

HUD PD&R Regional Reports

Region 7: Great Plains

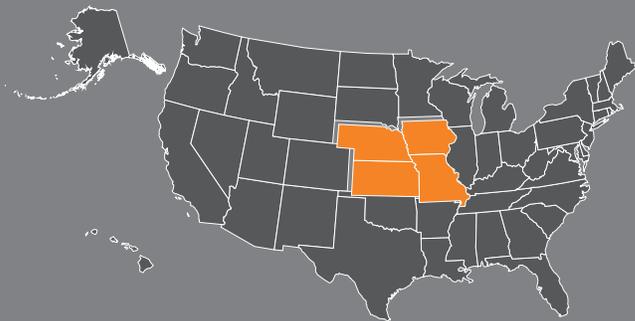


Quick Facts About Region 7

Wichita, Kansas

By L. David Vertz | 2nd Quarter 2019

- **Sales market conditions—**
Second quarter 2019: mixed (balanced to tight)
First quarter 2019: mixed (balanced to tight)
Second quarter 2018: mixed (balanced to tight)
- **Apartment market conditions—**
Second quarter 2019: mixed (balanced to tight)
First quarter 2019: mixed (balanced to tight)
Second quarter 2018: mixed (slightly soft to slightly tight)



Overview

Economic growth in the Great Plains region continued during the second quarter of 2019, a trend that began in the fourth quarter of 2010. For the tenth consecutive quarter, Missouri led year-over-year job gains, accounting for approximately 50 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 2019. Apartment market conditions ranged from balanced to tight throughout the region, with the Omaha metropolitan area having the largest increase in rent growth, up 9 percent from a year ago.

- Home sales increased in the region during the second quarter of 2019, led by a 2-percent increase in Missouri; home sales prices were up in every state in the region, ranging from a 3-percent increase in Kansas to a 6-percent increase in both Iowa and Missouri.
- During the second quarter of 2019, apartment absorption in the region decreased to 1,100 units, the lowest second quarter absorption level since 2013 (Reis, Inc.). By comparison, from 2014 through 2018, the number of units absorbed in the region during the second quarter of each year averaged 1,575.



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Economic Conditions

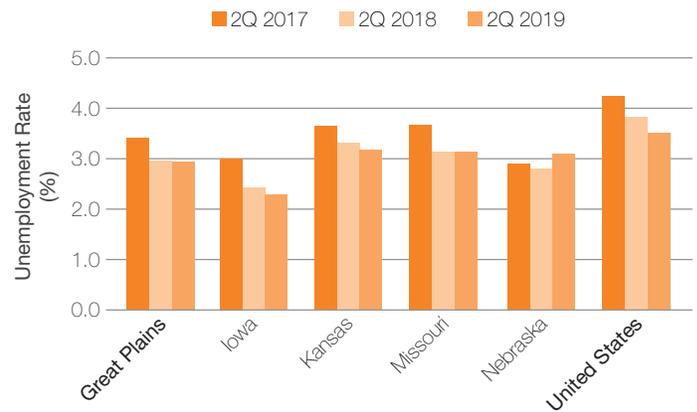
Economic growth in the Great Plains region continued during the second quarter of 2019, a trend that began in the fourth quarter of 2010. Nonfarm payrolls increased 0.8 percent, or by 58,800 jobs, compared with the number of jobs during the same quarter a year earlier, to 7.01 million jobs, and every state in the region added jobs. During the second quarter of 2019, the combined manufacturing and the professional and business services sectors accounted for 50 percent of total payroll growth in the region. The manufacturing sector added 16,700 jobs, a 2.2-percent increase from the same quarter a year ago. The professional and business services sector increased by 12,800 jobs, or 1.5 percent, during the same period. Increased hiring during the second quarter of 2019 resulted in a 2.9-percent unemployment rate in the region, an improvement from the 3.0-percent unemployment rate recorded during the second quarter of 2018.

During the second quarter of 2019—

- In Kansas, the professional and business services sector, with a gain of 5,300 jobs, or 2.9 percent, led an increase in nonfarm payrolls of 15,500 jobs, or 1.1 percent, from the second quarter of 2018.
- Nonfarm payrolls in Missouri increased by 30,500 jobs, or 1.0 percent, compared with the number of nonfarm payrolls during the same period a year ago. The education and health services and leisure and hospitality sectors combined accounted for one-half of total payroll growth statewide.

- Nonfarm payrolls in Iowa increased by 7,400 jobs, or 0.5 percent, compared with the number of nonfarm payrolls during the same period a year ago.
- In Nebraska, the government sector, with a gain of 1,800 jobs, or 1.0 percent, led an increase in nonfarm payrolls of 5,500 jobs, or 0.5 percent.

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



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

The manufacturing sector, which added 16,700 jobs during the second quarter of 2019, led job growth in the Great Plains region.

	Second Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	6,949.5	7,008.3	58.8	0.8
Goods-Producing Sectors	1,091.2	1,111.3	20.1	1.8
Mining, Logging, & Construction	334.0	337.4	3.4	1.0
Manufacturing	757.2	773.9	16.7	2.2
Service-Providing Sectors	5,858.3	5,897.0	38.7	0.7
Wholesale & Retail Trade	1,031.5	1,024.3	-7.2	-0.7
Transportation & Utilities	294.4	298.2	3.8	1.3
Information	109.6	106.6	-3.0	-2.7
Financial Activities	434.2	433.8	-0.4	-0.1
Professional & Business Services	828.1	840.9	12.8	1.5
Education & Health Services	1,068.4	1,079.9	11.5	1.1
Leisure & Hospitality	687.8	698.2	10.4	1.5
Other Services	262.5	265.4	2.9	1.1
Government	1,141.9	1,149.7	7.8	0.7

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



Sales Market Conditions

Home sales increased in the Great Plains region during the 12 months ending June 2019 compared with sales during the same period a year ago. During the 12 months ending June 2019, the number of new and existing home sales in the region (including single-family homes, townhomes, and condominiums) increased 1 percent to approximately 203,900 compared with the number sold a year ago (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Small gains in Missouri and Nebraska helped offset a 1-percent decrease in homes sales in both Iowa and Kansas. During the same period, the average home sales price in the region increased 5 percent to \$202,700.

Sales housing market conditions ranged from balanced to tight in the large metropolitan areas in the region during the second quarter of 2019. In the Kansas City metropolitan area, the sales market was slightly tight, with the number of new and existing homes sold down 4 percent during the 12 months ending June 2019, to 38,850, compared with the number sold a year earlier; the average home sales price increased 5 percent to \$242,900 (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 decreased 2 percent to 53,800 homes sold, and the average existing home sales price was relatively unchanged at \$228,100 (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 9 percent to 16,000 homes sold, and the average sales price increased 7 percent to \$225,200 (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 decreased 5 percent to 20,300 homes sold, and the average sales price increased 6 percent to \$215,200 from the same period a year ago (Metrostudy, A Hanley Wood Company, with adjustments by the analyst.)

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 during the past year, in part because of improved economic conditions. As of May 2019, 1.2 percent of home loans in the region were seriously delinquent or had transitioned into REO status, down from 1.4 percent a year ago (CoreLogic, Inc.).

During the second quarter of 2019 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, decreased in the region to approximately 6,425 single-family homes, a decline of

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Increases in home sales prices in the major metropolitan areas of the Great Plains region were strong despite a declining number of homes sold in the major metropolitan areas during the past year.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2018	2019	Percent Change		2018 (\$)	2019 (\$)	Percent Change
Iowa (N&E)	June	34,850	34,600	-1	AVG	178,500	189,900	6
Des Moines-West Des Moines (N&E)	June	17,650	16,000	-9	AVG	210,600	225,200	7
Kansas (N&E)	June	39,900	39,400	-1	AVG	180,500	185,600	3
Kansas City* (N&E)	June	40,450	38,850	-4	AVG	231,400	242,900	5
Missouri (N&E)	June	112,900	114,900	2	AVG	202,400	214,400	6
St. Louis** (E)	June	54,650	53,800	-2	AVG	223,700	228,100	2
Nebraska (N&E)	June	14,850	14,950	1	AVG	181,200	189,400	5
Omaha-Council Bluffs*** (N&E)	June	21,300	20,300	-5	AVG	203,700	215,200	6

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

Notes: Data include new and existing single-family homes, townhomes, and condominiums. *Homes sold in Kansas City are captured in both the states of Kansas and Missouri. **Data reflect sales in the city of St. Louis, Franklin County, Jefferson County, St. Charles County, and St. Louis County only. ***Homes sold in Omaha-Council Bluffs are captured in both the states of Nebraska and Iowa.

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

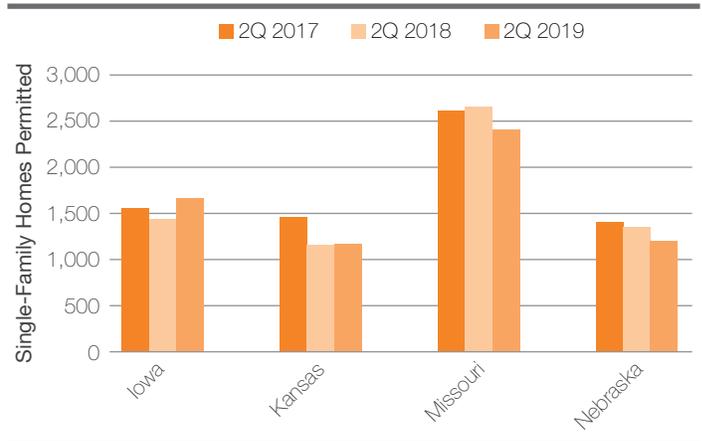


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160 homes, or 2 percent, compared with the number of homes permitted during the second quarter of 2018.

- In Iowa, the number of single-family homes permitted increased 15 percent to 1,650 homes, compared with 1,425 permitted a year ago. Approximately 25 percent of the statewide increase in homes permitted occurred in Scott County, Iowa, the most populous county in the Quad Cities metropolitan area.
- In Kansas, the number of single-family homes permitted was relatively unchanged at 1,175 from 1,150 a year ago.
- In Missouri, single-family home permitting decreased 9 percent to 2,400 homes permitted from 2,650 a year ago.
- In Nebraska, the number of single-family homes permitted decreased 11 percent to 1,200 homes from 1,350 a year ago. Single-family homes permitted in the Omaha-Council Bluffs metropolitan area decreased by a similar rate, approximately 10 percent, to 780 homes.

Single-family permitting activity in the Great Plains region was mixed during the second quarter of 2019, with gains in Iowa and Kansas offset by declines in 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 2019. In the Omaha metropolitan area, the apartment market was tight, with a 4.4-percent vacancy rate, down from 4.5 percent a year earlier, and the average rent was up 9 percent to \$942 (ALN Apartment Data, Inc.). Apartment market conditions in the largest markets in Missouri ranged from balanced to slightly tight in the second quarter of 2019. In the Kansas City metropolitan area, conditions remained slightly tight; the vacancy rate decreased from 5.9 to 5.3 percent, and the average rent increased 4 percent from a year earlier to \$1,028.

In the St. Louis metropolitan area, conditions were balanced; the apartment vacancy rate decreased from a year earlier to 7.4 percent, and the average rent increased 7 percent to \$1,039. In the Wichita metropolitan area, the apartment market was balanced, with a 6.9-percent vacancy rate in the second quarter of 2019, down from the 8.1-percent rate a year earlier, and the average rent increased 2 percent to \$723. In the Des Moines-West Des Moines metropolitan area, the apartment market was balanced during the second quarter of 2019, with a 6.1-percent vacancy rate, down from 6.5 percent a year earlier, and the average rent increased 2 percent to \$963.

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During the second quarter of 2019, 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 2018 (%)	2Q 2019 (%)	Percentage Point Change	2Q 2018 (\$)	2Q 2019 (\$)	Percent Change
Des Moines-West Des Moines	Balanced	6.5	6.1	-0.4	943	963	2
Kansas City	Slightly Tight	5.9	5.3	-0.6	984	1,028	4
Omaha	Tight	4.5	4.4	-0.1	862	942	9
St. Louis	Balanced	7.7	7.4	-0.3	975	1,039	7
Wichita	Balanced	8.1	6.9	-1.2	706	723	2

2Q = second quarter.

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

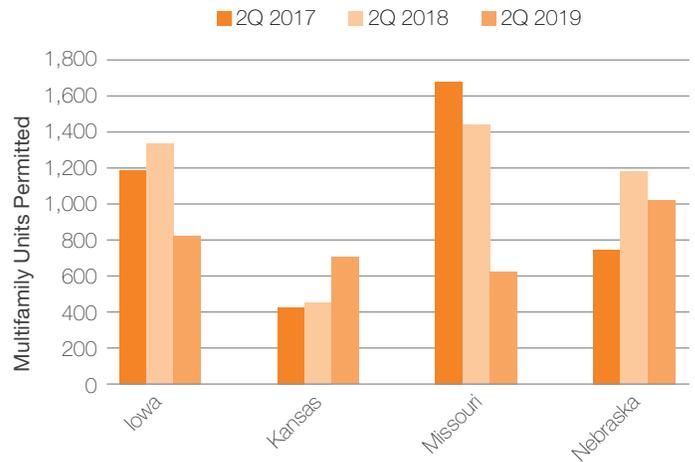


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During the second quarter of 2019 (preliminary data)—

- Multifamily construction, as measured by the number of multifamily units permitted, decreased 28 percent in the region from the second quarter of 2018 to 3,175, the lowest number of multifamily units permitted in the second quarter since 2015.
- In Kansas, 700 multifamily units were permitted, up 54 percent from the 450 units permitted during the same period a year ago. Approximately two-thirds of the increase in multifamily building activity is attributed to growth on the Kansas side of the Kansas City metropolitan area.
- In Nebraska, 1,025 multifamily units were permitted, down 14 percent from the 1,175 units permitted during the same period a year ago. The number of multifamily units permitted in Iowa decreased 38 percent to 820 units from 1,325 during the same period a year ago.
- The number of multifamily units permitted in Missouri decreased 56 percent to 630 units from the same period a year ago despite slightly tight and balanced apartment market conditions in Kansas City and St. Louis, respectively.

Multifamily permitting in the Great Plains region was down from a year ago, led by a substantial decline in Missouri.



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

