

HUD PD&R Regional Reports

Region 7: Great Plains



Kansas City, Missouri

Quick Facts About Region 7

By L. David Vertz | 3rd quarter 2015



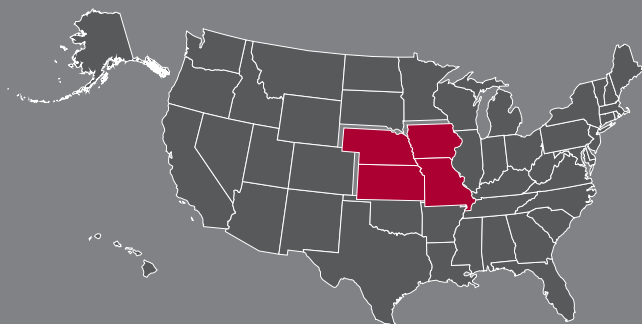
Sales market conditions—

Third quarter 2015: mixed (balanced to tight).
Second quarter 2015: mixed (balanced to tight).
Third quarter 2014: mixed (slightly tight to soft).



Apartment market conditions—

Third quarter 2015: mixed (slightly tight to tight).
Second quarter 2015: mixed (balanced to tight).
Third quarter 2014: mixed (slightly tight to tight).



Overview

Nonfarm payroll growth in the Great Plains region continued during the third quarter of 2015, a trend that began in the fourth quarter of 2010. During the third quarter of 2015, Missouri and Iowa led year-over-year job gains, accounting for more than 75 percent of growth in the region. Sales housing market conditions ranged from balanced to tight during the third quarter of 2015 compared with slightly tight to soft sales market conditions a year ago. 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 regionwide increased during the third quarter of 2015 and are currently at the highest level recorded since the second quarter of 2014. Although home sales prices across the region have increased during the past year, the rate of growth has slowed, which helped spur sales activity; however, peak prices were recorded in Des Moines-West Des Moines, Omaha-Council Bluffs, and St. Louis.
- During the third quarter of 2015, apartment absorption in the region more than doubled, to 2,075 units, from the same period a year ago (Reis, Inc.). Apartment absorption is at the highest level recorded in 5 years; approximately 2,200 units were absorbed during the third quarter of 2010. By comparison, during the third quarters from 2011 through 2014, the number of units absorbed averaged 1,100.



The education and health services sector, which added 13,500 jobs during the third quarter of 2015, led modest economic growth in the Great Plains region.

	Third Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,661.1	6,731.5	70.4	1.1
Goods-producing sectors	1,061.4	1,069.8	8.4	0.8
Mining, logging, and construction	326.0	335.9	9.9	3.0
Manufacturing	735.4	733.9	-1.5	-0.2
Service-providing sectors	5,599.7	5,661.7	62.0	1.1
Wholesale and retail trade	1,034.0	1,038.3	4.3	0.4
Transportation and utilities	270.6	277.0	6.4	2.4
Information	127.9	127.6	-0.3	-0.2
Financial activities	423.3	431.2	7.9	1.9
Professional and business services	779.7	785.0	5.3	0.7
Education and health services	988.7	1,002.2	13.5	1.4
Leisure and hospitality	656.6	669.5	12.9	2.0
Other services	259.9	262.0	2.1	0.8
Government	1,059.1	1,069.0	9.9	0.9

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

Source: U.S. Bureau of Labor Statistics

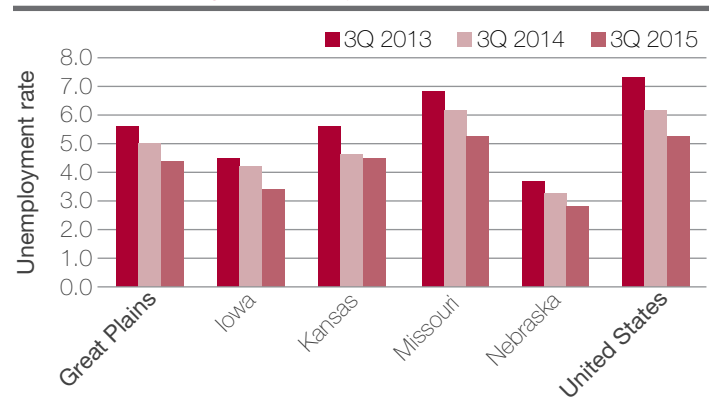
Economic Conditions

Modest economic growth in the Great Plains region continued during the third quarter of 2015. Average nonfarm payrolls increased 1.1 percent, or by 70,400 jobs, from the third quarter of 2014, to 6.73 million jobs, and every state in the region added jobs. By comparison, average nonfarm payrolls increased 1.1 percent, or by 72,700 jobs, during the third quarter of 2014 from the same 3 months a year earlier. During the third quarter of 2015, the education and health services and the leisure and hospitality sectors accounted for nearly 40 percent of all job growth in the region. The education and health services sector gained 13,500 jobs, a 1.4-percent increase from the same quarter a year ago. The leisure and hospitality sector increased by 12,900 jobs, or 2.0 percent, during the same period. In addition, strong hiring in the government sector resulted in an increase of 9,900 jobs, or 0.9 percent. The mining, logging, and construction sector recorded the greatest rate of growth, 3.0 percent, with the construction subsector accounting for all 9,900 net jobs added in the sector. Increased hiring during the third quarter of 2015 resulted in a 4.3-percent unemployment rate in the region, an improvement from the 5.0-percent rate recorded during the third quarter of 2014.

During the third quarter of 2015—

- In Iowa, nonfarm payrolls increased by 22,200 jobs, or 1.4 percent, from the third quarter of 2014, led by a gain of 5,800 jobs in the mining, logging, and construction sector, with the net increase entirely the result of hiring in the construction subsector.

The unemployment rate declined in every state in the Great Plains region, led by Iowa and Missouri.



3Q = third quarter.

Source: U.S. Bureau of Labor Statistics

- Nonfarm payrolls in Missouri increased by 31,600 jobs, or 1.2 percent, compared with the number of nonfarm payrolls during the same period a year ago. The government and the leisure and hospitality sectors accounted for approximately 50 percent of the gain. Hiring is expected to remain strong in the government sector for the next several years as a result of an announcement from the Missouri governor that an additional \$55.7 million, a 6-percent increase, in performance funding for higher education will be included in the fiscal year 2017 budget (Office of Missouri Governor).
- In Nebraska, nonfarm payrolls increased by 7,900 jobs, or 0.8 percent, with gains in the education and health services sector accounting for slightly more than 50 percent of the growth. Hiring in the education and health services sector increased by 4,200 jobs, or 2.8 percent, from a year ago.

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- Nonfarm payrolls in Kansas increased by 8,600 jobs, or 0.6 percent, to nearly 1.4 million jobs. The mining, logging, and construction sector accounted for approximately 50 percent of the gain, with all of 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 \$160 million expansion at the University of Kansas Hospital-Cambridge and the \$288 million design and construction of a major interstate thoroughfare in Johnson County (*Kansas City Business Journal*).

Sales Market Conditions

Home sales in the Great Plains region declined in Iowa and Kansas but increased throughout Missouri and Nebraska, which resulted in mixed sales housing market conditions during the third quarter of 2015, ranging from balanced to tight. During the 12 months ending September 2015, the number of new and existing homes sold in the region (including single-family homes, townhomes, and condominiums) increased 5 percent, to 173,200, 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 2 percent, to \$172,100.

Sales market conditions were mixed in the large metropolitan areas throughout the region during the third quarter of 2015. In the Kansas City metropolitan area, where the sales market was slightly tight, the number of homes sold was up 9 percent during the 12 months ending September 2015, to 33,550, and the average sales price increased 3 percent, to \$195,200 (Kansas City Regional Association of Realtors®; Heartland Multiple Listing Service, Inc.). In St. Louis, where the sales market was balanced, existing home sales increased 8 percent, to 17,550 homes sold (St. Louis Association of Realtors®), and the average existing home sales price increased 5 percent, to \$218,200. In Des Moines-West Des

Moines, the sales market is tight; home sales increased 15 percent, to 12,000 homes, and the average sales price increased 4 percent, to \$193,700 (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 6 percent, to 12,600, and the average sales price increased 5 percent, to \$192,700, 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 third quarter of 2015, in part because of improved economic conditions. As of September 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.).

During the third quarter of 2015 (preliminary data)—

- In the region, 5,900 single-family homes were permitted, a decrease of 30 homes, or less than 1 percent, compared with the number permitted during the third quarter of 2014.

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Home sales in the Great Plains region increased 5 percent during the past year despite declines in Iowa and Kansas; prices increased in every state except Missouri.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2014	2015	Percent Change		2014 (\$)	2015 (\$)	Percent Change
Iowa (N&E)	September	30,550	29,600	-3	AVG	155,900	163,700	5
Des Moines-West Des Moines* (N&E)	September	10,400	12,000	15	AVG	187,100	193,700	4
Kansas (N&E)	September	33,100	33,000	0	AVG	160,400	161,900	1
Kansas City** (N&E)	September	30,900	33,550	9	AVG	189,500	195,200	3
Missouri (N&E)	September	87,650	96,950	11	AVG	180,600	179,800	0
St. Louis*** (E)	September	16,250	17,550	8	AVG	208,000	218,200	5
Nebraska (N&E)	September	13,500	13,650	1	AVG	152,500	161,700	6
Omaha-Council Bluffs (N&E)	September	11,850	12,600	6	AVG	183,600	192,700	5

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.

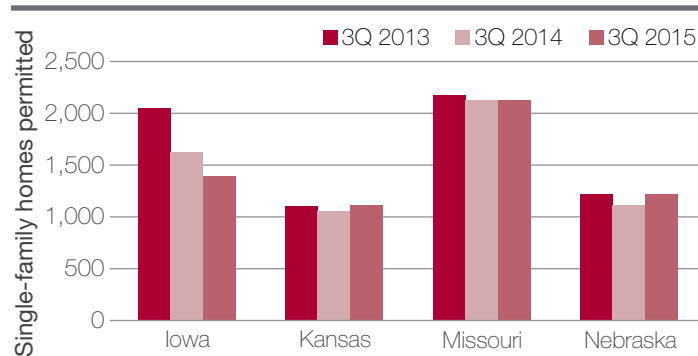
Sources: Des Moines Area Association of Realtors®; Heartland Multiple Listing Service, Inc.; Kansas City Regional Association of Realtors®; Metrostudy, A Hanley Wood Company, with adjustments by the analyst; Omaha Area Board of Realtors®; St. Louis Association of Realtors®



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- In Nebraska, the number of single-family homes permitted increased 12 percent, to 1,225, which represents the greatest increase in the region and was a result of tight sales market conditions in Omaha-Council Bluffs.
- The number of single-family homes permitted in Kansas increased 6 percent, to 1,125, compared with the number permitted a year ago.
- The number of single-family homes permitted in Missouri was relatively unchanged at 2,125, while the number of homes permitted in Iowa decreased 14 percent, to 1,400. Conversely, these two states recorded the greatest increases in multifamily permitting during the same period.

During the third quarter of 2015, a large single-family permitting decline in Iowa more than offset gains in Kansas and Nebraska in the Great Plains region.



3Q = third 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 third quarter of 2015. In Omaha, the apartment market was tight, with a 4.3-percent vacancy rate, up from 3.1 percent a year earlier, and the average rent was up approximately 3 percent, to \$801 (Reis, Inc.). Apartment markets in the largest metropolitan areas in Missouri were also tight in the third quarter of 2015. In Kansas City, the apartment vacancy rate increased from 4.4 to 4.5 percent and the average rent increased 3 percent, to \$801, compared with conditions during the third quarter of 2014. In St. Louis, the apartment vacancy rate declined from 4.5 to 4.2 percent and the average rent increased 2 percent, to \$809. The apartment market in Wichita was slightly tight, with a 4.1-percent vacancy rate, down from 5.5

percent a year earlier, and the average rent increased 4 percent, to \$626 (MPF Research). The apartment market in Des Moines-West Des Moines remained tight during the third quarter of 2015, with a 3.6-percent vacancy rate, up from 2.8 percent a year earlier, and the average rent was up 1 percent, to \$810.

During the third quarter of 2015 (preliminary data)—

- Multifamily construction, as measured by the number of multifamily units permitted, increased 21 percent compared with the number of units permitted during the third quarter of 2014, to 4,325 units permitted, with every state in the region recording an increase.

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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		
		3Q 2014 (%)	3Q 2015 (%)	Percentage Point Change	3Q 2014 (\$)	3Q 2015 (\$)	Percent Change
Des Moines-West Des Moines ^a	Tight	2.8	3.6	0.8	800	810	1
Kansas City ^b	Tight	4.4	4.5	0.1	775	801	3
Omaha ^b	Tight	3.1	4.3	1.2	777	801	3
St. Louis ^b	Tight	4.5	4.2	- 0.3	790	809	2
Wichita ^a	Slightly tight	5.5	4.1	- 1.4	600	626	4

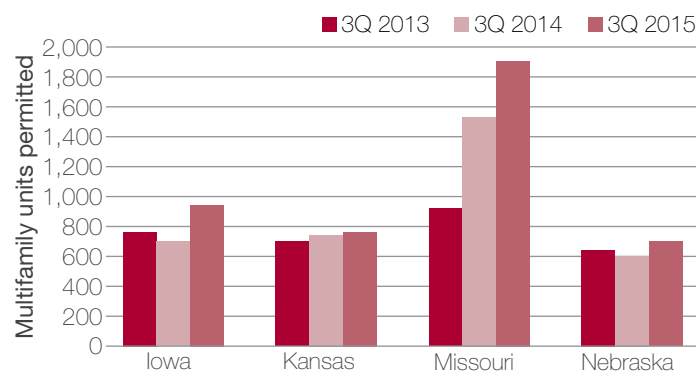
3Q = third quarter.

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 Missouri, 1,925 units were permitted compared with 1,525 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 950 units from the 675 permitted during the third quarter of 2014, primarily because of increased activity in Des Moines-West Des Moines.
- Likewise, the number of multifamily units permitted in Nebraska and Kansas increased 11 and 3 percent, to 680 and 770, respectively.

Multifamily permitting in the Great Plains region was up from a year ago, led by gains of more than 25 percent each in Iowa and Missouri.



3Q = third quarter.

Note: Based on preliminary data.

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