

HUD PD&R Regional Reports

Region 7: Great Plains

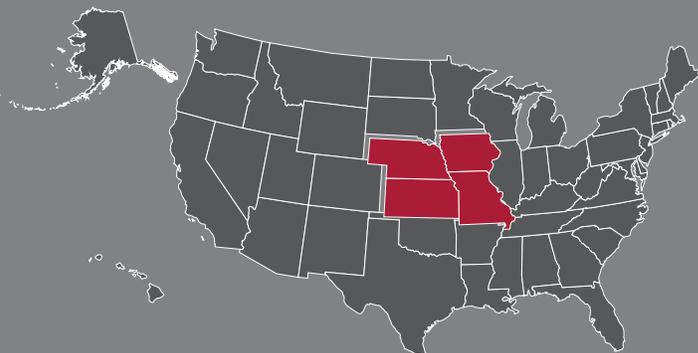


Quick Facts About Region 7

Wichita, Kansas

By L. David Vertz | 3rd Quarter 2020

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



Overview

For the second consecutive quarter, economic conditions in the Great Plains region contracted significantly, reversing a trend of modest growth that had begun in the fourth quarter of 2010. During the third quarter of 2020, every state in the region lost jobs. Despite the historic economic downturn, sales housing market conditions ranged from balanced to tight in most metropolitan areas in the region during the third quarter of 2020. Apartment market conditions ranged from balanced to tight throughout the region, with the St. Louis metropolitan area having the most substantial rent increase—up 5 percent from a year ago.

- Home sales decreased in the region during the third quarter of 2020, led by an 8-percent decline in Iowa; home sales prices were up in every state in the region, ranging from a 3-percent increase in Missouri to a 7-percent increase in Nebraska.
- During the third quarter of 2020, apartment absorption in the region decreased to 1,600 units, down approximately 50 percent from the record level absorption in the region during the third quarter of 2019 (Reis, Inc.). By comparison, from 2010 through 2018, the number of units absorbed in the region during the third quarter of each year averaged 1,375.



Economic Conditions

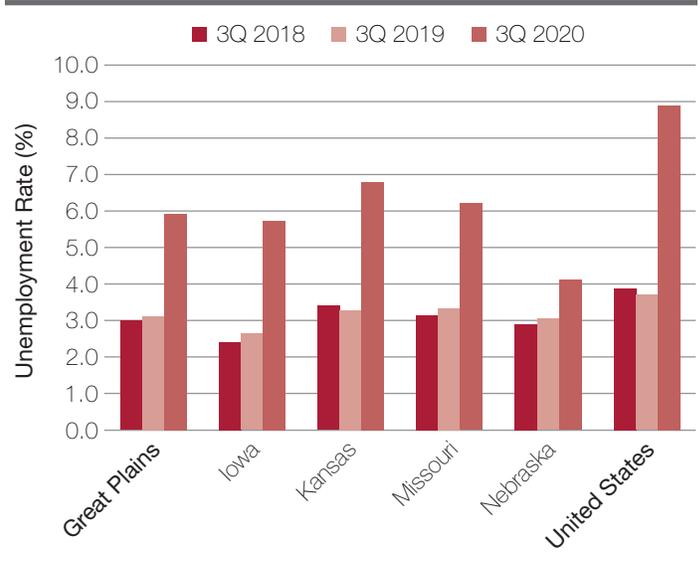
Economic conditions in the Great Plains region deteriorated during the third quarter of 2020. Nonfarm payrolls decreased 4.7 percent, or by 322,900 jobs, compared with the number of jobs during the same quarter a year earlier, to 6.61 million jobs. During the third quarter of 2020, the leisure and hospitality sector accounted for nearly 40 percent of the total payroll decline in the region, down 117,500 jobs—a 16.8-percent decrease from the same quarter a year ago. During the third quarter of 2020, the regional unemployment rate increased to 5.9 percent, up from 3.1 percent during the third quarter of 2019. Although the unemployment rate is up significantly from a year ago, it remains well below the 8.9-percent national average.

During the third quarter of 2020—

- Nonfarm payrolls in Missouri decreased by 133,800 jobs, or 4.6 percent, compared with the number of nonfarm payrolls during the same period a year ago, led by a decline of 56,600 jobs, or 17.7 percent, in the leisure and hospitality sector.
- In Iowa, the leisure and hospitality sector—with a loss of 28,800 jobs, or 19.2 percent—contributed to a decline in total nonfarm payrolls of 92,000 jobs, or 5.8 percent, from the third quarter of 2019.
- Nonfarm payrolls in Kansas decreased by 62,800 jobs, or 4.4 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 increase—up 1,500 jobs, or 2.3 percent, from the third quarter of 2019.

- Nonfarm payrolls in Nebraska decreased by 34,200 jobs, or 3.3 percent, to 994,100 jobs; 9 of the 11 employment sectors in Nebraska declined. The financial activities and education and health services sectors increased by 600 and 500 jobs, or 0.7 and 0.3 percent, respectively, from a year ago.

The unemployment rate in the Great Plains region nearly doubled from the third quarter of 2019.



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

All nonfarm payroll sectors in the Great Plains region lost jobs during the third quarter of 2020, led by a nearly 17-percent decline in the leisure and hospitality sector.

	Third Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm	6,927.9	6,605.0	-322.9	-4.7
Goods-Producing Sectors	1,124.5	1,087.3	-37.2	-3.3
Mining, Logging, & Construction	352.9	345.1	-7.8	-2.2
Manufacturing	771.6	742.1	-29.5	-3.8
Service-Providing Sectors	5,803.4	5,517.8	-285.6	-4.9
Wholesale & Retail Trade	1,010.7	986.6	-24.1	-2.4
Transportation & Utilities	304.4	292.7	-11.7	-3.8
Information	104.1	94.2	-9.9	-9.5
Financial Activities	440.5	431.0	-9.5	-2.2
Professional & Business Services	826.5	787.9	-38.6	-4.7
Education & Health Services	1,070.9	1,033.4	-37.5	-3.5
Leisure & Hospitality	699.1	581.6	-117.5	-16.8
Other Services	266.5	254.7	-11.8	-4.4
Government	1,080.7	1,055.8	-24.9	-2.3

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 September 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 2 percent to approximately 200,500 home sales compared with the number of homes sold a year ago (Zonda, with adjustments by the analyst). The most pronounced decline occurred in Iowa, with home sales down 8 percent from a year ago. During the same period, the average home sales price in the region increased 4 percent to \$207,200.

Sales housing market conditions ranged from balanced to tight in the large metropolitan areas of the region during the third quarter of 2020. In the Kansas City metropolitan area, the sales market was slightly tight during the 12 months ending September 2020. The number of new and existing homes sold was relatively unchanged at 56,050, compared with the number sold a year earlier; the average home sales price increased 8 percent, to \$280,300 (Zonda, with adjustments by the analyst). The sales market was balanced in the St. Louis area (Franklin, Jefferson, St. Louis, and St. Charles Counties and the city of St. Louis). Existing home sales were also relatively unchanged at 26,550 homes sold, and the average existing home sales price increased 4 percent, to \$230,400 (Zonda, with adjustments by the analyst). In the Des Moines-West Des Moines metropolitan area, the sales market was balanced. New and existing home sales increased 1 percent, to 16,050 homes sold, and the average sales price

increased 6 percent, to \$242,000 (Zonda, with adjustments by the analyst). Sales market conditions in the Omaha-Council Bluffs metropolitan area were tight. Total home sales increased 1 percent, to 20,700 homes sold, and the average sales price increased 7 percent, to \$230,200, from the same period a year ago (Zonda, 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 during the past year. As of August 2020, 3.0 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 third quarter of 2020 (preliminary data)—

- Single-family homebuilding activity in the region, as measured by the number of homes permitted, rose to approximately 7,900 single-family homes—an increase of 1,450 homes, or 22 percent, compared with the number of homes permitted during the third quarter of 2019.
- In Nebraska, the number of single-family homes permitted increased 33 percent, to 1,525 homes, from 1,150 homes permitted a year ago. Single-family homes permitted in the Omaha-Council Bluffs metropolitan area mirrored the statewide rate, up approximately 39 percent, to 1,075 homes.

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Increases in statewide home sales prices in the Great Plains region were strong while the number of homes sold in the major metropolitan areas during the 12 months ending September 2020 were relatively unchanged from a year ago.

	12 Months Ending	Number of Homes Sold				Price		
		2019	2020	Percent Change	Average	2019 (\$)	2020 (\$)	Percent Change
Iowa (N&E)	September	34,500	31,600	-8	AVG	\$191,500	\$199,800	4
Des Moines-West Des Moines (N&E)	September	15,900	16,050	1	AVG	\$229,000	\$242,000	6
Kansas (N&E)	September	39,150	39,400	1	AVG	\$187,300	\$194,300	4
Kansas City* (N&E)	September	56,000	56,050	0	AVG	\$259,700	\$280,300	8
Missouri (N&E)	September	116,100	114,600	-1	AVG	\$207,500	\$214,100	3
St. Louis** (E)	September	26,550	26,550	0	AVG	\$220,800	\$230,400	4
Nebraska (N&E)	September	15,050	14,900	-1	AVG	\$191,700	\$204,400	7
Omaha-Council Bluffs*** (N&E)	September	20,450	20,700	1	AVG	\$215,300	\$230,200	7

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.

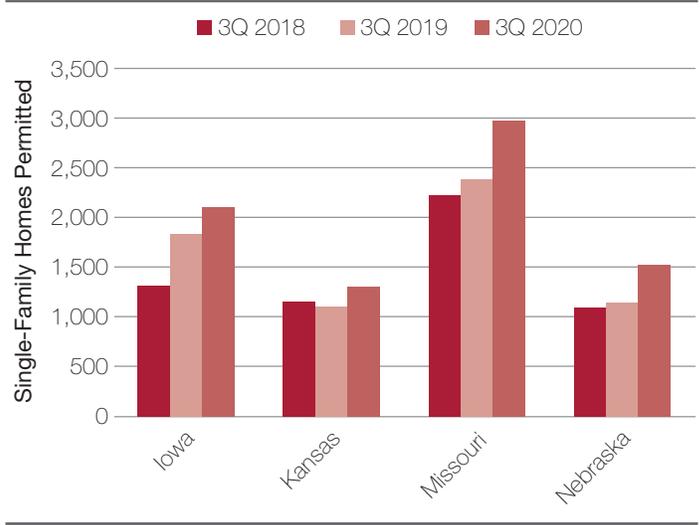
Source: Zonda, with adjustments by the analyst



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- In Missouri, single-family home permitting increased 25 percent to 2,975 homes permitted from 2,375 homes 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 Kansas, single-family home permitting increased 18 percent, to 1,300 homes permitted, from 1,100 homes permitted a year ago. Single-family homes permitted on the Kansas side of the Kansas City metropolitan area increased by a similar rate—approximately 16 percent—to 760 units permitted. In Wichita, the second-largest metropolitan area in the state, single-family home permitting increased 19 percent to 280 homes permitted.
- In Iowa, the number of single-family homes permitted increased 15 percent, to 2,100 homes, compared with 1,825 homes permitted a year ago. Similarly, single-family home permitting in the Des Moines-West Des Moines metropolitan area increased 13 percent, to 1,600 homes, from a year ago.

In the Great Plains region, single-family permitting was up in each state, led by a 33-percent increase in Nebraska.



3Q = third 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 large metropolitan areas in the Great Plains region during the third quarter of 2020. The apartment market in the Omaha metropolitan area was tight, with a 5.0-percent vacancy rate—down slightly from a year earlier—and the average rent was up 3 percent, to \$976 (ALN Apartment Data, Inc.). Apartment market conditions in the largest markets in Missouri were balanced in the third quarter of 2020. In the Kansas City metropolitan area, the vacancy rate increased from 5.5 to 7.0 percent, and the average rent increased 3 percent from a year earlier to \$1,068. In the St. Louis metropolitan area, the apartment vacancy

rate decreased from 7.2 to 6.9 percent, and the average rent increased 5 percent, to \$1,100, from a year earlier. In the Wichita metropolitan area, the apartment market was balanced, with a 6.1-percent vacancy rate in the third quarter of 2020—down from 6.6 percent a year earlier—and the average rent increased 3 percent to \$747. In the Des Moines-West Des Moines metropolitan area, the apartment market was balanced during the third quarter of 2020, with a 6.2-percent vacancy rate—down from 7.7 percent a year earlier—and the average rent increased 1 percent to \$975.

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Apartment market conditions ranged from balanced to tight in most major metropolitan areas in the Great Plains region during the third quarter of 2020.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2019 (%)	3Q 2020 (%)	Percentage Point Change	3Q 2019 (\$)	3Q 2020 (\$)	Percent Change
Des Moines-West Des Moines	Balanced	7.7	6.2	-1.5	966	975	1
Kansas City	Balanced	5.5	7.0	1.5	1,035	1,068	3
Omaha	Tight	5.1	5.0	-0.1	944	976	3
St. Louis	Balanced	7.2	6.9	-0.3	1,046	1,100	5
Wichita	Balanced	6.6	6.1	-0.5	726	747	3

3Q = third quarter.

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



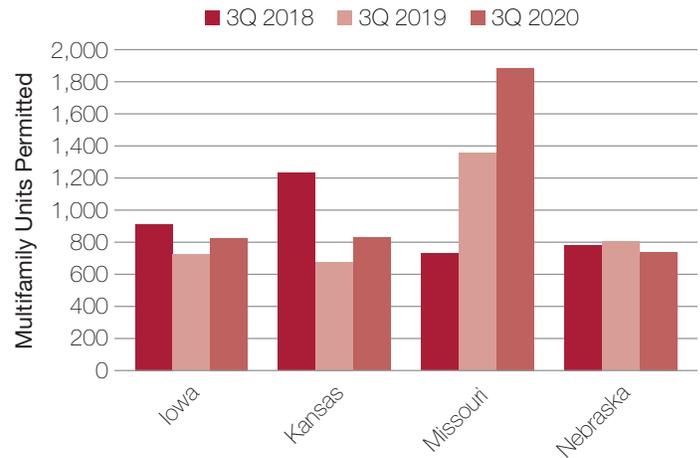
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During the third quarter of 2020 (preliminary data)—

- Multifamily construction—as measured by the number of multifamily units permitted—increased 20 percent in the region, to 4,275 units, from the third quarter of 2019.
- In Missouri, 1,875 multifamily units were permitted—up 39 percent from the 1,350 units permitted during the same period a year ago. All of the gains in multifamily building activity occurred on the Missouri side of the Kansas City metropolitan area.
- The number of multifamily units permitted in Kansas increased 22 percent, to 830 units, from 680 units during the same period a year ago because of a 75-percent increase in units permitted on the Kansas side of the Kansas City metropolitan area.
- In Iowa, 830 multifamily units were permitted—up 14 percent from the 720 units permitted during the same period a year ago. In the Des Moines-West Des Moines metropolitan area, the number of multifamily units permitted increased 43 percent to 520 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 8 percent, to 740 units, from the same period

a year ago, despite a 33-percent increase in units permitted in the Lincoln metropolitan area where apartment market conditions are currently tight.

Multifamily permitting activity in the Great Plains region was up during the third quarter of 2020 despite an 8-percent decline in Nebraska.



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

