

HUD PD&R Regional Reports

Region 7: Great Plains



Quick Facts About Region 7

St. Louis, Missouri

By L. David Vertz | 1st quarter 2015



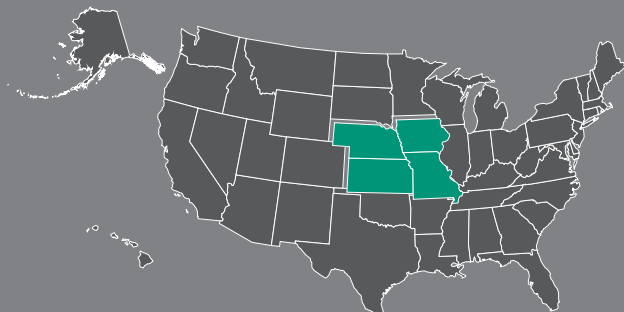
Sales market conditions—

First quarter 2015: mixed (slightly tight to slightly soft).
Fourth quarter 2014: mixed (slightly tight to soft).
First quarter 2014: balanced.



Apartment market conditions—

First quarter 2015: mixed (balanced to tight).
Fourth quarter 2014: mixed (balanced to tight).
First quarter 2014: mixed (balanced to tight).



Overview

Economic growth in the Great Plains region continued during the first quarter of 2015, a trend that began in the fourth quarter of 2010. During the first quarter of 2015, Missouri and Iowa led year-over-year job gains, accounting for 70 percent of growth in the region. Sales housing market conditions ranged from slightly tight to slightly soft during the first quarter of 2015, an improvement from the fourth quarter of 2014 and a result of increased home sales and large price gains in Des Moines-West Des Moines and Kansas City. Apartment market conditions ranged from balanced to tight throughout the region, with markets in most large metropolitan areas tightening.

- Home sales were down in every state in the region during the first quarter of 2015, led by an 8-percent decline in Nebraska. Home sales in the region have declined consistently since the fourth quarter of 2013. Conversely, home sales prices were up in every state in the region except Kansas and have increased more than 3 percent annually since 2013.
- Apartment absorption in the region averaged 1,125 units during the first quarters from 2012 through 2014. During the first quarter of 2015, apartment absorption in the region decreased approximately 3 percent, to 1,025 units, from the same period a year ago (Reis, Inc.). Although the decrease was minimal from a year ago, absorption during the first quarter has slowed by an average of 60 units annually since 2011.



PD&R

The professional and business services sector, which added 15,200 jobs during the first quarter of 2015, led absolute nonfarm payroll growth in the Great Plains region.

	First Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,540.7	6,637.6	96.9	1.5
Goods-producing sectors	1,000.7	1,014.5	13.8	1.4
Mining, logging, and construction	275.8	285.0	9.2	3.3
Manufacturing	724.9	729.4	4.5	0.6
Service-providing sectors	5,540.0	5,623.1	83.1	1.5
Wholesale and retail trade	1,011.7	1,020.9	9.2	0.9
Transportation and utilities	266.5	274.5	8.0	3.0
Information	127.4	127.8	0.4	0.3
Financial activities	416.4	421.9	5.5	1.3
Professional and business services	751.5	766.7	15.2	2.0
Education and health services	990.3	1,005.4	15.1	1.5
Leisure and hospitality	597.2	610.9	13.7	2.3
Other services	254.9	260.3	5.4	2.1
Government	1,124.1	1,134.6	10.5	0.9

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

Source: U.S. Bureau of Labor Statistics

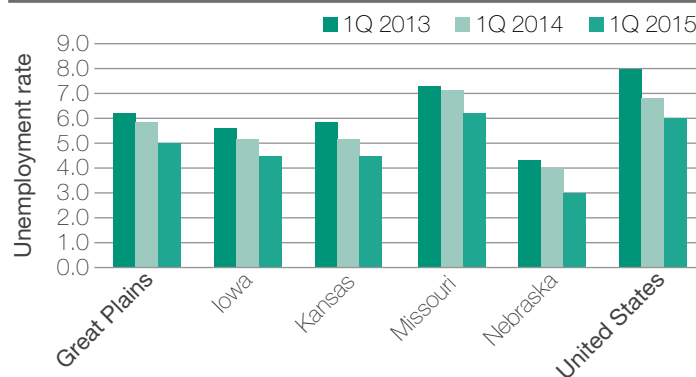
Economic Conditions

Economic growth in the Great Plains region accelerated during the first quarter of 2015. In the first quarter of 2015, average nonfarm payrolls increased 1.5 percent, or by 96,900 jobs, from the first quarter of 2014, to 6.64 million jobs, and every state in the region added jobs. By comparison, average nonfarm payrolls increased 1.0 percent, or by 70,800 jobs, during the first quarter of 2014 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 one-third of all job growth in the region. During the first quarter of 2015, the professional and business services sector gained 15,200 jobs, a 2.0-percent increase from the same quarter a year ago. The education and health services sector increased by 15,100 jobs, or 1.5 percent, during the same period. In addition, strong hiring in the leisure and hospitality sector resulted in an increase of 13,700 jobs, or 2.3 percent. The mining, logging, and construction sector recorded the fastest rate of growth, 3.3 percent, with the construction subsector accounting for all the 9,200 jobs added in the sector. Increased hiring during the first quarter of 2015 resulted in a 5.0-percent unemployment rate in the region, an improvement from the 5.9-percent rate recorded during the first quarter of 2014.

During the first quarter of 2015—

- In Iowa, nonfarm payrolls increased by 26,300 jobs, or 1.7 percent, from the first quarter of 2014, led by a gain of 5,800 jobs in the construction subsector. Construction jobs in Iowa have increased steadily since the fourth quarter of 2011 but have

The unemployment rate declined in every state in the Great Plains region; the greatest decline occurred in Missouri.



1Q = first quarter.

Source: U.S. Bureau of Labor Statistics

accelerated rapidly since the first quarter of 2014. Recent hiring is the result of many investments within the state, including the expansion and production of wind turbines throughout western Iowa and a multibillion-dollar investment in southeastern Iowa for the construction of a new fertilizer plant near Wever that is expected to commence by the end of 2015.

- Nonfarm payrolls in Kansas increased by 17,000 jobs, or 1.2 percent, compared with the number of nonfarm payrolls during the same period a year ago. The leisure and hospitality and the professional and business services sectors accounted for nearly 50 percent of the gain.

continued on page 3

continued from page 2

- In Missouri, nonfarm payrolls increased by 41,700 jobs, or 1.6 percent, with gains in the professional and business services sector accounting for nearly 20 percent of the growth. Hiring was also strong in the manufacturing sector, which increased by 6,600 jobs, or 2.6 percent, from a year ago. Ford Motor Company announced plans in February to hire an additional 900 workers at the Kansas City Assembly Plant, in Claycomo, to assemble the new F150 pickup. Although Ford is expected to fill all the new positions by the second quarter of 2015, hiring

is expected to remain strong in the manufacturing sector for the next several years as a result of strong sales in the automotive industry. US Farathane Corporation, a manufacturer of plastics for the automotive industry, announced plans to create 267 jobs during the next 3 years as a result of the \$51.6 million expansion at the company's production facility in Riverside.

- In Nebraska, nonfarm payrolls increased by 11,900 jobs, or 1.2 percent, to 987,900 jobs. The education and health services sector accounted for approximately 35 percent of the gain.

Population

As of July 1, 2014, the population of the Great Plains region was estimated to be 13.96 million, a 0.4-percent increase from a year earlier (Census Bureau population estimates as of July 1), identical to the annual average rate of growth since 2010. By comparison, population growth from 2000 to 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, 2014—

- 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 was 3,000 people during the past year, a reversal from the net in-migration of 1,150 people from July 2012 to July 2013.

- The population of Nebraska, which had the highest population growth rate of any state in the region, was up 0.7 percent, to 1.88 million, with approximately 90 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 4 consecutive years of net out-migration averaging 2,800 people annually from July 2010 to July 2014.

Population growth rates in the Great Plains region were below the national average except in Nebraska.

	Population Estimate (as of July 1)			Percent Change	
	2012	2013	2014	2012 to 2013	2013 to 2014
United States	314,112,078	316,497,531	318,857,056	0.8	0.7
Great Plains	13,842,669	13,902,028	13,956,239	0.4	0.4
Iowa	3,075,935	3,092,341	3,107,126	0.5	0.5
Kansas	2,885,966	2,895,801	2,904,021	0.3	0.3
Missouri	6,025,281	6,044,917	6,063,589	0.3	0.3
Nebraska	1,855,487	1,868,969	1,881,503	0.7	0.7

Source: U.S. Census Bureau

Sales Market Conditions

Declining home sales in every state in the Great Plains region resulted in mixed sales housing market conditions during the first quarter of 2015, ranging from slightly tight to slightly soft. During the 12 months ending March 2015, the number of new and existing homes sold in the region (including single-family homes, townhomes, and condominiums) decreased more than 2 percent, to 161,500, compared with the number sold a year ago (Metrostudy, A Hanley Wood Company; adjustments by the analyst). During the same period, the average sales price in the region increased nearly 2 percent, to \$170,500.

Sales market conditions were mixed in the large metropolitan areas throughout the region during the 12 months ending March 2015. In the Kansas City metropolitan area, where the sales market was balanced, the number of homes sold was up 2 percent, to 30,500, and the average sales price increased 5 percent, to \$193,900 (Kansas City Regional Association of Realtors®; Heartland Multiple Listing Service, Inc.). In St. Louis, where the sales market was slightly soft, existing home sales were relatively unchanged at 16,550 homes sold (St. Louis Association of Realtors®), and the average existing home sales price increased 7 percent, to \$214,300. In Des

continued on page 4

continued from page 3

Moines-West Des Moines, the sales market is slightly tight; home sales increased 8 percent, to 10,900 homes, and the average sales price increased 3 percent, to \$189,600 (Des Moines Area Association of Realtors®). Sales market conditions in Omaha-Council Bluffs are slightly tight. The number of home sales in the Omaha-Council Bluffs metropolitan area were relatively unchanged at 11,650, and the average sales price increased 5 percent, to \$188,200, from the same period a year ago (Omaha Area Board of Realtors®).

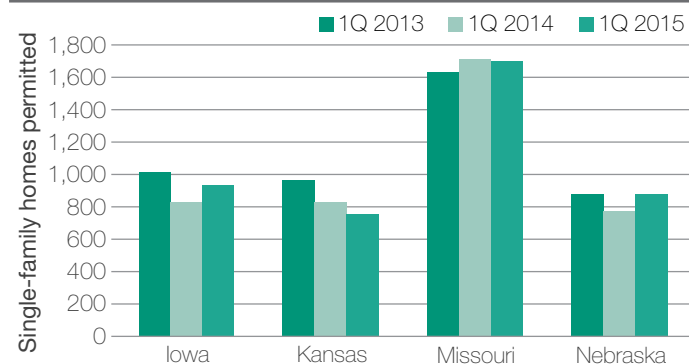
The percentage of seriously delinquent mortgage loans (loans that are 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the region declined in the first quarter of 2015, in part because of improved economic conditions. As of March 2015, 3.4 percent of home loans in the region were seriously delinquent or transitioned into REO status, down from 3.8 percent a year ago (Black Knight Financial Services, Inc.).

During the first quarter of 2015 (preliminary data)—

- In the region, 4,275 single-family homes were permitted, an increase of 130 homes, or 3 percent, compared with the number permitted during the first quarter of 2014.
- In Iowa, the number of single-family homes permitted increased 13 percent, to 940, which represents the greatest increase in the region.

- Similarly, the number of single-family homes permitted in Nebraska increased 12 percent, to 880, compared with the number permitted a year ago.
- The number of single-family homes permitted in Kansas and Missouri decreased 8 and 1 percent, to 760 and 1,700, respectively.

Single-family permitting increased in the Great Plains region during the first quarter of 2015 despite slight declines in Kansas and Missouri.



1Q = first quarter.

Note: Based on preliminary data.

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

During the past year, Kansas was the only state in the Great Plains region to record a decline in both home sales and home sales prices.

		Number of Homes Sold			Price			
12 Months Ending		2014	2015	Percent Change	Average or Median	2014 (\$)	2015 (\$)	Percent Change
Iowa (N&E)	March	29,900	29,600	- 1	AVG	152,800	159,300	4
Des Moines-West Des Moines* (N&E)	March	10,100	10,900	8	AVG	183,400	189,600	3
Kansas (N&E)	March	32,850	31,450	- 4	AVG	161,700	159,600	- 1
Kansas City (N&E)	March	29,850	30,500	2	AVG	184,000	193,900	5
Missouri (N&E)	March	88,950	87,700	- 1	AVG	178,300	180,800	1
St. Louis** (E)	March	16,500	16,550	0	AVG	199,700	214,300	7
Nebraska (N&E)	March	13,850	12,700	- 8	AVG	149,600	153,700	3
Omaha-Council Bluffs (N&E)	March	11,600	11,650	0	AVG	179,100	188,200	5

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.

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 large metropolitan areas in the Great Plains region during the first quarter of 2015. In Omaha, the apartment market was tight, with a 3.0-percent vacancy rate, down from 3.2 percent a year earlier, and the average rent was up approximately 3 percent, to \$783 (Reis, Inc.). Apartment markets in the largest metropolitan areas in

Missouri were also tight in the first quarter of 2015. In Kansas City, the apartment vacancy rate was relatively unchanged (4.3 compared with 4.4 percent) and the average rent increased 3 percent, to \$780, compared with conditions during the first quarter of 2014. In St. Louis, the apartment vacancy rate declined from 4.6 to 4.2 percent and the average rent increased nearly 3 percent, to \$800.

continued on page 5

continued from page 4

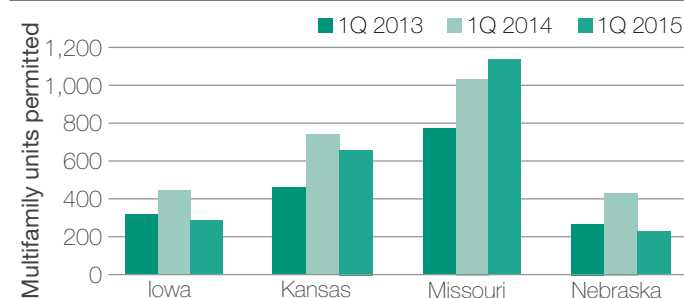
The apartment market in Wichita was balanced, with a 5.7-percent vacancy rate, down slightly from 5.8 percent a year earlier, and the average rent increased nearly 1 percent, to \$604 (MPF Research). The apartment market in Des Moines-West Des Moines remained tight during the first quarter of 2015, with a 4.4-percent vacancy rate, up from 3.9 percent a year earlier, and the average rent was up 1 percent, to \$801.

During the first quarter of 2015 (preliminary data)—

- Multifamily construction, as measured by the number of multifamily units permitted, decreased 12 percent compared with the number of units permitted during the first quarter of 2014, to 2,350 units permitted. The number of multifamily units permitted averaged 2,275 annually during the first quarters from 2013 through 2015. By comparison, during the first quarters from 2010 through 2012, the number of multifamily units permitted averaged 1,075 annually.
- In Missouri, 1,150 units were permitted, an 11-percent increase compared with the number permitted during the same period a year ago. Missouri was the only state in the region to record an increase in units permitted during the first quarter of 2015, with nearly all the increase coming from the Missouri side of the Kansas City metropolitan area.
- The number of units permitted in Nebraska decreased to 230 units from the 430 permitted during the first quarter of 2014, the greatest decrease in the region.

- Likewise, the number of multifamily units permitted in Iowa and Kansas decreased 35 and 10 percent, to 290 and 670, respectively. The decrease in Kansas is entirely because of a large decline in Johnson County, which is on the Kansas side of the Kansas City metropolitan area. The decline in Johnson County is because many of the 660 units permitted during the first quarter of 2014 are beginning to come online.

Multifamily permitting in the Great Plains region was down from a year ago, led by a 46-percent decline in Nebraska.



1Q = first quarter.

Note: Based on preliminary data.

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

Apartment market conditions were tight in most major metropolitan areas of the Great Plains region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2014 (%)	1Q 2015 (%)	Percentage Point Change	1Q 2014 (\$)	1Q 2015 (\$)	Percent Change
Des Moines-West Des Moines ^a	Tight	3.9	4.4	0.5	796	801	1
Kansas City ^b	Tight	4.4	4.3	- 0.1	760	780	3
Omaha ^b	Tight	3.2	3.0	- 0.2	762	783	3
St. Louis ^b	Tight	4.6	4.2	- 0.4	777	800	3
Wichita ^a	Balanced	5.8	5.7	- 0.1	597	604	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.