

HUD PD&R Regional Reports

Region 8: Rocky Mountain



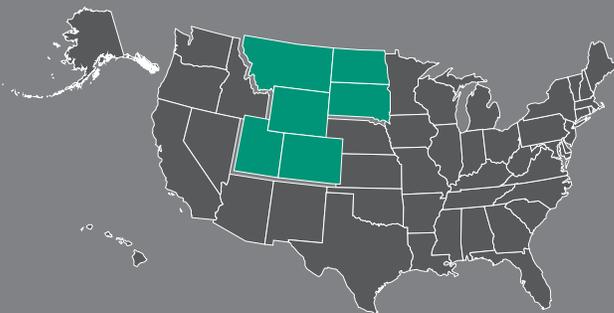
Quick Facts About Region 8

Salt Lake City, Utah

By Sam Young | 1st quarter 2015

Sales market conditions—
First quarter 2015: tight.
Fourth quarter 2014: tight.
First quarter 2014: slightly tight.

Apartment market conditions—
First quarter 2015: mixed (slightly soft to tight).
Fourth quarter 2014: mixed (slightly soft to tight).
First quarter 2014: mixed (balanced to tight).



Overview

Economic growth in the Rocky Mountain region accelerated during the first quarter of 2015, with nonfarm payrolls increasing 2.9 percent from a year ago. As a result of the continued job growth, labor market conditions tightened significantly. The unemployment rate in the region averaged 4.3 percent in the first quarter of 2015, down from 5.4 percent a year earlier. Home sales demand remained strong, and sales housing market conditions were tight in many metropolitan areas in the region. In the first quarter of 2015, year-over-year sales price increases for existing homes within the states in the region ranged from 5 to 10 percent. Apartment demand remained strong throughout most of the region, but the volume of recent completions caused tight apartment market conditions to ease in some metropolitan areas.

During the first quarter of 2015—

- Growth was strong in the construction, healthcare, and tourism industries. The mining, logging, and construction and the leisure and hospitality sectors, combined, increased by 54,800 jobs from a year ago, accounting for more than 35 percent of the job gains in the region.
- Although existing home sales prices were up in most major metropolitan areas in the region, home sales decreased in much of the region, with many areas constrained by a lack of for-sale inventory.
- Apartment market conditions softened in the Fargo, Provo, Rapid City, and Salt Lake City metropolitan areas as new units were completed. Nevertheless, strong household growth allowed for new apartments to be absorbed relatively quickly in most metropolitan areas in the region.



Nearly every nonfarm payroll sector posted gains in the Rocky Mountain region in the first quarter of 2015.

	First Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,288.8	5,444.0	155.2	2.9
Goods-producing sectors	745.4	785.4	40.0	5.4
Mining, logging, and construction	398.1	428.3	30.2	7.6
Manufacturing	347.3	357.2	9.9	2.9
Service-providing sectors	4,543.4	4,658.6	115.2	2.5
Wholesale and retail trade	798.6	820.7	22.1	2.8
Transportation and utilities	201.5	210.0	8.5	4.2
Information	126.0	125.7	-0.3	-0.2
Financial activities	313.8	322.5	8.7	2.8
Professional and business services	670.0	688.6	18.6	2.8
Education and health services	692.3	715.5	23.2	3.4
Leisure and hospitality	588.9	613.5	24.6	4.2
Other services	194.7	198.5	3.8	2.0
Government	957.6	963.7	6.1	0.6

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

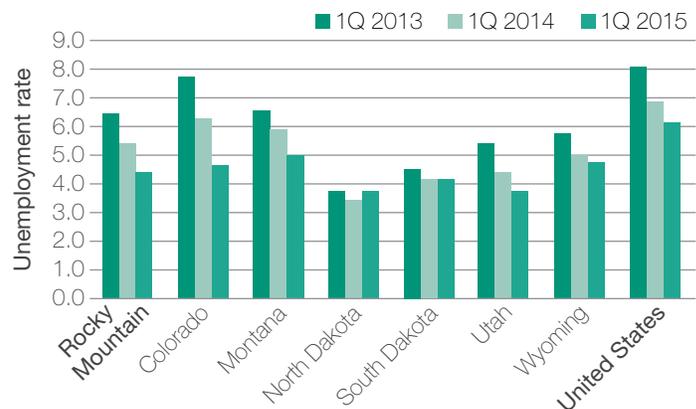
Economic Conditions

The pace of economic growth in the Rocky Mountain region accelerated in the first quarter of 2015. Nonfarm payrolls were up by 155,200 jobs, or 2.9 percent, from a year earlier, to 5.44 million jobs. By comparison, during the first quarter of 2014, nonfarm payrolls grew 2.5 percent, or by 128,800 jobs, from the first quarter of 2013. The mining, logging, and construction sector had the highest rate of job growth. Reflecting declines in oil prices, growth in the mining and logging subsector slowed during the first quarter of 2015, increasing by about 5,000 jobs, or 4.5 percent, from a year earlier. By comparison, growth in the subsector averaged 19 percent annually from 2010 through 2012. Payrolls in the construction subsector increased by nearly 25,200 jobs, or more than 9 percent, despite reports of construction worker shortages. The leisure and hospitality and the education and health services sectors also posted sizeable payroll gains, increasing by 24,600 and 23,200 jobs, or 4.2 and 3.4 percent, respectively. The unemployment rate in the region averaged 4.3 percent during the first quarter of 2015, down from 5.4 percent a year ago. State unemployment rates in the region ranged from 3.7 percent in North Dakota and Utah to 5.0 percent in Montana. During the first quarter of 2015, all states in the region had unemployment rates below the 6.1-percent national average.

During the first quarter of 2015—

- Colorado had the greatest total job gain in the region from a year earlier. Nonfarm payrolls grew by 74,700 jobs, or 3.1 percent, led by increases in the construction subsector and the education and health services sector of 21,500 and 15,900 jobs, or

The unemployment rate in the Rocky Mountain region declined significantly during the past 12 months.



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

17.5 and 5.4 percent, respectively. Nonresidential construction, continuing development of the Denver Union Station neighborhood, and high levels of multifamily construction are supporting construction job growth.

- In Utah, nonfarm payrolls increased by 52,900 jobs, or 4.1 percent, from a year earlier, the highest rate of job growth in the region. Payrolls in the construction subsector were up more than 8 percent, boosted by the continuing construction of multifamily projects permitted in the second half of 2014. In addition, payrolls in the transportation and utilities and the professional and business services sectors increased 7.4 and 4.9 percent, respectively.

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- Nonfarm payroll growth in North Dakota slowed to 3.9 percent, an increase of 17,200 jobs, from a year earlier. North Dakota had the highest rate of job growth in the nation, 5.2 percent annually, from 2010 through 2014. Despite continued job gains in the construction and the mining and logging subsectors, growth slowed in support subsectors such as transportation and health care.

- The rates of job growth were below the national average in the other states in the region. Nonfarm payrolls in Wyoming, South Dakota, and Montana increased 1.5, 1.1, and 0.4 percent, respectively. Payrolls in the mining and logging subsector in Wyoming fell by 1,000 jobs, or 3.7 percent. Government sector payrolls in Montana fell by 2,100 jobs, or 2.3 percent, led by declines in the federal government subsector.

Population

The population in the Rocky Mountain region grew at a relatively strong pace from 2013 to 2014, increasing by approximately 156,800, or 1.4 percent, compared with 0.7-percent growth for the nation (Census Bureau population estimates as of July 1). State growth rates in the region ranged from 0.2 percent in Wyoming to 2.2 percent in North Dakota (the highest rate in the nation); in addition, Colorado and Utah were among the 10 fastest growing states in the nation. Approximately 45 percent of the population growth in the region resulted from net in-migration, which totaled 72,200 people, down from 92,600 people during the previous 12 months. Increased net in-migration to Colorado was more than offset by a dramatic slowdown in net in-migration to North Dakota and Utah and net out-migration from Wyoming. Net natural change (resident births minus resident deaths) in the region totaled approximately 84,600 people, equal the number during the previous 12 months.

During the 12 months ending July 1, 2014—

- Colorado had the greatest population gain in the region, totaling approximately 83,800 people. More than 60 percent of the growth was the result of net in-migration, which totaled approximately 51,800 people, up from 47,700 people during the previous

12 months. Payroll growth of 3.1 percent during the period outpaced average gains of 1.9 percent annually from mid-2011 through mid-2013.

- In Utah, approximately 90 percent of the population growth resulted from net natural change, which totaled nearly 36,100 people. Despite average payroll growth of 2.7 percent annually since mid-2010, net in-migration declined more than 30 percent from mid-2010 through mid-2013.
- Net in-migration to North Dakota declined to 10,700 people, or 65 percent of population growth, as payroll growth slowed to 3.9 percent. This slowing trend followed average annual payroll growth in North Dakota of 5.7 percent and net in-migration that comprised more than 75 percent of population growth from mid-2010 through mid-2013.
- Net out-migration of 2,175 people from Wyoming was by sharp contrast with average annual net in-migration of 3,100 people from mid-2010 through mid-2013. Payroll growth averaged 1.4 percent annually from mid-2010 through mid-2012 but has slowed to an average of 0.4 percent annually since mid-2012.

Trends in population growth mirrored payroll growth in the Rocky Mountain region.

	Population Estimate (as of July 1)			Percent Change	
	2012	2013	2014	2012 to 2013	2013 to 2014
United States	314,112,078	316,497,531	318,857,056	0.8	0.7
Rocky Mountain	11,165,168	11,342,327	11,499,157	1.6	1.4
Colorado	5,191,709	5,272,086	5,355,866	1.5	1.6
Montana	1,005,163	1,014,864	1,023,579	1.0	0.9
North Dakota	701,705	723,857	739,482	3.2	2.2
South Dakota	834,504	845,510	853,175	1.3	0.9
Utah	2,855,194	2,902,787	2,942,902	1.7	1.4
Wyoming	576,893	583,223	584,153	1.1	0.2

Source: U.S. Census Bureau



Sales Market Conditions

Continued economic growth in the Rocky Mountain region contributed to strong home sales demand, and sales housing market conditions were tight in the first quarter of 2015. Home sales prices increased in every state and in nearly all the major metropolitan areas in the region. Existing home sales prices in February 2015 were up 10 percent in Colorado and 8 percent in North Dakota and Wyoming compared with prices a year earlier (CoreLogic, Inc. Home Price Index). In Montana and South Dakota, prices for existing homes rose 6 percent, and in Utah prices increased 5 percent from a year earlier.

The strengthening demand led to significantly tighter home sales market conditions compared with conditions a year ago. A decreased supply of homes for sale in much of the region led to declining home sales in the region. Declining existing home sales of 7 and 4 percent, respectively, in Utah and North Dakota and of 2 percent each in Montana and South Dakota more than offset increases in Wyoming and Colorado of 3 and 2 percent, respectively (CoreLogic, Inc.). Despite low for-sale home inventories, existing home sales increased 2 percent in the Denver and Colorado Springs metropolitan areas. In the Salt Lake City and Provo metropolitan areas, existing home sales were down 8 percent. For-sale inventories were very low in some parts of the region. In the Denver metropolitan area, approximately 4,100 homes were listed for sale in March 2015, down from 6,100 a year earlier (Denver Metro Association of Realtors®). The number of active listings represented a 1.1-month supply of homes for sale, down from a 1.6-month supply a year earlier. In Salt Lake County, Utah, which includes Salt Lake City, the inventory of homes for sale in February 2015 represented a 3.5-month supply, down slightly from the 4.0-month supply of a year earlier (Utah Association of Realtors®). Supply conditions tightened slightly in the Sioux Falls metropolitan

area. The inventory of homes for sale in March 2015 represented a 4.1-month supply, down from the 4.6-month supply of a year earlier (Realtor® Association of the Sioux Empire, Inc.).

The strengthening job market and rising home prices contributed to decreases in the rates of seriously delinquent mortgages (those 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the region. In March 2015, 2.0 percent of mortgages in the region were seriously delinquent or in REO status, down from 2.5 percent a year earlier (Black Knight Financial Services, Inc.). Seriously delinquent mortgage and REO property rates declined in every state in the region and ranged from 1.2 percent in North Dakota to 2.6 percent in Utah. The rate for every state in the region was less than the 4.3-percent national average.

Although home sales demand was strong, single-family homebuilding activity decreased in the Rocky Mountain region in the first quarter of 2015 amid widespread reports of shortages of construction workers, particularly homebuilding subcontractors.

During the first quarter of 2015 (preliminary data)—

- Single-family home construction, as measured by the number of homes permitted, was down nearly 10 percent from a year ago in the region, to approximately 7,300 homes permitted.
- Nearly one-half of the decrease in single-family homebuilding in the region occurred in Utah, where single-family permitting was down 14 percent from a year ago, to approximately 2,175 homes permitted. In the Salt Lake City metropolitan area, permitting decreased 18 percent, to 600 homes permitted. This decline partially offset increases of 42 and 13 percent, to 500 and 620 homes, respectively, in the Ogden and Provo metropolitan areas.

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Home prices increased in nearly every metropolitan area in the Rocky Mountain region, but sales were down in most of the region.

	12 Months Ending	Number of Homes Sold			Price			
		2014	2015	Percent Change	Average or Median	2014 (\$)	2015 (\$)	Percent Change
Billings (E)	February	3,375	3,225	- 4	AVG	223,850	232,750	4
Casper (E)	February	1,950	1,950	0	AVG	226,400	235,625	4
Colorado Springs (E)	February	12,575	12,875	2	AVG	216,850	228,050	5
Denver (E)	February	59,125	60,025	2	AVG	292,925	311,250	6
Fargo (E)	February	4,400	4,200	- 5	AVG	178,075	184,450	4
Provo (E)	February	10,425	9,550	- 8	AVG	258,700	261,400	1
Salt Lake City (E)	February	24,225	22,350	- 8	AVG	269,950	269,575	0
Sioux Falls (N&E)	February	4,100	4,075	- 1	AVG	175,950	183,175	4

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

Note: All figures are rounded.

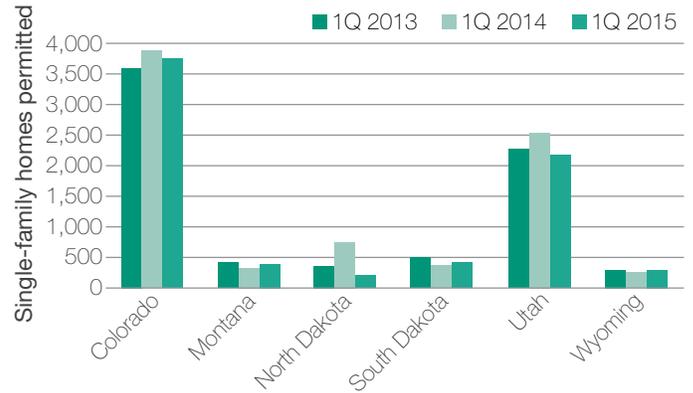
Sources: Sioux Falls—Realtor® Association of the Sioux Empire; all other metropolitan areas—CoreLogic, Inc.



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- In North Dakota, single-family permitting decreased nearly 70 percent, to approximately 230 homes. Permitting rose more than 50 percent in Fargo and remained essentially unchanged in Bismarck, but permitting in Williston declined 68 percent.
- In Colorado, single-family homebuilding decreased nearly 3 percent from a year earlier, to approximately 3,775 homes permitted. Although permitting was up 49 and 28 percent in the Fort Collins and Greeley metropolitan areas, to about 370 and 510 homes, respectively, permitting was down 2 percent in the Denver metropolitan area, to 2,000 single-family homes permitted.
- Single-family homebuilding increased from a year ago in South Dakota, Montana, and Wyoming, gaining 22 percent, 31 percent, and 12 percent, to 450, 400, and 290 homes permitted, respectively.

Single-family permitting in the Rocky Mountain region was down in the first quarter of 2015.



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

Apartment Market Conditions

Apartment demand remained strong in the Rocky Mountain region in the first quarter of 2015, and apartment market conditions ranged from slightly soft to tight in most metropolitan areas in the region. Although apartment construction activity was strong in many areas in the region, the improving economy and strong household growth allowed for the new units to be absorbed. Record levels of apartment absorption in the Denver metropolitan area kept apartment market conditions tight, with a 4.3-percent vacancy rate in the first quarter of 2015 down from 4.7 percent a year earlier (*Apartment Insights*). Strong absorption pushed the average apartment rent up 13 percent, to \$1,182. In the Colorado Springs metropolitan area, market conditions are balanced, despite an increase in apartment completions. The apartment vacancy rate was 6.0 percent in the first quarter of 2015, down slightly from 6.2

percent a year earlier, and the average apartment rent increased 6 percent, to \$829. Because of continued growth in energy activity in the Fort Collins and Greeley metropolitan areas, apartment market conditions were very tight in the first quarter of 2015. Vacancy rates in the two areas were 2.4 and 1.5 percent, respectively, and apartment rents increased 10 and 17 percent from a year earlier, to \$1,158 and \$904, respectively.

In the Salt Lake City metropolitan area, the apartment market remained tight despite the completion of more than 1,600 new apartments during 2014. The apartment vacancy rate in the first quarter of 2015 was 4.0 percent, up from 3.6 percent a year ago, and the average apartment rent increased 3 percent, to \$842 (Reis, Inc.). In the Provo metropolitan area, however, apartment conditions softened as new units were completed and the market

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Apartment market conditions in most metropolitan areas in the Rocky Mountain region were slightly tight or tight.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2014 (%)	1Q 2015 (%)	Percentage Point Change	1Q 2014 (\$)	1Q 2015 (\$)	Percent Change
Cheyenne	Slightly tight	NA	NA	NA	NA	NA	NA
Colorado Springs ^a	Balanced	6.2	6.0	- 0.1	781	829	6
Denver ^a	Tight	4.7	4.3	- 0.4	1,044	1,182	13
Fargo ^b	Slightly tight	3.6	4.5	0.9	NA	NA	NA
Provo ^c	Slightly soft	5.1	7.4	2.3	812	821	1
Rapid City ^c	Slightly tight	3.9	4.9	1.0	771	786	2
Salt Lake City ^c	Tight	3.6	4.0	0.4	814	842	3

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



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is slightly soft. The apartment vacancy rate was 7.4 percent in the first quarter of 2015, up from 5.1 percent a year earlier, and the average apartment rent increased 1 percent, to \$821.

In Williston, North Dakota, atop the Bakken Shale Formation, an average of 1,300 apartment units were completed annually from 2011 through 2014 (Williston Building Department). Tight apartment conditions eased as the pace of job growth slowed dramatically in response to a 50-percent decline in the number of oilrigs in North Dakota. The vacancy rate in March 2015 for newer, stabilized apartments was more than 6 percent, up from approximately 1 percent a year earlier (analyst estimates). Average asking rents for newer, stabilized units declined 12 percent, to \$2,250 a month. In the Fargo metropolitan area, approximately 700 apartment units were completed in 2014. Apartment conditions eased somewhat but remained slightly tight. The apartment vacancy rate in March 2015 was 4.5 percent, up from 3.6 percent a year earlier (Appraisal Services, Inc.).

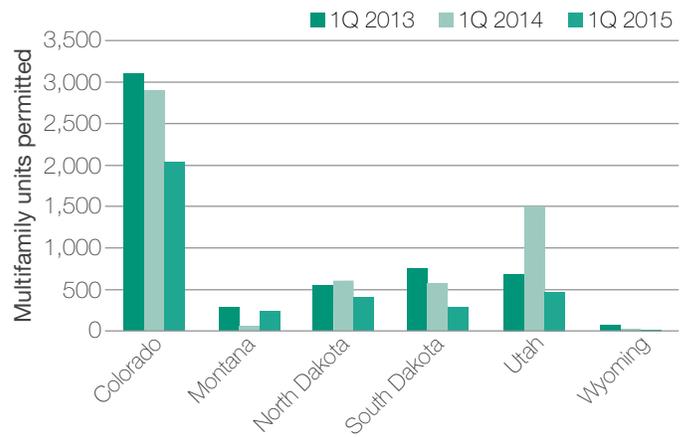
Despite continued strong rental demand, multifamily construction in the Rocky Mountain region declined significantly in the first quarter of 2015.

During the first quarter of 2015 (preliminary data)—

- Approximately 3,525 multifamily units were permitted in the region, down nearly 40 percent from a year earlier.
- The greatest decrease in multifamily construction occurred in Utah, where multifamily permitting fell nearly 70 percent, to approximately 470 units. Multifamily construction declined across the Wasatch Front, falling nearly 70 percent in the Salt Lake City and Provo metropolitan areas and 40 percent in Ogden, to 240, 170, and 50 units permitted, respectively.

- In Colorado, multifamily construction declined 30 percent, to approximately 2,050 units permitted, despite continued strong multifamily building activity in Denver and increases in the Boulder and Colorado Springs metropolitan areas.
- In South Dakota, multifamily construction declined nearly 50 percent, to 290 units permitted, despite increased activity in the Sioux Falls and Rapid City metropolitan areas.
- In North Dakota, approximately 430 multifamily units were permitted, a 26-percent decrease from a year earlier. Increased multifamily permitting in Fargo was offset by sharp declines in Bismarck and Williston.
- In Montana and Wyoming, multifamily construction increased to 250 and 20 units, from 80 and 15 units a year ago, respectively.

Multifamily permitting in the Rocky Mountain region declined during the first quarter of 2015.



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

