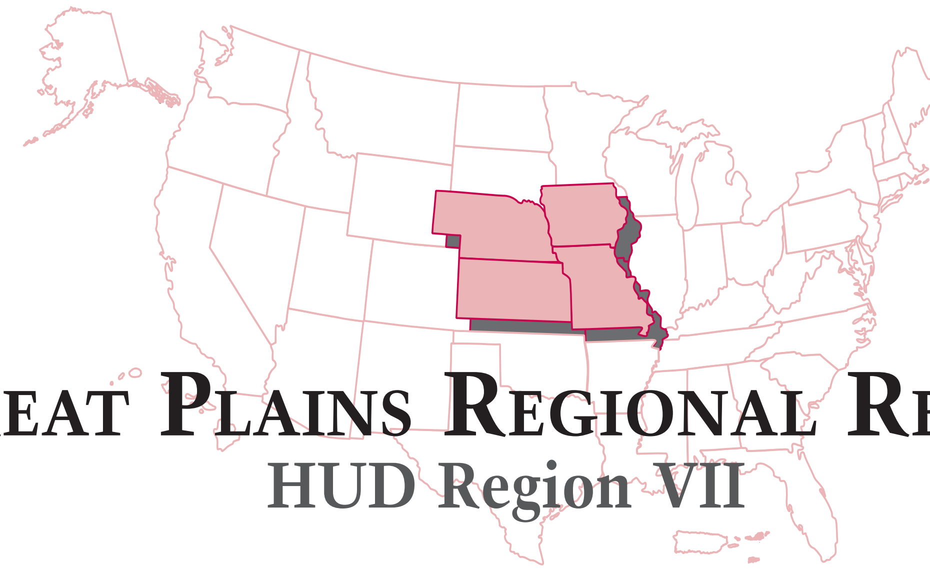
3rd Quarter 2012

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.

Economic conditions in the Great Plains region continued to improve during the third quarter of 2012, reflecting a modest improvement from the economic conditions of a year ago. During the 12 months ending September 2012, average nonfarm payrolls increased 0.4 percent, or by 28,800 jobs, to 6.4 million jobs. By comparison, average nonfarm payrolls increased 0.3 percent, or by 22,100 jobs, in the 12 months ending September 2011. During the past year, the manufacturing and the professional and business services sectors accounted for more than 70 percent of the job growth in the region. During the 12 months ending September 2012, the manufacturing sector recorded gains of 19,500 jobs, a 2.8-percent increase compared with the number of jobs in that sector during the previous 12-month period. Likewise, the professional and business services sector also gained 19,500 jobs, or 2.8 percent, during the same period, with every state in the region except Iowa recording increased payrolls in the sector. In Iowa, the professional and business services sector declined by 900 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 September 2012, nonfarm payrolls continued to decline in the information sector, which decreased by 4,500 jobs, or 3.4 percent, compared with a decrease of 4,900 jobs, or 3.6 percent, during the 12 months ending September 2011. The government sector, which recorded declines in every state in the region except Nebraska during the 12 months ending September 2012, lost 10,500 jobs, a 0.9-percent decrease. In Nebraska, the government sector increased by 600 jobs, or 0.4 percent, with the state government subsector accounting for all the net gain.

During the third quarter of 2012, nonfarm payroll gains in Kansas, Iowa, and Nebraska more than offset minimal job losses in Missouri. In Iowa, nonfarm payrolls increased by 12,800 jobs, or 0.9 percent, during the 12 months ending September 2012, led by growth of more than 10,300 jobs, or 5.0 percent, in the manufacturing sector. Manufacturing jobs in Iowa are predominantly in the food production industry; during the past year, however, job growth has been primarily in the industrial machinery and fabricated metals industries. In Kansas, nonfarm payrolls increased by 10,800 jobs, or 0.8 percent, led by a gain of 8,200 jobs, or 5.6 percent, in the professional and business services sector. During the 12 months ending September 2012, nonfarm payrolls in Nebraska increased by 8,000 jobs, or 0.8 percent, from the previous 12 months. A gain of 2,200 jobs, or 2.1 percent, in the professional and business services sector accounted for nearly 25 percent of the nonfarm payroll increase in Nebraska. In Missouri, nonfarm payrolls declined by 2,700 jobs, with losses in the construction subsector and in the government and trade sectors accounting for approximately 60 percent of the total loss. During the third quarter of 2012, the average unemployment rate in the region decreased to 6.2 percent, an improvement from 7.2 percent during the third quarter of 2011. The unemployment rates ranged from 4.0 percent in Nebraska to 7.4 percent in Missouri. Iowa and Kansas recorded rates of 5.3 and 6.2 percent, respectively.

Sales housing market conditions improved in every state in the Great Plains region during the past year. According to Hanley Wood, LLC, during the third quarter of 2012, the number of new and existing homes sold in the region increased nearly 8 percent, to 140,800 homes, compared with the number sold a year ago. Home sales in Missouri reflected the largest absolute increase in the region during the 12 months ending August 2012; 80,100 homes sold, up 9 percent, or 6,900 homes, from the 12 months ending August 2011. During the same period, in Iowa and Nebraska, new and existing home sales increased 5 and 21 percent, to 23,950 and 11,650 homes, respectively. Home sales in Kansas during the 12 months ending August 2012 remained relatively unchanged at 25,100 homes sold, representing an increase of less than 1 percent compared with the number sold during the previous period. Despite an overall increase of 10,250 homes sold in the region during the past 12 months, the average sales price, at $157,600, remained unchanged compared with the average sales price from a year earlier. According to LPS Applied Analytics, as of the third quarter of 2012, 4.7 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned). In Iowa and Kansas, the rates increased by 0.1 and 0.2 percentage points to 4.9 and 5.0 percent, respectively. Distressed loans in Missouri were down slightly, to 5.0 percent of total loans, compared with the 5.1-percent rate recorded during the third quarter of 2011. Distressed loans in Nebraska remained unchanged at 3.4 percent.

Sales housing market conditions continued to improve in the large metropolitan areas throughout the region during the third quarter of 2012. According to the Kansas City Regional Association of REALTORS® and Heartland Multiple Listing Service, Inc., during the 12 months ending September 2012, the number of homes sold in Kansas City increased 15 percent, to 25,750 homes sold, and the average home sales price increased 5 percent, to $164,100. In St. Louis, existing home sales increased by 1,975 homes, or 15 percent, to 14,950 homes sold, based on city and county data from the St. Louis Association of REALTORS®, and the average home sales price decreased 1 percent, to $177,700. For the 12 months ending September 2012, the Des Moines Area Association of REALTORS® reported that home sales in Des Moines increased 18 percent, to 8,575 homes, compared with the number sold during the previous 12-month period. The average home sales price in Des Moines was up slightly to $165,800, a 2-percent increase. According to the Wichita Area Association of REALTORS®, during the 12 months ending September 2012, the number of homes sold in Wichita increased 6 percent, to 7,850 homes sold, despite the average home sales price decreasing 3 percent, to $130,800. The Omaha Area Board of REALTORS® reported that the number of home sales in Omaha increased 12 percent, to 10,600 homes sold, during the 12 months ending September 2012, and the average home sales price increased 4 percent to $170,000, from the 12 months ending September 2011.

Single-family construction activity, as measured by the number of single-family homes permitted, increased in every state in the region during the 12 months ending September 2012. Based on preliminary data, 18,050 single-family homes were permitted in the region, an increase of 2,200 homes, or 14 percent, compared with the number permitted during the previous 12 months. During the same period, in Kansas, the number of single-family homes permitted increased 4 percent, to 3,000 homes, representing the largest increase in construction activity in the state since the third quarter of 2010. In Nebraska and Iowa, the number of single-family homes permitted increased 14 and 13 percent, to 3,300 and 5,675 homes, respectively. Likewise, during the 12 months ending June 2012, the number of single-family homes permitted in Missouri increased 21 percent, to 6,050 homes, compared with the number permitted a year ago.

Rental housing market conditions were balanced to tight in most large metropolitan areas in the Great Plains region during the third quarter of 2012. The apartment market in Wichita was balanced, with a 4.5-percent vacancy rate, down from 5.4 percent a year earlier, and the average rent was up 3 percent, to $540, according to Reis, Inc. In Omaha, during the third quarter of 2012, the apartment market was tight, with a 3.5-percent vacancy rate, down from 4.5 percent a year earlier, and the average rent was up approximately 3 percent, to $730. Rental markets in the largest metropolitan areas in Missouri improved significantly during the past year. In Kansas City, during the third quarter of 2012, the apartment vacancy rate declined from 6.5 to 5.1 percent, and the average rent increased 2 percent, to $740. In St. Louis, from the third quarter of 2011 to the third quarter of 2012, the vacancy rate declined from 6.8 to 5.9 percent, and the average rent increased 2 percent, to $760. The rental market in Des Moines tightened during the third quarter of 2012, with a 3.1-percent apartment vacancy rate, down from 3.7 percent a year earlier, and the average rent was up 1 percent, to $740.

Multifamily construction, as measured by the number of multifamily units permitted, increased 9 percent in the region during the past year, to 7,850 units, compared with the number permitted during the 12 months ending September 2011, according to preliminary data. This level represents approximately one-half of the 2005-through-2008 multifamily construction activity, which averaged 15,850 units permitted annually. During the 12 months ending September 2012, the number of multifamily units permitted in Iowa increased 47 percent, to 2,225 units, representing the fourth consecutive quarterly increase in permits issued and reflecting the tight apartment market conditions in Des Moines. As rental market conditions improved in Nebraska during the 12 months ending September 2012, approximately 1,850 multifamily units were permitted, up significantly from 1,475 during the previous 12 months. In Kansas, permits were issued for 1,650 units, unchanged from a year ago. Since 2010, weak economic conditions and limited credit availability in the multifamily capital markets have reduced construction levels in Missouri. The number of multifamily units permitted in Missouri declined 18 percent, or 460 units, from the previous year, decreasing to 2,125 units in the 12 months ending September 2012.