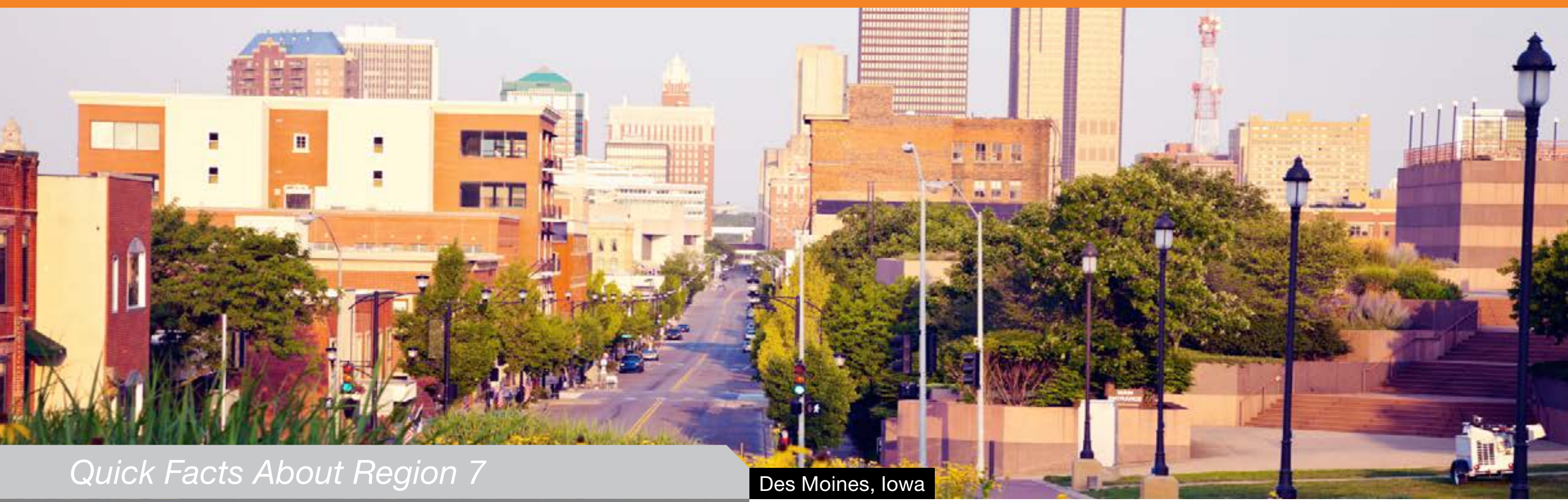
HUD PD&R Regional Reports

Region 7: Great Plains

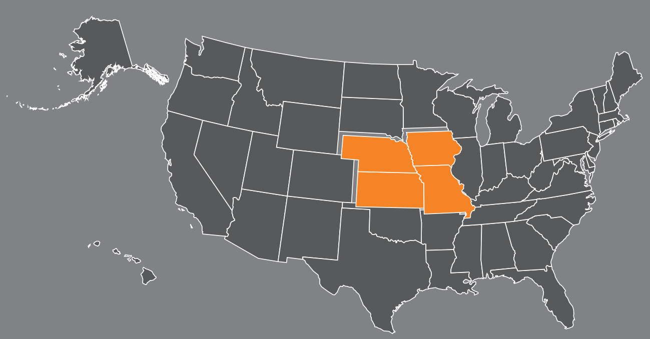


Des Moines, Iowa

Quick Facts About Region 7

- **Sales market conditions—**
  Second quarter 2014: balanced.
  First quarter 2014: balanced.
  Second quarter 2013: balanced.

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



By L. David Vertz | 2nd quarter 2014

Overview

After 4 years of job growth, the Great Plains region has fully recovered from the 3-year local economic downturn that began in the second quarter of 2007. During the second quarter of 2014, Missouri and Iowa led job gains, accounting for 75 percent of growth in the region. Strong economic growth in Iowa contributed to an 8-percent increase in home sales throughout the state, with the greatest increase, of 10 percent, in the Des Moines-West Des Moines metropolitan area. Improved economic conditions in Missouri similarly resulted in tightening apartment market conditions and continued to spur multifamily development, primarily in Kansas City.

- The foreclosure inventory in all four states in the region is much less than the national average for foreclosure inventory, which represented 1.7 percent of all homes with a mortgage in June 2014 (CoreLogic, Inc.). Nebraska was tied with Alaska for the lowest foreclosure inventory in the nation, at 0.4 percent. Missouri, Kansas, and Iowa recorded rates of 0.6, 0.9, and 1.0 percent, respectively.
- Apartment absorption in the region increased approximately 40 percent, to 1,125 units, during the second quarter of 2014 compared with absorption during the same period a year ago. Absorption in the region was relatively steady during the past 3 years, averaging 1,150 units annually during the second quarters from 2011 through 2014 (Reis, Inc.).

Nonfarm payroll jobs in the Great Plains region exceeded the previous peak of 6.71 million jobs recorded during the second quarter of 2007.

	Second Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	6,645.7	6,737.6	91.9	1.4
Goods-producing sectors	1,024.1	1,040.0	15.9	1.6
Mining, logging, and construction	296.6	307.0	10.4	3.5
Manufacturing	727.5	733.0	5.5	0.8
Service-providing sectors	5,621.6	5,697.6	76.0	1.4
Wholesale and retail trade	1,016.7	1,025.2	8.5	0.8
Transportation and utilities	267.8	271.2	3.4	1.3
Information	129.2	127.1	– 2.1	– 1.6
Financial activities	415.1	419.4	4.3	1.0
Professional and business services	749.9	769.6	19.7	2.6
Education and health services	989.4	1,005.2	15.8	1.6
Leisure and hospitality	640.3	656.5	16.2	2.5
Other services	262.6	265.7	3.1	1.2
Government	1,150.6	1,157.8	7.2	0.6

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

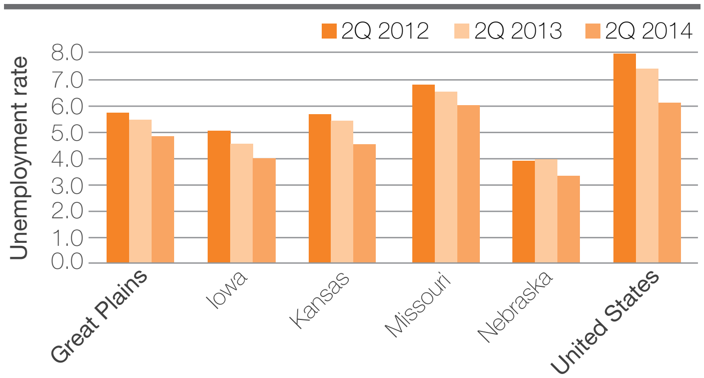
Economic Conditions

During the second quarter of 2014, the economy of the Great Plains region surpassed the previous peak of 6.71 million jobs recorded in the second quarter of 2007. In the second quarter of 2014, average nonfarm payrolls increased 1.4 percent, or by 91,900 jobs, from the second quarter of 2013, to 6.74 million jobs, and every state in the region recorded gains. By comparison, average nonfarm payrolls increased 1.2 percent, or by 80,000 jobs, during the second quarter of 2013 from the same 3 months a year earlier. During the past year, the professional and business services and the leisure and hospitality sectors accounted for nearly 40 percent of all job growth in the region. During the second quarter of 2014, the professional and business services sector gained 19,700 jobs, a 2.6-percent increase from the same quarter a year ago. The leisure and hospitality sector increased by 16,200 jobs, or 2.5 percent, during the same period. In addition, strong hiring continued in the education and health services and the mining, logging, and construction sectors, which recorded increases of 1.6 and 3.5 percent, respectively. Increased hiring during the second quarter of 2014 resulted in a 4.9-percent unemployment rate in the region, an improvement from the 5.5-percent rate recorded during the second quarter of 2013.

During the second quarter of 2014—

- In Iowa, nonfarm payrolls increased by 24,800 jobs, or 1.6 percent, led by a combined gain of 8,300 jobs in the leisure and hospitality sector and the construction subsector. Payrolls in the construction subsector increased because of a $1.7 billion expansion at CF Industries Holdings, Inc., a manufacturer and distributor of agricultural fertilizers, in Siouxland, Iowa.

Unemployment rates were down in every state in the Great Plains region, with the largest decline occurring in Kansas.



2Q = second quarter.
Source: U.S. Bureau of Labor Statistics

- Nonfarm payrolls in Kansas increased by 13,700 jobs, or 1.0 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 47 percent of the gain.
- In Missouri, nonfarm payrolls increased by 43,700 jobs, or 1.6 percent, with gains in the professional and business services and the leisure and hospitality sectors accounting for more than 52 percent of the growth. Hiring in the professional and business services sector is expected to remain strong as Express Scripts

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Holding Company, the largest pharmacy benefits manager in the United States, recently completed a $56 million expansion that is expected to employ an additional 1,500 workers by 2018.

- In Nebraska, nonfarm payrolls increased by 9,700 jobs, or 1.0 percent, to 992,700 jobs. The retail trade subsector accounted for approximately one-third of the gain.

Sales Market Conditions

Sales housing market conditions in the Great Plains region were balanced during the second quarter of 2014 and have been balanced since the fourth quarter of 2012. During the 12 months ending June 2014, the number of new and existing homes sold in the region (including single-family homes, townhomes, and condominiums) increased nearly 1 percent, to 161,200, 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 4 percent, to $168,700.

Sales market conditions continued to improve in the large metropolitan areas throughout the region during the 12 months ending June 2014, a trend that began in the second quarter of 2012. In the Kansas City metropolitan area, the number of homes sold increased 5 percent, to 29,200, and the average sales price increased 8 percent, to $188,800 (Kansas City Regional Association of REALTORS®; Heartland Multiple Listing Service, Inc.). In St. Louis, existing home sales increased by 600 homes, or 4 percent, to 16,400 homes sold (St. Louis Association of REALTORS®), and the average existing home sales price increased 12 percent, to $204,600. In Des Moines-West Des Moines, home sales increased 10 percent, to 10,300 homes, and the average sales price increased 6 percent, to $185,500 (Des Moines Area Association of REALTORS®). The number of home sales in the Omaha-Council Bluffs metropolitan area increased 5 percent, to 11,550, and the average sales price of those homes increased 4 percent, to $181,400, from the same period a year ago (Omaha Area Board of REALTORS®).

The percentage of distressed mortgage loans and REO (Real Estate Owned) properties declined in the second quarter of 2014, in part because of improved economic conditions. As of June 2014, 3.6 percent of home loans in the Great Plains region were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 4.2 percent a year ago (Black Knight Financial Services, Inc.).

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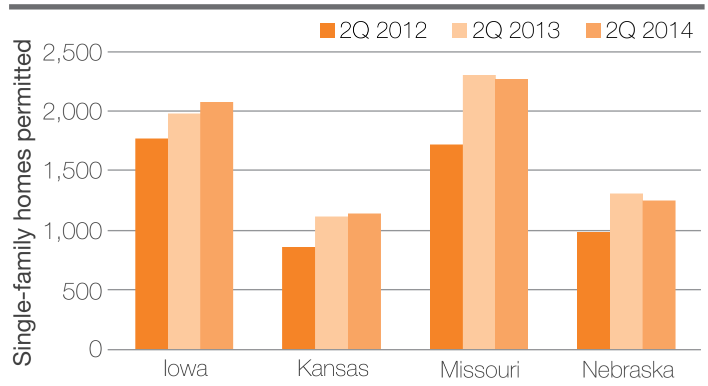
Single-family permitting in the Great Plains region was relatively unchanged from a year ago; increased activity in Iowa and Kansas more than offset declines in Missouri and Nebraska.



2Q = second quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

During the past year, Missouri was the only state in the Great Plains region to record a decline in home sales.

	12 Months Ending	Number of Homes Sold			Price			
		2013	2014	Percent Change	Average or Median	2013 ($)	2014 ($)	Percent Change
Iowa (N&E)	June	27,800	29,900	8	AVG	150,000	155,200	3
Des Moines-West Des Moines* (N&E)	June	9,350	10,300	10	AVG	175,200	185,500	6
Kansas (N&E)	June	31,250	31,600	1	AVG	156,500	161,400	3
Kansas City (N&E)	June	27,800	29,200	5	AVG	174,700	188,800	8
Missouri (N&E)	June	87,900	86,200	– 2	AVG	169,600	179,100	6
St. Louis** (E)	June	15,800	16,400	4	AVG	183,300	204,600	12
Nebraska (N&E)	June	13,150	13,450	2	AVG	151,100	151,000	0
Omaha-Council Bluffs (N&E)	June	10,950	11,550	5	AVG	175,000	181,400	4

AVG = average. E = existing. N&E = new and existing.
*Data reflects 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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During the second quarter of 2014 (preliminary data)—

- In the region, 6,750 single-family homes were permitted, an increase of 50 homes, or less than 1 percent, compared with the number permitted during the second quarter of 2013.
- The number of single-family homes permitted in Nebraska decreased 4 percent, to 1,250, compared with the number permitted a year ago, the greatest decline in the region.
- In Missouri, the number of single-family homes permitted decreased 1 percent, to 2,275.
- The number of single-family homes permitted in Kansas and Iowa increased 2 and 5 percent, to 1,150 and 2,075, respectively, offsetting the decline in the aforementioned states.

Apartment Market Conditions

Apartment market conditions ranged from slightly tight to tight in most large metropolitan areas in the Great Plains region during the second quarter of 2014. In Omaha, the apartment market was tight, with a 2.9-percent vacancy rate, relatively unchanged from a year earlier, and the average rent was up approximately 3 percent, to $770 (Reis, Inc.). Apartment markets in the largest metropolitan areas in Missouri ranged from tight to slightly tight in the second quarter of 2014 as absorption surged in St. Louis. In Kansas City, where the apartment market was tight, the apartment vacancy rate declined to 4.2 percent compared with the rate of 4.6 percent recorded during the second quarter of 2013, and the average rent increased 3 percent, to $760. In St. Louis, where conditions were slightly tight, the apartment vacancy rate declined from 5.1 to 4.7 percent and the average rent increased 3 percent, to $790. Absorption in St. Louis nearly tripled from 230 units in the second quarter of 2013 to 680 units during the second quarter of 2014. The apartment market in Wichita was also slightly tight, with a 5.2-percent vacancy rate, down from 5.8 percent a year earlier, and the average rent increased 3 percent, to $600 (MPF Research). The apartment market in Des Moines-West Des Moines remained tight during the second quarter of 2014, with a 3.0-percent vacancy rate, down from 3.7 percent a year earlier, and the average rent was up 1 percent, to $800.

During the second quarter of 2014 (preliminary data)—

- Multifamily construction, as measured by the number of multifamily units permitted, increased 13 percent compared with the number of units permitted during the second quarter of 2013, to 4,375 units permitted.

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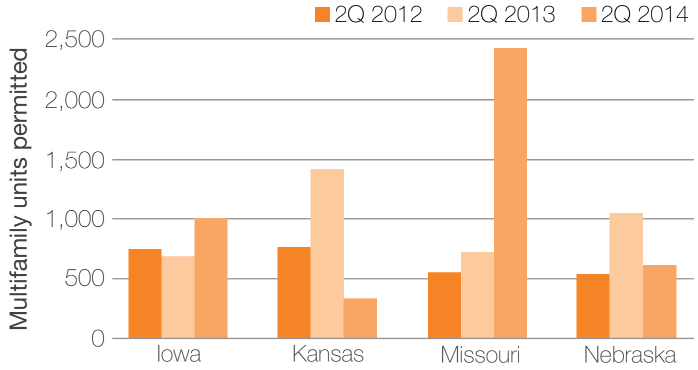
Multifamily permitting in the Great Plains region was up from a year ago, because significant increases in Missouri offset declines in Kansas and Nebraska.



2Q = second quarter.
Note: Based on preliminary data.
Source: U.S. Census Bureau, Building Permits Survey

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

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2013 (%)	2Q 2014 (%)	Percentage Point Change	2Q 2013 ($)	2Q 2014 ($)	Percent Change
Des Moines-West Des Moines[a]	Tight	3.7	3.0	– 0.7	790	800	1
Kansas City[b]	Tight	4.6	4.2	– 0.4	740	760	3
Omaha[b]	Tight	3.0	2.9	– 0.1	750	770	3
St. Louis[b]	Slightly tight	5.1	4.7	– 0.4	770	790	3
Wichita[a]	Slightly tight	5.8	5.2	– 0.6	580	600	3

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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- The number of units permitted in Missouri more than tripled, from 720 to 2,425 units, compared with the number permitted during the second quarter of 2013. Approximately 50 percent of the units permitted were in Kansas City, a result of tight apartment market conditions.
- In Iowa, permits were issued for 1,000 units, a 44-percent increase compared with the number permitted during the same period a year ago; the increase is in response to tightening apartment market conditions throughout the state, primarily in Sioux City.
- The number of multifamily units permitted in Kansas decreased 76 percent, to 340 units, the greatest decline in the region. The number of units permitted declined in Kansas because of a significant decrease in Johnson County, which is part of the Kansas City metropolitan area. Johnson County—which includes the city of Overland Park, the second most populous city in Kansas—accounted for nearly 75 percent of the overall state decline in multifamily units permitted from the second quarter of 2013. Multifamily permitting in Johnson County declined because the 940 units permitted during the second quarter of 2013 established a new record level for the county. By comparison, Johnson County averaged 150 multifamily units permitted annually during the second quarters from 2001 through 2012.
- Likewise, the number of units permitted in Nebraska decreased 42 percent, to 610, compared with the number permitted during the same period a year ago. The substantial decline in the number of units permitted in Nebraska is attributed to a 55-percent decline in the number of units permitted in Omaha-Council Bluffs from the second quarter of 2013.