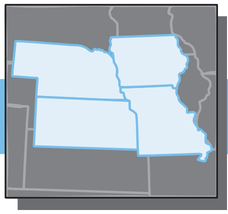
Housing Market Profile



Great Plains • HUD Region VII

Kansas City, Missouri-Kansas

The Kansas City metropolitan area consists of 15 counties located on the border of Kansas and Missouri. The popu-lation as of January 1, 2010, is estimated to be 2.03 million, an increase of about 15,300, or 0.8 percent, from January 1, 2009. By comparison, population growth averaged about 21,700 a year, or 1.1 percent annually, from 2006 through 2008. More than two-thirds of the population growth has been due to net natural increase (resident births minus resident deaths), which has averaged about 15,100 a year since 2006, while net in-migration averaged about 6,600 a year. The nearest major cities are more than 150 miles away from Kansas City, so the metropolitan area serves the needs of the large region as a center for shipping and distribution, health care, and financial and professional services. Leading employers in the area include Sprint Nextel Corporation, St. Luke's Health System, and AT&T Inc., with 12,000, 6,400, and 5,200 employees, respectively.

Employment growth in the metropolitan area leveled off in 2008 with the onset of the national recession followed by significant job losses in 2009. In 2009, nonfarm employment declined by about 19,800 jobs, or 1.9 percent, to 998,700 jobs. Paralleling the job losses, the average unemployment rate increased from 5.6 to 8.3 percent during the 12 months ending November 2009. From 2004 to 2007, by comparison, nonfarm employment grew by an average of 15,300 jobs a year, or 1.6 percent. Recent job losses were most significant in the manufacturing, professional and business services, and transportation and utilities sectors, which lost 5,100, 4,800, and 2,500 jobs, respectively, or declined by 6.0, 2.8, and 5.1 percent, respectively. Local firms announcing layoffs in 2009 included shipping company YRC Worldwide Inc., manufacturing firm Harley-Davidson, Inc., and Sprint Nextel Corporation, with more than 3,000 combined layoffs. In addition, a softer housing market resulted in the loss of about 4,700 construction jobs, or 9.4 percent. Education and health services, government, and financial activities were the only sectors that experienced job growth, with increases of 2,300, 1,300, and 100 jobs, respectively, or 1.9, 0.9, and 0.1 percent, respectively.

The weakened economy has contributed to a recent slowdown in residential sales activity, and the current home sales market is somewhat soft. According to the Kansas City Regional Association of REALTORS®, home sales during the 12 months ending November 2009 were down 4 percent from sales recorded during the previous 12 months. Although sales of existing homes remained relatively stable with 23,400 homes sold, sales of new homes fell by about 1,100 units, or 31 percent, to 2,475 homes sold during the same period. During the past 12 months, the average sales price for existing homes declined by about $11,600, or 7 percent, to $147,100, and the average price for new homes fell by $27,300, or 8 percent, to $293,900.

Although foreclosures in the third quarter of 2009 were up 15 percent from a year ago, mostly due to job losses, the foreclosure rate in the Kansas City metropolitan area remains below the national average. According to RealtyTrac®, Inc., 1 out of every 174 homes in the metropolitan area had a foreclosure filing in the third quarter of 2009, compared with 1 out of every 136 homes nationwide. One reason for the lower rate of foreclosures is that the subprime share of mortgages in the area, at 11.3 percent, was somewhat below the national average of 12.3 percent, according to the NATIONAL ASSOCIATION OF REALTORS®. In addition, the metropolitan area did not experience the rapid rise in home prices that occurred in other parts of the nation earlier in the decade, and has not experienced the subsequent dramatic decline.

Despite the slow pace of home sales, the inventory of unsold homes has decreased, partly due to a reduced number of new homes coming on the market. For the 12 months ending November 2009, the number of active listings averaged about 16,100 homes compared with 19,100 for the previous 12 months, representing a 15-percent decline. The supply of new homes on the market fell from about 4,000 to 2,650 during the same period, which was a 34-percent decline. In response to the weak home sales market, home builders have decreased home construction activity, as measured by the number of single-family homes permitted. Based on preliminary data, during the 12 months ending November 2009, about 2,700 single-family homes were authorized, indicating a decline of 200 units, or 7 percent, from the previous 12 months. By comparison, from 2001 through 2006, single-family home construction averaged roughly 11,000 homes a year. Condominium construction peaked from 2001 through 2004, when about 1,200 units a year were built. Currently, fewer than 200 units are under construction. Redevelopment of historic buildings in midtown and downtown areas has also added to the supply of condominiums during the past 4 years. One example is the 168-unit Board of Trade Condominiums building in downtown Kansas

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City, which opened in late 2009, near the recently completed Power & Light District. Asking prices for the condominiums range from $115,000 for studio units to $500,000 for penthouse units.

The rental market in the Kansas City metropolitan area is soft—a result of the weaker economy and a large number of new apartment units coming on line. The current rental vacancy rate is estimated to be 9 percent, up from 7.5 percent a year ago. According to Reis, Inc., the average monthly apartment rent in the third quarter of 2009 was about $700, which is essentially unchanged from the rent in the same quarter a year earlier. Average monthly rents in the metropolitan area currently range from about $600 for a one-bedroom unit to $750 for a two-bedroom unit and $900 for a three-bedroom unit. Multifamily building activity, as measured by the number of units permitted, has slowed in the past year due to the softer rental market. Based on preliminary data, in the 12 months ending November 2009, roughly 1,400 multifamily units were permitted, down from 2,900 during the previous 12 months, representing a 51-percent decline. By comparison, multifamily construction in the metropolitan area averaged nearly 3,600 units a year from 2001 through 2006. Roughly 75 percent of the units added during that 6-year period were rental units. About 1,300 rental units are currently under construction. One development nearing completion is the 323-unit Market Station apartments in the historic River Market area near downtown, with rents ranging from about $700 a month for a one-bedroom unit to $1,700 for a two-bedroom unit. Another new development, expected to be completed in August 2010, is the 309-unit West End at City Center in Lenexa, Kansas, approximately 15 miles southwest of downtown Kansas City. Monthly rents will range from about $700 for a one-bedroom unit to $1,550 for a three-bedroom unit.