

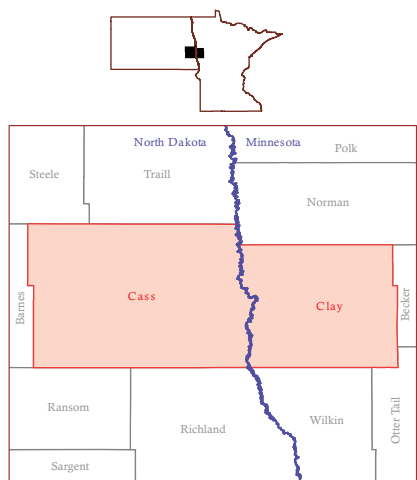


Fargo, North Dakota-Minnesota

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of June 1, 2015

PD&R

Housing Market Area



The Fargo Housing Market Area (HMA) is coterminous with the Fargo, ND-MN Metropolitan Statistical Area, comprising Cass County in eastern North Dakota and Clay County in northwestern Minnesota. The principal city of Fargo, North Dakota, is bounded by the Red River and the city of Moorhead, Minnesota, to the east and by the city of West Fargo, North Dakota, to the west. Annual spring flooding of the Red River limits developable land around the urban areas of the HMA.

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Summary

Economy

The Fargo HMA had only 1 year of job losses during the recent national recession and had fully recovered the number of jobs lost by the end of 2011. During the 12 months ending May 2015, nonfarm payrolls increased by 4,900 jobs, or 3.7 percent, to 139,000 jobs compared with the number of jobs a year earlier. The largest employers in the HMA are Sanford Health, North Dakota State University, and Essentia Health, with 6,025, 4,475, and 3,375 employees, respectively. Education and health services sector payrolls are expected to lead employment growth during the next 3 years.

Sales Market

Sales housing market conditions in the HMA are currently balanced, with an estimated vacancy rate of 1.7 percent, down from 1.9 percent in April 2010. Total home sales decreased nearly 6 percent during the past year but remain higher than the prerecession peak in 2007. During the next 3 years, demand is expected for 3,350 new homes in the HMA (Table 1). The 390 homes currently under construction and a portion of the 2,500 other vacant homes that may reenter the market will satisfy a portion of the demand.

Rental Market

The rental housing market in the HMA is balanced, with an estimated vacancy rate of 5.7 percent, down from 7.1 percent in April 2010. The average apartment rent was \$740 during the first quarter of 2015, up 2 percent from a year earlier (Reis, Inc.). During the next 3 years, demand is expected for 3,625 new market-rate units (Table 1). An unprecedented 2,450 apartment units are currently under construction in the HMA and will meet most of the demand.

Table 1. Housing Demand in the Fargo HMA During the Forecast Period

	Fargo HMA	
	Sales Units	Rental Units
Total demand	3,350	3,625
Under construction	390	2,450

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of June 1, 2015. A portion of the estimated 2,500 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is June 1, 2015, to June 1, 2018.

Source: Estimates by analyst

Economic Conditions

Economic conditions in the Fargo HMA are strong after a brief slowdown in 2009. Nonfarm payrolls during the 12 months ending May 2015 averaged 139,000, an increase of 4,900 jobs, or 3.7 percent, from a year earlier (Table 2). The wholesale and retail trade and the leisure and hospitality sectors led job growth, increasing by 1,000 jobs each, or 4.1 and 7.5 percent, respectively.

The Fargo HMA is a center for trade and healthcare services. Tourism from Canadian visitors contributes

to payrolls in the wholesale and retail trade and the leisure and hospitality sectors. Combined, the wholesale and retail trade, education and health services, and leisure and hospitality sectors comprise 44 percent of nonfarm payrolls (Figure 1). From 2000 through 2003, total nonfarm payroll growth averaged 1,125 new jobs, or 1.1 percent, annually. During the subsequent 5 years, growth accelerated to average 3,050 jobs, or 2.7 percent, annually to a peak of 120,800 jobs in 2008. The education and health services and the leisure and hospitality sectors added averages of 520 and 340 jobs, annually, leading growth. The Fargo HMA weathered the recent national recession (December 2007 to June 2009) well, with a single year of payroll losses of 1,200 jobs, or 1.0 percent, to 119,600 jobs in 2009. Most of the jobs lost were in the mining, logging, and construction sector, because homebuilding activity declined, and the manufacturing sector, which each lost 700 jobs, or 9.2 and 7.3 percent respectively. In 2009, The J.M. Smucker Company announced the layoffs of 140 manufacturing jobs in the city of West Fargo, North Dakota. During the first half of 2009, the economy was also disrupted when HMA residents and businesses focused efforts on flood preparation, mitigation, and recovery because the Red River flooded after rains and winter snowmelt, cresting at a record level in late March (Home Builders Association of Fargo-Moorhead). Sanford Health, the largest employer in the HMA with about 6,025 employees, estimated its economic cost from the 2009 flood to be \$4.5 million because the downtown Fargo hospital was temporarily evacuated.

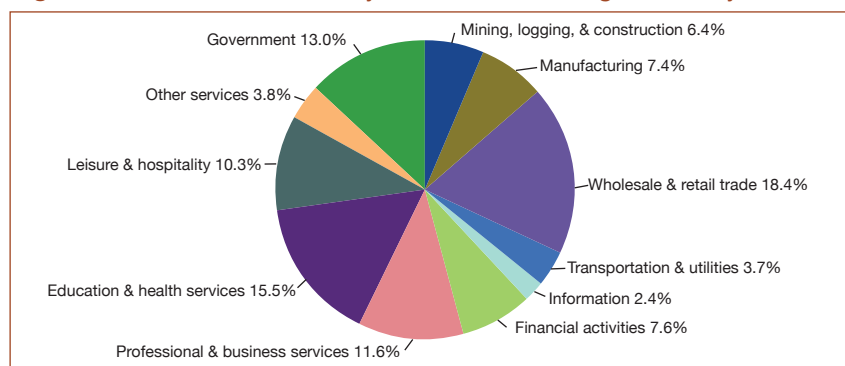
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Fargo HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	May 2014	May 2015		
Total nonfarm payroll jobs	134,100	139,000	4,900	3.7
Goods-producing sectors	18,400	19,200	800	4.3
Mining, logging, & construction	8,200	8,900	700	8.5
Manufacturing	10,200	10,300	100	1.0
Service-providing sectors	115,700	119,900	4,200	3.6
Wholesale & retail trade	24,600	25,600	1,000	4.1
Transportation & utilities	4,900	5,100	200	4.1
Information	3,300	3,300	0	0.0
Financial activities	10,000	10,600	600	6.0
Professional & business services	15,700	16,100	400	2.5
Education & health services	21,300	21,500	200	0.9
Leisure & hospitality	13,300	14,300	1,000	7.5
Other services	5,200	5,300	100	1.9
Government	17,500	18,100	600	3.4

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through May 2014 and May 2015. Uniformed military personnel are not included in nonfarm payroll data.

Source: U.S. Bureau of Labor Statistics

Figure 1. Current Nonfarm Payroll Jobs in the Fargo HMA, by Sector



Note: Based on 12-month averages through May 2015.

Source: U.S. Bureau of Labor Statistics

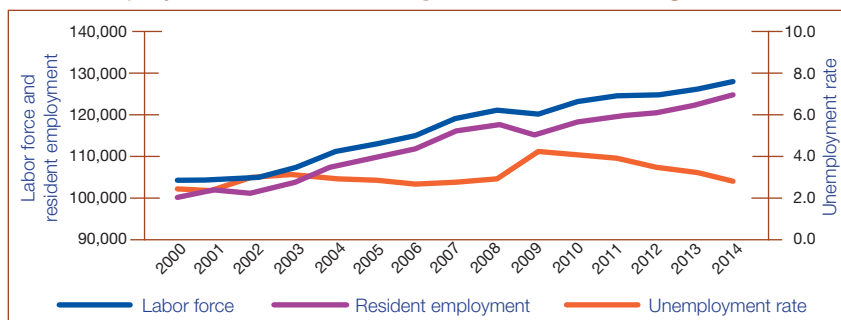
By the end of 2011, nonfarm payrolls exceeded the prerecession high and averaged 123,700 jobs, an average increase of 2,050 jobs, or 1.7 percent, annually since the end of 2009. In 2012 and 2013, nonfarm payroll growth surged to an average of 4,350 jobs, or 3.5 percent, annually, to 132,400 jobs at the end of 2013. Gains were greatest in the professional and business services and the education and health services sectors, adding an average of 900 and 800 jobs annually, respectively. By comparison, national nonfarm payrolls decreased an average of 1.9 percent annually from the end of 2007 through 2010 and did not surpass the previous high until 2014. The unemployment rate in the HMA during the 12 months ending May 2015 was 2.7 percent, down from 2.9 percent

a year earlier and down from a high of 4.3 percent in 2009. Figure 2 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2014. Table 3 shows the major employers in the Fargo HMA.

Wholesale and retail trade is the largest payroll sector, comprising 18.4 percent of nonfarm payrolls, with 25,600 jobs. Job growth in the wholesale and retail trade sector during the past year reflects increases in consumer confidence and buying activity. Sales tax revenue in Cass County increased nearly 7 percent, to approximately \$16.2 million, during 2014 (Cass County Assessor's Office). During 2013, sales tax revenue in Cass and Clay Counties increased 2 and 6 percent, respectively, compared with revenue a year earlier (Cass County Assessor's Office and Minnesota Department of Revenue; most recent data available covering both counties). Being approximately 150 miles south of the Pembina, North Dakota, port of entry, the HMA also attracts Canadians seeking affordable gas and duty-free shopping when the Canadian dollar is strong. Canadian spending in North Dakota increased nearly 10 percent in 2012 from a year earlier (the most recent data available; *North Dakota Tourism Annual Report 2014*).

Leisure and hospitality was the second fastest growing payroll sector during the past year. From the end of 2000 through 2009, the sector increased by 280 jobs, or 2.4 percent, annually, to 12,800 jobs before decreasing by 150 jobs, or 1.2 percent, annually, to 12,500 jobs in 2011, when consumer confidence wavered after the economic slowdown in 2009. Canadian tourism contributes to

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Fargo HMA, 2000 Through 2014



Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Fargo HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Sanford Health	Education & health services	6,025
North Dakota State University	Government	4,475
Essentia Health	Education & health services	3,375
Noridian Healthcare Solutions, LLC	Professional & business services	1,375
CNH Industrial America, LLC	Manufacturing	1,250
Wanzek Construction, Inc.	Mining, logging, & construction	1,100
U.S. Bancorp	Financial activities	1,050
Department of Veterans Affairs	Government	1,000
Eventide Senior Living Communities	Education & health services	1,000
Blue Cross Blue Shield of North Dakota	Financial activities	875

Note: Excludes local school districts.

Source: The Chamber of Commerce of Fargo Moorhead, December 2014

the North Dakota economy, with leisure and shopping being the primary purposes of approximately 75 percent of visitors (North Dakota Tourism Division, 2012). The number of Canadians entering the United States through the Pembina border crossing decreased 18 percent in 2009 compared with the number of visitors a year earlier, because the Canadian dollar was slightly weaker than the U.S. dollar. Canadian visitors increase when the exchange rate is favorable in order to maximize their purchasing power. The sector rebounded quickly, surpassing the prerecession peak number of jobs in 2012 and expanding by an average of 430 jobs, or 3.4 percent, annually from the end of 2011 through 2014. In 2013, the U.S. Olympic Trials for curling were held at Scheels Arena in the city of Fargo, drawing thousands of out-of-town competitors and visitors. Cambria Hotels & Suites opened a 103-room hotel and convention center in West Fargo in April 2014, adjacent to the site of the new Sanford Medical Center, which is currently under construction. In March 2015, the 100-room Element by Westin opened in West Fargo, also near the Sanford Medical Center, with 20 employees.

The construction subsector, which comprises approximately 90 percent of mining, logging, and construction sector jobs in the HMA, averaged 8,400 jobs in 2014 (the most recent covered payroll data available) compared with 650 jobs in the mining subsector. After peaking at 7,450 jobs in 2008, construction subsector payrolls decreased by an average of 470 jobs, or 6.5 percent, annually to 6,525 jobs in 2010, as homebuilding activity declined. Total nonfarm payroll gains were slow during the first

year of the job recovery in 2010, but when economic conditions improved at a higher rate in subsequent years, homebuilding activity also increased. Construction subsector payrolls had recovered by 2013, increasing by an average of 370 jobs, or 5.4 percent, annually from the end of 2010 through 2013. Reflecting the surge in homebuilding activity since 2010, residential construction employment increased by an average of 60 jobs, or 9.7 percent, annually, to 800 jobs in 2014. During the 12 months ending May 2015, mining, logging, and construction sector payrolls increased by 700 jobs, or 8.5 percent, to 8,900 payrolls, the highest rate of growth in the HMA. The growth during the past year, like other years since 2010, resulted from increases in both residential and commercial construction, including an unprecedented number of apartment units currently under construction. Commercial construction projects in the HMA currently under way include several new schools, the new Sanford Medical Center, and an expansion of a hospital at Essentia Health. Contributing to the gains in payrolls, construction employment at the new Sanford Medical Center is expected to increase from about 250 workers in the summer of 2014 to 600 workers by the summer of 2015.

The education and health services sector is the only sector that has not sustained any annual decreases in employment since 2000. The sector provides relatively stable employment growth to the HMA and is the second largest employment sector, accounting for 15.5 percent of nonfarm payrolls. During the 12 months ending May 2015, education and health services sector payrolls increased 200 jobs, or 0.9 percent,

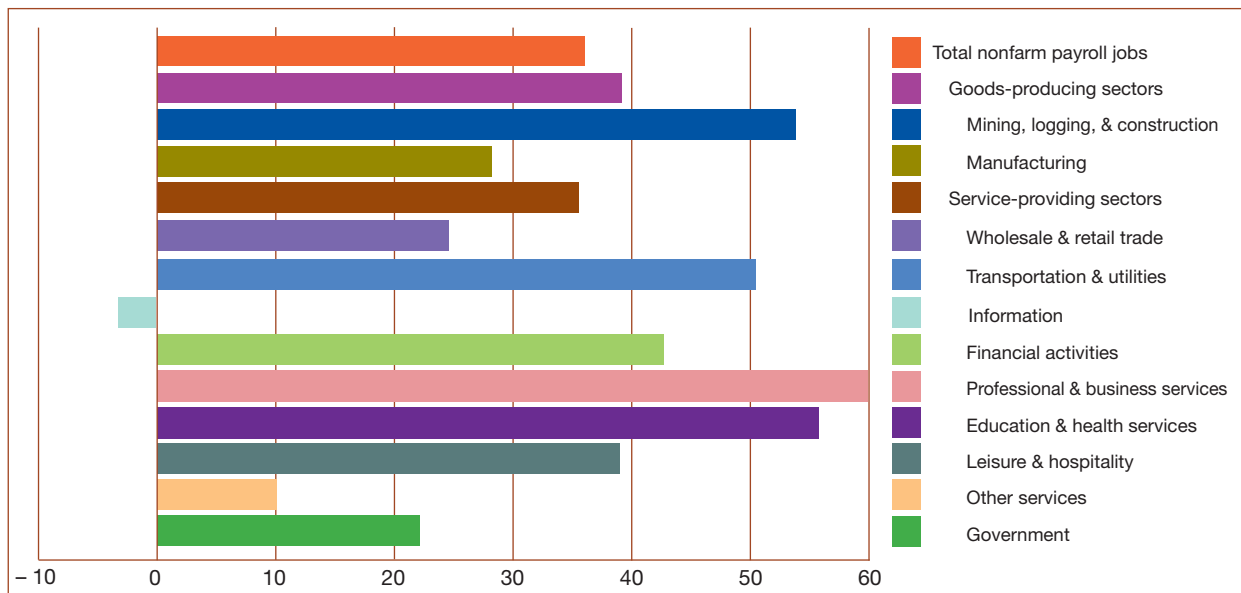
from a year earlier. From 2000 through 2007, education and health services sector payrolls increased by an average of 430 jobs, or 2.9 percent, annually. Payroll growth accelerated to an average annual increase of 730 jobs, or 4.0 percent, from 2007 through 2013, as population growth increased demand for services in the HMA. Figure 3 shows sector growth in the Fargo HMA since 2000.

The government sector is the third largest employment sector, with 18,100 employees. State government subsector payrolls account for approximately one-third of all government sector payrolls, with two state universities in the HMA. During the 12 months ending May 2015, government sector payrolls increased by 600 jobs, or 3.4 percent, from a year earlier. Employment gains in the sector have been steady and no net jobs were lost during the local economic downturn in 2009. Nonfarm payrolls in the sector increased by an average of 190 jobs, or 1.2 percent, annually from the end of 2000 through

2013. North Dakota State University (NDSU) is the second largest employer in the HMA with nearly 4,475 employees and a fall 2014 enrollment of 14,750 students. NDSU is the largest university in the HMA, with a direct economic impact of \$439.1 million in 2013 (NDSU report).

During the next 3 years, nonfarm payrolls are expected to continue to increase by 4,275 jobs, or 3.1 percent, annually. The education and health services sector is expected to lead employment growth, despite Concordia College announcing it will eliminate 30 positions as a result of declining enrollment trends. Trinity Elementary, a Catholic school with prekindergarten through fifth grades, will open in the fall of 2015 in West Fargo and is expected to enroll approximately 300 students. The new Sanford Medical Center is scheduled to open in early 2017 along Veterans Boulevard, where the city of Fargo meets the city of West Fargo, outside the flood plain. The 1-million-square-foot hospital with 11 stories,

Figure 3. Sector Growth in the Fargo HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through May 2015.

Source: U.S. Bureau of Labor Statistics

384 beds, and 28 operating rooms is expected to cost approximately \$494 million. The exact number of employees to be hired has not been released. Essentia Health is renovating current facilities and planning a new clinic for West Fargo. Nearly 30 new ICU beds will be added, along with 15 treatment rooms. To accom-

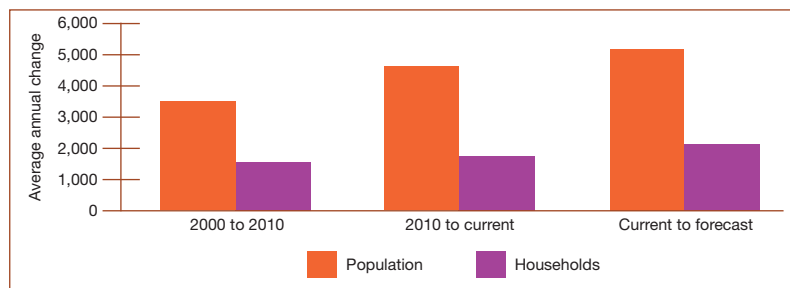
modate the expanded service area, Essentia Health announced plans to hire 100 new physicians during the next 5 years. In the professional and business services sector, Midcontinent Communications announced plans to add 120 employees during the next 5 years as it expands services in the HMA.

Population and Households

The population of the Fargo HMA is estimated to be 232,800 as of June 1, 2015, reflecting an average annual increase of 4,650, or 2.1 percent, since April 2010. Figure 4 shows population and household growth in the HMA from 2000 to the forecast date. Because of a relatively strong economy, net-in-

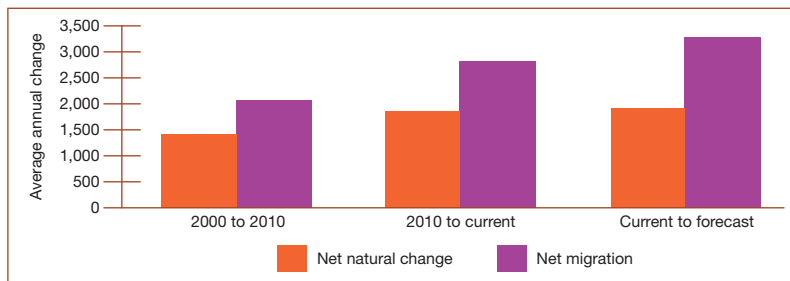
migration comprises the largest share of population growth in the HMA. From 2000 to 2003, a period of slower economic growth, population growth was somewhat subdued, averaging 2,200 people, or 1.2 percent, annually (intercensal based on census population estimates as of July 1). Net in-migration accounted for 51 percent of population growth during the period. From 2003 to 2009, the population increased by an average of 4,125, or 2.1 percent, annually as economic conditions strengthened. Approximately 61 percent of the population growth was from net in-migration. After the job losses in 2009, population growth slowed for the next 2 years. From 2009 to 2011, the population increased by an average of 3,300, or only 1.6 percent, annually and net in-migration decreased slightly to 58 percent of population growth. From 2011 to 2014, the population sustained its period of greatest growth, averaging an increase of 5,150, or 2.4 percent, annually, with net in-migration comprising 63 percent of population growth, coinciding with the period of the fastest economic growth since 2000. Figure 5 shows the components of population change in the HMA from 2000 to the forecast date.

Figure 4. Population and Household Growth in the Fargo HMA, 2000 to Forecast



Notes: The current date is June 1, 2015. The forecast date is June 1, 2018.
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Fargo HMA, 2000 to Forecast



Notes: The current date is June 1, 2015. The forecast date is June 1, 2018.
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Because of the great distance between the Bakken Shale Formation and the Fargo HMA, commuting oil workers are not a significant component of the population in the HMA. Some of the resident population from the Bakken area who have been displaced by the low availability of housing and escalating housing costs have relocated to the Fargo area, however (local housing experts). The average annual net in-migration from counties in western North Dakota, near the Bakken Shale Formation, to the Fargo HMA was 220 people (2008–2012 5-year American Community Survey [ACS] estimates).

Although one-half of the HMA population resides in the city of Fargo, the city is geographically constrained and therefore lacks an abundance of developable land. The city of Fargo, as the principal city in the HMA, comprised 51 percent of the HMA population in July 2014, a slight decrease since April 2000. West Fargo and Moorhead, which are immediately adjacent to the city of Fargo, account for an additional 31 percent of the HMA population, and the remaining 18 percent of the population is in smaller cities and rural areas throughout the HMA. The city of Fargo, bounded by West Fargo to the west, the Red River and Moorhead to the east, and flood plains to the north and south, has limited opportunities for expansion. Although Red River diversion plans are in development to mitigate the flood risk to the south and expand the supply of developable land, any diversion of the Red River will not be complete for at least another 6 years. In 1992, West Fargo and nearby Horace, North Dakota, completed a diversion of the Sheyenne River, a tributary of the Red River, resulting

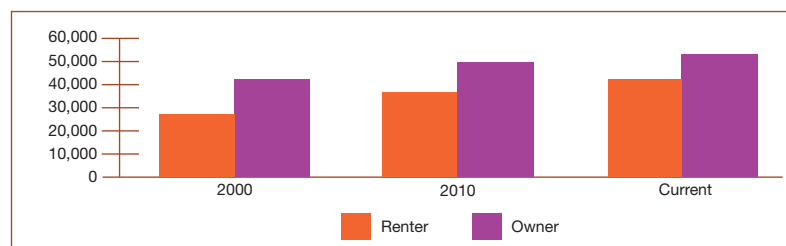
in more developable land and less land in flood plains, which protected the land and population from the record flood in 2009. West Fargo is the fastest growing city in the HMA, increasing by 1,400 people, or 5.0 percent, annually from 2010 to 2014. The proportion of the HMA population living in West Fargo increased from 9 percent in 2000 to 14 percent in 2014.

The three largest postsecondary education establishments in the HMA, NDSU in the city of Fargo and Minnesota State University at Moorhead (MSUM) and Concordia College in Moorhead, had a combined enrollment of nearly 23,800 students in the fall of 2014, representing 10 percent of the population in the HMA. Approximately 28 percent of students live in dormitories. Enrollment at NDSU is expected to gradually increase, offsetting expected declines at MSUM and Concordia College, resulting in essentially unchanged total enrollment in the HMA during the next 3 years. Concordia College is expected to add 120 beds to dormitory capacity during the next 3 years after renovations on campus. NDSU and MSUM do not have plans to change dormitory capacity during the forecast period.

An estimated 96,000 households reside in the Fargo HMA. Household growth in the HMA has remained at a constant rate since 2000. From 2000 to 2010, the number of households increased by 1,625, or 2.1 percent, annually. Since 2010, the number of households has increased by an average of 1,900, or 2.1 percent, annually. Although the number of households has increased at a steady rate in the HMA, the tenure of households has shifted. In 2000,

58.9 percent of households owned their homes. As preferences shifted toward renting and some would-be owners had difficulty acquiring

Figure 6. Number of Households by Tenure in the Fargo HMA, 2000 to Current



Note: The current date is June 1, 2015.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

a sufficient downpayment or mortgage to purchase a home, the homeownership rate decreased to 57.8 percent in 2010 and again to 56.1 percent currently. Figure 6 shows the number of households by tenure in the HMA.

During the next 3 years, the population is expected to increase by 5,100, or 2.1 percent, annually as employment opportunities remain strong. The number of households is expected to increase by 2,075, or 2.1 percent, annually. Table DP-1 at the end of this report provides additional data on households for the HMA.

Housing Market Trends

Sales Market

Sales housing market conditions in the Fargo HMA are currently balanced, with an estimated sales vacancy rate of 1.7 percent, down from 1.9 percent in April 2010. During the 12 months ending May 2015, total home sales, including new and existing single-family homes, townhomes, and condominiums, decreased nearly 6 percent, to 5,325 homes sold, compared with the number sold a year earlier (CoreLogic, Inc., with adjustments by the analyst). The sales price of all homes in the HMA averaged \$201,500 during the 12 months ending May 2015, an increase of about 2 percent from a year earlier.

Existing home sales, including regular resales, real estate owned (REO) sales, and short sales, in the Fargo HMA decreased 4 percent during the 12 months ending May 2015, to 4,575 homes sold. Despite declines during the past year, sales still exceed

the previous peak in 2007. In 2006 and 2007, sales increased 16 percent annually to a total of 4,100 in 2007. From the end of 2007 through 2011, home sales decreased, despite moderate economic conditions, as lending standards tightened. Sales decreased by 190 homes sold, or 5 percent, annually to 3,350 homes sold in 2011. Existing home sales recovered in 2013, increasing by 770 homes sold, or 21 percent. During the 12 months ending May 2015, the average price of an existing home sold was \$184,200, an increase of nearly 2 percent from a year earlier. Existing home sales prices decreased nearly 4 percent in 2006, to average \$145,400, but increased 3 percent annually to \$178,100 in 2013. REO sales have been declining since 2011 and never accounted for more than 7 percent of existing home sales annually. REO sales currently account for 2 percent of existing home sales.

Although access to credit was limited nationally, the effect in the HMA was mitigated by relatively stable economic conditions. As of May 2015, 1.3 percent of home loans in the Fargo HMA were 90 or more days delinquent, were in foreclosure, or had transitioned into REO status, down from 1.7 percent a year earlier (Black Knight Financial Services, Inc.). Seriously delinquent loans (loans 90 or more days delinquent or in foreclosure) and REO properties peaked at 3.0 percent of home loans in February 2010. The rate was far lower than the national average of 4.2 percent of home loans in May 2015, down from a high of 9.2 percent in February 2010.

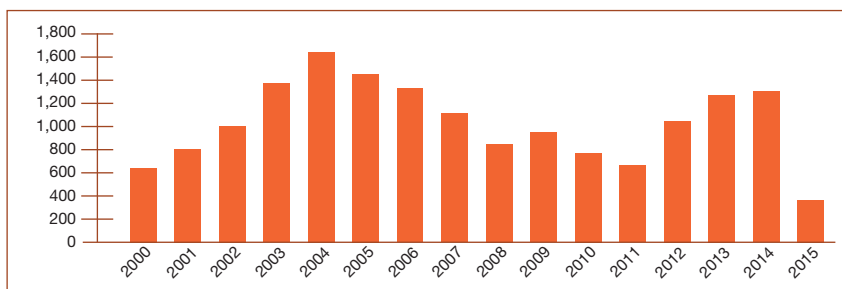
New home sales decreased in the HMA during the most recent 12-month period after 2 years of substantial increases. During the 12 months ending May 2015, 760 new homes sold, down 12 percent from a year earlier. From 2006 through 2011, sales of new homes decreased by 85, or 12 percent, annually, as lending standards tightened. During the subsequent 2 years, new home sales rebounded, increasing by an average of 170 homes sold, or 32 percent, annually, to 820 new sales in 2013, during a period of strong population growth, nonfarm payrolls that surpassed the prerecession peak, and easier access to credit as tight lending standards began to ease. The price of a new home in the Fargo HMA averaged \$305,500 during the 12 months ending May 2015, an increase of 8 percent from the previous 12 months. The average sales price of a new home increased 4 percent annually during 2007 and 2008 before decreasing 7 percent in 2009, to \$189,100. The single year of declining

new home prices mirrored the year of declining payrolls in the HMA. New home sales prices increased an average of 10 percent annually from the end of 2009 to 2013, to \$274,600. Changes in the average size of the homes built contributed to some of the price increase. From 2006 through 2008, the average square footage of a new home increased 3 percent annually, to 1,475 square feet (Metrostudy, A Hanley Wood Company). The size of new homes decreased 6 percent in 2009 but increased by 125 square feet, or 8 percent, annually through 2013.

Builders increased single-family home construction, as measured by the number of homes permitted, during the past year. Permitting peaked from 2003 through 2005, when an average of 1,500 single-family homes were permitted annually. Permitting decreased by 12 percent annually, to 680 single-family homes permitted, in 2011. During 2009, home builders delayed construction early in the year in anticipation of flooding, but annual totals were not significantly affected. During the first quarter of 2009, new single-family home permitting decreased nearly 90 percent from the first quarter of 2008, to fewer than 5 homes permitted. By the end of 2009, however, the number of single-family homes permitted recovered to 800, down only 7 percent from a year earlier. Permitting rebounded to an average of 1,150 homes permitted annually in 2012 and 2013, during a period of strong population growth and economic expansion. During the 12 months ending May 2015, 1,275 homes were permitted, up 4 percent from a year earlier (preliminary data). Figure 7 shows the number of single-family homes permitted in the HMA since 2000. Most of the homes under

construction are in longstanding subdivisions, but new developments are under way. Most new developments are near the boundary between the cities of West Fargo and Fargo,

Figure 7. Single-Family Homes Permitted in the Fargo HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through May 2015.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Fargo HMA During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
170,000	249,999	1,300	39.2
250,000	349,999	1,075	32.4
350,000	449,999	530	16.0
450,000	549,999	250	7.4
550,000	and higher	170	5.0

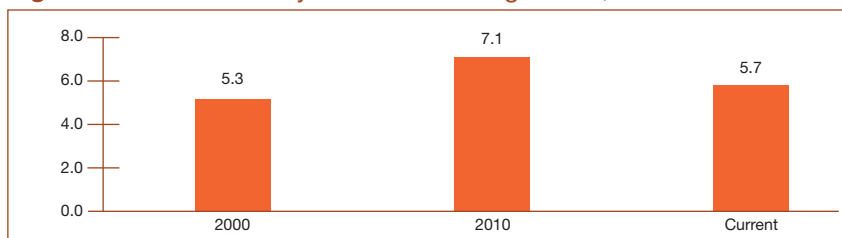
Notes: The 390 homes currently under construction and a portion of the estimated 2,500 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is June 1, 2015, to June 1, 2018.

Source: Estimates by analyst

Rental Market

The overall rental housing market, including single-family homes, mobile homes, and apartments, in the Fargo HMA is currently balanced, with an estimated vacancy rate of 5.7 percent, down from 7.1 percent in April 2010 (Figure 8). Approximately 16 percent

Figure 8. Rental Vacancy Rates in the Fargo HMA, 2000 to Current



Note: The current date is June 1, 2015.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

out of the 100-year flood plains where insurance premiums add significantly to housing costs. The 144-lot Crofton Coves in the city of Fargo is currently under construction, with the first 88 lots available. Homes are expected to range from entry-level to luxury homes, with starting prices estimated at about \$280,000 for a four-bedroom, three-bathroom home. Rocking Horse Farm is currently undergoing lot developments in West Fargo, and the first 75 lots will be available in October 2015, with the remaining 60 lots available in the summer of 2016.

During the next 3 years, demand is expected for 3,350 new single-family homes (Table 1). The 390 homes currently under construction and a portion of the 2,500 other vacant units that may return to the market will satisfy some of the demand. Approximately 40 percent of the demand will be for homes priced at less than \$250,000. Table 4 shows estimated demand for new market-rate sales housing by price range.

of renter households resided in single-family or mobile homes in 2013, up slightly from 13 percent in 2000 (2000 Decennial Census; 2013 1-year ACS estimates). The share of population residing in single-family rental homes increased from 41 percent in April 2000 to nearly 44 percent currently. Limited access to credit made renting a preference among households in recent years. The March 2015 apartment vacancy rate was 4.5 percent, up from 3.6 percent a year earlier (most recent data available; Appraisal Services, Inc.).

During the first quarter of 2015, the average asking rent for apartments

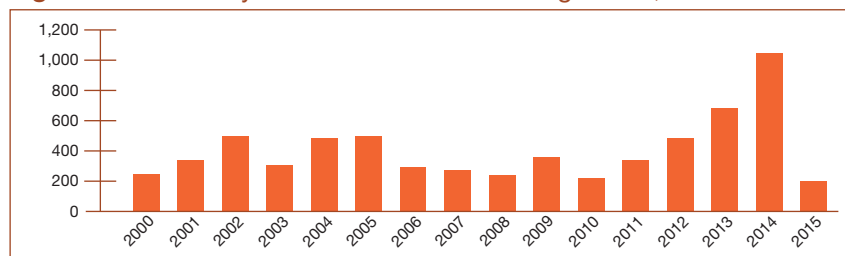
increased 2 percent, to \$740, compared with the asking rent during the same period in 2014 (Reis, Inc.). Since 2011, the first quarter average asking rent has increased an average of 2 percent annually. With an increase in the number of new units becoming available and the apartment vacancy rate increasing during the past year, some developments are offering concessions during the lease-up period. Concessions, which typically consist of 1 month free with a 12-month lease, were not offered with new units a year ago (local apartment market experts).

Student households comprise approximately 12 percent of renter households in the Fargo HMA. Concordia College and MUSM are in Moorhead and NDSU is in the city of Fargo, dispersing the impact of student households throughout the HMA. Although combined enrollment at the three universities is expected to remain relatively unchanged during the next 3 years, a 120-bed dormitory at Concordia College is expected to return to occupancy in fall 2016 after renovations. Offsetting expected declines at Concordia College and MUSM, enrollment at NDSU is expected to increase by nearly 100 students per year during the next 3 years but, without plans to increase on-campus housing, demand for

rental housing in the area of the city of Fargo surrounding campus may increase.

Builders have responded to increased net in-migration and changing trends toward renting by increasing construction of apartment units since 2010. Multifamily construction activity, as measured by the number of units permitted, reached record levels in the past year. From 2000 through 2003, an average of 860 multifamily units were permitted annually, but the number of units permitted increased to an average of 1,225 units in 2004 and 2005, when 64 percent of population growth was from net in-migration and total nonfarm payrolls increased nearly 3 percent annually. From the end of 2005 through 2010, the number of units permitted decreased by 140, or 15 percent, annually, to 560 units permitted in 2010, contributing to the decline in residential construction employment. Reflecting the economic and population growth since 2010, permitting of multifamily units increased by 390 units, or 45 percent, annually, to nearly 1,725 units permitted in 2013. During the 12 months ending May 2015, about 2,225 units were permitted, an increase of 33 percent from a year earlier (preliminary data). Figure 9 shows the number of multifamily units permitted in the HMA from 2000 to the current date. The number of units currently under construction is at least double the number built in any given year from 1980 through 2012. Most of the apartments currently under construction are in the cities of Fargo and West Fargo, primarily along the Veterans Boulevard corridor near the new Sanford Medical Center. The Veterans Boulevard corridor south of Interstate 94 has relatively affordable land, with infrastructure

Figure 9. Multifamily Units Permitted in the Fargo HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through May 2015.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

already developed, and is outside the 100-year flood plain. The 336-unit The Dakota on Veterans in West Fargo, one of the largest apartment developments in the HMA, opened in the spring of 2014. Rents for the one-, two-, and three-bedroom units start at \$825, \$975, and \$1,295, respectively. Shadow Bay Apartments, a 180-unit development also in West Fargo, is nearing completion. Rents for the studio, one-bedroom, two-bedroom, and three-bedroom units will start at \$650, \$775, \$975, and \$1,100, respectively.

During the next 3 years, demand is expected for 3,625 new market-rate rental units (Table 1). The 2,450 units currently under construction will satisfy a significant amount of the demand. Most of the new construction should be timed to enter the market in the third year of the forecast period, to allow for the inundation of new units currently under construction to be completed and absorbed. Table 5 shows the estimated demand for new market-rate rental housing in the Fargo HMA during the next 3 years by number of bedrooms and rent.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Fargo HMA During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
600 to 799	150	700 to 899	540	900 to 1,099	870	1,000 to 1,199	680
800 or more	25	900 to 1,099	330	1,100 or more	580	1,200 or more	230
		1,100 or more	220				
Total	180	Total	1,075	Total	1,450	Total	900

Notes: Numbers may not add to totals because of rounding. The 2,450 units currently under construction will likely satisfy some of the estimated demand. The forecast period is June 1, 2015, to June 1, 2018.

Source: Estimates by analyst

Data Profile

Table DP-1. Fargo HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	100,925	118,186	126,700	1.6	1.6
Unemployment rate	2.4%	4.1%	2.7%		
Nonfarm payroll jobs	102,200	120,200	139,000	1.6	3.3
Total population	174,367	208,777	232,800	1.8	2.1
Total households	69,985	86,178	96,000	2.1	2.1
Owner households	41,250	49,799	53,900	1.9	1.5
Percent owner	58.9%	57.8%	56.1%		
Renter households	28,735	36,379	42,100	2.4	2.9
Percent renter	41.1%	42.2%	43.9%		
Total housing units	73,536	91,897	102,000	2.3	2.0
Owner vacancy rate	1.5%	1.9%	1.7%		
Rental vacancy rate	5.3%	7.1%	5.7%		
Median Family Income	\$50,871	\$68,200	\$73,800	3.0	2.0

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through May 2015. Median Family Incomes are for 1999, 2009, and 2013. The current date is June 1, 2015.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 6/1/2015—Analyst's estimates
 Forecast period: 6/1/2015–6/1/2018—Analyst's estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures

are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_FargoND-MN_15.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.