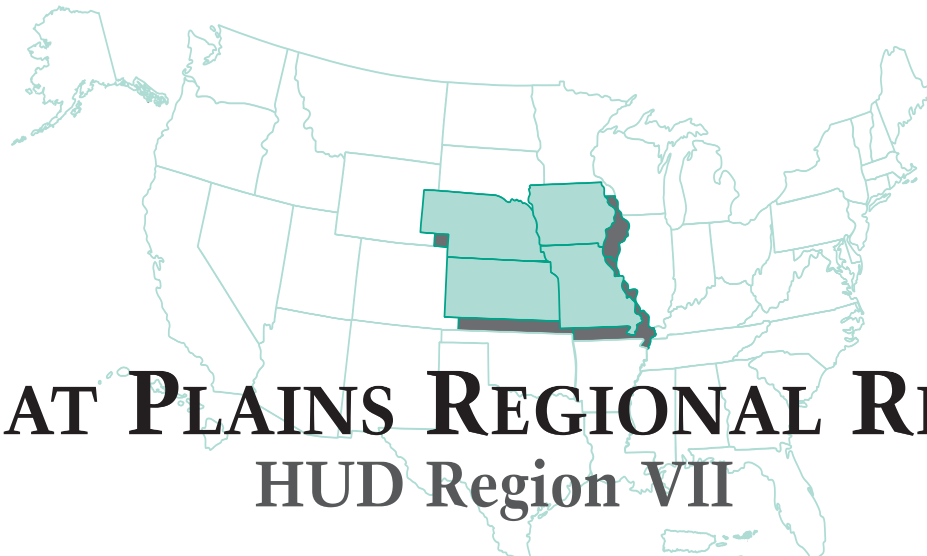
1st Quarter 2009

U.S. Housing Market Conditions



Great Plains Regional Report
HUD Region VII

1st Quarter Activity

The following summary of the Great Plains region's housing market conditions and activities has been prepared by economists in the U.S. Department of Housing and Urban Development's (HUD's) field offices. The report provides overviews of economic and housing market trends within the Great Plains region. The report is based on information obtained by HUD economists from state and local governments, from housing industry sources, and from their ongoing investigations of housing market conditions carried out in support of HUD's programs.

The economy of the Great Plains region declined during the first quarter of 2009 for the first time since 2003. The 20,300 nonfarm jobs lost during the 12 months ending March 2009 represent a decrease of 0.3 percent compared with the number of jobs in the region during the previous 12 months. Growth occurred in only two major employment sectors: the government sector, up 1.3 percent, or 14,000 jobs, primarily as a result of hiring by local governments, and the other services sector, which grew by 0.4 percent, or 1,050 jobs. During the most recent 12-month period, the manufacturing sector lost 25,950 jobs, or 3.2 percent, which was the first drop in manufacturing employment since 2003. During the 12-month period ending March 2009, employment in the retail trade sector declined by 6,900 jobs, or 0.9 percent, after increasing each year since 2005. In the four-state region, government remains the leading employment sector, accounting for more than 1.1 million jobs, or approximately 17 percent of the region's 6.6 million jobs. In the Great Plains region during the 12 months ending March 2009, nonfarm employment increased in two of the four states. Kansas reported nonfarm job growth of 2,000 jobs, even though aircraft manufacturers laid off more than 2,000 workers during the past 12 months. Nebraska reported nonfarm job growth of 900. During the same period, Iowa and Missouri lost 5,300 jobs, or 0.3 percent, and 18,100 jobs, or 0.6 percent, respectively.

The slowing economy led to a weakening in the labor markets throughout the Great Plains region. The average unemployment rate rose from 4.3 percent for the 12 months ending March 2008 to 5.5 percent for the 12 months ending March 2009. Unemployment rates for the four states ranged from 3.7 percent in Nebraska to 6.9 percent in Missouri, with Iowa and Kansas reporting rates of 4.4 and 4.9 percent, respectively. Although the rates in each state rose significantly during the past 12 months, with the exception of the rate in Missouri, they remained below the national unemployment rate of 6.7 percent.

Existing home sales activity in the Great Plains region continued the decline that began in 2006. The NATIONAL ASSOCIATION OF REALTORS® reported that, during 2008 (the most recent data available for states), the number of homes sold was 109,000 in Missouri, a decline of nearly 12 percent; 60,400 in Kansas, down 14 percent; 55,800 in Iowa, down nearly 21 percent; and 30,900 in Nebraska, down 16 percent, compared with the number sold in 2007. All major metropolitan areas in the region recorded declines in existing home sales, according to data from local REALTORS® associations. Sales market conditions range from slightly soft in Omaha and Wichita to soft in Des Moines and Kansas City. During the 12-month period ending March 2009, sales of existing homes in the St. Louis area decreased by 14 percent to 15,200 homes and the average existing home price declined by 10 percent to $184,600. In the Kansas City area, existing home sales fell by 10 percent to 22,600 homes and the average price decreased by 6 percent to $146,300. The number of existing home sales in the Des Moines area decreased by 19 percent, from 9,500 to 7,730 homes; however, the average price declined by only 2 percent to $167,450. Although the existing home sales volume in the Wichita area was down 18 percent to 8,100 homes, the average price of an existing home increased by 5 percent to $123,600. The number of existing home sales in the Omaha area declined from 8,800 to 6,750 homes and the average price decreased by 2 percent to $151,850. Foreclosed properties represent a growing proportion of the homes available for sale in Kansas City. According to AOL Real Estate, more than 59 percent of the homes listed for sale in Kansas City during the 12 months ending March 2009 were foreclosures compared with less than 50 percent during the previous 12-month period. The average number of days an existing home remains on the market currently exceeds 90 days in Des Moines and Kansas City. The average number of days required to sell an existing home in the other major metropolitan areas in the Great Plains region ranges from 60 to 90. In 2005, the average number of days a home was on the market was less than 60 throughout the region.

New homes sales also declined in the major metropolitan areas in the region. During the 12 months ending March 2009, new home sales declined by 40 percent to 3,100 homes in Kansas City and by 20 percent to 1,400 homes in Wichita. Although sales were down, the average price of a new home increased by 4 percent to $305,850 in Kansas City and by nearly 7 percent to $228,100 in Wichita.

As new and existing home sales continue to decline in the region, single-family home construction, as measured by the number of building permits issued, also decreased during the 12-month period ending March 2009. During the period, permits were issued for approximately 17,500 single-family homes, 38 percent fewer permits than the number issued during the 12-month period ending March 2008. Declines in single-family building activity were recorded in each of the four states, ranging from a decline of 23 percent to 3,800 homes in Nebraska to a decline of 50 percent to 5,400 homes in Missouri. The rising unemployment rate, the decline in new home sales, and a high proportion of foreclosure sales resulted in the steep decline in permitting activity in Missouri. The number of permits issued for single-family homes in Iowa and Kansas declined by 32 and 36 percent to 4,600 and 3,700 homes, respectively.

Multifamily construction in the region, as measured by the number of units permitted, decreased by 24 percent to 9,000 units during the 12 months ending March 2009. All four states recorded a slowdown in the number of units permitted. The largest percentage decline occurred in Kansas, where the number of units permitted totaled 1,700 units, a 41-percent decline compared with the number permitted during the previous 12-month period. In Nebraska, the number of multifamily units permitted declined by 28 percent to 1,300 units. The number of units permitted in Iowa and Missouri was down 12 percent to 1,700 units and down 18 percent to 4,300 units, respectively. According to the McGraw-Hill Construction Pipeline database, during the 12-month period ending March 2009, most of the multifamily units permitted were marketed as rental apartments, ranging from 55 percent in Kansas City to nearly 100 percent in Missouri. This trend reflects the softer home sales markets throughout the Great Plains region.

Although rental housing markets in the larger metropolitan areas of the region were balanced in the first quarter of 2009, vacancy rates increased in most areas of the region compared with rates recorded in the first quarter of 2008. In Des Moines, the apartment vacancy rate increased from 5.4 percent in the first quarter of 2008 to 5.7 percent in the first quarter of 2009 and the average monthly rent remained unchanged at $690. In Omaha, the apartment vacancy rate is currently 6 percent, essentially unchanged from the rate recorded a year earlier, and the average monthly rent increased by 1 percent to $700. Vacancy rates increased from 7 to 8 percent in both St. Louis and Kansas City; however, conditions in both markets remained relatively balanced. During the 12-month period ending March 2009, rents increased by just 1 percent to $730 in St. Louis and to $700 in Kansas

City because of the increased vacancy rates. According to AXIOMETRICS INC., during the 12-month period ending March 2009, rental concessions increased in both St. Louis and Kansas City compared with the previous 12 months. As a percentage of asking rents, rental concessions increased in St. Louis from 3 to 5 percent and in Kansas City from approximately 5 to 7 percent. Conditions in Wichita continued to improve; according to Reis, Inc., the rental vacancy rate declined from 7.7 percent in the first quarter of 2008 to 6.8 percent in the first quarter of 2009 and the average monthly rent increased by more than 2 percent to $510.