HUD PD&R **Regional Reports**

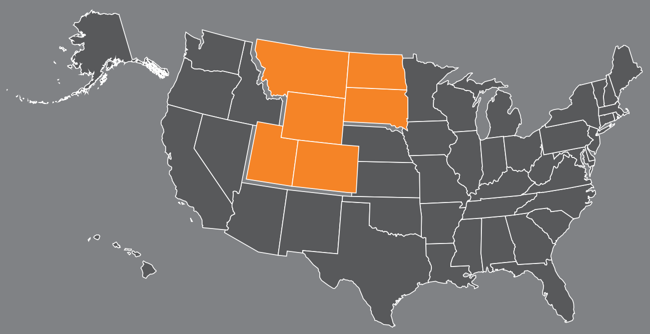
Region 8: Rocky Mountain

Denver, Colorado

Quick Facts About Region 8

- **Sales market conditions—**
  Second quarter 2015: tight.
  First quarter 2015: tight.
  Second quarter 2014: slightly tight.

- **Apartment market conditions—**
  Second quarter 2015: slightly tight.
  First quarter 2015: mixed (slightly soft to tight).
  Second quarter 2014: tight.



By James Conner | 2nd quarter 2015

Overview

The economy in the Rocky Mountain region continued to expand in the second quarter of 2015, with nonfarm payrolls increasing 2.5 percent from a year earlier. Although recent job growth was slightly less than the 2.8-percent average annual rate for the past 3 years, payrolls in the region continue to grow at a solid pace. As a result of continued job growth, labor market conditions are somewhat tight in some parts of the region. The unemployment rate in the region averaged 3.9 percent in the second quarter of 2015, its lowest second quarter rate since 2008. Home sales demand is strong and sales housing market conditions were tight in most metropolitan areas in the region. In the second quarter of 2015, sales prices for existing homes within the states in the region increased at rates ranging from 1 to 8 percent. Apartment market conditions ranged from slightly tight to tight in most metropolitan areas in the region. A significant number of new apartments were completed in the past 12 months, but demand was strong enough to allow the units to be absorbed quickly.

During the second quarter of 2015—

- Growth in the tourism, construction, and healthcare industries led the payroll gains. The mining, logging, and construction, the leisure and hospitality, and the education and health services sectors, combined, increased by 69,000 jobs in the region from a year earlier. Job growth was particularly strong in Utah, which had the highest rate of nonfarm payroll growth in the nation, at 4.2 percent. continued on page 2

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- Although single-family home construction was up 4 percent from a year ago, existing home sales decreased in many metropolitan areas, partly because of a low supply of homes for sale. The tight home sales market conditions and continued strong sales demand caused home sales prices to increase in most major metropolitan areas in the region.
- Apartment market conditions eased slightly in some metropolitan areas in the past 12 months as new units were completed. Conditions remained somewhat tight, however. Multifamily construction activity was up in the two largest metropolitan areas but declined in many other parts of the region.

Economic Conditions

The economy in the Rocky Mountain region continued to grow at a steady rate in the second quarter of 2015, as the current economic expansion entered its fifth year. Nonfarm payrolls increased by 134,400 jobs, or 2.5 percent, from a year earlier, to 5.56 million jobs, led by growth in the tourism, construction, and healthcare industries. The leisure and hospitality and the education and health services sectors had the strongest payroll growth, increasing by 27,000 and 26,800 jobs, or 4.4 and 3.9 percent, respectively. The mining, logging, and construction sector also posted strong job growth, increasing by 15,200 jobs, or 3.5 percent, despite recent declines in the energy industry. Falling oil prices caused the number of active drilling rigs in the region to decline more than 50 percent, to approximately 3,000 in the second quarter of 2015, with the greatest decreases occurring in North Dakota and Wyoming (RigData). Although payrolls in the mining and logging subsector in the region declined by approximately 5,000 jobs, or 4.5 percent, the construction subsector grew by more than 20,000 jobs, a 6.3-percent gain, helped by increased residential construction in Colorado and Utah.

The continued job growth in the region led to further tightening in the labor market. The unemployment rate in the region averaged 3.9 percent in the second quarter of 2015, down from 4.4 percent a year ago. All states in the region had unemployment rates below the 5.3-percent national average in the second quarter of 2015, with rates ranging from 2.9 percent in North Dakota to 4.3 percent in Colorado.

During the second quarter of 2015—

- Colorado had the greatest job gain in the region. Nonfarm payrolls were up by 62,200 jobs, or 2.5 percent, led by growth in the education and health services and the leisure and hospitality sectors of 15,800 and 14,200 jobs, or 5.3 and 4.7 percent, respectively. The state received a record 71.3 million visitors in 2014, up 10.4 percent from 2013 (Colorado Tourism Office). In addition, the construction subsector grew by 12,000 jobs, or 8.5 percent, partly because of increased homebuilding activity.

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Nonfarm payrolls in the Rocky Mountain region expanded in the second quarter of 2015, with growth occurring in nearly all sectors.

	Second Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,423.3	5,557.7	134.4	2.5
Goods-producing sectors	792.3	817.6	25.3	3.2
Mining, logging, and construction	439.1	454.3	15.2	3.5
Manufacturing	353.1	363.3	10.2	2.9
Service-providing sectors	4,631.1	4,740.1	109.0	2.4
Wholesale and retail trade	814.5	833.0	18.5	2.3
Transportation and utilities	203.9	205.6	1.7	0.8
Information	126.2	125.2	– 1.0	– 0.8
Financial activities	316.2	326.8	10.6	3.4
Professional and business services	693.2	708.4	15.2	2.2
Education and health services	694.6	721.4	26.8	3.9
Leisure and hospitality	611.2	638.2	27.0	4.4
Other services	198.3	201.0	2.7	1.4
Government	972.9	980.5	7.6	0.8

Source: U.S. Bureau of Labor Statistics

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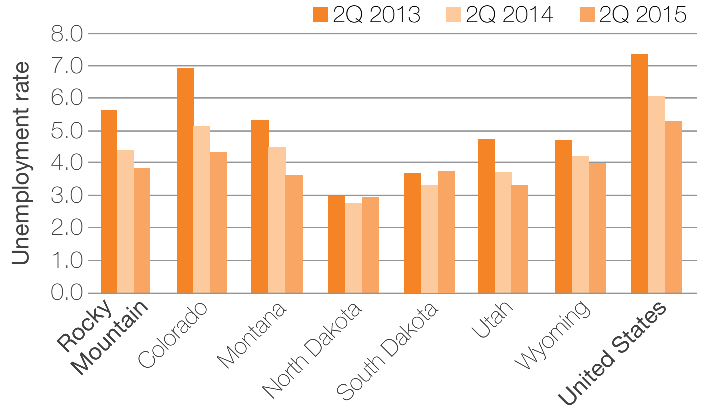
- Utah had the highest rate of nonfarm payroll growth in the nation, at 4.2 percent, an increase of 55,100 jobs from a year earlier. The greatest gains occurred in the leisure and hospitality and the professional and business services sectors, which grew by 10,300 and 10,800 jobs, or 8.0 and 5.9 percent, respectively.
- From 2010 through 2014, North Dakota had the highest rate of payroll growth in the nation, averaging 5.4 percent annually, but recent declines in oil prices led to a sharp decrease in job growth. Nonfarm payrolls in North Dakota in the second quarter of 2015 were up by 5,200 jobs, or 1.1 percent, from a year ago, well below the average growth rate nationwide of 2.2 percent. The mining and logging subsector and the transportation and utilities sector in North Dakota declined by 1,200 and 400 jobs, or 4.1 and 1.4 percent, respectively.
- Job growth rates in South Dakota and Montana were also below the national average, with nonfarm payrolls increasing by 7,700 and 3,500 jobs, or 1.8 and 0.8 percent, respectively. In South Dakota, payroll increases in the manufacturing and the education and health services sectors were partly offset by decreases in the transportation and utilities and the professional and business services sectors. In Montana, job gains in the wholesale and retail trade and financial activities sectors were partly offset by job losses in the government and leisure and hospitality sectors.

The unemployment rate in the Rocky Mountain region continued to decline in the second quarter of 2015.



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

- In Wyoming, job growth was nearly flat, with nonfarm payrolls increasing by 500 jobs, or 0.2 percent. Job gains in the leisure and hospitality, education and health services, and professional and business services sectors were almost entirely offset by a loss of 3,900 jobs in the mining, logging, and construction sector.

Sales Market Conditions

The continued job growth in the Rocky Mountain region contributed to strong home sales demand. Sales housing market conditions were tight in the second quarter of 2015 and home sales prices increased in all states in the region. In Colorado, existing home sales prices in May 2015 were up 10 percent from a year earlier, and in Montana, North Dakota, and Utah, existing home sales prices increased 6 percent (CoreLogic, Inc. Home Price Index). In Wyoming and South Dakota, sales prices for existing homes were up 3 and 1 percent, respectively, from a year earlier.

The supply of homes for sale was low in many metropolitan areas in the region. In the Denver metropolitan area, the number of homes listed for sale in June 2015 represented a 1.7-month supply at the current sales rate, down from a 2.7-month supply a year earlier (Colorado Association of Realtors®). The Colorado Springs metropolitan area had a 2.1-month supply of homes for sale in June 2015, down from a 3.5-month supply a year earlier (Pikes Peak Association of Realtors®). In the Wasatch Front metropolitan areas of Utah, combined, the number of active listings in June 2015 represented a 3.0-month supply, down from a 5.0-month supply a year earlier (Utah Association of Realtors®), and the Sioux Falls metropolitan area had a 2.8-month supply of homes for sale in June 2015, down from a 4.8-month supply a year earlier (Realtor® Association of the Sioux Empire, Inc.). Despite the limited inventory of active home listings, home sales were up in most states and metropolitan areas in the region. In Colorado, Montana, and Utah, sales of existing homes during the 12 months ending May 2015 were up 7, 5, and 1 percent from a year earlier, to approximately 119,400, 18,200, and 56,600 homes sold, respectively, but, in North Dakota and Wyoming, existing home sales declined 3 and 1 percent, to approximately 13,600 and 9,325 homes sold, respectively (CoreLogic, Inc., with adjustments by the analyst). In the Colorado Springs and Ogden metropolitan areas, home sales increased 11 and 6 percent, to 14,150 and 12,050 homes sold, respectively. In the Denver and Salt Lake City metropolitan areas, existing sales were up 5 and 1 percent, to approximately 61,450 and 21,700 homes sold, respectively. Sales declined 4 percent, however, in the Fargo metropolitan area, to 4,575 homes sold.

Continued home sales price increases in the region contributed to declines in the rates of seriously delinquent (90 or more days delinquent or in foreclosure) mortgages and real estate owned (REO) properties. In June 2015, 1.9 percent of mortgages in the region were seriously delinquent or transitioned into REO status,

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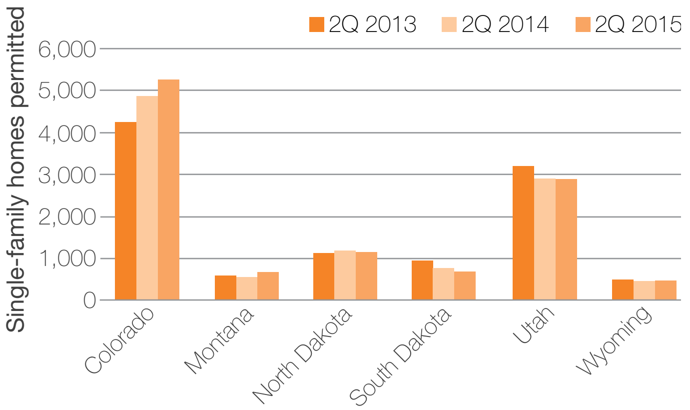
down from 2.3 percent a year earlier (Black Knight Financial Services, Inc.). Seriously delinquent mortgage and REO property rates declined in every state in the region and ranged from 1.2 percent in North Dakota to 2.4 percent in Utah. The rates for all states in the region were well below the 4.1-percent national average.

The strong home sales demand led to a modest increase in single-family homebuilding activity in the Rocky Mountain region; however, building activity declined in some parts of the region. During the second quarter of 2015 (preliminary data)—

- Single-family home construction, as measured by the number of homes permitted, was up 4 percent from a year earlier in the region, to approximately 11,100 homes permitted.
- The greatest increase in single-family homebuilding in the region occurred in Colorado, where single-family permitting was up 8 percent from a year ago, to approximately 5,250 homes. In the Denver, Colorado Springs, and Fort Collins metropolitan areas, permitting of single-family homes increased 15, 7, and 5 percent, to approximately 2,675, 890, and 560 homes, respectively.
- In Montana and Wyoming, permitting of single-family homes increased 20 and 2 percent, to approximately 670 and 470 homes, respectively. In the Missoula, Cheyenne, and Billings metropolitan areas, single-family home permitting increased 55, 8, and 6 percent, to 110, 90, and 160 homes, respectively. Single-family permitting declined 10 and 3 percent, however, in South Dakota and North Dakota, to approximately 680 and 1,150 homes, respectively. In the Grand Forks, Bismarck, and Sioux Falls metropolitan areas, single-family permitting decreased 30, 24, and 17 percent, to 70, 260, and 310 homes, respectively.
- In Utah, single-family homebuilding activity decreased 1 percent from a year earlier, to less than 2,875 homes permitted. Although permitting increased 27, 25 and 17 percent in the Provo, Salt Lake City, and Ogden metropolitan areas, to about 840, 930, and 590 homes, respectively, single-family permitting in the remainder of the state declined nearly 50 percent, to fewer than 520 homes. In the Logan and St. George metropolitan areas, single-family permitting declined 58 and 31 percent, respectively.

Single-family permitting increased in the Rocky Mountain region overall, despite declines in some states.



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

Home sales and prices increased in nearly all major metropolitan areas in the Rocky Mountain region.

	12 Months Ending	Number of Homes Sold			Price			
		2014	2015	Percent Change	Average or Median	2014 ($)	2015 ($)	Percent Change
Cheyenne (E)	May	2,275	2,300	1	AVG	208,100	219,700	6
Colorado Springs (E)	May	12,700	14,150	11	AVG	216,300	231,600	7
Denver (E)	May	58,400	61,450	5	AVG	297,600	320,600	8
Fargo (E)	May	4,775	4,575	– 4	AVG	179,900	183,500	2
Missoula (E)	May	1,900	2,050	8	AVG	247,600	257,700	4
Ogden (E)	May	11,400	12,050	6	AVG	218,600	221,900	2
Salt Lake City (E)	May	21,500	21,700	1	AVG	271,000	271,400	0
Sioux Falls (N&E)	June	4,050	4,325	7	AVG	177,500	187,200	5

AVG = average. E = existing. N&E = new and existing.
Note: All figures are rounded.
Sources: Sioux Falls: Realtor® Association of the Sioux Empire, Inc.; all other metropolitan areas: CoreLogic, Inc., with adjustments by the analyst

Apartment Market Conditions

Apartment demand remained strong in the Rocky Mountain region in the second quarter of 2015, and market conditions ranged from slightly tight to tight in most metropolitan areas in the region. A significant number of new apartments were completed during the past 12 months, but growth in rental demand was sufficiently strong that the units were absorbed quickly, and tight apartment market conditions eased only slightly in some metropolitan areas. In the Denver metropolitan area, apartment conditions remained tight in the second quarter of 2015, with the vacancy rate unchanged from a year earlier, at 4.2 percent, despite the completion of nearly 6,100 new apartments during the past 12 months (Apartment Insights). More than 46,000 apartments are under construction or in various stages of planning in the Denver metropolitan area, including approximately 22,300 units expected to be completed by the end of 2016, so it appears likely the apartment vacancy rate will rise in the coming months as the number of units in lease up increases. In the Colorado Springs metropolitan area, nearly 400 units were completed during the first 6 months of 2015. Although the vacancy rate edged up to 5.3 percent, apartment market conditions remained slightly tight. Average monthly apartment rents in the Denver and Colorado Springs metropolitan areas during the second quarter of 2015 were up 11 and 7 percent from a year earlier, to $1,233 and $859, respectively.

In the Salt Lake City metropolitan area, more than 1,200 new apartments were completed during the past 12 months. Nevertheless, the tight apartment market conditions eased only slightly, to a 3.8-percent vacancy rate in the second quarter of 2015, up from 3.5 percent a year ago (Reis, Inc.). In the Ogden metropolitan area, approximately 200 units were completed in the past 12 months. Apartment conditions tightened somewhat, with the vacancy rate declining from 4.5 to 4.0 percent. Average monthly apartment rents increased 3 percent from a year earlier in both the Salt Lake City and Ogden metropolitan areas, to $859 and $787, respectively. Tight apartment conditions in the Sioux Falls metropolitan area eased somewhat in the second quarter of 2015, but conditions remained slightly tight, with a 4.0-percent vacancy rate, up from 2.8 percent a year earlier. The average monthly apartment rent increased only 2 percent from a year earlier, however, to $768.

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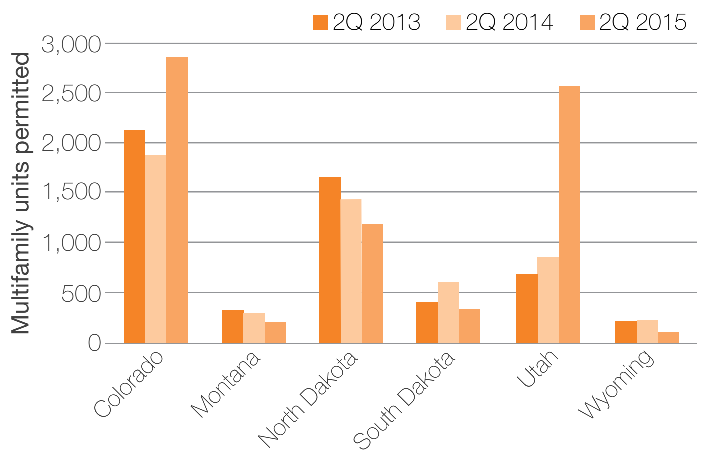
Multifamily permitting increased greatly in Utah and Colorado, offsetting declines in the other states in the Rocky Mountain region.



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

Many new apartments were completed in the past 12 months, but conditions remained tight or slightly tight in most metropolitan areas in the Rocky Mountain region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2014 (%)	2Q 2015 (%)	Percentage Point Change	2Q 2014 ($)	2Q 2015 ($)	Percent Change
Billings	Tight	NA	NA	NA	NA	NA	NA
Casper	Slightly tight	NA	NA	NA	NA	NA	NA
Colorado Springs[a]	Slightly tight	5.2	5.3	0.1	801	859	7
Denver[a]	Tight	4.2	4.2	0	1,111	1,233	11
Fargo[b]*	Slightly tight	3.2	4.6	1.4	NA	NA	NA
Ogden[c]	Slightly tight	4.5	4.0	– 0.5	764	787	3
Salt Lake City[c]	Tight	3.5	3.8	0.3	832	859	3
Sioux Falls[c]	Slightly tight	2.8	4.0	1.2	751	768	2

2Q = second quarter. NA = data not available.
Note: * Fargo apartment vacancy rates as of July 15.
Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) *Apartment Insights*; (b) Appraisal Services, Inc.; (c) Reis, Inc.

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In the Fargo metropolitan area, approximately 1,100 apartment units were completed in the first 6 months of 2015. Apartment conditions eased somewhat but remained slightly tight. The apartment vacancy rate in June 2015 was 4.5 percent, up from 3.2 percent a year earlier (Appraisal Services, Inc.). Approximately 1,700 units are under construction, which may lead to further easing of apartment market conditions in the Fargo metropolitan area. In the areas of western North Dakota near the Bakken Formation, apartment conditions have softened considerably in the past 12 months because of falling oil prices and declines in drilling and exploration activity. The apartment vacancy rate in Williston was estimated at 16 percent in the second quarter of 2015 compared with less than 1 percent a year earlier (analyst estimates). During the same period, average apartment rents declined from approximately $2,500 to $1,900 a month.

Multifamily construction in the Rocky Mountain region increased significantly from a year ago, with most of the gains in building activity concentrated in the largest metropolitan areas in the region. During the second quarter of May 2015 (preliminary data)—

- Approximately 7,300 multifamily units were permitted in the region, up 36 percent from a year earlier. Increased multifamily construction activity in Colorado and Utah offset declines in the other states in the region.
- In Utah, multifamily permitting tripled, to approximately 2,575 units permitted, up from 860 units permitted in the second quarter of 2014. In the Salt Lake City metropolitan area, multifamily activity increased more than fourfold from a year earlier, to 1,370 units permitted, up from 330 units a year earlier, and, in the Provo metropolitan area, multifamily building increased more than sevenfold, to nearly 1,075 units permitted, compared with 140 units a year earlier. These gains offset declines in the Ogden, Logan, and St. George metropolitan areas in Utah.
- In Colorado, multifamily permitting increased more than 50 percent from a year earlier, to approximately 2,875 units permitted. Nearly two-thirds of the statewide activity was in the Denver metropolitan area, where approximately 1,875 units were permitted, a 40-percent increase from a year earlier. Multifamily construction was also up strongly in the Boulder, Fort Collins, and Greeley metropolitan areas. Multifamily permits were down from a year earlier, however, in the Colorado Springs and Grand Junction metropolitan areas.
- Multifamily permitting in Wyoming, South Dakota, Montana, and North Dakota decreased 59, 44, 30, and 18 percent from a year earlier, to approximately 100, 340, 210, and 1,200 units permitted, respectively. Although construction activity increased in the Bismarck, Great Falls, and Casper metropolitan areas, multifamily permitting decreased in the Sioux Falls, Fargo, Missoula, and Cheyenne metropolitan areas compared with a year earlier.