a 1.8-month supply of homes for sale in December 2016 to a 1.1-month supply in December 2017, home sales during 2017 were up 7 percent from a year earlier, to about 66,100 homes. In the Colorado Springs metropolitan area, the average sales price for new and existing homes was up 10 percent from a year earlier, to about $299,500, and sales increased 7 percent, to nearly 18,800 homes (Pikes Peak Association of Realtors®). The number of active listings represented a 1.0-month supply of homes for sale in December 2017, down from a 1.2-month supply a year earlier.

In the Salt Lake City and Provo metropolitan areas, average prices for new and existing homes in 2017 were up 10 and 8 percent from a year earlier, to about $335,400 and $308,000, respectively. Home sales increased 3 percent in the Provo metropolitan area, to about 9,225 homes sold, but decreased 1 percent in the Salt Lake City metropolitan area, to about 17,850 homes sold (Utah Association of Realtors®). The number of active listings in the Salt Lake City

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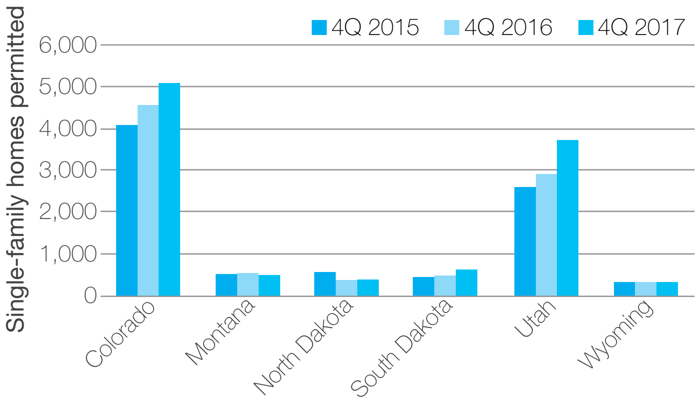
and Provo metropolitan areas represented 2.0 and 2.5 months of supply in December 2017, down from 2.3 and 3.3 months of supply, respectively, a year earlier. In the Sioux Falls metropolitan area, the average price for new and existing homes in 2017 was up 4 percent from a year earlier to $218,000, and sales were up 3 percent, to about 4,775 homes sold, despite a decrease in available listings from 3.2 to 2.7 months of supply (Realtor® Association of the Sioux Empire). In the Fargo metropolitan area, new and existing home prices in 2017 were up 1 percent, to about $241,700, but home sales decreased 8 percent, to approximately 5,000 homes sold (CoreLogic, Inc. with adjustments by the analyst). Despite increased sales in some major metropolitan areas, home sales declined in most states in the region. Sales of new and existing homes in the region overall were down nearly 1 percent from a year earlier in 2017, to approximately 251,600 homes sold, but the average home price in the region increased 8 percent from a year earlier, to about $352,200.

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



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

Strong sales demand and rising home prices contributed 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 the Rocky Mountain region. In November 2017, 1.1 percent of mortgages in the region were seriously delinquent or had transitioned into REO status, down from 1.5 percent a year earlier (Core Logic, Inc.). The rate in North Dakota remained unchanged from a year earlier, at 1.5 percent, but the rates declined in all other states in the region, and ranged from 0.9 percent in Colorado to 2.2 percent in Wyoming. All states in the Rocky Mountain region had rates of seriously delinquent mortgages and REO properties below the 2.3-percent national average.

Single-family construction, as measured by the number of homes permitted, increased in most states in the Rocky Mountain region. During the fourth quarter of 2017 (preliminary data)—

- Approximately 10,500 single-family homes were permitted in the region, an increase of nearly 1,400 homes, or 15 percent from a year earlier. Colorado and Utah accounted for more than 90 percent of the gain, with increases of about 500 and 800 homes, or 11 and 28 percent, respectively, from a year earlier.
- In Colorado, the greatest gains in single-family construction occurrred in the Denver, Colorado Springs, and Greeley metropolitan areas, where approximately 2,725, 925, and 450 homes were permitted, increases of 4, 32, and 20 percent, respectively.

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

	12 Months Ending	Number of Homes Sold			Price			
		2016	2017	Percent Change	Average or Median	2016 ($)	2017 ($)	Percent Change
Cheyenne[a] (N&E)	December	2,675	2,875	7	AVG	243,200	252,700	4
Colorado Springs[b] (N&E)	December	17,500	18,800	7	AVG	273,100	299,500	10
Denver[c] (N&E)	December	61,600	66,100	7	AVG	392,500	425,600	8
Fargo[a] (N&E)	December	5,450	5,000	– 8	AVG	238,700	241,700	1
Fort Collins[a] (N&E)	December	8,850	9,175	4	AVG	358,500	385,900	8
Missoula[a] (N&E)	December	2,575	2,600	1	AVG	272,600	280,800	3
Provo[d] (N&E)	December	8,950	9,225	3	AVG	285,700	308,000	8
Salt Lake City[d] (N&E)	December	18,050	17,850	– 1	AVG	303,700	335,400	10
Sioux Falls[e] (N&E)	December	4,625	4,775	3	AVG	209,100	218,000	4

AVG = average. N&E = new and existing.
Notes: All figures are rounded. Salt Lake City data are for Salt Lake County only.
Sources: (a) Metrostudy, A Hanley Wood Company, with adjustments by the analyst; (b) Pikes Peak Association of Realtors®; (c) Colorado Association of Realtors®; (d) Utah Association of Realtors®; (e) Realtor® Association of the Sioux Empire

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- In Utah, the Salt Lake City and Provo metropolitan areas led the gains in single-family homebuilding with approximately 1,250 and 1,200 homes permitted, increases of 25 and 24 percent, respectively. In addition, single-family construction in the St. George metropolitan area was up 37 percent from a year earlier, to about 410 homes permitted.
- In South Dakota, single-family permitting was up 25 percent to about 600 homes. Homebuilding in the Sioux Falls and Rapid City metropolitan areas increased 27 and 47 percent from a year earlier, to 290 and 140 single-family homes permitted, respectively.
- Homebuilding activity was more subdued in the other states in the region. In North Dakota, single-family construction increased 6 percent, to about 400 homes permitted, but in Montana and Wyoming, single-family construction decreased 7 and 2 percent from a year earlier, to about 460 and 300 homes permitted, respectively.

Apartment Market Conditions

Apartment market conditions in most major metropolitan areas in the Rocky Mountain region were balanced in the fourth quarter of 2017. Apartment deliveries remained elevated, with nearly 5,000 units completed in the region, virtually unchanged from the fourth quarter of 2016 (McGraw-Hill Construction Pipeline database). Absorption generally kept pace with deliveries of new units, so vacancies did not increase significantly, but rent growth slowed somewhat. In the fourth quarter of 2016, annual rent increases in metropolitan areas typically ranged from 4 to 8 percent, but in the fourth quarter of 2017 most metropolitan areas in the region had rent increases of 4 percent or less. In the Denver metropolitan area, apartment conditions were balanced in the fourth quarter of 2017, with a 5.7-percent vacancy rate, up slightly from 5.6 percent a year earlier, and the average apartment rent increased 4 percent to $1,370 (*Apartment Insights*). Conditions were also balanced in the Colorado Springs metropolitan area, with a 4.9-percent vacancy rate, up from 4.3 percent a year earlier, and rents increased 5 percent, to $1,004.

Apartment conditions were balanced in the Salt Lake City and Ogden metropolitan areas, with vacancy rates in the fourth quarter of 2017 of 5.2 and 3.7 percent, respectively, and average rents were up 6 and 4 percent from a year earlier, to $999 and $886, respectively (Reis, Inc.). Apartment conditions were also balanced in the Sioux Falls metropolitan area, with a 7.4-percent vacancy rate, and rents increased 3 percent, to $854. In the Fargo metropolitan area, however, conditions were soft, with a 9.9-percent vacancy rate in the fourth quarter of 2017, up from 9.2 percent a year earlier (Appraisal Services Inc.). Completions in Fargo surged in the past 2 years, with nearly 3,000 new apartments delivered, but absorption has been rather sluggish in the metropolitan area. Despite recent improvements, apartment conditions also remained soft in areas in the region impacted by energy and natural resources production, including the cities of Casper, Minot, and Williston, which had vacancy rates of 9.8, 9.4, and 15.5 percent, respectively, in the fourth quarter of 2017; however, those rates were down from 11.2, 9.9, and 20.3 percent, respectively, a year earlier (Axiometrics, Inc.).

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Apartment market conditions were balanced in most major metropolitan areas in the Rocky Mountain region, with only moderate rent growth.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2016 (%)	4Q 2017 (%)	Percentage Point Change	4Q 2016 ($)	4Q 2017 ($)	Percent Change
Casper[a]	Soft	11.2	9.8	– 1.4	812	808	0
Colorado Springs[b]	Balanced	4.3	4.9	0.6	960	1,004	5
Denver[b]	Balanced	5.6	5.7	0.1	1,313	1,370	4
Fargo[c]	Soft	9.2	9.9	0.7	NA	NA	NA
Missoula[a]	Balanced	2.9	5.7	2.8	1,032	1,038	1
Ogden[d]	Balanced	4.8	3.7	– 1.1	850	886	4
Salt Lake City[d]	Balanced	4.2	5.2	1.0	946	999	6
Sioux Falls[d]	Balanced	6.2	7.4	1.2	833	854	3

4Q = fourth quarter. NA = data not available.
Note: Fargo apartment vacancy rates as of September 1.
Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) Axiometrics, Inc., (b) *Apartment Insights*, (c) Appraisal Services, Inc., (d) Reis, Inc.

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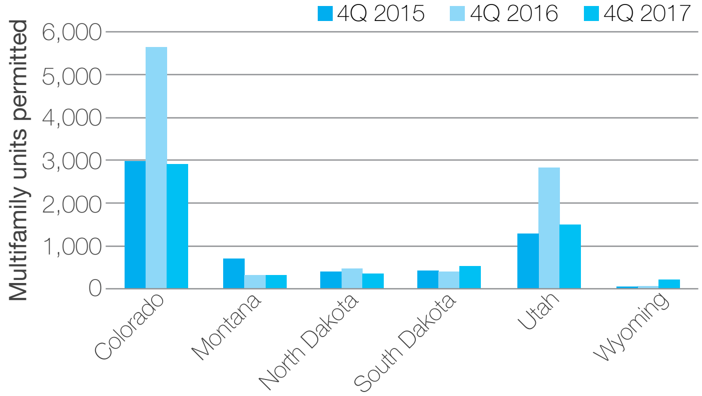
Average rents in the cities of Casper, Minot, and Williston in the fourth quarter of 2017 were down 0.5, 2, and 2 percent from a year earlier, to $808, $913, and $858, respectively, but these declines were less severe than the double-digit rent decreases observed in the past 2 years.

Multifamily construction declined in the Rocky Mountain region, compared with the unusually strong building activity of a year earlier. In the fourth quarter of 2017 (preliminary data)—

- Approximately 8,750 multifamily units were permitted in the region, a decline of about 3,925 units, or 41 percent, from a year earlier, with nearly all of the decrease occurring in Colorado and Utah.
- In Colorado, approximately 2,900 units were permitted, a 49-percent decline from a year ago. Nearly all metropolitan areas in the state declined, with the greatest decrease occurring in the Denver metropolitan area, where permitting fell from 3,950 to 1,700 units.
- In Utah, approximately 1,475 units were permitted, a 47-percent decrease from a year ago. In the Provo, Logan, and St. George metropolitan areas, about 690, 200, and 100 units were permitted, up from 260, 30, and 5 units a year earlier, but these gains were offset by a steep decline in the Salt Lake City metropolitan area, where permitting fell from 2,300 to 325 units.
- In South Dakota, multifamily permitting increased from 400 to 510 units, and in Wyoming, permitting increased from 30 to 200 units. In the Sioux Falls metropolitan area, approximately 440 units were permitted, up from 240 units a year earlier, and in the Cheyenne metropolitan area, 80 units were permitted, up from 10 units a year earlier.
- In Montana, multifamily construction was essentially unchanged from a year earlier, with about 310 units permitted, but in North Dakota, multifamily permitting decreased from 470 to 350 units. In Fargo, multifamily construction declined from 360 to 170 units permitted.

Multifamily permitting was down in the Rocky Mountain region, largely because building activity in Colorado and Utah reverted to the levels of 2 years ago.



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Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey