

HUD PD&R Regional Reports

Region 7: Great Plains

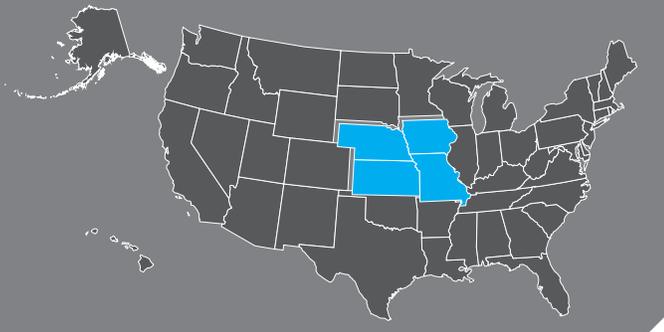


St. Louis, Missouri

By L. David Vertz | 4th quarter 2017

Quick Facts About Region 7

- **Sales market conditions—**
Fourth quarter 2017: mixed (slightly tight to tight).
Third quarter 2017: mixed (slightly tight to tight).
Fourth quarter 2016: mixed (slightly tight to tight).
- **Apartment market conditions—**
Fourth quarter 2017: mixed (slightly soft to balanced).
Third quarter 2017: mixed (slightly soft to tight).
Fourth quarter 2016: mixed (slightly tight to tight).



Overview

Economic growth in the Great Plains region continued during the fourth quarter of 2017, a trend that began in the fourth quarter of 2010. For the fifth consecutive quarter, Missouri led year-over-year job gains, accounting for approximately 50 percent of nonfarm payroll growth in the region. Sales housing market conditions ranged from slightly tight to tight in most metropolitan areas in the region during the fourth quarter of 2017. Apartment market conditions ranged from slightly soft to balanced throughout the region, with both the Kansas City and St. Louis metropolitan areas recording the largest increase in rent growth, up 4 percent each, from a year ago.

- Home sales declined slightly in the region during the fourth quarter of 2017, led by a 4-percent decrease in Iowa; however, home sales prices were up in every state in the region, led by a 5-percent increase in Nebraska.
- During the fourth quarter of 2017, apartment absorption in the region increased to 840 units, up from 580 units during the fourth quarter of 2016 (Reis, Inc.). By comparison, from 2010 through 2015, the number of units absorbed in the region during the fourth quarter of each year averaged 1,300.



The professional and business services sector, which added 22,400 jobs during the fourth quarter of 2017, led modest economic growth in the Great Plains region.

	Fourth Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,920.7	6,984.9	64.2	0.9
Goods-producing sectors	1,063.7	1,068.8	5.1	0.5
Mining, logging, and construction	333.0	322.9	- 10.1	- 3.0
Manufacturing	730.8	745.9	15.1	2.1
Service-providing sectors	5,857.0	5,916.1	59.1	1.0
Wholesale and retail trade	1,063.1	1,060.5	- 2.6	- 0.2
Transportation and utilities	291.9	293.9	2.0	0.7
Information	114.2	109.7	- 4.5	- 3.9
Financial activities	438.9	449.2	10.3	2.3
Professional and business services	827.3	849.7	22.4	2.7
Education and health services	1,051.8	1,066.3	14.5	1.4
Leisure and hospitality	655.9	673.2	17.3	2.6
Other services	264.7	265.9	1.2	0.5
Government	1,149.1	1,147.7	- 1.4	- 0.1

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

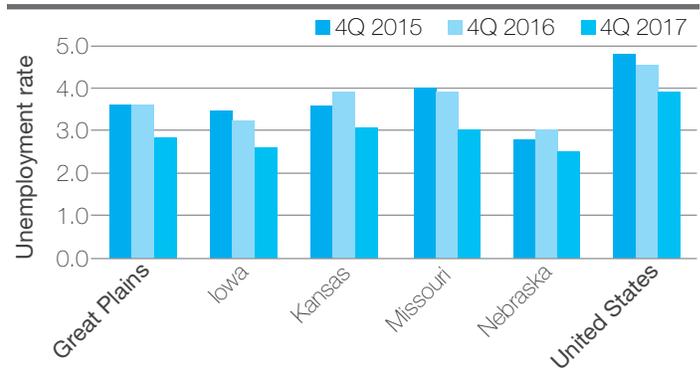
Economic Conditions

Modest economic growth in the Great Plains region continued during the fourth quarter of 2017. Nonfarm payrolls increased 0.9 percent, or by 64,200 jobs, compared with the number of jobs during the same quarter a year earlier to 6.98 million jobs, and every state in the region added jobs. The rate of growth is equal to the percentage increase in payrolls between the fourth quarter of 2016 and the fourth quarter of 2015. During the fourth quarter of 2017, the professional and business services and the leisure and hospitality sectors combined accounted for more than 60 percent of total payroll growth in the region. The professional and business services sector added 22,400 jobs, a 2.7-percent increase from the same quarter a year ago. The leisure and hospitality sector increased by 17,300 jobs, or 2.6 percent, during the same period. Increased hiring during the fourth quarter of 2017 resulted in a 2.8-percent unemployment rate in the region, an improvement from the 3.6-percent rate recorded during the fourth quarter of 2016.

During the fourth quarter of 2017—

- Nonfarm payrolls in Missouri increased by 30,500 jobs, or 1.1 percent, compared with the number of nonfarm payrolls during the same period a year ago.
- In Iowa, nonfarm payrolls increased by 20,100 jobs, or 1.3 percent, led by a gain of 9,000 jobs, or 4.3 percent, in the manufacturing sector. Gains in the manufacturing sector are attributed

The unemployment rate declined in every state in the Great Plains region from the fourth quarter of 2016 and remained well below the national rate.



4Q = fourth quarter.
Source: U.S. Bureau of Labor Statistics

to widespread growth in the machinery industry to help support more than \$30 billion in annual sales for statewide agricultural products.

- In Nebraska, nonfarm payrolls increased by 10,200 jobs, or 1.0 percent, from the fourth quarter of 2016, led by a gain of 3,900 jobs, or 4.4 percent, in the leisure and hospitality sector.
- Nonfarm payrolls in Kansas increased by 3,400 jobs, or 0.2 percent, compared with the number of nonfarm payrolls during the same period a year ago. The construction subsector accounted for slightly more than one-third of the gain, the result of more than \$500 million in combined ongoing renovations and upgrades at Garmin International, Inc. headquarters in the city of Olathe and University of Kansas Medical Center in Kansas City.



Sales Market Conditions

Home sales decreased in the Great Plains region during the 12 months ending September 2017 compared with sales during the same period a year ago. The decline in home sales reflects the limited availability of for-sale inventory, which was particularly prevalent in the Kansas City and Omaha-Council Bluffs metropolitan areas, where active listings were down 22 and 10 percent, respectively, from a year ago. During the 12 months ending December 2017, the number of new and existing home sales in the region (including single-family homes, townhomes, and condominiums) decreased less than 1 percent to approximately 194,400 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 3 percent to \$188,300.

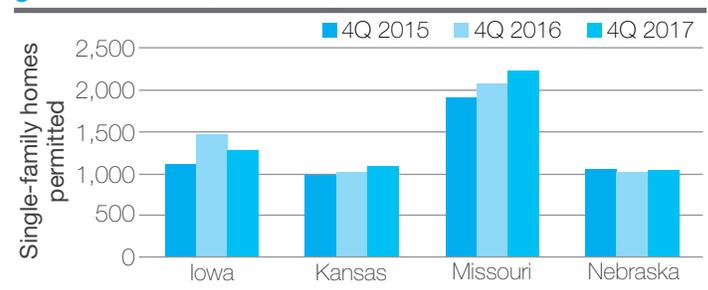
Sales housing market conditions ranged from slightly tight to tight in the large metropolitan areas in the region during the fourth quarter of 2017. In the Kansas City metropolitan area, the sales market was tight, with the number of new and existing homes sold down 2 percent during the 12 months ending December 2017 compared with the number sold a year earlier, to 37,450, and the average home sales price increased 6 percent to \$225,800 (Kansas City Regional Association of Realtors®; Heartland Multiple Listing Service, Inc.). In the St. Louis area (St. Louis and St. Charles Counties and the city of St. Louis), where the sales market was slightly tight, existing home sales decreased 1 percent to 25,950 homes sold, and the average existing home sales price increased 4 percent to \$231,700 (St. Louis Realtors®). In the Des Moines-West Des Moines metropolitan area, the sales market was tight. New and existing home sales increased 5 percent to 14,200 homes sold,

and the average sales price increased 5 percent to \$214,800 (Des Moines Area Association of Realtors®). Sales market conditions in the Omaha-Council Bluffs metropolitan area were tight. Total home sales decreased 6 percent to 13,650 homes sold, and the average sales price increased 4 percent to \$212,800 from the same period a year ago (Omaha Area Board of Realtors®).

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 November 2017, 1.6 percent of home loans in the region were seriously delinquent or had transitioned into REO status, down from 2.1 percent a year ago (CoreLogic, Inc.).

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Single-family permitting in the Great Plains region was relatively unchanged from the fourth quarter of 2016, as a 14-percent decline in Iowa offset small gains in Kansas, Missouri, and Nebraska.



4Q = fourth quarter.

Note: Based on preliminary data.

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

Declining inventories impacted home sales in most areas in the Great Plains region during the past year, and gains in homes sales prices were strong.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2016	2017	Percent Change		2016 (\$)	2017 (\$)	Percent Change
Iowa (N&E)	December	34,200	32,700	- 4	AVG	171,200	173,000	1
Des Moines-West Des Moines* (N&E)	December	13,500	14,200	5	AVG	204,200	214,800	5
Kansas (N&E)	December	38,450	38,500	0	AVG	172,600	176,300	2
Kansas City** (N&E)	December	38,400	37,450	- 2	AVG	212,800	225,800	6
Missouri (N&E)	December	107,200	108,700	1	AVG	191,700	198,800	4
St. Louis*** (E)	December	26,100	25,950	- 1	AVG	223,100	231,700	4
Nebraska (N&E)	December	14,800	14,450	- 2	AVG	169,400	177,300	5
Omaha-Council Bluffs (N&E)	December	14,500	13,650	- 6	AVG	204,400	212,800	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. Charles and St. Louis Counties only.

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

Sources: Des Moines Area Association of Realtors®; Kansas City Regional Association of Realtors® and Heartland Multiple Listing Service, Inc.; St. Louis Realtors® and Mid America Regional Information Systems Multiple Listing Service; Omaha Area Board of Realtors®; Metrostudy, A Hanley Wood Company, with adjustments by the analyst



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During the fourth quarter of 2017 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, was up slightly in the region to approximately 5,550 single-family homes, an increase of 20 homes, or less than 1 percent, compared with the number of homes permitted during the fourth quarter of 2016.
- In Missouri, the number of single-family homes permitted increased 7 percent to 2,200 homes, which is attributed almost entirely to the increase in the number of units permitted on the Missouri side of the Kansas City metropolitan area.

- In Kansas, the number of single-family homes permitted increased 6 percent to 1,075 homes compared with the number permitted a year ago, a result of slightly tight sales market conditions in the city of Wichita.
- In Nebraska, single-family permitting was relatively unchanged, increasing less than 1 percent to 1,025 homes permitted. In Iowa, the number of single-family homes permitted decreased 14 percent from 1,475 a year ago despite strong home sales in the Des Moines-West Des Moines metropolitan area.

Apartment Market Conditions

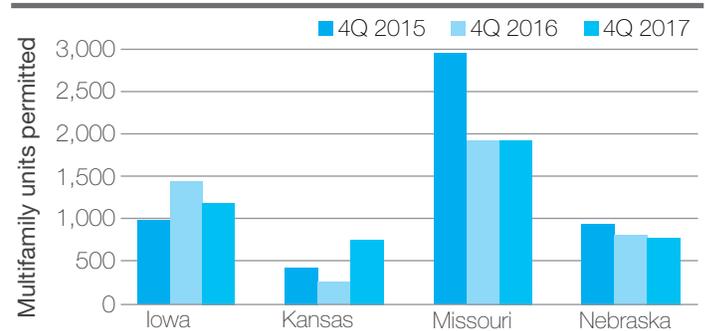
Apartment market conditions ranged from slightly soft to balanced in most of the large metropolitan areas in the Great Plains region during the fourth quarter of 2017. In Omaha, the apartment market was balanced, with a 7.6-percent vacancy rate, up from 6.2 percent a year earlier, and the average rent was up 2 percent to \$898 (ALN Apartment Data, Inc.). Apartment market conditions in the largest markets in Missouri were balanced in the fourth quarter of 2017. In the Kansas City metropolitan area, the apartment vacancy rate decreased from 9.1 to 8.7 percent, and the average rent increased 4 percent from a year earlier to \$931. In the St. Louis metropolitan area, the apartment vacancy rate decreased slightly from a year earlier to 8.8 percent, and the average rent increased 4 percent to \$920. In the Wichita metropolitan area, the apartment market was slightly soft, with an 8.9-percent vacancy rate in the fourth quarter of 2017, up from the 7.8-percent rate a year earlier, and the average rent increased 1 percent to \$651. In the Des Moines-West Des Moines metropolitan area, the apartment market was slightly soft during the fourth quarter of 2017, with a 9.3-percent vacancy rate, down from 9.8 percent a year earlier, and the average rent increased 1 percent to \$896.

During the fourth quarter of 2017 (preliminary data)—

- Multifamily construction, as measured by the number of multifamily units permitted, increased 3 percent in the region from the fourth quarter of 2016 to 4,575 units permitted, despite declines occurring in every state in the region except Kansas.

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Multifamily permitting activity increased in the Great Plains region during the fourth quarter of 2017 because of a substantial increase in Kansas.



4Q = fourth quarter.

Note: Based on preliminary data.

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

Apartment market conditions during the fourth quarter of 2017 ranged from slightly soft to balanced in most of the major metropolitan areas of the Great Plains region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2016 (%)	4Q 2017 (%)	Percentage Point Change	4Q 2016 (\$)	4Q 2017 (\$)	Percent Change
Des Moines-West Des Moines	Slightly soft	9.8	9.3	-0.5	884	896	1
Kansas City	Balanced	9.1	8.7	-0.4	893	931	4
Omaha	Balanced	6.2	7.6	1.4	883	898	2
St. Louis	Balanced	8.9	8.8	-0.1	887	920	4
Wichita	Slightly soft	7.8	8.9	1.1	643	651	1

4Q = fourth quarter.

Note: Includes units in initial lease up.

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



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- The number of units permitted in Kansas nearly tripled to 740, up from the 250 permitted during the fourth quarter of 2016. The large increase in building activity is attributed to growth in the Kansas suburbs of the Kansas City metropolitan area. Johnson County, the most populous county in Kansas, accounted for approximately 70 percent of all units permitted in the state.
- The number of multifamily units permitted in Missouri was relatively unchanged from a year ago at 1,900, whereas the number of units permitted in Nebraska decreased 6 percent to 770.
- In Iowa, 1,175 units were permitted, down 18 percent from the 1,425 units permitted during the same period a year ago.

