

HUD PD&R Regional Reports

Region 7: Great Plains



Quick Facts About Region 7

Cedar Rapids, Iowa

By L. David Vertz | 1st quarter 2016



Sales market conditions—

First quarter 2016: mixed (balanced to tight).
Fourth quarter 2015: mixed (balanced to tight).
First quarter 2015: mixed (slightly soft to slightly tight).



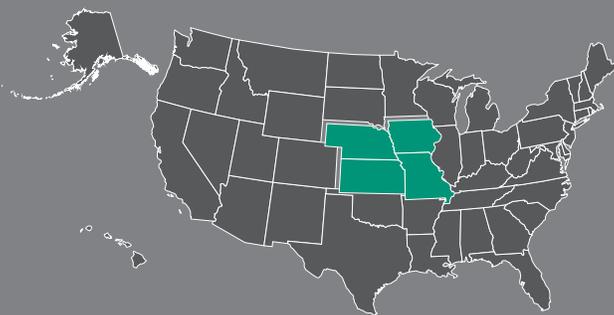
Apartment market conditions—

First quarter 2016: mixed (balanced to tight).
Fourth quarter 2015: mixed (slightly tight to tight).
First quarter 2015: mixed (balanced to tight).

Overview

Economic growth in the Great Plains region continued during the first quarter of 2016, a trend that began in the fourth quarter of 2010. During the first quarter of 2016, Missouri and Iowa led year-over-year job gains, accounting for more than 75 percent of non-farm payroll growth in the region. Sales housing market conditions ranged from balanced to tight in most areas in the region during the first quarter of 2016, somewhat tighter than conditions in the first quarter of 2015. Apartment market conditions also ranged from balanced to tight throughout the region, led by year-over-year rent growth of nearly 4 percent in Kansas City.

- Home sales were up in every state in the region during the first quarter of 2016, led by a 10-percent increase in Missouri. Home sales prices similarly were up in every state in the region, led by a 7-percent gain in Nebraska.
- During the first quarter of 2016, apartment absorption in the region slowed for the second consecutive quarter, to 840 units (Reis, Inc.). By comparison, from 2011 through 2015, the number of units absorbed during the first quarter averaged 1,125. If the slower absorption continues, it could lead to softening in apartment conditions, because more than 7,400 units are expected to enter the market in the region by the end of 2016.



Modest economic growth in the Great Plains region was led by the education and health services sector, which added 21,300 jobs during the first quarter of 2016.

	First Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,640.9	6,697.1	56.2	0.8
Goods-producing sectors	1,023.3	1,023.8	0.5	0.0
Mining, logging, and construction	289.6	297.0	7.4	2.6
Manufacturing	733.7	726.8	-6.9	-0.9
Service-providing sectors	5,617.6	5,673.3	55.7	1.0
Wholesale and retail trade	1,020.1	1,026.4	6.3	0.6
Transportation and utilities	274.9	277.9	3.0	1.1
Information	118.0	113.8	-4.2	-3.6
Financial activities	417.9	425.8	7.9	1.9
Professional and business services	781.9	792.8	10.9	1.4
Education and health services	1,008.7	1,030.0	21.3	2.1
Leisure and hospitality	610.0	617.1	7.1	1.2
Other services	256.3	262.5	6.2	2.4
Government	1,129.8	1,126.9	-2.9	-0.3

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

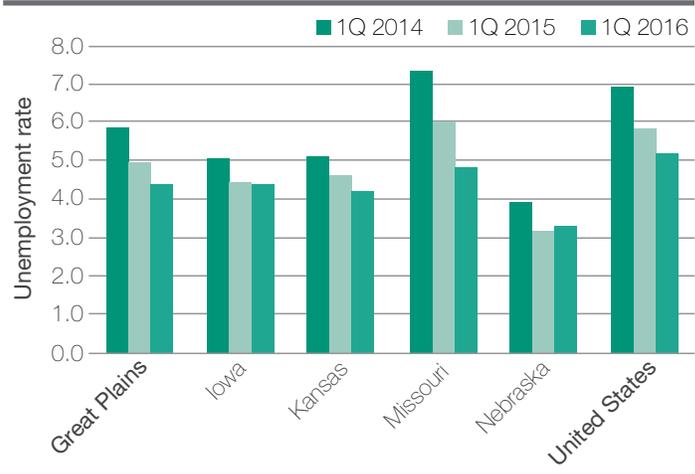
Economic Conditions

Modest economic growth in the Great Plains region continued during the first quarter of 2016. Nonfarm payrolls increased 0.8 percent, or by 56,200 jobs, from the first quarter of 2015, to an average of 6.70 million jobs, and every state in the region except Kansas added jobs. Job growth slowed in the current quarter, however. By comparison, average nonfarm payrolls increased 1.5 percent, or by 99,700 jobs, during the first quarter of 2015 from a year earlier. During the first quarter of 2016, the education and health services and the professional and business services sectors accounted for nearly 60 percent of total payroll growth in the region. The education and health services sector gained 21,300 jobs, a 2.1-percent increase from the same quarter a year ago. The professional and business services sector increased by 10,900 jobs, or 1.4 percent, during the same period. Increased hiring during the first quarter of 2016 resulted in a decline in the unemployment rate in the region, to 4.4 percent, an improvement from the 5.0-percent rate recorded during the first quarter of 2015.

During the first quarter of 2016—

- In Nebraska, nonfarm payrolls increased by 15,000 jobs, or 1.5 percent, from the first quarter of 2015, led by a gain of 4,100 jobs in the education and health services sector. The new \$53 million Sidney Regional Medical Center, in southwestern Nebraska, opened in December 2015 and is expected to support nearly 300 jobs (*Lincoln Journal Star*).

Trends in unemployment rates were mixed, but the rate in every state in the Great Plains region remained well below the national average.



1Q = first quarter.
Source: U.S. Bureau of Labor Statistics

- In Iowa, nonfarm payrolls increased by 18,600 jobs, or 1.2 percent, led by a gain in the construction subsector of 5,700 jobs, or nearly 9 percent. MidAmerican Energy Company and the state of Iowa jointly announced Wind XI, a wind turbine project valued at \$3.6 billion. When approved by the Iowa Utilities Board, it will be the largest economic development project in state history (MidAmerican Energy Company) and should contribute to continued strong job growth in Iowa through at least 2017.

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- Nonfarm payrolls in Missouri increased by 24,800 jobs, or 0.9 percent, compared with the number of nonfarm payrolls during the same period a year ago. The education and health services and the professional and business services sectors accounted for more than 80 percent of the gain.

- Nonfarm payrolls in Kansas decreased by 2,100 jobs, or 0.2 percent, to 1.38 million jobs. The decline in information sector payrolls was due in large part to 800 layoffs in Overland Park at Sprint Corporation, part of a \$2.5 billion cost-cutting plan announced in January 2016 (*Kansas City Business Journal*).

Population

As of July 1, 2015, the population of the Great Plains region was estimated to be 14.02 million, a 0.4-percent increase from a year earlier (Census Bureau population estimates as of July 1), unchanged from the annual average rate of growth since 2010. Population growth from 2000 to 2010 averaged 0.6 percent a year compared with 1.0-percent growth nationwide. Population growth in the region peaked at 0.8 percent in 2006 but began to slow in late 2007 and early 2008 because of the national recession. Since 2010, the gradual economic recovery in the region has lagged recovery in many other areas in the nation, which has resulted in population growth rates approximately one-half those of the nation.

During the 12 months ending July 1, 2015—

- The overall population growth in the region was entirely the result of net natural increase (resident births minus resident deaths) of 57,200 people. International net in-migration to the region of 28,750 was nearly exactly offset by domestic net out-migration of 28,500 during the past year.

- The population of Nebraska, which had the highest population growth rate of any state in the region, was up 0.7 percent, to 1.9 million, with approximately 90 percent of the growth because of net natural change.
- Missouri accounted for approximately 43 percent of the total population in the region, the most of any state in the region. In 2006, the rate of population growth in Missouri mirrored the national average, at nearly 1.0 percent. The rate of annual growth in Missouri slowed to an average of 0.7 percent from 2007 to 2010. From 2011 to 2015, the annual rate of growth slowed substantially, to an average of 0.3 percent, the result of net out-migration. By comparison, the national population growth rate was fairly consistent from 2007 through 2015, averaging 0.8 percent annually.

The population growth rate in the Great Plains region was one-half the national average, with the slowest growth occurring in Kansas and Missouri.

	Population Estimate (as of July 1)			Percent Change	
	2013	2014	2015	2013 to 2014	2014 to 2015
United States	316,427,395	318,907,401	321,418,820	0.8	0.8
Great Plains	13,899,862	13,958,795	14,015,402	0.4	0.4
Iowa	3,092,224	3,109,481	3,123,899	0.6	0.5
Kansas	2,894,630	2,902,507	2,911,641	0.3	0.3
Missouri	6,043,708	6,063,827	6,083,672	0.3	0.3
Nebraska	1,869,300	1,882,980	1,896,190	0.7	0.7

Source: U.S. Census Bureau

Sales Market Conditions

Home sales increased in every state in the Great Plains region during the first quarter of 2016, and sales housing market conditions ranged from balanced to tight in most areas in the region. During the 12 months ending March 2016, the number of new and existing home sales in the region (including single-family homes, townhomes, and condominiums) increased 7 percent, to approximately 181,900,

compared with the number sold a year ago (Metrostudy, A Hanley Wood Company). During the same period, the average home sales price in the region increased 2 percent, to \$174,700.

Sales market conditions were mixed in the large metropolitan areas throughout the region during the first quarter of 2016. In the Kansas City metropolitan area, where the sales market was slightly tight, the number of homes sold was up 7 percent from a year earlier during

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the 12 months ending March 2016, to approximately 34,950, and the average home sales price increased 4 percent, to \$202,200 (Kansas City Regional Association of Realtors®; Heartland Multiple Listing Service, Inc.). In St. Louis, where the sales market was balanced, existing home sales increased 9 percent, to 18,000 homes sold, and the average existing home sales price increased 3 percent, to \$221,400 (St. Louis Association of Realtors®). In the Des Moines-West Des Moines metropolitan area, the sales market was tight; home sales increased 12 percent, to 12,350 homes, and the average sales price increased 5 percent, to \$199,100 (Des Moines Area Association of Realtors®). Sales market conditions in Omaha-Council Bluffs were slightly tight. The number of home sales in the Omaha-Council Bluffs metropolitan area increased 7 percent, to 13,150, and the average sales price increased 4 percent, to \$196,000, from the same period a year ago (Omaha Area Board of Realtors®).

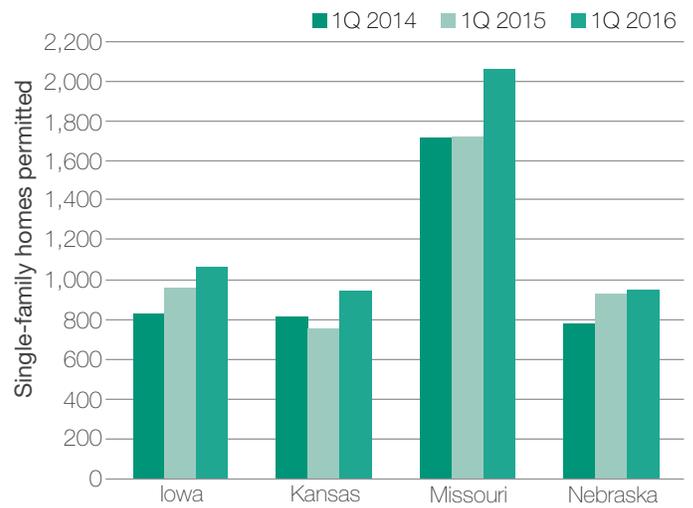
The percentage of seriously delinquent mortgage loans (loans 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the region declined in the past year, in part because of improved economic conditions. As of February 2016, 2.3 percent of home loans in the region were seriously delinquent or had transitioned into REO status, down from 2.9 percent a year ago (CoreLogic, Inc.).

During the first quarter of 2016 (preliminary data)—

- Homebuilding was up in the region, with approximately 5,050 single-family homes permitted, an increase of 650 homes, or 15 percent, compared with the number of homes permitted during the first quarter of 2015.
- In Kansas, the number of single-family homes permitted increased 25 percent, to 950 homes, which represented the highest percentage increase in the region.

- The number of single-family homes permitted in Missouri increased 19 percent, to 2,075 homes, compared with the number permitted a year ago. Single-family permitting in Iowa increased 12 percent, to 1,075 homes, during the same period and because of strong demand and tight sales market conditions in the Des Moines-West Des Moines metropolitan area.
- The number of single-family homes permitted in Nebraska increased 2 percent, to 950 homes, which represented the greatest number of homes permitted during a first quarter in the state since 2007.

Single-family permitting increased in every state in the Great Plains region during the first quarter of 2016.



1Q = first quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Home sales and home sales prices in the Great Plains region increased during the past year, with gains recorded in every state.

	12 Months Ending	Number of Homes Sold			Price			
		2015	2016	Percent Change	Average or Median	2015 (\$)	2016 (\$)	Percent Change
Iowa (N&E)	March	31,250	31,800	2	AVG	159,300	163,200	2
Des Moines-West Des Moines* (N&E)	March	11,050	12,350	12	AVG	189,400	199,100	5
Kansas (N&E)	March	33,950	35,450	4	AVG	160,000	165,000	3
Kansas City** (N&E)	March	32,700	34,950	7	AVG	193,900	202,200	4
Missouri (N&E)	March	91,600	100,500	10	AVG	181,900	183,300	1
St. Louis*** (E)	March	16,550	18,000	9	AVG	214,400	221,400	3
Nebraska (N&E)	March	13,750	14,100	3	AVG	154,400	164,600	7
Omaha-Council Bluffs (N&E)	March	12,300	13,150	7	AVG	187,700	196,000	4

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 Association of Realtors®



Apartment Market Conditions

Apartment market conditions ranged from balanced to tight in most of the large metropolitan areas in the Great Plains region during the first quarter of 2016. In Omaha, the apartment market was tight, with a 3.8-percent vacancy rate, up slightly from 3.7 percent a year earlier, and the average rent was up 2 percent, to \$807 (Reis, Inc.). Apartment markets in the largest metropolitan areas in Missouri were also tight in the first quarter of 2016. In Kansas City, the apartment vacancy rate decreased from 4.4 to 4.0 percent and the average rent increased 4 percent, to \$809, compared with conditions during the first quarter of 2015. In St. Louis, the apartment vacancy rate declined slightly, from 4.3 to 4.2 percent, and the average rent increased 2 percent, to \$818. The apartment market in Wichita was balanced, with a 6.0-percent vacancy rate in the first quarter of 2016, up from 5.6 percent a year earlier, and the average rent increased 1 percent, to \$619 (MPF Research). The apartment market in Des Moines-West Des Moines was tight during the first quarter of 2016, with a 3.6-percent vacancy rate, down from 4.4 percent a year earlier, but the average rent increased only 2 percent, to \$811.

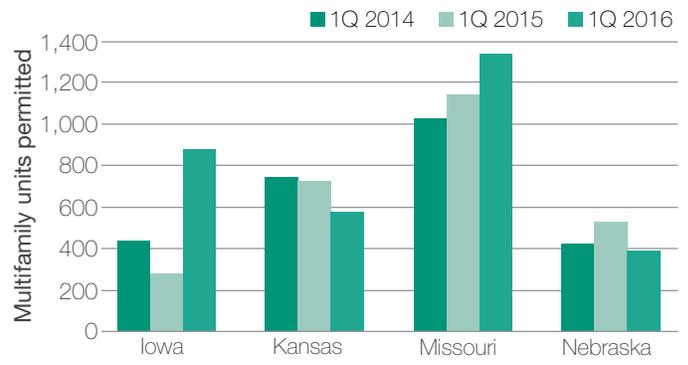
During the first quarter of 2016 (preliminary data)—

- Multifamily construction in the region, as measured by the number of multifamily units permitted, increased nearly 20 percent compared with the number of units permitted during the first quarter of 2015, to 3,200 units permitted, with all the growth occurring in Iowa and Missouri.
- In Iowa, 880 units were permitted compared with 290 units permitted during the same period a year ago, the greatest increase in the region, spurred by strong development activity in Des Moines-West Des Moines. Although apartment market conditions were tight in Des Moines-West Des Moines during the first quarter of 2016, approximately 2,000 units are expected to come on

line by the end of the year, which might lead to an increase in the vacancy rate, particularly in areas around West Des Moines and Waukee.

- The number of units permitted in Missouri totaled 1,350 units, up from the 1,150 permitted during the first quarter of 2015, primarily because of continued strong activity in Kansas City and St. Louis.
- The number of multifamily units permitted in Kansas declined 21 percent, to 580, and the number of units permitted in Nebraska declined 26 percent, to 390. The decline in multifamily units permitted in both states is because of approximately 950 combined units that were completed and have come on line in Wichita and Omaha during the past year, causing market conditions in those areas to soften slightly.

Multifamily permitting in the Great Plains region was up from a year ago, led by a surge in Iowa.



1Q = first quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Apartment market conditions were tight in most of the major metropolitan areas of the Great Plains region with vacancies declining in the major metropolitan areas of Missouri and Des Moines-West Des Moines.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2015 (%)	1Q 2016 (%)	Percentage Point Change	1Q 2015 (\$)	1Q 2016 (\$)	Percent Change
Des Moines-West Des Moines ^a	Tight	4.4	3.6	-0.8	795	811	2
Kansas City ^b	Tight	4.4	4.0	-0.4	780	809	4
Omaha ^b	Tight	3.7	3.8	0.1	788	807	2
St. Louis ^b	Tight	4.3	4.2	-0.1	801	818	2
Wichita ^a	Balanced	5.6	6.0	0.4	610	619	1

1Q = first quarter.
 Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) MPF Research; (b) Reis, Inc.

