

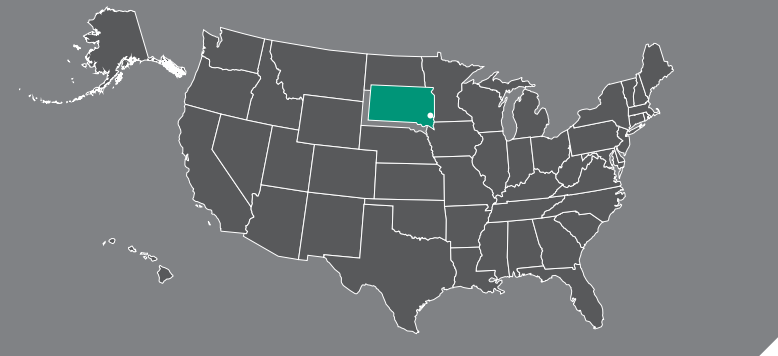
# HUD PD&R Housing Market Profiles

## Sioux Falls, South Dakota



### Quick Facts About Sioux Falls

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: balanced.**
- **Three employers in the manufacturing sector announced plans to add 500 total new jobs in the metropolitan area.**



By Katharine Auchter | As of February 1, 2014

## Overview

The Sioux Falls metropolitan area consists of Lincoln, McCook, Minnehaha, and Turner Counties in southeast South Dakota. The city of Sioux Falls, the largest city in the state, is a center for financial and healthcare services. Wells Fargo & Company and Citigroup Inc. operate large credit card facilities in the metropolitan area, with 2,850 and 2,700 employees, respectively. The two largest employers in the metropolitan area, Sanford Health and Avera Health, employ 8,425 and 6,350 people, respectively.

- As of February 1, 2014, the population was estimated at 244,900, an increase of 4,350, or 1.9 percent, a year since April 2010. Net in-migration averaged 2,350 people annually, accounting for more than 50 percent of the population growth during this period.
- From 2003 through 2008, population growth averaged 4,825 people, or 2.4 percent, annually, and net in-migration averaged 2,825 people a year, or nearly 60 percent of population growth.
- Approximately 74 percent of the metropolitan area population resides in Minnehaha County.



**PD&R**

Job growth occurred across nearly all nonfarm employment sectors in the Sioux Falls area.

	3 Months Ending		Year-Over-Year Change	
	January 2013 (thousands)	January 2014 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	141.7	143.6	1.9	1.3
Goods-producing sectors	19.8	20.3	0.5	2.5
Mining, logging, and construction	6.5	6.9	0.4	6.2
Manufacturing	13.3	13.4	0.1	0.8
Service-providing sectors	121.9	123.3	1.4	1.1
Wholesale and retail trade	25.2	25.6	0.4	1.6
Transportation and utilities	5.0	5.0	0.0	0.0
Information	2.7	2.7	0.0	0.0
Financial activities	16.1	16.5	0.4	2.5
Professional and business services	13.1	13.6	0.5	3.8
Education and health services	29.2	29.6	0.4	1.4
Leisure and hospitality	12.8	12.1	-0.7	-5.5
Other services	4.7	4.8	0.1	2.1
Government	13.2	13.5	0.3	2.3
	<b>(percent)</b>	<b>(percent)</b>		
Unemployment rate	4.1	3.3		

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

## Economic Conditions

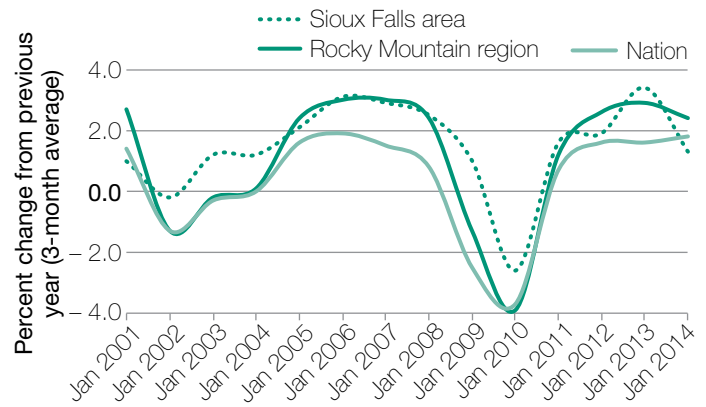
Economic conditions in the Sioux Falls metropolitan area strengthened during the past 3 years after moderate job losses in 2009 and 2010. By the end of 2011, the economy had recovered most of the 2,800 jobs lost during the downturn and has continued to expand since the beginning of 2012, with average annual growth of 3,650 jobs, or 2.7 percent. Job growth continued, but at a slower pace, during the past 12 months and was dispersed across several sectors.

During the 3 months ending January 2014—

- Nonfarm payrolls averaged 143,600 jobs, a gain of 1,900 jobs, or 1.3 percent, compared with nonfarm payrolls during the same period a year earlier.
- The education and health services sector, which is the largest sector in the metropolitan area and accounts for nearly 21 percent of all nonfarm payrolls, averaged 29,600 jobs, an increase of 400 jobs, or 1.4 percent, from a year earlier.
- The mining, logging, and construction sector was the fastest growing sector, increasing 6.2 percent to average 6,900 jobs, in part because of an increase in residential construction during 2013.

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The education and health services sector generally has led the recovery of nonfarm payrolls in the Sioux Falls area since the end of the economic downturn.



Note: Nonfarm payroll jobs.  
Source: U.S. Bureau of Labor Statistics

### Largest employers in the Sioux Falls area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Sanford Health	Education and health services	8,425
Avera Health	Education and health services	6,350
John Morrell Food Group	Manufacturing	3,300

Note: Excludes local school districts.  
Source: Sioux Falls Development Foundation



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- Payrolls in the manufacturing sector increased by 100 jobs, or 0.8 percent, from a year earlier. During the past 3 years, the manufacturing sector recovered the average of 800 jobs lost annually during the economic downturn in 2009 and 2010 and manufacturing payrolls are essentially the same as in 2008.
- The unemployment rate averaged 3.3 percent, down from 4.1 percent during the same 3-month period a year ago.

Several healthcare and manufacturing facilities announced plans to expand facilities or add jobs in the metropolitan area during the next 3 years. Avera Health is currently adding a 90-bed long-term

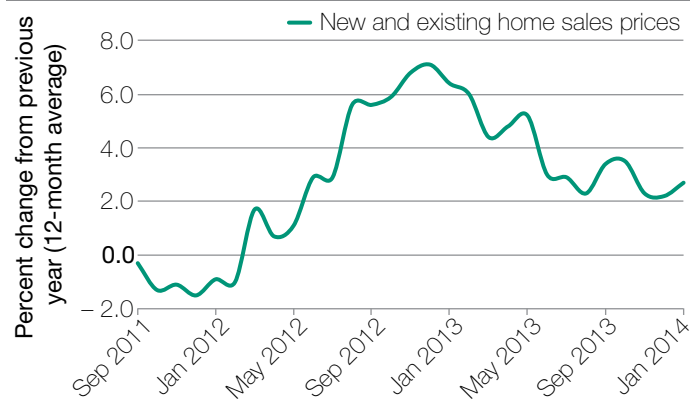
care facility to the Avera Prince of Peace Retirement Community. Construction of 40 assisted living units and a wellness center is also under way at Trail Ridge Senior Living. Marmen, Inc., a Canadian manufacturer that produces wind towers and turbines, opened a plant in Brandon with 40 employees in July 2013 and announced plans to add 200 more employees by the end of 2014; Showplace Wood Products, Inc., a cabinet manufacturer, announced plans to add 100 jobs during the next 3 years at its Harrisburg plant; and ALCOM, LLC, a manufacturer of aluminum trailers, announced plans to create up to 200 jobs during the next 3 years.

## Sales Market Conditions

The sales housing market in the Sioux Falls metropolitan area is currently balanced. During the 12 months ending January 2014, approximately 4,100 new and existing single-family homes, townhomes, and condominiums sold, an increase of 12 percent compared with the number sold during the previous 12 months. During the same period, the average home sales price increased 3 percent, to nearly \$175,800 (REALTOR® Association of the Sioux Empire, Inc.).

- From 2009 through 2011, an average of 3,100 new and existing single-family homes, townhomes, and condominiums sold annually, and the average home sales price was \$159,800 (REALTOR® Association of the Sioux Empire, Inc.).
- The inventory of homes for sale totaled approximately 1,600 homes in January 2014, a decrease of 4 percent from a year earlier; this inventory represented a 4.0-month supply of homes on the market, down from a 4.7-month supply in January 2013.

### Growth in the average home sales price in the Sioux Falls area slowed during the past year after large increases in 2012.



Note: Includes single-family homes, townhomes, and condominiums. Source: REALTOR® Association of the Sioux Empire, Inc.

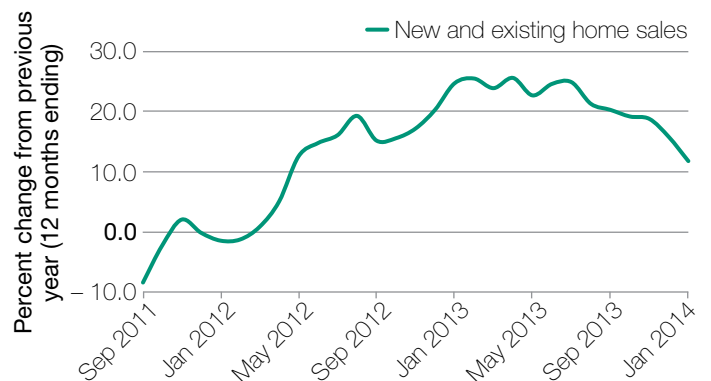
- As of January 2014, 2.5 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 2.9 percent a year earlier. The rate of distressed mortgages peaked at 3.5 percent of home loans in January 2010 (Black Knight Financial Services, Inc.).

Single-family homebuilding activity, as measured by the number of single-family homes permitted, increased during the past 2 years but remained well below the level of activity recorded from 2001 through 2007.

- During the 12 months ending January 2014, permits were issued for approximately 1,175 single-family homes, an increase of nearly 15 percent from the previous 12 months (preliminary data).

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### Home sales in the Sioux Falls area slowed during the past 6 months, in part because of the lowest inventory of homes available for sale since 2005.



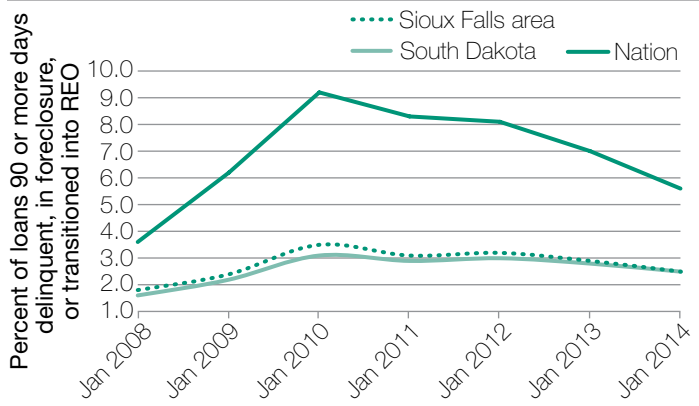
Note: Includes single-family homes, townhomes, and condominiums. Source: REALTOR® Association of the Sioux Empire, Inc.



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- From 2001 through 2007, permits were issued for an average of 1,725 homes annually, but building activity declined to an average of approximately 840 homes permitted annually from 2008 through 2011.

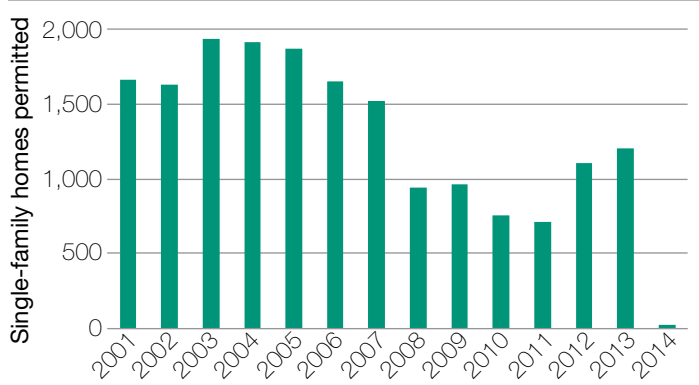
### Loan delinquency rates in the Sioux Falls area and South Dakota are consistently less than one-half of the national rate.



REO = Real Estate Owned.  
Source: Black Knight Financial Services, Inc.

- Hazeltine is a new 240-lot subdivision in the northern part of the city of Sioux Falls near the South Dakota Public Universities and Research Center. The first two homes were built in 2012, and seven homes sold for an average price of \$300,000 during 2013.

### Single-family home permitting has increased since 2012 in the Sioux Falls area but remains below the previous peak.



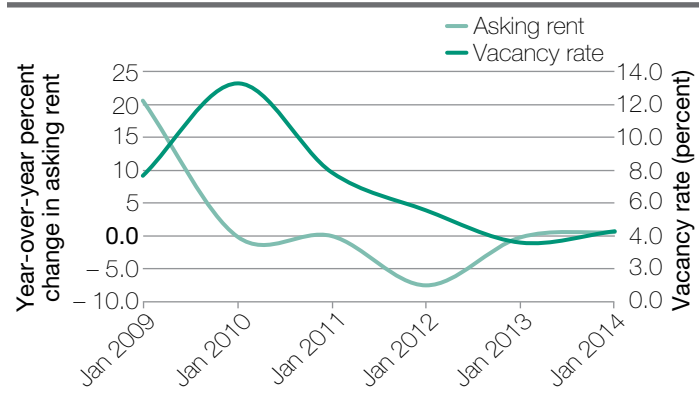
Note: Includes preliminary data from January 2013 through January 2014.  
Source: U.S. Census Bureau, Building Permits Survey

## Apartment Market Conditions

The apartment market in the Sioux Falls metropolitan area is currently balanced. Improved economic conditions helped contribute to an increase in demand for apartment units.

- The apartment vacancy rate averaged 4.3 percent in January 2014, an increase from 3.6 percent a year earlier (South Dakota Multi-Housing Association).

### Improved economic conditions and decreased multi-family construction have contributed to a decrease in the average apartment vacancy rate in the Sioux Falls area since 2010.

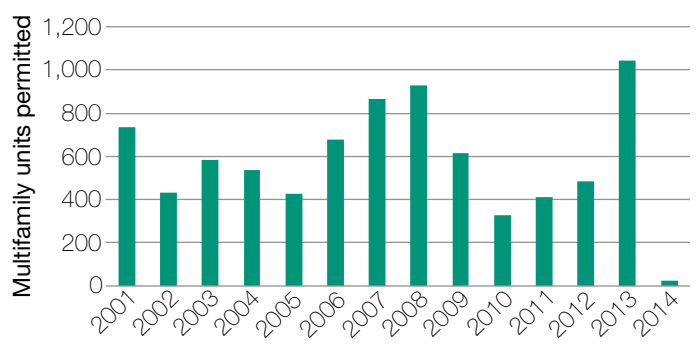


Source: South Dakota Multi-Housing Association

- The vacancy rate decreased considerably from 13.3 percent in 2010. A decline in construction activity after the economic downturn allowed for many excess vacant units to be absorbed.
- In January 2014, apartment rents averaged \$650, an increase of less than 1 percent from a year earlier and the first January year-over-year rent increase since 2009 (South Dakota Multi-Housing Association).

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### The permitting of multifamily units reached record levels in the Sioux Falls area during 2013.



Note: Includes preliminary data from January 2013 through January 2014.  
Source: U.S. Census Bureau, Building Permits Survey



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- Apartment rents increased nearly 21 percent, to \$700, in January 2009 from \$580 in January 2008, in part because many new, higher priced units became available in 2008. Rents then declined an average of approximately 2 percent annually, to \$640 in January 2013.

Multifamily construction reached record levels, with an estimated 1,050 units permitted in 2013, more than double the average of 410 new units permitted annually from 2010 through 2012.

- During the 3 months ending January 2014, nearly 110 multifamily units were permitted, down from 200 units a year earlier (preliminary data).
- During the corresponding 3-month periods from 2007 through 2010, an average of 130 multifamily units were permitted.

- Since 2000, nearly all multifamily units permitted have been for apartments; condominium construction accounted for only about 3 percent of multifamily units permitted.
- The 122-unit first phase of University Hills Village is under construction in the northwestern part of the city of Sioux Falls. Rents for the studio, one-bedroom, and two-bedroom apartment units are expected to range from \$550 to \$800 a month when the project is complete, which is expected in July 2014.
- Construction of the 86-unit Phillips Avenue Lofts is expected to be complete in August 2014. Rents for the one-, two-, and three-bedroom units are expected to start at \$825, \$1,485, and \$2,000 a month, respectively.

