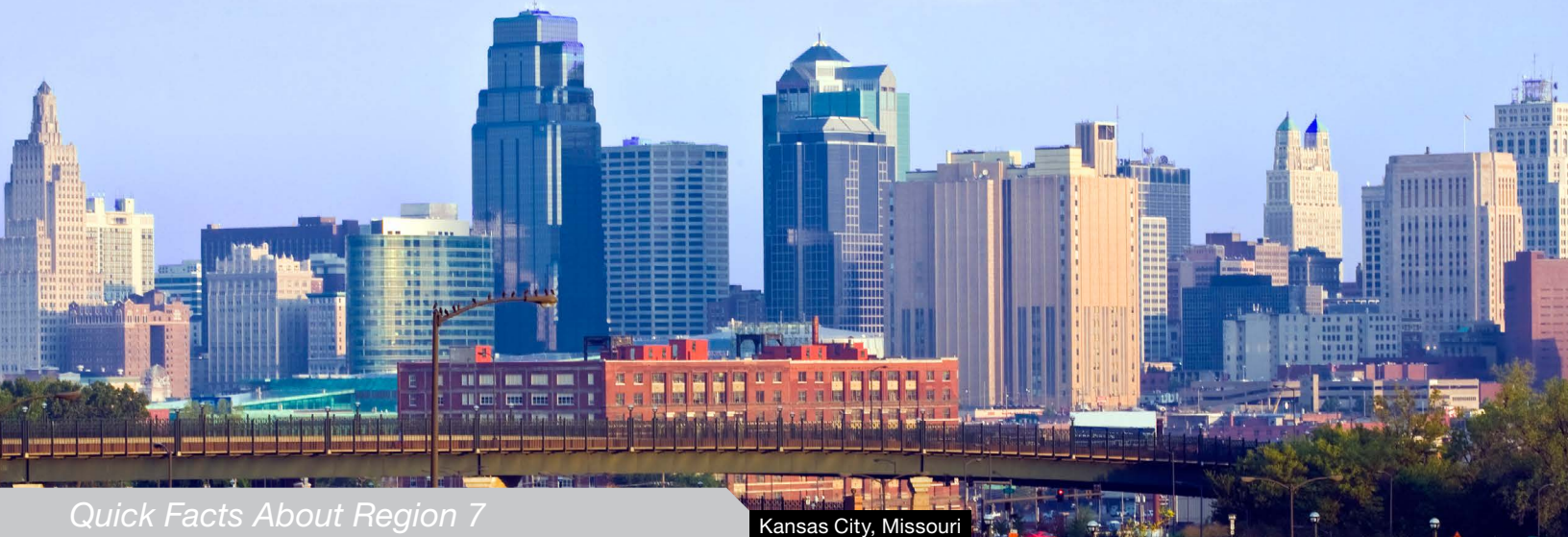


HUD PD&R Regional Reports

Region 7: Great Plains



Kansas City, Missouri

By L. David Vertz | 2nd quarter 2017

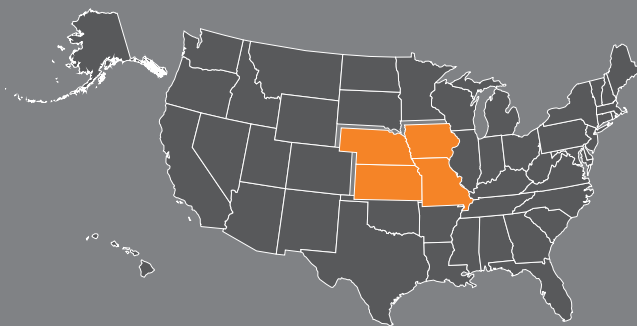
Quick Facts About Region 7

- **Sales market conditions—**
Second quarter 2017: mixed (slightly tight to tight).
First quarter 2017: mixed (slightly tight to tight).
Second quarter 2016: mixed (slightly tight to tight).
- **Apartment market conditions—**
Second quarter 2017: mixed (balanced to tight).
First quarter 2017: mixed (slightly tight to tight).
Second quarter 2016: mixed (slightly tight to tight).

Overview

Economic growth in the Great Plains region that began in the fourth quarter of 2010 continued during the second quarter of 2017, as every state in the region recorded job gains, with the exception of Kansas. For the third consecutive quarter, Missouri led year-over-year job gains, accounting for nearly 60 percent of nonfarm payroll growth in the region. Sales housing market conditions ranged from slightly tight to tight in most metropolitan areas in the region during the second quarter of 2017. Apartment market conditions ranged from balanced to tight throughout the region, with the Wichita area recording the largest increase in vacancy, up 1.4 percentage points from a year ago.

- Home sales declined in the region during the second quarter of 2017, ranging from a 2-percent decrease in Missouri to a 6-percent decrease in Iowa; however, home sales prices were up in every state in the region, led by a 4-percent increase in Kansas.
- During the second quarter of 2017, apartment absorption in the region decreased to 1,050 units, the lowest second quarter absorption level since 2013 (Reis, Inc.). By comparison, from 2014 through 2016, the number of units absorbed in the region during the second quarter of each year averaged 1,400.



PD&R

The professional and business services sector, which added 21,800 jobs during the second quarter of 2017, led modest economic growth in the Great Plains region.

	Second Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,876.0	6,943.5	67.5	1.0
Goods-producing sectors	1,068.1	1,064.7	- 3.4	- 0.3
Mining, logging, and construction	333.1	328.9	- 4.2	- 1.3
Manufacturing	735.0	735.8	0.8	0.1
Service-providing sectors	5,807.9	5,878.8	70.9	1.2
Wholesale and retail trade	1,049.2	1,058.7	9.5	0.9
Transportation and utilities	282.6	288.1	5.5	1.9
Information	115.3	110.2	- 5.1	- 4.4
Financial activities	436.4	445.9	9.5	2.2
Professional and business services	814.1	835.9	21.8	2.7
Education and health services	1,031.1	1,050.9	19.8	1.9
Leisure and hospitality	679.1	689.9	10.8	1.6
Other services	263.8	265.4	1.6	0.6
Government	1,136.3	1,133.8	- 2.5	- 0.2

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

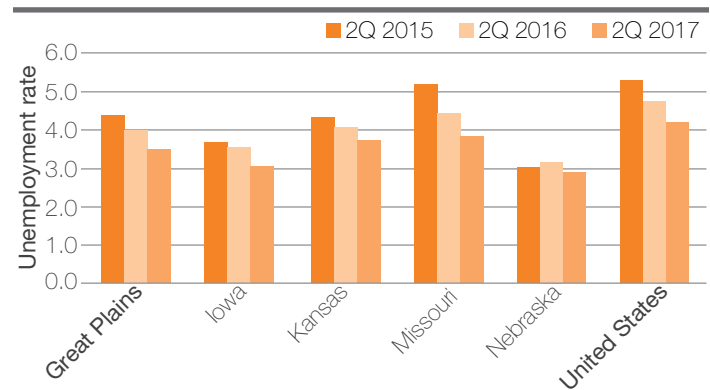
Economic Conditions

Modest economic growth in the Great Plains region continued during the second quarter of 2017. Nonfarm payrolls increased 1.0 percent, or by 67,500 jobs, from the second quarter of 2016 to an average of 6.90 million jobs, and every state in the region except Kansas added jobs. By comparison, average nonfarm payrolls increased 1.0 percent, or by 67,100 jobs, from a year earlier in the second quarter of 2016. During the second quarter of 2017, the education and health services and the professional and business services sectors combined accounted for more than 60 percent of total payroll growth in the region. The professional and business services sector added 21,800 jobs, a 2.7-percent increase from the same quarter a year ago. The education and health services sector increased by 19,800 jobs, or 1.9 percent, during the same period. Increased hiring during the second quarter of 2017 resulted in a 3.5-percent unemployment rate in the region, an improvement from the 4.0-percent rate recorded during the second quarter of 2016.

During the second quarter of 2017—

- Nonfarm payrolls in Missouri increased by 39,900 jobs, or 1.4 percent, compared with the number of nonfarm payrolls during the same period a year ago.
- In Iowa, nonfarm payrolls increased by 16,300 jobs, or 1.0 percent, led by a gain of 6,200 jobs, or 2.7 percent, in the education and health services sector.

Unemployment rates declined in every state in the Great Plains region and were well below the national rate.



2Q = second quarter.
Source: U.S. Bureau of Labor Statistics

- In Nebraska, nonfarm payrolls increased by 13,400 jobs, or 1.3 percent, from the second quarter of 2016, led by a gain of 3,300 jobs, or 2.8 percent, in the professional and business services sector.
- Nonfarm payrolls in Kansas declined by 2,200 jobs to 1.4 million jobs. Strong gains in the transportation and utilities and the education and health services sectors, which increased by 1,700 jobs each, or 3.0 and 0.9 percent, respectively, helped to offset steep declines of 1,600 jobs in the manufacturing sector and 3,000 jobs in the retail trade subsector.



Sales Market Conditions

Home sales decreased in every state in the Great Plains region during the 12 months ending June 2017, and sales housing market conditions ranged from slightly tight to tight in most metropolitan areas in the region. The recent decline in home sales reflects the dwindling availability of for-sale inventory, which was particularly prevalent in the Kansas City metropolitan area. During the 12 months ending June 2017, the number of new and existing home sales in the region (including single-family homes, townhomes, and condominiums) decreased 3 percent, to approximately 183,600 homes sold, compared with the number sold a year ago (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). During the same period, the average home sales price in the region increased 2 percent to \$182,800.

Sales market conditions also ranged from slightly tight to tight in the large metropolitan areas in the region during the second quarter of 2017. In the Kansas City metropolitan area, the sales market was tight, with the number of new and existing homes sold up 1 percent during the 12 months ending June 2017, compared with the number sold a year earlier, to approximately 37,500, and the average home sales price increased 7 percent to \$221,600 (Kansas City Regional Association of Realtors®; Heartland Multiple Listing Service, Inc.). In the St. Louis area (St. Louis and St. Charles Counties and the city of St. Louis), the sales market was slightly tight; existing home sales increased 5 percent to 26,350 homes sold, and the average existing home sales price increased 2 percent to \$226,800 (St. Louis Realtors®). In the Des Moines-West Des Moines metropolitan area, the sales market was tight; new and existing home sales

increased 6 percent to 13,900 homes sold, and the average sales price increased 4 percent to \$210,000 (Des Moines Area Association of Realtors®). Sales market conditions in the Omaha-Council Bluffs metropolitan area were tight. Total home sales decreased 3 percent to 13,700 homes sold, and the average sales price increased 5 percent to \$208,900, from the same period a year ago (Omaha Area Board of Realtors®). The decrease in home sales in the Omaha-Council Bluffs metropolitan area is partially attributed to a decline of nearly 20 percent in the number of active residential listings from a year ago. Active listings have continually declined since the first quarter of 2012.

The percentage of seriously delinquent mortgage loans (those 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the region declined in the past year, in part because of improved economic conditions. As of May 2017, 1.8 percent of home loans in the region were seriously delinquent or had transitioned into REO status, down from 2.1 percent a year ago (CoreLogic, Inc.).

During the second quarter of 2017 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, was up in the region to approximately 7,025 single-family homes. That total was an increase of 250 homes, or 4 percent, compared with the number of homes permitted during the second quarter of 2016 and represents the highest level of single-family homes permitted in the region during the second quarter since 2007.

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Home sales in the Great Plains region decreased 3 percent during the past year despite price increases in every state.

	12 Months Ending	Number of Homes Sold			Price			
		2016	2017	Percent Change	Average or Median	2016 (\$)	2017 (\$)	Percent Change
Iowa (N&E)	June	32,850	30,750	-6	AVG	164,700	168,100	2
Des Moines-West Des Moines* (N&E)	June	13,100	13,900	6	AVG	201,800	210,000	4
Kansas (N&E)	June	37,650	35,850	-5	AVG	167,400	173,300	4
Kansas City** (N&E)	June	37,250	37,500	1	AVG	207,900	221,600	7
Missouri (N&E)	June	104,800	102,600	-2	AVG	189,500	192,600	2
St. Louis*** (E)	June	25,150	26,350	5	AVG	221,800	226,800	2
Nebraska (N&E)	June	14,850	14,300	-4	AVG	166,100	170,000	2
Omaha-Council Bluffs (N&E)	June	14,100	13,700	-3	AVG	198,100	208,900	5

AVG = average. E = existing. N&E = new and existing.

Notes: All data include single-family, townhomes, and condominiums. *Data reflect sales in Dallas, Polk, and Warren Counties only. ** Homes sold in Kansas City are captured in both the states of Kansas and Missouri. ***Data reflect sales in the city of St. Louis and St. Charles and St. Louis Counties only.

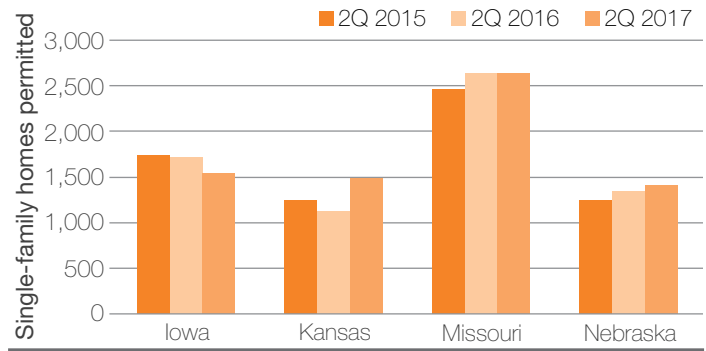
Sources: Des Moines Area Association of Realtors®; Kansas City Regional Association of Realtors®; Heartland Multiple Listing Service, Inc.; St. Louis Realtors®; Mid America Regional Information Systems Multiple Listing Service; Omaha Area Board of Realtors®; Metrostudy, A Hanley Wood Company, with adjustments by the analyst



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- In Kansas, single-family permitting increased 31 percent, to 1,475 homes permitted, because of strong demand and tight sales market conditions in the city of Wichita and the Kansas suburbs of the Kansas City metropolitan area.
- In Nebraska, the number of single-family homes permitted increased 5 percent to 1,400 homes. Nearly 70 percent of the homes permitted in Nebraska were in the Omaha metropolitan area where the sales market is tight. In Missouri, the number of single-family homes permitted was unchanged from 2,625 a year ago despite strong home sales in the St. Louis area.
- In Iowa, the number of single-family homes permitted decreased 10 percent to 1,525 homes, compared with the number permitted a year ago. Single-family homes permitted in the Des Moines-West Des Moines metropolitan area decreased by a similar rate, approximately 11 percent to 1,050 homes.

In the Great Plains region, a large decline in single-family permitting in Iowa was more than offset by gains in Kansas, Missouri, and Nebraska.



2Q = second quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions ranged from balanced to tight in most of the large metropolitan areas in the Great Plains region during the second quarter of 2017. In Omaha, the apartment market was slightly tight, with a 4.7-percent vacancy rate, up from 3.6 percent a year earlier, and the average rent was up 3 percent to \$846 (Reis, Inc.). Apartment market conditions in the largest markets in Missouri were slightly tight or tight in the second quarter of 2017. In the Kansas City metropolitan area, conditions remained slightly tight; the apartment vacancy rate increased from 3.8 to 4.1 percent, and the average rent increased 4 percent from a year earlier to \$861. In the St. Louis metropolitan area, conditions were tight; the apartment vacancy rate increased slightly from a year earlier to 4.8 percent, and the average rent increased 5 percent to \$876. In the Wichita metropolitan area, the apartment market was balanced, with a

4.9-percent vacancy rate in the second quarter of 2017, up from the 3.5-percent rate a year earlier, and the average rent increased 1 percent to \$629 (MPF Research). In the Des Moines-West Des Moines metropolitan area, the apartment market was tight during the second quarter of 2017, with a 3.8-percent vacancy rate, up from 2.7 percent a year earlier, and the average rent increased 2 percent to \$857.

During the second quarter of 2017 (preliminary data)—

- Multifamily construction, as measured by the number of multifamily units permitted, decreased 23 percent in the region from the second quarter of 2016 to 3,950 units permitted, with declines occurring in every state in the region except Iowa.

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During the second quarter of 2017, apartment market conditions ranged from balanced to tight in most of the major metropolitan areas in the Great Plains region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2016 (%)	2Q 2017 (%)	Percentage Point Change	2Q 2016 (\$)	2Q 2017 (\$)	Percent Change
Des Moines-West Des Moines ^a	Tight	2.7	3.8	1.1	844	857	2
Kansas City ^b	Slightly tight	3.8	4.1	0.3	831	861	4
Omaha ^b	Slightly tight	3.6	4.7	1.1	820	846	3
St. Louis ^b	Tight	4.4	4.8	0.4	836	876	5
Wichita ^a	Balanced	3.5	4.9	1.4	623	629	1

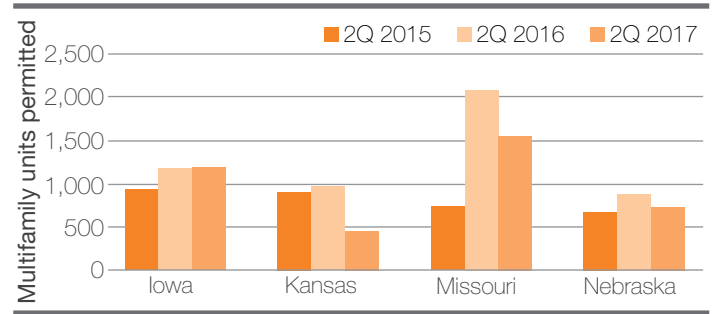
2Q = second quarter.
 Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) MPF Research; (b) Reis Inc.



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- The number of units permitted in Iowa totaled 1,200, up from the 1,175 permitted during the second quarter of 2016.
- The number of multifamily units permitted in Missouri decreased 26 percent to 1,550, and the number of units permitted in Kansas decreased 54 percent to 450. These declines are attributed to a slowing of units permitted on both the Kansas and Missouri sides of the Kansas City metropolitan area.
- In Nebraska, 740 units were permitted, down 16 percent from the 880 units permitted during the same period a year ago.

Multifamily permitting in the Great Plains region was down substantially from a year ago, led by more than a 50-percent decline in Kansas.



2Q = second quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

