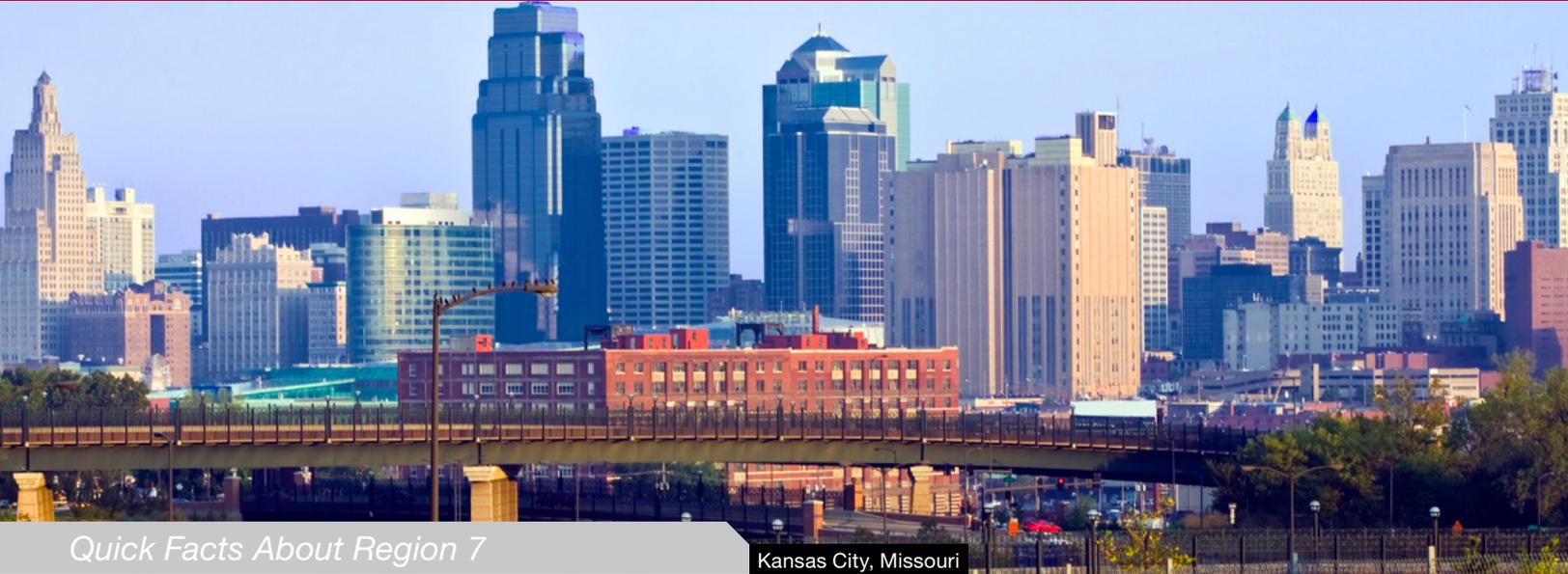


HUD PD&R Regional Reports

Region 7: Great Plains

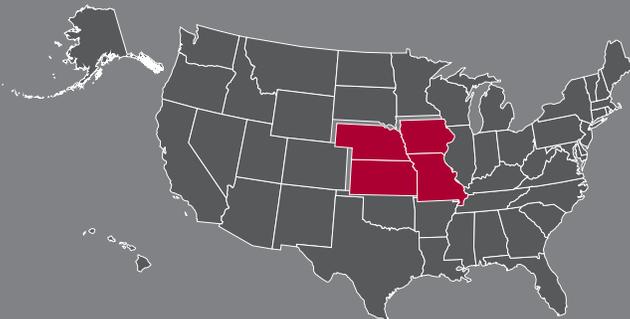


Kansas City, Missouri

By L. David Vertz | 3rd quarter 2016

Quick Facts About Region 7

- **Sales market conditions—**
Third quarter 2016: mixed (slightly tight to tight).
Second quarter 2016: mixed (slightly tight to tight).
Third quarter 2015: mixed (balanced to tight).
- **Apartment market conditions—**
Third quarter 2016: mixed (slightly tight to tight).
Second quarter 2016: mixed (slightly tight to tight).
Third quarter 2015: mixed (slightly tight to tight).



Overview

Economic growth in the Great Plains region continued during the third quarter of 2016, a trend that began in the fourth quarter of 2010. During the third quarter of 2016, every state in the region recorded job gains with the exception of Kansas, where nonfarm payrolls declined for the third consecutive quarter. Sales housing market conditions ranged from slightly tight to tight in most areas in the region during the third quarter of 2016, and conditions were somewhat tighter than in the third quarter of 2015. Apartment market conditions ranged from slightly tight to tight throughout the region, with Des Moines-West Des Moines recording the strongest improvement in occupancy, up 0.5 percentage point from a year ago.

- Home sales activity was mixed in the region during the third quarter of 2016, ranging from a 1-percent increase in Missouri to a 6-percent decrease in Iowa and Nebraska; however, home sales prices were up in every state in the region, led by a 5-percent increase in Missouri.
- During the third quarter of 2016, apartment absorption in the region decreased to 1,000 units (Reis, Inc.). By comparison, from 2011 through 2015, the number of units absorbed during the third quarter of each year averaged 1,300.



Modest economic growth in the Great Plains region was led by the leisure and hospitality sector, which added 16,400 jobs during the third quarter of 2016.

	Third Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,747.0	6,804.2	57.2	0.8
Goods-producing sectors	1,070.7	1,074.5	3.8	0.4
Mining, logging, and construction	333.4	344.0	10.6	3.2
Manufacturing	737.2	730.4	-6.8	-0.9
Service-providing sectors	5,676.4	5,729.7	53.3	0.9
Wholesale and retail trade	1,042.8	1,040.4	-2.4	-0.2
Transportation and utilities	279.5	281.9	2.4	0.9
Information	117.2	112.8	-4.4	-3.8
Financial activities	426.2	437.5	11.3	2.7
Professional and business services	811.5	824.3	12.8	1.6
Education and health services	1,008.9	1,020.3	11.4	1.1
Leisure and hospitality	670.2	686.6	16.4	2.4
Other services	260.9	262.2	1.3	0.5
Government	1,059.2	1,063.8	4.6	0.4

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

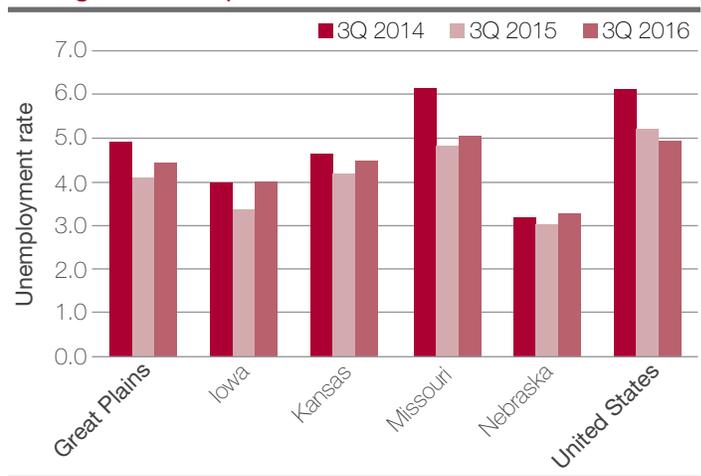
Economic Conditions

Modest economic growth in the Great Plains region continued during the third quarter of 2016. Nonfarm payrolls increased 0.8 percent, or by 57,200 jobs, from the third quarter of 2015, to an average of 6.80 million jobs, and every state in the region except Kansas added jobs. By comparison, average nonfarm payrolls increased 1.3 percent, or by 85,000 jobs, from a year earlier in the third quarter of 2015. During the third quarter of 2016, the leisure and hospitality and the professional and business services sectors, combined, accounted for more than 50 percent of total payroll growth in the region. The leisure and hospitality sector gained 16,400 jobs, a 2.4-percent increase from the same quarter a year ago. The professional and business services sector increased by 12,800 jobs, or 1.6 percent, during the same period. Strong growth in the labor force, particularly in Iowa, outpaced gains in resident employment during the third quarter of 2016, which resulted in an increase in the unemployment rate in the region to 4.5 percent, up from the 4.1-percent rate recorded during the third quarter of 2015.

During the third quarter of 2016—

- In Iowa, nonfarm payrolls increased by 25,300 jobs, or 1.6 percent, led by a gain in the construction subsector of 13,700 jobs, an increase of nearly 17 percent. Statewide construction-related employment is expected to remain strong, because of work associated with the \$3.8 billion Bakken Oil Pipeline that will stretch across 18 counties in Iowa. An estimated 2,000 to 4,000 workers will be needed during the peak of construction, which is expected during the first half of 2017 (*The Des Moines Register*).

Unemployment rates in every state in the Great Plains region except Missouri were below the national rate during the third quarter of 2016.



3Q = third quarter.
Source: U.S. Bureau of Labor Statistics

- Nonfarm payrolls in Missouri increased by 26,200 jobs, or 0.9 percent, compared with the number of nonfarm payrolls during the same period a year ago. The professional and business services and the leisure and hospitality sectors accounted for approximately 60 percent of the payroll gain.
- In Nebraska, nonfarm payrolls increased by 9,300 jobs, or 0.9 percent, from the third quarter of 2015, led by a gain of 4,300 jobs in the education and health services sector.
- Nonfarm payrolls in Kansas decreased by 3,700 jobs, or 3.7 percent, to 1.39 million jobs. A loss of nearly 4,200 jobs in the construction subsector accounted for approximately 50 percent of the overall decline.



Sales Market Conditions

Home sales decreased in every state in the Great Plains region except Missouri during the third quarter of 2016, and sales housing market conditions ranged from slightly tight to tight in most areas in the region. The recent decline in home sales is a reflection of the dwindling availability of for-sale inventory in major metropolitan areas throughout the region. During the 12 months ending September 2016, the number of new and existing home sales in the region (including single-family homes, townhomes, and condominiums) decreased 1 percent, to approximately 180,000 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 4 percent, to \$180,400.

Sales market conditions also ranged from slightly tight to tight in the large metropolitan areas in the region during the third quarter of 2016. In the Kansas City metropolitan area, where the sales market was slightly tight, the number of homes sold was up 2 percent during the 12 months ending September 2016 compared with the number sold a year earlier, to approximately 36,250, and the average home sales price increased 6 percent, to \$211,900 (Kansas City Regional Association of Realtors® and Heartland Multiple Listing Service, Inc.). In the St. Louis area (St. Louis and St. Charles Counties and St. Louis city), where the sales market was slightly tight, existing home sales increased 6 percent, to 18,550 homes sold, and the average existing home sales price increased 3 percent, to \$224,800 (St. Louis Realtors®). In the Des Moines-West Des Moines metropolitan

area, the sales market was tight; home sales increased 3 percent, to 13,100 homes sold, and the average sales price increased 5 percent, to \$203,800 (Des Moines Area Association of Realtors®). Sales market conditions in the Omaha-Council Bluffs metropolitan area were slightly tight. Home sales decreased 2 percent, to 13,400 homes sold, and the average sales price increased 5 percent, to \$202,100, from the same period a year ago (Omaha Area Board of Realtors®). The decrease in home sales in the Omaha-Council Bluffs metropolitan area was because of a decline in the number of active residential listings coupled with a current average number of days on market of less than 1 month.

The percentage of seriously delinquent mortgage loans (loans 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 August 2016, 2.0 percent of home loans in the region were seriously delinquent or had transitioned into REO status, down from 2.6 percent a year ago (CoreLogic, Inc.).

During the third quarter of 2016 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, was up in the region, to approximately 6,100 single-family homes permitted, an increase of 190 homes, or 3 percent, compared with the number of homes permitted during the third quarter of 2015.

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Declining inventories impacted home sales in most areas in the Great Plains region during the past year, while gains in homes sales prices were solid.

	12 Months Ending	Number of Homes Sold			Price			
		2015	2016	Percent Change	Average or Median	2015 (\$)	2016 (\$)	Percent Change
Iowa (N&E)	September	32,400	30,300	-6	AVG	162,900	165,800	2
Des Moines-West Des Moines* (N&E)	September	12,700	13,100	3	AVG	193,800	203,800	5
Kansas (N&E)	September	36,100	35,750	-1	AVG	162,700	169,400	4
Kansas City** (N&E)	September	35,550	36,250	2	AVG	200,500	211,900	6
Missouri (N&E)	September	99,850	100,500	1	AVG	181,700	190,700	5
St. Louis*** (E)	September	17,500	18,550	6	AVG	218,400	224,800	3
Nebraska (N&E)	September	14,350	13,450	-6	AVG	161,500	167,600	4
Omaha-Council Bluffs (N&E)	September	13,650	13,400	-2	AVG	192,300	202,100	5

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

* Data reflect sales in Dallas, Polk, and Warren Counties only. ** Homes sold in Kansas City are captured in both Kansas and Missouri data. *** Data reflect sales in the city of St. Louis and St. Louis County only.

Note: Includes single-family homes, townhomes, and condominiums.

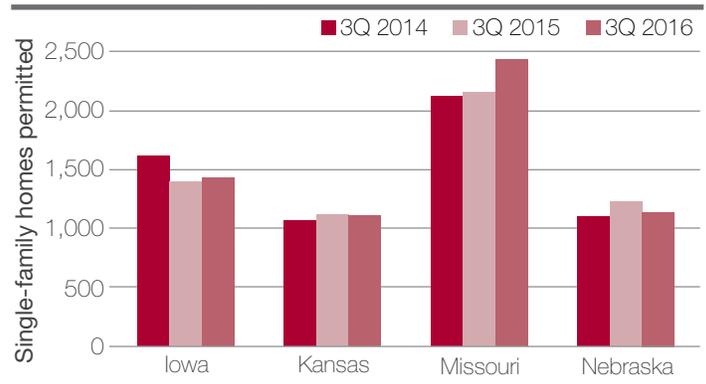
Sources: Des Moines Area Association of Realtors®; Heartland Multiple Listing Service, Inc.; Kansas City Regional Association of Realtors®; Metrostudy, A Hanley Wood Company, with adjustments by the analyst; Omaha Area Board of Realtors®; St. Louis Realtors®



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- In Missouri, the number of single-family homes permitted increased 13 percent, to 2,425 homes, compared with the number permitted a year ago. In Iowa, single-family permitting increased 2 percent, to 1,425 homes permitted, because of strong demand and tight sales market conditions in the Des Moines-West Des Moines metropolitan area.
- In Kansas, the number of single-family homes permitted decreased 1 percent, to 1,100 homes, despite modest gains in home sales and strong gains in home sales prices in the Kansas suburbs of the Kansas City metropolitan area.
- In Nebraska, the number of single-family homes permitted decreased 7 percent, to 1,150 homes, which represented the greatest decline in the number of homes permitted during a third quarter in the state since 2010. In Douglas County, which includes Omaha, the most populous city in the state, single-family permitting was down 15 percent from a year ago, to 390 homes.

Single-family permitting increased 3 percent in the Great Plains region during the third quarter of 2016, with the strongest gains recorded in Missouri.



3Q = third quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions ranged from slightly tight to tight in most of the large metropolitan areas in the Great Plains region during the third quarter of 2016. In Omaha, the apartment market was slightly tight, with a 4.7-percent vacancy rate, up from 4.2 percent a year earlier, and the average rent was up 3 percent, to \$825 (Reis, Inc.). Apartment market conditions in the largest markets in Missouri were slightly tight or tight in the third quarter of 2016. In the Kansas City metropolitan area, conditions remained slightly tight; the apartment vacancy rate increased, from 4.0 to 4.7 percent, and the average rent increased 4 percent from a year earlier, to \$837. In the St. Louis metropolitan area, conditions were tight; the apartment vacancy rate was unchanged from a year earlier, at 4.1 percent, and the average rent increased 3 percent, to \$833. In the Wichita metropolitan area, the apartment market was

slightly tight, with a 5.4-percent vacancy rate in the third quarter of 2016, up from the 4.1-percent rate a year earlier, but the average rent increased only 1 percent, to \$630 (MPF Research). In the Des Moines-West Des Moines metropolitan area, the apartment market was tight during the third quarter of 2016, with a 3.1-percent vacancy rate, down from 3.6 percent a year earlier, and the average rent increased 3 percent, to \$824.

During the third quarter of 2016 (preliminary data)—

- Multifamily construction in the region, as measured by the number of multifamily units permitted, increased 18 percent from the third quarter of 2015, to 5,550 units permitted, with growth occurring in every state in the region except Missouri.

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Apartment market conditions ranged from slightly tight to tight in most major metropolitan areas of the Great Plains region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2015 (%)	3Q 2016 (%)	Percentage Point Change	3Q 2015 (\$)	3Q 2016 (\$)	Percent Change
Des Moines-West Des Moines ^a	Tight	3.6	3.1	-0.5	800	824	3
Kansas City ^b	Slightly tight	4.0	4.7	0.7	803	837	4
Omaha ^b	Slightly tight	4.2	4.7	0.5	801	825	3
St. Louis ^b	Tight	4.1	4.1	0.0	810	833	3
Wichita ^a	Slightly tight	4.1	5.4	1.3	625	630	1

3Q = third quarter.

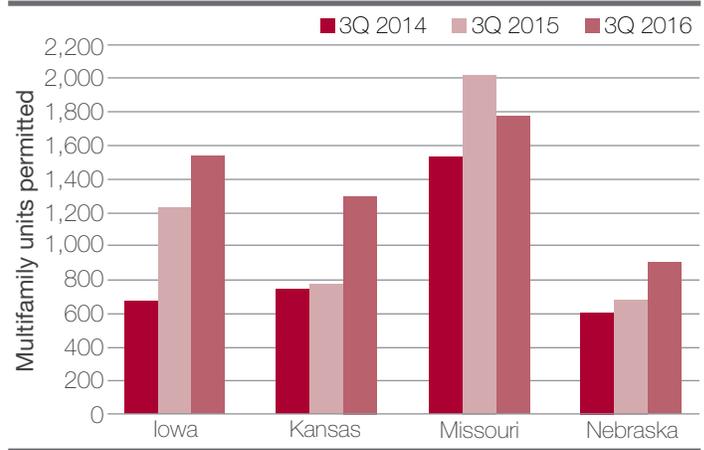
Sources: market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) MPF Research; (b) Reis, Inc.



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- The number of units permitted in Kansas totaled 1,300, up from the 780 permitted during the third quarter of 2015, the greatest increase in the region, primarily because of strong building activity in the Kansas suburbs of the Kansas City metropolitan area. Johnson County, the most populous county in Kansas, accounted for approximately 70 percent of all units permitted in the state.
- The number of multifamily units permitted in Nebraska increased 33 percent, to 900, and the number of units permitted in Iowa increased 25 percent, to 1,550. These increases were attributable to strong apartment demand in the Omaha-Council Bluffs and Des Moines-West Des Moines metropolitan areas during the past year.
- In Missouri, 1,775 units were permitted, down 11 percent from the 2,000 units permitted during the same period a year ago.

Multifamily permitting in the Great Plains region was up from a year ago, led by a surge in the Kansas suburbs of the Kansas City metropolitan area.



3Q = third quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

