

HUD PD&R Regional Reports

Region 8: Rocky Mountain

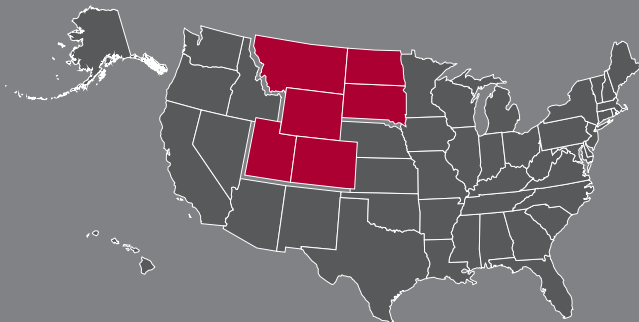


Fargo, North Dakota

By James Conner | 3rd quarter 2017

Quick Facts About Region 8

- **Sales market conditions—**
Third quarter 2017: tight.
Second quarter 2017: tight.
Third quarter 2016: tight.
- **Apartment market conditions—**
Third quarter 2017: mixed (slightly soft to slightly tight).
Second quarter 2017: mixed (slightly soft to slightly tight).
Third quarter 2016: mixed (slightly soft to tight).



Overview

The economy in the Rocky Mountain region continued growing in the third quarter of 2017, as the current expansion entered its eighth year. Nonfarm payrolls increased by 102,900 jobs, or 1.8 percent, from a year earlier, which was consistent with the rate of growth during the past eight quarters. Payrolls were up in all non-farm sectors in the region, helped by growth in the energy, tourism, business services, and healthcare industries. Labor market conditions in the region were tight in the third quarter of 2017, as the unemployment rate declined to 2.8 percent. Home sales market conditions remained tight, with the largest metropolitan areas in the region posting year-over-year home price increases of 9 percent or more; however, the number of active listings remained low, causing home sales to decline in some metropolitan areas. Apartment markets were balanced or nearly balanced throughout most of the region, with conditions ranging from slightly soft to slightly tight in most major metropolitan areas. Apartment completions continued at a strong pace, but absorption of the new units was also strong in most metropolitan areas. Residential construction, as measured by the number of housing units permitted, was up more than 7 percent from a year ago in the third quarter of 2017, with the greatest increase occurring in Utah, where residential permitting was up 30 percent from a year ago.

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- Employment in the region received a boost from rising oil prices, which led to an increase in mining and logging subsector payrolls of about 6,000 jobs during the third quarter of 2017, but the sectors with the greatest payroll gains continued to be professional and business services, education and health services, and leisure and hospitality, which added a combined 52,400 jobs.
- Most metropolitan areas in the region had less than a 3-month supply of homes for sale in September, and home sales in the third quarter of 2017 decreased from a year ago in nearly one-half of the metropolitan areas in the region.
- Although apartment vacancies increased in some metropolitan areas in the region, the increases were generally less than 1 percentage point. In some energy-producing areas in the region, apartment vacancies declined as economic conditions improved.
- Single-family permitting was up 8 percent in the region overall, and multifamily permitting was up 6 percent. Utah led the region with increases in single-family and multifamily permitting of 19 and 63 percent, respectively.

Economic Conditions

The economy in the Rocky Mountain region grew at a steady pace in the third quarter of 2017. Nonfarm payrolls increased by 102,900 jobs, or 1.8 percent, from a year ago to 5.78 million jobs. During the past 2 years, year-over-year job growth in the region averaged 1.8 percent, slightly better than the 1.7-percent national average but well below the 2.8-percent annual growth in the region during the preceding 3 years. The sectors in the region with the greatest payroll gains in the third quarter of 2017 were professional and business services, education and health services, and leisure and hospitality, which increased by 22,600, 16,000, and 13,800 jobs, or 3.0, 2.1, and 2.0 percent, respectively. The tourism industry

remains strong, with the seven most visited national park areas in the region (Glacier, Grand Teton, Rocky Mountain, Yellowstone, and Zion National Parks, Glen Canyon National Recreation Area, and Mount Rushmore National Memorial) receiving 26.6 million visitors during the 12 months ending September 2017, an 8-percent increase from a year earlier (National Park Service). In addition, the mining, logging, and construction sector in the region increased by 12,000 jobs, or 2.7 percent, with the mining and logging subsector adding approximately 6,000 jobs, a 7.8-percent increase. Oil prices were up 7 percent from a year ago in the third quarter of 2017 to approximately \$48 a barrel (U.S. Energy Information

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Payrolls continued to rise in the Rocky Mountain region following 7 years of job growth, led by gains in the professional and business services sector.

	Third Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,680.8	5,783.7	102.9	1.8
Goods-producing sectors	807.5	820.4	12.9	1.6
Mining, logging, and construction	441.7	453.7	12.0	2.7
Mining and logging	76.6	82.6	6.0	7.8
Construction	365.1	371.1	6.0	1.6
Manufacturing	365.8	366.7	0.9	0.2
Service-providing sectors	4,873.3	4,963.3	90.0	1.8
Wholesale and retail trade	857.5	869.2	11.7	1.4
Transportation and utilities	206.1	211.5	5.4	2.6
Information	132.3	132.4	0.1	0.1
Financial activities	335.9	343.2	7.3	2.2
Professional and business services	745.5	768.1	22.6	3.0
Education and health services	750.5	766.5	16.0	2.1
Leisure and hospitality	679.8	693.6	13.8	2.0
Other services	209.6	213.6	4.0	1.9
Government	956.0	965.1	9.1	1.0

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics



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Administration). The number of active drilling rigs in the region doubled during that period to about 125 rigs, with most of the increase occurring in Colorado, North Dakota, and Wyoming (Baker Hughes, Inc.).

Hiring remains strong in the region despite tight labor market conditions in most areas. In the third quarter of 2017, the unemployment rate in the region averaged 2.8 percent, down from 3.3 percent a year ago. Within the region, the state unemployment rates ranged from 2.0 percent in North Dakota to 3.6 percent in Wyoming, and all states in the region had unemployment rates below the 4.2-percent national average.

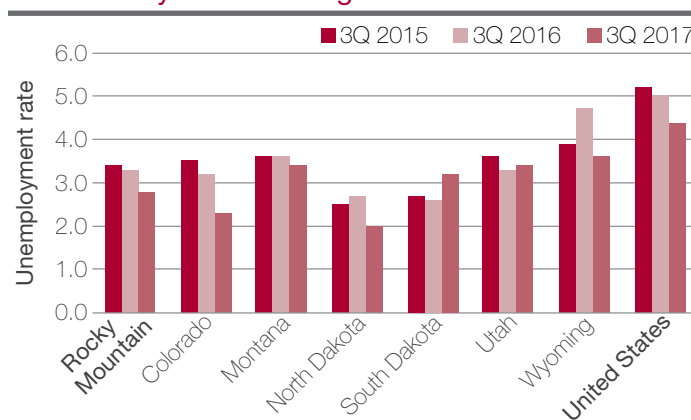
During the third quarter of 2017—

- Utah had the highest rate of job growth in the region, with nonfarm payrolls increasing by 38,800 jobs, or 2.7 percent, from a year ago, led by gains in the professional and business services and the education and health services sectors of 9,700 and 5,200 jobs, or 4.7 and 2.7 percent, respectively. In addition, the construction subsector added 5,800 jobs, a 6.1-percent increase. In response to rising demand for health services, Inter-mountain Healthcare is building a 300,000-square-foot hospital and an adjacent medical office building in Layton; the \$100 million project is expected to be complete in 2018.
- In Colorado, nonfarm payrolls were up by 47,000 jobs, or 1.8 percent, led by gains in the professional and business services, wholesale and retail trade, and education and health services sectors of 10,700, 9,000, and 7,300 jobs, or 2.6, 2.4, and 2.2 percent, respectively. The \$80 million Denver Premium Outlets recently broke ground in Thornton, with the 330,000-square-foot retail center expected to open in fall 2018.
- In Montana and North Dakota, nonfarm payrolls were up by 8,500 and 6,000 jobs, or 1.8 and 1.4 percent, respectively. In Montana, the leisure and hospitality and the education and

health services sectors, which increased by 2,300 and 2,100 jobs, or 3.3 and 2.8 percent, respectively, led job gains. In North Dakota, the mining and logging subsector accounted for three-fourths of the statewide job gain, increasing by 4,600 jobs, or 31 percent, from a year ago; however, payrolls in the subsector remained 12,700 jobs, or 40 percent, below their peak of 31,900 jobs in the fourth quarter of 2014.

- In South Dakota, nonfarm payrolls increased by 3,900 jobs, or 0.9 percent, led by a gain of 2,000 jobs, or 3.9 percent, in the leisure and hospitality sector. In Wyoming, however, job losses continued for a third year, with nonfarm payrolls declining by 1,200 jobs, or 0.4 percent. Although the mining and logging subsector added 2,300 jobs, a 12.8-percent increase from a year ago, most of the other sectors in Wyoming posted payroll decreases.

Although unemployment has declined since 2011 and the labor market was tight for the past 2 years, unemployment rates continued to fall in most states in the Rocky Mountain region.



3Q = third quarter.

Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Home sales market conditions remained tight in the third quarter of 2017 in most of the Rocky Mountain region. Home prices were up strongly, but sales decreased in some metropolitan areas because of a lack of homes for sale. In the Denver metropolitan area, the number of active listings represented a 1.9-month supply of homes for sale in September 2017, down from a 2.5-month supply a year earlier (Colorado Association of Realtors®). Home prices during the 12 months ending September 2017 averaged about \$419,300, a 9-percent increase from a year earlier, and home sales increased 5 percent to about 63,650 homes. The Colorado Springs metropolitan area had a 1.3-month supply of homes for sale in September 2017, down from a 1.7-month supply a year earlier (Pikes Peak

Association of Realtors®). Home prices during the 12 months ending September 2017 averaged \$288,900, up 10 percent from a year earlier, and sales increased 7 percent to about 21,000 homes sold. In the Salt Lake City and Ogden metropolitan areas, the number of home listings represented 2.5 and 2.2 months of supply in September 2017, down from 2.6 and 2.8 months of supply, respectively, a year earlier (Utah Association of Realtors®). Home prices during the 12 months ending September 2017 averaged \$327,900 and \$266,300 in the Salt Lake City and Ogden metropolitan areas, increases of 10 and 9 percent, respectively, from a year earlier, but home sales declined 4 and 3 percent to about 17,050 and 9,725 homes, respectively. In the Sioux Falls metropolitan area, home

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prices were up 5 percent from a year earlier to \$215,500, and sales increased 3 percent to about 4,725 homes sold despite a decrease in active listings from 4.7 to 3.6 months of supply (Realtor Association of the Sioux Empire). In the region overall, home prices in the 12 months ending August 2017 were up 7 percent from a year earlier to an average of \$330,800, but sales increased only 1 percent to about 275,700 homes sold. Sales were up 3 and 2 percent, respectively, in Colorado and Utah but declined 10 percent in both North Dakota and Wyoming (CoreLogic, Inc., with adjustments by the analyst).

Steady job growth and rising incomes contributed to declines in the rates of seriously delinquent mortgages (loans that are 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in most states in the Rocky Mountain region. In August 2017, 1.2 percent of mortgages in the region were seriously delinquent or had transitioned into REO status, down from 1.6 percent a year earlier (Core Logic, Inc.). The rate edged up slightly in North Dakota from 1.5 to 1.6 percent, but the rates remained steady or declined in all other states in the region and ranged from 1.0 percent in Colorado to 2.3 percent in Wyoming. The rates of seriously delinquent mortgages and REO properties for states in the region were all well below the 3.0-percent national average.

Single-family homebuilding activity, as measured by the number of homes permitted, increased in most states in the Rocky Mountain region. During the third quarter of 2017 (preliminary data)—

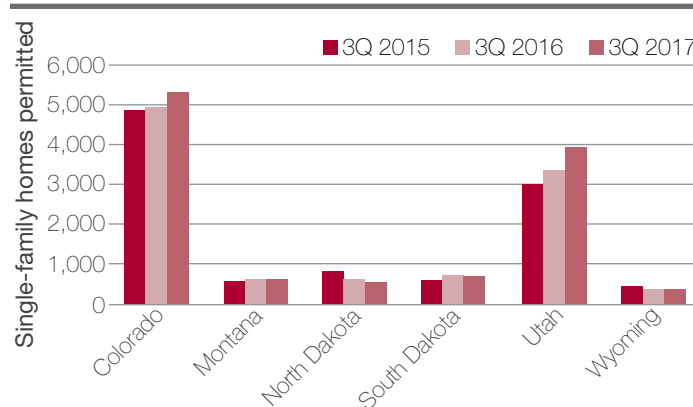
- Approximately 11,550 single-family homes were permitted in the region, an increase of about 900 homes, or 8 percent from a year earlier. Colorado and Utah accounted for nearly all of the

gain, with about 5,300 and 3,975 homes permitted, increases of 375 and 625 homes, or 8 and 19 percent, respectively, from a year earlier.

- In Colorado, the greatest gains in single-family construction occurred in the Denver and Greeley metropolitan areas, where permitting increased 8 and 24 percent to about 2,800 and 550 homes, respectively, but in the Fort Collins metropolitan area, single-family construction decreased 13 percent to about 370 homes permitted.

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Single-family construction strongly increased in Colorado and Utah, but homebuilding activity remained essentially flat or declined elsewhere in the Rocky Mountain region.



3Q = third quarter.

Note: Based on preliminary data.

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

Home prices increased significantly across most of the Rocky Mountain region, but home sales declined in some metropolitan areas.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2016	2017	Percent Change		2016 (\$)	2017 (\$)	Percent Change
Billings (N&E)	September	4,025	4,125	2	AVG	239,400	245,800	3
Casper (N&E)	September	1,800	1,775	-1	AVG	241,900	241,600	0
Colorado Springs (N&E)	September	19,600	21,000	7	AVG	262,400	288,900	10
Denver (N&E) ^a	September	60,350	63,650	5	AVG	386,200	419,300	9
Fargo (N&E)	September	5,425	5,300	-2	AVG	231,200	241,900	5
Greeley (N&E)	September	8,975	9,000	0	AVG	286,300	315,100	10
Ogden (N&E) ^b	September	10,000	9,725	-3	AVG	245,100	266,300	9
Salt Lake City (N&E) ^b	September	17,700	17,050	-4	AVG	298,900	327,900	10
Sioux Falls (N&E) ^c	September	4,575	4,725	3	AVG	205,800	215,500	5

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, Morgan, and Weber Counties only.

Sources: (a) Colorado Association of Realtors®; (b) Utah Association of Realtors®; (c) 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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- In Utah, homebuilding activity increased in all metropolitan areas, with the greatest gains occurring in Provo and Salt Lake City, where 1,325 and 1,300 single-family homes were permitted, increases of 12 and 21 percent, respectively, from a year ago, but construction was also up 18, 22, and 31 percent, respectively, in Ogden, St. George, and Logan.
- Single-family construction was more subdued elsewhere in the region. In Montana and Wyoming, homebuilding activity increased 1 and 2 percent to about 630 and 370 homes permitted, respectively, but in North Dakota and South Dakota, single-family permitting decreased 12 and 5 percent to about 570 and 700 homes, respectively.

Apartment Market Conditions

Apartment market conditions ranged from slightly soft to slightly tight in most major metropolitan areas in the Rocky Mountain region in the third quarter of 2017. Apartment completions remained elevated in many metropolitan areas, but absorption of the new units was strong enough that vacancies did not increase significantly. Apartment rents also continued rising despite the growth in supply, with most major metropolitan areas in the region having year-over-year rent increases ranging from 4 to 7 percent. In the Denver metropolitan area, apartment conditions were balanced in the third quarter of 2017, with a vacancy rate of 5.3 percent, up from 5.0 percent a year earlier, and rents were up 5 percent to \$1,394 (*Apartment Insights*). Approximately 2,600 units were completed during the third quarter of 2017, up from 1,575 units a year earlier, but absorption also increased from about 2,125 to 2,175 units. Conditions were slightly tight in the Colorado Springs and Fort Collins metropolitan areas, with vacancy rates of 4.4 and 3.8 percent, respectively, and rents were up 6 and 5 percent from a year ago to \$1,007 and \$1,287, respectively.

Apartment conditions were balanced in the Salt Lake City metropolitan area, with a 5.5-percent vacancy rate, up from 3.5 percent a year earlier, and apartment rents increased 7 percent to \$993

(Reis, Inc.). Approximately 1,575 units were completed during the third quarter of 2017 compared with less than 1,100 units a year earlier, but net absorption slowed from about 810 to 750 units. Conditions were slightly soft, however, in the Provo metropolitan area, with an 8.3-percent vacancy rate, down from 8.7 percent a year earlier, and apartment rents remained flat at \$936. Conditions were also slightly soft in the Fargo metropolitan area, where a surge in completions caused vacancies to rise from 7.7 to 8.7 percent (Appraisal Services, Inc.). The apartment market in Bozeman was slightly tight, however, with a vacancy rate of 2.1 percent, down from 5.2 percent a year earlier, and rents increased 4 percent to \$1,132 (Axiometrics, Inc.).

Apartment conditions improved in some energy-impacted communities in the region, such as Minot, Dickinson, and Williston in North Dakota, although conditions remain generally soft with vacancy rates of 6.7, 12.4, and 20.9 percent, down from 7.5, 14.0, and 27.4 percent, respectively, a year ago (Axiometrics, Inc.). Increased energy activity contributed to tight market conditions in the Greeley metropolitan area, however, where the vacancy rate was 2.7 percent in the third quarter of 2017, down from 3.8 percent a year earlier, and rents increased 8 percent to \$1,068 (*Apartment Insights*).

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In many metropolitan areas in the Rocky Mountain region, vacancies were up because of new apartment completions, and rents also increased.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2016 (%)	3Q 2017 (%)	Percentage Point Change	3Q 2016 (\$)	3Q 2017 (\$)	Percent Change
Bozeman ^a	Slightly tight	5.2	2.1	- 3.1	1,085	1,132	4
Colorado Springs ^b	Slightly tight	3.6	4.4	0.8	948	1,007	6
Denver ^b	Balanced	5.0	5.3	0.3	1,329	1,394	5
Fargo ^c	Slightly soft	7.7	8.7	1.0	NA	NA	NA
Fort Collins ^b	Slightly tight	6.5	3.8	- 2.7	1,222	1,287	5
Provo	Slightly soft	8.7	8.3	- 0.4	933	936	0
Rapid City	Balanced	4.0	4.1	0.1	797	819	3
Salt Lake City	Balanced	3.5	5.5	2.0	925	993	7

3Q = third quarter. NA = data not available.

Note: Fargo apartment vacancy rates as of September 1.

Sources: market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) Axiometrics, Inc., (b) *Apartment Insights*, (c) Appraisal Services, Inc.; all other metropolitan areas—Reis, Inc.

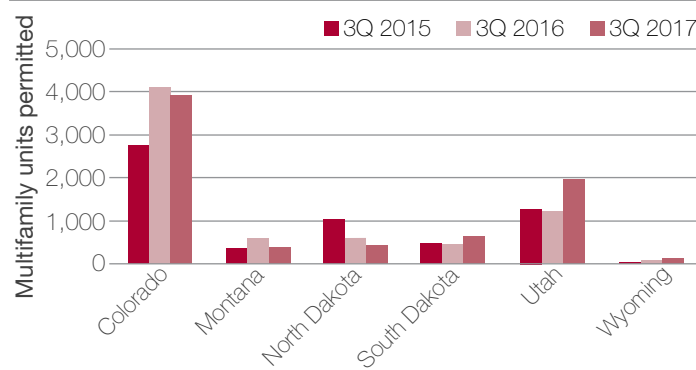
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Multifamily construction activity increased in the Rocky Mountain region. In the third quarter of 2017 (preliminary data)—

- Approximately 7,450 multifamily units were permitted in the region, a 6-percent increase from a year earlier. Strong growth in Utah offset declines in some other states in the region.
- In Utah, approximately 1,975 units were permitted, a 63-percent increase from a year ago. Nearly all the growth occurred in the Salt Lake City and Provo metropolitan areas, where approximately 1,025 and 620 units were permitted, up from 420 and 310 units, respectively, a year earlier.
- In Colorado, multifamily construction declined 6 percent from a year earlier to about 3,900 units permitted. In the Denver metropolitan area, multifamily permitting was up 17 percent to about 2,775 units, and in the Greeley metropolitan area, multifamily permitting increased from less than 50 to nearly 300 units. In the Colorado Springs and Fort Collins metropolitan areas, however, permitting declined 33 and 54 percent to about 220 and 520 units, respectively, and in the Boulder metropolitan area, multifamily permitting declined from 240 to 40 units.
- Building activity also declined in Montana and North Dakota, where approximately 390 and 420 multifamily units were permitted, decreases of 34 and 26 percent, respectively. In the Missoula and Fargo metropolitan areas, multifamily permitting was down 50 and 45 percent to about 190 and 310 units, respectively.

- In South Dakota, approximately 640 multifamily units were permitted, up 42 percent from a year earlier. This total included 410 units permitted in the Sioux Falls metropolitan area, up 74 percent from a year earlier. In Wyoming, multifamily construction activity more than doubled during the same period, from about 55 to 120 units permitted.

Multifamily permitting increased in the Rocky Mountain region in the third quarter of 2017, led by a sizeable increase in Utah.



3Q = third quarter.

Note: Based on preliminary data.

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