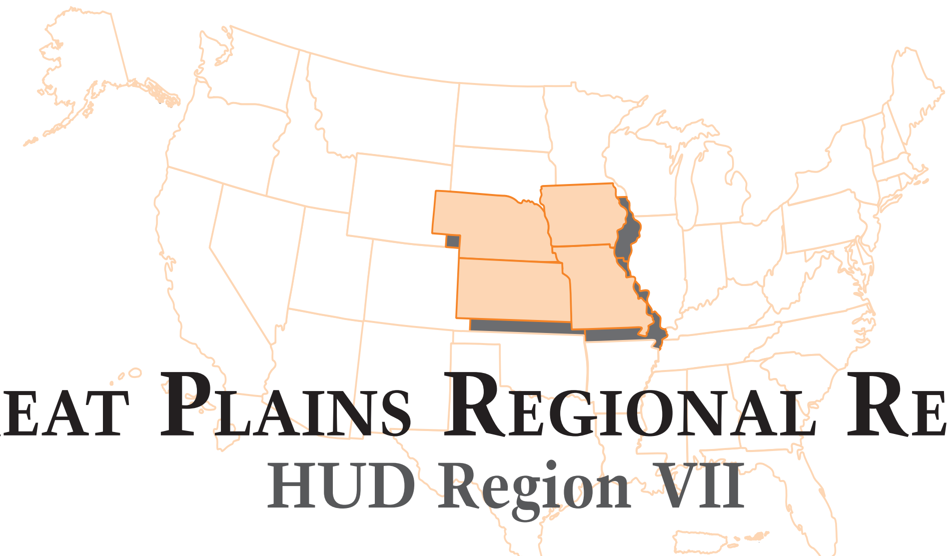
2nd Quarter 2012

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.

Economic conditions in the Great Plains region improved steadily during the second quarter of 2012, a modest improvement from the economic conditions of a year ago. During the 12 months ending June 2012, average nonfarm payrolls increased 0.3 percent, or by 21,900 jobs, to 6.4 million jobs. By comparison, average nonfarm payrolls increased 0.2 percent, or by 12,900 jobs, in the 12 months ending June 2011. The manufacturing sector recorded the largest growth in the region, gaining 18,900 jobs, a 2.7-percent increase. Despite the significant increase, employment levels in the manufacturing sector remain 102,700 jobs below the peak of more than 822,500 jobs recorded in the sector during the third quarter of 2006.

Significant job gains also occurred during the past 12 months in the professional and business services sector, which increased by 17,100 jobs, or 2.4 percent; every state in the region, with the exception of Iowa, recorded increased payrolls in the sector. In Iowa, the professional and business services sector declined by 800 jobs, or 0.7 percent, because of the reclassification of jobs from temporary employment agencies to full-time employment in other sectors. During the 12 months ending June 2012, nonfarm payrolls continued to decline in the information sector, which decreased by 4,300 jobs, or 3.2 percent, compared with a decrease of 6,100 jobs, or 4.4 percent, during the 12 months ending June 2011. The government sector, which recorded job declines in every state in the region during the 12 months ending June 2012, lost 16,200 jobs, a 1.4-percent decrease.

During the second quarter of 2012, nonfarm payroll gains in Iowa, Kansas, and Nebraska more than offset minimal job losses in Missouri. In Iowa, nonfarm payrolls increased by 12,000 jobs, or 0.8 percent, during the 12 months ending June 2012, led by the growth of more than 10,000 jobs, or 4.9 percent, in the manufacturing sector. Manufacturing jobs in Iowa are predominantly in the food production industry; however, during the

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past year, job growth has been primarily in industrial machinery and fabricated metals. In Kansas, nonfarm payrolls increased by 8,300 jobs, or 0.6 percent, led by a gain of 6,800 jobs, or 4.7 percent, in the professional and business services sector. During the 12 months ending June 2012, nonfarm payrolls in Nebraska increased by 4,900 jobs, or 0.5 percent, from the previous 12 months. A gain of 2,700 jobs, or 2.7 percent, in the professional and business services sector accounted for nearly 40 percent of the nonfarm payroll increases in Nebraska. In Missouri, nonfarm payrolls declined by 3,300 jobs, with declines in the construction subsector and the government sector accounting for approximately 50 percent of the total loss. During the second quarter of 2012, the average unemployment rate in the region decreased to 6.5 percent, an improvement from the 7.3-percent rate recorded during the second quarter of 2011. The unemployment rates ranged from 4.2 percent in Nebraska to 7.8 percent in Missouri. Iowa and Kansas recorded rates of 5.5 and 6.4 percent, respectively.

Sales housing market conditions in the Great Plains region improved in Nebraska and Missouri during the past year but remained soft in Iowa and Kansas, despite the modest job gains that began in the second quarter of 2011. According to Hanley Wood, LLC, during the second quarter of 2012, the number of new and existing homes sold in the region declined by 2 percent, to 161,800, 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 June 2012, 33,000 homes sold, down 23 percent, or 9,000 homes, from the 12 months ending June 2011. During the same period, home sales in Kansas declined to 26,000 homes sold, a 3-percent decrease. In Nebraska and Missouri, new and existing home sales increased 5 and 7 percent, to 20,300 and 82,500 homes sold, respectively. Despite the decline in home sales for the region during the 12 months ending June 2012, the average home sales price increased to $166,000, up 5 percent compared with the average sales price from a year earlier. According to LPS Applied Analytics, during June 2012, the percentage of mortgage loans 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) increased slightly in every state in the region, except Nebraska, where the rate remained unchanged at 3.4 percent compared with the rate in June 2011. In Iowa and Kansas, the rates increased 0.3 percentage points each to 5.0 and 5.1 percent, respectively. During June 2012, distressed loans in Missouri increased slightly, to 5.2 percent of total loans compared with the 5.0-percent rate recorded during June 2011.

Sales housing market conditions continued to improve in the large metropolitan areas throughout the region during the second quarter of 2012. According to the Kansas City Regional Association of REALTORS® and Heartland Multiple Listing Service, Inc., during the 12 months ending June 2012, the number of homes sold in Kansas City increased 17 percent, to 24,750, and the average home sales price increased 1 percent, to $160,200. In St. Louis, existing home sales increased by 1,900 homes, or 15 percent, to 14,300 homes sold, based on city and county data from the St. Louis Association of REALTORS®, and the average home sales price decreased 3 percent, to $175,400. For the 12 months ending June 2012, the Des Moines Area Association of REALTORS® reported that home sales in Des Moines increased 26 percent, to 8,350 homes, compared with the number sold during the previous 12-month period. The average home sales price in Des Moines increased slightly to $164,600, a 2-percent increase. According to the Wichita Area Association of REALTORS®, during the 12 months ending June 2012, the number of homes sold in Wichita increased 11 percent to 7,750 homes, despite a 3-percent decrease from a year ago in the average home sales price, to $131,200. The Omaha Area Board of REALTORS® reported that the number of home sales in Omaha increased 25 percent, to 9,625 homes sold during the 12 months ending June 2012, and the average home sales price decreased 1 percent, to $166,700, from the 12 months ending June 2011.

Single-family construction activity, as measured by the number of single-family building permits issued, increased during the second quarter of 2012. During the 12 months ending June 2012, based on preliminary data, 17,000 single-family homes were permitted in the region, an increase of 1,375 homes, or 9 percent, compared with the number permitted during the previous 12 months. The only state to record a decline was Kansas, where the number of single-family homes permitted during the 12 months ending June 2012 decreased 2 percent, or by 60 homes, to 2,850 homes permitted compared with the number permitted during the previous 12 months. Conversely, Nebraska recorded a 14-percent increase to 3,200 single-family homes permitted during the same period. Likewise, in Iowa, the number of single-family homes permitted increased 10 percent, to 5,300 homes. During the 12 months ending June 2012, the number of single-family homes permitted in Missouri increased 11 percent, to 5,650, representing the largest increase in construction activity in the state since January 2011.

Apartment markets were balanced to tight in most large metropolitan areas in the Great Plains region during the second quarter of 2012. The apartment market in Wichita was balanced, with a 5-percent vacancy rate, down from 5.8 percent a year earlier, and the average rent increased 2 percent, to $540, according to Reis, Inc. In Omaha, during the second quarter of 2012, the apartment market was tight, with a 3.8-percent vacancy rate, down from 4.6 percent a year earlier, and the average rent increased by approximately 3 percent, to $730. Apartment markets in the largest metropolitan areas in Missouri improved significantly during the past year. In Kansas City, during the second quarter of 2012, the apartment vacancy rate declined from 6.9 to 5.5 percent, and the average rent increased 2 percent, to $730. In St. Louis, the apartment vacancy rate declined from 6.9 percent in the second quarter of 2011 to 6.2 percent for the same period in 2012, and the average rent increased 2 percent, to $750. The apartment market in Des Moines tightened during the second quarter of 2012, with a 3.1-percent apartment vacancy rate, down from 4 percent a year earlier, and the average rent increased by about 3 percent, to $730.

Multifamily construction, as measured by the number of multifamily units permitted, increased 34 percent, to 8,075 units, in the region during the past year compared with the number permitted during the 12 months ending June 2011, according to preliminary data. This level represents approximately one-half of the multifamily construction activity from 2005 through 2008, which averaged 15,850 units permitted annually. During the 12 months ending June 2012, the number of multifamily units permitted in Iowa increased 37 percent, to 1,900 units, representing the largest increase in permits issued since August 2010. As rental housing market conditions improved in Nebraska during the 12 months ending June 2012, approximately 2,000 multifamily units were permitted, up significantly from 1,050 units during the previous 12 months. In Kansas, permits were issued for 2,150 units, an increase of 1,225 units, or 130 percent, from a year ago. Since 2010, weak economic conditions and limited credit availability in the multifamily capital markets reduced construction levels in Missouri. The number of multifamily units permitted in Missouri declined 24 percent, or 620 units, from the previous year, to 2,025 units in the 12 months ending June 2012.