

HUD PD&R Regional Reports

Region 7: Great Plains

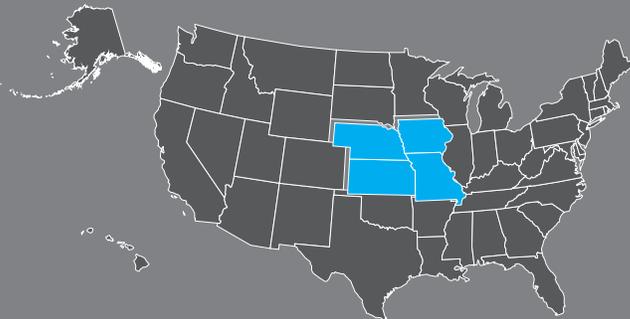


Quick Facts About Region 7

Cedar Rapids, Iowa

By L. David Vertz | 4th quarter 2013

- **Sales market conditions—**
Fourth quarter 2013: balanced.
Third quarter 2013: balanced.
Fourth quarter 2012: balanced.
- **Apartment market conditions—**
Fourth quarter 2013: mixed (balanced to tight).
Third quarter 2013: mixed (balanced to tight).
Fourth quarter 2012: mixed (balanced to tight).



Overview

Economic conditions in the Great Plains region improved during the fourth quarter of 2013 compared with conditions during the same period a year earlier. Missouri and Kansas led job gains, accounting for nearly 70 percent of the growth. Sales housing market conditions were balanced during the fourth quarter of 2013, 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.

- Home sales continued to increase in every state in the region, a trend that began in the second quarter of 2012. Nebraska was the only state in the region to record a decline in home sales prices during the fourth quarter of 2013 because of a 20-percent decline in the absentee purchase price (purchases made by buyers who will not dwell in the purchased home), the greatest statewide decline in the country.
- Homeownership rates increased in each state in the region except Iowa, where the rate decreased by 1.4 percentage points, to 69.6 percent. Kansas experienced the greatest increase in the homeownership rate, of 0.9 percentage point, to 63.4 percent. Missouri and Nebraska recorded slight gains of 0.1 percentage point each, to 76.5 and 73.3 percent, respectively.
- Apartment market conditions continued to tighten, with absorption relatively unchanged from the fourth quarter of 2012, at 1,500 units. By comparison, absorption averaged 840 units during the fourth quarters from 2009 through 2011.



Nonfarm payroll growth continued in the Great Plains region but slowed during the fourth quarter.

	Fourth Quarter		Year-Over-Year Change	
	2012 (thousands)	2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,573.7	6,650.5	76.8	1.2
Goods-producing sectors	1,006.5	1,025.8	19.3	1.9
Mining, logging, and construction	285.8	296.5	10.7	3.7
Manufacturing	720.7	729.3	8.6	1.2
Service-providing sectors	5,567.1	5,624.8	57.7	1.0
Wholesale and retail trade	1,030.0	1,041.8	11.8	1.1
Transportation and utilities	268.4	272.1	3.7	1.4
Information	130.7	128.0	-2.7	-2.1
Financial activities	413.1	423.3	10.2	2.5
Professional and business services	735.6	752.8	17.2	2.3
Education and health services	974.6	990.7	16.1	1.7
Leisure and hospitality	608.6	617.4	8.8	1.4
Other services	261.0	261.4	0.4	0.2
Government	1,145.1	1,137.3	-7.8	-0.7

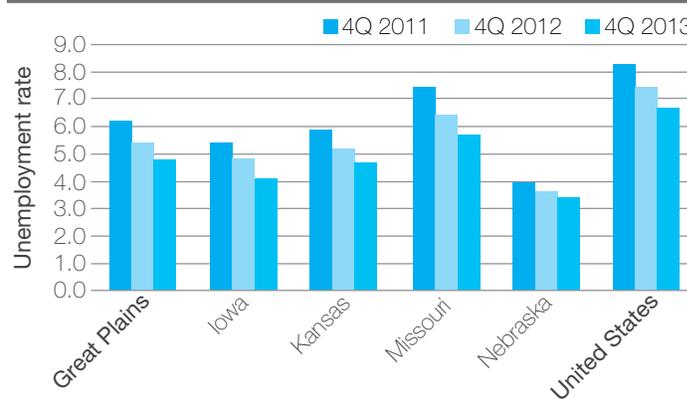
Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Economic Conditions

Nonfarm payroll growth in the Great Plains region, which began in 2010, slowed from the third quarter of 2013, but the rate remained higher than the rate recorded a year ago. Average nonfarm payrolls increased 1.2 percent, or by 76,800 jobs, to 6.65 million jobs in the fourth quarter of 2013, and every state in the region recorded gains. By comparison, average nonfarm payrolls increased 1.0 percent, or by 66,800 jobs, during the fourth quarter of 2012. Payrolls in the region remain at approximately 50,000 jobs fewer than the peak of 6.70 million jobs recorded in the second quarter of 2007. During the past year, the professional and business services and the education and health services sectors accounted for more than 40 percent of all job growth in the region. During the fourth quarter of 2013, the professional and business services sector gained 17,200 jobs, a 2.3-percent increase from a year ago. The education and health services sector increased by 16,100 jobs, or 1.7 percent, during the same period, and every state in the region recorded increased payrolls in the sector. In addition, strong hiring continued in the wholesale and retail trade, the financial activities, and the mining, logging, and construction sectors, which recorded increases of 1.1, 2.5, and 3.7 percent, respectively, during the past year. Increased hiring during the fourth quarter of 2013 resulted in a 4.8-percent unemployment rate in the region, an improvement from the 5.4-percent rate recorded during the fourth quarter of 2012.

Unemployment rates in the Great Plains region remained well below the national average.



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

During the fourth quarter of 2013—

- In Iowa, nonfarm payrolls increased by 12,700 jobs, or 0.8 percent, to 1.54 million jobs, surpassing the peak of 1.53 million jobs recorded during the fourth quarter of 2008.
- In Kansas, nonfarm payrolls increased by 15,600 jobs, or 1.1 percent, led by a gain of 6,500 jobs, or 4.2 percent, in the professional and business services sector.
- Nonfarm payrolls in Nebraska increased by 11,000 jobs, or 1.1 percent, compared with the number of nonfarm payrolls recorded during the same period a year ago. The trade, transportation, and utilities sector accounted for approximately 50 percent of the gain.

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- In Missouri, nonfarm payrolls increased by 37,500 jobs, or 1.4 percent, with gains in the education and health services sector accounting for more than 25 percent of the growth. Cerner Corporation, a supplier of healthcare information technology, recently announced plans for a \$4.3 billion redevelopment in

Kansas City that will create up to 15,000 new jobs. It is unclear how many positions will open up during the next year, but demolition is under way on one of the largest economic development projects in state history (Office of Missouri Governor).

Sales Market Conditions

Sales housing market conditions in the Great Plains region were balanced during the fourth quarter of 2013 and improved in every state in the region during the past year. During the 12 months ending December 2013, the number of new and existing homes sold in the region increased 4.7 percent, to 158,900, 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 3.3 percent, to \$166,000.

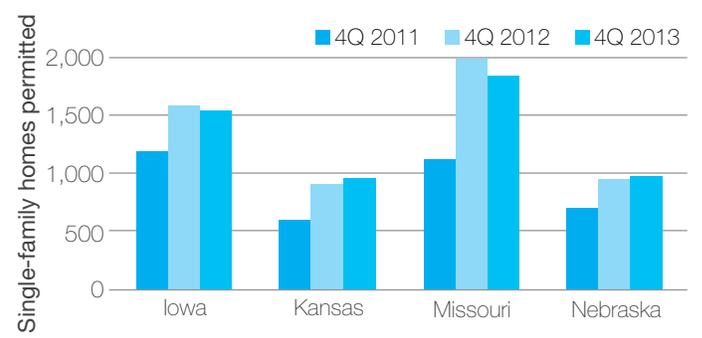
Sales market conditions continued to improve in the large metropolitan areas throughout the region during the 12 months ending December 2013, a trend that began in the second quarter of 2012. In Kansas City, the number of homes sold increased 8.4 percent, to 29,000, and the average sales price increased 9.3 percent, to \$183,500 (Kansas City Regional Association of REALTORS®; Heartland Multiple Listing Service, Inc.). In St. Louis, existing home sales increased by 1,000 homes, or 6.6 percent, to 16,150 homes sold (St. Louis Association of REALTORS®), and the average home sales price increased 9.5 percent, to \$194,200. In Des Moines-West Des Moines, home sales increased 15.9 percent, to 10,200 homes, and the average sales price increased 8.5 percent, to \$182,800 (Des Moines Area Association of REALTORS®). The number of home sales in Omaha-Council Bluffs increased 1.4 percent, to 11,250,

and the average sales price of those homes increased 4.1 percent, to \$178,300, from the same period a year ago (Omaha Area Board of REALTORS®).

The percentage of distressed mortgages declined in the fourth quarter of 2013, in part because of improved economic conditions. As of the fourth quarter of 2013, 4.1 percent of home loans in the region

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Despite a slight decline in single-family permitting from last year, the number of homes permitted in Missouri remained the highest in the Great Plains region.



4Q = fourth quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

Home sales, which increased overall in the Great Plains region, increased for the ninth consecutive quarter in Des Moines-West Des Moines and were up approximately 30 percent from the fourth quarter of 2011.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2012	2013	Percent Change		2012 (\$)	2013 (\$)	Percent Change
Iowa (N&E)	December	26,300	28,300	7.6	AVG	148,400	151,800	2.3
Des Moines-West Des Moines* (N&E)	December	8,800	10,200	15.9	AVG	168,500	182,800	8.5
Kansas (N&E)	December	29,500	30,750	4.2	AVG	154,900	160,400	3.6
Kansas City (N&E)	December	26,750	29,000	8.4	AVG	167,900	183,500	9.3
Missouri (N&E)	December	83,550	86,400	3.4	AVG	168,200	175,700	4.5
St. Louis** (E)	November	15,150	16,150	6.6	AVG	177,300	194,200	9.5
Nebraska (N&E)	December	12,450	13,450	8.0	AVG	151,550	147,400	-2.7
Omaha-Council Bluffs (N&E)	December	11,100	11,250	1.4	AVG	171,300	178,300	4.1

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®



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were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 4.6 percent a year ago (Black Knight Financial Services, Inc.).

During the fourth quarter of 2013 (preliminary data)—

- Single-family construction activity, as measured by the number of single-family homes permitted, remained relatively stable. In the region, 5,325 single-family homes were permitted, a decrease of 110 homes, or 2 percent, compared with the number permitted during the fourth quarter of 2012.

Apartment Market Conditions

Apartment market conditions ranged from balanced to tight in most large metropolitan areas in the Great Plains region during the fourth quarter of 2013. The apartment market in Wichita was balanced, with a 6.0-percent vacancy rate, relatively unchanged from a year earlier, and the average rent increased nearly 4 percent, to \$600 (MPF Research). The apartment market in Des Moines-West Des Moines remained tight during the fourth quarter of 2013, with a 4.4-percent vacancy rate, up from 3.2 percent a year earlier, and an average rent up 2 percent, to \$780. In Omaha, the apartment market was tight, with a 3.1-percent vacancy rate, down from the 3.6-percent rate a year earlier, and an average rent up approximately 3 percent, to \$760. Apartment markets in the largest metropolitan areas in Missouri are currently mixed. In Kansas City, the apartment market is tight. During the fourth quarter of 2013, the apartment vacancy rate declined to 3.9 percent compared with the rate of 5.0 percent recorded during the fourth quarter of 2012, and the average rent increased 2 percent, to \$750. In St. Louis, where conditions are balanced, the apartment vacancy rate declined from 5.5 to 4.7 percent and the average rent increased 2 percent, to \$780.

During the fourth quarter of 2013 (preliminary data)—

- Multifamily construction, as measured by the number of multifamily units permitted, decreased 3 percent compared with the number permitted during the fourth quarter of 2012, to 3,500 units permitted.

Apartment market conditions in the Great Plains region remained strong.

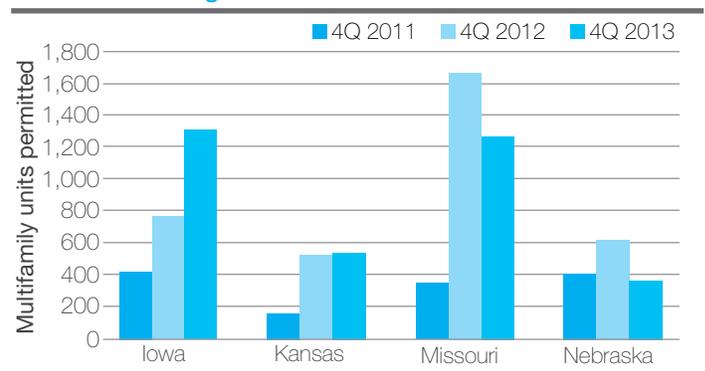
Metropolitan Area	Market Condition
Des Moines-West Des Moines	Tight
Kansas City	Tight
Omaha	Tight
St. Louis	Balanced
Wichita	Balanced

Source: HUD, PD&R, Economic and Market Analysis Division

- The number of single-family homes permitted in Missouri declined 7 percent compared with the number permitted a year ago, despite an increase in home sales. Missouri accounts for more than one-third of all the single-family homes permitted, the most in the region.
- In Iowa, the number of single-family homes permitted decreased 2 percent, to 1,550.
- The number of single-family homes permitted in Kansas and Nebraska increased 5 and 2 percent, to 960 and 970, respectively.

- The number of multifamily units permitted in Kansas increased 2 percent, to 540 units, offsetting the dramatic decline that occurred in the third quarter of 2013.
- Although apartment market conditions continued to tighten in Kansas City and St. Louis, the number of multifamily units permitted in Missouri declined 24 percent, to 1,275.
- In Iowa, permits were issued for 1,300 units, a 70-percent increase compared with the number permitted during the same period a year ago, in response to tightening apartment market conditions in Ames and Sioux City. The number of units permitted in Iowa represents the largest quarterly increase in the state since the first quarter of 2001.
- The number of units permitted in Nebraska decreased more than 40 percent, to 370. The issuance of multifamily permits in Nebraska declined because nearly 1,700 units began construction during the second and third quarters of 2013 combined.

Multifamily permitting fell substantially in Nebraska during the fourth quarter, the greatest decline in the Great Plains region.



4Q = fourth quarter.

Note: Based on preliminary data.

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

