

HUD PD&R Regional Reports

Region 7: Great Plains

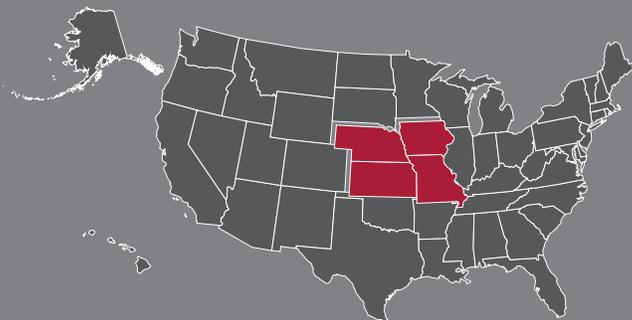


Quick Facts About Region 7

Omaha, Nebraska

By L. David Vertz | 3rd quarter 2018

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



Overview

Economic growth in the Great Plains region continued during the third quarter of 2018, maintaining a trend that began in the fourth quarter of 2010. For the seventh consecutive quarter, Missouri led year-over-year job gains, accounting for more than one-third 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 third 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 7 percent from a year ago.

- Home sales increased in the region during the third quarter of 2018, led by a 5-percent increase in Missouri; home sales prices were up in every state in the region, ranging from a 2-percent increase in Iowa to a 4-percent increase in both Missouri and Nebraska.
- During the third quarter of 2018, apartment absorption in the region decreased to 640 units (Reis, Inc.). By comparison, from 2016 through 2017, the number of units absorbed in the region during the third quarter of each year averaged 800.

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The manufacturing sector, which added 23,100 jobs during the third quarter of 2018, led job growth in the Great Plains region.

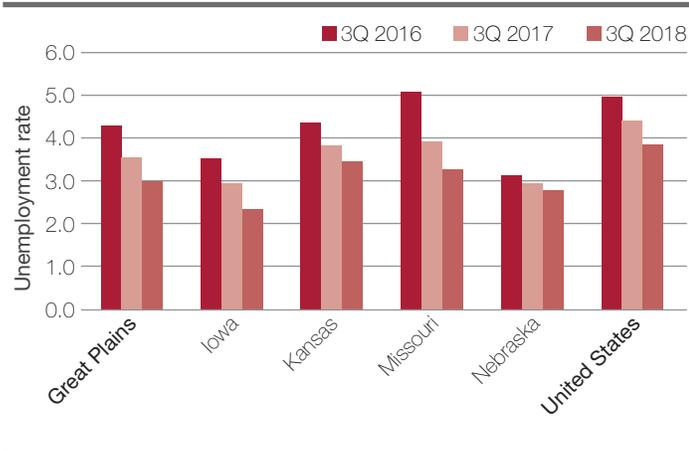
	Third Quarter		Year-Over-Year Change	
	2017 (thousands)	2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,845.3	6,947.4	102.1	1.5
Goods-producing sectors	1,081.4	1,113.2	31.8	2.9
Mining, logging, and construction	337.4	346.1	8.7	2.6
Manufacturing	744.0	767.1	23.1	3.1
Service-providing sectors	5,763.9	5,834.2	70.3	1.2
Wholesale and retail trade	1,038.6	1,035.4	- 3.2	- 0.3
Transportation and utilities	290.0	301.2	11.2	3.9
Information	110.5	108.6	- 1.9	- 1.7
Financial activities	437.2	445.7	8.5	1.9
Professional and business services	824.5	845.7	21.2	2.6
Education and health services	1,040.2	1,055.1	14.9	1.4
Leisure and hospitality	688.9	707.2	18.3	2.7
Other services	262.5	259.3	- 3.2	- 1.2
Government	1,071.5	1,076.0	4.5	0.4

Source: U.S. Bureau of Labor Statistics

Economic Conditions

Economic growth in the Great Plains region accelerated during the third quarter of 2018. Nonfarm payrolls increased 1.5 percent, or by 102,100 jobs, compared with the number of jobs during the same quarter a year earlier, to 6.95 million jobs, and every state in the region added jobs. During the third quarter of 2018, the manufacturing and the professional and business services sectors

The unemployment rate declined in all states in the Great Plains region from the third quarter of 2017, and the regional unemployment rate remains well below the national rate.



3Q = third quarter.

Source: U.S. Bureau of Labor Statistics

combined accounted for nearly 45 percent of total payroll growth in the region. The manufacturing sector added 23,100 jobs, a 3.1-percent increase from the same quarter a year ago; the region ranked first in terms of the rate of jobs added. The professional and business services sector increased by 21,200 jobs, or 2.6 percent, during the same period. Increased hiring during the third quarter of 2018 resulted in a 3.0-percent unemployment rate in the region, an improvement from the 3.5-percent rate recorded during the third quarter of 2017.

During the third quarter of 2018—

- Nonfarm payrolls in Kansas increased by 26,100 jobs, or 1.9 percent, compared with the number of nonfarm payrolls during the same period a year ago. The professional and business services and government sectors combined accounted for nearly 45 percent of total payroll growth statewide.
- In Nebraska, the manufacturing sector, with a gain of 4,600 jobs, or 4.7 percent, led an increase in nonfarm payrolls of 17,800 jobs, or 1.8 percent, from the third quarter of 2017.
- Nonfarm payrolls in Missouri increased by 37,100 jobs, or 1.3 percent, compared with the number of nonfarm payrolls during the same period a year ago.
- In Iowa, the manufacturing sector, with a gain of 10,400 jobs, or 4.8 percent, led an increase in nonfarm payrolls of 21,100 jobs, or 1.3 percent.

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Sales Market Conditions

Home sales increased in the Great Plains region during the 12 months ending September 2018 compared with sales during the same period a year ago. During the 12 months ending September 2018, the number of new and existing home sales in the region (including single-family homes, townhomes, and condominiums) increased 4 percent to approximately 203,100 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 3 percent to \$193,900.

Sales housing market conditions ranged from balanced to tight in the large metropolitan areas in the region during the third quarter of 2018. In the Kansas City metropolitan area, the sales market was slightly tight, with the number of new and existing homes sold unchanged during the 12 months ending June 2018, at 38,900, compared with the number sold a year earlier; the average home sales price increased 6 percent to \$235,200 (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 1 percent to 52,400 homes sold, and the average existing home sales price increased 2 percent to \$226,800 (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 6 percent to 17,700 homes sold, and the average sales price increased 7 percent to \$215,200 (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 13,850 homes sold, and the average sales price increased 6 percent to \$226,100 from the same period a year ago (Omaha Area Board of Realtors®). The decrease in home sales in the Omaha-Council Bluffs metropolitan area is partially attributed to a continued decline in the number of active residential listings, a trend that began during the first quarter of 2012.

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 August 2018, 1.3 percent of home loans in the region were seriously delinquent or had transitioned into REO status, down from 1.7 percent a year ago (CoreLogic, Inc.).

During the third quarter of 2018 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, decreased in the region to approximately 5,950 single-family homes, a decline of 420 homes, or 7 percent, compared with the number of homes permitted during the third quarter of 2017.

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Increases in homes sales prices in the major metropolitan areas of the Great Plains region were strong despite a tapering number of homes sold in the major metropolitan areas 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)	September	34,450	35,200	2	AVG	177,300	181,400	2
Des Moines-West Des Moines (N&E)	September	18,800	17,700	-6	AVG	200,700	215,200	7
Kansas (N&E)	September	38,450	40,050	4	AVG	176,400	181,600	3
Kansas City* (N&E)	September	38,900	38,900	0	AVG	221,100	235,200	6
Missouri (N&E)	September	107,700	112,800	5	AVG	196,900	203,800	4
St. Louis** (E)	September	51,650	52,400	1	AVG	221,900	226,800	2
Nebraska (N&E)	September	14,500	15,150	4	AVG	175,900	183,700	4
Omaha-Council Bluffs*** (N&E)	September	14,550	13,850	-5	AVG	212,400	226,100	6

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

Notes: All data above includes single-family homes, townhomes, and condominiums. * Homes sold in Kansas City are captured in both the states of Kansas and Missouri.

** Data reflects 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.

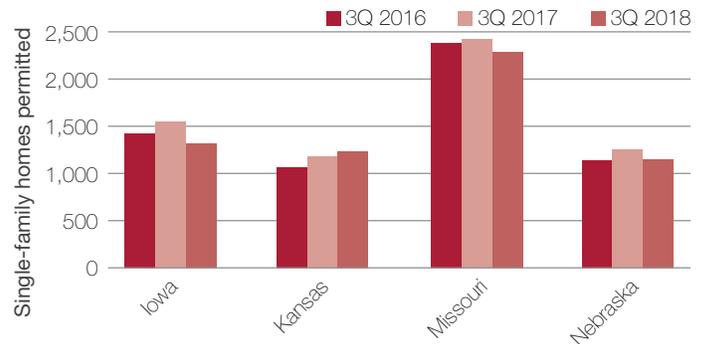
Sources: Kansas City Regional Association of Realtors® and Heartland Multiple Listing Service, Inc.; Omaha Area Board of Realtors®; all others—Metrostudy, A Hanley Wood Company, with adjustments by the analyst



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- In Kansas, the number of single-family homes permitted increased 5 percent to 1,225 homes from a year ago because of strong gains in home sales prices and slightly tight sales market conditions in the Kansas suburbs of the Kansas City metropolitan area.
- In Missouri, single-family permitting decreased 6 percent to 2,275 homes permitted.
- In Nebraska, the number of single-family homes permitted decreased 8 percent to 1,150 from 1,250 a year ago.
- In Iowa, the number of single-family homes permitted decreased 15 percent to 1,300 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 18 percent, to 880 homes.

Single-family permitting activity decreased in every state in the Great Plains region from the third quarter of 2017, with the exception of Kansas.



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 soft to slightly tight in most of the large metropolitan areas in the Great Plains region during the third quarter of 2018. In the Omaha metropolitan area, the apartment market was slightly tight, with a 4.6-percent vacancy rate, up from 4.3 percent a year earlier, and the average rent was up 7 percent to \$927 (ALN Apartment Data, Inc.). Apartment market conditions in the largest markets in Missouri were balanced to slightly tight in the third quarter of 2018. In the Kansas City metropolitan area, conditions remained slightly tight; the vacancy rate decreased from 6.4 to 5.8 percent, and the average rent increased 5 percent from a year earlier to \$997.

In the St. Louis metropolitan area, conditions were balanced; the apartment vacancy rate increased from a year earlier to 7.5 percent, and the average rent increased 4 percent to \$993. In the Wichita metropolitan area, the apartment market was slightly soft, with an 8.0-percent vacancy rate in the third quarter of 2018, down from the 8.3-percent rate a year earlier, and the average rent increased 1 percent to \$706. In the Des Moines-West Des Moines metropolitan area, the apartment market was balanced during the third quarter of 2018, with a 6.9-percent vacancy rate, up from 6.4 percent a year earlier, and the average rent increased 3 percent to \$950.

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Apartment market conditions during the third 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		
		3Q 2017 (%)	3Q 2018 (%)	Percentage Point Change	3Q 2017 (\$)	3Q 2018 (\$)	Percent Change
Des Moines-West Des Moines	Balanced	6.4	6.9	0.5	926	950	3
Kansas City	Slightly Tight	6.4	5.8	-0.6	954	997	5
Omaha	Slightly Tight	4.3	4.6	0.3	866	927	7
St. Louis	Balanced	6.6	7.5	0.9	953	993	4
Wichita	Slightly Soft	8.3	8.0	-0.3	697	706	1

3Q = third quarter.
 Note: Based on preliminary data.
 Sources: market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—ALN Apartment Data, Inc.

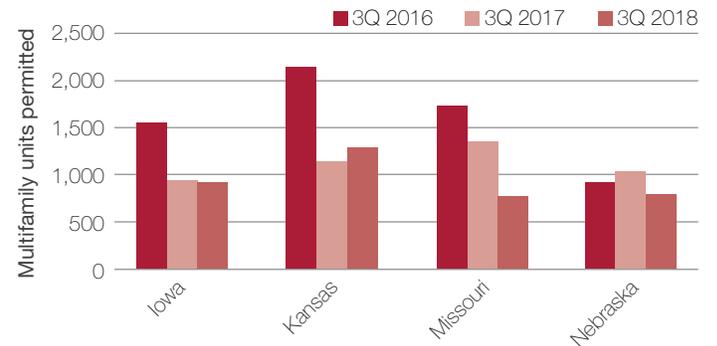


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During the third quarter of 2018 (preliminary data)—

- Multifamily construction, as measured by the number of multifamily units permitted, decreased 16 percent in the region from the third quarter of 2017 to 3,725 units permitted.
- In Kansas, 1,275 multifamily units were permitted, up 13 percent from the 1,125 units permitted during the same period a year ago. The increase in multifamily building activity is attributed entirely to growth on the Kansas side of the Kansas City metropolitan area.
- The number of multifamily units permitted in Iowa totaled 910, down slightly from the 930 units permitted during the third quarter of 2017. In Nebraska, 790 units were permitted, down 24 percent from the 1,025 units permitted a year ago.
- The number of multifamily units permitted in Missouri decreased 44 percent to 760 units from the same period a year ago despite slightly tight and balanced apartment market conditions in Kansas City and St. Louis, respectively. The decline in multifamily units permitted was most pronounced in St. Louis, which fell approximately 64 percent.

Multifamily permitting in the Great Plains region was down from a year ago, led by a 44-percent decrease in Missouri.



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

