

# HUD PD&R Regional Reports

## Region 7: Great Plains



### Quick Facts About Region 7

Kansas City, Missouri

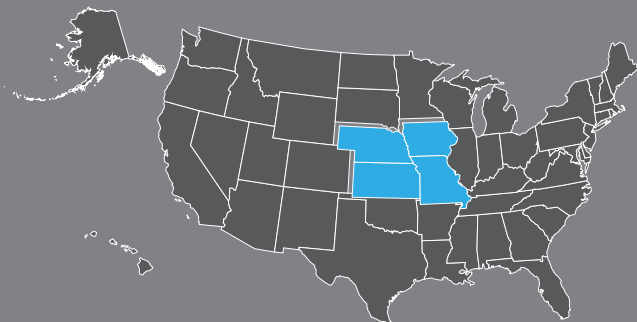
By L. David Vertz | 4th Quarter 2019

#### Sales market conditions—

Fourth quarter 2019: mixed (balanced to tight)  
Third quarter 2019: mixed (balanced to tight)  
Fourth quarter 2018: mixed (balanced to tight)

#### Apartment market conditions—

Fourth quarter 2019: mixed (slightly soft to tight)  
Third quarter 2019: mixed (slightly soft to tight)  
Fourth quarter 2018: mixed (slightly soft to slightly tight)



### Overview

Economic growth in the Great Plains region continued during the fourth quarter of 2019, a trend that began in the fourth quarter of 2010. For the 12th consecutive quarter, Missouri led year-over-year job gains, accounting for slightly more than 40 percent 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 fourth quarter of 2019. Apartment market conditions ranged from slightly soft to tight throughout the region, with the Omaha metropolitan area having the largest increase in rent growth—up 7 percent from a year ago.

- Home sales decreased in the region during the fourth quarter of 2019, led by a 4-percent decline in both Iowa and Kansas; home sales prices were up in every state in the region, ranging from a 2-percent increase in Missouri to a 5-percent increase in both Iowa and Nebraska.
- During the fourth quarter of 2019, apartment absorption in the region decreased to 620 units, the lowest fourth-quarter absorption level since 2016 (Reis, Inc.). By comparison, from 2017 through 2018, the number of units absorbed in the region during the fourth quarter of each year averaged 1,750.



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## Economic Conditions

The economy in the Great Plains region was strong during the fourth quarter of 2019, with steady nonfarm payroll growth and a low unemployment rate. Nonfarm payrolls increased 1.0 percent, or by 66,700 jobs, compared with the number of jobs during the same quarter a year earlier, to 7.04 million jobs, and every state in the region added jobs. During the fourth quarter of 2019, the combined leisure and hospitality and the education and health services sectors accounted for approximately 45 percent of total payroll growth in the region. The leisure and hospitality sector added 17,000 jobs, a 2.6-percent increase from the same quarter a year ago. The education and health services sector increased by 13,300 jobs, or 1.2 percent, during the same period. During the fourth quarter of 2019, the unemployment rate in the region increased to 2.8-percent, up from the 2.6-percent unemployment rate recorded during the fourth quarter of 2018. Although the unemployment rate is up from a year ago, the current unemployment rate remains well below the 3.3 percent national average and less than one-half the fourth-quarter high of 7.4 percent in the Great Plains region during 2009.

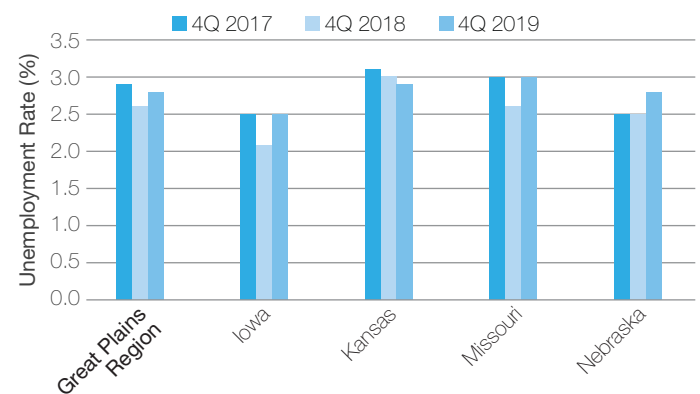
During the fourth quarter of 2019—

- Nonfarm payrolls in Nebraska increased by 14,800 jobs, or 1.4 percent, compared with the number of nonfarm payrolls during the same period a year ago led by a gain of 3,000 jobs in the leisure and hospitality sector. According to the Omaha Convention and Visitors Bureau, visitation and visitor spending in Omaha have increased for 9 straight years (visitomaha.com). Approximately 13.1 million visitors traveled to Omaha during 2018, spending more than \$1.3 billion—both increases of 6 percent from 2016 (Tourism Economics, an Oxford Economics Company).

- In Kansas, the leisure and hospitality sector, with a gain of 7,400 jobs, or 5.7 percent, led an increase in nonfarm payrolls of 19,200 jobs, or 1.3 percent, from the fourth quarter of 2018. Job gains in the leisure and hospitality sector are expected to continue because of ongoing revitalization efforts throughout the state, including the downtown areas in the cities of Salina and Topeka and a new \$75 million baseball stadium in the city of Wichita.

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**The unemployment rate increased in the Great Plains region from the fourth quarter of 2018—the first fourth-quarter increase since 2016.**



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

**The leisure and hospitality sector, which added 17,000 jobs during the fourth quarter of 2019, led job growth in the Great Plains region.**

	Fourth Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	6,978.3	7,045.0	66.7	1.0
Goods-Producing Sectors	1,102.6	1,114.4	11.8	1.1
Mining, Logging, & Construction	332.7	342.7	10.0	3.0
Manufacturing	769.9	771.7	1.8	0.2
Service-Providing Sectors	5,875.7	5,930.6	54.9	0.9
Wholesale & Retail Trade	1,037.3	1,034.9	-2.4	-0.2
Transportation & Utilities	305.3	304.5	-0.8	-0.3
Information	108.1	105.2	-2.9	-2.7
Financial Activities	433.4	438.0	4.6	1.1
Professional & Business Services	835.4	844.7	9.3	1.1
Education & Health Services	1,081.1	1,094.4	13.3	1.2
Leisure & Hospitality	664.5	681.5	17.0	2.6
Other Services	259.1	265.6	6.5	2.5
Government	1,151.5	1,161.8	10.3	0.9

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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- Nonfarm payrolls in Missouri increased by 28,100 jobs, or 1.0 percent, compared with the number of nonfarm payrolls during the same period a year ago. The education and health services sector accounted for approximately 40 percent of total payroll growth statewide.
- In Iowa, the government sector, with a gain of 3,100 jobs, or 1.2 percent, led an increase in nonfarm payrolls of 4,500 jobs, or 0.3 percent, with job gains about evenly split between the local and state government subsectors.

## Sales Market Conditions

Home sales decreased in the Great Plains region during the 12 months ending December 2019 compared with sales during the same period a year ago. During the 12 months ending December 2019, the number of new and existing home sales in the region (including single-family homes, townhomes, and condominiums) decreased 2 percent, to approximately 203,400 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 and Kansas, with home sales down 4 percent in each state from a year ago; the number of home sales remained relatively unchanged in Missouri and Nebraska. During the same period, the average home sales price in the region increased 3 percent, to \$200,400.

Sales housing market conditions ranged from balanced to tight in the large metropolitan areas in the region during the fourth quarter of 2019. In the Kansas City metropolitan area, the sales market was slightly tight during the 12 months ending December 2019. The number of new and existing homes sold decreased 4 percent, to 39,050, compared with the number sold a year earlier, and the average home sales price increased 5 percent, to \$249,500 (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), the sales market was balanced. Existing home sales decreased 1 percent, to 52,000 homes sold, and the average existing home sales price increased 4 percent, to \$233,700 (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 5 percent, to 16,050 homes sold, and the average sales price increased 6 percent, to \$233,200 (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 2 percent—to 20,350 homes sold—and the average sales price increased 2 percent—to \$213,800—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 declined during the past year, in part because of improved economic conditions. As of November 2019, 1.2 percent of home loans in the region were seriously delinquent or had transitioned into REO status, down from 1.4 percent a year ago (CoreLogic, Inc.).

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**Total home sales in the Great Plains region decreased 2 percent during the past year, and home sales prices increased in every state.**

	12 Months Ending	Number of Homes Sold				Price		
		2018	2019	Percent Change	Average	2018 (\$)	2019 (\$)	Percent Change
Iowa (N&E)	December	35,700	34,400	-4	AVG	185,000	193,800	5
Des Moines-West Des Moines (N&E)	December	16,850	16,050	-5	AVG	219,800	233,200	6
Kansas (N&E)	December	40,550	39,000	-4	AVG	182,100	188,500	4
Kansas City* (N&E)	December	40,650	39,050	-4	AVG	237,300	249,500	5
Missouri (N&E)	December	115,200	114,900	0	AVG	202,700	207,300	2
St. Louis** (E)	December	52,650	52,000	-1	AVG	225,500	233,700	4
Nebraska (N&E)	December	15,150	15,100	0	AVG	185,500	194,800	5
Omaha-Council Bluffs*** (N&E)	December	20,850	20,350	-2	AVG	210,100	213,800	2

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



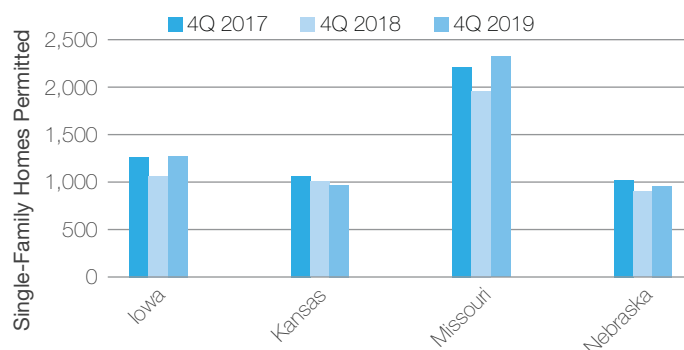


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During the fourth quarter of 2019 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, increased in the region, to approximately 5,525 single-family homes—an increase of 600 homes, or 12 percent, compared with the number of homes permitted during the fourth quarter of 2018.
- In Iowa, the number of single-family homes permitted increased 20 percent, to 1,275 homes, compared with 1,050 permitted a year ago. Single-family homes permitted in the Des Moines-West Des Moines metropolitan area increased nearly 30 percent, or by 200 homes, from a year ago.
- In Missouri, single-family home permitting increased 19 percent, to 2,325 homes permitted, from 1,950 a year ago because of 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 increased 6 percent, to 960 homes, from 900 a year ago. Single-family homes permitted in the Omaha-Council Bluffs metropolitan area more than doubled the statewide rate, up approximately 13 percent, to 630 homes.

In the Great Plains region, gains in single-family home permitting in Iowa, Missouri, and Nebraska more than offset a small decline in Kansas.



4Q = fourth quarter.

Note: Based on preliminary data.

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

- In Kansas, single-family home permitting decreased 4 percent, to 975 homes permitted, from 1,000 a year ago.

## Apartment Market Conditions

Apartment market conditions ranged from slightly soft to tight in most of the large metropolitan areas in the Great Plains region during the fourth quarter of 2019. The apartment market in the Omaha metropolitan area was tight, with a 4.9-percent vacancy rate—unchanged from a year earlier—and the average rent was up 7 percent, to \$948 (ALN Apartment Data, Inc.). Apartment market conditions in the largest markets in Missouri ranged from balanced to slightly tight in the fourth quarter of 2019. In the Kansas City metropolitan area, conditions remained slightly tight; the vacancy rate increased from 6.0 to 6.1 percent, and the average rent increased 4 percent from a year earlier, to \$1,046. In the St. Louis

metropolitan area, conditions were balanced; the apartment vacancy rate decreased from a year earlier to 6.7 percent, and the average rent increased 6 percent, to \$1,076. In the Wichita metropolitan area, the apartment market was balanced, with a 6.7-percent vacancy rate in the fourth quarter of 2019—down from 8.1 percent a year earlier—and the average rent increased 3 percent, to \$731. In the Des Moines-West Des Moines metropolitan area, the apartment market was slightly soft during the fourth quarter of 2019, with a 7.5-percent vacancy rate—unchanged from a year earlier—and the average rent increased 1 percent, to \$966.

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Apartment market conditions during the fourth quarter of 2019 ranged from slightly soft to tight in most of the major metropolitan areas in the Great Plains region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2018 (%)	4Q 2019 (%)	Percentage Point Change	4Q 2018 (\$)	4Q 2019 (\$)	Percent Change
Des Moines-West Des Moines	Slightly Soft	7.5	7.5	0	954	966	1
Kansas City	Slightly Tight	6.0	6.1	0.1	1,008	1,046	4
Omaha	Tight	4.9	4.9	0	883	948	7
St. Louis	Balanced	8.2	6.7	-1.5	1,016	1,076	6
Wichita	Balanced	8.1	6.7	-1.4	713	731	3

4Q = fourth quarter.

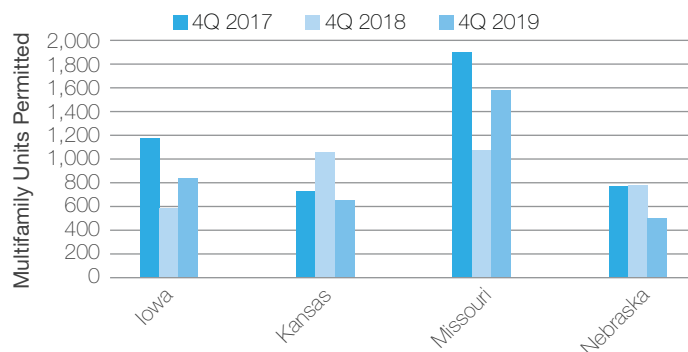
Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—ALN Apartment Data, Inc.

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During the fourth quarter of 2019 (preliminary data)—

- Multifamily construction—as measured by the number of multifamily units permitted—increased 3 percent in the region, to 3,575 units, from the fourth quarter of 2018.
- In Missouri, 1,575 multifamily units were permitted, up 48 percent from the 1,075 units permitted during the same period a year ago. All the increase in multifamily building activity occurred because of growth on the Missouri side of the Kansas City metropolitan area.
- In Iowa, 840 multifamily units were permitted, up 44 percent from the 590 units permitted during the same period a year ago; approximately 620 units, or 74 percent of the statewide figure, were permitted in the Des Moines-West Des Moines metropolitan area during the fourth quarter of 2019.
- The number of multifamily units permitted in Nebraska decreased 36 percent—to 500 units permitted—from the same period a year ago because of a 60-percent decline in units permitted in the Omaha-Council Bluffs metropolitan area. Although the apartment market in the Omaha-Council Bluffs metropolitan area is currently tight, approximately 900 units have recently come on line, which has curbed additional production.
- The number of multifamily units permitted in Kansas decreased 38 percent—to 650 units—from 1,050 units during the same

**Multifamily permitting activity in the Great Plains region was mixed during the fourth quarter of 2019, with gains in Iowa and Missouri offset by declines in Kansas and Nebraska.**



4Q = fourth quarter.

Note: Based on preliminary data.

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

period a year ago. Multifamily units permitted on the Kansas side of the Kansas City metropolitan area decreased by a similar rate—approximately 31 percent—to 380 units permitted.