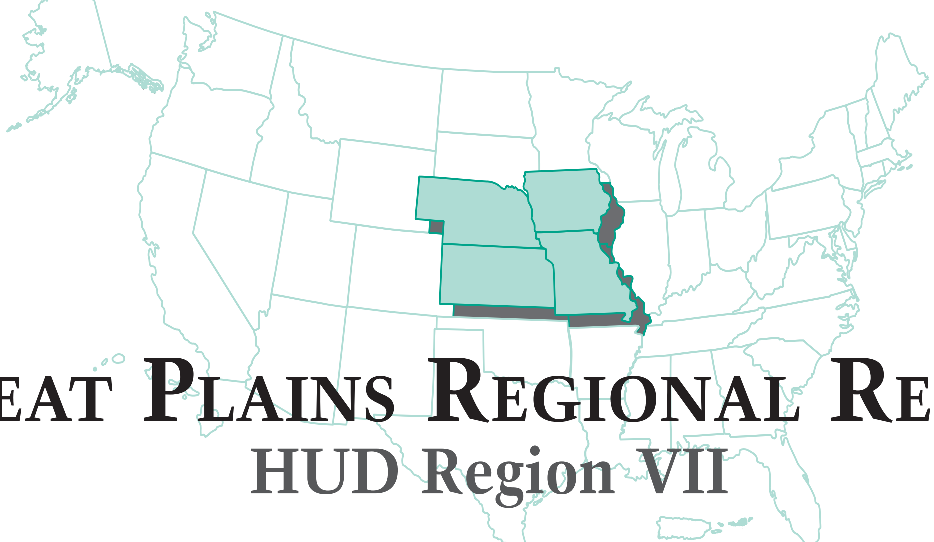
1st Quarter 2012

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.

An economic expansion is under way in the Great Plains region. Nonfarm payrolls increased during the first quarter of 2012, a significant improvement from the economic conditions of a year ago. During the 12 months ending March 2012, average nonfarm payrolls increased 0.4 percent, or 23,400 jobs, to 6.4 million jobs. By comparison, average nonfarm payrolls declined 0.2 percent, or 9,700 jobs, in the 12 months ending March 2011. The professional and business services sector recorded the largest growth in the region, gaining 19,600 jobs, a 2.8-percent increase. Despite the significant increase, employment levels in the professional and business services sector remain 5,200 jobs below the peak of more than 719,200 jobs recorded in the sector during the third quarter of 2008. Significant job gains also occurred in the manufacturing sector, which increased by 16,400 jobs, or 2.4 percent, and every state in the region recorded increased payrolls in the sector. During the 12 months ending March 2012, nonfarm payrolls continued to decline in the information sector, which decreased by 4,900 jobs, or 3.6 percent, compared with a decrease of 7,400 jobs, or 5.2 percent, during the 12 months ending March 2011. The government sector, which recorded declines in every state in the region during the 12 months ending March 2012, lost 19,900 jobs, a 1.8-percent decrease.

During the first quarter of 2012, nonfarm payroll gains in Kansas, Iowa, and Nebraska more than offset minimal job losses in Missouri. In Kansas, nonfarm payrolls increased by 11,100 jobs, or 0.8 percent, during the 12 months ending March 2012, led by growth of more than 8,400 jobs, or 5.8 percent, in the professional and business services sector. In Iowa, nonfarm payrolls increased by 9,200 jobs, or 0.6 percent, led by a gain of 8,400 jobs, or 4.2 percent, in the manufacturing sector. Manufacturing jobs in Iowa are predominantly in the food production industry; however, during the past year, job growth was primarily in industrial machinery and fabricated metals. During the

12 months ending March 2012, nonfarm payrolls in Nebraska increased by 3,400 jobs, or 0.4 percent, from the previous 12 months. A gain of 2,300 jobs, or 2.2 percent, in the professional and business services sector accounted for nearly 70 percent of the nonfarm payroll increase in Nebraska. Losses in the government sector totaled 1,100 jobs. In Missouri, nonfarm payrolls declined by 300 jobs, with declines in the financial activities and government sectors accounting for slightly more than 50 percent of the total loss. During the first quarter of 2012, the average unemployment rate in the region decreased to 6.7 percent, an improvement from the 7.4-percent rate recorded during the first quarter of 2011. The unemployment rates ranged from 4.3 percent in Nebraska to 8.2 percent in Missouri. Iowa and Kansas recorded rates of 5.7 and 6.5 percent, respectively.

Sales housing market conditions remained soft in all states in the Great Plains region during the past year, despite the modest job gains that began in the second quarter of 2011. According to Hanley Wood, LLC, during the first quarter of 2012, the number of new and existing homes sold in the region declined by 10 percent, to 157,400, compared with the number sold a year ago. Home sales in Iowa reflected the largest absolute decline in the region. During the 12 months ending March 2012, 36,050 homes sold, down 19 percent, or 8,525 homes, from the 12 months ending March 2011. During the same period, home sales in Nebraska declined to 18,300 homes, a 7-percent decrease. In Kansas and Missouri, new and existing home sales decreased 15 and 3 percent, to 24,450 and 78,650 homes, respectively. Despite the decline in sales, during the 12 months ending March 2012, the average sales price in the region increased to $151,600, up 2 percent compared with the average sales price from a year earlier. According to LPS Applied Analytics, during the first quarter of 2012, the percentage of mortgage loans 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) was relatively unchanged in every state in the region except Iowa, where the rate increased to 5.0 percent, up slightly from 4.7 percent in the first quarter of 2011. In Missouri and Nebraska, the rates were unchanged at 5.3 and 3.5 percent, respectively. During the first quarter of 2012, distressed loans in Kansas were up slightly, to 5 percent of total loans, compared with the 4.9-percent rate recorded during the first quarter of 2011.

Sales housing market conditions during the first quarter of 2012 were mixed in the large metropolitan areas in the region. According to the Kansas City Regional Association of REALTORS® and Heartland Multiple Listing Service, Inc., during the 12 months ending March 2012, the number of homes sold in Kansas City increased 5 percent, to 23,675, and the average home sales price decreased 4 percent, to $155,600. In St. Louis, existing home sales increased by 430 homes, or 3 percent, to 13,725 homes sold, based on city and county data from the St. Louis Association of REALTORS®, and the average home sales price decreased 4 percent, to $174,400. For the 12 months ending March 2012, the Des Moines Area Association of REALTORS® reported that home sales in Des Moines increased 15 percent, to 7,975 homes, compared with the number sold during the previous 12-month period. The average home sales price in Des Moines was up slightly to $162,300, a 1-percent increase. According to the Wichita Area Association of REALTORS®, during the 12 months ending March 2012, the number of homes sold in Wichita was unchanged at 7,675 homes, despite a 2-percent decrease from a year ago in the average home sales price, to $132,200. The Omaha Area Board of REALTORS® reported that the number of home sales in Omaha increased by 11 percent, to 9,100 homes sold during the 12 months ending March 2012, and the average home sales price decreased by 1 percent, to $165,600, from the 12 months ending March 2011.

Single-family construction activity, as measured by the number of single-family building permits issued, increased for the first time since November 2010 in response to a modest increase in home sales in the large metropolitan areas throughout the region. During the 12 months ending March 2012, based on preliminary data, 16,250 single-family homes were permitted in the region, an increase of 240 homes, or 2 percent, compared with the number permitted during the previous 12 months. Kansas recorded a 5-percent decrease in the number of single-family homes permitted during the 12 months ending March 2012, down 160 to 2,825 homes permitted compared with the number permitted during the previous 12 months, the only state in the region to record a decline. Conversely, Nebraska recorded a 5-percent increase to 3,075 single-family homes permitted during the same period. Likewise, in Iowa, the number of single-family homes permitted increased 2 percent, to 5,000 homes. During the 12 months ending March 2012, the number of single-family homes permitted in Missouri increased 3 percent, to 5,375, representing the first increase in construction activity in the state since January 2011.

Rental housing market conditions were balanced to tight in most large metropolitan areas in the Great Plains region during the first quarter of 2012. The apartment market in Wichita was balanced, with a 4.9-percent vacancy rate down from 6.1 percent a year earlier, and the average rent was up 2 percent, to $530, according to Reis, Inc. In Omaha, during the first quarter of 2012, the apartment market was tight, with a 3.8-percent vacancy rate down from 4.4 percent a year earlier, and the average rent was up approximately 2 percent, to $720. Rental markets in the largest metropolitan areas in Missouri improved significantly during the past year. In Kansas City, during the first quarter of 2012, the apartment vacancy rate declined from 7.4 to 5.6 percent, and the average rent increased 1 percent, to $720. In St. Louis, the vacancy rate declined from 7.3 percent in the first quarter of 2011 to 6.3 percent for the same period in 2012, and the average rent increased 2 percent, to $750. The rental market in Des Moines tightened during the first quarter of 2012, with a 3.7-percent apartment vacancy rate, down from 5.2 percent a year earlier, and the average rent was up about 2 percent, to $720.

Multifamily construction, as measured by the number of multifamily units permitted, increased in the Great Plains region during the past year by 38 percent, to 7,400 units, compared with the number permitted during the 12 months ending March 2011, according to preliminary data. This level is less than one-half of the multifamily construction activity from 2005 through 2008, which averaged 15,850 units permitted annually. During the 12 months ending March 2012, the number of multifamily units permitted in Iowa increased 33 percent, to 1,725 units, representing both the largest numerical increase and the greatest rate of change since August 2010. As rental market conditions improved in Nebraska, during the 12 months ending March 2012, 1,825 multifamily units were permitted, up significantly from 840 during the previous 12 months. In Kansas, permits were issued for 1,600 units, an increase of 760 units, or 91 percent, from a year ago. During 2010 and 2011, weak economic conditions and limited credit availability in the multi-family capital markets reduced construction levels in Missouri. During the 12 months ending March 2012, the number of multifamily units permitted in Missouri declined 5 percent, or 130 units, from the previous year, to 2,250 units.