

HUD PD&R Regional Reports

Region 8: Rocky Mountain

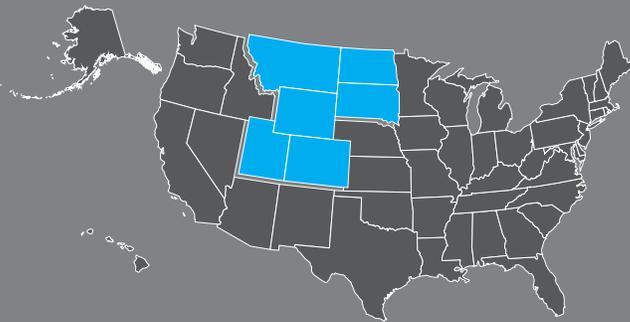


Quick Facts About Region 8

Sioux Falls, South Dakota

By James Conner | 4th quarter 2014

- **Sales market conditions—**
Fourth quarter 2014: tight.
Third quarter 2014: slightly tight.
Fourth quarter 2013: balanced.
- **Apartment market conditions—**
Fourth quarter 2014: mixed (slightly soft to tight).
Third quarter 2014: tight.
Fourth quarter 2013: mixed (balanced to tight).



Overview

The economy in the Rocky Mountain region continued to expand at a steady rate in the fourth quarter of 2014, with nonfarm payrolls increasing 2.7 percent from a year ago. As a result of the continued job growth, labor market conditions tightened significantly during 2014. The unemployment rate in the region averaged 3.6 percent in the fourth quarter of 2014, down from 4.9 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 fourth quarter of 2014, year-over-year price increases for existing homes within the states in the region ranged from 4 to 8 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 fourth quarter of 2014—

- Growth was strong in the energy, construction, and tourism industries. The mining, logging, and construction and the leisure and hospitality sectors, combined, increased by 59,000 jobs from a year ago, accounting for more than 40 percent of the job gains in the region.
- North Dakota continued to have the highest rate of job growth in the nation, with nonfarm payrolls increasing 5.1 percent from a year earlier, but job losses in the energy industry appear likely in the near future because of recent declines in oil prices. Oilfield servicers Schlumberger Limited and Baker Hughes Incorporated recently announced layoffs affecting 9,000 and 7,000 workers nationwide, respectively.

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- Although existing home prices were up in all major metropolitan areas in the region, home sales decreased in much of the region, constrained by a lack of for-sale inventory.

- Apartment market conditions eased in the Salt Lake City, Provo, and Fargo 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.

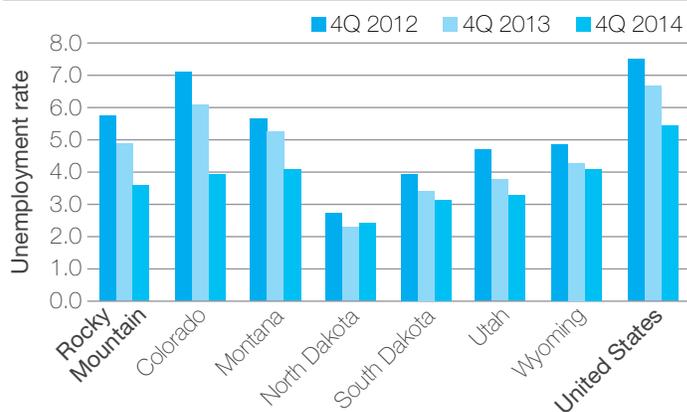
Economic Conditions

The economy in the Rocky Mountain region continued to grow at a solid pace in the fourth quarter of 2014. Nonfarm payrolls were up by 143,600 jobs, or 2.7 percent, from a year earlier, to 5.49 million jobs. The mining, logging, and construction sector had the highest rate of job growth. Despite declines in oil prices, the mining and logging subsector continued to expand through the fourth quarter of 2014, increasing by about 13,000 jobs, or nearly 12 percent, from a year earlier. In addition, the construction subsector added nearly 25,000 jobs, an increase of more than 8 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 21,100 and 20,600 jobs, or 3.6 and 3.0 percent, respectively. The job growth led to further tightening in the labor market, and the economy in the Rocky Mountain region now appears to be operating at full employment. The unemployment rate in the region averaged 3.6 percent during the fourth quarter of 2014, its lowest rate since the fourth quarter of 2007 and down from 4.9 percent a year ago. The greatest decrease in the region occurred in Colorado, where the unemployment rate fell 2.2 percentage points, to 3.9 percent. State unemployment rates in the region ranged from 2.4 percent in North Dakota to 4.1 percent in

Montana and Wyoming. During the fourth quarter of 2014, every state in the region had an unemployment rate below the 5.5-percent national average.

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



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

Every nonfarm payroll sector posted gains in the Rocky Mountain region in the fourth quarter of 2014.

	Fourth Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,349.0	5,492.6	143.6	2.7
Goods-producing sectors	766.0	814.3	48.3	6.3
Mining, logging, and construction	414.8	452.7	37.9	9.1
Manufacturing	351.2	361.6	10.4	3.0
Service-providing sectors	4,583.0	4,678.3	95.3	2.1
Wholesale and retail trade	819.2	832.6	13.4	1.6
Transportation and utilities	199.2	207.6	8.4	4.2
Information	126.5	127.3	0.8	0.6
Financial activities	313.4	315.3	1.9	0.6
Professional and business services	681.5	692.2	10.7	1.6
Education and health services	693.5	714.1	20.6	3.0
Leisure and hospitality	582.7	603.8	21.1	3.6
Other services	196.0	199.3	3.3	1.7
Government	971.0	986.1	15.1	1.6

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



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- North Dakota continued to have the highest rate of job growth in the nation during the fourth quarter of 2014, with nonfarm payrolls increasing by 23,200 jobs, or 5.1 percent, from a year earlier, led by energy-related activity. The mining and logging subsector increased by 7,900 jobs, or nearly 29 percent, from a year earlier.
- Although the effect of falling oil prices on nonfarm payrolls was not immediately evident, firms providing oilfield services, such as exploration and drilling, began announcing layoffs in the fourth quarter of 2014, and North Dakota reduced its 2-year forecast of energy tax revenues by \$4 billion. The number of active drilling rigs in the region declined during the fourth quarter, from an average of 378 in September 2014 to 359 in December 2014, a 5-percent decrease (RigData). Energy-industry layoffs in the region during 2015 are expected to be greatest in North Dakota, Wyoming, and Colorado.
- Colorado had the greatest total job gain in the region in the fourth quarter of 2014. Nonfarm payrolls grew by 58,300 jobs,

or 2.4 percent, led by increases in the leisure and hospitality and the education and health services sectors of 16,000 and 13,300 jobs, or 5.6 and 4.6 percent, respectively. Favorable snow conditions at Colorado ski resorts led to increased tourist spending on lodging and lift tickets.

- In Utah, nonfarm payrolls increased by 47,400 jobs, or 3.6 percent, the third highest rate of job growth in the nation. Payrolls in the construction subsector were up nearly 12 percent, boosted by major transportation infrastructure projects and strong growth in multifamily building activity. In addition, payrolls in the transportation and utilities and the information sectors increased 7.9 and 4.5 percent, respectively.
- The rates of job growth were below the national average in the other states in the region. Nonfarm payrolls in Montana, Wyoming, and South Dakota increased 1.7, 1.2, and 0.9 percent, respectively. Leisure and hospitality sector payrolls in Wyoming and South Dakota were down by 700 and 1,200 jobs, or 2.1 and 2.8 percent, respectively.

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 fourth quarter of 2014. Home sales prices increased in the major metropolitan areas and in all states in the region. Existing home sales prices in December 2014 were up 8 percent in Colorado and 7 percent in Montana and North Dakota compared with prices a year earlier (CoreLogic, Inc. Home Price Index). In Wyoming, South Dakota, and Utah, prices for existing homes rose 6, 5, and 4 percent, respectively, from a year earlier.

The strengthening demand led to significantly tighter sales market conditions than prevailed a year ago. The supply of homes for sale

decreased in much of the region; as a result, the number of home sales declined in most states in the region. The number of existing home sales in Colorado during the 12 months ending November 2014 was essentially unchanged from a year earlier, at approximately 112,700 homes sold (CoreLogic, Inc.). Although sales increased 1 percent in the Denver metropolitan area, sales were down in most other metropolitan areas in Colorado. In Utah, existing home sales declined 8 percent, to approximately 53,300 homes sold. In the Salt Lake City and Provo metropolitan areas, existing home sales were down 9 percent. Sales of existing homes decreased 6 percent in Montana, North Dakota, and Wyoming, to approximately 17,350,

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Home prices increased in every major metropolitan area in the Rocky Mountain region in 2014, but sales were down throughout most of the region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2013	2014	Percent Change		2013 (\$)	2014 (\$)	Percent Change
Billings (E)	November	3,400	3,175	- 7	AVG	222,325	230,825	5
Casper (E)	November	2,000	1,925	- 4	AVG	224,375	236,775	6
Colorado Springs (E)	November	12,900	12,550	- 3	AVG	216,100	225,275	4
Denver (E)	November	58,600	59,050	1	AVG	290,650	305,725	5
Fargo (E)	November	4,425	4,075	- 8	AVG	176,325	185,325	5
Provo (E)	November	10,450	9,525	- 9	AVG	256,900	259,000	1
Salt Lake City (E)	November	22,450	20,475	- 9	AVG	266,150	270,925	2
Sioux Falls (N&E)	December	4,125	4,000	- 3	AVG	174,825	181,700	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—Core Logic, Inc.



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12,750, and 8,450 homes sold, respectively. For-sale inventories were very low in some parts of the region. In the Denver metropolitan area, approximately 6,450 homes were listed for sale in December 2014, down from 12,800 a year earlier (Colorado Association of Realtors®). The number of active listings represented a 1.4-month supply of homes for sale, down from a 2.8-month supply a year earlier. In Salt Lake County, Utah, which includes Salt Lake City, the inventory of homes for sale in December 2014 represented a 3.8-month supply, down slightly from the 4.0-month supply of a year earlier (Utah Association of Realtors®). Supply conditions eased slightly in the Sioux Falls metropolitan area. The inventory of homes for sale in December 2014 represented a 3.7-month supply, up from the 3.4-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 mortgages that were seriously delinquent (90 or more days delinquent or in the foreclosure process) or transitioned into REO (Real Estate Owned) status. In December 2014, 2.2 percent of mortgages in the region were seriously delinquent or in REO status, down from 2.7 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 1.3 percent in North Dakota to 2.9 percent in Utah. Every state in the region had a rate less than the 4.6-percent national average.

Although home sales demand was strong, single-family homebuilding activity increased only moderately in the Rocky Mountain region in the fourth quarter of 2014, amid widespread reports of shortages of construction workers, particularly homebuilding subcontractors.

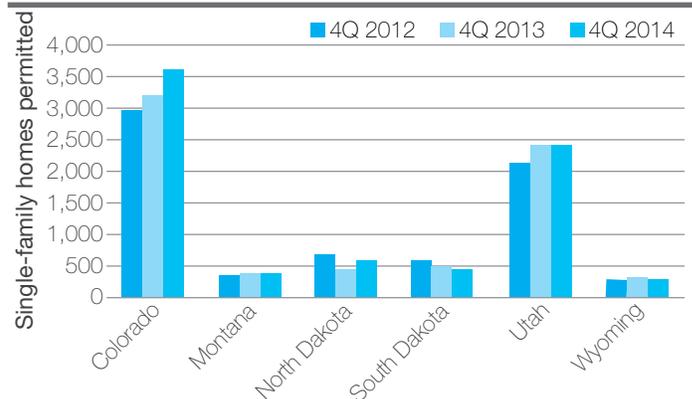
During the fourth quarter of 2014 (preliminary data)—

- Single-family home construction, as measured by the number of homes permitted, was up 7 percent from a year ago in the region, to approximately 7,750 homes permitted.
- Most of the increase in single-family homebuilding in the region occurred in Colorado, where single-family permitting was up 12 percent from a year ago, to approximately 3,600 homes

permitted. In the Denver, Greeley, and Fort Collins metropolitan areas, single-family home permitting increased 9, 29, and 31 percent, to approximately 1,740, 460, and 390 homes, respectively.

- In Utah, single-family homebuilding was essentially unchanged from a year earlier, with approximately 2,400 homes permitted. Although permitting was up 17 and 9 percent in the Salt Lake City and Provo metropolitan areas, to about 840 and 560 homes, respectively, permitting was down 8 and 21 percent in the Ogden and St. George metropolitan areas, to 340 and 350 single-family homes permitted, respectively.
- In North Dakota, single-family permitting increased 31 percent, to approximately 600 homes. Most of the building activity was concentrated in the cities of Fargo, Bismarck, and Williston, where 175, 150, and 135 homes, respectively, were permitted.
- Single-family homebuilding was essentially unchanged from a year ago in Montana, where 375 homes were permitted, and single-family construction decreased 7 percent in South Dakota and Wyoming, to about 460 and 290 homes permitted, respectively.

Single-family permitting in the Rocky Mountain region was up in the fourth quarter of 2014.



4Q = fourth 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 fourth quarter of 2014, and apartment market conditions in most metropolitan areas ranged from slightly tight to tight. Although apartment construction activity was high in many areas in the region, the improving economy and strong household growth allowed for the new units to be absorbed. Apartment conditions in the Denver metropolitan area remained tight, with a 4.1-percent vacancy rate in the fourth quarter of 2014, down from 4.6 percent a year earlier (*Apartment Insights*). The average apartment rent increased 12 percent, to \$1,160. The market tightened even as 7,000 apartment units were absorbed during 2014. Approximately 38,000 units are currently under construction or in various stages of planning in the

Denver metropolitan area, so the tight market conditions could ease as new units come on line within the next 12 to 24 months. In the Colorado Springs metropolitan area, market conditions remained slightly tight despite an increase in apartment completions. The apartment vacancy rate was 5.4 percent in the fourth quarter of 2014, unchanged from a year earlier, and the average apartment rent increased 7 percent, to \$830. Nearly 600 apartment units were absorbed during 2014 compared with 200 units in 2013. In the Fort Collins and Greeley metropolitan areas, apartment market conditions were very tight in the fourth quarter of 2014, with vacancy rates of 2.2 and 1.8 percent, respectively, and apartment rents increased 11 and 12 percent from a year earlier, to \$1,160 and \$850, respectively.

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In the Salt Lake City metropolitan area, the apartment market remained tight despite the completion of more than 1,200 new apartments during 2014. The apartment vacancy rate in the fourth quarter of 2014 was 4.0 percent, up from 3.6 percent a year ago, and the average apartment rent increased 3 percent, to \$850 (Reis, Inc.). In the Provo metropolitan area, however, apartment conditions softened as new units were completed, and the market is slightly soft. The apartment vacancy rate was 7.1 percent in the fourth quarter of 2014, up from 5.7 percent a year earlier, and the average apartment rent increased 1 percent, to \$825. An estimated 5,000 units are currently under construction or in various stages of planning in the metropolitan area, so the apartment market may soften further during the next 12 months as new units come on line.

In the Fargo metropolitan area, approximately 1,600 apartment units were completed in 2014. Apartment conditions eased somewhat but remained slightly tight. The apartment vacancy rate in December 2014 was 4.8 percent, up from 3.6 percent a year earlier (Appraisal Services, Inc.). Nearly 2,600 units are under construction, which may lead to further easing of market conditions. In the Sioux Falls metropolitan area, the apartment market was tight, with a 3.2-percent vacancy rate in the fourth quarter of 2014, down from 3.9 percent a year earlier. The average apartment rent increased only 1 percent, however, to \$780 (Reis, Inc.).

Multifamily construction in the Rocky Mountain region continued at a relatively steady pace in the fourth quarter of 2014, reflecting the continued strong rental demand.

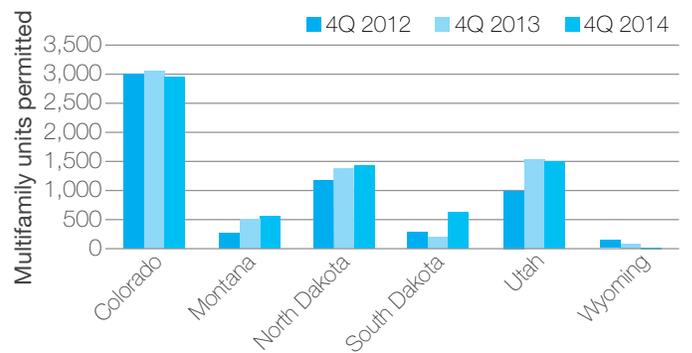
During the fourth quarter of 2014 (preliminary data)—

- Approximately 7,100 multifamily units were permitted in the region, up 5 percent from a year earlier.
- The greatest increases in multifamily construction occurred in South Dakota, where the number of units permitted more than tripled, to approximately 630 units, and Montana, where the number of

units permitted increased 14 percent, to approximately 580 units. These gains offset decreases in Wyoming, Utah, and Colorado.

- In Colorado, multifamily construction declined 3 percent, to approximately 2,950 units permitted. Increases in multifamily building activity in the Denver, Fort Collins, and Greeley metropolitan areas were offset by declines in multifamily construction in the Boulder and Colorado Springs metropolitan areas.
- In Utah, multifamily activity declined 2 percent, to approximately 1,500 units permitted. Although building activity was up significantly in the Provo and Ogden metropolitan areas, multifamily construction decreased 50 percent in the Salt Lake City metropolitan area, to approximately 590 units permitted.
- In North Dakota, approximately 1,400 multifamily units were permitted, a 2-percent increase from a year earlier. In Fargo, multifamily construction nearly doubled, to approximately 760 units permitted.

Despite declining in some states, multifamily permitting in the Rocky Mountain region overall increased moderately during the fourth quarter.



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

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

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2013 (%)	4Q 2014 (%)	Percentage Point Change	4Q 2013 (\$)	4Q 2014 (\$)	Percent Change
Billings	Tight	NA	NA	NA	NA	NA	NA
Casper	Tight	NA	NA	NA	NA	NA	NA
Colorado Springs ^a	Slightly tight	5.4	5.4	0.0	775	830	7
Denver ^a	Tight	4.6	4.1	-0.5	1,035	1,160	12
Fargo ^b	Slightly tight	3.6	4.8	1.2	NA	NA	NA
Provo ^c	Slightly soft	5.7	7.1	1.4	815	825	1
Salt Lake City ^c	Tight	3.6	4.0	0.4	825	850	3
Sioux Falls ^c	Tight	3.9	3.2	-0.7	770	780	1

4Q = fourth quarter. NA = data not available.

Note: Fargo vacancy data are as of December 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.

