

HUD PD&R Regional Reports

Region 7: Great Plains

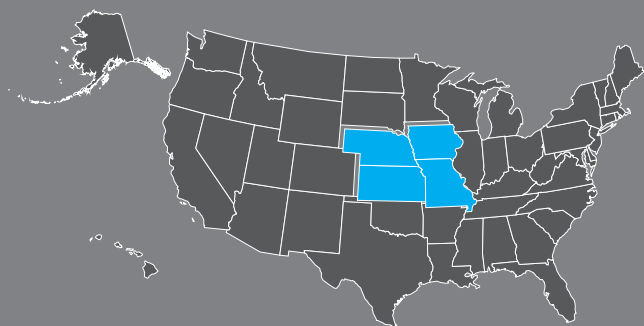


St. Louis, Missouri

By L. David Vertz | 4th quarter 2016

Quick Facts About Region 7

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



Overview

Economic growth in the Great Plains region that began in the fourth quarter of 2010 continued during the fourth quarter of 2016. During the fourth quarter of 2016, every state in the region recorded job gains with the exception of Kansas, where nonfarm payrolls declined for the fourth consecutive quarter. Sales housing market conditions ranged from slightly tight to tight in most metropolitan areas in the region during the fourth quarter of 2016, and conditions were somewhat tighter than in the fourth quarter of 2015. Apartment market conditions ranged from slightly tight to tight throughout the region, with the Des Moines-West Des Moines metropolitan area recording the strongest improvement in terms of vacancy, which was down 0.7 percentage points from a year ago.

- Home sales activity was mixed in the region during the fourth quarter of 2016, ranging from a 3-percent increase in Missouri to a 12-percent decrease in Iowa; however, home sales prices were up in every state in the region, led by a 5-percent increase in Kansas.
- During the fourth quarter of 2016, apartment absorption in the region decreased to 400 units, the lowest fourth quarter absorption level since 2009 (Reis, Inc.). By comparison, from 2011 through 2015, the number of units absorbed during the fourth quarter of each year averaged 1,100.



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The leisure and hospitality sector, which added 20,300 jobs during the fourth quarter of 2016, led modest economic growth in the Great Plains region.

	Fourth Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,826.9	6,897.8	70.9	1.0
Goods-producing sectors	1,062.6	1,060.9	- 1.7	- 0.2
Mining, logging, and construction	328.5	335.3	6.8	2.1
Manufacturing	734.1	725.7	- 8.4	- 1.1
Service-providing sectors	5,764.3	5,836.8	72.5	1.3
Wholesale and retail trade	1,053.2	1,059.3	6.1	0.6
Transportation and utilities	286.1	289.8	3.7	1.3
Information	114.9	111.0	- 3.9	- 3.4
Financial activities	424.5	437.4	12.9	3.0
Professional and business services	814.9	828.2	13.3	1.6
Education and health services	1,032.7	1,047.0	14.3	1.4
Leisure and hospitality	633.5	653.8	20.3	3.2
Other services	261.8	263.2	1.4	0.5
Government	1,142.7	1,147.1	4.4	0.4

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

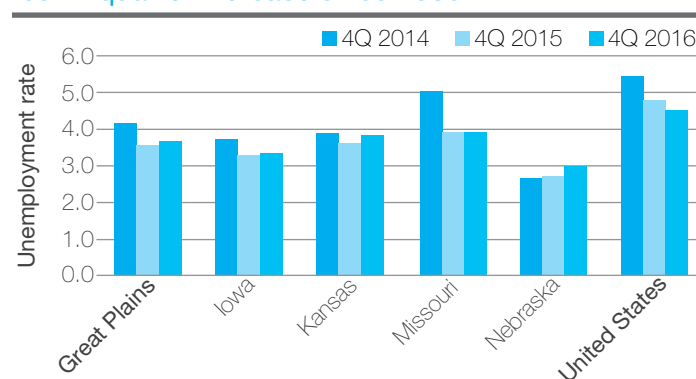
Economic Conditions

Modest economic growth in the Great Plains region continued during the fourth quarter of 2016. Nonfarm payrolls increased 1.0 percent, or by 70,900 jobs, from the fourth quarter of 2015, to an average of 6.90 million jobs, and every state in the region except Kansas added jobs. By comparison, average nonfarm payrolls increased 1.0 percent, or by 66,500 jobs, from a year earlier in the fourth quarter of 2015. During the fourth quarter of 2016, the leisure and hospitality and the education and health services sectors combined accounted for nearly 50 percent of total payroll growth in the region. The leisure and hospitality sector gained 20,300 jobs, a 3.2-percent increase from the same quarter a year ago. The education and health services sector increased by 14,300 jobs, or 1.4 percent, during the same period. Strong growth in the labor force, particularly in Iowa and Missouri, outpaced gains in resident employment during the fourth quarter of 2016, which resulted in an increase in the unemployment rate in the region to 3.7 percent, up slightly from the 3.6-percent rate recorded during the fourth quarter of 2015.

During the fourth quarter of 2016—

- Nonfarm payrolls in Missouri increased by 57,500 jobs, or 2.0 percent, compared with the number of nonfarm payrolls during the same period a year ago, ranking the state 11th in the nation during the fourth quarter of 2016 in terms of jobs added.
- In Iowa, nonfarm payrolls increased by 12,300 jobs, or 0.8 percent, led by a gain in the construction subsector of 8,800

The unemployment rate in the Great Plains region increased during the fourth quarter of 2016, the first fourth quarter increase since 2009.



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

jobs, or nearly 11 percent. Statewide construction-related employment is expected to remain strong because of continued work associated with the \$3.8 billion Bakken Oil Pipeline that will stretch across 18 counties in Iowa, coupled with road and bridge construction totaling more than \$3 billion that is earmarked through 2021.

- In Nebraska, nonfarm payrolls increased by 7,600 jobs, or 0.7 percent, from the fourth quarter of 2015, led by a gain of 2,500 jobs in the education and health services sector.
- Nonfarm payrolls in Kansas decreased by 6,500 jobs, or 0.5 percent, to 1.41 million jobs. The goods-producing sectors, particularly the construction subsector and manufacturing sector, accounted for approximately 80 percent of the overall payroll decline.

Sales Market Conditions

Home sales decreased in every state in the Great Plains region except Missouri during the fourth 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, which was particularly prevalent in Iowa and Nebraska. During the 12 months ending December 2016, the number of new and existing home sales in the region (including single-family homes, townhomes, and condominiums) decreased 2 percent, to approximately 181,200 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 \$182,300.

Sales market conditions also ranged from slightly tight to tight in the large metropolitan areas in the region during the fourth quarter of 2016. In the Kansas City metropolitan area, where the sales market was tight, the number of homes sold was up 4 percent during the 12 months ending December 2016 compared with the number sold a year earlier, to approximately 37,250, and the average home sales price increased 6 percent, to \$214,300 (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 8 percent, to 26,100 homes sold, and the average existing home sales price increased 3 percent, to \$223,500 (St. Louis Realtors®). In the Des Moines-West Des Moines metropolitan area,

the sales market was tight; home sales increased 4 percent, to 13,500 homes sold, and the average sales price increased 3 percent, to \$204,200 (Des Moines Area Association of Realtors®). Sales market conditions in the Omaha-Council Bluffs metropolitan area were tight. Home sales decreased 2 percent, to 13,700 homes sold, and the average sales price increased 5 percent, to \$204,800, 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 decline of nearly 20 percent in the number of active residential listings from a year ago, coupled with a current average number of days on market of approximately 30.

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 November 2016, 2.0 percent of home loans in the region were seriously delinquent or had transitioned into REO status, down from 2.4 percent a year ago (CoreLogic, Inc.).

During the fourth quarter of 2016 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, was up in the region to approximately 5,550 single-family homes, an increase of 520 homes, or 11 percent, compared with the number of homes permitted during the fourth quarter of 2015, which represents the highest level of single-family homes permitted during the fourth quarter since 2007.

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Home sales in the Great Plains region decreased 2 percent during the past year, despite strong price increases in every state.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2015	2016	Percent Change		2015 (\$)	2016 (\$)	Percent Change
Iowa (N&E)	December	32,800	28,800	- 12	AVG	163,000	166,800	2
Des Moines-West Des Moines* (N&E)	December	12,950	13,500	4	AVG	197,700	204,200	3
Kansas (N&E)	December	36,500	35,150	- 4	AVG	164,000	172,600	5
Kansas City** (N&E)	December	35,950	37,250	4	AVG	202,500	214,300	6
Missouri (N&E)	December	100,600	103,500	3	AVG	184,000	191,900	4
St. Louis*** (E)	December	24,200	26,100	8	AVG	217,600	223,500	3
Nebraska (N&E)	December	14,600	13,800	- 5	AVG	163,200	169,000	4
Omaha-Council Bluffs (N&E)	December	13,950	13,700	- 2	AVG	194,700	204,800	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, St. Charles County, and St. Louis County only.

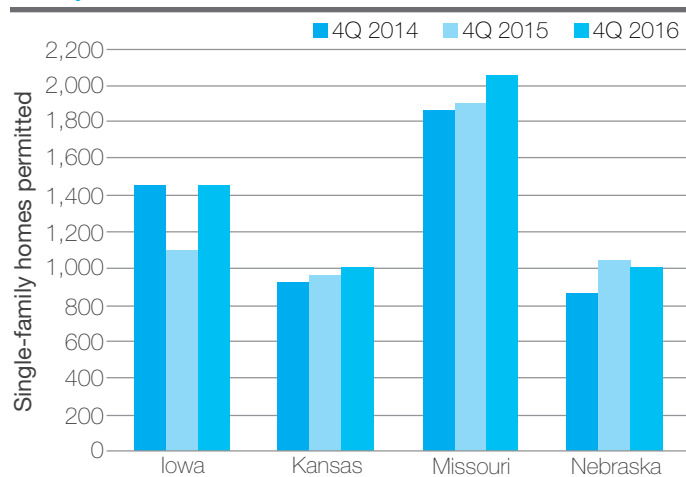
Note: Includes single-family homes, townhomes, and condominiums.

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; Mid America Regional Information Systems Multiple Listing Service; Omaha Area Board of Realtors®; St. Louis Realtors®

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- In Iowa, single-family permitting increased 33 percent, to 1,475 homes permitted, because of strong demand and tight sales market conditions in the Des Moines-West Des Moines metropolitan area.
- In Missouri, the number of single-family homes permitted increased 8 percent, to 2,050 homes, compared with the number permitted a year ago. In Kansas, the number of single-family homes permitted increased 4 percent, to 1,000 homes, a result of 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 3 percent, to 1,000 homes, the second consecutive quarterly decline in homes permitted statewide.

Low levels of for-sale inventory throughout most of the Great Plains region resulted in the highest level of fourth quarter single-family homes permitted in nearly a decade.



4Q = fourth 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 fourth quarter of 2016. In Omaha, the apartment market was slightly tight, with a 3.7-percent vacancy rate, down from 3.9 percent a year earlier, and the average rent was up 3 percent, to \$832 (Reis, Inc.). Apartment market conditions in the largest markets in Missouri were slightly tight or tight in the fourth quarter of 2016. In the Kansas City metropolitan area, conditions remained slightly tight; the apartment vacancy rate increased from 3.9 to 4.2 percent, and the average rent increased 5 percent from a year earlier, to \$851. In the St. Louis metropolitan area, conditions were

tight; the apartment vacancy rate was unchanged from a year earlier, at 4.3 percent, and the average rent increased 4 percent, to \$854. In the Wichita metropolitan area, the apartment market was slightly tight, with a 5.3-percent vacancy rate in the fourth quarter of 2016, down from the 5.4-percent rate a year earlier, and the average rent increased 2 percent, to \$588 (MPF Research). In the Des Moines-West Des Moines metropolitan area, the apartment market was tight during the fourth quarter of 2016, with a 3.8-percent vacancy rate, down from 4.5 percent a year earlier, and the average rent increased 1 percent, to \$819.

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

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2015 (%)	4Q 2016 (%)	Percentage Point Change	4Q 2015 (\$)	4Q 2016 (\$)	Percent Change
Des Moines-West Des Moines ^a	Tight	4.5	3.8	-0.7	812	819	1
Kansas City ^b	Slightly tight	3.9	4.2	0.3	811	851	5
Omaha ^b	Slightly tight	3.9	3.7	-0.2	808	832	3
St. Louis ^b	Tight	4.3	4.3	0.0	821	854	4
Wichita ^a	Slightly tight	5.4	5.3	-0.1	576	588	2

4Q = fourth quarter.

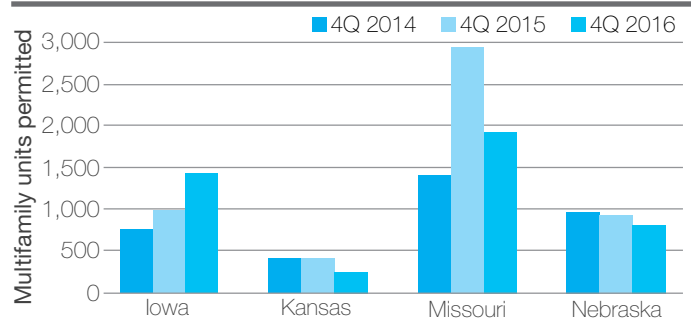
Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) MPF Research; (b) Reis, Inc.

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During the fourth quarter of 2016 (preliminary data)—

- Multifamily construction in the region, as measured by the number of multifamily units permitted, decreased 16 percent from the fourth quarter of 2015, to 4,425 units permitted, with declines occurring in every state in the region except Iowa.
- The number of units permitted in Iowa totaled 1,425, up from the 990 permitted during the fourth quarter of 2015—the only increase in the region—because of strong apartment demand in the Des Moines-West Des Moines metropolitan area.
- The number of multifamily units permitted in Kansas decreased 40 percent, to 250, and the number of units permitted in Missouri decreased 35 percent, to 1,925. These declines are attributed to a slowing of units permitted on both the Kansas and Missouri sides of the Kansas City metropolitan area.
- In Nebraska, 820 units were permitted, down 12 percent from the 930 units permitted during the same period a year ago.

Multifamily permitting in the Great Plains region was down from a year ago, although building activity remained strong in Iowa.



4Q = fourth quarter.

Note: Based on preliminary data.

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