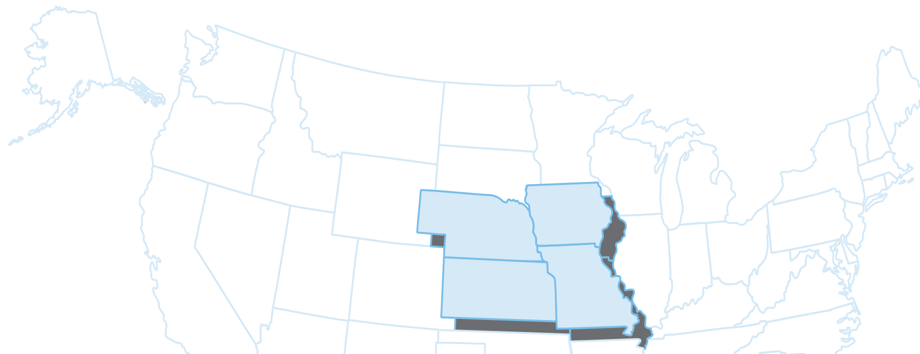
4th Quarter 2010

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.

Nonfarm payrolls in the Great Plains region continued a 3-year decline in 2010, but the pace of job losses slowed during the year. In 2010, nonfarm payrolls in the region decreased by 1 percent, or 49,000, to 6.4 million jobs, compared with a loss of about 3 percent during 2009. Payroll losses in 2010 were greatest in the construction sector, which declined by 18,000 jobs, or 6 percent, mainly because of declining commercial development and subdued residential construction. The manufacturing sector had the second greatest decline in payrolls in 2010, decreasing by 15,000 jobs, or 2 percent. In Kansas, the aerospace industry lost 4,100 jobs, or 14 percent, and the motor vehicles industry in Missouri lost 1,100 jobs, or 19 percent; these two losses represented the most significant workforce reductions. During 2010, shrinking construction and manufacturing payrolls equaled approximately one-fourth of the payroll decline that occurred in 2009, when a combined 127,000 jobs were cut in the two sectors. The education and health services, government, and other services sectors were the only private employment sectors that had payroll increases. The education and health services sector increased by 11,000 jobs, or 1 percent, mainly because of hiring in the medical services industry. The government and the other services sectors each grew by about 0.5 percent, adding 6,000 and 500 jobs, respectively. Hiring in the government sector mainly consisted of adding census workers to the federal payroll, while in other services, new jobs were scattered among several subsectors. The unemployment rate averaged 7.5 percent during 2010 compared with 7.3 percent in 2009.

All four states in the region recorded smaller job losses in 2010 than in 2009. Iowa and Nebraska payrolls fell less than 1 percent, with jobs declining by 4,100 and 2,200, respectively, compared with the 45,000 and 20,000 jobs lost during 2009. In Kansas, in 2010, 13,200 payroll jobs were lost, which represents a 1-percent decline compared with a 3-percent decline, or a loss of

45,000 jobs, in 2009. During 2010, job losses in Missouri totaled slightly more than 29,000, which was a 1-percent decline compared with a decline of 104,000 jobs, or 3 percent, in 2009. In Kansas, for the first time since 2007, the average unemployment rate fell, declining from 6.7 percent in 2009 to 6.6 percent in 2010. In Iowa, Missouri, and Nebraska, the average unemployment rate increased during 2010 to 6.6, 9.4, and 5 percent from 6, 9.3, and 4.6 percent in 2009, respectively.

Weak economic conditions throughout the Great Plains region during 2010 led to a third year of soft sales housing market conditions as most metropolitan areas showed double-digit average months' supply of unsold inventory. Sales activity was brisk before the July 1, 2010 expiration date of the homebuyer tax credit program but was more than offset by the slowdown during the last 6 months of the year. According to Hanley Wood, LLC, overall sales of new and existing homes fell 14 percent for the region, from 153,000 in 2009 to 130,300 in 2010. Despite the decline in sales during 2010, the average price of new and existing homes sold was $171,000, which is a 3-percent increase from the $165,200 average price during 2009. The increase occurred because of strong demand early in the year in all four states and because of decreased foreclosure sales activity in Kansas and Nebraska during 2010. Lender Processing Services Mortgage Performance Data show that the percentage of total loans 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) fell in all four states in the Region during 2010. From 2009 to 2010, Missouri had the greatest percentage point decrease, falling from 6 to 5.4 percent. Nebraska had the second greatest decrease during that same period, falling from to 4.1 to 3.6 percent. Iowa and Kansas had rates of 4.8 and 5 percent, respectively, in 2010 compared with 5.2 and 5.3 percent in 2009. In Kansas and Missouri, sales of new and existing homes decreased by 14 and 10 percent, to 25,000 and 65,000 homes, respectively. In Kansas, the average home sale price increased 2 percent, to $181,700, and, in Missouri, it increased by 4 percent, to $174,500. In Iowa, total home sales, at 29,000, were relatively unchanged from 2009 to 2010, but the average home price increased 3 percent to $158,000.

New and existing home sales and average home price trends in the major metropolitan areas of the region were consistent with state trends. Total home sales in the Kansas City area had the largest declines in the region, falling by 17 percent to 30,000 homes in 2010 from 36,000 homes in 2009. Despite the decline in sales, the average price for all homes sold was up 3 percent, to $190,700 in 2010 compared with $184,500 in 2009. According to the Kansas City Real Estate Report®, as of December 2010, Kansas City had an 11-month supply of unsold inventory, which was unchanged from a year earlier. Total home sales in Des Moines decreased 15 percent, from 10,150 in 2009 to 8,600 in 2010, but the average price increased from $159,800 to $166,200, which was an increase of 4 percent. The average sales price rose despite a 13-month supply of unsold inventory as of December 2010, as reported by the Des Moines Area Association of REALTORS®. In St. Louis, total home sales fell by 13 percent, from 43,000 in 2009 to 37,600 in 2010, but the average price increased 5 percent, to $179,700. Total home sales declined by 11 percent in Wichita, from 10,300 in 2009 to 9,200 in 2010, but the average price was unchanged at $142,300. According to the Wichita Area Association of REALTORS®, as of December 2010, Wichita had a 7-month supply of unsold inventory. In Omaha, according to the Great Plains Area Multiple Listing Service®, during 2010, total homes sales declined by 14 percent, to 9,200, but the average price increased 4 percent to $170,100. As of December 2010, Omaha had a 10-month supply of unsold inventory compared to a 9-month supply a year earlier.

Single-family home construction, as measured by the number of single-family building permits issued, totaled 17,200 homes in the region during 2010, which was a slight decrease from the 17,100 permits issued in 2009, based on preliminary data. Because of a regionwide soft sales market, construction activity continued to remain low compared with the 8-year period from 2001 through 2008, when single-family home permits averaged 46,000 a year. In Missouri, single-family home construction increased 8 percent in 2010 to 5,725 homes compared with the decline of 14 percent during 2009. In Iowa, in 2010, the number of single-family homes permitted totaled 5,150, a 6-percent increase compared with the 4-percent decline a year earlier. In Kansas, in 2010, the number of single-family homes permitted was 3,125, a decrease of 5 percent compared with a 20-percent decline in 2009. In Nebraska, during 2010, permits issued for single-family homes decreased by 17 percent, to 3,200 homes, compared with a 4-percent decline recorded a year earlier.

During 2010, increased demand for rental units in the Great Plains region led to improving metropolitan area rental market conditions. As of the end of 2010, the apartment market was balanced in Omaha and slightly soft in Kansas City, Wichita, and St. Louis, with rents increasing in all of these areas, except in Wichita. According to Reis, Inc., during 2010, the Kansas City apartment vacancy rate averaged 7.9 percent compared with 9.1 percent in 2009, but the average rent increased by nearly 2 percent, to $712. In Wichita, in 2010, the average apartment vacancy rate was 6.4 percent compared with 8.4 percent a year earlier, and the average rent was $517, unchanged from 2009. In the St. Louis area, in 2010, the average apartment vacancy rate was the lowest rate since 2007, at 7.6 percent compared with 9.2 percent a year earlier, and the average rent was $730 compared with $724 a year earlier. In Omaha, during 2010, the vacancy rate averaged 4.6 percent compared with 6.8 percent a year earlier, and the average rent was $703, an increase of 2 percent from 2009.

Multifamily construction, as measured by the number of multifamily units permitted, declined by 29 percent, to 5,250 units, in the Great Plains Region during 2010 compared with a 32-percent decrease in 2009, based on preliminary data. Nearly all multifamily construction activity was for apartments. Because of weak economic conditions and limited credit availability during the past 2 years, multifamily construction activity is well below the 15,100 units built annually during the 2001-through-2008 period. During 2010, improving rental markets in Missouri led to the permitting of 2,275 units, which is a 20-percent increase in multifamily construction activity compared with a 7-percent increase in 2009. During 2010, mainly because of the improving rental apartment market in Omaha, Nebraska recorded a 60-percent increase in multifamily construction activity; 925 units were issued permits compared with 575 a year earlier. Because of soft rental market conditions, during 2010, multifamily development in Iowa and Kansas declined by 22 and 69 percent, to 1,350 and 700 units, respectively, putting them on pace for the lowest level of annual multifamily construction activity in the past 10 years.