

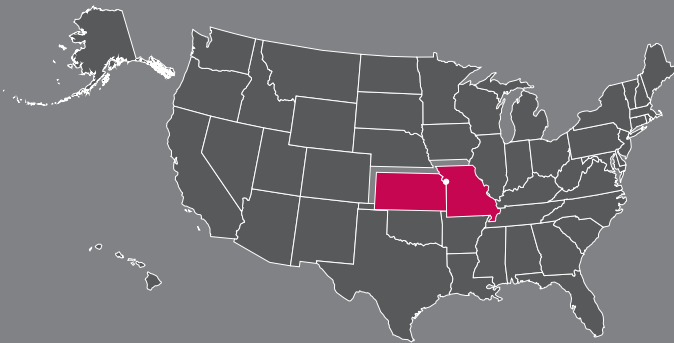
HUD PD&R Housing Market Profiles

Kansas City, Missouri-Kansas



Quick Facts About Kansas City

- **Current sales market conditions: slightly soft.**
- **Current apartment market conditions: slightly tight.**
- **Apartment construction has lagged rental demand since 2010, but building activity increased recently.**



By James Conner | As of September 1, 2013

Overview

The 14-county Kansas City metropolitan area, on the border of Kansas and Missouri near the geographic center of the continental United States, is a regional center for business services, trade, and health care. Manufacturing, shipping, telecommunications, and information systems are also important industries. The largest employers in the metropolitan area are in the information and the education and health services sectors; other major employers include Ford Motor Company, General Motors Company, and United Parcel Service, Inc.

- As of September 1, 2013, the estimated population of the metropolitan area was 2.06 million, an increase of approximately 13,400, or 0.7 percent, a year since April 1, 2010.
- Most of the population growth since 2010 resulted from net natural increase (resident births minus resident deaths), which averaged approximately 12,000 people a year.
- The five Kansas counties contain about 40 percent of the metropolitan area population, but they include some of its fastest growing suburbs; since 2010, more than 60 percent of the population growth in the metropolitan area has occurred in the five Kansas counties.



Payroll growth in the Kansas City area was mixed, with increases in some sectors partly offset by declines in other sectors.

	3 Months Ending		Year-Over-Year Change	
	August 2012 (thousands)	August 2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	999.6	1,010.8	11.2	1.1
Goods-producing sectors	113.0	114.0	1.0	0.9
Mining, logging, and construction	40.8	42.1	1.3	3.2
Manufacturing	72.2	72.0	-0.2	-0.3
Service-providing sectors	886.6	896.7	10.1	1.1
Wholesale and retail trade	155.9	154.5	-1.4	-0.9
Transportation and utilities	44.8	45.2	0.4	0.9
Information	29.9	29.9	0.0	0.0
Financial activities	74.9	75.5	0.6	0.8
Professional and business services	157.5	163.6	6.1	3.9
Education and health services	134.0	133.9	-0.1	-0.1
Leisure and hospitality	103.0	110.0	7.0	6.8
Other services	44.2	44.2	0.0	0.0
Government	142.4	139.9	-2.5	-1.8
	(percent)	(percent)		
Unemployment rate	7.0	7.0		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

Economic Conditions

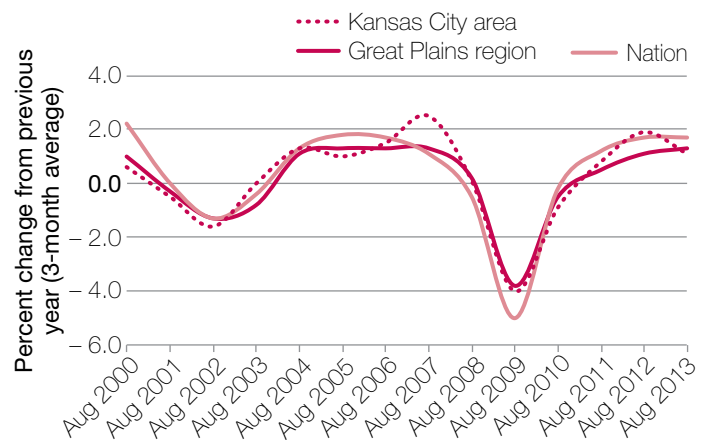
The economy of the Kansas City metropolitan area began to recover in 2011 after job losses in 2009 and 2010, but payroll growth in the past 2 years was relatively modest.

During the 3 months ending August 2013—

- Nonfarm payrolls in the metropolitan area averaged 1.01 million jobs, an increase of approximately 11,200 jobs, or 1.1 percent, from the corresponding period in 2012.
- The leisure and hospitality and the professional and business services sectors, which increased by 7,000 and 6,100 jobs, or 6.8 and 3.9 percent, respectively, led job growth. Declines in the government and the wholesale and retail trade sectors of 2,500 and 1,400 jobs, or 1.8 and 0.9 percent, respectively, partially offset those gains.
- Manufacturing sector payrolls declined by 200 jobs, or 0.3 percent. Despite its recent weakness, the outlook for the manufacturing sector in the metropolitan area is positive. Ford Motor Company and General Motors Company both announced plans to update or expand their existing production facilities in the metropolitan area, at a total cost of \$1.7 billion. In addition to creating at least 800 construction subsector jobs during the next 2 years, the expansions are expected to increase payrolls at the automobile manufacturing plants by more than 2,000 jobs.

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The Kansas City area economy expanded, but payrolls increased less than 2 percent a year during the recovery.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Kansas City area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
HCA Midwest Health System®	Education and health services	9,367
Cerner Corporation	Information	8,300
Sprint Nextel Corporation	Information	7,600

Note: Excludes government agencies and local school districts.
Source: *Kansas City Business Journal*



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- The unemployment rate averaged 7.0 percent, unchanged from a year earlier. From 2010 through 2012, the unemployment rate declined from a peak of more than 9.0 percent, as resident

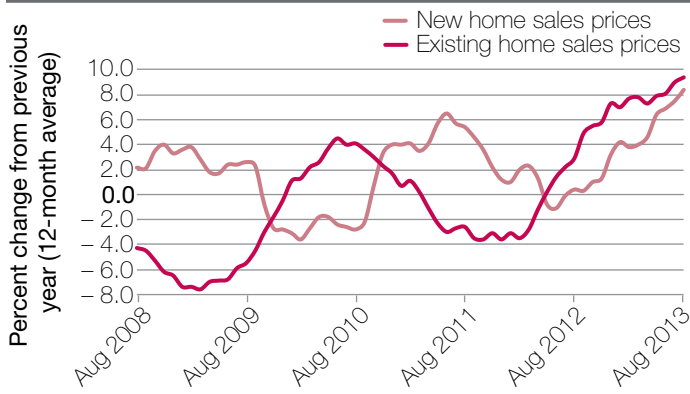
employment grew by 9,900 people a year and labor force growth remained flat. In the past year, however, resident employment growth slowed to 4,300 people.

Sales Market Conditions

The sales housing market in the Kansas City metropolitan area remains slightly soft, with an estimated sales vacancy rate of 2.1 percent, but the market improved in the past year. During the 12 months ending August 2013, approximately 26,000 existing single-family homes, condominiums, and townhomes sold in the metropolitan area, an increase of nearly 10 percent from the same period in 2012 (Kansas City Regional Association of REALTORS®). Sales of new homes increased 22 percent, to nearly 2,500 homes. During the same period, sales prices for existing homes averaged

approximately \$165,100, a 9-percent increase from a year earlier, and the average sales price for new homes increased 8 percent, to \$338,200.

Sales prices for new and existing homes were up significantly from a year ago in the Kansas City area.

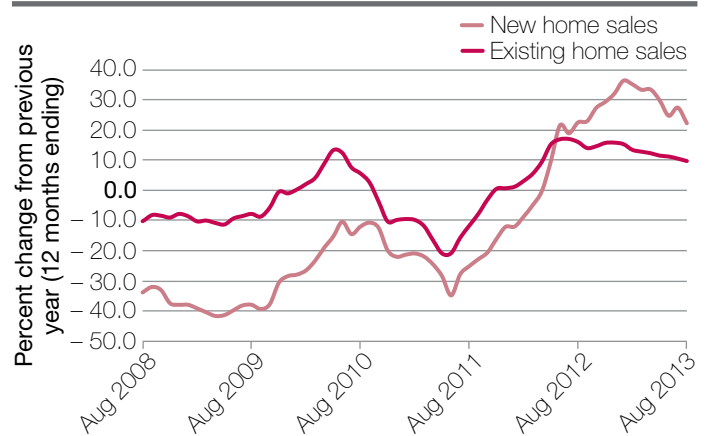


Note: Includes single-family homes, townhomes, and condominiums. Source: Kansas City Regional Association of REALTORS®

- Sales market conditions in the metropolitan area were soft from 2008 through 2011, when existing home sales averaged about 22,300 homes a year, and existing home prices averaged \$148,000.
- As home sales increased, the for-sale inventory declined. During the 12 months ending August 2013, active home listings

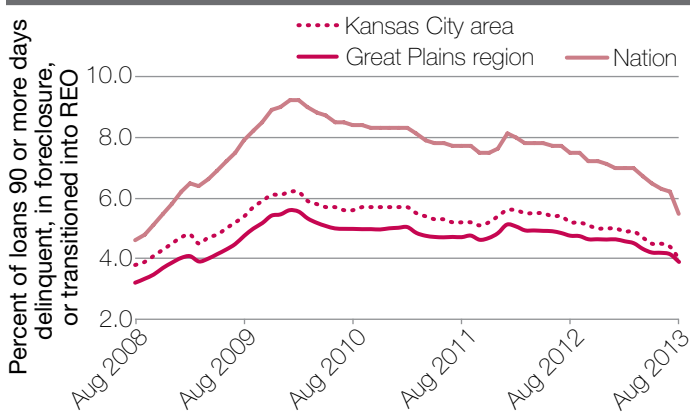
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Home sales, particularly of new homes, increased significantly during the past 12 months in the Kansas City area.



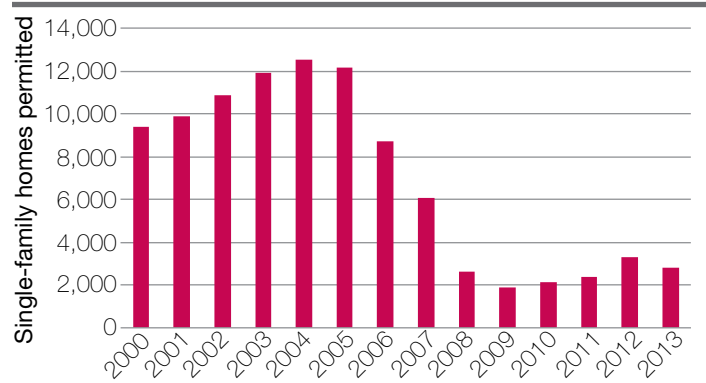
Note: Includes single-family homes, townhomes, and condominiums. Source: Kansas City Regional Association of REALTORS®

The percentage of distressed home loans in the Kansas City area gradually declined during the past 4 years.



REO = Real Estate Owned. Source: LPS Applied Analytics

Single-family homebuilding in the Kansas City area has increased gradually but remains low compared with historic averages.



Note: Includes preliminary data from January 2013 through August 2013. Source: U.S. Census Bureau, Building Permits Survey



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averaged approximately 12,250 homes, down from 14,100 a year ago, and the supply of homes for sale decreased from an average of 6.6 months to 5.2 months.

- As of August 2013, 4.0 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 5.2 percent a year earlier (LPS Applied Analytics) and nearly at pre-recession levels.

Single-family homebuilding, as measured by the number of single-family homes permitted, increased in the Kansas City metropolitan area in the past year, but activity remains much less than its previous peak.

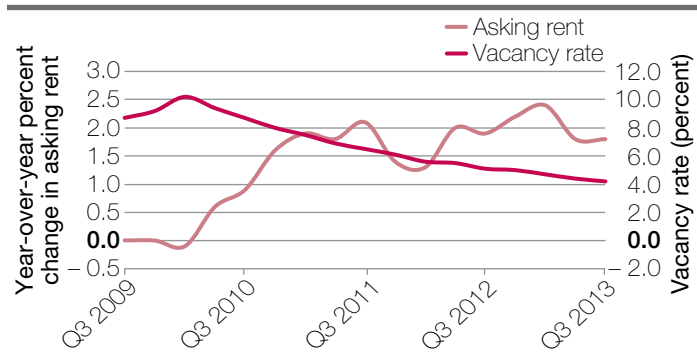
Apartment Market Conditions

Apartment market conditions in the Kansas City metropolitan area are slightly tight. Although rental demand increased only gradually during the past 3 years, apartment construction has generally lagged the growth in demand since 2010.

During the third quarter of 2013—

- The apartment vacancy rate was 4.2 percent, down from 5.1 percent a year earlier (Reis, Inc.). The vacancy rate peaked at 10.2 percent in the first quarter of 2010. Asking rents averaged approximately \$750 in the metropolitan area, an increase of 1.8 percent from a year earlier.
- A lack of new supply appears to be the primary cause of the tightening apartment market; growth in demand has been modest, as indicated by an average rent increase of less than 2 percent a year since 2010.
- Submarkets in suburban Johnson County, Kansas, had the tightest market conditions in the metropolitan area, with an average apartment vacancy rate of 3.1 percent. The softest market

The apartment market in the Kansas City area improved in the past 3 years, with rents increasing and vacancies declining.



Source: Reis, Inc.

- During the 3 months ending August 2013, approximately 1,110 single-family homes were permitted in the metropolitan area, a 25-percent increase from the same period a year earlier (preliminary data).
- From 2000 through 2007, single-family permitting averaged more than 10,000 homes a year.
- Since 2011, the most active areas for single-family construction have been southeast Kansas City, Missouri, and nearby suburbs in Jackson County, Missouri, such as Lee's Summit, and in Johnson County, Kansas, such as Lenexa, Olathe, and Overland Park. Together, those areas have accounted for nearly 60 percent of all single-family homebuilding in the metropolitan area since 2011.

conditions were in the Missouri submarkets of southwest Kansas City and Raytown, which had average apartment vacancy rates of 9.9 percent.

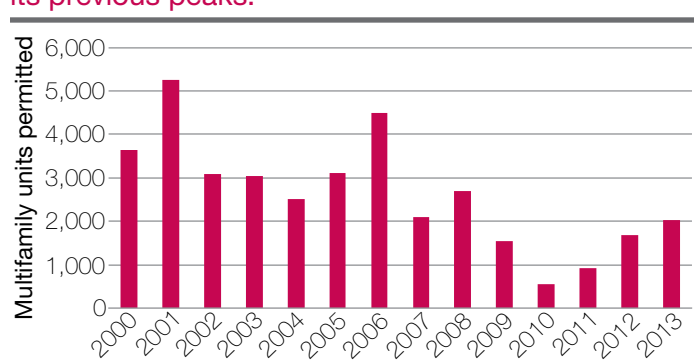
- Submarkets in Johnson County, Kansas, also had the highest apartment rents in the metropolitan area, averaging approximately \$850. In Kansas City, Missouri, asking rents averaged approximately \$700.

Multifamily building activity, as measured by the number of units permitted, has been somewhat weak in the Kansas City metropolitan area since 2010, but construction activity increased strongly during the past 12 months.

- During the 12 months ending August 2013, approximately 2,750 multifamily units were permitted in the metropolitan area, more than double the 1,050 units permitted during the previous 12-month period (preliminary data).
- From 2010 through 2011, multifamily permitting averaged fewer than 750 units a year compared with the average of 3,300 units

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Multifamily construction in the Kansas City area increased in the past 3 years but remained less than its previous peaks.



Note: Includes preliminary data from January 2013 through August 2013.

Source: U.S. Census Bureau, Building Permits Survey



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- a year from 2000 through 2008. The decline in construction in 2010 and 2011 was partially in response to weak demand, which was reflected in stagnant rent growth and a greater reliance on concessions among apartment managers. In addition, many developers faced difficulties in obtaining financing for apartment projects.
- In the past 2 years, the most active areas for multifamily construction were Kansas City and Grandview, Missouri, and in Johnson County, Kansas, particularly Lenexa and Overland Park. Together, these areas accounted for nearly 70 percent of the multifamily units permitted in the metropolitan area.
 - More than 4,000 apartments are under construction in the metropolitan area. The 350-unit Prairie Creek Apartments, currently under way in Lenexa, is expected to be complete in early 2014. Rents for the one-, two-, and three-bedroom units are expected to start at \$850, \$1,170, and \$1,575, respectively.
 - Since 2010, condominiums have accounted for less than 15 percent of multifamily units completed in the metropolitan area, down from an average of 30 percent from 2000 through 2009 (McGraw-Hill Construction Pipeline database).

