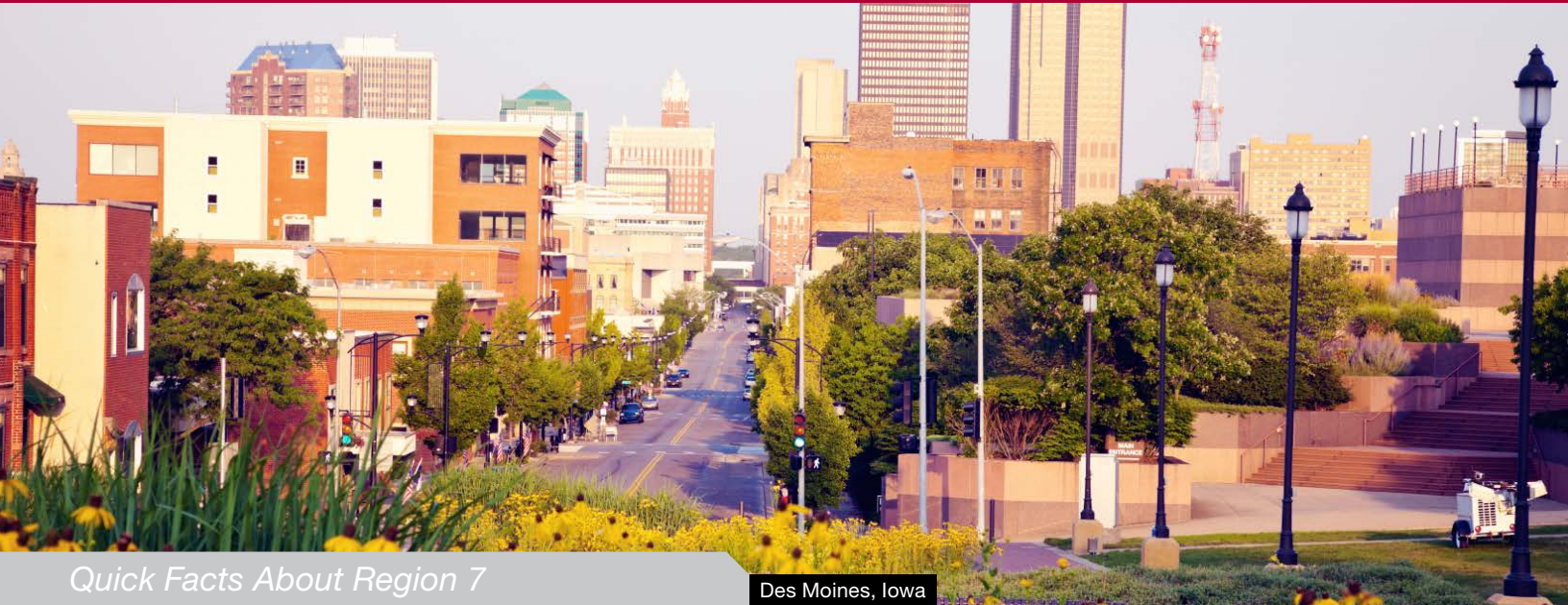


# HUD PD&R Regional Reports

## Region 7: Great Plains



Des Moines, Iowa

By L. David Vertz | 3rd quarter 2017

### Quick Facts About Region 7



#### Sales market conditions—

Third quarter 2017: mixed (slightly tight to tight).  
Second quarter 2017: mixed (slightly tight to tight).  
Third quarter 2016: mixed (slightly tight to tight).



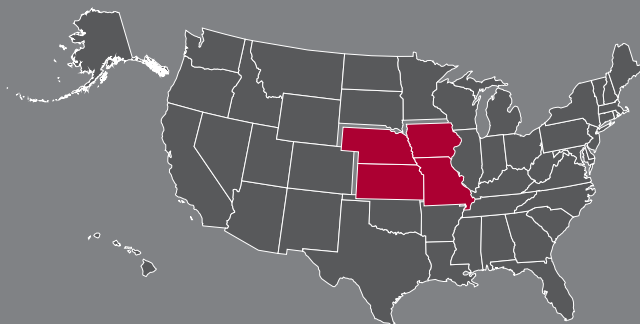
#### Apartment market conditions—

Third quarter 2017: mixed (slightly soft to tight).  
Second quarter 2017: mixed (balanced to tight).  
Third quarter 2016: mixed (slightly tight to tight).

### Overview

Economic growth in the Great Plains region continued during the third quarter of 2017, a trend that began in the fourth quarter of 2010. For the fourth consecutive quarter, Missouri led year-over-year job gains, accounting for approximately 65 percent of nonfarm payroll growth in the region. Sales housing market conditions ranged from slightly tight to tight in most metropolitan areas in the region during the third quarter of 2017. Apartment market conditions ranged from slightly soft to tight throughout the region, with the St. Louis metropolitan area recording the largest increase in rent growth, up 5 percent from a year ago.

- Home sales declined in the region during the third quarter of 2017, led by a 9-percent decrease in Iowa; however, home sales prices were up in every state in the region, led by a 5-percent increase in Nebraska.
- During the third quarter of 2017, apartment absorption in the region decreased to 350 units, the lowest quarterly absorption level since the first quarter of 2010 (Reis, Inc.). By comparison, from 2014 through 2016, the number of units absorbed in the region during the third quarter of each year averaged 1,425.



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The professional and business services sector, which added 23,000 jobs during the third quarter of 2017, led modest economic growth in the Great Plains region.

	Third Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,828.3	6,904.3	76.0	1.1
Goods-producing sectors	1,078.9	1,078.3	- 0.6	- 0.1
Mining, logging, and construction	343.5	337.1	- 6.4	- 1.9
Manufacturing	735.4	741.1	5.7	0.8
Service-providing sectors	5,749.4	5,826.1	76.7	1.3
Wholesale and retail trade	1,049.1	1,051.5	2.4	0.2
Transportation and utilities	283.9	287.7	3.8	1.3
Information	114.8	109.5	- 5.3	- 4.6
Financial activities	439.4	450.3	10.9	2.5
Professional and business services	819.4	842.4	23.0	2.8
Education and health services	1,028.3	1,044.7	16.4	1.6
Leisure and hospitality	683.3	700.2	16.9	2.5
Other services	263.7	266.2	2.5	0.9
Government	1,067.7	1,073.5	5.8	0.5

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

Source: U.S. Bureau of Labor Statistics

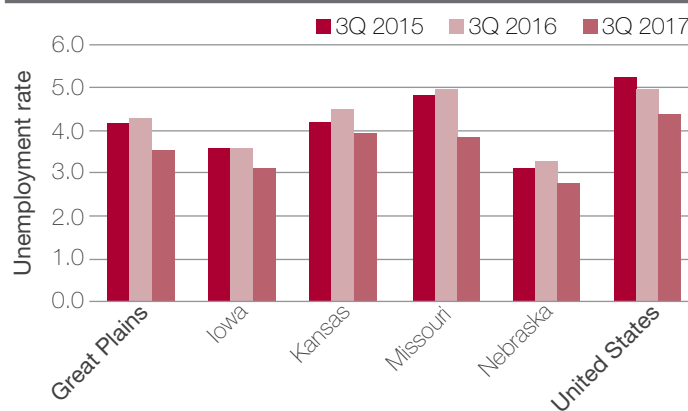
## Economic Conditions

Modest economic growth in the Great Plains region continued during the third quarter of 2017. Nonfarm payrolls increased 1.1 percent, or by 76,000 jobs, from the third quarter of 2016 to an average of 6.90 million jobs, and every state in the region except Kansas added jobs. By comparison, average nonfarm payrolls increased 1.0 percent, or by 68,100 jobs, from a year earlier in the third quarter of 2016. During the third quarter of 2017, the professional and business services and leisure and hospitality sectors combined accounted for more than 50 percent of total payroll growth in the region. The professional and business services sector added 23,000 jobs, a 2.8-percent increase from the same quarter a year ago. The leisure and hospitality sector increased by 16,900 jobs, or 2.5 percent, during the same period. Increased hiring during the third quarter of 2017 resulted in a 3.6-percent unemployment rate in the region, an improvement from the 4.3-percent rate recorded during the third quarter of 2016.

During the third quarter of 2017—

- Nonfarm payrolls in Missouri increased by 50,200 jobs, or 1.8 percent, compared with the number of nonfarm payrolls during the same period a year ago.
- In Iowa, nonfarm payrolls increased by 15,600 jobs, or 1.0 percent, led by a gain of 6,200 jobs, or 2.8 percent, in the education and health services sector.

Unemployment rates declined in every state in the Great Plains region and remained well below the national rate.



3Q = third quarter.

Source: U.S. Bureau of Labor Statistics

- In Nebraska, nonfarm payrolls increased by 15,000 jobs, or 1.5 percent, from the third quarter of 2016, led by a gain of 5,400 jobs, or 4.6 percent, in the professional and business services sector.
- Nonfarm payrolls in Kansas declined by 4,700 jobs to 1.4 million jobs. Gains in the professional and business services sector and construction subsector, which increased by 1,100 and 1,500 jobs each, or 0.6 and 2.4 percent, respectively, helped to offset steep declines of 2,100 jobs in the leisure and hospitality sector and 2,800 jobs in the retail trade subsector.

## Sales Market Conditions

Home sales decreased in every state in the Great Plains region during the 12 months ending September 2017, and sales housing market conditions ranged from slightly tight to tight in most metropolitan areas in the region. The recent decline in home sales reflects the dwindling availability of for-sale inventory, which was particularly prevalent in the Kansas City and Omaha-Council Bluffs metropolitan areas. During the 12 months ending September 2017, the number of new and existing home sales in the region (including single-family homes, townhomes, and condominiums) decreased 2 percent to approximately 185,100 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 4 percent to \$187,100.

Sales market conditions also ranged from slightly tight to tight in the large metropolitan areas in the region during the third quarter of 2017. In the Kansas City metropolitan area, where the sales market was tight, the number of new and existing homes sold was relatively unchanged during the 12 months ending September 2017 compared with the number sold a year earlier to approximately 37,450, and the average home sales price increased 5 percent to \$223,500 (Kansas City Regional Association of Realtors®; Heartland Multiple Listing Service, Inc.). In the St. Louis area (St. Louis and St. Charles Counties and the city of St. Louis), where the sales market was slightly tight, existing home sales increased 4 percent to 26,450 homes sold, and the average existing home sales price increased 3 percent to \$229,800 (St. Louis Realtors®). In the Des Moines-West Des Moines metropolitan area, the sales market was

tight. New and existing home sales increased 6 percent to 14,050 homes sold, and the average sales price increased 4 percent to \$212,500 (Des Moines Area Association of Realtors®). Sales market conditions in the Omaha-Council Bluffs metropolitan area were tight. Total home sales decreased 4 percent to 13,650 homes sold, and the average sales price increased 5 percent to \$211,100 from the same period a year ago (Omaha Area Board of Realtors®). The decrease in home sales in the Omaha-Council Bluffs metropolitan area is partially attributed to a decline of approximately 15 percent in the number of active residential listings from a year ago. Active listings have continually declined since the first quarter of 2012.

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 past year, in part because of improved economic conditions. As of August 2017, 1.7 percent of home loans in the region were seriously delinquent or had transitioned into REO status, down from 2.0 percent a year ago (CoreLogic, Inc.).

During the third quarter of 2017 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, was up in the region to approximately 6,400 single-family homes. That total was an increase of 425 homes, or 7 percent, compared with the number of homes permitted during the third quarter of 2016 and represents the highest level of single-family homes permitted in the region during the third quarter since 2013.

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**Home sales prices increased in the major metropolitan areas in the Great Plains region, led by 5-percent increases in both Kansas City and Omaha.**

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2016	2017	Percent Change		2016 (\$)	2017 (\$)	Percent Change
Iowa (N&E)	September	32,500	29,450	- 9	AVG	165,600	171,000	3
Des Moines-West Des Moines* (N&E)	September	13,200	14,050	6	AVG	203,800	212,500	4
Kansas (N&E)	September	37,900	37,350	- 1	AVG	169,800	176,200	4
Kansas City** (N&E)	September	37,750	37,450	- 1	AVG	211,900	223,500	5
Missouri (N&E)	September	104,300	104,000	0	AVG	191,500	197,300	3
St. Louis*** (E)	September	25,400	26,450	4	AVG	222,600	229,800	3
Nebraska (N&E)	September	14,650	14,250	- 3	AVG	168,200	175,900	5
Omaha-Council Bluffs (N&E)	September	14,200	13,650	- 4	AVG	201,900	211,100	5

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 states of Kansas and Missouri. \*\*\* Data reflect sales in the city of St. Louis and St. Charles and St. Louis Counties only.

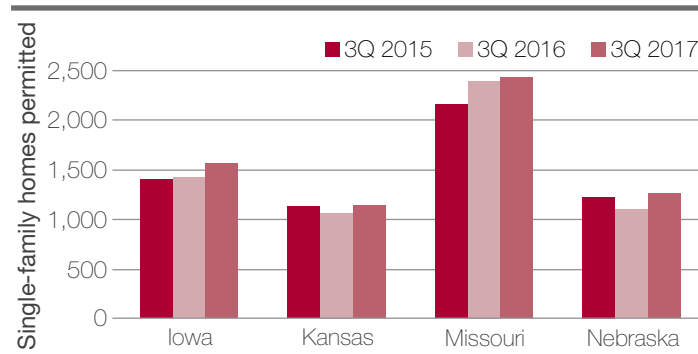
Note: Data include single-family, townhomes, and condominiums.

Sources: Des Moines Area Association of Realtors®; Kansas City Regional Association of Realtors® and Heartland Multiple Listing Service, Inc.; St. Louis Realtors® and Mid America Regional Information Systems Multiple Listing Service; Omaha Area Board of Realtors®; Metrostudy, A Hanley Wood Company with adjustments by the analyst

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- In Nebraska, the number of single-family homes permitted increased 14 percent to 1,250 homes. Nearly two-thirds of the homes permitted in Nebraska were in the Omaha metropolitan area where the sales market is tight.
- In Iowa, the number of single-family homes permitted increased 11 percent to 1,575 homes compared with the number permitted a year ago. Single-family homes permitted in the Des Moines-West Des Moines metropolitan area increased approximately 20 percent to 1,075 homes, accounting for nearly 70 percent of the statewide total.
- In Kansas, single-family permitting increased 8 percent to 1,150 homes permitted, a result of slightly tight sales market conditions in the city of Wichita. In Missouri, the number of single-family homes permitted increased 2 percent from 2,400 a year ago because of strong home sales in the St. Louis metropolitan area.

Single-family permitting activity has increased in every state in the Great Plains region since the third quarter of 2016.



3Q = third quarter.

Note: Based on preliminary data.

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

## 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 third quarter of 2017. In Omaha, the apartment market was slightly tight, with a 5.0-percent vacancy rate, up from 3.8 percent a year earlier, and the average rent was up 2 percent to \$852 (Reis, Inc.). Apartment market conditions in the largest markets in Missouri were slightly tight or tight in the third quarter of 2017. In the Kansas City metropolitan area, conditions remained slightly tight. The apartment vacancy rate increased from 4.0 to 4.5 percent, and the average rent increased 3 percent from a year earlier to \$874. In the St. Louis metropolitan area, conditions were tight. The apartment vacancy rate increased slightly from a year earlier to 5.1 percent, and the average rent increased 5 percent to \$887. In the Wichita metropolitan area, the apartment market was slightly soft, with a 6.9-percent vacancy rate in the third quarter of 2017,

up from the 5.4-percent rate a year earlier, and the average rent increased 1 percent to \$625 (MPF Research). In the Des Moines-West Des Moines metropolitan area, the apartment market was slightly tight during the third quarter of 2017, with a 4.7-percent vacancy rate, up from 3.1 percent a year earlier, and the average rent increased 1 percent to \$885.

During the third quarter of 2017 (preliminary data)—

- Multifamily construction, as measured by the number of multifamily units permitted, decreased 27 percent in the region from the third quarter of 2016 to 4,625 units permitted, with declines occurring in every state in the region except Nebraska.
- The number of units permitted in Nebraska totaled 1,025, up from the 900 permitted during the third quarter of 2016.

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Apartment market conditions ranged from slightly soft to tight in most of the major metropolitan areas in the Great Plains region, with strong rent growth in the city of St. Louis.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2016 (%)	3Q 2017 (%)	Percentage Point Change	3Q 2016 (\$)	3Q 2017 (\$)	Percent Change
Des Moines-West Des Moines <sup>a</sup>	Slightly tight	3.1	4.7	1.6	877	885	1
Kansas City <sup>b</sup>	Slightly tight	4.0	4.5	0.5	845	874	3
Omaha <sup>b</sup>	Slightly tight	3.8	5.0	1.2	835	852	2
St. Louis <sup>b</sup>	Tight	4.7	5.1	0.4	847	887	5
Wichita <sup>a</sup>	Slightly soft	5.4	6.9	1.5	621	625	1

3Q = third quarter.

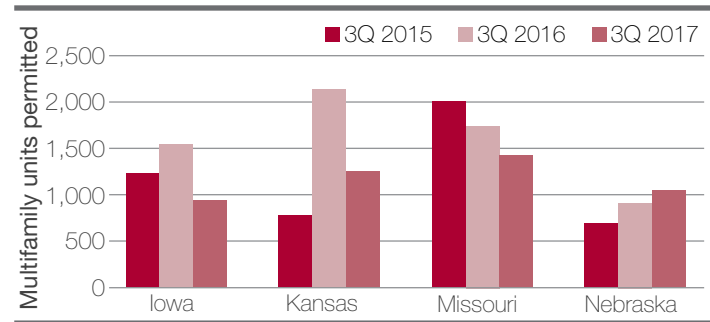
Sources: market condition—HUD, PD&amp;R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) MPF Research, (b) Reis Inc.



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- The number of multifamily units permitted in Missouri decreased 19 percent to 1,400, and the number of units permitted in Kansas decreased 42 percent to 1,250. These declines are partially attributed to a slowing of units permitted on both the Kansas and Missouri sides of the Kansas City metropolitan area.
- In Iowa, 940 units were permitted, down 39 percent from the 1,550 units permitted during the same period a year ago because of a substantial decline in multifamily construction activity in the Des Moines-West Des Moines metropolitan area.

**Multifamily permitting in the Great Plains region was down substantially from a year ago, led by 40-percent declines in both Iowa and Kansas.**



3Q = third quarter.

Note: Based on preliminary data.

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