

HUD PD&R Regional Reports

Region 8: Rocky Mountain

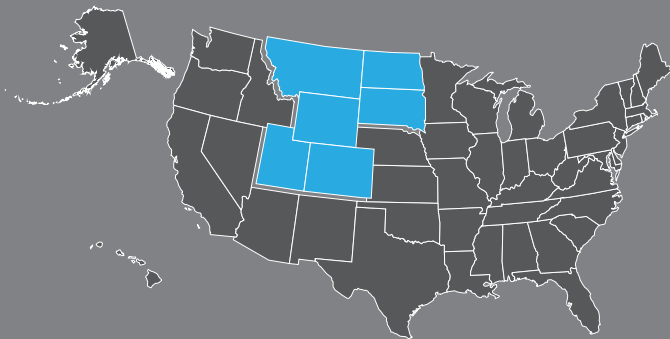


Sioux Falls, South Dakota

Quick Facts About Region 8

By James Conner | 4th Quarter 2019

- **Sales market conditions—**
Fourth quarter 2019: tight
Third quarter 2019: tight
Fourth quarter 2018: tight
- **Apartment market conditions—**
Fourth quarter 2019: mixed (balanced to slightly tight)
Third quarter 2019: mixed (slightly soft to slightly tight)
Fourth quarter 2018: balanced



Overview

The economy in the Rocky Mountain region continued expanding during the fourth quarter of 2019, with nonfarm payrolls increasing by 121,900 jobs, or 2.0 percent, from a year earlier. Job growth in the region has averaged 1.9 percent a year in the past 4 years, down from an average of 2.7 percent during the preceding 4 years, partly due to tighter labor market conditions. During the fourth quarter of 2019, the unemployment rate in the region was very low, at 2.5 percent—down from 3.3 percent a year earlier. Home sales market conditions in the Rocky Mountain region were tight, with most metropolitan areas having less than a 3.0-month supply of homes for sale in December 2019; however, sales in most metropolitan areas during the fourth quarter of 2019 were up from a year ago despite the limited for-sale supply. Single-family home permitting during the fourth quarter of 2019 was up 5 percent from a year earlier, to about 10,500 homes. Apartment market conditions ranged from balanced to slightly tight but were balanced in most metropolitan areas in the region. Apartment vacancy rates decreased from a year ago in many areas, and the rates ranged from 3.9 to 6.1 percent in most of the nine metropolitan areas highlighted in this report. Multifamily construction during the fourth quarter of 2019 was up 14 percent from a year earlier, to about 8,625 units permitted.

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During the fourth quarter of 2019—

- Utah had the lowest unemployment rate in the nation, at 1.9 percent. Utah also had the highest rate of nonfarm payroll growth in the nation, at 3.4 percent; however, Wyoming had the largest decline in nonfarm payrolls in the nation, down 0.7 percent.
- In the nine metropolitan areas cited in this report, year-over-year home price increases ranged from 3 to 9 percent, and in much of the region, home price increases outpaced income growth. Average weekly earnings for private employees in the

region were up 4.0 percent from a year earlier, compared with an average increase nationwide of 2.7 percent (Bureau of Labor Statistics).

- Apartment market conditions were balanced in seven of the nine metropolitan areas cited in this report. Declining apartment vacancies in the Casper and Greeley metropolitan areas caused those markets to become slightly tight; however, conditions were balanced in five other metropolitan areas that had vacancy rate declines.

Economic Conditions

The economy in the Rocky Mountain region has been expanding since 2010. During the fourth quarter of 2019, nonfarm payrolls increased by 121,900 jobs—or 2.0 percent—from a year earlier, to 6.07 million jobs. Payrolls were up in all nonfarm sectors, led by the professional and business services and the education and health services sectors, which increased by 33,600 and 27,500 jobs, or 4.3 and 3.5 percent, respectively; combined, those two sectors accounted for one-half of the payroll gain in the region. In the well-paying professional, scientific, and technical services industry, payrolls were up by more than 22,000 jobs—or 5.8 percent—from a year earlier. In the health care and social assistance industry, payroll gains since 2013 have averaged 17,450 jobs—or 3.0 percent—a year. During the fourth quarter of 2019, payrolls in that industry were up by 21,500 jobs—or 3.2 percent—from a year earlier. To serve a growing population, Denver Health is building a 293,000-square-foot Outpatient Medical Center at a cost of \$157 million, which is slated to open in mid-2020.

Within the mining, logging, and construction sector in the region, growth was strong in the construction subsector, with payrolls increasing by 12,600 jobs—or 3.3 percent—helped by strong residential and nonresidential construction spending. That construction included the \$750 million Facebook, Inc. Steeplechase data center in Eagle Mountain, Utah and two mixed-use residential/retail developments in lower downtown Denver—the Rockies West Lot and Market Station projects—with a combined cost of \$415 million (McGraw-Hill Construction Pipeline database). Payrolls declined, however, in the mining and logging subsector by 2,400 jobs—or 2.7 percent—mainly due to falling energy prices. In the fourth quarter of 2019, oil prices in the United States were down 4 percent from a year earlier, to less than \$57 a barrel (U.S. Energy Information Administration). The number of active drilling rigs in the region decreased 12 percent in the fourth quarter of 2019 from a year earlier, to about 110 rigs (Baker Hughes Co.).

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Nonfarm payroll growth in the Rocky Mountain region was broad based, with gains in all nonfarm payroll sectors.

	Fourth Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	5,946.6	6,068.5	121.9	2.0
Goods-Producing Sectors	854.8	869.7	14.9	1.7
Mining, Logging, & Construction	467.8	478.0	10.2	2.2
Mining & Logging	89.2	86.8	-2.4	-2.7
Construction	378.6	391.2	12.6	3.3
Manufacturing	387.1	391.7	4.6	1.2
Service-Providing Sectors	5,091.7	5,198.8	107.1	2.1
Wholesale & Retail Trade	875.9	882.3	6.4	0.7
Transportation & Utilities	229.2	234.2	5.0	2.2
Information	136.0	137.1	1.1	0.8
Financial Activities	347.6	354.6	7.0	2.0
Professional & Business Services	783.8	817.4	33.6	4.3
Education & Health Services	796.1	823.6	27.5	3.5
Leisure & Hospitality	668.5	678.7	10.2	1.5
Other Services	221.4	223.5	2.1	0.9
Government	1,033.1	1,047.4	14.3	1.4

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

Source: U.S. Bureau of Labor Statistics



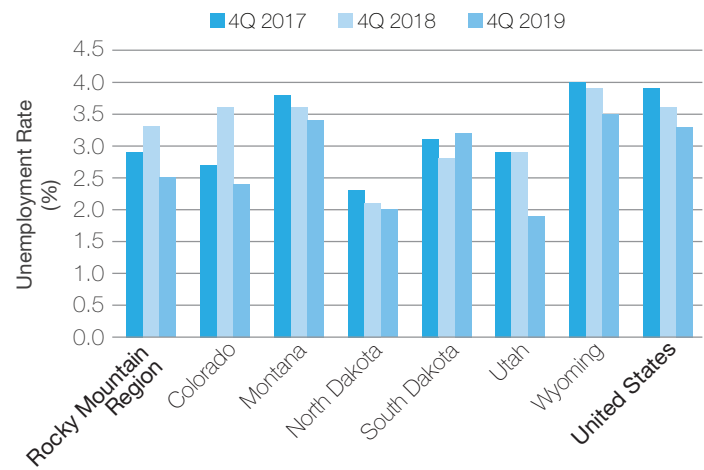
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The labor market in the Rocky Mountain region is very tight. During the past 3 years, the unemployment rate has usually remained below 3.5 percent. From the fourth quarter of 2018 to the fourth quarter of 2019, the unemployment rate in the region declined from 3.3 percent to 2.5 percent—the region's lowest rate in at least 50 years. Within the region, the nonseasonally adjusted state unemployment rates ranged from 1.9 percent in Utah (the lowest rate in the nation) to 3.5 percent in Wyoming. The national unemployment rate was 3.3 percent in the fourth quarter of 2019—down from 3.6 percent a year earlier.

During the fourth quarter of 2019—

- In Utah, nonfarm payrolls were up by 51,800 jobs—or 3.4 percent—from a year ago—the highest rate of job growth in the nation. The education and health services, the professional and business services, and the leisure and hospitality sectors had the greatest gains, with increases of 12,100, 8,500, and 5,700 jobs—or 5.8, 3.9, and 3.8 percent—respectively.
- Nonfarm payrolls in Colorado were up by 57,600 jobs—or 2.1 percent—from a year earlier. A gain of 22,900 jobs—or 5.3 percent—in the professional and business services sector led the growth. Sector growth included an increase of nearly 17,250 jobs, or 7.4 percent, in the professional, scientific, and technical services industry.
- In South Dakota, nonfarm payrolls increased by 6,700 jobs—or 1.5 percent—slightly above the national growth rate of 1.4 percent. The wholesale and retail trade sector and the construction subsector led the payroll gains in South Dakota, with increases of 1,400 and 900 jobs—or 1.9 and 3.9 percent, respectively. In Montana, nonfarm payrolls increased by 5,700 jobs—or 1.2 percent. The education and health services and the professional and business services sectors had the greatest gains, with increases of 1,400 and 1,200 jobs, or 1.8 and 2.8 percent, respectively.

Unemployment was down from a year ago in nearly all states in the region, led by 1-percentage-point declines in Colorado and Utah.



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

- Nonfarm payrolls in North Dakota were up by 2,100 jobs—or 0.5 percent—from a year earlier, but payrolls in Wyoming declined by 2,000 jobs—or 0.7 percent—the largest job loss in the nation. In North Dakota, education and health services sector payrolls were up by 2,400 jobs—or 3.7 percent—but the mining and logging subsector and the wholesale and retail trade sector lost 900 and 1,500 jobs, declines of 4.2 and 2.1 percent, respectively. In Wyoming, the wholesale and retail trade and the financial activities sectors grew by 400 and 300 jobs—or 1.1 and 2.8 percent—respectively, but the mining, logging, and construction sector declined by 2,400 jobs, or 5.6 percent. In addition, the professional and business services and the education and health services sectors each declined by 700 jobs—or 3.7 and 2.5 percent—respectively.

Sales Market Conditions

Home sales market conditions in the Rocky Mountain region were tight in the fourth quarter of 2019, with employment and income growth supporting increased demand for homeownership. In most metropolitan areas in the region, the number of active listings represented less than a 3.0-month supply of homes for sale, and the months of supply declined during 2019. Despite the low for-sale inventory, the number of home sales increased from a year ago in seven of the nine metropolitan areas cited in this report.

The Denver-Aurora-Lakewood metropolitan area had a 1.4-month supply of homes for sale in December 2019—down from a 2.1-month supply a year earlier (Colorado Association of Realtors®). New and existing home prices in the Denver metropolitan area averaged about \$476,000 in 2019—up 3 percent from a year

earlier—and approximately 72,250 homes sold during 2019—up 6 percent from a year earlier. The Colorado Springs metropolitan area had a 1.0-month supply of homes for sale in December 2019—down from a 1.5-month supply a year earlier (Pikes Peak Association of Realtors®). Home prices in that area averaged \$351,900 in 2019, up 6 percent from a year earlier, and sales were up 3 percent, to about 18,300 homes sold.

In the Salt Lake City and Provo-Orem metropolitan areas, the active listings represented 1.4 and 2.3 months of supply in December 2019—down from 2.3 and 3.6 months of supply, respectively, a year earlier (Utah Association of Realtors®). Home prices in the Salt Lake City and Provo-Orem metropolitan areas averaged \$390,400 and \$363,000, respectively, in 2019—

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Although home sales market conditions were tight throughout the Rocky Mountain region, sales in 2019 were up from a year earlier in most metropolitan areas.

	12 Months Ending	Number of Homes Sold				Price		
		2018	2019	Percent Change	Average	2018 (\$)	2019 (\$)	Percent Change
Billings (N&E)	Dec-19	4,075	4,550	12	AVG	262,600	269,900	3
Cheyenne (N&E)	Dec-19	3,050	3,200	5	AVG	253,900	276,300	9
Colorado Springs (N&E) ^a	Dec-19	17,850	18,300	3	AVG	332,100	351,900	6
Denver (N&E) ^b	Dec-19	67,900	72,250	6	AVG	460,800	476,000	3
Fargo (N&E)	Dec-19	5,000	5,150	3	AVG	236,200	246,800	4
Provo (N&E) ^c	Dec-19	9,450	10,650	13	AVG	340,200	363,000	7
Rapid City (N&E) ^d	Dec-19	1,725	1,800	4	AVG	249,200	258,300	4
Salt Lake City (N&E) ^c	Dec-19	18,150	18,050	-1	AVG	363,400	390,400	7
Sioux Falls (N&E) ^e	Dec-19	4,775	4,725	-1	AVG	229,700	243,900	6

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

Note: 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) Coldwell Banker/Lewis-Kirkby-Hall Real Estate Inc.; (e) Realtor® Association of the Sioux Empire, Inc.; all other metropolitan areas: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

increases of 7 percent from a year earlier in both areas. Home sales in the Salt Lake City metropolitan area were down 1 percent from 2018, to about 18,050 homes sold. In the Provo-Orem metropolitan area, however, sales in 2019 were up 13 percent from a year earlier—to approximately 10,650 homes sold.

In the Sioux Falls metropolitan area, the active listings in December 2019 represented a 3.0-month supply of homes for sale, down from a 3.4-month supply a year earlier (Realtor® Association of the Sioux Empire, Inc.). Home sales prices in the area during 2019 were up 6 percent from a year earlier—to about \$243,900—but sales were down 1 percent—to approximately 4,725 homes sold. The Rapid City metropolitan area had a 1.8-month supply of homes for sale in December 2019—down from a 3.4-month supply a year earlier (Coldwell Banker/Lewis-Kirkby-Hall Real Estate Inc.). Sales in the area during 2019 were up 4 percent from a year earlier—to approximately 1,800 homes sold—and the average price was also up 4 percent—to \$258,300. In the Fargo metropolitan area, sales during 2019 were up 3 percent from a year earlier—to 5,150 homes sold—and prices were up 4 percent—to about \$246,800 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).

The rate of seriously delinquent mortgages (loans 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties declined in the past year in the Rocky Mountain region, helped by strong sales demand and rising home prices. In November 2019, the share 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 slightly from a year ago in every state in the region, and in November 2019, the rates ranged from 0.5 percent in Colorado to 0.9 percent in North Dakota, South Dakota, and Wyoming. All states in the Rocky Mountain region had rates well below the 1.4-percent national average.

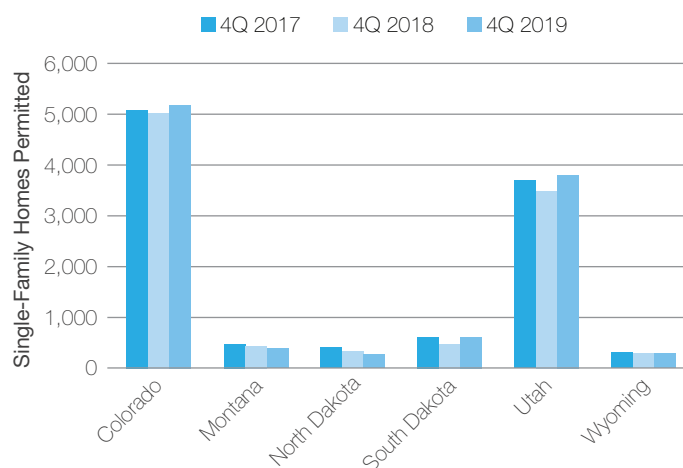
Strong home sales demand supported increased single-family homebuilding activity in the region.

During the fourth quarter of 2019 (preliminary data)—

- Construction of new single-family homes in the Rocky Mountain region was up 5 percent from a year earlier, to approximately 10,500 homes permitted. Increases in permitting in Utah and Colorado more than offset declines in Montana and North Dakota.
- In Colorado, single-family homebuilding was up by about 150 homes, or 3 percent, from a year earlier, to approximately 5,175 homes permitted. In the Denver metropolitan area, permitting

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Single-family permitting in the Rocky Mountain region increased in the fourth quarter of 2019 from a year earlier, led by gains in Utah and Colorado.



4Q = fourth quarter.

Note: Based on preliminary data.

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

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decreased 2 percent, to about 2,625 homes; but in the Greeley, Colorado Springs, and Fort Collins metropolitan areas, permitting increased 7, 14, and 21 percent, to about 640, 970, and 440 homes, respectively.

- In Utah, homebuilding was up by 320 homes, or 9 percent, to about 3,800 single-family homes permitted. Construction increased in all of the metropolitan areas in Utah, led by the Provo-Orem and St. George metropolitan areas, with increases of 12 and 31 percent, to approximately 1,300 and 450 homes permitted, respectively. In the Salt Lake City metropolitan area, construction increased 2 percent, to about 1,225 homes permitted.

- In Wyoming and South Dakota, single-family permitting increased 3 and 27 percent from a year earlier, to about 280 and 600 homes, respectively. In the Cheyenne and Sioux Falls metropolitan areas, permitting increased 5 and 40 percent, to about 85 and 340 homes, respectively.
- In Montana and North Dakota, single-family permitting was down 11 and 19 percent from a year earlier, to about 380 and 260 homes, respectively. In the Billings and Fargo metropolitan areas, single-family construction declined 22 and 18 percent, to about 70 and 140 homes permitted, respectively.

Apartment Market Conditions

Apartment markets in the Rocky Mountain region were mostly balanced in the fourth quarter of 2019. In seven of the nine metropolitan areas cited in this report, apartment conditions were balanced, but conditions tightened in the Casper and Greeley metropolitan areas, and those markets were slightly tight in the fourth quarter of 2019. Apartment completions in the region remained elevated, with approximately 4,725 units completed during the fourth quarter of 2019, but that was down from 5,800 units during the fourth quarter of 2018 (McGraw-Hill Construction Pipeline database). The decline was partly due to construction worker shortages, which delayed the completion of some projects. Absorption of new units was strong, and apartment vacancies decreased or remained virtually unchanged in all nine metropolitan areas cited in this report.

In the Denver and Colorado Springs metropolitan areas, apartment conditions were balanced, with average vacancy rates of 6.0 and 6.1 percent, respectively, during the fourth quarter of 2019—essentially unchanged from a year earlier (*Apartment Insights*). The average rents increased 4 and 9

percent from a year earlier, to \$1,486 and \$1,142, respectively. In the Greeley metropolitan area, apartment vacancies declined from 4.2 to 3.5 percent, and the average rent increased 5 percent, to \$1,201. In the Salt Lake City and Ogden-Clearfield metropolitan areas, apartment conditions were balanced, with vacancy rates of 5.4 and 3.9 percent in the fourth quarter of 2019—down from 5.8 and 4.6 percent, respectively, a year earlier (Reis, Inc.). Apartment rents in those areas averaged \$1,101 and \$980 during the fourth quarter of 2019—increases of 4 and 3 percent, respectively, from a year earlier. In the Sioux Falls and Fargo metropolitan areas, apartment conditions were also balanced, with vacancy rates of 5.5 and 5.1 percent, down significantly from 8.4 and 6.4 percent, respectively, a year earlier (Axiometrics, Inc.). The average apartment rent was up 4 percent in the Sioux Falls metropolitan area, to \$884, but the average rent fell 1 percent in the Fargo metropolitan area, to \$783. In the Casper metropolitan area, apartment vacancies averaged 3.2 percent—down from 5.6 percent a year earlier, and the average rent increased 11 percent, to \$928.

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Apartment vacancies declined in most metropolitan areas in the region during the fourth quarter of 2019, but market conditions remained balanced in most areas.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2018 (%)	4Q 2019 (%)	Percentage Point Change	4Q 2018 (\$)	4Q 2019 (\$)	Percent Change
Billings	Balanced	4.1	4.0	-0.1	993	1,025	3
Casper	Slightly tight	5.6	3.2	-2.4	835	928	11
Colorado Springs ^a	Balanced	6.1	6.1	0.0	1,052	1,142	9
Denver ^a	Balanced	5.9	6.0	0.1	1,423	1,486	4
Fargo	Balanced	6.4	5.1	-1.3	792	783	-1
Greeley ^a	Slightly tight	4.2	3.5	-0.7	1,141	1,201	5
Ogden ^b	Balanced	4.6	3.9	-0.7	956	980	3
Salt Lake City ^b	Balanced	5.8	5.4	-0.4	1,063	1,101	4
Sioux Falls	Balanced	8.4	5.5	-2.9	848	884	4

4Q = fourth quarter.

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

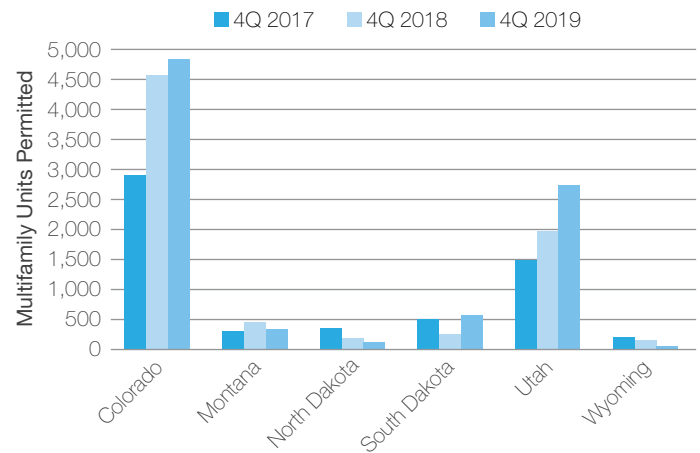
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Developer interest remained strong in much of the Rocky Mountain region, and multifamily construction increased.

During the fourth quarter of 2019 (preliminary data)—

- Approximately 8,625 multifamily units were permitted in the region—up 14 percent from a year earlier. Increased permitting in Colorado, South Dakota, and Utah offset decreases in Montana, North Dakota, and Wyoming.
- In Utah, multifamily construction was up 40 percent from a year earlier, to nearly 2,750 units permitted. In the Ogden-Clearfield metropolitan area, permitting declined 58 percent, to 170 units, but in the Salt Lake City metropolitan area, permitting increased 19 percent, to nearly 1,325 units, and in the Provo-Orem metropolitan area, permitting was up significantly, from about 320 to 860 units.
- Multifamily construction in Colorado increased 6 percent from a year earlier, to about 4,825 units permitted. In the Fort Collins metropolitan area, permitting was down by more than one-half, declining from 580 to 270 units, but in the Denver metropolitan area, permitting was up 12 percent, to about 3,425 units. In the Colorado Springs metropolitan area, permitting increased from about 30 to 270 units, and the Greeley metropolitan area had a nearly four-fold increase in permitting, from about 170 to 670 units.
- In South Dakota, multifamily permitting more than doubled, increasing from about 250 to 570 units, which included an increase from 160 to 320 units permitted in the Sioux Falls metropolitan area.

Multifamily construction activity in the Rocky Mountain region was up from a year earlier during the fourth quarter of 2019, led by a strong increase in Utah.



4Q = fourth quarter.

Note: Based on preliminary data.

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

- Multifamily permitting declined in Montana, North Dakota, and Wyoming by 26, 38, and 72 percent, to about 330, 110, and 40 units, respectively. Building activity decreased in all of the metropolitan areas in the three states, including a decline in the Billings metropolitan area, from 150 units to fewer than 10 units permitted, and a decline in the Fargo metropolitan area, from about 130 to 90 units permitted.