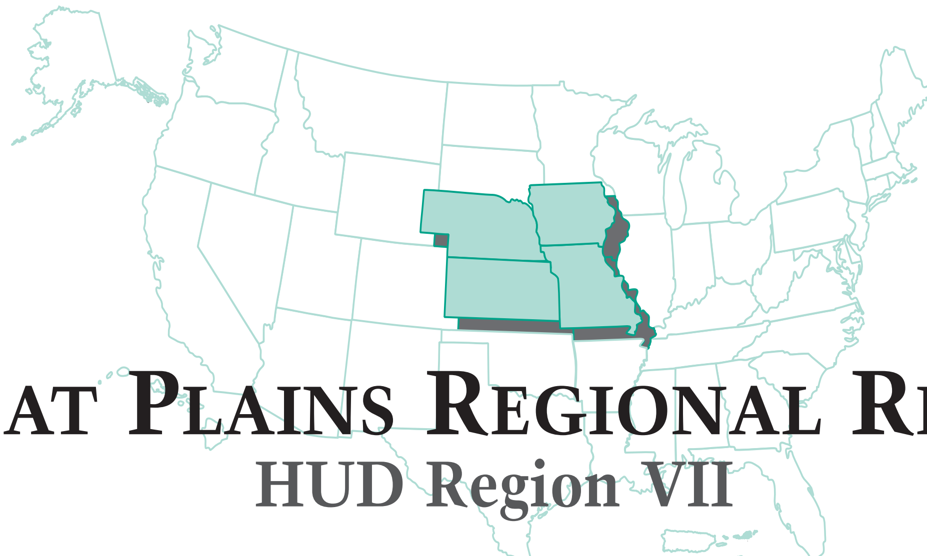
1st Quarter 2011

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.

Economic conditions in the Great Plains region continued to decline in the first quarter of 2011, a trend that began in November 2007. During the 12 months ending March 2011, average nonfarm payrolls decreased by 0.3 percent, or 21,800 jobs, to 6.4 million jobs. In comparison, average nonfarm payrolls declined by 3.4 percent, or 227,400 jobs, for the 12 months ending March 2010. During the 12 months ending March 2011, gains in two employment sectors, totaling 21,500 jobs, were offset by a combined loss of 43,300 jobs in the remaining nine sectors. The professional and business services sector recorded the largest growth, adding 13,100 jobs, an increase of 1.9 percent. The education and health services sector increased by 8,400 jobs, or 0.9 percent, with all states in the region recording increased payrolls in the sector. Significant declines continued from the previous quarter in the mining, logging, and construction sector, which decreased by 15,700 jobs, or 5.4 percent, compared with a decrease of 44,900 jobs, or 13.3 percent, during the 12 months ending March 2010. Approximately 80 percent of the job losses are estimated to be in the construction subsector because of soft housing and commercial property markets. The information sector, which recorded declines in all states in the region, lost 10,100 jobs, or 7 percent, during the 12 months ending March 2011.

During the 12 months ending March 2011, job losses in Kansas and Missouri overshadowed nonfarm payroll gains recorded in Nebraska and Iowa, which represents the first increases in more than 2 years in the two states. During the 12 months ending March 2011, nonfarm payrolls in Nebraska increased by 2,800 jobs, or 0.3 percent, led by an increase of more than 2,900 jobs, or 2.9 percent, in the professional and business services sector. In Iowa, nonfarm payrolls increased by 1,600 jobs, or 0.1 percent, led by gains of 5,000 jobs in the professional and business services sector and 1,000 jobs in the education and health services sector, or 4.3 and 0.5 percent, respectively. Nonfarm payrolls in Missouri

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decreased by 17,100 jobs, or 0.6 percent, because combined gains of more than 7,900 jobs in the professional and business services and education and health services sectors were offset by combined losses of 12,500 jobs in the construction and manufacturing sectors and declines in most other sectors. In Kansas, nonfarm payrolls declined by 9,300 jobs, or 0.7 percent, with declines in the information and manufacturing sectors accounting for nearly 50 percent of the total loss. For the 12 months ending March 2011, the unemployment rate in the region remained relatively unchanged at 7.5 percent compared with the rate for the 12 months ending March 2010. The average unemployment rates ranged from 4.4 percent in Nebraska to 9.4 percent in Missouri; Iowa and Kansas recorded rates of 6.1 and 6.9 percent, respectively.

Sales housing market conditions remained soft throughout all the states in the Great Plains region during the first quarter of 2011 because of the weakened economy. According to Hanley Wood, LLC, during the 12 months ending March 2011, sales of new and existing homes in the region declined 18 percent to 114,900 homes sold compared with the number sold during the previous period. Missouri recorded the largest absolute decline in sales during the past year, down 9,775 homes, or 15 percent. During the same period, home sales in Nebraska declined to 11,000 homes sold, a decrease of nearly 40 percent, representing the largest rate of decline of any state in the region. In Kansas and Iowa, sales of new and existing homes decreased by 20 and 11 percent, to 21,550 and 25,500 homes sold, respectively. During the 12 months ending March 2011, despite the declines in sales, the average sales price in the region increased to $167,900, up nearly 4 percent compared with the sales price from a year earlier because of a decrease in distressed sales. According to LPS Applied Analytics, during the first quarter of 2011, the percentage of total loans 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) fell in all four states in the region. Missouri had the greatest percentage point decrease, falling from 5.9 to 5.3 percent, followed by Nebraska, which declined from 3.9 to 3.5 percent during the past year. During the first quarter of 2011, Iowa and Kansas had rates of 4.7 and 4.9 percent, respectively, compared with 5.1 percent in both states during the same period of the previous year.

Following state trends, home sales continued to decrease in all major markets throughout the region during the first quarter of 2011, although home prices began to stabilize. According to the Kansas City Regional Association of REALTORS® and Heartland Multiple Listing Service, Inc., during the 12 months ending March 2011, the average price of new and existing single-family homes in Kansas City remained unchanged at $161,600, and home sales were down 13 percent to 22,600 homes sold. In St. Louis, the number of existing home sales decreased to 13,300, based on city and county data from the St. Louis Association of REALTORS®, and the average home sales price increased 4 percent to $182,300. During the 12 months ending March 2011, the Des Moines Area Association of REALTORS® reported that, in Des Moines, the number of home sales declined 17 percent to 6,925 homes when compared with the number sold during the previous 12-month period, and the average home sales price was up slightly to $160,800, indicating a 2-percent increase. According to the Wichita Area Association of REALTORS®, during the 12 months ending March 2011, the number of homes sold in Wichita declined by 9 percent, down to 7,750 homes sold, and the average home sales price remained unchanged at $134,800. According to the Omaha Area Board of REALTORS®, during the 12 months ending March 2011, home sales in Omaha decreased by 10 percent to 8,225 homes sold, and the average home price increased 4 percent to $167,500.

Reduced home sales resulted in a decrease of single-family construction activity in every state in the Great Plains region, as measured by the number of single-family building permits issued. During the 12 months ending March 2011, based on preliminary data, the total number of single-family homes permitted in the region was 16,000, a decrease of 2,600 homes, or 14 percent, compared with the number permitted during the previous 12 months. Nebraska recorded a 28-percent decrease in the number of single-family homes permitted, down 1,150 to 2,925 homes permitted, which represents the largest decline in the region. Kansas recorded a 12-percent decrease, down to 2,975 single-family homes permitted. In other states in the region, changes ranged from a decrease of 6 percent in Iowa to a decrease of 13 percent in Missouri.

Rental housing market conditions were mixed in the large metropolitan areas throughout the Great Plains region during the first quarter of 2011. According to Reis, Inc., in the first quarter of 2011, the apartment market in Wichita was balanced, with a vacancy rate of 6.1 percent, down from 7 percent a year earlier, and the average rent remained relatively unchanged at $520. In Omaha, during the first quarter of 2011, the apartment market was tight, with a vacancy rate of 4.4 percent, down from 6.2 percent a year earlier, and the average rent increased approximately 2 percent to $700. Rental markets in the largest metropolitan areas in Missouri were slightly soft during the first quarter of 2011. In Kansas City during the first quarter of 2010, the apartment vacancy rate declined from 10.3 to 7.5 percent, and the average rent increased 2 percent to $710. In St. Louis, for the first quarter of 2010, the vacancy rate declined from 9 to 7.3 percent for the same period in 2011, and the average rent increased by 1 percent to $730. Rental market conditions in Des Moines tightened during the first quarter of 2011 because the apartment vacancy rate fell to 4.3 percent, down slightly from the 4.8-percent rate recorded a year earlier, and the average rent increased 1 percent to $710.

Multifamily construction, as measured by the number of multifamily units permitted, declined by 24 percent, to 5,425 units, in the Great Plains region during the past year compared with a 21-percent decrease for the 12 months ending March 2010. In comparison, multifamily construction activity averaged 15,850 units permitted annually from 2005 through 2008. During the past 2 years, continued weak economic conditions and limited credit availability have resulted in reduced construction levels in every state in the region, with the exception of Nebraska. Improving rental market conditions in Nebraska led to the permitting of 840 units, up from the 530 units permitted for the 12 months ending March 2010. In Kansas, during the 12 months ending March 2011, the number of multifamily units permitted declined by 55 percent, or 1,050 units, from the previous year to 850 units. In other states in the region, changes ranged from a decline of 30 percent in Iowa, down to 1,325 units permitted, to a decrease of 15 percent in Missouri, down to 2,400 units permitted.