HUD PD&R **Regional Reports**

Region 7: Great Plains

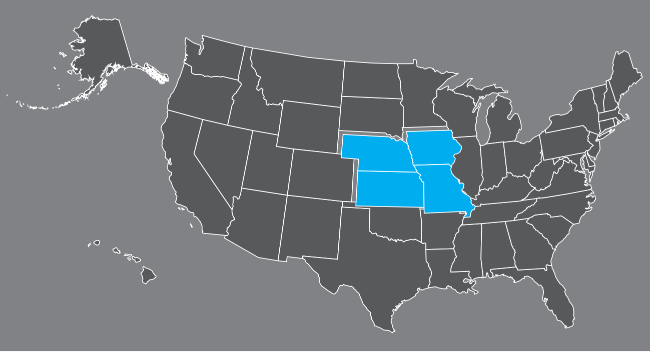
Omaha, Nebraska

By L. David Vertz | 4th quarter 2015

Quick Facts About Region 7

- **Sales market conditions—**
  Fourth quarter 2015: mixed (balanced to tight).
  Third quarter 2015: mixed (balanced to tight).
  Fourth quarter 2014: mixed (slightly tight to soft).

- **Apartment market conditions—**
  Fourth quarter 2015: mixed (slightly tight to tight).
  Third quarter 2015: mixed (slightly tight to tight).
  Fourth quarter 2014: mixed (balanced to tight).



Overview

Nonfarm payroll growth in the Great Plains region, a trend that began in the fourth quarter of 2010, continued during the fourth quarter of 2015. During the fourth quarter of 2015, Missouri and Iowa led year-over-year job gains, accounting for more than 70 percent of growth in the region. Improved economic conditions in both states resulted in tight apartment market conditions in Des Moines-West Des Moines, Kansas City, and St. Louis, which spurred an increase in multifamily development, primarily in Des Moines-West Des Moines and Kansas City. Conversely, Iowa recorded the greatest decline in single-family permitting during the fourth quarter of 2015, which represents the fewest homes permitted during the fourth quarter since 2009.

- Home sales in the region increased during the fourth quarter of 2015 despite a decrease in the homeownership rates in Iowa and Missouri. During the fourth quarter of 2015, the homeownership rate declined in Iowa by 1.4 percentage points, to 67.8 percent, from the fourth quarter of 2014. Likewise, the rate decreased by 4.3 percentage points, to 68.6 percent, in Missouri. During the same period, Kansas and Nebraska recorded increases of 1.4 and 3.3 percentage points, to 70.4 and 67.4 percent, respectively.

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- During the fourth quarter of 2015, apartment absorption in the region slowed considerably, to 450 units, from the same period a year ago (Reis, Inc.). Apartment absorption is at the lowest level recorded in 5 years; approximately 2,125 units were absorbed during the fourth quarter of 2010. By comparison, during the fourth quarters from 2011 through 2014, the number of units absorbed averaged 1,100. Although the decline in absorption is somewhat of a concern, the recent decline is partially explained by very few completions in larger markets such as St. Louis and Wichita.

Economic Conditions

Modest economic growth in the Great Plains region continued during the fourth quarter of 2015. Average nonfarm payrolls increased 1.1 percent, or by 73,800 jobs, from the fourth quarter of 2014, to 6.83 million jobs, and every state in the region added jobs. By comparison, average nonfarm payrolls increased 1.1 percent, or by 71,000 jobs, during the fourth quarter of 2014 from the same 3 months a year earlier. During the fourth quarter of 2015, the education and health services and the mining, logging, and construction sectors accounted for nearly 60 percent of all job growth in the region. The education and health services sector gained 26,400 jobs, a 2.6-percent increase from the same quarter a year ago. The mining, logging, and construction sector increased by 16,800 jobs, or 5.3 percent, during the same period, with the construction subsector accounting for all the jobs added. The large gain in the construction subsector in the region was the result of several ongoing infrastructure projects, mostly around the Kansas City metropolitan area, which crosses the border between Kansas and Missouri. In addition, construction-related employment gains in Iowa were mainly because of industrial expansions at facilities that produce agricultural products. Increased hiring during the fourth quarter of 2015 resulted in a 3.6-percent unemployment rate in the region, an improvement from the 4.3-percent rate recorded during the fourth quarter of 2014.

During the fourth quarter of 2015—

- In Iowa, nonfarm payrolls increased by 24,200 jobs, or 1.5 percent, from the fourth quarter of 2014, led by a gain of 7,200 jobs in the mining, logging, and construction sector, with the net increase entirely the result of hiring in the construction subsector. Construction jobs increased rapidly immediately south of Sioux City at CF Industries Holdings, Inc., the world's largest manufacturer of nitrogen fertilizer. A $2 billion expansion at CF Industries is currently under way and expected to be complete in 2016. The number of construction jobs created by the new facility peaked at 4,500 workers in October 2015.

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Modest economic growth in the Great Plains region was led by the education and health services sector, which added 26,400 jobs during the fourth quarter of 2015.

	Fourth Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,752.1	6,825.9	73.8	1.1
Goods-producing sectors	1,050.2	1,064.6	14.4	1.4
Mining, logging, and construction	314.9	331.7	16.8	5.3
Manufacturing	735.3	732.9	– 2.4	– 0.3
Service-providing sectors	5,701.9	5,761.3	59.4	1.0
Wholesale and retail trade	1,046.3	1,051.8	5.5	0.5
Transportation and utilities	278.9	282.5	3.6	1.3
Information	127.2	126.5	– 0.7	– 0.6
Financial activities	422.1	430.6	8.5	2.0
Professional and business services	782.0	789.9	7.9	1.0
Education and health services	1,011.5	1,037.9	26.4	2.6
Leisure and hospitality	628.2	631.8	3.6	0.6
Other services	259.5	265.5	6.0	2.3
Government	1,146.3	1,144.8	– 1.5	– 0.1

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

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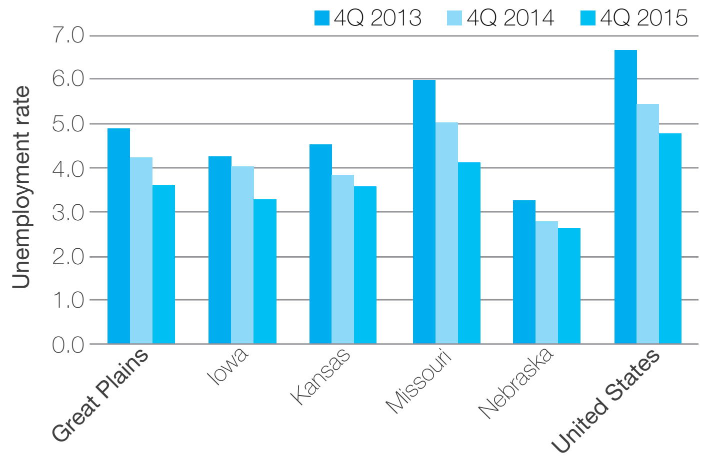
- In Nebraska, nonfarm payrolls increased by 14,000 jobs, or 1.4 percent, with gains in the education and health services sector of 6,100 jobs, or 4.0 percent, accounting for slightly more than 40 percent of the growth.
- Nonfarm payrolls in Missouri increased by 27,900 jobs, or 1.0 percent, compared with the number of nonfarm payrolls during the same period a year ago. The education and health services and the mining, logging, and construction sectors accounted for more than 60 percent of the gain. Growth in the mining, logging, and construction sector is entirely the result of hiring in the construction subsector. Construction is currently under way at Cerner Corporation, a supplier of healthcare information technology. The first two office buildings of the $4.45 billion Trails Campus are expected to be complete by the end of 2016 and accommodate more than 3,500 employees.
- Nonfarm payrolls in Kansas increased by 7,800 jobs, or 0.6 percent, to more than 1.4 million jobs. The mining, logging, and construction sector accounted for approximately 53 percent of the gain, with all the net growth occurring in the construction subsector. The large gain in the construction subsector is the result of several ongoing projects on the Kansas side of the Kansas City metropolitan area, including the $320 million expansion at the University of Kansas Hospital-Cambridge after plans were recently altered to include an additional four floors. The new facility is expected to be complete in 2018 (*Kansas City Business Journal*).

Unemployment rates declined in every state in the Great Plains region and were well below the national average.



4Q = fourth quarter.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Home sales increased in every state in the Great Plains region during the fourth quarter of 2015, with sales housing market conditions ranging from balanced to tight. During the 12 months ending December 2015, the number of new and existing homes sold in the region (including single-family homes, townhomes, and condominiums) increased 7 percent, to 178,200, compared with the number sold a year ago (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). During the same period, the average sales price in the region increased 1 percent, to $172,900.

Sales market conditions were mixed in the large metropolitan areas throughout the region during the fourth quarter of 2015. In the Kansas City metropolitan area, where the sales market was slightly tight, the number of homes sold was up 8 percent during the 12 months ending December 2015, to 34,700, and the average sales price increased 5 percent, to $201,300 (Kansas City Regional Association of Realtors®; Heartland Multiple Listing Service, Inc.). In St. Louis, where the sales market was balanced, existing home sales increased 9 percent, to 17,750 homes sold (St. Louis Association of Realtors®), and the average existing home sales price increased 4 percent, to $220,400. In Des Moines-West Des Moines, the sales market is tight; home sales increased 15 percent, to 12,150 homes, and the average sales price increased 5 percent, to $197,800 (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 increased 7 percent, to 13,050, and the average sales price increased 6 percent, to $195,000, 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 past year, in part because of improved economic conditions. As of December 2015, 3.3 percent of home loans in the region were seriously delinquent or had transitioned into REO status, down from 3.6 percent a year ago (Black Knight Financial Services, Inc.).

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Home sales in the Great Plains region increased 7 percent during the past year, with gains recorded in every state; prices increased in every state except Missouri.

	12 Months Ending	Number of Homes Sold			Price			
		2014	2015	Percent Change	Average or Median	2014 ($)	2015 ($)	Percent Change
Iowa (N&E)	December	30,450	30,700	1	AVG	158,700	162,700	3
Des Moines-West Des Moines* (N&E)	December	10,550	12,150	15	AVG	188,100	197,800	5
Kansas (N&E)	December	33,300	34,100	2	AVG	160,300	163,500	2
Kansas City** (N&E)	December	32,000	34,700	8	AVG	191,000	201,300	5
Missouri (N&E)	December	89,250	99,000	11	AVG	181,400	180,900	0
St. Louis*** (E)	December	16,250	17,750	9	AVG	211,400	220,400	4
Nebraska (N&E)	December	13,550	14,450	7	AVG	153,500	162,200	6
Omaha-Council Bluffs (N&E)	December	12,150	13,050	7	AVG	184,800	195,000	6

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 Association of Realtors®

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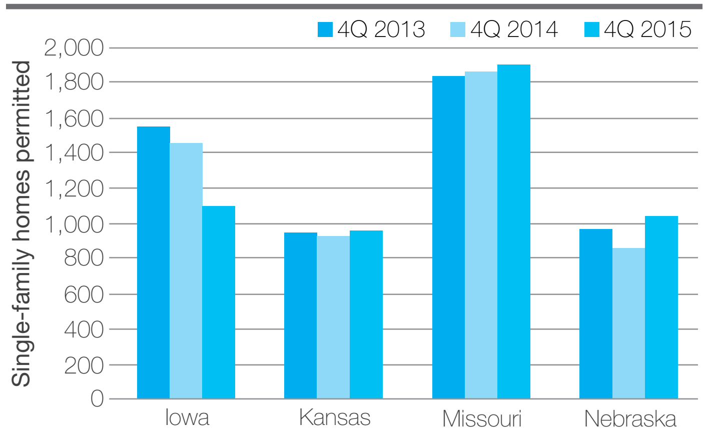
During the fourth quarter of 2015 (preliminary data)—

- In the region, 5,025 single-family homes were permitted, a decrease of 100 homes, or 2 percent, compared with the number permitted during the fourth quarter of 2014.
- In Nebraska, the number of single-family homes permitted increased 21 percent, to 1,050, which represents the greatest increase in the region and was a result of slightly tight sales market conditions in Omaha-Council Bluffs.
- The number of single-family homes permitted in Kansas increased 4 percent, to 970, compared with the number permitted a year ago. Single-family permitting in Missouri increased 2 percent, to 1,900, during the same period.
- The number of single-family homes permitted in Iowa decreased 24 percent, to 1,100, the fewest homes permitted during the fourth quarter since 2009.

In the Great Plains region, a large decline in single-family permitting in Iowa more than offset gains in Kansas, Missouri, and 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 slightly tight to tight in most large metropolitan areas in the Great Plains region during the fourth quarter of 2015. In Omaha, the apartment market was tight, with a 4.1-percent vacancy rate, up from 3.2 percent a year earlier, and the average rent was up approximately 3 percent, to $804 (Reis, Inc.). Apartment markets in the largest metropolitan areas in Missouri were also tight in the fourth quarter of 2015. In Kansas City, the apartment vacancy rate increased from 4.4 to 4.7 percent and the average rent increased 3 percent, to $805, compared with conditions during the fourth quarter of 2014. In St. Louis, the apartment vacancy rate declined from 4.4 to 4.2 percent and the average rent increased 3 percent, to $815. The apartment market in Wichita was slightly tight, with a 5.6-percent vacancy rate, down from 6.3 percent a year earlier, and the average rent increased 3 percent, to $613 (MPF Research). The apartment market in Des Moines-West Des Moines remained tight during the fourth quarter of 2015, with a 4.5-percent vacancy rate, up from 3.5 percent a year earlier, and the average rent was up 1 percent, to $813.

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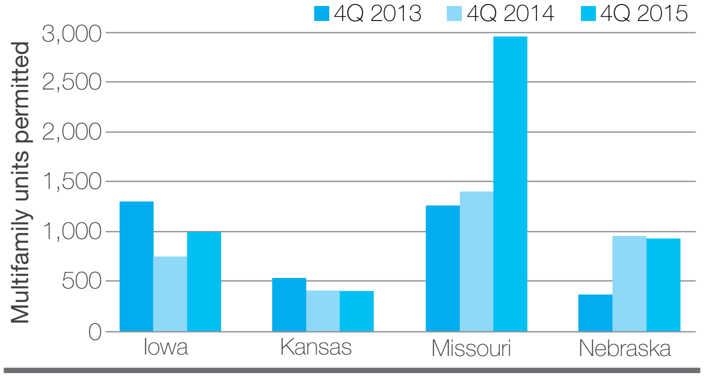
During the fourth quarter of 2015 (preliminary data)—

- Multifamily construction, as measured by the number of multifamily units permitted, increased nearly 50 percent compared with the number of units permitted during the fourth quarter of 2014, to 5,300 units permitted, with nearly all the growth occurring in Missouri and Iowa.
- In Missouri, 2,950 units were permitted compared with 1,400 units permitted during the same period a year ago, the greatest numerical increase in the region, spurred by development in Kansas City and St. Louis.
- The number of units permitted in Iowa increased to 990 units from the 760 permitted during the fourth quarter of 2014, primarily because of increased activity in Des Moines-West Des Moines.
- The number of multifamily units permitted in Kansas was virtually unchanged at 410, but the number of units permitted in Nebraska declined 3 percent, to 930.

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



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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, with vacancies declining in St. Louis and Wichita.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2014 (%)	4Q 2015 (%)	Percentage Point Change	4Q 2014 ($)	4Q 2015 ($)	Percent Change
Des Moines-West Des Moines[a]	Tight	3.5	4.5	1.0	803	813	1
Kansas City[b]	Tight	4.4	4.7	0.3	779	805	3
Omaha[b]	Tight	3.2	4.1	0.9	780	804	3
St. Louis[b]	Tight	4.4	4.2	– 0.2	793	815	3
Wichita[a]	Slightly tight	6.3	5.6	– 0.7	595	613	3

4Q = fourth quarter.
Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) MPF Research; (b) Reis, Inc.