HUD PD&R **Regional Reports**

Region 8: Rocky Mountain

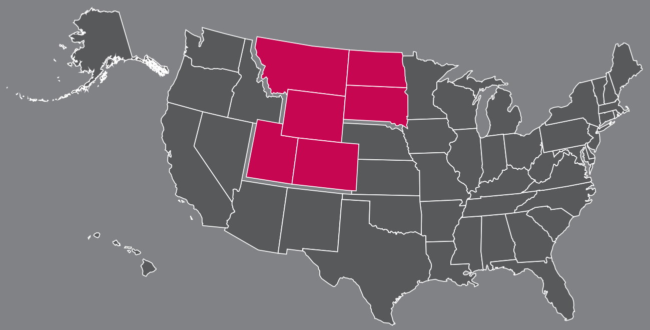
Fargo, North Dakota

By James Conner | 3rd quarter 2013

Quick Facts About Region 8

- **Sales market conditions—**
  Third quarter 2013: balanced.
  Second quarter 2013: balanced.
  Third quarter 2012: mixed (balanced to soft).

- **Apartment market conditions—**
  Third quarter 2013: mixed (balanced to tight).
  Second quarter 2013: tight.
  Third quarter 2012: mixed (balanced to tight).



Overview

The economy of the Rocky Mountain region expanded at a solid pace in the third quarter of 2013. Led by strong increases in tourism and construction activity, and by continued strength in energy-related activity, nonfarm payrolls in the region were up by 123,800 jobs, or 2.4 percent. Sales housing markets continued to recover in the past year, and conditions are currently balanced in most areas. Rental demand continued to increase in the third quarter of 2013, and apartment market conditions were tight in many areas. Residential construction activity is up from a year ago throughout most of the region.

- Gains in the leisure and hospitality sector led nonfarm payroll growth during the 3 months ending August 2013, with the greatest increases occurring in Colorado and Utah.
- Existing single-family home sales and sales prices were up strongly in some metropolitan areas of the region, and apartment market conditions in most metropolitan areas in the region ranged from balanced to tight in the third quarter of 2013.
- Construction of single-family and multifamily housing in the region during the 3 months ending August 2013 was up from a year ago.

Nonfarm payrolls in the Rocky Mountain region increased in nearly all job sectors.

	3 Months Ending August		Year-Over-Year Change	
	2012 (thousands)	2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,172.0	5,295.8	123.8	2.4
Goods-producing sectors	749.9	771.3	21.4	2.9
Mining, logging, and construction	404.6	422.0	17.4	4.3
Manufacturing	345.4	349.3	3.9	1.1
Service-providing sectors	4,422.1	4,524.5	102.4	2.3
Wholesale and retail trade	788.0	808.3	20.3	2.6
Transportation and utilities	191.2	193.7	2.5	1.3
Information	125.4	129.0	3.6	2.9
Financial activities	300.2	305.1	4.9	1.6
Professional and business services	655.2	682.7	27.5	4.2
Education and health services	659.3	675.4	16.1	2.4
Leisure and hospitality	605.1	634.6	29.5	4.9
Other services	193.3	194.4	1.1	0.6
Government	904.4	901.3	– 3.1	– 0.3

Note: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013.
Source: U.S. Bureau of Labor Statistics

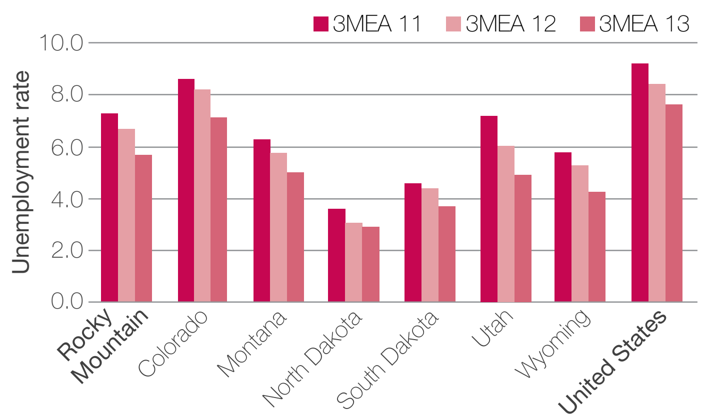
Economic Conditions

Economic conditions in the Rocky Mountain region continued to improve in the third quarter of 2013. Nonfarm payrolls averaged 5.3 million jobs during the 3 months ending August 2013, an increase of 123,800 jobs, or 2.4 percent, from a year earlier. The greatest job gains occurred in the leisure and hospitality, professional and business services, and wholesale and retail trade sectors. Together, those three sectors added 77,300 jobs. Job losses occurred only in the government sector, which decreased by 3,100 jobs, or 0.3 percent. The unemployment rate for the region averaged 5.7 percent during the 3 months ending August 2013, down from 6.7 percent a year earlier. State unemployment rates ranged from 2.9 percent in North Dakota to 7.1 percent in Colorado, but the rates for every state in the region remained less than the 7.6-percent national average.

During the 3 months ending August 2013—

- North Dakota continued to record the highest rate of job growth in the nation, with nonfarm payrolls increasing by 13,900 jobs, or 3.2 percent, from a year ago. The mining and logging subsector, which increased by 5,100 jobs, or 19.7 percent, led growth. In addition, the construction subsector, the financial activities sector, and the professional and business services sector reported payroll increases of 6.0 percent or more.
- Utah had the third highest growth rate in the nation, with nonfarm payrolls increasing 2.8 percent. The wholesale and retail trade, professional and business services, and leisure and hospitality sectors led the job growth, increasing 3.8, 4.1, and 5.5 percent, respectively.

Unemployment rates continued to decline in every state in the Rocky Mountain region.



3MEA = 3 months ending August.
Note: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013.
Source: U.S. Bureau of Labor Statistics

- Colorado had the greatest total job gain in the region, with nonfarm payrolls increasing by 56,900 jobs, or 2.4 percent, led by the professional and business services and the leisure and hospitality sectors. Mountain resorts in Colorado reported a record number of summer visitors in 2013. In addition, construction subsector payrolls in Colorado increased by 9,100 jobs, or 7.6 percent.
- Montana, South Dakota, and Wyoming had moderate job growth, with nonfarm payrolls increasing 1.9, 1.5, and 1.3 percent, respectively. In all three states, payrolls grew in the leisure and hospitality, wholesale and retail trade, and education and health services sectors but declined or remained essentially flat in the government sector.

Sales Market Conditions

Sales housing markets in the Rocky Mountain region continued to strengthen in the third quarter of 2013, and market conditions were balanced throughout most of the region. During the 12 months ending August 2013, in Colorado and Utah, approximately 107,100 and 53,400 existing single-family homes sold, increases of 17.2 and 8.9 percent, respectively (CoreLogic, Inc.). In Montana and Wyoming, existing single-family home sales were up 8.3 and 25.8 percent, to 15,000 and 8,000 homes sold, respectively. Existing home sales declined 5.7 percent in North Dakota, however, to approximately 12,650 homes sold. Average sales prices for existing single-family homes increased 8.9 percent in both Colorado and North Dakota during the 12 months ending August 2013 (CoreLogic, Inc. Home Price Index). In South Dakota and Montana, existing single-family home prices rose 4.8 and 7.4 percent, respectively, and in Utah and Wyoming, prices were up 10.2 and 10.6 percent, respectively. Home sales and prices were up in all major metropolitan areas in the region, with double-digit increases in some cities.

The percentage of distressed mortgages declined during the past year throughout the region. In September 2013, 2.8 percent of mortgage loans were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 3.9 percent a year earlier (LPS Applied Analytics). Distressed mortgage rates, which declined in every state in the region, ranged from 1.5 percent in North Dakota to 3.8 percent in Utah in September 2013. The rate in every state in the region remained less than the 6.0-percent national average.

The strengthening sales market led to an increase in home construction in every state in the region, although the number of single-family homes permitted remains much less than prerecession levels.

During the 3 months ending August 2013 (preliminary data)—

- Single-family construction activity, as measured by the number of homes permitted, was up 19 percent in the region from the same period a year earlier, to approximately 10,300 homes permitted. During the corresponding periods from 2001 through 2007, single-family permitting averaged approximately 16,500 homes in the region.
- In Colorado and Utah, approximately 4,300 and 3,200 single-family homes were permitted, increases of 22 and 24 percent, respectively, from a year ago. In Colorado, approximately 1,840 homes,

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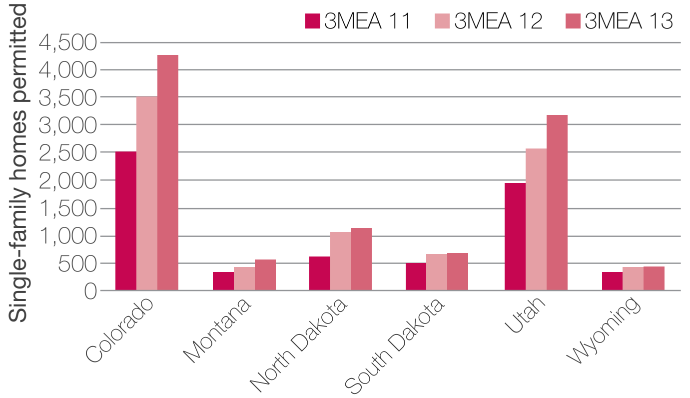
Single-family construction activity increased in every state in the Rocky Mountain region.



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Notes: Data lag 1 month because of data release delays that occurred when the federal government shut down October 1–16, 2013. Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

Existing single-family home sales and sales prices increased significantly in many metropolitan areas in the Rocky Mountain region.

	12 Months Ending	Number of Homes Sold			Price			
		2012	2013	Percent Change	Average or Median	2012 ($)	2013 ($)	Percent Change
Billings (E)	August	2,800	2,875	2.7	AVG	211,525	222,725	5.3
Cheyenne (E)	August	1,875	2,075	10.7	AVG	196,500	208,225	6.0
Colorado Springs (E)	August	10,625	12,000	12.9	AVG	204,125	220,400	8.0
Denver (E)	August	46,100	56,425	22.4	AVG	258,125	286,900	11.1
Fargo (E)	August	3,725	4,075	9.4	AVG	163,625	173,800	6.2
Fort Collins (E)	August	5,925	7,025	18.6	AVG	241,075	256,975	6.6
Provo (E)	August	8,550	8,825	3.2	AVG	230,675	242,475	5.1
Salt Lake City (E)	August	21,125	23,250	10.1	AVG	252,375	276,825	9.7

AVG = average. E = existing.
Source: CoreLogic, Inc.

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or nearly 45 percent of the statewide total, were permitted in the Denver area. In Utah, 980 homes, or approximately one-third of the state total, were permitted in the Salt Lake City metropolitan area.

- In South Dakota and Wyoming, approximately 700 and 440 single-family homes were permitted, increases of 4 and 2 percent, respectively, from a year earlier. In Montana, nearly 600 single-family homes were permitted, up 35 percent from a year earlier.
- In North Dakota, approximately 1,150 single-family homes were permitted, a 9-percent increase from a year earlier and much greater than prerecession levels. During the corresponding periods from 2001 through 2007, single-family permitting averaged fewer than 650 homes.

Apartment Market Conditions

Population and household growth in the Rocky Mountain region led to increased demand for rental housing. The apartment supply also increased in the past year, however, and tight apartment market conditions began to ease in some areas. As of the third quarter of 2013, apartment market conditions ranged from balanced to tight in most metropolitan areas in the region. In the Denver metropolitan area, conditions remained tight, with a 4.1-percent vacancy rate, down from 4.8 percent a year ago, and the average apartment rent was up 8 percent, to approximately $1,030. More than 35,000 units are under construction or in planning in the Denver metropolitan area, however, so the market may begin to soften within the next 12 months. In the Colorado Springs metropolitan area, many new units were completed in the past year, and the market softened slightly. Apartment market conditions were balanced in the third quarter of 2013, with a 5.9-percent vacancy rate, up from 5.8 percent a year ago, and apartment rents increased 3 percent, to $780 (*Apartment Insights*).

In the Salt Lake City metropolitan area, apartment market conditions in the third quarter of 2013 were tight, with a 3.7-percent vacancy rate, down from 4.0 percent a year ago. The average apartment rent increased 2 percent, to approximately $810. Approximately 7,000 units are under construction or in planning in the Salt Lake City metropolitan area. In the Provo metropolitan area, the market softened in the past year. Apartment market conditions were balanced in the third quarter of 2013, with a 5.7-percent vacancy rate, up from 4.2 percent a year ago, and apartment rents increased 3 percent, to $810 (Reis, Inc.). Conditions remained tight in the Fargo metropolitan area, where the apartment vacancy rate in September 2013 was 2.6 percent, essentially unchanged from a year earlier (Appraisal Services, Inc.).

Growth in rental demand led to increased multifamily construction, as measured by the number of units permitted, in most states in the Rocky Mountain region.

During the 3 months ending August 2013 (preliminary data)—

- Approximately 6,750 multifamily units were permitted in the region, a 21-percent increase from the same period a year ago. The current level of multifamily construction is nearly double the average of 3,500 units permitted during the corresponding 3-month periods from 2007 through 2012.
- In Colorado, multifamily construction was down 20 percent from a year earlier, to approximately 2,725 units permitted. The markets with the greatest declines were Denver and Colorado Springs, where multifamily permitting decreased by 600 and 250 units,

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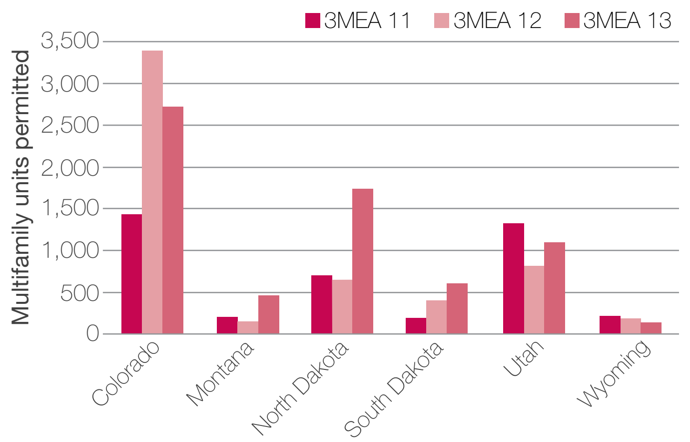
Metropolitan apartment markets in the Rocky Mountain region ranged from balanced to tight.

Metropolitan Area	Market Condition
Billings	Balanced
Casper	Tight
Colorado Springs	Balanced
Denver	Tight
Fargo	Tight
Provo	Balanced
Salt Lake City	Tight
Sioux Falls	Somewhat tight

Source: HUD, PD&R, Economic and Market Analysis Division

Multifamily construction activity increased in the Rocky Mountain region overall, despite a slowdown in Colorado.



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

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respectively. Despite the decline, 2,100 units, or nearly 80 percent of the statewide total, were permitted in the Denver metropolitan area.

- The decline in multifamily construction in Colorado was more than offset by increases in other states in the region. In North Dakota, multifamily permitting more than doubled, to approximately 1,750 units. In Montana, 470 multifamily units were permitted, up from 145 units a year earlier.
- In Utah, multifamily construction was up 33 percent, to nearly 1,100 units permitted. The Salt Lake City and Provo metropolitan areas, combined, accounted for nearly 80 percent of the statewide total.
- In South Dakota, multifamily activity increased 49 percent, to approximately 600 units permitted. In Wyoming, however, multifamily activity declined 29 percent, to 130 units permitted.