

HUD PD&R Regional Reports

Region 7: Great Plains

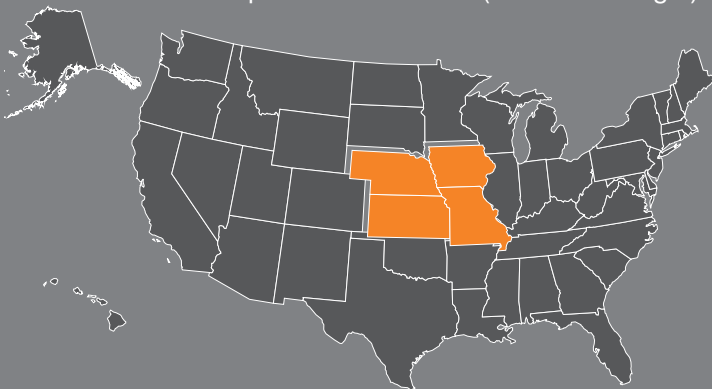


Des Moines, Iowa

By L. David Vertz | 2nd quarter 2018

Quick Facts About Region 7

- **Sales market conditions—**
Second quarter 2018: mixed (balanced to tight).
First quarter 2018: mixed (slightly tight to tight).
Second quarter 2017: mixed (slightly tight to tight).
- **Apartment market conditions—**
Second quarter 2018: mixed (slightly soft to slightly tight).
First quarter 2018: mixed (slightly soft to slightly tight).
Second quarter 2017: mixed (balanced to tight).



Overview

Economic growth in the Great Plains region continued during the second quarter of 2018, a trend that began in the fourth quarter of 2010. For the sixth consecutive quarter, Missouri led year-over-year job gains, accounting for nearly 40 percent of nonfarm payroll growth in the region. Sales housing market conditions ranged from balanced to tight in most metropolitan areas in the region during the second quarter of 2018. Apartment market conditions ranged from slightly soft to slightly tight throughout the region, with the Omaha metropolitan area recording the largest increase in rent growth, up 6 percent, from a year ago.

- Home sales increased in the region during the second quarter of 2018, led by a 6-percent increase in Missouri; home sales prices were up in every state in the region, ranging from a 3-percent increase in Iowa to a 6-percent increase in Missouri.
- During the second quarter of 2018, apartment absorption in the region decreased to 1,075 units, the lowest second quarter absorption level since 2013 (Reis, Inc.). By comparison, from 2015 through 2017, the number of units absorbed in the region during the second quarter of each year averaged 1,625.



Economic Conditions

The professional and business services sector, which added 26,600 jobs during the second quarter of 2018, led modest economic growth in the Great Plains region.

	Second Quarter		Year-Over-Year Change	
	2017 (thousands)	2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,897.8	6,982.6	84.8	1.2
Goods-producing sectors	1,070.5	1,090.1	19.6	1.8
Mining, logging, and construction	330.0	329.2	- 0.8	- 0.2
Manufacturing	740.6	760.9	20.3	2.7
Service-providing sectors	5,827.3	5,892.5	65.2	1.1
Wholesale and retail trade	1,041.0	1,040.3	- 0.7	- 0.1
Transportation and utilities	286.9	297.8	10.9	3.8
Information	111.6	110.3	- 1.3	- 1.2
Financial activities	434.5	442.7	8.2	1.9
Professional and business services	817.6	844.2	26.6	3.3
Education and health services	1,048.5	1,057.1	8.6	0.8
Leisure and hospitality	683.5	697.4	13.9	2.0
Other services	262.9	260.4	- 2.5	- 1.0
Government	1,140.7	1,142.2	1.5	0.1

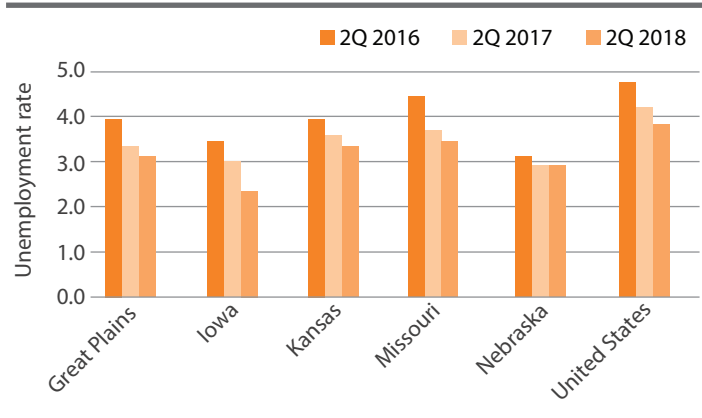
Source: U.S. Bureau of Labor Statistics

Modest economic growth in the Great Plains region continued during the second quarter of 2018. Nonfarm payrolls increased 1.2 percent, or by 84,800 jobs, compared with the number of jobs during the same quarter a year earlier to 6.98 million jobs, and every state in the region added jobs. During the second quarter of 2018, the professional and business services and the manufacturing sectors combined accounted for approximately 55 percent of total payroll growth in the region. The professional and business services sector added 26,600 jobs, a 3.3-percent increase from the same quarter a year ago. The manufacturing sector increased by 20,300 jobs, or 2.7 percent, during the same period. Increased hiring during the second quarter of 2018 resulted in a 3.1-percent unemployment rate in the region, an improvement from the 3.4-percent rate recorded during the second quarter of 2017.

During the second quarter of 2018—

- Nonfarm payrolls in Kansas increased by 25,600 jobs, or 1.8 percent, compared with the number of nonfarm payrolls during the same period a year ago. The professional and business services sector accounted for nearly one-third of the gain.
- Nonfarm payrolls in Missouri increased by 32,200 jobs, or 1.1 percent, compared with the number of nonfarm payrolls during the same period a year ago. Nonfarm payrolls in the Kansas City metropolitan area, which extends in both the state of Kansas and Missouri, increased by 21,400 jobs, or 2.0 percent, compared with the same period a year ago and accounted for nearly 40 percent of total nonfarm payroll gains between both states.

The unemployment rate in the Great Plains region declined during each of the past 2 years and remained well below the national rate.



2Q = second quarter.

Source: U.S. Bureau of Labor Statistics

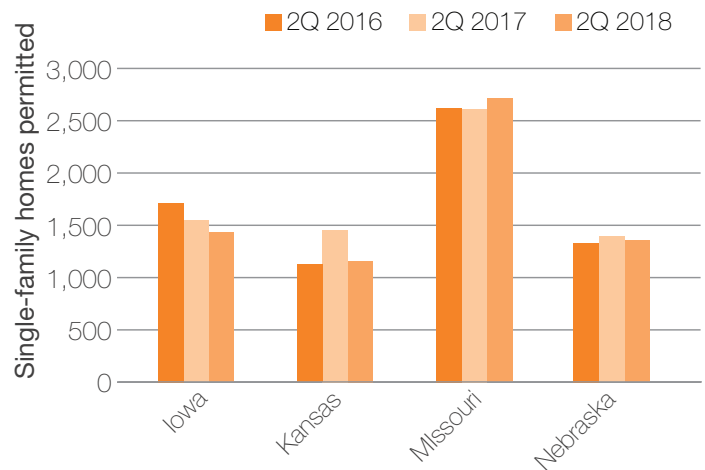
- In Iowa, the manufacturing sector, with a gain of 9,500 jobs, or 4.4 percent, led an increase in nonfarm payrolls of 15,300 jobs, or 1.0 percent.
- In Nebraska, the manufacturing sector, with a gain of 3,600 jobs, or 3.7 percent, led an increase in nonfarm payrolls of 11,700 jobs, or 1.1 percent, from the second quarter of 2017.

Sales Market Conditions

Home sales increased in the Great Plains region during the 12 months ending June 2018 compared with sales during the same period a year ago. During the 12 months ending June 2018, the number of new and existing home sales in the region (including single-family homes, townhomes, and condominiums) increased 5 percent to approximately 200,100 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 5 percent to \$192,300.

Sales housing market conditions ranged from balanced to tight in the large metropolitan areas in the region during the second quarter of 2018. In the Kansas City metropolitan area, the sales market was slightly tight, with the number of new and existing homes sold down 2 percent during the 12 months ending June 2018 compared with the number sold a year earlier, to 38,100, and the average home sales price increased 6 percent to \$232,500 (Kansas City Regional Association of Realtors®; Heartland Multiple Listing Service, Inc.). In the St. Louis area (Franklin, Jefferson, St. Louis, and St. Charles Counties and the city of St. Louis), where the sales market was balanced, existing home sales increased 2 percent to 43,550 homes sold, and the average existing home sales price increased less than 1 percent to \$229,100 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). In the Des Moines-West Des Moines metropolitan area, the sales market was balanced. New and existing home sales decreased 4 percent to 16,400 homes sold, and the average sales price increased 5 percent to \$216,000 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Sales market conditions in the Omaha-Council Bluffs metropolitan area were tight. Total home sales

Single-family permitting in the Great Plains region decreased from the second quarter of 2017, as a 4-percent gain in Missouri was offset by declines in Iowa, Kansas, and Nebraska.



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

decreased 5 percent to 13,850 homes sold, and the average sales price increased 6 percent to \$221,500 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 continued decline in the number of active residential listings, a trend that began during the first quarter of 2012.

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Total home sales and home sales prices in the Great Plains region increased 5 percent each during the past year.

	12 Months Ending	Number of Homes Sold			Price			
		2017	2018	Percent Change	Average or Median	2017 (\$)	2018 (\$)	Percent Change
Iowa (N&E)	June	34,300	34,500	1	AVG	174,100	179,000	3
Des Moines-West Des Moines (N&E)	June	17,000	16,400	-4	AVG	206,000	216,000	5
Kansas (N&E)	June	37,650	39,500	5	AVG	173,700	180,600	4
Kansas City* (N&E)	June	38,750	38,100	-2	AVG	219,700	232,500	6
Missouri (N&E)	June	105,000	111,400	6	AVG	191,400	202,200	6
St. Louis** (E)	June	42,850	43,550	2	AVG	228,400	229,100	0
Nebraska (N&E)	June	14,250	14,750	4	AVG	172,100	181,200	5
Omaha-Council Bluffs (N&E)	June	14,600	13,850	-5	AVG	209,700	221,500	6

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

Notes: All data above include single-family, townhomes, and condominiums. *Homes sold in Kansas City are captured in both the state of Kansas and Missouri. **Data reflect sales in the City of St. Louis and Franklin, Jefferson, St. Charles, and St. Louis Counties only.

Sources: Kansas City Regional Association of Realtors® and Heartland Multiple Listing Service, Inc.; Omaha Area Board of Realtors®; all others—Metrostudy, A Hanley Wood Company, with adjustments by the analyst



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The percentage of seriously delinquent mortgage loans (loans that are 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 2018, 1.4 percent of home loans in the region were seriously delinquent or had transitioned into REO status, down from 1.8 percent a year ago (CoreLogic, Inc.).

During the second quarter of 2018 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, decreased in the region to approximately 6,650 single-family homes, a decline of 340 homes, or 5 percent, compared with the number of homes permitted during the second quarter of 2017.

Apartment Market Conditions

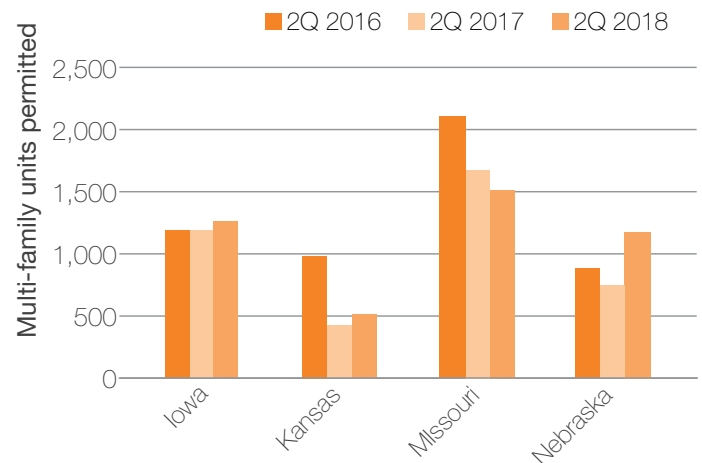
Apartment market conditions ranged from slightly soft to slightly tight in most of the large metropolitan areas in the Great Plains region during the second quarter of 2018. In the Omaha metropolitan area, the apartment market was slightly tight, with a 4.4-percent vacancy rate, down from 5.0 percent a year earlier, and the average rent was up 6 percent to \$901 (ALN Apartment Data, Inc.). Apartment market conditions in the largest markets in Missouri were balanced to slightly tight in the second quarter of 2018. In the Kansas City metropolitan area, conditions remained slightly tight; the vacancy rate decreased from 6.4 to 6.0 percent, and the average rent increased 4 percent from a year earlier to \$978. In the St. Louis metropolitan area, conditions were balanced; the apartment vacancy rate increased from a year earlier to 7.8 percent, and the average rent increased 4 percent to \$974. In the Wichita metropolitan area, the apartment market was slightly soft, with an 8.3-percent vacancy rate in the second quarter of 2018, up from the 7.7-percent rate a year earlier, and the average rent increased 3 percent to \$704. In the Des Moines-West Des Moines metropolitan area, the apartment market was balanced during the second quarter of 2018, with a 6.4-percent vacancy rate, up from 6.1 percent a year earlier, and the average rent increased 3 percent to \$941.

During the second quarter of 2018 (preliminary data)—

- Multifamily construction, as measured by the number of multifamily units permitted, increased 11 percent in the region from the second quarter of 2017 to 4,450 units permitted.
- In Nebraska, 1,175 multifamily units were permitted, up 58 percent from the 740 units permitted during the same period a year ago. The increase in multifamily building activity is attributed almost entirely to growth in the Omaha metropolitan area.

- In Missouri, the number of single-family homes permitted increased 4 percent to 2,700 homes from a year ago because of strong gains in home sales prices and tight sales market conditions in the Missouri suburbs of the Kansas City metropolitan area.
- In Nebraska, single-family permitting decreased 3 percent to 1,350 homes permitted. In Iowa, the number of single-family homes permitted decreased 7 percent from 1,550 a year ago. Single-family homes permitted in the Des Moines-West Des Moines metropolitan area decreased by a similar rate, approximately 10 percent, to 960 homes.
- In Kansas, the number of single-family homes permitted decreased 20 percent to 1,150 homes compared with the number permitted a year ago.

Multifamily permitting in the Great Plains region was up from a year ago, led by a 58-percent increase in Nebraska.



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

- The number of multifamily units permitted in Kansas totaled 510, up from the 420 units permitted during the second quarter of 2017. In Iowa, 1,250 units were permitted, up 6 percent from the 1,200 units permitted a year ago.
- The number of multifamily units permitted in Missouri decreased 10 percent to 1,525 units from the same period a year ago despite slightly tight and balanced apartment market conditions in Kansas City and St. Louis, respectively.

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Apartment market conditions during the second quarter of 2018 ranged from slightly soft to slightly tight in most of the major metropolitan areas of the Great Plains region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2017 (%)	2Q 2018 (%)	Percentage Point Change	2Q 2017 (\$)	2Q 2018 (\$)	Percent Change
Des Moines-West Des Moines	Balanced	6.1	6.4	0.3	917	941	3
Kansas City	Slightly tight	6.4	6.0	- 0.4	943	978	4
Omaha	Slightly tight	5.0	4.4	- 0.6	853	901	6
St. Louis	Balanced	6.9	7.8	0.9	936	974	4
Wichita	Slightly soft	7.7	8.3	0.6	681	704	3

2Q = second quarter.

Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—ALN Apartment Data, Inc.

