

HUD PD&R Regional Reports

Region 8: Rocky Mountain

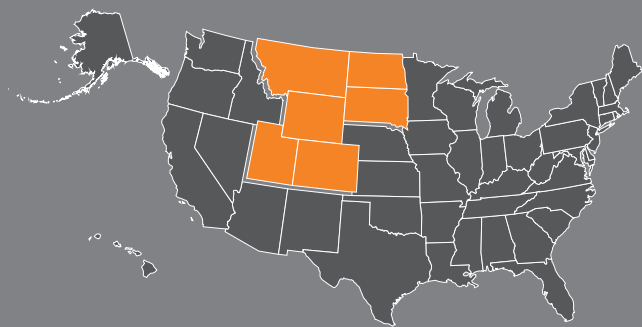


Quick Facts About Region 8

Denver, Colorado

By James Conner | 2nd Quarter 2019

- Sales market conditions—**
Second quarter 2019: tight
First quarter 2019: tight
Second quarter 2018: tight
- Apartment market conditions—**
Second quarter 2019: mixed (balanced)
First quarter 2019: mixed (balanced to slightly tight)
Second quarter 2018: mixed (balanced to slightly tight)



Overview

The economy in the Rocky Mountain region continued expanding in the second quarter of 2019, with nonfarm payrolls increasing 2.0 percent from a year ago, down slightly from the 2.2-percent growth a year earlier. The recent job gains were greatest in the professional and business services, the education and health services, the government, and the leisure and hospitality sectors. Job growth weakened, however, in the mining, logging, and construction, the wholesale and retail trade, and the financial activities sectors. The labor market was tight in the second quarter of 2019, and unemployment rates in all states in the region were down from a year ago. Home sales market conditions were tight, with a lack of for-sale inventories leading to declining home sales in many metropolitan areas in the region. Rising home prices have made homeownership less attainable for many renter households, contributing to rental demand. Apartment vacancies decreased or remained unchanged from a year ago in all metropolitan areas cited in this report, and apartment conditions were balanced in most of the areas cited. Homebuilding decreased 2 percent from a year ago in the second quarter of 2019. Multifamily permitting was up 25 percent, but single-family permitting decreased 12 percent.

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PD&R

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During the second quarter of 2019—

- Utah, South Dakota, and Colorado were among the top 10 states in the nation for payroll growth rates, with increases of 3.1, 2.3, and 1.9 percent, respectively, from a year ago. Job growth was somewhat below the national average, however, in Montana and North Dakota, where nonfarm payrolls increased 1.0 and 0.6 percent, respectively.
- Home sales market conditions in the region were tightest in the Colorado and Utah metropolitan areas, most of which had less than a 3-month supply of homes for sale in June 2019, and where home price gains ranged from 5 to 9 percent. By contrast, in the Billings, Cheyenne, Fargo, and Sioux Falls metropolitan areas in the northern states in the region, home price increases ranged from 0 to 5 percent.
- Apartment market conditions were balanced in 7 of the 9 metropolitan areas cited in this report, aside from Fargo, where market conditions remained soft, and Greeley, where conditions were slightly tight. Year-over-year rent increases in the metropolitan areas cited in this report ranged from 3 to 6 percent.
- Single-family permitting decreased in every state in the region, led by Colorado, Utah, and Montana, where permitting declined by about 790, 600, and 170 homes, or 12, 13, and 21 percent, respectively. Multifamily permitting also fell in Colorado, Montana, North Dakota, and South Dakota, but these declines were more than offset by an increase in Utah, where multifamily permitting nearly tripled, to about 3,400 units.

Economic Conditions

The economy in the Rocky Mountain region grew in the second quarter of 2019, with nonfarm payrolls increasing by 120,200 jobs, or 2.0 percent, from a year earlier. This was somewhat less than the gain of 126,500 jobs, or 2.2 percent, in the second quarter of 2018, however. The slower growth was partly the result of a tight labor market. The job growth in the current quarter was led by the professional and business services sector, which increased by 36,300 jobs, or 4.7 percent, and accounted for more than 30 percent of the jobs added in the region. The education and health services, the government, and the leisure and hospitality sectors also contributed significantly to payroll

gains in the region, increasing by 17,500, 12,400, and 12,300 jobs, or 2.2, 1.2, and 1.8 percent, respectively. In addition, the manufacturing and the other services sectors posted stronger job growth in the current quarter, increasing by 11,000 and 6,200 jobs, or 2.9 and 2.8 percent, respectively, compared with average growth in both sectors of 2.2 percent a year from 2012 through 2018. Job growth weakened, however, in the mining, logging, and construction, the wholesale and retail trade, and the financial activities sectors, which had posted average annual increases from 2012 through 2018 of 4.0, 2.0, and 2.5 percent, respectively.

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Nonfarm payrolls in the second quarter of 2019 were up from a year ago in nearly all job sectors in the Rocky Mountain region.

	Second Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	5,879.3	5,999.5	120.2	2.0
Goods-Producing Sectors	843.9	863.3	19.4	2.3
Mining, Logging, & Construction	464.5	472.9	8.4	1.8
Mining & Logging	91.4	93.0	1.6	1.8
Construction	373.1	379.9	6.8	1.8
Manufacturing	379.4	390.4	11.0	2.9
Service-Providing Sectors	5,035.4	5,136.2	100.8	2.0
Wholesale & Retail Trade	857.8	866.4	8.6	1.0
Transportation & Utilities	217.6	223.7	6.1	2.8
Information	134.8	135.9	1.1	0.8
Financial Activities	347.7	347.7	0.0	0.0
Professional & Business Services	767.7	804.0	36.3	4.7
Education & Health Services	784.2	801.7	17.5	2.2
Leisure & Hospitality	679.8	692.1	12.3	1.8
Other Services	219.5	225.7	6.2	2.8
Government	1,026.5	1,038.9	12.4	1.2

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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In the current quarter, the mining, logging, and construction and the wholesale and retail trade sectors grew by 8,400 and 8,600 jobs, or 1.8 and 1.0 percent, respectively, and payrolls in the financial activities sector were flat. The unemployment rate in the region was 2.8 percent in the second quarter of 2019, down from 3.1 percent a year earlier. State unemployment rates ranged from 2.4 percent in North Dakota to 3.5 percent in Wyoming, and all states in the region except Wyoming had rates below the 3.5 percent national average.

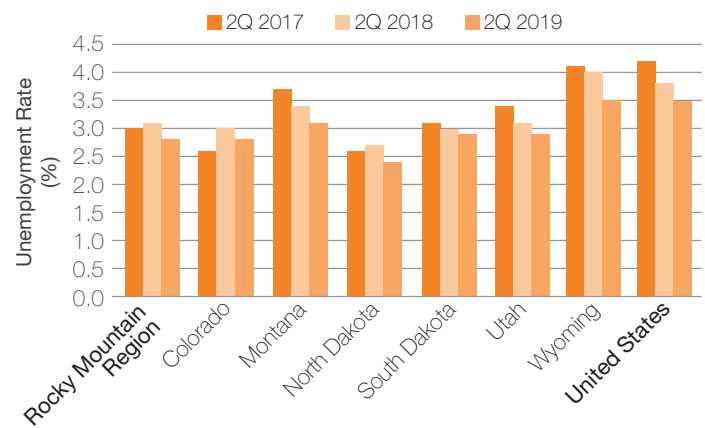
During the second quarter of 2019—

- Utah had the second-highest rate of job growth in the nation, with nonfarm payrolls increasing by 46,200 jobs, or 3.1 percent, from a year earlier. The education and health services, the professional and business services, and the leisure and hospitality sectors increased by 8,000, 7,600, and 6,700 jobs, or 4.0, 3.5, and 4.5 percent, respectively. In addition, the manufacturing sector grew by 6,300 jobs, or 4.8 percent, accounting for nearly 60 percent of the manufacturing jobs added in the region.
- In Colorado, nonfarm payrolls increased by 51,500 jobs, or 1.9 percent, from a year earlier. The gains were led by the professional and business services sector, which grew by 23,350 jobs, or 5.5 percent, and included growth in the well-paying professional, scientific, and technical services industry of 16,600 jobs, or 7.4 percent. Average earnings in Colorado during the quarter were up nearly 4 percent from a year earlier.
- South Dakota posted its fastest job growth in nearly 20 years, and the eighth-highest rate of job growth in the nation, with nonfarm payrolls increasing by 10,100 jobs, or 2.3 percent, from a year earlier. The payroll gains were led by the wholesale and retail trade, the manufacturing, and the education and health services sectors, which increased by 2,700, 2,200, and 1,500 jobs, or 3.7, 5.0, and 2.1 percent, respectively.
- In Montana and North Dakota, nonfarm payrolls were up by 4,600 and 2,800 jobs, or 1.0 and 0.6 percent, respectively.

Sales Market Conditions

Home sales market conditions in the Rocky Mountain region remained tight in the second quarter of 2019, particularly in Colorado and Utah. Sales demand is strong, and although the months' supply of homes for sale in some markets increased slightly from a year ago, the number of active listings remained low. In two-thirds of the metropolitan areas cited in this report, year-over-year home price gains ranged from 5 to 9 percent. The limited for-sale inventories also contributed to declining sales in most metropolitan areas cited in this report. In the Denver metropolitan area, the number of active listings in June 2019 represented a 2.3-month supply of homes for sale, up slightly from a 2.2-month supply a year earlier (Colorado Association

Labor market conditions were tight, with the unemployment rate in the Rocky Mountain region well below the national average and unemployment rates declining in every state in the region.



2Q = second quarter.

Source: U.S. Bureau of Labor Statistics

In Montana, the professional and business services sector grew by 1,900 jobs, or 4.4 percent, but the construction subsector declined by 1,300 jobs, or 4.4 percent. In North Dakota, construction subsector payrolls were up by 2,700 jobs, or 10.4 percent, but the wholesale and retail trade and the leisure and hospitality sectors were down by 1,700 and 1,500 jobs, or 2.4 and 3.7 percent, respectively.

- In Wyoming, nonfarm payrolls increased by 5,000 jobs, or 1.7 percent, led by an increase in the wholesale and retail trade sector of 1,100 jobs, or 2.9 percent; however, the leisure and hospitality sector declined by 1,000 jobs, or 2.7 percent. The unemployment rate in Wyoming decreased from 4.0 to 3.5 percent, but this was caused by a 0.8-percent decline in the labor force. In every other state in the region, the unemployment rates declined because resident employment growth outpaced growth in the labor force.

of Realtors®). Home prices during the 12 months ending June 2019 averaged about \$467,100, up 5 percent from a year earlier, but sales were down 2 percent during that period, to about 68,050 homes sold. In the Colorado Springs metropolitan area, sales in the 12 months ending June 2019 were down 6 percent, to 17,700 homes sold, and the average home price was up 7 percent from a year earlier, to \$339,900 (Pikes Peak Association of Realtors®). The for-sale inventory remained the lowest among all metropolitan areas in the region, with a 1.2-month supply of homes for sale in June 2019, unchanged from a year earlier. This level of for-sale inventory is much lower than the 6-month supply of homes for sale that realtors often regard as representing a

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balanced market. In the Salt Lake City and Provo metropolitan areas, home prices in the 12 months ending June 2019 were up 7 and 9 percent from a year earlier, to approximately \$374,600 and \$351,500, respectively (Utah Association of Realtors®). During the same period, home sales were down 5 percent in the Salt Lake City metropolitan area, to 17,550 homes sold, but in the Provo metropolitan area, sales were up 1 percent, to about 9,725 homes sold. The active listings in the Salt Lake City metropolitan area in June 2019 represented a 2.3-month supply of homes for sale, up slightly from a 2.2-month supply a year earlier, and the Provo metropolitan area had a 3.3-month supply of homes for sale in June 2019, up slightly from a 3.2-month supply a year earlier.

Home sales market conditions were somewhat less tight in the northern states in the Rocky Mountain region. In the Sioux Falls metropolitan area, the active listings in June 2019 represented a 4.0-month supply of homes for sale, down slightly from a 4.3-month supply a year earlier (Realtor® Association of the Sioux Empire, Inc.). Home prices averaged approximately \$231,800 during the 12 months ending June 2019, up 3 percent from a year earlier, but home sales were down 6 percent, to about 4,525 homes sold. In the Billings metropolitan area, about 4,275 homes sold in the 12 months ending June 2019, up 8 percent from a year earlier, and prices rose 2 percent, to approximately \$264,600 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). In the Fargo metropolitan area, home sales during the 12 months ending June 2019 were down 3 percent from a year earlier, to about 4,825 homes sold, but the average sales price of approximately \$240,300 was essentially unchanged from a year earlier.

The rate of seriously delinquent mortgages (loans that were 90 or more days delinquent or in foreclosure) and real estate owned (REO)

properties in the Rocky Mountain region has declined to its lowest level since the early 2000s. In May 2019, the rate of mortgages in the region that were seriously delinquent or had transitioned into REO status was 0.6 percent, down from 0.7 percent a year earlier (CoreLogic, Inc.). The rates decreased in all states in the region, and every state in the region had a rate below the 1.4-percent national average. The rates of seriously delinquent mortgages and REO properties in the region ranged from 0.5 percent in Colorado to 0.9 percent in Wyoming.

Despite strong home sales demand, permitting of single-family homes declined from a year ago in the Rocky Mountain region.

During the second quarter of 2019 (preliminary data)—

- Approximately 12,500 single-family homes were permitted in the region, a 12-percent decrease from a year earlier, and every state in the region posted a decline.
- In Colorado, single-family permitting was down nearly 12 percent from a year ago, to about 6,050 homes. The declines were greatest in the Denver and Greeley metropolitan areas, where permitting fell 11 and 17 percent, to 3,000 and 710 homes, respectively. In Pueblo, single-family permitting increased slightly, from about 120 to 130 homes, but all other metropolitan areas in the state posted decreases.
- In Utah, single-family construction was down 13 percent, to about 4,050 homes permitted. In the Provo and Salt Lake City metropolitan areas, permitting decreased 8 and 21 percent, to about 1,500 and 1,150 homes, respectively. Building activity was essentially unchanged in the Logan metropolitan area, with about

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Home sales demand was strong in most metropolitan areas in the Rocky Mountain region, but low for-sale inventories contributed to declining sales in many areas.

	12 Months Ending	Number of Homes Sold				Price		
		2018	2019	Percent Change	Average or Median	2018 (\$)	2019 (\$)	Percent Change
Billings (N&E)	June	3,950	4,275	8	AVG	258,200	264,600	2
Boulder (N&E)	June	6,275	6,125	-2	AVG	595,500	623,800	5
Cheyenne (N&E)	June	3,050	2,950	-3	AVG	254,100	265,600	5
Colorado Springs (N&E) ^a	June	18,750	17,700	-6	AVG	316,600	339,900	7
Denver (N&E) ^b	June	69,300	68,050	-2	AVG	445,200	467,100	5
Fargo (N&E)	June	4,950	4,825	-3	AVG	240,200	240,300	0
Provo (N&E) ^c	June	9,650	9,725	1	AVG	323,100	351,500	9
Salt Lake City (N&E) ^c	June	18,400	17,550	-5	AVG	348,800	374,600	7
Sioux Falls (N&E) ^d	June	4,800	4,525	-6	AVG	225,200	231,800	3

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

Notes: All figures are rounded. Salt Lake City metropolitan area data include Salt Lake County only.

Sources: (a) Pikes Peak Association of Realtors®; (b) Colorado Association of Realtors®; (c) Utah Association of Realtors®; (d) Realtor® Association of the Sioux Empire, Inc.; all other metropolitan areas—Metrostudy, A Hanley Wood Company, with adjustments by the analyst

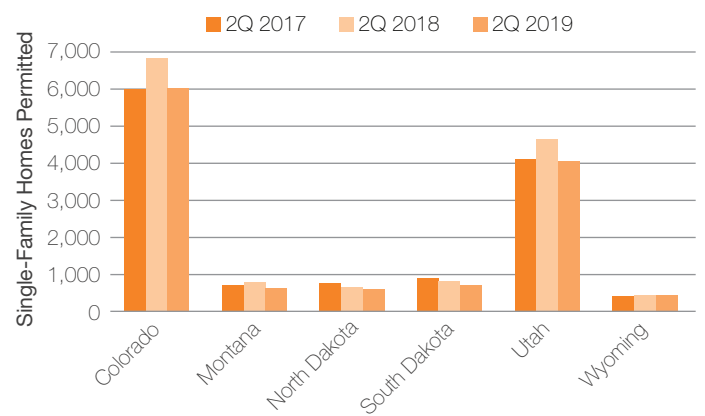


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60 homes permitted, but single-family permitting was down in every other metropolitan area in the state.

- In Montana and South Dakota, single-family permitting was down 21 and 15 percent, to about 630 and 700 homes, respectively. Construction remained steady in the Missoula metropolitan area, with about 125 homes permitted, but all other metropolitan areas in the two states posted declines, including decreases of 19 and 60 percent in Sioux Falls and Billings, where approximately 370 and 110 homes, respectively, were permitted.
- In North Dakota and Wyoming, single-family permitting decreased 6 and 2 percent, to approximately 620 and 450 homes, respectively. Building activity was unchanged in the Bismarck and Casper metropolitan areas, with 140 and 50 homes permitted, respectively, and single-family permitting in Cheyenne increased from about 105 to 120 homes, but in the Fargo metropolitan area, single-family permitting declined from 465 to 395 homes.

In the second quarter of 2019, permitting of single-family homes declined from a year ago in every state in the Rocky Mountain region.



2Q = second quarter.

Note: Based on preliminary data.

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

Apartment Market Conditions

In the second quarter of 2019, apartment market conditions were generally balanced in the Rocky Mountain region. Conditions ranged from soft to slightly tight in the nine metropolitan areas in the region cited in this report, and conditions were balanced in seven of the nine metropolitan areas. Strong population growth in much of the region, combined with rising home prices which made homeownership less attainable for many current renters, led to increased rental demand. Apartment completions continued at a strong pace, with approximately 6,100 units completed in the region during the second quarter of 2019, down from 6,500 units a year earlier (McGraw-Hill Construction Pipeline database). Absorption

of the new apartments was strong enough, however, that vacancies declined or remained essentially unchanged from a year earlier in all metropolitan areas cited in this report.

In the Denver and Colorado Springs metropolitan areas, apartment conditions were balanced, with vacancy rates of 5.3 and 5.5 percent, respectively, and rent increases of 4 and 6 percent from a year earlier, to \$1,486 and \$1,107, respectively (*Apartment Insights*). The market was slightly tight, however, in the Greeley metropolitan area, with a 3.2-percent vacancy rate and an increase in average rents of 6 percent, to \$1,182. In the Ogden and Salt Lake City metropolitan

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Apartment market conditions were balanced in most metropolitan areas in the Rocky Mountain region, with annual rent increases ranging from 3 to 6 percent.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2018 (%)	2Q 2019 (%)	Percentage Point Change	2Q 2018 (\$)	2Q 2019 (\$)	Percent Change
Billings	Balanced	7.4	3.4	-4.0	911	946	4
Casper	Balanced	5.4	4.4	-1.0	832	884	6
Colorado Springs ^a	Balanced	5.5	5.5	0.0	1,040	1,107	6
Denver ^a	Balanced	5.2	5.3	0.1	1,426	1,486	4
Fargo ^b	Soft	8.8	7.9	-0.9	NA	NA	NA
Greeley ^a	Slightly Tight	3.2	3.2	0.0	1,119	1,182	6
Ogden ^c	Balanced	4.4	3.8	-0.6	927	956	3
Salt Lake City ^c	Balanced	5.3	5.1	-0.2	1,019	1,085	6
Sioux Falls	Balanced	8.3	6.3	-2.0	843	868	3

2Q = second quarter. NA = data not available.

Note: Fargo apartment vacancy rates as of June 1.

Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) *Apartment Insights*, (b) Appraisal Services, Inc., (c) Reis, Inc.; all other areas—Real Page, Inc.



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areas, conditions were balanced, with vacancy rates of 3.8 and 5.1 percent, and rent increases of 3 and 6 percent, to \$956 and \$1,085, respectively (Reis, Inc.). Apartment conditions were also balanced in the Sioux Falls and Billings metropolitan areas, with vacancy rates of 6.3 and 3.4 percent, respectively, and with rents up 3 and 4 percent from a year earlier, to \$868 and \$946, respectively (Real Page, Inc.). In the Fargo metropolitan area, apartment vacancies declined in the past year, but the market remained somewhat soft, with a 7.9-percent vacancy rate in the second quarter of 2019 (Appraisal Services, Inc.).

Although absorption of new units has been strong in the past year, permitting of new multifamily units decreased from a year ago in much of the Rocky Mountain region; however, permitting was up significantly in Utah.

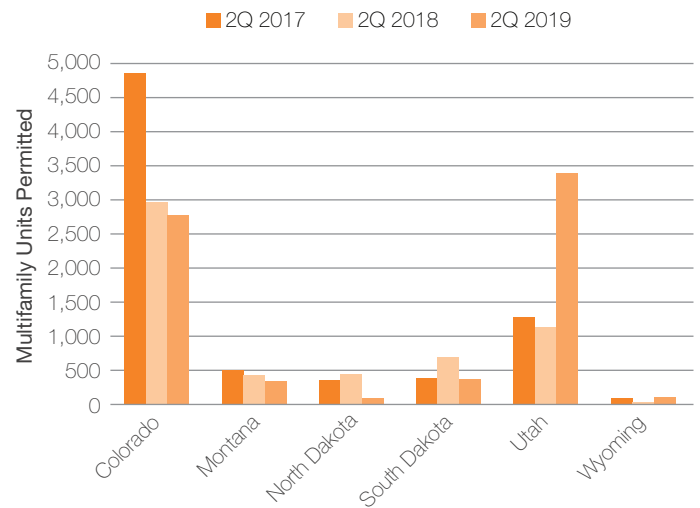
During the second quarter of 2019 (preliminary data)—

- Approximately 7,100 multifamily units were permitted in the region, up 25 percent from a year earlier. Sizeable declines in Colorado, Montana, North Dakota, and South Dakota were offset by increases in Utah and Wyoming.
- In Utah, multifamily construction surged, supported by employment and population growth. Nearly 3,400 units were permitted, up from 1,125 units a year earlier. Every metropolitan area in the state posted strong increases, led by Salt Lake City, where multifamily permitting increased from about 550 to 2,050 units. In addition, permitting increased in Provo from about 350 to 580 units, and in St. George from 50 to 350 units.
- In Wyoming, multifamily construction increased from approximately 20 to 110 units permitted. In the Casper metropolitan area, about 30 units were permitted, up from 15 units a year earlier, and in the Cheyenne metropolitan area, about 35 units were permitted, whereas no units were permitted in the second quarter of 2018.
- In Colorado, multifamily permitting was down 6 percent from a year earlier, to about 2,775 units. Building activity was up

39 percent in the Denver metropolitan area, to about 1,525 units permitted, but in the Boulder, Greeley, and Colorado Springs metropolitan areas, multifamily permitting declined 30, 39, and 40 percent from a year earlier, to about 350, 190, and 510 units, respectively.

- In Montana, North Dakota, and South Dakota, multifamily permitting declined 21, 78, and 46 percent, to about 350, 100, and 370 units, respectively. Construction activity was up slightly in the Missoula metropolitan area, from about 25 to 35 units permitted, but in the Fargo, Rapid City, and Sioux Falls metropolitan areas, multifamily construction fell 93, 38, and 68 percent, to about 35, 60, and 270 units permitted, respectively.

Multifamily construction was down from a year ago in most states in the region, but those declines were more than offset by a strong increase in multifamily permitting in Utah.



2Q = second quarter.

Note: Based on preliminary data.

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