



Testimony of Jon Godfread
Greater North Dakota Chamber of Commerce
Government Finance Interim Committee
October 7, 2015

Mr. Chairman and members of the committee, my name is Jon Godfread and I am here today representing the Greater North Dakota Chamber of Commerce, the champions for business in North Dakota. GNDC is working on behalf of our more than 1,100 members, to build the strongest business environment in North Dakota. GNDC also represents the National Association of Manufacturers and works closely with the U.S. Chamber of Commerce. We have been asked to offer some input regarding economic activity within the State of North Dakota Specifically to address housing and hotel occupancy rates. I have provided some documentation of data as to where we have gleaned these numbers from, I don't anticipate utilizing the entirety of my time, but wanted to cover a few of the highlights and then attempt to answer any questions you may have regarding other topics.

North Dakota continues to experience a low unemployment rate of 2.9 percent with available jobs at 17,483 in August 2015. This is a good indication that the economy in the State is in good shape, but in need of workers to fill jobs. The healthcare industry is facing some of the largest job shortages and is leading the charge to find workers to come to North Dakota and share in our growing economy.

Speaking specifically to Hotel and Housing occupancy rates:

Hotel rates are down across the state. For comparison the U.S average hotel occupancy rate is 64 percent. Statewide Average was 67% occupancy. To compare to occupancy rates in North Dakota, Bismarck is above the average at 70.1 percent. 2001 showed Bismarck at 78 percent. Bismarck has added eleven hotels since then which would explain the decrease. Fargo has held strong at 67.5 percent since 2010. Grand Forks has taken a dip and has attributed this to the addition of hotel rooms and a decrease in the Canadian dollar.

The largest decrease has been in the West. Dickinson is down 9.3 percent from last year and is at an average occupancy rate of 56 percent. Hotel owners in Dickinson have stated they have had to decrease rates and look for other business besides housing oil field workers.

Williston has taken the largest drop in the occupancy rate. The yearly average is at 55 percent for Williston at this time. Williston has been operating well above the national average for some time now. With the increase in available housing, the sheer number of rooms added to Williston, and the slowdown in the oil fields, it should not be a surprise that the occupancy rate has dropped. Prices in Williston have decreased but not as rapidly as other cities and the Hampton in Williston was recently charging \$286 per night.

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PO Box 2639 P: 701-222-0929
Bismarck, ND 58502 F: 701-222-1611

www.ndchamber.com

Minot is an outlier in this area in that they are happy with the number of rooms and feel that they are able to adequately host sporting events and have hotel space for these events. The occupancy rate in Minot is running somewhere between 65-70%. There is no doubt there has been a decrease in the occupancy rate in Minot as well, it does seem they have chosen to view it as an opportunity to find other demographics to fill the rooms other than oilfield workers.

There is a perspective that should be looked at here. While occupancy rates have dropped, we need to consider the amounts of added motel/hotel rooms added to these communities and that the occupancy rate is close to the national average and we are away from the summer travel months. We need to only look back to the times before the oil boom where a 56 percent occupancy rate would be welcomed.

Housing concerns:

There appears to be a concern in the Western edge of the state with housing. While in the past we have not had enough housing to fill the need, the slowdown has changed that. While some will consider these dirty words there may have been some over building. Some will say there is too much temporary housing and that any temporary housing should be eliminated to help fill the apartments and houses that are being build and many are standing empty. More temporary housing might have been a solution to preventing this issue. Dickinson was wary of this problem from the beginning of the boom and moved at a slower pace because they had experienced this before.

Influencing Factors for the 2015 North Dakota Real Estate Market:

- The average home price in North Dakota is \$195,900. The average Sold price is \$194,069.
- Home appreciation is up 11.3% in the last year.
- There are currently 5,500 homes for sale. Homes spend an average of 66 days on Zillow.
- North Dakota has a median household income of \$54,792, slightly higher than the national average.
- The state's unemployment rate is 2.6%, still well below the national average of 6.3%.
- Residents and investors will continue to keep an eye on the energy and agriculture sectors in the state. While the results of the fall in prices have certainly been felt as of now the market is balancing out.

In Williston permits have been varied from year to year on the numbers issues for different types of housing.

In 2012 208 new home permits were issued, 35 duplex permits were issued, and 34 apartment permits were issued.

In 2013 124 new home permits were issued, 5 duplex permits were issued, and 49 apartment permits were issued.

In 2014 333 new home permits were issued, 3 duplex permits were issued, and 48 apartment permits were issued.

I was unable to get the current numbers for 2015, however when you look at the change from 2012-2014 even a large change in the numbers might not be any solid indication of a trend or problem in the housing industry.