HUD PD&R Regional Reports

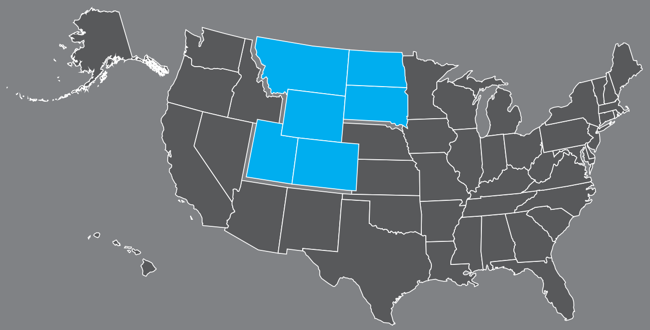
Region 8: Rocky Mountain

Billings, Montana

Quick Facts About Region 8

- **Sales market conditions—**
  Fourth quarter 2013: balanced.
  Third quarter 2013: balanced.
  Fourth quarter 2012: mixed (balanced to soft).

- **Apartment market conditions—**
  Fourth quarter 2013: mixed (balanced to tight).
  Third quarter 2013: mixed (balanced to tight).
  Fourth quarter 2012: mixed (balanced to tight).



By James Conner | 4th quarter 2013

Overview

The economy in the Rocky Mountain region grew at a steady pace in the fourth quarter of 2013. Led by strong growth in the energy, construction, professional services, and healthcare industries, nonfarm payrolls were up 1.9 percent from a year ago. Sales housing markets continued to strengthen, and rental housing demand remained strong in the fourth quarter of 2013. Sales prices for existing single-family homes were up more than 6 percent in every state in the region. Average apartment rents increased more than 7 percent from a year ago in some metropolitan areas in the region. Residential construction activity was up from a year ago in most states in the region.

- Gains in the mining, logging, and construction sector led nonfarm payroll growth, with the greatest increases occurring in Colorado and North Dakota.
- Average sales prices for existing single-family homes and existing home sales were up in most metropolitan areas of the region. In the Denver metropolitan area, existing home prices increased 10 percent from a year earlier, and existing home sales increased 19 percent.
- Apartment vacancy rates remained low in most metropolitan areas in the region in the fourth quarter, despite the completion of many new units during 2013.
- Permitting of new single-family homes and multifamily units in the region during the fourth quarter of 2013 was up 4 and 15 percent, respectively, from a year ago.

Payrolls were up in every nonfarm payroll sector in the Rocky Mountain region in the fourth quarter of 2013.

	Fourth Quarter		Year-Over-Year Change	
	2012 (thousands)	2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	5,214.7	5,315.7	101.0	1.9
Goods-producing sectors	738.1	765.0	26.9	3.6
Mining, logging, and construction	390.2	411.1	20.9	5.4
Manufacturing	347.9	353.9	6.0	1.7
Service-providing sectors	4,476.6	4,550.7	74.1	1.7
Wholesale and retail trade	802.8	819.2	16.4	2.0
Transportation and utilities	194.2	195.1	0.9	0.5
Information	125.6	128.2	2.6	2.1
Financial activities	302.2	303.9	1.7	0.6
Professional and business services	655.4	675.4	20.0	3.1
Education and health services	676.9	695.5	18.6	2.7
Leisure and hospitality	569.4	580.5	11.1	1.9
Other services	192.0	192.7	0.7	0.4
Government	958.1	960.1	2.0	0.2

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

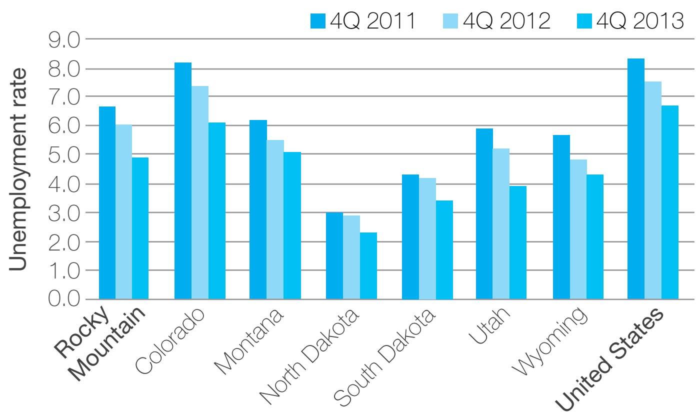
Economic Conditions

The economy in the Rocky Mountain region continued to expand in the fourth quarter of 2013. Nonfarm payrolls averaged 5.32 million jobs, an increase of 101,000 jobs, or 1.9 percent, compared with the number of jobs recorded a year earlier. Payrolls increased in every nonfarm sector, with the greatest gains occurring in the mining, logging, and construction, the professional and business services, and the education and health services sectors. Those three sectors combined increased by 59,500 jobs, or more than one-half of the growth in the past year. The unemployment rate for the region averaged 4.9 percent during the fourth quarter of 2013, the lowest rate recorded in the region in 5 years and down from 6.0 percent a year ago. State unemployment rates ranged from 2.3 percent in North Dakota to 6.1 percent in Colorado, but the rates for every state in the region remained less than the 6.7-percent national average.

During the fourth quarter of 2013—

- North Dakota continued to have the highest rate of job growth in the nation. Nonfarm payrolls increased by 16,900 jobs, or 3.8 percent, from a year ago, led by growth in the mining and logging subsector, which increased by 8,700 jobs, or 34.0 percent. In addition, payrolls in the construction subsector and the transportation and utilities sector were up 6.9 and 7.5 percent, respectively. Much of the growth was a result of booming energy-related activity in the Bakken Shale Formation of western North Dakota.

Unemployment rates continued to decline in every state in the Rocky Mountain region.



4Q = fourth quarter.
Source: U.S. Bureau of Labor Statistics

- Utah recorded the second highest growth rate in the region, with nonfarm payrolls increasing by 26,800 jobs, or 2.1 percent. The education and health services, financial activities, and information sectors led the job growth, increasing 4.1, 4.2, and 8.3 percent, respectively. eBay Inc. has been expanding its operations in Utah, building a new a data center in West Jordan and announcing plans to add more than 450 jobs at its existing campus in Draper. In addition, the National Security Agency constructed a $2 billion data center in Salt Lake County, creating approximately 1,200 new jobs in late 2013.

- Colorado recorded the greatest total job gain in the region, with nonfarm payrolls increasing by 45,600 jobs, or 1.9 percent. The professional and business services sector, the education and

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health services sector, and the construction subsector, which increased by 15,500, 8,900, and 7,500 jobs, or 4.3, 3.1, and 6.3 percent, respectively, led growth.

- South Dakota, Montana, and Wyoming experienced modest job growth, with nonfarm payrolls increasing 1.4, 0.8, and 0.8 percent, respectively.

Sales Market Conditions

The improving economy led to stronger demand for sales housing in the Rocky Mountain region. In the fourth quarter of 2013, sales housing market conditions were balanced in most areas in the region. In Colorado and Wyoming, sales of existing single-family homes during the 12 months ending November 2013 were up 13.6 and 12.8 percent, respectively, from a year earlier (CoreLogic, Inc.). In Montana and Utah, existing home sales were up 6.6 and 5.3 percent, respectively. In North Dakota, however, existing home sales eased slightly from the record pace of a year ago, declining 5.4 percent. Average sales prices for existing single-family homes were up strongly in many areas of the region during the 12 months ending November 2013 compared with sales prices a year earlier. Existing home price increases ranged from 6.5 percent in South Dakota to 11.3 percent in Utah (CoreLogic, Inc. Home Price Index). A decline in REO (Real Estate Owned) sales in most areas contributed to the home price gains. During the 12 months ending November 2013, REO sales accounted for 8.8 percent of existing home sales in the region, down from 14.2 percent a year earlier.

The strengthening sales market led to a decline in the percentage of distressed mortgages for every state in the Rocky Mountain region. In December 2013, 2.7 percent of mortgages in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down from 3.6 percent a year earlier (Black Knight Financial Services, Inc.). Distressed mortgage rates ranged from 1.4 percent in North Dakota to 3.6 percent in Utah, but the rates for every state in the region were less than the 5.6-percent national rate.

Strengthening home sales demand also led to an increase in single-family construction in most states in the region, although the number of single-family homes permitted remains less than the prerecession peak.

During the fourth quarter of 2013 (preliminary data)—

- Single-family construction in the region, as measured by the number of homes permitted, was up 4 percent from the same

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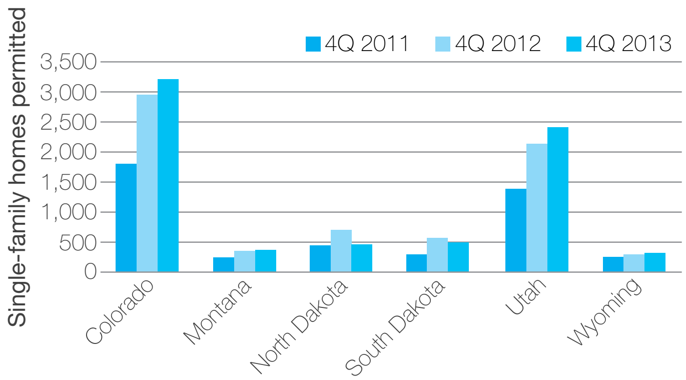
Single-family homebuilding in the Rocky Mountain region continued to increase, but the growth has slowed.



4Q = fourth quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

In most metropolitan areas in the Rocky Mountain region, sales and prices for existing homes were up from a year ago.

	12 Months Ending	Number of Homes Sold			Price			
		2012	2013	Percent Change	Average or Median	2012 ($)	2013 ($)	Percent Change
Billings (E)	November	2,900	2,875	– 0.9	AVG	213,825	225,075	5.3
Casper (E)	November	1,850	1,825	– 1.4	AVG	209,425	224,700	7.3
Colorado Springs (E)	November	10,925	11,900	8.9	AVG	206,925	223,125	7.8
Denver (E)	November	48,550	57,675	18.8	AVG	264,750	291,425	10.1
Fargo (E)	November	3,700	4,275	15.5	AVG	164,825	177,575	7.7
Fort Collins (E)	November	6,275	6,925	10.4	AVG	241,675	261,425	8.2
Ogden (E)	November	10,400	10,725	3.1	AVG	204,950	208,625	1.8
Salt Lake City (E)	November	20,275	21,500	6.0	AVG	237,575	258,200	8.7

AVG = average. E = existing.
Note: Single-family homes only.
Source: CoreLogic, Inc.

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period a year earlier, to approximately 7,250 homes permitted. During the corresponding periods from 2003 through 2006, single-family permitting averaged nearly 13,800 homes in the region.

- In Colorado and Utah, approximately 3,200 and 2,400 single-family homes were permitted, increases of 9 and 13 percent, respectively, from a year earlier. Approximately 50 and 33 percent of the homes permitted in Colorado and Utah were in the Denver and Salt Lake City metropolitan areas, respectively.
- In Montana and Wyoming, the number of single-family homes permitted increased 6 and 7 percent, respectively, from a year earlier. In North Dakota and South Dakota, however, single-family construction decreased 34 and 15 percent, respectively.
- Although single-family construction continued to increase in the region, the growth rate decreased. In the fourth quarter of 2012, by comparison, the number of single-family homes permitted was up 55 percent from a year earlier.

Apartment Market Conditions

Employment gains, household growth, and in-migration to the Rocky Mountain region led to increased rental housing demand. Apartment market conditions tightened significantly in the past 3 years. The apartment supply increased in recent months, however, and tight market conditions began to ease in some metropolitan areas in the region.

As of the fourth quarter of 2013, apartment market conditions ranged from balanced to tight in most areas, but conditions were tight in most metropolitan areas in the region. In the Denver metropolitan area, conditions remained tight, with a 4.6-percent vacancy rate, down from the 5.0-percent rate a year ago (*Apartment Insights*). The average apartment rent was up 8 percent, to approximately $1,030. More than 35,000 units are either planned or under construction in the Denver metropolitan area, so the market might begin to soften in 2014. In the Boulder metropolitan area, approximately 625 units are in lease up. Apartment market conditions eased slightly but remained tight in the fourth quarter of 2013, with a 4.8-percent vacancy rate, up from the 3.9-percent rate a year earlier. The average apartment rent increased 12 percent, to nearly $1,200.

In the Salt Lake City metropolitan area, apartment market conditions in the fourth quarter of 2013 were somewhat tighter, with a 3.6-percent vacancy rate, down from the 4.0-percent rate a year ago. The average apartment rent increased 3 percent, to approximately $825. Approximately 7,000 units are under construction or in planning in the Salt Lake City area. In the Provo metropolitan area, the market softened in the past year, as new units were completed. Apartment conditions were balanced in the fourth quarter of 2013, with a 5.7-percent vacancy rate, up from the 3.6-percent rate a year ago, and apartment rents increased 3 percent, to about $820 (Reis, Inc.). Conditions remained tight in the Fargo metropolitan area. The apartment vacancy rate in December 2013 was 3.6 percent, up from the 2.9-percent rate a year earlier (Appraisal Services, Inc.).

Growth in rental demand led to increased multifamily construction, as measured by the number of units permitted, in most states in the Rocky Mountain region. During the fourth quarter of 2013 (preliminary data)—

- Approximately 6,750 multifamily units were permitted in the region, a 15-percent increase from a year earlier. The current level of multifamily construction is nearly double the average of 3,400 units permitted during the corresponding periods from 2003 through 2008.

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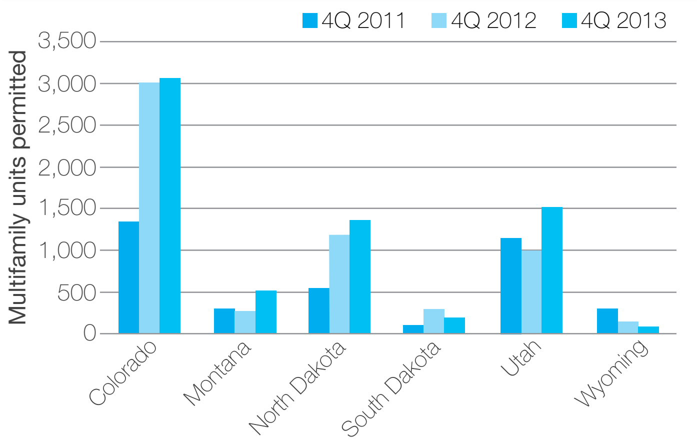
Despite increases in supply, apartment market conditions remained tight in most metropolitan areas in the Rocky Mountain region.

Metropolitan Area	Market Condition
Billings	Tight
Casper	Tight
Colorado Springs	Somewhat tight
Denver	Tight
Fargo	Tight
Provo	Balanced
Salt Lake City	Tight
Sioux Falls	Somewhat tight

Source: HUD, PD&R, Economic and Market Analysis Division

Increased multifamily construction may help ease tight apartment markets in some metropolitan areas of the Rocky Mountain region.



4Q = fourth quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

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- In Colorado, multifamily construction was up 1 percent from a year earlier, to approximately 3,050 units permitted. Nearly 70 percent of the statewide total, or about 2,100 units, was in the Denver metropolitan area.
- In Utah, multifamily construction was up 54 percent, to approximately 1,525 units permitted. More than 90 percent of statewide multifamily building activity was concentrated in the three Wasatch Front metropolitan areas (Salt Lake City, Ogden-Clearfield, and Provo-Orem), where approximately 1,425 units were permitted.
- In North Dakota, multifamily construction was up 16 percent from a year earlier, to 1,375 units permitted. In Montana, multifamily construction nearly doubled from a year ago, to approximately 500 units permitted. Multifamily construction decreased, however, in South Dakota and Wyoming, to approximately 190 and 90 units permitted, declines of 34 and 31 percent, respectively.