HUD PD&R Regional Reports

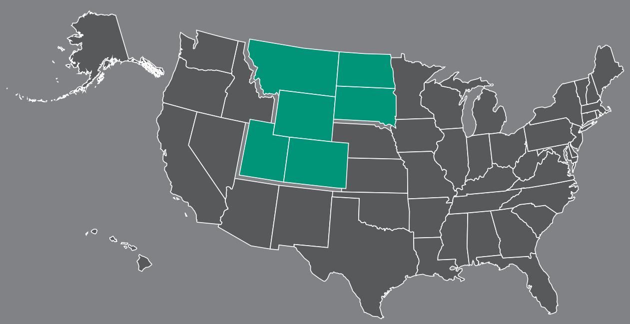
Region 8: Rocky Mountain

Billings, Montana

Quick Facts About Region 8

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

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



By James Conner | 1st quarter 2017

Overview

The economy in the Rocky Mountain region grew at a moderate rate in the first quarter of 2017, with nonfarm payrolls increasing by 99,800 jobs, or 1.8 percent, from a year ago. This growth was consistent with the 1.8-percent average annual growth during the past 2 years but was much less than the 2.9-percent average annual growth during the preceding 3 years. Job losses in the energy industry remained a drag on the regional economy, but job growth was strong in the tourism and healthcare industries. Population growth in the region slowed somewhat in 2016, largely because of a decline in net in-migration, but the rate of population growth in the region remained well above the national rate. Home sales market conditions remained tight in much of the region, with low inventories of homes for sale and strong growth in home prices. Apartment market conditions improved and ranged from slightly soft to slightly tight in most major metropolitan areas in the region. Despite a high volume of apartment completions, absorption was strong, allowing vacancies to decline in some metropolitan areas. Residential construction in the first quarter of 2017, based on the number of housing units permitted in the region, was up 17 percent from a year ago, led by strong growth in multifamily activity.

- Payrolls in the education and health services, professional and business services, and leisure and hospitality sectors increased by a combined 56,400 jobs, or 2.7 percent, offsetting a decline of about 6,900 jobs, or 8.3 percent, in the mining and logging subsector.

continued on page 2

continued from page 1

- The population in the region increased 1.5 percent in 2016, slightly less than the 1.6-percent growth a year earlier but well above the 0.7-percent growth in the nation. Net in-migration in the region declined from about 99,700 to 87,700 people.
- Home sales in the region were nearly flat, with approximately 288,500 new and existing homes sold during the 12 months ending March 2017. In most major metropolitan areas in the region, however, home price increases ranged from 6 to 11 percent.
- Apartment market conditions tightened in many metropolitan areas in the region. Although more than 15,000 new apartments were completed in the region during the past 12 months, absorption of new units was strong in most metropolitan areas.
- The strong apartment demand led to increased multifamily construction. Multifamily permitting in the region in the first quarter of 2017 was up 41 percent from a year earlier, to about 6,025 units. In addition, single-family construction in the region was up 6 percent from a year earlier, to about 9,300 homes permitted.

Economic Conditions

The economy in the Rocky Mountain region continued to grow at a steady rate during the first quarter of 2017. Nonfarm payrolls increased by 99,800 jobs, or 1.8 percent, from a year ago to 5.64 million jobs. The energy industry continued to lose jobs, despite oil prices increasing 31 percent in the past 12 months, to nearly $52 a barrel in the first quarter of 2017 (U.S. Energy Information Administration). Mining and logging subsector payrolls in the first quarter of 2017 declined by approximately 6,900 jobs, or 8.3 percent, from a year earlier. Payrolls increased in nearly all other nonfarm sectors, however. The greatest gains were in the education and health services, professional and business services, and leisure and hospitality sectors, which added 21,800, 19,200, and 15,400 jobs, increases of 2.9, 2.7, and 2.5 percent, respectively.

Tourism spending remained strong; despite a slow start to the ski season because of warm fall weather, Vail Resorts, Inc., reported a 7.4-percent increase in lift ticket revenue through the end of the ski season, and skier visits to the 22 member resorts of Colorado Ski Country USA during January and February 2017 were up 1 percent from a year earlier (Vail Resorts, Inc. and Colorado Ski Country USA). Growth in healthcare demand has led to major hospital expansions in the region. The Dixie Regional Medical Center in St. George, Utah, is undergoing a $300 million expansion that will double the size of the facility; the project is expected to be complete by late 2018. In addition, UCHealth Memorial Hospital Central in Colorado Springs is undergoing a $110 million expansion that is expected to be complete by early 2019. Steady job growth during

continued on page 3

Payroll growth in the Rocky Mountain region continued at a steady pace, with most sectors posting job gains.

	First Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,537.8	5,637.6	99.8	1.8
Goods-producing sectors	759.9	764.0	4.1	0.5
Mining, logging, and construction	398.9	401.1	2.2	0.6
Mining and logging	82.9	76.0	– 6.9	– 8.3
Construction	316.1	325.1	9.0	2.8
Manufacturing	361.0	362.9	1.9	0.5
Service-providing sectors	4,777.9	4,873.7	95.8	2.0
Wholesale and retail trade	838.9	850.3	11.4	1.4
Transportation and utilities	206.0	210.3	4.3	2.1
Information	130.0	129.9	– 0.1	– 0.1
Financial activities	329.2	336.0	6.8	2.1
Professional and business services	710.8	730.0	19.2	2.7
Education and health services	744.0	765.8	21.8	2.9
Leisure and hospitality	627.7	643.1	15.4	2.5
Other services	203.3	208.0	4.7	2.3
Government	988.0	1,000.3	12.3	1.2

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

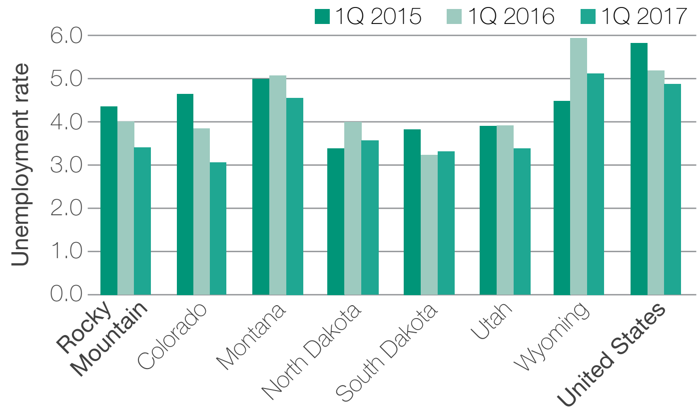
continued from page 2

the past 6 years contributed to tight labor market conditions. The unemployment rate averaged 3.4 percent in the region during the first quarter of 2017, down from 4.0 percent a year earlier. This was the lowest first-quarter rate for the region in at least four decades. State unemployment rates ranged from 3.1 percent in Colorado to 5.2 percent in Wyoming. Unemployment rates declined in every state in the region except South Dakota, where the rate edged up slightly, and all states in the region except Wyoming had unemployment rates below the 4.9-percent national average.

During the first quarter of 2017—

- Colorado accounted for approximately one-half of the job gain in the region, with nonfarm payrolls increasing by 49,900 jobs, or 2.0 percent, from a year ago. The leisure and hospitality, education and health services, and professional and business services sectors in Colorado each posted payroll gains of nearly 10,000 jobs.
- Utah had the fastest rate of job growth in the nation, with nonfarm payrolls increasing by 44,800 jobs, or 3.2 percent, from a year earlier. The professional and business services, wholesale and retail trade, and education and health services sectors grew by 8,000, 7,600, and 6,600 jobs, or 4.1, 3.6, and 3.5 percent, respectively.
- In Montana and South Dakota, job growth was moderate, with nonfarm payrolls increasing by 8,400 and 5,200 jobs, or 1.8 and 1.2 percent, respectively, from a year ago. In Montana, education and health services sector payrolls were up by 2,200 jobs, or 3.0 percent, but this increase was partly offset by a decline of 300 jobs, or 4.3 percent, in the mining and logging subsector. In South Dakota, education and health services sector payrolls increased by 1,300 jobs, or 1.9 percent, but this increase was offset by a decline of 1,300 jobs, or 3.1 percent, in the manufacturing sector.
- North Dakota and Wyoming continued to post job losses, largely because of weakness in the energy industry. Nonfarm payrolls decreased by 700 and 7,700 jobs, or 0.2 and 2.8 percent, respectively. In North Dakota, the mining and logging subsector and the transportation and utilities sector declined by 700 and 1,200 jobs, or 4.3 and 5.1 percent, respectively, but this decline was partly offset by a gain of 1,500 jobs, or 2.5 percent, in the education and health services sector. In Wyoming, the mining and logging subsector led the payroll losses, decreasing by 2,000 jobs, or 9.8 percent, from a year ago, but nearly all other sectors had declines as well; Wyoming had the highest rate of job losses in the nation.

Labor market conditions continued to tighten, with unemployment rates declining in most states in the Rocky Mounain region.



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

Population

Population growth in the Rocky Mountain region slowed in 2016 but remained strong. From 2015 to 2016, the population in the region increased by approximately 170,400, or 1.5 percent (Census Bureau population estimates as of July 1). This growth was slightly less than the population gain of 182,400, or 1.6 percent, from 2014 to 2015. Nonetheless, population growth in the region from 2015 to 2016 was more than double the national rate of 0.7 percent. Growth in the region slowed because net in-migration decreased to approximately 87,700 people, compared with 99,700 people during 2014 to 2015. Net natural increase (resident births minus resident deaths) in the region remained stable, at approximately 81,400 people, compared with 81,500 people during the preceding 12 months.

During the 12 months ending July 1, 2016—

- Colorado accounted for 54 percent of the population gain in the region, with an increase of about 91,700, or 1.7 percent. Net in-migration of 60,800 people represented two-thirds of the gain. The Denver-Aurora-Lakewood metropolitan area was the top destination in the state, with net in-migration of 26,900 people, corresponding to 44 percent of net in-migration to the state. The Boulder, Colorado Springs, Greeley, and Fort Collins metropolitan areas combined had net in-migration corresponding to less than 40 percent of the state total.
- In Utah, the population increased by approximately 60,600, or 2.0 percent—the highest growth rate in the nation. Net natural

continued on page 4

continued from page 3

increase remained strong at 35,000 people, as Utah continued to have the highest birth rate in the nation (17.0 births per 1,000 people compared with a national average of 12.4 during the 12 months ending July 1, 2016). The stronger population growth, however, was largely because of a spike in net in-migration, which increased from 14,400 to 25,400 people. Approximately 80 percent of net in-migration occurred in the three largest metropolitan areas in Utah—Salt Lake City, Provo, and Ogden.

- Montana and South Dakota had growth rates above the national average, with population increases of approximately 10,450 and 7,550, or 1.0 and 0.9 percent, respectively. In Montana, net in-migration of 7,400 people accounted for more than two-thirds of the gain, whereas in South Dakota, with the sixth highest birth rate in the nation, net natural increase of 4,800 people accounted for about two-thirds of the population gain.
- The population remained nearly flat in North Dakota and decreased slightly in Wyoming. The population of North Dakota increased by about 1,000, or 0.1 percent, and the population of Wyoming decreased by 1,050, or 0.2 percent. In North Dakota and Wyoming, net natural increase was positive, at about 5,650 and 2,750 people, respectively, but both states experienced net out-migration of approximately 4,700 and 3,825 people, respectively.

Population growth slowed in the Rocky Mountain region but continued to outpace the national growth rate.

	Population Estimate (as of July 1)			Percent Change	
	2014	2015	2016	2014 to 2015	2015 to 2016
United States	318,563,456	320,896,618	323,127,513	0.7	0.7
Rocky Mountain region	11,490,458	11,672,833	11,843,189	1.6	1.5
Colorado	5,349,648	5,448,819	5,540,545	1.9	1.7
Montana	1,022,867	1,032,073	1,042,520	0.9	1.0
North Dakota	739,904	756,835	757,952	2.3	0.1
South Dakota	852,561	857,919	865,454	0.6	0.9
Utah	2,941,836	2,990,632	3,051,217	1.7	2.0
Wyoming	583,642	586,555	585,501	0.5	– 0.2

Source: U.S. Census Bureau

Sales Market Conditions

Sales housing market conditions remained tight in the Rocky Mountain region in the first quarter of 2017, with rapid home price appreciation and low inventories of homes for sale in most major metropolitan areas. In the Denver metropolitan area, new and existing home prices averaged about $400,300 during the 12 months ending March 2017, a 9-percent increase from a year earlier (Colorado Association of Realtors®). The number of active home listings represented 1.3 months of supply for sale in March 2017, down from 2.1 months of supply a year earlier. In the Salt Lake City metropolitan area, home prices were up 8 percent, to $311,300, and the number of active listings represented 1.6 months of supply in March 2017, down from 2.3 months of supply a year earlier (Utah Association of Realtors®). In the Colorado Springs and Fort Collins metropolitan areas, new and existing home prices averaged $272,300 and $361,100 during the 12 months ending March 2017, increases of 8 and 11 percent, respectively, from a year earlier (CoreLogic, Inc., with adjustments by the analyst). In Colorado Springs, active listings represented 1.8 months of supply in March 2017, down from 2.1 months of supply a year earlier, and Fort Collins had 1.7 months of supply in March 2017, up slightly from 1.6 months of supply a year earlier. In the region overall, average new and existing home prices in the 12 months ending March 2017 were up 5 percent from a year earlier to approximately $309,900. Although prices remained nearly flat in South Dakota and Wyoming at about $181,000 and $287,900, respectively, prices increased 6 and 7 percent in Colorado and Utah, to about $360,300 and $294,100, respectively.

Home sales decreased in much of the region, in part because of low inventories of homes for sale. In addition, weaker housing demand in energy-producing areas in the region contributed to a decline in sales. Approximately 288,500 new and existing homes sold in the region during the 12 months ending March 2017, essentially unchanged from the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). Although sales increased 6 and 4 percent in Utah and Montana, to about 77,600 and 22,350 homes, respectively, sales remained essentially flat in South Dakota at about 25,800 homes sold, and sales decreased 1, 7, and 6 percent in Colorado, North Dakota, and Wyoming to about 139,200, 14,400, and 9,175 homes, respectively.

Strong home price appreciation contributed to declining rates of seriously delinquent mortgages (those 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in most

continued on page 5

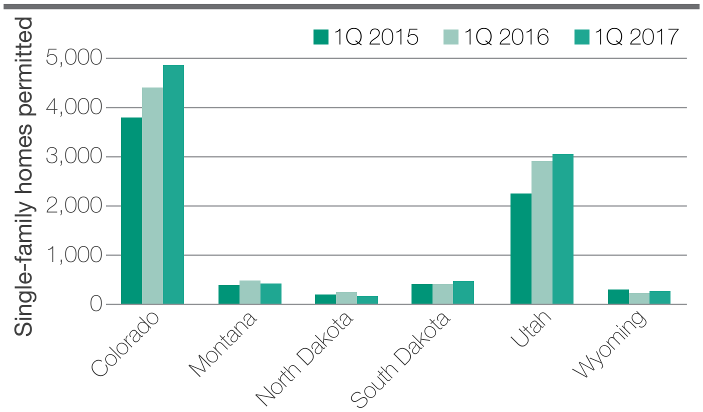
continued from page 4

of the region. In February 2017, 1.4 percent of mortgages in the region were seriously delinquent or had transitioned into REO status, down from 1.8 percent a year earlier (Core Logic, Inc.). Although the rate remained flat in North Dakota and edged up slightly in Wyoming, the rates of seriously delinquent mortgages and REO properties declined in every other state in the region and ranged from 1.2 percent in Colorado to 2.6 percent in Wyoming. Colorado and Utah posted the biggest declines, with the rates in both states decreasing 0.5 percentage points from a year ago. The rates of seriously delinquent mortgages and REO properties for all states in the region remained well below the 3.6-percent national average.

Strong home sales demand led to an increase in single-family construction, as measured by the number of homes permitted, in most of the Rocky Mountain region. During the first quarter of 2017 (preliminary data)—

- Approximately 9,300 single-family homes were permitted in the region, a 6-percent increase from a year earlier. More than 85 percent of the permitting activity occurred in Colorado and Utah, where about 4,900 and 3,050 single-family homes were permitted, increases of 11 and 5 percent, respectively, from a year earlier.
- Within Colorado, approximately 2,475 homes—or about one-half of the statewide total—were permitted in the Denver metropolitan area, a 1-percent increase from a year earlier. The greatest increase in the state occurred in the Fort Collins metropolitan area, where single-family permitting more than doubled, to nearly 600 homes.
- In Utah, more than 70 percent of single-family permitting occurred in the Provo and Salt Lake City metropolitan areas, where approximately 1,125 and 1,050 homes were permitted, increases of 16 and 4 percent, respectively, from a year earlier.
- In South Dakota and Wyoming, single-family permitting increased 7 percent from a year earlier to about 490 and 270 homes, respectively. In the Sioux Falls and Cheyenne metropolitan areas, approximately 280 and 110 homes were permitted, increases of 10 and 74 percent, respectively.
- In Montana and North Dakota, single-family permitting declined 8 and 35 percent from a year earlier to about 420 and 170 homes permitted, respectively. Although permitting in the Great Falls and Missoula metropolitan areas increased 19 and 30 percent, respectively, single-family permitting in the Bismarck, Billings, and Fargo metropolitan areas decreased 47, 46, and 37 percent, respectively, from a year earlier.

Single-family permitting continued to increase steadily in the Rocky Mountain region, with the greatest gain occurring in Colorado.



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

Home prices were up strongly in most metropolitan areas in the Rocky Mountain region, in part, because of very limited supplies of homes for sale.

	12 Months Ending	Number of Homes Sold			Price			
		2016	2017	Percent Change	Average or Median	2016 ($)	2017 ($)	Percent Change
Billings (N&E)	March	4,075	4,075	0	AVG	230,500	243,500	6
Casper (N&E)	March	2,025	1,725	– 15	AVG	245,700	231,600	– 6
Colorado Springs (N&E)	March	18,450	20,250	10	AVG	251,800	272,300	8
Denver (N&E)	March	60,750	61,450	1	AVG	365,900	400,300	9
Fargo (N&E)	March	5,550	5,250	– 5	AVG	223,900	239,300	7
Fort Collins (N&E)	March	8,925	8,825	– 1	AVG	326,100	361,100	11
Provo (N&E)	March	8,725	8,550	– 2	AVG	268,800	290,300	8
Salt Lake City (N&E)	March	17,450	17,350	– 1	AVG	288,200	311,300	8
Sioux Falls (N&E)	March	4,500	4,700	4	AVG	196,300	210,600	7

AVG = average. N&E = new and existing.
Notes: All figures are rounded. Salt Lake City data are for Salt Lake County only; Ogden data are for Davis, Mortan, and Weber Counties only.
Sources: Colorado Association of Realtors®; Metrostudy, A Hanley Wood Company, with adjustments by the analyst; Realtor® Association of the Sioux Empire, Inc.; Utah Association of Realtors®

Apartment Market Conditions

Apartment market conditions in the first quarter of 2017 ranged from slightly soft to slightly tight in the major metropolitan areas in the Rocky Mountain region, as vacancies began trending back down in some metropolitan areas. Despite a surge in apartment completions in the past 12 months, absorption of new units in many metropolitan areas was sufficiently strong to make the rise in vacancy rates only temporary.

In the Denver metropolitan area, apartment market conditions continued to soften in the first quarter of 2017 but remained balanced, with a 6.0-percent vacancy rate, up from 5.1 percent a year ago, and the average rent increased 5 percent to $1,327 (Apartment Insights). The number of units currently under construction is approximately 25,350, however, which is an increase from the 21,850 units under way at the same time a year ago; market conditions may therefore soften further as new apartments continue to come online. Vacancies also increased in the Colorado Springs metropolitan area, from 4.5 to 5.3 percent, but market conditions nevertheless remained balanced, and rents increased 7 percent to an average of $959. The number of apartments under construction increased, however, from about 1,075 to 2,425 units, so further softening in the market is possible. In the Salt Lake City metropolitan area, apartment market conditions remained slightly tight, with a 3.8-percent vacancy rate, nearly unchanged from a year ago, and the average asking rent increased 6 percent to $941 (Reis, Inc.). Approximately 1,650 apartments were completed in the 12 months ending March 2017, down slightly from 1,775 completions during the previous 12 months. Along with the slowdown in completions, concessions declined, from an average of 8.6 to 6.3 percent of asking rents; as a result, effective rents increased at a stronger 8-percent rate.

During the first quarter of 2017, in the Fargo metropolitan area, vacancies increased as absorption lagged the growth in supply. The vacancy rate was 9.2 percent in the first quarter of 2017, up from 6.7 percent a year earlier. Approximately 1,325 units were under construction in March 2017, up 4 percent from a year ago, but much less than the 2,400 units under construction in March 2015; the number of units currently under construction may allow absorption to catch up with supply. In the Rapid City and Missoula metropolitan areas, apartment market conditions were slightly tight, with vacancy rates of 3.8 and 3.6 percent, down from 4.1 and 4.3 percent, respectively, a year earlier (Reis, Inc. and Axiometrics, Inc.). Rent growth was subdued, however; the average apartment rent in the Rapid City metropolitan area remained nearly unchanged at $789, and rents in the Missoula metropolitan area were up 3 percent to $1,051. In markets affected by declining energy activity, such as Casper, Billings, and Williston, apartment market conditions remained weak. In Williston, vacancies remained elevated, at nearly 19 percent, and rents were down about one-third from a year ago to $908 (Axiometrics, Inc.).

Multifamily construction activity was up strongly in the Rocky Mountain region. During the first quarter of 2017 (preliminary data)—

- Approximately 6,025 multifamily units were permitted in the region, up 41 percent from a year earlier. Increased multifamily construction in Colorado, Utah, and Montana offset declines in North Dakota and South Dakota.
- In Colorado, multifamily permitting was up 58 percent from a year ago, to approximately 3,750 units. More than 85 percent

continued on page 7

Absorption of new units allowed apartment vacancies to decline in many metropolitan areas in the Rocky Mountain region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2016 (%)	1Q 2017 (%)	Percentage Point Change	1Q 2016 ($)	1Q 2017 ($)	Percent Change
Cheyenne	Balanced	NA	NA	NA	NA	NA	NA
Colorado Springs[a]	Balanced	4.5	5.3	0.8	893	959	7
Denver[a]	Balanced	5.1	6.0	0.9	1,261	1,327	5
Fargo[b]	Slightly soft	6.7	9.2	2.5	NA	NA	NA
Missoula[c]	Slightly tight	4.3	3.6	– 0.7	1,022	1,051	3
Rapid City[d]	Slightly tight	4.1	3.8	– 0.3	791	789	0
Salt Lake City[d]	Slightly tight	3.7	3.8	0.1	891	941	6
Williston[c]	Soft	20.5	18.6	– 1.9	1,346	908	– 33

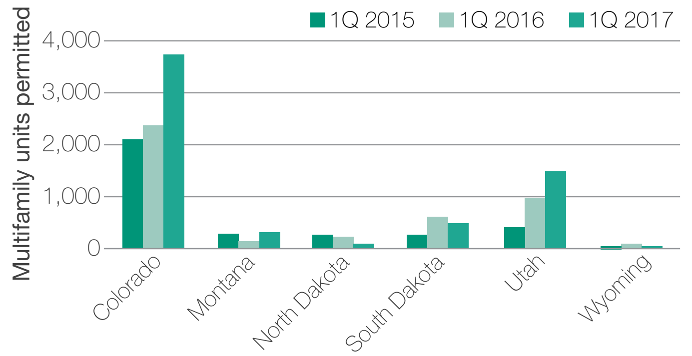
1Q = first quarter. NA = data not available.
Note: Fargo apartment vacancy rates as of March 1.
Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) *Apartment Insights*; (b) Appraisal Services, Inc.; (c) Axiometrics, Inc.; (d) Reis, Inc.

continued from page 6

of the construction was in the Denver metropolitan area, where approximately 3,250 units were permitted, a 70-percent increase from a year earlier.

- In Utah, multifamily permitting increased 52 percent to 1,450 units. Although multifamily permitting in the Salt Lake City metropolitan area declined 18 percent to about 425 units, multifamily construction in the Ogden metropolitan area was up 61 percent, to 450 units permitted, and multifamily construction in the Provo metropolitan area increased more than fivefold to about 540 units permitted.
- In Montana, multifamily permitting more than doubled, from approximately 120 to 270 units, but in South Dakota and North Dakota, multifamily permitting declined 25 and 67 percent to about 450 and 70 units, respectively; in Wyoming, multifamily construction activity remained subdued, with only about 40 units permitted, up from 35 units a year earlier. In the Sioux Falls and Fargo metropolitan areas, multifamily permitting declined 43 and 44 percent from a year ago to about 290 and 70 units, respectively.

Multifamily construction was up strongly from a year ago in the Rocky Mountain region, led by a sizeable gain in Colorado.



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