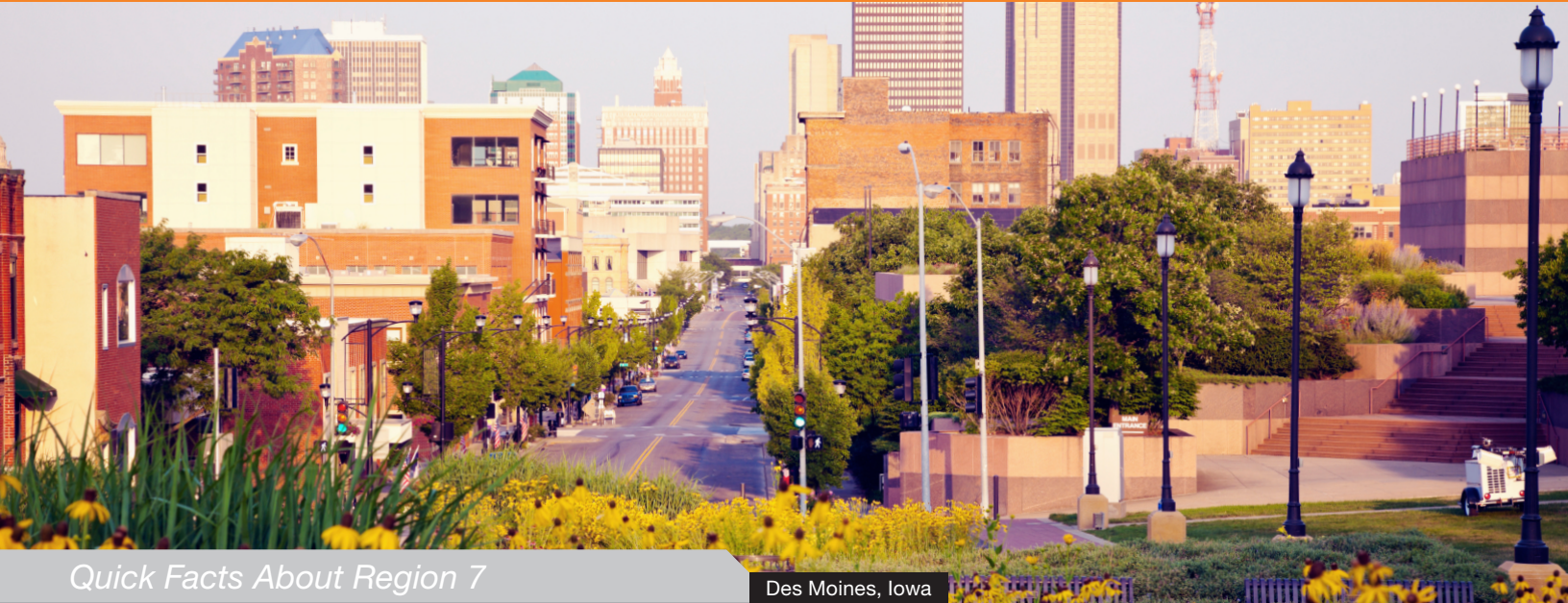


HUD PD&R Regional Reports

Region 7: Great Plains

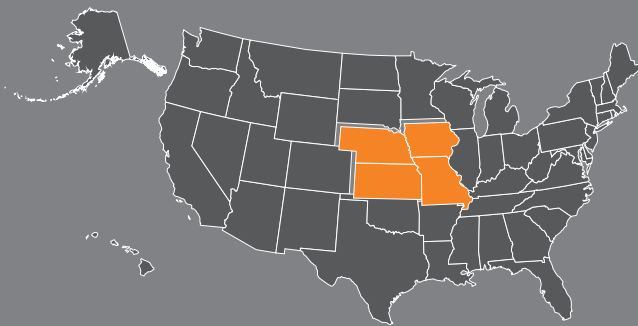


Des Moines, Iowa

By L. David Vertz | 2nd quarter 2015

Quick Facts About Region 7

- **Sales market conditions—**
Second quarter 2015: mixed (balanced to tight).
First quarter 2015: mixed (slightly tight to slightly soft).
Second quarter 2014: balanced.
- **Apartment market conditions—**
Second quarter 2015: mixed (balanced to tight).
First quarter 2015: mixed (balanced to tight).
Second quarter 2014: mixed (slightly tight to tight).



Overview

Nonfarm payroll growth in the Great Plains region continued during the second quarter of 2015, a trend that began in the fourth quarter of 2010, to a new peak level of 6.77 million jobs, surpassing the previous high of 6.75 million jobs recorded during the second quarter of 2008. During the second quarter of 2015, Missouri and Iowa led year-over-year job gains, accounting for nearly 75 percent of growth in the region. Sales housing market conditions ranged from balanced to tight during the second quarter of 2015, an improvement from the first quarter of 2015. Apartment market conditions also ranged from balanced to tight throughout the region, with several major metropolitan areas in Missouri and Nebraska recording year-over-year rent growth of at least 3 percent.

- Home sales were down in every state in the region, with the exception of Missouri, during the second quarter of 2015, led by a 5-percent decline in Kansas. Home sales regionwide have

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declined consistently since the fourth quarter of 2013. Home sales prices across the region were relatively flat, with increases of more than 4 percent in Iowa and Nebraska offset by a decline of 1 percent in Kansas while prices remained relatively unchanged in Missouri. Kansas and Missouri account for approximately 75 percent of the home sales volume across the region.

Economic Conditions

Economic growth in the Great Plains region continued, but it moderated during the second quarter of 2015. In the second quarter of 2015, average nonfarm payrolls increased 0.8 percent, or by 56,200 jobs, from the second quarter of 2014, to 6.77 million jobs, and every state in the region added jobs. By comparison, average nonfarm payrolls increased 1.4 percent, or by 90,300 jobs, during the second quarter of 2014 from the same 3 months a year earlier. During the past year, the education and health services and the leisure and hospitality sectors accounted for nearly 40 percent of all job growth in the region. During the second quarter of 2015, the education and health services sector gained 12,200 jobs, a 1.2-percent increase from the same quarter a year ago. The leisure and hospitality sector increased by 8,400 jobs, or 1.3 percent, during the same period. In addition, strong hiring in the professional and business services sector resulted in an increase of 7,400 jobs, or 1.0 percent. The mining, logging, and construction sector recorded the greatest rate of growth, 2.3 percent, with the construction

- During the second quarter of 2015, apartment absorption in the region increased approximately 3 percent, to 1,025 units, from the same period a year ago (Reis, Inc.). Apartment absorption was up for the second consecutive quarter, reversing a trend of slowing apartment absorption from the fourth quarter of 2013 through the fourth quarter of 2014.

subsector accounting for all 7,100 jobs added in the sector. Increased hiring during the second quarter of 2015 resulted in a 4.5-percent unemployment rate in the region, an improvement from the 4.9-percent rate recorded during the second quarter of 2014.

During the second quarter of 2015—

- In Iowa, nonfarm payrolls increased by 23,700 jobs, or 1.5 percent, from the second quarter of 2014, led by a gain of 5,500 jobs in the wholesale and retail trade sector, with the increase split almost evenly between the wholesale and retail trade sub-sectors.
- Nonfarm payrolls in Kansas increased by 8,900 jobs, or 0.6 percent, compared with the number of nonfarm payrolls during the same period a year ago. The education and health services and professional and business services sectors accounted for slightly more than one-third of the gain.

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The education and health services sector, which added 12,200 jobs during the second quarter of 2015, led absolute nonfarm payroll growth in the Great Plains region.

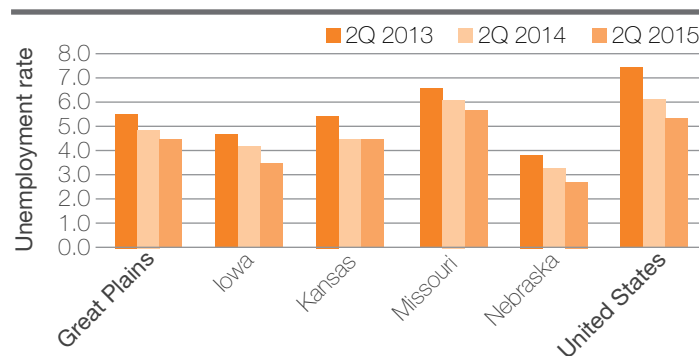
	2nd Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,718.4	6,774.6	56.2	0.8
Goods-producing sectors	1,049.1	1,056.9	7.8	0.7
Mining, logging, and construction	315.2	322.3	7.1	2.3
Manufacturing	734.0	734.6	0.6	0.1
Service-providing sectors	5,669.3	5,717.6	48.3	0.9
Wholesale and retail trade	1,033.2	1,035.5	2.3	0.2
Transportation and utilities	270.3	274.9	4.6	1.7
Information	128.5	127.4	- 1.1	- 0.9
Financial activities	420.7	425.6	4.9	1.2
Professional and business services	776.3	783.7	7.4	1.0
Education and health services	996.3	1,008.5	12.2	1.2
Leisure and hospitality	652.4	660.8	8.4	1.3
Other services	260.2	263.9	3.7	1.4
Government	1,131.4	1,137.4	6.0	0.5

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

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- In Missouri, nonfarm payrolls increased by 17,300 jobs, or 0.6 percent, with gains in the manufacturing sector accounting for nearly 25 percent of the growth. Hiring in the manufacturing sector increased by 5,000 jobs, or 2.0 percent, from a year ago. Hiring is expected to remain strong in the manufacturing sector for the next several years as a result of several announcements in the spring of 2015 regarding expansions in the automotive industry. In addition to those announcements, Piva Group, a manufacturer of vinyl windows, doors, panels, and other construction products, announced plans to create 122 jobs over time at a new \$6.47 million facility in Ste. Genevieve.
- In Nebraska, nonfarm payrolls increased by 6,300 jobs, or 0.6 percent, to slightly more than 1.00 million jobs, the highest level ever recorded in the state. The education and health services sector accounted for approximately 40 percent of the gain.

The unemployment rate declined in most states in the Great Plains region; the greatest declines occurred in Iowa and Nebraska.



2Q = second quarter.

Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Home sales declined in every state in the Great Plains region, with the exception of Missouri, which resulted in mixed sales housing market conditions during the second quarter of 2015, ranging from balanced to tight. During the 12 months ending June 2015, the number of new and existing homes sold in the region (including single-family homes, townhomes, and condominiums) increased less than 1 percent, to 165,600, 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 \$171,800.

Sales market conditions were mixed in the large metropolitan areas throughout the region during the second quarter of 2015. In the Kansas City metropolitan area, where the sales market was balanced, the number of homes sold was up 5 percent during the

12 months ending June 2015, to 2,725, and the average sales price increased 5 percent, to \$197,200 (Kansas City Regional Association of Realtors®; Heartland Multiple Listing Service, Inc.). In St. Louis, where the sales market was balanced, existing home sales increased to 1,425 homes sold (St. Louis Association of Realtors®), and the average existing home sales price increased 5 percent, to \$215,500. In Des Moines-West Des Moines, the sales market is tight; home sales increased 13 percent, to 970 homes, and the average sales price increased 4 percent, to \$192,000 (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 to 1,025, and the average sales price increased 6 percent, to \$191,600, from the same period a year ago (Omaha Area Board of Realtors®).

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During the past year, Missouri was the only state in the Great Plains region to record an increase in both home sales and home sales prices.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2014	2015	Percent Change		2014 (\$)	2015 (\$)	Percent Change
Iowa (N&E)	June	30,400	29,600	-3	AVG	155,000	160,800	4
Des Moines-West Des Moines* (N&E)	June	860	970	13	AVG	185,500	192,000	4
Kansas (N&E)	June	33,350	31,600	-5	AVG	161,800	160,600	-1
Kansas City (N&E)	June	2,600	2,725	5	AVG	187,300	197,200	5
Missouri (N&E)	June	87,850	91,100	4	AVG	180,900	181,300	0
St. Louis** (E)	June	1,375	1,425	4	AVG	204,800	215,500	5
Nebraska (N&E)	June	13,650	13,250	-3	AVG	151,400	158,300	5
Omaha-Council Bluffs (N&E)	June	980	1,025	5	AVG	181,200	191,600	6

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.

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®



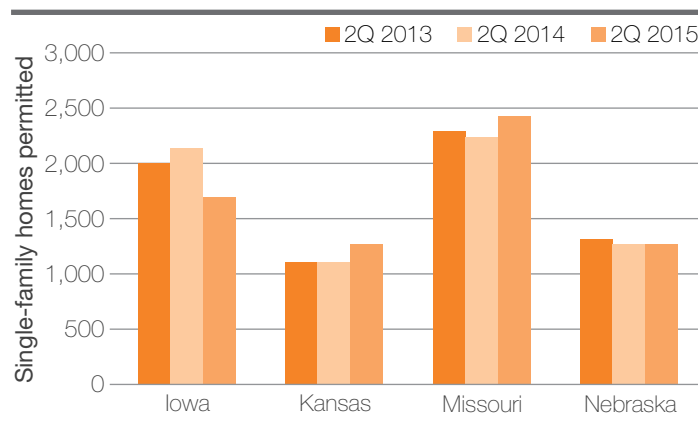
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The percentage of seriously delinquent mortgage loans (loans that are 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the region declined in the second quarter of 2015, in part because of improved economic conditions. As of June 2015, 3.3 percent of home loans in the region were seriously delinquent or transitioned into REO status, down from 3.6 percent a year ago (Black Knight Financial Services, Inc.).

During the second quarter of 2015 (preliminary data)—

- In the region, 6,675 single-family homes were permitted, a decrease of 100 homes, or 1 percent, compared with the number permitted during the second quarter of 2014.
- In Kansas, the number of single-family homes permitted increased 16 percent, to 1,300, which represents the greatest increase in the region.
- The number of single-family homes permitted in Missouri increased 8 percent, to 2,425, compared with the number permitted a year ago.
- The number of single-family homes permitted in Iowa and Nebraska decreased 21 and 1 percent, to 1,700 and 1,250, respectively.

During the second quarter of 2015 in the Great Plains region, gains in single-family permitting in both Kansas and Missouri were more than offset by a large decline in Iowa.



2Q = second 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 second quarter of 2015. In Omaha, the apartment market was tight, with a 3.4-percent vacancy rate, up from 3.1 percent a year earlier, and the average rent was up approximately 3 percent, to \$788 (Reis, Inc.). Apartment markets in the largest metropolitan areas in Missouri were also tight in the second quarter of 2015. In Kansas City, the apartment vacancy rate increased from 4.2 to 4.4 percent and the average rent increased 3 percent, to \$786, compared with conditions during the second quarter of 2014. In St. Louis, the apartment vacancy rate declined from 4.6 to 4.0 percent and the average rent increased 2 percent, to \$803. The apartment market in Wichita was balanced, with a 5.5-percent vacancy rate, up from 5.2 percent a year earlier, and the average rent increased

2 percent, to \$616 (MPF Research). The apartment market in Des Moines-West Des Moines remained tight during the second quarter of 2015, with a 3.6-percent vacancy rate, up from 3.0 percent a year earlier, and the average rent was up 1 percent, to \$807.

During the second quarter of 2015 (preliminary data)—

- Multifamily construction, as measured by the number of multifamily units permitted, decreased 36 percent compared with the number of units permitted during the second quarter of 2014, to 2,800 units permitted. The number of multifamily units permitted averaged 3,675 annually during the second quarters from 2013 through 2015. By comparison, during the second quarters from 2010 through 2012, the number of multifamily units permitted averaged 1,950 annually.

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Apartment market conditions were tight in most major metropolitan areas of the Great Plains region, despite a few small increases in the vacancy rate.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2014 (%)	2Q 2015 (%)	Percentage Point Change	2Q 2014 (\$)	2Q 2015 (\$)	Percent Change
Des Moines-West Des Moines ^a	Tight	3.0	3.6	0.6	801	807	1
Kansas City ^b	Tight	4.2	4.4	0.2	762	786	3
Omaha ^b	Tight	3.1	3.4	0.3	767	788	3
St. Louis ^b	Tight	4.6	4.0	-0.6	787	803	2
Wichita ^a	Balanced	5.2	5.5	0.3	601	616	2

2Q = second quarter.

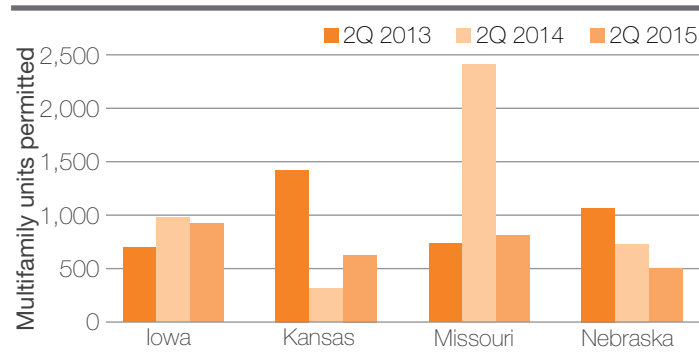
Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) MPF Research; (b) Reis, Inc.



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- In Kansas, 620 units were permitted compared with 270 units permitted during the same period a year ago. Kansas was the only state in the region to record an increase in units permitted during the second quarter of 2015.
- The number of units permitted in Missouri decreased to 780 units from the 2,425 permitted during the second quarter of 2014, the greatest decrease in the region.
- Likewise, the number of multifamily units permitted in Iowa and Nebraska decreased 6 and 34 percent, to 920 and 480, respectively. The decrease in Nebraska is entirely because of large declines in Douglas and Sarpy Counties, which are predominant counties in the Omaha-Council Bluffs metropolitan area. The decline is because builders are scaling back new construction because many of the 550 units permitted during the second quarter of 2014 are beginning to come on line.

Multifamily permitting in the Great Plains region was down from a year ago, led by a 68-percent decline in Missouri.



2Q = second quarter.

Note: Based on preliminary data.

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