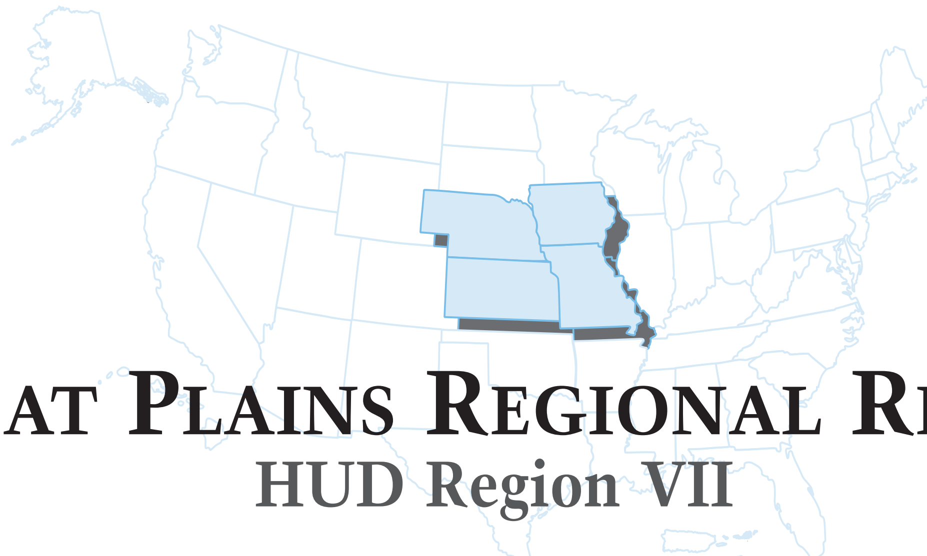
4th Quarter 2009

U.S. Housing Market Conditions



Great Plains Regional Report

HUD Region VII

4th 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.

In the Great Plains regional economy, nonfarm employment declined to its lowest level since 2006 as a result of job losses that began in 2008 and accelerated during 2009. Nonfarm employment decreased by 166,400 jobs, or 2 percent, to an annual average of 6.5 million jobs during 2009, compared with an increase of 20,000 jobs, or 0.1 percent, during 2008. Nearly one-half of the job losses, totaling 77,000 jobs, occurred in the manufacturing sector, mainly in the machinery and transportation equipment industries. The second highest number of job losses occurred in the construction sector, where employment declined by 37,000 jobs. The only employment gains during 2009 occurred in the education and health services sector, up 17,000 jobs, or 2 percent, and in the government sector, up 11,000 jobs, or 1 percent. In Kansas, nonfarm employment declined by 42,000 jobs, or 3 percent, to an annual average of 1.3 million jobs. In Iowa, nonfarm employment decreased by 38,000 jobs, or 2.5 percent, to 1.5 million. In Missouri, nonfarm employment declined by 69,000 jobs, or 2.5 percent, to 2.7 million jobs. In Nebraska, employment declined by 18,000 jobs, or 1.8 percent, to 940,000 jobs.

In the Great Plains region during 2009, a weakening economy contributed to an increased unemployment rate that averaged 7.2 percent, up from 4.9 percent in 2008. Missouri recorded the greatest increase in the unemployment rate during 2009 with an average of 9.1 percent, up from 6.1 percent in 2008. The unemployment rate in Kansas increased from an average of 4.4 percent in 2008 to 6.7 percent in 2009. The unemployment rate in Iowa averaged 6 percent in 2009, up from 4.1 percent in 2008; in Nebraska, it averaged 4.7 percent in 2009, up from 3.3 percent a year earlier.

Signs of recovery were evident in the Great Plains sales markets during 2009; regionwide sales of existing homes increased for the first time since the third quarter of 2006 and home prices increased compared with prices during 2008. Conditions in most markets throughout the region were balanced. According to the

NATIONAL ASSOCIATION OF REALTORS®, during the third quarter of 2009 (the most recent data available for states), the annual rate of existing home sales increased by 4 percent from the third quarter of 2008 to 267,200 sales, compared with a decline of 12 percent from the third quarter of 2007 to the third quarter of 2008. Sales of existing homes increased most rapidly in Nebraska, rising from an annual rate of 29,500 homes sold in the third quarter of 2008 to 35,600 in the third quarter of 2009, representing a 20-percent gain. During the same period, existing home sales in Iowa increased at an annual rate of 8 percent from 57,200 to 61,600, and in Missouri home sales rose 2 percent from 108,800 to 110,800. In Kansas, home sales declined at an annual rate of 3 percent to 59,200 during the third quarter of 2009 from 61,200 a year earlier. For the four Great Plains states, as reported in the Federal Housing Finance Agency's House Price Index for the third quarter of 2009, home prices increased by an average of 1 percent from the third quarter of 2008 compared with an average decline of 2 percent for home prices for the third quarter of the previous year. The state with the greatest change was Nebraska, where home prices increased by 3 percent. The house price index for Kansas and Iowa rose 2 and 1 percent, respectively, but fell 2 percent for Missouri, marking the second consecutive yearly decline for that state.

Among the major metropolitan areas in the Great Plains region, sales of existing homes increased in Omaha and Kansas City but declined in Des Moines, Wichita, and St. Louis during 2009. According to the Omaha Area Board of REALTORS®, existing home sales increased by 14 percent to 9,325 and the average price of a home sold decreased by 2 percent to $148,325. The Kansas City Regional Association of REALTORS® reported that existing home sales increased 24 percent to 23,325 during 2009 but the average price declined 4 percent to $144,950. The inventory of unsold existing homes decreased by 5 percent to 11,975, representing an 8-month supply. According to the Des Moines Area Association of REALTORS®, existing home sales declined 6 percent to 7,350 in 2009 and the average price of a home sold decreased 5 percent to $160,600. The inventory of unsold homes declined by 12 percent to 5,525, indicating a 13-month supply. The Wichita Area Association of REALTORS® reported that sales of existing homes fell 11 percent to 7,450, but the average price of a home sold rose 1 percent to $120,200. The inventory of unsold homes increased 2 percent to 3,150. According to Blockshopper LLC, existing home sales in St. Louis decreased 21 percent to 26,600 in 2009, and the NATIONAL ASSOCIATION OF REALTORS® reported that, as of the third quarter of 2009, the median price of a home sold was $120,000, down 8 percent from the price a year earlier.

New home sales in Omaha increased 16 percent to 1,225, but the average price of a new home sold declined 17 percent to $236,950. New home sales in Wichita decreased 34 percent to 1,000, but the average price of a new home increased 8 percent to $235,600. The inventory of unsold new homes in Wichita fell 25 percent to 575 homes. In Kansas City, new homes sales declined 14 percent to 2,400, but the average sales price remained relatively constant at $295,300. The inventory of unsold new homes in Kansas City decreased 37 percent to 2,025 homes.

The inventory of new single-family homes sold is likely to continue decreasing due to the decline in new single-family construction that occurred in the Great Plains region and in each of the four states in the region during 2009. In the region, single-family construction activity, as measured by the number of building permits issued, declined 11 percent to 17,200 homes during 2009 compared with a 38-percent decline in 2008, based on preliminary data. In Iowa, the number of building permits issued in 2009 for single-family homes totaled 4,775, indicating a 4-percent decline compared with a 31-percent decline in 2008. New single-family construction activity in Kansas decreased by 20 percent to 3,275, a smaller decline compared with 2008 when it declined by 37 percent. In Missouri, new single-family construction was down 15 percent to 5,300 homes, an improvement compared with the 2008 decline of 50 percent. In Nebraska, permits issued for construction of single-family homes declined 4 percent to 3,850, a small decline compared with the decline of 22 percent in 2008.

As of the fourth quarter of 2009, rental apartment markets were balanced in Des Moines, Omaha, and Lincoln and were soft in Wichita, Kansas City, and St. Louis. According to Reis, Inc., the rental apartment vacancy rate in Des Moines increased from 5.4 percent in the fourth quarter of 2008 to 6.5 percent for the fourth quarter of 2009, and the average effective rent increased 1 percent from $685 to $695. In Omaha, during the same period, the rental apartment vacancy rate increased to 6.8 percent from 5.6 percent, but the average effective rent decreased from $670 to $665. At 4.7 percent, Lincoln's rental apartment vacancy rate was the lowest of all metropolitan areas in the region during the fourth quarter of 2009, down from 4.8 percent a year earlier. In Lincoln, during the fourth quarter of 2009, the average effective rent was $660 compared with $665 a year earlier.

In Wichita, the rental apartment vacancy rate was 8.4 percent as of the fourth quarter of 2009 compared with 6.6 percent a year earlier, which is the largest increase in apartment vacancy rates among the region's major metropolitan areas. The average effective rent in Wichita was stable during the past year and, at $490, it was the lowest rent among the major metropolitan areas in the region. The Kansas City rental apartment vacancy rate increased from 7.7 percent in the fourth quarter of 2008 to 9.1 percent for the same quarter in 2009; the average effective rent increased from $700 to $705. Kansas City had the highest effective average rent among all metropolitan areas in the region. St. Louis had the highest rental apartment vacancy rate of the metropolitan areas; the rate rose to 9.2 percent in the last quarter of 2009 compared with 7.8 percent a year earlier. The average effective rent in St. Louis decreased from $685 to $680.

Multifamily construction activity, as measured by the number of units permitted, declined in the Great Plains Region during 2009 to 7,375 units, or by 32 percent, when compared with the 4-percent decline in 2008, based on preliminary data. Construction activity declined in all four states, led by Nebraska, where it decreased 65 percent to 570 units compared with the number of units permitted in 2008, when permits issued increased by 8 percent. In Missouri, multifamily construction activity fell 43 percent to 2,850 units compared with an 8-percent decline in 2008. During 2009, multifamily construction activity in Iowa decreased by 12 percent, with 1,725 units permitted, compared with a 5-percent decline in 2008. Kansas recorded the smallest decline in multifamily construction activity during 2009, decreasing 4 percent to 2,250 units compared with a 1-percent decline a year earlier. Based on the McGraw-Hill Construction Pipeline database for 2009, approximately 85 percent of multifamily projects in the region were rental apartment projects compared with 64 percent from 2004 through 2007, the peak years of owner-occupied, multifamily development.