HUD PD&R **Regional Reports**

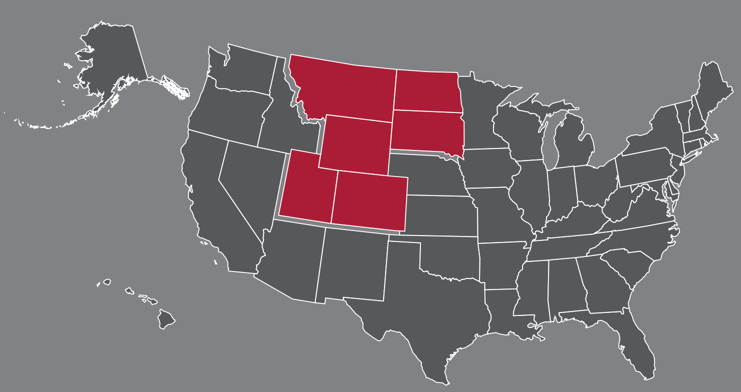
Region 8: Rocky Mountain

Cheyenne, Wyoming

Quick Facts About Region 8

- **Sales market conditions—**
  Third quarter 2020: tight
  Second quarter 2020: balanced
  Third quarter 2019: tight

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



By Katharine Jones | 3rd Quarter 2020

Overview

The economy in the Rocky Mountain region remained weak in the third quarter of 2020, following nearly 10 years of economic expansion. The effects of the coronavirus pandemic, including stay-at-home guidelines, caused many businesses to shut down during the second quarter of 2020; during the third quarter, many businesses were allowed to reopen but at reduced capacity. Nonfarm payrolls in the region fell by 259,900 jobs, or 4.3 percent, from a year ago, with the greatest impacts in industries such as tourism, food services, health care, personal services, and government. The unemployment rate in the region increased from 2.6 percent in the third quarter of 2019—when labor market conditions in the region were tight—to 5.8 percent in the current quarter. Despite the considerable decrease in economic activity, the home sales market was tight and the apartment market in the region had mixed conditions ranging from slightly soft to tight in the third quarter of 2020. The $2.2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act included mortgage forbearance provisions for homeowners and eviction protections for renters through the end of the year. Average home sales prices were up from a year ago in all nine metropolitan areas in

continued on page 2

continued from page 1

the region cited in this report, and home sales increased in all but one of the metropolitan areas. Apartment conditions ranged from slightly soft to tight in the nine metropolitan areas in the region cited in this report; the average rent increased in all but one of the market areas.

During the third quarter of 2020—

- Leisure and hospitality was the hardest-hit payroll sector in the region, with a decline of 119,800 jobs, or 16.6 percent, from a year earlier, accounting for 46 percent of the nonfarm payroll jobs lost in the region. Tourism and air travel remained subdued in the region.
- Despite weak economic conditions and a decline in jobs from a year earlier, the region outperformed the nation. In the Rocky Mountain region, more than one-half of the jobs lost during the second quarter of 2020 were recovered in the third quarter; nationally, only 40 percent of the jobs lost were recovered and jobs were down 7.0 percent from a year ago.
- Residential construction rebounded quickly from declines in the second quarter of 2020 and partially offset some of the job losses in the mining, logging, and construction sector. Colorado led the strong increase in single-family and multifamily construction in the region.

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. During the third quarter of 2020, nonfarm payrolls in the region averaged 5.78 million jobs, a decrease of 259,900 jobs, or 4.3 percent, from a year earlier, but conditions are improving. Nonfarm payrolls (non-seasonally adjusted) increased by 235,900 jobs from the previous quarter, when the impacts were most severe and many businesses temporarily closed. More than one-half of the jobs lost in the second quarter were recovered in the third quarter. The region outperformed the nation, with fewer job losses in the previous quarter and faster recovery during the current quarter. Nationally, nonfarm payrolls were down 7.0 percent from a year earlier and had recovered 40 percent of the jobs lost during the previous quarter. Payrolls in the region declined from a year ago in every nonfarm sector, with losses ranging from 1,100 jobs, or 0.3 percent, in the financial activities sector to 119,800 jobs, or 16.6 percent, in the leisure and hospitality sector.

The number of passengers traveling through Denver International Airport has increased from the second quarter of 2020 but remains subdued from a year earlier. During the third quarter of 2020, 8.48 million passengers traveled through the airport, compared with 2.88 million during the second quarter of 2020 and 19.15 million during the third quarter of 2019 (Denver International Airport). In Salt Lake City, the percentage of airline passengers during the third quarter of 2020 remained 60 percent below the levels in the third quarter of 2019 (Salt Lake City International Airport). In general, due to the pandemic, the hardest-hit industries were those involving extensive in-person contact such as elective health care, retail trade, and tourism, while losses were less severe in industries where workers could work remotely or were deemed “essential,” such as construction. Compounding the pandemic-related job losses, energy prices continued to decline, due to weaker demand. The mining and logging subsector decreased by 20,900 jobs, or 23.3 percent, compared with a year earlier. Nationwide, oil and gas prices in the third quarter of 2020 were down 29 and 16 percent, respectively, from a year earlier (U.S. Energy Information Administration). The number of active drilling rigs in the region in the third quarter of 2020 was down 87 percent from a year earlier, which was worse than the 72-percent decline in rigs nationwide (Baker Hughes Co.).

The regional unemployment rate was 5.8 percent in the third quarter of 2020, up from 2.6 percent a year earlier. The unemployment rates for all states in the region were below the 8.9-percent national average and ranged from 4.5 percent in Utah to 6.7 percent in Colorado. Initial claims for unemployment insurance in the region decreased 74 percent from the previous quarter, but remain elevated, with 203,100 initial claims during the third quarter of 2020, up from 47,225 a year earlier. Continued claims are also elevated and are not declining as rapidly as initial claims, averaging about 316,100 each week during the third quarter of 2020; the number of initial claims is lower compared with a weekly average of 417,700 during the second quarter and higher compared with a weekly average of 31,500 during the third quarter of 2019.

During the third quarter of 2020—

- Nonfarm payrolls in Colorado were down by 151,200 jobs, or 5.4 percent, from a year earlier, accounting for 58 percent of the job losses in the region and were led by a decline of 65,500 jobs, or 18.4 percent, in the leisure and hospitality sector. In the Denver metropolitan area, hotel occupancy in August 2020 was more than 40 percentage points lower than a year earlier, at 45.6 percent, and the average nightly room rate was down 36 percent to $101; nevertheless, hotel occupancy improved from the 15.7-percent low in April 2020 (Metro Denver Economic Development Corporation).
- Utah had the second smallest percentage decline in nonfarm payrolls in the nation, with a decrease of 1.4 percent, or 21,300 jobs, compared with the third quarter of 2019. Although leisure and hospitality sector payrolls fell by 26,500 jobs, or 16.9 percent, many sectors added jobs compared with a year ago, including the government sector; however, the gains in

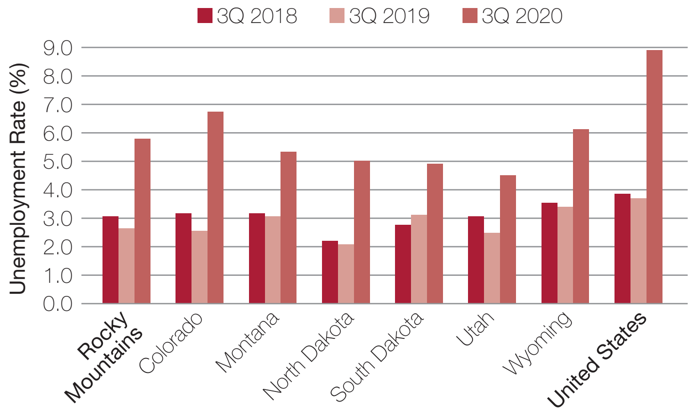
continued on page 3

continued from page 2

that sector were primarily a result of the addition of temporary Census workers in the federal government subsector.

- In South Dakota, nonfarm payrolls declined by 17,500 jobs, or 3.9 percent, from a year earlier, led by a decline in the leisure and hospitality sector by 5,700 jobs, or 11.1 percent. The construction subsector partially offset the job losses, increasing by 2,600 jobs, or 10.0 percent; construction activity was supported by the $12 million Avera Health medical center under construction in Gettysburg, which is expected to open in early 2021.
- In Montana and Wyoming, nonfarm payrolls decreased by 19,600 and 19,300 jobs, or 4.0 and 6.5 percent, respectively from a year earlier. Leisure and hospitality sector payrolls contributed the largest declines, and fell by 9,400 and 6,500 jobs, or 13.0 and 15.5 percent, respectively. Both states have a large tourism industry, and third quarter visits to national parks in these states were down nearly 10 percent from the same period in 2019. National parks in these states include Glacier, Grand Teton, and Yellowstone.
- North Dakota had the fastest decline, in percentage terms, in the region, with job losses of 7.1 percent, or 31,100 jobs, compared with a year earlier; nearly 27 percent of job losses were in the mining and logging subsector, which decreased by 8,300 jobs or 38 percent. Energy is a major industry in the state and low oil prices contributed to the job losses, which accounted for 40 percent of all mining and logging job losses in the region.

The third quarter unemployment rate in the Rocky Mountain region more than doubled from a year earlier, but the rate in every state in the region remained below the national rate.



3Q = third quarter.
Source: U.S. Bureau of Labor Statistics

During the third quarter of 2020, nonfarm payrolls in the Rocky Mountain region were down compared to a year earlier, with losses spread across all sectors.

	Third Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	6,040.4	5,780.5	-259.9	-4.3
Goods-Producing Sectors	894.0	868.0	-26.0	-2.9
Mining, Logging, & Construction	502.2	483.6	-18.6	-3.7
Manufacturing	391.7	384.4	-7.3	-1.9
Service-Providing Sectors	5,146.5	4,912.6	-233.9	-4.5
Wholesale & Retail Trade	863.2	852.7	-10.5	-1.2
Transportation & Utilities	231.8	218.9	-12.9	-5.6
Information	137.7	131.1	-6.6	-4.8
Financial Activities	356.8	355.7	-1.1	-0.3
Professional & Business Services	808.4	797.3	-11.1	-1.4
Education & Health Services	799.0	776.6	-22.4	-2.8
Leisure & Hospitality	720.6	600.8	-119.8	-16.6
Other Services	225.8	211.5	-14.3	-6.3
Government	1,003.1	968.0	-35.1	-3.5

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

Sales Market Conditions

Despite the economic downturn, home sales markets in the Rocky Mountain region were tight in the third quarter of 2020. Home prices were up from a year ago in all nine metropolitan areas cited in this report, and while sales decreased in some metropolitan areas, it was partly due to limited inventory. 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 September 2020 averaged about $499,900, up 6 percent from a year earlier, and sales increased 7 percent, to approximately 74,600 homes sold (Colorado Association of Realtors®). The September for-sale inventory declined from 2.3 months of supply in 2019 to 1.2 months of supply in 2020. In the Colorado Springs metropolitan area, sales were up 6 percent, to approximately 18,900 homes sold, and home prices were up 11 percent, to an average of $382,800 during the 12 months ending September 2020 (Pikes Peak Association of Realtors®). The number of active listings in September 2020 was down 50 percent from a year earlier, causing the for-sale inventory to decline from a 1.4- to a 0.5-month supply of homes. In the Ogden and Salt Lake City metropolitan areas, home prices in the 12 months ending September 2020 were up 8 and 9 percent, respectively, from a year earlier, to approximately $351,900 and $417,900 (Utah Association of Realtors®). During the same period, sales were up 5 percent in Ogden to 10,700 homes sold, and up 1 percent from a year earlier in Salt Lake City, to 18,150 homes sold. The inventory declined from a 2.5- to a 1.4-month supply of homes in Salt Lake City and from a 2.6- to a 1.0-month supply of homes in Ogden. Casper was the only metropolitan area in the report where sales declined, down 2 percent to 2,225 sales during the 12 months ending September 2020. Price growth remained strong, however, with prices increasing 6 percent to average $258,000 (Zonda, with adjustments by the analyst). In the Fargo and Missoula metropolitan areas, sales in the 12 months ending September 2020 increased 11 and 5 percent, respectively, from a year earlier, to 5,500 and 2,875 homes sold. Home prices in Fargo and Missoula were up 5 and 11 percent, to approximately $258,200 and $346,400, respectively, during that period. In the Rapid City metropolitan area, the number of sales and the average price each increased 9 percent from a year earlier, to 1,850 homes sold and an average price of $276,600 (Coldwell Banker/Lewis-Kirkby-Hall Real Estate, Inc.). The months' supply of inventory decreased from 3.4 to 2.2 months.

Although sales markets in the region appear strong in the third quarter of 2020, the rate of seriously delinquent mortgages (loans 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties spiked from a year ago. In August 2020, the share of mortgages in the Rocky Mountain region that were seriously delinquent or had transitioned into REO status was 2.6 percent, up from 0.6 percent a year earlier (CoreLogic, Inc.). Rates ranged from 2.2 percent in South Dakota to 3.0 percent in North Dakota and Wyoming. The largest increase was a 2.2-percentage-point increase in Colorado to 2.7 percent and the smallest increase was a 1.4-percentage-point gain in South Dakota. Although the rates were up in every state in the region, they remained below the national rate, which increased from 1.4 to 4.4 percent. Delinquencies rose sharply, partly reflecting the weakened economy and an increased reliance on mortgage forbearance by borrowers; however, foreclosures and properties in REO status decreased

continued on page 5

Home sales markets across the Rocky Mountain region were tight, with strong price growth in the past year.

	12 Months Ending	Number of Homes Sold			Price			
		2019	2020	Percent Change	Average	2019 ($)	2020 ($)	Percent Change
Casper (N&E)	September	2,275	2,225	-2	AVG	$244,300	$258,000	6
Colorado Springs (N&E)[a]	September	17,900	18,900	6	AVG	$346,200	$382,800	11
Denver (N&E)[b]	September	69,550	74,600	7	AVG	$472,000	$499,900	6
Fargo (N&E)	September	4,975	5,500	11	AVG	$245,100	$258,200	5
Fort Collins (N&E)	September	8,611	9,250	7	AVG	$414,700	$436,500	5
Missoula (N&E)	September	2,750	2,875	5	AVG	$311,300	$346,400	11
Ogden (N&E)[c]	September	10,150	10,700	5	AVG	$325,000	$351,900	8
Rapid City (N&E)[d]	September	1,700	1,850	9	AVG	$253,300	$276,600	9
Salt Lake City (N&E)[c]	September	18,000	18,150	1	AVG	$384,100	$417,900	9

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

Notes: Salt Lake City data is for Salt Lake County only. Denver data includes Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties.

Sources: (a) Pikes Peak Association of Realtors®; (b) Colorado Association of Realtors®; (c) Utah Association of Realtors®; (d) Coldwell Banker/Lewis-Kirkby-Hall Real Estate Inc.; all other metropolitan areas: Zonda, with adjustments by the analyst

continued from page 4

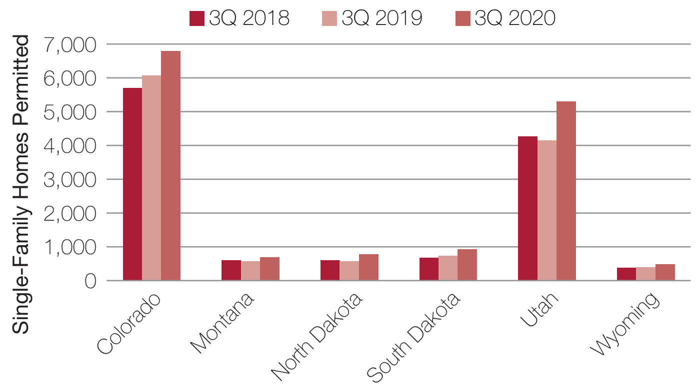
by 34 and 50 percent, respectively, compared with August 2020, largely attributed to the provisions in the CARES Act that limited foreclosures among federally backed mortgages.

Single-family construction in the region was up from a year ago in the third quarter of 2020, partly compensating for slower construction during the second quarter. In addition, the low supply of for-sale inventory across the region contributed to increased demand for new construction homes.

During the third quarter of 2020 (preliminary data)—

- The number of single-family homes permitted in the region increased 20 percent from a year earlier, to approximately 15,025 homes. Single-family permitting increased in every state in the region.
- Single-family permitting increased 28 percent in both Utah and Wyoming, to approximately 5,300 and 500 homes, respectively. Permitting in the Salt Lake City metropolitan area was up 6 percent, to about 1,500 homes, but growth was fastest in the nearby Provo and Ogden metropolitan areas, which increased 33 and 77 percent, respectively, to nearly 1,875 and 1,125 homes. In Wyoming, 75 percent of construction occurred outside of the metropolitan areas; in Casper and Cheyenne, construction increased 15 and 19 percent, respectively, to 50 and 130 homes permitted.
- In Colorado, single-family permitting increased 12 percent, to approximately 6,800 homes, which was the slowest rate of growth in the region. Construction is increasing throughout most of the state, as increases in all other metropolitan areas more than offset a decline of less than 1 percent in Denver; nevertheless, nearly 46 percent of statewide single-family homebuilding activity occurred in the Denver metropolitan area.
- In Montana, North Dakota, and South Dakota, single-family permitting increased 20, 36, and 25 percent, to approximately 690, 790, and 930 homes, respectively. Permitting declined 22 percent to 110 homes permitted in Missoula, but all other metropolitan areas in these states increased, with the largest numerical increases of 180 homes, or 50 percent, in Fargo to nearly 540 homes, and 120 homes, or 35 percent, in Sioux Falls, to 475 homes permitted.

Third quarter 2020 single-family home permitting increased in the Rocky Mountain region from a year ago, with the higher level in each state in response to tight sales market conditions.



3Q = third quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions were mixed in the Rocky Mountain region in the third quarter of 2020, ranging from slightly soft to tight. Despite job losses in sectors that disproportionately affected renter households, protections for renter households helped support demand and most households continued to be able to pay their rent. During the last week of the quarter, 85 percent of renter households were up to date on rent payments in the region, higher than the national rate of 80 percent (Census Bureau Household Pulse Survey). Due to the recovering economy since the second quarter, this percentage increased slightly from 82 percent in the region and 76 percent nationally as of the last week of the second quarter. The CARES Act passed by Congress in March 2020 included a moratorium on evictions and late fees for properties with federally backed mortgages; these protections were later extended through the end of 2020. Vacancies were up in four of the nine metropolitan areas cited in this report; the increases were generally small and rent growth continued in all but one metropolitan area in the region.

In the Colorado Springs and Fort Collins metropolitan areas, the apartment vacancy rates were down less than 1 percentage point from a year earlier, to 4.5 and 4.4 percent, respectively, in the third quarter of 2020 (*Apartment Insights*). The average rent was up 6 percent in Colorado Springs, where the market was tight, to $1,199, and only 1 percent in Fort Collins to $1,411. In Denver, the vacancy rate increased less than 1 percentage point to 5.8 percent and the average rent increased less than 1 percent to $1,505. In the Salt Lake City metropolitan area, the vacancy rate increased 1 percentage point, to 6.1 percent, and rents were up 1 percent from a year earlier, to an average of $1,104 (Reis, Inc.). The Fort Collins, Denver, and Salt Lake City metropolitan area apartment markets are all balanced. In the Provo metropolitan area, apartment market conditions softened. The vacancy rates were up from a year earlier, to 5.8 percent, and the market was the only one with declining rents, down 2 percent, to $988. Apartment conditions are tight in Missoula, slightly tight in Cheyenne, and balanced in Fargo and Sioux Falls. The vacancy rate in Missoula decreased

continued on page 6

continued from page 5

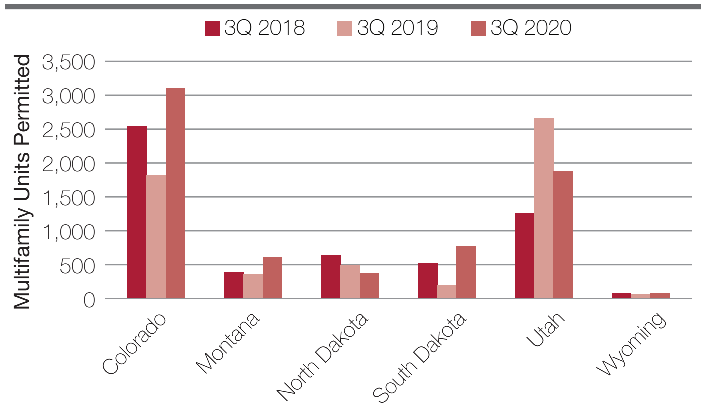
more than 1 percentage point to 2.6 percent and the rent increased 5 percent to average $1,152. Cheyenne also had a low vacancy rate of 2.0 percent, but rent growth was more moderate at 3 percent, an average of $889. The vacancy rate decreased to 3.4 percent in Fargo and increased to 5.9 percent in Sioux Falls; both markets had rent growth of approximately 1 percent, to $803 and $910, respectively.

Multifamily construction increased in the Rocky Mountain region, supported by a surge in construction in Colorado.

During the third quarter of 2020 (preliminary data)—

- Approximately 6,850 multifamily units were permitted in the region, a 22-percent increase from a year earlier. Multifamily permitting was down in North Dakota and Utah but was up in all the other states in the region.
- In Utah, multifamily permitting declined 29 percent, to 1,875 units; however, permitting in the third quarter of 2019 was unusually strong, at 2,675 units. Despite slightly soft apartment conditions, multifamily construction in the Provo metropolitan area increased 62 percent from a year earlier to 210 units permitted; permitting in all other metropolitan areas in Utah decreased in the past year, with Salt Lake City down by 290 units, to 1,325 multifamily units permitted.
- In Colorado, multifamily construction increased 70 percent, to 3,100 units. Approximately 93 percent of the statewide increase occurred in the Denver metropolitan area, where 2,475 multifamily units were permitted, up from 1,300 a year ago.
- In Montana, multifamily permitting increased 71 percent from approximately 360 to 620 units. Tight apartment conditions in Missoula spurred development and multifamily construction doubled in the past year, to 220 units. In Wyoming, permitting increased from nearly 70 to 80 units; as with single-family permitting, the increase in multifamily construction occurred outside of the Wyoming metropolitan areas, offsetting slight declines in Casper and Cheyenne.
- In South Dakota, multifamily permitting more than tripled, compared with a year ago, from approximately 210 to 780 units, while in North Dakota, permitting decreased 22 percent, to 390 units. Sioux Falls led the year over year increase in South Dakota, increasing from 90 units to 470. The largest decline in North Dakota occurred in the Fargo metropolitan area where multifamily permits decreased 32 percent to 240 units.

Third quarter 2020 multifamily permitting in the Rocky Mountain region increased in four of the six states, led by a surge in Colorado.



3Q = third quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

Apartment market conditions in the Rocky Mountain region during the third quarter of 2020 ranged from slightly soft in Provo to tight in Colorado Springs and Missoula.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2019 (%)	3Q 2020 (%)	Percentage Point Change	3Q 2019 ($)	3Q 2020 ($)	Percent Change
Cheyenne	Slightly Tight	2.4	2.0	-0.4	860	889	3.4
Colorado Springs[a]	Tight	5.2	4.5	-0.7	1,129	1,199	6.2
Denver[a]	Balanced	5.3	5.8	0.5	1,499	1,505	0.4
Fargo	Balanced	5.0	3.4	-1.6	797	803	0.8
Fort Collins[a]	Balanced	4.6	4.4	-0.2	1,395	1,411	1.1
Missoula	Tight	3.7	2.6	-1.1	1,097	1,152	5.0
Provo[b]	Slightly Soft	5.1	5.8	0.7	1,011	988	-2.3
Salt Lake City[b]	Balanced	5.0	6.1	1.1	1,092	1,104	1.1
Sioux Falls	Balanced	4.6	5.9	1.3	901	910	1.0

3Q = third quarter.
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) *Apartment Insights*; (b) Reis, Inc.; all other metropolitan areas: RealPage, Inc.