

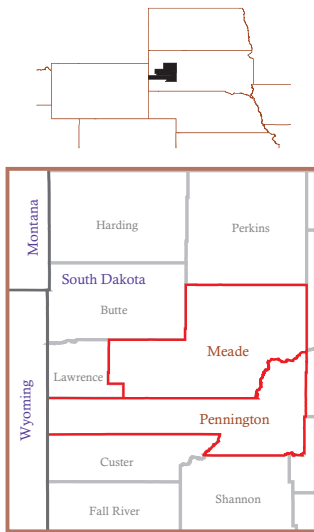


Rapid City, South Dakota

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of January 1, 2008



Housing Market Area



The Rapid City, South Dakota Housing Market Area (HMA), located in the Black Hills of South Dakota, consists of Meade and Pennington Counties. The area is a tourist destination, with national attractions such as the Mount Rushmore National Memorial and the Crazy Horse Memorial. Ellsworth Air Force Base (AFB), the leading employer in the area, has a significant impact on the local economy and housing markets.

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Summary

Economy

Economic growth has been moderate in the Rapid City HMA since 2000. The financial activities sector, led by expanding retail banking operations, was the fastest growing employment sector during the past year, growing by 5.6 percent, or 200 jobs. During the same period, the education and health services sector grew by 225 jobs, or 2.5 percent, due to expanding operations at Rapid City Regional Hospital. Steady job growth is expected to continue during the 3-year forecast period in response to increasing personnel levels at Ellsworth AFB.

Sales Market

The sales housing market in the Rapid City HMA is currently balanced. Single-family home construction activity has returned to a level more in line with historical trends after reaching a record-high level in 2004. During 2007, home sales were relatively unchanged from 2006 levels, although the average sales price increased by 4 percent to \$178,500. During the 3-year forecast period, demand is expected for approximately

2,450 new sales housing units in the HMA (see Table 1).

Rental Market

The rental housing market in the HMA is also balanced, with the rental vacancy rate currently at 6.6 percent. Multifamily construction, as measured by the number of units permitted, has averaged nearly 300 units a year since 2004. The 330 units currently under construction are expected to satisfy much of the estimated demand for 450 new market-rate rental units during the 3-year forecast period (see Table 1).

Table 1. Housing Demand in the Rapid City HMA, 3-Year Forecast, January 1, 2008 to January 1, 2011

	Rapid City HMA	
	Sales Units	Rental Units
Total Demand	2,450	450
Under Construction	150	330

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2008.

Source: Estimates by analyst

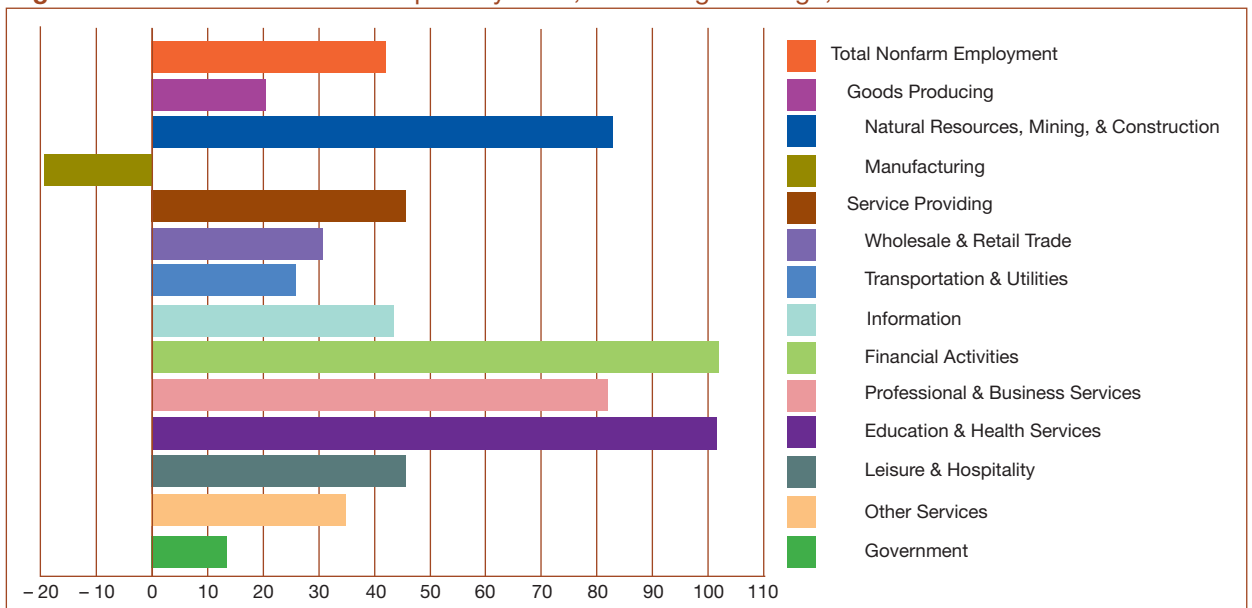
Economic Conditions

Resident employment in the Rapid City HMA has grown by an average of 1.8 percent since 1990 without any years of negative growth. During this period, growth was led by job gains in the education and health services, financial activities, and natural resources, mining, and construction sectors (see Figure 1). The HMA is the healthcare service center for eastern South Dakota and parts of several neighboring states; about 8,000 people are employed in the health services industry. Rapid City Regional Hospital is one of the

leading employers in the HMA, with nearly 2,700 employees. Resident employment increased by 1.8 percent in 2007, which outpaced the 2006 growth rate of 1.1 percent. During 2007, the unemployment rate remained low at 2.9 percent, relatively unchanged from the rate recorded a year ago (see Figure 2).

The economy of the HMA is significantly influenced by Ellsworth AFB, which currently employs an estimated 3,500 active-duty military and civilian personnel. The base is home to the

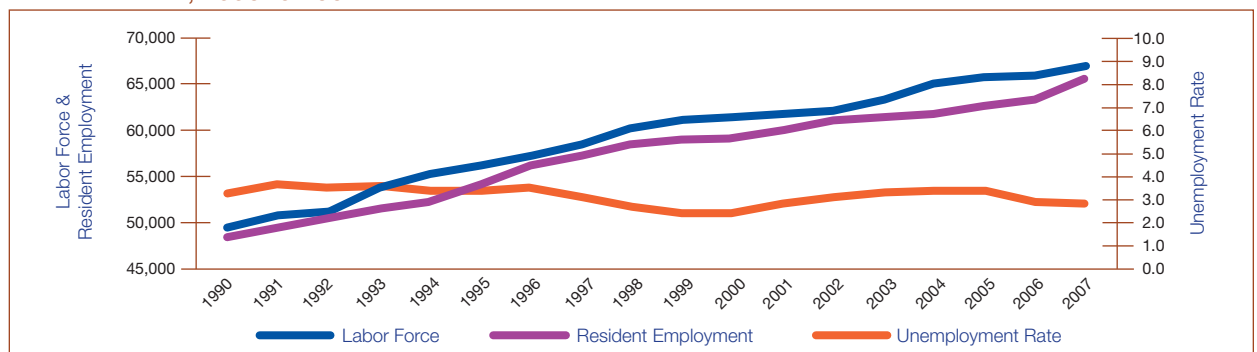
Figure 1. Sector Growth in the Rapid City HMA, Percentage Change, 1990 to Current



Note: Current is based on 12-month averages through December 2007.

Source: U.S. Bureau of Labor Statistics

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Rapid City HMA, 1990 to 2007



Source: U.S. Bureau of Labor Statistics

28th Bomb Wing, one of two primary B-1B Lancer bases in the U.S. Air Force. During the next 3 years, troop levels are expected to increase at the base as the U.S. Air Force consolidates its financial personnel to the new Air Force Financial Service Center in Rapid City. The center opened in September 2007 with 60 military and 15 civilian personnel and is expected to reach full operational capacity in 2009, with a potential of up to 780 personnel. According to the Air Force, Ellsworth AFB has an annual estimated impact of \$300 million on the HMA.

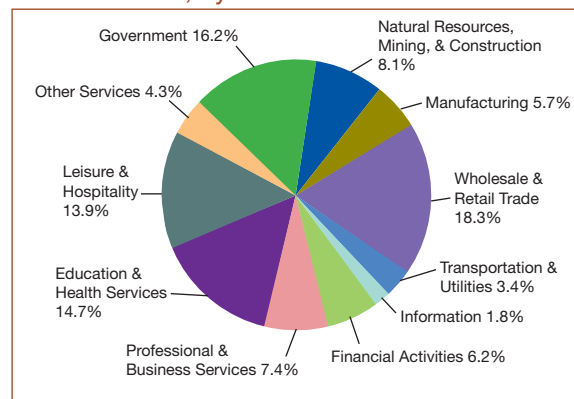
During 2007, nonfarm employment in the HMA increased by 1.3 percent,

or 800 jobs, to 61,000. The current growth in nonfarm employment is slightly higher than the 1.1-percent average increase recorded from 2000 to 2006. Although trade and government are the leading nonfarm employment sectors (see Figure 3), the education and health services and financial activities sectors added the most jobs in 2007. During the past year, the education and health services sector grew by 225 jobs, or 2.5 percent, up significantly from the 35 jobs added in 2006, and the financial activities sector increased by 5.6 percent, or about 200 jobs, matching the number of jobs added in 2006. Growth in this sector was led by the expansion of several retail banks in the area. Table 2 lists the leading employers in the HMA.

As a result of several retail developments opening in Rapid City during the past year, employment in the retail trade sector grew by 1.5 percent, or 135 jobs, during 2007. The largest of the current retail development projects is Rushmore Crossing, a 600,000-square-foot shopping center located on the east side of Rapid City, which is expected to open in late 2008. During 2007, employers in the service-providing sectors added 900 jobs while employment in the goods-producing sectors decreased by 150 jobs as a result of layoffs in the manufacturing sector. Table 3 shows 12-month average employment in the HMA, by sector.

During the 3-year forecast period, nonfarm employment is expected to increase by nearly 930 jobs, or 1.5 percent, a year, with continued growth expected in the financial activities, education and health services, and natural resources, mining, and construction sectors.

Figure 3. Current Employment in the Rapid City HMA, by Sector



Note: Based on 12-month averages through December 2007.

Source: U.S. Bureau of Labor Statistics

Table 2. Major Employers in the Rapid City HMA

Name of Employer	Employment Sector	Number of Employees
Ellsworth Air Force Base	Government	3,500
Rapid City Regional Hospital	Education & Health Services	2,700
South Dakota Army National Guard	Government	1,000
Wal-Mart Stores, Inc./Sam's Club	Retail Trade	850
Sanmina-SCI Corporation	Manufacturing	460
Black Hills Corporation	Utilities	425
Green Tree Financial Corporation	Financial Activities	420
NEW Customer Services Company, Inc.	Financial Activities	410
Advanced Services, Inc.	Professional & Business Services	370
GE Money	Financial Activities	330

Source: Rapid City Economic Development

Table 3. 12-Month Average Employment in the Rapid City HMA, by Sector

	12 Months Ending December 2006	12 Months Ending December 2007	Percent Change
Total Nonfarm Employment	60,200	61,000	1.3
Goods Producing	8,600	8,450	- 1.7
Natural Resources, Mining, & Construction	4,825	4,950	2.6
Manufacturing	3,775	3,500	- 7.3
Service Providing	51,600	52,500	1.7
Wholesale & Retail Trade	10,800	10,950	1.4
Transportation & Utilities	2,000	2,025	1.3
Information	1,100	1,150	4.5
Financial Activities	3,550	3,750	5.6
Professional & Business Services	4,400	4,475	1.7
Education & Health Services	8,925	9,150	2.5
Leisure & Hospitality	8,400	8,450	0.6
Other Services	2,600	2,700	3.8
Government	9,825	9,900	0.8

Notes: Based on 12-month averages through December 2006 and December 2007. Numbers may not add to totals because of rounding.

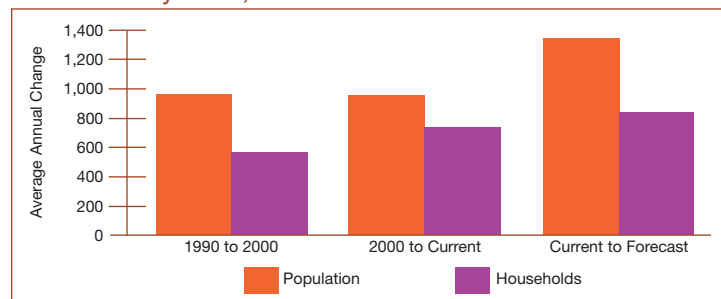
Source: U.S. Bureau of Labor Statistics

Population and Households

As of January 1, 2008, the estimated population of the Rapid City HMA was 120,200. Active-duty military personnel and their dependents account for about 7,500 of the total population in the HMA; about one-half live off base. Since 2000, the population has grown by an average of 960, or 0.8 percent, annually, relatively unchanged compared with the population growth rates recorded during the 1990s.

Figure 4 depicts population and household growth in the HMA from 1990 to the forecast date.

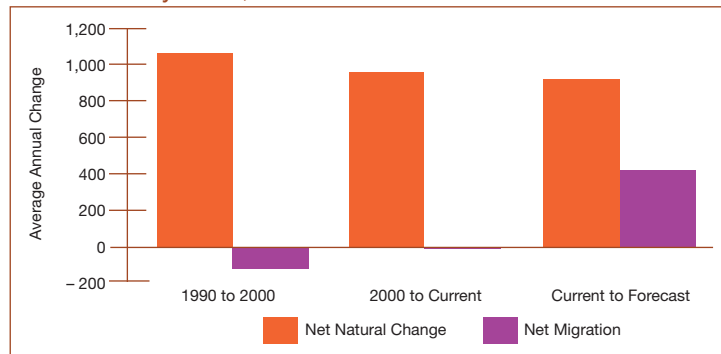
During the 1990s, as a result of an average net out-migration of 100 people a year, the average annual population increase fell slightly below the average annual net natural increase (resident births minus resident deaths) of 1,070 people. During the decade, many high school and college graduates left the HMA to seek employment opportunities elsewhere. Countering the outflow of the younger population, retirees have been moving to the area at a steady rate since the 1990s, attracted by inexpensive housing prices and a well-developed healthcare system. Since 2000, out-migration has slowed as a result of employment growth in the service-providing sectors, resulting in zero net-migration. Combining this

Figure 4. Population and Household Growth in the Rapid City HMA, 1990 to Forecast

Sources: 1990 and 2000–1990 Census and 2000 Census; current and forecast—estimates by analyst

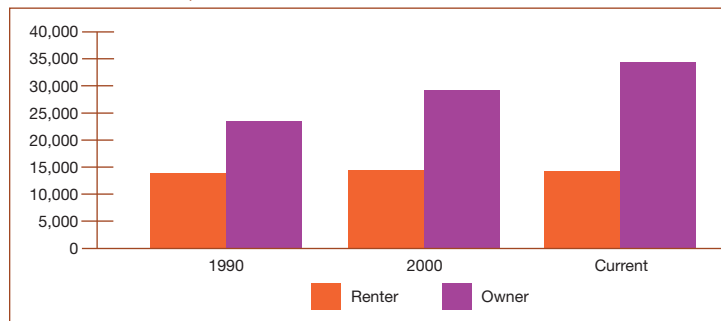
reversing migration trend with the incoming military personnel and their families, net in-migration is expected to average 440 people a year during

Figure 5. Components of Population Change in the Rapid City HMA, 1990 to Forecast



Sources: 1990 and 2000–1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Rapid City HMA, 1990 to Current



Sources: 1990 and 2000–1990 Census and 2000 Census; current—estimates by analyst

the 3-year forecast period, and the population is expected to increase at an annual rate of 1.1 percent, or 1,350, a year to a total of 124,200. Figure 5 shows components of population change in the HMA from 1990 to the forecast date.

Since 2000, the number of households in the HMA has increased by an annual average of 720, or 1.6 percent. From 2000 to the current date, the lower cost of sales housing, attributed to low interest rates, resulted in a significant increase in the number of owner households (see Figure 6). During this same period, the number of households in the HMA has increased by an annual average of 720 to a current estimated total of 49,000. Based on the rate of population growth expected as a result of net in-migration, the forecast number of households will increase by an average of 830, or 1.7 percent, a year to 51,500 households by the end of the 3-year forecast period. Table DP-1 at the end of this report provides additional details about the number of households in and the population of the HMA.

Housing Market Trends

Sales Market

Sales housing market conditions in the Rapid City HMA are currently balanced, with an estimated vacancy rate of 1.6 percent, up from 1.1 percent recorded in 2000 when conditions were tight. The number of new and existing single-family homes sold in 2007 totaled about 1,550, relatively unchanged from the number of

homes sold in 2006. According to Rossum & Neal REALTORS® and the Black Hills Association of REALTORS®, at the end of 2007, the number of unsold homes on the market totaled 625, an 11-percent drop from the 700 unsold homes remaining on the market at the end of 2006.

Housing Market Trends

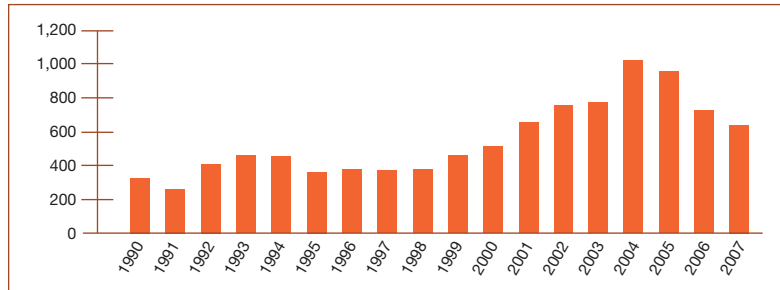
Sales Market *Continued*

Sales prices of both new and existing single-family homes have increased moderately over the past year. In 2007, the average price of new and existing single-family homes increased by 4 percent to \$178,500, primarily as a result of a 22-percent increase in new home sales volume over the same period. New single-family homes sold for an average of \$209,100 in 2007, 3 percent higher than the average price recorded in 2006. In 2007, the average price of existing single-family homes increased by 3 percent to \$169,600.

Single-family home construction, as measured by the number of building

permits issued, averaged 380 units a year during the 1990s. Responding to an increase in demand, home builders began to increase the production of single-family homes in 1999 and reached a record-high level of 1,000 units built in 2004. The construction of new owner units declined to 630 units in 2007, down from 710 units built during 2006, in response to a declining demand resulting from tighter lending standards (see Figure 7). Single-family homes are currently being developed in several new communities in southern Rapid City. Prices for new homes in Red Rock Meadows, South Pointe, and East Ridge Estates begin at \$140,000 for a 1,450-square-foot home.

Figure 7. Single-Family Building Permits Issued in the Rapid City HMA, 1990 to 2007



Notes: Includes only single-family units. Includes data through December 2007.

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

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Rapid City HMA, January 1, 2008 to January 1, 2011

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	149,999	180	7.3
150,000	199,999	490	20.0
200,000	249,999	610	24.9
250,000	299,999	490	20.0
300,000	349,999	330	13.5
350,000	399,999	210	8.6
400,000	and higher	140	5.7

Source: Estimates by analyst

During 2007, the number of new and existing condominiums and townhomes sold declined slightly from 165 to 145 but the average price increased by nearly 3 percent to \$159,400. Vista Park at Fairway Hills, a 96-unit condominium development, is the largest currently under construction. Young professionals and part-time residents are expected to occupy the Vista Park condominiums, which start at \$189,000 for a one-bedroom, 860-square-foot home.

During the forecast period, demand is estimated for 2,450 new owner-occupied homes. Demand is expected to be strongest in the \$150,000-to-\$250,000 price range. Table 4 shows estimated demand for new market-rate sales housing in the HMA by price range.

Rental Market

Rental housing market conditions in the HMA are currently balanced, although vacancies have increased slightly during the past year due to a recent temporary reduction in military personnel at Ellsworth AFB. The current rental vacancy rate is estimated at 6.5 percent, up from 6 percent a year ago (see Figure 8). Average rents for new apartments are \$730 for a one-bedroom unit, \$830 for a two-bedroom unit, and \$1,100 for a three-bedroom unit. Average rents for apartments remained relatively unchanged during 2007, with no significant concessions offered to tenants.

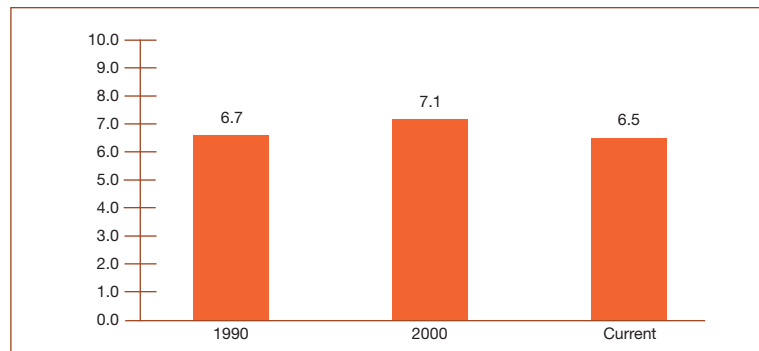
During 2007, 330 multifamily rental units were permitted, substantially more than the 240 units permitted

during 2006 (see Figure 9). Of the units permitted in 2007, approximately 275 are currently under construction at Stoney Creek Highland Apartments; completion is anticipated in 2008. Since 2000, an average of 160 apartments have been constructed annually in the HMA, relatively unchanged compared with the average of 180 apartments built each year during the 1990s.

Ellsworth AFB has started to modernize its on-base housing. The inventory of on-base military family housing declined from 1,920 units in 2006 to 1,140 in 2007 due to the demolition of obsolete units. Construction is currently under way on 110 on-base family housing units at Rushmore Heights; completion is expected in late 2008. Historically, approximately one-half of the active-duty military personnel have lived off base, and a significant number rent single-family homes in the city of Box Elder. Ellsworth military personnel and their dependents also rent apartments throughout the Rapid City HMA.

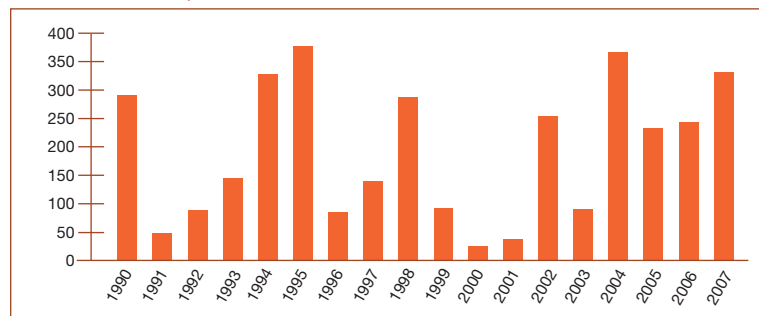
Based on the anticipated increase in troops at the base and current rental market conditions, demand for an additional 450 rental units is expected during the 3-year forecast period. During the first 2 years of the forecast period, much of the expected demand will be satisfied by the 330 units currently under construction. To maintain balanced market conditions, construction of new rental units should not begin until late 2009 or early 2010 to satisfy demand in the third year of the period. Table 5 provides an estimate of the distribution of demand for new market-rate rental housing in the HMA by rent levels and the number of bedrooms per unit.

Figure 8. Rental Vacancy Rates in the Rapid City HMA, 1990 to Current



Sources: 1990 and 2000–1990 Census and 2000 Census; current—estimates by analyst

Figure 9. Multifamily Building Permits Issued in the Rapid City HMA, 1990 to 2007



Notes: Includes all multifamily units in structures with two or more units. Includes data through December 2007.

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

Housing Market Trends

Rental Market *Continued*

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Rapid City HMA, January 1, 2008 to January 1, 2011

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
750	90	850	270	1,100	90
800	80	900	225	1,150	80
850	75	950	200	1,200	75
900	65	1,000	185	1,250	65
950	60	1,050	160	1,300	60
1,000	50	1,100	135	1,350	50
1,050	40	1,150	115	1,400	40
1,150	30	1,250	90	1,500	30
and higher		and higher		and higher	

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Data Profile

Table DP-1. Rapid City HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	48,164	59,500	65,000	2.1	1.3
Unemployment Rate (%)	3.3	2.6	2.9		
Nonfarm Employment	43,100	56,183	61,000	2.7	1.2
Total Population	103,221	112,818	120,200	0.9	0.8
Total Households	37,637	43,446	49,000	1.4	1.6
Owner Households	23,487	28,936	34,750	2.1	2.4
Percent Owner (%)	62.4	66.6	70.9		
Renter Households	14,150	14,510	14,250	0.3	-0.2
Percent Renter (%)	37.6	33.4	29.1		
Total Housing Units	41,333	47,398	53,800	1.4	1.6
Owner Vacancy Rate (%)	1.8	1.1	1.6		
Rental Vacancy Rate (%)	6.7	7.1	6.5		
Median Family Income	NA	NA	NA	NA	NA

NA = Data are not available.

Notes: Median family income data are unavailable due to a change in the metropolitan statistical area definition. Employment data represent annual averages for 1990, 2000, and the 12 months through December 2007.

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

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 1/1/2008—Analyst's estimates

Forecast period: 1/1/2008–1/1/2011—Analyst's estimates

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.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_RapidCitySD.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (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.

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