

HUD PD&R Regional Reports

Region 7: Great Plains



Quick Facts About Region 7

St. Louis, Missouri

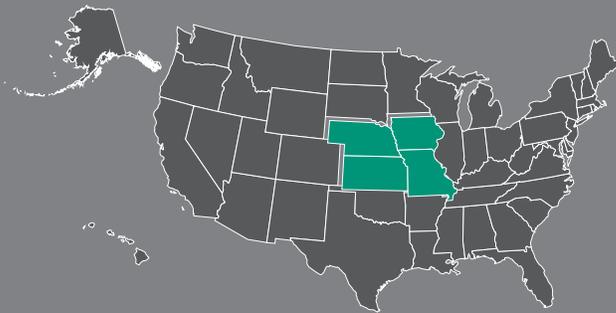
By L. David Vertz | 1st quarter 2014

● Sales market conditions—

First quarter 2014: balanced.
Fourth quarter 2013: balanced.
First quarter 2013: balanced.

● Apartment market conditions—

First quarter 2014: mixed (balanced to tight).
Fourth quarter 2013: mixed (balanced to tight).
First quarter 2013: mixed (balanced to tight).



Overview

Economic conditions in the Great Plains region improved during the first quarter of 2014 compared with conditions during the same period a year earlier. Missouri and Iowa led job gains, accounting for 70 percent of the growth. Sales housing market conditions were balanced during the first quarter of 2014, and home sales increased in every state in the region. Apartment market conditions were balanced to tight throughout the region, with markets in most large metropolitan areas tightening, a trend that began during the fourth quarter of 2010.

- Home sales continued to increase in every state in the region, a trend that began in the second quarter of 2012. Missouri led the region in home sales price increases, up more than 6 percent to an average of \$177,100.
- During the first quarter of 2014, homeownership rates declined in every state in the region except Kansas, where the rate increased by 0.1 percentage points, to 63.0 percent, from the first quarter of 2013. During the same period, Iowa and Missouri

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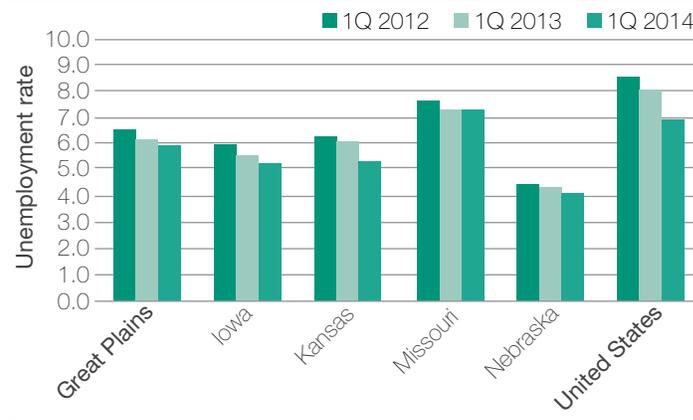
recorded significant declines of 1.9 percentage points each, to 76.5 and 73.3 percent, respectively. The homeownership rate in Iowa was the lowest recorded in nearly 20 years. In Nebraska, the homeownership rate declined by 0.4 percentage points, to 68.1 percent.

Economic Conditions

The economy of the Great Plains region has been growing since the fourth quarter of 2010, but nonfarm payrolls in the region remain approximately 130,000 jobs fewer than the peak of 6.70 million jobs recorded in the second quarter of 2007. In the first quarter of 2014, average nonfarm payrolls increased 1.3 percent, or by 84,400 jobs, from the first quarter of 2013, to 6.57 million jobs, and every state in the region recorded gains. By comparison, average nonfarm payrolls increased 1.1 percent, or by 73,500 jobs, during the first quarter of 2013 from the same 3 months a year earlier. During the past year, the professional and business services and the education and health services sectors accounted for nearly 45 percent of all job growth in the region. During the first quarter of 2014, the professional and business services sector gained 22,600 jobs, a 3.1-percent increase from the same quarter a year ago. The education and health services sector increased by 14,800 jobs, or 1.5 percent, during the same period, and every state in the region recorded increased payrolls in the sector. In addition, strong hiring continued in the other services, the leisure and hospitality, and the mining, logging, and construction

- Apartment absorption in the region increased approximately 7 percent, to 1,200 units, during the first quarter of 2014 compared with absorption during the same period a year ago. Absorption in the region has been relatively steady, averaging 1,200 units annually during the first quarters from 2011 through 2014.

Unemployment rates were down in every state in the Great Plains region except Missouri, where the rate was unchanged from a year ago.



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

sectors, which recorded increases of 1.2, 1.8, and 3.0 percent, respectively. Increased hiring during the first quarter of 2014 resulted in a 5.9-percent unemployment rate in the region, an improvement from the 6.2-percent rate recorded during the first quarter of 2013.

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Nonfarm payroll growth in the Great Plains region increased during the first quarter, led by growth in the professional and business services sector.

| | First Quarter | | Year-Over-Year Change | |
|------------------------------------|---------------------|---------------------|-------------------------|---------|
| | 2013 (thousands) | 2014 (thousands) | Absolute (thousands) | Percent |
| Total nonfarm payrolls | 6,484.3 | 6,568.7 | 84.4 | 1.3 |
| Goods-producing sectors | 980.8 | 990.4 | 9.6 | 1.0 |
| Mining, logging, and construction | 260.9 | 268.8 | 7.9 | 3.0 |
| Manufacturing | 720.0 | 721.6 | 1.6 | 0.2 |
| Service-providing sectors | 5,503.5 | 5,578.3 | 74.8 | 1.4 |
| Wholesale and retail trade | 996.8 | 1,008.0 | 11.2 | 1.1 |
| Transportation and utilities | 265.1 | 268.0 | 2.9 | 1.1 |
| Information | 128.5 | 127.0 | -1.5 | -1.2 |
| Financial activities | 410.1 | 413.5 | 3.4 | 0.8 |
| Professional and business services | 726.4 | 749.0 | 22.6 | 3.1 |
| Education and health services | 987.3 | 1,002.1 | 14.8 | 1.5 |
| Leisure and hospitality | 587.6 | 598.1 | 10.5 | 1.8 |
| Other services | 259.4 | 262.4 | 3.0 | 1.2 |
| Government | 1,142.2 | 1,150.1 | 7.9 | 0.7 |

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



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During the first quarter of 2014—

- In Iowa, nonfarm payrolls increased by 22,000 jobs, or 1.5 percent, led by a gain of 4,700 jobs, or 4.7 percent, in the education and health services sector.
- In Missouri, nonfarm payrolls increased by 37,000 jobs, or 1.4 percent, with gains in the professional and business services and the leisure and hospitality sectors accounting for nearly 60 percent of the growth.

- Nonfarm payrolls in Kansas increased by 15,100 jobs, or 1.1 percent, compared with the number of nonfarm payrolls recorded during the same period a year ago. The professional and business services sector accounted for approximately 45 percent of the gain.
- In Nebraska, nonfarm payrolls increased by 10,300 jobs, or 1.1 percent, to 970,800 jobs, surpassing the peak of 960,500 jobs recorded during the first quarter of 2013.

Population

As of July 1, 2013, the population of the Great Plains region was estimated to be 13.90 million, a 0.4-percent increase from a year earlier, identical to the annual average rate of growth since 2010. By comparison, population growth from 2000 through 2010 averaged 0.6 percent a year, with a peak growth of 0.8 percent in 2006. Population growth in the region began to slow in late 2007 and early 2008 because of the national recession that began in the fourth quarter of 2007. Since 2010, a gradual economic recovery in the region has resulted in population growth rates approximately one-half that of the nation.

During the 12 months ending July 1, 2013—

- All the population growth in the region was the result of net natural change (resident births minus resident deaths). Net

out-migration from the region averaged 270 people during the past year, down substantially from an average net out-migration of 4,800 people annually from July 2011 through July 2012.

- The population of Nebraska, which had the highest population growth rate of any state in the region, was up 0.7 percent to 1.87 million, with approximately 85 percent of the growth attributed to net natural change.
- Missouri accounted for approximately 43 percent of the total population in the region, the most of any state in the region, despite 3 consecutive years of net out-migration averaging 4,375 people annually from July 2010 through July 2013.

Of the four states in the Great Plains region, three had population growth rates below the national average.

| | Population Estimate (as of July 1) | | | Percent Change | |
|---------------|------------------------------------|-------------|-------------|----------------|--------------|
| | 2011 | 2012 | 2013 | 2011 to 2012 | 2012 to 2013 |
| United States | 311,582,564 | 313,873,685 | 316,128,839 | 0.7 | 0.7 |
| Great Plains | 13,785,464 | 13,840,309 | 13,897,060 | 0.4 | 0.4 |
| Iowa | 3,064,102 | 3,075,039 | 3,090,416 | 0.4 | 0.5 |
| Kansas | 2,869,548 | 2,885,398 | 2,893,957 | 0.6 | 0.3 |
| Missouri | 6,010,065 | 6,024,522 | 6,044,171 | 0.2 | 0.3 |
| Nebraska | 1,841,749 | 1,855,350 | 1,868,516 | 0.7 | 0.7 |

Source: U.S. Census Bureau

Sales Market Conditions

Sales housing market conditions in the Great Plains region were balanced during the first quarter of 2014 and improved in every state in the region during the past year. During the 12 months ending March 2014, the number of new and existing homes sold in the region increased nearly 6 percent, to 161,900, compared with the number sold a year ago (Metrostudy, A Hanley Wood Company). During the same period, the average sales price in the region increased nearly 5 percent, to \$167,300.

Sales market conditions continued to improve in the large metropolitan areas throughout the region during the 12 months ending March 2014, a trend that began in the second quarter of 2012. In Kansas City, the number of homes sold increased 7 percent, to 28,850, and the average sales price increased 9 percent, to \$185,600 (Kansas City Regional Association of REALTORS®; Heartland Multiple Listing Service, Inc.). In St. Louis, existing home sales increased by 650 homes, or 4 percent, to 15,800 homes sold, and the average existing home sales price increased 12 percent, to \$199,900 (St. Louis Association of REALTORS®). In Des Moines-West Des Moines,

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home sales increased 12 percent, to 10,100 homes, and the average sales price increased 7 percent, to \$183,400 (Des Moines Area Association of REALTORS®). The number of home sales in Omaha-Council Bluffs increased 4 percent, to 11,450, and the average sales price of those homes increased 4 percent, to \$179,200, from the same period a year ago (Omaha Area Board of REALTORS®).

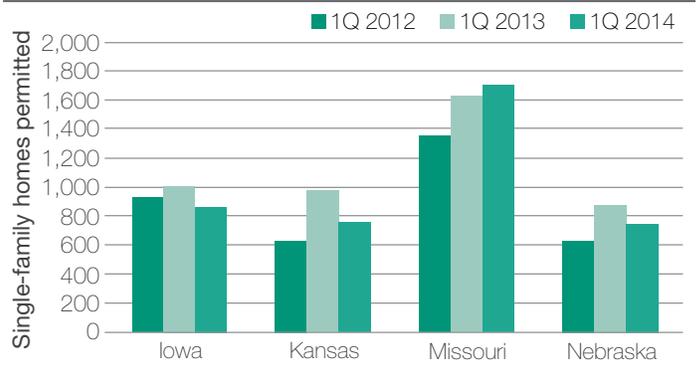
The percentage of distressed mortgages declined in the first quarter of 2014, in part because of improved economic conditions. As of the first quarter of 2014, 3.8 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status, down from 4.5 percent a year ago (Black Knight Financial Services, Inc.).

During the first quarter of 2014 (preliminary data)—

- Single-family construction activity, as measured by the number of single-family homes permitted, declined in every state except Missouri. In the region, 4,075 single-family homes were permitted, a decrease of 420 homes, or 9 percent, compared with the number permitted during the first quarter of 2013.
- The number of single-family homes permitted in Missouri increased 5 percent compared with the number permitted a year ago, a result of strong home sales in Kansas City and St. Louis.

- In Kansas, the number of single-family homes permitted decreased 22 percent, to 750.
- The number of single-family homes permitted in Iowa and Nebraska decreased 15 and 14 percent, to 860 and 740, respectively.

Missouri was the only state in the Great Plains region to record an increase in single-family permitting from last year.



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

During the past year, Nebraska was the only state in the Great Plains region to record a decline in average home sales price.

| | 12 Months Ending | Number of Homes Sold | | | Price | | | |
|-----------------------------------|------------------|----------------------|--------|----------------|-------------------|-----------|-----------|----------------|
| | | 2013 | 2014 | Percent Change | Average or Median | 2013 (\$) | 2014 (\$) | Percent Change |
| Iowa (N&E) | March | 26,500 | 29,050 | 10 | AVG | 149,300 | 153,600 | 3 |
| Des Moines-West Des Moines* (N&E) | March | 9,050 | 10,100 | 12 | AVG | 171,500 | 183,400 | 7 |
| Kansas (N&E) | March | 29,850 | 31,500 | 6 | AVG | 155,300 | 161,000 | 4 |
| Kansas City (N&E) | March | 27,050 | 28,850 | 7 | AVG | 170,400 | 185,600 | 9 |
| Missouri (N&E) | March | 84,650 | 87,700 | 4 | AVG | 166,400 | 177,100 | 6 |
| St. Louis** (E) | February | 15,150 | 15,800 | 4 | AVG | 178,100 | 199,900 | 12 |
| Nebraska (N&E) | March | 12,550 | 13,700 | 9 | AVG | 150,300 | 149,100 | -1 |
| Omaha-Council Bluffs (N&E) | March | 11,000 | 11,450 | 4 | AVG | 172,900 | 179,200 | 4 |

AVG = average. E = existing. N&E = new and existing.
 *Data reflect sales in Dallas, Polk, and Warren Counties only. **Data reflect sales in the city of St. Louis and St. Louis County only.
 Sources: Des Moines Area Association of REALTORS®; Heartland Multiple Listing Service, Inc.; Kansas City Regional Association of REALTORS®; Metrostudy, A Hanley Wood Company; Omaha Area Board of REALTORS®; St. Louis Association of REALTORS®

Apartment Market Conditions

Apartment market conditions ranged from balanced to tight in most large metropolitan areas in the Great Plains region during the first quarter of 2014. In Omaha, the apartment market was tight, with a 3.2-percent vacancy rate, unchanged from a year earlier, and the average rent was up approximately 3 percent, to \$760 (Reis, Inc.).

In Lincoln, the apartment market was tight, with a 2.7-percent vacancy rate, up slightly from the 2.5-percent rate recorded a year ago, and the average rent increased 3 percent, to \$720. Apartment markets in the largest metropolitan areas in Missouri were mixed in the first quarter of 2014. In Kansas City, where the apartment market

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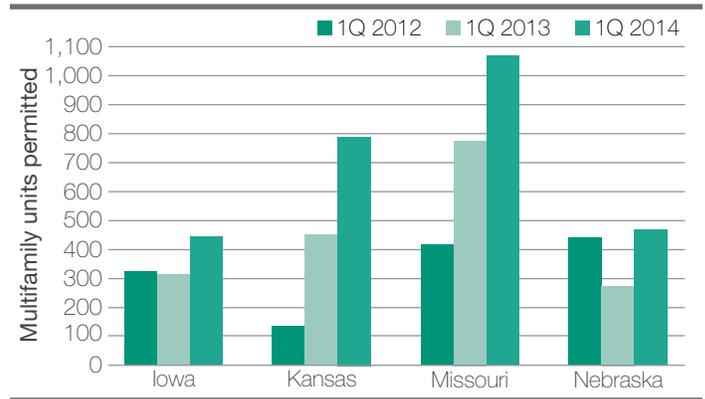
was tight, the apartment vacancy rate declined to 4.3 percent compared with the rate of 4.8 percent recorded during the first quarter of 2013, and the average rent increased 3 percent, to \$760. In St. Louis, where conditions were slightly tight, the apartment vacancy rate declined from 5.3 to 4.5 percent and the average rent increased 3 percent, to \$780. The apartment market in Wichita was balanced, with a 5.8-percent vacancy rate, relatively unchanged from a year earlier, and the average rent increased 2 percent, to \$600 (MPF Research). The apartment market in Des Moines remained tight during the first quarter of 2014, with a 3.9-percent vacancy rate, down from 4.1 percent a year earlier, and the average rent was up 3 percent, to \$790.

During the first quarter of 2014 (preliminary data)—

- Multifamily construction, as measured by the number of multifamily units permitted, increased 53 percent compared with the number permitted during the first quarter of 2013, to 2,775 units permitted.
- The number of multifamily units permitted in Kansas increased 75 percent, to 790 units, compared with the number permitted during the same period a year ago.
- The number of units permitted in Nebraska increased nearly 70 percent, to 470. Approximately 75 percent of the units permitted were in Omaha.

- Tight apartment market conditions in Kansas City resulted in a 38-percent increase in the number of multifamily units permitted in Missouri, to 1,075.
- In Iowa, permits were issued for 450 units, a 42-percent increase compared with the number permitted during the same period a year ago, in response to tightening apartment market conditions in Cedar Rapids and Sioux City. This increase was the greatest first quarter increase in the number of multifamily units permitted in the state since 2008.

Multifamily permitting was up in every state in the Great Plains region relative to a year ago.



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

Apartment market conditions were tight in many areas of the Great Plains region.

| | Market Condition | Vacancy Rate | | | Average Monthly Rent | | |
|-------------|------------------|--------------|-------------|-------------------------|----------------------|--------------|----------------|
| | | 1Q 2013 (%) | 1Q 2014 (%) | Percentage Point Change | 1Q 2013 (\$) | 1Q 2014 (\$) | Percent Change |
| Des Moines | Tight | 4.1 | 3.9 | -0.2 | 770 | 790 | 3 |
| Kansas City | Tight | 4.8 | 4.3 | -0.5 | 740 | 760 | 3 |
| Lincoln | Tight | 2.5 | 2.7 | 0.2 | 700 | 720 | 3 |
| Omaha | Tight | 3.2 | 3.2 | 0.0 | 740 | 760 | 3 |
| St. Louis | Slightly tight | 5.3 | 4.5 | -0.8 | 760 | 780 | 3 |
| Wichita | Balanced | 6.0 | 5.8 | -0.2 | 590 | 600 | 2 |

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

