HUD PD&R **Regional Reports**

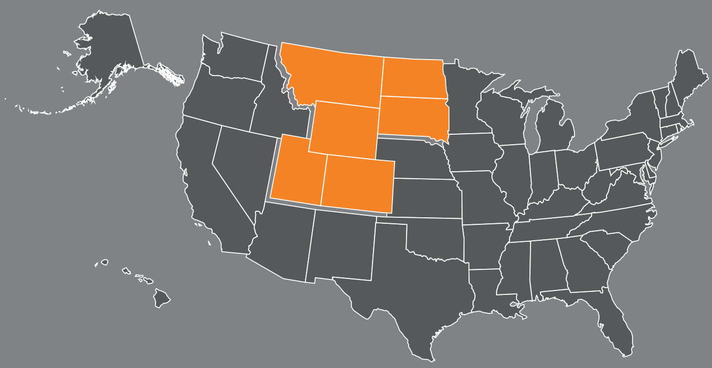
Region 8: Rocky Mountain

Casper, Wyoming

Quick Facts About Region 8

- **Sales market conditions—**
  Second quarter 2020: balanced
  First quarter 2020: mixed (slightly tight to tight)
  Second quarter 2019: tight

- **Apartment market conditions—**
  Second quarter 2020: balanced
  First quarter 2020: balanced
  Second quarter 2019: mixed (soft to slightly tight)



By James Conner | 2nd Quarter 2020

Overview

The economy in the Rocky Mountain region weakened significantly in the second quarter of 2020, ending nearly 10 years of economic expansion. The effects of the COVID-19 pandemic, including stay-at-home guidelines, caused many businesses to shut down, at least temporarily. Nonfarm payrolls in the region fell by 456,200 jobs, or 7.6 percent, from a year ago, with the greatest impacts in industries such as tourism, food services, health care, and personal services. The unemployment rate in the region increased from 2.8 percent in the second quarter of 2019, when labor market conditions in the region were tight, to 9.6 percent in the current quarter. In spite of the considerable decrease in economic activity, both the home sales market and the apartment market in the region were balanced in the second quarter of 2020. The $2.2 trillion Coronavirus Aid, Relief, and Economic Security Act (CARES Act) included mortgage forbearance provisions for homeowners and eviction protections for renters, and an extra $600 a week paid to unemployed workers helped offset income declines caused by job losses. Average home prices were up from a year ago in all nine metropolitan areas in the region cited in this report, and home sales were down in only

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three of the metropolitan areas. Apartment conditions were balanced in all nine of the metropolitan areas in the region cited in this report, with only small changes in vacancies and with apartment rents increasing moderately in most of the areas.

During the second quarter of 2020—

- Leisure and hospitality was the hardest hit payroll sector in the region, with a decline of 230,100 jobs, or 33.3 percent, from a year earlier, which accounted for more than one-half of the nonfarm payroll jobs lost in the region. Following a sharp decline in April 2020, air travel in the region began to show signs of a rebound in May and June 2020.
- Industries requiring person-to-person contact were also hard-hit. Payrolls in the education and health services, the wholesale and retail trade, and the other services sectors were down by a combined 114,100 jobs, or 6.1 percent, from a year earlier. In industries that could accommodate remote work, the payroll declines in the region were less severe. The professional and business services and the financial activities sectors decreased by a combined 21,300 jobs, or 1.9 percent, from a year earlier.
- Residential construction was down 9 percent from a year earlier, with single-family home permitting decreasing 7 percent and multifamily permitting decreasing 15 percent; however, the current decline partly reflected construction activity a year earlier that was well above average, particularly in Utah.

Economic Conditions

The economic expansion in the Rocky Mountain region that began in late 2010 ended in early 2020 because of actions taken to limit the spread of COVID-19. In the second quarter of 2020, nonfarm payrolls in the region averaged 5.54 million jobs, a decrease of 456,200 jobs, or 7.6 percent, from a year earlier, and a decrease (non-seasonally adjusted) of 439,500 jobs, or 7.3 percent, from the previous quarter. Nationwide, by comparison, nonfarm payrolls were down 11.3 percent from a year earlier and down 10.7 percent from the previous quarter. Payrolls in the region declined from a year ago in every nonfarm sector, with losses ranging from 3,700 jobs, or 1.0 percent, in the financial activities sector to 230,100 jobs, or 33.3 percent, in the leisure and hospitality sector. In April 2020, passenger totals at the Denver and Salt Lake City airports were down more than 90 percent from a year earlier; although air travel subsequently rebounded, June 2020 passenger totals at the two airports remained 73 and 76 percent, respectively, below a year earlier (Denver and Salt Lake City International Airports). In general, due to the pandemic, the hardest hit industries were those involving extensive in-person contact. In addition to the leisure and hospitality sector, which accounted for more than one-half of the job losses in the region, the education and health services, the wholesale and retail trade, and the other services sectors declined by 45,700, 42,600, and 25,800 jobs, or 5.7, 5.0, and 11.5 percent, respectively. The mining and logging subsector decreased by 16,000 jobs, or 17.9 percent, but that partly reflected a continuation of job losses during the past year caused by energy price declines, which were exacerbated by falling global energy demand due to the pandemic. Nationwide, oil and gas prices in the second quarter of 2020 were down 30 and 33 percent, respectively, from a year earlier (U.S. Energy Information Administration). The number of active drilling rigs in the region in the second quarter of 2020 was down 71 percent from a year earlier, which was somewhat worse than the 60-percent decline in rigs nationwide (Baker Hughes Company).

The regional unemployment rate was 9.6 percent in the second quarter of 2020, up from 2.8 percent a year earlier. The unemployment rates for all states in the region were below the 12.9-percent national average and ranged from 8.0 percent in North Dakota to 11.0 percent in Colorado. Initial claims for unemployment insurance in the region averaged about 107,400 a week in April 2020 before falling to an average of 29,300 during May and June. Continued claims remained elevated, however, averaging about 448,200 in May and June 2020, compared with a weekly average of 34,500 a year earlier.

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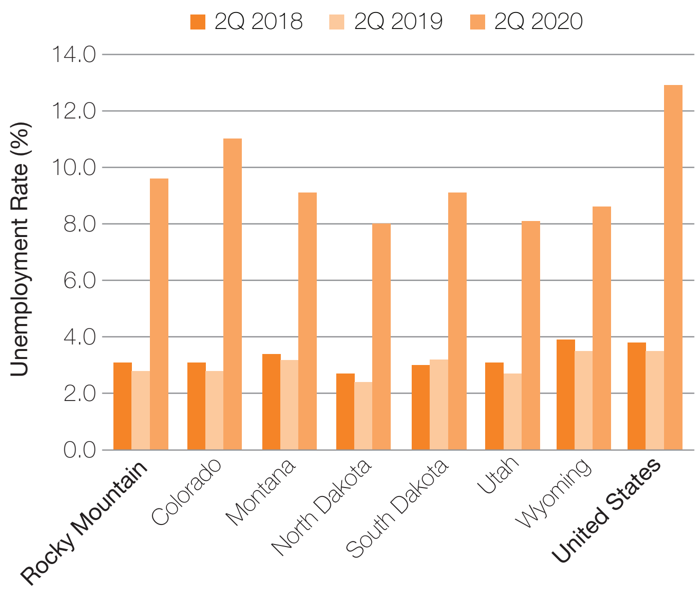
Unemployment rose sharply in the second quarter of 2020, but the regional unemployment rate remained well below the U.S. average.



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

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Payrolls were down from a year ago in all nonfarm sectors in the Rocky Mountain region; a steep decline in the leisure and hospitality sector led this decline.

	Second Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	6,000.8	5,544.6	-456.2	-7.6
Goods-Producing Sectors	873.3	841.6	-31.7	-3.6
Mining, Logging, & Construction	483.8	466.7	-17.1	-3.5
Mining & Logging	89.3	73.3	-16.0	-17.9
Construction	394.5	393.4	-1.1	-0.3
Manufacturing	389.5	375.0	-14.5	-3.7
Service-Providing Sectors	5,127.5	4,703.0	-424.5	-8.3
Wholesale & Retail Trade	859.5	816.9	-42.6	-5.0
Transportation & Utilities	227.3	212.1	-15.2	-6.7
Information	136.7	132.7	-4.0	-2.9
Financial Activities	352.9	349.2	-3.7	-1.0
Professional & Business Services	791.0	773.4	-17.6	-2.2
Education & Health Services	801.3	755.6	-45.7	-5.7
Leisure & Hospitality	691.5	461.4	-230.1	-33.3
Other Services	223.4	197.6	-25.8	-11.5
Government	1,043.9	1,004.2	-39.7	-3.8

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

During the second quarter of 2020—

- Nonfarm payrolls in Colorado were down by 238,200 jobs, or 8.6 percent, from a year earlier, accounting for 52 percent of job losses in the region. These declines included a loss of 123,800 jobs, or 36.1 percent, in the leisure and hospitality sector in Colorado, which accounted for 54 percent of the leisure and hospitality sector job losses in the region.
- Utah had the smallest percentage decline in nonfarm payrolls in the nation, with a decrease of 78,500 jobs, or 5.0 percent. Although leisure and hospitality sector payrolls fell by 46,900 jobs, or 30.5 percent, the losses were partly offset by a gain of 7,000 jobs, or 6.4 percent, in the construction subsector. During the pandemic, construction has been deemed an “essential” economic activity in all states in the region.
- In South Dakota and Montana, nonfarm payrolls declined by 32,100 and 40,200 jobs, or 7.2 and 8.3 percent, respectively, from a year earlier. In South Dakota, the leisure and hospitality sector declined by 13,600 jobs, or 28.2 percent, but the construction subsector and the financial activities sector increased by 2,600 and 200 jobs, or 10.9 and 0.7 percent, respectively. In Montana, the leisure and hospitality sector declined by 20,900 jobs, or 30.7 percent, but payrolls remained unchanged from a year earlier in the transportation and utilities sector, and payrolls increased by 400 jobs, or 1.6 percent, in the financial activities sector.
- In Wyoming and North Dakota, nonfarm payrolls decreased by 25,300 and 41,900 jobs, or 8.7 and 9.5 percent, respectively, from a year earlier. Leisure and hospitality sector payrolls fell by 10,600 and 14,200 jobs, or 28.6 and 34.8 percent, respectively. Energy is a major industry in both Wyoming and North Dakota, and mining and logging subsector payrolls fell by 4,200 and 6,100 jobs, or 20.1 and 28.2 percent, respectively.

Many smaller communities in the Rocky Mountain region that are dependent on tourism, with a large share of payrolls in the leisure and hospitality sector, had steeper employment declines compared with the region overall. In the second quarter of 2020, Eagle, Pitkin, and Summit Counties in Colorado, which include the communities of Vail, Aspen, and Breckenridge, had year-over-year resident employment declines of 11.7, 12.3, and 12.4 percent, respectively, compared with a 7.1-percent decline in the region. In Park and Teton Counties in Wyoming, near Yellowstone National Park and the Jackson Hole ski area, employment declined 9.1 and 12.5 percent, respectively; and in Grand and Summit Counties in Utah, which include Moab and the Park City ski area, respectively, employment declined 11.8 and 9.7 percent, respectively.

Sales Market Conditions

Despite the economic downturn, home sales markets in the Rocky Mountain region were balanced in the second quarter of 2020, although conditions eased in some metropolitan areas in the region that previously had tight markets. Home prices were up from a year ago in all nine metropolitan areas cited in this report, and although sales decreased in some metropolitan areas, it was partly due to fewer sellers listing or showing their homes because of concerns about contagion. Mortgage forbearance under the CARES Act helped support the sales market, although the number of past-due loans in the region increased significantly from a year ago.

In the Denver metropolitan area, home prices in the 12 months ending June 2020 averaged about $482,100, up 3 percent from a year earlier, but sales decreased 1 percent, to about 53,150 homes sold (Colorado Association of Realtors®). There were approximately 5,950 active home listings in June 2020, down 44 percent from a year earlier, so despite fewer sales, the inventory declined from a 2.0-month supply to a 1.4-month supply of homes for sale. In the Colorado Springs metropolitan area, sales were up 1 percent, to about 17,900 homes sold, and home prices were up 7 percent, to an average of $364,400 (Pikes Peak Association of Realtors®). The number of active listings in June 2020 was down 37 percent from a year earlier, causing the for-sale inventory to decline from a 1.5-month supply to a 1.1-month supply of homes. In the Salt Lake City and Provo metropolitan areas, home prices in the 12 months ending May 2020 were up 7 percent from a year earlier, to approximately $400,200 and $372,700, respectively (Utah Association of Realtors®). Sales were down 4 percent from a year earlier in Salt Lake City, to 17,300 homes sold, but sales were up 6 percent in Provo, to 10,500 homes sold. The active listings in May 2020 in Salt Lake City and Provo were down 25 and 29 percent, respectively, from a year earlier; as a result, the inventory declined from a 2.4-month supply to a 1.9-month supply of homes in Salt Lake City and from a 3.6-month supply to a 2.4-month supply of homes in Provo. In the Cheyenne and Fargo metropolitan areas, sales in the 12 months ending May 2020 were virtually unchanged from a year earlier, at 2,975 and 4,975 homes sold, respectively, but in the Sioux Falls metropolitan area, sales increased 7 percent, to about 4,900 homes sold (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Home prices in Cheyenne, Fargo, and Sioux Falls were up 9, 6, and 7 percent, to approximately $286,500, $251,900, and $247,900, respectively.

Although sales markets in the region showed few signs of softening in the second quarter of 2020, the rate of seriously delinquent mortgages (loans 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties edged up from a year ago. In May 2020, the share of mortgages in the Rocky Mountain region that were seriously delinquent or had transitioned into REO status was 0.7 percent, up from 0.6 percent a year earlier (CoreLogic, Inc.). Nationally, the rate increased from 1.4 to 1.6 percent. The rates were up slightly in every state in the region, with a 0.2-percentage-point increase in Colorado and increases of 0.1 percentage point in the other states in the region. Delinquencies rose sharply, however, partly reflecting an increased reliance on mortgage forbearance by borrowers. Approximately 10,200 mortgages

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Home sales in most metropolitan areas in the region remained flat or decreased from a year ago, but home prices continued increasing.

		Number of Homes Sold			Price			
	12 Months Ending	2019	2020	Percent Change	Average	2019 ($)	2020 ($)	Percent Change
Billings (N&E)	May-20	4,175	4,425	6	AVG	$263,300	$275,400	5
Cheyenne (N&E)	May-20	2,975	2,975	0	AVG	$262,200	$286,500	9
Colorado Springs (N&E)[a]	Jun-20	17,700	17,900	1	AVG	$339,900	$364,400	7
Denver (N&E)[b]	Jun-20	53,950	53,150	-1	AVG	$468,200	$482,100	3
Fargo (N&E)	May-20	4,925	4,975	1	AVG	$237,600	$251,900	6
Fort Collins (N&E)	May-20	8,750	8,375	-4	AVG	$410,400	$420,700	3
Provo (N&E)[c]	May-20	9,950	10,500	6	AVG	$349,400	$372,700	7
Salt Lake City (N&E)[c]	May-20	18,000	17,300	-4	AVG	$372,900	$400,200	7
Sioux Falls (N&E)[d]	Jun-20	4,600	4,900	7	AVG	$231,700	$247,900	7

AVG = average. N&E = new and existing.
Note: Salt Lake City metropolitan data include Salt Lake County only.
Sources: (a) Pikes Peak Association of Realtors®; (b) Colorado Association of Realtors®; (c) Utah Association of Realtors®; (d) Coldwell Banker Black Hills Legacy Real Estate; all other metropolitan areas: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

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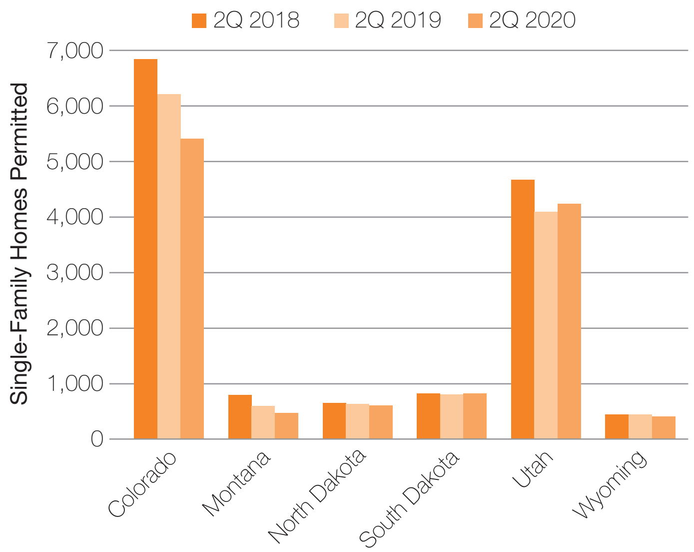
in the region were 90 or more days past due in May 2020, a 50-percent increase from May 2019. The number of past-due loans increased in every state in the region, ranging from 18 percent in Wyoming to 62 percent in Colorado; nationally, the number of delinquencies increased 36 percent, from about 339,400 to 460,800 mortgages.

Single-family home construction in the region was down from a year ago in the second quarter of 2020, but the decline may partly reflect temporary disruptions faced by builders and reduced buyer traffic due to fears of contagion.

In the second quarter of 2020 (preliminary data)—

- The number of single-family homes permitted in the region declined 7 percent from a year earlier, to approximately 11,950 homes. Single-family permitting decreased in four states in the region and increased slightly in two states.
- Single-family permitting increased 3 percent in both South Dakota and Utah, to approximately 830 and 4,225 homes, respectively. Although permitting in the Salt Lake City metropolitan area was down 5 percent, to about 1,125 homes, permitting was up modestly in the other metropolitan areas in the two states. In Provo, permitting increased from 1,500 to 1,550 homes; in Ogden, from 720 to 810 homes; and in Sioux Falls, from 460 to 470 homes.
- In Colorado, single-family permitting was down 13 percent, to about 5,400 homes. Construction was up 41 percent in the Fort Collins metropolitan area, from about 370 to 530 homes permitted, but declined in the other metropolitan areas in the state, including an 18-percent decrease in Denver, from about 3,000 to 2,475 homes permitted.
- In Montana, North Dakota, and Wyoming, single-family permitting decreased 21, 5, and 9 percent, to about 480, 610, and 410 homes, respectively. Permitting was virtually unchanged or declined from a year earlier in nearly all the metropolitan areas in the three states, including a decrease from 400 to 370 homes in Fargo, from 130 to 80 homes in Missoula, and from 110 to 100 homes in Cheyenne.

Single-family homebuilding in the second quarter of 2020 was down from a year ago in the region; a decrease in Colorado led the decline.



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

Apartment Market Conditions

Apartment market conditions remained balanced in the Rocky Mountain region in the second quarter of 2020, notwithstanding the effects of job losses on renter households. The CARES Act passed by Congress in March 2020 included a 90-day moratorium on evictions and late fees for some properties, and the additional $600 a week provided to individuals receiving unemployment benefits helped to sustain rental demand. Although vacancies were up in most metropolitan areas cited in this report, the increases were generally small, and rents increased in most metropolitan areas in the region. As of mid-July, 88 percent of renter households in the Rocky Mountain region were current on their June 2020 rent payments, compared with 82 percent nationally (Census Bureau Household Pulse Survey: July 16–July 21).

In the Colorado Springs and Denver metropolitan areas, vacancy rates were up about 1 percentage point from a year earlier, to 6.3 and 6.4 percent, respectively, in the second quarter of 2020 (*Apartment Insights*). The average rent was up 5 percent in Colorado Springs, to $1,158, but was essentially unchanged from a year earlier in Denver, at $1,489. In the Salt Lake City metropolitan area, vacancies increased less than 1 percentage point, to 5.8 percent, and rents were up 2 percent from a year earlier, to an average of $1,110 (Reis, Inc.). In the Ogden metropolitan area, vacancies were down slightly from a year earlier, to 3.5 percent, but the market remained balanced, with rents increasing 4 percent, to $990. In the Billings metropolitan area, rents increased 2 percent, to $1,011, and in the Sioux Falls metropolitan area, rents were unchanged from a year earlier, at $897 (RealPage, Inc.). Vacancies were up less than 1 percentage point in Billings, to 5.1 percent, and vacancies declined slightly in Sioux Falls, to 6.1 percent. In the Fargo metropolitan area, conditions were balanced, with a

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Apartment market conditions were balanced in the major metropolitan areas in the region in the second quarter of 2020, despite higher vacancies in many areas.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2019 (%)	2Q 2020 (%)	Percentage Point Change	2Q 2019 ($)	2Q 2020 ($)	Percent Change
Billings	Balanced	4.3	5.1	0.8	988	1,011	2
Casper	Balanced	4.5	6.1	1.6	890	901	1
Colorado Springs[a]	Balanced	5.5	6.3	0.8	1,107	1,158	5
Denver[a]	Balanced	5.3	6.4	1.1	1,486	1,489	0
Fargo	Balanced	5.4	4.4	-1.0	792	785	-1
Fort Collins[a]	Balanced	4.4	4.8	0.4	1,376	1,376	0
Ogden[b]	Balanced	3.8	3.5	-0.3	956	990	4
Salt Lake City[b]	Balanced	5.1	5.8	0.7	1,085	1,110	2
Sioux Falls	Balanced	6.4	6.1	-0.3	894	897	0

2Q = second quarter.
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) *Apartment Insights*; (b) Reis, Inc.; all other areas: RealPage, Inc.

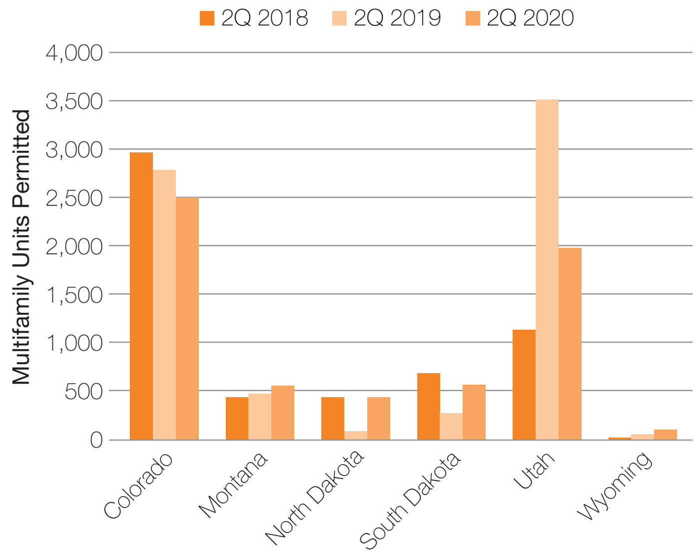
4.4-percent vacancy rate; that rate was down from 5.4 percent a year earlier, when apartment conditions were still soft because of overbuilding in earlier years. The average apartment rent decreased 1 percent, to $785.

Multifamily home construction decreased in the Rocky Mountain region, but much of that reflected a decline from high levels of permitting a year ago in Utah.

During the second quarter of 2020 (preliminary data)—

- Approximately 6,150 multifamily units were permitted in the region, a 15-percent decline from a year earlier. Multifamily permitting was down in Colorado and Utah but was up in all the other states in the region.
- In Utah, multifamily permitting declined 44 percent, to 1,975 units; however, permitting in the second quarter of 2019 was unusually strong, at 3,500 units. In the second quarters of 2015 through 2018, by comparison, multifamily permitting averaged about 1,675 units. The recent decline was greatest in the Salt Lake City metropolitan area, where permitting fell from 2,275 to 1,150 units. Permitting was also down, however, nearly 50 percent in the Provo and St. George metropolitan areas, to about 250 and 175 units, respectively.
- In Colorado, multifamily construction declined 10 percent, to about 2,500 units. In the Denver, Colorado Springs, and Greeley metropolitan areas, permitting was down 3, 50, and 54 percent from a year ago, to about 1,475, 260, and 85 units, respectively, but in the Grand Junction metropolitan area, permitting increased from 60 to 200 units.
- In Montana, an increase in the Billings metropolitan area from 40 to 140 units led a statewide increase in multifamily permitting from about 480 to 560 units. In Wyoming, permitting increased from about 60 to 100 units, including an increase from 5 to 50 multifamily units permitted in the Casper metropolitan area.
- In South Dakota, multifamily permitting more than doubled, compared with a year ago, from about 270 to 570 units, and in North Dakota, permitting increased more than four-fold, from 90 to 440 units. Permitting increased from 170 to 440 units in the Sioux Falls metropolitan area, from 35 to 200 units in the Fargo metropolitan area, and from 55 to 250 units in the Grand Forks metropolitan area.

Multifamily construction activity in the second quarter of 2020 was down from a year ago in the region; a sizeable decline in Utah led this decrease.



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