

HUD PD&R Regional Reports

Region 7: Great Plains

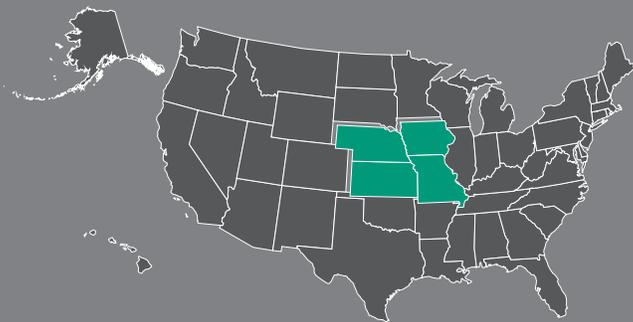


Quick Facts About Region 7

Omaha, Nebraska

By L. David Vertz | 1st Quarter 2020

- **Sales market conditions—**
 - First quarter 2020: mixed (balanced to tight)
 - Fourth quarter 2019: mixed (balanced to tight)
 - First quarter 2019: mixed (balanced to tight)
- **Apartment market conditions—**
 - First quarter 2020: mixed (slightly soft to tight)
 - Fourth quarter 2019: mixed (slightly soft to tight)
 - First quarter 2019: mixed (balanced to tight)



Overview

This report reflects market conditions as of the first quarter of 2020. Much of this period was prior to the COVID-19 outbreak in the United States and therefore most of the data in this report do not reflect the economic and housing market impacts of the actions taken to limit contagion of the virus. At this time, the duration and depth of the economic disruption are unclear, as are the extent and effectiveness of countermeasures. Initial unemployment insurance claims in the Great Plains region rose to 232,000 in the week ending March 28, 2020, compared with 6,375 claims in the same week a year earlier. HUD will continue to monitor market conditions in the region and provide an updated report reflecting conditions during the second quarter of 2020.

Economic growth in the Great Plains region continued during the first quarter of 2020, a trend that began in the fourth quarter of 2010. During the first quarter of 2020, every state in the region added jobs except Iowa, where nonfarm payrolls declined for the second consecutive quarter. Sales housing market conditions ranged from balanced to tight in most metropolitan areas in the region during the first quarter of 2020. Apartment market conditions ranged from slightly soft to tight throughout the region,

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with the St. Louis metropolitan area having the most substantial increase in rent—up 7 percent from a year ago.

- Home sales decreased in the region during the first quarter of 2020, led by a 3-percent decline in Iowa; home sales prices were up in every state in the region, ranging from a 2-percent increase in both Iowa and Kansas to a 5-percent increase in Nebraska.

Economic Conditions

Modest economic growth in the Great Plains region continued during the first quarter of 2020. Nonfarm payrolls increased 0.3 percent, or by 20,900 jobs, compared with the number of jobs during the same quarter a year earlier, to 6.86 million jobs. During the first quarter of 2020, the government sector accounted for approximately 45 percent of total payroll growth in the region, adding 9,400 jobs—a 0.8-percent increase from the same quarter a year ago. During the first quarter of 2020, the regional unemployment rate increased to 3.8 percent, up from 3.5 percent during the first quarter of 2019. Although the unemployment rate is up from a year ago, it remains below the 4.1-percent national average.

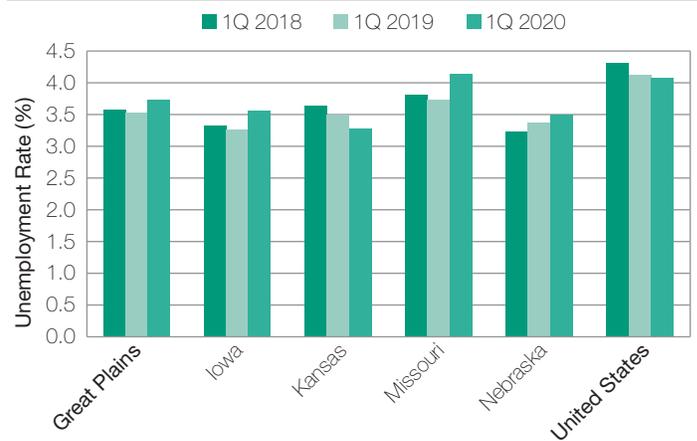
During the first quarter of 2020—

- Nonfarm payrolls in Nebraska increased by 10,800 jobs, or 1.1 percent, compared with the number of nonfarm payrolls during the same period a year ago, led by a gain of 3,600 jobs, or 3.1 percent, in the professional and business services sector.

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- During the first quarter of 2020, apartment absorption in the region decreased to 320 units—the lowest first-quarter absorption level since 2010 (Reis, Inc.). By comparison, from 2011 through 2019, the number of units absorbed in the region during the first quarter of each year averaged 1,175.

The unemployment rate increased in the Great Plains region from the first quarter of 2019; Kansas was the only state to decline.



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

The government sector, which added 9,400 jobs during the first quarter of 2020, led job growth in the Great Plains region.

	First Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	6,842.9	6,863.8	20.9	0.3
Goods-Producing Sectors	1,074.7	1,077.6	2.9	0.3
Mining, Logging, & Construction	308.0	314.2	6.2	2.0
Manufacturing	766.7	763.4	-3.3	-0.4
Service-Providing Sectors	5,768.2	5,786.2	18.0	0.3
Wholesale & Retail Trade	1,007.3	1,001.6	-5.7	-0.6
Transportation & Utilities	301.2	299.7	-1.5	-0.5
Information	105.7	101.1	-4.6	-4.4
Financial Activities	432.6	437.7	5.1	1.2
Professional & Business Services	805.9	809.9	4.0	0.5
Education & Health Services	1,075.9	1,083.0	7.1	0.7
Leisure & Hospitality	643.8	643.2	-0.6	-0.1
Other Services	259.5	264.3	4.8	1.8
Government	1,136.3	1,145.7	9.4	0.8

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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- In Kansas, the education and health services sector—with a gain of 3,500 jobs, or 1.7 percent—led an increase in the total nonfarm payrolls of 11,400 jobs, or 0.8 percent, from the first quarter of 2019.
- Nonfarm payrolls in Missouri increased by 4,800 jobs, or 0.2 percent, compared with the number of nonfarm payrolls during the same period a year ago; 5 of the 11 employment sectors

in Missouri declined. The education and health services sector contributed to the overall increase in nonfarm payrolls—up 2,900 jobs, or 0.6 percent, from the first quarter of 2019.

- Nonfarm payrolls in Iowa decreased by 6,100 jobs, or 0.4 percent, to 1.56 million jobs. The goods-producing sectors, particularly the manufacturing sector, accounted for approximately 50 percent of the overall payroll decline.

Population

As of July 1, 2019, the population of the Great Plains region was estimated to be 14.14 million, a 0.2-percent increase from a year earlier, relatively unchanged from the average annual rate of growth since 2010 (U.S. Census Bureau population estimates as of July 1). By comparison, population growth from 2000 to 2010 averaged 0.6 percent a year, compared with 0.9-percent growth nationwide (U.S. Census Bureau). Population growth in the region peaked at 0.7 percent in 2006 but began to slow in late 2007 and early 2008 because of the national recession. Since 2010, a gradual economic recovery in the region, which has lagged the recovery in many other regions in the nation, resulted in population growth rates approximately one-half of those of the nation.

During the 12 months ending July 1, 2019—

- The overall population growth in the region totaled 33,000 people—entirely the result of net natural change (resident births minus resident deaths). Net out-migration in the region has occurred each year since 2016.
- The population of Nebraska, which had the highest population growth rate of any state in the region, was up 0.5 percent to 1.93 million, which was entirely the result of net natural change.
- Nearly one-half of the numerical gain in population growth occurred in Missouri, the only state in the region to have net in-migration, which totaled 4,800 people.

The population growth rate in the Great Plains region has averaged 0.2 percent annually since 2017. By comparison, the population grew an average of 0.3 percent annually from 2010 through 2016.

	Population Estimate (as of July 1)			Percentage Change	
	2017	2018	2019	2017 to 2018	2018 to 2019
United States	324,985,539	326,687,501	328,239,523	0.5	0.5
Great Plains Region	14,072,885	14,107,214	14,140,220	0.2	0.2
Iowa	3,141,550	3,148,618	3,155,070	0.2	0.2
Kansas	2,908,718	2,911,359	2,913,314	0.1	0.1
Missouri	6,106,670	6,121,623	6,137,428	0.2	0.3
Nebraska	1,915,947	1,925,614	1,934,408	0.5	0.5

Source: U.S. Census Bureau

Sales Market Conditions

Home sales decreased in the Great Plains region during the 12 months ending March 2020 compared with sales during the same period a year ago. The number of new and existing home sales in the region (including single-family homes, townhomes, and condominiums) decreased 2 percent to approximately 203,300 home sales compared with the number of homes sold a year ago (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The most pronounced decline occurred in Iowa, with home sales down 3 percent from a year ago. During the same period, the average home sales price in the region increased 3 percent, to \$201,800.

Sales housing market conditions ranged from balanced to tight in the large metropolitan areas in the region during the first quarter of 2020. In the Kansas City metropolitan area, the sales market was slightly tight during the 12 months ending March 2020. The number of new and existing homes sold decreased 1 percent, to 39,600 home sales, compared with the number sold a year earlier; the average home sales price increased 5 percent, to \$251,500 (Kansas City Regional Association of Realtors®; Heartland Multiple Listing Service, Inc.). The sales market was balanced in the St. Louis area (Franklin, Jefferson, St. Louis, and St. Charles Counties and the city of St. Louis). Existing home sales decreased

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2 percent, to 51,800 homes sold, and the average existing home sales price increased 3 percent, to \$230,900 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). In the Des Moines-West Des Moines metropolitan area, the sales market was balanced. New and existing home sales decreased 2 percent, to 16,100 homes sold, and the average sales price increased 3 percent, to \$230,800 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Sales market conditions in the Omaha-Council Bluffs metropolitan area were tight. Total home sales increased 1 percent, to 20,850 homes sold, and the average sales price increased 1 percent, to \$213,800—from the same period a year ago (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).

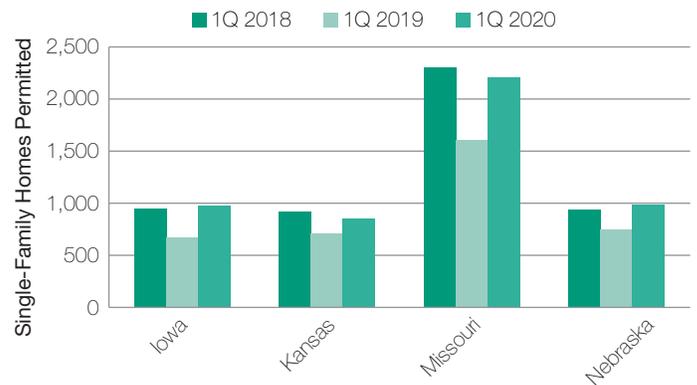
The percentage of seriously delinquent mortgage loans (loans that are 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the region declined during the past year, in part because of improved economic conditions. As of February 2020, 1.1 percent of home loans in the region were seriously delinquent or had transitioned into REO status, down from 1.3 percent a year ago (CoreLogic, Inc.).

During the first quarter of 2020 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, increased in the region, to approximately 5,025 single-family homes—an increase of 1,300 homes, or 35 percent, compared with the number of homes permitted during the first quarter of 2019.
- In Iowa, the number of single-family homes permitted increased 46 percent, to 975 homes, compared with 675 homes permitted a year ago. Single-family homes permitted in the Des Moines-West Des Moines metropolitan area increased nearly 50 percent, or by 220 homes, from a year ago.

- In Missouri, single-family home permitting increased 38 percent, to 2,200 homes permitted, from 1,600 homes permitted a year ago because of builders responding to strong gains in home sales prices and slightly tight sales market conditions in the Missouri suburbs of the Kansas City metropolitan area.
- In Nebraska, the number of single-family homes permitted increased 34 percent, to 990 homes, from 740 homes permitted a year ago. Single-family homes permitted in the Omaha-Council Bluffs metropolitan area mirrored the statewide rate, up approximately 39 percent, to 690 homes.
- In Kansas, single-family home permitting increased 21 percent, to 850 homes permitted, from 710 homes permitted a year ago.

Single-family home permitting increased in every state in the Great Plains region from the first quarter of 2019.



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

Total home sales in the Great Plains region decreased 2 percent during the past year, and home sales prices increased an average of 3 percent.

	12 Months Ending	Number of Homes Sold			Price			
		2019	2020	Percent Change	Average	2019 (\$)	2020 (\$)	Percent Change
Iowa (N&E)	March	35,700	34,800	-3	AVG	188,900	193,600	2
Des Moines-West Des Moines (N&E)	March	16,450	16,100	-2	AVG	224,300	230,800	3
Kansas (N&E)	March	39,900	38,950	-2	AVG	184,900	188,800	2
Kansas City* (N&E)	March	39,950	39,600	-1	AVG	238,800	251,500	5
Missouri (N&E)	March	116,400	114,600	-2	AVG	202,700	209,400	3
St. Louis** (E)	March	52,700	51,800	-2	AVG	224,700	230,900	3
Nebraska (N&E)	March	15,100	15,000	-1	AVG	187,100	196,700	5
Omaha-Council Bluffs*** (N&E)	March	20,550	20,850	1	AVG	211,000	213,800	1

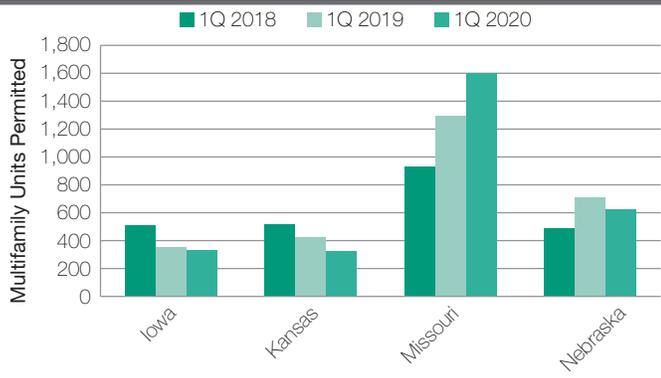
AVG = average. E = existing. MED = median. MSA = metropolitan statistical area. NA = data not available. N&E = new and existing.
 Notes: All data above include single-family homes, townhomes, and condominiums. * Number of homes sold in Kansas City is captured in the states of both Kansas and Missouri. **Data reflect sales in the city of St. Louis, Franklin County, Jefferson County, St. Charles County, and St. Louis County only. *** Number of homes sold in Omaha-Council Bluffs is captured in the states of both Nebraska and Iowa.
 Sources: Kansas City Regional Association of Realtors® and Heartland Multiple Listing Service, Inc.; all others—Metrostudy, A Hanley Wood Company, with adjustments by the analyst



Apartment Market Conditions

Apartment market conditions ranged from slightly soft to tight in most of the large metropolitan areas in the Great Plains region during the first quarter of 2020. The apartment market in the Omaha metropolitan area was tight, with a 4.7-percent vacancy rate—down slightly from a year earlier—and the average rent was up 3 percent, to \$954 (ALN Apartment Data, Inc.). Apartment market conditions in the largest markets in Missouri ranged from balanced to slightly tight in the first quarter of 2020. In the Kansas City metropolitan area, conditions remained slightly tight; the vacancy rate increased from 6.0 to 6.1 percent, and the average rent increased 4 percent from a year earlier to \$1,055. In the St. Louis metropolitan area, conditions were balanced; the apartment vacancy rate decreased 1.0 percentage point from a year earlier to 7.0 percent, and the average rent increased 7 percent, to \$1,085. The large average rent gain in the St. Louis metropolitan area is mostly attributed to more than 2,500 apartment units that have come on line since 2019 with an

Multifamily permitting activity in the Great Plains region was up slightly during the first quarter of 2020, with gains in Missouri mostly offset by declines in Iowa, Kansas, and Nebraska.



1Q = first quarter.

Note: Based on preliminary data.

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

average rent that is more than double the average rent for existing apartments. In the Wichita metropolitan area, the apartment market was balanced, with a 7.6-percent vacancy rate in the first quarter of 2020—down from 7.8 percent a year earlier—and the average rent increased 2 percent to \$736. In the Des Moines-West Des Moines metropolitan area, the apartment market was slightly soft during the first quarter of 2020, with a 7.7-percent vacancy rate—up from a year earlier—and the average rent increased 1 percent to \$966.

During the first quarter of 2020 (preliminary data)—

- Multifamily construction—as measured by the number of multifamily units permitted—increased 3 percent in the region, to 2,875 units, from the first quarter of 2019.
- In Missouri, 1,600 multifamily units were permitted—up 23 percent from the 1,300 units permitted during the same period a year ago. All the increase in multifamily building activity occurred because of growth on the Missouri side of the St. Louis metropolitan area.
- In Iowa, 330 multifamily units were permitted—down 6 percent from the 350 units permitted during the same period a year ago; approximately 170 units, or 52 percent of the statewide figure, were permitted in the Des Moines-West Des Moines metropolitan area during the first quarter of 2020.
- The number of multifamily units permitted in Nebraska decreased 13 percent, to 620 units, from the same period a year ago because of a 65-percent decline in units permitted in the Omaha-Council Bluffs metropolitan area. Although the apartment market in the Omaha-Council Bluffs metropolitan area is currently tight, more than 1,150 units remain in initial lease up, which has tempered additional production.
- The number of multifamily units permitted in Kansas decreased 25 percent, to 320 units, from 430 units during the same period a year ago. Multifamily units permitted on the Kansas side of the Kansas City metropolitan area decreased by a similar rate—approximately 32 percent—to 210 units permitted.

During the first quarter of 2020, apartment market conditions ranged from slightly soft to tight in most of the major metropolitan areas in the Great Plains region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2019 (%)	1Q 2020 (%)	Percentage Point Change	1Q 2019 (\$)	1Q 2020 (\$)	Percent Change
Des Moines-West Des Moines	Slightly Soft	7.4	7.7	0.3	960	966	1
Kansas City	Slightly Tight	6.0	6.1	0.1	1,012	1,055	4
Omaha	Tight	4.8	4.7	-0.1	929	954	3
St. Louis	Balanced	8.0	7.0	-1	1,016	1,085	7
Wichita	Balanced	7.8	7.6	-0.2	719	736	2

1Q = first quarter.

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

