



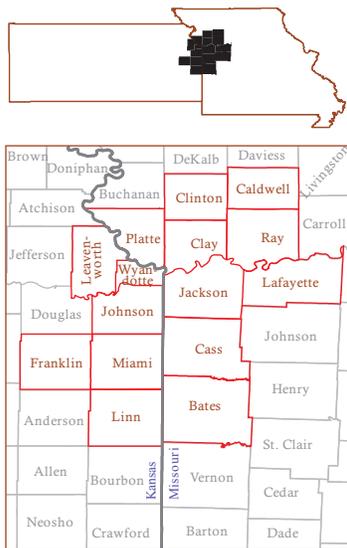
Kansas City, Missouri-Kansas

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2011



Summary

Housing Market Area



Located on the Kansas-Missouri border, the 15-county Kansas City Housing Market Area (HMA) has a population of more than 2 million. The HMA is coterminous with the metropolitan area and, for this analysis, is divided into three submarkets: Jackson County, Missouri; the six HMA counties in Kansas (Franklin, Johnson, Leavenworth, Linn, Miami, and Wyandotte); and the remaining eight HMA counties in Missouri (Bates, Caldwell, Cass, Clay, Clinton, Lafayette, Platte, and Ray).

Economy

The economy of the Kansas City HMA is currently weak. During the 12 months ending March 2011, nonfarm payrolls declined by 8,200 jobs, or 0.9 percent, to 963,600 jobs, while the unemployment rate averaged 9 percent. The information and the transportation and utilities sectors and the construction subsector were among those hardest hit by job losses. Employment is expected to recover during the next 3 years, increasing by 0.3 percent annually, although job losses could continue through 2011.

Sales Market

The sales housing market in the HMA is soft. Sales of existing homes declined by 15 percent in the 12 months ending March 2011, to about 27,600 homes sold. Single-family construction increased by 4 percent in the past 12 months, but building activity remains well below the peak years of

2003 through 2005. During the forecast period, demand is expected for 23,100 new sales units (see Table 1); the roughly 900 homes currently under construction will meet part of that demand. In addition, a portion of the estimated 43,600 other vacant units may enter the market to satisfy some of the forecast demand.

Rental Market

The rental housing market in the HMA is soft, with a 9.3-percent rental vacancy rate, but vacancies have declined in the past year because of renter household growth and reduced multifamily construction. Fewer than 250 multifamily units were permitted in the 12 months ending March 2011 compared with the 1,700 units permitted in the previous 12 months. During the next 3 years, demand is expected for 1,400 new rental units (see Table 1); the roughly 650 units now under construction or in the development pipeline will meet part of that demand.

Market Details

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Table 1. Housing Demand in the Kansas City HMA, 3-Year Forecast, April 1, 2011 to April 1, 2014

	Kansas City HMA		Jackson County, Missouri Submarket		Kansas Counties Submarket		Remaining Missouri Counties Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	23,100	1,400	5,300	300	10,100	800	7,700	300
Under Construction	900	650	300	300	450	300	150	50

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2011. A portion of the estimated 43,600 other vacant units in the HMA will likely satisfy some of the forecast demand.

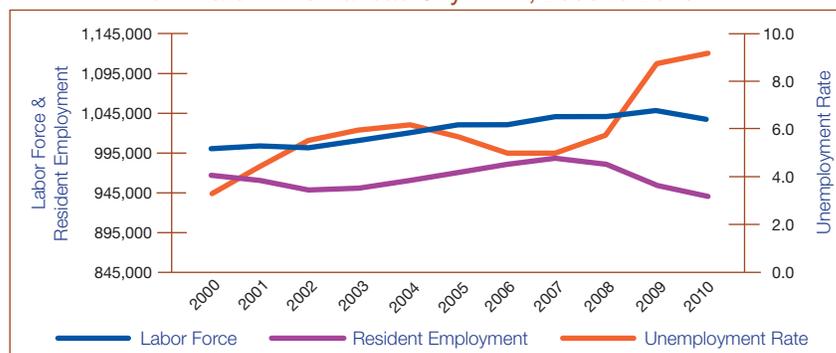
Source: Estimates by analyst

Economic Conditions

The economy in the Kansas City HMA is currently weak, a result of the lingering effects of the past recession. Employment has decreased in the past 12 months, continuing a trend that began in 2008. During the 12 months ending March 2011, non-farm payrolls averaged about 963,600 jobs, a decline of 8,200 jobs, or 0.9 percent, compared with the previous 12 months. As a result of the recession in 2001, nonfarm payrolls declined by an average of about 7,300 jobs, or 0.7 percent, annually from 2000 to 2003. From 2004 through 2007, nonfarm payrolls grew by an average of more than 15,000 jobs, or 1.6 percent, annually. Nonfarm payrolls in the HMA

peaked in early 2008 at more than 1 million jobs. With continued job losses, the unemployment rate for the 12 months ending March 2011 averaged 9.0 percent, down slightly from the 9.1-percent average for the previous 12 months. Figure 1 shows resident employment levels and unemployment rates for 2000 through 2010.

Kansas City originated as a river port on the Missouri River and later became a major rail hub. Today, the Kansas City HMA, which is near the geographic center of the continental United States, serves a large area of the country as a hub for shipping and distribution and as a regional center for business services and health care. The largest employers in the HMA include HCA Midwest Health System, Sprint Nextel Corporation, and St. Luke's Health System, with 8,125, 7,300, and 6,620 employees, respectively. Kansas City also serves as the headquarters for several major companies, including Hallmark Cards, Inc.; H&R Block, Inc.; and AMC Entertainment Inc. The manufacturing sector has a significant presence in the HMA, although the sector's share

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Kansas City HMA, 2000 to 2010

Source: U.S. Bureau of Labor Statistics

of total nonfarm payrolls declined from 11 percent in 1990 to 7.6 percent in 2010. General Motors Company and Ford Motor Company both have large automobile manufacturing facilities in the area. Telecommunications, which is also an important part of the HMA economy, is represented by several of the largest employers, as shown in Table 2.

Many of the job losses during the 12 months ending March 2011 occurred in sectors that were sensitive to conditions in the national economy (see Table 3). Layoffs in the telecommunications industry contributed to a loss of 4,500 jobs in the information

sector, a 12-percent decline. Payrolls in the transportation and utilities sector fell by 1,100 jobs, or 2.5 percent. In addition, construction subsector payrolls decreased by more than 3,000 jobs, or 8 percent, partly the result of a weak home sales market, and local government payrolls fell by 1,200 jobs, or 1.1 percent, a result of school district layoffs and budget cuts. Figure 2 shows payroll growth by sector in the HMA from 2000 to the current date. Some job sectors have stabilized recently. Although manufacturing sector payrolls were flat in the past 12 months, this is an improvement from the previous 12-month period, when payrolls fell by 6,350 jobs, or 8 percent. Likewise, payrolls in the professional and business services sector recorded a slight increase of about 100 jobs, or 0.1 percent, after declining by 7,800 jobs, or 5.3 percent, during the previous 12 months. Notable growth occurred in a few other sectors, which partially offset recent job losses. The education and health services sector added 1,500 jobs, a 1.2-percent increase, while federal government payrolls increased by 1,600 jobs, or 5.8 percent. Figure 3 shows current employment by sector in the HMA.

Employment in the HMA is expected to increase during the next 3 years, although the recovery will likely be gradual and job losses may continue through the rest of 2011. Sectors such as manufacturing, professional and business services, and transportation and utilities are expected to grow as the national economy improves. Sectors that expanded in the past 2 years, such as the education and health services sector, are expected to continue to grow. Nonfarm payrolls are expected to increase by an average of 1,600 jobs, or 0.3 percent, annually.

Table 2. Major Employers in the Kansas City HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
HCA Midwest Health System	Education & Health Services	8,125
Sprint Nextel Corporation	Information	7,300
St. Luke's Health System	Education & Health Services	6,620
McDonald's Corporation	Leisure & Hospitality	5,700
Cerner Corporation	Information	4,980
The Children's Mercy Hospital	Education & Health Services	4,810
Truman Medical Centers	Education & Health Services	4,080
AT&T Inc.	Information	3,710
General Motors Company	Manufacturing	3,705
Hallmark Cards, Inc.	Information	3,700

Notes: As of December 24, 2010. Excludes public employers such as local school districts.

Source: Kansas City Business Journal Book of Lists

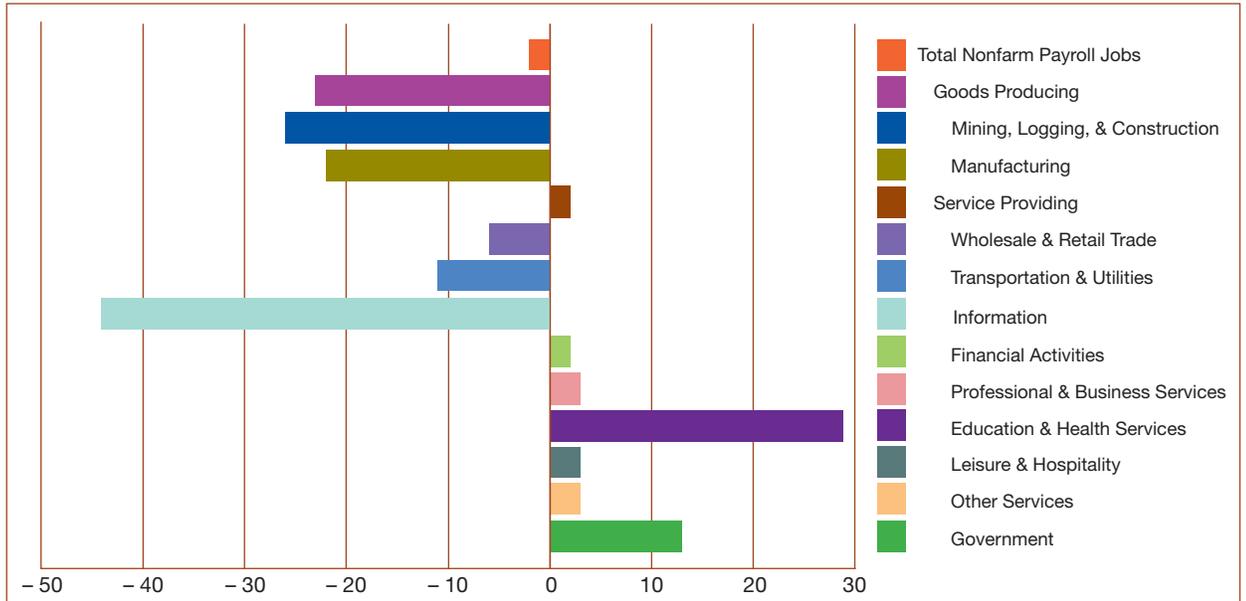
Table 3. 12-Month Average Nonfarm Payroll Jobs in the Kansas City HMA, by Sector

	12 Months Ending March 2010	12 Months Ending March 2011	Percent Change
Total Nonfarm Payroll Jobs	971,800	963,600	-0.9
Goods Producing	114,000	110,900	-2.8
Mining, Logging, & Construction	41,100	37,950	-7.7
Manufacturing	72,950	72,950	0.0
Service Providing	857,800	852,700	-0.6
Wholesale & Retail Trade	150,800	150,500	-0.2
Transportation & Utilities	44,050	42,950	-2.5
Information	36,150	31,650	-12.4
Financial Activities	71,200	71,000	-0.3
Professional & Business Services	140,200	140,300	0.1
Education & Health Services	128,200	129,700	1.2
Leisure & Hospitality	92,600	92,050	-0.6
Other Services	40,800	40,450	-1.0
Government	153,800	154,200	0.2

Notes: Based on 12-month averages through March 2010 and March 2011. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

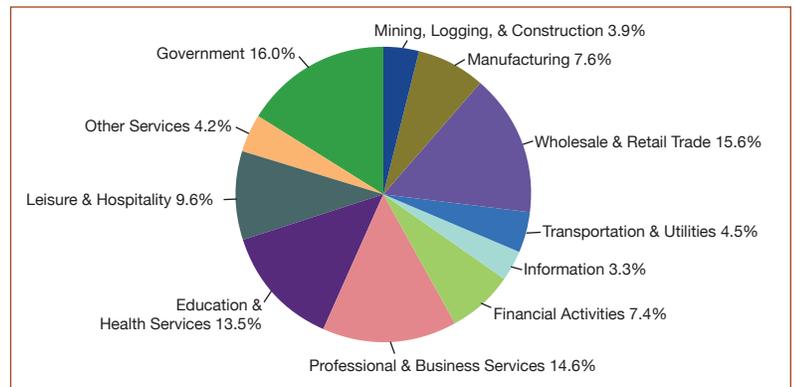
Figure 2. Sector Growth in the Kansas City HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through March 2011.

Source: U.S. Bureau of Labor Statistics

Figure 3. Current Nonfarm Payroll Jobs in the Kansas City HMA, by Sector



Note: Based on 12-month averages through March 2011.

Source: U.S. Bureau of Labor Statistics

Population and Households

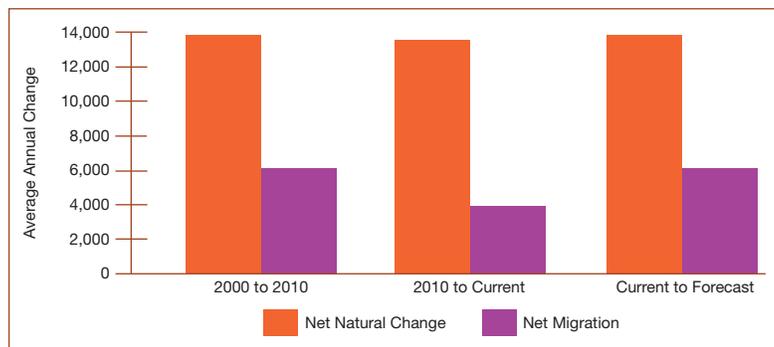
The current population of the Kansas City HMA is estimated to be 2,053,000, an increase of about 19,700, or 1.1 percent, annually since 2000. Most of the population growth has been due to net natural change (resident births minus resident deaths), which averaged about 13,700 people a year, while net in-migration averaged about 6,000 people a year (see Figure 4). Migration to the HMA slowed early in the decade because of the weak labor market after the 2001 recession. From 2005 through 2008, net in-migration increased, averaging more than 7,300 people a year. The most recent recession has caused net in-migration to slow again in the past 3 years.

Population growth since 2000 has been fastest in the Remaining Missouri Counties submarket, which consists of the Missouri counties outside of Jackson County, where the population increased by about 7,300, or 1.5 percent,

annually, to about 521,500 as of the current date. Much of the growth was the result of net in-migration, which averaged about 4,500 people a year. In the Jackson County submarket, which includes most of Kansas City, Missouri, population growth since 2000 has been slower, averaging about 2,000 people, or 0.3 percent, annually. The current population of the Jackson County submarket is estimated at 676,900. Although net natural change averaged an increase of more than 4,300 people a year in Jackson County, this growth was partly offset by net out-migration. In the Kansas Counties submarket, the current population is about 854,400. Population growth has averaged about 10,400 people, or 1.3 percent people, annually since 2000. Net natural change averaged about 6,600 people a year, while net in-migration averaged about 3,800 people a year. Tables DP-1 through DP-4 at the end of the report contain information on population and household growth for the HMA and each of the submarkets from 2000 to the current date.

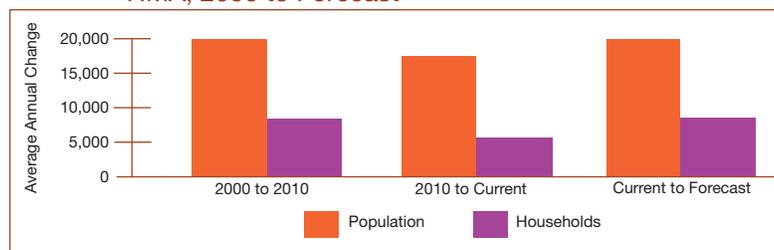
As of April 1, 2011, the number of households in the Kansas City HMA is estimated to be 805,300, an increase of about 7,950, or 1.1 percent, annually since 2000. As with population growth, household growth was strongest during the period 2005 through 2008, but recent job losses and slower in-migration have caused household growth to slow in the past 3 years. Figure 5 shows household growth from 2000 through the forecast period. Of the current households, about 538,800, or 67 percent, are homeowners, and the remaining 266,500 are renter households. Owner household growth has averaged 0.9 percent a year since 2000 compared with 1.4-percent growth for renters.

Figure 4. Components of Population Change in the Kansas City HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Population and Household Growth in the Kansas City HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Population and Households *Continued*

Figure 6. Number of Households by Tenure in the Remaining Missouri Counties Submarket, 2000 to Current



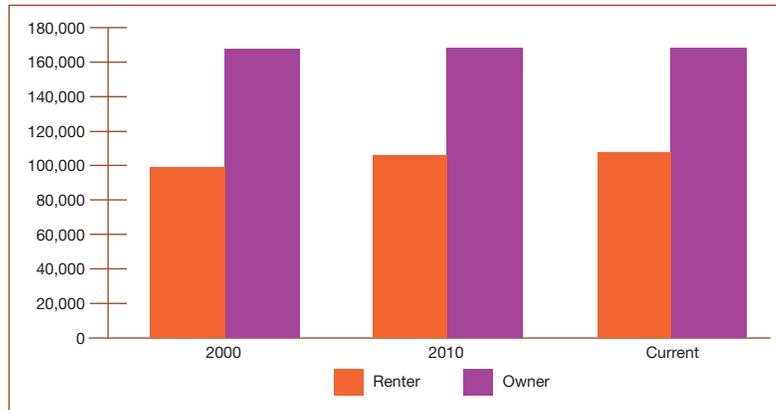
Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 7. Number of Households by Tenure in the Kansas Counties Submarket, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 8. Number of Households by Tenure in the Jackson County, Missouri Submarket, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

The slower growth in owner households is partly attributable to a shift to renting among households during the past 3 years. The homeownership rate in the HMA peaked at more than 73 percent in 2007 but declined to less than 69 percent by 2010.

Since 2000, the fastest rate of household growth has been in the Remaining Missouri Counties submarket, where the number of households increased by about 2,900, or 1.6 percent, annually (see Figure 6). In the Kansas Counties submarket, the number of households increased by 4,200, or 1.4 percent, annually (see Figure 7) and, in the Jackson County, Missouri submarket, household growth was slowest, averaging about 850 households, or 0.3 percent, annually (see Figure 8).

With job growth expected to resume during the forecast period, net in-migration to the HMA is expected to return to normal levels, while the rate of net natural change is expected to remain steady. During the next 3 years, net in-migration is expected to average 6,100 people a year, while net natural change is expected to average 13,800 people a year. The population of the HMA is projected to increase by nearly 20,000, or 1 percent, annually.

Housing Market Trends

Sales Market—Jackson County, Missouri Submarket

Jackson County, Missouri, is the central county of the Kansas City HMA. Kansas City, Missouri, occupies the western part of the county, and the major suburbs east of Kansas City, such as Independence and Lee's Summit, are also in Jackson County.

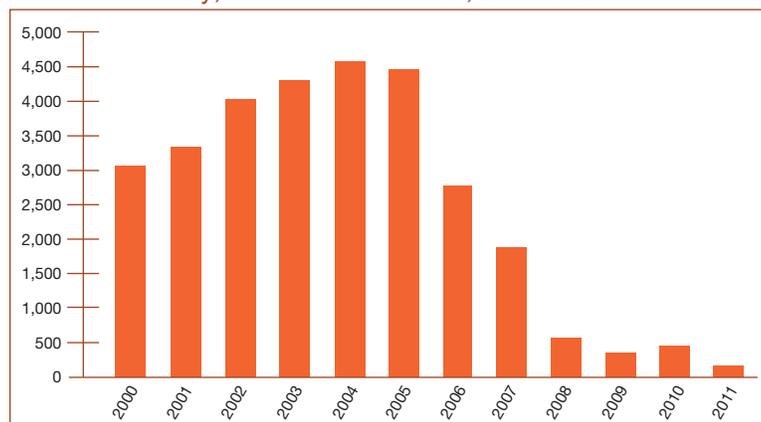
The sales housing market in the Jackson County, Missouri submarket is currently soft, a result of the weak economy and tight mortgage lending standards. Based on data from Hanley Wood, LLC, during the 12 months ending March 2011, approximately 10,100 existing single-family homes were sold in Jackson County, a decline of 1,700 homes sold, or 15 percent, compared with the number sold during the previous 12 months. Sales of existing attached homes (such as condominiums and townhomes) declined from about 590 to 510, or by 14 percent, during the same period. Despite the decrease in sales, the average price for existing single-family homes sold in the 12 months ending March 2011 was up by 3 percent, to about \$145,400, from a year earlier. The average price

for existing attached homes remained nearly unchanged from a year earlier, at \$143,800.

Although home foreclosure activity in the Jackson County, Missouri submarket remains high compared with a few years ago, the percentage of distressed home loans has declined in the past year. Based on data from Hanley Wood, LLC, nearly 4,500 residential foreclosures were completed in Jackson County in 2010, up from about 2,500 foreclosures in 2005. According to data from LPS Applied Analytics, however, the number of home loans that were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) in March 2011 represented 6.7 percent of all outstanding home loans in Jackson County, down from 7.4 percent a year earlier.

As a result of decreasing sales, homebuilding in the Jackson County, Missouri submarket has declined from its peak from 2003 through 2005; however, single-family construction has rebounded during the past 12 months. Based on preliminary data, during the 12 months ending March 2011, about 500 single-family homes were permitted in the county compared with 420 permitted during the previous 12 months, an increase of 18 percent. By contrast, from 2003 through 2005, single-family construction averaged more than 4,400 homes a year (see Figure 9). Much of the single-family construction in Jackson County has been in areas south and east of Kansas City, near communities such as Greenwood and Grandview or in unincorporated parts of eastern Jackson County. Starting sales prices

Figure 9. Single-Family Building Permits Issued in the Jackson County, Missouri Submarket, 2000 to 2011



Notes: Includes only single-family units. Includes data through March 2011.

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

Housing Market Trends

Sales Market—Jackson County, Missouri Submarket *Continued*

for new single-family homes typically range from about \$120,000 to \$150,000. According to data from Hanley Wood, LLC, the average price for new single-family homes in Jackson County was about \$222,900 during the 12 months ending March 2011, down from \$247,600 for the previous 12-month period, a 10-percent decline.

Within Kansas City, Missouri, much of the residential construction consists of infill development, which, in many cases, includes rehabilitating older buildings in midtown or downtown areas and converting them into apartments and condominiums. Based on data from Hanley Wood, LLC, the number of sales of new attached homes averaged nearly 400 a year from 2005 through 2008. The number of attached home sales declined after 2008 and has averaged about 100 units a year since 2009. Starting prices for new one-bedroom condominiums and lofts in midtown and downtown neighborhoods typically range from about \$120,000 to \$140,000. According to

data from Hanley Wood, LLC, prices for new attached homes in Jackson County averaged about \$187,700 during the 12 months ending March 2011 compared with \$197,100 during the previous 12 months, a 5-percent decline.

Based on projected population and household growth during the next 3 years, demand is expected for about 5,300 new sales units in the Jackson County, Missouri submarket (see Table 1). The roughly 300 units currently under construction will meet part of that demand. In addition, it is likely that some of the estimated 19,500 other vacant units in the county will meet a portion of the demand during the forecast period. Demand is expected to be strongest in the second and third years of the forecast period, and the largest demand is expected for homes priced between \$150,000 and \$200,000. Table 4 shows estimated demand by price range for new market-rate sales housing during the forecast period.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Jackson County, Missouri Submarket, April 1, 2011 to April 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
125,000	149,999	690	13.0
150,000	199,999	1,425	27.0
200,000	249,999	1,325	25.0
250,000	299,999	800	15.0
300,000	399,999	530	10.0
400,000	599,999	270	5.0
600,000	799,999	160	3.0
800,000	and higher	110	2.0

Note: The 300 homes currently under construction will satisfy some of the estimated demand. In addition, a portion of the estimated 19,500 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Housing Market Trends

Jackson County, Missouri Submarket *Continued*

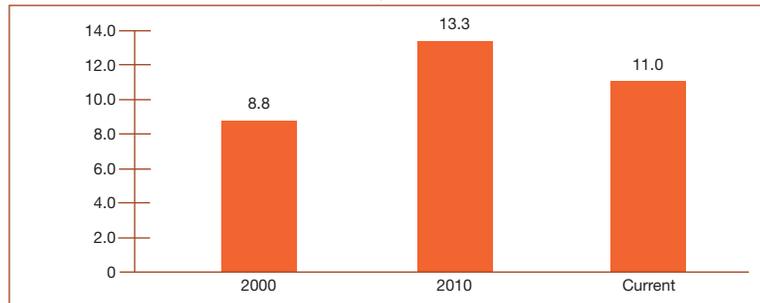
Rental Market—Jackson County, Missouri Submarket

The rental housing market in the Jackson County, Missouri submarket is currently soft, with a rental vacancy rate estimated at 11 percent (see Figure 10). This rate is down from more than 13 percent a year ago. Demand for rental units remains weak, a result of job losses and slow household growth. In addition, supply has increased, as approximately 500 new rental units have come on line in Jackson County in the past 12 months. The soft sales housing market has also contributed to an increase in the rental housing supply, as unsold homes have become available in the rental housing market. Average monthly rents in Jackson County are currently about \$600 for a one-bedroom unit, \$750 for a two-bedroom unit,

and \$1,000 for a three-bedroom unit. According to Reis, Inc., the average effective apartment rent in Jackson County (including concessions) in the first quarter of 2011 was about \$655, which represents an increase of less than 1 percent from the same period a year ago.

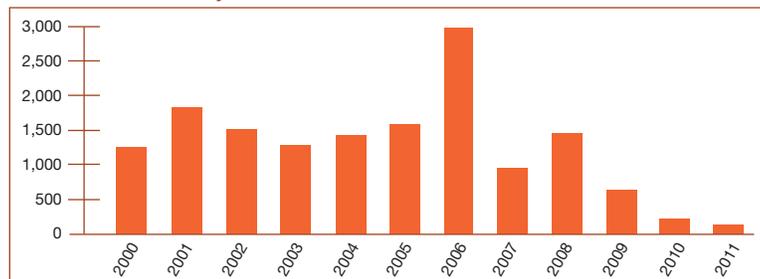
Multifamily construction, as measured by the number of permits issued, peaked in 2006, when nearly 3,000 units were authorized in the Jackson County, Missouri submarket (see Figure 11). Because of weak rental housing demand, multifamily building activity has declined steadily in the past 3 years. In the 12 months ending March 2011, only about 85 multifamily units were permitted, down from 700 units authorized during the previous 12 months, according to preliminary data. Since 2005, most of the multifamily construction has been in the downtown and midtown areas of Kansas City, but a significant number of units have been added in areas east and south of Kansas City, such as Blue Springs and Greenwood. One recent development is the 323-unit Market Station Apartments in the River Market area, near downtown, which was completed in early 2010. Asking rents for the one-bedroom units range from \$800 to \$1,300 a month, and rents for two-bedroom units range from \$1,355 to \$1,685 a month. Another new development—the rehabilitation of an older building in downtown Kansas City to a 180-unit property named Walnut Towers Apartments—is expected to be completed in mid-2012. The monthly rents are expected to range from \$500 to \$625 for studio units,

Figure 10. Rental Vacancy Rates in the Jackson County, Missouri Submarket, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 11. Multifamily Building Permits Issued in the Jackson County, Missouri Submarket, 2000 to 2011



Notes: Includes all multifamily units in structures with two or more units. Includes data through March 2011.

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

Housing Market Trends

Rental Market—Jackson County, Missouri Submarket *Continued*

\$675 to \$775 for one-bedroom units, and \$775 to \$875 for two-bedroom units. Approximately 300 rental units are currently under construction in Jackson County.

As a result of the soft rental housing market and a significant number of vacant units that will need to be absorbed, demand is expected for 300 new rental units in the Jackson County, Missouri submarket during

the next 3 years. The units currently under construction are expected to satisfy all of the demand during the forecast period. Therefore, any additional rental units planned for the submarket should be timed to come on line after the end of the 3-year forecast period. Table 5 shows estimated demand by rent level for new market-rate rental housing in the HMA during the forecast period.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Jackson County, Missouri Submarket, April 1, 2011 to April 1, 2014

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
700 to 899	40	850 to 1,049	45	1,050 to 1,249	15
900 to 1,099	30	1,050 to 1,249	30	1,250 to 1,449	10
1,100 to 1,299	20	1,250 to 1,449	25	1,450 to 1,649	10
1,300 to 1,499	10	1,450 to 1,649	10	1,650 or more	10
1,500 or more	10	1,650 or more	10		
Total	110	Total	120	Total	45

Note: The 300 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Sales Market—Kansas Counties Submarket

The six Kansas counties of the HMA, which comprise the Kansas Counties submarket, include the cities of Leavenworth; Kansas City, Kansas (which shares a consolidated government with Wyandotte County); and the suburbs of Overland Park and Olathe (both of which are in Johnson County). Nearly 65 percent of the submarket's population lives in Johnson County, and another 20 percent resides in Wyandotte County.

The sales housing market in the Kansas Counties submarket is currently soft. Based on data from Hanley Wood, LLC, during the 12 months ending March 2011, approximately 9,600 existing single-family homes were sold in the submarket, a decline of 2,100 homes sold, or 18 percent, compared with the number sold during the

previous 12 months. Sales of existing attached homes declined by nearly 100 homes, or 7 percent, in the same period, to 1,125 units sold. Despite the decrease in sales, the average price for existing single-family homes sold in the 12 months ending March 2011 was up by nearly \$5,800, or 3 percent, from a year earlier, to about \$209,400. The average price for existing attached homes, however, fell 1 percent from a year earlier, or by about \$1,400, to \$133,100.

Foreclosure activity in the Kansas Counties submarket remains high compared with a few years ago, but it has been declining in recent months. According to data from Hanley Wood, LLC, the number of completed foreclosures in the submarket peaked at nearly 2,900 in 2010. By comparison,

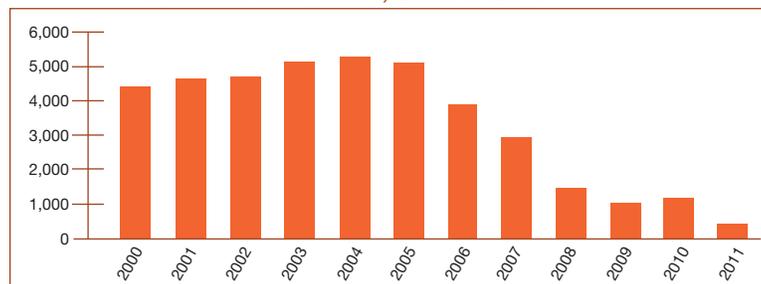
Housing Market Trends

Sales Market—Kansas Counties Submarket *Continued*

in 2005 and 2006, an average of fewer than 1,100 homes a year were foreclosed. During the 12 months ending March 2011, 2,100 residential foreclosures were completed in the submarket, a 23-percent decrease from the previous 12 months. In addition, the rate of mortgage defaults has decreased. According to data from LPS Applied Analytics, in March 2011, the number of home loans 90 or more days delinquent, in foreclosure, or in REO represented 4.9 percent of all outstanding home loans in the Kansas Counties submarket, down from 5.1 percent a year earlier.

Single-family homebuilding, as measured by the number of building permits issued, averaged nearly 5,200 new homes a year during 2003 through 2005 (see Figure 12) in the Kansas Counties submarket. Beginning in 2006, however, the volume of construction declined steadily as a result of decreasing sales, falling to a low of about 1,050 single-family homes permitted in 2009. Building activity began to recover in the past 12 months. Based on preliminary data, during the 12 months ending March 2011, about 1,150 single-family homes were permitted in the submarket, up from 1,100 permitted in the previous 12 months, a 4-percent increase.

Figure 12. Single-Family Building Permits Issued in the Kansas Counties Submarket, 2000 to 2011



Notes: Includes only single-family units. Includes data through March 2011.

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

Within the Kansas Counties submarket, the most active area for single-family homebuilding is in southern and western Johnson County, near communities such as Olathe, Gardner, and Spring Hill. Although these communities are located at the southwestern edge of the urban development in the HMA, they are near Interstate 35 (I-35) and other highways, providing improved access to job centers throughout the HMA. Starting prices for new homes in the area typically range from about \$150,000 to \$175,000, but average home sales prices for new single-family homes in Johnson County are, in general, much higher, typically ranging from \$300,000 to \$350,000. Another active area for homebuilding is western Wyandotte County, near the interchange of I-70 and I-435. A 400-acre retail and entertainment district, known as Village West, which includes the Kansas Speedway, was completed in 2006 at a cost of \$573 million. The commercial development has led to residential building activity in surrounding areas. Newer home sales prices in western Wyandotte County typically start at about \$125,000 to \$150,000. For the entire submarket, based on data from Hanley Wood, LLC, prices for new single-family homes during the 12 months ending March 2011 averaged about \$311,300, down from \$314,200 for the previous 12 months, a 1-percent decrease. Prices for new attached homes averaged about \$161,800, an increase of \$1,050, or approximately 1 percent, from a year earlier.

Based on projected population and household growth, demand is expected for 10,100 new market-rate sales units during the next 3 years in

the Kansas Counties submarket (see Table 1). The approximately 450 units currently under construction will meet part of that demand. In addition, some of the estimated 14,300 other vacant units in the submarket are likely to meet a portion of the demand. Demand is expected to be strongest in

the second and third years of the forecast period, averaging about 4,000 homes a year. Demand is expected to be greatest for homes priced between \$200,000 and \$250,000. Table 6 shows estimated demand by price range for new market-rate sales housing during the forecast period.

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Kansas Counties Submarket, April 1, 2011 to April 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
125,000	149,999	1,475	15.0
150,000	199,999	1,975	20.0
200,000	249,999	2,475	25.0
250,000	299,999	1,975	20.0
300,000	399,999	990	10.0
400,000	599,999	500	5.0
600,000	799,999	300	3.0
800,000	and higher	200	2.0

Note: The 450 homes currently under construction will satisfy some of the estimated demand. In addition, a portion of the estimated 14,300 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

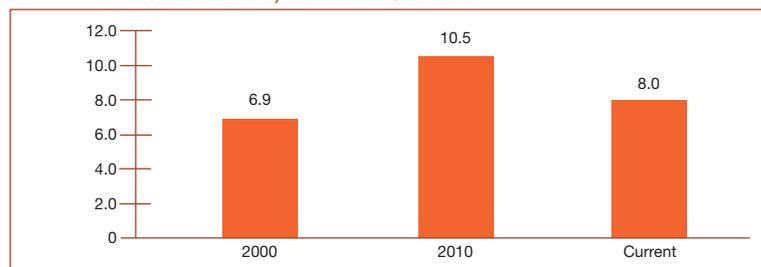
Rental Market—Kansas Counties Submarket

The rental housing market in the Kansas Counties submarket is currently somewhat soft, with an estimated rental vacancy rate of 8 percent (see Figure 13). This rate is down, however, from 10.5 percent a year ago. Although the supply of rental housing has expanded in the past 2 years, growth in renter households has led to stronger demand. According to Reis, Inc., the average effective apartment rent in the submarket (including

concessions) in the first quarter of 2011 was about \$780, an increase of nearly 3 percent from a year earlier. This average effective apartment rent growth, which was the fastest rate of growth in 3 years, was partly the result of a high absorption rate of new units. Class A rents in the first quarter of 2011 were up by more than 3 percent from a year earlier, to an average of about \$880 a month. Currently, average monthly rents in the submarket are about \$625 for one-bedroom units, \$800 for two-bedroom units, and \$1,000 for three-bedroom units.

Despite improved rental housing market conditions in the submarket, multifamily construction activity, as measured by the number of permits issued, has fallen sharply in the past 12 months. During the 12 months

Figure 13. Rental Vacancy Rates in the Kansas Counties Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

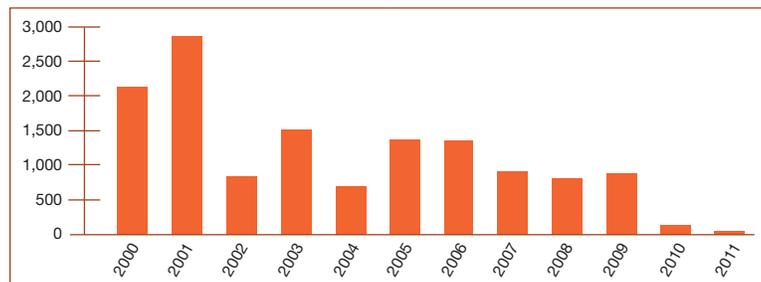
Rental Market—Kansas Counties Submarket *Continued*

ending March 2011, fewer than 80 multifamily units were permitted in the submarket compared with about 900 units permitted during the previous 12 months, according to preliminary data. By contrast, during the 2005-through-2008 period, multifamily construction in the submarket, based on the number of permits issued, averaged about 1,100 units a year, and construction of multifamily units in 2000 and 2001 averaged nearly 2,500 units a year (see Figure 14). As is true with single-family building activity, nearly 90 percent of multifamily development in the submarket since 2005 has been in Johnson County, while most of the remaining development has been in

Wyandotte County, near areas such as Village West. One project currently under construction is the 168-unit Horizon Trails Apartments in Gardner in southwest Johnson County, which is expected to be completed by early 2012. Monthly rents for one-bedroom units will range from \$695 to \$725, and rents for two-bedroom units will range from \$895 to \$925.

With continued growth expected in renter households during the next 3 years, demand is expected for 800 new rental units in the Kansas Counties submarket (see Table 1). The roughly 300 units currently under construction or in the development pipeline will meet part of that demand. Because rental housing market conditions remain somewhat soft, and approximately 2,000 vacant units will need to be absorbed before there is demand for new construction, development should be timed so that new rental units come on line during the second and third years of the forecast period, or during mid-2012 through early 2014. Table 7 shows the estimated demand by rent level for new market-rate rental housing in the HMA during the forecast period.

Figure 14. Multifamily Building Permits Issued in the Kansas Counties Submarket, 2000 to 2011



Notes: Includes all multifamily units in structures with two or more units. Includes data through March 2011.

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

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Kansas Counties Submarket, April 1, 2011 to April 1, 2014

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
700 to 899	85	825 to 1,024	110	975 to 1,174	50
900 to 1,099	85	1,025 to 1,224	110	1,175 to 1,374	50
1,100 to 1,299	55	1,225 to 1,424	70	1,375 to 1,574	30
1,300 to 1,499	30	1,425 to 1,624	35	1,575 to 1,774	15
1,500 to 1,699	15	1,625 to 1,824	20	1,775 to 1,974	10
1,700 or more	15	1,825 or more	20	1,975 or more	10
Total	285	Total	365	Total	165

Note: The 300 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Sales Market—Remaining Missouri Counties Submarket

Excluding Jackson County, the remaining eight Missouri counties of the HMA, which compose the Remaining Missouri Counties submarket, include the extreme northern and southern parts of Kansas City, Missouri, as well as suburbs north of Kansas City, such as Liberty and Gladstone, and south of Kansas City, such as Belton. Within this submarket, roughly 60 percent of the population live in Clay and Platte Counties, which are located north of Jackson County and, together, are referred to as The Northland; another 20 percent live in Cass County, which is south of Jackson County.

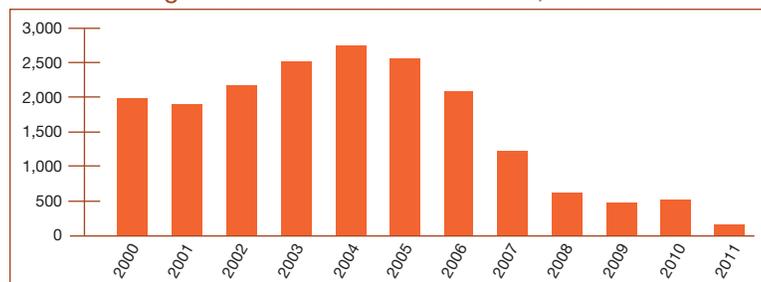
The sales housing market in the Remaining Missouri Counties submarket is currently soft. Based on data from Hanley Wood, LLC, in the 12 months ending March 2011, approximately 5,900 existing single-family homes were sold in the submarket, a decline of 900 homes, or 13 percent, from the previous 12 months. Sales of existing attached homes declined during the same period by about 50 homes, or 14 percent, to about 325 homes sold. Despite the decreasing number of single-family home sales, the average price for existing single-family homes sold during the 12 months ending

March 2011 was up by nearly \$8,400, or 5 percent, from a year earlier, to about \$167,500. The average price for existing attached homes, however, fell 1 percent from a year earlier, or by about \$1,100, to \$113,600.

Although the volume of home foreclosures in the Remaining Missouri Counties submarket is high compared with 5 years ago, the percentage of distressed home loans has declined in the past year. Based on data from Hanley Wood, LLC, nearly 2,400 homes in the submarket were foreclosed in 2010 compared with an average of about 400 a year during 2005 and 2006. According to data from LPS Applied Analytics, however, in March 2011, the number of home loans 90 or more days delinquent, in foreclosure, or in REO represented 5.1 percent of all outstanding home loans in the submarket, down from 5.5 percent a year earlier.

With the number of home sales decreasing, homebuilding activity, as measured by the number of permits issued, has declined significantly in the Remaining Missouri Counties submarket in the past 4 years. Based on preliminary data, during the 12 months ending March 2011, about 460 single-family homes were permitted in the submarket compared with 510 homes permitted during the previous 12 months, a 10-percent decrease. By contrast, single-family construction in the submarket during the 2003-through-2006 period averaged nearly 2,500 homes a year (see Figure 15). Within the submarket, the most active areas for single-family homebuilding have been The Northland and Cass County.

Figure 15. Single-Family Building Permits Issued in the Remaining Missouri Counties Submarket, 2000 to 2011



Notes: Includes only single-family units. Includes data through March 2011.

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

Housing Market Trends

Sales Market—Remaining Missouri Counties Submarket *Continued*

Combined, these areas accounted for nearly 80 percent of all single-family homes permitted in the submarket since 2003. Starting prices for new single-family homes in Cass and Platte Counties typically range from about \$125,000 to \$150,000; however, starting prices for new homes in Clay County are somewhat higher, typically in the range of \$150,000 to \$175,000. Based on data from Hanley Wood, LLC, prices for new single-family homes in the submarket averaged about \$256,900 during the 12 months ending March 2011, up from \$255,000 in the previous 12 months, an increase of nearly 1 percent. Prices for new attached homes declined during the same period, from about \$135,900 to \$126,000, or by 7 percent.

Based on projected population and household growth, during the next 3 years demand is expected for about 7,700 new market-rate sales units in the Remaining Missouri Counties submarket (see Table 1). The approximately 150 units now under construction will meet a portion of that demand. In addition, some of the estimated 9,800 other vacant units in the submarket are likely to meet a portion of the demand. Because conditions are currently somewhat soft, demand for new units is expected to be strongest in the second and third years of the forecast period, averaging about 3,100 homes a year. Demand is expected to be greatest for homes priced between \$150,000 and \$200,000. Table 8 shows estimated demand by price range for new market-rate sales housing during the forecast period.

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Remaining Missouri Counties Submarket, April 1, 2011 to April 1, 2014

Price Range (\$)		Units of Demand	Percent of Total
From	To		
125,000	149,999	1,500	20.0
150,000	199,999	1,875	25.0
200,000	249,999	1,500	20.0
250,000	299,999	1,125	15.0
300,000	399,999	750	10.0
400,000	599,999	380	5.0
600,000	799,999	230	3.0
800,000	and higher	150	2.0

Note: The 150 homes currently under construction will satisfy some of the estimated demand. In addition, a portion of the estimated 9,800 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market—Remaining Missouri Counties Submarket

The rental housing market in the Remaining Missouri Counties submarket is currently soft, with an estimated rental vacancy rate of 8.4 percent (see Figure 16). This rate is down, however, from nearly 11

percent a year ago. Construction of rental units has slowed in the past 2 years, while the number of renter households has increased, which has allowed some excess supply to be absorbed. Despite the lower vacancy

Housing Market Trends

Rental Market—Remaining Missouri Counties Submarket *Continued*

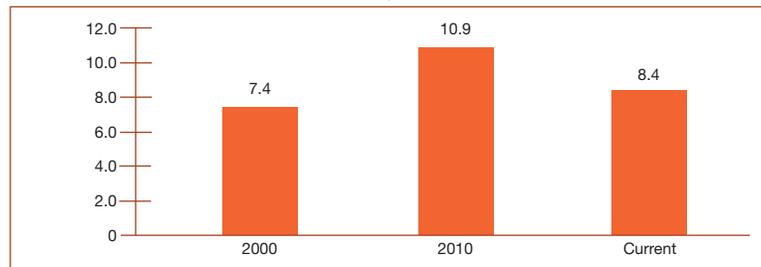
rate, rents in the submarket have remained flat. According to Reis, Inc., the average effective apartment rent in the submarket (including concessions) in the first quarter of 2011 was about \$645, which was essentially unchanged from a year ago. Currently, monthly rents in the submarket average about \$600 for one-bedroom units, \$750 for two-bedroom units, and \$950 for three-bedroom units.

Multifamily construction activity, as measured by the number of permits issued, has declined significantly since 2008. Based on preliminary data, in the 12 months ending March 2011, about 75 multifamily units were

permitted in the submarket, down from 95 units permitted in the previous 12 months. By contrast, during 2007 and 2008, multifamily construction in the submarket averaged about 350 units a year (see Figure 17). As with single-family construction, most multifamily development is concentrated in suburbs of The Northland and in areas south of Kansas City, such as Belton; since 2007, virtually all multifamily units permitted in the Remaining Missouri Counties submarket have been in Clay, Platte, and Cass Counties. One project currently nearing completion is the 263-unit Briarcliff City Apartments, which is located close to downtown Kansas City, north of the Missouri River, in Clay County. The project, which began preleasing in October 2010, is expected to be completed by June 2011. Monthly rents range from \$975 for one-bedroom units to \$1,500 for two-bedroom units.

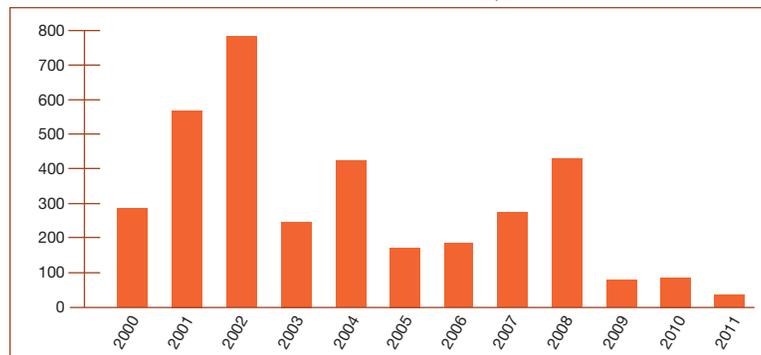
Growth in renter households is expected to continue in the submarket during the next 3 years, and demand is expected for 300 new rental units (see Table 1). The roughly 50 units currently under construction will meet part of that demand. Some of the excess rental-unit supply will need to be absorbed during the next 2 years, before there is demand for new units. Development should be timed so that new rental units come on line during the third year of the forecast period, during mid-2013 through early 2014. Table 9 shows estimated demand by rent level for new market-rate rental housing in the HMA during the forecast period.

Figure 16. Rental Vacancy Rates in the Remaining Missouri Counties Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 17. Multifamily Building Permits Issued in the Remaining Missouri Counties Submarket, 2000 to 2011



Notes: Includes all multifamily units in structures with two or more units. Includes data through March 2011.

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

Housing Market Trends

Rental Market—Remaining Missouri Counties Submarket *Continued*

Table 9. Estimated Demand for New Market-Rate Rental Housing in the Remaining Missouri Counties Submarket, April 1, 2011 to April 1, 2014

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
600 to 799	30	750 to 949	40	950 to 1,149	20
800 to 999	30	950 to 1,149	40	1,150 to 1,349	20
1,000 to 1,199	20	1,150 to 1,349	25	1,350 to 1,549	10
1,200 to 1,399	10	1,350 to 1,549	15	1,550 or more	10
1,400 or more	10	1,550 or more	15		
Total	100	Total	135	Total	60

Note: The 50 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Data Profiles

Table DP-1. Kansas City HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Resident Employment	966,316	943,188	943,800	- 0.2	0.3
Unemployment Rate	3.3%	9.1%	9.0%		
Nonfarm Payroll Jobs	980,500	963,900	963,600	- 0.2	- 0.1
Total Population	1,836,038	2,035,334	2,053,000	1.0	0.9
Total Households	717,761	799,637	805,300	1.1	0.7
Owner Households	489,543	537,462	538,800	0.9	0.2
Percent Owner	68.2%	67.2%	66.9%		
Renter Households	228,218	262,175	266,500	1.4	1.6
Percent Renter	31.8%	32.8%	33.1%		
Total Housing Units	767,573	883,099	889,500	1.4	0.7
Owner Vacancy Rate	1.6%	2.7%	2.4%		
Rental Vacancy Rate	7.8%	11.7%	9.3%		
Median Family Income	\$55,183	\$70,500	\$72,300	2.5	1.3

Notes: Employment data represent annual averages for 2000, 2010, and the 12 months through March 2011. Median family incomes are for 1999, 2009, and 2011.

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

Table DP-2. Jackson County, Missouri Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Population	654,880	674,158	676,900	0.3	0.4
Total Households	266,294	274,804	275,600	0.3	0.3
Owner Households	167,461	168,797	168,000	0.1	-0.5
Percent Owner	62.9%	61.4%	61.0%		
Rental Households	98,833	106,007	107,600	0.7	1.5
Percent Renter	37.1%	38.6%	39.0%		
Total Housing Units	288,231	312,105	313,800	0.8	0.5
Owner Vacancy Rate	1.7%	3.3%	3.1%		
Rental Vacancy Rate	8.8%	13.3%	11.0%		

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

Table DP-3. Kansas Counties Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Population	740,364	846,346	854,400	1.3	1.0
Total Households	280,965	324,013	326,900	1.4	0.9
Owner Households	197,401	223,805	224,700	1.3	0.4
Percent Owner	70.3%	69.1%	68.7%		
Rental Households	83,564	100,208	102,200	1.8	2.0
Percent Renter	29.7%	30.9%	31.3%		
Total Housing Units	297,838	351,798	354,600	1.7	0.8
Owner Vacancy Rate	1.3%	2.3%	2.0%		
Rental Vacancy Rate	6.9%	10.5%	8.0%		

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

Table DP-4. Remaining Missouri Counties Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total Population	440,794	514,830	521,500	1.6	1.3
Total Households	170,502	200,820	202,800	1.7	1.0
Owner Households	124,681	144,860	146,100	1.5	0.9
Percent Owner	73.1%	72.1%	72.0%		
Rental Households	45,821	55,960	56,700	2.0	1.3
Percent Renter	26.9%	27.9%	28.0%		
Total Housing Units	181,504	219,196	221,100	1.9	0.9
Owner Vacancy Rate	1.8%	2.6%	2.2%		
Rental Vacancy Rate	7.4%	10.9%	8.4%		

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

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census

2010: 4/1/2010—U.S. Decennial Census

Current date: 4/1/2011—Analyst's estimates

Forecast period: 4/1/2011–4/1/2014—
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.

Other Vacant Units: In HUD's analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all the residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units are classified as commercial structures and are not reflected in the residential building permits. As a result, the analyst, through diligent field work, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_KansasCityKS_11.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.

For additional reports on other market areas, please go to
www.huduser.org/publications/econdev/mkt_analysis.html.