

# HUD PD&R Regional Reports

## Region 7: Great Plains



Des Moines, Iowa

By L. David Vertz | 2nd quarter 2016

### Quick Facts About Region 7



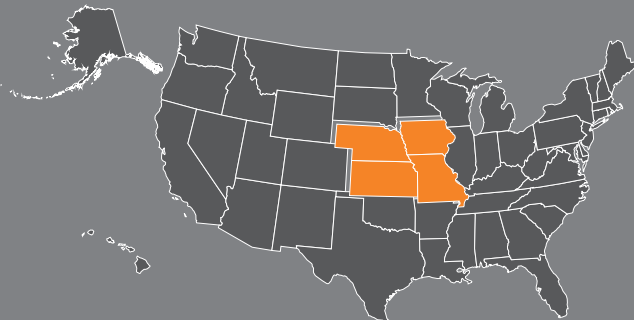
#### Sales market conditions—

Second quarter 2016: mixed (slightly tight to tight).  
First quarter 2016: mixed (balanced to tight).  
Second quarter 2015: mixed (balanced to tight).



#### Apartment market conditions—

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### Overview

Economic growth in the Great Plains region continued during the second quarter of 2016, a trend that began in the fourth quarter of 2010. During the second quarter of 2016, every state in the region recorded job gains, with the exception of Kansas, which declined for the second consecutive quarter. Sales housing market conditions ranged from slightly tight to tight in most areas in the region during the second quarter of 2016, somewhat tighter than conditions in the second quarter of 2015. Apartment market conditions ranged from slightly tight to tight throughout the region, with Wichita recording the strongest improvement in occupancy, up 2 percentage points from a year ago.

- Home sales were mixed in the region during the second quarter of 2016, ranging from a 6-percent increase in Missouri to a 4-percent decrease in Iowa. Conversely, home sales prices were up in every state in the region, led by a 5-percent increase in Nebraska.
- During the second quarter of 2016, apartment absorption in the region increased, to 1,350 units (Reis, Inc.). By comparison, from 2011 through 2015, the number of units absorbed during the second quarter averaged 1,075.



The professional and business services sector, which added 16,400 jobs during the second quarter of 2016, led modest economic growth in the Great Plains region.

	Second Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,799.7	6,851.9	52.2	0.8
Goods-producing sectors	1,061.1	1,059.1	-2.0	-0.2
Mining, logging, and construction	323.6	332.1	8.5	2.6
Manufacturing	737.5	727.0	-10.5	-1.4
Service-providing sectors	5,738.5	5,792.8	54.3	0.9
Wholesale and retail trade	1,042.7	1,040.3	-2.4	-0.2
Transportation and utilities	277.3	279.9	2.6	0.9
Information	118.5	113.7	-4.8	-4.1
Financial activities	423.0	433.5	10.5	2.5
Professional and business services	804.5	820.9	16.4	2.0
Education and health services	1,014.3	1,029.9	15.6	1.5
Leisure and hospitality	662.7	678.4	15.7	2.4
Other services	260.6	263.4	2.8	1.1
Government	1,135.1	1,132.7	-2.4	-0.2

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

Source: U.S. Bureau of Labor Statistics

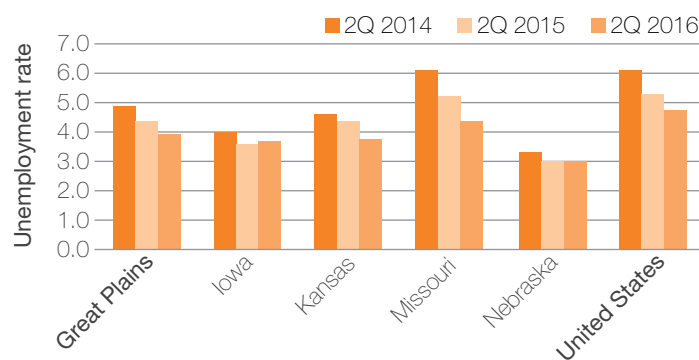
## Economic Conditions

Modest economic growth in the Great Plains region continued during the second quarter of 2016. Nonfarm payrolls increased 0.8 percent, or by 52,200 jobs, from the second quarter of 2015, to an average of 6.85 million jobs, and every state in the region, except Kansas, added jobs. Job growth slowed in the current quarter, however. By comparison, average nonfarm payrolls increased 1.2 percent, or by 82,600 jobs, during the second quarter of 2015. During the second quarter of 2016, the professional and business services and the leisure and hospitality sectors accounted for more than 60 percent of total payroll growth in the region. The professional and business services sector gained 16,400 jobs, a 2.0-percent increase from the same quarter a year ago. The leisure and hospitality sector increased by 15,700 jobs, or 2.4 percent, during the same period. Increased hiring during the second quarter of 2016 resulted in a decline in the unemployment rate in the region, to 3.9 percent, an improvement from the 4.4-percent rate recorded during the second quarter of 2015.

During the second quarter of 2016—

- In Iowa, nonfarm payrolls increased by 20,800 jobs, or 1.3 percent, led by a gain in the construction subsector of 10,600 jobs, or slightly more than 13 percent. Statewide construction-related employment is expected to remain strong, because Microsoft recently announced plans to build a third data center in West Des Moines. The total capital investment for Project Osmium, slated to begin in the spring of 2017, is expected to be between \$1.5 and \$2.0 billion (Greater Des Moines Partnership).

In the Great Plains region, strong job growth in Missouri resulted in the lowest second quarter unemployment rate in the state since 2001.



2Q = second quarter.

Source: U.S. Bureau of Labor Statistics

- In Nebraska, nonfarm payrolls increased by 12,600 jobs, or 1.3 percent, from the second quarter of 2015, led by gains of 5,200 jobs each in the education and health services and the leisure and hospitality sectors. Gains in the leisure and hospitality sector were primarily the result of increased hiring in the accommodations and food services subsector to accommodate thousands of spectators who visited the area for events such as the College World Series and the USA Swimming Olympic Trials.
- Nonfarm payrolls in Missouri increased by 19,800 jobs, or 0.7 percent, compared with the number of nonfarm payrolls during the same period a year ago. The professional and business services and the financial activities sectors accounted for more than 60 percent of the gain.

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- Nonfarm payrolls in Kansas decreased by 1,000 jobs, or 0.1 percent, to 1.41 million jobs. Payroll declines totaling nearly 4,000 construction subsector jobs accounted for approximately

50 percent of the overall decline and were the result of budget shortfalls at the Kansas Department of Transportation, which has delayed approximately \$300 million in highway projects throughout the state (*Topeka Capital-Journal*).

## Sales Market Conditions

Home sales increased in every state in the Great Plains region during the second quarter of 2016, except in Iowa, and sales housing market conditions ranged from slightly tight to tight in most areas in the region. During the 12 months ending June 2016, the number of new and existing home sales in the region (including single-family homes, townhomes, and condominiums) increased 2 percent, to approximately 180,500 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 \$177,700.

Sales market conditions also ranged from slightly tight to tight in the large metropolitan areas throughout the region during the second quarter of 2016. In the Kansas City metropolitan area, where the sales market was slightly tight, the number of homes sold was up 4 percent during the 12 months ending June 2016 from a year earlier, to approximately 35,200, and the average home sales price increased 5 percent, to \$204,700 (Kansas City Regional Association of Realtors®; Heartland Multiple Listing Service, Inc.). In St. Louis, where the sales market was slightly tight, existing home sales increased 7 percent, to 18,350 homes sold, and the average existing home sales price increased 4 percent, to \$225,000 (St. Louis Realtors®). In the Des Moines-West Des Moines metropolitan

area, the sales market was tight; home sales increased 5 percent, to 12,700 homes sold, and the average sales price increased 5 percent, to \$201,800 (Des Moines Area Association of Realtors®). Sales market conditions in Omaha-Council Bluffs were slightly tight. Home sales in the Omaha-Council Bluffs metropolitan area increased 1 percent, to 13,250 homes sold, and the average sales price increased 4 percent, to \$198,000, from the same period a year ago (Omaha Area Board of Realtors®).

The percentage of seriously delinquent mortgage loans (loans 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 May 2016, 2.1 percent of home loans in the region were seriously delinquent or had transitioned into REO status, down from 2.6 percent a year ago (CoreLogic, Inc.).

During the second quarter of 2016 (preliminary data)—

- Homebuilding activity, as measured by the number of homes permitted, was up in the region, with approximately 6,875 single-family homes permitted, an increase of 240 homes, or 4 percent, compared with the number of homes permitted during the second quarter of 2015.

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**Home sales in the Great Plains region were mixed during the past year while every state recorded gains in home sales prices.**

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2015	2016	Percent Change		2015 (\$)	2016 (\$)	Percent Change
Iowa (N&E)	June	31,900	30,650	- 4	AVG	160,300	164,600	3
Des Moines-West Des Moines* (N&E)	June	12,050	12,700	5	AVG	192,000	201,800	5
Kansas (N&E)	June	34,900	34,900	0	AVG	161,800	166,200	3
Kansas City** (N&E)	June	33,700	35,200	4	AVG	195,600	204,700	5
Missouri (N&E)	June	95,500	101,000	6	AVG	182,400	187,400	3
St. Louis*** (E)	June	17,100	18,350	7	AVG	215,400	225,000	4
Nebraska (N&E)	June	14,100	13,950	- 1	AVG	158,400	165,900	5
Omaha-Council Bluffs (N&E)	June	13,150	13,250	1	AVG	191,200	198,000	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. 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 Realtors®

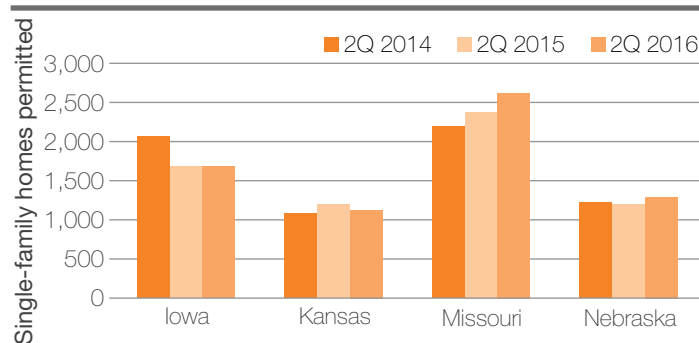




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- The number of single-family homes permitted in Missouri increased 10 percent, to 2,700 homes, compared with the number permitted a year ago. Single-family permitting in Nebraska increased 7 percent, to 1,325 homes permitted, during the same period because of strong demand and tight sales market conditions in the Omaha-Council Bluffs metropolitan area.
- In Iowa, the number of single-family homes permitted was relatively unchanged, at 1,725 homes, despite strong gains in home sales and home sales prices in Des Moines-West Des Moines.
- The number of single-family homes permitted in Kansas decreased 6 percent, to 1,150 homes, which represented the greatest decline in the number of homes permitted during a second quarter in the state since 2011.

Single-family permitting increased 4 percent in the Great Plains region during the second quarter of 2016 compared with a 2-percent decline a year ago.



2Q = second quarter.

Note: Based on preliminary data.

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

## Apartment Market Conditions

Apartment market conditions ranged from slightly tight to tight in most of the large metropolitan areas in the Great Plains region during the second quarter of 2016. In Omaha, the apartment market was tight, with a 3.9-percent vacancy rate, up slightly from 3.7 percent a year earlier, and the average rent was up 3 percent, to \$815 (Reis, Inc.). Apartment markets in the largest metropolitan areas in Missouri were also tight in the second quarter of 2016. In Kansas City, the apartment vacancy rate was unchanged, at 4.4 percent, and the average rent increased 4 percent, to \$819, compared with conditions during the second quarter of 2015. In St. Louis, the apartment vacancy rate declined, from 4.4 to 4.1 percent, and the average rent increased 2 percent, to \$823. The apartment market in Wichita was slightly tight, with a 3.5-percent vacancy rate in the second quarter of 2016, down considerably from 5.5 percent a year earlier, but the average rent increased only

1 percent, to \$623 (MPF Research). The apartment market in Des Moines-West Des Moines was tight during the second quarter of 2016, with a 2.7-percent vacancy rate, down from 3.6 percent a year earlier, and the average rent increased 3 percent, to \$816.

During the second quarter of 2016 (preliminary data)—

- Multifamily construction in the region, as measured by the number of multifamily units permitted, increased more than 60 percent from the second quarter of 2015, to 5,300 units permitted, with growth occurring in every state in the region.
- The number of units permitted in Missouri totaled 2,275 units, up from the 750 permitted during the second quarter of 2015, the greatest increase in the region, primarily because of continued strong building activity in Kansas City and St. Louis.

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Apartment market conditions were tight in most of the major metropolitan areas of the Great Plains region, with vacancies declining substantially in Wichita.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2015 (%)	2Q 2016 (%)	Percentage Point Change	2Q 2015 (\$)	2Q 2016 (\$)	Percent Change
Des Moines-West Des Moines <sup>a</sup>	Tight	3.6	2.7	-0.9	796	816	3
Kansas City <sup>b</sup>	Tight	4.4	4.4	0.0	787	819	4
Omaha <sup>b</sup>	Tight	3.7	3.9	0.2	793	815	3
St. Louis <sup>b</sup>	Tight	4.4	4.1	-0.3	804	823	2
Wichita <sup>a</sup>	Slightly tight	5.5	3.5	-2.0	618	623	1

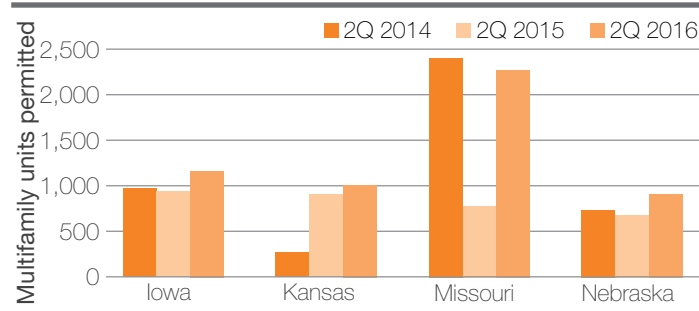
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Sources: market condition—HUD, PD&amp;R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) MPF Research; (b) Reis, Inc.

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- In Nebraska, 880 units were permitted, up from 680 units permitted during the same period a year ago; the increase was spurred by strong development activity in Omaha-Council Bluffs.
- The number of multifamily units permitted in Iowa increased 23 percent, to 1,150, and the number of units permitted in Kansas increased 10 percent, to 1,000. These increases in multifamily permitting are attributed to strong apartment market conditions in Des Moines-West Des Moines and Wichita during the past year.

### Multifamily permitting in the Great Plains region was up from a year ago, led by a surge in Missouri.



2Q = second quarter.

Note: Based on preliminary data.

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