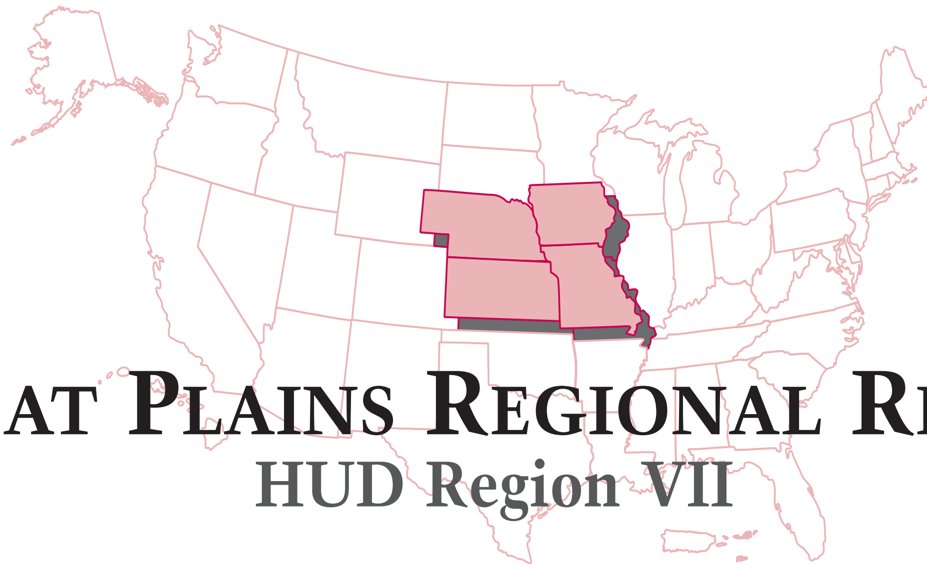
3rd Quarter 2009

U.S. Housing Market Conditions



Great Plains Regional Report

HUD Region VII

3rd 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. Also included are profiles of selected local housing market areas that provide a perspective of current economic conditions and their impact on the regional housing market. The reports and profiles are 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 weakening of the economy in the Great Plains region that started in the first quarter of 2009 continued during the third quarter of 2009. During the 12 months ending September 2009, nonfarm employment decreased by 124,500 jobs, or 1.9 percent, to 6.6 million jobs compared with the number of jobs in the region during the 12 months ending September 2008. During the 12-month period ending September 2009, growth occurred in only two employment sectors; the education and health services sector grew by 16,450 jobs, or 1.8 percent, primarily due to increased employment in the healthcare and social assistance industry, and the government sector increased by 14,800 jobs, or 1.3 percent, primarily as a result of hiring in the local government subsector. During the same period, the manufacturing sector lost 63,500 jobs, or 7.8 percent, and employment in the construction sector declined by 24,800 jobs, or 7.5 percent. In the four-state region, the government is 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 September 2009, nonfarm employment declined in all four states in the region. Nebraska had the lowest rate of job loss at 11,900 jobs, or 1.2 percent, while Missouri had the largest number of job losses at 55,900 jobs, or 2 percent. Nonfarm jobs in Iowa and Kansas declined by 30,000 and 26,700 jobs, or 2 and 1.9 percent, respectively.

Unemployment rates throughout the Great Plains region have continued to increase significantly, a trend that began in January 2009. The average unemployment rate in the region rose from 4.6 percent for the 12 months ending September 2008 to 6.7 percent for the 12 months ending September 2009. Unemployment rates for the four states ranged from 4.5 percent in Nebraska to 8.4 percent in Missouri, with Iowa and Kansas reporting rates of 5.4 and 6.2 percent, respec-

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tively. Although the rates in each state rose significantly during the past 12 months, they remained below the national 12-month average unemployment rate of 8.5 percent.

Existing home sales in the region began to decline in 2006 and continued to decline in 2009. According to the NATIONAL ASSOCIATION OF REALTORS®, for the second quarter of 2009, the annual rate of existing home sales for the four states in the region declined 8 percent to approximately 231,200 homes compared with the rate reported for the second quarter of 2008. Missouri and Kansas reported sales declines of 12 and 17 percent, respectively. Home sales in Iowa and Nebraska rose 2 and 6 percent, respectively. According to the Federal Housing Finance Agency's House Price Index, the index for the second quarter of 2009 for the region dropped by an average of 1.2 percent compared with the index for the second quarter of 2008. In the four states, decreases ranged from 0.1 percent in Nebraska to 2.8 percent in Missouri. The home price index declines recorded in the region were significantly lower than the 6-percent national decline recorded during the second quarter of 2009.

All major metropolitan areas in the region recorded declines in existing home sales during the 12 months ending September 2009, according to data from local REALTORS® associations and BlockShopper®. During this period, sales housing market conditions were soft in Omaha, Wichita, Des Moines, St. Louis, and Kansas City. Sales of existing homes in the Omaha area decreased by 4 percent to 7,300 homes and the average existing home price declined more than 2 percent to $150,000. In the Wichita area, existing home sales fell by 18 percent to 7,250 homes; however, the average price increased by 3 percent to $122,600. The number of existing home sales in the Des Moines area decreased by 10 percent, from 8,250 to 7,400 homes, and the average price declined by 4 percent to $162,600. Existing home sales in the greater St. Louis area decreased by 11,400 to 23,100 homes and the average existing home price declined more than 22 percent to $149,400. The number of existing home sales in the Kansas City area declined from 24,050 to 21,950 homes and the average price decreased by 6 percent to $142,500. 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 September 2009, more than 70 percent of the homes listed for sale in Kansas City were foreclosures compared with less than 50 percent during the 12-month period ending September 2008. AOL Real Estate also reported that, in the 12 months ending September 2009, more than 45 percent of the listings in both St. Louis and Omaha were foreclosures, compared with less than 30 percent a year earlier. During the 12 months ending September 2009, the average number of days an existing home remained on the market exceeded 90 days in Des Moines, Kansas City, and St. Louis, the same as a year earlier, and the average number of days required to sell an existing home in Omaha exceeded 60 days, the same as a year earlier.

New home sales also declined in the major metropolitan areas in the region. According to data from local REALTORS® associations and BlockShopper®, new home sales in Omaha and St. Louis declined by 52 percent to 850 homes and by 47 percent to 450 homes, respectively, during the 12 months ending September 2009. Kansas City had a slightly smaller rate of decline of 39 percent, to 2,400 homes, and Wichita declined 35 percent to 1,050 homes. Although sales were down, the average price of a new home increased by more than 2 percent to $302,200 in Kansas City, by more than 11 percent to $241,600 in Wichita, and by 5 percent to $245,600 in Omaha. In St. Louis, new home prices declined by 12 percent to $221,000.

As new home sales continue to decline in most areas of 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 September 2009, according to preliminary data, approximately 16,600 single-family homes were permitted, 24 percent fewer than the number permitted during the 12-month period ending September 2008. Declines in single-family building activity were recorded in each of the four states, ranging from 10 percent to 3,800 homes permitted in Nebraska to 34 percent to 5,000 homes permitted in Missouri. The rising unemployment rate, the declines in new home sales, and a high proportion of foreclosure sales all contributed to 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 16 and 31 percent to 4,600 and 3,200 homes, respectively.

Multifamily construction in the Great Plains region, as measured by the number of units permitted, decreased by 45 percent to 6,450 units during the 12 months ending September 2009, based on preliminary data. Three of the four states in the region recorded a slowdown in the number of units permitted. The only state that had an increase in the number of multifamily units permitted was Iowa, which increased by 8 percent to 1,650 units. The largest percentage decline occurred in Nebraska, where the number of units permitted totaled 650 units, a 72-percent decrease compared with the number permitted during the 12-month period ending September 2008. In Missouri, the number of multifamily units permitted declined by 52 percent to 2,500 units. The number of units permitted in Kansas was down 39 percent to 1,650 units. According to the McGraw-Hill Construction Pipeline database, during the 12-month period ending September 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 93 percent in Omaha to 100 percent in St. Louis and Wichita. This trend reflects the softer condominium home sales markets throughout the region.

The rental markets in all the larger metropolitan areas in the region were balanced in the third quarter of 2009, although rental vacancy rates increased in all areas during this period compared with the rates recorded in the third quarter of 2008. According to Reis, Inc., the apartment vacancy rate in Des Moines increased from 5.5 percent in the third quarter of 2008 to 6.5 percent in the third quarter of 2009. In Omaha, for the 12-month period ending September 2009, the apartment vacancy rate was 7.3 percent, up from 5.1 percent a year earlier. The rents in Des Moines and Omaha both increased by less than 1 percent to $700. The rental vacancy rate in Wichita increased from 6.7 percent in the third quarter of 2008 to 7.7 percent in the third quarter of 2009, and the average monthly rent remained at $510. Vacancy rates increased from less than 7 percent to more than 8 percent in both St. Louis and Kansas City, although conditions in both markets remained relatively balanced. During the 12-month period ending September 2009, rents remained unchanged at $730 in St. Louis and $700 in Kansas City. According to AXIOMETRICS INC., during the 12-month period ending September 2009, rental concessions increased in both St. Louis and Kansas City compared with concessions offered during the 12 months ending September 2008. As a percentage of asking rents, rental concessions increased in St. Louis from 2 to 6 percent and in Kansas City from approximately 4 to 8 percent.