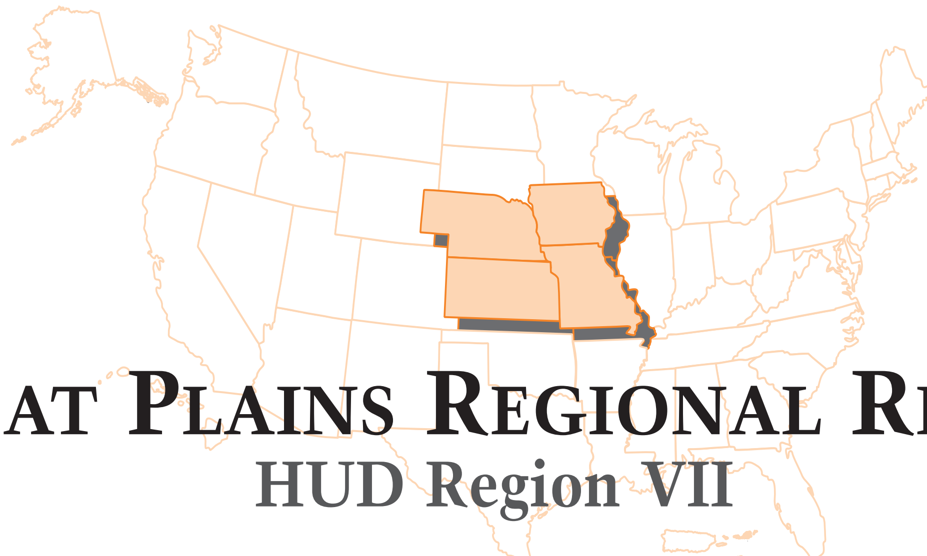
2nd Quarter 2009

U.S. Housing Market Conditions



Great Plains Regional Report

HUD Region VII

2nd 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 continued to weaken during the second quarter of 2009, following the trend started in the first quarter of 2009. During the 12 months ending June 2009, nonfarm employment decreased by 74,500 jobs, or 1.1 percent, to 6.6 million jobs compared with the number of jobs in the region during the previous 12 months. During the most recent 12-month period, growth occurred in only two employment sectors; the education and health services sector grew by 18,150 jobs, or 2 percent, primarily due to increased employment in educational services and hospitals, and the government sector increased by 14,150 jobs, or 1.3 percent, primarily as a result of hiring by local governments. During the same period, the manufacturing sector lost 45,600 jobs, or 5.6 percent, and employment in the construction sector declined by 17,550 jobs, or 5.3 percent. 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 total jobs. During the 12 months ending June 2009, nonfarm employment declined in all four states of the region. Nebraska had the lowest rate of job loss at 6,300 jobs, or 0.7 percent. Missouri had the largest number of job losses and the highest rate of decline at 37,900 jobs, or 1.4 percent. Nonfarm jobs in Iowa and Kansas declined by 17,650 and 12,700 jobs, or 1.2 and 0.9 percent, respectively.

Labor markets throughout the Great Plains were weakened by the slowing economy. The average unemployment rate in the region rose from 4.9 percent for the 12 months ending June 2008 to 7.6 percent for the 12 months ending June 2009. Unemployment rates for the four states ranged from 4.1 percent in Nebraska to 7.7 percent in Missouri, with Iowa and Kansas reporting rates of 4.9 and 5.6 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 7.6 percent.

Although the economy in the Great Plains region started to decline only in the first quarter of 2009, existing home sales began to decline in 2006 and continued in 2009. According to the NATIONAL ASSOCIATION OF REALTORS®, during the 12 months ending March 2009 (the most recent data available for states), the annual rate of existing home sales for the four states in the region declined 17 percent to approximately 226,400 homes compared with the rate of sales recorded during the previous 12 months. All states in the region reported a decrease in the number of sales, ranging from 10 percent in Iowa to 22 percent in Kansas. According to the Federal Housing Finance Agency's House Price Index, the first quarter 2009 index for the Great Plains region dropped by an average of more than 1.4 percent compared with the index for the first quarter of 2008. In the four states, decreases ranged from 1 to 3 percent. The home price index declines recorded in the Great Plains region were significantly lower than the 7-percent national decline recorded during the first quarter of 2009.

All major metropolitan areas in the region recorded declines in existing home sales, according to data from local REALTORS® associations. Sales housing market conditions are soft in Omaha, Wichita, Des Moines, St. Louis, and Kansas City. During the 12-month period ending June 2009, sales of existing homes in the Omaha area decreased by 19 percent to 6,900 homes and the average existing home price declined more than 4 percent to $148,850. In the Wichita area, existing home sales also fell by 19 percent to 7,450 homes; however, the average price increased by 3 percent to $122,200. The number of existing home sales in the Des Moines area decreased by 17 percent, from 8,750 to 7,200 homes, and the average price declined by 3 percent to $166,250. Existing home sales in the St. Louis area decreased by 1,950 to 14,700 homes and the average existing home price declined more than 17 percent to $162,650. The number of existing home sales in the Kansas City area declined from 24,150 to 21,950 homes and the average price decreased by 8 percent to $142,000. Foreclosed properties represent a growing proportion of the homes available for sale in Kansas City. According to AOL Real Estate, during the 12 months ending June 2009, more than 70 percent of the homes listed for sale in Kansas City were foreclosures compared with less than 50 percent during the previous 12-month period. AOL Real Estate also reported that, in the past 12 months, more than 40 percent of the listings in both St. Louis and Omaha were foreclosures compared with less than 30 percent a year earlier. The average number of days an existing home remains on the market currently exceeds 90 days in Des Moines and Kansas City, the same as a year ago. The average number of days currently required to sell an existing home in the other major metropolitan areas in the Great Plains region ranges from 60 to 70 days, down from 60 to 90 days a year earlier.

New home sales also declined in the major metropolitan areas in the region. During the 12 months ending June 2009, new home sales declined by 40 percent to 2,700 homes in Kansas City and by 30 percent to 1,150 homes in Wichita. Although sales were down, the average price of a new home increased by more than 2 percent to $302,200 in Kansas City and by nearly 10 percent to $239,900 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 continues to decline. During the 12-month period ending June 2009, approximately 16,800 single-family homes were permitted, 33 percent fewer than the number permitted during the 12-month period ending June 2008. Declines in single-family building activity were recorded in each of the four states, ranging from a decline of 14 percent to 3,950 homes permitted in Nebraska to a decline of 46 percent to 4,100 homes permitted in Missouri. The rising unemployment rate, the decline in new home sales, and a high proportion of foreclosure sales resulted in the continued steep decline in building activity in Missouri that started in 2006. The number of single-family homes permitted in Iowa and Kansas declined by 26 and 33 percent to 4,500 and 3,500 homes, respectively.

Multifamily construction in the region, as measured by the number of units permitted, decreased by 28 percent to 8,300 units during the 12 months ending June 2009. All four states recorded a slowdown in the number of units permitted. The largest percentage decline occurred in Nebraska, where the number of units permitted totaled 1,150, a 39-percent decline compared with the number permitted during the previous 12-month period. In Missouri, the number of multifamily units permitted declined by 29 percent to 3,700 units. The number of units permitted in Kansas and Iowa was down 23 percent to 2,000 units and down 19 percent to 1,450 units, respectively. According to the McGraw-Hill Construction Pipeline database, during the 12-month period ending June 2009, most of the multifamily units permitted in Wichita, Kansas City, St. Louis, and Omaha were marketed as rental apartments, with proportions of rental units ranging from 84 percent in Omaha to 100 percent in Wichita. This trend reflects the softer home sales markets throughout the Great Plains region. All 350 multifamily units currently under construction in Des Moines are condominiums. From January 2005 to June 2009, approximately 46 percent of the multifamily units completed in Des Moines were condominiums.

All rental housing markets in the larger metropolitan areas of the region were balanced in the second quarter of 2009. With the exception of Des Moines, however, the rental vacancy rates increased in the second quarter of 2009 compared with the rates recorded in the second quarter of 2008. According to Reis, Inc., the apartment vacancy rate in Des Moines decreased from 6.7 percent in the second quarter of 2008 to 6.2 percent in the second quarter of 2009 and the average monthly rent increased 2 percent to $690. In Omaha, the apartment vacancy rate is currently 6 percent, up from 5.7 percent a year earlier, and the average monthly rent increased by 1 percent to $700. Vacancy rates increased from 7 to more than 8 percent in both St. Louis and Kansas City; however, conditions in both markets remained relatively balanced. During the 12-month period ending June 2009, rents decreased by 5 percent to $730 in St. Louis because of the increased vacancy rate. According to AXIOMETRICS INC., during the 12-month period ending June 2009, rental concessions increased in both St. Louis and Kansas City compared with concessions offered during 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 4 to 7 percent. According to Reis, Inc., the rental vacancy rate in Wichita increased from 7 percent in the second quarter of 2008 to 7.5 percent in the second quarter of 2009 and the average monthly rent increased by more than 1 percent to $510.