

HOUSING FORECAST TOPEKA 2023



WICHITA STATE
UNIVERSITY

W. FRANK BARTON
SCHOOL OF BUSINESS

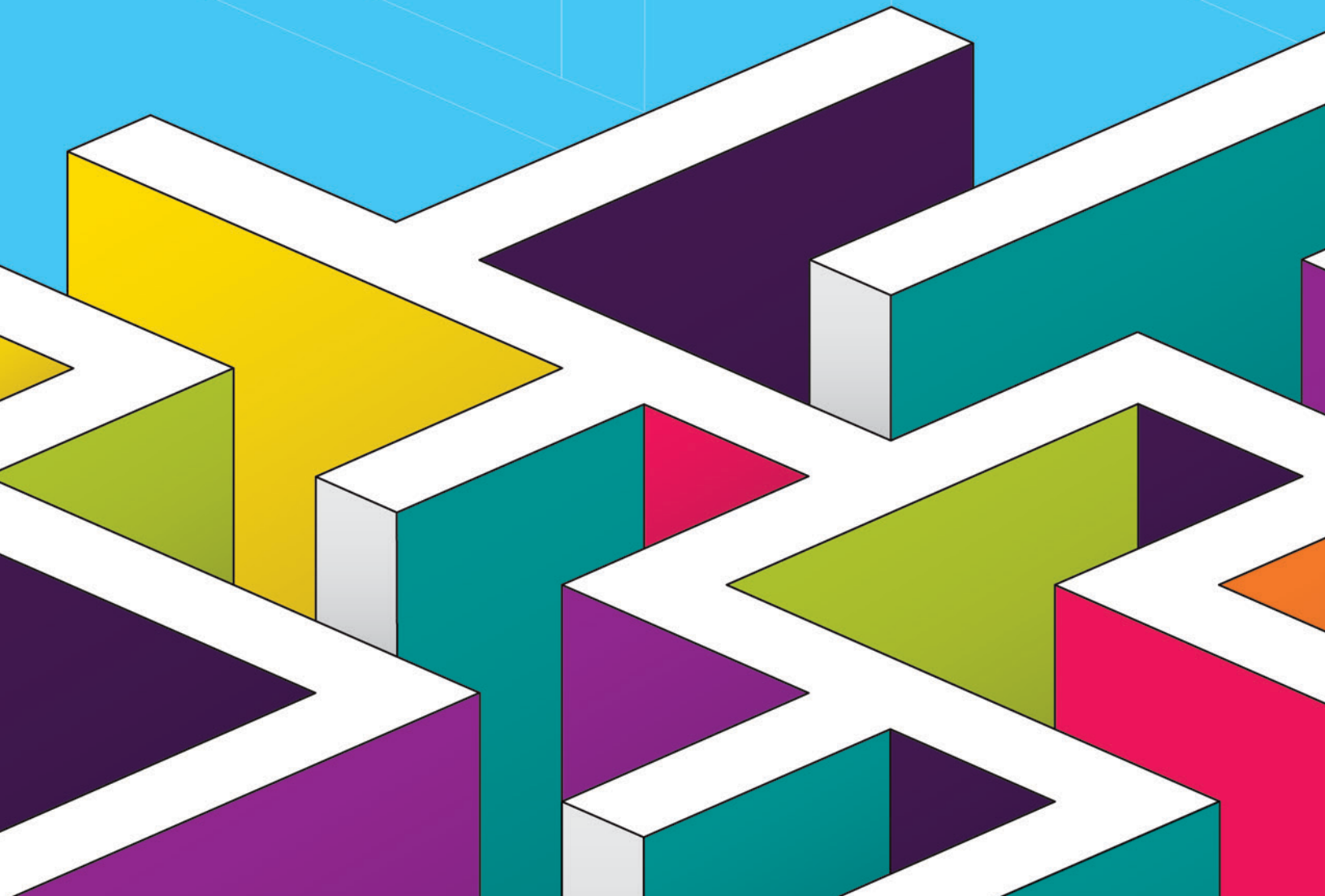
- ... Bidding wars
- ... Recession fears
- ... Runaway inflation
- ... Interest rate spikes

This year it seems like there's a new surprise around every corner. As in the past, the Topeka Housing Forecast is here to help you understand the local housing market as you find your way through the maze.

Dr. Stanley D. Longhofer

Director, WSU Center for Real Estate
wichita.edu/realestate

HOUSING FORECAST TOPEKA 2023



We are especially grateful to Security 1st Title and Capitol Federal for underwriting the cost of preparing this year's Topeka Housing Forecast.

We are also grateful to the Sunflower Association of REALTORS®, the Kansas Association of REALTORS® and participating MLS systems across Kansas for providing much of the data used to prepare this forecast.

Thanks to the many colleagues and friends who have helped make this forecast possible:

Linda Briden | Sunflower Association of REALTORS®
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Karen Gehle | Kansas Association of REALTORS®
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Mehrzaad Saeedi | WSU Center for Real Estate
Participants in the 2022 Sunflower Real Estate Roundtable



Security 1st Title



Capitol Federal®

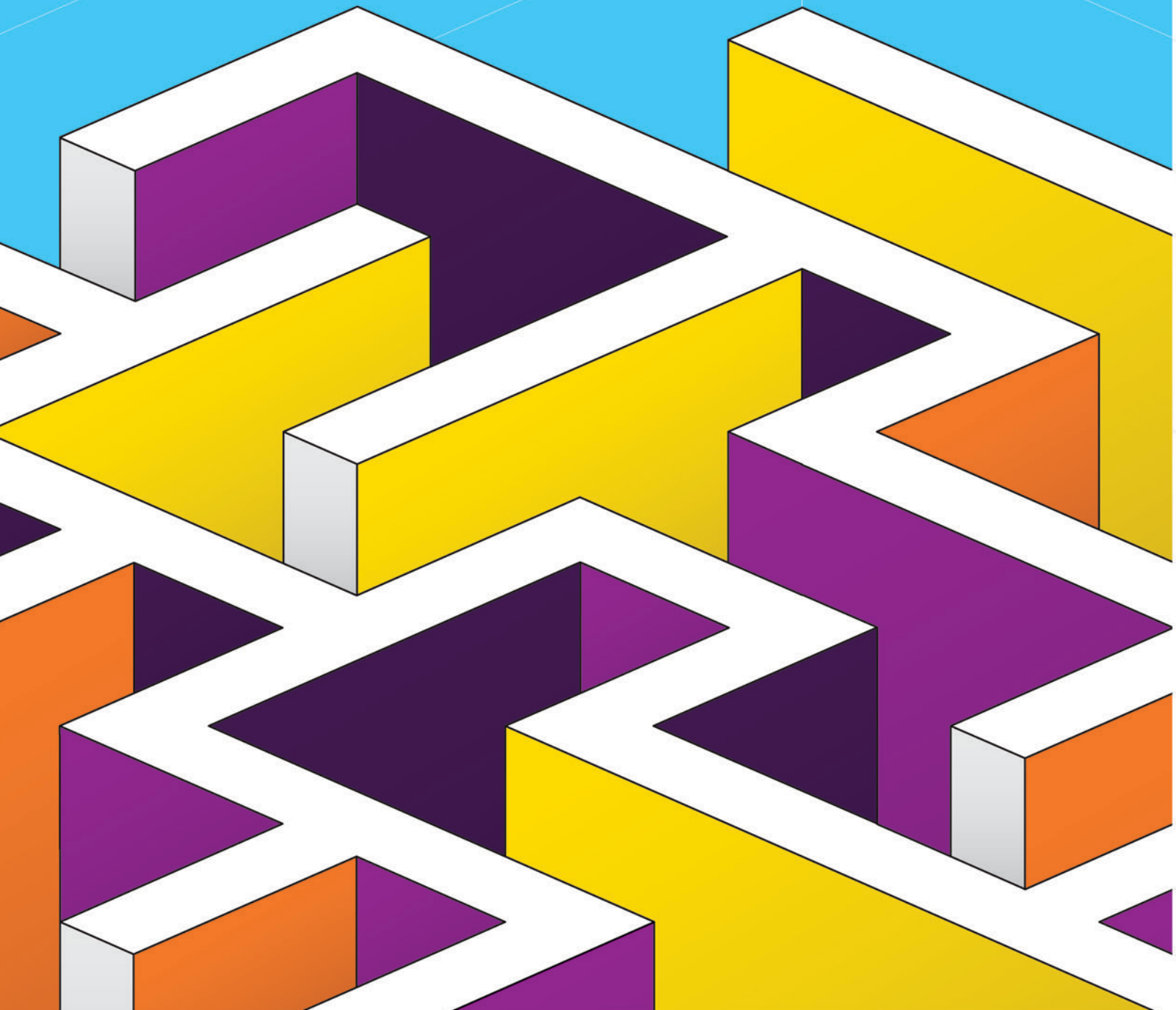
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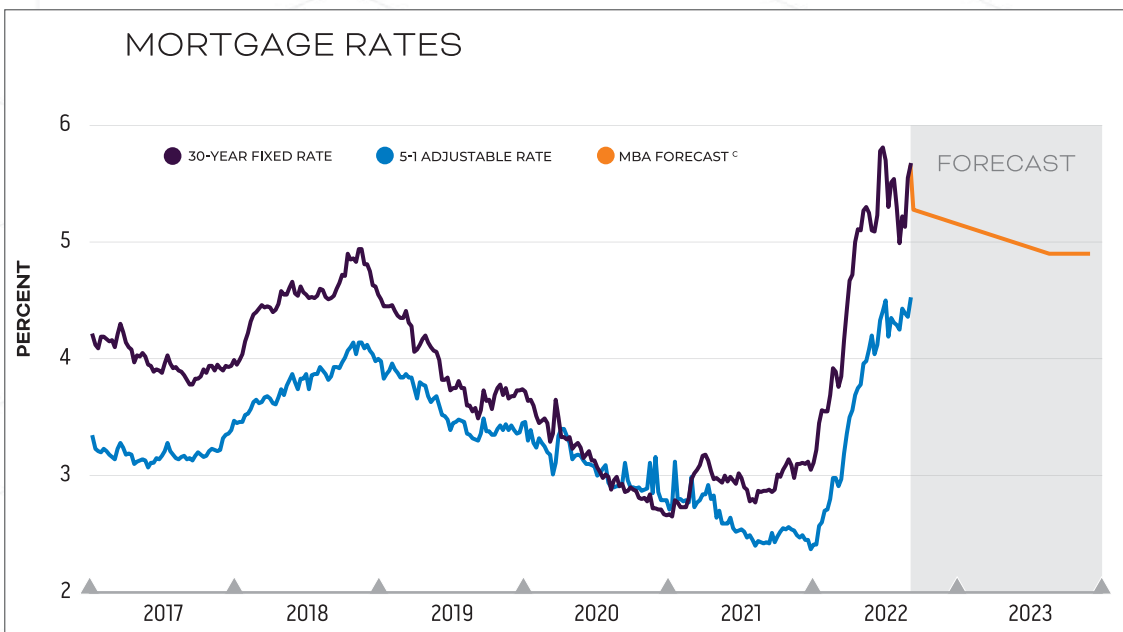
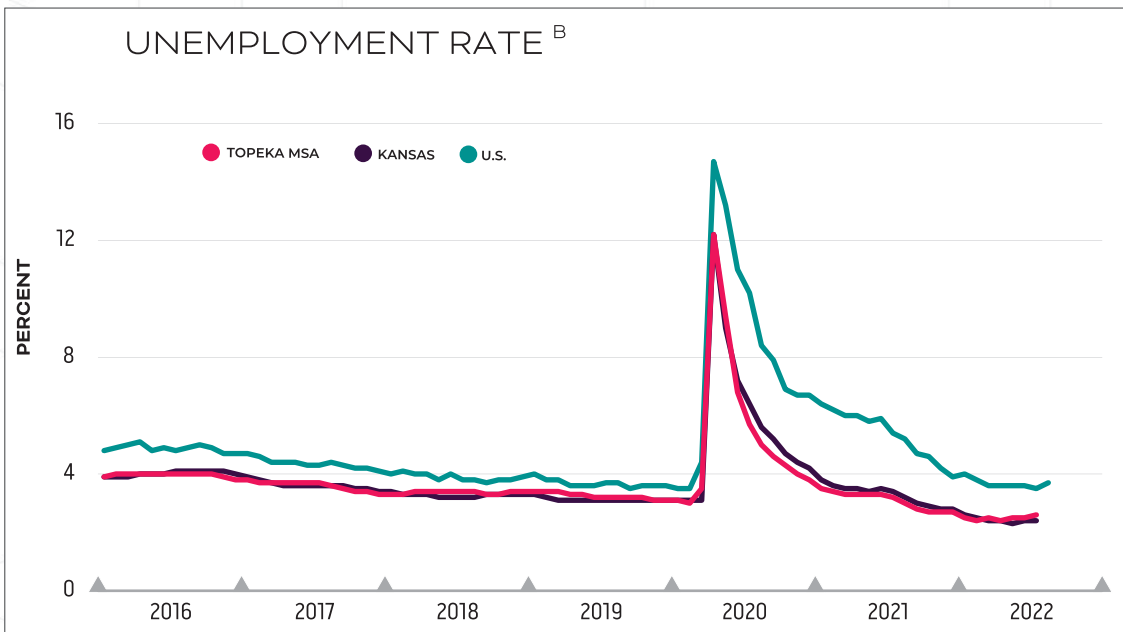
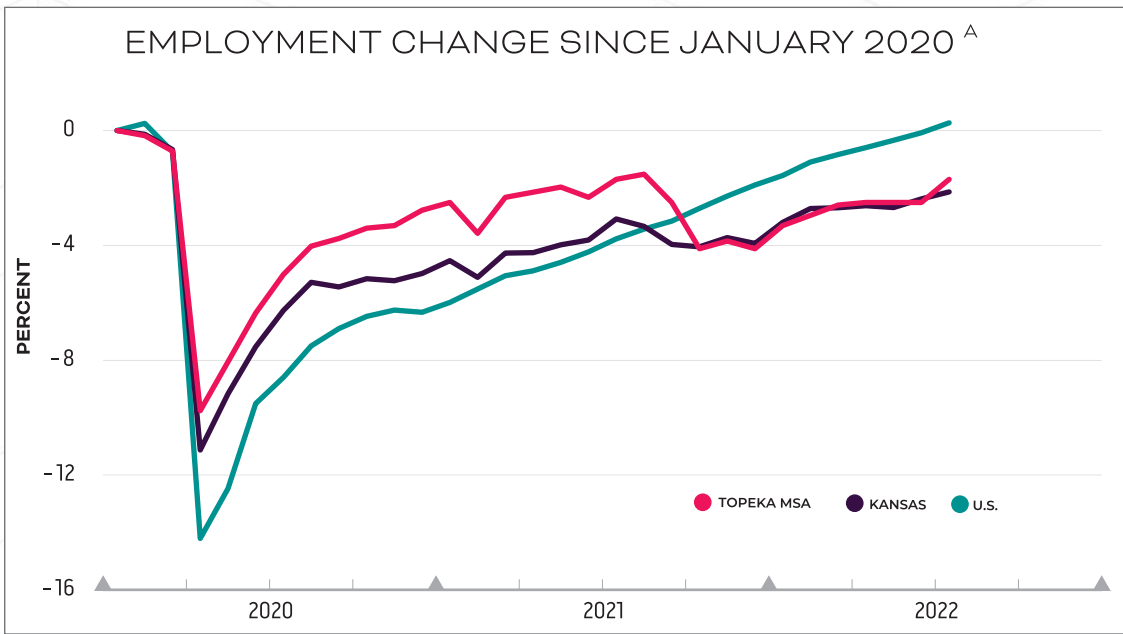


ECONOMIC OVERVIEW:

While Topeka employment is still 1.7 percent lower than it was prior to the pandemic, the local labor market is extremely tight. In fact, the Topeka unemployment rate this year has been lowest ever seen for this area. Labor markets are similarly tight across all of Northeast Kansas. As a result, housing demand in the Topeka area remains quite strong.

After rising sharply during the first half of the year, the 30-year fixed mortgage rate bounced between 5 and 5.5 percent this summer as markets struggled to assess how Fed policy will affect inflation and economic growth. The Mortgage Bankers Association, for one, appears to believe the Fed will navigate a soft landing. They forecast that mortgage rates will fall to 4.9 percent by the end of next year.





SOURCES:
 Freddie Mac
 Mortgage Bankers Association
 U.S. Bureau of Labor Statistics

NOTES:
^A Cumulative change in total non-farm employment, seasonally adjusted
^B Seasonally adjusted
^C Mortgage Bankers Association August 2022 forecast of the 30-year conventional mortgage rate

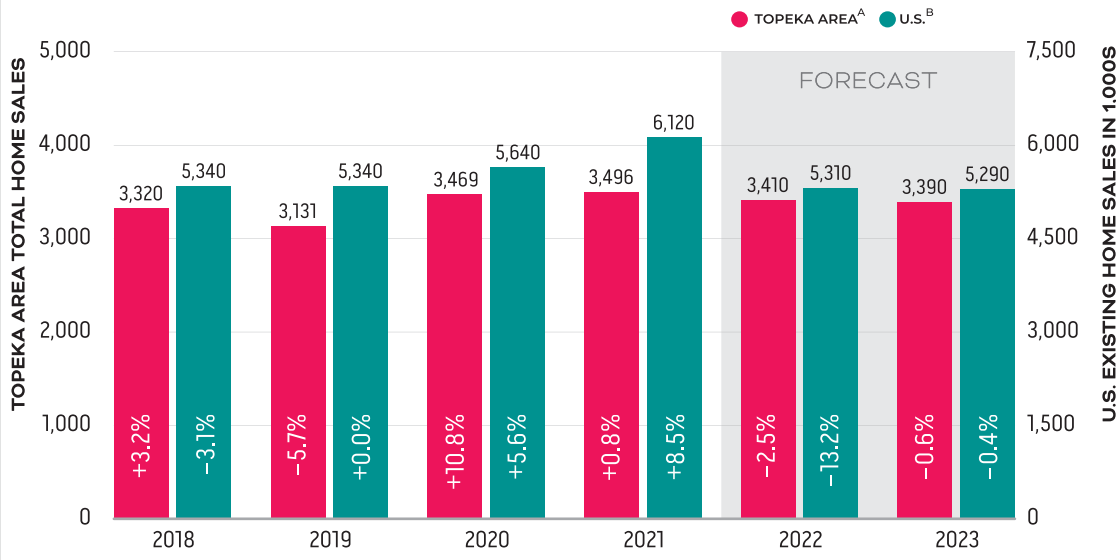
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HOME SALES AND CONSTRUCTION:

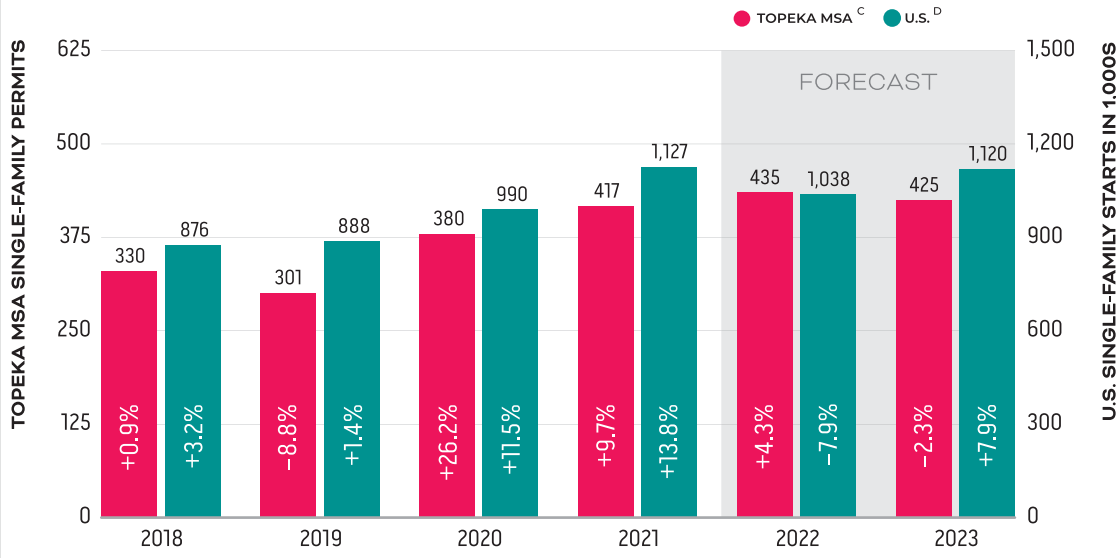
Although rising mortgage rates have softened demand somewhat from earlier in the year, the real constraint on the market remains the lack of inventory. We expect that Topeka-area home sales will end the year down 2.5 percent at 3,410 units. Sales should decline again just slightly in 2023, ending the year down 0.6 percent at 3,390 units.

New home construction activity in the Topeka area has risen markedly over the past several years in spite of supply chain issues and labor market shortages. We project this trend will continue this year, with total single-family building permits rising 4.3 percent to 435 units. Construction should taper off somewhat in 2023, falling 2.3 percent to 425 units.

HOME SALES ACTIVITY



NEW HOME CONSTRUCTION ACTIVITY



SOURCES:

National Association of REALTORS®
Sunflower Association of REALTORS®
U.S. Bureau of the Census
WSU Center for Real Estate

NOTES:

- Ⓐ Total home sales in the Topeka area as reported by the Sunflower Association of REALTORS®
- Ⓑ U.S. existing home sales as reported by the National Association of REALTORS®; forecast is the August 2022 forecast by the National Association of REALTORS®
- Ⓒ Single-family building permits issued in the Topeka metropolitan area as reported by the U.S. Bureau of the Census
- Ⓓ U.S. single-family housing starts as reported by the U.S. Bureau of the Census; forecast is the August 2022 forecast by the National Association of REALTORS®

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HOME PRICES:

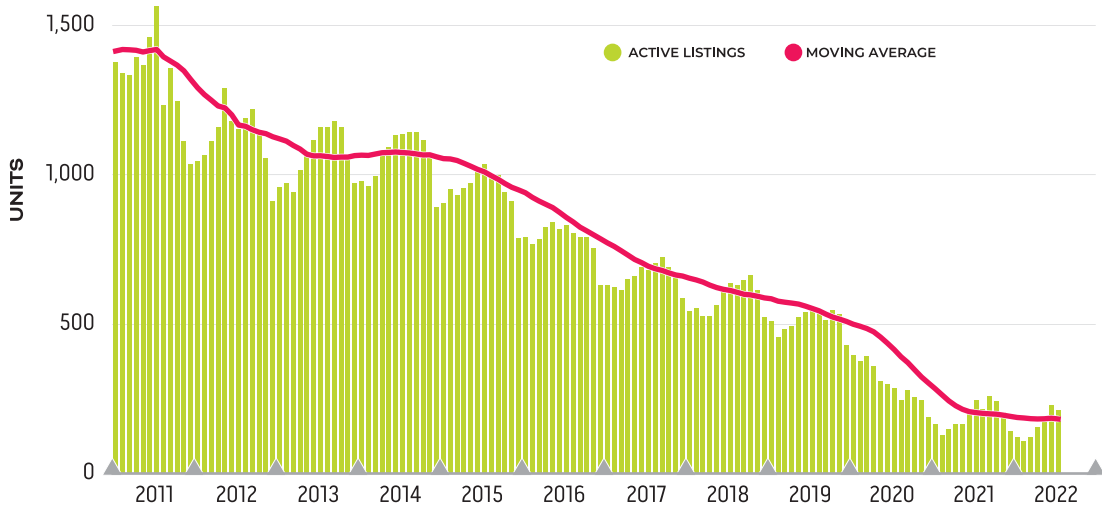
To some it might seem like the recent explosion in home prices was due to the pandemic. In reality, however, it was caused by supply problems that have been building for years. In fact, the number of homes available for sale in Topeka at the start of 2020 was less than a third of what was on the market at the start of 2011.

As a result, Topeka has had less than a 4 months' supply of homes available for sale – often considered the threshold for a sellers' market – since 2015. Even if there is a significant softening in demand due to higher mortgage rates, it will take a long time for Topeka to return to a balanced market.

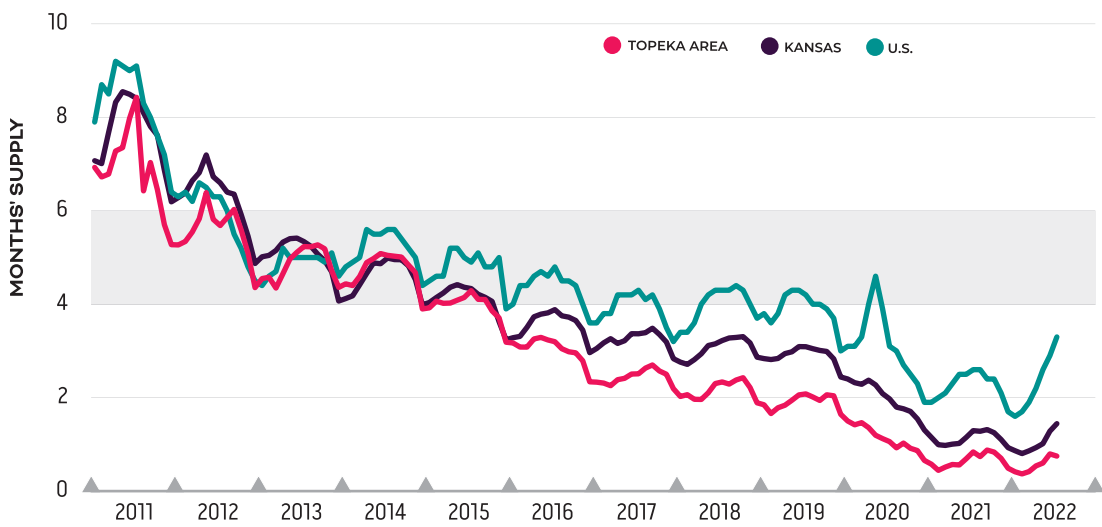
The frenzied demand that characterized the market through the early part of this year does appear to have eased. Nevertheless, extremely tight inventories will continue to put upward pressure on home prices. We project that Topeka-area home values will end the year up 9.7 percent before slowing to a more typical 3.3 percent gain in 2023.



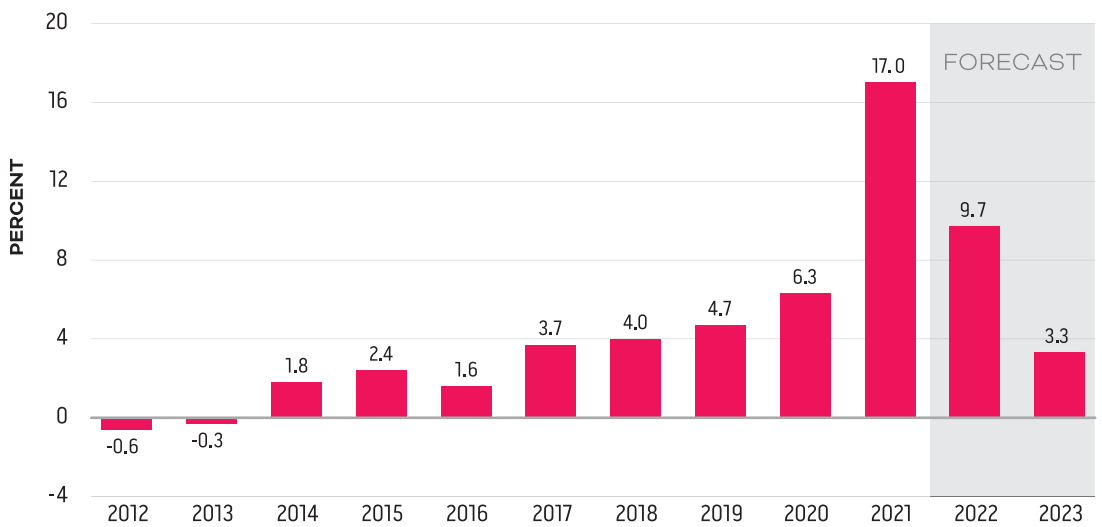
HOMES AVAILABLE FOR SALE



INVENTORY OF HOMES AVAILABLE FOR SALE ^A



HOME PRICE APPRECIATION ^B



SOURCES:
Federal Housing Finance Agency
Sunflower Association of REALTORS®
WSU Center for Real Estate

NOTES:
^A Active listings divided by the 12-month trailing moving average of sales
^B Year-over-year percentage change in the Federal Housing Finance Agency all-transactions housing price index for the Topeka metropolitan area, as measured using 4th quarter values

KANSAS FORECAST:

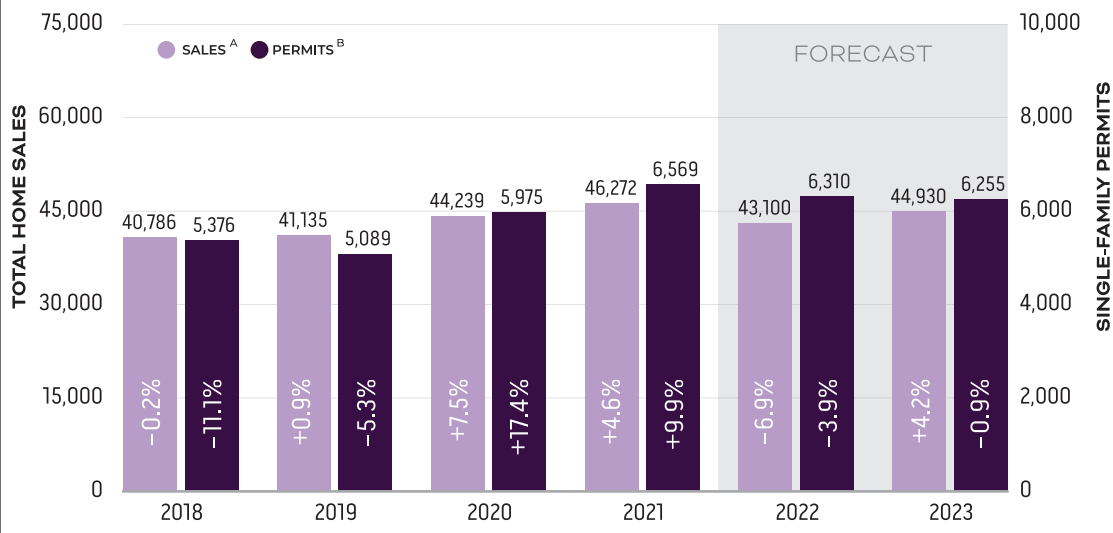
Home sales have declined this year across most of the state. This was true even before the recent rise in mortgage rates began to soften demand. As a result, we expect sales to end the year at 43,100 units, down 6.9 percent. Home sales should rebound to 44,930 units in 2023, largely due to gains in the Kansas City area.

New single-family building permits in Kansas are expected to decline by 3.9 percent this year. This is largely due to softening in the Kansas City area, as permits are expected to rise in all of the state's other major markets. Construction activity should stabilize in 2023, dropping a modest 0.9 percent to 6,255 units.

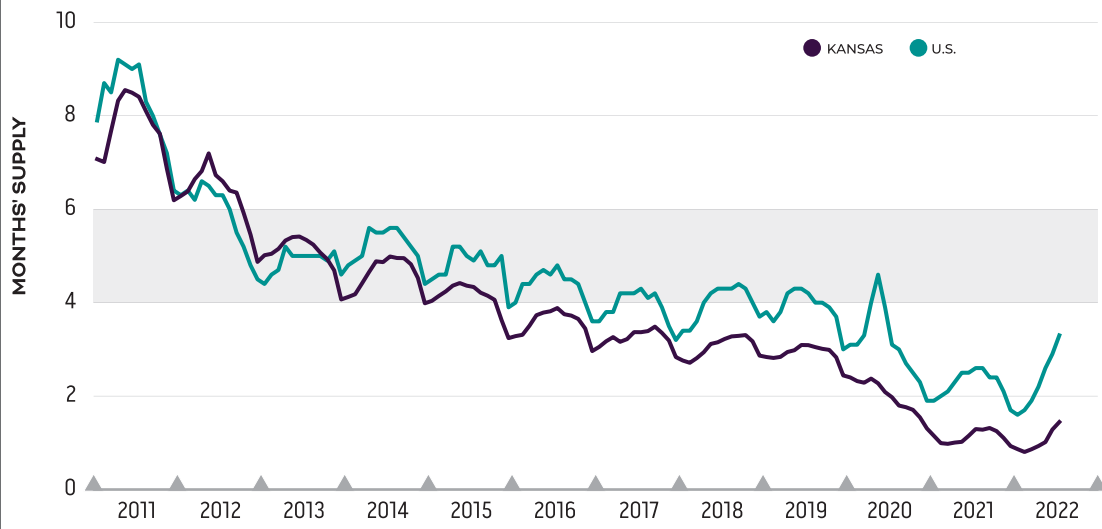
Home prices across the state rose by a stunning 14.6 percent last year as surging demand ran headlong into supply constraints that have been building for years. While demand has eased with rising mortgage rates, we still project that Kansas home values will end the year up 12.3 percent. The pace of appreciation should slow next year, to a still-strong 5.4 percent.



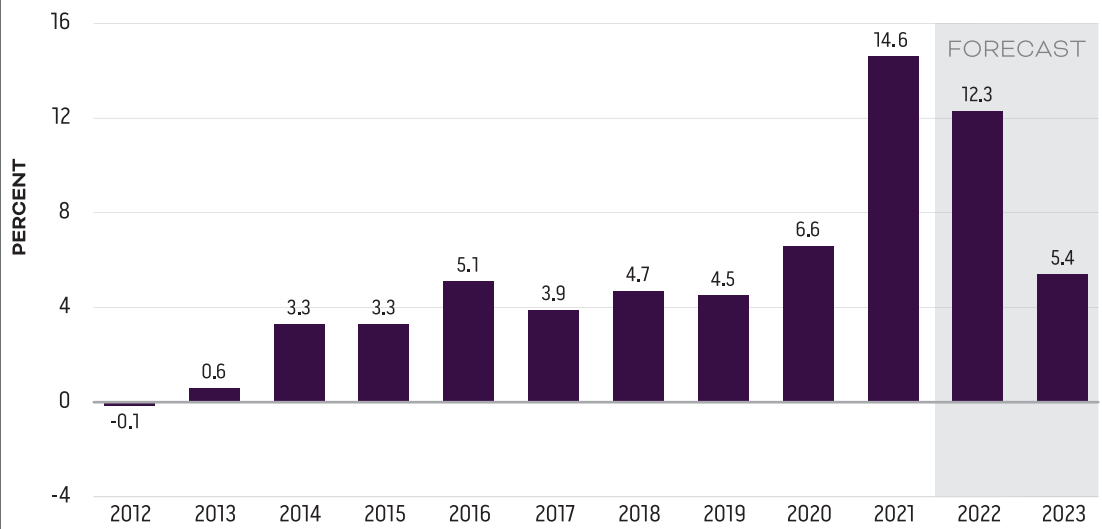
KANSAS HOUSING MARKET ACTIVITY



INVENTORY OF HOMES AVAILABLE FOR SALE ^C



HOME PRICE APPRECIATION ^D



SOURCES:

Federal Housing Finance Agency
Participating REALTOR® multiple listing services across Kansas
U.S. Bureau of the Census
WSU Center for Real Estate

NOTES:

- Ⓐ Total home sales in Kansas as reported by participating REALTOR® multiple listing services across the state
- Ⓑ Single-family building permits issued in Kansas as reported by the U.S. Bureau of the Census
- Ⓒ Active listings divided by the 12-month trailing moving average of sales, segmented by list price
- Ⓓ Year-over-year percentage change in the Federal Housing Finance Agency all-transactions housing price index for Kansas, as measured using 4th quarter values

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FORECAST SUMMARY:

The WSU Center for Real Estate prepares housing market forecasts for each of the major markets across the state. A summary of those forecasts is provided here. To download a copy of the complete forecast for each market, visit our website at wichita.edu/realestate. While there, you can also explore the wealth of additional data and analysis we provide on housing markets across the state.



KANSAS Statewide

	2018	2019	2020	2021
Total Home Sales	40,786	41,135	44,239	46,272
Building Permits	5,376	5,089	5,975	6,569
Home Price Appreciation	4.7%	4.5%	6.6%	14.6%
Sales Volume (in millions)	\$8,493	\$8,910	\$10,482	\$12,153
Average Price	\$208,228	\$216,594	\$236,951	\$262,637

KANSAS CITY Area (KS & MO)

Total Home Sales	40,556	40,677	44,004	45,726
Building Permits	5,608	4,811	6,173	7,051
Home Price Appreciation	7.3%	5.7%	7.5%	15.8%
Sales Volume (in millions)	\$9,620	\$10,070	\$11,941	\$13,977
Average Price	\$237,209	\$247,554	\$271,371	\$305,668

LAWRENCE MSA

Total Home Sales	1,491	1,484	1,591	1,546
Building Permits	419	256	287	262
Home Price Appreciation	5.4%	5.2%	5.3%	15.2%
Sales Volume (in millions)	\$356	\$365	\$421	\$466
Average Price	\$238,817	\$245,839	\$264,888	\$301,658

MANHATTAN MSA

Total Home Sales	1,462	1,536	1,877	2,239
Building Permits	233	262	236	266
Home Price Appreciation	1.3%	3.5%	5.3%	8.3%
Sales Volume (in millions)	\$289	\$308	\$383	\$497
Average Price	\$197,646	\$200,739	\$204,235	\$222,137

TOPEKA Area

Total Home Sales	3,320	3,131	3,469	3,496
Building Permits	330	301	380	417
Home Price Appreciation	4.0%	4.7%	6.3%	17.0%
Sales Volume (in millions)	\$505	\$485	\$583	\$667
Average Price	\$151,981	\$154,827	\$168,168	\$190,842

WICHITA Area

Total Home Sales	10,384	10,823	11,494	12,152
Building Permits	993	1,075	1,397	1,455
Home Price Appreciation	3.3%	4.8%	7.7%	14.6%
Sales Volume (in millions)	\$1,721	\$1,884	\$2,218	\$2,616
Average Price	\$165,780	\$174,032	\$193,001	\$215,276

FORECAST

2022 2023

43,100 44,930
6,310 6,255
12.3% 5.4%

41,940 44,290
6,295 6,185
13.8% 6.5%

1,470 1,480
275 265
12.3% 4.8%

2,030 1,980
275 285
9.3% 4.2%

3,410 3,390
435 425
9.7% 3.3%

11,560 11,640
1,530 1,570
12.9% 4.7%

SOURCES:

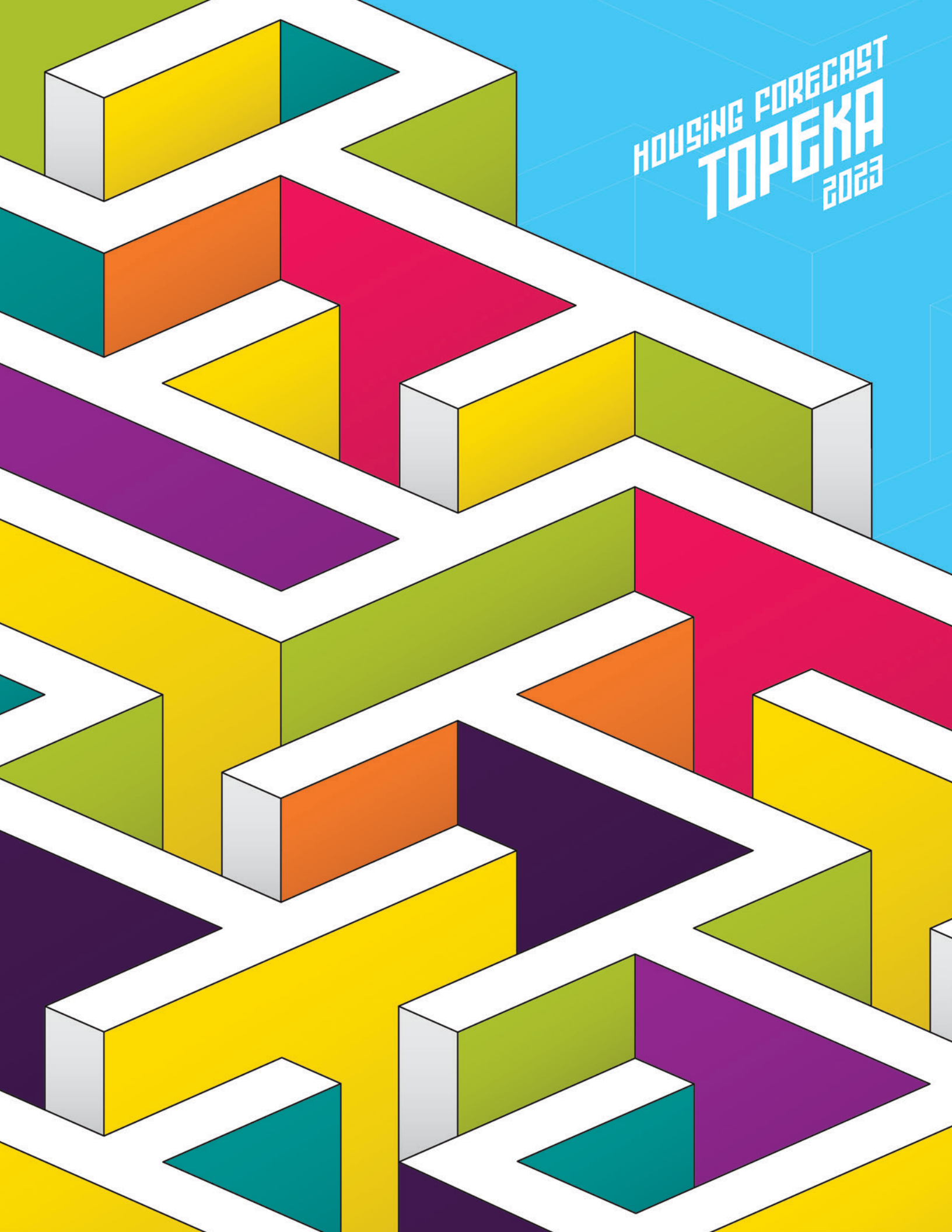
Federal Housing Finance Agency; Flint Hills Association of REALTORS®; Heartland Multiple Listing Service; Kansas Association of REALTORS® and participating multiple listing services across Kansas; Lawrence Multiple Listing Service; South Central Kansas Multiple Listing Service; Sunflower Association of REALTORS®; U.S. Bureau of the Census; Wichita Area Builders Association; WSU Center for Real Estate

NOTES:

Total home sales, average price and sales volume figures include both existing and new home sales. Building permits reflect single-family residential building permits. Home price appreciation figures are the year-over-year percentage change in the Federal Housing Finance Agency all-transactions house price index, as measured using 4th quarter values. Kansas City figures include transactions from both Kansas and Missouri.

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HOUSING FORECAST
ТОРІКА
2023



CENTER FOR REAL ESTATE:

The Center for Real Estate was created to help deepen the connections between the region's professional real estate community and the academic programs at Wichita State University.

Whether you need to better understand the area's real estate markets or would like to engage our students as interns or full-time employees, the WSU Center for Real Estate is your go-to resource.

KEEP IN TOUCH WITH US ONLINE

WEB: WICHITA.EDU/REALESTATE
FACEBOOK: [WSUREALESTATE](https://www.facebook.com/WSUREALESTATE)
TWITTER: [@WSUREALESTATE](https://twitter.com/WSUREALESTATE)
YOUTUBE.COM/WSUREALESTATE



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KANSAS CCIM CHAPTER
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We Protect Property Rights. Security 1st Title offers licensed and trained professionals to assist you with your local and national title and closing needs. Our local, experienced staff delivers exceptional service to the protect property rights of homeowners and lenders. Our team has extensive knowledge and experience in handling residential, commercial, new construction, refinance and relocation transactions. Find us online at www.security1st.com to contact our local office for more details on how we can assist you.



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For more than 125 years, Capitol Federal® has remained steadfast in its corporate philosophy of Safety in Savings, Sound Lending Policies, Quality Customer Service, and Commitment to Community. Capitol Federal is a leader in residential lending in Kansas and Missouri and boasts more than \$9 billion in assets. In addition to single-family residential lending, the Bank offers commercial loans, Small Business Loans and business banking services. Capitol Federal offers a variety of retail deposit accounts, including checking, savings, money market, IRA and certificates of deposit, as well as trust services. The Bank has a branch network that extends across the state of Kansas and into Missouri. Visit capfed.com to learn more about Capitol Federal.



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