HUD PD&R **Regional Reports**

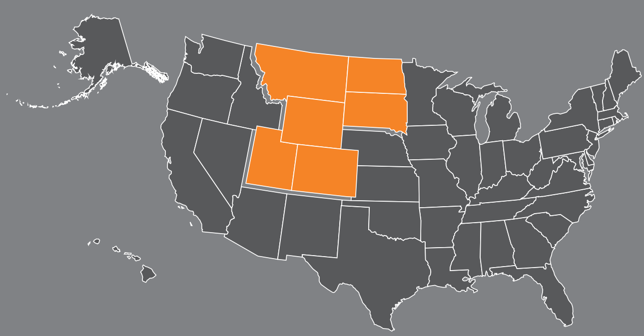
Region 8: Rocky Mountain

Denver, Colorado

Quick Facts About Region 8

Sales market conditions—
Second quarter 2014: slightly tight.
First quarter 2014: slightly tight.
Second quarter 2013: balanced.

Apartment market conditions—
Second quarter 2014: slightly tight.
First quarter 2014: mixed (balanced to tight).
Second quarter 2013: mixed (balanced to tight).



By James Conner | 2nd quarter 2014

Overview

The economy of the Rocky Mountain region continued to grow at a solid pace in the second quarter of 2014. Nonfarm payrolls were up 2.6 percent from a year earlier, and the unemployment rate for the region averaged 4.4 percent, down from 5.5 percent a year earlier. Average sales prices for existing homes were up in most parts of the region, but sales of existing homes declined in many areas. Rental housing demand remained strong and apartment vacancies declined in most metropolitan areas. Residential construction activity declined in the second quarter of 2014, in part because of construction worker shortages in some areas.

During the second quarter of 2014—

- Growth in the energy, tourism, and nonresidential construction industries contributed to job gains in the region. The greatest job gains occurred in the mining, logging, and construction; the wholesale and retail trade; and the leisure and hospitality sectors.
- North Dakota continued to record the highest rate of job growth in the nation, led by increased oil and gas exploration and drilling activity. Colorado recorded the greatest total payroll gain in the region, helped by increased tourism.
- Strong demand for sales housing caused home prices to rise in most metropolitan areas in the region, but a lack of for-sale inventory in some metropolitan areas led to declines in home sales.
- Apartment market conditions remained tight in many metropolitan areas in the region, despite the completion of many new units in the past 12 months.
- The total number of single-family homes and multifamily units permitted in the region was down 3 percent from a year ago.

Payrolls increased in every nonfarm sector in the Rocky Mountain region in the second quarter of 2014.

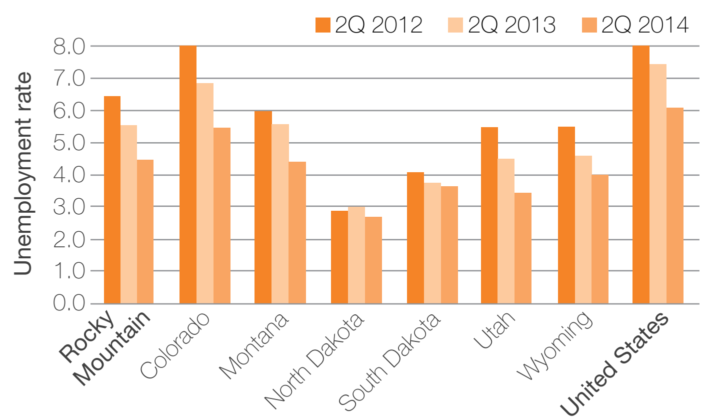
	Second Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,272.6	5,410.1	137.5	2.6
Goods-producing sectors	750.5	784.3	33.8	4.5
Mining, logging, and construction	404.9	430.3	25.4	6.3
Manufacturing	345.6	354.0	8.4	2.4
Service-providing sectors	4,522.2	4,625.8	103.6	2.3
Wholesale and retail trade	795.8	819.8	24.0	3.0
Transportation and utilities	195.3	199.5	4.2	2.2
Information	125.6	126.5	0.9	0.7
Financial activities	308.8	311.9	3.1	1.0
Professional and business services	670.5	689.8	19.3	2.9
Education and health services	677.1	695.6	18.5	2.7
Leisure and hospitality	591.8	611.4	19.6	3.3
Other services	196.4	198.9	2.5	1.3
Government	960.8	972.4	11.6	1.2

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

Economic Conditions

The economy of the Rocky Mountain region continued to expand at a healthy rate in the second quarter of 2014. Nonfarm payrolls increased by 137,500 jobs, or 2.6 percent, from a year earlier, to 5.41 million jobs. The rate of nonfarm payroll growth in the region was much higher than the 1.7-percent national rate. Payrolls in the region were up in every nonfarm sector, with the greatest increases occurring in the mining, logging, and construction, the wholesale and retail trade, and the leisure and hospitality sectors, which added 25,400, 24,000, and 19,600 jobs, increases of 6.3, 3.0, and 3.3 percent, respectively. The unemployment rate in the region averaged 4.4 percent during the second quarter of 2014, a significant decrease from the 5.5-percent rate of a year earlier. The greatest declines occurred in Colorado, Montana, and Utah, where unemployment rates fell 1.4, 1.2, and 1.1 percentage points, respectively. Some states in the region are experiencing tight labor market conditions. State unemployment rates ranged from 2.7 percent in North Dakota to 5.5 percent in Colorado. The unemployment rates for all states in the region were less than the national average of 6.1 percent.

Unemployment rates declined in all states in the Rocky Mountain region.



2Q = second quarter.
Source: U.S. Bureau of Labor Statistics

During the second quarter of 2014—

- North Dakota continued to record the highest rate of job growth in the nation, a result of energy-related activity in western North Dakota. Nonfarm payrolls grew by 21,400 jobs, or 4.8 percent, from a year ago, led by gains in the mining and logging subsector, which increased by 5,100 jobs, or 19.6 percent. The energy-led growth also contributed to job gains in the construction subsector and the transportation and utilities sector, each of which added 3,000 jobs, increases of 9.2 and 11.6 percent, respectively.
- Colorado experienced the greatest total job gain in the region. Nonfarm payrolls increased by 66,000 jobs, or 2.8 percent, led by gains in the professional and business services, education and health services, and leisure and hospitality sectors of 14,600, 12,600, and 12,300 jobs, or 3.9, 4.4, and 4.3 percent, respectively. Colorado had a record 64.6 million visitors in 2013, accounting for $17.3 billion in spending (Colorado Tourism Office).

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- In Utah, nonfarm payrolls rose by 38,900 jobs, or 3.0 percent, led by gains in the wholesale and retail trade sector and the construction subsector, which increased by 6,200 and 6,000 jobs, or 3.2 and 8.2 percent, respectively. Although residential building activity decreased in Utah, construction continued on the $850 million FrontRunner South Extension of the Utah Transit Authority commuter rail line from Salt Lake City to Provo, which is expected to be complete in 2015. Construction also began recently on a $1.8 billion expansion at Salt Lake City International Airport, which is expected to take up to 10 years to complete.
- Job growth remained moderate in Montana, South Dakota, and Wyoming, where nonfarm payrolls increased by 5,100, 3,700, and 2,300 jobs, or 1.1, 0.9, and 0.8 percent, respectively.

Sales Market Conditions

Job growth and strong net in-migration contributed to rising home sales demand in the Rocky Mountain region. Sales housing market conditions in the second quarter of 2014 were slightly tight in most areas of the region. In Colorado and Utah, sales prices for existing single-family homes during the 12 months ending May 2014 averaged approximately $287,400 and $253,200, increases of 7 and 5 percent, respectively (CoreLogic, Inc.). In Montana and North Dakota, prices were up 4 percent each, to $231,100 and $192,400, respectively, and in Wyoming, prices were up 1 percent, to approximately $248,700. Home prices also increased in most metropolitan areas in the region. Low inventories of homes for sale hindered sales in many areas, however. Although existing single-family home sales were up 5 percent in Colorado, to approximately 110,200 homes sold, in the 12 months ending May 2014, existing home sales were down 8, 6, and 4 percent in North Dakota, Wyoming, and Montana, to 12,900, 8,100, and 16,500 homes sold, respectively. In Utah, existing home sales were essentially unchanged at 53,200 homes sold. In the Denver metropolitan area, the average number of days on the market for homes sold in the second quarter of 2014 was 25, down from 44 a year earlier (Colorado Association of REALTORS®).

In the Fargo metropolitan area, the number of homes available for sale at the end of June 2014 represented a 3.6-month supply, down from a 3.7-month supply a year earlier (Fargo-Moorhead Area Association of REALTORS®). The supply increased, however, in Salt Lake County, Utah, which includes Salt Lake City. The inventory of homes for sale at the end of June 2014 represented a 4.6-month supply, up from a 4.2-month supply a year earlier (Utah Association of REALTORS®). Job growth, rising incomes, and increases in home prices contributed to a decline in the rate of distressed mortgages and REO properties. In May 2014, 2.4 percent of mortgages in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status, down from 3.1 percent a year earlier (Black Knight Financial Services, Inc.). Distressed mortgage and REO property rates ranged from 1.4 percent in North Dakota to 3.1 percent in Utah, and the rates for every state in the region were less than the 4.9-percent national rate.

Despite strong sales demand and a lack of existing homes for sale, growth in single-family homebuilding moderated in most states in the Rocky Mountain region, partially because of construction worker shortages.

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Existing single-family home sales prices increased in most metropolitan areas in the Rocky Mountain region, but sales decreased in many metropolitan areas.

	12 Months Ending	Number of Homes Sold			Price			
		2013	2014	Percent Change	Average or Median	2013 ($)	2014 ($)	Percent Change
Billings (E)	May	3,375	3,000	– 11	AVG	218,450	226,825	4
Casper (E)	May	1,850	1,850	0	AVG	218,675	230,075	5
Colorado Springs (E)	May	12,125	12,325	2	AVG	211,525	218,775	3
Denver (E)	May	53,575	58,025	8	AVG	278,000	297,975	7
Fargo (E)	May	4,250	4,275	1	AVG	170,325	180,600	6
Fort Collins (E)	May	7,025	6,950	– 1	AVG	245,925	268,825	9
Ogden (E)	May	11,100	10,875	– 2	AVG	208,775	214,350	3
Salt Lake City (E)	May	21,250	20,800	– 2	AVG	248,000	266,200	7

AVG = average. E = existing.
Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

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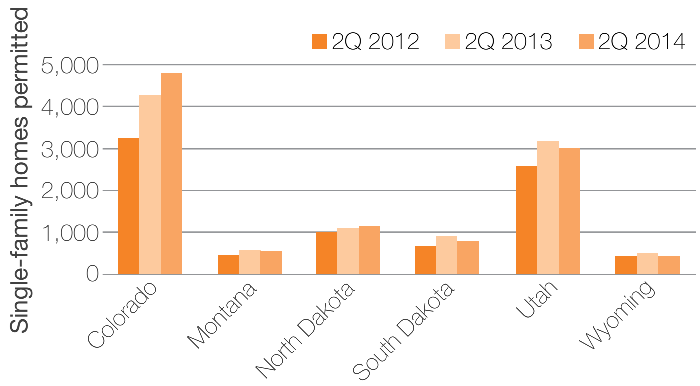
During the second quarter of 2014 (preliminary data)—

- Single-family home construction, as measured by the number of homes permitted, was up 2 percent in the region from a year ago, to approximately 10,750 homes permitted. By contrast, single-family permitting in the second quarter of 2013 was up 26 percent from a year earlier.
- Colorado and North Dakota were the only states in the region that recorded growth in single-family construction, with 4,800 and 1,150 homes permitted, increases of 13 and 5 percent, respectively, from a year ago. In the Denver, Greeley, and Fort Collins metropolitan areas in Colorado, single-family permitting was up 24, 23, and 22 percent, respectively, from a year ago, and those three metropolitan areas, combined, accounted for more than 70 percent of the homes permitted statewide.
- In Utah, single-family homebuilding declined 7 percent, to approximately 2,975 homes permitted. In the Salt Lake City, Ogden, and Provo metropolitan areas, single-family permitting was down 14, 14, and 12 percent from a year ago, to about 850, 470, and 660 homes, respectively.
- In Montana, Wyoming, and South Dakota, single-family construction declined 1, 10, and 14 percent, to approximately 570, 450, and 790 homes permitted, respectively. In the Sioux Falls metropolitan area, single-family permitting decreased 21 percent from a year ago, to about 370 homes.
- In many parts of the region, tighter labor markets and an aging construction workforce led to a shortage of residential construction workers. In Utah and Montana, competition for workers from nonresidential construction projects and from the energy industry contributed to a worker shortage. In addition, in some areas in North Dakota, a lack of infrastructure (such as roads and water treatment systems) is impeding residential construction.

Although single-family construction increased in Colorado, building activity declined in most other states in the Rocky Mountain region.



2Q = second quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Rental housing demand in the Rocky Mountain region remained strong in the second quarter of 2014. Although apartment vacancy rates increased slightly in some areas as new units entered the market, continued job growth and strong net in-migration allowed for new units to be absorbed quickly. Apartment market conditions ranged from slightly tight to tight in most metropolitan areas in the region. Apartment conditions in the Denver metropolitan area were tight, with a 4.2-percent vacancy rate, down from 4.3 percent a year ago (*Apartment Insights*). The average apartment rent was up 11 percent, to $1,111. More than 30,000 units are under construction or in planning in the Denver metropolitan area, so the market could begin to soften within the next 12 to 24 months. In the Colorado Springs metropolitan area, more than 450 apartment units were absorbed during the second quarter of 2014, bringing the vacancy rate to 5.2 percent, down from 5.7 percent a year earlier, and the average rent increased 5 percent, to $801. In the Greeley metropolitan area, apartment market conditions remained tight, with a 2.3-percent vacancy rate, up from 1.7 percent a year earlier, and rents up 10 percent, to $805.

In the Salt Lake City metropolitan area, the construction of nearly 850 apartments was completed in 2013, but demand was sufficient to allow for the units to be absorbed without a significant increase in vacancies. Apartment market conditions remained tight in the second quarter of 2014, with a 3.5-percent vacancy rate, down from 3.7 percent a year earlier. The average apartment rent increased 3 percent, to $832 (Reis, Inc.). In the Ogden metropolitan area, more than 800 new apartments entered the market during 2013, and vacancies briefly increased late in the year before declining in early 2014. Apartment market conditions were slightly tight in the second quarter of 2014, with a 4.5-percent vacancy rate, essentially unchanged from a year earlier, and apartment rents up 3 percent, to $764. In the Salt Lake City and Ogden metropolitan areas combined, approximately 9,000 units are currently under construction or in planning.

In the Fargo metropolitan area, more than 1,000 units were completed in the past 12 months, and conditions eased slightly but remained tight. The apartment vacancy rate in July 2014 was 3.2 percent, up from 2.6 percent a year earlier (Appraisal Services, Inc.). In the Sioux Falls metropolitan area, apartment market conditions remained tight, with a 2.8-percent vacancy rate in the second

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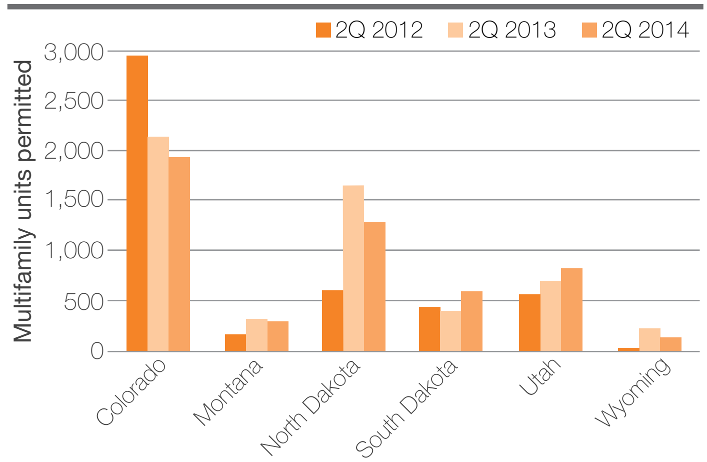
quarter of 2014, down from 3.0 percent a year earlier. The average apartment rent increased 2 percent, to $751 (Reis, Inc.). In the Casper metropolitan area, rental housing market conditions were tight in June 2014, with a 2.7-percent vacancy rate for all types of rental units, down from 3.6 percent a year earlier (Wyoming Community Development Authority).

Multifamily construction in the Rocky Mountain region decreased in the second quarter of 2014 compared with the number of units permitted a year earlier.

During the second quarter of 2014 (preliminary data)—

- Approximately 5,100 multifamily units were permitted in the region, a 6-percent decrease from a year earlier. Labor shortages and rising construction costs hindered development in some parts of the region.
- Utah and South Dakota were the only states in the region that recorded growth in multifamily construction, with 840 and 600 units permitted, increases of 19 and 47 percent, respectively, from a year ago. In the Salt Lake City metropolitan area, multifamily construction increased 32 percent, to approximately 340 units permitted and, in the Sioux Falls metropolitan area, multifamily construction more than doubled, to about 500 units permitted.
- In Colorado, the number of multifamily units permitted declined 9 percent, to approximately 1,950 units. In the Denver metropolitan area, approximately 1,375 units were permitted, a 19-percent decrease from a year earlier, in part because units already under construction are anticipated to meet most of the demand in the near future.
- In Wyoming, North Dakota, and Montana, multifamily construction declined 39, 23, and 6 percent, to approximately 130, 1,300, and 310 units permitted, respectively. As with single-family homebuilding, rising construction costs and worker shortages are hindering multifamily development, particularly in energy industry-affected areas.

Multifamily construction activity declined in most states in the Rocky Mountain region in the second quarter of 2014.



2Q = second quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

Apartment vacancies in the largest metropolitan areas in the Rocky Mountain region declined in the second quarter of 2014.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2013 (%)	2Q 2014 (%)	Percentage Point Change	2Q 2013 ($)	2Q 2014 ($)	Percent Change
Billings	Tight	NA	NA	NA	NA	NA	NA
Casper[a]	Tight	3.6	2.7	– 0.9	NA	NA	NA
Colorado Springs[b]	Slightly tight	5.7	5.2	– 0.5	762	801	5
Denver[b]	Tight	4.3	4.2	– 0.1	1,000	1,111	11
Fargo[c]	Tight	2.6	3.2	0.6	NA	NA	NA
Ogden[d]	Slightly tight	4.4	4.5	0.1	739	764	3
Salt Lake City[d]	Tight	3.7	3.5	– 0.2	810	832	3
Sioux Falls[d]	Tight	3.0	2.8	– 0.2	736	751	2

2Q = second quarter. NA = data not available.
Notes: Fargo vacancy data are as of July 15. Casper vacancy data are as of June 30 and include all rental units.
Sources: market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent sources—(a) Wyoming Community Development Authority; (b) *Apartment Insights*; (c) Appraisal Services, Inc.; (d) Reis, Inc.