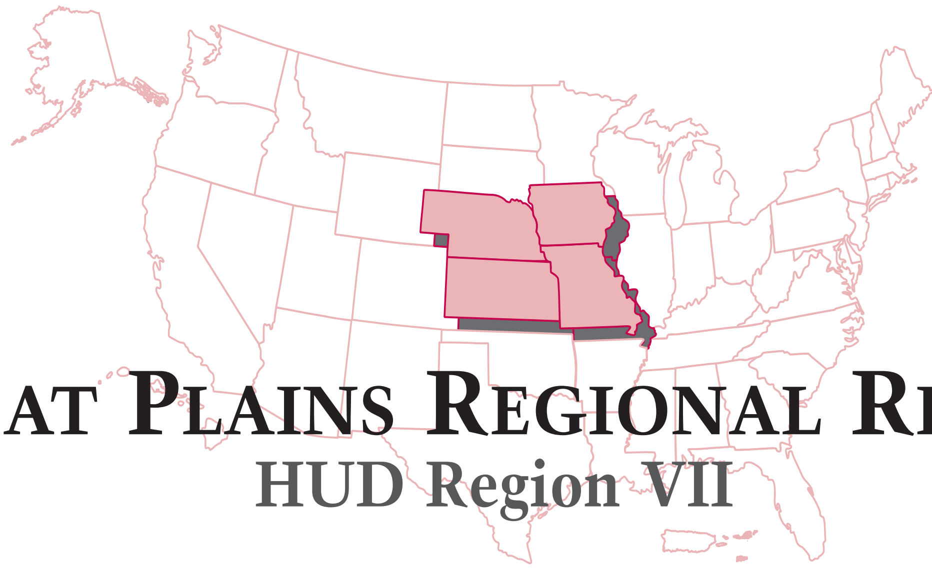
3rd Quarter 2011

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. 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 third quarter of 2011, the first consecutive quarterly increase in nonfarm payroll jobs since 2005. During the 12 months ending September 2011, average nonfarm payrolls increased by 0.3 percent, or 20,900 jobs, to 6.4 million jobs. In comparison, average nonfarm payrolls declined by 2 percent, or 132,500 jobs, during the 12 months ending September 2010. The professional and business services sector recorded the largest growth in the region, gaining 13,400 jobs, a 2-percent increase. The manufacturing sector increased by 12,000 jobs, or 1.7 percent, with every state in the region recording increased payrolls in the sector. Despite the significant increase in the manufacturing sector, employment levels remain 117,200 jobs below the peak of more than 822,500 jobs recorded in the sector during the third quarter of 2006. The number of jobs continued to decline from the previous quarter in the government sector, which decreased by 11,900 jobs, or 1 percent, compared with an increase of 2,200 jobs, or 0.2 percent, during the 12 months ending September 2010. Job losses in the sector are predominantly at the local level as many cities and municipalities continue to struggle with less revenue. The information sector, which recorded declines in every state in the region, lost 7,300 jobs, a 5.3-percent decrease, during the 12 months ending September 2011.

Nonfarm payroll gains in Nebraska, Iowa, and Missouri offset job losses in Kansas during the 12 months ending September 2011. In Nebraska, nonfarm payrolls increased by 13,100 jobs, or 1.4 percent, led by an increase of more than 6,200 jobs, or 6.2 percent, in the professional and business services sector. In Iowa, nonfarm payrolls increased by 11,800 jobs, or 0.8 percent, led by gains of 4,300 jobs, or 3.3 percent, in the leisure and hospitality sector and 3,900 jobs, or 3.2 percent, in the professional and business services sector. Nonfarm payrolls in Missouri increased slightly by 200 jobs during the 12 months ending September 2011, the first quarterly increase in the number of jobs since the third quarter of 2008. Nonfarm payroll increases were led by gains of 5,800 jobs, or 2.4 percent, in the manufacturing sector, which partially offset losses totaling 6,900 jobs in the government sector. In Kansas, nonfarm payrolls declined by 4,200 jobs, or 0.3 percent, with declines in the information and financial activities sectors accounting for nearly 50 percent of the total loss. For the 12 months ending September 2011, the unemployment rate in the region decreased to an average of 7.2 percent, an improvement from the 7.6-percent rate recorded during the previous 12 months. The average unemployment rates ranged from 4.3 percent in Nebraska to 9.1 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 third quarter of 2011, despite modest job gains in the region during the past 12 months. According to Hanley Wood, LLC, during the 12 months ending September 2011, the number of new and existing homes sold in the region declined by 17 percent to 133,500 homes compared with the number sold during the previous 12-month period. Missouri recorded the largest absolute decline in the number of homes sold during the past year, down by 10,550 homes, or 14 percent, to 66,450 homes sold. During the same period, home sales in Nebraska declined to 12,900 homes, a 33-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 17 and 15 percent, to 23,800 and 30,350 homes sold, respectively. During the 12 months ending September 2011, despite the decline in sales, the average sales price in the region increased to $153,100, up 4 percent compared with the sales price from a year earlier, mostly because of a 17-percent decrease in distressed sales. According to LPS Applied Analytics, during the third 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 Iowa, where the rate remained unchanged at 4.8 percent. The rate fell from 5.4 to 5.1 percent in Missouri, from 3.7 to 3.4 percent in Nebraska, and from 4.9 to 4.8 percent in Kansas during the past year.

Home sales continued to decline in all major sales housing markets throughout the region during the third quarter of 2011, following state trends, although home prices in most major markets continued to stabilize. According to the Kansas City Regional Association of REALTORS® and Heartland Multiple Listing Service, Inc., during the 12 months ending September 2011, the average price of a home in Kansas City decreased 4 percent to $155,900. Home sales in Kansas City fell 9 percent to 22,450 homes sold. In St. Louis, existing home sales decreased by 1,900 homes, or 13 percent, to 13,000 homes sold, based on city and county data from the St. Louis Association of REALTORS®, but the average home sales price was unchanged at $179,600. For the 12 months ending September 2011, the Des Moines Area Association of REALTORS® reported that home sales declined 7 percent in Des Moines to 7,275 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, indicating a 2-percent increase. According to the Wichita Area Association of REALTORS®, during the 12 months ending September 2011, the number of homes sold in Wichita declined by 12 percent to 7,375 homes, and the average home sales price remained unchanged at $134,700. According to the Omaha Area Board of REALTORS®, during the 12 months ending September 2011, the number of home sales in Omaha decreased by 8 percent to 8,325 homes sold, and the average home price increased by 1 percent to $166,300.

Single-family construction activity, as measured by the number of single-family building permits issued, declined in every state in the region, with the exception of Iowa, as builders responded to the decreased number of home sales. During the 12 months ending September 2011, based on preliminary data, 15,900 single-family homes were permitted in the region, a decrease of 1,300 homes, or 8 percent, compared with the number permitted during the previous 12 months. Missouri recorded a 13-percent decrease in the number of single-family homes permitted, down 780 to 5,050 homes permitted, which represents the largest numerical decline in the region. Permitted homes declined 9 percent in Kansas and 12 percent in Nebraska. Iowa recorded a 3-percent increase to 5,025 single-family homes permitted, the first quarterly increase since 2010.

Rental housing market conditions were mixed in the large metropolitan areas throughout the Great Plains region during the third quarter of 2011. The apartment market in Wichita was balanced during the third quarter of 2011, with a vacancy rate of 5.4 percent, down from 7.6 percent a year earlier, and the average rent remained relatively unchanged at $520, according to Reis, Inc. In Omaha, during the third quarter of 2011, the apartment market was tight, with a vacancy rate of 4.5 percent, down from 4.9 percent a year earlier, and the average rent increased approximately 2 percent to $710. Rental markets in the largest metropolitan areas in Missouri improved significantly during the past year. In Kansas City, during the third quarter of 2011, the apartment vacancy rate declined from 8.6 to 6.5 percent, and the average rent increased 2 percent to $720. In St. Louis, the vacancy rate declined from 8 percent in the third quarter of 2010 to 6.7 percent for the same period in 2011, and the average rent increased by 1.5 percent to $740. The rental market in Des Moines tightened during the third quarter of 2011, with a 3.7-percent apartment vacancy rate, down from 5.2 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, increased by 5 percent, to 7,125 units, in the Great Plains region during the past year compared with the number permitted during the

12 months ending September 2010, according to preliminary data. In comparison, multifamily construction activity averaged 15,850 units permitted annually from 2005 through 2008. During 2009 and 2010, weakened economic conditions and limited credit availability have reduced construction levels in Missouri and Iowa. In Missouri, during the 12 months ending September 2011, the number of multifamily units permitted declined by 13 percent, or 370 units, to 2,475 units compared with the previous year. During the same 2011 period, the number of multifamily units permitted in Iowa declined 16 percent to 1,550 units. Improving rental market conditions in Kansas led to the permitting of 1,650 units, an increase of 130 units, or 8 percent. In Nebraska, permits were issued for 1,450 units, up from the 600 units permitted for the 12 months ending September 2010.