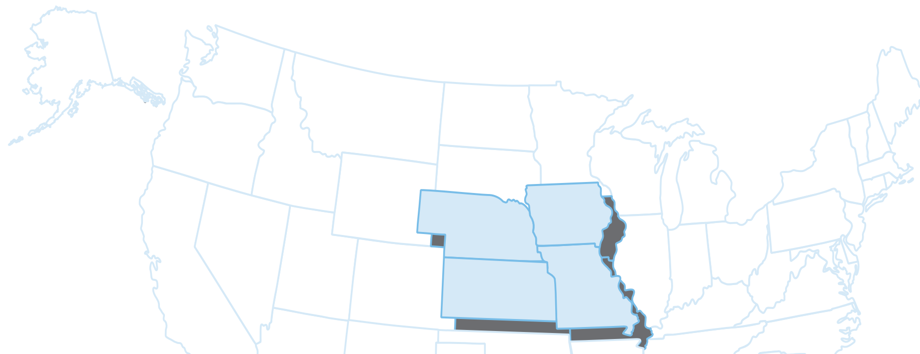
4th Quarter 2011

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.

An economic recovery is under way in the Great Plains region; nonfarm payrolls increased during 2011 following more than 3 years of employment decline that began in the fourth quarter of 2007. During 2011, average nonfarm payrolls increased by 0.5 percent, or 32,100 jobs, to 6.4 million. In comparison, average nonfarm payrolls declined by 1 percent, or 71,800 jobs, during 2010. The manufacturing sector recorded the largest growth in the region, gaining 17,400 jobs, a 2.5-percent increase. Despite the significant increase in the manufacturing sector, employment levels remain 111,000 jobs below the peak of more than 822,500 jobs recorded in the sector during the third quarter of 2006. Significant job gains also occurred in the professional and business services sector, which increased by 15,000 jobs, or 2.2 percent, and every state in the region recorded increased payrolls in the sector. During 2011, the number of information sector jobs continued to decline, by 7,200 jobs, or 5.4 percent, compared with a decrease of 11,400 jobs, or 7.8 percent, during 2010. Job losses in the sector were primarily the result of large declines in the telecommunications industry in Kansas and Missouri. The government sector, which recorded declines in every state in the region during 2011, lost 11,900 jobs, a 1-percent decrease. Job losses in the government sector began in the fourth quarter of 2010 and accelerated during 2011, predominantly at the local level, because many cities and municipalities continue to be revenue constrained.

During 2011, nonfarm payroll gains in Nebraska, Iowa, and Missouri offset minimal job losses in Kansas. In Nebraska, nonfarm payrolls increased by 15,700 jobs, or 1.7 percent, led by an increase of more than 7,500 jobs, or 7.4 percent, in the professional and business services sector. In Iowa, nonfarm payrolls increased by 13,600 jobs, or 0.9 percent, led by gains of 4,800 jobs each in the leisure and hospitality and manufacturing sectors, which increased 3.7 and 2.4 percent, respectively. Nonfarm payrolls in Missouri increased by 3,100 jobs, or 0.1 percent, during 2011, the largest increase in the number of jobs since the third quarter of 2008. During the same period, manufacturing sector gains of 8,000 jobs, or 3.3 percent, led nonfarm payroll growth in Missouri and partially offset losses totaling 6,000 jobs in the government sector. In Kansas, nonfarm payrolls declined by 300 jobs, with declines in the information and financial activities sectors accounting for slightly more than 50 percent of the total loss. During 2011, the average unemployment rate in the region decreased to 7 percent, an improvement compared with the 7.6-percent rate recorded during 2010. The unemployment rates ranged from 4.2 percent in Nebraska to 8.7 percent in Missouri. Iowa and Kansas recorded rates of 6.0 and 6.6 percent, respectively.

Sales housing market conditions remained soft throughout the Great Plains region during the past year despite the modest job gains that began in the second quarter of 2011. According to Hanley Wood, LLC, during 2011, the number of new and existing homes sold in the region declined by 11 percent, to 144,400 homes sold, compared with the number sold during 2010. In Iowa, in 2011, 37,450 homes sold, down 14 percent, or 6,100 homes, from 2010, the largest absolute decline in the region for the year. During the same period, home sales in Nebraska declined to 15,800 homes, a 14-percent decrease. In Kansas and Missouri, new and existing home sales decreased by 13 and 8 percent, to 23,200 and 67,950 homes, respectively. Despite the decline in sales, the average sales price in the region during 2011 increased to $152,400, up 3 percent compared with the sales price a year earlier, primarily because of a 23-percent decrease in distressed sales. According to LPS Applied Analytics, during 2011, the percentage of total loans 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned) fell or was unchanged in every state in the region except Iowa, where the rate increased slightly to 4.9 percent from 4.8 percent in 2010. In Missouri, the rate fell from 5.4 to 5.2 percent. Likewise, in Nebraska, the rate declined from 3.6 to 3.4 percent during the past year. During 2011, distressed loans in Kansas were unchanged at 5 percent of total loans compared with the distressed loan rate of the previous year.

Sales housing market conditions were mixed in the large metropolitan areas throughout the region during 2011. According to the Kansas City Regional Association of REALTORS® and Heartland Multiple Listing Service, Inc., the number of homes sold in Kansas City was unchanged at 22,900, and the average price of a home decreased 5 percent to $155,400 in 2011. In St. Louis, existing home sales decreased by 400 homes, or 3 percent, to 13,300 homes sold based on city and county data from the St. Louis Association of REALTORS®, and the average home sales price decreased 3 percent to $176,400. During 2011, the Des Moines Area Association of REALTORS® reported that home sales in Des Moines increased 8 percent to 7,725 homes compared with the number sold during 2010. The average home sales price in Des Moines rose to $161,800, a 1-percent increase. According to the Wichita Area Association of REALTORS®, the number of homes sold in Wichita in 2011 declined by 6 percent to 7,375, and the average home sales price decreased 3 percent to $132,500 compared with prices a year ago. The Omaha Area Board of REALTORS® reported that the number of home sales in Omaha increased by 4 percent to 8,625 homes sold in 2011, and the average home sales price decreased by 1 percent to $165,900 compared with the 2010 price.

Single-family construction activity, as measured by the number of single-family building permits issued, declined in every state in the region as builders responded to the decreased number of home sales. Based on preliminary data, during 2011, 15,600 single-family homes were permitted in the region, a decrease of 1,500 homes, or 9 percent, compared with the number permitted during 2010. Missouri recorded a 13-percent decrease in the number of single-family homes permitted in 2011, down 720 to 5,000 homes permitted compared with the number permitted in 2010, representing the largest numerical decline in the region. During the same period, Kansas recorded a 13-percent decrease to 2,725 single-family homes permitted, representing the largest rate of decline of any state in the region. Iowa and Nebraska experienced declines of 3 and 7 percent in the number of single-family homes permitted, to 4,925 and 2,975, respectively.

Rental housing market conditions were balanced to tight in most large metropolitan areas throughout the Great Plains region during 2011. The apartment market in Wichita was balanced during the fourth quarter of 2011, with a vacancy rate of 5.3 percent, down from 6.4 percent a year earlier, and the average rent increased 2 percent to $530, according to Reis, Inc. In Omaha, during the fourth quarter of 2011, the apartment market was tight, with a vacancy rate of 4.2 percent, down from 4.6 percent a year earlier, and the average rent increased approximately 1 percent to $710. Rental markets in the largest metropolitan areas in Missouri improved significantly during the past year, but remained somewhat soft. In Kansas City, during the fourth quarter of 2011, the apartment vacancy rate declined from 8 to 6.1 percent, and the average rent increased 1 percent to $720. In St. Louis, the vacancy rate declined from 7.6 percent in the fourth quarter of 2010 to 6.4 percent for the same period in 2011, and the average rent increased by 2 percent to $740. The rental market in Des Moines tightened during the fourth 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.

According to preliminary data, in the Great Plains region during the past year, multifamily construction, as measured by the number of multifamily units permitted, increased by 34 percent to 7,000 units compared with permitting during 2010. 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 in the multifamily capital markets reduced construction levels in Missouri. During 2011, the number of multifamily units permitted in Missouri increased by 5 percent, or 110 units, to 2,375 units compared with the number permitted the previous year. During the same period, the number of multifamily units permitted in Iowa increased 16 percent to 1,575 units, the first increase in multifamily permits issued since the third quarter of 2010. As rental market conditions improved in Kansas during 2011, 1,675 multifamily units were permitted, up significantly from the 710 units permitted in 2010. In Nebraska, permits were issued for 1,375 units, an increase of 475 units, or 52 percent from a year ago.