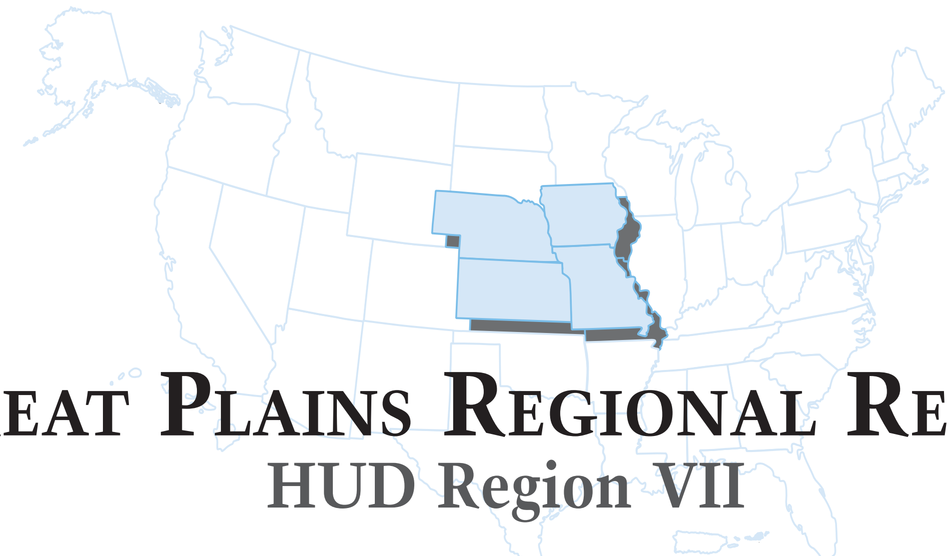
4th Quarter 2012

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.

Economic growth in the Great Plains region continued to accelerate during 2012, when conditions improved modestly from a year ago. Average nonfarm payrolls increased 0.7 percent, or 42,600 jobs, to 6.4 million jobs. By comparison, average nonfarm payrolls increased 0.3 percent, or 19,800 jobs, during 2011. During the past year, the manufacturing and the professional and business services sectors accounted for approximately 70 percent of the job growth in the region. During 2012, the manufacturing sector gained 18,500 jobs, a 2.6-percent increase from a year ago. The professional and business services sector increased by 22,400 jobs, or 3.2 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 200 jobs, or 0.1 percent, because of the reclassification of jobs from temporary employment agencies to full-time employment in other sectors. During 2012, nonfarm payrolls continued to decline in the information sector, which decreased by 4,300 jobs, or 3.3 percent, compared with the decrease of 5,000 jobs, or 3.7 percent, during 2011. The government sector, which declined in every state in the region except Nebraska during 2012, lost 7,900 jobs, a 0.7-percent decrease. In Nebraska, the government sector increased by 800 jobs, or 0.5 percent, with the state government subsector accounting for all the net job growth.

Every state in the region recorded nonfarm payroll gains during 2012. In Iowa, nonfarm payrolls increased by 14,700 jobs, or 1.0 percent, led by the growth of more than 9,900 jobs, or 4.8 percent, in the manufacturing sector. In Iowa, jobs in the manufacturing sector are predominantly in the food production industry, but, during the past year, job growth primarily occurred in industrial machinery and fabricated metals. In Kansas, nonfarm payrolls increased by 11,600 jobs, or 0.9 percent, led by a gain of 8,200 jobs, or 5.5 percent, in the professional and business services

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Office of Policy Development and Research

sector. During 2012, nonfarm payrolls in Nebraska increased by 9,100 jobs, or 1.0 percent, compared with nonfarm payrolls during the same period a year ago. A gain of 2,400 jobs, or 2.4 percent, in the education and health services sector accounted for nearly 25 percent of the nonfarm payroll increase in Nebraska. In Missouri, nonfarm payrolls increased by 7,200 jobs, with gains in the manufacturing, professional and business services, and education and health services sectors accounting for all the growth. Job growth in the manufacturing sector is expected to continue, because General Motors Company recently broke ground on a $380 million plant expansion in Wentzville, Missouri, that will add 1,250 employees by the end of 2013. During 2012, the average unemployment rate in the region decreased to 6.0 percent, an improvement from 7.0 percent during 2011. The unemployment rates ranged from 3.9 percent in Nebraska to 7.1 percent in Missouri. Iowa and Kansas recorded rates of 5.2 and 5.9 percent, respectively.

Sales housing market conditions were balanced during the fourth quarter of 2012 in many areas throughout the Great Plains region after significant increases in the number of homes sold during the past year. According to Hanley Wood, LLC, during 2012, the number of new and existing homes sold in the region increased 6 percent, to 140,200, compared with the number sold a year ago. Home sales in Missouri reflected the greatest absolute increase in the region. During 2012, 78,000 homes sold, up 5 percent, or 3,575 homes, from 2011. During the same period, new and existing home sales in Iowa and Nebraska increased 8 and 16 percent, to 24,800 and 11,850 homes, respectively. Home sales in Kansas increased to 25,600 homes sold, representing a nearly 4-percent increase from the previous year. The average sales price in the region increased to $159,400 during 2012, a 3-percent increase compared with the average sales price a year earlier. According to LPS Applied Analytics, as of December 2012, 4.6 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned). The distressed loan rates in Iowa and Kansas decreased by 0.1 percentage point each, to 4.8 and 4.9 percent, respectively. During 2012, the distressed loan rate in Missouri decreased to 4.8 percent of total loans compared with the 5.2-percent rate recorded during 2011. During the same period, distressed loans in Nebraska remained unchanged at 3.4 percent of total loans.

Sales housing market conditions continued to improve in the large metropolitan areas throughout the region during 2012. According to the Kansas City Regional Association of REALTORS® and Heartland Multiple Listing Service, Inc., during 2012, the number of homes sold in Kansas City increased 17 percent, to 26,750, and the average home sales price increased 7 percent, to $167,900. According to city and county data from the St. Louis Association of REALTORS®, existing home sales in St. Louis increased by 1,900 homes, or 14 percent, to 15,200 homes sold, and the average home sales price increased 1 percent, to $177,600. The Des Moines Area Association of REALTORS® reported that home sales in Des Moines increased 13 percent, to 8,750 homes, during 2012 compared with the number sold during 2011. The average home sales price in Des Moines increased 4 percent, to $168,500. According to the Wichita Area Association of REALTORS®, during 2012, the number of homes sold in Wichita remained unchanged at 7,525 despite a 3-percent decrease in the average home sales price, to $131,300. The Omaha Area Board of REALTORS® reported that, during 2012, the number of home sales in Omaha increased 10 percent, to 10,900 homes sold, and the average home sales price increased 5 percent, to $171,800, from the same period a year ago.

Single-family construction activity, as measured by the number of single-family homes permitted, increased in every state in the region during 2012. Based on preliminary data, 19,800 single-family homes were permitted in the region, an increase of 4,200 homes, or 27 percent, compared with the number permitted during the previous 12 months. During the same period, the number of single-family homes permitted in Kansas increased 22 percent, to 3,300 homes. In Nebraska and Iowa, the number of single-family homes permitted increased 20 and 23 percent, to 3,550 and 6,025 homes, respectively. Likewise, during 2012, the number of single-family homes permitted in Missouri increased 38 percent, to 6,925 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 fourth quarter of 2012. The apartment market in Wichita was balanced, with a 4.8-percent vacancy rate down from 5.5 percent a year earlier, and the average rent was up 3 percent, to $540, according to Reis, Inc. In Omaha, during the fourth quarter of 2012, the apartment market was tight, with a 3.2-percent vacancy rate down from 4.2 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 and are currently somewhat tight. In Kansas City, during the fourth quarter of 2012, the apartment vacancy rate declined from 6.1 to 4.9 percent, and the average rent increased 2 percent, to $740. In St. Louis, from the fourth quarter of 2011 to the fourth quarter of 2012, the vacancy rate declined from 6.5 to 5.5 percent, and the average rent increased 3 percent, to $760. The rental market in Des Moines tightened during the fourth quarter of 2012, with a 2.7-percent apartment vacancy rate down from 3.5 percent a year earlier, and the average rent was up 3 percent, to $740.

Multifamily construction, as measured by the number of multifamily units permitted, increased to 9,900 units permitted in the Great Plains region during the past year, up 41 percent compared with the number permitted during 2011, according to preliminary data. This level represents approximately 60 percent of the average of 15,850 units permitted each year from 2005 through 2008. During 2012, the number of multifamily units permitted in Iowa increased 66 percent, to 2,600 units, partly because of the continued tight apartment market conditions in Des Moines. As rental market conditions improved in Nebraska during 2012, approximately 2,025 multifamily units were permitted, up significantly from 1,375 during the previous 12 months. In Kansas, permits were issued for 1,850 units, up approximately 11 percent from a year ago. Weak economic conditions and limited credit availability in the multifamily capital markets reduced construction levels in Missouri during 2010 and 2011. Improved apartment market conditions, primarily in Kansas City and St. Louis, resulted in an increase in the number of multifamily units permitted during 2012, however. The number of multifamily units permitted in Missouri increased 44 percent, to 3,425 units, compared with the number permitted a year ago.