

HUD PD&R Regional Reports

Region 7: Great Plains



Quick Facts About Region 7

Cedar Rapids, Iowa

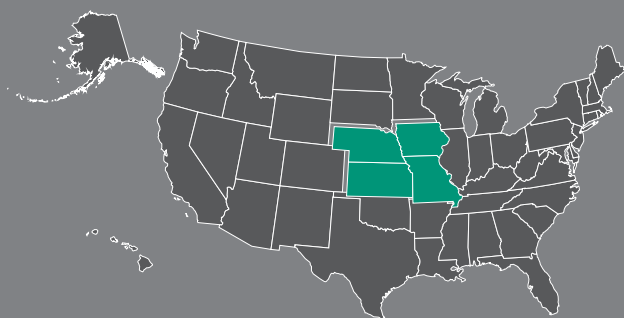
By L. David Vertz | 1st quarter 2018

Sales market conditions—

First quarter 2018: mixed (slightly tight to tight).
Fourth quarter 2017: mixed (slightly tight to tight).
First quarter 2017: mixed (slightly tight to tight).

Apartment market conditions—

First quarter 2018: mixed (slightly soft to slightly tight).
Fourth quarter 2017: mixed (slightly soft to balanced).
First quarter 2017: mixed (slightly tight to tight).



Overview

Economic growth in the Great Plains region continued during the first quarter of 2018, a trend that began in the fourth quarter of 2010. For the sixth consecutive quarter, Missouri led year-over-year job gains, accounting for nearly 60 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 first quarter of 2018. Apartment market conditions ranged from slightly soft to slightly tight throughout the region, with the St. Louis metropolitan area recording the largest increase in rent growth, up 6 percent, from a year ago.

- Home sales increased in the region during the first quarter of 2018, led by a 2-percent increase in both Kansas and Missouri; home sales prices were up in every state in the region, led by a 5-percent increase in both Missouri and Nebraska.
- During the 12 months ending March 2018, apartment absorption in the region increased to 15,150 units, up from 11,200 units during the same period a year ago (ALN Apartment Data, Inc.). The largest markets in Missouri accounted for more than one-half of all apartment units absorbed in the region.



The professional and business services sector, which added 25,700 jobs during the first quarter of 2018, led modest economic growth in the Great Plains region.

	First Quarter		Year-Over-Year Change	
	2017 (thousands)	2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,766.9	6,827.1	60.2	0.9
Goods-producing sectors	1,037.7	1,044.5	6.8	0.7
Mining, logging, and construction	304.1	291.0	- 13.1	- 4.3
Manufacturing	733.6	753.5	19.9	2.7
Service-providing sectors	5,729.2	5,782.6	53.4	0.9
Wholesale and retail trade	1,030.3	1,025.7	- 4.6	- 0.4
Transportation and utilities	286.4	295.6	9.2	3.2
Information	111.3	110.5	- 0.8	- 0.7
Financial activities	430.1	436.5	6.4	1.5
Professional and business services	797.2	822.9	25.7	3.2
Education and health services	1,045.6	1,057.0	11.4	1.1
Leisure and hospitality	635.2	640.4	5.2	0.8
Other services	259.3	256.6	- 2.7	- 1.0
Government	1,133.8	1,137.2	3.4	0.3

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

Source: U.S. Bureau of Labor Statistics

Economic Conditions

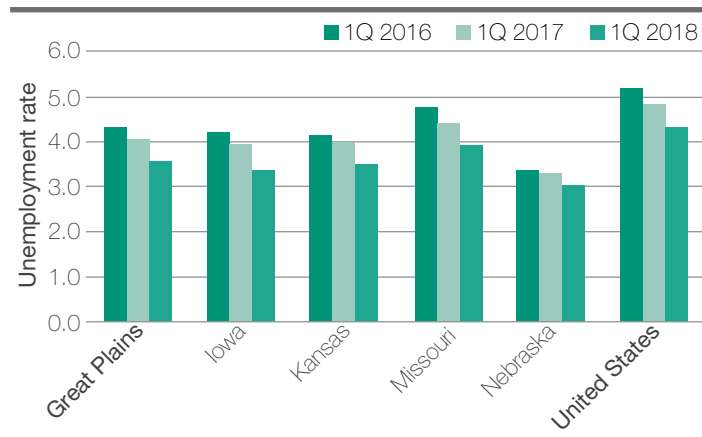
Modest economic growth in the Great Plains region continued during the first quarter of 2018. Nonfarm payrolls increased 0.9 percent, or by 60,200 jobs, compared with the number of jobs during the same quarter a year earlier to 6.83 million jobs, and every state in the region added jobs. During the first quarter of 2018, the professional and business services and the manufacturing sectors combined accounted for approximately 75 percent of total payroll

growth in the region. The professional and business services sector added 25,700 jobs, a 3.2-percent increase from the same quarter a year ago. The manufacturing sector increased by 19,900 jobs, or 2.7 percent, during the same period. Increased hiring during the first quarter of 2018 resulted in a 3.6-percent unemployment rate in the region, an improvement from the 4.1-percent rate recorded during the first quarter of 2017.

During the first quarter of 2018—

- Nonfarm payrolls in Missouri increased by 33,500 jobs, or 1.2 percent, compared with the number of nonfarm payrolls during the same period a year ago.
- In Iowa, nonfarm payrolls increased by 11,600 jobs, or 0.7 percent, led by a gain of 10,400 jobs, or 4.9 percent, in the manufacturing sector. Gains in the manufacturing sector are attributed to widespread growth and include the recent hiring of 200 additional workers at the new Kraft Heinz Company meat processing and packaging facility in Davenport.
- In Nebraska, nonfarm payrolls increased by 4,500 jobs, or 0.4 percent, from the first quarter of 2017, led by a gain of 2,900 jobs, or 2.9 percent, in the manufacturing sector.
- Nonfarm payrolls in Kansas increased by 10,700 jobs, or 0.8 percent, compared with the number of nonfarm payrolls during the same period a year ago. The professional and business services sector accounted for approximately one-half of the gain.

The unemployment rate declined in all states in the Great Plains region, and the regional rate remains well below the national rate.



1Q = first quarter.

Source: U.S. Bureau of Labor Statistics

Population

As of July 1, 2017, the population of the Great Plains region is estimated to be 14.09 million, a 0.4-percent increase from a year earlier, unchanged from the average annual rate of growth since 2010 (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 (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, 2017—

- The overall population growth in the region totaled 55,050, with net in-migration accounting for nearly 10 percent of the gain. By comparison, net out-migration from the region had been recorded each year from 2014 to 2016.
- The population of Nebraska, which had the highest population growth rate of any state in the region, was up 0.7 percent to 1.92 million, with approximately 90 percent of the growth because of net natural change (resident births minus resident deaths).
- Among the 42 states nationwide that recorded an increase in population during the past year, Kansas recorded one of the smallest gains, up approximately 5,400 people from a year ago. Population gains in Kansas have been slower than in other states in the region because of a large out-migration from the state, a trend that began in 2013.

The population growth rate in the Great Plains region increased during 2017, with each state recording numerical gains.

	Population Estimate (as of July 1)			Percent Change	
	2015	2016	2017	2015 to 2016	2016 to 2017
United States	321,039,839	323,405,935	325,719,178	0.7	0.7
Great Plains region	13,990,446	14,037,379	14,092,442	0.3	0.4
Iowa	3,118,473	3,130,869	3,145,711	0.4	0.5
Kansas	2,905,789	2,907,731	2,913,123	0.1	0.2
Missouri	6,072,640	6,091,176	6,113,532	0.3	0.4
Nebraska	1,893,564	1,907,603	1,920,076	0.7	0.7

Source: U.S. Census Bureau

Sales Market Conditions

Home sales increased slightly in the Great Plains region during the 12 months ending March 2018 compared with sales during the same period a year ago. During the 12 months ending March 2018, the number of new and existing home sales in the region (including single-family homes, townhomes, and condominiums) increased less than 1 percent to approximately 196,400 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 \$190,100.

Sales housing market conditions ranged from slightly tight to tight in the large metropolitan areas in the region during the first quarter of 2018. In the Kansas City metropolitan area, the sales market was tight, with the number of new and existing homes sold down 2 percent during the 12 months ending March 2018 compared with the number sold a year earlier, to 37,850, and the average home sales price

increased 6 percent to \$228,600 (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 2 percent to 48,450 homes sold, and the average existing home sales price increased 2 percent to \$212,200 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). In the Des Moines-West Des Moines metropolitan area, the sales market was tight. New and existing home sales increased 2 percent to 16,700 homes sold, and the average sales price increased 5 percent to \$210,800 (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 decreased 7 percent to 13,700 homes sold, and the average sales price increased 5 percent to \$215,900 from the same period a year ago (Omaha Area

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Board of Realtors®). The decrease in home sales in the Omaha-Council Bluffs metropolitan area is partially attributed to a continued decline in the number of active residential listings, a trend that began during 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 February 2018, 1.6 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.).

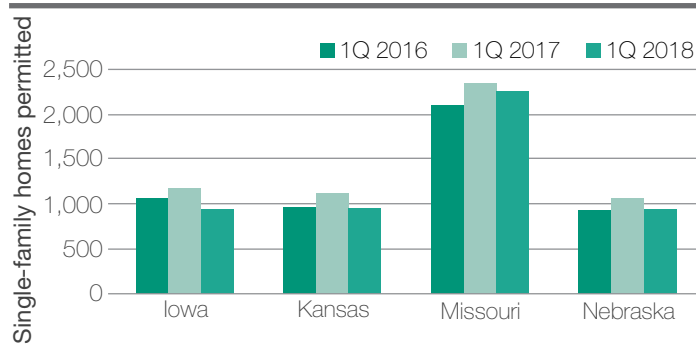
During the first quarter of 2018 (preliminary data)—

- Single-family homebuilding activity, as measured by the number of homes permitted, decreased in the region to approximately 5,075 single-family homes, a decline of 640 homes, or 11 percent, compared with the number of homes permitted during the first quarter of 2017.
- In Iowa, the number of single-family homes permitted decreased 22 percent to 940 homes from a year ago despite strong home sales prices in the Des Moines-West Des Moines metropolitan area.
- In Kansas, the number of single-family homes permitted decreased 15 percent to 950 homes compared with the number permitted a year ago. Although the number of homes permitted has

declined, the current level of homebuilding activity in Kansas is in line with the historical average of 930 homes during the first quarter of each year since 2013.

- In Nebraska, single-family permitting decreased 11 percent to 940 homes permitted. In Missouri, the number of single-family homes permitted decreased 4 percent from 2,350 a year ago despite tight and slightly tight home sales markets in Kansas City and St. Louis, respectively.

Single-family permitting activity decreased in every state in the Great Plains region from the first quarter of 2017.



1Q = first quarter.

Note: Based on preliminary data.

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

Total home sales in the Great Plains region were relatively unchanged during the past year, while gains in home sales prices in the major metropolitan areas were relatively strong.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2017	2018	Percent Change		2017 (\$)	2018 (\$)	Percent Change
Iowa (N&E)	March	35,300	33,750	- 4	AVG	172,600	174,600	1
Des Moines-West Des Moines (N&E)	March	16,450	16,700	2	AVG	201,400	210,800	5
Kansas (N&E)	March	38,550	39,150	2	AVG	174,300	176,900	1
Kansas City* (N&E)	March	38,600	37,850	- 2	AVG	216,200	228,600	6
Missouri (N&E)	March	107,300	109,000	2	AVG	190,900	201,200	5
St. Louis** (E)	March	47,500	48,450	2	AVG	208,200	212,200	2
Nebraska (N&E)	March	14,850	14,400	- 3	AVG	170,100	179,400	5
Omaha-Council Bluffs (N&E)	March	14,700	13,700	- 7	AVG	205,700	215,900	5

AVG = average. E = existing. N&E = new and existing.

* Homes sold in Kansas City are captured in both the state of Kansas and Missouri. ** Data reflect sales in the city of St. Louis and St. Charles and St. Louis Counties only.

Note: All data include single-family, townhomes, and condominiums.

Sources: Kansas City Regional Association of Realtors®; Heartland Multiple Listing Service, Inc.; Omaha Area Board of Realtors®; Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Apartment Market Conditions

Apartment market conditions ranged from slightly soft to slightly tight in most of the large metropolitan areas in the Great Plains region during the first quarter of 2018. In the Omaha metropolitan area, the apartment market was slightly tight, with a 4.9-percent vacancy rate, down from 5.1 percent a year earlier, and the average rent was up 4 percent to \$905 (ALN Apartment Data, Inc.). Apartment market conditions in the largest markets in Missouri were slightly tight in the first quarter of 2018. In the Kansas City metropolitan area, the apartment vacancy rate increased from 6.0 to 6.2 percent, and the average rent increased 3 percent from a year earlier to \$970. In the St. Louis metropolitan area, the apartment vacancy rate increased slightly from a year earlier to 7.7 percent, and the average rent increased 6 percent to \$973. In the Wichita metropolitan area, the apartment market was slightly soft, with an 8.7-percent vacancy rate in the first quarter of 2018, up from the 7.7-percent rate a year earlier, and the average rent increased 3 percent to \$700. In the Des Moines-West Des Moines metropolitan area, the apartment market was balanced during the first quarter of 2018, with a 6.1-percent vacancy rate, up from 5.9 percent a year earlier, and the average rent increased 3 percent to \$933.

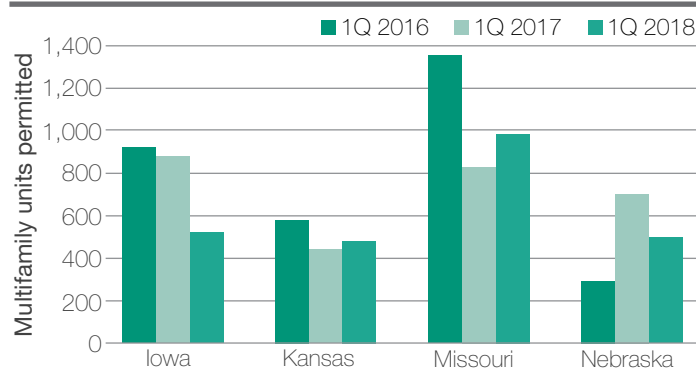
During the first quarter of 2018 (preliminary data)—

- Multifamily construction, as measured by the number of multifamily units permitted, decreased 13 percent in the region from the first quarter of 2017 to 2,450 units permitted, despite gains in Kansas and Missouri.
- The number of multifamily units permitted in Missouri totaled 980, up from the 830 permitted during the first quarter of 2017. In Kansas, 480 units were permitted, up 9 percent from the 440

units permitted a year ago. The increase in multifamily building activity is attributed to growth in the Kansas City metropolitan area, which extends to both states.

- The number of multifamily units permitted in Iowa decreased 43 percent to 510 units from the same period a year ago. Nearly all of the decline occurred in the Des Moines-West Des Moines metropolitan area, where nearly 2,500 apartment units are currently in lease up.
- In Nebraska, 490 multifamily units were permitted, down 29 percent from the 700 units permitted during the same period a year ago.

Multifamily permitting in the Great Plains region was down from a year ago, led by more than a 40-percent decline in Iowa.



1Q = first quarter.

Note: Based on preliminary data.

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

Apartment market conditions during the first quarter of 2018 ranged from slightly soft to slightly tight in most of the major metropolitan areas of the Great Plains region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2017 (%)	1Q 2018 (%)	Percentage Point Change	1Q 2017 (\$)	1Q 2018 (\$)	Percent Change
Des Moines-West Des Moines	Balanced	5.9	6.1	0.2	909	933	3
Kansas City	Slightly Tight	6.0	6.2	0.2	939	970	3
Omaha	Slightly Tight	5.1	4.9	- 0.2	870	905	4
St. Louis	Slightly Tight	7.3	7.7	0.4	921	973	6
Wichita	Slightly Soft	7.7	8.7	1	679	700	3

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