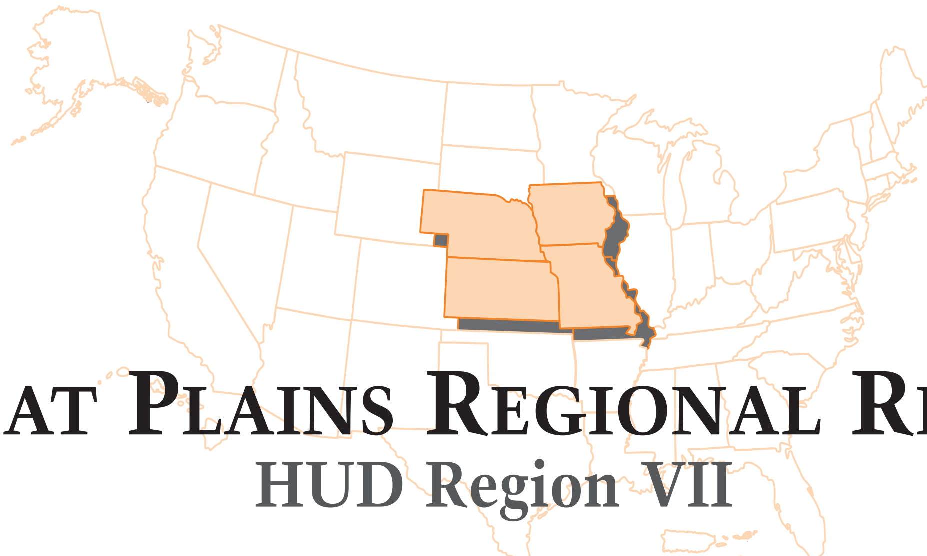
2nd Quarter 2011

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.

Nonfarm payrolls in the Great Plains region increased during the second quarter of 2011, the first quarterly increase in nonfarm payroll jobs since 2007. During the 12 months ending June 2011, average nonfarm payrolls increased by 0.1 percent, or 4,400 jobs, to 6.4 million jobs. In comparison, average nonfarm payrolls declined by 2.9 percent, or 189,600 jobs, in the 12 months ending June 2010. The professional and business services sector recorded the largest growth in the region, adding 15,700 jobs, a 2.3-percent increase. The education and health services sector increased by 7,800 jobs, or 0.8 percent, with every state 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 8,900 jobs, or 3.1 percent, compared with a decrease of 40,700 jobs, or 12.4 percent, during the 12 months ending June 2010. Estimates place approximately 80 percent of job losses for the sector in the construction subsector because of soft housing and commercial property markets. The information sector, which recorded declines in every state in the region, lost 8,400 jobs, a 6-percent decrease, during the 12 months ending June 2011.

Nonfarm payroll gains in Nebraska and Iowa during the 12 months ending June 2011 offset job losses in Kansas and Missouri. In Nebraska, nonfarm payrolls increased by 8,200 jobs, or 0.9 percent, during the 12 months ending June 2011, led by an increase of more than 4,600 jobs, or 4.6 percent, in the professional and business services sector. In Iowa, nonfarm payrolls increased by 6,100 jobs, or 0.4 percent, led by gains of 4,800 jobs, or 4.0 percent, in the professional and business services sector and 2,700 jobs, or 1.4 percent, in the manufacturing sector. Nonfarm payrolls in Missouri decreased by 4,300 jobs, or 0.2 percent, because combined losses of 11,100 jobs in the construction subsector and government sector offset combined gains of more than 8,000 jobs in the professional and business services and education and health services sectors. In Kansas, nonfarm payrolls declined by 5,600 jobs, or 0.4 percent, with declines in the information and financial activities sectors accounting for nearly 50 percent of the total loss. For the 12 months ending June 2011, the unemployment rate in the region decreased to an average of 7.4 percent, down from the 7.7-percent rate recorded during the previous 12 months. The average unemployment rates ranged from 4.3 percent in Nebraska to 9.3 percent in Missouri. Iowa and Kansas recorded rates of 6.1 and 6.8 percent, respectively.

Sales housing market conditions remained soft throughout all the states in the Great Plains region during the second quarter of 2011, despite small job gains in the region during the past 12 months. According to Hanley Wood, LLC, during the 12 months ending June 2011, sales of new and existing homes in the region declined 27 percent to 124,200 homes sold compared with the number sold during the previous 12-month period. Missouri recorded the largest absolute decline in sales during the past year, down 17,600 homes, or 22 percent, to 62,400 homes sold. During the same period, home sales in Nebraska declined to 11,750, a 47-percent decrease, representing the largest rate of decline of any state in the region. In Kansas and Iowa, new and existing home sales decreased by 30 and 24 percent, to 21,950 and 28,150, respectively. During the 12 months ending June 2011, despite the decline in sales, the average sales price in the region increased to $151,600, up 5 percent compared with the sales price from a year earlier, mostly because of a 9-percent decrease in distressed sales. According to LPS Applied Analytics, during the second quarter of 2011, the percentage of total loans 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) fell in every state in the region except Kansas, where the rate remained unchanged at 4.8 percent. In Missouri, which had the greatest percentage point decrease, the rate fell from 5.5 to 5.0 percent. In Nebraska, which had the next highest decrease, the rate declined from 3.7 to 3.4 percent during the past year. During the second quarter of 2011, distressed loans in Iowa were 4.7 percent of total loans compared with 4.8 percent during the same period of the previous year.

Home sales continued to decrease in all major markets throughout the region during the second quarter of 2011, following state trends, although home prices in most major markets began to stabilize. According to the Kansas City Regional Association of REALTORS® and Heartland Multiple Listing Service, Inc., during the 12 months ending June 2011, the average price of new and existing single-family homes in Kansas City decreased 5 percent to $155,000. Home sales in Kansas City fell 31 percent to 18,700 homes sold. In St. Louis, existing home sales decreased by 3,925, or 24 percent, to 12,400, based on city and county data from the St. Louis Association of REALTORS®, and the average home sales price was unchanged at $178,000. For the 12 months ending June 2011, the Des Moines Area Association of REALTORS® reported that home sales declined 24 percent in Des Moines to 6,650 homes compared with the number sold during the previous 12-month period. The average home sales price in Des Moines was up slightly to $161,800, indicating a 3-percent increase. According to the Wichita Area Association of REALTORS®, during the 12 months ending June 2011, the number of homes sold in Wichita declined by 31 percent to 6,225, and the average home sales price declined 1 percent to $132,600. According to the Omaha Area Board of REALTORS®, during the 12 months ending June 2011, home sales in Omaha decreased by 21 percent to 7,700 homes sold, and the average home price increased 4 percent to $169,000.

Single-family construction activity, as measured by the number of single-family building permits issued, declined in every state in the region as builders responded to the decrease in home sales. During the 12 months ending June 2011, based on preliminary data, 15,650 single-family homes were permitted in the region, a decrease of 2,475 homes, or 14 percent, compared with the number permitted during the previous 12 months. Nebraska recorded a 23-percent decrease in the number of single-family homes permitted, down 820 to 2,800 homes permitted, which represents the largest numerical decline in the region. Kansas recorded a 13-percent decrease to 2,925 single-family homes permitted. In other states in the region, declines ranged from 7 percent in Iowa to 15 percent in Missouri.

Rental housing market conditions were mixed in the large metropolitan areas throughout the Great Plains region during the second quarter of 2011. According to Reis, Inc., the apartment market in Wichita was balanced during the second quarter of 2011, with a vacancy rate of 5.8 percent, down from 7.8 percent a year earlier, and the average rent remained relatively unchanged at $520. In Omaha, during the second quarter of 2011, the apartment market was tight, with a vacancy rate of 4.6 percent, down from 5.9 percent a year earlier, and the average rent increased approximately 2 percent to $710. Rental markets in the largest metropolitan areas in Missouri were slightly soft but improved. In Kansas City during the second quarter of 2011, the apartment vacancy rate declined from 9.4 to 6.9 percent, and the average rent increased 2 percent to $720. In St. Louis, the vacancy rate declined from 8.8 percent in the second quarter of 2010 to 6.9 percent for the same period in 2011, and the average rent increased by about 2 percent to $740. The rental market in Des Moines tightened during the second quarter of 2011, with a 4-percent apartment vacancy rate, down from 6.1 percent a year earlier, and the average rent increased by about 2 percent to $720.

Multifamily construction, as measured by the number of multifamily units permitted, declined by 12 percent, to 6,150 units, in the Great Plains region during the past year compared with a 15-percent decrease for the

12 months ending June 2010, according to preliminary data. 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 Kansas and Iowa. In Kansas, during the 12 months ending June 2011, the number of multifamily units permitted declined by 47 percent, or 850 units, to 950 units compared with the previous year. During the same period, units permitted in Iowa declined 29 percent to 1,425 units. Improving rental market conditions in Missouri led to the permitting of 2,725 units, an increase of 100 units, or 4 percent. In Nebraska, permits were issued for 1,075 units, up from the 550 units permitted for the 12 months ending June 2010.