

HUD PD&R Regional Reports

Region 7: Great Plains



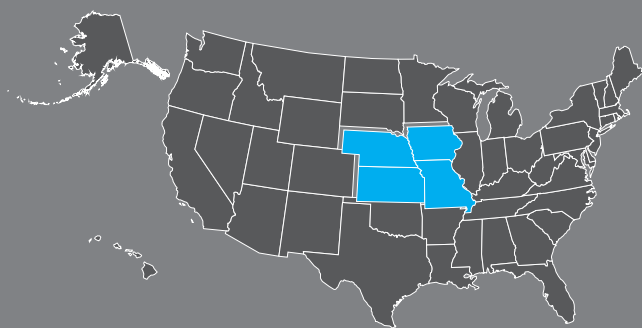
Omaha, Nebraska

Quick Facts About Region 7

By L. David Vertz | 4th quarter 2014

- **Sales market conditions—**
Fourth quarter 2014: mixed (slightly tight to soft).
Third quarter 2014: mixed (slightly tight to soft).
Fourth quarter 2013: balanced.

- **Apartment market conditions—**
Fourth quarter 2014: mixed (balanced to tight).
Third quarter 2014: mixed (slightly tight to tight).
Fourth quarter 2013: mixed (balanced to tight).



Overview

Economic growth in the Great Plains region continued during the fourth quarter of 2014 but at a slightly lower rate than a year ago. During the fourth quarter of 2014, Missouri led job gains, accounting for slightly more than 55 percent of the growth in the region. For perspective, Missouri currently accounts for approximately 40 percent of all jobs regionwide. During 2014, Missouri added 44,300 jobs, the greatest annual gain in nonfarm payrolls for the state since 1998.

- Home sales were down in every state in the region during the fourth quarter of 2014, led by a 6-percent decline in Nebraska. Conversely, home sales prices were up in every state in the region except Kansas, where they remained relatively unchanged.
- Homeownership rates in the region varied significantly by state. Homeownership rates were most stable in Iowa, where the rate decreased by 0.4 percentage points from the fourth quarter of 2013, to 69.2 percent during the fourth quarter of 2014. Kansas and Missouri experienced the greatest increases in the homeownership rate, of 5.6 and 2.0 percentage points, to 69.0 and 72.9 percent, respectively. Nebraska recorded the greatest decline, of 4.5 percentage points, to 64.1 percent, the lowest rate recorded in the region. By comparison, the national homeownership rate was 64.0 percent during the fourth quarter of 2014.

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- Apartment absorption in the region was relatively steady during the fourth quarters from 2011 through 2013, averaging 1,250 units; however, apartment absorption in the region decreased approximately 50 percent, to 610 units, during the fourth quarter

of 2014 from the same period a year ago (Reis, Inc.). The slowing of absorption in the region is because of a limited available inventory of units for rent coupled with an only 2-percent increase in multifamily permitting from a year ago.

Economic Conditions

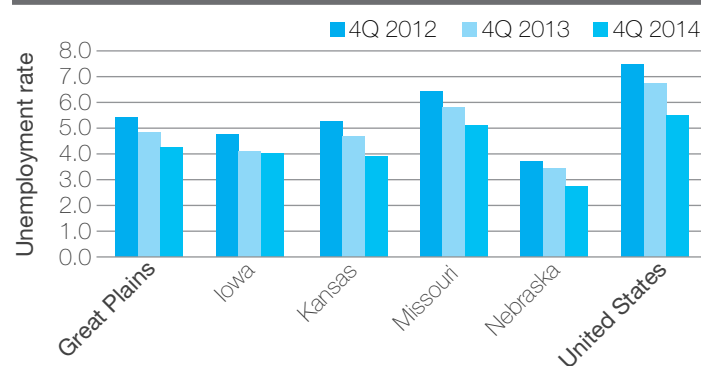
During the fourth quarter of 2014, the economy of the Great Plains region continued to expand, a trend that began in the fourth quarter of 2010. In the fourth quarter of 2014, average nonfarm payrolls increased 1.2 percent, or by 83,100 jobs, from the fourth quarter of 2013, to 6.79 million jobs, and every state in the region added jobs. By comparison, average nonfarm payrolls increased 1.4 percent, or by 95,500 jobs, during the fourth quarter of 2013 from the same 3 months a year earlier. During the past year, the professional and business services and the education and health services sectors accounted for approximately 50 percent of all job growth in the region. During the fourth quarter of 2014, the professional and business services sector gained 18,600 jobs, a 2.4-percent increase from the same quarter a year ago. The education and health services sector increased by 22,900 jobs, or 2.3 percent, during the same period. In addition, strong hiring in the leisure and hospitality and the government sectors resulted in increases of 12,800 and 13,700 jobs, or 2.1 and 1.2 percent, respectively. Increased hiring during the fourth quarter of 2014 resulted in a 4.2-percent unemployment rate in the region, an improvement from the 4.8-percent rate recorded during the fourth quarter of 2013.

During the fourth quarter of 2014—

- In Iowa, nonfarm payrolls increased by 16,400 jobs, or 1.1 percent, from the fourth quarter of 2013, led by a combined gain of 10,500 jobs in the education and health services and the government sectors.

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Unemployment rates declined in every state in the Great Plains region, declining most in Kansas.



4Q = fourth quarter.

Source: U.S. Bureau of Labor Statistics

The education and health services sector accounted for nearly one-third of all nonfarm payroll growth in the Great Plains region during the fourth quarter of 2014.

	Fourth Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,708.5	6,791.6	83.1	1.2
Goods-producing sectors	1,030.2	1,039.6	9.4	0.9
Mining, logging, and construction	302.4	310.3	7.9	2.6
Manufacturing	727.9	729.4	1.5	0.2
Service-providing sectors	5,678.3	5,571.9	73.6	1.3
Wholesale and retail trade	1,040.3	1,037.0	-3.3	-0.3
Transportation and utilities	274.3	275.1	0.8	0.3
Information	128.8	128.2	-0.6	-0.5
Financial activities	416.7	423.0	6.3	1.5
Professional and business services	763.8	782.4	18.6	2.4
Education and health services	1,007.5	1,030.4	22.9	2.3
Leisure and hospitality	619.5	632.3	12.8	2.1
Other services	264.1	266.5	2.4	0.9
Government	1,163.2	1,176.9	13.7	1.2

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

Source: U.S. Bureau of Labor Statistics



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- Nonfarm payrolls in Kansas increased by 11,800 jobs, or 0.8 percent, compared with the number of nonfarm payrolls during the same period a year ago. The education and health services sector accounted for approximately one-third of the gain.
- In Missouri, nonfarm payrolls increased by 46,800 jobs, or 1.7 percent, with gains in the education and health services and the professional and business services sectors accounting for nearly 50 percent of the growth. Employment gains in the education and health services sector are expected to remain strong in light of the recent groundbreaking for Cerner Corporation's \$4.45

billion Trails Campus project in Kansas City. Cerner Corporation, a health information technology company, currently has approximately 10,000 employees at six locations in the Kansas City metropolitan area. Construction of the Trails Campus is expected to generate approximately 4,500 construction jobs, and Cerner expects to hire 16,000 new employees within the decade (*The Kansas City Star*).

- In Nebraska, nonfarm payrolls increased by 7,900 jobs, or 0.8 percent, to 996,400 jobs. The education and health services sector accounted for approximately 30 percent of the gain.

Sales Market Conditions

Weakened home sales in every state in the Great Plains region resulted in mixed sales housing market conditions during the fourth quarter of 2014, ranging from slightly tight to soft. During the 12 months ending December 2014, the number of new and existing homes sold in the region (including single-family homes, townhomes, and condominiums) decreased nearly 4 percent, to 161,100, compared with the number sold a year ago (Metrostudy, A Hanley Wood Company; adjustments by the analyst). During the same period, the average sales price in the region increased more than 2 percent, to \$169,700.

Sales market conditions were mixed in the large metropolitan areas throughout the region during the 12 months ending December 2014. In the Kansas City metropolitan area, where the sales market was soft, the number of homes sold was relatively unchanged, at 29,450, and the average sales price increased 5 percent, to \$191,000 (Kansas City Regional Association of Realtors®; Heartland Multiple Listing Service, Inc.). In St. Louis, where the sales market was slightly soft, existing home sales decreased by 450 homes, or 3 percent, to 16,250 homes sold (St. Louis Association of Realtors®), and the

average existing home sales price increased 8 percent, to \$211,200. In Des Moines-West Des Moines, the sales market is balanced; the number of home sales increased 3 percent, to 10,550 homes, and the average sales price also increased 3 percent, to \$188,100 (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 3 percent, to 11,600, and the average sales price of those homes increased 4 percent, to \$185,100, 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 REO (Real Estate Owned) properties in the region declined in the fourth quarter of 2014, in part because of improved economic conditions. As of December 2014, 3.6 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 4.1 percent a year ago (Black Knight Financial Services, Inc.).

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During the past year, every state in the Great Plains region recorded a decline in home sales, but prices were up in every state except Kansas.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2013	2014	Percent Change		2013 (\$)	2014 (\$)	Percent Change
Iowa (N&E)	December	29,800	29,650	- 1	AVG	151,400	158,600	5
Des Moines-West Des Moines* (N&E)	December	10,200	10,550	3	AVG	182,800	188,100	3
Kansas (N&E)	December	32,850	32,000	- 3	AVG	160,300	159,800	0
Kansas City (N&E)	December	29,500	29,450	0	AVG	182,100	191,000	5
Missouri (N&E)	December	90,350	86,450	- 4	AVG	175,600	180,000	3
St. Louis** (E)	December	16,700	16,250	- 3	AVG	196,300	211,200	8
Nebraska (N&E)	December	13,900	13,000	- 6	AVG	147,800	152,900	3
Omaha-Council Bluffs (N&E)	December	11,250	11,600	3	AVG	178,300	185,100	4

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

*Data reflect sales in Dallas, Polk, and Warren Counties only. **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®

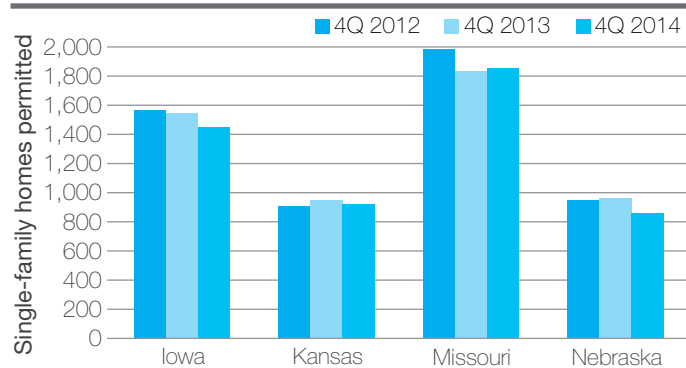


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During the fourth quarter of 2014 (preliminary data)—

- In the region, 5,125 single-family homes were permitted, a decrease of 200 homes, or 4 percent, compared with the number permitted during the fourth quarter of 2013.
- In Missouri, the only state in the region to record an increase, the number of single-family homes permitted increased 2 percent, to 1,875.
- The number of single-family homes permitted in Nebraska decreased 11 percent, to 870, compared with the number permitted a year ago.
- The number of single-family homes permitted in Iowa and Kansas decreased 6 and 3 percent, to 1,450 and 930, respectively.

Single-family permitting declined in every state in the Great Plains region except Missouri, which recorded a 2-percent increase from a year ago.



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 2014. In Omaha, the apartment market was tight, with a 2.6-percent vacancy rate, down from 3.4 percent a year earlier, and the average rent was up approximately 3 percent, to \$780 (Reis, Inc.). Apartment markets in the largest metropolitan areas in Missouri were also tight in the fourth quarter of 2014. In Kansas City, the apartment vacancy rate was relatively unchanged, at 4.3 percent, from 4.4 percent, and the average rent increased 3 percent, to \$780, compared with the rent recorded during the fourth quarter of 2013. In St. Louis, the apartment vacancy rate declined from 4.8 to 4.4 percent and the average rent increased nearly 3 percent, to \$790. The apartment market in Wichita was balanced, with a 6.3-percent vacancy rate, up from 5.5 percent a year earlier, and the average rent was unchanged, at \$600 (MPF Research). The apartment market in Des Moines-West Des Moines remained tight during the fourth quarter of 2014, with a 3.4-percent vacancy rate, up from 2.8 percent a year earlier, and the average rent was up 3 percent, to \$800.

During the fourth quarter of 2014 (preliminary data)—

- Multifamily construction, as measured by the number of multifamily units permitted, increased 2 percent compared with the number of units permitted during the fourth quarter of 2013, to 3,550 units permitted. Overall, the level of multifamily units permitted has been consistent, averaging 3,550 units annually during the fourth quarters from 2012 through 2014. By comparison, during the fourth quarters from 2009 through 2011, the number of multifamily units permitted averaged 2,000 units annually.
- The number of units permitted in Nebraska increased significantly, to 960 units from the 370 units permitted during the fourth quarter of 2013, the greatest increase in the region. Permits were concentrated almost entirely in Lincoln and Omaha.
- In Missouri, 1,425 units were permitted, an 11-percent increase compared with the number permitted during the same period a year ago.

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Apartment market conditions were tight in most major metropolitan areas of the Great Plains region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2013 (%)	4Q 2014 (%)	Percentage Point Change	4Q 2013 (\$)	4Q 2014 (\$)	Percent Change
Des Moines-West Des Moines ^a	Tight	2.8	3.4	0.6	780	800	3
Kansas City ^b	Tight	4.4	4.3	-0.1	760	780	3
Omaha ^b	Tight	3.4	2.6	-0.8	760	780	3
St. Louis ^b	Tight	4.8	4.4	-0.4	770	790	3
Wichita ^a	Balanced	5.5	6.3	0.8	600	600	0

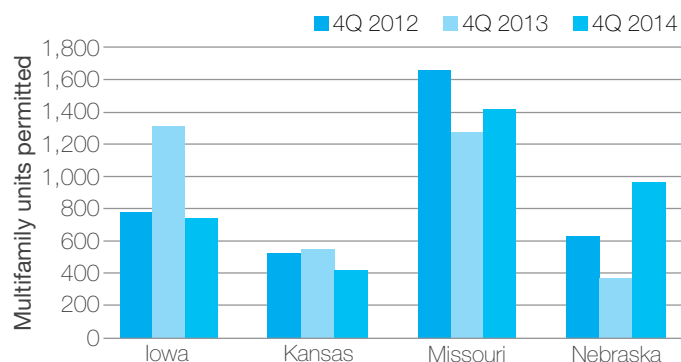
4Q = fourth quarter.

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

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- The number of multifamily units permitted in Iowa and Kansas decreased 42 and 23 percent, to 760 and 410, respectively. Nearly all the decrease in Iowa is because of a decline of 540 multifamily units in Des Moines-West Des Moines from the fourth quarter of 2013 as the units that started construction a year ago begin to come on line. One-half of the decrease in Kansas is because of a 60-unit decline in Manhattan from a year ago. The decline is partially because of the recent groundbreaking of We-fald Hall, a 540-bed student dormitory at Kansas State University that is expected to come on line in 2016. The new residence hall will likely accommodate the roughly 600 students in overflow housing for the past 2 years (Kansas State University).

Multifamily permitting in the Great Plains region was up slightly from a year ago, with the increase in building activity concentrated primarily in Nebraska.



4Q = fourth quarter.

Note: Based on preliminary data.

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