

# HUD PD&R Regional Reports

## Region 7: Great Plains

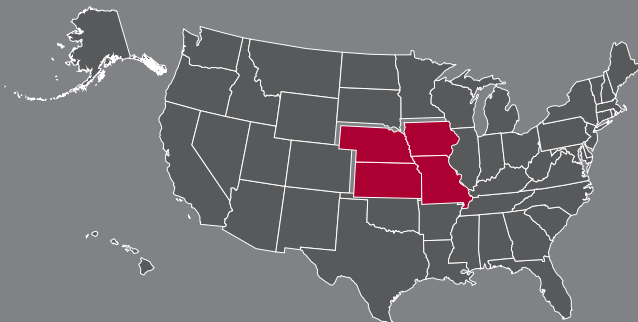


Kansas City, Missouri

By L. David Vertz | 3rd quarter 2014

### Quick Facts About Region 7

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



### Overview

Economic growth in the Great Plains region continued during the third quarter of 2014 but at a slightly lower rate from a year ago. During the third quarter of 2014, Missouri led job gains, accounting for nearly 60 percent of the growth in the region. Improved economic conditions in Missouri, which resulted in tightening apartment market conditions in Springfield and St. Louis, continued to spur multifamily development across the state, but primarily in Kansas City and St. Louis.

- Home sales were down in every state in the region during the third quarter of 2014, with the exception of Iowa. Strong economic growth in Iowa contributed to a 4-percent increase in homes sales statewide, with the greatest increase, of 5 percent, in the Des Moines-West Des Moines metropolitan area.
- Apartment absorption in the region was relatively steady during the third quarters from 2011 through 2013, averaging 1,150 units annually; however, apartment absorption in the region slowed approximately 30 percent, to 900 units, during the third 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 for rent, particularly among the major metropolitan areas in Iowa, where multifamily permitting across the state was down.



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Nonfarm payroll growth continued in the Great Plains region but slowed slightly from the rate during the third quarter of 2013.

	Third Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,604.2	6,694.4	90.2	1.4
Goods-producing sectors	1,042.4	1,051.4	9.0	0.9
Mining, logging, and construction	314.1	319.9	5.8	1.8
Manufacturing	728.3	731.5	3.2	0.4
Service-providing sectors	5,561.8	5,643.0	81.2	1.5
Wholesale and retail trade	1,022.7	1,025.9	3.2	0.3
Transportation and utilities	267.9	272.3	4.4	1.6
Information	128.9	128.3	-0.6	-0.5
Financial activities	416.7	423.3	6.6	1.6
Professional and business services	759.0	779.3	20.3	2.7
Education and health services	980.1	998.0	17.9	1.8
Leisure and hospitality	649.1	665.1	16.0	2.5
Other services	263.3	265.5	2.2	0.8
Government	1,074.1	1,085.3	11.2	1.0

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

Source: U.S. Bureau of Labor Statistics

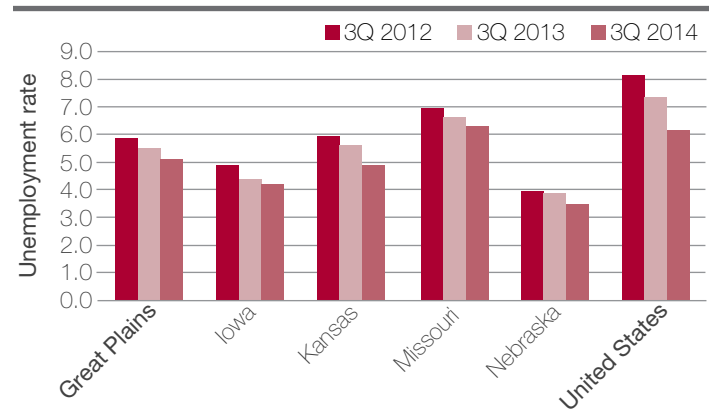
## Economic Conditions

During the third 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 third quarter of 2014, average nonfarm payrolls increased 1.4 percent, or by 90,200 jobs, from the third quarter of 2013, to 6.69 million jobs, and every state in the region added jobs. By comparison, average nonfarm payrolls increased 1.5 percent, or by 94,400 jobs, during the third 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 42 percent of all job growth in the region. During the third quarter of 2014, the professional and business services sector gained 20,300 jobs, a 2.7-percent increase from the same quarter a year ago. The education and health services sector increased by 17,900 jobs, or 1.8 percent, during the same period. In addition, strong hiring continued in the leisure and hospitality and government sectors, which recorded increases of 16,000 and 11,200 jobs, or 2.5 and 1.0 percent, respectively. Increased hiring during the third quarter of 2014 resulted in a 5.1-percent unemployment rate in the region, an improvement from the 5.5-percent rate recorded during the third quarter of 2013.

During the third quarter of 2014—

- In Iowa, nonfarm payrolls increased by 16,300 jobs, or 1.1 percent, from the third quarter of 2013, led by a combined gain of 7,400 jobs in the government and the professional and business services sectors.

Unemployment rates declined in every state in the Great Plains region; the greatest decline occurred in Kansas.



3Q = third quarter.

Source: U.S. Bureau of Labor Statistics

- Nonfarm payrolls in Kansas increased by 15,500 jobs, or 1.1 percent, compared with the number of nonfarm payrolls recorded during the same period a year ago. The professional and business services sector accounted for approximately one-third of the gain.
- In Missouri, nonfarm payrolls increased by 51,200 jobs, or 1.9 percent, with gains in the leisure and hospitality and the professional and business services sectors accounting for more than 50 percent of the growth. In addition, hiring in the manufacturing sector was also strong, increasing 2.0 percent, or by 5,100 jobs, from a year ago. Employment gains in the manufacturing sector are expected to remain strong in light of Ford Motor Company's announcement in September to expand the Kansas City assembly

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plant to build the Ford Transit, a van that was previously built exclusively overseas. The expansion is expected to generate approximately 1,200 new jobs by the end of 2014.

- In Nebraska, nonfarm payrolls increased by 7,200 jobs, or 0.7 percent, to 988,600 jobs. The trade, transportation, and utilities sector accounted for approximately 60 percent of the gain.

## Sales Market Conditions

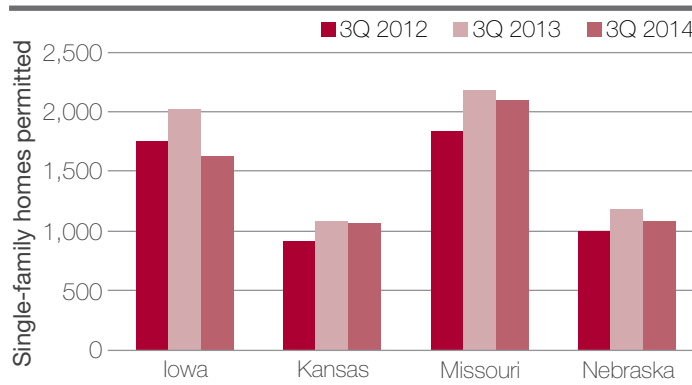
Sales housing market conditions in the Great Plains region were mixed during the third quarter of 2014 and have been for the past 2 years. During the 12 months ending September 2014, the number of new and existing homes sold in the region (including single-family homes, townhomes, and condominiums) decreased nearly 2 percent, to 162,200, 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 1 percent, to \$167,600.

Sales market conditions were mixed in the large metropolitan areas throughout the region during the 12 months ending September 2014. In the Kansas City metropolitan area, where the sales market was soft, the number of homes sold was relatively unchanged, at 29,000, and the average sales price increased 6 percent, to \$191,200 (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 150 homes, or 1 percent, to 16,200 homes sold (St. Louis Association of REALTORS®), and the average existing home sales price increased 9 percent, to \$207,800. In Des Moines-West Des Moines the housing sales market is balanced; the number of home sales increased 5 percent, to 10,400 homes, and the average sales price increased 4 percent, to \$187,100 (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 4 percent, to 11,650, and the average sales price of those homes increased 4 percent, to \$183,800, from the same period a year ago (Omaha Area Board of REALTORS®).

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### Single-family permitting declined in every state in the Great Plains region for the first time since the fourth quarter of 2011.



3Q = third quarter.

Note: Based on preliminary data.

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

During the past year, Iowa was the only state in the Great Plains region to record an increase in home sales; prices, however, 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)	September	28,950	30,250	4	AVG	152,000	155,900	3
Des Moines-West Des Moines* (N&E)	September	9,925	10,400	5	AVG	180,700	187,100	4
Kansas (N&E)	September	32,300	32,300	0	AVG	159,900	159,800	0
Kansas City (N&E)	September	28,950	29,000	0	AVG	180,300	191,200	6
Missouri (N&E)	September	90,300	86,300	-4	AVG	174,500	177,100	1
St. Louis** (E)	September	16,350	16,200	-1	AVG	189,800	207,800	9
Nebraska (N&E)	September	13,800	13,350	-3	AVG	151,500	152,600	1
Omaha-Council Bluffs (N&E)	September	11,250	11,650	4	AVG	177,300	183,800	4

AVG = average. E = existing. N&amp;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 and adjustments by the analyst; Omaha Area Board of REALTORS®; St. Louis Association of REALTORS®

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The percentage of distressed mortgage loans and REO (Real Estate Owned) properties in the region declined in the third quarter of 2014, in part because of improved economic conditions. As of September 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.).

During the third quarter of 2014 (preliminary data)—

- In the region, 5,925 single-family homes were permitted, a decrease of 600 homes, or 9 percent, compared with the number permitted during the third quarter of 2013, with every state in the region recording a decline.

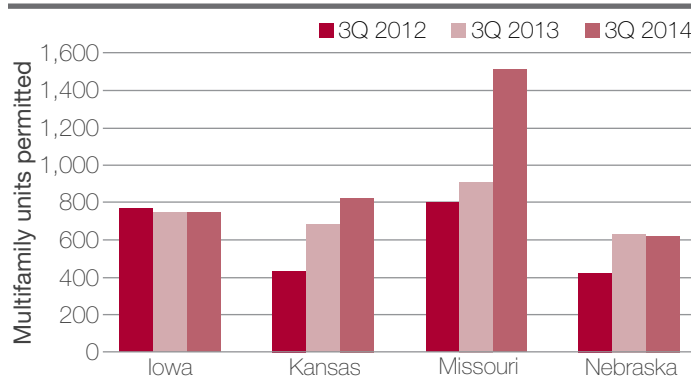
- The number of single-family homes permitted in Nebraska decreased 9 percent, to 1,100, compared with the number permitted a year ago.
- The number of single-family homes permitted in Kansas and Missouri decreased 2 and 4 percent, to 1,075 and 2,100, respectively.
- In Iowa, the number of single-family homes permitted decreased 19 percent, to 1,625, the greatest decline in the region.

## 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 2014. In Omaha, the apartment market was tight, with a 2.6-percent vacancy rate, down from 3.3 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 third quarter of 2014. In Kansas City, the apartment vacancy rate was unchanged, at 4.4 percent, and the average rent increased 3 percent, to \$780, compared with the rent recorded during the third quarter of 2013. In St. Louis, the apartment vacancy rate declined from 5.0 to 4.5 percent and the average rent increased nearly 3 percent, to \$790. The apartment market in Wichita was slightly tight, with a 5.5-percent vacancy rate, up from 5.2 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 third quarter of 2014, with a 2.8-percent vacancy rate, unchanged from a year earlier, and the average rent was up 1 percent, to \$800.

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



3Q = third quarter.

Note: Based on preliminary data.

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

**Apartment market conditions were tight or slightly tight in the major metropolitan areas of the Great Plains region.**

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2013 (%)	3Q 2014 (%)	Percentage Point Change	3Q 2013 (\$)	3Q 2014 (\$)	Percent Change
Des Moines-West Des Moines <sup>a</sup>	Tight	2.8	2.8	0.0	790	800	1
Kansas City <sup>b</sup>	Tight	4.4	4.4	0.0	760	780	3
Omaha <sup>b</sup>	Tight	3.3	2.6	-0.7	760	780	3
St. Louis <sup>b</sup>	Tight	5.0	4.5	-0.5	770	790	3
Wichita <sup>a</sup>	Slightly tight	5.2	5.5	0.3	600	600	0

3Q = third quarter.

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

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During the third quarter of 2014 (preliminary data)—

- Multifamily construction, as measured by the number of multifamily units permitted, increased 25 percent compared with the number of units permitted during the third quarter of 2013, to 3,700 units permitted.
- The number of units permitted in Missouri increased significantly, from 900 to 1,500 units, compared with the number permitted during the third quarter of 2013, the largest increase in the region. Permits were concentrated almost entirely in Kansas City, Springfield, and St. Louis.
- In Kansas, 830 units were permitted, a 21-percent increase compared with the number permitted during the same period a year ago. Approximately 50 percent of the units permitted were in Lawrence and Wyandotte County, on the Kansas side of the Kansas City metropolitan area.
- The number of multifamily units permitted in Iowa and Nebraska was relatively unchanged, with each state recording a decline of 1 percent, to 750 and 625 units, respectively.