

HUD PD&R Regional Reports

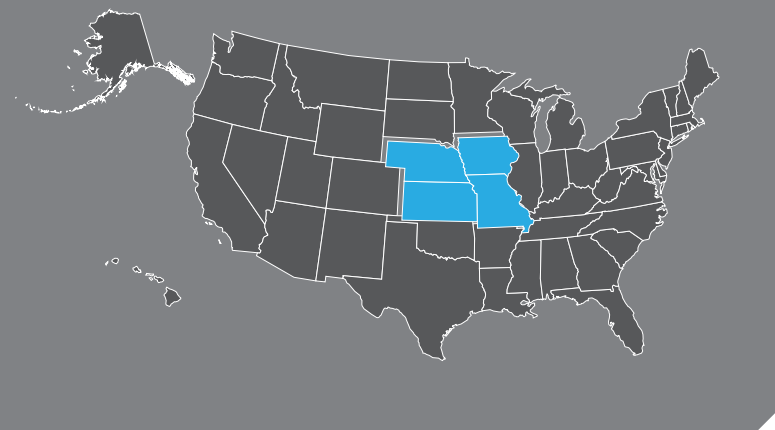
Region 7: Great Plains



Des Moines, Iowa

Quick Facts About Region 7

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



By L. David Vertz | 4th Quarter 2020

Overview

For the third consecutive quarter, economic conditions in the Great Plains region contracted significantly, reversing a trend of modest growth that had begun in the fourth quarter of 2010. During the fourth quarter of 2020, every state in the region lost jobs. Despite the historic economic downturn, sales housing market conditions ranged from balanced to tight in most metropolitan areas in the region during the fourth quarter of 2020. Apartment market conditions also ranged from balanced to tight throughout the region, with the St. Louis metropolitan area having the most substantial rent increase—up 4 percent from a year ago.

- Home sales increased in the region during the fourth quarter of 2020; a 5-percent gain in Kansas led that increase. Home sales prices were up in every state in the region, ranging from a 6-percent increase in Iowa and Nebraska to a 7-percent increase in Kansas and Missouri.
- During the fourth quarter of 2020, apartment production outpaced absorption in the region for the first time since the fourth quarter of 2009. By comparison, from 2010 through 2019, the number of units absorbed in the region during the fourth quarter of each year averaged 1,275 (Moody's Analytics REIS).



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Economic Conditions

Economic conditions in the Great Plains region deteriorated during the past year, with nonfarm payrolls decreasing 3.7 percent, or by 259,100 jobs, year-over-year in the fourth quarter of 2020. Although job losses were limited to the second quarter of 2020, the number of jobs added in the second half of 2020 was not enough to bring payrolls back to pre-pandemic levels. As of December 2020, nonfarm payrolls remain 134,900 jobs, or 2.0 percent, below February 2020 levels (not seasonally adjusted). During the fourth quarter of 2020, the leisure and hospitality sector accounted for nearly 45 percent of the total payroll decline in the region, down 116,200 jobs—a 17.3-percent decrease from the same quarter a year ago. During the fourth quarter of 2020, the regional unemployment rate increased to 3.9 percent—up from 2.9 percent during the fourth quarter of 2019. Although the unemployment rate is up significantly from a year ago, it remains well below the 6.5-percent national average.

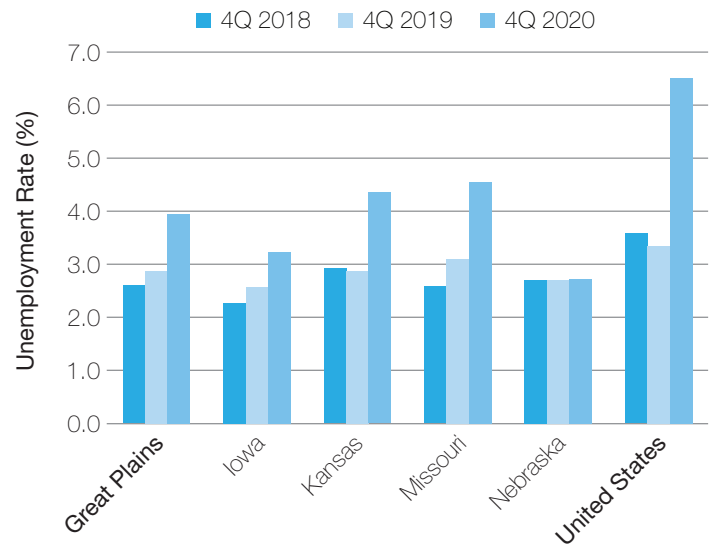
During the fourth quarter of 2020—

- Nonfarm payrolls in Missouri decreased by 105,500 jobs, or 3.6 percent, compared with the number of nonfarm payrolls during the same period a year ago; a decline of 55,900 jobs, or 18.3 percent, in the leisure and hospitality sector led that decrease.
- In Iowa, the leisure and hospitality sector—with a loss of 28,100 jobs, or 19.7 percent—contributed to a decline in total nonfarm payrolls of 73,300 jobs, or 4.6 percent, from the fourth quarter of 2019.

- Nonfarm payrolls in Kansas decreased by 56,000 jobs, or 3.9 percent, to 1.38 million jobs; 9 of the 11 payroll sectors in Kansas declined. The mining, logging, and construction and the transportation and utilities sectors increased by 2,300 and 2,800 jobs, or 3.3 and 4.0 percent, respectively, from a year ago.

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The unemployment rate increased in every state in the Great Plains region from the fourth quarter of 2019.



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

Nonfarm payrolls in the Great Plains region declined in nearly every sector during the fourth quarter of 2020, with the lone exception of the mining, logging, and construction sector, which was up approximately 1 percent from a year ago.

	Fourth Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	6,996.6	6,737.5	-259.1	-3.7
Goods-Producing Sectors	1,109.0	1,090.4	-18.6	-1.7
Mining, Logging, & Construction	340.2	343.2	3.0	0.9
Manufacturing	768.8	747.2	-21.6	-2.8
Service-Providing Sectors	5,887.6	5,647.1	-240.5	-4.1
Wholesale & Retail Trade	1,024.1	1,016.4	-7.7	-0.8
Transportation & Utilities	311.0	307.6	-3.4	-1.1
Information	102.8	94.7	-8.1	-7.9
Financial Activities	437.3	433.2	-4.1	-0.9
Professional & Business Services	824.2	803.0	-21.2	-2.6
Education & Health Services	1,092.3	1,063.3	-29.0	-2.7
Leisure & Hospitality	672.8	556.6	-116.2	-17.3
Other Services	265.5	255.2	-10.3	-3.9
Government	1,157.8	1,117.2	-40.6	-3.5

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

Source: U.S. Bureau of Labor Statistics



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- Nonfarm payrolls in Nebraska decreased by 24,400 jobs, or 2.4 percent, compared with the number of nonfarm payrolls during the same period a year ago. The financial activities

and the education and health services sectors were the only sectors to increase—up 1,800 and 3,200 jobs, or 2.4 and 2.0 percent, respectively, from the fourth quarter of 2019.

Sales Market Conditions

Home sales increased in the Great Plains region during the 12 months ending December 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) increased 1 percent, to approximately 208,200 home sales, compared with the number of homes sold a year ago (Zonda, with adjustments by the analyst). The only decline occurred in Iowa, with home sales down 4 percent from a year ago. During the same period, the average home sales price in the region increased 7 percent, to \$214,500.

Sales housing market conditions ranged from balanced to tight in the large metropolitan areas of the region during the fourth quarter of 2020. In the Kansas City metropolitan area, the sales market was slightly tight during the 12 months ending December 2020. The number of new and existing homes sold increased 5 percent, to 58,400 home sales, compared with the number sold a year earlier; the average home sales price increased 13 percent, to \$295,000 (Zonda, with adjustments by the analyst). The sales market was balanced in the St. Louis area (Franklin, Jefferson, St. Louis, and St. Charles Counties and the city of St. Louis). New and existing home sales were

relatively unchanged, at 52,700 homes sold, and the average home sales price increased 2 percent, to \$237,000 (Zonda, with adjustments by the analyst). In the Des Moines-West Des Moines metropolitan area, the sales market was slightly tight. New and existing home sales increased 11 percent, to 17,800 homes sold, and the average sales price increased 6 percent, to \$245,700 (Zonda, with adjustments by the analyst). Sales market conditions in the Omaha-Council Bluffs metropolitan area were tight. Total home sales increased 7 percent, to 22,150 homes sold, and the average sales price increased 9 percent, to \$236,600, from the same period a year ago (Zonda, 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 increased during the past year. As of November 2020, 3.0 percent of home loans in the region were seriously delinquent or had transitioned into REO status—up from 1.2 percent a year ago (CoreLogic, Inc.).

During the fourth quarter of 2020 (preliminary data)—

- Single-family homebuilding activity in the region, as measured by the number of homes permitted, rose to approximately

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During the 12 months ending December 2020, statewide home sales in the Great Plains region were mixed, whereas home sales prices in the major metropolitan areas were strong compared with a year ago, particularly in Kansas City and Omaha.

	12 Months Ending	Number of Homes Sold				Price		
		2019	2020	Percent Change	Average	2019 (\$)	2020 (\$)	Percent Change
Iowa (N&E)	December	34,800	33,450	-4	AVG	\$192,800	\$203,600	6
Des Moines-West Des Moines (N&E)	December	16,050	17,800	11	AVG	\$231,900	\$245,700	6
Kansas (N&E)	December	39,000	41,050	5	AVG	\$188,700	\$201,400	7
Kansas City* (N&E)	December	55,550	58,400	5	AVG	\$260,400	\$295,000	13
Missouri (N&E)	December	116,500	118,100	1	AVG	\$208,100	\$223,100	7
St. Louis** (E)	December	52,650	52,700	0	AVG	\$233,100	\$237,000	2
Nebraska (N&E)	December	14,950	15,500	4	AVG	\$196,400	\$207,800	6
Omaha-Council Bluffs*** (N&E)	December	20,650	22,150	7	AVG	\$216,100	\$236,600	9

AVG = average. 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.

Source: Zonda, with adjustments by the analyst



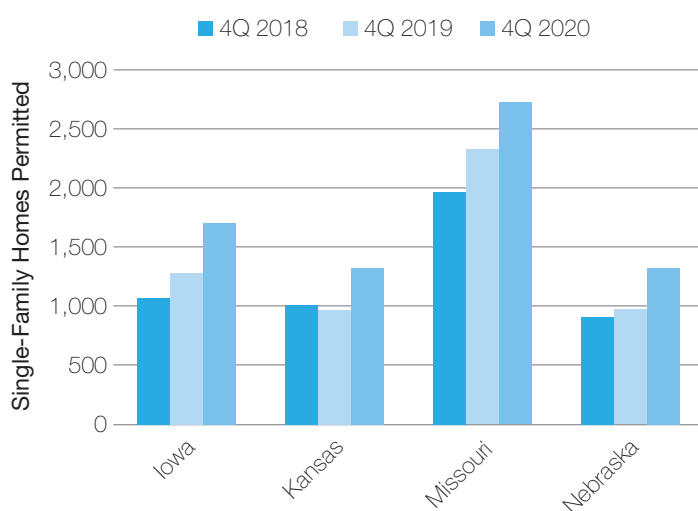
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7,050 single-family homes—an increase of 1,525 homes, or 28 percent, compared with the number of homes permitted during the fourth quarter of 2019.

- In Nebraska, the number of single-family homes permitted increased 37 percent, to 1,325 homes, from 960 homes permitted a year ago. Single-family homes permitted in the Omaha-Council Bluffs metropolitan area accounted for nearly all the statewide gain—up approximately 51 percent, to 950 homes, from a year ago.
- In Kansas, single-family home permitting increased 36 percent, to 1,325 homes permitted, from 970 homes permitted a year ago. Single-family homes permitted on the Kansas side of the Kansas City metropolitan area increased by a larger rate—approximately 48 percent—to 770 units permitted. In Wichita, the second largest metropolitan area in the state, single-family home permitting increased 35 percent, to 270 homes permitted.
- In Iowa, the number of single-family homes permitted increased 33 percent, to 1,700 homes, compared with 1,275 homes permitted a year ago. Similarly, single-family home permitting in the Des Moines-West Des Moines metropolitan area increased 40 percent, to 1,250 homes, from a year ago.
- In Missouri, single-family home permitting increased 17 percent, to 2,725 homes permitted, from 2,325 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 the Great Plains region, single-family home permitting was up in each state, led by a 37-percent increase in Nebraska.



4Q = fourth quarter.

Note: Based on preliminary data.

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

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 2020. The apartment market in the Omaha metropolitan area was tight, with a 5.3-percent vacancy rate—up slightly from a year earlier—and the average rent was up 3 percent, to \$978 (ALN Apartment Data, Inc.). Apartment market conditions in the largest markets in Missouri were balanced in the fourth quarter of 2020. In the Kansas City metropolitan area, the vacancy rate increased from 5.9 to 7.1 percent and the average rent increased 3 percent from a year earlier, to \$1,070. In the St. Louis metropolitan area, the apartment vacancy rate decreased from 6.9 to 6.4 percent and the average rent increased 4 percent, to \$1,100, from a year earlier. In the Wichita metropolitan area, the apartment market was balanced, with a 6.1-percent vacancy rate in the fourth quarter of 2020—down from 6.6 percent a year earlier—and the average rent increased 3 percent, to \$751. In the Des Moines-West Des Moines metropolitan area, the apartment market was balanced during the fourth quarter of 2020, with

a 6.7-percent vacancy rate—down from 7.7 percent a year earlier—and the average rent increased 1 percent, to \$977.

During the fourth quarter of 2020 (preliminary data)—

- Multifamily construction—as measured by the number of multifamily units permitted—increased 8 percent in the region, to 3,875 units, from the fourth quarter of 2019.
- The number of multifamily units permitted in Nebraska nearly tripled from 500 units during the fourth quarter of 2019, to 1,425 units; approximately 95 percent of the gain occurred in the Omaha-Council Bluffs metropolitan area, where apartment market conditions are currently tight.
- In Iowa, 860 multifamily units were permitted—up 3 percent from the 840 units permitted during the same period a year ago. In the Des Moines-West Des Moines metropolitan area, the number of multifamily units permitted increased 8 percent, to 670 units, from the same period a year ago, as builders responded to improving apartment market conditions.

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Apartment market conditions ranged from balanced to tight in most major metropolitan areas in the Great Plains region during the fourth quarter of 2020.

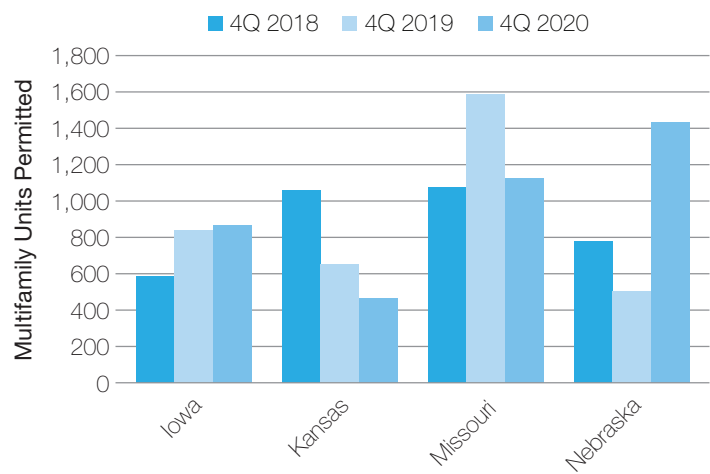
	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2019 (%)	4Q 2020 (%)	Percentage Point Change	4Q 2019 (\$)	4Q 2020 (\$)	Percent Change
Des Moines-West Des Moines	Balanced	7.7	6.7	-1	966	977	1
Kansas City	Balanced	5.9	7.1	1.2	1,041	1,070	3
Omaha	Tight	5.1	5.3	0.2	946	978	3
St. Louis	Balanced	6.9	6.4	-0.5	1,062	1,100	4
Wichita	Balanced	6.6	6.1	-0.5	729	751	3

4Q = fourth quarter.

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

- The number of multifamily units permitted in Kansas decreased 29 percent, to 460 units, from 650 units during the same period a year ago because of a 32-percent decrease in units permitted on the Kansas side of the Kansas City metropolitan area.
- In Missouri, 1,125 multifamily units were permitted—down 29 percent from the 1,575 units permitted during the same period a year ago. All of the decline in multifamily building activity occurred on the Missouri side of the Kansas City metropolitan area and offset a net gain of approximately 500 multifamily units permitted on the Missouri side of the St. Louis metropolitan area, which represents more than double the number of units permitted in the area during the fourth quarter of 2019.

Multifamily permitting activity in the Great Plains region was up during the fourth quarter of 2020 despite a 29-percent decline in both Kansas and Missouri.



4Q = fourth quarter.

Note: Based on preliminary data.

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