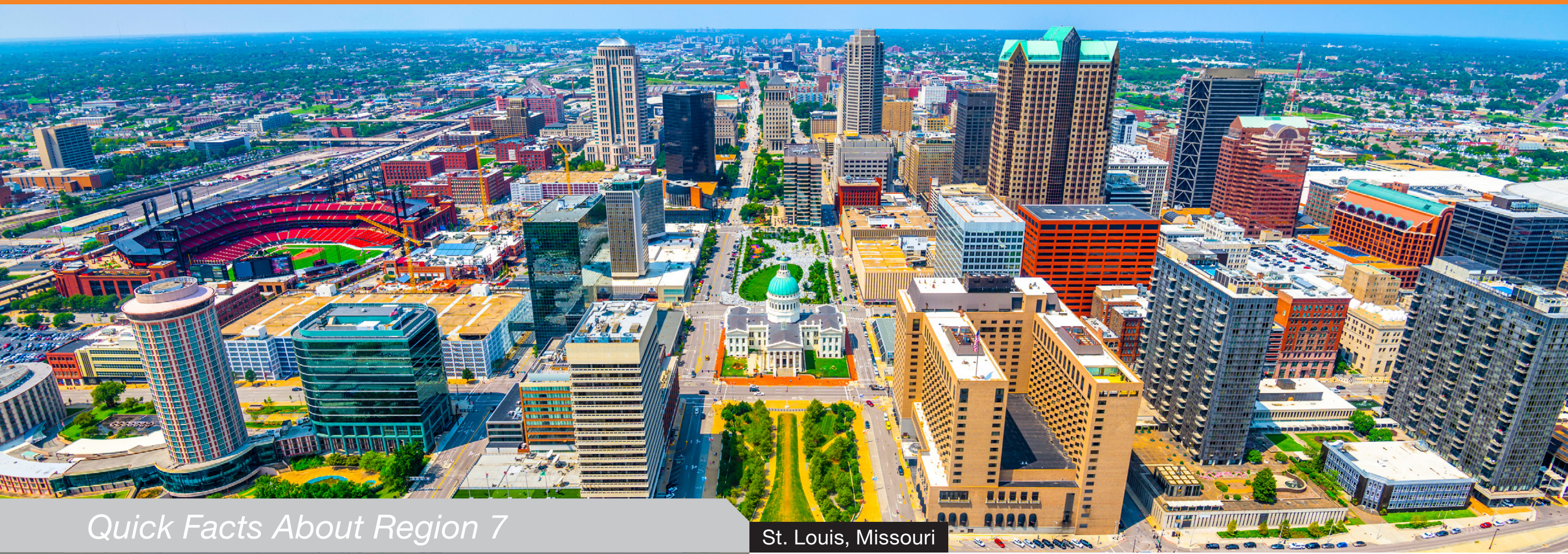
HUD PD&R Regional Reports

Region 7: Great Plains

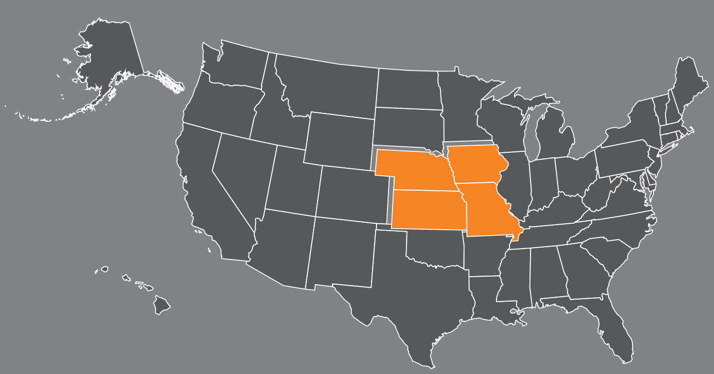


St. Louis, Missouri

Quick Facts About Region 7

- **Sales market conditions—**
  Second quarter 2020: mixed (slightly soft to tight)
  First quarter 2020: mixed (balanced to tight)
  Second quarter 2019: mixed (balanced to tight)

- **Apartment market conditions—**
  Second quarter 2020: mixed (balanced to tight)
  First quarter 2020: mixed (slightly soft to tight)
  Second quarter 2019: mixed (balanced to tight)



By L. David Vertz | 2nd Quarter 2020

Overview

Economic conditions in the Great Plains region contracted significantly during the second quarter of 2020, reversing a trend of modest growth that had begun in the fourth quarter of 2010. During the second quarter of 2020, every state in the region lost jobs, and nonfarm payrolls were reduced to the levels recorded nearly a decade ago. Despite the historic economic downtown, sales housing market conditions ranged from slightly soft to tight in most metropolitan areas in the region during the second quarter of 2020. Apartment market conditions ranged from balanced to tight throughout the region, with the St. Louis metropolitan area having the most substantial increase in rent—up 4 percent from a year ago.

- Home sales decreased in the region during the second quarter of 2020, led by a 6-percent decline in Iowa; home sales prices were up in every state in the region, ranging from a 3-percent increase in Iowa, Kansas, and Missouri to a 5-percent increase in Nebraska.
- During the second quarter of 2020, apartment absorption in the region decreased to 170 units—the lowest second-quarter absorption level since 2009 (Reis, Inc.). By comparison, from 2010 through 2019, the number of units absorbed in the region during the second quarter of each year averaged 1,625.

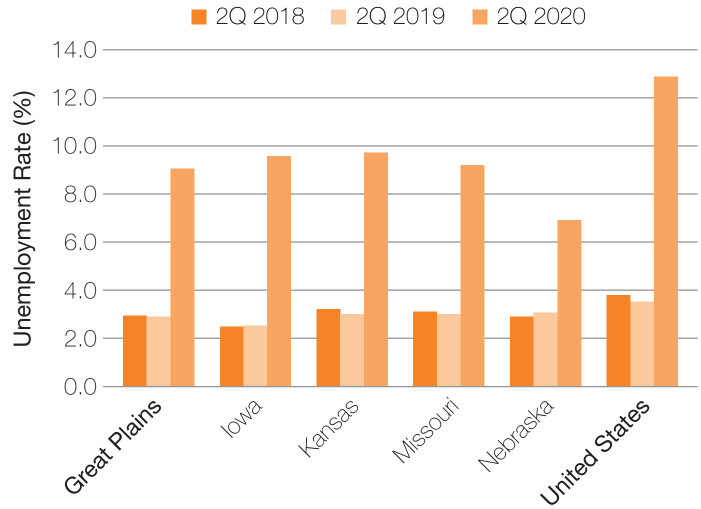
Economic Conditions

Modest economic growth in the Great Plains region halted during the second quarter of 2020. Nonfarm payrolls decreased 8.9 percent, or by 619,400 jobs, compared with the number of jobs during the same quarter a year earlier, to 6.36 million jobs. During the second quarter of 2020, the leisure and hospitality sector accounted for nearly 40 percent of the total payroll decline in the region, down 240,000 jobs—a 34.6-percent decrease from the same quarter a year ago. During the second quarter of 2020, the regional unemployment rate increased to 9.1 percent, up from 2.9 percent during the second quarter of 2019. Although the unemployment rate is up significantly from a year ago, it remains below the 12.9-percent national average.

During the second quarter of 2020—

- Nonfarm payrolls in Missouri decreased by 280,100 jobs, or 9.6 percent, compared with the number of nonfarm payrolls during the same period a year ago, led by a decline of 117,500 jobs, or 37.0 percent, in the leisure and hospitality sector.
- In Iowa, the leisure and hospitality sector—with a loss of 56,400 jobs, or 38.1 percent—contributed to a decline in total nonfarm payrolls of 162,700 jobs, or 10.2 percent, from the second quarter of 2019.
- Nonfarm payrolls in Kansas decreased by 108,400 jobs, or 7.6 percent, compared with the number of nonfarm payrolls during the same period a year ago. The transportation and utilities sector was the only sector to record an increase in nonfarm payrolls—up 800 jobs, or 1.3 percent, from the second quarter of 2019.

The unemployment rate increased substantially in the Great Plains region from the second quarter of 2019, doubling in Nebraska, and tripling in Iowa, Kansas, and Missouri from a year ago.



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

- Nonfarm payrolls in Nebraska decreased by 68,200 jobs, or 6.6 percent, to 963,600 jobs; 9 of the 11 employment sectors in Nebraska declined. The mining, logging, and construction and the financial activities sectors increased 1,300 and 200 jobs, or 2.3 and 0.2 percent, respectively, from a year ago.

Nearly 40 percent of the jobs lost in the Great Plains region during the second quarter of 2020 occurred in the leisure and hospitality sector.

	Second Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	6,981.9	6,362.5	-619.4	-8.9
Goods-Producing Sectors	1,116.2	1,053.0	-63.2	-5.7
Mining, Logging, & Construction	343.7	330.9	-12.8	-3.7
Manufacturing	772.6	722.1	-50.5	-6.5
Service-Providing Sectors	5,865.7	5,309.5	-556.2	-9.5
Wholesale & Retail Trade	1,014.7	952.3	-62.4	-6.1
Transportation & Utilities	301.3	287.9	-13.4	-4.4
Information	105.0	94.6	-10.4	-9.9
Financial Activities	437.7	429.6	-8.1	-1.9
Professional & Business Services	823.8	765.9	-57.9	-7.0
Education & Health Services	1,076.8	1,013.6	-63.2	-5.9
Leisure & Hospitality	694.1	454.1	-240.0	-34.6
Other Services	264.9	234.2	-30.7	-11.6
Government	1,147.4	1,077.3	-70.1	-6.1

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

Sales Market Conditions

Home sales decreased in the Great Plains region during the 12 months ending June 2020 compared with sales during the same period a year ago. The number of new and existing home sales in the region (including single-family homes, townhomes, and condominiums) decreased 4 percent to approximately 197,700 home sales compared with the number of homes sold a year ago (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The most pronounced decline occurred in Iowa, with home sales down 6 percent from a year ago. During the same period, the average home sales price in the region increased 3 percent to $203,500.

Sales housing market conditions ranged from slightly soft to tight in the large metropolitan areas in the region during the second quarter of 2020. In the Kansas City metropolitan area, the sales market was slightly tight during the 12 months ending June 2020. The number of new and existing homes sold decreased 3 percent, to 38,700 home sales, compared with the number sold a year earlier; the average home sales price increased 5 percent, to $253,700 (Kansas City Regional Association of Realtors®; Heartland Multiple Listing Service, Inc.). The sales market was slightly soft in the St. Louis area (Franklin, Jefferson, St. Louis, and St. Charles Counties and the city of St. Louis). Existing home sales decreased 11 percent, to 46,600 homes sold, and the average existing home sales price decreased 2 percent, to $227,100 (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 7 percent, to 14,850 homes sold, and the average sales price increased 4 percent, to $235,100 (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 4 percent, to 19,150 homes sold, and the average sales price increased 1 percent, to $219,000, 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 increased slightly during the past year. As of May 2020, 1.3 percent of home loans in the region were seriously delinquent or had transitioned into REO status, up from 1.2 percent a year ago (CoreLogic, Inc.).

During the second quarter of 2020 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, decreased in the region to approximately 6,125 single-family homes—a decline of 200 homes, or 3 percent, compared with the number of homes permitted during the second quarter of 2019.
- In Missouri, single-family home permitting increased 4 percent, to 2,450 homes permitted, from 2,375 homes

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

		Number of Homes Sold				Price		
	12 Months Ending	2019	2020	Percent Change	Average	2019 ($)	2020 ($)	Percent Change
Iowa (N&E)	June	34,850	32,900	-6	AVG	$190,000	$195,600	3
Des Moines-West Des Moines (N&E)	June	16,050	14,850	-7	AVG	$225,500	$235,100	4
Kansas (N&E)	June	39,500	38,150	-3	AVG	$185,600	$190,900	3
Kansas City* (N&E)	June	39,700	38,700	-3	AVG	$242,000	$253,700	5
Missouri (N&E)	June	116,300	111,900	-4	AVG	$205,200	$210,700	3
St. Louis** (E)	June	52,400	46,600	-11	AVG	$230,700	$227,100	-2
Nebraska (N&E)	June	14,850	14,700	-1	AVG	$189,500	$199,000	5
Omaha-Council Bluffs*** (N&E)	June	19,950	19,150	-4	AVG	$216,300	$219,000	1

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

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

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

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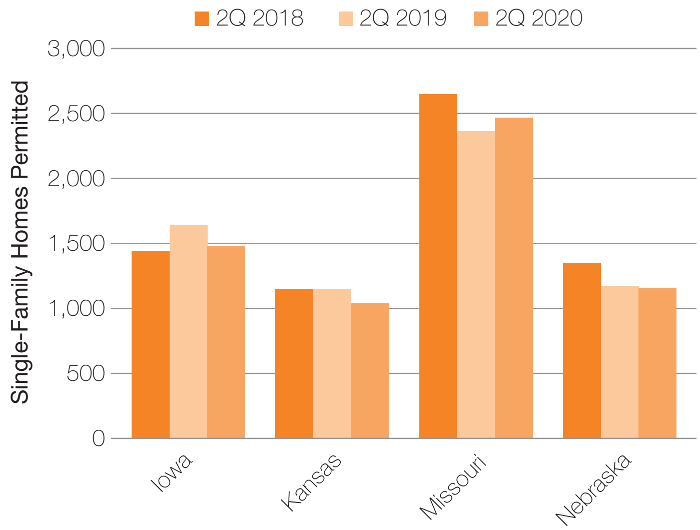
permitted a year ago because of builders responding to strong gains in home sales prices and slightly tight sales market conditions in the Missouri suburbs of the Kansas City metropolitan area.

- In Nebraska, the number of single-family homes permitted was relatively unchanged, decreasing 1 percent, to 1,150 homes, from 1,175 homes permitted a year ago.
- In Kansas, single-family home permitting decreased 10 percent, to 1,025 homes permitted, from 1,150 homes permitted a year ago. Single-family homes permitted on the Kansas side of the Kansas City metropolitan area decreased by a similar rate—approximately 6 percent—to 560 units permitted. In Wichita, the second largest metropolitan area in the state, single-family home permitting decreased 19 percent to 240 homes permitted.
- In Iowa, the number of single-family homes permitted decreased 10 percent, to 1,475 homes, compared with 1,650 homes permitted a year ago. Conversely, single-family homes permitted in the Des Moines-West Des Moines metropolitan area increased 1 percent, to 1,100 homes, from a year ago.

In the Great Plains region, a small gain in single-family permitting 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

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 2020. The apartment market in the Omaha metropolitan area was tight, with a 5.0-percent vacancy rate—up from a year earlier—and the average rent was up 2 percent, to $959 (ALN Apartment Data, Inc.). Apartment market conditions in the largest markets in Missouri were balanced in the second quarter of 2020. In the Kansas City metropolitan area, the vacancy rate increased from 5.3 to 6.8 percent, and the average rent increased 3 percent from a year earlier to $1,062. In the St. Louis metropolitan area, the apartment vacancy rate decreased from 7.4 to 7.1 percent, and the average rent increased 4 percent, to $1,085 from a year earlier. In the Wichita metropolitan area, the apartment market was balanced, with a 7.1-percent vacancy rate in the second quarter of 2020—up slightly from 6.9 percent a year earlier—and the average rent increased 2 percent to $739. In the Des Moines-West Des Moines metropolitan area, the apartment market was balanced during the second quarter of 2020, with a 6.4-percent vacancy rate—down from 7.5 percent a year earlier—and the average rent increased 1 percent to $968.

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During the second quarter of 2020, 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 2019 (%)	2Q 2020 (%)	Percentage Point Change	2Q 2019 ($)	2Q 2020 ($)	Percent Change
Des Moines-West Des Moines	Balanced	7.5	6.4	-1.1	963	968	1
Kansas City	Balanced	5.3	6.8	1.5	1,028	1,062	3
Omaha	Tight	4.4	5.0	0.6	942	959	2
St. Louis	Balanced	7.4	7.1	-0.3	1,039	1,085	4
Wichita	Balanced	6.9	7.1	0.2	723	739	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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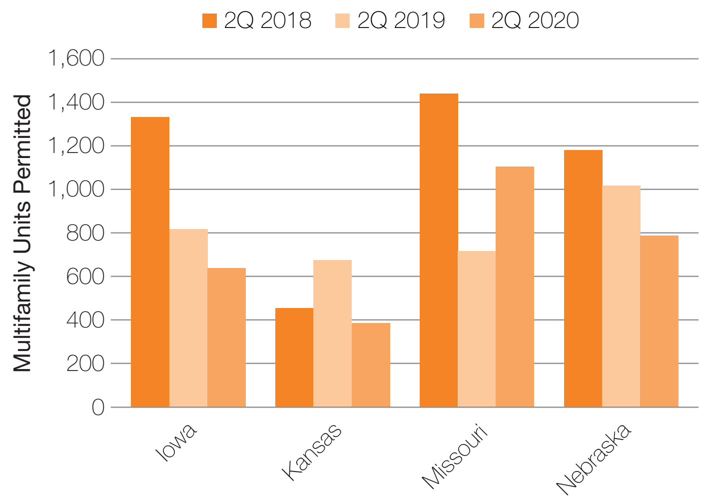
During the second quarter of 2020 (preliminary data)—

- Multifamily construction—as measured by the number of multifamily units permitted—decreased 10 percent in the region, to 2,925 units, from the second quarter of 2019.
- In Missouri, 1,100 multifamily units were permitted—up 54 percent from the 720 units permitted during the same period a year ago; approximately 60-percent of the multifamily building activity occurred on the Missouri side of the Kansas City metropolitan area.
- In Iowa, 640 multifamily units were permitted—down 22 percent from the 820 units permitted during the same period a year ago. In the Des Moines-West Des Moines metropolitan area, multifamily units permitted increased 69 percent to 410 units from the same period a year ago as builders responded to improving apartment market conditions.
- The number of multifamily units permitted in Nebraska decreased 23 percent, to 790 units, from the same period a year ago, despite a 31-percent increase in units permitted in the Omaha-Council Bluffs metropolitan area where apartment market conditions are currently tight.
- The number of multifamily units permitted in Kansas decreased 43 percent, to 380 units, from 680 units during the same period a year ago because of a 72-percent decline in units permitted on the Kansas side of the Kansas City metropolitan area.

Multifamily permitting activity in the Great Plains region was down during the second quarter of 2020, despite more than a 50 percent increase in Missouri.



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